

# Stable office leasing provides base for recovery in demand in the year ahead

Leasing volume holds steady throughout 2024 but remains below its historical average



Only Austin, Texas, saw a greater increase in office leasing activity in 2024 than San Francisco, shown here, where leasing volume bounced back, increasing 40% above 2023 levels. (Anthony Lindsey/CoStar)

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Office leasing has found a new level, one that is lower than it was before the pandemic hit in 2020 but still strong enough to support demand growth as move-outs decline.

Tenants signed new leases for about 417 million square feet of office space in 2024, an average of about 1.2% of inventory per quarter. Leasing activity has been remarkably consistent since the end of 2022, suggesting that the office market has found a measure of stability as occupiers settle on their current and future space needs.

Nationally, this overall leasing volume is still about 13% less than the typical quarterly amount leased between 2015 and 2019, equating to nearly 44 million square feet on an annual basis. In 2023 and early 2024, many occupiers were still cutting a lot of office space when their leases expired, and the reduced leasing volume was not enough to stem the tide of occupancy losses. More recently, however, occupiers have slowed their office footprint adjustments, allowing overall occupancy to stabilize even with the lower level of leasing activity.

Two other national office leasing trends continued throughout 2024. First, the number of leases continued to increase. By the end of the year, tenants were executing lease transactions at a rate of more than 30,000 per quarter, a level not observed since 2018. Second, those office lease deals kept getting smaller. The year's average deal size of just over 3,400 square feet was the smallest since the middle of 2021 when many occupiers still faced restrictions on office attendance. It is also 17% below the average office lease size of the late 2010s.

The trend of office tenants signing more but smaller leases is a broad one, leading to [below-normal volume in about two-thirds of the nation's top 50 office markets](#). However, two cities offer notable exceptions that could be a leading indicator of where office leasing activity goes in 2025.

New leasing volume in San Francisco reached 1.5% of the market inventory by the fourth quarter of 2024, an increase of 40%. While still well short of the 2.0% level that was typical in the market during the boom years from 2015-2019, it led all other Gateway markets. Furthermore, only Austin, Texas, saw a larger year-over-year office leasing surge than San Francisco.

New York also saw stronger leasing in 2024, with volume increasing 16% from 2023. The 1.1% of market inventory leased in the fourth quarter was within 5% of its pre-pandemic average and contributed to over 5 million square feet of increased office occupancy over the last three quarters of the year.

Meanwhile, Boston saw office leasing volume decline steadily throughout last year, reaching 0.6% of the market inventory in the fourth quarter. This matched the market's low point in early 2021 and suggests that the market is still struggling to find ways to replace the demand that biotech firms once supplied.