



Yardi® Matrix

National Office Report

March 2024



Remote Work's Varied Impact on Markets

- Office utilization and work-from-home rates are uneven between markets, indicating that the pain felt in the office sector will be worse in some places than others.
- Unfortunately, no data source that tracks remote work paints a complete picture. After the pandemic began in the spring of 2020, Kastle Systems started releasing a widely followed survey that tracks office utilization in 10 markets. Kastle data shows Texas metros such as Austin, Dallas and Houston lead in utilization rates, while large coastal markets have lower rates. Austin's rate was more than 20 percentage points higher than San Francisco's during the first week of March 2024.
- The Census Bureau's American Community Survey (ACS) provides detail about the percentage of the working population that primarily works from home. According to the most recent data available, the share of U.S. workers primarily working from home fell to 15.2% in 2022, down from 17.9% in 2021 but nearly three times higher than in 2019. Boulder, Colo., had the highest rate, with 32.0% primarily working from home. Austin (28.0%) was second, followed by San Francisco (27.0%), Raleigh (26.1%) and Washington, D.C. (25.4%). Austin may come as a surprise given its place atop Kastle's metric, which reports office entry card swipes relative to pre-pandemic levels. The metro's high levels of growth in office employment (up 32% since 2020) allow it to simultaneously have a large share of remote workers and a relatively strong recovery in office utilization.
- The Census Bureau's Household Pulse Survey is an experimental dataset that began during the pandemic in an effort to quickly deploy data for emerging issues. The most recent survey was conducted from Jan. 9 through Feb. 5 of this year. While the survey provides results about households (not individuals) and only tracks the 15 largest cities, it offers another snapshot of remote work. Among the metros tracked, Washington, D.C., had the highest share of households (52.5%) where at least one member worked from home at least one day a week, with San Francisco (46.1%), Boston (43.2%), Seattle (38.6%) and Atlanta (37.3%) rounding out the top five. Unsurprisingly, Riverside, Calif., a metro with a small portion of its labor force in office-using sectors, had the lowest share of households with someone working from home at least one day a week (17.7%), according to the Pulse Survey. Detroit (23.6%), Miami (27.6%) and Houston (29.8%) were the only other metros in the dataset with fewer than 30% of households including someone working from home.



Listing Rates and Vacancy: Seattle's Vacancy Rate Continues to Rise

- The national average full-service equivalent listing rate was \$37.83 per square foot in February, according to Yardi Matrix, a decrease of 1.2% year-over-year but up 48 cents from the previous month.
- The national vacancy rate was 17.9%, an increase of 140 basis points year-over-year.
- Vacancy rates have increased in recent years in tech markets including Seattle. Vacancy rates in Seattle rose 430 basis points during

the past year alone, to 22.5%. One reason is that the pandemic upended the relationship between the office and the worker. Then a wave of layoffs in the sector began in late 2022. Seattle is home to the headquarters of some of the nation's largest tech firms, such as Amazon and Microsoft, as well as dozens of smaller tech companies, many of which have been hit by layoffs. Job cut announcements have continued over the past 18 months. A recent example: Microsoft laid off 1,900 workers in January.

Listings by Metro

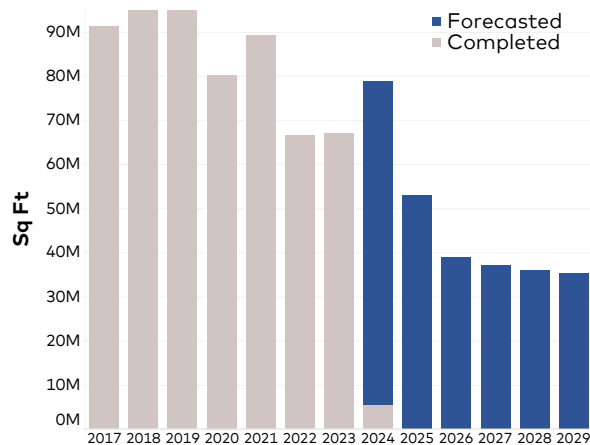
Market	Feb-24 Listing Rate	12-Month Change	Total Vacancy	12-Month Change	Top Listing	Price Per Square Foot
National	\$37.83	-1.2%	17.9%	140 bps		
Boston	\$45.62	21.5%	12.2%	240 bps	Newbry, The	\$81.03
Tampa	\$30.80	8.4%	13.3%	-320 bps	Water Street Tampa–Thousand & One	\$65.50
Miami	\$49.64	5.8%	12.2%	-60 bps	701 Brickell	\$130.00
Detroit	\$22.39	4.9%	31.3%	1080 bps	One Campus Martius	\$39.13
Atlanta	\$31.54	3.1%	17.1%	-330 bps	300 Colony Square	\$52.00
New Jersey	\$34.47	2.5%	18.7%	170 bps	10 Exchange Place	\$54.30
Denver	\$30.58	1.7%	22.1%	450 bps	200 Clayton Street	\$73.00
Phoenix	\$27.82	1.6%	17.9%	80 bps	Camelback Collective	\$55.00
Philadelphia	\$31.22	-0.1%	15.5%	110 bps	Two Liberty Place	\$53.50
Washington DC	\$40.29	-0.6%	16.1%	230 bps	601 Pennsylvania Avenue NW–N Building	\$79.00
Twin Cities	\$25.84	-0.8%	16.6%	120 bps	Offices at MOA, The	\$40.00
Austin	\$40.33	-1.6%	22.1%	170 bps	Indeed Tower	\$84.21
Seattle	\$37.87	-2.0%	22.5%	430 bps	1208 Eastlake Avenue East	\$94.00
Chicago	\$27.62	-2.1%	18.0%	-120 bps	Innovation and Research Park	\$75.00
Los Angeles	\$41.78	-2.1%	16.0%	140 bps	2000 Avenue of the Stars	\$118.20
Orlando	\$24.08	-2.2%	17.1%	80 bps	105 East Robinson Street	\$42.79
Houston	\$29.46	-3.4%	24.4%	-30 bps	Texas Tower	\$62.90
Nashville	\$30.19	-4.4%	16.5%	-100 bps	Three Thirty Three	\$44.38
Dallas	\$27.62	-4.6%	21.1%	430 bps	17Seventeen McKinney	\$67.42
Manhattan	\$71.53	-4.6%	16.8%	80 bps	550 Madison Avenue	\$210.00
San Diego	\$42.80	-4.8%	16.6%	340 bps	La Jolla Commons–Tower I	\$72.60
Bay Area	\$54.12	-5.2%	20.8%	320 bps	245 Lytton Avenue	\$147.48
Portland	\$27.66	-8.2%	16.0%	-100 bps	Leland James Center	\$44.70
Charlotte	\$30.78	-10.8%	14.0%	130 bps	Morehead Place	\$46.00
San Francisco	\$59.81	-11.1%	24.0%	480 bps	Sand Hill Commons	\$204.00

Source: Yardi Matrix. Data as of February 2024. 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: Life Sciences Boosts Boston Pipeline

- Nationally, 94.2 million square feet of office space are under construction, representing 1.4% of stock.
- Despite a slowdown in venture capital funding for life science firms and softening demand, lab space continues to comprise a larger share of the pipeline than it did in the previous decade. Boston has the nation's largest pipeline, driven by new lab space. A total of 14.5 million square feet (5.9% of stock) are currently underway in Boston, representing more than 15% of all office space being built nationally. More than two-thirds of the space under construction in Boston has life science as its primary use type.
- Boston's substantial pipeline obscures the fact that development activity has slowed in recent quarters. Since the second half of last year, just 790,000 square feet have been started in Boston, with the vast majority being built for life sciences. The largest project that went vertical in the last three quarters is Alexandria Center for Life Science at 421 Park Drive, a 600,000-square-foot project in the Fenway submarket.

National New Supply Forecast



Source: Yardi Matrix. Data as of February 2024.
Data in this chart includes owner-occupied properties.

Supply Pipeline (by metro)

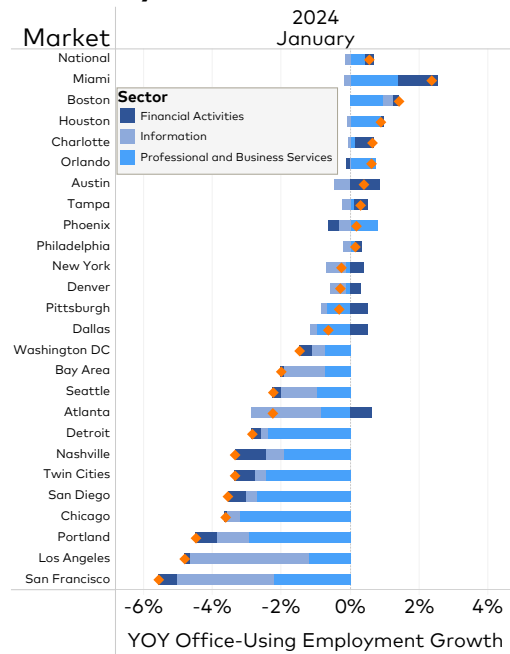
Market	Under Construction	Under Construction % Stock	Plus Planned % Stock
National	94,249,474	1.4%	4.7%
Boston	14,530,883	5.9%	10.7%
San Diego	5,063,567	5.3%	9.1%
Nashville	2,736,753	4.7%	9.6%
Austin	4,282,222	4.6%	20.2%
Seattle	5,855,265	4.1%	11.7%
Miami	2,863,602	4.0%	10.0%
Charlotte	2,909,259	3.7%	9.7%
San Francisco	5,779,790	3.6%	12.9%
Bay Area	4,218,136	2.0%	6.0%
Dallas	5,143,923	1.8%	12.7%
Atlanta	3,018,396	1.5%	3.2%
Denver	2,241,534	1.4%	4.2%
Philadelphia	2,002,660	1.1%	3.7%
Orlando	732,108	1.1%	7.3%
New Jersey	1,937,590	1.0%	2.5%
Washington DC	3,259,278	0.9%	3.9%
Houston	1,790,817	0.7%	2.2%
Manhattan	3,134,380	0.7%	2.8%
Portland	354,450	0.6%	1.5%
Los Angeles	1,693,739	0.6%	3.9%
Chicago	1,757,453	0.6%	2.4%
Tampa	412,350	0.5%	6.3%
Detroit	524,000	0.4%	0.9%
Twin Cities	486,166	0.4%	2.8%
Phoenix	527,831	0.4%	2.7%

Source: Yardi Matrix. Data as of February 2024. Table does not include owner-occupied properties.

Office-Using Jobs: Slowdown Continues in Labor Market's Office Sectors

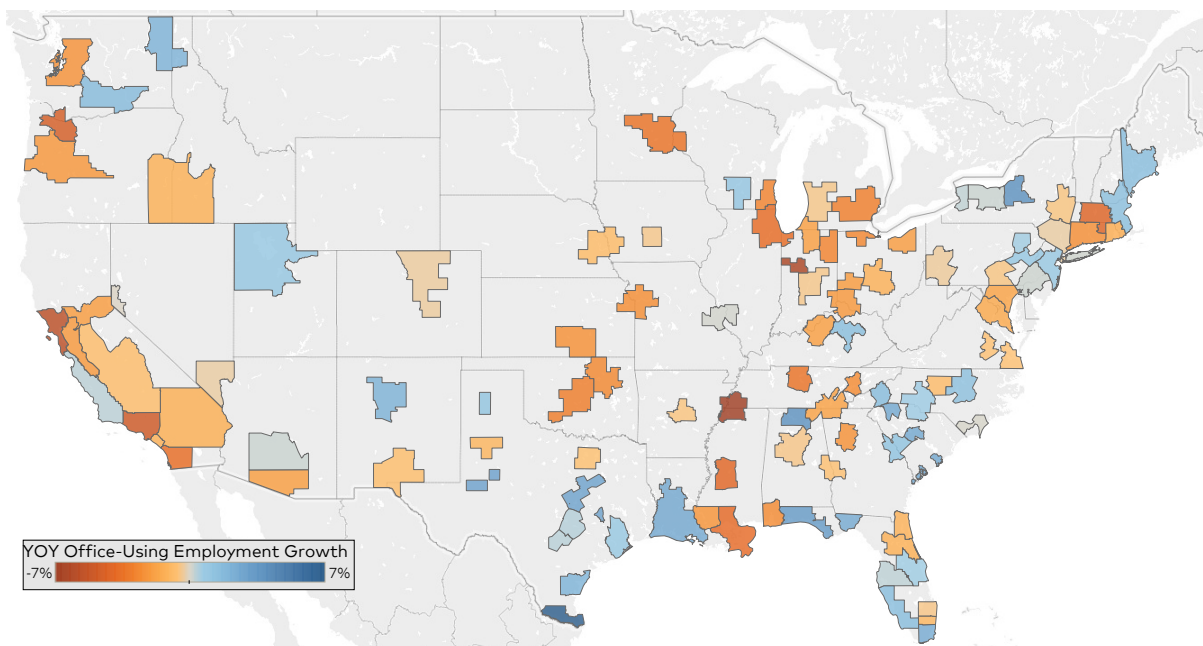
- Office-using sectors of the labor market continued to decelerate in February, adding only 12,000 jobs in the month, according to the Bureau of Labor Statistics. The financial activities sector added 1,000 workers, information added 2,000, and professional and business services added 9,000. Office-using sectors grew only 0.6% year-over-year, slower than the 1.8% growth rate of the labor market as a whole.
- The slowdown in office-using employment is being felt nationwide. Metro data for January, which trails the national release, shows that 71 of the 120 markets covered by Yardi Matrix have seen year-over-year declines in office-using employment. Among the top 25 markets, 16 have seen negative growth over the past year and only Miami has had growth of more than 2%. San Francisco (-5.6%), Los Angeles (-4.8%), Portland (-4.4%), Chicago (-3.6%) and San Diego (-3.5%) have recorded the largest declines among the top markets.

Growth by Sector



Sources: Bureau of Labor Statistics and Moody's Analytics. Due to delays in BLS benchmarking, Boston data is for December 2023

Office-Using Employment Growth



Sources: Bureau of Labor Statistics and Moody's Analytics. Due to delays associated with BLS benchmarking, New England markets show December 2023 data

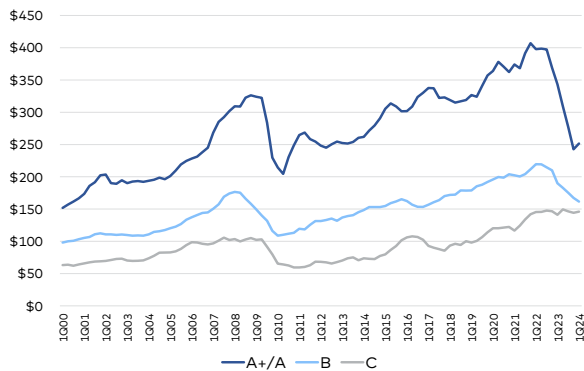
Transactions: DC Sale Largest So Far This Year

- Yardi Matrix recorded \$3.6 billion in office transactions in the first two months of 2024, with properties trading at an average of \$179 per square foot.
- The Washington, D.C., market led in sales activity through the first two months of the year, due to a single transaction that dwarfs the total sales volume of almost every other market. CoStar Group purchased Central Place office tower in Arlington for \$339 million. CoStar plans to relocate from the firm's existing headquarters across the river in Washington, D.C.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 02/29)
National	\$179	\$3,560
Washington DC	\$397	\$429
Bay Area	\$235	\$416
San Diego	\$673	\$142
Seattle	\$430	\$139
Dallas	\$127	\$137
Twin Cities	\$215	\$135
Austin	\$455	\$118
Chicago	\$100	\$117
Phoenix	\$134	\$116
New Jersey	\$122	\$109
Los Angeles	\$929	\$91
Manhattan	\$889	\$77
San Francisco	\$941	\$65
Atlanta	\$156	\$54
Nashville	\$245	\$54
Houston	\$143	\$49
Miami	\$280	\$46
Philadelphia	\$92	\$44
Denver	\$129	\$41
Boston	\$223	\$39
Tampa	\$209	\$39
Detroit	\$58	\$24
Orlando	\$123	\$16
Charlotte	\$143	\$11
Portland	\$0	\$0

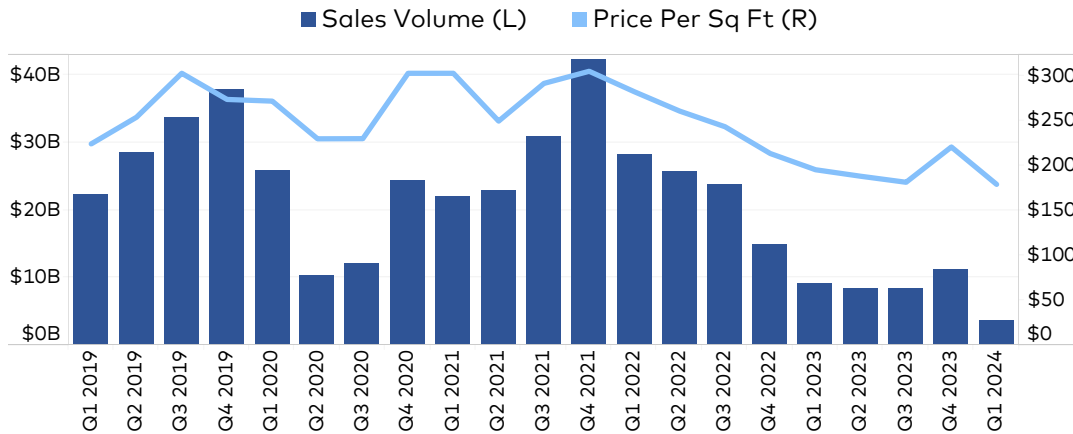
Asset Class (price PSF)



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

Source: Yardi Matrix. Data as of February 2024. Sales data for unpublished and portfolio transactions is estimated using sales comps.

Quarterly Transactions



Source: Yardi Matrix. Data as of February 2024.

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.

Supply pipeline figures do not include owner-occupied properties unless otherwise noted.

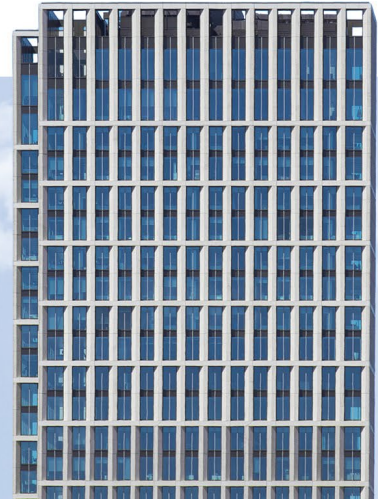
Office-Using Employment is defined by the Bureau of Labor Statistics as including the sectors Information, Financial Activities, and Professional and Business Services. Employment numbers are representative of the Metropolitan Statistical Area and do not necessarily align exactly with Yardi Matrix market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



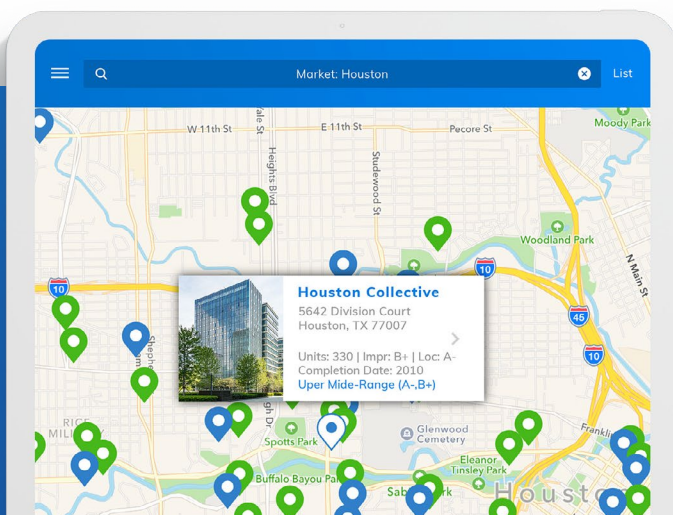
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OFFICE KEY FEATURES

- 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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