



Yardi Matrix

National Office Report

April 2024



Coworking Grows in the Suburbs

- The geographic makeup of coworking space is becoming more suburban, according to Yardi Matrix. In the past year, the amount of flex space tracked by Yardi Matrix has grown to 124.8 million square feet from 113.5 million, and nearly all of that growth has been in suburban submarkets. Suburban coworking space has increased by nearly 9 million square feet during that time, compared to only 400,000 square feet in urban areas.
- Suburban submarkets now account for nearly as much space as their urban counterparts. The suburban share of national flex space has increased by 3 percentage points to 47% in the 12 months ending in March, while the share in urban submarkets has shrunk to 48% from 52%. Coworking's shift to the suburbs is even more striking without Manhattan, the urban market with the largest amount of flex space. With Manhattan excluded, the suburbs' share of national coworking space is 52%.
- Some of the coworking space tracked by Yardi Matrix lacks submarket classification, which is why the sum of urban and suburban shares does not equal 100%. However, because most of the unclassified spaces are in smaller markets, we believe the majority are within suburbs. We continuously revise our tracking of these spaces and will provide updates in future reports.
- What's behind the shift to the suburbs? Companies that embrace remote and hybrid work are recognizing the need to provide a place for in-office collaboration, training and deep focus. Many firms have eschewed traditional office leases and instead are choosing coworking to fulfill this need. With the workforce increasingly decentralized, firms are leasing suburban flex space to accommodate workers closer to their homes.
- It's not clear whether the suburbs will continue to dominate growth in flex space. Although central business districts are still facing an uphill battle to regain their pre-pandemic prominence and vibrancy, city centers can offer amenities and transportation options that many suburbs cannot match. We expect that vibrant city centers with mixed real estate uses will attract more coworking tenants in the long run. Cities that contain primarily office towers and few amenities in their downtowns will struggle to fill flex spaces.



Listing Rates and Vacancy: Vacancy Rate Rise Widespread

- The national average full-service equivalent listing rate was \$37.74 per square foot in March, according to Yardi Matrix, a decrease of 9 cents from the previous month and 1.3% year-over-year.
- The national vacancy rate was 18.2%, an increase of 120 basis points year-over-year.
- Vacancy rates have increased in recent years as companies embrace remote and hybrid work and re-examine their office footprints.

The increases are not concentrated in just one market or sector, either. Vacancy rates in tech markets have risen steeply. In San Francisco, the vacancy rate has grown by 510 basis points over the past 12 months. Bay Area vacancies have risen 350 bps, and Seattle's have grown 390 bps. Dallas (510 bps) and Charlotte (310 bps), markets with a high concentration of finance jobs, have also seen increases. Even Boston, a life science hub with strong demand, has seen vacancy rates grow 290 bps in the past year.

Listings by Metro

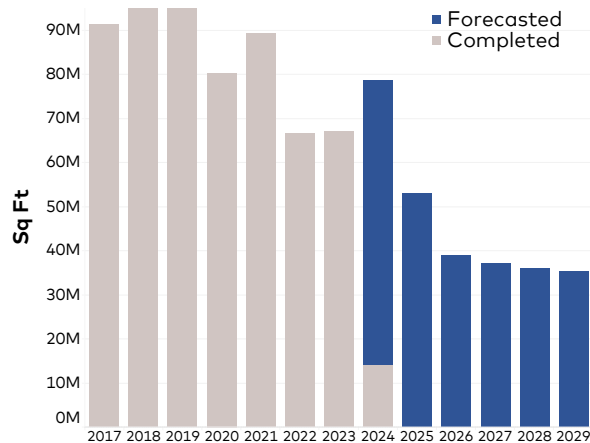
Market	Mar-24 Listing Rate	12-Month Change	Total Vacancy	12-Month Change	Top Listing	Price Per Square Foot
National	\$37.74	-1.3%	18.2%	150 bps		
Manhattan	\$71.30	-3.9%	17.6%	110 bps	550 Madison Avenue	\$210.00
San Francisco	\$60.81	-8.0%	24.2%	510 bps	Sand Hill Commons	\$204.00
Bay Area	\$52.70	-6.0%	20.8%	350 bps	245 Lytton Avenue	\$147.48
Miami	\$49.05	3.8%	13.3%	140 bps	701 Brickell	\$130.00
Los Angeles	\$41.19	-2.8%	16.4%	170 bps	100 Wilshire	\$108.00
Seattle	\$37.71	-4.4%	22.6%	390 bps	1208 Eastlake Avenue East	\$94.00
Dallas	\$29.08	2.4%	21.6%	510 bps	McKinney & Olive	\$86.31
Austin	\$42.79	4.5%	22.0%	-20 bps	Indeed Tower	\$84.21
Washington DC	\$40.72	0.7%	16.5%	180 bps	500 8th Street NW	\$79.58
Boston	\$49.50	27.7%	12.8%	290 bps	Alexandria Center at Kendall Square	\$76.58
Chicago	\$28.68	2.4%	19.0%	-20 bps	Innovation and Research Park	\$75.00
Denver	\$30.24	-1.2%	22.7%	330 bps	200 Clayton Street	\$73.00
San Diego	\$42.76	-7.7%	18.2%	380 bps	La Jolla Commons-Tower I	\$72.60
Tampa	\$28.62	1.6%	12.7%	-350 bps	Water Street Tampa-Thousand & One	\$65.50
Houston	\$29.54	-3.7%	23.5%	10 bps	Texas Tower	\$62.90
Atlanta	\$31.54	3.0%	17.0%	-280 bps	1180 Peachtree	\$60.00
Phoenix	\$27.60	0.3%	18.0%	-20 bps	Camelback Collective	\$55.00
New Jersey	\$34.79	5.0%	18.1%	110 bps	10 Exchange Place	\$54.30
Philadelphia	\$31.85	1.5%	15.7%	140 bps	Two Liberty Place	\$53.50
Charlotte	\$31.30	-4.7%	14.5%	310 bps	Morehead Place	\$46.00
Nashville	\$30.21	-4.8%	15.5%	-190 bps	Three Thirty Three	\$44.88
Portland	\$27.84	-5.2%	16.8%	10 bps	Fox Tower	\$43.38
Orlando	\$24.44	-0.6%	17.0%	70 bps	105 East Robinson Street	\$42.79
Twin Cities	\$25.80	-4.2%	17.9%	200 bps	Offices at MOA, The	\$40.00
Detroit	\$22.36	4.2%	32.1%	1,080 bps	One Campus Martius	\$39.13

Source: Yardi Matrix. Data as of March 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: Office Development Hits the Brakes

- Nationally, 87.9 million square feet of office space are under construction, representing 1.3% of stock. The under-construction pipeline has shrunk by nearly 40% in the last two years and looks like it will only continue to shrink due to falling office demand, increasing costs of capital and tightening standards for construction loans.
- Office starts averaged nearly 64 million square feet a year between 2020 and 2022, before falling to 44.1 million square feet last year. Through the first quarter of 2024, Yardi Matrix logged just 2.8 million square feet of office starts. While a lag in collecting some data means that this number is incomplete, it still indicates a massive drop-off in office development.
- Of the office stock under construction, the vast majority is located in the largest markets. Boston leads the nation, representing more than 15% of national stock under construction. The top 10 markets account for 56% of under-construction square footage, while more than 80% of space underway is in the top 20 markets.

National New Supply Forecast



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

Supply Pipeline (by metro)

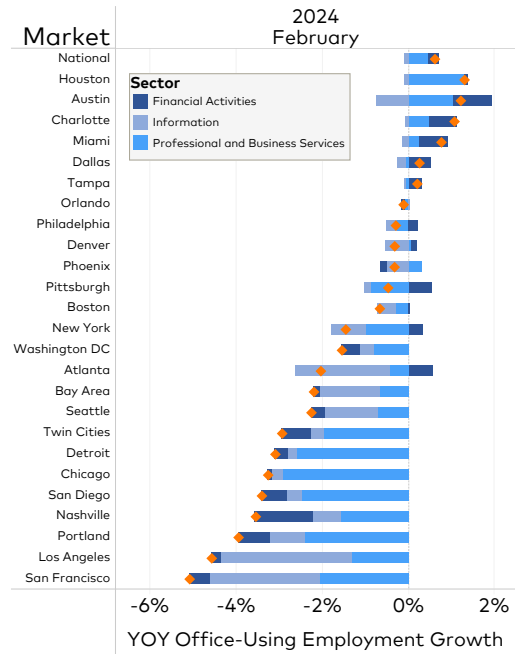
Market	Under Construction	Under Construction % Stock	Plus Planned % Stock
National	87,865,841	1.3%	4.5%
Boston	13,894,291	5.6%	10.7%
San Francisco	5,333,448	3.3%	13.0%
Dallas	5,148,293	1.8%	12.3%
Austin	4,282,222	4.6%	19.6%
San Diego	3,857,767	4.0%	7.0%
Bay Area	3,835,136	1.8%	5.7%
Seattle	3,611,890	2.5%	10.0%
Atlanta	3,489,087	1.7%	3.6%
Washington DC	3,283,216	0.9%	3.9%
Manhattan	3,164,380	0.7%	2.9%
Miami	3,046,696	4.2%	10.9%
Nashville	2,688,753	4.6%	9.2%
Charlotte	2,603,759	3.3%	8.7%
Denver	2,064,485	1.3%	3.5%
Philadelphia	1,995,260	1.1%	3.7%
New Jersey	1,988,189	1.0%	2.2%
Houston	1,843,121	0.8%	2.1%
Chicago	1,726,072	0.6%	2.5%
Los Angeles	1,691,097	0.6%	4.0%
Phoenix	698,635	0.5%	2.8%
Orlando	605,508	0.9%	7.0%
Detroit	524,000	0.4%	0.9%
Tampa	412,350	0.5%	6.3%
Portland	354,450	0.6%	1.5%
Twin Cities	136,166	0.1%	2.6%

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

Office-Using Jobs: Artificial Intelligence to Impact Office Leasing

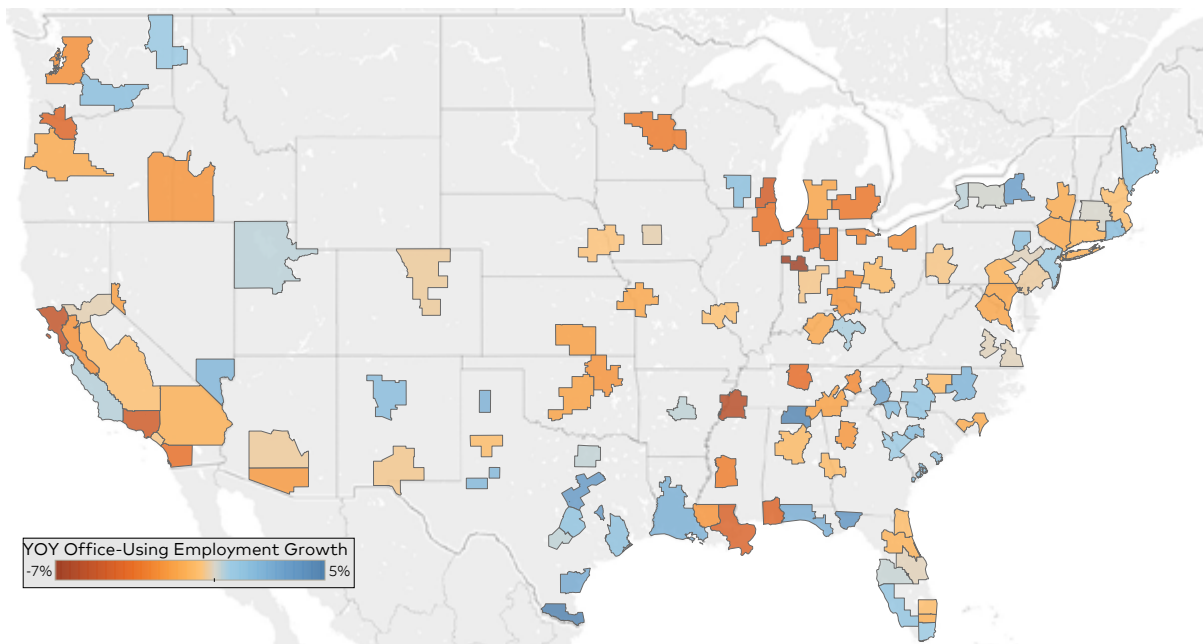
- Office-using sectors of the labor market added 10,000 jobs in the month of March. Of these, 7,000 were in professional and business services and 3,000 in the financial activities sector. The information sector was unchanged from February. Office-using employment has grown 0.6% year-over-year. The slowdown in office employment growth is a blow to a sector striving to recover demand lost to remote and hybrid work.
- Artificial intelligence looms as a new threat. While the technology is not yet replacing large numbers of office workers, some firms are looking to supplement existing staff with AI instead of hiring new employees. However, AI will also drive office demand in certain places. In tech markets that were particularly hard hit by the pandemic, AI firms both large and small are ramping up leasing activity as the sector grows rapidly. JLL reported that 25% of leasing activity in San Francisco last year was for AI tenants.

Growth by Sector



Sources: Bureau of Labor Statistics and Moody's Analytics.

Office-Using Employment Growth

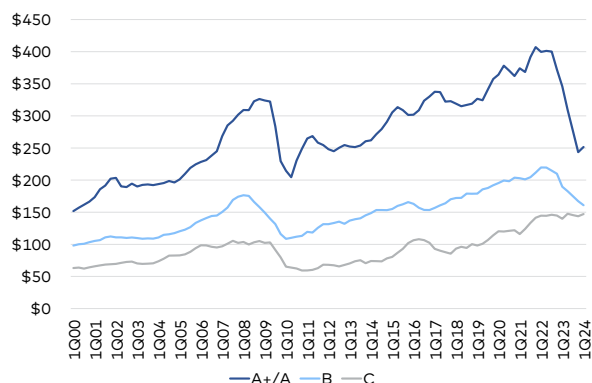


Sources: Bureau of Labor Statistics and Moody's Analytics.

Transactions: Dallas Activity Slows

- Yardi Matrix has recorded \$5.4 billion in transactions so far this year, with properties trading at an average of \$171 per foot.
- While the market has seen robust in-migration and job growth this decade, Dallas is not immune to the slowdown in office transactions. After logging more than \$11 billion in transactions in 2021 and 2022 combined, the metro saw just \$1.4 billion last year and \$257 million during the first quarter of this year. Average sale prices in Dallas fell, as well, from \$233 per foot in 2022 to \$144 in 2023 and \$123 to start 2024.

Asset Class (price PSF)



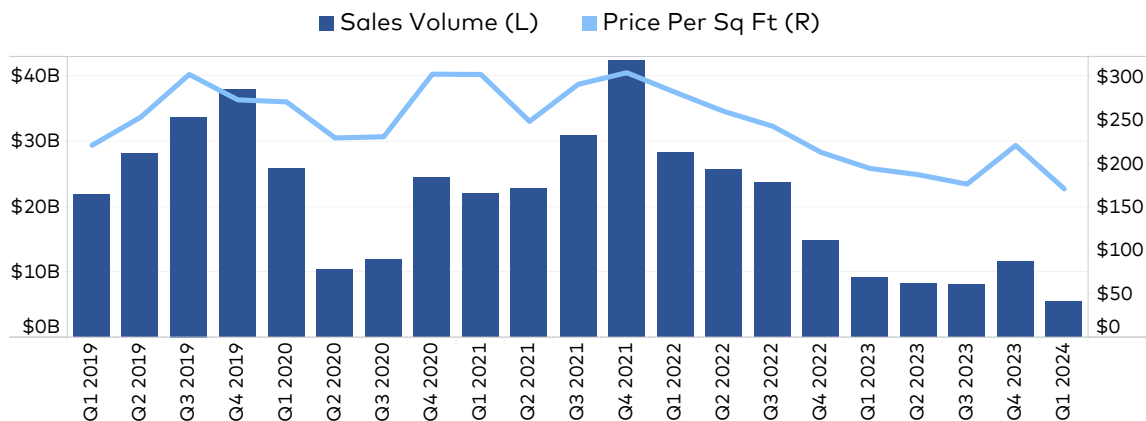
Source: Yardi Matrix; 12-month moving average. Does not include unpublished and portfolio transactions.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 03/31)
National	\$171	\$5,428
Washington DC	\$463	\$999
Bay Area	\$217	\$404
Dallas	\$123	\$257
New Jersey	\$100	\$215
Boston	\$153	\$207
Twin Cities	\$163	\$177
San Diego	\$608	\$159
Phoenix	\$169	\$159
Austin	\$462	\$159
Chicago	\$92	\$152
Miami	\$209	\$148
Los Angeles	\$542	\$131
Seattle	\$202	\$98
Houston	\$121	\$95
Tampa	\$159	\$83
Atlanta	\$125	\$82
San Francisco	\$580	\$73
Manhattan	\$536	\$73
Nashville	\$201	\$62
Philadelphia	\$94	\$58
Orlando	\$187	\$53
Denver	\$129	\$41
Detroit	\$64	\$27
Portland	\$152	\$17
Charlotte	\$143	\$11

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

Quarterly Transactions



Source: Yardi Matrix. Data as of March 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.

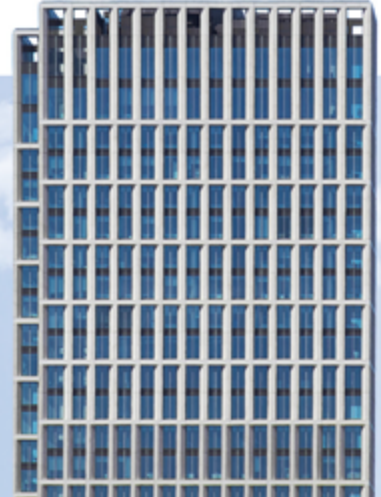
Office-Using Employment is defined by the Bureau of Labor Statistics as including the sectors Information, Financial Activities, and Professional and Business Services. Employment numbers are representative of the Metropolitan Statistical Area and do not necessarily align exactly with Yardi Matrix market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



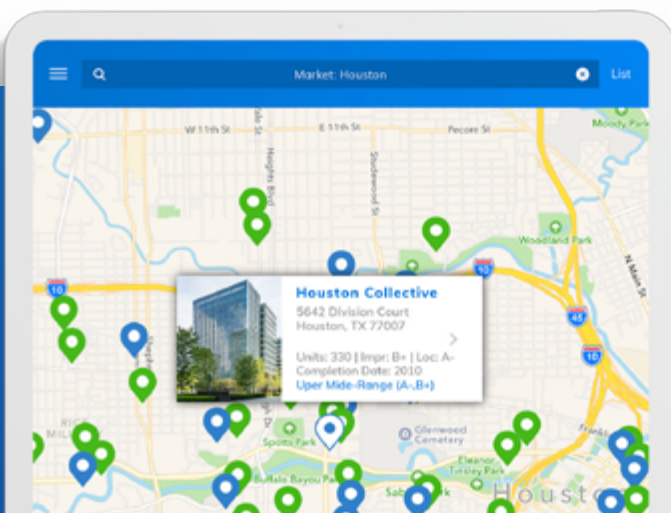
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OFFICE KEY FEATURES

- 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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