

Commercial Real Estate Market Update



Trust
Land Office

2600 CORDOVA

THE TRUST LAND OFFICE

ANCHORAGE DENTAL ARTS, LLC

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April 22, 2021

2020 – A Tough Year for Commercial Real Estate

National Office Market Statistics (CoStar)

Supply (Net Construction)

- Average 2015-2019: **51,185,966 SF**
- 2020: **47,800,217 SF**
- 2021: **86,649,947 SF**
- Average 2022-2025: **46,679,940 SF**

Demand (Net Absorption)

- Average 2015-2020: **65,812,383 SF**
- 2020: **-76,126,084 SF**
- 2021: **-35,338,248 SF**
- Average 2022-2025: **73,841,775 SF**

Vacancy Rate

- Low: **9.6%** in 2018
- Current: **12.1%** in Q1 2021
- Peak: **12.6%** in Q4 2021
- Back to **11.0%** in 2025

How Are We Holding Up? Not Perfect But Relatively Well.

Project	Street Address	City & State	Year Built	Rentable Sq. Feet	Vacant Sq. Feet	Occupied Sq. Feet	Occupancy Rate
Cordova	2600 Cordova Street	Anchorage, AK	1985	28,217	-	28,217	100%
Commercial Drive	2618 Commercial Drive	Anchorage, AK	1972	15,120	-	15,120	100%
Washington Parks	1111 Israel Road	Tumwater, WA	2008	52,510	-	52,510	100%
Rulon White	1973 N. Rulon White Blvd.	Ogden, UT	1996	100,000	-	100,000	100%
Amber Oaks	9601 Amberglen Blvd.	Austin, TX	2001	106,499	41,614	64,885	61%
Promontory Point	2420 & 2500 Ridgpoint Dr.	Austin, TX	1983	93,786	-	93,786	100%
North Park	17319 San Pedro Avenue	San Antonio, TX	2006	86,401	41,253	45,148	52%
Portfolio Total				482,533	82,867	399,666	83%

Portfolio Occupancy As of October 2020: 97%

Portfolio Occupancy As of January 2021: 91%

Starting to See Across The Valley...

- **Return to Work**

- **Stimulus, Vaccines & Infrastructure** – Stimulus and vaccines each having a material effect with infrastructure spending TBD;
- **Employment Growth** – Majority of furloughed office using positions were rehired last year with new hiring occurring and continuing through 2021 and 2022;
- **Going Back to the Office** – Companies and employees are overwhelmingly moving toward a return to the office, including Microsoft, Amazon, Google, JPMorgan Chase, Wells Fargo, etc.
- **Hybrid Model Stressing Flexibility** – While a clear majority want to return, flexible schedules will be commonplace. For example, Citibank staff will be expected only three days per week. Days per week and hours per day are on the table;
- **Little Downsizing** – Per a recent CEO survey by KPMG (and validated by others), only 17% of firms plan on reducing their office footprint. Expansions should offset as firms switch from survival mode to growth mindset.

- **Leasing Preferences**

- **Demand is shifting to favor suburbs and less-dense cities** – And less need to be downtown as employment centers are diffusing;
- **Low-Rise Buildings with Ample Parking** – Mass transit is out as is elevator-served mid and high-rise buildings;
- **Decrease in Office Densities** – Densities of 7-8 employees/1,000 square feet are more often going back to the traditional 4/1,000. Side-by-side desks are out and there are now more private offices;
- **Flight to Quality** – With decreases in lease rates, tenants are migrating to nicer projects. Lower quality Class C projects are getting hit harder as tenants move up to Class B and Class A properties;
- **Competitive Positioning is Crucial** – Well operated and maintained spaces that show well will lease more quickly while less appealing spaces will languish.

Project Specific: Amber Oaks

- **Submarket Leasing Activity**

NET ABSORPTION FORECAST	
Year	Square Feet
2025	156,638
2024	137,547
2023	78,381
2022	23,445
2021*	56,846
2020	55,696
2019	150,676
2018	29,415
2017	28,892
2016	258,684
Average	97,622
* Excluding the Apple campus.	

(Source: CoStar)

- **Current Proposals**

- Nursing School – 35,000 sf
- Diagnostics Lab – 5,400 sf
- Title Insurance Group – 5,400 sf
- Medical Group – 5,400 sf
- Law Firm – 5,800 sf

- **We are Competing for Tenants**

- Not enough demand to fill all of the vacancies in all of the projects throughout the submarket;
- Amber Oaks is above-average in terms of competitive positioning;
- Absolutely imperative to remain aggressive on terms, including tenant improvements.

Project Specific: North Park Corporate Center

- **Submarket Leasing Activity**

NET ABSORPTION FORECAST	
Year	Square Feet
2025	201,387
2024	223,386
2023	205,238
2022	64,023
2021	126,020
2020	-224,356
2019	187,035
2018	-30,713
2017	-5,637
2016	69,288
Average	81,567

(Source: CoStar)

- **Current Proposals**

- Home Healthcare School – 7,000 sf
- Water Efficiency Firm – 12,000 sf
- Construction Firm – 7,000 sf

- **Again, We are Competing for Tenants**

- San Antonio is active, though not as vibrant as Austin
- Same story in terms of not enough demand to fill all vacancies in all projects in the submarket;
- North Park is above-average in terms of competitive positioning;
- As with Amber Oaks, it is absolutely imperative to remain aggressive on terms, including tenant improvements.