

# Office Market Snapshot

Mid-Year 2025

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## Market Overview

The office sector continues to navigate a slow and uneven recovery, with leasing activity largely driven by financial and professional services firms. Aside from green chutes associated with new lease requirements for AI-related companies, tech demand remains low aside from select gateway markets. Transaction volume is picking up in select areas, but pricing remains under pressure as new comps reflect reduced valuations. While some debate whether values are falling or simply stabilizing at lower levels, capital remains cautious. Corporate users with long-term space certainty are selectively acquiring assets at discounted pricing. Meanwhile, Manhattan continues to lead all markets in both pricing and deal volume.

## Key Trends

- **Uneven Recovery:** Leasing activity continues to be dominated by financial and professional services firms. Tech demand remains largely absent, with the exception of AI-related requirements and select core gateway markets where activity has shown signs of life.
- **Valuation Debate:** More transactions are occurring, but often at reduced bases, raising questions about whether values are falling or stabilizing.
- **Selective Buying:** Corporate users with clear space needs are acquiring assets opportunistically, particularly in top-tier markets like Silicon Valley.

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## Notable Transactions

### The Good

- Apple spent more than \$500 million across two transactions in Silicon Valley, converting leased assets into owned assets (Mathilda Commons in Sunnyvale and 10200 Tantau in Cupertino).
- In two separate transactions, Shorenstein and Wright Runstad sold partial interests in Blocks 5 and 6, and a full interest in Block 13 within Bellevue's Spring District, part of the Seattle Metropolitan area, with a total implied valuation exceeding \$735 million.
- New York City saw four trades of varying profiles clear the \$100 million mark in Q2, with additional high-dollar assets currently in marketing and expected to transact later this year.

### The Bad

- 311 S Wacker, Chicago sold for \$45 million, or approximately \$35/SF—about 15% of its March 2014 purchase price. The buyer is pursuing a partial hotel conversion.
- 1775 Sherman St & 1776 Lincoln St, Denver were sold by Lincoln Property Company for \$10 million, or roughly \$23/SF. The assets were originally acquired in October 2018 for over \$95 million (\$219/SF).
- 525 Tryon St, Charlotte traded for \$24 million at 46% leased, or about \$50/SF. New York Life had acquired the property for \$60 million in 2014.

### Transaction Volume

Increasing in some markets, but still limited overall.

### Cap Rates

New comps often reflect market lows. Core assets are still trading, but generally at reduced bases.

### Outlook

Expect more core or near-core trades in H2 2025 as funds rebalance exposure.