

New Office Construction

BUILDING CONTINUES AMID UNCERTAINTY

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Continued uneasiness surrounding demand as well as record setting vacancies have created a **downturn in new office development in the beginning of 2023**. Despite this, several markets are continuing to build. With much of the space pre-leased, **tenants are still signaling the demand for high quality property outside of central business districts**. Life science lab space and class A suburban property are driving new construction in the following markets:

San Jose, CA

- 7.4M SF UNDER CONSTRUCTION
- 5.2% OF INVENTORY
- PRE-LEASED: 55%
- RENT GROWTH: -1.6%
- VACANCY: 12.4%

With significant new delivery as well as positive absorption over the last few years, San Jose's office market was one of the best performers nationwide in 2022. Speculative office projects have been a good bet in recent history, but a weakening demand from the once steadfast tech sector may present leasing challenges. Even so, rents in San Jose have held up better than in neighboring San Francisco during the past two years and the office market there has not witnessed the same mass exodus of tech companies that has plagued its northern neighbor.

Boston, MA

- 18.8M SF UNDER CONSTRUCTION
- 5.1% OF INVENTORY
- PRE-LEASED: 54.7%
- RENT GROWTH: 0.0%
- VACANCY: 10.5%

With 18.8 million SF of office space under development in the Boston metro, the area leads the nation in new office construction. Boston already contains the most life sciences and lab office space in the country. With 52.7M SF, there is 20M more SF than number two San Francisco. The market is betting that adding even more space to this sector will hopefully combat the dwindling demand for traditional space responsible for dragging the Boston office market to its second lowest leasing volume in a decade.

Seattle, WA

- 12.8M SF UNDER CONSTRUCTION
- 5.6% OF INVENTORY
- PRE-LEASED: 70%
- RENT GROWTH: 0.8%
- VACANCY: 11.2%

After three years of posting negative absorption, Seattle looks to break into the black in 2023. This welcomed trend can be attributed to most of the new construction being pre-leased, a nation-leading 70%. Despite several major occupiers committing to return to the office this Spring, sublet space continues to drag the market down, especially in the CBD. Amazon currently has over 700,000 SF listed available. Most of the spec construction taking place is focused on life-sciences-oriented property- a bright spot nationally in an otherwise down asset class.

Austin, TX

- 7.4M SF UNDER CONSTRUCTION
- 5.7% OF INVENTORY
- PRE-LEASED: 52.3%
- RENT GROWTH: 1.2%
- VACANCY: 15.4%

Austin's office real estate market is currently experiencing a significant amount of construction activity. More than 7.4 million SF of ongoing construction represents 5.7% of the total inventory. In the past year alone 4.6 million SF of new office space has been delivered. The pace could be problematic however, a net absorption of -160,000 SF over the last 12 months has led to a 15.5% vacancy rate, the highest level seen in the city since 2004.

National OFFICE

- AVG. SQUARE FEET UNDER CONSTRUCTION: 670K SF
- RENT GROWTH: 0.9%
- AVG. % OF INVENTORY UNDER CONSTRUCTION: 1.6%
- VACANCY: 12.9%

