Yardi Matrix

National Office Report

February 2025

Office Valuations End 2024 Down 11%

- Office sale prices continued to slip in 2024, as the office sector endured the onslaught of remote and hybrid work and grappled with uncertainty about the future of office utilization.

- The average price of an office building fell 11% to $174 per foot, down from $196 in 2023. However, the drop was not as severe as in 2023, when the average sale price of an office decreased 24% from 2022. There has been massive value destruction in the office sector since the onset of the pandemic, with the national average sale price down 37% since 2019.

- Highly rated properties and those in commercial business districts saw the biggest declines in prices last year. Properties rated A or A+ decreased 22% in 2024, while B-rated properties slipped just 3%. Similarly, the average sale price of CBD buildings fell 28% while suburban properties decreased 15%. Properties in urban submarkets, defined as within a city center but outside the CBD, actually increased by 7% in the year. The declines are largely consistent with the trends in office valuations since COVID upended the sector. A and A+ buildings have dropped 47% since 2019, while Bs have dropped 20%. CBD property prices have declined a whopping 60% in the last five years, while buildings in suburban submarkets have fallen 32% and those in urban submarkets have dropped 24%.

- The number of discounted office sales increased last year. Nearly 600 buildings, more than a third of all office properties with a known sale value in 2024, traded at a lower price than the building's previous transaction. This was an increase from 2023, when Yardi Matrix logged 386 discounted sales. These transactions did not represent minor discounts either, with more than a third in 2024 trading at less than half of their previous sale price and another third trading at more than a 20% discount. The most extreme discount seen last year was for 135 W. 50th St. in Manhattan, which sold for $8.5 million, down 97% from its $332 million sale price in 2006.

- While prices are down in nearly every market and a substantial portion of offices traded at deep discounts, not all properties have seen values plummet. Clear winners and losers are emerging in office valuations, and the most desirable properties continue to demand top dollar. We anticipate that this gap will continue to grow as the office market evolves and adapts to the new status quo.