

National Office Report

×

Ask a question related to the PDF:

Summarize the state of the office market

Response:

The office market is experiencing a complex and widely variable landscape across geographies. While some markets, such as New York, have seen positive demand since 2024 Q2, others are still losing occupancy due to slow job growth. The national vacancy rate has reached a record 14.0%, driven by the addition of new supply and the expiration of leased space before the pandemic. Overall, demand remains anemic in most major markets, with rents expected to decelerate into 2025 and settle into anemic growth of around 1% per year through 2026.

×

Ask a question related to the PDF:

What is the office national vacancy rate?

Response:

The national vacancy rate for office space in the United States is currently a record 14.0%, up 470 basis points from the end of 2019, according to the provided context. This is also supported by the KEY INDICATORS table, which lists the national vacancy rate as 14.0%.

X

Ask a question related to the PDF:

What are the biggest headwinds for office?

Response:

The biggest headwinds for office space are:

- The persistence of inflation and the prospect of higher-for-longer interest rates, which could stifle economic growth and hiring.
- The stagnation of knowledge-oriented job growth, including layoffs in both public and private sectors, making job losses among office-using occupiers possible.
- The constrained supply pipeline, with diminishing large-block availabilities in premium buildings.

×

Ask a question related to the PDF:

What are the biggest upsides for office?

Response:

According to the report, some of the biggest upsides for the office market include:

- Smaller occupiers continue to upgrade their spaces, indicating ongoing demand.
- Larger employers are tending to stay in place, enabled by smaller headcount growth and constrained by a lack of large-block availabilities in premium buildings.
- The anticipated fiscal stimulus from extended tax cuts could lead to accelerated economic growth and a near-term surge in hiring, boosting office demand.

Forecast and Data White Paper

CoStar Data and Methodology (July 2024).pdf 21.2MB

Ask a question related to the PDF:

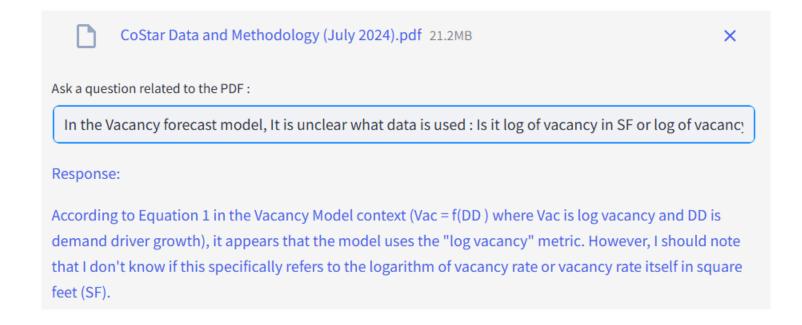
What kind of regression is used for the market models? Is it OLS or a different kind of regression?

Response:

The text doesn't explicitly mention the type of regression used in the market models, but it does discuss panel regressions and metro models.

However, based on common practices, it's likely that Ordinary Least Squares (OLS) regression is used for these market models, as OLS is a widely used method for linear regression analysis.

Answer: OLS



Answer: log of vacancy rate

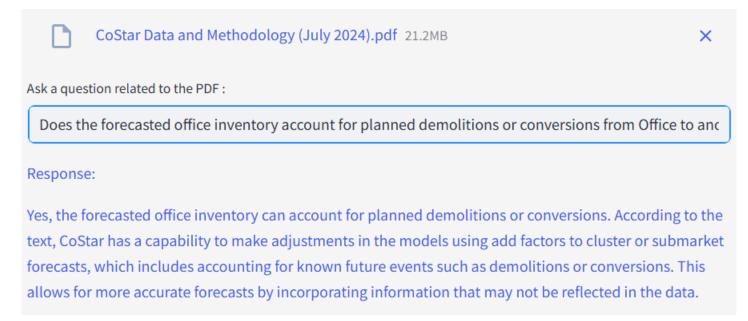
Ask a question related to the PDF:

We are using some of your industrial submarket forecasts and notice a lot of negative net deliveries in t

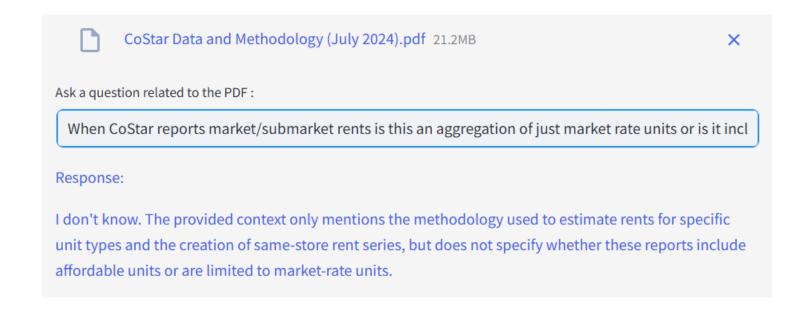
Response:

The forecasts are based on the amount of construction underway, which is calculated by adding modeled starts and subtracting modeled deliveries (Equation 2). Modeled deliveries are estimated using the historical average of deliveries as a share of space underway in each market (Equation 3). Additionally, to account for potential delays, the forecast moves forward by one month the completion dates for every property currently under construction, effectively shifting approximately one-third of the supply into the following quarter. This adjustment can result in negative net deliveries in the future due to delayed completions and projects being pushed into subsequent quarters.

Answer: Every submarket's forecast includes an estimate for future demolitions/removals based on its historical average (see chart below with negative net deliveries in history). And if a submarket, such as this one, has little or no under construction, then the net deliveries forecast will be slightly negative in each quarter. Note that these do not represent actual properties that will be demolished in the future (CoStar does not track future demolitions), these just represent a chance of a demolition based on the submarket's historical average demolitions.



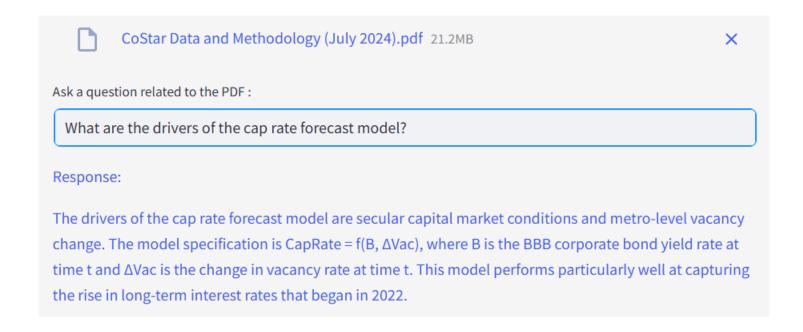
Answer: The market level guidelines are just using historical averages of demolitions in the forecast. I don't believe they're in the property forecast until they happen, but then it's history



Answer: Aggregate market/submarket rents are only of market rate units



Answer: CoStar's market and submarket forecasts are derived from property level forecasts that take into account individual building characteristics as well as those of nearby buildings such as impacts from new construction. These property forecasts, however, are also driven by a market level forecast based on an econometric model that takes into account each market's historical trends and macroeconomic factors such as interest rates and employment.



Answer: BBB corporate bond yield and change in vacancy rate

CoStar Data and Methodology (July 2024).pdf 21.2MB

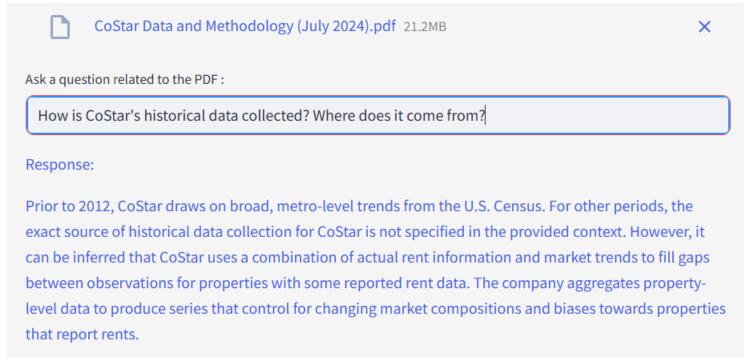
×

Ask a question related to the PDF:

How do you model same store rent history for apartment?

Response:

To create a full time series back to 2000 for every unit model in any property for which a rent observation has been collected, CoStar follows three steps. First, they select the set of rents to use from available sources. Second, they estimate rents missing for time periods between actual observations. Finally, they estimate rents for unit models for which no rent information is available. This process ensures that rent trends only reflect market-driven movements, rather than changes in property composition and availability.



• Above is true for apartment, and in general. Need vectors to keep context: separate by heading? Or more naturally?

Glossary

Ask a question related to the PDF:

Does leasing activity include renewals of existing leases?

Response:

Yes, leasing activity includes renewals of existing leases. Leasing activity refers to the volume of square footage committed to and signed in a given period, including direct leases, subleases, and renewals of existing leases. This means that lease renewals are factored into the calculation of leasing activity, unless the renewal involves the occupancy of additional space. If the lease renewal only continues the same occupancy as before, it is included in the leasing activity total.

• First two sentences are true, then adds extraneous details.