Kidder Mathews

WESTERN U.S. *OFFICE* BY THE NUMBERS

2026 Market Forecast

THE OFFICE MARKET IS SHOWING SIGNS OF *GRADUAL BUT UNBALANCED IMPROVEMENT*

Leasing activity is strengthening as select markets begin to stabilize.

Leasing activity has increased compared with the previous several years, supported by stronger tenant demand, improved leasing stability, and renewed expansion in several major markets. While vacancy remains high by historical standards, its pace of increase has slowed considerably.

At the same time, new office development has fallen to its lowest level in many decades, and the gradual removal or conversion of obsolete buildings is helping restore balance between supply and demand. Together, these shifts form the foundation for a gradual return to more normalized conditions as occupiers gain confidence and financing constraints soften.

THE FLIGHT QUALITY TO PREMIUM OFFICE SPACE *CONTINUES TO DRIVE TENANT DEMAND*

The distinction between top-tier office assets and the broader market continues to widen. In many cases, this dichotomy can be seen between Class A properties and premium locations, but it can also be seen in newly built properties versus older properties.

Either way, premium, new and modern buildings have typically attracted the majority of leasing activity as employers seek environments that foster collaboration, support organizational culture, and help retain talent. This dynamic has strengthened as office attendance on peak days rises and corporate leaders place renewed emphasis on workplace quality. With new construction at a multi-year low, properties in the best locations with quality amenities are filling up quicker in many markets, leading to faster rent recovery and increased competition among tenants. As these premier spaces reach higher occupancy, demand is beginning to expand into well located buildings that have undergone substantial upgrades.

SHIFTS IN VACANCY & SUBLEASE SPACE

Vacancy and sublease availability are beginning to trend downward.

Vacancy rates have started to decline modestly following several years of sustained increases. As we enter 2026, many markets have recorded consecutive quarters of positive net absorption and incremental vacancy reductions.

Gateway cities and technology-focused markets are seeing a notable uptick in leasing velocity, and sublease inventories have fallen meaningfully as tenants withdraw available space or secure new occupants. This contraction of sublease availability is an important signal, as it typically precedes broader improvements in vacancy. When reviewing the trend of sublease space as a percent of total available space, the West Coast combined figure has dropped from a high of 15.3% in 2023 to 10.4% at the end of 2025. Much higher than the 10-year pre-covid average of 4.7%, but a positive sign of the impending recovery cycle. While overall vacancy remains elevated compared with the years prior to the pandemic, the market has clearly reached a turning point.

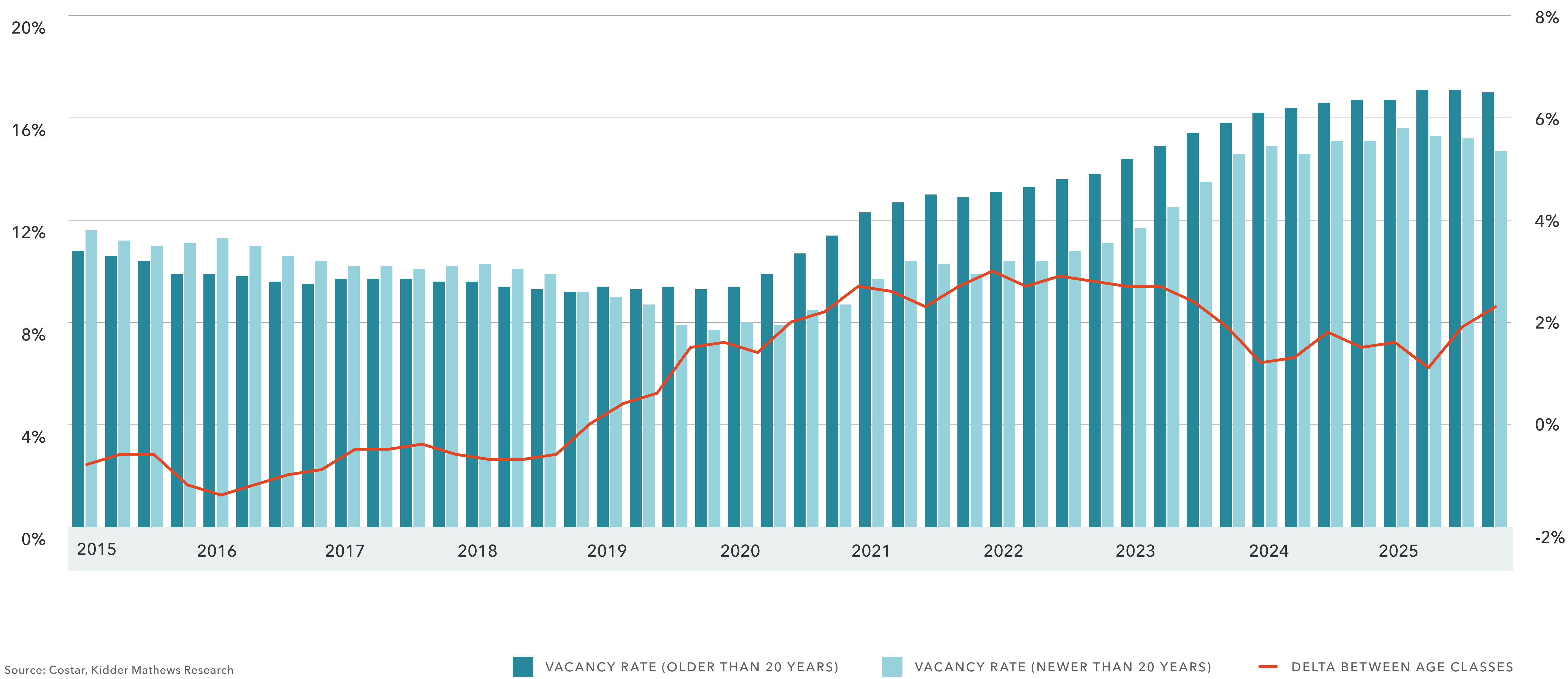
WESTERN U.S. *FORECAST*

The office sector is positioned for gradual recovery in 2026.

Leasing volumes are expected to exceed 2025 levels as more organizations formalize long-term workplace strategies and capital flows improve. Rent growth will concentrate within premium assets, while older buildings, particularly those requiring major capital investment, may face challenges or pressure to reposition.

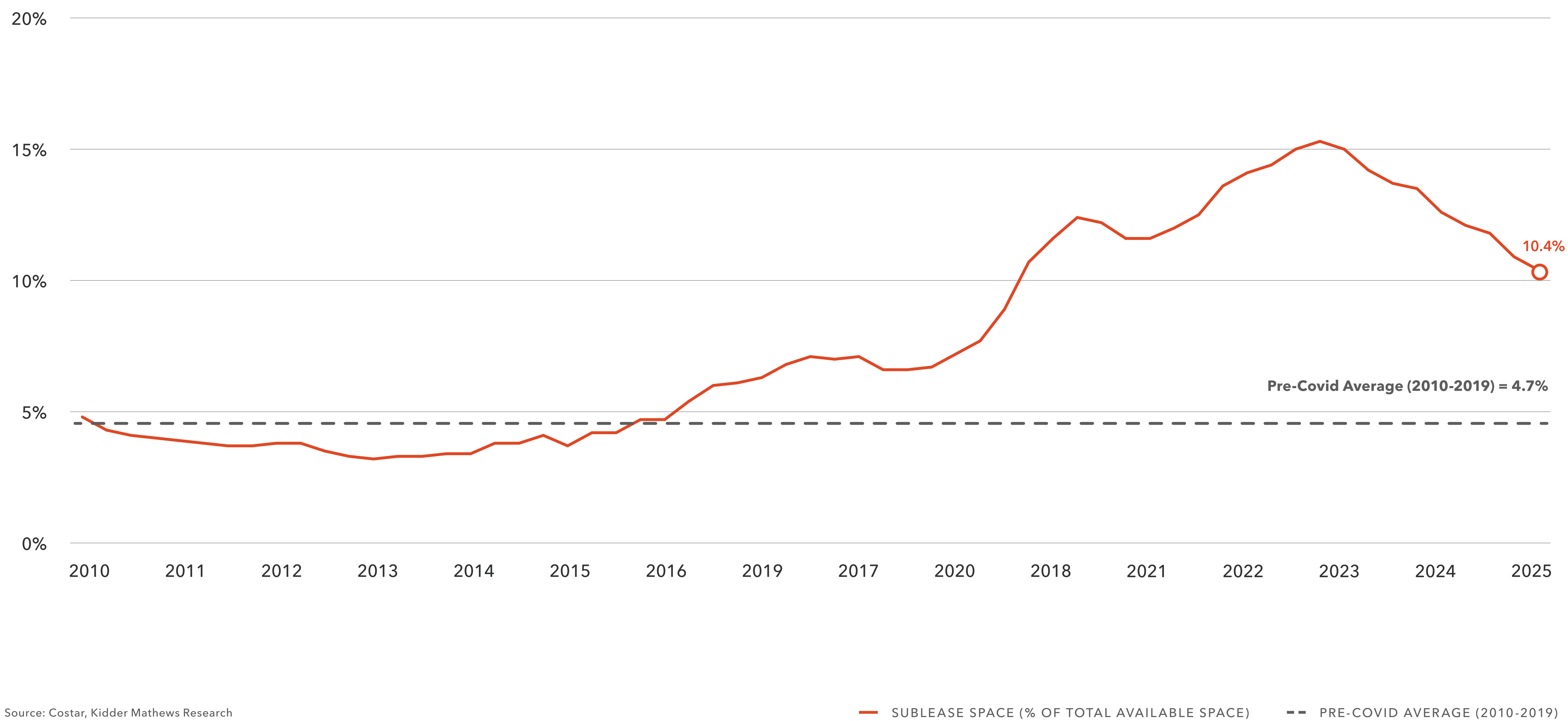
Limited new construction and selective conversions will help move the market toward structural tightening. At the same time, debt maturities and refinancing pressures will weigh on weaker assets. Overall, the year is expected to bring incremental improvements in occupancy, firmer pricing within top tier segments, and a clearer path toward balance across many regions.

THE FLIGHT TO QUALITY DRIVES PERFORMANCE



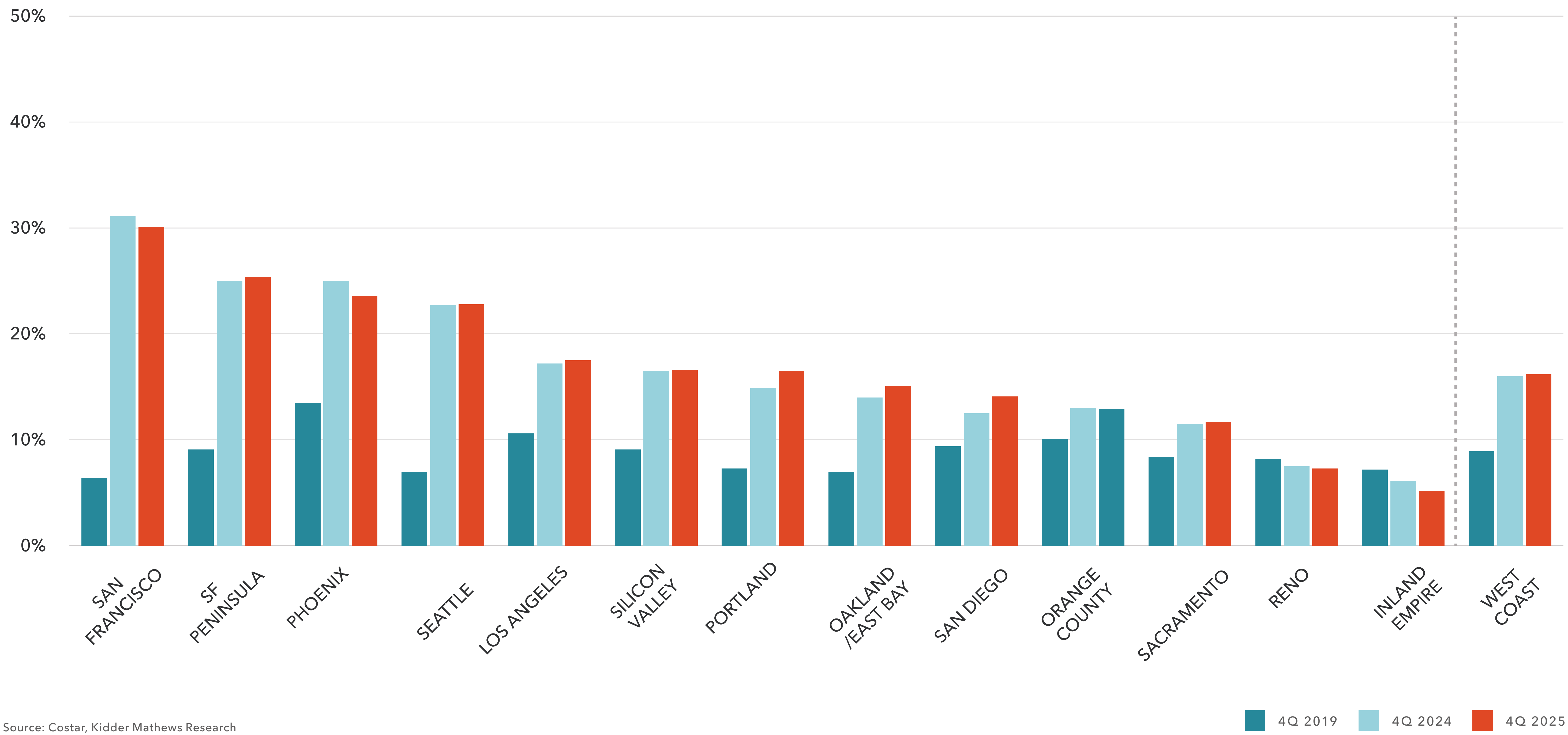
Source: Costar, Kidder Mathews Research

TOTAL SUBLEASE IS ON DECLINE



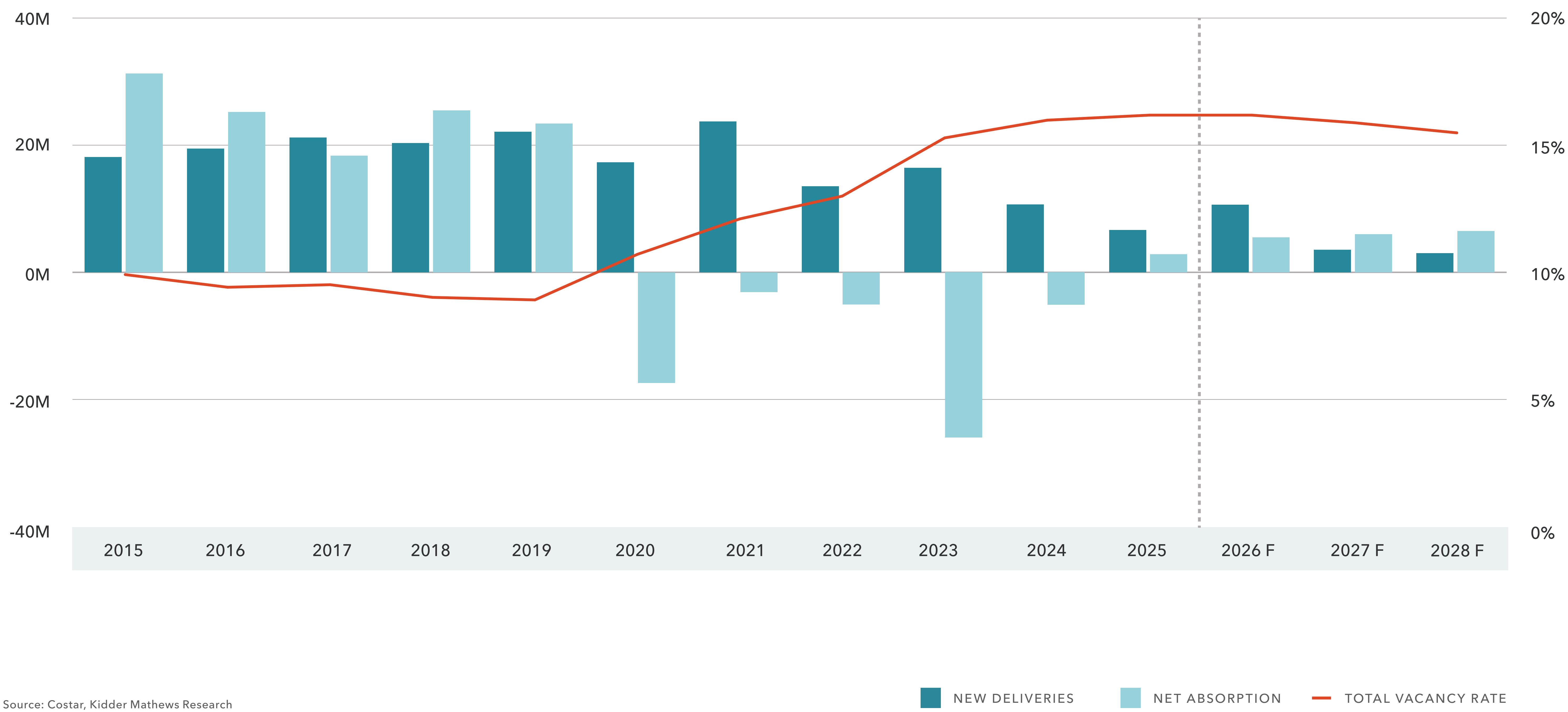
Source: Costar, Kidder Mathews Research

VACANCY RATE *BY MARKET*



Source: Costar, Kidder Mathews Research

WESTERN U.S. *FORECAST*



Source: Costar, Kidder Mathews Research

Kidder Mathews

Contact

ERIC PAULSEN
Chief Operating Officer
949.557.5079
eric.paulsen@kidder.com

GARY BARAGONA
Vice President, Research
415.229.8925
gary.baragona@kidder.com

The information in this report was composed by the Kidder Mathews Research Group.

KIDDER.COM

Kidder Mathews is the largest fully independent commercial real estate firm in the Western U.S. with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Nevada, and Arizona.

We offer a complete range of brokerage, appraisal, asset services, consulting, and debt equity finance services for all property types.

COMMERCIAL BROKERAGE

$9B
AVERAGE ANNUAL TRANSACTION VOLUME

32.4M+
ANNUAL SF OF SALES

32.5M+
ANNUAL SF OF LEASING

ASSET SERVICES

54M SF
MANAGEMENT PORTFOLIO SIZE

800+
ASSETS MANAGED

250+
CLIENTS SERVED

VALUATION ADVISORY

2,700+
AVERAGE ANNUAL ASSIGNMENTS

42
TOTAL NO. OF APPRAISERS

23
WITH MAI DESIGNATIONS