



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.



Listing Rates and Vacancy: Seattle Vacancy Rates Spike

- The national average full-service equivalent listing rate was \$38.36 in April, according to Yardi Matrix, an increase of 2.1% year-over-year and 13 cents over the previous month.
- The national vacancy rate in April was 17.0%, up 30 bps over the previous month and 160 bps over the prior year.
- Vacancy rates have climbed rapidly in tech markets in recent years, and Seattle is no ex-

ception. Once one of the country's hottest of-fice markets, the Emerald City has seen a 380 bps increase in vacancy rates over the last 12 months, to 19.5%. Seattle also sports a sub-lease vacancy rate of 4.3%, the third highest among major markets. Salesforce is listing 200,000 square feet of the Tableau offices at the Data 1 Building in the Fremont neighborhood. Rates could go even higher in coming quarters, as the market has an under-construction pipeline representing 5.0% of stock.

Listings by Metro

Market	May-23 Listing Rate	12-Month Change	Total Vacancy	12-Month Change	Top Listing	Price Per Square Foot
National	\$38.36	2.1%	17.0%	160 bps		
Brooklyn	\$50.71	-7.6%	17.1%	20 bps	200 Kent Avenue	\$75.00
Charlotte	\$29.09	-7.6%	12.1%	-260 bps	Rotunda Building, The	\$44.42
Bay Area	\$53.22	-4.3%	17.7%	230 bps	325 Lytton Avenue	\$160.20
Dallas	\$27.91	-6.7%	17.1%	-90 bps	Rosewood Court	\$60.43
Miami	\$42.55	-1.8%	11.8%	-30 bps	830 Brickell	\$137.50
Nashville	\$30.76	-3.8%	18.5%	100 bps	Three Thirty Three	\$44.38
Houston	\$29.47	-1.5%	23.2%	-150 bps	Texas Tower	\$60.90
Austin	\$42.40	-0.8%	20.7%	440 bps	Indeed Tower	\$82.34
Los Angeles	\$39.09	0.8%	14.2%	110 bps	100 Wilshire	\$108.00
Denver	\$28.86	1.0%	20.2%	300 bps	1144 Fifteenth Street	\$63.50
Tampa	\$28.69	2.5%	14.8%	10 bps	Midtown West	\$52.00
Chicago	\$28.09	0.2%	18.8%	-90 bps	Five One Five North State	\$66.02
Washington DC	\$40.86	1.0%	15.3%	30 bps	455 Massachusetts Ave NW	\$76.00
Portland	\$29.69	2.6%	15.7%	370 bps	12th & Morrison	\$47.01
Atlanta	\$27.11	2.8%	19.4%	-50 bps	300 Colony Square	\$52.00
Phoenix	\$26.52	2.5%	18.5%	440 bps	Camelback Collective	\$52.50
Manhattan	\$85.94	0.7%	17.0%	290 bps	550 Madison Avenue	\$210.00
Seattle	\$36.54	4.8%	19.5%	380 bps	1208 Eastlake Avenue East	\$89.50
San Francisco	\$64.40	5.9%	20.0%	280 bps	Sand Hill Collection - The Quad	\$195.60
Twin Cities	\$26.68	5.5%	16.9%	450 bps	Tractor Works Building, The	\$37.75
Orlando	\$21.37	5.9%	16.5%	120 bps	Celebration Medical Center	\$42.40
New Jersey	\$31.82	7.3%	16.9%	-70 bps	10 Exchange Place	\$55.30
Philadelphia	\$29.07	8.5%	13.3%	80 bps	Two Liberty Place	\$53.50
Boston	\$34.91	7.7%	10.3%	50 bps	Kendall Center - 255 Main Street	\$126.34
San Diego	\$39.22	16.6%	15.4%	280 bps	One La Jolla Center	\$69.00

Source: Yardi Matrix. Data as of May 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: New Markets Look to Add Life Science Developments

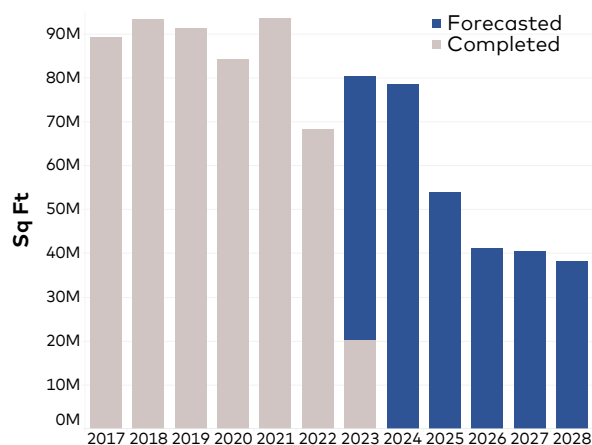
- Nationally, 116.2 million square feet of new office inventory are under construction, representing 1.8% of stock.
- While many office projects have been canceled or placed on indefinite hold, life science properties continue to be built. Even as investment in the industry has cooled in the last year, demand for new lab space remains solid. The property type is immune to remote work and for the most part is purpose-built. According to Yardi Matrix, there are more than 120 buildings with at least some life science components underway nationwide.
- Much of the new lab space currently being developed is in the top life science markets in the country: Boston, San Francisco, the Bay Area and San Diego. However, other markets are building properties to attract life science workers and companies. In New Jersey, HELIX Health + Life Science Exchange, a planned four-acre mixed-use district near Rutgers University, is entering its second phase of a \$731 million development. In Atlanta, Georgia Tech, in a partnership with Trammell Crow Co., is building the 365,000-square-foot Science Square Labs.

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	Plus Planned % Stock
National	116,231,961	1.8%	5.6%
Boston	15,183,833	6.3%	12.5%
Manhattan	8,927,088	1.9%	3.9%
San Francisco	7,962,970	5.2%	13.1%
Austin	7,249,377	8.1%	24.8%
Seattle	6,820,057	5.0%	13.0%
Bay Area	5,285,371	2.6%	11.8%
Dallas	5,046,391	1.9%	9.1%
San Diego	4,894,740	5.3%	9.9%
Washington DC	3,885,146	1.0%	3.4%
Chicago	3,511,163	1.2%	4.9%
Nashville	3,375,433	5.9%	13.3%
Atlanta	3,321,551	1.7%	4.4%
Philadelphia	2,819,805	1.6%	5.6%
Houston	2,722,136	1.1%	2.9%
Charlotte	2,620,167	3.5%	11.9%
Denver	2,505,988	1.6%	5.8%
Miami	2,343,734	3.3%	10.6%
New Jersey	1,609,566	0.8%	2.1%
Brooklyn	1,452,042	4.1%	6.0%
Los Angeles	1,437,116	0.5%	3.2%
Orlando	1,311,922	2.4%	8.1%
Phoenix	944,779	0.7%	5.9%
Tampa	671,154	0.9%	4.1%
Twin Cities	590,430	0.5%	2.4%
Portland	565,714	1.0%	6.1%

Source: Yardi Matrix. Data as of May 2023

National New Supply Forecast



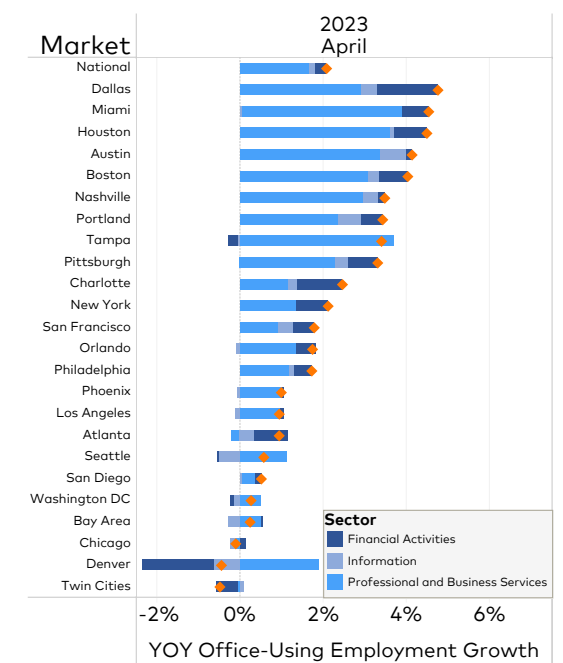
Source: Yardi Matrix. Data as of May 2023

Data in this chart includes owner-occupied properties

Office-Using Employment: Office Jobs Decline in Denver

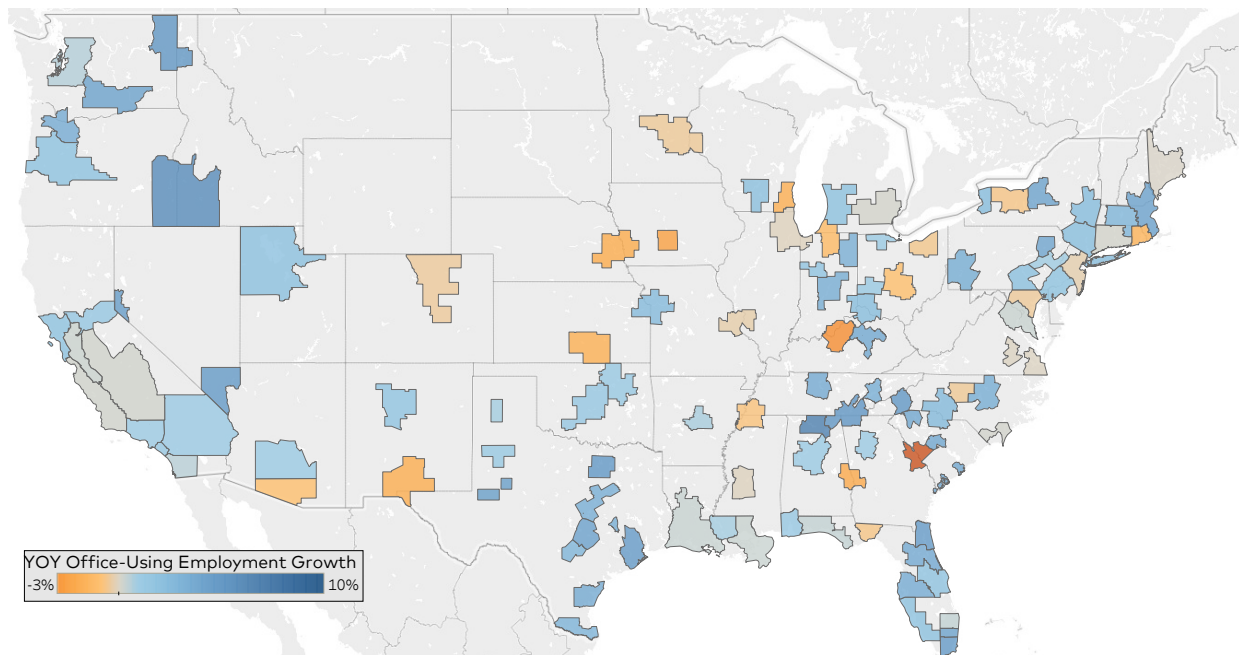
- Office-using sectors of the labor market added 65,000 jobs in the month of May and grew at a rate of 1.9% year-over year, according to the Bureau of Labor Statistics. After outpacing the national labor market in job growth in the aftermath of the pandemic, office-using sectors have grown slower for six consecutive months.
- The deceleration in office job growth has been widespread geographically. Even standout markets in Texas and Florida that were growing more than 10% year-over-year last summer have slowed considerably. Other markets like Chicago, Denver and the Twin Cities have turned negative.
- The Denver market has been hit by falling employment in both the financial activities and information sectors. Metro-level data for April, which trails the national release, show a loss of more than 9,000 jobs in financial activities over the last 12 months, while the information sector has lost nearly 3,000 workers during that time.

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

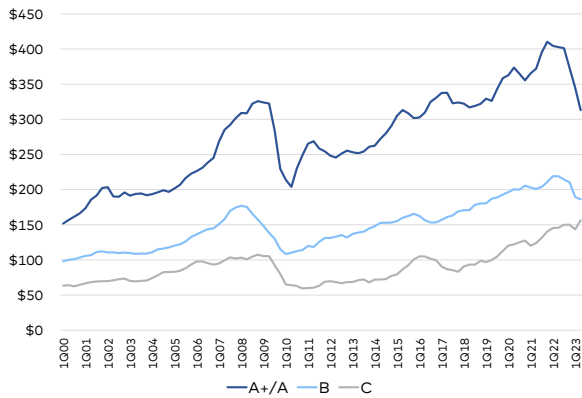
Transactions: Average Sales Prices Fall in Los Angeles

- Yardi Matrix recorded \$11.9 billion in sales transactions through the end of May. The national average sale price of an office building fell from \$250 per square foot in 2022 to \$195, a decrease of 22%.
- Los Angeles has seen one of the steepest price drops in the country, with the average sale price falling 43% to \$237 per foot from \$412 last year. The sale of Union Bank Plaza illustrates how drastically prices have dropped in the market. KBS Realty Advisors purchased the building for \$208 million in 2010 and sold it for \$104 million to Westbridge Capital in March of this year.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 5/31)
National	\$195	\$11,917
Manhattan	\$698	\$1,132
Los Angeles	\$237	\$1,013
New Jersey	\$144	\$827
Boston	\$475	\$756
Washington DC	\$248	\$609
Chicago	\$109	\$588
Houston	\$116	\$536
Tampa	\$161	\$471
San Diego	\$415	\$457
Dallas	\$246	\$377
San Francisco	\$520	\$316
Phoenix	\$210	\$314
Philadelphia	\$161	\$294
Miami	\$262	\$280
Austin	\$356	\$264
Denver	\$233	\$195
Twin Cities	\$229	\$187
Atlanta	\$140	\$114
Bay Area	\$348	\$102
Charlotte	\$169	\$70
Portland	\$251	\$60
Seattle	\$288	\$55
Nashville	\$226	\$15
Orlando	\$72	\$7
Brooklyn	N/A	\$0

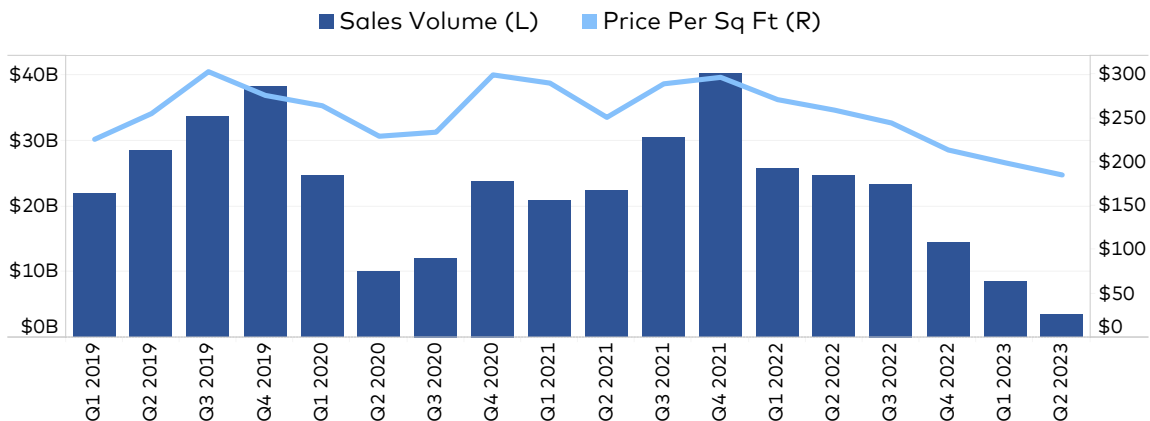
Asset Class (price per sq. ft.)



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

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

Quarterly Transactions



Source: Yardi Matrix. Data as of May 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.

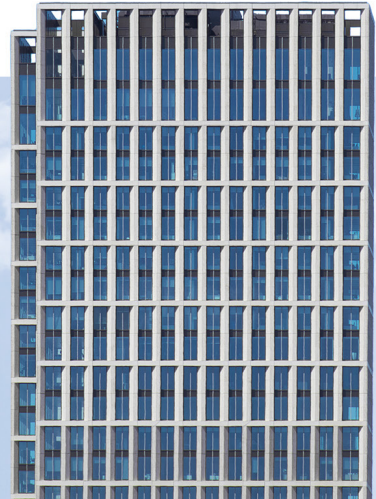
Office-Using Employment is defined by the Bureau of Labor Statistics as including the sectors Information, Financial Activities, and Professional and Business Services. Employment numbers are representative of the Metropolitan Statistical Area and do not necessarily align exactly with Yardi Matrix market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



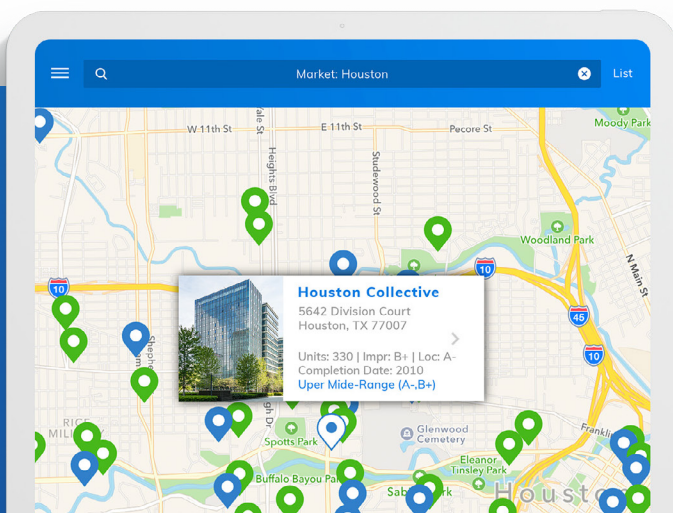
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OFFICE KEY FEATURES

- 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



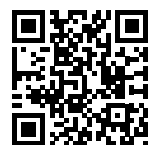
Yardi Matrix Office delivers detailed property-level information, allowing you to analyze current market conditions at the micro and macro level.



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