1st Quarter U.S. Office Market Occupancy Gains Up 133 Percent Year Over Year

C&W Research Findings Show Positive Overall Trending in Fundamentals

SAN FRANCISCO, CALIFORNIA, UNITED STATES, April 15, 2014 /EINPresswire.com/ -- First quarter occupancy gains in the U.S. office sector increased 133% percent year over year, according to commercial real estate services firm Cushman & Wakefield. Maria T. Sicola, head of Research for the Americas, noted that her team's findings also reflect positive movement in vacancies, and asking rentals and healthy leasing volume.

"The big story for the first quarter is the market's 9.7 million square feet in positive absorption, which compares to 4.2 million square feet of gains last year at this time," Sicola said. "Many markets with negative absorption at the start of 2013 turned around to positive gains to kick off 2014."

Of the 44 major office markets tracked by Cushman & Wakefield, the leaders in first quarter occupancy gains included Midtown South New York (1.7 million square feet), Chicago (1.4 million square feet), San Francisco (1.2 million square feet) and Midtown New York (1.0 million square feet). Houston recorded the highest year-over-year increase, with nearly 1.0 million square feet of positive absorption, compared to 36,000 square feet one year ago.

Overall vacancy ticked down 0.2 percentage points year over year, to 15.6 percent at the end of March. Gateway markets including New York, San Francisco and Boston led the U.S. with the lowest vacancy including two submarkets with single digits – Midtown South New York and San Francisco, at 7.9 percent and 9.8 percent, respectively. Other tech and energy markets including Houston, Denver and Portland reported low vacancy rates. In terms of momentum, previous housing-boom markets, including Florida and Phoenix posted the largest decline in vacancy rates year over year as those economies are improving.

"The positive momentum in office absorption and vacancies stems from an improving national economy," Sicola said. "Strong job gains are translating directly into healthy leasing activity as 48.3 million square feet was leased so far this year." Markets with the highest leasing volume included Midtown New York (5.2 million square feet), Suburban Dallas (3.5 million square feet) and Los Angeles Metro (2.6 million square feet). Midtown South New York increased the most, with a 186 percent jump to 2.5 million square feet leased.

The first quarter also saw some significant movement in rents, especially in energy and technology markets, according to Sicola. Direct class A asking rents in Houston's CBD had the greatest increase quarter over quarter, jumping 9.1 percent to $41.98 per-square-foot, followed by San Francisco, which rose 3.8 percent to $60.20 per-square-foot. In the suburban submarkets, Portland, Ore, and Oakland, Calif., increased the most during the first quarter, 8.1 percent and 8.0 percent, respectively, to $23.78 and $31.73 per-square-foot, respectively. Year over year, Downtown New York rent increased 17.8 percent to $54.67 per-square-foot, and Silicon Valley increased 9.8 percent to $35.02 per-square-foot.

"We like what we are seeing in the office market to date in 2014," Sicola noted. "Looking ahead, barring any unforeseen economic or geopolitical events, we anticipate continued progress as U.S.

businesses continue to expand and invest in private-sector jobs."

Cushman & Wakefield Research for the Americas is recognized worldwide for the originality of its research and the value of its thought leadership. The team performs rigorous, property-oriented research and data-driven analysis on a global basis. Its professionals collect data from publicly available sources, owners, agents and – most importantly – from the firm's brokers, appraisers and property managers.

MARKET 1Q'14 ANNUAL
CHANGE*

1. Midtown South, N.Y. 7.85% -0.73
2. San Francisco, Calif. 9.28% +0.16
3. Boston, Mass. 9.99% -0.04
4. Midtown, N.Y. 11.05% -0.10
5. Denver, Co. 11.12% 0.00
6. Houston, Texas 11.20% -0.49
7. Downtown, N.Y. 11.21% -1.04
8. Portland, Ore. 11.32% +0.47
9. Sacramento, Calif. 11.58% -0.05
10. Philadelphia, Pa. 12.66% +0.41

NATIONAL AVERAGE 13.10% -0.40

* Indicates change in "percentage points" from prior year (not percent).

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