U.S. office market report

Q2 2026

AVISON YOUNG

U.S. office market trends

80%

of U.S. office markets saw supply decrease since 2024

Office inventory has contracted in most tracked markets since 2024, largely driven by conversions, demolitions, and adaptive reuses of obsolete class B/C assets. This has contributed to lowering availability and improved health across many markets.

A smaller group of Sun Belt markets, including Nashville, Miami, and Tampa, have moved in the opposite direction, adding inventory as new trophy development comes online.

50%

Average trophy/class A rent premium in major markets

The bifurcation between trophy/class A and class B office space continues to widen across major U.S. markets. Trophy/class A assets command an average rent premium of approximately 50% over class B, while availability gaps increasingly separate higher-quality space from the broader market.

Dallas-Fort Worth and Houston exhibit the strongest bifurcation, with wide gaps in both pricing and availability. In contrast, markets like Chicago and Washington, D.C. show significant differences in availability despite more modest rent premiums.

-21%

U.S. leasing activity below pre-COVID averages

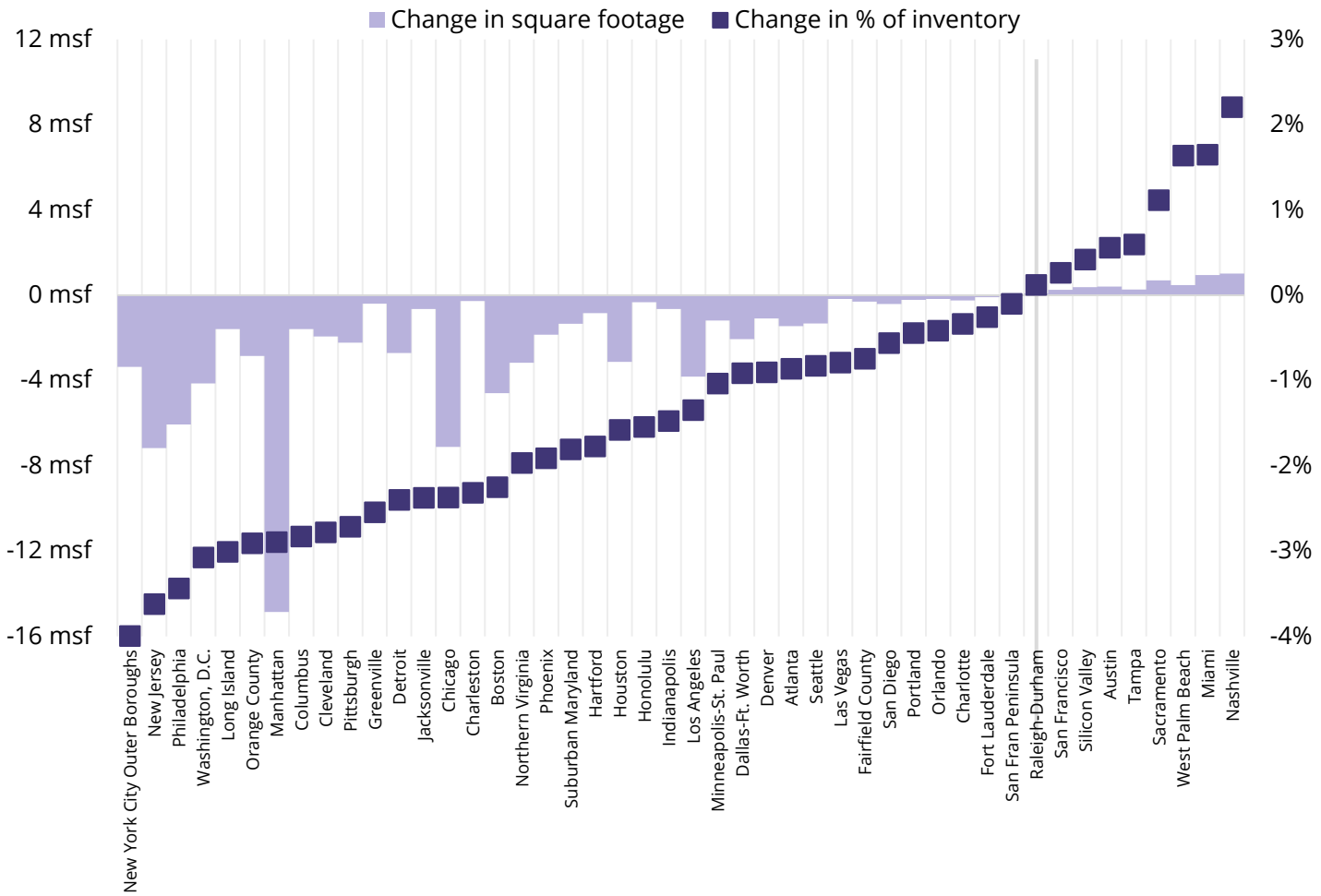
Rolling four-quarter leasing volume remains 21% below the 2015–2019 average nationally, though recovery has become increasingly market specific.

Manhattan and San Francisco have returned to or exceeded pre-pandemic leasing levels, while Chicago, Houston, and Washington, D.C. continue to trail historical norms by roughly 35–40%.

The widening dispersion in leasing activity highlights an increasingly uneven recovery across U.S. office markets.

Source: Avison Young Market Intelligence, CoStar

Office inventory changes since 2024 by market



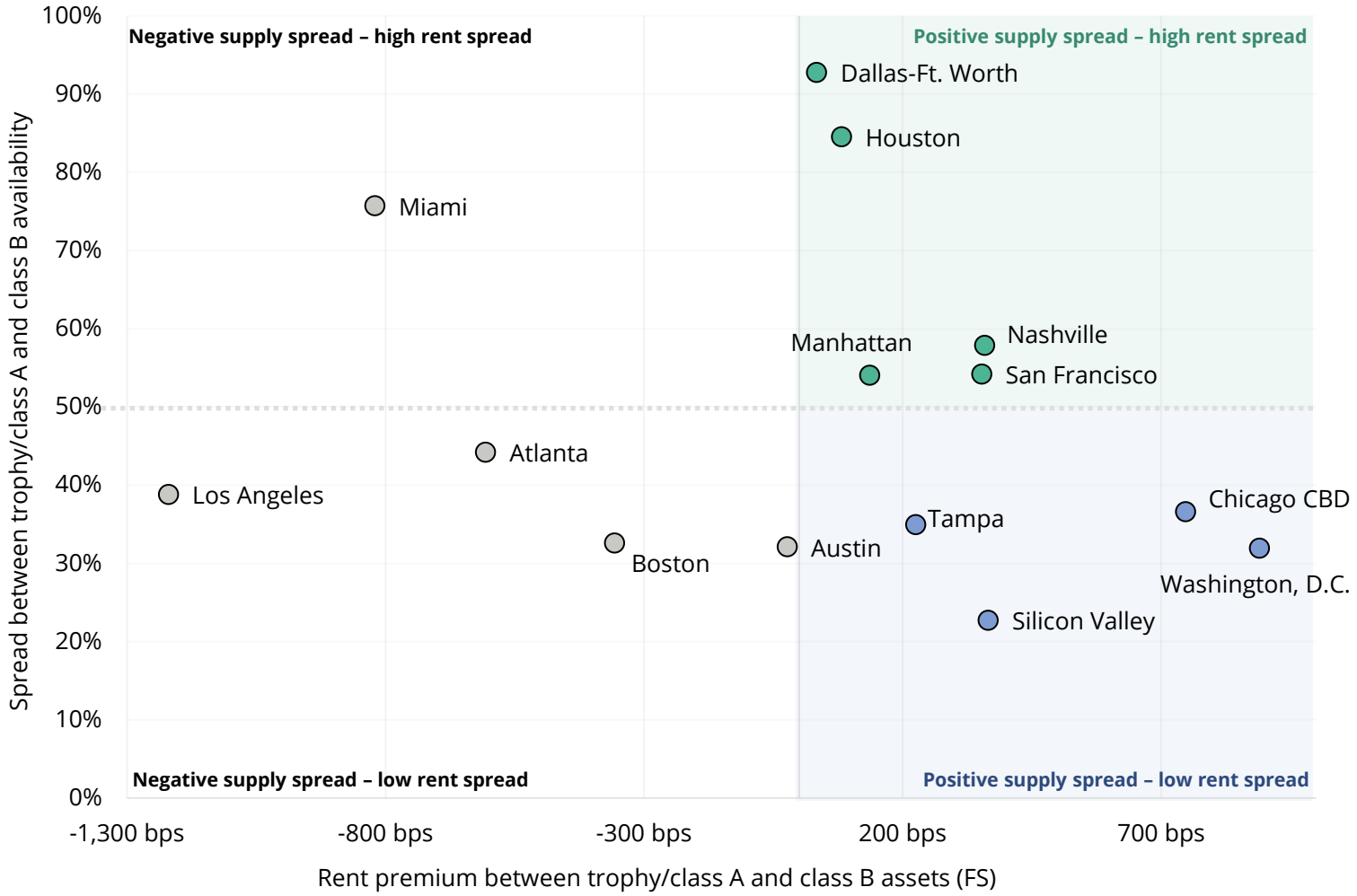
National office availability has dropped for eight consecutive quarters.

This is largely because of a drop in inventory, which has occurred in 80% of tracked markets since 2024. Conversions, demolitions, and adaptive reuse of outdated office product have reduced market supply by 1–4% in many cities.

However, smaller, growing Sun Belt markets, like Nashville, Miami, Tampa, and Austin, are among the few that have seen inventory growth.

Source: Avison Young Market Intelligence, CoStar

Supply and rent bifurcation by class segment

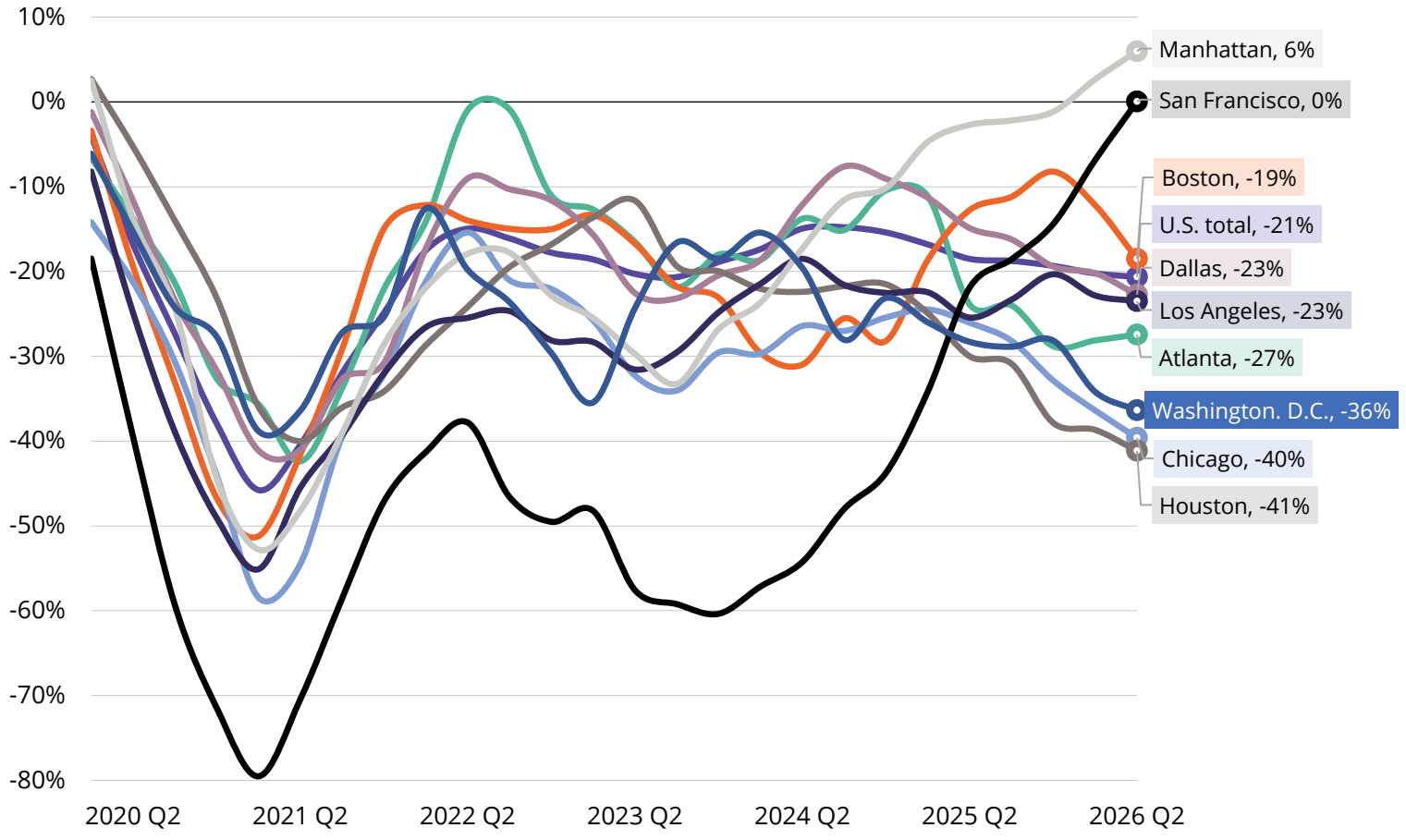


Source: Avison Young Market Intelligence, CoStar
Note: Rents are based are average weighted based rents over the last 24 months for direct deals only. Availability is current as of Q2 2026 and includes sublease availability

Bifurcation has continued across the country, with the performance gap between trophy/class A and class B/C space widening in many markets. This shows up in both average rents and space availability.

By these measures, Dallas and Houston are the two most bifurcated markets, with wide gaps on both fronts. In Chicago and Washington, D.C., the availability gap is wide, but the price premium is less significant.

Rolling four-quarter leasing 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 and San Francisco are at full recovery, with leasing volumes over the past four quarters meeting or exceeding pre-pandemic levels.

Source: Avison Young Market Intelligence, CoStar

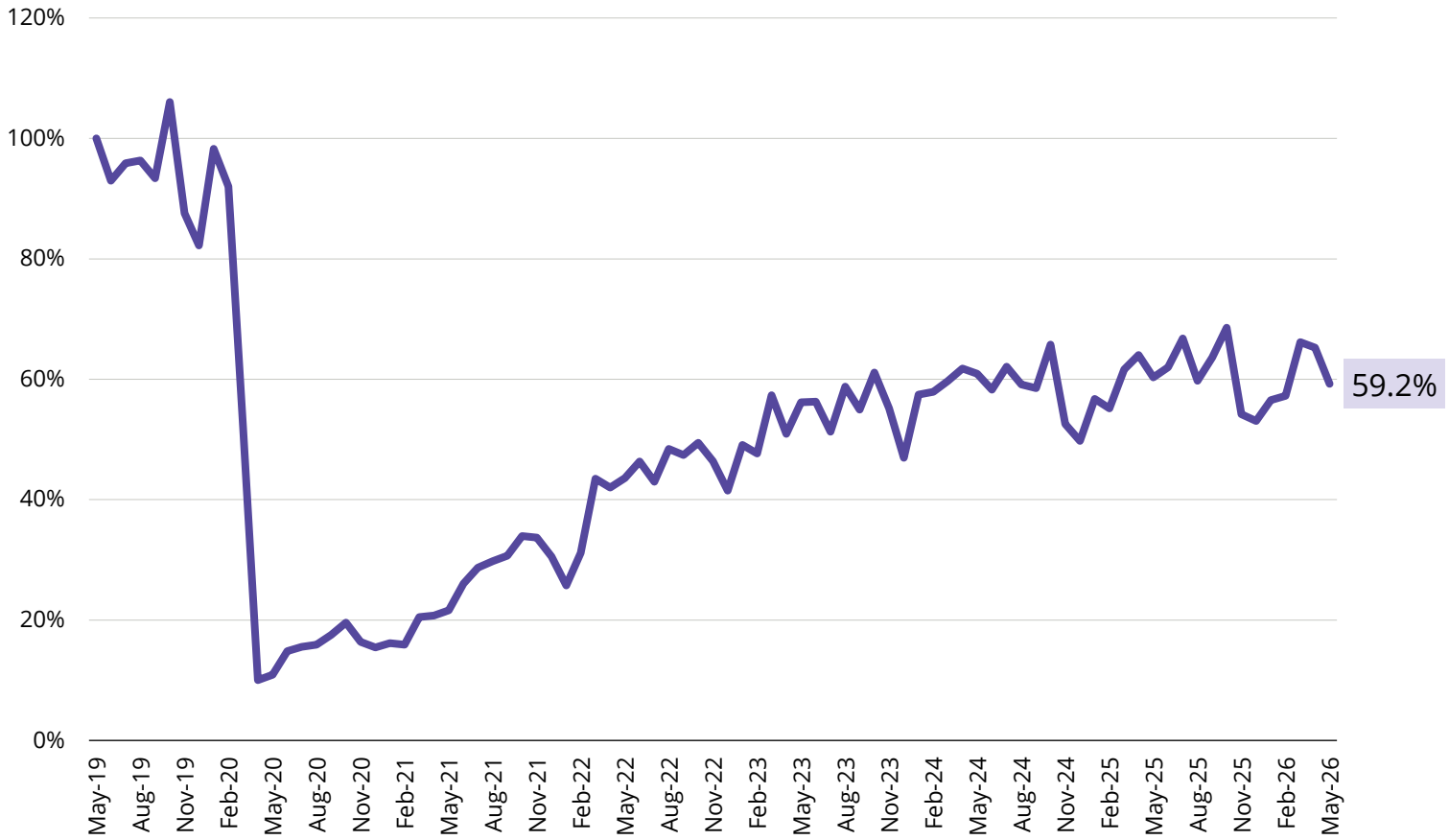
Introducing

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 2026

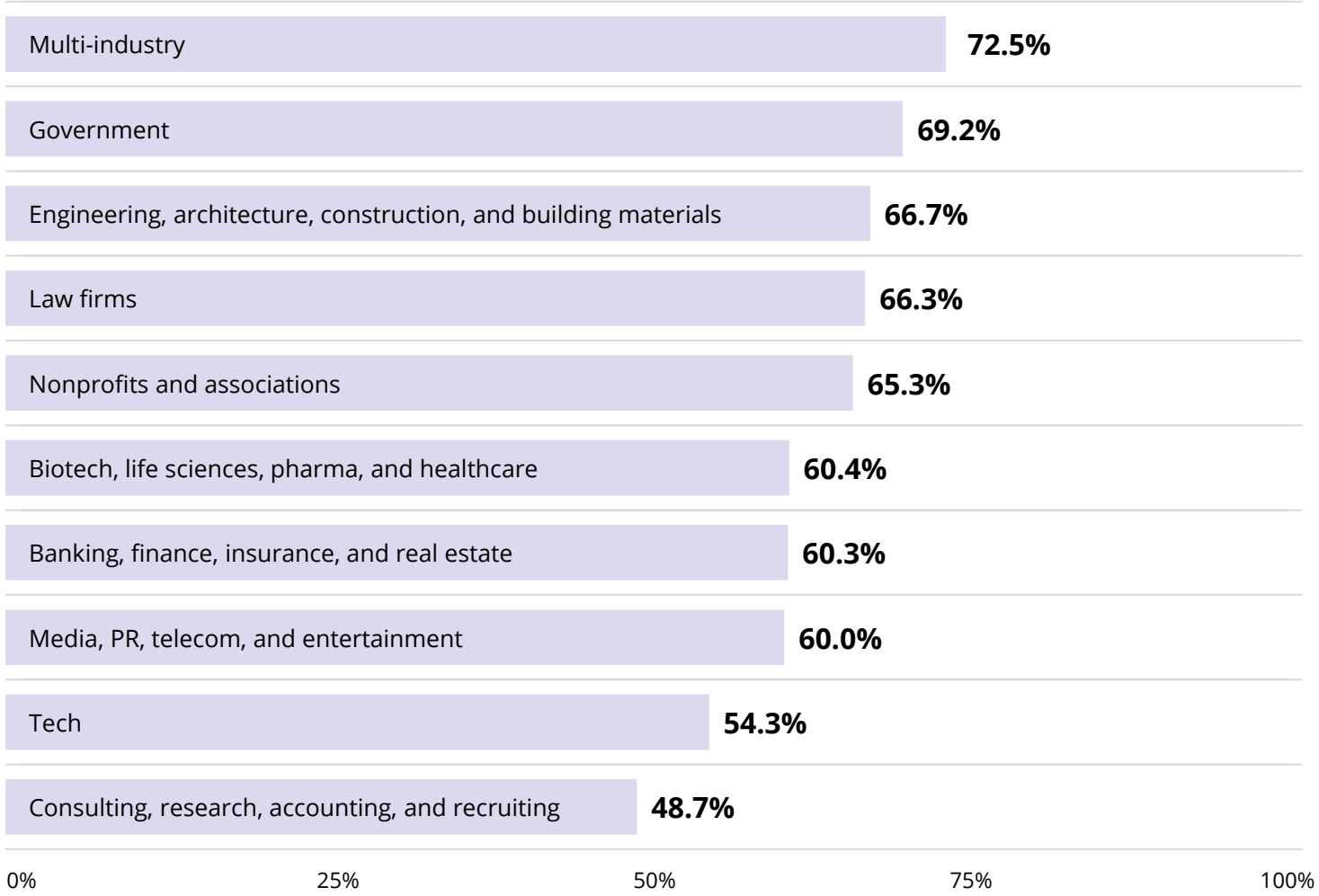


As of May 2026, office buildings across the U.S. are 59.2% as busy as they were in May 2019.

Despite the impression of low office visitation, U.S. office buildings have experienced slow and steady increases since the onset of COVID in early 2020.

Source: Avison Young Market Intelligence, Placer.ai

U.S. office busyness by major industry, May 2019 vs. May 2026



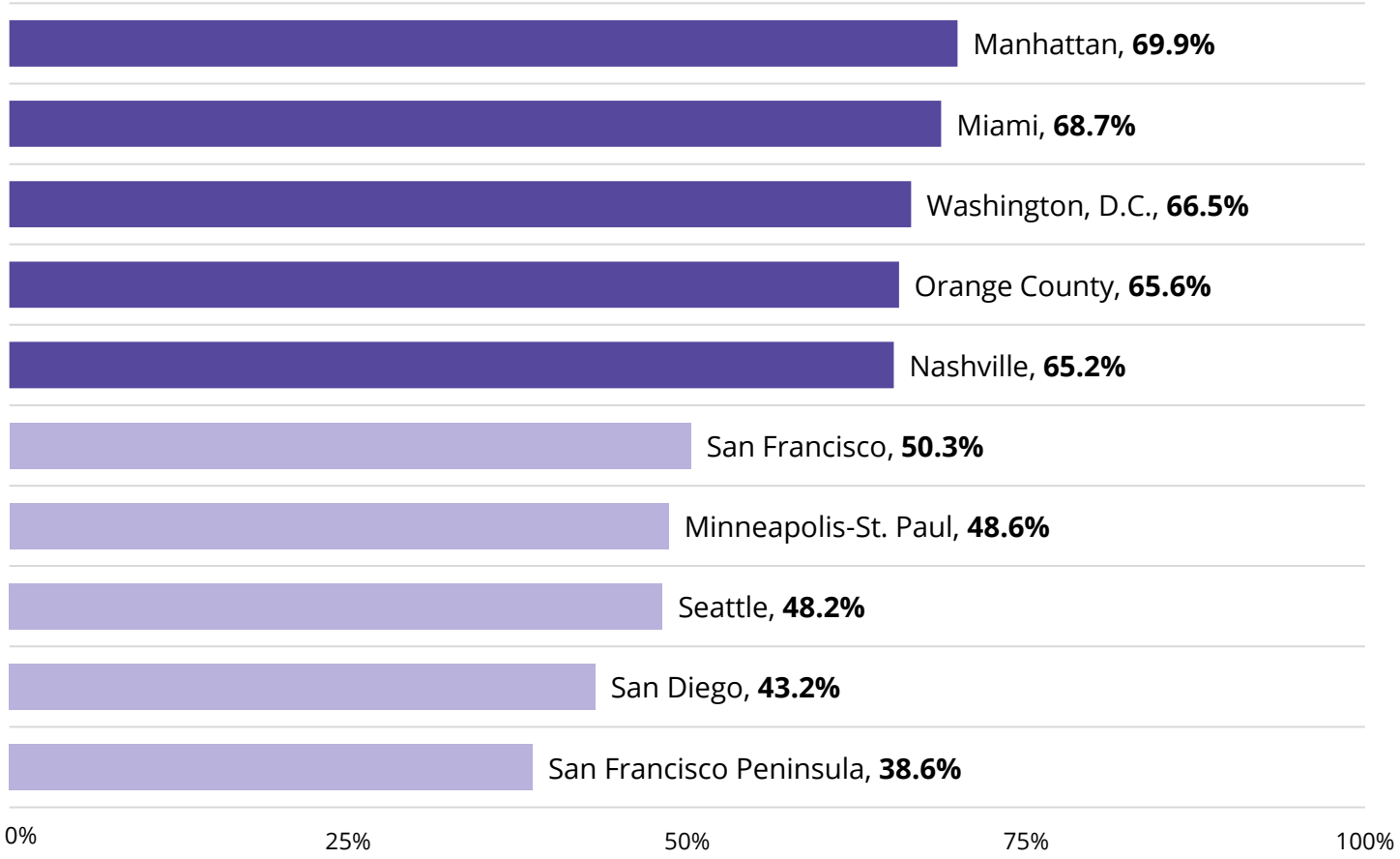
Certain industries across the U.S. have seen stronger office busyness than others compared to 2019.

For example, government and engineering firms reached 69.2% and 66.7% of their 2019 levels in May 2026, respectively.

Other major industries, like tech and consulting, recorded 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 2026



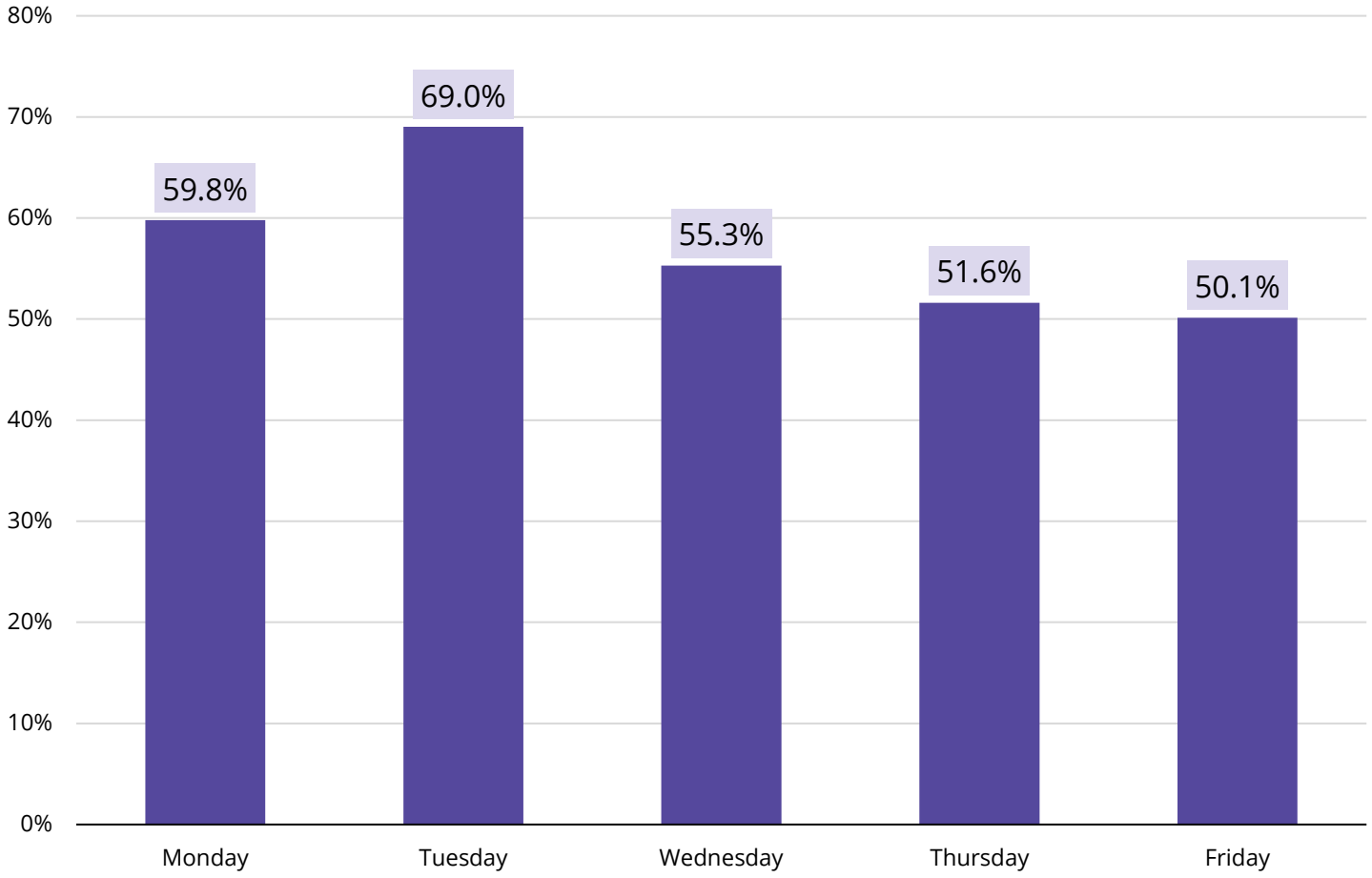
Office recovery has been uneven across U.S. markets, with some nearing 2019 levels more quickly than others as of May 2026.

Manhattan and Miami have recovered the most, reaching almost 70% of their May 2019 levels.

On the other hand, San Diego and San Francisco Peninsula have not recovered as well, at 43.2% and 38.6%, respectively.

Source: Avison Young Market Intelligence, Placer.ai

U.S. office busyness by day of week, May 2019 vs. May 2026



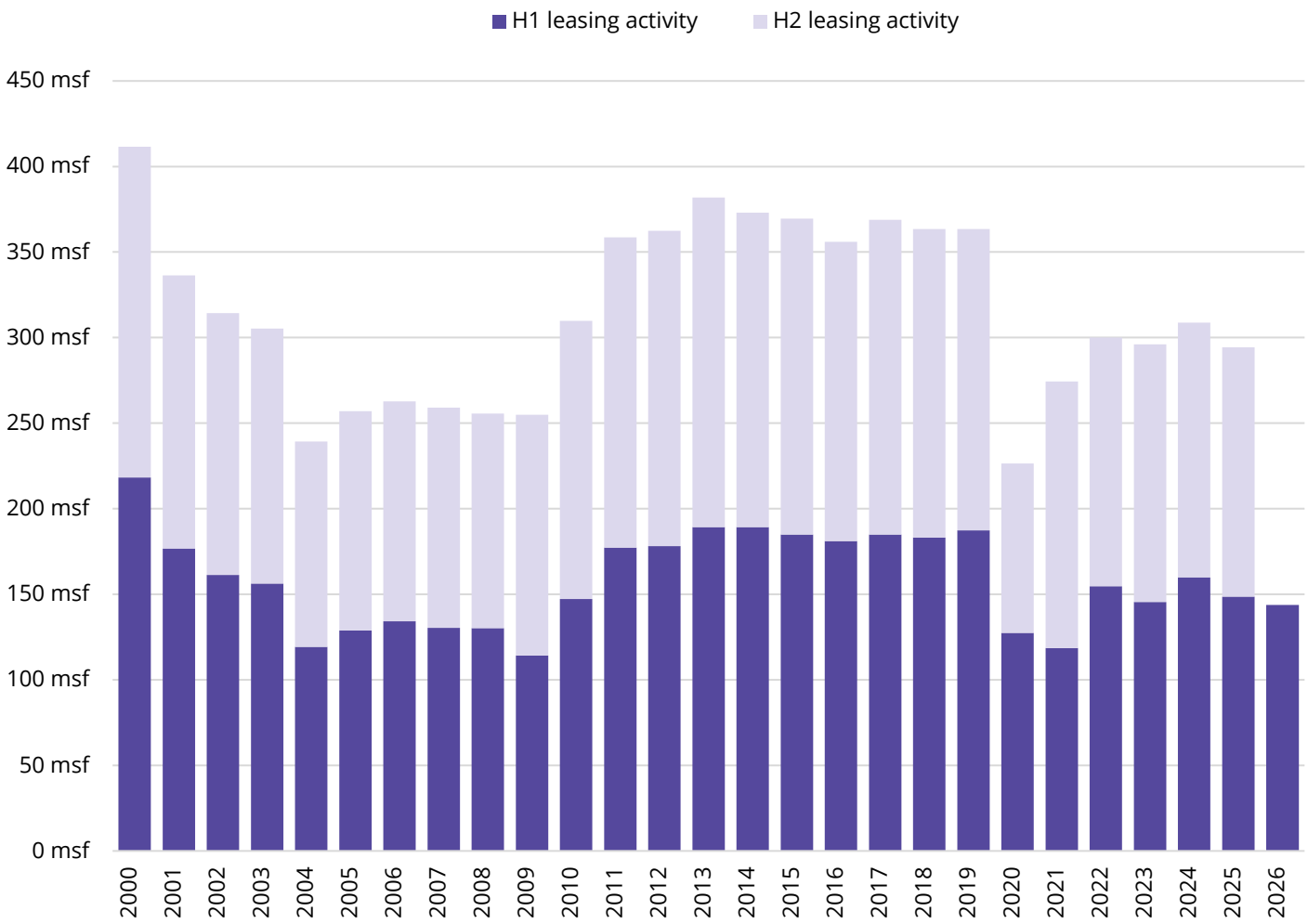
Looking at office busyness across the U.S. by day, it's no surprise that Monday through Thursday led the way in May 2026 when compared to 2019.

Given the evolving hybrid structure of many companies, employees seem to be adopting a three-day in-office schedule, with some days worked remotely.

Source: Avison Young Market Intelligence, Placer.ai

U.S. office market drivers

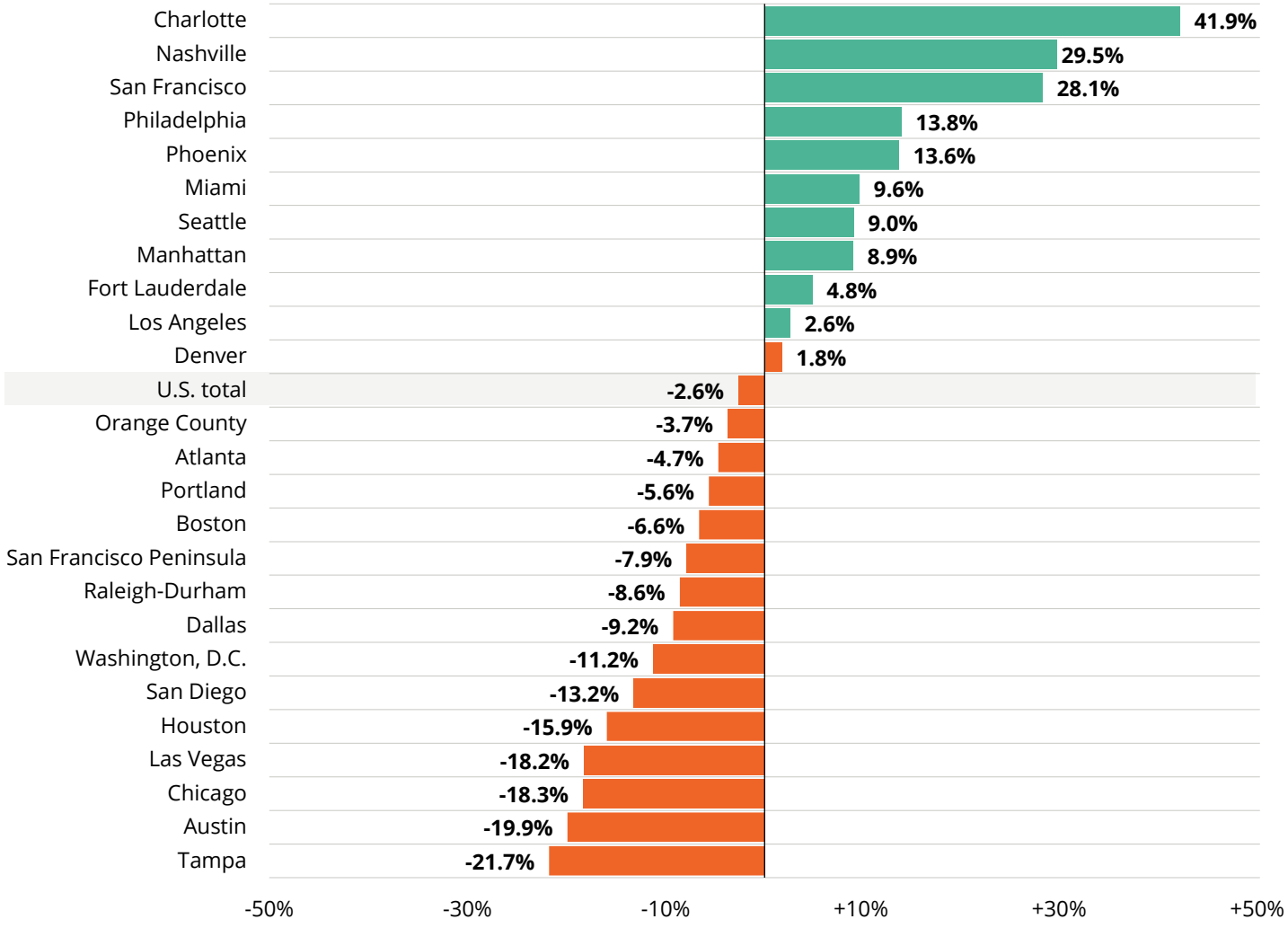
Leasing activity



U.S. office leasing activity totaled 143.7 million square feet (msf) in the first half of 2026, down 3.2% year over year and 12.1% below the pre-COVID H1 average (2000–2019).

Source: Avison Young Market Intelligence, CoStar

YoY changes (%) in leasing volume by market

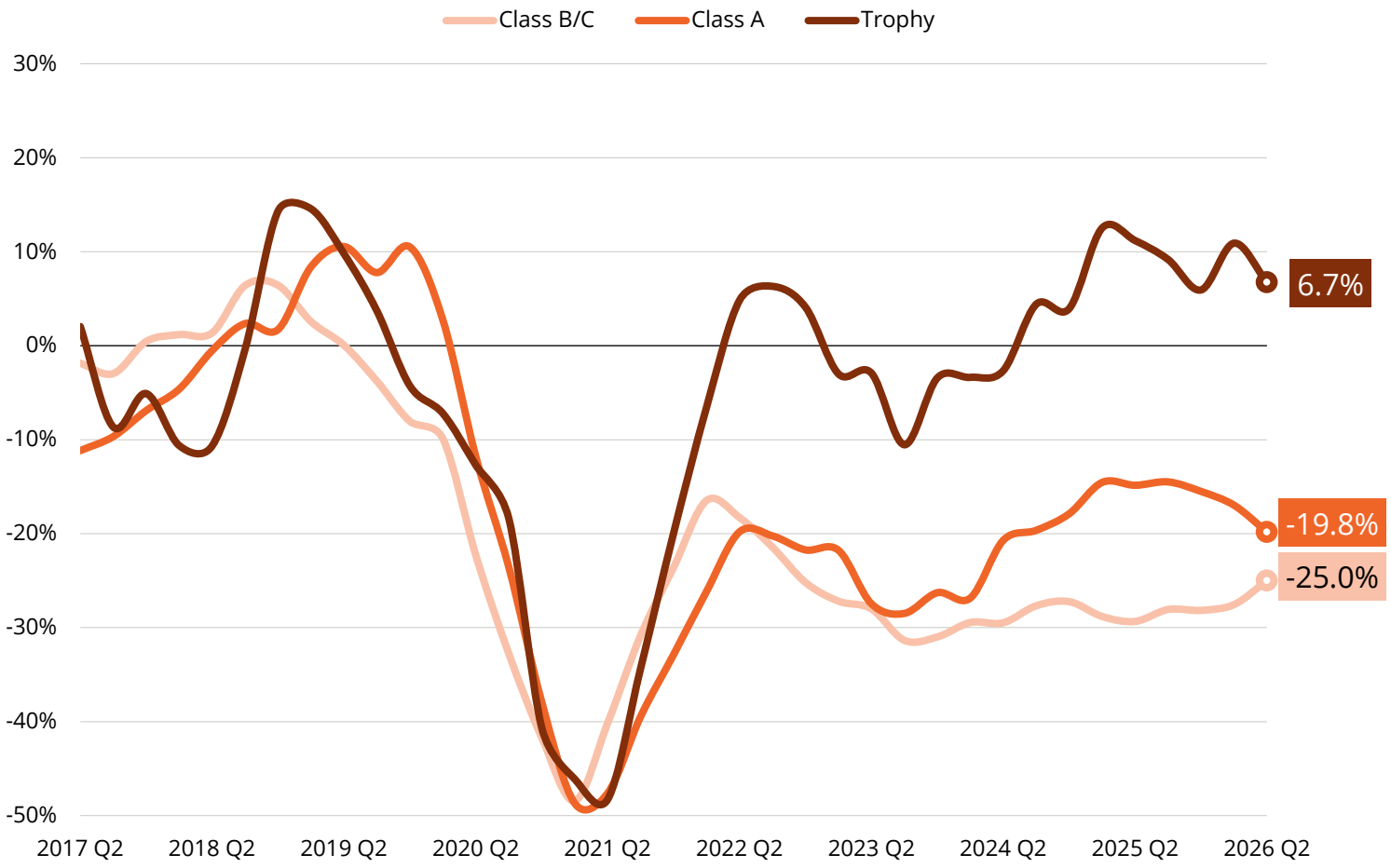


Year-over-year (YoY) changes in leasing volume show a snapshot of recent momentum and potentially signal a sustained recovery ahead.

Charlotte leads all markets, posting over 41.9% annual growth, with Nashville, Orange County, San Francisco, and Phoenix also recording solid gains.

Source: Avison Young Market Intelligence, CoStar

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



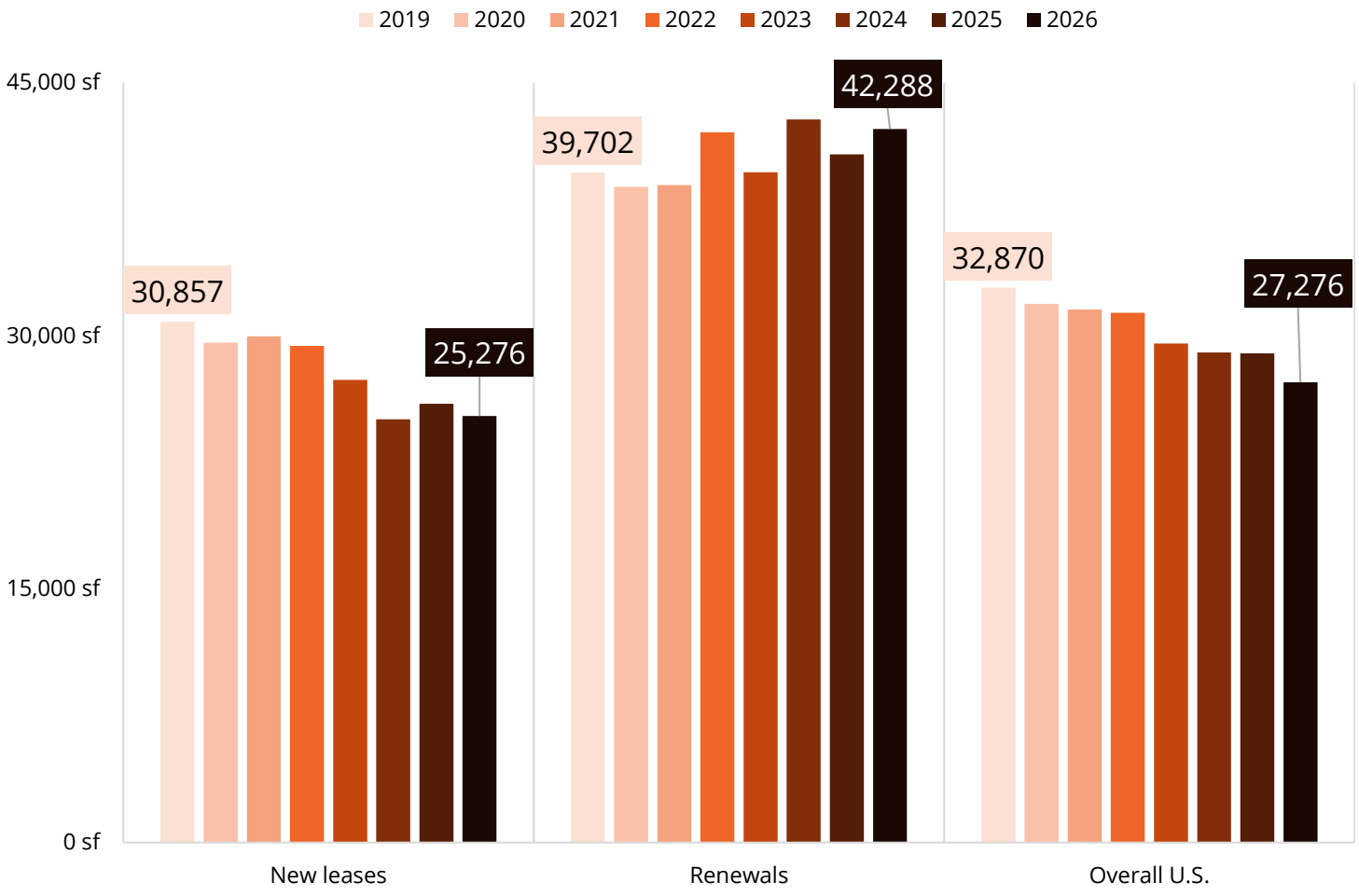
Includes: Atlanta, Boston, Chicago, Dallas, Ft. Lauderdale, Manhattan, Miami, San Francisco, Washington, D.C.
Source: Avison Young Market Intelligence, CoStar

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

Despite all segments undergoing a similar halt immediately after the pandemic, leasing in trophy buildings has not only rebounded but surpassed historical averages.

Meanwhile, leasing in class A and class B/C has not made significant strides since its initial rebound in 2022.

U.S. average office lease size

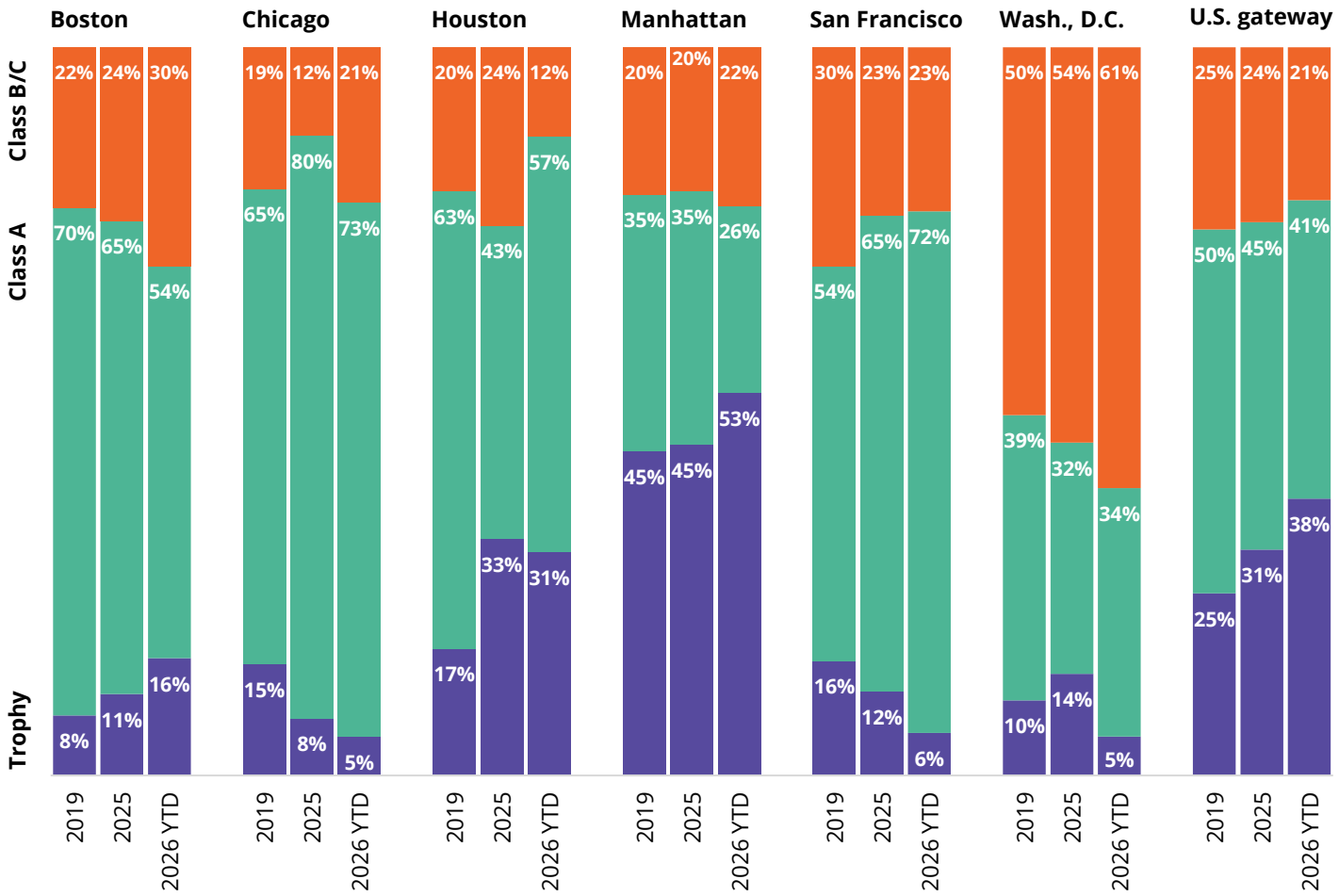


Note: Leases 10,000 square feet+
Source: Avison Young Market Intelligence, CoStar

Across the U.S., average lease sizes have continually decreased, down 14.6% since 2019.

Renewals have risen 3.7% YoY in 2026, while new deals have fallen 14.7%.

Transaction activity by asset class

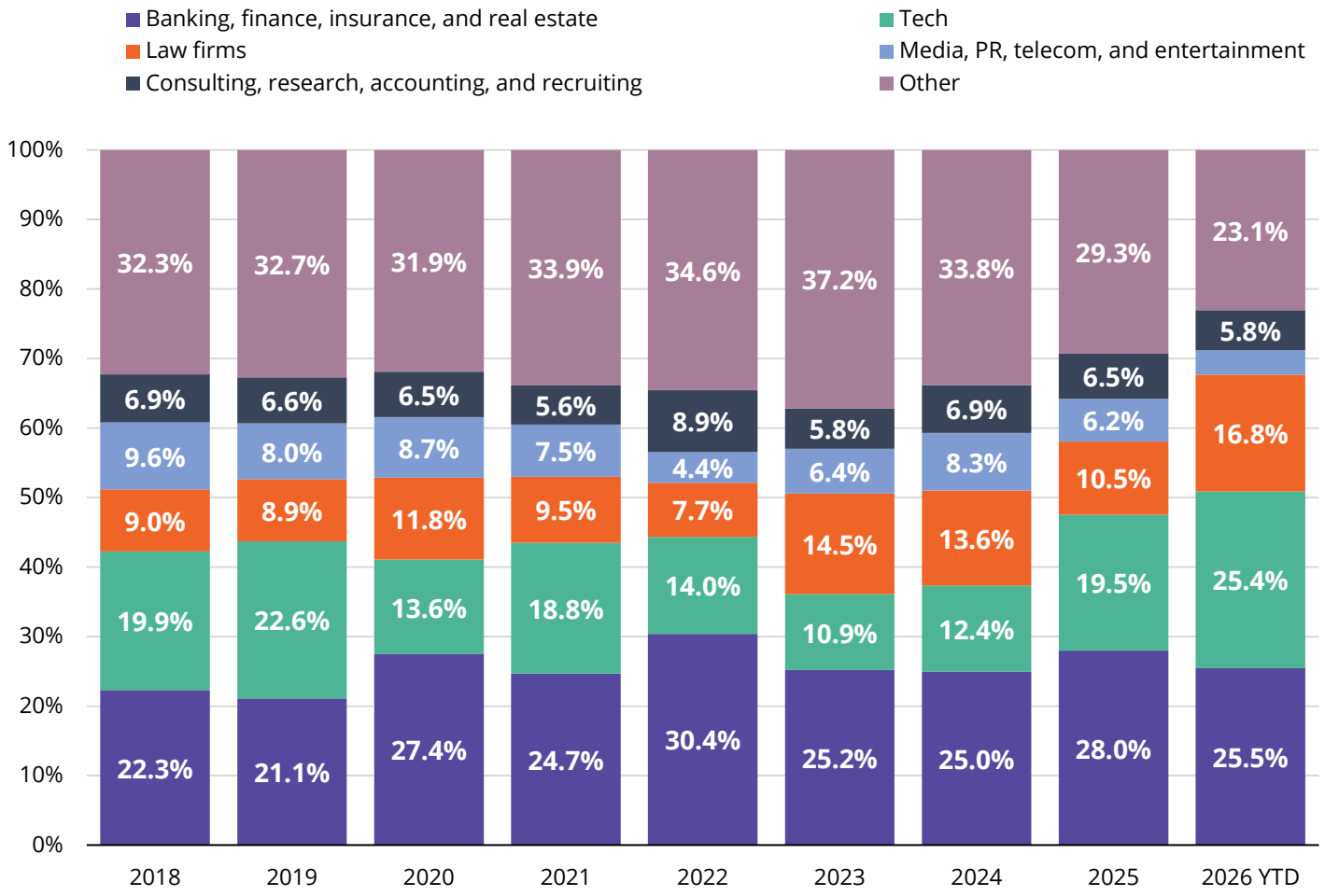


Note: Chicago, Boston, Houston, Manhattan, San Francisco, Washington, D.C. Includes direct and subleases.
Source: Avison Young Market Intelligence

The flight–to-quality trend remains strong, with class B/C leasing continuing to shrink YoY.

Meanwhile, trophy/class A assets expanded their share across major markets in Q2 2026.

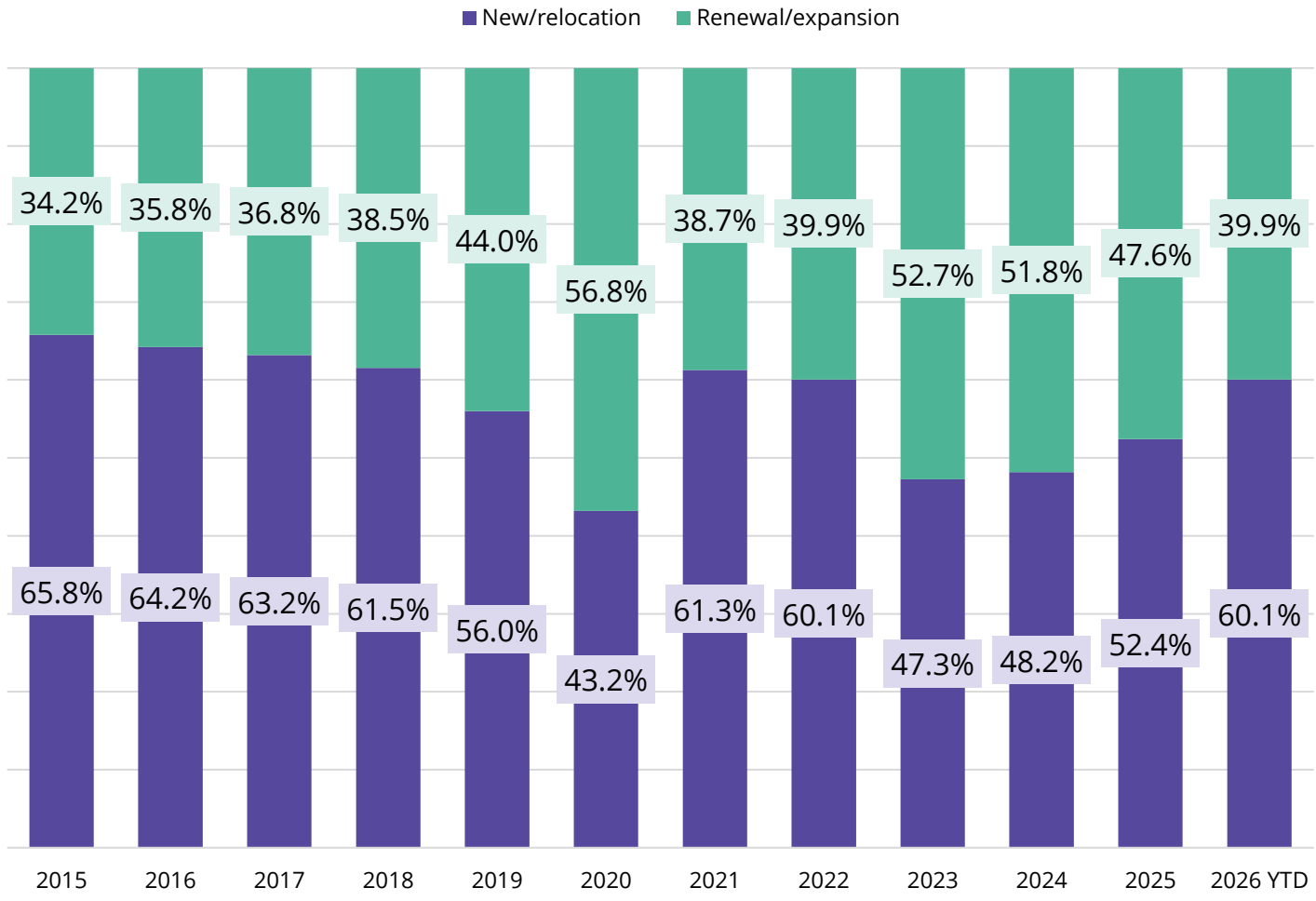
Leasing activity share by major industry



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

Office-using industries across U.S. gateway markets have fallen into different leasing cycles over time, with tech firms experiencing a significant share of leasing activity in the first two quarters 2026.

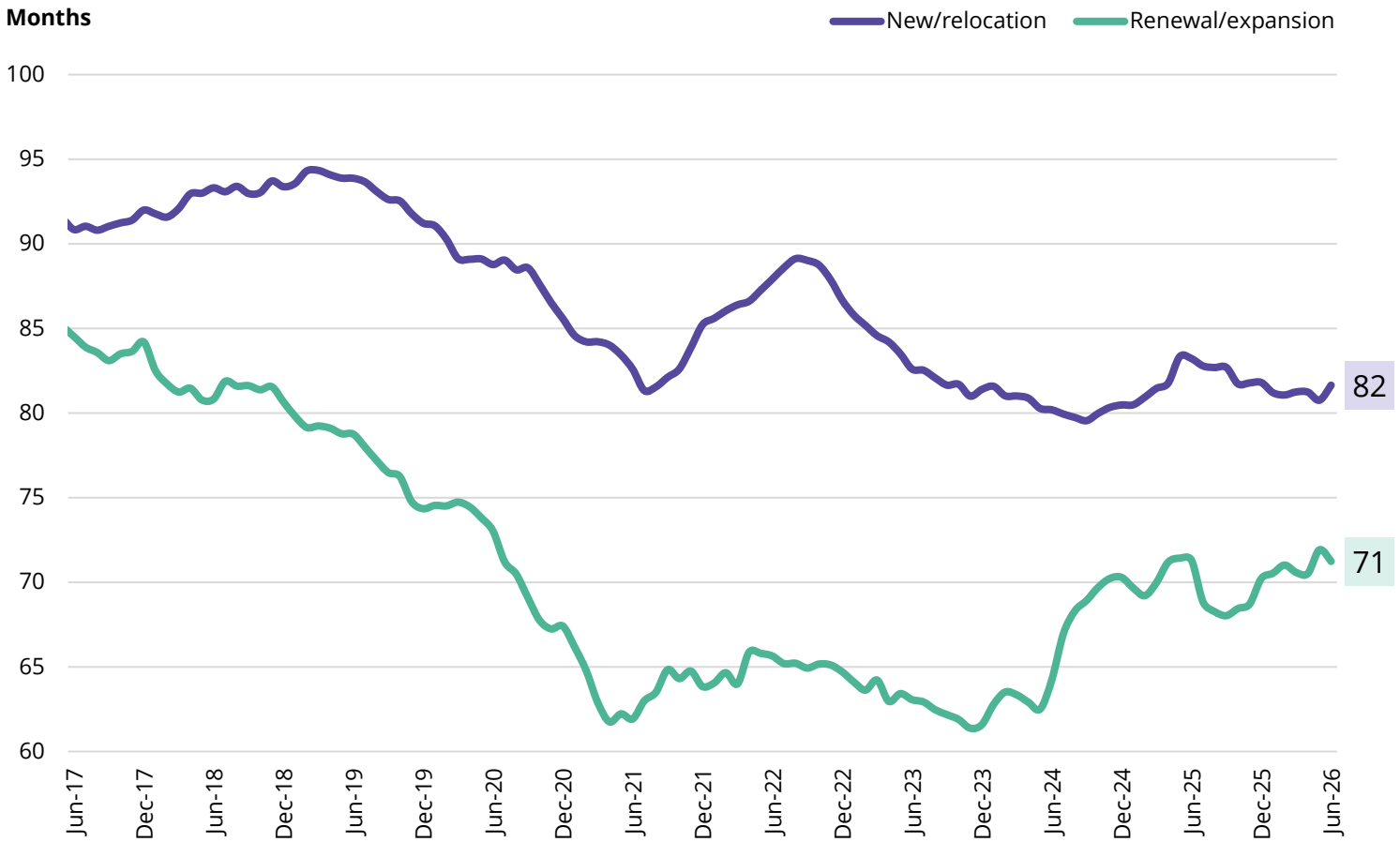
Transaction activity by lease type



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

New and relocation leases have accounted for 60.1% of deals this year, marking the highest level since 2022 and continuing a three-year upward trend.

Gateway market lease term length by transaction type



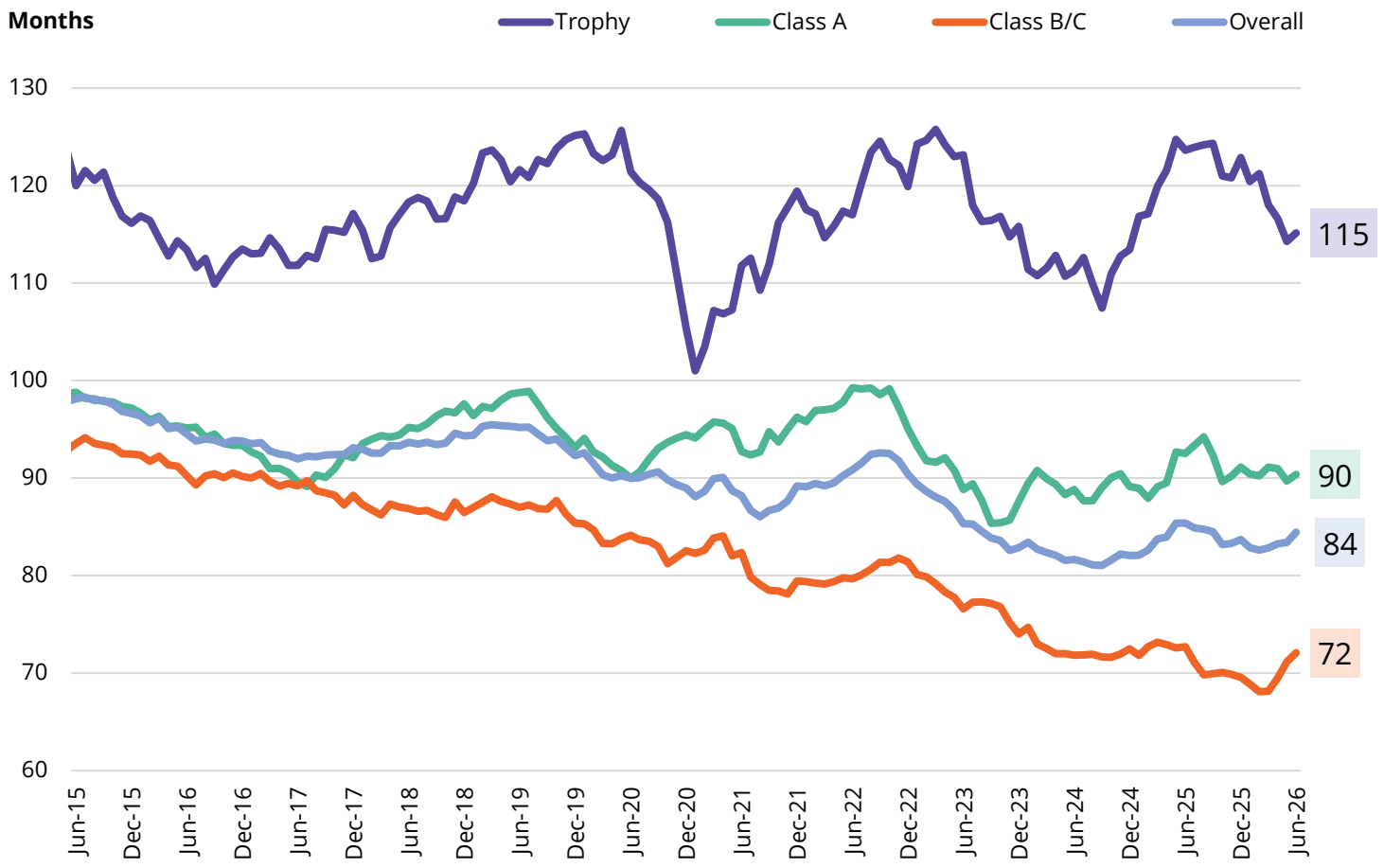
Note: Boston, Chicago, Manhattan, San Francisco, Washington, D.C.
Direct relocations only.
Source: Avison Young Market Intelligence

Across U.S. gateway markets, lease terms have shortened significantly since 2019 but appear to have stabilized over the past year.

The average term length on new leases has dropped by 8.4%, while renewal terms have fallen by 4.7%.

However, both new and renewal lease term lengths have held relatively steady over the last year.

Gateway market lease term length by class

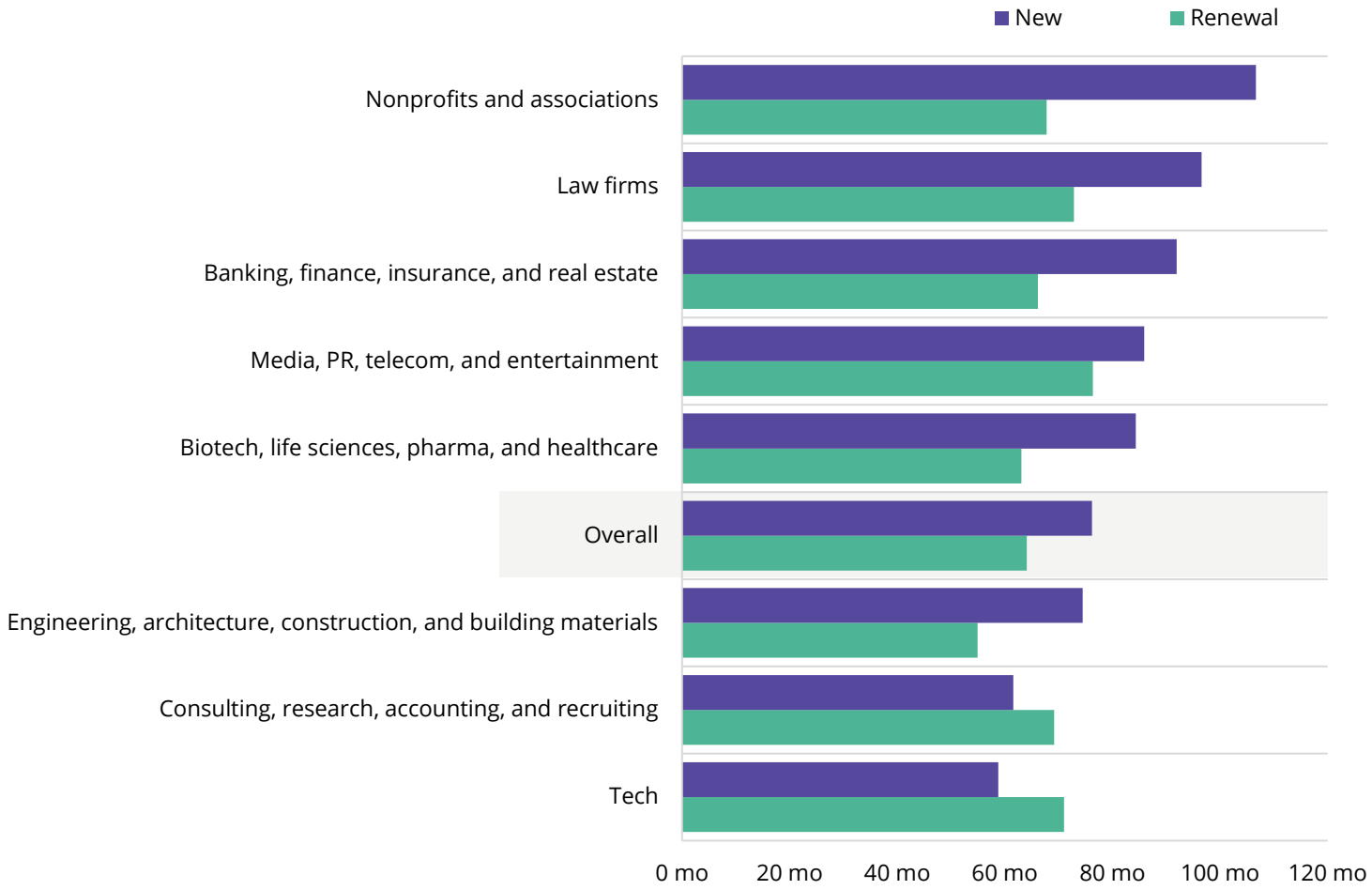


Note: Boston, Chicago, Manhattan, San Francisco, Washington, D.C.
Direct relocations only.
Source: Avison Young Market Intelligence

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

The average class A lease term is six months longer than the overall average, while class B/C trails by 12 months.

Lease terms by major industries

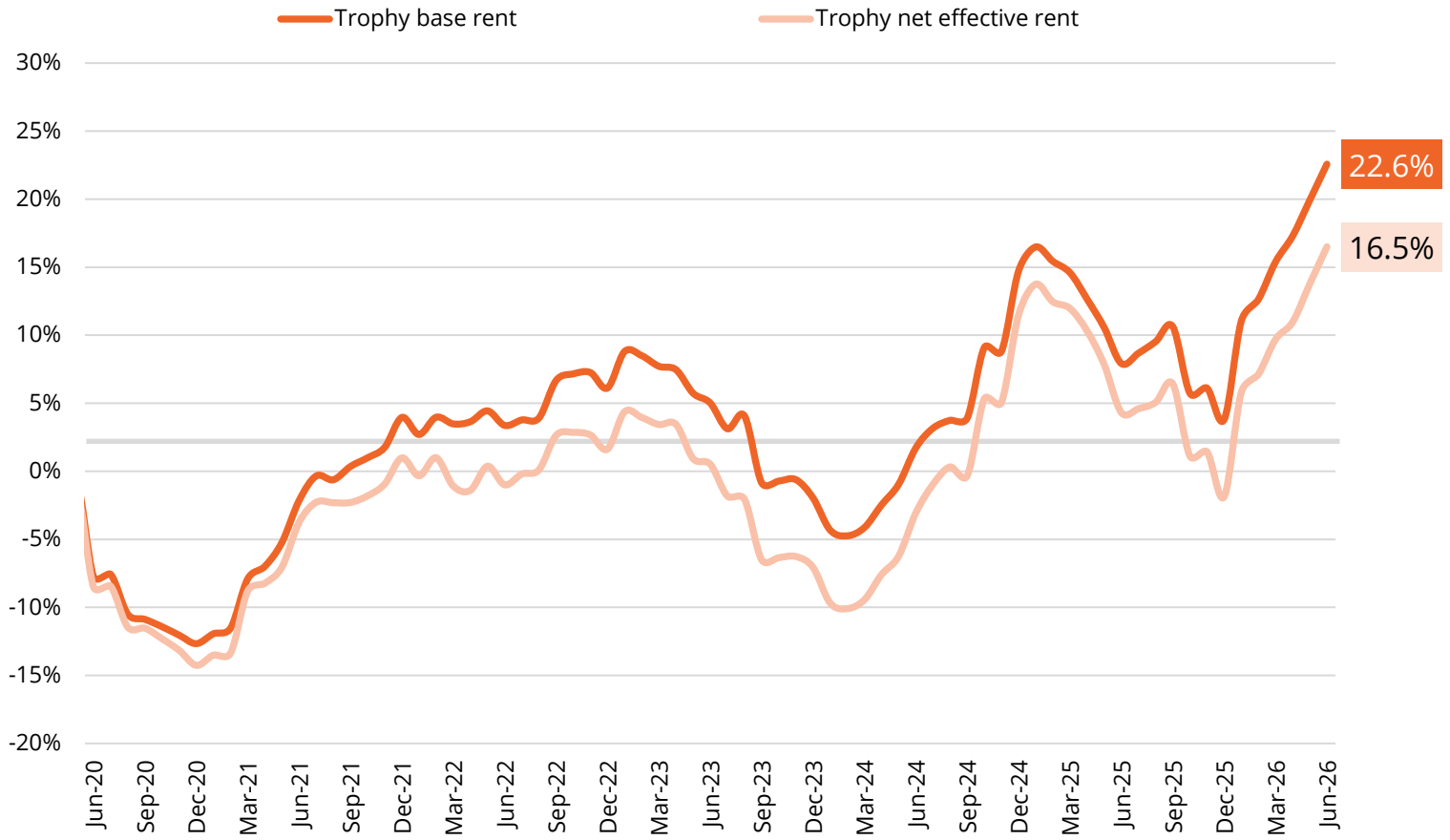


Note: Boston, Chicago, Dallas-Ft. Worth, Los Angeles, Manhattan, San Francisco, Washington, D.C.
Data reflects 12-month average, direct and sublease.
Source: Avison Young Market Intelligence

Through Q2 2026, average U.S. office lease term lengths reached 76 months for new leases/relocations and 64 months for renewals.

Notably, consulting and tech firms recorded longer renewal terms than new deal terms during this period.

Base and net effective rents growth, trophy+/trophy (2020–2026)

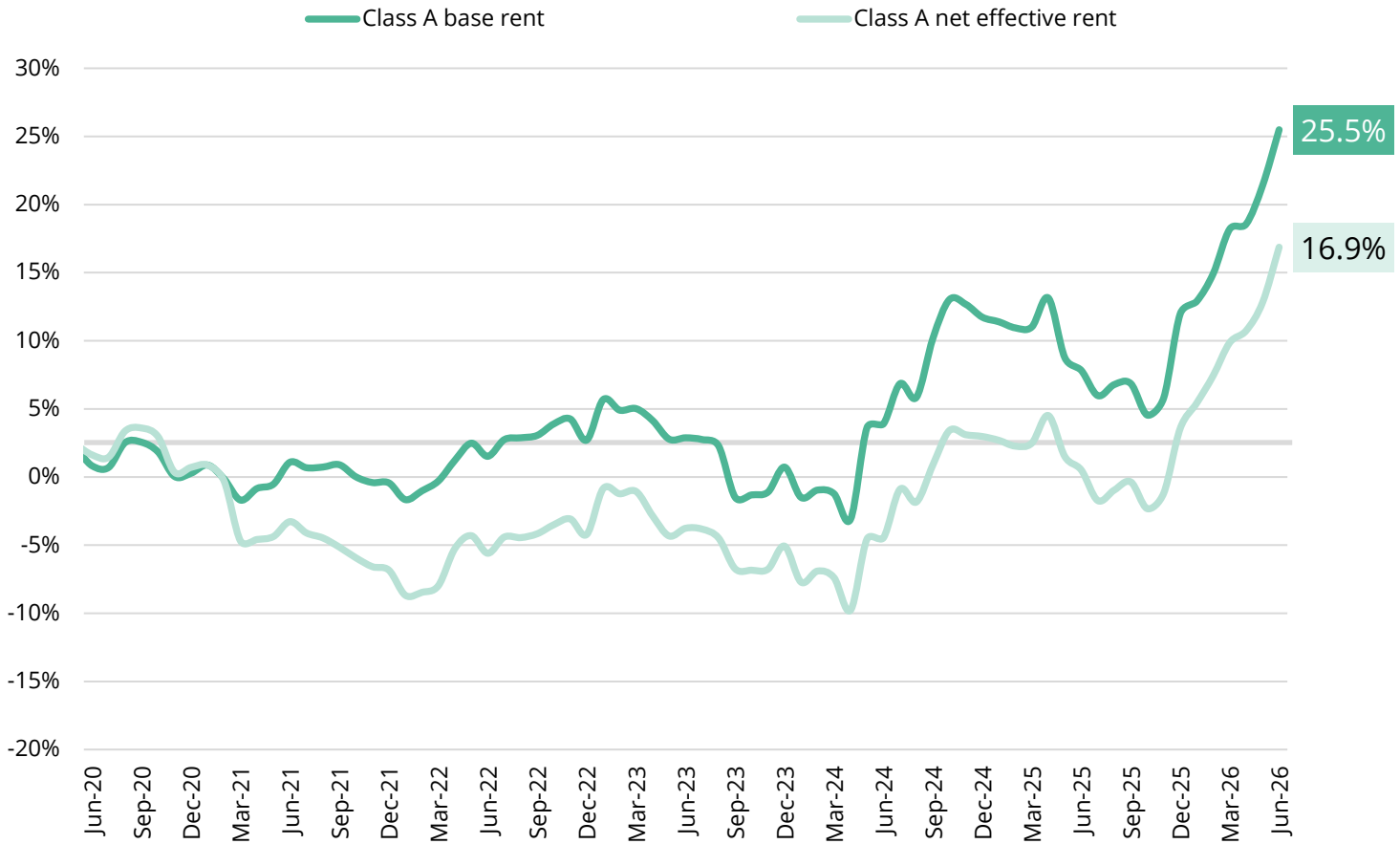


Note: Boston, Manhattan, San Francisco, Washington, D.C.
Direct relocations only.
Source: Avison Young Market Intelligence

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

Strong interest in top-tier offices — especially in markets like San Francisco — has also driven rents higher in recent months.

Base and net effective rents growth, class A (2020–2026)

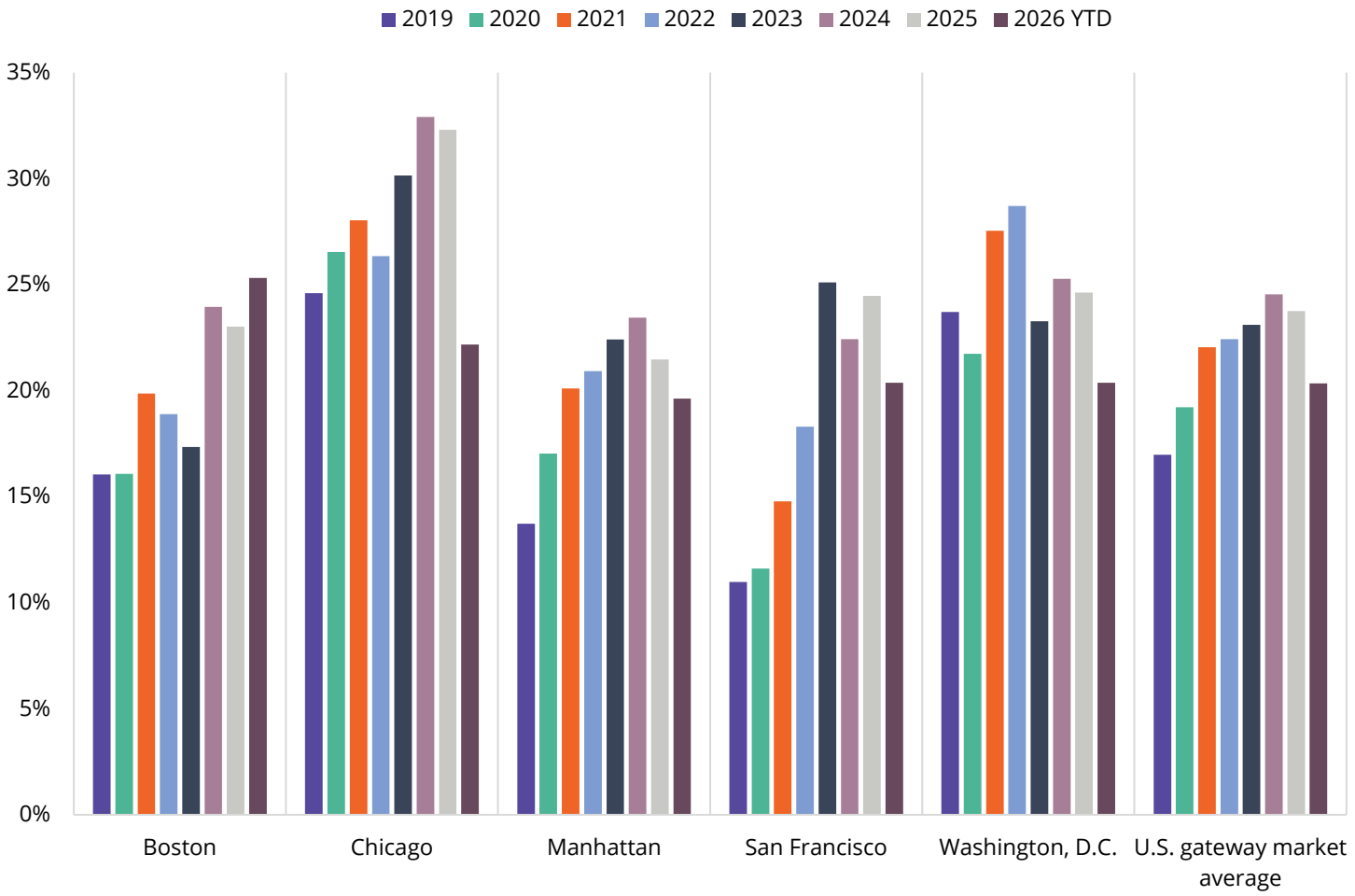


Note: Boston, Manhattan, San Francisco, Washington, D.C.
Direct relocations only.
Source: Avison Young Market Intelligence

Class A base and net effective rents surged in the first half of 2026.

With trophy availability dwindling, tenants are increasingly turning to class A options.

Concessions as a share of lease value

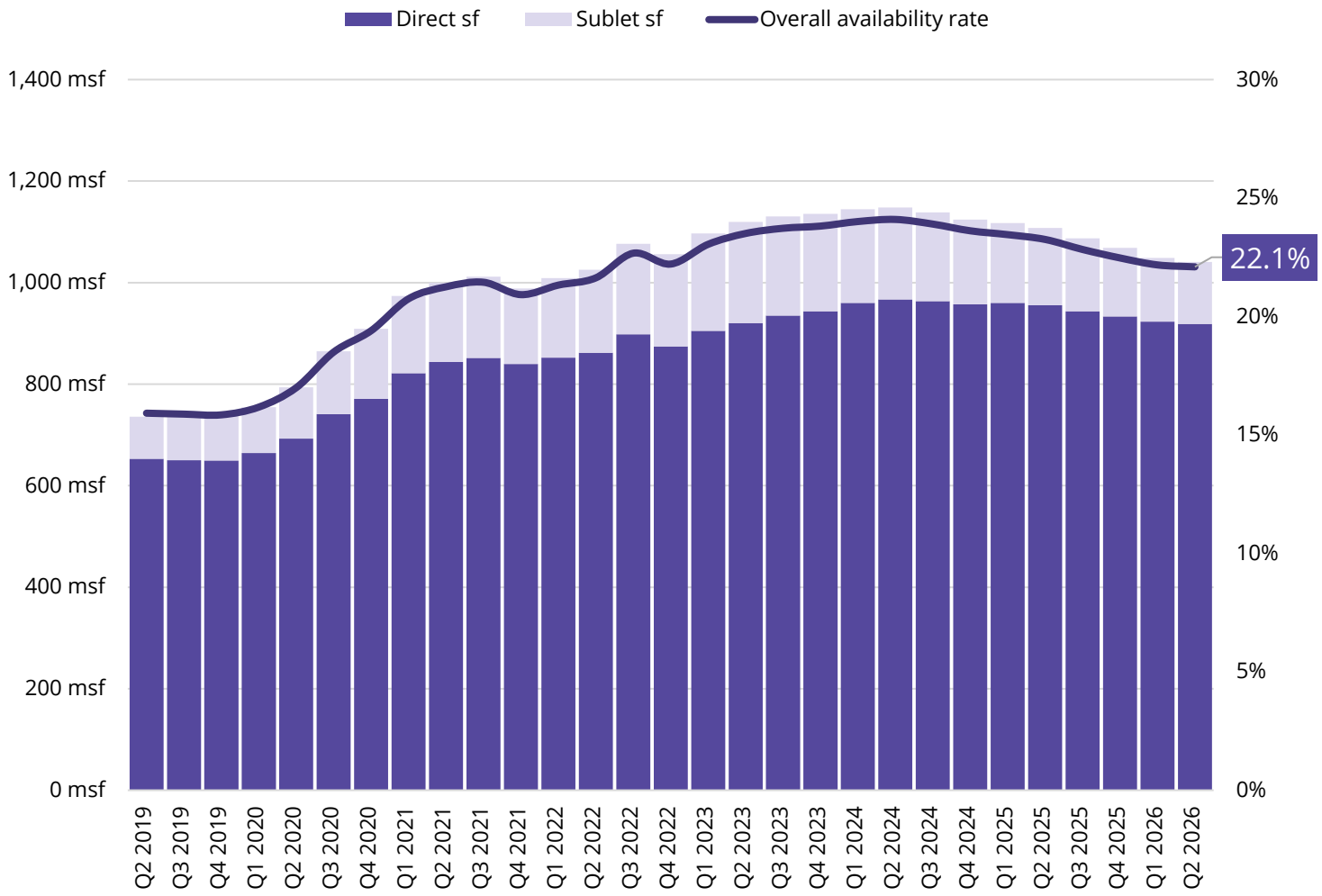


Note: Concessions include the value of tenant improvement allowances and free-rent periods. Direct relocations only with 7+ year lease terms.
Source: Avison Young Market Intelligence

Concession packages as a share of lease value continued to taper through Q2 2026, ending five consecutive years of YoY growth from 2019 to 2024.

On average, concessions accounted for about 20% of total lease value across gateway markets — a decline from 25% two years ago.

Available space

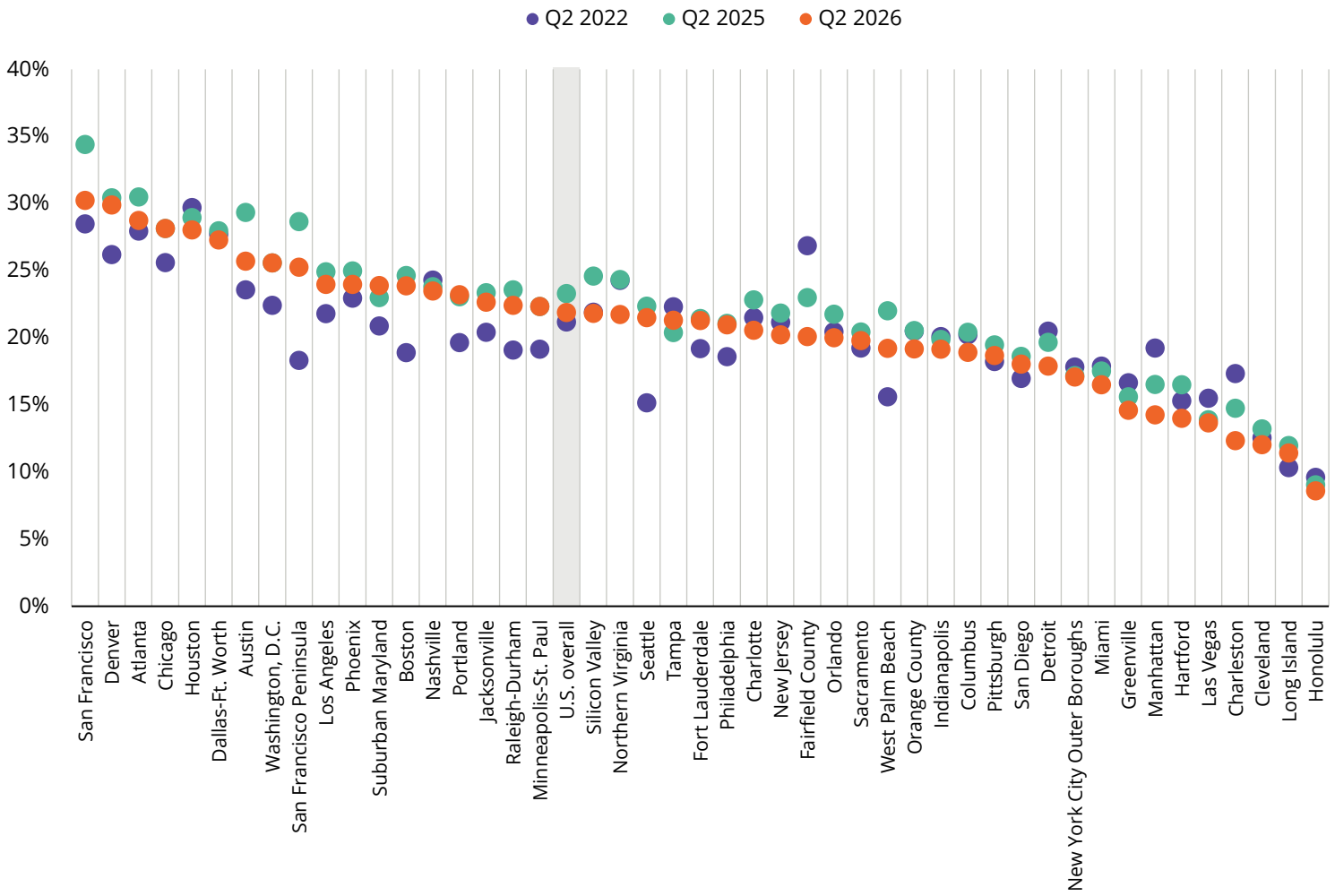


The U.S. overall availability rate dropped by 10 basis points (bps) quarter over quarter (QoQ) to 22.1% in Q2 2026, marking the eighth consecutive quarterly decline.

Direct available space fell by 4.2 msf, while sublet availability declined by 3.7 msf — a combined QoQ drop of 7.9 msf.

Source: Avison Young Market Intelligence, CoStar

Office availability rate by market, Q2 2022–Q2 2026

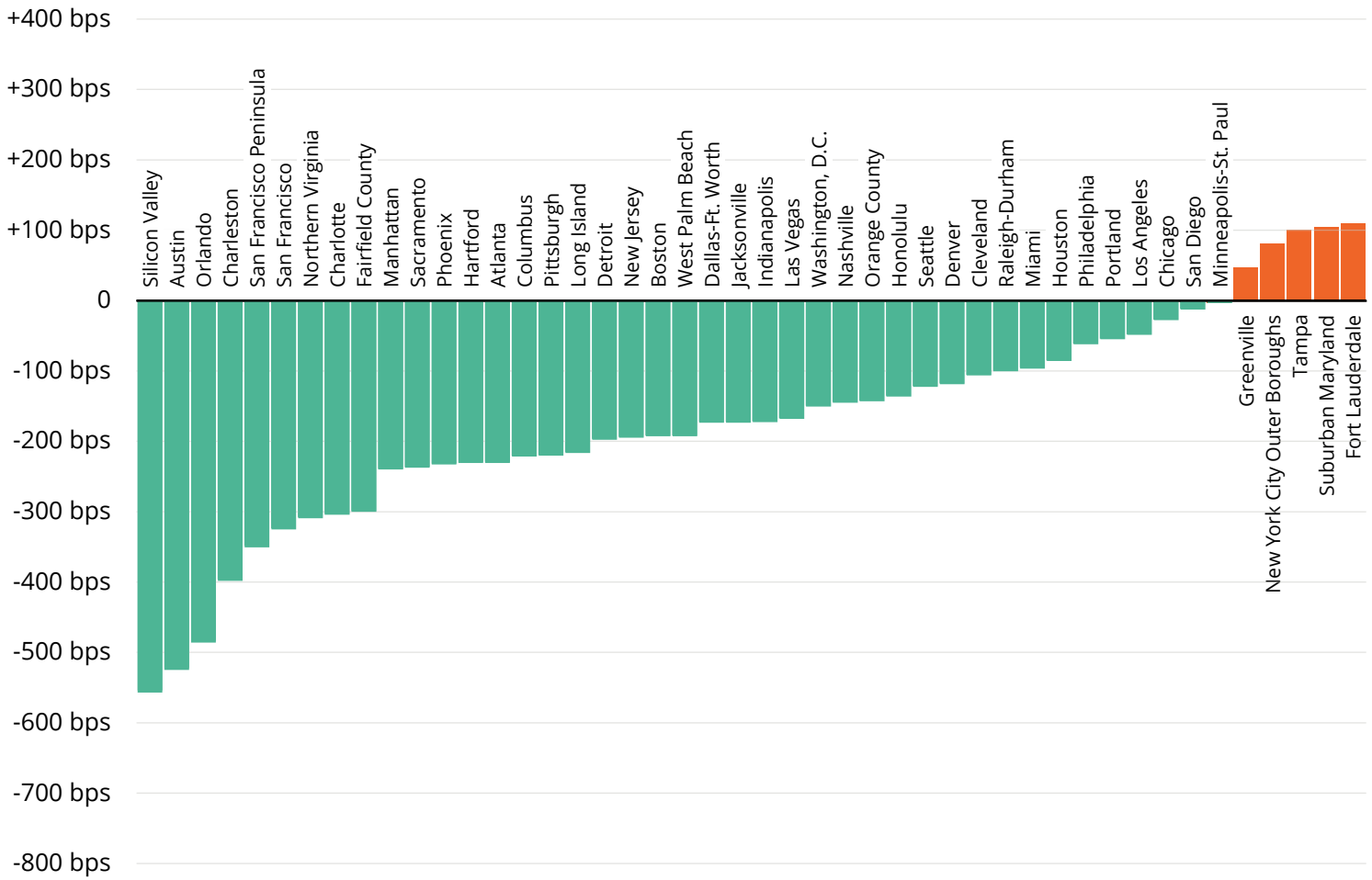


Although availability remains elevated relative to historical norms, national rates continue to decline.

Markets like San Francisco, Denver, and Austin have posted meaningful improvements. In fact, 93% of tracked U.S. markets saw availability rates decline compared with Q2 2025, signaling a gradual shift in supply–demand dynamics.

Source: Avison Young Market Intelligence, CoStar

YoY availability changes (bps), trophy/class A



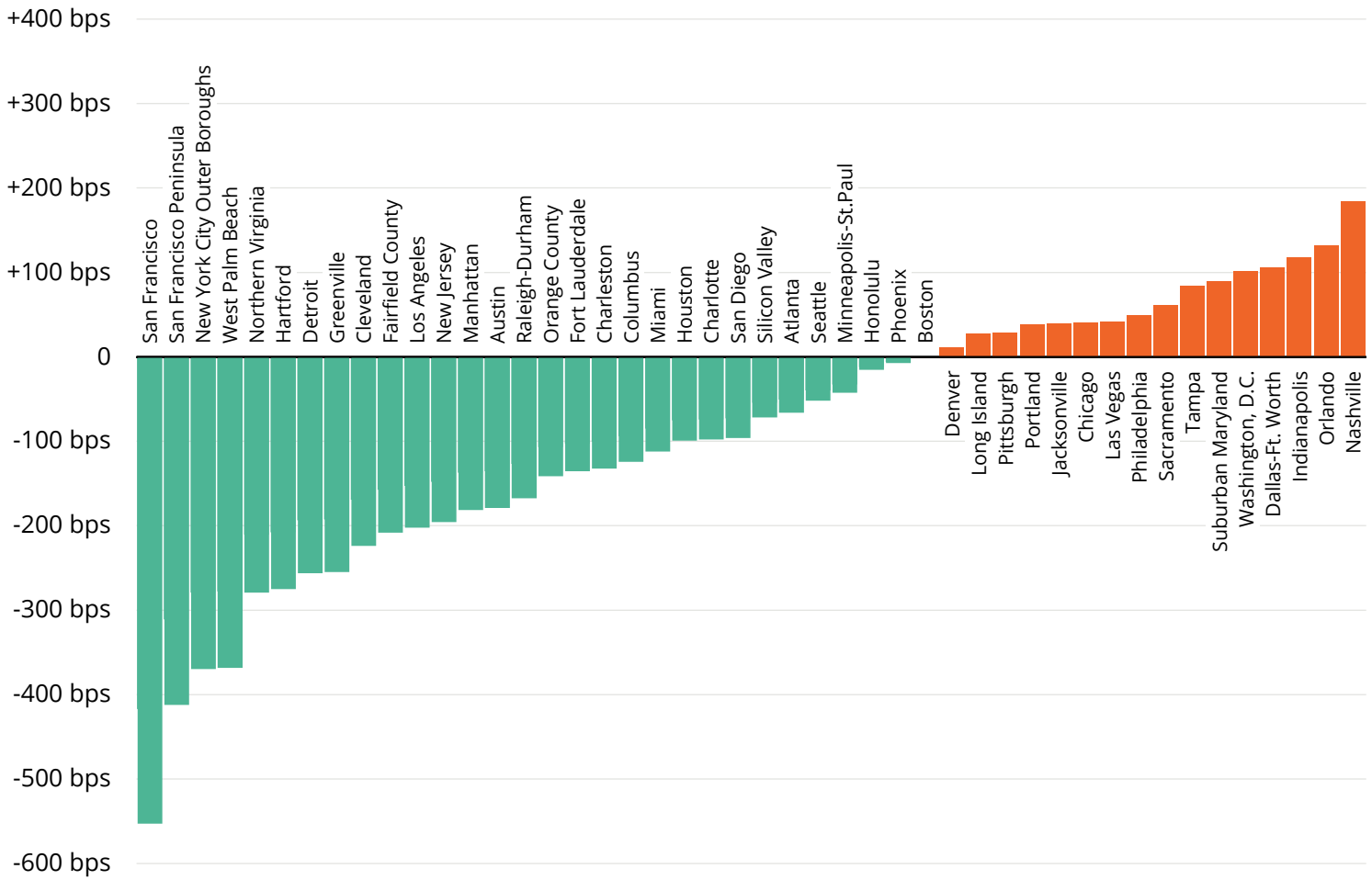
High-quality availability has shifted down across most U.S. markets over the past year.

Silicon Valley (-554 bps), Austin (-522 bps), and San Francisco (-323 bps) recorded the largest YoY declines.

Gateway markets like Manhattan, Washington, D.C., Miami, Boston, and Chicago also saw YoY declines.

Source: Avison Young Market Intelligence, CoStar

YoY availability changes (bps), class B



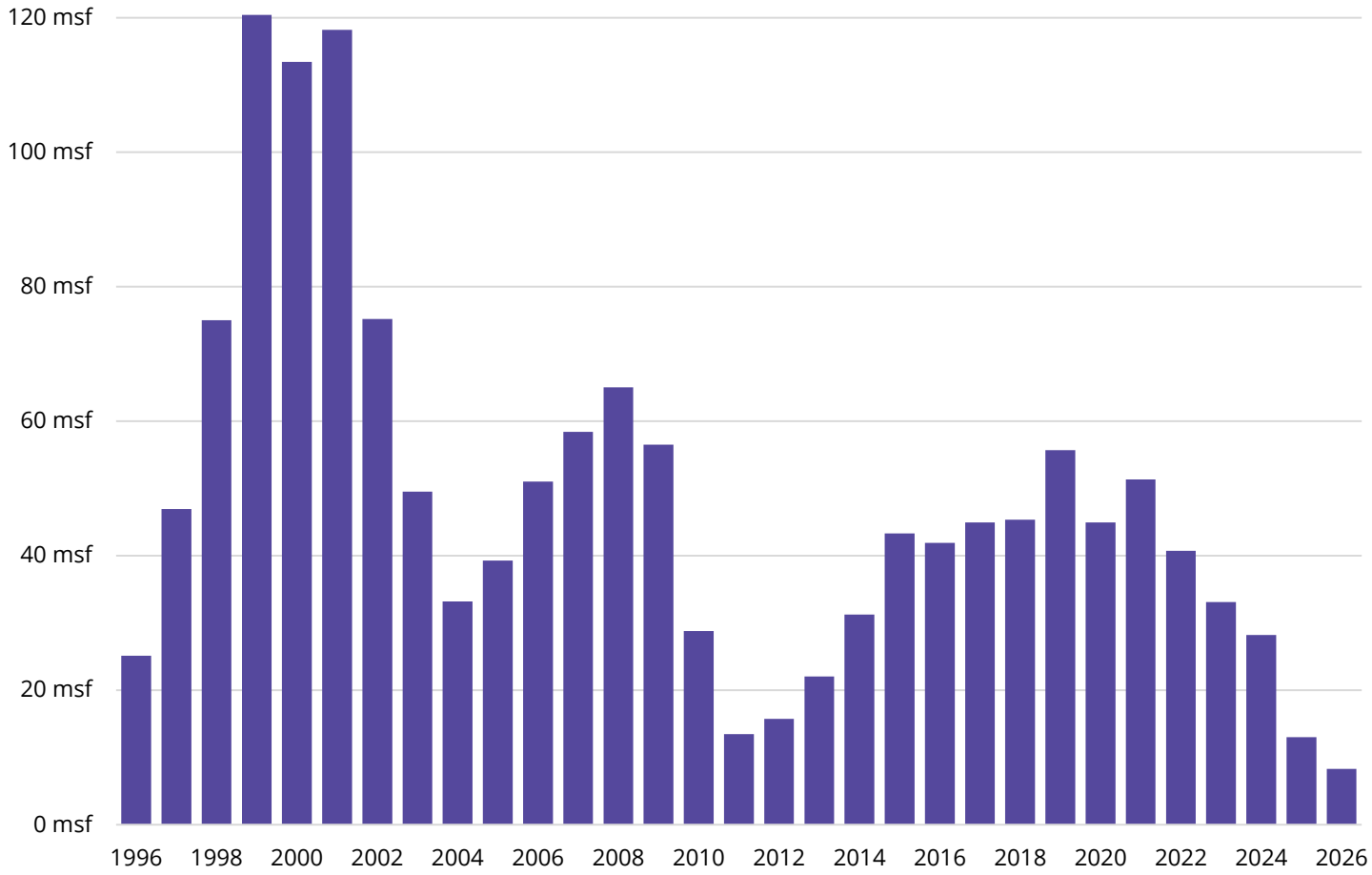
Over the past year, class B availability has trended downward in a number of U.S. markets.

In certain markets where trophy/class A availability continues to tighten, class B availability has also started to decline, particularly in San Francisco (-553 bps) and Manhattan (-239 bps).

Meanwhile, class B availability continues to rise in major markets like Chicago (+42 bps) and Fort Lauderdale (+82 bps).

Source: Avison Young Market Intelligence, CoStar

Office construction deliveries

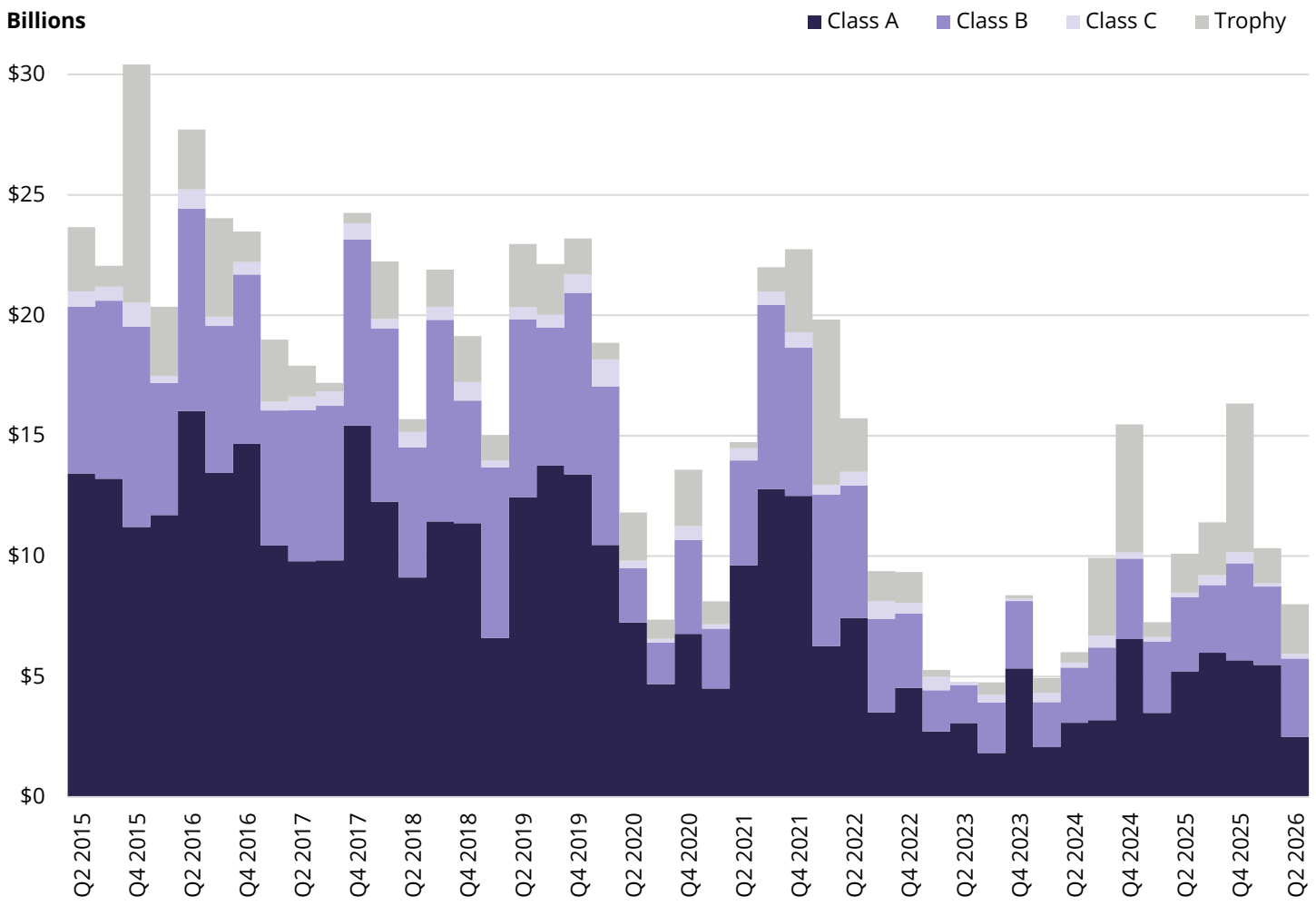


Market uncertainty, increased interest rates, and elevated construction costs have halted new office supply. The lack of new construction continues to constrain demand for high-quality office space.

Source: Avison Young Market Intelligence, CoStar

U.S. office capital markets conditions

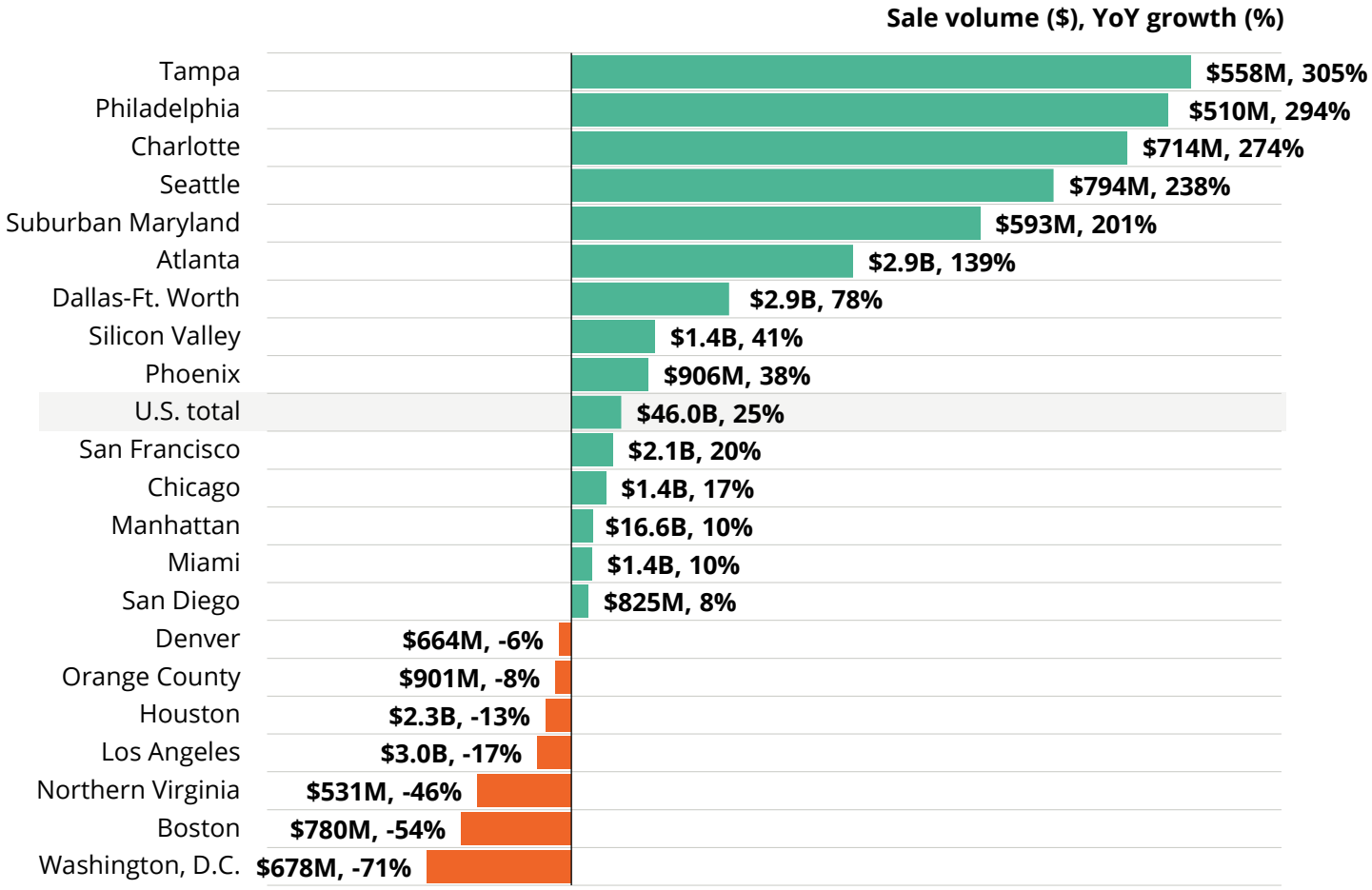
Quarterly investment sales volume



Source: Avison Young Market Intelligence, RCA

Office sales have slowed to start the year, totaling $8 billion in H1, with 57% of transaction volume associated with trophy and class A properties.

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

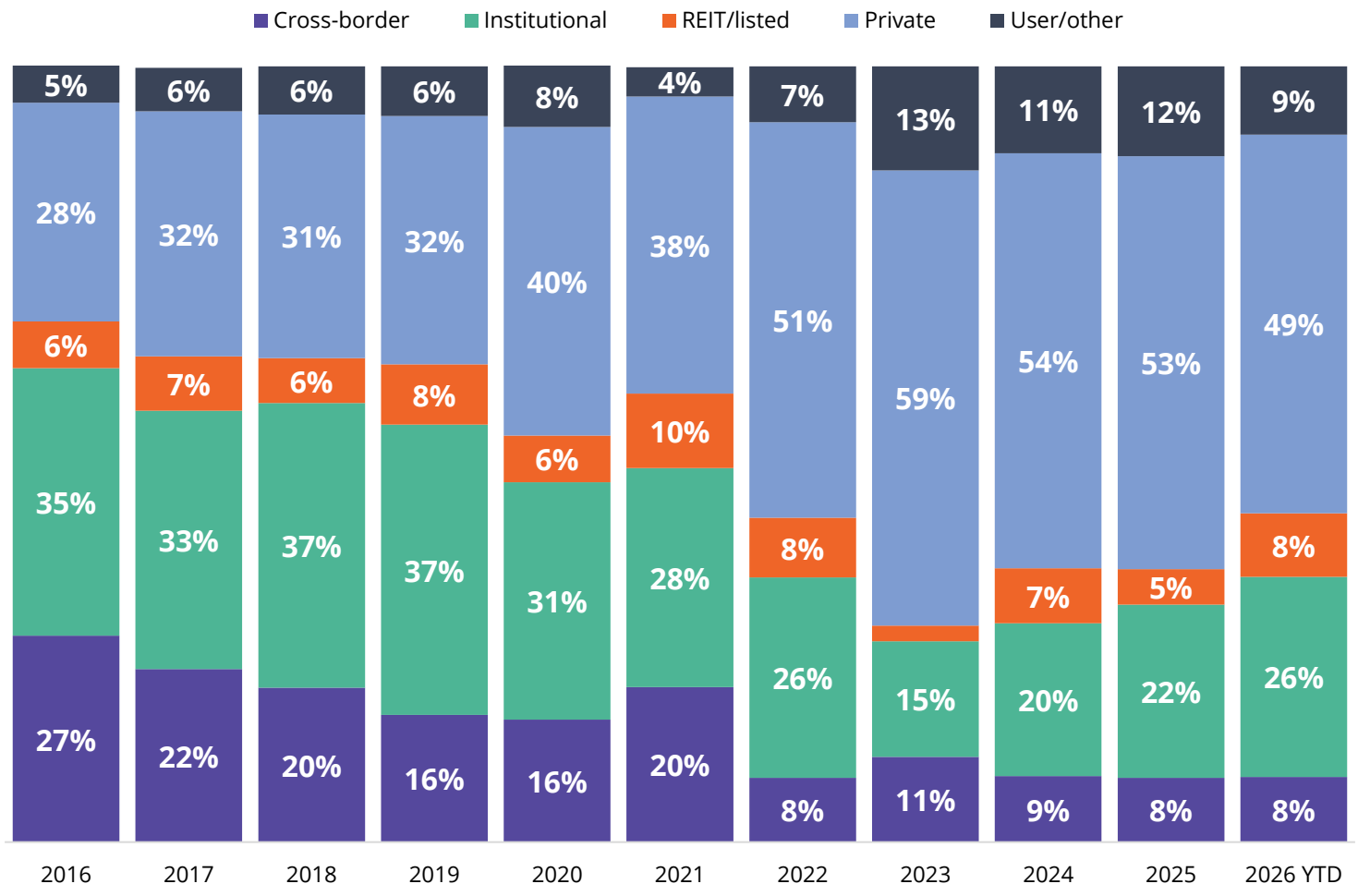


Note: Only markets with over $500M in sale volume.
Source: Avison Young Market Intelligence, RCA

U.S. office sales surged 25% year over year, reflecting a cautious return of investor confidence in select markets.

Markets like Tampa, Philadelphia, and Charlotte have seen notable upticks in activity, while primary markets like Dallas, Chicago, Manhattan, and San Francisco have also recorded renewed momentum.

Buyer composition

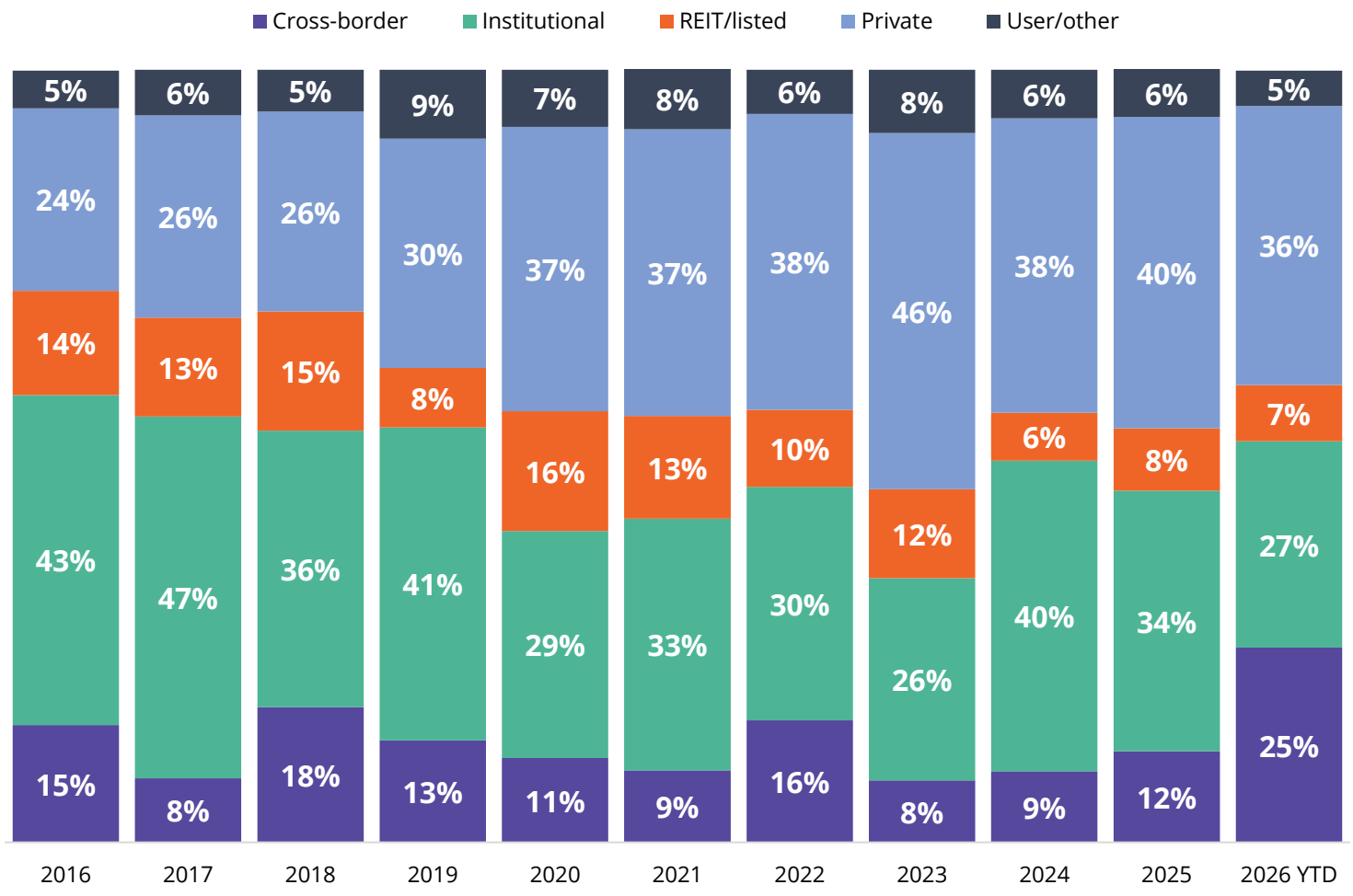


While overall volume is still recovering across the U.S., post-COVID acquisitions have been driven largely by private investors, whose relative share of market activity has nearly doubled since 2019.

Institutional and REIT buyers are becoming more active, representing 34% of total transaction volume in 2026.

Source: Avison Young Market Intelligence, RCA

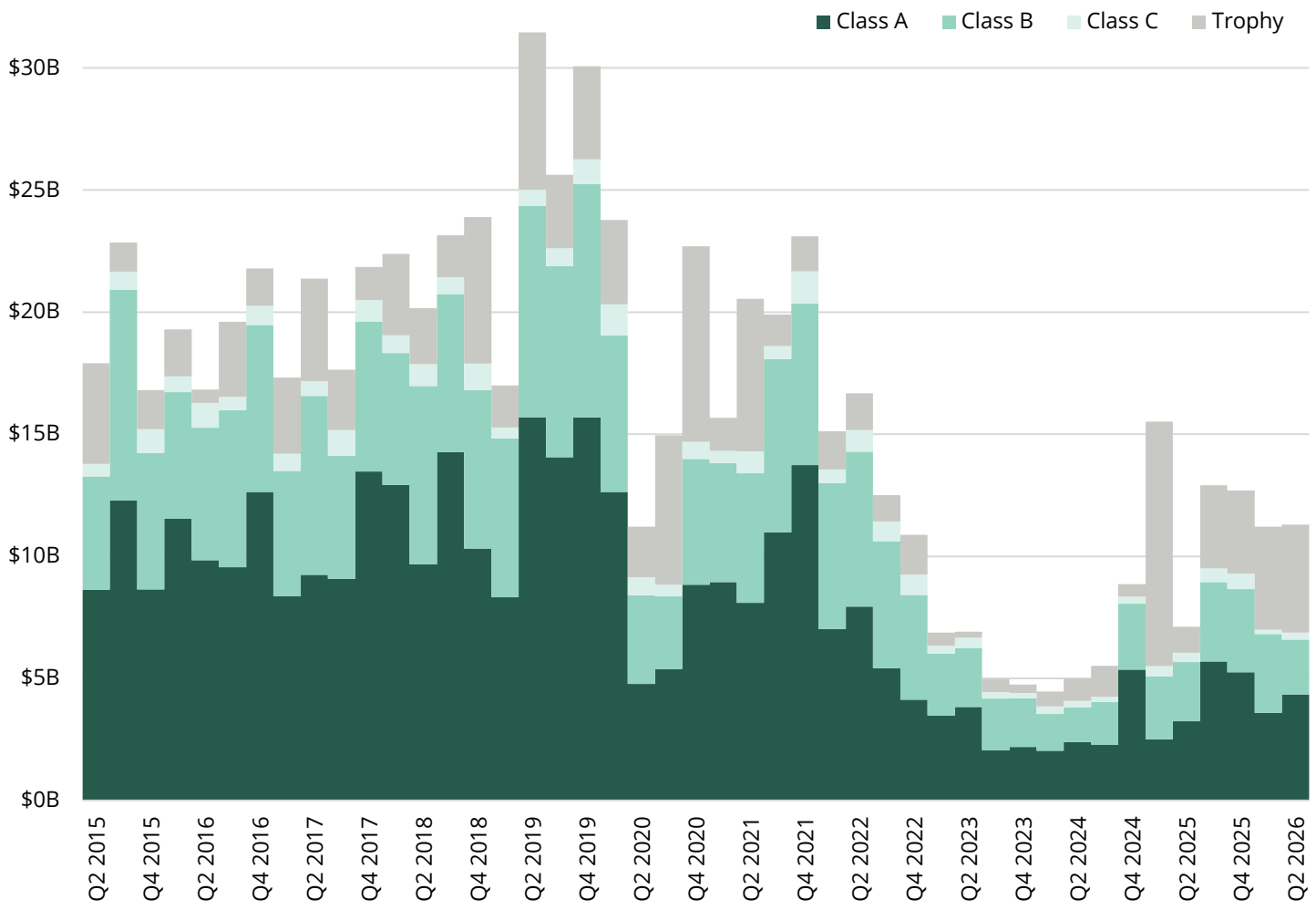
Seller composition



So far in 2026, cross-border investor activity has surged, rising to 27% of all activity from 12% a year earlier.

Source: Avison Young Market Intelligence, RCA

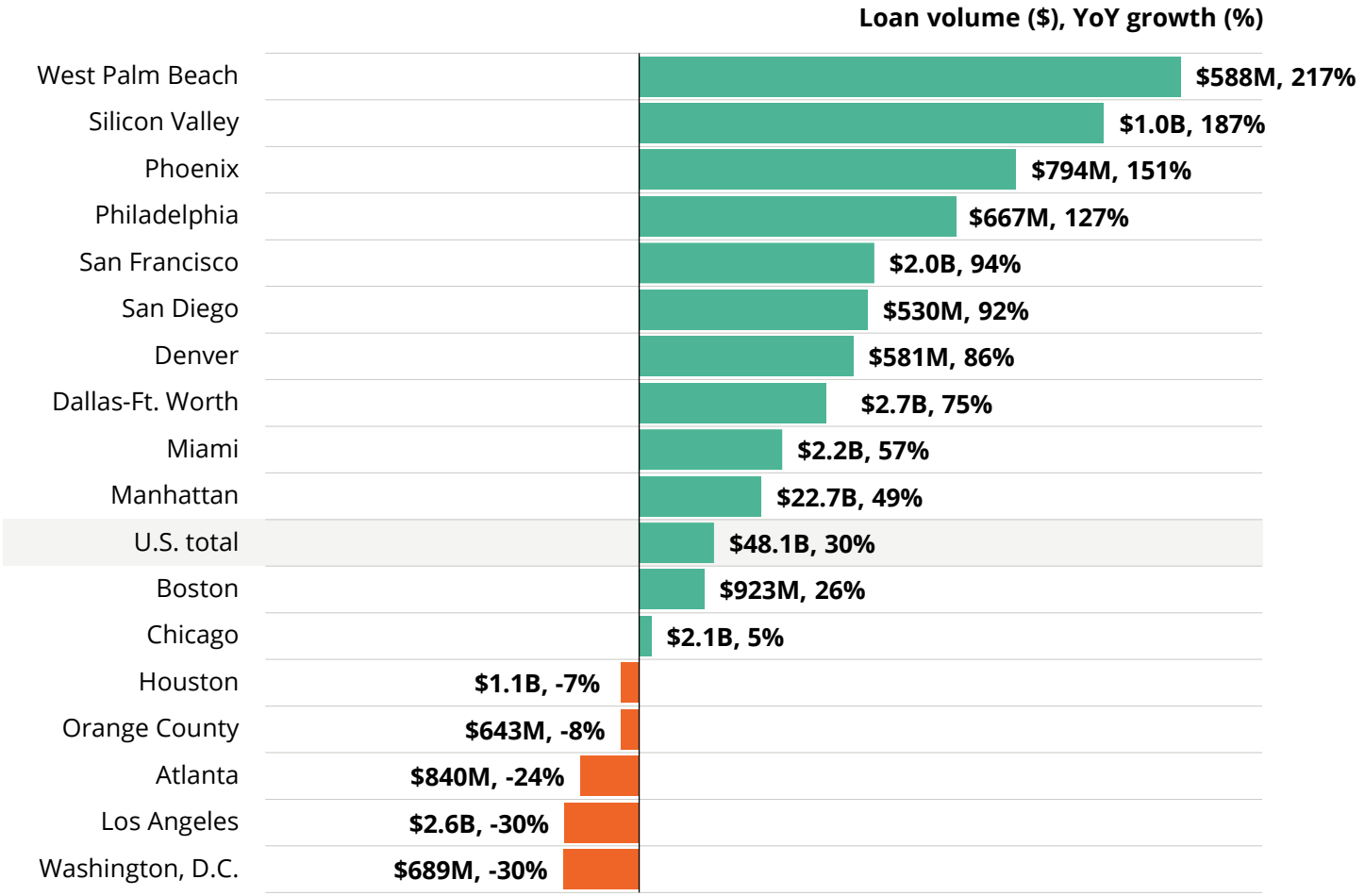
Quarterly loan origination volume



Office loan originations have slowed to start 2026, totaling $22.5 billion in the first half of the year, nearly matching the volume recorded in H1 2025.

Source: Avison Young Market Intelligence, RCA

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



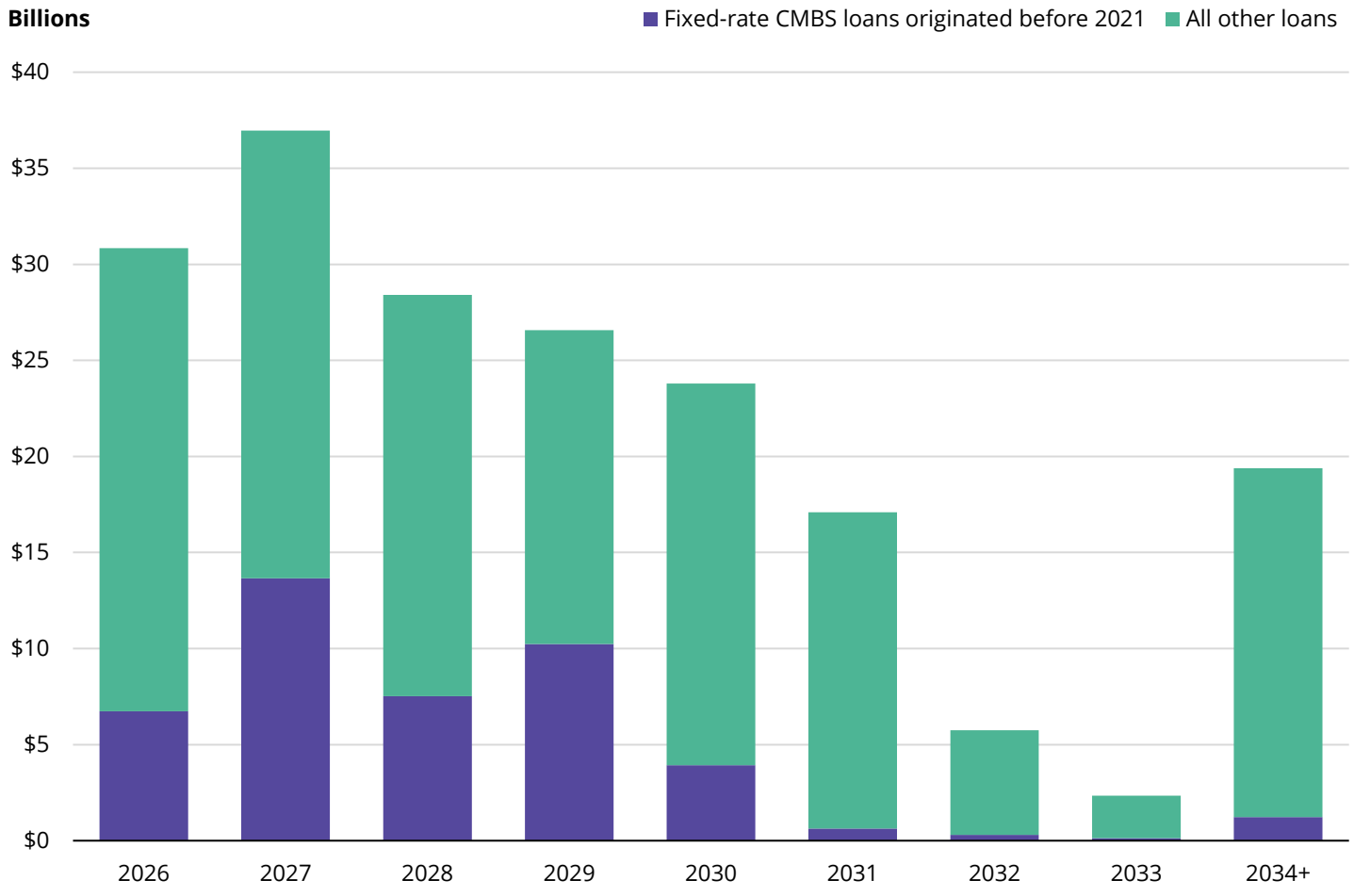
Note: Only markets with over $500M in origination volume.
Source: Avison Young Market Intelligence, RCA

U.S. office loan originations have risen 30% YoY, signaling cautious lender confidence in markets with improving fundamentals.

Manhattan, Dallas, Miami, and San Francisco were among the nation's leaders over the last four quarters.

Until occupancy recovers more broadly and distressed assets see clearer resolution, office lending will likely remain uneven, with robust activity in the few healthy markets and more limited financing for the rest.

Upcoming loan maturities

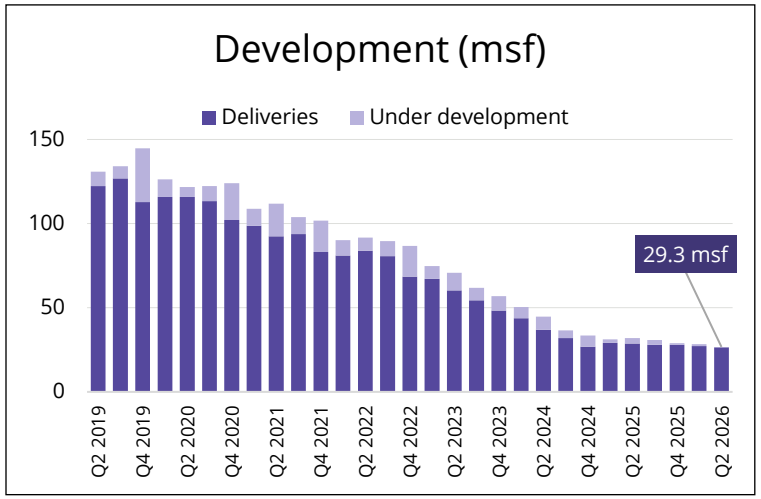


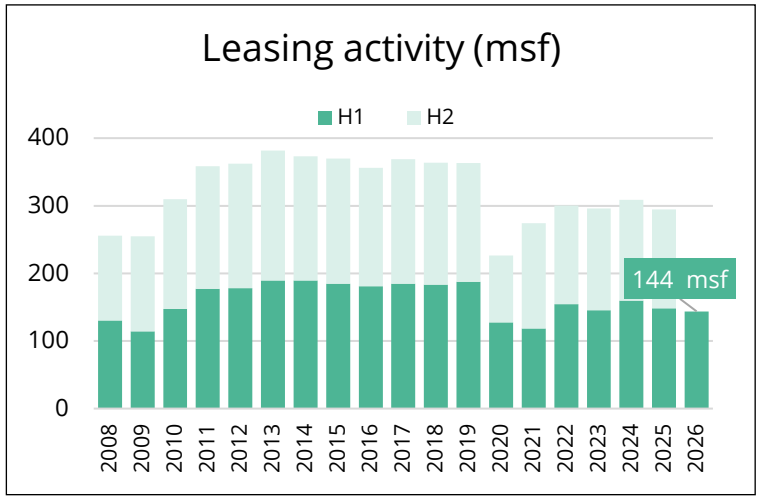
A total of $6.7 billion of outstanding fixed-rate loans originated before 2021 — prior to the interest-rate spike — are set to mature in 2026, alongside an additional $24.1 billion in other CMBS loans.

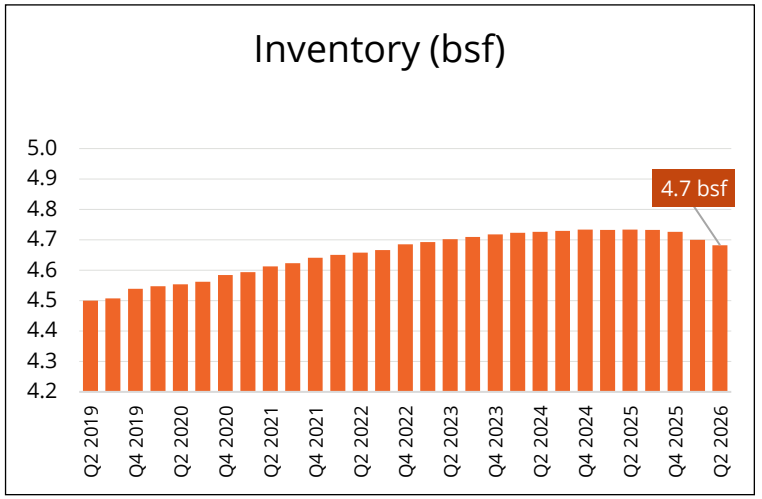
Source: Avison Young Market Intelligence, RCA

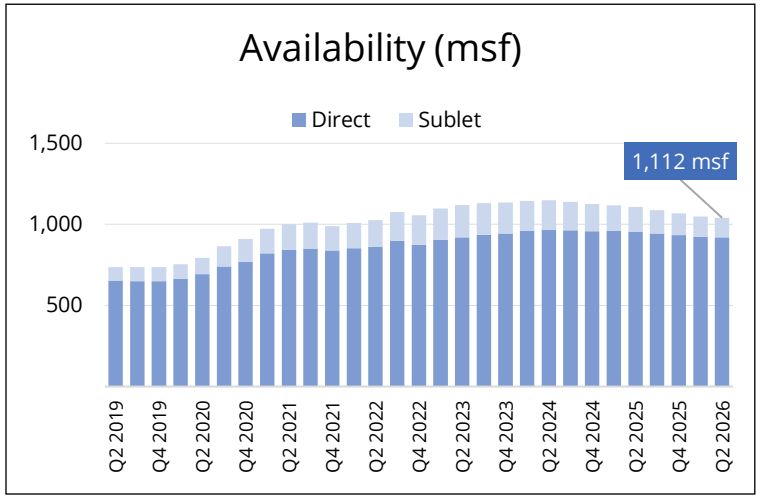
Appendix

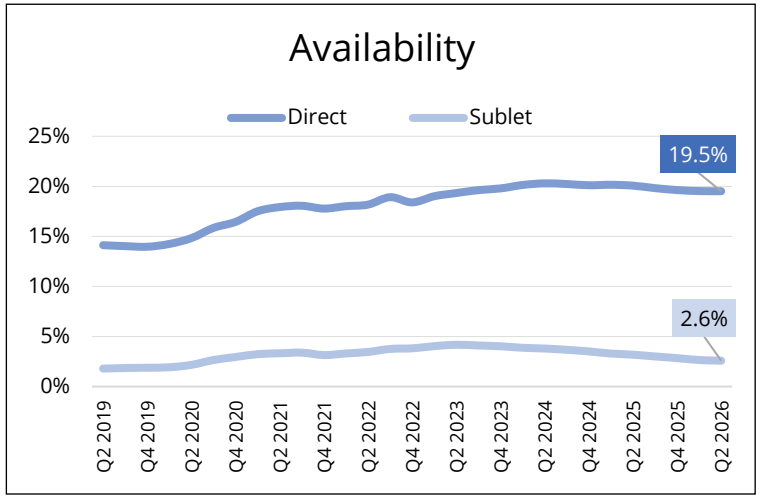
U.S. office market indicators

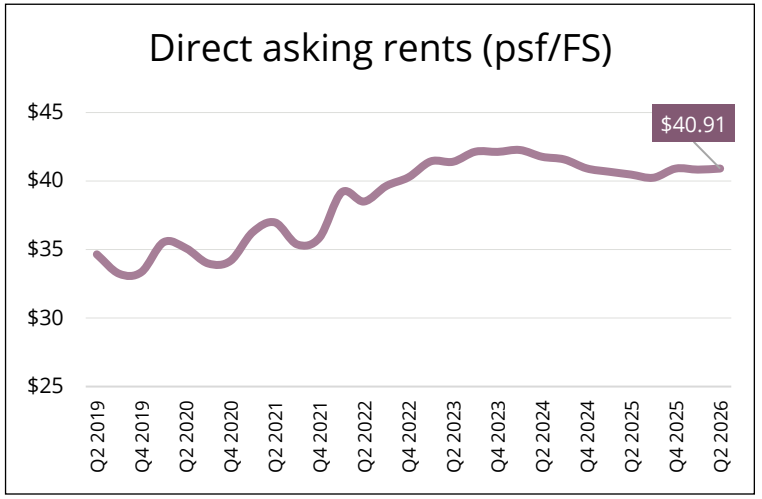












Source: Avison Young Market Intelligence, CoStar

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	386,524,373	12,689,043	14.5%	2.9%	17.4%	$70.21
Class A	2,067,992,299	12,139,270	22.5%	3.3%	25.8%	$43.02
Class B	1,832,212,072	1,658,944	18.7%	2.1%	20.8%	$35.51
Class C	395,591,905	-	12.3%	0.9%	13.2%	$30.24
U.S. total	**4,682,320,649**	**26,487,257**	**19.5%**	**2.6%**	**22.1%**	**$40.91**

Source: Avison Young Market Intelligence, CoStar

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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