



COMMERCIAL REAL ESTATE

# U.S. Market Office

Q1 2026

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# The Transwestern Takeaway

OFFICE Q1 2026 REPORT

## Vacancy Rates Stabilizing, but Decline Expected by Year-End

Steady office demand, bolstered by demolition/conversion of obsolete office product, and limited new construction. These market dynamics will tighten availability, setting the stage for gradual vacancy compression.

## Office Job Growth is Zero-ish, but Opportunity Remains

While aggregate office-using employment remains stuck in stall speed, select markets, industries, and buildings are thriving.

## Tech & Migration are Driving Rent Growth

Whether driven by chips (Phoenix and Columbia), AI (San Francisco and San Jose), or migration (Dallas and Miami), demand is increasingly concentrated in markets tied to structural growth metrics, pressuring rents upwards.

↑ 3.0 MSF

Net Absorption

POSITIVE THREE QUARTERS IN A ROW

↔ 13.3%

Vacancy Rate

FLAT QOQ

↑ 147.0 MSF

Under Construction

UP 7.7% YOY

↔ \$26.41

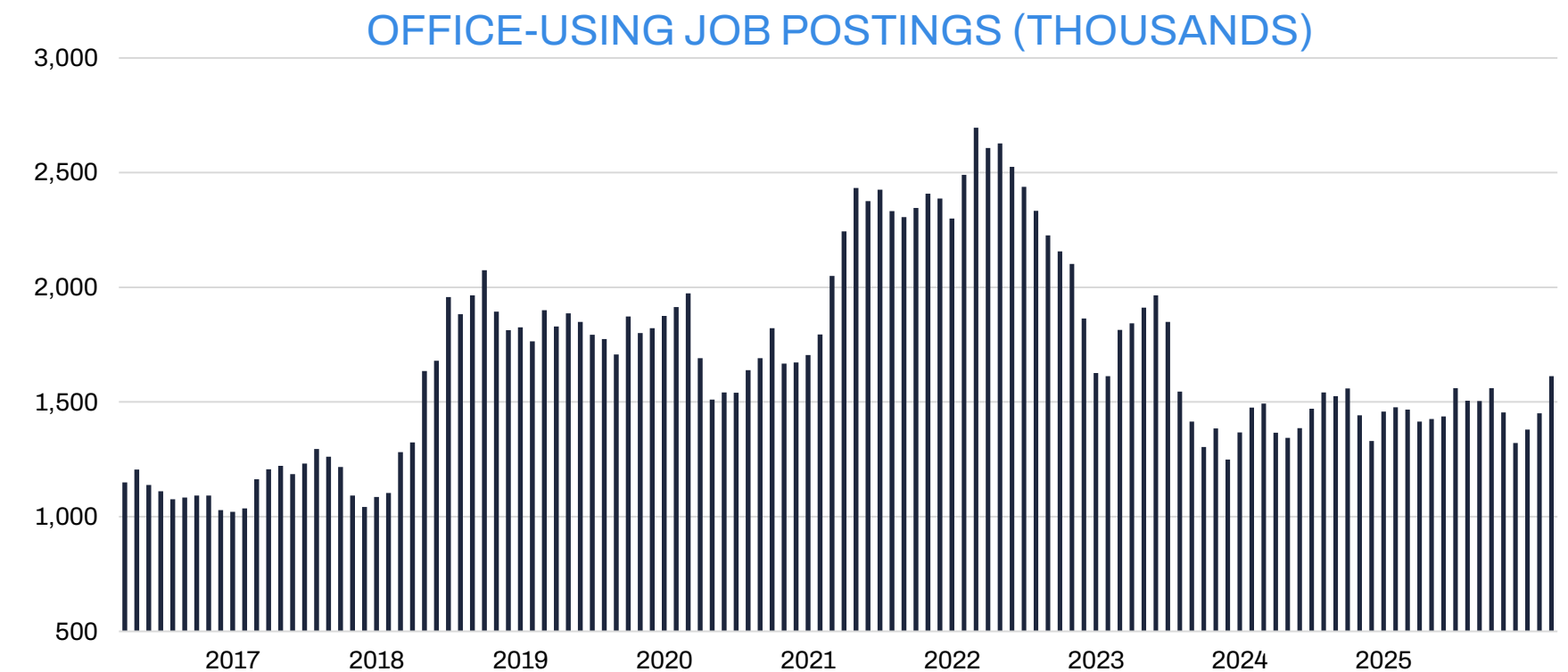
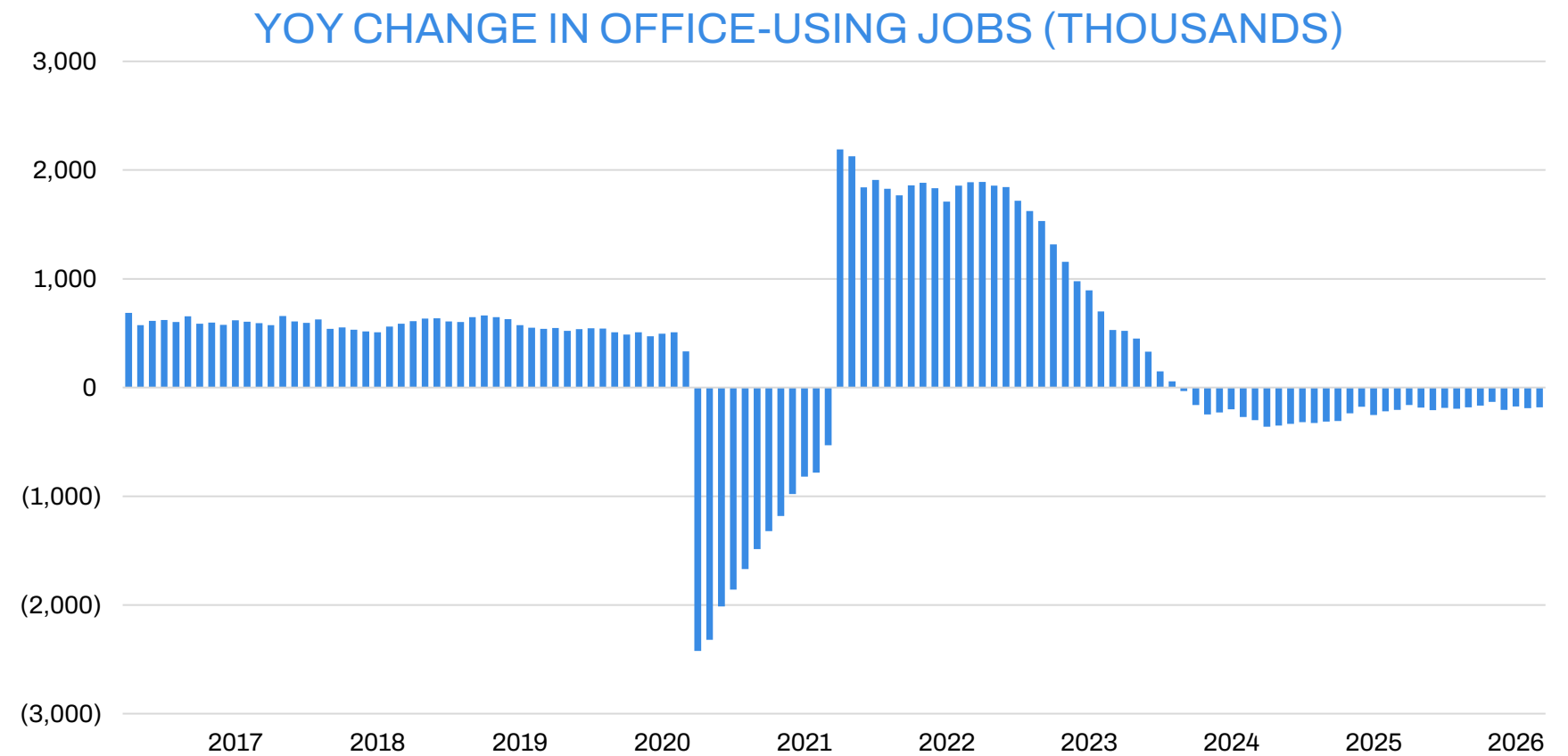
Asking Rent

FLAT YOY

## ECONOMIC HIGHLIGHTS

- The federal funds rate stood at 3.5%–3.75% after a total of 75 bps in cuts during the final months of 2025. As of Q1 2026, the Federal Reserve is on hold for interest rate reductions, and the consensus is one or two 25-bps cuts for 2026. The nomination of a new Fed chair is unlikely to change those projections, at least in the short term.
- U.S. GDP grew by an annualized rate of 0.5% in Q4 2025, averaging 2.1% for the year. Forecasts for 2026 ranged between 1.5% and 2.2%, with Q1 projections below 1.0% amid tariff pressures and disruption resulting from the Iran conflict.
- The U.S labor market fluctuated during the first three months of 2026, with a loss in February sandwiched by better-than-expected gains in January and March. Unemployment teetered between 4.3% and 4.4% with slower hiring and lower quit rates. While the labor force is shrinking, artificial intelligence is helping to offset the impact by boosting productivity.
- Elevated policy and geopolitical uncertainty are acting as a “hidden brake” on corporate decision-making. This uncertainty is reflected in the office-using labor, which is slowing, signaling a more cautious corporate environment.
- Office-using employment retracted, declining by 183,000 jobs YoY. Reduction occurred across several sectors, but primarily from tech, stemming from recent layoffs, financial services, and employment services (temp help). Growth occurred in architecture/engineering and legal services.
- Office-using job postings (companies looking to hire) are up 9.9%, indicating some promise for the economy over the next 12 months. Over the past three months, banking institutions, engineering firms, and custom computer programming services posted the most open positions.
- Looking ahead, the combination of steady economic growth, constrained supply, and evolving workplace strategies should support a gradual office recovery. However, persistent inflation, high borrowing costs, and geopolitical risks suggest the recovery will be uneven and extend over the next few years rather than occurring quickly.

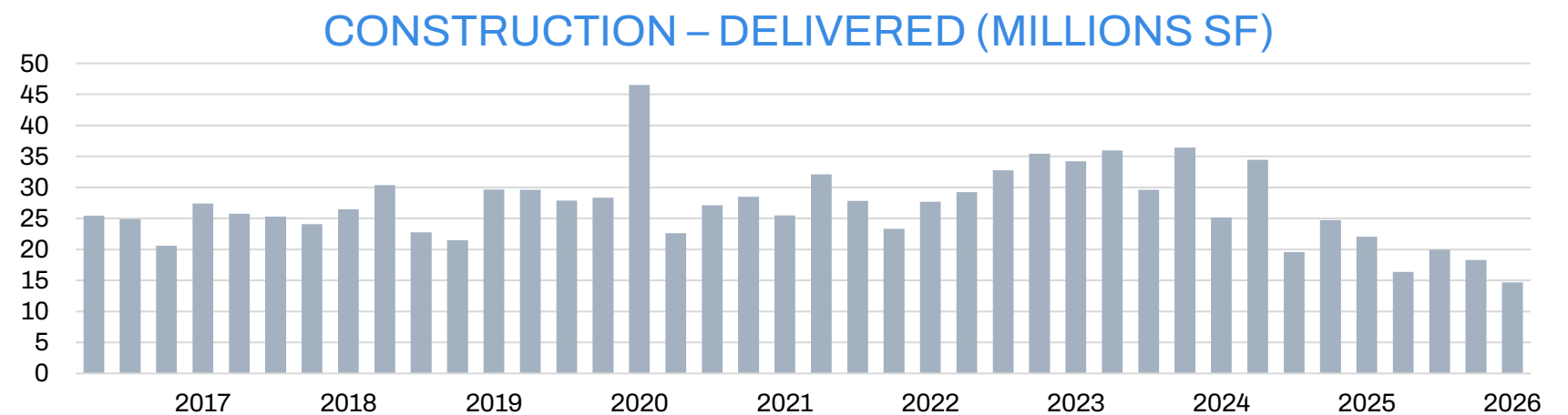
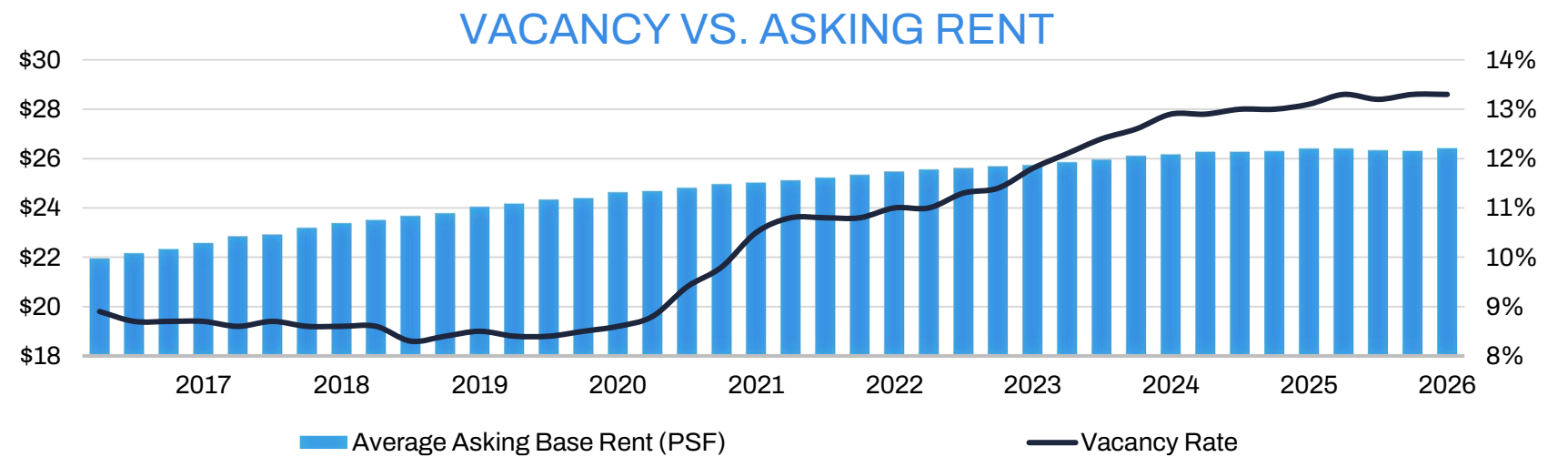
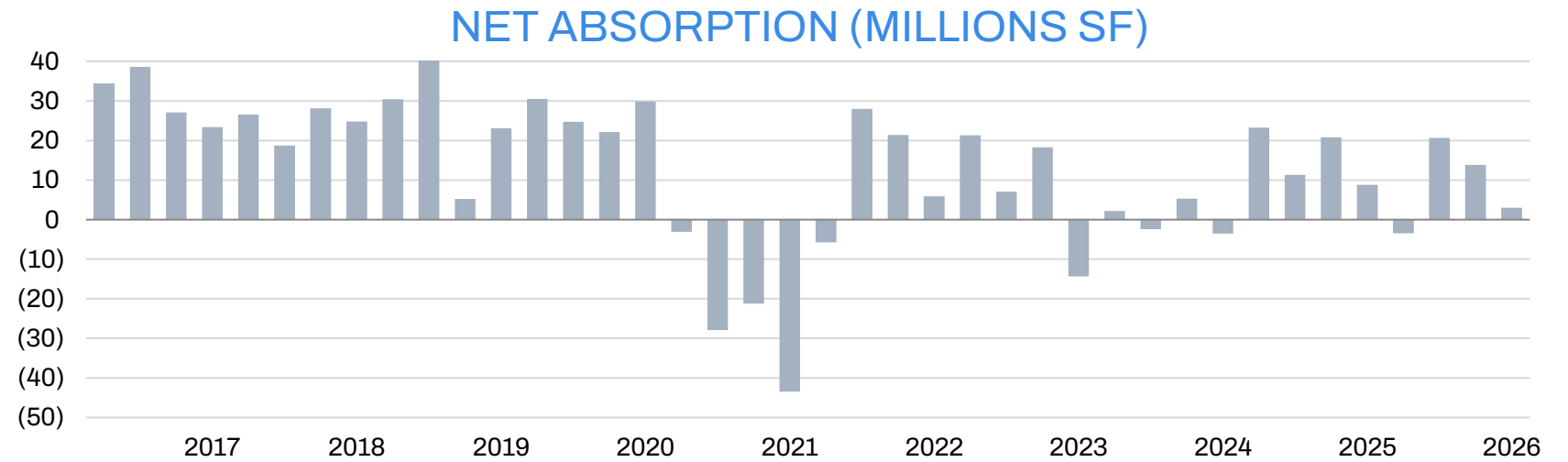
## HISTORICAL



## MARKET HIGHLIGHTS

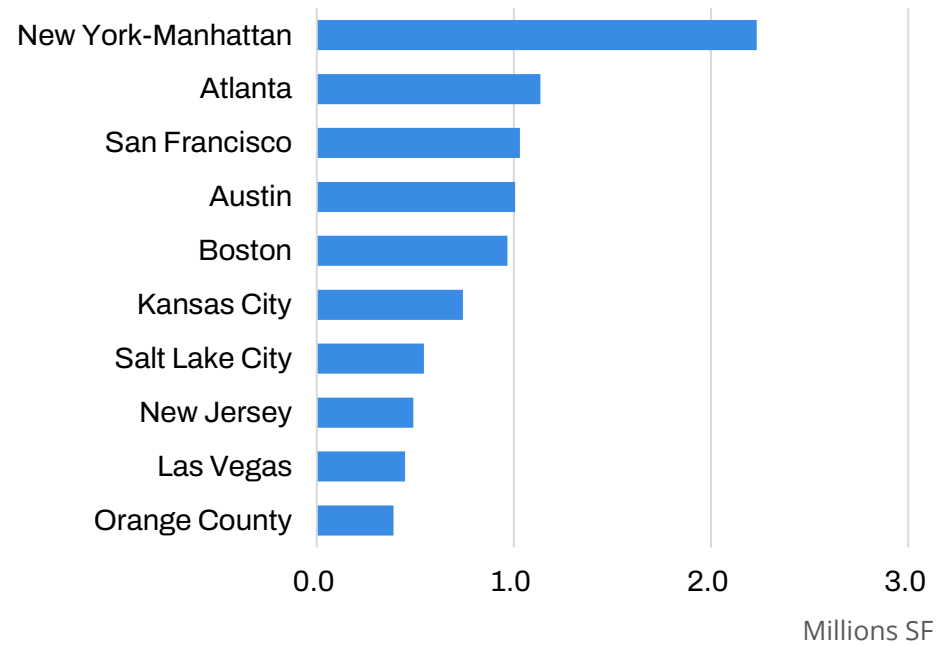
- Office demand is regaining momentum, despite macro uncertainty and geopolitical stress. Net absorption tallied 3.0 MSF during Q1 2026 and 34.0 MSF over the past four quarters. Although gaining traction, is below the 20-year annual average of 64.0 MSF.
- Demand is increasingly broad-based across both markets and industries. 33 of 51 tracked markets registered positive net absorption, up slightly from 28 the quarter prior. Gains this quarter spanned from industries such as finance, local government, higher education - not just tech.
- The vacancy rate appears to be stabilizing, holding at 13.3% for the quarter and most of the past year, after years of steady increases. The Class A vacancy rate declined over the past year, suggesting the peak for this asset class may be behind us, as tenants continue to take down newly delivered space but also start to backfill older Class A stock due to dwindling new space options.
- Improvement in vacancy is becoming more widespread across markets, with 65% of markets tracked saw quarterly vacancy declines.
- Sublease space is steadily being absorbed or removed from the market as tenant confidence improves. The sublease availability rate is down 70 basis points from the peak during mid-2023. As companies firm up their space strategies, excess sublease supply is being removed, helping tighten overall market conditions.
- Supply-side pressures are easing significantly due to pullback in construction by over 30% since the peak, reducing the risk of additional oversupply. The market is also rebalancing through shrinking inventory. Conversions, demolitions, and repositioning have reduced total office stock, contributing to stabilization and signaling a shift toward a more selective, quality-driven recovery.
- Asking rents flattened YoY. Concession packages remain elevated but are moderating, especially for top-tier space. These incentives could tick up in older stock, but challenges remain for attracting tenants.
- We expect measured but improving demand, rather than a sharp rebound. Companies are still leasing space, but decision timelines are longer and footprints are scrutinized more heavily.

## HISTORICAL



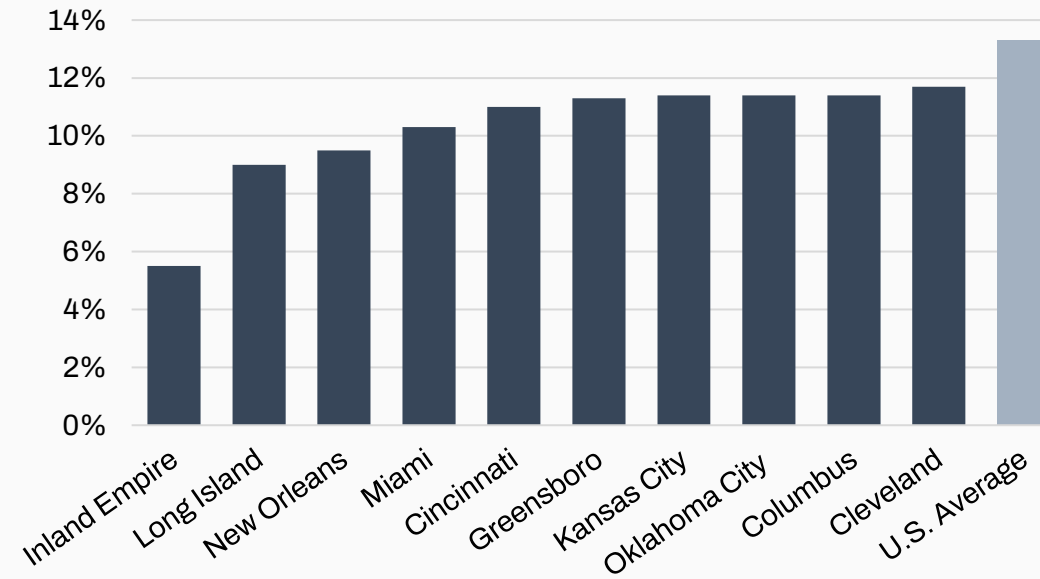
### NET ABSORPTION

Q1 2026 Net Absorption



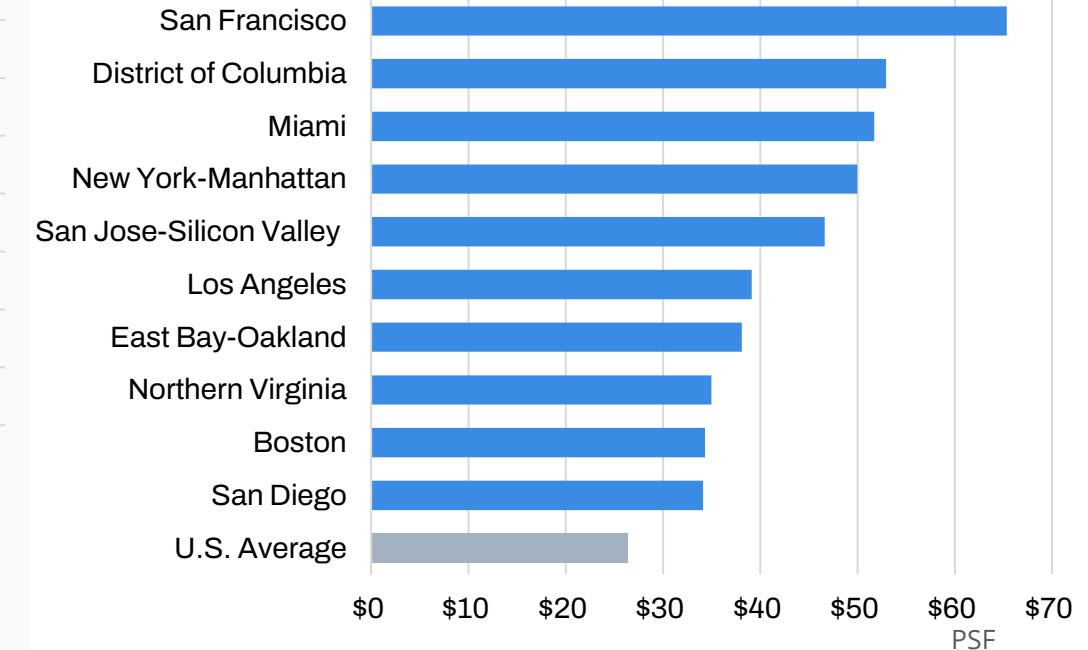
### VACANCY/CONSTRUCTION

Q1 2026 Overall Vacancy Rate

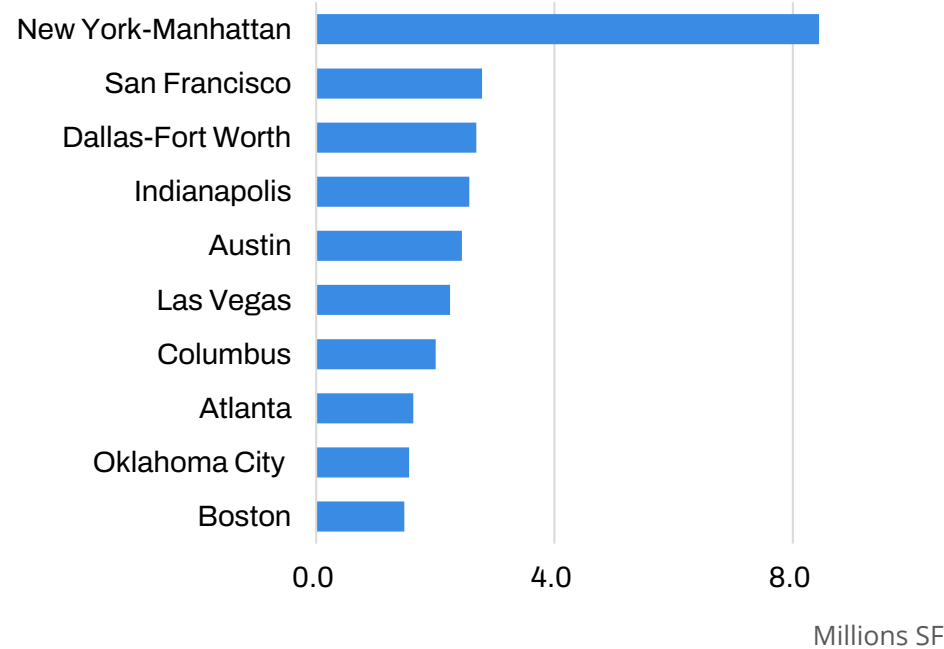


### ASKING RENTS

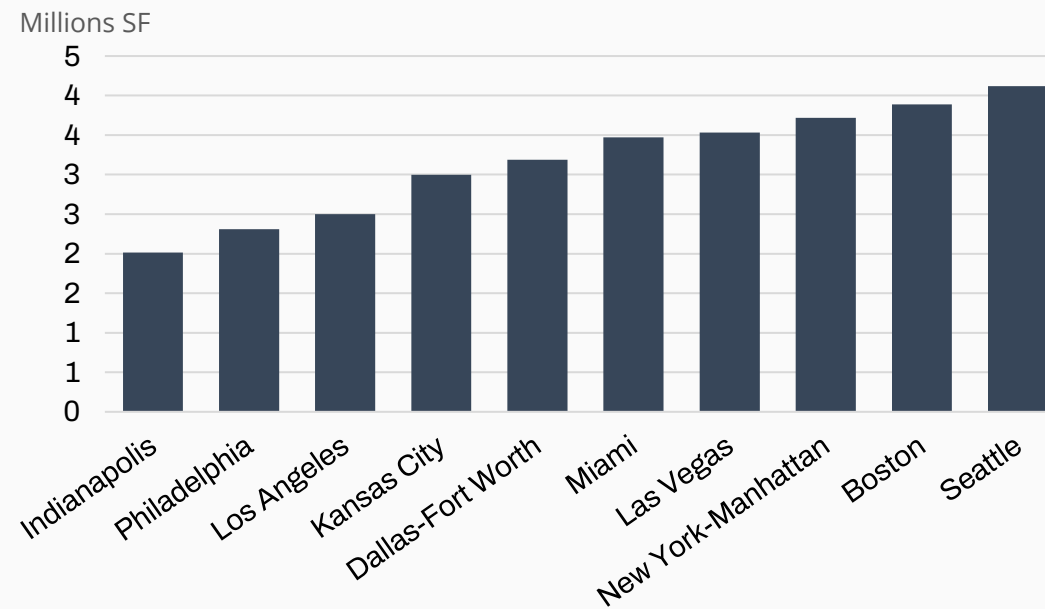
Q1 2026 Asking Rate (Base)



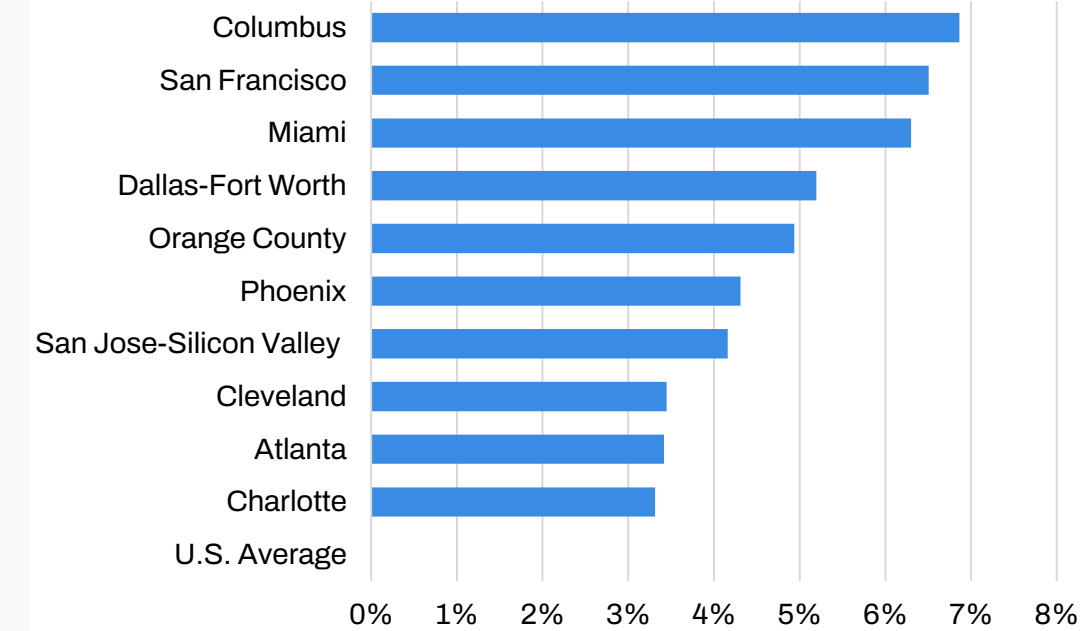
### Trailing 4-Qtr Net Absorption



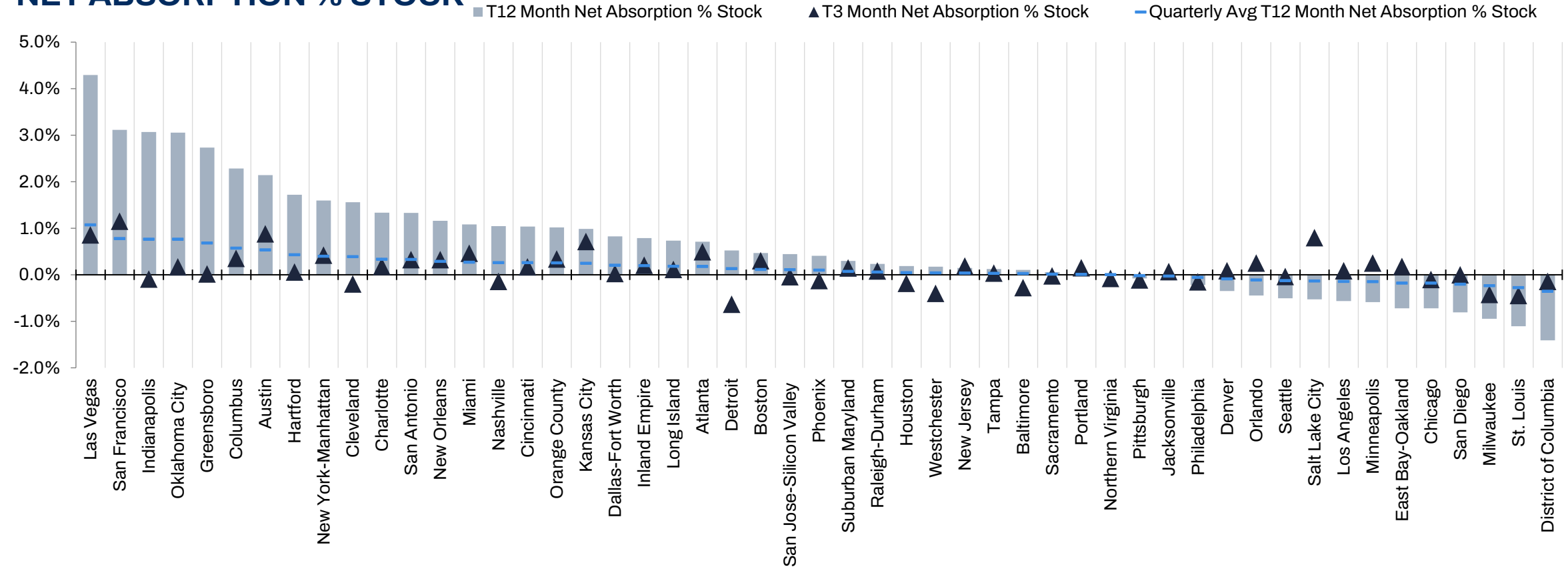
### Q1 2026 Under Construction



### Year-Over-Year Rent Growth

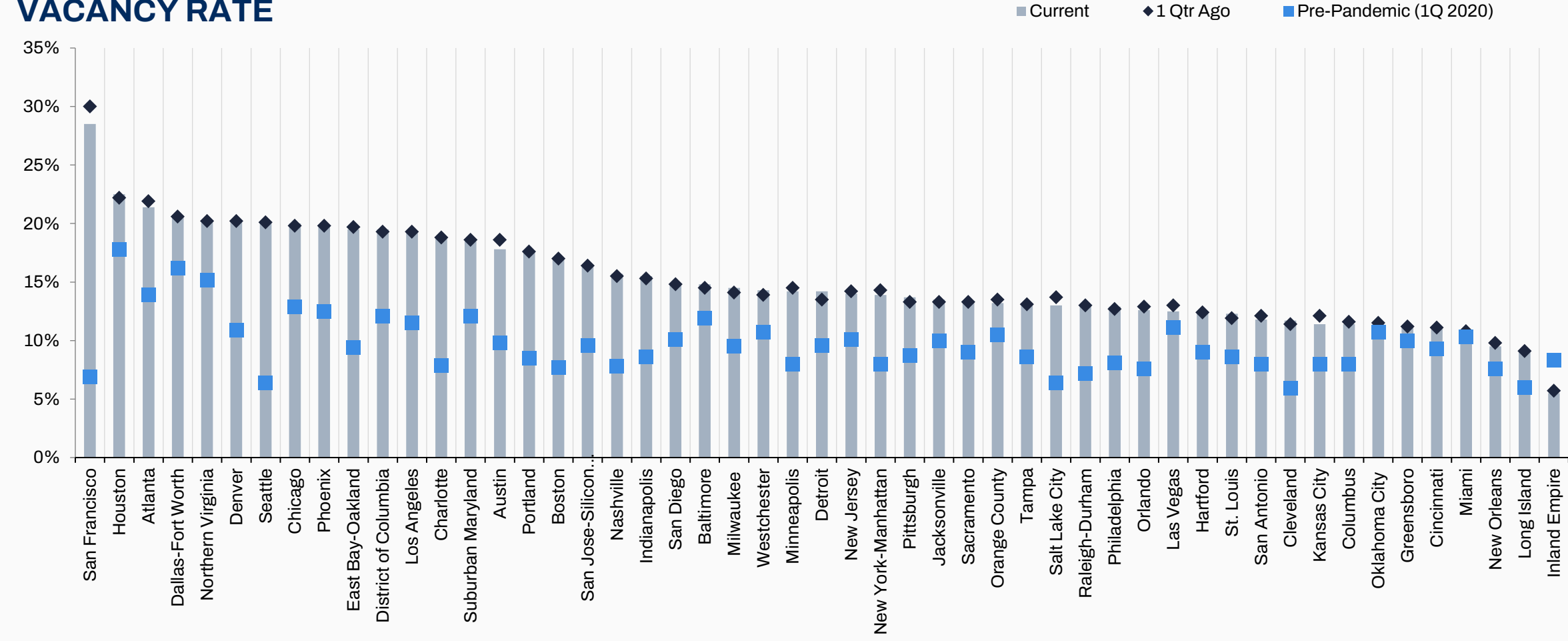


### NET ABSORPTION % STOCK



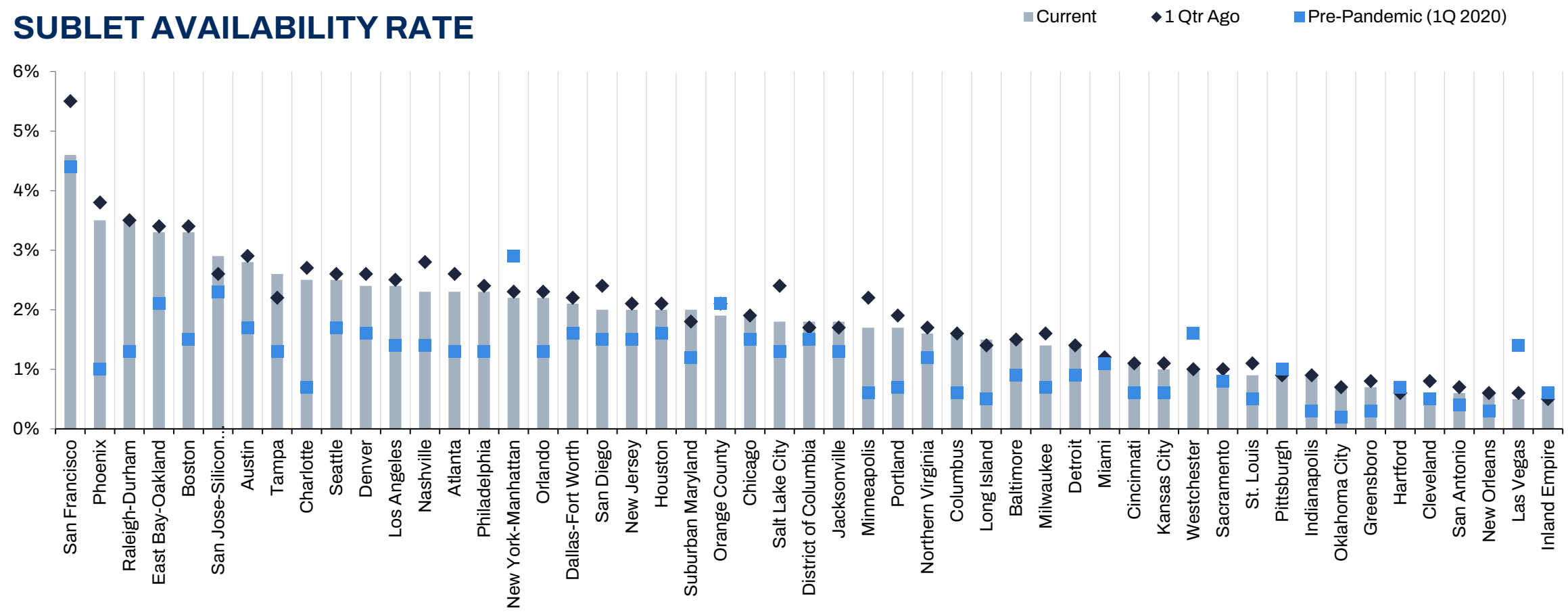
- 65% of tracked markets managed positive net absorption for the quarter and 71% for the trailing 12 months.
- Top markets for trailing 12-month net absorption that also saw strong positive net absorption for the quarter include Las Vegas, San Francisco, and Austin.
- 51% of markets' quarterly net absorption improved during Q1 compared to their trailing 12-month quarterly average net absorption. Standouts include Salt Lake City, Kansas City, and San Francisco.

### VACANCY RATE



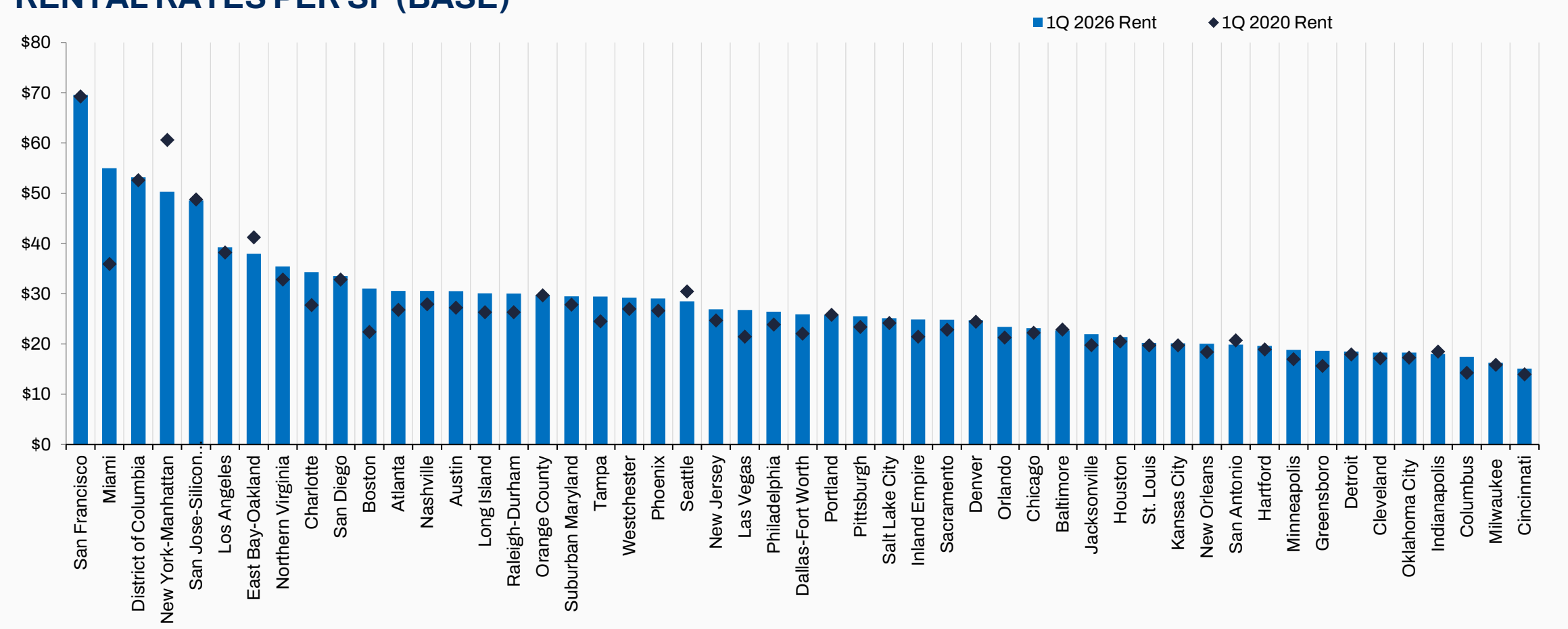
- 65% of markets stayed constant or improved from the previous quarter. The markets that experienced the largest decline in vacancy rate include San Francisco, Cleveland, and Salt Lake City.
- Markets that retracted this quarter include Detroit and Milwaukee.
- Markets that experienced the greatest recovery compared to pre-pandemic include the Inland Empire, with Oklahoma City and Miami relatively flat.

### SUBLET AVAILABILITY RATE



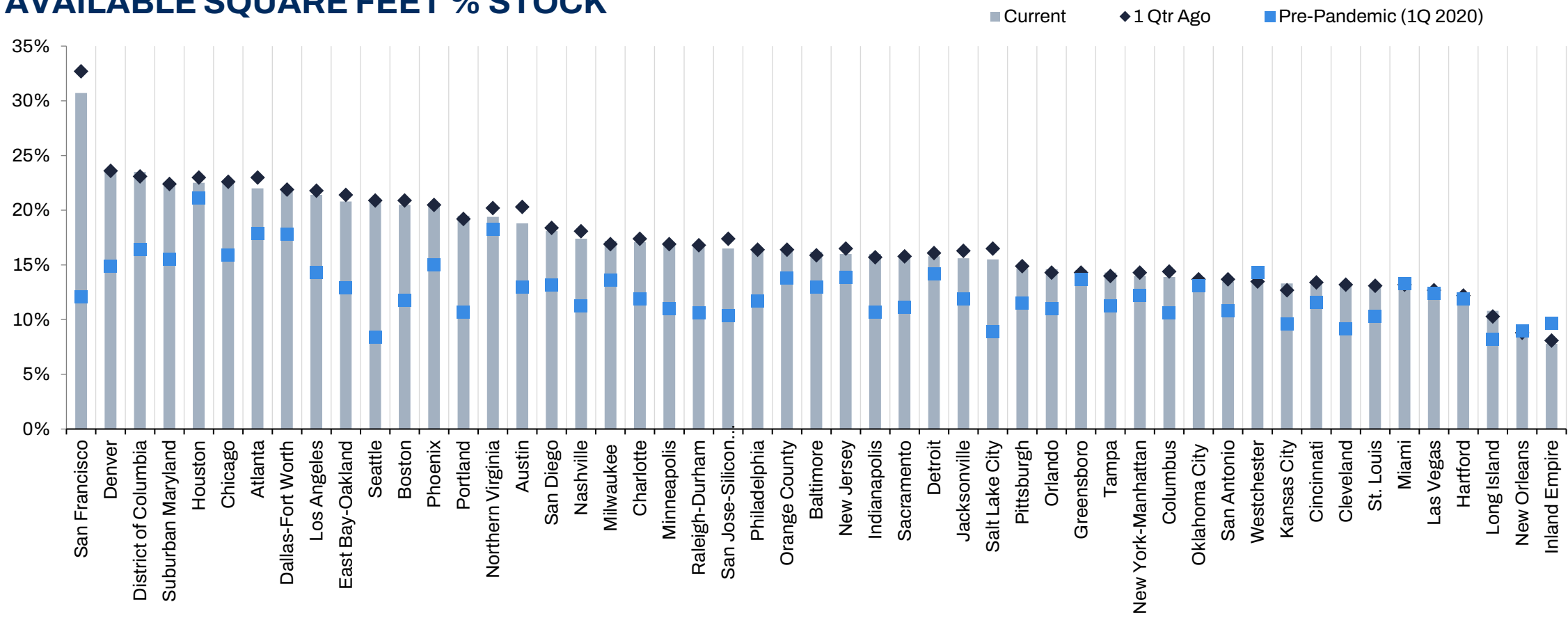
- This graph shows available sublet space as a percent of stock, which can react quickly to changes in demand.
- Sublease availability is starting to tighten, as space is getting leased up or pulled from the market.
- In Q1, 86% of markets stayed constant or improved from the previous quarter, indicating improving conditions.
- The most notable improvements occurred in San Francisco, Salt Lake City, and Minneapolis.

### RENTAL RATES PER SF (BASE)



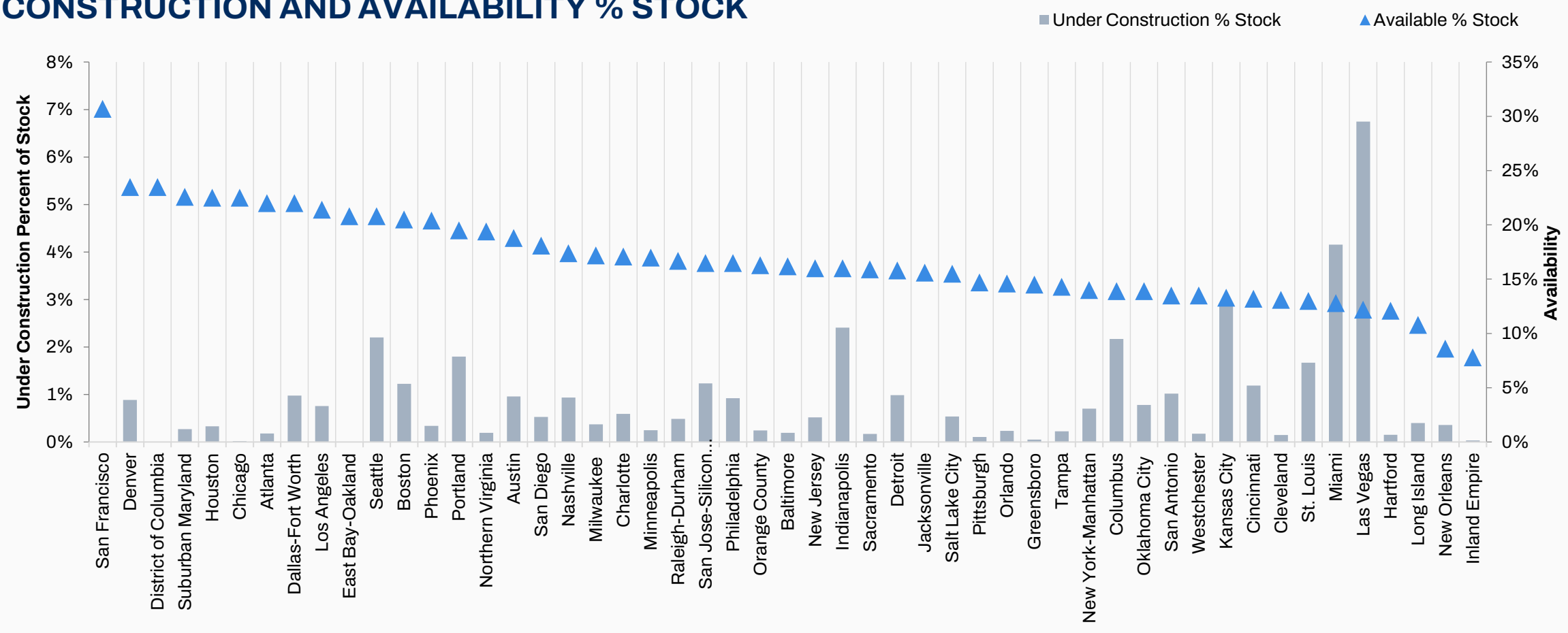
- The largest, densest, and most developed markets have historically commanded significantly higher rental rates, yet shifts in the office market have diminished these markets' lead.
- Miami and Boston have outperformed, with a sharp rise in rents, by 53% and 38%, respectively, compared to the pre-pandemic 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 San Francisco, Austin, Atlanta, and Salt Lake City.
- 69% 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 indicate whether a market is likely to tighten or soften.
- Markets with particularly high under-construction and high availability as a percent of stock include Seattle, Portland, Las Vegas, and Indianapolis.
- 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	229,814,739	21.4%	20.5%	1,134,989	1,631,785	\$30.57	3.4%	408,000
Austin	114,133,077	17.8%	16.1%	1,006,107	2,444,222	\$30.51	0.6%	1,093,388
Baltimore	99,563,039	14.8%	14.2%	(273,814)	106,144	\$22.71	0.2%	190,173
Boston	317,916,056	16.9%	14.9%	966,740	1,479,500	\$31.02	-9.6%	3,886,731
Charlotte	98,333,333	18.7%	16.2%	174,770	1,310,553	\$34.29	3.3%	583,190
Chicago	392,038,740	19.8%	19.0%	(908,068)	(1,597,743)	\$23.05	0.4%	443,362
Cincinnati	80,562,405	11.0%	10.4%	137,058	835,315	\$15.08	1.3%	957,250
Cleveland	92,435,692	11.7%	11.2%	(182,330)	1,440,685	\$18.30	3.4%	134,325
Columbus	87,834,465	11.4%	10.2%	309,404	2,006,709	\$17.44	6.9%	1,905,893
Dallas-Fort Worth	326,170,007	20.6%	19.3%	87,608	2,689,269	\$25.92	5.2%	3,188,128
Denver	160,211,529	20.2%	18.7%	142,392	(560,756)	\$24.75	0.3%	1,416,391
Detroit	139,498,847	14.2%	13.2%	(884,253)	730,110	\$18.50	-0.1%	1,376,205
District of Columbia	148,669,093	19.5%	18.7%	(209,764)	(2,097,697)	\$53.17	0.4%	0
East Bay-Oakland	90,548,523	19.5%	17.1%	160,411	(654,143)	\$37.97	-0.4%	0
Greensboro	19,162,028	11.3%	10.6%	3,388	523,953	\$18.64	-0.9%	10,000
Hartford	49,510,701	12.4%	11.9%	29,229	852,104	\$19.60	0.3%	74,372
Houston	268,199,344	22.5%	21.3%	(490,171)	507,131	\$21.38	1.2%	887,378
Indianapolis	83,724,687	15.5%	14.8%	(76,556)	2,570,855	\$18.01	-1.0%	2,015,277
Inland Empire	35,368,629	5.5%	5.3%	72,516	278,662	\$24.89	0.5%	11,148
Jacksonville	41,862,224	13.5%	12.0%	29,507	(50,665)	\$21.95	1.8%	0
Kansas City	103,303,149	11.4%	10.5%	741,013	1,018,837	\$20.12	-2.5%	2,997,081
Las Vegas	52,355,656	12.5%	12.1%	448,080	2,247,528	\$26.76	-3.0%	3,530,737
Long Island	62,960,487	9.0%	8.0%	72,160	461,009	\$30.09	-0.1%	251,847
Los Angeles	330,952,030	19.2%	17.5%	288,826	(1,868,203)	\$39.26	0.4%	2,501,601
Miami	83,566,384	10.3%	9.5%	386,763	905,442	\$54.99	6.3%	3,473,416

Market	Inventory SF	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent Base	Annual Rent Change	Under Construction
Milwaukee	64,804,524	14.5%	14.2%	(272,700)	(613,039)	\$16.25	-1.0%	239,450
Minneapolis	153,203,033	14.2%	13.3%	386,656	(899,357)	\$18.83	2.6%	379,506
Nashville	73,896,984	15.7%	13.7%	(104,821)	771,620	\$30.54	2.7%	690,195
New Jersey	262,619,473	14.0%	12.6%	490,569	381,535	\$26.89	1.3%	1,364,807
New Orleans	34,583,772	9.5%	8.9%	112,891	401,799	\$20.07	2.7%	123,941
New York-Manhattan	529,385,182	13.9%	12.5%	2,230,774	8,438,829	\$50.27	0.6%	3,719,011
Northern Virginia	164,981,351	20.3%	19.6%	(131,336)	22,471	\$35.41	1.2%	314,606
Oklahoma City	51,104,972	11.4%	11.1%	86,009	1,560,735	\$18.29	-4.5%	398,149
Orange County	114,773,970	13.2%	12.0%	388,637	1,167,130	\$29.76	4.9%	277,079
Orlando	68,918,810	12.6%	11.2%	174,668	(306,567)	\$23.39	0.9%	161,945
Philadelphia	250,400,261	12.9%	11.6%	(377,712)	(555,886)	\$26.41	2.3%	2,309,786
Phoenix	132,954,549	19.9%	17.0%	(164,112)	540,229	\$29.04	4.3%	450,025
Pittsburgh	113,685,405	13.7%	13.0%	(126,240)	(90,994)	\$25.51	-0.8%	117,500
Portland	96,682,841	17.6%	16.6%	147,419	36,952	\$25.84	-3.4%	1,738,125
Raleigh-Durham	85,556,581	13.0%	11.2%	69,672	201,142	\$30.06	2.6%	416,222
Sacramento	82,140,157	13.4%	13.1%	(20,240)	42,990	\$24.84	-1.8%	137,750
Salt Lake City	67,886,402	13.0%	11.3%	543,068	(357,521)	\$25.13	-1.3%	364,736
San Antonio	67,073,735	11.8%	11.4%	218,429	890,726	\$19.86	-1.2%	683,400
San Diego	88,479,646	14.8%	14.1%	133	(714,916)	\$33.54	-1.7%	466,592
San Francisco	89,468,882	28.5%	25.1%	1,030,047	2,784,901	\$69.58	6.5%	0
San Jose-Silicon Valley	130,976,740	16.4%	14.4%	(56,893)	580,785	\$48.58	4.2%	1,616,112
Seattle	187,366,451	20.1%	18.7%	(65,788)	(944,374)	\$28.51	-2.2%	4,120,587
St. Louis	117,522,038	12.3%	11.8%	(525,900)	(1,302,068)	\$20.21	-4.9%	1,961,102
Suburban Maryland	83,750,276	18.5%	17.6%	122,976	11,961	\$29.47	1.2%	227,500
Tampa	81,760,868	13.1%	11.7%	30,452	100,144	\$29.43	2.5%	184,334
Westchester	139,473,400	14.3%	13.6%	(554,400)	239,291	\$29.22	0.5%	243,996



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## ABOUT THE TRANSWESTERN COMPANIES

Transwestern is a vertically integrated commercial real estate firm dedicated to serving investors, partners and clients through expertise in investment, development, brokerage and property management. We own, lease and operate \$64 billion<sup>1</sup> in assets. Our experience spans diverse property types, including logistics, multifamily, retail, mixed-use, healthcare, office, data centers, hotel, and life sciences. Across 33 offices nationwide, our team is united by a culture that cultivates agility, mutual trust and high performance. Learn more at [transwestern.com](https://transwestern.com).

<sup>1</sup>Includes all Transwestern enterprise assets and its RAUM as of April 1, 2026

## 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.).