U.S. office market report

Q1 2025

AVISON YOUNG

U.S. office market trends

23.3%

overall availability rate sees third consecutive decrease

The overall availability rate for U.S. office space sat at 23.3% in the first quarter of the year, comprised of a 20% direct availability rate and 3.3% sublet availability rate. The first quarter was the third consecutive quarterly decline in overall availability—a trend not seen since before the pandemic in Q4 2018.

Quarter-over-quarter, direct available space decreased by 1.1 million square feet (msf) and sublet available space decreased by 11 msf, netting a 12.1 msf decrease in total available space. While the availability rate remained historically high, this quarterly decrease in supply is a positive indicator for the U.S. office market.

66.4 msf

total leasing activity in Q1 2025

U.S. office leasing activity in Q1 2025 reached 66.4 msf—sitting 17.4% behind the pre-COVID average (2000-2019) at 80.4 msf and 18.4% behind Q1 2024 at 81.3 msf.

Certain markets like San Francisco and Manhattan are up significantly from Q1 2024 (41% and 21%, respectively), while others like Boston and Los Angeles have fallen (-50% and -38%, respectively).

$15.7B

office loan originations in Q1 2025, on pace to surpass 2024 levels

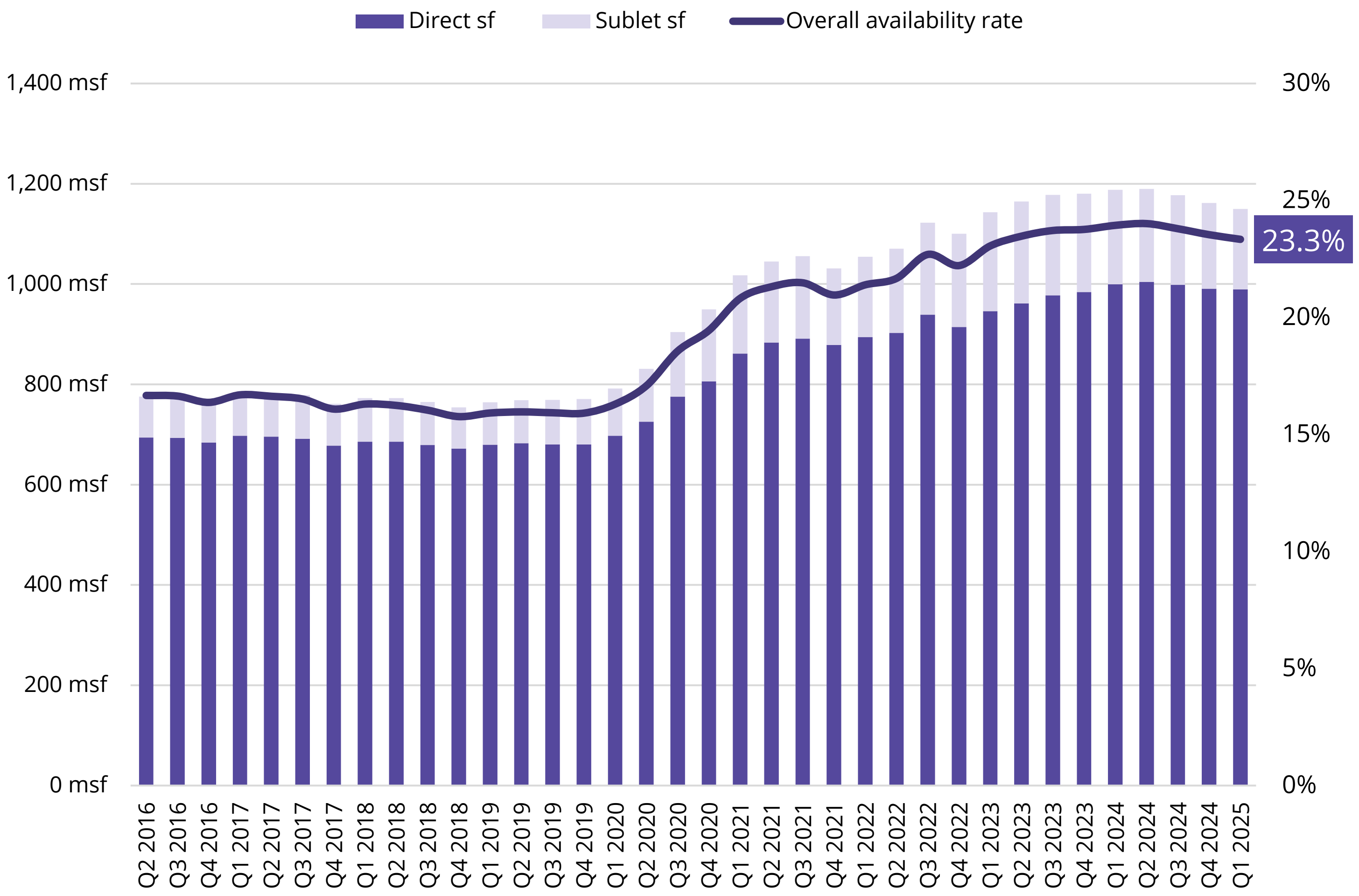
Lending activity is showing signs of renewed strength in select gateway markets, particularly New York City, where early indicators point to a gradual recovery in office fundamentals.

Momentum is building in 2025, with Q1 alone seeing approximately $15.7 billion in office loan originations. Notably, six loans already surpassed the $500 million mark, with four exceeding $1 billion—a sharp contrast to 2024, which saw just four loans over $500 million and none above $1 billion.

This uptick in large-scale financing suggests growing lender confidence in stabilized, high-quality assets within recovering urban cores.

Source: Avison Young Market Intelligence, CoStar, RCA

Available space

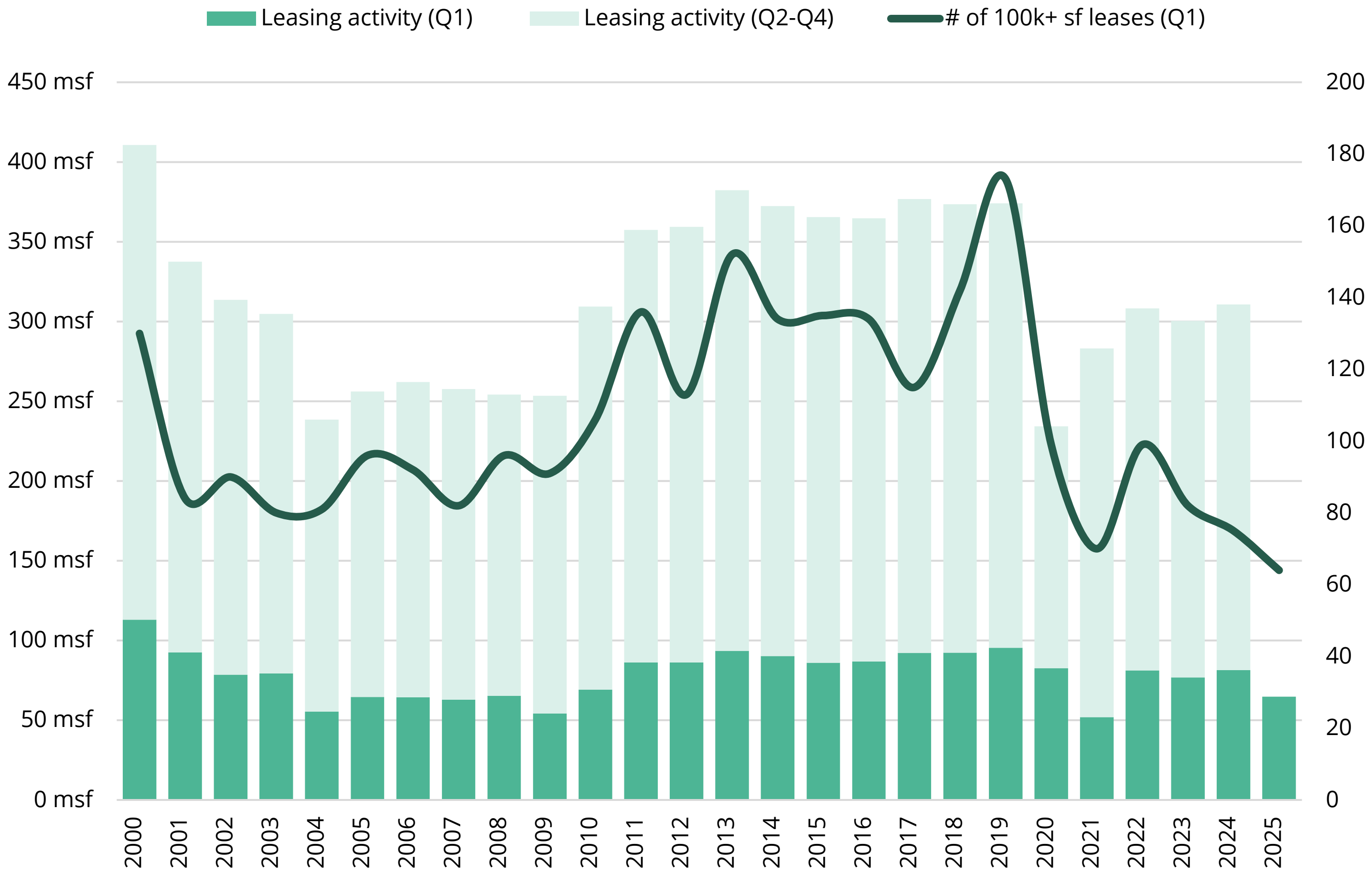


The overall availability rate across the U.S. dropped by 30 basis points quarter over quarter to 23.3%. This marked the third consecutive quarter-over-quarter decrease in overall availability.

Direct available space decreased by 1.1 msf and sublet available space decreased by 11.0 msf—netting a 12.1 msf quarter-over-quarter decrease in available space.

Source: Avison Young Market Intelligence, CoStar

Leasing activity

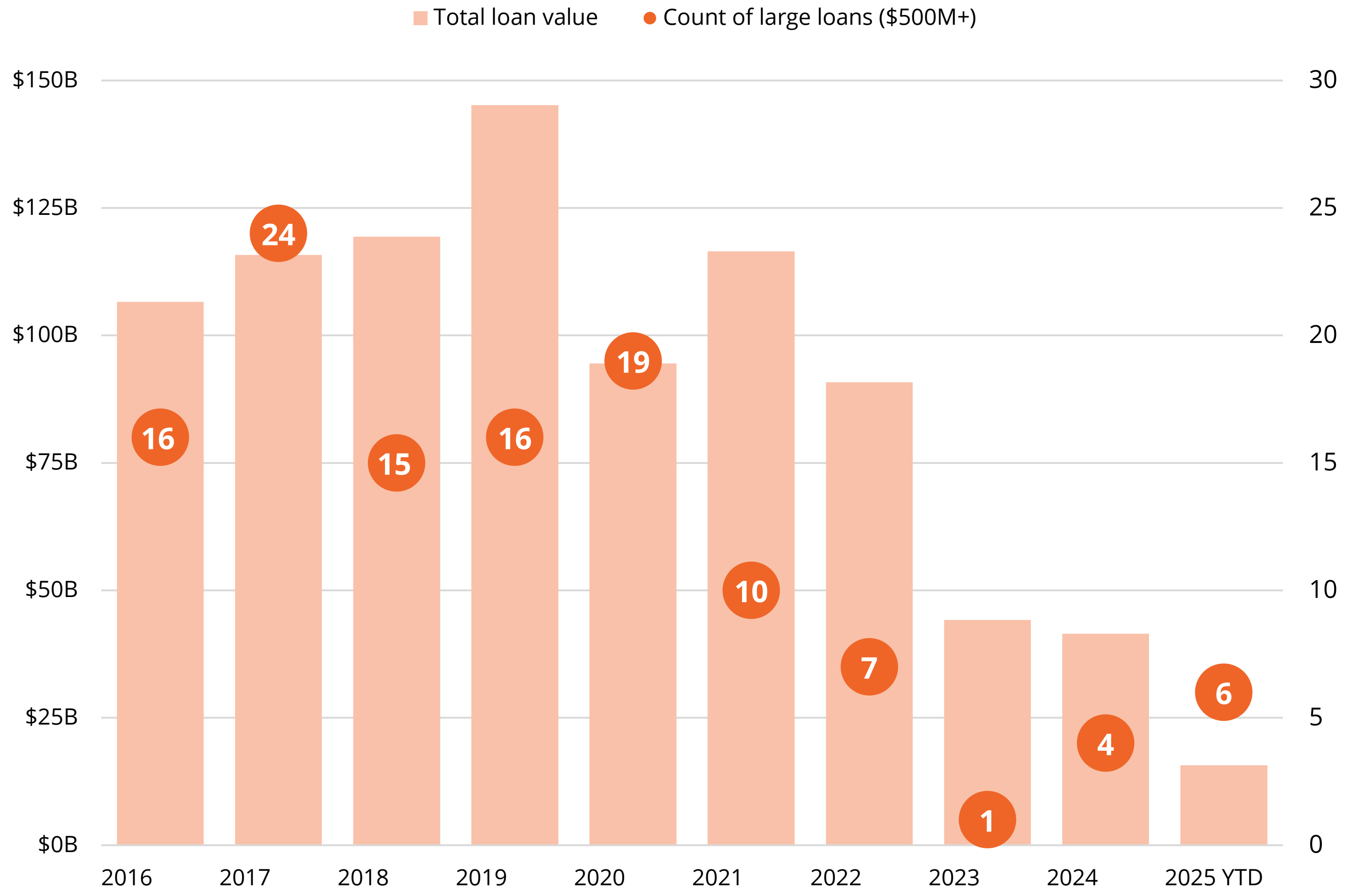


U.S. office leasing activity totaled 66.4 msf in Q1 2025, falling 17.4% short of the pre-COVID Q1 average (2000-2019) and down 18.4% from Q1 2024.

There have been 71 leases exceeding 100,000 square feet (sf) in so far in 2025—an 15% drop compared to Q1 2024.

Source: Avison Young Market Intelligence, CoStar

Office loan originations



Debt availability is improving in select core markets like NYC, where office fundamentals are starting to recover.

In Q1 2025 alone, there have been six loans over $500 million and four over $1 billion, compared to just four over $500 million and none over $1 billion in all of 2024.

Roughly $15.7 billion in office loans originated in Q1 2025, following $41 billion in all of 2024 and $44 billion in all of 2023.

Source: Avison Young Market Intelligence, RCA

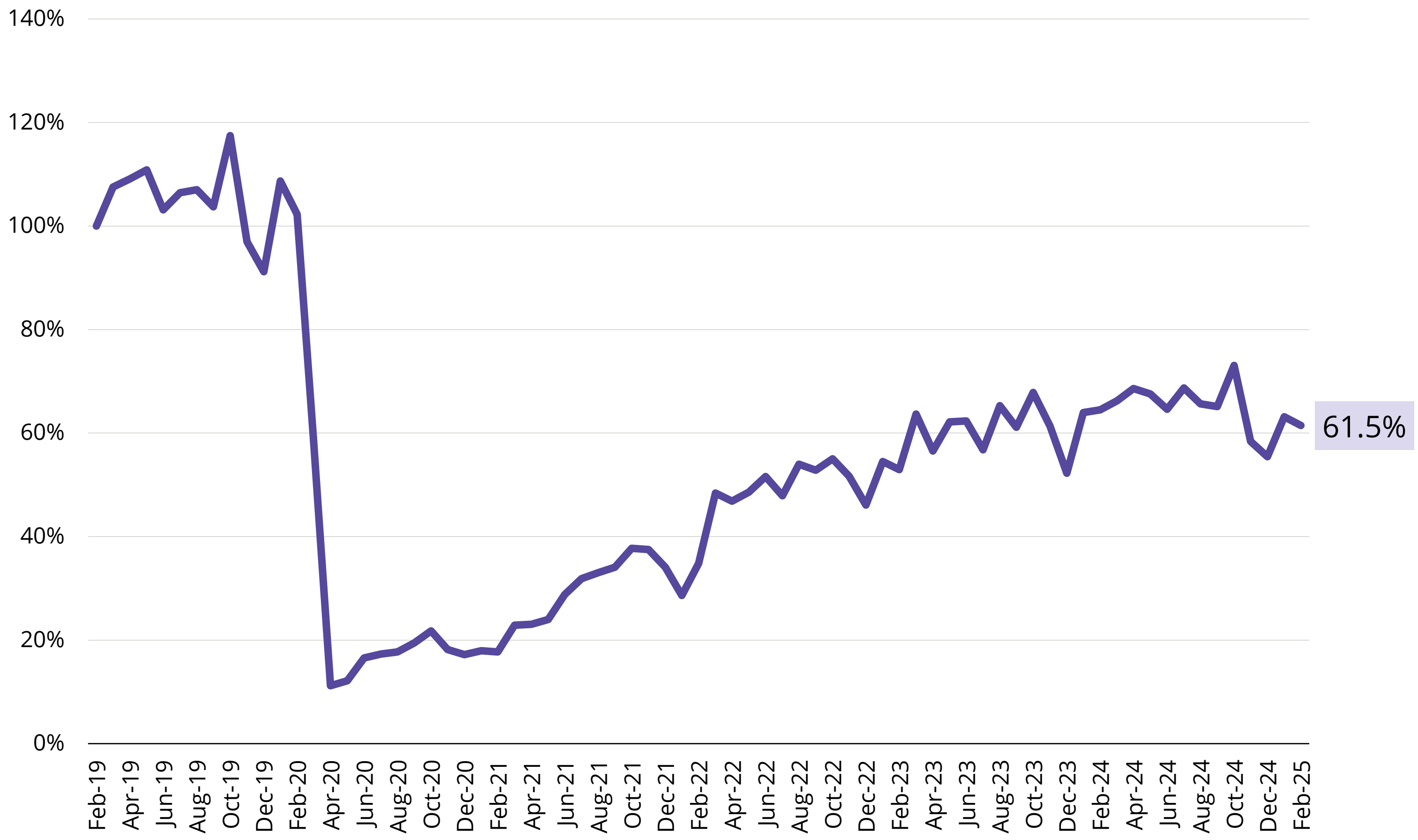
Introducing

The Office Busyness Index

Access the most accurate view of office utilization in the industry today. Explore our interactive dashboard to uncover how busy office buildings truly are across U.S. markets.

Learn more

U.S. office busyness, February 2025 vs. February 2019

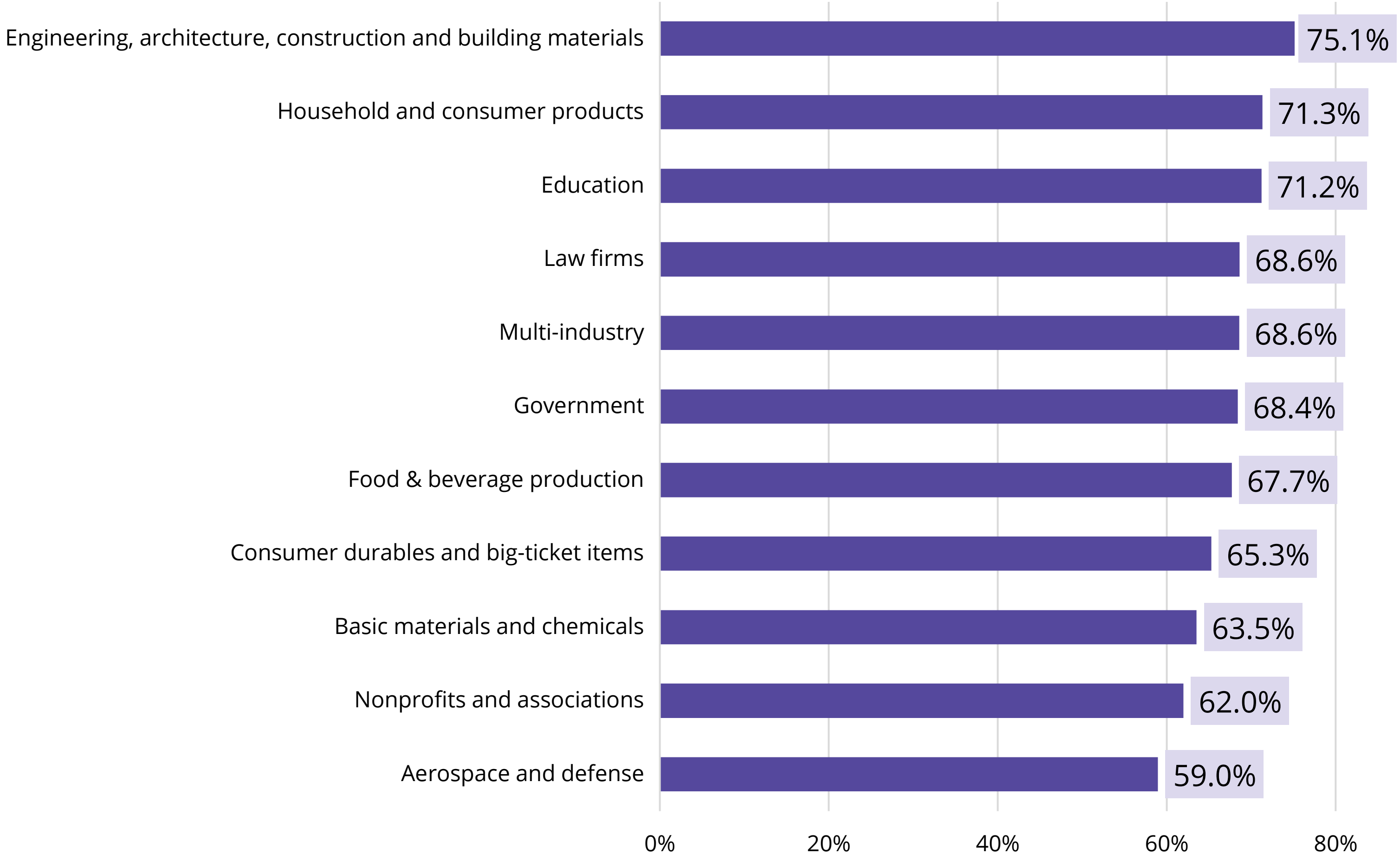


As of February 2025, office buildings across the U.S. are 61.5% as busy as they were in November 2019.

Despite seeming like relatively low office visitation, U.S. office buildings have experienced slow and steady increases since the onset of the pandemic in early 2020.

Source: Avison Young Market Intelligence, Placer.ai

U.S. office busyness by major industry, February 2025 vs. February 2019

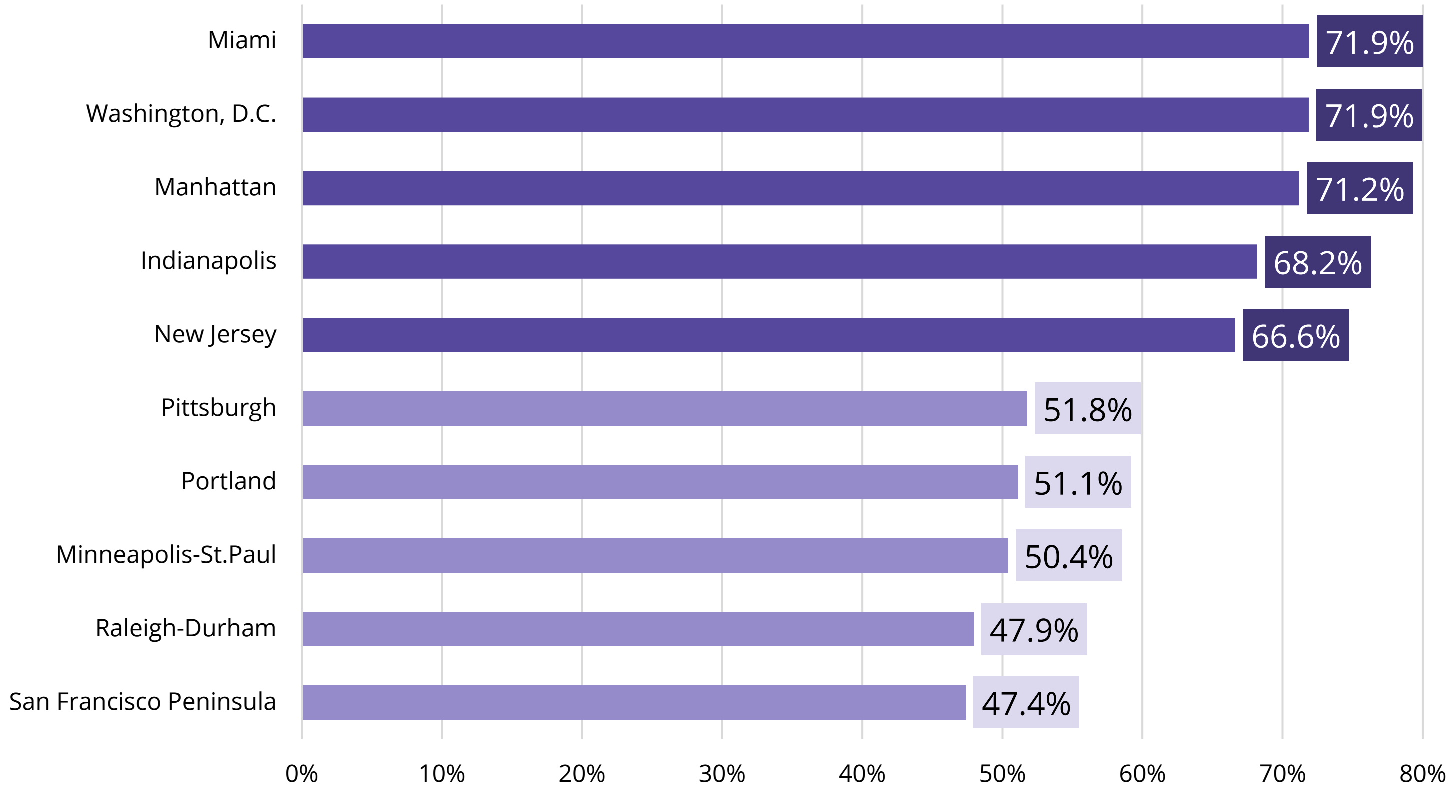


Source: Avison Young Market Intelligence, Placer.ai

Certain industries across the U.S. have seen stronger office busyness than others compared to 2019. As of February 2025, engineering/architecture and consumer product firms—for example—were at 75.1% and 71.3% of their 2019 levels, respectively.

Other major industries, like tech and consulting, have seen weaker busyness figures across the U.S. at right around 50% of 2019 levels.

U.S. office busyness—overperforming and underperforming markets, February 2025 vs. February 2019

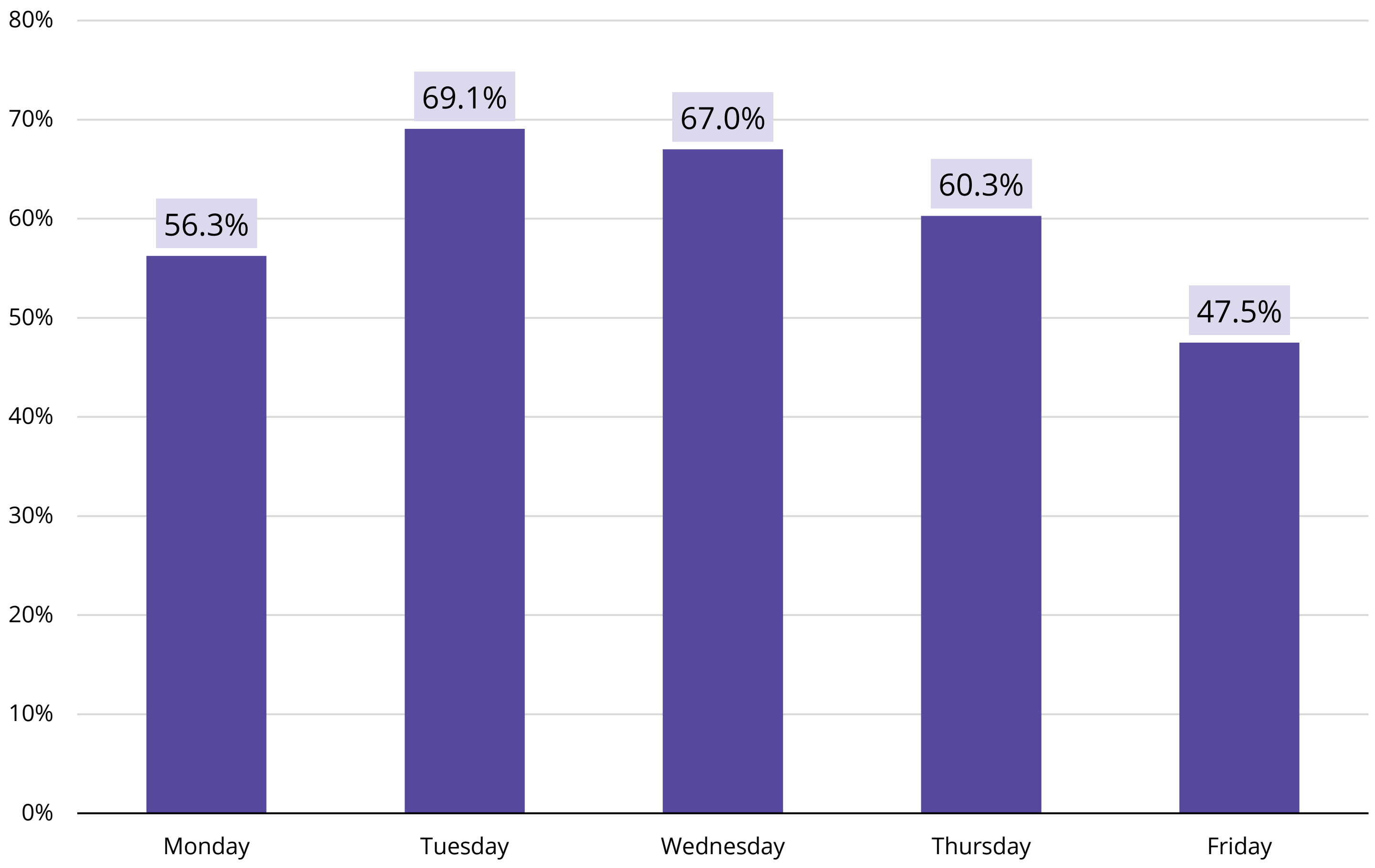


Source: Avison Young Market Intelligence, Placer.ai

As of February 2025, certain office markets across the U.S. have recovered toward 2019 levels better than others.

Miami and Washington, D.C.—for example—were at nearly 72% of their February 2019 levels as of February 2025. On the other hand, Raleigh-Durham and San Francisco Peninsula have not recovered as well, at 47.9% and 47.4%, respectively.

U.S. office busyness by day of week, February 2025 vs. February 2019



Source: Avison Young Market Intelligence, Placer.ai

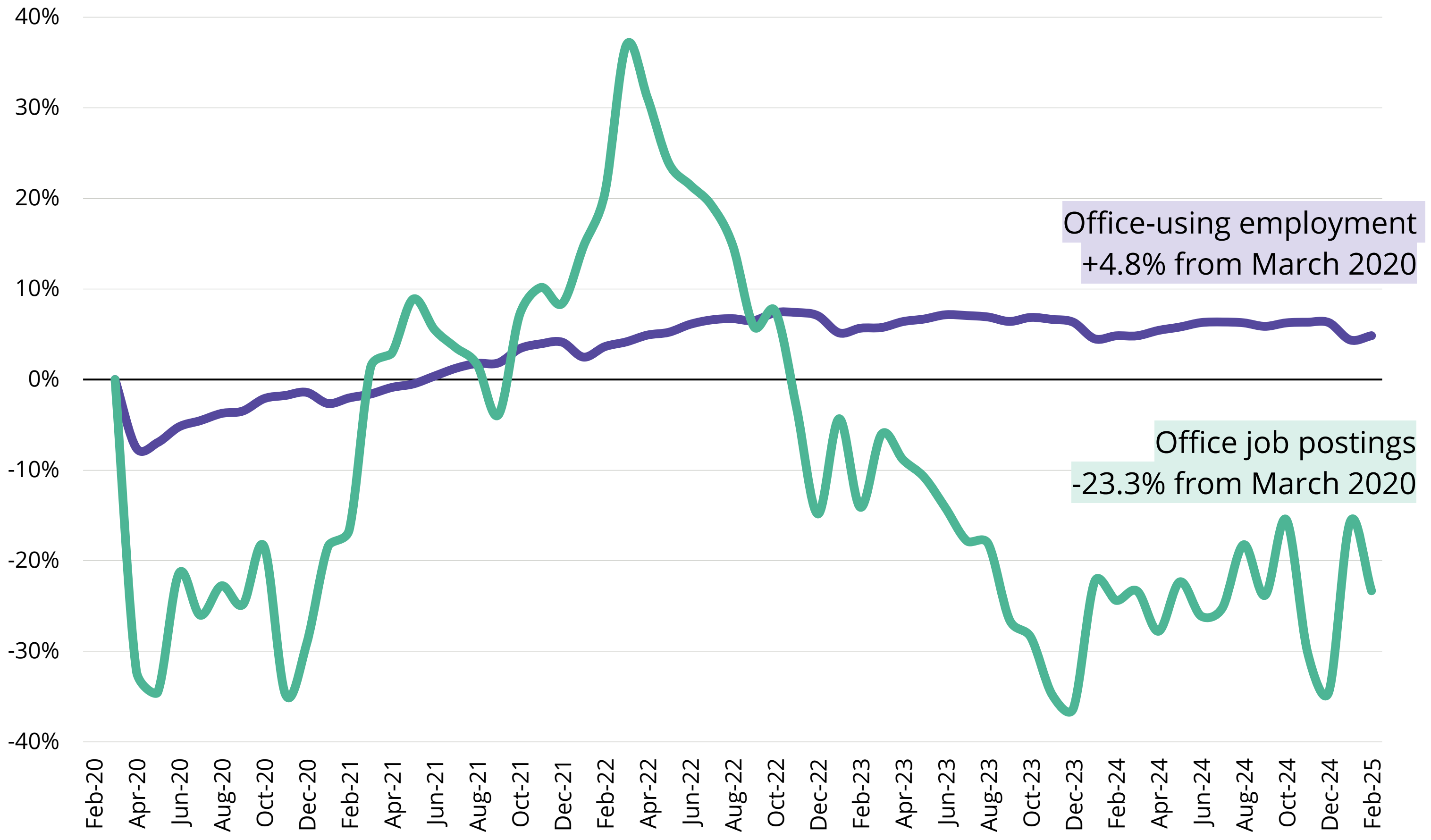
Looking at office busyness across the U.S. by day of the week, it is no surprise that Tuesday through Thursday lead the way in February 2025 when compared to 2019.

Given the evolving hybrid structure of many companies, employees seem to be adopting a Tuesday, Wednesday, and Thursday office schedule with some Mondays and Fridays remote.

U.S. office market drivers

Office employment and job postings

Percentage change since the pandemic

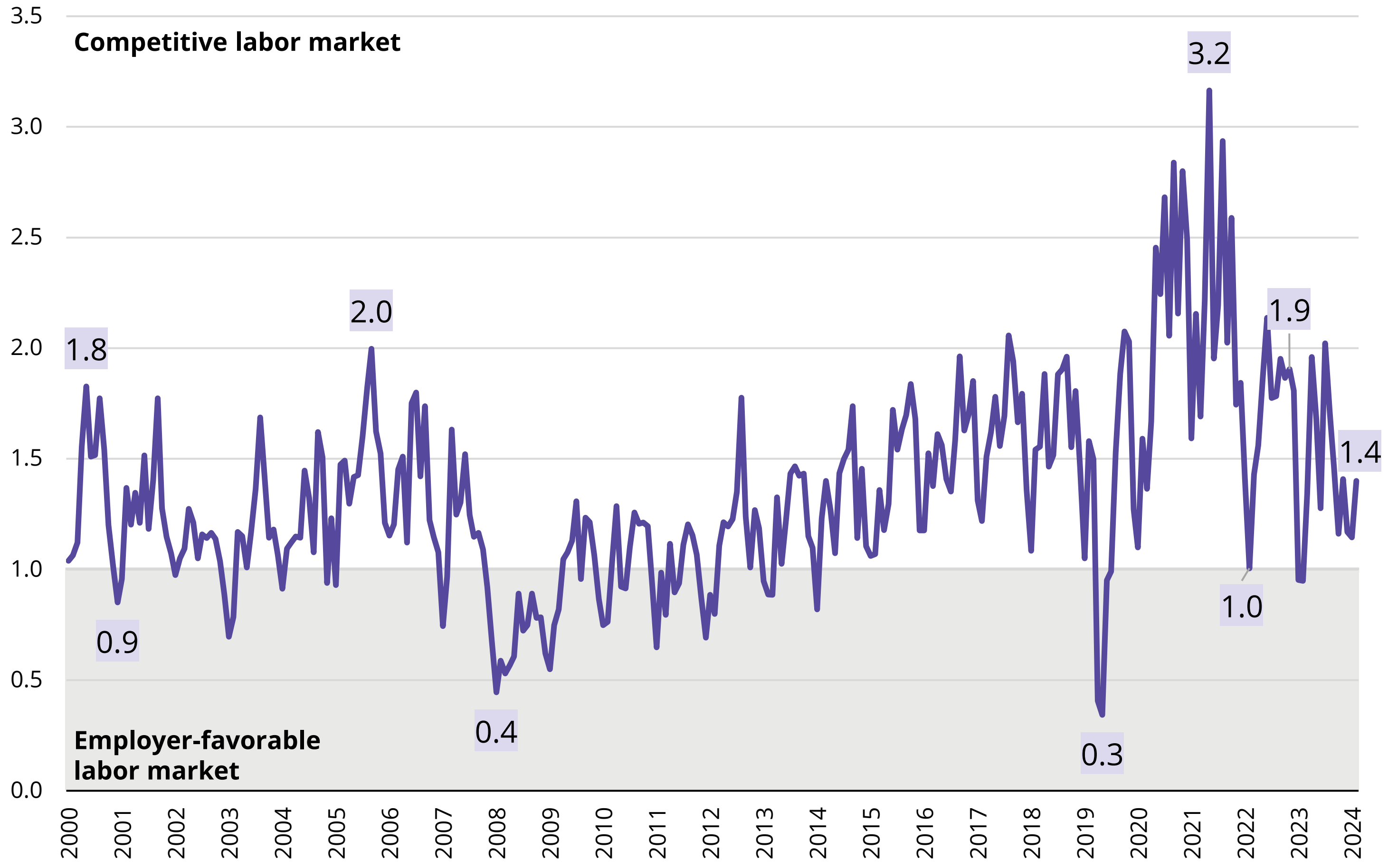


Source: Avison Young Market Intelligence, Lightcast, BLS

Office-using employment across the U.S. relatively plateaued in recent months but in February, it was sitting at a 4.8% increase from March 2020.

Job postings, while still recovering to March 2020 levels, saw a significant recovery from Q4 2024.

Office quits-to-layoffs/discharges ratio

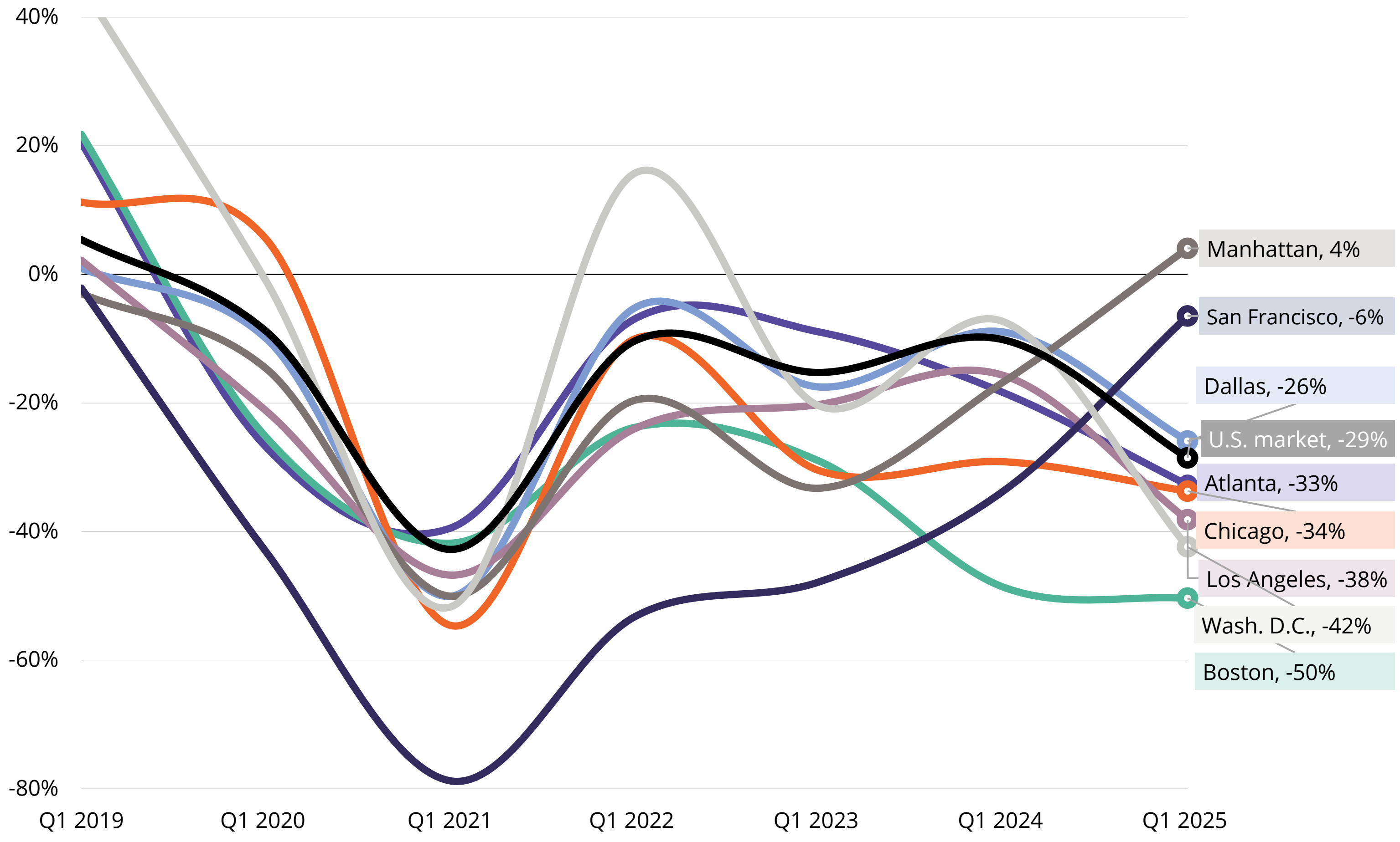


The quits-to-layoffs/discharges ratio measures the tightness of the office labor market.

As of the end of 2024, the ratio, or employee leverage, sits at 1.4. Employee leverage has fallen considerably since the end of 2023 (2.0).

Source: Bureau of Labor Statistics

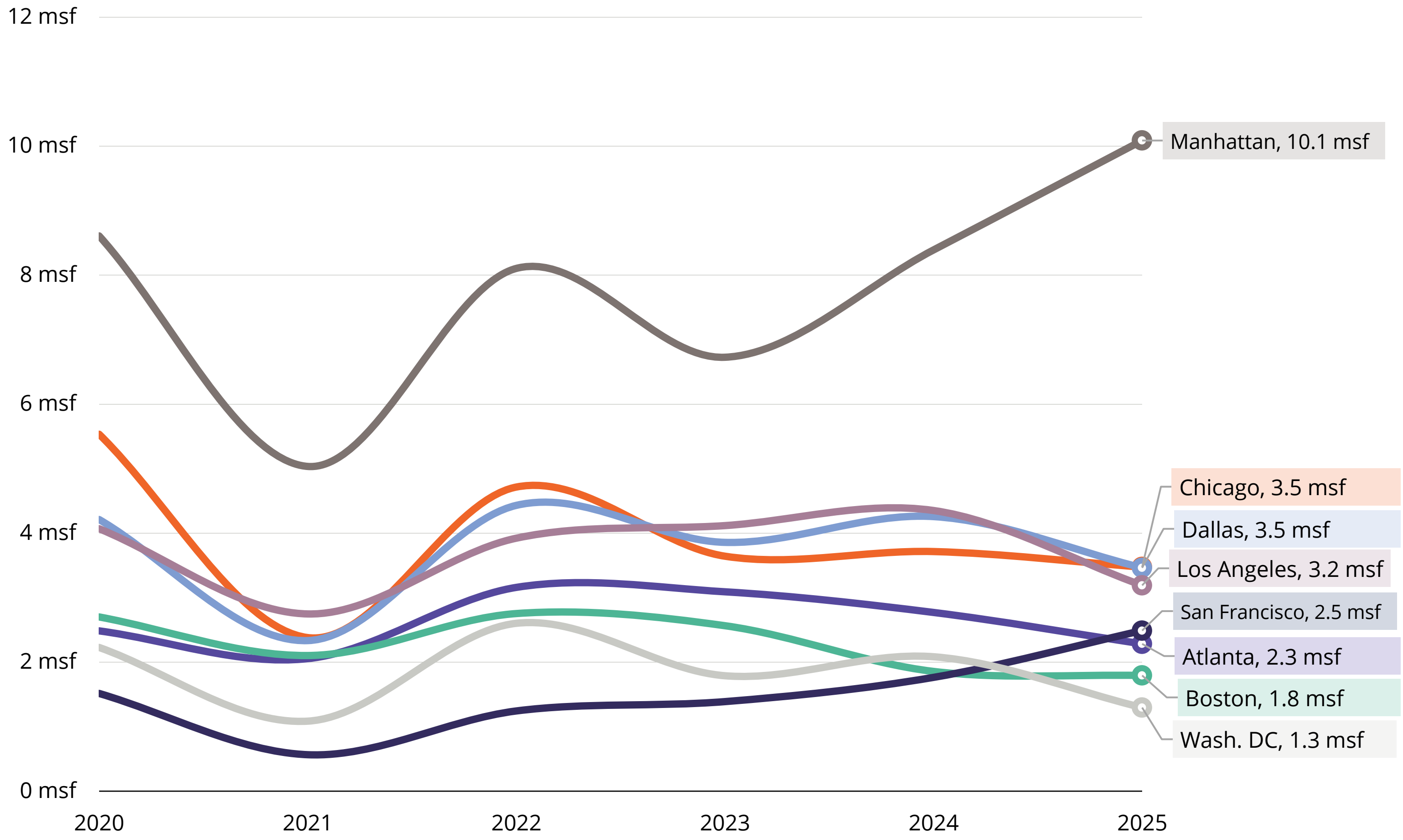
Leasing activity, Q1 2025 vs. pre-COVID Q1 averages (2015-2019)



In most markets, leasing activity remains below pre-COVID averages, but recovery varies by market. In Manhattan, leasing activity surpassed pre-COVID levels by 4% in Q1 2025. San Francisco is down only 6% from pre-COVID levels and has experienced a stronger Q1 every year since 2022.

Source: Avison Young Market Intelligence, Costar

Gateway market leasing activity, 2020–2025 (Q1 only)

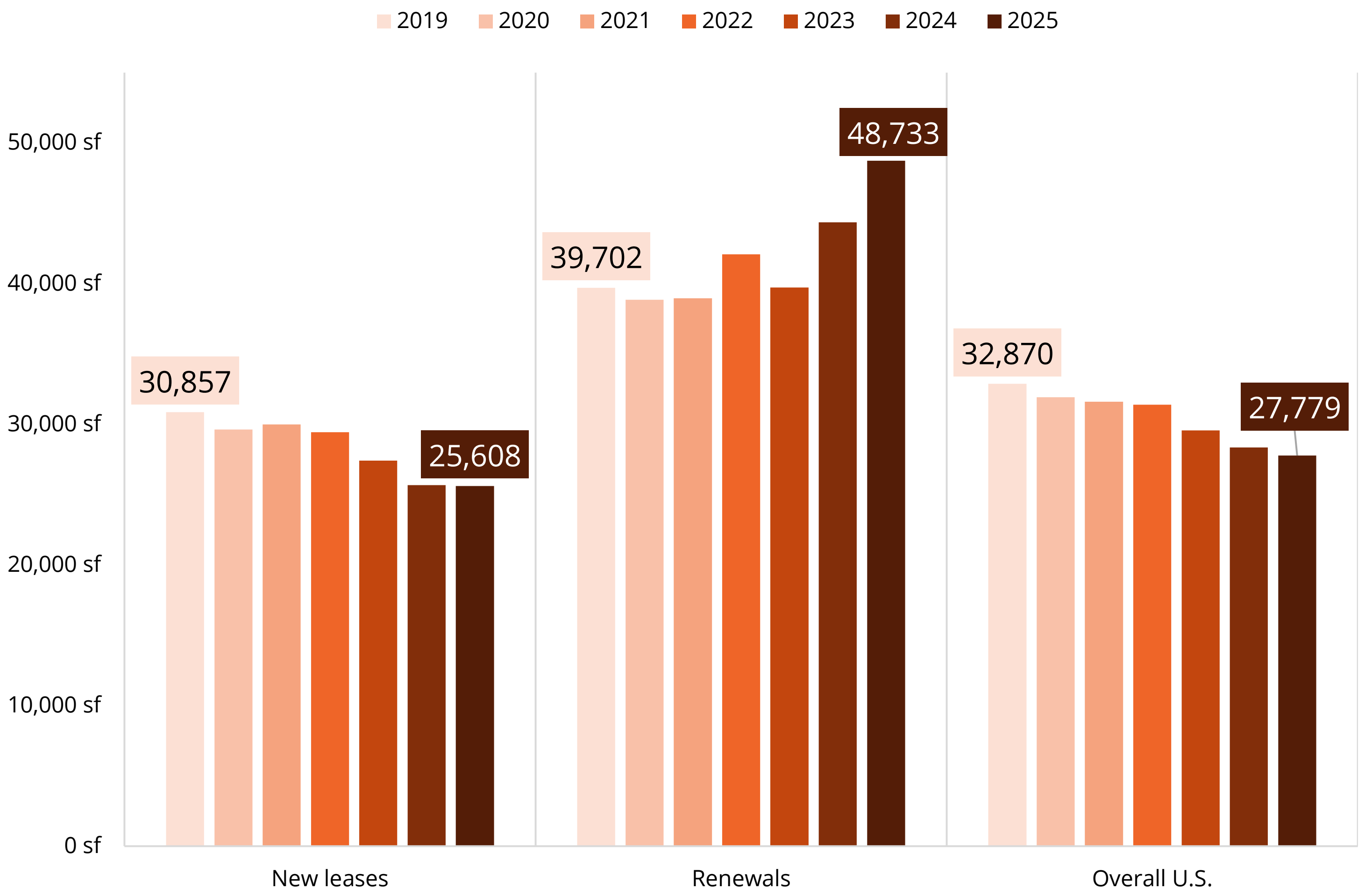


Manhattan has seen a remarkable recovery in leasing activity since 2020, with Q1 2025 reaching a total of 10.5 msf—approaching pre-COVID quarterly averages.

San Francisco has also seen increased leasing activity through Q1; however, most other gateway markets have remained relatively flat over the past few years.

Source: Avison Young Market Intelligence, Costar

U.S. average office lease size

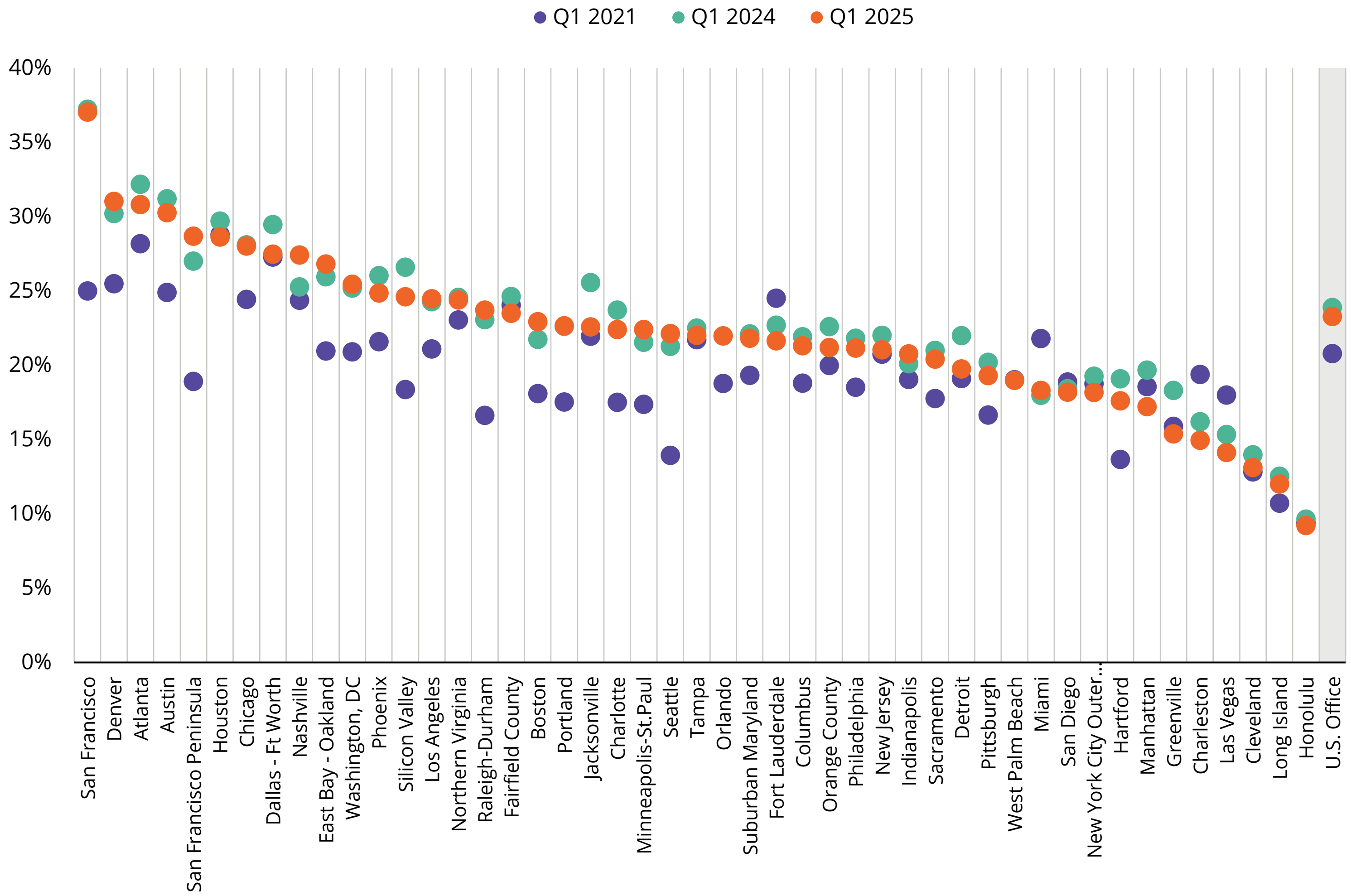


Leases 10,000 sf+
Source: Avison Young Market Intelligence, CoStar

Average lease sizes across the U.S. have continually decreased from 2019 to 2024 (-15.5%). This is entirely led by new leases.

Renewals, on the other hand, have increased in average lease size by 22.7% across the U.S. compared to 2019.

Office availability rate by market, Q1 2021–Q4 2025

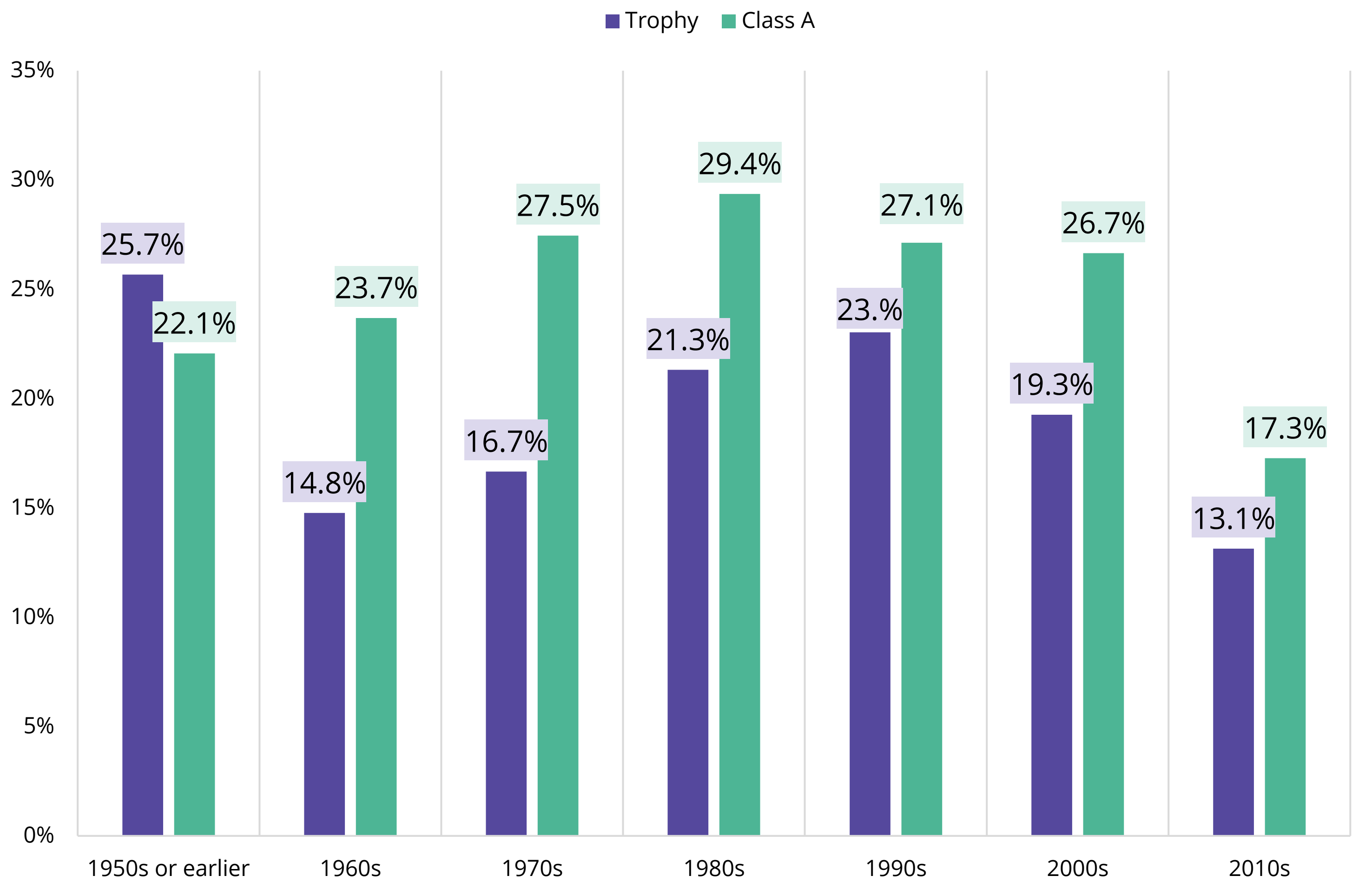


Source: Avison Young Market Intelligence, CoStar

Although availability rates remain elevated nationwide, the pace of growth has slowed considerably. From 2023 to 2025, U.S. availability increased by just 0.2%, a notable improvement compared to the 3.6% rise recorded from 2021 to 2023.

Several markets saw availability decline over the past two years, such as Houston, Dallas, Manhattan, and Orange County. In total, 64% of all major markets across the U.S. saw a decrease in availability from Q1 2024.

Total availability rates by delivery date



Atlanta, Austin, Boston, Charlotte, Los Angeles, Manhattan, Philadelphia, Raleigh, San Francisco, Silicon Valley, Tampa, Washington, D.C.
Source: Avison Young Market Intelligence, CoStar

As of Q1 2025, older to semi-modern class A properties, built from the 1970s through the 2000s, continue to experience significant distress in trying to fill their available space across the U.S.—especially compared to recently constructed trophy properties.

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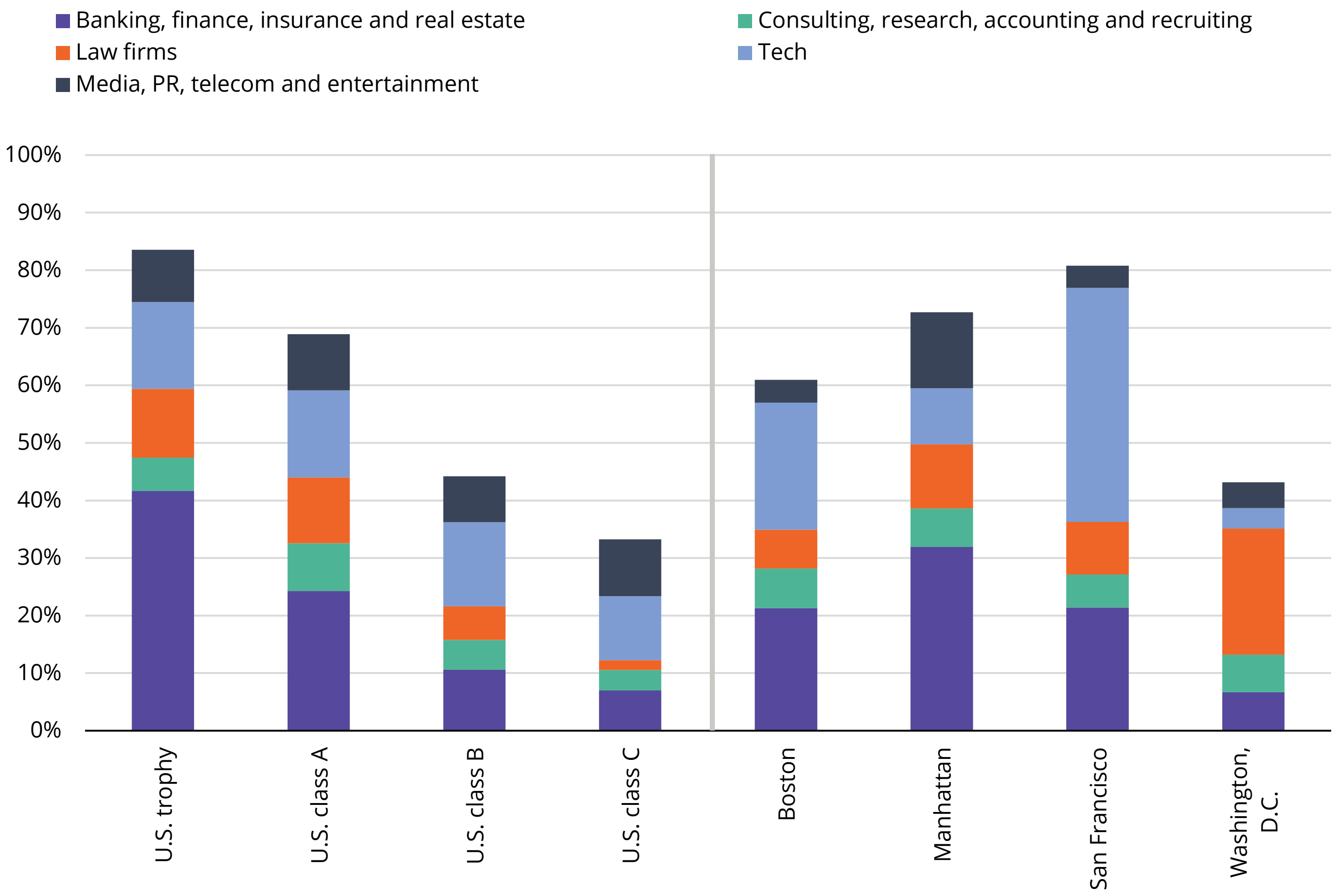
Exposure to at-risk industries

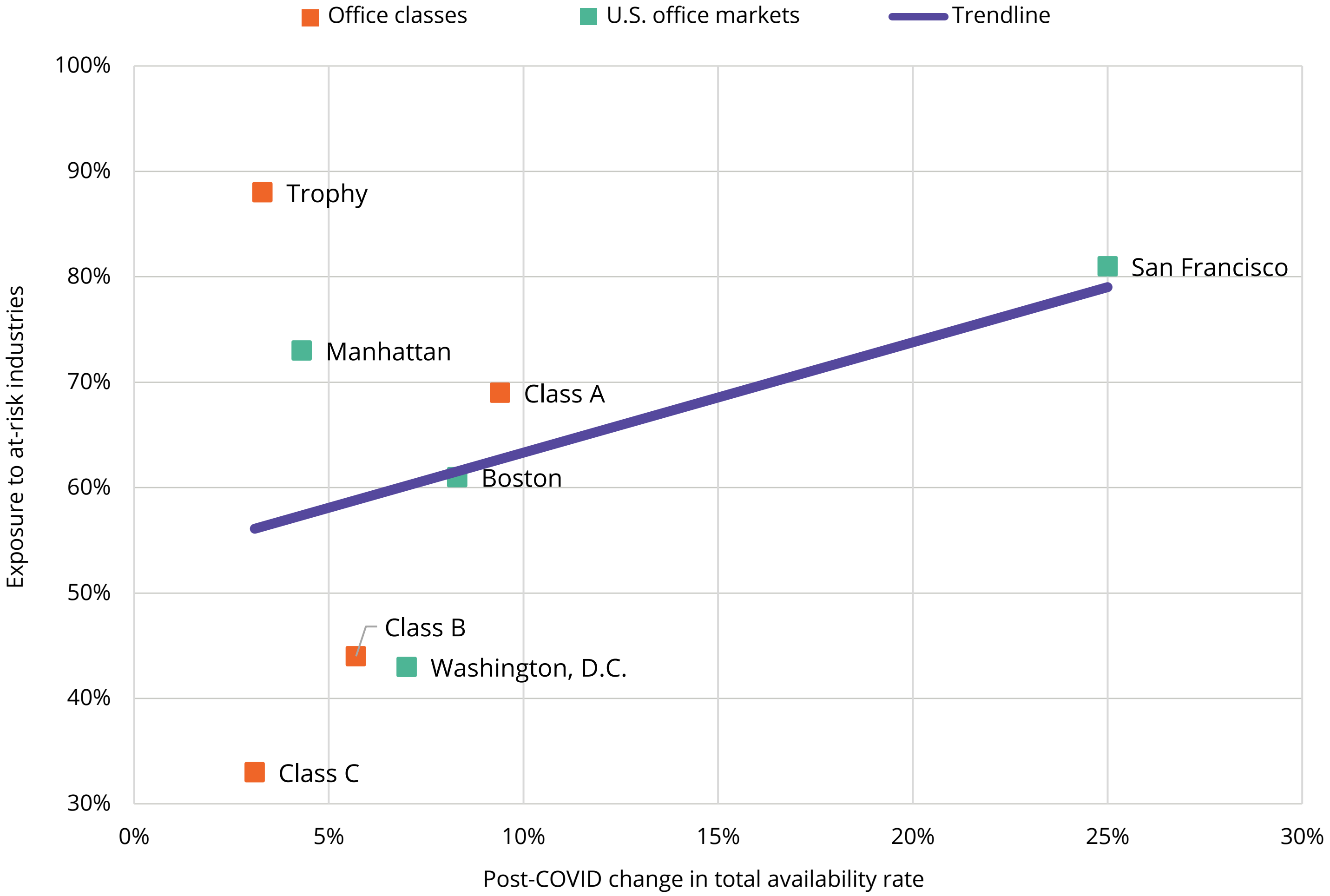


Across the U.S., trophy properties continue to have the most exposure to at-risk industries at nearly 85%.

At the market level, San Francisco may experience distress in the future due to its reliance on the tech sector. Manhattan may experience similar stress due to its oversized exposure to banking and finance tenants.

Source: Avison Young Market Intelligence

At-risk markets vs. post-COVID new supply

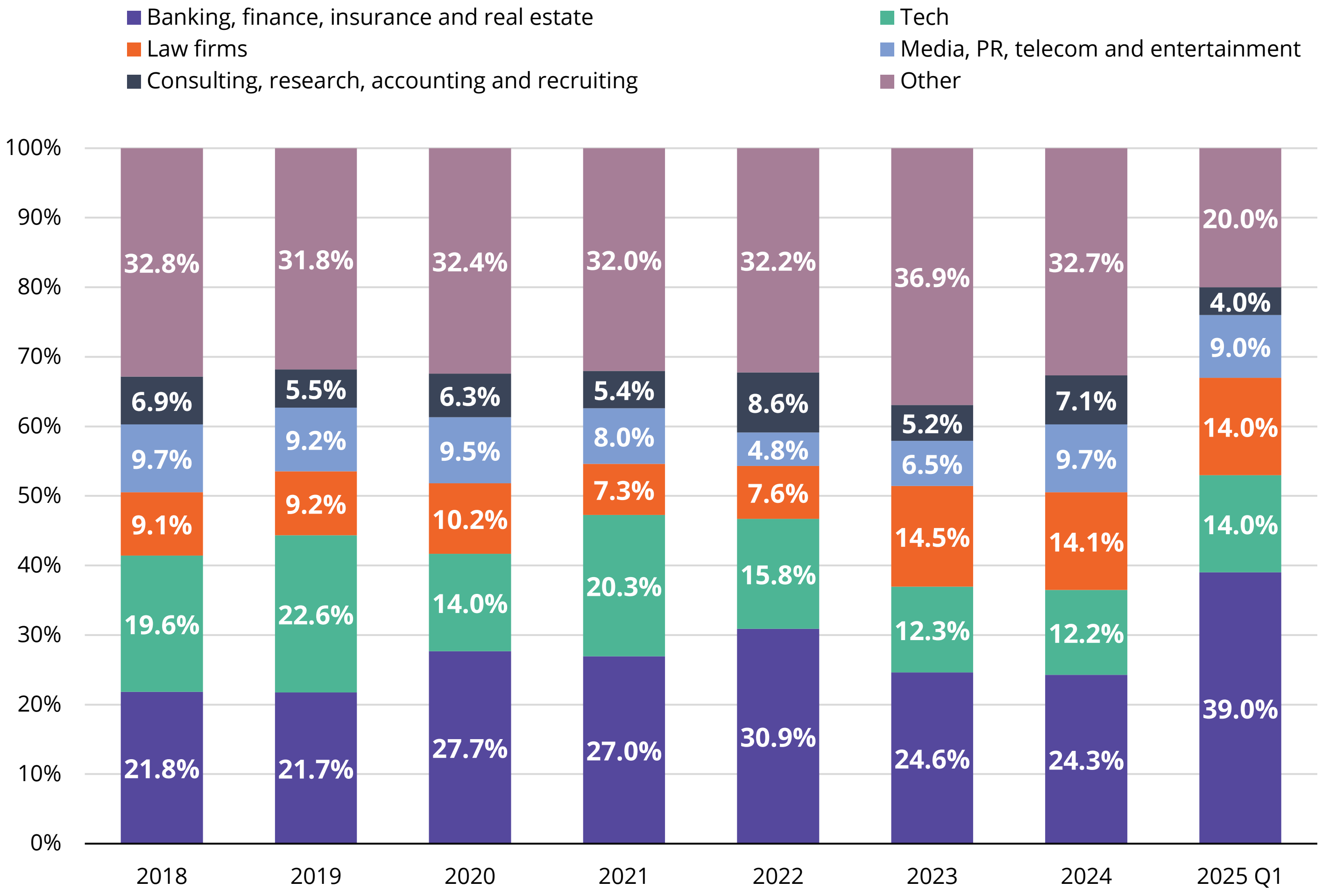


Central business districts and private office industries only.
Includes sublet and direct availability rates.
Source: Avison Young Market Intelligence, CoStar

Class B and C properties across the U.S. are partly insulated from potential market distresses, largely due to their lack of reliance on a single industry sector.

Other market segments like trophy and class A—and more notably all asset classes across San Francisco—are more exposed.

Leasing activity share by major industry

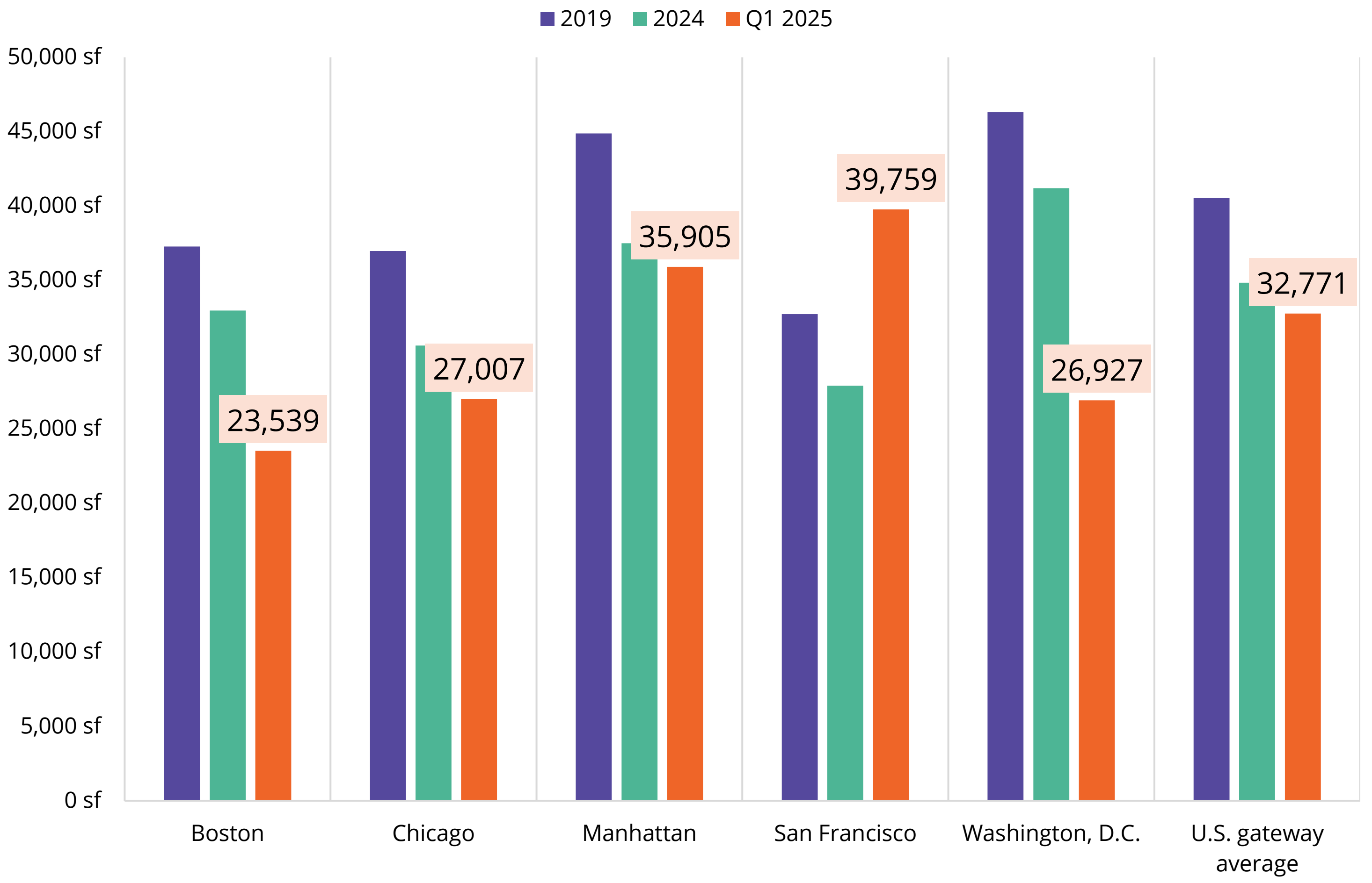


Boston, Manhattan, San Francisco, Washington, D.C.
Source: Avison Young Market Intelligence, CoStar

Office-using industries across the U.S. gateway markets have fallen into different leasing cycles over time.

Banking and finance firms have seen a significant increase in their share of leasing activity through the first quarter.

Average office lease size by gateway markets

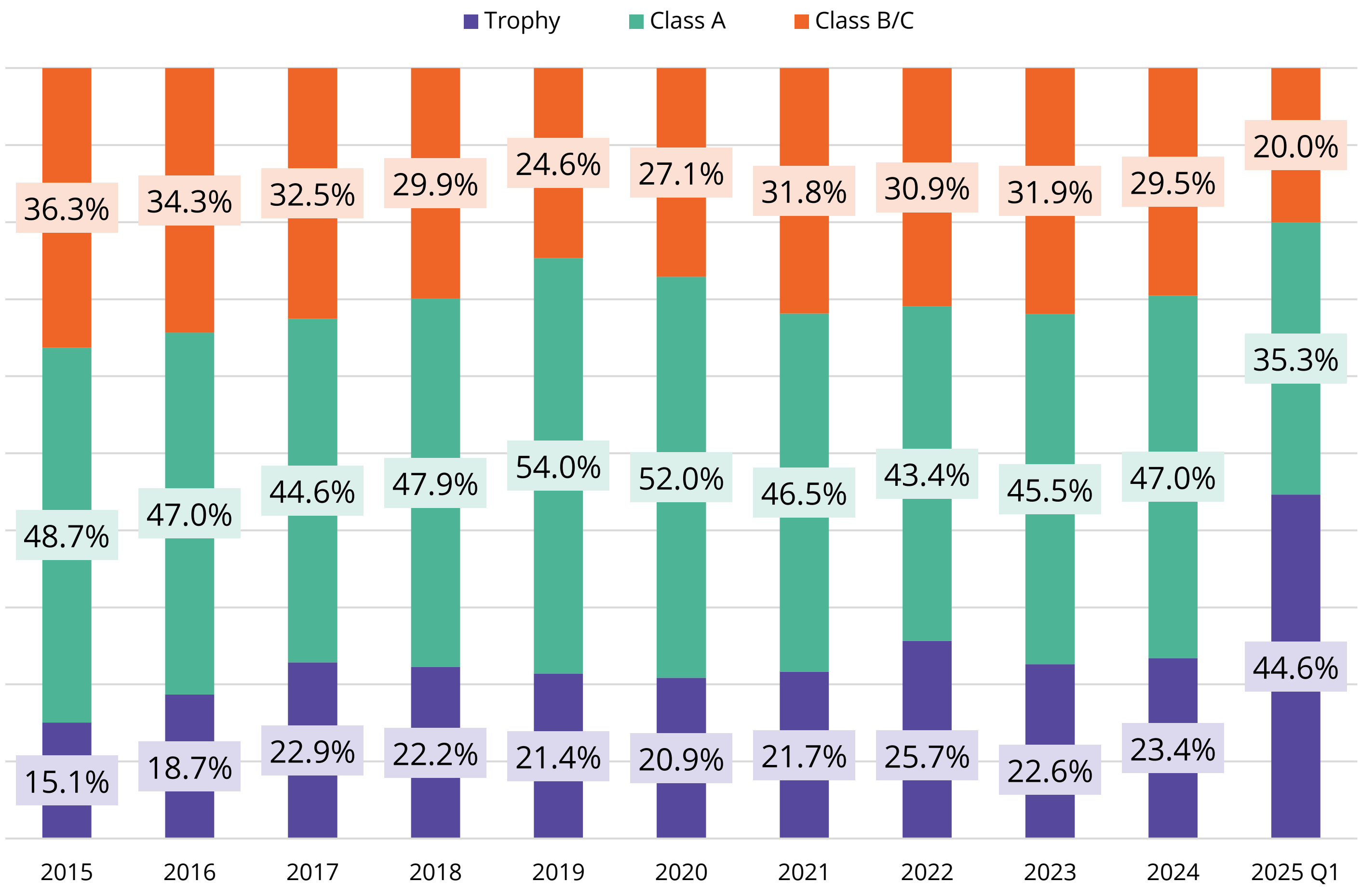


Leases 10,000 sf+
Source: Avison Young Market Intelligence, CoStar

With the exception of San Francisco, every major gateway market in the U.S. saw a decline in average office lease size in Q1 2025 compared to both 2019 and 2024.

Nationally, the average lease size fell 5.9% year over year and is down 19.1% from 2019 levels.

Transaction activity by asset class

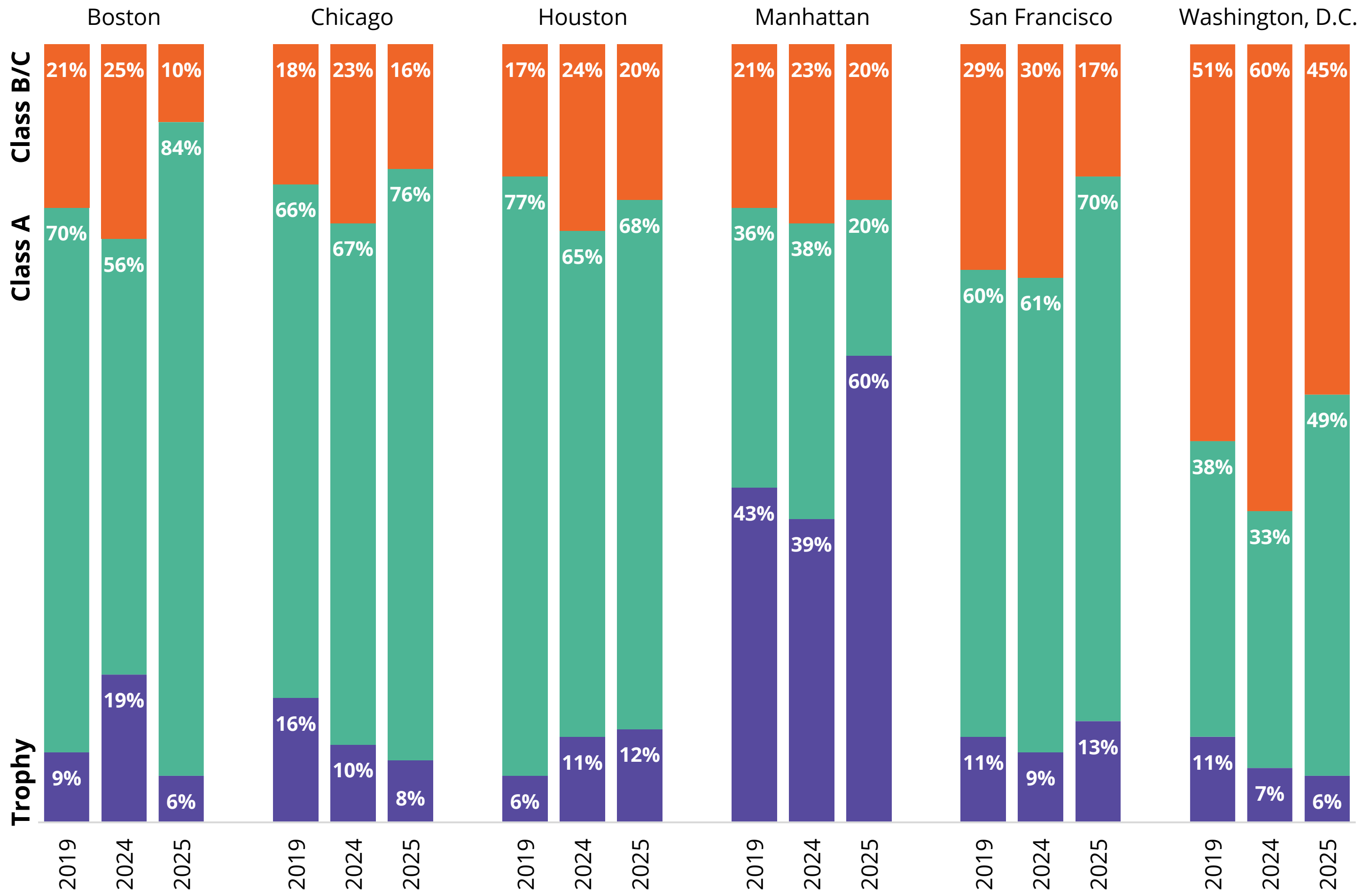


Chicago, Boston, Houston, Manhattan, San Francisco, Washington, D.C. Includes direct and subleases.
Source: Avison Young Market Intelligence, CoStar

Proportional transaction activity in trophy assets nearly doubled in Q1 2025 from its traditional levels.

As a result, the share of both class A and class B/C properties declined.

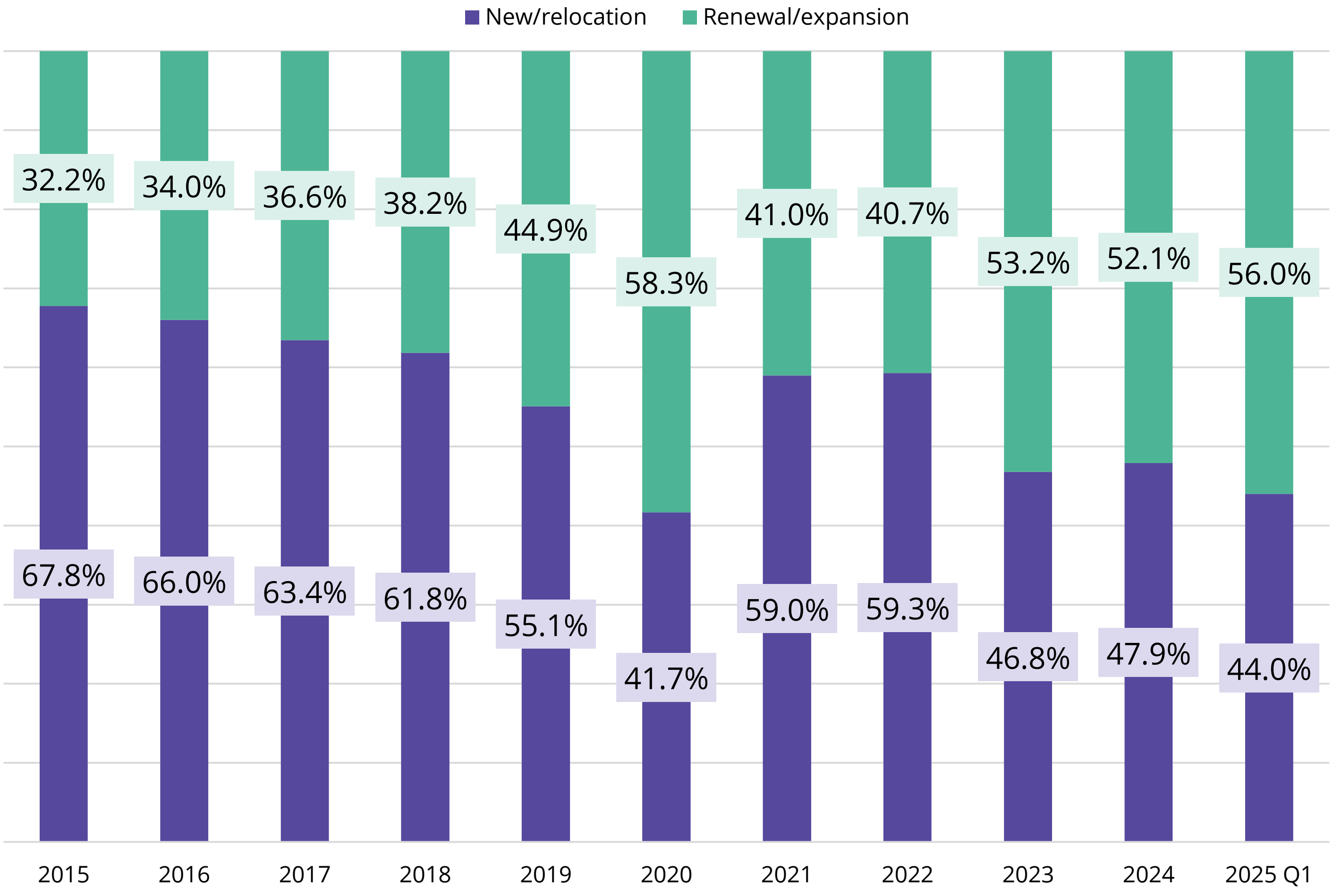
Transaction activity by asset class



Chicago, Boston, Houston, Manhattan, San Francisco, Washington, D.C. Includes direct and subleases.
Source: Avison Young Market Intelligence, CoStar

The trend of flight to quality continues throughout the country, with the share of class B/C leasing shrinking year over year in favor of trophy/class A leasing in most major markets through Q1 2025.

Transaction activity by lease type

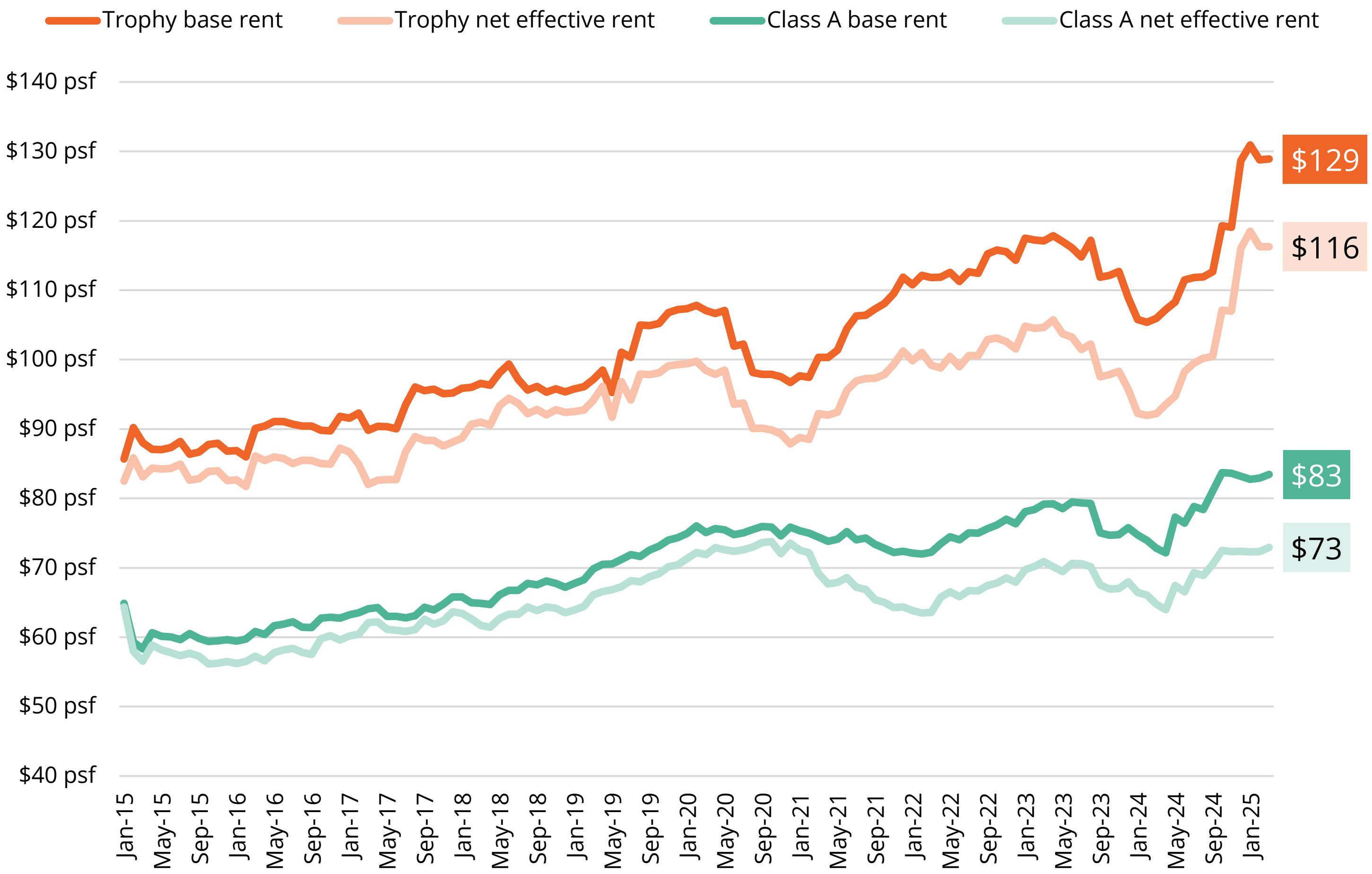


Boston, Manhattan, San Francisco, Washington, D.C.
Direct leases only.
Source: Avison Young Market Intelligence, CoStar

As of Q1 2025, renewal and expansion activity has increased to 56% of total leasing transactions, up from 52.1% in 2024.

New and relocation leases accounted for 44% of deals—a level that if sustained throughout the year, will mark the lowest annual share since 2020.

Base and net effective rents by class

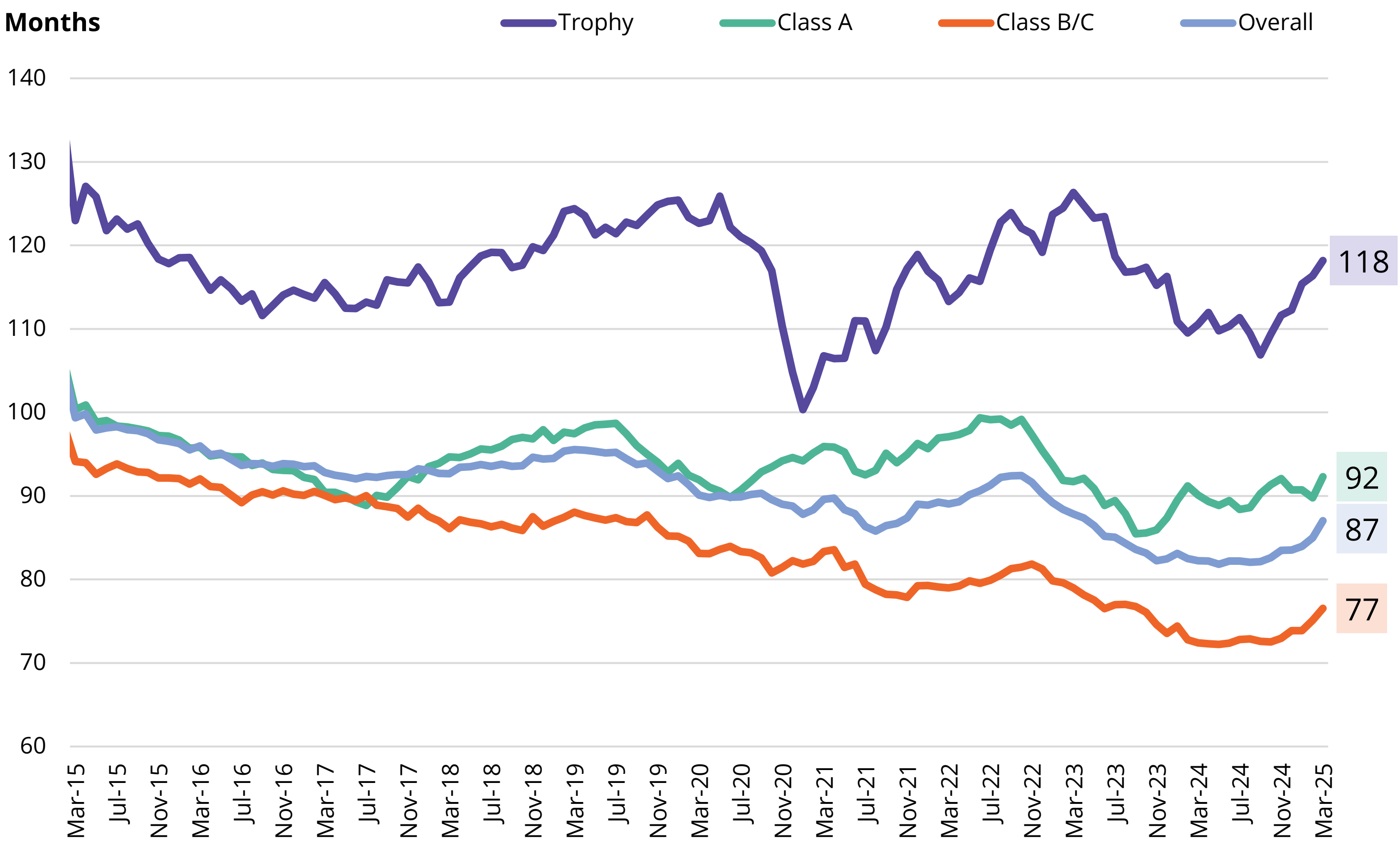


Boston, Manhattan, San Francisco, Washington, D.C.
Direct relocations only.
Source: Avison Young Market Intelligence

An increase in demand for trophy space has led trophy base and net effective rents to continue increasing through Q1 2025. A strong uptick in trophy+ leasing, primarily in Manhattan, has fueled this recent growth.

Class A base and net effective rents experienced similar growth through 2024 but remained flat through the beginning of 2025. The gap between base and net effective rents, fueled by strong concession packages, has maintained.

Length of lease terms by class

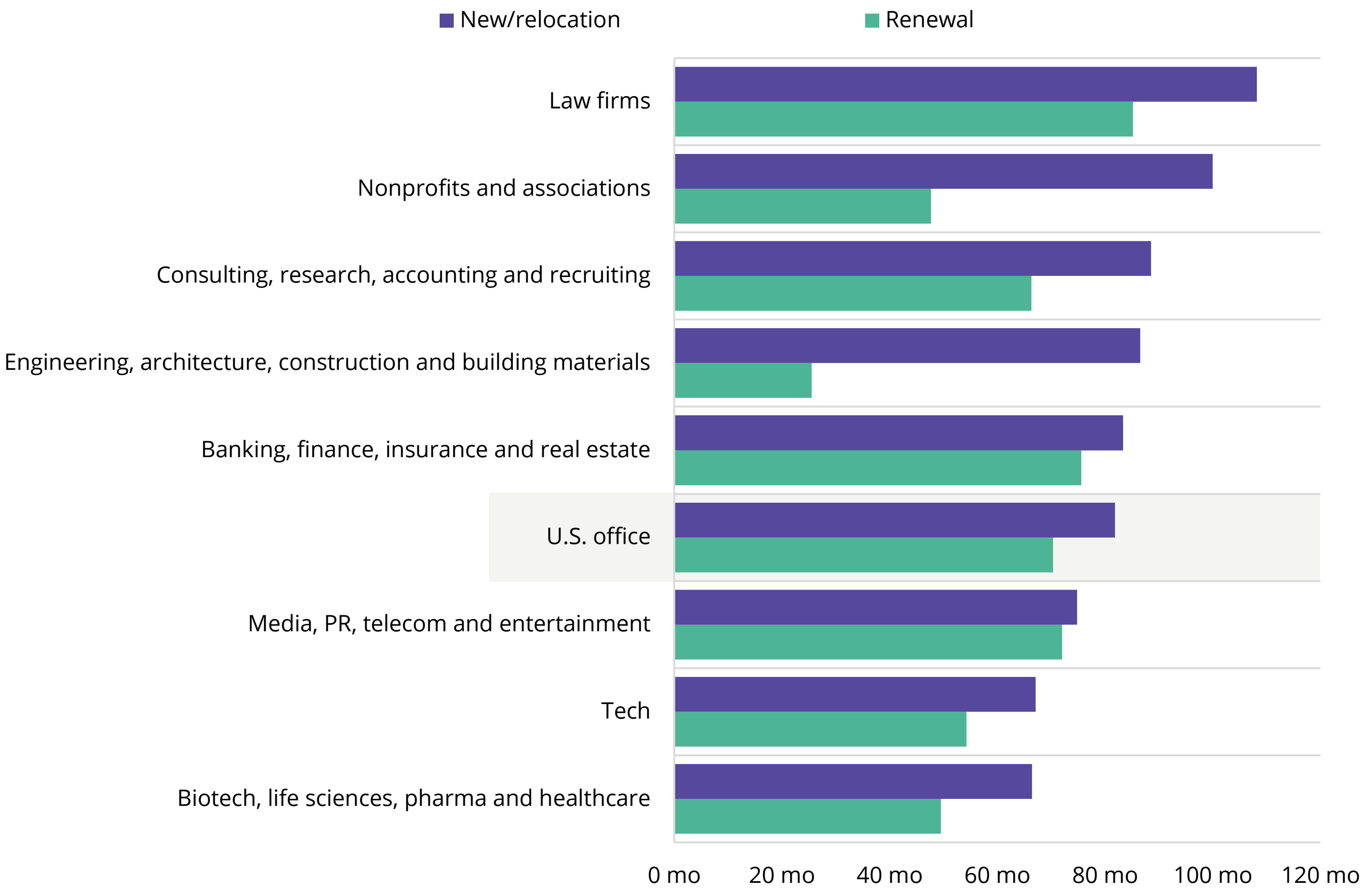


Boston, Manhattan, San Francisco, Washington, D.C.
Direct relocations only.
Source: Avison Young Market Intelligence

Across U.S. gateway markets, trophy properties continue to heavily outperform the other asset classes in terms of average lease term lengths, with notable growth in recent months.

Class A lease term lengths fell just above the overall average by five months, while class B/C fell 10 months below the overall average.

Lease terms by major industries

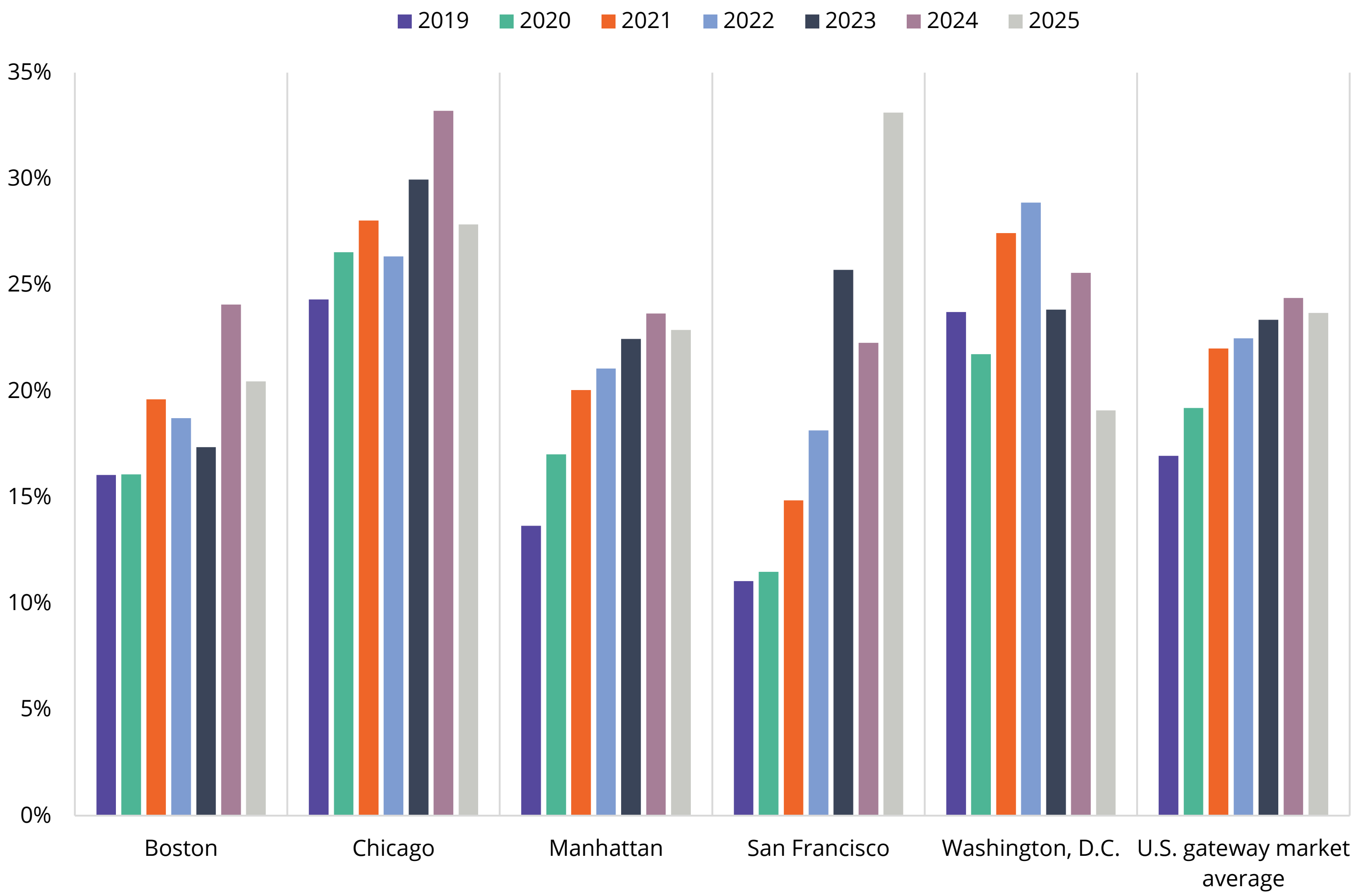


Boston, Chicago, Dallas – Ft Worth, Los Angeles, Manhattan, San Francisco, Washington, D.C
Data reflects 12-month average, direct and sublease.
Source: Avison Young Market Intelligence

In Q1 2025, length of lease terms for office leases in the U.S. averaged 82 months for new leases/relocations and 70 months for renewals.

Industries like law firms and nonprofits have historically signed the longest-term leases and continue to do so across major U.S. office markets.

Concessions as a share of lease term

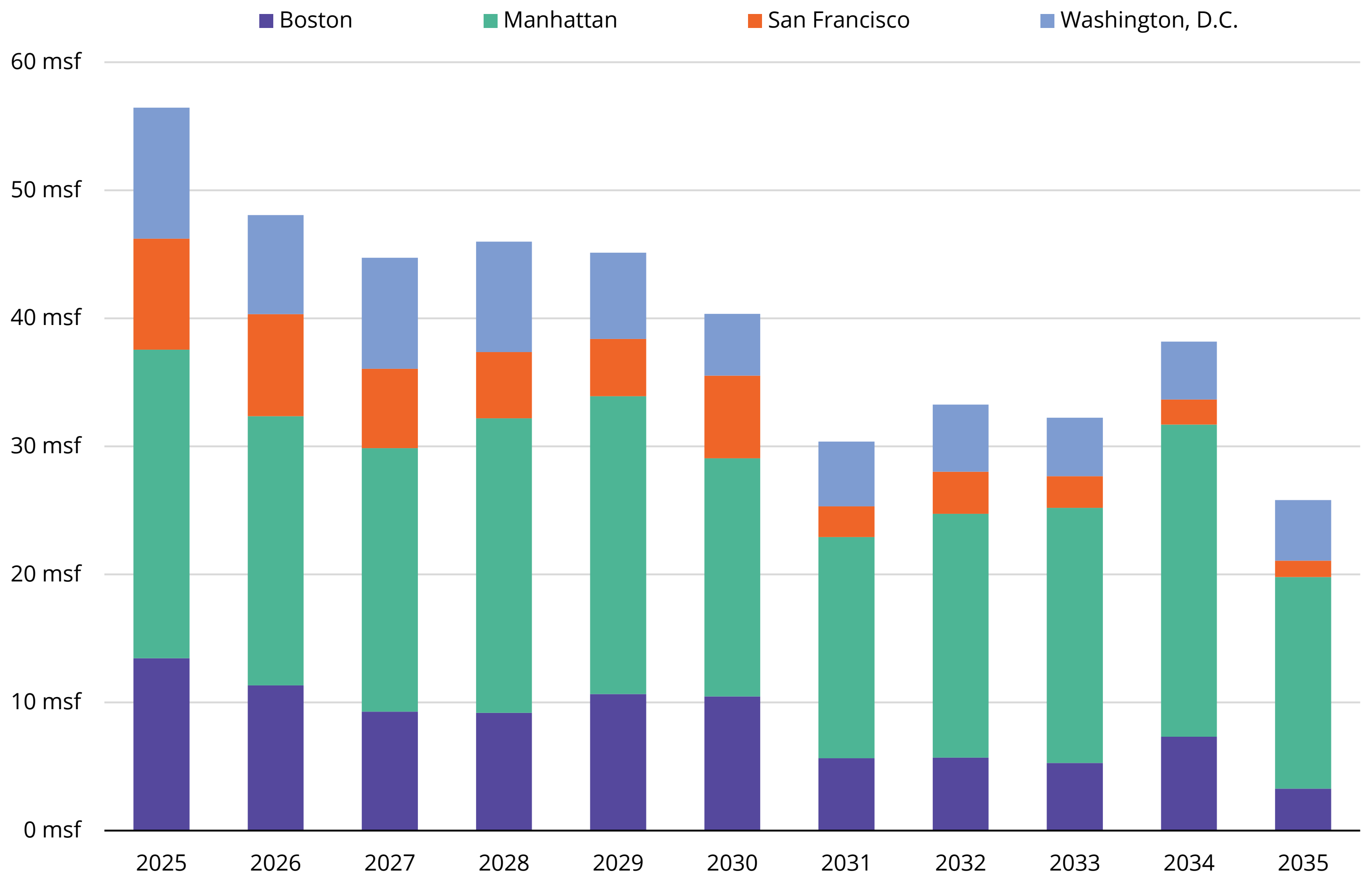


Through Q1 2025, concession packages as share of lease term tapered slightly after five years of consecutive year-over-year growth.

Most gateway markets saw a slight decline in concession packages in Q1 2025 apart from San Francisco, where concessions increased nearly 10%.

Concessions include the value of tenant improvement allowances and free rent periods.
Central business districts only. Direct relocations only with 7+ year lease terms.
Source: Avison Young Market Intelligence

Upcoming lease expirations by market



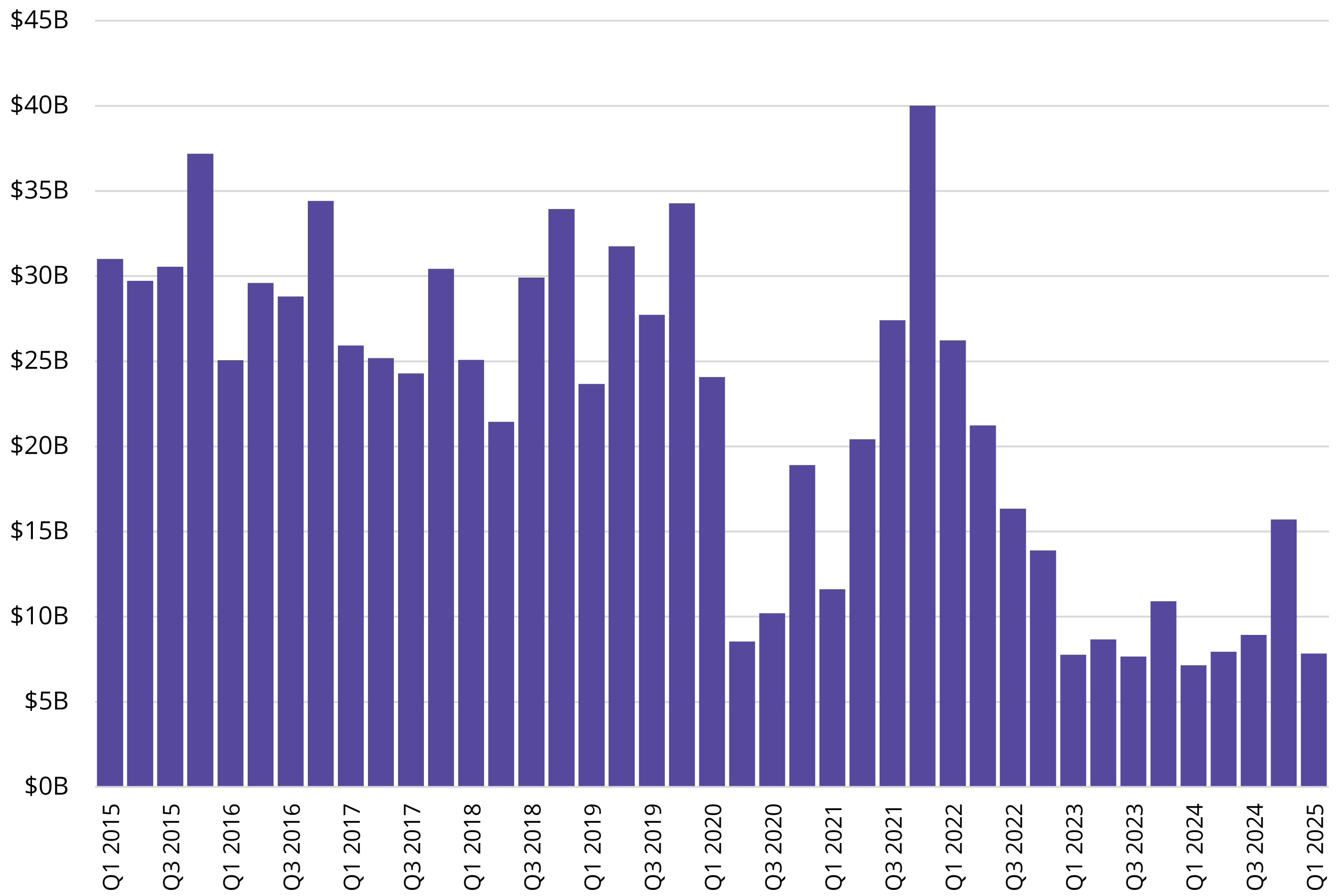
Upcoming lease expirations can be used as a barometer for future demand.

Due to expiring leases often requiring tenants to sign a new lease, the large amount of expiring square footage suggests a potential spike in future leasing activity.

Source: Avison Young Market Intelligence

U.S. office capital markets conditions

Office sales volume

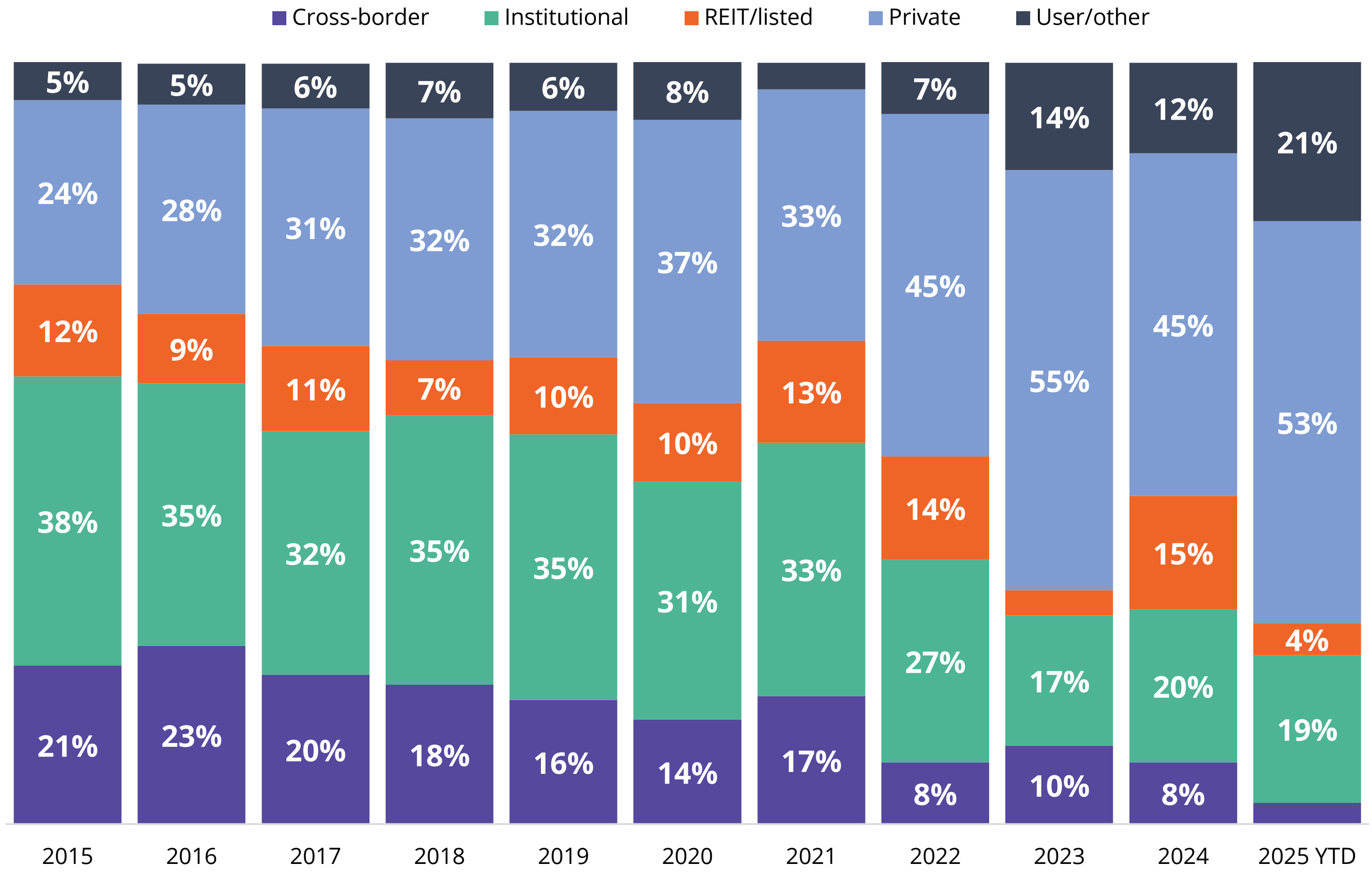


Source: Avison Young Market Intelligence, CoStar

Total sales for office product across the U.S. totaled $7.8 billion in Q1 2025, a 9.7% increase from Q1 2024.

As the first quarter is historically the lowest investment period of the year, this increase is a promising sign for the rest of 2025, especially after a strong close to 2024.

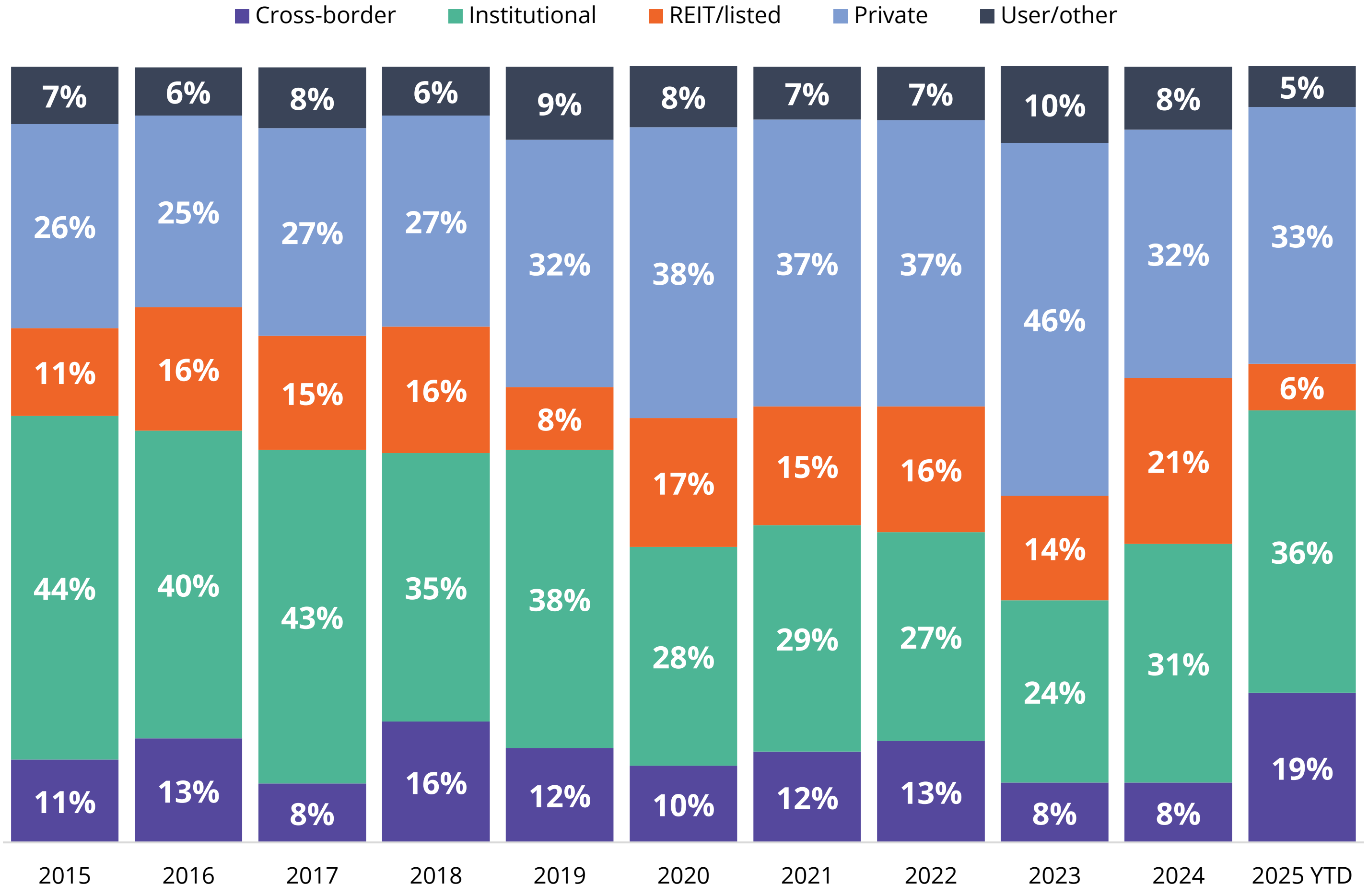
Buyer composition



While overall volume is still recovering, acquisitions in the post-COVID environment have largely been fueled by private investors who have nearly doubled their relative share of market activity since 2019. Notably, acquisitions by occupiers have also risen over the past few years.

Source: Avison Young Market Intelligence, RCA

Seller composition



Institutional and cross-border investors have increased their market share of dispositions and account for nearly half of disposition activity through Q1 2025.

Source: Avison Young Market Intelligence, RCA

Diagnosing CMBS office loan distress

Fixed-rate loans originated when interest rates were much lower than present rates and occupier conditions were stabilized. Through the first quarter of 2025, they continued to become increasingly distressed as loan maturities approach. **However, just 4.7% of U.S. office properties are encumbered by distressed CMBS loans**.

52%

class A share of properties encumbered by a distressed CMBS loan; class A properties comprise 43.9% of U.S. office properties

25.2%

average direct availability rate for distressed offices; the U.S. direct availability rate was 20% in Q4 2024

73.7%

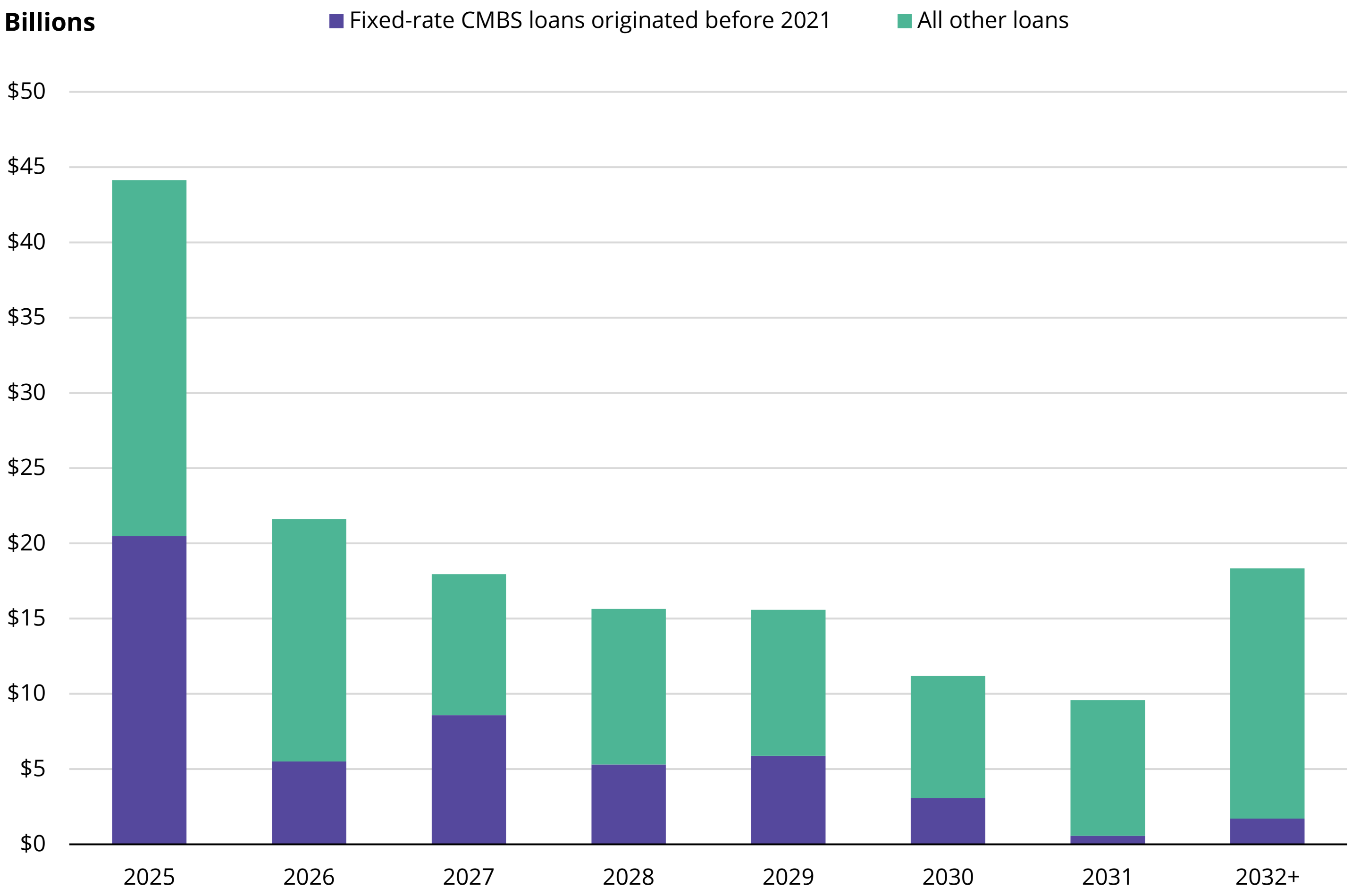
distressed loans with fixed interest rates

5/2017

average origination date of distressed loans

Source: Avison Young Market Intelligence, RCA, CoStar

Upcoming loan maturities



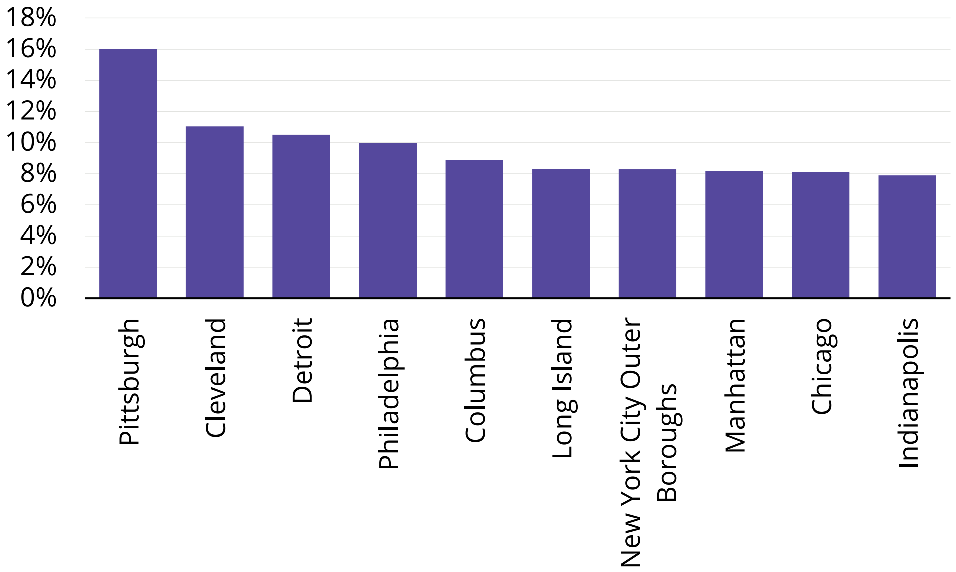
Source: Avison Young Market Intelligence, RCA, CoStar

$20.4 billion of outstanding fixed-rate loans that originated before 2021—before the spike in interest rates—are maturing in 2025, in addition to $23.7 billion of other CMBS loans.

Markets with the greatest and least exposure to at-risk loans

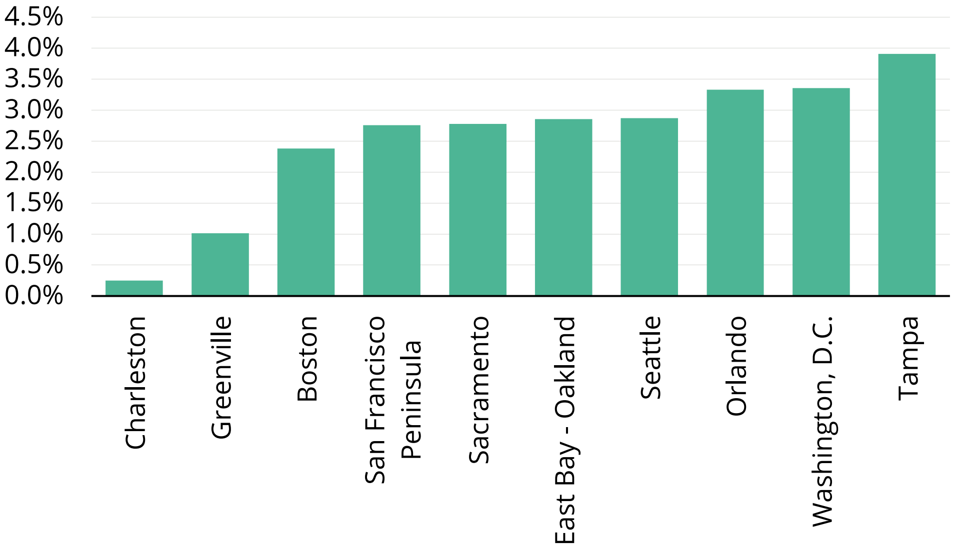
9.7%

average exposure to at-risk loans—
10 markets with the **greatest exposure**



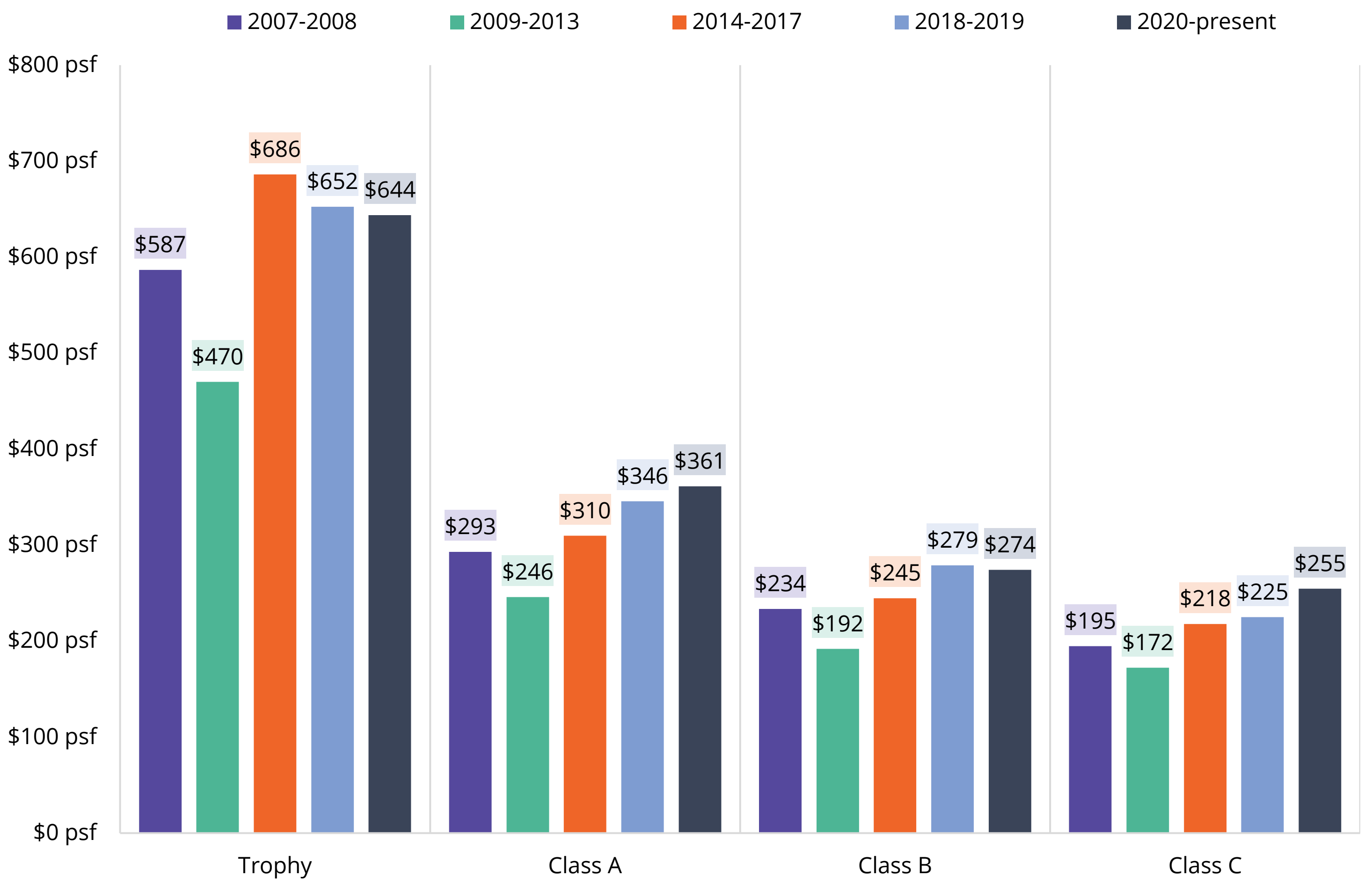
2.4%

average exposure to at-risk loans—
10 markets with the **least exposure**



Share by sf of properties encumbered by loans on CMBS watchlist
Source: Avison Young Market Intelligence, RCA

Office investment pricing by era



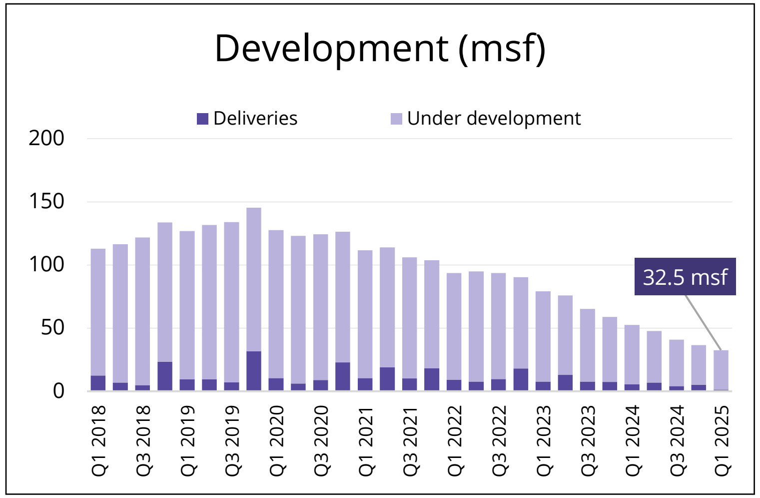
Trophy office properties have seen a significant post-COVID correction in value of all office asset classes, correcting by 7.1% since the last cycle.

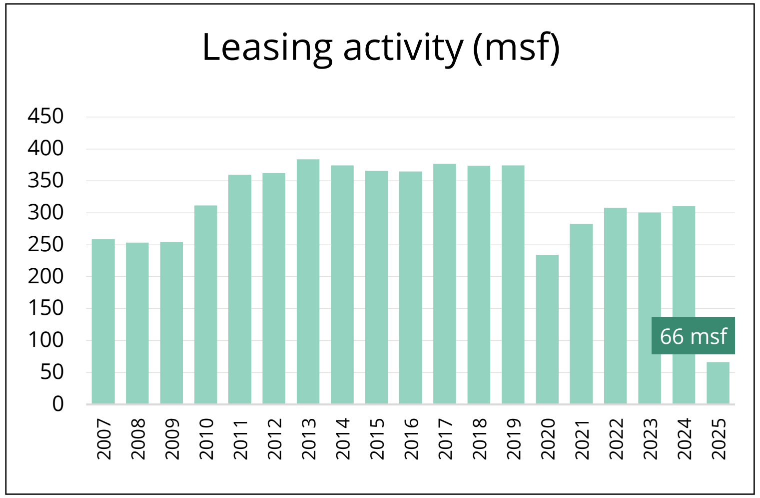
However, pricing in these higher quality assets remains above the pricing during the financial crisis in 2009.

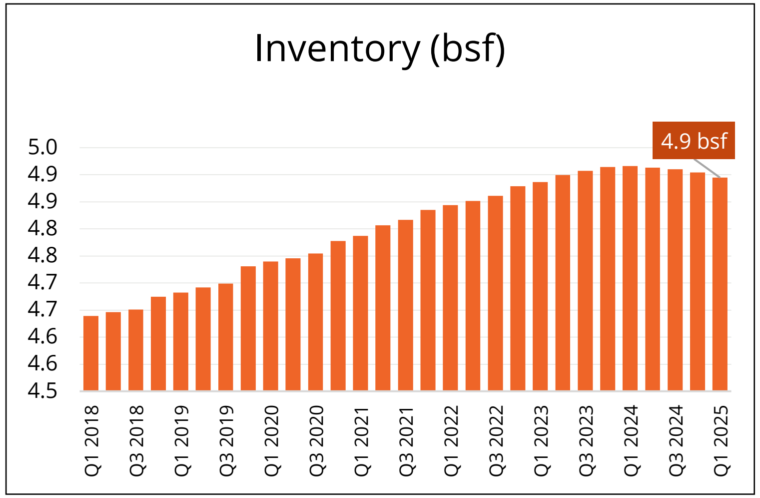
Source: Avison Young Market Intelligence, CoStar

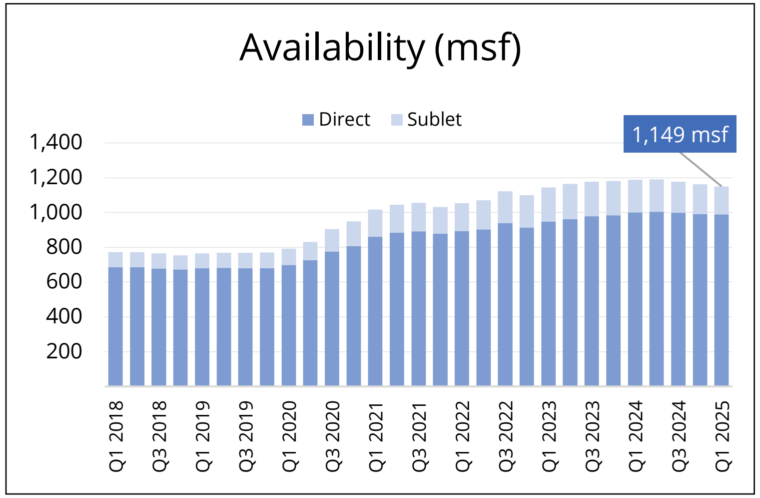
Appendix

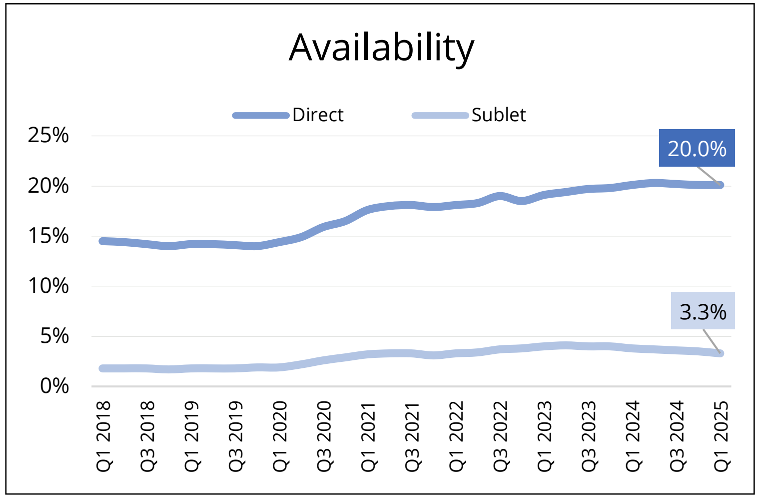
U.S. office market indicators

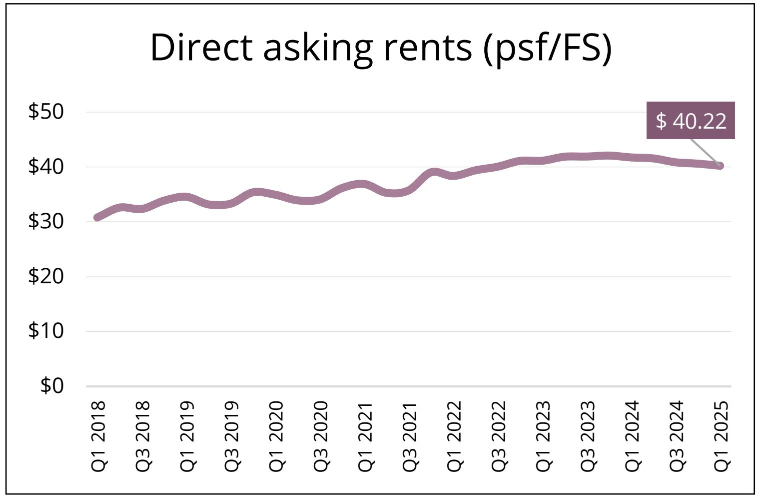












Source: Avison Young Market Intelligence, CoStar

U.S. office market stats by class

Class	Existing inventory sf	Under development sf	Direct availability	Sublet availability	Total availability	Annual direct asking rent psf/FS
Trophy	365,073,758	11,577,177	16.0%	4.1%	20.1%	$ 65.58
Class A	2,157,098,954	18,098,568	23.2%	4.3%	27.4%	$ 42.07
Class B	1,924,587,835	1,307,178	19.1%	2.5%	21.6%	$ 34.58
Class C	447,092,619	120,000	12.9%	0.8%	13.7%	$ 31.87
U.S. total	**4,893,853,166**	**31,102,923**	**20.0%**	**3.3%**	**23.3%**	**$40.22**

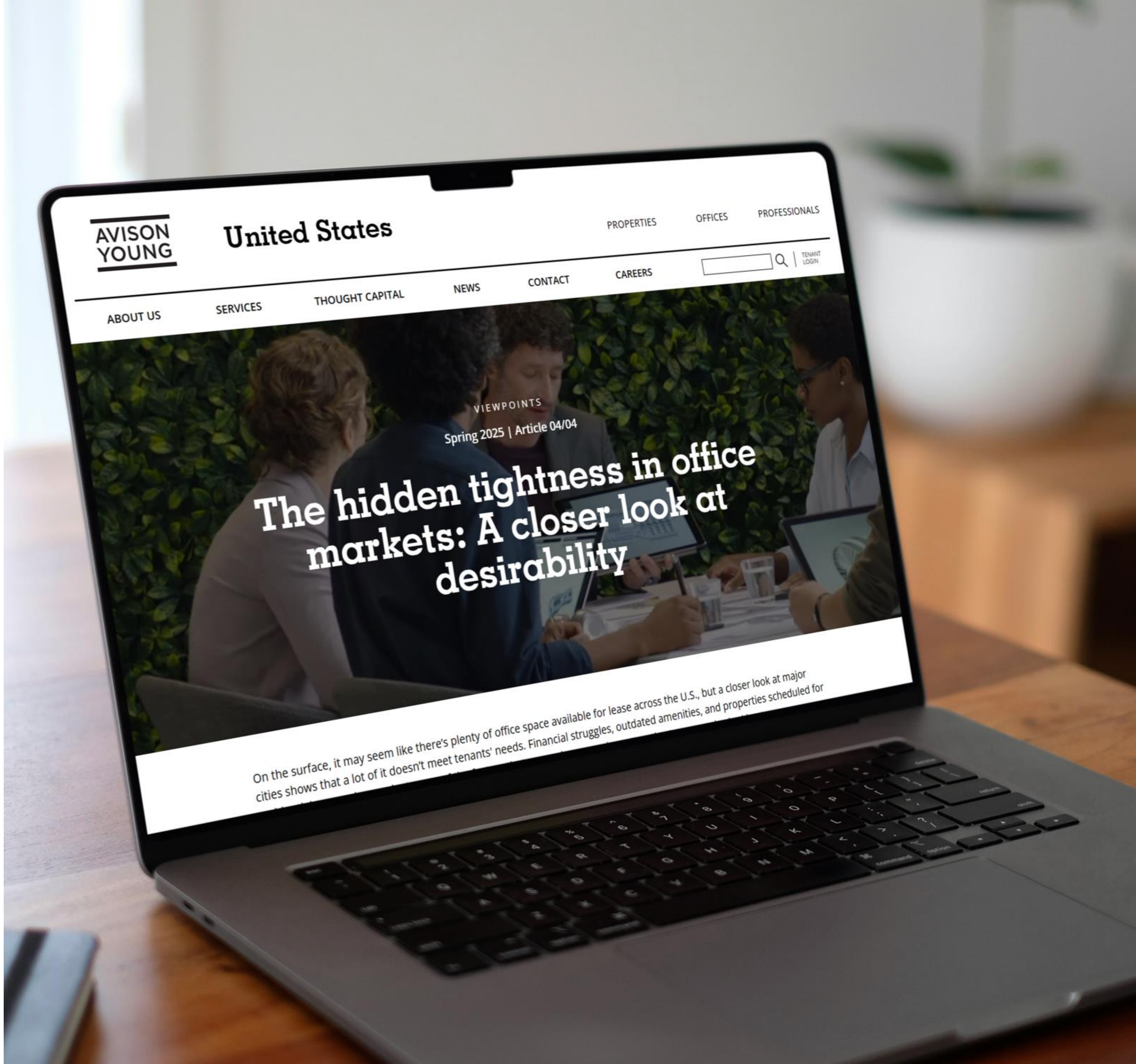
Source: Avison Young Market Intelligence, CoStar

The hidden tightness in office markets: a closer look at desirability

The office space market in major cities is more competitive than it appears, with high-quality spaces being in limited supply and requiring strategic leasing decisions.

Learn more from our experts in Avison Young's Spring 2025 edition of **Viewpoints**.

Read article



Office insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and information visit **avisonyoung.com**

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