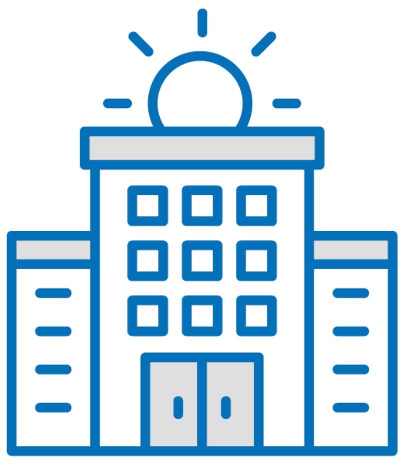
TRANSWESTERN

COMMERCIAL REAL ESTATE

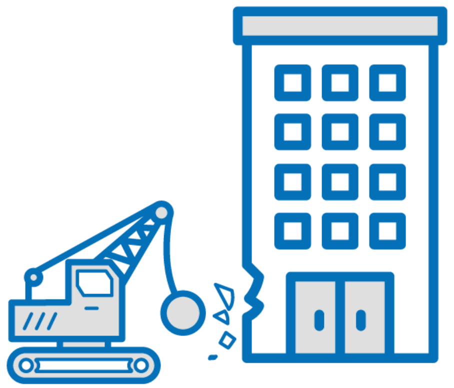
# U.S. MARKET | Office

**Q3** 2025

# THE VIEW FROM HERE



Office recovery taking shape with strongest quarterly net absorption since before the pandemic.



Dwindling pipeline, coupled with demolitions/conversions, may push inventory into negative territory by 2027.

Return to office supporting leasing activity and, in some metros, higher occupancies.

**NET ABSORPTION**

**16.0 MSF**

Demand picks up at Q3 2025

**VACANCY RATE**

**14.4%**

10 bps decline in QoQ

**UNDER CONSTRUCTION**

**63.8 MSF**

Down 23% in YoY

**ASKING RENT**

**$26.96**

0.4% annual growth, a deceleration

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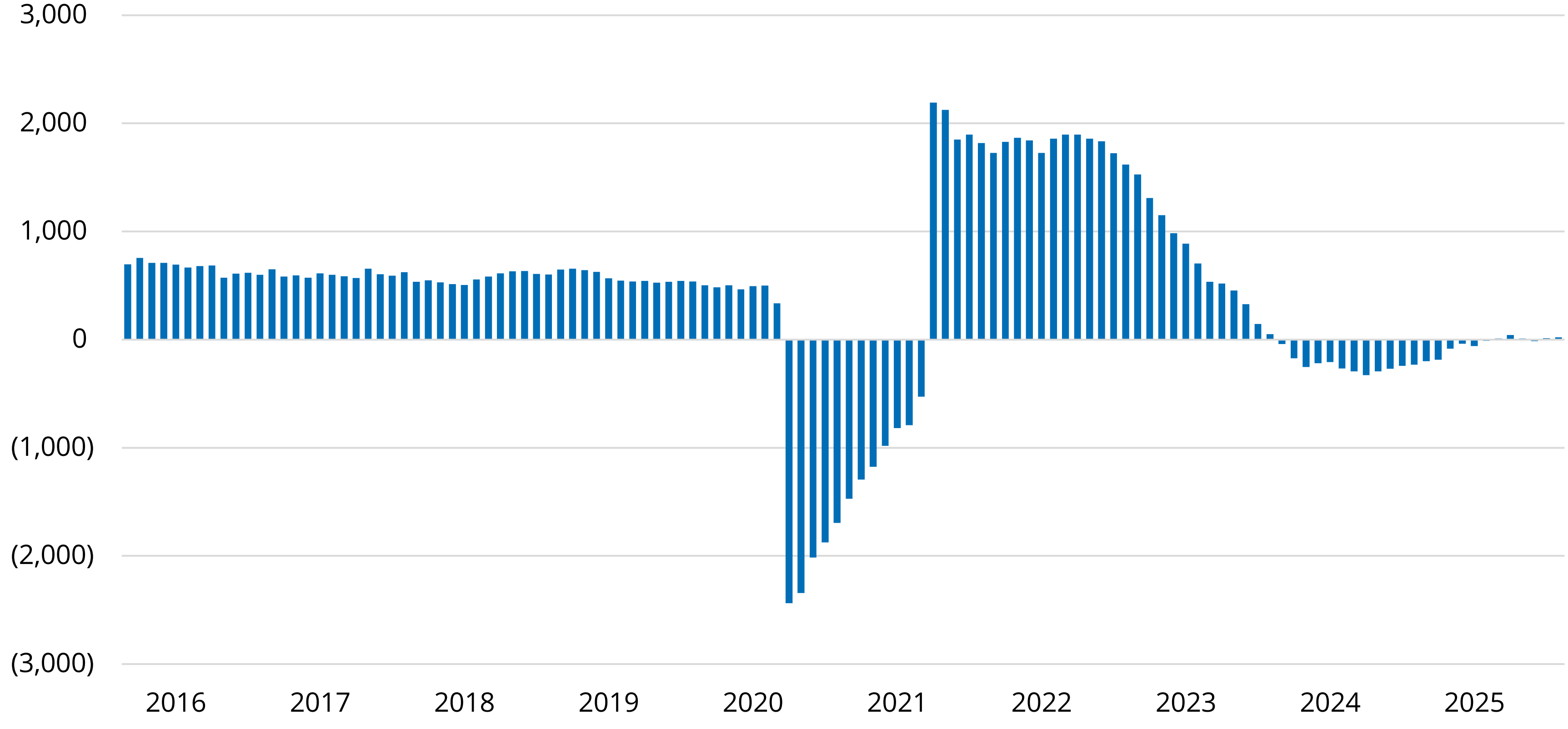
## ECONOMIC HIGHLIGHTS

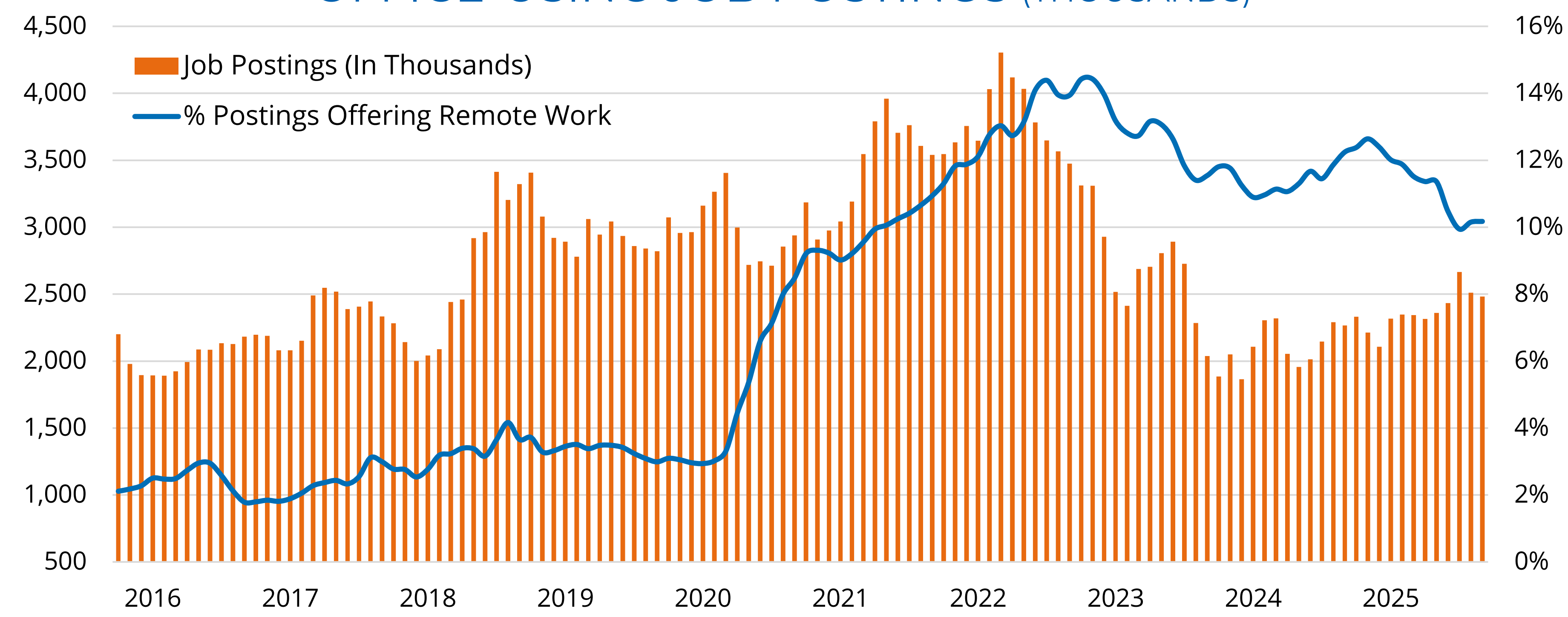
- After holding steady for the first eight months of 2025, the Federal Reserve cut its benchmark interest rate by a quarter-point in September to 4.00-4.25%.
- The Q3 GDP report was not released due to the government shutdown, and projections range widely from 1.3% to 3.8%. This follows an upward adjustment to 3.8% for Q2.
- Tariffs are anticipated to squeeze the economy for the balance of 2025 into early 2026, at the very least, with higher prices on goods to weigh on the consumer.
- Consumer sentiment fell to its lowest level in four months in September, with increasing concerns about higher prices and a weakening labor market.
- Office-using job growth was weak, growing only 22,000 new jobs YoY. This is well below the pre-pandemic average of 629,000.
- Finance/insurance and architecture/engineering added the most jobs over the past year, with employment services (temp help) slashing positions.
- Office-using job postings (companies looking to hire) are up 4% YoY. Remote-friendly postings are down 9% YoY as companies pull workers back to the office.
- We expect oscillating conditions in the near-term due uncertainty stemming from ongoing federal policy changes, coupled with the federal government shut down.
- The recent layoff announcements driven by automation could spark other companies to follow suit. AI automation will permanently eliminate some jobs. However, according to the World Economic Forum, for every job eliminated by AI, three to four will likely be created.

## HISTORICAL

YOY CHANGE IN OFFICE-USING JOBS (THOUSANDS)




OFFICE-USING JOB POSTINGS (THOUSANDS)

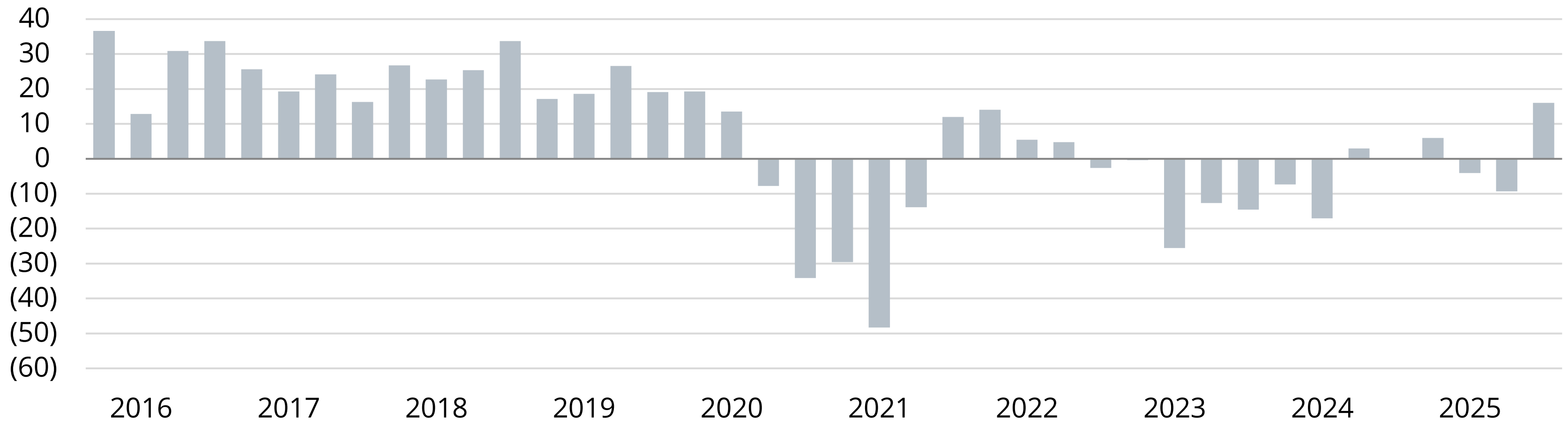


## MARKET HIGHLIGHTS

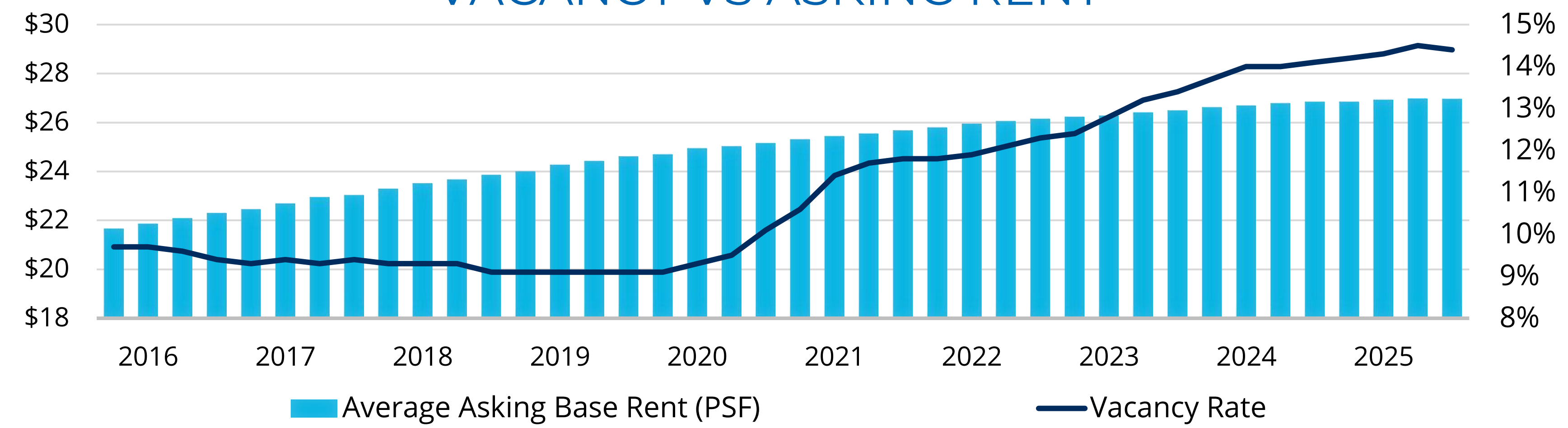
- The office market improved during Q3, driven by large pre-leased deliveries and healthy leasing activity. This is the strongest quarterly absorption since before the pandemic.
- Net absorption recorded positive 16.0 MSF during Q3, including direct and sublet space. NY-Manhattan contributed significantly with the 2.5 MSF JP Morgan Chase HQ pre-leased delivery and roughly a dozen 100,000 SF+ deals.
- Several markets gained traction this quarter, as 34 of 51 tracked markets registered positive net absorption, up from 20 the quarter prior.
- The overall vacancy rate decreased 10 basis points during the quarter to 14.4% and is up 30 basis points year over year.
- The vacancy rate is positioned, but not guaranteed, to improve. Construction levels are down 23% YoY and demolitions / conversion continue, which will help balance supply / demand fundamentals. With limited quality office space, select tenants will help backfill well-positioned and located older product.
- Asking rents decelerated to a 0.4% rise YoY. Concession packages remain elevated but are moderating, as select landlords are under financial pressure.
- Office recovery is starting to take shape. Tenants will be challenged to find quality space, which could prompt select landlords with the right assets to invest in upgrades.
- Recovery will be uneven over the next several quarters, as the market works through economic uncertainty.

## HISTORICAL

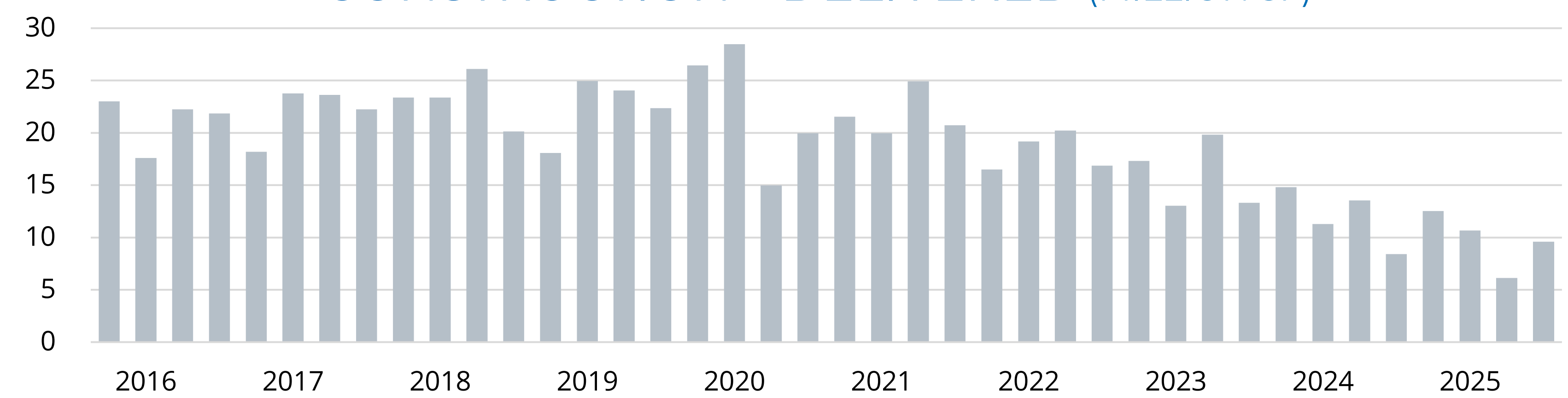
NET ABSORPTION (MILLION SF)




VACANCY VS ASKING RENT

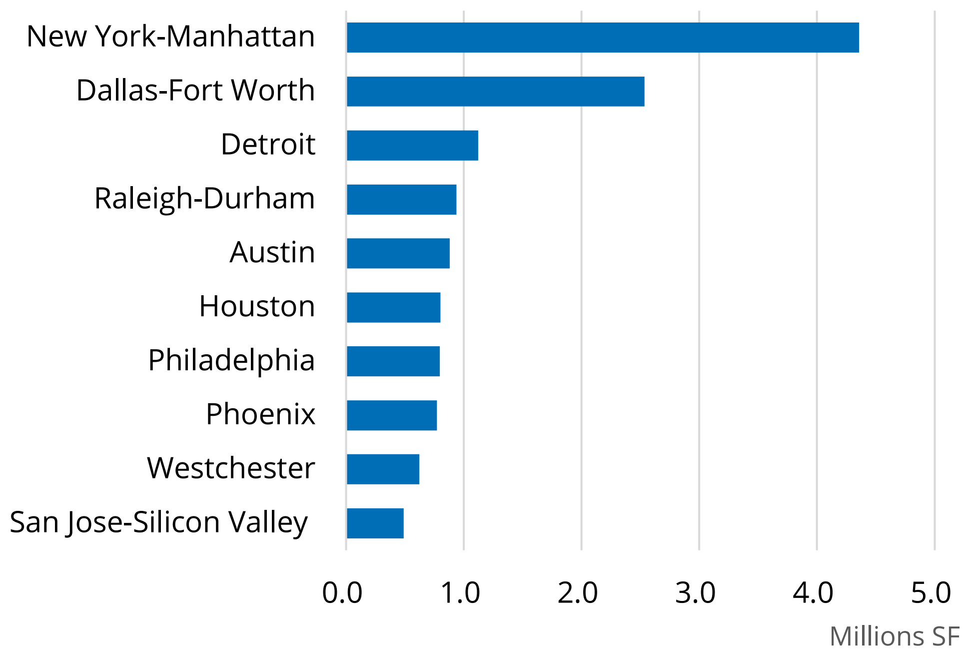



CONSTRUCTION – DELIVERED (MILLION SF)

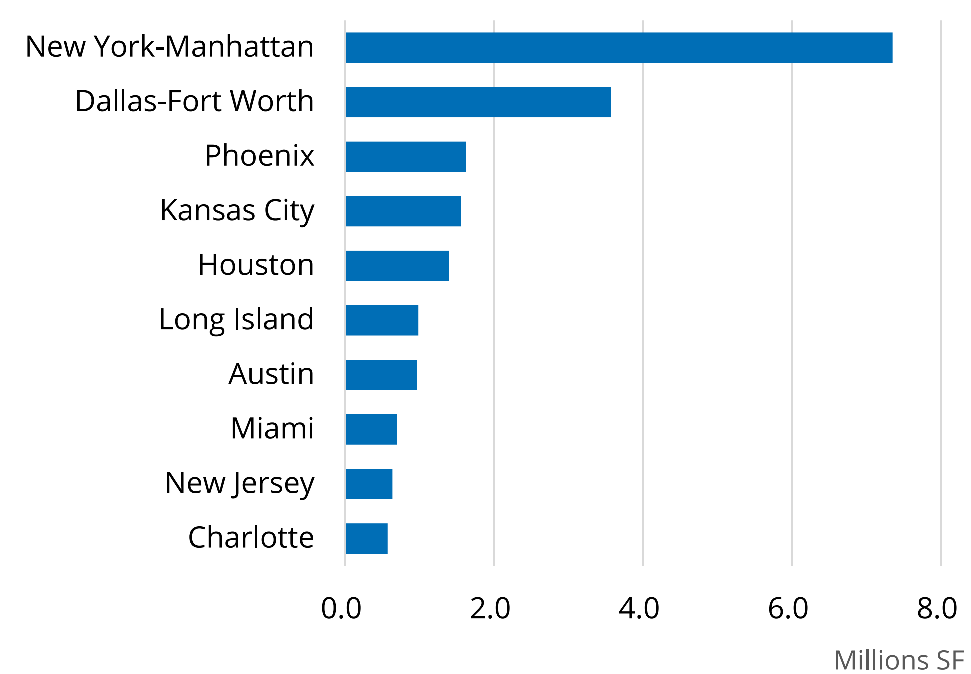


## NET ABSORPTION

### Q3 2025 Net Absorption

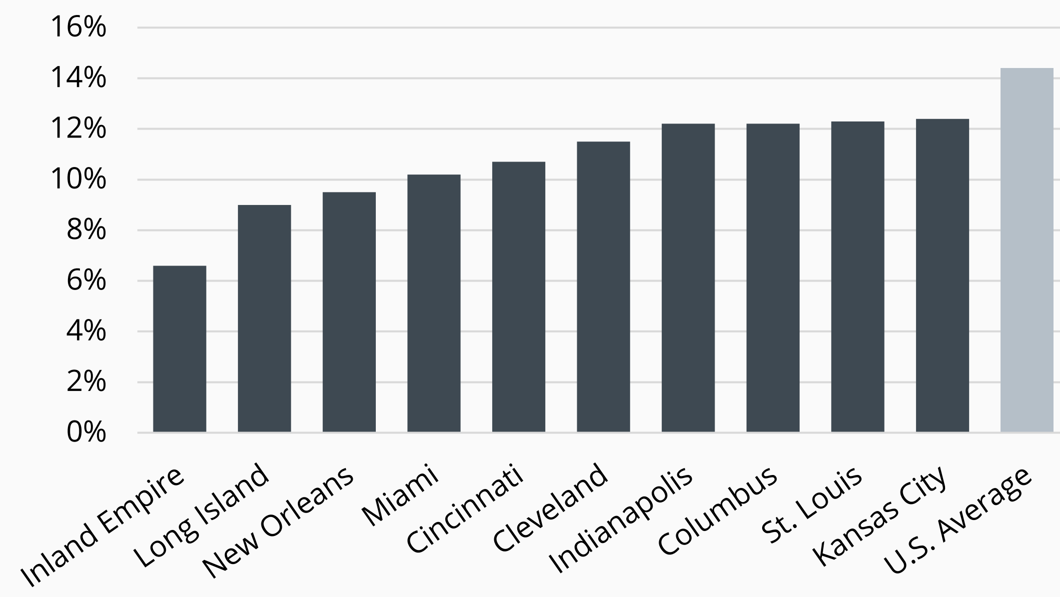



### Trailing 4-Qtr Net Absorption

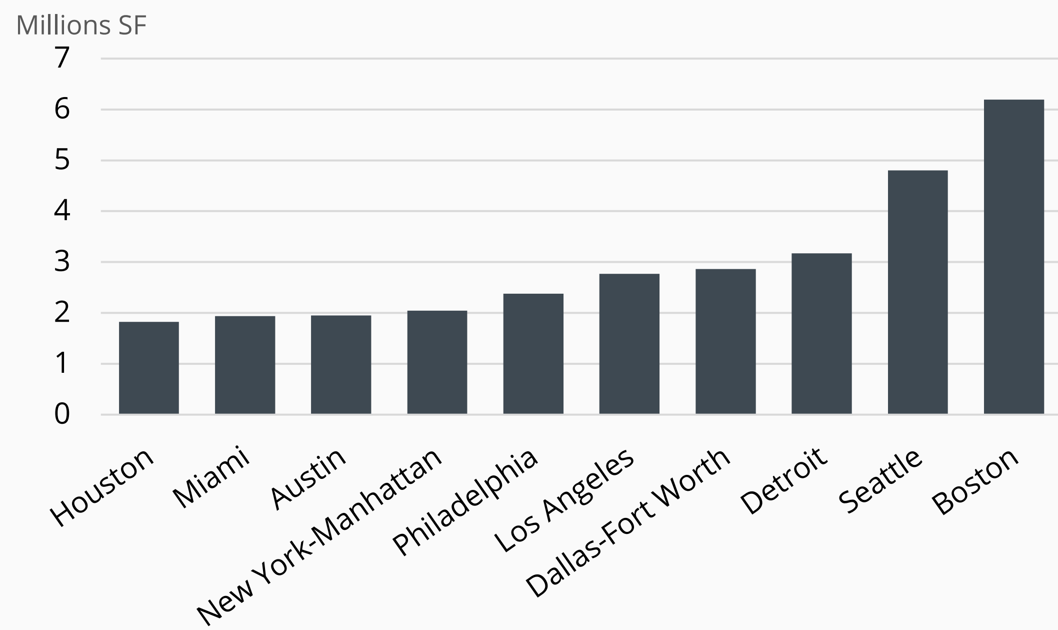



## VACANCY/CONSTRUCTION

### Q3 2025 Overall Vacancy Rate

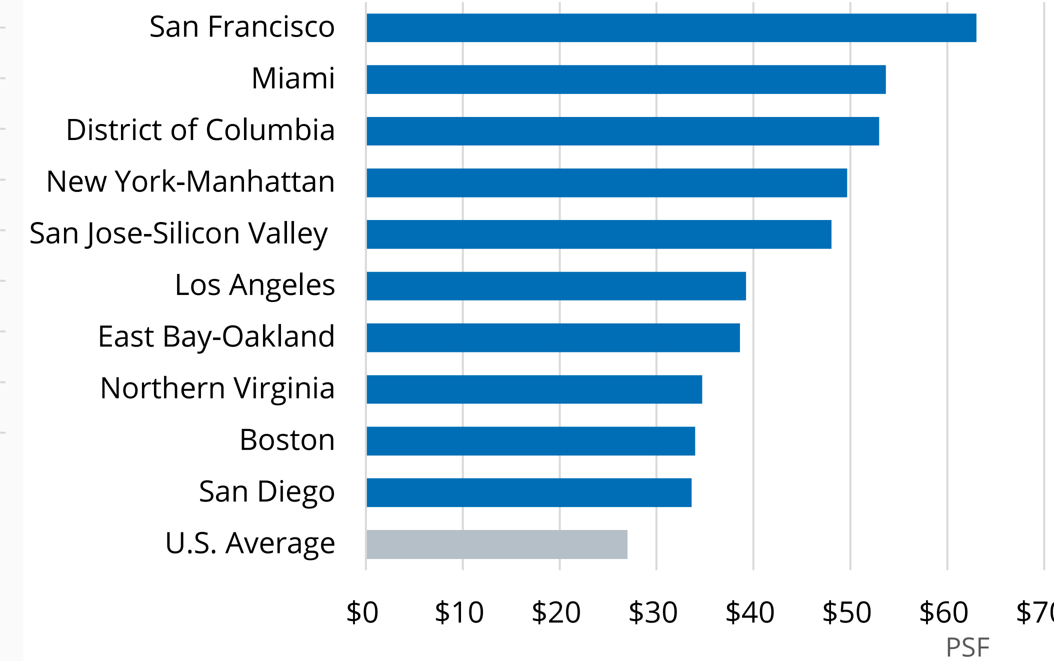



### Q3 2025 Under Construction

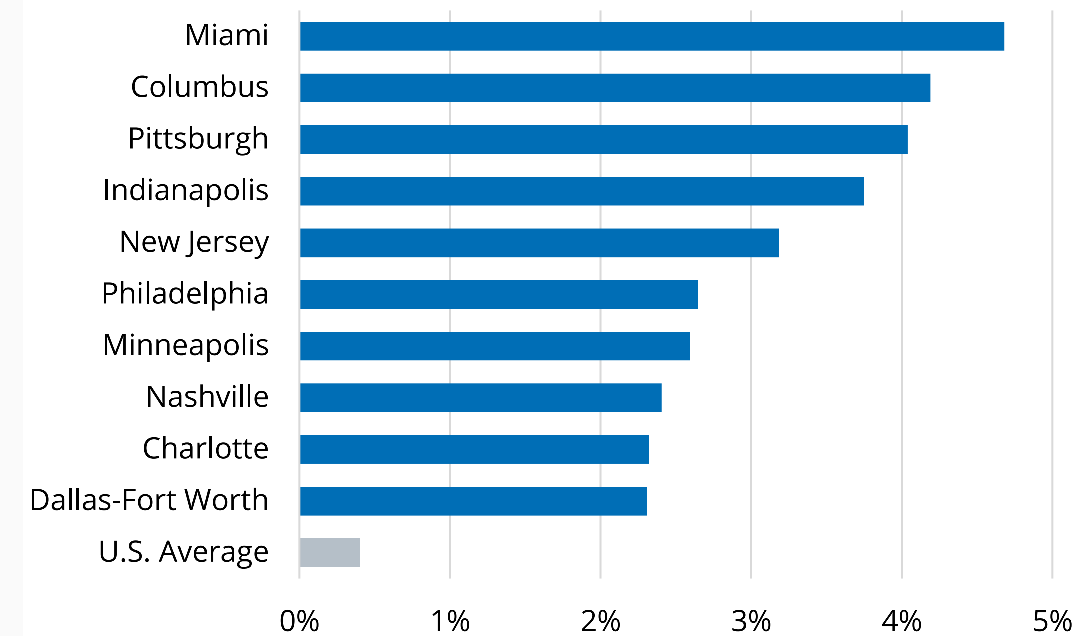



## ASKING RENTS

### Q3 2025 Asking Rate (Base)




### Year-Over-Year Rent Growth



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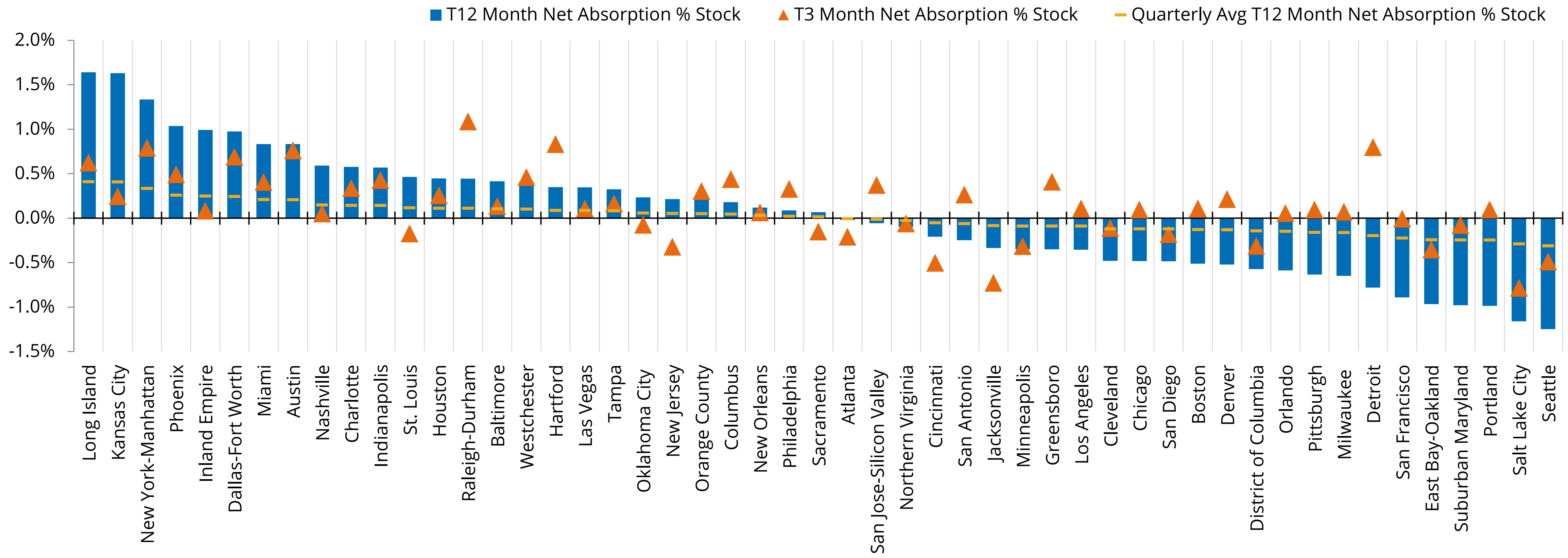
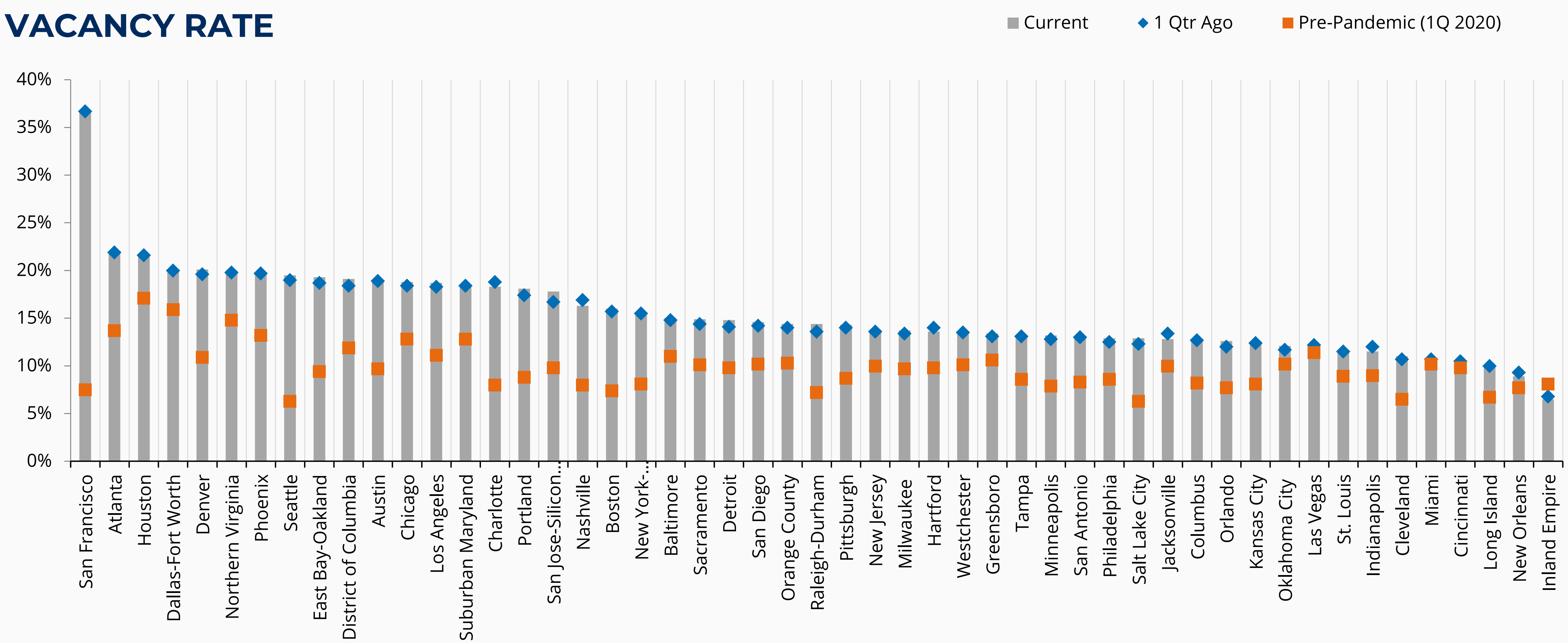
## NET ABSORPTION % STOCK



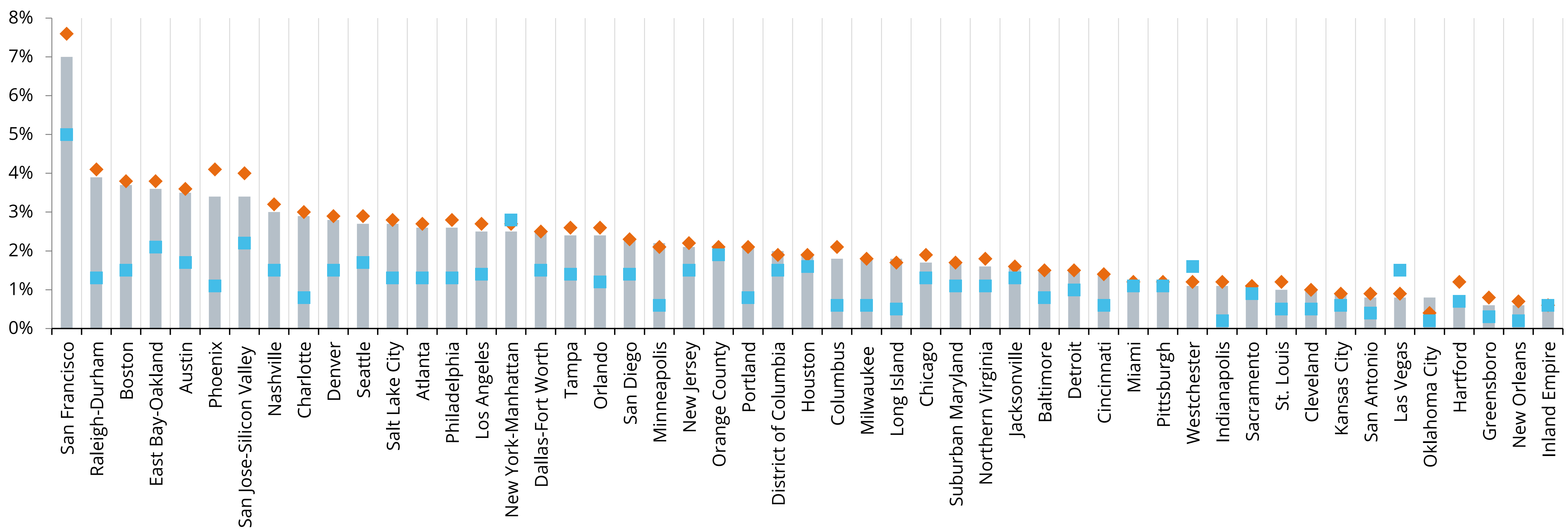

- 67% of tracked markets managed positive net absorption for the quarter and 51% for the trailing 12 months.
- Top markets for trailing 12-month net absorption that also saw strong positive net absorption for the quarter include New York-Manhattan, Austin, and Dallas-Ft Worth.
- 43% of markets' quarterly net absorption improved during Q3 compared to their trailing 12-month quarterly average net absorption. Standouts include Raleigh-Durham, Detroit, and Hartford.

## VACANCY RATE



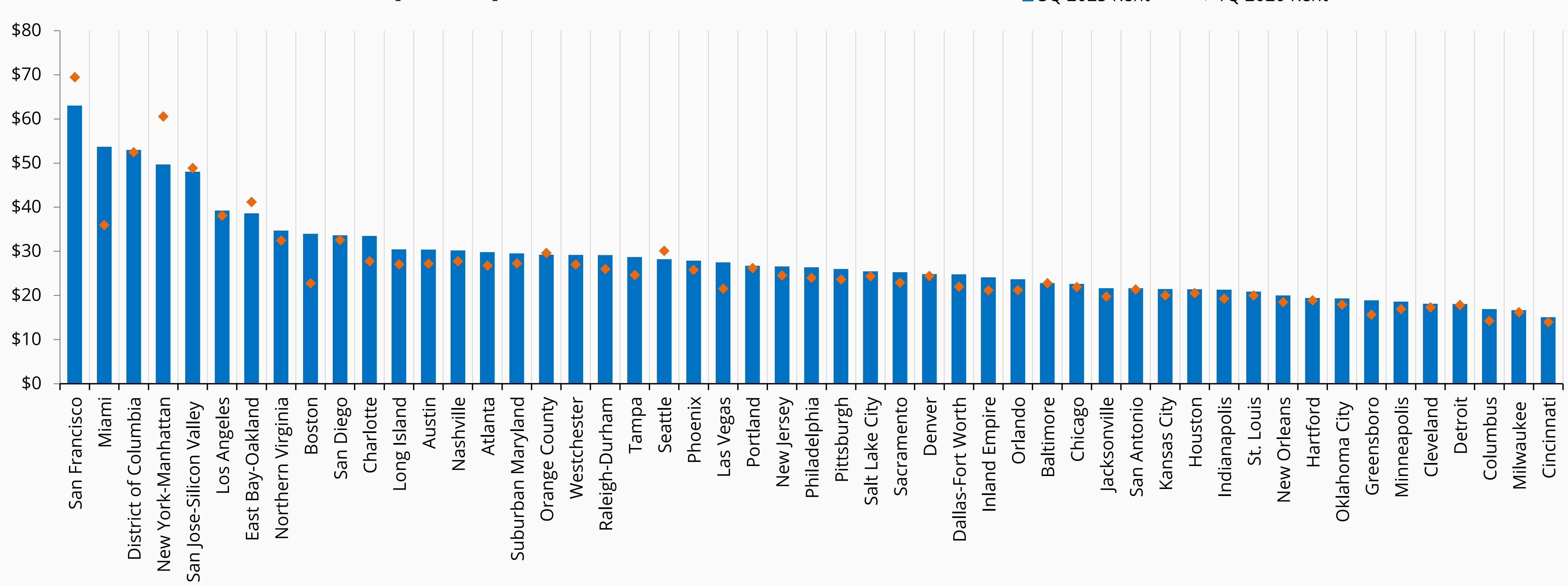

- 65% of markets stayed constant or improved from the previous quarter. The markets that experienced the largest decline in vacancy rate include Raleigh-Durham, Harford, and Detroit.
- Markets that retracted this quarter include Salt Lake City, Jacksonville, and Cincinnati.
- Markets that experienced the greatest recovery compared to pre-pandemic include Inland Empire and Miami.

## SUBLET AVAILABILITY RATE




- This graph shows available sublet space as a percent of stock, which can react quickly to changes in demand.
- Sublease availability is starting to tighten, as space is getting leased up or pulled from the market.
- In Q3, 92% of markets stayed constant or improved from the previous quarter, indicating improving conditions.
- The most notable improvements occurred in Phoenix, San Francisco, and San Jose-Silicon Valley.

## 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.
- Miami and Boston have outperformed, with a sharp rise in rents, both by 49% compared to the pre-pandemic rate.
- Concessions remain high but moderating, particularly for quality space or for landlords under financial pressure.

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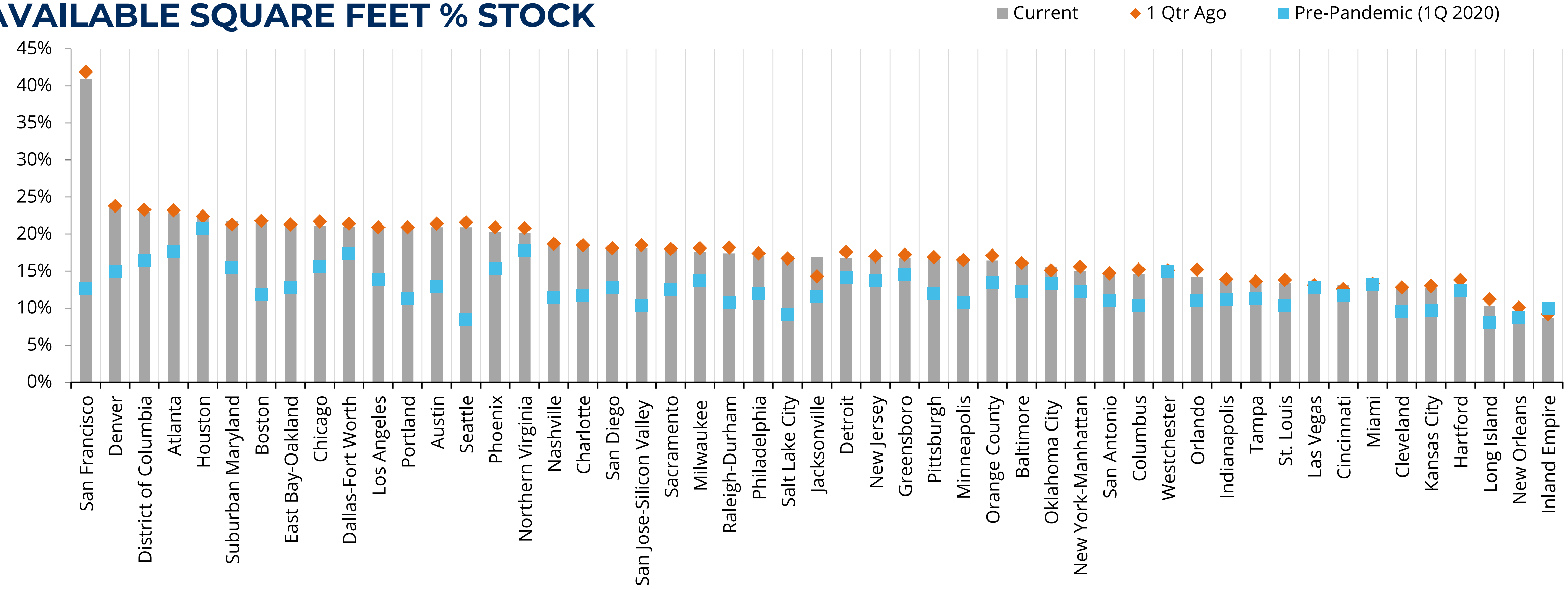
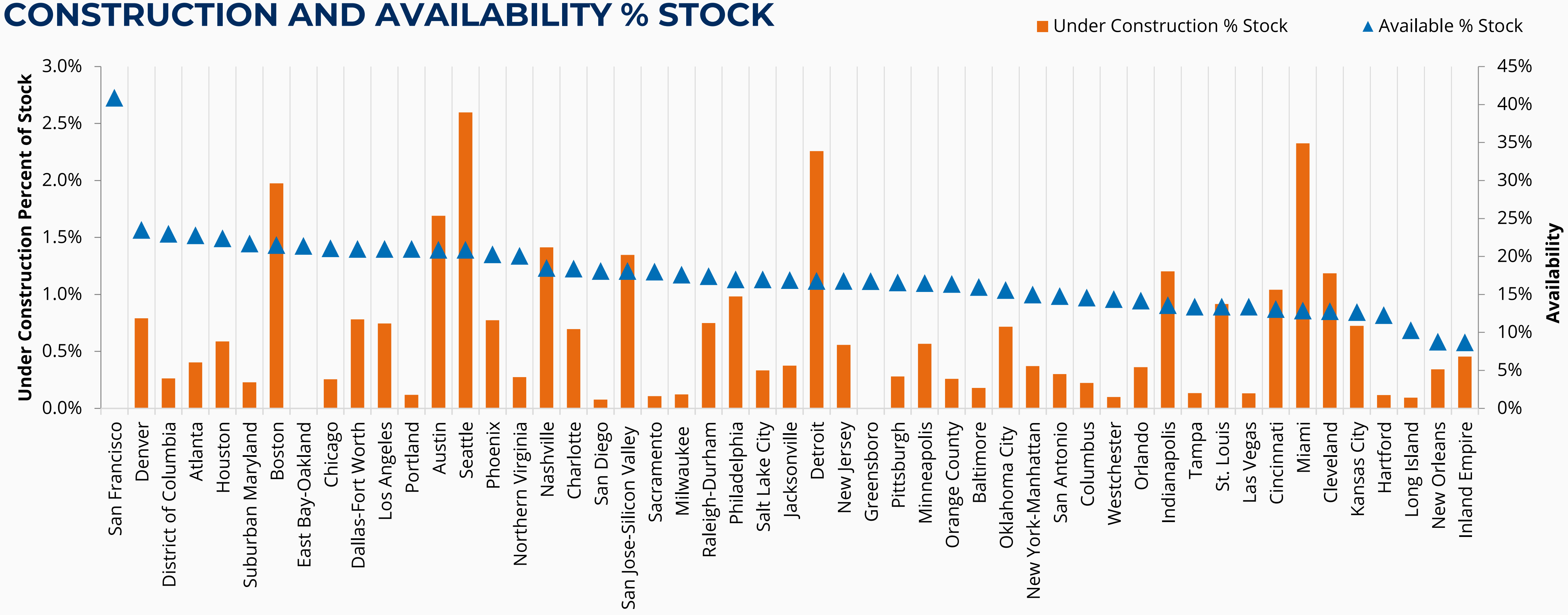
## AVAILABLE SQUARE FEET % STOCK




- 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 Hartford, New Orleans, Orlando, and San Francisco.
- 80% of markets stayed constant or saw improvement from the previous quarter.

## 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 | 234,140,240 | 22.0% | 20.9% | (486,736) | (45,608) | $29.82 | 2.0% | 944,874 |
| Austin | 115,367,012 | 18.8% | 16.7% | 878,992 | 960,211 | $30.41 | 0.1% | 1,950,964 |
| Baltimore | 118,182,960 | 15.0% | 14.3% | 161,455 | 346,304 | $22.80 | 1.8% | 212,811 |
| Boston | 313,682,181 | 17.2% | 14.8% | 343,845 | (1,603,963) | $33.99 | -7.7% | 6,192,773 |
| Charlotte | 99,091,776 | 18.8% | 16.0% | 335,702 | 570,699 | $33.48 | 2.3% | 689,473 |
| Chicago | 444,294,083 | 18.7% | 18.0% | 428,605 | (2,141,676) | $22.63 | -0.2% | 1,135,814 |
| Cincinnati | 72,799,133 | 10.7% | 9.9% | (365,457) | (152,152) | $15.06 | 1.2% | 757,640 |
| Cleveland | 84,382,386 | 11.5% | 10.9% | (94,308) | (405,516) | $18.14 | 1.6% | 1,000,000 |
| Columbus | 80,047,372 | 12.2% | 10.7% | 352,149 | 144,662 | $16.91 | 4.2% | 179,078 |
| Dallas-Fort Worth | 366,087,550 | 19.9% | 18.5% | 2,533,298 | 3,572,019 | $24.80 | 2.3% | 2,861,095 |
| Denver | 162,910,854 | 19.9% | 18.2% | 348,063 | (852,002) | $24.84 | 1.2% | 1,289,743 |
| Detroit | 140,571,948 | 13.7% | 12.7% | 1,123,146 | (1,098,083) | $18.07 | -2.0% | 3,173,500 |
| District of Columbia | 151,632,490 | 19.0% | 17.9% | (472,034) | (869,666) | $52.96 | 0.4% | 400,000 |
| East Bay-Oakland | 92,042,175 | 19.7% | 17.2% | (325,309) | (890,791) | $38.62 | 0.7% | 0 |
| Greensboro | 19,757,437 | 13.3% | 12.5% | 80,943 | (69,491) | $18.92 | -0.4% | 0 |
| Hartford | 47,045,267 | 12.7% | 12.2% | 391,592 | 164,643 | $19.41 | -1.1% | 55,480 |
| Houston | 311,305,581 | 21.6% | 20.6% | 800,949 | 1,394,602 | $21.41 | 1.0% | 1,827,083 |
| Indianapolis | 69,211,106 | 12.2% | 11.3% | 297,574 | 394,522 | $21.30 | 3.8% | 832,693 |
| Inland Empire | 48,783,542 | 6.6% | 6.3% | 41,729 | 484,002 | $24.12 | -1.4% | 221,774 |
| Jacksonville | 42,959,905 | 12.9% | 11.5% | (312,473) | (144,686) | $21.67 | 0.1% | 160,951 |
| Kansas City | 95,340,627 | 12.4% | 11.6% | 234,901 | 1,554,217 | $21.45 | 1.8% | 691,247 |
| Las Vegas | 39,472,879 | 12.5% | 11.8% | 42,990 | 136,567 | $27.52 | 1.1% | 52,370 |
| Long Island | 59,941,300 | 9.0% | 7.9% | 375,394 | 983,578 | $30.43 | 1.6% | 56,597 |
| Los Angeles | 371,809,649 | 18.4% | 16.7% | 409,352 | (1,318,143) | $39.23 | -0.4% | 2,770,981 |
| Miami | 83,329,098 | 10.2% | 9.4% | 338,720 | 694,719 | $53.68 | 4.7% | 1,939,097 |

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| Market | Inventory SF | Overall Vacancy Rate | Direct Vacancy Rate | Net Absorption | 12-Month Net Absorption | Asking Rent Base | Annual Rent Change | Under Construction |
|---|---|---|---|---|---|---|---|---|
| Milwaukee | 60,220,735 | 13.9% | 13.7% | 43,051 | (391,431) | $16.65 | 2.1% | 74,050 |
| Minneapolis | 155,214,875 | 13.9% | 12.5% | (488,070) | (545,653) | $18.59 | 2.6% | 879,506 |
| Nashville | 73,406,135 | 15.9% | 13.7% | 39,379 | 433,929 | $30.22 | 2.4% | 1,037,081 |
| New Jersey | 295,243,223 | 14.0% | 12.7% | (948,090) | 634,073 | $26.57 | 3.2% | 1,647,980 |
| New Orleans | 36,066,338 | 9.5% | 8.9% | 23,263 | 43,344 | $20.02 | -1.6% | 123,941 |
| New York-Manhattan | 550,358,845 | 15.2% | 13.5% | 4,357,950 | 7,349,511 | $49.67 | -0.8% | 2,045,295 |
| Northern Virginia | 200,024,367 | 19.9% | 19.0% | (118,259) | (197,049) | $34.70 | 1.1% | 549,606 |
| Oklahoma City | 44,193,222 | 12.8% | 12.4% | (32,790) | 103,695 | $19.35 | 0.4% | 316,980 |
| Orange County | 133,908,417 | 14.0% | 12.6% | 409,438 | 276,617 | $29.24 | 0.9% | 346,064 |
| Orlando | 70,259,690 | 12.5% | 10.9% | 40,633 | (412,426) | $23.68 | 1.6% | 254,193 |
| Philadelphia | 241,943,070 | 12.9% | 11.4% | 796,842 | 208,440 | $26.38 | 2.6% | 2,379,218 |
| Phoenix | 155,877,980 | 19.1% | 16.5% | 770,633 | 1,626,010 | $27.90 | 0.4% | 1,204,812 |
| Pittsburgh | 101,911,609 | 14.4% | 13.5% | 98,881 | (647,370) | $26.01 | 4.0% | 285,000 |
| Portland | 86,329,300 | 18.5% | 17.4% | 84,098 | (851,145) | $26.71 | -1.6% | 102,000 |
| Raleigh-Durham | 86,025,717 | 13.0% | 11.5% | 936,491 | 382,476 | $29.16 | -1.1% | 644,702 |
| Sacramento | 73,386,906 | 14.9% | 14.5% | (109,754) | 49,917 | $25.26 | 0.6% | 78,350 |
| Salt Lake City | 62,898,092 | 13.8% | 11.6% | (492,051) | (729,835) | $25.47 | 0.6% | 209,958 |
| San Antonio | 60,495,470 | 12.9% | 12.2% | 160,346 | (149,374) | $21.64 | 2.0% | 182,041 |
| San Diego | 100,529,831 | 14.7% | 13.8% | (179,243) | (487,282) | $33.63 | -1.3% | 77,775 |
| San Francisco | 86,011,334 | 36.5% | 31.5% | (3,963) | (766,502) | $63.02 | -3.4% | 0 |
| San Jose-Silicon Valley | 131,029,402 | 17.5% | 14.9% | 489,148 | (73,246) | $48.04 | 0.6% | 1,763,657 |
| Seattle | 184,813,246 | 20.7% | 18.8% | (900,039) | (2,307,896) | $28.22 | -7.2% | 4,799,425 |
| St. Louis | 107,321,093 | 12.3% | 11.9% | (184,341) | 497,235 | $20.87 | -3.8% | 983,866 |
| Suburban Maryland | 100,745,404 | 18.5% | 17.7% | (76,251) | (985,855) | $29.52 | 0.5% | 231,500 |
| Tampa | 79,850,522 | 13.0% | 11.6% | 132,844 | 260,016 | $28.73 | 0.2% | 106,338 |
| Westchester | 135,120,701 | 14.5% | 13.9% | 623,417 | 552,858 | $29.21 | -0.1% | 135,352 |


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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.

## 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.).