Office Insights

Winning Office

Where U.S. Office Space is Thriving and Why

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Winning Office: Where U.S. Office Space is Thriving and Why

Hybrid work and high capital costs are impacting office tenants across the U.S., prompting many to reduce their footprints and delay expansion plans. This is constraining leasing activity and widening the gap between market areas and buildings that are performing versus those that are not.

Identifying the "Haves" is the focus of this paper as Newmark Research explores top-performing submarkets within major and secondary corridors alike. Understanding the shared qualities of these groupings through proprietary data, coupled with expert qualitative research, will answer these questions: Where is office winning, which assets are favored, and why? A brief examination of past, present, and future office utilization trends forms the foundation for this discussion.

Before the Pandemic to Now

Space densification and flight-to-quality have become crucial strategies in the nation's office markets, gaining prominence after the Global Financial Crisis when companies downsized their footprints, capitalizing on rising vacancies and reduced rents to lease higher-quality space. This "paring down while trading up" strategy allowed tenants to minimize real estate costs while benefiting from premier space features, including a prime location, open floor layouts, and ample amenities. Better work environments can enhance employee retention and productivity while strengthening a company's brand, creating a win-win situation for businesses and their workforce.

Technological advancements in the workplace, coupled with widespread adoption of hybrid work models following the COVID-19 pandemic, have accelerated these trends. By mid-2024, 80% of U.S. companies offered some form of remote work. The cost savings per remote employee remain significant, with estimates ranging from $10,000 to $20,000 annually. While the future trajectory of hybrid work and its impact on office space requirements remains open to debate, the consensus is for reduced space needs—at least for now. This is supported by Newmark Research's fourth-quarter 2024 report on the U.S. office leasing market, which states that 49% of pre-pandemic leases remain unrenewed, with 1.4 billion square feet scheduled to come to term between 2025 and 2027. A further reduction in office demand is likely, as today's average lease size is 11.0% smaller than pre-pandemic figures.

Less demand raises the question of resiliency and opportunity: Which of the nation's established submarkets are outperforming market averages, and which emerging corridors are best positioned to capture future leasing activity?

Today's Winning Office Submarkets

Life Cycles

The nation's top-performing submarkets have been categorized into three life-cycle stages: up-and-coming, emerging-maturing, and mature and established. In the context of human life cycles, these categories align with childhood, adolescence to early adulthood, and adulthood, defined by the following traits and progression:

- **Up-and-Coming ("Childhood"):** These markets are gaining attention for their retail amenity base, growing residential population, and potential as the next spillover pocket for office development. Current office inventory is limited or nonexistent, and corresponding data is often minimal.
- **Emerging-Maturing ("Adolescence to Early Adulthood"):** Over the past 10 years, these markets have experienced significant office inventory and occupancy growth. Fortune-ranked companies are starting to establish a noticeable presence, while nearby communities tend to be safe and/or affluent.
- **Mature and Established ("Adulthood"):** These markets feature an established office base, with most buildings over 40 years old and new development primarily consisting of infill projects. Fortune-ranked companies have a significant presence, and business clusters aligned with the region's leading industries dominate the landscape.

The middle category, emerging-maturing, is the most volatile of the three. For an emerging market to successfully mature, it must attract Fortune-caliber tenants and foster the development of business clusters. Securing a prominent tenant or two serves as initial validation, but sustained success depends on consistently attracting and retaining high-profile companies, marking the transition into adulthood.

The Life Stages and General Traits of Top-Performing Submarkets

A table below highlights the life stages and general characteristics of these top-performing submarkets.

Up-and-Coming: “Childhood”

- Area is generally safe/becoming safer (U)
- Gentrification is occurring (U)
- Progressively evolving into a live-work-play corridor (U)
- Lower housing costs relative to nearby, more-established neighborhoods
- Noticeable population growth
- Growing retail amenity base
- Property prices are rising
- Infrastructure is evolving (e.g., a new freeway or commuter rail stops in the case of urban areas)
- Land for development or redevelopment
- Government incentives and/or favorable tax structures
- Potential to capture spillover office demand (U)
- Office tenancy mostly consists of local firms
- Office rents are more competitive relative to emerging and established submarkets
- Can be somewhat removed from the greater region’s existing business clusters. A major company that establishes a notable footprint in the submarket, can elevate its status to emerging.

Emerging-Maturing (“Adolescence to Early Adulthood”)

- Generally safe
- Growing population
- Live-work-play environment (U)
- Substantial housing/apartment development
- Attracting institutional capital
- Available land or low-rise product (e.g., industrial) for teardowns
- Near/in affluent communities
- Close to where senior executives live
- Good schools
- Near universities
- Access to educated workers
- Established retail base
- Better tax environment (e.g., Bellevue, WA has no payroll tax)
- Reasonable proximity to a major airport
- Reasonable distance from established office corridors, where the emerging market is luring tenants from
- Office inventory has grown considerably over the last decade
- Office tenancy is a mix of local firms along with Fortune-ranked companies with notable footprints
- Business clusters develop as larger companies increasingly move to the area, and an ecosystem (e.g., a tech hub) is established

Mature and Established (“Adulthood”)

- Safe
- Walkable
- Near/in affluent communities
- Substantial apartment development nearby
- Immediate access to educated workers
- High population density
- Centrally located
- Institutional capital has a dominant presence
- Abundant retail amenities
- Near universities
- Public transit stops
- Reasonable proximity to a major airport
- Numerous hotels
- Major cultural institutions are nearby (e.g., sporting venues, museums, tourist attractions)
- Office inventory is mature and generally 40+ years old
- Raw land is not present, and infill development is the only way to inject new office supply
- Office buildings are renovated every 15-20 years

The sections to follow will examine data commonalities, shared themes, and highlight individual submarkets within each life cycle grouping, presented in reverse chronological order.

U = More applicable to an urban environment

Source: Newmark Research

Mature and Established Submarkets

Macro Trends

Local market experts selected the top-performing "adult" submarket within the nation's major office corridors, including San Francisco, Los Angeles, Dallas-Fort Worth, Chicago, Washington, D.C., Manhattan, and Boston. The data provided was later aggregated to identify relevant trends, leading to a focus on:

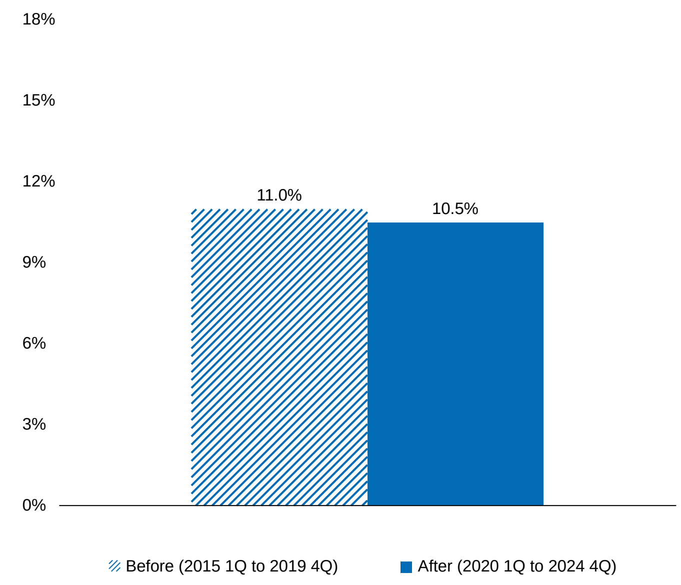
- South Financial District (San Francisco)
- Century City (Los Angeles)
- Uptown/Turtle Creek (Dallas-Fort Worth)
- West Loop (Chicago)
- D.C.'s CBD (Washington, D.C.)
- Park Avenue (Manhattan)
- Back Bay (Boston)

Lower vacancy, robust leasing activity, and higher rents compared to the broader market's average were common themes across all top submarkets, except for San Francisco's South Financial District, which recorded a 28.5% vacancy rate during the fourth quarter of 2024, near the overall market average of 29.1%. San Francisco is synonymous with tech, and South Financial was a prime destination for major companies like Salesforce and Meta due to its modern buildings and large floor plates conducive to collaboration. Before the pandemic, office vacancies were minimal as tech firms leased extra space in anticipation of workforce growth. This trend reversed with the rise of hybrid work and a higher debt environment, prompting firms to reduce both staff and space. Currently, close to 10% of the submarket's inventory is available for sublease. Given this paper's focus on today's thriving submarkets, South Financial was excluded from the aggregated analysis.

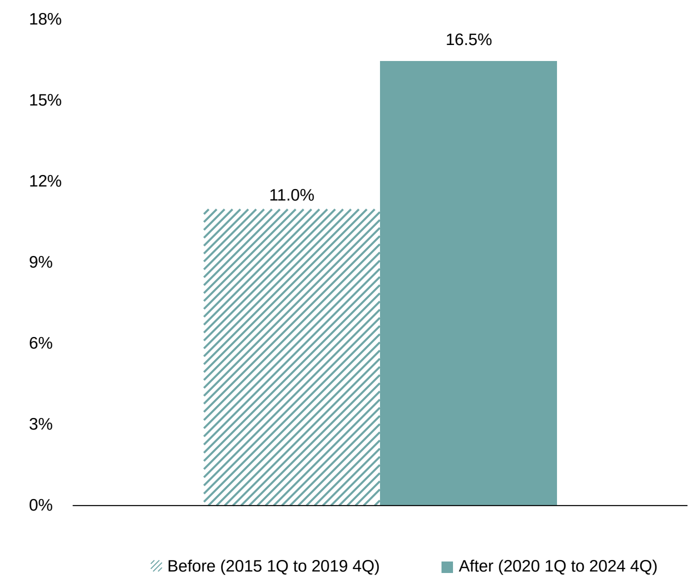
Weighted vacancy across the remaining six submarkets averaged 18.2%, slightly below the broader market mean of 20.5%. The disparity becomes more pronounced when examining building classes and their average vacancies over the past five years. For example, trophy buildings in these top submarkets averaged 10.5% vacancy compared to 16.5% for Class A buildings. In contrast, the broader market reported 13.0% for trophy buildings and 17.9% for Class A. Factors driving these lower vacancy rates include location, tenant composition, and the types of buildings present in these submarkets.

Total Vacancy Averages 4.5 Years Before and After the Pandemic

Trophy Buildings in Top-Performing 'Adult' Submarkets



Class A Buildings in Top-Performing 'Adult' Submarkets



Source: Newmark Research

Note: A trophy building is a high-profile, prestigious, and often iconic commercial property located in a prime market area. Such buildings are typically of exceptional quality and design, with state-of-the-art systems, high-end finishes, and amenities that exceed the standards of typical Class A buildings. Trophy buildings are often landmarks within their cities and attract the most prestigious tenants and command the highest rents in their respective markets. They are considered the best-in-class for office or mixed-use space and are highly sought after by institutional investors due to their status and stable cash flows.

All submarkets are located in densely populated, centrally positioned urban cores, offering easy access via major freeways and commuter rail stations. They feature high walkability, relative safety, abundant amenities, and proximity to cultural institutions, creating distinct live-work-play environments with luxury residential options. Office tenancy is diverse, encompassing both traditional companies—such as Fortune-ranked financial services and law firms—and creative sectors like media and technology. This diversity helps stabilize the market when one industry contracts. For example, in 2024, tech firms underwent restructuring, while some AmLaw 100 firms expanded. Increased occupancy from the latter helped offset space reductions from the former.

Trophy Outperforms

New leasing activity in top submarkets stems from organic growth, such as tenant expansions within the submarket, and new-to-market entrants, who are either relocating to the corridor or establishing a regional presence. Trophy spaces are the primary beneficiaries, with 23.1% of trophy inventory aggregated across the subject submarkets leased over the last two years, compared to 14.9% for Class A. Both figures exceed the broader market averages of 17.5% and 13.3%, respectively.

Lower vacancy and higher leasing activity in the trophy set suggest that trophy buildings are cannibalizing tenancy from sub-caliber assets. In other words, there is a clear distinction in building performance, even within premier submarkets.

Examples of pandemic-era trophy leases include:

Century City (Los Angeles): Clearlake Capital pre-leased 150,000 square feet at the Century City Center (CCC) development, representing a relocation and expansion from 35,000 square feet in Santa Monica. Sidley Austin LLP also took 75,000 square feet in CCC, moving from the adjacent 1999 Avenue of the Stars (built in 1990), where the firm currently occupies 66,604 square feet. CCC is the largest ongoing office project in Los Angeles and the only one near full lease-up.

Uptown/Turtle Creek (Dallas): Bank of America pre-leased 238,000 square feet at 1919 Woodall Rodgers Freeway, marking a relocation and downsizing from 539,000 square feet at 901 Main Street (built in 1985) in Dallas CBD. Tenants are increasingly moving from older to newer trophy buildings, whether the older buildings are outside or within the submarket, as demonstrated by leases from Goldman Sachs, Deloitte, and Sidley Austin LLP.

West Loop (Chicago): FourKites leased 12,000 square feet on the 45th floor at 110 North Wacker (built in 2020), relocating and downsizing its global headquarters from 28,334 square feet at 300 S Riverside Plaza (built in 1983). The new space is designed for hybrid work and offers riverfront views.

D.C.'s CBD (Washington, D.C.): Gibson Dunn & Crutcher pre-leased and now occupies 164,000 square feet at 1700 M St NW, after relocating and downsizing from 235,000 square feet at 1050 Connecticut Ave NW (built in 1982).

Park Avenue (Manhattan): Blackstone expanded its footprint by 250,644 square feet at 345 Park Avenue, bringing its total occupancy in the building to 1.06 million square feet.

Back Bay (Boston): After an extensive search of Boston office space, Bain Capital executed a renewal and expansion totaling 378,000 square feet at 200 Clarendon Street (renovated in 2006). Arrowstreet Capital (119,532 square feet) and Adage Capital (36,933 square feet) also signed major lease renewals at the property in late 2024.

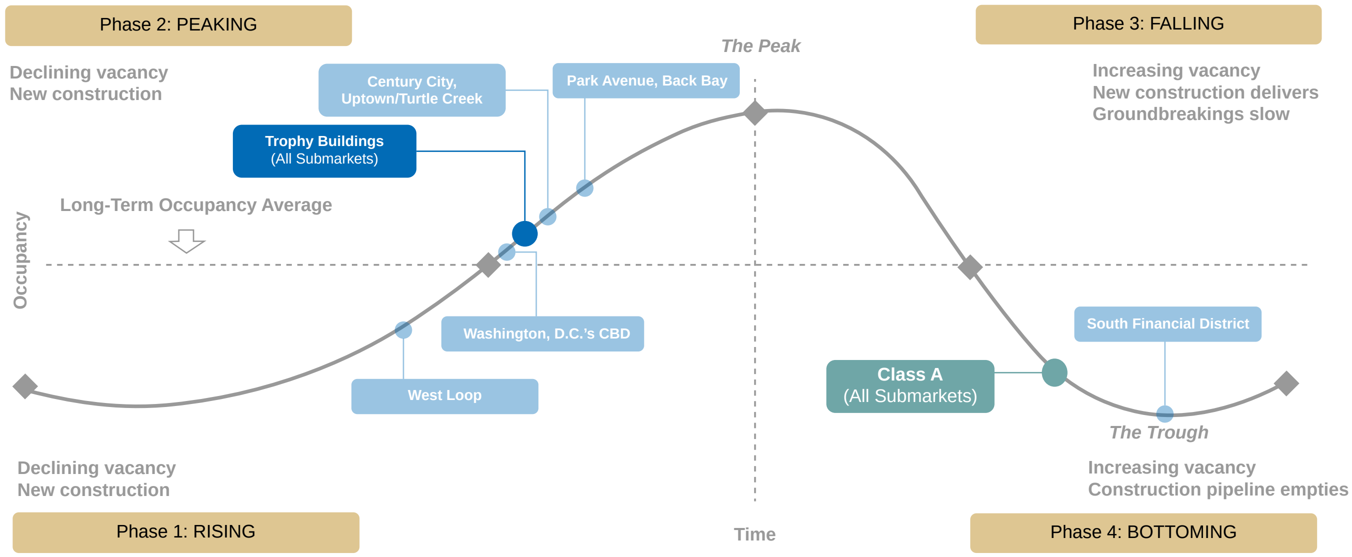
Implications

Trophy rents can command a 25% to 40% premium over Class A within these submarkets, suggesting that owners of dated properties in corridors with high supply barriers and healthy leasing conditions have a significant opportunity to renovate. The consistent trophy vacancy rate before (11.0%) and after (10.5%) the pandemic underscores the resilience and appeal of this asset class. Opportunistic buyers will focus on lesser-caliber buildings at a price discount to repurpose or renovate.

Since timing is critical in decision-making, it's important to note that each market has its own dynamics. The visual on the next page illustrates the current position of trophy inventory within each submarket's real estate cycle, alongside a marker for the collective performance of Class A spaces. In summary, trophy leasing conditions are rising in the West Loop, beginning to peak in Century City, D.C.'s CBD, and Uptown/Turtle Creek, peaking in Park Avenue and Back Bay, and have bottomed out in the South Financial District. Meanwhile, Class A product is contracting, largely due to occupiers relocating to trophy assets and reducing their footprints.

Stages of a Real Estate Cycle and Where Trophy Buildings in Top Submarkets Sit

Stages of a Real Estate Cycle and Where Trophy Buildings in Top-Performing Established Submarkets Are



Source: Newmark Research

* Occupancy can vary across South Financial's trophy buildings; those with stronger amenities tend to have higher occupancy and rent averages.

Emerging-Maturing Submarkets

Macro Trends

Leading “adolescent” submarkets are growth corridors that experienced occupancy gains and new construction before the pandemic. In densely populated urban environments, these submarkets typically emerge as spillover office corridors, offering high-quality spaces at lower rents compared to nearby “adult” areas. They are cost-effective yet well-located, providing access to a skilled labor pool, amenities, high walkability, and multiple transportation options. Suburban adolescent submarkets, on the other hand, are often near where senior executives live and are located close to airports, universities, and established office markets.

Proximity plays a key role in attracting companies from an adult corridor to an adolescent submarket, as commute times affect employee turnover and access to an existing client base. Relocating a short distance is generally less disruptive for business operations.

Eighteen leading adolescent submarkets were identified across the U.S., with 15 offering sufficient data to analyze historical trends and make comparisons. These markets, for reference, included:

- Bellevue – CBD (Seattle)
- Mission Bay (San Francisco)*
- Santa Clara – Central Expy North (Silicon Valley)
- Sunnyvale – Peery Park (Silicon Valley)
- Irvine Spectrum (Orange County, CA)
- UTC (San Diego)
- Tempe (Phoenix)
- Southwest (Last Vegas)
- Tech Corridor (Utah)
- Legacy/Frisco (Dallas-Fort Worth)
- The Woodlands (Houston)
- North Loop (Minneapolis)*
- Fulton Market (Chicago)
- Midtown (Atlanta)
- NoMa (Washington, D.C.)
- King of Prussia (Philadelphia)*
- Far West Side (Manhattan)
- Seaport District (Boston)

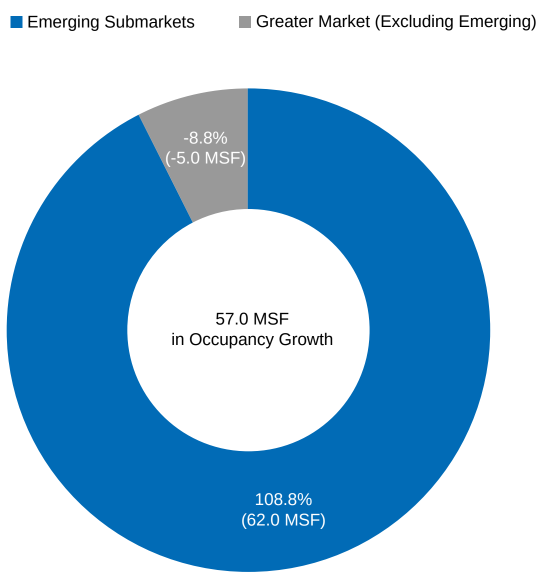
* Limited data; excluded from aggregated statistics

This roster, serving as a sample of notable markets to highlight broader trends, is not intended to be comprehensive.

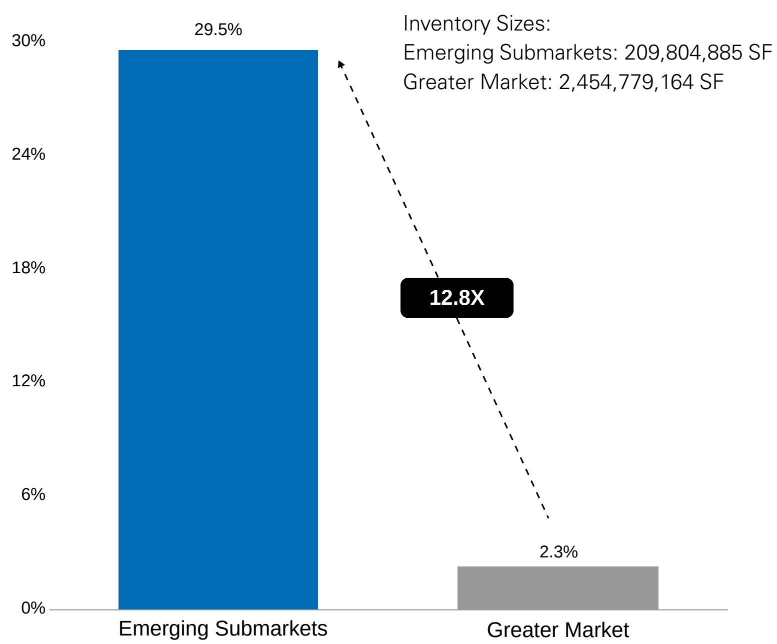
The data findings are striking. Collectively, the emerging corridors contributed to a 62.0-million-square-foot increase in office occupancy over the past decade, while the greater market (inclusive of the emerging corridors) recorded a 57.0-million-square-foot gain. Essentially, net absorption for the greater market would have been negative without the contribution of these emerging corridors. This achievement is even more impressive given the inventory sizes: 209.8 million square feet for the emerging corridors and 2.5 billion square feet for the greater market. In other words, adolescent submarkets accounted for 108.8% of occupancy expansions while comprising only 8.5% of the overall market's size. Dividing occupancy gains by current inventory offers additional insight, as the visual on the following page shows.

Occupancy Growth Over the Last 10 Years

Concentration of Occupancy Growth Over the Last 10 Years



Change in Occupied SF Over the Last 10 Years as a Percentage of Inventory

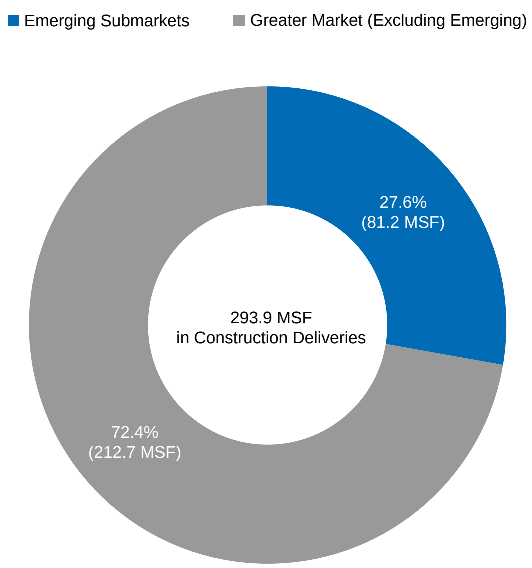


Notable inventory growth, as measured by construction deliveries, is another feature of an emerging-maturing corridor. Adolescent submarkets delivered 81.2 million square feet of office space over the last decade, contributing to 27.6% of the new supply in the broader market. Dividing 81.2 million square feet into 209.8 million square feet yields 38.7%, or how much of the adolescent submarket's inventory was constructed over the last 10 years. This is more than three times the greater market's average.

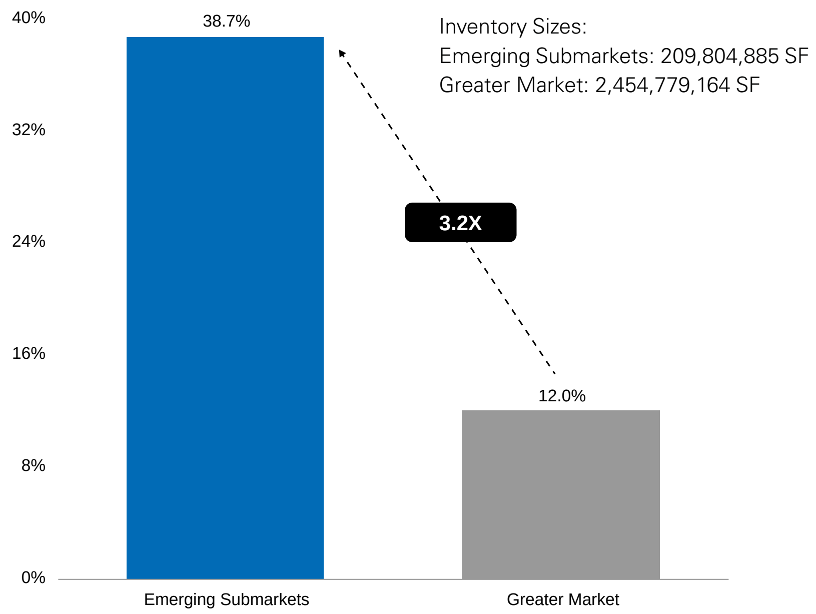
Source: Newmark Research

Inventory Growth Over the Last 10 Years

Concentration of Inventory Built Over the Last 10 Years



Percentage of Inventory Built Over the Last 10 Years



Steeper rent growth is another quality of a top emerging-maturing corridor. There are nuances, though. New construction, for instance, can skew rent averages higher, especially if the submarket's inventory pool is small and older to begin with. New construction rents also tend to be lower in adolescent markets compared to their adult counterparts. Bearing this in mind, asking rents in adolescent submarkets still outperformed, increasing by 53.3% over the last 10 years, compared to the greater market's 30.1% rise.

Source: Newmark Research

A Closer Look

The 15 submarkets were evaluated and ranked based on their historical growth and post-COVID-19 performance. The scoring system attributed 60% of a market's score to 10-year increases in occupancy, inventory, and asking rents. The remaining 40% was influenced by changes in total vacancy—where smaller increases resulted in higher scores—and asking rent gains from the first quarter of 2020 to the fourth quarter of 2024.

Manhattan's Far West Side, Downtown Chicago's Fulton Market, and Las Vegas' Southwest achieved the highest rankings. Below are overviews on two of the three submarkets, highlighting the defining characteristics of adolescent corridors in both urban and suburban settings.

Manhattan's Far West Side

Fifteen years ago, the Far West Side submarket consisted of 3.5 million square feet of underutilized office space and the West Side Yard, a train car storage area. Rezoning in the early 2010s paved the way for one of the nation's largest development projects. Following the construction of a platform over the rail yards, the first office property, 10 Hudson Yards, was completed in 2016. Since then, over 16.0 million square feet of new office space has been developed by major landlords, including Related, Brookfield, and Tishman Speyer. The submarket's tenant base is diverse, with notable occupiers such as BlackRock, Pfizer, Meta, KKR, HSBC, Coach, Wells Fargo, NHL, WarnerMedia, EY, and Skadden Arps.

The Far West Side previously struggled with accessibility due to limited public transportation, but in 2015, the Metropolitan Transportation Authority (MTA) extended the 7-subway line to the Far West Side. Additionally, the area is situated one avenue west of Penn Station. Complementing the office developments, several residential, retail, hotel, and mixed-use projects have been completed, fostering a balanced live-work-play environment.

A second development phase focused on residential and mixed-use projects in the submarket's westernmost region encountered delays due to the pandemic. Meanwhile, a proposal by Related and Wynn Resorts to develop a casino is pending, as New York State has yet to issue the necessary casino license.

Eighty-five percent of the Far West Side's office inventory was developed within the past decade, the highest share among the 15 submarkets surveyed. During the same period, the area experienced significant occupancy growth and rent increases.

Las Vegas' Southwest

The Southwest serves as the primary office hub for the market, strategically positioned between Henderson and Summerlin, where many executives reside. With abundant developable land, proximity to I-215, adjacency to Harry Reid International Airport, and just a 9-minute drive to The Strip, the corridor offers strong locational advantages. Recent population growth has driven demand from office-using businesses, including banks, homebuilders, insurance companies, and law firms. A growing labor force and an expanding retail amenity base further enhance the corridor's appeal to office tenants.

The submarket's office stock is primarily low-rise, with UnCommons standing out as its most high-profile development. This 47-acre mixed-use community is designed as a vibrant enclave, featuring 807 apartments, 135,318 square feet of retail, 341,776 square feet of office space, and a 123-door hotel upon full buildout. Completed in two phases from 2022 to 2023, the office component was nearly fully leased at the time of writing, attracting prominent tenants such as DraftKings, Morgan Stanley, BDO, GenuBank, Sotheby's International Realty, Deloitte, EY, and Wells Fargo Advisors. The project includes four of Greater Las Vegas' seven trophy office buildings, is the first in Nevada to achieve WELL Certification, and has drawn much of its tenant base from neighboring submarkets.

Beyond UnCommons, the Southwest's major office tenants reflect the region's core industries. Notable occupiers include Everi Holdings, a slot machine producer; Golden Entertainment, a casino operator; International Game Technology, a leading developer of casino games; and MGM Resorts International. As of the fourth quarter of 2024, the submarket's total vacancy rate stood at 8.3%, the lowest among the surveyed submarkets.

Implications

Top-performing adolescent submarkets can be less stable than their adult counterparts during periods of contraction, influencing how property owners, developers, and investors approach them. For example, speculative development in adolescent corridors was common before the pandemic, when capital costs were low, and leasing activity was robust. However, the 'build it and they will come' mindset has shifted to a 'wait for them to come first' strategy, often requiring anchor tenants to be secured before groundbreaking.

Timing also plays a critical role in sales activity. Adolescent submarkets with strong fundamentals—such as population growth, healthy vacancy rates, and well-received new construction—are better positioned for pricing growth than markets lacking these attributes. Savvy investors aim to enter these corridors before prices climb, but opportunities may be scarce as most office owners, aware of their property's desirable location, are holding off on sales.

Up-and-Coming Submarkets

Nascent office corridors remain largely inactive. Before the pandemic, these areas showed promising growth potential, but progress has since stalled as office tenants, developers, and investors have shifted their focus to more established locations. This could change if U.S. office leasing dynamics see significant improvement, and high occupancy and rents in top-performing adult and adolescent markets gradually push price-conscious tenants to explore alternative options. However, this shift is unlikely to occur in the near term.

Only one submarket, on the cusp of adolescence, has shown signs of strength:

Miami's Wynwood/Design District

Over 20 years ago, developers began acquiring land in the Wynwood/Design District for redevelopment, recognizing its potential due to its proximity to premier Miami office markets like Brickell and Miami Beach. As redevelopment efforts progressed, the area initially saw clusters of art galleries and design centers. Midway through the transformation, L Catterton and LVMH joined the efforts to create an architecturally innovative cultural district featuring luxury shopping, fine dining, museums, and green spaces that complemented the existing creative hubs.

As the district evolved into Miami's "place to be," offering unparalleled access to the live/work/play lifestyle, creative spaces were redeveloped into office buildings. This formula has proven ideal for attracting young professionals and high earners, contributing to the area's population growth.

In recent years, the district has drawn prominent office tenants, including Sony, Miami International Holdings, PwC, and Blockchain.com. Today, the submarket commands some of Miami's highest office rents, second only to nearby Brickell Avenue and Miami Beach. However, a wave of new office supply has caused vacancy to rise to 19.9%, above Greater Miami's 14.9% average.

Closing Thoughts

More Than Trophy

The pandemic instigated a major shift in office use and accelerated space densification strategies. Couple this with today's subdued leasing volumes, and the result, at the building level, will be fewer winners and more losers compared to prior real estate cycles. An asset's success hinges on the interplay of its location, quality, occupancy, and debt situation. Even trophy buildings, which are satisfying the perennial flight-to-quality requirements of corporate tenants and, based on this alone, are set to outperform other asset classes, are not immune.

Location is one of the most crucial factors in determining an asset's value. Even if two trophy properties are identical, their location can drastically impact their price. Thus, location takes precedence, followed by the quality of its product. The occupancy and debt profile of an asset are important as well.

A trophy asset in a prime location, despite having stable occupancy, might be overleveraged and at risk of default, especially with loan maturations approaching within the next 24 months. Commercial real estate debt often requires a balloon payment, and a property with debt originated before 2022 (when interest rates were lower) may now have a lower valuation today, adding additional loan servicing costs to the owner and reducing the amount of capital available for reinvestment into the property. This increases the likelihood of needing a cash-in refinance. Securing additional credit becomes increasingly difficult if a major tenant vacates and the building's income declines. As a result, lenders, particularly traditional lenders, are hesitant to finance office properties, with regulatory pressures giving them additional pause.*

* Some large borrowers have found reprieve in the CMBS market, however.

Opportunities

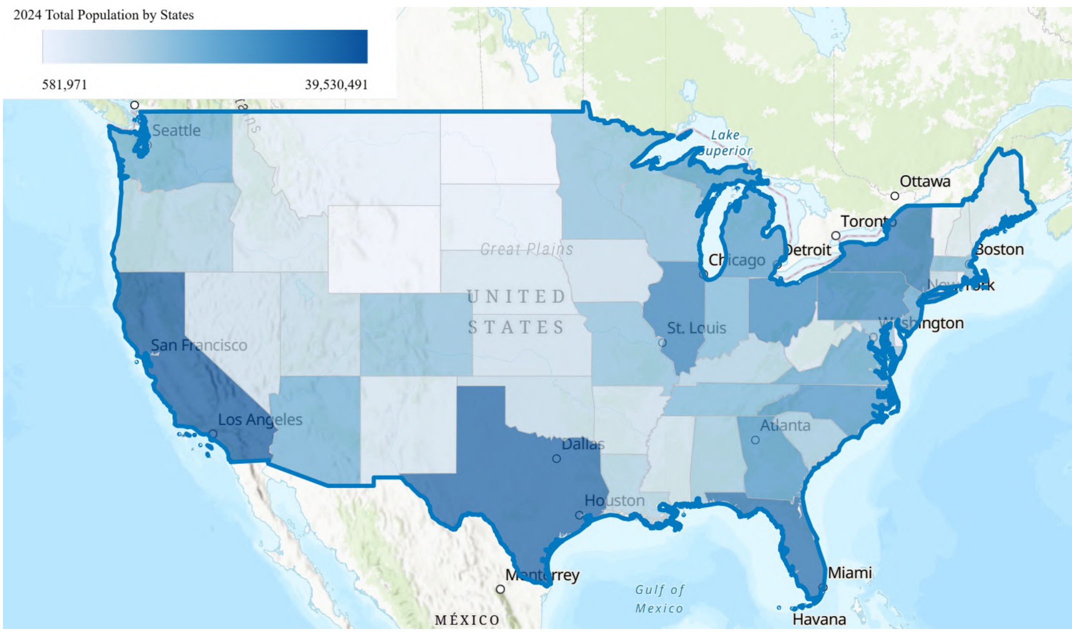
Most of today's active office investors are private individuals targeting desirable, overleveraged buildings available at significantly reduced prices. This strategy allows them to reset debt payments and offer competitive rents to attract tenants. In recent quarters, there have also been a few user-purchases, as some companies opt for ownership over renting to better control their future space needs. Meanwhile, institutional investors remain largely risk-averse, staying on the sidelines until prices bottom out and macro leasing volumes show improvement. Prime office corridors continue to top the lists of all buyers.

Recognizing and understanding the nation's top submarkets, their current cycle position, and premium buildings is critical for both occupiers and investors. Leasing fundamentals in top-performing areas typically surpass those of the broader market. What is resilient and currently outperforming will gain additional strength—and value—as macro leasing conditions improve and prices rise.

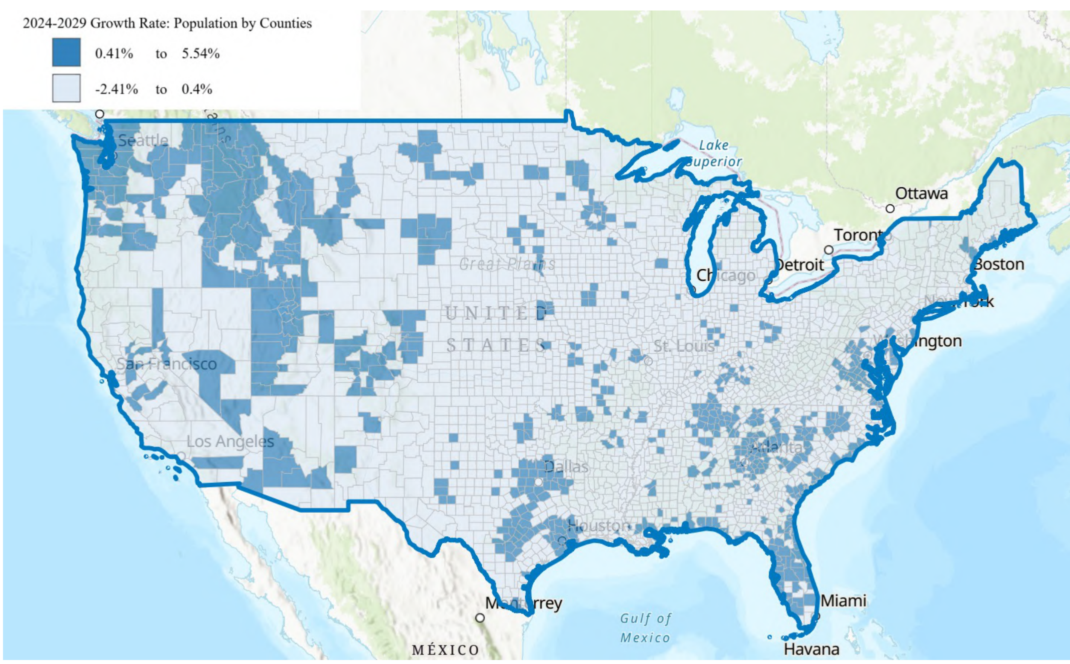
Today's sluggish leasing activity will accelerate if more companies mandate a full return to the office, and, after years of reducing footprints, some realize they now have a space deficit. Leasing will also increase as business expansion and office-using employment grow—both of which rely on a stable U.S. economy and lower capital costs. Markets with substantial and growing populations are likely to see leasing gains as an expanding resident base draws in more office-using businesses to meet demand.

State Populations and County Growth Projections

Total Population by State | 2024



Population Growth Projections by County | 2024-2029 CAGR



The list of today's leading submarkets is not static and may expand over time. For example, San Francisco's South Financial District, which had a 4.1% trophy vacancy before the pandemic, could see reactivation if tech contractions shift to expansions. Similarly, Greater Boston's East Cambridge—where life sciences and tech tenants once kept trophy vacancies at 3.8%—may experience a resurgence. East Cambridge benefits from a strong foundation, with proximity to Harvard University and MIT, a wealth of amenities, and excellent public transit. However, its primary occupier base remains largely dormant. For now!

Source: Newmark Research, Esri

Action Items for Tenants and Investors

Tenants

- Evaluate Space Needs: Assess your current and future space requirements based on your organization's workplace strategy. Consider whether reducing or redesigning your office layout could improve employee productivity and morale.
- Analyze Location Benefits: Review proximity to key transport links, amenities, and markets that are critical to your business. Evaluate how these factors align with your operational goals and employee preferences.
- Focus on Quality: Prioritize leasing in trophy and high-quality buildings with diverse amenities, as these environments can enhance recruitment and retention efforts.
- Negotiate Lease Terms: Take advantage of current market conditions to secure favorable lease terms, including flexible arrangements that address evolving business needs. Keep in mind that leverage varies across markets, as each cycles at different times. Ultimately, trophy properties in desirable market areas will outperform, with stronger rent growth and lower vacancy compared to sub-caliber assets.
- Plan for Technological Integration: Ensure your office space is equipped with the technological infrastructure needed to support remote and hybrid work models, enabling seamless digital integration.

Investors

- Identify Resilient and Emerging Markets: Research and invest in top-performing submarkets or those showing growth potential. Pay close attention to population trends, economic developments, and leasing fundamentals to identify opportunities early.
- Focus on Trophy Assets: Target high-quality, overleveraged properties in prime locations that may be available at discounted prices, offering strong returns. Additionally, consider performing trophy assets in locations with stable fundamentals and strong growth potential.
- Hold: For owners of trophy buildings with healthy balance sheets and favorable submarket locations, holding the asset often makes sense, especially when it is already producing solid returns.
- Consider Adaptive Reuse: Explore opportunities to redevelop or repurpose dated office properties into mixed-use or residential spaces, particularly in high-demand, mature markets.
- Monitor Market Trends: Stay updated on macroeconomic indicators and leasing trends to strategically time investments and acquisitions as markets recover and evolve.
- Assess Risks and Financing: Be cautious of overleveraged properties with upcoming debt maturities. Conduct thorough risk assessments and ensure flexible financing arrangements to navigate potential financial challenges.
- Plan for Future Scenarios: Prepare for varying leasing activity outcomes as companies potentially mandate fuller returns to the office, which could impact space demand and market dynamics.

By following these action items, tenants can optimize space use to align with their business objectives, while investors can make informed decisions that capitalize on current and future market trends. As a leading commercial real estate advisor and service provider to large institutional investors, global corporations, and other owners and occupiers, Newmark is well-positioned to assist.

Appendix Section

Statistics for the Top-Performing Corridors

Mature and Established Submarkets

Trophy Office Buildings | 4Q24 Data

Top-Performing Submarkets					Greater Market			
Submarket	**Inventory (SF)**	**Total Vacancy (Current)**	**Total Vacancy (5-Yr Average)**	**Leasing Act. Over the Last 5 Yrs as a % Inventory**	**Inventory (SF)**	**Total Vacancy (Current)**	**Total Vacancy (5-Yr Average)**	**Leasing Act Over the Last 5 Yrs as a % Inventory**
Century City (Los Angeles)	5,688,558	12.0%	8.3%	56.4%	24,005,635	16.1%	13.8%	36.2%
Uptown/ Turtle Creek (Dallas-Fort Worth)	7,105,876	17.0%	15.0%	46.8%	13,884,914	26.3%	22.9%	35.8%
West Loop (Chicago)	15,671,456	10.8%	11.3%	26.3%	20,179,819	12.5%	11.9%	29.7%
D.C.'s CBD (Washington, D.C.)	6,140,183	10.5%	16.4%	39.7%	12,077,135	11.6%	13.8%	53.4%
Park Avenue (Manhattan)	9,439,654	5.6%	6.6%	67.2%	87,346,330	9.6%	11.9%	37.3%
Back Bay (Boston)	4,241,843	5.8%	4.2%	31.4%	12,947,677	11.9%	8.0%	38.5%
Total	48,287,570	10.4%	10.5%	43.0%	170,441,510	13.2%	13.0%	37.4%

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	Top-Performing Submarkets				Greater Market			
Submarket	Inventory (SF)	Total Vacancy (Current)	Total Vacancy (5-Yr Average)	Leasing Act. Over the Last 5 Yrs as a % Inventory	Inventory (SF)	Total Vacancy (Current)	Total Vacancy (5-Yr Average)	Leasing Act Over the Last 5 Yrs as a % Inventory
Century City (Los Angeles)	4,937,667	18.2%	15.5%	38.5%	112,050,491	27.6%	21.4%	31.5%
Uptown/ Turtle Creek (Dallas-Fort Worth)	6,510,912	31.0%	26.0%	33.9%	155,688,993	28.1%	25.2%	27.6%
West Loop (Chicago)	29,299,554	23.4%	18.6%	27.0%	73,801,141	23.9%	19.0%	28.7%
D.C.'s CBD (Washington, D.C.)	17,755,235	19.5%	19.1%	38.7%	69,050,082	18.0%	16.8%	35.8%
Park Avenue (Manhattan)	14,823,488	5.9%	7.0%	49.6%	194,887,601	11.1%	10.6%	34.2%
Back Bay (Boston)	6,851,814	25.6%	13.4%	30.0%	33,586,407	24.1%	15.5%	29.4%
Total	80,178,670	19.8%	16.5%	35.3%	639,064,715	21.1%	17.9%	31.4%

Emerging-Maturing Submarkets

Top-Peforming Submarkets | 4Q24 Data

Top-Performing Submarkets and Their Corresponding Greater Markets						
Submarket	**Inventory (SF)**	**Total Vacancy (Current)**	**Occupancy Growth Over the Last 10 Yrs (SF)**	**Occ Growth as a % of Inventory**	**Inventory Built in Last 10 Yrs (SF)**	**% of Inventory Built Over the Last 10 Yrs**
Bellevue – CBD	13,900,956	12.0%	4,349,092	31.3%	5,404,493	38.9%
Seattle	137,661,253	21.2%	3,806,673	2.8%	22,391,571	16.3%
Santa Clara – Central Expy North	4,150,423	11.6%	2,687,981	64.8%	3,213,049	77.4%
Silicon Valley	96,128,443	19.5%	14,093,958	14.7%	31,495,185	32.8%
Sunnyvale – Peery Park	5,020,799	12.5%	2,314,909	46.1%	1,588,104	31.6%
Silicon Valley	96,128,443	19.5%	14,093,958	14.7%	31,495,185	32.8%
Irvine Spectrum	12,910,208	15.6%	3,099,614	24.0%	4,169,114	32.3%
Orange County, CA	95,537,407	17.5%	788,469	0.8%	5,995,079	6.3%
UTC	9,861,026	10.1%	3,433,587	34.8%	2,426,765	24.6%
San Diego	74,938,796	16.8%	974,808	1.3%	7,076,865	9.4%
Tempe	10,206,991	26.6%	3,726,125	36.5%	4,751,703	46.6%
Phoenix	97,503,247	26.5%	9,308,673	9.5%	13,527,983	13.9%
Southwest	8,463,826	8.3%	2,392,668	28.3%	1,802,957	21.3%
Las Vegas	39,900,097	12.5%	6,050,497	15.2%	3,086,210	7.7%
Tech Corridor	19,396,705	18.3%	7,963,239	41.1%	10,546,019	54.4%
Utah	68,338,457	17.7%	10,422,307	15.3%	17,366,413	25.4%
Legacy/Frisco	35,664,864	32.4%	4,168,406	11.7%	11,729,843	32.9%
Dallas-Fort Worth	285,869,611	24.6%	10,321,603	3.6%	39,395,097	13.8%
The Woodlands	16,408,828	16.4%	3,185,681	19.4%	4,919,017	30.0%
Houston	255,332,024	25.2%	-6,423,340	-2.5%	29,273,549	11.5%
Fulton Market	8,665,599	24.7%	6,319,697	72.9%	4,224,030	48.7%
Chicago	156,036,785	23.9%	5,389,354	3.5%	15,786,179	10.1%
Midtown	24,003,789	29.9%	2,915,310	12.1%	6,432,386	26.8%
Atlanta	159,568,157	26.2%	277,801	0.2%	18,017,365	11.3%
NoMa	11,717,348	11.8%	1,501,576	12.8%	1,471,626	12.6%
Washington, D.C.	365,629,968	21.0%	4,937,633	1.4%	24,851,385	6.8%
Far West Side	19,297,299	11.9%	13,633,016	70.6%	16,075,390	83.3%
Manhattan	457,912,114	13.2%	-12,778,271	-2.8%	28,035,146	6.1%
Seaport District	10,136,224	17.6%	293,645	2.9%	2,459,993	24.3%
Boston	68,294,362	21.9%	-4,290,923	-6.3%	6,145,652	9.0%
Total: Top-Performing Submarkets	209,804,885	19.9%	61,984,546	29.5%	81,214,489	38.7%
Total: Greater Markets	2,454,779,164	20.6%	56,973,200	2.3%	293,938,864	12.0%

Source: Newmark Research

Please reach out to the regional contacts cited below for additional market-level information.
Greater market reports are also accessible via **https://www.nmrk.com/insights.**

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