
Newmark Program & Project Management 2023 Market Updates



NEWMARK

PROGRAM & PROJECT MANAGEMENT

Newmark GCS Project Managers are the stewards of our client's vision, helping them achieve their business objectives. Together our industry leading consultants, designers and contractors deliver spaces that meet the aesthetic, functional, cost and occupancy goals of our clients and their colleagues.

Our GCS Project Management Team:

- Delivers single projects or programs that align an organization's real estate delivery and capital requirements.
- Streamlines design and procurement services to assure on time completion.
- Saves clients between 15-25% of their overall project budgets.
- Uses state-of-the-art tools to provide tracking, transparency and reporting.
- Is a fiduciary to the Client, ensuring all disciplines and stakeholders are aligned and working seamlessly on the Client's goals.



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Atlanta

Austin

Boston

The Carolinas

Chicago

Colombia

Costa Rica

Dallas/Fort Worth

Denver

Great Lakes Bay Region

Los Angeles

México

Minneapolis

Tri-State Area - NY, NJ, CT

Philadelphia

Portland

San Francisco

Seattle Metro / Puget Sound

United Kingdom

U.S. Industrial Market

Atlanta

Atlanta has seen significant job growth over the past two years. One key influencer of this is the fact that several Silicon Valley firms moved or added operations to the area in 2021/2022, subsequently expanding the technology sector in the region. As a result, unemployment rates for Atlanta (3.1%) remain slightly lower than the national average (3.6%).

Construction costs, which saw a significant increase over several quarters, are slowing as pandemic related supply chain issues resolve and demand for construction projects wanes. Nonetheless, construction costs and delays of some products (HVAC, electrical, furniture) still provide pressure on budgets and schedules.

Absorption rates of office space saw a peak in Q4 of 2022 with significant anticipated constriction in absorption forecasted for the next several quarters. Landlords are investing in the infrastructure of existing assets while any new supply of office and industrial space is limited due to frozen capital markets. One key question prevalent to the office market landscape remains around the return to work and office space utilization. We are seeing clients contemplate how to best program and design their real estate to suit their existing or new corporate culture. The subsequent exercise of this is requiring more patience and time than historically experienced. Therefore, we are witnessing longer durations in these efforts in advance of lease expirations. Many clients are looking up to two years in advance and seeking Project Management to assist in the navigation of these real estate requirements.

Construction Costs

\$90-175/sf

Office Interiors

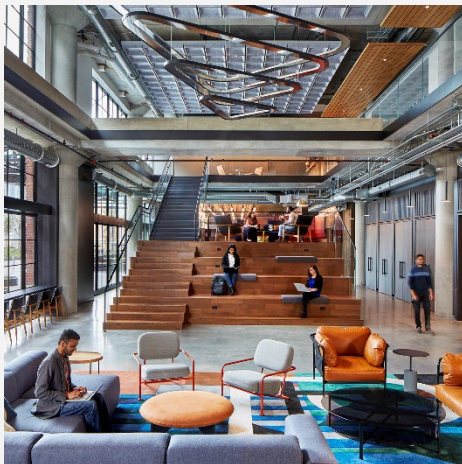
\$180-250/sf

Industrial Ground-Up

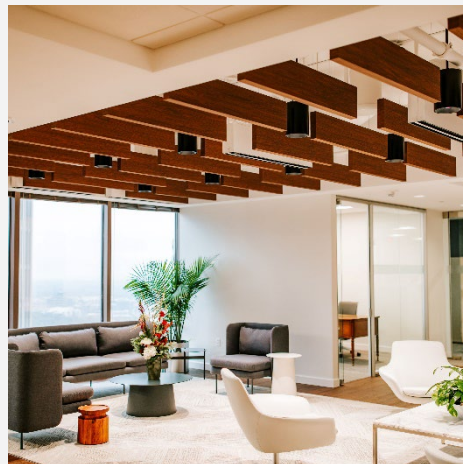
\$265-325/sf

Office Ground-Up

Recent Projects



Client Confidential
Market Atlanta
Address Midtown Atlanta
Type Tenant Build Out - Corporate HQ
SqFt 520,000 SF



Client Fisher Phillips LLP
Market Atlanta
Address Midtown Atlanta
Type Tenant Build Out - Law Firm
SqFt 34,000 SF



Client Thomas Eye Group
Market North Georgia
Address Miscellaneous Locations
Type Interior Buildout- Healthcare
SqFt 5,000 - 25,000 SF



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Austin

New construction forges ahead as developers continue to invest in Austin's office market. Construction grew to more than 6.5 million square feet including 1.3 million square feet of Class A office space. Several mixed-use developments have been constructed in the Central Business District with the largest coming in at over 800,000 square feet. The market has also seen an increase of over 26% in office sublet availabilities, while total vacancy has increased over 17%.

A leader in semiconductor and electronics R&D and manufacturing, Austin's industrial market continues to grow at an amazing pace. In 2022, we saw Tesla move its global headquarters from Palo Alto, California to its 10,000,000 square foot Gigafactory site in Austin. The semiconductor industry will see growth with NXP's \$2.6 billion / 567,000 square foot expansion, which is expected to produce 500-800 new jobs. Additionally, Samsung is building a \$17 billion / 6 million square foot semiconductor plant in Taylor, Texas – a suburb just outside of Austin – expected to create 1,800 new jobs. Samsung has also announced that it is considering building 11 new chip manufacturing plants in the Austin area for an additional investment of \$167 billion and an estimated 8,200 new jobs to the area.

A handful of corporate expansions are expected to bring billions of dollars and thousands of jobs in the years ahead, potentially boosting the regional workforce and economy as more manufacturers and support companies arrive to the Austin metro area.

Construction Costs

\$156-221/sf

Office Interiors

\$238-635/sf

Industrial Ground-Up

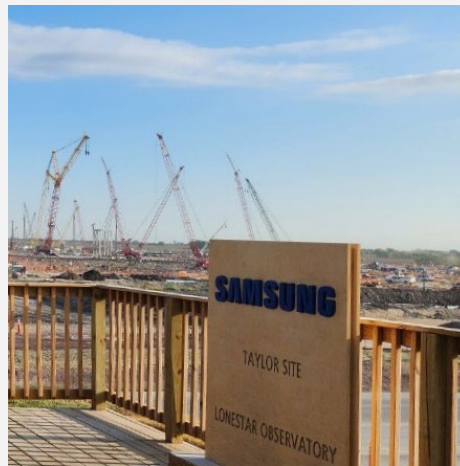
\$474-654/sf

Office Ground-Up

Large Market Area Projects



Client Tesla
Market Austin
Address 13101 Tesla Dr., Austin, TX
Type Ground-up
SqFt 10,000,000 SF



Client Samsung
Market Taylor
Address 1530 FM 973, Taylor, Texas
Type Ground-up
SqFt 6,000,000 SF



Client The Republic
Market Austin
Address 401 W. 4th Street, Austin, TX
Type Ground-up
SqFt 800,987 SF



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Boston

The Boston market has seen dramatic changes over the last three years. A solid, reliable market pre-pandemic, the Boston office market was devastated during the pandemic, with no one returning to work, deals being cancelled and new construction projects put on temporary or permanent hold. Post-pandemic, demand for office space in Boston is still a fraction of what it was pre-pandemic. The office market continues to experience a significant slowdown due to corporate fears of recession, increased interest rates and a slow return-to-office workforce. On a positive note, though, there was growth in office-using jobs in the second half of 2022, which implies a growth in need for office space. Companies are trying to get back to “business as usual” and are restructuring their in-office work models. Deals/projects are starting up again, with major downtown ground-up construction projects finally coming to conclusion after years of delays providing high end, efficient office space with great amenities. The life science market, once growing at an even rate (pre-Covid), experienced a boom during the pandemic. Buildings that could support the required infrastructure were being fully leased, and office buildings – both in and outside the city – were being converted to labs to keep up with the demand. Post-pandemic, the life science market continues to grow but, recently, at a slightly decelerated rate compared to the last few years. Supply chain issues, a freeze on lending, and material escalations are making all construction projects more expensive, thus driving the price to lease or buy. Average construction material costs have increased 69% over the last 24 months. While Greater Boston’s near-term outlook remains challenged, the area’s underlying economic drivers and concentration of intellectual capital are beneficial for future growth and investment, and put the city in a better position than most.

Construction Costs

\$125-250/sf

Office Interiors

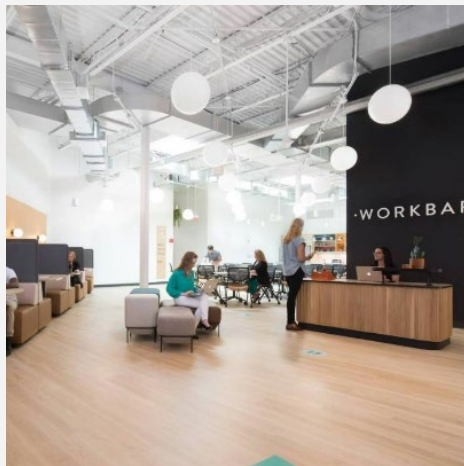
\$225-300/sf

Life Science Non-Union

\$275-400/sf

Life Science Union

Recent Projects



Client Workbar
Market North 128
Address 500 Unicorn, Woburn, MA
Type Landlord Turnkey
SqFt 21,186 RSF



Client TScan Therapeutics
Market West 128
Address 880 Winter St, Waltham, MA
Type Landlord Turnkey
SqFt 113,487 RSF



Client Orna Therapeutics
Market Urban Edge
Address 500 Forge St, Watertown, MA
Type Tenant Fit-Out
SqFt 73,813 RSF



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The Carolinas

Activity is steady in the Carolinas as one of the most attractive markets in the United States for talent and high-tech employment growth. The unemployment rate in North Carolina specifically is 3.9% down from historical averages of 5.77%, while the rate in South Carolina is at 3.30% down from the long-term average of 6.20%. Both the downtown Raleigh and Charlotte markets offer attractive opportunities for the legal, insurance and banking industries. Charleston continues to be an attractive hub for remote tech and financial workers from larger, urban areas and the region's co-working facilities have benefitted greatly.

The office market was slower in the Carolinas in 2022 as companies planned their next steps after the initial impacts of Covid-19 and some hesitancy to adjust their real estate solutions will likely continue in 2023. Nonetheless, several office projects started construction in downtown Raleigh and Charlotte in 2022 and another 1.7 million square feet of office space is planned for downtown Raleigh over the next few years. The downtown Charleston market is still very hot, with vacancy rates below 10%. Suburban markets have seen some contraction with vacancy rates approaching 20%. The life sciences market in the Carolinas remains steady as companies are attracted to the combination of operating costs and talent. Recent investments and expansions by leading biotechnology and pharmaceutical companies have brought recognition to the Carolinas as a top destination for the life sciences industry.

Supply chain delays and material lead times continue to provide challenges to both project budgets and schedules, but trade partner resources remain strong.

Construction Costs

\$85-175/sf

Office Interiors

\$180-250/sf

Industrial Ground-Up

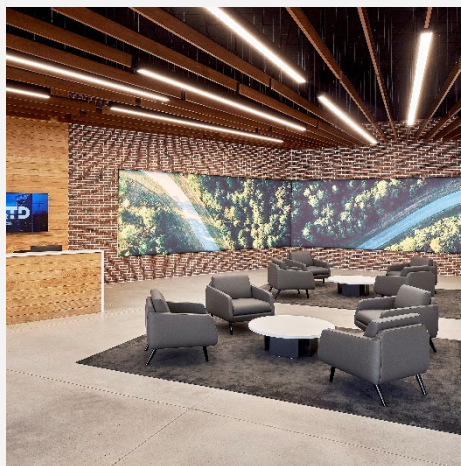
\$265-325/sf

Office Ground-Up

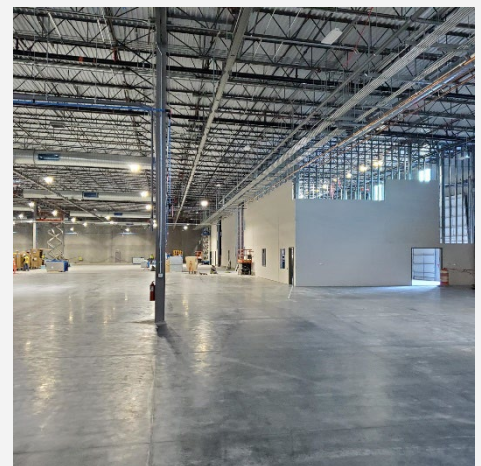
Recent Projects



Client Confidential
Market Raleigh/Durham, NC
Address 1 Fenton Main
Type Tenant Build-out
SqFt 50,000 SF



Client American Tire Distributors
Market Charlotte, NC
Address 4047 Perimeter Drive
Type Tenant Build-out
SqFt 126,000 SF



Client Cummins
Market Charleston, SC
Address Palmetto Commerce Parkway
Type Tenant Build-out
SqFt 112,000 SF



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Metropolitan Chicago

For the past few decades, the overall Northern Illinois construction market has been declining due to demographics rather than economics. While coastal metros have experienced continual year-over-year growth of new residential, commercial, and infrastructure projects, Chicago has instead focused on upgrading and modernizing existing facilities, with renovations making up a large share of volume. The Northern Illinois residential sector experienced the same spike in demand in 2021 as many other markets. But because it is a small part of the overall market, this was not enough to offset downturns in other sectors. Combined with issues in the infrastructure and commercial sectors, the market declined in 2021 and 2022. Looking ahead, however, the position at the center of the nation's railroad and airline networks positions it to benefit from reshoring businesses. The overall design and construction industry appears to be looking forward to a flat to a slightly declining rate. Our research has reported that occupier demand for industrial space surged to new records in the last few years, however, this is expected to slow, but not contract, with rent increases and vacancy rate stabilizing, and construction activity staying steady. Also, the office market is still defined by under-performing older product. The one upside surprise is the recent cooling of inflation and unexpected positive performance of GDP, as well as better-than-expected corporate profits, job creation, and business capital spending—not to mention the faltering global economy.

Construction Costs

\$150-225/sf

Office Interiors

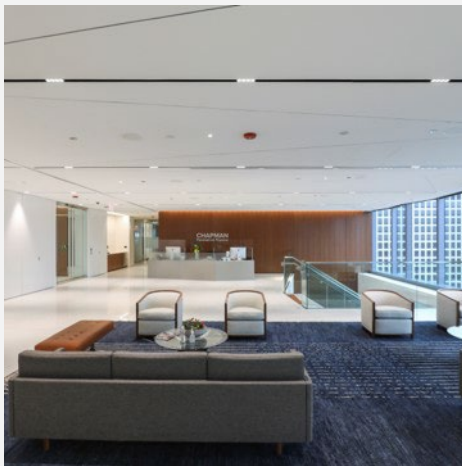
\$125-225/sf

Industrial Ground-Up

\$175-250/sf

Office Ground-Up

Recent Projects



Client Chapman and Cutler
Market Chicago, IL
Address 320 South Canal Street
Type Office Interiors
SqFt 98,000 SF



Client MC Machinery
Market Elk Grove, IL
Address 85 NW Point Village
Type Industrial Ground-Up
SqFt 200,000 SF



Client Draper & Kramer
Market Chicago, IL
Address 61 East Banks Street
Type Residential Ground-Up
SqFt 150,000 SF



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Colombia

By the end of 2022, Colombia's real estate market began showing signs of recovery from the pandemic with companies slowly returning to presential office work and, as a result, vacancy rates decreasing. Colombia continues to be considered one of the most important destinations for the call center and business process outsourcing (BPO) market.

Office space availability in Bogotá is at around 10.3% and the rent price per square meter is, on average, \$15.83 USD. Coworking spaces are also in demand for companies accommodating new hybrid work trends. We saw companies renovating and reinventing their existing spaces to accommodate the new post-Covid work trends.

Generally speaking, Colombia offers exceptional quality in office construction. It's a design-build market where quality local companies with top-notch technical and design standards can be found to develop any project need. Colombia also has quality furniture brands and production, which can significantly lower costs; while global furniture brands not only cost more, but importing can also extend project timelines by 60-90 days.

The annual inflation rate in Colombia closed at 13.12% in December 2022, the highest reading in last 40 years, and the Colombian peso depreciated 30% against the U.S. dollar over the last 3 years. Due to the strength of the U.S. dollar, doing business [projects] in USD will prove to be more economical in 2023.

Construction Costs

\$71-143/sf

Office Interiors

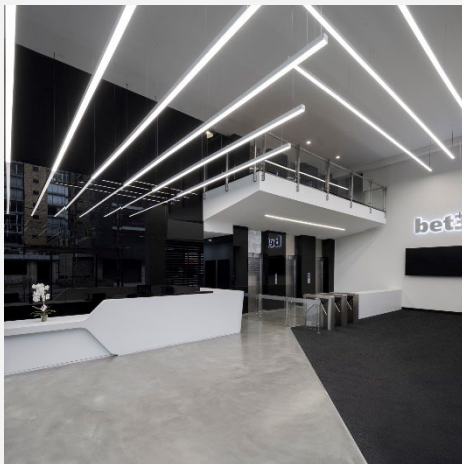
\$59-89/sf

Industrial Ground-Up

\$145-250/sf

Office Ground-Up

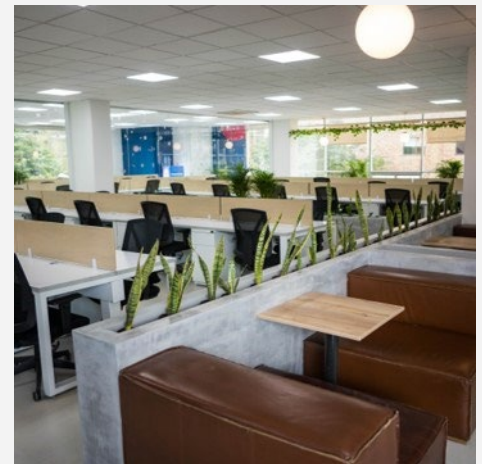
Recent Projects



Client BET365
Market Bogota - North
Address Edificio Terranova 93
Type Office Interior
SqFt 40,000 SF



Client SC Johnson
Market Bogota - North
Address Torre Cusezar
Type Office Remodel
SqFt 6,000 SF



Client Computrabajo
Market Bogota - North
Address Edificio Av 127
Type Office Remodel
SqFt 6,600 SF



Costa Rica / Central Valley

For years Costa Rica has excelled in various sectors such as financial services, information and communications technology, hi-tech and medical device manufacturing, logistics, and tourism, among others. It is currently **#1 in the Greenfield FDI Performance Index** – almost doubling the score of the runner-up – due, mostly, to the influx of companies established under the Free Zone Regime (FZR). A promising destination for foreign investment, Costa Rica offers opportunities/solutions for companies with near-shoring strategies, as well as specific technical and ESG goals. While companies dedicated to software, cybersecurity, and engineering are in the market for office spaces, logistics companies and manufacturers of special technology and life sciences, are demanding industrial solutions.

Demonstrating amazing resilience during the pandemic, the industrial and office markets continue to absorb most of what was/is built (mainly build-to-suit projects). After three years of stabilizing at around 7%, availability of industrial space decreased to 6% by the end of 2022; and after two years of positive gross absorptions, office markets began seeing positive net absorption in the second half of 2022. Class A and FZR spaces remained healthy both during and after the pandemic; most of the variation in the market is in class B and C spaces. A tenant's market, combined with a sudden increase of up to 30% in fit-out costs, saw tenants moving out in search of spaces to better accommodate their 'new normal' office needs. Whether it's health and wellness amenities, hybrid workspaces, flex, coworking and user-focus spaces, tenants are searching for spaces to attract labor back to the office.

Now that costs are stabilizing and second-generation spaces are diminishing, an increase in build-outs starting from core and shell is expected. Newmark is currently working on several developing and remodeling projects for several clients in the aforementioned company profiles.

Construction Costs

\$80-180/sf

Office Interiors

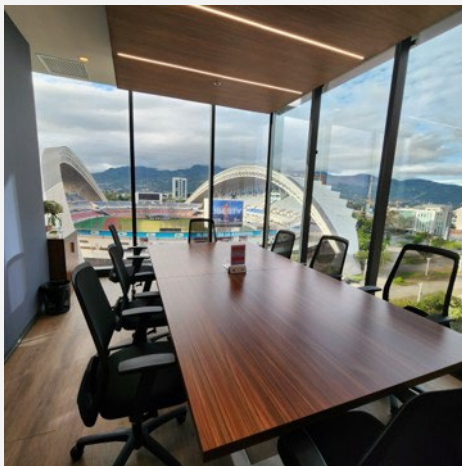
\$60-120/sf

Industrial Ground-Up

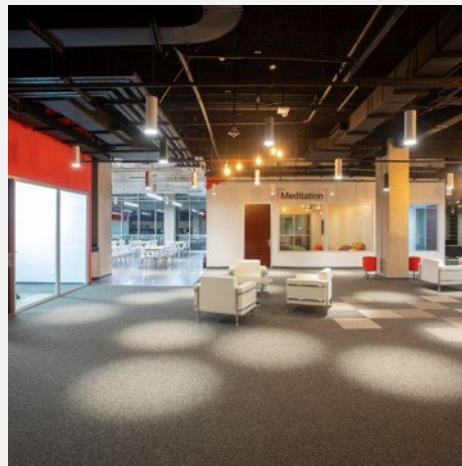
\$170-390/sf

Office Ground-Up

Recent Projects



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



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



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



Dallas-Fort Worth

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

By the end of 2022, the DFW office market showed a strengthened demand which helped to hold back vacancy rates but record high levels of sublease space is keeping vacancy elevated. Vacancy rates continue to linger around 23% market-wide and the average asking rent is \$28.81/sf. Total net absorption turned positive with a strong showing in the second half of 2022, after 10 consecutive quarters in the red.

The DFW industrial market maintained elevated fundamentals in the second half of 2022, with near-equalized supply and demand and rising rental rates. Vacancy rates dropped slightly to 5.6% and average asking rates climbed to \$7.88/sf. The market continues to lead the nation in industrial development, with 87.3 million square feet of space currently under construction, and an additional 50 million square feet of space scheduled to deliver in 2023, with roughly 83% of that space being built on a speculative basis.

Construction costs continue to rise in DFW, due to shortage of material and fuel surcharges. We expect to see a 5-8% increase, across the board, on material and labor in 2023. We will continue to see longer lead times on specialty items, with some items 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 strong recovery overall. Despite recent rises in interest rates having a negative impact on the DFW market, and investment volume dropping, companies continue to relocate to the area. The market's outlook is favorable in the near- to mid-term, due to robust office investment sales, improving leasing demand, and the metro's rising status as a tech hub.

Construction Costs

\$90-150/sf

Office Interiors

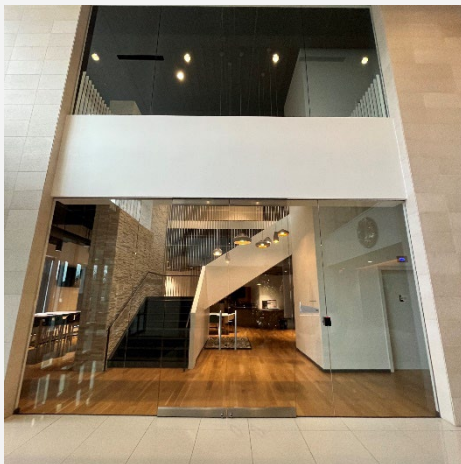
\$75-100/sf

Industrial Ground-Up

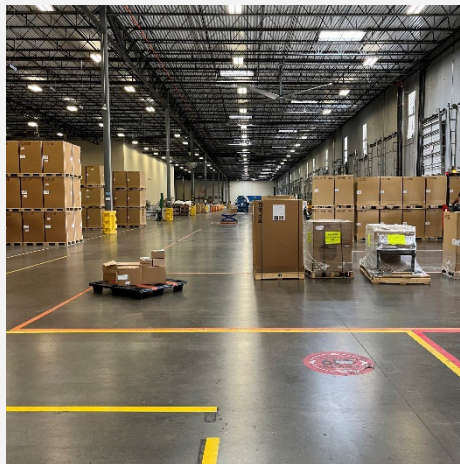
\$350-470/sf

Office Ground-Up

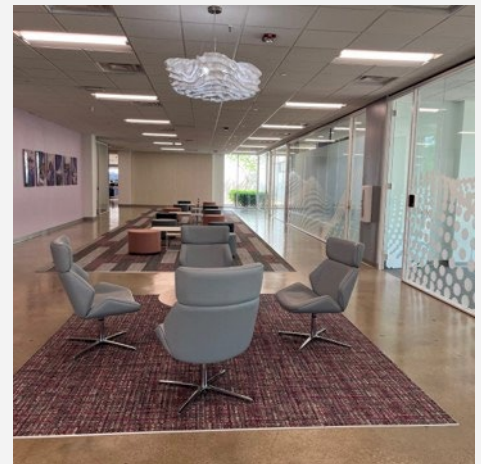
Recent Projects



Client Confidential
Market Dallas
Address 14675 Dallas Parkway
Type Office Interior
SqFt 40,000 SF



Client Confidential
Market Arlington
Address 4925 New York Ave
Type Industrial Refresh
SqFt 150,000 SF



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



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Denver

Although 2021 marked a slow climb back towards normality and ended with optimism going into 2022, hopes for a more robust restart of office market activity only lasted the first quarter of 2022, as concerns about the pandemic were replaced with looming questions about the economy and its persistent inflation.

Tenant sectors that highly value collaboration and have only embraced hybrid work-from-home models on a limited basis, such as law and engineering firms, were the most consistently active, favoring new construction with high-quality amenities in a bid to attract workers back to the office and attract new talent.

The Denver industrial market had a fantastic year in 2022, as annual absorption attained 5 million square feet for just the second time in the last 10 years. The East submarket posted the highest annual absorption with 2.9 million square feet. In second place was the Southeast submarket with 1.1 million square feet of annual absorption. At negative 978,898 square feet, the Northeast submarket was the only submarket with annual absorption in negative territory, mostly due to a single large move-out in the third quarter of 2022. All other submarkets recorded annual absorption over 200,000 square feet.

Construction cost escalation continues its upward trend of 1.5% – 2% per month but did show some slowing along with supply chain improvement as we closed out 2022.

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
SqFt 25,525 SF



Client Confidential
Market Undisclosed
Address Confidential
Type High Tech Lab/Office
SqFt 175,000 SF



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



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Great Lakes Bay Region

Procurement of items post-Covid continues to be difficult. Complex MEP components are, far and away, the most difficult items to procure.

Resources are in high demand and the ability to adequately staff projects with professional, as well as technical and in-the-field, experts are hard to come by as there are many projects competing for a small pool of resources.

On the positive side, businesses have begun to spend more capital and expense dollars to support mission critical efforts.

Key areas for project work support keeping occupants safe, warm, and dry; comply with internal and external regulations; and support the workplace strategy to transition towards activity-based seating to align space with utilization.

As with most markets, Newmark is expecting at 3-5% cost increase in labor and materials compared to 2022.

Construction Costs

\$250-400/sf

Office Interiors

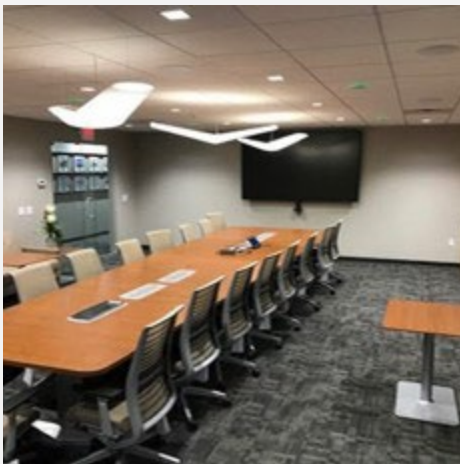
\$600-670/sf

Industrial Ground-Up

\$510-550/sf

Office Ground-Up

Recent Projects



Client Confidential
Market Great Lakes Bay Region
Address Confidential
Type Minor T1
SqFt 3,000 SF



Client Confidential
Market Great Lakes Bay Region
Address Confidential
Type Minor T1
SqFt 9,090 SF



Client Confidential
Market Great Lakes Bay Region
Address Confidential
Type Roofing
SqFt 44,000 SF



Los Angeles

The Los Angeles market has seen vacancy and sublet availability reach record highs in Q3 of 2022. Current market research shows the vacancy rate at 20% and sublet availability rates at 25.2% with sublet availability more than doubling from pre-pandemic levels. In recent months, the tech industry has suffered losses in valuations which has resulted in hiring freezes, slowdowns and layoffs. This contributed to a 39.6% drop of leasing activity in the submarket of West Los Angeles with tech being the dominant industry for this market. Several notable companies that have contributed to the increase in sublet space include Honey with 131,688 square feet and Herbalife with 92,245 square feet in Downtown Los Angeles, and Netflix with 121,164 square feet in Burbank.

The combination of remote work policies, slower economic growth in companies and rising cost of construction and capital are limiting new construction. Occupiers are also concerned with the overall economy and the possibility of a recession. However, companies are using return to office mandates to reestablish culture and normalcy. Office utilization averages are expected to rise over the coming months. Currently, policies are trending for three days in the office which will help companies sustain their footprint requirements.

Construction Costs

\$125-200/sf

Office Interiors

\$140-160/sf

Non-Profit Office Interiors

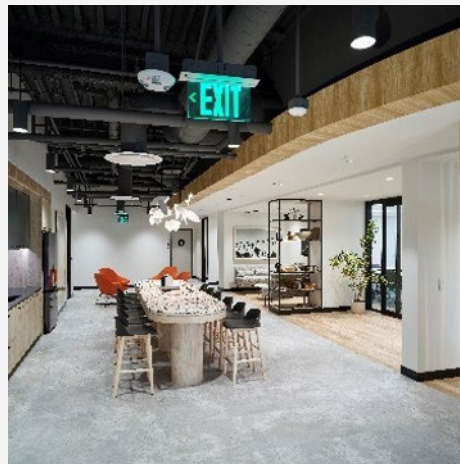
\$175/sf

C-Suite Interiors

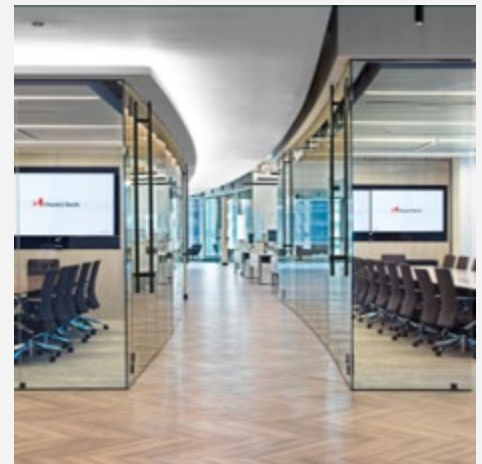
Recent Projects



Client Califa Farms
Market Downtown Los Angeles
Address 1019 E. 4th Place
Type Office Interior
SqFt 29,440 SF



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



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



México

Mexico is the second-largest economy in Latin America. Growth of the market is attributed to the public-private partnerships, an improving economy, and increased government initiatives for infrastructure development. After experiencing a severe economic downturn in 2020 due to the pandemic, the Mexican economy has been on course to a reassuring recovery since 2021.

There has been a slowdown in the corporate office market, particularly for new interior build-out and ground up construction. As a consequence of having an increase in vacant [already built] office inventory, we have seen two major trends: (1) conversion of existing office space to different use (medical, schools, recreational, etc..) and (2) workplace strategy to use existing build-outs to meet new tenant requirements.

The industrial market remains steady and we have seen some increase in demand, particularly for warehouses and logistic space. The overall vacancy rate in industrial markets decreased for the eighth consecutive quarter, reaching an all-time low of 3.3% in Q3 2022. Development rates are currently in pace with demand as vacancy rates continue to decline.

Construction costs have increased year over year, since the pandemic. Even though labor costs have increased, equipment and materials have had the biggest impact in overall construction costs, some supplies reaching increases of over 30%-40%.

Due to the immensely strong domestic market, notably the expanding middle class and growing performance of its industrial sector, the prognosis for commercial real estate in México remains optimistic. The commercial market is projected as an area of opportunity for real estate investments due to the incentives created by the new government reforms and attractive interest rates.

Construction Costs

\$90-160/sf

Office Interiors

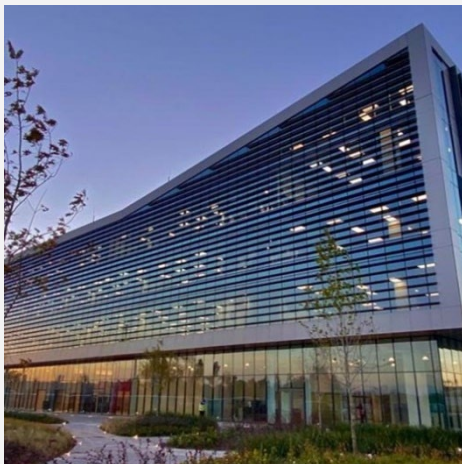
\$60-90/sf

Industrial Ground-Up

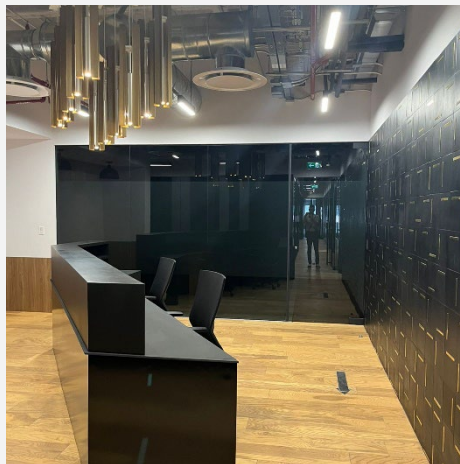
\$180-260/sf

Office Ground-Up

Recent Projects



Client Santander Bank
Market Querétaro
Address Delegación Felix Osoros Sotomayor
Type Build to Suit – Office Building
SqFt 344,450 SF



Client Grupo Formula
Market México City
Address Reforma Soc, Miguel Hidalgo
Type Interior Build Out
SqFt 32,300



Client Ask Chemicals
Market El Carmen
Address El Carmen, Nuevo Leon, México
Type New Construction
SqFt 215,000



Minneapolis

The Minneapolis office market continued to exhibit signs of softening in the second half of 2022, noted by rising vacancy rates (around 15%) and negative net absorption of 300,000-350,000 square feet. Average gross asking rents dipped slightly in the second half of the year, with an average direct gross rate of \$29.77 per square foot metro-wide.

Top employers in Minnesota found they have an average occupancy rate of approximately 26% at their corporate campuses, and top-tier multitenant buildings note an occupancy rate of over 63%, on peak occupancy days. Many employers are in “trial and error” mode as they figure out exactly what will bring employees back. Employees want their office space to be surrounded by amenities and employers are looking to accommodate these requests. As a result, the majority of current deals are in new or renovated Class A office buildings, which offer premium office space with fitness centers, high-tech training rooms, and other eye-catching amenities.

Sublease spaces continue to be difficult to lease as tenants want a space to reflect their needs and culture, not one that has been built for another company’s needs. Some redevelopment is happening at vacated office campuses; with mixed-use developments, including residential space, being the preferred use.

The industrial market continued to boom in 2022, reaching around 340 million square feet occupied in eight sub-markets, with a continued demand for warehouse buildings and distribution centers. The construction pipeline remains strong, with 9.9 million square feet of new development either in progress or planned through 2023. Many economic incentive programs remain available as well.

Construction Costs

\$100-155/sf

Office Interiors

\$100-150/sf

Industrial Ground-Up

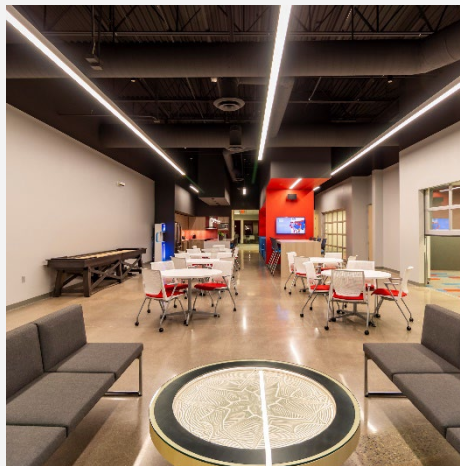
\$250-270K/sf

Office Ground-Up

Recent Projects



Client Chartwell
Market Minneapolis
Address 150 S 5th St #2700
Type Office Relocation
SqFt 20,000 SF



Client Hero
Market Bloomington
Address 10900 Hampshire Ave S.
Type Office Relocation
SqFt 26,000 SF



Client Compeer
Market Lakeville
Address 21088 Keswick Loop
Type Office Relocation
SqFt 31,500 SF



Tri-State Market - NY, NJ, CT

After two years of record-breaking low occupancy rates, the Northeast Tri-State market saw a steady recovery throughout 2022, indicating a positive outlook for office leasing in 2023 - though the retail market remains extremely sluggish.

There have been fluctuations in sectors experiencing growth/contraction at varying levels. While large tech clients are experiencing contraction and have scaled back their planning, the industrial and data center industry is experiencing growth and have moved forward with projects.

Landlords are investing in their existing properties - refurbishing older buildings, adding amenities, upgrading antiquated infrastructure systems - to attract the occupiers and investors who are seeking higher quality spaces to encourage and attract their employees back to the office.

Though many larger projects have been abandoned, this has actually benefited the corporate interiors [projects] market by making the remaining "smaller" design and construction projects more competitive and, thus driving down overall costs.

The past two years have seen an excessive inflationary cost of materials that are now plateauing and, as a result, leveling off construction costs. We continue to struggle with a few supply chain issues though we continue to see improvement - HVAC and electrical equipment continue to be persistently delayed though we have seen improvement in lighting fixtures and controls.

Construction Costs

\$125-275/sf

Office Interiors

\$185-350/sf

Industrial Ground-Up

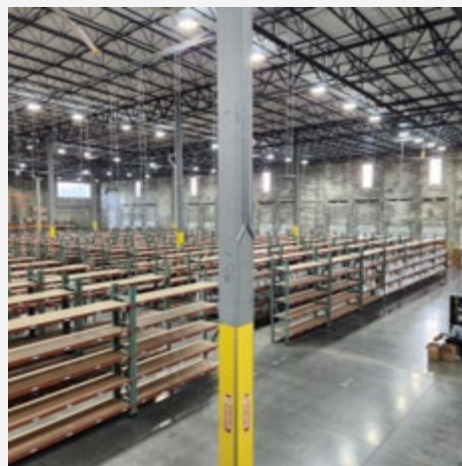
\$300-375/sf

Office Ground-Up

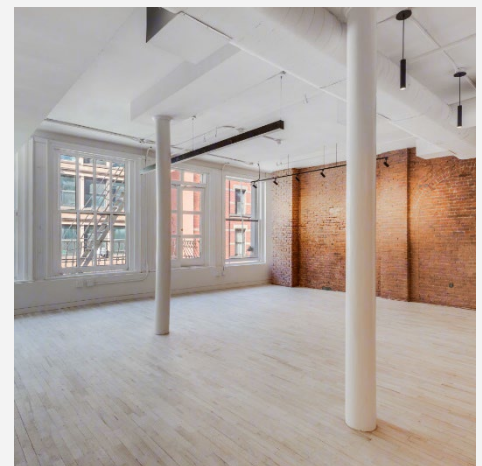
Recent Projects



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



Client Bollere - DIOR
Market New Jersey
Address 2 Bell Drive Ridgefield, NJ
Type Industrial/Office
SqFt 87,000 SF



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



Philadelphia

Philadelphia experienced a slight uptick of workers returning to the office in 4Q22. As of December 2022, according to Kastle Systems' weekly occupancy barometer, 41.5% of Philadelphia's workforce have returned to the office, up from September 2022. Despite the improvement, Philadelphia still lags the current major metro average workforce return rate of 48.2%.

Many Philadelphia area companies continue to operate under a hybrid work model to accommodate their employees. Tenants continue to look for short-term and flexible space options to satisfy their real estate needs and landlords offering concessions continue to be vital to compete for deals. Due to increased concessions and declining rental rates, tenants previously occupying Class B space are now looking for Class A and trophy building options. Current market conditions signal an increasing sub-lease market as some tenants contract. However, long term indicators predict the office market is much more stable than in other office markets around the country.

The Greater Philadelphia industrial market remains strong with active projects in 2023. Taking rents continue to reach record highs, as tenant demand shows no signs of slowing. Land prices continue to reach peak levels as tenants seek out the best available locations in proximity to consumers. Fuel prices continue to strain supply chains for warehouse and distribution users; however, it has not deterred tenants from leasing new space in the market.

In 2023 we expect to see the cost of materials increase +/- 5% and overall construction pricing is projected to increase in excess of 10%.

Construction Costs

\$90-145/sf

Office Interiors

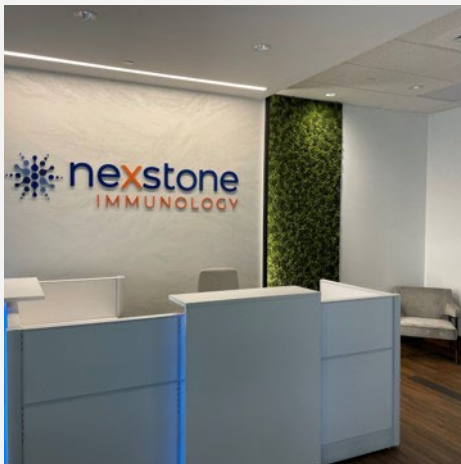
\$185-225/sf

Industrial Ground-Up

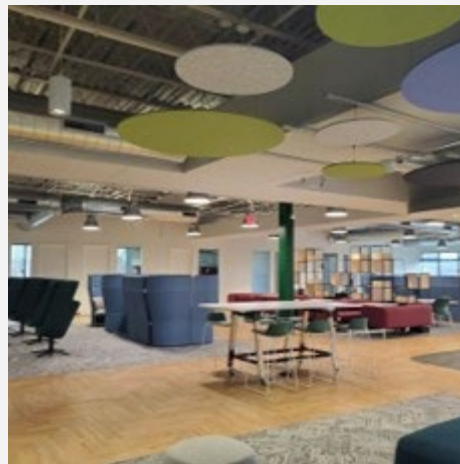
\$275-310/sf

Office Ground-Up

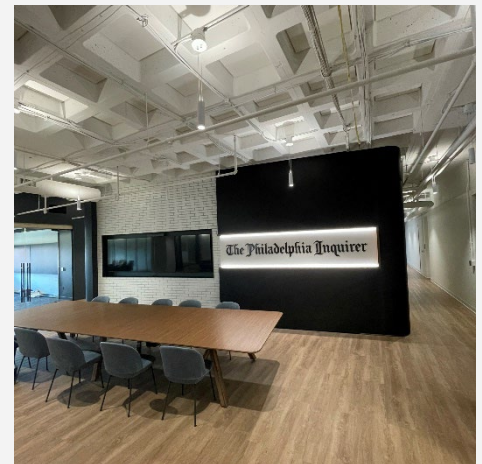
Recent Projects



Client nexstone
Market Suburban
Address 1200 Atwater Dr, Philadelphia
Type Tenant Build Out
SqFt 15,000 SF



Client Greenphire
Market Suburban
Address 1018 W 9th Ave, King of Prussia
Type Tenant Build Out
SqFt 40,000 SF



Client Philadelphia Inquirer
Market City Business District
Address 100 Independence Mall West
Type Tenant Build Out
SqFt 30,000 SF



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Portland

As a secondary market, Portland tends to lag slightly behind the rest of the country with its ebbs and flows. Downtown occupancy in all markets, including office, retail and housing, is down more than the national average decline. The latest research (from Q4 2022) shows that CRE investments here will continue to slow in 2023.

The office market in the greater Portland metropolitan area continued to face rising levels of vacant and available space to end the 2022 calendar year. Many of Portland's largest submarkets posted negative absorption numbers in the fourth quarter of 2022 as supply continued to far outweigh the current demand for office space. Certain subdistricts within the city, though, are fairing better than others. The occupancy in Central Eastside and Goose Hollow, for example, dropped only slightly in 2022 and is expected to remain more stable. Negative absorption numbers are slowly beginning to level out as uncertainty with large office projects continues to stifle the market and many companies postpone decision-making plans.

The Portland industrial market remained historically strong to end 2022. Inventory reached a new low, with market-wide vacancy at 2.8. Absorption was bolstered by the delivery of three fully leased industrial assets in the fourth quarter of 2022. The year ended with the lowest recorded absorption of the year and could indicate that the market is nearly exhausted of desirable inventory.

The City of Portland continues to be a bottleneck in terms of permitting anything that is not part of the Facilities Permit Program. In particular, Portland Bureau of Transportation and the Water Bureau are holding up projects for months longer than their published review timeframes due to a backlog and lack of manpower. Suburb AHJs generally do not have the same issue with turnaround times for plan review.

Construction Costs (Interior Build-Out)

\$110-140/sf

Traditional

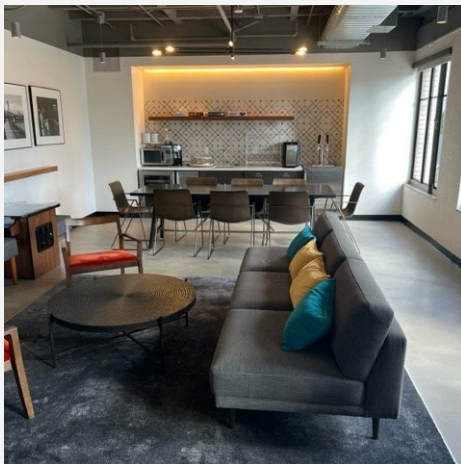
\$140-170/sf

Moderate

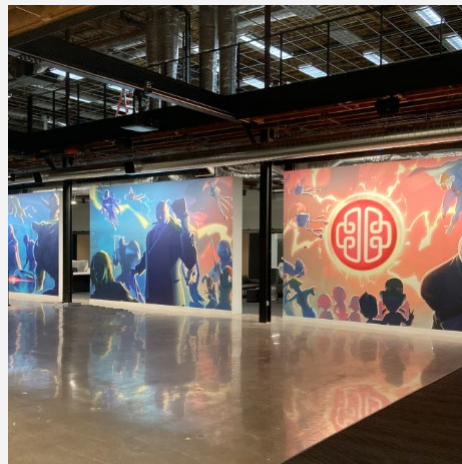
\$170-210+/sf

High End

Recent Projects



Client Digital Patient Access Firm
Market Portland Business District
Address Power & Light Building
Type T1 Refresh
SqFt 7,300 SF



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



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



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San Francisco Bay Area

While the San Francisco Bay Area market is slowly rebounding, overall growth has stalled. San Francisco, with its tech-heavy workforce, has the lowest return to office metrics of any major market in the nation due to the heavy concentration of tech opting to work remotely. Much of the tech sector is in a holding pattern as employers continue efforts to entice their workers to return to the office. Office vacancy levels have shot up from around 7% in 2019 to 16.2% currently across the market and upward of around 27% in the cluster of submarkets that constitute the downtown core. The availability rate increased to 21.4%, indicating that many tenants have decided not to renew at lease expiration. By contrast, the life science office market continues to perform well. Located south of the city of San Francisco in the mid-peninsula, life science campuses and lab space are in high demand from biotech businesses. We have also seen increased needs from professional and financial services firms, and industrial clients.

Most materials prices increased dramatically in 2022, resulting in increased overall project costs. Construction pricing is expected to remain flat and likely soften a bit throughout the year, with a low point expected sometime at the end of 2Q/3Q; as project backlogs burn off, pricing will likely come down. Commodities will continue to fluctuate with a general downward trend compared to the highs of 2022. Lead times for materials continued to be volatile in 2022 causing project timelines to be delayed/prolonged but we are seeing some preliminary improvements to this. Lastly, labor costs continue to increase at a stable level.

Construction Costs

\$180-350/sf

Office Interiors

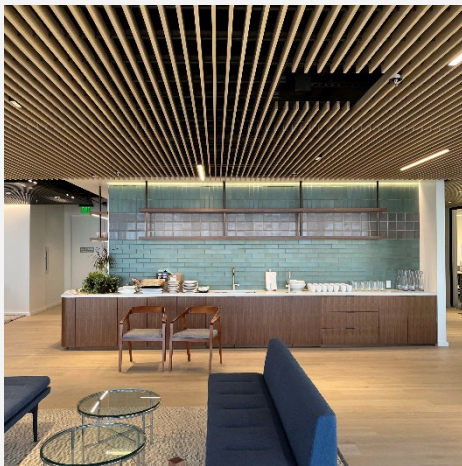
\$125-150/sf

Industrial Ground-Up

\$500+/sf

Office Ground-Up

Recent Projects



Client Hogan Lovells
Market San Francisco
Address 4 Embarcadero Center
Type Interior Fit-out
SqFt 22,500 SF



Client Tipalti
Market Mid-Peninsula
Address 1051 E Hillsdale Blvd.
Type Interior Fit-out
SqFt 63,000 SF



Client Keypoint Credit Union
Market South Bay
Address 2150 Trade Zone Blvd.
Type Interior Fit-out
SqFt 34,000 SF



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Seattle Metro / Puget Sound

The Seattle Metro office environment, including the Eastside, continues to experience rapid change. After a second quarter of economic hesitancy and uncertainty surrounding return-to-work plans, the Puget Sound office market softened in the fourth quarter of 2022. Despite three straight quarters of positive absorption in 2021, the region's office fundamentals were bumpy throughout 2022.

Global events, as well as local business shifts (i.e. Amazon, Microsoft, Google), have led to great variability in market conditions as well as commodity and workforce scarcity. Driven by hybrid and remote work, clients are still evaluating their office space requirements. As a result, many office projects that were imminent pre-pandemic have now been put on hold indefinitely. Though activity slowed somewhat in the final quarter of the year, the Puget Sound industrial market maintained healthy indicators over the course of 2022, despite lingering economic uncertainty in the region and across the country. Investment activity heated up after a slowdown in the third quarter of 2022 while the leasing market, where demand for logistics and warehouse product remains white hot, posted strong annual gains.

Local and global labor and material costs continue to fluctuate 10%-15% into the post pandemic environment. Regional permitting and inspection variability can add weeks or months to project timelines. Metro industry leaders are predicting a 6-7% increase in construction costs based on recent labor negotiations and supply chain discussions with subcontractors and suppliers.

Early signs of a cooling construction market in the Pacific Northwest indicate an easing of labor availability for 2023-2024. As the Federal Reserve continues to raise inflation rates to combat inflation, opportunities for a favorable construction environment are on the horizon. With an abundance of office vacancies, companies with capital may be finding growth or downsizing opportunities.

Construction Costs (Interior Build-Out)

\$141-180/sf

Traditional

\$180-254/sf

Moderate

\$254+/sf

High End

Recent Projects



Client Fisher Phillips, LLP
Market Seattle Business District
Address 1700 Seventh Avenue
Type Tenant Improvement - Legal
SqFt 8,900 SF



Client Confidential Law Firm
Market Seattle Business District
Address 1201 Third Ave
Type HQ Remodel, Occupied
SqFt 72,000 SF – 12 floors



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



United Kingdom

The United Kingdom (UK) commercial real estate sector faced many challenges in recent years, from uncertainty concerning Brexit to the coronavirus crisis. Despite this, the United Kingdom remains one of Europe's leading markets for commercial real estate.

The UK remains buoyant with the following vacancy rates*: Birmingham: 13.4%; Bristol: 9.6%; Edinburgh: 10.0%; London: 10.5%; and Manchester: 14.2% (*blended rates). London's West End is a current hot market, where the niche financial/hedge funds are all growing and scrambling for expansion space. Manchester and Birmingham are also thriving markets right now and have the potential to attract the fall out from 'big tech' right sizing and large back-office relocations.

While finance/hedge funds and technology continue to be strong industries in the UK, with 'big tech' rationalizing their global workforces, the life sciences sector (including biopharma) is also flourishing. The UK is Europe's leading biotech hub in breakthrough life-sciences start-ups.

Two interesting trends are an increase in (1) modular and prefabricated buildings, which shorten construction timelines, and (2) digitally connected buildings, Smart Buildings, that can self regulate environments and operations.

While timber is now back in plentiful supply, we continue to see extended timelines for procuring other materials. Demand outstrips supply which directly impacts construction inflation. BCIS Cost Index indicates a rise of 10.2% - the largest contributor being the cost of materials, rising by 19.7%. In line with the government's commitment to reach net zero greenhouse gas emissions by 2030, effective April 1, 2023, EPC regulations will prohibit leasing a commercial property with an EPC rating below an E.

Construction Costs

\$79-158/sf

Office Interiors

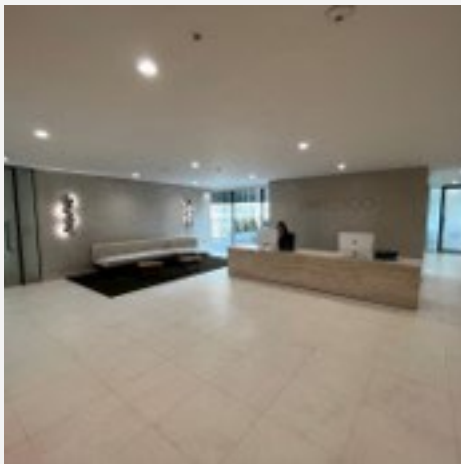
\$90-200/sf

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
SqFt 23,000 SF



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



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



U.S. Industrial Market

The economic landscape is dominated by uncertainty. Tightening financial conditions and persistently high inflation have impacted consumer purchasing power and confidence. Forecast for future economic growth have been successively revised downward as the year progresses.

Indicators signal industrial demand will surprise to the upside in the short-term. Warehouses are still at maximum capacity as inventories have ballooned. Imports remain historically high and supply chain woes have not fully evaporated. Investment in new manufacturing facilities is on the rise fueled by the Inflation Reduction Act and the CHIPS and Science Act.

Inflation continues to push construction costs higher. After a rapid rise in new warehouse construction from 2021 to 2022, the producer price index (PPI) for new warehouse building construction appears to be plateauing. Two factors are likely to provide some relief: (1) an elevated construction pipeline delivering to the market as consumer demand cools and (2) rising interest rates increasing the cost for construction debt.

Construction Costs

\$55-70/sf

Industrial Distribution*

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

Recent Projects



Client Confidential
Market Charleston, SC
Address Charleston, SC
Type Industrial Distribution
SqFt 12,000 SF



Client Confidential
Market Dallas, Ft. Worth
Address Dallas, Ft. Worth
Type Industrial Distribution
SqFt 1,500,000 SF



Client Arrow
Market Grapevine, TX
Address Grapevine, TX
Type Industrial Distribution
SqFt 66,000 SF



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