

COMMERCIAL REAL ESTATE

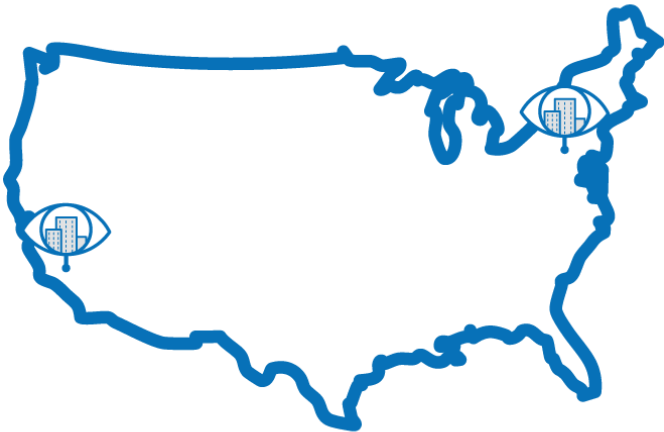
U.S. MARKET | Office



THE VIEW FROM HERE



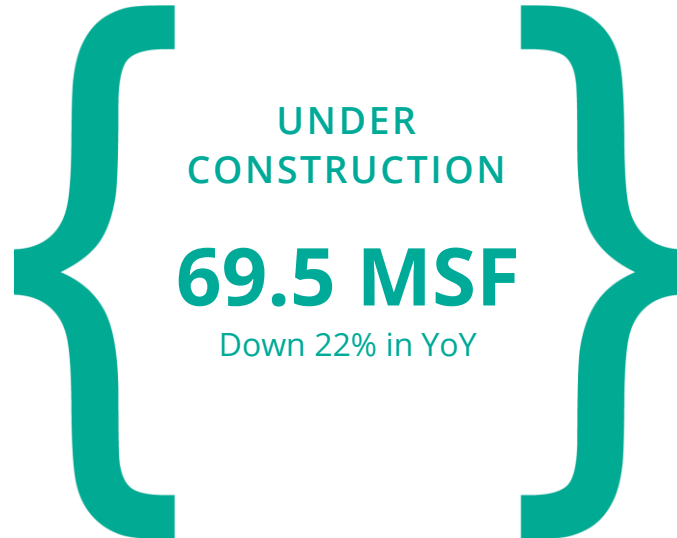
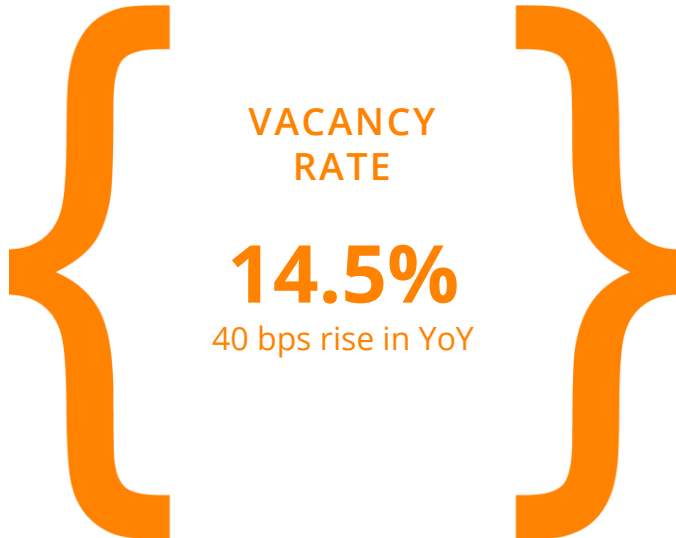
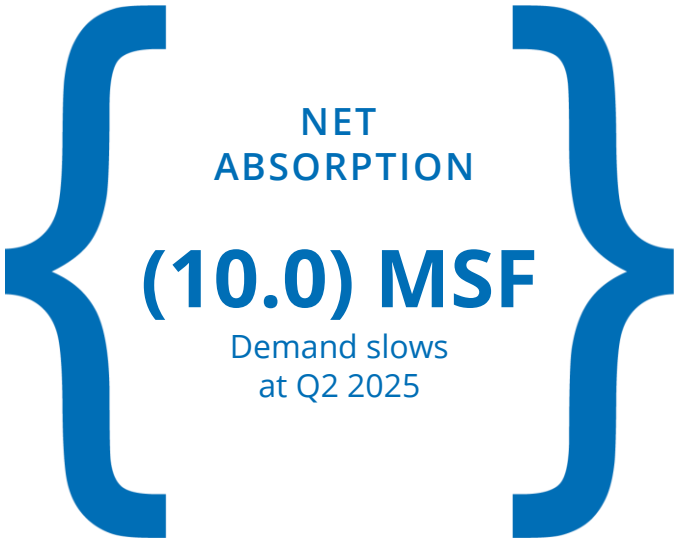
Economic cracks surfacing in office-using employment.



Watch San Francisco and New York markets for swifter recovery.



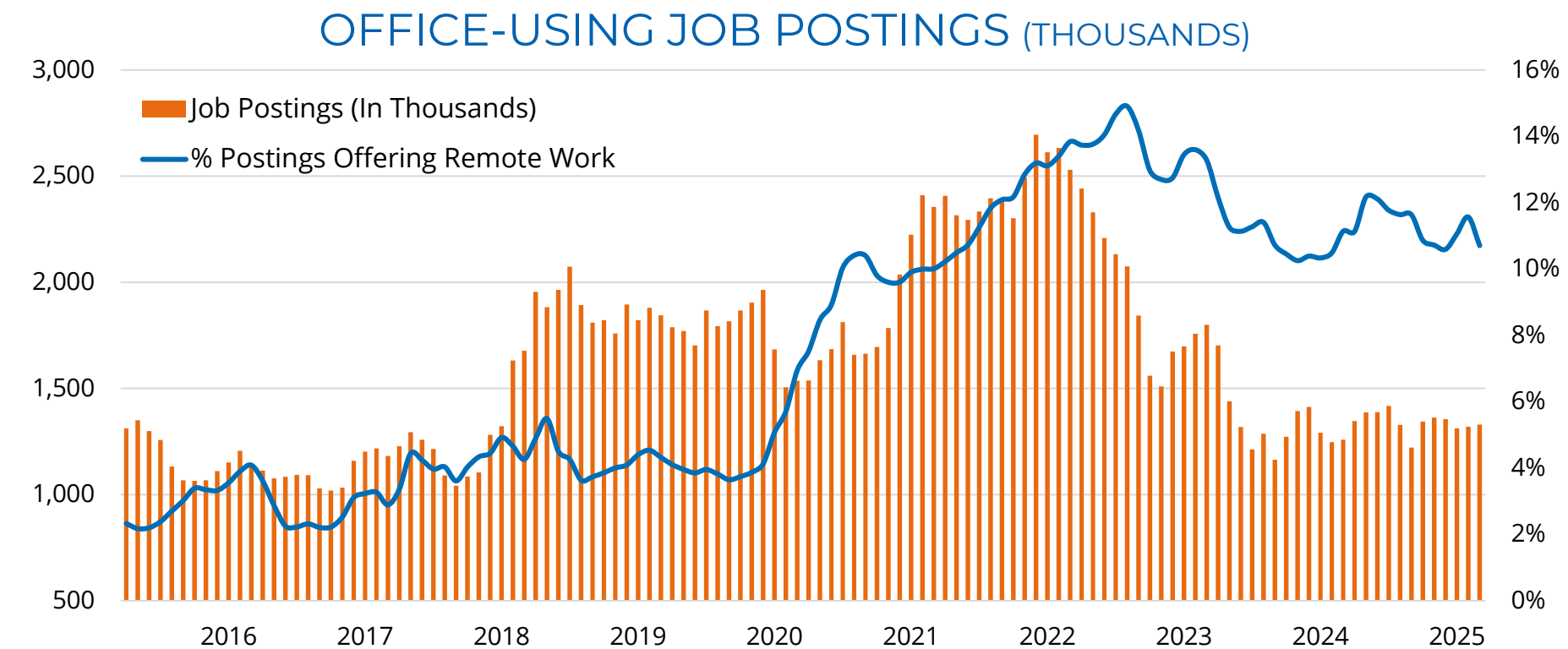
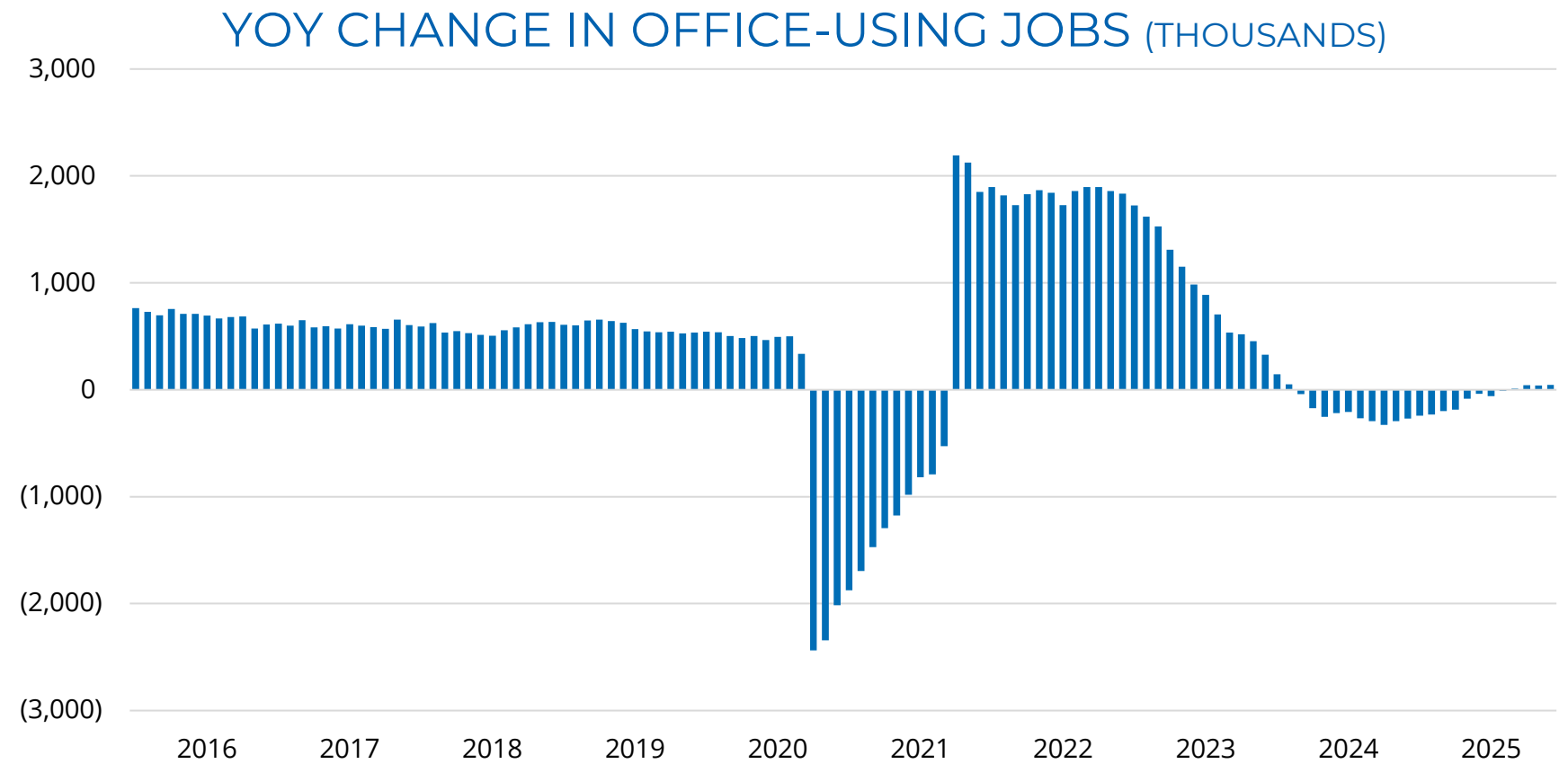
Strong sublease demand is a leading indicator of market recovery.



ECONOMIC HIGHLIGHTS

- While initial concerns have subsided, tariffs continue to drive economic uncertainty.
- 2025 first half average GDP growth of about 1.1% included Q2 growth of 3.0%, due to import volatility associated with tariffs, following Q1 GDP which contracted 0.5% for the same reason.
- Below-trend GDP in 2025 is expected before rebounding in 2026 as one-time tariff impacts sort through the economy in the near term, then fall out of the numbers.
- The FOMC maintained its target funds rate at 4.25-4.50%, citing tariffs as a key factor in its hesitancy to lower rates.
- Job growth was lackluster and trended slowly down in the first two quarters, CPI inflation was 2.7% YoY in June and private industry wage growth declined to 3.7%, all of which are supportive of Fed rate cuts.
- 47,000 office-using jobs were added YoY, an improvement compared to 2024 but is still well below the pre-pandemic average of 629,000.
- During Q2, healthy gains were seen in financial, architecture/engineering, and law firms. These gains were offset by cuts in insurance, tech, and advertising.
- Office-using job postings (companies looking to hire) are down 7% from the pre-pandemic average. Remote-friendly postings now account for 10.7% of the total—as companies continue to enforce return-to-office policies while offering some flexibility.
- We expect oscillating conditions in the near-term. Employment data is getting revised downward, an indication of cracks in the labor market.

HISTORICAL

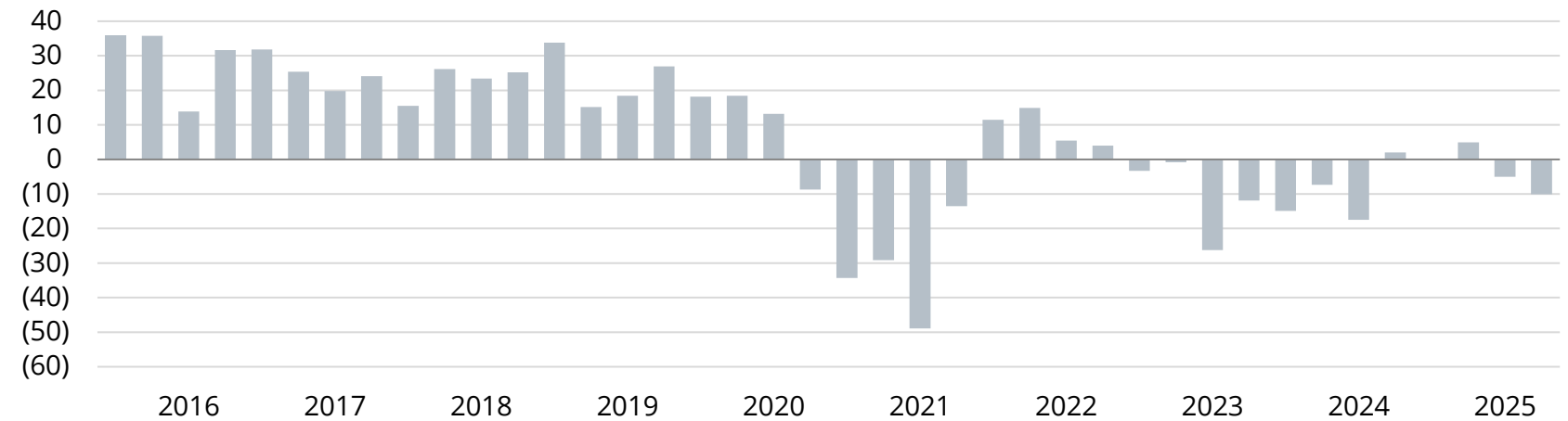


MARKET HIGHLIGHTS

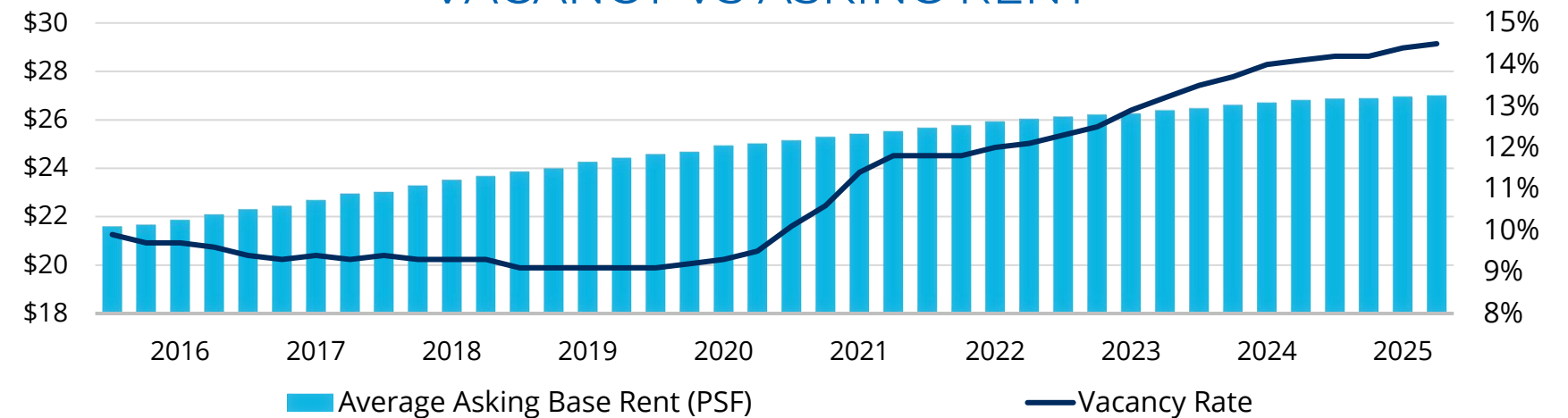
- The office market contracted during Q2, as economic uncertainty pressured companies to pause lease decisions.
- Net absorption recorded negative 10.0 MSF during Q2, including direct and sublet space. Direct accounted for negative 12.8 MSF, which was offset by sublease at positive 2.8 MSF.
- Notable subleases that helped boost absorption this quarter include Zscaler, a cyber security company, subleased 301,000 SF in Santa Clara that was previously leased but never occupied by Airbnb. BNY Mellon subleased nearly 200,000 SF at One World Trade Center, taking over space from Conde Nast.
- 20 of 51 tracked markets registered positive net absorption, down from 28 markets the quarter prior.
- The overall vacancy rate increased 10 basis points during the quarter to 14.5% and is up 40 basis points year over year.
- The vacancy rate should fluctuate in 2025 driven by economic uncertainty. Better buildings in better submarkets will continue to outperform the overall market average.
- Asking rents decelerated to a 0.7% rise YoY. Generous concession packages are moderating, with select landlords unable to perform due to financial pressures.
- Construction levels are down 22% YoY, which has constrained options, particularly for top-tier space.
- Demolitions and conversion of obsolete office remain elevated and will likely continue throughout 2025, helping to balance supply/demand fundamentals.

HISTORICAL

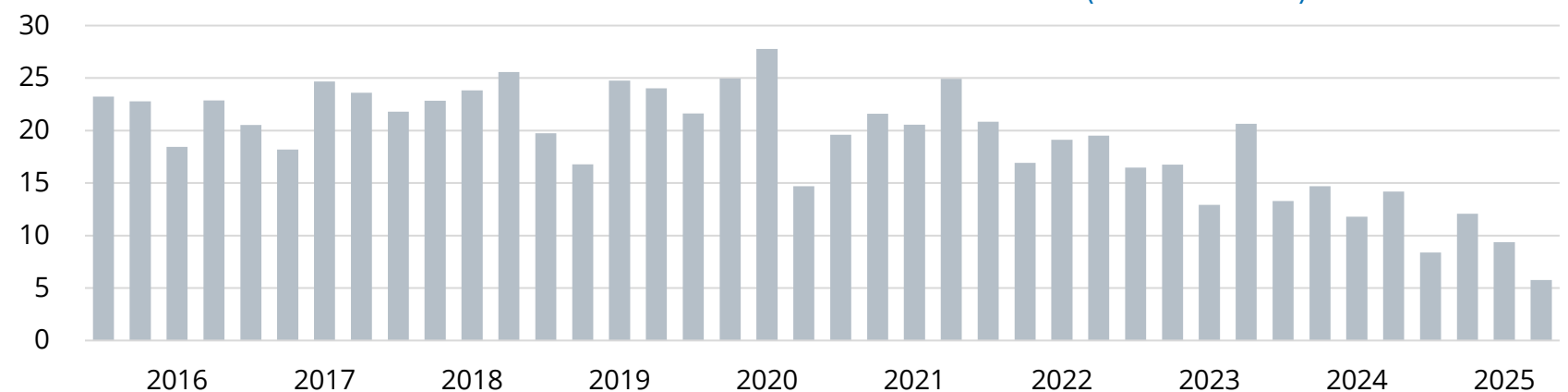
NET ABSORPTION (MILLION SF)



VACANCY VS ASKING RENT

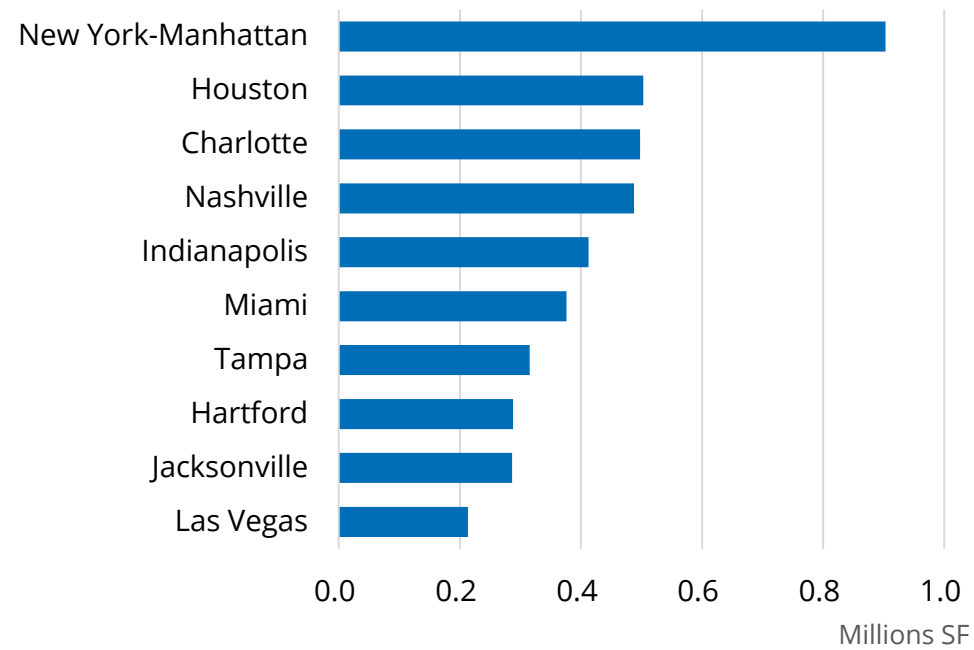


CONSTRUCTION – DELIVERED (MILLION SF)



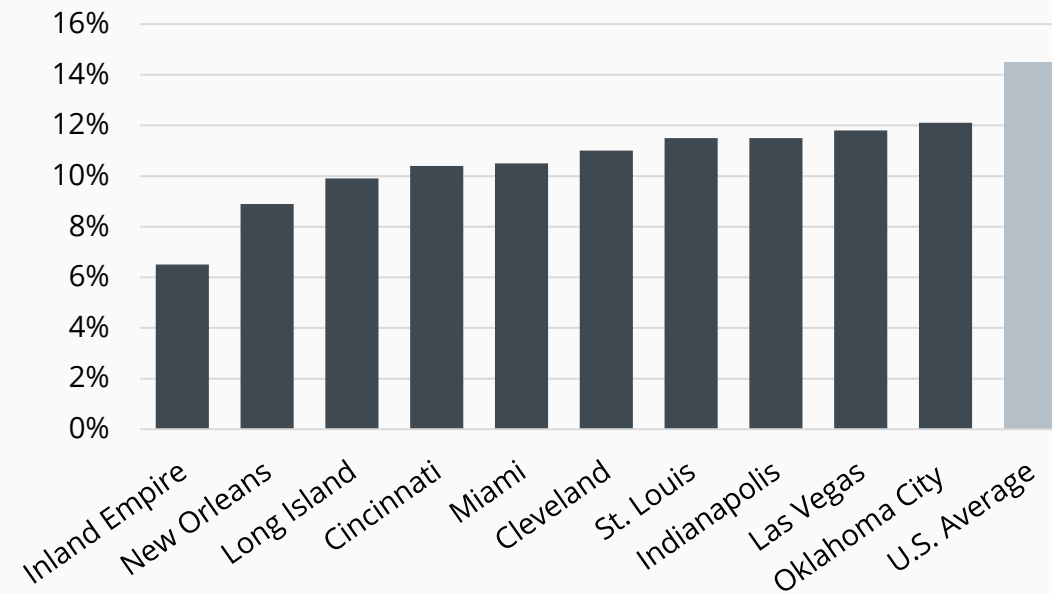
NET ABSORPTION

Q2 2025 Net Absorption



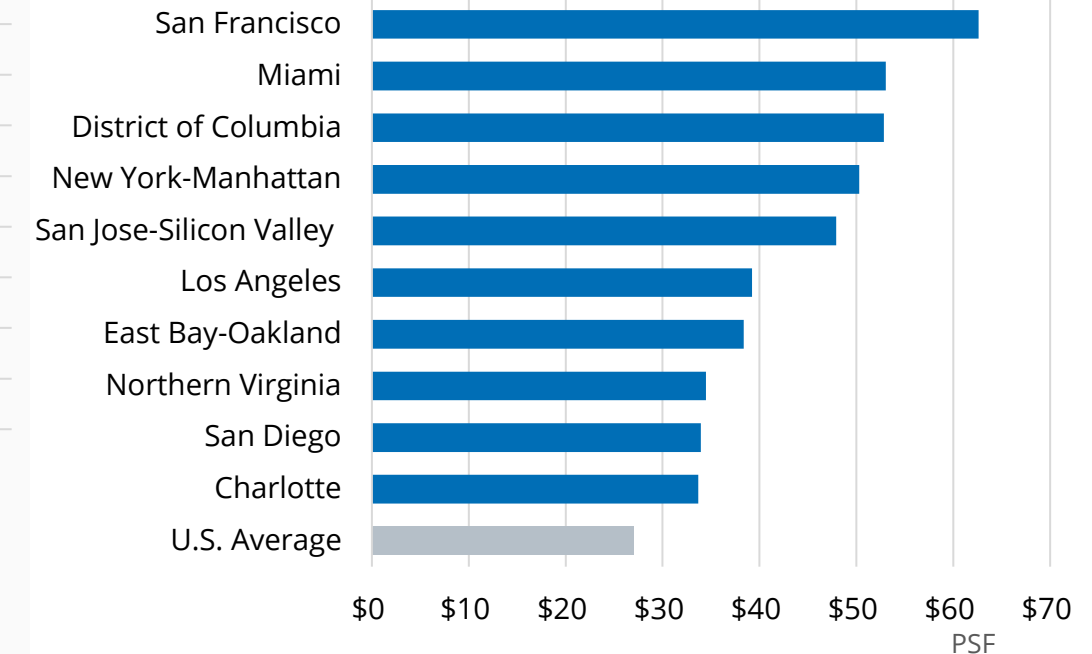
VACANCY/CONSTRUCTION

Q2 2025 Overall Vacancy Rate

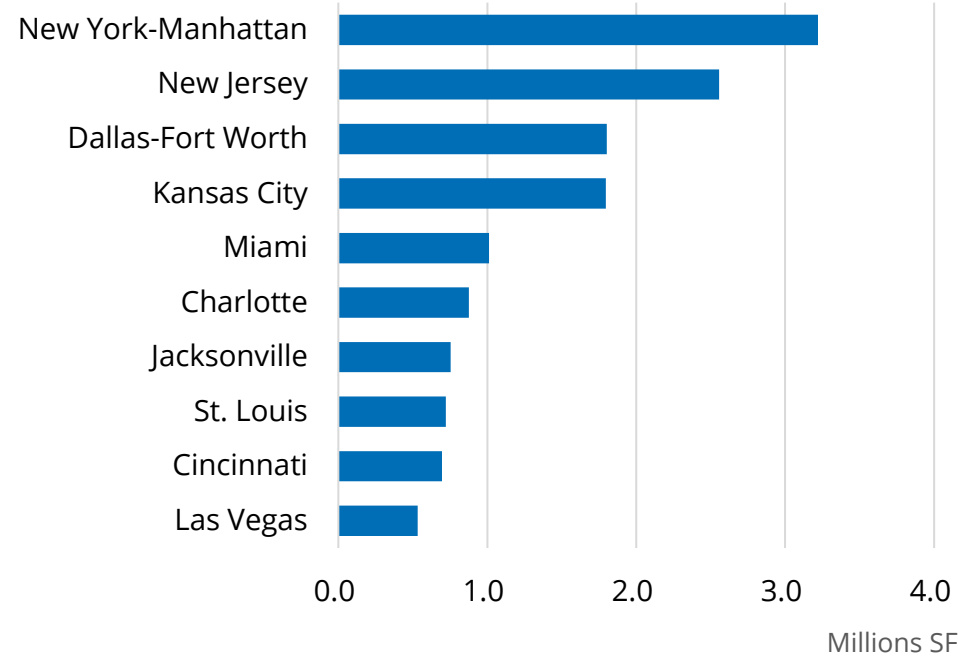


ASKING RENTS

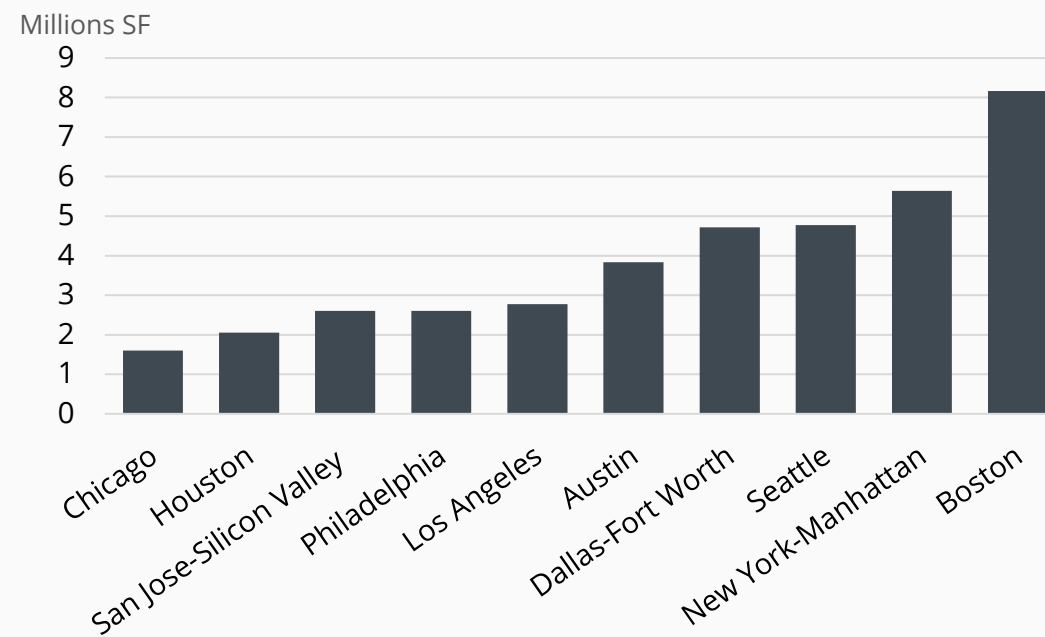
Q2 2025 Asking Rate (Base)



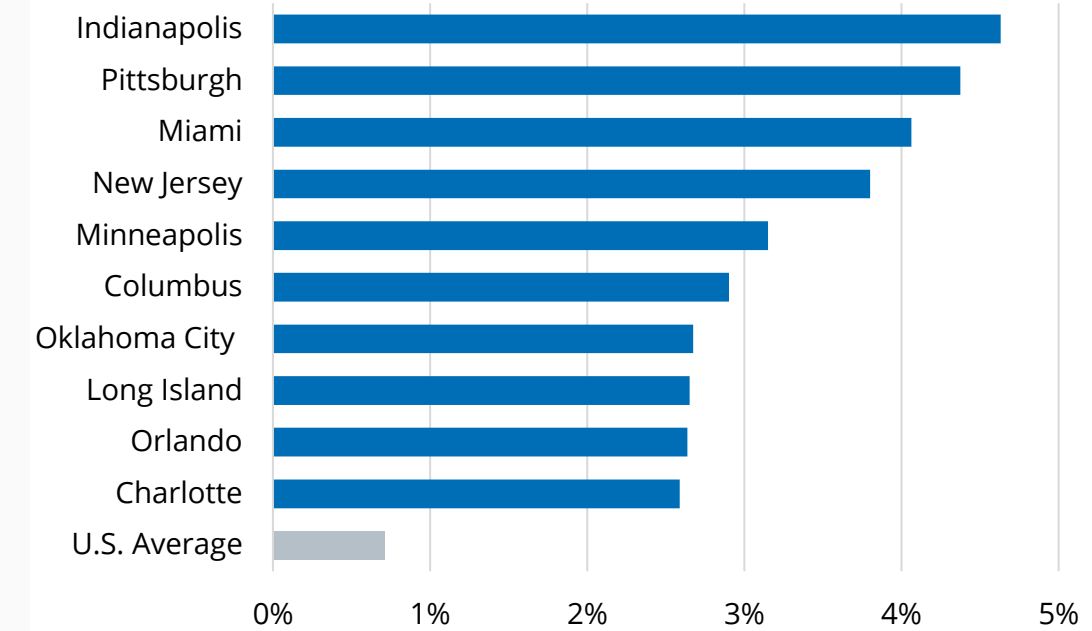
Trailing 4-Qtr Net Absorption



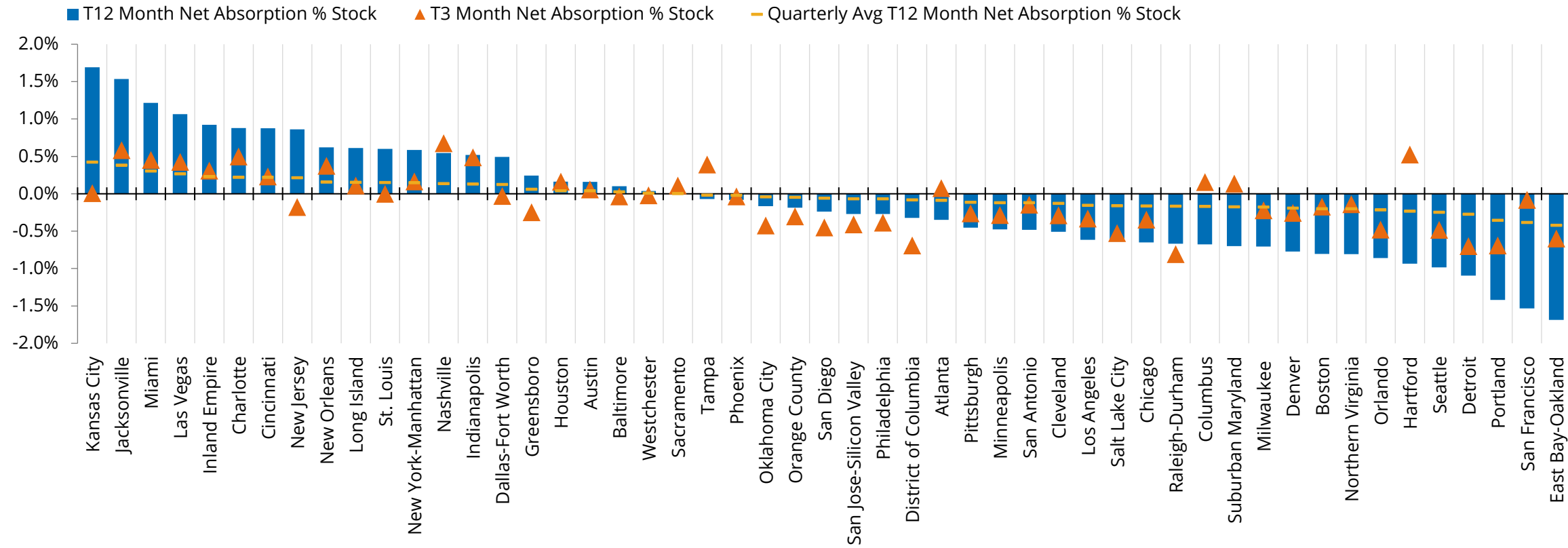
Q2 2025 Under Construction



Year-Over-Year Rent Growth

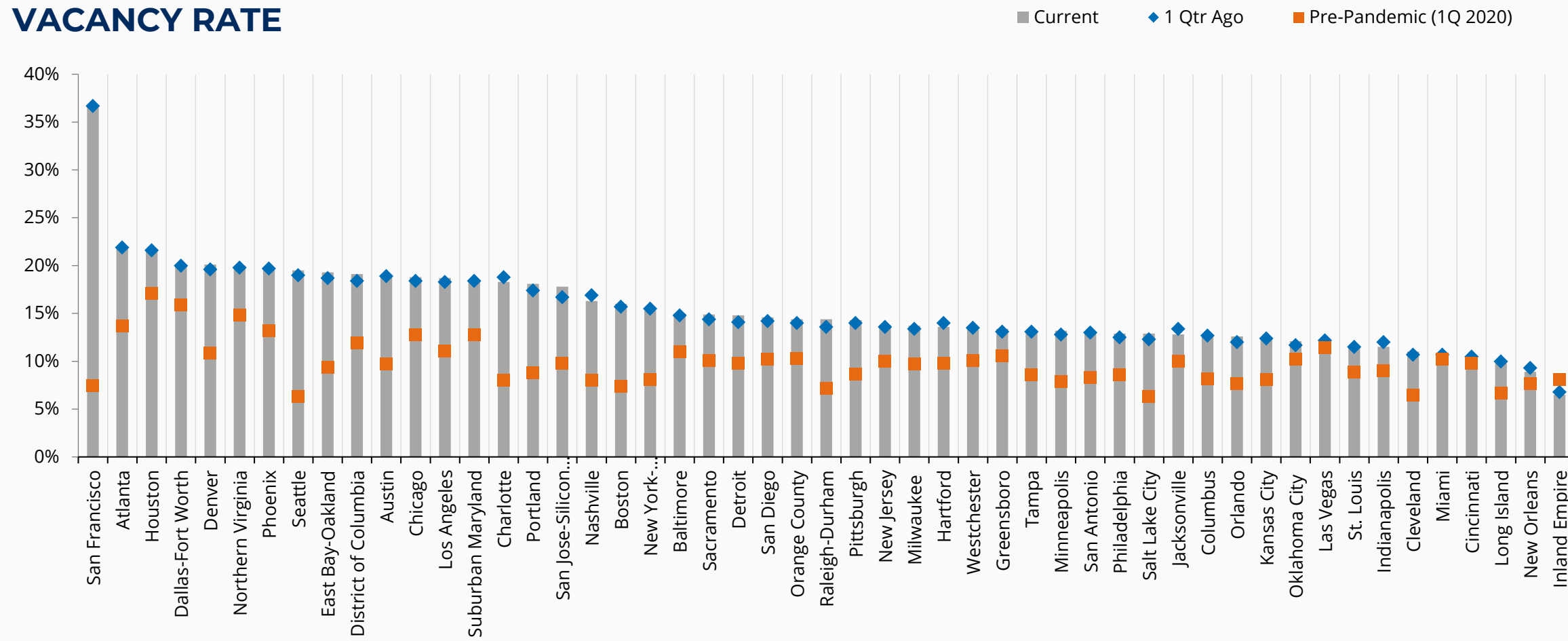


NET ABSORPTION % STOCK



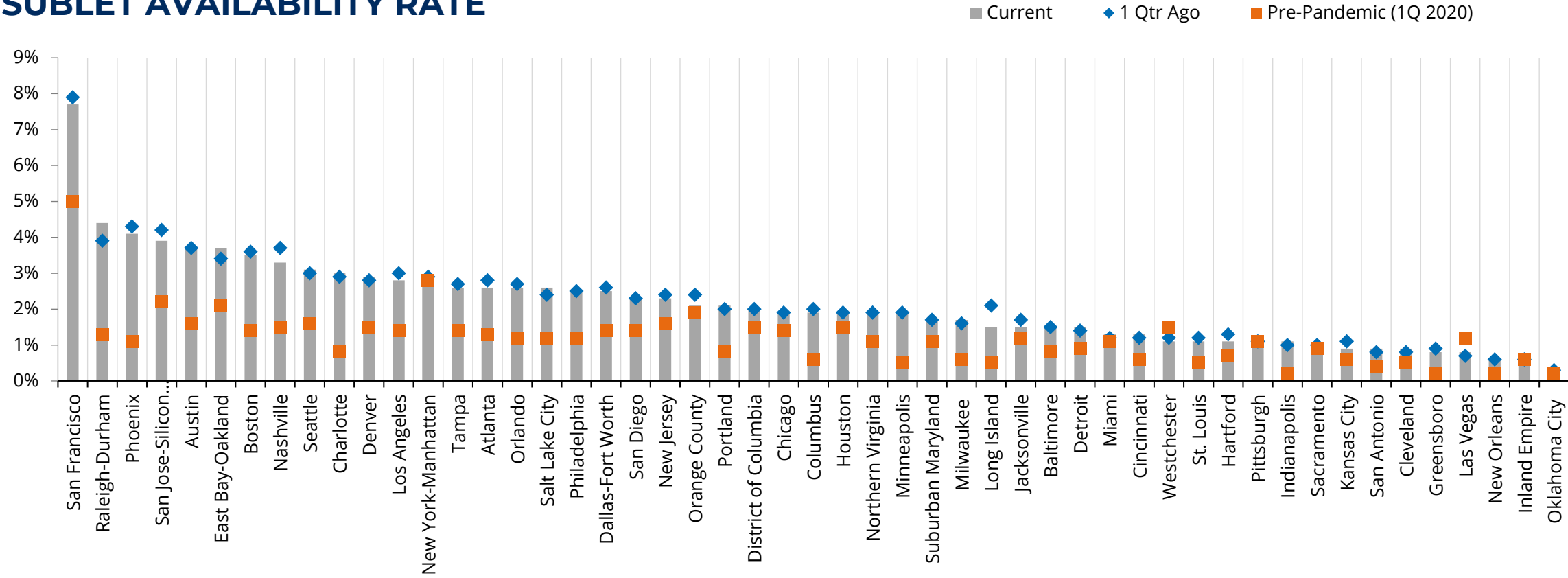
- 39% of tracked markets managed positive net absorption for the quarter and 41% for the trailing 12 months.
- Top markets for trailing 12-month net absorption that also saw positive net absorption for the quarter include Jacksonville, Miami, Las Vegas, Inland Empire, among others.
- 41% of markets' quarterly net absorption improved during Q2 compared to their trailing 12-month quarterly average net absorption.

VACANCY RATE



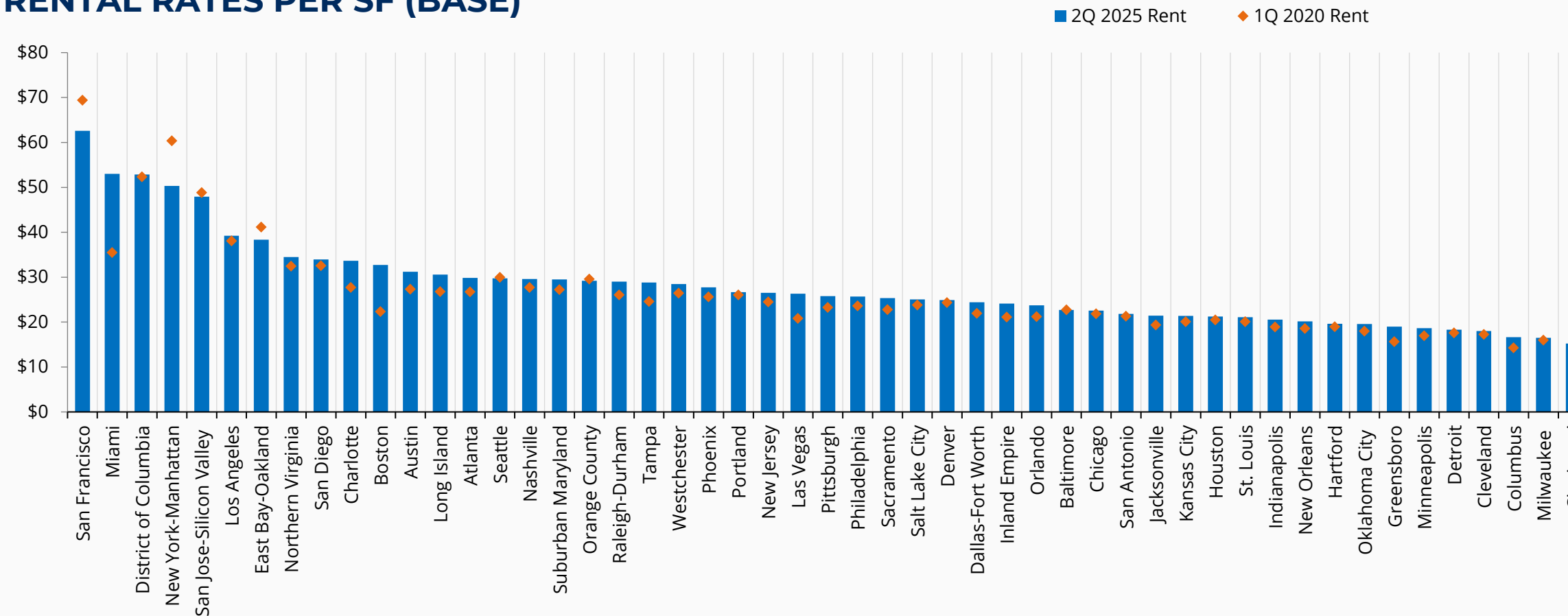
- 39% of markets stayed constant or improved from the previous quarter. The markets that experienced the largest decline in vacancy rate include Nashville, Charlotte, Jacksonville, and Indianapolis.
- Markets that retracted this quarter include San Jose-Silicon Valley, Detroit, and District of Columbia.
- Markets that experienced the greatest recovery compared to pre-pandemic include Inland Empire, Miami, and Las Vegas.

SUBLET AVAILABILITY RATE



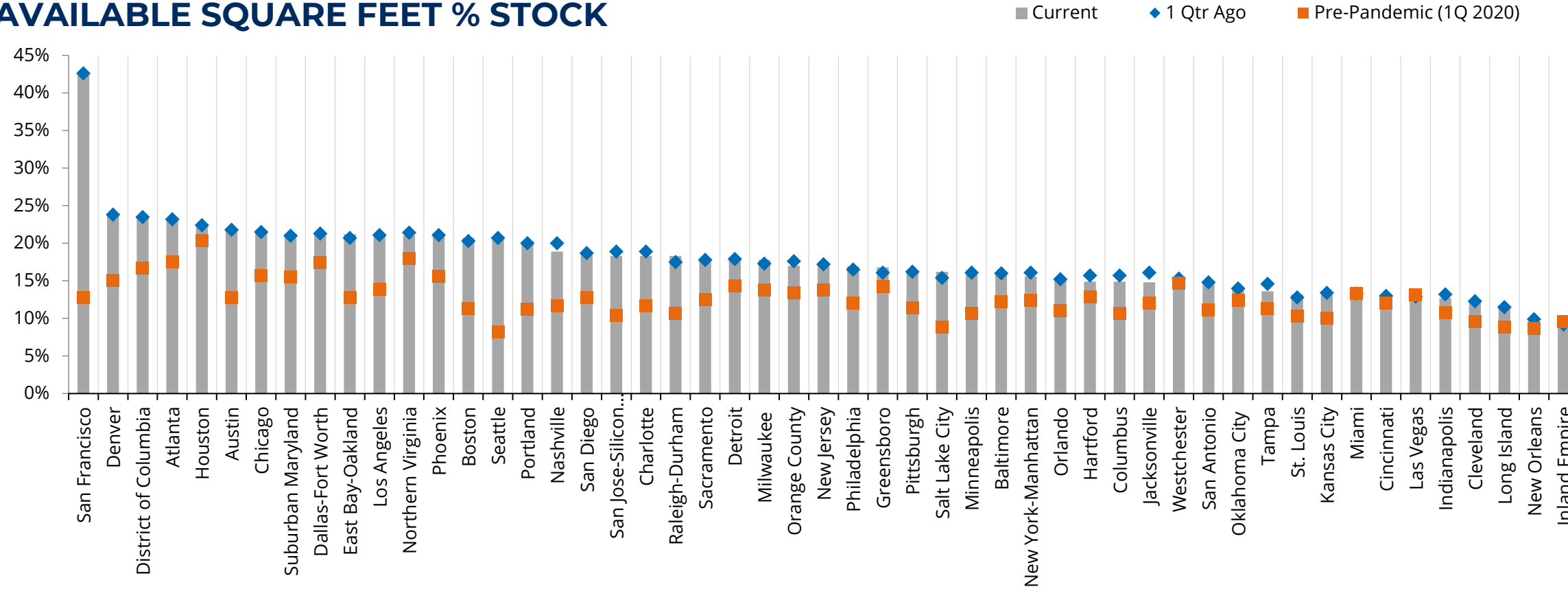
- This graph shows available sublet space as a percent of stock, which can react quickly to changes in demand.
- In Q2, 71% of markets stayed constant or improved from the previous quarter, indicating healthy demand. The most notable improvements occurred in Long Island, Nashville, Orange County, and San Jose – Silicon Valley.
- Sublet available rate remains elevated above pre-pandemic levels for all tracked markets, excluding New York and Las Vegas.

RENTAL RATES PER SF (BASE)



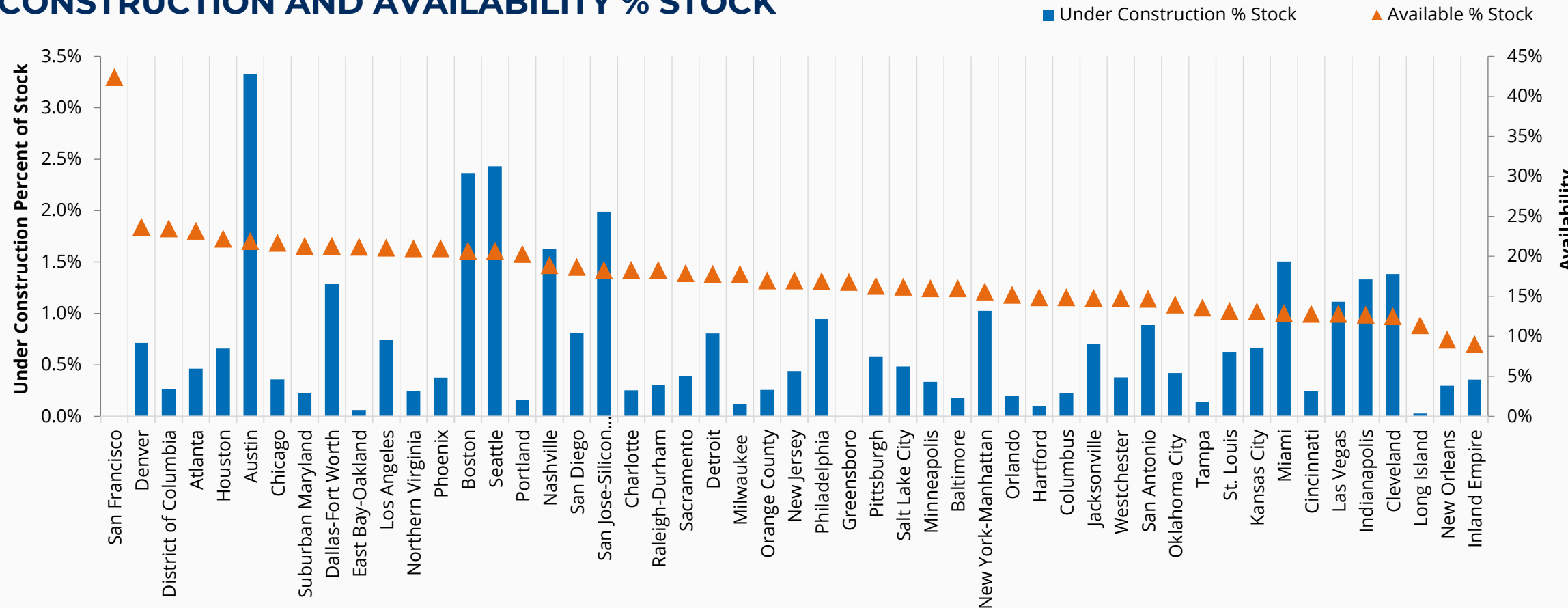
- The largest, densest, and most developed markets have historically commanded significantly higher rental rates, yet shifts in the office market have diminished these markets' lead.
- Since the beginning of the pandemic, the two historically most expensive markets, San Francisco and New York, have experienced the largest declines in rental rates.
- Miami and Boston have outperformed with a sharp rise in rents by 49% and 46%, respectively, compared to the pre-pandemic rate.
- Concessions remain high but moderating, particularly for quality space or for landlords under financial pressure.

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, Tampa, and Nashville.
- Although 71% 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, Nashville, and San Jose – Silicon Valley.
- 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	235,878,228	21.9%	20.7%	178,829	(824,617)	\$29.86	0.9%	1,090,562
Austin	115,236,990	18.9%	16.7%	67,289	182,881	\$31.23	0.0%	3,835,444
Baltimore	119,114,948	15.0%	14.2%	(43,403)	120,087	\$22.72	1.2%	212,811
Boston	344,976,069	16.0%	13.7%	(594,349)	(2,773,631)	\$32.73	-7.5%	8,162,136
Charlotte	99,642,002	18.3%	16.1%	497,747	876,374	\$33.68	2.6%	251,250
Chicago	444,993,838	18.8%	18.0%	(1,534,662)	(2,899,570)	\$22.58	0.0%	1,597,351
Cincinnati	79,359,764	10.4%	9.6%	183,315	695,046	\$15.21	2.0%	194,700
Cleveland	93,753,654	11.0%	10.4%	(270,199)	(475,719)	\$18.04	0.1%	1,296,000
Columbus	90,341,926	12.6%	11.0%	141,604	(610,899)	\$16.66	2.9%	204,788
Dallas-Fort Worth	365,680,118	20.1%	18.6%	(103,903)	1,803,337	\$24.43	0.7%	4,716,672
Denver	162,754,770	20.1%	18.3%	(415,223)	(1,390,643)	\$24.93	0.4%	1,160,566
Detroit	161,565,866	14.8%	13.7%	(1,128,837)	(1,768,796)	\$18.29	-0.7%	1,302,190
District of Columbia	150,997,391	19.1%	18.1%	(1,043,112)	(487,137)	\$52.84	0.3%	400,000
East Bay-Oakland	91,776,244	19.3%	16.7%	(548,746)	(1,549,213)	\$38.36	-0.2%	56,176
Greensboro	20,213,592	13.4%	12.4%	(50,177)	49,299	\$19.00	-0.1%	0
Hartford	54,918,715	13.6%	12.7%	288,046	(513,221)	\$19.62	-0.5%	55,480
Houston	312,329,771	21.5%	20.5%	502,864	504,647	\$21.25	0.8%	2,055,204
Indianapolis	84,902,638	11.5%	10.7%	412,798	440,347	\$20.56	4.6%	1,128,650
Inland Empire	50,528,568	6.5%	6.2%	156,344	465,650	\$24.11	-1.0%	179,746
Jacksonville	49,120,336	12.8%	11.4%	286,125	753,629	\$21.42	-1.4%	345,345
Kansas City	106,076,072	12.4%	11.5%	8,746	1,795,347	\$21.39	1.7%	708,247
Las Vegas	49,928,177	11.8%	11.2%	213,314	532,027	\$26.34	2.1%	556,120
Long Island	75,680,167	9.9%	9.0%	82,152	462,794	\$30.57	2.7%	20,450
Los Angeles	371,431,084	18.7%	16.8%	(1,230,507)	(2,281,735)	\$39.23	-1.3%	2,772,914
Miami	83,113,385	10.5%	9.8%	376,076	1,010,847	\$53.03	4.1%	1,250,965

Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent Base	Annual Rent Change	Under Construction
Milwaukee	66,782,625	13.7%	13.5%	(147,079)	(471,151)	\$16.52	2.3%	79,000
Minneapolis	174,218,625	13.2%	12.0%	(498,538)	(830,979)	\$18.66	3.2%	584,000
Nashville	72,049,136	16.3%	13.9%	487,778	392,474	\$29.59	-1.0%	1,169,714
New Jersey	296,449,982	13.8%	12.3%	(522,547)	2,555,785	\$26.50	3.8%	1,304,549
New Orleans	41,568,358	8.9%	8.3%	155,055	257,869	\$20.17	-2.0%	123,941
New York-Manhattan	549,654,947	15.3%	13.5%	902,818	3,220,607	\$50.31	0.2%	5,638,425
Northern Virginia	200,012,065	20.0%	19.1%	(280,451)	(1,612,803)	\$34.47	2.1%	486,992
Oklahoma City	53,343,295	12.1%	12.0%	(226,637)	(88,831)	\$19.58	2.7%	224,383
Orange County	134,730,243	14.4%	13.1%	(407,383)	(251,775)	\$29.20	0.7%	346,064
Orlando	70,557,654	12.6%	10.8%	(337,210)	(606,111)	\$23.73	2.6%	138,661
Philadelphia	275,109,563	12.9%	11.5%	(1,063,978)	(743,828)	\$25.67	2.4%	2,603,220
Phoenix	156,292,586	19.8%	16.7%	(53,310)	(126,419)	\$27.75	0.2%	588,212
Pittsburgh	114,197,158	14.3%	13.5%	(297,282)	(518,674)	\$25.77	4.4%	665,000
Portland	91,459,957	18.1%	16.9%	(630,865)	(1,297,732)	\$26.67	-1.7%	147,000
Raleigh-Durham	86,034,058	14.4%	12.1%	(695,455)	(574,995)	\$29.02	-1.8%	260,727
Sacramento	79,110,472	14.9%	14.5%	85,892	7,593	\$25.35	0.8%	308,228
Salt Lake City	70,681,563	12.9%	10.8%	(371,995)	(451,486)	\$25.06	0.6%	342,384
San Antonio	61,505,862	13.0%	12.5%	(89,456)	(295,683)	\$21.82	1.3%	544,676
San Diego	100,431,416	14.6%	13.8%	(452,846)	(239,997)	\$33.94	-0.6%	815,617
San Francisco	86,690,741	36.8%	31.4%	(69,898)	(1,328,750)	\$62.60	-4.3%	0
San Jose-Silicon Valley	130,801,226	17.8%	14.6%	(537,084)	(352,749)	\$47.93	0.7%	2,601,662
Seattle	196,575,513	19.5%	17.3%	(945,449)	(1,937,264)	\$29.76	-3.4%	4,777,633
St. Louis	120,157,927	11.5%	11.1%	(777)	721,137	\$21.08	-2.5%	753,000
Suburban Maryland	101,521,338	18.3%	17.6%	138,129	(711,193)	\$29.51	1.0%	231,500
Tampa	80,349,512	13.2%	11.7%	315,620	(55,703)	\$28.82	2.5%	114,668
Westchester	159,200,155	13.5%	12.8%	(33,061)	57,676	\$28.48	-0.9%	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.).