

US office tenant demand is back in positive territory

Leasing outpaces space reductions for first time since 2019

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For the first time since 2019, the nation's office tenants are committing to more space than they're giving up, clearing a significant hurdle on market's road to recovery.

Net absorption, the change in space measured by move ins minus move outs, climbed in the final months of last year across the United States, meaning the office market was able to land its first year of positive leasing since 2019, according to data in a Newmark report issued this month. It comes as CoStar research found that office vacancy may have peaked.

The extended imbalance of move-outs exceeding new deals appears to have settled as tenants signed on for about 12.5 million square feet more than they dumped throughout last year, according to the data.

About 9.5 million square feet of positive absorption was reported throughout the final quarter of 2025 alone, Newmark found, a stark comparison to the negative 30 million square feet throughout the same time in 2020.

Colin Connolly, chief financial officer of Sun Belt-focused landlord Cousins Properties, told analysts in the past week that "the backdrop is really, really positive."

He added that the firm considers the data to mean the nation is "close to an inflection point where it will very much become a landlord's market," after years in which tenants were in the driver's seat as they assessed their real estate requirements in the wake of the pandemic spurring remote work.

Easing vacancy rate

That sent the national vacancy rate to a record high of 14.2% last year, according to CoStar data.

The figure has since edged lower to 14%, hinting that the rate has largely hit its peak, according to CoStar research. While U.S. office leasing has yet to fully recover to pre-pandemic levels, the 12 million square feet of deals signed in the third quarter is the most since 2019.

Phil Mobley, CoStar's national director of office analytics, said he still doesn't expect "any dramatic change in vacancy this year." While job growth among the nation's employers has finally translated into larger and more consistent office deals, "that job growth is really slow."

The days of widespread office reductions seem to be in the rear-view mirror, according to Newmark, which found that space cutbacks stabilized in 2025.

The national market "is largely headed sideways from the standpoint that demand has stabilized and we don't have the bleeding out of occupancy that we had until the middle of last year," Mobley said.

BXP, formerly known as Boston Properties, landed more than 5.5 million square feet of deals throughout last year, a volume that helped boost its portfolio leased rate to 92.5%.

Accelerating demand in 2026

CEO Owen Thomas said the company "has every reason to be confident that the positive environment we're experiencing for leasing will continue into 2026 as companies are expected to grow at double-digit rates and accelerate beyond 2025 levels."

While cities along the East Coast have commanded the lead in terms of accelerating demand, markets big and small across the country have benefitted from companies adopting stricter attendance mandates and having a clearer picture of their future real estate strategies.

"Demand is accelerating, construction is de minimis, and there's approximately 20 million square feet a year being taken out of inventory," Connolly said.

The market remains bifurcated as tenants' preference for space in the newest and nicest properties continues to widen the gap between options at the premium end of the office quality spectrum and their less-desirable counterparts.

A number of landlords — including Cousins, BXP and Vornado Realty Trust — say the leasing momentum will only build as construction hits all-time lows and the demand for premium space continues to climb.

"We see a shortage of premier space starting to take shape in 2028 and beyond," Connolly said. "There are some other trends that will kick in sometime in the not-too-distant future that could increase renewal activity because of the shortage of available space."