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National Office Report

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Big Tech Commits to the Office

- Workers across the country were supposed to be returning to the office this fall, but the late summer surge of COVID cases driven by the highly contagious Delta variant put those plans on hold.
- However, there are reasons to be optimistic that we are in the waning stages of the pandemic. Case levels have been falling in recent weeks, mandates have increased vaccination rates in many areas of the country, and a promising oral antiviral medication from Merck that lessens COVID symptoms could be on the cusp of emergency FDA approval. These factors could move the coronavirus from pandemic to endemic—this would certainly still be a cause for concern, but the virus would circulate at low enough levels for a full return to normal without concern for overwhelming hospital systems. For the office industry, this means that many firms' return-to-office plans may come to fruition in the new year, and we will finally have a picture of what post-pandemic office utilization might look like.
- While there has been plenty of uncertainty around the extent to which remote work will continue in the post-pandemic world, tech giants have signaled that offices will play a role in their future through the purchase, construction and leasing of office space. Google recently announced it would be exercising its option to purchase St. John's Station in Hudson Yards, a \$2.1 billion acquisition of a building that will anchor Google's Hudson Yards Campus. Amazon has been moving forward with construction of its second headquarters in Northern Virginia, estimated to cost \$2.5 billion and accommodate 25,000 employees. Across the country, Apple has paid \$450 million for a trio of buildings to expand its office footprint in Cupertino, Calif. This is only a few months after signing a lease to occupy 700,000 square feet at Pathline Park in Sunnyvale. Last year, Facebook purchased the brand-new REI headquarters in Bellevue's Spring District after the outdoor retailer decided to move to remote work. This summer, Facebook expanded its presence in the district by signing leases at Block 5 and Block 6, two properties totaling 700,000 square feet that are scheduled to deliver in 2023.
- Large purchases of office assets may not be entirely motivated by Big Tech's commitment to offices. Many companies—especially large, profitable tech firms—have been hoarding cash reserves throughout the pandemic. With interest rates near historic lows, purchasing commercial real estate is one of the few avenues for these firms to spend cash that is sitting around. Nonetheless, on balance these moves should be seen as a bet by these tech giants on the future of the physical office.

