National Office Report

January 2026

Vacancy in Decline After Peaking in 2025

- Bright spots are emerging in office as vacancy begins to decline in metros outside of Manhattan and coworking continues to increase its footprint in the sector.

- For several years, vacancy rates rose sharply across most of the country; however, that trend began to break down in 2025. The national vacancy rate peaked in March of last year, then fell 150 basis points to its current rate of 18.4%. Manhattan has been leading the way in this revival, with vacancy rates falling by more than 400 basis points from its peak in 2023. Recently, other markets have begun to follow suit, reaching peak vacancy sometime in late 2024 or early 2025 and reversing course thereafter. It is still unclear how far vacancy will drop, but it is unlikely ever to approach pre-Covid levels. The relationship between workers and the office has fundamentally changed, and only another seismic shift on the scale of Covid will alter that.

- The Federal Reserve cut rates by 25 basis points in December, and two additional cuts are expected over the next three quarters. Lower interest rates could provide a boost to the declining supply pipeline; however, discounts in the sector have been plentiful. Lower interest rates combined with discounted properties would make expensive conversion projects more financially feasible for developers. Yardi's Conversion Feasibility Index (CFI) scores buildings based on a variety of factors, with a Tier I building being a top candidate for conversion and Tier II possessing strong potential but requiring some adjustments. Nationally, 23.4% of all office buildings are either Tier I or Tier II conversion candidates, leaving developers with ample opportunity for targeted conversion projects.

- Coworking continued to grow in 2025, adding over 1,000 locations to the sector and increasing its total share of the office market to 2.2%. Coworking has been filling the gap for companies less able to commit to the costs of a traditional, long-term office lease but unwilling to make the transition to a fully remote work environment. As such, coworking has proven to be a competitive alternative to traditional office spaces. This presents an opportunity for owners of underperforming assets to attract tenants that have been underserved by the traditional office model and to fill spaces that have struggled to remain occupied in recent years. As the sector grows, those who are new to coworking will find plenty of opportunity to network with experienced operators, as well as partner with management services that can aid in a successful transition to the coworking sector.

Listing Rates and Vacancy: Vacancy Rates Begin to Decline

- The national average full-service equivalent listing rate was $32.86 per square foot in December, according to Yardi Matrix, up nine cents in the month and down 0.8% year-over-year.

- The national vacancy rate was 18.4%, a decrease of 10 basis points in the month and 140 points year-over-year.

- Vacancy rates have been falling in recent months, with 17 of the top 25 metros seeing a decrease throughout 2025. Four of these metros saw total vacancy rates drop by 300 or more basis points. Houston had the largest decline, with its vacancy rate falling by 430 basis points since December 2024 to 20.2%. Other metros with notable vacancy decreases were San Francisco (-370 bps, 25.2%), the Bay Area (-320 bps, 23.2%) and Manhattan (-300 bps, 13.6%). Despite the recent decreases in vacancy rates, they remain far above the historical norm, and it is still to be determined if these drops will continue.

Listings by Metro

Market	Dec-25 Listing Rates	12-Month Change	Total Vacancy	12-Month Change	Top Listing	Price Per Sq. Ft.
National	$32.86	-0.8%	18.4%	-140 bps		
Atlanta	$36.85	9.8%	19.6%	70 bps	1180 Peachtree	$63.50
Los Angeles	$46.50	9.7%	14.9%	-110 bps	Century City Center	$126.00
Phoenix	$30.17	6.3%	17.0%	-240 bps	Watermark, The	$56.00
San Diego	$45.18	4.4%	23.2%	270 bps	One La Jolla Center	$73.20
Twin Cities	$27.38	4.3%	18.0%	180 bps	International Centre	$42.39
Chicago	$28.31	3.7%	18.6%	-20 bps	333 North Green	$65.29
Philadelphia	$31.69	2.9%	18.5%	-90 bps	Three Logan Square	$56.07
Dallas	$32.19	2.8%	21.1%	-290 bps	23Springs	$95.28
New Jersey	$34.36	1.9%	18.1%	-130 bps	Harborside Financial Plaza 10	$66.08
Miami	$55.39	1.9%	13.9%	-130 bps	Offices at The Well, The	$165.00
Boston	$47.73	1.2%	15.5%	-140 bps	One Canal Park	$129.71
Tampa	$30.59	1.0%	13.9%	-240 bps	Harborview Plaza	$52.87
Portland	$28.10	0.8%	21.3%	-40 bps	Fox Tower	$50.53
Austin	$45.93	0.5%	27.3%	-60 bps	Indeed Tower	$82.69
Nashville	$31.49	0.3%	18.9%	140 bps	Gulch Union	$56.62
San Francisco	$63.15	0.3%	25.2%	-370 bps	Sand Hill Collection—The Ranch	$199.20
Detroit	$21.46	0.0%	23.3%	-140 bps	Michigan Central Station	$40.00
Manhattan	$68.36	-0.1%	13.6%	-300 bps	50 Hudson Yards	$250.00
Bay Area	$53.06	-2.0%	23.2%	-320 bps	245 Lytton Avenue	$153.00
Washington DC	$40.27	-2.8%	19.7%	120 bps	1700 New York Avenue	$94.75
Seattle	$34.45	-4.9%	27.2%	90 bps	City Center Bellevue	$82.88
Orlando	$26.56	-5.5%	20.0%	310 bps	CNL Center II	$54.19
Denver	$29.15	-6.3%	23.5%	-120 bps	Block 162	$54.38
Charlotte	$32.66	-6.5%	18.2%	80 bps	110 East	$55.00
Houston	$27.53	-9.0%	20.2%	-430 bps	Kirby Grove	$54.21

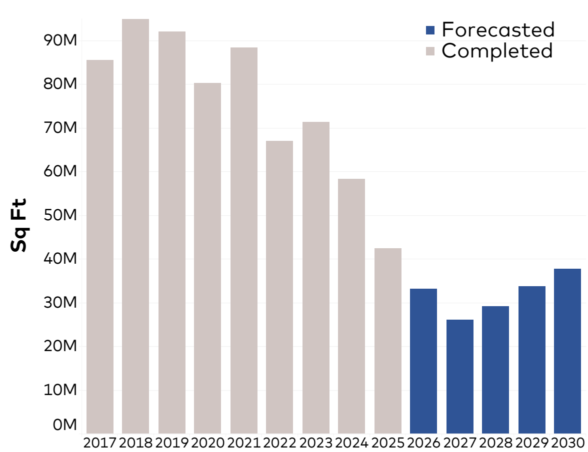
Source: Yardi Matrix. Data as of December 2025. Listing rates are full-service or "full-service equivalent" rates for spaces available as of the report period. National listing rate is an average of all markets. Prior to July 2024, this report used the top 50 markets for a national average.

Supply:
Construction Starts Level Off

- Nationally, there are 30.9 million square feet of office space currently under construction, according to Yardi Matrix, representing 0.4% of stock. This was a 44% drop year-over-year from the 54.7 million square feet that were under construction last January. It also marked the second consecutive year of decrease in deliveries. The sector added only 42.4 million square feet of office stock, another low for the decade.

- Though down from previous years, starts have leveled off somewhat, with 13.2 million square feet of office space started in 2025. This is down only slightly from the 13.5 million that were started in 2024. The decline in office projects is expected to continue as corporate culture turns its back on the full-time in-office work environment of years past and embraces a hybrid work model. As such, the prospect of funding new projects is limited, while existing offices struggle to fill vacant space. The flight to quality in the office sector shows that demand for office remains; however, many tenants have shifted their attention to smaller, amenity-laden jewel box properties and away from larger properties.

National New Supply Forecast



Source: Yardi Matrix. Data as of December 2025.
Data in this chart includes owner-occupied properties.

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	Plus Planned % Stock
National	30,935,330	0.4%	1.7%
Boston	4,437,240	1.7%	6.4%
Miami	1,194,330	1.6%	3.9%
Austin	1,460,145	1.5%	5.2%
San Diego	1,212,511	1.2%	1.8%
Dallas	2,273,872	0.8%	3.1%
Los Angeles	2,024,969	0.7%	2.2%
Philadelphia	1,055,404	0.6%	2.0%
Phoenix	823,783	0.6%	1.4%
Orlando	388,212	0.6%	1.5%
Manhattan	2,336,408	0.5%	2.3%
New Jersey	1,058,344	0.5%	0.6%
Atlanta	937,500	0.5%	2.3%
Denver	604,628	0.4%	1.3%
Charlotte	276,379	0.4%	3.0%
Nashville	263,699	0.4%	1.8%
Houston	849,736	0.3%	1.7%
Bay Area	711,246	0.3%	1.4%
San Francisco	533,437	0.3%	3.4%
Tampa	246,900	0.3%	1.2%
Washington DC	687,967	0.2%	1.1%
Chicago	571,576	0.2%	0.7%
Seattle	252,963	0.2%	0.7%
Twin Cities	230,121	0.2%	1.0%
Portland	–	–	1.0%
Detroit	–	–	0.2%

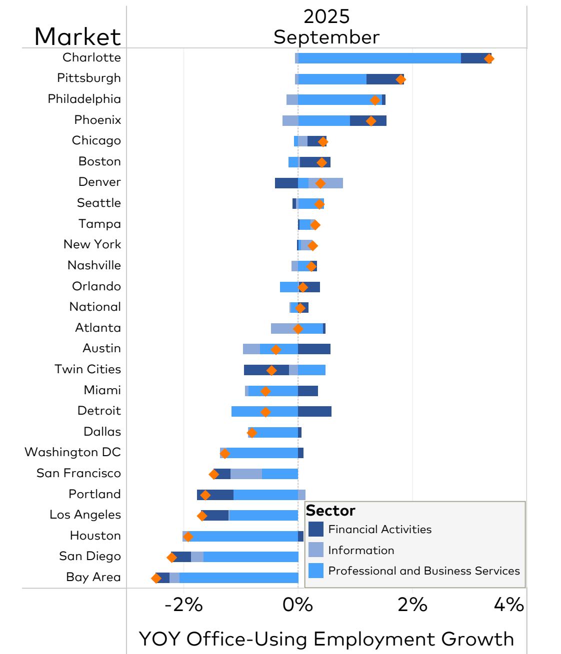
Source: Yardi Matrix. Data as of December 2025. Table does not include owner-occupied properties.

Office-Using Jobs: Charlotte Continues to Lead

- While employment data has started to trickle in since the government shutdown was resolved, it is still behind, and private-sector sources are filling the gap. Office-using sectors of the labor market lost a combined 35,000 jobs in the month of December, according to ADP. Professional and business services led this decline, losing 29,000 jobs. The information sector lost 12,000, while financial activities had a gain of 6,000. On a year-over-year basis, office-using sectors gained 42,000 jobs, a 0.1% increase.

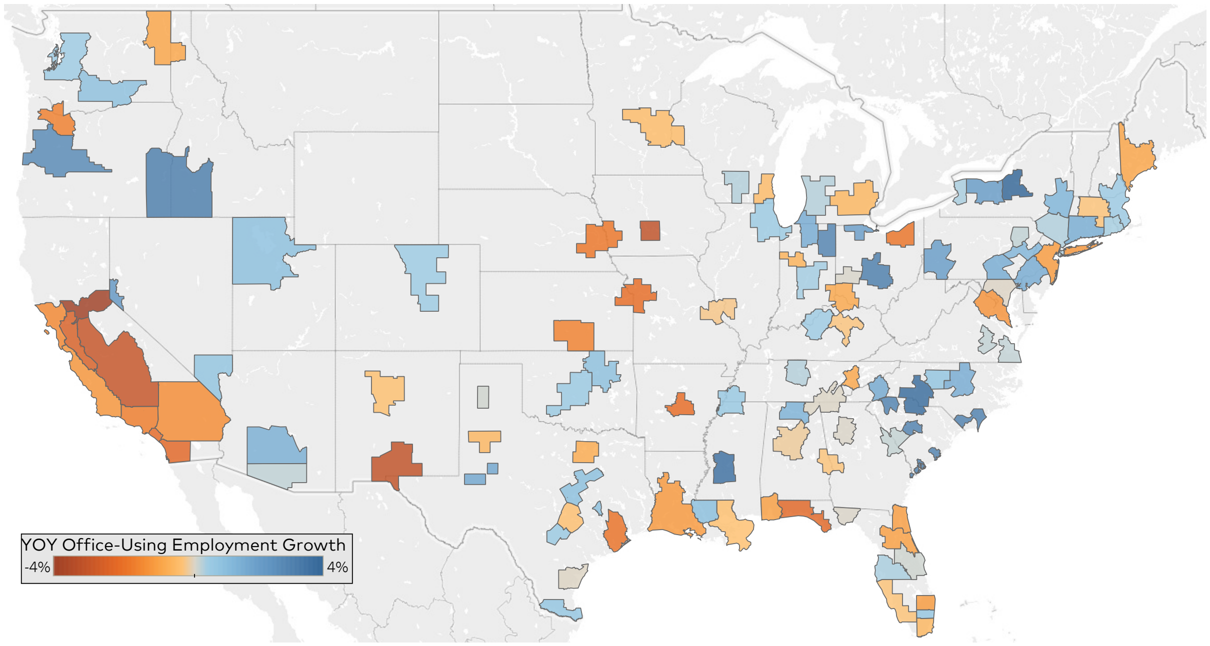
- Charlotte continues to lead in office employment, growing 3.3% year-over-year in September, outpacing all other top metros in 2025. With its low cost of living and business-friendly environment, Charlotte has attracted many businesses to relocate to the area. North Carolina has one of the lowest corporate tax rates in the nation and is set to eliminate it entirely by 2030. The metro will remain a competitive place for businesses and workers to relocate and build.

Growth by Sector



Sources: Bureau of Labor Statistics and Moody's Analytics

Office-Using Employment Growth



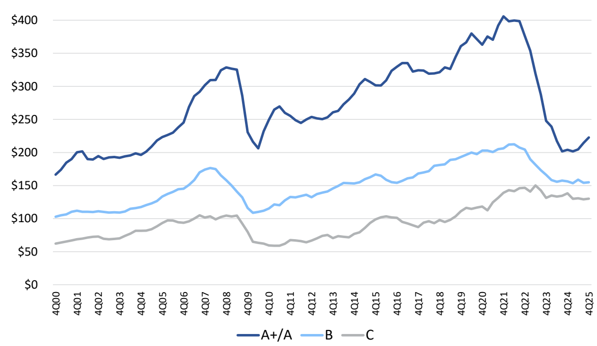
Sources: Bureau of Labor Statistics and Moody's Analytics

Transactions:
Prices Up in the Bay Area

- Yardi Matrix recorded $53.0 billion in office sales through the end of December, with properties trading for an average of $192 per square foot.

- The Bay Area recorded 119 transactions in 2025, the highest yearly total since 2021. The metro's price per square foot was also up, increasing by 35% year-over-year to $392, the first rise in four years. A 60,000-square-foot life-sciences property at 3350 West Bayshore Road in Palo Alto was purchased by Strada Investment Group from Alexandria Real Estate Equities for $29 million, a 152% increase from its previous sale back in 2005.

Asset Class (price PSF)



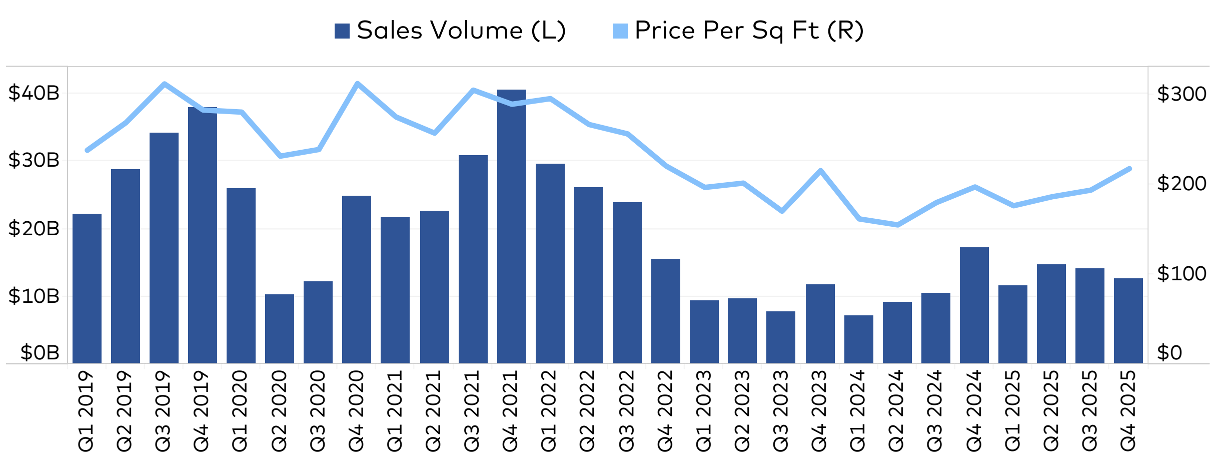
Source: Yardi Matrix; 12-month moving average.
Does not include unpublished and portfolio transactions.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales Volume (Mil, as of 12/31)
National	$192	$53,029
Manhattan	$498	$7,751
Bay Area	$392	$4,747
Washington DC	$172	$3,771
Dallas	$312	$3,037
Los Angeles	$279	$2,857
Boston	$184	$1,646
Houston	$110	$1,615
San Francisco	$286	$1,468
Atlanta	$135	$1,394
San Diego	$260	$1,330
Phoenix	$177	$1,266
New Jersey	$152	$1,253
Denver	$115	$1,220
Chicago	$65	$1,143
Charlotte	$195	$811
Twin Cities	$109	$806
Seattle	$242	$779
Miami	$360	$771
Tampa	$171	$704
Philadelphia	$99	$678
Austin	$216	$628
Nashville	$185	$569
Orlando	$195	$449
Detroit	$116	$374
Portland	$95	$266

Source: Yardi Matrix. Data as of December 2025. Sales data for unpublished and portfolio transactions is estimated using sales comps.

Quarterly Transactions



Source: Yardi Matrix. Data as of December 2025.

Definitions

This report covers office buildings 25,000 square feet and above. Yardi Matrix subscribers have access to more than 14,000,000 property records and 300,000 listings for a continually growing list of markets.

Yardi Matrix collects listing rate and occupancy data using proprietary methods.

- *Listing Rates*—Listing Rates are full-service rates or "full-service equivalent" for spaces that were available as of the report period. Yardi Matrix uses aggregated and anonymized expense data to create full-service equivalent rates from triple-net and modified gross listings. Expense data is available to Yardi Matrix subscribers. National listing rate is an average of all markets. Prior to July 2024, this report used the top 50 markets for a national average.
- *Vacancy*—The total square feet vacant in a market, including subleases, divided by the total square feet of office space in that market. Owner-occupied buildings are not included in vacancy calculations.

A and A+/Trophy buildings have been combined for reporting purposes.

Stage of the supply pipeline:

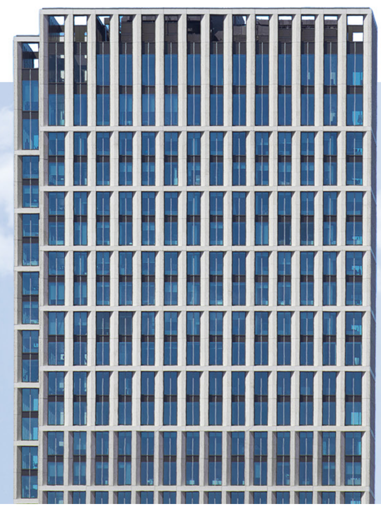
- *Planned*—Buildings that are currently in the process of acquiring zoning approval and permits but have not yet begun construction.
- *Under Construction*—Buildings for which construction and excavation has begun.

Supply pipeline figures do not include owner-occupied properties unless otherwise noted.

Office-Using Employment is defined by the Bureau of Labor Statistics as including the sectors Information, Financial Activities, and Professional and Business Services. Employment numbers are representative of the Metropolitan Statistical Area and do not necessarily align exactly with Yardi Matrix market boundaries.

Sales volume for portfolio transactions or those with unpublished dollar values are estimated using sales comps based on similar sales in the market and submarket, use type, location and asset ratings, sale date and property size.

Yardi Matrix



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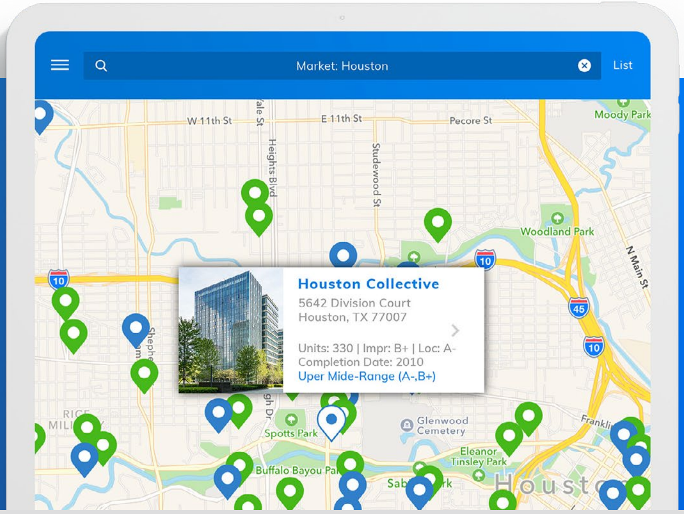
OFFICE KEY FEATURES

- Active in 120 markets across the U.S. covering 81,000+ properties
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Pierce the LLC with true ownership and contact info at the asset and portfolio levels
- Gain new supply pipeline information at the asset, competitive set and market levels
- Benchmark performance to similar assets



Yardi Matrix Office delivers detailed property-level information, allowing you to analyze current market conditions at the micro and macro levels.

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