



Yardi[®] Matrix

National Office Report

June 2020



COVID-19's Uneven Effect on Office Data

- COVID-19 has impacted nearly every aspect of life in the U.S., but it has yet to show up in all of the data for the commercial office industry. Listing rates have not displayed any significant decreases, and completions look much as they did at this point in 2019. However, office-using employment has fallen substantially, the planned portion of the new-supply pipeline has started to shrink and transaction volume has slowed.
- Average full-service equivalent listing rates fell 0.7% year-over-year to \$38.15 per square foot in May, with the pandemic having no major impact to date on office listing rates. The top two markets for growth on a year-over-year basis are cities that were hit early and hardest, Manhattan (15.5%) and San Francisco (9.9%). Most of this increase comes from a run-up in average rates before the pandemic, and office owners have not shown a willingness to reduce rates in response to the recession.
- May's employment report included a slight bump from the historic losses witnessed in April, and employment in office-using sectors followed the trend. After losing 2.7 million jobs in April, office-using sectors added 122,000 jobs in May, likely the result of furloughs ending as lockdowns and other restrictions are lifted. The metro data for April, which is released later than national employment data, showed every metro covered by Yardi Matrix taking a significant hit to office-using employment.
- New supply is being added at a pace only slightly behind 2019. Given the long time frame over which most projects are developed, it is not surprising that buildings near completion are still being delivered. However, given the severity of the current recession, we expect that deliveries will slow in the coming years. Even as projects already underway are continuing construction, the planned portion of the development pipeline has shrunk from earlier in the year. The total amount of planned office space has fallen 8.5%, from 56.5 million square feet in February to 51.7 million square feet in May.
- Yardi Matrix has only logged \$4.4 billion of transactions in the second quarter. While there is typically a lag period before all sales activity is captured, at this point last year \$12.7 billion of sales activity had been recorded.

