



Yardi® Matrix

National Office Report

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Investors Remain Cautious, Limiting Purchases To Specific, High-Quality Office Product

- The share of adults fully vaccinated against COVID-19 continues to grow, and the economy is maintaining its pace of recovery following more than a year of lockdowns. The office sector will not disappear, but a monumental shift in use of space is already underway. Many firms are planning a return to the office in either the summer or fall of 2021, with hybrid work scenarios for meetings, training and collaboration likely emerging as the preferred option.
- Due to these factors, many investors seem to be in a holding pattern, waiting out the tail end of the pandemic to see exactly how companies choose to utilize office space going forward. Some buyers are wary of increased vacancies and a workforce that has largely embraced remote work, while sellers are hesitant to offer discounted sale prices when the outlook for office is so unknown. Despite this wait-and-see approach, there is still available capital and investor interest in certain properties.
- So far this year, high-quality assets in urban submarkets (defined as outside the central business district but still within the urban core) are the most attractive to investors. Four such sales have accounted for \$3.8 billion of transactions so far this year, nearly 17% of all sales volume nationwide. They include 401 Park in Boston, which sold for \$1.2 billion; The Exchange on 16th in San Francisco (\$1.1 billion); 410 10th Ave. in Manhattan (\$853 million); and The Crescent in Dallas (\$700 million).
- Lab space is in high demand right now, and with a dearth of availability in purpose-built labs, properties that can be reconfigured for the life sciences sector are highly sought after by investors. Alexandria Real Estate Equities' aforementioned purchase of 401 Park in the Fenway area of Boston was made with the intent of turning the building into a life science hub. Further, The Exchange on 16th in San Francisco also offers space that can be reconfigured for the life sciences industry. After Dropbox listed half of its space in the building for sublease last year, Vir Biotechnology was quick to sign a lease for more than 130,000 square feet.
- Medical office space is also attractive to investors. In fact, it constitutes much of the highest-priced property on a per-square-foot basis. Archway Medical Plaza in Los Angeles traded at \$1,488 per square foot. Newport Harbor Medical Plaza in Orange County sold at \$1,368 per foot.

