CommercialEdge

National Office Report

October 2020

Fallout of Pandemic Trickles Into Commercial Office Data

- The national average full-service equivalent listing rate fell 25 cents in September from the previous month, to $38.07, a 0.5% decrease from the same period last year. The national vacancy rate increased 30 basis points month-over-month to 13.6%.

- Listing rates have remained relatively sticky during the pandemic, with rates not decreasing concurrent with falling demand. The long-term nature of office leases coupled with a lack of potential tenants gives owners no incentive to dramatically lower rates at the current time.

- Employment in office-using sectors continued a modest recovery from the initial downturn in April, when 2.7 million jobs were lost in Information, Financial Activities, and Professional and Business Services as the country reeled from COVID-19 lockdowns. In the subsequent five months, those sectors averaged 207,000 new jobs per month. Financial Activities—which includes insurance, banking and real estate employment—has been the strongest performer of the three, down only 1.0% year-over-year. Office-using sectors have consistently outperformed overall job growth for years, a trend that has continued during the pandemic. In September, office-using employment was down 4.8% year-over-year, whereas the labor market as a whole was down 6.4%.

- The total square footage of new stock under construction has fallen steadily throughout the year. Only 24 of the top 75 markets covered by Commercial Edge currently have more square feet under construction than at the start of 2020. Projects that were underway when the coronavirus hit America continue to be delivered, since most construction was exempt from initial stay-at-home orders and continued as restrictions eased throughout the summer. However, as it becomes increasingly clear that things will not return to normal until a vaccine is made widely available, developers have not been replacing completed properties with new construction in the pipeline. With 134.1 million square feet under construction nationally, this portion of the pipeline has shrunk 8.8% since the start of the year, and we expect this number to continue to decline for the foreseeable future. It is noteworthy that the total amount of planned stock has actually increased 10.0% this year to 55.9 million square feet. Once companies feel it is safe to open offices to their employees, there may be a large backlog of projects on which developers will be looking to break ground.