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Coworking Captures Opportunity as National Office Pipeline Continues to Shrink

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Key Takeaways:

- The national office vacancy rate was 18.5% in November, following a slight decrease of 90 basis points (bps) year-over-year (Y-o-Y).
- The national office listing rate averaged \$32.77 per square foot in November, which was nearly on par with values recorded 12 months prior.
- The office supply pipeline remained modest at the start of December, with a little more than 32 million square feet of office space currently under construction.
- Manhattan, N.Y., topped the list for year-to-date sales through November** with a total of \$7.3 billion, followed by the Bay Area (\$4.4 billion) and Washington, D.C. (\$3.6 billion).
- Manhattan and Los Angeles averaged some of the lowest vacancy rates among top U.S. office markets in November.
- Western and Northeastern markets asked the highest leasing rates, while Midwestern and Southern markets claimed some of the most affordable office asking rates last month.
- Boston; Manhattan, N.Y.; and Dallas had the most active office pipelines** and were the only cities to surpass 2 million square feet of new office space under construction in November.

Trends & Industry News

Coworking Grows as Percentage of New Office Stock Continues to Contract Y-o-Y

With more than 13 million square feet of office space starting construction since the start of the year, the supply pipeline continued to shrink in 2025. Now, projects that are in the planning stages or have broken ground represent less than 2% of stock nationally, which marks a slip from 3% a year ago.

What's more, with employment growth across office-using sectors virtually flat, physical occupancy not increasing in any meaningful way and vacancy only slowly inching down in recent months, new office projects seem increasingly difficult to get off the ground. However, hope lingers in some of the bright spots to emerge in 2025. Namely, Manhattan has been seeing consistently low vacancy and an expanding supply pipeline, while San Francisco experienced significant increases in demand year-over-year.

It's also worth noting that the slowdown in new office construction does not indicate a stagnant office sector. Rather, coworking has continued to solidify its value and increase its share in the office market. To that end, 22 million square feet of coworking space opened in 2025, which was 16% more than the year before. This marked a 30-bps increase in share of the market to surpass 2%.

Specifically, the structured hybrid model has been increasingly dominant. And, because about two-thirds of firms currently offer location flexibility to their employees, coworking operators are looking at increasing opportunities to fill the gap between fully remote and full-time, in-person office work, while also providing corporate clients an alternative to costly and more rigid office leases.

"While New York City leading the office comeback and the AI sector is driving recent demand in San Francisco and in the Bay Area, office recovery elsewhere has been nuanced and varies greatly city by city and even building by building. Though we are seeing localized winners, the overarching challenge remains the lower physical occupancy rate compared to pre-Covid numbers."

Peter Koleczynski, Director, Yardi Research

Listing Rates & Vacancy

Twin Cities Vacancy Shows Effects of Large Tenants Consolidating Out of Underutilized Office Footprints

The national average full-service equivalent listing rate for office space was \$32.77 per square foot in November, which followed a slight uptick of 0.2% Y-o-Y. Meanwhile, the national vacancy rate dipped 90 bps compared to the previous year to rest at 18.5% last month.

Of the 25 largest markets we analyzed, 16 saw decreases in their vacancy rates in 2025. While some markets have settled into some stability in occupancy, others have yet to find their footing. So, as economic uncertainty increases and the slowdown in hiring continues, large tenants that find themselves underutilizing a scattered office footprint will tend to consolidate when presented with the right opportunity.

One example of the effects that this can have on the fundamental of a market is the consolidation of Enterprise Financial from two buildings in Minneapolis into one. Leaving its nearly 1-million-square-foot headquarters office at the Enterprise Financial Center in downtown Minneapolis to consolidate operations into a smaller, single building at 901 Third Ave. S. that the company already owns. Enterprise made a significant dent in tenant occupancy levels. That, in turn, contributed significantly to the vacancy rate increase seen in the Twin Cities market in 2025.

Top Listings by Metro Area: November 2025

Market	November 2025 Listing Rates	12-Month Change	Total Vacancy	12-Month Change	Top Listing	Price Per Sq. Ft.
National	\$32.77	-0.2%	18.5%	-90 bps		
Los Angeles	\$46.38	10.2%	14.4%	-110 bps	Century City Center	\$126.00
Atlanta	\$36.50	10.0%	19.9%	-170 bps	1180 Peachtree	\$63.50
San Diego	\$45.59	5.7%	22.7%	-220 bps	One La Jolla Center	\$73.20
Phoenix	\$29.76	5.5%	17.8%	-170 bps	The Waterman	\$56.00
New Jersey	\$35.17	4.3%	19.0%	-50 bps	Harcordore Financial Plaza 10	\$66.08
Miami	\$54.94	4.0%	11.9%	-250 bps	The Offices At The Well	\$165.00
Chicago	\$28.09	3.9%	19.0%	-120 bps	333 North Green	\$65.29
San Francisco	\$65.03	3.8%	25.7%	-250 bps	Sand Hill Collection - The Ranch	\$199.20
Boston	\$48.66	3.0%	15.4%	-140 bps	One Canal Park	\$129.71
Twin Cities	\$27.11	2.8%	17.8%	-190 bps	International Centre	\$42.39
Dallas	\$32.18	2.5%	21.7%	-220 bps	23Spring	\$95.28
Nashville	\$31.64	2.1%	17.7%	-20 bps	Gulch Union	\$56.62
Philadelphia	\$31.77	0.9%	17.8%	-180 bps	Three Logan Square	\$56.07
Tampa	\$30.05	0.6%	14.4%	-100 bps	Harborview Plaza	\$52.87
Detroit	\$21.59	0.1%	23.1%	-50 bps	Michigan Central Station	\$40.00
Portland	\$28.02	-0.6%	21.2%	-90 bps	Fox Tower	\$50.53
Manhattan	\$68.36	-0.7%	13.4%	-310 bps	50 Hudson Yards	\$259.00
Austin	\$45.92	-1.6%	26.8%	-90 bps	Indeed Tower	\$82.69
Orlando	\$27.47	-2.1%	19.9%	-320 bps	CNN Center	\$54.19
Washington, D.C.	\$40.13	-2.6%	19.6%	-140 bps	1700 New York Avenue	\$94.75
Bay Area	\$52.49	-2.9%	23.0%	-300 bps	245 Lytton Avenue	\$153.00
Charlotte	\$33.18	-3.5%	18.1%	-110 bps	110 East	\$55.00
Seattle	\$34.00	-5.2%	26.6%	-60 bps	City Center Bellevue	\$82.88
Denver	\$29.28	-6.3%	23.5%	-70 bps	Block 162	\$54.38
Houston	\$27.58	-8.7%	20.2%	-410 bps	Kirby Grove	\$54.21

Data as of November 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.

Source: Yardi Research Data • Embed • Download Image • Created with Datavapper

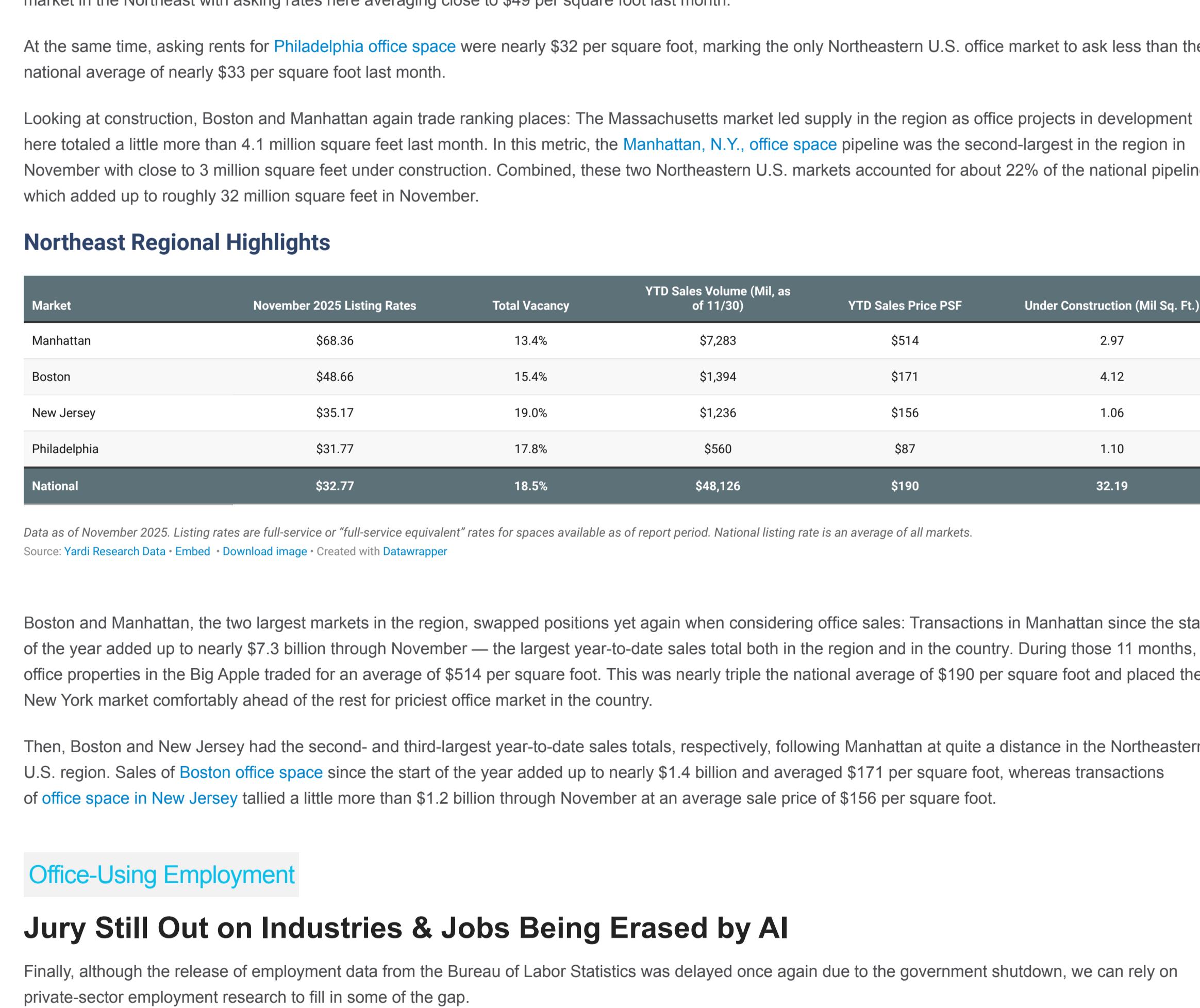
Transactions

Chicago Sale Price Per Square Foot Continues 5-Year Downward Trend

In November, year-to-date office sales exceeded \$4 billion across transactions averaging \$190 per square foot. Despite continuing to lag behind the peaks of previous office sale booms, the sale price per square foot of office space in the U.S. has been slowly climbing to approach Q2 2020 levels.

Among the 25 top markets we analyzed, Chicago had the lowest year-to-date sale price with an average of \$64 per square foot across sales closed here during the first 11 months of the year. According to Yardi Research data, this represented a nearly 28% drop from the year before and marked the fifth consecutive year for price drops in the Illinois market.

2025 Year-To-Date Sales (Millions)



Data as of November 2025. Sales data for unpublished and portfolio transactions are estimated using sales comps.

Source: Yardi Research Data • Embed • Download Image • Created with Datavapper

Supply

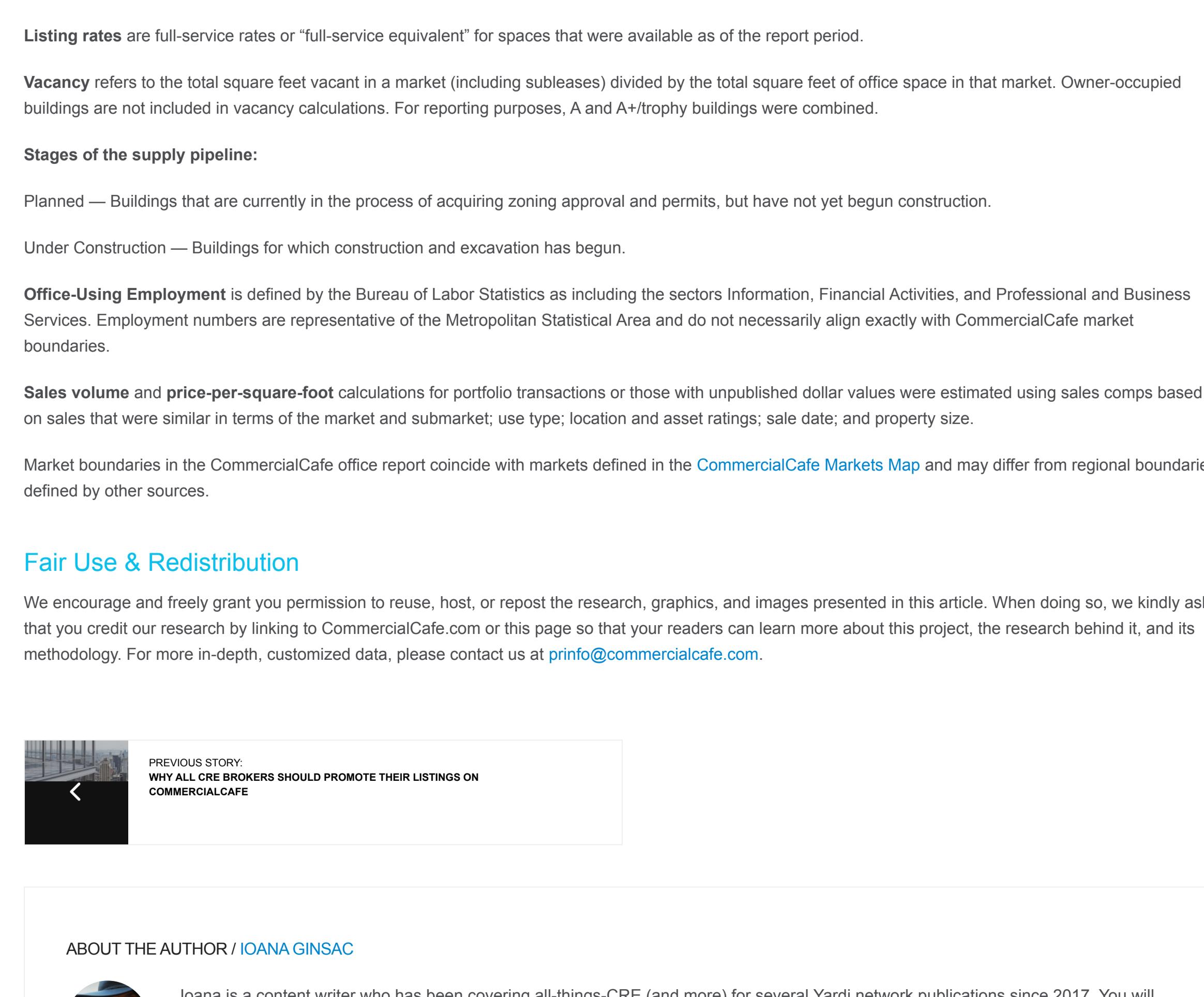
Manhattan, Los Angeles & Phoenix See Office Supply Pipeline Expansions

As of November, roughly 32.2 million square feet of office space was under construction in the U.S. markets we tracked for this report. Yet, according to Yardi Research data, current numbers show a sustained contraction of new office projects: Pipeline totals at the start of December represent 44% fewer square feet under construction than a year before.

While Boston continues to maintain the largest supply pipeline, its 4.1 million square feet currently in development represents less than half of the market's square footage pipeline from a year ago. In this case, significant funding cuts to National Institutes of Health research have contributed to the decline in investment in the local expansion of life sciences and research institutions that had driven Boston's construction boom in recent years.

The only three markets to see increases in development activity since the start of the year were Manhattan, N.Y. (10% growth to nearly 3 million square feet), Los Angeles (6% growth to reach almost 2 million square feet), and Phoenix (nearly 800,000 square feet under construction following a 49% Y-o-Y pipeline expansion).

Office Space Under Construction (Million Sq. Ft.)



Data as of November 2025. Table does not include owner-occupied properties.

Source: Yardi Research Data • Embed • Download Image • Created with Datavapper

Western Markets

San Francisco & Bay Area Ask Highest Leasing Rates, Los Angeles Dominates Development in Region

Vacancy rates were above the national average of 18.5% in November in the majority of the Western U.S. markets we surveyed for this report. With the exception of Los Angeles (14.4% vacancy) and Phoenix (17.8%), all markets in this group averaged vacancy rates above 20% last month.

Among them, **Seattle office space** saw the highest vacancy rate in the region, averaging 26.6% in November. Next, San Francisco was again second on this short list with vacancy averaging nearly 26% last month. Then, Denver and California's Bay Area each had around 23% vacancies in their local office sectors.

With some support from across the tech ecosystem around the urban core, asking rents for office space in San Francisco topped the regional list: Rates here averaged a little more than \$55 per square foot in November, which was double the national average of close to \$33. Nearby, Bay Area office space remained the second-priciest in the region last month with asking rates approaching nearly \$52.50 per square foot, on average. The Bay Area was also the only other Western U.S. market on our list where average rates surpassed \$50 per square foot in November.

Not to be outdone, Los Angeles (#3) and San Diego (#4) each averaged roughly \$46 per square foot and closed out the standout block of California markets at the top of the list for rents.

West Regional Highlights

Market	November 2025 Listing Rates	Total Vacancy	YTD Sales Volume (Mil. as of 11/30)	YTD Sales Price PSF	Under Construction (Mil Sq. Ft.)
National	\$32.77	18.5%	\$48,126	\$190	32.19
Los Angeles	\$46.38	14.4%	\$2,532	\$265	1.98
Phoenix	\$29.76	17.8%	\$1,119	\$178	0.79
San Francisco	\$65.03	25.7%	\$1,248	\$165.00	0.00
Seattle	\$34.00	26.6%	\$1,799	\$245	0.26
Boston	\$48.66	26.8%	\$596	\$216	0.26
Tampa	\$30.05	19.0%	\$1,094	\$284	2.63
Denver	\$28.09	21.2%	\$2,003	\$116	1.02
Portland	\$28.02	21.1%	\$1,726	\$173	1.54
Atlanta	\$31.64	17.7%	\$558	\$192	0.26
Charlotte	\$27.47	19.9%	\$1,301	\$131	0.88
Houston	\$27.58	20.2%	\$1,094	\$89	1.02
Dallas	\$32.18	21.7%	\$2,603	\$284	2.63
New Jersey	\$35.17	23.0%	\$4,426	\$108	0.53
Orlando	\$27.47	18.1%	\$1,205	\$115	0.39
Seattle	\$34.00	26.6%	\$739	\$245	0.25
Twin Cities	\$27.58	17.8%	\$1,726	\$116	0.26
Phoenix	\$29.76	17.8%	\$1,470	\$165.00	0.00
Baltimore	\$31.77	18.5%	\$1,126	\$190	0.00

Data as of November 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.

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Midwestern Markets

Chicago Tops Asking Rates & Sales, but Twin Cities