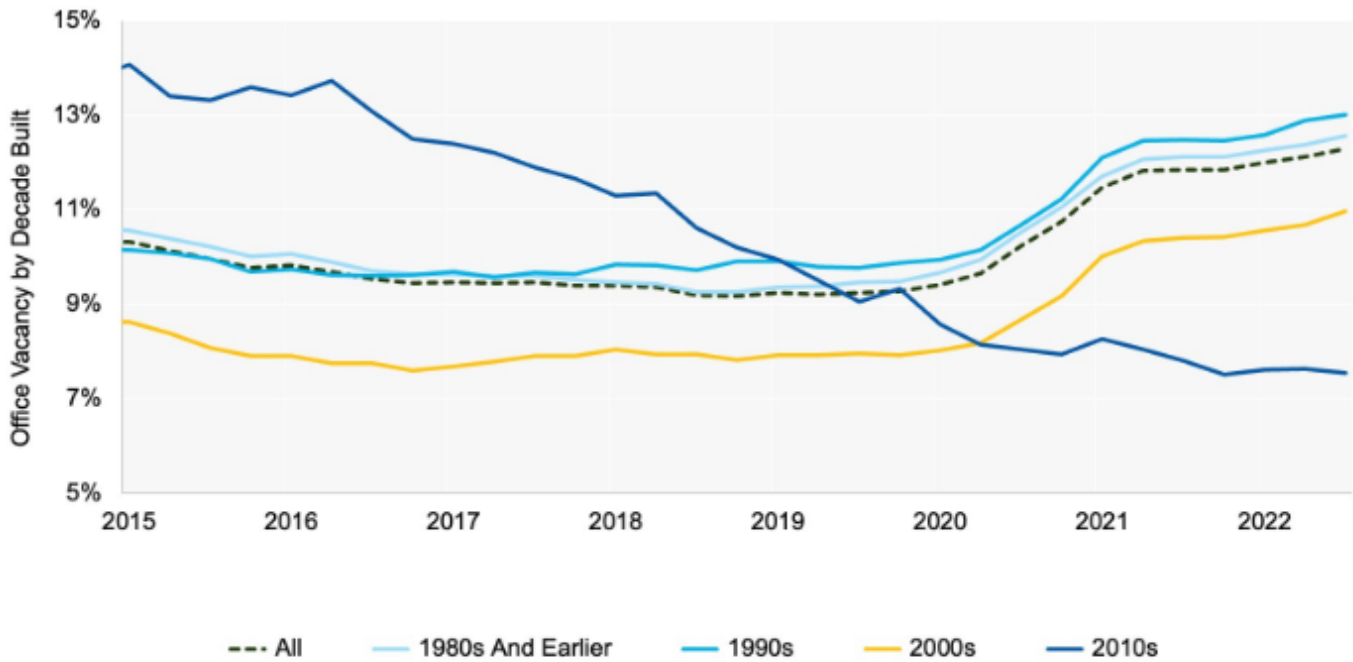


CoStar Predicts: Vacancy Gap Between Newer and Older Offices Will Widen Older Buildings Lacking Modern Amenities and Safety Features Face Obsolescence Risk

Vacancy Spread Between Newer and Older Space Will Widen



Source: CoStar Advisory Services, November 2022 Note: Exclusive to 54 of the largest U.S. markets



By Nancy Muscatello

The newest and highest-quality office properties are expected to perform the best in 2023 amid slower growth in demand, increasing remote and hybrid work and a weakening economy.

As businesses rethink their space needs and possibly shrink their footprints, they're more likely to consolidate into their most strategic locations, which tend to be high-quality and centrally located buildings.

Indeed, newer stabilized properties have remained well occupied compared with older buildings through the pandemic and ongoing recovery.

Vacancies for office space built in the 2010s continued to fall over the past decade to a low of roughly 7% in the third quarter of 2022, while vacancies in older building vintages have continued to rise.

Spaces built in the 1990s and earlier have vacancies above both the national average and their level from 10 years ago.

Older offices that lack modern amenities and health-and-safety features are at heightened risk of obsolescence.