U.S. office market report

Q2 2025

U.S. office market trends

23.2%

overall availability rate sees fourth consecutive decrease

The overall availability rate for U.S. office space sat at 23.2% in Q2 2025, comprised of a 20% direct availability rate and 3.2% sublet availability rate. Q2 2025 was the fourth consecutive quarterly decline in overall availability—a trend not seen since before 2016.

Quarter over quarter, direct available space decreased by 3.6 million square feet (msf) and sublet available space decreased by 5.6 msf, netting a 10.2-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.

138 msf

total leasing activity in H1 2025

U.S. office leasing activity totaled 138 million square feet (msf) in the first half of 2025—down 16.2% from the pre-COVID average (2000–2019) of 164 msf, and 13.9% below H1 2024's volume of 160 msf.

However, several key markets are showing strong momentum: San Francisco's leasing activity is up 61% year over year and Manhattan has risen 17.2%, with both markets at or approaching pre-COVID leasing levels (San Francisco is 20% below, while Manhattan is 1% ahead).

$40.8B

office sales volume over the last four quarters

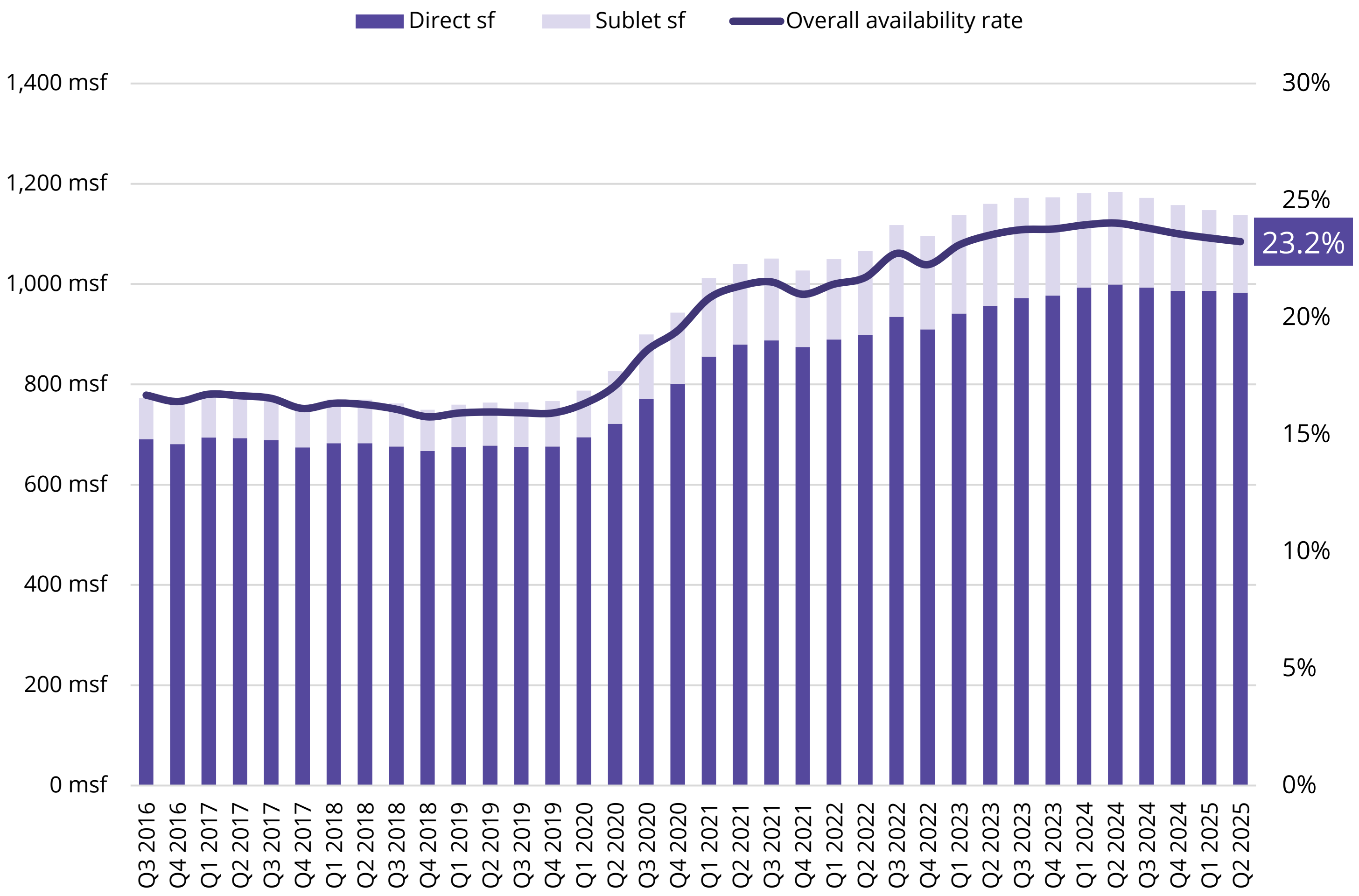
Office sales volume surged 69% over the past four quarters compared to the prior year, signaling renewed investor interest in the sector.

Trophy and class A assets dominated the market, accounting for more than 71% of the $40.8 billion in total transactions during this period.

Notably, gateway and Sun Belt markets—including Manhattan, Miami, Los Angeles, Chicago, Houston, and Dallas—all experienced a marked rebound in sales activity, reflecting growing demand for high-quality office product in key markets.

Source: Avison Young Market Intelligence, CoStar, RCA

Available space

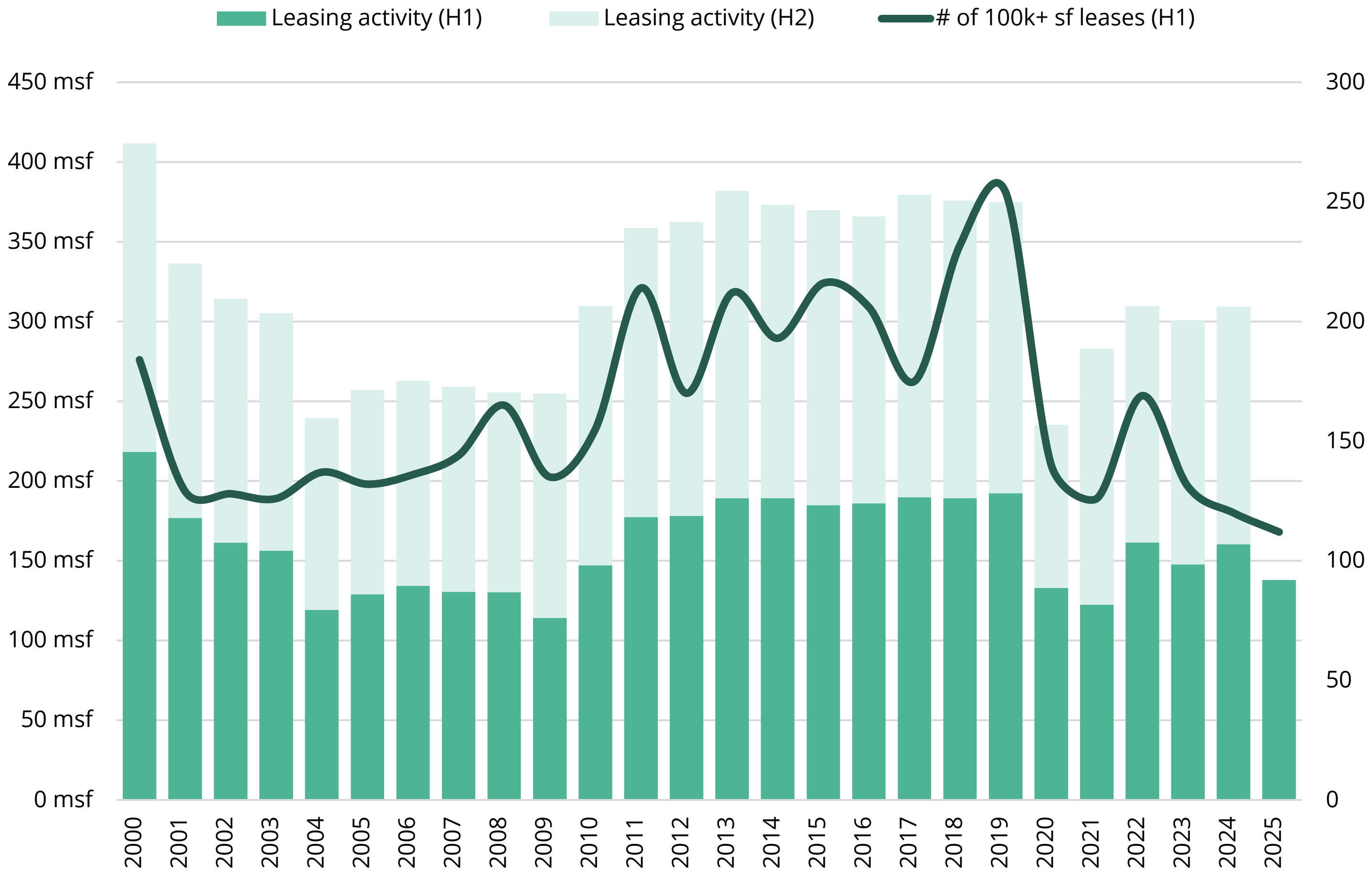


Source: Avison Young Market Intelligence, CoStar

The overall availability rate across the U.S. dropped by 15 basis points (bps) quarter over quarter to 23.2%. This marked the fourth consecutive quarter-over-quarter decrease in overall availability.

Direct available space decreased by 3.6 msf and sublet available space decreased by 5.6 msf—netting a 10.6 msf quarter-over-quarter decrease in available space.

Leasing activity

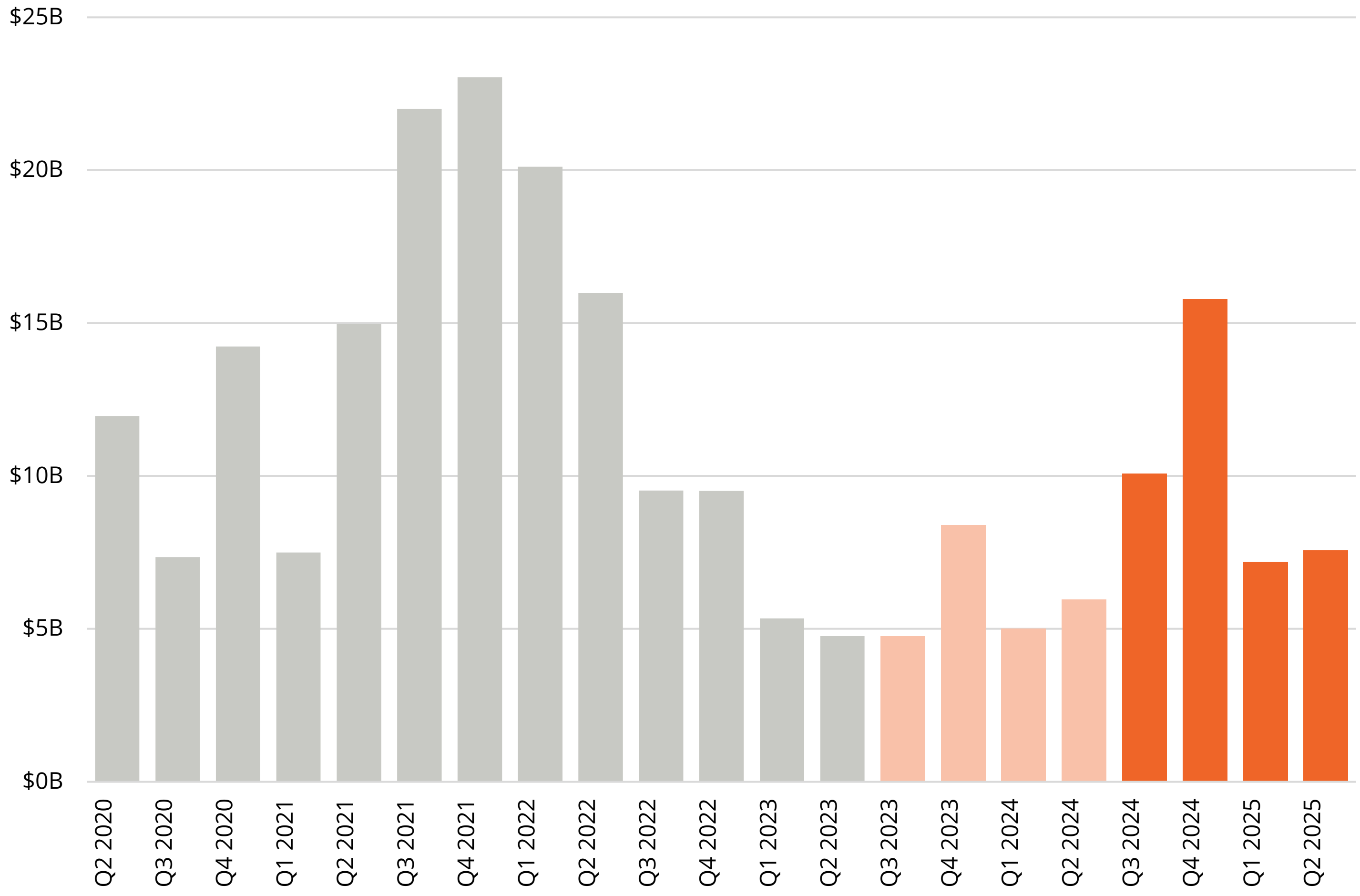


U.S. office leasing activity totaled 138 msf in the first half of 2025, falling 16.2% short of the pre-COVID H1 average (2000-2019) and down 13.9% from H1 2024.

110 leases have exceeded 100,000 square feet (sf) in so far in 2025—a 7% drop compared to H1 2024.

Source: Avison Young Market Intelligence, CoStar

Office sales volume



Office sales volume over the last four quarters grew 68% compared to the previous four.

Of the $40.6 billion in office product sold over the past four quarters, over 71% came from trophy and class A product.

Major markets like Manhattan, Miami, Los Angeles, Chicago, Houston, and Dallas saw a significant uptick in sales volume over this time frame.

Source: Avison Young Market Intelligence, RCA

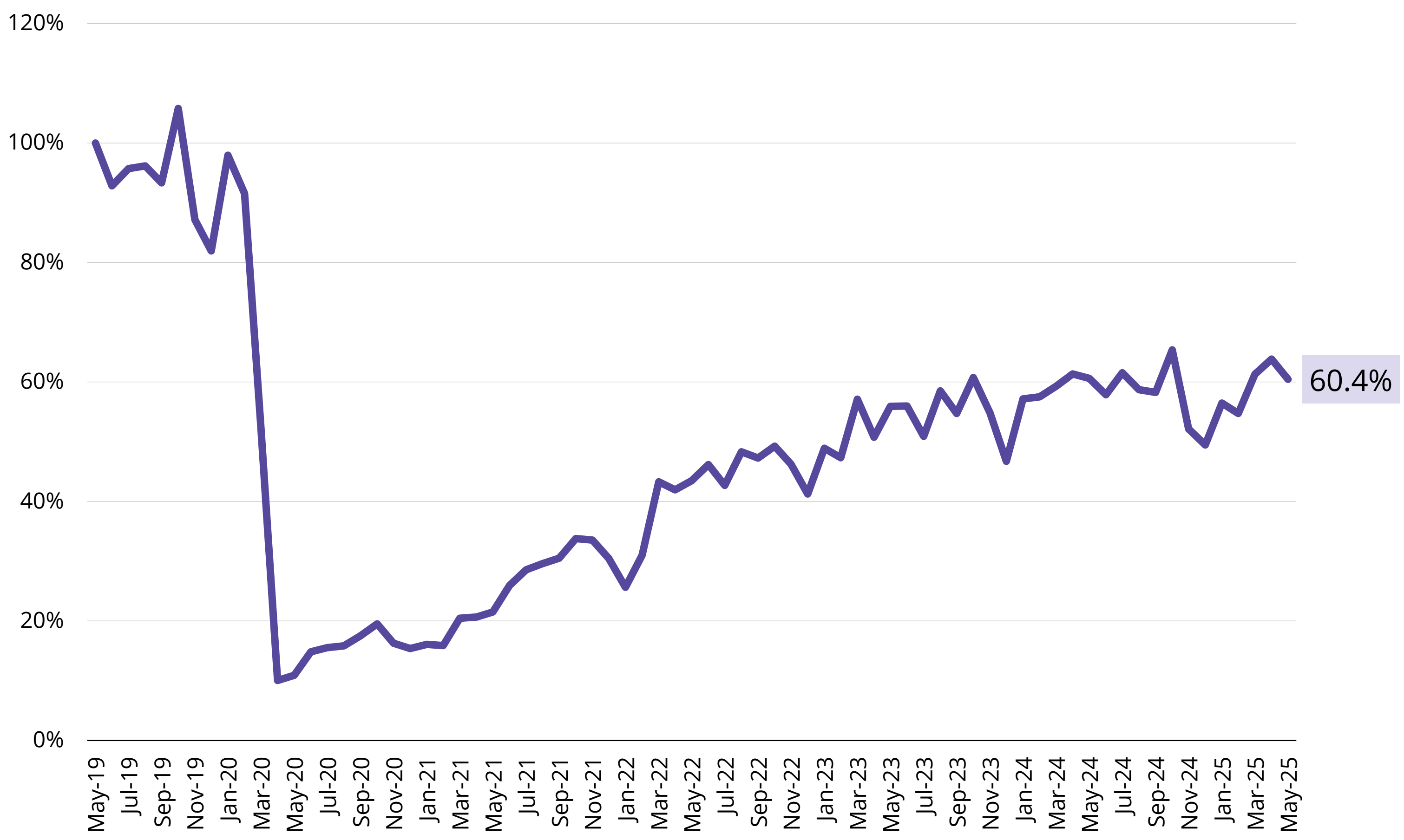
Introducing

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, May 2019 vs. May 2025

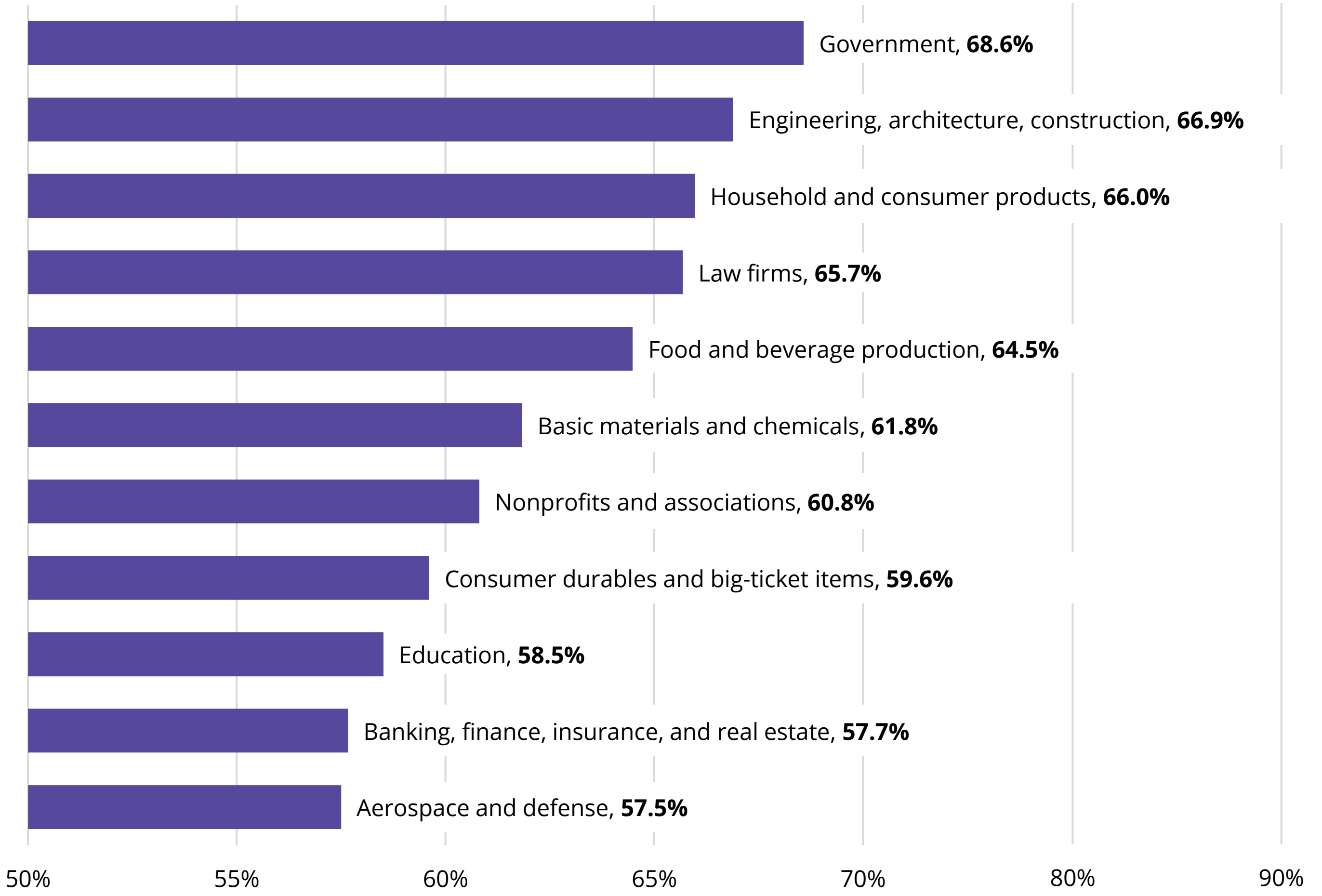


Source: Avison Young Market Intelligence, Placer.ai

As of May 2025, office buildings across the U.S. are 60.4% as busy as they were in May 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.

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

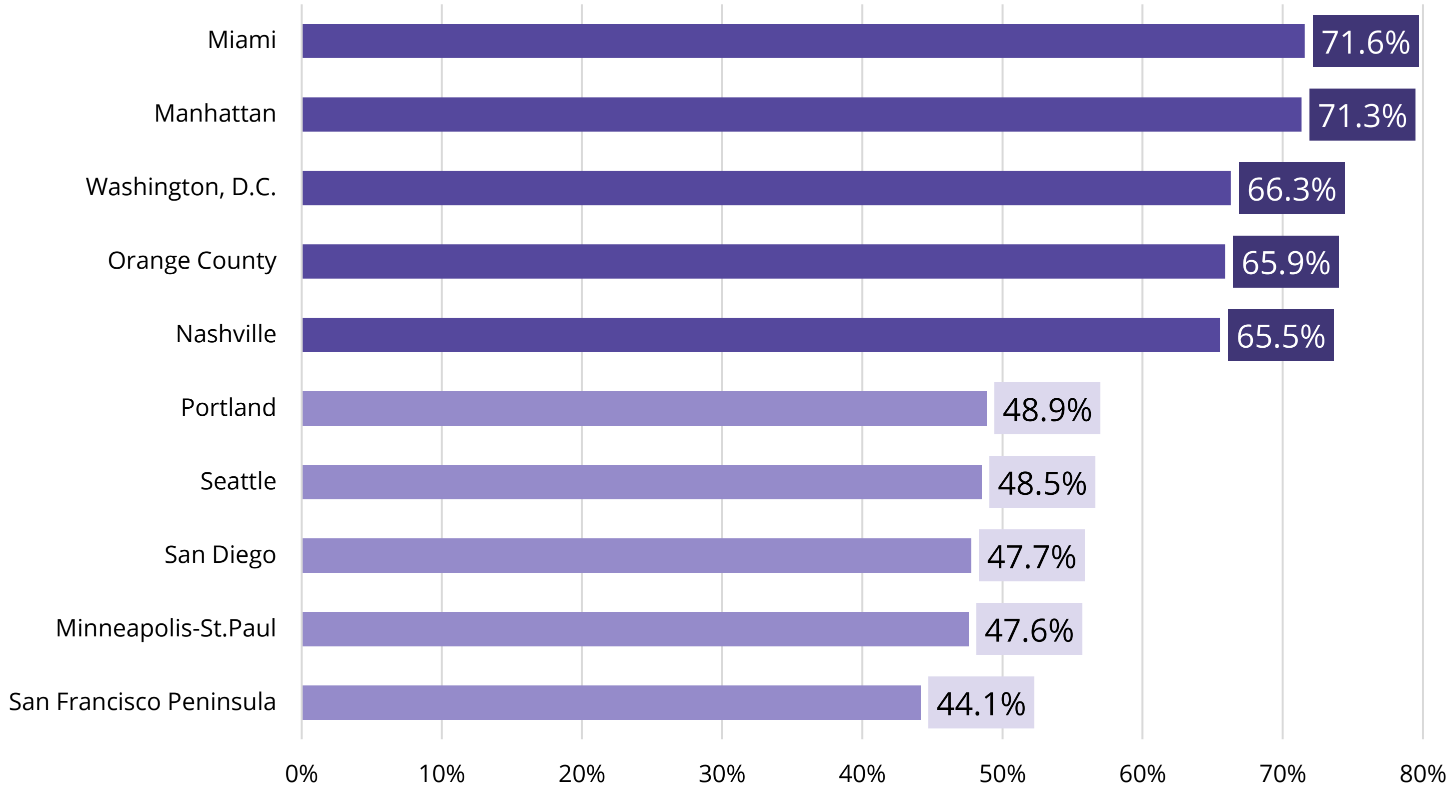


Certain industries across the U.S. have seen stronger office busyness than others compared to 2019. As of May 2025, government and engineering/architecture firms—for example—were at 68.6% and 66.9% of their 2019 levels, respectively.

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

Source: Avison Young Market Intelligence, Placer.ai

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

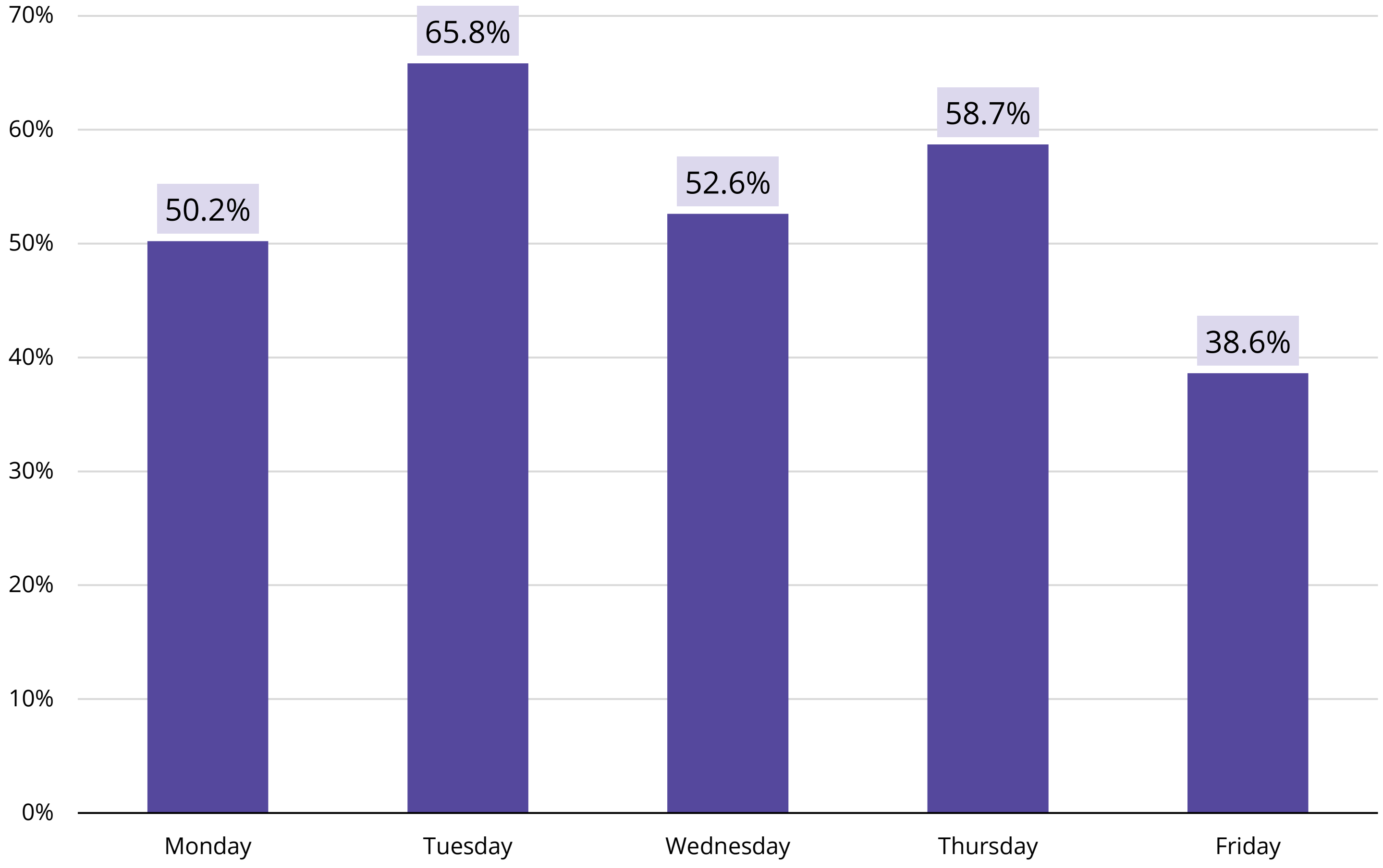


Source: Avison Young Market Intelligence, Placer.ai

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

Miami and Manhattan—for example—were at over 71% of their May 2019 levels as of May 2025. On the other hand, San Francisco Peninsula and Minneapolis have not recovered as well, at 44.1% and 47.6%, respectively.

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



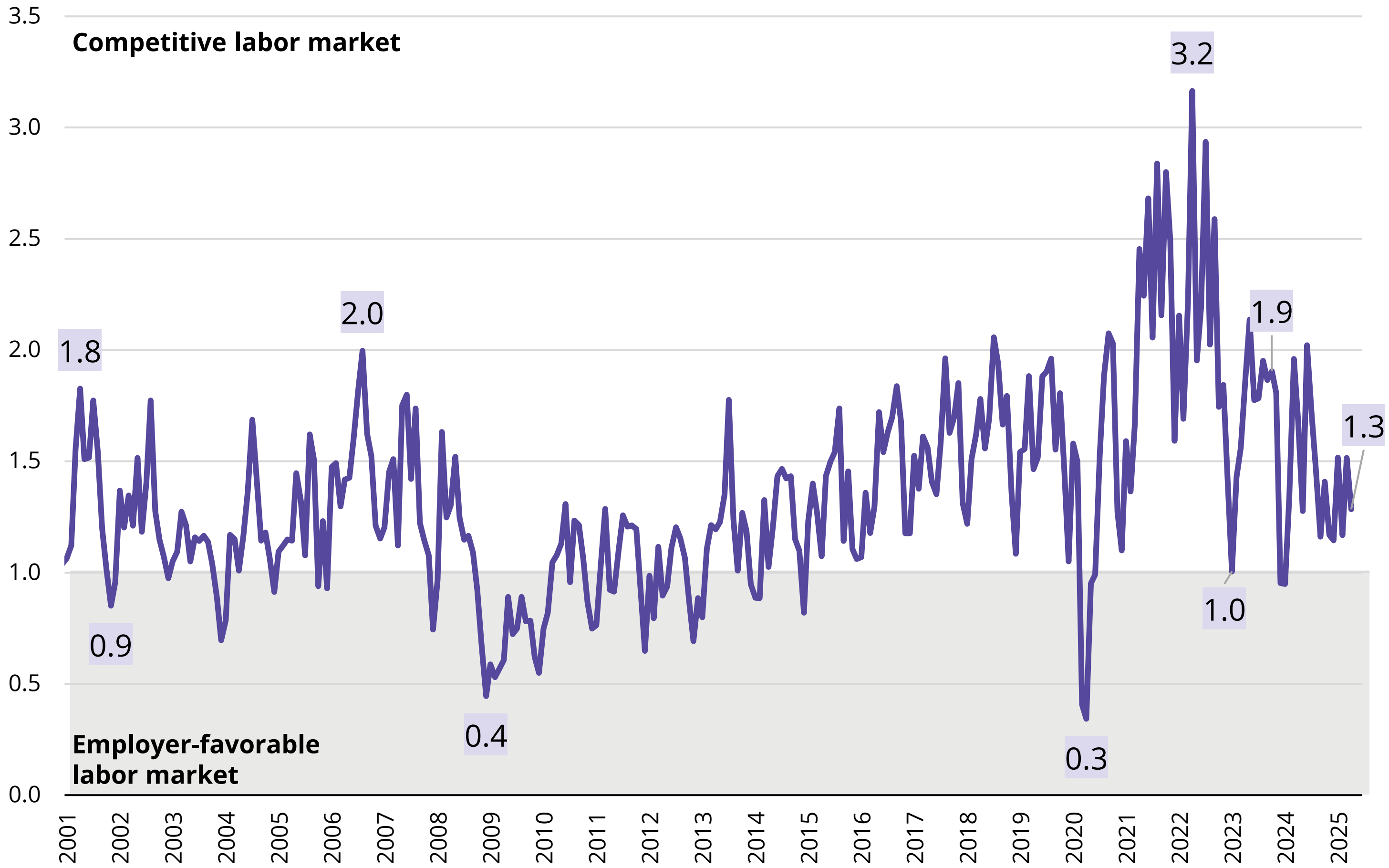
Looking at office busyness across the U.S. by day of the week, it is no surprise that Tuesday through Thursday led the way in May 2025 when compared to 2019.

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.

Source: Avison Young Market Intelligence, Placer.ai

U.S. office market drivers

Office quits-to-layoffs/discharges ratio

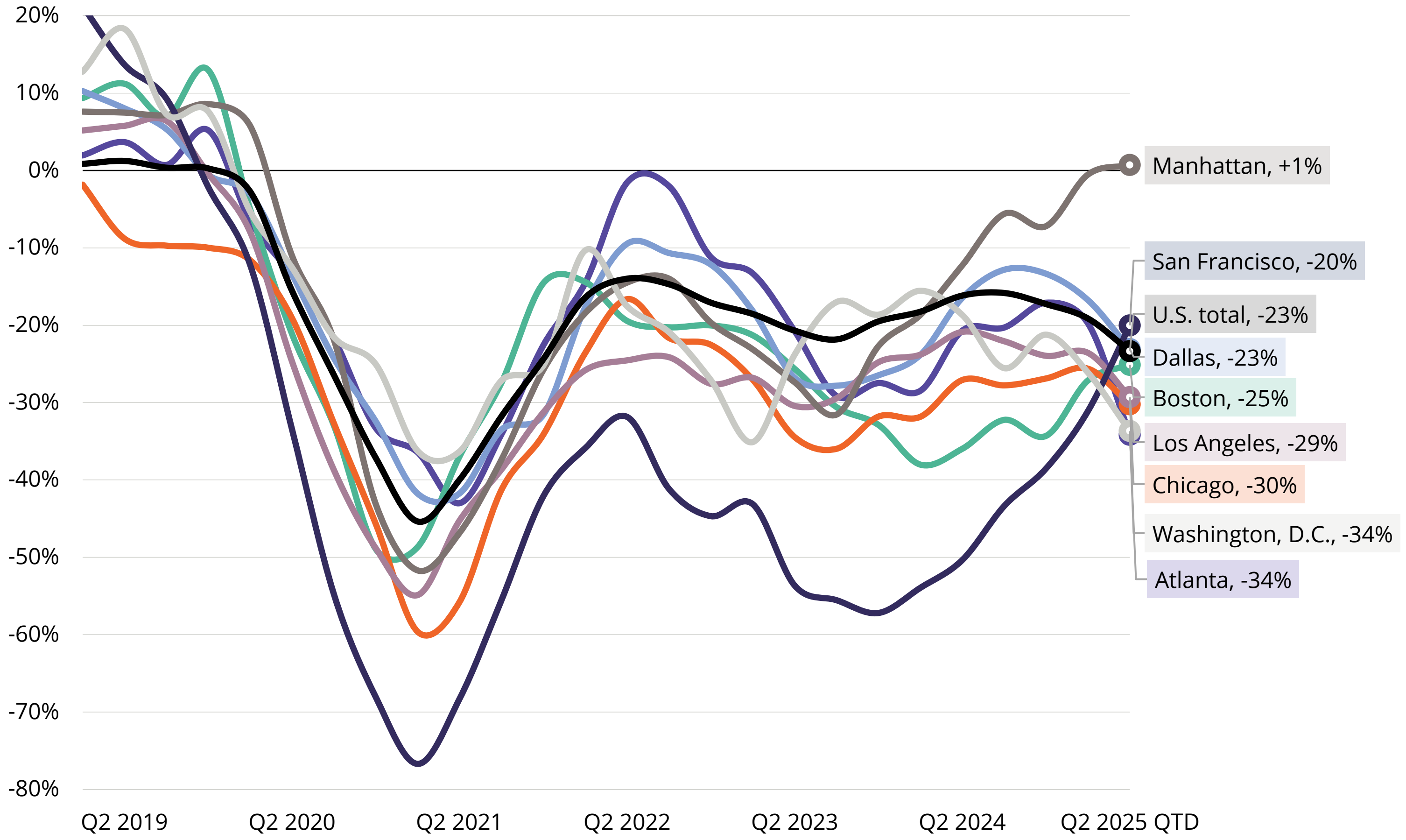


The quits-to-layoffs/discharges ratio measures the tightness of the office labor market.

As of the end of April 2025, the ratio, or employee leverage, sits at 1.3. Employee leverage has fallen considerably since the end of 2023 (2.0).

Source: Bureau of Labor Statistics

Leasing activity, rolling four-quarter average vs. pre-COVID average (2015-2019)



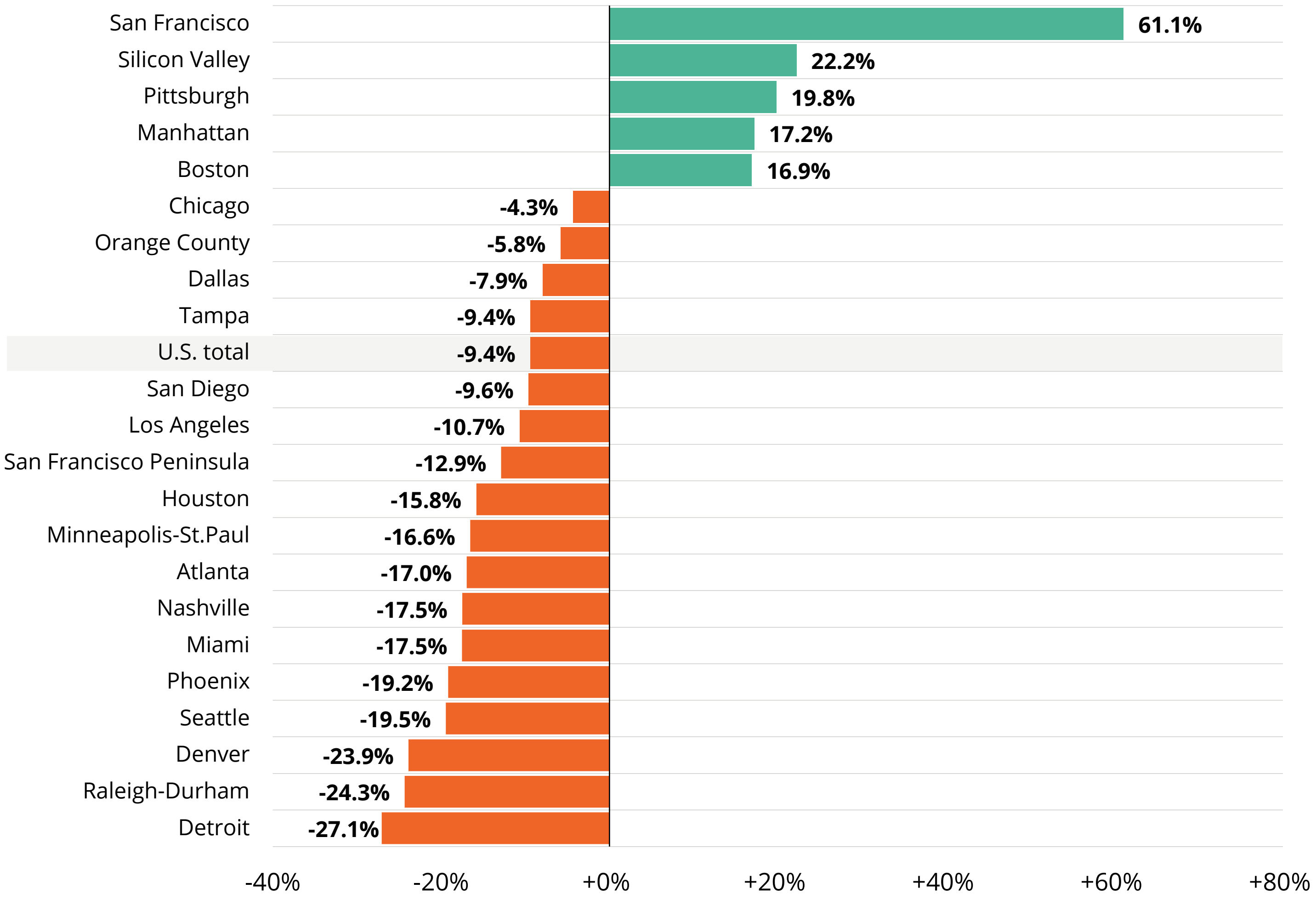
While overall leasing activity in most markets remains below pre-COVID norms, the pace of recovery continues to vary widely by location.

Manhattan is nearing full recovery, with leasing volumes over the past four quarters approaching pre-pandemic levels.

San Francisco, though still 20% below its pre-COVID benchmark, has posted impressive gains over the past two years, signaling a notable rebound in tenant demand.

Source: Avison Young Market Intelligence, Costar

YoY changes (%) in leasing volume by market



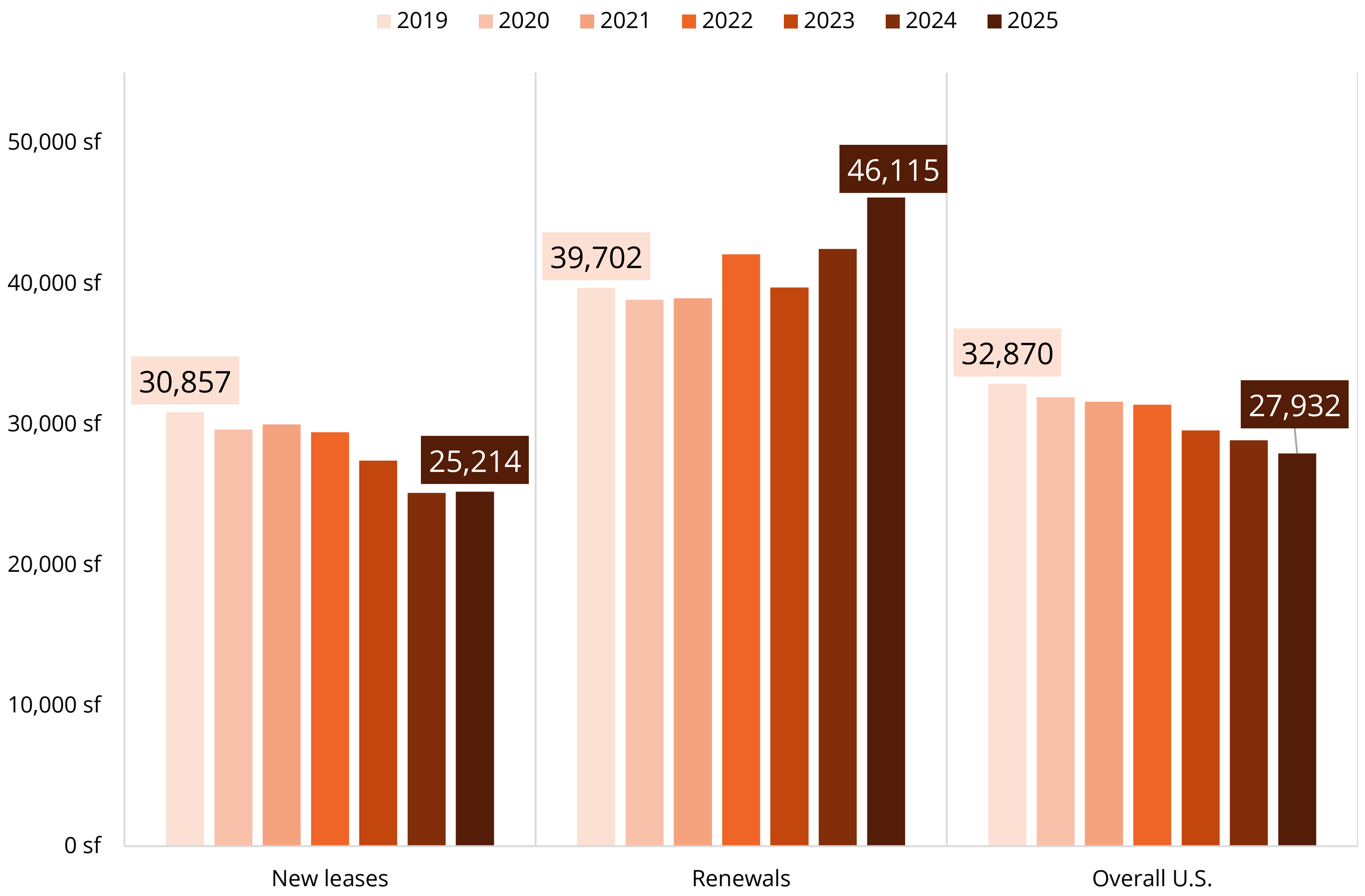
Source: Avison Young Market Intelligence, RCA

Year-over-year changes in leasing volume offer a snapshot of recent momentum—and potentially a signal of sustained recovery ahead.

San Francisco leads all markets with more than 61% annual growth, while Silicon Valley, Boston, and Manhattan have also posted solid gains.

In contrast, markets like Denver, Raleigh-Durham, and Detroit have seen leasing activity decline by over 20%, highlighting the uneven pace of recovery across regions.

U.S. average office lease size



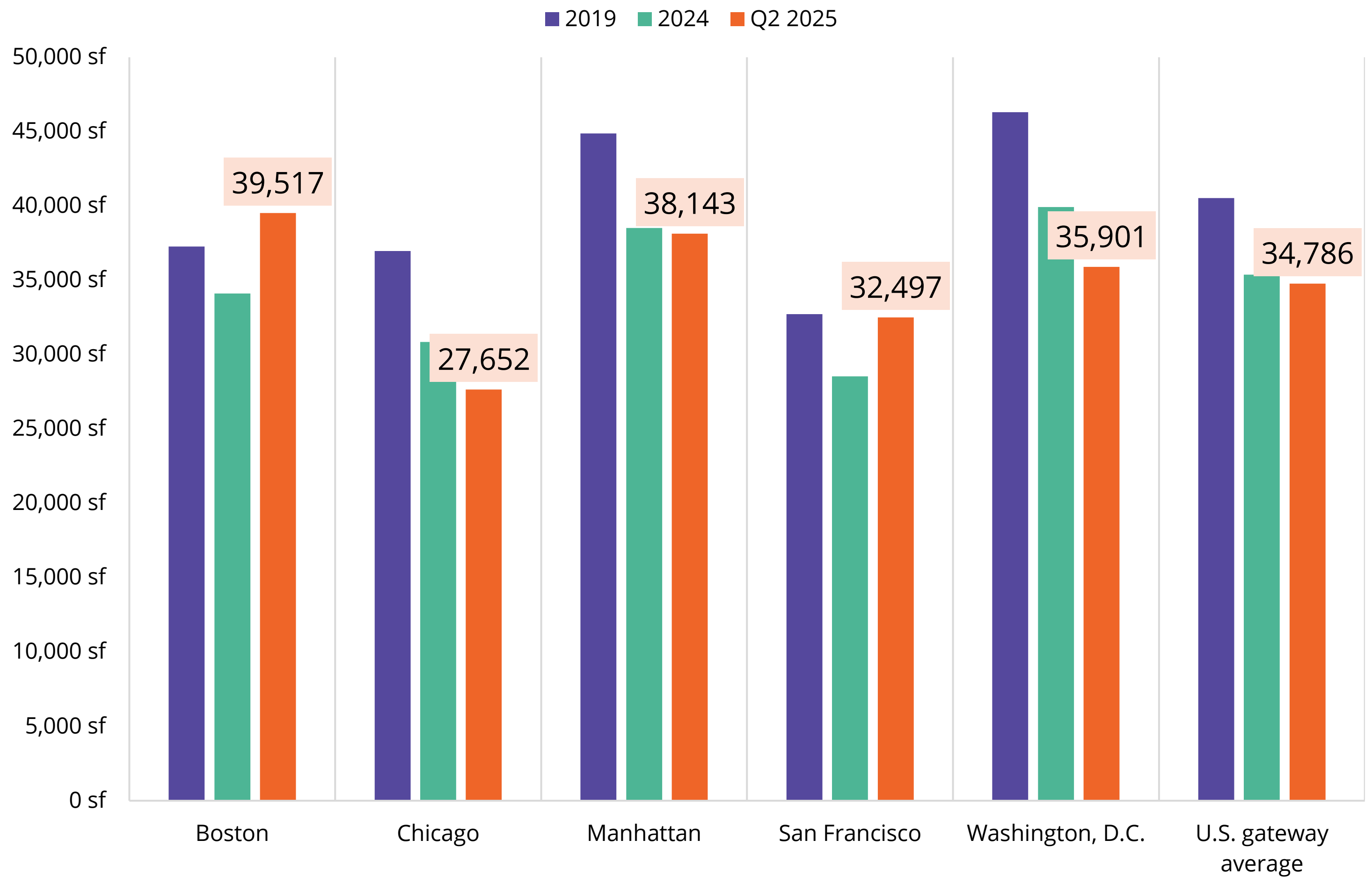
Leases 10,000 sf+
Source: Avison Young Market Intelligence, CoStar

Average lease sizes across the U.S. have continually decreased from 2019 to 2025 (-15%). This is driven entirely by new leases.

Renewals, on the other hand, have increased in average lease size by 16.2% across the U.S. compared to 2019.

However, the number of large renewals have dropped significantly in 2025 pulling down the overall average.

Average office lease size by gateway markets

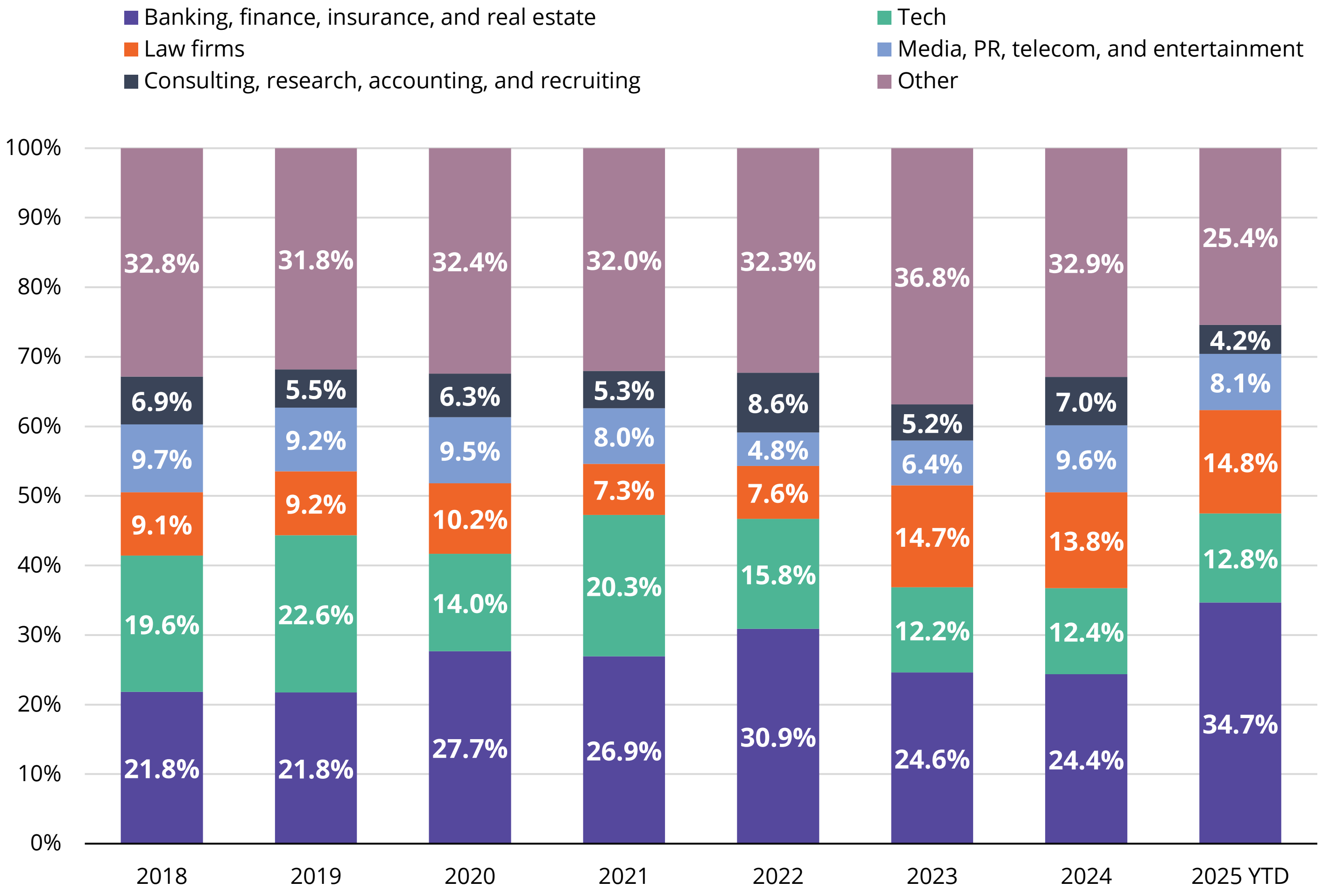


Leases 10,000 sf+
Source: Avison Young Market Intelligence, CoStar

Through H1 2025, average lease sizes in both Boston and San Francisco have eclipsed 2024 and 2019 averages.

Nationally, the average lease size has fallen 1.7% year over year and is down 14.2% from 2019 levels.

Leasing activity share by major industry

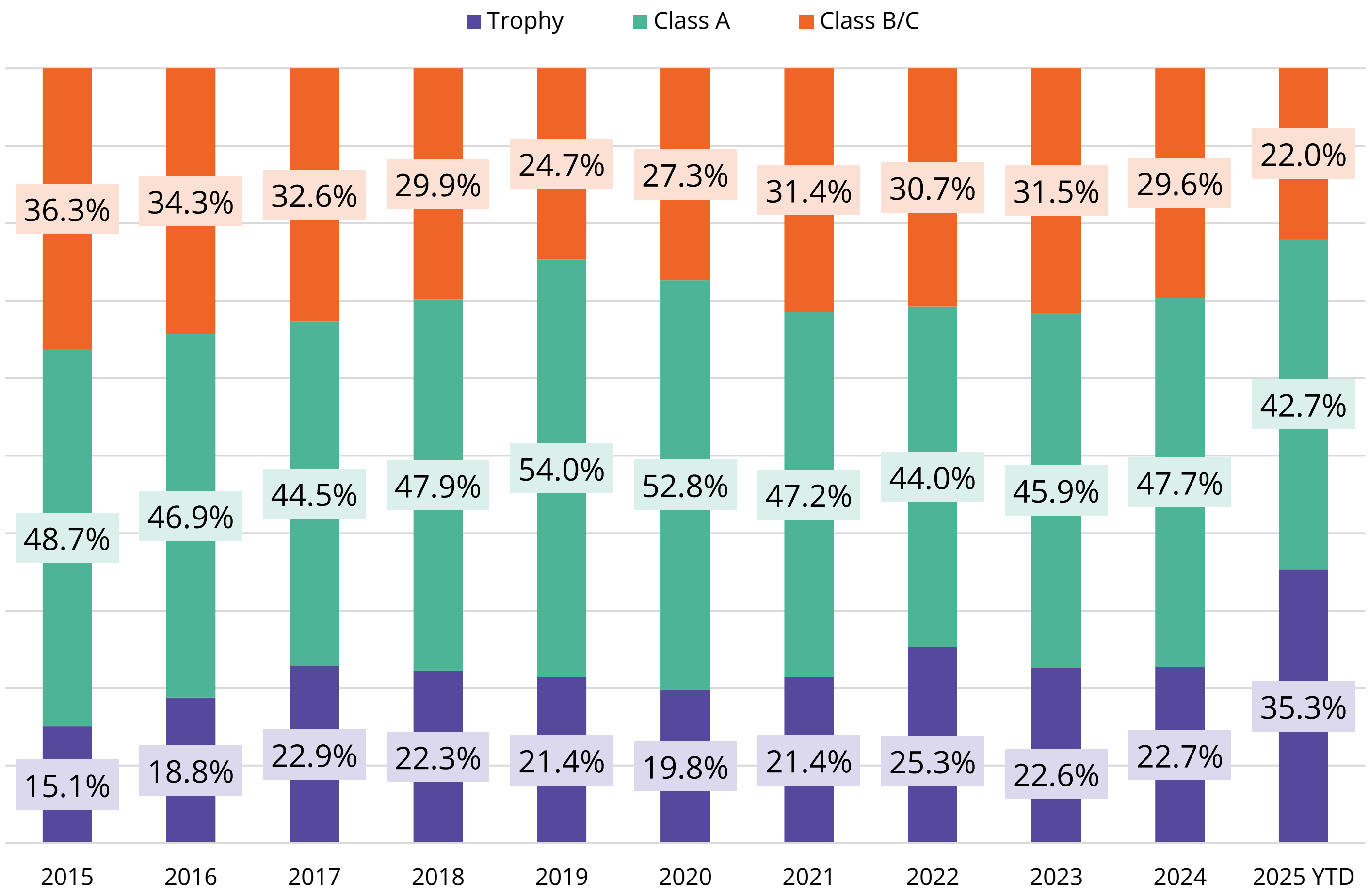


Boston, Manhattan, San Francisco, Washington, D.C.
Source: Avison Young Market Intelligence

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 H1 2025.

Transaction activity by asset class

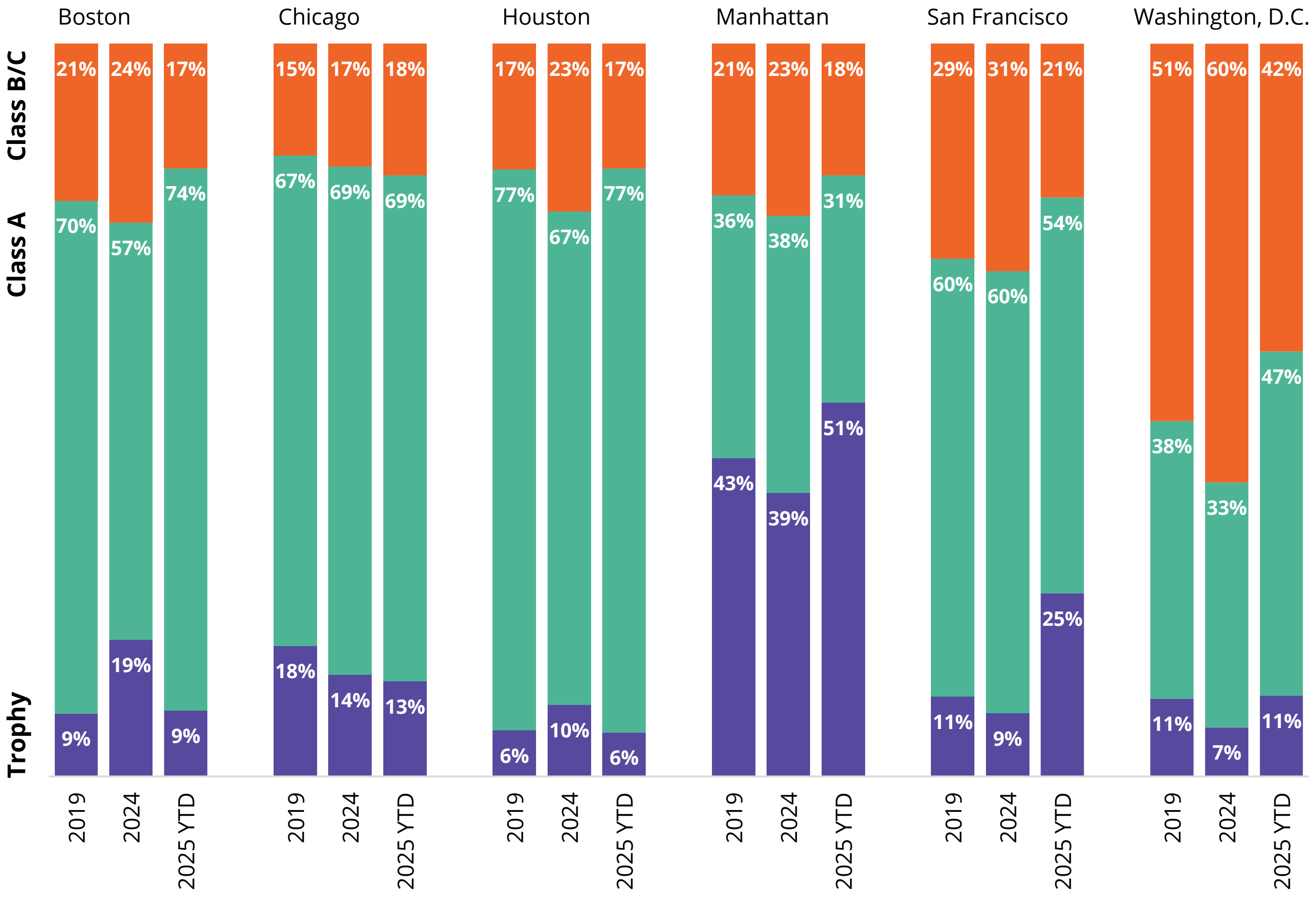


Chicago, Boston, Houston, Manhattan, San Francisco, Washington, D.C. Includes direct and subleases.
Source: Avison Young Market Intelligence

Proportional transaction activity in trophy assets nearly doubled in the first half of 2025 from its traditional levels.

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

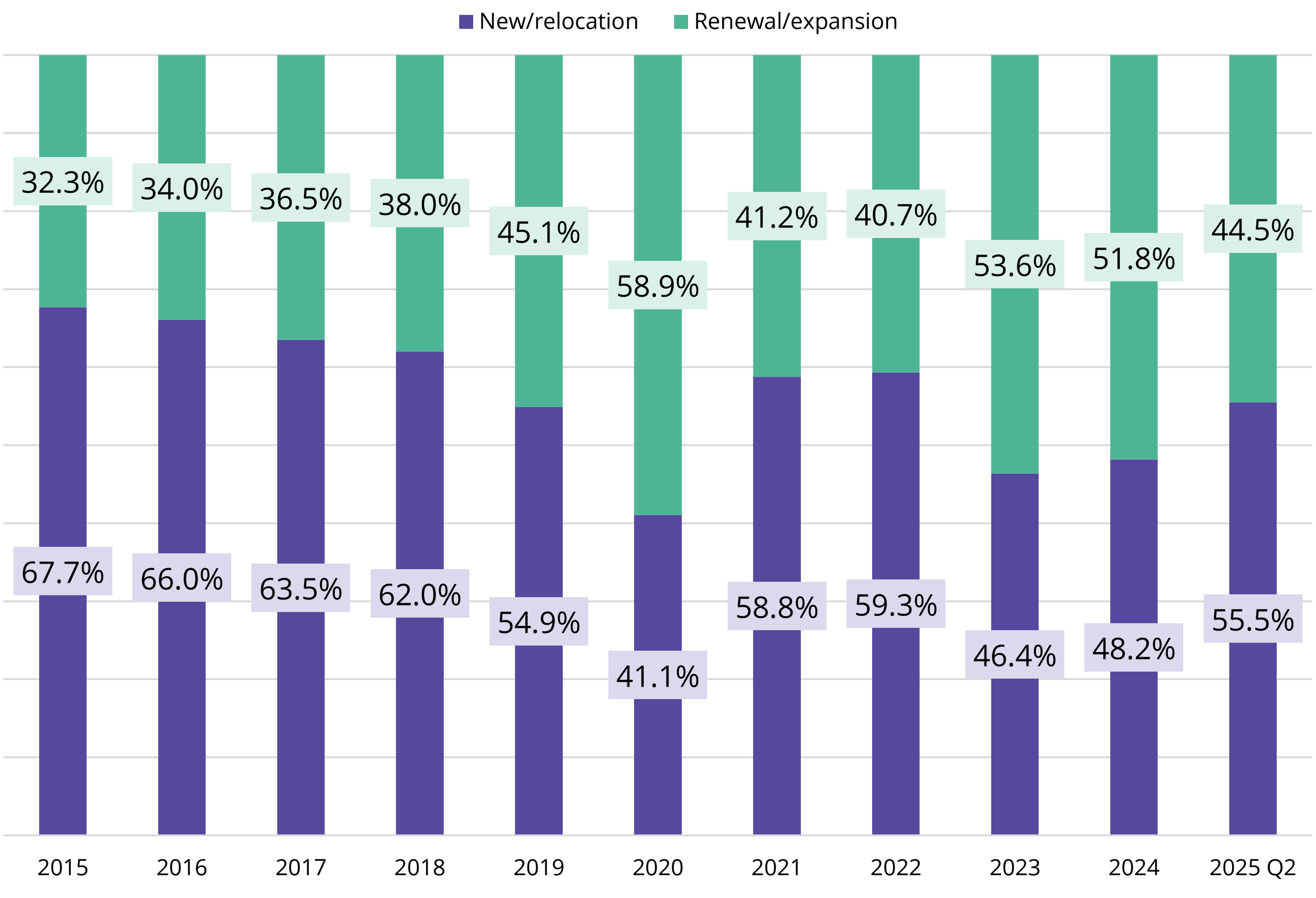
Transaction activity by asset class



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

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 Q2 2025.

Transaction activity by lease type

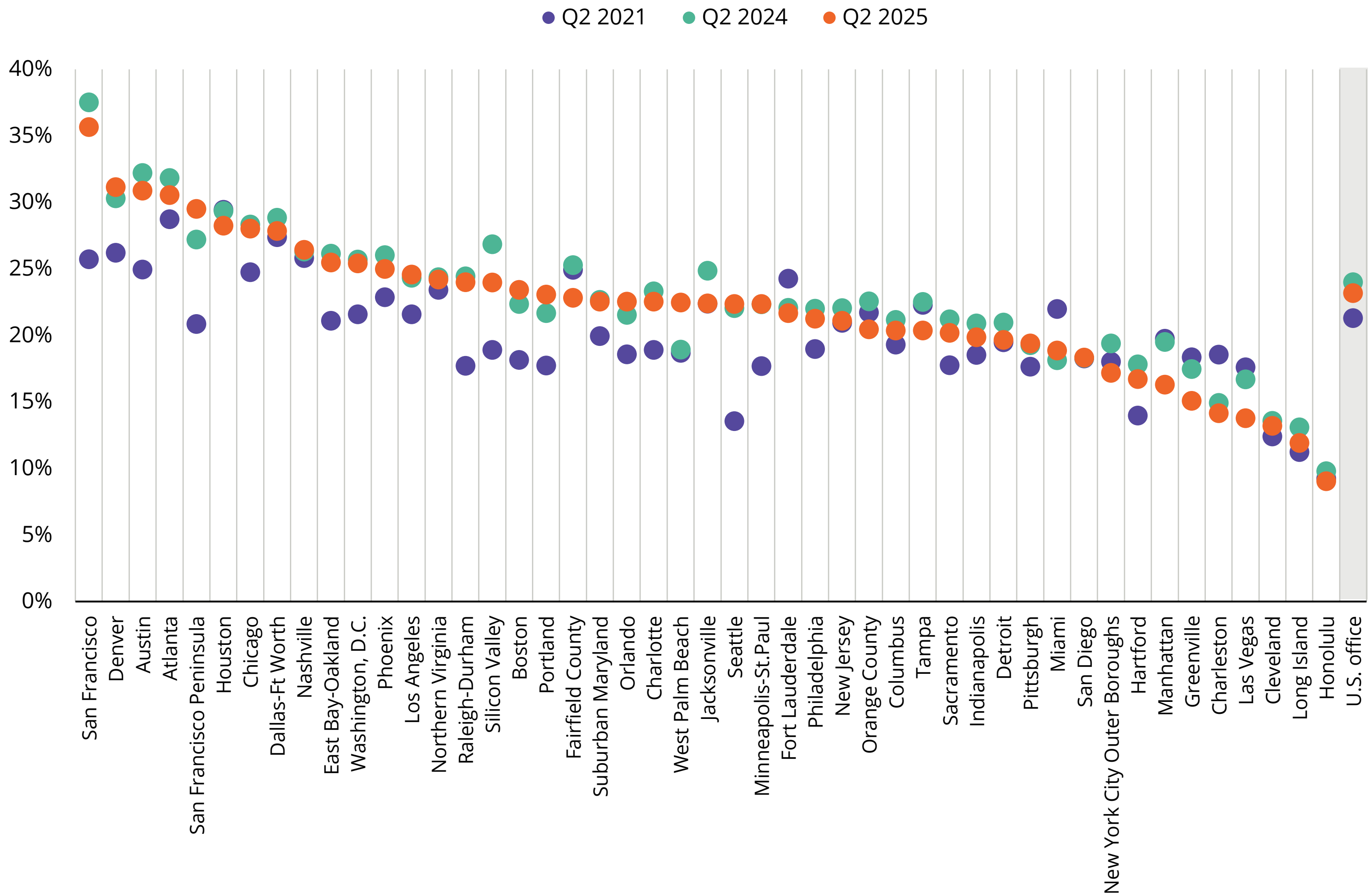


Boston, Manhattan, San Francisco, Washington, D.C.
Direct leases only.
Source: Avison Young Market Intelligence, CoStar

As of Q2 2025, renewal and expansion activity has decreased to 44.5% of total leasing transactions, down from 51.8% in 2024.

New and relocation leases accounted for 55.5% of deals—which, if sustained, will mark three consecutive years of growth.

Office availability rate by market, Q2 2021–Q2 2025



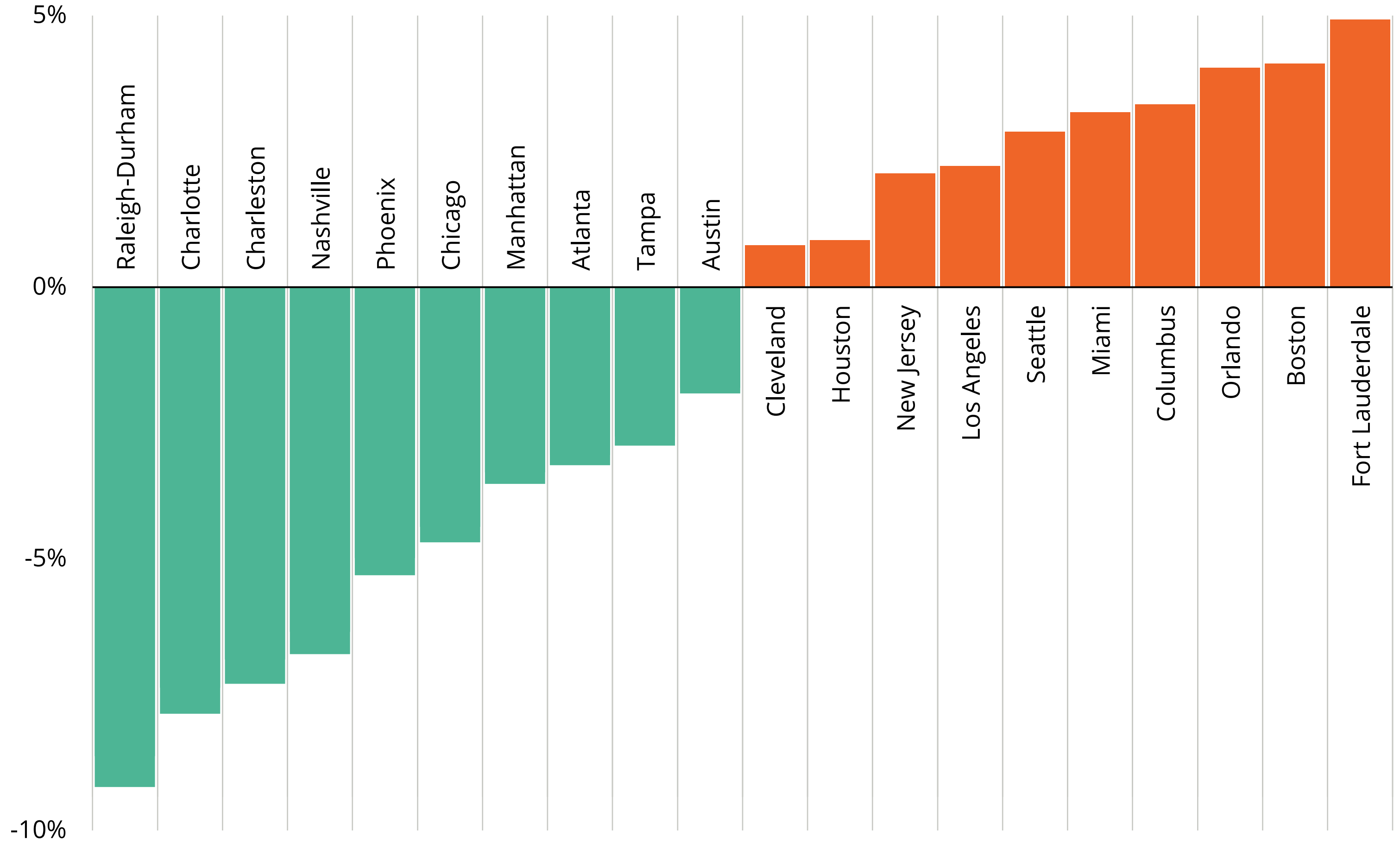
Although availability remains elevated relative to historical norms, national rates have begun to improve over the past year.

At 23.2%, the current U.S. office availability rate is still 270 bps above its Q2 2021 level—but it has declined by 80 bps year over year.

Markets like Manhattan, Orange County, and Tampa have posted meaningful improvements. In fact, 74% of tracked U.S. markets saw availability rates decline compared to Q2 2024, signaling a gradual shift in supply-demand dynamics.

Source: Avison Young Market Intelligence, CoStar

Largest YoY availability changes, trophy (Q2 2024 vs. Q2 2025)



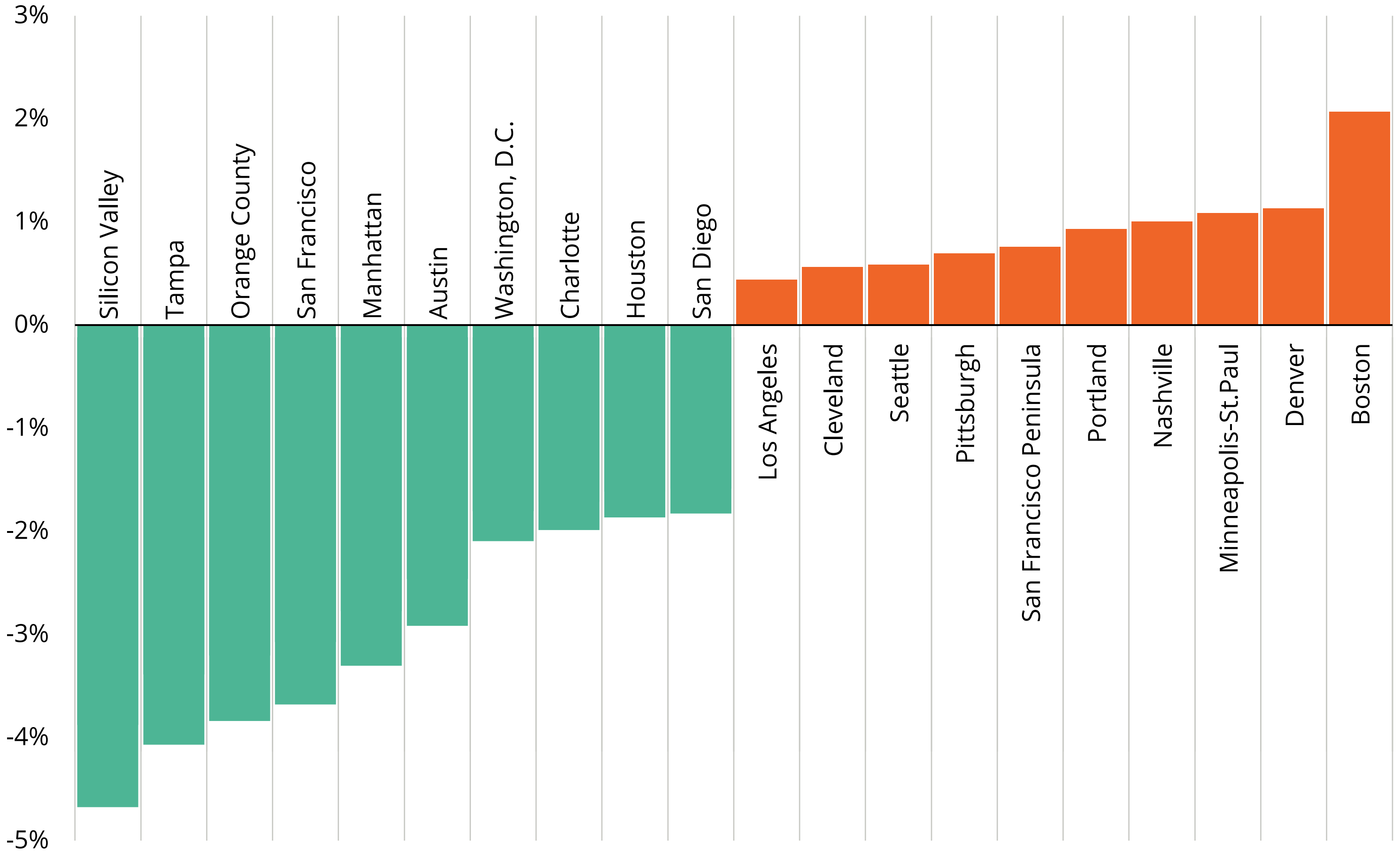
Trophy availability has shifted significantly across markets over the past year.

Raleigh (-9.2%), Charlotte (-7.9%), and Charleston (-7.3%) posted the largest year-over-year declines, while gateway markets like Manhattan, Chicago, and Atlanta also saw decreases.

In contrast, Fort Lauderdale (+4.9%), Boston (+4.1%), and Orlando (+4.0%) experienced rising availability, underscoring the market-by-market variability in high-end supply.

Source: Avison Young Market Intelligence, CoStar

Largest YoY availability changes, class A (Q2 2024 vs. Q2 2025)



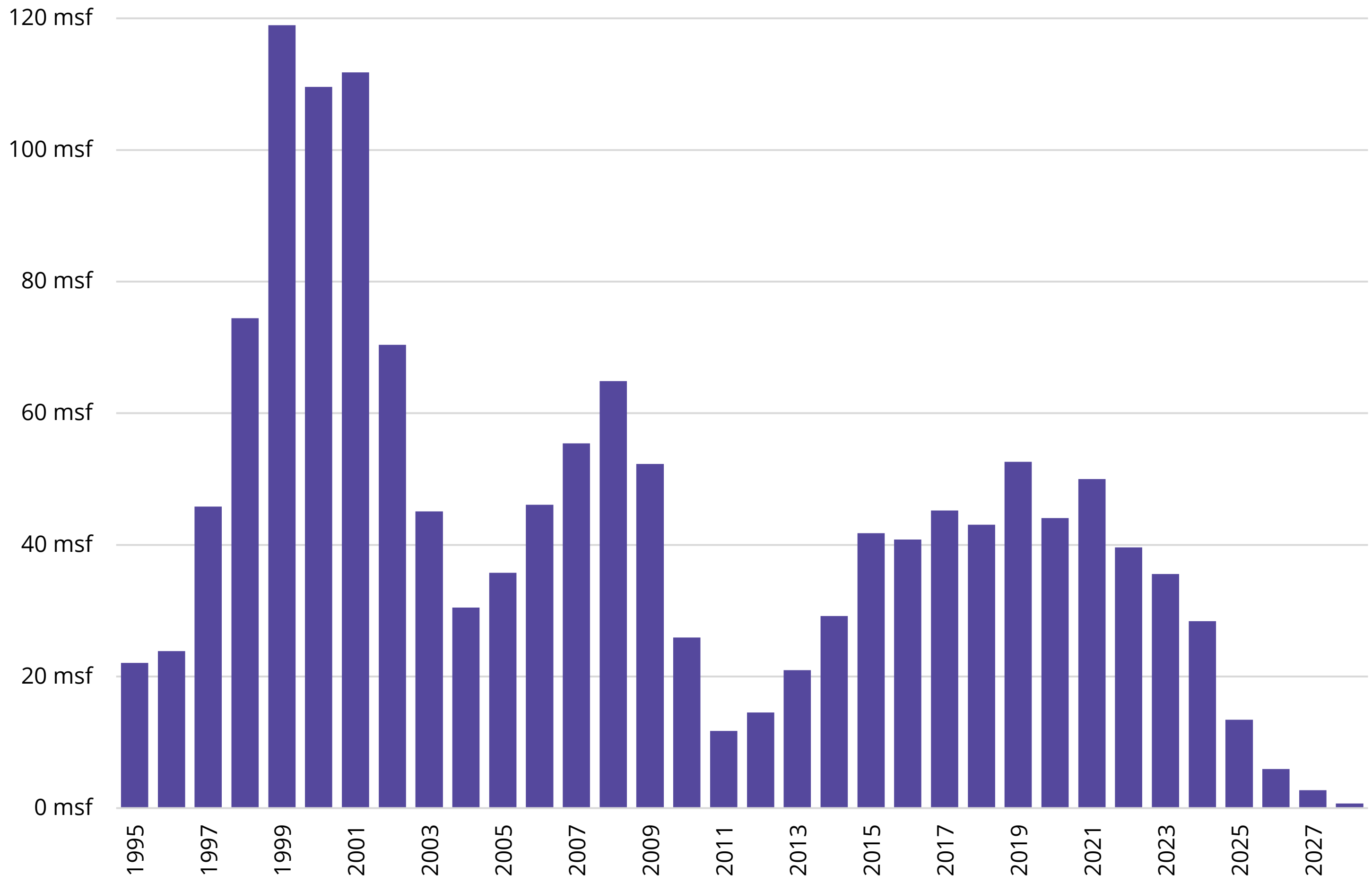
Class A availability has shifted unevenly across U.S. markets over the past year.

Silicon Valley (-4.7%), Tampa (-4.1%), and Orange County (-3.8%) recorded the largest year-over-year declines, reflecting tightening conditions in select Sun Belt and tech-driven markets.

Meanwhile, availability rose in markets like Boston (+2.1%), Minneapolis (+1.1%), and Denver (+1.1%).

Source: Avison Young Market Intelligence, CoStar

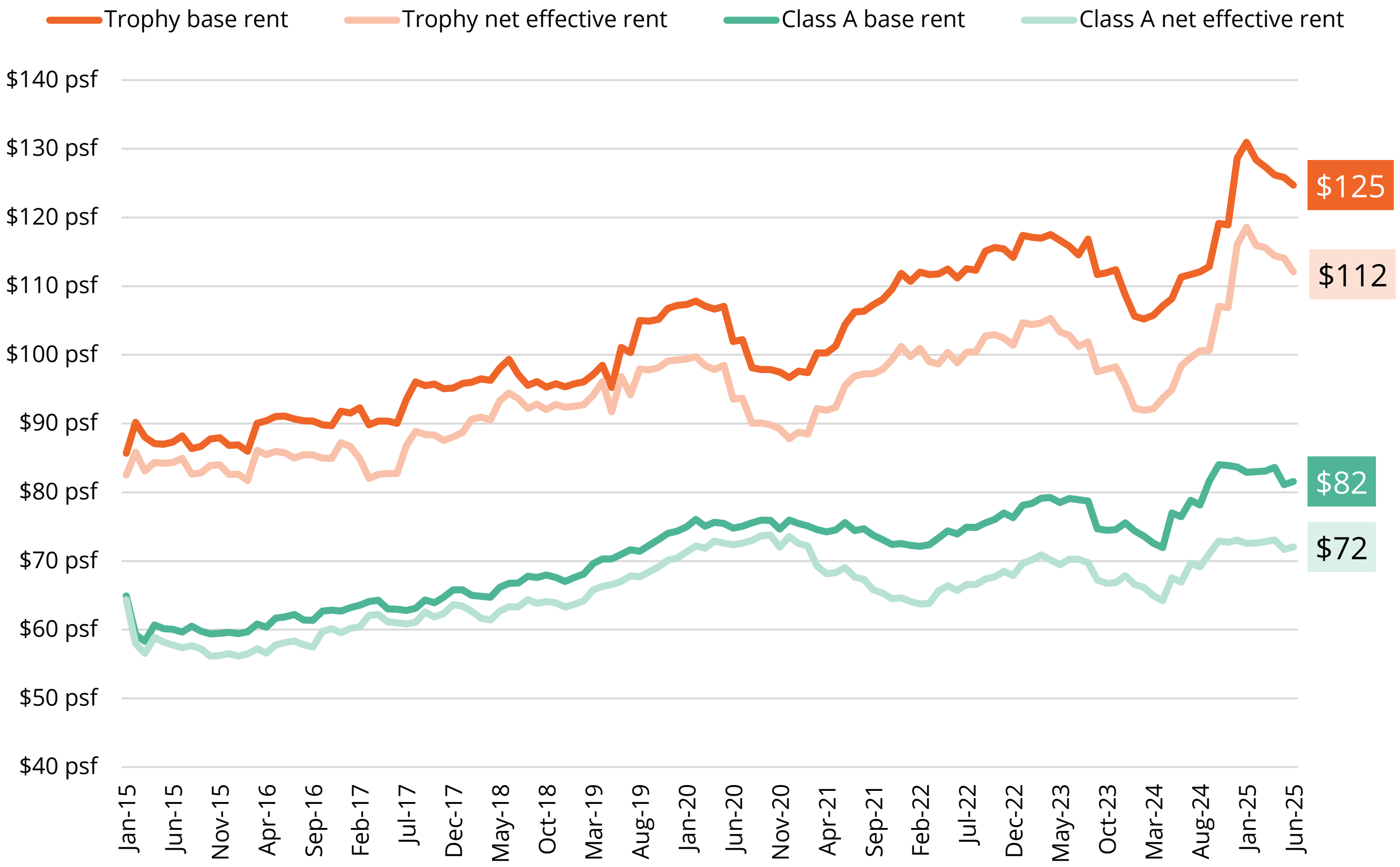
Office construction deliveries



Market uncertainty, raised interest rates, and elevated construction costs have halted new office supply. The lack of new construction continues to constrain demand for high-quality office space.

Source: Avison Young Market Intelligence

Gateway market base and net effective rents by class



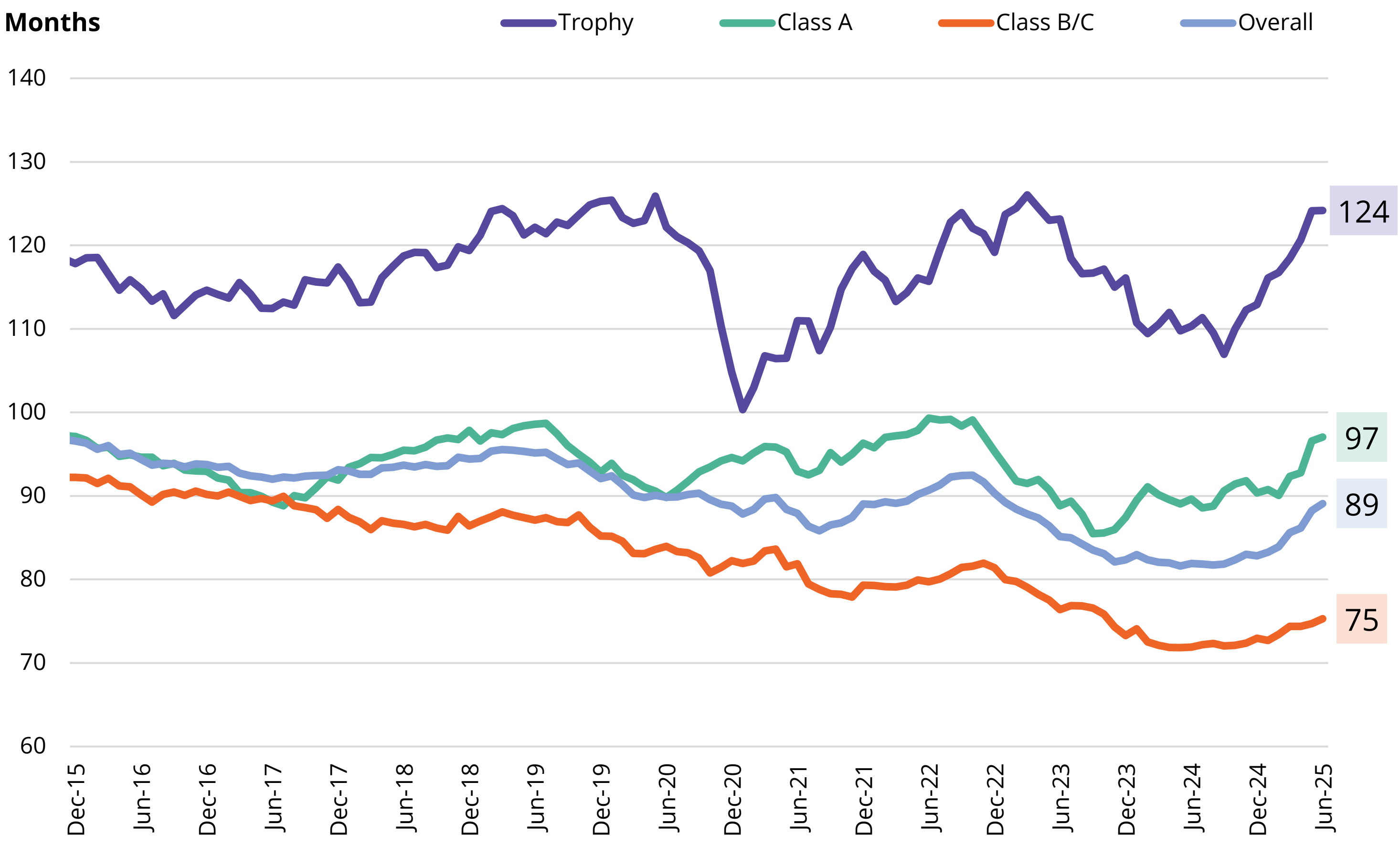
Boston, Manhattan, San Francisco, Washington, D.C.
Direct relocations only.
Source: Avison Young Market Intelligence

Rising demand for trophy space has pushed large blocks in trophy+ properties to near full occupancy.

As a result, much of the leasing activity has shifted to standard trophy buildings, pulling down base and net effective rents within the segment.

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

Gateway market lease term length by class

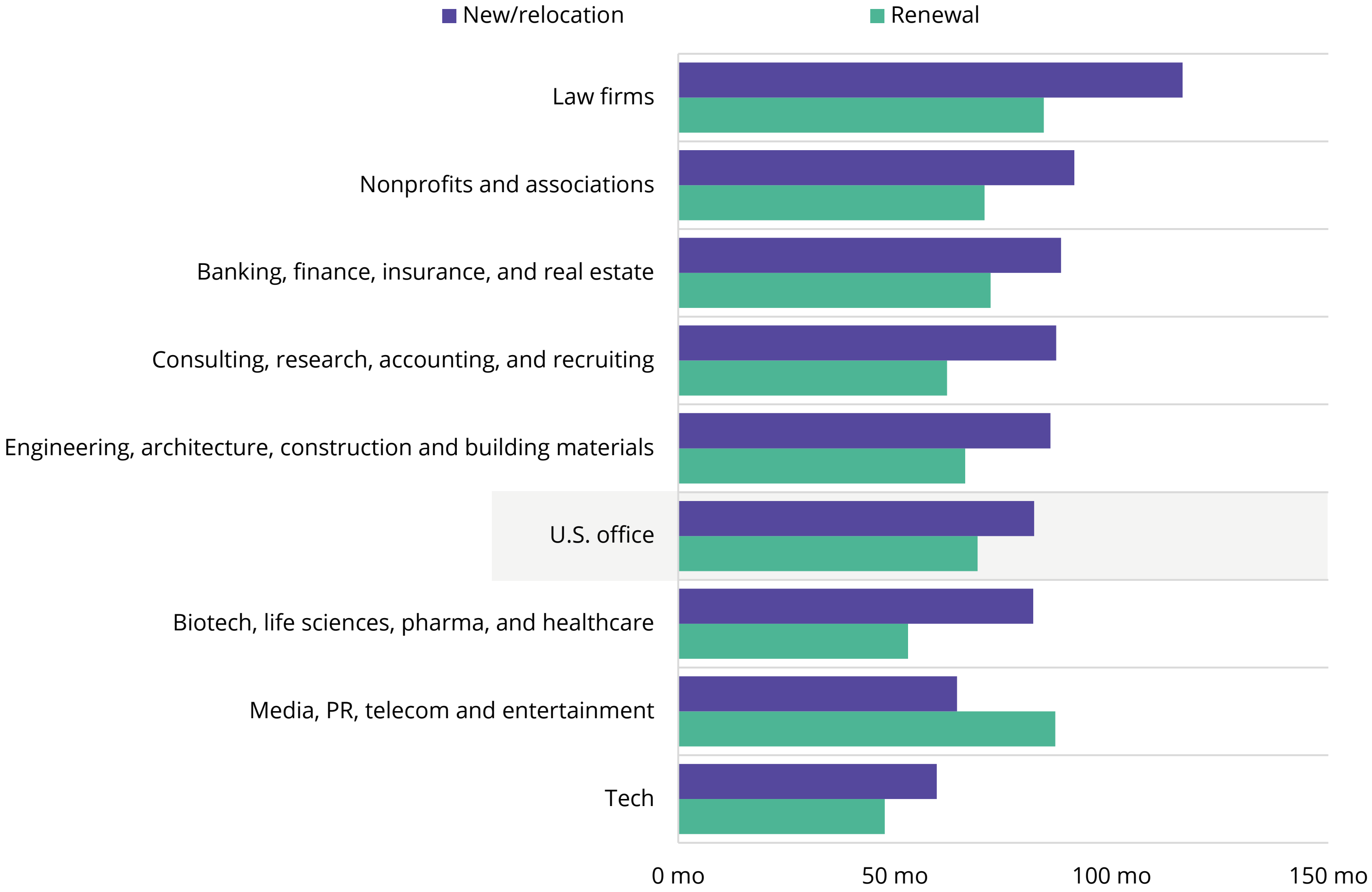


Boston, Manhattan, San Francisco, Washington, D.C.
Direct relocations only.
Source: Avison Young Market Intelligence

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.

The average class A lease term sits above the overall average by 8 months, while class B/C falls 14 months below.

Lease terms by major industries

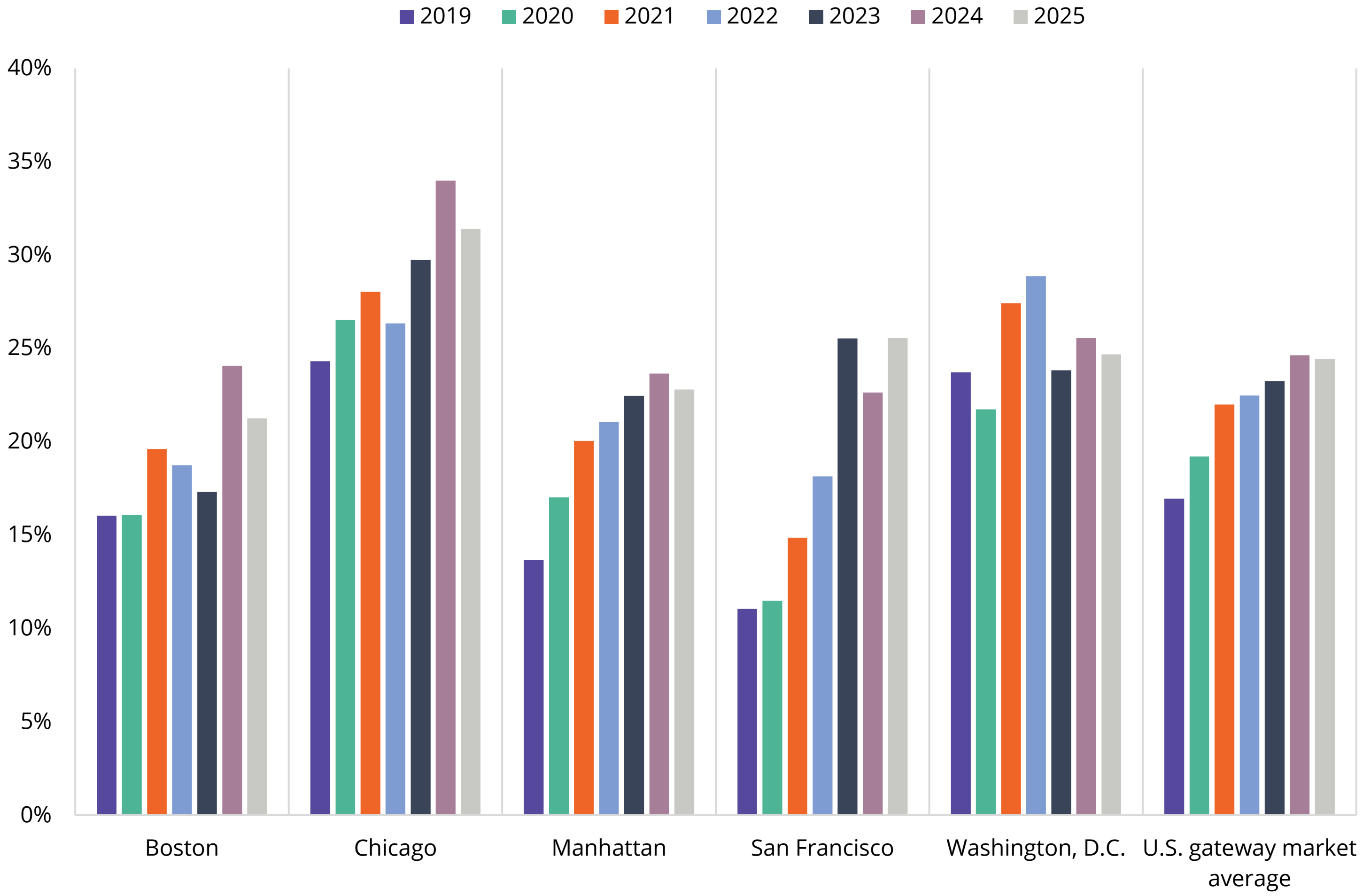


Boston, Chicago, Dallas-Ft. Worth, Los Angeles, Manhattan, San Francisco, Washington, D.C.
Data reflects 12-month average, direct and sublease.
Source: Avison Young Market Intelligence

Through the first half of 2025, the length of office lease terms in the U.S. averaged 82 months for new leases/relocations and 69 months for renewals.

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

Concessions as a share of lease term



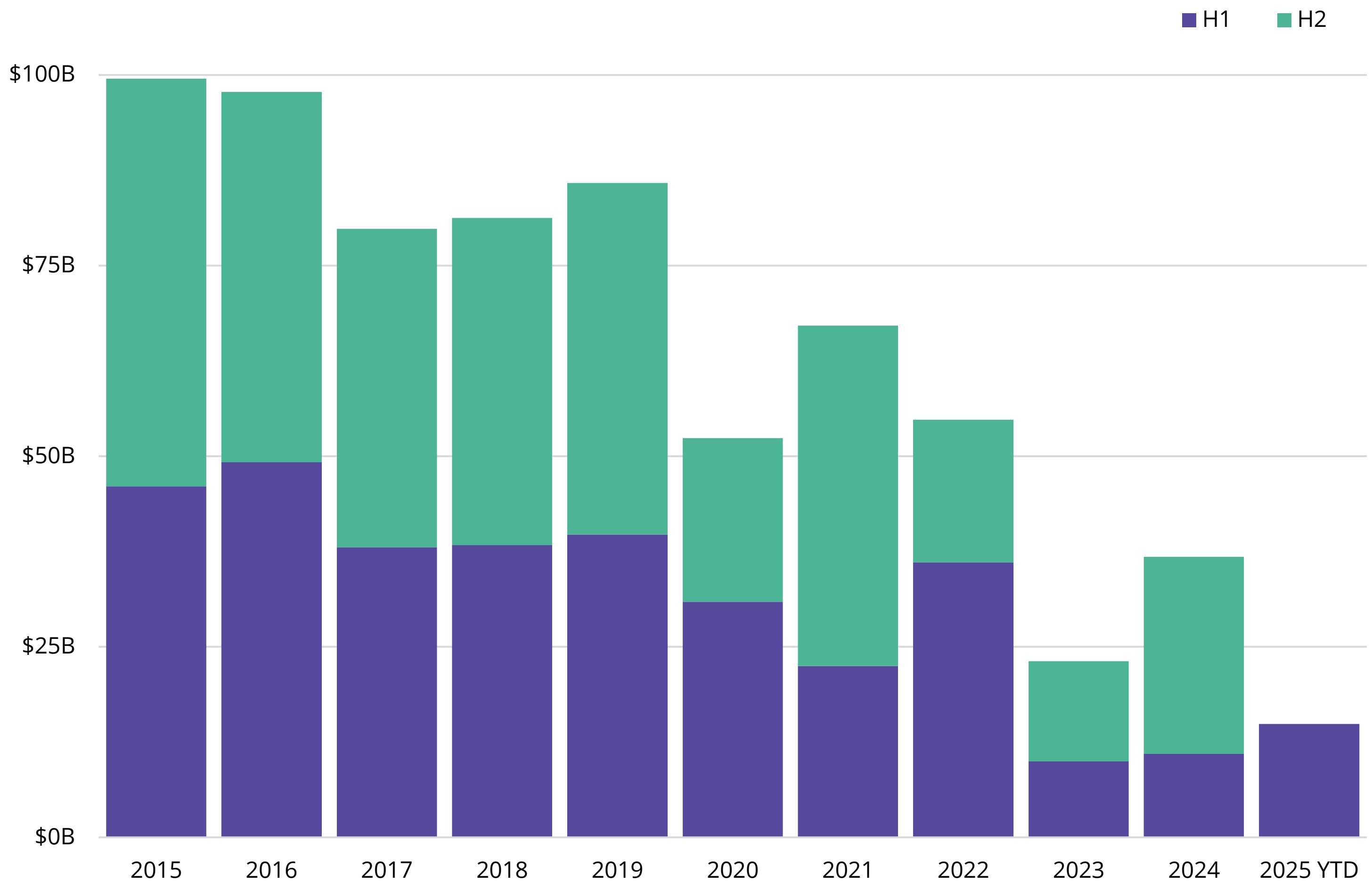
Concessions include the value of tenant improvement allowances and free rent periods. Central business districts only. Direct relocations only with 7+ year lease terms.
Source: Avison Young Market Intelligence

Through Q2 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 Q2 2025 apart from San Francisco, where concessions increased over 12%.

U.S. office capital markets conditions

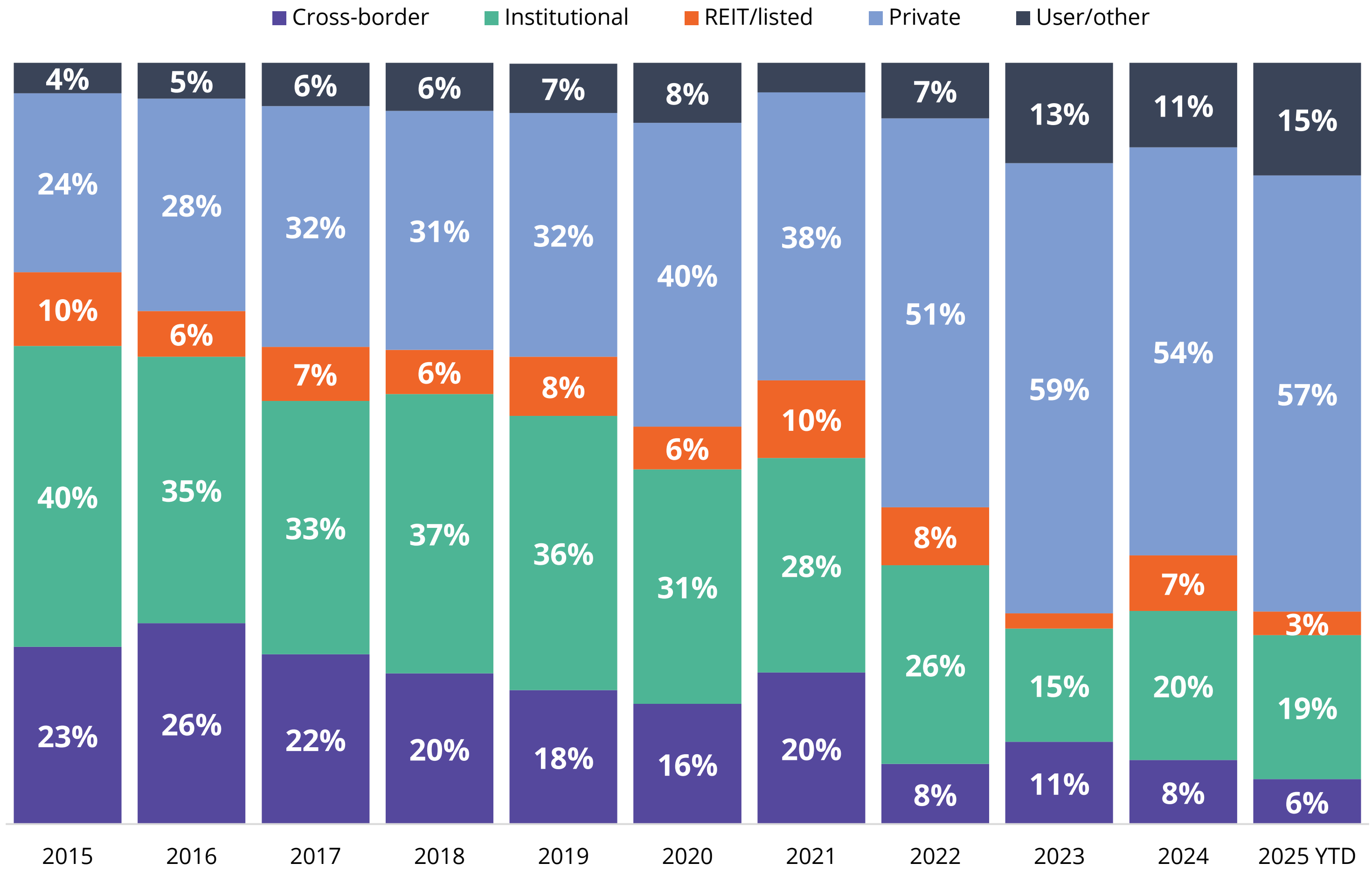
Office investment sales (H1 vs. H2)



Total investment sales across the U.S. in the first half of 2025 ($14.9B) represent a 36% growth from the same time in 2024.

.Source: Avison Young Market Intelligence, RCA

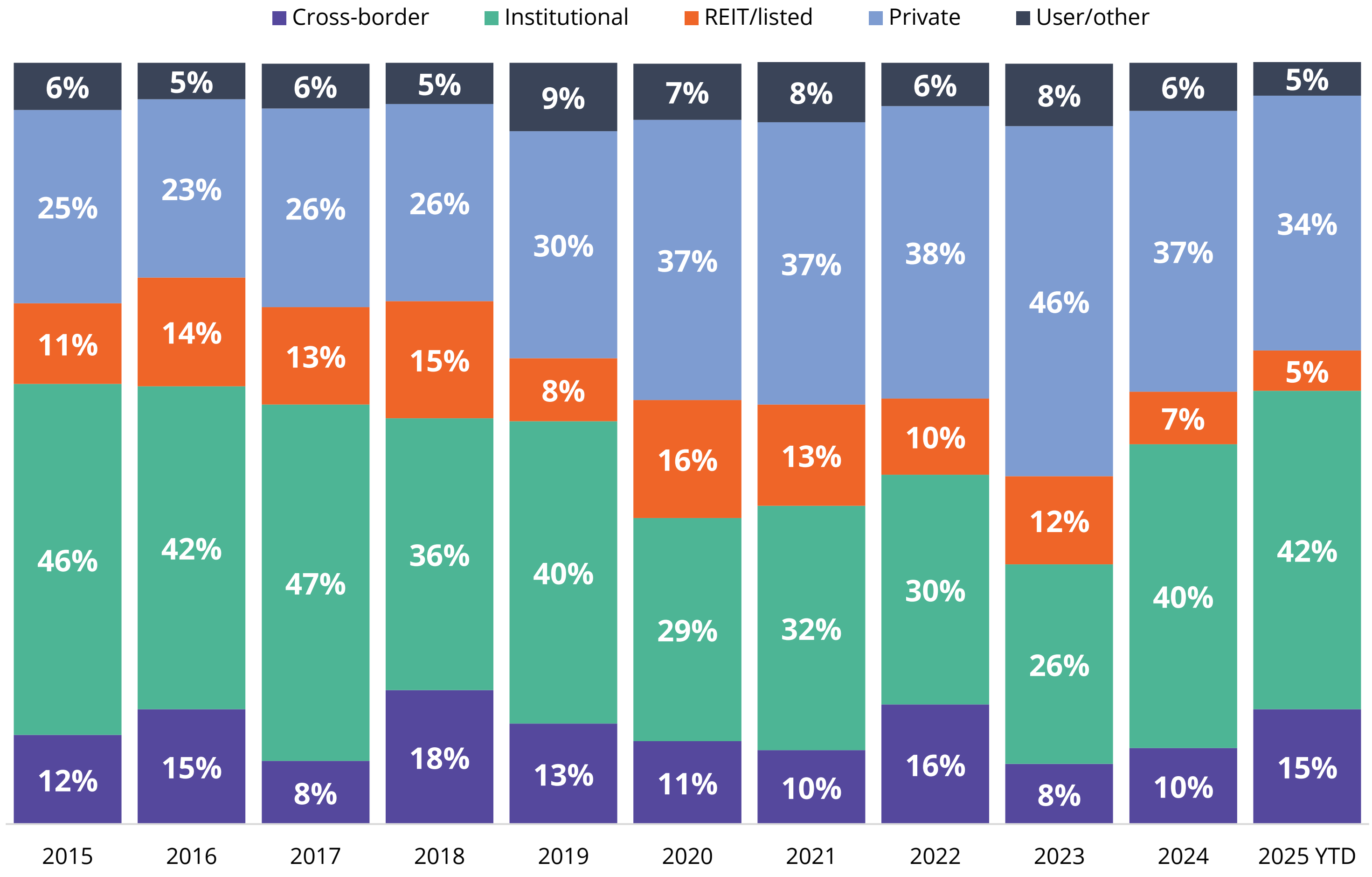
Buyer composition



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

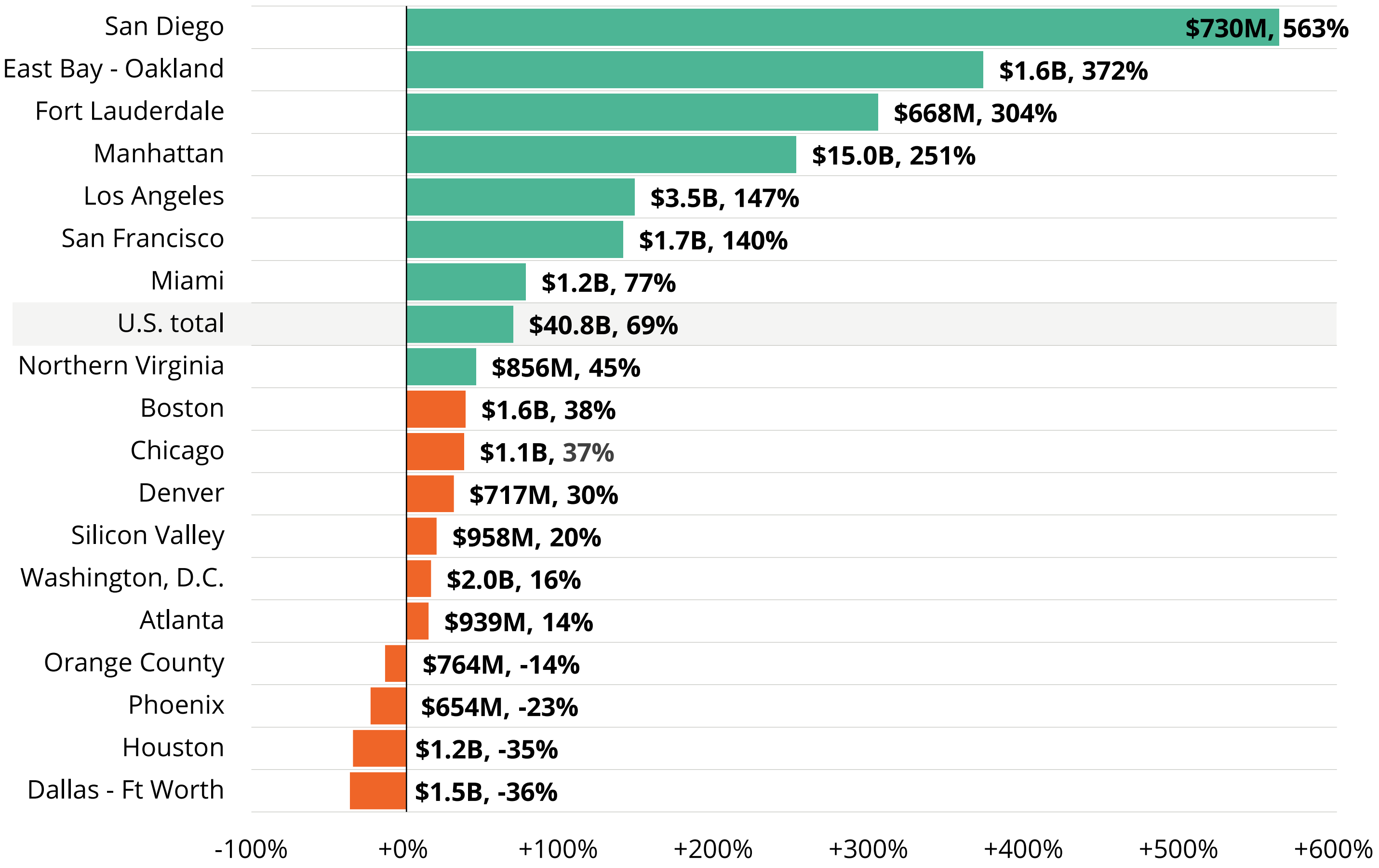
Seller composition



Institutional and cross-border investors increased their market share of dispositions and account for over half of the disposition activity through the first half of 2025.

Source: Avison Young Market Intelligence, RCA

Largest YoY changes (%) in total office sales (last four quarters)

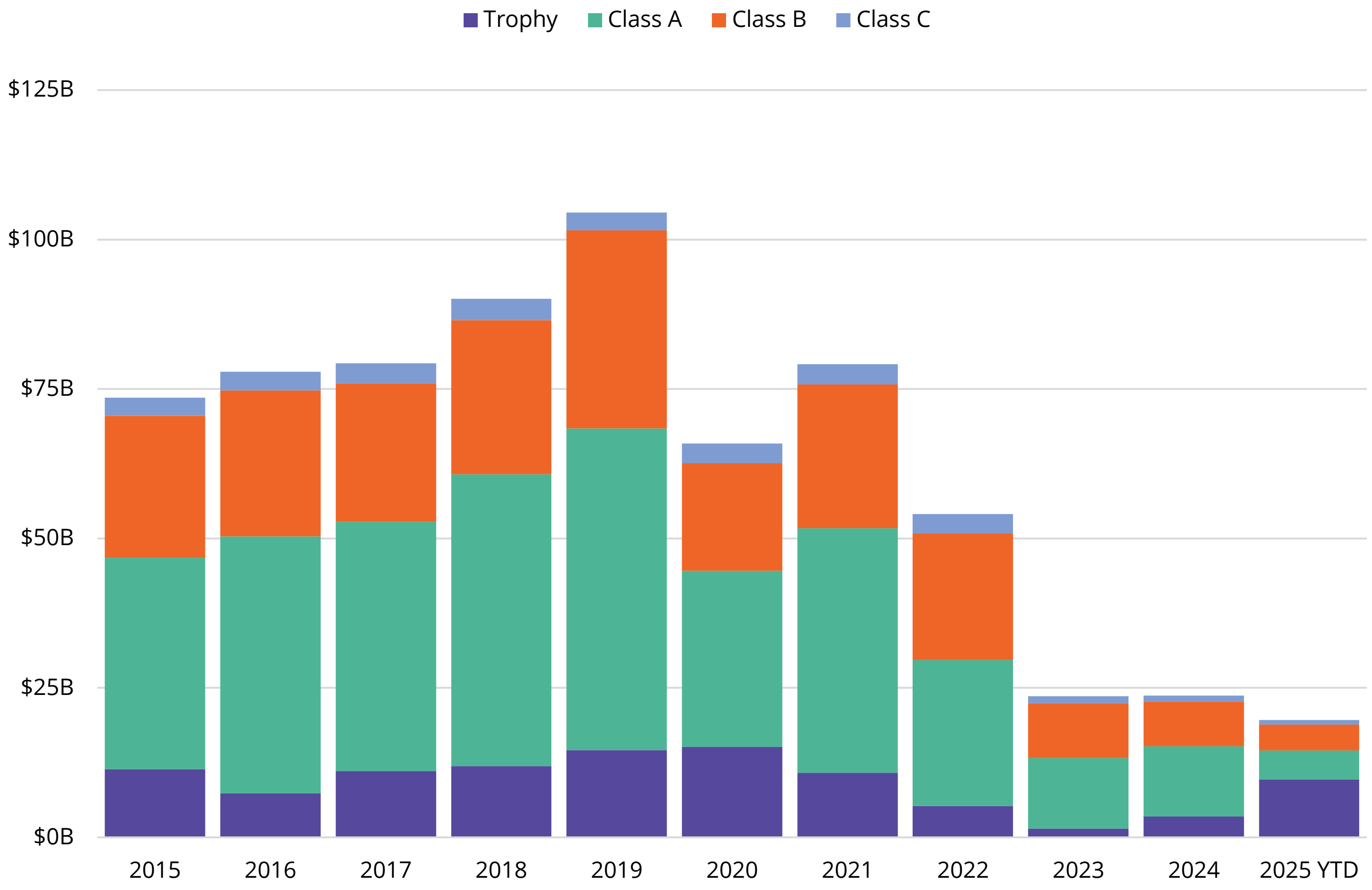


U.S. office sales have surged 69% year over year, reflecting a cautious return of investor confidence in select markets.

Secondary markets such as San Diego, Fort Lauderdale, and East Bay have seen a notable uptick in activity, while primary markets like Los Angeles, Manhattan, and San Francisco have also recorded renewed momentum.

Note: Only markets with over $500M in sale volume included
Source: AY Market Intelligence, RCA

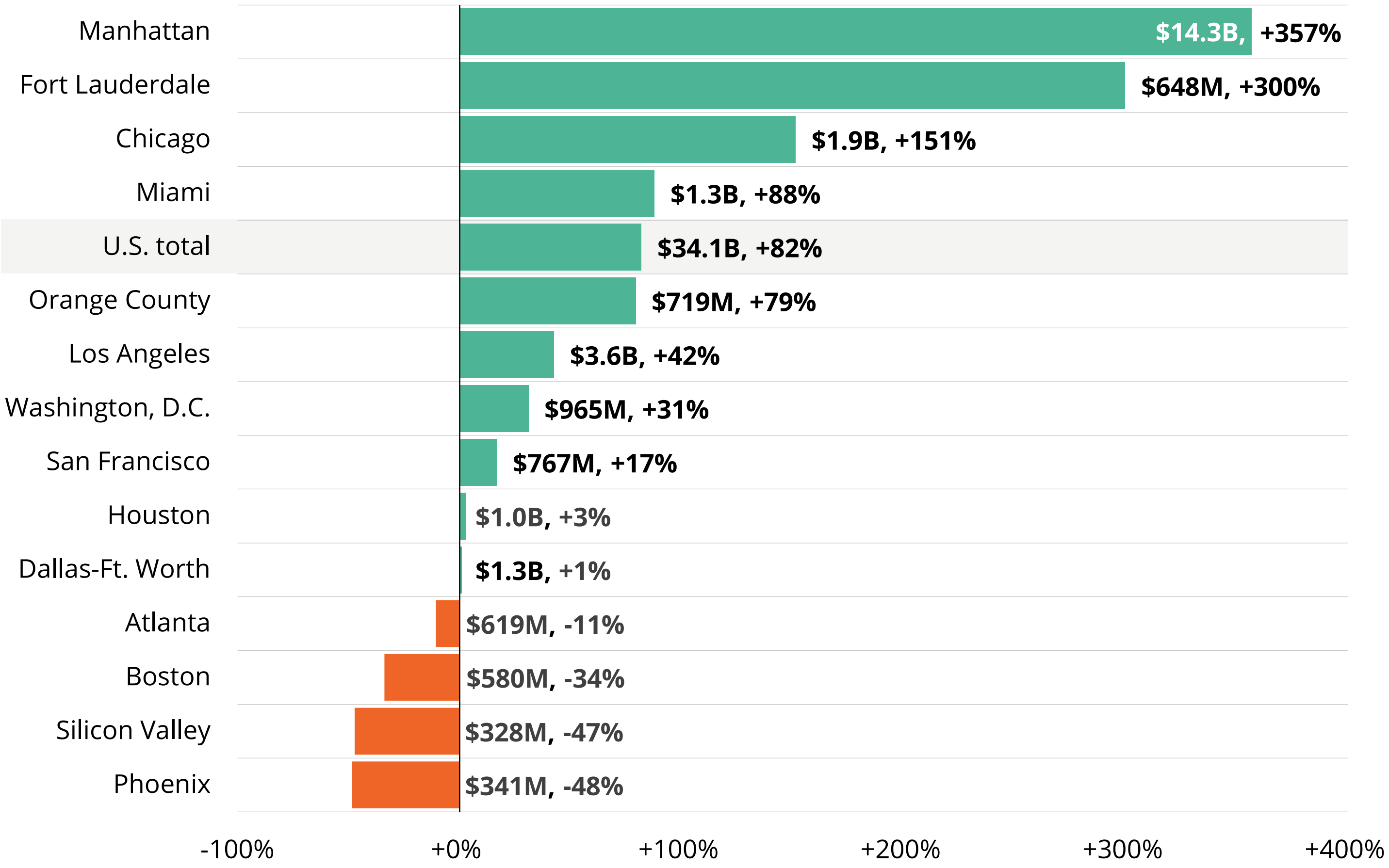
Office loan originations by class



Since 2024, trophy and class A properties have represented 69% of all new loan originations.

Source: Avison Young Market Intelligence, RCA

Largest YoY changes (%) in total office loan originations (last four quarters)



U.S. office loan originations have jumped 81% year over year, signaling cautious lender confidence in markets with improving fundamentals.

Manhattan led with a 357% surge, reflecting its leasing rebound.

Until we see a broader recovery in occupancy and a clearer resolution of distressed assets, office lending will likely remain bifurcated—a cautiously open tap for the few healthy markets, and a trickle for the rest.

Note: Only markets with over $500M in loan originations included
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 second quarter of 2025, they continued to become increasingly distressed as loan maturities approach. **However, just 4.4% of U.S. office properties are encumbered by distressed CMBS loans**.

51%

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

24.7%

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

72.9%

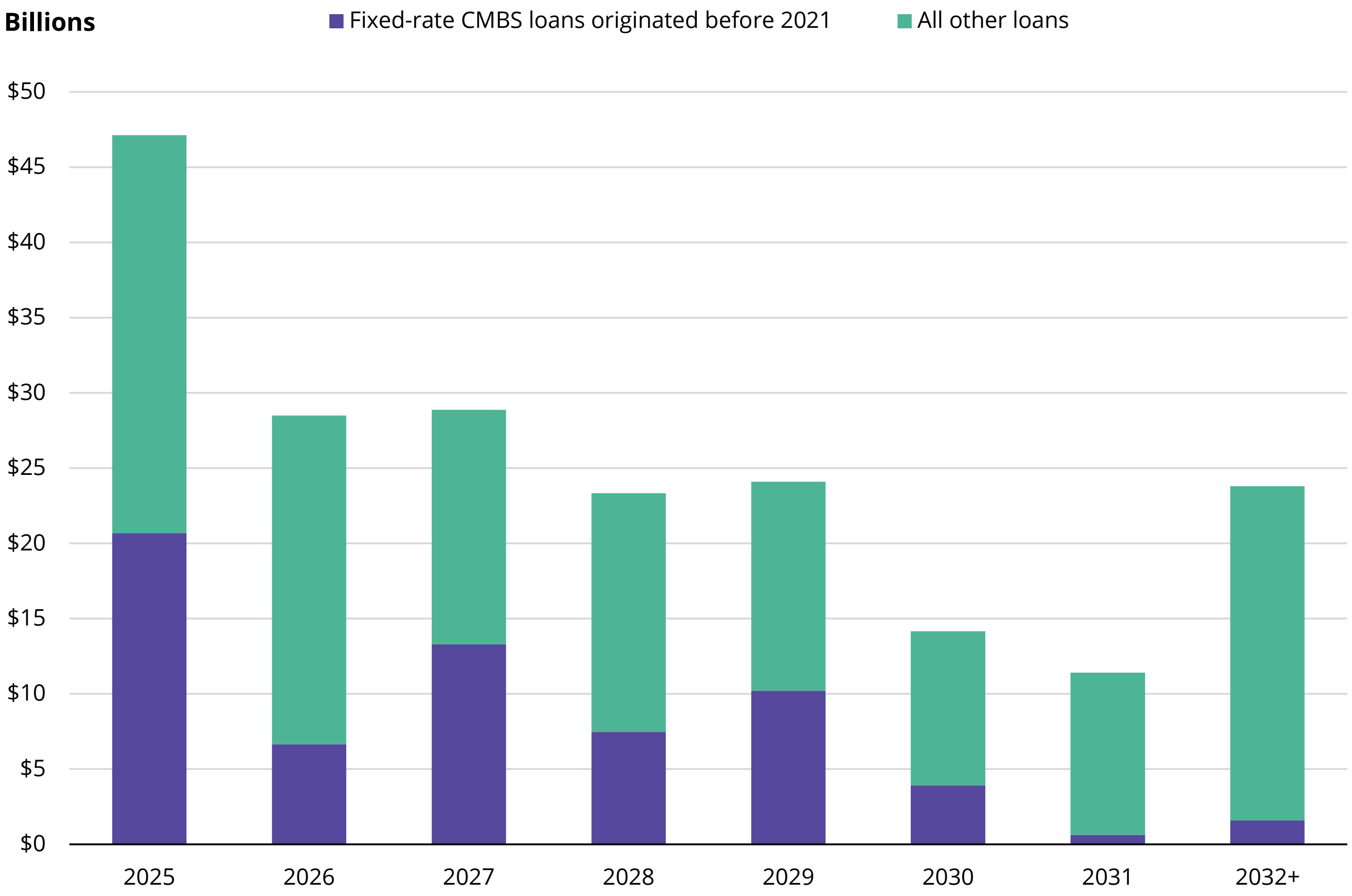
distressed loans with fixed interest rates

7/2017

average origination date of distressed loans

Source: Avison Young Market Intelligence, RCA, CoStar

Upcoming loan maturities



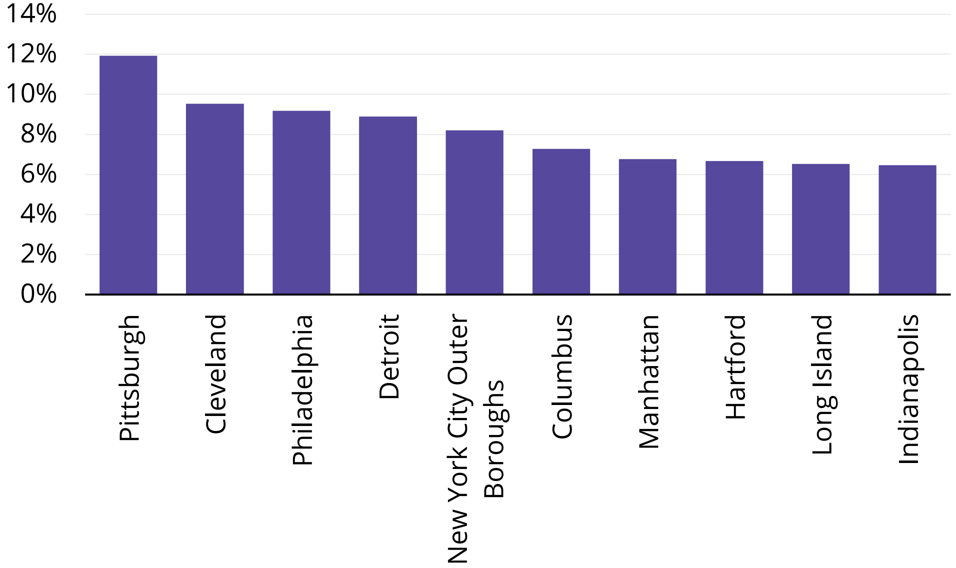
Source: Avison Young Market Intelligence, RCA

$20.6 billion of outstanding fixed-rate loans that originated before 2021—before the spike in interest rates—are maturing in 2025, in addition to $26.4 billion of other CMBS loans.

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

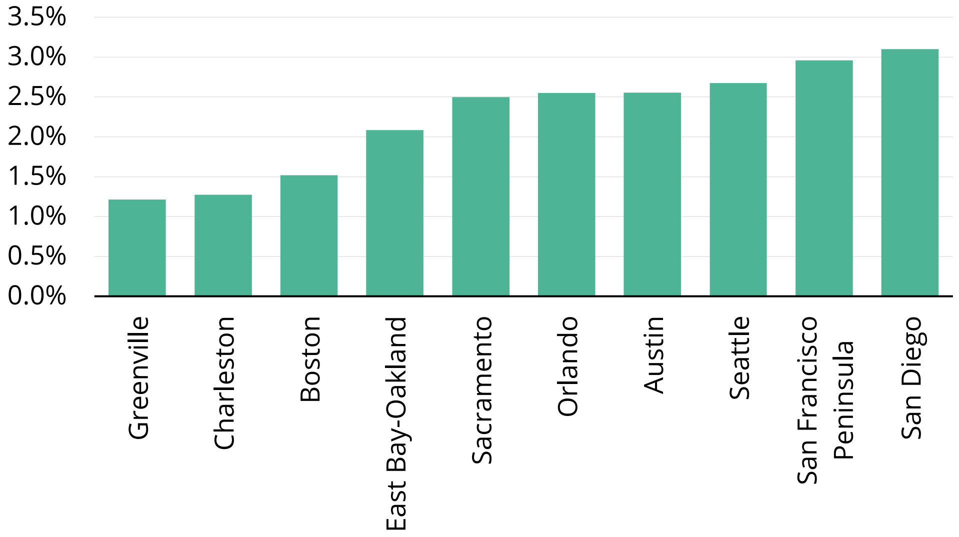
8.1%

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



2.2%

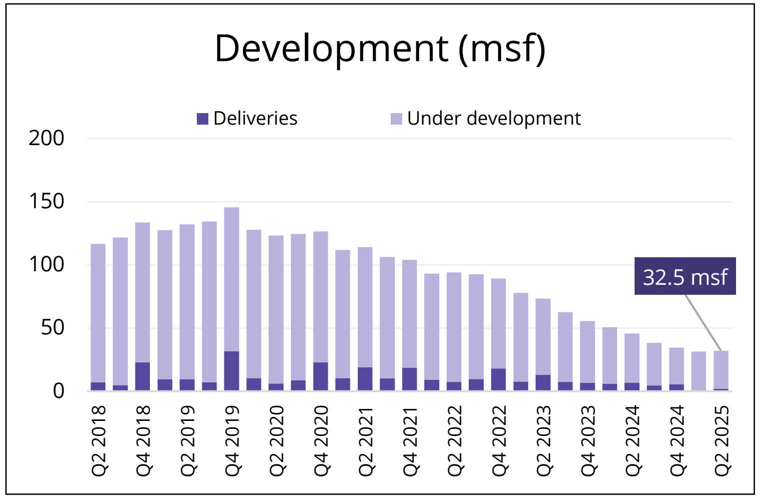
average exposure to at-risk loans—
10 markets with the **least exposure**

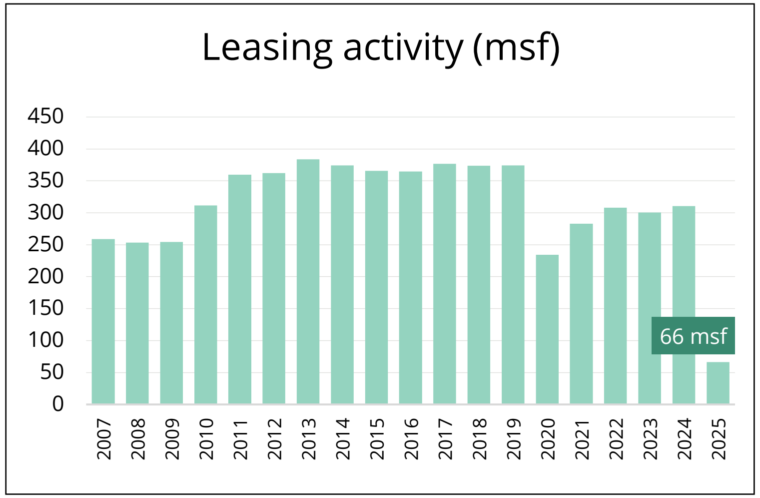


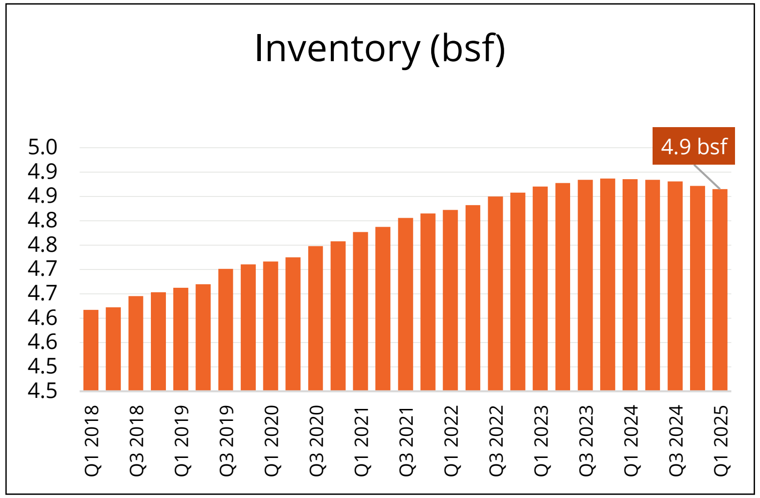
Share by sf of properties encumbered by loans on CMBS watchlist
Source: Avison Young Market Intelligence, RCA

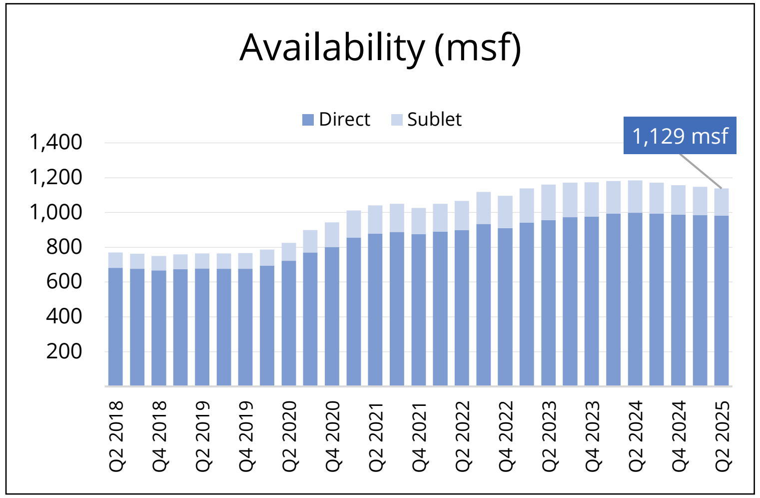
Appendix

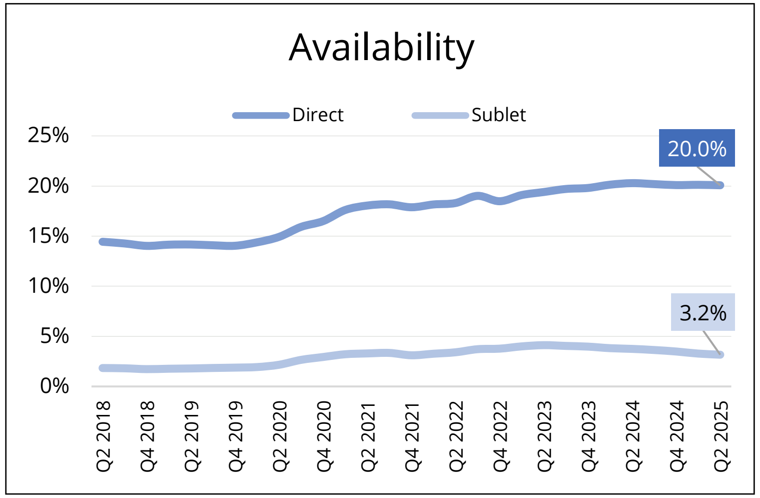
U.S. office market indicators

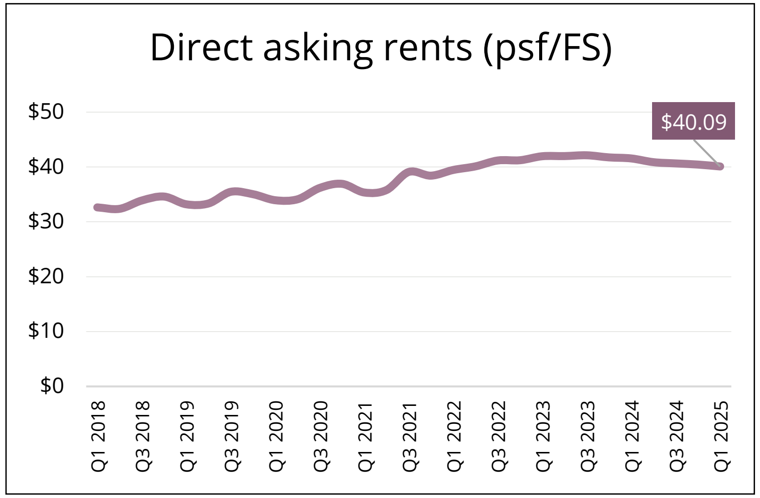












Source: Avison Young Market Intelligence, CoStar

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	365,455,377	13,150,094	16.0%	3.9%	19.9%	$63.37
Class A	2,154,786,348	14,691,377	23.2%	4.2%	27.3%	$42.09
Class B	1,902,650,580	1,893,314	19.0%	2.4%	21.5%	$34.53
Class C	441,564,718	146,412	12.9%	0.8%	13.6%	$31.46
U.S. total	**4,864,457,023**	**29,881,197**	**20.0%**	**3.2%**	**23.2%**	**$40.09**

Source: Avison Young Market Intelligence, CoStar

New

2025 Outlook

MID-YEAR

The second half of 2025 is coming into focus. What does it mean for the office market?

Our top Market Intelligence experts break it down – sector by sector – so you can move into the second half of 2025 with clarity and confidence.

Explore now

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**

Danny Mangru
U.S. Office Lead, Market Intelligence
+ 1 212 729 4560
danny.mangru@avisonyoung.com

Sean Boyd
Senior Market Intelligence Analyst, U.S. Office
+ 1 847 602 1128
sean.boyd@avisonyoung.com

AVISON YOUNG