COMPSTAK

2024 Year-End Office Market Report

A CompStak Biannual Report

Gateway U.S. Office Markets

KEY FINDINGS

OFFICE JOB DECLINES SLOWED IN 2024

Office-using employment dipped slightly (-0.1%) in 2024, with financial services growing while TAMI and professional services shrank for a second year.

WFH TRENDS MAY BE STABILIZING

Remote work declined for the fourth year, but the slowdown in decline suggests hybrid work may be reaching an equilibrium.

PRIME CLASS A RENTS APPROACH A POSSIBLE PEAK

Prime Class A office rents continued their strong growth trajectory in 2024, potentially reaching a cyclical peak as demand outpaces supply. Meanwhile, Class B+ space saw rising rents, indicating a possible spillover effect in demand.

Gateway U.S. Office Markets

KEY FINDINGS

TAMI POISED TO RETURN TO THE MARKET

TAMI's share of leasing reached its highest level since 2021. With a growing share of upcoming expirations, this could signal increased activity in 2025-2027.

RENEWAL LEASE LENGTH GREW IN 2024, SIGNALING A POSITIVE OFFICE MARKET

Even as renewals' concessions remained elevated, free rent hit record highs, narrowing the gap with new deals—suggesting that landlords are prioritizing retention but still conceding on terms.

NYC LED HIGH-VALUE LEGAL DEALS IN 2024

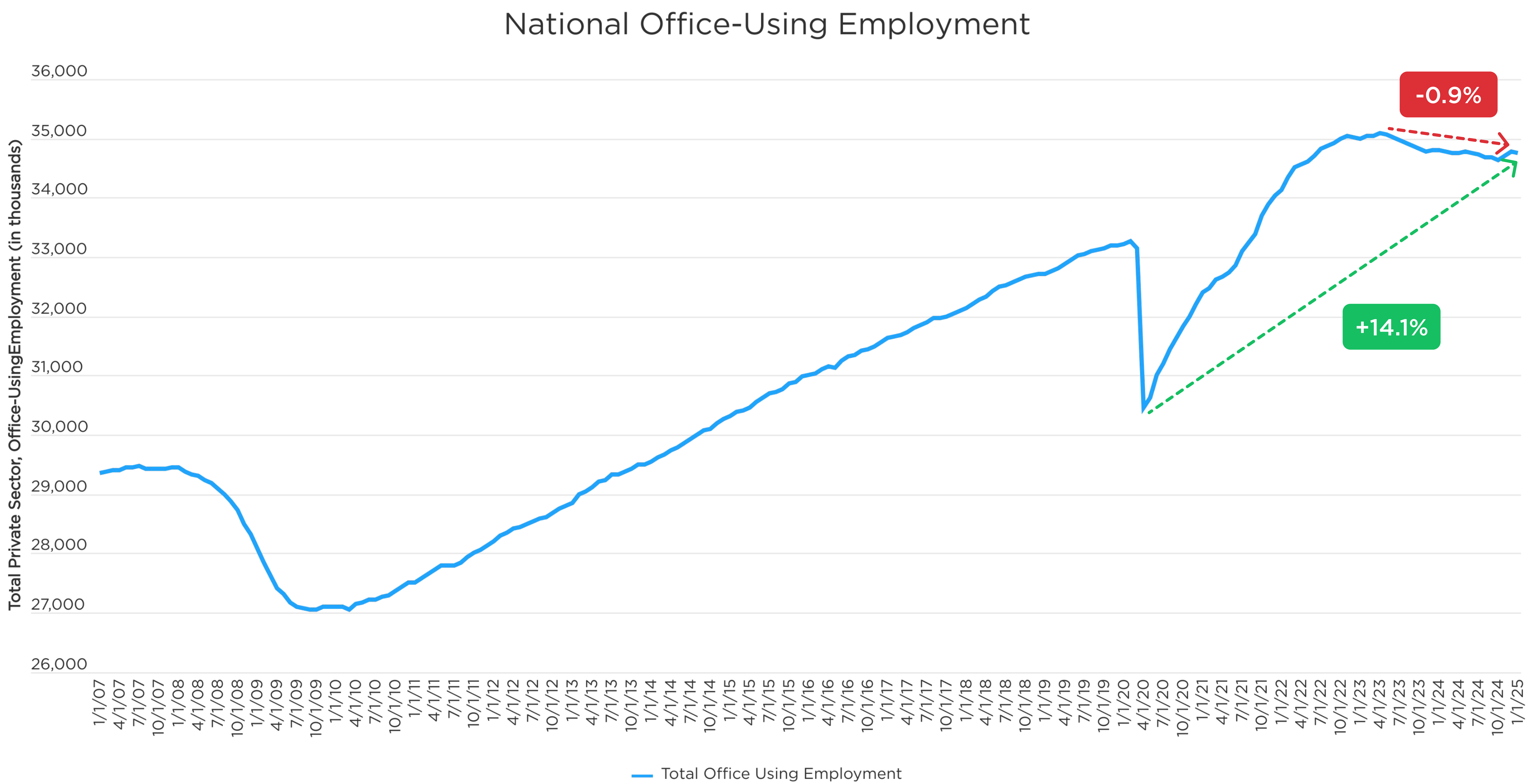
NYC dominated for top value deals in the legal sector with Ropes & Gray, Willkie Farr & Gallagher, and Winston & Strawn securing major deals in Midtown. Legal firms were a key driver of office demand in 2023 and 2024.

WORK VALUE REACHED A NEW PEAK IN 2024

Tenant improvement (TI) packages hit a cyclical high, with renewals seeing the biggest increases. Landlords are offering higher work value per square foot to secure longer lease commitments, a trend that has strengthened post-COVID.

Total Office-Using Employment Dipped Slightly in 2024, Declining Less Than in 2023

Nationwide office-using employment experienced a slight decline in 2024, the second consecutive annual decline, slipping 0.1%, but less than the 0.6% decrease in 2023. As of year-end 2024, national office-using employment was still 14.1% higher than the most recent trough reached in April 2020, and 0.9% lower than the most recent peak seen in April 2023.



Source: U.S. Bureau of Labor Statistics, Employment, Hours, and Earnings from the Current Employment Statistics survey (National), All Employees, in thousands, seasonally adjusted. Includes employment in the information, financial, and professional and business services sectors.

U.S. Financial Services Employment Rose in 2024 but TAMI and Professional and Business Services Contracted

Overall office employment in 2024 was buoyed by the financial services sector, which saw an annual increase of 0.6% in January 2025, the fourth consecutive year of expansion. Meanwhile, TAMI and professional services sectors declined for the second year in a row, decreasing by 0.2% and 0.3%, respectively.

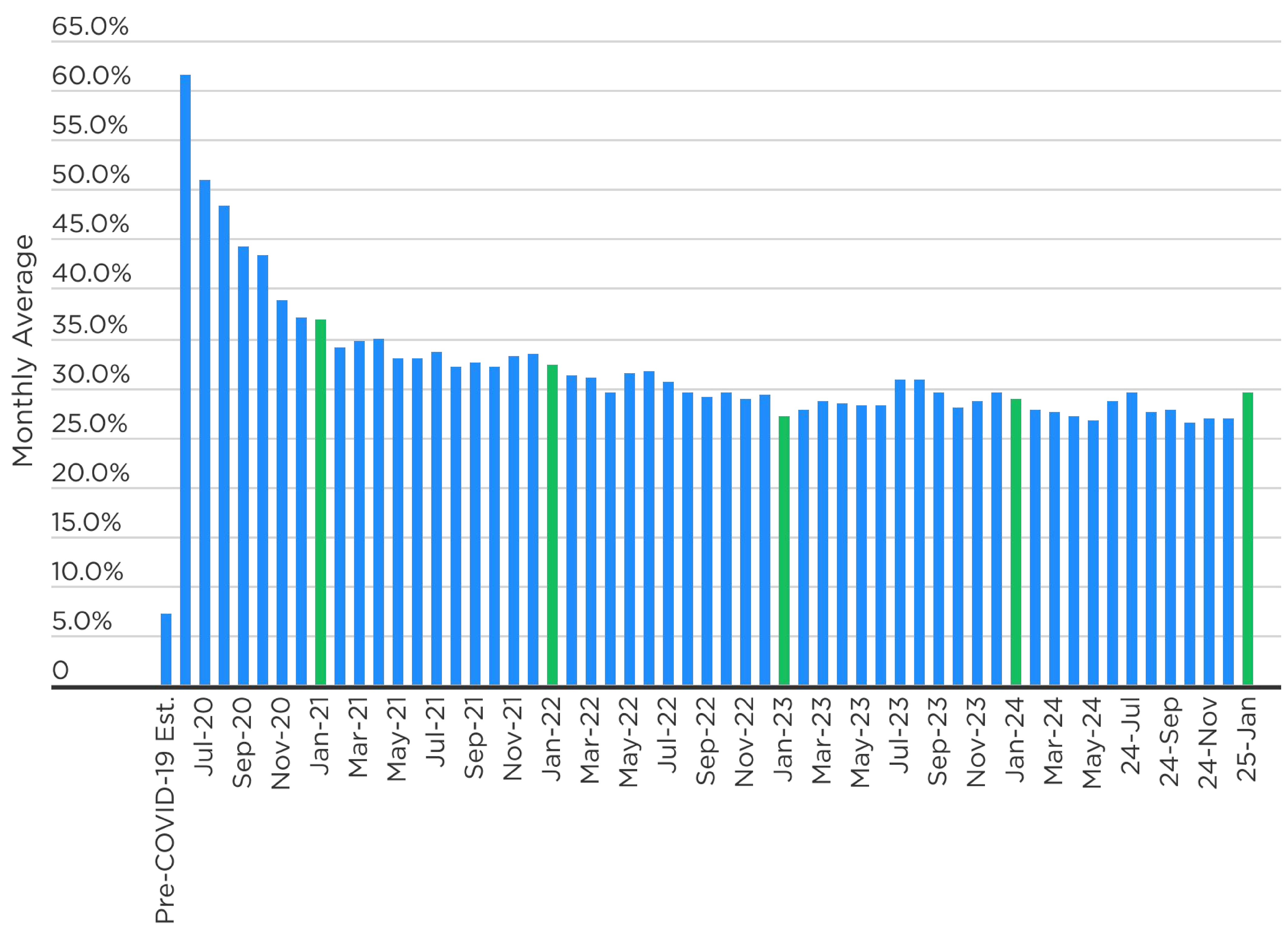
Financial Services, TAMI, and Professional and Business Services Employment

Source: U.S. Bureau of Labor Statistics, Employment, Hours, and Earnings from the Current Employment Statistics survey (National), All Employees, in thousands, seasonally adjusted. Includes employment in the TAMI, financial services, and professional and business services sectors.

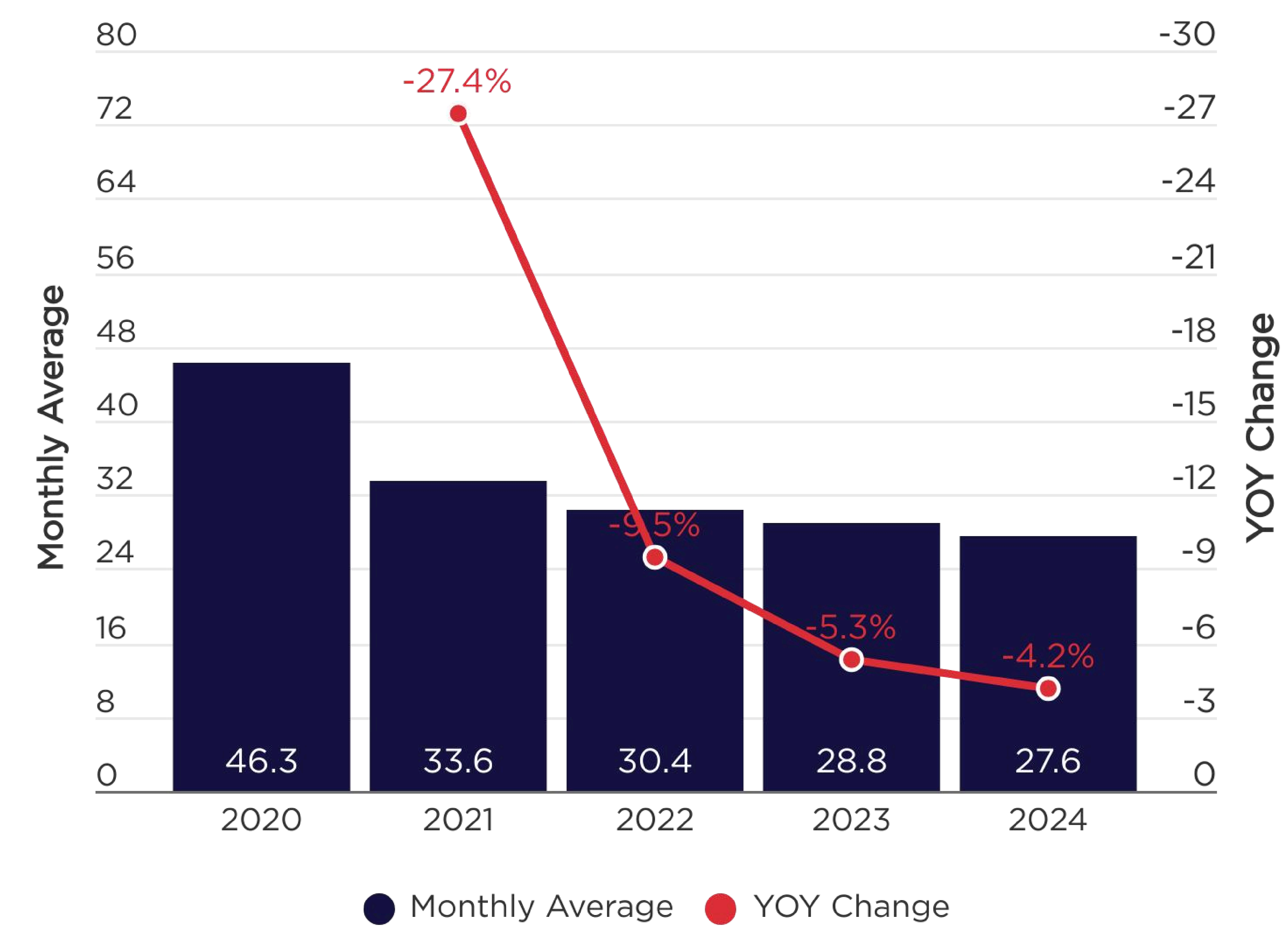
Average Monthly Days Worked from Home Declined in 2024 for Fourth Consecutive Year, but Pace of Decline Slowed

In the 2024 year-end data from Insights from WFH Research and the Survey of Working Arrangements and Attitudes, the overall average of days worked from home in 2024 was 27.6%, a decline of 120 basis points compared to 2023. However, the pace of declining days worked from home may be plateauing, with 2024's year-over-year drop marking the smallest decline since this data began being tracked in March 2020. Meanwhile, in January 2025 the days worked from home ticked up to the highest January level since January 2022, and up 250 basis points from December.

Monthly Average Paid Full Days Working from Home



Average Monthly Paid Full Days Working from Home by Year

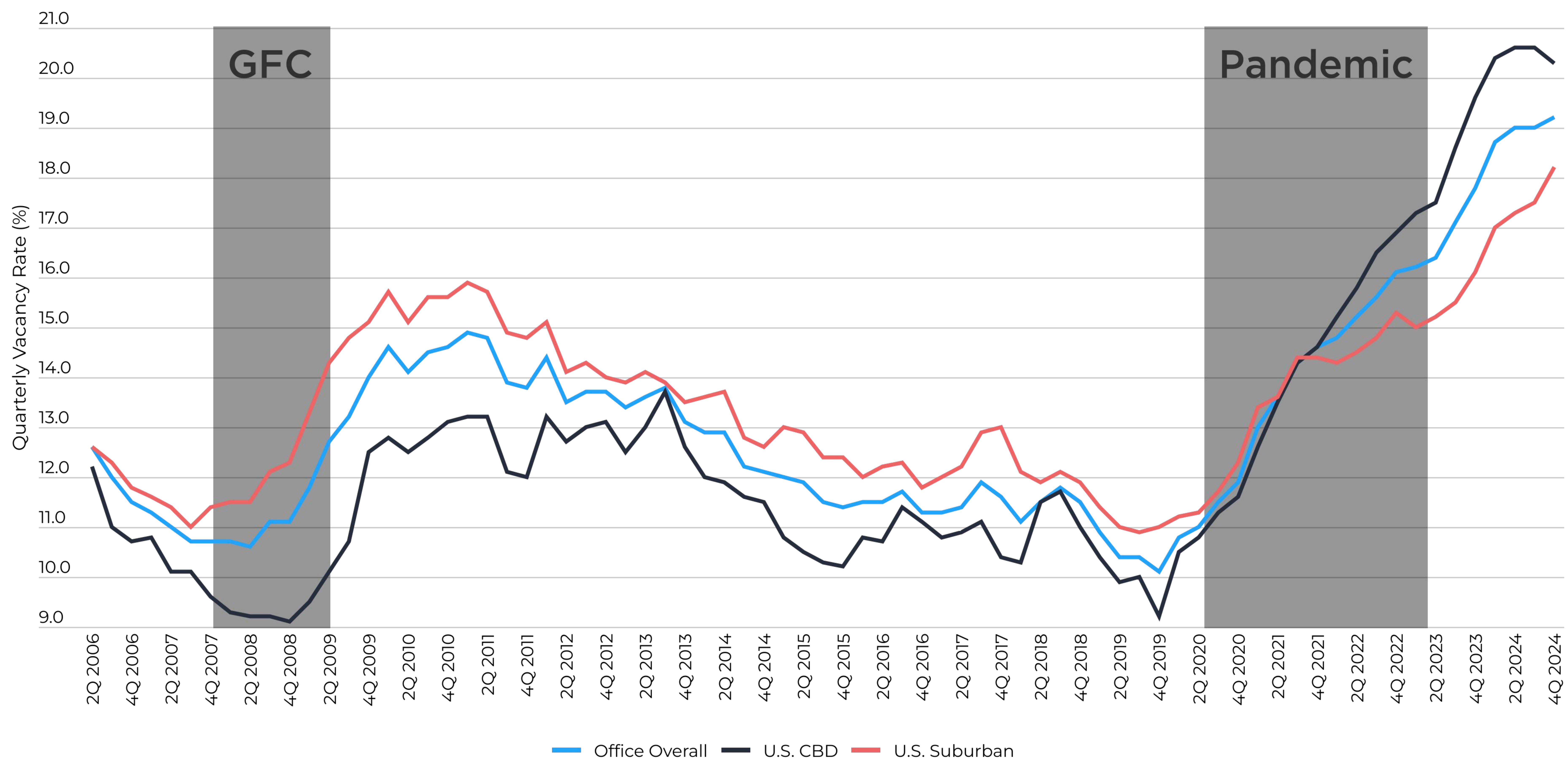


Source: Barrero, Jose Maria, Nicholas Bloom, and Steven J. Davis, 2021. "Why working from home will stick," National Bureau of Economic Research Working Paper 28731.

National CBD Office Vacancy Exceeded Suburban Average Again in 2024 But Trended Downward At Year's End

National office vacancy has been steadily on the rise since 2019 with Central Business District (CBD) office vacancy rates consistently exceeding the suburban average since 2021, according to the NCREIF NPI. CBD office vacancy rates peaked during the second quarter of 2024 at 20.6% and ended the year slightly lower at 20.3%. The suburban office vacancy average rose throughout 2024, and by Q4 2024, it hit another all-time high of 18.2%. While comparatively higher, CBD office vacancy rates trended down for the first time since 4Q 2019 in 4Q 2024.

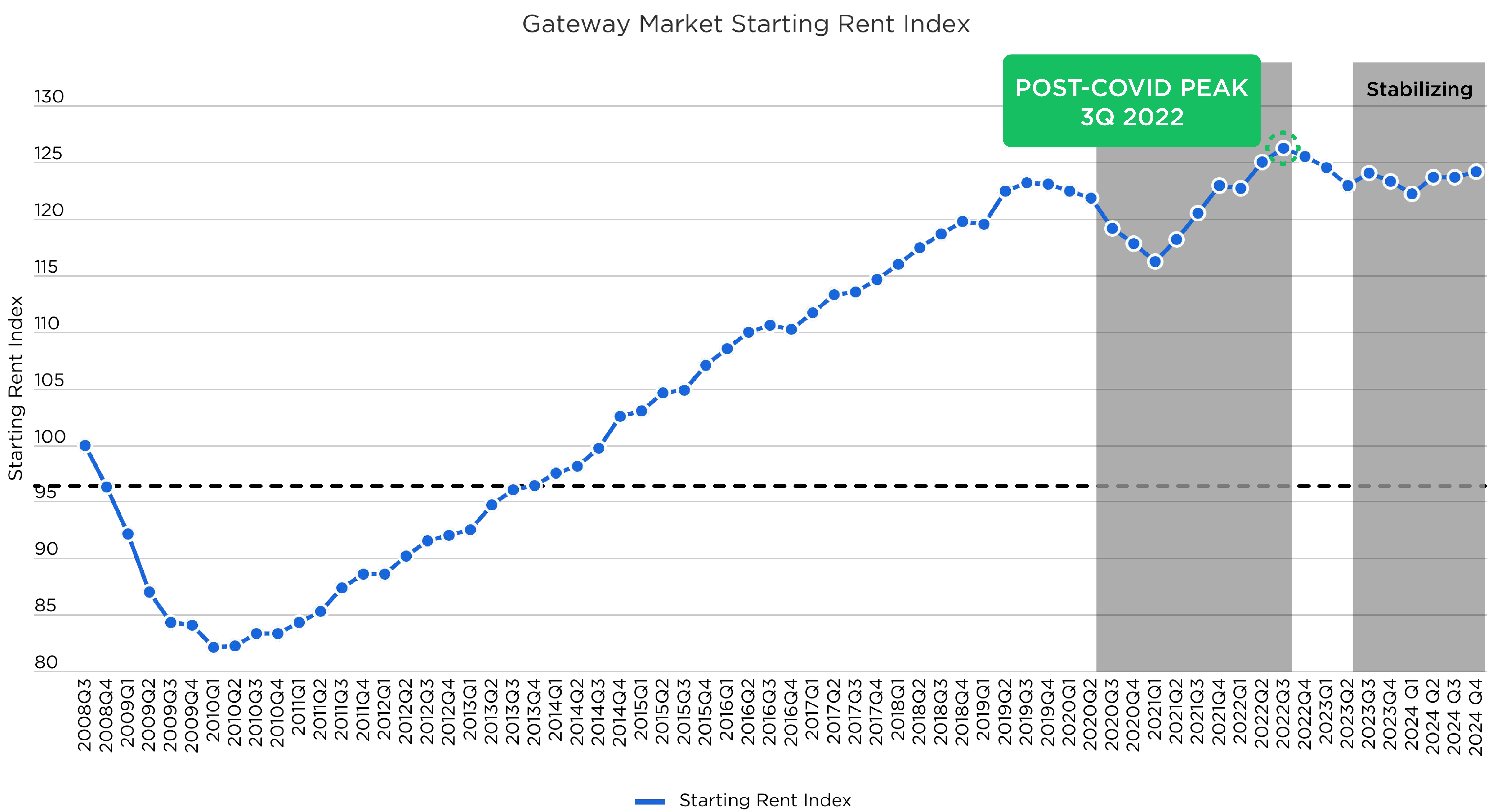
United States Office (NPI), Vacancy Rates



Source: NCREIF, NPI, Vacancy Rates

The Gateway Starting Rent Index Shows Signs of Stabilization as the Market Approached the Five-Year Anniversary of COVID's Onset

As of Q4 2024, the Gateway Market Starting Rent Index is up 6.8% from the trough reached in the most recent cycle in Q1 2021, but down slightly by 1.7% from the most recent peak in Q3 2022. However, the starting rent index is showing signs of stabilizing, having hovered within just 188 basis point range for the last seven quarters. By contrast, the starting rent index fell 682 basis points from the end of 2019 to the COVID trough in Q1 2021.



Source: CompStak. Values are indexed to the third quarter of 2008.

Most Suburban and Urban Markets Show Mixed Performance, but NYC Metro's CBD and Urban Areas Stand Out With a Strong Class A and B/C Recovery at Year-End 2024

Market by market, **CompStak analyzed effective rents** to measure recovery levels across **both building classes** and **suburban vs. CBD/urban submarkets**. Using a combination of **effective rent recovery since 2019** and **year-over-year change (2023 vs. 2024)**, CompStak identified several key trends:

- **Most markets are still showing mixed performance overall**. For example, some markets may be experiencing a **strong recovery in Class A space**, but Class B/C performance remains **weaker or still in decline**.
    - Overall, Class A is recovering better than B/C: there were 12 markets in strong or moderate recovery for A space across suburban vs. CBD/Urban as compared to 7 for Class B/C.
- **Half of the analyzed markets (50%) had the same recovery performance across suburban and CBD/urban areas**, including:
    - **Philadelphia/PA/DE/South NJ**, where both **CBD/urban and suburban are in recovery**.
    - **San Francisco/Bay Area**, where **both CBD/urban and suburban remain weak**.
- **Three of ten markets exhibited complete opposite recovery trends between suburban and CBD/urban areas**, including **Phoenix, Atlanta, and NYC Metro**.
    - **NYC Metro is the only market where the CBD/urban area is in recovery, while its suburban market lags.**
- **Overall, suburban areas outperformed CBD/urban areas in recovery, with 9 markets/building classes in recovery compared to just 5 for CBD/urban.**

Gateway Office Market Recovery Ranking

Central Business District (CBD)/Urban Ranking					
Ranking	Market	Class A Rating	Class B/C Rating	Total Recovery Score*	Overall Status
1	NYC Metro Area	Strong Recovery	Strong Recovery	95.0	Recovery
2	Philadelphia/PA/DE/So. NJ	Moderately Recovering	Strong Recovery	85.6	Recovery
3	Dallas Fort Worth	Strong Recovery	Moderately Recovering	85.1	Recovery
4	Boston	Strong Recovery	Still in Decline	59.0	Moderate Recovery
5	Chicago	Stabilizing but Lagging	Moderately Recovering	52.4	Moderate Recovery
6	Los Angeles OC Inland Empire	Moderately Recovering	Still in Decline	39.2	Moderate Recovery
7	Washington D.C.	Moderately Recovering	Still in Decline	38.7	Moderate Recovery
8	Phoenix	Still in Decline	Still in Decline	15.9	Lagging
9	SF/Bay Area	Still in Decline	Still in Decline	13.6	Lagging
10	Atlanta	Still in Decline	Still in Decline	5.0	Lagging

Suburban Ranking					
Ranking	Market	Class A Rating	Class B/C Rating	Total Recovery Score*	Overall Status
1	Philadelphia/PA/DE/So. NJ	Strong Recovery	Strong Recovery	95.0	Recovery
2	Phoenix	Strong Recovery	Strong Recovery	94.7	Recovery
3	Atlanta	Strong Recovery	Strong Recovery	92.8	Recovery
4	Washington D.C.	Strong Recovery	Stabilizing but Lagging	68.0	Moderate Recovery
5	Dallas Fort Worth	Strong Recovery	Still in Decline	53.3	Moderate Recovery
6	Chicago	Strong Recovery	Still in Decline	46.6	Moderate Recovery
7	Los Angeles OC Inland Empire	Moderately Recovering	Still in Decline	39.3	Moderate Recovery
8	NYC Metro Area	Stabilizing but Lagging	Still in Decline	19.7	Lagging
9	SF/Bay Area	Still in Decline	Still in Decline	13.5	Lagging
10	Boston	Still in Decline	Still in Decline	5.0	Lagging

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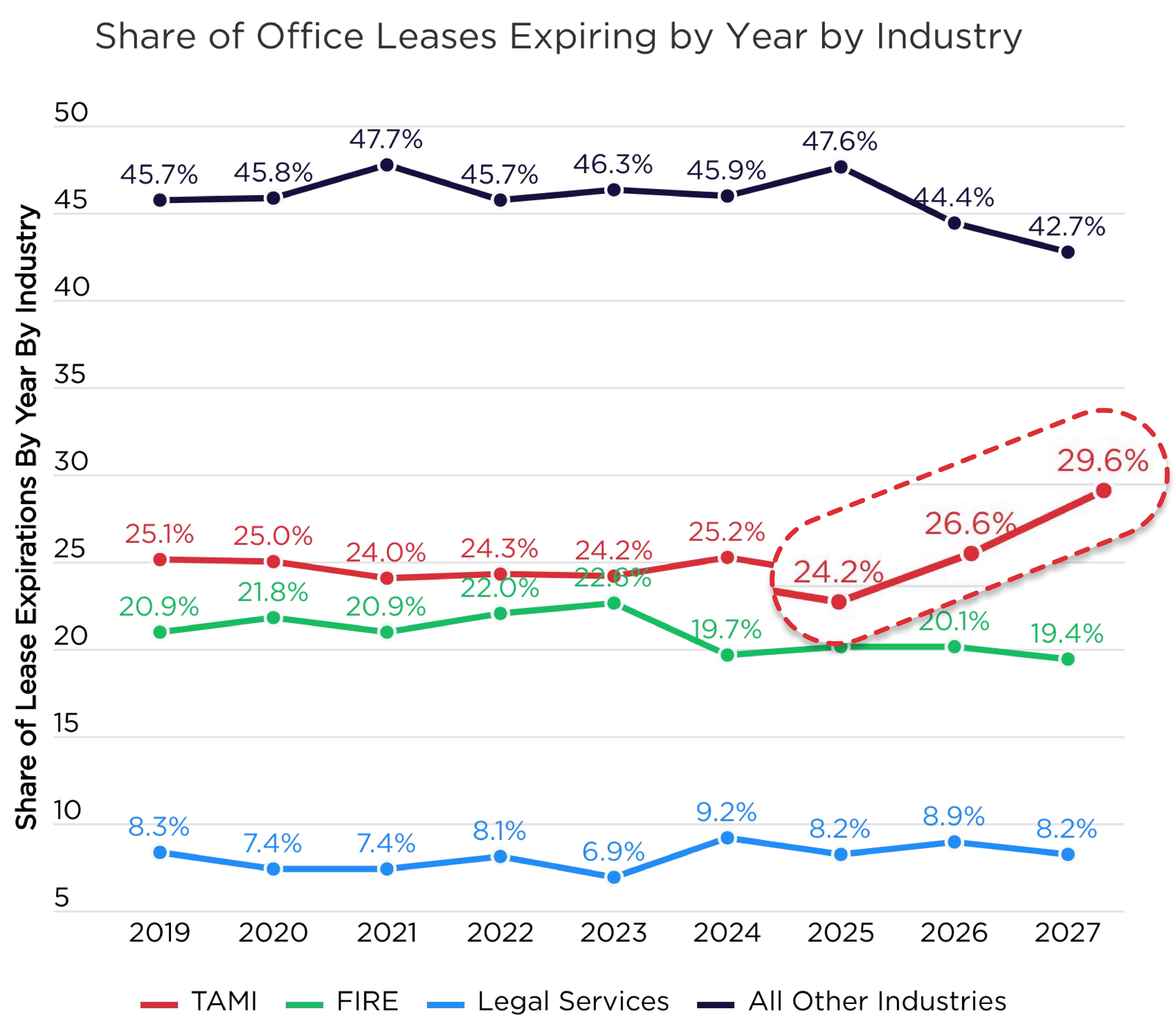
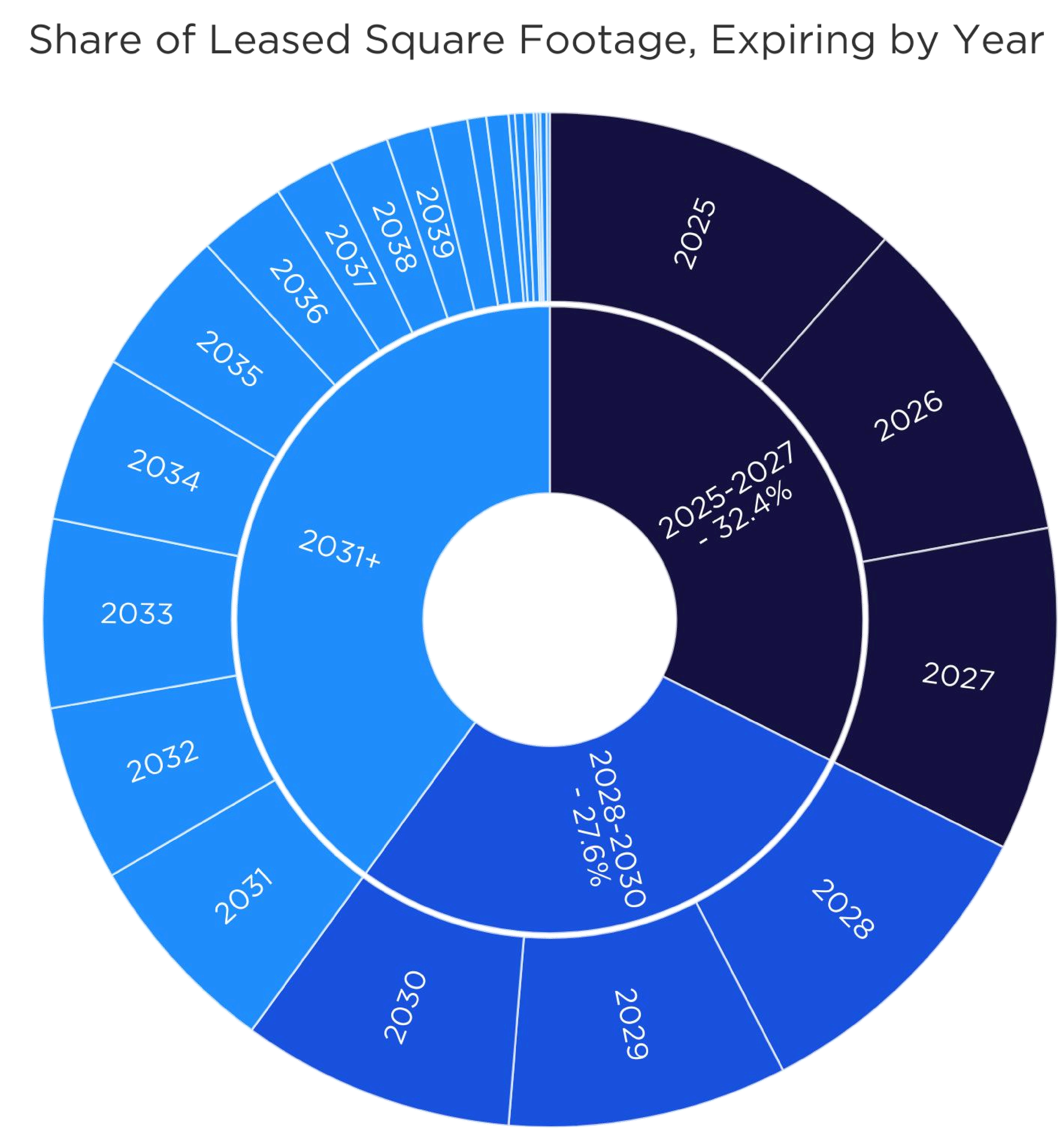
Source: CompStak. Class A and B/C ratings are based on change in effective rents year over year and since 2019. The best performing market is given a recovery score of 95 and the worst is 5. The NYC Metro Area includes New York City, Westchester and CT markets, and Northern and Central New Jersey. Effective rents account for concessions and escalations.

Nearly One-Third of Gateway Market Leases Expire by 2027, with TAMI Tenants' Share Rising in 2026–2027

Nearly one-third of all office leases across gateway markets are set to expire through 2027 according to CompStak's data, with another 27.6% through the end of 2030. In contrast to the past several years, 2026 and 2027 represent an uptick in TAMI's overall share of leases expiring, accounting for nearly 27% and 30% in 2026 and 2026, respectively. This rise in share of overall expirations for TAMI could mean a potential for increased activity from technology, advertising, and media tenants in the upcoming year.

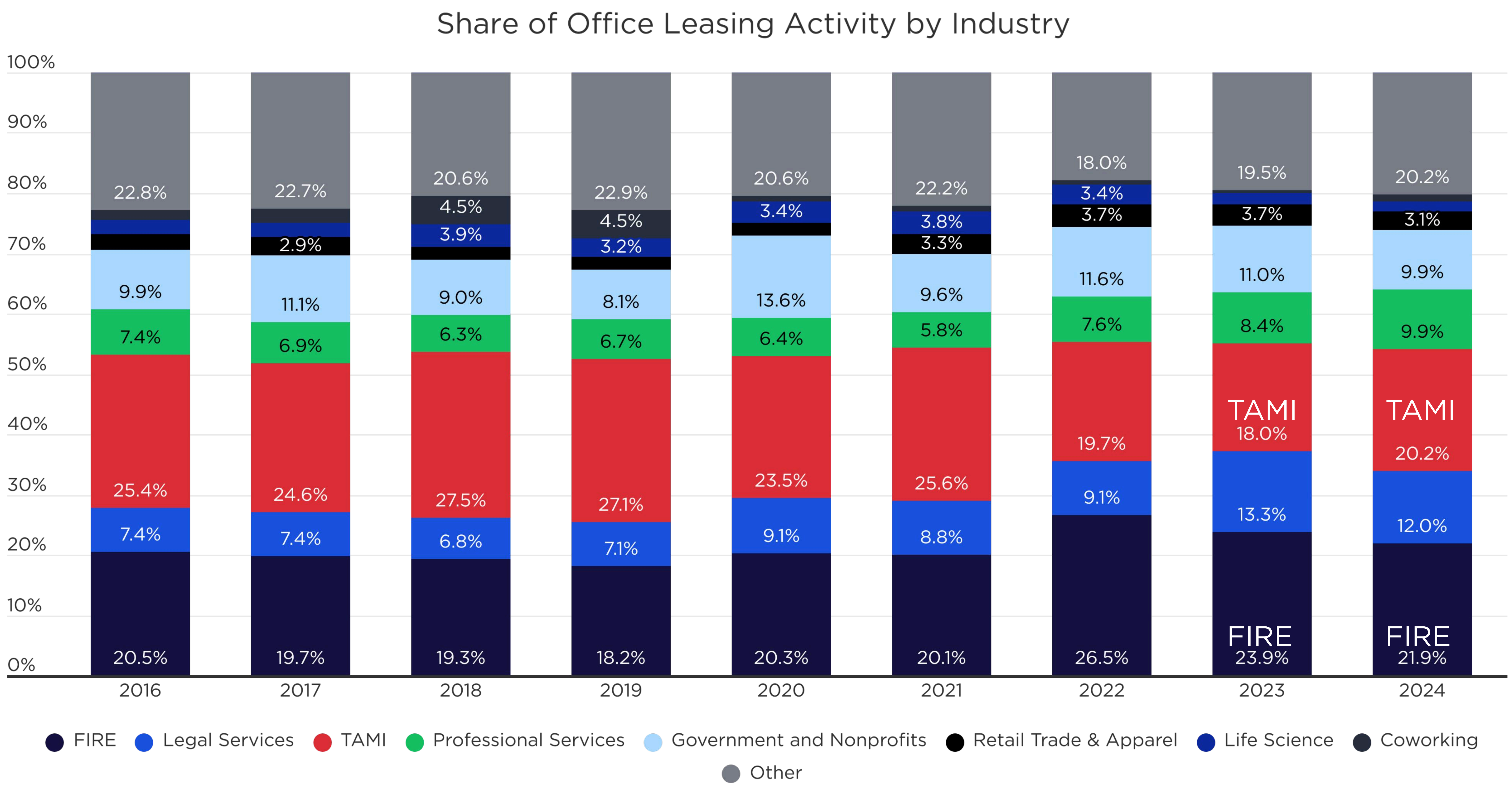




Source: CompStak.

FIRE Sector Leads Leasing Activity for Third Consecutive Year but TAMI Sector Gained Ground

In 2024, TAMI (Technology, Advertising, Media and Information) reached its highest share of gateway market leasing since 2021, though still below its 2016 pre-COVID peak. This rebound signals renewed momentum, with AI-driven demand steadily growing. The legal sector remained strong, securing a double-digit leasing share for the second year, while FIRE (Financial Services, Insurance, and Real Estate) led overall but has gradually lost dominance over the past two years.

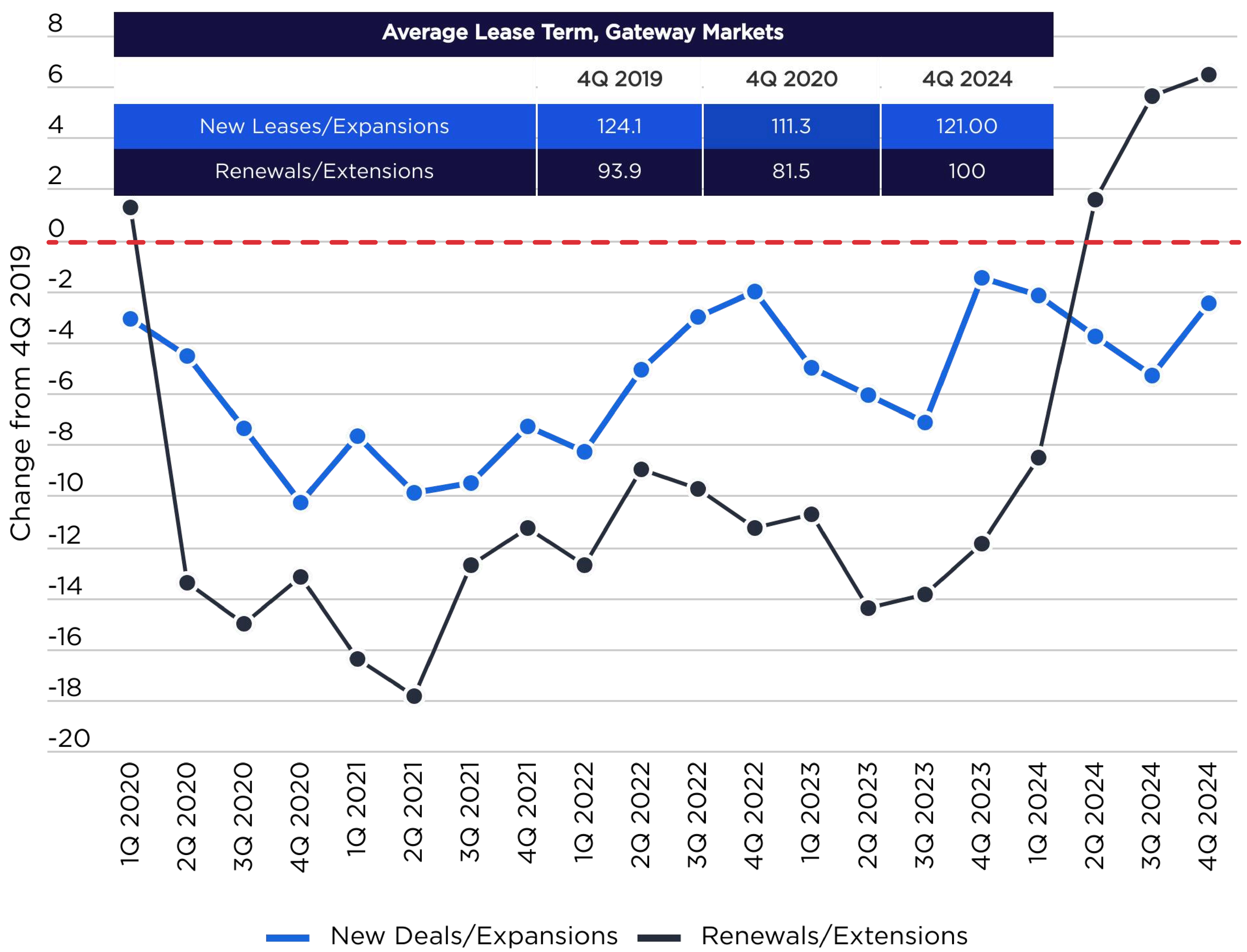


Source: CompStak. Other includes Arts, Entertainment & Recreation, Education, Manufacturing, and Health & Social Services. Professional Services and Legal Services are separated.

Renewals’ Lease Term Length Showed Consistent Gains in 2024

Average lease terms for renewals increased notably throughout 2024, extending consistently for six consecutive quarters and surpassing Q4 2019 levels as of Q2 2024. This trend is a cautiously positive indicator for the office market, given that renewal terms had previously lagged in recovery following COVID-19. Improvements were broad-based across all building classes, with Prime Class A, other Class A, and especially Class B/C properties—which recorded the largest year-over-year increase of **25.5%**—benefiting from extended commitments. In contrast, lease terms for new transactions, including expansions and relocations, remain slightly below (-2.5%) their Q4 2019 benchmark.

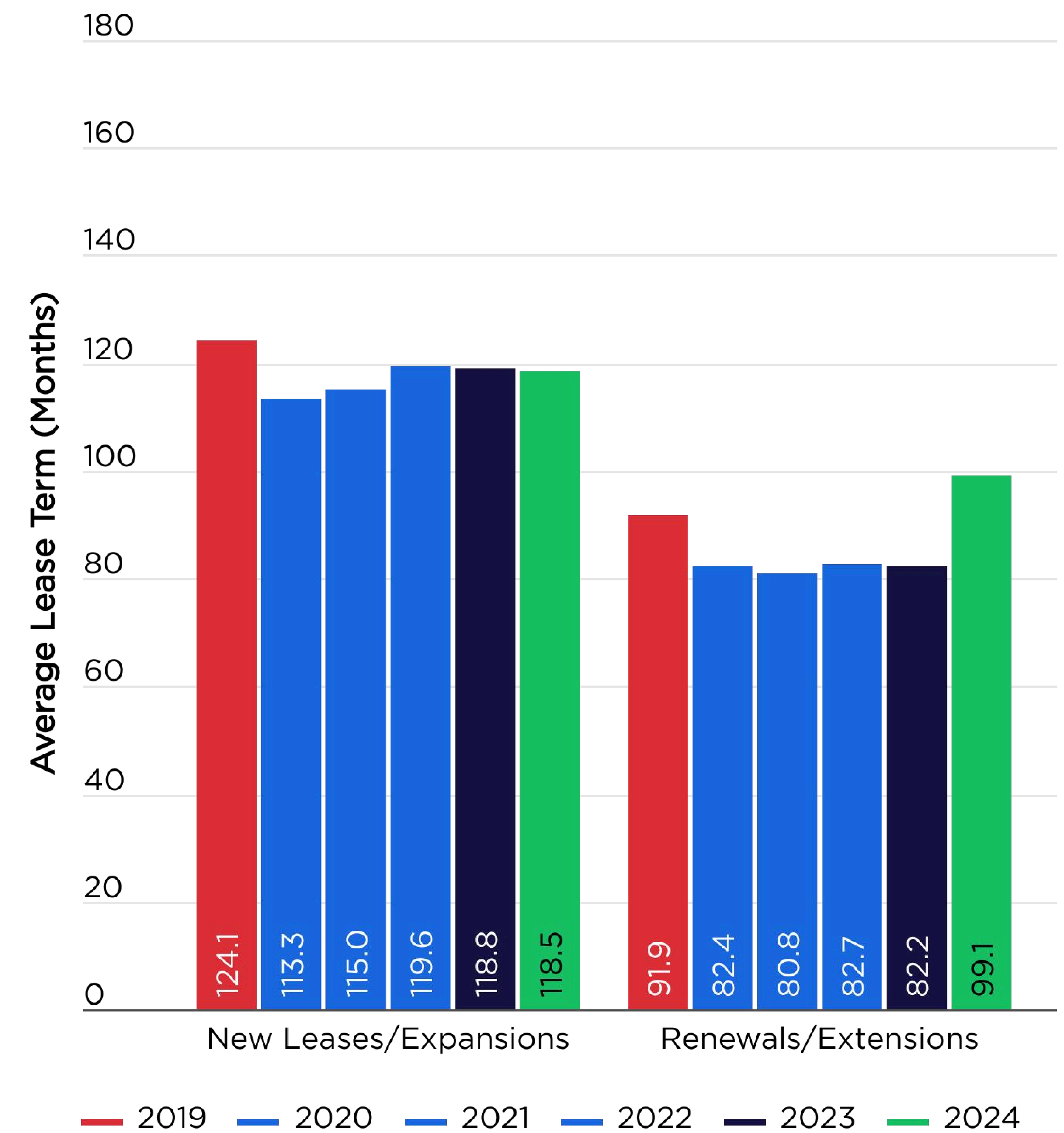
Change from 4Q 2019, Average Term Length, Gateway Markets



Average Lease Term, Gateway Markets

	4Q 2019	4Q 2020	4Q 2024
New Leases/Expansions	124.1	111.3	121.00
Renewals/Extensions	93.9	81.5	100

Average Term Length, Renewals/Extensions, Gateway Markets



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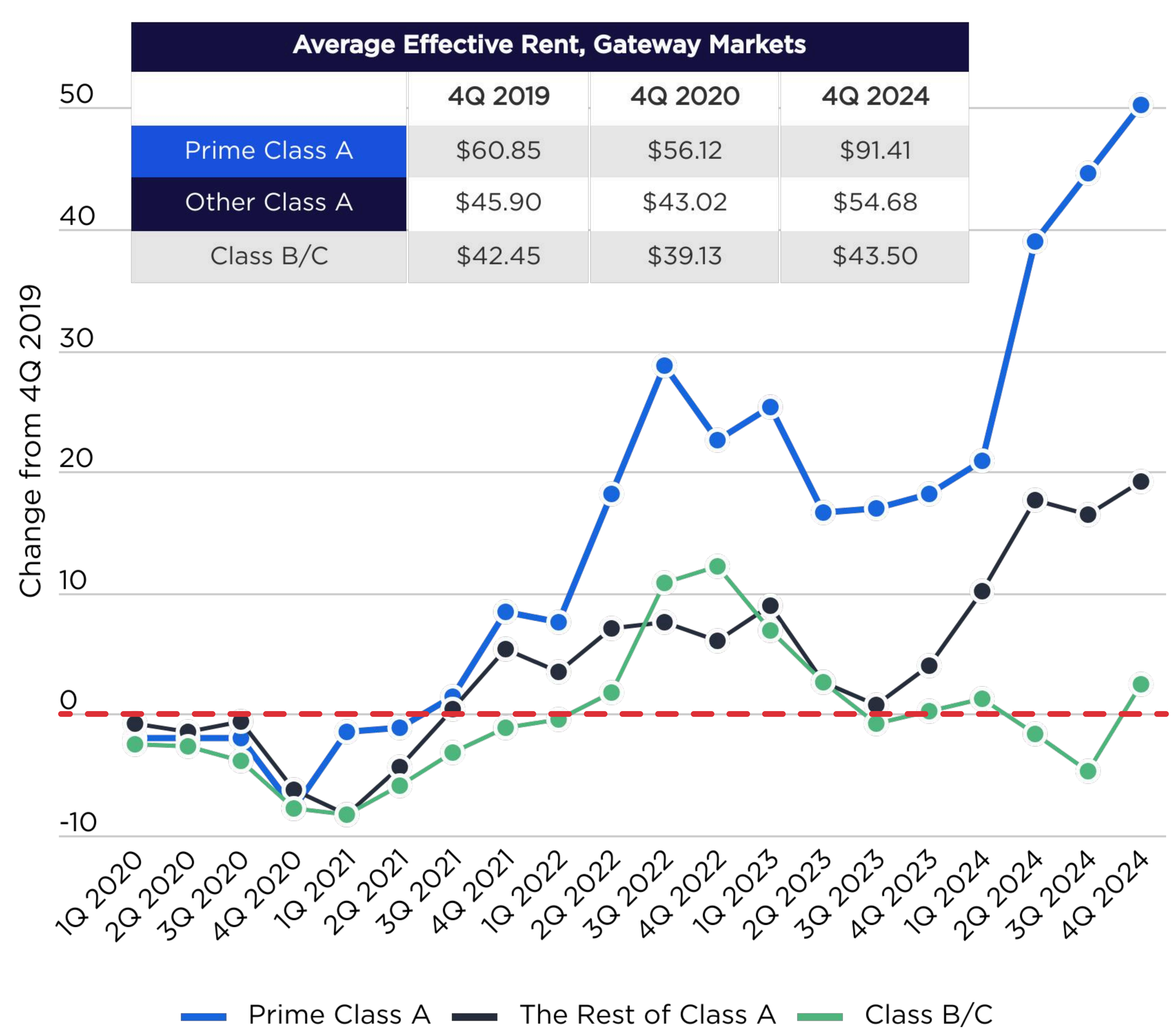
Source: CompStak. Lease term is weighted by transaction size. Prime Class A includes trophy, new construction and recently renovated buildings.

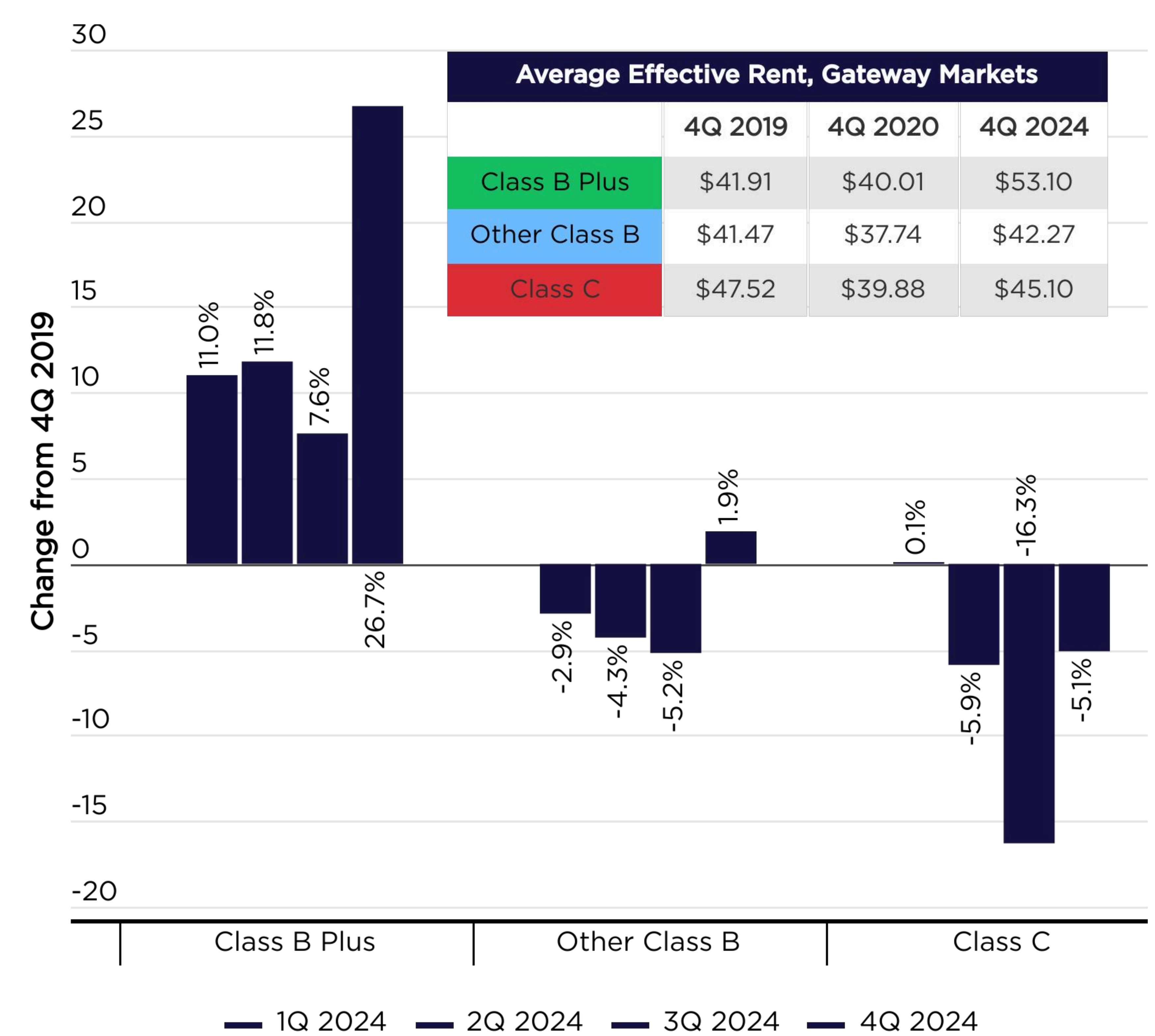
Prime Class A Effective Rents Climbed Steadily through 2024 in Sign of Potential Peaking, while Class A and B+ Also Improved

Since exceeding 4Q 2019 levels in 3Q 2021, Prime Class A rents have sustained double-digit growth, reaching a cycle high—potentially signaling a peak as top-tier space grows scarce. Meanwhile, early signs suggest demand may be broadening beyond just prime space. For instance, rents for the rest of Class A buildings ended 2024 up 19.1% from 4Q 2019. In contrast, Class B/C buildings overall continued to underperform, rising just 2.5% over the same period. However, this lag is not uniform across the segment—Class B+ rents have improved through 2024, while lower-tier Class B remains largely flat, and Class C rents are still below 2019 levels. These trends suggest that demand may be beginning to spill over beyond Prime Class A. Whether this shift continues into 2025 will depend on broader market conditions, especially as new construction remains limited.

Change from 4Q 2019, Average Effective Rent, Gateway Markets



Average Effective Rent, Gateway Markets	4Q 2019	4Q 2020	4Q 2024
Prime Class A	$60.85	$56.12	$91.41
Other Class A	$45.90	$43.02	$54.68
Class B/C	$42.45	$39.13	$43.50

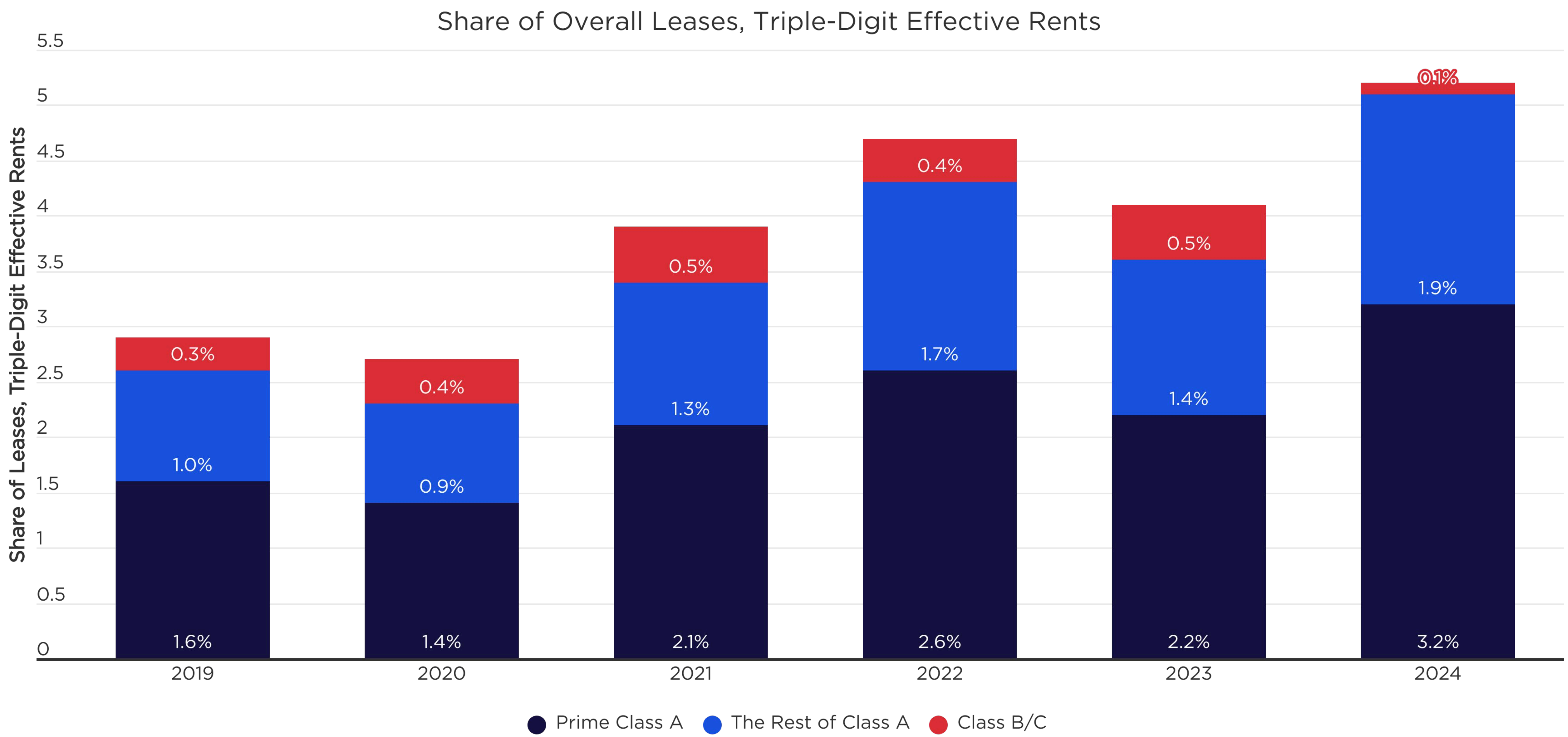


Average Effective Rent, Gateway Markets	4Q 2019	4Q 2020	4Q 2024
Class B Plus	$41.91	$40.01	$53.10
Other Class B	$41.47	$37.74	$42.27
Class C	$47.52	$39.88	$45.10

Source: CompStak. Effective rents are weighted by transaction size, account for TI and free rent, quoted annually and adjusted to gross. . Prime Class A includes trophy, new construction and recently renovated buildings. Class B includes renovated Class B since 2010 or built since 1990 and properties larger than 100,000 square feet.

The Share of Deals with Triple-Digit Rents Hit a New Peak in 2024, Rising Across Prime and Other Class A Buildings

In 2024, the share of deals with triple-digit effective rents climbed to a recent peak of 5.2%, driven by notable gains in the share in Prime Class A and Other Class A buildings—rising 97 and 48 basis points year over year, respectively. Meanwhile, Class B/C properties accounted for the lowest share of these high-rent deals.



Source: CompStak. Effective rents are weighted by transaction size, account for TI and free rent, quoted annually and adjusted to gross. . Prime Class A includes trophy, new construction and recently renovated buildings. Class B includes renovated Class B since 2010 or built since 1990 and properties larger than 100,000 square feet.

The Share of Deals with Triple-Digit Rents Hit a New Peak in 2024, Rising Across Prime and Other Class A Buildings - Continued

Outside of New York City, the top ten buildings with the highest average effective rents for triple-digit deals were concentrated in the San Francisco Bay Area and Boston, largely fueled by key life science leases, as well as a newly constructed property in Dallas-Fort Worth. In New York City, Hudson Yards, Park Avenue, and the Plaza District led the rankings, driven by demand from financial tenants.

Top Buildings for Triple Digit Effective Rent Deals, 2024, Excluding NYC

EXCLUDING NYC

Address	Landlord	Market	Tenant(s)	Building Class
The Sand Hill Collection - 2498 and 2400-2450 Sand Hill Road	Divco West	Bay Area	a16z, Fortress Investment Group, Red Iron Group Management	Other Class A
285 Hamilton Avenue	Thoits Brothers	Bay Area	Tinder	Other Class A
555 California Street	Vornado Realty Trust, The Trump Organization	San Francisco	Jones Day	Prime Class A
1 Letterman Drive	Skywalker Ranch	San Francisco	Dragoneer Investment Group	Other Class A
245 1st Street	CLPF-CAMBRIDGE SCIENCE CENTER, LLC	Boston	Akebia Therapeutics	Other Class A
572 Folsom Street	John & Aline Bier	San Francisco	Vori	Class C
600 Montgomery Street	SHVO, Deutsche Finance, BVK	San Francisco	BakerHostetler	Prime Class A
50 Northern Avenue	The RMR Group	Boston	The Vertex Companies	Prime Class A
3311 Knox Street	MSD Partners, Trammell Crow Company ("TCC"), The Retail Connection, and Highland Park Village Associates (	Dallas - Fort Worth	Paul Hastings	Prime Class A
19 Blackstone Street	The Carlyle Group, Brickman	Boston	Vedanta	Other Class A

NYC

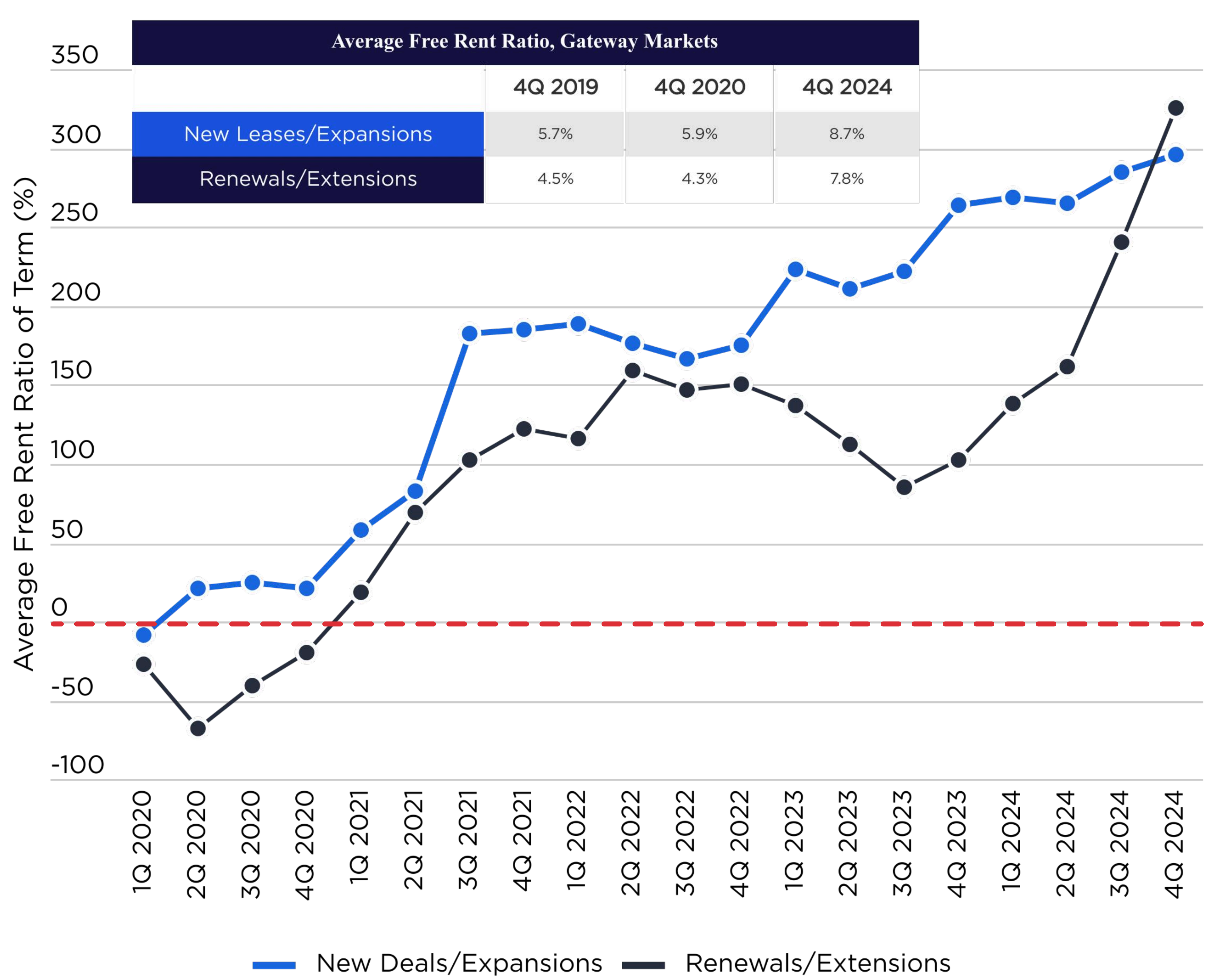
Address	Landlord	Market	Building Class
1 Vanderbilt Avenue	SL Green Realty Corp., Mori Building Company	McDermott, Will & Emery, 17Capital Americas, Cipher Mining	Prime Class A
425 Park Avenue	L&L Holding Company, BentallGreenOak, Safehold	GTCR	Prime Class A
9 West 57th Street	The Soloviev Group	Platinum Equity, Tikehau Capital, Seven Bridges Advisors	Prime Class A
390 Park Avenue	Brookfield Corporation, WatermanClark	Atairos, Westpac, Tiger Management	Other Class A
375 Park Avenue	RFR Realty	Blue Owl Capital, Freestone Grove Partners, Churchill Asset Management, Advent International	Prime Class A
50 Hudson Yards	Mitsui Fudosan Co., Oxford Properties Group, Related Companies	OMERS, Diameter Capital, Oxford Properties, Chatham Financial, Okcoin USA, LIV Golf, Viatris	Prime Class A
51 Astor Place	Edward J. Minskoff Equities, Korean Teachers Credit Union (KTCU)	Tudor Investment	Other Class A
10 Hudson Yards	Allianz, TIAA, STRS Ohio, Related Companies, Oxford Properties, Kuwait Investment Authority	Ardea Partners	Prime Class A
767 5th Avenue	BXP, Inc., Zhang Xin Family Trust, Safra Family	Patient Square Capital, Goldentree Asset Management, Balyasny Asset Management, Arini	Prime Class A
1 Madison Avenue	Hines, SL Green Realty Corp., National Pension Service, Mastern America	Coinbase, Fan Duel	Prime Class A

Source: CompStak. Ranks buildings by the average effective rent signed in triple-digit deals in 2024.

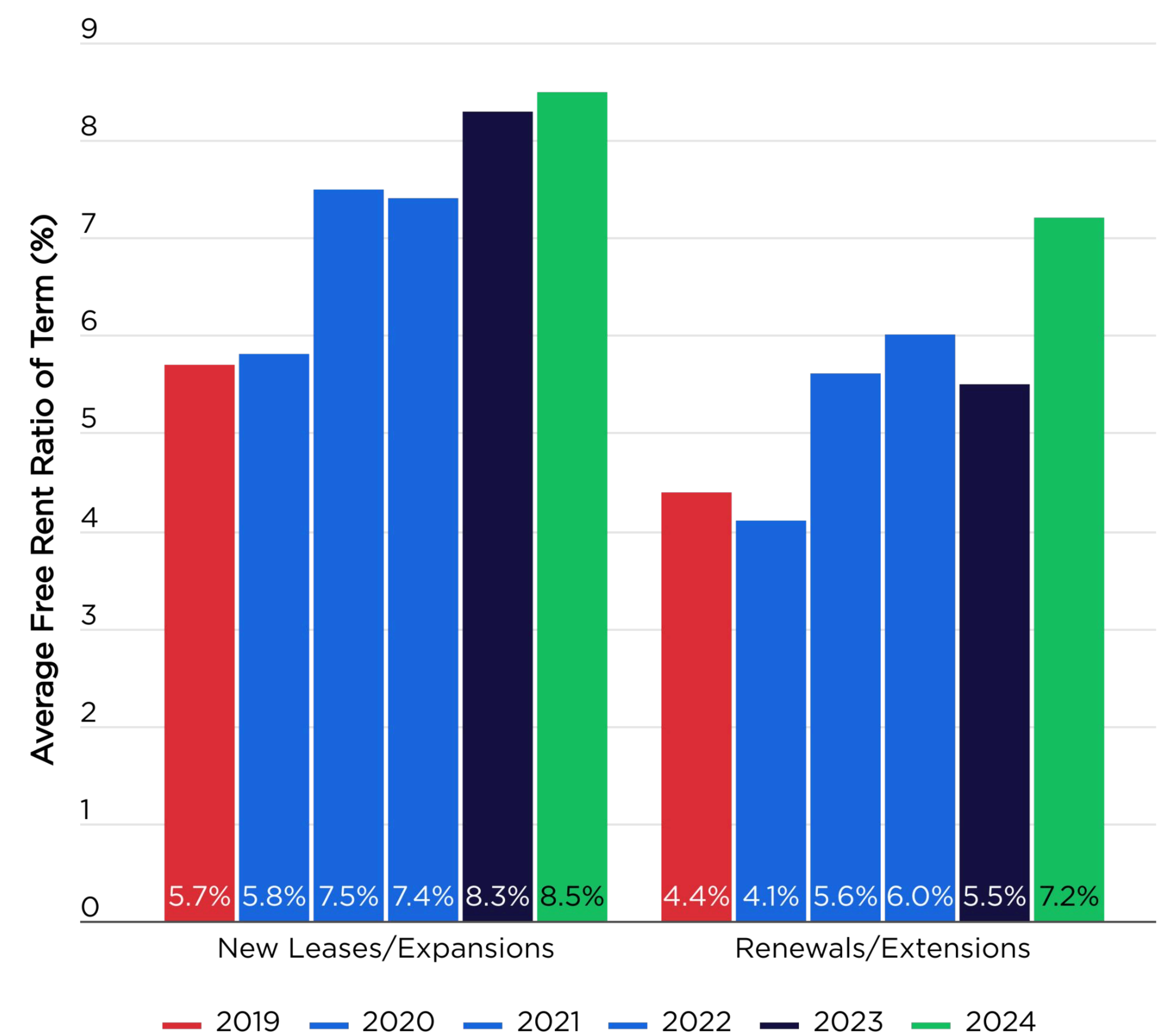
Average Free Rent for Renewals Rose Sharply in 2024, Narrowing the Gap with New Deals

The average share of lease term given to free rent reached new highs at year-end 2024 for both new deals and renewals/extensions, as above-average concessions continued to favor tenants. However, the pace of growth for renewals/extensions outpaced that of new deals. In 2024, free rent accounted for an average of 8.5% of lease terms in new deals—up 20 basis points year over year and 280 basis points from 2019. For renewals and extensions, the share rose to 7.2%, increasing by 170 basis points year over year and also up 280 basis points from 2019.

Change from 4Q 2019, Average Free Rent Ratio, Gateway Markets



Average Free Rent Ratio, Renewals/Extensions, Gateway Markets



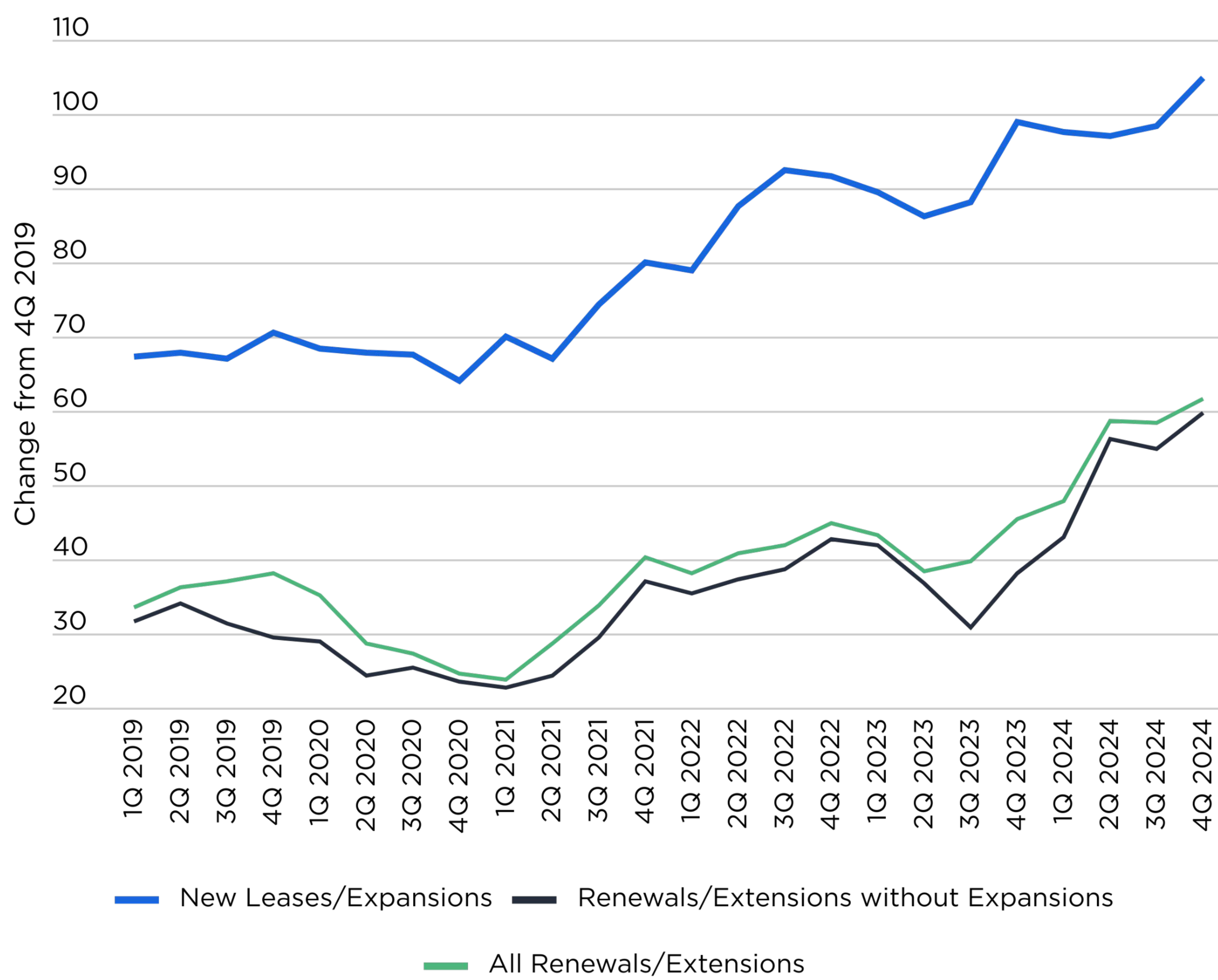
Source: CompStak. Free rent ratio is share of term as a free rent period. Weighted by transaction size.

Average Work Value for Office Leases Reached New Cyclical Peak at Year-End 2024

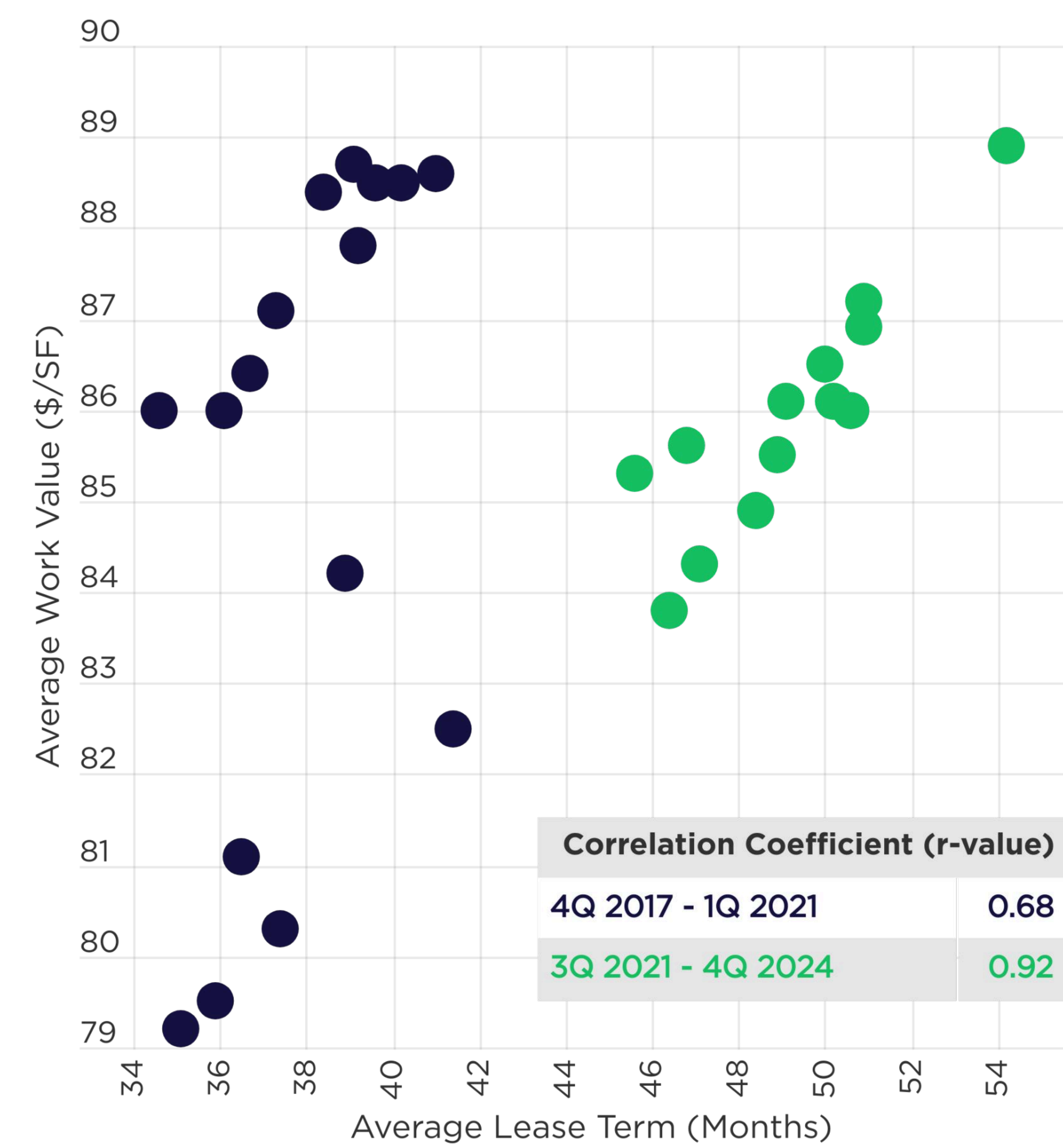
Across renewals and new transactions, average work value continued rising in 2024, with renewals and extensions seeing the most significant increases. From 2Q 2024 to 4Q 2024, renewal-related work value growth outpaced that of new deals for three consecutive quarters, even for renewals without expansions.

Lease term length and work value remain positively correlated, as landlords offer higher TI/work value packages for longer lease commitments. However, this linear correlation strengthened post-COVID, with an R-value of 0.92 for transactions from 3Q 2021 to 4Q 2024, compared to 0.68 for 4Q 2017 through 1Q 2021.

Average Work Value, Gateway Markets



Average Lease Term vs. Average Work Value



Source: CompStak. Work Values are weighted by transaction size.

New York City Market Was Home to Majority of Top 5 Most Valuable Deals Across TAMI, Legal Services, FIRE, and Life Science Sectors in Gateway Markets

The top five lease transactions by value of Q3 - Q4 2024 that were **signed by TAMI tenants** were all located in the New York City and San Francisco markets, and except for **OpenAI's** signing of a deal worth $238.8 million, were all signed during the fourth quarter. In this category, **Bloomberg** inked the top deal, leasing 924,797 square feet for a total of $719.3 million.

The three most valuable leases signed by tenants in the **legal services** sector included **Ropes & Gray**, **Willkie Farr & Gallagher**, and **Winston & Strawn**, all three of which were in New York City Midtown buildings. **Ropes & Gray** ranked first in the legal services category committing to over 427,000 square feet for a total of $786.8 million. However, two deals in the Washington D.C. market also made the list as **Freshfields** and **ArentFox Schiff** both signed new leases at 1100 15th Street Northwest.

Extensions and renewals were the most common transaction type among top deals involving FIRE tenants in Q3 - Q4 2024, with all but one also expanding their footprint. **TPG** signed the only new lease within the top five and the highest total consideration over the lease at over $1 billion. The second highest value deal signed by a **FIRE tenant** was **The Blackstone Group**, who notably inked one of the largest transactions of 2024 at over 1 million square feet for over $635 million.

Life science tenants signed significantly smaller leases than those in the TAMI, legal services, and FIRE sectors. None of the top five life science deals exceeded 60,000 square feet, with two in the Bay Area. **Roivant Sciences** led with a $105M+ lease at 1 Penn Plaza in NYC.

Top TAMI and FIRE Deals by Value, Gateway Markets

Top TAMI Deals by Value

Ranking	Tenant	Address	Market	Quarter	Transaction Type	Industry	Transaction Size (SF)	Total Rent Over Lease
1	Bloomberg	919 3rd Avenue	New York City	Q4 2024	Extension/Expansion	TAMI	924,797	$719.3 million
2	Apple	11 Penn Plaza	New York City	Q4 2024	Extension/Expansion	TAMI	397,894	$243.9 million
3	OpenAI	550 Terry A Francois Boulevard	San Francisco	Q3 2024	New Lease	TAMI	315,000	$238.8 million
4	Google	85 10th Avenue	New York City	Q4 2024	Renewal	TAMI	296,775	$187.9 million
5	Airbnb	888 Brannan Street	San Francisco	Q4 2024	Renewal	TAMI	250,903	$124 million

Top FIRE Deals by Value

Ranking	Tenant	Address	Market	Quarter	Transaction Type	Industry	Transaction Size (SF)	Total Rent Over Lease
1	TPG	66 Hudson Boulevard	New York City	Q4 2024	New Lease	FIRE	299,893	$1.06 billion
2	The Blackstone Group	345 Park Avenue	New York City	Q4 2024	Extension/Expansion	FIRE	1,062,000	$635.1 million
3	Ares Management	245 Park Avenue	New York City	Q3 2024	Renewal/Expansion	FIRE	307,336	$611.6 million
4	Fannie Mae	1100 15th Street	Washington D.C.	Q3 2024	Renewal/Contraction	FIRE	340,000	$403.6 million
5	Blue Owl Capital	375 Park Avenue	New York City	Q4 2024	Extension/Expansion	FIRE	238,673	$278.6 million

Source: CompStak.

Top Legal Services and Life Science Deals by Value, Gateway Markets

Top Legal Services Deals by Value								
Ranking	**Tenant**	**Address**	**Market**	**Quarter**	**Transaction Type**	**Industry**	**Transaction Size (SF)**	**Total Rent Over Lease**
1	Ropes & Gray	1285 Avenue of the Americas	New York City	Q4 2024	New Lease	Legal Services	427,622	$786.8 million
2	Willkie Farr & Gallagher	787 7th Avenue	New York City	Q3 2024	Renewal/Expansion	Legal Services	313,830	$706 million
3	Winston & Strawn	200 Park Avenue	New York City	Q4 2024	Renewal	Legal Services	237,825	$448.3 million
4	Freshfields	1100 15th Street Northwest	Washington D.C.	Q4 2024	New Lease	Legal Services	123,000	$131.7 million
5	ArentFox Schiff	1100 15th Street Northwest	Washington D.C.	Q4 2024	New Lease	Legal Services	120,000	$105.8 million

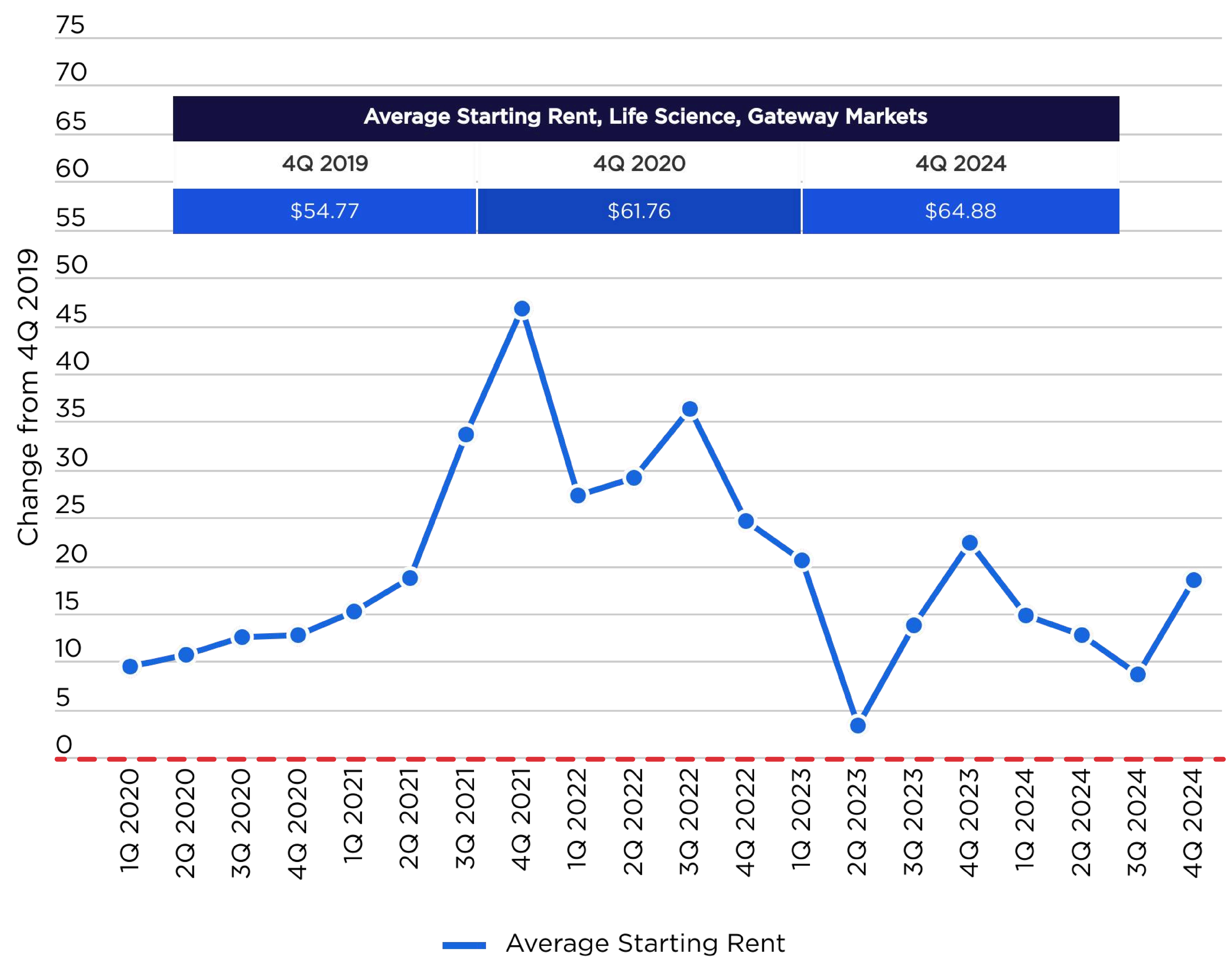
Top Life Science Deals by Value								
Ranking	**Tenant**	**Address**	**Market**	**Quarter**	**Transaction Type**	**Industry**	**Transaction Size (SF)**	**Total Rent Over Lease**
1	Roivant Sciences	1 Penn Plaza	New York City	Q4 2024	New Lease	Life Science	54,702	$105.3 million
2	Tarsus Pharmaceuticals	17700 Laguna Canyon Road	Los Angeles - Orange - Inland	Q3 2024	New Lease	Life Science	59,626	$22.1 million
3	Jazz Pharmaceuticals	2 Palo Alto Square	Bay Area	Q4 2024	-	Life Science	27,218	$21.1 million
4	4D Molecular Therapeutics	5858 Horton Street	Bay Area	Q3 2024	-	Life Sciences	32,038	$12.4 million
5	Compass Therapeutics	80 Guest Street	Boston	Q3 2024	New Lease	Life Sciences	29,836	$12.3 million

Source: CompStak.

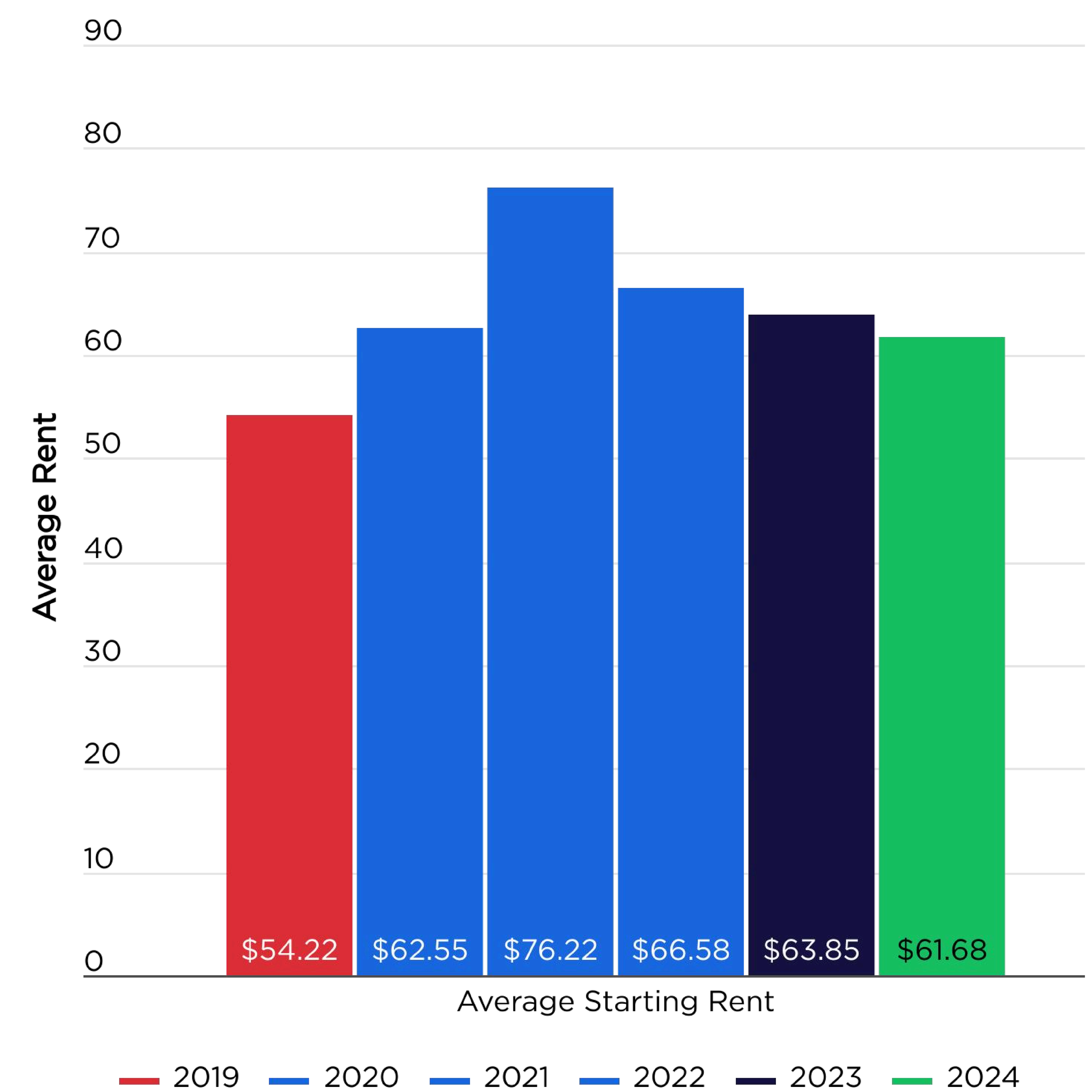
Office Subtype Spotlight – Life Science/Lab Space: Average Starting Rents for Life Science Declined for Third Straight Year But Held On To Gains Over 2019 Levels

The pace of increase in average starting rents for life science office space, relative to Q4 2019 levels, declined for three consecutive quarters in 2024. Starting rents peaked in Q4 2021, rising 46.7% above 4Q 2019 levels. By year-end 2024, life science office starting rents averaged $61.68 per square foot, down 19.1% from their 2021 peak of $76.22 per square foot.

Change from 4Q 2019, Average Life Science Office Rent, Gateway Markets



Average Rents, Life Science Office, Gateway Markets



Source: CompStak. Rents are weighted by transaction size. Includes life science office transactions only. The Vertex Companies, Inc. signed a lease for over 1 million square feet at 50 Northern Avenue. Due to its size as an outlier this transaction was excluded.

Office Market Highlight: Washington D.C.

KEY FINDINGS

WASHINGTON, D.C. OFFICE RENTS REMAIN BELOW 2022 PEAK

CompStak's starting rent index saw a slight uptick in Q4 2024 but remained 2.1% below its 3Q 2022 peak. Continued federal lease cancellations and workforce reductions are likely to limit further rent recovery in 2025.

VACANCY RATES HIT A RECORD HIGH DESPITE OFFICE JOB GROWTH

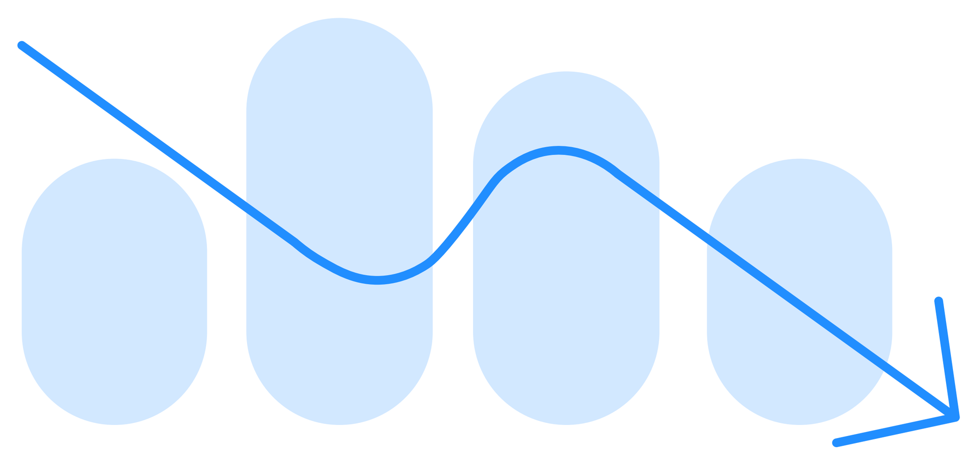
Office-using employment in D.C. grew 0.6% in 2024, reversing 2023 losses, but vacancy still climbed to 19.6% by year-end, surpassing pandemic-era levels.

GOVERNMENT LEASE EXPIRATIONS POSE A MAJOR RISK TO THE MARKET

More than 25% of office leases expiring through 2027 are in the government sector, a weak spot for the market, as DOGE policies may target these leases for early termination or space reductions.

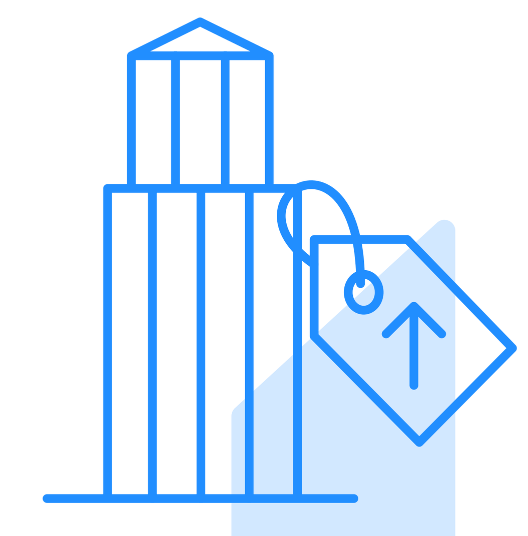
Office Market Highlight: Washington D.C.

KEY FINDINGS



CONCESSION RATIOS DECLINED IN 2024 AS LANDLORDS HELD FIRM ON DEALS

The average ratio of concessions to total deal value fell year over year, with free months on new leases dropping 14.4%, suggesting landlords may be reaching their limits on incentives.

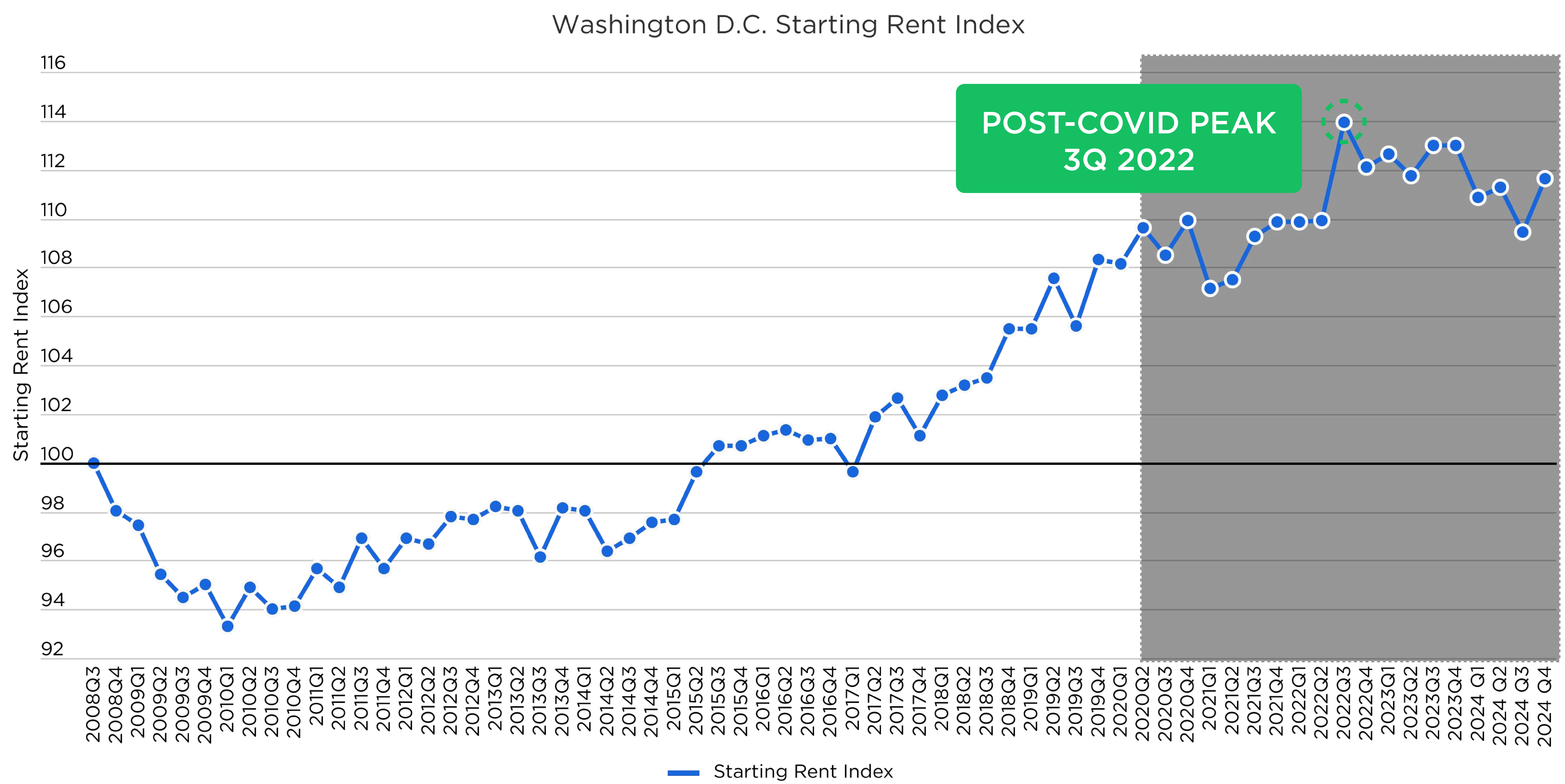


PRIME CLASS A RENTS RISE, BUT FUTURE DEMAND FACES HEADWINDS

Prime Class A rents grew for a second year, with D.C. law firms driving much of the increase. However, D.C. budget cuts and reduced government contracting could slow demand for high-end office space.

Washington D.C. Starting Rent Index Shows Mixed Performance in 2024, though Remains Down from Recent Peak in 3Q 2022

CompStak's starting rent index, benchmarked to the third quarter of 2008, remained below its most recent peak in 3Q 2022 throughout 2024. While the index saw a slight uptick in 4Q 2024, it remains 2.1% lower than its 3Q 2022 level. With Washington, D.C.'s office market facing federal lease cancellations and workforce reductions—potentially rippling into related private industries—the starting rent index is unlikely to see further increases in 2025.



Source: CompStak. Values are indexed to the third quarter of 2008.

Annual Federal Government Employment Growth Slowed in 2024 While Total Office-Using Employment Reversed 2023 Declines

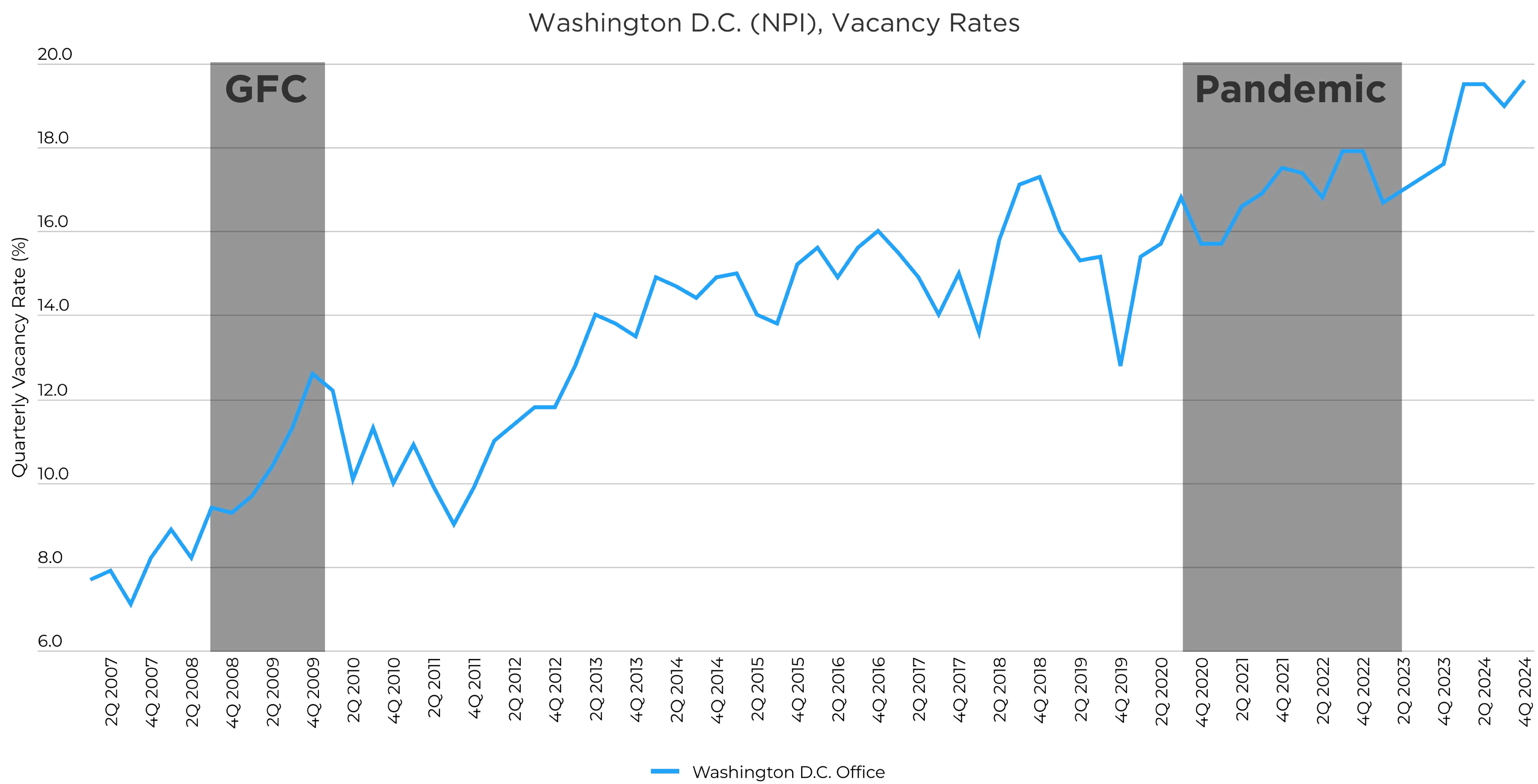
Washington D.C.'s private-sector, office-using jobs rose 0.6% year-over-year in 2024, reversing a 0.5% decline in 2023 and marking a 21.3% increase since February 2010's low. Federal employment, a key driver of office demand, grew 0.5% in 2024—slower than 2023's 1.4% rise. However, both remain below their post-2007 peaks, with federal employment down 5% and total office-using jobs down 1.1%. As of December 2024, there were 2.71 private sector office-using employees per federal government employee in Washington D.C.

Washington D.C. Office-Using Employment vs. Federal Government Employment

Source: U.S. Bureau of Labor Statistics, Employment, Hours, and Earnings from the Current Employment Statistics survey, Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Division, All Employees, in thousands, not seasonally adjusted. Includes employment in the information, financial, and professional and business services sectors, as well as federal government.

2024 Washington D.C. Vacancy Rates Edged Upward to New High

Despite slight gains in the federal workforce by year-end 2024 as well as in overall office employment in Washington D.C., office vacancy rates in the nation's capital ended the fourth quarter of 2024 on a new high, surpassing the level of vacancy seen during the pandemic. Vacancy rates hit 19.6% in Q4 2024, 10 basis points higher than in the first quarter, according to the NCREIF NPI.

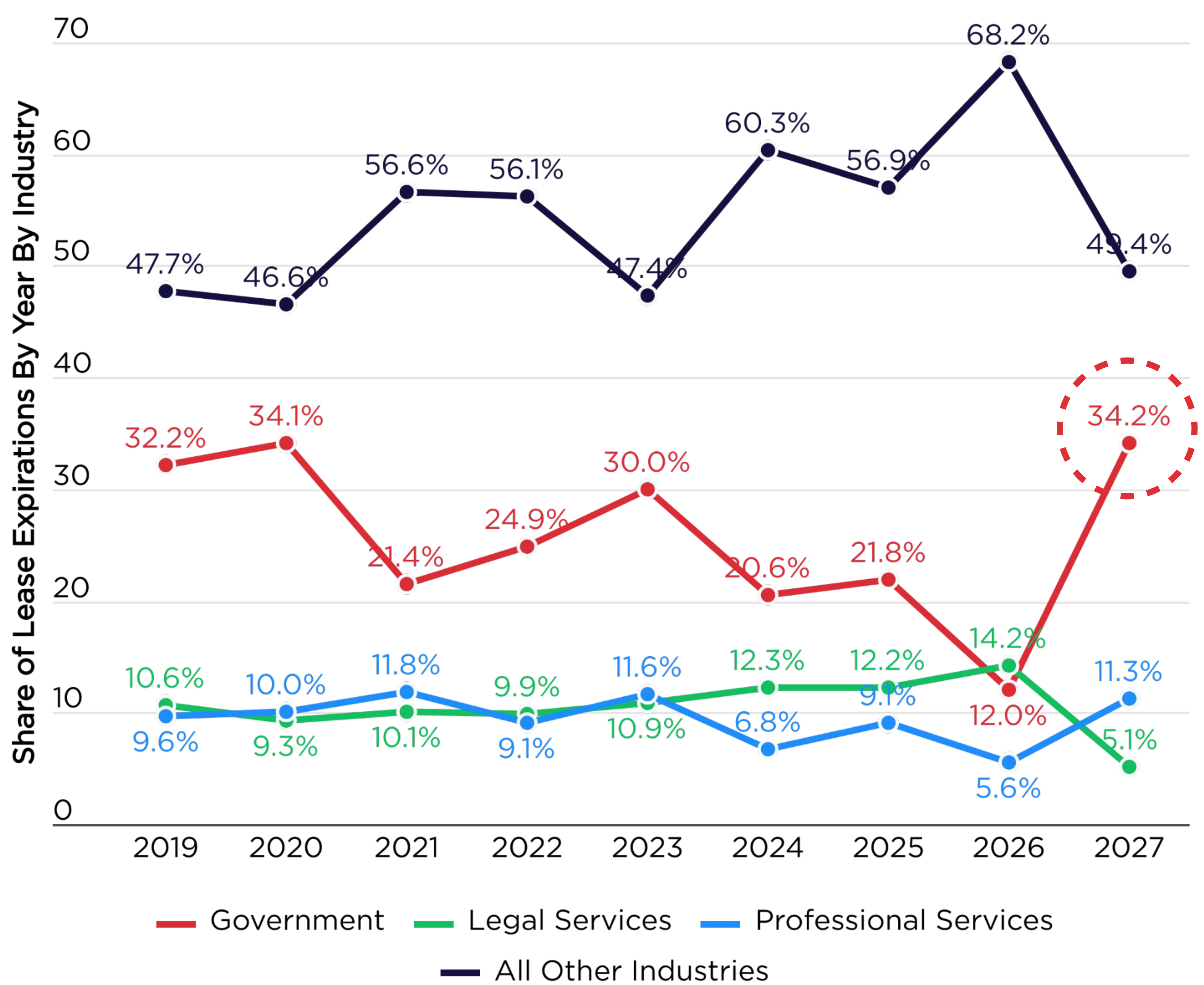


Source: NCREIF, NPI, Vacancy Rates

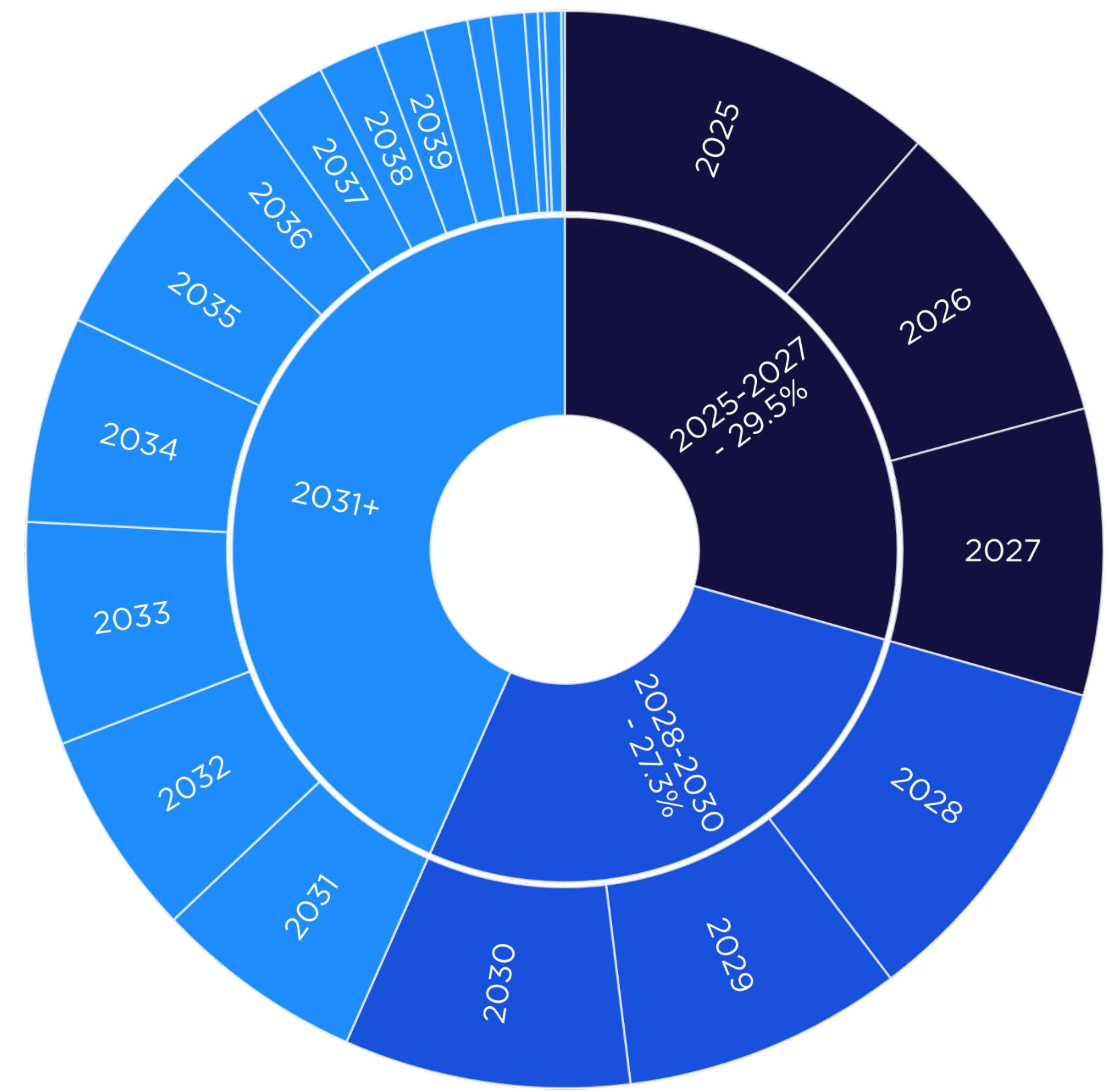
More Than 1/4 of Washington D.C. Office Leases Expiring by 2027 Are Government Leases, Raising Market Concerns as GSA Targets Reductions

With more than 25% of all leases coming up for renewal through the end of 2027 concentrated in the government sector, the market is at risk as DOGE may target these leases early for termination or seek to renew or downsize at the time of renewal. 2027 is a peak year with more than one-third of all leases expiring within the government sector in another potential warning sign for the Washington D.C. market as DOGE evaluates the federal government's leased and owned real estate footprint.

Washington D.C.
Share of Office Leases Expiring by Year by Industry



Washington D.C.
Share of Leased Square Footage, Expiring by Year

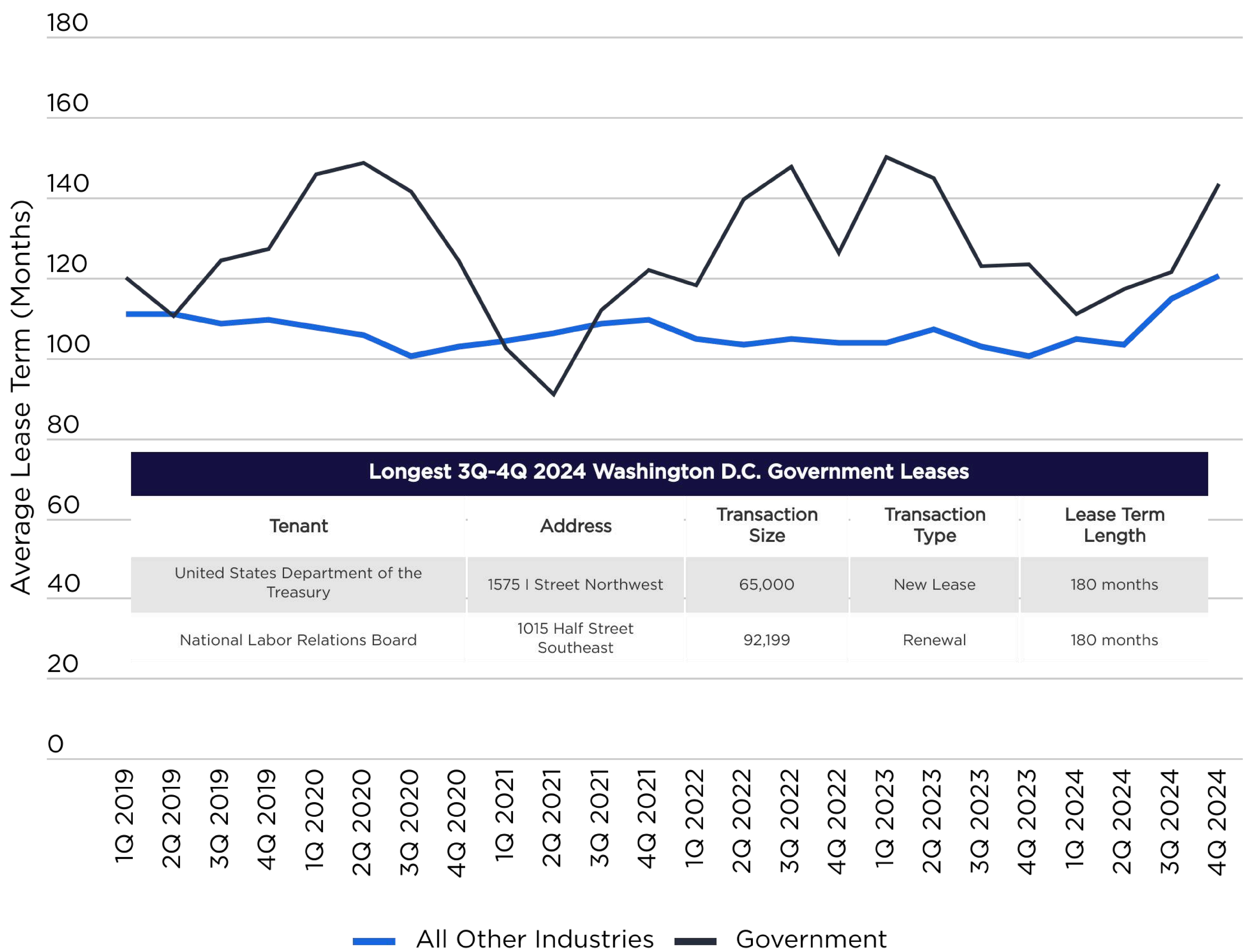


Source: CompStak.

Average Lease Term Length for Government Deals Grew Year over Year, But Term Length for All Other Industries Gained Faster, Shrinking Government's Premium

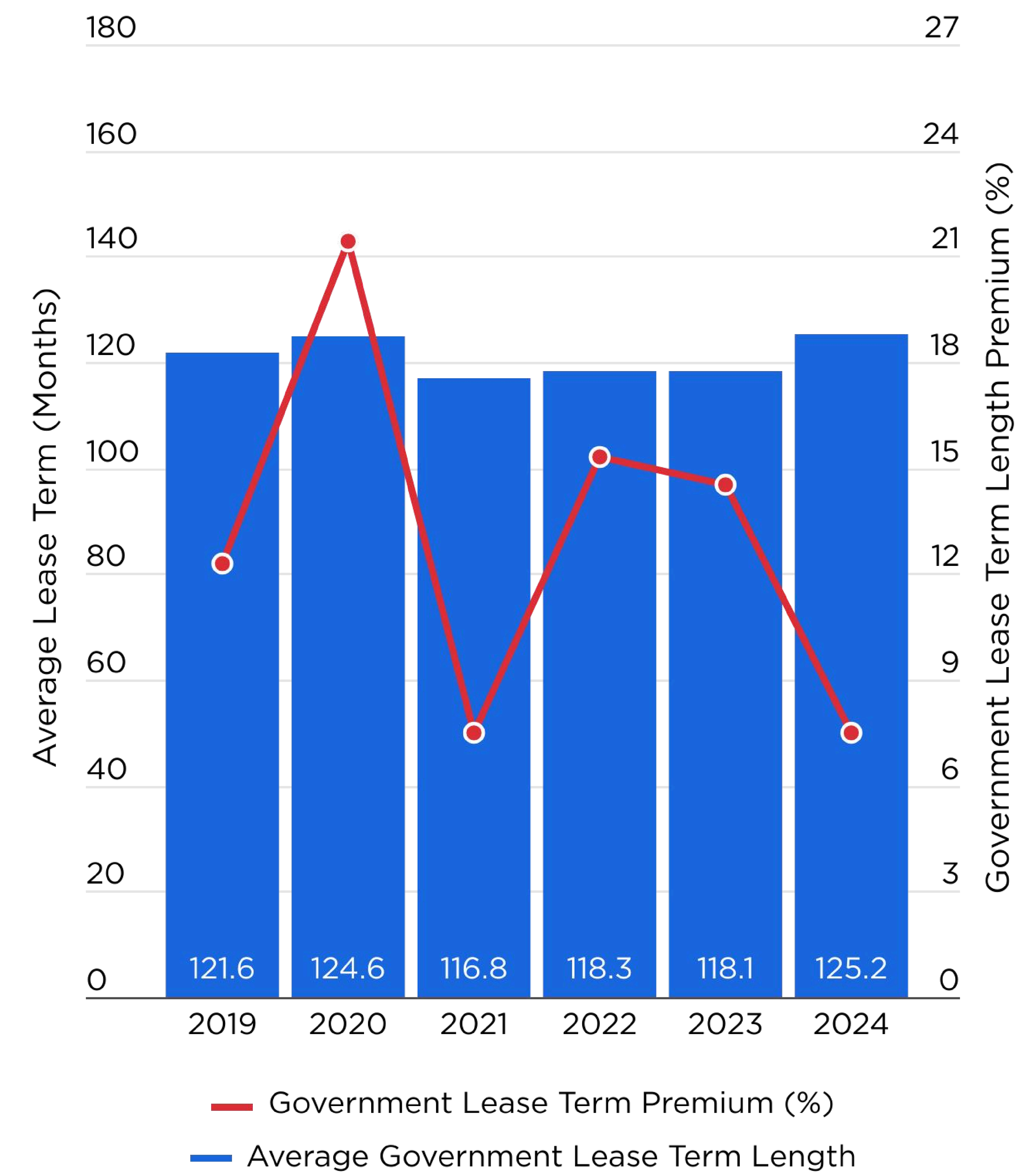
As the federal government's leased footprint shrinks due to recent DOGE (Department of Government Efficiency) actions, Washington D.C. office landlords face declining demand and increased uncertainty. Government leases, historically the longest, were just 7.5% longer than the market average in 2024—down from 14.5% in 2023 and 15.3% in 2022. Despite this trend, some long-term federal deals were signed, including a 180-month lease by the National Labor Relations Board at 1015 Half Street SE, helping push the average government lease term to 125.2 months, compared to 116.5 months for other industries.

Average Lease Term Length, Government vs. All Other Industries, Washington D.C.



Longest 3Q-4Q 2024 Washington D.C. Government Leases

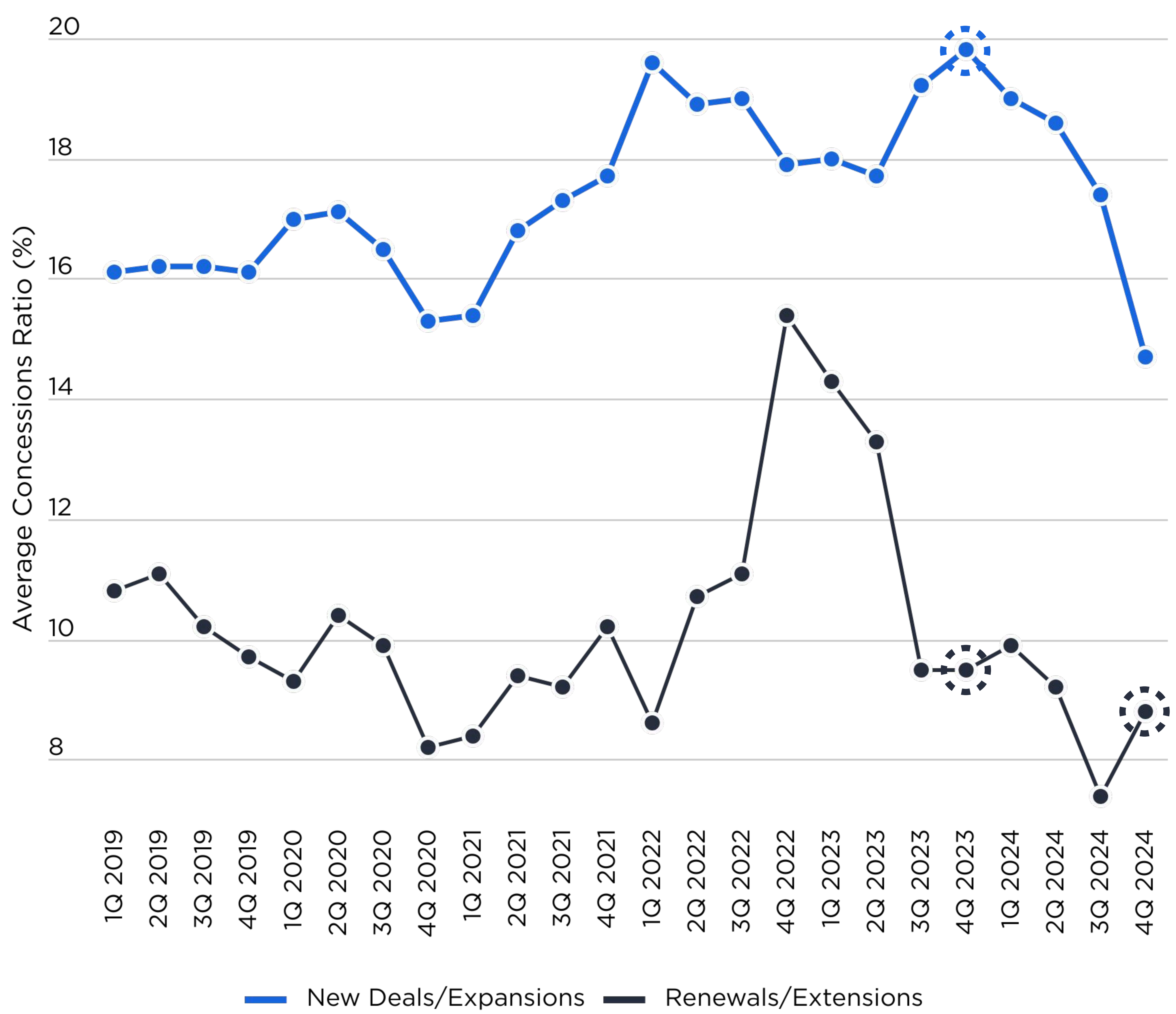
Tenant	Address	Transaction Size	Transaction Type	Lease Term Length
United States Department of the Treasury	1575 I Street Northwest	65,000	New Lease	180 months
National Labor Relations Board	1015 Half Street Southeast	92,199	Renewal	180 months

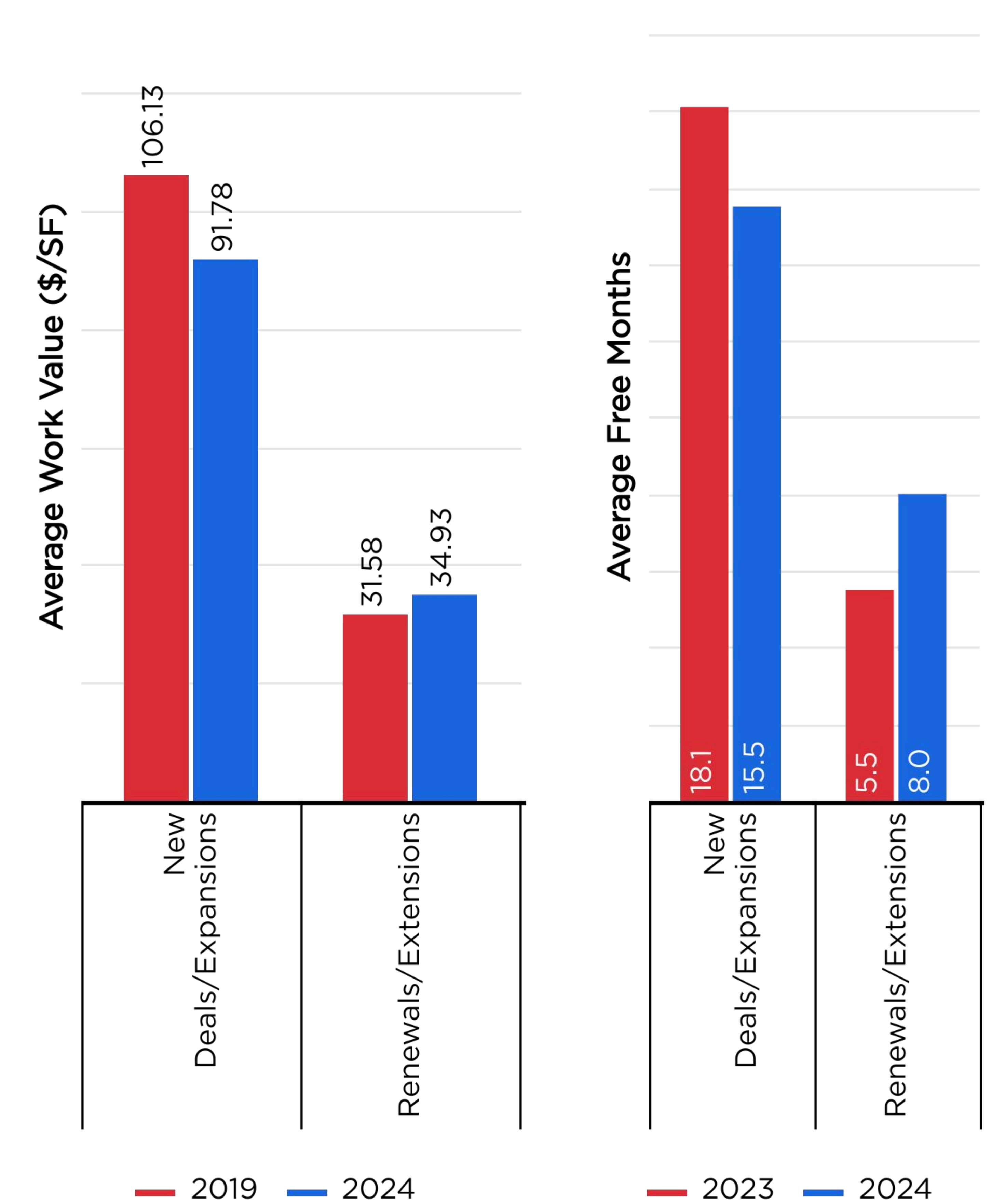


Source: CompStak. Lease term is weighted by transaction size. Government includes local, state and federal

The Average Ratio of Concessions to Total Deal Value Fell Year over Year in Washington D.C.

The ratio of concessions to total lease value declined year-over-year and fell each quarter in 2024, with sharper declines for new deals and expansions compared to renewals. This drop coincided with lower average work value and fewer free rent months. For new deals and expansions, free rent months fell by 2.6 months (14.4%) year-over-year. The overall decline in concession ratios may signal that landlords have reached a limit on increasing concessions relative to deal value or that transacting deals are becoming less competitive.



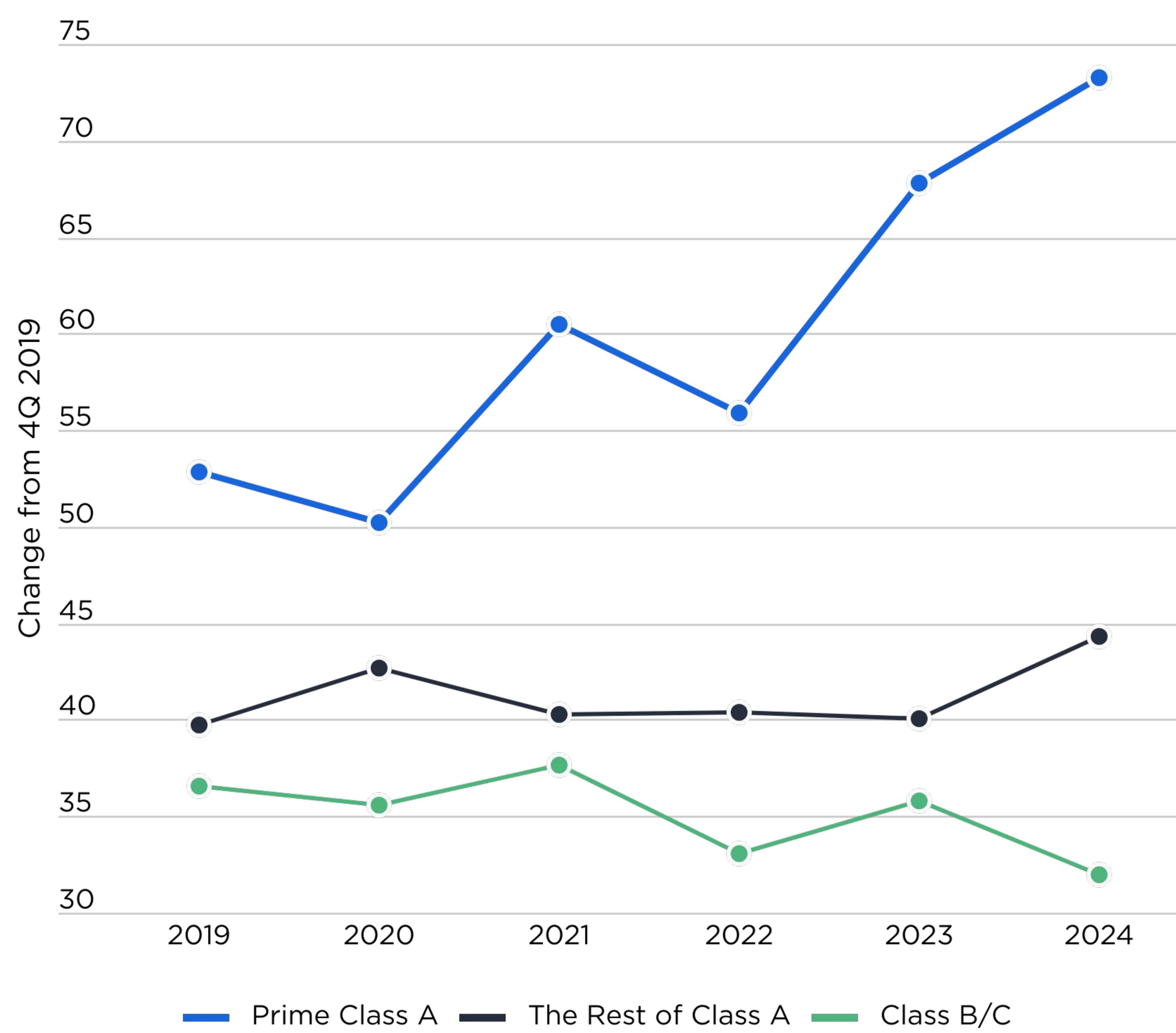


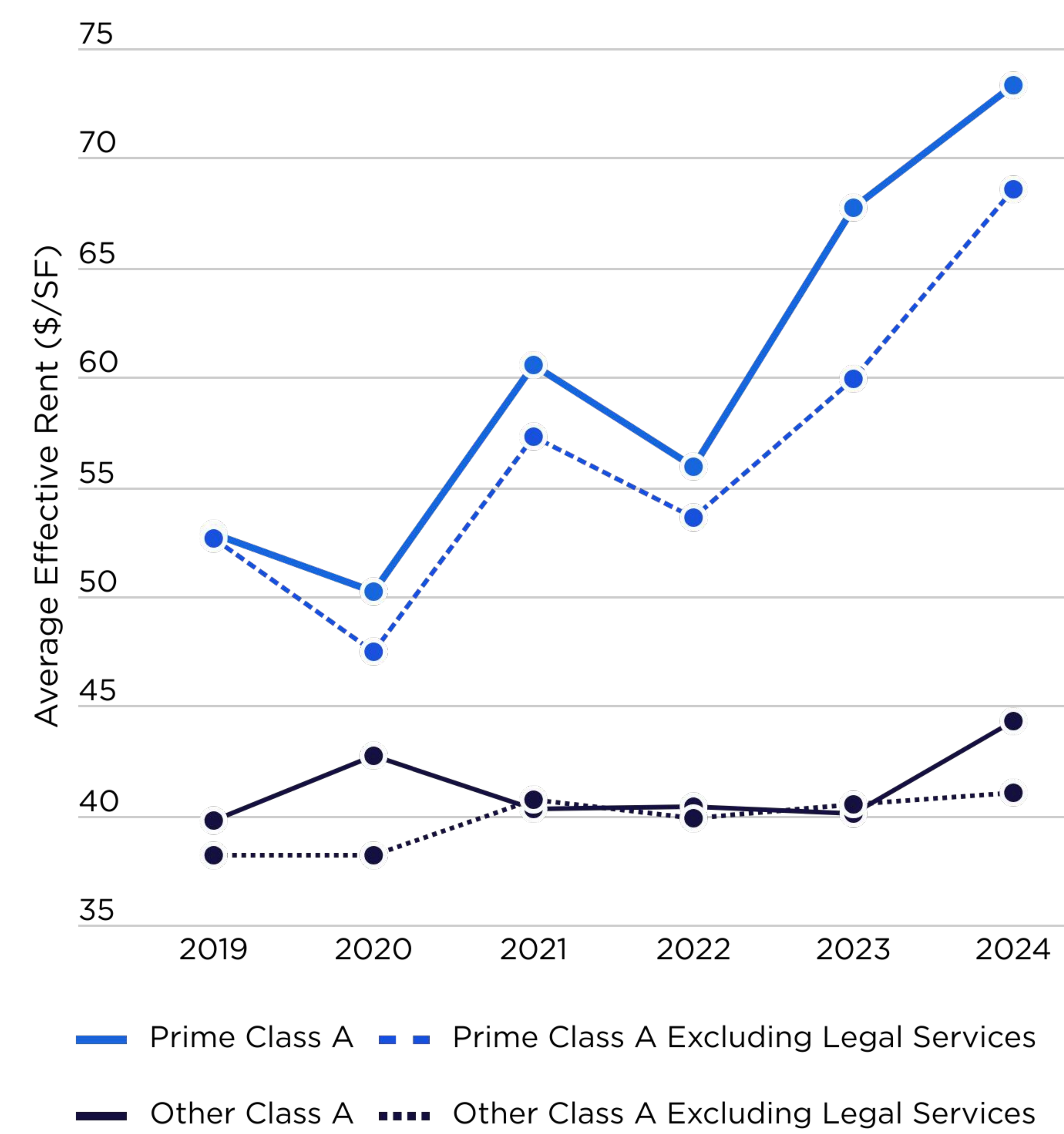
Source: CompStak. concessions ratios are weighted by transaction size and reflect total value of concessions (free rent period + work value) relative to total rent over lease.

Washington, D.C. Prime Class A Effective Rents Rise for Second Year, While Other Class A Rents Surpass 2020 Levels for the First Time in 2024

While Class A rents rose year over year in 2024, Class B/C effective rents dipped, now down 10.7% from 2019. The rise in Prime Class A rents echoes broader gateway market trends, but potential impacts from **DOGE** could pressure demand and rents in the coming year. Although the federal government is not a major driver of Prime Class A space demand and rents, the broader decline in D.C.'s economy—deeply intertwined with sectors like nonprofits, consulting, and law firms—could lead to challenges for other industries and their presence in the office market. For example, legal services have been a key driver of Prime Class A effective rent growth. Without law firm deals, the average Prime Class A rent would have been 11.5% and 6.4% lower in 2023 and 6.4% lower in 2024. Similarly, legal services drove much of the rent gains for non-Prime Class A buildings in 2024—excluding law firms, rents rose just 1.1% from 2023.

Average Effective Rent, Washington D.C.





Source: CompStak. Effective rents are weighted by transaction size, account for TI and free rent, quoted annually and adjusted to gross. . Prime Class A includes trophy, new construction and recently renovated buildings. Class B includes renovated Class B since 2010 or built since 1990 and properties larger than 100,000 square feet.

Fannie Mae Signed Top Deal by Value in Washington D.C. in H2 2024

Despite persistently high CBD office vacancy, two of the five highest-value transactions in Washington, D.C., signed in Q3–Q4 2024, took place in the city's central business district, according to CompStak data. Law firms Freshfield and ArentFox Schiff both signed at 1100 15th Street Northwest for over $100 million, placing them at number three and four on the list. Another legal services tenant, Milbank, ranked fifth in signing for 64,664 square feet for over $60 million. The top two leases by value were COSA (Court Service and Offender Supervision Agency) and Fannie Mae. The government sponsored enterprise, or "GSE", not only inked the number one most valuable deal in the second half of 2024 in that market for over $403 million, but was also the largest transaction and the only renewal/contraction to make the list. In January 2024, Fannie Mae exercised its early out clause to vacate the property by 2029, but ultimately opted to re-sign for less than half as much space, about 380,000 square feet, according to CompStak data.

Top Washington D.C. Deals by Value

Ranking	Tenant	Address	Submarket	Quarter	Transaction Type	Industry	Transaction Size (SF)	Total Rent Over Lease
1	Fannie Mae	1100 15th Street	Washington D.C.	Q3 2024	Renewal/Contraction	FIRE	340,000	$403.6 million
2	COSA (Court Service and Offender Supervision Agency) and PSA (Pretrial Services Agency)	501 3rd Street Northwest	DC Capitol Hill	Q3 2024	New Lease	Government	198,561	$153.7 million
3	Freshfields	1100 15th Street Northwest	DC CBD	Q4 2024	New Lease	Legal Services	123,000	$131.7 million
4	ArentFox Schiff	1100 15th Street Northwest	DC CBD	Q4 2024	New Lease	Legal Services	120,000	$105.8 million
5	Milbank	1101 New York Avenue Northwest	DC East End	Q3 2024	New Lease	Legal Services	64,664	$60.8 million

Source: CompStak.

END NOTES:

1. Unless Otherwise Noted, Data Presented Is Sourced From CompStak And Covers 11 Major U.S. Office Markets Including: Atlanta, Bay Area, Boston, Chicago, Dallas-Fort Worth, Los Angeles -OC-Inland Empire, New York City, San Francisco, And Washington D.C. And Philadelphia Through 2024 Year-End

2. Concession Ratios Are Defined As The Ratio Of The Total Value Of Concessions Including Free Months And/Or Tenant Improvement Allowances To The Total Rent Over Term (Not Excluding Free Rent).

3. Effective Rents Account For Concessions Including Free Rent And Work Value, Where Provided And Are Adjusted To Gross Expense Type

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