Yardi® Matrix

National Office Report

October 2024

Return-to-Office Mostly Unchanged in 2024

- While employer-mandated return-to-office policies at well-known companies have garnered plenty of headlines, office utilization data remains mostly unchanged. Downsized office footprints due to remote and hybrid work still appear to be the norm in the office sector.

- Many firms have looked to entice workers back to the office with amenities and other incentives, but for the most part these efforts have come up empty. Some companies have tired of the carrot and have instead decided to embrace the stick. Amazon CEO Andy Jasso announced in a memo that the company expects its workers to return to the office five days a week starting in January, saying, "We continue to believe that the advantages of being together in the office are significant." Earlier this year, Dell announced that remote workers would no longer be considered for promotions. Meta told its employees this summer that attendance will be tracked daily and failing to be in the office at least three days a week could lead to termination.

- While strict mandates from high-profile firms have received news coverage, the needle has yet to move when it comes to vacancy rates and office utilization. Kisi Access Control uses aggregated unlocks to analyze office occupancy. For the week ending on September 30, the national average occupancy was 50.2%. Kisi provides data for Washington, D.C., and the six most populous states. Illinois (56.1%), Texas (54.7%) and Florida (53.2%) all had occupancy above the national average, while California (49.2%), Pennsylvania (47.8%), New York (47.2%) and D.C. (36.6%) were below. Kastle's Back to Work Barometer, which also measures badge swipes, shows similar results. Its most recent reading of office utilization was sitting at 51.4%, roughly where it has been all year.

- Firms may want to push for a return to the office, but remote and hybrid work's prevalence remains widespread. KPMG recently surveyed 1,300 CEOs, and 83% said they expect to move back to five days in office within the next three years, up from 64% of CEOs in last year's survey. Yet actual leasing data—alongside the aforementioned office badge swipes—continues to paint a different picture. CBRE reported that while the total number of leases signed in the first half of 2024 was roughly in line with prepandemic levels, the average lease size was down by more than a quarter. At the same time, new job formation has stagnated, leaving office demand depressed. Office-using sectors of the labor market have grown just 0.4% year-over-year, according to the Bureau of Labor Statistics.

Listing Rates and Vacancy: Atlanta Vacancies Grow

- The national average full-service equivalent listing rate was $32.89 per square foot in September, according to Yardi Matrix, up 11 cents in the month and 3.6% year-over-year.
- The national vacancy rate was 19.5%, an increase of 170 basis points year-over-year.
- As leases signed pre-pandemic expire, many companies are downsizing physical footprints, leading to spikes in vacancy rates and distress in the office sector. In Atlanta, the vacancy rate has increased 180 basis points in the past year and currently sits at 20.5%. Not every company in the market is downsizing, however. Newell Brands, a Fortune 500 consumer brands firm, recently signed a 180,000-square-foot lease to move its global headquarters to Concourse Office Park in Sandy Springs. Newell is relocating from a smaller space a couple of miles away at 6655 Peachtree Dunwoody Road, a building it owns.

Listings by Metro

Market	Sep-24 Listing Rates	12-Month Change	Total Vacancy	12-Month Change	Top Listing	Price Per Sq. Ft.
National	$32.89	3.6%	19.5%	170 bps		
Boston	$57.98	26.4%	16.4%	610 bps	137 Newbury Street	$96.17
Miami	$52.87	16.3%	14.9%	100 bps	701 Brickell	$140.00
Orlando	$27.57	13.4%	17.3%	80 bps	Capital Plaza Two	$33.00
Dallas	$30.64	12.3%	22.9%	390 bps	McKinney & Olive	$86.31
Austin	$45.99	8.8%	27.8%	660 bps	Indeed Tower	$84.21
Atlanta	$33.63	7.1%	20.5%	180 bps	1180 Peachtree	$63.00
Philadelphia	$32.84	6.2%	17.8%	380 bps	One Liberty Place	$57.71
Charlotte	$33.81	4.9%	18.3%	220 bps	Morehead Place	$46.00
San Francisco	$67.32	3.3%	27.6%	350 bps	Sand Hill Commons	$204.00
Tampa	$29.09	3.3%	15.3%	20 bps	Bayshore Place	$52.00
Los Angeles	$43.04	3.0%	16.3%	-10 bps	100 Wilshire	$108.00
Washington DC	$41.48	2.2%	17.7%	180 bps	500 8th Street NW	$79.58
Bay Area	$54.74	1.7%	25.3%	540 bps	245 Lytton Avenue	$147.48
Nashville	$30.49	1.7%	17.3%	60 bps	Three Thirty Three	$44.88
Phoenix	$28.17	1.0%	18.0%	-80 bps	Camelback Collective	$52.50
Detroit	$21.63	0.6%	20.7%	-490 bps	Orchestra Place	$36.14
Denver	$30.79	-0.2%	24.7%	400 bps	200 Clayton Street	$73.00
San Diego	$43.04	-0.2%	18.5%	340 bps	One La Jolla Center	$70.20
New Jersey	$34.42	-0.3%	20.2%	260 bps	Newport Tower	$54.80
Twin Cities	$26.47	-0.9%	16.8%	-10 bps	Nordic, The	$41.42
Houston	$30.14	-1.7%	25.2%	30 bps	Texas Tower	$64.90
Manhattan	$67.93	-3.0%	16.8%	-90 bps	One Vanderbilt	$252.00
Chicago	$27.04	-3.8%	19.0%	120 bps	222 North LaSalle Street	$72.33
Portland	$27.00	-5.6%	19.9%	330 bps	Fox Tower	$43.38
Seattle	$35.17	-7.1%	26.2%	390 bps	Lincoln Square South	$67.24

Source: Yardi Matrix. Data as of September 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.

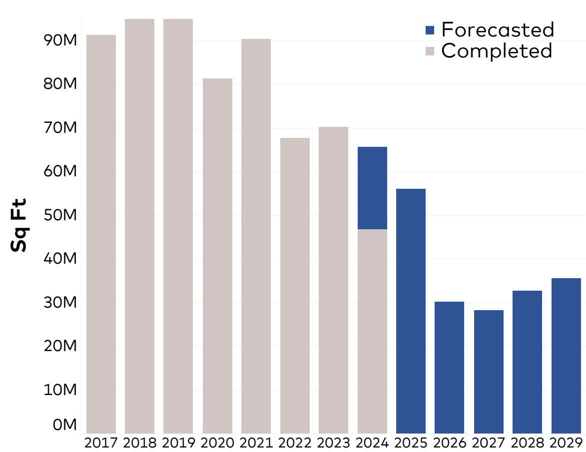
Supply:
Tech Market Pipelines' Drastic Reversal

- Nationally, 68.5 million square feet of office space are under construction, according to Yardi Matrix, representing 1.0% of stock.

- The total size of the under-construction pipeline shrank by nearly a third through the first three quarters of this year. A total of 37.5 million square feet have been delivered, while just 9.3 million square feet have broken ground.

- Two tech markets have seen the most dramatic shifts in development pipelines. Austin and Seattle both maintained steady development momentum through the first two years of the pandemic. They both also saw new development activity nearly dry up completely starting in 2023, as layoffs hit the tech sector, capital costs increased and it became clear that remote and hybrid work were fully entrenched. Between 2019 and 2022, 13.8 million square feet of office space were started in Austin, an average of 3.5 million square feet a year. Since the start of 2023, 1.4 million square feet in total have broken ground. Seattle averaged 2.6 million square feet of starts per year between 2019 and 2022, but only 696,000 feet in the past seven quarters.

National New Supply Forecast



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

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	Plus Planned % Stock
National	68,490,395	1.0%	3.4%
Boston	11,554,377	4.6%	10.2%
San Francisco	4,688,892	2.9%	10.0%
San Diego	4,075,918	4.2%	6.8%
Dallas	4,023,343	1.4%	6.2%
Austin	3,415,728	3.6%	12.1%
Miami	2,792,184	3.9%	10.9%
Manhattan	2,637,127	0.6%	2.4%
Los Angeles	2,516,816	0.9%	2.9%
Bay Area	2,420,390	1.2%	4.4%
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	1,933,708	1.0%	2.3%
Washington DC	1,813,783	0.5%	3.3%
Houston	1,712,503	0.7%	1.9%
New Jersey	1,486,941	0.7%	1.3%
Charlotte	1,146,657	1.5%	5.9%
Chicago	827,906	0.3%	1.4%
Orlando	743,339	1.1%	2.9%
Denver	723,941	0.4%	2.9%
Tampa	715,710	0.9%	3.8%
Detroit	524,000	0.4%	0.8%
Twin Cities	435,666	0.4%	2.0%
Portland	417,970	0.7%	1.4%
Phoenix	416,375	0.3%	2.1%

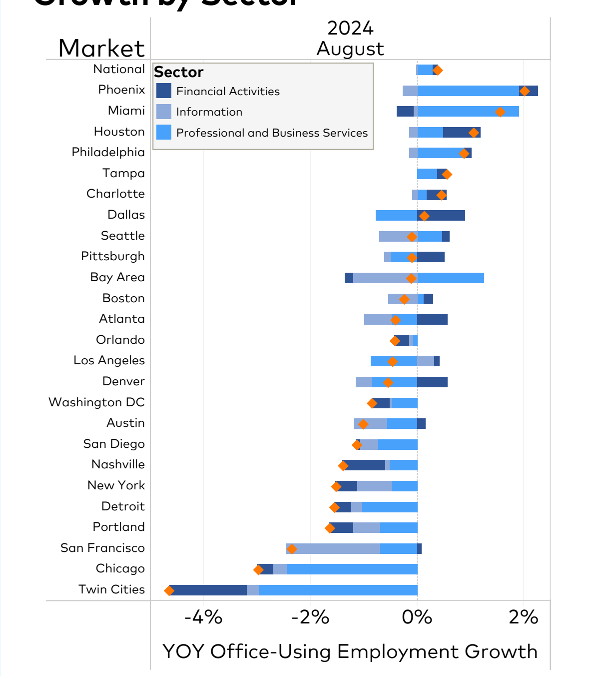
Source: Yardi Matrix. Data as of September 2024. Table does not include owner-occupied properties.

Office-Using Jobs: Twin Cities' Prolonged Contraction

- Office-using sectors of the economy added 26,000 jobs in the month of September, according to the Bureau of Labor Statistics. Professional and business services added 17,000 jobs in September, financial activities 5,000 and information 4,000. This was the first time since March that all three sectors grew during a month. Over the past year, office sectors have added just 149,000 jobs, growing 0.4%.

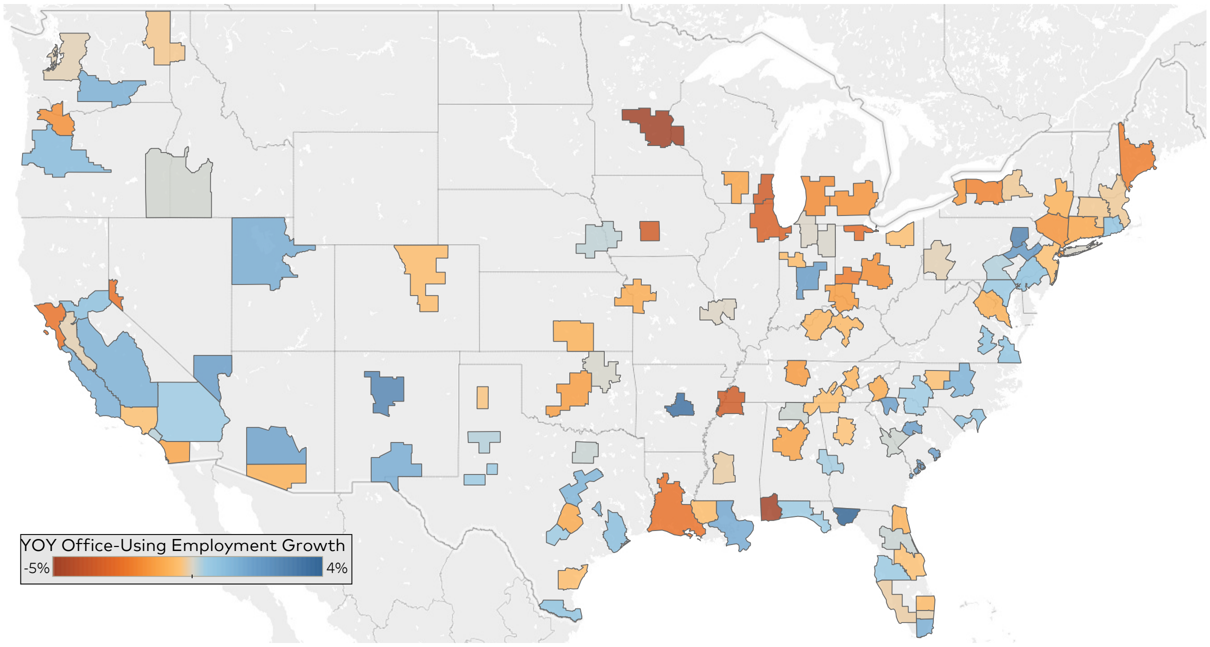
- Metro-level data, which trails the national release, shows the slowdown in office-using job growth remained widespread in August. However, some markets, such as the Twin Cities, are struggling more than others. The Twin Cities has lost nearly 23,000 office jobs in the past 12 months, a decrease of 4.7%. The decline in the past year is more troubling in the context of the market's weak recovery from the downturn in 2020. The Twin Cities is the only major market covered by Yardi Matrix that has less office-using employment now than it did at the start of the decade.

Growth by Sector



Sources: Bureau of Labor Statistics and Moody's Analytics

Office-Using Employment Growth



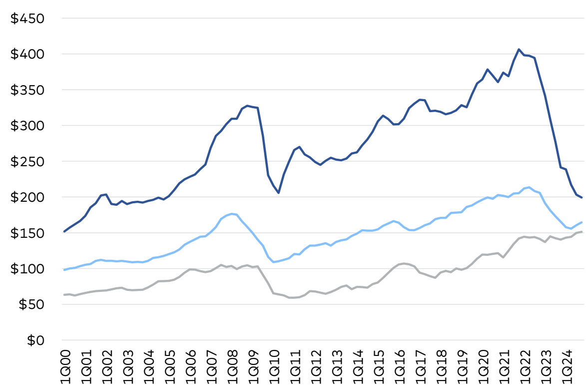
Sources: Bureau of Labor Statistics and Moody's Analytics

Transactions:
Chicago Prices Tumbling This Decade

- Yardi Matrix recorded $23.8 billion in office sales through the end of September, with properties trading at an average of $171 per square foot.

- Since 2020, the average sale price of an office in Chicago has decreased by more than half, falling from $217 to $98 per foot. Beacon Capital Partners acquired 333 W. Wacker Drive in the CBD for $125 million earlier this year. While this was the largest sale price in the market in two years, the building traded at a steep discount from the $320 million it changed hands for in 2015.

Asset Class (price PSF)



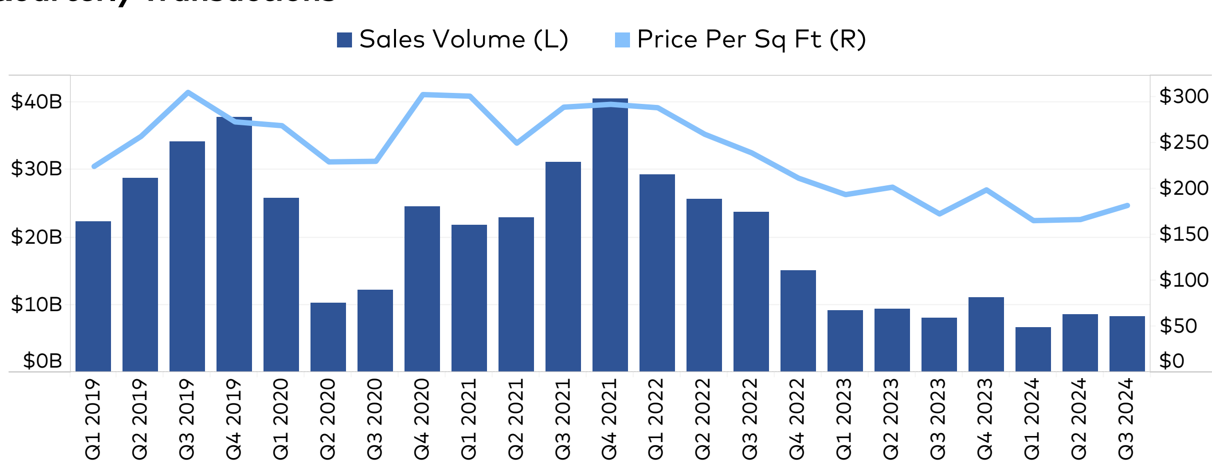
Source: Yardi Matrix; 12-month moving average.
Does not include unpublished and portfolio transactions..

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 09/30)
National	$171	$23,847
Manhattan	$335	$2,683
Washington DC	$230	$2,035
Bay Area	$278	$1,832
Dallas	$128	$1,055
Los Angeles	$345	$985
Phoenix	$174	$969
Boston	$228	$957
Austin	$379	$787
Chicago	$98	$667
Miami	$335	$640
Atlanta	$139	$632
Houston	$104	$631
Seattle	$258	$608
Tampa	$152	$486
San Diego	$196	$447
New Jersey	$105	$431
Denver	$103	$399
Twin Cities	$100	$344
San Francisco	$268	$339
Philadelphia	$85	$316
Nashville	$193	$209
Charlotte	$150	$193
Detroit	$98	$151
Orlando	$162	$126
Portland	$132	$84

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

Quarterly Transactions



Source: Yardi Matrix. Data as of September 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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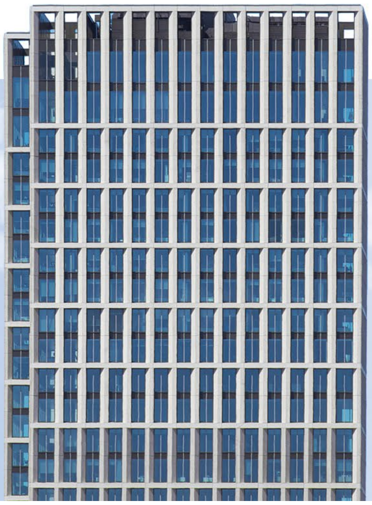
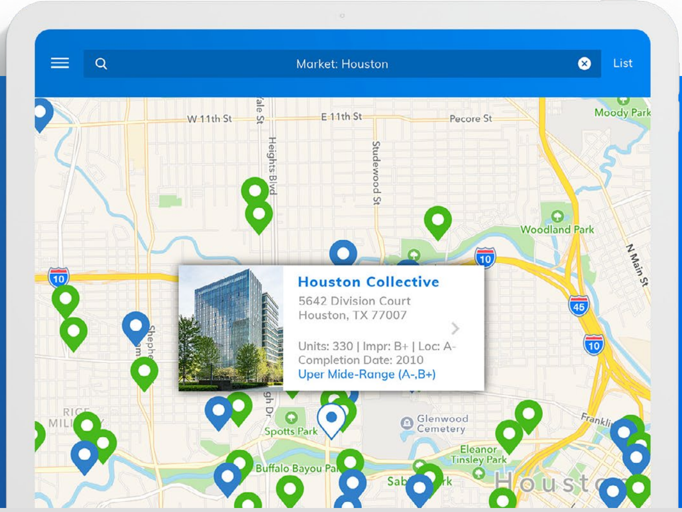


OFFICE KEY FEATURES

- 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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