



— SIO — SNAPSHOT SENTIMENT REPORT

FIRST QUARTER 2021

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SUMMARY

At the conclusion of the first quarter in 2021, SIOR members reported on the state of the market and industry. With vaccinations increasing and economies opening up, demand is high and deals are progressing at a rate not seen since before the pandemic. Leasing activity has surpassed pre-pandemic levels, and development has exceeded conditions reported one year ago. Overall, things are looking up for the start of the year. Below are highlights from SIOR's report on the current state of the industry.

- Overall **market confidence** has reached the highest level since the start of the pandemic, rising to 7.3 (out of 10). In comparison, the market confidence at the end of Q4 2020 was 6.2.
 - » The increase is greatly attributed to strong industrial confidence, also reaching its highest number at 8.0, a large jump from 6.9 in Q4 2020. Industrial continues to be the most confident sector in the commercial space.
 - » Office confidence also rose from 4.7 in Q4 2020 to 5.9 in Q1 2021, with many optimistic for the year ahead.
- On-time **transactions** have more than doubled since the height of the pandemic in Q2 2020, with 74% of deals progressing on schedule. On-hold transactions have dropped by 83%, and we're seeing the lowest number of cancelled transactions in nearly a year at only 9%.
 - » Industrial specialists continue to thrive, reporting a steady increase in on-schedule transactions from 74% in Q4 2020 to 82% in Q1 2021. On-hold and cancelled transactions continue to decline, with only 6% cancelled and 12% on hold.
 - » As market confidence has improved in the office sector, so have the transactions. In Q1 2021 office brokers reported 60% of transactions were on schedule, a 14% increase from Q4 2020. While on-hold transactions remained nearly the same with only a slight drop to 26%, cancelled transactions also dropped 32% to its lowest level in nearly a year at 14%.
- Across all markets, the **economic conditions** are beginning to have a more positive impact.
 - » Locally, the economy is positively impacting 60% of brokers in Q1 2021, as opposed to only 42% in Q4 2020. Unsurprisingly, more industrial specialists are seeing a more positive impact locally (75%) than office brokers (30%).
 - » Nationally, economic conditions positively impacted 55% of brokers in Q1 2021, versus 36% in Q4 2020. While 73% of industrial specialists felt the economy was positively impacting national markets, only 21% of office brokers felt that way.
 - » Global economic conditions had less of an overall positive impact at 40% compared to national and local. Office specialists were least positive about the economy's impact on global markets, with only 9% reporting a positive impact compared to 56% of industrial SIOs.
- **Leasing activity** has improved tremendously from Q4 2020, with 62% of SIOs reporting more leasing, compared to 29% last quarter. In fact, leasing activity has surpassed pre-pandemic levels, when 60% of members had reported high leasing activity in Q4 2019.
 - » The largest factor in that increase was 38% of office brokers reported greater leasing activity, up from just 6% in Q4 2020. The Southeast saw the biggest improvement in office leasing.
 - » Industrial continued to see increased leasing activity, going from 40% in Q4 2020 to 74% in Q1 2021. The West continued to see the highest leasing activity in this sector.

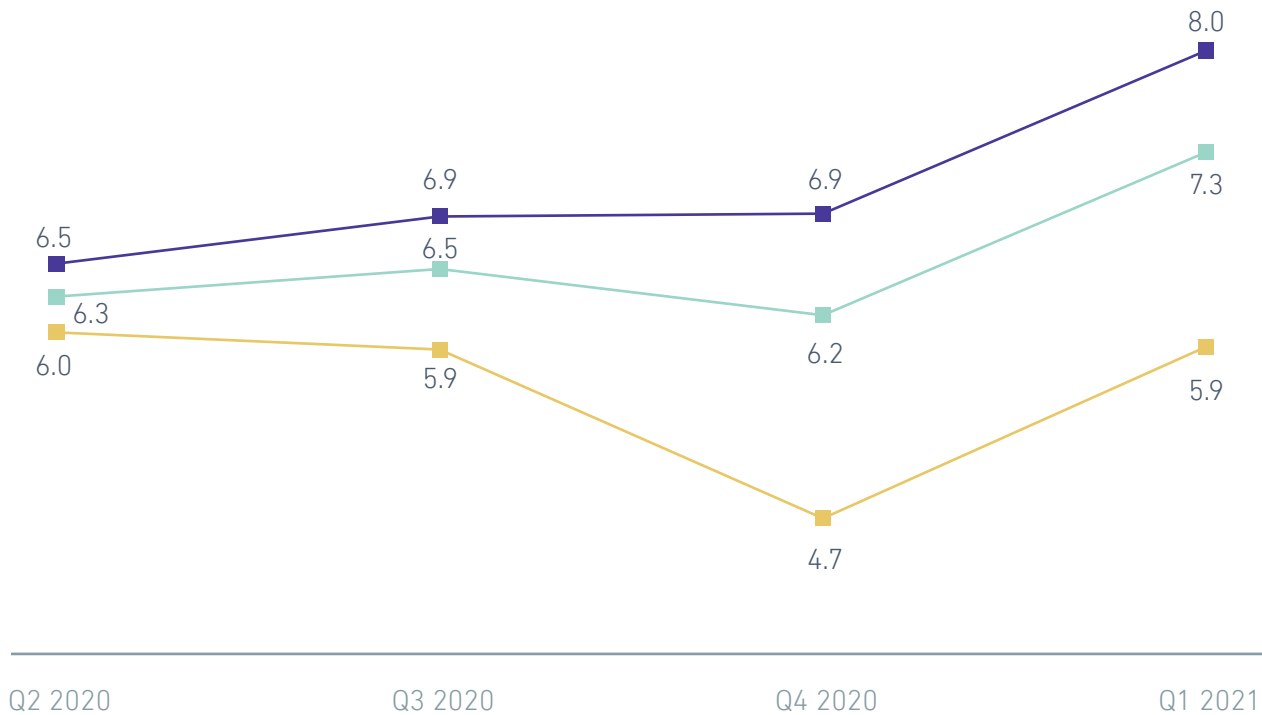
- **Asking rents** continue to improve in Q1 2021, with 53% of all brokers reporting higher asking rents, a 47% increase from the previous quarter, nearing rent sentiment a year ago (59% in Q1 2020).
 - » In Q1 2021, 78% of industrial SIORs indicated higher rents, compared to 51% last quarter. Only 5% of industrial brokers reported lower asking rents this quarter, a 180% decrease from Q4 2020 (14%). The West and Southeast saw the higher asking rents in the industrial sector.
 - » On the office side, 38% reported lower asking rents, an improvement from 49% in Q4 2020. Low office asking rents were mostly reported in the Central region.
- SIORs reported an overall reduction in available **vacancy** at the beginning of 2021, with 48% reporting lower vacancy compared to 42% in the fourth quarter of 2020. These low vacancy levels haven't been seen in more than a year (44% of SIORs reported low vacancy in Q1 2020.) That reduction in available vacancy mostly came from industrial, with 60% reporting low vacancy. On the office side, despite improvements in many areas, vacancy actually increased slightly, with 64% of office specialists noting higher vacancy in Q1 2021, as opposed to 60% in Q4 2020. The highest office vacancy was seen in the Southeast and West.
- Available **subleasing space** barely changed from the previous quarter, with a slight overall increase in space from 34% in Q4 2020 to 35% in Q1 2021. However the amount of available subleasing space has increased dramatically in a year, when only 8% of SIORs reporting adequate to extensive amounts of subleasing space available overall in Q1 2020. Subleasing is most available in the office sector currently, with 75% of office specialists reporting more space available, compared to only 14% for industrial.
- **Development conditions** swung back upward, with 51% of overall members reporting average or booming development conditions in their markets, edging closer to pre-pandemic levels (63%) and exceeding levels reported a year ago (49% in Q1 2020). This was also a 24% increase from the previous quarter.
 - » Industrial once again was the largest factor in the increase, with 70% reporting increased development compared to 55% in Q4 2020.
 - » Only 16% of office brokers reported good development conditions in this first quarter. Great Lakes and the West are seeing the most development right now.
- The first quarter of 2021 has been good for sellers, as 63% of SIORs indicate a strong seller's market with **site acquisition** prices increasing rapidly or at a steady pace. An increase of nearly 27% from the previous quarter, site acquisition conditions have rebounded to surpass Q1 2020 levels (56%). Most of the seller positivity comes from the industrial sector (77%), as only 35% of office brokers note a seller's market. The buyer's market appears strongest Globally and in the Northeast.
- Landlords are regaining some control as **tenant concessions** move slightly closer to pre-pandemic levels, with 45% of SIORs reporting little to no tenant concessions available. The breakdown between industrial and office continues to vary greatly this past quarter, with only 8% of industrial brokers reporting a tenant's market, compared to 80% of office specialists.
- **Investment pricing conditions** improved this past quarter, with 52% of SIORs claiming it was more profitable to build, as opposed to 44% last quarter. Both industrial and office specialists felt more optimistic about pricing conditions this quarter, but industrial specialists more so, with 60% saying it is more profitable to build versus 35% of office specialists.

** Previous CREI survey data did not include global SIOR responses. SIOR began tracking global data beginning in Q4 2020 with this first report. In addition to combining the sentiment survey and CREI survey, 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



**Confidence data reflects sentiment survey responses reported beginning in Q2 2020. No prior data exists for this metric.*

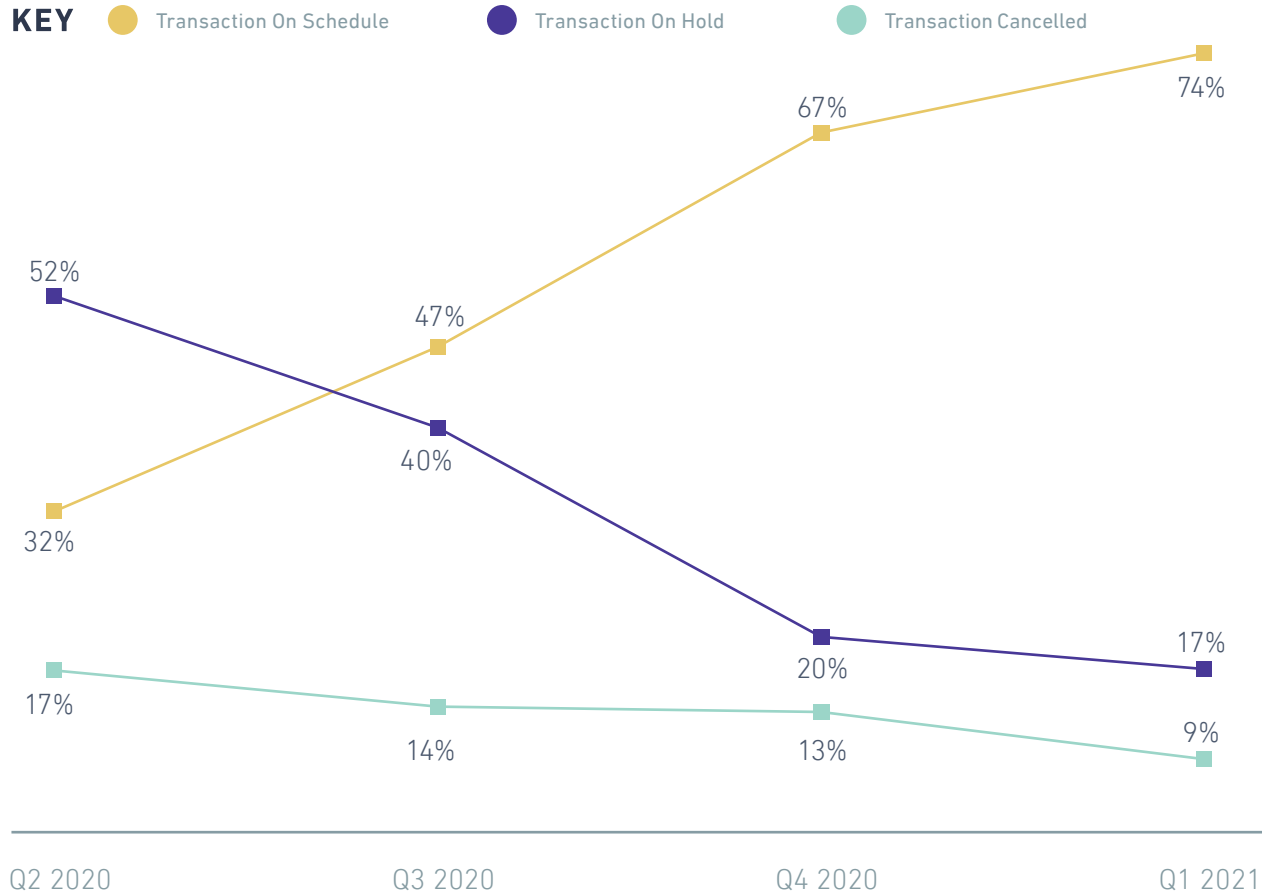
FROM THE EXPERTS

“Pinch me! am I awake? Is this market real?”

- Industrial Specialist
SIOR Washington State Chapter

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.

*Transaction data reflects sentiment survey responses reported beginning in Q2 2020. No prior data exists for this metric.

FROM THE EXPERTS

“With vaccine distribution ongoing, the fog of the pandemic is starting to lift and people are starting to make some decisions.”

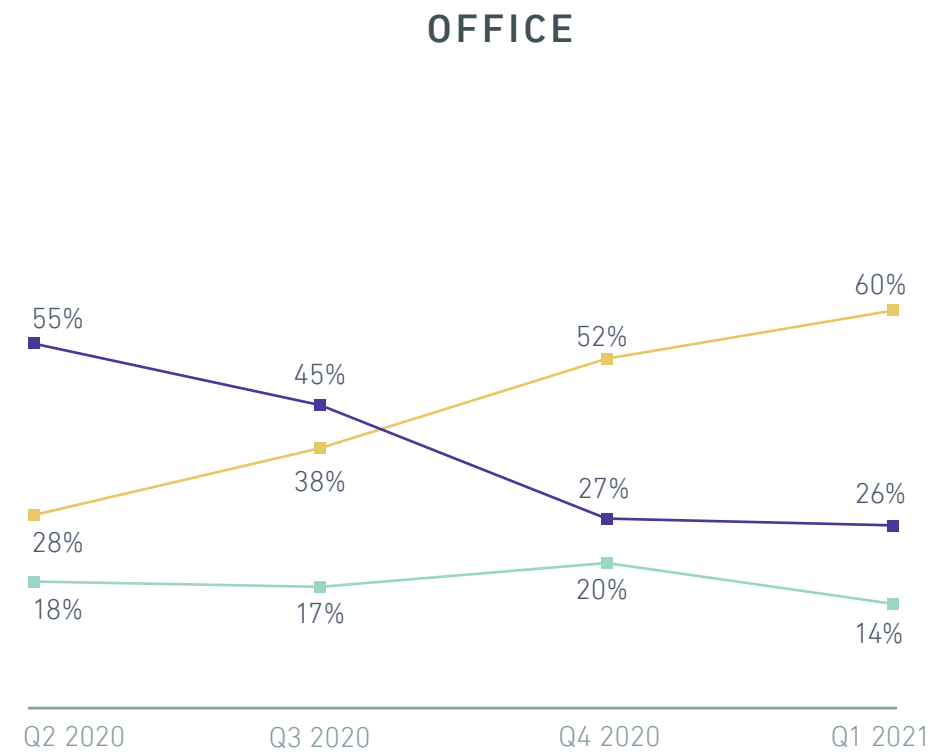
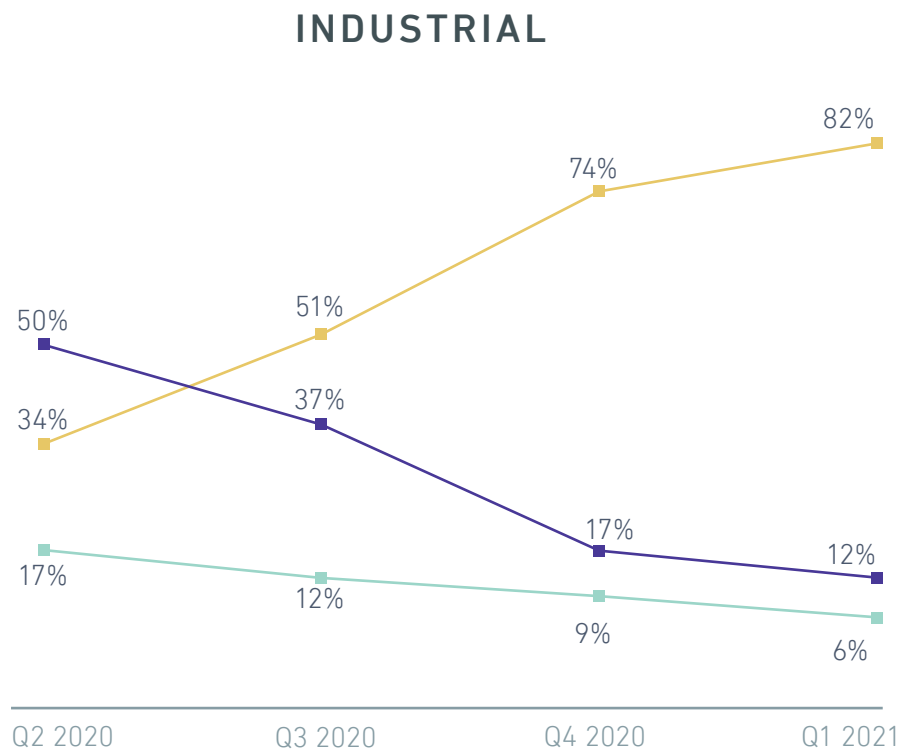
- Office Specialist
SIOR Western Pennsylvania Chapter



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.
*Transaction data reflects sentiment survey responses reported beginning in Q2 2020. No prior data exists for this metric.

POSITIVE ECONOMIC IMPACTS ON MARKET CONDITIONS

Average percent of 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.

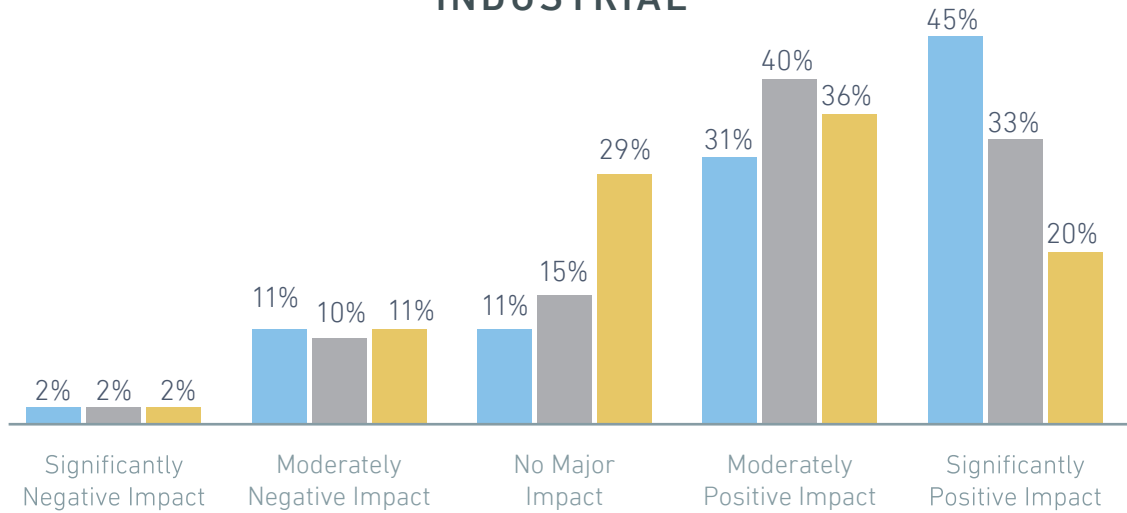
† Collection of National and Global data began Q4 2020. No prior data exists for these metrics.

ECONOMIC IMPACTS ON MARKET CONDITIONS

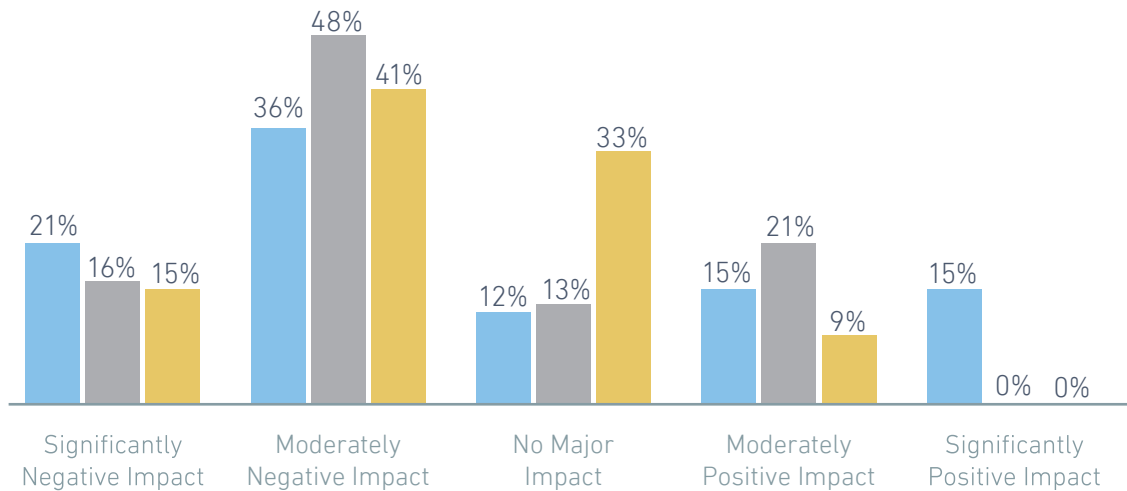
Average percent of economic conditions on all respondents' current market performance

KEY ● Local ● National ● Global

INDUSTRIAL



OFFICE



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

“**FROM THE EXPERTS**”

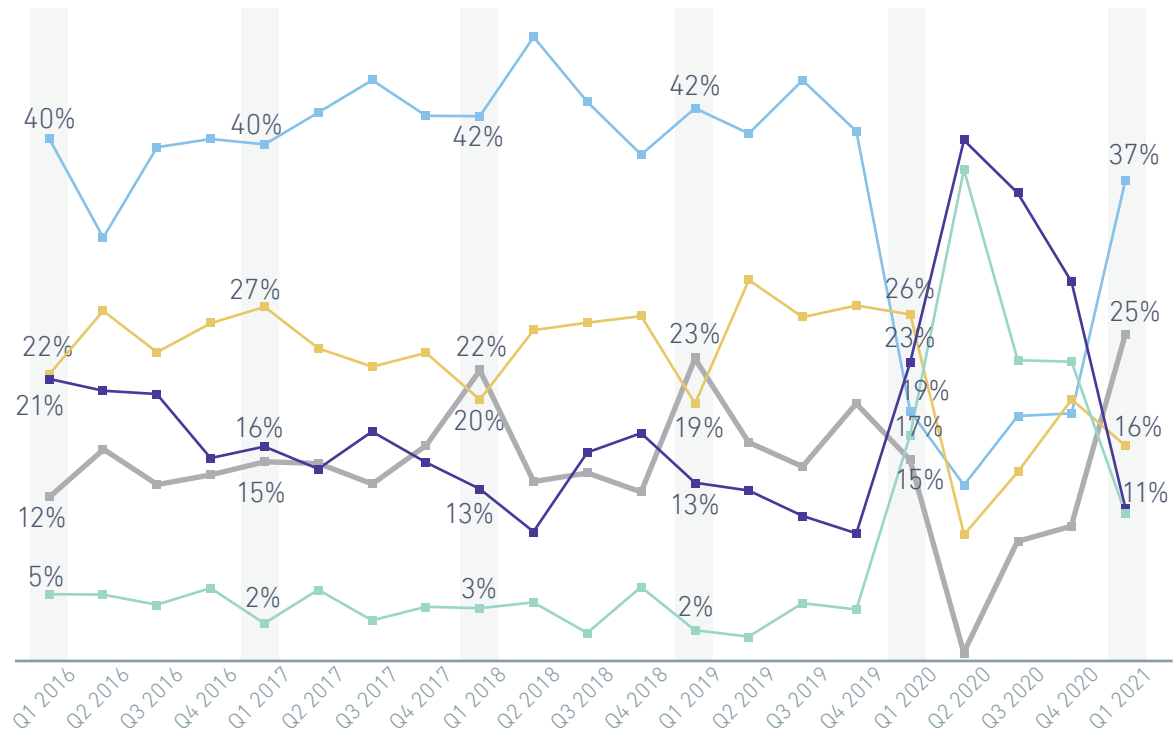
Rates are low and capital is plentiful but deals are still hard to get across the finish line.”

- Office Specialist
SIOR St. Louis 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

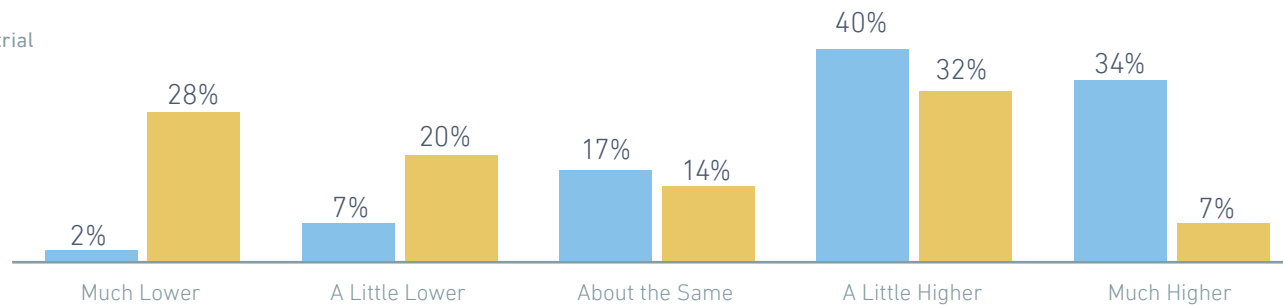


Totals may not equal 100% due to rounding or not applicable responses.

Q1 2021 CURRENT LEASING ACTIVITY - INDUSTRIAL VS. OFFICE

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

KEY ● Industrial ● Office

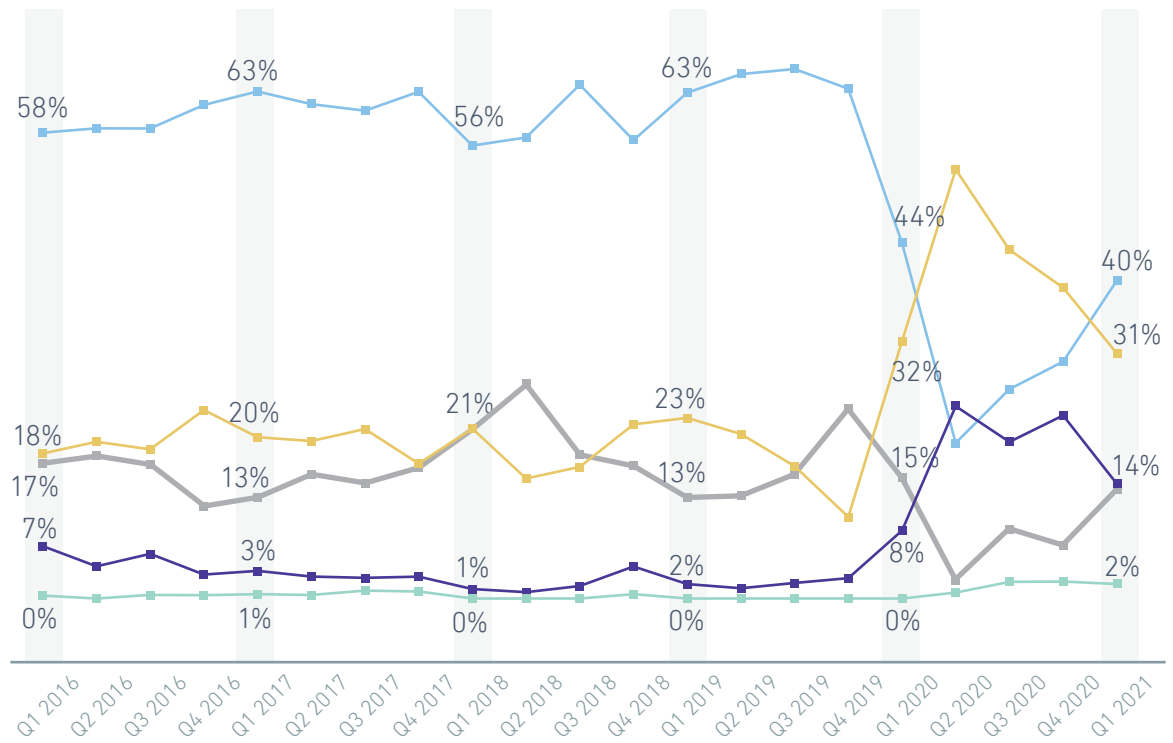


Totals may not equal 100% due to rounding or not applicable responses.

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

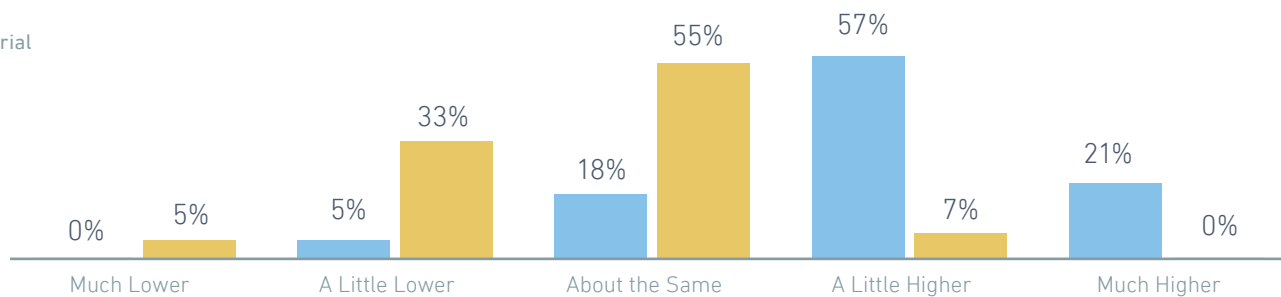


Totals may not equal 100% due to rounding or not applicable responses.

Q1 2021 CURRENT ASKING RENTS - INDUSTRIAL VS. OFFICE

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

KEY ● Industrial ● Office

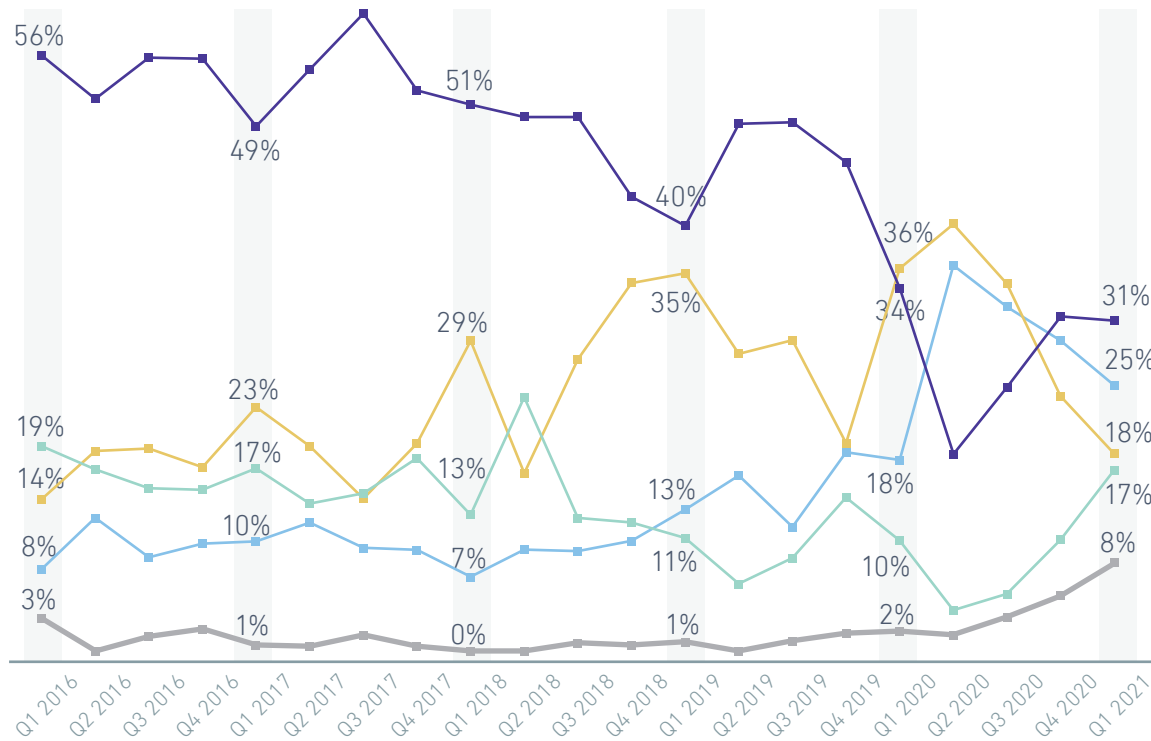


Totals may not equal 100% due to rounding or not applicable responses.

QUARTERLY VACANCY CONDITIONS

Data reflects percentage of ratings for current vacancy per quarter.

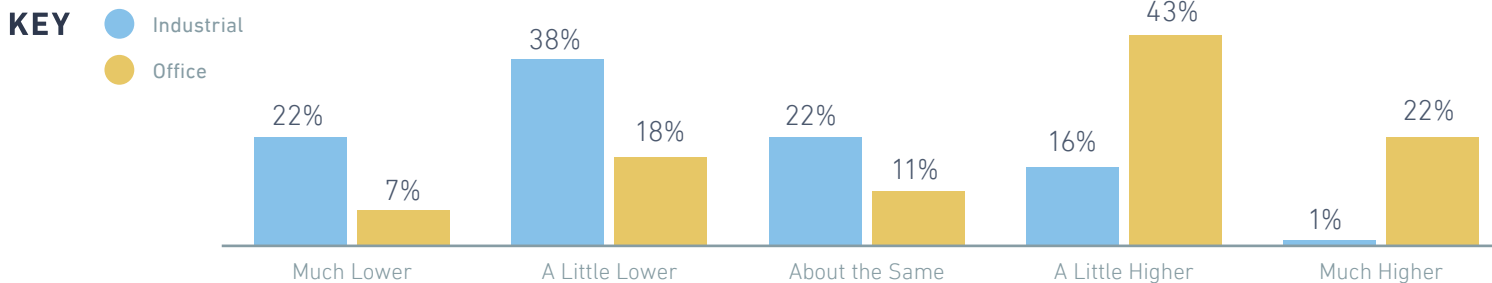
KEY ● Much Lower ● A Little Lower ● About the Same as Previous Year ● A Little Higher ● Much Higher



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

Q1 2021 CURRENT VACANCY CONDITIONS - INDUSTRIAL VS. OFFICE

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

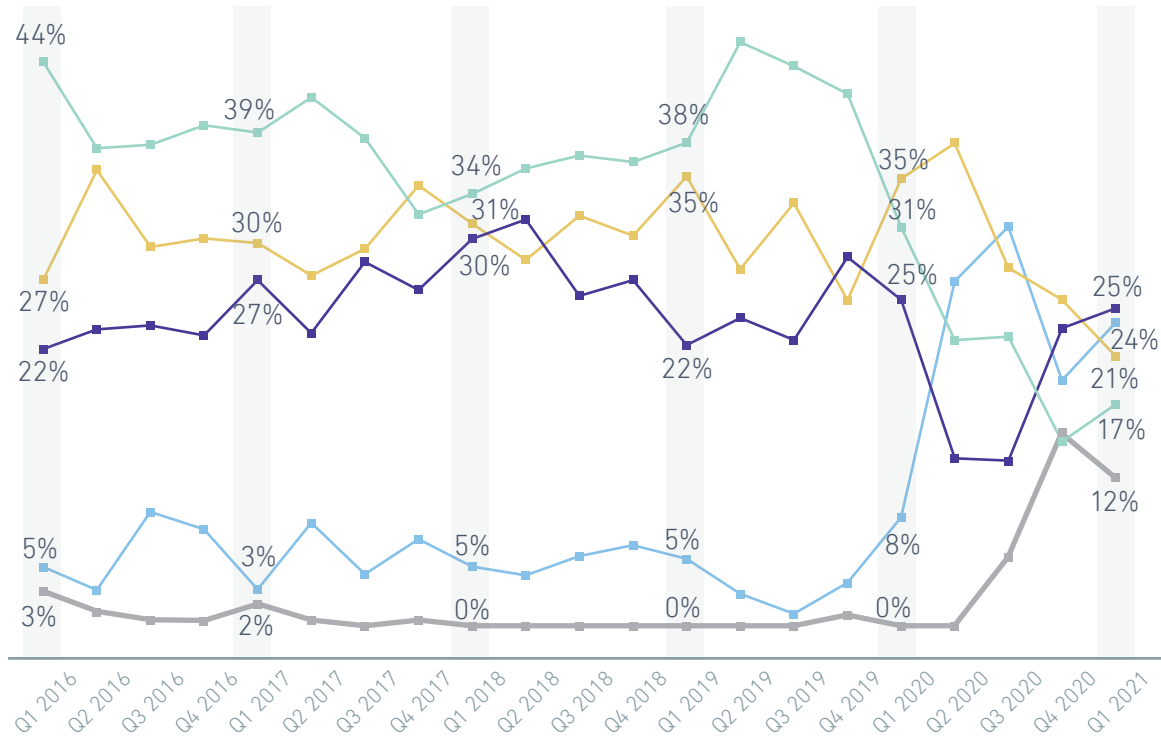


Totals may not equal 100% due to rounding or not applicable responses.

QUARTERLY SUBLEASING CONDITIONS

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

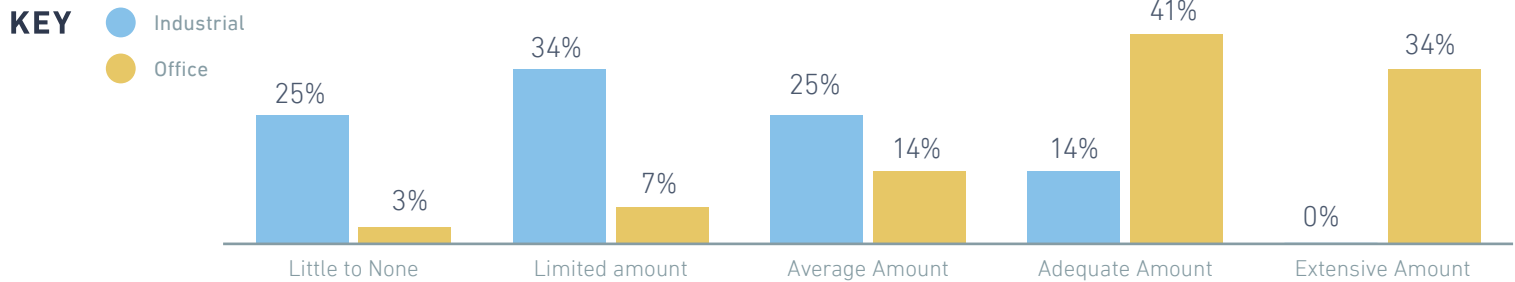
KEY ● Little to no subleasing space ● Limited amount of subleasing space ● Average amount of subleasing space ● Adequate amount of subleasing space ● Extensive amount of subleasing space



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

Q1 2021 SUBLEASING CONDITIONS - INDUSTRIAL VS. OFFICE

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

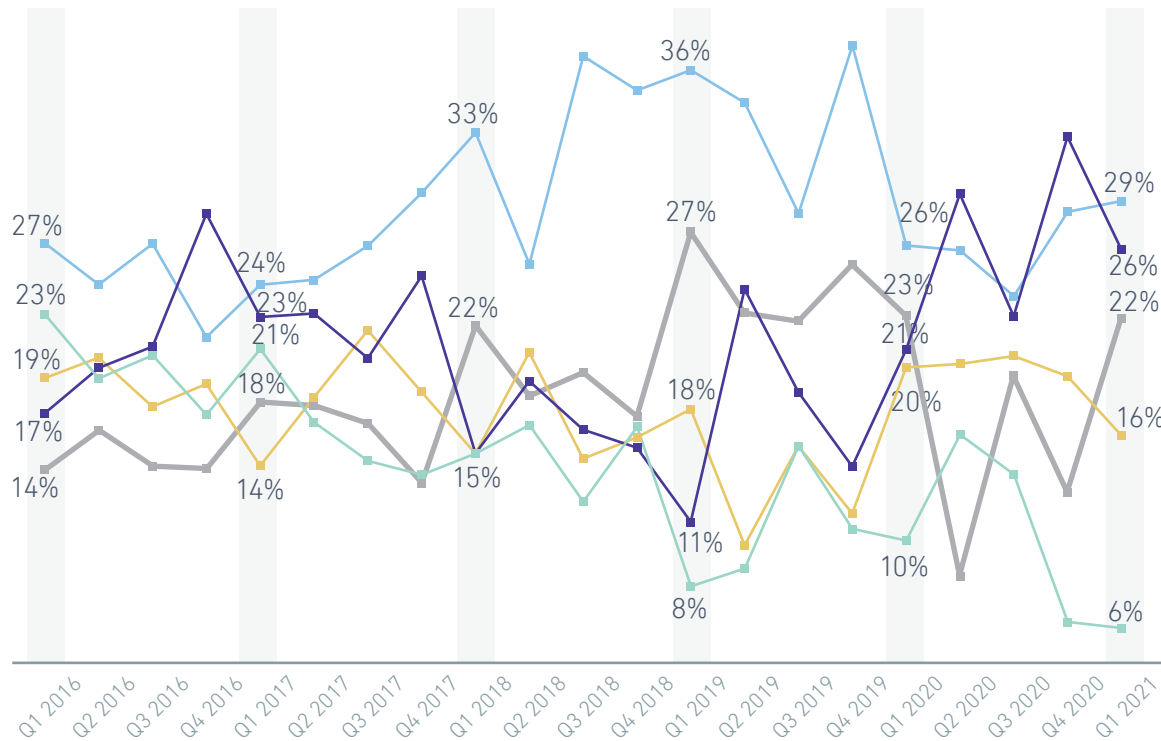


Totals may not equal 100% due to rounding or not applicable responses.

QUARTERLY DEVELOPMENT CONDITIONS

Data reflects percentage of ratings for development conditions per quarter.

KEY ● Nonexistent ● Minimal ● Close to its historical average ● Above average ● Booming

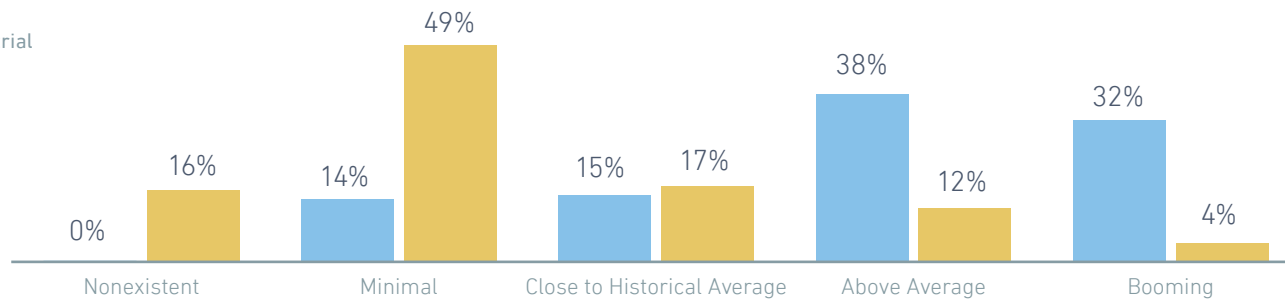


Totals may not equal 100% due to rounding or not applicable responses.

Q1 2021 DEVELOPMENT CONDITIONS - INDUSTRIAL VS. OFFICE

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

KEY ● Industrial ● Office

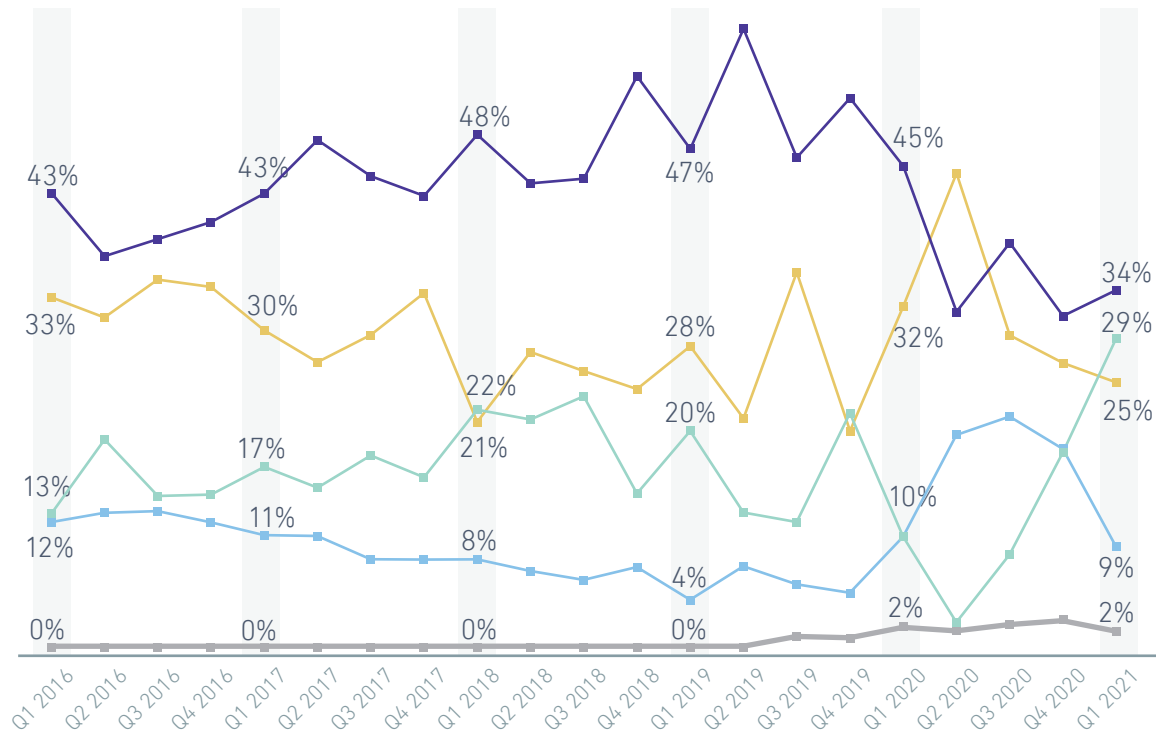


Totals may not equal 100% due to rounding or not applicable responses.

QUARTERLY SITE ACQUISITION CONDITIONS

Data reflects percentage of ratings for site acquisition per quarter.

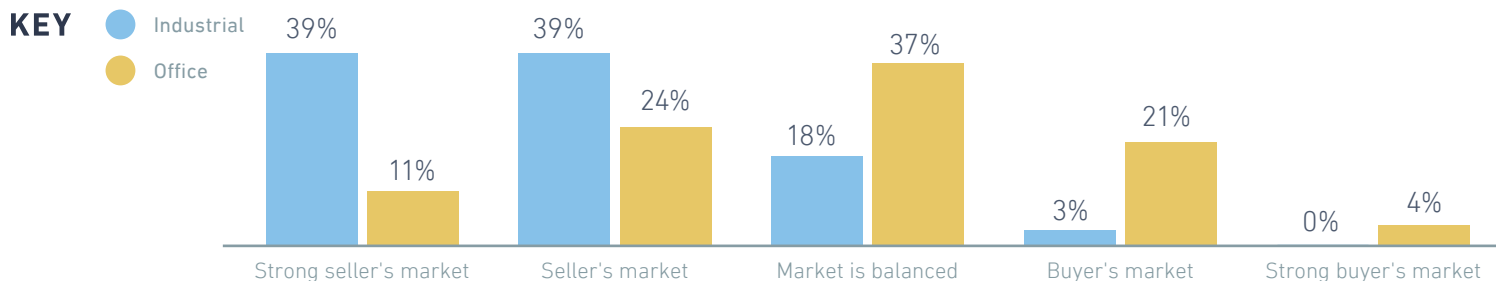
KEY ● Strong seller's market, prices increasing rapidly. ● Seller's market, prices rising at a steady pace. ● Market is balanced, with prices stable to slightly rising. ● Buyer's market, but prices are stable at present. ● Strong buyer's market and prices are low and falling.



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

Q1 2021 SITE ACQUISITION CONDITIONS - INDUSTRIAL VS. OFFICE

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



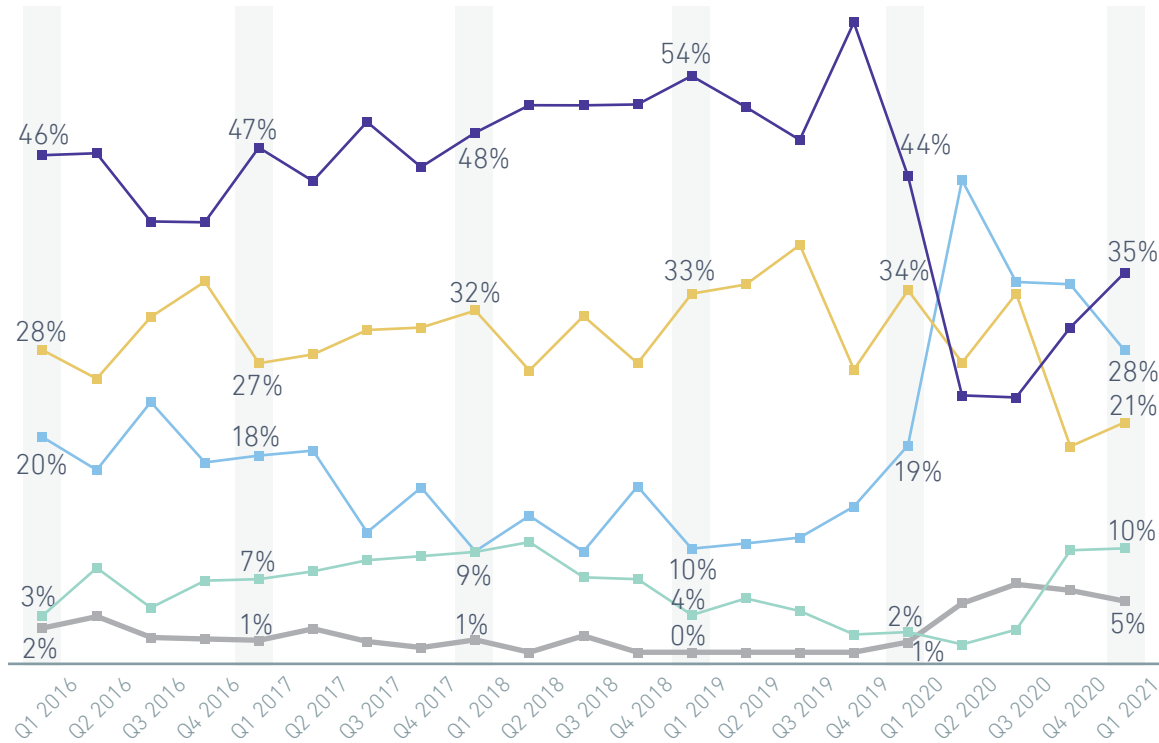
Totals may not equal 100% due to rounding or not applicable responses.

QUARTERLY TENANT CONCESSIONS

Data reflects percentage of ratings for tenant concessions per quarter.

KEY

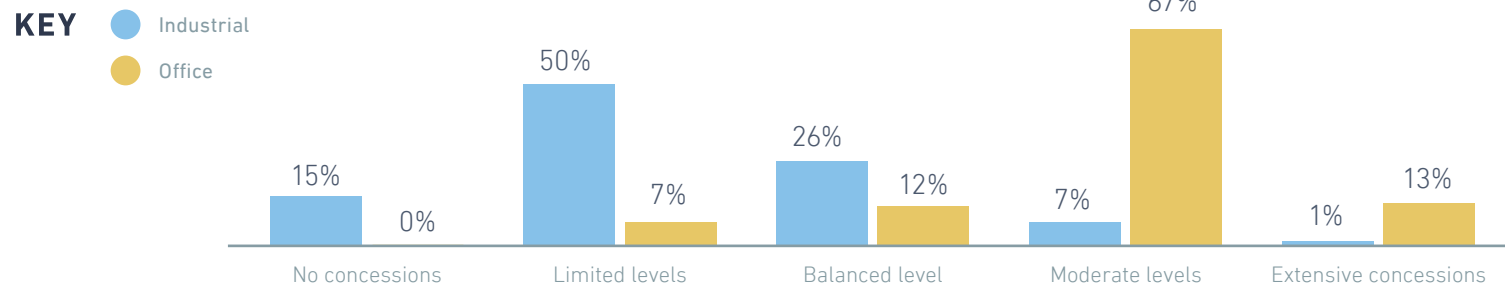
- No concessions are available as the landlords have strong bargaining power.
- Limited levels of concessions, with the market slightly favoring the landlord
- Balanced level of concessions, with no bargaining advantage for landlord or tenant
- Moderate levels of concessions, and the market favors tenants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



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

Q1 2021 TENANT CONCESSIONS - INDUSTRIAL VS. OFFICE

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

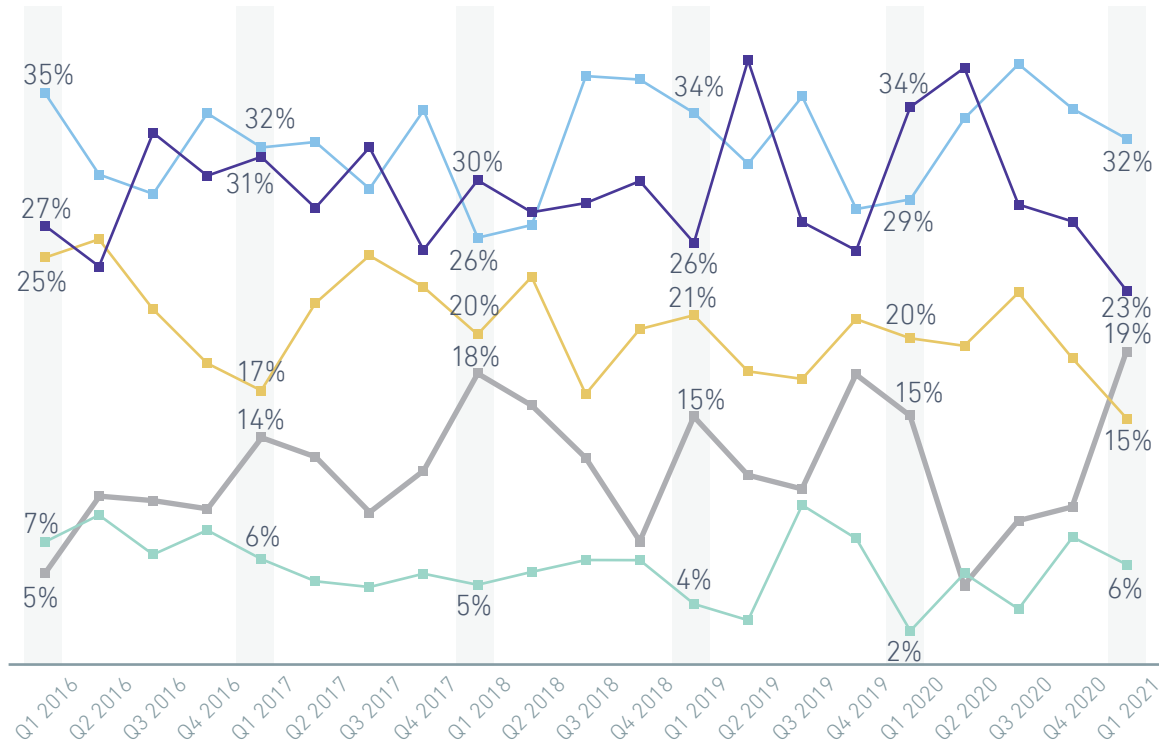


Totals may not equal 100% due to rounding or not applicable responses.

QUARTERLY INVESTMENT PRICING CONDITIONS

Data reflects percentage of ratings for investment pricings per quarter.

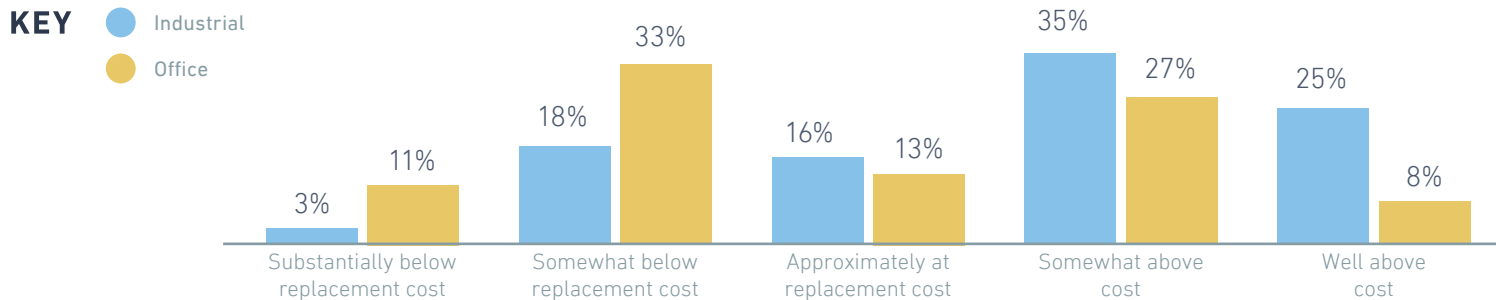
KEY ● Substantially below replacement cost. ● Somewhat below replacement cost. ● Approximately at replacement cost. ● Somewhat above cost and it is profitable to build. ● Well above cost and it is extremely profitable to build.



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

Q1 2021 INVESTMENT PRICING CONDITIONS - INDUSTRIAL VS. OFFICE

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



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



REPRESENTATIVE COMMENTS FROM RESPONDENTS

“‘Build it and they will lease’ is still the mantra for high cube warehouse buildings.”

- *Industrial Specialist, SIOR Ohio Chapter*

“Past client relationships are the primary driver of deals today.”

- *Industrial Specialist, SIOR Greater Los Angeles Chapter*

“Make more calls. See more people. Hustle.”

- *Industrial Specialist, SIOR Houston Gulf Coast Chapter*

“The pandemic continues to negatively affect almost all market sectors and property types and is expected to continue to do so for 6-12 months in 2021.”

- *Office Specialist, SIOR Northern California Chapter*

“There is more sublease space that doesn’t really show in the numbers. Landlords are denying any change. Tenants want good deals and aren’t getting them.”

- *Industrial & Office Specialist, SIOR Western Pennsylvania Chapter*

“Our biggest challenge is supply and demand. Demand is far outstripping supply of industrial buildings for sale.”

- *Industrial Specialist, SIOR Utah Chapter*

“Flexibility is key for tenants to sign term leases. If not they will do short term or spec suites.”

- *Office Specialist, SIOR Minnesota Chapter*

“Larger inventory is still at an all-time low. Many larger tenants are renewing because they have no where to go for a more efficient facility or expansion.”

- *Sales Management Specialist, SIOR Greater Los Angeles Chapter*

REPRESENTATIVE COMMENTS FROM RESPONDENTS

“Time to start building.”

- *Industrial Specialist, SIOR Connecticut Chapter*

“Until existing buildings are repurposed, new construction will remain slow.”

- *Industrial Specialist, SIOR MD/DC/NOVA Chapter*

“We are seeing all time highs for lease rates, sale prices and land prices, and all time lows for CAP rates.”

- *Industrial Specialist, SIOR Greater Los Angeles Chapter*

“Leasing activity has picked up quarter over quarter. Sales prices continue to increase.”

- *Industrial Specialist, SIOR Northern California Chapter*

“A needs analysis is critical. With the economy coming out of the pandemic, many companies are struggling to understand what their office needs are.”

- *Office Specialist, SIOR New Mexico Chapter*

“There is very little inventory. Landlords are in total control and can choose their tenant.”

- *Industrial Specialist, SIOR New Jersey 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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