



STATE OF THE MARKET REPORT

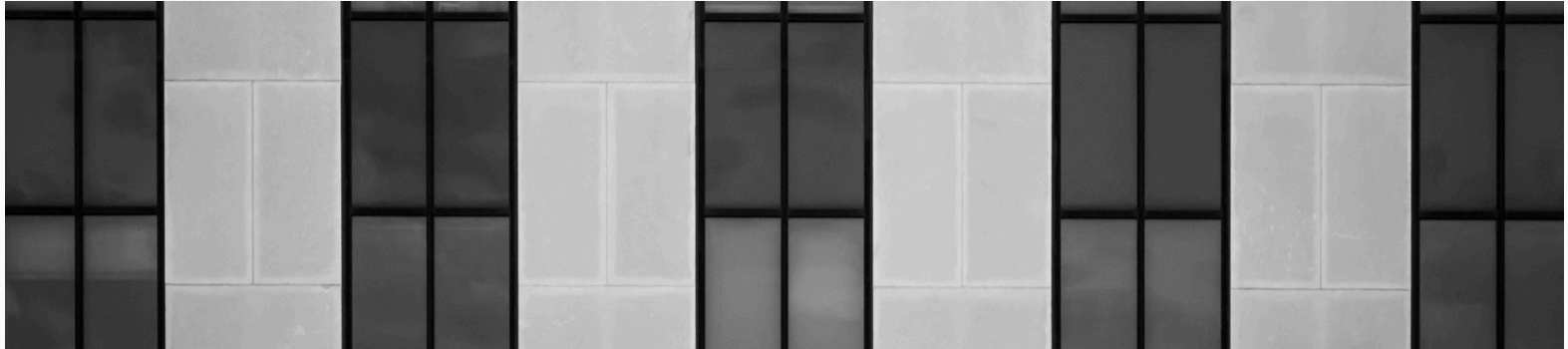
OFFICE

2026

SVN | Research

SVN Research explores the evolving office sector, examining shifts in demand, vacancy, pricing, and investment activity as the market adjusts to post-pandemic conditions. This report provides a national perspective alongside key market insights, highlighting how office real estate is stabilizing and redefining itself in a changing economic environment.

Table of Contents

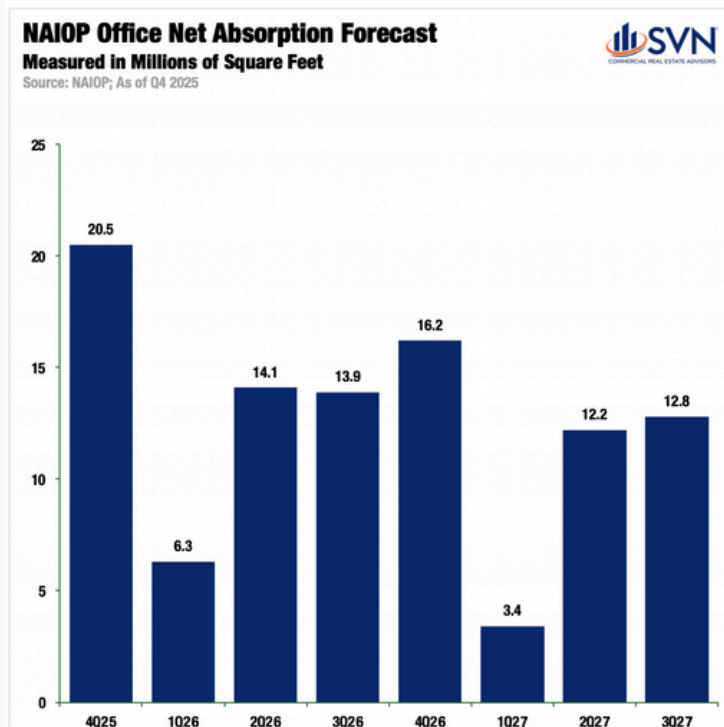


NATIONAL OVERVIEW	_____	02
PRICING	_____	04
STANDOUT MARKETS	_____	05
ABOUT SVN	_____	09

National Overview

US office fundamentals are **gradually stabilizing after years of post-pandemic deterioration**. According to [Hines Research](#), the third quarter of 2025 saw the **strongest office absorption since the second quarter of 2019**, with activity broadly based across classes and submarkets.

The sector is certainly weathering its challenges, but several years of recalibration are giving it a clearer sense of direction. Absorption has begun to stabilize, though part of that reflects the exceptionally limited office construction pipeline in recent years. **The square footage of office space being demolished continues to outpace new groundbreakings**. The restrained development pipeline has coincided with some easing in national vacancy. Yardi Matrix reported in its [March 2026 Office Market Outlook](#) that **the national vacancy rate fell to 17.6%, down 200 basis points** over the past 12 months.



Among the top 25 US markets, **16 saw vacancy rates decline in 2025**. Physical occupancy remains broadly flat, but some major markets, like Manhattan, have seen occupancy recover even as their supply pipeline grows. NAIOP forecasts that recent demand trends, including large-scale capital expenditures (capex) for AI infrastructure and a widening geographic distribution of demand, **will drive 50.5 million square feet of absorption in 2026**.

The sector remains highly bifurcated, and hybrid work still limits absorption and puts pressure on net operating income. However, hybrid adoption has also become a more predictable aspect of the sector, while building performance has become more important to the hierarchy of capital attraction relative to location.

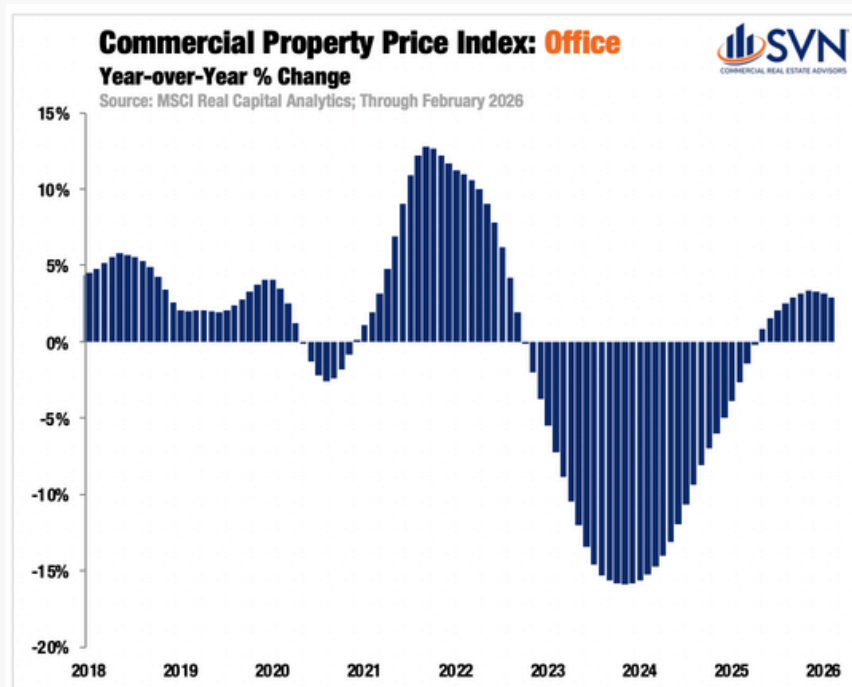
These developments are providing more clarity to investors and operators in the space. The macroeconomic and labor environment will continue to shape near-term investment activity, but the office sector is **progressively settling into a new normal**.



Pricing

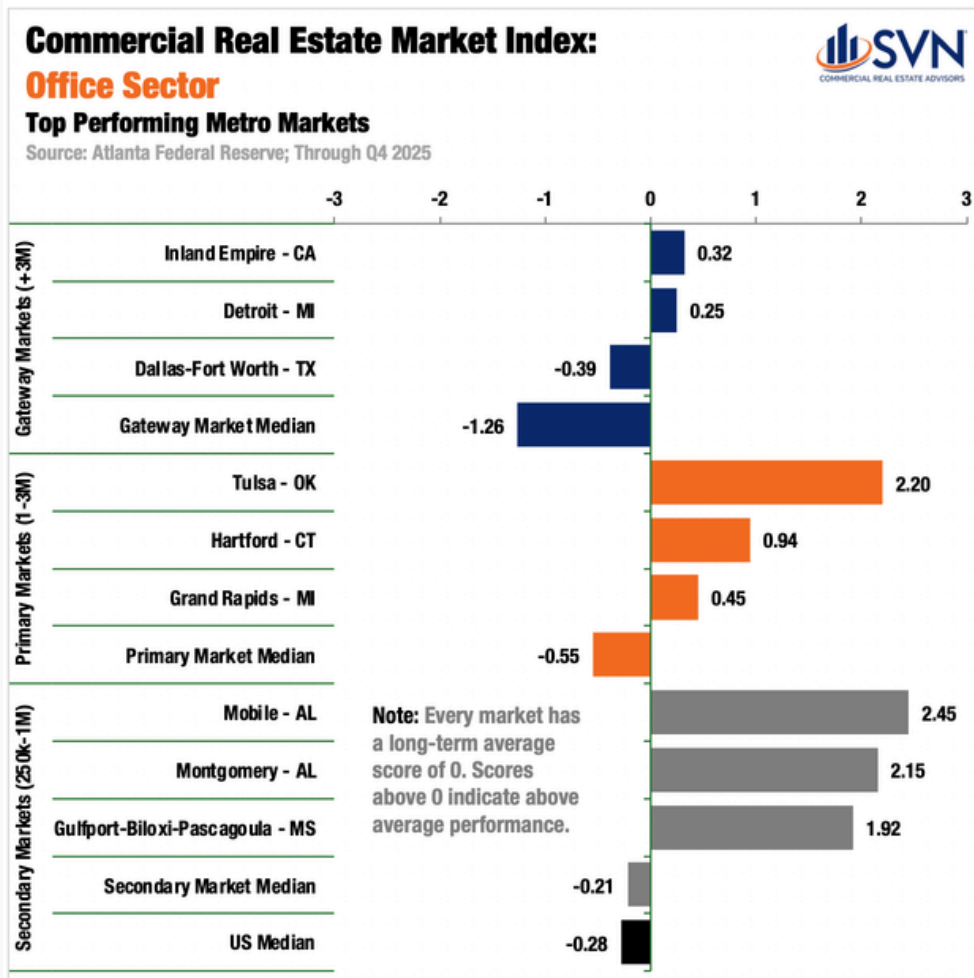
According to MSCI Real Capital Analytics' CPPI, pricing in the office sector **stabilized in 2025 following a prolonged period of declines**. Office asset values increased 3.3% on a year-over-year basis through December, **marking a break from the persistent contraction observed in prior years**. This improvement was driven by a sustained period of monthly gains, with prices rising on a month-over-month basis for nine consecutive months from February through October. However, momentum softened toward year-end, as prices declined modestly in both November and December. This easing has extended into early 2026, with values edging lower through February 2026, bringing annual growth to 2.9%.

Despite the gains recorded in 2025, pricing remains materially below prior cycle highs. Office property values are **still down approximately 22.2% from their 2022 peak**, underscoring the magnitude of the sector's repricing. Recent trends point to **stabilization rather than recovery**, with pricing conditions reflecting a more measured and selective investment environment.



Standout Markets

To identify standout office markets in the past year, the SVN Research Team utilized the Atlanta Federal Reserve Bank’s Commercial Real Estate Market Index (CREMI). The CREMI **provides a holistic view of a CRE sector’s performance within every major US metro – incorporating factors such as occupancy rates, net operating incomes, cap rates, asset pricing, absorption, and broader economic conditions.** Unless otherwise noted, market-level statistics are sourced from the National Association of REALTORS® Commercial Real Estate Metro Market Dashboard, which leverages CoStar data.

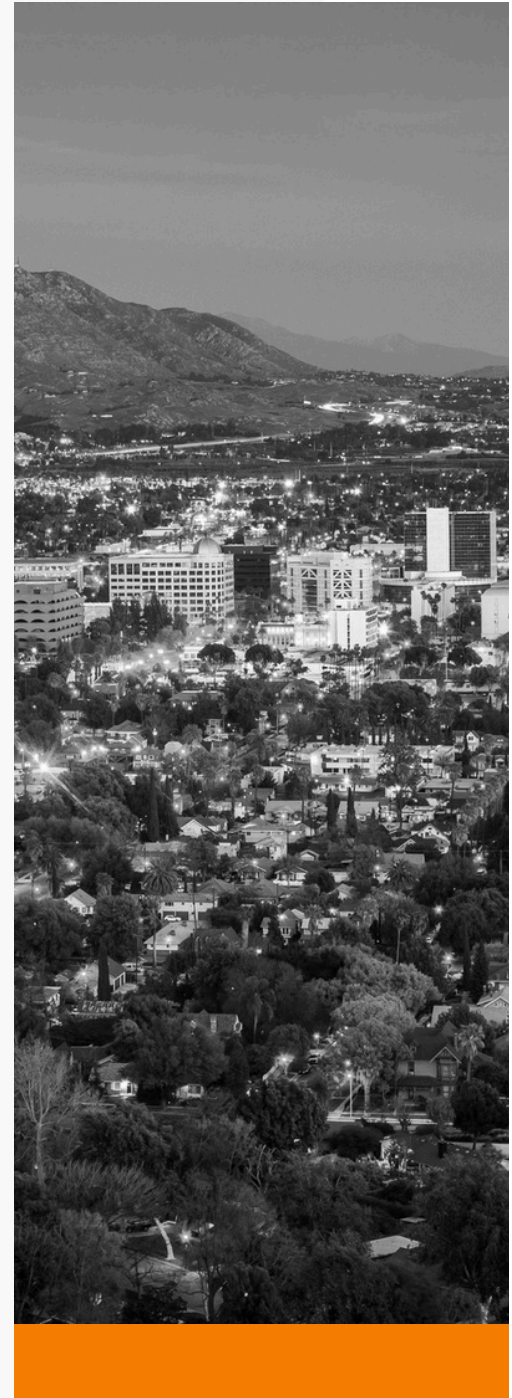


GATEWAY MARKET STANDOUT: INLAND EMPIRE (RIVERSIDE-SAN BERNARDINO, CA)

Office market conditions in the Inland Empire **remain relatively stable, with absorption trends comparing favorably to national benchmarks.** Net absorption totaled 577,175 square feet over the past 12 months as of Q4 2025, reflecting continued tenant demand despite a broader cooling in office utilization across many markets. On a quarterly basis, absorption accelerated to 80,542 square feet, reinforcing the market's ability to maintain positive momentum.

Vacancy declined to 4.8% in Q4 2025, down from 5.5% one year earlier. While still above pre-pandemic lows, **a sub-5% vacancy rate remains notably tight** for the office sector and suggests that available space continues to be absorbed at a steady pace. At the same time, new supply has moderated, with 69,217 square feet delivered over the past year — down from prior levels — **helping to limit upward pressure on vacancy.**

Rent growth slowed to 1.7% year-over-year, a deceleration from the prior year, though asking rents continue to edge higher, reaching \$30 per square foot. According to the Atlanta Fed's Commercial Real Estate Market Index (CREMI), the Inland Empire is **performing modestly above its long-term average**, distinguishing it from many gateway markets that remain below trend.



MAJOR MARKET STANDOUT: TULSA, OK

Office market conditions in Tulsa present a **mixed but stabilizing picture**, with capital markets trends providing a clearer signal than leasing activity. **Net absorption turned negative** over the past 12 months, totaling -414,379 square feet as of Q4 2025, reflecting a pullback from the prior year's gains. **Vacancy rose to 10.8%**, up from 9.9% one year earlier, indicating some softening in space utilization. At the same time, asking rents held steady at \$19 per square foot, with annual growth moderating to 1.6%.

Despite these shifts, **investment conditions improved**. Market **cap rates compressed** from 12.2% to 11.5% over the past year, suggesting increased investor appetite and improved pricing expectations even as leasing fundamentals adjusted. Transaction activity slowed, with total sales volume declining to \$37.73 million, though pricing discipline appears to have held.



New supply has begun to re-enter the market, with 79,243 square feet delivered over the past 12 months following a period of limited completions. While this has contributed to some near-term pressure on vacancy, it also reflects renewed development activity.

According to the Atlanta Fed's CREMI, Tulsa ranks among the top-performing primary markets, indicating **above-average momentum relative to its historical baseline** despite uneven underlying fundamentals.

SECONDARY MARKET STANDOUT: MOBILE, AL

Office market conditions in Mobile **remain relatively tight, supported by steady tenant demand and limited available space.** Net absorption totaled 242,356 square feet over the past 12 months as of Q4 2025, more than doubling the prior year's pace. While absorption turned slightly negative on a quarterly basis, this appears to reflect short-term variability rather than a broader shift in demand.

Vacancy declined to 3.4%, down from 3.8% one year earlier, placing the market **among the tightest office markets nationally.** Limited availability has continued to support rent growth, with asking rents rising to \$19 per square foot and annual gains of 1.9%. New supply remains constrained, with **no meaningful deliveries recorded over the past two years,** reinforcing the supply-demand balance.



On the investment side, cap rates increased modestly from 12.0% to 12.1%, suggesting some recalibration in pricing expectations. However, transaction volume rose to \$16.19 million, indicating continued investor engagement.

According to the Atlanta Fed's Commercial Real Estate Market Index (CREMI), Mobile ranks among the top-performing secondary markets, reflecting **above-average momentum** relative to its historical baseline and **reinforcing the market's underlying stability.**

ABOUT SVN[®]

SVN[®] is the world's leading commercial real estate franchise. SVN's growing network includes over 2,000 Advisors, staff, and independent owner-operators who support clients across markets nationwide.

Built on a foundation of innovation, collaboration, and shared success, SVN Advisors openly share data, knowledge, and opportunities across the entire commercial real estate industry. This industry-leading **Shared Value Network[®]** approach delivers better outcomes for clients and expands access to deals and information nationwide.

SVN believes that a healthy commercial real estate market is at the heart of every thriving community and is committed to creating Shared Value by aligning strong business performance with meaningful, lasting impact — for our clients, our communities, and the commercial real estate industry.



www.svn.com

