

NEWMARK

# Washington Metro Industrial Market Overview

1Q26

# U.S. Market Observations



## Economy

- The Washington region's labor market has softened, with unemployment rising to 4.2% as of year-end 2025, up 110 basis points year-over-year. Nonfarm job growth contracted during 2025, reflecting the impact of federal government cuts and broader economic uncertainty.
- Within the industrial sector, manufacturing saw job gains with employment growth of 2.8% year-over-year, while trade/transportation/utilities counteracted this with a year-over-year decline of 2.6%.
- Despite the recent decline, the number of industrial jobs has rebounded and now sits in line with pre-pandemic levels. Industrial employment ended September 2025 at approximately 454,000 employees, with trade/transportation/utilities accounting for roughly 88.0% of total employment. This remains slightly lower than the decade average, however an increase of 24.3% since the market reached a pandemic-related low in April of 2020.



## Leasing Market Fundamentals

- The Washington Metro industrial market recorded 186,487 SF of deliveries during the first quarter of 2026, while negative net absorption totaling 337,321 SF led to a modest increase in vacancy to 7.4%, up 20 basis points from year-end 2025. Despite this quarterly softening, vacancy remains within a stabilized range, though now slightly above the long-term average of 6.1%, as the market continues to normalize following its 2025 rebound.
- Asking rents continued to trend higher during the first quarter, reaching \$16.11/SF, representing a 0.7% increase since year-end 2025. While rent growth has moderated from the rapid gains seen in 2021 and 2022, pricing remains elevated, with rents up more than 50% since 2020, reflecting sustained momentum supported by long-term demand drivers despite a more measured pace of growth.
- Development activity remains active but disciplined, with 31 buildings totaling 4.0 million SF underway as of the first quarter of 2026, representing approximately 1.6% of total inventory.



## Major Transactions

- The largest deal of the quarter was the sale of 16220 Wright Road in Hagerstown. Penzance JV Fundrise sold the 825,000-square-foot distribution facility to GSA – Department of Homeland Security for \$102.4 million, or \$124/SF. The property, built in 2022, is slated for adaptive re-use as a future ICE detention center.
- A second notable deal during the quarter was the sale of Redstone Industrial Park Buildings A & B in Manassas. Dogwood Industrial Properties sold the 242,000-square-foot warehouse/distribution asset to JK Land Holdings for approximately \$90 million, or \$372/SF. The property, delivered in 2024, represents a newly constructed industrial park asset within the Loudoun/Manassas submarket.



## Outlook

- The Washington Metro industrial market is continuing to normalize following an extended period of elevated development, with recent supply additions driving modest upward pressure on vacancy as demand recalibrates. While the market remains slightly oversupplied in the near term, fundamentals are stabilizing, with vacancy still within a historically healthy range. As this rebalancing continues, rent growth is expected to moderate further, though pricing should remain elevated relative to long-term averages.
- The region faces near-term macroeconomic headwinds, including federal policy uncertainty and tariff-related pressures, which have already contributed to softer employment trends. However, long-term demand drivers remain intact, positioning the market to gradually reabsorb excess supply as conditions stabilize.

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## Economy

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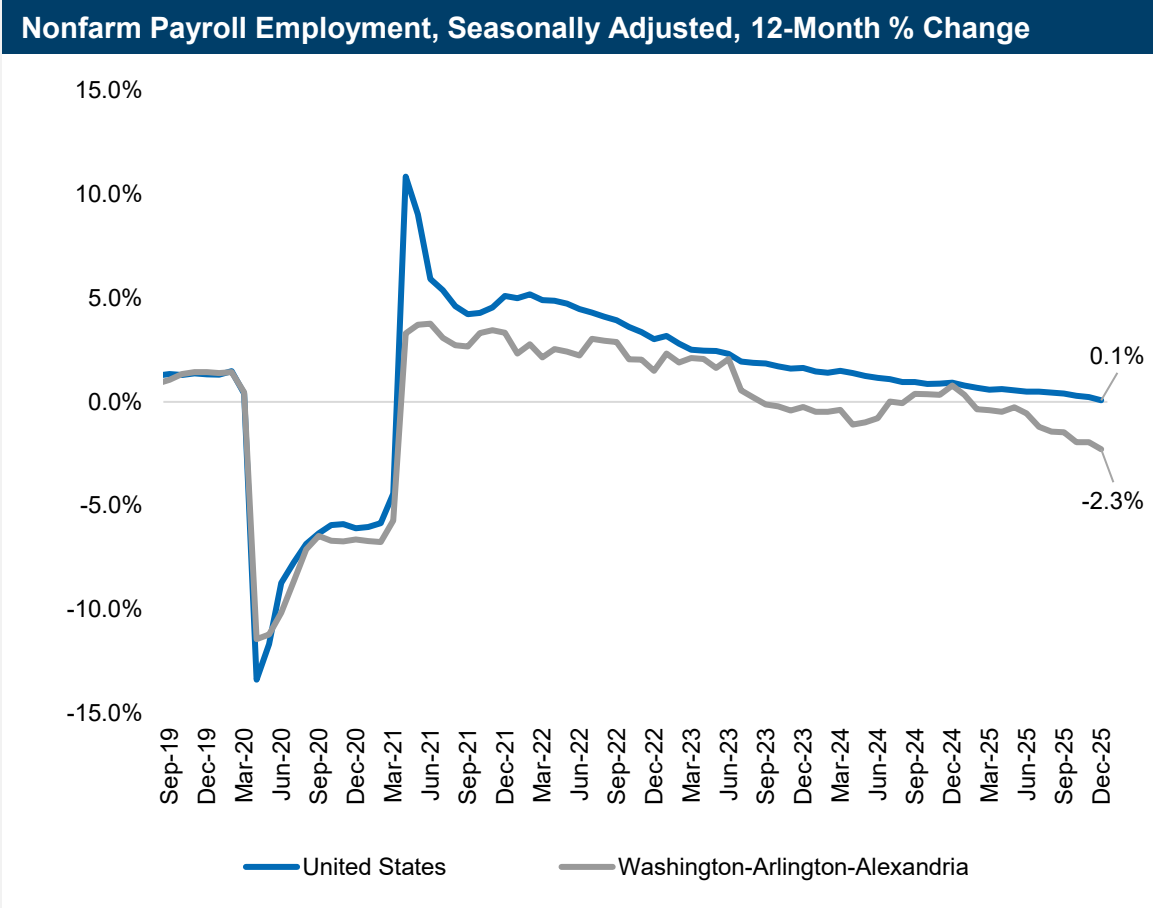
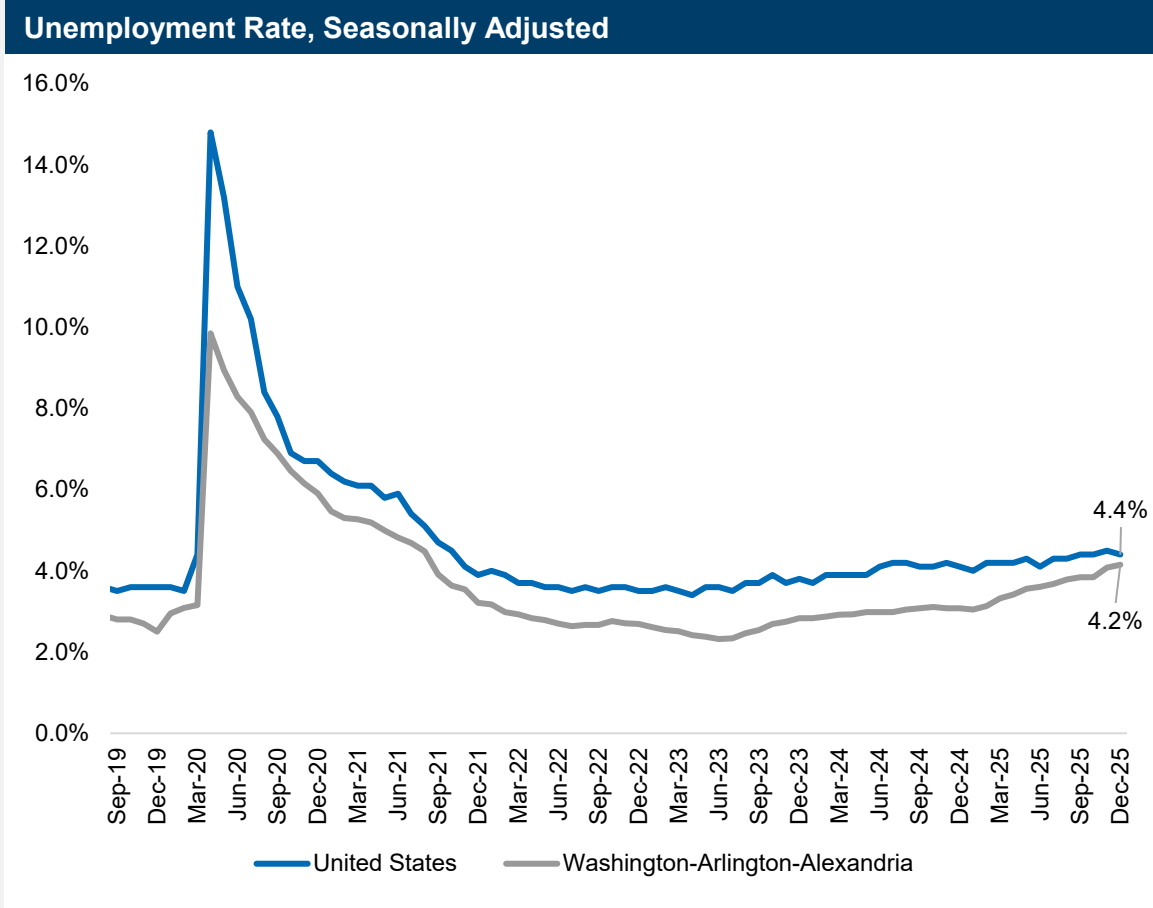
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# Local Nonfarm Employment Data Shows Job Contraction During 2025

According to the most recently released data, the labor market remains tight, though more data from recent months will likely show growing unemployment in the Washington region. The fall's federal government shutdown, as well as deferred resignations, contributed to negative employment growth. The metro's unemployment rate increased quarter-over-quarter as data became available after the shutdown ended, though without October figures included. As of December 2025, the region's unemployment rate was 4.2%, an increase of 110 basis points compared with the same period last year. 12-month seasonally adjusted regional nonfarm job growth was negative for much of 2025, declining by 2.3% as of December.

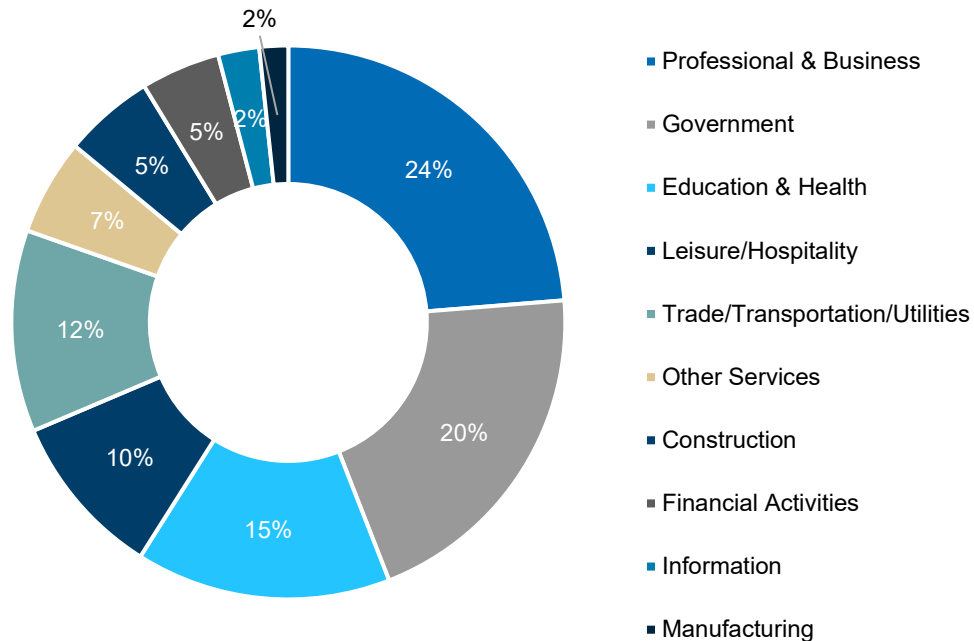


Source: Moody's, Washington-Arlington-Alexandria; Newmark Research

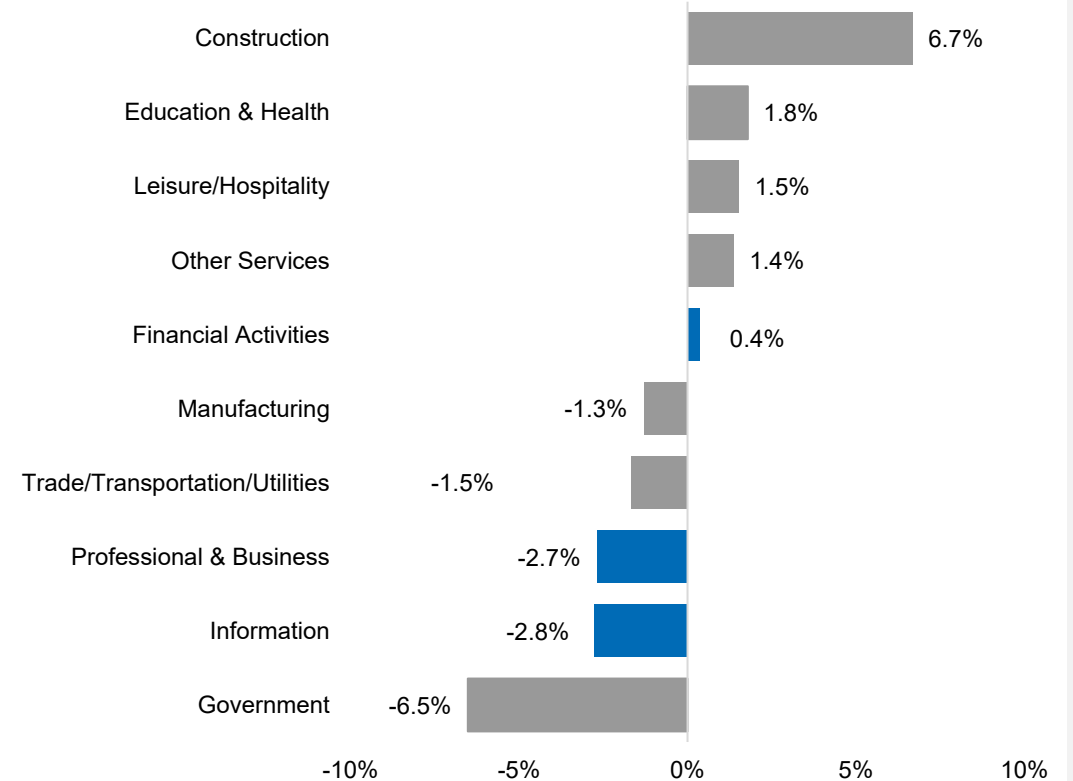
# Washington Metro Area Job Growth Driven by Construction and Education & Health

The Construction sector propped up job growth in the region with a 6.7% 12-month increase. The Education & Health, Leisure/Hospitality and Other Services sectors also experienced 12-month growth. The Financial Activities sector was the only office-using sector to see positive, though limited, growth over the last twelve months, at 0.4%, while the Professional & Business Services (-2.7%) and Information (-2.8%) sectors experienced job contraction. The Government sector registered job losses of 6.5% year-over-year after the impacts of DOGE and federal government cuts. According to the Bureau of Labor Statistics, the region saw federal government jobs decline by 14.3% during 2025.

Employment by Industry, December 2025

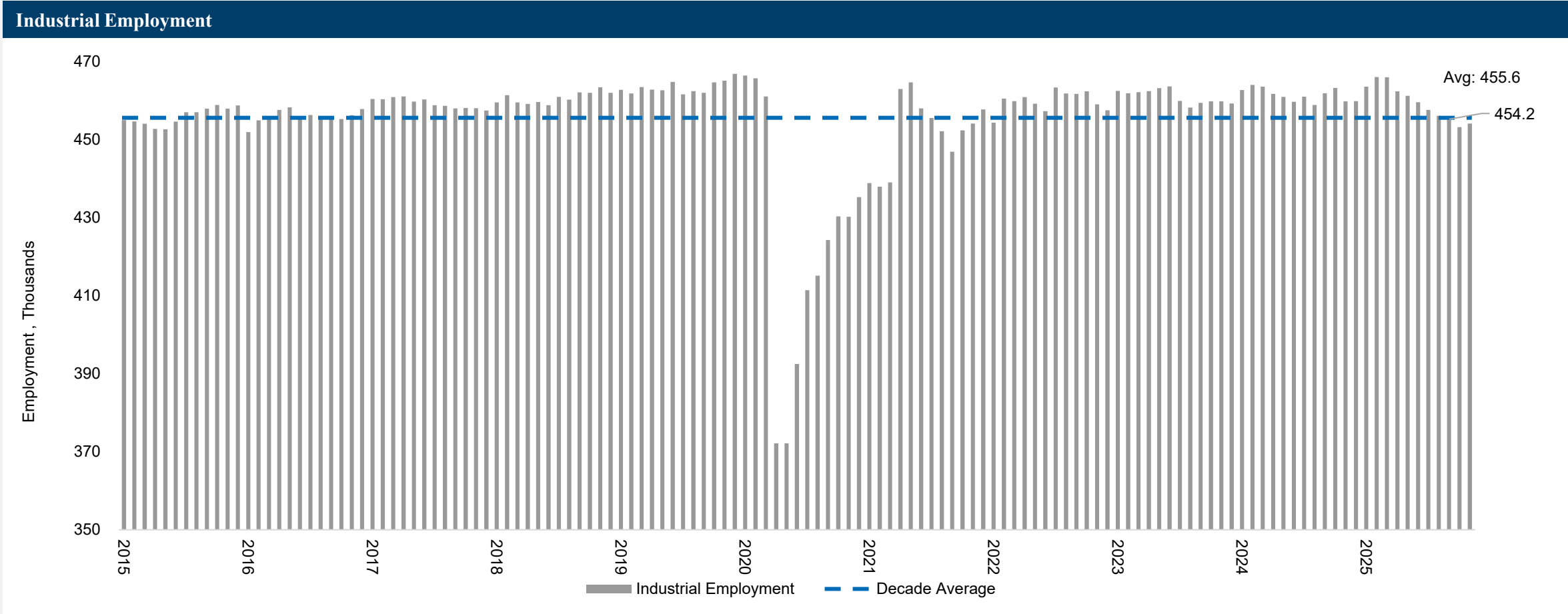


Employment Growth by Industry, 12-Month % Change, December 2025



# Industrial Employment Sees Notable Decline

The number of industrial jobs saw a notable decline year-over-year. Industrial employment ended December 2025 at 454,200 employees, slightly lower than the decade average, and a 1.2% decline year-over-year. Despite this, the market has seen an increase of 22.1% since the market reached a pandemic-related low in April of 2020. Industrial employment is dominated by the trade/transportation/utilities industry, which makes up over 88.0% of industrial employment in the region.



Source: U.S. Bureau of Labor Statistics, Washington-Arlington-Alexandria  
 \*Industrial employment includes employment in the following industry sectors: Trade/Transportation/Utilities and Manufacturing

# 02

## Leasing Market Fundamentals

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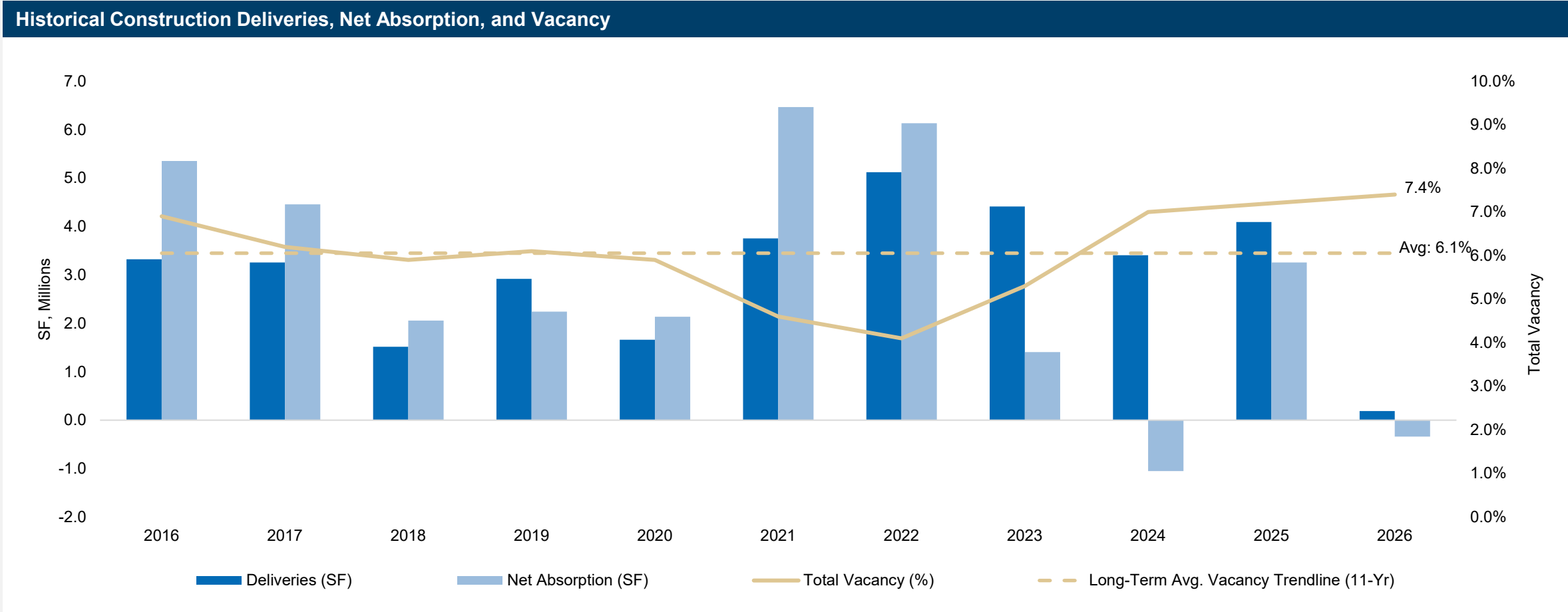
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# Market Fundamentals Moderate in First Quarter of 2026

The Washington D.C. industrial market continues to normalize following a rebound in 2025, with the first quarter of 2026 reflecting a more measured pace of demand. During the first quarter, the market recorded 186,487 SF of deliveries alongside 337,321 SF of negative net absorption, resulting in a modest increase in vacancy to 7.4%. This marks a 20-basis-point increase from year-end 2025 and places vacancy above the long-term average of 6.1%. Despite this near-term moderation, fundamentals remain relatively healthy by historical standards, with vacancy still within a stabilized range and long-term demand drivers supporting the market’s gradual rebalancing.

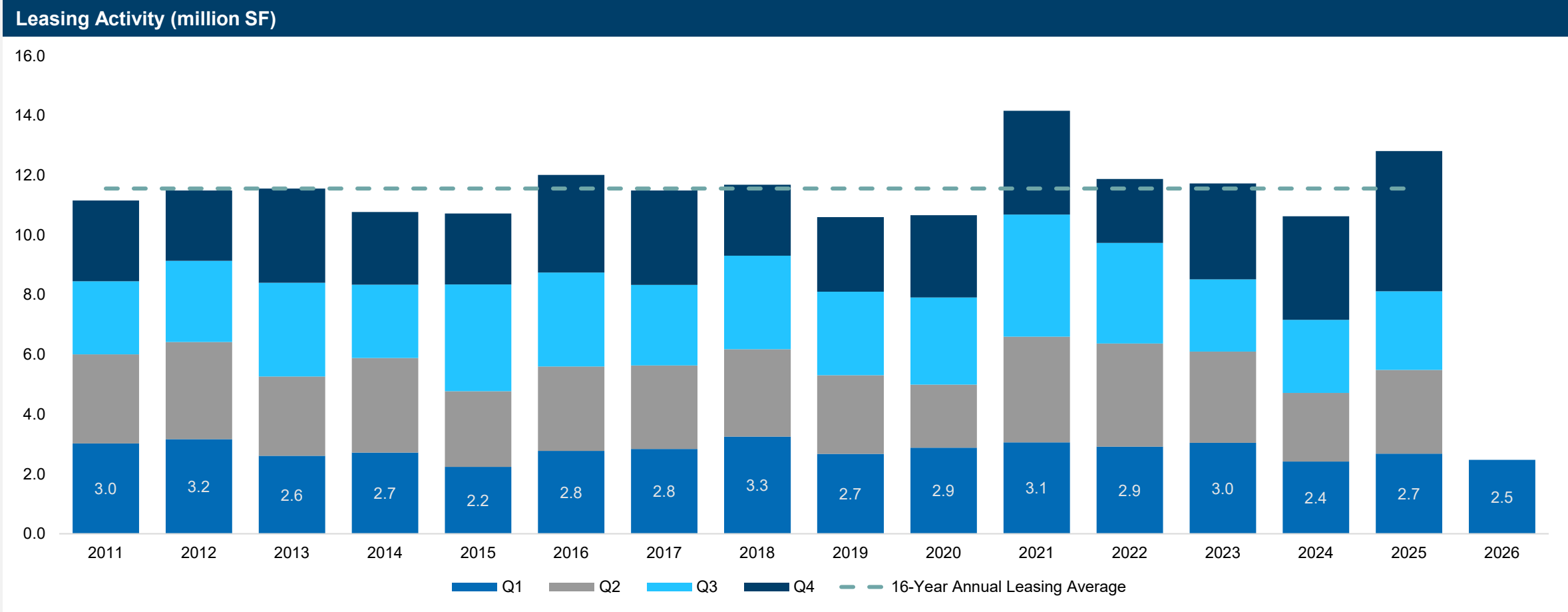




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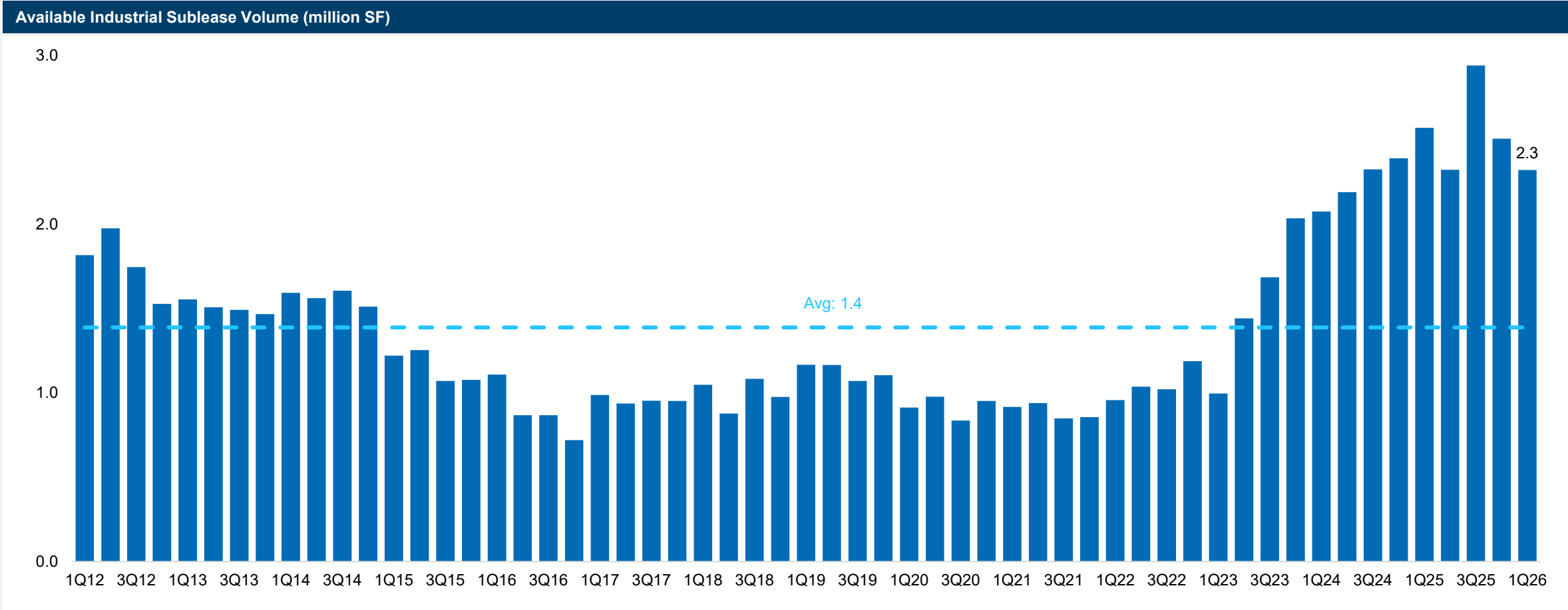
# Leasing Activity Moderates During First Quarter

Leasing activity remained relatively steady to start 2026, with 2.5 million square feet of activity recorded during the first quarter. While this marks a more measured pace compared to the elevated levels seen in 2025—when annual leasing reached approximately 12.8 million square feet, well above the historical average of 11.6 million square feet—activity remains broadly in line with longer-term trends. The strong fourth quarter of 2025, which was the most active quarter in over a decade, helped drive last year’s above-average performance, though early 2026 activity reflects a return to more normalized levels.



# Industrial Sublease Availability Remains Elevated

Sublease availability remains elevated heading into 2026, totaling approximately 2.3 million square feet in the first quarter—well above the long-term average of roughly 1.4 million square feet. After reaching cyclical lows in 2021, sublease space has steadily increased, with a notable rise beginning in 2023 as tenants adjusted space needs. While volume has moderated slightly from peak levels seen in 2025, availability remains elevated relative to historical norms.



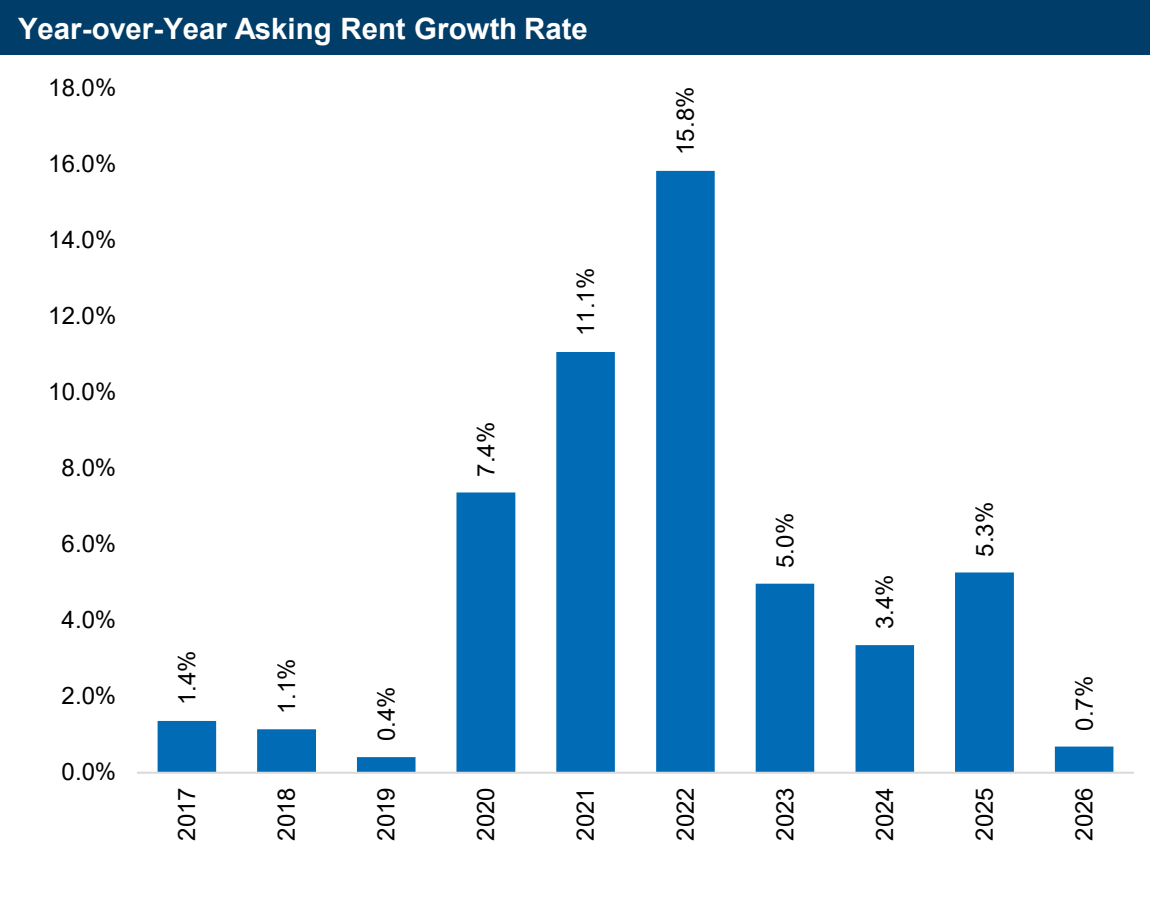
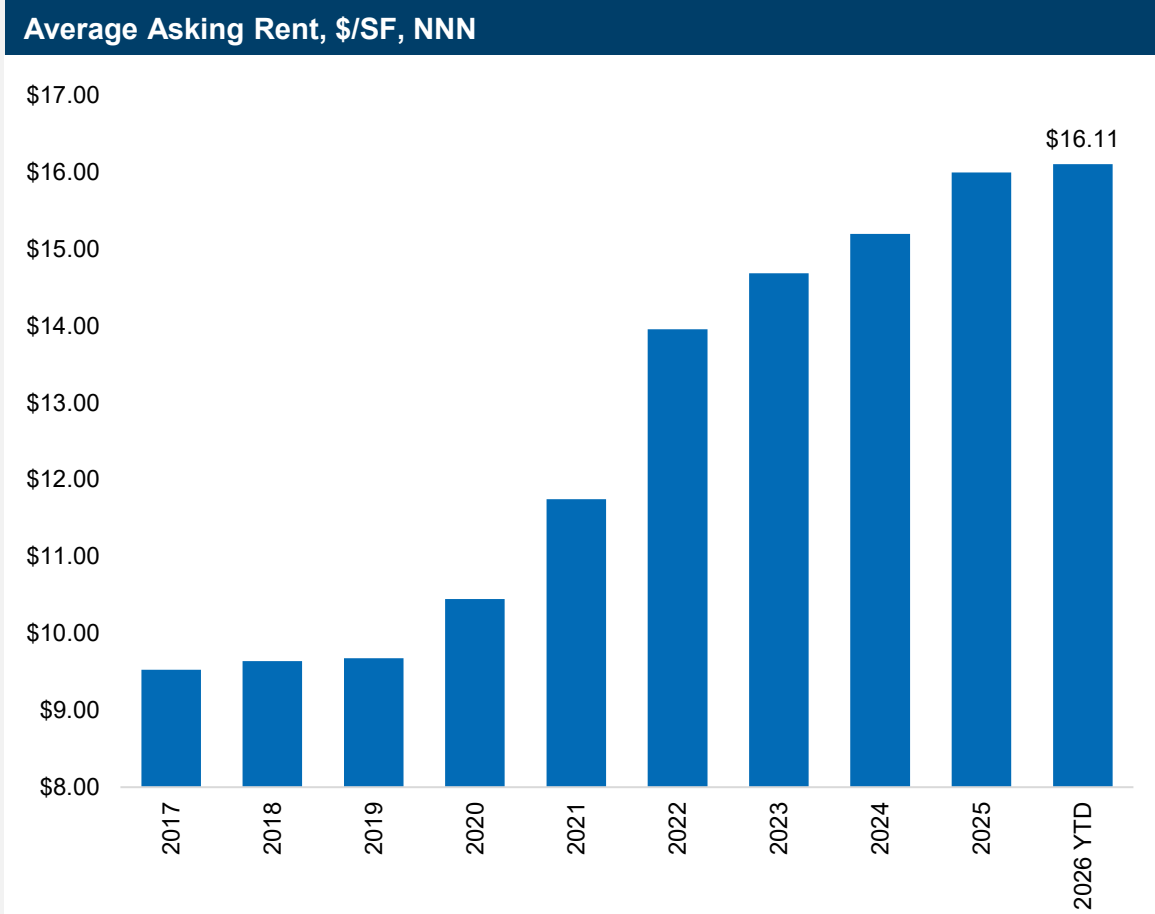
# Development Pipeline Stabilizes Amid More Selective Construction Activity

The Washington Metro industrial development pipeline remains active, with 31 buildings totaling 4.0 million square feet underway in the first quarter of 2026, representing 1.6% of total inventory. While this marks a decline from peak levels above 6.5 million square feet in 2022, development activity has stabilized over the past several quarters following a steady pullback. Developers have grown more selective with new starts, taking a more measured approach to speculative development as market conditions have normalized. Increased focus on pre-leasing and build-to-suit activity reflects a broader shift toward disciplined underwriting and reduced risk tolerance.



# Asking Rents Remain Near Historic Highs

Average asking rents continued to trend higher during the first quarter of 2026, reaching \$16.11/SF, up modestly from \$16.00/SF at year-end 2025. While rent growth has slowed from the double-digit increases seen in 2021 and 2022, the market continues to exhibit steady upward momentum, with annual growth of approximately 0.7% year-to-date. Since 2020, asking rents have increased by more than 50%, reflecting the strong run-up in pricing driven by elevated demand and limited supply during that period. Looking ahead, rent growth is expected to persist at a more measured pace as the market continues to absorb recent deliveries and demand normalizes.





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# 03

## Market Statistics

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