

Yardi® Matrix

National Office Report

November 2019



U.S. Office Property: Investor Appetite for CBD Assets Increases

- The average U.S. office asking rate increased 2.0% year-over-year in October to \$37.73. The average national vacancy rate increased 40 basis points from the previous month, to 13.7%.
- Markets where year-over-year listing rate growth was the highest were San Francisco (27.6%), Tampa (24.5%), the Bay Area (10.7%) and Manhattan (10.5%). These were also the top four metros for same-store listing rate growth, with San Francisco leading the way at 13.5%, followed by Manhattan (8.3%), the Bay Area (8.1%) and Tampa (5.7%).
- After a slow start to the year, lower interest rates have helped accelerate transaction activity since the summer. Investment volume totaled \$74 billion through the end of October.
- The most notable aspect of this year's sales activity is the spike in price per square foot in prime assets. CBD buildings have traded at an average of \$428.70 per square foot this year, a 24.6% increase from 2018. Per-square-foot prices in CBDs only increased 24.4% between 2012 and 2018. Similarly, buildings rated as A+ and A have increased 12.1% this year to \$370.71 per square foot. This rate of increase in CBD prices hasn't been seen since the years before the Great Recession. Between 2006 and 2008, the price per square foot for CBD office buildings increased 53.8%, from \$258.88 to \$398.25. While 2019 is not the same as 2008, most notably due to lower-leverage transactions, the rapid increase in pricing is a trend we will closely monitor.
- 59.2 million square feet of office space was delivered nationally through the end of October, with another 170.1 million square feet currently under construction.
- Demand for office space remains strong, with office-using sectors adding 545,000 jobs over the past 12 months, a 1.7% increase. One in three jobs added in the 12 months ending in September were in office-using sectors.

