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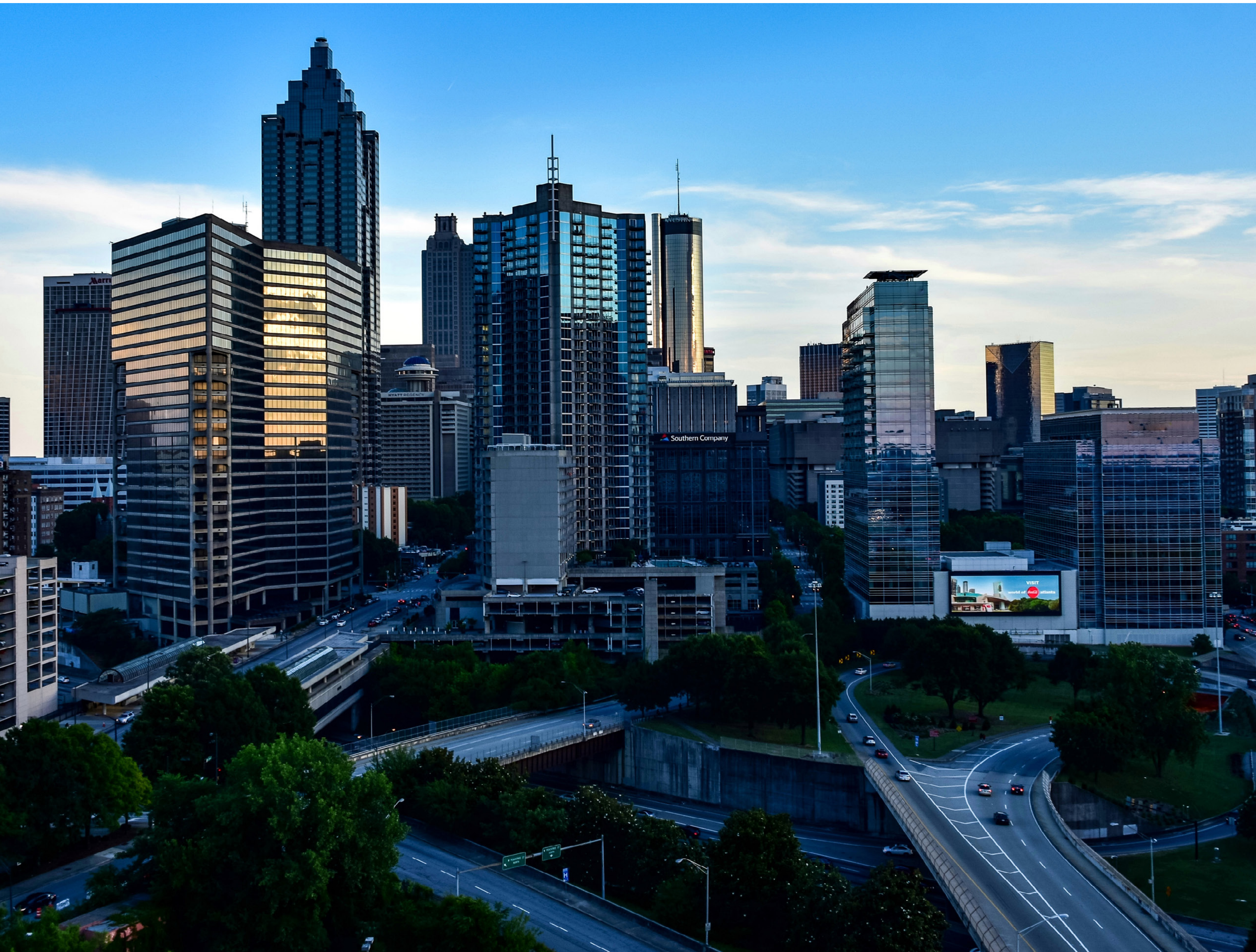
Yardi Matrix

National Office Report

August 2021



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Delta Variant Delays Return to Office

- A return to in-person work was supposed to be right around the corner, with many firms having announced dates in September for employees to return to the offices that were abandoned in March 2020. However, the emerging delta variant of COVID-19 and a weaker-than-anticipated vaccination rate have delayed those plans as cases and hospitalizations spike in many areas of the country.

- Wells Fargo, Google, Humana and BlackRock have all moved their return-to-office dates from September to October, but some companies are pushing dates out even further. Amazon is now planning to bring back employees after the new year rather than Labor Day, Lyft has moved its September date to February, and Dell has indefinitely delayed its planned September return.

- Many firms are now mandating vaccines for employees going to the office, which may allow an in-office return in the fall as planned. Among the companies requiring vaccination for in-office employees are United Airlines, Facebook, Alphabet, Northwestern Mutual, WalMart and Tyson Foods.

- Despite the Delta variant increasing uncertainty around the future of office, there is still transaction activity happening in the market. In Atlanta, 725 Ponce sold for $300.2 million, or an average of $807 per foot. The building—fully leased to tenants including BlackRock, Chick-fil-A and McKinsey—sold at the highest average price per foot Yardi Matrix has ever logged in the Atlanta market. Across the country in the Bay Area, LinkedIn paid $323.0 million to purchase its headquarters in Sunnyvale. Surprisingly, weeks after this purchase was completed, LinkedIn announced that employees will be able to work fully remote permanently. While this may seem paradoxical on the surface, it is emblematic of a growing consensus among many large companies. Even if employees are allowed to work wherever they choose, firms believe the physical office will continue to be part of the work equation.

- Recent reporting indicates office landlords are resistant to lowering rates to attract tenants, instead offering concessions and amenities to lure companies into signing leases. The data backs this up, as national average full-service equivalent listing rates have been virtually unchanged since the start of the pandemic, increasing 1.0% between February of 2020 and July of this year. With the delta variant pushing back the beginning of a return to normal, it will be worth seeing whether landlords can stick to their guns on this.