

NEWMARK

Newmark Program &
Project Management
2024 Market Updates



PROGRAM & PROJECT MANAGEMENT

Newmark presents the 2023/2024 market trends for our Global Project Management business, offering insights into the over \$2 billion worth of projects we managed worldwide 2023, as well as local market trends we have observed.

Most of our markets are seeing slower leasing activities due to office space consolidation, high interest rates and other macroeconomic headwinds, leading to an increase in vacancy rates. Some markets are now looking for innovative ways to repurpose office space into residential or storage space.

In 2023, the supply chain for construction-related materials normalized to pre-pandemic levels. Electrical switchgear, panelboards, transformers, and generators continue to disrupt projects and “go live” schedules. We expect these changes to persist into 2024, as most major suppliers have a two-year backlog on orders.

As Newmark expands its reach to more geographical locations, we are leveraging our enhanced buying power with suppliers to our customers’ advantage, reducing costs and improving delivery times. We anticipate deals and projects to expand in the second half of 2024, and 2025 to be a year of significant growth for both projects and transaction volumes.



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Atlanta

As interest rates have risen and inflation has remained high, Atlanta has seen a contraction in interior office projects, while new industrial products in the arteries around metro Atlanta have slowed. Tenant improvement (TIs) allowances have returned to pre-pandemic levels, as landlords struggle to underwrite deals, and construction pricing has risen in line with inflation. This is an improvement relative to the prior year, when construction costs were rising almost twice as fast as inflation.

These economic factors had led to a decline in the absorption of office and industrial space in the region, with both vacancy rates and the number of subleases rising to record levels. Atlanta's office market was impacted across the region, although suburban submarkets were hit hardest. Atlanta's unemployment rate has increased slightly to 3.4%, though remains lower than the national average of 3.9%.

One key question for the office market in 2023 was around corporate return-to-work strategies and office space utilization. In 2024, businesses continue to consider how to best arrange and design their spaces to adjust to a mix of in-person and remote work, and best reflect their corporate culture. This adjustment process requires more patience and time than before, not only in finding real estate, programming and design, but also due to longer lease negotiation times. We are seeing clients engage our services up to two years before their leases expire, to help navigate this challenging real estate environment.



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Construction Costs

\$90-185/sf
 Office Interiors

\$100-170/sf
 Industrial Ground-Up

\$250-335/sf
 Office Ground-Up

Recent Projects



Client Kemira Headquarters and Labs
Market Atlanta
Address Atlanta, GA
Type Corporate HQ / R&D Facility
Sf 44,000 sf



Client Owens & Minor
Market Atlanta
Address 1 Edison Alpharetta, Georgia
Type Office/Labs and Decommission
Sf 72,000 sf



Client Thomas Eye Group
Market Atlanta
Address Duluth, Georgia
Type Ground Up Healthcare
Sf 25,000 sf

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Austin

Since 2019, Austin has been the second fastest-growing industrial market in the United States, having grown 27 million square feet or 51.7%. Half of the square footage delivered in the past five years was in 2023 alone. This was largely due to the completion of significant projects like Tesla's 4.5 million-square-foot Gigafactory, and Kyle/35, the largest speculative development, with 1.4 million square feet across five buildings, 82% of which was pre-leased upon delivery. The final two buildings at Kyle/35, along with 17 other buildings, were delivered in Q4, adding 3.4 million square feet.

The Austin office market ended the year on a high note, particularly in terms of leasing activity, which reached its strongest quarterly levels since Q2 2022, or 1.3 million square feet. The semiconductor and broader tech industries accounted for the top three deals signed. Advanced Micro Devices led with the 443,000 square foot renewal of its corporate campus in the Southwest submarket, extending its term through 2038. This move underscores AMD's commitment to Austin as a hub for growth and innovation.

Tokyo Electron, also in the semiconductor industry, leased 77,000 square feet at the new River South complex in the South submarket, has plans to sell its HQ campus and increase R&D and training capabilities, and further develop the \$17 billion Samsung fabrication facility in Taylor. Finally, another technology company expanded its operations in the Southwest by signing a lease for an entire building, 83,481 square feet, at Las Cimas I.



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Construction Costs

\$150-\$225/sf

Office Interiors

\$238-\$635/sf

Industrial Ground-Up

\$474-\$569/sf

Office Ground-Up

Recent Projects



Client Tesla
Market Austin
Address 13101 Tesla Dr. Austin, TX
Type Office, Industrial
Sf 10,000,000 sf



Client Samsung
Market Austin
Address 12100 Samsung Blvd. Austin, TX
Type Industrial
Sf 6,000,000 sf



Client The Republic
Market Austin
Address 401 W. 4th Street Austin, TX
Type Office
Sf 800,987 sf

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Boston

Boston's overall economy has shown improvement over the last year, with the unemployment rate finishing 100 basis points below the national average of 3.7%. This coincided with Federal Reserve's decision to pause rate hikes during the fourth quarter of 2023, which led to increased investment in office assets. The Massachusetts Bay Transportation Authority reported an uptick in ridership in 2023, signifying an increase in office attendance in the fourth quarter.

During the fourth quarter of 2023, the vacancy and availability rates in Boston's office market rose to 19.3% and 24.5%, respectively. Despite this, landlords are holding asking rents, prompting tenants to consider subleases or exploring spaces in life sciences buildings rather than investing in new facilities. Life science market growth is slowing compared to the last few years, though the conversion of office spaces into life sciences facilities remains steady. Ongoing supply chain issues are leading to longer project timelines.

While Greater Boston's office market may slow further in the short term, the region's highly educated and innovative workforce is expected to drive a long-term recovery.



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Construction Costs

\$150-275/sf
 Office Interiors

\$250-325/sf
 Life Science Non-Union

\$275-400/sf
 Life Science Union

Recent Projects



Client Boston Trust Walden
Market Downtown
Address One Beacon St., Boston, MA
Type Tenant Fit-Out
Sf 31,210 sf



Client Sappi
Market Portland, ME
Address 2211 Congress St., Portland, ME
Type Landlord Turnkey
Sf 37,537 sf



Client ModeX Therapeutics
Market West 128
Address 20 Riverside Rd., Weston, MA
Type Tenant Fit-Out
Sf 33,056 sf

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Carolinas

The Carolinas stand out as some of the most well-positioned markets in the United States for attracting talent and high-tech employment growth. By the end of 2023, the unemployment rate in North Carolina improved from 3.9% to 3.1%, below the five-year average of 4.0%. The downtown Raleigh and Charlotte markets are particularly appealing for industries such as legal, technology, insurance and banking.

However, vacancy rates in the Carolinas continue to reach record highs, despite lower unemployment and increased hiring. Now that several new projects are complete, the pace of activity and development has slowed, and developers are exercising caution due to high inflation and increased cost of borrowing.

The office market is expected to remain favorable for tenants in 2024, influenced by record-high vacancy and fewer companies searching for space. However, the life sciences market in the Carolinas remains robust, as companies are drawn to the region's low operating costs and talent. Nonetheless, choosing the right space has become more complex due to the widening rent gap between Class A and Class B properties, causing many tenants to shed unnecessary space and evaluate paying more for a smaller space. Flight to quality has been a focus for companies who chose to relocate.

Life science, biotechnical and warehouse investments in the Carolinas continue despite current economic challenges. Supply chain delays and material lead times continue to pressurize project budgets and timeline, though trade partner resources are available. The construction cost in the Carolinas is expected to stabilize in 2024, due to increased competition and limited opportunities in the region.



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Construction Costs

\$80-170/sf
 Office Interiors

\$85-225/sf
 Industrial Ground-Up

\$255-325/sf
 Office Ground-Up

Recent Projects



Client Hall Render Killian Heath & Lyman
Market Raleigh/Durham, NC
Address 4505 Emperor Blvd
Type Tenant Build-out
Sf 9,000 sf



Client Ecolab
Market High Point, NC
Address 1101 Gallimore Dairy Road
Type Build to Suit
Sf 1,057,000 sf



Client American Tower Corporation
Market Raleigh-Durham
Address 1 Fenton Main Street
Type Tenant Build-out
Sf 50,000 sf

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Chicago

The construction landscape in Northern Illinois, particularly in the metropolitan Chicago area, is poised for both challenges and opportunity in 2024. Despite economic slowdown and construction delays, we should see a year of overall robust growth, although the Federal Reserve's aggressive measures to control inflation and implement stricter lending standards have impacted private development.

Specific industries will see varied levels of activity. Manufacturing is flourishing because of increased onshoring since the pandemic. Investment in this sector is forecast to hit a record \$112 billion, driven by mega-projects like electric vehicle battery plants and semiconductor factories. This upswing demonstrates the sector's resilience and highlights a strategic pivot in America's industrial landscape.

On the other hand, warehouses faces a downturn on high interest rates and supply chain disruptions. Major companies like Amazon and Walmart are scaling back their construction plans, signaling a structural decline in new warehouse construction.



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Construction Costs

\$175-225/sf

Office Interiors

\$190-275/sf

Light Manufacturing

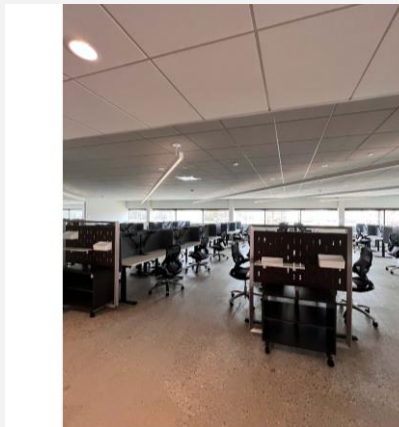
\$115-175/sf

Office Interiors and Warehouse

Recent Projects



Client Allied World
Market Chicago, IL – CPD/Loop
Address 311 S. Wacker Dr.
Type Office Interiors
Sf 25,000 sf



Client Deluxe Corporation
Market Chicago, IL – O'Hare
Address 5450 N. Cumberland Ave.
Type Light Manufacturing
Sf 50,000 sf



Client Panasonic
Market Hoffman Estates, IL – Northwest Suburbs
Address 2800 Forbs Ave.
Type Office Interiors and Warehouse
Sf 135,000 sf

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Columbus

There are several positive factors to include in any economic analysis of the Columbus area.

The unemployment rate in Greater Columbus fell to 3.2% in Q4 2023, a decrease from the previous year. Local unemployment is well below the national average of 3.7%. Over the long term, downtown Columbus is in a strong position to attract new companies needing office space, alongside current tenants like Intel, Google, Honda and Wells Fargo, who are establishing new technology centers in the metro area. The influx of industrial and tech-related construction has led Ohio Lieutenant Governor Jon Husted to call central Ohio the “tech capital of the Midwest.”

Growth along interstates 270 and 670 will continue, as both routes offer access to downtown and the suburbs. Top employers in Columbus report an average occupancy rate of approximately 75% at their corporate campuses, while the industrial market has an occupancy rate of 93%.

The macroeconomic outlook remains uncertain and will affect how occupiers and investors approach deals. More cautious behavior may impact leasing and investment activity. The Columbus office market is witnessing a trend towards new subleases, indicating a shift towards a demand for flexible, high-quality office spaces. As Columbus continues to establish itself as a data center hub, we expect an increase in technology companies and construction activity.



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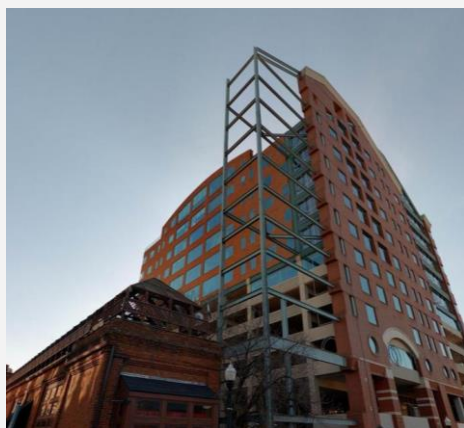


Construction Costs

\$125-175/sf

Office Interiors

Recent Projects



Client Ravinia Capital Group

Market Columbus, OH

Address .Brewery Tower 500 South Front St. & Bicentennial Plaza 250 Civic Center Drive

Type Tenant Improvement - Office

Sf 240,000 SF & 120,000 sf

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Dallas-Fort Worth

Dallas-Fort Worth (DFW) is the fourth largest metropolitan area in the United States. As one of the fastest-growing American cities, DFW has the seventh largest tech workforce in the nation and is the sixth largest hub for data centers.

By the end of 2023, the DFW office market experienced an increase in demand, which helped stabilize vacancy rates. However, record high levels of sublease space have kept vacancies hovering around 23% market-wide, with the average asking rent at \$30 per square foot. After 10 consecutive negative quarters, total net absorption turned positive, with a particularly strong showing in the second half of 2023.

The Healthcare market in DFW has remained strong, with construction opportunities in ambulatory care mostly in the suburban areas.

Rising construction costs in DFW are attributed to material shortages and higher fuel surcharges. Newmark expects a 3% to 5% increase in material and labor costs throughout 2024. The market will continue to face longer lead times on specialty items, especially mechanical and electrical items, some taking upwards of a year. Proposed projects could begin to taper off as developers contend with rising construction and borrowing costs.

Looking to the future, the DFW metro area is poised for a solid recovery. Despite the challenges posed by increasing interest rates that have impacted the market and reduced investment volume, companies continue to relocate to the area. The market's outlook is favorable in the near to mid-term on robust office investment sales, improving leasing demand and the regions' emerging status as a technology hub.



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Construction Costs

\$95-160/sf

Office Interiors

\$75-100/sf

Industrial Ground-Up

\$350-470/sf

Office Ground-Up

Recent Projects



Client Confidential
Market Dallas
Address 14675 Dallas Parkway
Type Office Interior
Sf 40,000 sf



Client Confidential
Market Arlington
Address 4925 New York Ave
Type Industrial Refresh
Sf 150,000 sf



Client Likewize
Market Southlake/Dallas
Address 1900 W. Kirkwood Blvd.
Type Office Interior
Sf 30,000 sf

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Denver

2023 marked a slow return towards normalcy and ended on an optimistic note for 2024. However, expectations for a significant resurgence in the Denver office market activity did not materialize, as concerns about the pandemic were replaced with uncertainty about the economy and persistent inflation.

Tenant sectors that value collaboration, such as law and engineering firms, have partially adopted hybrid work-from-home models but continue to reduce office space, preferring new construction with high-quality amenities to attract new talent and lure workers back to the office.

Towards the end of 2023, there was a slight improvement in in-office employment, but the number of white-collar jobs remained significantly below pre-pandemic levels. Q4 leasing activity stalled, dropped volume totals to a three-year low, despite an increase in average transaction size. Office occupancy fell as aging properties continued to shed tenants, prompting public sector intervention in the business district.

The Denver industrial market also saw a slowdown in 2023; large build-to-suit projects led, while speculative development struggled. The rate at which construction costs were rising showed a slight decrease, increasing at a rate of only 1.5% to 2% per quarter, partly on improvements to the supply chain.



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Construction Costs

\$135-250/sf
 Office Interiors

\$175-300/sf
 Industrial Ground-Up

\$325-450/sf
 Office Ground-Up

Recent Projects



Client Intrepid Potash
Market Denver
Address 707 17th Street, Denver CO
Type Interior Renovation
Sf 25,525 sf



Client Confidential
Market Undisclosed
Address Confidential
Type High Tech Lab/Office
Sf 175,000 sf



Client Panasonic Enterprises
Market Denver
Address Pena Blvd.
Type Industrial Ground-Up
Sf 100,000 sf

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Greater Detroit

The Greater Detroit office sector faces mixed conditions. In the last two years, the area saw a nearly 5 million square foot increase in vacant office space, but this growth has been uneven across the region. North Oakland and Macomb counties have shown resilience, entering 2024 with sub-12% vacancy rates after notable declines in 2023, though Southfield and Troy have higher vacancy rates. Macomb is appealing to cost-sensitive firms with its lower average asking rent, while North Oakland offers proximity to northern residential hubs, reducing worker commutes.

The industrial market in Greater Detroit remains stable. Overall vacancy was unchanged at 3.0% in Q4 2023. Demand for industrial space is expected to continue, driven by logistics, e-commerce and supply chain requirements.

The Detroit-Warren-Dearborn area anticipates continued employment growth, largely fueled by the manufacturing sector, which has seen a resurgence in recent years on changing consumer behaviors following the pandemic. Employment growth is expected to have been 2.4% in 2023, down from 3.8% in 2022. Employment is forecasted for a growth rate of 2.3% in 2024.



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Construction Costs

\$155-175/sf

Office Interiors

Recent Projects



Client Criteo
Market Ann Arbor, MI
Address 523 S. Main St.
Type Tenant Improvement - Office
Sf 11,000 sf

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Great Lakes Bay Region

In the Great Lakes Bay Region, businesses continue to invest in mission-critical efforts, with a focus on enhancing workplace efficiency through a transition to activity-based seating to make space utilization more efficient. Resources continue to be in high demand, and it remains challenging to adequately staff projects with professional, technical and field. As in most markets, we expect a 3% to 5% year-over-year increase in the cost of labor and materials.



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Construction Costs

\$250-400/sf

Office Interiors

\$600-670/sf

Industrial Ground-Up

\$510-550/sf

Office Ground-Up

Recent Projects



Client Confidential
Market Great Lakes Bay Region
Address Confidential
Type Minor T1
Sf 2,500 sf



Client Confidential
Market Great Lakes Bay Region
Address Confidential
Type Minor T1
Sf 9,090 sf



Client Confidential
Market Great Lakes Bay Region
Address Confidential
Type Roofing
Sf 44,000 sf

PROGRAM & PROJECT MANAGEMENT

Los Angeles

In Los Angeles, office vacancy rates reaching 22.8% and availability rates climbing to 27.8%, both new highs. Sublet availability, while still high at 5.0%, decreased from a peak of 5.2% earlier in 2023. With interest rates and hybrid work models reducing demand for office space, tenants continue to value top-tier Class A space, even as they scale down their footprints to reduce costs and maximize efficiencies.

Los Angeles is the world's entertainment capital, and a blend of media and technology dominated leasing activity long before the pandemic. However, more recently, tech companies have experienced fluctuating valuations, leading to staff reductions and a cautious approach to real estate. Entertainment companies have similarly been adjusting their staff and real estate needs, following lengthy disruption in 2023 from the WGA and SAG strikes. Headwinds in both sectors have muted leasing activity.

Corporate America is expected to be more active in 2024, committing to longer-term leases as companies have a clearer understanding of their employees' working models and space requirements. Following the resolution of last year's strikes, the entertainment industry will be more active, but profitability pressures, particularly in the streaming segment, remain a challenge.



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Construction Costs

\$125-200/sf

Office Interiors

\$140-160/sf

Non-Profit Office Interiors

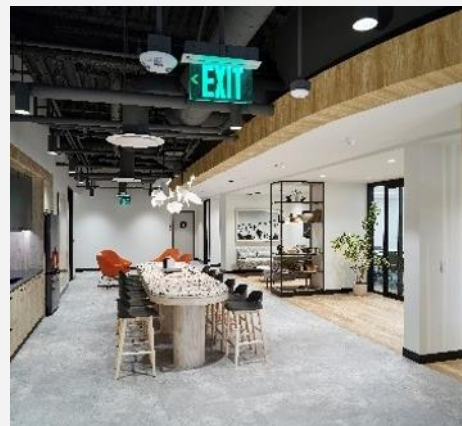
\$175/sf

C-Suite Interiors

Recent Projects



Client Califia Farms
Market Downtown Los Angeles
Address 1019 E. 4th Place
Type Office Interior
Sf 29,440 sf



Client Woodcraft Rangers
Market Downtown Los Angeles
Address 340 E 2nd St
Type Office Interior
Sf 10,356 sf



Client Hanmi Bank
Market Downtown Los Angeles
Address Wilshire Grand Center
Type C-Suite Office Interior
Sf 11,686 sf

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Minneapolis

The Minneapolis office market continued to soften in 2023, as evidenced by vacancy rates that rose to 21%. The average gross asking rent was recorded at \$28 per square foot, alongside substantial concessions.

Top employers in Minnesota report an average occupancy rate of approximately 46% at their corporate campuses, and premier multi-tenant buildings saw occupancy rate of over 65% on peak days. Many employers are evaluating appeal tactics that will encourage employees to return to the office. Workers are showing a preference for office space rich in amenities. As a result, most current deals are in new or renovated Class A office buildings equipped with amenities such as fitness centers, state-of-the-art training rooms, rooftop lounges, golf simulators and pickleball courts.

Sublease space still plays a significant role, though activity has slowed. Redevelopment is happening at vacated office campuses, transforming them into mixed-use developments that incorporate residential spaces.

The industrial market ended the fourth quarter with a net absorption of 1.1 million square feet, a decrease relative to 2022. Nonetheless, vacancy rates have remained low at about 4%, with asking rents rising steadily to \$7.70 per square foot.



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Construction Costs

\$100-155/sf

Office Interiors

\$100-150/sf

Industrial Interiors

\$250-270/sf

Retail Interiors

Recent Projects



Client Baker Publishing Group
Market Minneapolis
Address 7808 CreekrIDGE Circle
Type Office Relocation
Sf 10,663 sf



Client Viking Engineering
Market Minneapolis
Address 10580 Naples Street, Blaine
Type Industrial Relocation
Sf 79,000 sf



Client Alerus
Market Minneapolis
Address 409 2nd Street, Excelsior
Type Retail Refresh
Sf 2,676 sf

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New York, New Jersey and Connecticut Tri-State Market

The Northeast Tri-State market, including New York, New Jersey and Connecticut, has seen a steady uptick in office leasing through 2023, alongside an uplift in high-end retail leasing activity. While large technology companies continue to scale back their requirements, smaller office spaces continue to grow. Additionally, the industrial and data center sectors have shown robust growth and continued development.

Landlords continue to invest in their existing properties by refurbishing older buildings, adding amenities and upgrading antiquated infrastructure systems, hoping to attract high-quality tenants and investors by providing spaces that appeal to employees returning to the office. 2023 saw higher activity in the corporate interiors market, which has lowered the competitiveness of the construction projects, driving up overall costs. However, inflation-driven material costs increases have tapered off, stabilizing construction costs.

Supply chain issues persists. HVAC and electrical equipment remain delayed, though we have seen improvement in lighting fixtures and controls.



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Construction Costs

\$135-295/sf
 Office Interiors

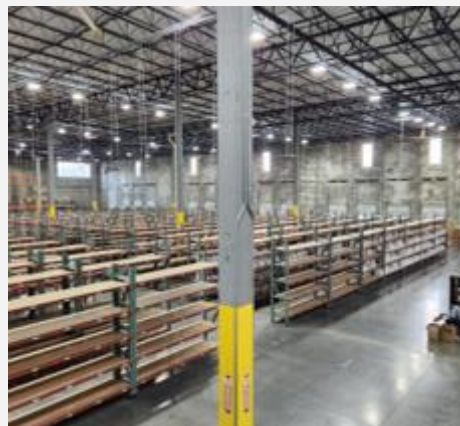
\$195-375/sf
 Industrial Ground-Up

\$375-400/sf
 Office Ground-Up

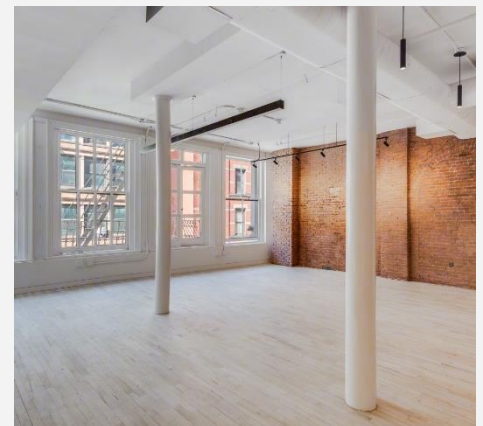
Recent Projects



Client MSG Entertainment
Market New York City - Midtown
Address 2 Penn Plaza, New York
Type Corporate Interiors
Sf 240,935 sf



Client Bollore - DIOR
Market New Jersey
Address 2 Bell Drive Ridgefield, NJ
Type Industrial/Office
Sf 87,000 sf



Client Morgan Stanley
Market New York City - Soho
Address 113 Spring Street, New York
Type Corporate Interior Pre-build
Sf 5,000 sf

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Philadelphia

The commercial real estate market in the Philadelphia area is vibrant, shaped by a mix of economic conditions, demographics and evolving market trends. Demand remains strong for prime office spaces, particularly in downtown areas such as Center City, where companies are attracted to a lively urban settings and convenient access to amenities. However, suburban office parks have experienced challenges, with the shift towards remote work leading many companies to reassess their need for physical office spaces.

The Philadelphia region has witnessed fluctuating construction pricing, with variable material costs and labor availability. Construction costs have gradually increased on inflation, rising material costs, and a shortage of skilled labor, though the pace of any increase varies depending on the type of project and where it is located.

The industrial sector in Philadelphia continues to expand, primarily due to the growth of e-commerce, logistics and distribution industries. Mixed-use developments that blend commercial, residential and retail components are becoming increasingly popular. These projects are designed to foster vibrant communities with diverse amenities and cater to both business and local residents.

Overall, Philadelphia’s commercial real estate and construction sectors remain active and responsive to market trends.



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Construction Costs

\$100 -145/sf
Office Interiors

\$200-225/sf
Industrial Ground-Up

\$275-350/sf
Office Ground-Up

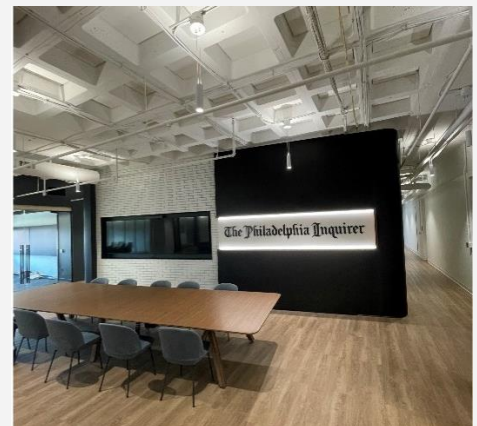
Recent Projects



Client TIFF
Market Suburban
Address 170 North Radnor Road
Type Tenant Build Out
Sf 10,000 sf



Client FIRE
Market City Business District
Address 510 Walnut Street, Philadelphia
Type Tenant Build Out/Production Studio
Sf 20,000 sf



Client Philadelphia Inquirer
Market City Business District
Address 100 Independence Mall West
Type Tenant Build Out
Sf 35,000 sf

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Portland

Portland, a secondary market, stands out with some of the nation’s lowest vacancy rates across office, retail and housing, benefitting from a relatively low cost of living compared to other West Coast markets.

“Flight to quality” is trending, as older Class A buildings lose tenants to more prestigious buildings, despite the higher cost per square foot, motivated by a desire to downsize, reduce monthly leasing obligations and attract and retain employees. Tenants in the Central Business District generally favor the West End, South End and Pearl District.

As in any market, owners’ financials are being closely scrutinized. Buildings with uncertain financials are increasingly bypassed by tenants who prioritize safety and security.

The industrial sector’s construction pipeline has delivered more than 2.8 million square feet in 2023, with additional 2.8 million square feet currently under construction.

Subleasing has continued to drive many sectors, although subleasing rates are more than 20% below average asking rates for direct rentals.



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Construction Costs (Interior Build-Out)

\$110-140/sf

Traditional

\$140-170/sf

Moderate

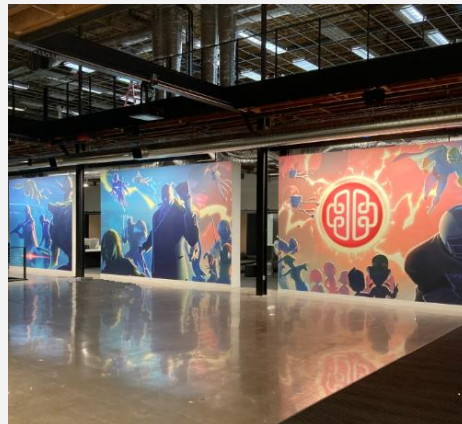
\$170-210+/sf

High End

Recent Projects



Client Digital Patient Access Firm
Market Portland Business District
Address Power & Light Building
Type TI Refresh
Sf 7,300 sf



Client Pipeworks
Market Eugene
Address West Broadway
Type Remodel, Occupied – Gaming Co
Sf 32,000 sf



Client Fisher Phillips
Market Portland Business District
Address 111 SW Fifth Ave
Type Remodel – Occupied Legal
Sf 8,400 sf

PROGRAM & PROJECT MANAGEMENT

San Francisco Bay Area

While the San Francisco Bay Area market continues to face headwinds, demand has increased across all industries over the last quarter, notably with early growth signals from the technology sector, including companies like OpenAI and Anthropic. Despite this uptick, negative leasing absorption is expected to persist over the next few quarters, as companies like JP Morgan, Pillsbury, KPMG and Orrick, downsize and add to the sublease market, alongside technology giants like Microsoft and Adobe. The sublease inventory remains high at 9.8 million square feet, with the tech sector accounting for 80% of this space. As a result, vacancy and availability rates have risen to 28.8% and 37.5%, respectively.

Concessions on direct leases have risen since the onset of the pandemic, with tenant improvement allowances up 49% and free rent up by 220% since 2019. Capital markets are experiencing distress, with many buildings transitioning to lenders or new owners at greatly reduced valuations. This will lead to further repricing in the market as new owners with a low basis can offer more competitive rates.

The cost of materials continued to increase in 2023, raising overall construction costs. However, construction pricing is expected to remain flat or even soften in 2024, with a potential low point towards the end of the third quarter, and pricing will come down as project backlogs decrease.

Commodity prices continue to fluctuate, generally downward relative to the highs of 2023. Material lead times continued to improve, facilitating quicker project timelines and lowering some direct costs associated with general contracting. Labor costs are steadily increasing.



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Construction Costs

\$190-400/sf

Office Interiors

\$135-200/sf

Industrial Ground-Up

\$500+/sf

Office Ground-Up

Recent Projects



Client Hogan Lovells
Market Redwood City
Address 855 Main Street
Type Commercial Office
Sf 30,000 sf



Client Observe, Inc.
Market Redwood City
Address 520 South El Camino
Type Commercial Office
Sf 15,000 sf



Client Guidewire
Market San Mateo
Address 970 Park Place
Type Commercial Office
Sf 84,000 sf

PROGRAM & PROJECT MANAGEMENT

Seattle Metro / Puget Sound

The Seattle Metro and Eastside office environments have been undergoing significant change, with economic hesitancy and uncertainties regarding return-to-work policies. The Puget Sound office market softened in Q4 of 2023. Despite three consecutive quarters of positive absorption in 2022, the region faced uneven office fundamentals in 2023, influenced by global events and local business adjustments from major companies like Amazon, Microsoft and Google, along with challenges related to commodity and workforce scarcity.

The shift to hybrid and remote work is prompting clients to reassess their office space requirements, putting some pre-pandemic projects on hold indefinitely. The Puget Sound industrial market softened on lingering regional and national economic uncertainty. Investment activity returned after a slowdown in Q4 of 2023, though overall leasing has cooled along with the broader market.

Fluctuations in local and global labor and material costs of 10%-15% are reported amidst persistently high inflation, high interest rates and a tightening financial market. Regional variations in permitting and inspection can add weeks or months to project timelines. Metro industry leaders predict a 3% to 4% increase in construction costs, resulting from ongoing labor negotiations and supply chain issues.

However, early indications suggest a cooling construction market in the Pacific Northwest, which could improve labor availability into 2024 and 2025. Though the Federal Reserve hints at lower interest rates, the market remains hesitant. We see a favorable construction environment on the horizon. With high office vacancy, companies with capital may find opportunities to grow or downsize.



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Construction Costs (Interior Build-Out)

\$145-180/sf	\$180-254/sf	\$254+/sf
Traditional	Moderate	High End

Recent Projects



Client Knotel
Market Seattle Business District
Address Federal Reserve Building
Type Tenant Improvement
Sf 29,000 sf



Client Confidential Law Firm
Market Seattle Business District
Address 1201 Third Ave
Type HQ Remodel, Occupied
Sf 72,000 sf



Client GitHub
Market Downtown Bellevue
Address Skyline Tower
Type Tenant Improvement - Tech
Sf 38,000 sf

PROGRAM & PROJECT MANAGEMENT

U.S. Industrial Market

The U.S. industrial real estate market is navigating a period of uncertainty, with high interest rates and reduced demand halting speculative developments. However, the forecast for the coming year points towards a phase of stabilization and normalization across the sector. Port cities, particularly the Inland Empire and New Jersey, continue to increase rental rates.

However, the growth in rental rates is expected to moderate as vacancy rates start to climb. The construction industry continues to face challenges related to supply chain disruption, with extended lead times for many electrical components such as switchgear, emergency generators and automatic transfer switches.

There is an increase in new manufacturing facilities, spurred by legislative measures such as the Inflation Reduction Act and the CHIPS and Science Act. Electric vehicles, battery and microchip manufacturing, alongside with new data centers, are some of the new “mega projects” leading a domestic industrial revolution.

Reshoring and nearshoring continue apace, supporting long-term growth in the industrial sector, though they may not see significant new investment in the short term.



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Construction Costs

\$60-75/sf

Industrial Distribution*

**Cold, dark shell, exclusive of land and entitlement cost*

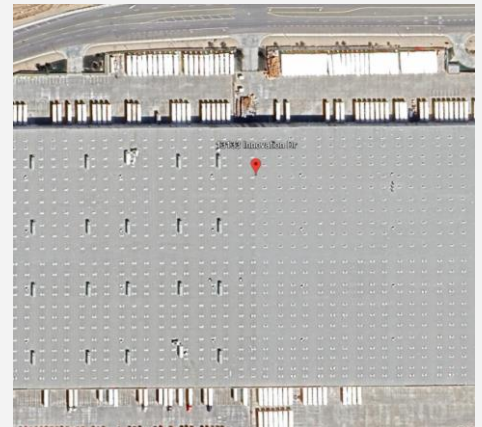
Recent Projects



Client Wieland Recycling
Market Louisville, KY
Address Shelbyville, KY
Type Industrial Manufacturing
Sf 100,000 sf



Client Ecolab
Market Raleigh, NC
Address Highpoint, NC
Type Industrial Distribution
Sf 1,000,000 sf



Client Confidential
Market Southern, CA
Address Victorville, CA
Type Industrial Distribution
Sf 800,000 sf

PROGRAM & PROJECT MANAGEMENT

Colombia

In 2023, Colombia's corporate real estate sector saw significant growth and change, shaped by evolving workplace trends and economic factors. Continued expansion of multinational corporations and the rise of local startups had fueled demand for prime office space in key business hubs across the country, such as Bogotá, Medellín and Cali. This surge in demand went beyond the need for conventional office spaces, pivoting towards flexible work arrangements such as coworking spaces and hybrid office models. Companies increasingly prioritized modern offices that support collaboration, productivity and employee well-being, with amenities to match.

Digital transformation initiatives have fueled demand for office spaces equipped with state-of-the-art infrastructure and advanced technology. In response, developers and landlords are offering innovative approaches to corporate real estate, including smart building technology, sustainable designs and flexible leasing options to cater to varied tenant needs.

Additionally, government incentives to attract foreign investment and stimulate economic growth have made Colombia an attractive market for businesses looking to expand into Latin America.



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Construction Costs

\$76-148/sf

Office Interiors

\$65-94/sf

Industrial Ground-Up

\$170-270/sf

Office Ground-Up

Recent Projects



Client Trend Micro
Market Bogota - North
Address British Council Building
Type Office Interior
Sf 3200 sf



Client DOW
Market Bogota - North
Address Centro Empresarial Colpatría
Type Office Downsize
Sf 7,000 sf



Client Forcheimer
Market Bogota - South
Address Edificio Av 127
Type Warehouse Re Roofing
Sf 6,600 sf

PROGRAM & PROJECT MANAGEMENT

Costa Rica / Central Valley

Costa Rica, particularly its Central Valley, has excelled for years in financial services, information and communications technology, hi-tech and medical device manufacturing, logistics, and tourism. For the second year running, it tops the Greenfield FDI Performance Index, primarily due to the influx of companies established under the Free Zone Regime (FZR). An attractive destination for foreign investment, Costa Rica offers solutions for companies pursuing near-shoring strategies and aiming to meet specific technical and environmental,



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social and governance (ESG) objectives. Software, cybersecurity and engineering companies are driving demand for office space, while logistics and special technology and life sciences manufacturers seek industrial solutions. Costa Rica's industrial sector has shown remarkable resilience during the pandemic, as the industrial markets continue to absorb most of the new build-to-suit projects. The availability of industrial space, stable for three years at around 7%, fell to almost 5% by the end of 2023, even as the inventory grew by about 2% to 2.5%.

Office spaces have remained a favorable market for tenants since before the pandemic. However, Class A+, A, and FZR spaces in certain sectors offer great opportunities for new investments, especially where transportation and infrastructure challenges exist. As tenants seek more modern, collaborative and wellness-oriented spaces to attract labor back to the office, retail is showing an important recovery and has now become a landlord market, which can open up additional opportunities.



Construction Costs

\$90-190/sf

Office Interiors

\$60-120/sf

Industrial Ground-Up

\$180-390/sf

Office Ground-Up

Recent Projects



Client Arias Law
Market Sabana, San José
Address Leumi Corporate Center
Type Office build-out
Sf 15,600 sf



Client Cheetah Digital
Market Heredia
Address Ultra Park II
Type Office build-out
Sf 46,270 sf



Client Plaza 17
Market West San José
Address Guachipelín, Escazú
Type Retail Ground - Up
Sf 34,430 sf

PROGRAM & PROJECT MANAGEMENT

México

Mexico is the second-largest economy in Latin America, with market growth fueled by an increase in direct foreign investment, public-private partnerships, an improving economy and new government initiatives for infrastructure development. Notably, in 2023 Mexico overtook China to become the largest trade partner of the United States. However, 2024 is a general election year in Mexico, determining the presidency, senate, congress and governments of several states, adding political uncertainty to the commercial landscape.

The corporate office market in Mexico has been steadily regaining its momentum post-pandemic throughout 2023, and the outlook for 2024 remains positive. Conversion of existing office space to medical, educational and recreational use continues. While the construction of new office spaces is on the rise, office inventory is still high, and the strategic utilization of existing structures still comprises a considerable portion of the market.

The industrial market is by far the most active sector, as the US nearshoring phenomenon markedly benefits the Northern, Bajío and Center regions of Mexico. Vacancy rates are at historic lows, and demand for industrial and logistic space continues to grow. Construction costs are similar to 2023, except for imported materials and equipment, which is subject to exchange rate fluctuations. The Mexican peso's strong performance, gaining around 15% in value against the dollar throughout 2023, has raised the cost of imports.

Despite the political uncertainties associated with the upcoming elections, demand for commercial real estate continues to be driven by a robust domestic market, an expanding middle class and a rising industrial sector fueled by a US nearshoring trend.



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Construction Costs

\$90-180/sf

Office Interiors

\$75-110/sf

Industrial Ground-Up

\$175-300/sf

Office Ground-Up

Recent Projects



Client Accelleron Industries
Market Querétaro
Address Pyme Industrial Park
Type Industrial
Sf 12,920 sf



Client Iyuno
Market México City
Address Barranca del Muerto 329
Type Corporate offices
Sf 20,000 sf



Client Arrow
Market Guadalajara
Address Zapopan, Guadalajara, Jalisco
Type Industrial / Logistic
Sf 144,850 sf

PROGRAM & PROJECT MANAGEMENT

United Kingdom

The United Kingdom is one of Europe's leading commercial real estate markets, with impressive vacancy rates: Birmingham at 13.4%, Bristol at 9.6%, Edinburgh at 10.0%, London at 10.5% and Manchester at 14.2%. London's West End is the current hot market, particularly among niche financial and hedge funds seeking to expand their presence. Manchester and Birmingham are witnessing growth, potentially benefiting from adjustments in Big Tech and the relocation of sizable back-office operations.

Finance, hedge funds and technology remain strong, and the biopharma and life sciences sector is flourishing, positioning the UK as a leading hub for groundbreaking life sciences startups in Europe.

Two interesting trends are an increase in modular and prefabricated buildings, which shorten construction timelines, and digitally connected buildings, such as smart buildings, which self-regulate environments and operations.

While timber is back in plentiful supply, we continue to see extended timelines for procuring other materials, with demand significantly outpacing supply and contributing to construction inflation. The BCIS Cost Index reported a 10.2% increase, primarily due to a 19.7% rise in the cost of materials.

In line with the government's commitment to reach net zero greenhouse gas emissions by 2030, new regulations introduced on April 1, 2023 mandate that commercial properties must have an Energy Performance Certificate (EPC) rating of at least "E" to be leased.



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Construction Costs

\$79-158/sf
Office Interiors

\$90-200/sf
Industrial Ground-Up

\$200-450/sf
Office Ground-Up

Recent Projects



Client Jimmy Choo
Market London
Address 10 Howick Place
Type Office Refurbishment - 3 floors
Sf 23,000 sf



Client Allied World
Market London
Address 20 Fenchurch Street
Type Office Refurbishment - 1 Floor
Sf 20,000 sf



Client Dow Chemical
Market Stockport Greater Manchester
Address Cheadle Royal Business Park
Type Office and Laboratory New Build
Sf 26,000 sf

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