# Us office real estate shows signs of turnaround amid persistent challenges



The United States office real estate sector continues to grapple with significant challenges as demand remains subdued, leading to historically high vacancy rates across most markets. However, data from the first quarter of 2025 indicate emerging signs that momentum could be building within the sector.

According to Orest Mandzy, Managing Editor of CRE Direct, "It's no secret that the country's office sector continues to suffer from lackluster demand, resulting in historically high vacancy rates in most markets. The biggest casualties have been older buildings, but we might have hit bottom as some of the smart money is now looking to start buying or developing anew."

The insights come from the Q1 2025 Quarterly Data Review (QDR) published by Trepp, a leading provider of data and analytics to the commercial real estate, banking, and structured finance markets. The report reveals several key developments in the office property market and broader commercial real estate financing landscape.

In the first quarter of 2025, Real Estate Investment Trusts (REITs) have shown renewed interest in office acquisitions and developments. Leasing volumes by office REITs increased by 7.8%, an improvement driven by strategic repositioning towards Sun Belt and secondary markets, areas that have been more resilient in the face of shifting demand patterns.

On the financing side, Commercial Mortgage-Backed Securities (CMBS) issuance soared by 110% year-over-year to $45.8 billion in Q1 2025. This growth was propelled primarily by single-borrower transactions and reflects increased lender confidence in the sector. Despite the headwinds, lenders are showing greater appetite for office sector loans, which signals cautious optimism in the market.

Trepp's Property Pricing Index indicated that office property prices rose slightly by 0.76% in the fourth quarter of 2024, marking a potential turning point after significant declines. Still, prices remain approximately 20.35% below their peak in 2022, underscoring the sector's lingering difficulties.

The report also highlights rising distress in certain property types. Delinquent CMBS loan volumes climbed to $39.26 billion, with new distress largely coming from multifamily and hotel assets rather than office properties. Meanwhile, the federal government's lease termination risk adds an additional layer of uncertainty; over $2.7 billion in federal rent obligations are subject to early termination options through 2028, according to the General Services Administration.

Commercial Real Estate Direct (CRE Direct), which is a subsidiary of Trepp and a focused source on commercial real estate capital markets, provides extensive real-time reporting on these trends, noting that while the sector continues to face strong challenges, the uptick in acquisitions, lending, and leasing activity could suggest the sector has found a floor.

Trepp, founded in 1979 and headquartered in New York with additional offices in Dallas and London, continues to provide crucial data and technology solutions that assist market participants in trading, research, risk management, and portfolio management. As the office market moves through 2025, stakeholders are carefully monitoring these evolving dynamics.

For more detailed information on the Q1 2025 QDR insights and data, Trepp recommends accessing the full report through their website or contacting their press office.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.reuters.com/business/cre-market-sentiment-dropped-by-most-in-q1-since-pandemic-survey-finds-2025-04-24/> - This article reports a 30.5% decline in optimism in the U.S. commercial real estate financing market in Q1 2025, driven by new tariff policies and rising geopolitical tensions, aligning with the article's mention of subdued demand and high vacancy rates in the office sector.
2. <https://www.reuters.com/markets/us/new-york-workers-return-office-ignites-deal-hopes-battered-real-estate-market-2025-03-07/> - This piece discusses the renewed interest in New York office properties as companies call employees back to the office, indicating a potential recovery in the commercial real estate market, which supports the article's mention of emerging signs of momentum in the sector.
3. <https://www.axios.com/2025/01/10/office-return-vacancies-remote-workers> - This article highlights that office vacancies hit a record high of 20.4% in major metro areas, despite efforts to encourage a return to the office, corroborating the article's claim of historically high vacancy rates across most markets.
4. <https://www.plantemoran.com/explore-our-thinking/insight/2025/plante-moran-realpoint/office-real-estate-market-report-2024-q4> - This report projects that vacancy rates in the office market will exceed 13.9% in 2025, with office values having dropped by 40% to 45%, aligning with the article's mention of high vacancy rates and declining property values.
5. <https://www.cbre.com/press-releases/investment-recovery-to-gain-momentum-despite-interest-rates-remaining-higher-for-longer> - This press release from CBRE anticipates a 5% increase in overall office leasing volume in 2025 and a topping out of the national vacancy rate at 19%, indicating cautious optimism in the market, as mentioned in the article.
6. <https://www.nar.realtor/research-and-statistics/research-reports/march-2025-commercial-real-estate-market-insights> - This report notes that despite improved demand for office space, vacancy rates remain near record highs, with the national office vacancy rate at 14.1%, supporting the article's assertion of high vacancy rates in the office sector.
7. <https://news.google.com/rss/articles/CBMi_wFBVV95cUxOWlVMTnRHYjhsVmtmczlFQ1NMdXJVeFpGNFJtdUJ2aGREV0dvakFnVk1ndlFFSGJxVDhqMmRpZWRBY2tmMUY1N0I2bzFjQmZOM1VvUWc1ZTQ2M0tDdjRsemRqd0Rhc2x6Yk1OVnY1OENVSVJnU3lpTlNqTlZ3SXJWeXZLcWd3SVpna0tXV0xMY0JYVVkxYURJMG1MVWRMM19hNmZnSDlyY0FEcnZYU0xWbEpfV0NrdUR6M0RFbWdtLUt2SUMyMWs2OUpRNjNPTHBsQUV2WVZMbEUyZTNfRjZtcUpudklpMG5HMGF6cXFGbUVSSm9JTlIwd2gtVmxVcWs?oc=5&hl=en-US&gl=US&ceid=US:en> - Please view link - unable to able to access data