

KORE US REIT

**Independent
Market Review
2025**



Independent Market Review

By Cushman & Wakefield

The U.S. economy entered 2026 on firmer footing following a year of adjustment and repricing across capital markets in 2025. While tariff-related uncertainty, elevated costs, and disruptions to federal data reporting continued to weigh on sentiment at times, overall conditions stabilized as markets adapted to valuation resets and easing financial conditions. Commercial real estate fundamentals remained generally resilient, supported by ample debt liquidity and sustained refinancing activity, though transaction activity remained selective. Office and retail benefited from pricing resets, while multifamily activity moderated. Cap rates largely stabilized and pricing trends improved unevenly. While some foreign investors have adopted a more cautious stance amid heightened geopolitical and policy uncertainty, available data does not yet indicate a broad or sustained withdrawal of international capital from U.S. real estate markets. Entering 2026, the commercial real estate (CRE) market appears positioned for a measured, fundamentals-driven recovery.

UNITED STATES (U.S.) ECONOMY

Overview

The CRE market is shaped by investor demand, liquidity, and broader macroeconomic forces. Recent instability, driven by the Federal Reserve's policy pivot, lingering inflation pressures, and evolving tariff impacts, has introduced volatility across financial and capital markets. These forces, especially in combination, continue to influence CRE performance, capital availability, and investment decision-making. While the full effects of new trade dynamics are still unfolding, improving credit conditions and stronger transaction activity reflect a more constructive tone. As a result, many market participants are re-engaging, with rising loan originations and firmer pricing signaling growing confidence in the long-term trajectory of recent developments.

Economic Conditions

The year began on solid footing, with renewed optimism across both the U.S. economy and CRE markets. Throughout 2025, markets broadly characterized the period as one of rebound and price discovery, as sellers adjusted and buyers responded to reset valuations. That constructive tone has carried into early 2026 as inflation moderates, policy approaches neutral levels and confidence builds around the durability of the next cycle. While tariffs continue to influence costs, business adaptation, fiscal incentives, and resilient corporate profits have helped stabilize expectations despite policy-related noise.

Credit conditions remain supportive and were a key foundation for last year's improvement in CRE capital markets. Lending origination increased on a trailing twelve-month basis through 2025, with activity expanding across banks, Commercial Mortgage-Backed Securities (CMBS), insurance companies and the agencies. Refinancing remains the dominant driver heading into 2026, accounting for a substantial share of loan activity and helping to absorb an elevated maturity wave that is among the largest seen since the Global Financial Crisis era. Credit spreads remain tight, reinforcing favorable financing conditions.

Capital markets momentum has broadened. Property sales volumes increased through late 2025, with investor activity widening across sectors as repricing attracted new equity and pricing trends stabilized or improved selectively across property types. Office and retail led gains, while industrial and residential continued to anchor investor allocations. Equity capital formation also strengthened as global private CRE fund closings rebounded following multiple years of decline, easing denominator effects which left many institutions under-allocated to real estate.

Monetary policy eased through multiple incremental rate cuts in 2025, and the Federal Reserve paused further adjustments in January 2026, signaling that policy is approaching neutral. Chair Powell has acknowledged a cooling labor market and rising downside risks to employment, reinforcing expectations for additional, but gradual and measured easing.

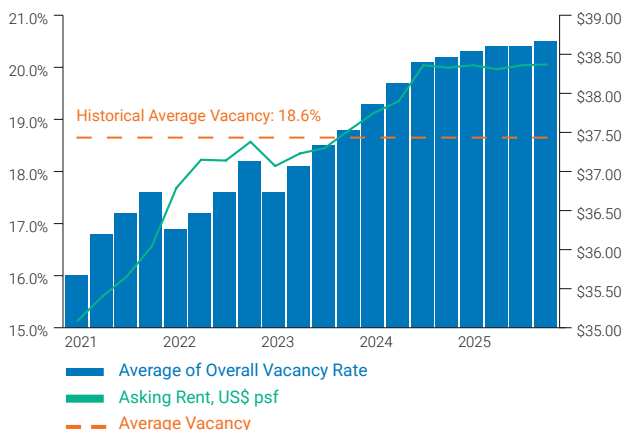
Economic growth moderated through mid-2025, though interpretation of recent GDP trends has been complicated by postponed and delayed federal data releases, particularly for late-2025 quarters, due to disruptions affecting statistical agency reporting. GDP data for late 2025 and early 2026 remain subject to reporting delays due to the ongoing federal government shutdown. While this has delayed official GDP readings, underlying growth drivers, including productivity gains, technology adoption and investment-led expansion, appear to be strengthening even as labor market momentum cools.

Overall, the macro and capital markets backdrop entering 2026 reflects a shift toward a more stable environment for expansion, with CRE recovery increasingly driven by fundamentals, income growth, and disciplined capital deployment rather than broad rate compression.

Economic Indicators	US	Seattle, Washington	Denver, Colorado	Austin, Texas	Houston, Texas	Dallas, Texas	Orlando, Florida	Sacramento, California	Nashville, Tennessee
Nonfarm Employment									
Q4 2024	159.2m	2,249k	1,666k	1,462k	3,692k	4,334k	1,486k	1,083k	1,129k
Q4 2025	144.7m	2,219k	1,708k	1,478k	3,737k	4,383k	1,478k	1,141k	1,162k
12-Month Forecast	▼	▲	▲	▲	▲	▲	▼	▲	▲
Unemployment Rate									
Q4 2024	4.2%	4.1%	4.6%	3.5%	4.4%	3.9%	3.4%	4.8%	3.1%
Q4 2025	4.4%	4.8%	3.8%	3.6%	4.5%	4.0%	4.3%	5.2%	3.1%
12-Month Forecast	▲	▲	▼	▲	▲	▲	▲	▲	■

U.S. OFFICE MARKET REVIEW

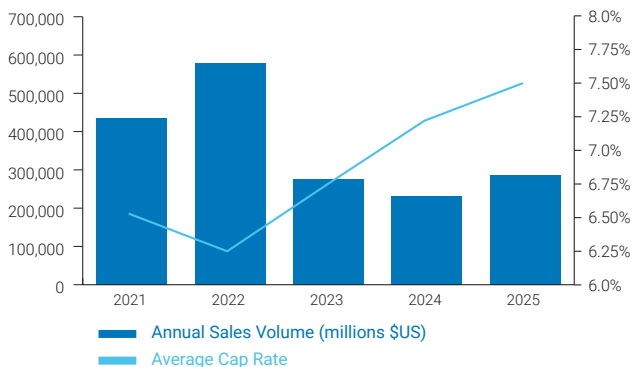
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Office market fundamentals began to improve in early 2024, when sublease inventories and vacancy increases peaked. By the second half of 2025, these positive signs had solidified into a clear recovery. Net absorption turned positive in the final six months of 2025 (+2.5 million square feet (msf)), marking the strongest back-to-back quarterly performance since COVID, aside from the brief rebound in early 2021. Higher-quality buildings drew even more attention, with Class A absorption topping +9.2 msf for 2025.

After 12 straight quarters of negative absorption, U.S. demand has been positive for the past two quarters. While

full-year net absorption in 2025 remained negative at -6.6 msf, this represents a substantial improvement from the prior five-year average of -50.5 msf annually. Moreover, weakness remained highly concentrated. Excluding the five markets that were the weakest, 2025 net absorption for the remaining 86 U.S. office markets tracked by Cushman & Wakefield Research would have been +11.1 msf.

Demand for office space appears to be growing, and it is also spreading geographically. Absorption was positive for the year in 50 U.S. office markets. That is up from 33 markets in 2024 and is the highest number of markets with positive absorption for a full year since 2019. There were seven markets with over 1 msf of positive absorption in 2025, led by Midtown Manhattan (+6.1 msf), San Jose (+3.1 msf), Dallas (+2.2 msf), Northern New Jersey (+1.6 msf), Cleveland (+1.3 msf), Midtown South Manhattan (+1.3 msf), and Austin (+1.1 msf). Another one-third of U.S. markets had positive absorption exceeding 100,000 square feet (sf) in 2025.

In further signs of a spreading recovery, there are another 14 markets where demand was negative for the full year but turned positive in Q4 2025. This includes Boston, Denver, Detroit, Orange County, Puget Sound – Eastside, and Suburban Maryland.

In Q4 2025, 4 msf of new office space was delivered across the U.S. This is the lowest quarterly total since 2012. Improving demand and muted new construction meant that vacancy remained essentially flat. The overall vacancy rate finished the year at 20.5%, up 31 bps from Q4 2024. This is the smallest year-over-year (YOY) increase in five-and-a-half years. Vacancy declined over the past 12 months in half of U.S. markets, and declines exceeded 100 bps in 17 different markets, including Kansas City, Northern New Jersey, Midtown Manhattan, Phoenix, Salt Lake City, San Jose, and Tampa. The decline in vacant sublease availability is a large driver of firming occupancies.

Construction activity remains subdued as the amount of U.S. office space under construction dropped below 20 msf for the first time in the 21st century. The pipeline declined by 35% in 2025 and is now just 15% as large as it was when it peaked at 136 msf in Q1 2020. Total office inventory dropped by 20.7 msf over the past six quarters as demolitions and conversions have begun to outpace new construction deliveries.

U.S. Office Market Outlook

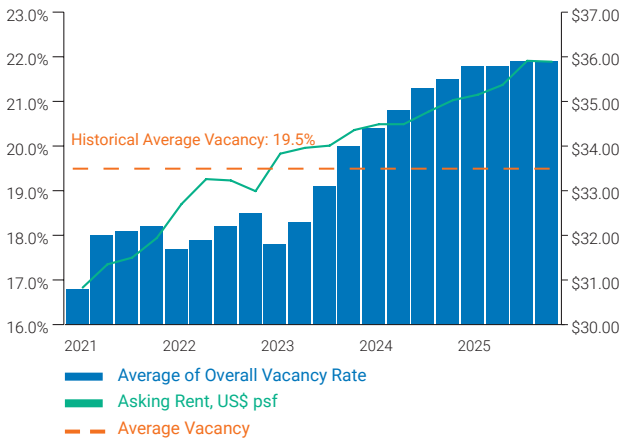
Optimism is growing that the worst may be in the rearview mirror for the office market. The second half of 2025 showed marked improvement. U.S. office vacancy is nearing its peak as leasing activity has improved. Occupier demand is accelerating, especially in higher-quality assets, driving positive absorption and removing sublease availability from the market.

While debt and capital markets are warming up, the cost of construction materials and labor, along with policy uncertainty, continue to put downward pressure on the new construction pipeline. Additionally, in some cities, the economics of repurposing office space for other uses (often residential) is improving, which will lead office inventories to shrink in the coming years.

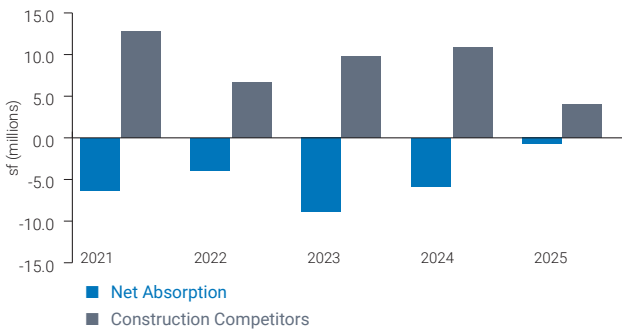
However, a potential inflection point is forming on the development front. With construction activity at historic lows, some developers are starting to explore new projects, positioning for a tighter supply environment.

LOCAL MARKETS

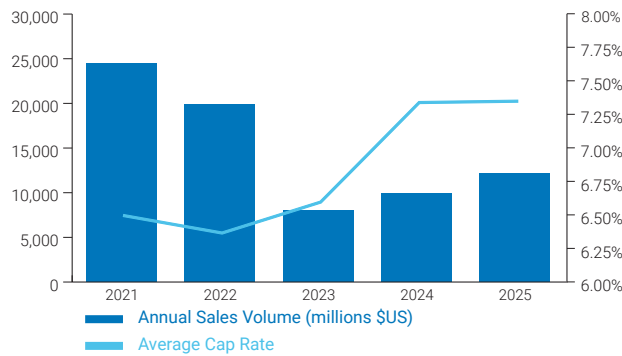
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Eight markets are reviewed within this report:

- Seattle/Puget Sound, Washington
- Denver, Colorado
- Austin, Texas
- Houston, Texas
- Dallas, Texas
- Orlando, Florida
- Sacramento, California
- Nashville, Tennessee

The tables presented on this page represent combined market statistics for these eight markets, depicting general trends across these markets as a whole.

Consistent with national trends, net absorption across the eight markets improved YOY from 2023 to 2025 in five of the eight markets, with negative absorption increasing in only Seattle, Orlando and Houston. Aggregate negative net absorption of -643 thousand square feet (ksf) for 2025 represented a significant improvement from -5.9 msf in 2024.

Construction completions weakened, with only 4.0 msf of delivered space, down 63.2% from 2024. Construction will undoubtedly slow in response to increased vacancy, but this tends to be a lagging indicator, and the existing pipeline will continue to deliver space in 2026.

Negative absorption and continued construction deliveries led to an increase in vacancy for 2025. Vacancy rates for the eight markets averaged 21.9% at the end of 2025, above the five-year average of 19.5% and up 40 bps YOY.

Investment sales of office buildings were down significantly in these eight markets in 2025, effectively below pre-pandemic levels. Annual office investment sales ranged from US\$21.3 billion to US\$29.9 billion from 2018 to 2019, before volume dropped sharply to US\$13.1 billion in 2020, a 56.1% decline from the prior year. In 2021, reported volume rebounded 86.0% YOY to US\$24.4 billion, before decreasing in subsequent years and stabilizing near US\$12.2 billion in Year-end (YE) 2025. Capitalization rates increased from 6.6% in 2021 to approximately 7.9% at the end of 2025.

Office Market Indicators	US	Seattle, Washington	Denver, Colorado	Austin, Texas	Houston, Texas	Dallas, Texas	Orlando, Florida	Sacramento, California	Nashville, Tennessee
Vacancy Rate									
Q4 2024	20.2%	19.9%	25.0%	29.6%	24.6%	25.5%	16.8%	14.8%	16.0%
Q4 2025	20.5%	22.3%	26.3%	29.0%	24.8%	24.8%	17.6%	14.6%	16.1%
12-Month Forecast	▬	▲	▲	▲	▼	▼	▼	▬	▼
YTD Net Absorption (sf)									
Q4 2024	-49.2m	331k	-2,067k	631k	-103k	-4,704k	-267k	-295k	596k
Q4 2025	-6.6m	-1,709k	-1,559k	1,084k	-1,160k	2,399k	-362k	-43k	706k
12-Month Forecast	▲	▲	▲	▼	▲	▲	▲	▼	▼
Under Construction (sf)									
Q4 2024	33.5m	2,116k	1,609k	2,843k	386k	2,515k	0k	512k	868k
Q4 2025	17.9m	479k	301k	1,154k	50,000k	626k	0k	254k	1,133k
12-Month Forecast	▼	▲	▬	▲	▲	▲	▬	▲	▲
Average Asking Rent									
Q4 2024	US\$38.33	US\$44.63	US\$32.86	US\$47.70	US\$31.32	US\$33.08	US\$27.50	US\$26.52	US\$36.64
Q4 2025	US\$38.37	US\$48.67	US\$33.52	US\$48.27	US\$31.81	US\$33.60	US\$26.54	US\$26.04	US\$38.69
12-Month Forecast	▼	▬	▬	▼	▬	▲	▲	▬	▬

Seattle, Washington – Puget Sound Eastside

Economic Indicators

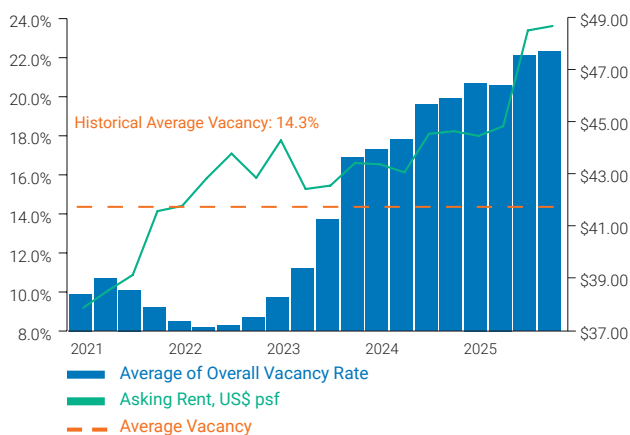
	Q4 24	Q4 25	12-Month Forecast
Seattle-Tacoma-Bellevue Employment	2,249k	2,219k	▲
Seattle-Tacoma-Bellevue Unemployment	4.1%	4.8%	▲
US Unemployment	4.2%	4.4%	▲

Office Market Indicators (Overall, All Classes)

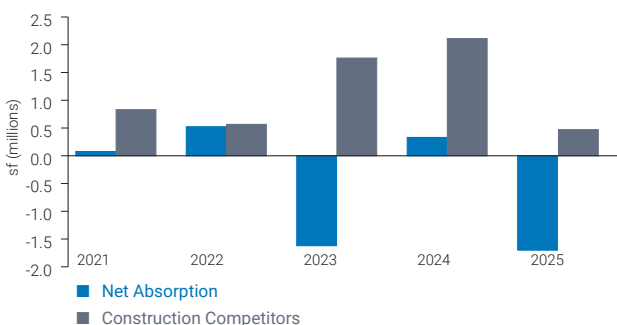
	Q4 24	Q4 25	12-Month Forecast
Vacancy	19.9%	22.3%	▲
YTD Net Absorption (sf)	331k	-1,709k	▲
Under Construction (sf)	2,116k	479k	▲
Average Asking Rent*	US\$44.63	US\$48.67	■

* Rental rates reflect gross asking US\$psf/year.

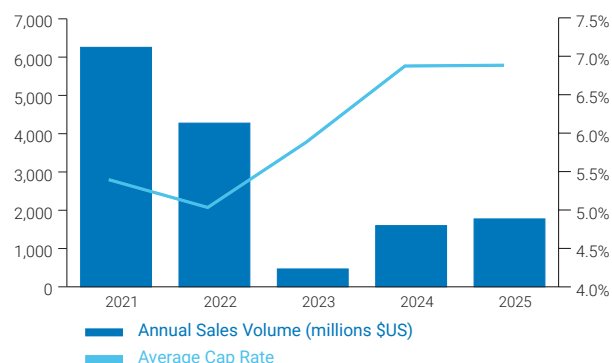
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Local Economy

For the Seattle metro area, employment increased by 13,500 jobs YOY, with the current total at nearly 2.2 million. The unemployment rate rose 70 basis points (bps) YOY to 4.8%, above the U.S. rate of 4.4%. However, a major boost to the core office markets was the return to a five-day in-person workweek at one of Seattle’s largest employers, Amazon. As measured by the Consumer Price Index for All Urban Consumers, Seattle metro area prices increased 3.1% YOY, driven by higher food (+4.4%) and energy (+7.2%) costs. Excluding food and energy, the index rose 2.7% YOY, driven by increases to medical care (+5.3%) and shelter (+1.7%).

Office Market Trends

The Eastside office market reported an overall vacancy rate of 22.3% in the fourth quarter of 2025, up 240 bps from the 19.9% rate reported one year ago. Direct vacancy rose 33.9% YOY to 8.1 msf, while sublease vacancy fell 55.2% YOY to 855,000 sf.

Overall absorption reached -1.7 msf for 2025, a considerable reversal from the positive 331,000 sf reported in 2024.

The Eastside office market posted average annual gross rental rates of US\$48.67 per square foot (psf) in the fourth quarter, a 9.1% YOY increase. Eastside rents are expected to stabilize in the first half of 2026, though they will remain the highest in the metro area.

Following a year that saw 2.1 msf of new inventory, there was only one delivery in the Eastside office market in 2025. Four 106 added 479,000 sf of vacant Class A space to the inventory in the fourth quarter. Approximately 12.3 msf of proposed space is in the pipeline, with 10.5 msf (85.4%) located in the Bellevue CBD.

Just over 397,000 sf of new deals were signed in the Eastside in the fourth quarter, up 16.6% from one year ago. The total for the year reached 2.1 msf, down 25.0% YOY. The Bellevue CBD, 405 Corridor, and I-90 Corridor submarkets reported the most activity, accounting for 275,000 sf. Approximately 10.3% of all new deals signed in 2025 were at or above 10,000 sf, just below the 12.3% signed in 2024.

Considering the strong demand pipeline for space in the Eastside market, more five-figure deals are expected to be signed in the first half of 2026.

Office investment in the Seattle market ended the year with US\$1.77 billion in sales, a substantial drop from the US\$6.3 billion that traded in 2021 and US\$4.3 billion in 2022, but slightly more than the US\$1.6 billion from a year ago. The overall cap rate decreased slightly from 7.1% in 2024 to 6.8% in 2025.

Outlook

Elevated vacancy and negative absorption in 2025 will be countered by strong leasing interest, especially from tech tenants, in 2026. Rents increased significantly with the addition of Class A downtown office space offering high rates, but they are expected to stabilize in early 2026 as top tier space is leased. Following the delivery of Four106 in the fourth quarter, construction will be limited in the near-term. However, the pipeline remains robust, positioning the Eastside for future growth.

Denver, Colorado

Economic Indicators

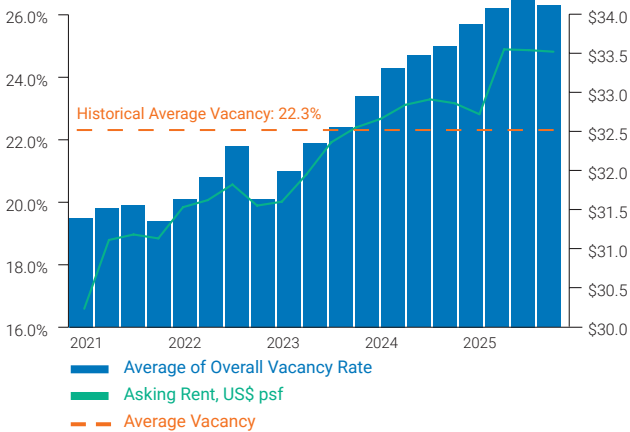
	Q4 24	Q4 25	12-Month Forecast
Denver MSA Employment	1,666k	1,708k	▲
Denver MSA Unemployment	4.6%	3.8%	▼
US Unemployment	4.2%	4.4%	▲

Office Market Indicators (Overall, All Classes)

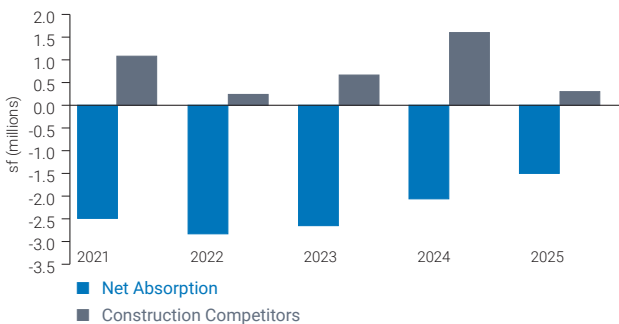
	Q4 24	Q4 25	12-Month Forecast
Vacancy	25.0%	26.3%	▲
YTD Net Absorption (sf)	-2,067k	-1,559k	▲
Under Construction (sf)	1,609k	301k	■
Average Asking Rent*	US\$32.86	US\$33.52	■

* Rental rates reflect gross asking US\$psf/year.

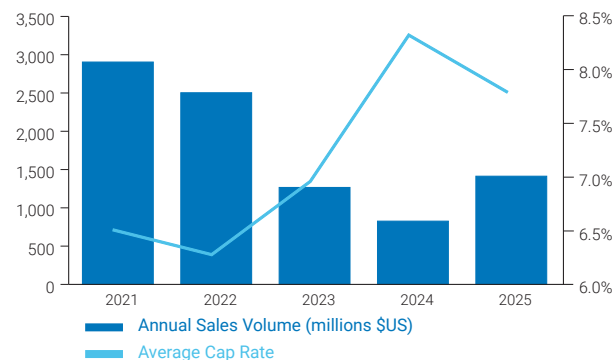
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Local Economy

Metro Denver's unemployment rate decreased by 80 bps YOY ending the fourth quarter of 2025 at 3.8%. Employment levels in Denver rose slightly to 1.7 million and are expected to show modest growth heading into the new year. Despite notable resilience within the local economy, concerns about the evolution of hiring practices and sector-specific challenges continued to weigh on the local labor market.

Office Market Trends

Metro Denver's overall vacancy rate increased 130 bps to 26.3% in 2025. Sublease availability in Metro Denver declined by 13.5% YOY.

The overall average asking rate for the Denver Metro recorded growth, ending fourth quarter 2025 at US\$33.52 psf on a full-service gross (FSG) basis, representing an increase of US\$0.66 psf YOY.

Office leasing activity declined to just over 1.2 msf in the fourth quarter 2025. Compared to the fourth quarter 2024, leasing volume across the Denver metro area decreased by 24.5%. Despite ongoing economic uncertainty and continued reassessment of hybrid work strategies influencing tenant decisions on larger footprints, leasing activity remained relatively stable among transactions under 10,000 sf. Flight to quality continued to shape leasing patterns, with Class A space accounting for approximately 530,100 sf, or 57.2% of total activity, while Class B contributed 448,800 sf, or 36.2%.

Metro Denver recorded 227,600 sf of positive net absorption in the fourth quarter of 2025, reflecting a 162.8% quarter-over-quarter (QOQ) improvement and marking the metro area's first quarter of positive absorption since Q1 2022.

Office investment sales increased 71.1% YOY to approximately US\$1.4 billion in 2025. This is the third highest level of sales volume for Denver in the past five years. Capitalization rates decreased from 2024, averaging 7.8%.

Outlook

Office leasing is likely to remain under pressure through 2026, as the CBD continues to work through elevated vacancy and constrained demand stemming from ongoing space right sizing and hybrid work adoption.

Sublease availability remains elevated compared to pre-pandemic levels, driven by ongoing tenant downsizing. As subleases expire, some of this space is expected to convert to direct vacancy, contributing to higher overall vacancy figures. This trend is already apparent, as direct vacancy has been seen to rise in tandem with sublease availability coming off the market.

The under-construction pipeline remains largely at a standstill due to economic headwinds and rising construction costs. Proposed projects remain on hold as developers and investors face challenges securing adequate funding.

The flight-to-quality trend persists, with tenants favoring newer, more modern, and better-amenitized buildings.

Austin, Texas

Economic Indicators

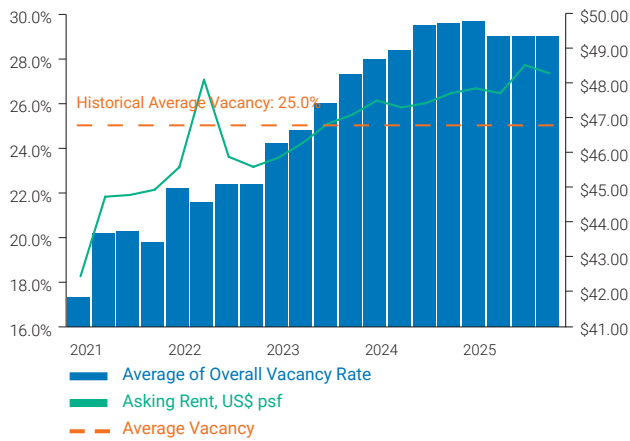
	Q4 24	Q4 25	12-Month Forecast
Austin MSA Employment	1,462k	1,478k	▲
Austin MSA Unemployment	3.5%	3.6%	▲
US Unemployment	4.2%	4.4%	▲

Office Market Indicators (Overall, All Classes)

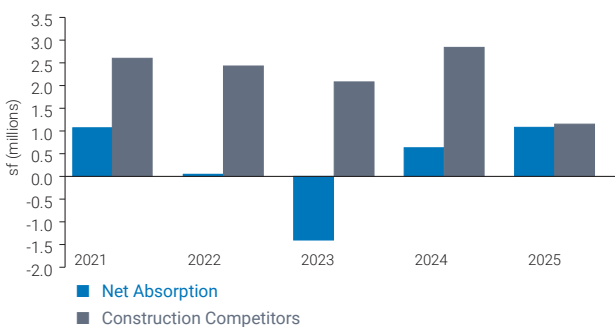
	Q4 24	Q4 25	12-Month Forecast
Vacancy	29.6%	29.0%	▲
YTD Net Absorption (sf)	631k	1,084k	▼
Under Construction (sf)	2,843k	1,154k	▲
Average Asking Rent*	US\$47.70	US\$48.27	▼

* Rental rates reflect gross asking US\$psf/year.

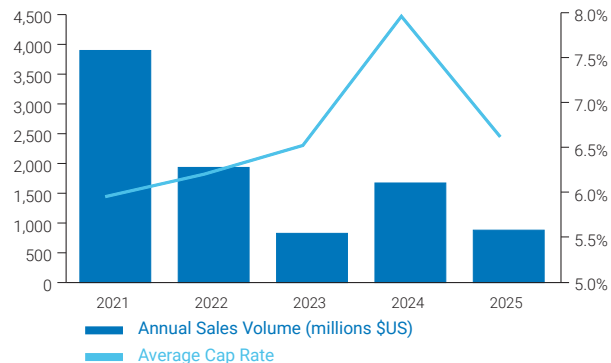
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Local Economy

Austin's economy remains strong despite broader national challenges. The October federal government shutdown disrupted unemployment data collection, resulting in delayed figures. Meanwhile, Austin added more than 16,000 jobs YOY through September 2025. According to the most recent Bureau of Labor Statistics data, the Austin metro unemployment rate held steady at a low 3.6%, below the national average of 4.4%.

Office Market Trends

Office demand remains below pre-COVID levels, but signs of recovery persist. Leasing activity continued its upward momentum in 2025, signaling growing confidence in the return-to-office trend. In 2025, net absorption was strong, with nearly 1.1 msf of office space absorbed market-wide.

The surge of recently delivered speculative office projects, with many still awaiting tenants, continues to keep Austin's office vacancy rates elevated. Since 2020, nearly 14.0 msf of new space has entered the market, pushing vacancies near record highs.

Much of the space listed early in the pandemic nearing lease expiration has been withdrawn as tenants reoccupy or has been successfully sublet to tenants seeking premium space at discounted rates.

The influx of new trophy office space delivered during 2025 pushed average asking rents higher, although concessions continue to keep effective rates lower. Austin's average asking rate stands at US\$48.27 psf, up 1.2 percent YOY.

After significant spikes and fluctuations since 2019, office investment sales have decreased in volatility with Real Capital Analytics reporting sales for the past 12 months of just over US\$880 million. This represented a 47.7% decrease from sales of US\$1.7 billion in 2024, which increased from the previous US\$826 million in 2023. Capitalization rates decreased, with a median rate of 6.62% for the past 12 months.

Outlook

Austin continues to benefit from a business-friendly climate, strong entrepreneurial spirit, and a highly skilled and educated workforce, factors that could drive demand higher over the long term.

Austin's office market is gradually stabilizing. Increasing vacancy remains a challenge due to the large wave of speculative construction delivered over the past several years, but the market is adjusting as many early pandemic subleases are reoccupied, withdrawn, or successfully sublet. New high-quality buildings are helping support rent growth, even as concessions remain common. Investor activity has become less volatile, reflecting a more measured and selective outlook for the market moving forward.

As a result, the market is positioned for a gradual recovery beginning in late 2026, particularly if speculative office development remains constrained.

Houston, Texas

Economic Indicators

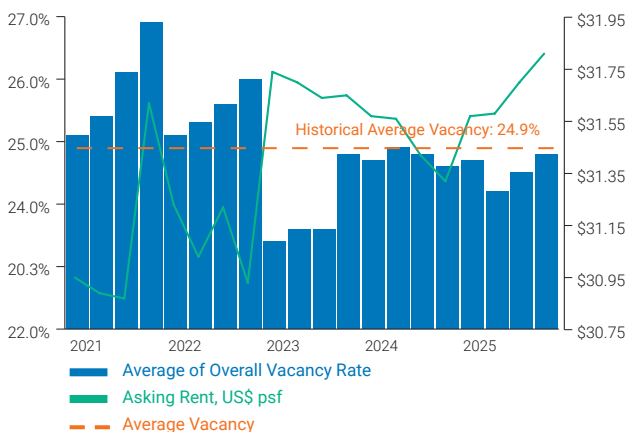
	Q4 24	Q4 25	12-Month Forecast
Houston MSA Employment	3,692k	3,737k	▲
Houston MSA Unemployment	4.4%	4.5%	▲
US Unemployment	4.2%	4.4%	▲

Office Market Indicators (Overall, All Classes)

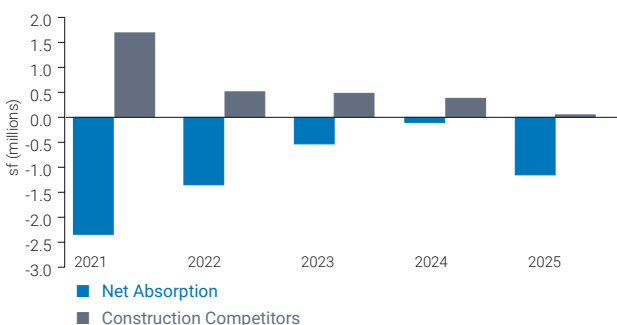
	Q4 24	Q4 25	12-Month Forecast
Vacancy	24.6%	24.8%	▼
YTD Net Absorption (sf)	-103k	-1,160k	▲
Under Construction (sf)	386k	50,000k	▲
Average Asking Rent*	US\$31.32	US\$31.81	■

* Rental rates reflect gross asking US\$psf/year.

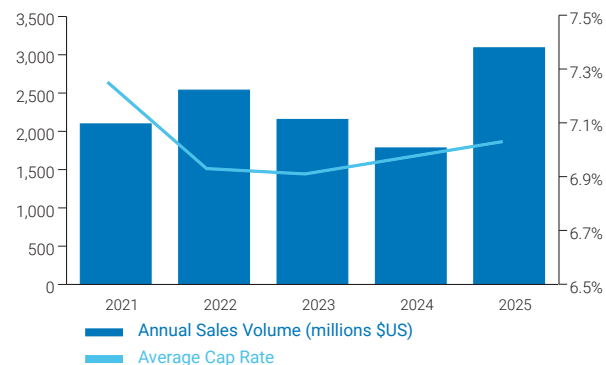
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Local Economy

Houston's YOY job growth was markedly higher than the 0.6% YOY rise experienced nationwide and is among the 10 U.S. markets with the largest labor forces. Houston's annual growth ranked third, behind Manhattan (1.6%) and Phoenix (1.3%). Houston's unemployment rate stood at 4.5% in Q4 2025, 10 bps higher than Q4 2024 and the national rate of 4.4%.

Office Market Trends

Construction activity was low with Bridgeland Green, a 50,000 sf building in the Far Northwest submarket, being the only delivery in 2025. Houston's office pipeline remains constrained with just three projects currently under way: CityCentre Six (300,000 sf), The RO (143,000 sf), and Autry Park (110,000 sf), all scheduled for completion in 2026.

At the close of Q4 2025, the vacancy rate reached 24.8%, up 20 bps from the previous year, highlighting ongoing market softness. Vacancy has remained elevated over the past two years, consistently hovering near 25% during this period.

Net absorption totaled -1.2 msf for the quarter. The decline was primarily driven by space previously listed as available in the future now becoming available.

Overall leasing volume in 2025 totaled 8.0 msf, a 19.6% YOY decline and the lowest annual level in five years. In 2025, large leases were notably lower, falling well below historic averages. Class A buildings accounted for 62.2% (1.0 msf) of the total new leasing activity during the quarter, Class B buildings accounted for 28.3% (469,000 sf), and Class C buildings accounted for 9.4% (156,000 sf).

Houston's annual rent growth is 0.8%, roughly in line with national norms but far below the early 2010s, when rents rose about 6% per year. Limited availability in premium buildings is expected to offset older inventory, keeping growth marginally positive. New or recently renovated trophy towers in high-demand mixed-use areas like CityCentre and Memorial City have posted rental increases of 10%–20% over the past 18–20 months. The overall average gross asking rent rose to US\$31.81 psf at the end of Q4 2025, reflecting a 1.6% YOY increase.

After subtly declining since 2022, investment sales volume increased 73.3%, equating to about US\$3.1 billion for 2025. Average capitalization rates increased slightly in 2025, averaging 7.03%, though this is generally consistent with the range over the past five years.

Outlook

Vacancy is anticipated to stabilize as the market absorbs excess space, with gradual improvement expected as demand strengthens. Overall rental rates are expected to remain flat as steady demand offsets elevated availability, limiting rent growth in the near term. With fewer trophy options available and limited new space coming to market, tenants seeking modern, amenitized offices will have limited options. This limited supply is likely to shift more demand into well-located Class A buildings, widening the performance gap between top-performing assets and legacy assets.

Dallas, Texas

Economic Indicators

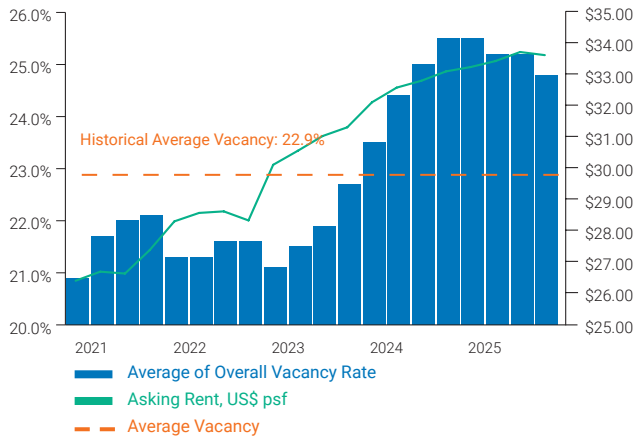
	Q4 24	Q4 25	12-Month Forecast
Dallas-Fort Worth MSA Employment	4,334k	4,383k	▲
Dallas-Fort Worth MSA Unemployment	3.9%	4.0%	▲
US Unemployment	4.2%	4.4%	▲

Office Market Indicators (Overall, All Classes)

	Q4 24	Q4 25	12-Month Forecast
Vacancy	25.5%	24.8%	▼
YTD Net Absorption (sf)	-4,704k	2,399k	▲
Under Construction (sf)	2,515k	626k	▲
Average Asking Rent*	US\$33.08	US\$33.60	▲

* Rental rates reflect gross asking US\$psf/year.

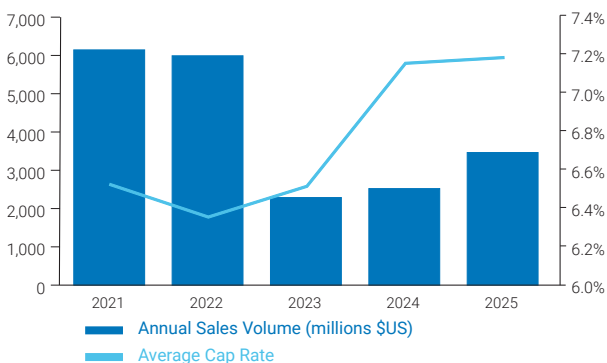
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Local Economy

As of Q4 2025, employment continued growing in Dallas/Fort Worth (DFW) at a modest pace of 0.8% YOY to reach 4.38 million. Population growth continued at 150,840 new residents over the last 12 months, increasing 1.8% YOY.

According to Moody's Analytics estimates in Q3 2025, DFW office-using employment growth was flat YOY. The information and professional and business services sectors were stable, while financial activities grew at a rate of 1.4% YOY. DFW office-using employment has grown 16.9% above pre-pandemic levels and is forecasted to grow another 4.0% over the next two years.

Office Market Trends

Year-to-date (YTD) net absorption totaled 2.4 msf, the strongest performance since 2019 and a dramatic improvement from the -4.7 msf recorded in 2024.

Vacancy decreased 70 bps to 24.8%. Class A vacancy remained above the overall market at 26.8% due to its higher share of large block vacancies.

Construction deliveries totaled 626,215 sf, the lowest level since 2013. User sale activity, demolitions, and conversions totaled 2.0 msf, reducing competitive office inventory by 1.4 msf to its lowest level since Q3 2020. Capital market conditions continued to discourage new development without strong pre-leasing.

Overall asking rents remained stable at US\$33.60 psf. Annual rent growth moderated to 1.6% YOY as quality space which typically drives average rent growth began to dwindle. Nevertheless, asking rents remained flat or grew in most buildings across the market. Class A rents held firm at US\$39.29 psf, increasing 2.4% YOY. Class B rent growth was more modest at 0.6% YOY to reaching US\$22.78 psf.

With elevated vacancy, landlords continued to offer concessions favorable to tenants to maintain occupancy and net operating income. However, the tightening vacancy in amenitized top-tier buildings continued to press rents upward. Tenants seeking space in these segments should not delay decisions, especially in high-cost submarkets such as Uptown/Turtle Creek, Preston Center, and Legacy/Frisco.

DFW investment sales have been steadily increasing after a 61.8% decrease in 2023, increasing 37.4% YOY in 2025 equating to US\$3.5 billion. Average capitalization rates remained relatively stable from 2024, concluding 2025 at 7.2%, a marked increase from the mid-6's between 2021 and 2023.

Outlook

DFW office market fundamentals are on track to continue improving, although slower job growth and consolidations may lead to short-term fluctuations in vacancy over the near-term. Tenant preferences will continue steering demand to amenitized buildings, allowing top-tier properties to outperform the market. New construction will likely remain limited to projects in established submarkets and only offer space at rents well above market. As vacancy tightens in top-tier buildings, tenants will move down the quality spectrum to occupy the next best choices. Disposition of excess office inventory through conversion, user purchase, or redevelopment will continue to improve market fundamentals.

Orlando, Florida

Economic Indicators

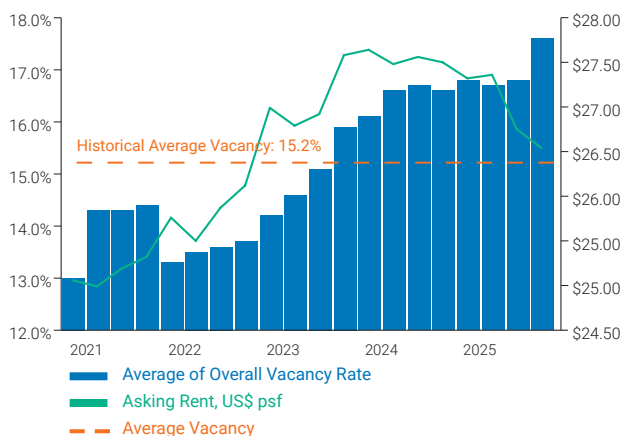
	Q4 24	Q4 25	12-Month Forecast
Orlando MSA Employment	1,486k	1,478k	▼
Orlando MSA Unemployment	3.4%	4.3%	▲
US Unemployment	4.2%	4.4%	▲

Office Market Indicators (Overall, All Classes)

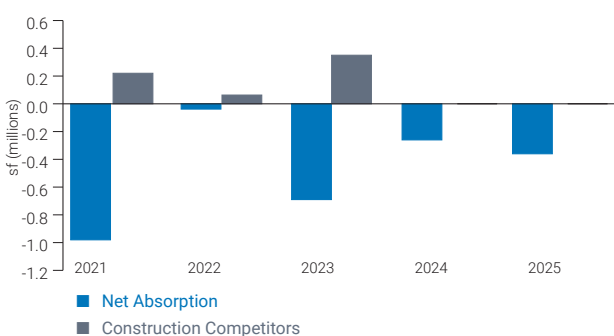
	Q4 24	Q4 25	12-Month Forecast
Vacancy	16.8%	17.6%	▼
YTD Net Absorption (sf)	-267k	-362k	▲
Under Construction (sf)	0k	0k	■
Average Asking Rent*	US\$27.50	US\$26.54	▲

* Rental rates reflect gross asking US\$psf/year.

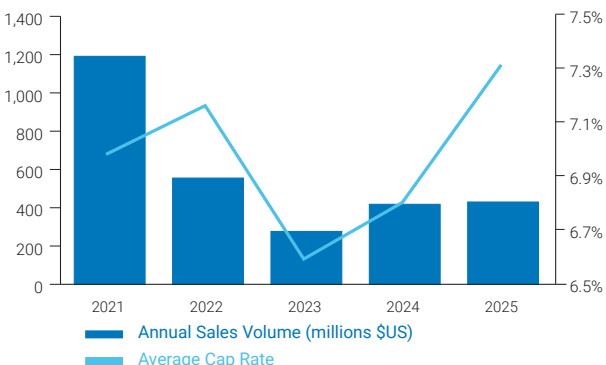
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Local Economy

Orlando had an unemployment rate of 4.3% in Q4 2025, 90 bps higher than Q4 2024, 10 bps lower than the national average. Employment rates for the area remained consistent, with a decrease of roughly 8,000 jobs, equivalent to roughly 0.5% from 2024.

Office Market Trends

Orlando's office market, long considered resilient, is now contending with its most challenging demand environment in decades. While activity softened late in the year, overall demand in 2025 outperformed 2024, closing with nearly 2.4 msf of leasing. This marked the strongest annual total demand recorded in the past five years. Leasing patterns in 2025 continued to favor higher-quality assets, with Class A space posting a 4.6% increase in activity compared to 2024. In contrast, Class B leasing fell 7.0% YOY, aligning with the broader national shift toward premium space. Healthcare, energy, pharmaceutical, and computer manufacturing tenants drove 2025's largest transactions, anchoring the year's most significant expansions and shaping the metro's biggest deal activity.

Orlando's overall vacancy rate grew by 80 bps from 2024 to reach 17.6% in Q4. This increase was driven by four consecutive quarters of negative net absorption, as tenant contractions and delayed occupancy weighed on market fundamentals. In 2025, the market recorded nearly 362,000 sf of net occupancy losses, driven in large part by Travel + Leisure reducing its footprint by approximately 110,000 sf, downsizing from the Tourist Corridor/Celebration submarket to a smaller space in the CBD.

Orlando's office market continues to face headwinds as soft absorption and rising vacancy weigh on rent performance. Average asking rents across Orlando declined to US\$26.54 psf in Q4, representing a 3.5% decrease YOY. Class A assets experienced the greatest pricing pressure, with average rents falling 5.6% YOY to US\$28.31 psf, while rents for Class B properties remained relatively stable, recording a slight 0.2% YOY increase to US\$23.78 psf. This dynamic narrowed the pricing gap between Class A and Class B space to 19.0%, down from 26.4% a year ago. Concessions now play a far more prominent role in negotiations than in earlier years. Landlords often require lease terms of three to five years before discussing meaningful incentives, and tenant improvements (TI) packages for second- and third-generation space typically range from US\$4.00 to US\$6.00/sf per year of term. Some owners are also reducing annual rent escalations from 3% to 2.5% to secure longer deals.

Real Capital Analytics estimated investment sales volume at approximately US\$430 million for the past 12 months, the third lowest level in the last 5 years and up 2.9% from 2024. Capitalization rates increased from 6.6% in 2023 to 7.3% in 2025.

Outlook

Orlando's office market is expected to remain on a steady path as leasing activity strengthens and tenant demand becomes more balanced across the metro. Elevated vacancy will continue to weigh on fundamentals, but improving deal flow, reduced sublease pressures, and consistent interest in higher quality assets point to ongoing stabilization.

Sacramento, California

Economic Indicators

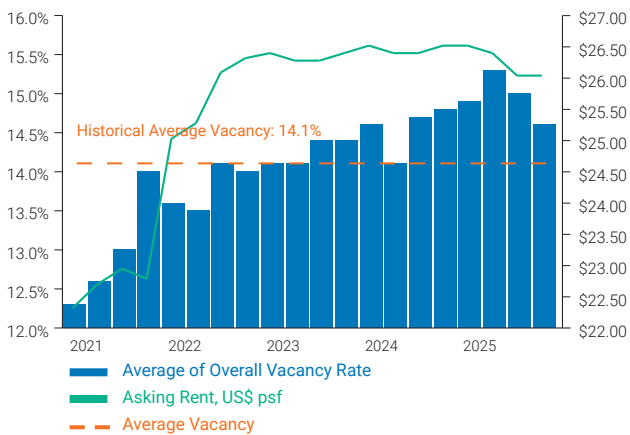
	Q4 24	Q4 25	12-Month Forecast
Sacramento MSA Employment	1,083k	1,141k	▲
Sacramento MSA Unemployment	4.8%	5.2%	▲
US Unemployment	4.2%	4.4%	▲

Office Market Indicators (Overall, All Classes)

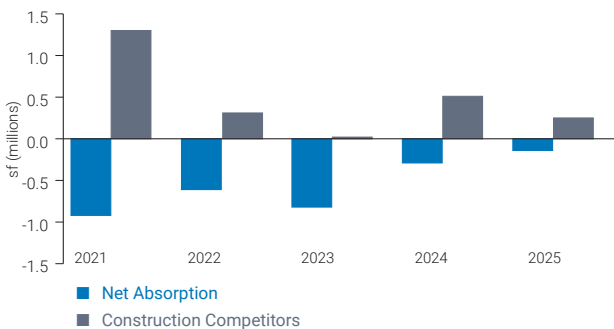
	Q4 24	Q4 25	12-Month Forecast
Vacancy	14.8%	14.6%	■
YTD Net Absorption (sf)	-295k	-43k	▼
Under Construction (sf)	512k	254k	▲
Average Asking Rent*	US\$26.52	US\$26.04	■

* Rental rates reflect gross asking US\$psf/year.

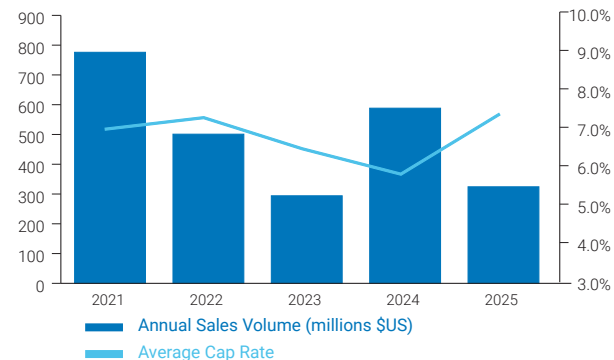
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Local Economy

Sacramento's unemployment rate remained elevated at 5.2% in 2025, up from 4.8% a year earlier. Job growth has moderated and the labor market remains relatively stable with unemployment still near historic lows. Sacramento's office market remains one of Northern California's most resilient, supported by its strong public-sector presence and diversified tenant base.

Office Market Trends

The Sacramento office market closed 2025 with 43,000 sf of negative net absorption. The Q1 2025 delivery of Aggie Square and subsequent 388,000 sf occupancy by UC Davis in Q1 provided a significant boost to occupancy early in the year but was not enough to offset weaker performance in subsequent quarters. Leasing activity totaled 1.7 msf in 2025.

Vacancy across the Sacramento office market declined slightly to 14.6%, down 20 bps from 14.8% a year ago. Sacramento continues to outperform other Northern California markets such as San Francisco and Oakland, where vacancy rates have surged above 30.0%. As the state capital, Sacramento benefits from a stable government tenant base and a diverse mix of private-sector users, both of which have demonstrated greater durability than in peer markets. As part of its 2019 specific plan, the state government has been moving agencies from leased office space into state-owned buildings. The net effect of this initiative will ultimately lead to a decline in leasing activity throughout the region as departments relocate into less space in the newly completed and owned buildings, leaving their former buildings with elevated vacancy. The occupancy will not roll up into leasing volume as a result.

The average asking rental rate for 2025 was US\$26.04 psf, slightly below the trailing 24-month average of US\$26.40 psf, and its lowest level since early 2022, when rates hit US\$25.32 psf.

The market-wide Class A asking rate for Q4 was US\$29.04 psf, down from US\$29.88 psf from a year ago.

Premium space on Capitol Mall remains highly competitive, particularly 400 Capitol Mall, 500 Capitol Mall, 555 Capitol Mall and 621 Capitol Mall. These Core Four trophy buildings reported a combined vacancy of 11.2%, with average asking rents at US\$43.92 psf, creating strong competition among occupiers seeking prime locations.

According to Real Capital Analytics, sale activity declined to US\$324 million. This is down 44.9% from 2024 and is the second lowest year in the last 5 years. Average cap rates increased to approximately 7.3% for the year, up 27% from 2024.

Outlook

While many occupiers are choosing to renew their leases, there is a noticeable trend of others upgrading to high-quality, amenity-rich spaces designed to deliver a modern, next-generation work experience.

Beyond traditional office tenants, the life sciences, healthcare and tech sectors are poised for organic growth in the Sacramento metro area. These industries are likely to attract tenants from other markets, drawn by the region's talented workforce.

Nashville, Tennessee

Economic Indicators

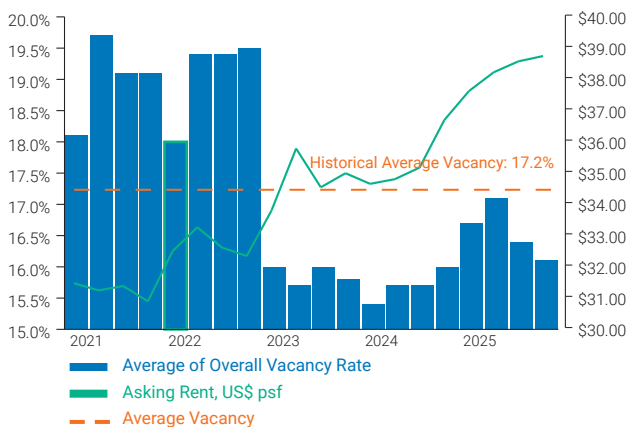
	Q4 24	Q4 25	12-Month Forecast
Nashville MSA Employment	1,129k	1,162k	▲
Nashville MSA Unemployment	3.1%	3.1%	▬
US Unemployment	4.2%	4.4%	▲

Office Market Indicators (Overall, All Classes)

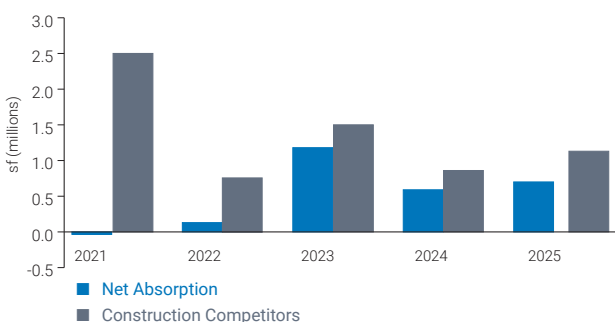
	Q4 24	Q4 25	12-Month Forecast
Vacancy	16.0%	16.1%	▼
YTD Net Absorption (sf)	596k	706k	▼
Under Construction (sf)	868k	1,133k	▲
Average Asking Rent*	US\$36.64	US\$38.69	▬

* Rental rates reflect gross asking US\$psf/year.

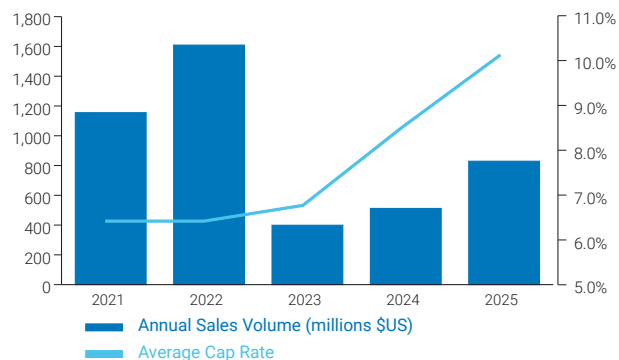
Overall Vacancy and Asking Rents



Office Space Demand and Deliveries



Investment Sales



Source: Real Capital Analytics

Local Economy

Nashville's economy remained strong in Q4 with an unemployment rate of 3.1%, 130 bps below the national average of 4.4% and tied for the fourth lowest unemployment rate among the 102 markets tracked by Cushman & Wakefield. Hiring has remained stable on an annual basis, as jobs increased 1.6% during the period. Anchored by its resilient local economy and ongoing appeal to both employers and talent alike, Nashville's office market is increasingly well positioned for continued stabilization going into 2026.

Office Market Trends

After several years of inconsistent demand in Nashville's office market, 2025 saw significant gains with about 700 ksf of net absorption for the past year. This is well above the market's annual historical average, as the office market saw a significant jump in demand. However, annual construction completions totaled over 1.1 msf for 2025. This dynamic resulted in increasing overall vacancy by 10 bps YOY. As the newer product continues to absorb, and potential conversions of older product take place, vacancy will likely decrease going forward.

Due to the lack of new supply and the ongoing tightening of Class A vacancies, overall asking rents remained largely stable in Q4, increasing a mere 0.5% to US\$38.69 psf gross. Albeit a small uptick, it pushed the metro's rents to an all-time high.

Following 2024, which marked the most annual renewals in the previous five years (1.1 msf), renewal transactions also subsided annually as tenants recommitted to 837,940 sf of space in 2025.

Nashville closed the year with 706 ksf of total occupancy gains—surpassing the prior year's performance. Although it ranks only 36th in total office inventory among the 92 markets tracked by Cushman & Wakefield, Nashville secured 12th place nationally for overall net absorption due to its outsized occupancy gains in 2025.

Office investment sales for 2025 in Nashville were US\$830 million, a 61.9% YOY increase from US\$512 million in 2024. These numbers are below the trend since 2018, but up from the sharp decline in 2023 of US\$400 million. Capitalization rates have been steadily increasing since 2023, peaking at 10.12% in 2025.

Outlook

Nashville's office pipeline is set to taper further, as 1.1 msf of space was delivered and only three projects (231 ksf) are projected to complete through 2026—53.2% of which are already preleased.

As a result of the thinning pipeline, office vacancy is poised to decrease as the remaining 2.1 msf of vacant space delivered since 2020 gets absorbed.

Continued tenant migration from the CBD to renovated and newly delivered urban assets may further accelerate the conversion of aging downtown buildings to alternative uses, effectively reducing office inventory and placing additional downward pressure on vacancies. The known conversions (partial and full) on the horizon as of Q4 2025 included Fifth Third Center, Parkway Towers, and Philips Plaza.

Nashville's office market remains well positioned as supply constraints, tenant flight-to-quality, and adaptive reuse efforts collectively support ongoing stabilization.

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Methodology

Cushman & Wakefield's quarterly estimates are derived from a variety of data sources, including its own proprietary database and historical data from third party data sources. The market statistics are calculated from a base building inventory made up of office properties deemed to be competitive in the local office markets. Generally, owner-occupied and federally owned buildings are not included. Single tenant buildings and privately-owned buildings in which the federal government leases space are included. Older buildings unfit for occupancy or ones that require substantial renovation before tenancy are generally not included in the competitive inventory. The inventory is subject to revisions due to resampling. Vacant space is defined as space that is available immediately or imminently after the end of the quarter. Sublet space still occupied by the tenant is not counted as available space. The figures provided for the current quarter are preliminary, and all information contained in the report is subject to correction of errors and revisions based on additional data received.

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