



Yardi® Matrix

National Office Report

May 2023



Demand for Flex Space Continues to Rise

- The office landscape continues to evolve, after the pandemic fundamentally altered how people interact with the workplace. Amid the disruption, new opportunities are forming, not least of which has been the growth of flexible space. Coworking is experiencing a resurgence due to the flexibility it offers tenants and the widespread adoption of hybrid work strategies.
- With this increase in demand, flexible office providers have seen their occupancy rates improve steadily since late 2020, even approaching pre-pandemic levels in 2022, according to a report by JLL. WeWork, for example, reported another quarter-over-quarter rise in occupancy in its first quarter 2023 results. This strong demand for coworking is expected to accelerate in coming years. The global coworking industry is likely to grow at a rate of 17% annually to more than \$30 billion in 2026, according to a report from The Business Research Co., a market research and intelligence firm.
- Across the nation, there are roughly 5,600 shared office space locations totaling more than 115 million square feet, according to Yardi Matrix. Shared space has an overall market penetration of 1.7% of office space. The majority of the country's coworking locations are concentrated within the top markets, which account for more than half of sites. Manhattan has the highest volume of flexible space, with 13.8 million square feet across 291 locations, representing 2.8% of stock. In Brooklyn, flexible space has a market penetration of 5.7% of office space, despite the total square footage being small relative to other top markets (1.0 million square feet). Several other gateway markets also have a large coworking presence, including Washington, D.C. (6.5 million square feet, 1.7% of stock), Los Angeles (6.5 million square feet, 2.2% of stock) and Chicago (6.2 million square feet, 1.9% of stock). While overall market penetration is relatively small compared to other office niches in most markets, the presence of flexible space is likely to continue growing to meet increasing demand.
- Outside of the top players—Regus, WeWork and Industrious—there are more than 2,000 traditional coworking operators nationwide. A growing number of building owners have also recognized the potential of flexible office space and have started offering their own flex space as solutions for vacant inventory.



Listing Rates and Vacancy: Headwinds Persist in San Francisco

- The national average full-service equivalent listing rate was \$38.23 in April, according to Yardi Matrix.
- The national vacancy rate in April was 16.7%, up 10 basis points over the previous month and 100 basis points over the prior year.
- San Francisco's office market continues to face headwinds associated with its tech-driven economy. In addition to mounting layoffs, remote work culture has taken root in

the tech sector to a greater degree than in other industries, and both circumstances have weakened office demand. Several of San Francisco's prominent corporate tech tenants have listed their space for sublease as they downsize or vacate their offices, including Salesforce and Facebook's parent, Meta. The flood of sublease space to the office market has driven up the vacancy rate. San Francisco's vacancy rate in April rose to 19.4%, up 200 basis points over the previous 12 months.

Listings by Metro

Market	Apr-23 Listing Rate	12-Month Change	Total Vacancy	12-Month Change	Top Listing	Price Per Square Foot
National	\$38.23	2.3%	16.7%	100 bps		
San Diego	\$47.70	17.9%	14.7%	150 bps	One La Jolla Center	\$69.00
Philadelphia	\$31.29	8.9%	13.2%	-30 bps	uCity Square-3675 Market Street	\$54.44
Boston	\$42.46	8.8%	10.1%	30 bps	116 Huntington Avenue	\$75.07
Seattle	\$39.73	8.1%	19.0%	330 bps	1208 Eastlake Avenue East	\$89.50
Orlando	\$24.62	7.8%	15.5%	-30 bps	Celebration Medical Center	\$42.40
Twin Cities	\$26.96	5.9%	16.8%	300 bps	Tractor Works Building, The	\$37.75
Portland	\$29.39	4.4%	16.5%	350 bps	M Financial Plaza	\$47.40
New Jersey	\$33.77	3.9%	16.6%	-160 bps	Newport Tower	\$54.80
Atlanta	\$30.51	3.1%	19.7%	-110 bps	300 Colony Square	\$52.00
Manhattan	\$74.02	3.0%	16.8%	260 bps	550 Madison Avenue	\$210.00
San Francisco	\$65.37	2.9%	19.4%	200 bps	Sand Hill Collection-The Quad	\$195.60
Chicago	\$27.92	2.4%	18.8%	-150 bps	Five One Five North State	\$66.02
Phoenix	\$27.33	2.1%	18.3%	320 bps	Camelback Collective	\$52.50
Denver	\$30.46	1.9%	19.9%	250 bps	1144 Fifteenth Street	\$63.50
Charlotte	\$32.55	1.7%	11.8%	-270 bps	Rotunda Building, The	\$44.42
Tampa	\$27.90	1.0%	16.0%	30 bps	Water Street Tampa-Thousand & One	\$58.00
Washington DC	\$40.37	0.4%	15.2%	-20 bps	455 Massachusetts Ave NW	\$76.00
Los Angeles	\$42.45	0.1%	14.4%	150 bps	100 Wilshire	\$108.00
Nashville	\$30.46	-0.5%	17.7%	-60 bps	Three Thirty Three	\$44.38
Dallas	\$28.54	-0.8%	17.2%	0 bps	Rosewood Court	\$60.43
Houston	\$30.15	-1.2%	21.5%	-330 bps	Texas Tower	\$60.90
Austin	\$41.41	-2.6%	22.0%	590 bps	Indeed Tower	\$82.34
Miami	\$46.60	-2.6%	12.1%	-120 bps	830 Brickell	\$137.50
Bay Area	\$55.08	-3.3%	17.1%	90 bps	325 Lytton Avenue	\$145.22
Brooklyn	\$48.83	-7.7%	19.4%	120 bps	200 Kent Avenue	\$75.00

Source: Yardi Matrix. Data as of April 2023. Listing rates are full-service or "full-service equivalent" rates for spaces available as of report period. National listing rate is an average of the top 50 markets.

Supply: Demographics Fuel Florida's Medical Office Space

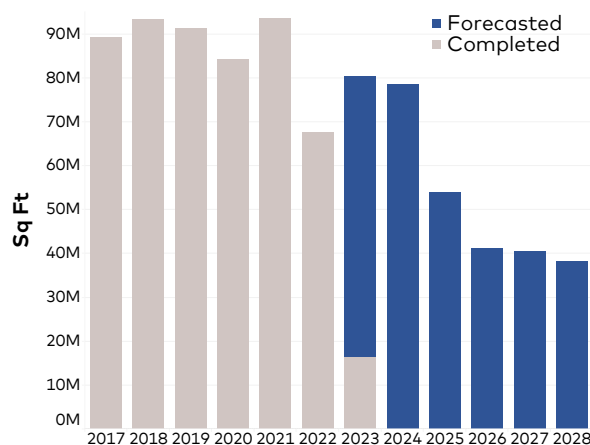
- Nationally, 118.2 million square feet of new office inventory are under construction, representing 1.8% of stock. In addition, more than 300 million square feet are in the planning stages.
- Class A and A+ properties account for nearly all of the office supply under construction. There are 109.9 million square feet of the asset type under construction, representing 3.6% of stock.
- While demand is evolving for much of the office sector, the outlook is clearer for medical office due to the needs of an aging population. As a result, medical office continues to attract developer interest, especially in areas with favorable demographics. In Florida, where 21% of the population is over the age of 65, medical office construction is robust—more than 1.9 million square feet of properties that will include medical office in some capacity are currently under construction. The largest medical building under construction in Florida is UHealth Medical Center at SoLé Mia. The 363,000-square-foot medical center broke ground in North Miami last year.

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	Plus Planned % Stock
National	118,193,396	1.8%	5.6%
Austin	5,937,005	6.7%	24.7%
Nashville	3,647,433	6.4%	13.6%
Boston	14,760,317	6.1%	12.1%
San Diego	4,903,275	5.3%	9.3%
San Francisco	7,891,904	5.1%	13.0%
Seattle	6,853,902	5.0%	13.0%
Brooklyn	1,452,042	4.1%	5.6%
Charlotte	2,842,167	3.8%	13.2%
Miami	2,253,584	3.2%	10.5%
Orlando	1,648,342	3.0%	8.8%
Bay Area	5,314,056	2.7%	12.5%
Manhattan	9,491,518	2.1%	4.2%
Dallas	5,285,071	1.9%	8.5%
Atlanta	3,380,583	1.7%	5.4%
Denver	2,616,515	1.7%	5.8%
Philadelphia	2,939,805	1.6%	5.6%
Houston	3,375,346	1.4%	3.1%
Chicago	3,681,607	1.2%	4.7%
Washington DC	3,889,904	1.0%	3.5%
Portland	565,714	1.0%	6.1%
Tampa	736,354	0.9%	4.1%
Los Angeles	2,381,289	0.8%	3.4%
New Jersey	1,596,166	0.8%	2.0%
Phoenix	1,002,779	0.7%	5.5%
Twin Cities	546,369	0.5%	2.3%

Source: Yardi Matrix. Data as of April 2023

National New Supply Forecast



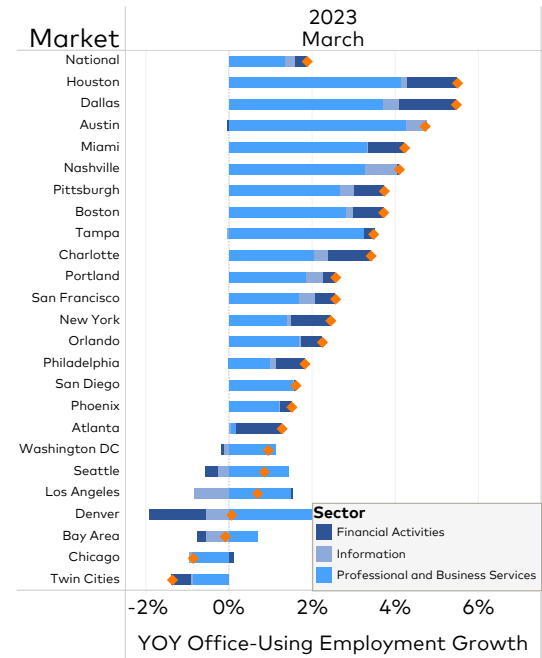
Source: Yardi Matrix. Data as of April 2023

Data in this chart includes owner-occupied properties

Office-Using Employment: Healthier Office Job Growth in April

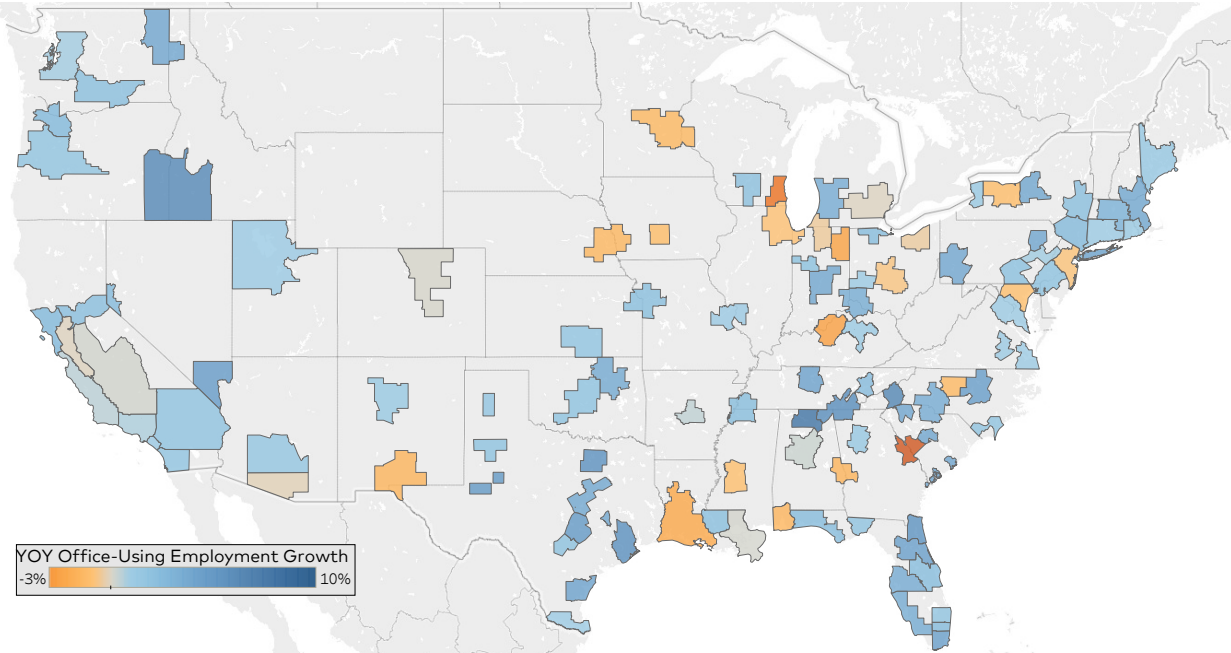
- Office-using sectors of the labor market added 67,000 jobs in the month of April and have grown 2.0% year-over-year. Compared to the average monthly gain of 27,000 jobs over the prior six months, office-using employment had healthy growth this month.
- The increase in office-using employment growth in April was boosted by hiring in the financial activities industry. Employment in financial activities increased by 23,000 in April, with strong job gains in insurance carriers and related activities (+15,000) and in real estate (+9,000). The gain for financial activities jobs erased the 1,000 jobs lost in the previous month.
- Professional and business services also helped this acceleration in office-using employment. In April, that segment continued to trend upwards, gaining 43,000 jobs.

Growth by Sector



Sources: Bureau of Labor Statistics and Moody's Analytics

Office-Using Employment Growth



Sources: Bureau of Labor Statistics and Moody's Analytics

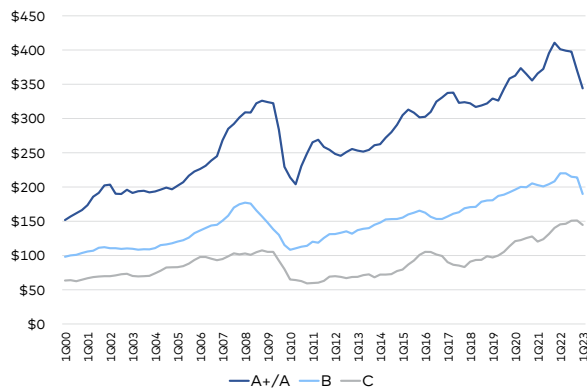
Transactions: Large Deals Have Greater Impact in 2023

- Yardi Matrix has recorded \$9.4 billion in transactions so far in 2023, with buildings trading at an average of \$196 per foot.
- Due to a slowdown in sales, large office deals are having a greater influence on market sales volume in 2023. New Jersey has been the second most active market so far this year, with \$807 million of transactions. However, the sales volume in New Jersey is mainly driven by one transaction: Veris Residential sold the three-building Harborside Financial Center Plaza, comprising 1.9 million square feet in Jersey City.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 4/30)
National	\$196	\$9,400
Manhattan	\$699	\$858
New Jersey	\$145	\$807
Boston	\$518	\$721
Los Angeles	\$251	\$629
Washington DC	\$249	\$509
Houston	\$116	\$466
Chicago	\$91	\$354
Dallas	\$294	\$329
San Francisco	\$520	\$316
San Diego	\$381	\$307
Philadelphia	\$161	\$294
Phoenix	\$237	\$270
Tampa	\$168	\$243
Miami	\$261	\$207
Austin	\$389	\$158
Denver	\$244	\$145
Bay Area	\$448	\$86
Twin Cities	\$203	\$81
Atlanta	\$137	\$78
Charlotte	\$177	\$64
Seattle	\$288	\$55
Portland	\$273	\$53
Nashville	\$226	\$15
Orlando	\$72	\$7
Brooklyn	\$0	\$0

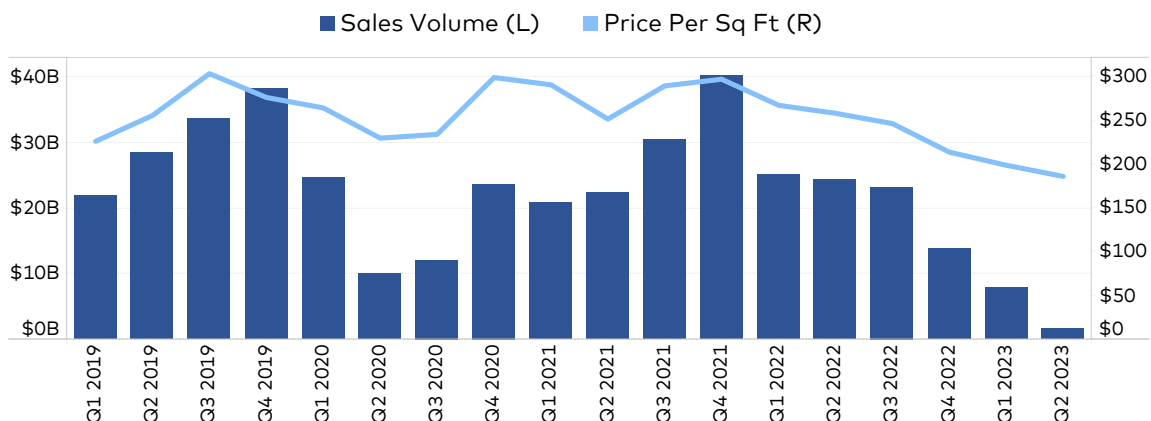
Asset Class (price per sq. ft.)



Source: Yardi Matrix; 12-month moving average. Does not include unpublished and portfolio transactions.

Source: Yardi Matrix. Data as of April 2023. Sales data for unpublished and portfolio transactions is estimated using sales comps.

Quarterly Transactions



Source: Yardi Matrix. Data as of April 2023

Definitions

This report covers office buildings 25,000 square feet and above. Yardi Matrix subscribers have access to more than 14,000,000 property records and 300,000 listings for a continually growing list of markets.

Yardi Matrix collects listing rate and occupancy data using proprietary methods.

- *Listing Rates*—Listing Rates are full-service rates or “full-service equivalent” for spaces that were available as of the report period. Yardi Matrix uses aggregated and anonymized expense data to create full-service equivalent rates from triple-net and modified gross listings. Expense data is available to Yardi Matrix subscribers. National average listing rate is for the top 50 markets covered by Yardi Matrix.
- *Vacancy*—The total square feet vacant in a market, including subleases, divided by the total square feet of office space in that market. Owner-occupied buildings are not included in vacancy calculations.

A and A+/Trophy buildings have been combined for reporting purposes.

Stage of the supply pipeline:

- *Planned*—Buildings that are currently in the process of acquiring zoning approval and permits but have not yet begun construction.
- *Under Construction*—Buildings for which construction and excavation has begun.

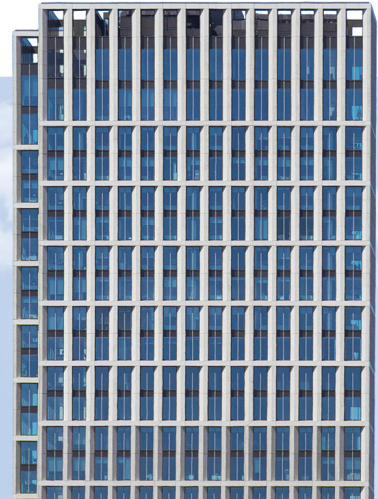
Office-Using Employment is defined by the Bureau of Labor Statistics as including the sectors Information, Financial Activities, and Professional and Business Services. Employment numbers are representative of the Metropolitan Statistical Area and do not necessarily align exactly with Yardi Matrix market boundaries.

Sales volume and price-per-square-foot calculations for portfolio transactions or those with unpublished dollar values are estimated using sales comps based on similar sales in the market and submarket, use type, location and asset ratings, sale date and property size.



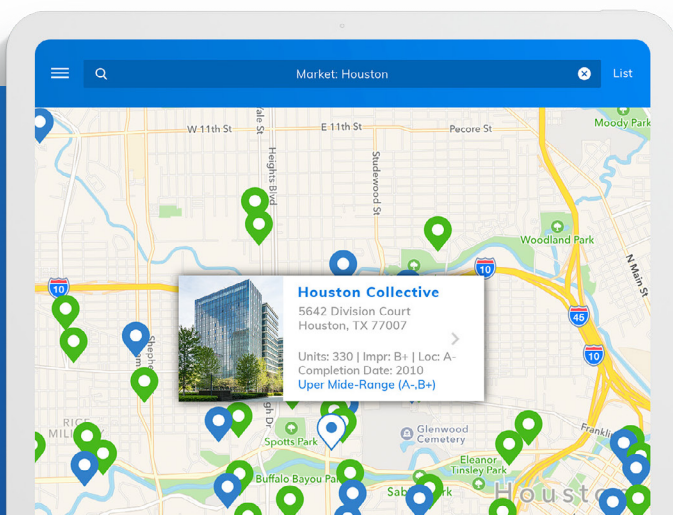
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OFFICE KEY FEATURES

- Active in 118 markets across the U.S. covering over 70,000 properties
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Pierce the LLC with true ownership and contact info at the asset and portfolio level
- Gain new supply pipeline information at the asset, competitive set and market level
- Benchmark performance to similar assets



Yardi Matrix Office delivers detailed property-level information, allowing you to analyze current market conditions at the micro and macro level.



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