

1Q25

Suburban Maryland Office Market Overview



NEWMARK

Market Observations

Economy

- The region’s labor market remains strong amid shifting macroeconomic conditions. February’s 3.1% unemployment rate remains lower than the region’s ten-year historical average of 3.8%, remaining flat quarter-over-quarter and expanding 20 bps year-over-year. Furthermore, the Washington DC metro’s unemployment rate is 100 bps lower than the national rate.
- Year-over-year, office-related job gains were most pronounced in Education & Health, posting a gain of 3.7%. Furthermore, the Government and Financial Activities sectors also experienced notable job gains, increasing 1.6% and 0.9% year-over-year, respectively. The Information and Business & Professional sectors experienced job losses over the past year, however, helping to account for continued limited demand for office space.
- While some office-using sectors experienced a decline in employment over the past year, jobs in the office-using sectors remain at a level that is 2.0% higher than five years ago—just prior to the pandemic—and 7.4% higher than the pandemic-induced employment trough in June of 2020.

Major Transactions

- Office investment sales continue to lag in pricing per square foot as well as total transaction volume. However, owner-user sales and conversion opportunities are propping up demand in the region’s capital markets.
- The largest sale during the quarter was 10000 Falls Road located in the Bethesda/Potomac submarket. The property was sold by Snider Realty Inc to an undisclosed buyer for \$17.38 M, or \$633.94 PSF. The 4-story, 27,408-square-foot building, located on 0.87 acres of land, was 100% leased at the time of sale.

Leasing Market Fundamentals

- Suburban Maryland saw positive activity during Q1 2025, with 217,000 SF of positive net absorption. This positive net absorption puts the market on a trajectory to have its most positive year since 2019. Overall vacancy ended the quarter at 19.8%, tightening 30 bps quarter-over-quarter, however expanding 30 bps year-over-year.
- After a building boom over the past five years, the pace of new construction deliveries has begun to slow. There were only two office deliveries in Suburban Maryland in 2023 and no deliveries in 2024. Furthermore, 1600 Rockville Pike is the only property that remains under construction in the market, totaling 237,000 SF.
- Asking rents continued to rise through 2024, however at a decelerating pace relative to recent years. To begin 2025, however, asking rents have seen a decline, ending Q1 2025 at \$31.62 PSF across all asset types, a decrease of 0.4% year-over-year.

Outlook

- Spec suite demand continues to be a major driver in leasing activity for smaller spaces in the region, while lease renewals dominate the leasing activity for larger spaces over 50,000 SF. In addition, a restrained office pipeline should help limit rising vacancies.
- A slowdown in office deliveries and the lack of new speculative office construction will be advantageous in helping to balance supply with waning demand.
- Fewer landlords have capital for concessions, which have been a major driver in attracting tenants over the past several years. The pool of landlords that can pay for tenant improvements is shrinking. There are fewer owners offering trophy office supply, fostering an unusual landlord-favorable environment for the most quality space.

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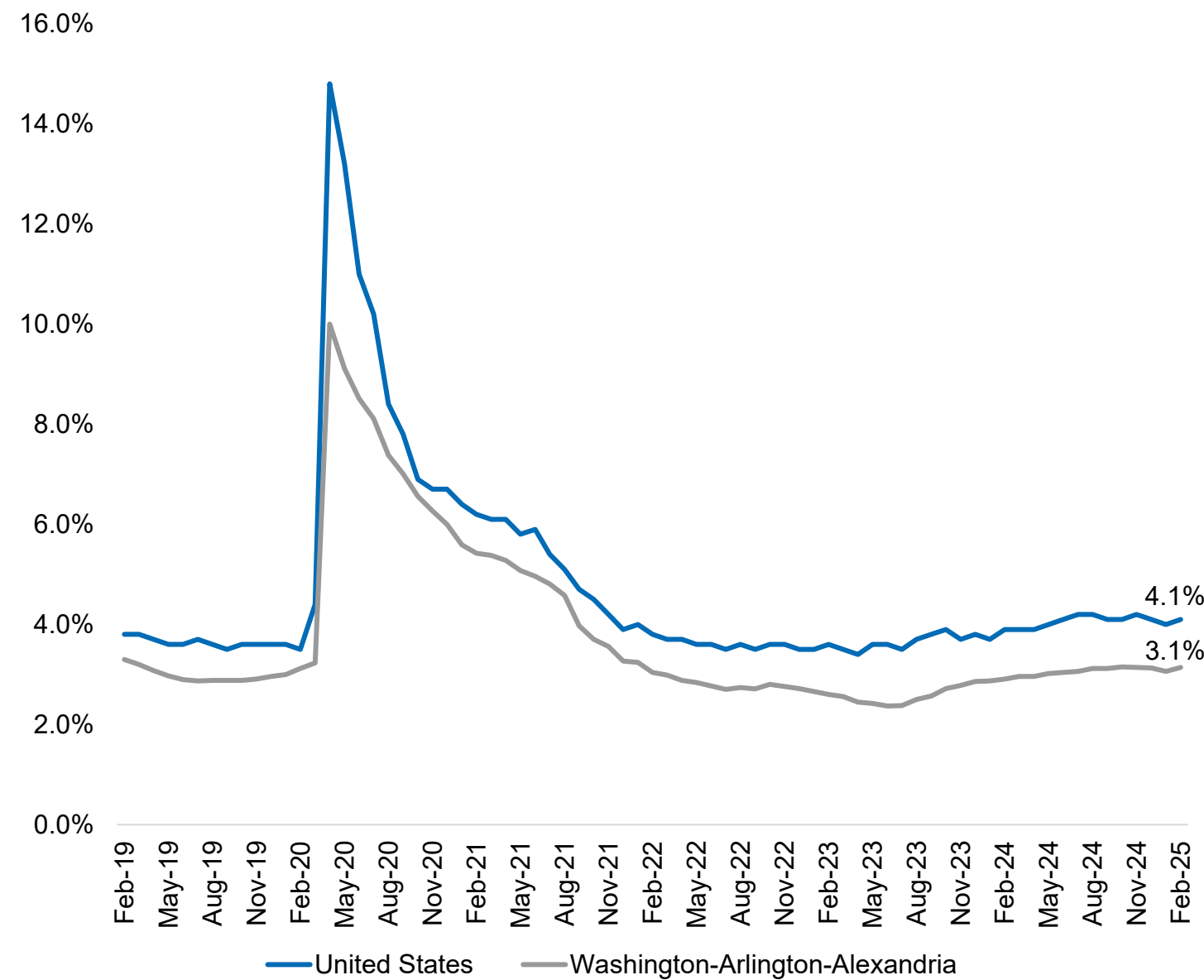
Economy



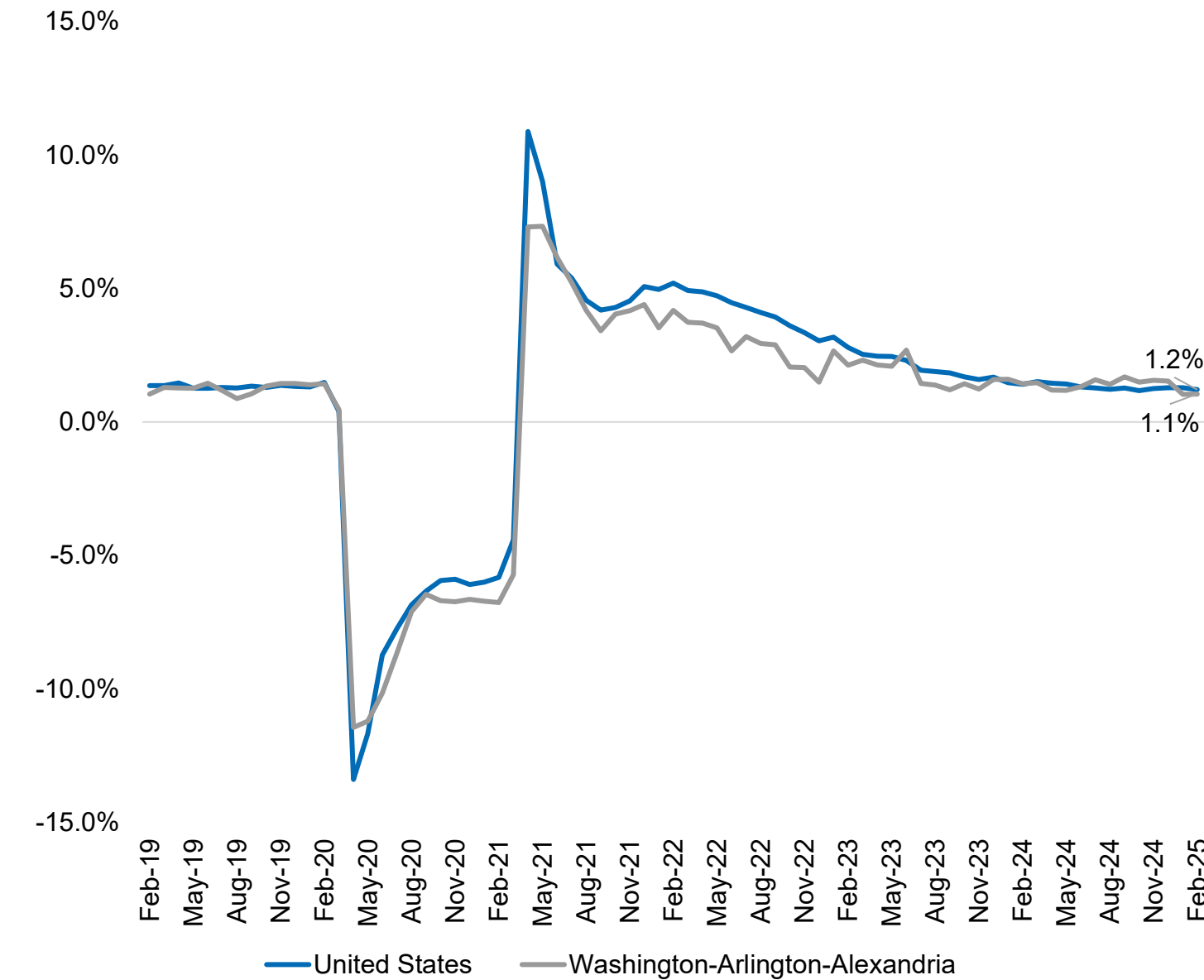
Metro Unemployment Rate Remains Tighter Than National Average

Although the metro’s unemployment rate remained flat quarter-over-quarter, the region’s labor market remains tight, with unemployment 100 basis points below the national average. Regional nonfarm job growth remains positive, with a 1.1% 12-month increase as of February.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Seasonally Adjusted, 12-Month % Change

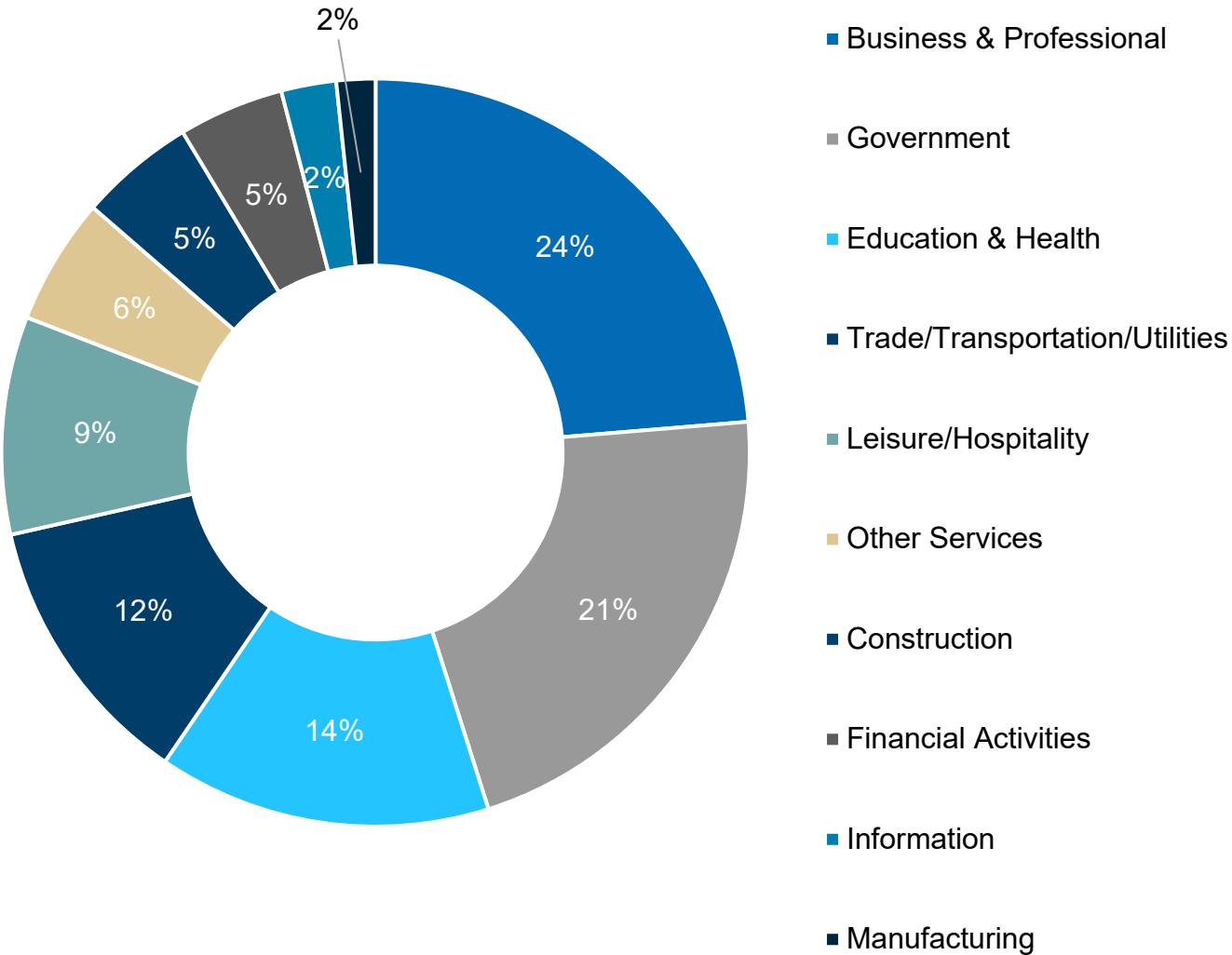


Source: U.S. Bureau of Labor Statistics, Washington-Arlington-Alexandria

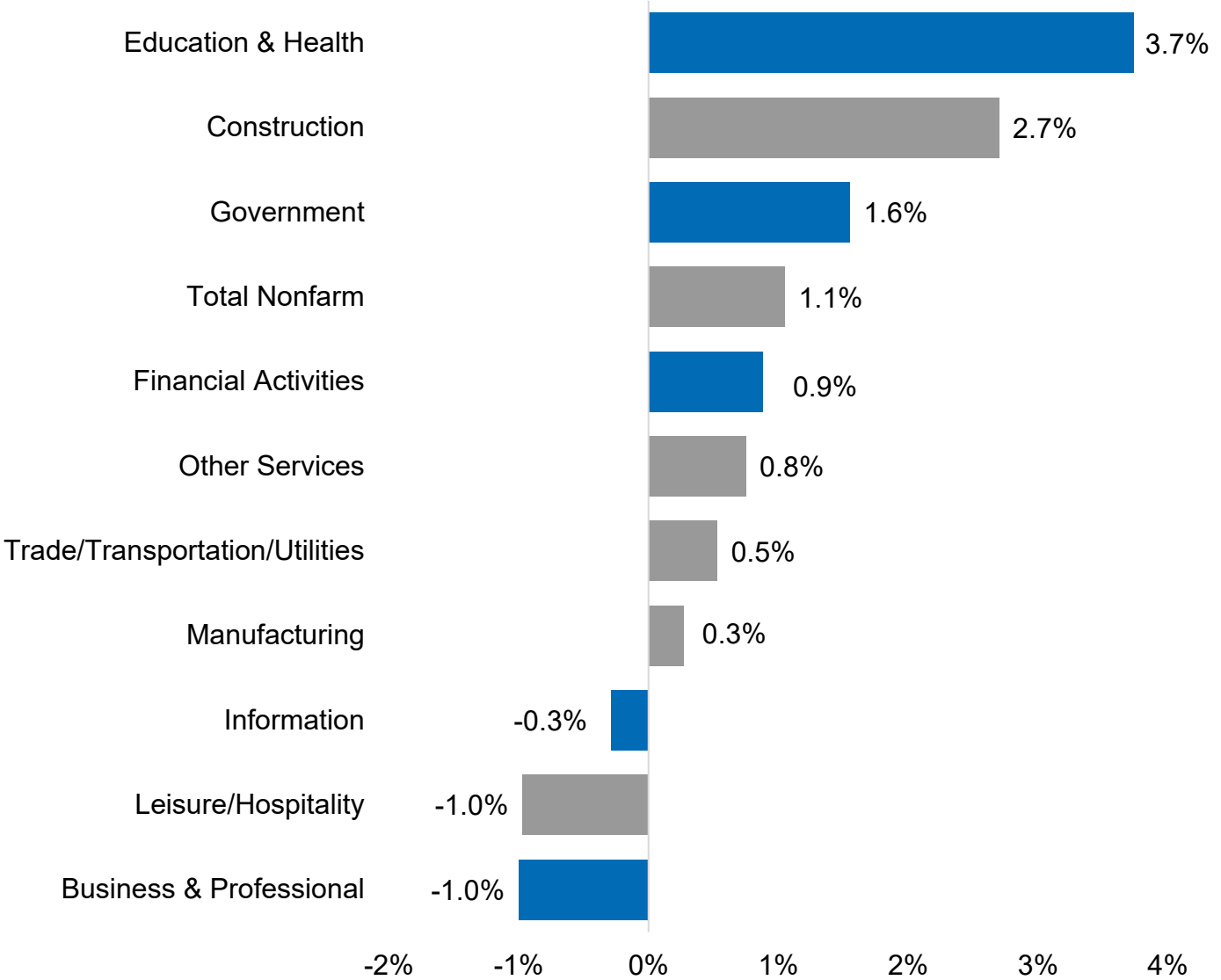
Job Growth Driven by Education & Health

Education & Health propped up job growth in the region with a 3.7% 12-month increase, leading to total nonfarm employment growth of 1.1%. The Government and Financial Activities sectors also experienced 12-month growth of 1.6% and 0.9%, respectively, while the Information and Business & Professional sectors saw 12-month declines of 0.3% and 1.0%, respectively.

Employment by Industry, February 2025



Employment Growth by Industry, 12-Month % Change, February 2025

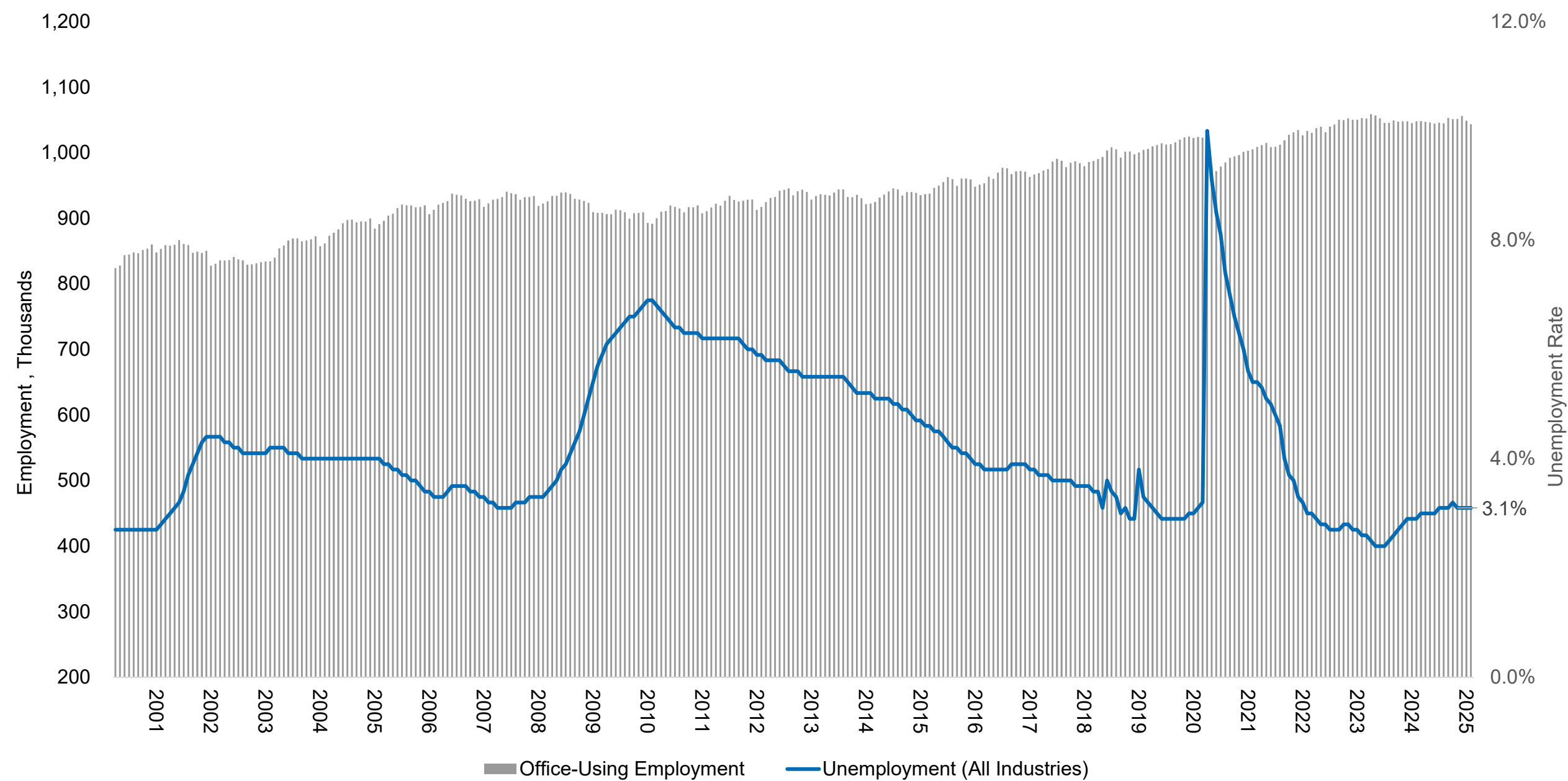


Source: U.S. Bureau of Labor Statistics, Washington-Arlington-Alexandria
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

Overall Office-Using Employment Has Rebounded

The number of office jobs has rebounded and now exceeds pre-pandemic levels. Office-using jobs in the region are currently 2.0% higher than five years ago—just before the pandemic—and 7.4% higher than the pandemic-induced employment trough in June of 2020.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Baltimore-Columbia-Towson
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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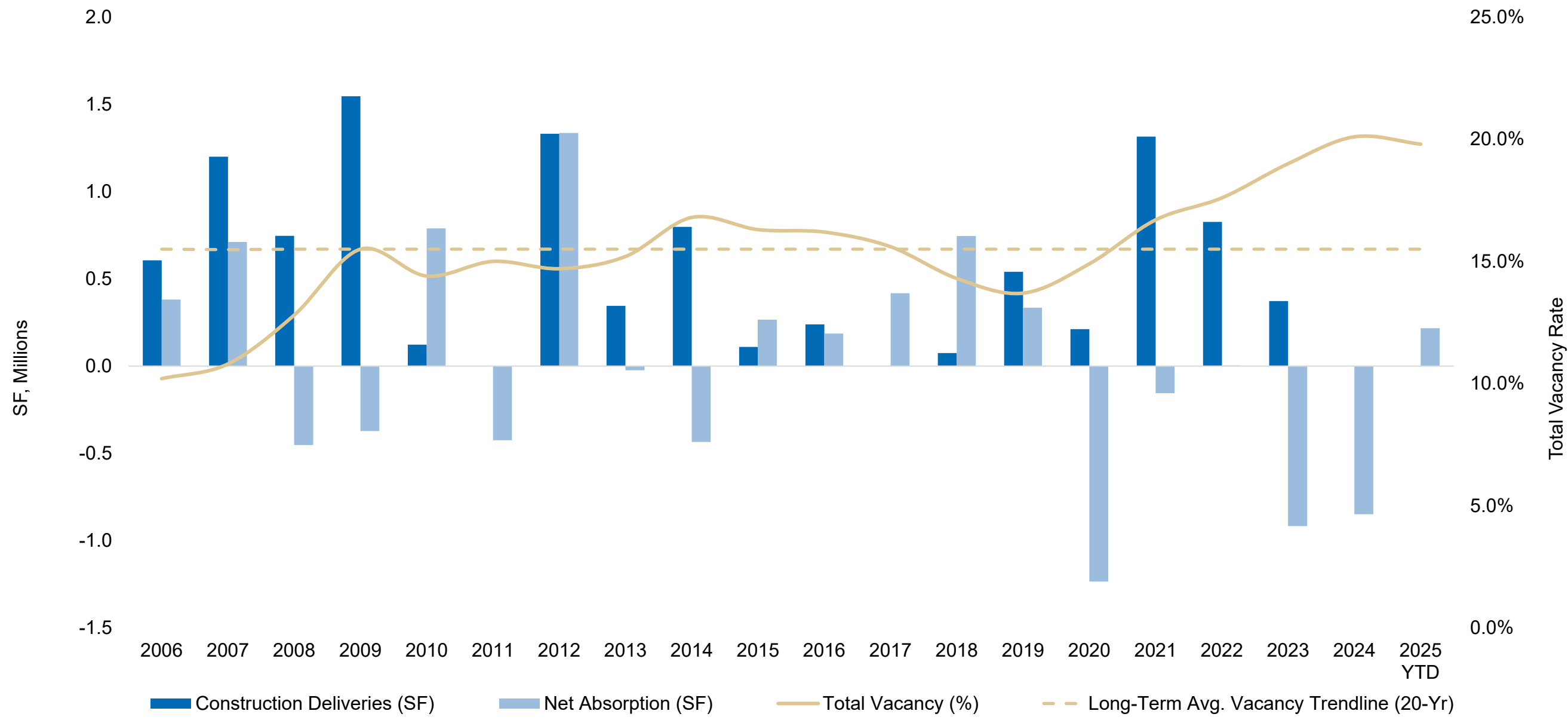
Leasing Market Fundamentals



Vacancy Tightens as Market Begins 2025 Strong

Suburban Maryland’s vacancy rate tightened quarter-over-quarter, ending Q1 2025 at 19.8%, a tightening of 30 bps. This tightening in vacancy, in tandem with a historically low construction pipeline, shows positive signs for Suburban Maryland and may indicate the market has reached its cyclical low.

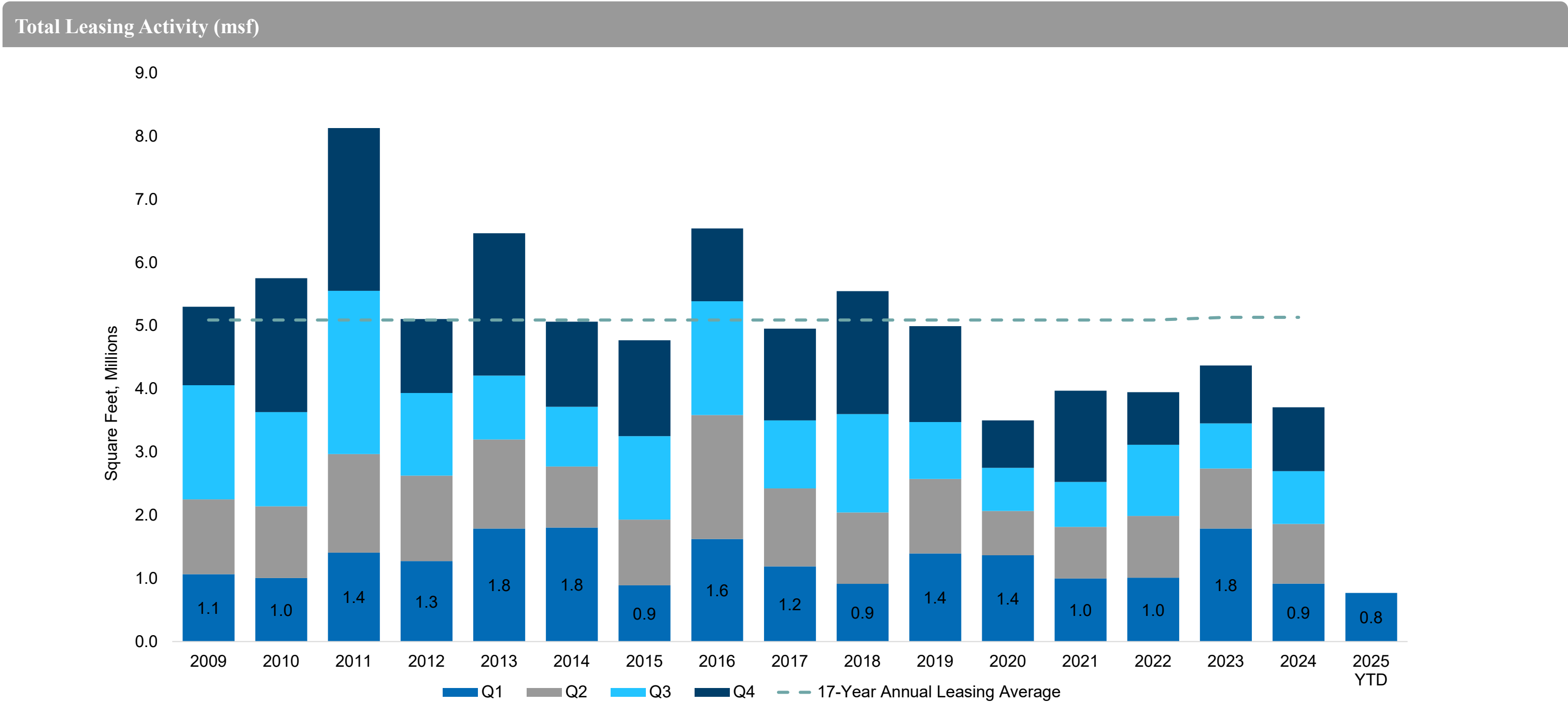
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Leasing Activity Slow to Begin 2025

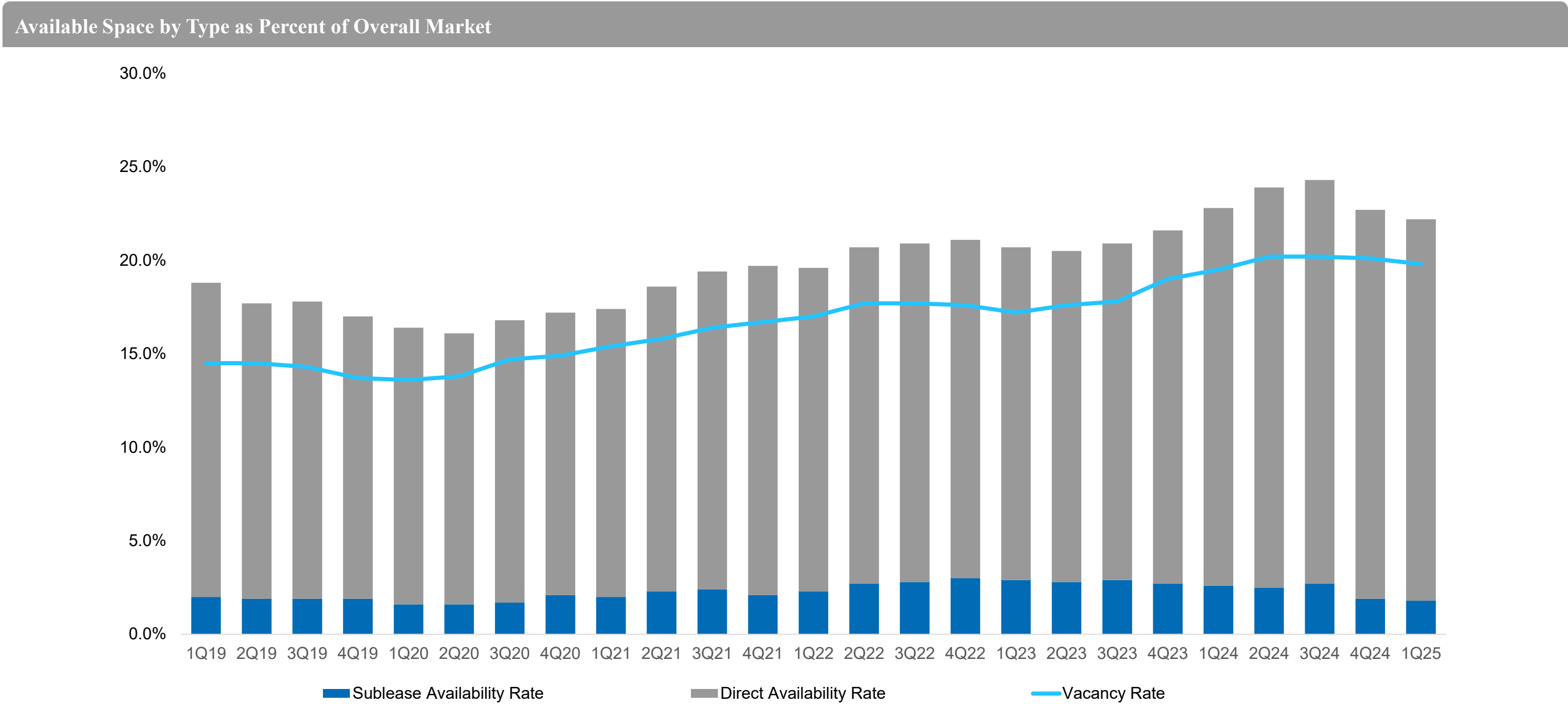
The market saw 0.8 MSF of leasing activity during Q1 2025, the least activity the market has experienced in a first quarter during the past 17 years. The market will look to rebound during the remainder of 2025, as the first quarter is generally a slower quarter in the annual cycle.



Source: Newmark Research, CoStar

Office Market Begins 2025 On a Positive Note

Available office space tightened noticeably during Q1 2025, ending the quarter at 22.2%. This was a decrease of 50 bps quarter-over-quarter and 60 bps year-over-year. The vacancy rate followed suit, ending the quarter at 19.8%, a tightening of 30 bps quarter-over-quarter, however an expansion of 30 bps year-over-year.

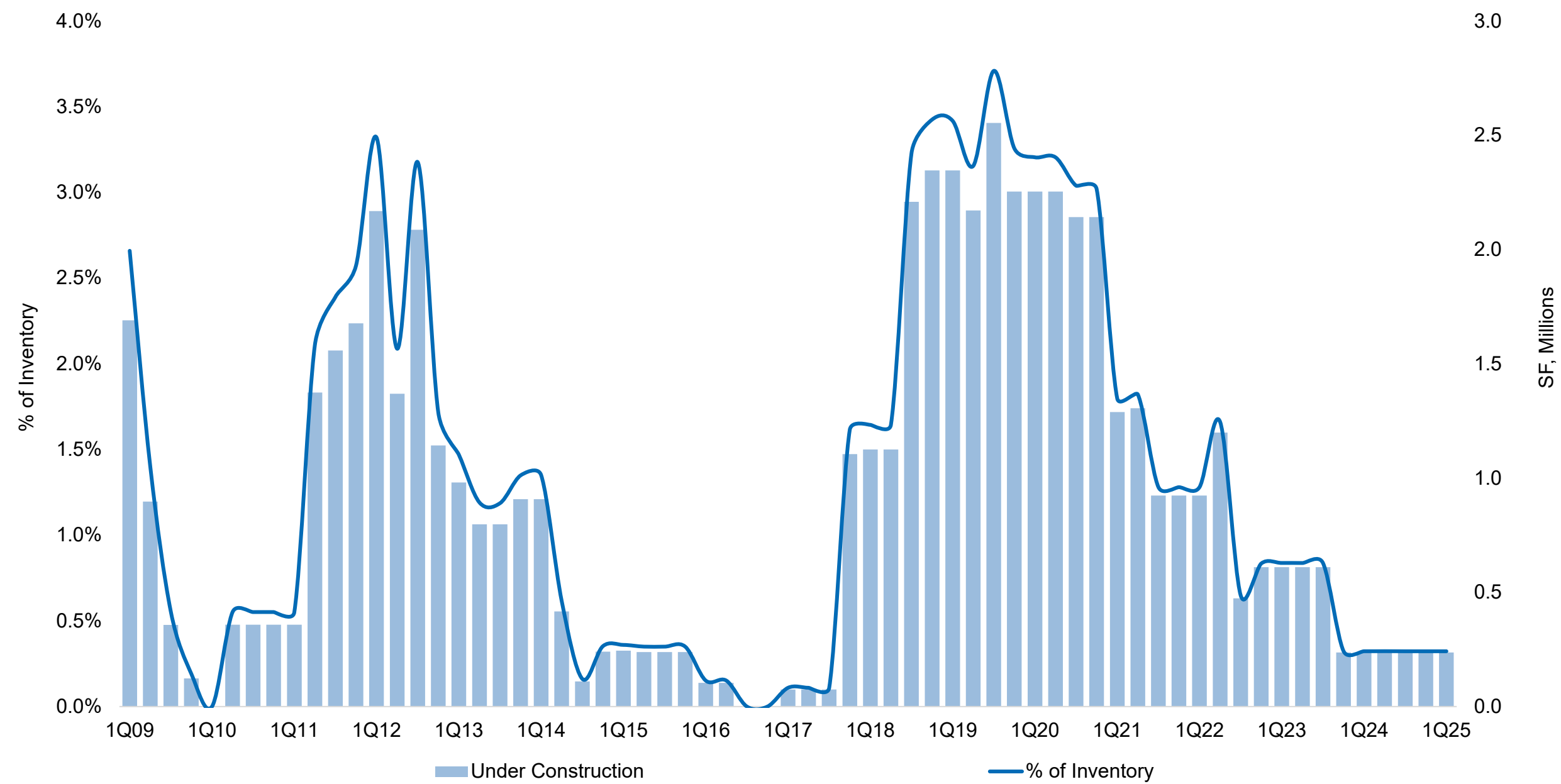


Source: Newmark Research

Slowing Office Construction Pipeline Will Help Ease Rising Vacancy

Suburban Maryland has one project under construction. This property, 1600 Rockville Pike, is BF Saul’s office building that is part of the Twinbrook Quarter mixed-use development and is expected to deliver in early 2026 as a part of phase 1b. This limited pipeline, in combination with existing conversions of office into other uses, will help ease rising vacancies.

Office Under Construction and % of Inventory

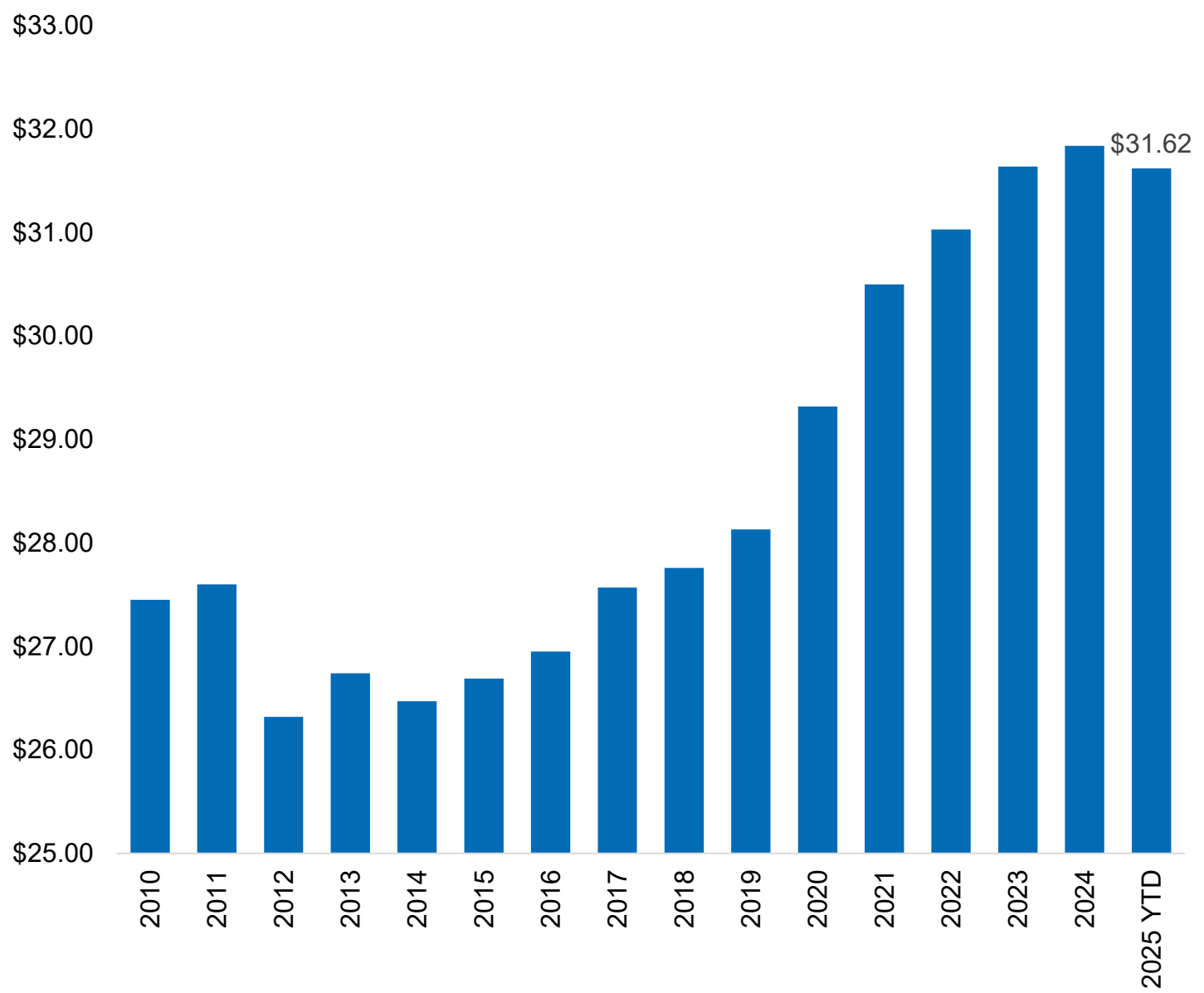


Source: Newmark Research, CoStar

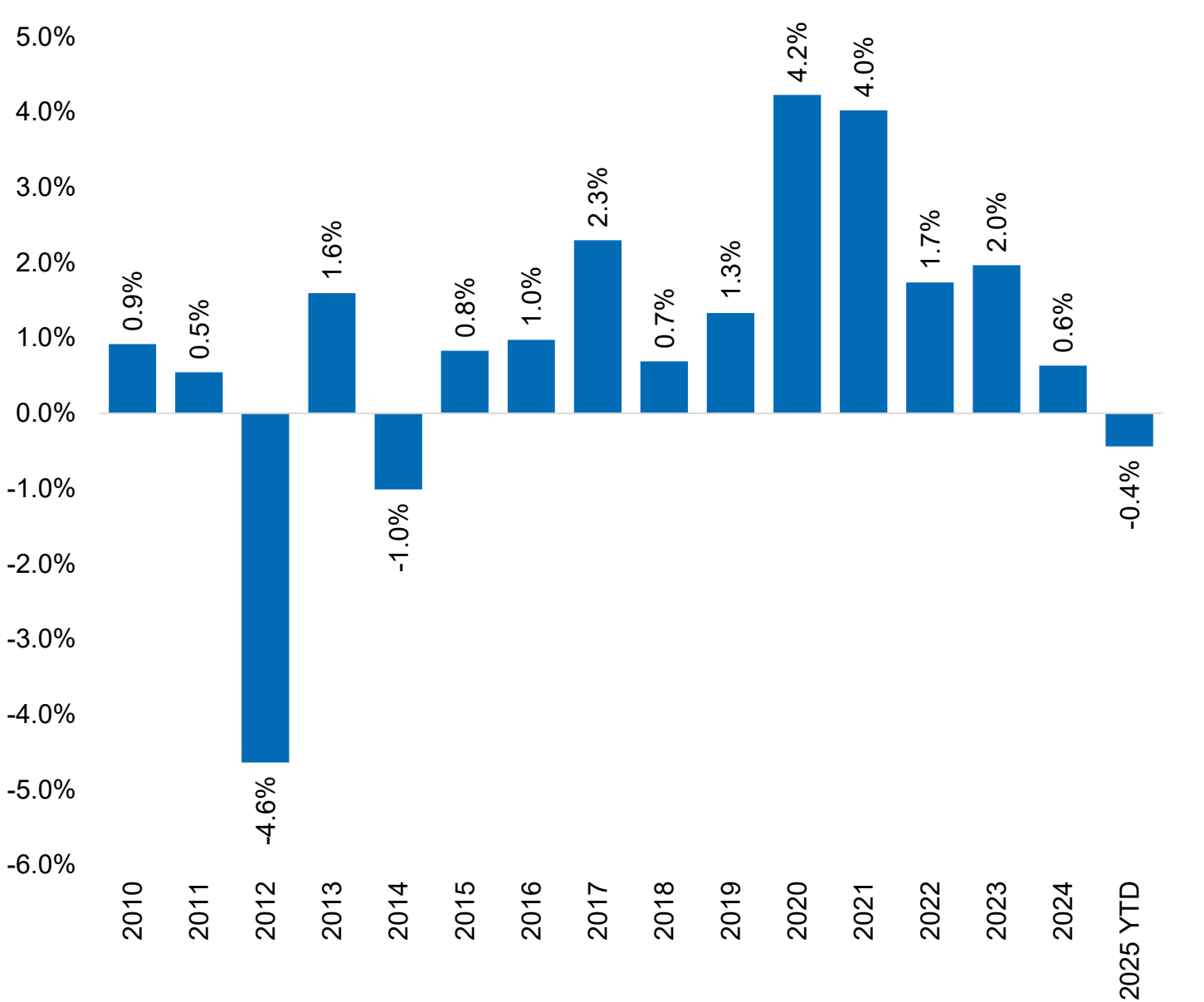
Asking Rents Dip to Begin 2025

Average asking rents ended Q1 2025 at \$31.62 PSF across all asset types, a decrease of 0.4% year-over-year. After 2020 set the high-water mark for rent growth at 4.2%, the market has seen decelerating increases in rent as demand wanes.

Office Average Asking Rent, \$/SF, FS



Year-over-Year Asking Rent Growth Rate

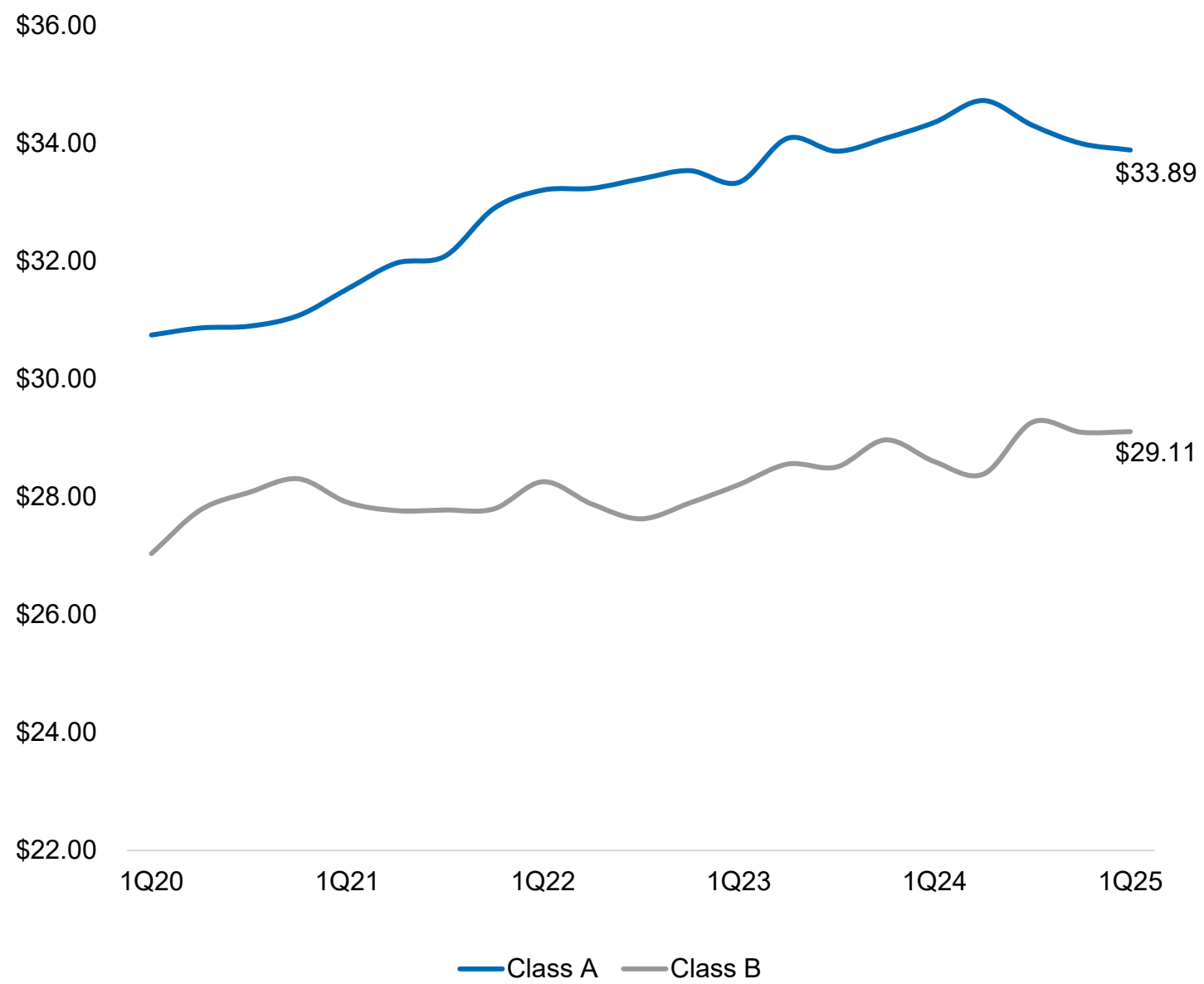


Source: Newmark Research, CoStar

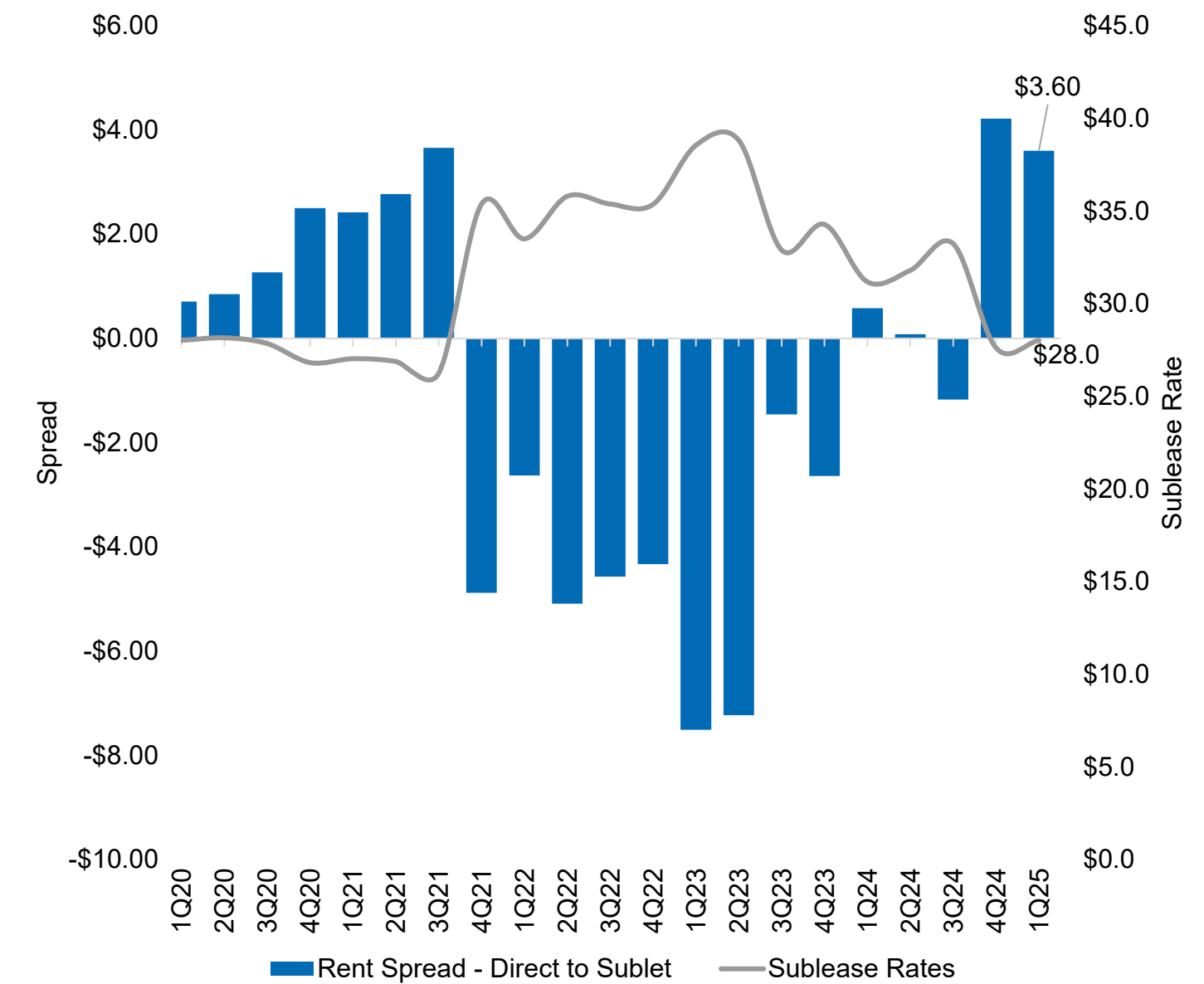
Class A Rents Dip Slightly While Class B Rents Remain Flat

Class A asking rents saw a decline during Q1 2025, while Class B rents remained flat. Class A rents ended the quarter at \$33.89, which was a 0.3% decline quarter-over-quarter and a 1.4% decline year-over-year. Class B rents ended the quarter at \$29.11, which was flat quarter-over-quarter, however a 1.8% increase year-over-year.

Class A and Class B Asking Rents



Sublease Rates



Source: Newmark Research, CoStar

Leasing Activity Highlighted by Insurance Companies

Insurance companies highlighted leasing activity during Q1 2025, with the two largest deals of the quarter. Banner Life Insurance Company signed the largest deal of the quarter by renewing 116,000 SF of space at 3275 Bennett Creek Avenue, while GEICO completed the second-largest deal of the quarter, signing a new deal for 100,000 SF at 7272 Wisconsin Avenue.

Notable 1Q25 Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Banner Life Insurance Company	3275 Bennett Creek Avenue	I-270 Corridor North	Lease Renewal	115,758
GEICO	7272 Wisconsin Avenue	Bethesda / Chevy Chase	New Lease	99,775
Eagle Bank	7500 Old Georgetown Road	Bethesda / Chevy Chase	New Lease	43,407
Executive Child Development Center	6006 Executive Boulevard	North Bethesda / Potomac	Lease Renewal	28,704
Whiting Turner Contracting Group	4600 River Road	College Park	New Lease	25,000

Source: Newmark Research, CoStar

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Market Statistics



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Market Statistics By Class									
	Total Inventory (SF)	Overall Vacancy	Overall Availability	Quarterly Absorption (SF)	YTD Absorption (SF)	Quarterly Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Asking Rent (Price/SF)
Suburban Maryland	73,459,291	19.8%	22.2%	216,767	216,767	0	0	237,000	\$31.62
Class A	41,994,376	21.0%	23.7%	374,638	374,638	0	0	237,000	\$33.89
Class B	22,146,788	19.4%	21.8%	-54,410	-54,410	0	0	0	\$29.11
Class C	9,318,127	15.2%	16.2%	-103,461	-103,461	0	0	0	\$25.66

Submarket Statistics – All Classes									
	Total Inventory (SF)	Overall Vacancy	Overall Availability	Quarterly Absorption (SF)	YTD Absorption (SF)	Quarter Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Asking Rent (Price/SF)
Beltsville	1,463,332	15.6%	24.8%	16,789	16,789	0	0	0	\$24.03
Bethesda	11,849,910	27.3%	28.1%	-40,872	-40,872	0	0	0	\$43.20
Bowie	1,229,062	11.5%	15.5%	-5,177	-5,177	0	0	0	\$24.96
College Park	3,294,229	10.0%	10.3%	-3,833	-3,833	0	0	0	\$23.32
Gaithersburg	3,032,979	13.6%	17.1%	2,871	2,871	0	0	0	\$25.11

Source: Newmark Research

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Submarket Statistics – All Classes

	Total Inventory (SF)	Overall Vacancy	Overall Availability	Quarterly Absorption (SF)	YTD Absorption (SF)	Quarterly Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Overall Asking Rent (Price/SF)
Germantown	2,008,798	33.2%	32.0%	8,713	8,713	0	0	0	\$25.56
Greenbelt	2,869,682	28.2%	32.3%	-30,887	-30,887	0	0	0	\$22.59
Landover/Lanham/Largo	4,371,210	16.8%	16.9%	10,881	10,881	0	0	0	\$23.57
Laurel	1,814,894	24.8%	21.4%	18,157	18,157	0	0	0	\$21.99
N. Rockville	11,010,339	19.2%	24.4%	299,761	299,761	0	0	0	\$30.24
North Bethesda	9,503,466	21.5%	26.2%	-45,250	-45,250	0	0	0	\$31.45
Rockville	8,743,879	18.3%	17.9%	-44,985	-44,985	0	0	237,000	\$33.11
Silver Spring	9,661,916	16.1%	20.0%	32,902	32,902	0	0	0	\$29.25
Southern Prince George's County	2,605,595	8.2%	8.3%	-2,303	-2,303	0	0	0	\$25.97

Source: Newmark Research

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