U.S. Office Market Report — Q1 2026

The office recovery broadened in Q1 — four of these five REITs raised full-year guidance, AI-driven demand lit up San Francisco and New York, and Sun Belt landlords pushed cash rents up as much as 15%.

Based on the Q1 2026 (quarter ended March 31, 2026) results of Cousins Properties (CUZ), BXP (BXP), Kilroy Realty (KRC), Piedmont Realty Trust (PDM), and Franklin Street Properties (FSP).

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 analyze them every quarter so you don't have to.

For this report, we went through the Q1 2026 results of five publicly traded office REITs — Cousins Properties, BXP, Kilroy Realty, Piedmont Realty Trust, and Franklin Street Properties — chosen to span the Sun Belt, the coasts, and the premium and commodity ends of the market, and pulled out what matters overall and for Houston and Texas in particular.

The Takeaway

The office recovery picked up speed in the first quarter. The market posted its third straight quarter of positive net absorption, leasing activity rose about 8% year over year, and four of the five REITs here — Cousins, BXP, Kilroy, and Piedmont — raised their full-year FFO guidance. Cousins signed its highest first-quarter leasing volume in over a decade, Kilroy more than doubled its year-ago leasing and lifted guidance by $0.21, and BXP pushed its leased rate to nearly 91%. The tone shifted from "stabilizing" to "recovering."

Two themes stand out. First, AI has become a real demand driver, concentrated in San Francisco and New York, where BXP and Kilroy are seeing tech and AI tenants take space and upgrade. Second, the Sun Belt keeps leading on pricing: Cousins posted a 15.2% cash rent roll-up — its 48th straight positive quarter — and Piedmont 11%, while the West Coast is still burning off long-vacant space but turning the corner on volume. Quality remains the dividing line, with premier and trophy buildings capturing the bulk of demand.

At a Glance

Company	Leased %	Cash Rent Change	Core Markets
Cousins Properties	91.8%	+15.2%	Sun Belt (ATL, Austin, Dallas)
BXP	90.9%	— *	Boston, NYC, SF, DC
Kilroy Realty	82.3%	−16.8% **	West Coast, Austin
Piedmont	~90%	+11%	Atlanta, Dallas, Orlando
Franklin Street	68.4% †	n/m	Houston, Dallas, Denver

*Leased percentage is at quarter-end (March 31, 2026); cash rent change is the quarter's second-generation cash leasing spread. * BXP doesn't report a single comparable cash spread; its premier-CBD leasing economics stayed roughly stable while occupancy rose to 87.4% and leased to 90.9%. ** Kilroy's −16.8% is the quarter's blended cash spread, dragged by two long-vacant San Francisco leases; on space vacant under 12 months, cash rents rose 5.2%. † Franklin Street was 66.5% occupied — the company is sub-scale and distressed (see its section).*

Cousins Properties (CUZ)

Cousins opened 2026 with what management called an outstanding quarter. FFO held at $0.73 per share, $0.02 above consensus, and the Sun Belt operator posted a 15.2% second-generation cash rent roll-up — its 48th consecutive positive quarter and a sharp acceleration from the prior period — across all of its active markets. It signed 932,000 square feet of leases, its highest first-quarter volume in over a decade, and pushed end-of-period leased occupancy to 91.8%. A $36.6 million non-cash impairment on an Austin asset slated for sale produced a GAAP net loss, but cash earnings were steady.

Cousins raised its 2026 FFO guidance to a $2.94 midpoint (about 3.5% growth) and reaffirmed a year-end occupancy target above 90%. It funded the $317.5 million purchase of 300 South Tryon in Charlotte partly through asset sales and repurchased 3.9 million shares. CEO Colin Connolly argued that AI is increasing the need for high-quality collaborative space, and pointed to rent growth of roughly 40% in Dallas's Uptown submarket since 2021.

BXP (BXP)

BXP delivered a clean beat. FFO of $1.59 per share topped guidance, and the largest office REIT raised its full-year outlook to $6.90–$7.04. It leased more than 1.1 million square feet, lifted in-service occupancy 70 basis points to 87.4%, and pushed its leased rate to 90.9% — leaving roughly 1.6 million square feet of signed-but-uncommenced leases, about 90% of which commence this year, as a visible runway for occupancy gains. Its premier central-business-district portfolio was 93.4% leased.

The standout was the demand commentary. Management called AI "enormously beneficial" to leasing, particularly in San Francisco and New York, with clients growing rather than contracting and upgrading space to support return-to-office policies. BXP kept selling non-core assets — including a 50% stake in the Marriott headquarters in Bethesda for $430 million — and continued to advance a development pipeline targeting yields above 8%.

Kilroy Realty (KRC)

Kilroy's headline occupancy fell to 77.6% as its large life-science delivery, Kilroy Oyster Point Phase 2, entered the stabilized pool; excluding it, occupancy was a steadier 81.5%. The more important signal was leasing: 568,000 square feet, more than double a year earlier and its best first quarter since 2017, led by a resurgent San Francisco. FFO was $0.91. Blended cash leasing spreads were negative 16.8%, dragged by two long-vacant San Francisco leases — on space vacant under a year, cash rents rose 5.2%.

The market rewarded the momentum. Kilroy raised 2026 FFO guidance by $0.21 to $3.49–$3.63, the largest bump in the group, signed a 145,000-square-foot development lease with law firm Cooley, launched a Redwood City development joint venture, and carried more than 1 million square feet of signed-but-uncommenced leases worth nearly $78 million in future annual rent.

Piedmont Realty Trust (PDM)

Piedmont extended its Sun Belt momentum. Core FFO held at $0.36, same-store cash NOI jumped about 11% (helped by burning off free rent), and second-generation cash rents rose 11% (18% on a GAAP basis). It leased over 430,000 square feet, lifted its out-of-service redevelopment lease-up from 62% to 76%, and pushed total-portfolio leased occupancy toward 90%. Management raised both its Core FFO guidance, to $1.49–$1.54, and its same-store NOI outlook.

The structural tailwind is pricing: Piedmont's in-place rents sit roughly 35% to 40% below the cost of new construction, giving it room to push rates as the market tightens. Its balance sheet carries no final debt maturities until 2028 and about $526 million of revolver capacity. The dividend remains suspended, with reinstatement unlikely before 2027.

Franklin Street Properties (FSP)

Franklin Street's first quarter reinforced its distressed standing — and signaled that a transaction may be near. The portfolio (14 properties, 4.8 million square feet) was 68.4% leased, the dividend stays suspended, and the company expanded its strategic review by adding BofA Securities and JLL as co-financial advisors to evaluate corporate, portfolio, and individual-asset sales. It generated a small positive FFO but a GAAP loss, and is in reported negotiations on a Denver-area property.

For Aspire's purposes, FSP remains the group's one direct Houston-and-Texas owner, with a portfolio concentrated in energy-influenced Sun Belt and Mountain West markets. Its strategic review is worth watching closely: a sale or breakup could put Houston and Dallas office assets in motion.

The Texas & Houston Angle

The Texas read improved this quarter. Cousins called out roughly 40% rent growth in Dallas's Uptown submarket since 2021 and continues to lease well in Austin; Piedmont pointed to Dallas as a contributor; and Kilroy's Austin exposure sits alongside its recovering West Coast core. Houston itself still shows up almost entirely through Franklin Street, whose energy-market portfolio includes Houston and Dallas — and whose strategic review could reshuffle ownership of those assets. The broader signal is encouraging for Texas owners: national absorption has been positive for three straight quarters, AI-driven demand is spilling beyond the coasts, and the Sun Belt is leading on rent growth. Houston's public-market footprint stays thin, but the direction of travel favors quality space in growth markets.

Themes Shaping the Market

- **The recovery broadened.** Positive net absorption for a third straight quarter and leasing up about 8% year over year pushed four of these five REITs to raise full-year guidance.
- **AI became a demand driver.** San Francisco and New York are seeing real AI- and tech-led leasing, with BXP calling the effect “enormously beneficial.”
- **Sun Belt still leads on rent.** Cousins (+15.2%) and Piedmont (+11%) posted double-digit cash roll-ups; the West Coast is recovering on volume before price.
- **Quality and supply remain decisive.** Premier buildings are capturing demand, in-place rents sit well below replacement cost, and almost no new supply is coming.

Outlook

Office entered 2026 with momentum that built through the first quarter. With absorption positive, AI demand broadening, supply negligible, and most of this group raising guidance, the recovery looks increasingly durable — though still uneven, with the Sun Belt and premier coastal assets ahead of commodity product and the healing West Coast. For Texas, Austin and Dallas are performing well within these portfolios; Houston’s public exposure runs through a single distressed name whose future ownership is now in play. The signal for Houston owners is constructive: tightening supply and returning demand should keep favoring better-quality buildings as the recovery widens.