



MULTI-TENANT | Q3 2024

Office

Commercial Real Estate | Debt + Equity | Investment Sales | Loan Servicing | Fund Management

northmarq.com

MULTI-TENANT OFFICE

Market Fundamentals



Q3 2024 Investment Sales Volume	\$11.05B
Change from Last Quarter (Q2 '24)	+9.4%
Change from Last Year (Q3 '23)	+15.7%



Q3 2024 Overall Average Cap Rate	7.35%
Change from Last Quarter (Q2 '24)	-2 bps
Change from Last Year (Q3 '23)	+37 bps

Overview | Multi-Tenant Office

Despite a reduction in the number of transactions, the multi-tenant office sector witnessed an uptick in quarterly sales volume during third quarter 2024, with nearly \$11.1 billion reported. With higher priced trades driving performance in the last three months, the office sector is on track to outpace 2023's annual sales total. Still, volume remains depressed compared to the boom years of 2021 and 2022, with those levels seemingly out of reach for the foreseeable future. Transactions across the West and Northeast regions contributed nearly 55% of this quarter's activity, with office towers and complexes, along with healthcare portfolios and other high-profile trades, concentrated in a handful of urban metro areas.

While the average office cap rate dropped two basis points in the last three months, the current average of 7.35% remains elevated and is comparable to rates not seen since late 2011. By region, the spread of cap rates has widened in the past year and there is nearly a 200-basis point difference between the West region, at 6.53%, and the Mid-Atlantic region, at 8.47%.

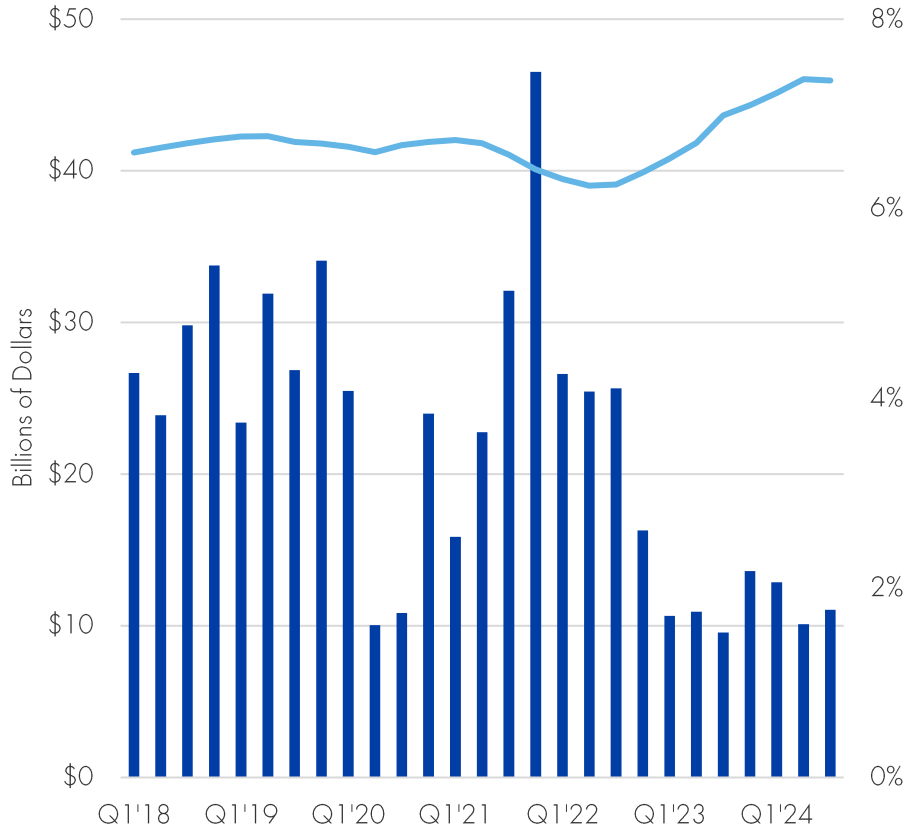
Following a substantial pullback in 2023, REITs have displayed a renewed interest in multi-tenant office assets and currently comprise 13% of the sector's buyers year-to-date. Compared to 2023, institutional investors have also shown increased activity levels, reporting 21% market share so far this year. Private investors, however, continue to hold the top spot, representing over half of multi-tenant office buyers in 2023, while international capital has been significantly less active in the office sector.



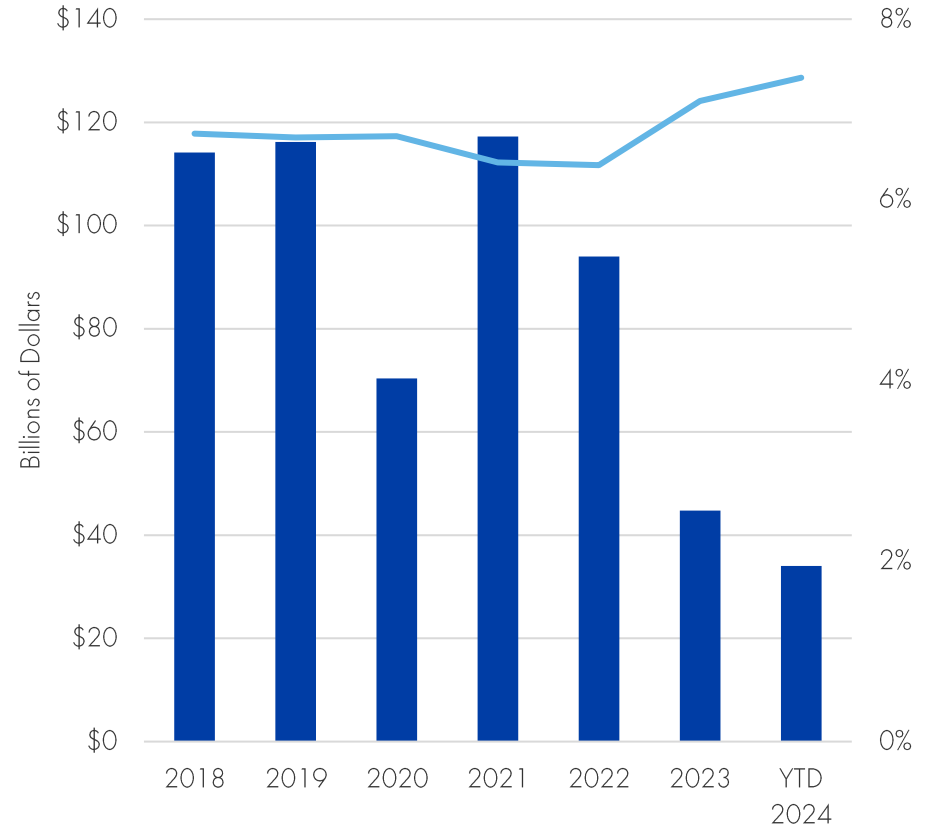
MULTI-TENANT OFFICE

Investment Sales Volume & Average Cap Rates

Q Quarterly



A Annual



■ Sales Volume (in billions)

— Average Cap Rate

Source: Northmarq, Real Capital Analytics; analysis includes sales greater than \$2.5m



MULTI-TENANT OFFICE

Quarterly & Annual Market Statistics

Investment Sales Volume (in millions)



Quarterly

Type	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Mid-Atlantic	\$902.35	\$1,776.53	\$1,539.44	\$810.61	\$712.76
Midwest	\$1,192.84	\$955.39	\$1,893.04	\$973.89	\$874.05
Northeast	\$1,326.10	\$2,831.85	\$2,396.60	\$2,567.53	\$2,613.99
Southeast	\$1,984.50	\$1,985.68	\$2,690.94	\$1,973.55	\$1,782.69
Southwest	\$1,893.03	\$2,523.85	\$2,701.60	\$1,745.49	\$1,403.09
West	\$2,250.07	\$3,537.02	\$1,633.94	\$2,031.34	\$3,417.64
Total	\$9,548.90	\$13,610.32	\$12,873.11	\$10,102.41	\$11,050.54

Annual

Type	2020	2021	2022	2023	YTD 2024
Mid-Atlantic	\$7,069.22	\$12,026.18	\$8,665.14	\$5,113.30	\$3,062.81
Midwest	\$5,838.02	\$8,465.20	\$9,996.41	\$3,847.32	\$3,740.97
Northeast	\$18,132.58	\$27,376.42	\$18,777.59	\$9,945.69	\$7,578.12
Southeast	\$10,200.26	\$19,867.99	\$17,410.30	\$7,669.87	\$6,447.18
Southwest	\$7,755.93	\$18,075.28	\$17,838.15	\$7,761.21	\$5,850.18
West	\$21,106.45	\$31,451.06	\$21,323.86	\$10,405.00	\$7,082.93
Total	\$70,379.91	\$117,262.13	\$94,011.46	\$44,742.41	\$34,026.07

Average Cap Rates



Quarterly

Type	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Mid-Atlantic	7.48%	7.65%	8.17%	8.80%	8.47%
Midwest	8.03%	8.00%	8.06%	7.96%	7.83%
Northeast	6.79%	7.01%	7.00%	6.84%	6.73%
Southeast	6.80%	7.24%	7.43%	7.60%	7.73%
Southwest	7.04%	7.36%	7.52%	7.79%	8.34%
West	6.39%	6.26%	6.41%	6.69%	6.53%
Total	6.98%	7.09%	7.22%	7.37%	7.35%

Annual

Type	2020	2021	2022	2023	YTD 2024
Mid-Atlantic	7.18%	6.91%	7.10%	7.65%	8.47%
Midwest	7.91%	7.36%	7.40%	8.00%	7.83%
Northeast	6.15%	6.14%	6.27%	7.01%	6.73%
Southeast	6.77%	6.48%	6.55%	7.24%	7.73%
Southwest	6.81%	6.76%	6.46%	7.36%	8.34%
West	6.08%	5.94%	5.58%	6.26%	6.53%
Total	6.70%	6.41%	6.38%	7.09%	7.35%

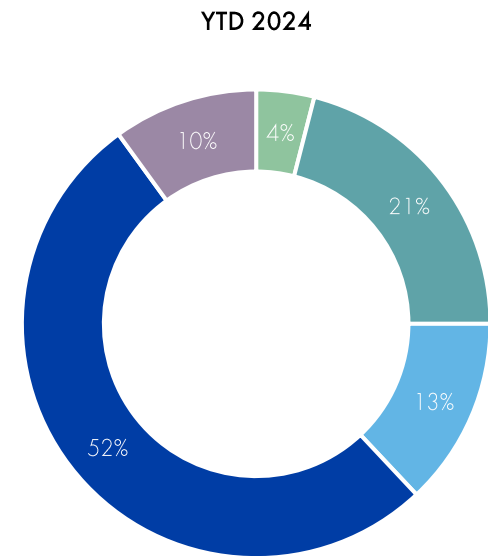
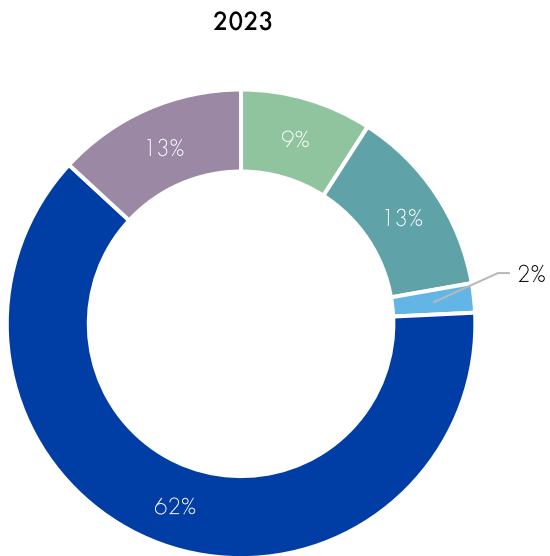
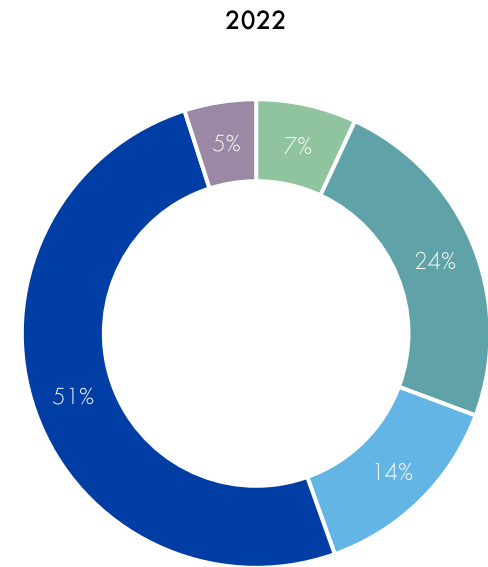
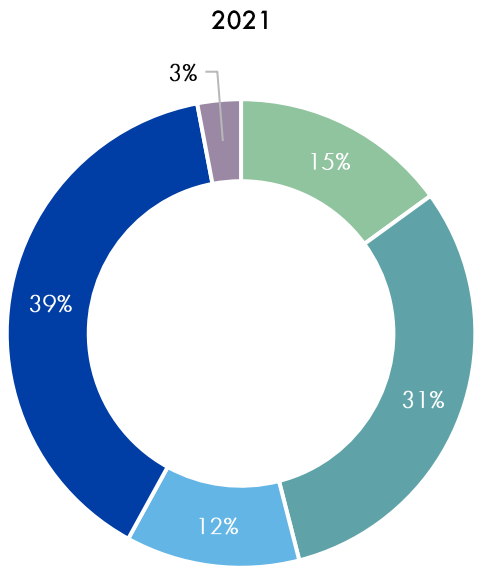


MULTI-TENANT OFFICE

Buyer Distribution

Annual

- International Buyer
- Domestic Institutional
- Domestic Public REIT
- Domestic Private Buyer
- Domestic User/Other



Source: Northmarq, Real Capital Analytics; analysis includes sales greater than \$2.5m; graphs may not total 100 percent due to rounding





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