Yardi Matrix

National Office Report

September 2025

Low Physical Occupancy Continues

- Lingering attitudes toward remote work in the wake of the COVID pandemic have become entrenched in the company culture and are now expected in much of the corporate world. More than five years after the start of COVID, many offices have been occupied far below capacity, putting owners of properties that have not recovered in a tight spot.

- According to Flex Index data, 66% of companies in the U.S. are providing some level of flexibility for their employees. Most of this follows a structured hybrid format, allowing for some choice but requiring a minimum amount of office attendance each week. As such, many employees are choosing to stay home when the option is available. This is reflected in occupancy data from Kisi, which has averaged around 50% over the past 12 months, with Tuesday the peak day of the week, averaging around 55% occupancy, and Friday the lowest, averaging around 44% occupancy. Kastle's Back to Work Barometer has shown similar trends, with average office occupancy steadily increasing since early 2023 but sitting at only 51.4%.

- Firms that wish to recruit and retain talent will need to maintain some version of the hybrid work model. According to an October 2024 Pew Research Center survey, 46% of people who work remotely at least some of the time say they would likely leave their employer if the company discontinued its work-from-home policy. This figure increases to 61% among those who work fully remotely and drops to 28% for those who only work remotely occasionally. Over the past two years, office-using employment declined 0.6%, according to the Bureau of Labor Statistics, slightly weakening workers' leverage in negotiating work arrangements. Still, cost savings for employers and the flexibility employees value make hybrid work likely to remain a widely available option for the foreseeable future.

- Employers and employees seem to have found a balance that is mutually beneficial within the structured hybrid model. This does not bode well for the future of the office market, as companies will do what they can to limit their need for costly office space. We expect the hybrid work model will continue and office utilization will not return to pre-pandemic levels. The pain from this new reality will not be felt equally across markets, as New York City is experiencing more leasing activity and higher demand than at any point over the last five years. Elsewhere, vacancy rates remain near record highs.