



COSTAR INSIGHT

Empty office space tends to concentrate in a small number of buildings – but that number is rising

High vacancy now afflicts 21% of all buildings



San Francisco saw the biggest increase in the number of high-vacancy buildings among major U.S. office markets. (CoStar)

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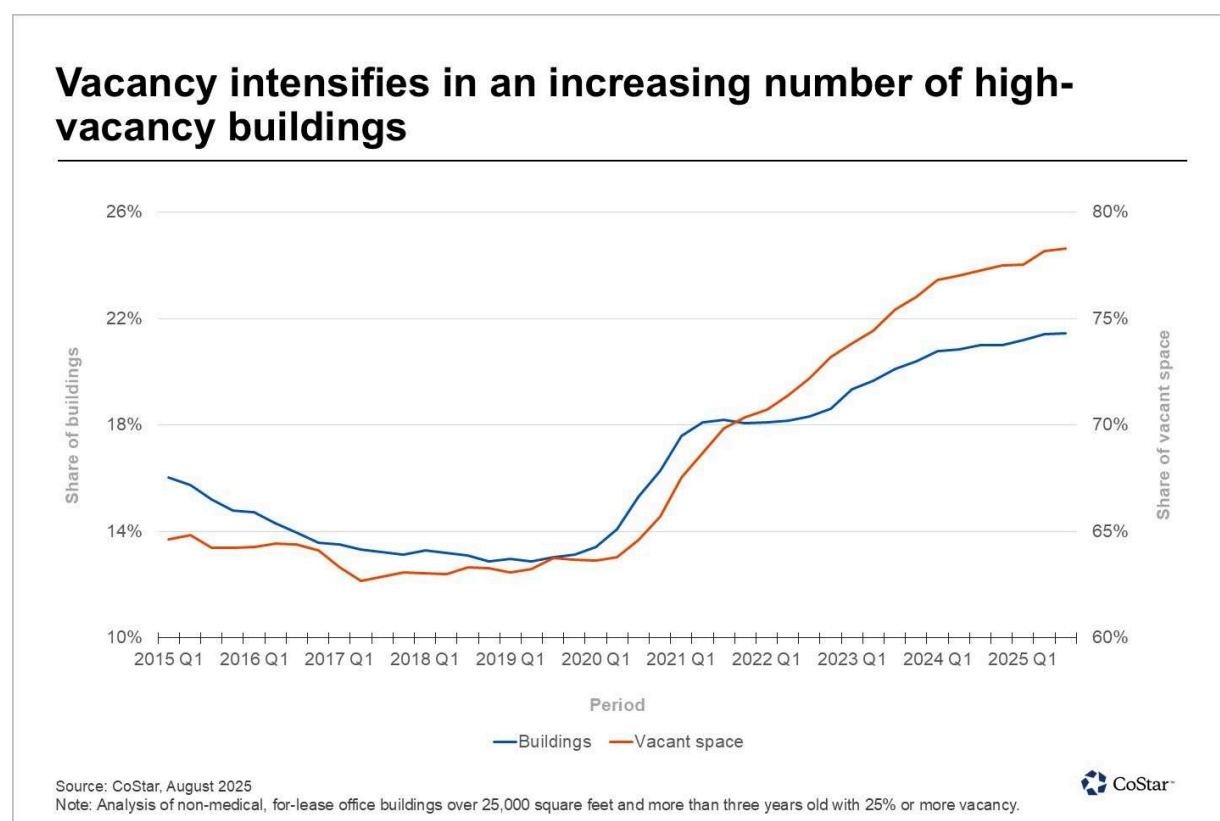


It has long been true that most of the vacant office space in a market is concentrated in a relatively small number of buildings. But these

days, high-vacancy buildings account for an even more disproportionate share of this unused space than five years ago.

At the same time, the post-pandemic adjustment in office demand means that the number of buildings crossing over the high-vacancy threshold has also risen sharply.

Office building financials vary widely, but at an occupancy level below 75%, it is reasonable to assume that a building could begin to have difficulty generating enough income to provide its owners with a return after covering debt, property taxes and operating cost obligations. Thus, a 25% vacancy rate is a useful delineator of high-vacancy buildings.

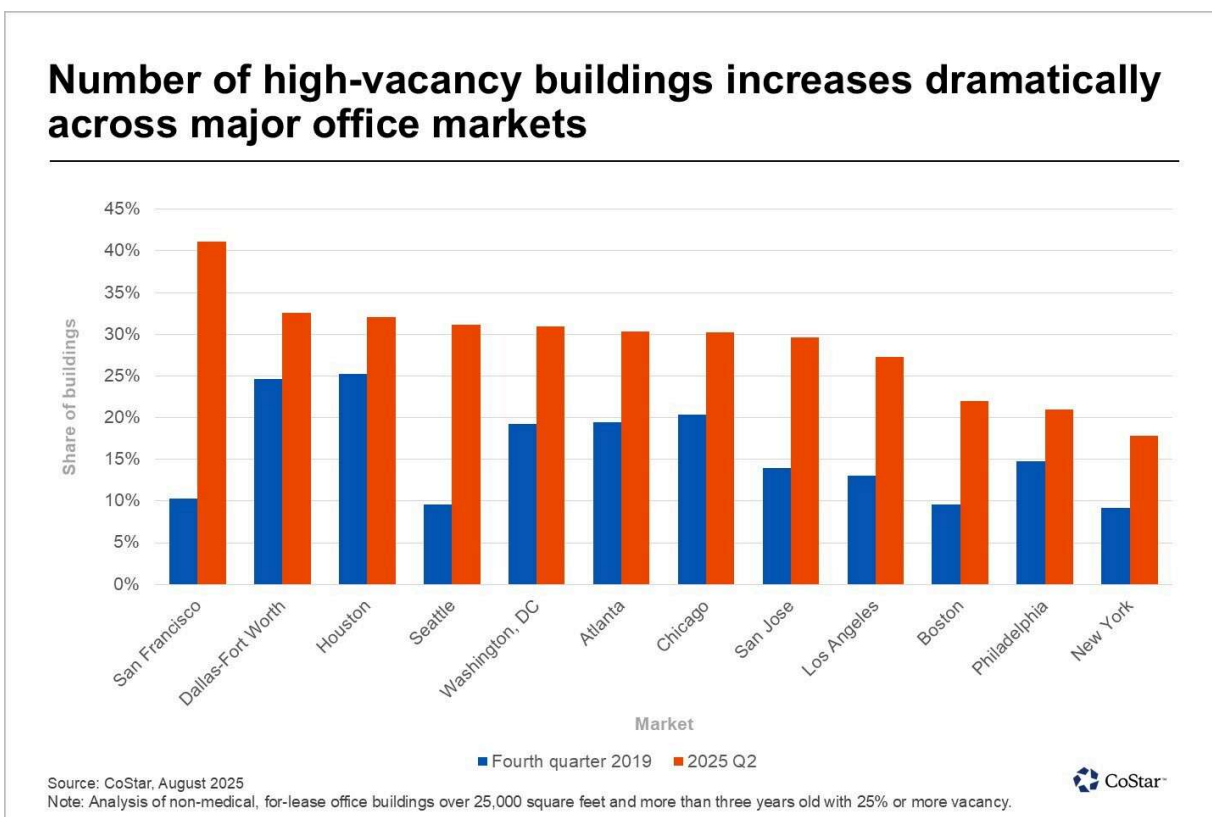


An analysis of occupancy performance over the past decade shows that the number of office buildings meeting this high-vacancy threshold has increased rapidly in the past few years. At the end of 2019, there were fewer than 9,000 such buildings, about 13% of all

U.S. office buildings. As of mid-2025, there are now over 14,000, or about 21% of all buildings.

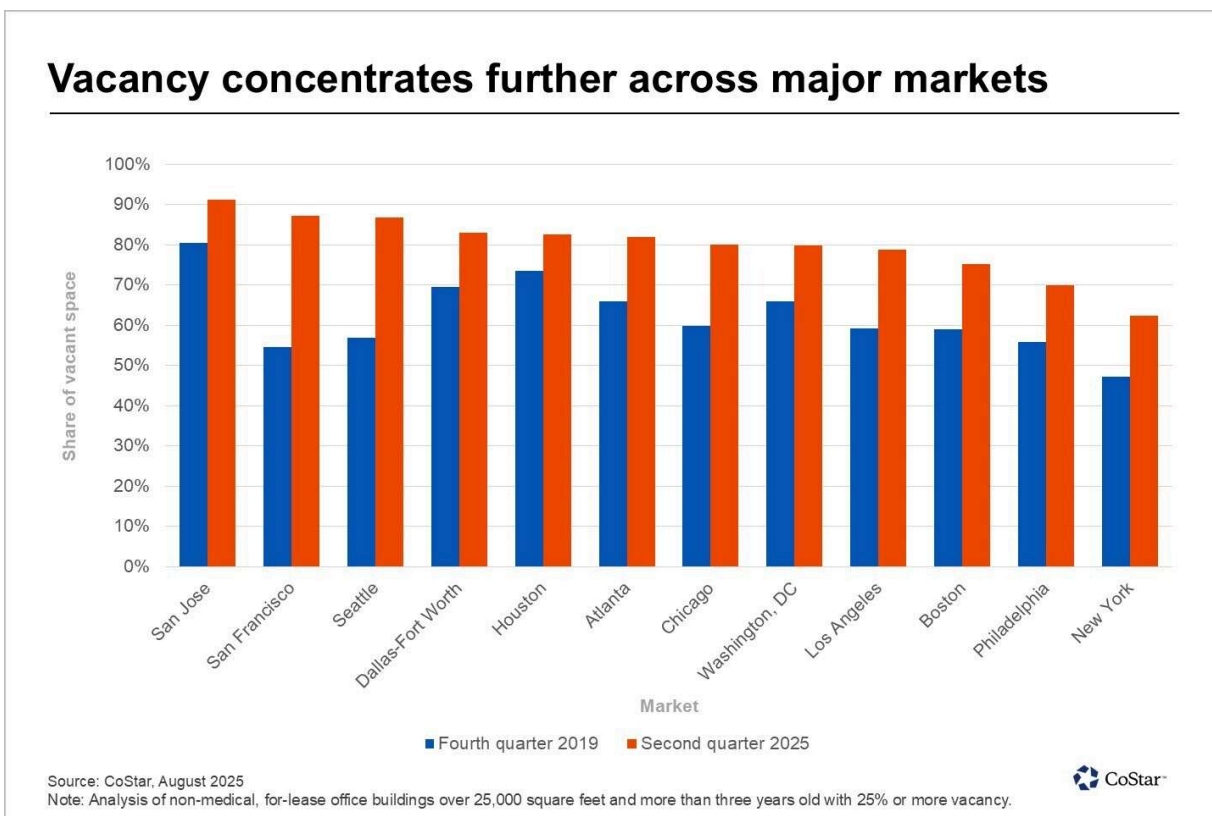
These occupancy-performance figures are based on the set of non-medical office buildings without an owner-occupant that are at least 25,000 square feet. Buildings completed within the previous 36 months of a given period are also excluded to remove the impact of vacancy during lease-up.

As more buildings move into the high-vacancy category, the category itself encompasses a greater share of overall vacancy. At the end of 2019, 64% of all vacant space was concentrated in high-vacancy buildings; now, however, high-vacancy buildings contain 78% of all vacant office space.



Both trends are consistent across the country's largest office markets, though they are more pronounced in some than in others. In San Francisco, the share of high-vacancy buildings quadrupled from just

over 10% in the fourth quarter of 2019 to more than 41% by the second quarter of this year. Seattle saw its share of high-vacancy buildings more than triple, while it doubled in San Jose, Los Angeles and Boston.



The vacancy concentration, or the share of vacant office space contained within high-vacancy buildings, increased the most in tech-heavy San Francisco and Seattle, which had lower market-wide vacancy rates than other major cities before the beginning of 2020. In 2019, high-vacancy buildings contained a little over half of all vacant space in these cities, whereas they now account for nearly 90%.

San Jose and Houston each saw their office vacancy concentration rise by about 10 percentage points, the smallest increase among major markets. New York, which was the only large city with a vacancy concentration below 50% in 2019, has seen it rise above 60%.

These trends reveal yet another way the ongoing shakeout in office demand has shifted the market. As tenants increasingly gravitate toward the best buildings — those with strong amenities, prime locations and modern infrastructure — the fiercely competitive nature of the office occupancy market is becoming more pronounced, and older and less desirable buildings are falling further behind.

The highest and best future use for many of these high-vacancy buildings is likely to be something other than office space. However, with development activity currently constrained by the high cost of capital and an uncertain economic outlook, the timeline for adaptation could be long.