



Yardi[®] Matrix

National Office Report

September 2024



Life Science Struggles With Supply Glut

- Coming out of the pandemic, lab space was in high demand. Breakthroughs in mRNA and CRISPR technologies alongside record low interest rates led to billions of dollars in funding, from both private and public sources, pouring into the life sciences sector. Developers rushed to respond, bringing millions of square feet to market in recent years through new developments and conversions of existing buildings. This year, it has become clear that developers over-responded to demand for lab space, leading to a supply glut in the sector.
- Since the start of 2020, 33.5 million square feet of lab space have been delivered, and an additional 26.4 million square feet are currently under construction. Most of this new supply is concentrated in top life science hubs. Boston has delivered 10.1 million square feet this decade (9.8% of stock), San Francisco 6.2 million (11.1%) and San Diego 3.3 million (12.5%). The supply will continue to roll into these markets in the coming quarters. Boston has 8.2 million square feet under construction, San Francisco has 4.6 million and San Diego 2.5 million.
- At the same time the wave of new lab space has come to market, funding into the sector has dried up. In San Diego, IQHQ's \$1.6 billion mixed-use Research and Development District (RaDD) downtown is opening with no biotech tenants. Recent reporting suggests that frustrated office owners have begun listing empty life science buildings for general office usage, offering space at much lower rates than they could receive from life science occupiers.
- Investor appetite for lab space has completely cratered, following the fever pitch the sector hit coming out of the pandemic. In 2022, there was \$6.2 billion in life science sales across 62 properties, with an average sale price of \$890 per square foot. In 2023, life science sales volume fell to \$1.8 billion across 20 transactions, with properties trading at \$631 per foot. In 2024, Yardi Matrix has logged just three sales of life science properties.
- While the glut of space may take a while to work its way out, we expect life sciences to remain one of the strongest sub-use types in the office sector over the long run. Most life science work remains immune to remote and hybrid options, requiring carefully controlled physical spaces, and venture capital funding in the sector should pick up again as interest rates begin to come down.



Listing Rates and Vacancy: Vacancy Rates Spike in Life Science Hubs

- The national average full-service equivalent listing rate was \$32.78 per square foot in August, according to Yardi Matrix, up 2.7% year-over-year.
- The national vacancy rate was 19.4%, an increase of 200 basis points year-over-year.
- Vacancies have increased almost everywhere during the past year, but some of the biggest jumps have come in the top life science hubs. In the Bay Area, vacancy rates have in-

creased 550 bps since last August. Boston's rates have gone up by 540 bps over that time, San Francisco's 440 bps and San Diego's 310 bps. The life science glut can explain some of these increases in vacancy spikes, but most of these markets also have a high concentration of tech jobs, and that sector has had its own share of troubles in the past two years. Tech has been beset by layoffs and weak hiring since late 2022, as well as many firms in the sector embracing remote work setups.

Listings by Metro

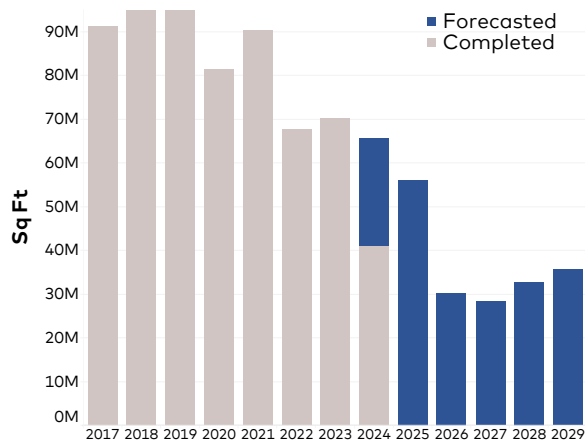
Market	Aug-24 Listing Rates	12-Month Change	Total Vacancy	12-Month Change	Top Listing	Price Per Sq. Ft.
National	\$32.78	2.7%	19.4%	200 bps		
Boston	\$53.25	15.4%	15.9%	540 bps	137 Newbury Street	\$96.17
Orlando	\$28.01	15.2%	16.8%	20 bps	801 North Orange Avenue	\$34.00
Dallas	\$31.04	13.4%	22.9%	430 bps	McKinney & Olive	\$86.31
Miami	\$51.25	11.1%	14.1%	80 bps	701 Brickell	\$140.00
Atlanta	\$33.80	9.0%	21.3%	260 bps	1180 Peachtree	\$63.00
Austin	\$45.84	7.0%	27.8%	660 bps	Indeed Tower	\$84.21
Philadelphia	\$32.78	6.6%	17.7%	350 bps	Two Liberty Place	\$53.50
Tampa	\$29.93	6.4%	14.7%	30 bps	Bayshore Place	\$52.00
Washington DC	\$41.60	3.0%	17.0%	170 bps	500 8th Street NW	\$79.58
Charlotte	\$33.43	2.6%	18.6%	310 bps	Morehead Place	\$46.00
San Francisco	\$66.93	2.3%	27.6%	440 bps	Sand Hill Commons	\$204.00
Los Angeles	\$42.94	2.2%	16.7%	100 bps	100 Wilshire	\$108.00
Detroit	\$21.92	1.8%	24.0%	-80 bps	Orchestra Place	\$36.14
Bay Area	\$54.43	1.4%	24.8%	550 bps	245 Lytton Avenue	\$147.48
Denver	\$31.10	1.2%	24.1%	340 bps	200 Clayton Street	\$73.00
Phoenix	\$28.07	0.9%	18.2%	-60 bps	Camelback Collective	\$52.50
Nashville	\$29.87	-0.3%	15.6%	-60 bps	1200 Broadway	\$43.88
New Jersey	\$34.03	-1.0%	19.9%	280 bps	Newport Tower	\$54.80
Manhattan	\$68.56	-1.5%	16.6%	-80 bps	One Vanderbilt	\$252.00
Houston	\$30.01	-1.8%	25.9%	190 bps	Texas Tower	\$64.90
Twin Cities	\$26.44	-1.9%	16.4%	-70 bps	Fifty South Sixth	\$36.85
Chicago	\$27.56	-2.2%	19.0%	120 bps	Innovation and Research Park	\$75.00
Portland	\$27.11	-3.4%	20.1%	420 bps	Fox Tower	\$43.38
Seattle	\$35.46	-6.6%	24.9%	290 bps	Lincoln Square South	\$67.24
San Diego	\$40.13	-8.5%	19.1%	310 bps	La Jolla Commons-Tower I	\$72.60

Source: Yardi Matrix. Data as of August 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 all markets. Prior to July 2024, this report used the top 50 markets for a national average.

Supply: Deluge in Some Sun Belt Markets

- Nationally, 69.8 million square feet of office space are under construction, according to Yardi Matrix, representing 1.0% of stock.
- A total of 34.3 million square feet of office space was completed through August, putting 2024 on pace to have the lowest office deliveries since 2013. Due to weakened demand and expensive capital, this year is only the beginning of a slowdown in office deliveries. In 2023, office starts fell to 30 million square feet; they have almost completely dried up in 2024, with only 8.7 million square feet of office space beginning construction this year.
- Amid the shift to remote and hybrid work, some markets in the Sun Belt have significantly increased in size in recent years. Austin has delivered 10.2% of stock since the start of 2021, Charlotte 9.8%, Raleigh–Durham 9.2% and Nashville 8.7%. Depressed demand for office space has exposed these markets to oversupply, and in Austin (4.6% of stock under construction) and Nashville (3.6%) there is still a significant block of new supply on the way.

National New Supply Forecast



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

Supply Pipeline (by metro)

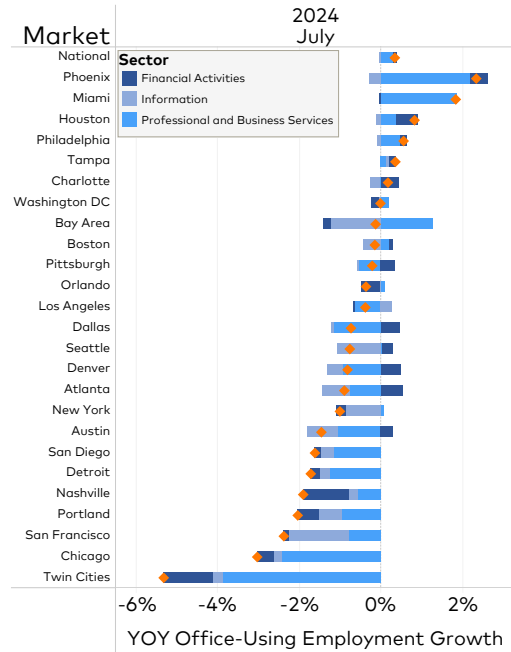
Market	Under Construction	Under Construction % Stock	Plus Planned % Stock
National	69,776,725	1.0%	3.6%
Boston	11,227,186	4.4%	10.1%
Dallas	4,878,130	1.7%	10.5%
San Francisco	4,706,053	2.9%	10.6%
Austin	4,355,365	4.6%	13.2%
San Diego	3,051,037	3.1%	5.8%
Miami	2,807,884	3.9%	10.6%
Manhattan	2,743,248	0.6%	2.9%
Los Angeles	2,551,360	0.9%	3.0%
Bay Area	2,448,528	1.2%	4.4%
Washington DC	2,158,783	0.6%	3.8%
Nashville	2,125,600	3.6%	9.5%
Seattle	2,091,900	1.4%	4.8%
Philadelphia	1,982,424	1.1%	3.0%
Atlanta	1,898,052	0.9%	2.6%
Houston	1,670,517	0.7%	1.8%
New Jersey	1,595,941	0.8%	1.2%
Charlotte	1,146,657	1.5%	5.9%
Tampa	894,460	1.1%	3.8%
Chicago	811,394	0.3%	1.4%
Orlando	737,408	1.1%	2.9%
Denver	723,941	0.4%	3.1%
Detroit	524,000	0.4%	0.5%
Phoenix	514,990	0.4%	2.3%
Twin Cities	435,666	0.4%	2.0%
Portland	354,450	0.6%	1.3%

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

Office-Using Jobs: Slowdown Continues

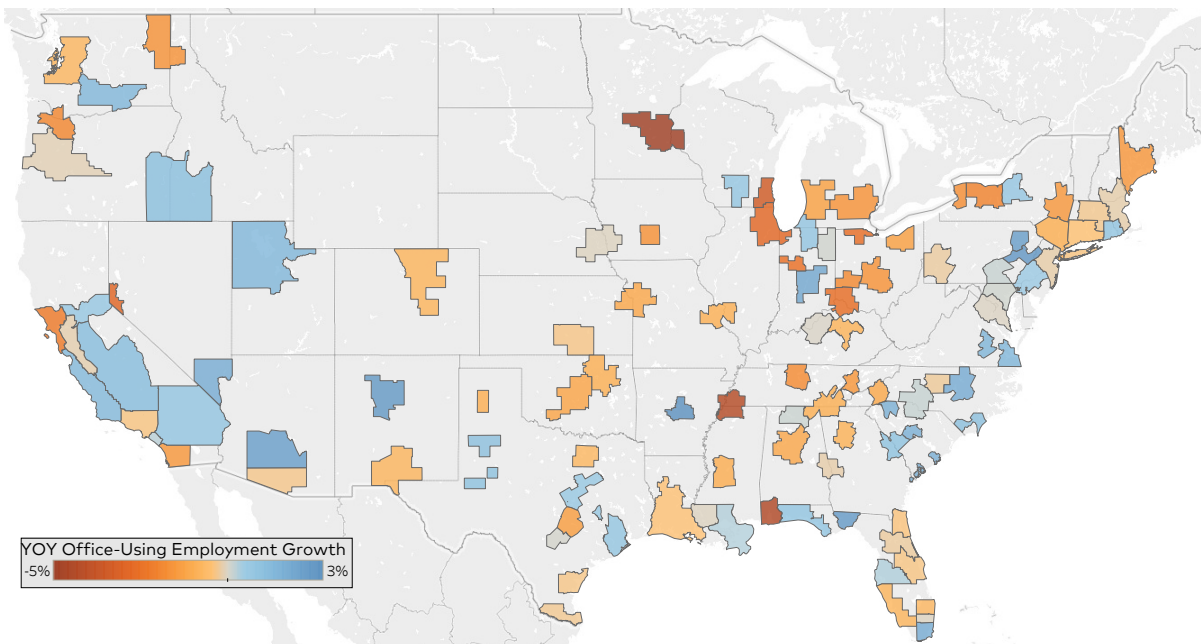
- Office-using sectors of the economy added 12,000 jobs in the month of August, according to the Bureau of Labor Statistics. The financial activities sector added 11,000 jobs, while professional and business services added 8,000 and information lost 7,000.
- Over the past year, office-using sectors have grown just 0.4%, adding 141,000 jobs. While a cooling labor market can explain some of the slowdown in job growth, the national labor market as a whole grew 1.5% year-over-year in August. Office-using sectors have underperformed the overall labor market since the tail end of 2022. Metro data for July, which trails the national release, shows that 80 of the 120 markets covered by Yardi Matrix lost office jobs over the past year, and an additional 16 markets grew less than 1%. With the prevalence of remote and hybrid work, new job formation is the only way to increase office demand, but these sectors of the labor market are stuck in the mud.

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

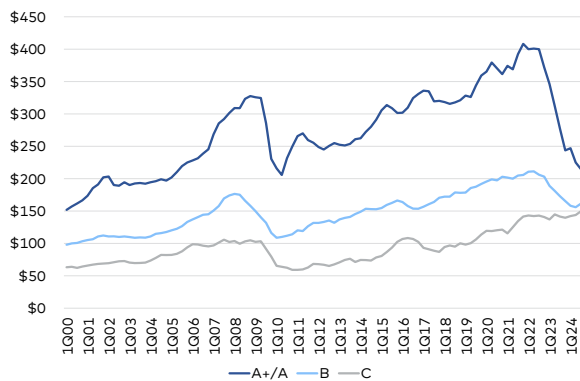
Transactions: Mile-High City Prices Fall

- Yardi Matrix recorded \$20.9 billion in office sales through the end of August, with properties trading at an average of \$173 per square foot.
- The average sale price of an office building in Denver has fallen from \$243 per square foot last year to \$112 in 2024, a decrease of more than 50%. Of the 23 sales in the market with a published transaction amount, 10 have sold at a discount from their previous sale price. Two buildings on Crescent Parkway in the Denver Tech Center sold at prices lower than their last sale, in the 1990s.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 08/31)
National	\$173	\$20,904
Manhattan	\$386	\$2,468
Washington DC	\$224	\$1,814
Bay Area	\$283	\$1,328
Phoenix	\$181	\$923
Boston	\$230	\$917
Los Angeles	\$437	\$828
Dallas	\$125	\$812
Austin	\$376	\$644
Chicago	\$97	\$586
Miami	\$348	\$543
Atlanta	\$146	\$537
Houston	\$103	\$528
Twin Cities	\$189	\$527
Tampa	\$154	\$461
San Diego	\$199	\$443
Seattle	\$190	\$399
New Jersey	\$106	\$397
Denver	\$112	\$331
Philadelphia	\$84	\$267
San Francisco	\$278	\$256
Nashville	\$205	\$195
Charlotte	\$133	\$149
Detroit	\$94	\$128
Orlando	\$162	\$126
Portland	\$172	\$65

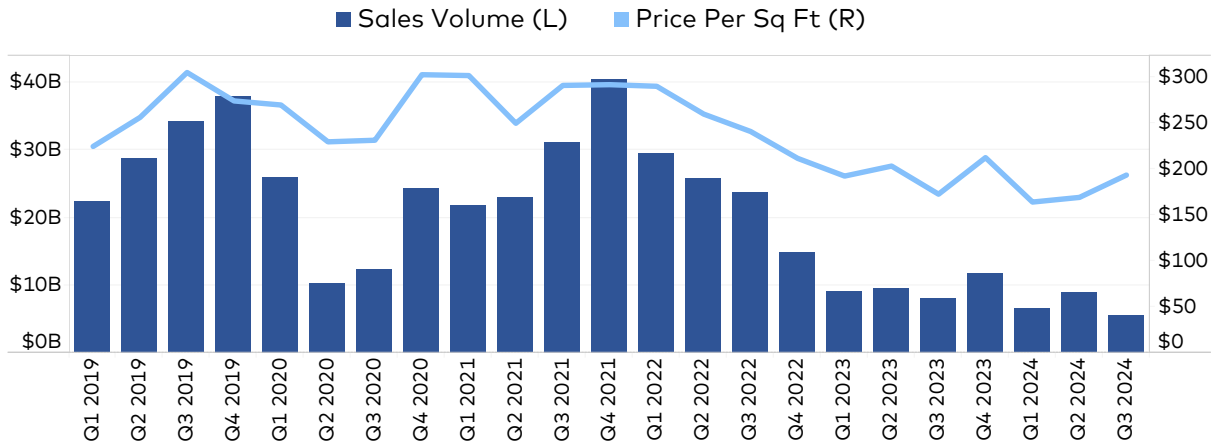
Asset Class (price PSF)



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

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

Quarterly Transactions



Source: Yardi Matrix. Data as of August 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 listing rate is an average of all markets. Prior to July 2024, this report used the top 50 markets for a national average.
- *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.

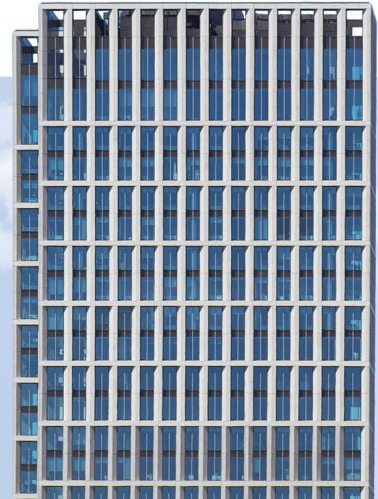
Office-Using Employment is defined by the Bureau of Labor Statistics as including the sectors Information, Financial Activities, and Professional and Business Services. Employment numbers are representative of the Metropolitan Statistical Area and do not necessarily align exactly with Yardi Matrix market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



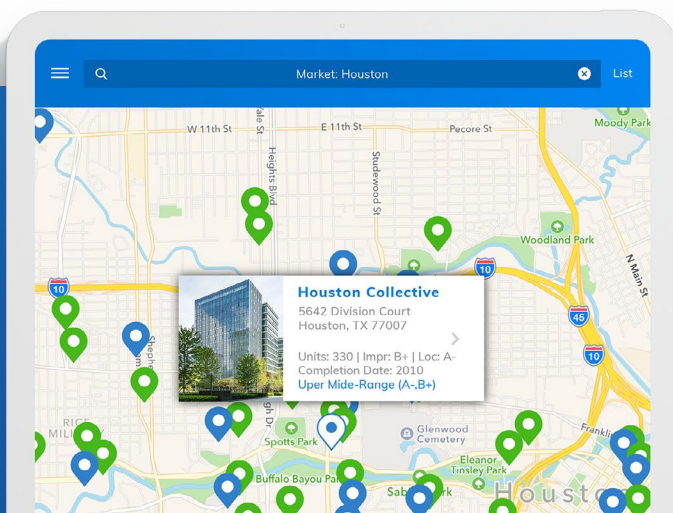
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OFFICE KEY FEATURES

- Active in 120 markets across the U.S. covering 81,000 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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