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National Office Report

December 2024



Office Transition Continued in 2024

- The slow transformation of the office sector continued in 2024, with the changes brought upon by the pandemic leading to lower sale prices, less development and more coworking space.
- The average sale price of an office has fallen in 2024, but the slowdown has decelerated from the drop-off seen last year. Offices have sold at an average of \$179 per square foot year-to-date, down 9% from 2023's average sale price, which was down 24% from 2022. The number of offices that traded at a lower price than their previous transaction value has increased in 2024. There were 480 such sales year-to-date through the end of November, more than a quarter of all office transactions and more than the 389 discounted sales that occurred during all of last year. Some offices this year even sold at lower prices than they did during the 1990s.
- The supply pipeline continued its precipitous fall this year, with just 9.1 million square feet starting construction through the end of November. Demand for space remains depressed and vacancy rates continue to tick upwards, leading developers to pull back on all but a handful of projects. The life sciences sector, which had buoyed office development during the initial post-pandemic years, now wrestles with a supply glut as venture capital has pulled back investment and a wave of new space has come to market. After more than 30 million square feet of lab space broke ground between 2021 and 2023, just 948,000 square feet began construction this year.
- This year saw many high-profile announcements of return-to-office plans. Amazon, Dell and Meta were among the companies announcing stricter RTO policies, warning employees that failure to appear in an office could result in being passed over for promotions or even termination. Office utilization metrics, however, did not show a significant change this year. Kastle Systems and Kisi Access Control both use aggregated access data to analyze office utilization, and both indicated only minor increases in office usage as the year went on.
- In 2024, the amount of coworking space grew as firms looked for flexible solutions to the evolving relationship between the worker and the office. Between the second and third quarter of this year, the total number of coworking spaces increased by 7% and its total square footage increased by 4%, while the average space size decreased by 2%.

