Investors See Signs Of Life For Office As Smaller Investors Start Spending

By Ryan Wangman

The office sector has taken its lumps since the onset of the pandemic, but some commercial real estate investment professionals are seeing evidence that the tide is turning on office dealmaking — at least in certain markets.

High net worth family offices are deploying capital into office properties in hot emerging markets, Greg Rollman, managing director at Tryperion Holdings, said during Bisnow's 2025 CRE Capital Markets and Fundraising Outlook webinar Wednesday.

After a long period of dormancy, the out-of-favor asset class is seeing "a lot of investor interest now," he said.

"We've been bidding on some office in gateway markets, and it seems like, for not true Class-A office but still for good-quality office, that there is a real market there," Rollman said. "The processes that we've participated in have seen 10-plus bidders."

Investors have already made major moves to acquire office properties across the country in 2025.

Chicago-based Bradford Allen Investment Advisors dropped $208M in February on an office building in Fort Lauderdale, the largest office sale in the city for almost a decade. Just one day later, Texas-based private equity giant Lone Star Funds scooped up the 23-story office tower across the street for $221M.

Multiple investors in Chicago took advantage of buildings trading at sizable discounts to close deals in the early part of this year. The most notable was 3Edgewood's purchase of the 1.6M SF former Groupon headquarters for $88.7M, the largest downtown Chicago office sale by square footage to close in almost three years.

"I've got to tell you, at a 35-bucks-a-foot basis, we feel comfortable with almost any building," Ran Eliasaf, founder and managing partner of Northwind Group, told Bisnow in January. "Basically, the value of the glass and the steel is more."

Interest from institutional investors is somewhat less keen for now, said Emi Adachi, managing director at Heitman. Most of Heitman's clients still need to shrink their allocation to office and have almost no interest in adding such properties, she said.

However, there are a couple of investors Adachi works with that are looking ahead and seeing an opportunity in office down the road.

"The question is where and what does that look like and when's the appropriate time to jump in," Adachi said. “But we have a couple of people that are ready, really looking to take advantage of whether it's distress or it's riding some sort of recovery eventually, or potentially some interesting strategy like a conversion.”

In the Atlanta suburbs, there has been a rash of office properties purchased solely to be demolished for other uses. Portman Holdings bought a two-building office park in Alpharetta in December and now plans on tearing down one of the five-story buildings and replacing it and surface parking with 350 apartments, 90 townhomes and 60K SF of retail.

Prolific New York City real estate investor David Werner last month shelled out $140M for the final piece of his planned residential conversion of Pfizer's former Midtown Manhattan office headquarters.

New York is an example of an office market some people might find appealing, said Jim Halliwell, managing director at Principal Real Estate Investors. But increased interest in office is more of an exception than a broad-based allocation from many in CRE, and it’s geographically specific.

There aren’t many investors racing to invest capital in D.C. office properties, for example, Halliwell said.

“The investor interest in office is very idiosyncratic,” he added.

Still, office properties present a good opportunity for investors more willing to take on risk.

“The most robust opportunities tend to follow that sector that has the worst investor sentiment, and that's office,” Halliwell said. “If you buy office at a 15% [capitalization rate], that might compensate you for the risk you're taking. I think that there will be more abundant dislocated opportunities in office than any other sector.”