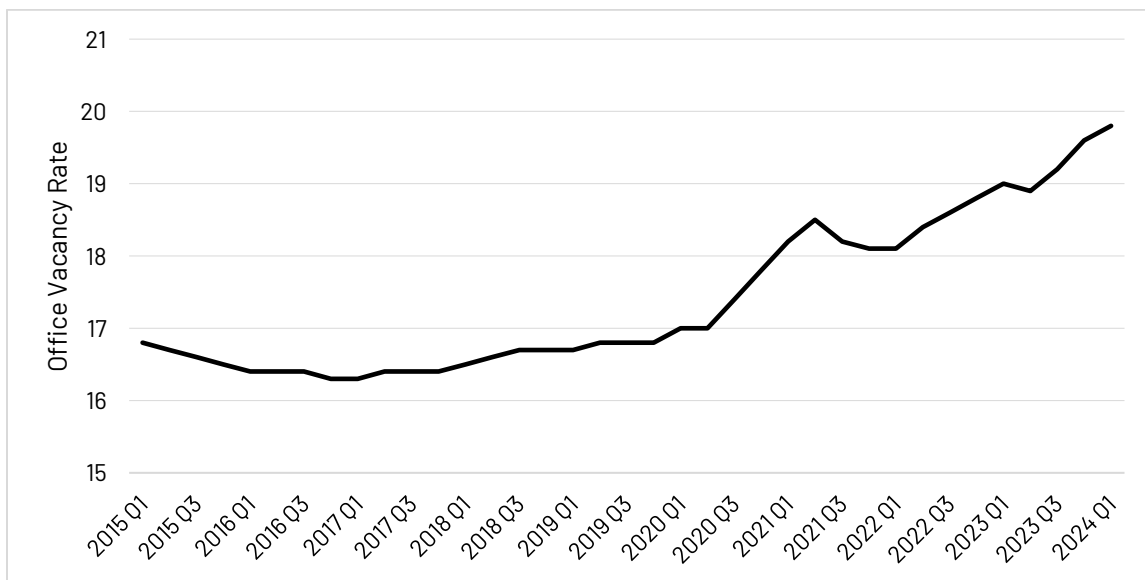


August 2024

Office Vacancies Remain Elevated

Office vacancy rates continue to hit record levels, approaching an average of 20 percent nationwide, as shown in **Figure 1**. Following the onset of the pandemic, office vacancies spiked as the economy shut down. The reopening of the economy in 2021 brought several months of decline in vacancy rates, but that did not springboard a recovery to pre-pandemic levels; instead, it marked the start of further deterioration in occupancy.

Figure 1: *Nationwide Office Vacancy Rate Since 2015¹*



Among major cities and metropolitans, San Francisco suffered the biggest loss in office tenants since the pandemic, from renting out 91 percent of its office spaces in 2019—the highest in the country at the time, to currently struggling to find tenants for one in five office buildings.² In the submarket for Class A office spaces totaling 10,000 sq. ft. or more in downtown San Francisco, CBRE Group estimated that the vacancy rate was at an astonishing 36.8 percent as of Q2 2024, compared to just four percent before the pandemic.³

¹ "Office Space Vacancy Rate." *Bloomberg Intelligence*.

² *Id.*

³ "San Francisco Office Figures Q2 2024." *CBRE*. <<https://mktgdocs.cbre.com/2299/82412fe5-c8da-4f87-adf1-258c8c3fadd7-130085025/v032024/san-francisco-office-figures-q2-2024.pdf>> (accessed July 23, 2024).

The future does not look bright either. The return to office movement has stalled.⁴ The labor market is cooling down.⁵ Many major cities that are home to prime office spaces also struggle with prevalent homelessness.⁶ These factors all point to weakened demand for office spaces in the near future. Indeed, a recent Moody's report projects that nearly one-quarter of all U.S. office spaces will be vacant by 2026.⁷

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⁴ Iacurci, Greg. "Return to office is 'dead,' Stanford economist says. Here's why." *CNBC* (Nov. 30, 2023). <<https://www.cnbc.com/2023/11/30/return-to-office-is-dead-stanford-economist-says-heres-why.html>> (accessed July 24, 2024).

⁵ Holzer, Harry. "New Jobs Report: Labor Market Is Cooling." *Forbes* (July 5, 2024). <<https://www.forbes.com/sites/harryholzer/2024/07/05/new-jobs-report-labor-market-is-cooling>> (accessed July 25, 2024).

⁶ Love, Hanna and Tracy Hadden Loh. "Homelessness in US Cities and Downtowns." *Brookings Institution* (Dec. 7, 2023). <<https://www.brookings.edu/articles/homelessness-in-us-cities-and-downtowns/>> (accessed July 25, 2024).

⁷ Metcalfe, Todd and Thomas Lasalvia. "What Will Be the Impact on Office Demand From WFH?" *Moody's* (June 27, 2024). <<https://cre.moodyanalytics.com/insights/cre-news/what-will-be-the-impact-on-office-demand-from-wfh>> (accessed July 23, 2024).