

Major Market Snapshot

Curious what we're seeing in other markets? The following snapshot provides a unique inside view, as Transwestern Agency Leasing brokers from across the country share their select insights, observed in each of their markets over the past few months. The most noted trend is the deferral of major real estate decisions by tenants. Companies face an uncertain economy and struggle to balance the immediate need for social distancing with unknown long-term design and investment options to attract and retain talent. This manifests, in some cases, in last minute searches, short term leases and extensions, and an increased demand for furnished spec suites, sublease space and second generation spaces.



Questions?
Contact [Sara Maffey](#)
for more information.

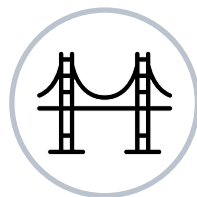
MAJOR MARKET SNAPSHOT

Many tenants in the below markets are seeking short-term leases to defer major real estate decisions.



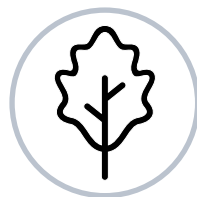
Atlanta

Atlanta is open, yet the return to the workplace has been slow. Tenants are seeking shorter leases and extensions, as well as flexible TI and abatement. Property management and janitorial are now major topics of discussion. Existing tenants are working to allow for social distancing and alternative locations for employees to work. Investors are increasing the hold period on their existing portfolio and refinancing assets.



The Bay Area

The Bay Area remains subject to Shelter-In-Place. Tenants with upcoming lease expirations will account for most of the near-term activity. Most developers are looking for a substantial pre-leasing commitment before breaking ground. In the San Francisco CBD, we anticipate approximately 1.5 million SF of sublease space to become available which represents 1.6% of the total office inventory.



New Jersey

New Jersey has been heavily impacted by COVID-19. Surprised by at-home productivity levels, companies are now looking for less space. NYC firms are seeking short-term satellite offices in NJ that are stand-alone, in single tenant buildings with no shared common areas. NJ locations also allow workers to avoid using mass transit and commuting into the city.



New York

In NYC, there are little to no tours happening in person, though we've seen a higher demand for virtual tours. Landlords are also doing more on concessions - offering more free rent up front and higher TI packages. Rates have only decreased with negotiation by about 5-15% depending on location and asset class since the pandemic began.

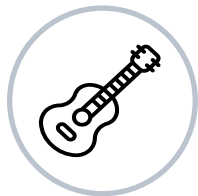


San Antonio

San Antonio is returning to the workplace slowly. Tenants are seeking short-term leases or 1-2 year renewals to delay major real estate decisions. Many sole proprietors are downsizing. While tenants expect a "COVID-19 discount," landlords are not feeling pressure to lower rates. In person tours are taking longer than before the pandemic, either from an abundance of caution or the novelty of leaving the house.

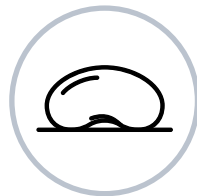
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Spec suites and move-in ready spaces are in high demand in these markets.



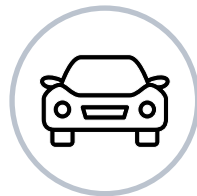
Austin

Employers continue to encourage remote work. Required term lengths are 1 to 3 years, as tenants are reluctant to make long-term decisions. Challenges have emerged around dependency on elevators. Furnished, move-in ready space is in demand, especially in amenity-rich locations, as tenants wait to the last minute to make real estate decisions. We have not experienced a major shift to the suburbs or pressure to lower rates.



Chicago

Chicago is slowly returning to work. There is an increased demand for touchless technology throughout the work environment. Access to parking, bike shares, and Zoom rooms are trending. Existing conditions, shorter lease terms, and turnkey delivery are priorities. Sublease availability has increased and we anticipate it will continue to over the next several quarters.



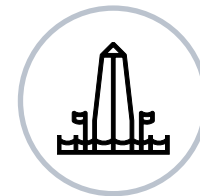
Michigan

In Michigan, there is very limited leasing activity. Existing tenants are asking for rent abatement because of the state ordinance and landlords are generally offering deferment in exchange for short extensions. Construction that is underway has been stalled, which is allowing tenants to reconsider and modify plans to allow for social distancing flexibility.



The Twin Cities

Tenants with upcoming expirations are seeking one year as-is extensions for current or higher rent. Buildings have 10-15% of their population returning, so landlords are virtually connecting with tenants. Landlords are seeking to build prebuilt space to control TI costs. This has been well received, as tenants looking to relocate are seeking spec suites or fully-furnished space on a 2-5 year term.

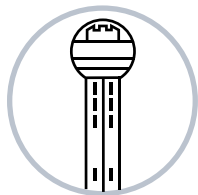


District of Columbia

In Washington, D.C., larger tenants who were looking for space before the pandemic have begun to resurface. Smaller tenants are touring both virtually and in person where possible, though conversations progress slowly. Virtual tours have become a new normal and a way to keep deals moving while we remain closed.

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These markets have seen an increased demand for lease concessions and incentives.



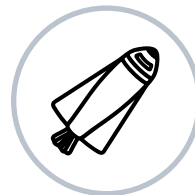
Dallas

Dallas is open and slowly returning to touring in person. Tenants are looking for short-term renewals of two years or less and no concessions. Tenants entering longer leases are seeking flexible free rent and the ability to use TI over longer periods of time due to uncertainty over design and investments needed long-term. Landlords are paying increased attention to demand for spec suites. Finally, if an owner was looking at selling before the pandemic, they are now looking at having to hold the asset for two or more years before taking it to market.



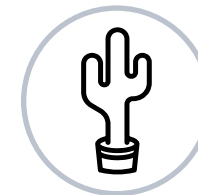
Denver

Denver has been open, but office utilization is still low at roughly 10%. Most of the new requirements have imminent timing of less than three or four months, which isn't enough time to design, permit and build, so spec and second generation space is in demand. Most activity is seeking short-term deals and plug-n-play/furnished space. We anticipate big blocks of sublease space becoming available in the urban core. Landlords are starting to feel the pressure and concessions like free rent, parking, and storage costs have nearly doubled.



Houston

With the reduction in energy prices, energy companies are laying off employees, reducing their footprints or closing offices. Since energy is only 30% of the local economy, other industries are taking advantage of the soft market and moving forward on decisions. Workers are slowly returning, so traffic is at an all-time low. Tenants are seeking short-term extensions to delay real estate decisions. Many landlords are offering high concession packages to boost occupancy.



Phoenix

The Phoenix metro is seeing a fair amount of out-of-state office interest in the market. This interest is primarily expansion outside of CA, CO, and WA. The city may also become an alternative investment to CA. Smaller tenants are seeking short-term extensions to delay real estate decisions. Those that are relocating are looking for less space and at spec and second generation space that does not require the time or capital to fit out. Larger tenants are asking for more, including rights to terminate, give back rights and additional TI for enhanced safety protocols.