

US Office Leasing Picks Up, but for Smaller Spaces

Tenants Are Opting To 'Move and Shrink' With Vacancy at Record High

Office Leasing Swings Up



Source: CoStar Group, August 2023



By Mark Heschmeyer and Nicole Shih

Office leasing in the United States took its biggest quarterly jump in two years as tenants seek smaller spaces.

The amount of square footage signed is projected to total 98.5 million in the second quarter, according to Phil Mobley, CoStar Group's national director of U.S. office analytics. That amount is still 13% below the quarterly average from 2015 through 2019.

“It is notable that the average size of a new lease remained almost 20% below its pre-pandemic norm, near the historic low seen in early 2021,” Mobley said. “That indicates that the decline in volume is driven mostly by shrinking lease sizes rather than by an unusually small number of transactions.”

The average lease signed in the second quarter was about 3,250 square feet, down from an average of about 4,050 square feet between 2015 and 2019, according to CoStar data.

This corroborates the observation of market watchers who say lease expirations are triggering “move-and-shrink” decisions for many tenants, Mobley said.

Office vacancy has reached a record 13.2% nationally, with tenants collectively giving back 40 million square feet since the beginning of the year, CoStar data shows.