Yardi Matrix

National Office Report

June 2023

Remote Work Exposure Uneven

- Remote and hybrid work have forever changed the relationship many companies and workers have with the office, but the amount of remote workers varies widely from city to city, leaving some office markets more vulnerable than others.

- Census data from the American Community Survey (ACS) showed that between 2019 and 2021, those primarily working from home more than tripled, to 17.9% of the workforce from 5.7%. And in some markets, the share is nearly one-third of all workers. Perhaps unsurprisingly, markets with a high concentration of tech firms tend to have the highest share of remote workers. Boulder, Colo., is the metropolitan statistical area with the highest share—36.3% of workers are at home—followed by San Francisco-Oakland-Hayward (35.1%), San Jose-Sunnyvale-Santa Clara (34.8%), Washington, D.C.-Arlington-Alexandria (33.1%) and Austin-Round Rock (32.2%).

- The markets with the largest share of remote work are also those that have seen the highest spike in vacancies, according to Yardi Matrix. The Denver market, which includes both Boulder and Denver-Aurora-Lakewood (27.5% remote), has seen vacancy rates increase by 300 basis points over the last 12 months. Vacancy rates in Austin have increased by 440 bps, San Francisco by 280 bps and the Bay Area by 230 bps. Other markets where a large share of remote workers is correlated to vacancy rate increases are Seattle (30.6% remote workers, 380 bps increase), Portland (27.5%, 370 bps) and the Twin Cities (26.0%, 450 bps).

- While only covering 10 of the largest markets, publicly available key card swipe data from Kastle Systems supports the Census data on where people are going into the office and where they are working from home, with one exception. Austin, despite having one of the highest shares of remote workers reported by the Census, has been consistently at the top of the barometer. San Jose, San Francisco and Washington, D.C., have all been on the low end of Kastle's Back to Work Barometer since the company began making the data available during the early stages of the pandemic.

- We anticipate that there will be more distress for office properties in markets with the highest concentration of remote workers. Well-positioned assets in these markets will continue to perform well, but older and poorly located properties will face the most challenges.