

# BACK TO THE OFFICE



**7** indicators of  
improving U.S.  
market conditions

JULY 2021



# BACK TO THE OFFICE

A return to the office in the U.S. has been steadily, if slowly, increasing since the vaccine rollout accelerated in March 2021. Many companies are planning for and expect to see significant office usage increases in either summer or early fall. Keep an eye on these seven indicators of improving market conditions that will fuel commercial real estate activity in the U.S.

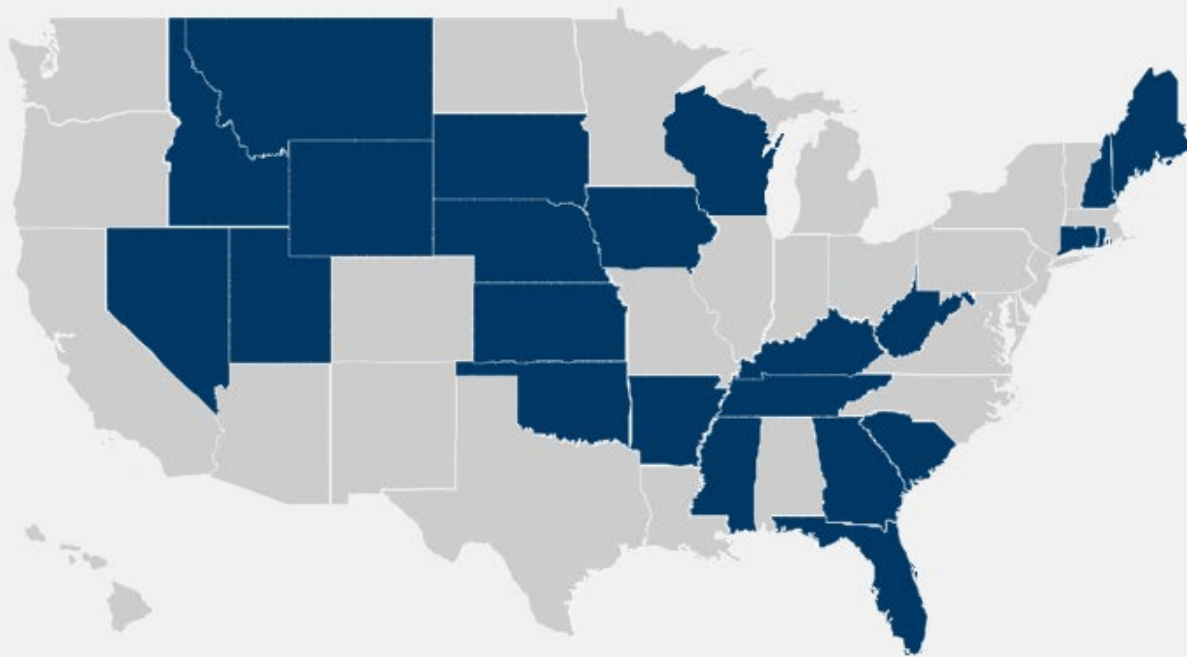


# #1: SIGNS OF RETURN TO NORMALCY

## As of mid-June, the national Back-to-Normal Index was at 93

Nearly half of states (23) were above 95.

Only 11 states and Washington, DC were below 90, the lowest at 81.



Back to Normal Index [methodology](#)

Source: CNN Business/Moody's Analytics, accessed July 9, 2021.

### WHAT TO EXPECT:

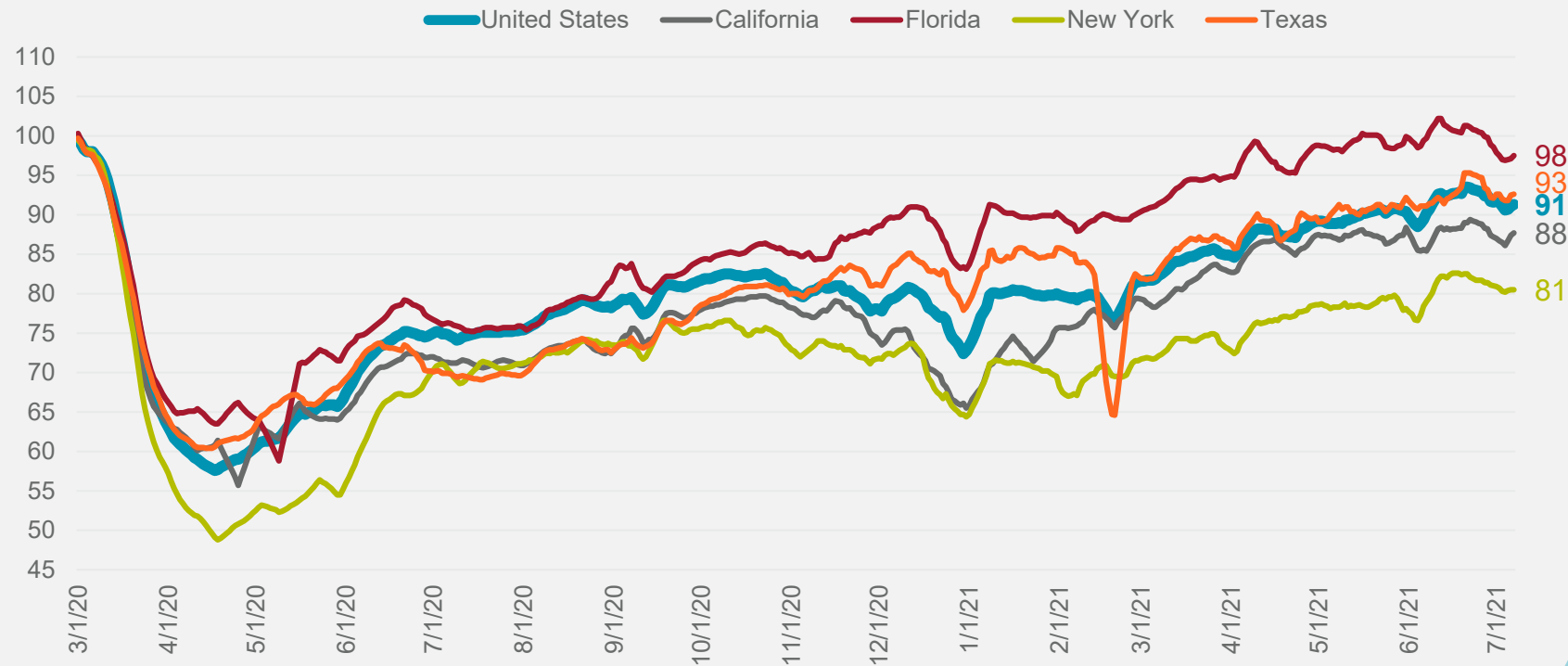
Reduction and elimination of restrictions—especially for those who have been vaccinated—matched with warm weather and summer vacation will drive activity up and push more of the country “back to normal.”

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## #2: COMPANIES REOPENING OFFICES

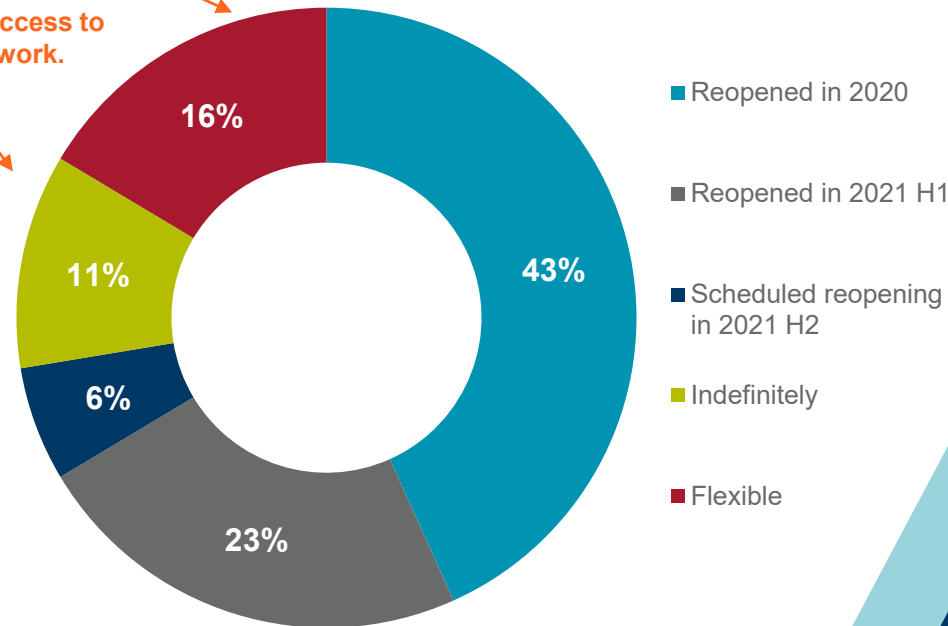
### Two-thirds

of organizations that have made public announcements about their return-to-office plans have reopened offices at some capacity.

Employee occupancy rates remain low, but companies are setting firmer targets for employees to return on a more regular basis.

As of June 2021, a fourth of organizations announced plans to allow employees to choose remote indefinitely (11%) or have implemented flexible policies (16%). This is most common among technology companies (49%) and banking / finance institutions (33%).

A fourth of companies have announced flexible schedules or indefinite access to remote work.



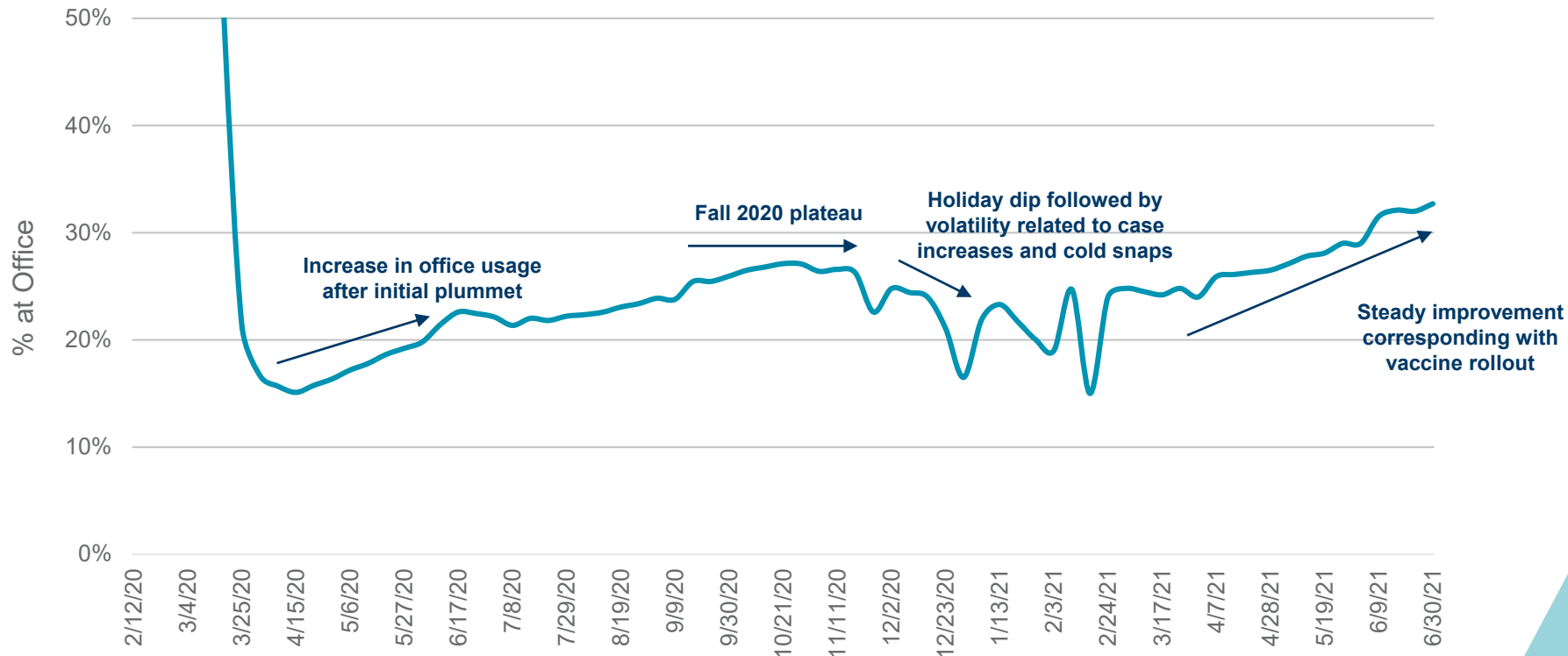
### WHAT TO EXPECT:

As office reopenings continue in earnest during Q3, companies will pilot different remote work policies, hybrid models and office layouts to find the right fit for their culture, business and people. Access Cushman & Wakefield's report on [Leading An Active Recovery](#).

# #3: UPTICK IN OFFICE OCCUPANCY

Weekly occupancy bottomed in February 2021 at 15%; it doubled to 32% by the end of June.

## WEEKLY OCCUPANCY REACHES NEW HIGHS IN JUNE



## WHAT TO EXPECT:

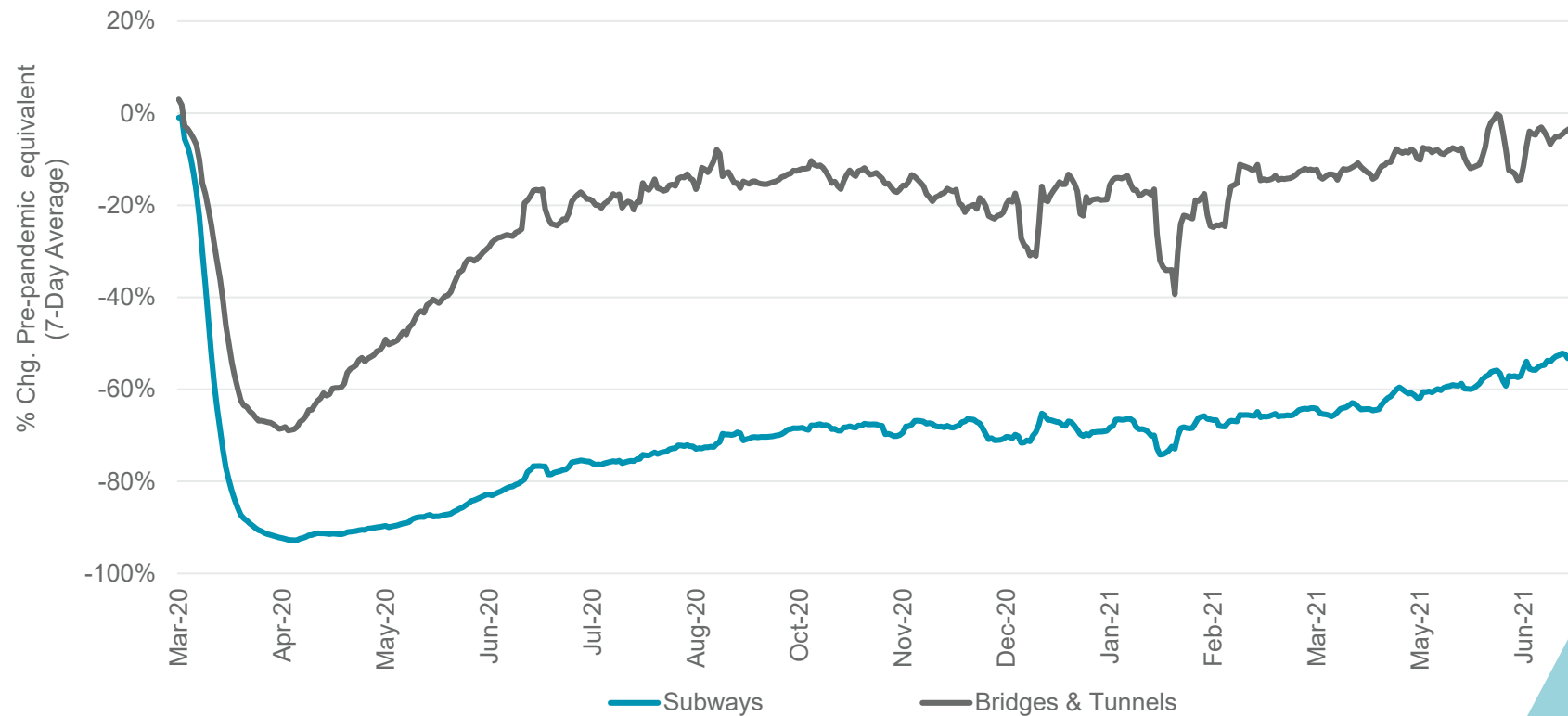
A summer plateau until August / September when students return for the new school year.

# #4: RISE IN NYC SUBWAY RIDERSHIP

## The week of June 14

marked the first week in 2021 when NYC traffic congestion was in line with the 2019 average.

NYC CAR COMMUTES HAVE RECOVERED, BUT PUBLIC TRANSIT HAS A WAY TO GO



Source: Metropolitan Transportation Authority

## AROUND THE COUNTRY

Other markets have similar patterns. In San Francisco, for example, Muni ridership in June was 32% of the same month in 2019 while car traffic is considerably higher (77% of the 2019 level).

## #5: INTEREST IN SPACE RISING

As of July 2021, the amount of office space being searched for by companies is up YoY in major markets, including:

**Boston +146%**

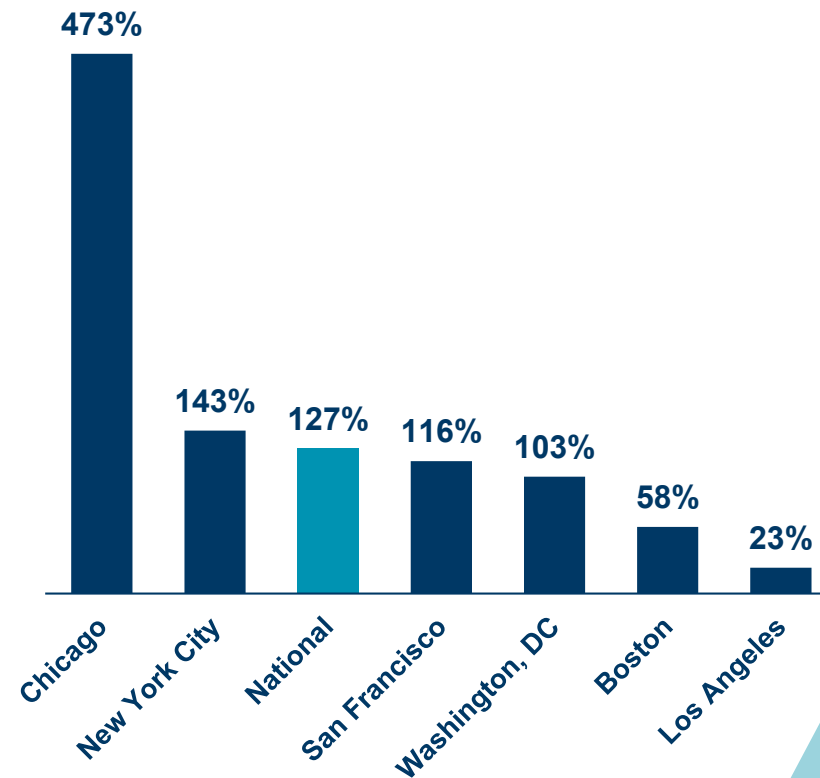
**Manhattan +27%**

**San Francisco +19%**

**Silicon Valley +107%**

The growth in company searches is leading to increased leasing activity, which was up 15% QoQ in Q2 2021.

VTS OFFICE DEMAND INDEX (VODI)  
Increase In Activity: Dec 2020 Through May 2021

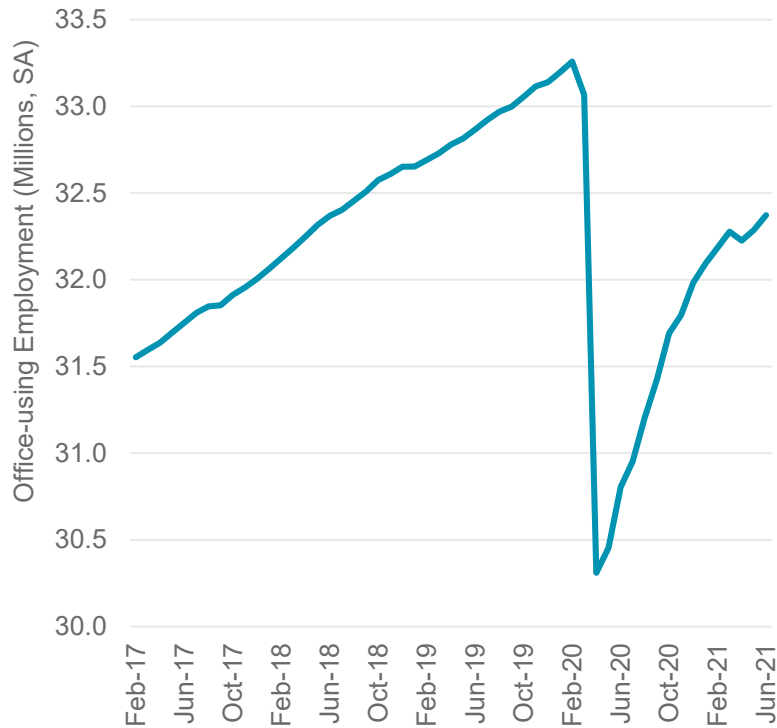




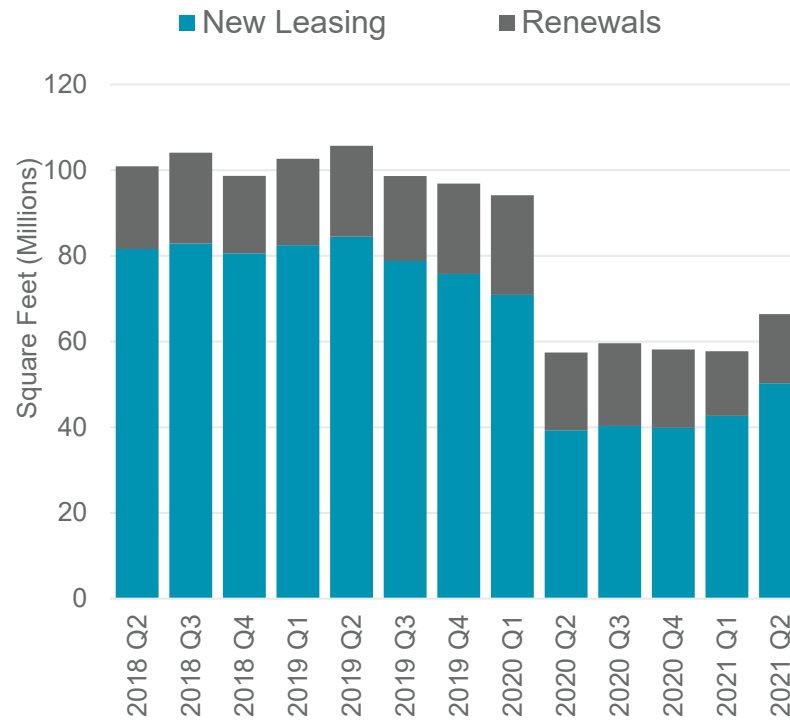
# #6: IMPROVING MARKET FUNDAMENTALS

Since the pandemic's start, U.S. office net absorption has been negative, but office-using job growth is improving, adding 389,000 in 2021, and new leasing activity was up **27.9% YoY** in Q2 2021.

## OFFICE-USING EMPLOYMENT



## LEASING ACTIVITY



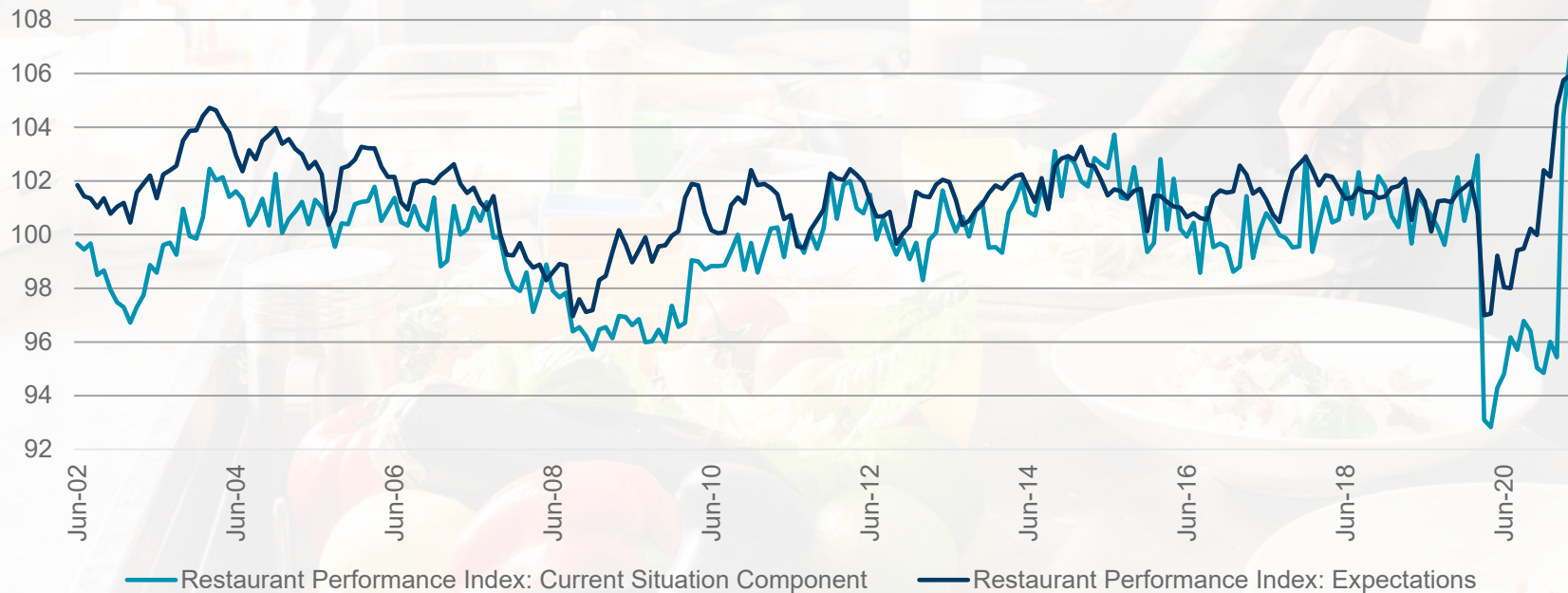
## WHAT TO EXPECT:

According to the VTS Office Demand Index (VODI), office tour activity has more than doubled in the first half of the year. However, it will take time for that to lead to lease executions and then absorption. Leasing activity has started to recover; look to absorption to begin to improve in the second half of 2021.

# #7: RETAIL RECOVERY

## U.S. retail and restaurant sales ended Q1 2021 up 15% YoY.

### RESTAURANT PERFORMANCE INDEX (RPI)



### WHAT TO EXPECT:

Employees returning to the office will increase foot traffic for retail and restaurants in business districts around the country.