

U.S. Office Real Estate Market Summary | Q2 2021

Office Real Estate Statistics

	National Average	Class A	Class B	12-Month Rent Growth	Delivered Construction	Sales	Average Sale Price
Vacancy	12.3%	16%	11.7%	-1.5%	66.3M SF	\$17B	\$315 PSF
Rent	\$34.22 psf	\$44.71 psf	\$29.91 psf				

Executive Summary

The office demand losses from last year have carried into the first half of 2021. While negative absorption and record amounts of subleasing space on the market continue to be the trend, the severity could ease should tenants return to the office in the second half of the year and begin making forward-looking real estate decisions.



Subleasing space availability continues to rise, surpassing 200 million SF nationally. This represents an 80 million SF increase from one year ago.



At about \$17 billion, the first quarter office sales volume total in the U.S. office sector was the lowest since the near full paralysis of mid-2020 and 55% lower than Q1 2020.



Annual asking rent growth is negative for the fourth consecutive quarter. Rent losses are projected to accelerate into early 2022 before returning to pre-pandemic levels by 2023.



The unemployment rate is down from its peak of 14.7% in April 2020 to 6.0% in March 2021. Professional and business services added 72,000 jobs in June, including 33,000 jobs in temporary help services. Employment is down by 633,000 in professional and business services since February 2020.



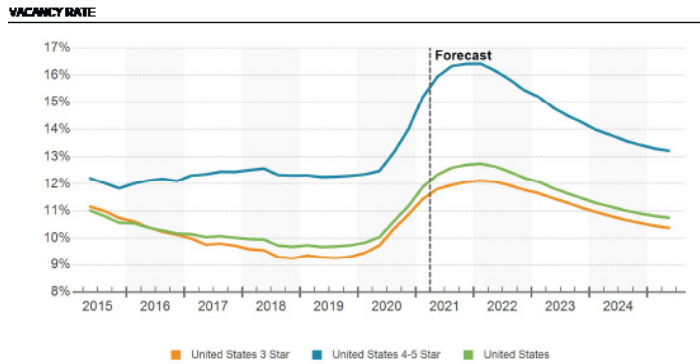
Generally restrained supply levels have been acting as a headwind to keep vacancy rates from spiking further. About 155 million SF is under construction nationally.



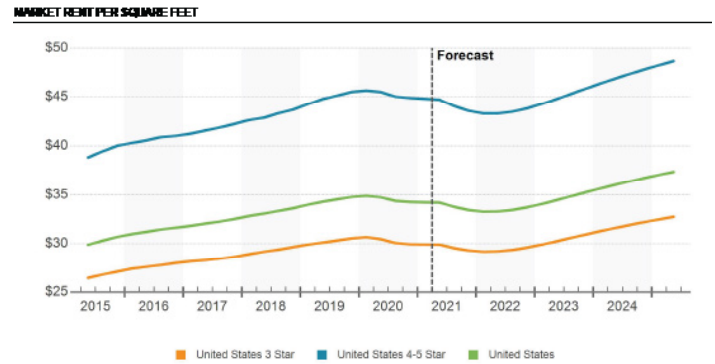
Office Leasing Outlook

At nearly 77 million SF, leasing volume in the first quarter was the highest total since the full onset of the pandemic one year ago. Sublet space as a share of total availability continued to rise to nearly 12%. The total office vacancy rate currently sits around 12% and is expected to hit its peak at about 13% in Q1 2022. Rental rates continue to accelerate at a negative growth rate. This is most likely driven by the amount of available sublet space on the market, which has increased competition with direct space.

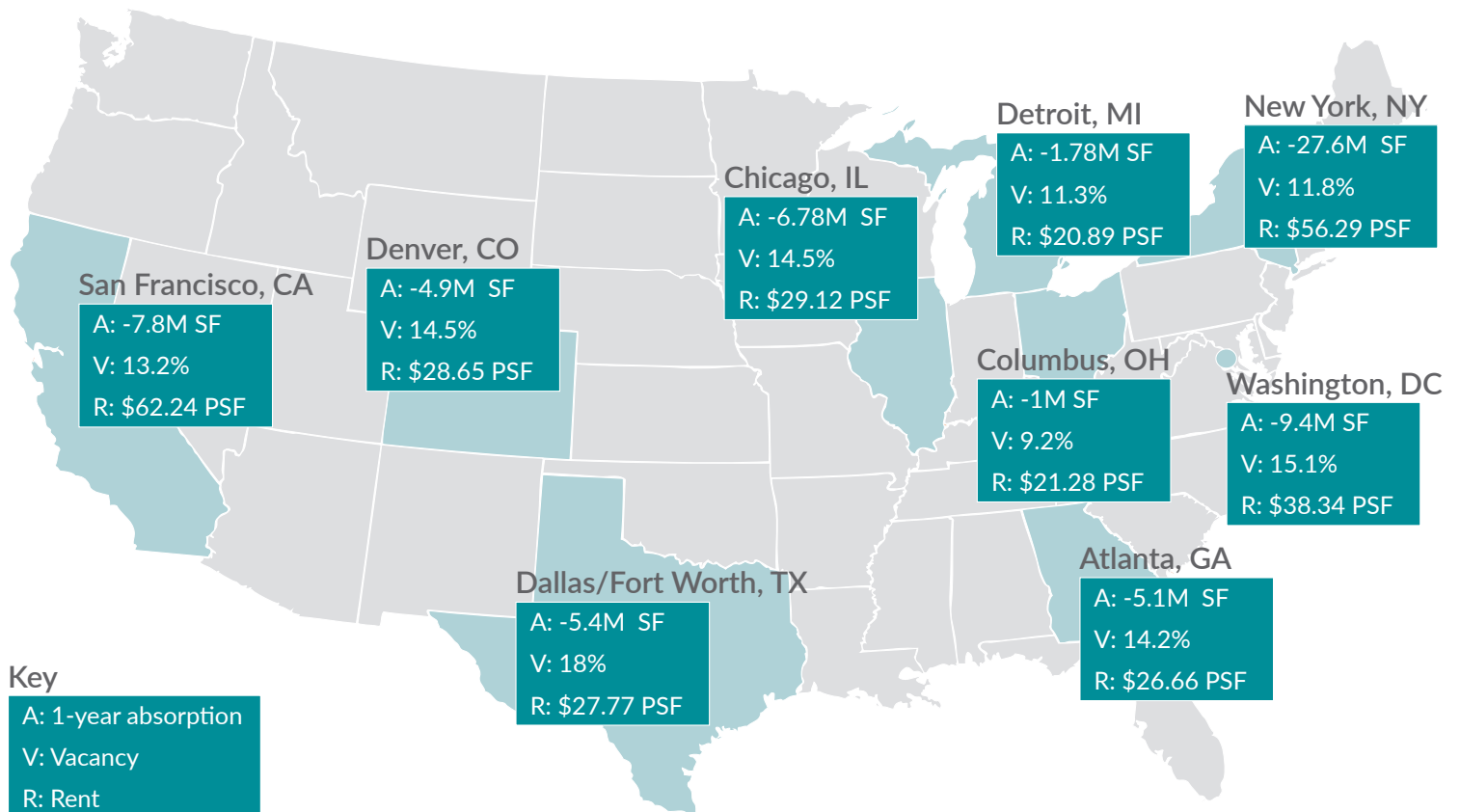
Leasing



Rent



Metrics from Select Metros





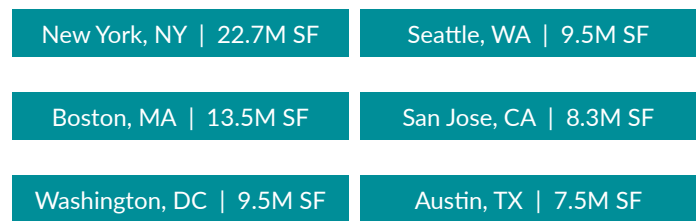
Office Construction & Deliveries

Generally restrained supply levels have been acting as a headwind to keep the vacancy rate from spiking further. The roughly 155 million SF of office space construction underway represents less than 2% of the total existing stock in the United States. While new construction has slowed, tech hubs such as Austin, San Francisco, and Seattle are seeing some of the most activity. High-growth sunbelt markets such as Nashville, Charlotte, Raleigh, and Atlanta are also posting some of the largest supply growth. When demand returns to the office market, newly constructed buildings may attract an even larger share of tenant interest as office occupiers will look for the latest in health and wellness systems and certification.

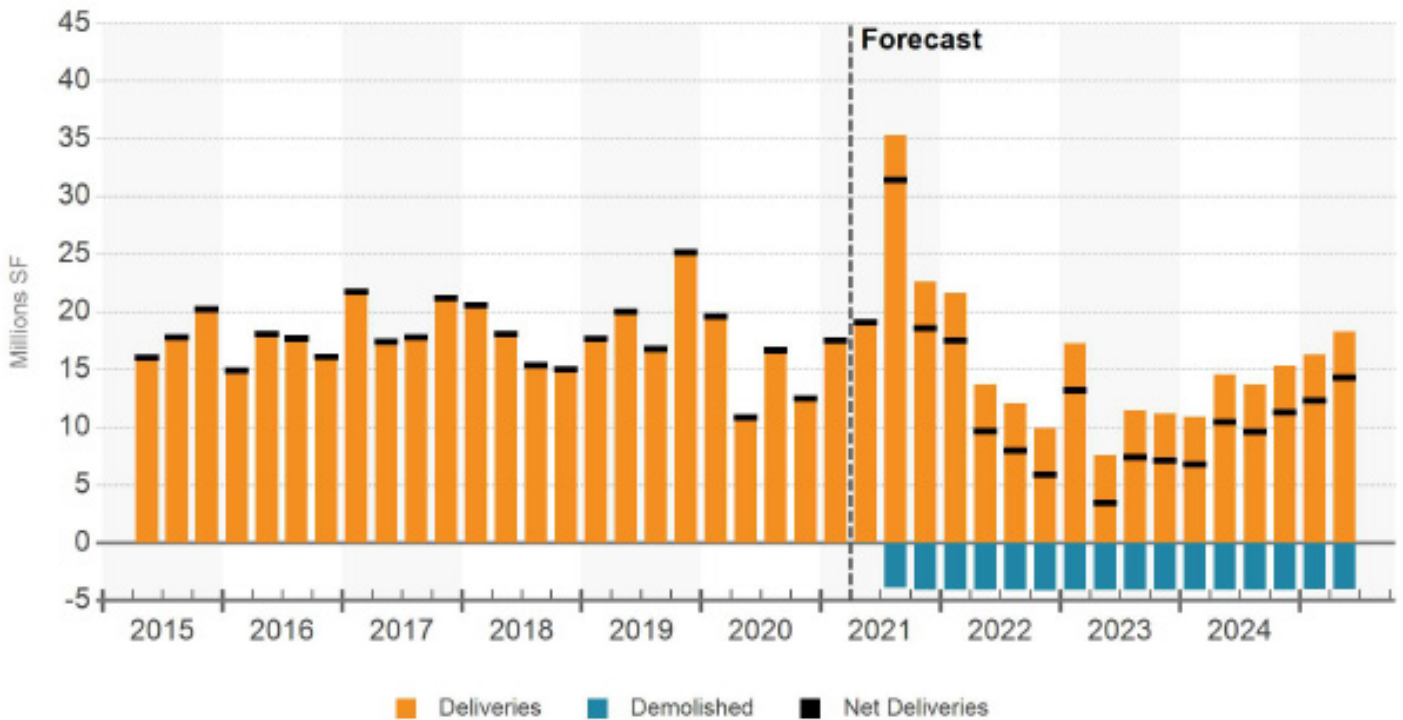
National Metrics



Top Metros Under Construction



Deliveries & Demolitions

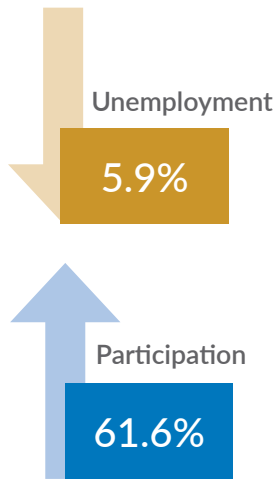




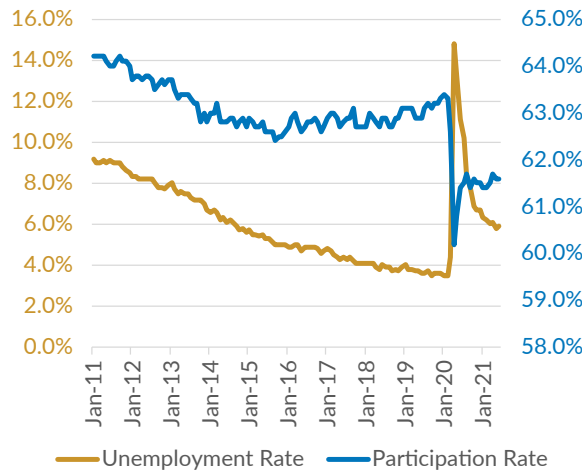
National Labor Statistics

According to recent data from the U.S. Bureau of Labor Statistics, the national unemployment rate decreased to 5.9% at the end of this quarter. Participation has remained fairly stagnant over the past year. The future of the labor force is unknown, with the main drivers being the decision to give up looking for work or retiring earlier than expected.

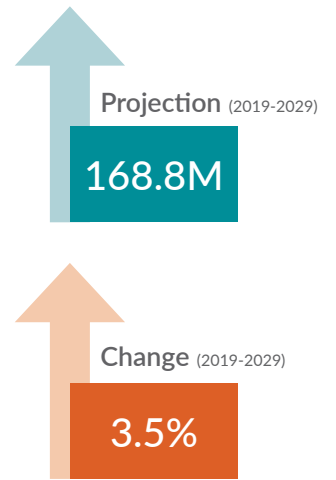
Employment



Labor Statistics, 2011-2021



Job Growth



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Plante Moran Cresa offers unbiased advocacy for companies looking to lease, buy, build, or develop a comprehensive real estate strategy that will align their company goals and real estate. Here's how we serve office space users:



Tenant & Buyer Representation

- Portfolio Optimization
- Site Selection
- Lease Administration
- Incentives



Owner's Representation

- Program Management
- Team Selection
- Master Budget & Schedule



Real Estate Consulting

- Strategic Planning
- Due Diligence
- Programming/Benchmarking

Contact

To learn more about your real estate market or to discuss your company's real estate needs, contact us today.

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