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ASPIRE CRE · MARKET REPORTS

U.S. Office Market Report — Q3 2025

The headlines say office is dead. The Q3 numbers tell a more nuanced story — a slow, uneven recovery led by the highest-quality buildings, while commodity suburban space keeps struggling.

Based on the Q3 2025 earnings calls of Cousins Properties (CUZ), Franklin Street Properties (FSP), Piedmont Office Realty Trust (PDM), Kilroy Realty (KRC), and BXP / Boston Properties (BXP).

The quarterly earnings calls of publicly traded office REITs provide some of the clearest real-time data on where the market is headed.

The bad news: they're long, boring and might put you to sleep.

The good news: we analyzed them so you don't have to.

For this report, we went through the Q3 2025 results of five office REITs — Cousins Properties, Franklin Street Properties, Piedmont, Kilroy, and Boston Properties — and pulled out what matters for the market overall, and for Houston and Texas in particular.

The Takeaway

Across all five reports, the headline-level fear about office doesn't match what the numbers show. Absorption has turned positive, occupancy is rising, and rents are holding or climbing. Tenant improvement costs remain high, but landlords are increasingly being compensated with longer lease terms and stronger rent rolls.

The real story is bifurcation. The gap between the best buildings and the rest has never been wider. Class A, amenitized, well-located office is performing well, while commodity suburban space continues to struggle. With almost no new construction in the pipeline, supply is tightening just as demand returns — setting up a slow, uneven recovery led by the highest-quality buildings in the best markets.

At a Glance

Company	Occupancy	Cash Rent Spread	Core Markets
Cousins	Low 90s%	Mid–high single digits *	Sun Belt: Austin, Dallas, Atlanta
Franklin Street	~69%	+6% (new leases) *	Suburban / secondary markets
Piedmont	89.2%	+9%	Dallas, Atlanta, Minneapolis
Kilroy	High 80s%	~Flat	West Coast: San Diego, Seattle, SF
BXP	~88%	Mid–single digits	New York, Boston, D.C. (trophy CBD)

** Cousins reflects renewal rent increases; Franklin Street reflects new-lease spreads. Piedmont is +9% cash (+20% on an accrual basis). Occupancy figures are approximate where management gave a range; rent spreads shown on a cash basis where available.*

Cousins Properties (CUZ)

Cousins focuses on high-growth Sun Belt markets — Austin, Dallas, and Atlanta — and it showed in Q3. The company reported solid leasing momentum and positive absorption across most of its portfolio, with occupancy holding in the low 90s. It kept pushing rents higher, with mid- to high-single-digit increases on renewals. Tenants are taking a little less space on average, but paying more per square foot.

The persistent challenge is tenant improvement costs: buildouts remain expensive. Cousins manages it by sticking with strong-credit tenants in top submarkets and walking away from low-credit deals where TI allowances get out of control. Low leverage leaves it well positioned to capitalize on any dislocation. The message is consistent: high-quality, mixed-use office in the right Sun Belt locations continues to perform.

Franklin Street Properties (FSP)

Franklin Street is a much smaller REIT concentrated in suburban and secondary markets, and management has been candid about how much it has struggled. Occupancy sits around 69%, down slightly year over year, and leasing has been moderate — 274,000 square feet signed year to date, most of it renewals and expansions. The new deals that get done are coming in about 6% above prior rates, on roughly 5.5-year terms, but new tenants remain hard to land.

Tenant improvements and concessions are still elevated. The company is reviewing strategic options, including asset sales or recapitalizations, to strengthen its balance sheet. This is a stabilization play — the focus is shoring up the company's financial position — and the trend line is starting to look better than it did a year ago, with activity picking up, especially from larger tenants returning to the market.

Piedmont (PDM)

Piedmont posted one of the strongest quarters of the group: 724,000 square feet of leasing, its best quarter in over a decade, with more than 500,000 of that going to new tenants. Occupancy climbed to 89.2%, and management expects to reach 90% by year-end. The company raised FFO guidance and is projecting steady growth.

Pricing power was clear — rents up 9% on a cash basis and 20% on an accrual basis. Tenant improvements averaged $6.76 per square foot per year of term, a bit higher than usual given the volume of new-tenant deals, which carry more TI than renewals. Dallas, Atlanta, and Minneapolis led activity, with full-floor tenants expanding again, and Piedmont has $75 million of future rent already signed on leases that haven't yet commenced. Management's read: the market is turning the corner.

Kilroy Realty (KRC)

Kilroy is concentrated on the West Coast — San Diego, Seattle, and San Francisco. Leasing was steady and absorption turned slightly positive, driven largely by San Diego life science demand. Occupancy sits in the high 80s, and rent spreads were roughly flat.

The more interesting story is deal structure. Tenants want longer terms and more customization, which costs money. Kilroy is signing 8- to 10-year terms with heavy TI packages — often north of $100 per square foot for lab or creative office buildouts — and those deals still pencil because of the rent premiums in its niche markets. The company has pulled back on new development and is reducing leverage, stabilizing the portfolio before ramping up again in 2026. The takeaway: specialized, high-quality assets, life science in particular, hold value even in weaker office markets.

BXP / Boston Properties (BXP)

BXP, the largest office REIT in the country, beat expectations and raised guidance on better-than-expected leasing and expense control. It leased 1.5 million square feet in Q3, up 39% year over year, with occupancy around 88%. Same-property NOI is back in positive territory, and cash rent spreads rose mid-single digits.

BXP's focus is premier workspace — the top 10–15% of buildings in each market it operates. Those assets carry 22% lower vacancy and command 55% higher rents than the broader market. The company is selling suburban and non-core assets to pay down debt and reinvesting in trophy buildings in the central business districts of New York, Boston, and Washington, D.C. It is seeing growing tour activity in San Francisco and strong leasing from financial services and AI companies in New York. The message: the recovery has started, and the top tier is seeing it first.

The Texas & Houston Angle

The Sun Belt and Texas remain among the better places to own office. Cousins is built around Austin, Dallas, and Atlanta, where high-quality mixed-use product keeps performing, and Piedmont's activity was led by Dallas alongside Atlanta and Minneapolis, with full-floor tenants expanding again.

Houston shows the same pattern nationally — and the same pattern Aspire sees firsthand across the buildings we lease here. New deals are hard to do right now in commodity buildings, because TI costs are so high relative to the rents those buildings command. Most of the activity is coming from renewals and expansions with existing tenants, not new tenants entering a building for the first time. And the flight to quality is unmistakable: tenants want the best, most amenitized, most expensive buildings, and those buildings perform well while lower-end space lags.

Themes Shaping the Market

- **Stabilization is taking hold.** Absorption has turned positive, occupancy is rising, and rents are holding or climbing across most of these portfolios.

- **The bifurcation keeps widening.** The gap between the best buildings and the rest has never been wider. Class A, amenitized, well-located office performs; commodity suburban space struggles.
- **TI costs stay high, and landlords are getting paid for it.** Expensive buildouts are increasingly offset by longer lease terms and stronger rent rolls.
- **Supply is tightening.** With almost no new construction in the pipeline, supply is contracting just as demand returns.

Outlook

The picture across all five names is a slow, uneven recovery — led by the highest-quality buildings in the best markets. The through-line is stabilization and a widening split: trophy assets in strong central business districts and Sun Belt growth markets are recovering first, while older, commodity space continues to lag. For owners of the right buildings, the setup heading into 2026 is improving.