



Yardi[®] Matrix

National Office Report

July 2020



Changing Demand: COVID-19's Impact on Office Space

- Average full-service equivalent listing rates rose 14 cents from May to \$38.39. Southeastern markets including Tampa, Nashville, Miami and Atlanta had the highest absolute rate growth year-over-year.
- Office-using employment increased by 347,000 in June. However, total employment in office-using sectors is still down by 2.4 million from the peak in February. And while metro employment data, which trails the national release by a month, showed office-using employment sectors achieving small gains in May over the previous month in two-thirds of the markets covered by Yardi Matrix, only one of 120 markets experienced year-over-year growth for office jobs. With cases of the coronavirus spiking in many states, it is uncertain whether the job gains will continue through the summer. Many businesses are undergoing hiring freezes, so gains in the near term will be more reliant on the ending of furloughs than on rehires. Going forward, office-using employment may be a less reliable indicator of office market performance as firms hire more remote employees.
- In all, 26.1 million square feet of new office space was delivered during the first half of the year, with a nearly equal split between suburban offices and those in CBD and urban locations. While COVID-19 has many wondering if the suburbs will become more attractive than dense urban locations, only 29% of buildings currently under construction are in the suburbs.
- Coworking will almost certainly look different post-pandemic. WeWork, the largest coworking operator, has announced multiple location closings and lease terminations in recent weeks. While WeWork had issues of leadership and overexpansion before the pandemic, the overall industry faces an uphill climb when COVID-19 finally subsides. On top of the challenges that all offices have to address in reopening, coworking spaces will need to go the extra mile to make members feel safe in a shared environment. Communal spaces, a central selling point of many coworking operators, become a hindrance in a post-coronavirus world. However, there is optimism that coworking spaces will see increased demand during the months coming out of the pandemic. Some smaller firms have let office leases expire as they adapt to long-term remote work situations. Whenever the country begins to return to a sense of normalcy, many of these companies may look to coworking to bridge the gap between working from home and finding a new permanent space.

