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First quarter vacancy rates show little signs of improving

Introduction: Much has been written about Pittsburgh’s Downtown office market and its struggles with high vacancy rates. Firms have downsized their footprints in the wake of the pandemic and the proliferation of the work-from-home culture while some firms have left Downtown altogether. The result is that the assessed value of office buildings has dropped, in some cases dramatically, and the taxing bodies that rely on them are swimming in the red.

The first quarter results from this year, from real estate research firm [Jones Lang LaSalle](#), do not show signs of improvement for Pittsburgh’s Downtown office market.

Vacancy rate comparison

For the first quarter of 2025 the total vacancy rate for all classes of space in the Pittsburgh central business district (CBD) was 21.8 percent. This was unchanged from the fourth quarter of 2024 and up a bit from the third quarter’s rate of 19.5 percent. While not much movement can be expected from quarter to quarter, it is more helpful to look back at the first quarter of 2021, in the immediate wake of the pandemic, when that rate was 19.6 percent. Prior to the pandemic, in the fourth quarter of 2019, it was just 16.9 percent.

For comparison purposes, this study will look at the central business district vacancy rates of eight other cities: Charlotte; Cincinnati; Columbus; Dallas; Los Angeles; New York; Raleigh-Durham and San Francisco. How they fared in 2025’s first quarter versus the same quarter in 2021 will be compared to Pittsburgh.

Office vacancy rate (%)	All classes			Class A		
City/CBD	2021 Q1	2025 Q1	Difference	2021 Q1	2025 Q1	Difference
Charlotte	10.5	22.0	11.5	10.3	17.8	7.5
Cincinnati	16.8	14.1	-2.7	14.4	15.5	1.1
Columbus	19.9	20.9	1.0	14.6	20.5	5.9
Dallas	31.1	33.4	2.3	32.0	29.3	-2.7
Los Angeles	18.8	31.4	12.6	18.2	27.8	9.6
New York	13.2	18.3	5.1	12.3	18.3	6.0
<i>Pittsburgh</i>	<i>19.6</i>	<i>21.8</i>	<i>2.2</i>	<i>18.1</i>	<i>19.8</i>	<i>1.7</i>
Raleigh-Durham	14.5	20.9	6.4	14.8	21.0	6.2
San Francisco	14.4	33.2	18.8	12.6	31.2	18.6
Average	17.6	24.0	6.4	16.4	22.4	6.0

For all classes of office space, only Cincinnati had a drop (2.7 percentage points) in vacancy rates. Pittsburgh's rate increase of 2.2 percentage points was the third lowest ahead of Columbus (1.0 percentage points) and just behind Dallas (2.3 percentage points). San Francisco's increase was the largest at 18.8 percentage points. For this sample of nine cities, the average vacancy rate for all classes of office space in the first quarter of 2025 was 24.0 percent, with an increase of 6.4 percentage points above 2021.

For class A space, often referred to as trophy space, the average change in vacancy rates was slightly smaller than it was for the overall space—6.0 percentage points to 6.4 percent points. The average vacancy rate was also lower for each quarter than seen for the all-class rate.

From 2021 to 2025, Dallas had the only decrease in class A vacancy, dropping from 32.0 percent to 29.3 percent. Cincinnati's increase was the smallest at 1.1 percentage points while Pittsburgh's increase was 1.7 percent points. Once again, San Francisco had the largest percentage point increase at 18.6.

Inventory comparison

Currently, the popular idea is to lower office vacancy rates by reducing inventory through the conversion to residential space. A [Policy Brief](#) from late 2024 looked at the state-backed plan to convert a couple of buildings in Pittsburgh's CBD to residential, on the taxpayers' dime, while another [Brief](#) discussed how difficult that process will be.

But have other cities, in this sample, seen decreases in their office space inventories? Note that conversions typically take place with older, lower-class space, not coveted class A trophy space. Three cities in this review, New York (7 million square feet), Dallas (4.6 million) and Los Angeles (42,485) did have reductions to their inventory of class A space. The table below shows the changes to class B and lower space.

Inventory in square feet	Class B and lower			
City/CBD	2021 Q1	2025 Q1	Difference	% Change
Charlotte	5,430,625	6,498,829	1,068,204	19.7
Cincinnati	4,367,411	5,457,604	1,090,193	25.0
Columbus	6,214,430	6,986,086	771,656	12.4
Dallas	4,841,603	8,654,868	3,813,265	78.8
Los Angeles	7,428,528	6,861,197	-567,331	-7.6
New York	37,249,240	40,654,352	3,405,112	9.1
<i>Pittsburgh</i>	<i>5,460,589</i>	<i>6,002,746</i>	<i>542,157</i>	<i>9.9</i>
Raleigh-Durham	2,428,831	2,600,861	172,030	7.1
San Francisco	8,995,631	11,082,536	2,086,905	23.2
Average	9,157,432	10,533,231	1,375,799	19.7

Only Los Angeles had less class B, and lower, square footage in its inventory in the first quarter of 2025 compared to the same quarter in 2021. The remaining cities had increases, with an average increase of nearly 1.4 million square feet (19.7 percent).

Pittsburgh's increase of nearly 10 percent is well below the average. But over 540,000 square feet were added to inventory. It is worth noting that the only construction that took place during this time in Pittsburgh's Downtown was the new FNB tower (469,452 square feet), which officially opened in the fourth quarter of 2024. But it is designated as class A space. In fact, Pittsburgh's CBD added 2.4 million square feet of class A space during this time frame,

presumably through renovations of space. The increase in inventory of lower-class space could be the result of conversions of other types of space into office space.

Conclusion

Comparatively speaking, the office market in Pittsburgh's central business district is holding its own when compared with the cities in our sample. In the first quarter of 2025, the vacancy rates for both class A space and the total space are both lower than the sample average. Even the increase in those rates since the same quarter in 2021 is among the lowest in the sample.

The notion that office space is being quickly converted into residential around the country doesn't seem to be manifesting itself in the square footage available in inventory. In this sample, only one city, Los Angeles, can claim to have less square footage of class B and lower space in its inventory compared to five years earlier. Lower classes of space are typically the most qualified for conversion because they tend to be older (less expensive) and rely heavily on natural light.

Class A space is deemed more desirable as companies attempt to bring workers back into the office on a more regular basis. These buildings offer amenities such as gyms, food courts, dry cleaners and outdoor space.

It is said that the demand for class A space in Pittsburgh is very high. However, in the first quarter of 2025 the net absorption rate of class A space in Pittsburgh was negative (21,128 square feet) implying that more space was given up rather than leased. It was one of only two CBDs in this sample of nine with net negative absorption (San Francisco -95,865 square feet).

However, for lower class space, Pittsburgh's CBD had a positive absorption of 14,699 square feet in the first quarter of 2025. Five of the nine cities in this sample had positive absorption. Lower class space tends to have lower rental rates. In the Pittsburgh CBD, that difference was over \$9 per square foot on average. Does this imply that firms in Pittsburgh are looking for a bargain? A recent news [article](#) suggests that the price of construction has been rising and that has put a halt on new construction as well as buildouts and upgrades, driving the price of class A rentals up.

Even the conversion of office-to-residential needs to be questioned as construction costs have altered that landscape as well. It certainly has put into doubt the grand \$600 million plan backed by the governor. A recent [editorial](#) noted that the conversion of the old YWCA headquarters into apartments is on hold as a lender has filed a foreclosure on one of the owners. This was supposed to account for 30 percent of the units in the Downtown plan.

And that is the problem with the government using taxpayer money to back favorites. There is no question the Downtown office market is in flux. Firms will react to their own best interests and government needs to get out of the way. The government's primary role is to provide a safe and clean environment, then the office market will find its way.

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