



— SIOR — SNAPSHOT SENTIMENT REPORT

FOURTH QUARTER 2021

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SUMMARY

At the start of 2021, many were optimistic about an end-of-year rebound. And then the fourth quarter arrived, and with it came Omicron, supply-chain disruptions, and skyrocketing prices. The great return-to-work was postponed yet again. Brokers continued to scramble to secure amenity-rich properties and any available land and development opportunities they could find. Given this was not unfamiliar territory, both office and industrial sectors were determined to make the most of a difficult situation. As a result, in Q4 2021, SIORs outlook on the foreseeable future state of the commercial real estate industry remained mostly positive. There is still a great divide however, between the level of optimism industrial and office brokers hold, but both sectors are beginning to have some similar trends.

“Make hay while the sun shines,” is a sentiment shared by many industrial SIORs. And if you are a developer or landlord, the sun certainly is shining. Vacancy remains at an all-time low, causing record breaking asking rents, and great seller and landlord conditions.

Office brokers are also seeing a decline in vacancy, with the lowest numbers since the beginning of the pandemic. Asking rents are also higher, as SIORs tell us that good space, retrofitted for health and safety, as well as concessions to lure in tenants and employees, are going fast.

Below are highlights from SIOR’s report on the current state of the industry:

- **Combined confidence** for industrial and office improved at the end of 2021, with a 7.7 average level of confidence (out of 10). This is the highest overall confidence reported since Q2 2020.
 - » Industrial market confidence also reached its highest level, rising to 8.2 in Q4 2021.
 - » Office regained some of the confidence lost in Q3, increasing from 6.2 to 6.4, making it the second highest confidence level since the start of the pandemic.
- The status of **transactions** remained mostly unchanged this past quarter, with SIORs reporting 81% of deals staying on schedule (a 1% dip from Q3). On-hold transactions held steady at 12%, and cancelled transactions increased from 6% to 7%.
 - » Despite a lack of inventory, on-schedule industrial transactions continued to improve, with 87% moving forward in Q4 2021. On-hold industrial transactions held at 9%, and cancelled transactions dipped to its lowest since the start of the pandemic, with only 4% not moving forward.
 - » The office sector had a slight setback in its recovery, reversing its improvements seen in the last quarter. On-schedule transactions dipped from 75% in Q3 to 69% in Q4; cancelled transactions increased from 8% last quarter to 12% at the end of the year, and on-hold transactions rose slightly to 19%.
- Overall, **economic conditions** have continued to positively impact performance in all markets, but not equally for both sectors.
 - » An overall 71% reported a positive impact from local conditions, up from 69% in Q3, which reaches the highest level since the pandemic and also nearly matches conditions reported in Q4 2019. The industrial is responsible for the growth, averaging a positive impact of 82%, up from 79% last quarter. Meanwhile the office sector dipped one percentage point to an average 46% feeling positive about conditions.
 - » There was no change in economic conditions’ impact on national market, which remained steady with an overall 65% feeling positive.
 - » Overall global conditions, however, improved almost 15% since Q3 2021, rising to 55% noting an average positive impact on conditions. The rise is mainly from industrial, which increased to 69% feeling overall positive.
- **Leasing activity** slightly dropped in Q4 2021, with 74% reporting a little or much higher activity. Leasing is still vastly improved compared to a year ago, when only 29% reported higher leasing.
 - » The drop is primarily due to the 4% decrease in industrial activity, which dropped from 85% reporting higher leasing activity in Q3 2021 to 81% in Q4 2021.
 - » 60% of office specialists reported high leasing activity, a slight increase from the previous quarter.
- Overall **asking rents** rose 11% in Q4, with 83% reporting higher asking rents. This brings asking rents closer to pre-pandemic levels (87% in Q4 2019).

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- » Increasing again in Q4, nearly all of industrial specialists, a staggering 96%, reported higher asking rents.
 - » Office rents are also increasing, with 48% reporting higher asking rents, a 55% increase from Q3 2021.
 - Available **vacancy** has hit its lowest levels in years, with 73% reporting low available vacancy (a change from 68% in Q3 2021). Not since Q2 2018, (when it was 74%) were these levels seen. Only 14% report high vacancy, down from 19% in Q3 2021.
 - » Industrial's lack of space became scarcer still this past quarter, with 88% noting low vacancy, a 4% jump from Q3 2021.
 - » The office sector also saw less vacancy, with 35% reporting low vacancy, compared to 31% last quarter.
 - Both industrial and office brokers reported the following **subleasing space** conditions:
 - » 89% of industrial specialists report limited subleasing space.
 - » Office subleasing space saw a decline in availability, with 17% reporting little to no subleasing space, a 70% decrease in space from Q3 2021.
 - While vacancy keeps diminishing, combined sentiment for office and industrial **development conditions** continue to thrive.
 - » Industrial is seeing the most development, with 80% reporting heavy development, up from 74% last quarter.
 - » Office brokers are also seeing improvements, with a 52% increase from last quarter, as 41% report average or booming development conditions, up from 27% in Q3 2021.
 - **Site acquisition conditions** continued improving once again this past quarter, with 85% of SIORs reporting that prices are rapidly increasing, causing a strong seller's market. This is a 6% increase from last quarter, and the highest report of price increases in five years.
 - » Nearly all industrial survey respondents reported that sellers hold the upper hand, with 97% noting increased prices and a seller's market. This is up from 91% last quarter.
 - » There was a slight decline in the number of office specialists who claimed it was a seller's market (53%, down from 56%).
 - There remains a divide between industrial and office sectors in regard to **tenant concessions**.
 - » 87% of industrial specialists thought the market favored landlords, up from 85% in Q3 2021. Only 2% felt it was a tenant market.
 - » Meanwhile, 60% of office specialists reported deep discounts and a favorable tenant market. 21% felt it was a landlord's market.
 - 62% of SIORs reported **investment pricing conditions**, are well above costs and that it is a profitable time to build. This is the highest level of pricing conditions we've seen reported in the last five years. This was also a nearly 13% increase from Q3 2021.
 - » 71% of industrial specialists felt it was profitable to build, up from 64% in Q3.
 - » 39% of office specialists felt it was profitable to build, up from 32% last quarter.

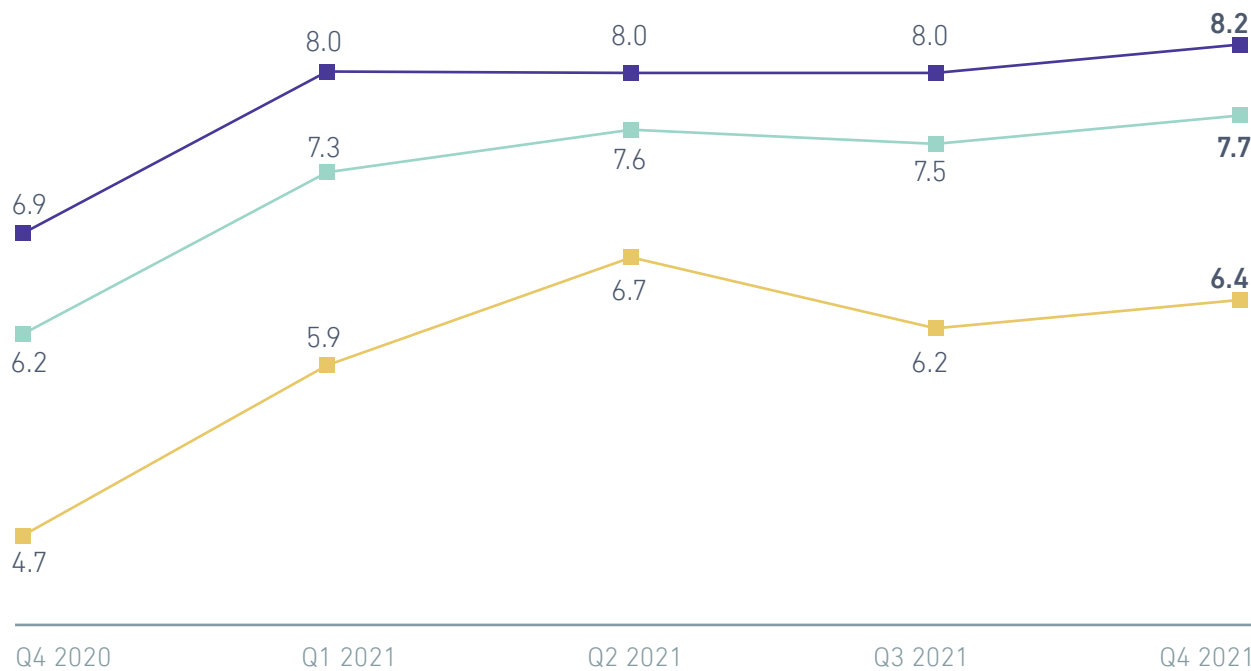
** Previous CREI survey data did not include global SIOR responses. SIOR began tracking global data beginning in Q4 2020. In addition to combining the sentiment survey and CREI survey, beginning in the Q4 2020 report, several survey questions were also reformatted and streamlined to enhance the user experience, which should not change the response outcome, but must be noted.*

AVERAGE LEVEL OF CONFIDENCE

Average level of market confidence on a 10-point scale.

KEY

● Office Confidence ● Industrial Confidence ● Overall Confidence



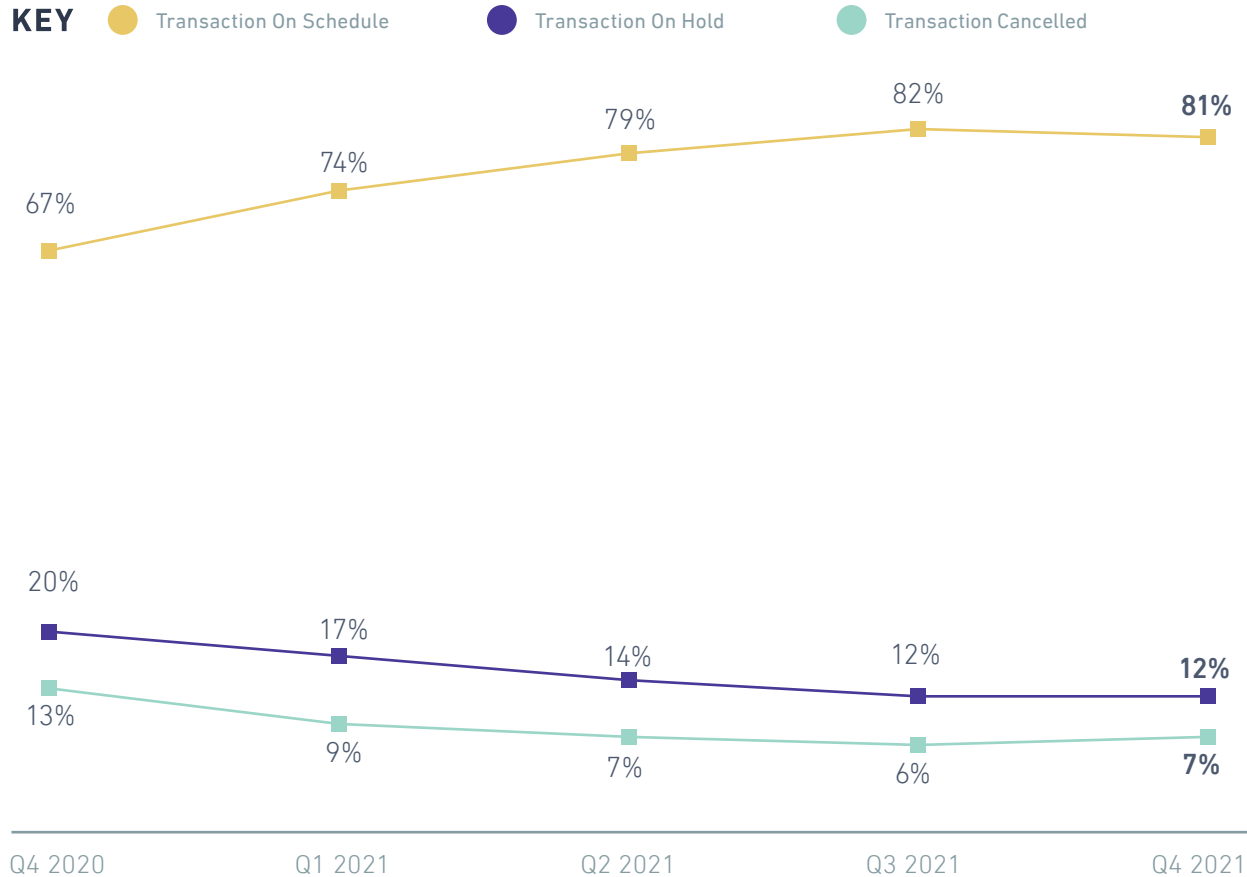
FROM THE EXPERTS

“We are hoping to see the market in full swing by July 2022 or by October 2022.”

- Office Specialist
India

STATUS OF IN-PROGRESS TRANSACTIONS

Average percent of the status of all respondents' in-progress transactions.



Totals may not equal 100% due to rounding or not applicable responses.

FROM THE EXPERTS

“Every transaction is moving faster than ever before. Make a deal when you have the opportunity, or risk losing the deal.”

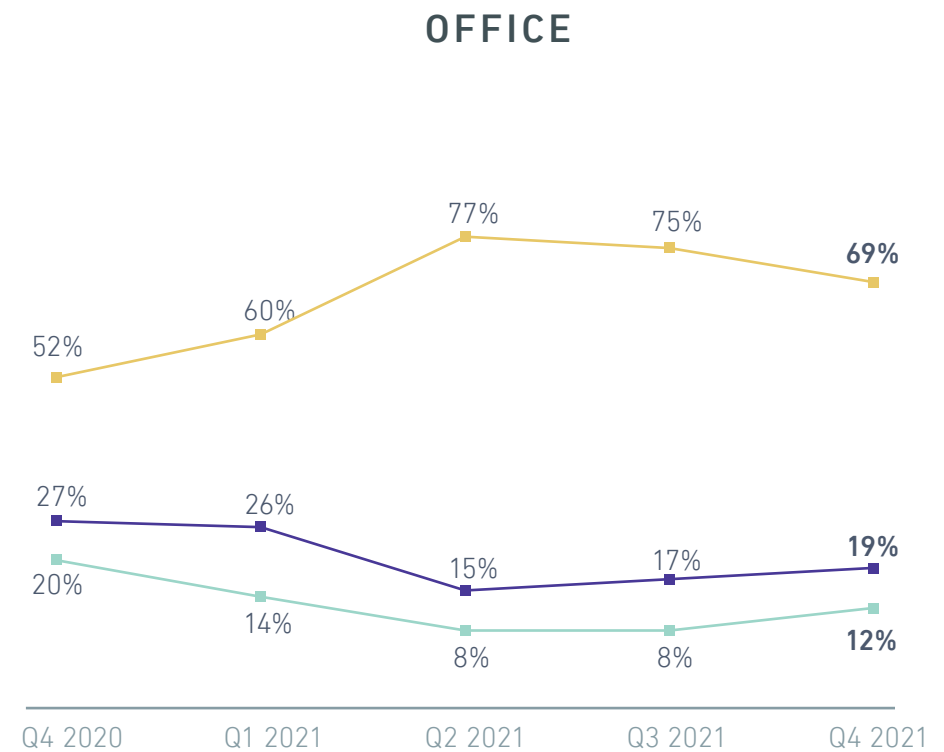
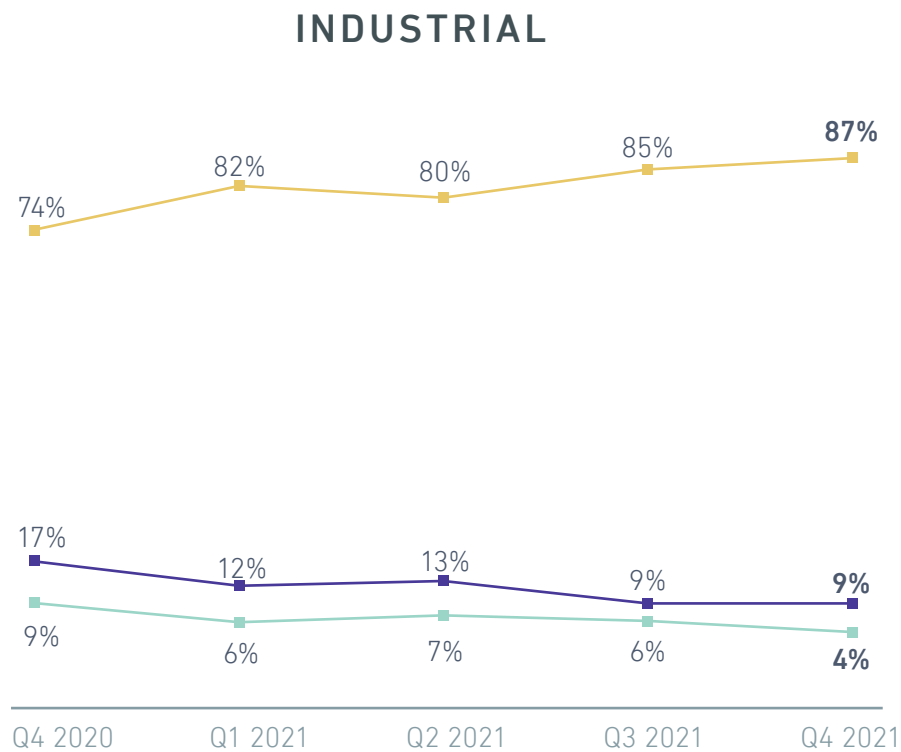
- Industrial Specialist
SIOR Ohio Chapter



STATUS OF IN-PROGRESS TRANSACTIONS - INDUSTRIAL VS. OFFICE

Average percentage of current transactions by sector.

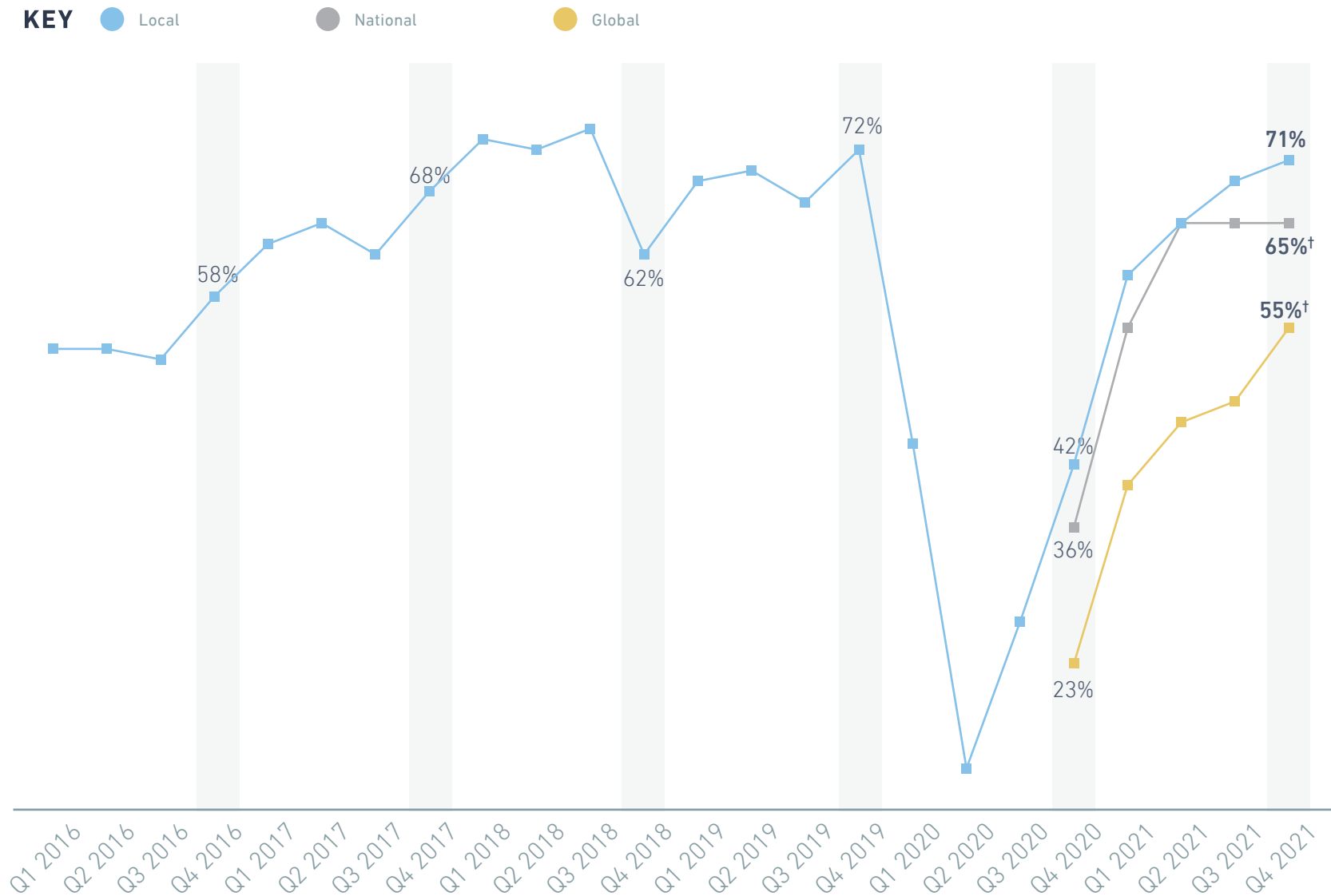
KEY ● Transaction On Schedule ● Transaction On Hold ● Transaction Cancelled



Totals may not equal 100% due to rounding or not applicable responses.

POSITIVE ECONOMIC IMPACTS ON MARKET CONDITIONS

Cumulative reporting of the positive economic conditions on all respondents' current market performance*



*Positive conditions reflect the combined average of moderately positive and significantly positive responses in the survey results.

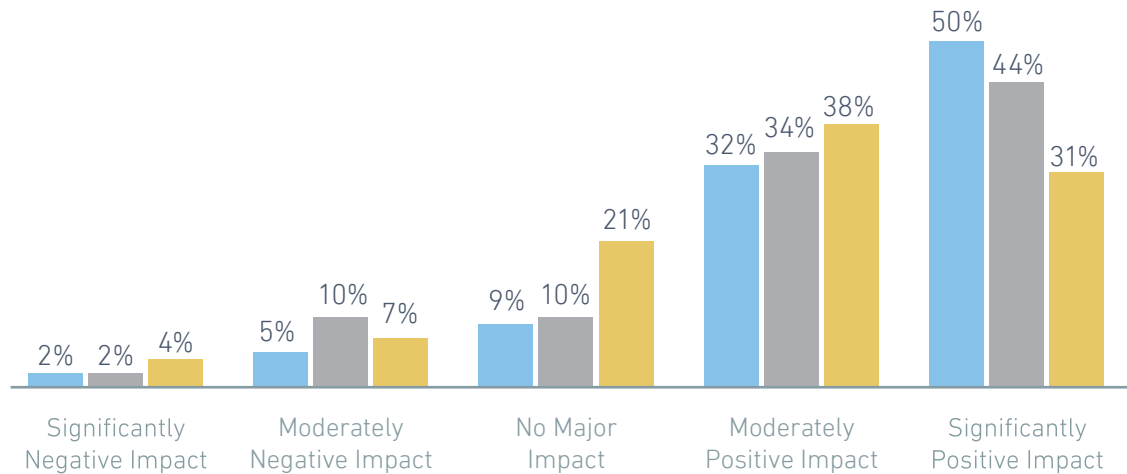
† Collection of National and Global data began Q4 2020. No prior data exists for these metrics.

ECONOMIC IMPACTS ON MARKET CONDITIONS

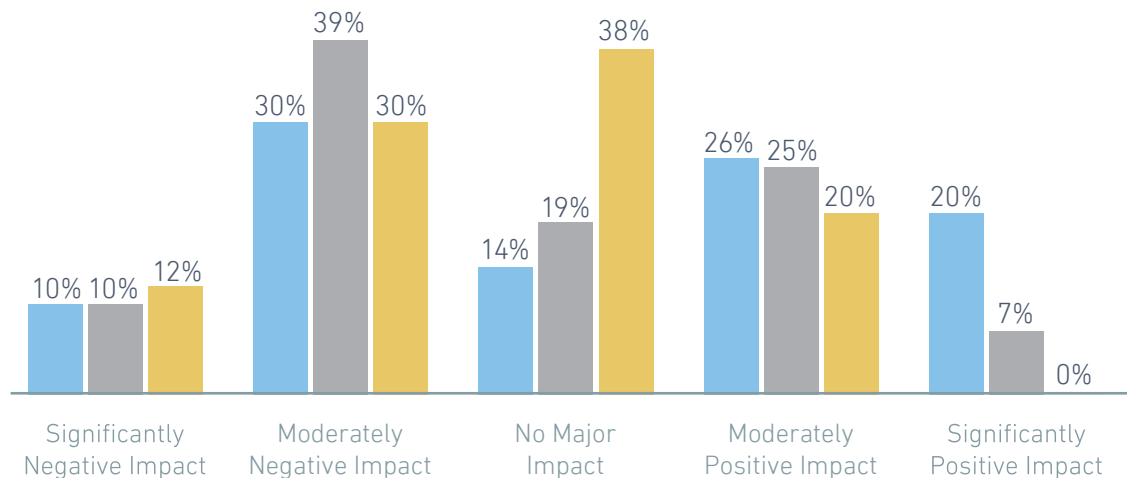
Average percent of economic conditions on all respondents' current market performance

KEY ● Local ● National ● Global

INDUSTRIAL



OFFICE



Totals may not equal 100% due to rounding or not applicable responses.

FROM THE EXPERTS

“There is a high barrier to entry so supply has not been able to keep up with demand. I am concerned about how inflation and rate hikes will effect the market.”

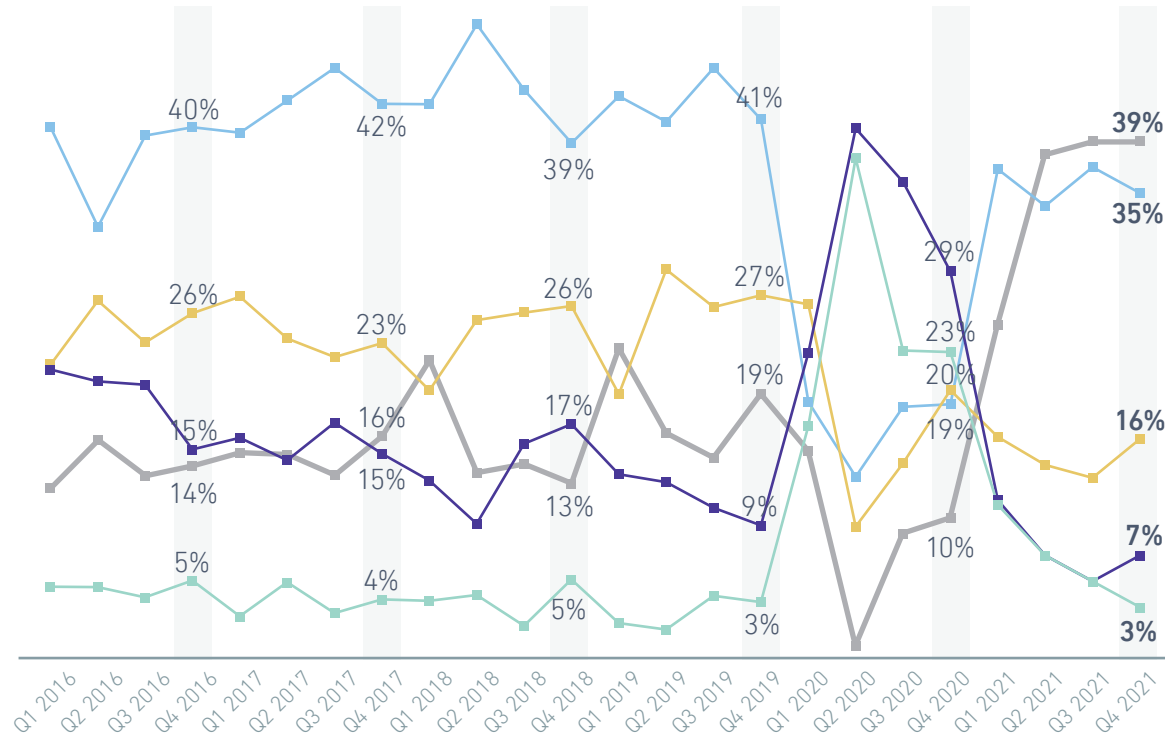
- Industrial Specialist
SIOR New Jersey Chapter

QUARTERLY LEASING ACTIVITY

Data reflects percentage of ratings for leasing activity per quarter.

KEY

● Much Lower
 ● A Little Lower
 ● About the Same as Previous Year
 ● A Little Higher
 ● Much Higher



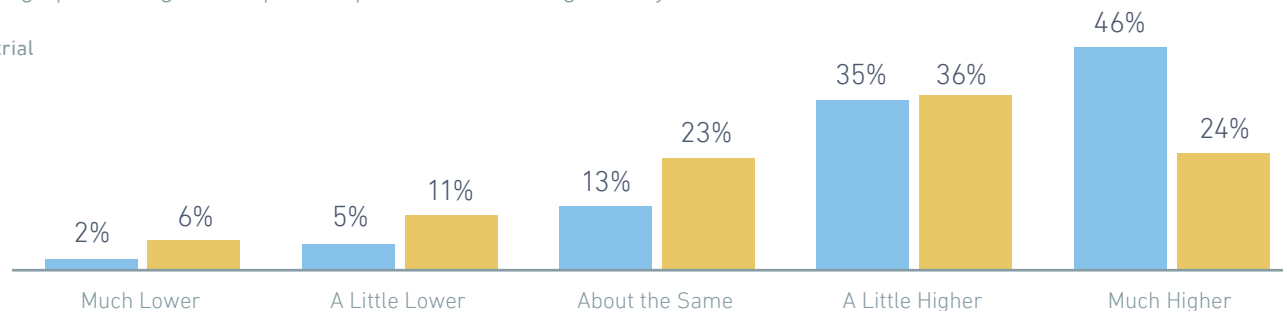
Totals may not equal 100% due to rounding or not applicable responses.

Q4 2021 CURRENT LEASING ACTIVITY - INDUSTRIAL VS. OFFICE

Data reflects average percentage of responses per level of leasing activity in each sector.

KEY

● Industrial
 ● Office



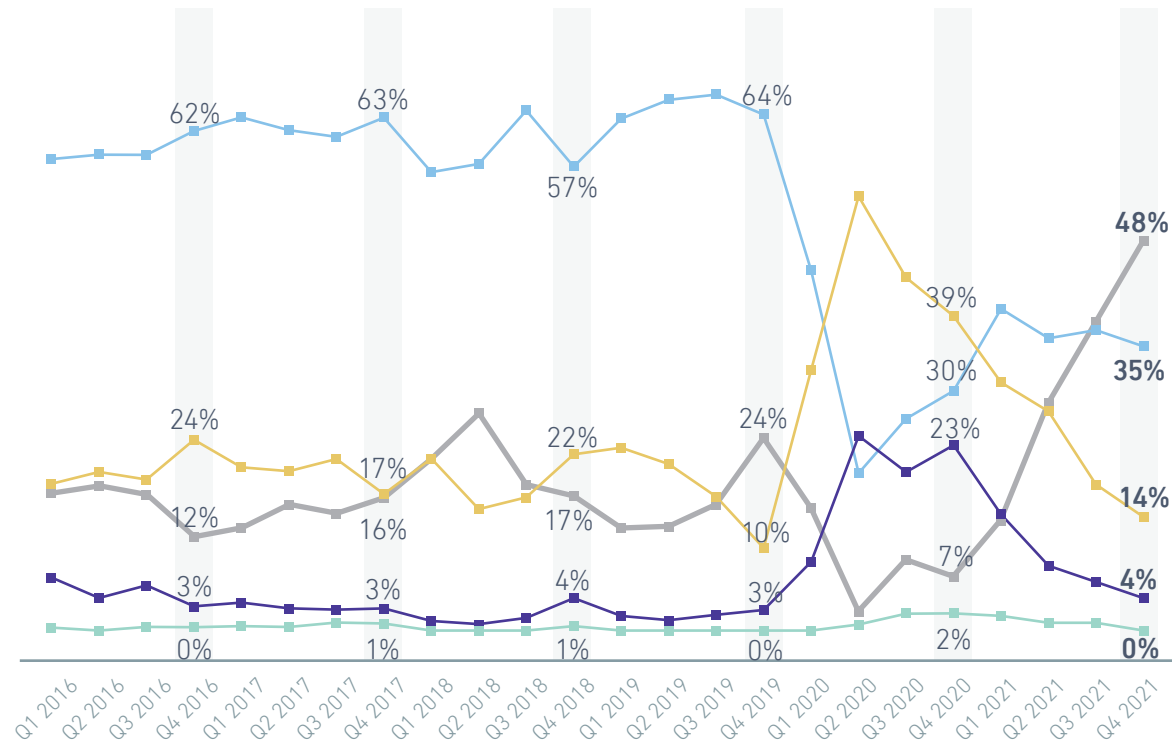
Totals may not equal 100% due to rounding or not applicable responses.

QUARTERLY ASKING RENTS

Data reflects percentage of ratings for asking rents per quarter.

KEY

■ Much Lower
 ■ A Little Lower
 ■ About the Same as Previous Year
 ■ A Little Higher
 ■ Much Higher



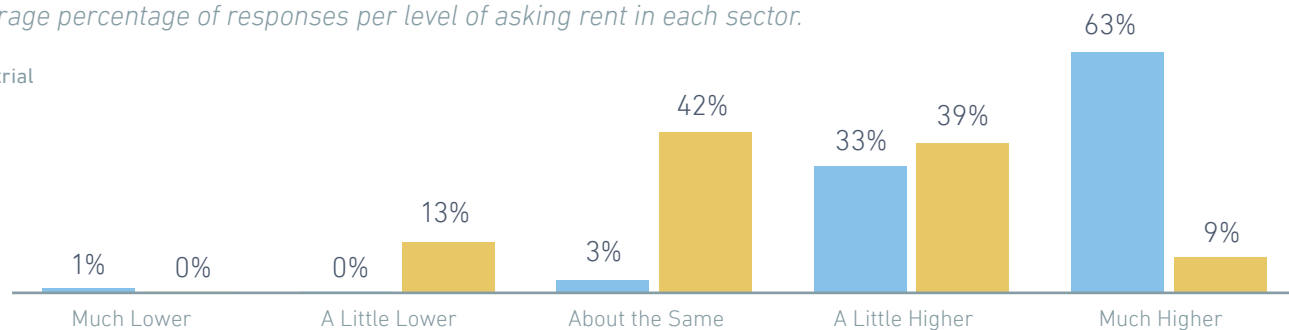
Totals may not equal 100% due to rounding or not applicable responses.

Q4 2021 CURRENT ASKING RENTS - INDUSTRIAL VS. OFFICE

Data reflects average percentage of responses per level of asking rent in each sector.

KEY

■ Industrial
 ■ Office



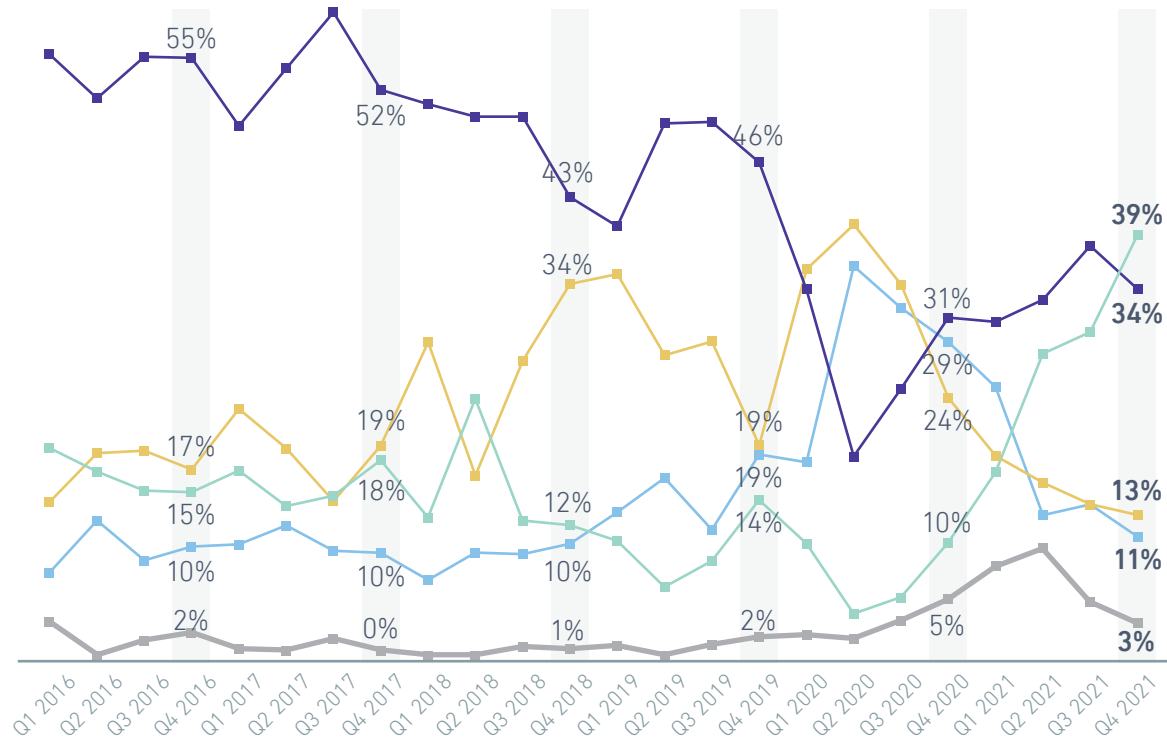
Totals may not equal 100% due to rounding or not applicable responses.

QUARTERLY VACANCY CONDITIONS

Data reflects percentage of ratings for current vacancy per quarter.

KEY

● Much Lower
 ● A Little Lower
 ● About the Same as Previous Year
 ● A Little Higher
 ● Much Higher



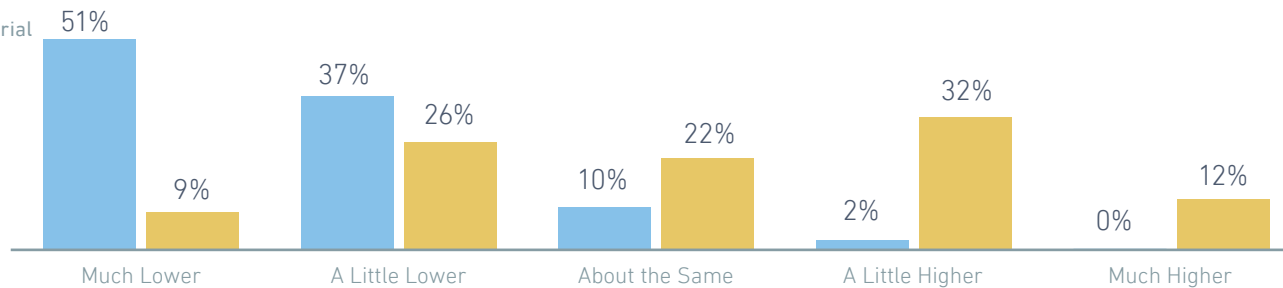
Totals may not equal 100% due to rounding or not applicable responses.

Q4 2021 CURRENT VACANCY CONDITIONS - INDUSTRIAL VS. OFFICE

Data reflects average percentage of responses per level of vacancy in each sector.

KEY

● Industrial
 ● Office

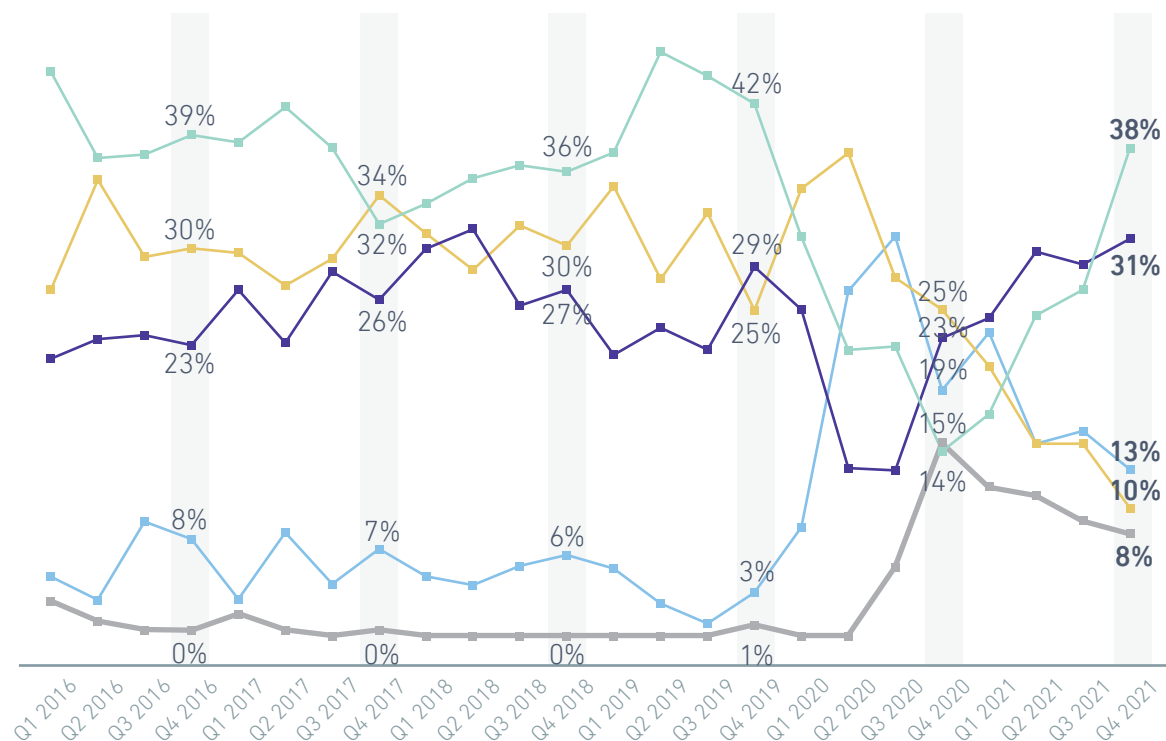


Totals may not equal 100% due to rounding or not applicable responses.

QUARTERLY SUBLEASING CONDITIONS

Data reflects percentage of ratings for amount of subleasing space per quarter.

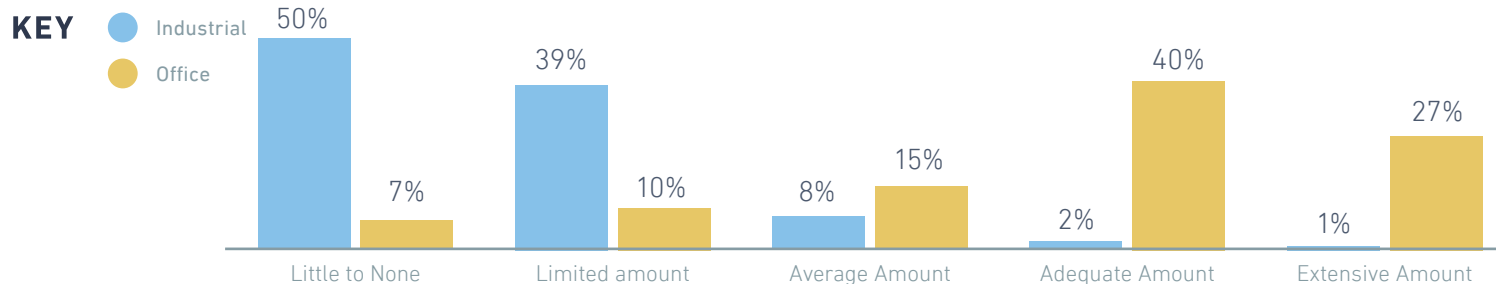
KEY ● Little to no subleasing space ● Limited amount of subleasing space ● Average amount of subleasing space ● Adequate amount of subleasing space ● Extensive amount of subleasing space



Totals may not equal 100% due to rounding or not applicable responses.

Q4 2021 SUBLEASING CONDITIONS - INDUSTRIAL VS. OFFICE

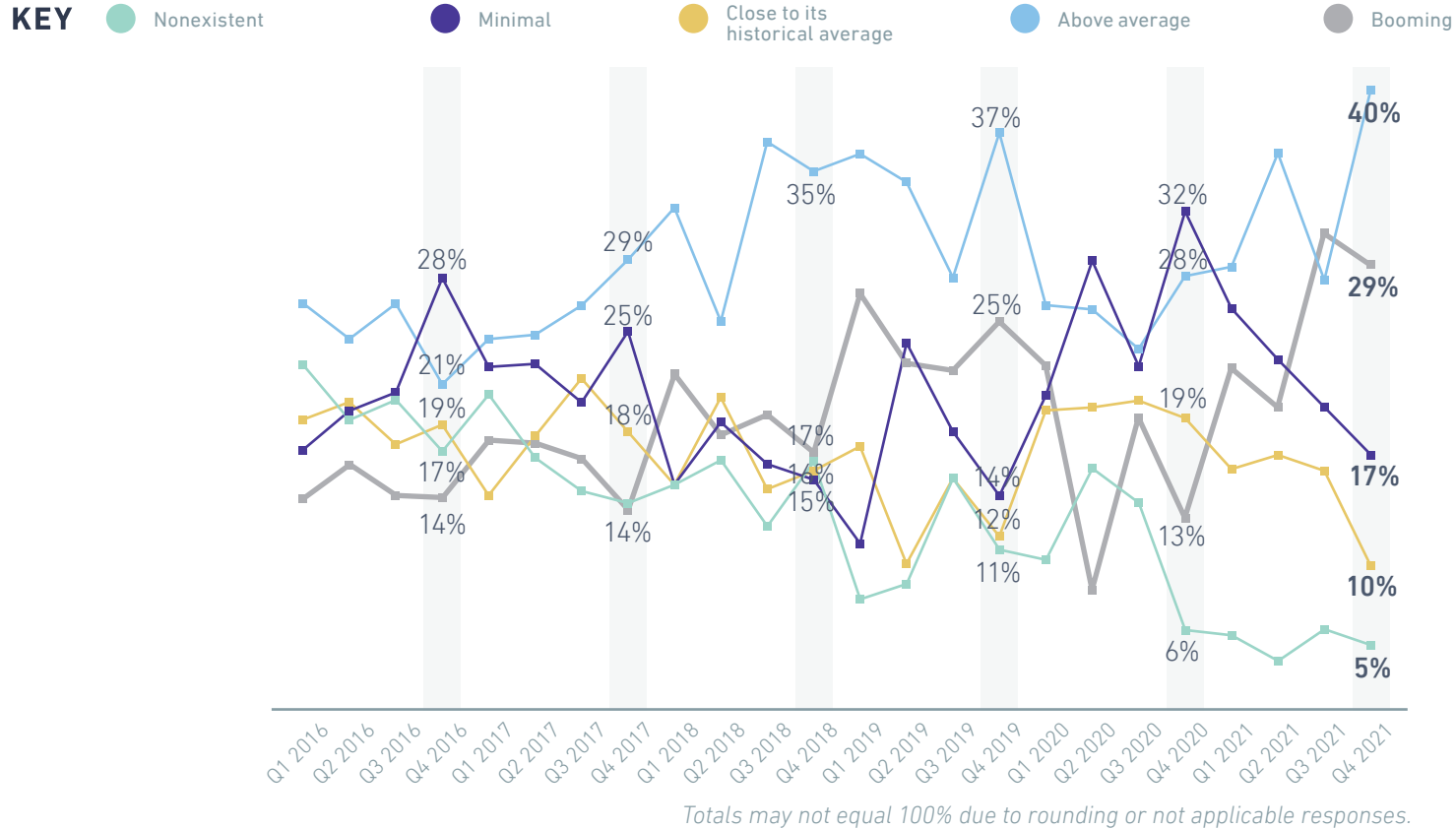
Data reflects average percentage of responses per level of subleasing space in each sector.



Totals may not equal 100% due to rounding or not applicable responses.

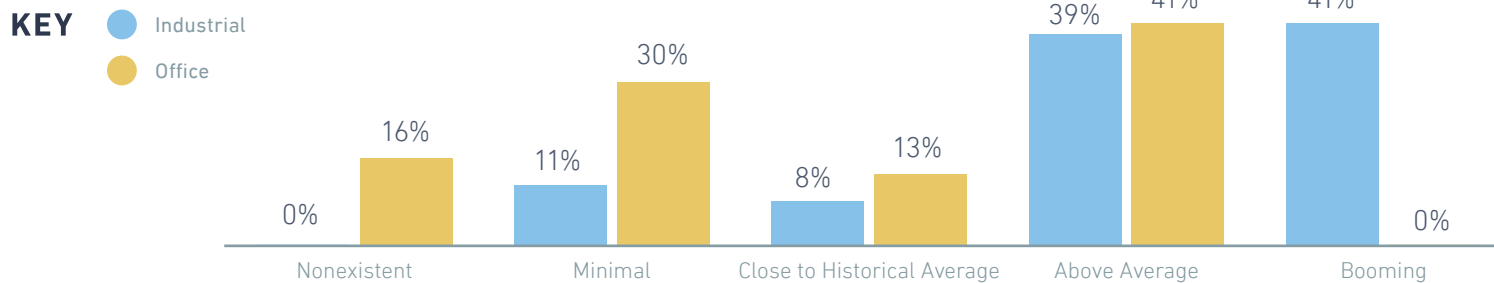
QUARTERLY DEVELOPMENT CONDITIONS

Data reflects percentage of ratings for development conditions per quarter.



Q4 2021 DEVELOPMENT CONDITIONS - INDUSTRIAL VS. OFFICE

Data reflects average percentage of responses per level of development condition in each sector.

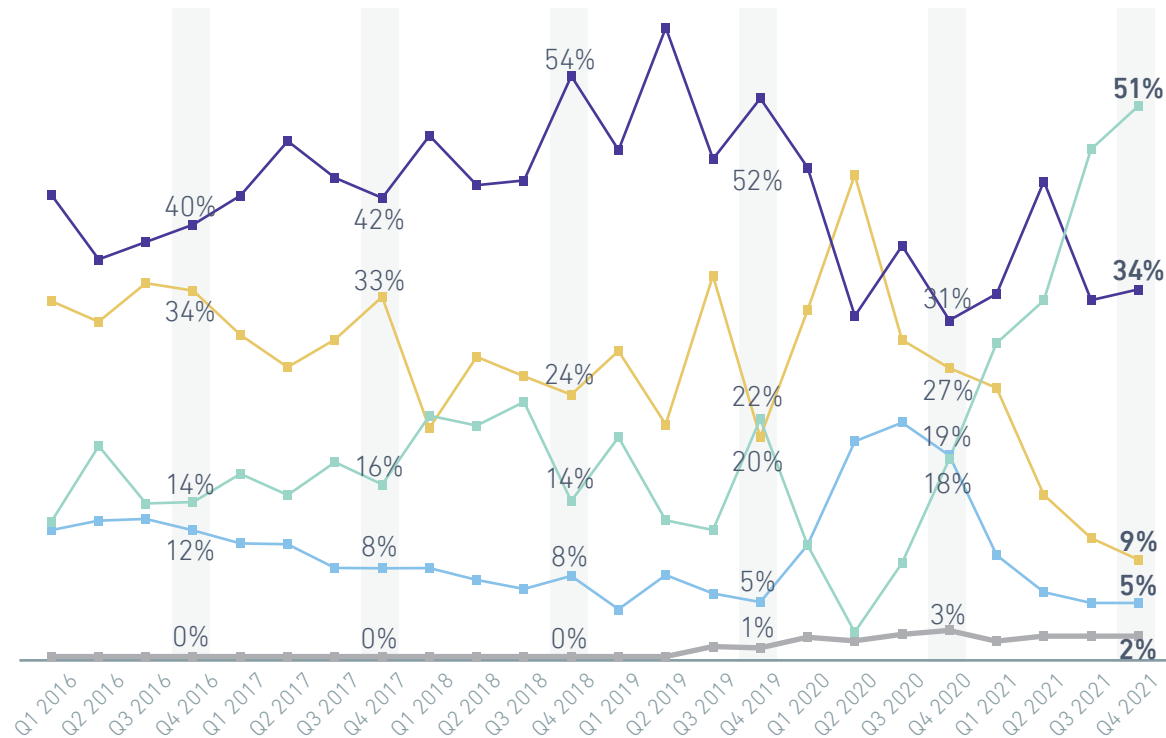


QUARTERLY SITE ACQUISITION CONDITIONS

Data reflects percentage of ratings for site acquisition per quarter.

KEY

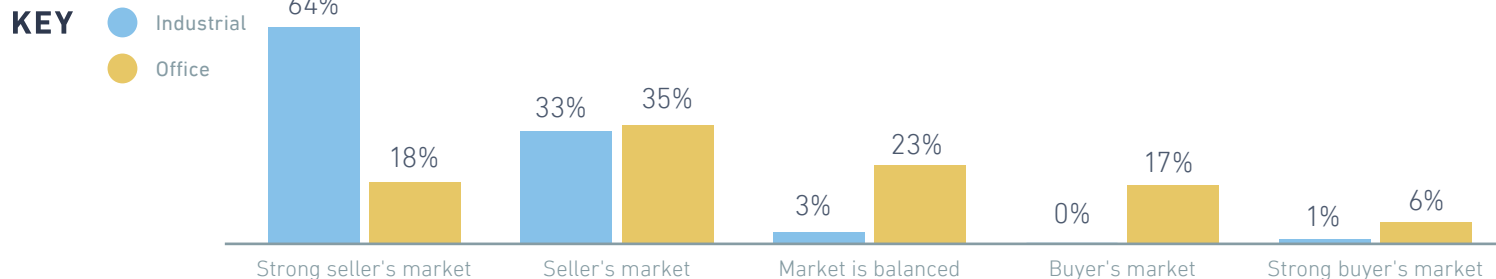
- Strong seller's market, prices increasing rapidly.
- Seller's market, prices rising at a steady pace.
- Market is balanced, with prices stable to slightly rising.
- Buyer's market, but prices are stable at present.
- Strong buyer's market and prices are low and falling.



Totals may not equal 100% due to rounding or not applicable responses.

Q4 2021 SITE ACQUISITION CONDITIONS - INDUSTRIAL VS. OFFICE

Data reflects average percentage of responses per level of site acquisition condition in each sector.



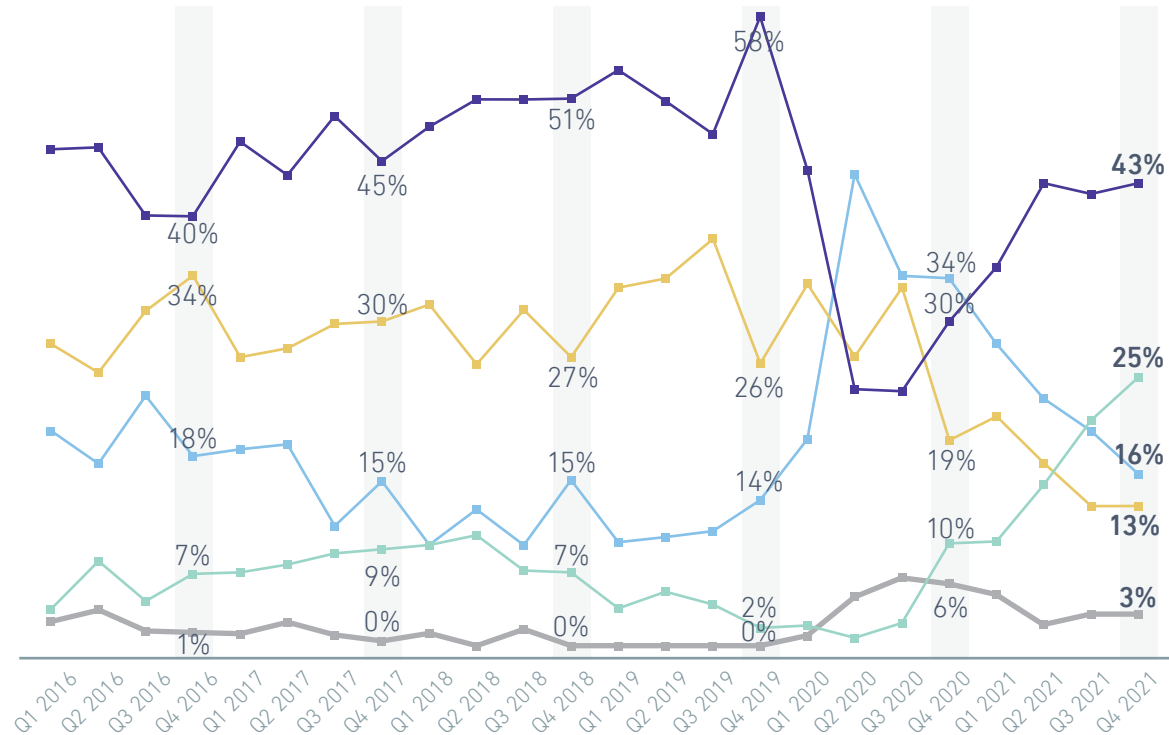
Totals may not equal 100% due to rounding or not applicable responses.

QUARTERLY TENANT CONCESSIONS

Data reflects percentage of ratings for tenant concessions per quarter.

KEY

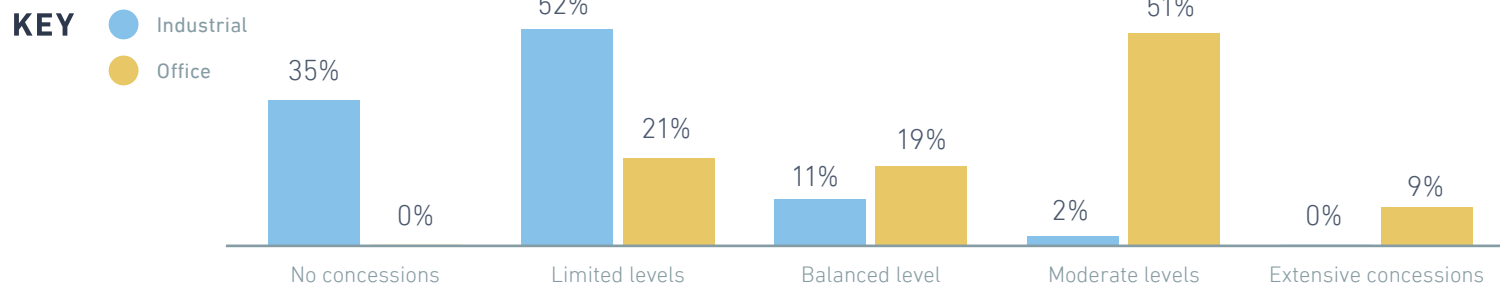
- No concessions are available as the landlords have strong bargaining power.
- Limited levels of concessions, with the market slightly favoring the landlord
- Balanced level of concessions, with no bargaining advantage for landlord or tenant
- Moderate levels of concessions, and the market favors tenants
- Extensive concessions, with deep discounts on asking rents, substantially favoring tenants



Totals may not equal 100% due to rounding or not applicable responses.

Q4 2021 TENANT CONCESSIONS - INDUSTRIAL VS. OFFICE

Data reflects average percentage of responses per level of tenant concession in each sector.



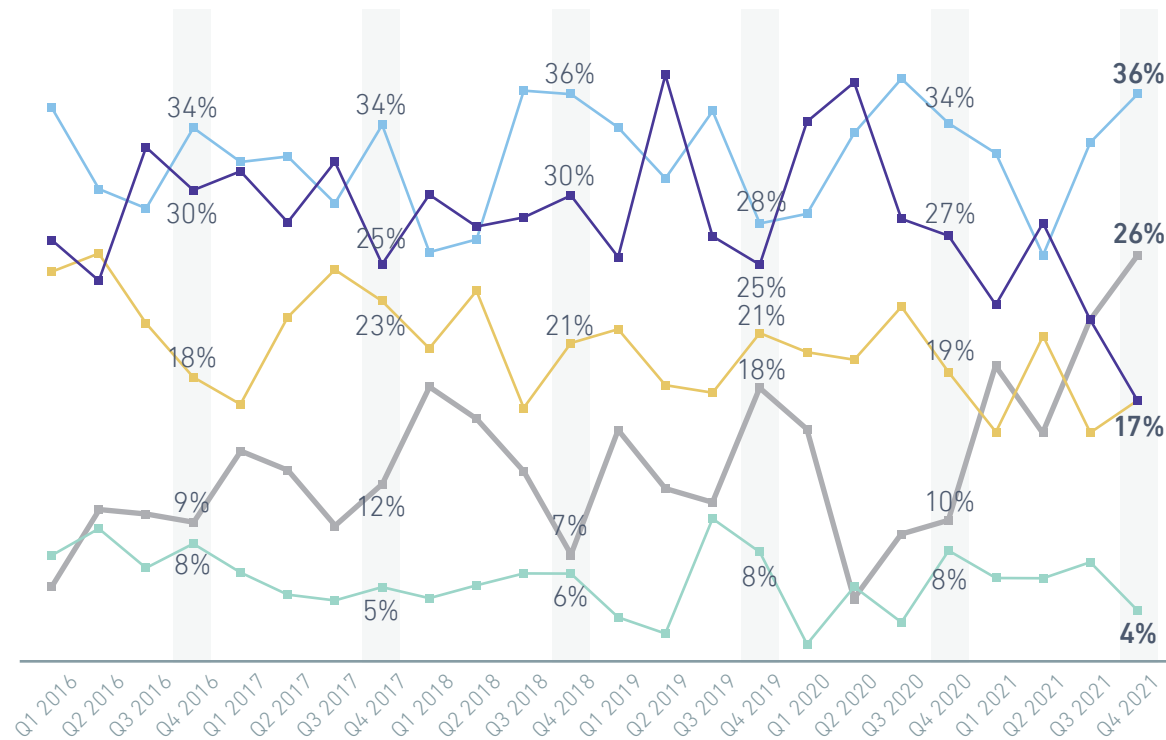
Totals may not equal 100% due to rounding or not applicable responses.

QUARTERLY INVESTMENT PRICING CONDITIONS

Data reflects percentage of ratings for investment pricings per quarter.

KEY

- Substantially below replacement cost.
- Somewhat below replacement cost.
- Approximately at replacement cost.
- Somewhat above cost and it is profitable to build.
- Well above cost and it is extremely profitable to build.



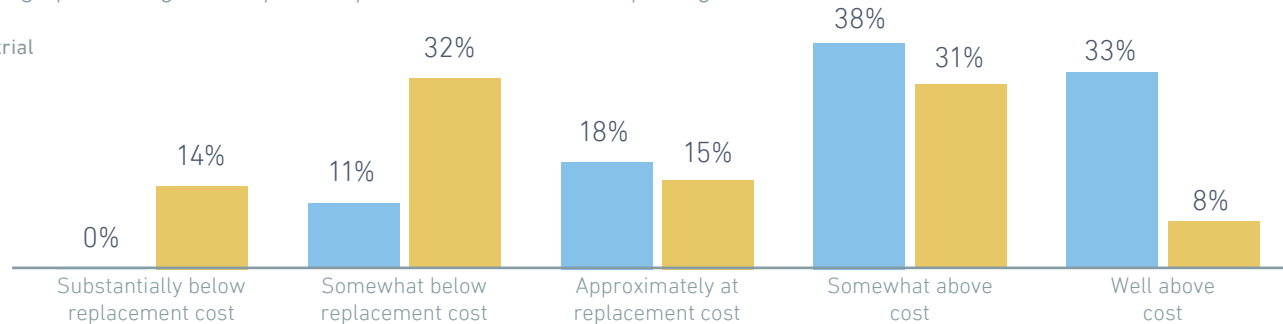
Totals may not equal 100% due to rounding or not applicable responses.

Q4 2021 INVESTMENT PRICING CONDITIONS - INDUSTRIAL VS. OFFICE

Data reflects average percentage of responses per level of investment pricing condition in each sector.

KEY

- Industrial
- Office



Totals may not equal 100% due to rounding or not applicable responses.



REPRESENTATIVE COMMENTS FROM RESPONDENTS

“There is little office available in our market. Space is not in the desirable markets, therefore, good space in a hot market is seeing fast lease up and higher rates.”

- Office Specialist, SIOR Southern Nevada Chapter

“One challenge is representing tenants who are seeing sticker shock as rental rates have escalated 50% in some cases above the rate they were paying.”

- Industrial Specialist, SIOR MD/DC/NVA Chapter

“We will continue to see tenants gravitate towards amenities and new, creative office space. Urban areas will continue to drag while suburban areas will lead in leasing activity.”

- Office Specialist, SIOR Arizona Chapter

“Medical office continues to be relatively robust. Also, smaller spaces are attractive in terms of garnering interest.”

- Member Associate, SIOR Connecticut Chapter

“Spec development and existing flex are red hot.”

- Member Associate, SIOR Carolinas Chapter

“Historically low vacancy. Supply/Demand imbalance is pushing lease and sale prices, while landlords and tenants are bullish in their requirements from use, financials, contingency timelines, etc.”

- Industrial Specialist, SIOR Gtr. Los Angeles Chapter

“Office footprints are shrinking but employers, at the same time, are adding more amenities within their own suites to attract employees back to the office.”

- Office Specialist, SIOR Minnesota Chapter

“Development is currently going on, but land is scarce. Construction costs have been up for the last year and availability is limited. Rents will continue growing during 2022.”

- Industrial Specialist, SIOR Mexico Chapter

REPRESENTATIVE COMMENTS FROM RESPONDENTS

"Make hay while the sun shines."

- Industrial Specialist, SIOR St. Louis Chapter

"Like most brokers in my market, lack of inventory is our greatest challenge in 2022."

- Office Specialist, LA/MS/AL/NW FL Chapter

"With construction costs so high, it is getting difficult to build spec warehouse and lease it at a rates needed to justify the investments."

- Industrial Specialist, SIOR Ohio Chapter

"Providing verifiable safe working conditions (RE: Covid/air etc) is a major consideration for clients and their employees."

- Office Specialist, SIOR Northern California Chapter

"Prices just keep getting higher and higher and there is more new money investing in to industrial."

- Industrial Specialist, SIOR Greater Los Angeles Chapter

"Company executives need to plan for long-term viral outbreaks and be prepared to go back either fully or partially virtual at any point in time. This makes it difficult to predict space needs."

- Office Specialist, SIOR Northern California Chapter

"Industrial investment and owner-user opportunities are being purchased and leased for record rates per square foot with minimal time on market."

- Industrial Specialist, SIOR Indiana/Kentucky Chapter

"COVID is still keeping tenants guessing as to the amount of space they'll need going forward. Will all employees return to the office? Only some employees? Will they need offices or will they hotel or use work stations? It's still very much up in the air."

- Office Specialist, SIOR Florida Chapter

"Warehouse sales and leasing continue at very strong pace, however there's not enough 2nd and 3rd tier office warehousing."

- Industrial Specialist, SIOR Ohio Chapter



APPENDIX

Survey Questions:

1. Indicate the property type (one only) that you will evaluate on this survey form.
 - Industrial
 - Office
2. What effects do each of the below have on your market's performance currently? (Local economic conditions, National economic conditions, and Global economic conditions)
 - Significant negative impact, with serious handicaps on the market
 - Moderately negative impact, slowing the market somewhat
 - No major impact, neither impeding nor stimulating the market to any degree
 - Moderately positive impact, slightly accelerating the market
 - Significantly positive impact, greatly impacting the market
3. What is the status of your transactions from the last quarter (Answers must total 100)?
 - Transactions have been cancelled outright
 - Transactions are on hold
 - Transactions are moving forward on schedule
4. How does each of the following in your market compare with a year ago? (Leasing Activity, Asking Rents, Current Vacancy)
 - Much lower
 - A little lower
 - About the same as last year
 - A little higher
 - Much higher
5. What are subleasing conditions like in your market?
 - Extensive amount of subleasing space
 - Adequate amount of subleasing space
 - Average amount of subleasing space
 - Limited amount of subleasing space
 - Little to no amount of subleasing space
6. What are development conditions like in your market?
 - Nonexistent
 - Minimal
 - Close to its historical average
 - Above average
 - Booming

- 
7. What are acquisition conditions for development in your market?
 - Strong buyer's market - prices are low and falling.
 - Buyer's market, but prices are stable at present
 - Market is balanced, with prices stable to slightly rising
 - Seller's market, prices rising at a steady pace
 - Strong seller's market, prices increasing rapidly
 8. In negotiations between landlords and tenants, what level of tenant concessions characterize your market?
 - Extensive concessions, with deep discounts on asking rents, substantially favoring tenants
 - Moderate level of concessions, and the market favors tenants
 - Balanced level of concessions, with no bargaining advantage for landlord or tenant
 - Limited levels of concessions, with the market slightly favoring the landlord
 - No concessions are available as the landlords have strong bargaining power
 9. What are investment pricing conditions for a good building in your market?
 - Substantially below replacement cost
 - Somewhat below replacement cost
 - Approximately at replacement cost
 - Somewhat above cost and it is profitable to build
 - Well above cost and it is extremely profitable to build
 10. What is your level of confidence in your local market conditions (what will conditions be like) for the next quarter?
 - (1) Lowest confidence: activity is much worse and down more than 10%
 - (2) Low confidence: activity is worse and down by 6-10%
 - (3-4) Moderately low confidence: there is slight decline in activity by 1-5%
 - (5-6) No change from last quarter
 - (7-8) Moderately high confidence: activity has slightly improved by 1-5%
 - (9) Higher confidence: activity has improved by 6-10%
 - (10) Highest confidence: market activity is much better and improved by more than 10%
 11. Please share what is working well or what challenges you see in your market.
 - Opportunity for open-ended responses.
 12. Please share any additional comments related to your forecast for the future, such as trends, market conditions, etc.
 - Opportunity for open-ended responses.

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