



Yardi Matrix

National Office Report

November 2024



Coworking Continues to Grow

- The disruption of the pandemic permanently altered how many people interact with the workplace, giving rise to remote and hybrid work as well as increasing the importance of flexible space.
- The total number of coworking spaces continues to grow, according to Yardi Matrix. At the end of the third quarter, there were 7,538 coworking spaces, up 7% over the previous quarter. Total square footage attributed to coworking was 133.5 million, an increase of more than 5 million square feet (4.5%). Shared spaces have an overall market penetration of 1.6% of office space. Los Angeles had the most flex spaces, with 292, followed by Dallas – Fort Worth (279), Manhattan (275), Washington, D.C. (266) and Chicago (255). On a square footage basis, Manhattan led the way with 11.2 million, followed by Chicago (6.6 million), Los Angeles (6.5 million), Washington, D.C. (6.4 million) and Dallas – Fort Worth (5.3 million).
- The national price of coworking locations remained stable in the most recent quarter. Dedicated desks stayed level at \$300 a month, while both open workspaces (\$150) and virtual offices (\$120) increased slightly.
- While the total amount of coworking space has grown consistently in recent years, the average size of a coworking space has shrunk. The national average size of a coworking space was 17,711 square feet in the third quarter, down from 18,132 square feet in the second quarter. Of the top 25 markets, 15 saw their average coworking space size fall in the quarter. We expect this trend to continue, as smaller spaces open, serving niches and more localized communities, replacing the centrally located, large-scale, multi-floor flex spaces that were prevalent before the pandemic.
- The top operators—Regus, HQ, Vast Coworking, WeWork, Spaces and Industrious—account for nearly a quarter of all flex spaces and more than a third of all square footage. Regus is by far the largest operator, with more spaces than the next five top operators combined. Vast Coworking, which acquired Intelligent Office earlier this year to go alongside its brands Office Evolution and Venture X, is a new name among top operators. Vast recently announced a partnership with WeWork, which will make its booking software available at Vast franchises. We expect consolidations and strategic partnerships will continue to expand and evolve as the sector adapts to post-pandemic work.



Listing Rates and Vacancy: Tech Markets See Highest Vacancy Rates

- The national average full-service equivalent listing rate was \$32.79 per square foot in October, according to Yardi Matrix, down 10 cents in the month but up 3.3% year-over-year.
- The national vacancy rate was 19.4%, an increase of 160 basis points year-over-year.
- Tech markets continue to have some of the highest vacancy rates. These markets have been among the hardest hit by remote and

hybrid work, due to the adaptability of many tech jobs. Compounding issues, a wave of tech layoffs began in late 2022 and extended into 2023. San Francisco's vacancy rate sat at 27.7% in October, an increase of 360 bps over the past year. Seattle's vacancy rate climbed 390 bps to 25.8%, while the Bay Area's rate was 26.4%, an increase of 630 bps. While AI firms signing large leases have made headlines of late, the industry is still not large enough to move the office leasing needle on a large scale.

Listings by Metro

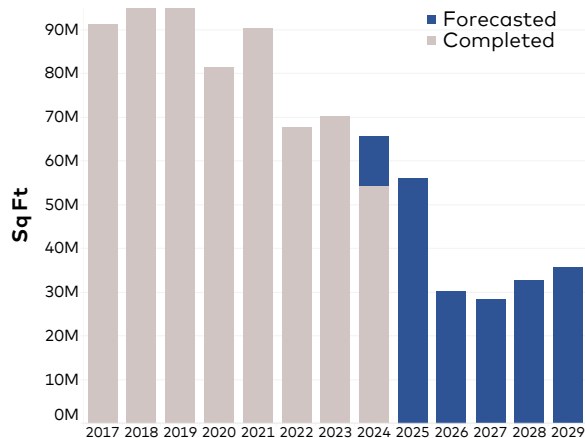
Market	Oct-24 Listing Rates	12-Month Change	Total Vacancy	12-Month Change	Top Listing	Price Per Sq. Ft.
National	\$32.79	3.3%	19.4%	160 bps		
Orlando	\$28.16	17.7%	16.1%	-40 bps	Capital Plaza Two	\$33.00
Boston	\$53.35	17.0%	16.8%	650 bps	137 Newbury Street	\$96.17
Miami	\$52.84	14.9%	14.4%	-10 bps	701 Brickell	\$140.00
Austin	\$46.75	11.6%	27.7%	710 bps	Indeed Tower	\$84.21
Dallas	\$30.52	11.1%	23.0%	350 bps	McKinney & Olive	\$86.31
San Francisco	\$69.14	9.8%	27.7%	360 bps	Sand Hill Commons	\$204.00
Atlanta	\$33.34	6.7%	17.8%	80 bps	1180 Peachtree	\$63.00
Charlotte	\$33.85	6.5%	16.4%	70 bps	Morehead Place	\$46.00
Tampa	\$29.46	4.2%	14.5%	30 bps	Bayshore Place	\$52.00
Philadelphia	\$32.73	2.4%	18.9%	510 bps	One Liberty Place	\$57.71
Nashville	\$30.98	2.3%	17.5%	140 bps	Three Thirty Three	\$44.88
Washington DC	\$41.41	2.2%	17.7%	200 bps	500 8th Street NW	\$79.58
Denver	\$31.37	2.2%	24.6%	260 bps	200 Clayton Street	\$73.00
Phoenix	\$28.23	1.7%	18.4%	-60 bps	Camelback Collective	\$52.50
Los Angeles	\$42.23	1.1%	15.7%	-20 bps	100 Wilshire	\$108.00
San Diego	\$42.79	0.8%	20.6%	420 bps	One La Jolla Center	\$70.20
Bay Area	\$54.20	0.4%	26.4%	630 bps	245 Lytton Avenue	\$147.48
Detroit	\$21.46	0.0%	22.5%	-320 bps	Orchestra Place	\$36.14
Portland	\$28.25	-0.4%	22.1%	580 bps	Fox Tower	\$43.38
Houston	\$30.22	-1.5%	24.3%	-70 bps	609 Main at Texas	\$57.73
Chicago	\$27.23	-2.0%	18.5%	130 bps	222 North LaSalle Street	\$51.00
Twin Cities	\$26.13	-2.0%	15.4%	-180 bps	Nordic, The	\$41.42
New Jersey	\$33.70	-2.4%	20.1%	260 bps	Newport Tower	\$54.80
Manhattan	\$68.48	-3.2%	16.7%	-80 bps	101 Park Avenue	\$175.00
Seattle	\$33.38	-11.1%	25.8%	390 bps	Lincoln Square South	\$67.24

Source: Yardi Matrix. Data as of October 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: Life Science Downturn Felt in San Francisco Pipeline

- Nationally, 60.8 million square feet of office space are under construction, according to Yardi Matrix, representing 0.9% of stock.
- The under-construction pipeline has shrunk considerably this year, with 43.9 million square feet completed through October and only 8.5 million square feet of space breaking ground.
- The slowdown in starts is driven in large part by life sciences. Between 2021 and 2023, construction began on 6.4 million square feet of lab space in the San Francisco market, accounting for nearly three-quarters of all starts in the market. A slowdown in life sciences, following a pullback in funding from both Wall Street and venture capital, has led to a halt in development there in 2024. Only 316,000 square feet of construction have been started this year, with 190,000 square feet in life sciences. With lab space accounting for 85% of the market's under-construction pipeline and multiple sources reporting a sector vacancy rate north of 25%, it will take years for all of the stock to be absorbed.

National New Supply Forecast



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

Supply Pipeline (by metro)

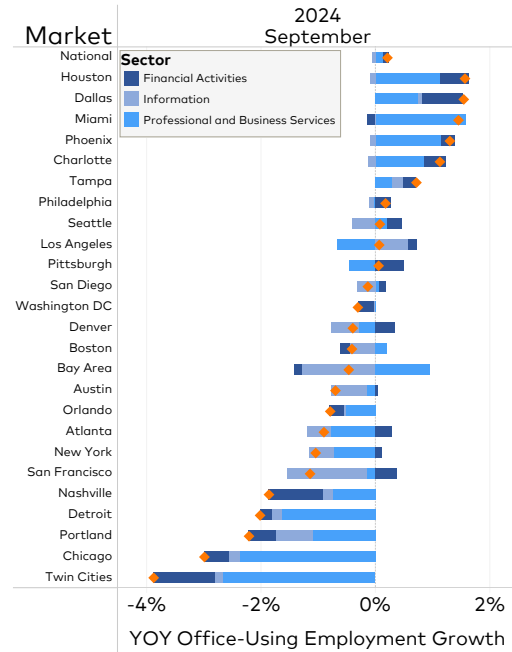
Market	Under Construction	Under Construction % Stock	Plus Planned % Stock
National	60,802,649	0.9%	3.2%
Boston	10,755,167	4.3%	9.5%
Austin	3,533,127	3.7%	12.1%
Nashville	2,078,642	3.5%	7.9%
San Diego	3,110,490	3.2%	5.8%
Miami	2,075,929	2.9%	9.8%
San Francisco	3,784,611	2.3%	9.9%
Seattle	1,900,442	1.3%	4.5%
Philadelphia	1,982,424	1.1%	3.0%
Dallas	3,038,250	1.1%	5.2%
Orlando	649,765	0.9%	2.7%
Charlotte	736,657	0.9%	5.7%
Tampa	681,292	0.9%	3.8%
Bay Area	1,795,321	0.9%	3.5%
Atlanta	1,682,803	0.8%	2.2%
New Jersey	1,486,941	0.7%	1.3%
Houston	1,712,503	0.7%	1.9%
Manhattan	2,607,127	0.6%	2.5%
Los Angeles	1,504,316	0.5%	2.8%
Washington DC	1,813,783	0.5%	3.3%
Denver	723,941	0.4%	2.9%
Detroit	524,000	0.4%	0.5%
Phoenix	555,850	0.4%	1.9%
Twin Cities	435,666	0.4%	1.8%
Chicago	827,906	0.3%	2.3%
Portland	63,520	0.1%	0.8%

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

Office-Using Jobs: Sun Belt Markets on Top, Growth Weak Overall

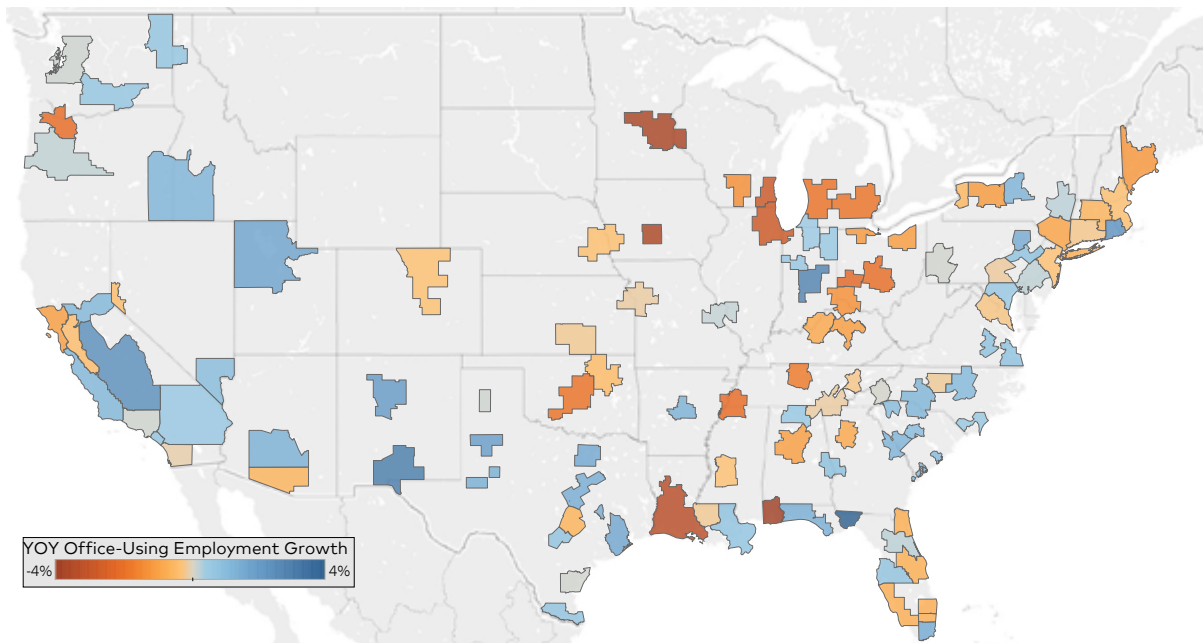
- Office-using sectors of the economy lost 44,000 jobs in the month of October, according to the Bureau of Labor Statistics. This was the fourth consecutive month of office job losses, with the sector losing a total of 118,000 jobs since June. Over that time, the professional and business services sector lost 107,000 jobs and information lost 18,000, while financial activities added 7,000.
- Metro-level data for September, which trails the national release, showed that of major markets, the Sun Belt had the most growth in office jobs. Houston had the strongest growth, increasing 1.6% year-over-year, followed by Dallas (1.5%), Miami (1.5%), Phoenix (1.3%) and Charlotte (1.1%). Of the top 25 markets covered by Yardi Matrix, these were the only ones with more than 1% growth over the past year. Not all large Sun Belt markets are seeing gains, however. Atlanta (-0.9%) and Nashville (-1.9%) shrank over the past year.

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

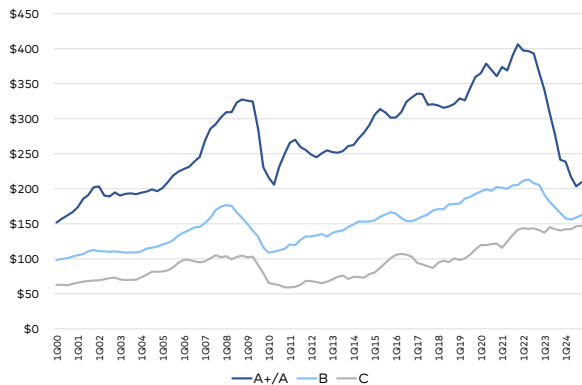
Transactions: High-Quality Asset Trades in Los Angeles

- Yardi Matrix recorded \$29.2 billion in office sales through the end of October, with properties trading at an average of \$177 per square foot.
- While distress and discounts rule the day, one large sale in the Los Angeles market shows that the right asset can still be attractive to investors. Last month, 2220 Colorado Ave. in Santa Monica, the home of Universal Music, was purchased by Drawbridge Realty for \$185 million, an average sale price of \$920 per foot. The property is highly amenitized and has two recording studios on site.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 10/31)
National	\$177	\$29,214
Manhattan	\$344	\$3,280
Washington DC	\$225	\$2,480
Bay Area	\$294	\$2,114
Los Angeles	\$354	\$1,755
Dallas	\$130	\$1,141
Boston	\$187	\$1,134
Atlanta	\$145	\$1,020
Phoenix	\$164	\$1,010
Chicago	\$100	\$987
Miami	\$369	\$983
Austin	\$287	\$881
Houston	\$104	\$796
San Francisco	\$392	\$722
Seattle	\$263	\$668
San Diego	\$198	\$592
New Jersey	\$98	\$538
Tampa	\$149	\$441
Denver	\$110	\$438
Twin Cities	\$95	\$367
Philadelphia	\$83	\$316
Nashville	\$193	\$209
Inland Empire	\$201	\$198
Charlotte	\$151	\$189
Detroit	\$76	\$162
Portland	\$131	\$161

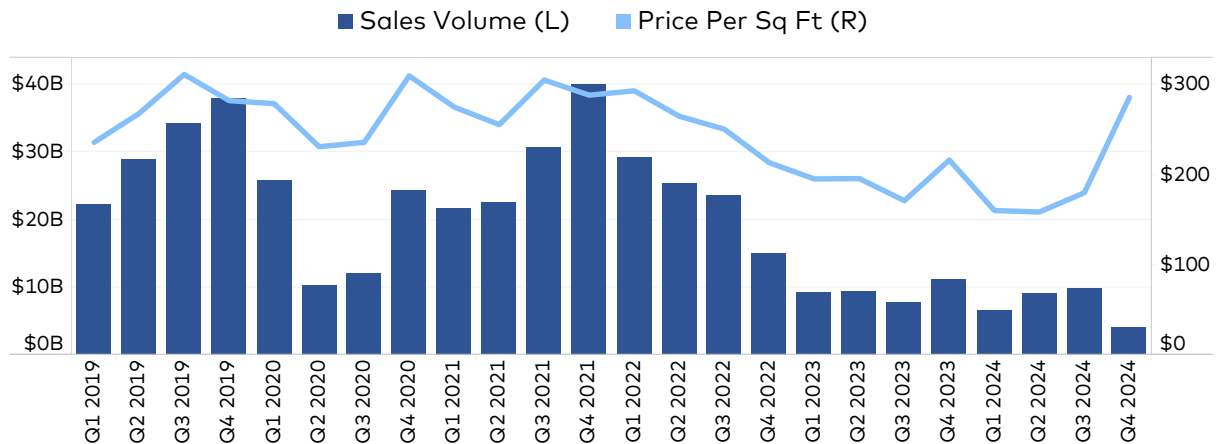
Asset Class (price PSF)



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

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

Quarterly Transactions



Source: Yardi Matrix. Data as of October 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.

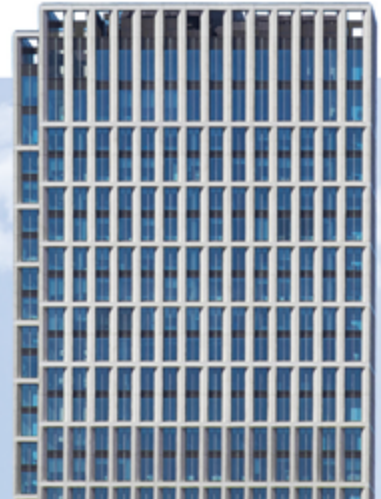
Office-Using Employment is defined by the Bureau of Labor Statistics as including the sectors Information, Financial Activities, and Professional and Business Services. Employment numbers are representative of the Metropolitan Statistical Area and do not necessarily align exactly with Yardi Matrix market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



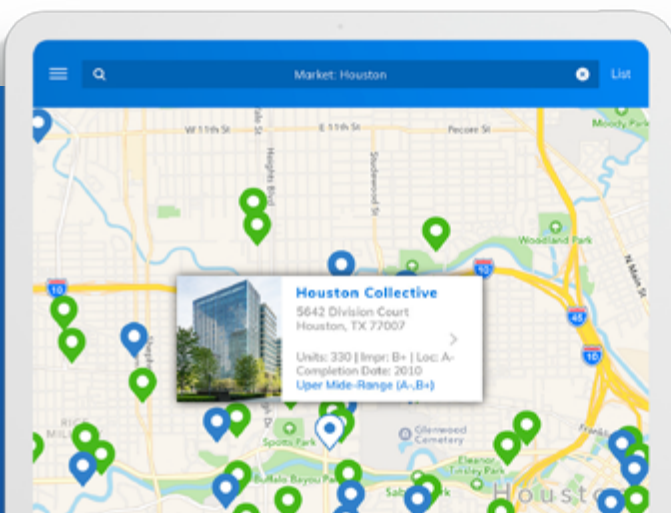
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OFFICE KEY FEATURES

- 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.



(800) 866-1144

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Contact
US



Contacts

Peter Kolaczynski

Manager, Commercial
Peter.Kolaczynski@Yardi.com
(800) 866-1124 x14001

Rob McCartney

Sales Manager, Matrix
Rob.McCartney@Yardi.com
(800) 866-1124 x14021

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(800) 866-1124 x14025

Author

Justin Dean

Senior Research Analyst

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