2022 Mid-Year DLA Piper
US Real Estate Trends Report

Dear clients:

In the midst of a roller coaster 2022, we pause to bring you this mid-year trends report that builds on the 2021 Real Estate Review included in our most recent **State of the Market Survey**.

Optimism about the recovering market

Despite daily market fluctuations, the real estate experts polled for our SOM Survey were optimistic about the recovering commercial real estate market. Indeed, the brisk pace of work handled by DLA Piper's Real Estate group this year so far supports their bullish predictions.

Deal volume is strongest in acquisitions and dispositions, with transactions in the first half of 2022 having nearly doubled over the same period in 2021. Purchase prices are up too, from an average of $93.4 million in 2021 to $99.6 million in 2022. Leasing, land use and development, and real estate finance are also producing significant work for the group. Among metro areas with steady deal volume are Chicago, Boston, Los Angeles, New York, and Washington, DC, and, consistent with the experts' predictions in the SOM Survey, we're still seeing growth in secondary markets such as Austin, Philadelphia, Raleigh-Durham, and San Diego, as well as across Florida.

Our methods

The group's growing deal volume has allowed us to keep building on the trends analysis first reported in our SOM Survey. Working with our knowledge management team, we've added over 175 purchase and sale agreements to the already 300 analyzed. In reviewing these agreements, we evaluated such deal metrics as purchase price, asset class, and liability caps and baskets that help our attorneys be more effective and efficient in identifying trends, adjusting to the changing economic environment, and negotiating on behalf of our clients. Our updated trends of interest are below.

US Real Estate Leadership

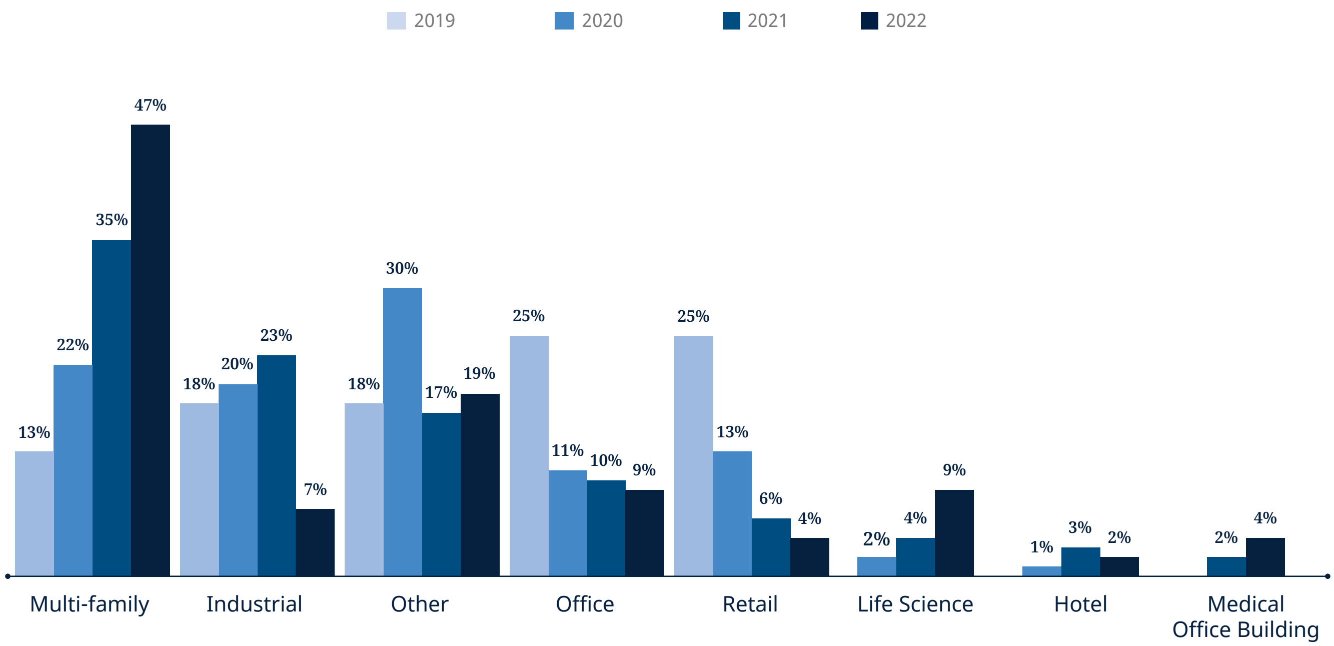
John Sullivan
Chair, US Real Estate
Co-Chair, Global Real Estate Practice
Co-Chair, US Real Estate Sector
Boston

Richard Klawiter
Co-Vice Chair, US Real Estate Practice
Chicago
T +1 312 368 7243
richard.klawiter@us.dlapiper.com

Barbara Trachtenberg
Co-Vice Chair, US Real Estate Practice
Boston
T +1 617 406 6011
barbara.trachtenberg@us.dlapiper.com

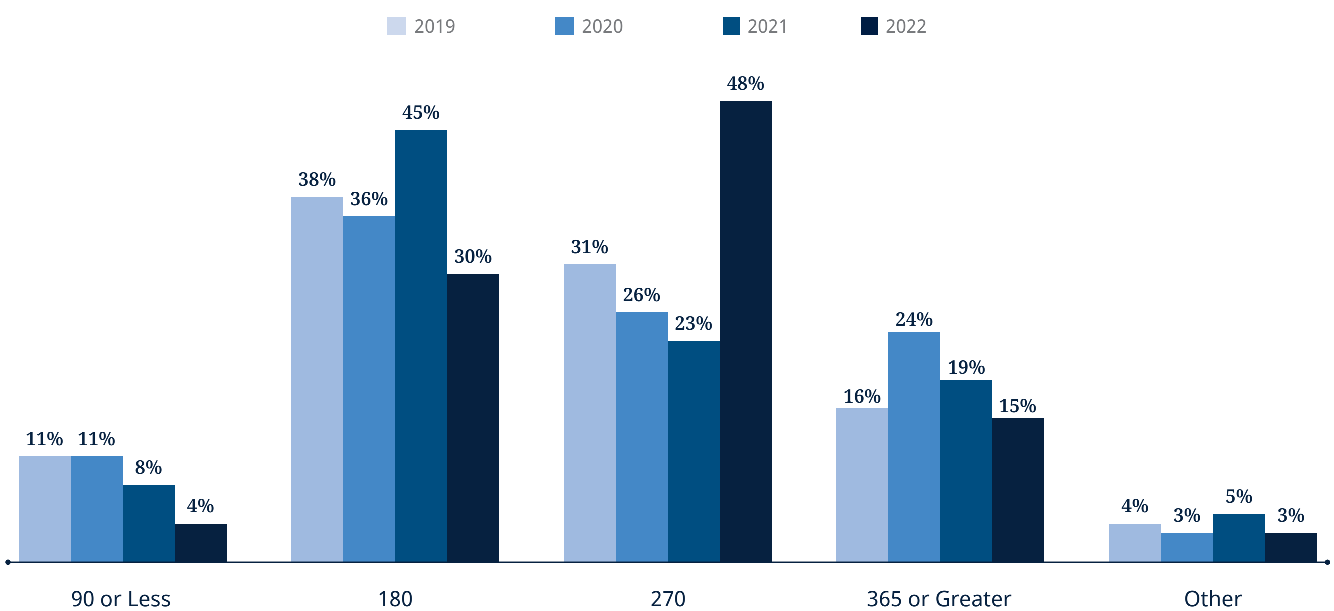
Asset classes

Multi-family continues to be a power sector for the group, leading all other assets classes in deal volume. The group is also seeing more life science and medical office building transactions. After a booming 2021, industrial is off to a slow start, along with the office and retail sectors that have been slower to recover from the pandemic.



Survival period

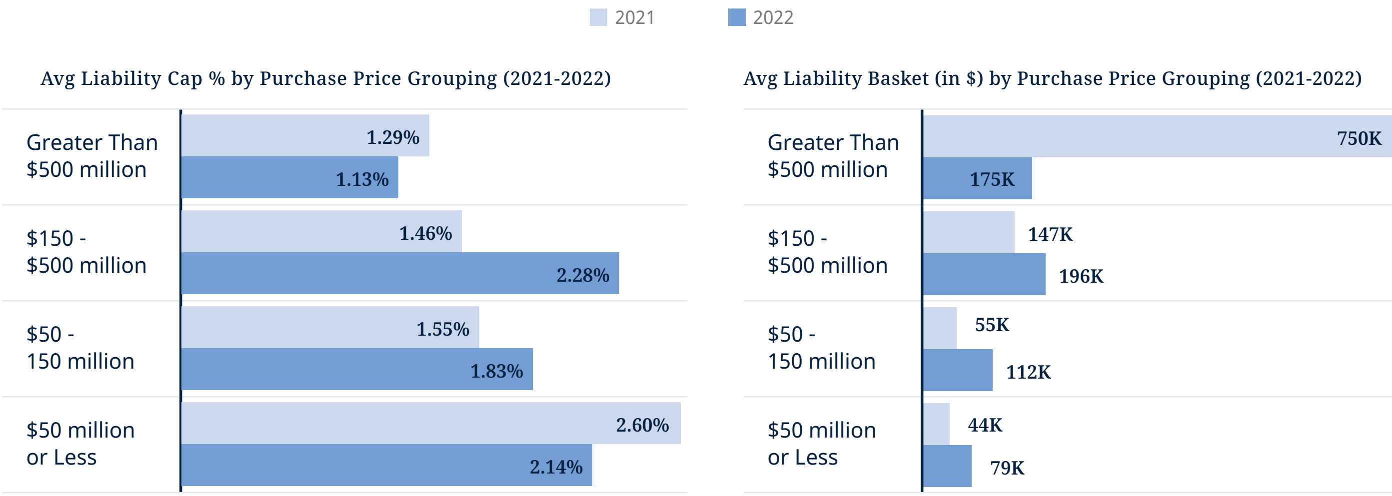
We note that buyers are negotiating longer survival periods for post-closing rep and warranty claims, with almost half of the purchase and sale agreements negotiated this year having a nine-month survival period.



Portfolio transactions may be driving this change. New purchasers of multiple properties need ample time to assess whether sellers' representations and warranties hold true across a portfolio. That said, we may also be seeing a trend toward a more buyer-friendly market after several years of seller-driven transactions.

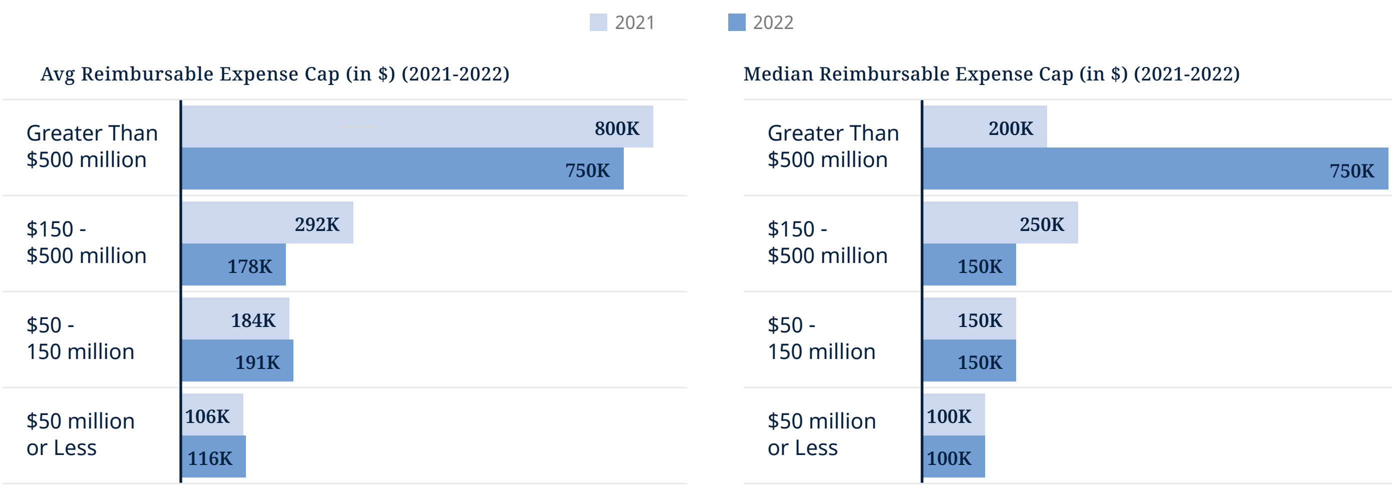
Liability caps and baskets

Liability claim caps and baskets for a seller's breach of its representations and warranties have also shifted slightly in 2022. The biggest change was in buyers' favor, with increased average liability caps for transactions in the $50 million to $500,000,000 ranges. We were surprised to see that the average liability cap in the $150 million to $500 million range now exceeds two percent. In addition, the basket in all but the top range of transactions also increased.



Reimbursable expenses after seller default

Generally, we have not seen much movement in 2022 in the average amount of third-party buyer expenses a defaulting seller is required to reimburse. In the upper price ranges, we observed a decrease in the cap amount between 2021 and 2022, indicating sellers may be pushing back on expenses even as they give more on liability caps.



Will the trends we're seeing in the first half of 2022 continue through the rest of the year? How will this year compare to 2021, especially given concerns regarding interest rates and inflation? We will continue to track these metrics, and we look forward to bringing you our results after year-end. If there are any specific deal metrics you would like to see tracked, please contact one of your DLA Piper relationship partners or our knowledge management counsel for real estate, Sea Gilbert, at seagrumn.gilbert@us.dlapiper.com.

CONCLUSION

Many of you have been our clients for years, if not decades. It is an honor for us to represent you in your real estate investments in the US and throughout the world. Thank you for your support and for allowing us to act as your trusted advisors. We look forward to continuing to work with you this year and to using the resources of our global real estate platform to help you achieve your business objectives with maximum effectiveness and efficiency.