

Yardi® Matrix

National Office Report

December 2019



U.S. Office Property: Clusters of Supply and Demand Growth

- The average U.S. office asking rate increased 2.3% year-over-year in November to \$37.77. The average national vacancy rate decreased 10 basis points from the previous month to 13.6%. Demand for office space remained solid, as office-using employment increased 1.6% year-over-year.
- Markets where year-over-year listing rate growth was the highest were Tampa (27.1%), San Francisco (21.5%) and Brooklyn (13.5%). For same-store listing rate growth, San Francisco (12.4%), Manhattan (10.3%) and Tampa (8.4%) led the way.
- 67 million square feet of space was delivered by November 2019, with another 156 million under construction. Deliveries have increased steadily each year during the economic recovery, but are still much lower than pre-recession levels. From 2000-2008, new deliveries averaged 118 million square feet annually. From 2009-2019, that number is only 57 million.
- New construction is also notably clustered in just a handful of metros. 125 million square feet (80.1%) of office space is under construction in the top 25 metros tracked by Yardi Matrix. This is also marks a noteworthy uptick. From 2000-2008, the top markets accounted for only 57% of new development on average. From 2009-2019, the average increased to 65%.
- Similarly, growth in demand for office space, as measured by office-using employment, remains strong nationally, but job creation is heavily concentrated in just a handful of metros. From October 2018 through October 2019, 509,000 office-using jobs were added. 325,690 of those jobs (64%) were in the top 20 markets tracked by Yardi Matrix. While accounting for nearly two thirds of all office-using employment growth, these 20 markets made up only 42.2% of all employment growth nationwide in the previous 12 months.
- After a slow start to the year, transaction volume picked up in the second half and totaled \$82.2 billion through the end of November. We expect this number to come close to matching or exceeding 2018's volume of \$93 billion once fourth-quarter transactions are completed and collected by our research team.

