

Yardi® Matrix

National Office Report

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COVID-19 Abruptly Shifts Office Trends

- The effects of the COVID-19 pandemic had still to make an impact on Yardi Matrix commercial office data in April, with the industry in wait-and-see mode like much of the rest of the nation. The average full-service equivalent listing rate in April was \$37.89 per square foot, a 0.2% decrease from the same period last year.
- The pandemic will accelerate some trends in the office sector, but none has a bigger potential impact than how businesses will respond to the massive natural experiment of working from home. Emerging from the most severe economic contraction in a century, it is reasonable to expect that some firms could look to cut costs by reducing office space and transitioning some of their workforce to permanent work-from-home positions. It is still too early to say how businesses will weigh the benefits of in-person collaboration against the costs of office space in a post-pandemic world.
- Conversely, some office trends could come to a screeching halt due to the pandemic. The movement to open-office floor plans that has occurred over the past few decades is now inconsistent with the concept of social distancing. Office spaces may need to be reformatted to increase distance between workers, and the much-maligned private cubicle may make a comeback. Coworking had picked up a lot of steam in the second half of the last decade but is now in grave danger. The type of companies that tended to utilize coworking the most, tech startups and small businesses, may not survive the crisis. Further, many coworking spaces are designed to maximize collaboration and socialization, features that may not be part of the office experience for quite a while.
- The worst labor market effects from the pandemic are still only now coming to light and the scope of the downturn has yet to be fully understood. April saw 20.5 million people lose their jobs and unemployment skyrocket to the highest levels since the Great Depression. While every sector registered losses, jobs classified as office-using were three of the four least hit sectors on a month-over-month basis. Financial activities (-3.0%), information (-8.8%) and professional and business services (-9.9%) saw losses smaller than all other sectors of the economy, except for government (-4.3%).

