

Yardi® Matrix

National Office Report

February 2020



U.S. Office Property: Rate Growth Flat to Begin New Year

- National listing rates were flat on a year-over-year basis, with the average full-service equivalent rate of \$37.85 unchanged from January of 2019. The national vacancy rate increased 40 basis points from December to 13.8%.
- Year-over-year full-service equivalent listing rates grew the most in Manhattan (12.7%), Austin (9.9%) and Tampa (9.3%). Rates decreased in a handful of markets, including Boston (-6.0%), Chicago (-5.7%) and Seattle (-3.0%). Of the bottom markets, only Seattle had positive growth on a same-store basis, with an increase of 1.5%. Boston (-4.3%) and Chicago (-2.9%) showed rate decreases across both metrics.
- The year got off to a fast start for new supply, with 9.1 million square feet of office space delivered in January. There is currently another 145.9 million square feet under construction nationally. The stock under construction is overwhelmingly concentrated in Class A and A+ properties (132 million square feet) and in CBD and urban submarkets (102.1 million square feet).
- Employment in office-using sectors grew by 1.7% nationally, continuing to outpace overall employment growth for the country. Seattle had the highest growth rate among the 25 largest metros, at 5.2% year-over-year, highlighted by an additional 10,000 jobs in the information sector. This is particularly impressive considering there was only a net of 28,000 information jobs added in the U.S. last year.
- Transaction activity was slow at the beginning of the year, with only \$5.2 billion closed during the first month. This could be due in part to the fact that transactions are not always immediately visible, so there can be a lag in gathering sales. Yet it is perhaps also due to the flurry of activity that occurred at the close of 2019; the fourth quarter saw \$31.6 billion in sales, with \$14.2 billion in December alone. Subdued transaction volume in the early part of the year is a trend we have observed before, so there is not yet cause for concern.

