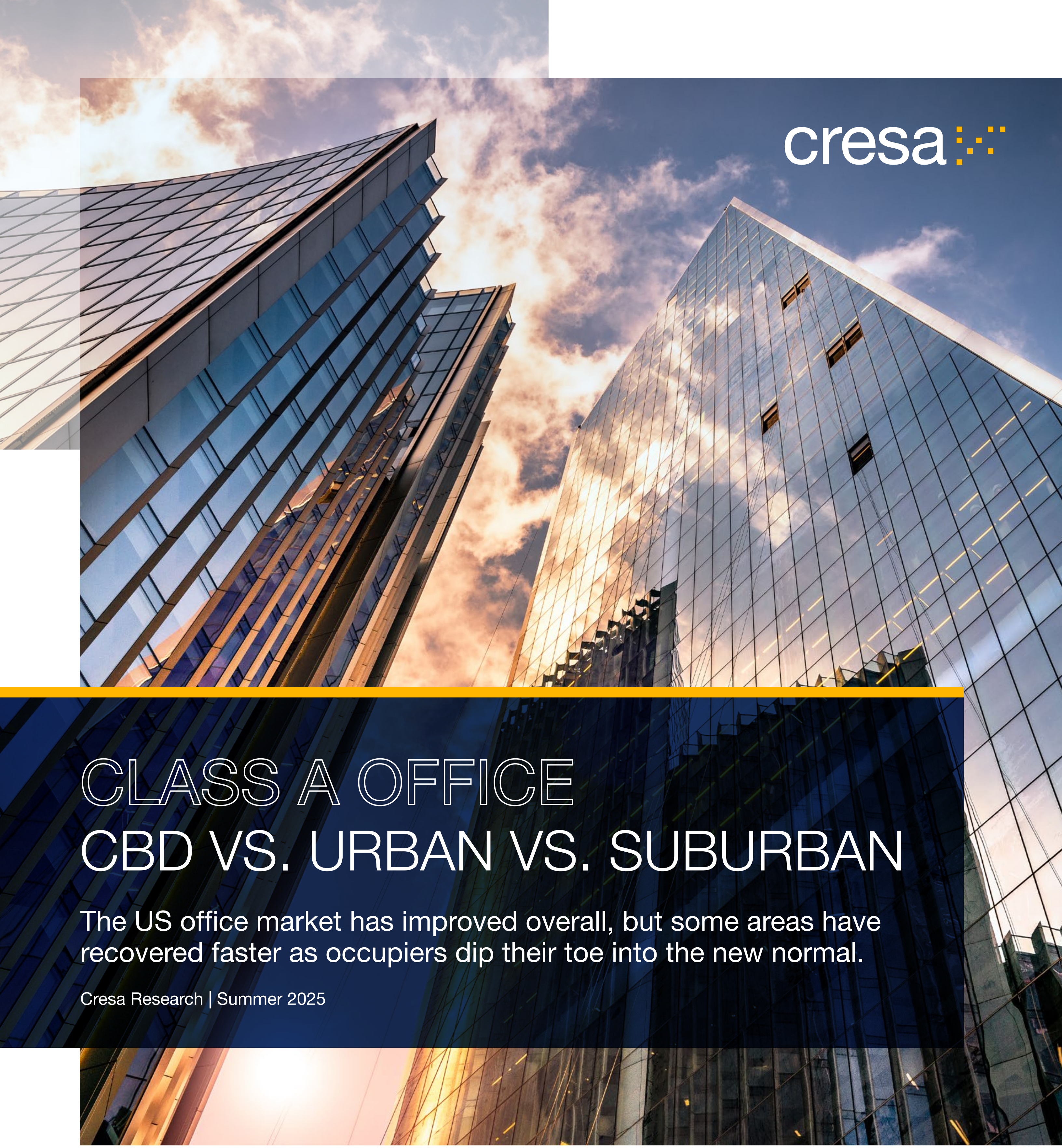


CLASS A OFFICE
CBD VS. URBAN VS. SUBURBAN

The US office market has improved overall, but some areas have recovered faster as occupiers dip their toe into the new normal.

Cresa Research | Summer 2025

Post-Pandemic Office Market Fundamentals Within Metros Are Performing Contrarily

Central Business Districts (urban cores) enjoyed a remarkable run in the 2010s as occupiers responded to workers that wanted to be located downtown near amenities and a faster-paced lifestyle. Immediately after Covid, demand for decentralized office spaces increased as workers wanted to be closer to home and avoid public transportation. With four years since the tapering of pandemic restrictions, how are occupiers in metros responding? This report examines trends in CBDs, Urban, and Suburban areas before and after the Covid-19 pandemic. Definitions for the different areas can be found below.

CBD VS. URBAN VS. SUBURBAN

For the purposes of this report, we focused on Class A leased office buildings over 50,000 square feet in US metros that were identified to be located in one of the following three categories:

CBD
High density primary business districts

Urban
High density non-primary business districts

Suburban
Low density non-primary business districts.

These classifications were derived from CoStar defined areas. An example of these area classifications for the Chicago metro can be found on the following page.

MARKET HIGHLIGHTS

DIRECT VACANCY

CBD	Urban	Suburban
19.9%	21.8%	19.0%

1-YEAR RENT GROWTH

CBD	Urban	Suburban
0.8%	0.8%	1.2%

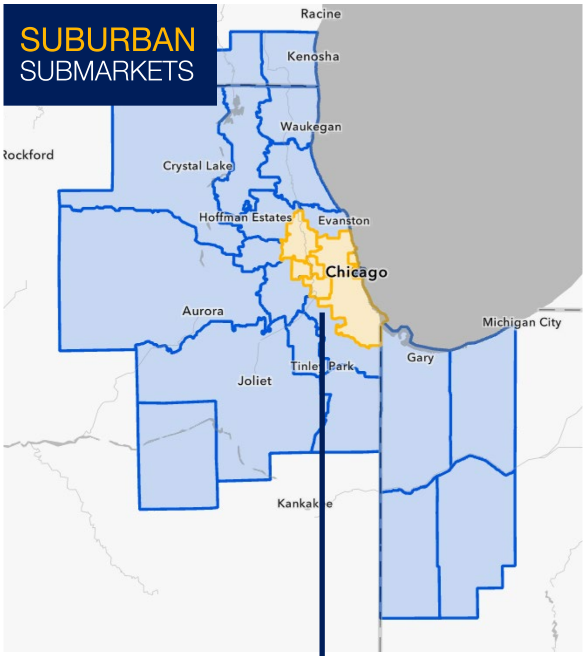
1-YEAR NET ABSORPTION

CBD	Urban	Suburban
-2.8MSF	+1.7MSF	+5.1MSF

Source: CoStar, Cresa

IDENTIFYING
CBD V. URBAN V. SUBURBAN

SUBURBAN SUBMARKETS



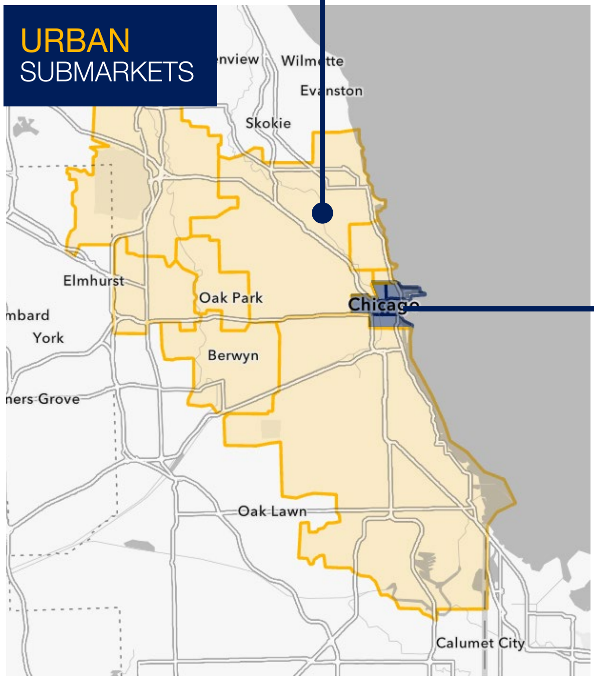
The largest US office markets have all been negatively impacted by remote work trends following the end of the pandemic. There have been recent positive signs of improvement, but some markets have been recovering quicker than others. Furthermore, some areas within metropolitan areas have also responded in different ways. The geographic areas evaluated in this report include CBD, urban, and suburban. An example of these geographic distinctions is shown below for the Chicago metro area and its associated office submarkets.

CHICAGO METRO

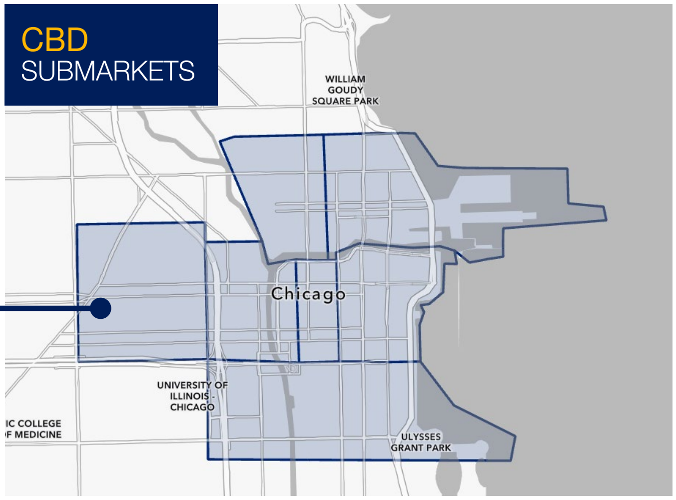
Class A Office Buildings

Area	Volume SF	# of Bldgs
CBD	98.5M	126
Urban	10.5M	49
Suburban	45.6M	231

URBAN SUBMARKETS



CBD SUBMARKETS



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COMPARING
CBD V. URBAN V. SUBURBAN

CHANGES SINCE Q1 2021

Class A office spaces within metros have performed in distinctive ways. The table below shows the change in market performance since the first quarter of 2021. The highlighted cells indicate which geographic area has performed better (or less poorly) during that time. Overall, suburban markets have responded better than either CBD or urban locations.

	CBD			URBAN			SUBURBAN		
	Q1 2021	Q1 2025	Change	Q1 2021	Q1 2025	Change	Q1 2021	Q1 2025	Change
Inventory SF	1.333 B	1.395 B	+61.7 M	794.9 M	851.6 M	+56.7 M	1.065 B	1.111 B	+46.5 M
Asking Rate $SF	$52.48	$53.63	$1.15	$40.18	$41.17	$0.99	$30.38	$32.09	$1.71
Vacancy Rate	13.00%	19.90%	+690 bps	17.0%	21.80%	+480 bps	15.0%	19.00%	+400 bps
Availability Rate	20.80%	25.40%	+460 bps	23.8%	28.20%	+440 bps	22.0%	25.60%	+360 bps
Net Absorption (TTM)	-23.8 M	-2.8 M	+21.0 M	-13.6 M	1.7 M	+15.3 M	-12.4 M	5.1 M	+17.6 M
Under Construction SF	53.5 M	19.9 M	-33.5 M	38.2 M	13.5 M	-24.7 M	26.7 M	7.9 M	-18.7 M
Net Deliveries (TTM)	17.6 M	14.6 M	-3.0 M	16.5 M	10.3 M	-6.2 M	21.1 M	11.2 M	-9.9 M
Sales Volume (TTM)	$13.5B	$13.7B	+$0.2B	$14.0B	$4.6B	-$9.4B	$9.6B	$5.3B	-$4.4B
Sales Price Per SF	$552	$412	-$140	$363	$299	-$64	$233	$201	-$32

Indicates performed best since the first quarter of 2021

DRIVERS OF SHIFTS IN PREFERENCES TO LOCATIONS

Office markets' reaction to the pandemic is dynamic and the fallout is still reverberating as occupiers strategically think about current and future space needs. Commercial real estate decisions are long-term and many leases (approximately 30 to 40 percent of current lease obligations) were signed pre-pandemic. After years of momentum for locating in urban cores, there has been a trend for decentralization, favoring flexibility and proximity to residential areas. Suburban office markets have generally performed better, while CBDs and urban locations continue to grapple with structural shifts and where and how people work. The following are some of the takeaways and drivers in these trends:

Demand

Many companies have downsized their footprints as remote work has reduced the need for centralized locations.

Vacancy

Vacancy and sublease space has sharply increased (particularly in CBDs), although the amount of sublease space is drifting lower.

Slow Recovery

The return-to-office has been gradual and appears to be flattening as occupancy – compared to pre-pandemic levels – remains between 60 to 80 percent.

Cost Advantages

Suburban leases are typically less expensive, providing cost savings for firms that want to "relocate or expand.

Employee Preferences

Generally, employees enjoy the flexibility and shorter commute times that many suburban locations offer when they are required to be in the office.

Flight-to-Quality

A bright side for CBDs is the opportunity for companies to upgrade their space and available amenities and have taken advantage of generous lease packages to relocate to higher quality space. The downside is the severe lack of demand for Class B and C space, fueling continued overall high vacancy.

Source: CoStar, Cresa

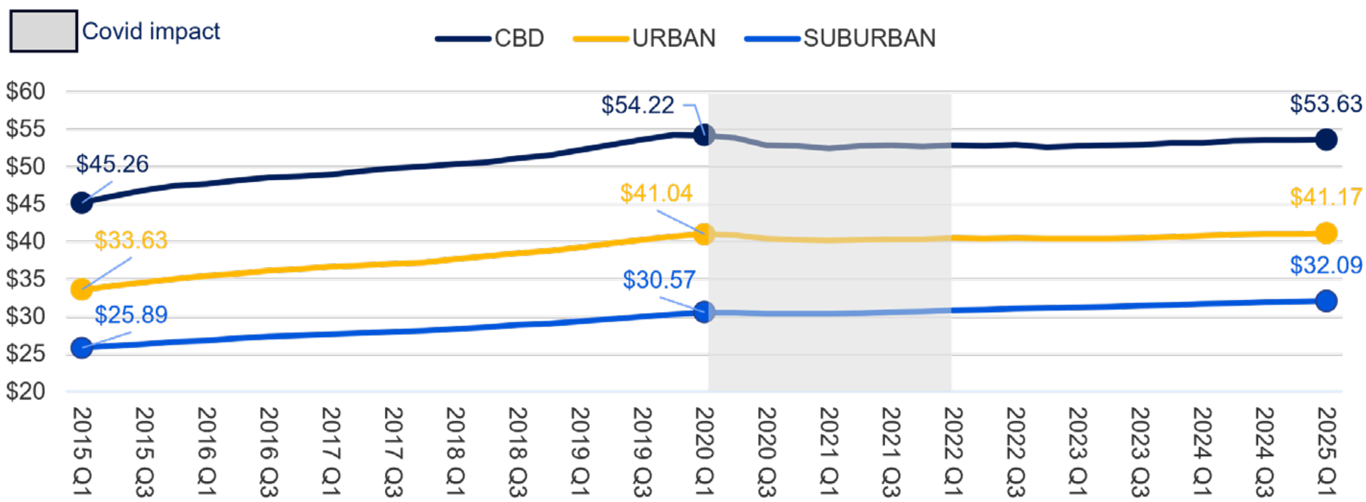
CBD V. URBAN V. SUBURBAN

ASKING RENT TRENDS – CLASS A

ASKING RENT CHANGES

Quarterly Rates

Asking rates for office space have been generally flat for CBD, urban, and suburban areas since the end of the pandemic. However, landlords have been trying to hold rates for as long as possible while offering more concessions such as additional free rent and higher TIs. The result has been lower nominal rents. CBDs have seen the biggest decline in asking rents.



ASKING RENT CHANGES

Year-over-Year % Change

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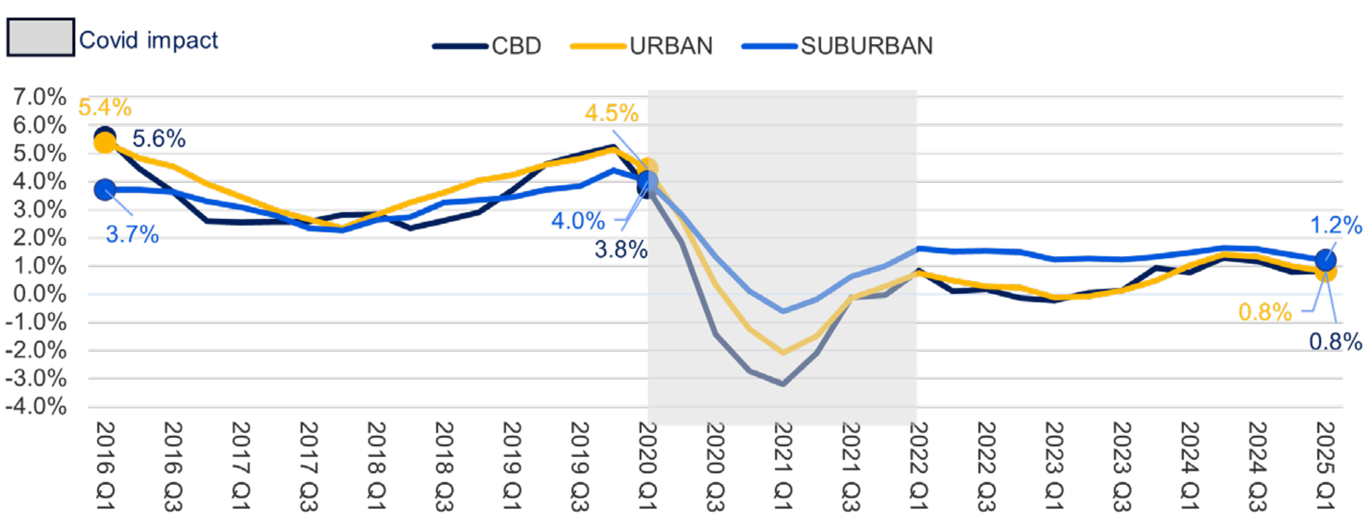


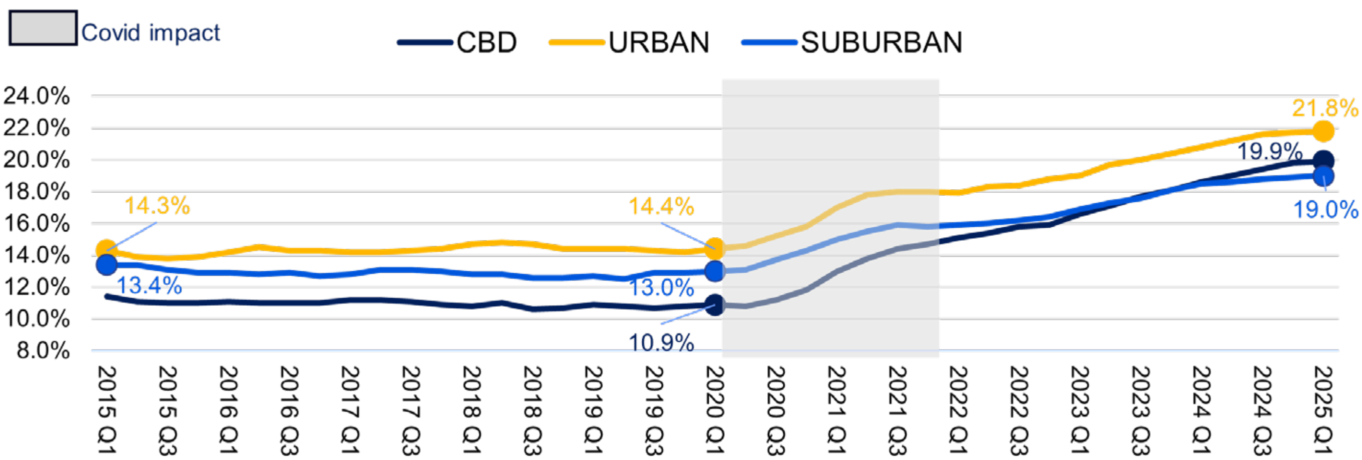
Source: CoStar, Cresa

CBD V. URBAN V. SUBURBAN

OCCUPANCY TRENDS – CLASS A

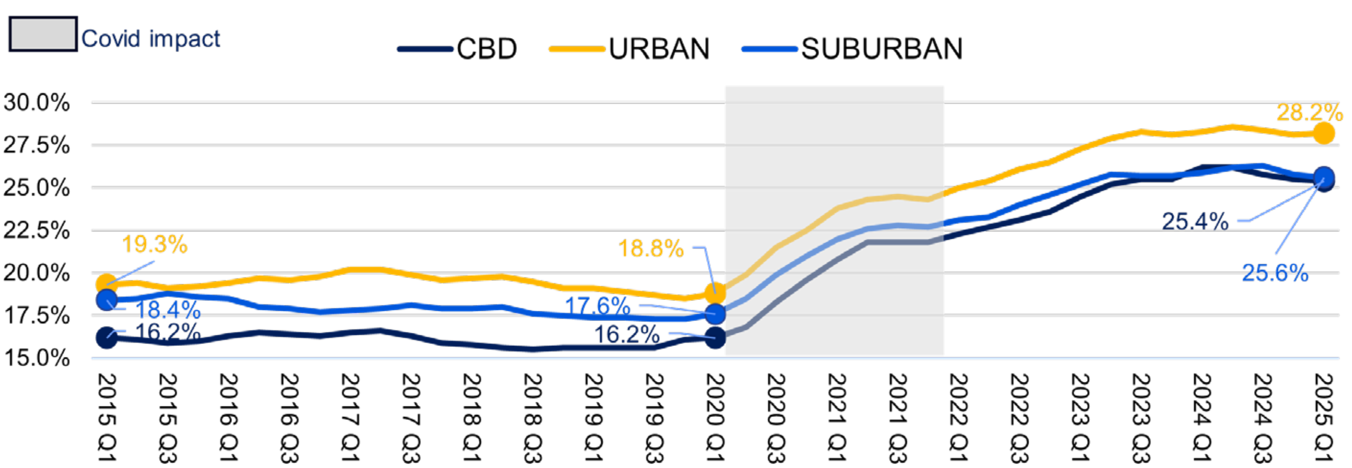
DIRECT VACANCY RATE
Quarterly

Direct vacancy steadily increased in all three geographic areas and have remained elevated. CBD office vacancy has jumped 900 basis points since the first quarter of 2020, the highest of the three areas. Suburban office space increased the least, rising by 600 basis points. As of the end of the first quarter of 2025, urban areas have the highest direct vacancy rate, at 21.8 percent.



AVAILABILITY RATE
Quarterly

Availability rates include any space that is available, regardless of whether the space is vacant, occupied, available for sublease or available at a later date. All three areas have availabilities over 25 percent, with urban areas having the highest availability rate as of the most recent quarter. However, each of the areas have seen rates level off and begin to fall over the past several quarters.



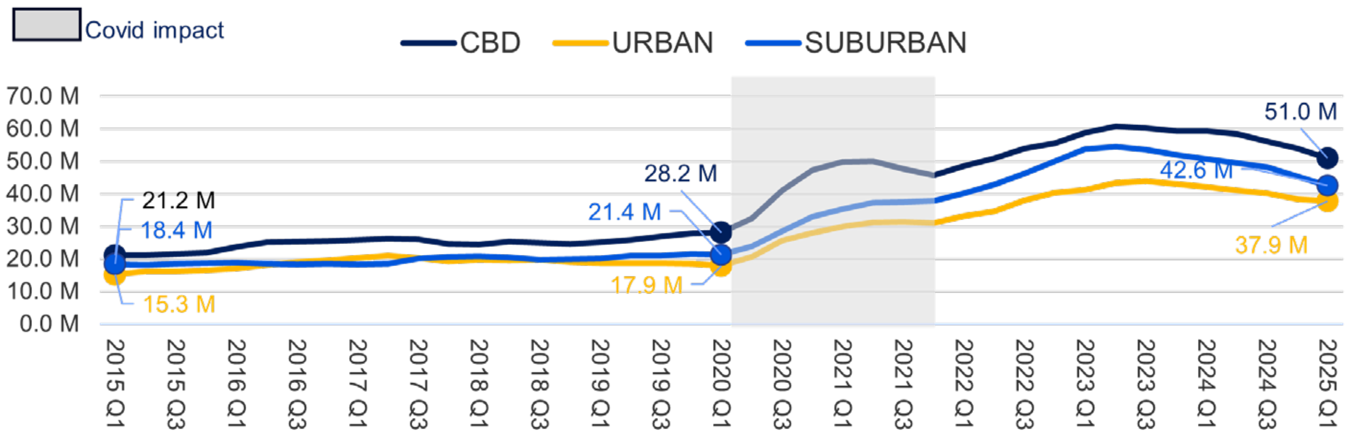
Source: CoStar, Cresa

OCCUPANCY TRENDS – CLASS A

TOTAL SUBLEASE SF AVAILABLE

Quarterly Rates

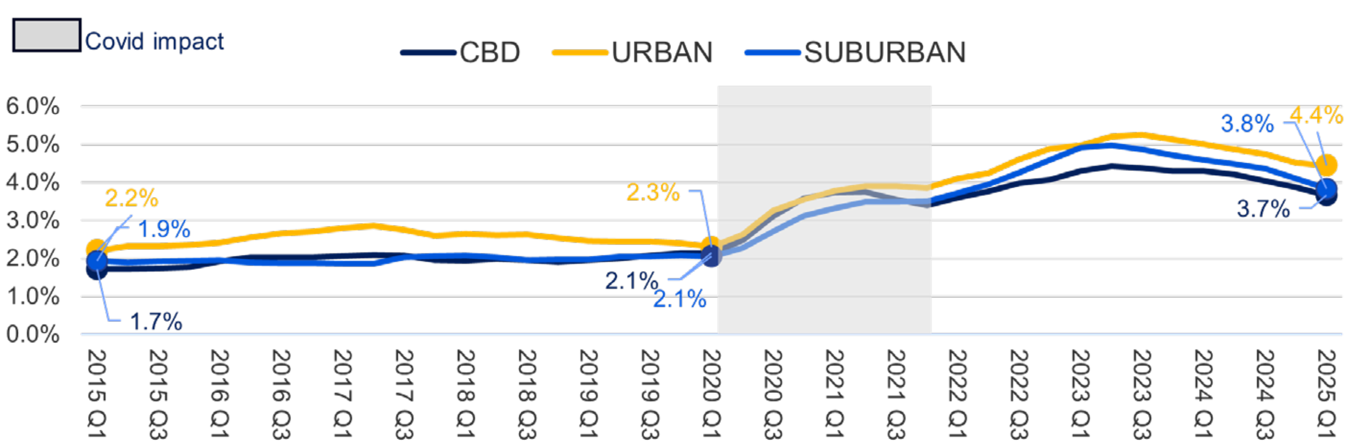
Sublease square footage has started to drop in all three geographic areas since the start of 2023 but remains historically elevated. CBD office space peaked at 60.8 million square feet to close the second quarter of 2023 and has lowered by nearly 10 million square feet since that time. During that same period, suburban office dropped by 12 million square feet.



TOTAL SUBLEASE AVAILABILITY AS A PERCENTAGE OF INVENTORY

Year-over-Year % Change

Sublease square footage as a percentage of inventory provides a more direct comparison of how the different geographies are performing over time. Suburban and CBD office space have generally performed similarly before and after the pandemic.

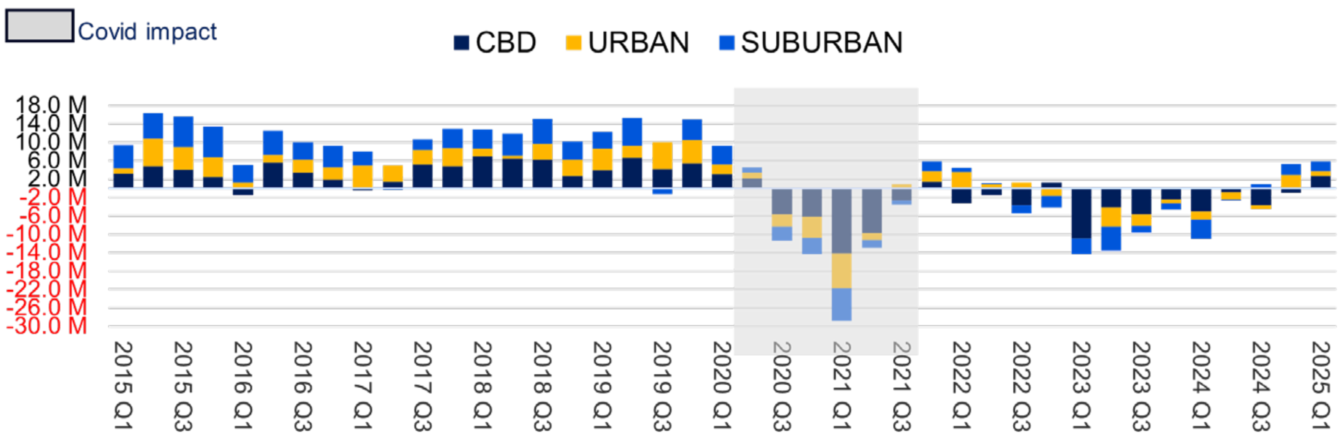


Source: CoStar, Cresa

CBD V. URBAN V. SUBURBAN
OCCUPANCY TRENDS – CLASS A

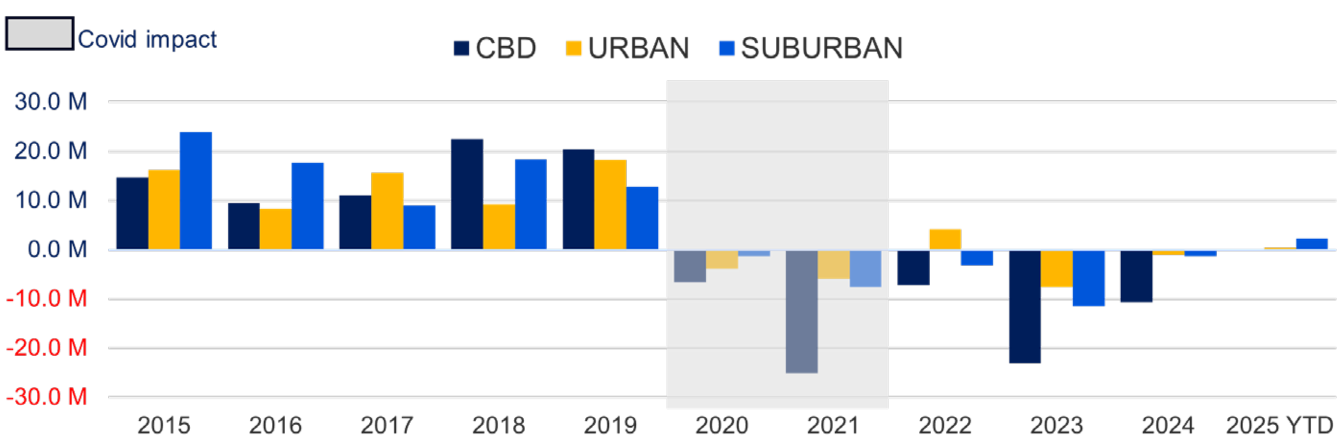
NET ABSORPTION SF
Quarterly

Net absorption has dropped sharply since the third quarter of 2020. Since that time, all three geographies have shed 119.6 million square feet of Class A office space, with CBD office space dropping 75.2 million square feet, representing 62.9 percent of the total loss in occupancy. There has been general improvement in the last two quarters.



NET ABSORPTION SF
Yearly

Net absorption square footage has slowed across all three geographies, with urban and suburban office spaces generally neutral in 2024. Still, CBD office spaces shed over 10 million square feet in 2024.Suburban office spaces gained 2.3 million square feet of positive net absorption in the first quarter of 2025, the largest gain since second quarter of 2020.

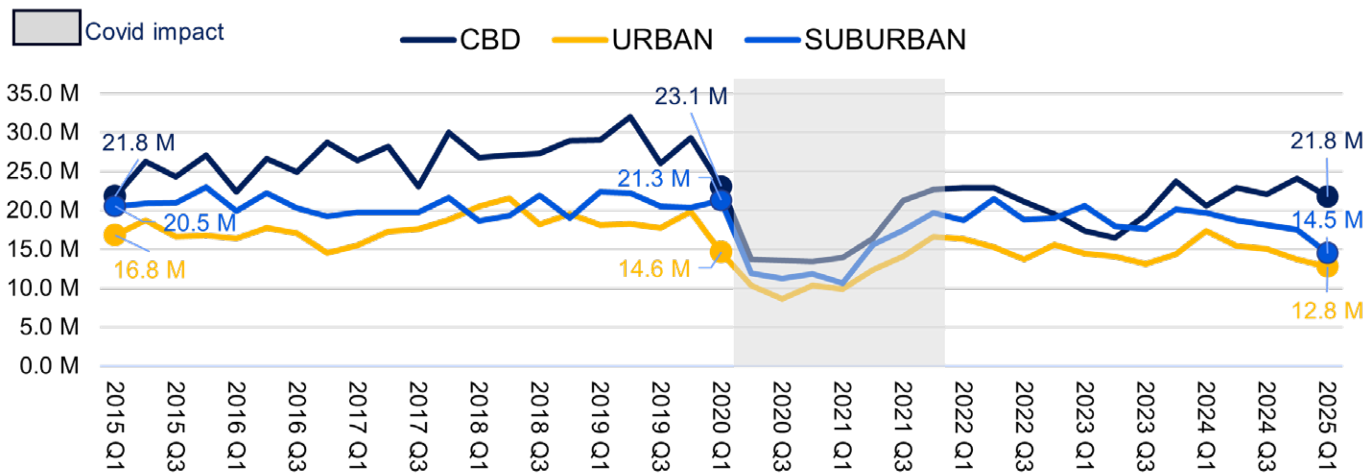


Source: CoStar, Cresa

LEASING TRENDS – CLASS A

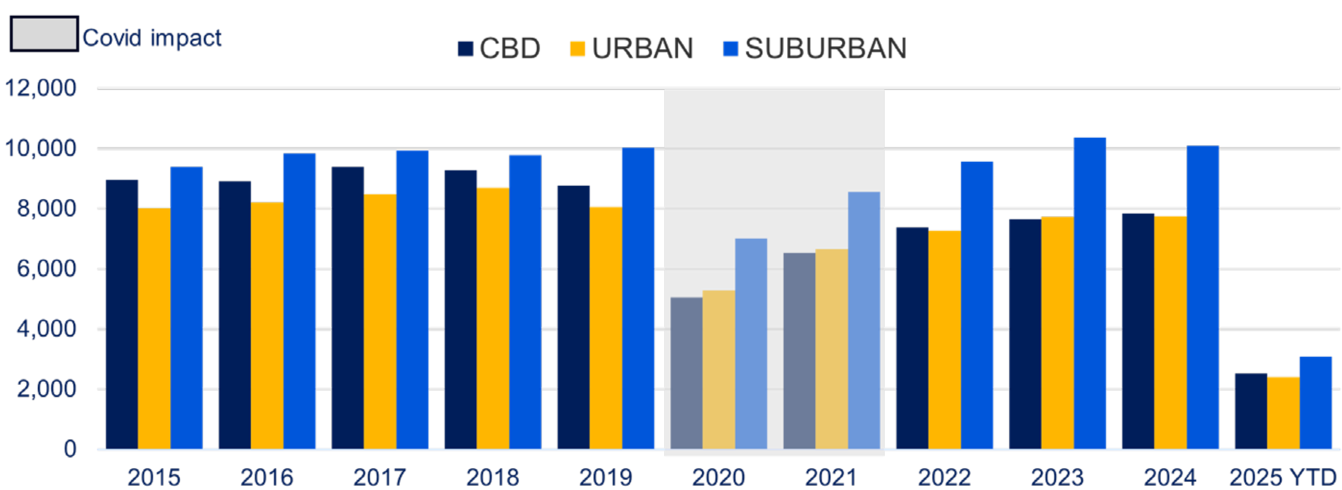
LEASING VOLUME SF
Quarterly

Leasing volume has dropped sharply in all three geographic areas, compared to pre-pandemic. CBD office space dropped the largest percentage, with volume dropping 23.4 percent from 2015 through 2019 compared to 2021 through 2024. Suburban office leasing volume dropped the least with 12.6 percent decline.



NUMBER OF LEASE TRANSACTIONS
Yearly

The number of lease transaction have started to recover, with suburban office spaces making the most gains, returning to pre-pandemic levels. Both CBD and urban offices are still well behind leasing velocity from 2015 through 2019.



Source: CoStar, Cresa

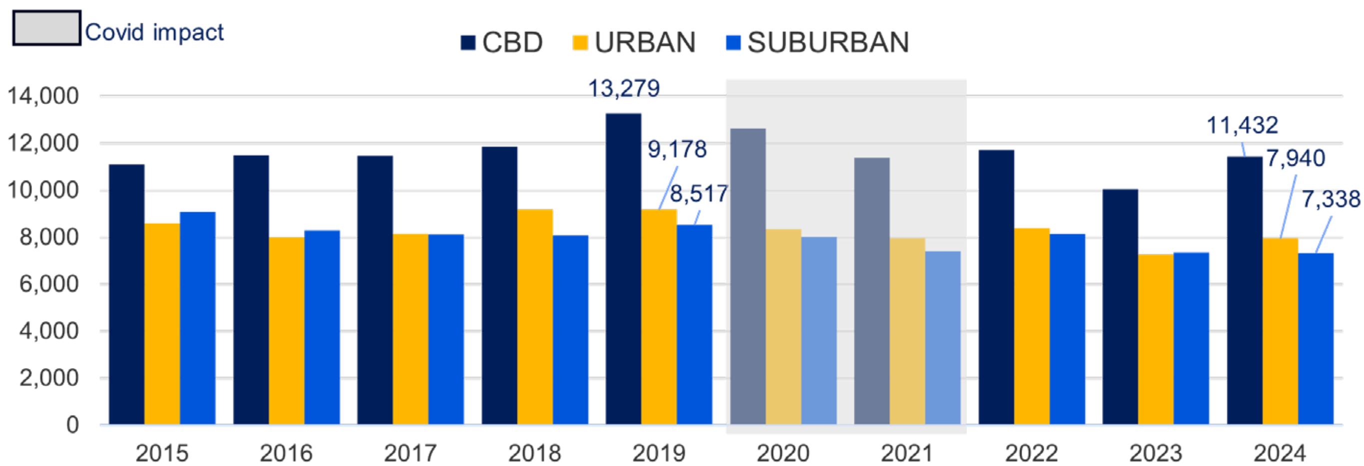
CBD V. URBAN V. SUBURBAN

LEASING TRENDS – CLASS A

AVERAGE LEASE DEAL SIZE SF

Yearly

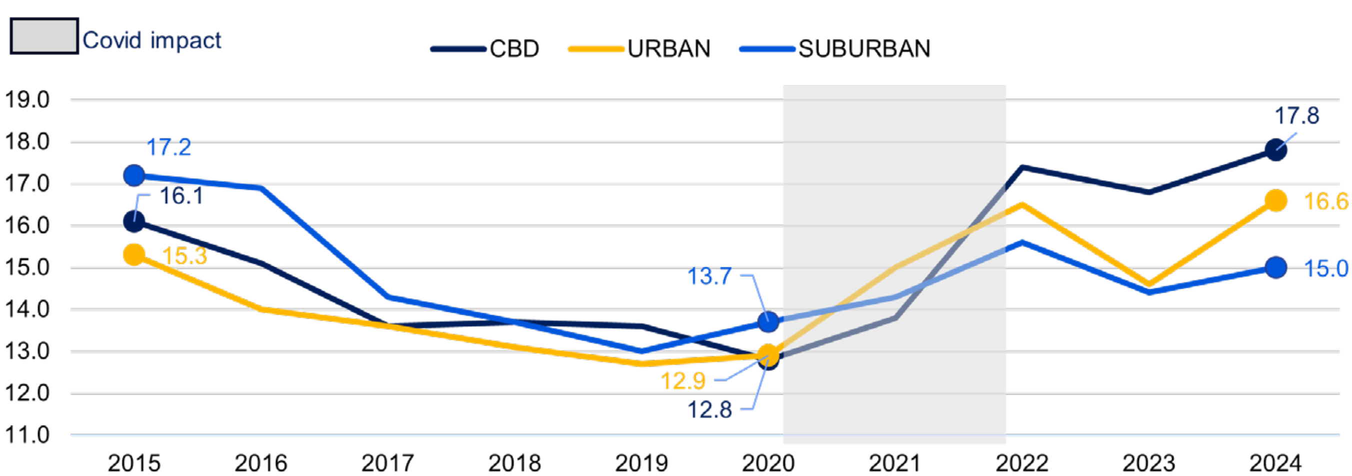
CBD office space have historically had the largest average deal size, but average deal size fell 13.9 percent between 2019 and 2024. Average deal size for both urban and suburban office space fell a similar level, 13.5 percent and 13.8 percent, respectively.



AVERAGE MONTHS TO LEASE

Yearly

The average time to lease Class A office space has increased over the past several years. The biggest increase in time from pre-pandemic lows to the most recent quarter was the CBD, which takes on average another 5 months to lease. Meanwhile, suburban office space has only increased 1.3 months during the same period.



Source: CoStar, Cresa

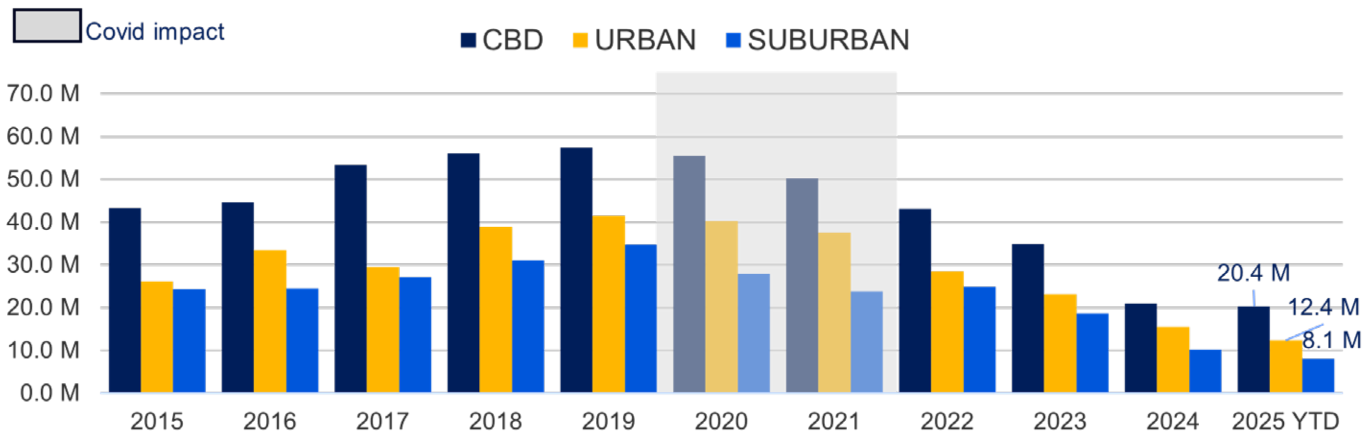
CBD V. URBAN V. SUBURBAN

CONSTRUCTION TRENDS – CLASS A

UNDER CONSTRUCTION SF

Annual Year End Totals

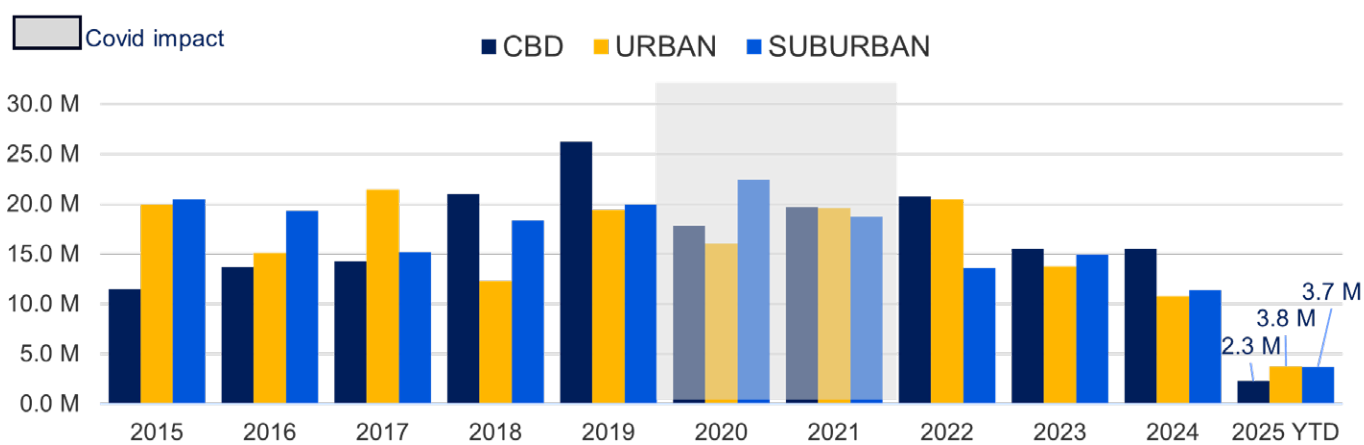
Weakened demand has diminished construction levels for all three geographic areas. The amount of square footage under construction is at the lowest levels in the past decade. During the first quarter, suburban office space under construction was under 10 million square feet.



NET DELIVERIES

Yearly

Under construction square footage has dropped as projects have delivered due to weakened demand, elevated borrowing costs, and high construction expenses. For the past four years, the CBD has led new deliveries compared to urban and suburban areas.



Source: CoStar, Cresa

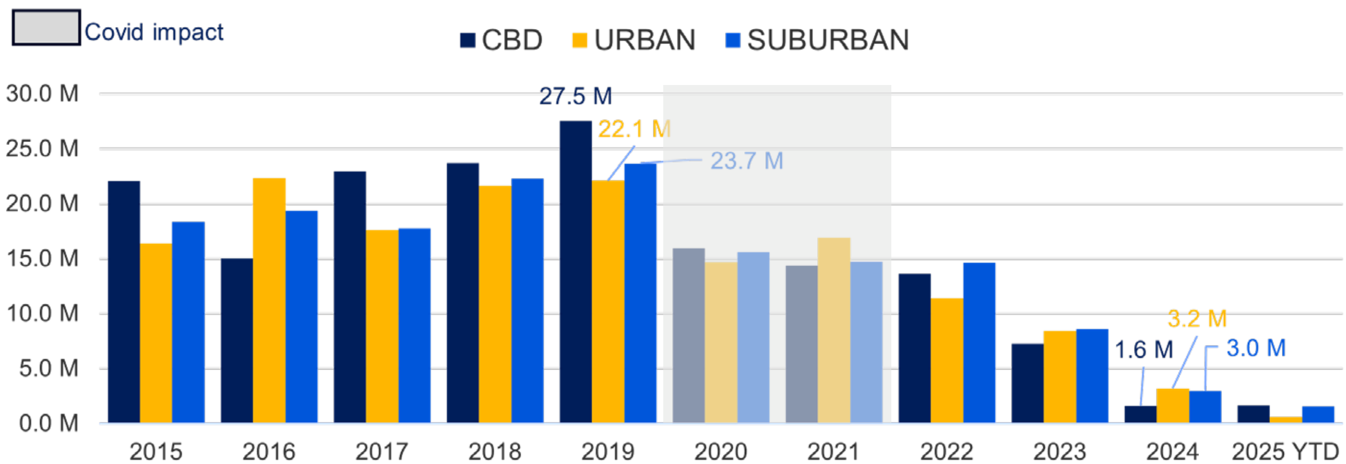
CBD V. URBAN V. SUBURBAN

CONSTRUCTION TRENDS – CLASS A

CONSTRUCTION STARTS SF

Yearly

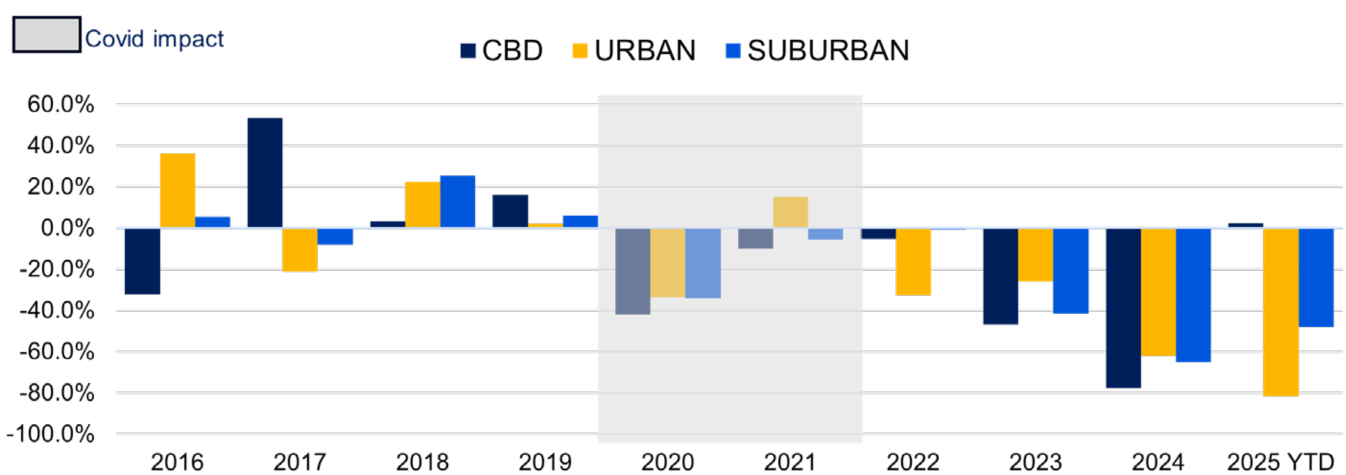
New construction starts have stalled across all geographies, with historic low new developments in 2024. Since the start of 2021, suburban areas have started the most square footage of new office developments, followed by urban and CBD areas. Construction starts have dropped around 50 percent from averages before the pandemic.



CHANGE IN CONSTRUCTION STARTS

Yearly

Construction starts have increasingly fallen between 2021 and 2024. However, the first quarter got off to a strong beginning for CBDs, with nearly 1.7 million square feet of office space started, outpacing the combined square footage for CBD office starts in 2024.



Source: CoStar, Cresa

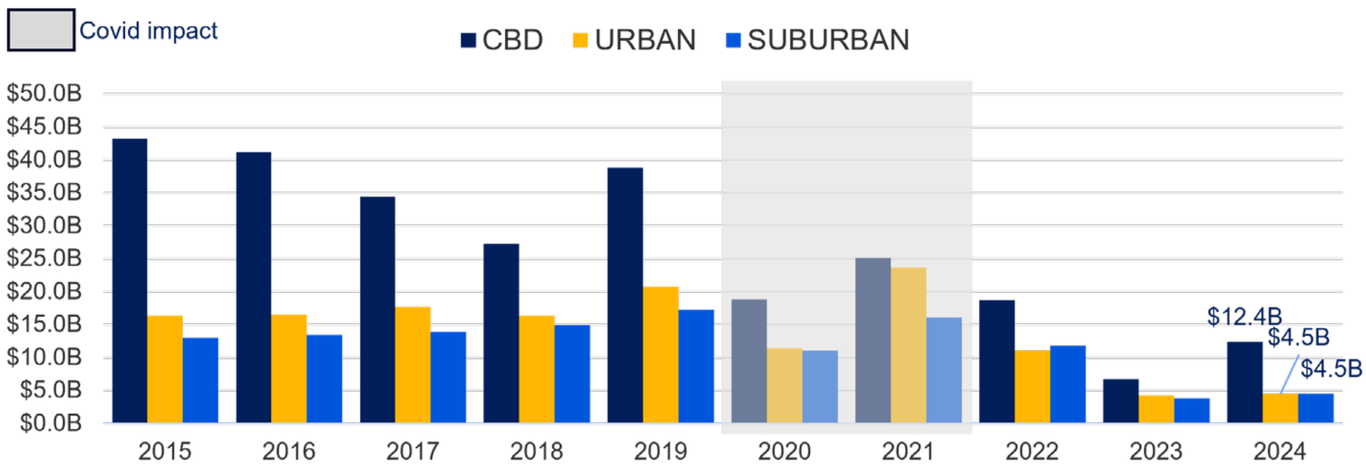
CBD V. URBAN V. SUBURBAN

CAPITAL MARKET TRENDS – CLASS A

SALES VOLUME

Yearly

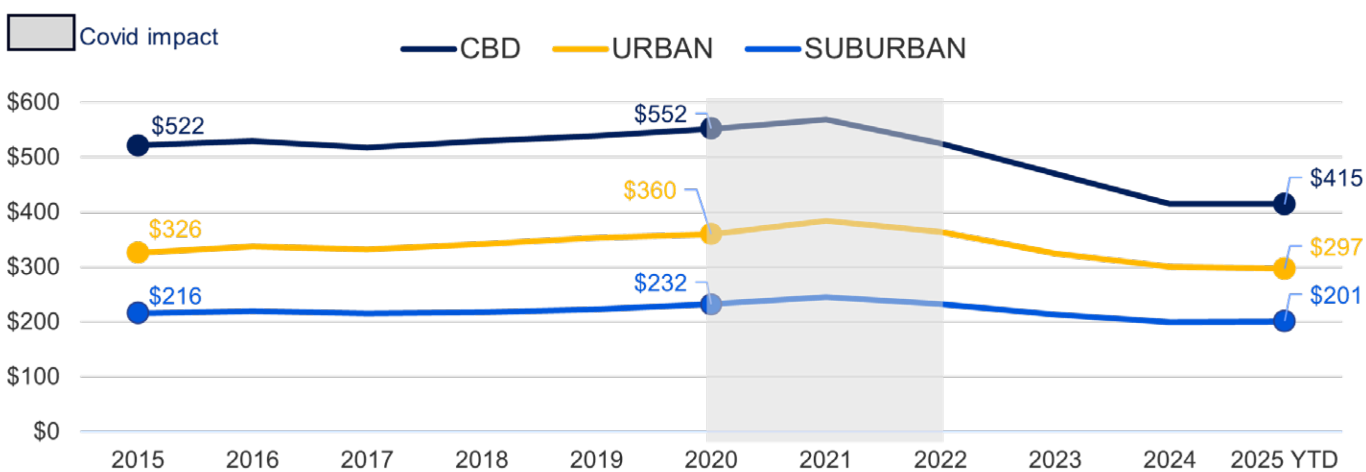
Class A office sales volume has trended lower for the past three years for all three geographic areas. One exemption to that trend is CBD office sales volume increased between 2023 and 2024. Total office sales volume within CBDs has outpaced urban and suburban, due to higher sales prices in downtown cores.



SALES PRICE PER SF

Quarterly

The price per square foot for Class A office space has steadily dropped for all geographies, pricing in the risk of weak demand. The sharpest drop is within CBD areas, which dropped $154 per square foot from a high of $569 per square foot. This represents a 27.1 percent decrease, while urban and suburban office prices per square foot decreased 21.9 percent and 18.4 percent, respectively.



Source: CoStar, Cresa

LOOKING AHEAD

The pandemic has fundamentally shifted how and where office workers operate. As the attraction and retention of talent continues to be a primary driver of strategic space planning, occupiers are responding with a nuanced approach that balances the need for in-person collaboration and flexibility. The result has pushed office location decisions and their footprint size to the forefront. The early winner has been suburban office spaces which have performed better, compared to CBDs and other urban areas. These drivers include proximity to residential areas, lower costs, and more flexibility. Still, CBDs and urban areas play a crucial role in the vitality and dynamics of metro areas and will continue to attract employers. Highly-amenitized and newer generation office spaces in centralized locations have remained in demand, while older, lower-quality buildings have suffered. Efforts to convert and provide the highest and best uses for these underutilized properties will help to reduce vacancy and attract more companies to lively neighborhoods and submarkets. However, this will take time and as more pre-pandemic leases role, occupiers will need to negotiate how they respond and invest in their local communities.

Notes & Definitions

The data included within report includes the following selected criteria:

- Class A US office markets, including all office buildings over 50,000 square feet. The data set includes only leased office buildings and removes owner-occupied buildings.
- Office market geographies are defined as:
  - CBD – High density primary business districts
  - Urban – High density non-primary business districts
  - Suburban – Low density non-primary business districts.
- The data was collected from CoStar and Cresa.

About the Author

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Craig serves as the Head of Research for Cresa, the leading commercial real estate tenant advisory in the world. The research role provides insight, thought leadership, and trends impacting occupiers of real estate, and supports existing client relationships and business development.

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