Office Fundamentals Stabilize as Demand Modestly Rebounds

▲17.6%
Vacancy Rate

▼(265,956)
SF Net Absorption

▶0
SF Construction Delivered

▶0
SF Under Construction

▲$26.74
FSG/YR Direct Lease Rate

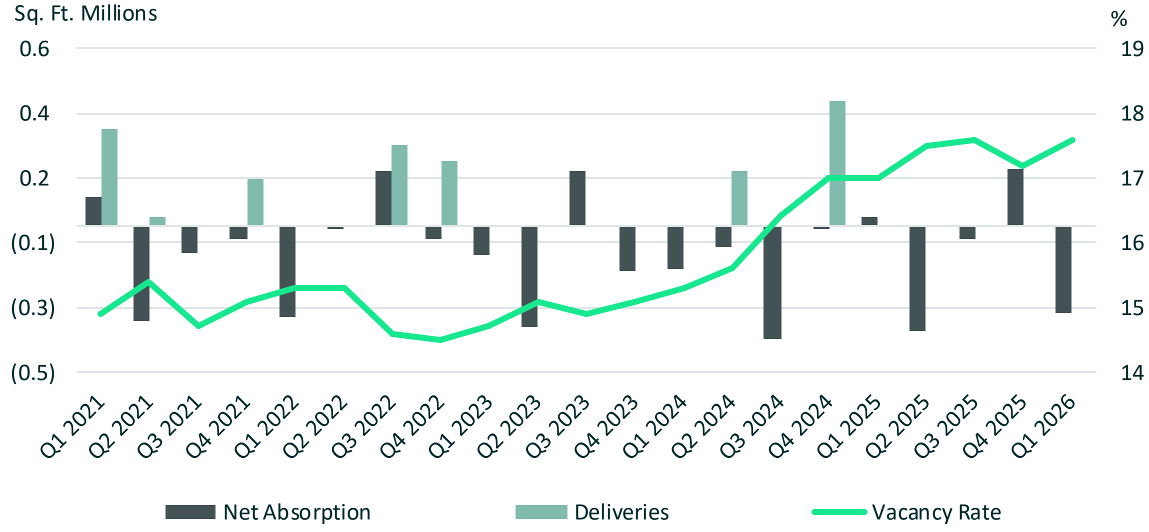
Note: Arrows indicate change from previous quarter.

Market Overview

In Q1 2026, the market posted negative net absorption of 266,000 square feet, a 448,000 sq. ft. decline from Q4 2025's positive 182,000 sq. ft. and a 298,000 sq. ft. shift from the positive 32,000 sq. ft. recorded in Q1 2025. Vacancy rose to 17.6%, up 40 basis points quarter-over-quarter and 60 bps year-over-year, while availability held at 20.7% quarter-over-quarter but increased 40 bps from Q1 2025's 20.3%.

The average asking rate increased 0.8% quarter-over-quarter and 1.0% year-over-year to $26.74 per sq. ft., compared with $26.53 in Q4 2025 and $26.48 in Q1 2025. On the supply side, there was no space under construction and no new deliveries in Q1 2026; the most recent addition to inventory was the 387,000 sq. ft. delivered in Q4 2024.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

Vacancy

As of Q1 2026, total vacancy moved higher across all classes. Class A rose 60 bps quarter-over-quarter and 20 bps year-over-year to 21.2%, Class B increased 20 bps and 50 bps to 16.3%, and Class C climbed 10 bps and 400 bps to 10.0%. Direct space drove the gains: Class A direct vacancy reached 19.7%, Class B 16.0%, and Class C 9.9%. Sublease vacancy remains limited at 1.5% in Class A, 0.3% in Class B, and 0.1% in Class C, with A and B both 30 bps below year-ago levels. The Class A–B total vacancy spread is 490 bps, narrower than 520 bps in Q1 2025.

Vacancy is most elevated in select suburban Class A nodes. Parkway East posts 45.9% overall Class A vacancy on 665,000 sq. ft. of direct space, while Oakland/East End Class A stands at 33.4% with 6.7% sublease vacancy. Core CBD and Downtown Fringe assets are also loose, with Class A vacancy at 21.1% and 16.9% and Class B at 19.4% and 20.6%, respectively; CBD Class A sublease vacancy is 1.2% (143,000 sq. ft.).

Figure 2: Vacancy Rates by Class

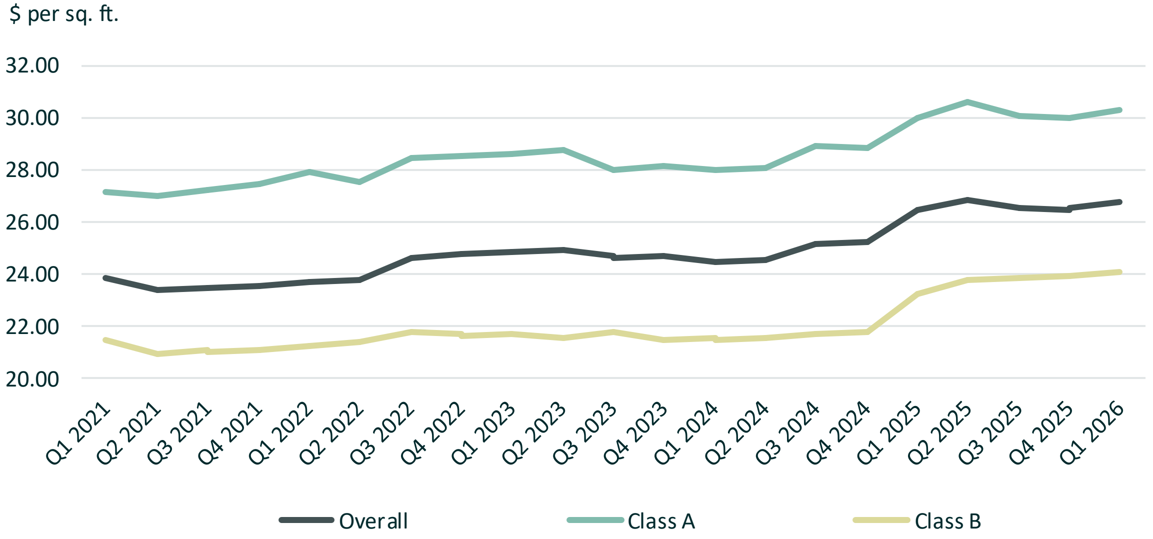
Source: CBRE Research, Q1 2026

Asking Rent

The overall average direct asking lease rate in Q1 2026 is $26.74 per sq. ft., up 0.8% from the prior quarter and 1.0% year-over-year. Class A office asking rents increased from $30.02 per sq. ft. to $30.30 per sq. ft. quarter-over-quarter, also up 1.0% year-over-year. Class B rates edged up from $23.96 per sq. ft. to $24.06 per sq. ft. over the quarter and are 3.4% higher than a year ago, while Class C rents rose from $19.97 per sq. ft. to $20.37 per sq. ft. quarter-over-quarter and 3.0% year-over-year, both outpacing the overall market's annual growth.

In Q1 2026, the Oakland/East End submarket posted the highest average direct asking rate in the metro on a combined Class A, B and C basis, at $33.55 per sq. ft.; that submarket average rises to $46.03 per sq. ft. when considering only Class A product. At the low-cost end, Parkway East offers the lowest combined average direct quoted rate, at $17.00 per sq. ft., with a relatively affordable $17.79 per sq. ft. combined average in the South submarket.

Figure 3: Average Direct Asking Rate by Class



Source: CBRE Research, Q1 2026

Net Absorption

The metro office market recorded total net absorption of negative 266,000 sq. ft. in Q1 2026, with Class A at negative 177,000 sq. ft. and all other classes at negative 89,000 sq. ft. This was well below the prior quarter's positive 183,000 sq. ft. and down from 32,000 sq. ft. of positive net absorption in Q1 2025, marking a pronounced pullback in demand. The decline extends an uneven two-year pattern, with Class A swinging between sizeable move-ins and move-outs and all other classes remaining negative in most quarters.

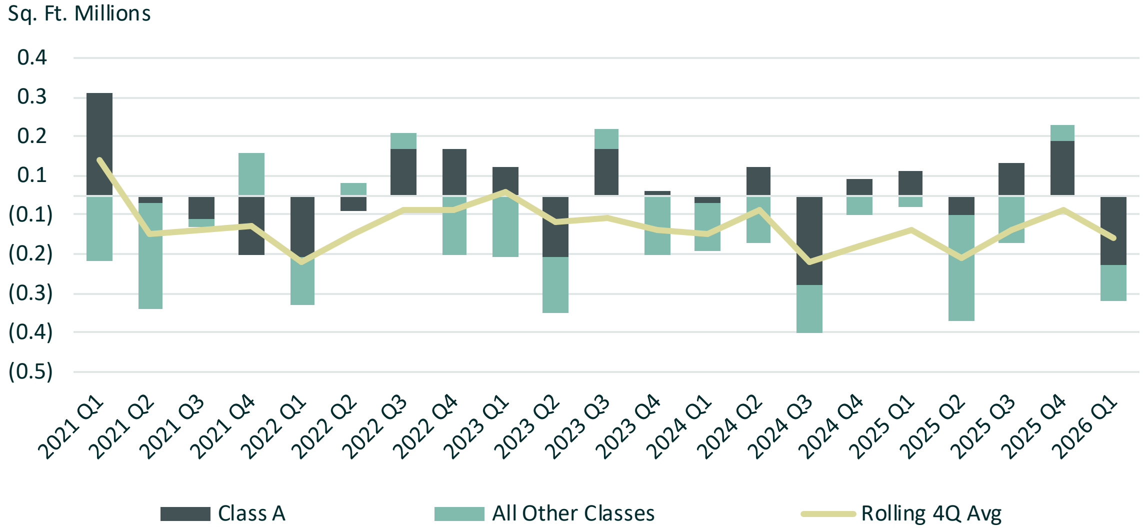
Positive net absorption for Q1 2026 was concentrated primarily in the CBD submarket with 67,000 sq. ft. for the quarter, and the Parkway West submarket (all other classes) with 36,000 sq. ft. Parkway North (all other classes) with 13,000 sq. ft., Parkway East (all other classes) with 8,000 sq. ft., Parkway North (Class A) with 7,000 sq. ft., and Cranberry (Class A) with 1,000 sq. ft. were the other submarket segments recording positive net absorption. Eleven submarket segments recorded negative net absorption, including Oakland/East End (Class A) with negative 124,000 sq. ft., Parkway West (Class A) with negative 81,000 sq. ft., Downtown Fringe (all other classes) with negative 60,000 sq. ft., Oakland/East End (all other classes) with negative 50,000 sq. ft., Downtown Fringe (Class A) and Southpointe (Class A) each with negative 23,000 sq. ft., Cranberry (all other classes) with negative 13,000 sq. ft., Southpointe (all other classes) with negative 11,000 sq. ft., CBD (all other classes) with negative 9,000 sq. ft., South with negative 2,000 sq. ft., and Parkway East (Class A) with negative 1,000 sq. ft.

Construction Activity

By Q1 2026, construction activity had fully wound down, with 0 sq. ft. under construction and no new deliveries in the quarter or year to date. This was unchanged from both Q4 2025 and Q1 2025, which also reported no projects underway or completed. The current lull follows a more active period in 2024, when 431,000 sq. ft. remained under construction as recently as Q3 2024 and 559,000 sq. ft. delivered over the year, including 387,000 sq. ft. in Q4 2024, all in Class A product while Class B and C saw no pipeline.

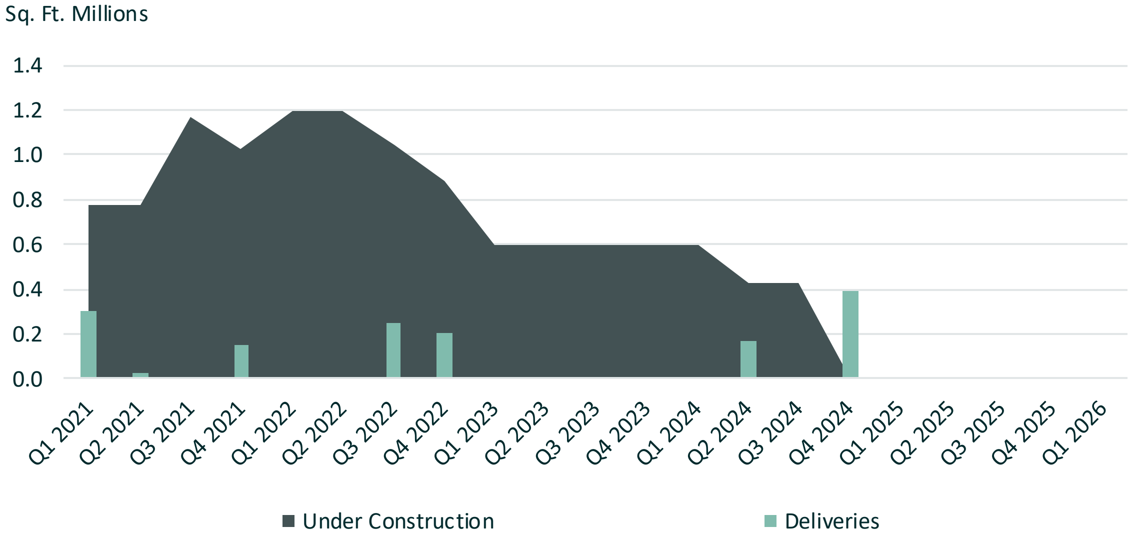
With no projects underway in Q1 2026, there were no submarkets registering positive under construction activity to highlight. As a result, there are no largest under construction projects to report, and the development pipeline is effectively paused across all submarkets.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q1 2026

Figure 5: Construction Activity



Source: CBRE Research, Q1 2026

Leasing Activity

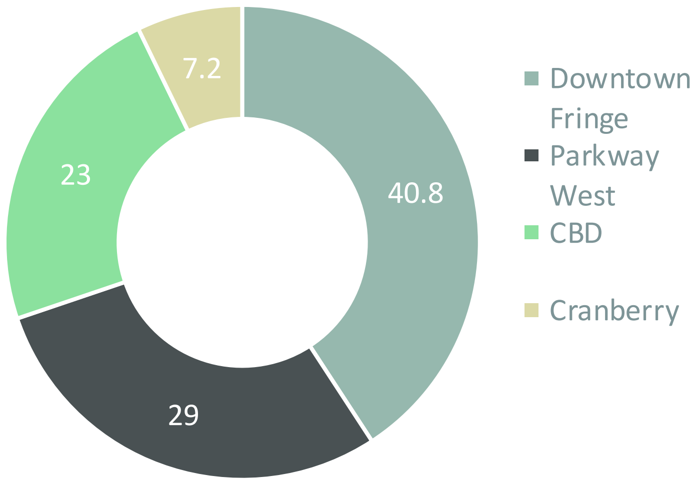
Leasing volume totaled 361,000 sq. ft. in Q1 2026, including 218,000 sq. ft. in Class A and 143,000 sq. ft. in Class B assets. Quarter-over-quarter, activity declined 285,000 sq. ft., or 44.2%, from the 646,000 sq. ft. recorded in Q4 2025 and was 60,000 sq. ft., or 14.3%, below the 421,000 sq. ft. completed in Q1 2025. Over the last four quarters, leasing reached 1.9 million sq. ft., down 114,000 sq. ft., or 5.7%, from 2.0 million sq. ft. a year earlier, with Class A capturing 74.1% of this rolling total.

At the submarket level, Downtown Fringe posted the highest Q1 2026 leasing with 147,000 sq. ft., followed by Parkway West at 104,000 sq. ft., supported by both Class A and Class B deals in each. CBD registered 83,000 sq. ft. of Class A leasing, while Cranberry reported 26,000 sq. ft. of Class B activity, rounding out the submarkets with positive leasing this quarter.

Figure 6: Leasing Activity Trend (Leases above 10k sq. ft.)

Source: CBRE Research, Q1 2026

Figure 7: Leasing by Submarket (% of Total Activity above 10k sq. ft.)



Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Castle Biosciences	66,000	Expansion/Extension	100 S Commons	Downtown Fringe
Lanxess Corp.	57,000	Renewal	111 Park West Dr	Parkway West
S&T Bank	28,000	New Lease	1 N Shore Ctr	Downtown Fringe
Wexford Health Sources	27,000	Renewal	501 Holiday Dr	Parkway West
Federal Insurance	22,000	Renewal	120 5th Ave	CBD
Allegheny Conference on Community Development	21,000	Renewal	11 Stanwix St	CBD

Source: CBRE Research, Q1 2026

Market Statistics

Figure 9: Suburban Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	12.99	21.1	24.9	23.6	1.3	24.50	(97,000)	(97,000)	-	-
Class B	16.56	14.2	16.5	16.5	0.1	20.41	31,000	31,000	-	-
Class C	2.83	5.0	9.9	9.9	-	16.33	-	-	-	-
Total	**32.38**	**16.2**	**19.3**	**18.7**	**0.6**	**22.22**	**(66,000)**	**(66,000)**	**-**	**-**

Source: CBRE Research, Q1 2026

Figure 10: Urban Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	17.73	21.2	23.8	21.8	2.0	34.10	(80,000)	(80,000)	-	-
Class B	15.62	18.6	21.6	20.8	0.9	26.73	(111,000)	(111,000)	-	-
Class C	6.36	12.2	17.0	16.3	0.7	21.46	(8,000)	(8,000)	-	-
Total	**39.71**	**18.7**	**21.9**	**20.5**	**1.4**	**29.65**	**(200,000)**	**(200,000)**	**-**	**-**

Source: CBRE Research, Q1 2026

Figure 11: Metro Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	30.72	21.2	24.3	22.5	1.7	30.30	(177,000)	(177,000)	-	-
Class B	32.18	16.3	19.0	18.6	0.5	24.06	(80,000)	(80,000)	-	-
Class C	9.19	10.0	14.8	14.3	0.5	20.37	(8,000)	(8,000)	-	-
Total	**72.09**	**17.6**	**20.7**	**19.7**	**1.0**	**26.74**	**(266,000)**	**(266,000)**	**-**	**-**

Source: CBRE Research, Q1 2026

Market Statistics by Submarket

Figure 12

Submarket	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
CBD	23.63	19.5	23.1	21.9	1.2	28.72	58,000	58,000	-	-
Cranberry	3.39	8.5	9.0	8.8	0.2	23.71	(13,000)	(13,000)	-	-
Downtown Fringe	11.18	18.2	21.4	20.3	1.1	28.53	(83,000)	(83,000)	-	-
Oakland/East End	4.90	16.2	16.9	14.0	3.0	40.40	(175,000)	(175,000)	-	-
Parkway East	5.19	18.9	22.1	22.0	0.1	19.07	7,000	7,000	-	-
Parkway North	6.85	11.8	14.0	13.1	0.9	21.51	20,000	20,000	-	-
Parkway West	10.28	21.8	26.3	25.4	0.9	24.12	(44,000)	(44,000)	-	-
South	3.54	6.7	10.3	10.2	0.2	20.09	(2,000)	(2,000)	-	-
Southpointe	3.13	21.6	24.6	24.3	0.3	21.06	(33,000)	(33,000)	-	-
Total	**72.09**	**17.6**	**20.7**	**19.7**	**1.0**	**26.74**	**(266,000)**	**(266,000)**	**-**	**-**

Source: CBRE Research, Q1 2026

Economic Overview

The current business cycle may be five years old, but U.S. growth appears resilient, despite clear risks on the horizon. GDP growth should average 2.1%, matching 2025 and exceeding peer economies. America's aggressive build-out of AI infrastructure is a unique edge. Hyperscaler capex is nearing 3% of GDP—just below residential investment. Concerns about the sustainability of this growth and its broader impact are rattling both credit and equity markets. Operation Epic Fury and global energy prices are also a concern. Assuming the conflict is resolved quickly, and U.S. oil prices stay in the $80/bbl range, the impact on U.S. growth should be minimal. The impact on headline inflation, which is forecast to average 3.2% this year, up from the mid-2% range in February, will be material. Should the conflict escalate, this would elevate inflation and long-term yields and would likely impact the commercial real estate market.

Employment Update

▶ **1.2M**
Labor Force

▼ **3.9%**
Unemployment Rate

▼ **292.5k**
Office Using Jobs

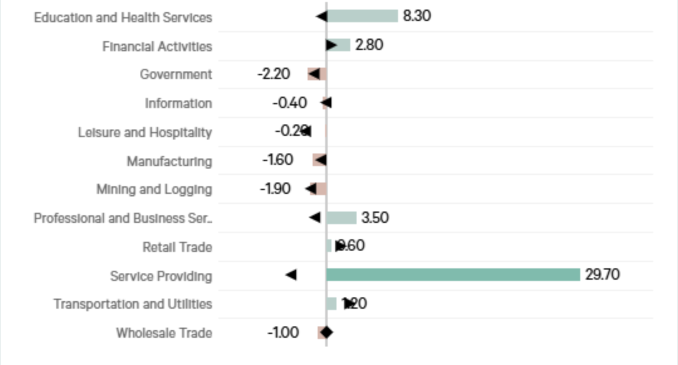
▲ **358.2k**
Industrial Using Jobs

▲ **161.0k**
Retail Using Jobs

Note: Arrows indicate month-over-month change.

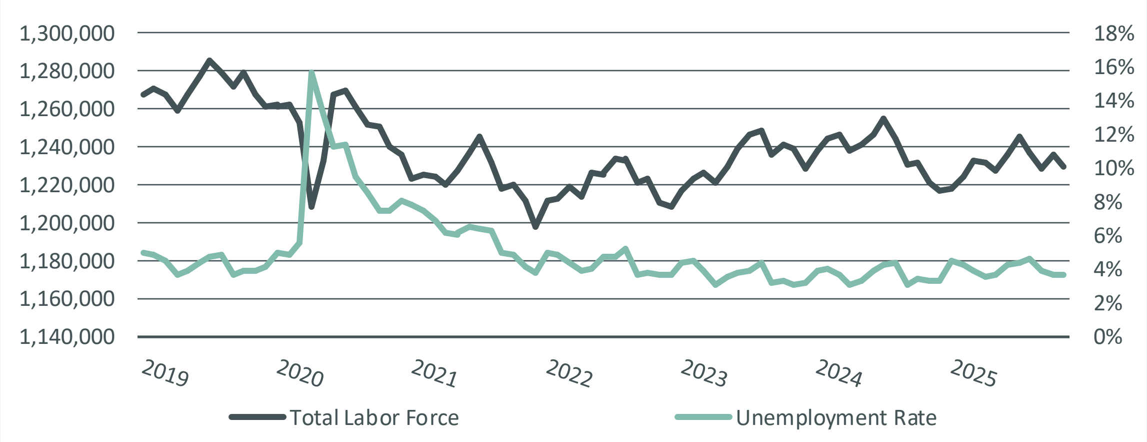
Employment Change by Sector – Yearly + Monthly

Bars indicate yearly trend, arrows indicate monthly trend



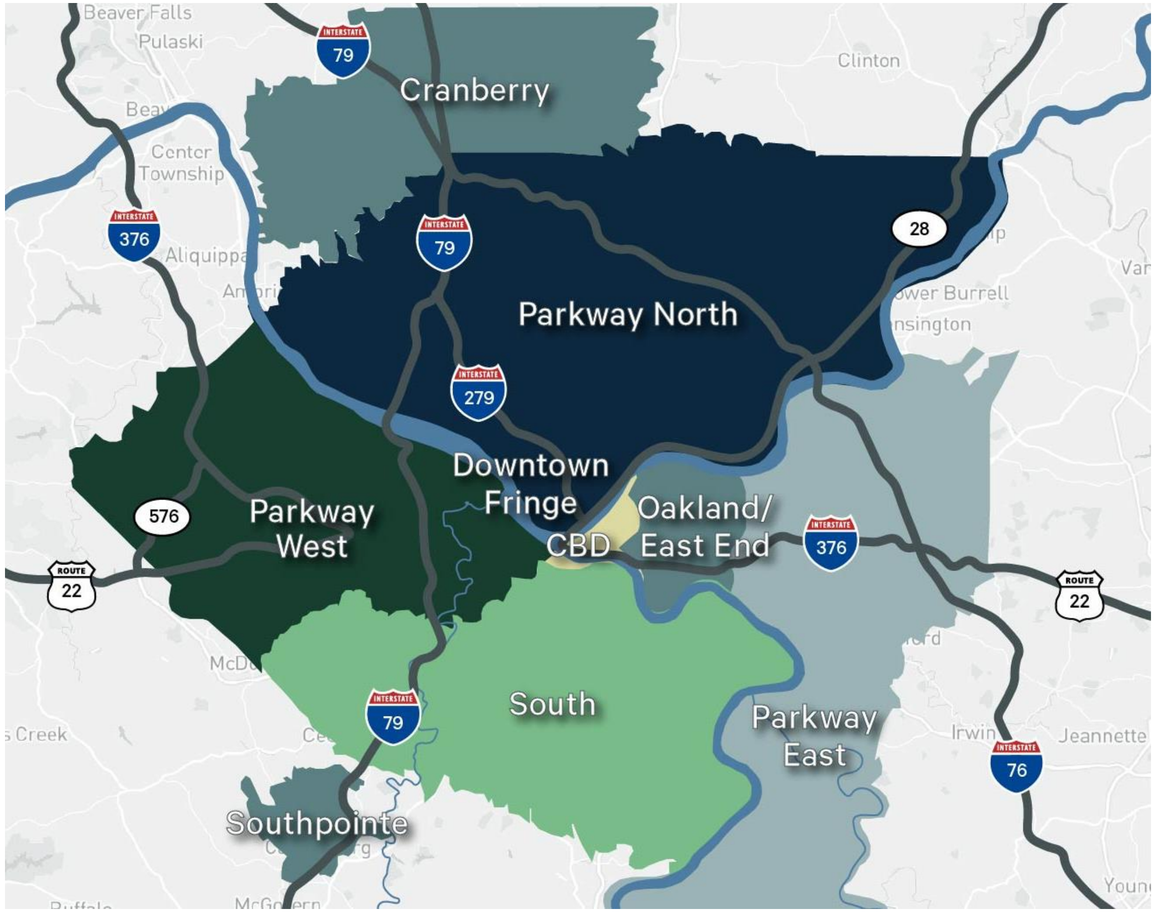
Source: US BLS, December 2025

Unemployment Rate and Labor Force Trends



Source: US BLS, December 2025

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the "drip line" of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days. Class A industrial are buildings built after 2000, with 32' or greater clear height and ESFR sprinklers.

Survey Criteria Office buildings 10,000 sq. ft. or greater. Excludes single-tenant owner-occupied buildings, Government owned and occupied buildings, or medical buildings.

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