



Yardi® Matrix

# National Office Report

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April 2025





# Office Distress Picks Up

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- The wave of distress anticipated since the height of the pandemic has begun to materialize. Large urban properties are now feeling the pinch as demand continues to fall and lease contracts come to an end.
- Office utilization has been flat for the last two years, leaving offices with a mere 54% average attendance, as shown by Kastle's Back to Work Barometer. Vacancy rates have been steadily increasing, up 150 basis points throughout 2024 to reach 19.8% by the end the year, according to Yardi Matrix. It has become clear that new attitudes focused on remote work are here for the long haul.
- 2024 saw 25 million square feet of office transactions in distress, a 39% increase from the previous three-year average of 18 million. Total transactions leveled off in 2024, remaining just below 2,400; however, the percentage of transactions in distress jumped to 10.8%. The average property size for distressed transactions rose 30% last year to more than 200,000 square feet, a trend suggesting that large properties are increasingly vulnerable. CBD transactions in distress tripled in 2024 from the previous year and nearly doubled at urban properties. Suburban transaction totals leveled off, yet still accounted for half of all distress in 2024.
- Chicago led distressed transactions with 26 in 2024, two more than during the previous year. However, the average square footage of each transaction nearly doubled. After an auction that attracted no bids, Schaumburg Towers, an 882,071-square-foot office complex in suburban Chicago, was acquired by Sigma Plastics Group in March 2024 for \$74 million, a 15% discount compared to its previous sale. The property was purchased by American Landmark Properties in 2018 for \$86,800,000 before its takeover by Prime Finance in 2023 after a foreclosure suit.
- While the outlook of the office sector looks gloomy in the near term, opportunities to adjust will present themselves as the uncertainty looming over the sector lifts and things begin to move. Pressure on owners will ease as less supply comes online over the next few years. Office starts declined by half in 2023 to 25 million square feet, and slipped by 50% again in 2024 to 12 million. This will give some much-needed breathing room for owners looking for their place in the sector's decades-long shift.

