

# Occupier Outlook

United States Overview:

The Economy and Its Impact on Commercial Real Estate

Cresa Research | Q1, 2026

# COMMERCIAL REAL ESTATE MARKET AT CROSSROADS: INFLATION JUMPS ON GLOBAL CONFLICTS AS GROWTH SLOWS

## OCCUPIER OUTLOOK

## Executive Summary

### Macro Economic View

- Global conflicts and a softer job market have caused the Fed to pause additional interest rate cuts at the March 2026 meeting.
- Economists expect inflation to gradually ease, creating ongoing uncertainty around the timing and magnitude of future rate cuts.
- The labor market has devolved into a low-hire, low-fire environment, as unemployment claims remain contained while the hiring rate is at a decade low.

### Office Market

- Net absorption for Class A office space kept its momentum, remaining positive for the first quarter of 2026, a good sign for market recovery.
- Office demand remains complex and highly variable across markets, which is unusual in the national office market, which typically sees at 75 to 90 percent of major cities trending in the same direction.
- Overall office recovery is being hindered by a sustained contraction of knowledge working job creation, potentially stalling a broader recovery.

### Industrial Market

- Warehouse/distribution rent increases have moderated significantly, slowing to low single-digit annual growth.
- Net absorption has rebounded in the first quarter, but availability and sublease availability drifted higher.
- Although vacancy rates have increased, the small bay industrial market remains tight, with national vacancy rates below 6 percent.
- Industrial sales volume picks up steam to close 2025 as investors look to cash in on substantial lease rate increases over the past five years.

# COMMERCIAL REAL ESTATE MARKET BY THE NUMBERS: YEAR-OVER-YEAR CHANGE INDICATORS MIXED

## OCCUPIER OUTLOOK

### Performance Snapshot

#### Office Market

	Office			
	Q1 2026	Q1 2025	Change	Trend
Inventory SF	5.695 B	5.701 B	-5.6 M	▼
Asking Rate \$/SF	\$38.20	\$37.74	+\$0.46	▲
Leasing Activity (TTM)	295.2 M	316.6 M	-21.4 M	▼
Vacancy Rate	18.6%	18.3%	+030 bps	►
Availability Rate	22.1%	23.1%	-100 bps	▼
Net Absorption (TTM)	-4.6 M	-23.8 M	+19.2 M	▲
Under Construction SF	31.5 M	43.6 M	-12.1 M	▼
Net Deliveries (TTM)	23.7 M	40.0 M	-16.3 M	▼
Sales Volume (TTM)	\$86.4B	\$62.3B	+\$24.1B	▲
Sales Price Per SF	\$214	\$204	+\$10.11	▲
Market Cap Rate	7.44%	7.38%	+006 bps	▲

Occupier Leverage



#### Industrial Market

	Industrial			
	Q1 2026	Q1 2025	Change	Trend
Inventory SF	10.620 B	10.385 B	+234.9 M	▲
Asking Rate \$/SF	\$9.44	\$9.25	+\$0.19	▲
Leasing Activity (TTM)	744.9 M	663.4 M	+81.5 M	▲
Vacancy Rate	10.6%	9.9%	+070 bps	▲
Availability Rate	15.0%	14.4%	+060 bps	▲
Net Absorption (TTM)	+143.8 M	162.6 M	-18.8 M	▼
Under Construction SF	414.8 M	439.9 M	-25.2 M	▼
Net Deliveries (TTM)	327.6 M	491.8 M	-164.2 M	▼
Sales Volume (TTM)	\$114.6B	\$103.5B	+\$11.1B	▲
Sales Price Per SF	\$139	\$134	+\$4.60	▲
Market Cap Rate	6.40%	6.25%	+015 bps	▲

Occupier Leverage



#### Highlights

- Office inventory has decreased over the past twelve months as limited deliveries were outpaced by demolitions and conversions.
- Office net absorption has been nearly zero over the past year, an improvement over the past several years.
- Industrial asking rates increased only slightly over the past year, increasing by a modest 2 percent.
- Industrial sales volume has picked up steam over the past year, highlighted by a spike of sales to end 2025.

# Economic Overview



## U.S. Economy Shows Resilience Amid Slowing Growth and Elevated Interest Rates

The U.S. economy has been described as resilient over the past six years. Although growth is slowing, steady expansion has helped counterbalance rising uncertainty. Economic forecasts predict real GDP growth will range from 2.2 percent to 2.6 percent, even though growth slowed to 0.5 to end 2025. Global conflicts and their impact on energy prices have driven inflation above 3.25 percent for the year-over-year change as of March.

The labor market has remained relatively stable, with unemployment projected to stay around 4.5 percent. However, the underlying momentum has weakened compared to previous years, with slower consumer spending and reduced business investment leading to a more cautious outlook for the second half of 2026. Consequently, the economy is balancing solid fundamentals against potential risks related to global conflict, trade policy, and the path of interest rates.

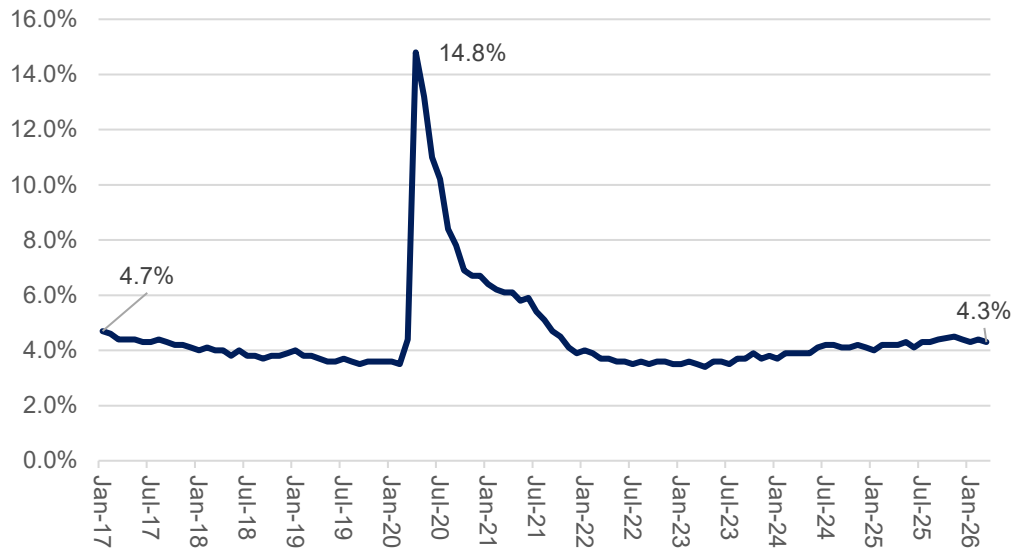
Macroeconomic conditions are producing varying effects across different sectors of U.S. commercial real estate. In the office sector, slower economic growth, the persistence of hybrid work trends, the contraction of knowledge worker jobs, and corporate cost-cutting measures have continued to suppress demand. This has resulted in elevated vacancy rates and ongoing tenant downsizing or consolidation. In contrast, the industrial sector remains relatively strong, driven by structural factors such as e-commerce supply chain reconfiguration and sustained demand for logistics. However, growth in this sector has moderated compared to the highs experienced during the pandemic. Overall, the current economic environment reinforces a divided real estate market: office assets face ongoing challenges, while industrial properties exhibit more resilience, although demand is gradually normalizing.

# Unemployment

## Unemployment Steadies After Drifting Higher

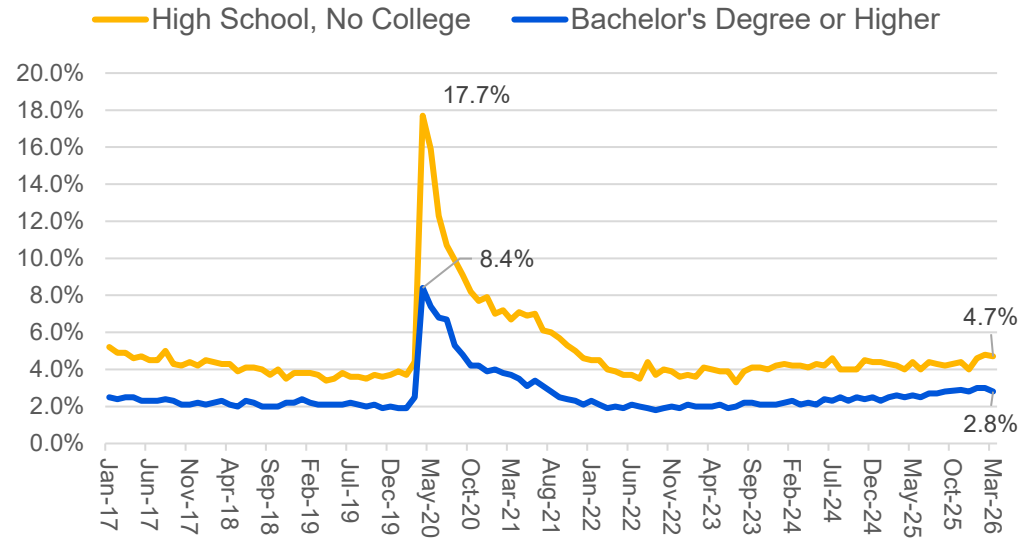
The Bureau of Labor Statistics (BLS) reported a steady U.S. unemployment rate of 4.3 percent in March 2026. The overall labor market shows signs of slowing hiring and limited turnover, indicating a “low-hire, low-fire” environment. The labor market is shifting from resilient growth to a late-cycle slowdown. Still, nonfarm payroll beat expectations in March, increasing 178,000.

**Total Unemployment: (United States)**



Source: U.S. Bureau of Labor Statistics, <https://bls.gov>; Seasonally adjusted

**High School Only vs. Bachelor's Degree or Higher**



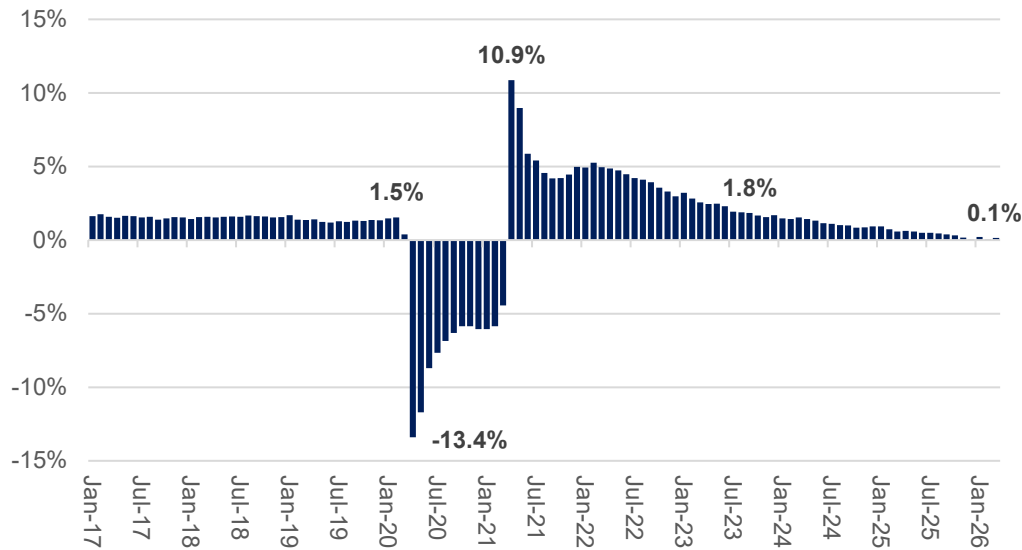
Source: U.S. Bureau of Labor Statistics, <https://bls.gov>; Seasonally adjusted

# Employment

## Job Creation Jumps in March Amid General Slowdown to Start the Year

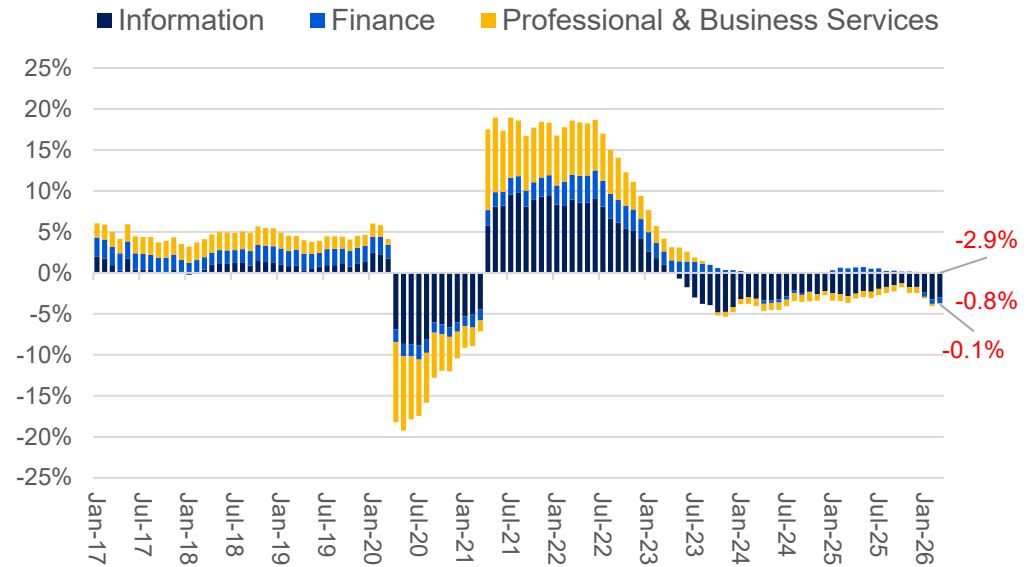
The March jobs report showed surprising growth, with non-farm payrolls increasing by 178,000 jobs, beating expectations. Key trends include a significant decline in federal employment to its lowest level since 2014, with notable gains in construction (+26,000) and transportation and warehousing (+21,000). Office-occupying jobs have been shedding jobs since mid-2023 as tech firms consider the future of AI and its impact on employment.

All Job Sectors (12-Month Change)



Source: U.S. Bureau of Labor Statistics, <https://bls.gov>, Not seasonally adjusted

Office-Occupying Jobs (12-Month Change)



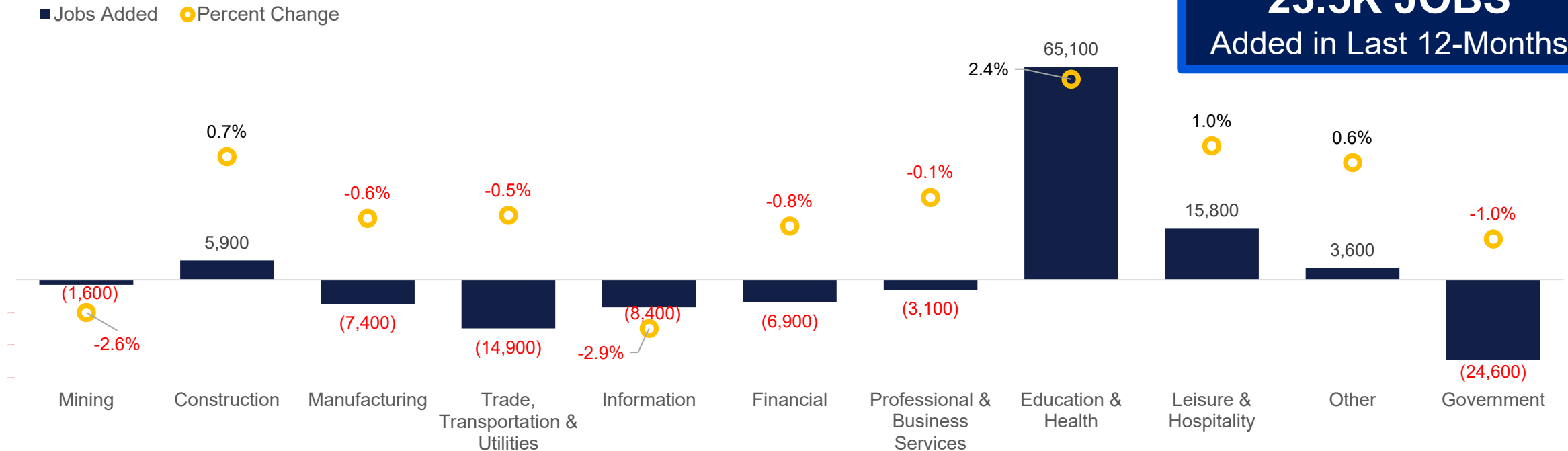
Source: U.S. Bureau of Labor Statistics, <https://bls.gov>, Not seasonally adjusted

# Employment

## Education and Healthcare Sectors Lead the Way

In March 2026, the healthcare sector once again took the lead by adding 76,000 jobs. However, despite these significant gains for the month, the U.S. only added 23,500 jobs over the past year. This suggests that the overall employment market has slowed down, affected by mixed economic conditions, advancements in technology, and global conflicts.

### Job Creation by Sector (12-Month Change)

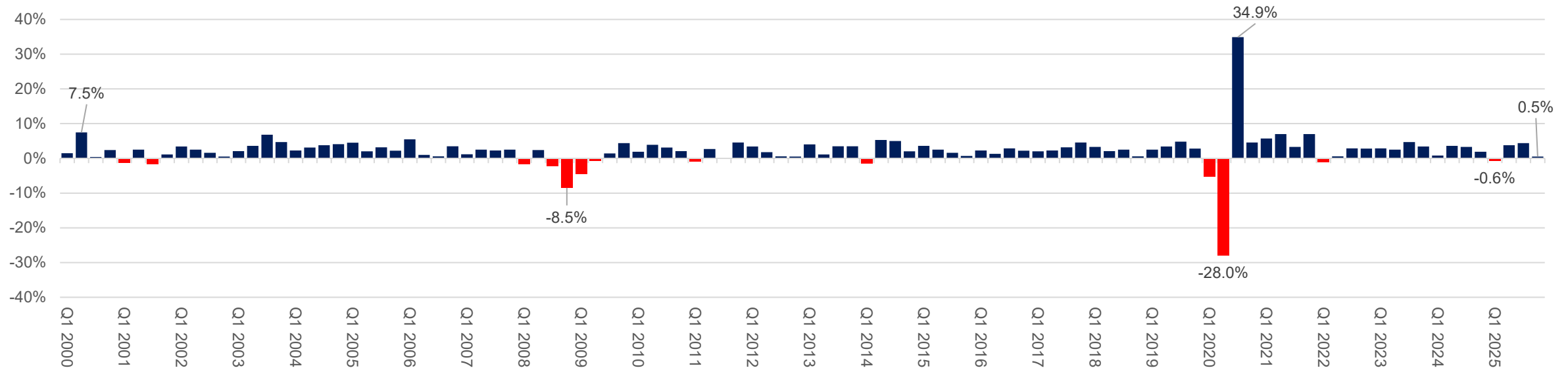


# GDP

## Real GDP Hits the Brakes During the Second Half of 2025

In the third quarter of 2025, the GDP increased at an annualized rate of 4.4 percent, but it significantly decelerated in the fourth quarter, registering only a 0.5 percent increase. This growth was primarily driven by rises in consumer spending and investment; however, it was offset by declines in government spending and exports. Additionally, a partial federal government shutdown that occurred from October to November 2025 contributed to this slowdown, with the Bureau of Economic Analysis estimating it resulted in a 1.0 percentage point decrease in GDP growth.

Real GDP Percent Change from Preceding Quarter: Q4 2025



Source [Real Gross Domestic Product \(A191RL1Q225SBEA\) | FRED | St. Louis Fed \(stlouisfed.org\)](https://fred.stlouisfed.org/series/A191RL1Q225SBEA)

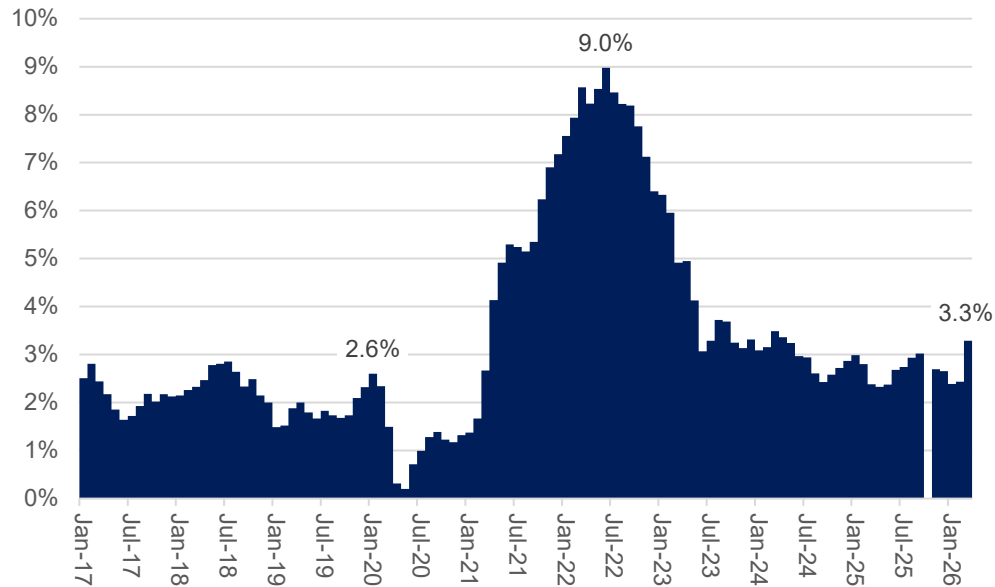
Note April 15, 2024. Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/A191RL1Q225SBEA>, April 15, 2026.

# Inflation

## Inflation Jumps on Sharp Increase in the Energy and Transportation Sectors

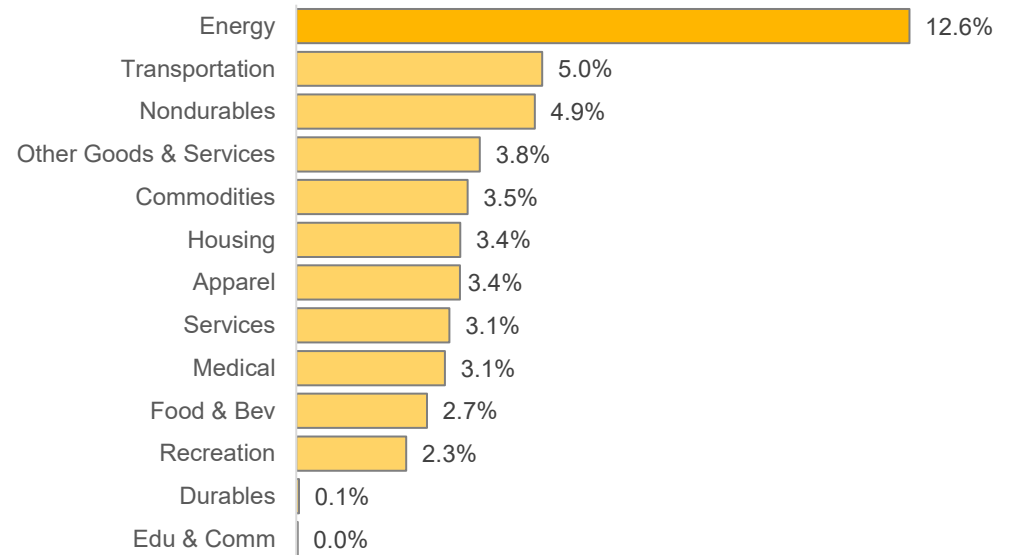
The annual inflation report jumped to 3.3 percent in March, a significant increase from both January and February. The surge was largely driven by a 12.6 percent increase in energy costs, specifically a 21.2 percent monthly spike in gasoline prices linked to conflict with Iran.

Consumer Price Index (12-Month Change)



Source: U.S. Bureau of Labor Statistics, <https://bls.gov>  
 Note: Seasonally adjusted, Data pulled April 2026. Data not reported in September 2025

Consumer Price Index by Sector (12-Month Change)



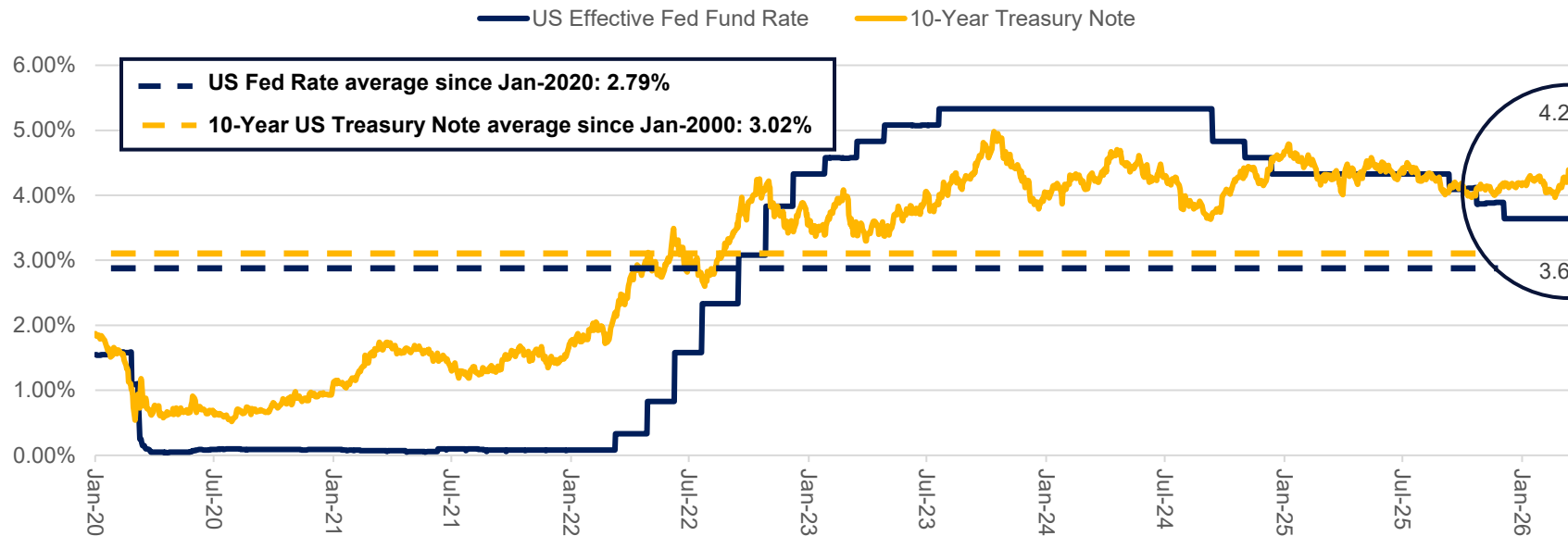
Source: U.S. Bureau of Labor Statistics, <https://bls.gov>  
 Note: Seasonally adjusted, Data pulled April 2026

# Monetary Policy

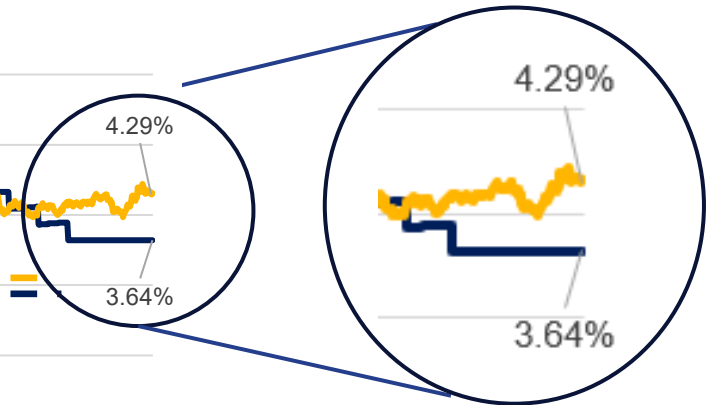
## The Fed Holds Rates Steady

At the Fed's meeting on March 18, 2026, interest rate cuts were paused, maintaining the rate at 3.5 to 3.75 percent. The decision was driven by a resilient economy and stable labor market, despite rising inflation and weak job market numbers. Chair Powell signaled a cautious approach, with markets anticipating cuts later in the year. The Fed has cut the federal funds target rate three times since the middle of 2025. The current rate of 3.64 percent suggests that investors expect a moderate amount of inflation and or moderate growth ahead.

US Effective Fed Fund Rate & 10-Year Treasury Note



10-Year Treasury Passes US Fed Fund Rate



When the 10-year treasury note yield is higher than the US effective rate, it indicates that investors are demanding higher returns on longer-term bonds. The result is typically higher mortgage rates and higher interest rates on other debt like credit cards.

Source: Federal Reserve Economic Data, <https://fred.stlouisfed.org>; Data is through April 15, 2026  
 Wall Street Journal; Data is through April 15, 2026

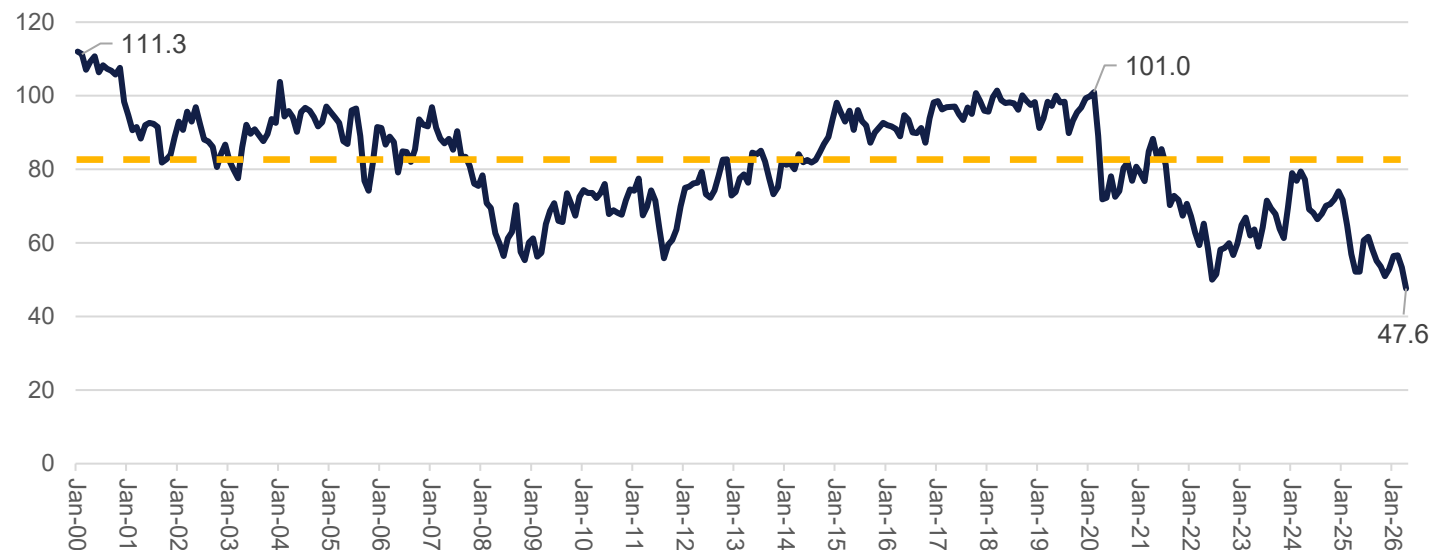
# Consumers

## Consumer Sentiment Moves Lower

The Consumer Sentiment Index reported a reading of 47.6 in April, which is low by historical standards and suggests consumers are cautious. Broad concern across the economy, including job-market concerns, inflation, the conflict in Iran, and trade/tariff worries, is negatively impacting sentiment. Since the start of 2025, the Consumer Sentiment Index has generally been declining, decreasing from a reading of 71.7 in January.

Consumer Sentiment Index: (United States Total)

— Historical average since January 2000: 81.5



## Consumer Sentiment Index

Consumer sentiment is a statistical measurement of the overall health of the economy as determined by consumer opinion. It considers people's feelings toward their current financial health, the health of the economy in the short-term, and the prospects for longer-term economic growth.

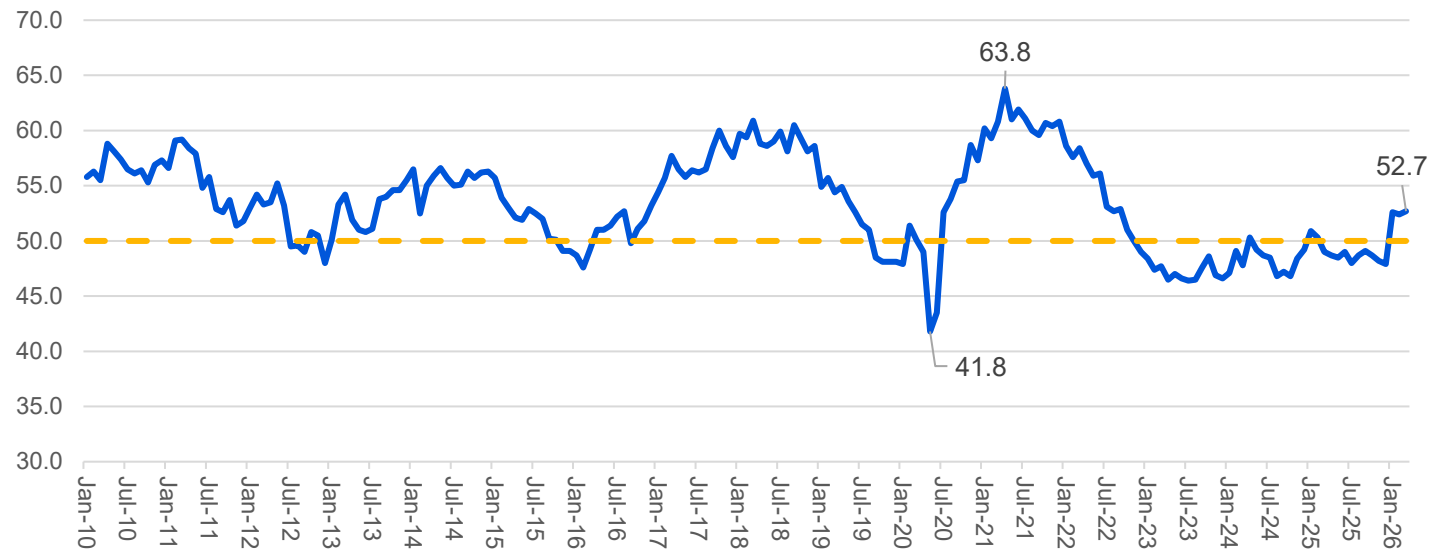
# Consumers

## ISM Manufacturing PMI Signals Expansion in Early 2026

The Institute for Supply Management (ISM) Manufacturing PMI (Purchasing Managers Index) for March registered at 52.7, signaling the third straight expansion in 12 months, driven by a surge in new orders and production. While the headline number is positive, the growth is partly driven by typical post-holiday reordering and efforts to front-run potential price increases due to ongoing tariff issues.

ISM Manufacturing Index: (United States Total)

— A score of 50 indicates that the manufacturing sector is generally expanding



## ISM Manufacturing PMI

The ISM Manufacturing Index is a key economic indicator that measures the level of demand for products by surveying purchasing managers at manufacturing companies. The PMI is based on five major components: new orders, production, employment, supplier deliveries, and inventories. The index is seasonally adjusted to account for differences in weather, holidays, and other factors. **A reading above 50 percent indicates that the manufacturing sector is generally expanding; below 50 percent indicates that it is generally contracting.**

Source: [Institute of Supply Management](https://www.ism-usa.com/)

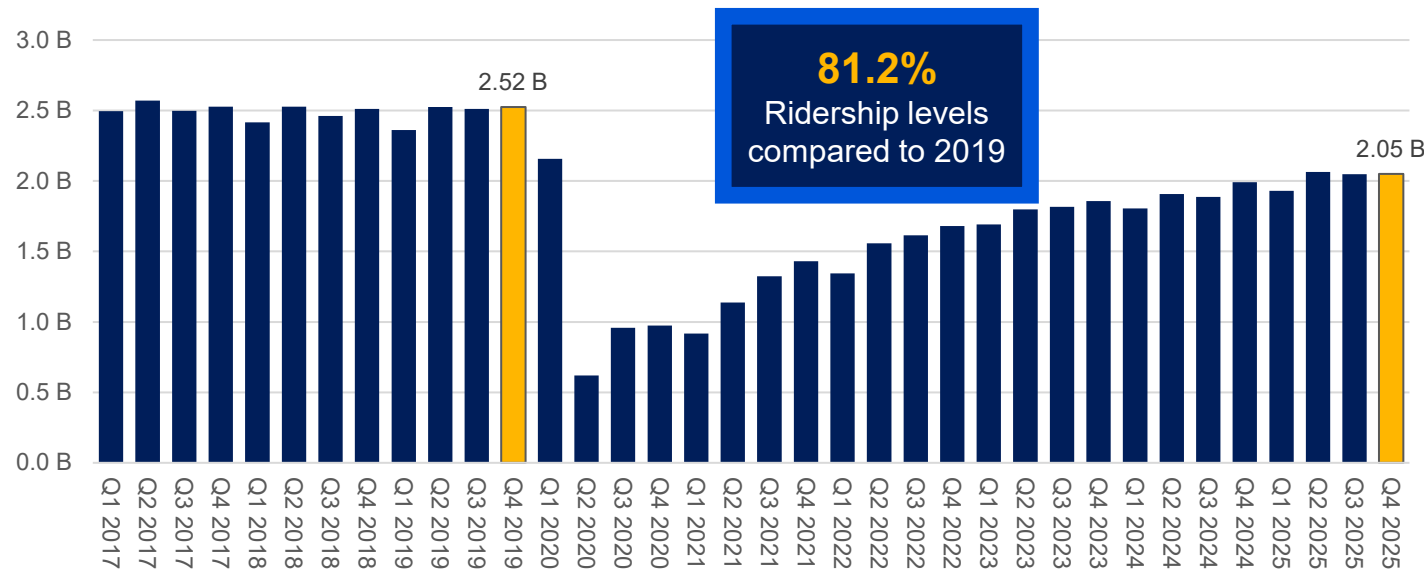
Note: Data thru March 2026

# Public Transit

## Public Transit Ridership Levels Off

A good indicator of the health of an urban core, and by extension the downtown office market, is the use of public transportation. Public transit ridership jumped to 2.05 billion in the third quarter. Based on several additional indicators, return-to-office momentum has appeared to stabilize, but given the new administration’s view on return-to-office, it may shift in the future. Nevertheless, public transit has been flat over the past nine quarters. Still, public transit crossed two billion riders for the third straight quarter since the first quarter of 2000.

Public Transit Ridership: (United States)



## Public Transit Still Lags Historic Norms

Public transportation has been consistently reliable since the beginning of the century. In 2008, rising gas prices temporarily increased public ridership, but it quickly returned to historic levels. During the first year of the declared pandemic, ridership was halved, experiencing a 52.8 percent decrease. The economy began to reopen in 2021, but ridership only saw a modest increase of 3.1 percent compared to the previous year. By early 2022, the economy was moving toward pre-pandemic levels. However, by the end of the fourth quarter of 2025, public transportation ridership had only reached 81.2 percent of the average ridership from 2019, the last full year before the pandemic began.

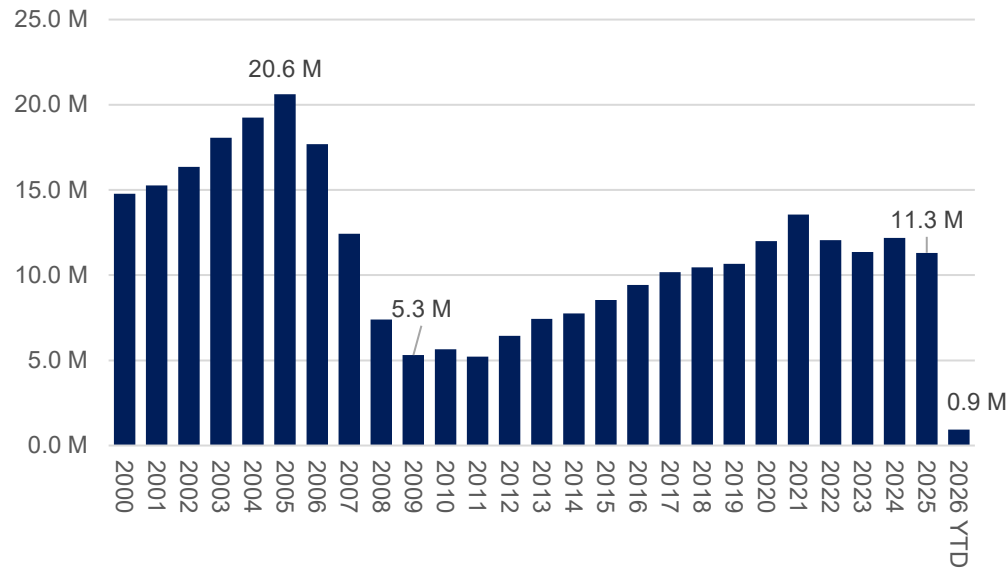
Source: American Public Transportation Association Quarterly Ridership Report. [Ridership Report - American Public Transportation Association \(apta.com\)](#)

# Housing

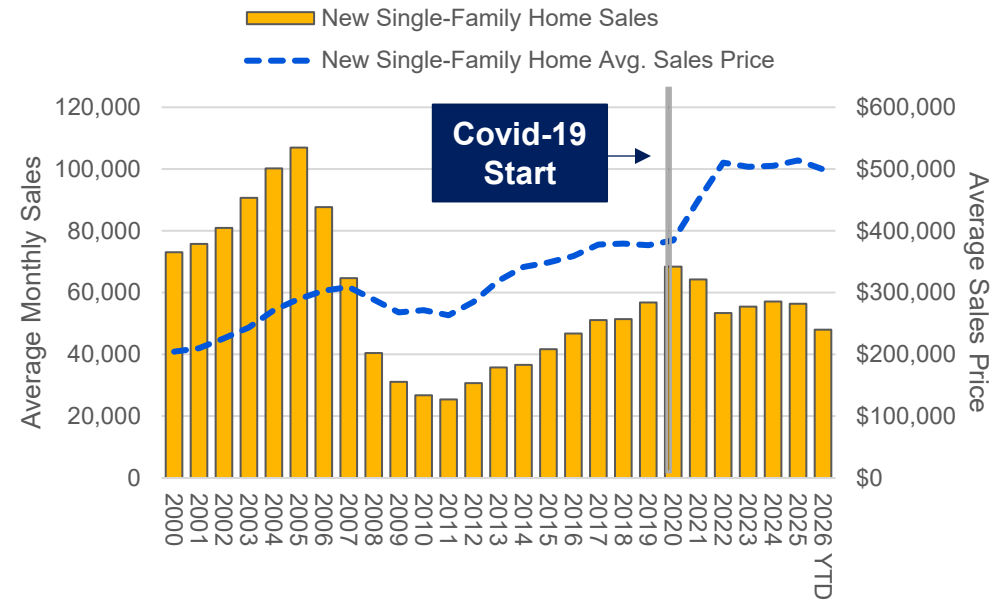
## Sale Prices Fluctuate, but Remain Near Historic Highs

The number of residential housing starts soared at the start of the pandemic, while sale prices reached record highs in 2022. This growth is being tempered as mortgage rates remain elevated, labor and material costs rise, and supplies remain scarce. During 2023, home starts declined from the previous two years but remained near pre-pandemic levels. Meanwhile, prices have begun to stabilize as demand softens. The housing market is defined by a significant affordability crisis, with home values vastly outpacing income growth.

Single-Family Residential Housing Starts



Single-Family Homes: No. of Sales vs. Avg Sales Price



Source: U.S. Census Bureau, <https://census.gov/construction>  
 \*Note: Data thru January 2026

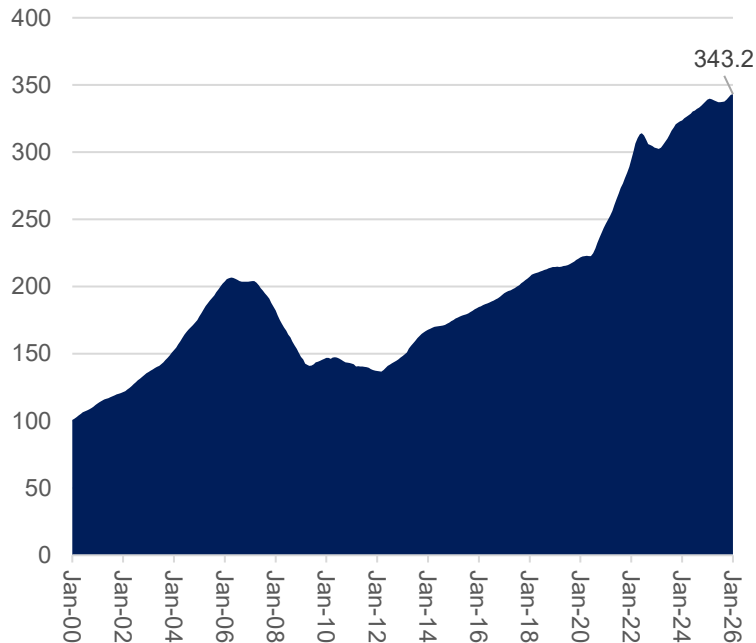
Source: U.S. Census Bureau, <https://census.gov/construction>  
 Note: Data thru January 2026

# Home Price Index

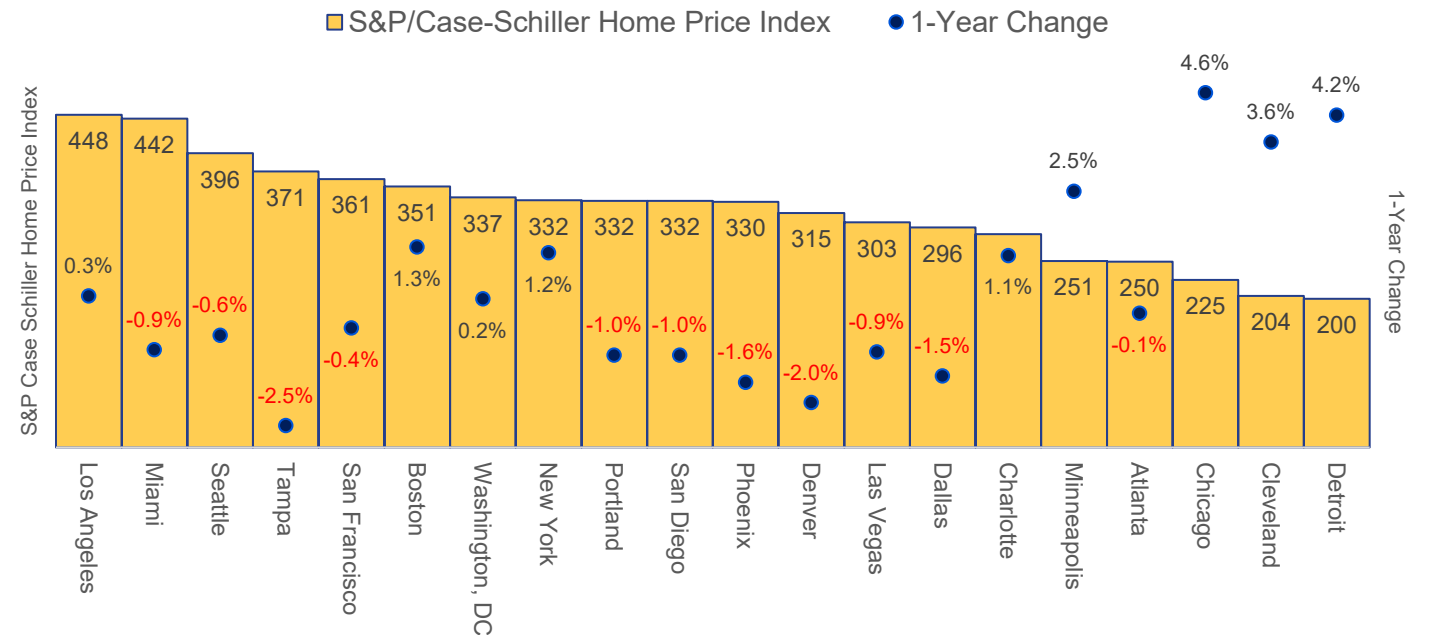
## Case-Schiller Home Price Index Peaks in February

The Case-Schiller Index is an economic indicator that measures the monthly change in the value of the U.S. single-family home market. The 20-City Home Price Index briefly peaked in June 2022 and dropped for eight consecutive months before ticking higher over the past two years. The current level marks a continuation of high, albeit potentially slowing, price levels, showing a deceleration in growth. Los Angeles and Miami hold the highest Home Price Indexes. Detroit, Cleveland, and Chicago increased the most in the past 12-months, while 11 of the 20 markets in the index retreated in the past year.

Home Price Index: 20-City Average



S&P/Case-Schiller Home Price Index



Source: S&P Dow Jones Indices LLC, S&P/Case-Shiller U.S. National Home Price Index [CSUSHPINS], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/CSUSHPINS>, April 15, 2026.

# Office Trends



**Office Market Stabilizing, but Still Uneven Amid Structural Shifts**

The long-awaited rebound in the office market has officially begun, as net absorption has turned slightly positive and the number of available spaces has been declining for nearly two years. However, it will take time to recover from the losses in occupancy. A stagnant construction pipeline and property conversions have helped balance the oversupply.

Performance has not been uniform; markets such as New York, Dallas, Houston, and San Francisco have outperformed others. Leasing activity has shown modest improvement compared to levels seen in 2023-2024, but much of this activity consists of renewals and relocations to higher-quality buildings, rather than net new absorption. To attract and retain tenants—especially in struggling submarkets—landlords are continuing to offer incentives, such as free rent and robust tenant improvement allowances.

Financial services firms, law firms, and companies in the artificial intelligence sector have been particularly active in the market. Despite these improvements in performance, risks remain due to weak job creation among knowledge workers, which is essential for a sustained recovery.

## Office Tenant View

- Companies favor flexibility in lease terms, prioritizing shorter lease durations, expansion/contraction options, and flexible space solutions to manage uncertainty around future headcount and office usage.
- Persistent elevated vacancy in many markets is giving tenants greater negotiating power, resulting in higher concessions, improved lease economics, and more customization of space.
- Continued workplace experience and utilization emphasis is being placed on how space is used rather than how much space is leased, investing in layouts, amenities, and particularly technology that support collaboration, employee engagement, and higher in-office attendance.

# TRENDS

Hybrid work continues to be common in many office jobs. Yet, several companies that previously permitted flexible or mostly remote work are now gradually increasing the number of days employees are required to be in the office. Despite this shift toward more structured hybrid work or scheduled attendance, peak office occupancy has not seen a significant change. Consequently, there is no urgent need to expand real estate footprints; however, there is a greater requirement for intentional space planning and optimization of collaborative areas and shared spaces.

Overall, there have been moderate changes in the data tracked for the Cresa Remote Work Index. Many of these changes have occurred in the margins, as hybrid work patterns have led to employees spending more days in the office. Owl Labs reports that 73 percent of hybrid workers are in the office for three or four days a week. Kastle Systems has noted a modest increase in weekly peak occupancy over the past two years, and public transit ridership saw a rise in the last quarter. Meanwhile, the Flex Index indicates that companies are still offering flexibility at levels comparable to a year ago.

Four years after the tapering from COVID-19 restrictions, it is evident that most organizations are not reverting to full in-office attendance. This is despite several high-profile firms, such as Dell Technologies and JP Morgan, announcing plans to do so. Data reveals considerable pushback from employees, with 76 percent stating they would seek new job opportunities if remote or hybrid work options were eliminated.

# Remote Work Index

Fall 2025

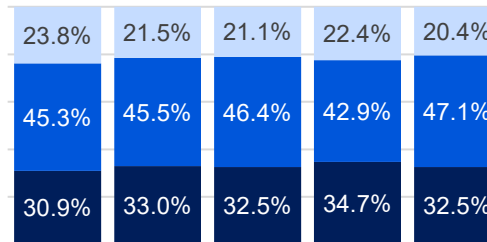
**Remote Work Trend:**  
Increasing ↑; Decreasing ↓; Unchanged ↔

## SWAA Data: Tele-workable Jobs

(% of Workers Able to WFH): Sep. 2025



■ Fully-Onsite ■ Hybrid ■ Fully-Remote



Nov-21 Nov-22 Nov-23 Nov-24 Sep-25

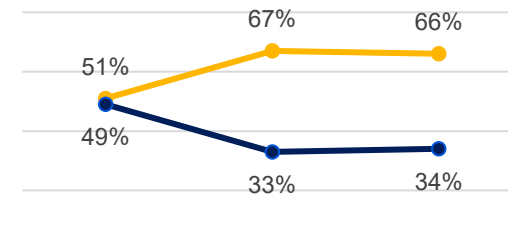
Source: Barrero, Jose Maria, Nicholas Bloom, and Steven J. Davis, 2021. "Why working from home will stick." [National Bureau of Economic Research Working Paper 28731](#)

## Flex Index

(% of Companies Offering Flexibility): Q3 2025



● Offer Flexibility ● Full-Time Office

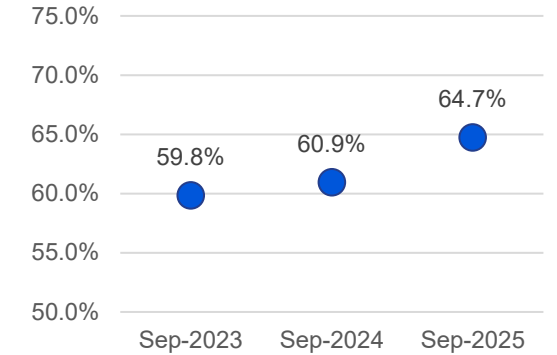


Q3 2023 Q3 2024 Q3 2025

Source: Flex Index, Q3 2025

## Kastle Systems

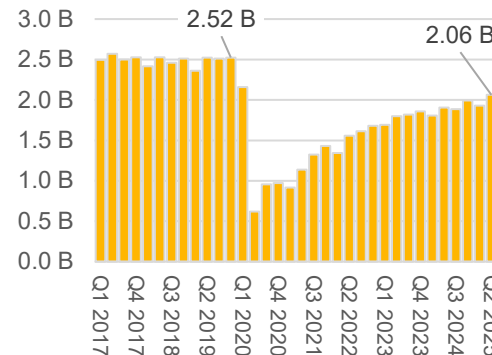
(Weekly Peak Occupancy %): Sep. 2025



Source: Kastle Occupancy Barometer; averages of September 2025

## Public Transit Ridership

(APTA Public Ridership Report): Q2 2025



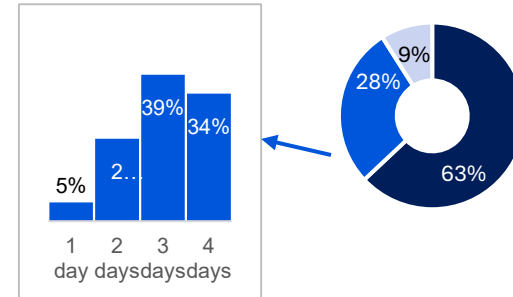
Source: Ridership Report – American Public Transportation Assoc

## Owl Labs: State of Hybrid Work

Worker Type & Number of Days in Office, 2025



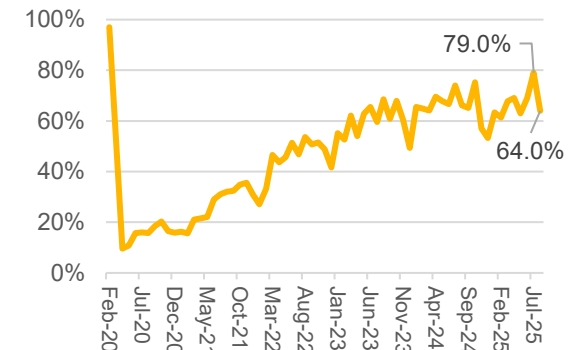
Hybrid Attendance ■ In-Office ■ Hybrid



Source: Owl Labs: State of Hybrid Work, 2025

## Placer.ai Office Building Index

Monthly Office Visits Compared to March 2019



Source: Placer ai. The Return-To-Office Report; August 2025

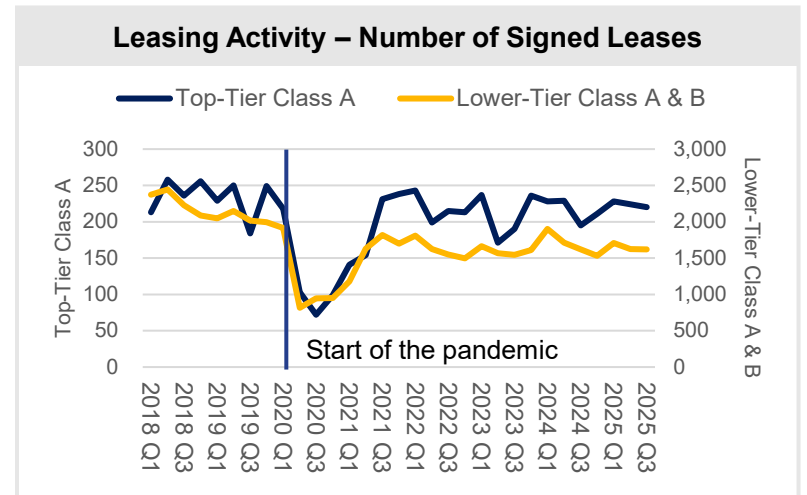
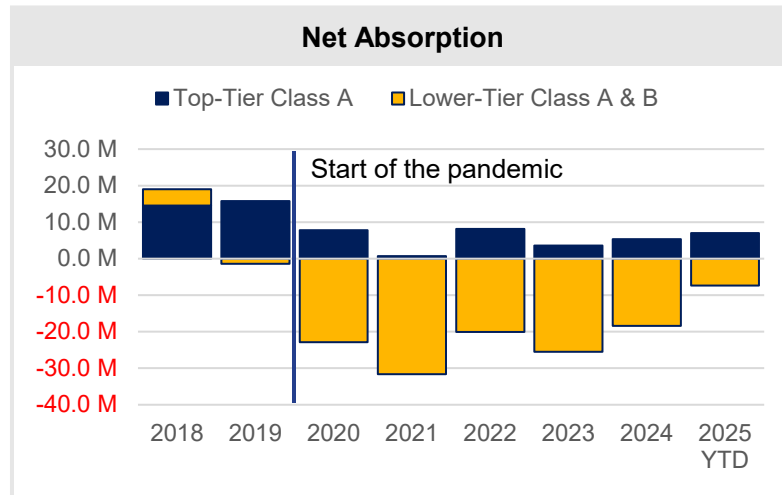
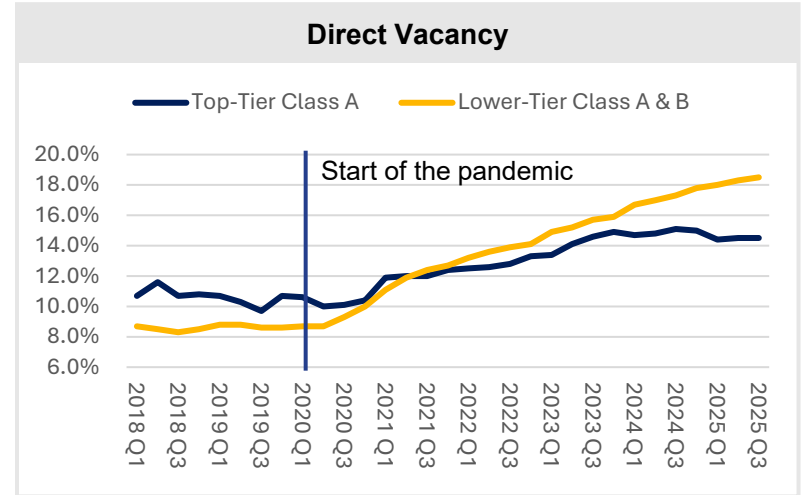
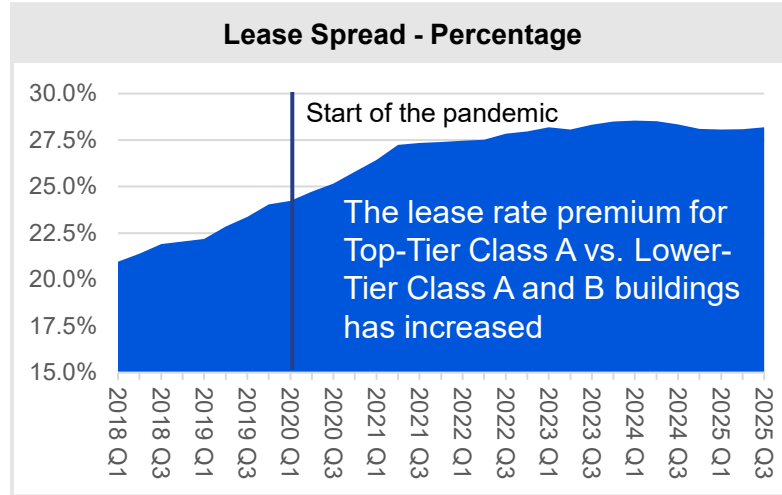
# Flight-to-Quality

## Top-Tier Buildings Outperform Lower-Tier Buildings in Large Office Market Urban Cores

The “**flight-to-quality**” was spurred by the start of the pandemic and the dramatic weakening of office market conditions. A combination of tenant leverage and shrinking footprints provided an opportunity to upgrade space and stretch tenants’ lease spend. Additionally, upgraded, amenity-rich office spaces and neighborhoods act as a motivator for drawing workers back to the office.

The gap between lease rates and direct vacancy rates for Top-Tier Class A office buildings compared to Lower-Tier Class A and Class B buildings is widening. Since the beginning of Q3 2020, Top-Tier spaces in the central business districts (CBDs) of major office markets have recorded a positive net absorption of 32.6 million square feet. In contrast, Lower-Tier buildings have seen a negative net absorption of 125.8 million square feet. Additionally, leasing activity in Top-Tier buildings has surpassed that in Lower-Tier buildings.

Note: This analysis includes buildings rated as Top-Tier Class A (5 Star) and Lower-Tier Class A, and Class B buildings (3 & 4 Star) with a minimum of 100,000 square feet located within the CBD. Owner-occupied buildings were removed. The top 15 office markets in terms of inventory were included: New York, Los Angeles, Chicago, Houston, Dallas, Philadelphia, Washington, DC, Atlanta, Phoenix, Miami, Orlando, San Francisco, Seattle, Tampa, and Boston.

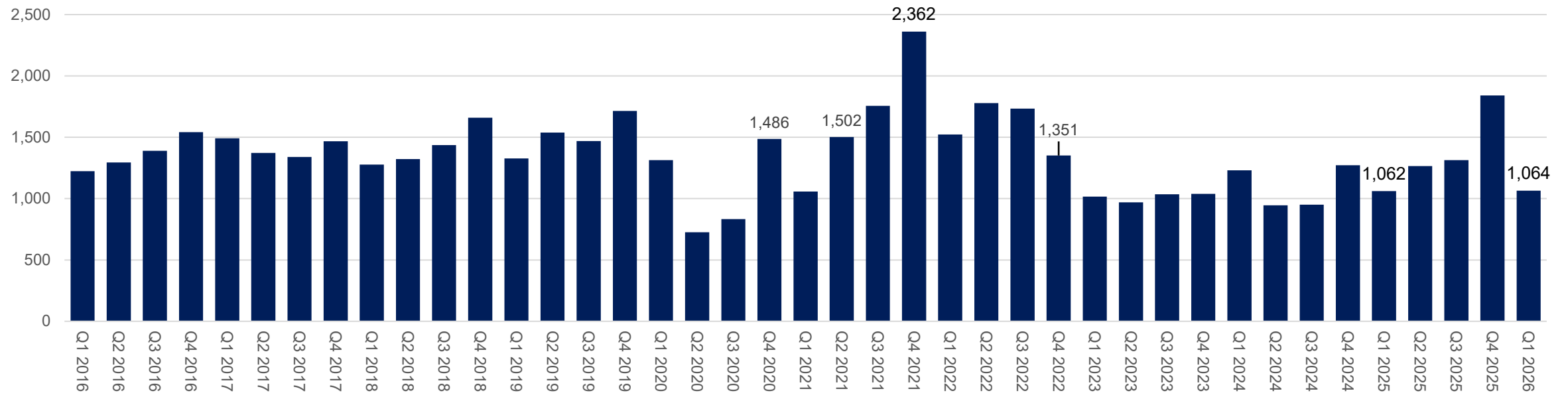


# Capital Markets

## Sales Velocity Trends Drop in the First Quarter of 2026

Sales velocity fell back to post-pandemic norms after jumping in the fourth quarter, surpassing 1,800 sales, marking the highest level in the past 10 years. Investors are looking for office buildings with strong leasing trends to align with underwriting standards.

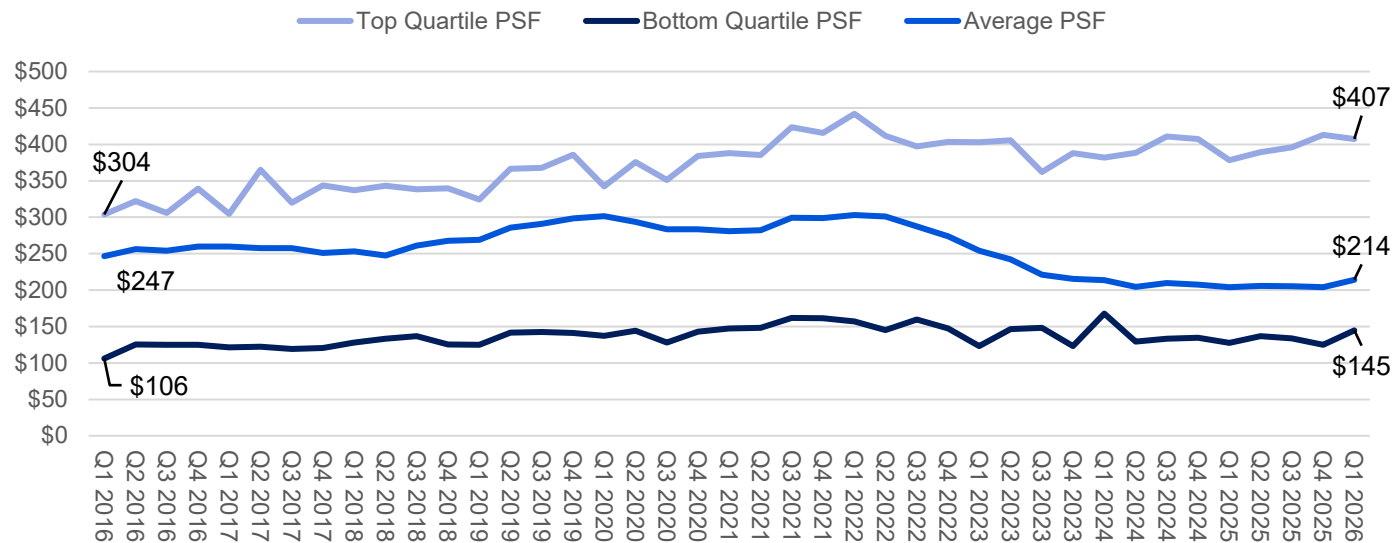
### Office Sales Velocity: (United States)



# Capital Markets

Average Sale Prices Per Square Foot Remain Muted, While Top-Tier Properties Hold Values

Average Office Sale Price/SF (United States)

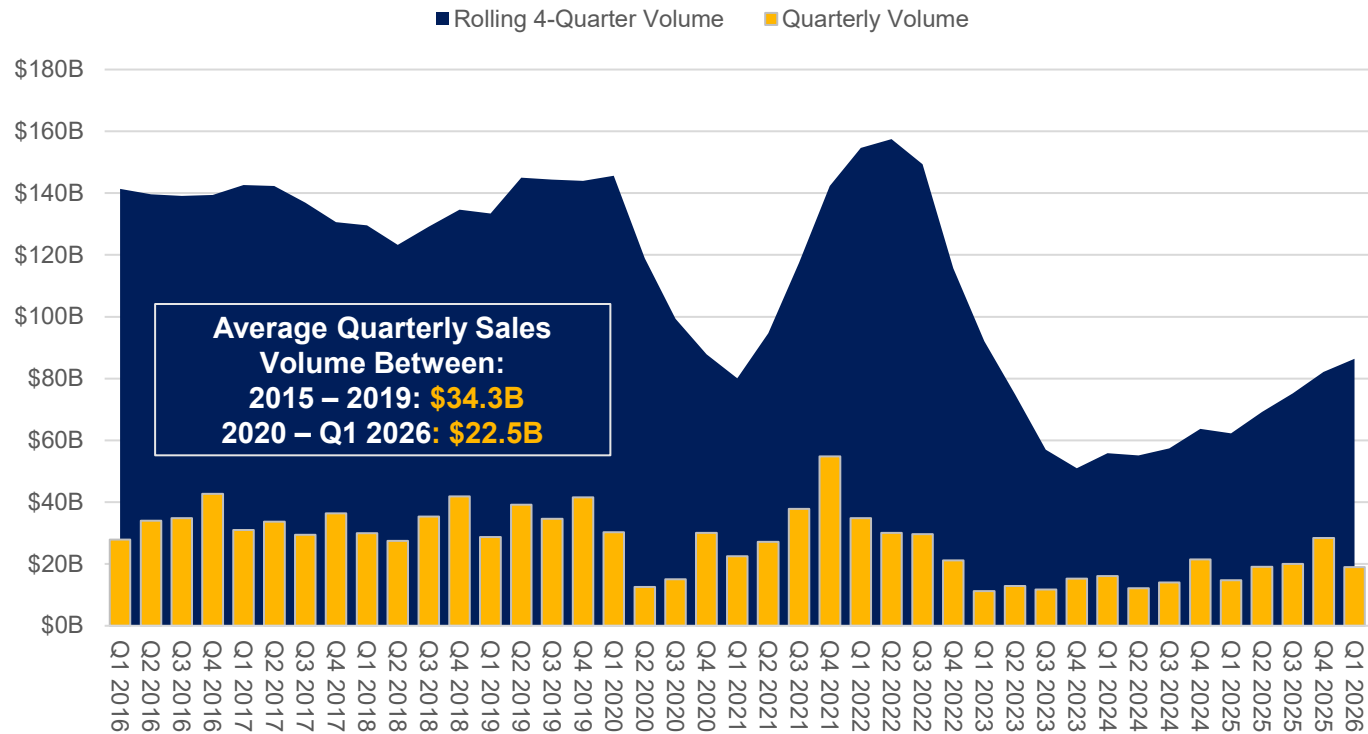


Sales of office properties in the top quartile have remained stable for the past two years. It should be noted that the jump in the number of overall sales in the fourth quarter did not impact prices per square foot, with top-end prices increasing at the highest percentage. Meanwhile, the overall average sale price per square foot of office properties has dropped more than 30 percent since the start of 2022. The takeaway is that **high-end properties with amenities, high-quality finishes, and good locations have generally held their value.**

# Capital Markets

Sales Volume is Trending Higher, but Remains Below Historic Levels

Office Sales Volume: (United States)

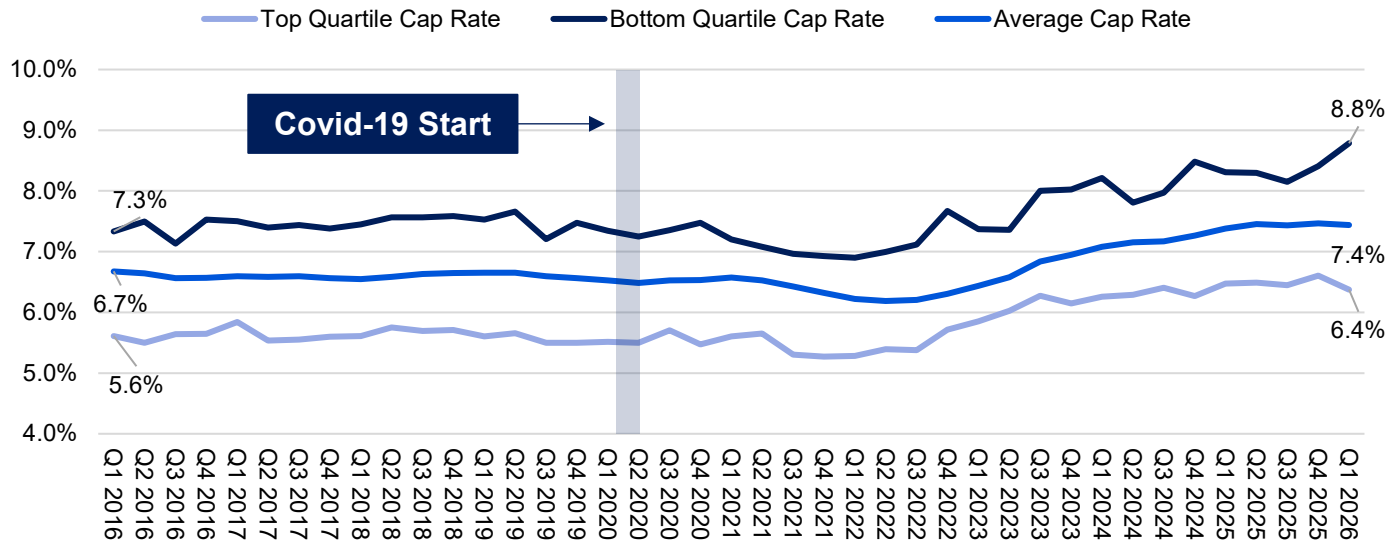


Office sales volume closed the first quarter of 2026 at approximately \$19 billion, falling from a spike during the fourth quarter. With the Fed considering additional rate cuts, there may be more sales activity in the near term. With the overall number of sales stabilizing, the volume has followed suit, but at a slower rate. **The average quarterly sales volume since 2020 remains about two-thirds of pre-pandemic levels.**

# Capital Markets

## Cap Rates Stable In Top-Tier Office Buildings, But Still Elevated

Office Cap Rates (United States)



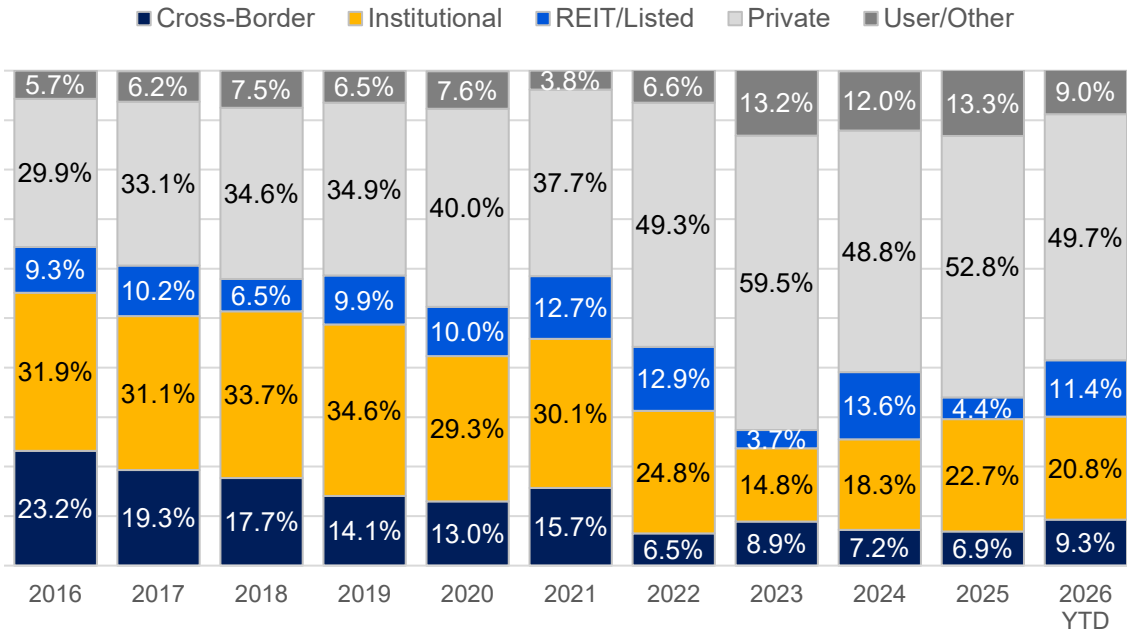
Despite sales volume trending higher, cap rates have increased over the past four years. **Currently, the average cap rate for office properties stands at 7.4 percent, near the highest level in the past decade.** While prices per square foot for top-tier office assets have remained stable, cap rates are now above 6 percent, reflecting the heightened risks associated with the office sector. This rate is significantly higher than the 5.5 percent cap rate recorded before the pandemic was announced.

# Capital Markets

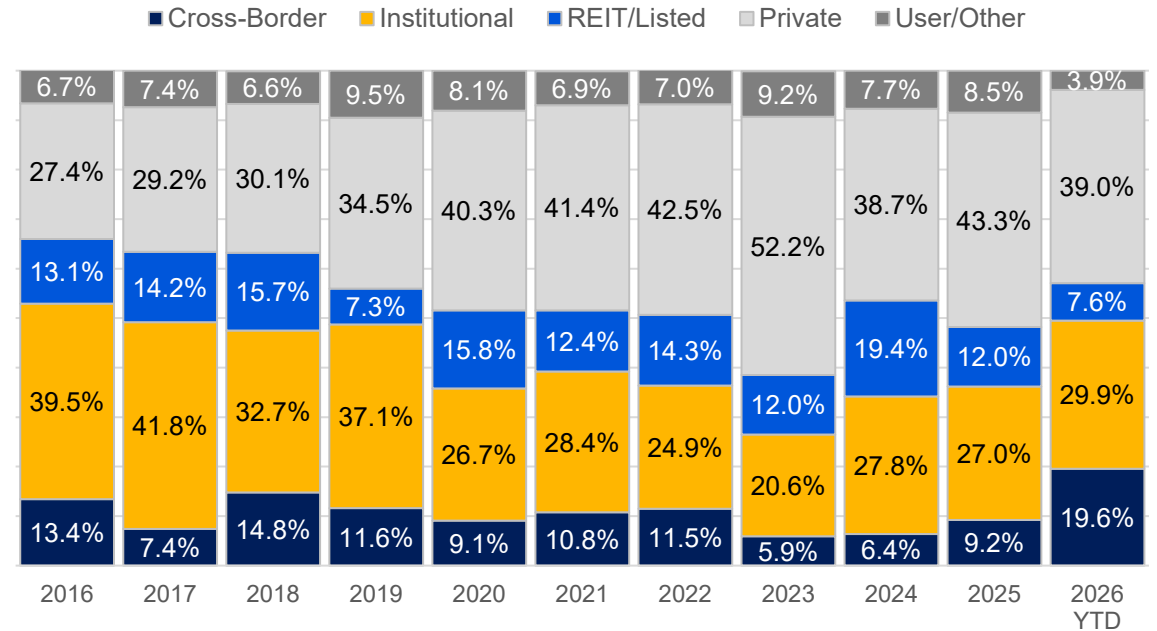
## Office Capital Composition

The buyer profile has shifted over the past several years within the office market, as Private investment has taken a larger percentage. As demand has dropped, investors with more of an appetite for risk have swooped in looking for deals with large upsides. Meanwhile, Institutional investors have decreased their exposure in 2024 and 2025, perhaps looking for a more stable office market in the next 3 to 5 years. Private investors were the biggest buyers and sellers in the past year, shifting their portfolios.

Office Buyer: (United States)



Office Seller: (United States)



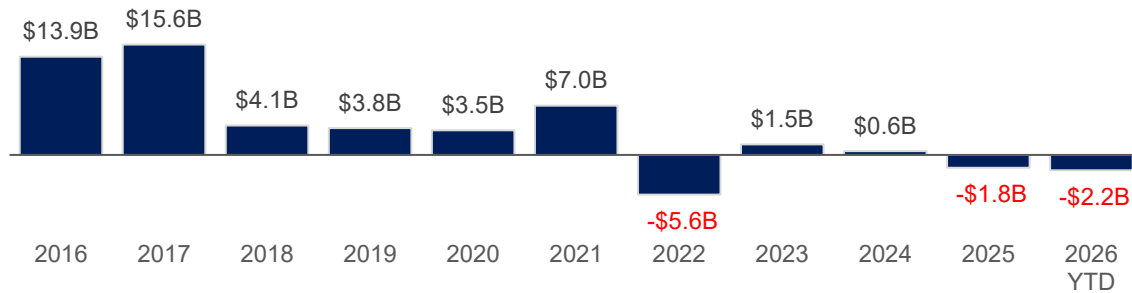
Source: Real Capital Analytics and Cresa; thru Q1 2026

# Capital Markets

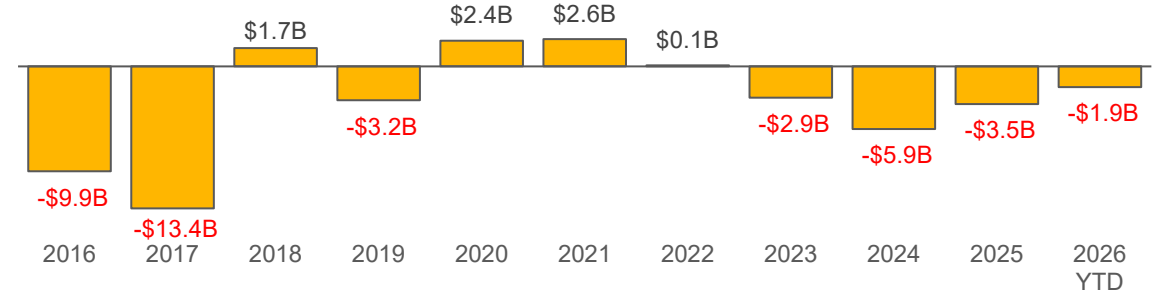
## Office Capital Flows: Net Acquisitions

Office capital flows represent whether companies netted more acquisitions or dispositions by year. Cross-Border investment in office real estate has dropped for two straight quarters, as overall capital markets have ticked higher. Only Private Investors have made positive bets in each of the past three years, looking for bargains and potential significant upsides. Meanwhile, REITs and other listed investments have shed assets in 9 of the last 11 years.

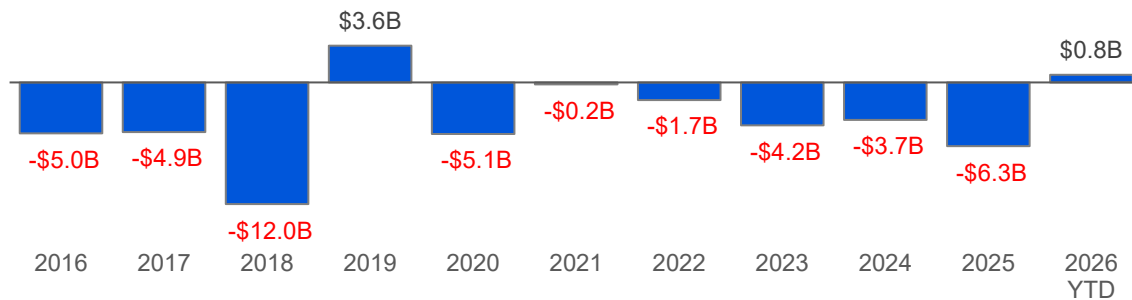
### Cross-Border



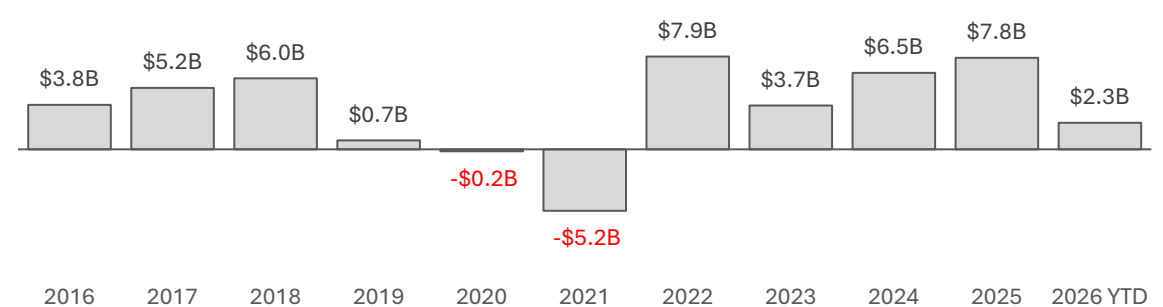
### Institutional



### REIT/Listed



### Private



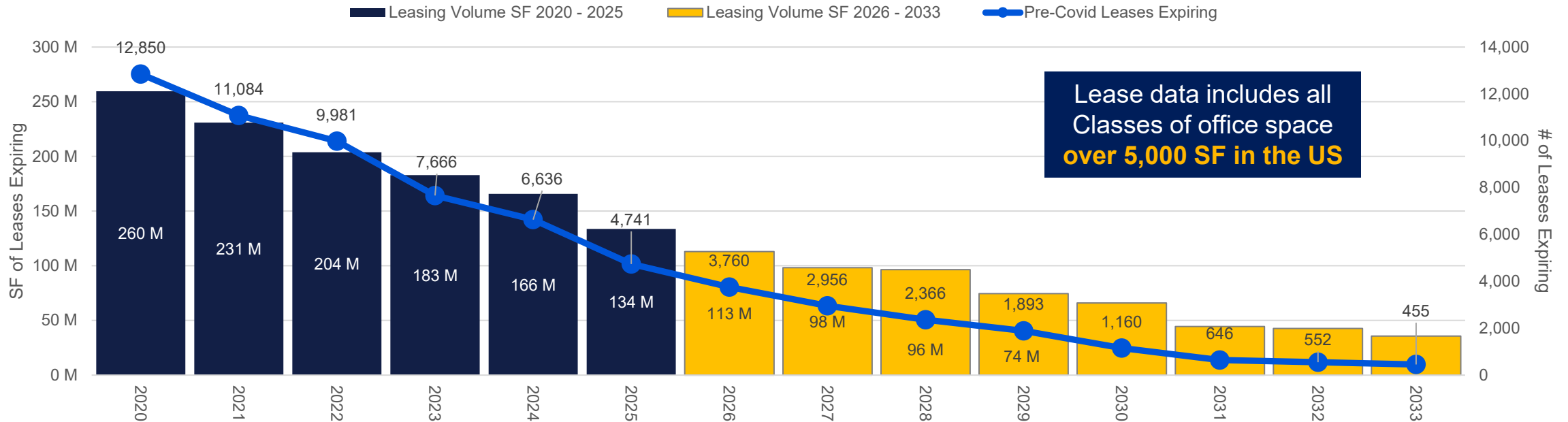
Source: Real Capital Analytics and Cresa; thru Q1 2026

# Lease Trends

## Lease Expirations For Pre-Covid Signed Leases Continue to Roll

Office leases signed before the Covid-19 pandemic are currently about **two-thirds (67.3%) through their term, with 1.18 billion square feet set to expire by 2025**. Looking ahead, approximately 571 million square feet of office space is scheduled to expire by 2033. As companies make decisions regarding their strategic real estate plans, many are likely to right-size their office spaces to better align with their current and anticipated hybrid work models. However, new job growth could have the opposite effect, particularly if companies have overestimated the decline in office usage.

Leases Signed Prior to 2020 and Expirations by Year

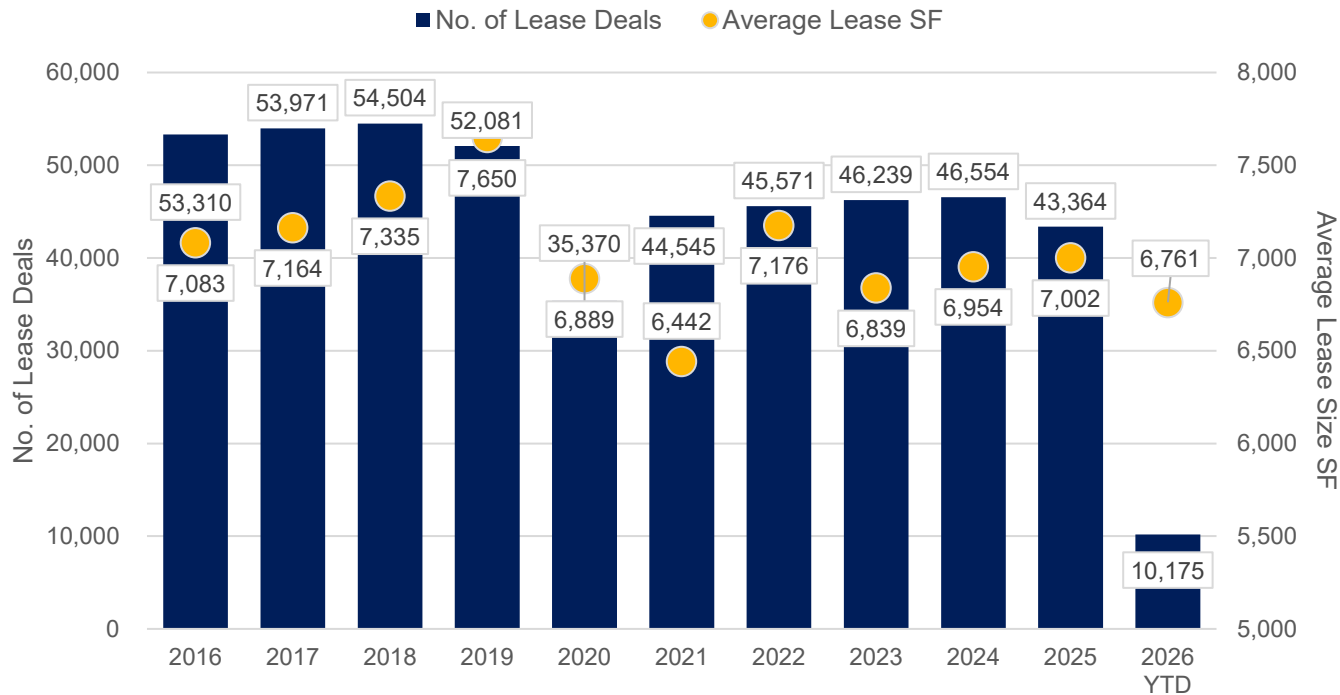


Source CoStar and Cresa; Data pulled in April 2026

# Leasing Trends

Deals Getting Done, but Deal Size Shrinks

Historic Office Activity – Average Deal Size



Lease deal sizes in 2025 were **14.0 percent** smaller compared to 2019.

The number of deals completed in 2025 decreased by **14.3 percent compared to 2019**.

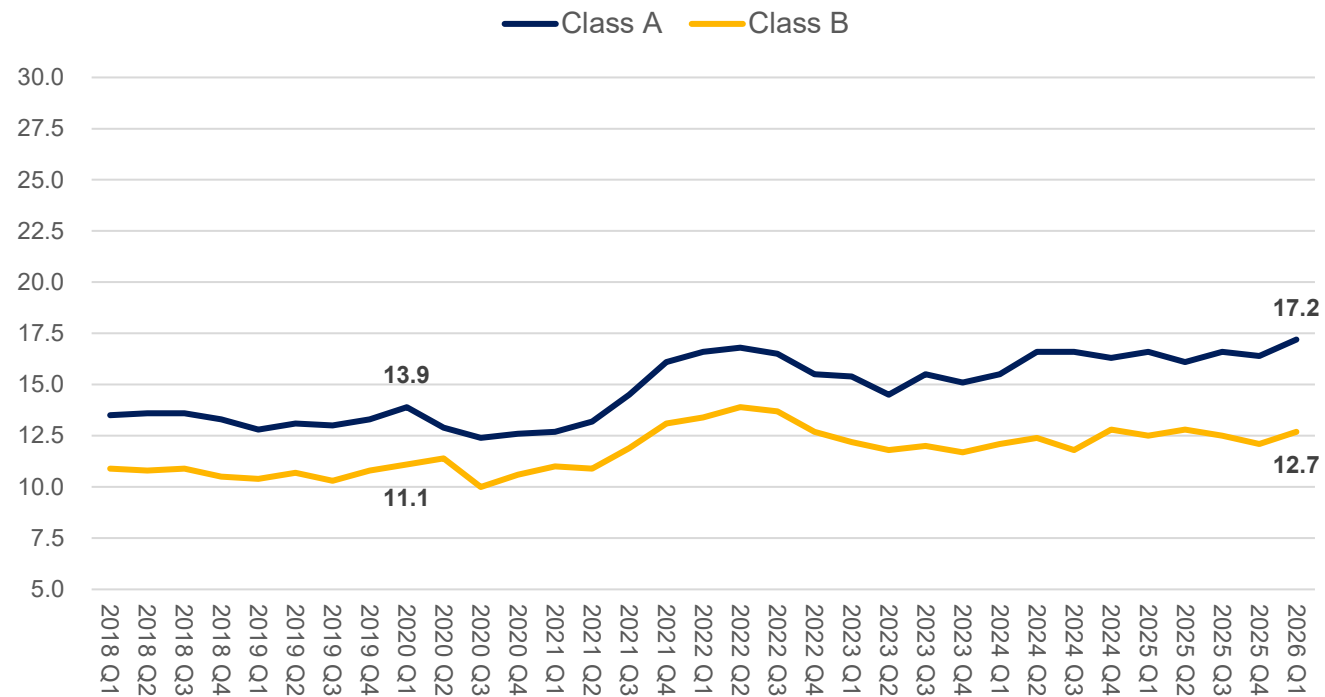
The number of lease deals per year has remained remarkably stable over the past five years, while average deal size has been somewhat variable.

Source: CoStar, Cresa; data is through the first quarter of 2026. The office data includes all class A and B properties, minimum 50,000 square feet buildings, non-owner-occupied.

# Leasing Trends

## Time to Lease Office Properties Stabilize

### Months-To-Lease



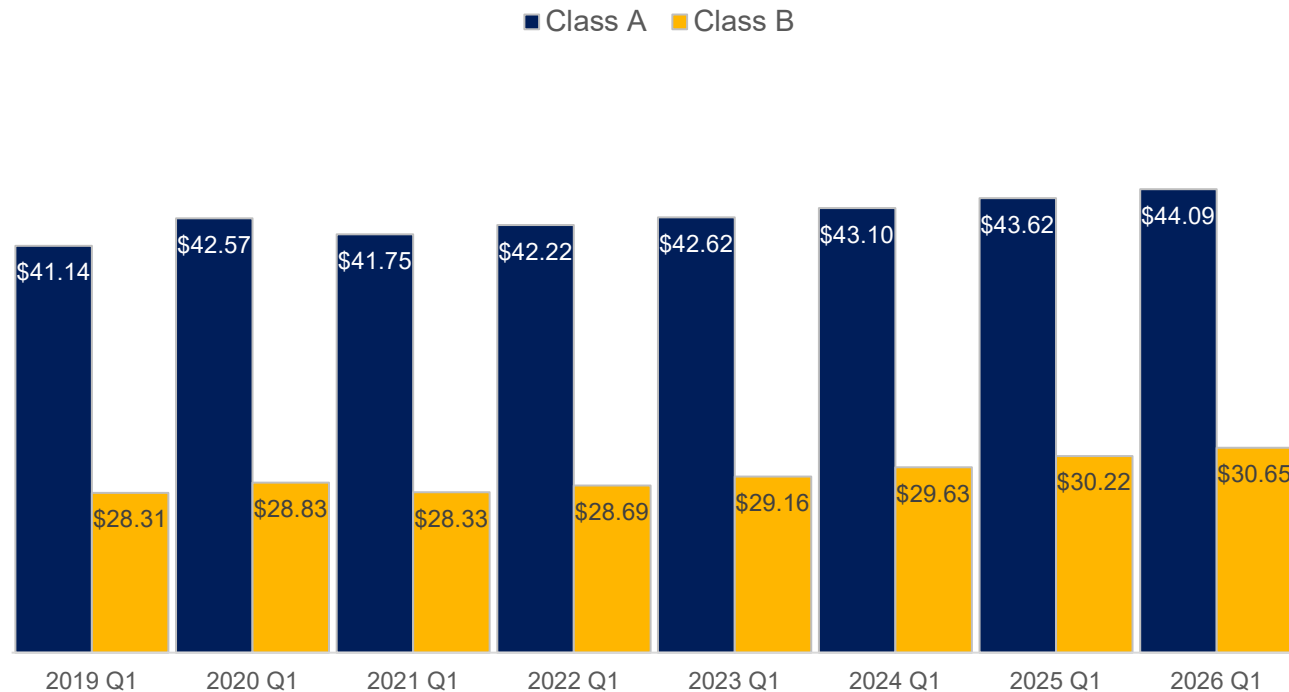
The average time to lease office properties has trended higher in the past two years. **For class A office spaces, the time to lease has increased from 13.9 months in 2019 to 17.2 months to close the first quarter of 2026, lengthening the average time on the market by more than three months.**

Time to close deals is also being lengthened by increased due diligence to confirm that landlords/owners are financially stable and able to fund improvements and other leasing fees.

# Market Rent

## Asking Office Rents Remain Flat

Class A/B Office Asking Lease Rate (\$/SF): (United States)



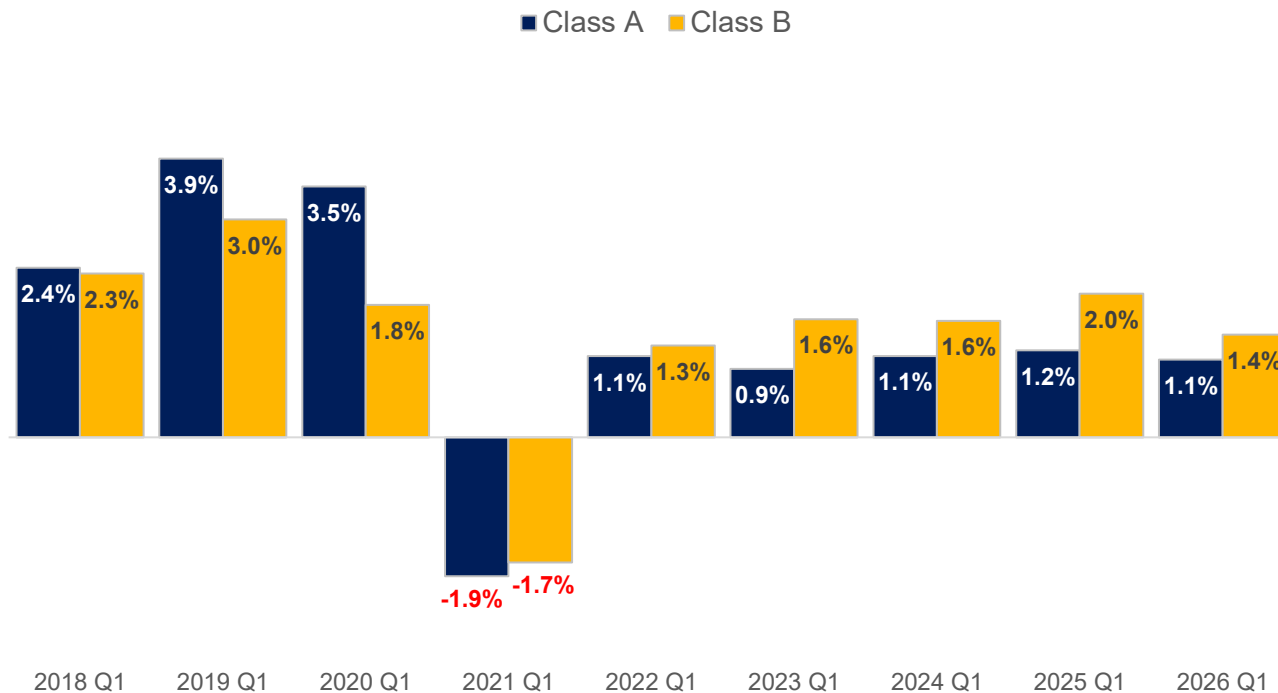
Lease rates have remained static for the past five years within both class A and class B spaces. As demand has weakened, landlords have held steady with asking rates, although this notion is reportedly softening. Increasing concessions, free rent, and TIs are being used to attract occupants, lowering the nominal rent. However, increasing operating costs due to rising inflation and interest rates are eroding some of these gains for tenants.

Nevertheless, the **office market is tenant-favorable, providing generational leverage for occupiers**. The result has allowed tenants to receive more favorable terms such as contraction clauses, early termination options, and shorter terms. Still top-tier properties are experiencing larger rent increases as they pursue a flight-to-quality.

# Market Rent

## Class A Direct Asking Rent Growth Flat Since the End of 2019

Class A/B Office Asking Rent Annual Increase: (United States)



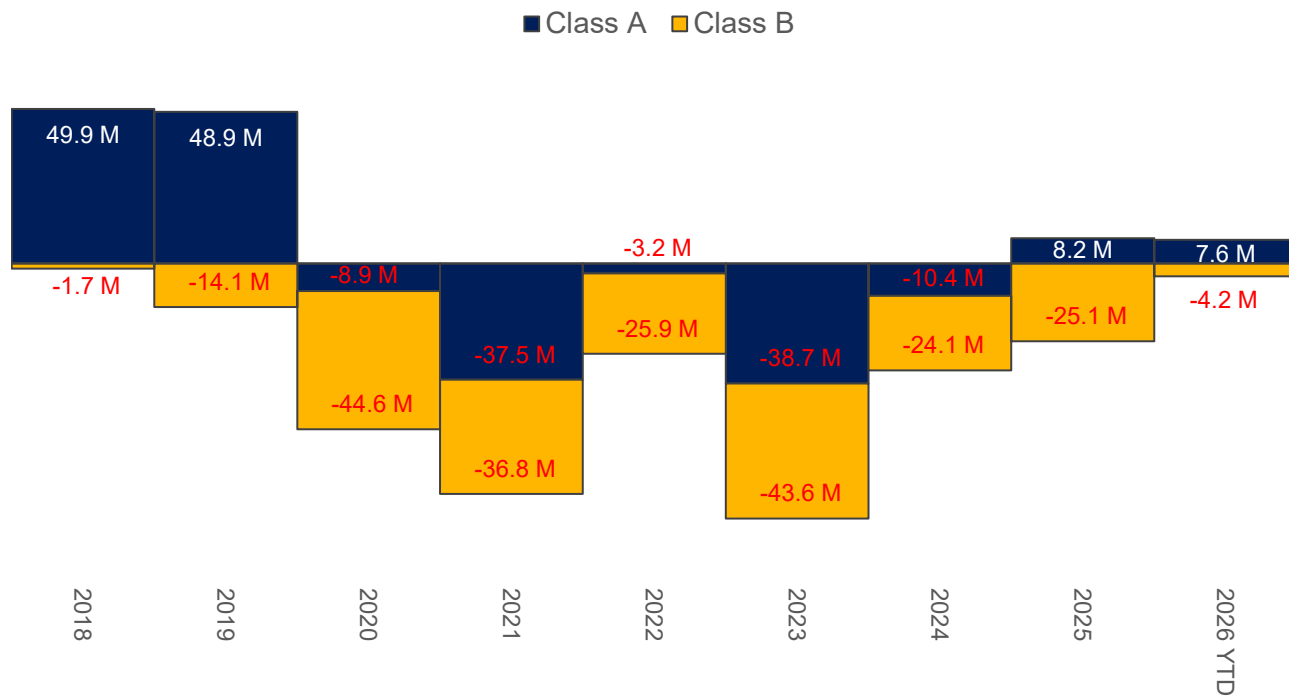
During pre-pandemic years, office rates historically increased 2.5 to 4 percent annually. After an initial drop in 2020, class A rents have increased moderately as landlords look to hold rates as long as possible, providing incentives and TIs to attract tenants. As demand continues to drag, rates will correct until market stability is reached.

Meanwhile, class B rates have not seen a meaningful increase in average asking rates since 2019. Further, class B rents may not reflect what is happening on the building level as demand is weak and asking rates may not be publicly available. Strong evidence indicates that class B rates are widely negotiable due to the financial stability of landlords and the ability to finance concessions.

# Absorption

Class A Space Marks Positive Net Absorption for the Year for the First Time Since 2019

Office Net Absorption (SF): (United States)



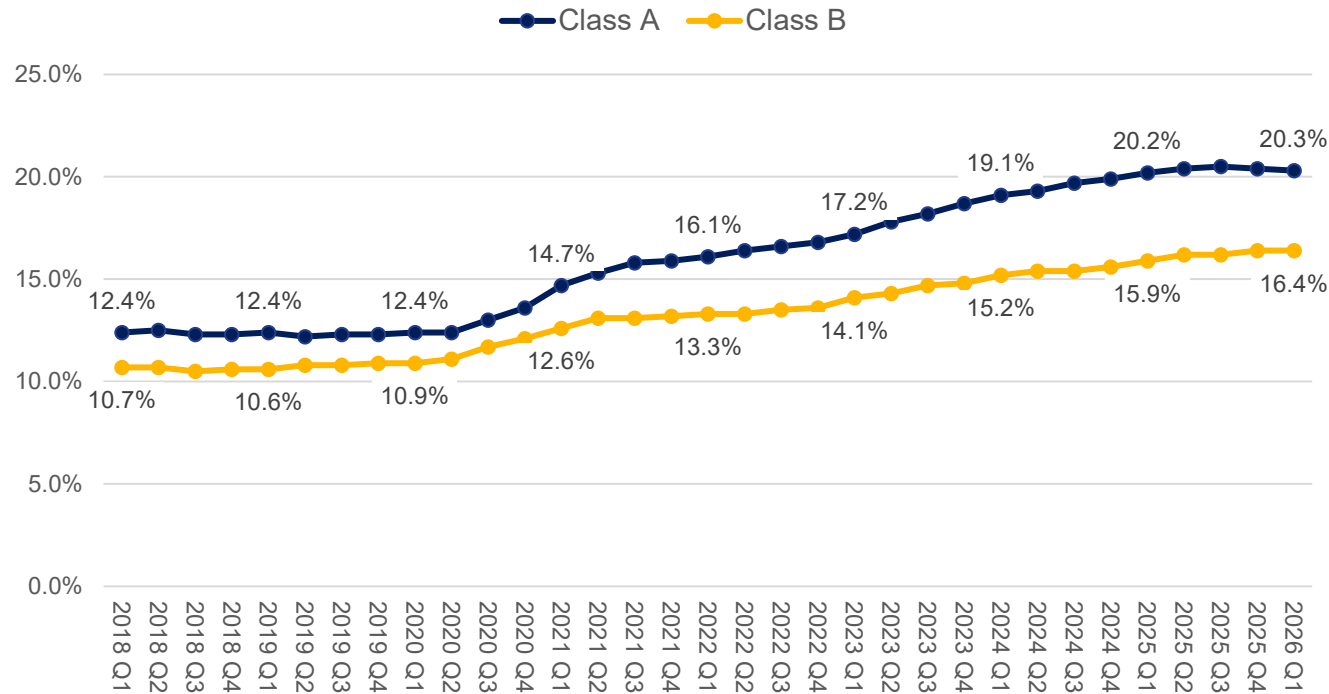
The good news for the office market is that class A space is projected to show a modest gain in net absorption in 2025, and this trend remained positive during the first quarter of 2026. However, the ongoing work-from-home policies have led many companies to reevaluate their office needs. As organizations reduce their office space and eliminate under-utilized areas, overall office absorption has experienced a significant decline. Class B space has been especially affected since the pandemic began. **Since 2020, there has been a negative net absorption of 287 million square feet for both class A and B spaces, which represents nearly 5 percent of the total office space.**

As pre-pandemic leases continue to expire, it's likely that absorption will remain constrained. Nevertheless, as stability returns to the market, the overall net absorption is expected to stabilize. It may take several years for net absorption to recover from the losses incurred since the beginning of 2020.

# Direct Vacancy

## Office Vacancy Appears to Have Peaked

Office Direct Vacancy Rate: (United States)



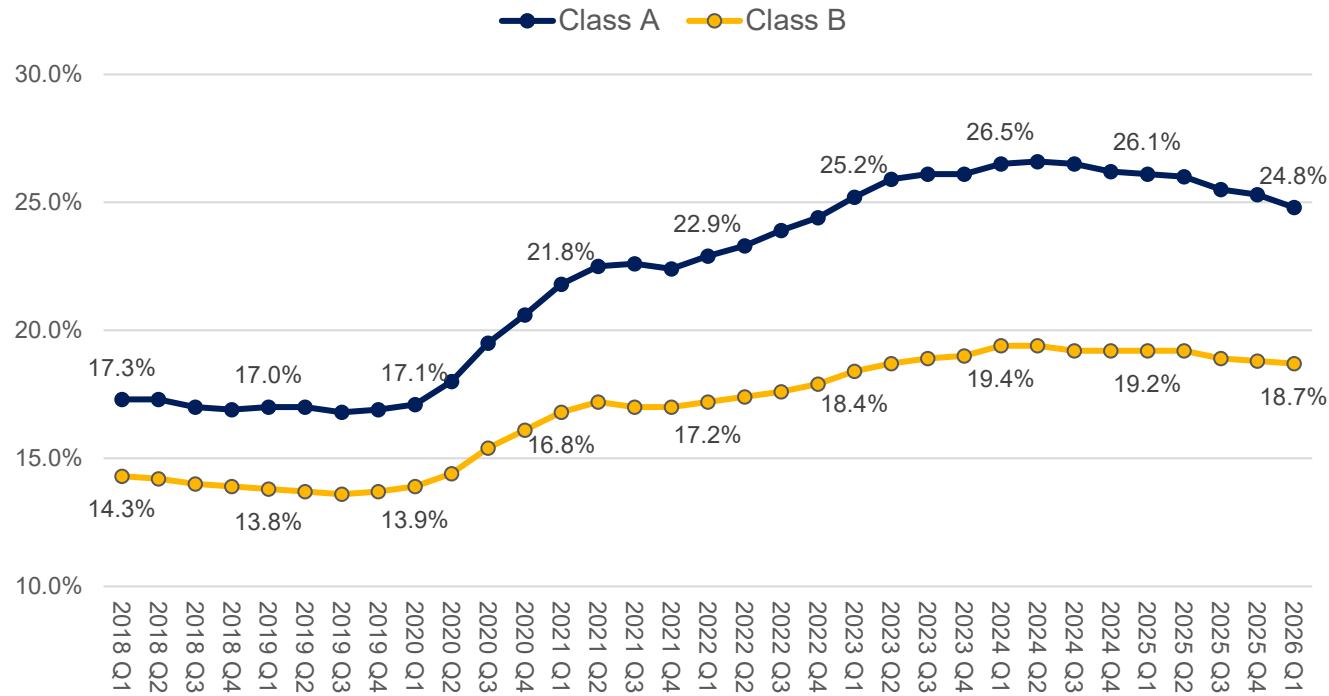
Class A direct vacancy has increased at a faster rate than class B space. **The first quarter of 2026 marked the second straight quarter in which class A direct vacancy has decreased.** Newly signed leases are, on average, becoming smaller, which could keep vacancy levels elevated even as some spaces are being removed from the market. In the long term, class B vacancy may benefit from office conversions to alternative uses.

Source: CoStar and Cresa; thru Q1 2026

# Availability

## Availabilities for Class A Space Drops for Seventh Straight Quarter

Office Availability Rate: (United States)



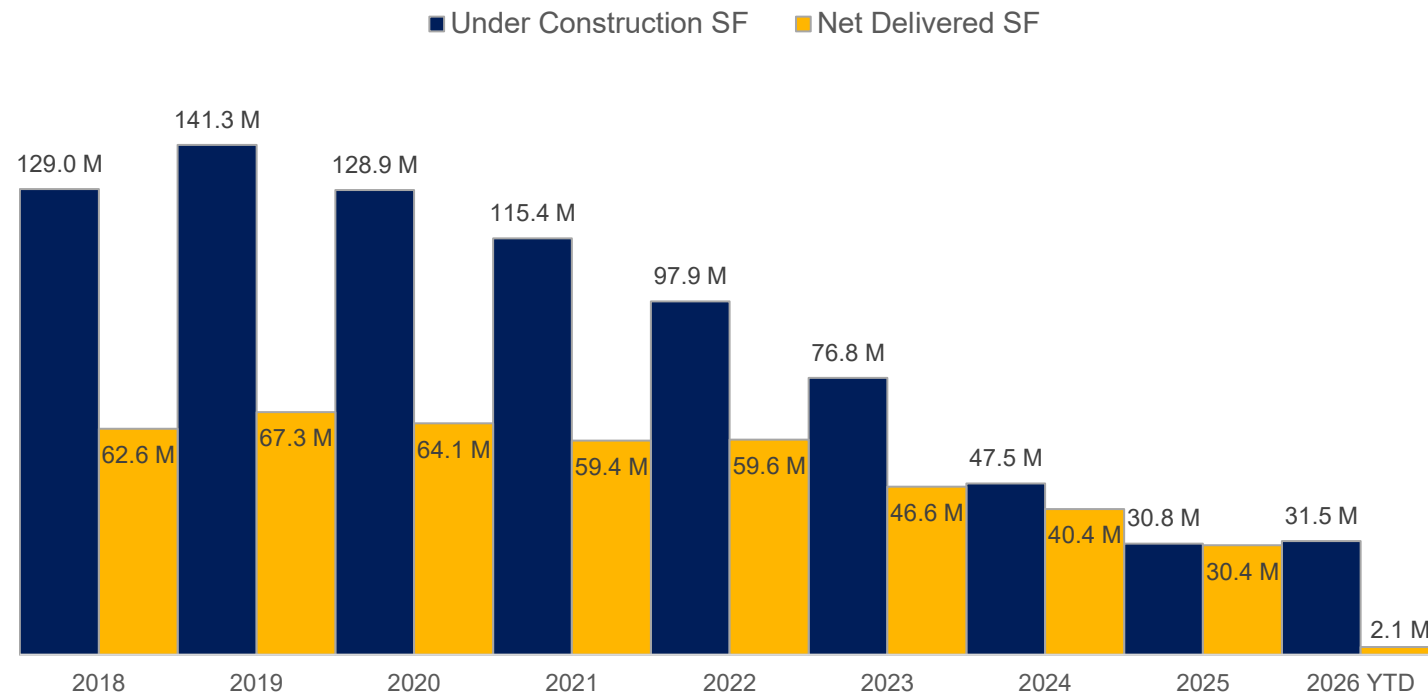
The availability rate includes the amount of space that is being marketed as available for lease, regardless of whether the space is vacant, occupied, available for sublease or available at a future date. Therefore, the **availability rate may be a more accurate depiction of the market during this volatile period than the direct vacancy rate**. Class A availability ticked lower for the seventh consecutive quarter to 24.8 percent to end the first quarter of 2026, indicating that demand remains soft as the office market resets, but the bottom may have been reached.

Source: CoStar and Cresa; thru Q1 2026

# Construction

## Office Construction Slows to a Near Halt

### Office Space Under Construction (SF): (United States)

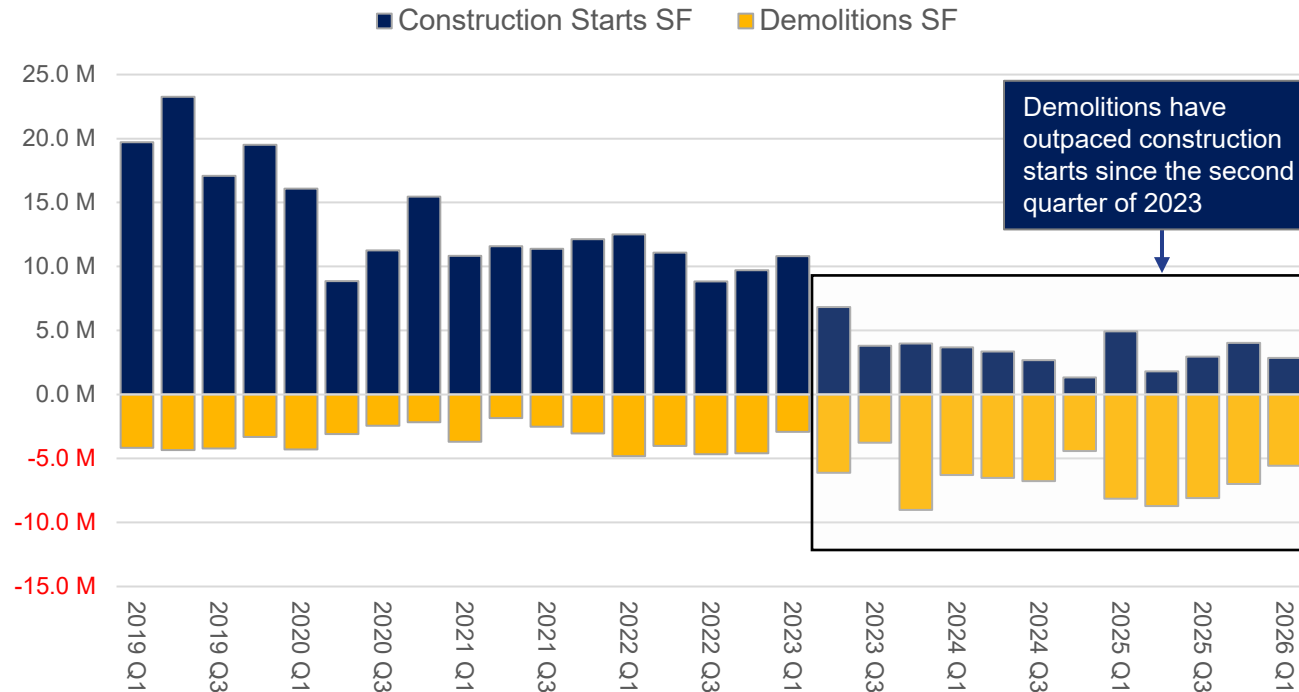


As pre-pandemic office projects deliver, the amount of under-construction space is dropping. Weak demand, increasing labor and construction costs, and higher interest rates have stalled many office projects. The 31.5 million square feet currently under construction, representing less than 1.0 percent of total office inventory, is well below historical averages. **During 2025, 42.8 million square feet was delivered, the lowest amount in more than 20 years.**

# Construction

New Office Construction Starts Over the Past Three Years Trails Demolitions

Office Starts & Demolitions (SF): (United States)



Since the second quarter of 2023, the amount of demolished square footage (80.4 million square feet) has eclipsed construction starts (42.3 million square feet). Demolitions also do not reflect the buildings removed from the total office inventory due to conversions to other uses.

# The problem with the real estate market is **the market itself.**

THE MARKET SEES YOU AS A **TARGET.**

THE MARKET CHASES THE **DEAL.**

The stakes are high for occupiers. Real estate is expensive and inflexible. With the pandemic, labor dynamics, and economic instability, all bets are off.

THE MARKET IS SHORT TERM AND **REACTIVE.**

THE SYSTEM FAVORS **LANDLORDS** NOT OCCUPIERS.

It's time to go beyond the market and uncover how your commercial real estate can drive your goals, not impede them.

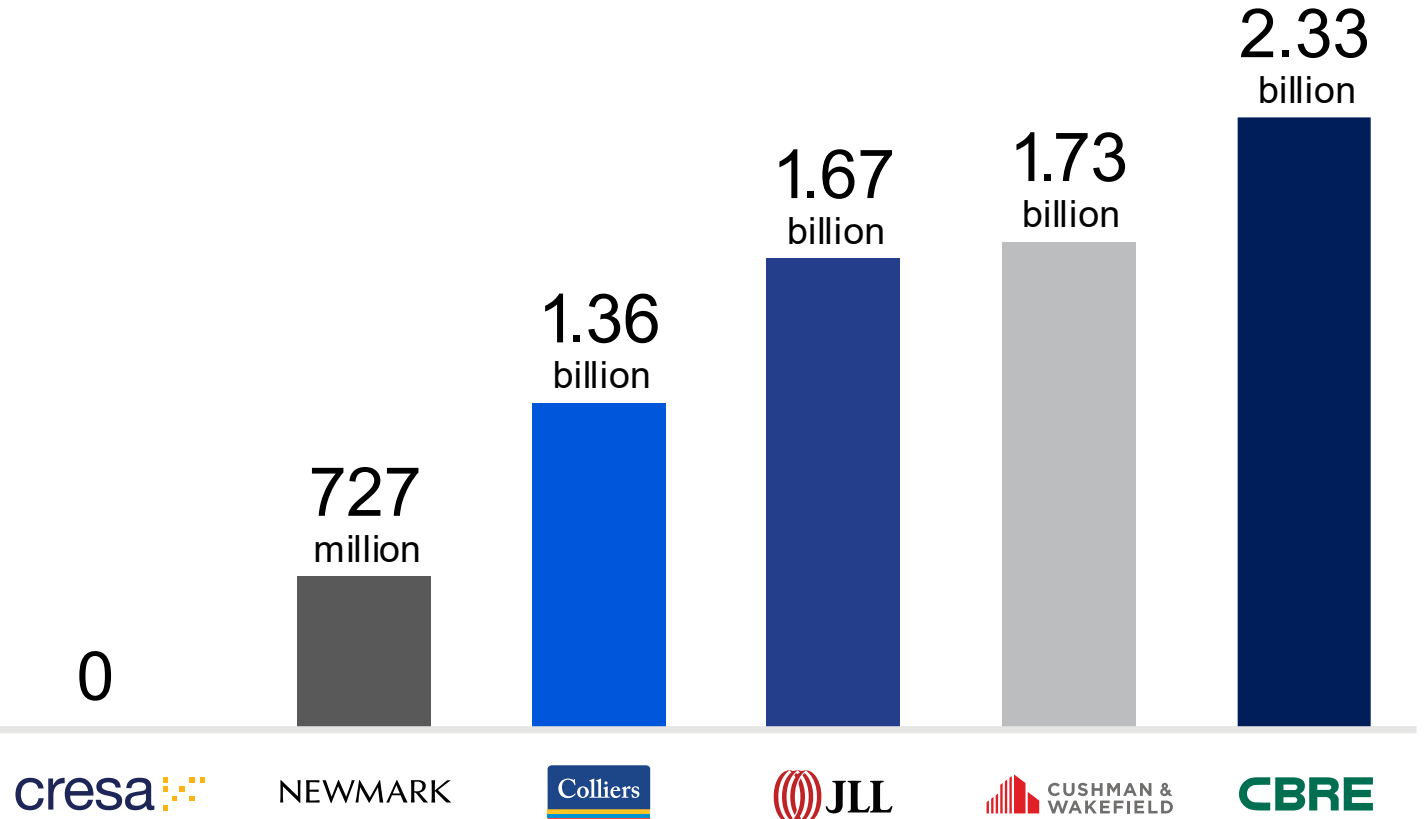
# How We're Different

As the world's largest corporate real estate provider committed exclusively to serving occupiers, we're in a league of our own.

We offer creative solutions, unbiased advisory services and executive leadership on every account.

We believe this combination of transparency and executive involvement generates the superior service our clients have come to expect from Cresa.

Billions of square feet are represented on the landlord's behalf nationally. Cresa never does business on behalf of landlords.





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Cresa is the world's leading global commercial real estate advisory firm that exclusively represents occupiers and specializes in the delivery of fully integrated real estate solutions. Our purpose is to think beyond space, strengthening those we serve and enhancing the quality of life for our clients. Delivered across every industry, Cresa's services include Transaction Management, Workplace Solutions, Project Management, Consulting, Lease Administration, Technology, Investment Banking & Capital Markets and Portfolio Solutions. In partnership with London-based Knight Frank, Cresa provides service through 16,000 people, across 380 offices in 51 territories.



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