CBRE

FIGURES | U.S. OFFICE | Q2 2025

Office Market Steadily Rebalances

▶ 19.0%
Vacancy Rate

▲ $36.21
EA Asking Rent

▼ 1.1 MSF
Net Absorption

▲ 3.9 MSF
Completions

Note: Arrows indicate change from previous quarter.

Executive Summary

– The U.S. office market recorded its fifth consecutive quarter of positive net absorption in Q2, even as new supply outpaced demand and held the overall vacancy rate at 19.0%.

– Leasing activity slightly increased quarter-over-quarter, driven by financial services and technology firms. Spaces between 10,000 and 20,000 sq. ft. accounted for more than half of all leases signed in Q2.

– Non-gateway markets claimed a larger share of U.S. office leasing in Q2, as activity shifted toward high-growth secondary markets.

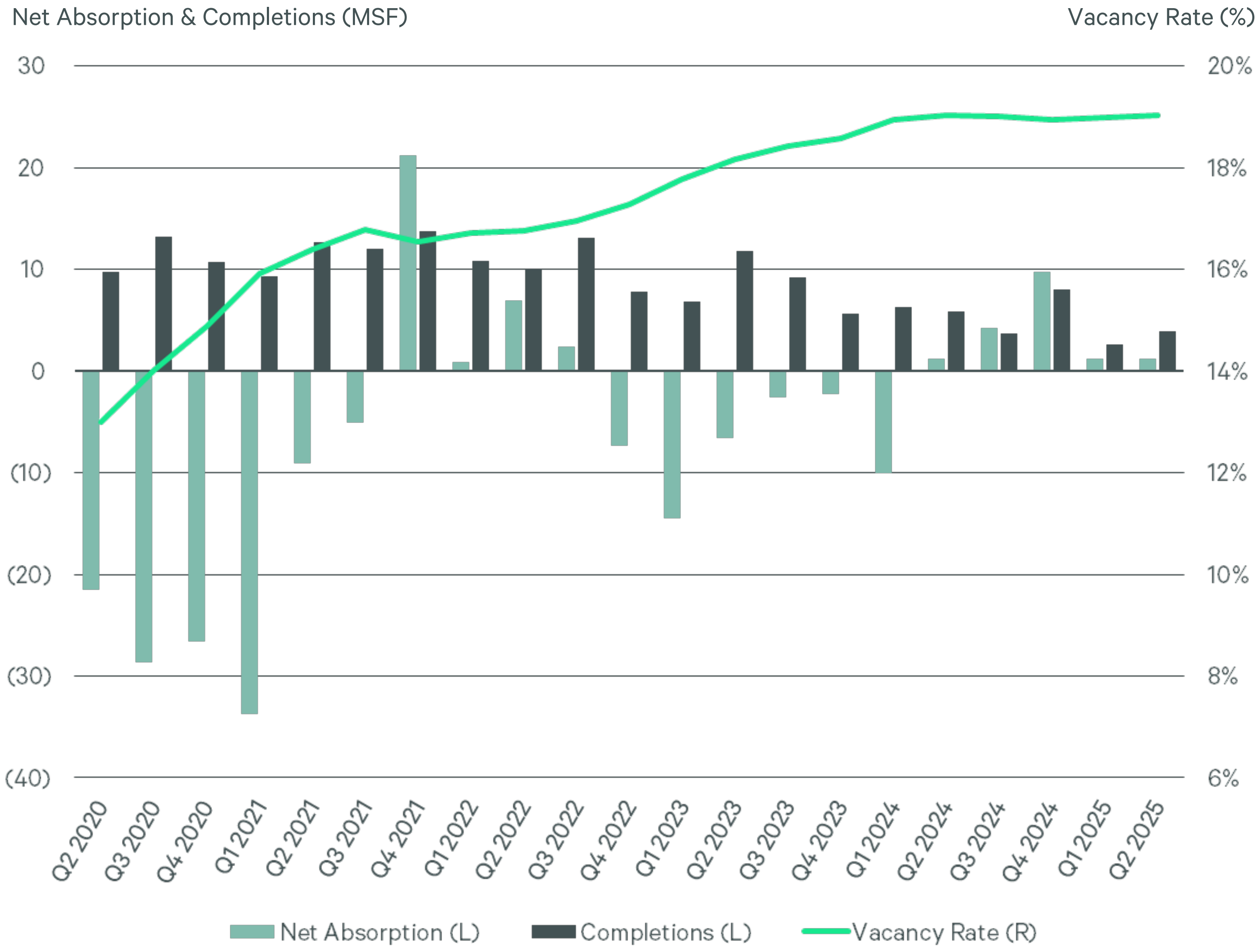
– The construction pipeline contracted to 21 million sq. ft. in Q2, only 6.3 million sq. ft. of which is scheduled for delivery this year and putting 2025 on track to have the lowest annual amount of construction completions (13.6 million sq. ft.) in over a decade. The rebalancing of supply and demand will support a gradual recovery.

– The vacancy rate for prime buildings decreased by 30 basis points (bps) to 14.5% in Q2, while the non-prime vacancy rate rose by 10 bps to 19.4%. This widening gap underscores continued strong demand for high-quality space in prime locations.

– Average asking rent rose by 1.1% year-over-year to $36.21 per sq. ft. While this is 1.7% above the Q1 2020 level, it's 18% lower when adjusted for inflation.

Figure 1
Net absorption continues positive streak

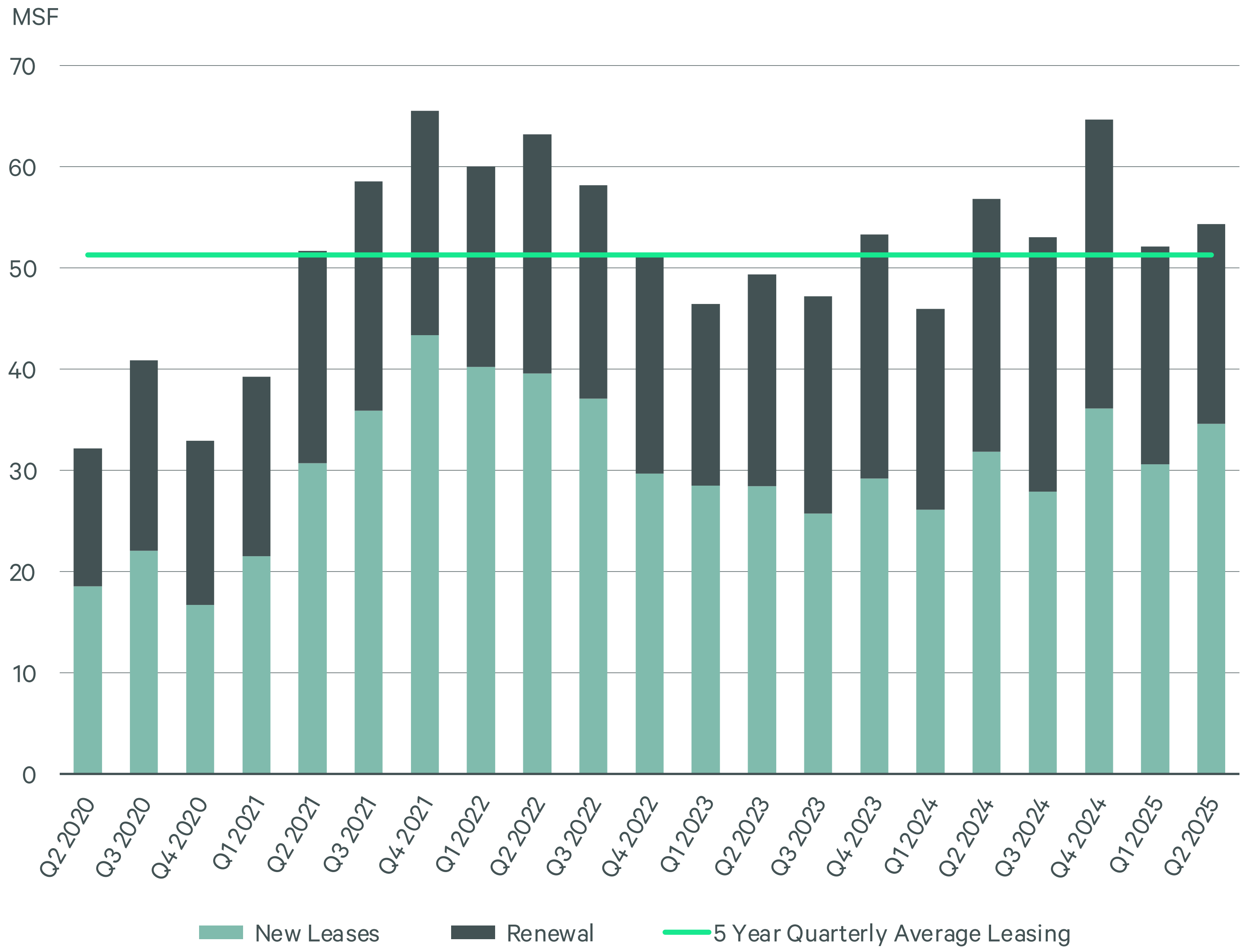
- Net absorption was positive for the fifth consecutive quarter at 1.1 million sq. ft.
- The overall office vacancy rate remained at a 30-year-high 19.0% in Q2, as approximately 3.9 million sq. ft. of completions outpaced net absorption. The prime office vacancy rate fell by 30 bps quarter-over-quarter to 14.5%, while the non-prime vacancy rate increased by 10 bps to 19.4%.
- Prime buildings have recorded 61.3 million sq. ft. of positive net absorption since Q1 2020, while non-prime buildings have seen 170.4 million sq. ft. of negative absorption.



Source: CBRE Econometric Advisors, Q2 2025.

Figure 2
Leasing remains resilient in Q2

- Leasing volume remained resilient at 54.3 million sq. ft. in Q2, up slightly from both Q1 and the five-year quarterly average of 51.3 million sq. ft.
- H1 leasing activity rose by 4% year-over-year to 106.5 million sq. ft.
- Total lease transactions in H1 increased by 26% from the 2018/2019 H1 average, while total square footage decreased by 6%. The average lease size was 25% smaller than pre-pandemic levels due to hybrid work.
- Small occupiers drove demand in H1, with leases between 10,000 and 20,000 sq. ft. accounting for 53% of office transactions vs. 47% in H1 2018/2019.
- Renewals remained above the pre-pandemic average, as occupiers avoided moving and build-out costs.



Note: Leasing transactions of 10,000 sq. ft. or more.
Source: CBRE Research, Q2 2025.

Figure 3
Leasing shifts toward growth markets

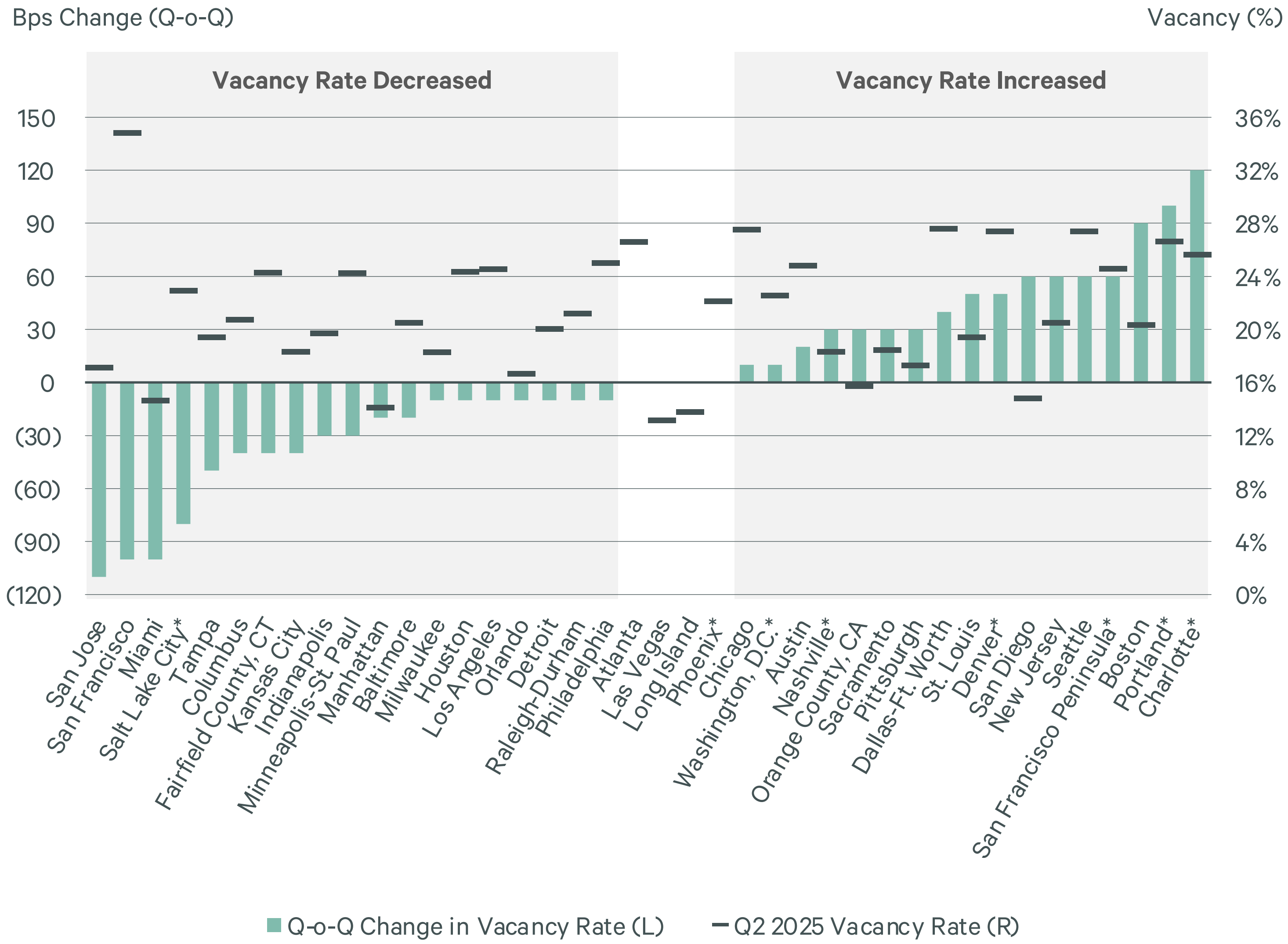
- The share of Q2 office leasing in gateway markets fell by 7 percentage points year-over-year to 50%, as growth picked up in secondary markets.
- Manhattan led the top 20 markets for leasing volume in Q2 with a 12.1% share, as leasing in H1 2025 outpaced the same period in 2024.
- Leasing activity increased in high-growth secondary markets (Charlotte and Nashville) and in California markets (San Francisco, San Jose and Los Angeles).
- Leasing declined year-over-year in Texas markets (Houston, Dallas and Austin) and several Sun Belt markets (Phoenix, Orlando and Orange County).

Market	Q2 Leasing Volume MSF	YoY Change	Share of U.S. Total Leasing Volume
Manhattan	6.8	▼	12.1%
Los Angeles	3.2	▲	5.6%
Chicago	2.8	▲	4.9%
Washington, D.C.	2.7	▼	4.8%
San Francisco	2.4	▲	4.2%
Houston	2.0	▼	3.5%
San Jose	1.8	▲	3.2%
Boston	1.7	▼	3.0%
Dallas-Ft. Worth	1.6	▼	2.8%
New Jersey	1.5	▲	2.6%
Atlanta	1.3	▼	2.3%
Orange County	1.3	▼	2.2%
Seattle	1.2	▼	2.2%
Denver	1.1	▼	2.1%
Charlotte	1.0	▲	1.8%
Nashville	1.0	▲	1.6%
Phoenix	0,8	▼	1.4%
Philadelphia	0,8	▼	1.4%
Salt Lake City	0.7	▼	1.3%
Minneapolis-St. Paul	0.7	▼	1.2%

Source: CBRE Research, Q2 2025. Includes new and renewal leases 10,000 sq. ft. and greater. Year-over-year change compares only Q2 leasing volume for the current and prior year.

Figure 4
Vacancy rates moderate in majority of U.S.

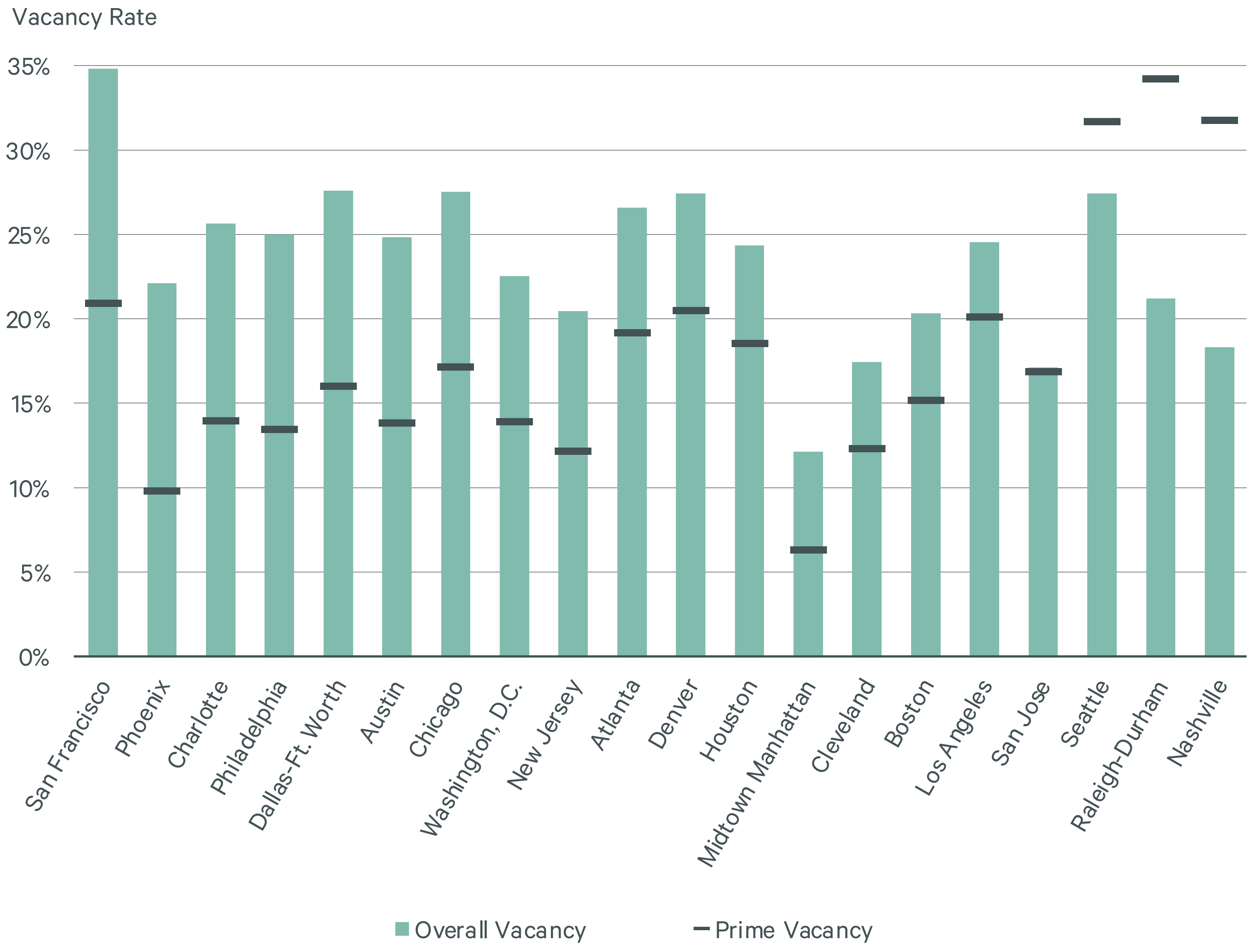
- Of the 58 U.S. office markets tracked by CBRE, vacancy rates decreased in 28, increased in 25 and were unchanged in five.
- Vacancy rates fell quarter-over-quarter in several gateway markets, including San Jose (-110 bps), San Francisco (-100 bps) and Manhattan (-20 bps). Tech and AI-related companies absorbed space in San Jose and San Francisco, while technology, law and financial firms drove leasing in Manhattan. The absence of Q2 office completions contributed to these declines in vacancy.
- Construction completions contributed to quarter-over-quarter vacancy rate increases in Charlotte (+120 bps), Portland (+100 bps), Denver (+50 bps) and Nashville (+30 bps).



Note: Top 40 U.S. office markets by inventory. Basis-point changes rounded to nearest 10-bp change in vacancy rate.
*Denotes market with above U.S. average Q2 office completions as share of its market inventory.
Source: CBRE Research, Q2 2025.

Figure 5
Prime buildings continue to outperform

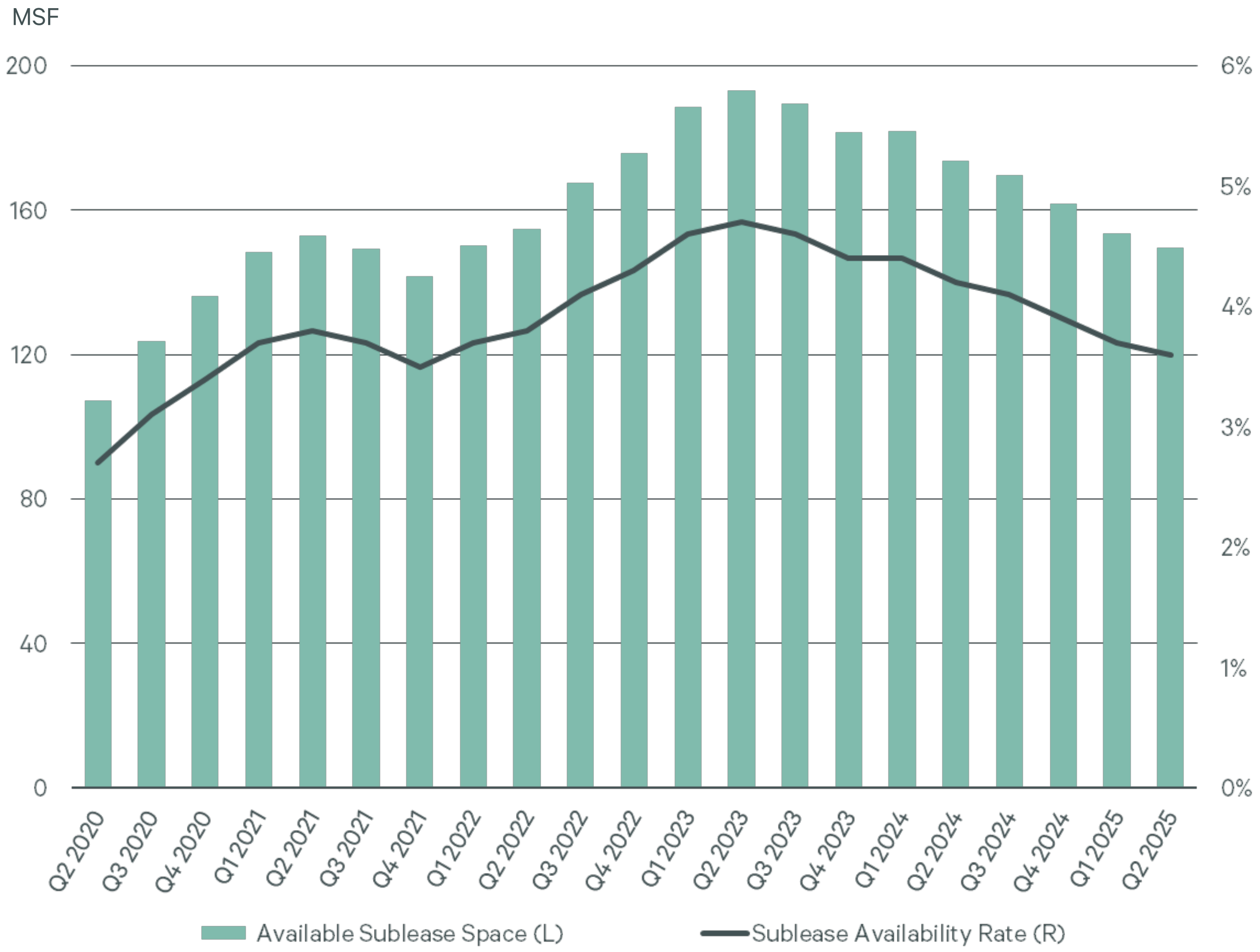
- The spread between prime and non-prime office vacancy rates widened to 4.9 percentage points in Q2, underscoring occupiers' ongoing flight-to-quality.
- Prime vacancy rates in most markets remained consistently lower than their overall vacancy rate in Q2. San Francisco, Phoenix, Charlotte, Philadelphia and Dallas-Ft. Worth recorded prime vacancy rates that were more than 10 percentage points below each market's overall vacancy rate.
- Seattle, Raleigh and Nashville's substantial amount of office completions in the past few years caused a short-term increase in their prime vacancy rates.



Note: 20 largest prime office markets.
Source: CBRE Research, Q2 2025.

Figure 6
Sublease availability falls for fifth straight quarter

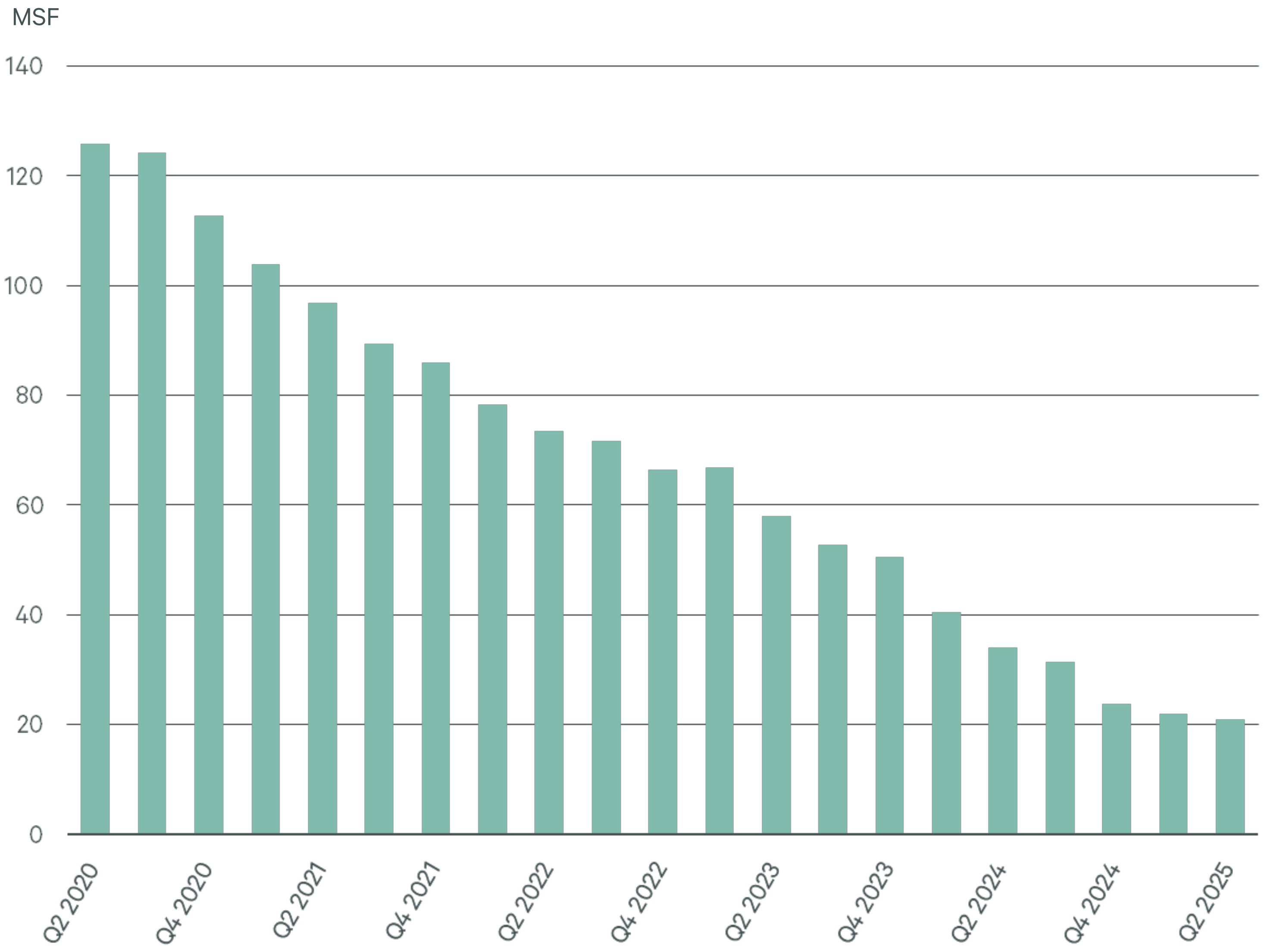
- Available sublease space fell by 60 bps year-over-year to 3.6% of total office inventory in Q2 due to lease expirations and sublease transactions.
- The 149.6 million sq. ft. of available sublease space was down 23% from its peak in Q2 2023 but still considerably higher than the 96 million sq. ft. in pre-pandemic Q1 2020.
- Nearly half of available sublease space is considered vacant and included in the overall vacancy rate of 19.0%. The remaining space is considered occupied and could push the vacancy rate higher if it's not backfilled.



Source: CBRE Econometric Advisors, Q2 2025.

Figure 7
Construction pipeline contracts

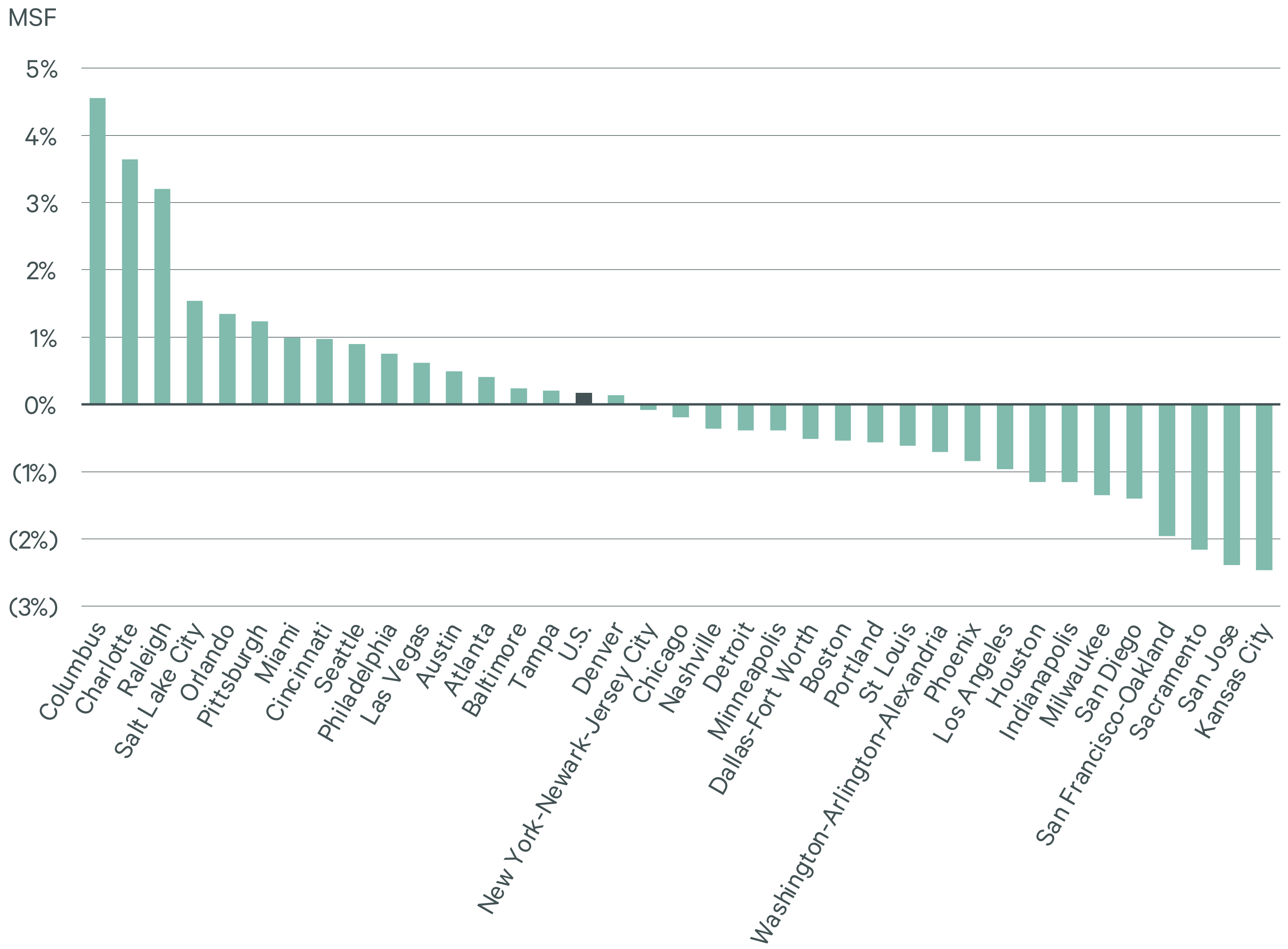
- Only 21 million sq. ft. was under construction in Q2, representing less than 0.5% of total U.S. office inventory and an 83% decline from Q1 2020.
- Palm Beach County (5.4%), Cleveland (3.1%), Austin (2.7%) and Miami (2.0%) have the most space underway as a share of their overall inventory. As projects complete, these markets may experience near-term increases in vacancy.
- Markets with above-average vacancy rates should benefit from less new supply, as tenants are limited to either renewing or absorbing existing vacant space.
- Office developers are expected to complete 13.6 million sq. ft. in 2025, the lowest annual total since 2012 and significantly below the 10-year average of 44.2 million sq. ft.



Source: CBRE Econometric Advisors, Q2 2025.

Figure 8
Annual office-using employment growth by metro

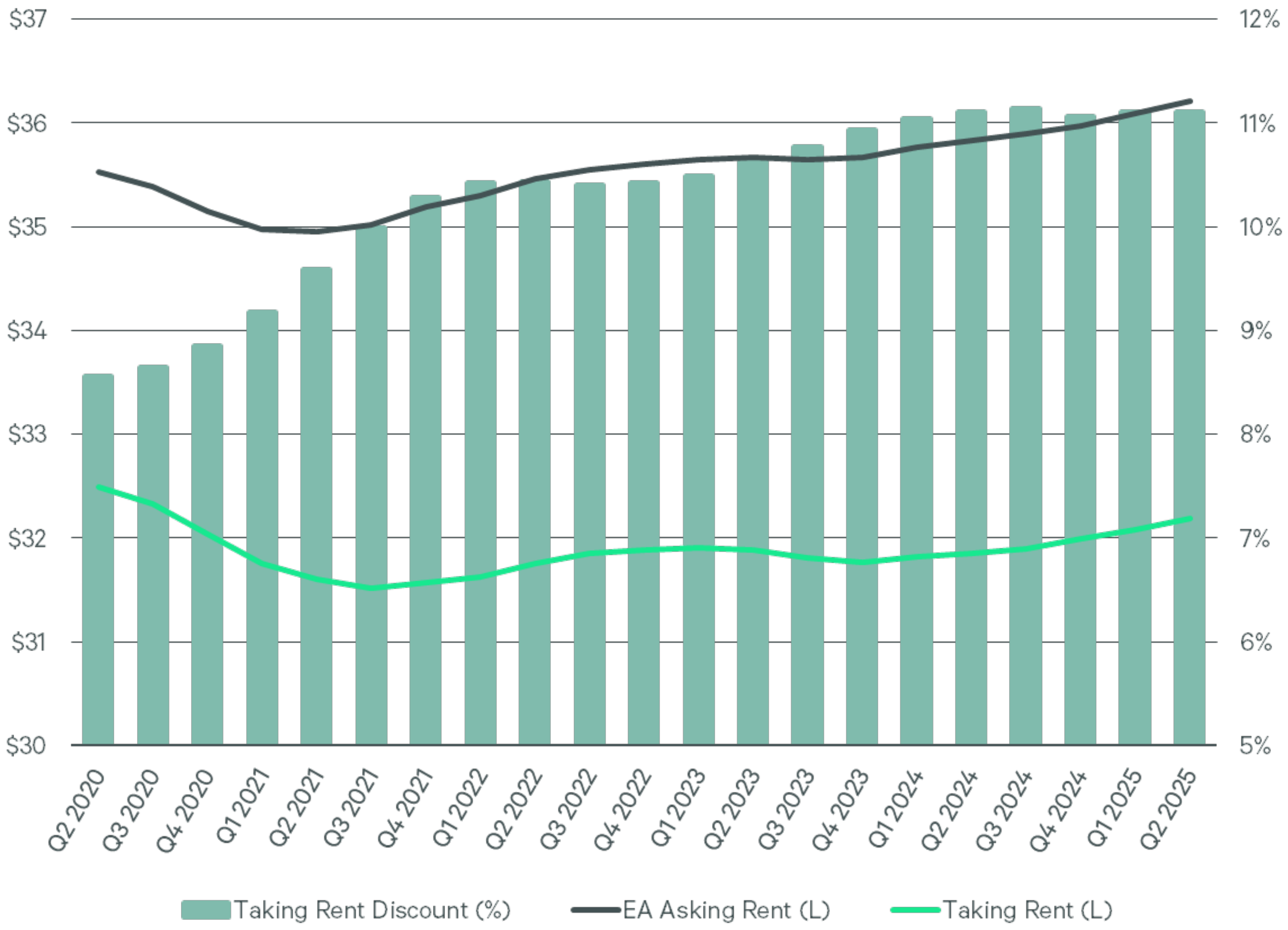
- Office-using job growth was flat year-over-year in Q2.
- The link between employment and space demand has loosened. While job growth and clarity on the long-term effects of hybrid work will support future leasing activity, some occupiers may delay leasing decisions due to near-term macroeconomic uncertainty.
- Average occupied space per employee slightly increased to 149 sq. ft. in Q2 but was 7% below the 2018/2019 average.
- Columbus (4.6%), Charlotte (3.6%) and Raleigh (3.2%) saw the highest year-over-year growth in office-using employment, largely driven by the professional & business services sector.



Note: Office-using employment includes jobs designated by the Bureau of Labor Statistics as Professional & Business Services and Financial Activities.
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.
Source: U.S. Bureau of Labor Statistics, CBRE Research, Q2 2025.

Figure 9
Asking & taking rent spread widens

- Average asking rent rose by 1.1% year-over-year to $36.21 per sq. ft., 1.7% above its Q1 2020 level but 18% lower when adjusted for inflation.
- High vacancy rates continued to give occupiers negotiating power, particularly in Class B/C buildings. The discount between average asking and taking rent grew to 11.1% in Q2 from 8.6% in Q2 2020.
- Generous tenant improvement allowances and free-rent periods limited effective rent growth in Q2, especially in Class B/C buildings.



Source: CBRE Econometric Advisors, Q2 2025.

Figure 10
At-a-glance office market metrics

Q2 2025						
Market	Size Rank	Overall Vacancy Rate (%)	YoY Change (Up/Down)	YTD Construction Completions (Sq. Ft.)	Direct Avg. Asking Rent ($/SF/Yr, FSG)	YoY Change (Up/Down)
Atlanta	9	26.6%	▼	0	$33.14	▲
Austin	21	24.8%	▲	264,290	$48.81	▲
Baltimore	22	20.5%	▲	687,985	$26.86	▼
Boston	7	20.3%	▲	0	$49.08	▲
Charlotte	23	25.7%	▲	473,157	$35.10	▲
Chicago	3	27.5%	▲	0	$37.22	▲
Cincinnati	41	21.8%	▼	43,000	$20.44	▲
Cleveland	44	17.5%	▲	125,000	$19.43	▲
Columbus	33	20.7%	▼	0	$22.23	▲
Dallas-Ft. Worth	4	27.6%	▲	57,254	$32.33	▲
Denver	11	27.4%	▲	365,175	$33.86	▼
Detroit	17	20.1%	▲	0	$20.33	▲
Fairfield County, CT	39	24.3%	▼	0	$35.69	▲
Ft. Lauderdale	51	18.7%	▲	0	$41.82	▲
Greenville	59	11.1%	▼	0	$25.00	▼
Hartford	45	23.5%	▲	0	$21.07	▲
Honolulu	57	11.4%	▲	0	$38.42	▼
Houston	6	24.3%	▲	0	$31.62	▼
Indianapolis	40	19.7%	▼	0	$22.21	▼
Inland Empire	50	7.5%	▼	0	$24.33	▼
Jacksonville	47	24.3%	▲	19,000	$23.23	▲
Kansas City	25	18.3%	▼	0	$23.25	▲
Las Vegas	34	13.1%	▼	0	$31.45	▲

*Arrows indicate year-over-year change.
Source: U.S. national totals provided by CBRE Econometric Advisors, all other figures compiled by CBRE Research, Q2 2025.

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

		Q2 2025				
Market	Size Rank	Overall Vacancy Rate (%)	YoY Change (Up/Down)	YTD Construction Completions (Sq. Ft.)	Direct Avg. Asking Rent ($/SF/Yr, FSG)	YoY Change (Up/Down)
Long Island	36	13.8%	▼	0	$31.29	▲
Los Angeles	5	24.5%	▲	0	$48.96	▲
Louisville	54	21.6%	▲	47,760	$18.90	▼
Manhattan	1	14.1%	▼	0	$81.23	▼
Miami	38	14.6%	▼	266,000	$64.36	▲
Milwaukee	31	18.3%	▲	0	$20.70	▲
Minneapolis-St. Paul	18	24.2%	▼	0	$29.13	▲
Nashville	30	18.3%	▼	1,262,500	$38.25	▲
New Jersey	8	20.5%	▲	0	$31.92	▲
Oakland	46	23.7%	▲	0	$45.53	▼
Orange County, CA	14	15.7%	▲	0	$34.01	▼
Orlando	37	16.6%	▲	0	$28.11	▲
Palm Beach County	52	15.6%	▲	0	$51.78	▲
Philadelphia	13	25.0%	▲	0	$32.23	▼
Phoenix	12	22.1%	▼	119,222	$30.85	▼
Pittsburgh	20	17.3%	▲	0	$26.77	▲
Portland	29	26.6%	▲	366,000	$33.11	▲
Raleigh-Durham	24	21.2%	▲	0	$31.79	▲
Sacramento	28	18.4%	▲	0	$25.81	▼
Salt Lake City	26	22.9%	▼	0	$26.25	▲
San Antonio	43	19.7%	▲	0	$28.85	▼
San Diego	19	14.8%	▲	0	$40.66	▲
San Francisco	16	34.8%	▼	0	$68.73	▲

*Arrows indicate year-over-year change.
Source: U.S. national totals provided by CBRE Econometric Advisors, all other figures compiled by CBRE Research, Q2 2025.

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

Q2 2025							
Market	**Size Rank**	**Overall Vacancy Rate (%)**	**YoY Change (Up/Down)**	**YTD Construction Completions (Sq. Ft.)**	**Direct Avg. Asking Rent ($/SF/Yr, FSG)**	**YoY Change (Up/Down)**
San Francisco Peninsula	35	24.6%	▲	117,000	$80.17	▼
San Jose	15	17.1%	▼	0	$64.14	▲
Seattle	10	27.4%	▲	243,917	$46.51	▲
St. Louis	27	19.4%	▲	0	$21.72	▼
Tampa	32	19.4%	▼	147,955	$31.98	▲
Tucson	58	14.9%	▼	0	$24.33	▲
Ventura County	55	19.0%	▲	0	$30.96	▲
Walnut Creek/I-680 Corridor	42	23.5%	▲	0	$36.62	▲
Washington, D.C.	2	22.5%	▼	204,505	$43.48	▼
Westchester County	49	18.9%	▼	0	$30.06	▼
Wilmington	56	22.9%	▼	86,780	$27.46	▲
U.S.	**-**	**19.0%**	▶	**6,562,000**	**$36.21**	▲

*Arrows indicate year-over-year change.
Source: U.S. national totals provided by CBRE Econometric Advisors, all other figures compiled by CBRE Research, Q2 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

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

CBRE