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Downtown office vacancy rates remain stubbornly high

Introduction: Downtown Pittsburgh's office vacancy rate, for all classes of office space, remained stubbornly high through 2025's third quarter at 24.2 percent. Keep in mind one year ago, the rate was 19.5 percent and pre-pandemic it was just 16.9 percent at the close of 2019. This is despite the ongoing process of converting office space to residential space, with much of it, like the Gulf Tower conversion, being subsidized by taxpayers. Will this plan be a worthwhile investment for taxpayers? Or will it just be a trade of office vacancy with residential vacancies?

Vacancy rate data

As mentioned above, Downtown's total vacancy rate, which includes all classes of office space, in the third quarter was higher than it was for the same quarter in 2024. For the best space, known as class A space, the vacancy rate is also up from the third quarter in 2024, 20.7 percent vs. 17.4 percent. For the lower-class B space that rate jumped from 24.9 percent in 2024's third quarter to 34.5 percent, an increase of nearly 40 percent.

All data are from real estate firm Jones Lang LaSalle (JLL).

The conventional thought is that to entice employees back to the office, many firms are upgrading space by moving into buildings with amenities that will make that return more palatable such as coffee shops, workout spaces and lounges. But in that upgrade, many firms are also reducing their office footprint, thus requiring less overall space.

The jump in the lower-class space vacancy may be a result of the desire to convert office to residential space. As we mentioned in earlier *briefs*, older, lower-class buildings are most appropriate to convert due to many factors such as abundant natural light. But a building can best be converted if it's empty. That implies that firms may be forced out of lower-class buildings to empty them so conversion to housing can be carried out.

This theory is being borne out through the vacancy rate changes in the city's outlying areas.

The fringe area of Pittsburgh is comprised of the Strip District and the North Shore. The total vacancy rates for the fringe area remained unchanged for all classes of office space over the year and, at 23 percent, is lower than the Downtown rate.

The vacancy rate for class A office space in the fringe area is also lower, 19.8 percent, than in the Downtown area and is virtually unchanged from 2024's third quarter (19.9 percent). The same story plays out for lower-class B space with a rate of 25.1 percent, the same as 2024's third quarter.

The other part of Pittsburgh's urban area is the Oakland/East End. The vacancy rates in that area are slightly different from the experience in the fringe area inasmuch as the overall rate fell from 24.4 percent in the third quarter 2024 to 23.8 percent a year later. This drop was led by class A space, falling from 27.1 percent to 26.2 percent over the period while class B space remained relatively constant at 20 percent from 20.2 percent one year earlier.

Total inventory of office space

With the office-to-residential conversion taking place, the results should show up as a reduction in the inventory of office space, especially class B space. It is worth noting that since the completion of the FNB Tower in the third quarter of 2024, there isn't any other office space under development anywhere in the Pittsburgh region, urban or suburban.

In the Downtown market, the total square footage of office space was roughly 21.25 million square feet. Not surprisingly, this is down one percent from one year earlier when the market had 21.47 million square feet.

As mentioned above, in an effort to attract workers back to the office, many firms moved to class A space with better amenities. In the third quarter of 2024 there were 15.47 million square feet of office space Downtown. With the opening of the 469,452 square foot FNB Tower in the fourth quarter of 2024, that inventory rose to 15.94 million. In the first quarter of 2025, the amount slipped slightly to 15.90 million square feet where it remained in the third quarter.

In the fringe market, the amount of class A space remained constant at 3.90 million square feet from one year ago. However, there was a small decrease (1 percent) in the Oakland/East End market, dropping from 2.32 to 2.29 million square feet.

For class B space, the Downtown area lost 11 percent of its inventory, sliding from 6.0 million square feet in 2024's third quarter to 5.35 million square feet in 2025's third quarter. Both the fringe area and the Oakland/East End area had no change in class B space which held at the same levels at 6.16 million and 1.50 million square feet, respectively.

Net absorption

Net absorption tracks whether unoccupied office space became leased (positive) or occupied space became unleased (negative). The urban area experienced net negative absorption of 227,766 square feet in the third quarter of 2025. While this is a small percentage of total inventory, it still underscores the fact that tenant firms are giving up space. This is a trend that goes back to the second quarter of 2024 when there was net positive absorption of just under 20,000 square feet. The Downtown area has the largest amount of net negative absorption (266,264 square feet) while the fringe area (29,858) and the Oakland/East End (8,640) had net positive absorption in the quarter.

In 2025's third quarter the Downtown office market had net negative absorption of 22,792 square feet of class A space implying that more space had become unleased than any newly leased space, adding credence to the notion that firms are reducing their office space footprints even if they are moving to buildings with more amenities.

However, the fringe and Oakland/East End markets had net positive absorption of 14,735 and 18,113 square feet, respectively. This suggests that firms may be moving away from Downtown and to the North Shore and/or Strip District or that newer firms to the area are choosing not to be Downtown.

For class B space, the Downtown area had a greater amount of space become unleased at 243,472 square feet. Again, this suggests that either firms were forced out of buildings to facilitate conversion projects or they left Downtown for other reasons, like relocating to the fringe areas of the North Shore and/or Strip District. The fringe area had positive net absorption of 15,123 square feet, just a fraction of the amount lost in the Downtown market. The Oakland/East End area also had negative net absorption of class B space (9,473 square feet).

Conclusion

The Downtown office market continues to be dogged by high vacancy rates. The work-from-home-culture brought on by the 2020 pandemic is still resonating years later. Instead of providing a welcoming environment for business, which includes a safe environment and a low-tax, less burdensome government, the remedy chosen is to convert mostly empty office buildings to residential use.

But is this just trading off one problem for another? High office vacancy rates for high apartment vacancy rates?

As mentioned in previous *briefs*, the population in and around Pittsburgh has dropped tremendously over the decades and a reversal is a long shot at best.

Who will live in these new apartments/condos? There has yet to be a report showing the demand for Downtown living. And without jobs to attract migrants to the city, the conversion plan will remain a very faint hope.

The only beneficiaries will be the developers who are feeding at the taxpayer trough as they demand more and more money to carry out these conversions. The taxpayers will be left with less full pockets and a city with still-high vacancy rates.

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