National Office Report

April 2025

Office Distress Picks Up

- The wave of distress anticipated since the height of the pandemic has begun to materialize. Large urban properties are now feeling the pinch as demand continues to fall and lease contracts come to an end.

- Office utilization has been flat for the last two years, leaving offices with a mere 54% average attendance, as shown by Kastle's Back to Work Barometer. Vacancy rates have been steadily increasing, up 150 basis points throughout 2024 to reach 19.8% by the end the year, according to Yardi Matrix. It has become clear that new attitudes focused on remote work are here for the long haul.

- 2024 saw 25 million square feet of office transactions in distress, a 39% increase from the previous three-year average of 18 million. Total transactions leveled off in 2024, remaining just below 2,400; however, the percentage of transactions in distress jumped to 10.8%. The average property size for distressed transactions rose 30% last year to more than 200,000 square feet, a trend suggesting that large properties are increasingly vulnerable. CBD transactions in distress tripled in 2024 from the previous year and nearly doubled at urban properties. Suburban transaction totals leveled off, yet still accounted for half of all distress in 2024.

- Chicago led distressed transactions with 26 in 2024, two more than during the previous year. However, the average square footage of each transaction nearly doubled. After an auction that attracted no bids, Schaumburg Towers, an 882,071-square-foot office complex in suburban Chicago, was acquired by Sigma Plastics Group in March 2024 for $74 million, a 15% discount compared to its previous sale. The property was purchased by American Landmark Properties in 2018 for $86,800,000 before its takeover by Prime Finance in 2023 after a foreclosure suit.

- While the outlook of the office sector looks gloomy in the near term, opportunities to adjust will present themselves as the uncertainty looming over the sector lifts and things begin to move. Pressure on owners will ease as less supply comes online over the next few years. Office starts declined by half in 2023 to 25 million square feet, and slipped by 50% again in 2024 to 12 million. This will give some much-needed breathing room for owners looking for their place in the sector's decades-long shift.

Listing Rates and Vacancy: Tech Markets See Highest Vacancies

- The national average full-service equivalent listing rate was $33.42 per square foot in March, according to Yardi Matrix, up 1 cent over the previous month and 4.9% year-over-year.
- The national vacancy rate was 19.9%, unchanged from the previous month but up 170 basis points year-over-year.
- Five markets, all with a high concentration of tech firms, had vacancy rates north of 25% in March: Austin (28.5%), the Bay Area (25.5%), Denver (25.2%), San Francisco (28.6%) and Seattle (27.5%). Tech is more pliable to remote and hybrid work, which has led to a greater share of tech firms downsizing lease footprints. Additionally, the sector was hit by a wave of layoffs that began in late 2022 and continued into 2023. While the period of job losses is largely over, the sector has yet to make a recovery.

Listings by Metro

Market	Mar-25 Listing Rates	12-Month Change	Total Vacancy	12-Month Change	Top Listing	Price Per Sq. Ft.
National	$33.42	4.9%	19.9%	170 bps		
Orlando	$27.89	14.1%	16.3%	-70 bps	Capital Plaza Two	$33.00
Miami	$55.84	13.8%	15.5%	220 bps	701 Brickell	$140.00
Charlotte	$35.31	12.8%	16.6%	210 bps	Morehead Place	$46.00
Dallas	$31.40	8.0%	24.2%	250 bps	McKinney & Olive	$88.84
Austin	$45.82	7.1%	28.5%	650 bps	Indeed Tower	$82.69
Tampa	$30.31	5.9%	16.4%	370 bps	Bayshore Place	$52.00
Atlanta	$33.36	5.8%	19.5%	250 bps	1180 Peachtree	$63.50
San Francisco	$63.83	5.0%	28.6%	440 bps	Sand Hill Collection - The Ranch	$209.40
Nashville	$31.64	4.7%	18.4%	290 bps	Three Thirty Three	$44.88
Los Angeles	$42.66	3.6%	16.5%	10 bps	100 Wilshire	$108.00
Phoenix	$28.57	3.5%	18.8%	90 bps	Camelback Collective	$52.50
Seattle	$38.74	2.7%	27.5%	490 bps	Lincoln Square South	$67.24
Twin Cities	$26.46	2.6%	16.5%	-140 bps	Nordic, The	$41.42
Bay Area	$53.89	2.3%	25.5%	470 bps	245 Lytton Avenue	$153.00
Denver	$30.77	1.8%	25.2%	250 bps	200 Clayton Street	$73.00
Portland	$28.26	1.5%	21.2%	450 bps	Fox Tower	$43.38
San Diego	$43.36	1.4%	21.6%	340 bps	One La Jolla Center	$70.20
Boston	$46.06	-0.1%	17.1%	440 bps	Genesis 55 Summer	$116.33
Washington DC	$40.59	-0.3%	19.5%	300 bps	1001 Pennsylvania Avenue	$79.80
Houston	$29.40	-0.5%	22.8%	-70 bps	609 Main at Texas	$57.73
Chicago	$27.51	-0.8%	19.0%	00 bps	222 North LaSalle Street	$51.00
Philadelphia	$30.96	-2.8%	19.7%	400 bps	Two Liberty Place	$53.50
Manhattan	$69.03	-3.2%	16.5%	-100 bps	One Vanderbilt	$252.00
New Jersey	$33.36	-4.1%	19.0%	90 bps	Harborside Financial Plaza 10	$63.22
Detroit	$21.43	-4.1%	24.5%	140 bps	Orchestra Place	$36.14

Source: Yardi Matrix. Data as of March 2025. Listing rates are full-service or "full-service equivalent" rates for spaces available as of 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.

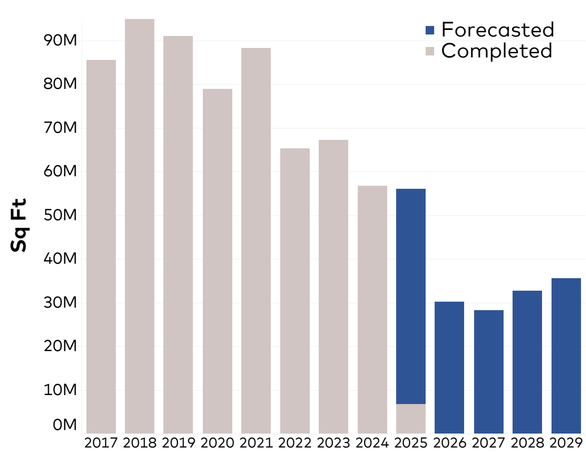
Supply:
West Palm Beach Grows Despite Office Turmoil

- The office construction pipeline continues to shrink, with 45.1 million square feet of space currently under construction, representing 0.7% of stock.

- 2024's slowdown looks to only be the beginning of a prolonged contraction of the development pipeline. After starts last year totaled only 11.9 million square feet, the first quarter of 2025 has 2.6 million square feet of starts logged so far by Yardi Matrix.

- Many of this year's starts have been outside of top markets. West Palm Beach accounts for 1.4 million square feet, more than half of 2025's new office development to date. In March, Related Ross broke ground on 10 and 15 CityPlace West, two downtown towers slated to add nearly 1 million square feet to the market. West Palm Beach has benefited from an influx of business relocations into Florida during this decade. Both luxury towers will include retail and dining, and 15 CityPlace will be anchored by a 120,000-square-foot outpatient facility from Cleveland Clinic. Late last year, Related Ross completed One Flagler, a 25-story building in the West Palm Beach CBD.

National New Supply Forecast



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

Supply Pipeline (by metro)

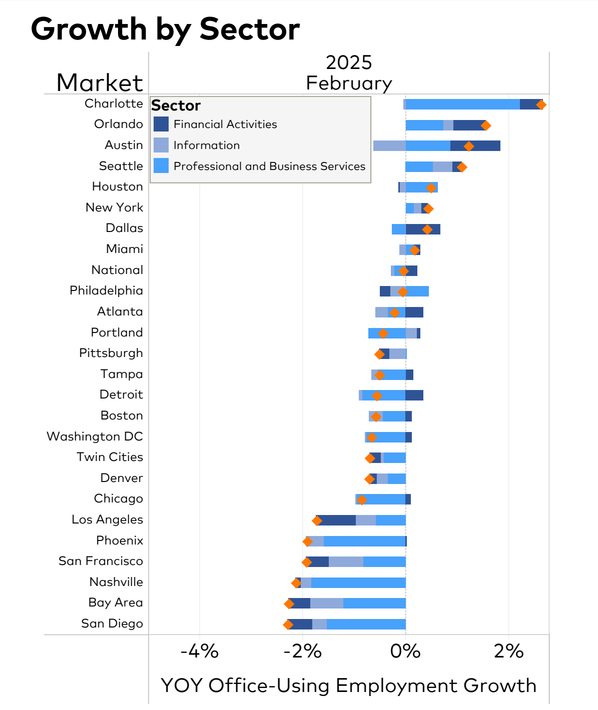
Market	Under Construction	Under Construction % Stock	Plus Planned % Stock
National	45,145,229	0.7%	2.5%
Austin	3,159,394	3.3%	11.4%
San Diego	2,739,180	2.8%	3.4%
Nashville	1,470,547	2.5%	4.8%
Boston	6,310,352	2.4%	7.6%
Miami	1,661,943	2.3%	7.1%
San Francisco	3,133,436	1.9%	5.6%
Dallas	3,054,327	1.1%	3.9%
Tampa	735,197	0.9%	3.8%
Houston	1,962,191	0.8%	1.7%
Philadelphia	1,445,452	0.8%	2.4%
Los Angeles	1,951,470	0.7%	3.5%
Charlotte	527,903	0.7%	4.1%
Seattle	814,824	0.6%	2.6%
Orlando	358,002	0.5%	1.4%
New Jersey	1,049,954	0.5%	1.1%
Phoenix	741,426	0.5%	2.1%
Atlanta	1,024,186	0.5%	1.9%
Twin Cities	595,121	0.5%	1.4%
Denver	741,708	0.4%	1.8%
Detroit	553,680	0.4%	1.1%
Manhattan	1,509,131	0.3%	2.4%
Washington DC	1,229,521	0.3%	3.4%
Chicago	729,738	0.2%	1.9%
Bay Area	479,416	0.2%	2.7%
Portland	0	0.0%	0.3%

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

Office-Using Jobs:
Financial Activities Sector's Growth a Silver Lining

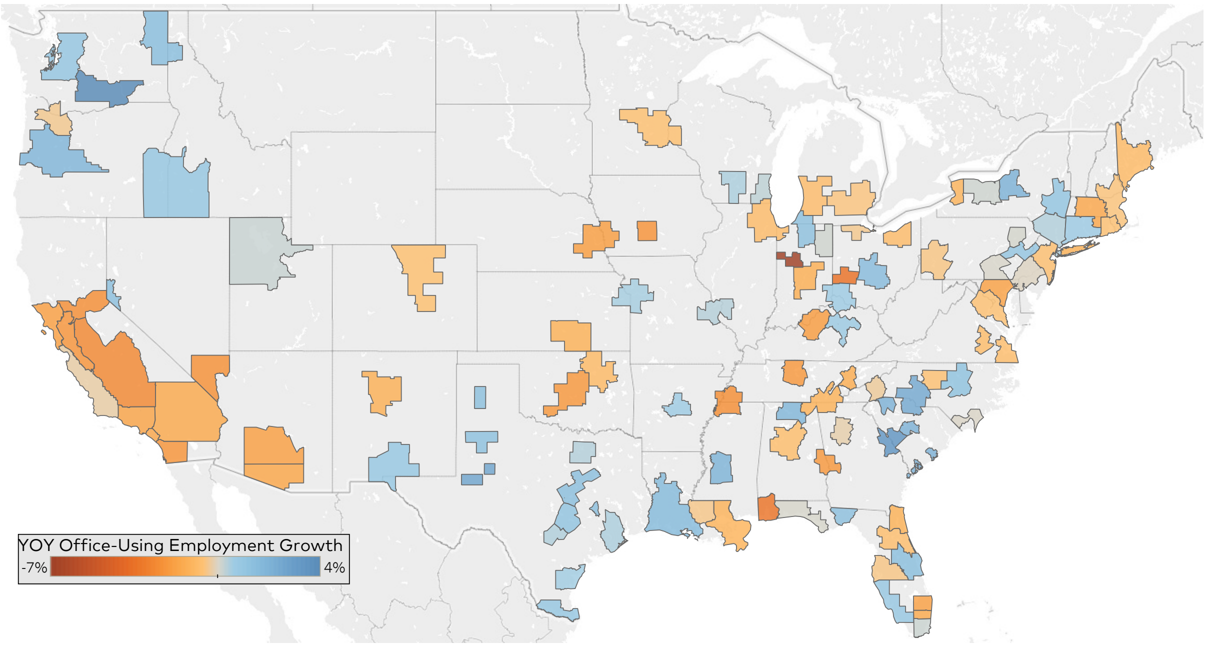
- Office-using sectors of the labor market added 10,000 jobs in March. Most of the gains were driven by the Financial Activities sector, which added 9,000 workers. Professional and Business Services added 3,000 while Information lost 2,000. Office-using sectors grew 0.1% since last March, the first yearly gain since October 2023. Slightly more than half the markets covered by Yardi Matrix saw year-over-year losses in office-using sectors during March.

- Office-using sectors have stagnated as of late, another blow to an office market already hamstrung by remote work. Financial Activities has been the only bright spot, and growth has been marginal even in that sector. Over the last two years, Financial Activities has added 93,000 jobs, growing 1.0%. During that same period, Professional and Business Services has lost 245,000 jobs (-1.1%) while Information has lost 117,000 (-3.8%).



Sources: Bureau of Labor Statistics and Moody's Analytics. Data for January not yet available due to BLS benchmarking.

Office-Using Employment Growth



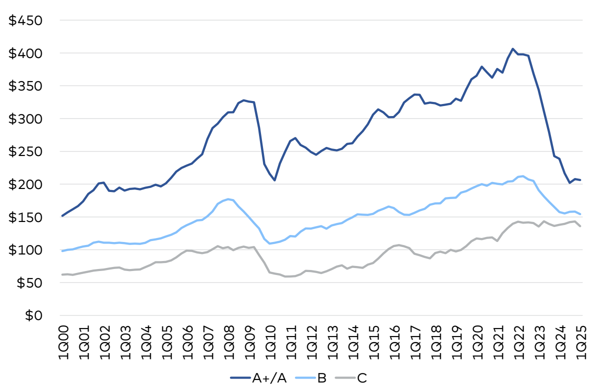
Sources: Bureau of Labor Statistics and Moody's Analytics

Transactions:
D.C. Logs Second-Most Volume of First Quarter

- Yardi Matrix recorded $10.3 billion in office sales through the first quarter, with properties trading for an average of $183 per square foot.

- Washington, D.C., has been one of the busier office transaction markets to start 2025, with $767 million in sales through March. The Victor, located at 750 9th Street NW, sold for $153 million, slightly less than the building's $157.5 million price tag in 2005. Despite the discount, the property's price of $484 per square foot is significantly higher than the Washington market's average so far this year of $232 per square foot.

Asset Class (price PSF)



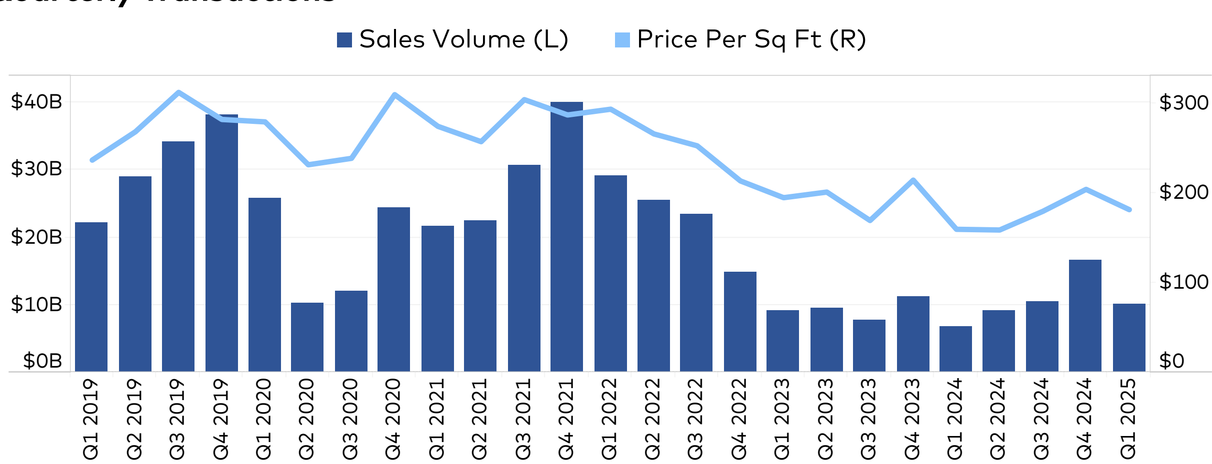
Source: Yardi Matrix; 12-month moving average.
Does not include unpublished and portfolio transactions.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales Volume (Mil, as of 03/31)
National	$183	$10,275
Manhattan	$439	$2,047
Washington DC	$232	$767
Bay Area	$200	$727
Chicago	$68	$600
Los Angeles	$286	$475
New Jersey	$163	$425
Houston	$139	$358
Denver	$146	$332
Dallas	$143	$322
Atlanta	$127	$245
Boston	$169	$208
Twin Cities	$63	$194
San Diego	$665	$192
San Francisco	$259	$190
Tampa	$200	$181
Phoenix	$185	$171
Miami	$285	$159
Austin	$278	$111
Seattle	$92	$91
Philadelphia	$117	$90
Portland	$129	$42
Detroit	$80	$27
Nashville	$130	$26
Charlotte	$81	$20
Inland Empire	$143	$4

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

Quarterly Transactions



Source: Yardi Matrix. Data as of March 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:

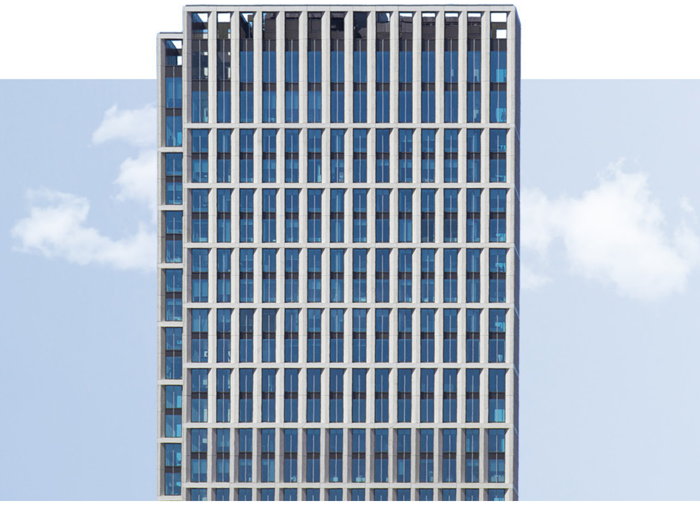
- *Planned*—Buildings that are currently in the process of acquiring zoning approval and permits but have not yet begun construction.
- *Under Construction*—Buildings for which construction and excavation has begun.

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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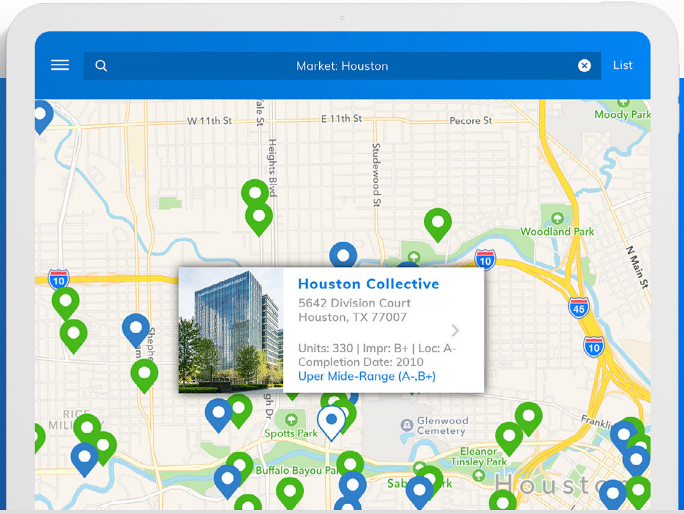
OFFICE KEY FEATURES

- 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 level
- Gain new supply pipeline information at the asset, competitive set and market level
- 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 level.

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