

Macro Roundup Article

Headline: [Work From Home and the Office Real Estate Apocalypse](#)

Article Link: https://www.nber.org/system/files/working_papers/w30526/w30526.pdf

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Tweet: [@arpitrage @VrindaMittal2 @SVNieuwerburgh](#) update their research on the pandemic's impact on New York City commercial office space and find a 39% long run decline in overall office values, representing \$453B in value destruction.

Summary: We revalue the stock of New York City commercial office buildings taking into account pandemic-induced cash flow and discount rate effects. We find a 45% decline in office values in 2020 and 39% in the longer-run, the latter representing a \$453 billion value destruction. Higher quality office buildings were somewhat buffered against these trends due to a flight to quality, while lower quality office buildings see much more dramatic swings. These valuation changes have repercussions for local public finances and financial sector stability. The decline in office values and the surrounding CBD retail properties, whose lease revenues have been hit at least as hard as office, has important implications for local public finances. For example, the share of real estate taxes in NYC's budget was 53% in 2020, 24% of which comes from office and retail property taxes.

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Primary Topic: Business Cycle

Topics: Academic paper, Business Cycle, Financial Markets, GDP

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