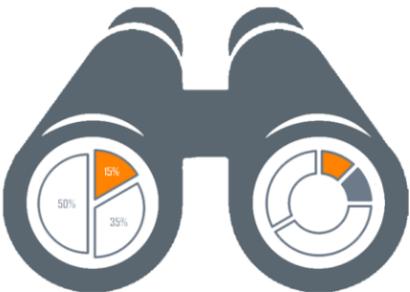
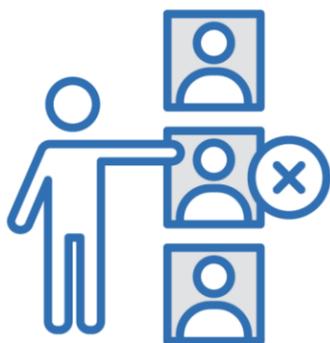


COMMERCIAL REAL ESTATE

U.S. MARKET | Office



THE VIEW FROM HERE

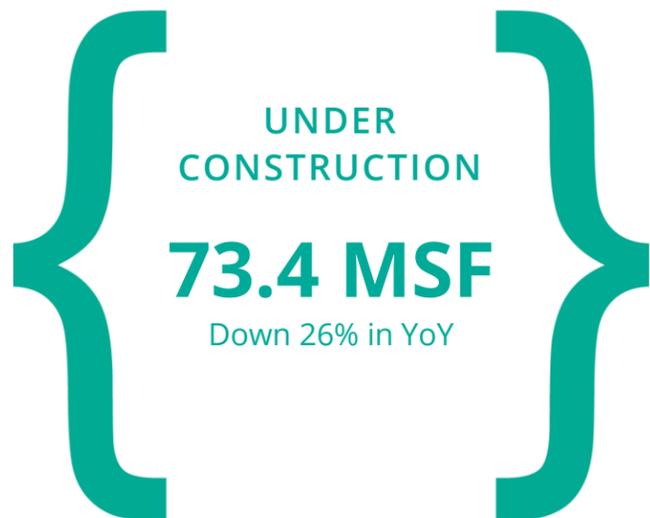
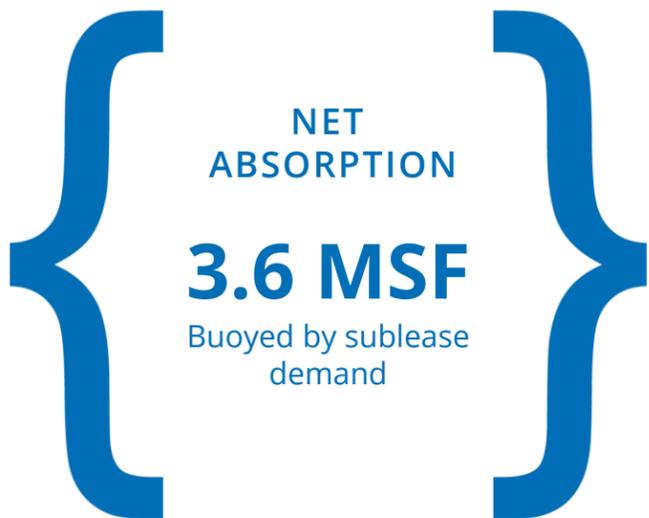
In the wake of DOGE, Washington, DC's recession resiliency will be tested.



Bank foreclosures of high-quality office to rise in 2025, driving greater trading activity.



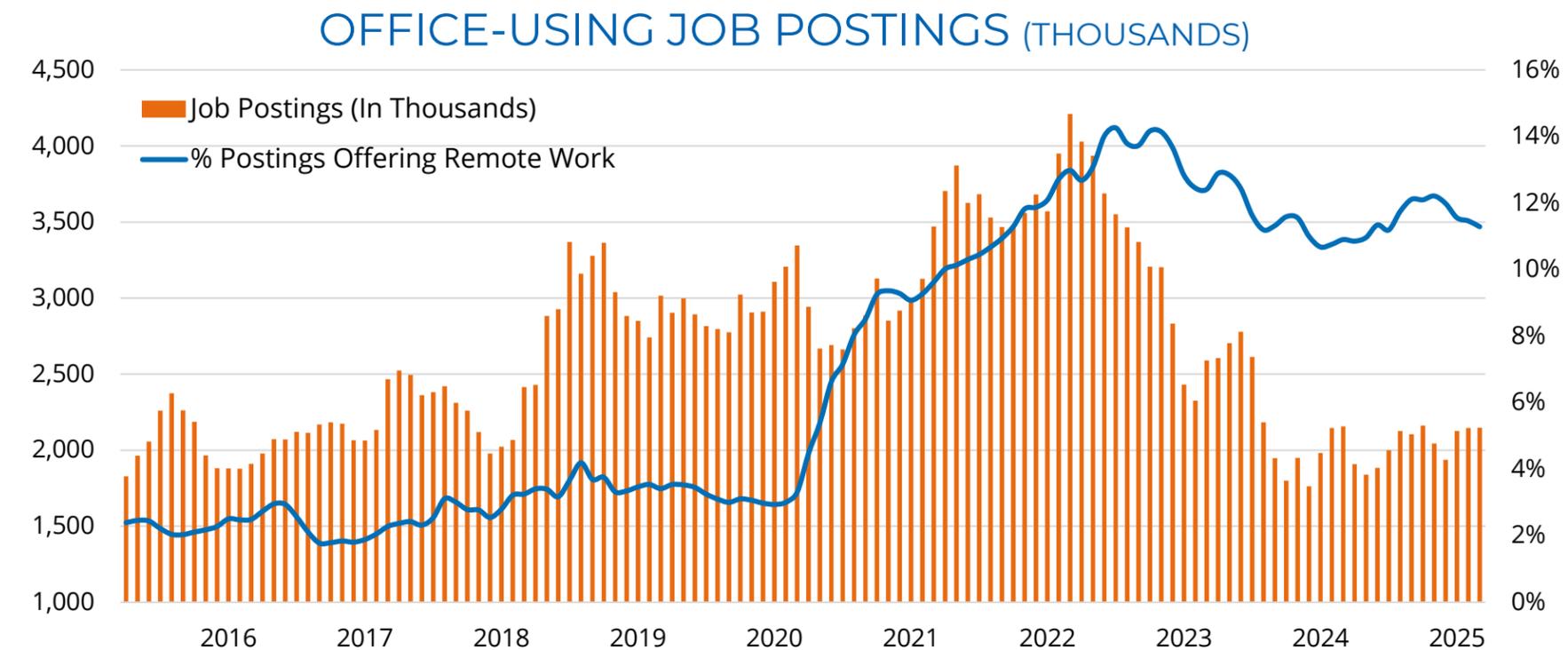
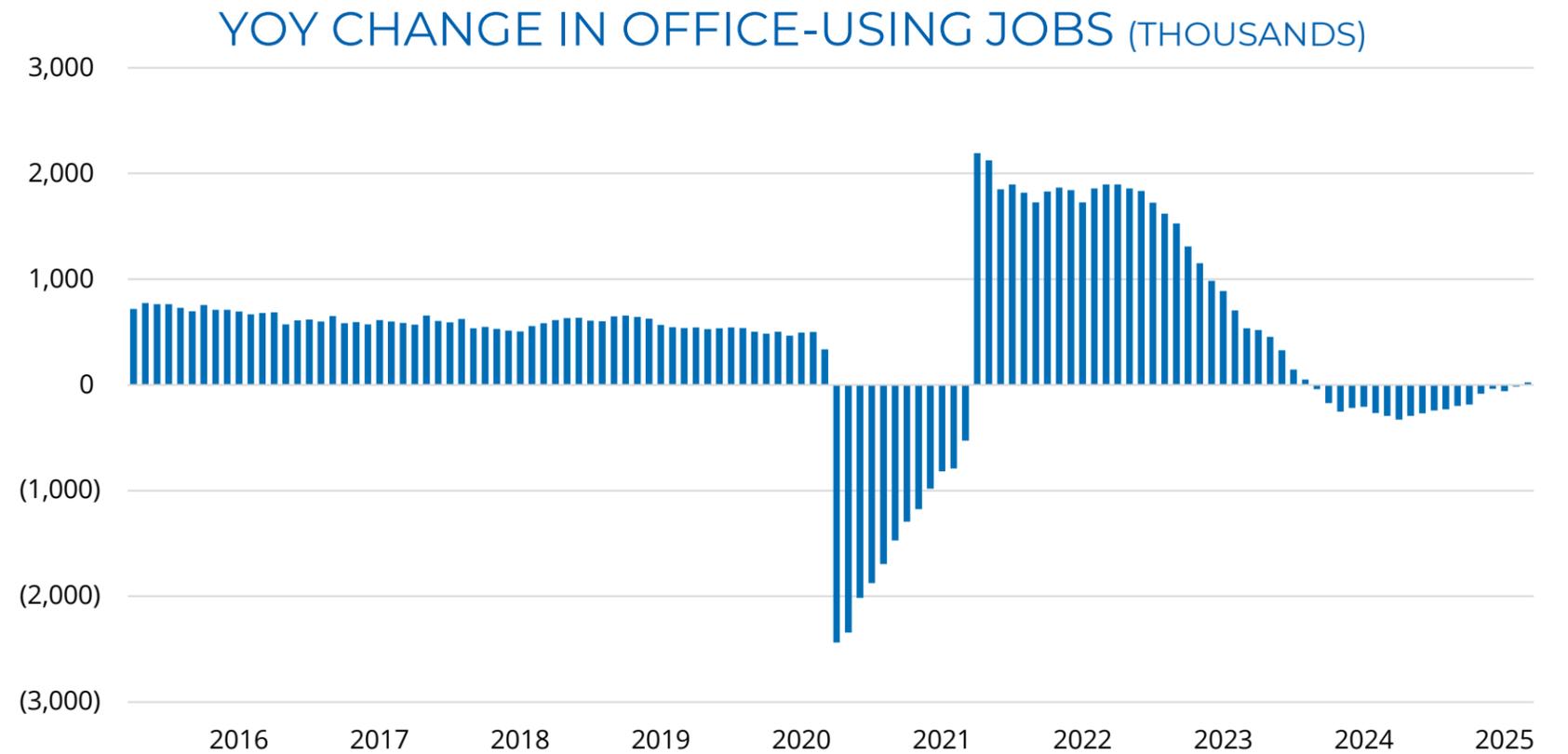
As office-using job growth softens, employers gain more leverage.



ECONOMIC HIGHLIGHTS

- The U.S. economy presents a mixed and complex picture, as the Trump administration’s approach to policy making has created uncertainty in the economy and therefore lowered confidence.
- After cutting by a total of 100 bps in the final four months of 2024, the Federal Reserve is on hold for interest rate reductions and is largely anticipated to remain that way until the second half of 2025.
- U.S. GDP grew by an annualized rate of 2.4% in Q4 2024, slightly lower than the initial reading due to a revision in imports. Forecasts for 2025 ranged between 1.5% and 2.0% with more downside than upside in the short term due to tariff-related tensions.
- In the wake of economic uncertainty, companies are pulling back on hiring. 25,000 office-using jobs were added YoY, an improvement compared to 2024 but is still well below the pre-pandemic average of 629,000.
- Healthy gains in the financial services sector were offset by sharp reductions in employment services (temporary help) YoY. Shifts in the temporary help services industry typically acts as a bellwether for the overall U.S. economy.
- Office-using job postings (companies looking to hire) are down 14% from the pre-pandemic average but are flat YoY as conditions normalized. Remote-friendly postings now account for 11.3% of the total—still well above the pre-pandemic level of 3.3%—as companies continue to enforce return-to-office policies while offering some flexibility.
- We expect oscillating conditions over the next several quarters as Trump’s policy changes fully play out in the economy.

HISTORICAL

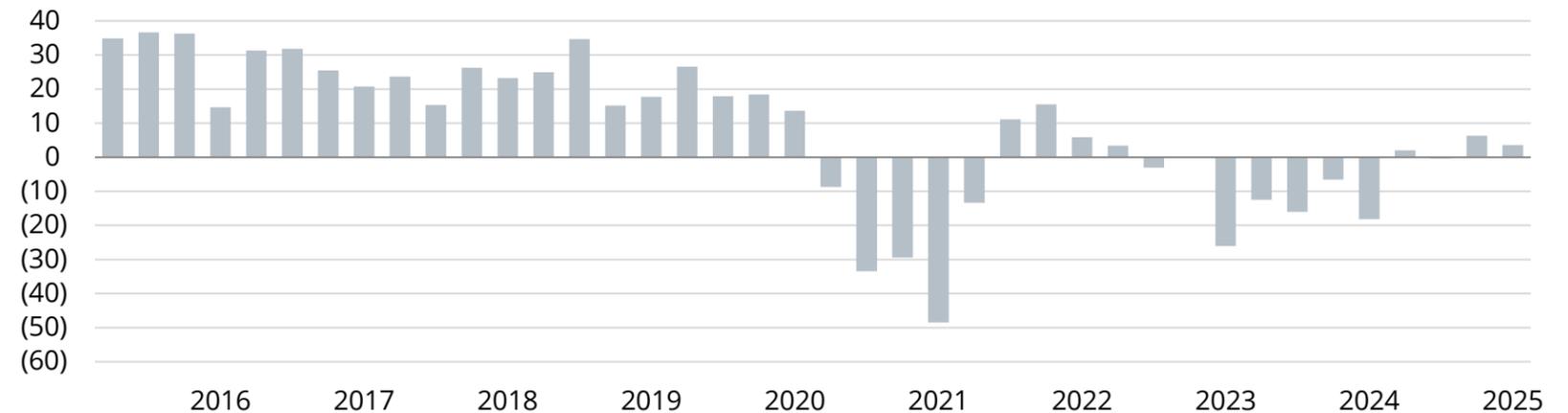


MARKET HIGHLIGHTS

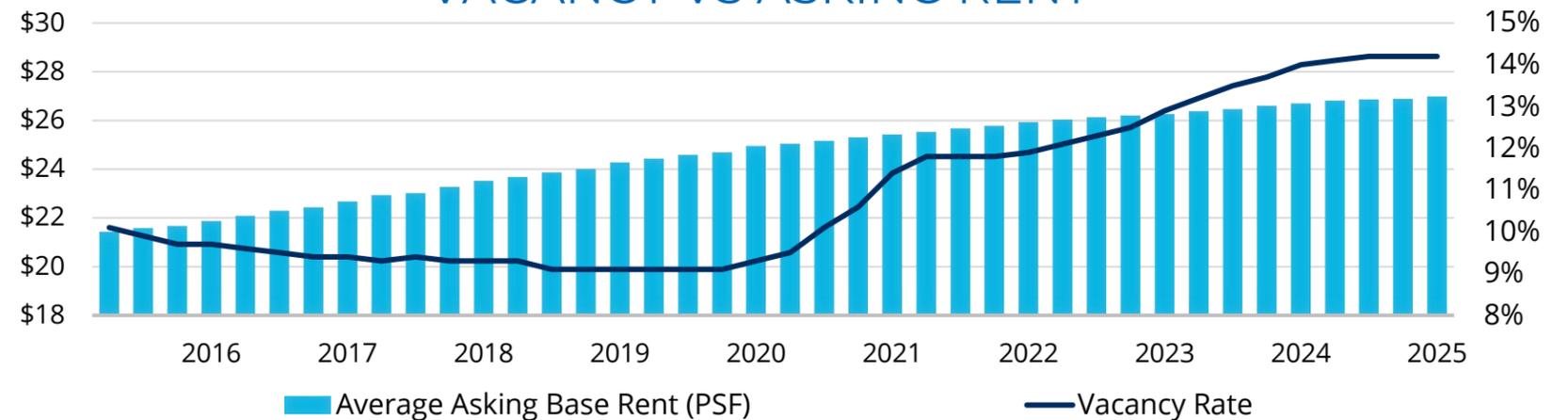
- Although the office market is showing signs of stabilization, this could be short-lived as economic uncertainty looms and companies pause decision making.
- Net absorption recorded positive 3.6 MSF during Q1, including direct and sublet space. The two biggest trends are tenant rightsizing as existing leases roll over and (meekly) positive office using job growth.
- Direct accounted for negative 2.2 MSF, which was offset by sublease at positive 5.8 MSF.
- 28 of 51 tracked markets registered positive net absorption, down from 34 markets the quarter prior.
- The overall vacancy rate has been stable at 14.2% since Q3 2024. We expect the rate to fluctuate in 2025, as a controlled pipeline helps offset potential leasing slowdowns driven by economic uncertainty.
- Landlords have held relatively firm on asking rents, with a 1.1% rise YoY. We expect generous concession packages to moderate over the next several quarters. In select markets, concessions have already moderated for top-tier product due to demand.
- Construction levels are down 26% YoY and 60% since the peak. Limited new construction has constrained options, leading to greater subleasing activity and interest in second-tier Class A space – a positive for the office market.
- Demolitions and conversion of obsolete office remain elevated and will likely continue throughout 2025, helping to balance supply/demand fundamentals.

HISTORICAL

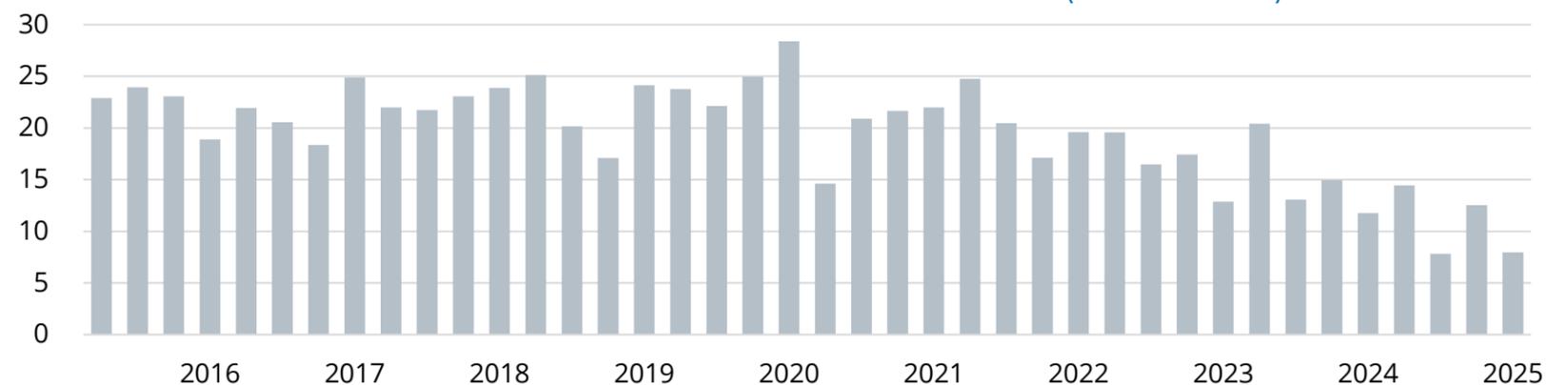
NET ABSORPTION (MILLION SF)



VACANCY VS ASKING RENT

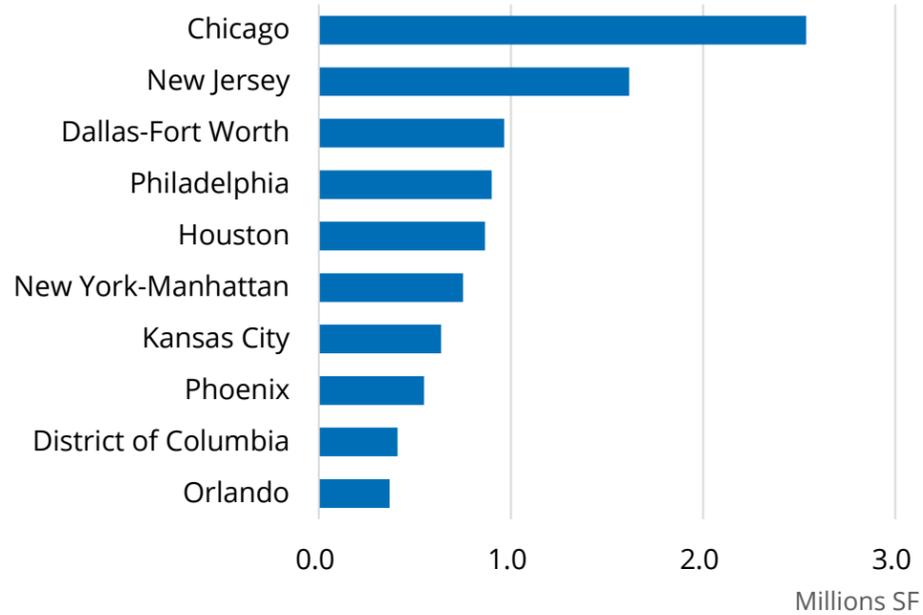


CONSTRUCTION – DELIVERED (MILLION SF)



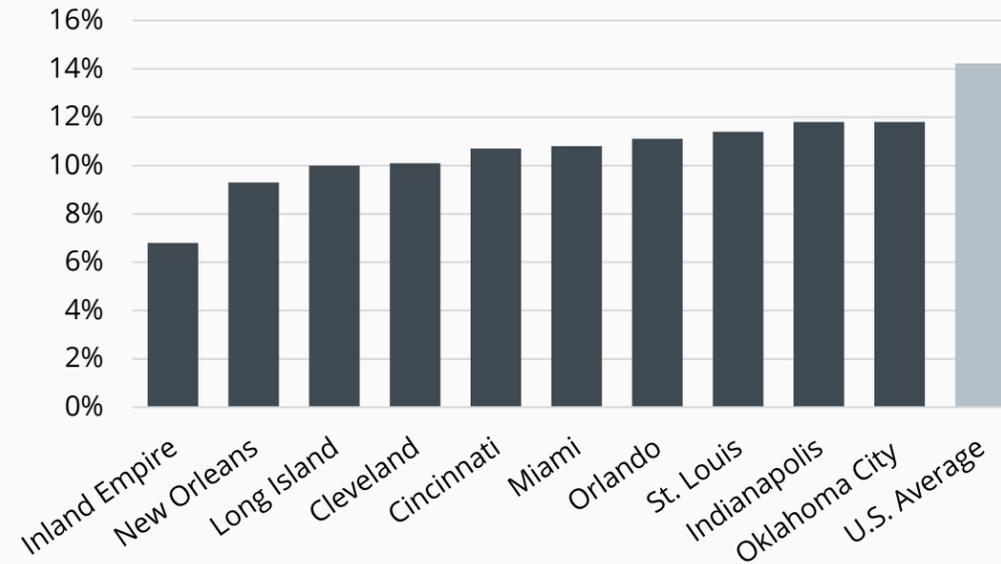
NET ABSORPTION

Q1 2025 Net Absorption



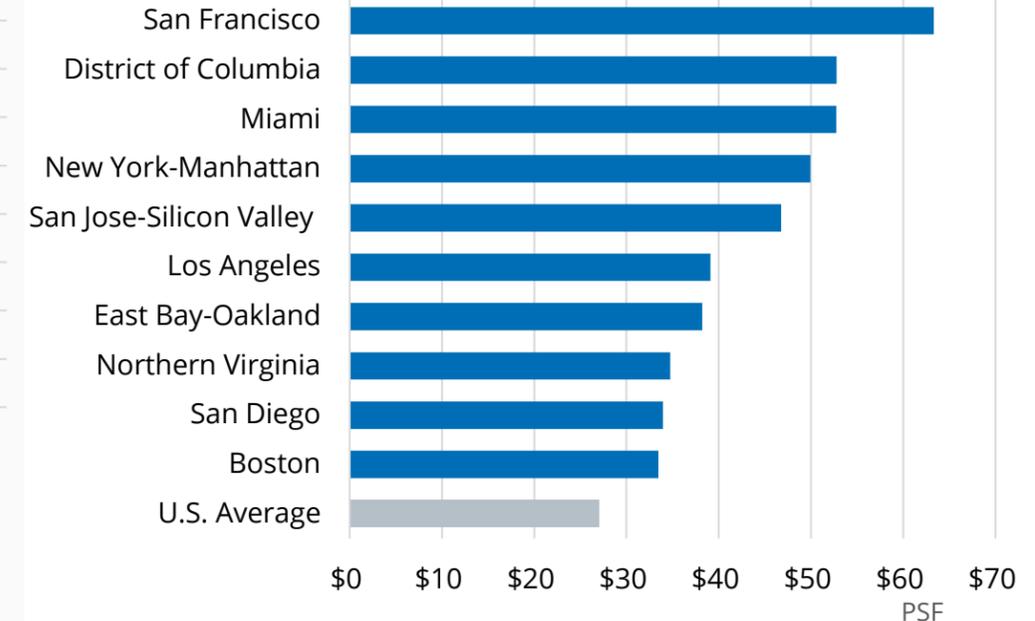
VACANCY/CONSTRUCTION

Q1 2025 Overall Vacancy Rate

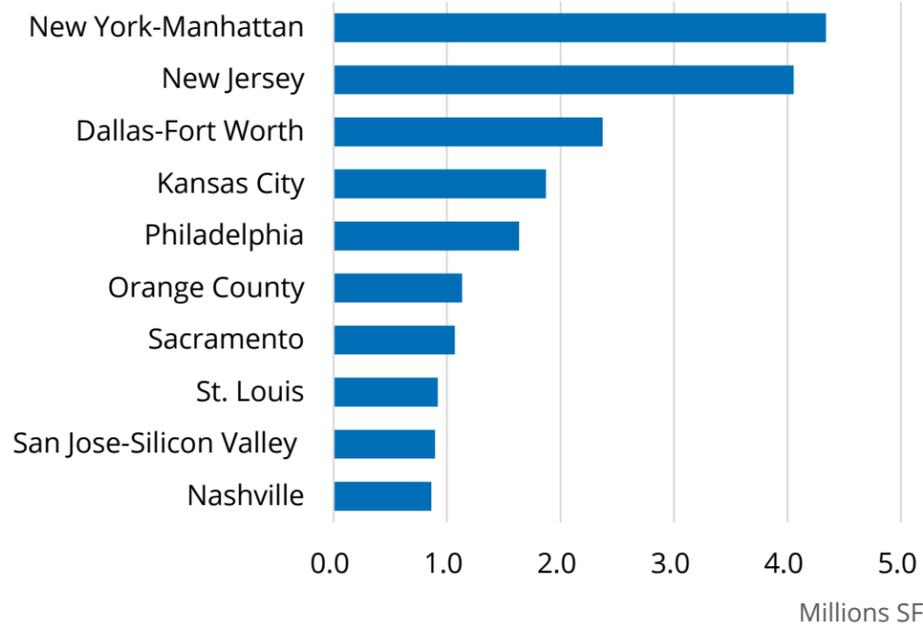


ASKING RENTS

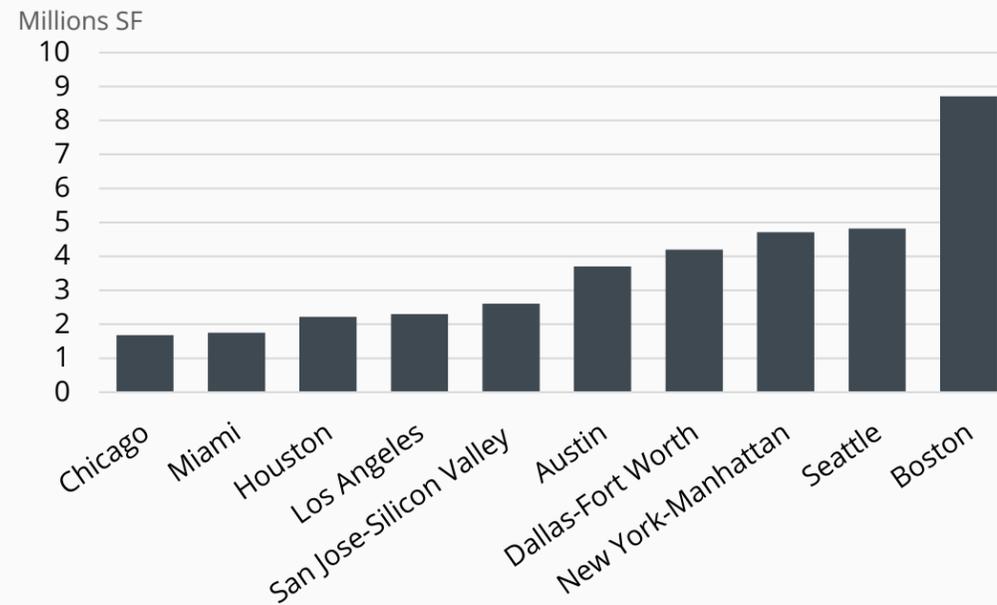
Q1 2025 Asking Rate (Base)



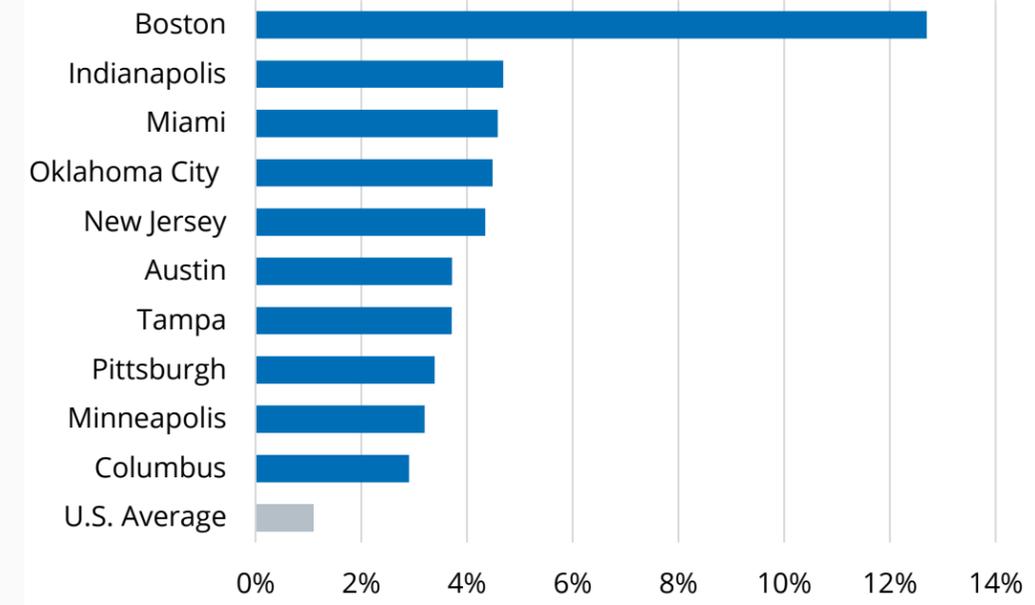
Trailing 4-Qtr Net Absorption



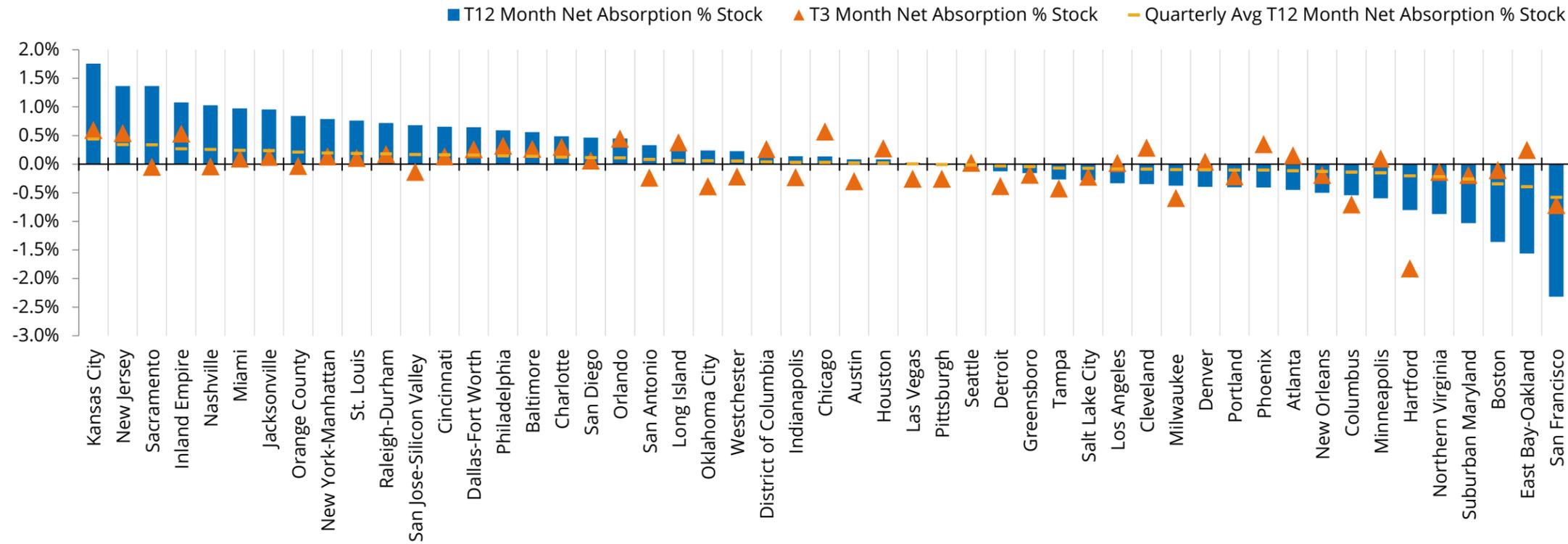
Q1 2025 Under Construction



Year-Over-Year Rent Growth

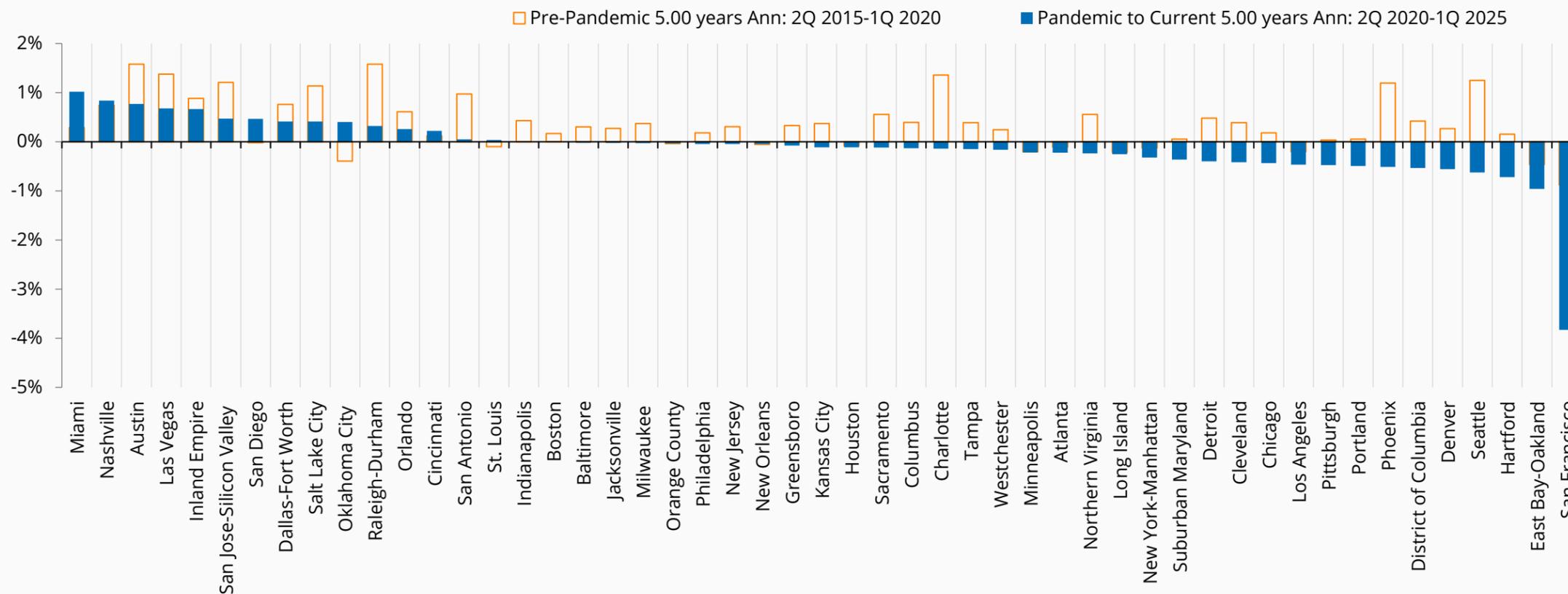


NET ABSORPTION % STOCK



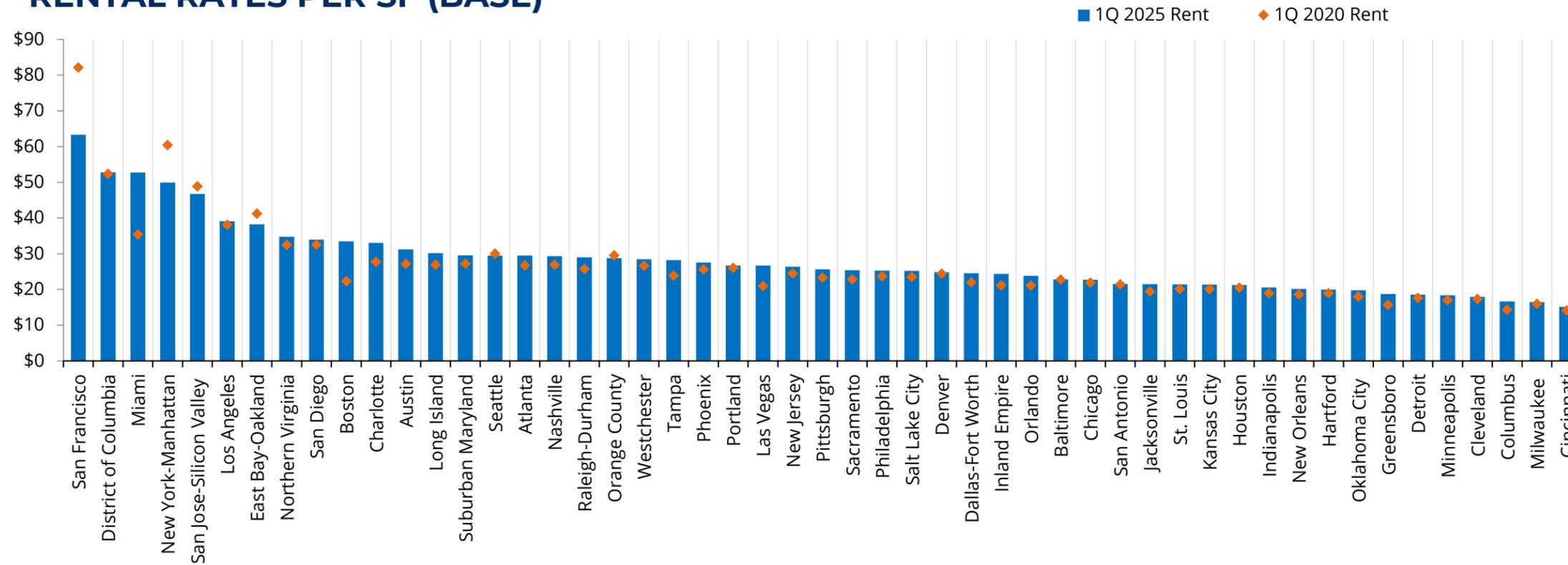
- 55% of tracked markets managed positive net absorption for the quarter and 57% for the trailing 12 months.
- Top markets for trailing 12-month net absorption that also saw positive net absorption for the quarter include New York–Manhattan, New Jersey, Dallas-Fort Worth, Kansas City, among others.
- 45% of markets’ quarterly net absorption improved during Q4 compared to their trailing 12-month quarterly average net absorption.

NET ABSORPTION % STOCK: PRE-PANDEMIC vs PANDEMIC to CURRENT



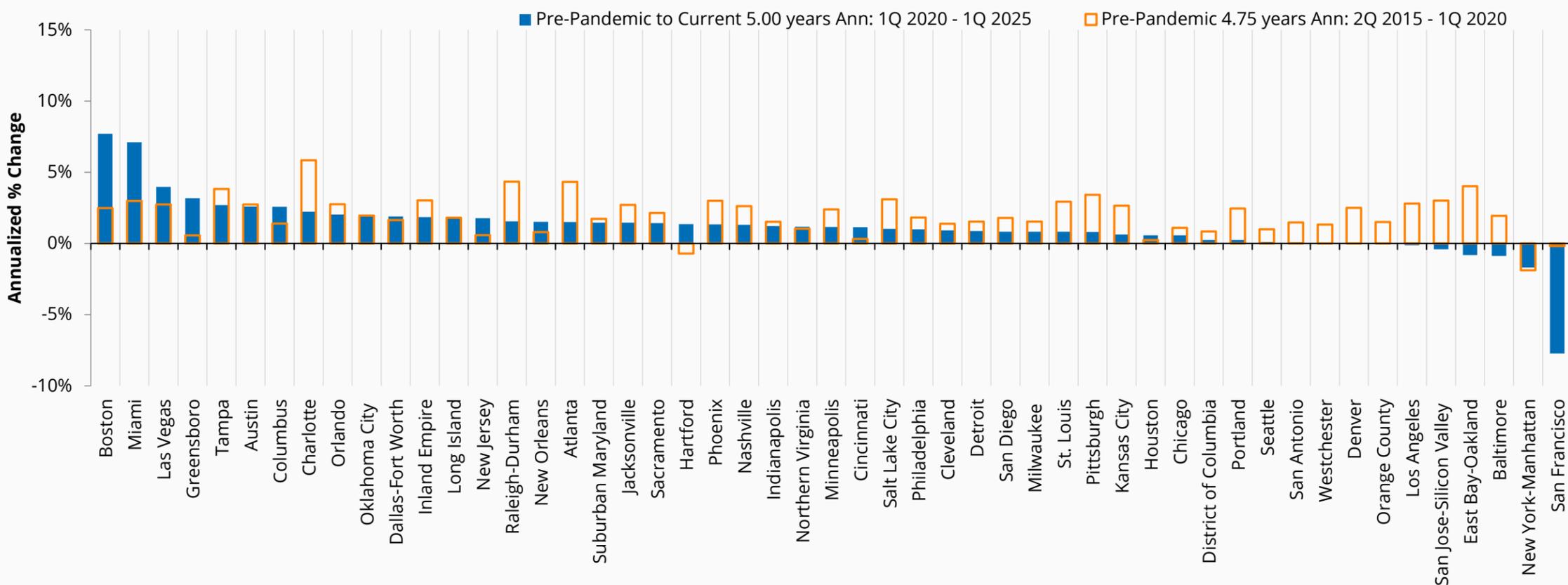
- This graph compares net absorption as a percent of stock annualized for the 5.00 years preceding the start of the pandemic to the 5.00 years since the pandemic began.
- Top markets experiencing expansion since the pandemic include Miami, Nashville, Austin, and Las Vegas.
- Of these expansionary markets, a good handful saw positive net absorption over the past year. The top markets include Dallas-Fort Worth, Nashville, and Miami.

RENTAL RATES PER SF (BASE)



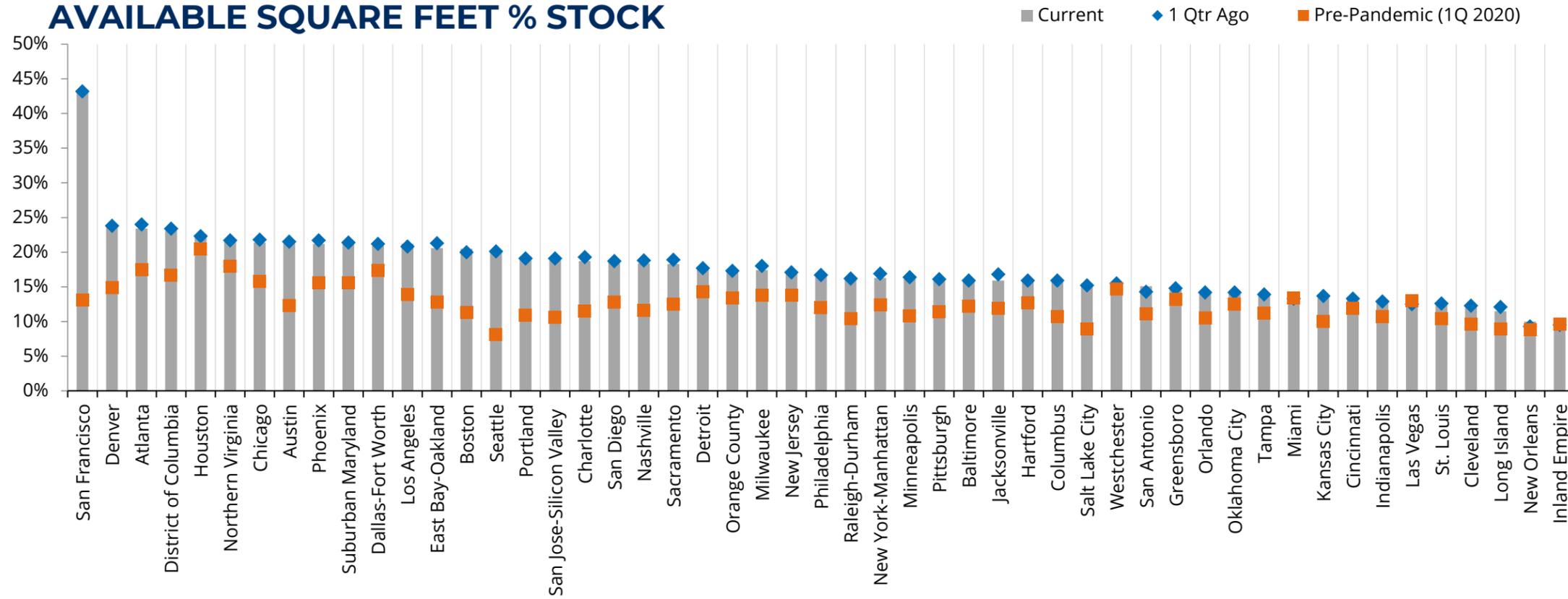
- The largest, densest, and most developed markets have historically commanded significantly higher rental rates, yet shifts in the office market have diminished these markets' lead.
- Since the beginning of the pandemic, the two historically most expensive markets, San Francisco and New York, have experienced the largest declines in rental rates. Miami has outperformed with a sharp rise in rents by 48.7% compared to the pre-pandemic rate.

RENTAL RATE CHANGE: PRE-PANDEMIC vs PRE-PANDEMIC to CURRENT



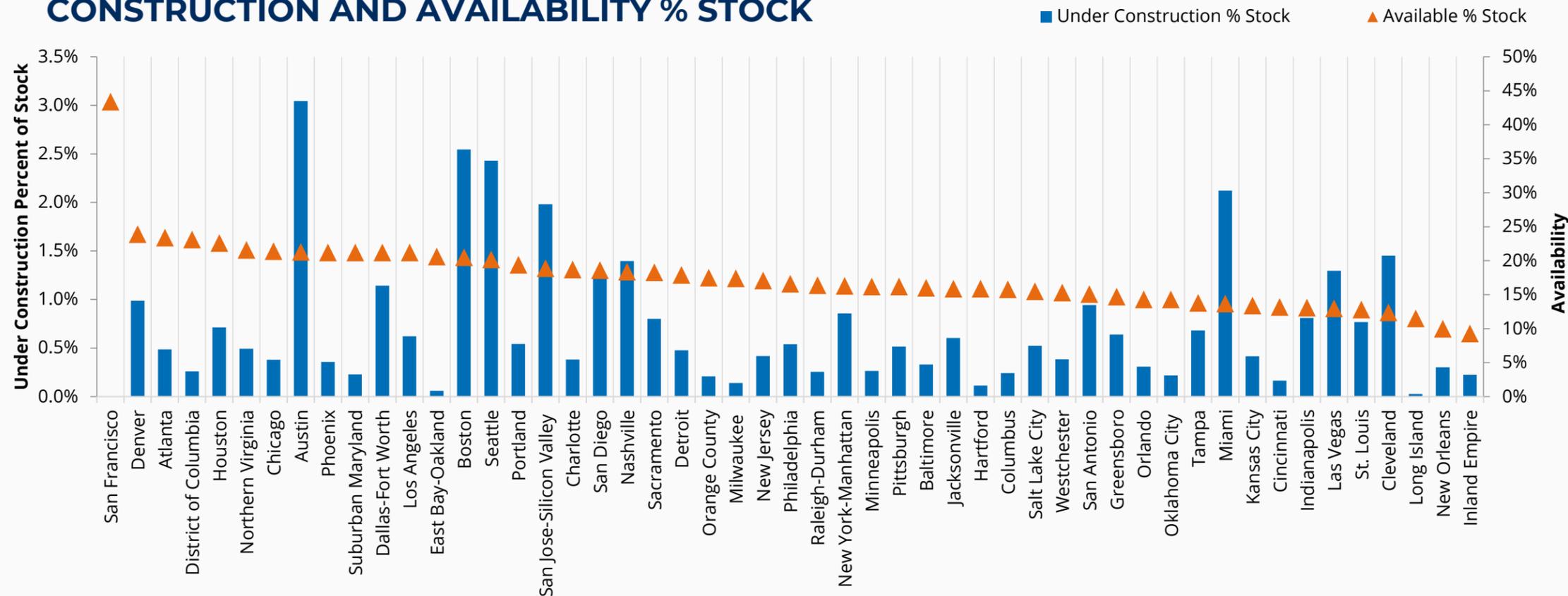
- Demand for space has yet to return to pre-pandemic levels in most markets but is starting to gain traction.
- Concessions remain high but moderating, particularly for quality space or for landlords under financial pressure.
- Some markets have fared relatively better than others:
 - Boston, Miami, Las Vegas, Greensboro, Tampa, and Austin have had the highest rental rate growth since the start of the pandemic.
 - Markets that experienced the most relative lift compared to pre-pandemic rental rate growth include Boston, Miami, Greensboro, and Hartford.

AVAILABLE SQUARE FEET % STOCK



- In this graph, the softening of demand is illustrated by heightened availability rates shown in all tracked markets. The availability rate can be a predictor of future market conditions.
- Markets with the largest reduction in availability over the past quarter include Jacksonville, Atlanta, New York – Manhattan, Charlotte, and Sacramento.
- Although 53% of markets stayed constant or saw improvement from the previous quarter, this could soon shift given the rising economic uncertainty.

CONSTRUCTION AND AVAILABILITY % STOCK



- The percentage of stock under construction is indicative of future market expansion. When combined with the percentage of stock available, it can be an indication of whether a market is likely to tighten or soften.
- Markets with particularly high under construction and high availability as a percent of stock include Austin, Boston, Seattle, San Diego, and Nashville.
- Future vacancy will depend on how demand matches supply and at what rate this demand absorbs unleased space.

Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent Base	Annual Rent Change	Under Construction
Atlanta	237,130,319	21.5%	20.1%	360,948	(1,070,604)	\$29.48	-0.3%	1,152,562
Austin	121,750,901	18.4%	16.1%	(358,103)	101,129	\$31.22	3.7%	3,707,235
Baltimore	119,935,365	14.1%	13.4%	325,594	670,763	\$22.81	0.5%	397,564
Boston	342,412,477	15.5%	13.0%	(348,244)	(4,662,137)	\$33.46	12.7%	8,713,675
Charlotte	100,106,129	18.6%	16.5%	305,866	488,512	\$33.05	1.0%	382,543
Chicago	443,476,589	18.1%	17.4%	2,536,590	591,641	\$22.73	0.7%	1,679,169
Cincinnati	78,522,578	10.7%	9.9%	109,273	514,422	\$15.10	0.5%	129,700
Cleveland	89,340,151	10.1%	10.1%	258,407	(312,439)	\$17.92	-0.2%	1,296,000
Columbus	89,302,515	12.8%	11.1%	(625,650)	(485,585)	\$16.63	2.9%	216,328
Dallas-Fort Worth	367,555,786	20.0%	18.4%	964,846	2,371,649	\$24.56	0.9%	4,198,987
Denver	163,191,225	19.4%	17.6%	75,404	(925,018)	\$24.83	0.1%	1,610,840
Detroit	161,351,197	14.2%	13.0%	(616,013)	(204,200)	\$18.52	0.2%	768,485
District of Columbia	153,761,096	18.2%	17.3%	409,094	246,024	\$52.79	0.3%	400,000
East Bay-Oakland	93,099,624	18.6%	16.2%	232,984	(1,454,571)	\$38.22	-2.1%	56,176
Greensboro	24,094,177	12.1%	11.4%	(43,791)	(37,502)	\$18.72	-1.7%	154,234
Hartford	54,282,073	14.1%	13.0%	(989,036)	(436,028)	\$19.94	1.4%	61,700
Houston	312,239,795	21.7%	20.7%	864,528	257,656	\$21.26	1.6%	2,222,075
Indianapolis	85,856,929	11.8%	11.1%	(193,468)	117,966	\$20.56	4.7%	695,800
Inland Empire	50,014,417	6.8%	6.5%	268,551	539,527	\$24.34	0.4%	112,249
Jacksonville	49,456,794	13.3%	11.7%	64,382	473,191	\$21.48	-0.7%	298,500
Kansas City	106,414,543	12.2%	11.4%	636,985	1,870,692	\$21.38	1.8%	440,654
Las Vegas	49,728,566	12.1%	11.5%	(126,121)	13,430	\$26.68	2.3%	644,524
Long Island	76,481,412	10.0%	8.5%	291,904	191,848	\$30.17	1.9%	20,450
Los Angeles	370,132,231	18.3%	16.4%	74,446	(1,241,152)	\$39.09	-0.9%	2,303,935
Miami	82,567,314	10.8%	10.1%	82,768	805,743	\$52.73	4.6%	1,751,268

Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent Base	Annual Rent Change	Under Construction
Milwaukee	67,050,540	13.4%	13.2%	(396,469)	(253,500)	\$16.49	1.8%	94,000
Minneapolis	174,140,599	12.9%	11.8%	174,977	(1,043,871)	\$18.38	3.2%	460,543
Nashville	83,846,772	15.4%	13.1%	(29,812)	862,621	\$29.28	0.8%	1,170,729
New Jersey	296,684,749	13.2%	11.7%	1,615,243	4,054,772	\$26.39	4.3%	1,236,974
New Orleans	40,991,101	9.3%	8.8%	(76,706)	(205,760)	\$20.14	0.5%	123,941
New York-Manhattan	550,146,717	15.6%	13.7%	750,693	4,340,576	\$49.94	-3.6%	4,710,888
Northern Virginia	200,635,673	19.9%	19.1%	(266,287)	(1,748,939)	\$34.73	2.3%	989,992
Oklahoma City	52,809,719	11.8%	11.6%	(203,794)	125,429	\$19.79	4.5%	115,000
Orange County	134,725,381	13.8%	12.4%	(40,110)	1,133,958	\$28.79	-1.1%	281,954
Orlando	82,070,952	11.1%	9.7%	368,292	367,696	\$23.80	-0.5%	253,074
Philadelphia	276,716,031	12.4%	11.0%	898,995	1,635,183	\$25.26	0.6%	1,491,213
Phoenix	156,466,523	19.8%	16.4%	546,870	(641,279)	\$27.53	-0.1%	559,216
Pittsburgh	114,588,170	14.0%	13.2%	(289,897)	(19,805)	\$25.61	3.4%	590,000
Portland	94,505,493	16.7%	15.5%	(200,008)	(382,222)	\$26.69	-1.8%	512,000
Raleigh-Durham	98,256,870	12.7%	10.9%	172,646	707,737	\$28.98	-1.1%	250,727
Sacramento	78,325,606	14.8%	14.4%	(33,389)	1,068,388	\$25.37	1.7%	626,889
Salt Lake City	70,596,141	12.2%	10.5%	(154,695)	(200,937)	\$25.20	1.3%	370,157
San Antonio	60,665,522	12.8%	12.1%	22,351	57,025	\$21.24	0.3%	1,030,642
San Diego	100,686,224	14.0%	13.2%	64,221	466,630	\$33.95	-0.1%	1,258,151
San Francisco	86,041,589	36.7%	31.2%	(613,787)	(1,993,656)	\$63.32	-2.6%	0
San Jose-Silicon Valley	131,260,561	16.6%	13.6%	(176,924)	894,159	\$46.77	-2.2%	2,601,662
Seattle	198,277,563	18.5%	16.2%	50,891	(102,127)	\$29.51	-5.4%	4,820,133
St. Louis	120,733,346	11.4%	11.0%	135,803	919,225	\$21.45	0.2%	925,866
Suburban Maryland	101,091,812	18.6%	17.7%	(189,654)	(1,043,385)	\$29.54	1.9%	231,500
Tampa	92,985,240	12.4%	11.1%	(394,565)	(248,994)	\$28.20	3.7%	633,809
Westchester	156,490,885	13.4%	12.6%	(336,548)	354,267	\$28.43	-1.9%	601,640



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ABOUT THE TRANSWESTERN COMPANIES

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at transwestern.com and [@Transwestern](https://twitter.com/Transwestern).

RESEARCH METHODOLOGY

The information in this report is a compilation of single and multi-tenant office properties located in select U.S. metropolitan areas. Medical offices and government-owned buildings are excluded from analysis. All rents are reported as base, which are rents reflected irrespective of service type (Full Service, Plus Electric, etc.).