

North America Office Real Estate Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 120 pages | Mordor Intelligence

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Report description:

The North American office real estate market is expected to register a CAGR of more than 4.5% during the forecast period.

The COVID-19 pandemic severely affected the office real estate market in North America due to restrictions and social distancing policies and the work from home culture. Now, the market is in the recovery phase but not up to the pre-pandemic levels. Furthermore, the growth of the sector is driven by increasing office space absorption, growth in leasing activities, construction of new office spaces, etc.

Furthermore, the United States is the major country in the North American office real estate market, which contributes more than 9.1 billion sq. ft of office inventory space in the suburban and downtown regions. Whereas, in the Canadian office market, growth was experienced in the Class A office market, with the highest rate of available inventory and absorption.

North America Office Real Estate Market Trends

Increasing Rental Prices of Office Spaces

The office market in North America received a hard hit by the pandemic. Now, the market is recovering as significant growth was observed in the office absorption rate in North America. Furthermore, rental prices for office spaces are also witnessing positive growth after the pandemic crisis.

In addition, rental growths are high in Class A office spaces. In the fourth quarter of 2021, the rent for US Class A office spaces was nearly USD 41.63 per square foot, which is 1.15 times higher than other class office spaces. Meanwhile, in Canada, Class A

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office space rent was CAD 23.62 per square foot in the third quarter of 2021.

The overall office space sector is witnessing a positive growth rate in the United States. The Northeast region is leading in rental growth in the country, with more than USD 44.16 per square foot in Q4 2021, a growth rate of 2% from the same quarter in 2020, followed by the West, South, and Midwest regions. Meanwhile, in Canada, Vancouver and Waterloo experienced rental growth of 12% and 11.1%, respectively.

Office Leasing Volume is Witnessing Significant Growth

Even though the office market was negatively impacted during the pandemic, it is recovering with significant growth in net office space absorptions, low vacancy rates, etc. Most of the office activities have been returning to pre-pandemic levels, which is supporting the increasing new leasing activity.

In the United States, occupiers are concentrating on long-term office space leases in the market. In addition, in Q4 2021, total office space leasing was 29% higher than the same quarter of 2020. Also, net absorption in Q4 2021 was 33% higher than the previous quarter and 75% above Q4 2020. Meanwhile, in Canada, the pre-leasing activity of under-construction projects experienced growth. In addition, more than 61% of downtown under-construction projects were pre-leased by the occupiers in Q4 2021, as well as 25% of suburban under-construction projects were pre-leased in Canada.

Furthermore, different sectors are driving the demand for leasing activity, which includes technology services, financial services, healthcare or life sciences, manufacturing, government, etc. Technology continues to be the top sector for leasing activity in the North American region, with more than 17% share in leasing activity, followed by financial services and healthcare.

North America Office Real Estate Market Competitor Analysis

The report covers the major players operating in the North American office real estate market. The market is fragmented, with large companies having advantages in terms of financial resources while small companies compete effectively by developing expertise in local markets. Some of the major companies include Hines, Turner Construction Company, JBG SMITH Properties, Brookfield Asset Management Inc., etc.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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