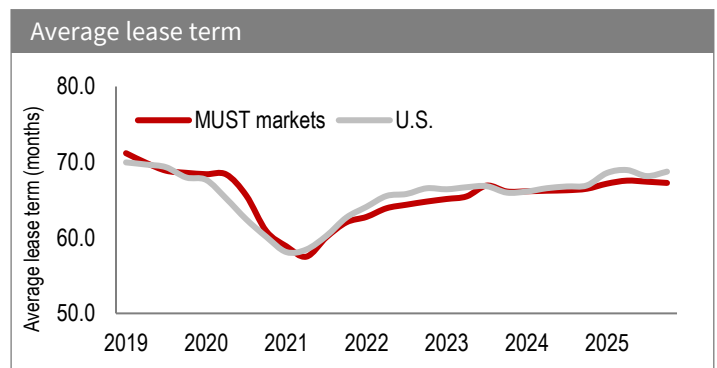
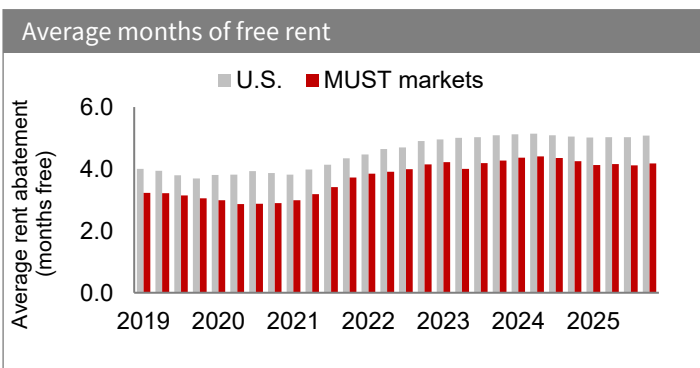
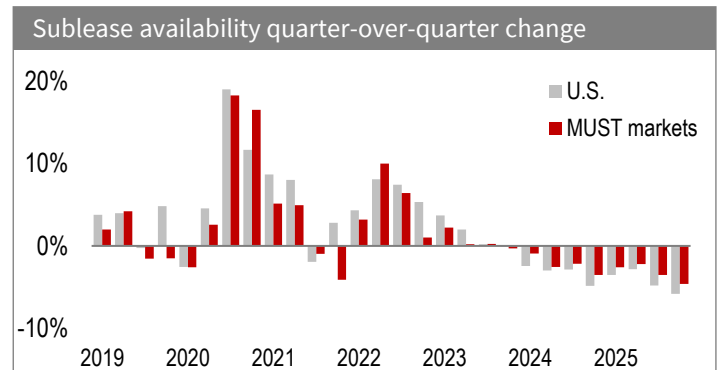
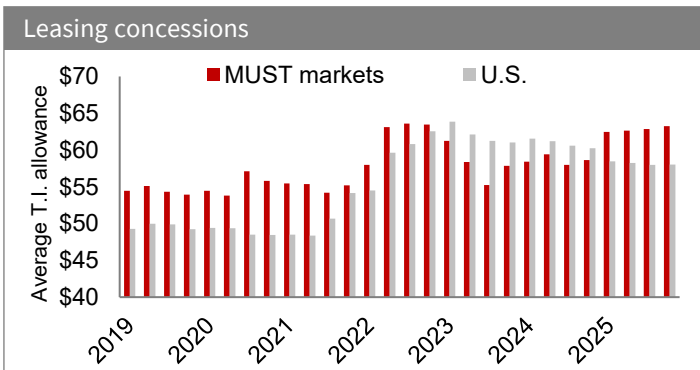
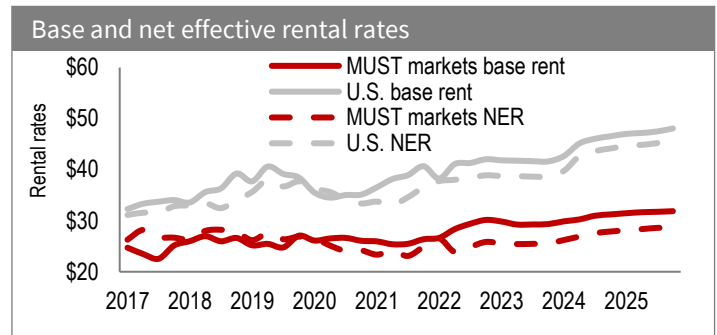
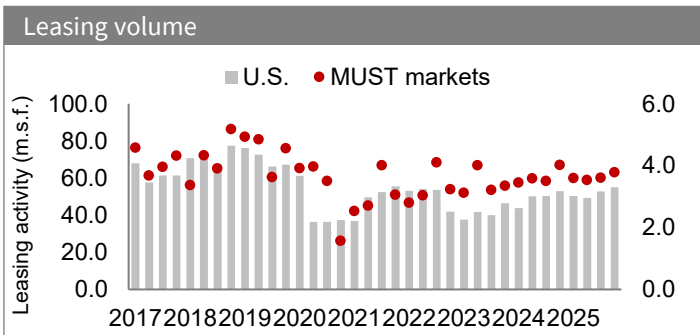


Executive summary

January 2026

- Leasing activity established a new post-pandemic high in Q4, and annual leasing grew 5.2% YoY.
- Large-scale transactions increased by roughly 15% YoY as companies are developing more confidence to execute long-term commitments to their workplaces.
- Net absorption was meaningfully positive in the second half of the year, driving year-end totals to 6.4 million s.f. of occupancy gains.
- Downsizing activity for larger expirations has fallen to negligible amounts, allowing a new expansionary cycle to begin.
- For seven consecutive quarters, U.S. office sales volume has increased compared to the previous year, and total transaction volume grew by 35% in 2025.
- Distress levels remain high but are tentatively declining in the last two months of the year.
- The construction pipeline continues to rapidly descend to record lows. Inventory currently under construction is now more than 20% lower than previous historic lows measured in 2011.
- Groundbreakings marginally declined from record lows in 2024.
- **While Manulife US REIT's markets are largely following the pattern of occupier recovery with respect to growing leasing volume and minimal downsizing activity, major CBD markets including Washington, DC and Los Angeles have seen a delayed recovery compared to secondary markets and other peers due to outsized industry composition from slower-growth sectors (e.g., Media & Entertainment, Government). Other markets have yet to see meaningful improvement in tenant demand in Manulife US REIT's product type (e.g. Class B office in Tempe, Arizona).**

MUST market performance relative to U.S. average



U.S. economy overview

January 2026

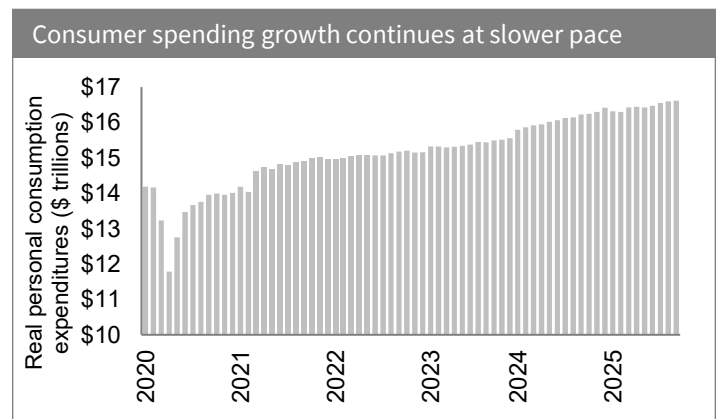
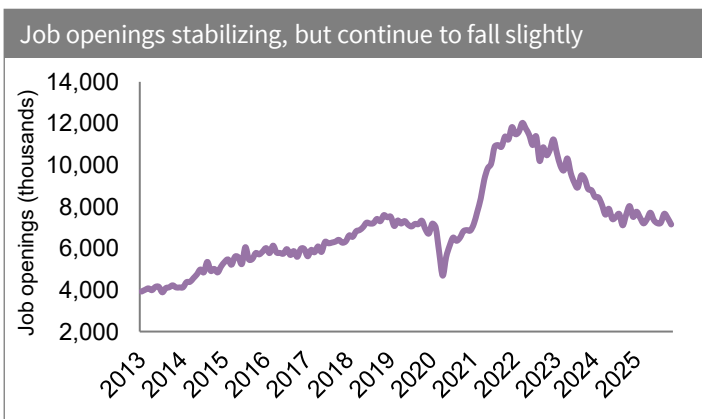
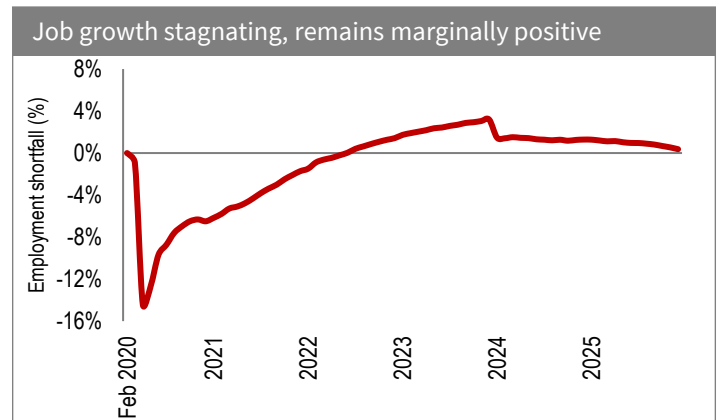
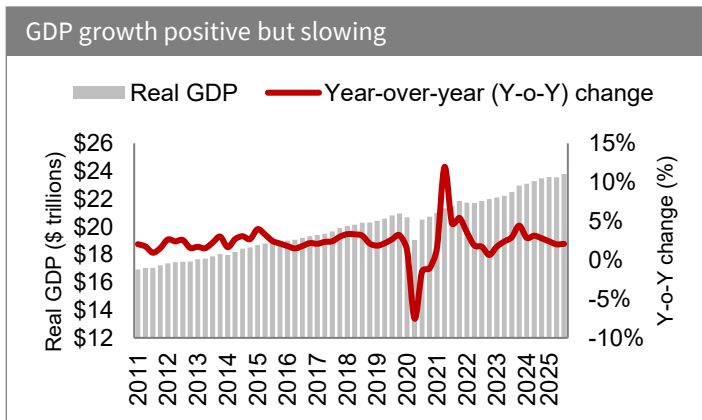
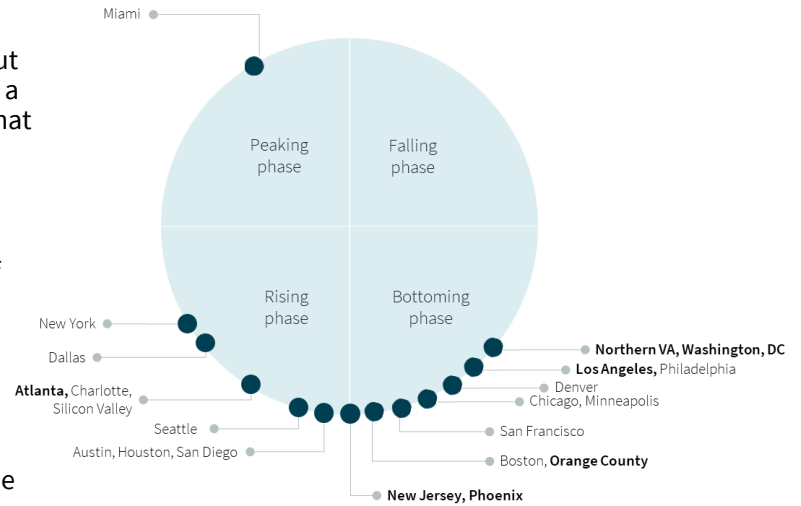
Macroeconomic drivers of office demand were mixed in 2025: major stock indices had a strong year, growing by roughly 15-20%, but labor markets softened over the course of the year despite improvements in 2024. While employment within the financial services sector continued to grow by 0.4% year-over-year, Professional Services, Information, and Government all saw marginal declines, and total office-using employment fell by 0.3%. Job openings continued their decline, falling 11% over the course of 2025.

Over the course of the pandemic, U.S. office tenants cut roughly 9% of their office footprints through downsizing, but continued to expand headcounts by roughly 5%, leading to a gap between office footprints and employee space needs that has come into focus as more employers return to hybrid or full-time office attendance. This has allowed continued expansion and growth in leasing volumes despite labor market softening, but this “RTO rebound” effect will have limited capacity to continue driving the demand recovery if job growth remains stagnant.

Elevated levels of volatility tied to federal policy shifts and geopolitical tensions have the potential to undermine the office recovery. There is a well-established negative correlation between uncertainty and business investment spending, and large-scale workplace investments may come under renewed pressure if forecasting short-term shifts continues to be elusive.

Additional interest rate relief is expected in 2026. Target policy rates were reduced by 75 bps over the course of 2025, and investors currently expect two additional cuts in 2026 and an additional 50 bps reduction in rates.

JLL Property Clock



U.S. office overview

For the second consecutive year, Q4 has established a new post-pandemic high for quarterly leasing volume. Activity grew 4.4% QoQ to 55.1 million s.f., bringing year-end totals to 207 million s.f., up 5.2% over 2024. Large-scale transactions over 100,000 s.f. bounced back to a significant degree, with roughly 15% more large deals closing in 2025 than 2024, despite a lull in large leases during Q2 amid heightened volatility surrounding trade policy shifts. Larger markets have outperformed in the past year: gateway markets grew 15% YoY, compared to +3.5% for secondary markets and +3.3% for tertiary markets. Sun Belt growth markets held steady in 2025, with leasing volume increasing 0.8% YoY—however, that region has returned to 94% of pre-pandemic peaks while other regions are further discounted from pre-pandemic levels. Leading markets included smaller Sun Belt cities and gateway markets: Charlotte (+49% YoY), Silicon Valley (+36% YoY), Chicago (+33% YoY), San Francisco (+27%) and Phoenix (+24%). Leasing continues to be highly concentrated in newer assets, highly-amenitized Class A buildings, and vibrant Lifestyle Market ecosystems.

For the second consecutive quarter the U.S. saw a meaningful uptick in total occupied space, with 8.1 million s.f. of positive net absorption to conclude the year, tipping annual totals into marginal gains of 6.4 million s.f. This occurred in tandem with two factors that created significant chunks of negative net absorption in manners that were independent of the broader recovery narrative. In the early portion of the year roughly 10 million s.f. of federal leases were terminated, elevating occupancy losses in Q1, and over the course of the year almost 40 million s.f. of inventory removals drove an additional ~10 million s.f. of nominal occupancy loss as buildings with small amounts of occupied space were permanently removed from inventory. Total availability peaked in 2024 Q2 and has fallen by over 60 million s.f. (1.3% inventory) in the past six quarters. Total vacancy peaked in 2025 Q2 and has fallen by 12 million s.f. (0.2% inventory) in the past two quarters. Consistent with leasing activity, the leading markets for occupancy gains in 2025 were dominated by coastal gateways and mid-sized Sun Belt secondary cities: New York (+2.6% inventory), SF Peninsula (+1.9% inventory), Silicon Valley (+1.3% inventory), Phoenix (+1% inventory) and Charlotte (+0.8% inventory).

Development continues to slow in 2025: deliveries fell 17% to under 25 million s.f., while almost 40 million s.f. was removed from inventory for conversions or redevelopments. Overall inventory declined by 0.3%, the second consecutive year that U.S. office inventory has fallen. Compounding pressures is a lack of groundbreaking activity, just 7.4 million s.f. of projects broke ground, declining from the record low of 7.6 million s.f. in 2024. 3.6 million s.f. of this year's groundbreakings were comprised by three large-scale projects that broke ground in New York during the middle of the year (570 Fifth Ave., 70 Hudson Yards and 343 Madison Ave.). While Trophy development proposals are emerging in gateway markets and select high-rent secondaries, developers are exercising high levels of caution and are largely unwilling to break ground without considerable preleasing executed at near record rental rates. While this offers a path forward for rent-agnostic tenants seeking best-in-class space, it is doing little to alleviate the broader pressures around net negative inventory. Traditionally, development activity would be expected to increase in 2026 following the growth in investment activity in 2025, however that acceleration may be delayed by a continued avoidance of office investments by institutional capital providers.

Asking rents continue to show remarkable stability and offer little insight into broader economics for current leasing activity. Asking rents have largely stagnated for the overall market, declining 5 bps QoQ and 35 bps YoY, but the Trophy and Class A segment grew by 16 bps QoQ and 68 bps YoY. This reflects a top-down stratification of rent growth which is occurring, whereby high-end segments which are becoming increasingly scarce are seeing aggressive rent growth, but little movement is occurring among commodity stock. Asking rent for buildings under construction increased by 14% YoY, and Q4 saw the highest volume of leases executed with starting rents above \$100 per s.f. (FSG) on record. History suggests that the aggressive increases in high-end rents are likely to continue: in the last cycle, buildings that delivered at the tail end of the development pipeline (completed 2010-2013) saw higher stabilized occupancy rates and 10-15% higher rental rates as a function of lack of competition when development activity slowed.

Amid many positive developments, one of the most promising signals in 2025 was a sustained improvement in capital markets liquidity: each of the past seven quarters has seen investment volume increase year-over-year, and total transaction activity grew by 35% in 2025. While capital flows are improving, a large share of office owners are still grappling with financial pressures. Delinquency rates for office CMBS debt declined for two consecutive quarters to conclude 2025, but current delinquency rates of 10.6% are just 80 basis points below recent peaks, and there have been multiple instances of two consecutive months of delinquency declines that gave way to a continued rise in recent years. While elevated distress will continue to hamper capital expenditures including funding leasing concessions, increases in liquidity will allow distressed assets to flow to healthier ownership more efficiently, and typically precede an acceleration in new development activity by 12-18 months.

Despite strong activity over the course of the year, the short-term outlook now appears murkier than 12 months prior. 2025 saw several consequential policy shifts rolled out in methods that were chaotic by recent historical standards. While office tenants have largely continued executing the same strategies, there was a marginal softening of demand amid peak volatility. Continued unpredictability, or a breakdown in standardized government data products could generate heightened uncertainty and hamper business investment spending, which in turn will limit companies' appetite for office upgrades and expansions. The most acute pressure in the office market over the short-term will be an unprecedented lack of new development and net inventory reductions because of surging conversion and redevelopment activity. Just 19 million s.f. of office product is currently under development, more than 20% lower than the previous historical low in 2011, and the lowest total in over 30 years of recorded data. A persistent lack of new development and continued net reductions in overall inventory will drive rent growth in high-end segments and force more renewal activity for large occupiers. If supply constraints become severe, occupiers may begin to pragmatically adopt more remote and flexible working arrangements, potentially undermining some of the progress of the leasing market recovery.

Atlanta (Buckhead)

- Several planned extra-large move-outs drove negative Q4 absorption, but Trophy absorption was positive, and year-end figures are a significant improvement from this time last year.
- Leasing is slowing as high-end availabilities diminish, but absorption stabilized in the second half of the year and vacancy rates are beginning to descend.
- Overall asking rates are declining slightly as high-end spaces disappear, but rents on leases signed in 2025 continue to show healthy improvement, with Trophy assets executing leases in the low \$40s on a NNN basis.
- There are positive indicators heading into 2026; fundamentals should strengthen as occupancy losses slow, while strong tenant demand will support longer-term stability in Atlanta's office sector.

Office market trends

Office activity in Buckhead continued to improve in 2025, building upon a five-year recovery period. Annual absorption was slightly negative (-50,000 s.f.) but improved significantly from the past two years. Activity continues to be concentrated among high-end Class A and Trophy properties: Trophy availability in Buckhead fell from 27.9% to 17.9% over the course of the year as tenants have aggressively targeted the final remaining high-end availabilities.

Leasing activity is slowing, but declines have mostly been the result of dwindling availability. Overall vacancy rates declined 60 bps from last year's peak and are expected to decline more aggressively in 2026 as downsizing activity fades and inventory growth stagnates and becomes negative in some pockets. A recovery in large-scale leasing throughout the Atlanta metro has contributed significantly to positive momentum over the past 18 months: Buckhead saw four leases above 50,000 s.f. executed in 2025, including one new-to-market lease from Dynasty Financial Partners at 1 Phipps Plz.

While Class A and Trophy assets are well along the path to recovery in Buckhead, older buildings have not seen the same uplift in recent quarters. Class B and C buildings saw over 400,000 s.f. of occupancy losses over the course of 2025 and are continuing to see vacancy rates rise through the second half of the year.

Outlook

While leasing has slowed in the past year and some downsizing activity remained in 2025, Buckhead is still well positioned to benefit from the continued uplift of the Atlanta metro. While high-end technology tenants are still demonstrating preference for the Midtown submarket, Buckhead's location on the urban periphery still outperforms relative to suburban areas or the Atlanta CBD. As Midtown's recent deliveries continue to fill up, Buckhead is expected to capture more spillover demand in 2026, as the only other market with more than 100,000 s.f. of Trophy supply currently available for lease.

Overall market statistics		Forecast
2025 net absorption (s.f.)	-652,948	▲
Under construction (s.f.)	334,000	▼
Total vacancy (%)	26.8%	▼
Sublease vacancy (s.f.)	3,045,472	▼
Asking rent (\$ p.s.f.)	\$33.72	▲
Concessions	Stable	▶

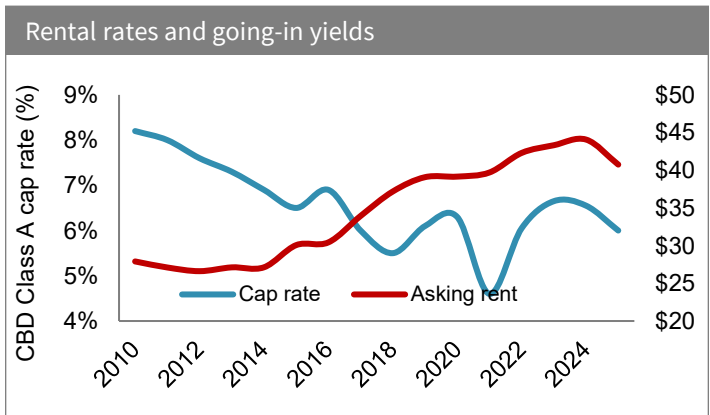
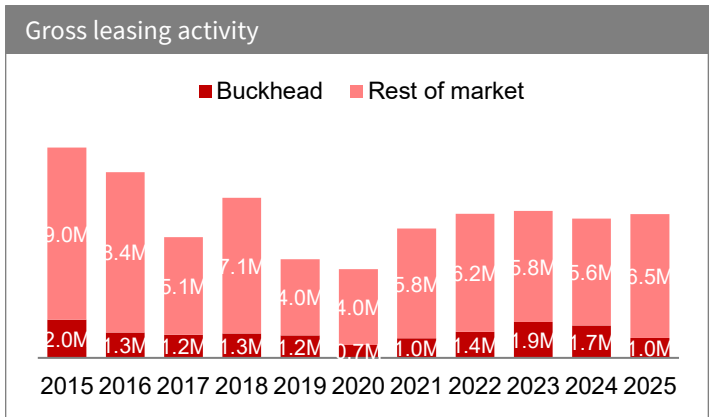
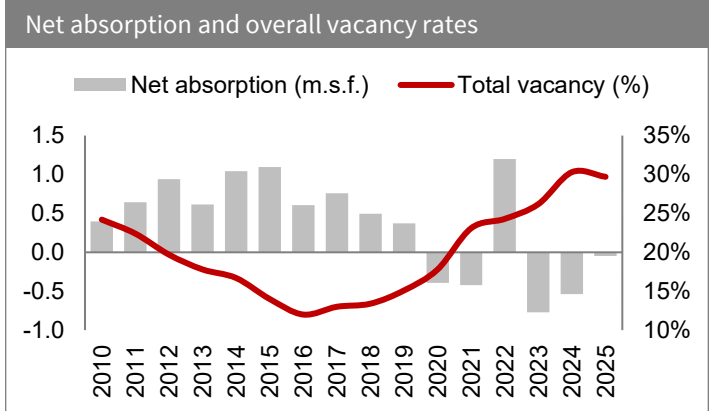


Table refers to overall market, while charts refer to Manulife submarkets

Los Angeles (Downtown)

- Vacancy has leveled over the last six quarters, reflecting ongoing efforts by occupiers to optimize space, which supported a more stable market environment.
- Larger occupiers have focused on renewals, complemented by selective new leasing from a diversified set of tenants, indicating a mix of retention and incremental demand.
- Owner-user acquisitions were a notable investment theme, as some occupiers pursued more control over their premises, while new construction remained limited, influencing future space options.
- Although headwinds persist in the media sector, the broader Los Angeles economy is highly diversified, which will support a balanced leasing market.

Office market trends

Although additional Q4 space givebacks contributed to a slight increase in vacancy to 32.7%, overall occupancy has remained stable over the last six months. Sublease levels are falling, with sublease availability declining by 100,000 s.f. over the course of the year, but the pace of removals was slower in the CBD. Major consolidation within the media and entertainment sector is expected to drive headcount reductions in 2026, which may create new headwinds for the market as it continues to navigate its recovery.

Rents declined slightly in 2025, in contrast to the broader market which grew by a modest 1.4% over the last 12 months. In more sought-after submarkets such as Century City, where flight-to-quality drove more demand, rents grew by as much as 7.3% in 2025. Century City continues to capture relocation-oriented leasing activity from the CBD, but the pace is slowing as new development in Westside submarkets becomes scarce.

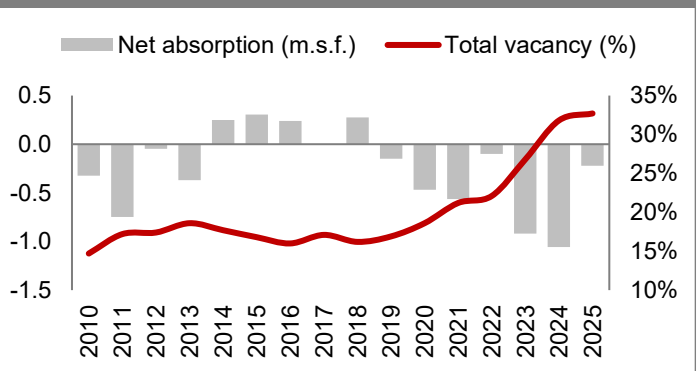
While the CBD continues to lag the broader LA metro, Class A buildings in the CBD are beginning to stabilize more quickly. The Class A market saw only a marginal -75,000 s.f. of negative net absorption in 2025, and newer Class A buildings developed since 2000 saw positive net absorption and declining vacancy rates. Outside of the CBD, less than 600,000 s.f. of stock is currently available in newer Trophy buildings, which may tilt more demand back to the CBD as options continue to dwindle.

Outlook

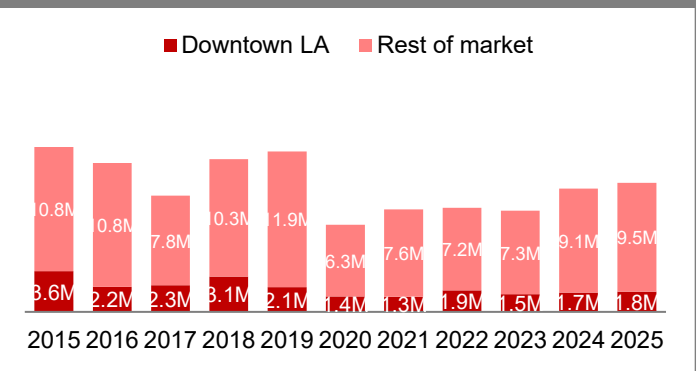
Downtown Los Angeles saw considerable steps towards recovery in 2025, but headwinds remain. Large transactions and user purchases were more frequent in 2025, but consolidation in the media and entertainment landscape is expected to drive space cuts among major media corporations in 2026. High-end professional services firms still demonstrate a clear preference for newer-vintage assets in Century City and other Westside markets. DTLA has just 95,000 s.f. available in any asset built since 2010, making options for high-end occupiers extremely limited. Progress towards improved public safety in downtown and momentum for office-to-residential conversions will drive continued stabilization in 2026, but organic demand growth may continue to favor other peripheral urban submarkets.

Overall market statistics		Forecast
2025 net absorption (s.f.)	-891,493	▲
Under construction (s.f.)	1,313,879	▼
Total vacancy (%)	28.7%	▼
Sublease vacancy (s.f.)	7,259,265	▼
Asking rent (\$ p.s.f.)	\$48.13	▲
Concessions	Stable	▶

Net absorption and overall vacancy rates



Gross leasing activity



Rental rates and going-in yields

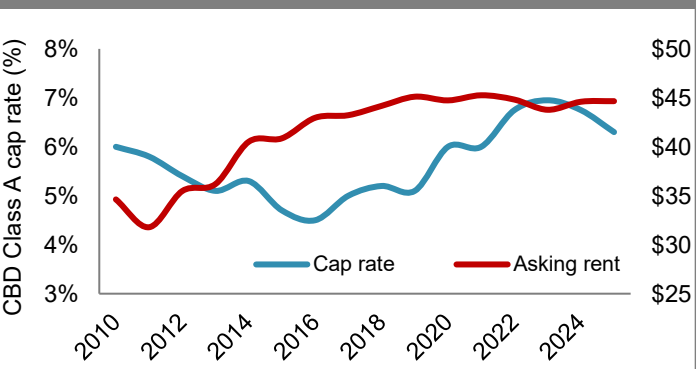


Table refers to overall market, while charts refer to Manulife submarkets

New Jersey (Hudson Waterfront)

- Vacancy increased slightly in Hudson Waterfront year-over-year due to a construction completion but has been declining across the overall New Jersey market.
- Net absorption has been positive for two consecutive years.
- Sublease availability remains relatively elevated at 6.3% but declined 300 bps compared to Q4 2024.
- Limited developable land, combined with demand for new warehouse space and residential developments, will continue driving the demolition of vacant, outdated office buildings throughout the state.

Office market trends

One smaller construction completion pushed vacancy rates up marginally in 2025, but Hudson Waterfront recorded positive net absorption for the second consecutive year, and vacancy is declining in the broader New Jersey office market. Leasing activity was relatively slow as expiration-driven deals slowed and limited availability remains on the market for relocation activity, but leases that did occur generally saw stable or expanding footprints, pointing to continued positive net absorption in 2026. Sublease availability improved significantly over the course of the year with nearly 200,000 s.f. of availabilities coming off the market.

While a flight to quality is still evident with rental rates in Hudson Waterfront, location dynamics are seemingly taking on more importance relative to other markets in the U.S. Rents continue to grow marginally in Class A stock, while Class B rents have declined marginally, but occupancy stands at 82.4% in Class B supply and grew by 160 bps in 2025, while Class A occupancy is just 67.2% and improved by only 20 bps in 2025. Moving forward, flight-to-quality migration will accelerate amid more Class B lease expirations in 2026, as tenants prune outdated workspaces and relocate into newly constructed or recently-renovated buildings offering premium amenities.

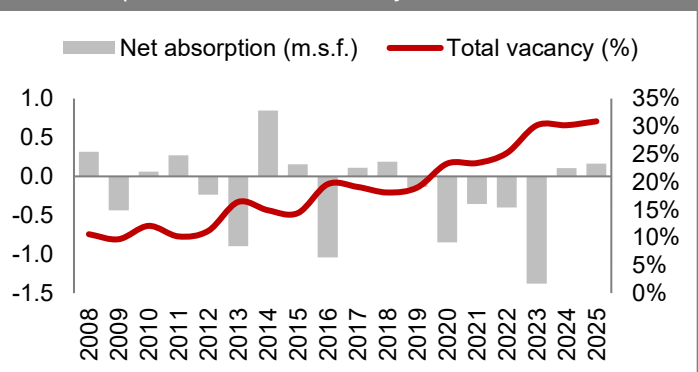
Outlook

Hudson Waterfront has seen net expansion for two consecutive years, which is expected to continue in 2026 as Finance leads major office-using sectors in job growth. However, vacancy rates remain much higher than the broader metro area due to consolidation that has occurred since the outset of the pandemic. Overall vacancy rates will remain somewhat elevated as tenants flock to amenitized Class A stock, with older Class B and C buildings seeing limited uplift.

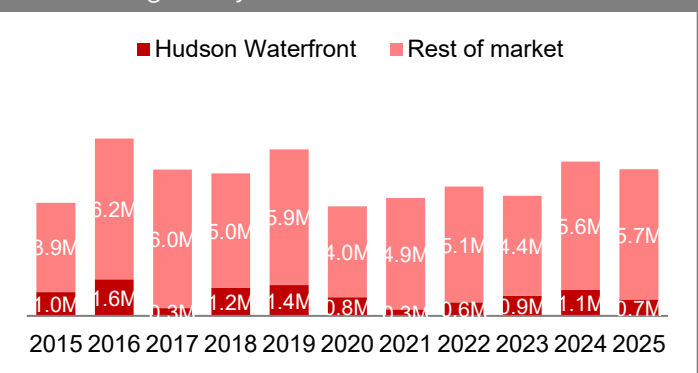
Another recurring theme will involve the redevelopment of sites housing vacant, outdated office buildings to alternative uses. More than 8.5 million s.f. were removed from office inventory during the past five years. An additional 1.6 million s.f. are forecasted to be demolished in 2026, with nearly 90% of this office product being replaced by new warehouse and residential developments. Investment sales for office assets remain highly discounted due to this dynamic, with very few buildings trading with the intent of maintaining the building as office.

Overall market statistics		Forecast
2025 net absorption (s.f.)	719,882	▲
Under construction (s.f.)	0	▶
Total vacancy (%)	26.2%	▼
Sublease vacancy (s.f.)	5,805,505	▼
Asking rent (\$ p.s.f.)	\$31.44	▲
Concessions	Stable	▶

Net absorption and overall vacancy rates



Gross leasing activity



Rental rates and going-in yields

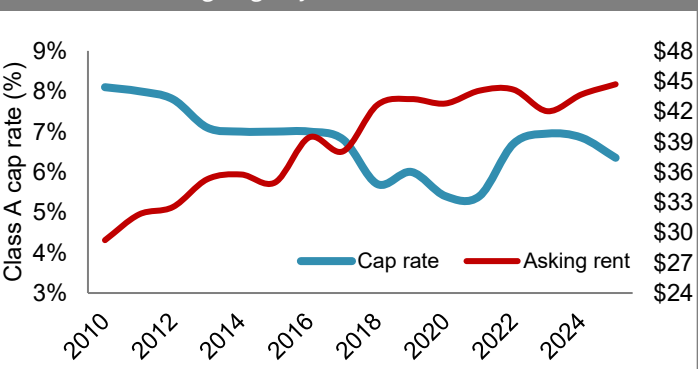


Table refers to overall market, while charts refer to Manulife submarkets

Northern Virginia (Fairfax Center and Fairfax City)

- Northern Virginia's office inventory continues to contract as properties are removed for redevelopment or conversion to other uses, leading to a gradual tightening of vacancy rates.
- Leasing activity is concentrated in transit-oriented and defense-driven submarkets, particularly for relocations and new leases.
- Trophy availability has dipped below 10%, and with no such product in the active construction pipeline, demand is expected to spread toward quality Class A options, further driving down vacancy.

Overall market statistics		Forecast
2025 net absorption (s.f.)	-1,813,304	▲
Under construction (s.f.)	35,000	▼
Total vacancy (%)	22.8%	▼
Sublease vacancy (s.f.)	1,361,051	▼
Asking rent (\$ p.s.f.)	\$36.71	▲
Concessions	Stable	▶

Office market trends

Fairfax experienced slight net occupancy loss this quarter, but vacancy rates declined for the second consecutive year as the market's office inventory continues to rightsize via planned conversions and redevelopments to other uses including residential and data centers. A total of 2.7 million s.f. was removed from supply this quarter across nine different submarkets. The trend is expected to continue into 2026 as the market's planned redevelopment pipeline grows, standing at 13.8 million s.f. currently.

From a demand perspective, private-sector leasing activity – particularly when excluding renewals – remains concentrated along the Silver Line corridor of Rosslyn to Reston and has yet to meaningfully spill over into traditional suburban business parks in Fairfax. Fairfax's Class A availability declined by just 35,000 s.f. in 2025, reflecting tenants' preferences for more lifestyle-oriented nodes. From an industry standpoint, defense contractors, buoyed by heightened federal spending, led leasing volume, a trend expected to continue into 2026, with upstart defense tech firms among the subsectors to watch.

While occupancy rates continue to stabilize amid the rightsizing of supply, older Class A assets should see increased stability, but a clear and continued preference for high-quality locations and amenitized assets will continue to tilt demand in favor of other regions. Fairfax has no office availability that was developed in the 2010s or later, driving high-end relocating tenants to pockets like Reston, National Landing and Ballston which still have some degree of availability in high-end Class A or Trophy assets.

Outlook

Tailwinds are growing for the Northern Virginia office market, but benefits will be disparate and determined by location and asset quality. Surging defense budgets are creating expansionary demand among aerospace & defense companies clustered in Northern Virginia, but many of these tenants own their own spaces, and leasing demand has been concentrated in upgraded buildings within mixed-use, transit-oriented hubs, while traditional suburban business parks have seen more stagnant demand. As demand continues to trickle down from the best available locations, Class A buildings in relatively strong locations or with relatively strong amenity programs relative to their peers will be the top recipients of spillover demand.

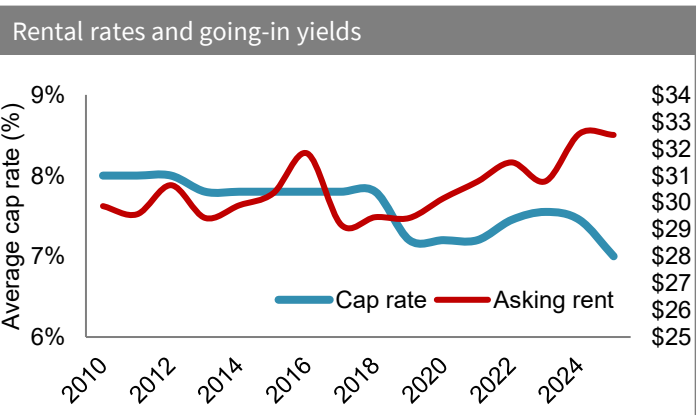
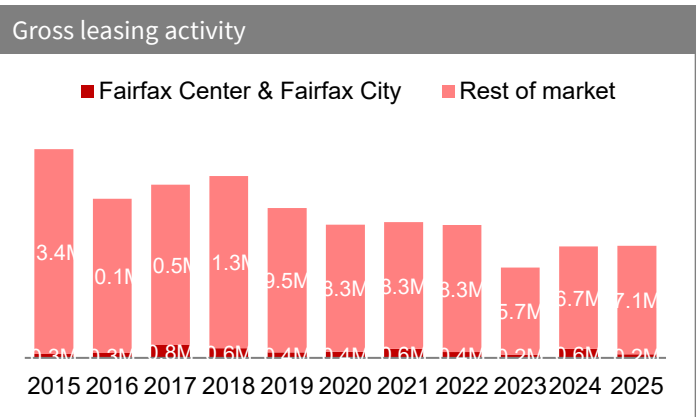
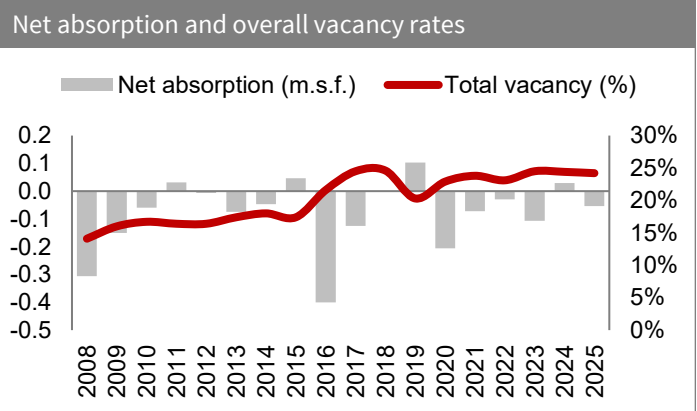


Table refers to overall market, while charts refer to Manulife submarkets

Orange County (Irvine)

- Q4 net absorption turned positive for the first time in 2025 as corporations strengthened office attendance mandates—occupancy was relatively flat for the year in Irvine.
- Large occupier commitments and a diversified leasing base contributed to stable leasing demand.
- Asking rents were stable amid limited new supply, while flight-to-quality trends persisted with Class A properties outperforming the broader market.
- The market is projected to tighten as conversions continue, and new development remains constrained.

Office market trends

Sharp positive absorption in Q4 led to net gains in occupancy for Irvine for the first time since 2019, causing vacancy to decrease from 18.8% to 18.0% over the course of the year. The largest move-in was Hyundai, which occupied 133,745 s.f. at 2300 Main, a lease the company signed in the summer. Asking rents increased 0.8% year-over-year, slightly underperforming the broader market as high-end spaces have seen more aggressive leasing demand in recent quarters. Class A buildings commanded a 7.4% rent premium over Class B buildings, highlighting ongoing flight-to-quality among larger tenants.

Q4 leasing activity was spread out across industries, reflecting Orange County's diversified economy. In one of the largest leases made during the quarter, TGS Management, a financial services company, renewed 114,875 s.f. at 17500 Laguna Canyon. Rent momentum has been relatively weaker in Irvine with a lack of new development in recent years: larger Class A leases signed in 2025 averaged rental rates in the low-to-mid \$40s on a full-service gross basis.

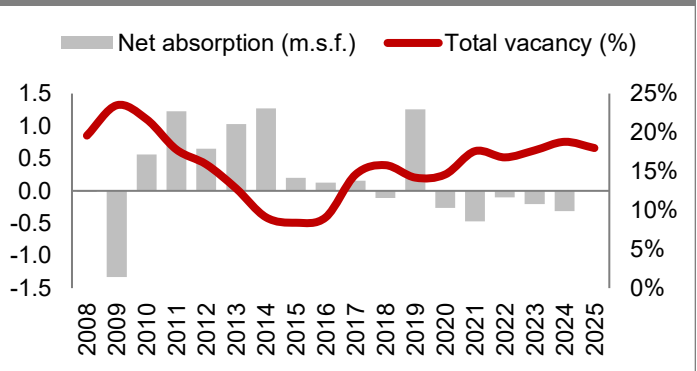
Orange County and Irvine have broadly maintained lower vacancy rates than the nation overall throughout the pandemic, with vacancy peaking below 20%. As new development now grinds to a halt, expansionary demand will be forced to target broader Class A options. With the largest availability of Class A supply being located in Irvine, relocation pressures are expected to grow in 2026. Over the course of 2025, Class A availability already declined by roughly 300,000 s.f.

Outlook

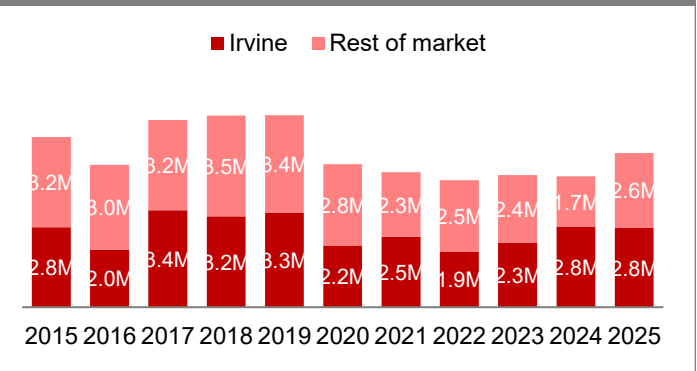
Orange County's continued recovery will be supported by a lack of new construction, ongoing conversion activity, and sustained return-to-office momentum. Limited new supply is evident as OC Vibe remains the only significant ongoing office development, located in the Stadium Area submarket roughly 5 miles north of Irvine. Office conversions continue to drive a negative inventory environment, with several office buildings being repurposed for residential, medical or industrial uses. This could potentially reduce office inventory by more than 5%, narrowing office options for tenants universally across Orange County and consolidating occupancy in remaining Class A assets.

Overall market statistics		Forecast
2025 net absorption (s.f.)	-594,901	▲
Under construction (s.f.)	168,137	▼
Total vacancy (%)	17.0%	▼
Sublease vacancy (s.f.)	1,694,696	▼
Asking rent (\$ p.s.f.)	\$34.92	▲
Concessions	Stable	▶

Net absorption and overall vacancy rates



Gross leasing activity



Rental rates and going-in yields

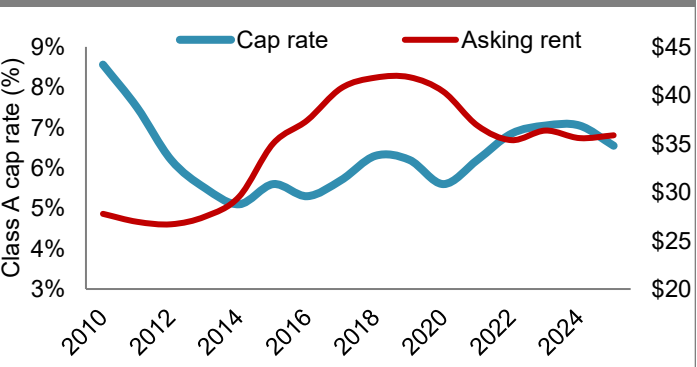


Table refers to overall market, while charts refer to Manulife submarkets

Phoenix (Tempe)

- Total vacancy fell 400 bps during 2025 as Tempe begins to tighten more rapidly than the overall market.
- Rent growth returned as leverage shifts in favor of landlords.
- More than half of the positive net absorption that occurred in Phoenix in 2025 was generated by occupancy gains in Tempe.
- The development pipeline remained relatively active with 442,449 s.f. underway, and new deliveries were fully preleased, reinforcing confidence in well-located, high-quality projects.

Office market trends

Tempe saw a sharp rebound in momentum in 2025, with absorption surging and vacancy rates falling by 400 bps, as leasing activity continued to concentrate in the most competitive space and locations. Direct average asking rents surged to \$45.41 p.s.f., as newer space begins to quickly become scarce throughout the submarket.

Market performance continues to be highly stratified according to asset quality, but favorable location dynamics in Tempe are leading to relatively strong performance even in lower-quality buildings. While the Class A and Trophy market saw the most occupancy gains on a percentage basis, Class B assets in Tempe saw over 300,000 s.f. of occupancy gains in 2025, and rents grew by 5.0%. Gains in Class B were largely driven by one prominent sublease removal, without true expansionary demand in the same vein as the Class A market.

Net absorption for the year surpassed 400,000 s.f., reflecting steady tenant movement despite continued conversions. Development activity remained measured but active, with 442,449 s.f. underway, signaling confidence in well-located projects. Concessions were largely unchanged, and leasing momentum was most among the strongest in the metro as companies prioritize access to labor, universities, and innovation corridors. Mixed-use and highly accessible locations remain preferred as occupiers prioritize convenience, efficiency, and longer-term sustainability objectives.

Outlook

Tempe's technology composition has led to more intense cyclical swings over the past three years, but the market is currently recovering quickly from cyclical highs in vacancy from 2024. Sublease availability fell by nearly 30% in 2025, and few high-end availabilities remain. Positive absorption is expected throughout 2026 with planned expansions and an influx of growing technology companies with active requirements. However, tech tenants are focused on amenitized Class A buildings and university-adjacent innovation districts—call center employment, a major driver of Class B demand, has been stagnant in the face of AI adoption and more limited return to normal attendance than the broader private sector, undermining the recovery for Class B and Class C assets in Tempe.

Overall market statistics		Forecast
2025 net absorption (s.f.)	708,536	▲
Under construction (s.f.)	442,449	▼
Total vacancy (%)	23.0%	▼
Sublease vacancy (s.f.)	3,979,341	▼
Asking rent (\$ p.s.f.)	\$30.73	▲
Concessions	Stable	▶

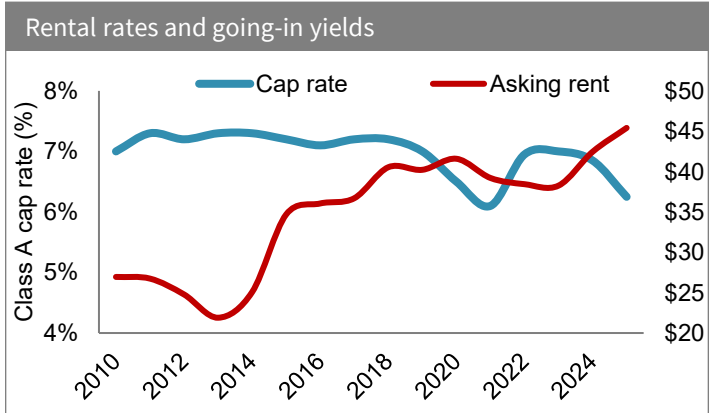
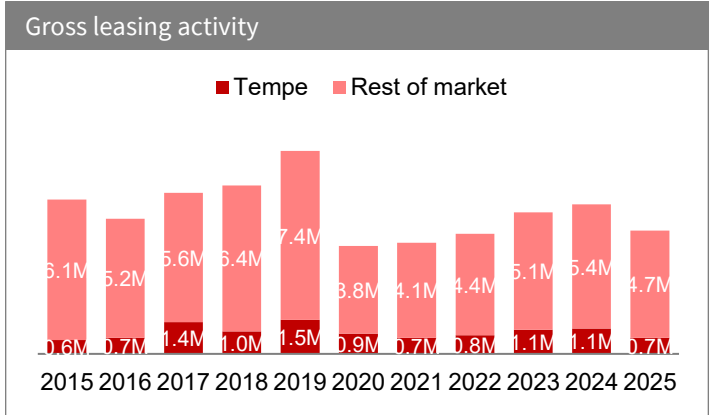
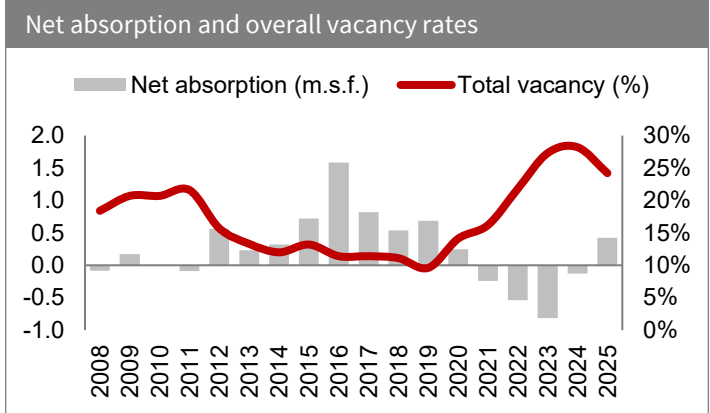


Table refers to overall market, while charts refer to Manulife submarkets

Washington, D.C. (CBD)

- DC demonstrated resilience amid turbulent news headlines, with net absorption improving 400,000 s.f. year-over-year and vacancy declining by 200,000 s.f.
- Market polarization intensified in 2025. Trophy properties achieved record \$93 p.s.f. rents with 12% vacancy, while Class C buildings struggled with 27% vacancy rates.
- New federal policies had mixed impacts on the DC office market. RTO mandates drove up attendance rates and daily foot traffic, but the government consolidated its footprint by 2.1 million s.f. in 2025, and several nonprofits shed space as well.

Office market trends

The DC market saw slight softening in 2025 but continues along a healthy recovery trajectory when correcting for one-off impacts. Absorption fell to -400,000 s.f. after two consecutive years of occupancy gains, but much of this came from over 2 million s.f. of government footprint consolidations, most of which were concentrated in the CBD. Overall vacancy increased 80 basis points year-over-year to 21.7%, a historical high. Despite the reversal in momentum in the CBD, the broader Washington, DC market saw absorption improve year-over-year.

The market bifurcation driven by intense flight to quality widened further in 2025. DC's rent bifurcation is intensified by secular industry trends wherein high-end tenants including law firms and lobbyists have been extremely active and aggressive in recent years, while traditionally price-sensitive tenants, including government and nonprofits, have softened considerably during the new administration. Trophy asking rents hit \$93 p.s.f. full service, with achieved rents in new buildings reaching \$125-\$135 p.s.f. and Trophy vacancy fell below 11%. Conversely, Class C vacancy deteriorated to 27%, with 41% of total vacancy concentrated in the market's bottom 10% of buildings. Trophy properties in the CBD are still slated to continue benefitting from flight to quality, as the CBD has the third-highest availability of trophy space, behind Capitol Hill and East End.

Outlook

The Washington, DC CBD still faces headwinds from ongoing downsizing of government agencies, but much of that impact was felt in the first half of 2025, with footprints stabilizing towards the end of the year. The professional services sector, particularly law firms, are driving strong momentum for Trophy spaces, but they are becoming exceedingly rare in the past 18 months. Some developers are seeking new development or redevelopment opportunities for well-located corner assets, but the broader Class A market should continue to see stabilizing occupancy and accretive rent growth as supply-demand dynamics are imbalanced for the foreseeable future.

Overall market statistics		Forecast
2025 net absorption (s.f.)	-1,219,558	▲
Under construction (s.f.)	400,000	▲
Total vacancy (%)	21.0%	▼
Sublease vacancy (s.f.)	1,038,750	▼
Asking rent (\$ p.s.f.)	\$58.96	▲
Concessions	Stable	▶

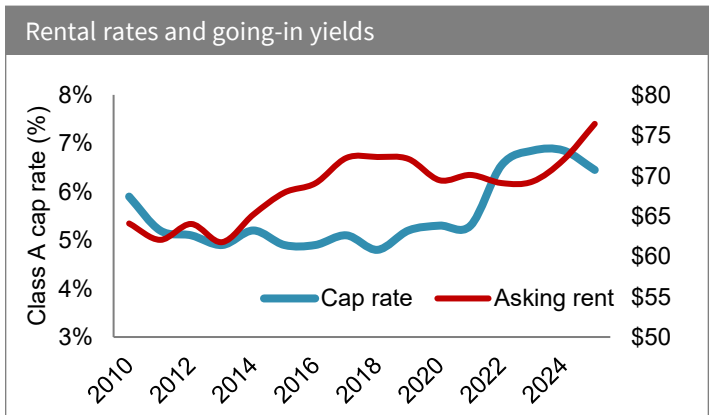
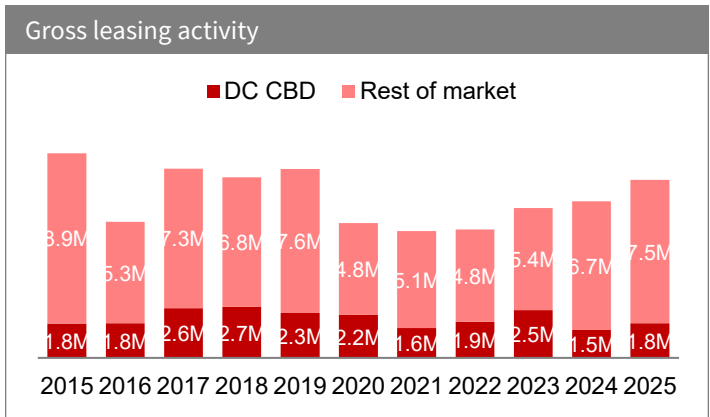
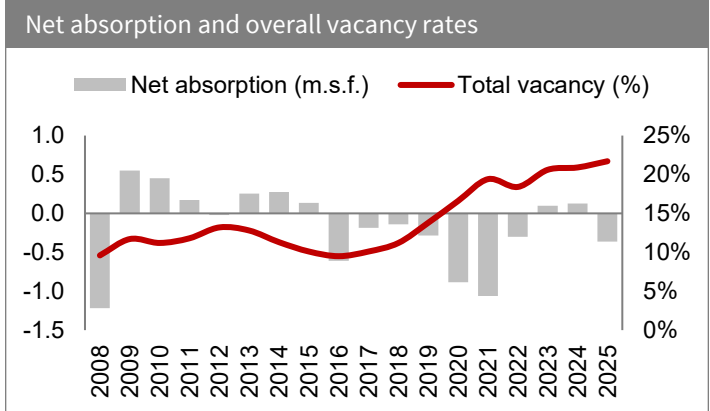


Table refers to overall market, while charts refer to Manulife submarkets

MUST market data

Leasing Activity (2025, over 20,000 s.f.)						
Tenant	Market	Submarket	Address	Class	Lease type	Size (s.f.)
Greenberg Traurig	Atlanta	Buckhead	3333 Piedmont Rd NE	Trophy	Renewal	105,128
CoStar Group	Atlanta	Buckhead	3438 Peachtree Rd NE	Trophy	Renewal	82,131
AT&T	Atlanta	Buckhead	1277 Lenox Park Blvd NE	A	Renewal	72,909
Dynasty Financial Partners	Atlanta	Buckhead	1 Phipps Plz	Trophy	New to Market	59,850
Mag Mutual	Atlanta	Buckhead	1 Phipps Plz	Trophy	New Lease	40,749
Homrich & Berg Inc	Atlanta	Buckhead	3550 Lenox Rd NE	Trophy	Renewal	37,326
CoreForce	Atlanta	Buckhead	575 Morosgo Dr NE	A	New Lease	32,945
RESICAP LP	Atlanta	Buckhead	3630 Peachtree Rd NE	A	Renewal	28,259
Brio Real Estate	Atlanta	Buckhead	3438 Peachtree Rd NE	Trophy	New Lease	26,582
Preferred Apartment Advisors	Atlanta	Buckhead	3284 Northside Pkwy NW	A	New Lease	26,486
Stephens Inc	Atlanta	Buckhead	3344 Peachtree Rd NE	Trophy	Renewal	24,946
Fullsteam	Atlanta	Buckhead	945 E Paces Ferry Rd NE	A	New Lease	24,183
Accenture	Atlanta	Buckhead	3525 Piedmont Rd NE	A	New Lease	23,111
T5 Data Centers LLC	Atlanta	Buckhead	3344 Peachtree Rd NE	Trophy	Renewal	21,455
Compass Group	Atlanta	Buckhead	3340 Peachtree Rd NE	A	New Lease	20,724
United States Secret Service	Los Angeles	CBD	725 S Figueroa St	A	Renewal	94,910
Dentons	Los Angeles	CBD	601 S Figueroa St	Trophy	Renewal	62,383
Wells Fargo	Los Angeles	CBD	333 S Hope St	Trophy	Renewal	53,250
Banc of California	Los Angeles	CBD	865 S Figueroa St	A	Relocation	39,720
Yukevich Cavanaugh	Los Angeles	CBD	355 S Grand Ave	Trophy	Expansion	35,289
JP Morgan Chase & Company	Los Angeles	CBD	300 S Grand Ave	A	Renewal	30,193
Cooley, LLP	Los Angeles	CBD	350 S Grand Ave	A	Relocation	28,297
Troutman Pepper Locke	Los Angeles	CBD	350 S Grand Ave	A	Expansion	28,210
Squire Patton Boggs	Los Angeles	CBD	555 S Flower St	Trophy	Renewal	26,386
Lucas Museum of Narrative Art	Los Angeles	CBD	700 S Flower St	A	Renewal	25,379
West Monroe Partners	Los Angeles	CBD	700 S Flower St	A	New Lease	24,750
Axos Financial Inc.	Los Angeles	CBD	300 S Grand Ave	A	New Lease	24,739
FINRA	Los Angeles	CBD	300 S Grand Ave	A	Renewal	24,690
HNTB	Los Angeles	CBD	777 S Figueroa St	Trophy	Expansion	21,905
AEG Worldwide	Los Angeles	CBD	865 S Figueroa St	A	Renewal	21,214
National Union Fire Insurance Company	Los Angeles	CBD	777 S Figueroa St	Trophy	Renewal	21,179
Consulate of India	Los Angeles	CBD	707 Wilshire Blvd	A	New to Market	20,507
The Sentinel Firm	Los Angeles	CBD	707 Wilshire Blvd	A	Relocation	20,459
Aegis Insurance	New Jersey	Hudson Waterfront	30 Hudson St	A	New Lease	55,008
News America Marketing	New Jersey	Hudson Waterfront	545 Washington Blvd	A	Renewal	42,642
The City Fitness	New Jersey	Hudson Waterfront	1000 Maxwell Ln	A	New Lease	39,066
Berkley Insurance	New Jersey	Hudson Waterfront	499 Washington Blvd	A	Relocation	33,843
Daikin	New Jersey	Hudson Waterfront	10 Exchange Pl	A	Renewal	24,408
Federal Farm Credit Banks Funding Corp.	New Jersey	Hudson Waterfront	30 Hudson St	A	New Lease	23,773
Hyundai	Orange County	Irvine	2300 Main St	A	New Lease	133,745
TGS	Orange County	Irvine Spectrum	17500 Laguna Canyon Rd	A	Renewal	114,875
Stanbridge University	Orange County	Irvine	3351 Michelson Dr	A	New Lease	83,952
Allen Matkins	Orange County	Irvine	2010 Main St	A	Expansion	61,175
Zillow	Orange County	Irvine	2600 Michelson Dr	A	Renewal	60,714
Hyundai Glovis America	Orange County	Irvine	18191 Von Karman Ave	A	Renewal	53,282
US Bank	Orange County	Irvine	18300 Von Karman Ave	A	Renewal	49,741
MBK Real Estate Companies	Orange County	Irvine	4 Park Plaza	A	Renewal	46,491
Wells Fargo Clearing Services	Orange County	Irvine	5 Park Plaza	A	Renewal	46,463
Callahan & Blaine	Orange County	Irvine	19900 Macarthur Blvd	A	New Lease	44,789
Hyundai Glovis America	Orange County	Irvine	18191 Von Karman Ave	A	New Lease	43,620
Kind Lending	Orange County	Irvine	1920 Main St	A	New Lease	35,575
Spyglass Pharma	Orange County	Irvine Spectrum	15326 Alton Pkwy	B		32,621
Bio-Rad Laboratories, Inc.	Orange County	Irvine Spectrum	21 Technology Dr	B	Renewal	32,517
Ernst & Young (EY)	Orange County	Irvine	18101 Von Karman Ave	A	Renewal	31,639
Integra Life Sciences	Orange County	Irvine Spectrum	7585 Irvine Center Dr	B	New Lease	30,741
Alteryx, Inc	Orange County	Irvine	3347 Michelson Dr	A	Renewal	29,125
Alteryx, Inc	Orange County	Irvine	3347 Michelson Dr	A	Renewal	29,125
Obsidian Entertainment, Inc.	Orange County	Irvine Spectrum	100 Spectrum Center Dr	A		27,522
Restaurant365	Orange County	Irvine Spectrum	500 Technology Dr	A	Renewal	27,295
Zoll Medical Corporation	Orange County	Irvine Spectrum	48 Discovery	B	New Lease	26,920
RIS RX	Orange County	Irvine	5300 California Ave	B	New Lease	23,757
Clear Start Tax	Orange County	Irvine	3 Park Plaza	A	New Lease	23,285
Kimley-Horn & Associates	Orange County	Irvine Spectrum	20 Pacifica	A	New Lease	23,176
Kimley-Horn & Associates	Orange County	Irvine Spectrum	20 Pacifica	A		23,025

MUST market data

Leasing Activity (2025, over 20,000 s.f.)						
Tenant	Market	Submarket	Address	Class	Lease type	Size (s.f.)
Colliers International	Orange County	Irvine	3 Park Plaza	A	Renewal	22,863
Insight Investments, LLC	Orange County	Irvine	2030 Main St	A	New Lease	22,842
Arbonne International Inc	Orange County	Irvine	19800 Macarthur Blvd	A	New Lease	22,446
Amazon	Orange County	Irvine Spectrum	200 Spectrum Center Dr	A	Expansion	22,150
Withum	Orange County	Irvine Spectrum	200 Spectrum Center Dr	A	New Lease	22,089
First American Title Company	Orange County	Irvine	18500 Von Karman Ave	A	Renewal	21,556
TBD	Orange County	Irvine Spectrum	173 Technology Dr	B	New Lease	20,980
TBD	Orange County	Irvine	2600 Michelson Dr	A	New Lease	20,238
Unknown	Phoenix	Tempe	80 E Rio Salado Pkwy	Trophy	New Lease	52,873
Align Technology	Phoenix	Tempe	80 E Rio Salado Pkwy	Trophy	New Lease	52,873
Meade Engineering	Phoenix	Tempe	80 E Rio Salado Pkwy	Trophy	Relocation	52,182
Foxconn	Phoenix	Tempe	1621 W Rio Salado Pkwy	B	New Lease	51,789
Sequoia Benefits And Insurance Services	Phoenix	Tempe	1033 W Roosevelt Way	A	Relocation	42,783
BOK Financial	Phoenix	Tempe	80 E Rio Salado Pkwy	Trophy	Relocation	39,192
Kestra	Phoenix	Tempe	63 S Rockford Dr	B	New to Market	38,896
Align Technology	Phoenix	Tempe	410 N Scottsdale Rd	Trophy	Renewal	34,186
Unknown	Phoenix	Tempe	1101 W Washington St	A	New Lease	32,880
EPS Group	Phoenix	Tempe	1130 N Alma School Rd	B	Renewal	27,283
U.S. CFTC	Washington, DC - Metro	CBD	1155 21st St NW	B	Renewal	175,117
United States Department of the Treasury	Washington, DC - Metro	CBD	1750 Pennsylvania Ave NW	B	Renewal	120,497
MedStar Health	Washington, DC - Metro	CBD	1133 21st St NW	B	Renewal	91,590
BakerHostetler	Washington, DC - Metro	CBD	1717 K St NW	Trophy	Relocation	83,000
Page Southerland Page, Inc.	Washington, DC - Metro	CBD	2101 L St NW	B	Relocation	67,710
U.S. Civilian Board of Contract Appeals	Washington, DC - Metro	CBD	1800 M St NW	B	Renewal	57,470
Analysis Group	Washington, DC - Metro	CBD	1701 Rhode Island Ave NW	A	Relocation	54,000
Bracewell	Washington, DC - Metro	CBD	2001 M St NW	A	Blend & Extend	53,250
GovCIO	Washington, DC - Metro	Fairfax Center	4000 Legato Rd	A	Renewal	30,075
Pulte Homes	Washington, DC - Metro	Fairfax Center	4000 Legato Rd	A	Relocation	29,000
Holland & Knight	Washington, DC - Metro	CBD	800 17th St NW	Trophy	Expansion	26,430
Oceana Inc	Washington, DC - Metro	CBD	1025 Connecticut Ave NW	B	Renewal	26,385
Urban Land Institute	Washington, DC - Metro	CBD	2101 L St NW	B	Relocation	26,260
Union Labor Life Insurance Company	Washington, DC - Metro	CBD	1625 I St NW	B	Renewal	25,258
Sullivan & Worcester	Washington, DC - Metro	CBD	1666 K St NW	B	Renewal	24,403
Kiernan Trebach LLP	Washington, DC - Metro	CBD	1776 I St NW	A	Relocation	24,059
Saul Ewing Arnstein & Lehr	Washington, DC - Metro	CBD	1800 M St NW	B	Relocation	23,871
U.S. SIPC	Washington, DC - Metro	CBD	1730 Pennsylvania Ave NW	B	Relocation	22,493
MedStar Health	Washington, DC - Metro	CBD	1120 20th St NW	B	Renewal	20,773
First Heritage Mortgage LLC	Washington, DC - Metro	Fairfax Center	11325 Random Hills Rd	B	Relocation	20,724
DGA Group LLC	Washington, DC - Metro	CBD	1717 K St NW	Trophy	Relocation	20,324

MUST market data

Sales Transactions (2025, over \$15.0 million, excludes entity-level sales)

Building	Market	RBA (s.f.)	Sales price (\$)	Price p.s.f.	Buyer	Seller	Port.?
1100 Peachtree St NE	Atlanta	553,778	\$133,800,000	\$242	Spear Street	Manulife US REIT	No
3565 Piedmont Rd NE	Atlanta	820,000	\$98,211,706	\$120	CP Group	The Ardent Companies	Yes
3497 Piedmont Rd NE	Atlanta	549,561	\$65,821,126	\$120	CP Group	The Ardent Companies	Yes
1055 Lenox Park Blvd NE	Atlanta	205,761	\$52,260,000	\$254	Vertical Ventures LLC	Bridge Investment Grp	No
3333 Peachtree Rd NE	Atlanta	914,774	\$45,000,000	\$49	Banyan Street Capital	Sumitomo Corp	No
3535 Piedmont Rd NE	Atlanta	300,301	\$35,967,163	\$120	CP Group	The Ardent Companies	Yes
3130 Peachtree Rd NE	Atlanta		\$6,703,543		Reign Capital	AT&T	Yes
601 S Figueroa St	Los Angeles	1,039,000	\$209,754,863	\$202	Uncommon Developers	Brookfield AM	No
606 Venice Blvd	Los Angeles	51,000	\$51,237,275	\$1,005	Carolwood LP	Rialto Capital Mgmt	No
523 W 6th	Los Angeles	464,000	\$48,500,000	\$105	PacMutual LLC	La Caisse	No
500 S Santa Fe Ave	Los Angeles	106,004	\$45,000,000	\$425	Los Angeles County	SteelWave	No
843 N Spring St	Los Angeles	145,000	\$35,800,000	\$247	Civicap Partners	Redcar Properties Ltd	No
3077 University Ave	Los Angeles	98,966	\$34,600,000	\$350	U of Southern Cal	Hebrew Union College	No
1019 E 4th Pl	Los Angeles	99,090	\$28,000,000	\$283	Midfirst Bank	Hudson Pacific Props	Yes
1003 E 4th Pl	Los Angeles	61,200	\$18,000,000	\$294	Midfirst Bank	Hudson Pacific Props	Yes
500 Plaza Dr	New Jersey	445,060	\$51,750,000	\$116	Signature Acquisitions	Manulife US REIT	No
1966 Barranca Pkwy	Orange County	467,000	\$149,250,000	\$320	Glendon Capital Mgmt	Alcion Ventures	No
2505 Da Vinci	Orange County	118,090	\$42,350,000	\$359	Avenue Equities LLC	Blackstone	No
17770 Cartwright Rd	Orange County	143,165	\$37,600,000	\$263	Pacific Tree Capital	J&R Group	No
18191 Von Karman Ave	Orange County	127,637	\$35,738,360	\$280	Hyundai Motor	State Street	No
19600 Fairchild Rd	Orange County	104,800	\$34,500,000	\$329	CityView	TPG Real Estate	No
4980 Barranca Pkwy	Orange County	36,660	\$24,250,000	\$661	Island Vista Holdings LLC	Anchor Health Props	No
33 Creek Rd	Orange County	53,445	\$16,225,000	\$304	Creek Bridge LLC	Birtcher Anderson & Davis	No
1231 W University Dr	Phoenix		\$8,091,757		Reign Capital	AT&T	Yes
1625 Eye St NW	Washington, DC	405,000	\$60,500,000	\$149	GreenBarn Investment	Westbrook Partners	No
2100 M St NW	Washington, DC	290,762	\$55,000,000	\$189	Boston Properties	AB Commercial RE Debt	No
1145 19th St NW	Washington, DC	128,312	\$30,000,000	\$234	TIAA-CREF	Diversified Healthcare Trust	No
1750 H St NW	Washington, DC	111,510	\$28,800,000	\$258	Douglas Development	State Farm Insurance	No
1990 K St NW	Washington, DC	269,000	\$27,500,000	\$102	StonebridgeCarras	Bernstein Companies	No
2033 K St NW	Washington, DC	120,000	\$20,284,861	\$169	In-Rel Properties	American Realty Advisors	No
818 Connecticut Ave	Washington, DC	105,212	\$16,000,000	\$152	Taicoon Management LLC	Borger Management Inc	No

MUST market data

Active Development Pipeline						
Building	Market	Submarket	RBA (s.f.)	Developer	Spec/BTS	Completion
The Broadway Trade Center	Los Angeles	CBD	950,400	Waterbridge Capital LLC	Spec	2026
Stanford Wholesale Mart Phase II	Los Angeles	CBD	60,000	Stanford Mart LP	Spec	2026
Lincoln Medical Building	Los Angeles	CBD	47,000	Oppidan LLC	Spec	2026
Rural Rd & University Dr	Phoenix	Tempe	165,000	Ryan Companies	Spec	2026

Methodology and terms of use

Methodology

JLL leverages proprietary leasing data with a blend of public, government-issued and third-party sources to produce our economic and market reports.

Office inventory spans 50+ U.S. local markets and is generally limited to investment-grade assets larger than 30,000 s.f., excluding medical office and owner-occupied assets.

Net absorption is recognized upon lease commencement and/or physical move-in, not lease sign date. Vacancy is recognized upon physical move-out or lease expiration date, not the time at which space is advertised for lease.

All sources are deemed reliable, but in some cases, information cannot be independently verified.

Use and reliance

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