

Drive down any highway in any major U.S. city and you are likely to see empty high rises that used to house hundreds of office employees. Corporate office parks seem abandoned and parking lots are empty. Indeed, in a matter of just a few months, the COVID pandemic and the resulting “work-from-home” model has drastically changed the outlook for office real estate. According to data from the National Association of Realtors (NAR), occupancy rates increased modestly in the third quarter of 2021, but then fell 12 million square feet in the fourth quarter. The total net decline in occupancy since the second quarter of 2020 is 145 million square feet.

- The question remains, can occupancy rates get back to pre-pandemic levels, given the fundamental way employees view going back to the office? Is the increase in vacancy in the fourth quarter of 2021 the start of a longer trend downward? According to NAR data, the office recovery remains bifurcated with rent growth in most markets except in the largest metro areas in the country.
- Perhaps one solution is to repurpose office buildings to include residential space. Workers could essentially live and work in the same facility. However, this would likely only be a partial solution. More likely than not, office real estate will come under further pressure.

