

Yardi® Matrix

# National Office Report

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March 2019



# U.S. Office Property: Rents Inch Up Despite Supply Growth

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- Strong demand and absorption, particularly in the technology and coworking segments, are helping to boost office rents. Asking rents rose by 0.7% nationally over the last three months, according to Yardi Matrix's database.
- Office employment growth remains solid and is the main driver of the demand. According to the U.S. Bureau of Labor Statistics, office-using sectors added 642,000 jobs over the 12 months ending in February. Professional and business services is the fastest-growing segment of the economy, increasing 2.6% year-over-year during that time. Within that category, the most rapid growth came from scientific and technical services (5.3%), accounting and bookkeeping (4.4%), computer systems design (3.8%), management and technical consulting (3.4%), and architectural and engineering design (2.9%).
- Among the metros with the biggest short-term increases in asking rents are tech-centric San Francisco and Silicon Valley, Boston, and Austin. Other metros with short-term growth include Philadelphia, Atlanta, Tampa and Phoenix. Despite a large amount of absorption, New York City boroughs Manhattan and Brooklyn have seen asking rents flatten or even slip a little due to an influx of new supply.
- Since bottoming in 2011 in the wake of the recession, the amount of new supply has grown each year, although it remains well below the pre-recession peak. With 171 million square feet of space under construction, deliveries in 2019 should top 2018's cycle peak of 70 million. The biggest change from past cycles is that development is increasingly concentrated in urban areas. Suburban deliveries in 2018 were 29 million square feet, compared to 139 million square feet in 2000.
- Transaction activity nationally for the first two months of 2019 was only \$10.1 billion, on pace for among the lowest quarterly volume levels in several years. The average price per square foot for transactions was \$259, an indication that values are holding firm.