

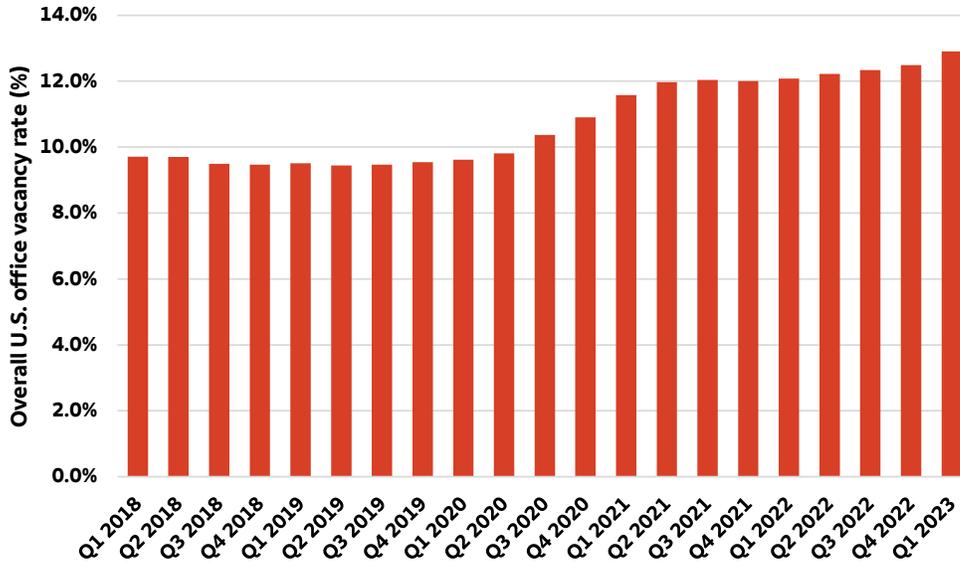


# Chart of the Week

Weekly market analysis on key market indexes

June 27, 2023

## Office vacancy rates continue to climb



Sources: National Association of Realtors, CoStar Group, and Wells Fargo Investment Institute. Data as of March 31, 2023.

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### U.S. office vacancy rate (January 2018 to March 2023)

In private real estate, the office property type continues to face myriad challenges, including shifting worker preferences, a tighter lending market, and rising debt costs. The return-to-work trend that many expected would continue to gain momentum seems to be stalling, and interest rates have risen significantly over the past year, increasing financing costs.

The chart shows that the vacancy rate for the U.S. office property type has steadily increased over the past three years and now stands at a recent high point of 12.9%. This trend may continue as companies continue to re-evaluate their long-term needs for office space as their leases expire. The fact that many companies continue to pay for under-utilized office space may mask additional underlying weakness in current tenant demand.

#### What it may mean for investors

Although the office property type continues to face several near-term headwinds, other property types such as Industrials continue to exhibit relative strength despite the rising interest rate environment. As a result, we continue to maintain our neutral guidance on Private Real Estate overall.

**Mark Steffen, CFA, CAIA, Global Alternative Investment Strategist** This chart was excerpted from the *Investment Strategy* report dated June 12, 2023.

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