CommercialEdge

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 CommercialEdge 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.

Listing Rates and Vacancy: Florida Sports Some of Nation's Lowest Vacancy Rates

- The national average full-service equivalent listing rate was $33.38 per square foot in January, according to CommercialEdge, up 27 cents over the previous month and 5.8% year-over-year.

- The national vacancy rate was 19.7%, a decrease of 10 basis points in the month but up 180 points year-over-year. Vacancy rates have increased steadily for years as remote and hybrid work have become entrenched.

- While every market has seen vacancy rates jump this decade, some places are faring better than others. Florida markets have maintained some of the lowest rates, thanks to strong population and job growth driving demand for space. Miami's rate in January was 15.6%, while Tampa's was 15.9% and Orlando's was 16.7%. Yet while these rates are some of the lowest in the nation in 2025, they would have been among the highest at the start of the decade.

Listings by Metro

Market	Jan-25 Listing Rates	12-Month Change	Total Vacancy	12-Month Change	Top Listing	Price Per Sq. Ft.
National	$33.38	5.8%	19.7%	180 bps		
Miami	$56.91	18.1%	15.6%	320 bps	701 Brickell	$140.00
Charlotte	$35.89	17.2%	15.8%	290 bps	Morehead Place	$46.00
Orlando	$28.01	17.1%	16.7%	40 bps	Capital Plaza Two	$33.00
Boston	$53.35	16.6%	17.4%	490 bps	Genesis 55 Summer	$116.33
Dallas	$31.37	14.9%	24.0%	330 bps	McKinney & Olive	$88.84
San Francisco	$70.56	14.6%	29.3%	560 bps	Sand Hill Commons	$204.00
Austin	$45.77	11.1%	27.8%	580 bps	Indeed Tower	$84.21
Atlanta	$32.95	4.8%	18.6%	80 bps	1180 Peachtree	$63.00
Nashville	$31.36	3.5%	18.5%	150 bps	Three Thirty Three	$44.88
Phoenix	$28.42	3.2%	19.4%	80 bps	Watermark, The	$58.00
Houston	$30.14	2.3%	22.8%	-150 bps	609 Main at Texas	$57.73
Denver	$30.94	2.2%	24.9%	270 bps	200 Clayton Street	$73.00
Washington DC	$40.94	1.3%	18.2%	110 bps	500 8th Street NW	$79.58
Los Angeles	$42.01	1.3%	16.4%	-30 bps	100 Wilshire	$108.00
Portland	$28.25	1.2%	21.6%	570 bps	Fox Tower	$43.38
Tampa	$29.90	0.9%	15.9%	260 bps	Bayshore Place	$52.00
Twin Cities	$26.23	0.8%	15.0%	-190 bps	Nordic, The	$41.42
San Diego	$42.57	0.4%	20.6%	330 bps	One La Jolla Center	$70.20
Bay Area	$54.38	0.0%	26.3%	640 bps	245 Lytton Avenue	$153.00
Detroit	$21.61	-0.3%	23.8%	-160 bps	Orchestra Place	$36.14
Philadelphia	$30.76	-1.0%	19.6%	570 bps	Two Liberty Place	$53.50
New Jersey	$33.95	-1.4%	19.2%	-50 bps	Newport Tower	$54.80
Chicago	$27.17	-2.0%	18.5%	40 bps	222 North LaSalle Street	$51.00
Manhattan	$68.24	-3.6%	16.6%	10 bps	101 Park Avenue	$175.00
Seattle	$35.93	-5.7%	26.4%	340 bps	Lincoln Square South	$67.24

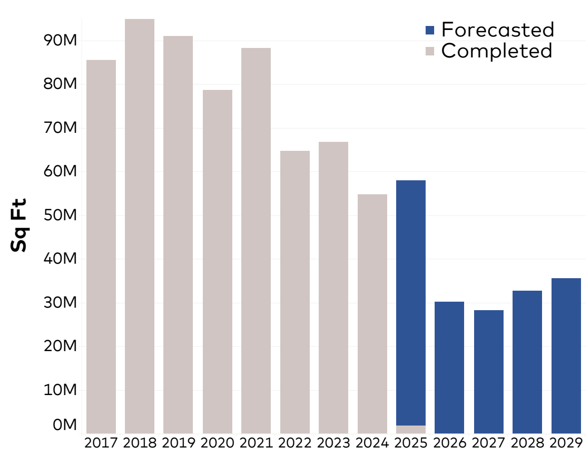
Source: CommercialEdge. Data as of January 2025. Listing rates are full-service or "full-service equivalent" rates for spaces available as of report period. National listing rate is an average of all markets. Prior to July 2024, this report used the top 50 markets for a national average.

Supply: Construction Starts Continue to Tumble

- In 2024, 44.1 million square feet of office stock were delivered nationally, the fourth year in a row with a year-over-year decline, according to CommercialEdge. Only 9.1 million square feet were started over the past 12 months, bringing office space down to 50.8 million square feet currently under construction, representing 0.7% of stock. The drop in starts totaled 67% from the 27.5 million square feet started during the previous 12 months, continuing the decline that began during the COVID pandemic.

- In his semiannual report to Congress, Jerome Powell stated rate cuts will be put on hold until concerns about inflation improve or an unexpected fall in the labor market occurs. However, with the current tariffs on China and others looming on the horizon, uncertainty about future inflation will likely not improve. Unless the market receives a boost, the reduction in activity should continue into the future as demand declines and new construction projects become increasingly difficult to finance.

National New Supply Forecast



Source: Yardi Matrix. Data as of January 2025.
Data in this chart includes owner-occupied properties.

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	Plus Planned % Stock
National	50,761,453	0.7%	2.7%
Boston	7,288,685	2.8%	7.7%
Austin	3,561,019	3.7%	12.7%
San Francisco	3,464,611	2.1%	7.3%
San Diego	3,160,577	3.2%	4.7%
Dallas	2,831,145	1.0%	4.4%
Manhattan	2,682,697	0.6%	2.5%
Nashville	2,149,547	3.6%	6.0%
Los Angeles	1,937,090	0.7%	3.1%
Houston	1,878,085	0.8%	1.7%
Miami	1,690,636	2.3%	9.6%
Philadelphia	1,475,190	0.8%	2.7%
New Jersey	1,395,707	0.7%	1.1%
Seattle	1,091,388	0.7%	2.7%
Washington DC	994,674	0.3%	3.0%
Atlanta	934,186	0.5%	2.0%
Chicago	870,344	0.3%	2.1%
Phoenix	716,354	0.5%	1.9%
Denver	706,271	0.4%	2.6%
Tampa	663,292	0.8%	3.7%
Detroit	553,680	0.4%	0.8%
Charlotte	524,657	0.7%	5.5%
Orlando	515,821	0.7%	1.5%
Bay Area	479,416	0.2%	2.5%
Twin Cities	426,076	0.3%	1.6%
Portland	63,899	0.1%	0.8%

Source: CommercialEdge. Data as of January 2025. Table does not include owner-occupied properties.

Office-Using Jobs: Professional and Business Services Leads Office Job Loss

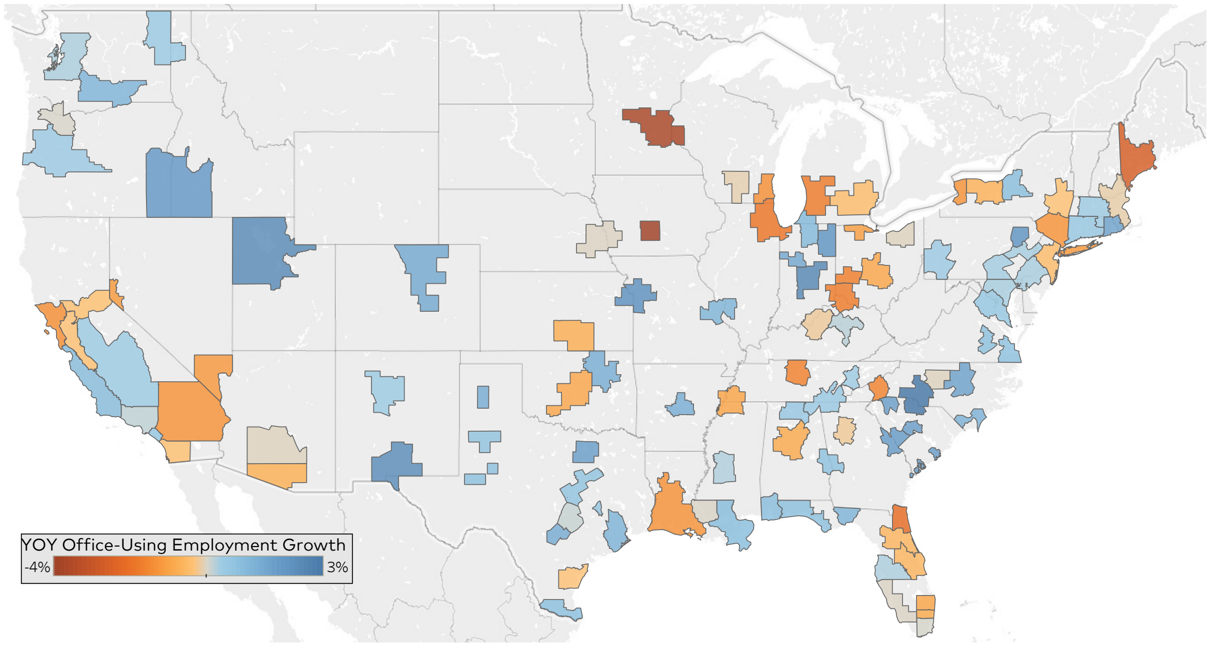
- Office-using sectors of the labor market lost 2,000 jobs during the month of January, according to the Bureau of Labor Statistics. The majority of this loss was in the professional and business services sector, which lost 11,000 jobs. The financial activities sector was in the positive, with 7,000 added jobs, and the information sector added another 2,000 jobs.

- Year-over-year, office employment shrunk 0.1% to 34.7 million, a 35,000-job net loss. Most of the loss was in the professional and business services sector, with 69,000 jobs removed. The information sector lost another 21,000, while financial services was the only office sector growing, with 55,000 jobs gained.

- Metro data, which trails the national release, shows office employment falling in half of the major markets. The Twin Cities led this decline, dropping 4.0% with 19,000 jobs lost year-over-year, 14,000 of them in the professional and business services sector.

Sources: Bureau of Labor Statistics and Moody's Analytics

Office-Using Employment Growth



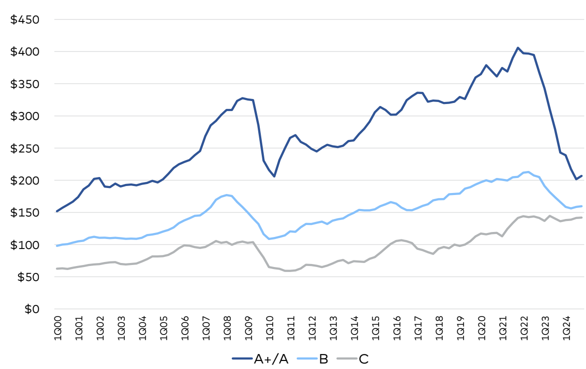
Sources: Bureau of Labor Statistics and Moody's Analytics

Transactions:
Manhattan Investment Pushes Ahead

- CommercialEdge recorded $41 billion in office sales through the end of December, with properties trading at an average of $174 per square foot. Year-over-year, sales volume was up $3.2 billion while prices fell by $22. Yearly sales volume since 2019 fell $82 billion and prices fell by $103. Despite the recent uptick, sales volume is far below the historic norm.

- Prices in Manhattan had the largest yearly drop in 2024, falling $488 per square foot. In spite of this, Manhattan remains the top metro for investment, with $4.9 billion in sales in 2024, up $1.5 billion from 2023.

Asset Class (price PSF)



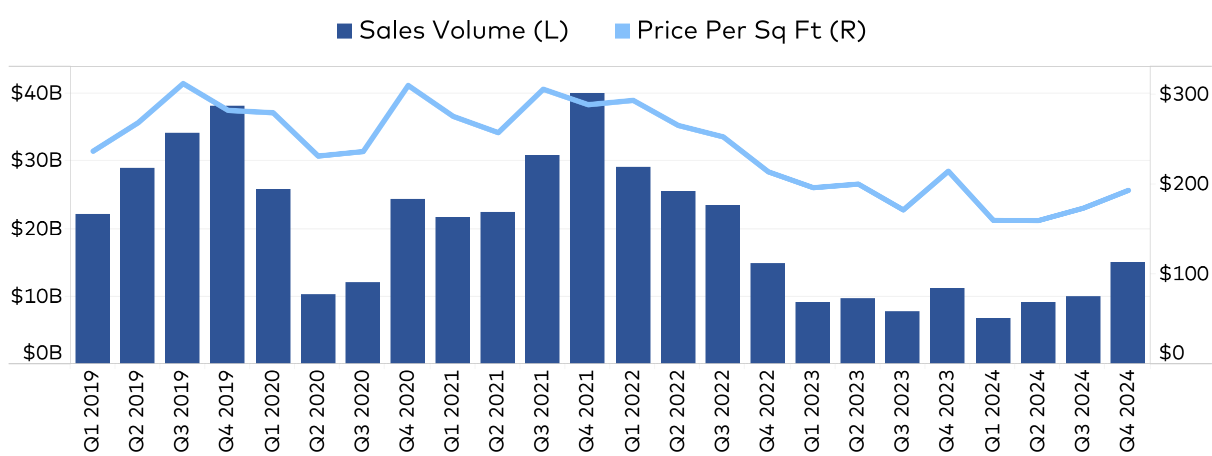
Source: CommercialEdge; 12-month moving average. Does not include unpublished and portfolio transactions.

Sales Activity

Market	YTD Sales Price PSF	YE Sales 2024 (Mil, as of 12/31)
National	$174	$40,973
Manhattan	$364	$4,892
Washington DC	$202	$3,916
Los Angeles	$272	$3,254
Boston	$259	$2,454
Bay Area	$288	$2,307
Chicago	$83	$1,664
Dallas	$107	$1,541
Houston	$103	$1,515
San Francisco	$345	$1,501
Austin	$396	$1,493
Phoenix	$150	$1,394
Atlanta	$127	$1,350
Miami	$365	$1,140
Denver	$116	$1,056
San Diego	$216	$974
Twin Cities	$93	$860
Seattle	$258	$749
New Jersey	$106	$725
Charlotte	$231	$697
Tampa	$150	$564
Philadelphia	$88	$470
Orlando	$207	$408
Nashville	$156	$328
Portland	$102	$291
Inland Empire	$191	$266

Source: CommercialEdge. Data as of January 2025. Sales data for unpublished and portfolio transactions is estimated using sales comps.

Quarterly Transactions



Source: CommercialEdge. Data as of January 2025.

Definitions

This report covers office buildings 25,000 square feet and above. CommercialEdge subscribers have access to more than 14,000,000 property records and 300,000 listings for a continually growing list of markets.

CommercialEdge collects listing rate and occupancy data using proprietary methods.

- *Listing Rates*—Listing Rates are full-service rates or "full-service equivalent" for spaces that were available as of the report period. CommercialEdge uses aggregated and anonymized expense data to create full-service equivalent rates from triple-net and modified gross listings. Expense data is available to CommercialEdge subscribers. National listing rate is an average of all markets. Prior to July 2024, this report used the top 50 markets for a national average.

- *Vacancy*—The total square feet vacant in a market, including subleases, divided by the total square feet of office space in that market. Owner-occupied buildings are not included in vacancy calculations.

A and A+/Trophy buildings have been combined for reporting purposes.

Stage of the supply pipeline:

- *Planned*—Buildings that are currently in the process of acquiring zoning approval and permits but have not yet begun construction.

- *Under Construction*—Buildings for which construction and excavation has begun.

Supply pipeline figures do not include owner-occupied properties unless otherwise noted.

Office-Using Employment is defined by the Bureau of Labor Statistics as including the sectors Information, Financial Activities, and Professional and Business Services. Employment numbers are representative of the Metropolitan Statistical Area and do not necessarily align exactly with CommercialEdge market boundaries.

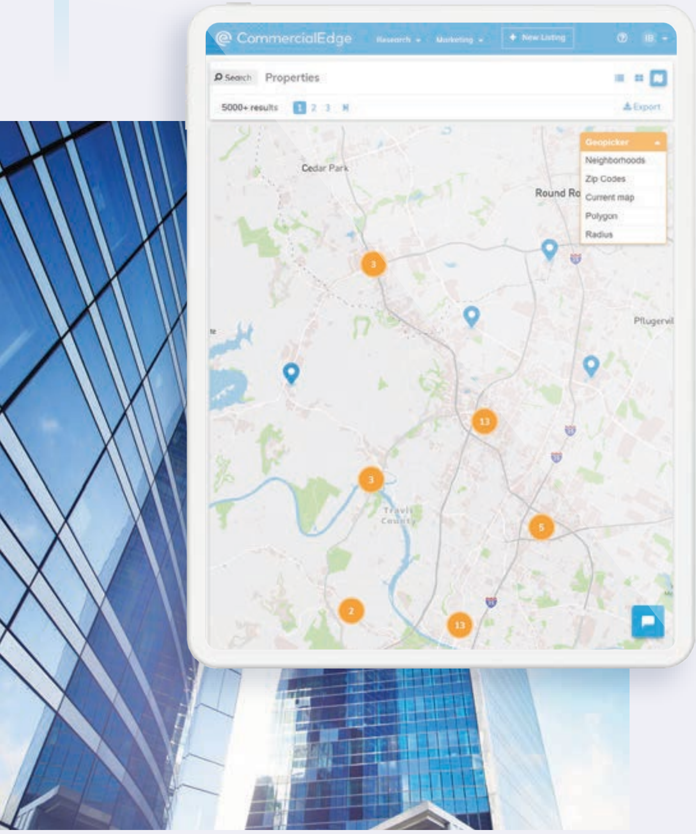
Sales volume and price-per-square-foot calculations for portfolio transactions or those with unpublished dollar values are estimated using sales comps based on similar sales in the market and submarket, use type, location and asset ratings, sale date and property size.

Sales figures were not available for this month's report. Year-end figures for 2024 will be available in the February 2025 report.

CommercialEdge

Reliable commercial real estate data, built up over more than a decade of extensive research. Powered by Yardi.

CommercialEdge provides the office segment's most comprehensive market intelligence service and listing management platform, sustaining data-driven decisions.



Key features:

- Continually growing nationwide coverage with 162 markets currently included
- Researched and verified data, powered by a team of 400 experienced property research specialists
- Exhaustive property reports featuring data points such as ownership, leases, sales, debt, taxes and more
- Building and portfolio performance overview with current average rents, vacancy rates and maturing leases
- Extensively researched tenant data with an accuracy rate two to three times higher than the industry average
- Real-time market trends based on actual transactional and leasing data with Yardi Market Insight
- Dedicated tools, including automated competitive building sets, broker tour books and dedicated property webpages
- Access to the CommercialEdge Listing Network — including CommercialCafe, PropertyShark, Point2 and CommercialSearch

Capitalize on comprehensive commercial real estate research
Nationwide property and listing data all in one place, specifically engineered for CRE professionals.

The data presented in this report is provided by CommercialEdge.
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