REAL ESTATE

Future Offices: Why Quality Matters Most

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This month, JPMorganChase has opened its new headquarters in New York City: a $3 billion 60-story tower on Park Avenue that can accommodate 10,000 employees.

It exemplifies the growing demand for premium office space in the US. However, there is a widening gap between prime and non-prime office buildings, with the latter continuing to struggle.

The So What

“There is a clear and ongoing trend of a flight to quality offices. This highlights the importance of careful planning around office leasing and redevelopment in the years ahead,” explains Santiago Ferrer, BCG’s North America lead for commercial real estate.

Demand for prime offices is proving resilient despite macroeconomic headwinds, with leasing growth strongest in gateway metros. This has meaningfully stabilized a portion of the market.

However, the sector as a whole is weighed down by non-prime offices. These are often in less popular locations which are not well connected to transport links. They are also less likely to have the amenities that occupiers want to ensure that office work has purpose rather than being a collection of individuals working in cubicles.

BCG’s analysis of the latest data from Q2 2025 shows that office vacancy rates in the US remain at a 30 year high. Within that:

- **Prime office vacancy declined by 30 basis points to 14.5%**
- **Non-prime office vacancy rose by 10 basis points to 19.4%**

The combination of low vacancy rates and declining property valuations means that a growing number of office buildings are being handed back to creditors. This can lead to redevelopment and re-positioning of certain assets as low-performing offices are traded to new owners.

What workers want from a premium office:

- **Vibrant Surroundings.** Location is as important as ever, with convenient transport links and access to a range of other leisure and lifestyle amenities.
- **A Sense of Community**. Workers value seeing and feeling part of a broader network within the wider office building or complex.
- **A Well-Designed Office Space.** Future offices will be designed so that teams can collaborate, while also allowing sufficient space for people to take private calls and focus.

“While many organizations continue to figure out the appropriate amount and type of office space for future needs, the advance of AI and automation is creating new uncertainties,” Ferrer adds.

“AI is changing the tasks workers undertake, the talent companies need, and the ways teams interact. And as business leaders plan new workforce strategies, office strategies will need to follow suit.”

Now What

These are some of the things companies need to prioritize in the next three-to-five-year horizon:

Consider real estate as an important lever to create value. Real estate is the second largest expense item for most corporations and, as such, it should be managed tightly. For some companies, the first step may be to develop a thorough understanding of the real estate in their portfolio and how it can best deliver value, as well as conducting a careful analysis of total cost of occupancy. If capital needs to be freed up for other investments, such as increasing technology costs, then real estate assets may be the means of releasing that capital. At the same time, shifts in interest rates may change the role of property in investment portfolios vis a vis bonds or stocks.

Develop a forward-looking real estate strategy. The nature of the office real estate market is cyclical with high susceptibility to changes in interest rates. Other socioeconomic trends such as urbanization or migratory patterns can also drive fundamental shifts in utilization rates and performance. As such, companies need to think strategically about these trends and plan their response for a number of different scenarios. This should include assessing future office needs in the age of AI, and the ability of technology to help with the efficient operations of existing office spaces.

Align real estate ambitions with the vision of other teams. Offices that employees are reluctant to visit are a drain on both financial resources and employee engagement. At the same time, employees who are working at home without the right technology to perform and collaborate effectively are a drain on productivity. That means financial planning around real estate needs to move in tandem with people strategies and the IT teams who ensure people have access to the right software as part of secure networks—both at home and in the office.

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