Office Vacancy Rate Posts First Annual Decline in Over Five Years

▼ 18.8%	▲ $36.40	▲ 16.0 MSF	▲ 6.1 MSF
Vacancy Rate	EA Asking Rent	Net Absorption	Completions

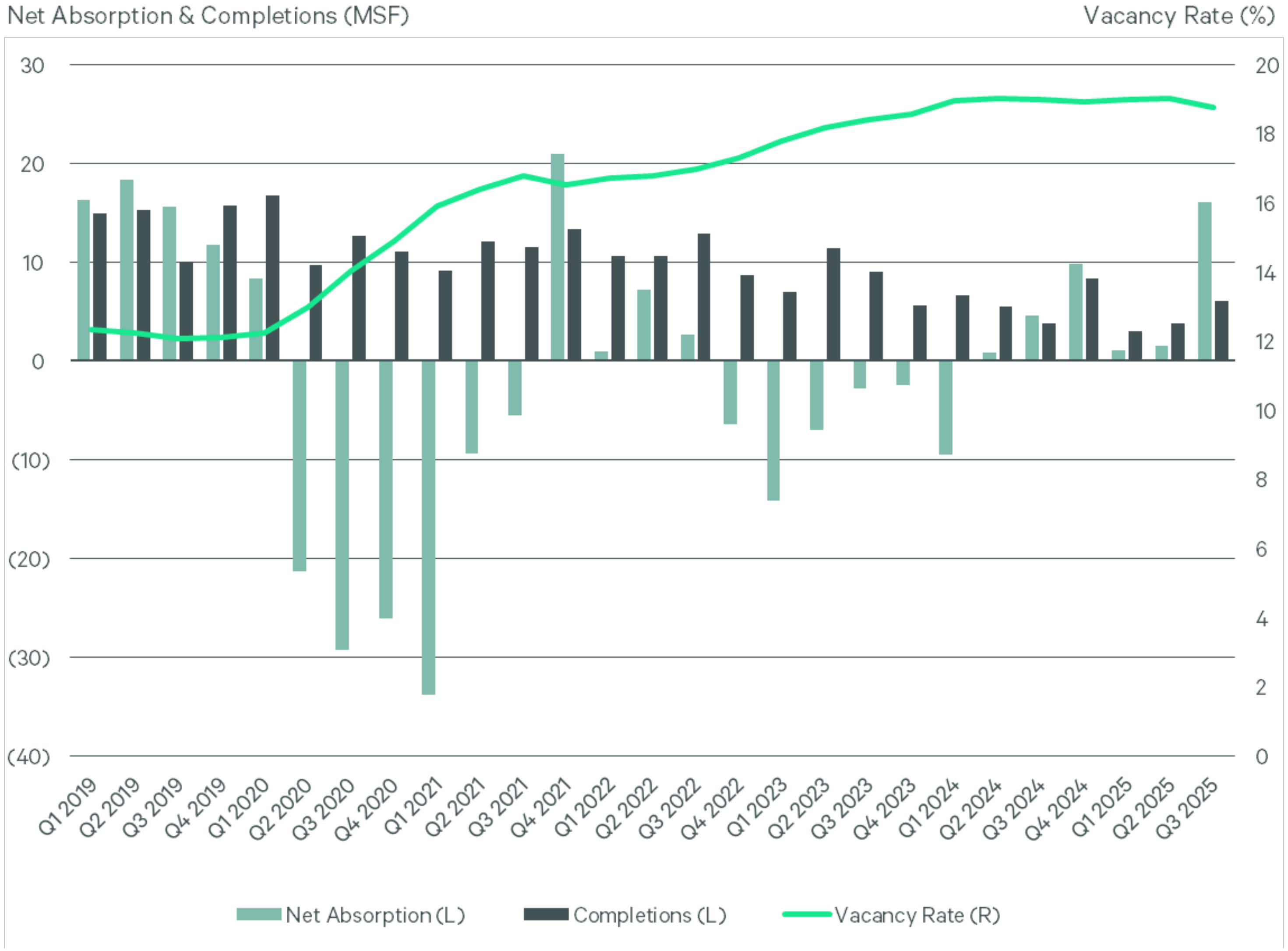
Note: Arrows indicate change from previous quarter.

Executive Summary

- The U.S. office market recorded its sixth consecutive quarter of positive net absorption in Q3, as demand outpaced supply and the overall vacancy rate fell by 20 basis points (bps) to 18.8%. This was the first year-over-year decline in vacancy since Q1 2020.
- Leasing activity exceeded the five-year quarterly average in Q3 at 59.8 million sq. ft., driven by financial services and technology firms. Blocks of between 10,000 and 20,000 sq. ft. accounted for more than half of all leases signed during the quarter.
- Gateway markets accounted for 56% of U.S. office leasing year-to-date, on par with 54% a year ago.
- The construction pipeline fell to 16 million sq. ft. and is on track for the lowest annual total in over a decade.
- The vacancy rate for prime buildings fell by 50 bps to 14.2% in Q3, while the non-prime vacancy rate decreased by 20 bps to 19.1%. The spread between the two continued to widen as occupiers favored high-quality space in the best locations.
- Average asking rent rose 1.3% year-over-year to $36.40 per sq. ft. While this is just 2.1% above the Q1 2020 level, it's 18% lower when adjusted for inflation.

Figure 1
Net absorption accelerates

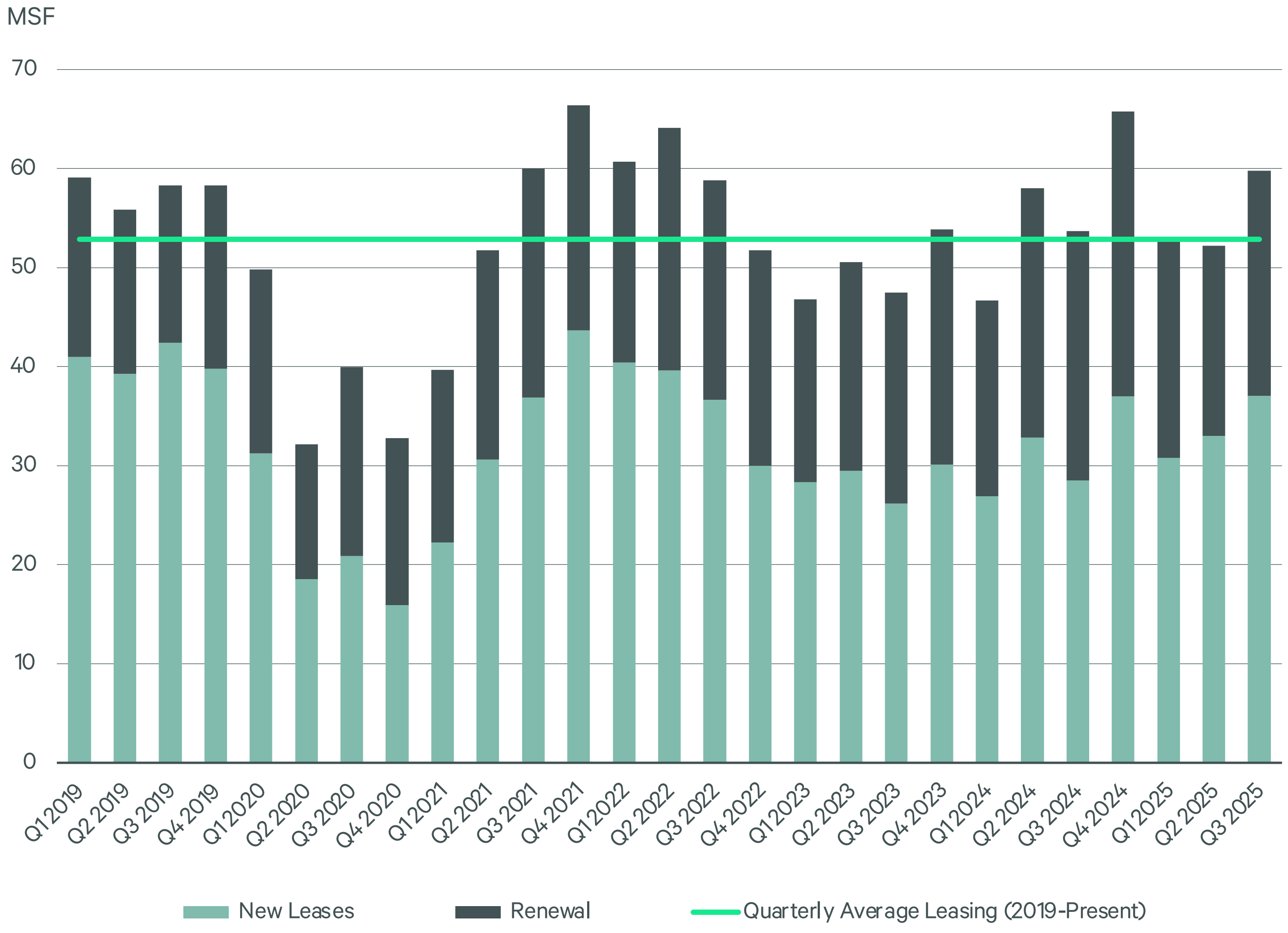
- Net absorption was positive for the sixth consecutive quarter at 16.0 million sq. ft., the highest quarterly total since Q4 2021.
- The overall office vacancy rate fell by 20 bps to 18.8% from its Q2 peak, as 16.0 million sq. ft. of occupancy gains outpaced completions. The prime office vacancy rate decreased by 50 bps quarter-over-quarter to 14.2%, while the non-prime vacancy rate decreased by 20 bps to 19.1%.
- Prime buildings have recorded 68.5 million sq. ft. of positive net absorption since Q1 2020, while non-prime buildings have seen 158.5 million sq. ft. of negative absorption.



Source: CBRE Econometric Advisors, Q3 2025

Figure 2
Leasing activity continues to improve

- Leasing activity rose by 15% quarter-over-quarter and 11% year-over-year to 59.8 million sq. ft. Year-to-date activity was up by 4%.
- Year-to-date, the number of lease transactions increased by 26% from the 2018/2019 average, but total square footage fell by 4%. The average lease was 24% smaller than pre-pandemic levels, partly due to hybrid work.
- Small occupiers continued to drive demand with leases of between 10,000 and 20,000 sq. ft. accounting for 56% of year-to-date activity, compared with 47% in 2018/2019.
- Renewals remained above the pre-pandemic average, while the share of new leases has increased over the past several quarters. However, higher-than-average renewals could continue due to increased moving and construction costs.



Note: Leasing transactions of 10,000 sq. ft. or more.
Source: CBRE Research, Q3 2025.

Figure 3
Leasing rises in gateway markets

- The year-to-date share of office leasing in gateway markets increased slightly to 56%.
- Manhattan again led the top 20 markets for year-to-date leasing activity with a 14.6% share, up from 10.9% last year.
- Year-to-date leasing activity increased in half of the top 12 office markets by inventory, led by San Francisco, Manhattan and Philadelphia.
- Leasing declined year-over-year in Texas markets (Houston, Dallas and Austin) and several Sun Belt markets, including Phoenix and Atlanta.

Market	2025 YTD Leasing Volume MSF	YoY Change	Share of U.S. Total Leasing Volume
Manhattan*	23.4	▲	14.6%
Washington, D.C.*	9.1	▼	5.7%
Chicago*	8.9	▲	5.6%
Los Angeles*	7.8	▲	4.9%
Dallas-Fort Worth*	6.9	▼	4.3%
San Francisco*	6.3	▲	4.0%
Boston*	5.9	▲	3.7%
Houston*	5.7	▼	3.6%
Atlanta*	5.2	▼	3.3%
New Jersey	4.5	▼	2.8%
Silicon Valley	4.1	▲	2.6%
Seattle*	4.0	▼	2.5%
Denver*	3.8	▼	2.4%
Orange County, CA	3.2	▼	2.0%
Philadelphia*	3.1	▲	1.9%
Phoenix	3.1	▼	1.9%
Austin	3.1	▼	1.9%
Charlotte	2.9	▲	1.8%
Salt Lake City	2.5	▲	1.6%
Minneapolis-St. Paul	2.4	▲	1.5%

*Gateway market

Notes: Top 20 markets by total leasing volume (sq. ft.). Includes new and renewal leases for 10,000 sq. ft. or more. Year-over-year change compares year-to-date leasing volume for the current and prior year.

Source: CBRE Research, Q3 2025.

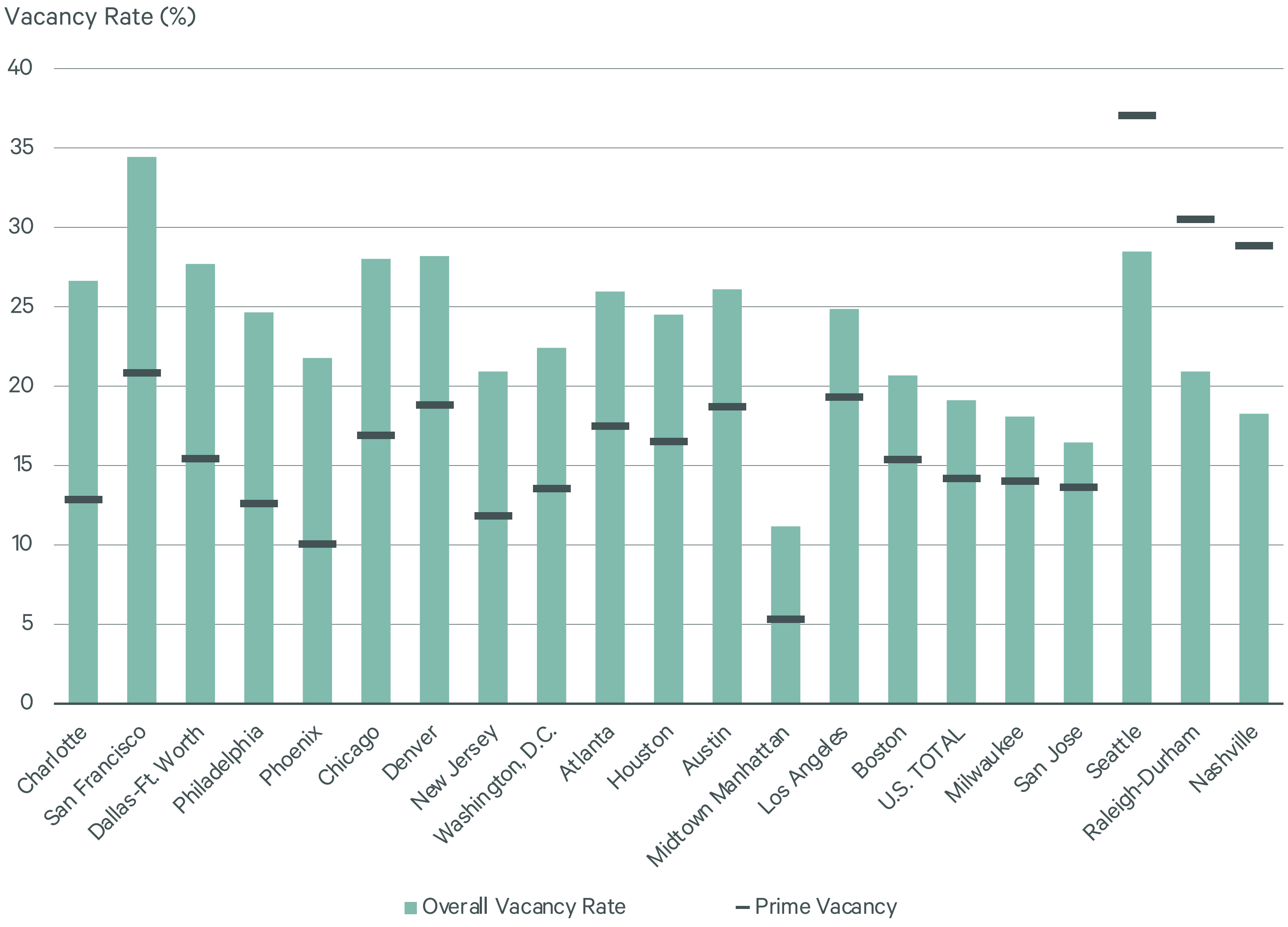
Figure 4
Vacancy rate change by market

- Vacancy rates fell in 29 of the 58 markets tracked by CBRE, increased in 23 and were unchanged in six.
- Vacancy fell quarter-over-quarter in some gateway markets, including Manhattan (-60 bps), San Jose (-50 bps) and San Francisco (-40 bps). Tech and AI-related companies absorbed space in San Jose and San Francisco, while tech, law and financial firms drove leasing in Manhattan. Demand outpaced construction completions in Manhattan and San Jose.
- Construction completions led to quarter-over-quarter vacancy rate increases in Austin (+130 bps), Boston (+30 bps) and Dallas-Ft. Worth (+10 bps).

Note: Top 40 U.S. office markets by inventory. Basis-point (bps) changes rounded to nearest 10-bp change in vacancy rate.
*Denotes market with above U.S. average Q3 office completions as share of its market inventory.
Source: CBRE Research, Q3 2025.

Figure 5
Prime buildings outperform in most markets

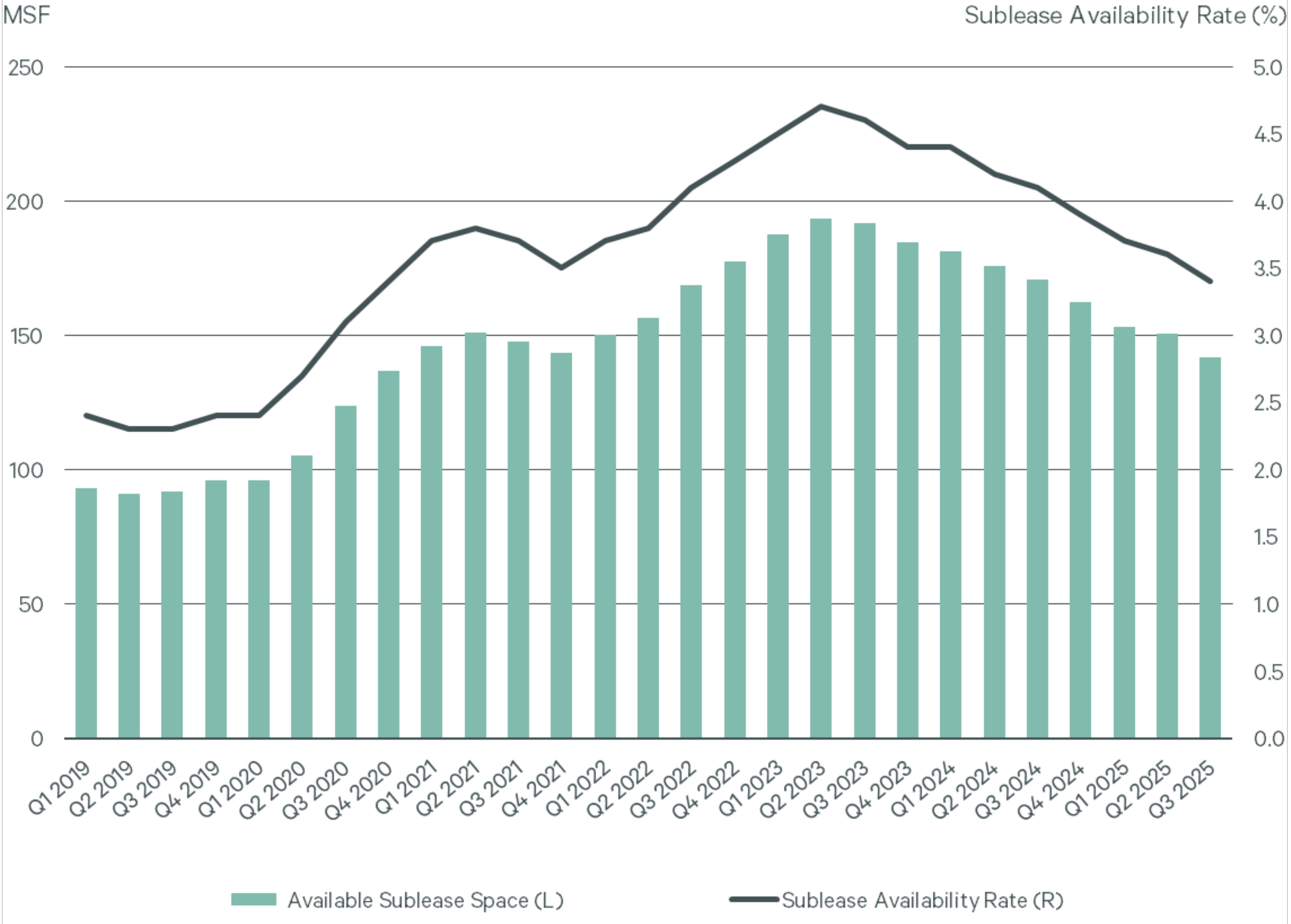
- The spread between prime and non-prime office vacancy rates widened to 4.9 percentage points in Q3.
- Prime vacancy rates in most markets remained consistently lower than their overall vacancy rates in Q3. Charlotte, San Francisco, Dallas-Ft. Worth, Philadelphia, Phoenix and Chicago had prime vacancy rates that were more than 10 percentage points below each market's overall vacancy rate.
- Substantial amounts of office completions in Nashville, Raleigh-Durham and Seattle have temporarily increased their prime vacancy rates.



Note: 20 largest prime office markets.
Source: CBRE Research, Q3 2025.

Figure 6
Sublease availability falls at fastest pace since pandemic

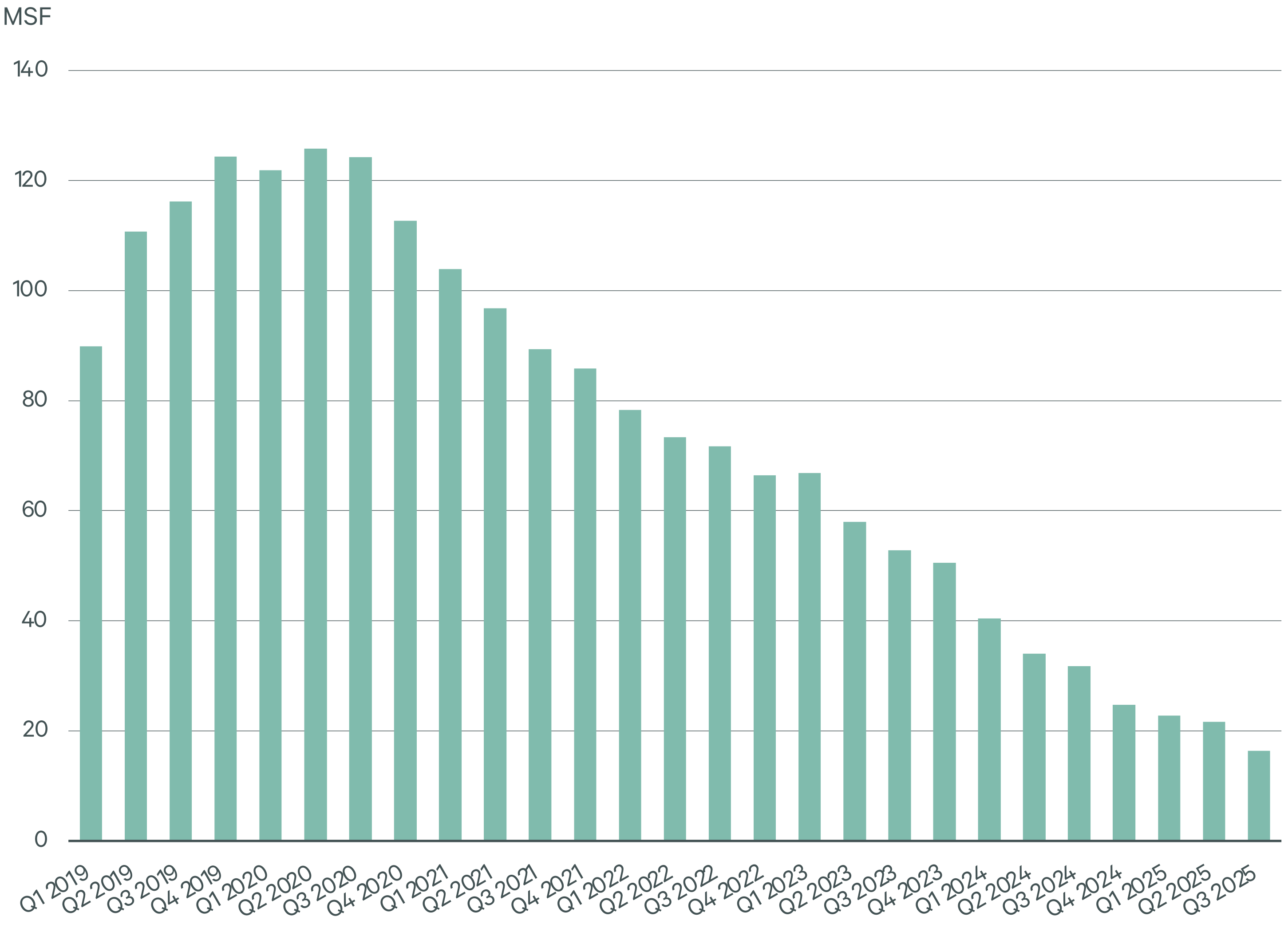
- Available sublease space fell by 70 bps year-over-year to 3.4% of total office inventory in Q3, the fastest pace of decline since the pandemic. New sublease activity and lease expirations caused the reduction.
- The 141.6 million sq. ft. of available sublease space was 27% less than its peak in Q2 2023 but still more than the 96 million sq. ft. in Q1 2020.
- Nearly half of all available sublease space was vacant and included in the overall vacancy rate of 18.8%.



Source: CBRE Econometric Advisors, Q3 2025

Figure 7
Construction pipeline diminishes

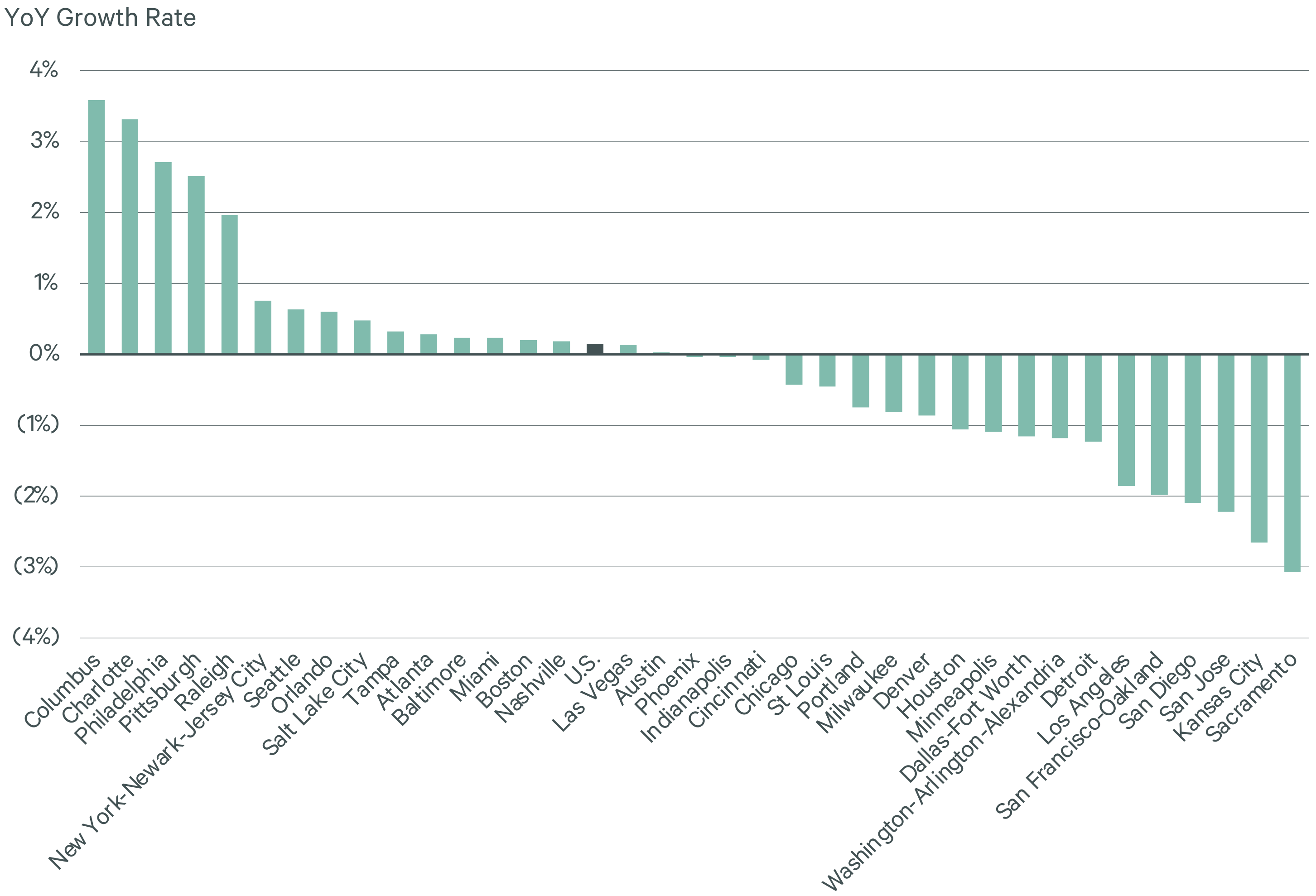
- Only 16.4 million sq. ft. of office space was under construction in Q3, representing less than 0.5% of total U.S. office inventory and an 87% decline from Q1 2020.
- Palm Beach County (5.0%), Cleveland (3.2%), Miami (2.0%) and Austin (1.5%) have the most space underway as a share of their overall inventory. As projects complete, these markets will likely have short-term increases in vacancy.
- Construction completions are expected to total 13 million sq. ft. this year, the lowest annual total since 2012 and significantly below the 10-year average of 41.1 million sq. ft.



Source: CBRE Research, Q3 2025.

Figure 8
Annual office-using employment growth by metro

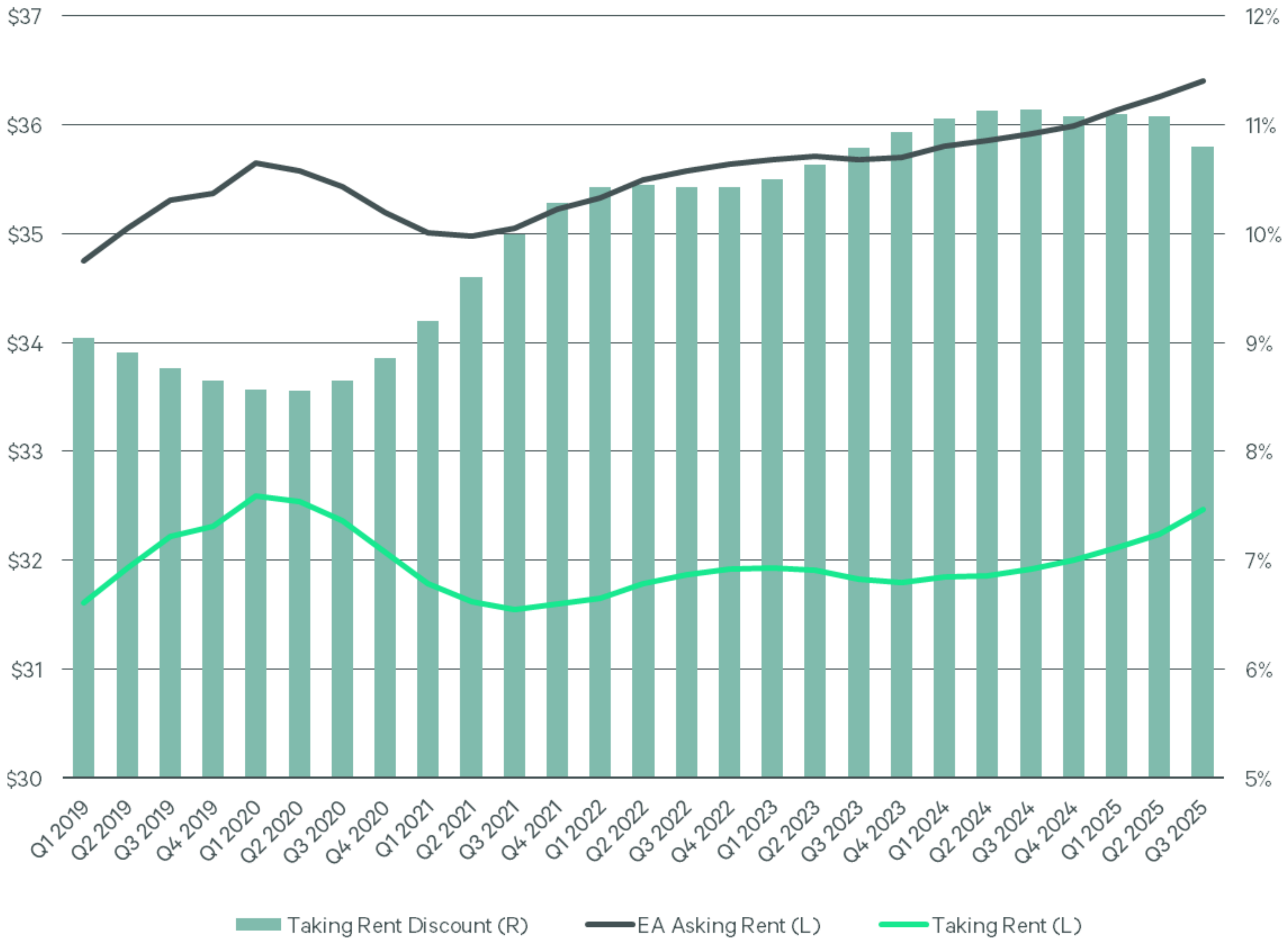
- Office-using job growth was unchanged year-over-year in Q3.
- While job growth and clarity on the long-term effects of hybrid work support future leasing activity, some occupiers may delay leasing decisions due to near-term macroeconomic uncertainty.
- Average occupied space per employee rose to 148 sq. ft. in Q3 but was still 7% below the 2018/2019 average.
- Columbus (3.6%), Charlotte (3.3%) and Philadelphia (2.7%) had the most year-over-year growth in office-using employment, driven by financial services in Columbus and professional & business services in Charlotte and Philadelphia.



Note: Top 40 U.S. office markets by inventory (sq. ft.), excluding New Jersey, Orange County, Long Island, Fairfield County, CT that fold into broader metro areas.
Note: Office-using employment includes jobs designated by the Bureau of Labor Statistics as Professional & Business Services and Financial Activities.
Source: U.S. Bureau of Labor Statistics, CBRE Research, Q3 2025.

Figure 9
Asking & taking rent spread contracts

- Average asking rent rose by 1.3% year-over-year to $36.40 per sq. ft., 2.1% above its Q1 2020 level but 18% lower when adjusted for inflation.
- The discount between average asking and taking rent contracted to 10.8% quarter-over-quarter as landlords slowly regained leverage in negotiations. This spread was wider than the 8.6% average in Q1 2020.
- Generous tenant-improvement allowances and free rent periods continued to limit effective rent growth in Q3, especially for Class B/C buildings.



Source: CBRE Econometric Advisors, Q3 2025.

Figure 10
At-a-glance office market metrics

		Q3 2025					
Market	Size Rank	Overall Vacancy Rate (%)	YoY Change (Up/Down)	YTD Net Absorption (Sq. Ft.)	YTD Construction Completions (Sq. Ft.)	Direct Avg. Asking Rent ($/SF/Yr, FSG)	YoY Change (Up/Down)
Atlanta	9	26.0%	▼	471,081	250,000	$33.62	▲
Austin	21	26.1%	▲	-423,389	1,065,277	$48.87	▲
Baltimore	22	20.7%	▲	-189,020	687,985	$26.77	▼
Boston	7	20.7%	▲	-493,183	969,500	$51.13	▲
Charlotte	23	26.6%	▲	-554,856	473,157	$35.06	▲
Chicago	3	28.0%	▲	520,715	0	$37.39	▲
Cincinnati	41	20.6%	▼	-50,576	45,000	$20.49	▲
Cleveland	44	17.5%	▲	-329,204	125,000	$19.43	▲
Columbus	34	20.5%	▼	471,524	0	$22.21	▲
Dallas-Ft. Worth	4	27.7%	▲	-619,955	683,469	$33.48	▲
Denver	11	28.2%	▲	-1,658,246	365,175	$33.89	▼
Detroit	17	19.7%	▲	785,196	0	$20.46	▲
Fairfield County, CT	39	23.5%	▼	-131,671	0	$36.21	▲
Ft. Lauderdale	51	18.8%	▲	177,003	0	$42.48	▲
Greenville	59	10.5%	▼	225,026	0	$25.49	▲
Hartford	45	22.7%	▼	111,180	0	$21.47	▲
Honolulu	57	11.5%	▼	400,403	0	$42.86	▲
Houston	6	24.5%	▼	-137,124	0	$31.31	▼
Indianapolis	40	20.0%	▼	-85,978	0	$22.16	▼
Inland Empire	50	5.5%	▼	230,706	19,000	$26.06	▲

Source: CBRE Research, CBRE Econometric Advisors, Q3 2025.

Figure 10
At-a-glance office market metrics (continued)

		Q3 2025					
Market	Size Rank	Overall Vacancy Rate (%)	YoY Change (Up/Down)	YTD Net Absorption (Sq. Ft.)	YTD Construction Completions (Sq. Ft.)	Direct Avg. Asking Rent ($/SF/Yr, FSG)	YoY Change (Up/Down)
Jacksonville	47	24.3%	▲	330,747	0	$23.36	▲
Kansas City	25	17.8%	▼	162,970	0	$23.39	▲
Las Vegas	33	13.2%	▼	707,186	0	$31.03	▼
Long Island	36	13.1%	▼	-1,491,131	0	$30.66	▲
Los Angeles	5	24.9%	▲	-655,364	112,760	$49.03	▲
Louisville	54	23.4%	▲	-445,530	0	$18.93	▲
Manhattan	1	13.5%	▼	8,901,865	2,768,423	$77.45	▼
Miami	38	14.9%	▲	166,567	0	$63.73	▲
Milwaukee	31	18.1%	▲	539,324	0	$20.76	▲
Minneapolis-St. Paul	18	23.7%	▼	345,735	639,000	$29.38	▲
Nashville	30	18.3%	▲	326,125	623,500	$38.72	▲
New Jersey	8	20.9%	▲	-254,924	0	$31.77	▲
Oakland	46	24.8%	▲	-48,079	11,180	$44.96	▼
Orange County, CA	14	14.8%	▲	-133,772	0	$33.71	▼
Orlando	37	17.0%	▲	-73,493	99,201	$28.12	▲
Palm Beach County	52	16.1%	▲	-304,873	0	$51.34	▲
Philadelphia	13	24.7%	▲	480,571	119,222	$31.80	▼
Phoenix	12	21.8%	▼	-155,652	0	$30.38	▲
Pittsburgh	20	17.6%	▲	-79,608	366,000	$26.46	▲
Portland	28	26.3%	▲	-1,035,518	0	$33.16	▲

Source: CBRE Research, CBRE Econometric Advisors, Q3 2025.

Figure 10
At-a-glance office market metrics (continued)

		Q3 2025					
Market	Size Rank	Overall Vacancy Rate (%)	YoY Change (Up/Down)	YTD Net Absorption (Sq. Ft.)	YTD Construction Completions (Sq. Ft.)	Direct Avg. Asking Rent ($/SF/Yr, FSG)	YoY Change (Up/Down)
Raleigh-Durham	24	20.9%	▲	-262,663	0	$31.17	▼
Sacramento	29	18.9%	▲	-47,392	0	$25.67	▼
Salt Lake City	27	23.5%	▼	140,901	0	$26.16	▼
San Antonio	42	19.1%	▼	-307,824	0	$28.94	▼
San Diego	19	14.9%	▲	-487,290	148,527	$40.98	▲
San Francisco	16	34.4%	▼	1,359,139	0	$69.10	▼
San Francisco Peninsula	35	23.7%	▲	1,759,271	231,579	$80.67	▲
San Jose	15	16.5%	▼	-1,414,006	243,917	$62.36	▼
Seattle	10	28.5%	▲	-1,279,129	0	$46.35	▲
St. Louis	26	19.9%	▲	294,860	147,955	$21.64	▼
Tampa	32	18.7%	▼	151,313	0	$32.21	▲
Tucson	58	16.0%	▲	-277,818	0	$23.22	▲
Ventura County, CA	55	19.3%	▲	30,267	204,505	$31.30	▲
Walnut Creek/I-680 Corridor	43	23.2%	▲	591,676	0	$36.41	▼
Washington, D.C.	2	22.4%	▼	-1,170,817	266,000	$43.43	▼
Westchester County, NY	49	18.3%	▼	151,651	86,780	$30.13	▲
Wilmington	56	23.2%	▼	-46,256	0	$27.40	▲
U.S.	-	18.8%	▼	18,666,000	12,824,000	$36.40	▲

Source: CBRE Research, CBRE Econometric Advisors, Q3 2025.

Contact

Henry Chin, Ph.D.
Global Head of Research
henry.chin@cbre.com

Julie Whelan
Global Head of Occupier Thought Leadership & Research Consulting
julie.whelan@cbre.com

Stefan Weiss
Head of U.S. Office Research
stefan.weiss@cbre.com

Charlie Donley
Associate Director
U.S. Office Research
charlie.donley@cbre.com

Christina Tong
Senior Economist
christina.tong@cbre.com

Manish Kashyap
Global President
Leasing
manish.kashyap@cbre.com

Whitley Collins
Global President
Occupier Leasing
whitley.collins@cbre.com

Mike Watts
President
Investor Leasing Americas
mike.watts1@cbre.com