Marcus & Millichap

2025 OFFICE

NATIONAL INVESTMENT FORECAST

TO OUR VALUED CLIENTS

Though office properties continue to face a particularly complex operating climate, some green shoots have begun to emerge. Net absorption was positive in three quarters of 2024, delivering the strongest office space demand since 2019 as corporate executives increased efforts to bring employees back to the office full time. This trend has so far been led by major financial institutions, along with some tech firms, but we are seeing the early signs in other sectors, as well as in local, state and federal government. The evolving shift in business sentiment on having workers in the office full time may strengthen over the course of 2025, bolstering demand for office space. That is not to say that remote and hybrid work schedules are coming to an end. Increased worker flexibility will likely be a permanent fixture in the business world going forward, but the momentum has shifted.

Not all markets have benefited equally thus far; the shift has taken root in a diverse range of metros. Space demand in New York has strengthened substantively, while markets like Boston, Chicago and Los Angeles have yet to show clear signs of recovery. Momentum in Texas and Southeast Florida has also been robust, reiterating the strength of Miami-Dade, Dallas and Houston as job creation leaders. In many markets, the gains have been led by best-in-class properties that offer exceptional amenities and services. These top-tier assets frequently boast occupancy levels above 90 percent. Office properties in the urban core have delivered stronger absorption than suburban assets, but suburban properties still provide a lower vacancy rate and stronger rent growth.

The complex and divergent performance landscape, together with steep borrowing costs and lender hesitancy, continues to weigh on the office investment environment; yet this offers "early cycle" opportunity for the value investor. The reduced competition for assets opens the field to smaller investors, including prospective owner-users seeking to acquire the space they occupy. Historically high-barrier-to-entry markets may have become more accessible, and ultimately, some space may need to be repurposed. Amid the changing landscape, we hope the 2025 Office National Investment Forecast provides useful insights. As you refine your strategies, our investment and financing professionals look forward to assisting you in meeting your goals.

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CLIENT SERVICES

Developed by Marcus & Millichap Research Services.

Additional contributions were made by Marcus & Millichap investment brokerage professionals nationwide.

EXECUTIVE SUMMARY

NATIONAL OFFICE MARKET INDEX(NOMI)

- Most metros claiming top spots in this year's Index have led the country in job growth since 2019 in industries that traditionally use office space. This expansion has translated into nationally strong property fundamentals in Tampa-St. Petersburg, Las Vegas and Salt Lake City. Several other high-ranking markets, including the Southeast Florida metros, will continue to lead the nation in office-using employment growth this year.
- Several of the country's office stalwarts are still lagging in vacancy and rent recovery despite having sizable shares of college graduates among their local populaces. This is especially true of San Francisco, Boston, Washington, D.C., and San Jose. Access to highly educated labor, however, will continue to support business expansion and formation — and by relation, office space demand.

NATIONAL ECONOMY

- New policies from the White House have clouded the outlook for economic growth and monetary policy. Earlier this year, President Trump moved to implement heightened import duties on goods from China, Canada, Mexico and other nations. The evolving trade dispute could reignite inflation and reduce GDP growth.
- As the Federal Reserve re-aligns their decisionmaking, some factors may impede their efforts to reduce inflation and sustain modest economic growth. The new tariffs could raise inflation, while the tightening of immigration rules could weigh on labor force availability. President Trump's intent to lower the corporate tax rate, meanwhile, could aid highly leveraged companies.

NATIONAL OFFICE OVERVIEW

- While the office sector appears to have reached an inflection point in 2024, variations and hurdles still exist within the sector. More companies are expected to leverage structured or mandated attendance in 2025, though, which should preserve — or potentially increase — tenants' space needs.
- A pullback in project starts will limit supply-side pressure in 2025. Half of the nation's 50 major metros will log inventory growth of less than 0.5 percent, which will translate into the second-lowest national delivery total since 2013.

CAPITAL MARKETS

- After reducing its benchmark rate 100 basis points in late 2024, the Federal Open Market Committee did not cut rates in the early part of 2025. This more cautious approach will impact investors' strategies; even so, borrowing activity is still likely to rise, as price correction in the sector is anticipated to draw buyers off the sidelines. Additionally, some lenders have begun to tighten their spreads, suggesting that lending liquidity may improve.
- The 10-year Treasury may face some upward pressure if the overnight rate holds firm. Should this occur, the yield spread relative to commercial real estate cap rates would narrow. Fortunately, the gap between the average office cap rate and the 10-year Treasury was more than 300 basis points entering 2025 — the widest margin among major commercial real estate sectors.

INVESTMENT OUTLOOK

- Buyer-seller expectations have come into greater alignment, yet a significant volume of capital remains on the sidelines. Attractive pricing relative to replacement costs and recent improvements in tenant demand, however, are likely to draw investors back to the table. The more diverse buyer pool that materializes will keep office trading velocity on an upward trajectory in 2025.
- While nearly half of last year's office trades took place in tertiary markets, recent vacancy movement and office visitation data may support greater deal flow elsewhere. Most primary markets noted year-over-year gains in monthly office visits last December, and many of the nation's secondary metros are expected to end 2025 with vacancy below their long-term mean. In response, more investors may look to broaden their scope across these markets.

Changing Workplace Habits Influencing Tenants' Leasing Decisions

Traditionally Office-Using Fields*

26.3%

Remote

Professional and technical services roles account for 50 percent of remote jobs.

23.3%

Hybrid

Roughly 30 percent of finance and insurance professionals operate on a hybrid schedule.

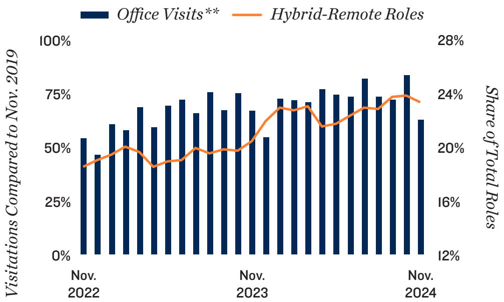
50.4%

In-Office

In management and administrative positions specifically, nearly 80 percent are in-office.

** Data as of December 2024 and comprised of three sectors: professional and business services, financial activities and information*

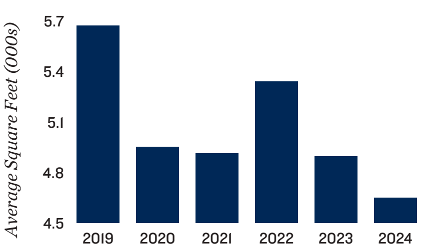
Remote Work Impacts Office Recovery



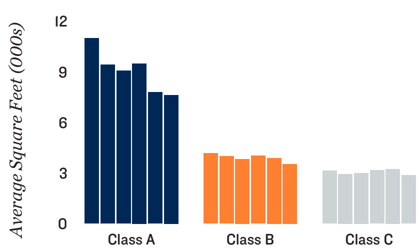
Office Usage Dynamics Alter Lease Sizes

Composition of the workforce has shifted modestly. As of late 2024, return-to-office mandates by large companies and government agencies had yet to notably change the nation's number of remote, hybrid and in-office roles. This dynamic has prevented office visit volumes from reaching 2019 levels of activity. With overall usage down for several years now, tenants with staff on various work arrangements have had ample time to fully assess and better determine their long-term space needs. Firms that acted on these decisions opted for smaller spaces in 2024, with year-over-year declines in average lease size apparent across all property tiers and vintages.

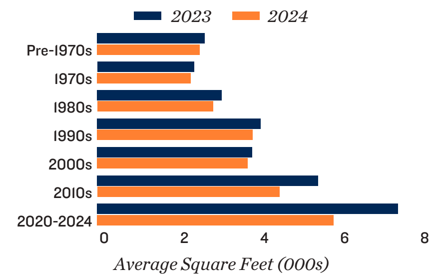
New Direct Leases Contain Less Space



Class A Leads Average Lease Size Shift 2019-2024



Newer Vintages Leases Shrink Most



Note: Includes leases executed for at least 1,000 square feet; 2024 figures based on preliminary data.

Leasing activity a bright spot amid widespread downsizing. Although tenants' office needs are evolving, with many requiring less square footage than before the pandemic, physical space is still vital and valued among companies. Preliminary data for 2024 reveals that the number of new direct leases for spaces larger than 1,000 square feet matched the prior five-year average of just under 81,000, while the average lease term remained unchanged at nearly four years. Similar leasing velocity is expected this year, which will support positive net absorption. The overall smaller size of leases, however, is one factor that will prevent a decline in vacancy. Class A vacancy is likely to be most influenced, as the average lease size for upper-tier space was down more than 30 percent in 2024 when compared with 2019. The upper echelon of Class A properties are relatively well positioned, though, as net absorption in this subsector reached a nearly five-year high during the fourth quarter of last year. For owners of Class B and C properties, the shift in tenants' average lease size has been less abrupt — a dynamic that, along with minimal supply-side pressure, may support a level of positive absorption that translates into minimal segment vacancy movement in 2025.

*** Office visit recovery compared with November 2019 baseline*

Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Hiring Lab, Indeed, Placer.ai

Momentum Continues Across Southern U.S. as Other Key Office Markets Gain Ground in the 2025 NOMI

Focus shift in office sector expansion highlights Sun Belt markets. When comparing the relative improvement of various markets' office sectors over the year ahead, those that have expanded the most post-pandemic stand out. Nearly all of the metros in the top 15 of this year's National Office Market Index have led the country in job growth since 2019 in industries that traditionally use office space, such as financial activities and professional services. The expansion of these industries over the past several years has built up to nationally strong property fundamentals in Tampa-St. Petersburg (#1), Las Vegas (#7) and Salt Lake City (#9). Several high-ranking markets will continue to lead in office-using employment growth this year, including Raleigh (#2), Charleston (#4) and the Southeast Florida markets. Metros outside the southeastern U. S., like Dallas-Fort Worth (#14) and Indianapolis (#15), also display this dynamic. Some markets, such as Austin (#13), Atlanta (#24) and Seattle-Tacoma (#26), are now starting to see a tapering in such labor dynamics after years of gains. Meanwhile, New York City (#11) improves to just outside the top 10, as vacancy in the country's largest office hub is projected to continue on a downward trajectory this year.

Despite near-term headwinds, skilled labor still key to office outlook. Several of the country's large gateway markets — historically office stalwarts — are still lagging in vacancy and rent recovery, translating into middling rankings in the 2025 Index. This is especially true of San Francisco (#36), which records the highest vacancy rate in the country, but also the largest share of college graduates among its local populace. This feature is shared by other primary metros, such as Boston (#25), Washington, D.C., (#30) and San Jose (#37). Access to highly educated and skilled labor will continue to support business expansion and formation, and by relation office space demand, over time across these metros, even if other markets improve faster within the next year. Metros with non-office-oriented economies and less dynamic demographics lie lower on the Index, including New Haven-Fairfield County (#48) and Pittsburgh (#49).

Index Methodology

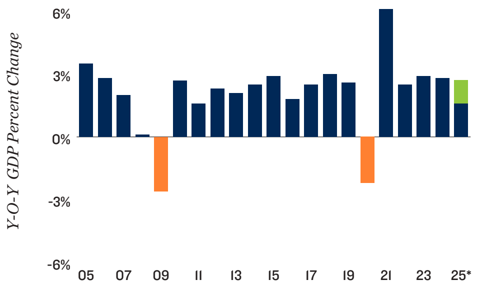
The NOMI ranks 50 major markets on a collection of 12-month, forward-looking economic indicators and supply and demand variables. Markets are ranked based on their cumulative weighted average scores for various indicators, including projected office-using job growth, vacancy, construction and rents. Weighing both the forecasts and incremental change over the next year, the Index is designed to show relative supply and demand conditions at the market level.

Users of the Index are cautioned to keep several important points in mind. First, the NOMI is not designed to predict the performance of individual investments. A carefully chosen property in a bottom-ranked market could easily outperform a poor choice in a higher-ranked market. Second, the NOMI is a snapshot of a one-year horizon. A market encountering difficulties in the near term may provide excellent long-term prospects, and vice versa. Third, a market's ranking may fall from one year to the next, even if its fundamentals are improving. The NOMI is an ordinal Index, and differences in rankings should be interpreted carefully. A top-ranked market is not necessarily twice as good as the second-ranked market, nor is it 10 times better than the 10th-ranked market.

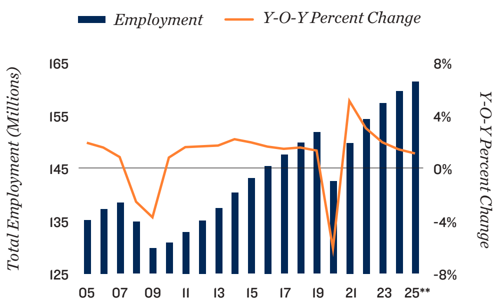
RANK	MARKET
1	*Tampa-St. Petersburg*
2	*Raleigh*
3	*Fort Lauderdale*
4	*Charleston*
5	*West Palm Beach*
6	*Miami-Dade*
7	*Las Vegas*
8	*Charlotte*
9	*Salt Lake City*
10	*Orlando*
11	*New York City*
12	*Jacksonville*
13	*Austin*
14	*Dallas-Fort Worth*
15	*Indianapolis*
16	*Riverside-San Bernardino*
17	*Nashville*
18	*Philadelphia*
19	*Phoenix*
20	*Denver*
21	*Columbus*
22	*Houston*
23	*Orange County*
24	*Atlanta*
25	*Boston*
26	*Seattle-Tacoma*
27	*Kansas City*
28	*Richmond*
29	*San Antonio*
30	*Washington, D.C.*
31	*Northern New Jersey*
32	*Cincinnati*
33	*St. Louis*
34	*San Diego*
35	*Chicago*
36	*San Francisco*
37	*San Jose*
38	*Minneapolis-St. Paul*
39	*Louisville*
40	*Milwaukee*
41	*Los Angeles*
42	*Detroit*
43	*Portland*
44	*Memphis*
45	*Oakland*
46	*Sacramento*
47	*Baltimore*
48	*New Haven-Fairfield County*
49	*Pittsburgh*
50	*Cleveland*

[1] *See National Office Index Note on page 64*

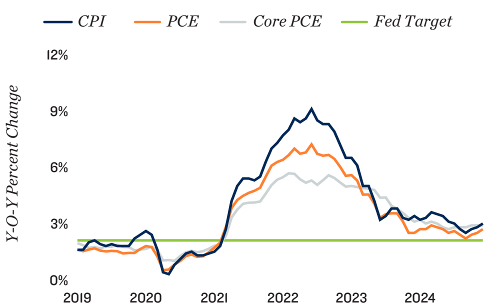
Potential Tariffs Cloud GDP Growth Outlook



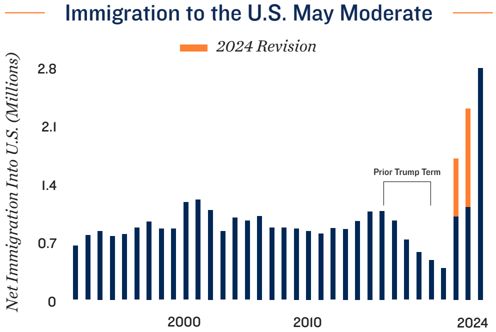
Hiring to Slow for a Fourth Straight Year



Inflation Holding Above Fed Target



Immigration to the U.S. May Moderate



** Estimate range*

*** Forecast*

Note: 2010 and 2020 immigration estimates

Economic Momentum Carries Into 2025; Federal Policy Uncertainty a Wildcard

Growth hinges on extent of tariffs. Last year, the labor market overachieved and consumer spending proved more durable than anticipated, facilitating real GDP growth of 2.8 percent. Entering 2025, the economy was expected to grow more moderately. Eyes were on how inflation and the labor market would perform in relation to monetary policy, with the Federal Reserve set to potentially continue reducing interest rates. Since then, new policies from the White House have made that outlook less certain. Earlier this year, President Trump moved to implement heightened import duties on goods from China, Canada and Mexico, while also imposing other broad taxes on imports. The resulting and evolving trade dispute could reignite inflation, sparking concerns about the health of the economy. GDP growth for 2025 could be reduced into the 0.7 percent to 1.8 percent range, a decline from the consensus projected rate of 2.2 percent at the onset of this year.

Soft landing faces crosswinds. As the Federal Reserve re-aligns their decisionmaking in response to fiscal, trade and immigration policies, some factors may impede their efforts to reduce inflation and sustain modest economic growth. The new tariffs could raise inflation by half a percentage point or more, reaching the low- to mid-3 percent range — well above the Fed's target rate. The tightening of immigration rules, meanwhile, could weigh on labor force availability, particularly in the agriculture, construction, health care and hospitality sectors. During President Trump's prior term, net immigration averaged 677,000 people per year, trailing the prior 10-year average and the 2021-2024 mean of nearly 1.8 million people.

Potential corporate tax cut would aid balance sheets. The U.S. recorded a surge in new business applications in 2024; however, nearly 700 firms filed for bankruptcy — the highest number since 2010. With the federal fund rates sitting at a lower bound of 4.25 percent and further reductions not expected until the second half, if at all, the cost of refinancing debt will stay high. Firms are set to issue $1.5 trillion in U.S. corporate bonds in 2025 to refinance maturing debt. Bankruptcy filings, however, could remain elevated while businesses — particularly restaurants, hotels and retailers — recalibrate. President Trump's intent to lower the corporate tax rate from 21 percent to as low as 15 percent for some firms and the potential extension of the 20 percent tax credit for small businesses, however, could aid highly leveraged companies.

2025 NATIONAL ECONOMIC OUTLOOK

- **Extensions may aid growth.** The Trump administration intends to extend many of the Tax Cuts and Jobs Act provisions that were set to expire this year, including lowered personal income tax rates. While these policies could be stimulative, other actions involving tariffs, immigration and federal government reductions could offset these benefits by raising the costs of goods.
- **Federal layoffs in progress.** A 90-day federal hiring freeze enacted in January, a federal employee buyout offer, and other actions taken by the Trump administration aim to reduce the size of the federal workforce. Layoffs, which could impact more than 2 million federal civilian employees, have the potential to hinder the upward momentum of the labor market and shrink government agencies' office needs, with some space off-loaded and added to the current vacant stock.

Improving Demand, Well-Leased Pipeline Support Optimistic Outlook, Yet Pockets of Concern Linger

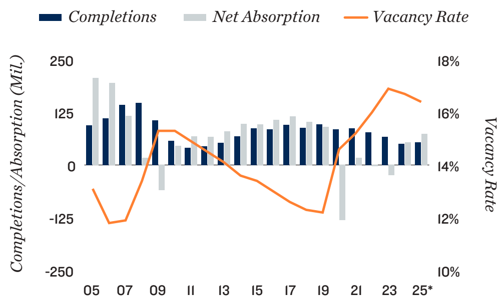
Property performance still spans wide spectrum. The office sector appears to have reached an inflection point in 2024. During the final three quarters of last year, tenants absorbed a net of 66 million square feet through leasing, which lowered vacancy for the first time since 2019. Both suburban and urban demand improved during this span, with vacancy compression recorded across market sizes. Still, these dynamics do not reflect the variation that exists within the sector. Post-2010-built suburban properties — specifically those that comprise less than 200,000 square feet — had a collective vacancy rate of 8.6 percent heading into 2025. Larger CBD properties, meanwhile, are struggling with availability. High rises built prior to 1990 are most challenged, noting a vacancy rate of nearly 20 percent. While hurdles remain for certain subsectors, more companies are expected to leverage structured or mandated attendance in 2025. Having to accomodate a larger number of in-office staff should preserve, or potentially increase, these tenants' space needs. New leasing activity and renewals velocity are each set to benefit, resulting in a second straight year of positive net absorption.

Period of subdued construction activity extends. Record volumes of available office space over the past two years triggered a pullback in project starts that will limit supply-side pressure in 2025. Half of the nation's 50 major metros will log inventory growth of less than 0.5 percent, with only Nashville, San Diego, San Jose and Seattle-Tacoma noting stock gains of at least 2 percent. This dynamic will translate into the second-lowest national delivery total since 2013, with the impact of the 54 million square feet slated for addition suppressed by strong pre-leasing. As of January, approximately 70 percent of this space was accounted for. While this is encouraging and may prevent a sizable shift in post-2020-built vacancy from occurring, if tenants are leaving older spaces in favor of these new properties, other property tiers could be adversely affected. Beyond this year, however, delivery volume should further scale back, as active projects with 2026 completion dates represent only 0.2 percent of current stock.

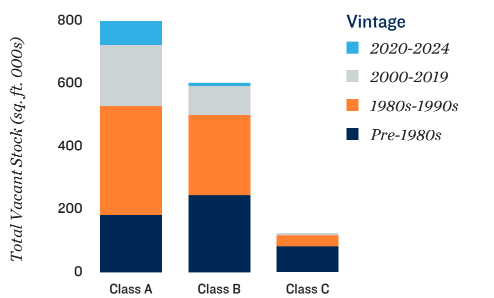
2025 NATIONAL OFFICE OUTLOOK

- **Business formations could support properties with available space.** A record number of high-propensity business applications were filed in the U.S. last year. Of these applications — which have a high likelihood of becoming businesses with payroll — one-third were professional services-related, and another 12 percent were finance- and insurance-centric. If business formations occur more frequently in these and other traditionally office-using sectors, leasing activity could benefit as these firms mature.
- **Sublet marketplace more active.** The count of subleases executed for spaces larger than 20,000 square feet rose moderately in 2024, as more than 700 of these commitments inked over the past two years. With the number of professional services-related firms potentially rising over the near term, similar spaces could secure tenants. Still, the volume of space available for sublease is likely to account for roughly 15 percent of the sector's vacant stock in 2025.
- **Removals positively impact fundamentals.** Nearly 5 percent of office transactions over the past two years involved assets positioned for conversion or redevelopment. This points to a number of existing buildings being reused or demolished for other uses in 2025 — removals that should further limit the effect of new supply on vacancy.

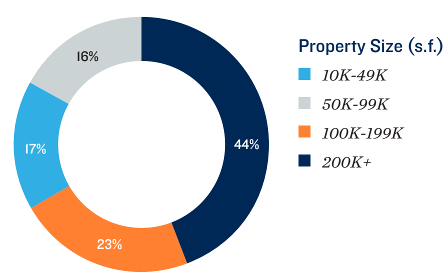
Supply and Demand



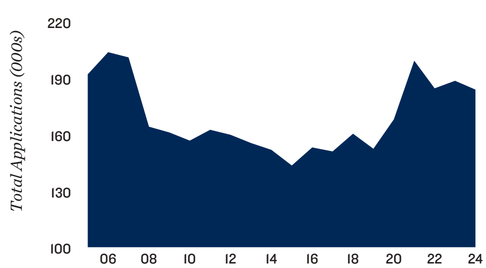
Vacant Stock Spread Among Older Buildings



Vacancies Most Common at Larger Buildings

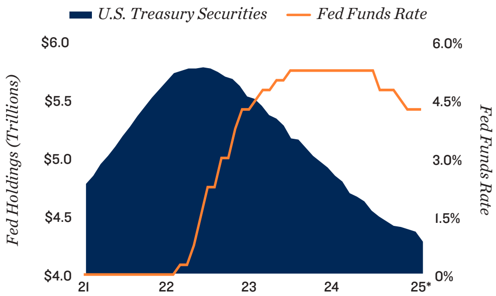


New High-Propensity Professional Services Business Filings May Aid Leasing



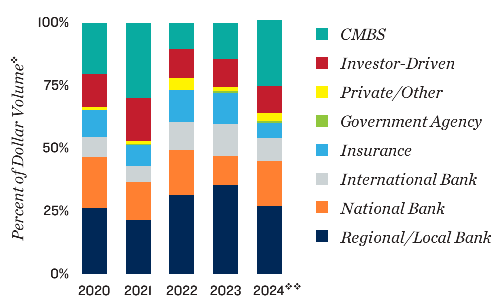
* Forecast

Fed Continues to Reduce Its Balance Sheet

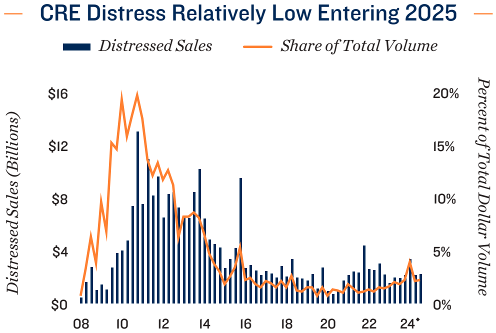


Treasury Yield Trends

Office Lender Composition



CRE Distress Relatively Low Entering 2025



*As of February 4 **As of February 20

✦Sales $2.5 million and greater ✦✦Estimate •Through 3Q

Capital Liquidity Poised to Rise in 2025 Despite Uncertainties Surrounding Interest Rates

Hold period potentially underway for the Fed. After keeping the gauge unchanged for more than a year, the Federal Open Market Committee cut the overnight benchmark rate by 100 basis points in the latter part of last year. This returned the target lower bound to 4.25 percent, reflecting progress on both sides of the FOMC's dual mandate to support price stability and full employment. Since then, however, the near-term outlook for the Fed has changed. While a renewal of the Tax Cuts and Jobs Act, together with other proposed tax reductions, could foster economic growth, new tariffs and tighter immigration restrictions could reignite inflation. Accounting for the uncertainty, the FOMC held its benchmark rate in January, with financial markets expecting the next cut to occur possibly in the second half. This more cautious approach will impact investors' strategies; yet borrowing activity is still likely to rise, as price correction in the sector is anticipated to draw buyers off the sidelines. Despite the challenge of higher Treasury rates, some lenders have begun to tighten their spreads, suggesting that lending liquidity may improve. Investors with cash reserves and those executing the backhalf of a 1031 exchange, meanwhile, should be in a more favorable position.

Trajectory of the 10-year Treasury switches course. In September of last year, the yield on the 10-year Treasury fell to a recent low of 3.6 percent, reviving sales activity. In early January, however, the measure climbed to nearly 4.8 percent before receding slightly over the remainder of the month, returning some investors to the sidelines. Looking ahead, the 10-year Treasury may face some upward pressure, as the Fed is expected to hold the overnight rate firm throughout at least the first half. Should this materialize, the yield spread relative to commercial real estate cap rates would narrow. Fortunately, the gap between the average office cap rate and the 10-year Treasury was more than 300 basis points entering 2025. This represents the widest margin among major commercial real estate sectors and a dynamic that could facilitate dealmaking.

2025 CAPITAL MARKETS OUTLOOK

- **Financial sector stable despite some headlines.** The shuttering of Chicago-based Pulaski Savings Bank this January marked the 15th bank failure since 2019, with at least 68 other firms on the FDIC's Problem Bank list. The share of problem banks, however, falls within the normal range of 1 percent to 2 percent seen in non-crisis periods. As of the fourth quarter last year, fewer banks were tightening their loan standards, and office loan-to-value levels trended up slightly to an average of 55 percent.
- **Bill aims to reduce financial burden of office conversion projects.** Congress may consider four new federal tax incentives in 2025, one of which could help remove some office stock from inventory. Introduced in 2024, the legislation would provide for states to allocate a federal, transferable credit worth 20 percent of qualified expenditures for the conversion of older, underutilized office buildings into housing.
- **Medical office buyers may sidestep headwinds facing traditional office borrowers.** The subsector's extended stretch of consistent vacancy and its non-cyclical demand drivers, along with an aging population, are likely to keep lenders active in the medical office space during 2025. Local and regional banks, which composed 27 percent of all office lending in the first half of 2024, should be primary sources of financing, as sub-$5 million trades historically account for a large share of medical office sales.

Deployment of Pent-Up Capital Has the Potential to Foster a More Diverse Composition of Trades

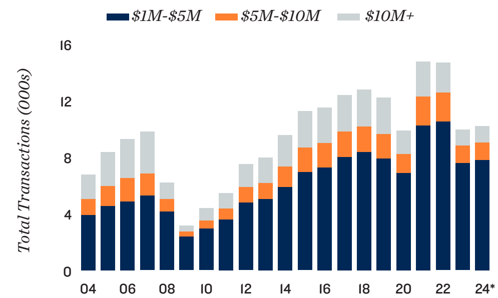
Active buyer count positioned to rise. Pricing correction, a trio of interest rate reductions and greater clarity surrounding the state of the office market served to improve sales activity during the latter portion of 2024. Preliminary figures indicate the October-December stretch of last year was the strongest three-month period for deal flow in two years, with quarterly increases in transactions registered across all price tranches. This broad improvement followed a 21-month period in which the average sales price for an office property receded by 11 percent. This movement suggests buyer-seller expectations have come into greater alignment, yet a significant volume of capital remains on the sidelines. As of last September, dry powder in closed-end funds that are targeting North American real estate was estimated at $238 billion. A share of these funds are expected to be deployed in 2025, however. Attractive office pricing relative to replacement costs and recent improvements in tenant demand are likely to draw investors, including institutional groups, back to the table. The more diverse buyer pool that materializes is poised to keep office trading velocity on an upward trajectory in 2025.

Larger and midsized metros warrant attention. While nearly half of all office trades in 2024 took place in tertiary markets, recent vacancy movement and office visitation data may support greater deal flow in primary and secondary metros this year. Last December, most primary markets noted year-over-year gains in monthly office visits, with Atlanta, Boston, Washington, D.C., San Francisco and New York City all logging gains above the national increase of 6.4 percent. Further improvements in office usage across primary markets would likely bolster investor sentiment in the nation's largest metros. Elsewhere, nearly half of the nation's secondary metros will end 2025 with vacancy below their long-term mean. In response to these dynamics, more investors may look to gain scale across a group of markets or regions via multi-property transactions.

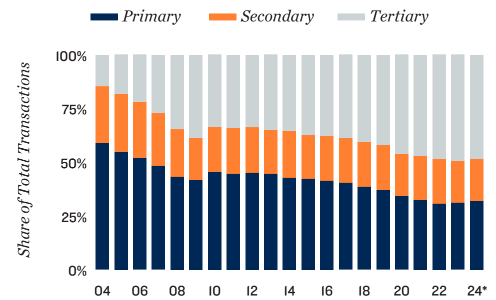
2025 INVESTMENT OUTLOOK

- **Volume of distress may have bottomed out.** The office sector accounted for nearly half the total value of U.S. commercial real estate distress at the end of 2024. The $1.2 billion of additional office distress that was added during the fourth quarter, however, represented a significant drop from the $3.5 billion average registered during the prior three quarters. The current pool of distressed assets consists largely of obsolete older buildings and underperforming Class B properties, which offer near-term opportunities for investors seeking assets at notable discounts to replacement costs.
- **Higher yields available for investors adept at navigating risk.** The average cap rate for a traded office property during the 12-month span ended in September 2024 ranked as the highest mean among major commercial real estate sectors. With returns at a more than 10-year high and broad-based net absorption evident, buyers with experience re-tenanting properties may target assets with vacancy issues, shouldering risk in exchange for potential first-year yields that can reach double digits.
- **Private capital drawn to standout subsector.** A record inflow of high-propensity business application filings last year bodes well for future small business formation. Many of these modest-sized firms will require office space. This dynamic and low-7 percent vacancy across properties in the 10,000- to 49,000-square-foot range should drive sales activity in the $1 million to $5 million price tranche.

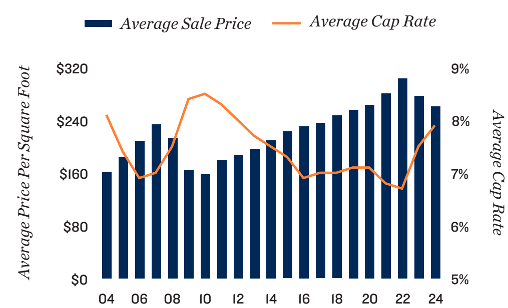
Lower Price Trading on Par With 10-Year Mean



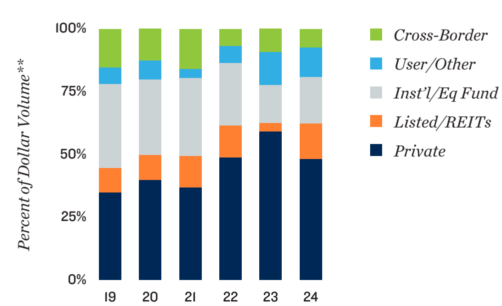
Tertiary Markets Capture Nearly Half of Trades



Sales Trends



Office Buyer Composition

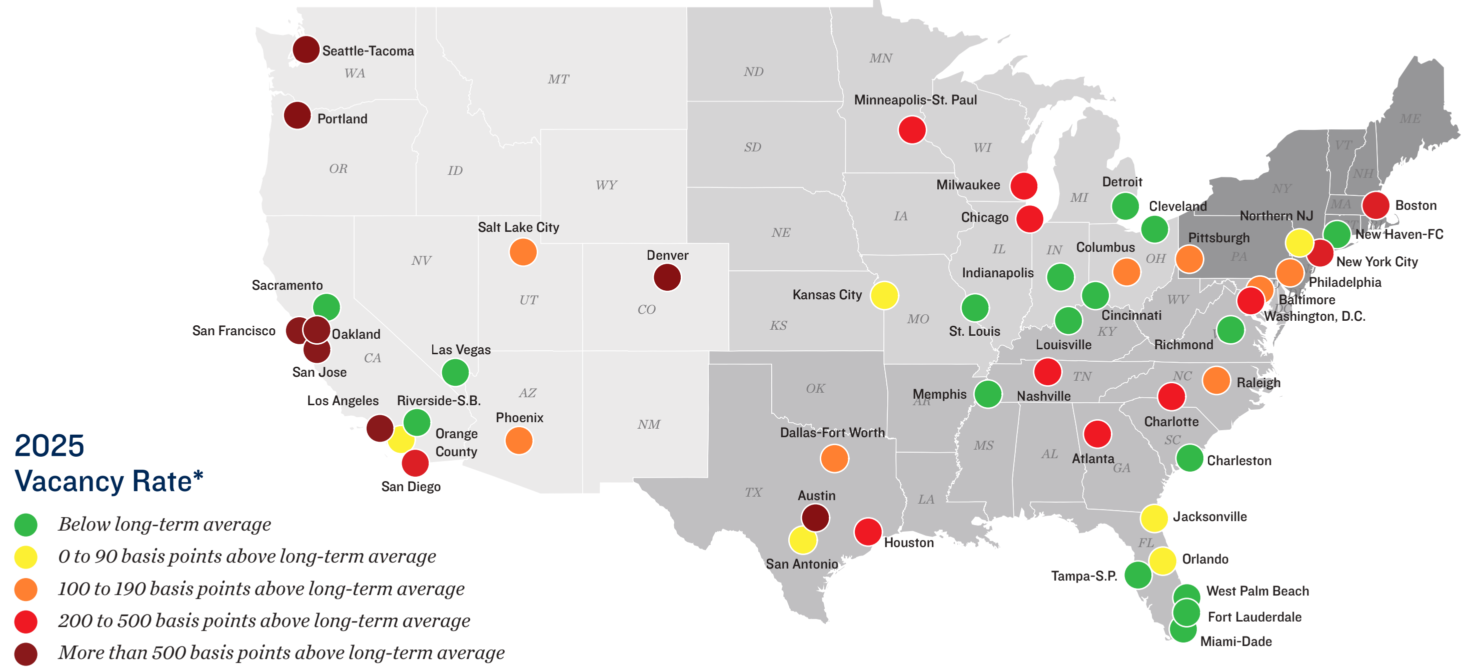


* Estimate

** Sales $2.5 million and greater

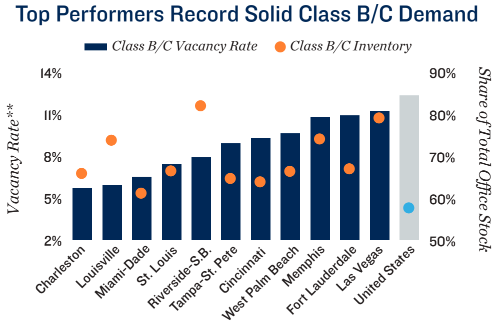
Glaring Disparities Distract From Pockets of Historically Tight Conditions

One in five major markets ends 2025 with vacancy below their long-term average

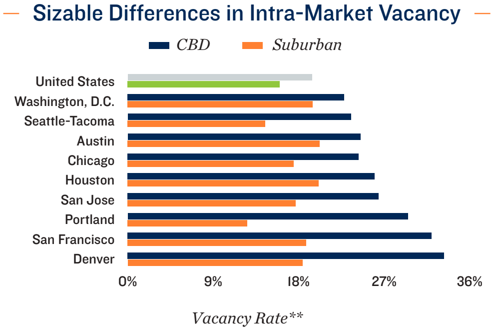


Note: Long-term average dates back to 2007.

Top Performers Record Solid Class B/C Demand



Sizable Differences in Intra-Market Vacancy



Standout demand for lower-cost space common among top performering metros. On a market-level, the U.S. office sector is littered with vacancy disparities. By year-end, 11 major office markets will have a vacancy rate below their long-term average, with nine exhibiting rates that exceed their prior 18-year mean by more than 500 basis points. Metros that slot into the lower portion of this range are home to the nation's lowest Class B/C vacancy rates, despite mid- and lower-tier space accounting for an above-average share of these markets' inventories. Southeast Florida metros and markets considered lower-cost alternatives to coastal Southern California areas composed half this group, which should aid capital inflows into these regions. A collection of smaller South and Midwest metros also display these characteristics, potentially driving more private investment to tertiary markets.

Metros with exaggerated vacancy also share a specific trait. Primary and secondary markets where a sizable tech presence exists make up the group of metros set to end this year with a vacancy rate more than 500 basis points above their long-term average. Across this cohort, heightened vacancy is being driven by some of the nation's highest CBD availability, with local urban rates ranging from roughly 20 percent in Nashville to 33 percent in Denver at the onset of this year. As such, the disparity between CBD and suburban vacancy in most of these markets is sizable — often exceeding 1,000 basis points. This gap could influence where investors choose to acquire office assets in these metros moving forward. With a greater shift toward suburban assets potentially materializing, competition for listings in these CBDs may soften, creating opportunities for buyers with local market knowledge and confidence in tech-heavy urban cores.

** Forecast*

*** 4Q 2024*

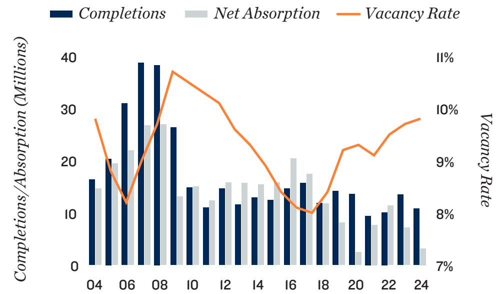
Sources: Marcus & Millichap Research Services; CoStar Group, Inc.

Medical Office Tailwinds Support Healthy Diagnosis for Future Property Performance

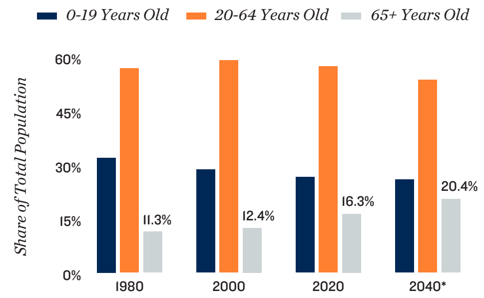
Extended stretch of positive net absorption continues. Medical office vacancy has hovered in the low-8 percent to high-9 percent range since 2013, a reflection of the steadfast tenant demand that exists in the sector. In 2025, the segment's rate is well positioned to remain in this range. The national uninsured rate, while up slightly from the all-time low recording in early 2023, remains historically below average. This dynamic will translate into a continuous stream of elective-, preventative- and treatment-related visits to health care providers in 2025, fueling tenant demand for medical spaces. In markets with above-average rates of uninsured residents — a list that includes most major Texas and Florida metros, along with Phoenix and Las Vegas — strong levels of in-migration should help to mitigate some of the impact from health insurance on local medical office visitations and demand. Long term, the nation's aging population will serve to lift demand for health care services and available medical space. The number of U.S. citizens ages 65 and older is projected to reach 80 million by 2040. One in five Americans slot into this cohort, which boasted a sub-1 percent uninsured rate last year. A growing populace of well-insured residents may prompt medical provider expansions despite some concerns regarding future health care worker shortages.

Various strategies drive medical office trading. A span of positive net absorption supported unwavering, if at times moderate, rent growth at medical office properties over the past five years. When combined with population projections and expectations for minimal near-term supply-side pressure, these dynamics will foster investor demand for medical office listings in 2025. Historically offering buyers a slew of $1 million to $5 million opportunities, the sector last year saw a volume of triple-net lease, high vacancy and 1031 exchange transactions that were comparable to each other, signaling a diverse pool of private investors. Some buyers attempted to circumvent financing challenges, while others sought to trade into less management-intensive assets, or those that can provide upside via re-tenanting. A similar blend of acquisitions should arise this year. Buyers drawn to states with some of the lowest uninsured rates will target California and Massachusetts. Migration trends should also fuel investment in Sun Belt metros.

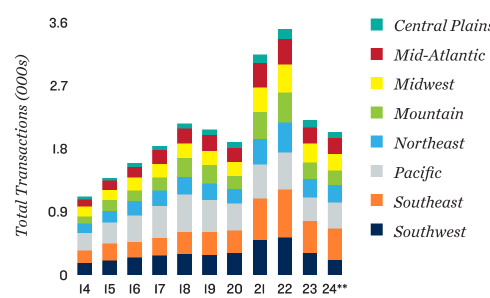
Absorption Streak Reflects Sector's Strength



Aging Populace a Boon for Medical Office



Recent Deal Flow Mirrors 2019 Activity



2025 MEDICAL OFFICE BUILDING FORECAST

Construction:

11.2 M
sq. ft.

Delivery volume exceeds last year's tally by roughly 450,000 square feet, translating into 0.8 percent inventory growth. More than 70 percent of this space was accounted for at the onset of this year, however. Texas is slated to receive the largest wave of new supply, as projects in that state made up one-fourth of the active medical office pipeline in January.

Vacancy:

20 BPS
increase

A well-leased pipeline and existing dynamics that will heighten future demand for medical services support another year of positive net absorption. Even so, medical office vacancy inches up for a third consecutive year. At 9.7 percent, the sector's year-end rate will be 50 basis points above its long-term average dating back to 2000.

Asking Rent:

1.5%
increase

Aided by a lengthy climb in occupied square feet and favorable demographic projections, the trajectory of asking rents in the medical office segment continues to contrast that of the traditional office sector. The average marketed rate for medical office space rises moderately for a third straight year to a record $23.85 per square foot.

** Forecast*

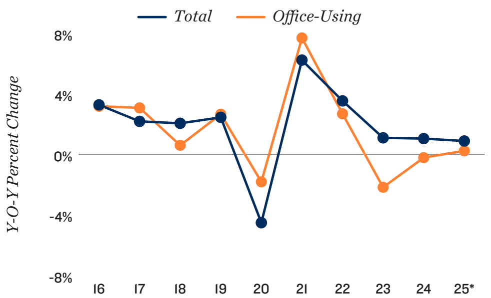
*** Trailing 12-months through 3Q*

Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; U.S. Census Bureau

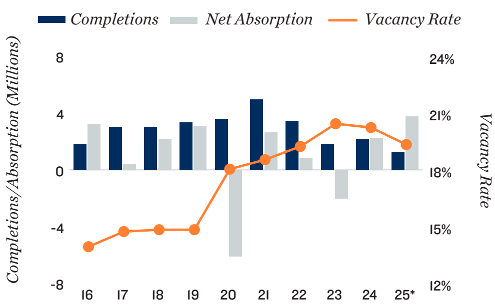
ATLANTA

Atlanta Witnessing Potential Turning Point As Investors Adjust and Deploy Capital

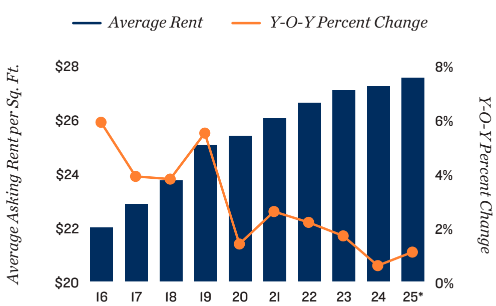
Employment Trends



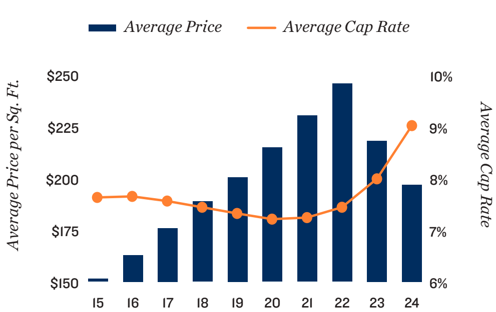
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Leasing dynamics shift in an expanding economy. Boasting the seventh-most Fortune 500 headquarters of U.S. metros, Atlanta's office market is projected to experience the third-fastest annual GMP growth rate among the country's 10 largest economies in 2025. This trend aligns with local business development — including Atlanta's second Tech Village and PrizePicks' expanded headquarters — fueling downward momentum in both direct and sublet vacancy over 2024. Continued corporate expansions and fewer deliveries should encourage further vacancy compression and support Class A demand after nearly all submarkets saw upper-tier vacancy decline in 2024. Notably, Buckhead, Brookhaven and Sandy Springs may continue to attract firms that seek to relocate into suburban areas near clients and employees. Expected corporate relocations to this area from Asbury Automotive, Morris Manning & Martin, and AIG should foster local business development and promote leasing activity from auxiliary firms. Elevated demand from finance, insurance and real estate firms here coinciding with an increase in deal terms extending into ten years signal tenant confidence.

Flight to quality and corporate clusters show shifting investor demand. Entering 2025, office vacancy in the metro hit an inflection point as vacancy began to compress. This, coupled with robust Class A fundamentals in 2024, may have boosted investor confidence, encouraging the deployment of sidelined capital for upper-tier assets. Preliminary data shows increased transaction activity near northern residential zones where businesses are expanding and moving to. Private and institutional buyers here have targeted Class A assets over 100,000 square feet and B assets under 50,000 renovated in the last 20 years, appealing to tenants seeking newer spaces.

2025 MARKET FORECAST

NOMI RANK 24 *Vacancy falling from an elevated level and improving revenue place Atlanta just above the midpoint of the 2025 Index.*

+0.9% **EMPLOYMENT:** Atlanta's labor market will expand by 27,000 positions this year, with growth in typically office-centric positions accounting for 2,000 of these new roles.

1,250,000 sq. ft. **CONSTRUCTION:** The metro will see its lowest delivery slate in a decade, with inventory growth of 0.4 percent. Deliveries will be heaviest in areas near Midtown, Sandy Springs and Alpharetta.

-90 bps **VACANCY:** Less new supply, combined with an expanding economy, will bolster vacancy declines this year. The metric is anticipated to drop to 19.4 percent by year-end.

+1.1% **RENT:** Falling vacancy and a relatively mild construction slate will aid in bolstering asking rent growth momentum, raising the metric to $27.52 per square foot.

INVESTMENT: *Northwest Atlanta and Northlake may see greater investor appeal as the only two submarkets to note a triple-digit vacancy slide, along with asking rent growth over 1 percent during 2024.*

Leasing Activity Supports Highest Average Rent of Texas Metros; Demand in CBD Set to Return

Pre-leasing metrics underscore supply intake. Multiple 100,000-square-foot move-ins this year will aid the market in absorbing much of the incoming supply. Highlighting 2025 move-ins will be Apple completing their 369,000 square-foot campus expansion near Jollyville. The tech giant's continued commitment to Austin may also draw supporting firms to the metro. Additionally, Vista Equity Partners and Kirkland & Ellis will together occupy fifty percent of the space within The Republic Tower when it opens downtown in October. During 2022, amid the evolving interplay of working habits, there was a shift toward suburban offices. Now that large firms are solidifying their stance in favor of traditional office use, trends may refocus on the CBD. At the onset of 2025, over 650,000 square feet of office space was already set to be absorbed in downtown Austin throughout the year, with more leases likely to be signed. This culture shift will likely lead to long-term changes, including lower vacancies in the CBD and lifted rental rates.

Investment trends could follow leasing shifts. Some institutional investors are returning from the sidelines and may become more active in the CBD as leasing activity accelerates in urban areas. Submarkets just outside of downtown may continue to hold buyer attention, such as Cedar Hills and Southwest. Both submarkets noted additional sales activity last year. Investors seeking areas with relatively lower vacancies may be attracted to Round Rock, Central metro and Southeast, all of which have inventories over 5.5 million square feet. Round Rock entered 2025 with a vacancy rate in the mid-5 percent range. The submarket, which has continued to exhibit strong population growth since 2020, also benefits from amenities like an expanding sports center. Nearly half of the properties traded here over the last five years have been sold to out-of-state buyers.

2025 MARKET FORECAST

NOMI RANK 13 — ***One of the top employment bases in the country balances a relatively high vacancy rate, placing Austin in the top 15.***

+1.8% — **EMPLOYMENT:** Employment growth picks up slightly from 2024, as changes to traditionally office-using employment will be positive again with 2,000 new roles added to the segment this year.

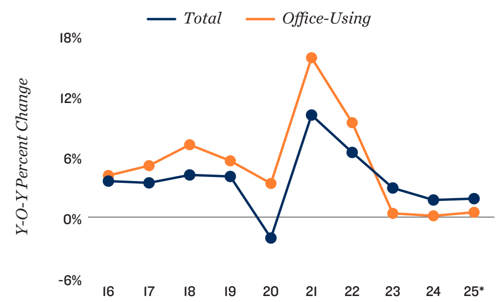
2,032,000 *sq. ft.* — **CONSTRUCTION:** Development pulls back in 2025, increasing inventory by 1.7 percent. Even with this drop in intensity, Austin will still be in the top five for inventory expansion among major metros.

+30 bps — **VACANCY:** Net absorption will exceed 1 million square feet for the first time since 2022. Despite this jump in demand, the vacancy rate will inch up to 21.3 percent by year-end — the highest on record.

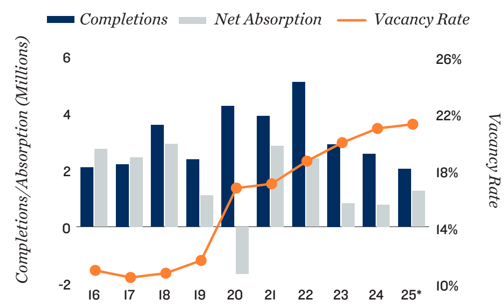
-0.4% — **RENT:** The average asking rent lowers slightly to $29.60 per square foot, continuing a slowing growth trend started in 2023. The mean rent will remain slightly above the trailing five years.

INVESTMENT: *Bullish investors with larger capital pools could be interested in the West Central submarket. This area holds the highest average asking rent in the metro and enters 2025 with a vacancy rate below 10 percent.*

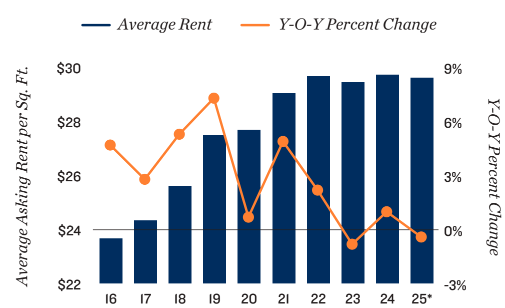
Employment Trends



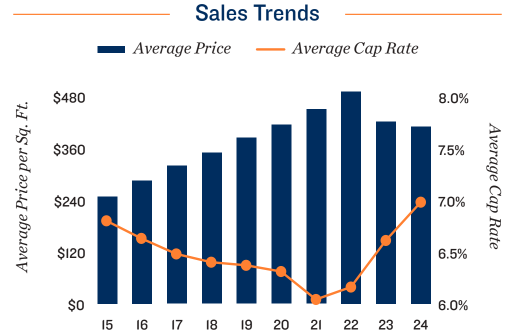
Supply and Demand



Rent Trends



Sales Trends



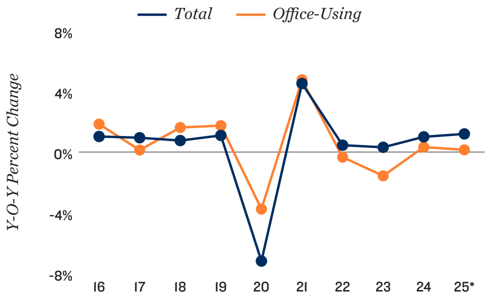
** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

BALTIMORE

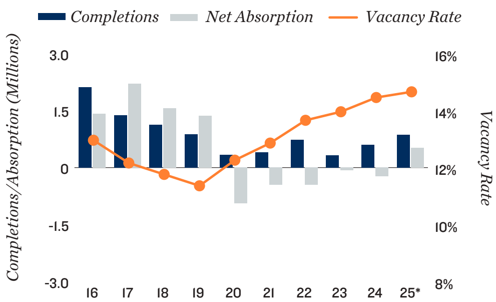
Construction and Leasing Activity Concentrated in East Baltimore and Major Suburban Corridors to D.C.

Employment Trends



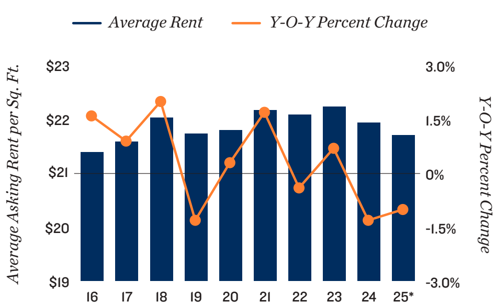
Positive demand momentum noted in key areas. T. Rowe Price's move to their new 450,000-square-foot Harbor Point office this year marks the latest in a trend of financial firms opening offices on the East Baltimore waterfront. Stifel Financial also relocated here in 2024, joining Morgan Stanley and Transamerica. Some of the largest new builds opening this year will be around the Harbor as well. The impact to local vacancy will be blunted, however, as most of the new facilities are built-to-suit. Meanwhile, development outside East Baltimore City includes a 130,000-square-foot office park in Annapolis Junction. The project is not pre-leased but will open in the Route 1-BWI submarket, where vacancy was near 10 percent ending last year, among the lowest in the metro and more than 200 basis points below the area's 2019 level. Vacancy was even lower entering this year along the adjacent Route 2 Corridor, given demand for space near the airport and south down the titular highway.

Supply and Demand



Smaller, suburban properties draw most attention. In the metro, 20 percent fewer deals closed in 2024 than 2023. Annapolis in particular saw a cluster of 10,000- to 20,000-square-foot properties trade. Local vacancy has been slowly improving in the greater area since 2023, undercutting the metro's rate by over 400 basis points last year. Two years of positive net absorption may draw more investor interest in 2025. Howard County was a focal point of trading, similar to years past. Most assets trading hands here were under 50,000 square feet, excluding a 200,000-square-foot complex exchanged at a discount. Higher vacancy among larger buildings may be steering investors toward smaller assets where financing is also more available. Positive Class A net absorption in Columbia-Ellicott City specifically makes it a candidate for larger investors.

Rent Trends



2025 MARKET FORECAST

NOMI RANK 47 *Baltimore's rank is weighed down by comparatively moderate, yet stagnant, vacancy and continued rent recession.*

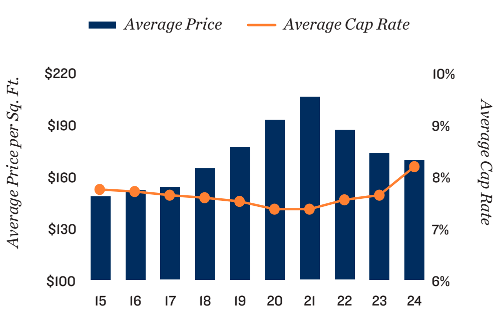
+1.2% **EMPLOYMENT:** The pace of employment expansion picks up slightly this year with 17,000 jobs. Federal workforce reduction efforts could impact the metro's white collar segment.

870,000 *sq. ft.* **CONSTRUCTION:** A handful of major projects complete this year, increasing available inventory by 0.6 percent, which is about twenty basis points above last year's deliveries' impact on vacant stock.

+20 bps **VACANCY:** While net absorption turns positive, vacancy will still rise to 14.7 percent as excess supply lingers from 2024. The size of the increase is smaller however than last year.

-1.0% **RENT:** The average asking rent for office space lowers to $21.70 per square foot this year, which is a slower yearly decline compared with 2024. Rents have held between $21 and $22 since 2014.

Sales Trends



INVESTMENT: *Sub-50,000 square foot Class B and C properties have fared better in recent years. Recent activity highlights the Reisterstown Road submarket, encompassing Owings Mills and Pikesville.*

* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Growing Tenant Demand Drives Strategic Investment in Submarkets With Resilient Property Fundamentals

Leasing activity in central Boston signals market recovery. In 2024, Intown Boston saw over six lease renewals, each exceeding 100,000 square feet, as large tenants maintained their footprints — a marked shift from the one such renewal during 2022-2023. In contrast, new leases of this size were scant last year, contributing to record-high vacancy. Still, less consolidation and declining sublease space are expected to keep metrowide vacancy below 18 percent in 2025. Planned move-ins, such as HarbourVest's 200,000-square-foot commitment, along with a moderate delivery slate, will also aid vacancy. Suburbs like Waltham and Watertown, where recent deliveries have lifted vacancy close to metro highs, are poised to benefit from this dynamic. Proximity to top universities, transit access and affluent residents should draw tenants here; already, Novo Nordisk and Zoom have move-ins planned. In outlying areas like Worcester and Lawrence, demand from cost-conscious firms should sustain relatively tight conditions, with local vacancy near metro lows at around 15 percent last year, remaining below 2019 levels.

Economic momentum boosts investor confidence. Boston's gross metro product grew at the fastest pace among major northeast metros last year, coinciding with steady office sales activity compared with 2023. A stable economic outlook may have aided redevelopment and high-vacancy property trades, as investors targeted transit-accessible areas like Allston. This year should see more adaptive reuse projects, spurred by the rejection of a proposed property tax hike and the extension of Boston's Downtown Residential Conversion Incentive Program for 2025. Meanwhile, some buyers may target suburbs like Lynnfield, drawn by low vacancy and steady demand from logistics and health care firms. Last year, 20,000-square-foot assets here traded around $100 per square foot.

2025 MARKET FORECAST

NOMI RANK 25 *An improvement in office-centric hiring will be offset by elevated vacancy, placing Boston in the middle of the rankings.*

+0.7% **EMPLOYMENT:** The metro's workforce expands by 20,000 roles in 2025, slightly outpacing last year's gains. Following net job losses last year, the traditionally office-using sector will add 2,000 positions.

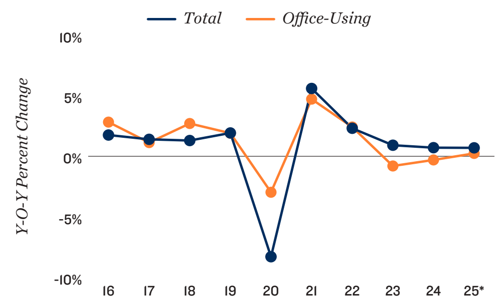
3,800,000 *sq. ft.* **CONSTRUCTION:** Deliveries will moderate this year, with inventory growth of 1 percent aligning with Boston's long-term average. New supply will total roughly half of the 2022 and 2023 annual additions.

+40 bps **VACANCY:** Net absorption will turn positive for the first time since 2022, though added supply will drive vacancy to a record 17.8 percent. Even so, vacancy will rise at its slowest pace in three years.

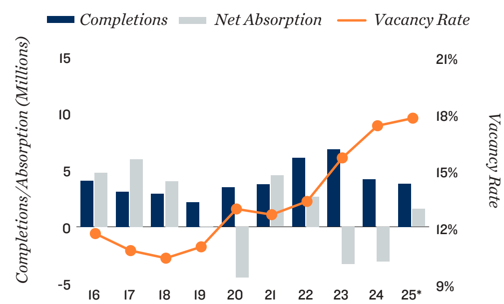
+0.7% **RENT:** High vacancy will limit rent gains this year, with growth set to stay below the metro's long-term average of 2 percent. The metro's mean marketed rate reaches $33.30 per square foot by year-end.

INVESTMENT: *Southern New Hampshire's lack of a state income tax is aiding health care and tech clusters, likely drawing investors after local vacancy fell roughly 100 basis points last year to metro lows of around 7 percent.*

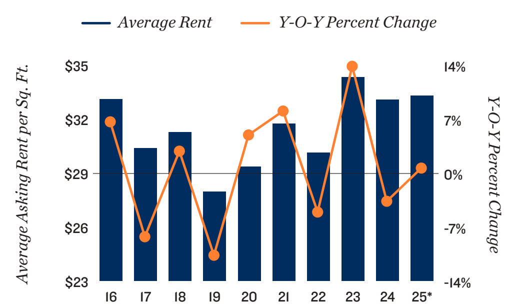
Employment Trends



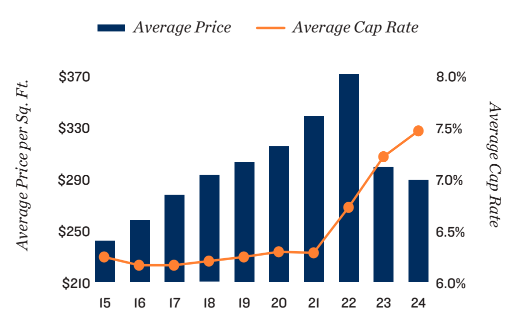
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

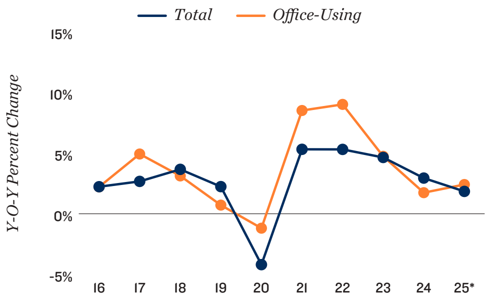
CHARLESTON

Budget-Friendly Offices Garner Robust Interest Among Tenants as Investors Adjust Criteria

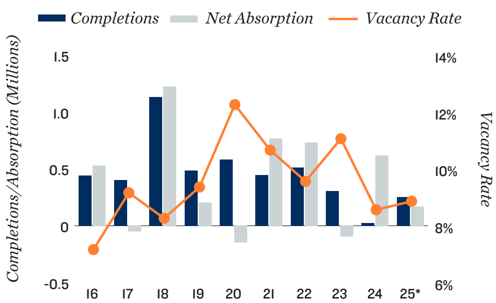
Momentum remains despite increased supply. Entering 2025, metrowide vacancy sat below 9 percent after available direct and sublet stock contracted 15 percent last year. This downward trend may last into 2025, driven by strong demand for Class B/C space that led nearly all submarkets to see vacancy compression over 2024. Overall vacancy for mid- to-low tier space fell to a record low of 5.7 percent entering this year. Finance, insurance and real estate firms accounted for a notable share of new leases signed in 2024, mainly in Downtown and the Greater Charleston area. Tightening availability in these areas should bolster local rent gains in 2025. While metrowide Class A demand is softer, North Charleston holds promise after a 340-basis-point vacancy slide over 2024. With more terms extended into ten years and a substantial increase in new leases, North Charleston is seeing hints of improving demand.

Budget-friendly complexes gaining appeal. Amid challenges to upper-tier complexes, active private investors have shifted toward medical offices in North Charleston. These assets have noted lower vacancy than comparable traditional office buildings while geographic constraints have kept local deliveries scant. Long-term investors seeking similar investments may look near Summerville, where several medical offices are scheduled for 2025 delivery in addition to the Nexon master planned community, which includes mixed-use traditional offices. Meanwhile, mid-tier traditional offices in the CBD should garner interest, boasting the lowest Class B/C vacancy among submarkets with supply above 2 million square feet. Demand from professional firms seeking proximity to auxiliary companies may drive upward asking rent momentum and greater leasing activity.

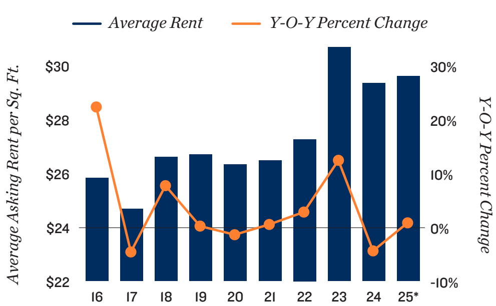
Employment Trends



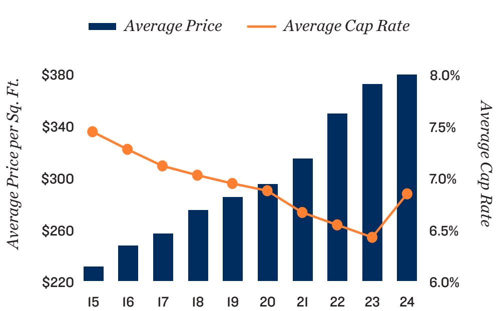
Supply and Demand



Rent Trends



Sales Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

2025 MARKET FORECAST

NOMI RANK 4 — *One of the nation's lowest vacancy rates, paired with a larger white collar sector post-pandemic, grant the metro a high rank.*

+1.8% **EMPLOYMENT:** With 8,000 positions added this year, overall job growth tapers to its slowest pace since the 2020 economic downturn. Of these, office-centric job hiring will contribute 2,400 new roles.

255,000 *sq. ft.* **CONSTRUCTION:** Office deliveries will continue to focus in suburban locales, with medical office spaces composing 80 percent of delivered square feet. This will expand marketwide stock by 1.1 percent.

+30 bps **VACANCY:** A heavier delivery slate is expected to inch up Charleston's vacancy rate to 8.9 percent. Still, this metric remains below the market's 2019 level and its long-term average of 10.6 percent.

+0.9% **RENT:** Rising demand for Class B/C space will bolster upward asking rent momentum, lifting the metro rate up to $29.60 per square foot. Avaliable Class A space may also be supporting this increase.

INVESTMENT: *Assets under 50,000 square feet show stronger-than-market fundamentals with vacancy near 4 percent, which should drive greater competition among private buyers.*

Demand Improving in Established Office Submarkets; Medical Offices Proving Stable During Uncertainty

Concluding leases could open door to demand shifts. A reduction in the supply pipeline this year will help balance office demand while hundreds of short-term leases possibly expire in 2025. At the same time, other companies will be starting new commitments, focused in the University City Research Park, Center City and South End, to take advantage of the highly amenitized areas. The highlight of these is Robinson Bradshaw upsizing to 101,500 square feet in Center City. Metrowide net absorption will be about half of 2024's level, however, which was a three-year high. While demand growth for traditional office space may fall this year, medical office expansion will likely continue into the long term, given health care services have held a local upward trend in hiring since 2022. This movement corresponds with an uptick in net in-migration, along with ongoing growth in the age 55-plus population cohort.

Local investment demand highest for more stable offices. Investment activity rose last year in Southwest Charlotte, which is likely to continue this year after a 120-basis-point vacancy drop during the trailing 12 months ended in December 2024. This submarket holds one of the largest inventories in the metro. The properties traded here over the last five years have varied drastically in age, size and quality, lending themselves to diverse investment strategies from a range of buyers, including renovating buildings completed pre-1980 or deploying capital for a nearly fully leased Class A office. Midtown will also likely hold investor attention this year, as local vacancy entering 2025 below 12 percent supports market-leading asking rents. The area has been a target for higher-occupancy trades, with three-fourths of transactions since 2020 noting rates of at least 67 percent. Correspondingly higher price points limit deals to investors with sufficient capital.

2025 MARKET FORECAST

NOMI RANK	8	*Vigorous employment growth compared to other metros and more slowly expanding stock secures Charlotte's top 10 place.*

+1.4% **EMPLOYMENT:** Overall employment will expand by 20,000 roles as job growth continues to taper this year. Of these new positions, 4,000 will belong to traditionally office-using sectors.

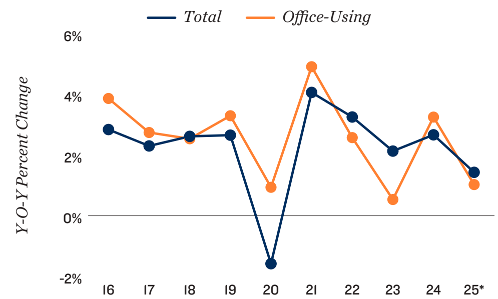
820,000 *sq. ft.* **CONSTRUCTION:** Delivery volume pulls back this year, marking the lowest point since 2013 with under 1 million square feet opening. This drop may give the metro time to absorb current vacant space.

-20 bps **VACANCY:** Net absorption will not meet 2024's impressive levels, but the reduction in supply this year will result in the vacancy rate being nudged down to 16.4 percent by December.

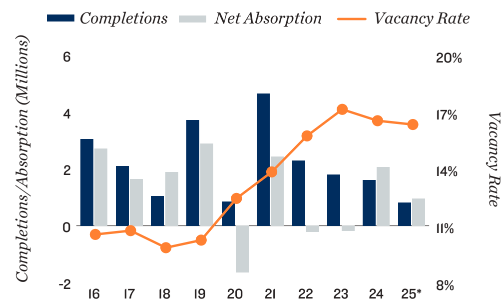
+1.2% **RENT:** The average asking rent will climb to the highest point on record at $30.72 per square foot. Monthly rents are highest in the Midtown and Northwest Charlotte submarkets.

INVESTMENT: *Vacancy for medical offices enters 2025 in the mid-5 percent band, with needs to expand with the population. The largest number of fully leased medical offices are located in Midtown, which may draw investors.*

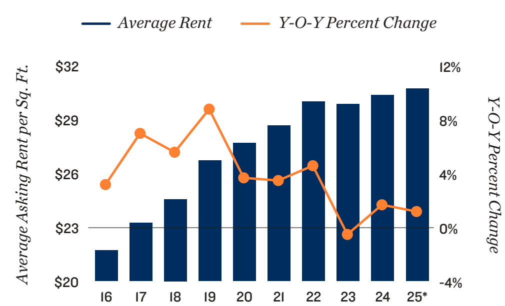
Employment Trends



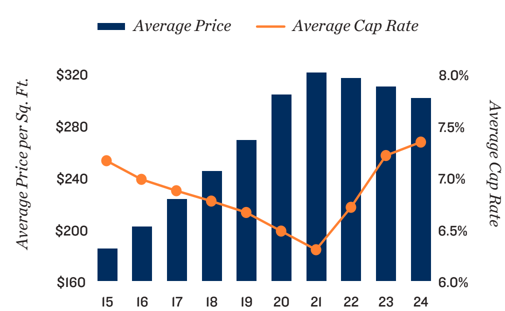
Supply and Demand



Rent Trends



Sales Trends



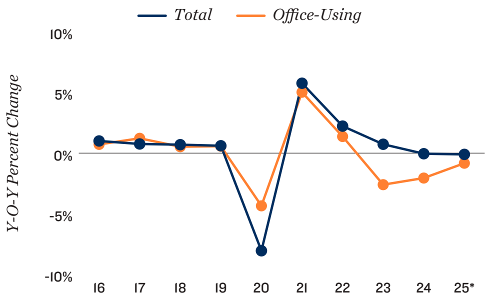
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

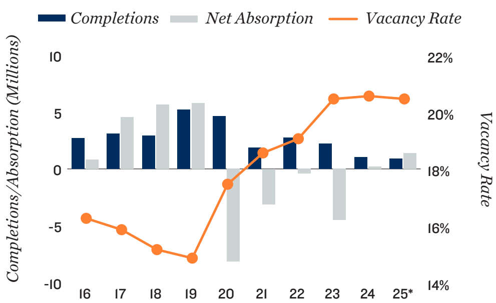
CHICAGO

Minimal New Supply and Targeted Repositioning Signal a Turning Point for Chicago's Office Market

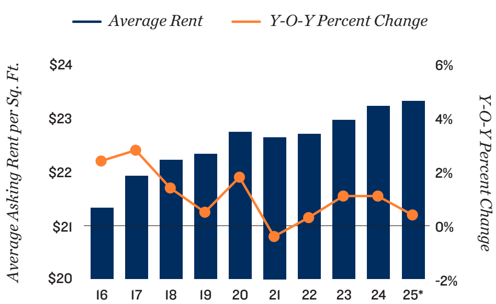
Employment Trends



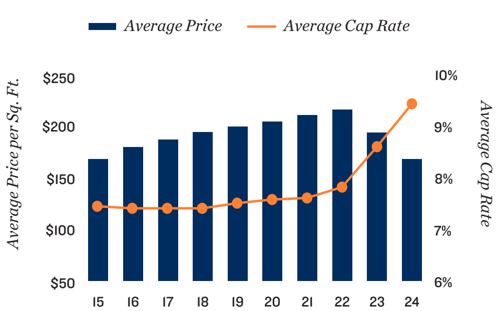
Supply and Demand



Rent Trends



Sales Trends



*Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Limited development spurs cautious optimism for Chicago offices. Employers seeking proximity to affluent labor pools in the urban core and high-income suburbs continue to sustain demand, yet the market remains sharply bifurcated moving into 2025. Although total vacancy is still climbing, it is doing so at a slower pace, aided by declining sublease availability and the smallest pipeline of deliveries since 2014 — just 900,000 square feet — slated for completion this year. Modern Class A properties, notably in the Loop and River North, are seeing market-supported rent growth of around 3 percent, while also offering selective incentives to secure high-profile tenants. Older Class A and Class B buildings, however, remain at a competitive disadvantage. The city's focus on repurposing obsolete inventory into apartments or mixed-use spaces is providing a boost, though, by removing underperforming buildings from the tenant market. Against this backdrop, recent positive net absorption supports a cautiously optimistic outlook, suggesting that Chicago's office sector may be nearing a turning point.

Sales activity dipped roughly 10 percent in 2024, but optimism rises for 2025. Despite this slowdown, attractive pricing has drawn interest from private and mid-sized investors. With many institutional buyers sidelined by higher vacancies and financial market uncertainties, local buyers have capitalized on higher yields to hedge against future market shifts. Suburban assets, such as those in Hammond and South Chicago, continue to capture attention, thanks to stable tenant rosters and manageable operating costs. Owners with pre-rate-hike financing can better withstand near-term uncertainty, likely curbing deal flow in 2025. Improved leasing and minimal groundbreakings could draw investors with longer horizons.

2025 MARKET FORECAST

NOMI RANK 35 — *Chicago's vacancy rate, which ranks among the nation's 10 highest, places the metro in the lower half of the Index this year.*

-0.1% **EMPLOYMENT:** Total employment in Chicago will contract by around 5,000 positions this year. Net losses will be felt more in traditionally office-using fields, which will see 10,000 fewer roles in 2025.

900,000 *sq. ft.* **CONSTRUCTION:** Marking its smallest increase in a over a decade, Chicago's office stock will inch up by 0.2 percent. South Chicago and the northwest edge of Indiana will see the most new supply.

-10 bps **VACANCY:** With limited supply additions, vacancy will tick down to 20.5 percent this year due to lease expirations. Net absorption remains positive and will hit its highest level since 2019.

+0.4% **RENT:** The average asking rent is expected to grow moderately, reaching $23.30 per square foot this year, as a dip in vacancy allows for incremental increases.

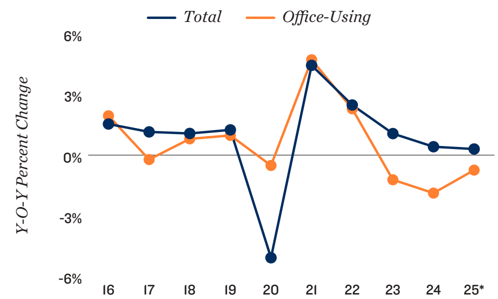
INVESTMENT: *The growing presence of quantum computing locally, with the $500 million Quantum and Microelectronics Park at the former U.S. Steel South Works site, could attract deal flow to the South side of Chicago.*

Cincinnati Maintains Resilient Office Market; Private Investors Capitalize on Shifting Dynamics

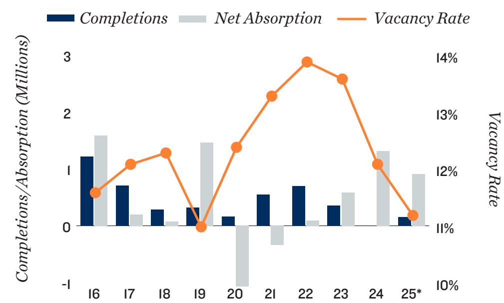
CBD vacancy of 10.7 percent is the nation's third lowest to start 2025. Cincinnati's resilience will be further bolstered by corporate relocations. These include Paycor's move downtown, as well as Procter & Gamble's transfer of 1,500 employees from Winton Hills, with 300 heading to the CBD and 1,200 moving to Mason. Meanwhile, an uncertain interest rate outlook and elevated material costs are curtailing development, funneling demand into existing buildings. Class B and C properties capture an outsized share of these leasings, boasting an overall vacancy rate under 9 percent — about half the Class A level — while just over 5 percent in Butler County. With sublease availability still below national averages, Cincinnati's vacancy is poised to dip another 90 basis points this year. A limited pipeline in recent years has helped preserve moderate rent growth, which remains on par with the market's historical average and continues to outpace the nation's rent trajectory for the second consecutive year.

Private buyers and users still driving Cincinnati's deal flow heading into 2025. Elevated borrowing costs and a need to rebalance portfolios are prompting many larger investors to stay on the sidelines. While larger transactions are rare, smaller deals under $5 million remain common, supported by adjusted pricing and the redevelopment potential of some older properties. Medical office also stands out as a bright spot, benefiting from health care expansions and demand for specialized space. At the same time, tight vacancy in submarkets like Butler and Warren counties offers buyers a stable tenant base and minimal near-term supply additions. Less competition allows smaller investors to secure properties that might otherwise be out of reach. These conditions appear poised to continue, giving such investors a foothold in Cincinnati's office market.

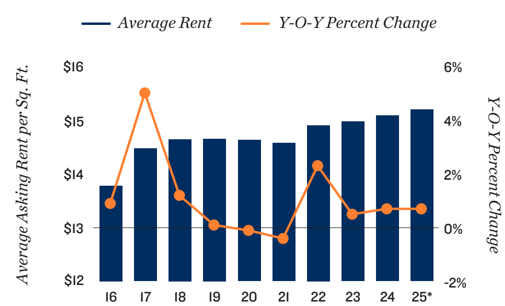
Employment Trends



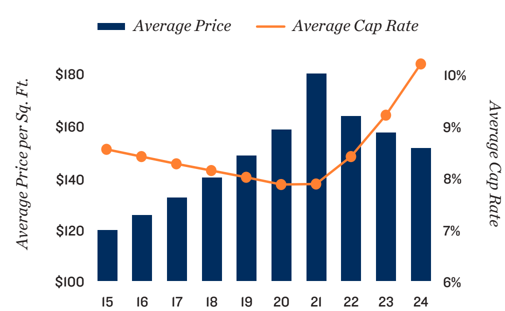
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2025 MARKET FORECAST

NOMI RANK 32 *Tight vacancy and a small supply pipeline bolster fundamentals, but soft job creation curbs Cincinnati's rank.*

+0.3% **EMPLOYMENT:** Job creation tempers to 3,500 positions, which is down by over 1,000 from last year. Office-using employment will see a slight shift, decreasing by 2,000 roles.

150,000 sq. ft. **CONSTRUCTION:** Deliveries fall below 200,000 square feet for just the second time since 2007 as inventory expands by 0.2 percent. Most project proposals are located in Clifton midtown.

-90 bps **VACANCY:** Minimal new construction will trim overall vacancy to 11.2 percent — its lowest level since 2019 — while net absorption remains in positive for a fourth consecutive year.

+0.7% **RENT:** Rent growth will continue this year as vacancy declines again. The year-end average asking rate is projected to reach $15.18 per square foot, roughly half the national average.

INVESTMENT: *Cincinnati has maintained a medical office vacancy rate below 9 percent since 2016. With sales averaging an 8 percent cap rate in 2024, the market could attract increased investor interest this year.*

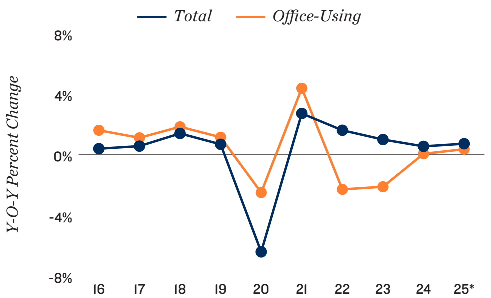
CLEVELAND

Signs of Recovery Provide Optimism for Investors Amid Urban Revitalization

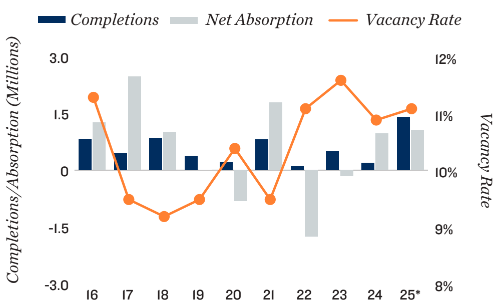
Green shoots sprout as tenant demand moves forward. After climbing to 11.9 percent in 2023, overall office vacancy then fell to sub-11 percent entering this year as demand for space in all classes picked up. The metro's first vacancy improvement since 2021 coincided with a decrease in direct and sublet space over 2024, with occupancy improving across most submarkets. Only Carroll County, Northeast and South Cleveland recorded vacancy rates above 15 percent exiting last year. Recent urban appeal has led to increased demand in the urban core and in areas to the west and south. This trend should continue as businesses like Sherman Williams and Delve Underground relocate to prime locations in Downtown and West Cleveland, with both move-ins set for 2025. The metro's CBD noted triple-digit basis-point drops in both Class A and B/C vacancy last year, as a concentration of upcoming slated move-ins aid conditions here. Still, an increase in supply-side pressures marketwide will drive overall upward vacancy momentum.

Smaller office spaces draw investor appeal. Assets near Downtown and along Interstate 271 from Mayfield to Bedford Heights continued to change hands in 2024 despite a challenging lending market. Class B and C assets under 50,000 square feet and in the sub-$3 million price range saw heightened appeal here — a trend that should continue as more businesses seek smaller spaces following re-evaluations. Notably, areas near Beachwood may see elevated demand with the expected relocation of Millenium Control Systems in spring 2025. The city's willingness to provide incentives like tax credits and loan forgiveness aided this move and may draw additional firms seeking similar benefits. As traditional office spaces see greater confidence from private buyers, medical office space trades may keep subsiding over this year after a slowdown in deals over 2024.

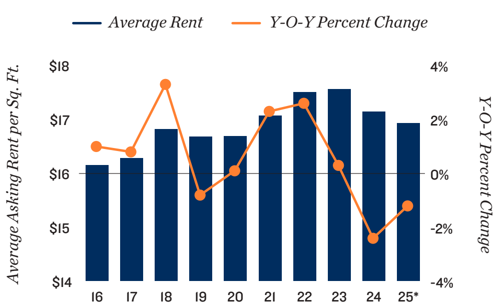
Employment Trends



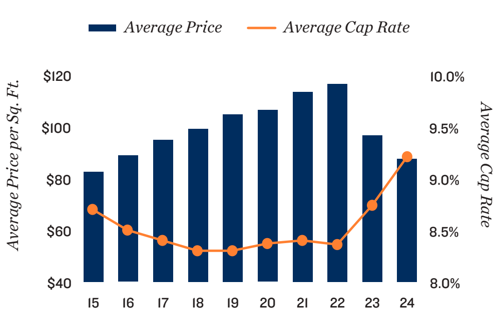
Supply and Demand



Rent Trends



Sales Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

2025 MARKET FORECAST

NOMI RANK **50**	***Minimal office-based hiring and declining revenue constrain Cleveland's rank in the 2025 NOMI.***

+0.7% **EMPLOYMENT:** The labor market will expand by 7,500 roles in 2025 to regain its pre-pandemic 2019 headcount. Traditionally office-using job growth of 0.3 percent will account for 800 new positions.

1,408,000 *sq. ft.* **CONSTRUCTION:** Excluding the downtown delivery of Sherman Williams Corporate Headquarters, which was delayed into 2025, the metro expects 408,000 square feet of new space this year.

+20 bps **VACANCY:** A heavier delivery slate will push up vacancy up to 11.1 percent by year-end amid softer net absorption trends. Still, this is below the long-term average of 11.6 percent.

-1.2% **RENT:** Cleveland's average asking rent will decrease for a second straight year. The metro's overall mean marketed rate will end the year at $16.80 per square foot.

INVESTMENT: *A vacancy rate below its local pre-pandemic measure, coupled with greater availability for financing with smaller assets, may aid sales activity near Solon, Bedford Heights and Beachwood this year.*

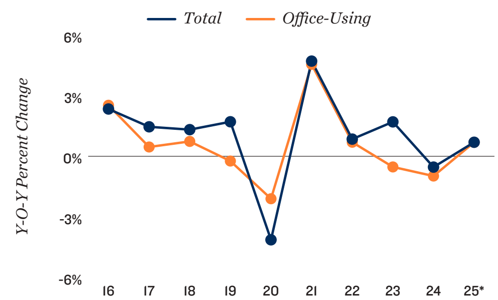
COLUMBUS

High-Skilled Talent Attracts Companies and Investors as Columbus' Office Market Holds Steady

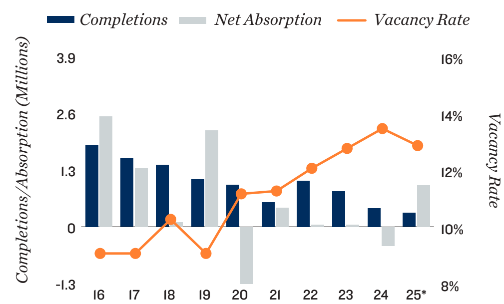
Stability emerges amid tenant shifts. The Columbus office market appears to be finding balance following a period of flight to quality and firm downsizing. Hilliard's local inventory has expanded over 10 percent since 2020, yet vacancy remains among the lowest in the metro due to strong demand for premium Class A space. The only notable 2025 delivery in the metro — a 300,000-square-foot mixed-use project — is already over 50 percent pre-leased, fueling expectations for sustained tightness. Central Columbus is also set to maintain one of the lowest vacancy rates in the metro at around 10 percent as firms seek well-amenitized locations. Despite Dublin reaching the highest vacancy metrowide last year at nearly 18 percent amid net relinquishments, total leasing activity improved compared with 2023, driven by its well-educated residents and proximity to major highways. Similarly, move-ins by technology and health care firms in Polaris and Westerville helped vacancy fall by over 400 basis points from the 2023 peak; however, Chase Bank's 350,000-square-foot exit in late 2024 pushed local rates up by 200 basis points.

Educated workers and tight Class B/C vacancy attract capital. Columbus's ability to cultivate high-skilled talent is set to enhance the metro's investment appeal, bolstered by Ohio State University's $2 billion Wexner Medical Center project and the approval of Phase II for its multidisciplinary research hub. Health care firms seeking qualified professionals drove investment in medical office buildings in 2024, particularly investors targeting portfolios of smaller Class B/C assets. With the metro's traditional Class B/C office vacancy holding stable at under 10 percent, investors may focus on these assets in 2025. Properties near Intel and Anduril's planned facilities may entice buyers, as the anticipated economic growth could generate ancillary demand for office space.

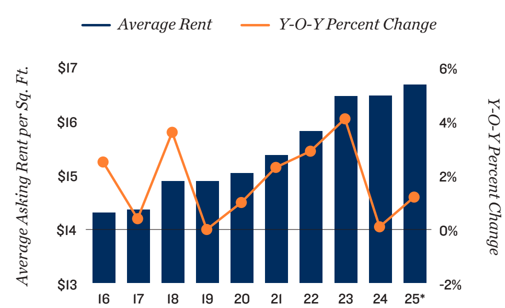
Employment Trends



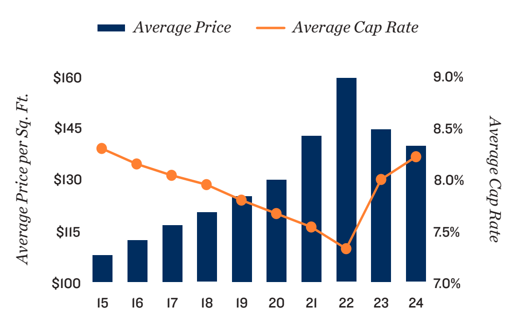
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2025 MARKET FORECAST

NOMI RANK	21	*Minimal supply additions and an expanding knowledge economy will position Columbus in the middle of the rankings.*

+0.7% — **EMPLOYMENT:** Following net job losses in 2024, the metro's workforce will expand by 8,000 roles this year. The traditionally office-using sector will climb slightly above its 2019 peak headcount.

320,000 *sq. ft.* — **CONSTRUCTION:** Supply additions will slow further after near-record low deliveries in 2024. Completions will drop to less than half the metro's long-term annual average of 860,000 square feet.

-60 bps — **VACANCY:** Positive net absorption will drive the first decline in vacancy since before the pandemic, bringing the metro's rate to 12.9 percent — well below the national average of 16.4 percent.

+1.2% — **RENT:** Pockets of elevated vacancy will pressure marketed rates this year, keeping rent growth in line with the metro's long-term average and bringing the mean asking rate to $16.67 per square foot.

INVESTMENT: *Strong demand for modern office space may draw buyers to Columbus, where post-2020-built properties maintain vacancy near the metro average and command asking rents nearly double the market rate.*

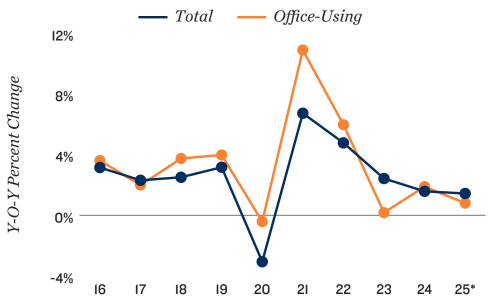
DALLAS-FORT WORTH

Submarkets Easily Accessible to Suburbs Holding On to Greater Leasing Demand as Investors Return

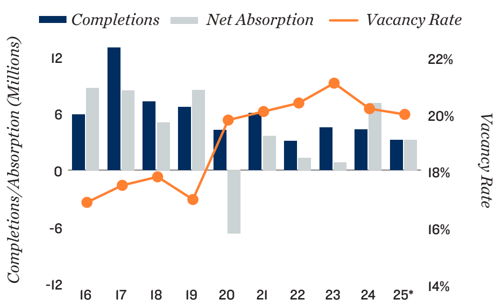
Strong metrics present in certain areas. Some prominent firms upsizing their space this year will partially offset an overall demand level that is slightly waning. Wells Fargo will be moving into their new campus expansion in Irving by December. Ryan LLC is also upsizing to a 205,000-square-foot space in Plano. Certain parts of the Metroplex have faired better in recent years, as many professionals flocked to the suburbs. Downtown Fort Worth, Lewisville-Denton and Richardson-Plano all held 200-basis-points under the metro mean last year. These areas benefit greatly from their ease of access for workers in nearby suburbs. Additionally, the Fort Worth side of the market entered 2025 with a vacancy rate nearly 1,000 basis points below the Dallas side. While Fort Worth may have only one-fourth of the inventory, the western half of the Metroplex has held a sub-14 percent vacancy rate since 2021. Moving forward, the area's slightly lower operating costs and traffic congestion in relation to Dallas should continue to attract employers.

Buyer demand grows, especially in areas outside of the two CBDs. Sales activity increased in 2024 from the previous year, a trend likely to accelerate as more investors return from the sidelines. Of late, buyers have been active in suburban areas like Far North Dallas, Las Colinas and Richardson-Plano. Collectively, these submarkets saw an overall rise in trades for offices over 100,000 square feet last year, signaling that some larger investors have returned to the market. Buyers seeking stabilized assets may pursue listings in Downtown Fort Worth, where a multi-year downward vacancy trend has dropped the local rate to 10.1 percent. Most properties that changed hands here in the last two years were built before 1985. Class B/C assets in Fort Worth should continue to draw attention, as these often command higher asking rents than their Dallas counterparts.

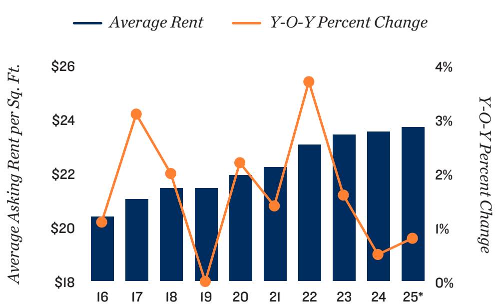
Employment Trends



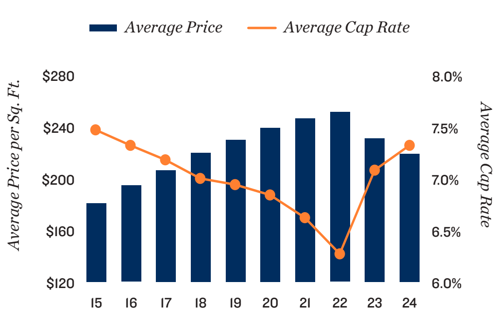
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2025 MARKET FORECAST

NOMI RANK 14 *Vacancy compression combined with strong employment growth, will help keep Dallas-Fort Worth within the top 15.*

+1.4% **EMPLOYMENT:** The Metroplex's employment base will grow by 62,000 jobs — the smallest annual tally since 2010, excluding 2020. Additions by traditionally office-using firms will total 10,000 roles.

3,175,000 *sq. ft.* **CONSTRUCTION:** Deliveries will fail to reach the same levels as the last two years, as office inventory is set to expand by only 0.8 percent. Supply additions are concentrated near McKinney.

-20 bps **VACANCY:** Total net absorption will trail the previous year's strong showing, but will be robust enough to push the vacancy rate down to 20 percent — 100 basis points above the historical mean.

+0.8% **RENT:** The metro's 14-year stretch of positive annual rent gains will extend into 2025. Steadfast growth will help the metro's mean asking rate reach $23.70 per square foot by year-end.

INVESTMENT: *Investors seeking properties with higher cash flows may be drawn to the Uptown-Turtle Creek submarket, which boasted both the metro's highest average rents and a vacancy drop of nearly 50 basis points last year.*

Reduced Development and Suburban Stability Aids Denver's Office Market Recovery

Office landscape mixed across submarkets. Downtown Denver's vacancy remained the metro's highest at over 30 percent in 2024 amid new speculative supply and downsizing tech firms; however, local net absorption reached its highest level since 2019. This boost, fueled by improved demand across quality tiers, helped limit vacancy expansion. A single 300,000-square-foot delivery in 2025 — one-third of 2024's completions — and move-ins like Ibotta's 85,000-square-foot lease should further ease vacancy pressures. Elsewhere, Cherry Creek is projected to stay exceptionally tight, with vacancy near 5 percent entering 2025. A 140,000-square-foot build-to-suit project and 100,000-square-foot office, already 60 percent pre-leased, should sustain strong property performance here. Some suburban areas are also seeing rising tenant demand, led by health care firms that cater to elderly clients and favor convenient locations. Aurora and Thornton exemplify this trend. By absorbing a net of over 200,000 square feet in 2024, they enabled local vacancy to fall more than 100 basis points from their 2023 peaks to roughly 10 percent each.

Investors adapt to varied vacancy trends. Despite large move-outs like Lockheed Martin in Southeast Denver, business parks near the Tech Center should stay key targets, as vacancy has climbed just 340 basis points since 2020, compared with over 1,000 in the CBD. Recent commitments from firms such as AT&T, Fidelity and Douglas County highlight the area's broad appeal. Buyers here last year focused on high-vacancy 1990s- and 2000s-vintage buildings, trading for around $50 per square foot. Investors seeking well-leased assets may prioritize suburbs like Lakewood, where properties changed hands for around $150 per square foot last year. Similarly, some investors may target sub-50,000-square-foot buildings downtown, which saw vacancy near 10 percent in 2024.

2025 MARKET FORECAST

NOMI RANK 20 *Elevated vacancy is offset by a quickly growing office-using employment base, keeping Denver in the top half of 2025's Index.*

+1.0% **EMPLOYMENT:** Denver will add 17,000 jobs this year, slightly outpacing 2024. The traditionally office-using sector will expand by 7,000 roles, tying for the fourth-most among major U.S. markets.

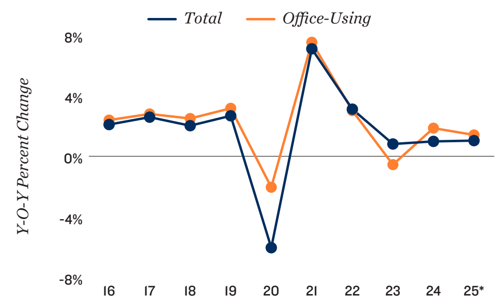
600,000 sq. ft. **CONSTRUCTION:** Completions are set to slow from last year and align with 2023 for the lowest total on record. Deliveries remain concentrated in Downtown Denver and Cherry Creek.

+10 bps **VACANCY:** Slowing development and stable job growth will drive the smallest vacancy expansion in six years. Still, at 22.3 percent, the metro's rate will be the second highest among major U.S. markets.

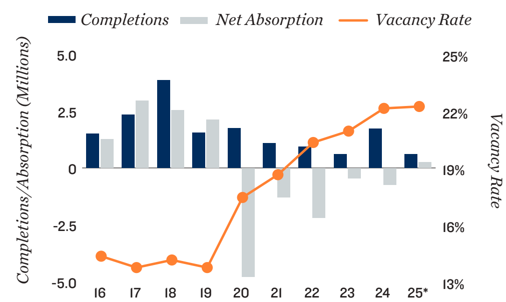
-0.4% **RENT:** Elevated sublease availability will continue to weigh on marketed rates this year. Denver's mean asking rent reaches $23.43 per square foot by year-end, aligning with its 2019 level.

INVESTMENT: *More investors may target suburbs such as Montbello in the Northeast, Dakota Ridge in the Southwest and Parker-Castle Rock, where local vacancy rates have remained below historical averages.*

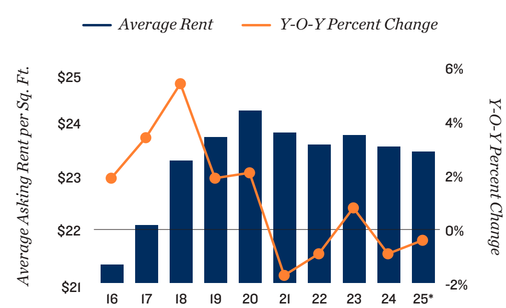
Employment Trends



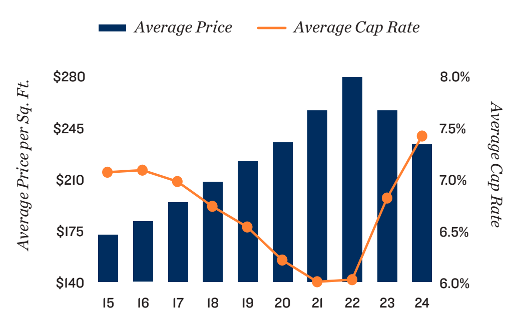
Supply and Demand



Rent Trends



Sales Trends

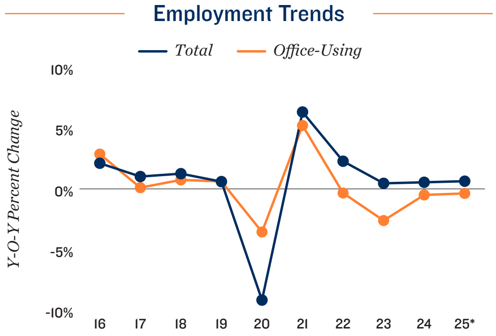


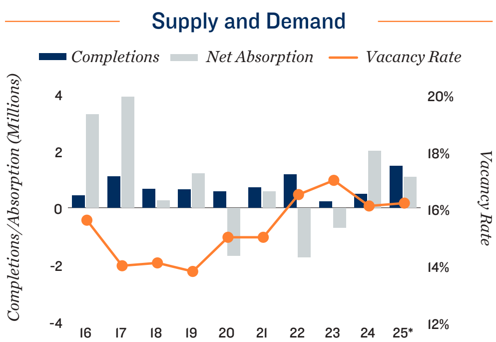
** Forecast*

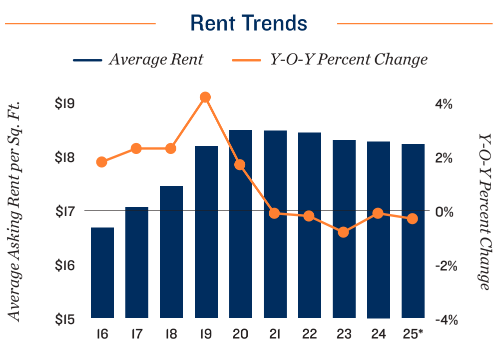
Sources: CoStar Group, Inc.; Real Capital Analytics

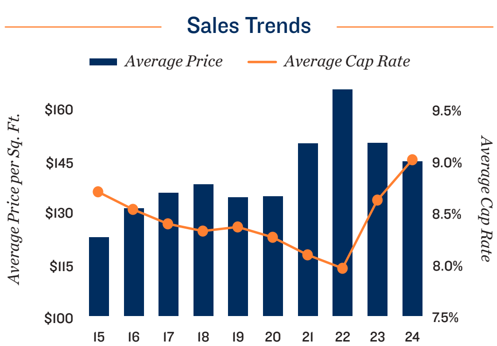
DETROIT

Downtown Revitalization and Targeted Investments Shape Detroit's Market Trends in 2025









* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Local office market to see improvements this year, spurred by construction. The Hudson project, a 560,000-square-foot development, leads the metro's 1.4 million square feet of deliveries this year, marking the largest pipeline in the Midwest. Yet renewed urban interest has lowered CBD vacancy to just under 13 percent, which is among the lowest in the nation. General Motors and Ford anchor major downtown commitments, while local leaders actively court technology-oriented firms. Meanwhile, Class B and C properties ended 2024 at around 14 percent vacancy after gradually improving all last year, aided by capital improvements and flexible lease terms. Suburban areas like North Oakland and Macomb counties attract tenants with expanding residential bases and municipal initiatives toward innovation, while Southfield and Troy face higher availability, prompting concessions. Overall, the market holds tenant-favorable as Detroit diversifies beyond automotive, creating opportunities to reposition or redevelop aging assets.

Investment slows as cautious buyers await stability in 2025. Office transactions dropped by nearly 20 percent in 2024 — the lowest annual tally since 2012. Institutional investors, who have historically comprised roughly 10 percent of the trades, slumped below 5 percent. Private and owner-user acquisitions bridged the gap, with medical office properties standing out due to steady tenant demand. For these buyers, West Wayne, Macomb and North Oakland have emerged as prime target submarkets, as they recorded consistent leasing in 2024. In 2025, newer traditional assets are expected to see tenant demand, whereas older, high-vacancy properties may require repositioning. The metro's investment environment remains selective, favoring well-leased or medical spaces, while more risk-averse capital stays sidelined until fundamentals improve.

2025 MARKET FORECAST

NOMI RANK 42 *Higher-than-average vacancy and declining staff counts will place Detroit in a lower echelon of the Index this year.*

+0.6% **EMPLOYMENT:** Total employment will grow by around 13,000 positions this year. At the same time, traditionally office-using sectors will account for approximately 2,000 job losses.

1,465,000 *sq. ft.* **CONSTRUCTION:** The metro will hit another 1 million-square-foot inventory expansion during 2025, as the local office stock grows by 0.8 percent. The Hudson downtown leads deliveries.

+10 bps **VACANCY:** Net absorption will be positive for the second year in a row. Despite this, vacancy will inch up slightly to 16.2 percent, though this is a notch below the 2009-2011 average.

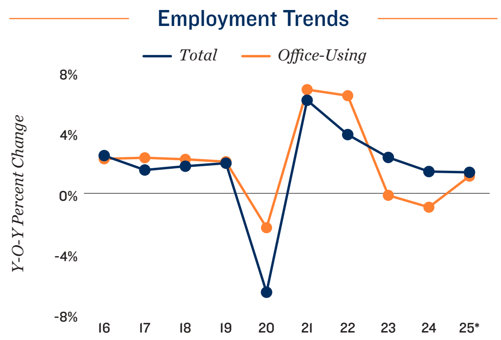
-0.3% **RENT:** Vacancy staying elevated allows for a fifth straight year of annual rent decline. Detroit's average asking rate slides to $18.22 per square foot in 2025, which is still one of the highest in the Midwest.

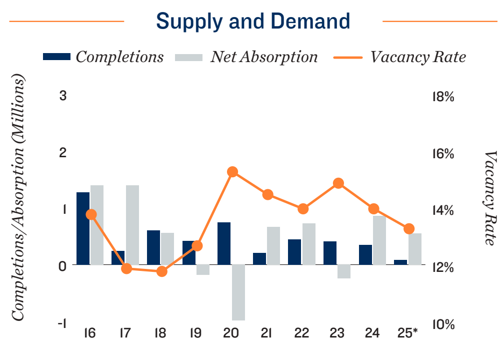
INVESTMENT: *Ford's $940 million campus in Corktown could create demand for surrounding properties. Active investors anticipating increased tenant use may find viable opportunities near this emerging hub.*

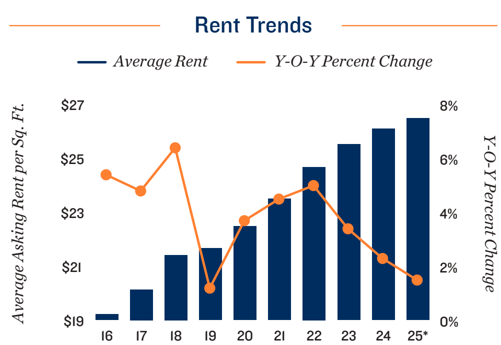
Premium Space Demand Strengthens Fort Lauderdale's Office Market Amid Ongoing Supply Constrains

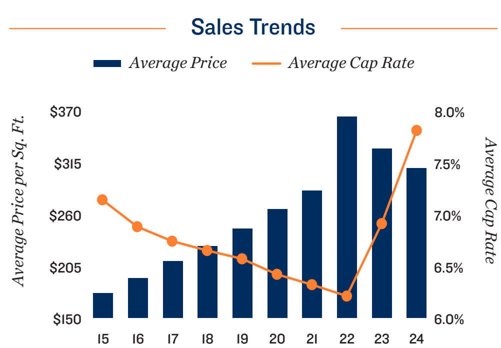
Vacancy tightens as tenants favor modern, well-located properties. With the T3 Fat Village the only major project under construction, which is not scheduled for delivery until 2026, the Fort Lauderdale office market is set to keep tightening in 2025. The metro's office vacancy fell by nearly 100 basis points in 2024, propelled by sustained leasing activity across key employment districts, such as Downtown and along Broward Boulevard in Plantation. Health care and small legal firms helped maintain steady demand for Class B/C office space here. Meanwhile, suburban areas like Miramar and Coral Springs showed signs of tenants consolidating into high-quality floorplans. These suburbs have seen the strongest net absorption of Class A office space since before the pandemic, driving a more than 100-basis-point drop in local vacancy last year. While downsizing trends in Cypress Creek fueled relinquishments of Class B/C office space last year, local leasing activity remained steady. Over 60,000 square feet of move-ins set for 2025 should aid fundamentals here, led by national architecture firm RS&H's 10,000-square-foot space.

Investors target well-leased assets in key corporate clusters. Properties in the Cypress Creek submarket are expected to remain attractive to investors, supported by the presence of major health care and aerospace companies. Despite local givebacks of Class B/C office space last year, Class A net absorption stayed positive. A similar dynamic could draw investors to Hollywood and Hallandale, where upper-tier net absorption held firm in 2024. For lower-tier buildings, investors might target more central areas such as within the City of Fort Lauderdale proper and Plantation, where Class B/C vacancy stayed around 10 percent — which is below their respective 2019 levels. Buyers may find early 2000s vintage assets in these markets priced around $150 per square foot.









2025 MARKET FORECAST

NOMI RANK 3 — ***Tightening vacancy and expectations for steady office-centric hiring place Fort Lauderdale in the top three markets.***

+1.4% **EMPLOYMENT:** Fort Lauderdale's workforce will expand by 13,000 positions in 2025. After net job losses in 2024, the metro's traditionally office-using sector is expected to add 3,000 roles this year.

87,000 *sq. ft.* **CONSTRUCTION:** Supply additions are projected to decline to near-record lows this year. A 75,000-square-foot medical office in Coral Springs is the only notable project slated for delivery.

-70 bps **VACANCY:** Limited development encourages vacancy compression amid expectations for improved office-centric hiring. Reaching 13.3 percent, the metro's rate will remain below its long-term average.

+1.5% **RENT:** Tight vacancy will sustain rent growth, but below-average absorption totals will keep gains modest. The metro's mean asking rate reaches $26.48 per square foot by year-end.

INVESTMENT: *In suburbs where leasing trends have been more volatile, investors may pursue sale-leaseback transactions to secure long-term tenants. High interest rates should support this trend as firms look to free up capital.*

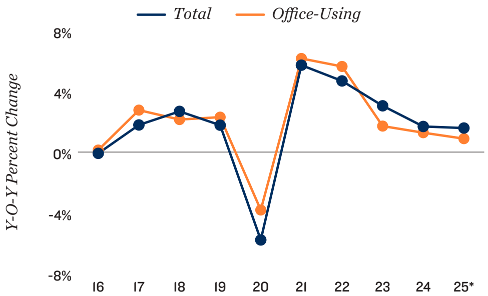
** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

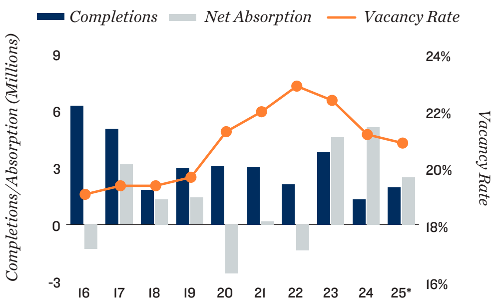
HOUSTON

Large Inventory of Stable Suburban Offices Available; Return to the CBD Gathering Momentum

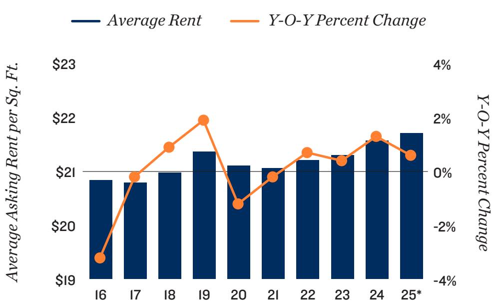
Employment Trends



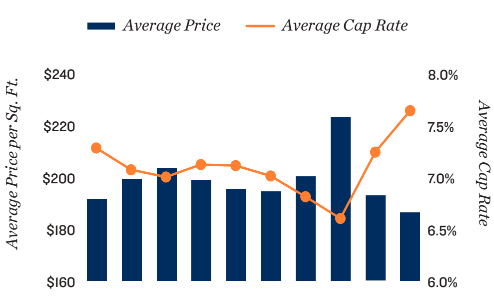
Supply and Demand



Rent Trends



Sales Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Local employer retainment underpinning vacancy. At a time when space demand tends to skew toward smaller floorplans, Houston has the ability to attract and conserve multiple 100,000-square-foot leases each year from both domestic and international firms. Petroleum products producer LyondellBasell is upsizing their headquarters into a 318,000-square-foot space in Uptown, while Plains All American Pipeline is renewing their 260,000-square-foot lease downtown, committing to an 11-year term. Demand within the CBD shifted course midway through 2024 after declining for much of the past four years. Numerous large-scale move-ins within the urban core during 2025 may accelerate this local improvement. Meanwhile, suburban submarkets like Katy Freeway, East Fort Bend-Sugar Land and West Loop saw robust vacancy contractions last year, with the latter noting a 560-basis-point drop. Katy-Grand Parkway West entered 2025 with 7.6 percent vacancy following a 440-basis-point contraction. These areas' dense population of college-educated professionals should continue to attract companies, aiding future demand for office space.

Buyer interest likely to strengthen downtown. Investment trends moved toward a focus on suburban office spaces during the post-pandemic era. That bias may be shifting, however, as sales activity increased last year in the CBD — something that may become more prevalent going forward, as institutional investors are expected to return from the sidelines. Activity on the part of these buyers may increase trading velocity around the city center. Outside of the CBD, investors have been particularly active in and around Katy Freeway over the last three years. Buyer interest for assets in this area may improve further after the submarket reported a third consecutive year of vacancy contraction.

2025 MARKET FORECAST

NOMI RANK 22 — ***A sizable office-using employment base is offset by high vacancy, placing Houston near the middle of the 2025 rankings.***

+1.6% — **EMPLOYMENT:** Job growth will realign with its pre-pandemic average as 55,000 jobs are created. Of these new roles, 7,000 will be added across traditionally office-using sectors.

1,958,000 *sq. ft.* — **CONSTRUCTION:** Office inventory will expand by 0.6 percent, about half of the prior 10-year average. Much of this new supply is slated to come online in Northwest and Southwest Houston.

-30 bps — **VACANCY:** After a 120-basis-point drop in vacancy last year, shifting tenant needs will result in another dip in 2025, lowering the rate to 20.9 percent by the end of December.

+0.6% — **RENT:** The average asking rent will increase for a fourth year in a row, nudging the rate up to $21.70 per square foot. The Class A sector is likely to register the most pronounced gain among property tiers.

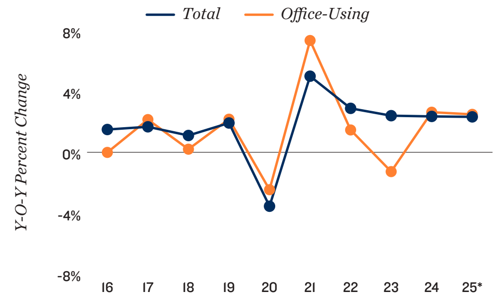
INVESTMENT: *Institutional investors interested in Class A offices that are at least 90 percent leased may be directed to the Woodlands, where several of these properties typically come to market each year.*

Second Year of Vacancy Compression on Tap for One of the Midwest's Top Performing Markets

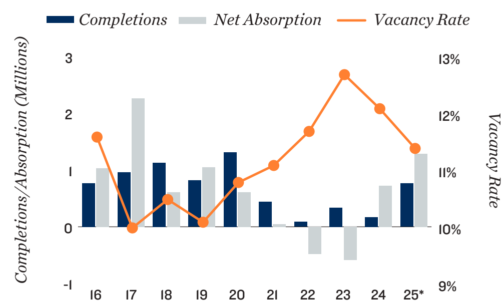
Office landscape returning to more familiar conditions this year. Net absorption is expected to reach a level exceeding the 2015-2019 average, as Indianapolis' gross metropolitan product is projected to expand by 3 percent — the highest among major Midwest markets in 2025. Corporate investment is partially to credit, as the metro's count of traditionally office-using roles is slated to grow at a rate above all major U.S. markets. Although these additions will coincide with a five-year high delivery slate, most of the space at these properties is accounted for. Veterinary medicine company Elanco will finish moving into its new headquarters early this year — a 200,000-square-foot building — while automation supplier Endress+Hauser will occupy a 100,000-square-foot facility in Greenwood with its distributor GEB Co. These encouraging move-ins have the potential to steer other companies seeking office space to the metro's existing stock, which may buttress a second year of noteworthy vacancy compression.

Diverse interests behind Indianapolis sales patterns. Metrowide transaction velocity was relatively unchanged in 2024 when compared to the prior year; however, a broader field of buyers acquired properties, including nonprofits like Purdue Research Foundation. Demand from owner-users is anticipated to continue this year. Improving Class A vacancy may draw fresh interest from larger investors as well, with sub-10 percent Class B/C vacancy poise to support a sizable pool of smaller buyers. This diverse group may be most visible in northeast suburbs like Fishers and Keystone, where a collection of smaller properties and discounted corporate office complexes traded last year. Should positive net absorption continue to be recorded here, opportunities to purchase and re-tenant assets with vacancy issues could provide appeal for upside-seeking investors.

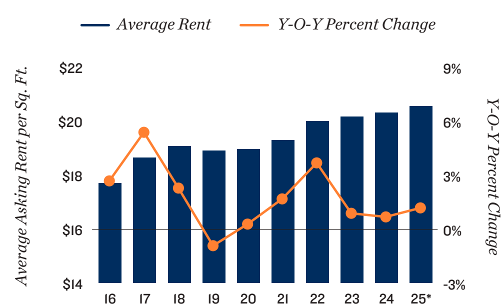
Employment Trends



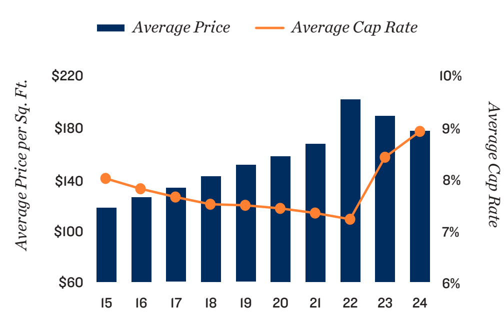
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2025 MARKET FORECAST

NOMI RANK 15 — *Standout hiring by office-using firms and some of the nation's lowest vacancy places Indianapolis inside the Index's top 15.*

+2.3% — **EMPLOYMENT:** Job growth slows on a broad scale; however, the metro is still projected to add 7,000 traditionally office-using positions — the largest gain among major Midwest markets.

764,000 sq. ft. — **CONSTRUCTION:** The metro registers its largest annual increase to office stock since 2020, with inventory expanding by 0.8 percent. Four projects account for the bulk of this year's delivery volume.

-70 bps — **VACANCY:** Local vacancy falls below its long-term average, ending this year at 11.4 percent. Of the property tiers, the Class A sector is expected to record the most pronounced compression.

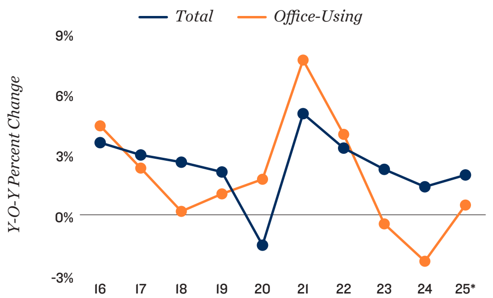
+1.2% — **RENT:** A tightening office market allows the metro to register a fifth straight year of upward rent momentum. At $20.55 per square foot, the local average asking rate reaches a new high by year-end.

INVESTMENT: *Since 2012, local medical office vacancy has held below the 10 percent threshold — a dynamic that is likely to attract some investors to suburban buildings proximate to the Indianapolis Beltway.*

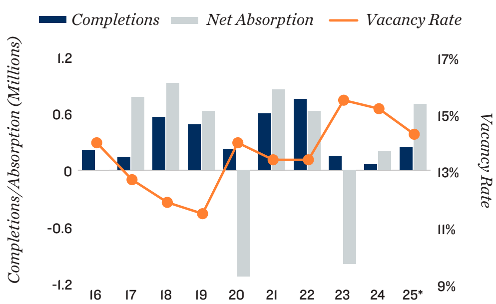
JACKSONVILLE

Sales and Construction Activity Shift Southbound From City Proper

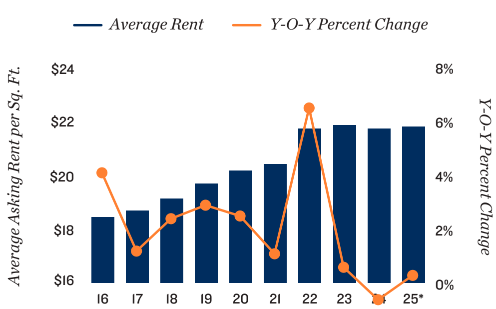
Employment Trends



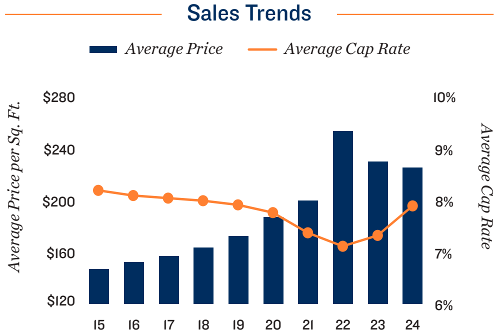
Supply and Demand



Rent Trends



Sales Trends



*Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Dispersed deliveries aid recovery. Last year, net absorption did an about-face from 2023 and is set to improve this year, helping asking rent growth to resume as vacancy falls. Although vacancy in 2024 had the benefit of very low supply pressure, this year's step-up in construction will not be large. The new supply in 2025 comprises many smaller buildings, located south from the CBD. This distribution should allow suburban vacancy to continue tightening after the rate fell nearly 100 basis points last year. As for the CBD, while demand weakened last year in Downtown Northbank, much of that was due to net relinquishments in the first quarter. If net absorption carries forward recent momentum, vacancy here is likely to stay below the metro's average; nevertheless, downtown's recovery is taking longer than other parts of the market.

Mid-tier market increasingly active. Excluding bulk and multi-property sales, transaction velocity was up almost 60 percent in the Jacksonville metro last year, with deals almost exclusively concerning Class B and C offices. The most popular submarket for such properties, and in general, was Southside. The area is the metro's largest submarket by inventory, accounting for over a quarter of total office space. Southside's B/C vacancy rate was slightly above average ending 2024 at 13.8 percent, but was second lowest among the three largest submarkets. This dynamic is likely to support sustained investor interest this year. In 2025, mid- and low-tier offices in nearby Butler and Bay Meadows may also draw investors, given proximity to the Philips Highways and a 490-basis-point drop to segment vacancy here last year. Both Southside and the Butler-Bay Meadows area have the highest average sale prices per square foot for value-oriented assets.

2025 MARKET FORECAST

NOMI RANK 12 — *Jacksonville's quickly declining vacancy rate and top-ranked employment growth place it high on the Index.*

+2.0% — **EMPLOYMENT:** Job creation grows with 16,000 roles added in 2025, but employment in traditionally office-using fields is taking its time to recover, noting just 1,000 new jobs.

247,000 *sq. ft.* — **CONSTRUCTION:** This year's new supply increases from 2024's record low, enlarging existing office stock by 0.5 percent. That said, half of the past eight years have had more deliveries.

-90 bps — **VACANCY:** The vacancy rate descends further from its 2023 peak, falling to 14.3 percent this year. This is aided by the strongest net absorption total since 2021.

+0.3% — **RENT:** As vacancy tightens and net absorption rises, the average asking rent should partially recover from its retreat last year, inching back up to $21.78 per square foot.

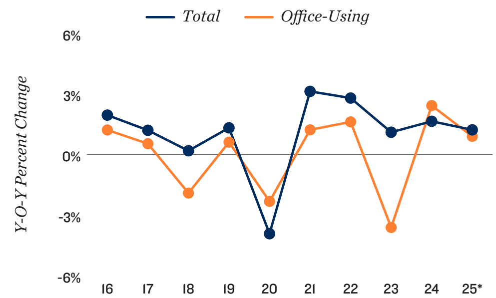
INVESTMENT: *Low and declining vacancy for Class A and B/C space, along with the metro's highest asking rents, may draw investors to Jacksonville beaches, where limited inventory is likely to heighten buyer competition.*

Property Performance Metrics Trending in the Right Direction May Begin to Enliven Sales Landscape

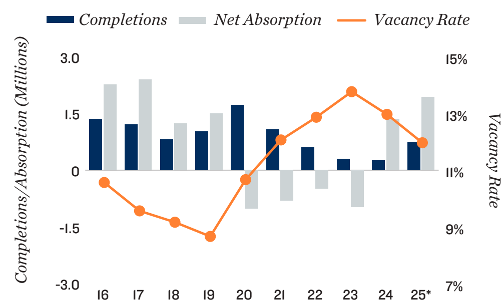
Largest submarkets continue to outperform. After four years of retreat, the amount of occupied office space began to climb in 2024 and should continue to this year as a pair of headquarters expansions come to fruition. Both Kiewit and the Shamrock Trading Company will add to their footprints this year in Lenexa and Overland Park, respectively. Meanwhile, 2025 move-ins at existing floorplans are slated across the market, most frequently in Downtown, Midtown and along College Boulevard. This should add to the downward vacancy shift noted last year in both the core and South Johnson County, especially as Midtown already boasts one of the lowest vacancy rates in the metro at 9.4 percent. Outlying Kansas suburbs entered this year with a vacancy rate matching Midtown's. Tenant demand in both core and suburban office hubs, as well as some of the smaller nearby cities including Topeka, is further underpinned by net absorption across all classes, setting the stage for broad-based vacancy tightening this year.

Circumspect climate may warm in year ahead. Office investment has tempered in Kansas City since 2022, with fewer properties trading hands per annum since. The 24 months preceding 2025 also observed a combined 20 percent correction in the mean sale price. While the properties changing hands skewed slightly older on average, the pricing shift also likely reflects a realignment of investor expectations amid elevated borrowing costs. The corresponding increase to the mean cap rate, which rose to 8.4 percent for trades closed in 2024 — the highest in the market since 2012 — may enable more deals to pencil going forward. Buyers are likely to look toward Downtown and South Johnson County, which were the main focal points of transaction activity in 2024. Both submarkets noted triple-digit basis-point drops to Class B/C vacancy last year.

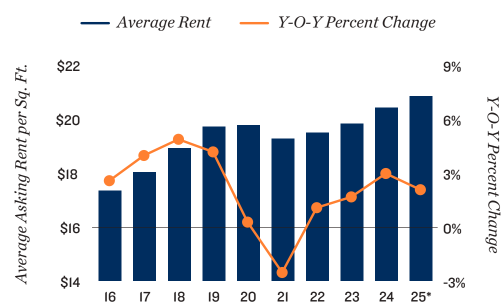
Employment Trends



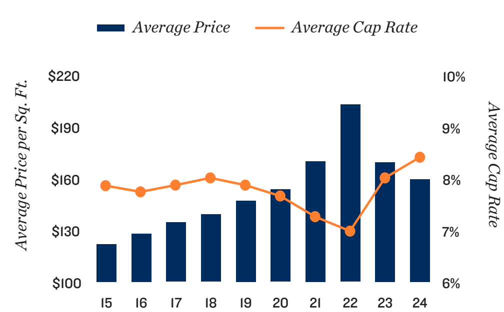
Supply and Demand



Rent Trends



Sales Trends



2025 MARKET FORECAST

NOMI RANK 27 *Office-using employment growth and a strong vacancy reduction place Kansas City near the middle of this year's rankings.*

+1.2% — **EMPLOYMENT:** Both total payrolls and those specific to traditionally office-using industries will see a slight slowdown in hiring this year. Still, the latter category will add 2,500 roles on net.

750,000 sq. ft. — **CONSTRUCTION:** The delivery of two projects each over 150,000 square feet lifts the overall pipeline 490,000 square feet above the 2024 total to a four-year high, expanding stock by 0.6 percent.

-100 bps — **VACANCY:** Despite new supply, prevalent pre-leasing sustains last year's vacancy contraction through 2025. The metrowide rate will end the year at 12.0 percent — on par with the long-term mean.

+2.1% — **RENT:** Tightening vacancy across all classes of office assets amid improved net absorption sets the stage for further rent gains. The average asking rate climbs to $20.85 per square foot in 2025.

INVESTMENT: *The share of investment from outside Kansas or Missouri declined from about 30 percent in 2015-2022 to near zero in 2023-2024. Higher cap rates and falling vacancy could widen investment appeal again.*

* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

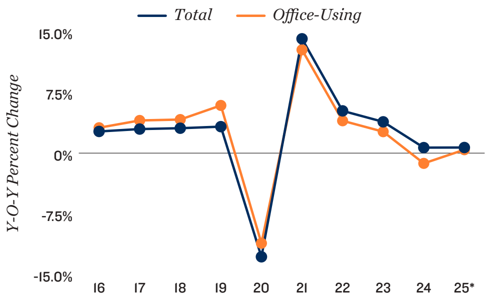
LAS VEGAS

Robust Supply Outpaces Local Leasing This Year as Firms Continue to Target Suburbs

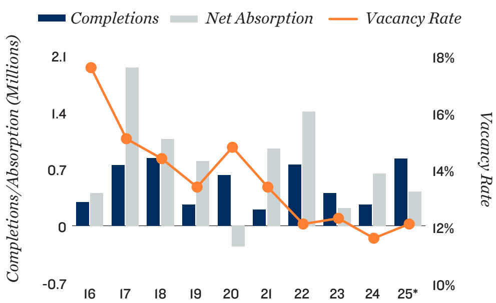
Strong occupancy noted in metro's northern half. Las Vegas entered 2025 with the seventh-lowest vacancy rate among major U.S. markets. While an elevated delivery slate in 2025 will lift vacancy to 12.1 percent by year-end, this rate remains more than 400 basis points below the metro's historical average. Some submarkets are fairing better than others when it comes to occupancy. North and Central North Las Vegas both hold inventories over 1.5 million square feet and entered 2025 with sub-5 percent vacancy. Office spaces in the northern half of the metro benefit from proximity to professionals already living there, allowing for shorter commute times. With both submarkets well occupied, firms interested in leasing traditional office space on this side of the market will likely be directed to areas with larger inventories like Northwest Las Vegas. Here, vacancy dropped by 250 basis points in 2024, with most of the contraction occurring in the second half when leasing needs flowed over. This trend is likely to continue as the North and Central North submarkets historically receive relatively fewer supply additions.

Investor demand shift could be on the horizon. South Las Vegas has been the epicenter of local office transaction activity over the last five years. The submarket's large inventory and slightly lower price point than Southwest Las Vegas has helped to hold buyer attention during a period of constrained financing. An increase in the number of 15 million-plus deals in 2024, however, may point to the return of institutional investors. This has the potential to aid transaction velocity in Southwest Las Vegas after the submarket reported a 150-basis-point drop in vacancy last year and entered 2025 with the highest average asking rent in the metro. Meanwhile, sales activity in downtown could also accelerate if a broader return of institutional investors materializes.

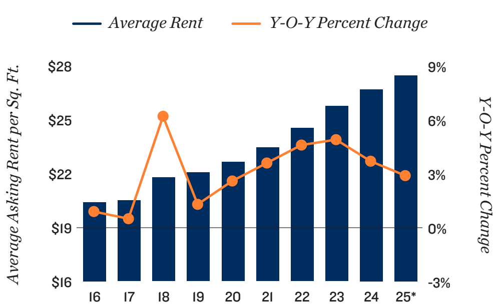
Employment Trends



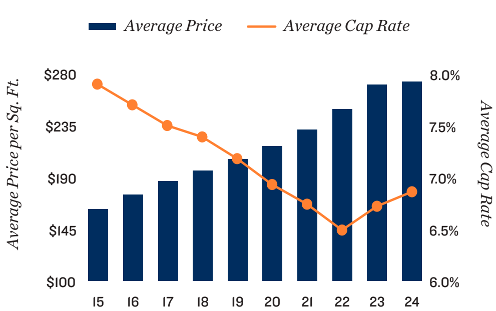
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2025 MARKET FORECAST

NOMI RANK 7 — ***A strong vacancy rate, combined with a top 10 revenue growth metric, secures Las Vegas a top 10 ranking this year.***

+0.7% — **EMPLOYMENT:** Job growth will remain weaker than the historical average as 14,000 new roles are added. Of these, a mere 1,000 positions will be added by traditionally office-using firms.

827,000 *sq. ft.* — **CONSTRUCTION:** This year's delivery slate will mark the highest in six years, expanding inventory by 1.5 percent. Nearly half of this new space will come online in Downtown Las Vegas.

+50 bps — **VACANCY:** Robust supply-side pressure downtown and slower overall demand this year will push vacancy to 12.1 percent. This rate, however, is still well below the pre-pandemic metric of 13.4 percent.

+2.9% — **RENT:** Despite slowing, rent growth is expected to closely track the pace of the past five years, with the metro's average asking rate reaching $27.45 per square foot by year-end.

INVESTMENT: *Buyers interested in medical office properties may be attracted to West and Southwest Las Vegas, where multiple retirement communities facilitate strong resident demand for nearby health services.*

Declining Lease Turnover and Buoyed Corporate Growth Support Los Angeles' Office Market

Expansion in key sectors drives office recovery. Vacancy pressures are expected to ease further this year, supported by moderating corporate consolidation and a stable regional economy. Fewer leases over 50,000 square feet are set to expire in 2025 than last year, suggesting large-scale downsizing will be less prevalent. Downtown Los Angeles is poised to benefit from steadily growing public sector and legal tenants, following its strongest Class A net absorption since before the pandemic last year. Expanding health care and logistics firms should also sustain demand for medical office space and floorplans near industrial hubs, helping stabilize local vacancies in areas like the San Fernando Valley and South Bay during 2025. By contrast, West Los Angeles and Mid-Wilshire may continue to lag, as creative and tech firms scale back hiring and fully embrace flexible work models. However, the increase in California's Film & Television Tax Credit Program from $330 million to $750 million annually is expected to support growth of the local entertainment industry, potentially aiding future demand in these areas.

Private buyers lead yet institutional interest grows. Measure ULA will continue to impact sales velocity in the city of Los Angeles, along with the composition of the local buyer pool, which should largely consist of private buyers. Investors seeking to avoid the tax may target San Fernando Valley listings, as the area's established professional base should sustain demand for medical and traditional office buildings moving forward. Institutions could pursue opportunities with upside potential in Greater Downtown Los Angeles, where high-vacancy properties traded well below replacement costs last year. Meanwhile, asking rents in West Los Angeles standing over 50 percent higher than Downtown should attract buyers to premium assets near Century City or LAX.

2025 MARKET FORECAST

NOMI RANK 41 — ***Sustained vacancy pressures will offset moderate hiring momentum, placing Los Angeles in a lower echelon this year.***

+0.7% ▲ **EMPLOYMENT:** Los Angeles's workforce expands by 30,000 positions this year. The traditionally office-using sector will account for just 1,500 of these roles, aligning with last year's addition.

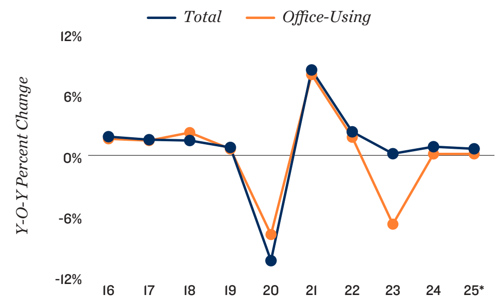
1,300,000 *sq. ft.* ▲ **CONSTRUCTION:** Completions will also be comparable to 2024, when a 10-year low volume of space was added. Most projects slated for completion are pre-leased and under 100,000 square feet in size.

+50 bps ▲ **VACANCY:** Limited new supply and a gradually expanding economy will limit vacancy expansion this year. Still, at 20.1 percent, the metro will have the seventh-highest vacancy among major U.S. markets.

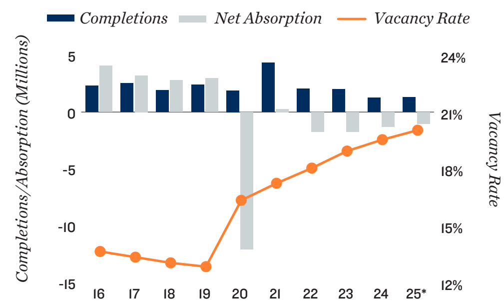
-0.5% ▼ **RENT:** Vacancy reaching an all-time high will keep asking rents on a downward trajectory. The metro's mean marketed rate is set to reach $38.70 per square foot by year-end — the fifth highest in the country.

INVESTMENT: *Rising insurance costs driven by recent wildfires may push investors toward lower-risk, more central locations or to net-leased assets that allow owners to transfer insurance expenses to tenants.*

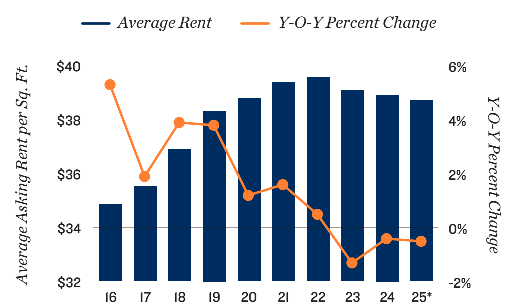
Employment Trends



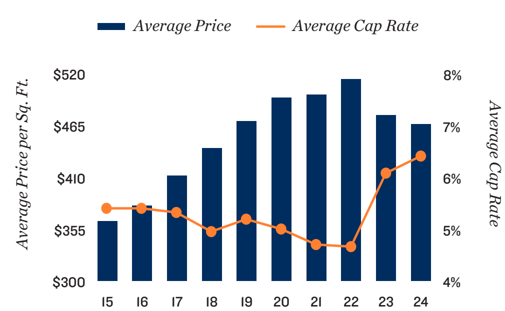
Supply and Demand



Rent Trends



Sales Trends



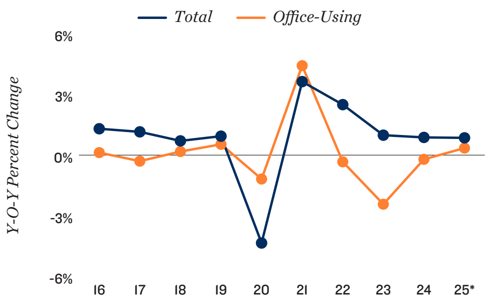
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

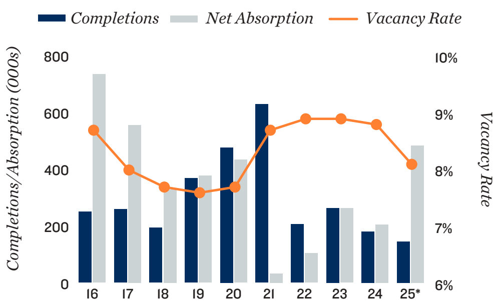
LOUISVILLE

Louisville's Offices Gaining Ground; Greenshoots Sprouting for Investment Activity

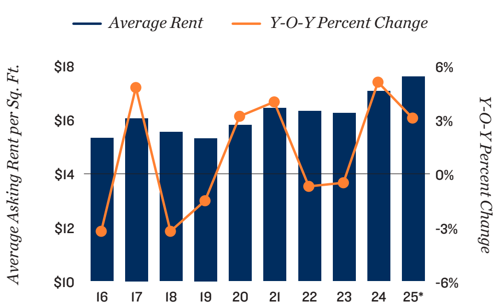
Employment Trends



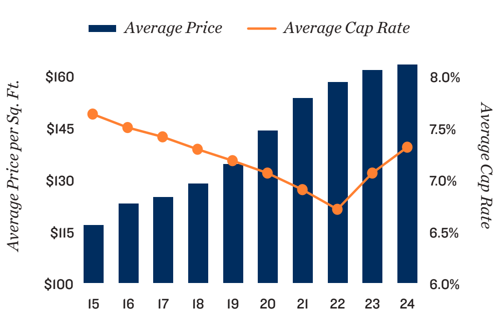
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Nationally low vacancy rate poised to drop even further. Louisville entered this year as the third-least vacant major office market in the country, fueled by a sub-6 percent Class B/C rate. Availability was particularly tight, standing under 5 percent in early 2025 in South Clark County, Southeast Louisville, St. Matthews and Old Louisville, which together compose about a quarter of the market's inventory. Class A vacancy was comparatively elevated at 17 percent exiting 2024, but was still tied for seventh tightest nationally. Top-tier vacancy specifically fell last year in Southeast Louisville and St. Matthews — areas that offer employers proximity to higher-income households and skilled labor. While new Class A leasing activity slowed in 2024, absorption on net is expected to improve over the course of this year, as less sublet space is being put on the market. Restrained development is also helping supply and demand better align, as this year's 0.3 percent total increase to inventory marks the slowest pace since at least before 2007.

Amid improving fundamentals, buyers favoring post-1980 builds in main areas. While transaction activity continued to slow last year, sales velocity was still on par with most years prior to 2017. Investors gravitated toward established office hubs, with the most properties changing hands downtown and in the Hurstbourne-Lyndon area — the two largest submarkets by stock. Trades involved properties of varying occupancy levels, with some investors acquiring assets to use themselves and others acquiring for redevelopment. As in past years, Class B properties were the most targeted, though the average age of buildings exchanged has been trending steadily younger since 2021, likely reflecting vacancy trends. Overall, as metrowide occupancy and asking rents improve on gains made in 2024, more investors may be enticed to consider assets in the months ahead.

2025 MARKET FORECAST

NOMI RANK 39 *Minimal additions to office-using employment weigh against Louisville's outstanding vacancy rate in the 2025 rankings.*

+0.9% **EMPLOYMENT:** After three years of decline, Louisville's traditionally office-using employers will add 500 personnel on net in 2025, joining broader job creation of 6,000 positions.

145,000 *sq. ft.* **CONSTRUCTION:** A trio of Hurstbourne-Lyndon-bound buildings compose the majority of this year's subdued pipeline. No individual project exceeds 55,000 square feet in size.

-70 bps **VACANCY:** With tenants already in place, new supply will have a minimal impact on vacancy. As the rate falls to 8.1 percent in 2025, Louisville will become the second-least vacant major office market.

+3.1% **RENT:** Two years of falling asking rents, from 2022 to 2023, will be followed by two years of stronger rent growth, as the average asking rent improves to $17.58 per square foot by the end of 2025.

INVESTMENT: *A series of medical office trades last year in Bullitt County reiterate the importance of medical services among aging populations. The county holds one of the highest median ages among local submarkets.*

Nationally Low CBD Vacancy Continues to Propel Memphis Office Sector Amid Class B Investment Focus

Recent bumps in the road mitigated by negligible development pipeline. Some of the occupancy gains made since 2021 were undone last year, yet the market still entered 2025 with a vacancy rate 40 basis points below its 2014-2019 average of 13.3 percent. Availability was particularly tight to start the year downtown, where the reading of 6.7 percent was the lowest among major U.S. metro central business districts. Despite this, traditional office development here is intermittent; a 300,000-square-foot proposal is the only notable project in the pipeline. This year's completions are instead condensed slightly north with the office component of the Uptown Snuff District project. The lack of major deliveries elsewhere may help operations stabilize, as vacancy climbed last year in the majority of Memphis submarkets. A higher prevalence of Class B and C office space here than found nationally, at three quarters of local inventory, reiterates the market's reliance on local and regional tenants who tend to lease smaller, economical floorplans, which are less common in recent construction trends.

Mid-tier properties hold investor attention. While underrepresented locally compared with other major markets, Memphis' high-end stock is not engaging as well with the local tenant base, as evidenced by a Class A vacancy rate nearly double the Class B/C reading exiting 2024. This dynamic is reflected in commercial property sales, with the bulk of office trades last year involving Class B properties. The largest share of these were built in the 1990s and changed hands for between \$100 and \$150 per square foot. Although most buyers are based in Tennessee, an average cap rate of 8.6 percent last year — higher than 80 percent of major markets — could draw investors from outside the area. Recent opportunities have arisen for stabilized assets, as well as for those ready for repositioning.

2025 MARKET FORECAST

NOMI RANK 44 *Rising vacancy and employment growth that lags behind many of the nation's major metros weigh on Memphis' ranking.*

+0.6% **EMPLOYMENT:** After two years of decline, the metro's employment base will increase by a modest 4,000 positions in 2025. Fewer than 1,000 of those roles will be in typically office-using fields.

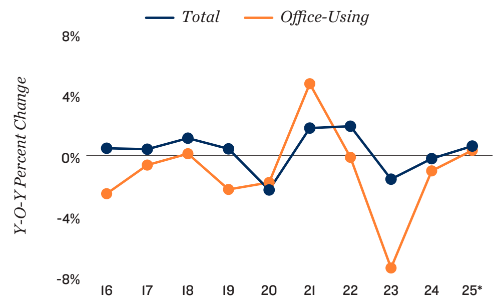
75,000 *sq. ft.* **CONSTRUCTION:** Arrivals will slow to a half-decade low in 2025, though several projects are under proposal. If some of these complete faster than anticipated, openings for this year could be higher.

+10 bps **VACANCY:** The metrowide rate will inch up to 13.0 percent this year — the highest rate in the post-pandemic period. Availability continues to be a challenge, however, in Northeast Memphis.

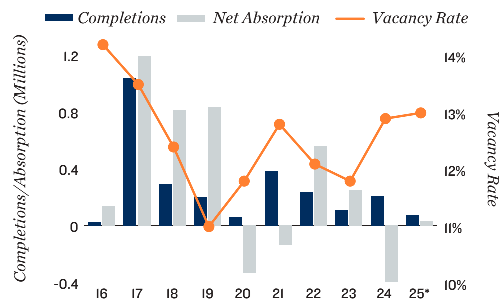
-0.3% **RENT:** The average asking rent will tick down for the third straight year in 2025 to a mean of \$18.13 per square foot. This is 1.7 percent below the mid-2023 peak recording.

INVESTMENT: *While the net relinquishment of 400,000 square feet in Northeast Memphis raised local vacancy to 30.8 percent, the area was a target for trades. Investors willing to re-tenant may continue to look here.*

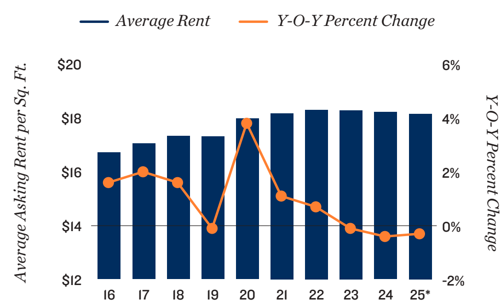
Employment Trends



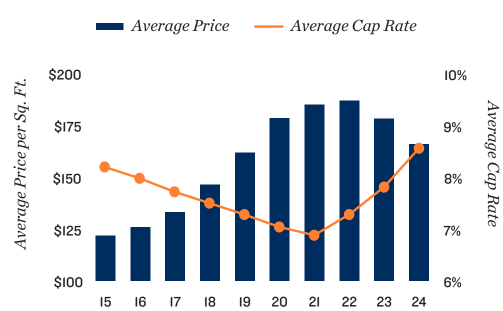
Supply and Demand



Rent Trends



Sales Trends



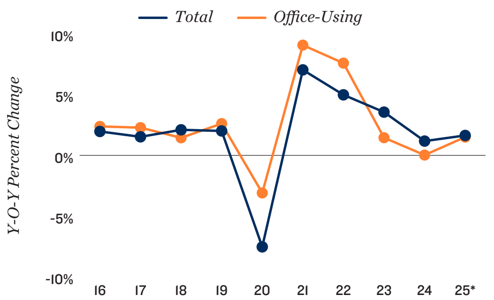
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

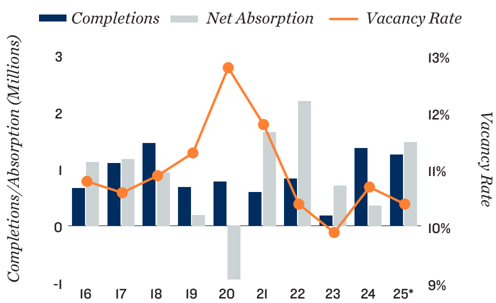
MIAMI-DADE

Supply-Demand Balance Drives Office Investment as Vacancy Holds Below Pre-Pandemic Levels

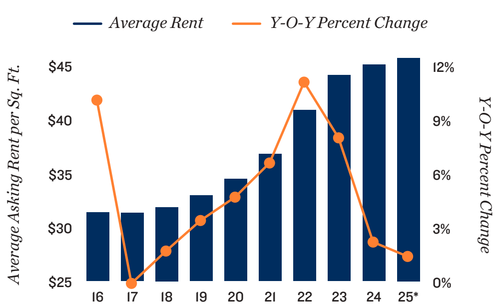
Employment Trends



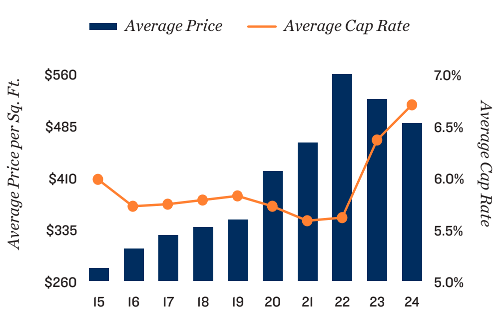
Supply and Demand



Rent Trends



Sales Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Interest rising in urban developments, while suburbs draw cost-conscious tenants. Miami's office vacancy is forecast to sit just above 10 percent this year and remain below its 2019 mark. Despite rightsizing trends driving space givebacks downtown, new urban projects are aligning with institutional demand for premium floorplans. Nearly 70 percent of the 1.5 million square feet delivered last year was occupied entering 2025, while 90 percent of the 1 million square feet set to open this year is already pre-leased. This momentum is set to continue into 2025, as return-to-office plans from firms like J.P. Morgan contribute to rising space needs. Price-sensitive occupiers are likely to favor lower-cost submarkets like the area around Miami International Airport, which saw near-record Class A net absorption last year. Companies such as Assurant, taking 75,000 square feet in mid-2025, will further reinforce local absorption. Well-educated residents and proximity to downtown should also sustain lower-tier space demand here and in nearby areas like Coral Gables, where segment vacancy fell by 50 basis points in 2024.

Investors seek stabilized assets in core locations. Miami sustaining the fifth-lowest office vacancy rate in the country last year helped transaction velocity accelerate compared with 2023, propelling aggregate deal volume into the top five major U.S. markets. Trading activity was focused in dense suburbs like the Miami International Airport area and Coral Gables, which may continue after these areas led the metro in vacancy compression last year. Buyers in these submarkets have found sub-50,000-square-foot Class B offices priced around $200 per square foot. Meanwhile, institutional investors deploying larger capital allocations are likely to focus on the metro's urban core, where Class A vacancy fell below pre-pandemic levels in 2024 despite elevated supply additions.

2025 MARKET FORECAST

NOMI RANK 6 *Vacancy among the nation's lowest and a fast-growing knowledge-based economy will put Miami near the top of the Index.*

+1.6% **EMPLOYMENT:** Miami employers add 22,000 roles this year, roughly in line with 2024. Hiring in the traditionally office-using sector is forecast to improve with an expected net gain of 5,000 jobs.

1,250,000 *sq. ft.* **CONSTRUCTION:** Still elevated from 2023's record low, deliveries here lead all major Florida metros. Regardless, supply additions will align with the metro's historic annual average of 1 million square feet.

-30 bps **VACANCY:** Strong pre-leasing activity and stable space needs for recent hires will reduce Miami's vacancy to 10.4 percent, trailing only the Inland Empire for the lowest among primary U.S. markets.

+1.4% **RENT:** Flight-to-quality trends will limit rent growth as they leave an outsized share of lower-tier space on the market. The metro's average asking rate will reach $45.70 per square foot by year-end.

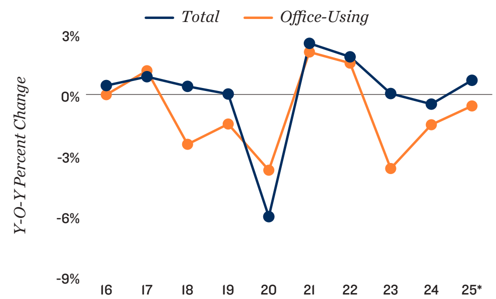
INVESTMENT: *More investors may target Northeast Dade, where vacancy remains below 10 percent. Planned move-ins, such as by travel company RCI, highlight the area's corporate appeal, driven by competitive rental rates.*

Downtown Momentum Sparks Investor Interest as Suburbs Adjust to Changing Tenant Preferences

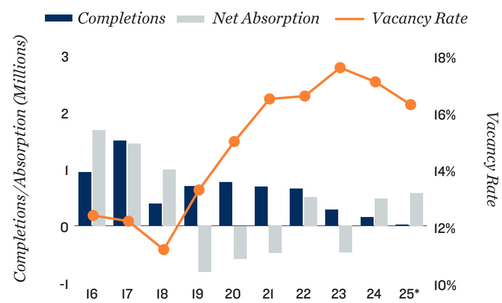
Central Milwaukee's office market carries forward progress entering 2025. Corporate relocations, including Enerpac Tool Group, The Marcus Corporation and Allspring Global Investments, have accelerated the flight-to-quality trend, bringing CBD availability closer to suburban rates in 2024. Suburban submarkets, meanwhile, face higher vacancies and more sublease offerings as part of this process. Up 630 basis points since the start of 2019, suburban vacancy of 16 percent entering this year reflects competition from the CBD's higher-quality offerings. With no major speculative office projects on the horizon, vacancy rates should improve in 2025 as companies consolidate into exisiting spaces. Although hybrid work models and downsizing moderated demand compared with pre-pandemic levels, net absorption returned to positive levels in 2024, allowing Class B and C assets to have modest rent gains above the national average. Limited construction, coupled with ongoing conversions, is expected to keep vacancy in check and motivate property owners to upgrade and differentiate their portfolios.

Price discovery persists as transactions hold steady. While low historically, Milwaukee closed 2024 with deal activity stable with last year, reflecting ongoing adjustments in buyer and seller expectations. Private buyers and owner-users are driving recent trades, stepping in as institutional investors scale back local holdings. Demand is focused on newer or repositioned downtown properties, leaving older suburban offices vulnerable to pricing adjustments. Highly vacant assets in suburban submarkets traded at up to 70 percent below their 2019 values. Waukesha County and other suburban areas are embracing mixed-use zoning to revitalize aging office parks, however, aligning future developments with evolving tenant preferences and sustaining investor interest into 2025.

Employment Trends



Supply and Demand



2025 MARKET FORECAST

NOMI RANK 40 *Limited new supply supports the metro this year, though a smaller office-using job base weighs on the market's standing.*

+0.7% **EMPLOYMENT:** Although the metro will record another net loss in traditionally office-using employment this year, overall job gains will reach 6,000 positions.

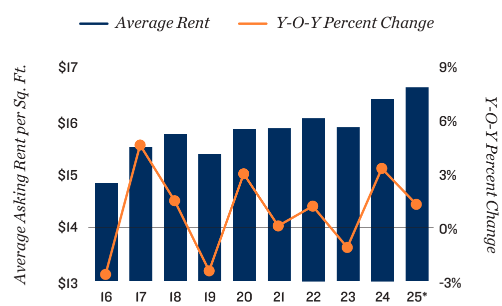
20,000 *sq. ft.* **CONSTRUCTION:** Inventory expands by under 0.4 percent this year — the metro's smallest increase in over a decade. Much of the new supply will deliver between Milwaukee and Waukesha counties.

-80 bps **VACANCY:** Minimal supply additions are expected to bolster demand for existing spaces, dipping Milwaukee's vacancy rate to 16.3 percent by year-end.

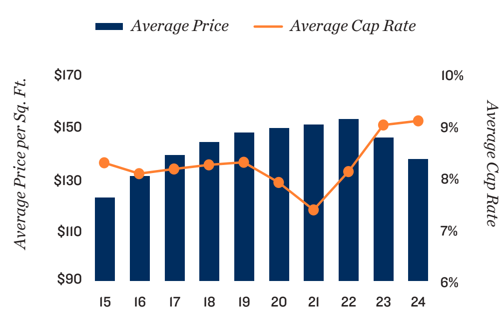
+1.3% **RENT:** Milwaukee's average asking rent will increase for the fourth time in five years. The metro's overall mean marketed rate will end the year at $16.59 per square foot.

INVESTMENT: *Investors may consider Brookfield and Downtown East, which led 2024 leasing and renewal activity due to a strong presence of in-demand Class A properties, as well as parks and lakefront amenities.*

Rent Trends



Sales Trends



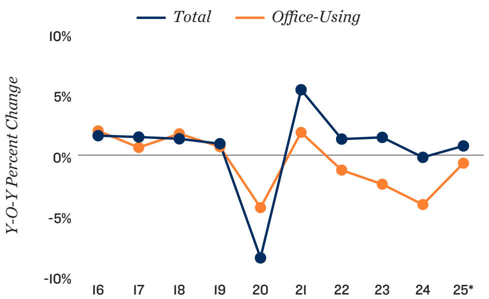
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

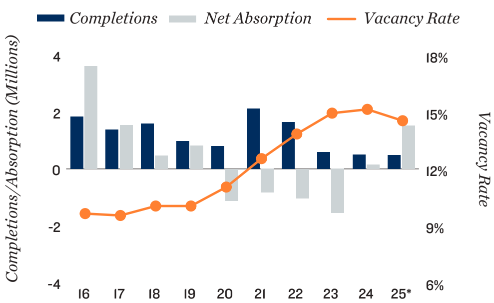
MINNEAPOLIS-ST. PAUL

Corporate Downsizing Meets Tech Expansion; Redevelopment Aids Office Recovery

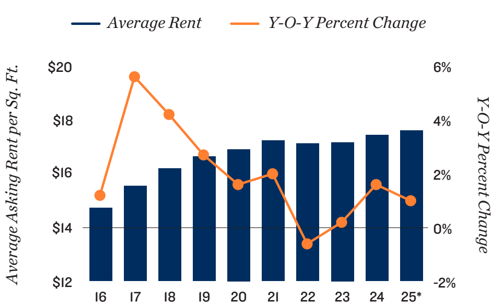
Employment Trends



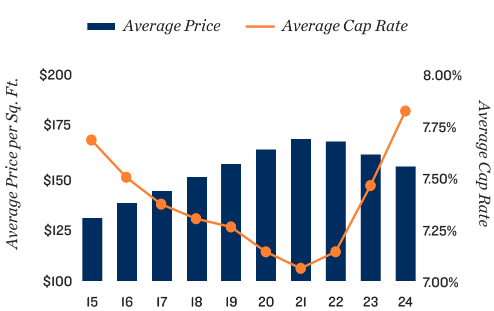
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Diverse demand drivers and constrained supply stabilize office market. Minneapolis-St. Paul entered 2025 with office demand focused on premium submarkets like the North Loop, West End and Interstate 494 Corridor, where modern inventory continues to attract tenants despite softer leasing activity. Corporate expansions by Solventum Corp., Polar Semiconductor and Heliene signal growth in office-using employment, especially in tech and energy sectors. Yet hybrid work habits and corporate downsizing kept vacancy above 15 percent last year, exceeding the five-year pre-pandemic average of 10.8 percent. Construction remains scarce, with only 475,000 square feet set to deliver in 2025 — the lowest since 2013 — and nearly all projects are pre-leased or build-to-suit. Limited speculative development and rising adaptive reuse projects, like office-to-residential conversions, should encourage modest vacancy compression. With a robust economic base, Minneapolis-St. Paul offers cautious optimism for investors this year.

Distressed sales and price corrections drive the Twin Cities' office market. In 2024, buyers focused on medical office properties due to strong tenant demand and cap rates above 7 percent. Meanwhile, some urban office towers traded at a fraction of their previous valuations. Transaction volume fell more than 20 percent, reflecting waning institutional interest. Metrowide vacancy still 370 basis points above its long-term average drove foreclosures beyond downtown and lengthened listing times. Some owners converted obsolete buildings, trimming inventory. Distressed listings — though rising — remained only a small share of total deals. Volatile interest rates and looming loan maturities could spark more distressed sales, offering investor opportunities. Adjusted prices may reward investors who see long-term value in the Twin Cities' economic base.

2025 MARKET FORECAST

NOMI RANK 38 — *Minneapolis-St.Paul is limited by its stagnant office-using job creation, which outweighs its low vacancy on the Index.*

+0.8% — **EMPLOYMENT:** While the metro will see another net loss in traditionally office-using employment in 2025, overall job gains for the year will hit 15,000 positions.

475,000 *sq. ft.* — **CONSTRUCTION:** Builders will add roughly 500,000 square feet of office space for the third consecutive year — the lowest three-year completion total in over a decade, specifically since 2009-2011.

-60 bps — **VACANCY:** Vacancy will fall for the first time since 2017, bringing the metro's rate to 14.6 percent. Minneapolis-St. Paul will retain the fourth-highest figure among major Midwestern markets.

+1.0% — **RENT:** The highest net absorption total since 2019, combined with a limited delivery pipeline, will encourage modest rent growth, bringing the metro's average asking rate to $17.55 per square foot.

INVESTMENT: *A steady rate of population growth over the last three years will heighten demand for health services. As such, private investors may target suburban medical office assets suitable for one to four tenants.*

Nashville's Continued Popularity With Diverse Employer Base May Attract Affluent Investors

Strong demand will help offset some supply-side pressure. Several 100,000-plus-square-foot, triple-net move-ins will occur this year. These include Bass Berry & Sims and Pinnacle both moving into the Nashville Yards Pinnacle Tower downtown and TikTok occupying space in Music Row. The latter submarket, which also includes Greenhill, has gained in popularity with companies since 2023, with vacancy dropping 380 basis points in 2024 to 9.4 percent. Here, local tenants benefit from their proximity to both Midtown and Vanderbilt University, which aids in recruiting efforts. This favorable location and falling vacancy support the highest average asking rents in the metro. Meanwhile, the CBD may report another year of vacancy increase. The leases set to begin this year may not be sufficient to counterbalance the 1.6 million square feet slated to come online downtown in 2025. Locations with less new supply pressure, like Southeast Nashville, are poised to see vacancy contraction amid demand for Class B/C floorplans.

Relatively higher-value assets available in market. Sales activity last year was centered around submarkets outside of the CBD, with Cool Springs and the area south of the airport accounting for the largest share of deal flow. Both submarkets' transactions involved a mix of post-2000 and pre-1990s-built buildings, with many assets either highly occupied or positioned for conversion. Looking ahead, if investors with deeper capital pools return, they could target submarkets with higher average asking rents like Downtown or Greenhill-Music Row. The latter may particularly interest larger investors, as assets traded here have tended to be well-leased buildings that often command more than $10 million. The West End may also attract this type of investor after a nearly 7 percent rise in average asking rent last year pushed the local mean to a record mark.

2025 MARKET FORECAST

NOMI RANK 17 *A large supply pipeline and relatively stunted employment growth holds Nashville out of this year's top 15.*

+0.4% **EMPLOYMENT:** The metro's total job count is expected to grow by 5,000 positions this year, though the traditionally office-using sector will continue to decline, shedding 500 roles.

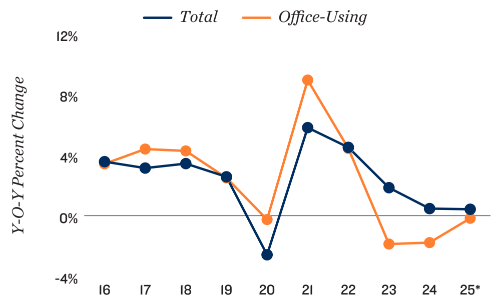
2,569,000 *sq. ft.* **CONSTRUCTION:** The 2025 construction pipeline will exceed the prior 24-month delivery total, growing inventory by 2.9 percent — the second-largest expansion among major metros.

-10 bps **VACANCY:** Tenant demand keeps pace with a four-year high for supply additions, translating to the largest net absorption recording since at least 2007. Vacancy will inch down to 15.9 percent as a result.

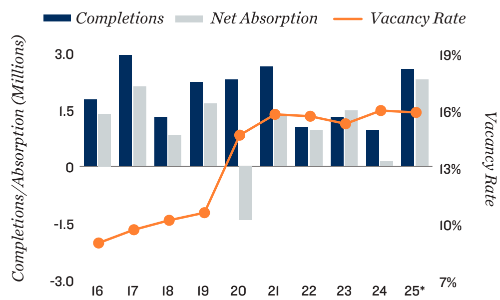
+1.0% **RENT:** Building upon a long-term upward trend, the average asking rent will grow to $29.20 per square foot by year-end. Rent gains are likely to be most pronounced in the Greenhill-Music Row area again.

INVESTMENT: *The Rivergate-Hendersonville submarket may attract investors searching for well-leased suburban offices. This area entered 2025 with 4.1 percent vacancy, the lowest rate among larger local submarkets.*

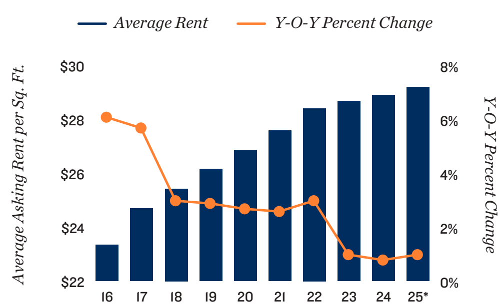
Employment Trends



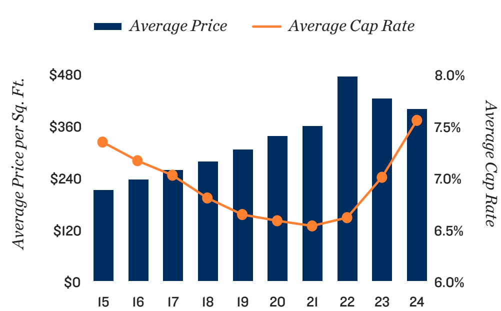
Supply and Demand



Rent Trends



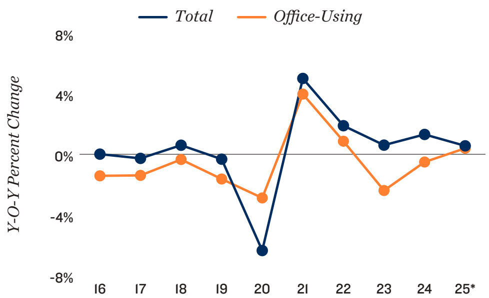
Sales Trends



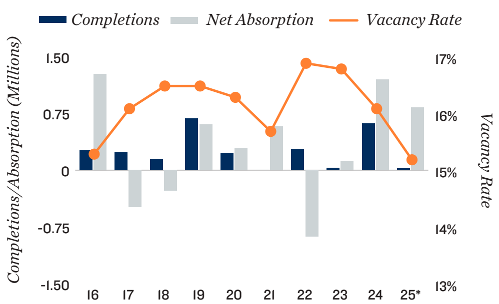
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

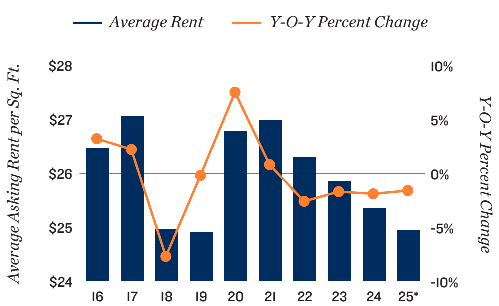
Employment Trends



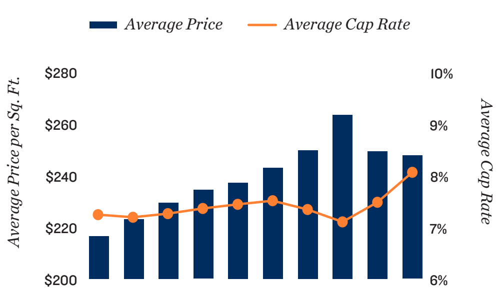
Supply and Demand



Rent Trends



Sales Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

NEW HAVEN-FAIRFIELD COUNTY

Vacancy Decreases for a Third Year, Distinguishing New Haven-Fairfield County Among Its Peers

Amid a tight Class B and C market, demand is improving for higher-end offices. Vacancy in New Haven-Fairfield County is on track to end this year more than 100 basis points below its 2019 mark — a feat shared only by Las Vegas. While Class B/C availability is less than half the top-tier level, downward vacancy momentum is most apparent in Fairfield County Class A offices. The rate fell by triple-digit basis points in 2024, and new move-ins are slated for 2025. Financial services firms such as GHK Capital Partners and Cook Pine Capital, as well as watch designer Timex Group, are scheduled to take up high-end space in the county this year. Commitments like these, consistently under 20,000 square feet, reflect demand for smaller floorplans; still, overall leasing activity is improving. Nearly as much space was claimed last year as in 2021 or 2022, reaching about 90 percent of the 2015-2019 annual average. Although this does not account for move-outs, this trend nevertheless underscores steady improvement in the local office sector.

Reduced activity shared across the region. While transaction velocity was down 33 percent in 2024 compared with the 2014-2019 annual average, properties are still changing hands across the market. Trades last year were roughly split between New Haven and Fairfield counties — a contrast to before the pandemic when the latter county tended to record more deals. Comparatively tighter vacancy and lower entry costs may be factors. New Haven's vacancy rate was half that of Fairfield County's in 2024, with trades under $100 per square foot more common in the former county. Overall, though, the average sale price dropped less than in 2023, suggesting a potential pricing floor may soon be in reach, which could aid future sales. Offices also changed hands last year at a mean cap rate of 8.1 percent, exceeding that of other nearby major metros.

2025 MARKET FORECAST

NOMI RANK 48 — ***Office-using employment struggles to hit pre-pandemic levels, as negligible growth contributes to this year's ranking.***

+0.6% — **EMPLOYMENT:** While down from last year, employers will create about double the number of jobs in 2025 as on average in 2014-2019. The number of typically office-based roles edges up by 700 on net.

21,000 *sq. ft.* — **CONSTRUCTION:** Nearly 900,000 square feet is underway or proposed for delivery after 2025, but completions this year are minimal. A medical office building in Middlebury is the main delivery of note.

-90 bps — **VACANCY:** The market's vacancy rate will decrease for the third straight year, ending 2025 at 15.2 percent. Since 2014, vacancy has only dipped below 16.0 percent in eight quarters.

-1.6% — **RENT:** While the amount of vacant space is declining, demand has yet to translate into meaningful upward momentum in asking rents. The mean rate ends 2025 down slightly at $24.94 per square foot.

INVESTMENT: *The market for post-1999 builds, or offices larger than 50,000 square feet, remains slim. Roughly 75 percent of trades last year were below that threshold in size, with a mean age of 59 years.*

Prime Office Space Demand Extends Beyond Midtown, Fueling Metrowide Leasing Activity

Tenant needs build across multiple submarkets. New York's office market recovery is expected to continue in 2025, following last year's record-setting net absorption. Demand for high-end, transit-accessible space should continue to drive Midtown leasing, where about 40 agreements over 100,000 square feet were signed last year, nearly doubling 2023 levels. Major 2025 move-ins should reinforce fundamentals, which include commitments of 500,000 square feet by Citadel and 300,000 square feet each by WeWork and Apollo. Midtown South and Downtown also noted post-pandemic net absorption highs last year, signaling a broadening of leasing activity across the metro. Tighter Class A supply in Midtown may draw some tenants to these neighborhoods, while limited availability of top-tier space keeps others in their existing, slightly older buildings. Meanwhile, demand for smaller, cost-effective floor plans should sustain momentum in Brooklyn and Queens, where absorption levels reached a three-year high in 2024.

Premium space shortages elevate redevelopment interest. A tightening supply of Class A space is set to maintain investor interest in centrally located trophy assets, with some potentially repositioning outdated buildings. Local Law 97, which requires emissions reporting starting in May 2025 for properties over 25,000 square feet, could shift some investment strategies. Owners will face fines for late reporting and exceeding carbon emission limits, which are scheduled to become more stringent after 2030. Meanwhile, historically low multifamily vacancy alongside New York's City of Yes initiative, which expands the scope of eligible conversions, may drive interest in full or partial residential conversions. Private buyers may target sub-25,000-square-foot buildings, where steady demand from smaller, price-sensitive tenants has kept vacancy near 5 percent.

2025 MARKET FORECAST

NOMI RANK 11 — ***Strong office-using job growth and improving vacancy will position New York just outside the top 10 markets.***

+1.5% — **EMPLOYMENT:** The metro's workforce is set to expand by 70,000 positions this year. After two consecutive years of decline, the traditionally office-using sector will add a nation-leading 12,000 roles.

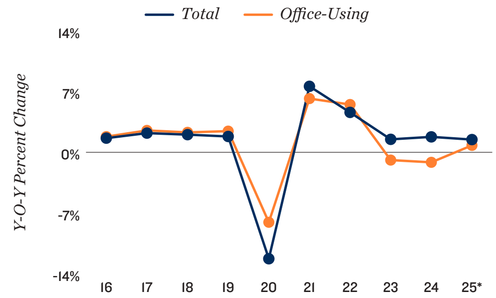
4,500,000 *sq. ft.* — **CONSTRUCTION:** Deliveries will inch up slightly this year but remain below the past decade's norm. J.P. Morgan's 2.5 million-square-foot headquarters accounts for the bulk of this year's completions.

-60 bps — **VACANCY:** Strong pre-leasing of new supply and anticipated growth in office-centric hiring support a continued decline in vacancy. The metro's rate reaches 15.1 percent, returning to 2020 levels.

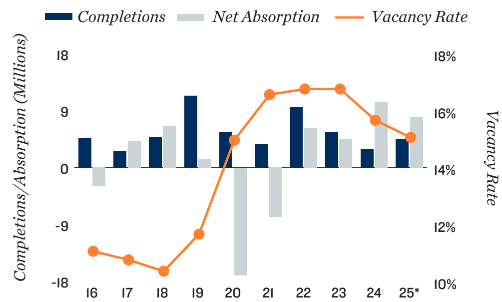
+0.5% — **RENT:** Vacancy almost 500 basis points above pre-pandemic norms will limit rent growth. The metro's average asking rate ticks up to $54.09 per square foot by year-end, aligning with its long-term mean.

INVESTMENT: *Transit-oriented assets are likely to see heightened investor interest, if congestion pricing laws remain in place. This trend and clusters of tech firms may draw attention to areas such as Chelsea and Flatiron.*

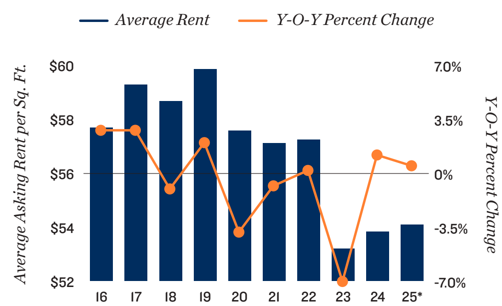
Employment Trends



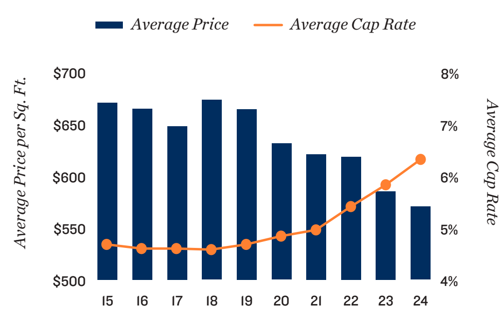
Supply and Demand



Rent Trends



Sales Trends



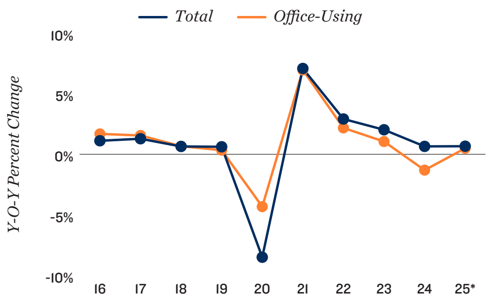
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

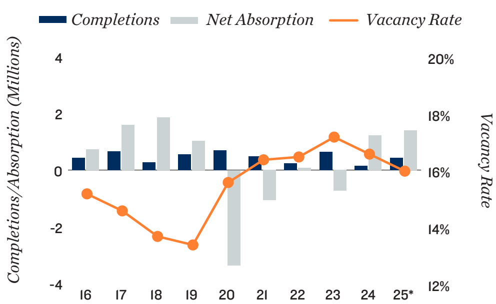
NORTHERN NEW JERSEY

Reinforced Demand Across Class Segments Aids Both Waterfront and Inland Offices

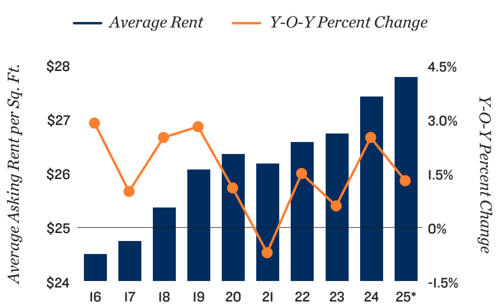
Employment Trends



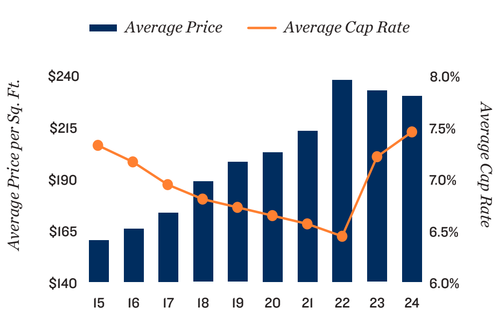
Supply and Demand



Rent Trends



Sales Trends



*Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Leasing activity grows as firms refine their long-term space needs. The market's office vacancy is set to tighten further in 2025 following last year's decline — the first subsequent to 2019. Tenants were drawn to cost-effective suburban properties in Bergen and Morris counties in 2024, fueling the strongest Class B/C net absorption since before the pandemic. Major 2025 commitments, like Sanofi's 260,000-square-foot build-to-suit office in Morristown and Samsung's relocation to a larger facility in Englewood Cliffs, should sustain this momentum. In Jersey City, large renewals by Fidelity and Amazon, coupled with rising demand for premium office space, helped Hudson County achieve its strongest Class A net absorption since 2015. Leasing here should remain strong in 2025, driven by emerging lifestyle brands and tech firms securing 15,000-square-foot spaces, along with expanding legal tenants. Demand along the Hudson River may also rise if New York's congestion toll stays in place, prompting some firms to relocate, aided by New Jersey's $500,000 incentive for companies establishing satellite offices in the state.

Rising tenant demand presents investment opportunities across quality tiers. After three years of declining local vacancy, investor activity in Morris County is expected to remain steady. Opportunistic buyers will likely continue targeting modern, high-vacancy properties with plans to improve occupancy, though tightening vacancy could create more opportunities to acquire well-leased assets. Institutional interest is likely to focus on premium office properties in urban areas like Jersey City, where Class A vacancy fell by nearly 200 basis points last year. Meanwhile, private investors seeking stable cash flows may focus on sub-50,000-square-foot buildings in close-in suburbs in Essex and Union counties, where Class B/C vacancy hit all-time lows of around 5 percent last year.

2025 MARKET FORECAST

NOMI RANK 31 — *Modest employment gains and historically elevated vacancy will position Northern New Jersey in the lower half of the rankings.*

+0.7% — **EMPLOYMENT:** Metro employers are set to add 15,000 workers this year, slightly surpassing 2024's total. Of these, 3,000 will be office-using roles, marking a rebound after significant declines last year.

425,000 *sq. ft.* — **CONSTRUCTION:** Following a record-low delivery slate in 2024, completions will rise modestly, but stay near historical lows. Notable additions are limited to Hudson and Morris counties.

-60 bps — **VACANCY:** Expectations for improved office-centric hiring helps vacancy decline this year. At 16 percent, the metro's rate will roughly align with its long-term average and stay below the national mean.

+1.3% — **RENT:** Declining vacancy will keep rent growth in line with the metro's long-term average, outpacing all major northeast markets. The mean asking rent will reach $27.77 per square foot by year-end.

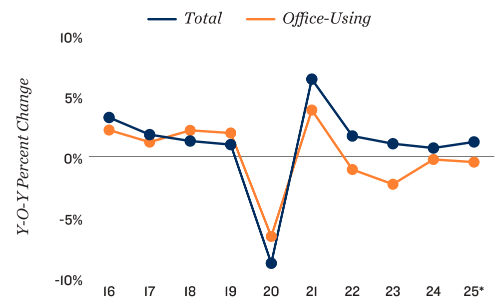
INVESTMENT: *Small business optimism at a six-year high may boost leasing at Class B/C properties. The metro's low-tier vacancy ranking fifth lowest of major U.S. markets at the end of last year may also attract investors.*

Lower-Tier Complexes Resilient as Investors Turn to Inland Areas With Recovering Fundamentals

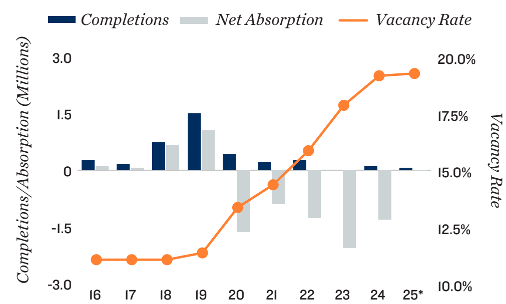
Pace of relinquishment set to slow as office needs become more focused. While demand for shorter lease terms is easing sublease availability, overall vacancy pressures continue to hinder property performance. Metrowide asking rents declined for the fifth consecutive year in 2024, reinforcing tenant interest in more affordable space options. This has favored the budget-friendly Class B/C segment, which saw vacancy tighten over 2024 in the South 680 Corridor and Highway 4 submarkets. Corporate downsizing — led by firms such as Kaiser Permanente — and broader economic uncertainties, however, are expected to keep rates historically elevated this year. Net absorption is forecast to stay slightly negative through 2025, with fewer planned move-ins contributing to the decline. Nevertheless, an anticipated slow-down in large-scale downsizings will drive the metro's lowest level of space relinquishment since before the pandemic.

Resilient performance in certain areas garner investor interest. Sales activity last year skewed more toward smaller, lower-tier assets compared with past years — a trend likely to continue into 2025. As a result, more buyers may target properties around 10,000 square feet this year, which traded between $150 and $200 per square foot in 2024. The South 680 Corridor near Pleasanton may garner heightened investor interest after posting a triple-digit basis-point drop in Class B/C vacancy in 2024, leading the metro in lower-tier space absorption. The submarket benefits from commuting barriers to the western bay area, a strong presence from corporations like Safeway, Workday, and Oracle, and an affluent local population. The Highway 4 Corridor may also see increased demand after recording two consecutive years of declining overall vacancy. The area enters 2025 with vacancy below 5 percent despite heading the metro in inventory growth.

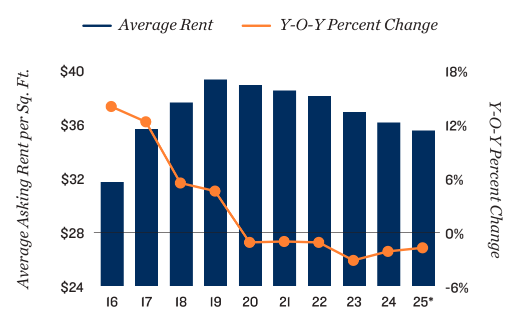
Employment Trends



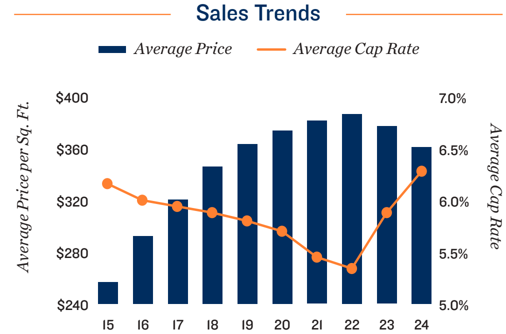
Supply and Demand



Rent Trends



Sales Trends



2025 MARKET FORECAST

NOMI RANK 45 — *Heightened vacancy and sluggish hiring in office-based industries will position Oakland near the end of the 2025 Index.*

+1.2% **EMPLOYMENT:** Though Oakland will note a net increase of roughly 14,500 jobs by year-end, the traditionally office-using sector will shrink by approximately 1,200 positions.

56,000 *sq. ft.* **CONSTRUCTION:** Developers will expand inventory by just 0.1 percent for a second consecutive year, with supply additions reaching only 15 percent of the metro's historical annual average.

+10 bps **VACANCY:** A constrained delivery pipeline will help vacancy experience its smallest year-over-year expansion since 2019. The metrowide rate will end the year at 19.3 percent.

-1.7% **RENT:** While only inching forward, record-high vacancy will still put downward pressure on marketed rates, with the metro's average asking rent adjusting down to $35.49 per square foot by year-end.

INVESTMENT: *Buyers seeking Class A assets may comb listings in the Interstate 80 Corridor, which was the only submarket to see a decline in Class A vacancy last year while also posting the highest upper-tier asking rents.*

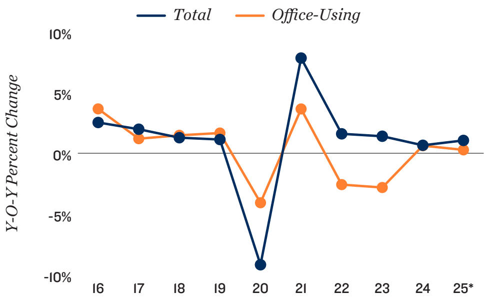
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

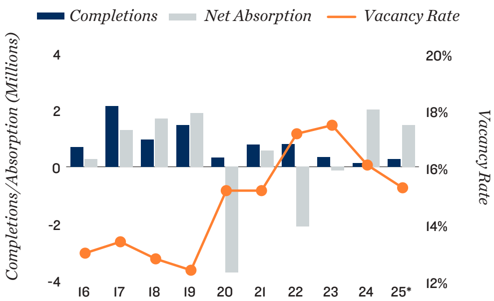
ORANGE COUNTY

Leasing Picking Up Steam as Limited Development Shifts Expanding Firms to Existing Offices

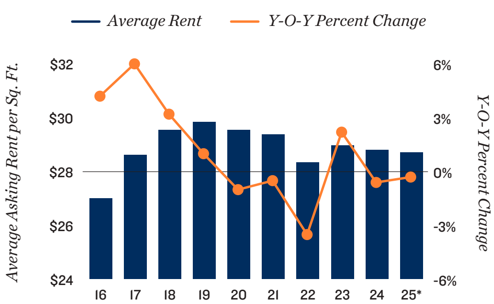
Employment Trends



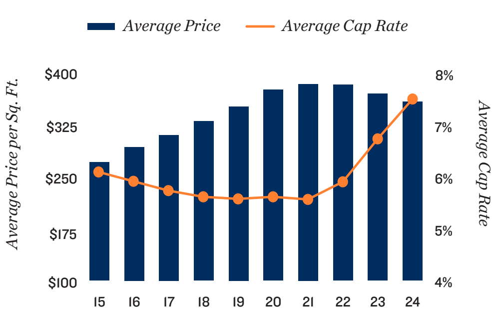
Supply and Demand



Rent Trends



Sales Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Improved demand fuels absorption, helping maintain stable vacancy. Less than 300,000 square feet of new office product is slated for completion in 2025 — well below historical norms — steering tenants toward existing stock and boosting renewal velocity. Stable corporate budgets and expansions in technology and financial services further reinforced leasing momentum, driving net absorption to 2 million square feet in 2024 — the strongest annual total in a decade. Meanwhile, ongoing office-to-industrial conversions keep tightening supply, funneling more firms into discounted Class A or Class B layouts. Landlords dealing with elevated debt pressures are keeping asking rents stable and sweetening concession packages with free rent and tenant improvements to preserve occupancy. Barring a significant change in tenant preference, minimal new supply and continued conversions should hold vacancy near its historical average through 2025.

Investors adjust strategies as conversions and capital flows shape the metro. Overall transaction velocity eased last year, as user acquisitions composed an elevated share of deals while institutional investors largely retreated. Average pricing dipped below prior peaks, with many 1980s- and early 2000s-vintage properties trading at discounts amid higher vacancy. At the same time, a growing number of office-to-residential conversions — including the Irvine Company's plan to replace two office towers with 700 apartments — underscores municipal efforts to expand housing. Class B/C office availability in Central County submarkets, like Santa Ana and Orange, remains lower than its long-term average, attracting investors seeking stable occupancy. Looking ahead, looming loan maturities and weakening operating incomes could prompt more owners to list properties at reduced valuations, possibly fueling value-add and repositioning plays in 2025.

2025 MARKET FORECAST

NOMI RANK 23 — ***The metro's lean development pipeline supports occupancy, yet modest job growth keeps it from climbing higher in the Index.***

+1.1% — **EMPLOYMENT:** Recruitment efforts continue in Orange County, with the creation of 18,000 positions in 2025. Roughly 7 percent of these additions are projected to be traditionally office-using roles.

278,000 *sq. ft.* — **CONSTRUCTION:** While developers will roughly double last year's delivery volume in 2025, it will only increase total inventory by 0.2 percent. This rate represents the second-smallest tally since 2016.

-80 bps — **VACANCY:** For only the second time since 2020, vacancy will decrease this year amid conservative construction activity. A year-end rate of 15.3 percent will be the lowest in Southern California.

-0.3% — **RENT:** Firms' recalibration of their office space needs will translate into a second consecutive year of declining rents, bringing the mean marketed rate to $28.70 per square foot.

INVESTMENT: *A relative dearth of mid-tier office additions in recent years could drive some buyers to execute value-add strategies on Class B opportunities, taking advantage of firmer tenant demand in this segment.*

Orlando Showcases Relative Stability of Florida Metros; Aging Population Aids Medical Office Demand

Continued commitments from notable firms. Multiple large-scale move-ins are slated for this year across the metro, with Downtown, Lake Mary and University Research Park proving popular with tenants again this year. Included in this pipeline are Travel + Leisure relocating their headquarters to the CBD and AMD's new 10-year lease in University Research Park. Both tenants are leaving other space vacant however. Even so, vacancies across Orange County have held relatively stable after a jump to 13.5 percent in 2021. Since then, the local rate has oscillated by less than 80 basis points in any given year. With 72 percent of the market's stock, the County's performance exhibits an ability to absorb supply injections over 1 million square feet. Outside of the traditional office domain, medical office inventory grew at a faster pace in recent years to keep up with the retiree populace. After increasing 5.9 percent last year, the local 65-plus age cohort will climb another 5 percent this year. Medical office leasing is poised to grow in tandem.

Investor confidence in medical office properties is likely to continue. While overall transaction velocity remained relatively low last year, certain areas of the metro reported an uptick in trades. Sales volume increased in Maitland Center last year, with most trades involving fully leased offices, including some medical space. Additional investor interest may also return to the CBD if capital continues to become less restricted. Sales velocity here is currently improving, but is still lower than the pre-2022 metrics, due in part to high prices and some reluctance to sell from owners of high cash flow assets. Buyers specifically drawn to the medical office sector, seeking to take advantage of a growing population of retirees, will find large inventories of fully leased medical office buildings in Lake County, Kissimmee and Winter Park.

2025 MARKET FORECAST

NOMI RANK 10 — ***Orlando secures a top 10 placement again this year, supported by relatively strong office employment growth and low vacancy.***

+0.7% **EMPLOYMENT:** Growth will slow this year as the employment base expands by 11,000 jobs. After losses last year, a slight 800 roles will come to the traditionally office-using sector.

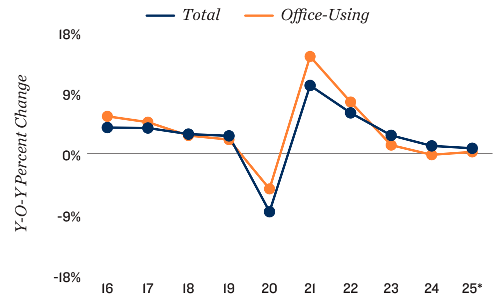
650,000 *sq. ft.* **CONSTRUCTION:** Completions will exceed the previous year, but fail to meet the decade average. Led by openings in suburban south Orange County, inventory will expand by 0.8 percent.

+20 bps **VACANCY:** A fourth consecutive year of positive absorption will not be enough to offset incoming supply, allowing vacancy to nudge up to 13.6 percent by year-end.

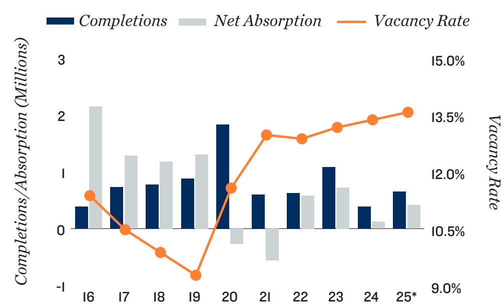
+0.4% **RENT:** The average asking rent will report a reversal of last year's negative movement, inching the monthly rate up to $23.85 per square foot by December.

INVESTMENT: *Buyers looking for office properties outside of Orange County may be interested in Osceola and Lake counties. Both noted vacancy compressions in three of the last four years, leading to sub-7 percent vacancy.*

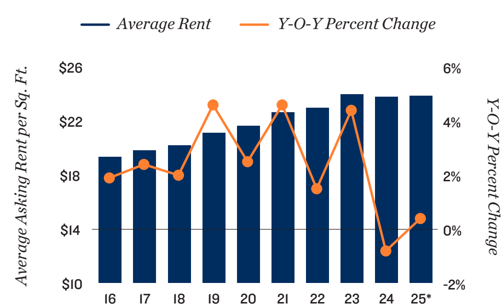
Employment Trends



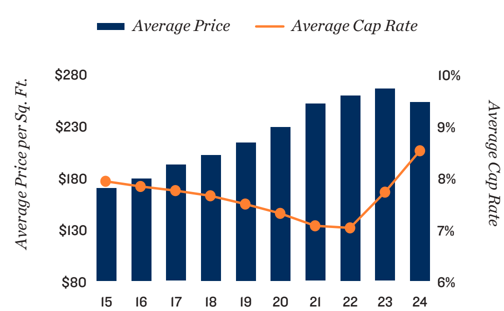
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

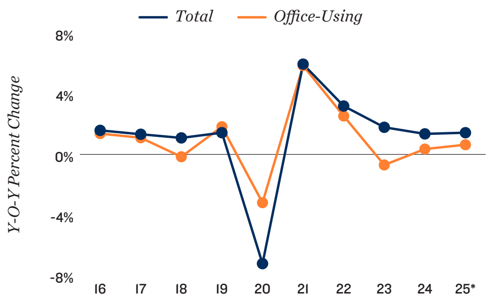
PHILADELPHIA

Flight to Quality Drives Philadelphia's Office Recovery as Leasing Activity Broadens

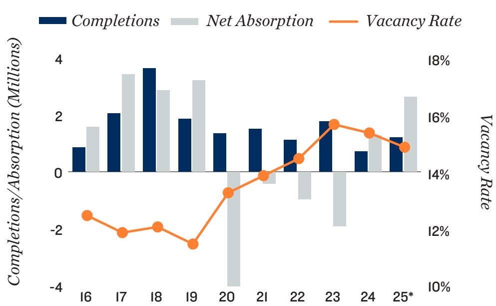
Stability emerges despite bifurcated leasing trends. Following the strongest net absorption since before the pandemic, Philadelphia's office market is set to tighten further in 2025. Sublease availability reaching its lowest share of total inventory since 2021 and historically subdued deliveries will aid this trend, as will the new full-time in-office mandate for Philadelphia's federal workers, although that count could fall in the future. Peripheral hubs like the Wilmington CBD and areas near Villanova University, which posted the strongest Class A net absorption in over a decade last year, should sustain strong Class A leasing as firms prioritize high-quality spaces to attract employees. Several legal firms slated to move into the urban core will also bolster Class A performance. With metrowide vacancy of post-2010-built supply under 10 percent, however, some tenants may shift toward slightly older assets, as evidenced by Asplundh's planned 100,000-square-foot move into a Class B 2000s-era building in Horsham. Lower-tier space demand should hold firm in Center City and nearby suburbs that saw elevated Class B/C net absorption last year, with tenants seeking larger, cost-effective footprints.

Improving fundamentals entice capital deployment. A skilled labor pool and business-friendly policies supported leasing activity in King of Prussia in 2024, where Class A vacancy declined for the first time since 2021. This trend is likely to draw buyers to modern, well-leased assets, which traded around $200 per square foot last year. Similarly, further-out suburbs like Bucks County and Exton-Whitelands, where upper-tier vacancy fell over 300 basis points last year, may attract opportunistic investors. Buyers seeking stable cash flows are likely to target lower-tier assets in the urban core, where Class B/C vacancy dropped by over 200 basis points last year, settling below 10 percent.

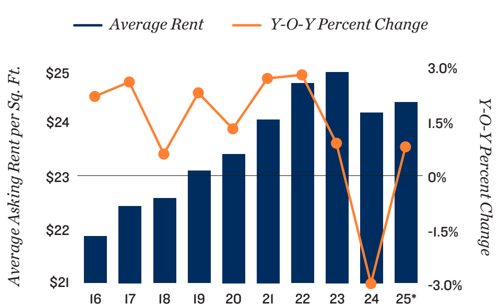
Employment Trends



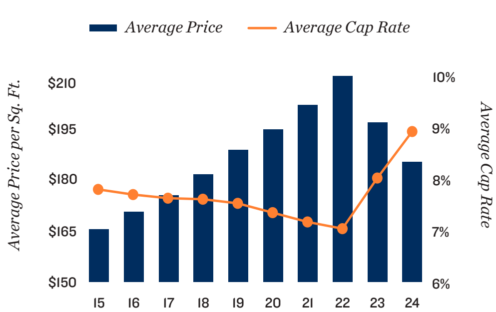
Supply and Demand



Rent Trends



Sales Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

2025 MARKET FORECAST

NOMI RANK 18 — ***Vacancy below the national average and a growing office-using workforce will place Philadelphia in the upper half of the Index.***

+1.4% **EMPLOYMENT:** Job growth will nearly double the metro's long-term average, as 45,000 new roles are added in 2025. The traditionally office-using sector will account for 5,000 of these positions.

1,200,000 *sq. ft.* **CONSTRUCTION:** Following a record-low delivery slate last year, completions are forecast to remain subdued in 2025, with development centered around life science properties.

-50 bps **VACANCY:** Modest deliveries and an expanding economy will help vacancy decline. The metro's rate compresses to 14.9 percent, trailing only Baltimore for the lowest among major Northeast markets.

+0.8% **RENT:** Vacancy compression should permit rent growth, though historically elevated rates will likely keep the gain minimal. The metro's mean asking rent reaches $24.35 per square foot by year-end.

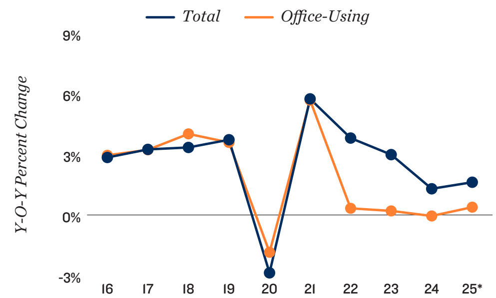
INVESTMENT: *Sustained high interest rates may prompt buyers and sellers to adjust expectations, increasing transactions and boosting demand for conversion projects where low-cost bases make redevelopment viable.*

Growing Supply of Labor Supports Employers; Larger Offices Face Investment Hurdles

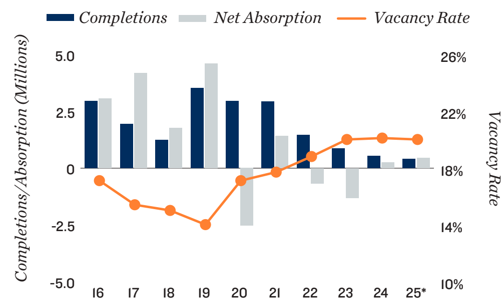
Small footprints still a defining feature as firms adapt to flexible work models. Offices between 10,000 and 50,000 square feet maintained sub-8 percent vacancy ending last year, noticeably below the metro average. At the same time, just 410,000 square feet of new supply is slated for 2025 — far lower than the 2 million square feet delivered annually from 2015 to 2019. This slowdown helps counterbalance the lingering inventory of larger blocks generally exceeding 100,000 square feet, which had elevated sublease availability in prior years. Post-pandemic, a net of 3.6 million square feet of office space has been vacated as major tenants increasingly rightsize, with half vacating in the past 18 months. Yet, Class B/C offices under 50,000 square feet stand out, drawing firms seeking flexibility and functionality. Maricopa County's position as a top population growth market continues to bolster the local workforce, though smaller space-per-employee ratios persist. Ongoing in-migration and corporate expansions underscore an enduring demand trend, placing Phoenix's office sector on a path toward modest improvement.

Steady pace of sales set a measured tone for 2025. Overall trading increased from 2023, yet remains below pre-pandemic levels. Sub-$5 million sales exceeded 30 percent of office transactions in 2024, propelled by private buyers and owner-users who have flexibility in their business plans. Larger assets that changed hands often required deeper price adjustments or value-add strategies due to stricter lending criteria and weak NOI growth. Meanwhile, semiconductor-driven expansions are spotlighting submarkets that may benefit from downtown demand. As 2025 unfolds, pending loan maturities could put older, vacancy-prone assets at risk of distressed sales. Still, core Class A buildings with creditworthy tenants draw steady attention, reflecting flight to quality.

Employment Trends



Supply and Demand



2025 MARKET FORECAST

NOMI RANK	19	*A tight construction pipeline and steady population gains bolster Phoenix's standing, countering persistent high-vacancy.*

+1.6% — **EMPLOYMENT:** In a modest increase over last year's gain, Phoenix's workforce is forecast to grow by 40,000 jobs in 2025. Office-centric firms will contribute 2,500 roles — half the five-year average.

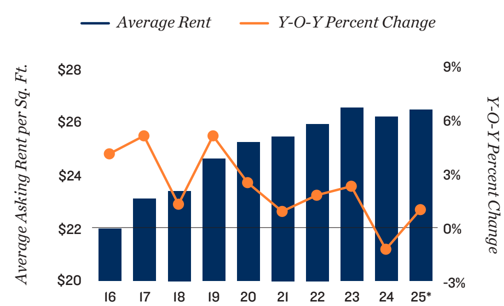
410,000 *sq. ft.* — **CONSTRUCTION:** Rising construction costs and stagnant rents have led to four years of sub-1 percent inventory growth, with this year marking the smallest delivery slate in a decade.

-10 bps — **VACANCY:** Vacancy is projected to dip to 20.1 percent, with significant variation across quality levels. At the start of 2025, the vacancy gap between Class A and B/C properties exceeded 1,000 basis points.

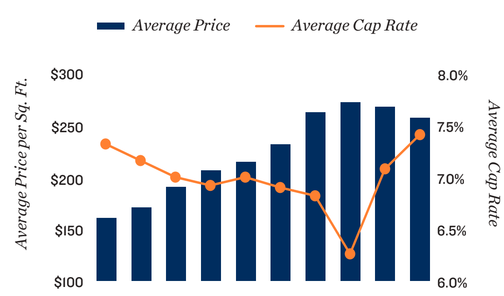
+1.0% — **RENT:** Market rates are projected to grow 1 percent in 2025, reaching $26.35 per square foot. Still, vacancy over 20 percent will pressure rents in some segments.

INVESTMENT: *Investors may keep a closer eye on West Phoenix in 2025. Last year, it was one of only four Sun Belt submarkets with over 10 million square feet of stock and a vacancy rate of 7.5 percent or lower.*

Rent Trends



Sales Trends



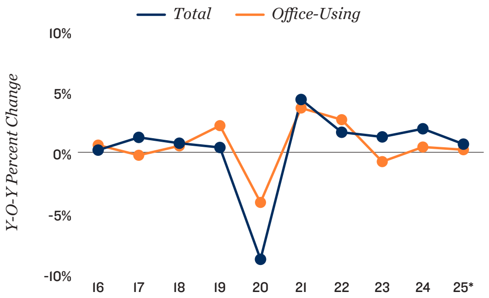
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

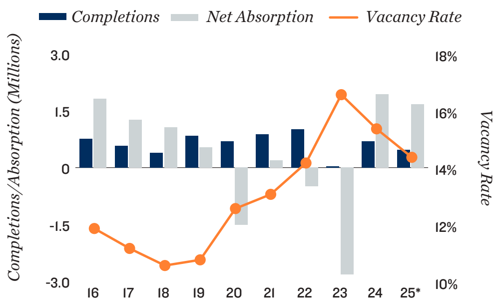
PITTSBURGH

Contemporary Office Spaces Benefit Most From Sector Recovery Amid an Overall Flight to Quality

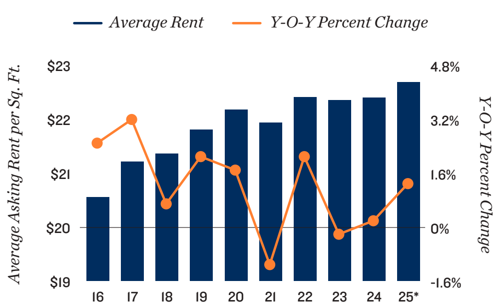
Employment Trends



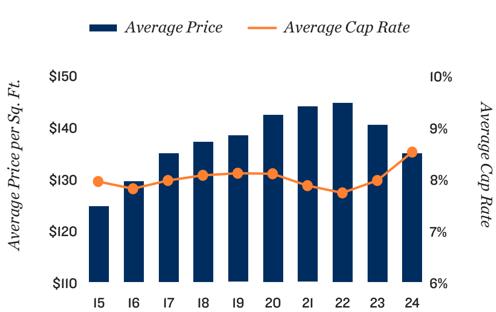
Supply and Demand



Rent Trends



Sales Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Pittsburgh shows signs of reset and improvement. After setting the record for space relinquishment in 2023, net absorption hit an all-time high last year. Two of the four largest submarkets by inventory — the Parkway West Corridor and Washington County — observed vacancy drops of over 300 basis points in 2024, contributing to the metrowide compression. Vacancy improvements also defied the typified urban-suburban divide, as both CBD and suburban rates fell by over 100 points last year. Instead, a quality divide was revealed. Class A vacancy dropped by 250 basis points in 2024 as the quantity and average size of leases for high-end space grew, while Class B/C fell only 30. Move-ins planned for later this year similarly favor Class A space over mid- and lower-tier space by a slight margin, seeking floorplans about three times as large on average. This is even more apparent in supply trends, as 2024 Class B/C deliveries fell to just 13.5 percent of the pre-pandemic average. Greater Downtown posting its strongest net absorption on record last year signals robust demand for high-end space in the urban core, while fewer suburban deliveries should reinforce modern assets outside the city center.

Pittsburgh remains the most affordable major office market in the Northeast. As the city recovers from elevated vacancy and pursues plans to renovate public spaces and add nearly 1,000 apartments Downtown, regionally competitive pricing may draw investors to Downtown, Oakland and the Strip in anticipation of companies seeking access to Pittsburgh's talent and educational institutions. Medical office sales, mostly around the fringes of Allegheny County, rose to nearly 30 percent of transactions in 2024. Home to a thriving medical ecosystem and the largest population aged 55 and up of all similarly sized major metros, Pittsburgh could see sustained demand for medical office space.

2025 MARKET FORECAST

NOMI RANK 49 — ***Minimal additions to Pittsburgh's traditionally office-using employment base weigh on the metro's ranking for 2025.***

+0.7% — **EMPLOYMENT:** As the labor market cools, Pittsburgh's overall employment base is expected to gain 17,000 jobs this year, 900 of which will be contributed by traditionally office-using firms.

465,000 *sq. ft.* — **CONSTRUCTION:** Completions are slated to slow by over 200,000 square feet on an annual basis in 2025, with roughly 450,000 square feet set to deliver in the coming year.

-100 bps — **VACANCY:** After five years of elevating vacancy, a 120-basis-point decrease last year signaled a recovery. Another triple-digit reduction is expected in 2025, which will lower the metric to 14.4 percent.

+1.3% — **RENT:** A decreasing inventory of available space and limited new supply competition will encourage moderate rent growth, adjusting the average marketed rate up to $22.68 per square foot.

INVESTMENT: *Even in areas of minimal vacancy, such as South Pittsburgh at just 7.5 percent, some assets remain vacant for long periods. Investors with planned tenants could find competitive pricing for such spaces.*

Vacancy and Demand Trends Signal a Rebound, Drawing Investors to Select Submarkets

White-collar commitments help office sector. The market's vacancy rise slowed last year, aided by mid-grade offices. Gross absorption was near the pre-2020 average, and the volume of relinquishments declined. Large and upcoming move-ins provide hints of strengthening demand. The 100,000 square feet leased by RAJ Capital in Hillsboro indicates a desire by VC firms to have a presence in the metro, while data provider ZoomInfo's upcoming expansion in Vancouver will contribute to the skilled labor agglomeration that is supporting Portland's recovery. The population's high level of bachelor's degree attainment has historically been a draw for knowledge-intensive industries. These dynamics are poised to drive the first vacancy decline in eight years, within which Class A and B/C vacancy rates may come closer together. Net absorption in the fourth quarter of last year spiked for the luxury niche, yet dropped sharply for B/C buildings.

Luxury deals muted, but suburbs hold potential. Trading downtown was skewed toward Class B/C assets last year, which saw a 400-basis-point vacancy decline in 2024. The typical building exchanged was around 30,000 square feet, yet the sale of a high-end 140,000-square-foot property suggests deals for Class A assets can still pencil. In recent years, Downtown's sales mix has seen proportionally fewer luxury trades than the 2014-2020 average. Outside the core, trading followed Highways 217 and 26 through several submarkets. The popularity of Class B/C assets along this stretch may reflect segment vacancy here ranging from 11 percent to 18 percent, lower than in the metro's center. The Southwest submarket, comprising much of Beaverton, and the Westside, with Hillsboro and Aloha, are two examples with average occupancy and a track record of liquidity. Vacancy in the Westside did rise in 2024, but it stayed below the tier's market level.

2025 MARKET FORECAST

NOMI RANK 43 *Receding asking rents and persistently high vacancy place Portland below 40 on the Index despite white-collar hiring.*

+1.4% **EMPLOYMENT:** Traditionally office-using fields will add 3,000 jobs, but the sector's total headcount will still trail the all-time high of 300,000. Overall hiring already began picking up last year.

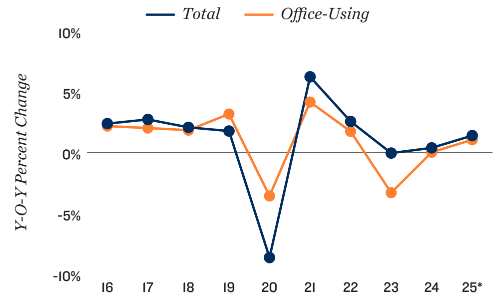
274,000 *sq. ft.* **CONSTRUCTION:** The square footage of finishing projects falls in 2025 with the fewest completions scheduled since 2019, growing inventory by 0.3 percent year over year.

-20 bps **VACANCY:** The Portland metro's vacancy rate is set to decline slightly to 17.1 percent. This is still above its mark from 2023, though, before the rate jumped 190 basis points.

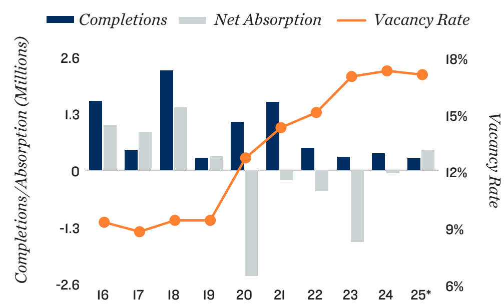
-0.4% **RENT:** Positive net absorption will slow the pace of receding rents more than in the last two years, as the metro's average asking rate comes to rest at $25.54 per square foot.

INVESTMENT: *Class B/C vacancy about 5 percentage points below the marketwide lower-tier level will likely sustain investor interest in the Southeast section of the metro.*

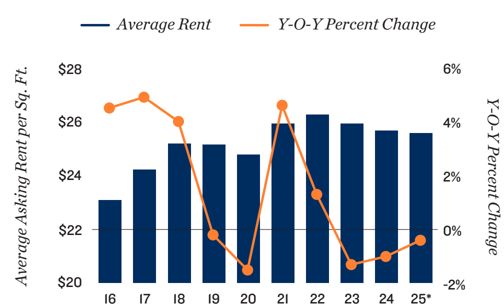
Employment Trends



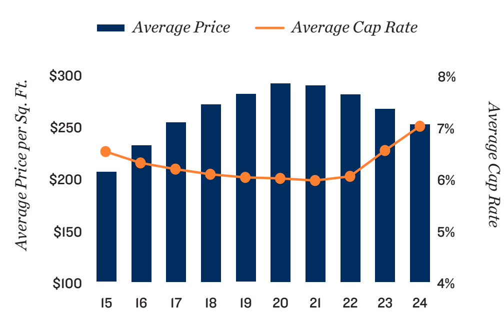
Supply and Demand



Rent Trends



Sales Trends



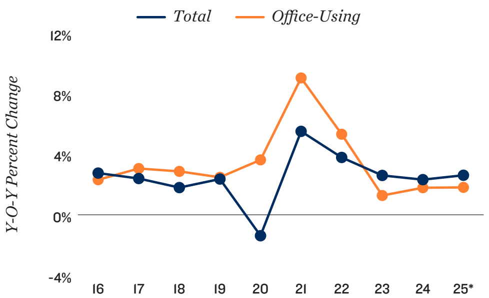
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

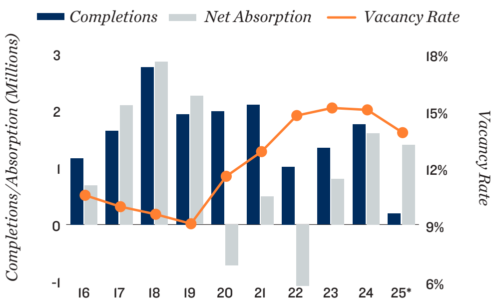
RALEIGH

Expanding Skilled Workforce Around Research Triangle Fuels Office Sector Stability in 2025

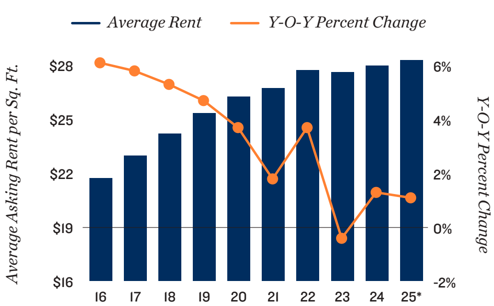
Employment Trends



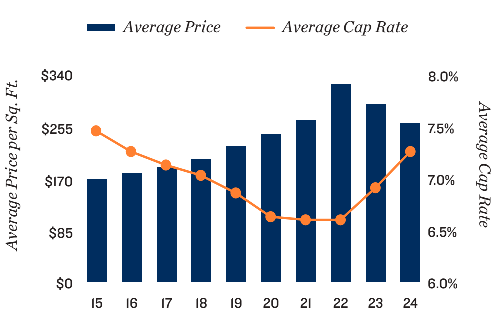
Supply and Demand



Rent Trends



Sales Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

Raleigh ends 2024 among the top 10 U.S. metros with greatest gain in occupied stock. Exiting 2024 with over 1.6 million square feet of net absorption, the market enters 2025 poised for further tightening. Only 200,000 square feet of new office space is slated to deliver this year — the smallest pipeline since at least 2007. Half of submarkets reported annual declines in vacancy last year, signaling a broad-based uptick in demand. Proposed developments continue shifting to West Wake County, drawn by proximity to the Research Triangle Park. The metro's population growing by 3 percent last year, fueled by Duke and UNC Chapel Hill retaining graduates, should make the region attractive to major employers. Even as Apple's planned campus and other major projects face extended timelines, life sciences expansions like Novo Nordisk's are expected to sustain the flight-to-quality trend, as firms favor amenitized offices amid hybrid work conditions.

Private buyers led Raleigh-Durham's office transactions in 2024. Acquisitions in the $1 million to $2 million range dominated the market last year. West Wake County retained its appeal among value-add investors, hosting the bulk of 2024's Class B/C activity. Built largely in the 1990s and early 2000s, these properties often offer below average pricing and upgrade potential, likely to draw attention through 2025. Medical office assets here also stood out, with over half of such trades having prices above $350 per square foot last year. Although cap rates inched upward, overall 2024 sales showed more resilience than in the prior two years, signaling a gradual return of investor confidence. While borrowing costs remain a headwind, decreasing vacancy should help ease capital constraints. Raleigh-Durham's population growth, on top of competitive entry costs, are poised to keep both smaller and larger investors engaged in the coming year.

2025 MARKET FORECAST

NOMI RANK 2 *Sparse new supply and exceptional employment growth sustain strong demand, keeping Raleigh near the top of the Index.*

+2.6% **EMPLOYMENT:** Traditionally office-using employers in Raleigh will create jobs on net for the 16th consecutive year in 2025 with the addition of 5,500 new roles contributing to a total gain of 29,000 jobs.

200,000 *sq. ft.* **CONSTRUCTION:** Inventory growth of 0.2 percent this year will mark the metro's slowest pace since at least 2007. Medical office projects account for the majority of these additions.

-120 bps **VACANCY:** Net absorption will remain positive for the third straight year, leaving vacancy on a continued downward path. The metrowide rate will end the year at 13.9 percent.

+1.1% **RENT:** A slowdown in space relinquished to the market will allow asking rents to maintain a slight upward trajectory in 2025. The mean marketed rate will creep upward to $28.27 per square foot.

INVESTMENT: *Major life sciences investments in Holly Springs and Morrisville by FUJIFILM and SCHOTT Pharma will expand the employment base, aiding long-term office demand in Raleigh and the Research Triangle.*

As Firms Create New Roles, Centralized Demand Rises and Suburban Construction Accelerates

Strong interest in contemporary spaces drives a tight market. Leases with term lengths of 10 years or more are on the rise in Richmond, reflecting growing tenant confidence coming into 2025. Concessions like free months and rent discounts are becoming less commonplace. While vacancy in Class B and C offices — which compose 70 percent of inventory — remained relatively stable, the Class A rate has dropped 350 basis points since the first quarter of 2023, indicating growing demand for premium office spaces. The proportion of new Class A leases that are sublet is up from 5 percent in 2023 to 12 percent in 2024, edging sublease availability back toward pre-pandemic levels. Overall, vacancy fell in Downtown and Southwest Richmond, two of the metro's three largest office submarkets by inventory. Accelerating completions, however, may see these rates elevate slightly in 2025. The metro's office stock will grow at the third-fastest pace in 18 years, although many of these projects are intended for medical tenants. Richmond's population of residents aged 65 and older is growing at three times the rate of its general population, suggesting ongoing demand for medical office space.

CBD and suburban office use diverge. Despite smaller average footprints, sales volume in 2024 returned to pre-pandemic levels. Over 80 percent of those transactions occurred in the Northwest, Southwest or Downtown submarkets. Downtown continues to be the most popular area for office-to-apartment conversions, which is the intended future for a 325,000-square-foot former Dominion Energy property. Renovations, meanwhile, are concentrated in the Northwest and Southwest, where some investors have targeted high-vacancy assets for refurbishment. This reflects confidence that discounted office spaces may stand to benefit from updates to their facilities.

2025 MARKET FORECAST

NOMI RANK 28 — *A low vacancy level but comparatively slow year-over-year compression give Richmond its near-middle rank.*

+2.0% — **EMPLOYMENT:** Total employment growth is expected to slow in 2025, adding 15,000 jobs on net. Traditionally office-using firms are forecast to yield 3,100 roles, barring possible public sector cuts.

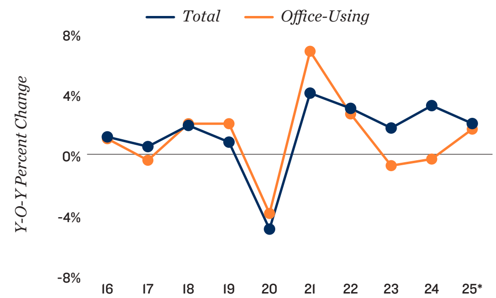
717,000 *sq. ft.* — **CONSTRUCTION:** Elevated deliveries will grow inventory 1.3 percent, with medical office spaces composing nearly half of all projects. This is the highest rate since 2019 and more than triple 2024's.

-10 bps — **VACANCY:** Vacancy is expected to fall to 10.1 percent in 2025, reflecting a slowing pace of decline. Pre-leasing of new facilities will help limit upward pressure from accelerated completions.

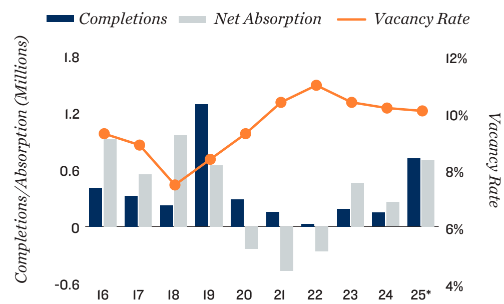
+1.0% — **RENT:** Richmond remains one of the nation's least vacant major metros. Robust demand and newly completed office spaces will contribute to a mean marketed rent of $21.51 by year-end.

INVESTMENT: *Return-to-office mandates may hasten declining vacancy among high-end Downtown offices, which has fallen 600 basis points in three years. Investors may look nearby in anticipation of spillover demand.*

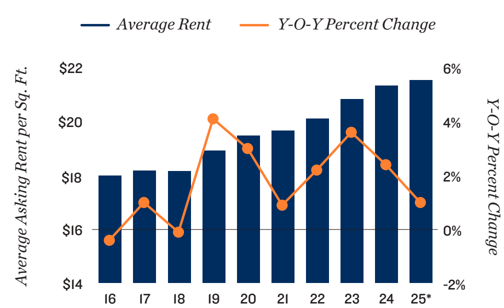
Employment Trends



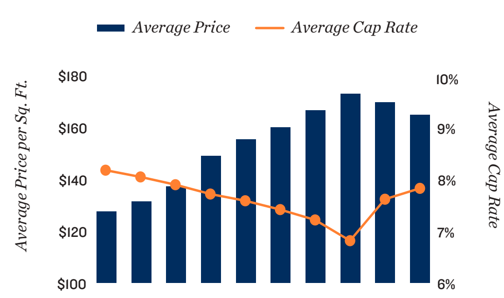
Supply and Demand



Rent Trends



Sales Trends



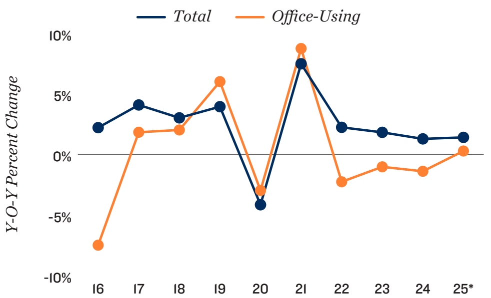
* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

RIVERSIDE-SAN BERNARDINO

The Lowest Vacancy in the Nation Draws Investment, but No Sign of Increased Construction

Employment Trends



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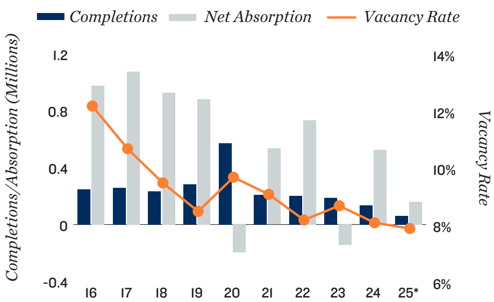

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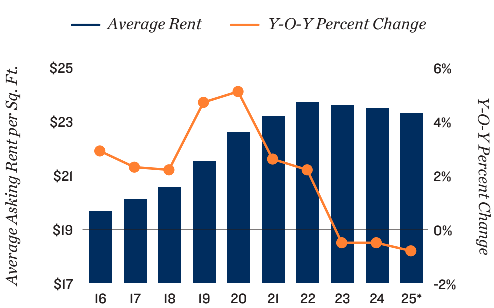
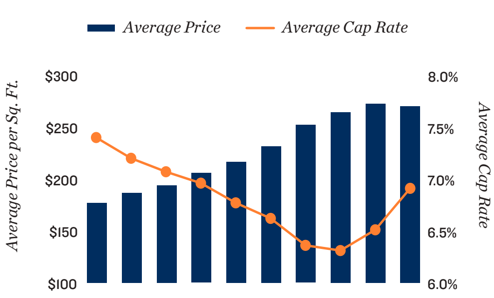


Sales Trends



*Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

The office market continues to tighten in Inland Empire. In addition to being a mecca for logistics and distribution companies, the metro also has a growing concentration of advanced manufacturing companies. These industries, alongside expanding medical facilities and government services, drive demand for flex space and traditional offices. The Inland Empire has had sub-10 percent office vacancy since 2018 and is expected to see further tightening in 2025. Net absorption has doubled or tripled completions since 2010 with few exceptions; however, the construction pipeline has yet to accelerate even as vacancy approaches 8 percent, creating a leasing environment likely to favor property owners through 2025. Completions are expected to raise inventory by just 0.1 percent this year, with most already pre-leased as of early 2025, potentially supporting properties with upcoming renewals. Expanding businesses in the region stand to benefit from robust net in-migration, which hit an 18-year high in 2024. This should help encourage the first net increase in office-using employment since 2021.

Transaction velocity jumped over 60 percent last year, driven by Class B/C assets. Entering 2025 at 7.4 percent vacancy, these assets comprise 100 percent of the construction pipeline and over 90 percent of both signed leases and sales transactions from 2024, which yielded an average cap rate close to 7 percent. While no single investment strategy dominates, some investors seek value-add opportunities in assets without full tenant rosters or purchase with plans to occupy vacant space themselves. Underpinned by a growing ecosystem of institutions like the Loma Linda Medical Centers and University, medical office accounted for nearly half of 2024 sales. Demand for medical space will likely keep rising with population growth and hospital expansions around the metro.

2025 MARKET FORECAST

NOMI RANK 16 — ***Record-low vacancy and employment gains above the national average place the Inland Empire in the top 20 for 2025.***

+1.4% — **EMPLOYMENT:** Total employment will rise by 24,000 jobs in 2025, while typically office-centric fields will yield 600 new positions after three years of consecutive reductions.

62,000 *sq. ft.* — **CONSTRUCTION:** In line with recent trends, completions are slated to slow in 2025, with roughly 60,000 square feet expected to deliver this year — more than 70 percent of which is pre-leased as of January.

-20 bps — **VACANCY:** Assisted by diminishing supply-side pressure, vacancy is expected to fall below 8 percent for the first time since at least 2007. The metric will close out the year at 7.9 percent.

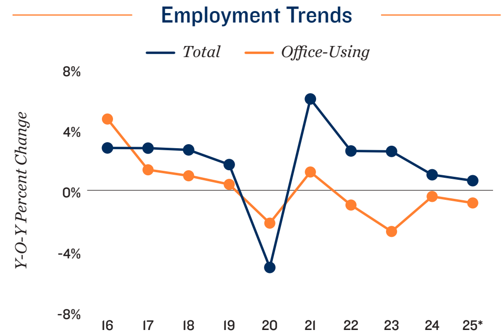
-0.8% — **RENT:** Despite declining vacancy, the predominance of Class B/C space among available floor plans will draw the mean marketed rate down slightly to $23.26 this year.

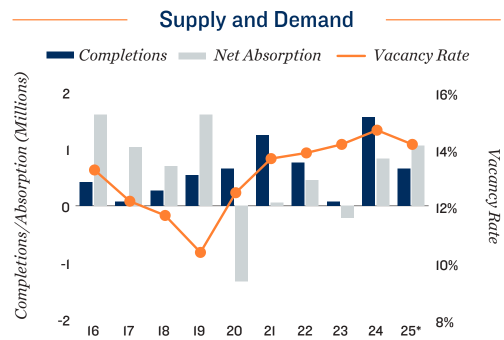
INVESTMENT: *Many medical offices with long-term tenants yield cap rates between 6 percent and 8 percent. Alternatively, even city centers still have high-vacancy and deferred-maintenance assets that may offer reduced pricing.*

Well-Leased New Supply Aids Vacancy Compression as Tenant Demand Grows Across the Metro

State-led developments bolster market stability. The 2024-2025 delivery slate is set to exceed 2 million square feet — the largest two-year total in over a decade — yet completions remain driven by public-sector projects. Last year, CalSTRS' headquarters and a government complex were the only notable deliveries, while Aggie Square — UC Davis' 1.2 million-square-foot mixed-use innovation district — stands as the only major project under construction. With much of this space accounted for, vacancy compression should accelerate as demand flows to existing inventory. After recording its strongest net absorption since before the pandemic last year, Sacramento is well positioned to attract firms, offering the lowest office rents among major Northern California metros and a well-educated workforce. Lower operating costs than urban locales and a growing population should continue drawing tenants to suburbs in Placer and El Dorado counties.

Tightening vacancy brings investors to key business districts. While annual transaction volumes continued to decline amid rising vacancy pressures last year, preliminary data suggests an upswing in investor confidence. Deal flow picked up in the last quarter of 2024, particularly for fully leased Class B spaces. Local buyers, who are primarily driving market trades, have shifted their focus toward smaller, lower-tier properties. This may translate into greater activity in Placer County, especially near Roseville, where Class B/C vacancy enters 2025 at the lowest level among metro submarkets with over 5 million square feet of inventory. However, Sacramento County should capture the bulk of trades, as investors continue to be drawn by the lowest overall vacancy of California's 10 largest office submarkets. Last year, buyers here primarily targeted suburban spaces below 50,000 square feet, Class B medical offices and assets renovated after 1999.





2025 MARKET FORECAST

NOMI RANK 46 *Ongoing job losses in the traditionally office-using sector will keep Sacramento near the end of the rankings for 2025.*

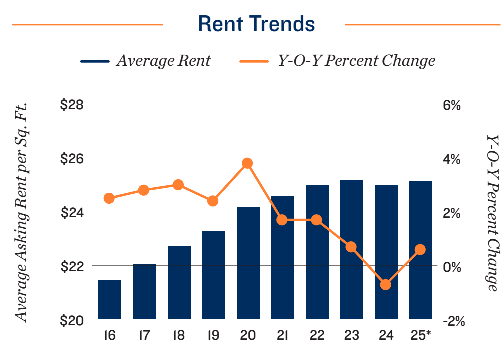
+0.6% **EMPLOYMENT:** Sacramento's total workforce will expand by 7,000 positions this year, yet the traditionally office-using sector is set to lose 1,600 jobs on net, marking its fourth straight year of decline.

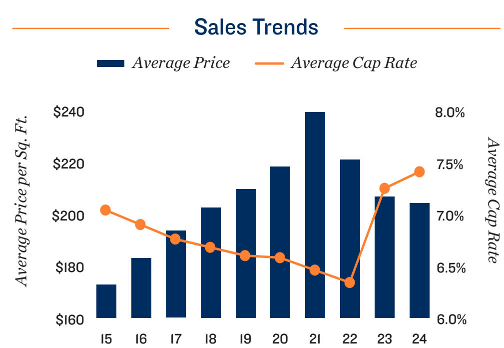
650,000 *sq. ft.* **CONSTRUCTION:** Office inventory growth will slow to 0.7 percent. Deliveries will fall to less than half of last year's total, aligning with the metro's long-term annual average of 700,000 square feet.

-50 bps **VACANCY:** Strong pre-leasing and more stable tenant demand drive the first decline in vacancy since 2019. At 14.2 percent, the metro remains Northern California's least vacant major market.

+0.6% **RENT:** With vacancy still nearly 400 basis points above 2019 levels, rent growth will stay minimal. The metro's average asking rate will inch up to $25.11 per square foot by year-end.

INVESTMENT: *Investors may be drawn to downtown Sacramento following a $46 million revitalization announced in late 2024, in addition to the ongoing Railyards development adding housing, offices and a medical campus.*





* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

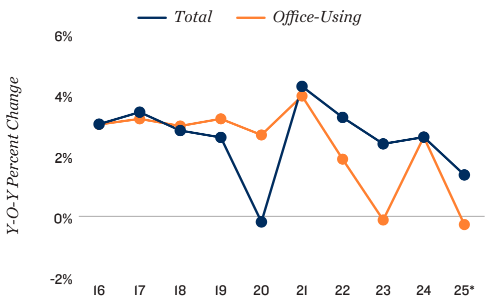
SALT LAKE CITY

Sparse Deliveries and Medical Office Momentum Propel Salt Lake City Toward a Stronger 2025

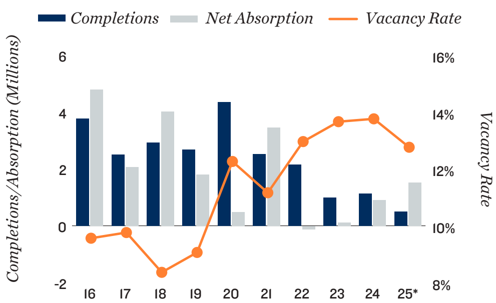
Late-year momentum brightens the outlook for local office performance. The Salt Lake City market concluded 2024 on an upswing. Net absorption surpassed 1 million square feet during the fourth quarter of last year - the highest total since 2021 - lowering vacancy 80 basis points to 13.8 percent, the third-lowest rate among major metros west of Colorado. High-profile expansions by CleanJoule and Strider have buoyed demand, while office-to-multifamily conversions removed some existing buildings from stock. Although sublease listings reverting to direct availability are nudging landlords toward more flexible terms, only 500,000 square feet of new deliveries are slated for 2025 — the smallest tally since at least 2007. This pullback in construction may steer more prospective tenants to existing properties, a dynamic that is expected to fuel stronger rent growth and drive vacancy even lower by end of year.

Private investors and owner-users anchor a shifting transaction landscape. Several large-user acquisitions in late 2024 punctuated an otherwise subdued 12 months for office investment, as the transactions finished the year 25 percent below 2023's total. Tighter lending standards and pricing gaps curtailed activity, even as distressed and bank-owned assets entered the market. Strong in-migration — led by newcomers aged 55 and older — also reinforced medical office as an attractive investment option. Listings in Davis and Weber counties are receiving attention as the area's sub-6 percent vacancy, and tenant base anchored by Hill Air Force Base, reduces future risk for investors. Heading into 2025, private investors and owner-users looking to secure below-peak valuations could increase competition for listings, particularly well-positioned properties that cater to Salt Lake County's evolving demographics.

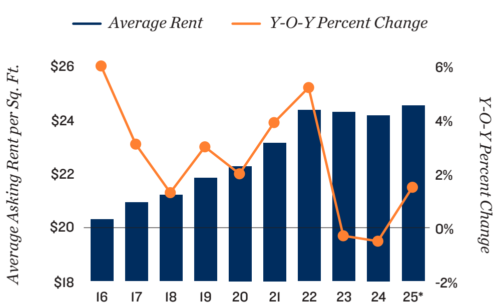
Employment Trends



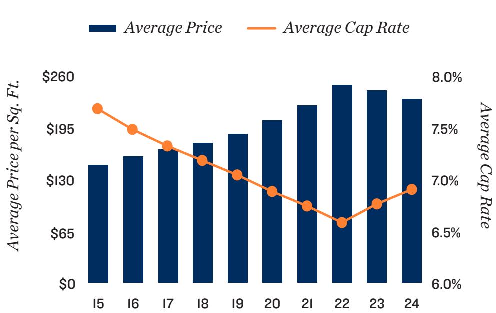
Supply and Demand



Rent Trends



Sales Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

2025 MARKET FORECAST

NOMI RANK 9 *Strong rent growth and a marked drop in vacancy lift Salt Lake City into the Index's top 10 despite weaker office job expansion.*

+1.4% **EMPLOYMENT:** After last year's notable hiring slowdown, job creation will ebb further in 2025. The loss of 1,000 roles in traditionally office-using fields will constrain overall growth to 20,000 positions.

500,000 *sq. ft.* **CONSTRUCTION:** The 2025 supply addition will be less than a quarter of 2024's total, marking the lowest amount on record. Over 25 percent of the new space was fully pre-leased entering January.

-100 bps **VACANCY:** Salt Lake City will see its first calendar year of vacancy compression since 2021, though the year-end rate of 12.8 percent will remain 110 basis points over the long-term average.

+1.5% **RENT:** The average asking rent rises to $24.51 per square foot. Despite maintaining an upward rent trajectory, this year's growth will trail the long-term annual average of roughly 2 percent.

INVESTMENT: *Even with a slowdown in trading activity, recently encouraging net absorption and sizable in-place lease commitments may motivate some investors to stay active in the South Valley.*

New Office Developments Highlight Build-to-Suit Pattern; Shift in Demand Aids CBD

Robust demand outpacing supply. An increase in supply additions will place modest pressure on vacancy in San Antonio this year; however, most of the large offices entering the market will be fully leased. The 2025 construction pipeline is concentrated outside of the CBD, with nearly 50 percent of new space opening in New Braunfels. As Comal County keeps growing, firms wanting to move into this submarket will likely choose the build-to-suit path to align property amenities and location with their needs rather than occupying existing space. Meanwhile, a strong office-using core of major tenants, including USAA, Bank of America and AT&T, will continue to help keep vacancy in check within the CBD. Upcoming move-ins will also help vacancy, with Amegy Bank upsizing their local corporate office to a 44,000-square-foot space in the downtown area. Decisions such as this, combined with an ongoing shift back to in-office work, will likely support further vacancy tightening in the CBD after the rate fell 350 basis points last year.

Cap rate compression to be accompanied by cautious optimism. Trade volume within Loop 1604 is most apparent in the Northwest and North Central submarkets, where around 70 percent of all local office inventory is located. Properties within the Northwest area may continue to be highly sought-after, as the submarket reported a 190-basis-point vacancy contraction last year, pushing the local rate down to 12.2 percent. This area was also home to the largest number of Class A trades over the last two years, particularly near the Denman Estate Park, where many highly amenitized buildings are clustered. Elsewhere, transaction velocity within the CBD accelerated last year and is poised to hold that momentum through 2025, especially as strengthening fundamentals encourage institutions to return from the sidelines and deploy larger amounts of capital.

2025 MARKET FORECAST

NOMI RANK 29 *San Antonio places just inside the top 30 of the Index as strong employment balances above-average inventory expansion.*

+1.4% — **EMPLOYMENT:** The metro's overall employment base will increase by 17,000 roles by December. Approximately 2,000 of these positions will be traditionally office-using roles.

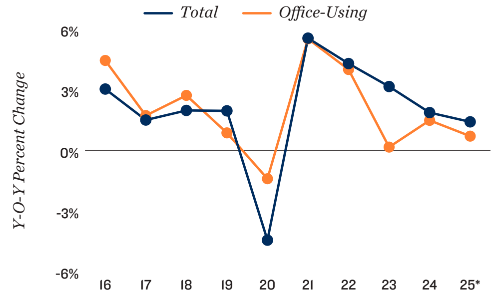
1,030,000 *sq. ft.* — **CONSTRUCTION:** Completions will exceed 1 million square feet for the second time in five years, increasing local inventory by 1.3 percent. As of January, 86 percent of this space was fully pre-leased.

-60 bps — **VACANCY:** Demand exceeds delivery volume for a second straight year. This dynamic will allow local vacancy to contract to 13.5 percent, the lowest rate since 2020.

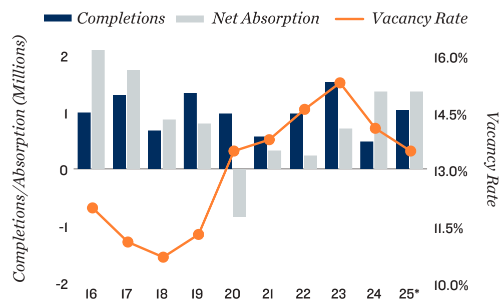
-0.1% — **RENT:** The average asking rent falls slightly to $21.35 per square foot, continuing a negative trend that began in 2022 as older lower-cost properties account for larger shares of the vacant stock.

INVESTMENT: *Investors bullish on areas between San Antonio and Austin may be interested in the quickly growing New Braunfels. Owners here may benefit from businesses attracted to the city's expanding population.*

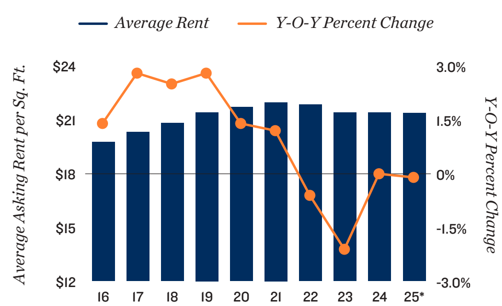
Employment Trends



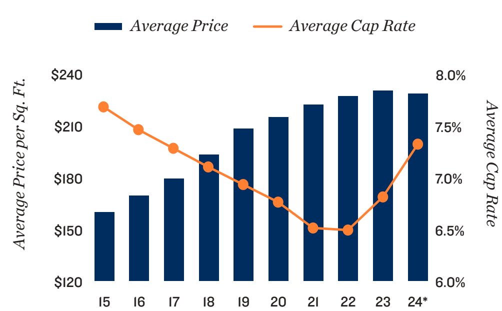
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

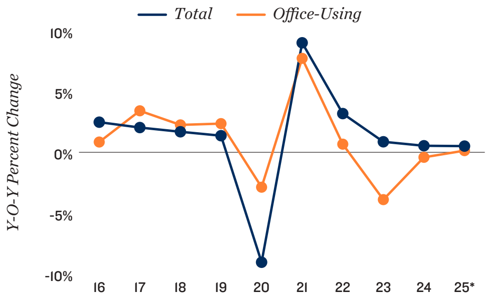
SAN DIEGO

Historically Elevated Vacancy and Speculative Pipeline Overshadow Encouraging Absorption Tallies

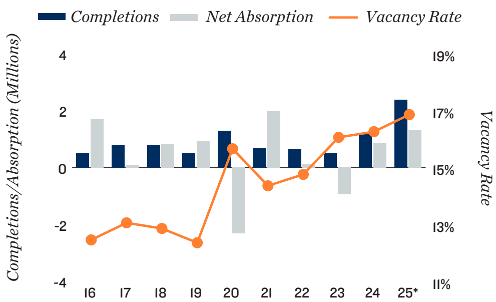
Disparity between downtown and suburban vacancy poised to expand. San Diego's office sector closed out 2024 with its highest year-end vacancy rate since 2009. Still, reasons for optimism exist. The metro's downtown registered its strongest year on record for net absorption during 2024, led by an improvement in Class A demand. Meanwhile, San Diego's suburbs noted positive absorption, albeit slight, across property tiers, preserving a collective vacancy rate outside the CBD that is nearly on par with the long-term average. Noteworthy absorption across different locations and property tiers suggests the recent rise in vacancy is the byproduct of speculative supply additions. This dynamic will continue to impact local fundamentals in 2025, specifically downtown. More than 1.2 million square feet is slated for 2025 delivery here, including four buildings along the waterfront that were 90 percent available as of January. In the suburbs, roughly 1.1 million square feet is scheduled for completion; however, all of this space is accounted for.

Emerging dynamics may expand buyer pool. Positive absorption in the CBD and suburbs over the past year and recent local price correction may attract more investors to San Diego listings. Home to the third-lowest vacancy rate among West Coast submarkets with at least 25 million square feet of stock, Central San Diego may stand out among the metro's traditional office hubs. Neighborhoods here proximate to Balboa Park, including Hillcrest and Bankers Hill, should garner the most attention among active buyers. Elsewhere, South Bay may offer investors upside potential. Entering this year, local vacancy was 5.5 percent, with the average asking rent well below the metro average. An $85 million film studio slated for 2025 delivery in Chula Vista, the submarket's largest city, may foster future demand for office space suitable for post-production services.

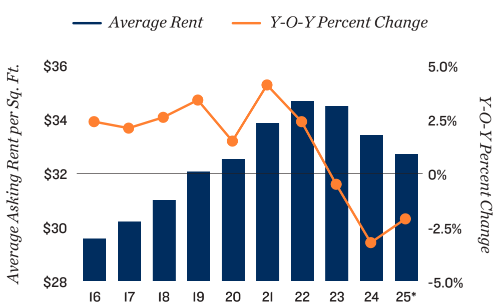
Employment Trends



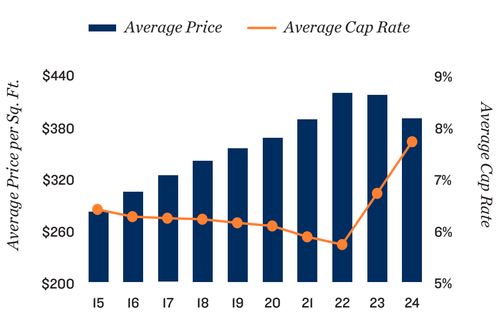
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2025 MARKET FORECAST

NOMI RANK 34 *The largest inventory growth rate among major U.S. markets raises vacancy, placing the metro in the lower third of the Index.*

+0.5% **EMPLOYMENT:** Overall hiring velocity is projected to mirror 2024; however, the traditionally office-using sector is expected to add jobs for the first time in three years, albeit with a modest 500 roles.

2,380,000 *sq. ft.* **CONSTRUCTION:** Delivery volume surpasses the 2-million-square-foot mark for the first time since 2008, as this year's total exceeds the combined tally from 2022 to 2024.

+60 bps **VACANCY:** Positive demand is noted in 2025; however, a wave of speculative deliveries lift vacancy to 16.9 percent — a rate 200 basis points above the metro's long-term average.

-2.1% **RENT:** A fourth straight year of vacancy increases weighs on asking rents, lowering the metro's average marketed rate to $32.70 per square foot. Declines should be apparent across property types.

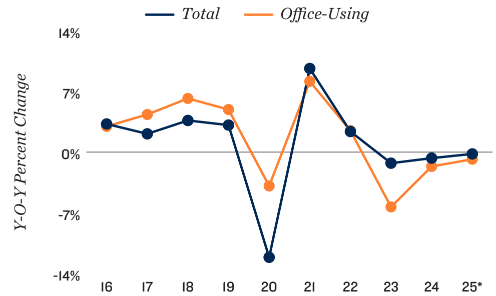
INVESTMENT: *San Diego's medical office sector started 2025 with a vacancy rate nearly 200 basis points below its long-term mean. This, along with a scant pipeline and record asking rent, should enhance these listings' appeal.*

Demand Growth Poised for Traditional Office Spaces, Aided by Corporate and Government Policies

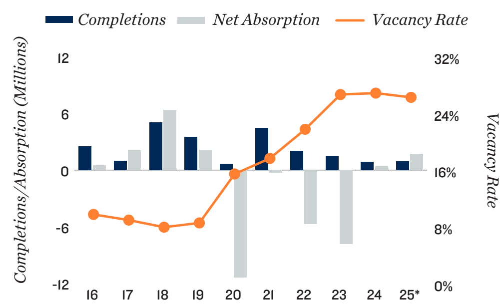
San Francisco's office market well positioned for recovery. For the first time since 2019, annual net absorption turned positive as vacancy stayed at 27 percent throughout the second half of 2024. This overturn may mark an inflection point for vacancy to begin decreasing as more companies like Salesforce and Amazon adopt in-person work policies. The passage of Proposition 36, which aims to improve local urban conditions, may spur a greater influx of talent to return to central parts of the metro. Entering 2025, apartment vacancy downtown was below 6 percent. The consolidation of skilled workers here should bolster demand from firms seeking skilled labor and support the urban core, which saw the most intense pandemic effects. Notably, neighborhoods to the immediate north and south of the financial district saw heightened demand for Class B/C space last year, with vacancies falling over 200 basis points. Meanwhile, Class A demand in the core of downtown showed signs of improvement, as vacancy rose slightly but stabilized.

Final quarter of 2024 hints at stronger investor confidence. San Francisco's offices received a notable uptick in trades in the latter months of 2024 in all segments foreign, national and local. This suggests investors have begun to identify more potential opportunities in the recovering economy. Last year, buyers increasingly pursued Class A and B properties downtown, spanning Jackson Square to the Design District. In many cases, adjusted pricing allowed buyers to pursue assets experiencing challenges such as high vacancy, with some improvement plans already showing fruit. Some properties turning over to lenders contributed to the total trade count as well. However, firmer return-to-office policies and Mayor Lurie's recently expanded authority to enhance the city's shelter resources present a more optimistic investment horizon.

Employment Trends



Supply and Demand



2025 MARKET FORECAST

NOMI RANK 36	*The first vacancy decline since 2018 and slowing employment losses raise San Francisco's ranking for 2025.*

-0.2% — **EMPLOYMENT:** Slow population growth and net in-migration, coupled with lasting tech sector headwinds, will lead to a net loss of 2,500 jobs this year.

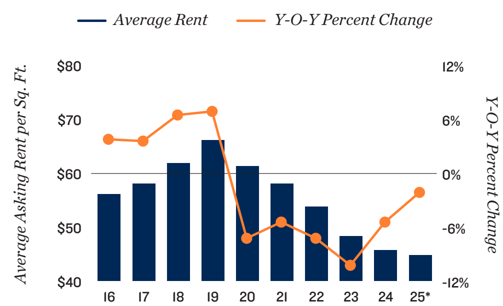
923,000 sq. ft. — **CONSTRUCTION:** The metro will see its lowest delivery slate since 2020, expanding inventory by 0.5 percent this year. San Bruno will account for over 50 percent of the square foot volume.

-60 bps — **VACANCY:** The positive trend in net absorption expected to accelerate in 2025, along with few deliveries, aids vacancy compression. The metrowide rate will drop to 26.4 percent by year-end.

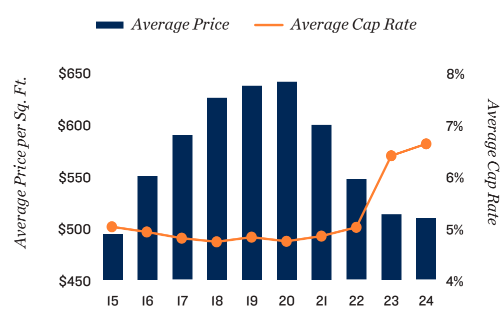
-2.1% — **RENT:** Despite compressing, vacancy above historical norms still applies downward pressure to asking rents. The metric will lower to $44.75 per square foot by year-end — the smallest decline since 2019.

INVESTMENT: *Central San Mateo County may see heightened appeal, as Class B/C vacancy fell over 100 basis points and held the tightest measure ending 2024 among submarkets with inventory over 10 million square feet.*

Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

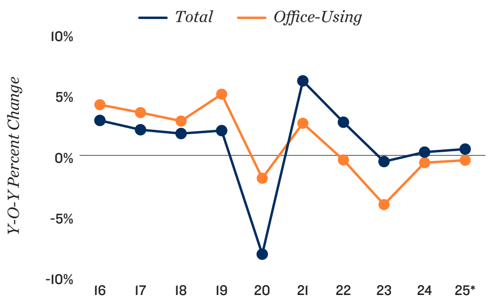
SAN JOSE

As Hub of Premier Workforce Talent, San Jose's Office Sector Begins to Make Meaningful Progress

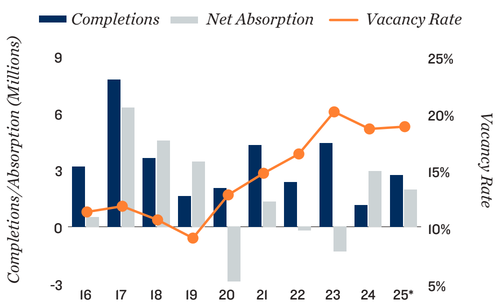
Market facing challenges with strong momentum. San Jose's office sector saw its best quarter for net absorption since 2018 in the final three months of last year, dropping vacancy 100 basis points in that span to 18.7 percent. Vacant inventory decreased the most in Santa Clara, Palo Alto and the Mountain View-Los Altos area, with a more modest improvement in the Sunnyvale-Cupertino area. Late 2024 move-ins by TikTok, Industrious and software developer Omnissa added to the jump in occupied stock. That progress may be partially interrupted this year, however, amid headwinds in the technology sector. The number of local professional and business services-related jobs, as well as those in the information sector, were down last year by about 27,000 roles from the mid-2022 peak. Some staff count adjustments may continue this year, influencing immediate space needs. The second-most educated population nationally nevertheless provides a concentration of skilled labor likely to draw employers during the next expansion.

Tenants, private buyers dominate current investment landscape. Office trading has been subdued in San Jose since 2021, as higher interest rates and vacancy levels made deals harder to pencil. Two campus-spanning owner-user transactions from Microsoft and NVIDIA joined two other smaller multi-property exchanges to form the backbone of last year's sales velocity, though local private buyers were also active in the metro. This cohort is likely to lead trading in 2025, with listings in the Campbell-Los Gatos area, North San Jose, Palo Alto and Santa Clara drawing focus following local Class B/C vacancy drops of more than 100 points last year. Transactions involved assets changing hands for their stabilized cash flow or redevelopment potential. With sub-10 percent vacancy, South San Jose may also see activity, primarily inside the Highway 85 curve.

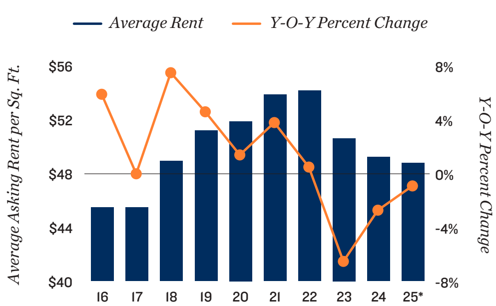
Employment Trends



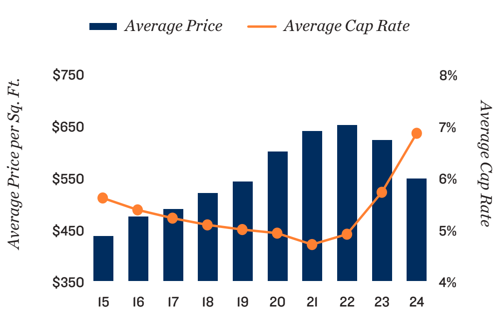
Supply and Demand



Rent Trends



Sales Trends



** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

2025 MARKET FORECAST

NOMI RANK 37 — ***An uptick in vacancy and the loss of some traditionally office-using roles limit San Jose's position in the 2025 Index.***

+0.5% — **EMPLOYMENT:** While the pace of attrition is slowing, an estimated 1,500 roles in traditionally office-using fields will be relinquished this year amid a broader employment gain of 6,000 jobs.

2,722,000 *sq. ft.* — **CONSTRUCTION:** Google's Caribbean office park and property on Java Drive lead a Sunnyvale-Cupertino-focused development pipeline in 2025 that exceeds last year's total.

+20 bps — **VACANCY:** Vacancy will end the year at 18.9 percent — 130 basis points under 2023's record high. Availability was tightest entering 2025 in South San Jose and the Sunnyvale-Cupertino area.

-0.9% — **RENT:** Rent corrections continue into their third year as the mean marketed rate eases down slightly to $48.75 per square foot. Still, San Jose retains the nation's second-highest average rent.

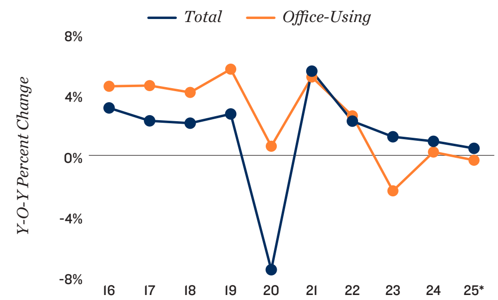
INVESTMENT: *Approximately 40 percent of trades last year involved owner-users or a conversion. Improved vacancy, however, may broaden the number of well-leased listings for investors with more standard strategies.*

Seattle-Tacoma Balances New Supply, Conversion Incentives and Evolving Workplace Trends

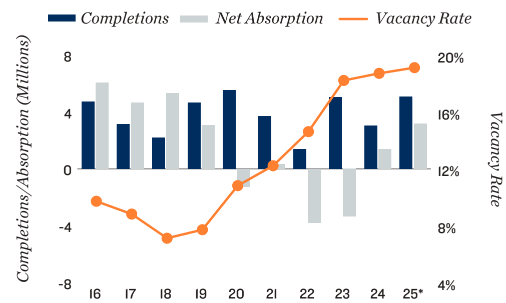
Tenants in Seattle-Tacoma are projected to stay cautious this year. Vacancy will edge up 40 basis points to over 19 percent in 2025 as some tenants continue to evaluate space needs in a less hybrid environment; even so, a few bright spots exist. Apple's lease at Arbor Blocks West capped off an active end to 2024, demonstrating that large users are still willing to commit. Nevertheless, a robust 5.1 million square feet set to deliver in 2025 — well above the historical average — will test market fundamentals. Legislative incentives spurring office-to-housing and office-to-lab conversions could shape future supply dynamics. Despite right-sizing among major tech firms, Seattle's cluster of Fortune 500 headquarters and budding AI and satellite sectors remain long-term demand drivers. These trends, coupled with Amazon's five-day in-office mandate, set the stage for a measured recovery, albeit one constrained by rent pressures and heightened competition from modern, amenity-rich properties on both sides of Lake Washington.

Activity picks up in 2024 as transactions rise from a low base. Owner-users led the momentum, capitalizing on an 18 percent drop in average pricing over the past two years. This boost was especially apparent in suburban Bellevue and Tacoma, where cost advantages and a strong tenant base provide long-term appeal. Leasing reached 6.8 million square feet in 2024, as Apple, Snowflake and TikTok backfilled space vacated by Meta and Microsoft, indicating a tilt toward extended commitments. Amazon's in-office mandate has introduced greater clarity for near-term occupancy, yet with tech tenants continuing to refine workplace strategies, broader return-to-office trends are still mixed. As 2025 begins, ongoing right-sizing among major firms is expected to free up older, lower-tier stock, creating opportunities for investors willing to modernize or repurpose.

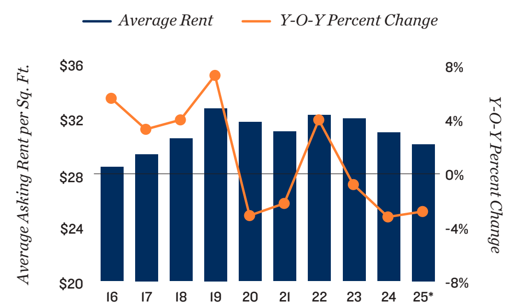
Employment Trends



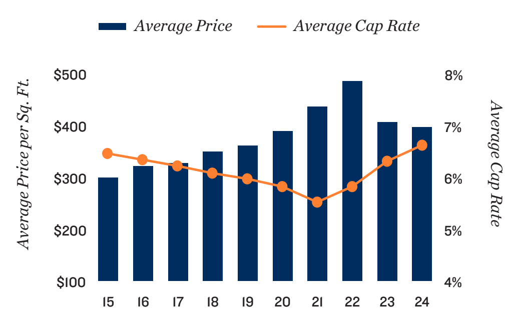
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2025 MARKET FORECAST

NOMI RANK 26 — *While elevated deliveries pose headwinds in 2025, a strong office-using labor pool places Seattle at the midpoint of the NOMI.*

+0.5% — **EMPLOYMENT:** Hiring slows considerably from last year's pace due to macroeconomic headwinds. Traditionally office-using employers in Seattle will lose roughly 2,000 new positions in 2025.

5,100,000 *sq. ft.* — **CONSTRUCTION:** Seattle-Tacoma will post the third-fastest rate of inventory growth among major U.S. markets this year at 2.3 percent, led by Microsoft's expansion of its campus in Redmond.

+40 bps — **VACANCY:** Tightening vacancy in Northend and Tacoma is offset by increases in downtown Seattle and the Southend, lifting the metrowide rate up to 19.2 percent in 2025.

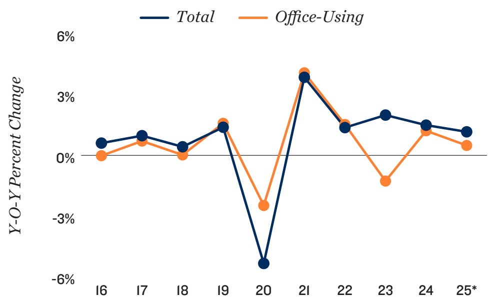
-2.8% — **RENT:** The average asking rent falls for the fourth time in the last five years. A sizable decline in the Class A sector will pull the overall mean marketed rate down to $31.15 per square foot in 2025.

INVESTMENT: *A subsector vacancy rate in the 4 percent range and expectations for a steady rate of in-migration over the next 10 years should facilitate investor demand for medical office listings throughout the metro.*

ST. LOUIS

Higher-End Suburbs Center of Stifled Investment Landscape Amid Widespread Performance Gains

Employment Trends



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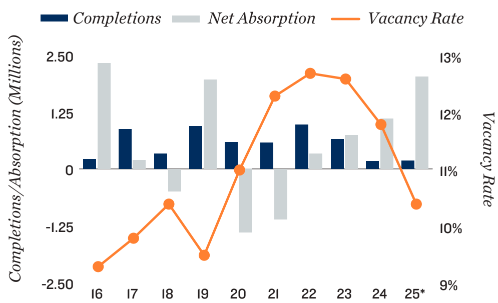

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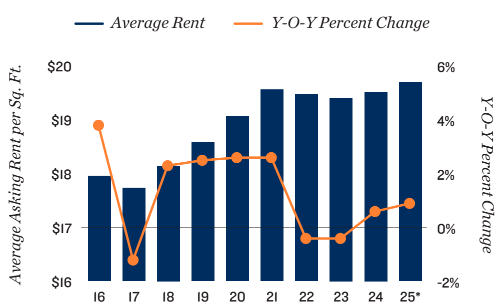

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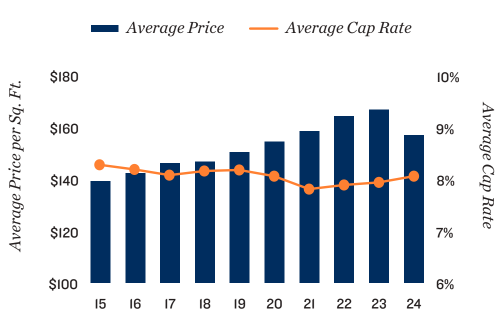


* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

Office absorption picking up across the metro. St. Louis again lands among the ten least vacant major markets this year. Demand gained the most momentum in the central and west parts of St. Louis County, followed by the city itself. These areas should see further improvement in 2025 amid additional planned move-ins, the largest of which being SSM Health's sublease of 181,600 square feet from Centene near Kirkwood. Development, meanwhile, remains modest across the metro. Projects underway at the start of the year include The Carriage Works in St. Louis proper, which will add 41,000 square feet of Class A office space to the Cortex Innovation community. Demand is improving for higher-tier space marketwide. The overall Class A vacancy rate fell 200 basis points last year, led by net absorption in West St. Louis County. Availability among mid- and low-tier offices also entered 2025 with downward momentum, though the overall low level of 7.9 percent — less than half the Class A metric — may limit how quickly tenants can find suitable floorplans going forward.

Increased signs of investors working through local hurdles. While St. Louis' office fundamentals are improving at an accelerated rate, transaction velocity is likely to remain constrained compared with pre-pandemic activity. Approximately 30 percent fewer offices changed hands last year as on average from 2014-2019. A 6 percent drop in the mean sale price on trades last year compared with 2023, combined with an uptick in the average cap rate to 8.1 percent, may pave the way for more buyers and sellers to come to agreement in the months ahead, however. Investors are likely to sustain focus on Central St. Louis County suburbs like Clayton, where some groupings of higher-end offices are located. Similar factors should draw attention to assets in St. Charles County.

2025 MARKET FORECAST

NOMI RANK 33 ***An outstanding vacancy improvement, but smaller investment landscape lead to a place in the top two thirds of rankings.***

+1.2% **EMPLOYMENT:** Job growth eases from last year, though the 17,000 new positions expected will be about on par with the 2014-2019 annual average. Office-centric firms will add 1,700 roles on net.

180,000 *sq. ft.* **CONSTRUCTION:** Development picks up just slightly from 2024 as total inventory will again increase by just 0.1 percent. Projects are underway or proposed specifically in Central St. Louis County.

-140 bps **VACANCY:** Roughly double the volume of net absorption from last year will pull down the marketwide vacancy rate to 10.4 percent in 2025, returning to the year-end 2018 level.

+0.9% **RENT:** Rising demand is enough to support a slight improvement in the mean asking rent. The metro's overall average will tick up to $19.69 per square foot — the highest level since at least before 2007.

INVESTMENT: *While more than one building over 500,000 square feet traded last year, sales should continue to mostly involve assets under 50,000 square feet, given the greater availability of financing such properties.*

Tampa-St. Petersburg Leasing Activity Remains Robust; Demand for Medical Offices Poised to Grow

Bright spots in multiple submarkets underpin overall solid fundamentals. The Tampa metro has done well at absorbing new supply over the past three years, culminating in the second-lowest vacancy rate of major Florida markets, holding below 13 percent over that span. Certain submarkets outside of Tampa and St. Petersburg proper have retained strong leasing demand. The Sarasota-Bradenton area, specifically, has been sought-after by firms; even with the third-largest inventory in the metro, it entered 2025 at an incredibly low 6.6 percent vacancy. This submarket benefits from its proximity to professionals already in the area, with relatively short commutes from across Manatee River and as far as Lakewood Ranch. Outside of traditional office use, demand for medical offices in Tampa will likely keep expanding. Retirement-aged individuals make up roughly one-third of the total population and represented over half of the growth last year. Vacancy for local medical offices have held under 8 percent since late 2020. An aging population is likely to raise demand for medical services, even as the pace of net in-migration potentially slows.

Stabilized assets widespread in metro. While local office sales volume has trended down over the last two years, trades are still occurring, primarily in areas outside of Tampa proper. Sarasota-Bradenton and Pinellas County will likely account for a large portion of sales again this year. Bullish investors may look to the former submarket for lower entry costs, standing at a mean of $214 per square foot over the last three years. On the other hand, St. Petersburg is already home to many professionals and reported a 50-basis-point vacancy drop in 2024. Additionally, the largest number of fully leased medical offices in the metro is located in Pinellas County. Multiple retirement communities on the peninsula will support low vacancy for medical office spaces here in the long term.

2025 MARKET FORECAST

NOMI RANK	1	*Nationally low vacancy along with strong revenue and office job growth propel Tampa to the premier ranking this year.*

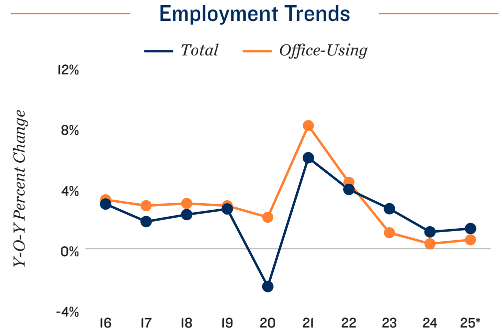
+1.3% — **EMPLOYMENT:** Overall job growth nudges up from last year, raising the total headcount by 21,000 — half of the 2023 gain. Of these new roles, 2,800 will belong to traditionally office-using sectors.

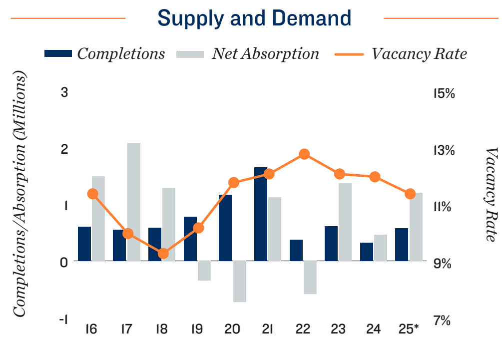
574,000 *sq. ft.* — **CONSTRUCTION:** The delivery pipeline will expand this year, increasing inventory by 0.5 percent. Nearly a third of this new space is slated for completion in Central Tampa.

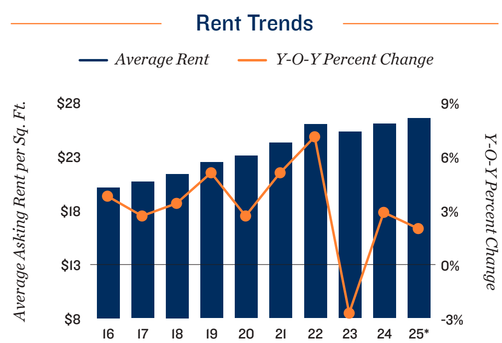
-60 bps — **VACANCY:** Vacancy will contract for the third straight year. This will culminate in a year-end rate of 11.4 percent, in line with the pre-pandemic numbers.

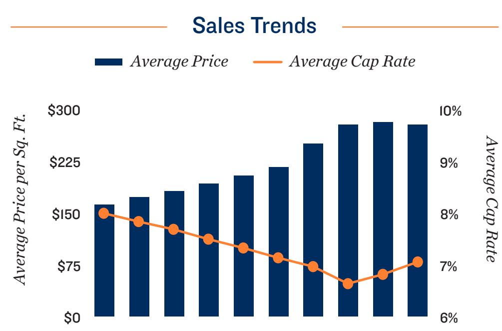
+2.0% — **RENT:** Strengthening demand will sustain growth in the average asking rent, albeit at a lower intensity than reported in 2024. The rate will reach $26.50 per square foot by December.

INVESTMENT: *Investors concerned by the growing intensity of natural disasters could be interested in offices in the Interstate 75 Corridor. Buildings here benefit from more distance from the coast and less potential flooding.*









* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

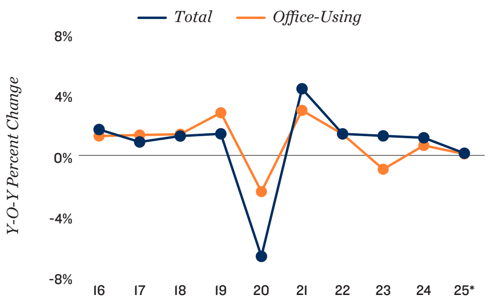
WASHINGTON, D.C.

D.C. Faces Mixed Outlook as Return-to-Office Mandates Coincide With Federal Downsizing

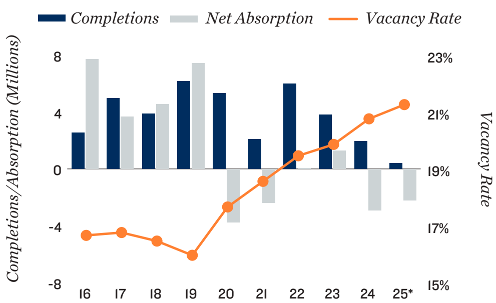
Modern offices outperform as older stock struggles. Washington, D.C.'s office market faces a potential turning point as private sector and federal in-office work mandates converge with record-low development, slowing vacancy expansion after years of post-pandemic increases. A higher government in-office attendance rate may attract adjacent private-sector tenants in Downtown D.C. With post-2010 buildings maintaining roughly 10 percent vacancy in early 2025, tenants might increasingly opt for slightly older Class A assets. Virginia suburbs are well positioned to benefit from their relatively newer Class B/C inventory, where post-2000-built properties sustain vacancy near 5 percent — less than half that of older stock. Amazon's return-to-office plans and notable regional presence could further bolster demand from support firms. However, with the federal government occupying nearly 30 percent of the D.C. metro's office stock and the GSA potentially terminating up to 7,500 leases in coming years, uncertainty remains. While private demand may mitigate some of the impact, widespread agency downsizing could pressure federally dominated submarkets with older, outdated properties.

Core and value-add strategies spark interest. With leasing activity expected to remain steady among private sector firms in Downtown D.C., institutions seeking stable cash flows will likely sustain demand for premium, well-leased assets. Buyers deploying under $30 million are expected to favor value-add strategies in both Downtown D.C. and select Virginia suburbs. Last year, high-vacancy buildings in these markets traded around $100 to $200 per square foot, providing a favorable cost basis to accommodate substantial capital improvements. Meanwhile, private buyers may focus on sub-50,000-square-foot assets, where metrowide vacancy for such properties held near 5 percent in 2024.

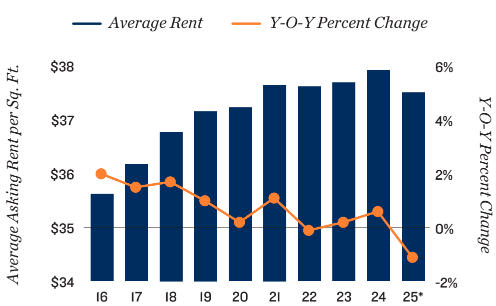
Employment Trends



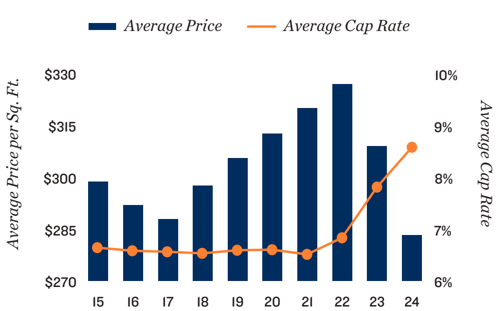
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

2025 MARKET FORECAST

NOMI RANK 30 — ***Elevated vacancy will offset improved space utilization, positioning Washington, D.C., near the middle of the rankings.***

+0.1% — **EMPLOYMENT:** Federal downsizing efforts are expected to weigh on employment gains this year, with the metro's workforce projected to grow by just 5,000 net positions, driven by private sector growth.

400,000 *sq. ft.* — **CONSTRUCTION:** With only 400,000 square feet set to deliver this year, annual supply additions will hit a historic low, marking the first time completions fall below 1 million square feet since before 2007.

+50 bps — **VACANCY:** Limited new supply helps ease vacancy pressures, but government space reductions will push the metro's rate to 21.3 percent. Still, the pace of increase is set to slow compared with 2024.

-1.1% — **RENT:** Historically elevated vacancy will push rents down. The metro's average asking rent hits $37.50 per square foot by year-end, ranking as the sixth highest among major U.S. markets.

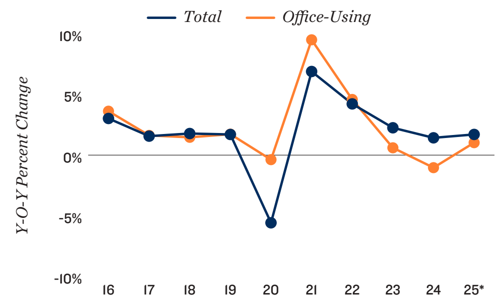
INVESTMENT: *Buyers targeting well-leased, lower-tier properties in Virginia towns, such as Manassas and Reston, should remain active, as local Class B/C vacancy fell over 200 basis points last year to record lows.*

Tight Office Market Conditions Strengthened by Education and Health Care Investments

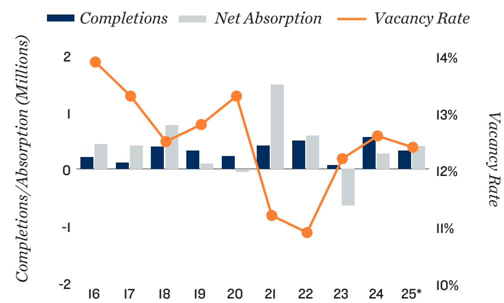
Downtown developments bolster long-term outlook. The Palm Beach office market enters 2025 with strong momentum, driven by its expanding role as a fintech and health care hub. This position will be reinforced by investments announced in late 2024, including Vanderbilt University's $520 million graduate campus and Cleveland Clinic's 150-bed hospital. Recent office deliveries highlight growing corporate appeal, with 70 percent of the 500,000 square feet completed in 2024 occupied by year-end. Meanwhile, the 210,000-square-foot One West Palm, slated for early 2025, is already 90 percent pre-leased. Downtown Palm Beach's urban amenities and expanding business network are also expected to sustain demand across quality tiers, following last year's strongest net absorption of Class A and Class B/C space since 2021. While tenants in Boca Raton and North Palm Beach shed nearly 400,000 square feet of lower-tier office space in 2024, Class A demand held steady as firms consolidated into higher-quality floor plans. Competitive rents and planned move-ins, such as Venture X's 20,000 square-foot lease in Boca Raton, are set to support stable property performance across these areas in 2025.

Rising tenant demand and low vacancy draw investors. Trading in Downtown Palm Beach is likely to improve after leading the metro in vacancy compression in 2024, with Class A and Class B/C vacancy falling below pre-pandemic levels. Institutional buyers are expected to target Boca Raton, the metro's largest office submarket, particularly after Class A vacancy declined nearly 50 basis points last year. The area also faces minimal new supply risk and benefits from its central positioning within Southeast Florida. Elsewhere, PGA Boulevard's near-metro-low vacancy may entice buyers, as growing tenant interest reflects demand for modern, lower-cost office space near upscale amenities.

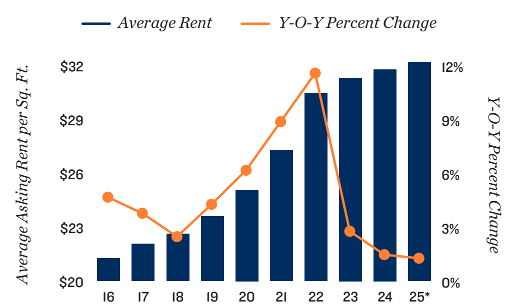
Employment Trends



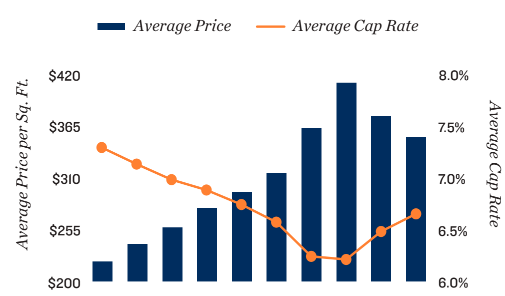
Supply and Demand



Rent Trends



Sales Trends



2025 MARKET FORECAST

NOMI RANK 5 — ***Sustained low vacancy, driven by expanding office-based industries, will position West Palm Beach in the upper echelon.***

+1.7% **EMPLOYMENT:** West Palm Beach's employment count will expand by 12,000 roles this year. The metro's traditionally office-using sector is set to add 2,000 jobs, aligning with the norm from 2017 to 2019.

320,000 *sq. ft.* **CONSTRUCTION:** A 210,000-square-foot office opens in West Palm Beach, but overall inventory growth remains under 1 percent, as smaller medical offices account for the rest of this year's deliveries.

-20 bps **VACANCY:** Vacancy will decline slightly as net absorption improves amid a well-accounted for new supply pipeline. The metro's rate reaches 12.4 percent by year-end, settling below its 2019 level.

+1.3% **RENT:** Declining sublease availability will encourage modest rent gains as vacancy stays below its long-term average. The metro's mean marketed rate reaches $32.19 per square foot by year-end.

INVESTMENT: *As companies seek to attract local talent, major mixed-use developments — Sundy Village on Atlantic Ave and Northwood Village near Downtown — may drive office demand, likely drawing investor interest.*

** Forecast*

Sources: CoStar Group, Inc.; Real Capital Analytics

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[1] National Office Index Note: Employment and Office data forecasts for 2025 are based on the most up-to-date information available as of February 2025 and are subject to change.

[2] Statistical Summary Note: Metro-level employment, vacancy and asking rents are year-end figures and are based on the most up-to-date information available as of February 2025. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Forecasts for employment and office data are made during the first quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.

Sources: Marcus & Millichap Research Services; CoStar Group, Inc.; Hiring Lab; Indeed; Lightcast; Mercer; Moody's Analytics; National Center for Health Statistics; Office of the Assistant Secretary for Planning and Evaluation; Pennsylvania Department of Community & Economic Development; Placer.ai; Pregin; Real Capital Analytics; S&P Global; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Census Bureau

STATISTICAL SUMMARY

Market Name	Employment Growth[2]				Completions (000's of Sq. Ft.)[2]				Vacancy Rate[2]				Average Asking Rent[2]				Average Price per Sq. Ft.[2]			Market Name
	2022	2023	2024	2025*	2022	2023	2024	2025*	2022	2023	2024	2025*	2022	2023	2024	2025*	2022	2023	2024	
Atlanta	3.5%	1.1%	1.0%	0.9%	3,500	1,900	2,200	1,300	19.3%	20.5%	20.3%	19.4%	$26.61	$27.07	$27.22	$27.52	$246	$218	$197	Atlanta
Austin	6.4%	2.9%	1.7%	1.8%	5,100	2,900	2,600	2,000	18.7%	20.0%	21.0%	21.3%	$29.66	$29.43	$29.72	$29.60	$490	$421	$410	Austin
Baltimore	0.5%	0.3%	1.0%	1.2%	700	300	600	900	13.7%	14.0%	14.5%	14.7%	$22.08	$22.23	$21.93	$21.70	$186	$173	$169	Baltimore
Boston	2.3%	0.9%	0.7%	0.7%	6,100	6,800	4,200	3,800	13.4%	15.7%	17.4%	17.8%	$30.13	$34.32	$33.07	$33.30	$370	$299	$289	Boston
Charleston	5.3%	4.6%	2.9%	1.8%	500	300	30	300	9.6%	11.1%	8.6%	8.9%	$27.26	$30.68	$29.35	$29.60	$349	$372	$379	Charleston
Charlotte	3.3%	2.1%	2.7%	1.4%	2,300	1,800	1,600	800	15.8%	17.2%	16.6%	16.4%	$29.99	$29.85	$30.36	$30.72	$316	$310	$301	Charlotte
Chicago	2.2%	0.7%	-0.1%	-0.1%	2,800	2,200	1,000	900	19.1%	20.5%	20.6%	20.5%	$22.69	$22.95	$23.21	$23.30	$215	$193	$167	Chicago
Cincinnati	2.5%	1.1%	0.4%	0.3%	700	400	0	200	13.9%	13.6%	12.1%	11.2%	$14.89	$14.96	$15.07	$15.18	$163	$157	$151	Cincinnati
Cleveland	1.6%	1.0%	0.5%	0.7%	100	500	200	1,400	11.1%	11.6%	10.9%	11.1%	$17.50	$17.55	$17.13	$16.92	$116	$96	$88	Cleveland
Columbus	0.9%	1.7%	-0.5%	0.7%	1,100	800	400	300	12.1%	12.8%	13.5%	12.9%	$15.81	$16.46	$16.47	$16.67	$159	$144	$139	Columbus
Dallas-Fort Worth	4.8%	2.4%	1.6%	1.4%	3,100	4,500	4,300	3,200	20.4%	21.1%	20.2%	20.0%	$23.04	$23.41	$23.52	$23.70	$251	$231	$219	Dallas-Fort Worth
Denver	3.1%	0.8%	1.0%	1.0%	900	600	1,700	600	20.4%	21.0%	22.2%	22.3%	$23.56	$23.74	$23.52	$23.43	$278	$256	$233	Denver
Detroit	2.3%	0.5%	0.5%	0.6%	1,200	200	500	1,500	16.5%	17.0%	16.1%	16.2%	$18.43	$18.29	$18.27	$18.22	$166	$150	$145	Detroit
Fort Lauderdale	3.9%	2.4%	1.4%	1.4%	400	400	300	100	14.0%	14.9%	14.0%	13.3%	$24.67	$25.51	$26.09	$26.48	$363	$329	$309	Fort Lauderdale
Houston	4.7%	3.0%	1.7%	1.6%	2,100	3,800	1,300	2,000	22.9%	22.4%	21.2%	20.9%	$21.20	$21.29	$21.56	$21.70	$223	$193	$186	Houston
Indianapolis	2.9%	2.4%	2.4%	2.3%	100	300	200	800	11.7%	12.7%	12.1%	11.4%	$19.99	$20.16	$20.31	$20.55	$201	$188	$177	Indianapolis
Jacksonville	3.3%	2.3%	1.4%	2.0%	700	200	100	200	13.4%	15.5%	15.2%	14.3%	$21.71	$21.85	$21.71	$21.78	$253	$230	$225	Jacksonville
Kansas City	2.8%	1.1%	1.6%	1.2%	600	300	300	800	12.9%	13.8%	13.0%	12.0%	$19.49	$19.83	$20.42	$20.85	$203	$169	$159	Kansas City
Las Vegas	5.2%	3.9%	0.7%	1.2%	800	400	300	800	12.1%	12.3%	11.6%	12.1%	$24.52	$25.73	$26.67	$27.45	$249	$270	$273	Las Vegas
Los Angeles	2.3%	0.2%	0.9%	0.7%	2,000	2,000	1,200	1,300	18.1%	19.0%	19.6%	20.1%	$39.56	$39.06	$38.89	$38.70	$514	$475	$466	Los Angeles
Louisville	2.5%	1.0%	0.9%	0.9%	200	300	200	100	8.9%	8.9%	8.8%	8.1%	$16.31	$16.23	$17.05	$17.58	$158	$162	$163	Louisville
Memphis	1.9%	-1.6%	-0.2%	0.6%	200	100	200	100	12.1%	11.8%	12.9%	13.0%	$18.28	$18.26	$18.19	$18.13	$187	$178	$166	Memphis
Miami-Dade	5.0%	3.6%	1.2%	1.6%	800	200	1,400	1,300	10.4%	9.9%	10.7%	10.4%	$40.85	$44.12	$45.07	$45.70	$559	$523	$488	Miami-Dade
Milwaukee	1.9%	0.0%	-0.5%	0.7%	700	300	200	20	16.6%	17.6%	17.1%	16.3%	$16.02	$15.85	$16.38	$16.59	$152	$145	$137	Milwaukee
Minneapolis-St. Paul	1.3%	1.5%	-0.2%	0.8%	1,700	600	500	500	13.9%	15.0%	15.2%	14.6%	$17.11	$17.15	$17.42	$17.59	$167	$161	$155	Minneapolis-St. Paul
Nashville	4.5%	1.9%	0.5%	0.4%	1,000	1,300	1,000	2,600	15.7%	15.3%	16.0%	15.9%	$28.41	$28.68	$28.90	$29.20	$472	$421	$398	Nashville
New Haven-Fairfield County	1.9%	0.6%	1.3%	0.6%	300	30	600	20	16.9%	16.8%	16.1%	15.2%	$26.28	$25.84	$25.35	$24.94	$263	$249	$248	New Haven-Fairfield County
New York City	4.6%	1.5%	1.8%	1.5%	9,600	5,600	2,900	4,500	16.8%	16.8%	15.7%	15.1%	$57.23	$53.20	$53.82	$54.09	$618	$585	$570	New York City
Northern New Jersey	2.9%	2.0%	0.7%	0.7%	200	600	200	400	16.5%	17.2%	16.6%	16.0%	$26.57	$26.73	$27.41	$27.77	$237	$232	$230	Northern New Jersey
Oakland	1.7%	1.1%	0.7%	1.2%	300	0	100	100	15.9%	17.9%	19.2%	19.3%	$38.06	$36.88	$36.10	$35.49	$386	$377	$361	Oakland
Orange County	1.6%	1.4%	0.7%	1.1%	800	300	100	300	17.2%	17.5%	16.1%	15.3%	$28.33	$28.96	$28.78	$28.70	$383	$370	$359	Orange County
Orlando	6.0%	2.7%	1.1%	0.7%	600	1,100	400	700	12.9%	13.2%	13.4%	13.6%	$22.96	$23.96	$23.76	$23.85	$258	$265	$252	Orlando
Philadelphia	3.2%	1.8%	1.4%	1.4%	1,100	1,800	700	1,200	14.5%	15.7%	15.4%	14.9%	$24.70	$24.91	$24.16	$24.35	$210	$196	$185	Philadelphia
Phoenix	3.8%	3.0%	1.3%	1.6%	1,500	900	500	400	18.9%	20.1%	20.2%	20.1%	$25.82	$26.42	$26.09	$26.35	$272	$267	$257	Phoenix
Pittsburgh	1.7%	1.3%	1.9%	1.4%	1,000	40	700	500	14.2%	16.6%	15.4%	14.4%	$22.40	$22.35	$22.39	$22.68	$145	$140	$135	Pittsburgh
Portland	2.5%	-0.1%	0.4%	1.4%	500	300	400	300	15.1%	17.0%	17.3%	17.1%	$26.24	$25.90	$25.64	$25.54	$281	$267	$252	Portland
Raleigh	3.8%	2.6%	2.3%	2.6%	1,000	1,300	1,800	200	14.8%	15.2%	15.1%	13.9%	$27.71	$27.60	$27.96	$28.27	$323	$292	$261	Raleigh
Richmond	3.0%	1.7%	3.2%	2.0%	30	200	100	700	11.0%	10.4%	10.2%	10.1%	$20.08	$20.80	$21.30	$21.51	$173	$169	$165	Richmond
Riverside-San Bernardino	2.2%	1.8%	1.3%	1.4%	200	200	100	100	8.2%	8.7%	8.1%	7.9%	$23.70	$23.57	$23.45	$23.26	$264	$272	$270	Riverside-San Bernardino
Sacramento	2.6%	2.6%	1.0%	0.6%	800	100	1,600	700	13.9%	14.2%	14.7%	14.2%	$24.95	$25.13	$24.96	$25.11	$221	$207	$204	Sacramento
Salt Lake City	3.3%	2.4%	2.6%	1.4%	2,200	1,000	1,100	500	13.0%	13.7%	13.8%	12.8%	$24.34	$24.27	$24.15	$24.51	$248	$241	$230	Salt Lake City
San Antonio	4.3%	3.2%	1.9%	1.4%	1,000	1,500	500	1,000	14.6%	15.3%	14.1%	13.5%	$21.82	$21.37	$21.37	$21.35	$227	$230	$228	San Antonio
San Diego	3.2%	0.9%	0.5%	0.5%	600	500	1,200	2,400	14.8%	16.1%	16.3%	16.9%	$34.65	$34.48	$33.39	$32.70	$419	$416	$389	San Diego
San Francisco	2.4%	-1.3%	-0.7%	-0.2%	2,000	1,500	900	900	21.9%	26.8%	27.0%	26.4%	$53.79	$48.30	$45.69	$44.75	$547	$513	$509	San Francisco
San Jose	2.7%	-0.5%	0.3%	0.5%	2,400	4,400	1,200	2,700	16.5%	20.2%	18.7%	18.9%	$54.13	$50.60	$49.21	$48.75	$650	$621	$547	San Jose
Seattle-Tacoma	2.3%	1.2%	0.9%	0.5%	1,400	5,000	3,000	5,100	14.7%	18.3%	18.8%	19.2%	$32.33	$32.07	$31.03	$30.15	$485	$406	$396	Seattle-Tacoma
St. Louis	1.4%	2.0%	1.5%	1.2%	1,000	700	200	200	12.7%	12.6%	11.8%	10.4%	$19.47	$19.40	$19.51	$19.69	$164	$167	$157	St. Louis
Tampa-St. Petersburg	3.9%	2.7%	1.1%	1.3%	400	600	300	600	12.8%	12.1%	12.0%	11.4%	$25.95	$25.24	$25.98	$26.50	$277	$280	$277	Tampa-St. Petersburg
Washington, D.C.	1.4%	1.3%	1.2%	0.1%	6,000	3,800	1,900	400	19.5%	19.9%	20.8%	21.3%	$37.61	$37.68	$37.91	$37.50	$327	$309	$283	Washington, D.C.
West Palm Beach	4.2%	2.3%	1.4%	1.7%	500	100	600	300	10.9%	12.2%	12.6%	12.4%	$30.46	$31.31	$31.78	$32.19	$410	$375	$352	West Palm Beach
United States	**3.0%**	**1.7%**	**1.3%**	**1.1%**	**77,300**	**66,800**	**50,400**	**54,000**	**16.0%**	**16.9%**	**16.7%**	**16.4%**	**$29.21**	**$29.06**	**$29.04**	**$29.15**	**$303**	**$277**	**$270**	**United States**

** Forecast*

[2] See Statistical Summary Note on Page 64

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