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U.S. Office Market Report — Q4 2025

Office found its footing in Q4 — national vacancy fell for the first time since 2019, leasing hit multi-year highs, and a clear divide opened: Sun Belt landlords are raising rents while the coasts are still clawing back.

Based on the Q4 2025 (quarter ended December 31, 2025) 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 Q4 2025 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

After years of pain, the office sector showed real signs of a bottom in the fourth quarter. National vacancy declined for the first time since early 2019, return-to-office gained traction, and every name in this group posted multi-year-high leasing — Cousins its most since 2019, Kilroy its strongest fourth quarter in six years, Piedmont its highest annual volume in over a decade, and BXP more than 5.5 million square feet for the year. New construction sits at historic lows, setting up a tighter market as demand returns.

The recovery is uneven, and geography is the dividing line. Sun Belt landlords — Cousins and Piedmont — are already raising rents, with cash roll-ups of 4% to 12%, occupancy climbing, and FFO growing. The West Coast, represented by Kilroy, is still seeing rents roll down on expiring leases, though leasing has rebounded sharply and a life-science pivot is gaining traction. BXP, the premium coastal bellwether, held steady while deleveraging. At the bottom end, sub-scale names like Franklin Street remain in survival mode. Quality and location are separating the winners from the pack.

At a Glance

Company	Leased %	Cash Rent Change	Core Markets
Cousins Properties	90.7%	+4.2%	Sun Belt (ATL, Austin, Dallas)
BXP	89.4%	— *	Boston, NYC, SF, DC
Kilroy Realty	83.8%	−18.4% **	West Coast, Austin
Piedmont	89.6%	+12%	Atlanta, Dallas, Orlando

Company	Leased %	Cash Rent Change	Core Markets
Franklin Street	67.4% †	n/m	Houston, Dallas, Denver

*Leased percentage is at year-end 2025; 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 were roughly stable. ** Kilroy's −18.4% is full-year second-generation cash (West Coast); excluding two atypical L.A. deals, fourth-quarter cash was about −2.6%. † Franklin Street figure is occupied, not leased — the company is sub-scale and distressed (see its section).*

Cousins Properties (CUZ)

Cousins had one of the most productive quarters in its history. Full-year FFO reached $2.84 per share, up 5.6%, with fourth-quarter FFO of $0.71. The Sun Belt operator posted its 47th consecutive quarter of positive second-generation cash rent roll-ups (+4.2%, led by Dallas and Tampa), ended the year 90.7% leased, and signed more than 2.1 million square feet in 2025 — its most since 2019. It invested nearly $1 billion in trophy "lifestyle" office, including the Dallas Link and 300 South Tryon in Charlotte, funded on a leverage-neutral basis.

CEO Colin Connolly summed up the mood: "Demand is accelerating. New supply is at historical lows." Cousins guided 2026 FFO to a $2.92 midpoint (about 2.8% growth) and aims to push occupancy past 90% by year-end, citing fresh interest from West Coast and New York companies in its Sun Belt markets.

BXP (BXP)

BXP, the largest office REIT and the sector's bellwether, posted full-year FFO of $6.85 per share, with fourth-quarter results landing just below guidance on non-cash rent reserves and higher G&A. It leased more than 1.8 million square feet in the quarter (5.5 million for the year) at a 10-year weighted-average term, and lifted portfolio occupancy to 86.7% (89.4% leased). Its premier central-business-district workplaces — the core of its strategy — stay meaningfully better occupied than the broader market.

The story at BXP is the balance sheet and quality. It closed or initiated $1.25 billion of asset sales toward a $1.9 billion plan, cutting net debt to EBITDA to 7.9x, and has eight developments underway totaling 3.5 million square feet of office, lab, and residential space. It guided 2026 FFO to $6.88–$7.04 and expects occupancy to keep climbing through the year, with larger gains in 2027 as recently signed leases commence.

Kilroy Realty (KRC)

Kilroy tells the West Coast story. Full-year FFO of $4.20 per share fell from $4.59 as occupancy pressure and rent rolldowns weighed on results, and 2026 guidance of $3.25–$3.45 implies a further step down, largely from a major life-science delivery entering the stabilized portfolio. Year-end occupancy was 81.6% (83.8% leased). Second-generation cash rents fell 18.4% for the year — though excluding two atypical Los Angeles deals, the fourth-quarter decline was only about 2.6%.

The encouraging signs are real. Kilroy posted its strongest fourth-quarter leasing in six years (827,000 square feet), its forward pipeline grew more than 65%, and CEO Angela Aman called it the "healthiest level of office demand since 2019." A 280,000-square-foot full-building lease to UCSF at Kilroy Oyster Point anchors a deliberate pivot toward life science, alongside the $192 million purchase of the Nautilus campus in San Diego.

Piedmont Realty Trust (PDM)

Piedmont leaned into the Sun Belt recovery. It leased about 2.5 million square feet in 2025 — roughly 16% of its portfolio and its highest annual volume in over a decade — and ended the year 89.6% leased, up 120 basis points. Fourth-quarter cash rents on recently vacated space rose about 12% (21% on a GAAP basis). Core FFO of $0.35 in the quarter dipped year over year on asset sales and refinancing costs, but the setup is improving: a roughly 2-million-square-foot backlog of signed-but-uncommenced leases represents $68 million of future annual rent, most commencing by the end of 2026.

Atlanta and Dallas drove the leasing. Piedmont guided 2026 Core FFO to $1.47–$1.53, up $0.08 at the midpoint, expects commenced occupancy to climb roughly 400 basis points toward 85%, and refinanced debt to retire high-coupon 2028 notes.

Franklin Street Properties (FSP)

Franklin Street is the group's distressed outlier. The sub-scale REIT — 14 properties, about 4.8 million square feet — ended the year just 67.4% occupied, has suspended both its dividend and its earnings guidance, and is "exploring strategic alternatives," typically code for a sale or wind-down. In February 2026 it closed a $320 million secured facility with TPG Credit to refinance roughly $249 million of debt, a lifeline that underscores how tight capital remains for commodity office.

We include FSP because it's one of the few public office REITs with direct Houston exposure — its portfolio centers on energy-influenced markets including Houston, Dallas, and Denver. But it's in survival mode, and its metrics shouldn't be read as representative of the sector.

The Texas & Houston Angle

Office is the toughest sector for a clean Houston read, because the city's office market is held largely by private owners and energy companies rather than public REITs. Within this group, Texas shows up mostly through Austin and Dallas: Cousins (Dallas was its strongest rent-growth market this quarter, alongside a major Austin presence), Piedmont (Dallas a key leasing driver), and Kilroy (Austin). Houston itself appears only through Franklin Street — a distressed, energy-tied portfolio rather than a healthy proxy. The broader signal still matters for Houston owners: national office vacancy has started to fall, new supply is negligible, and Sun Belt markets are leading the rent recovery. If the pattern holds, Houston's better-quality buildings should benefit as the rebalancing broadens.

Themes Shaping the Market

- **A bottom is forming.** National office vacancy fell for the first time since early 2019, leasing hit multi-year highs across the group, and return-to-office mandates are adding to demand.
- **Sun Belt leads, coasts lag.** Cousins and Piedmont are raising cash rents (4%–12%); Kilroy's West Coast rents are still rolling down, though leasing has rebounded sharply.
- **Flight to quality is decisive.** Trophy and premier workplaces are capturing demand and pricing power, while commodity office struggles to refinance and fill space.
- **Supply is the tailwind.** New construction is at historic lows, so even modest demand growth tightens the better-quality end of the market.

Outlook

The office sector enters 2026 with its best tone in years: falling vacancy, cycle-high leasing, and almost no new supply. The recovery is bifurcated — Sun Belt and premier assets are already growing, while the West Coast and commodity product still have ground to make up — and FFO growth will be uneven as signed leases take time to commence. For Texas, the Austin and Dallas exposure in this group is performing well; Houston's public-market footprint is thin, but the macro setup of tightening supply and returning demand points in the right direction.