

NEWMARK

# Washington Metro Office Market Overview

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# Market Observations

The Washington metro area vacancy rate ended the first quarter of 2026 at 20.6%, a year-over-year decrease of ten basis points.

The Washington metro area registered 163,775 SF of positive net absorption during the first quarter of 2026, after negative net absorption of 1.2 MSF during 2025.

Asking rents ended the first quarter of 2026 at \$44.12/SF, increasing 1.4% over the year. Rents have increased 6.7% over the last five years.

The region's trophy office product has outperformed all other asset classes, ending the first quarter at a 12.6% vacancy rate, an increase of 20 basis points over the previous quarter, and 110 basis points year-over-year.



The Washington metro area office development pipeline remains historically low, with two deliveries occurring over the last year and just three projects totaling 325,000 SF currently under construction.

600 Fifth Street, NW delivered during the fourth quarter of 2025, the market's second new office property added over the past year, following 1880 Reston Row Plaza, which delivered during the second quarter of 2025.

Conversions covering more than 28.3 MSF of office space have been completed or proposed in the region since 2020, approximately 7.8% of the current total inventory in the market.

Office-using jobs in the region are currently 3.1% higher than five years ago, but only slightly higher than in March 2020, just before the pandemic began. Year-over-year office employment declined by 2.3%.

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## Economy

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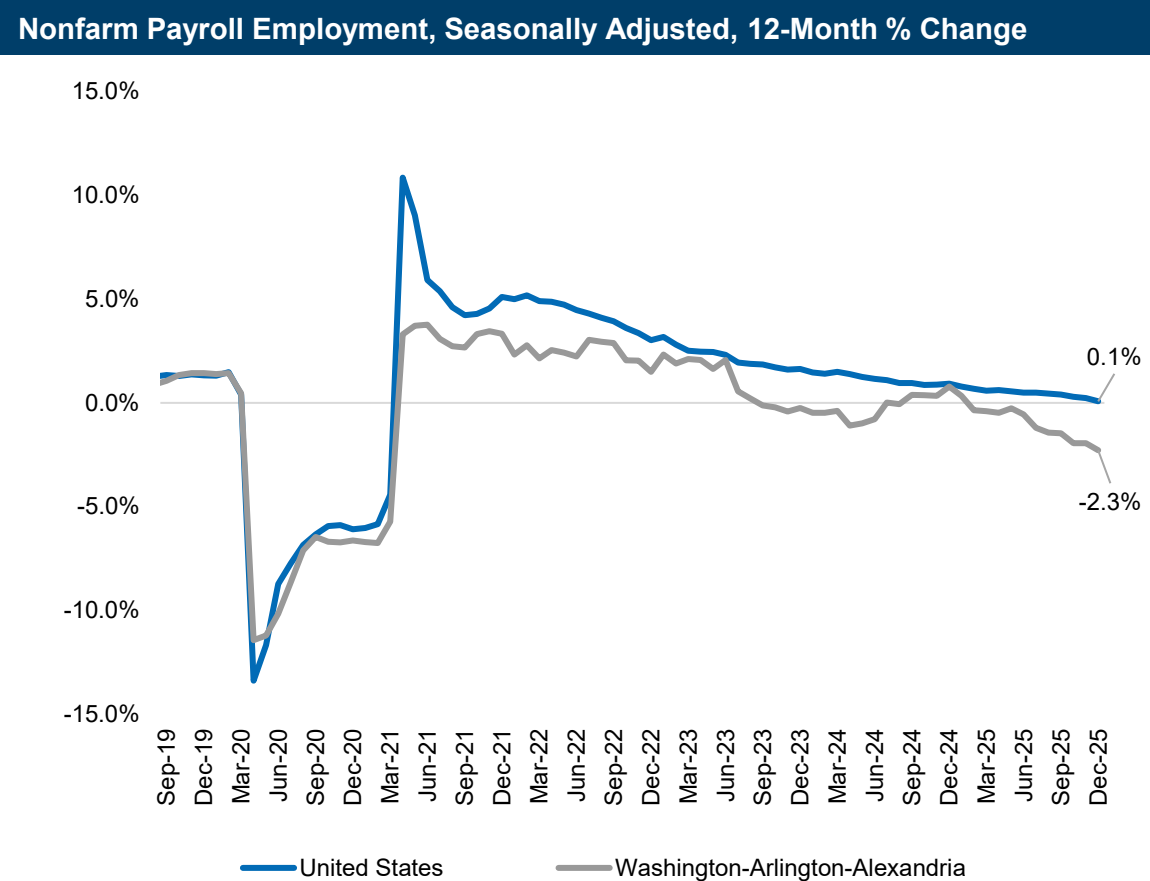
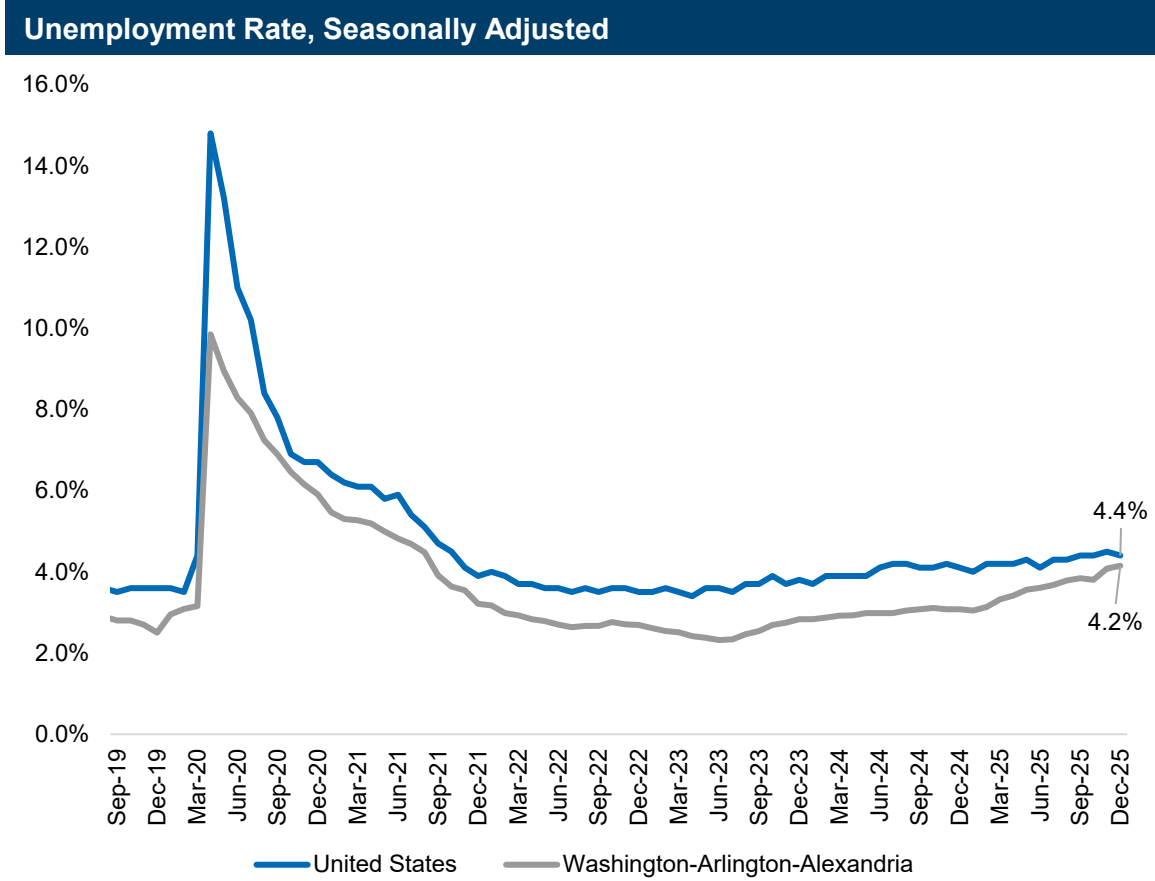
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# Local Nonfarm Employment Data Shows Job Contraction During 2025

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.

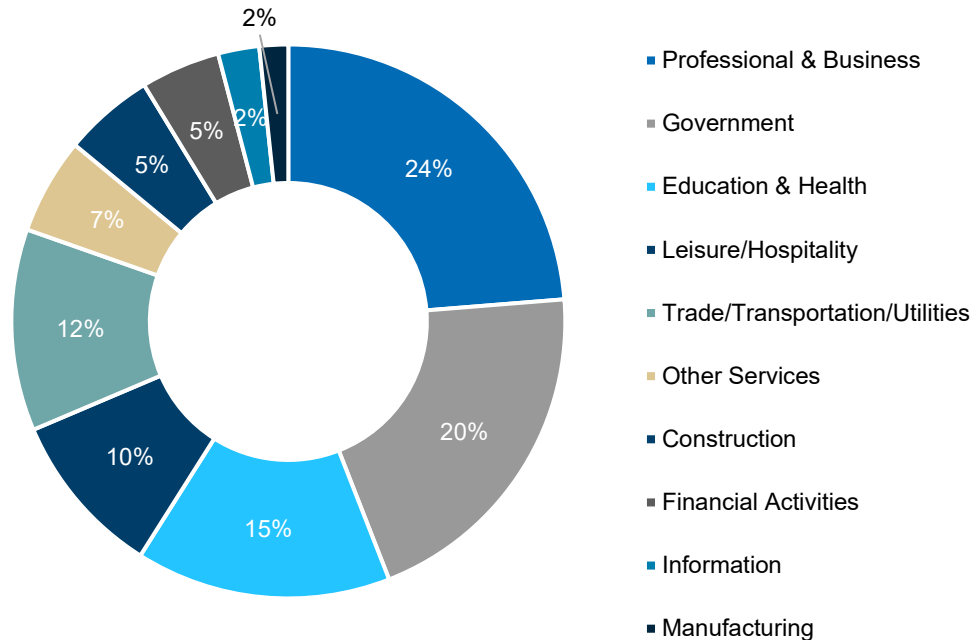


Source: Moody's, Washington-Arlington-Alexandria; Newmark Research  
 \*October 2025 federal government shutdown missing data addressed with duplicating September 2025's data

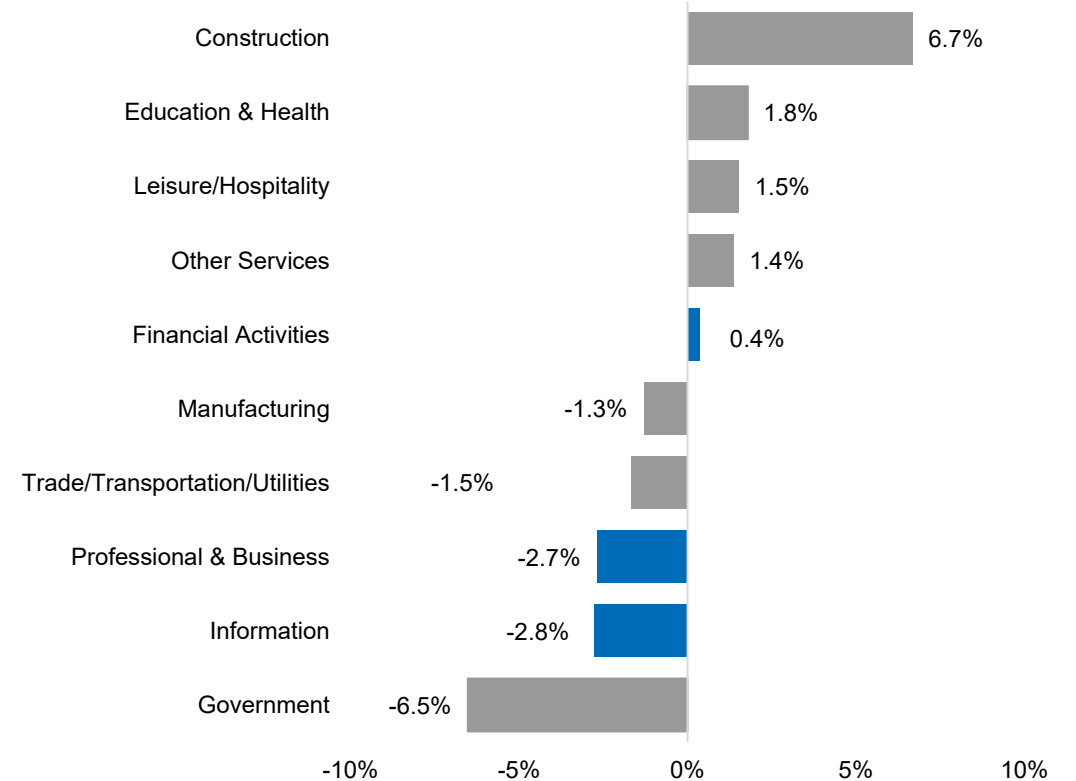
# Washington Metro Area Job Growth Driven by Construction and Education & Health

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



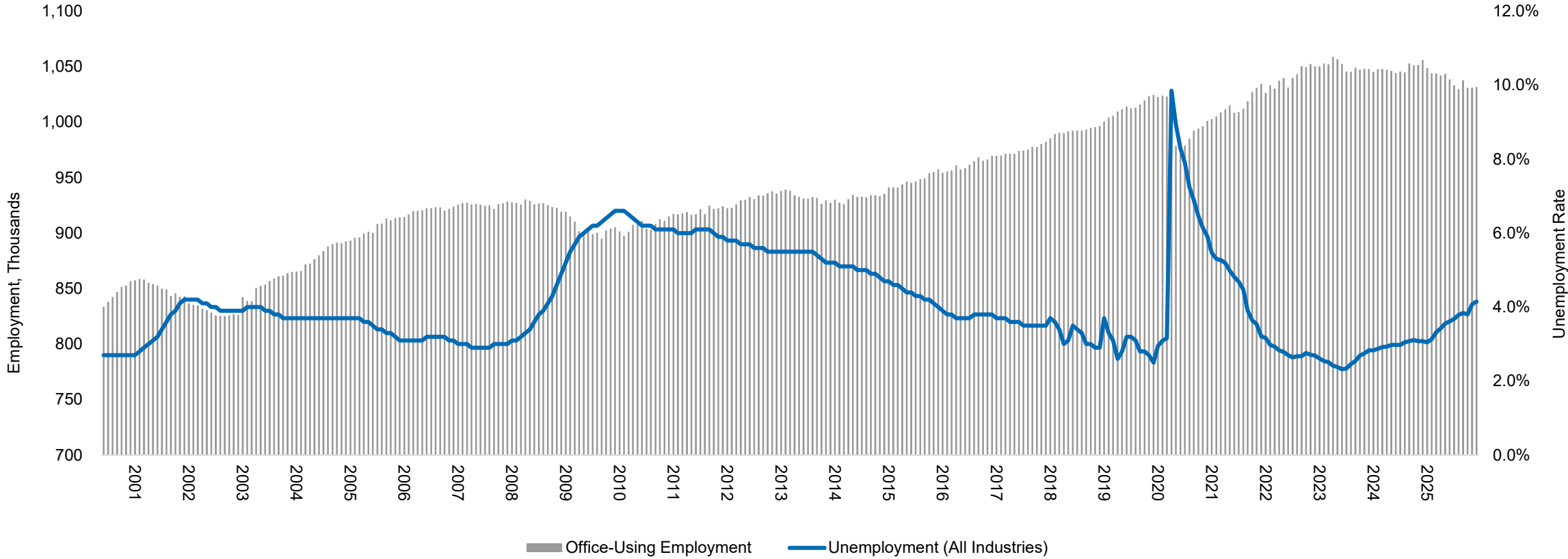
Employment Growth by Industry, 12-Month % Change, December 2025



# Office-Using Employment Has Lost Traction

The number of office jobs exceeds pre-pandemic levels as of December 2025 – the most recently available data – but are down year-over-year. Office-using jobs in the region are currently 3.1% higher than five years ago, but only 0.9% higher than in March 2020, just before the pandemic began. Year-over-year office employment declined by 2.3%, due in part to DOGE actions and their impact on the regional workforce. While government job losses were impactful, private sector stagnation as a result may prove just as significant. Declines in two out of three office-using sectors demonstrate the need for a new office stimulant to propel growth in the region.

## Office-Using Employment\* and Unemployment Across All Industries



Source: Moody's; Newmark Research

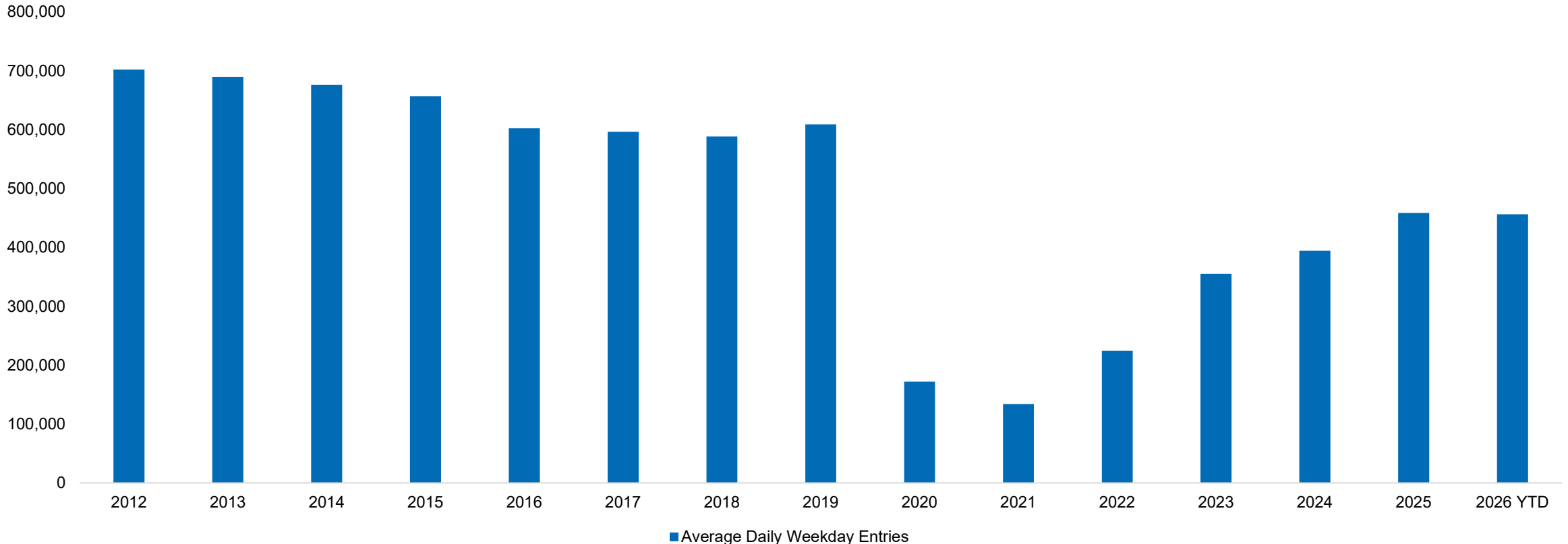
\*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

\*\* October 2025 federal government shutdown missing data addressed with duplicating September 2025's data

# WMATA Ridership Level to Start 2026

WMATA ridership has increased each of the last four years after reaching a low in 2021, during the heart of the COVID-19 pandemic. Ridership was relatively consistent between 2012 and 2019, averaging nearly 650,000 daily weekday entries at stations throughout the system. Between 2019 and 2021, ridership levels declined by 78.0%, but have since recovered approximately 325,000 daily entries. Over the previous three years, ridership during the first quarter was approximately 6% below the annual average, signaling that, although ridership is essentially level with 2025 to begin the year, a continuance of the trend of gradual increased ridership is likely throughout the remainder of 2026.

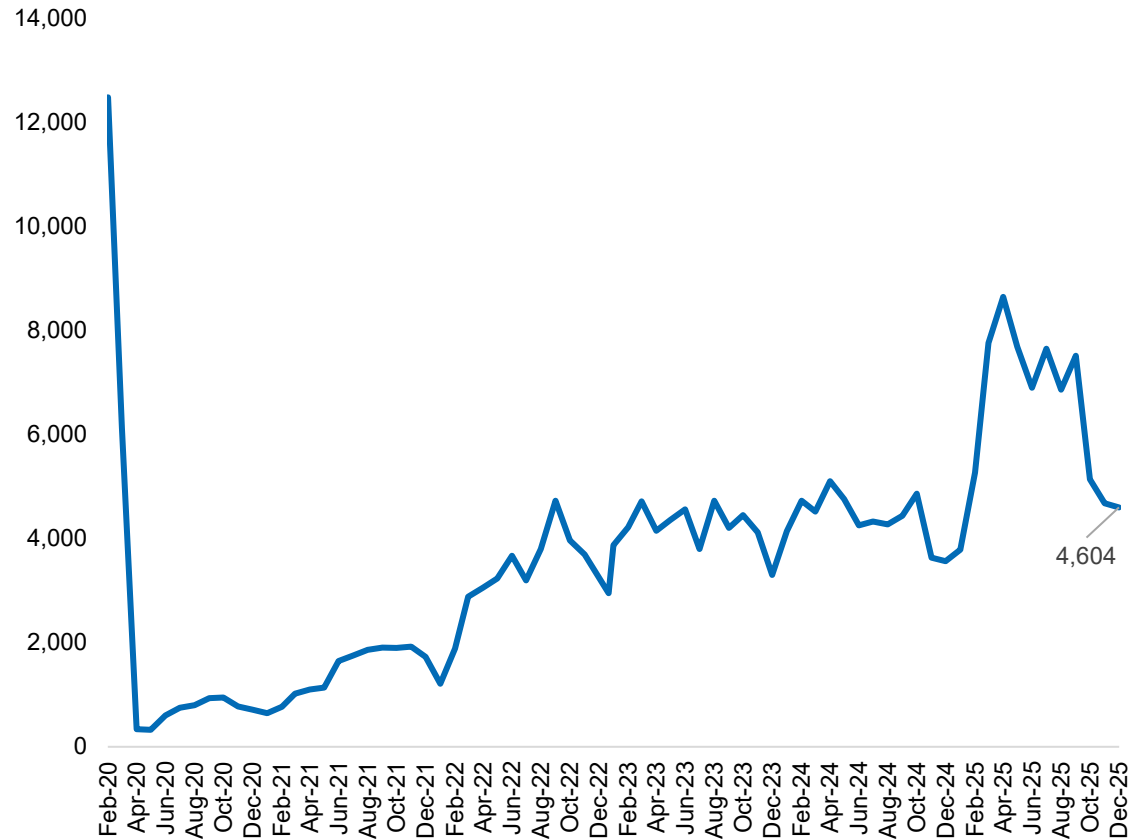
**WMATA Metro Station Average Daily Weekday Entries**



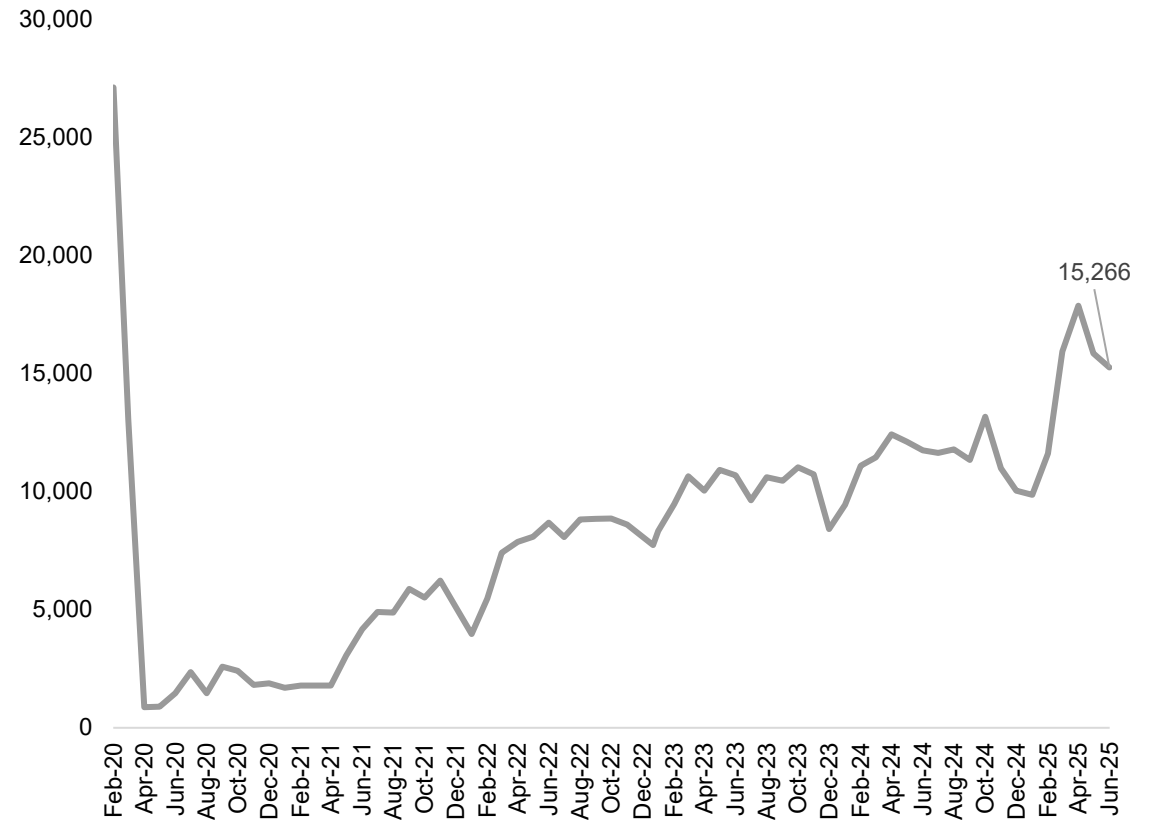
# Government Shutdown Takes A Bite Out of Regional Transportation Recovery

The modes of transportation that have been most affected by the COVID-19 pandemic are the Virginia Railway Express and the MARC Train, with significant declines in average daily ridership during the initial months of the pandemic. Recent data varies, with VRE registering large decreases in ridership over the final months of 2025, a likely result of the prolonged government shutdown that impacted many federal workers. The most recent data from MARC is from June of 2025, before the shutdown, so a clear picture of recent ridership trends is unavailable. Overall, recovery remains modest for both the VRE and Marc Train, which have both struggled to regain Covid-era losses.

**Virginia Railway Express (VRE) Average Daily Ridership**



**MARC Train Average Daily Ridership**





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# 02

## Leasing Market Fundamentals

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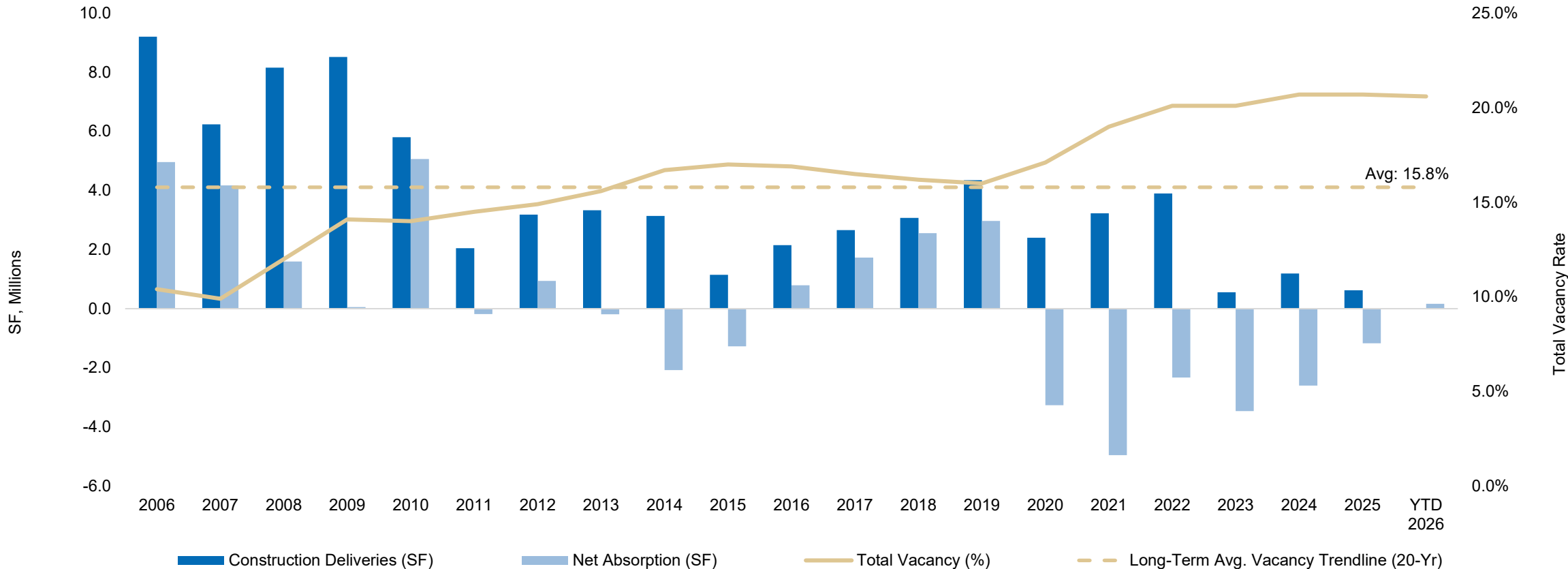
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# Vacancy Decreases Slightly As Region Registers Positive First Quarter Absorption

The metro area vacancy rate ended the first quarter of 2026 at 20.6%, a year-over-year decrease of 30 basis points. The Washington metro area registered 163,775 SF of positive net absorption during the first quarter. Annual net absorption in 2025 was negative 1.2 MSF, including negative net absorption of 168,112 SF during the first quarter of the year. During the first quarter of 2026, Northern Virginia (234,883 SF) experienced positive net absorption, while both the District of Columbia (-29,561 SF) and Suburban Maryland (-41,547 SF) registered negative net absorption. The market continues to see a slowdown in development, with just two office deliveries in 2025 and only 326,750 SF under construction. A limited speculative development pipeline and continued office conversions could help to compress vacancy in the near term.

**Historical Construction Deliveries, Net Absorption, and Vacancy**



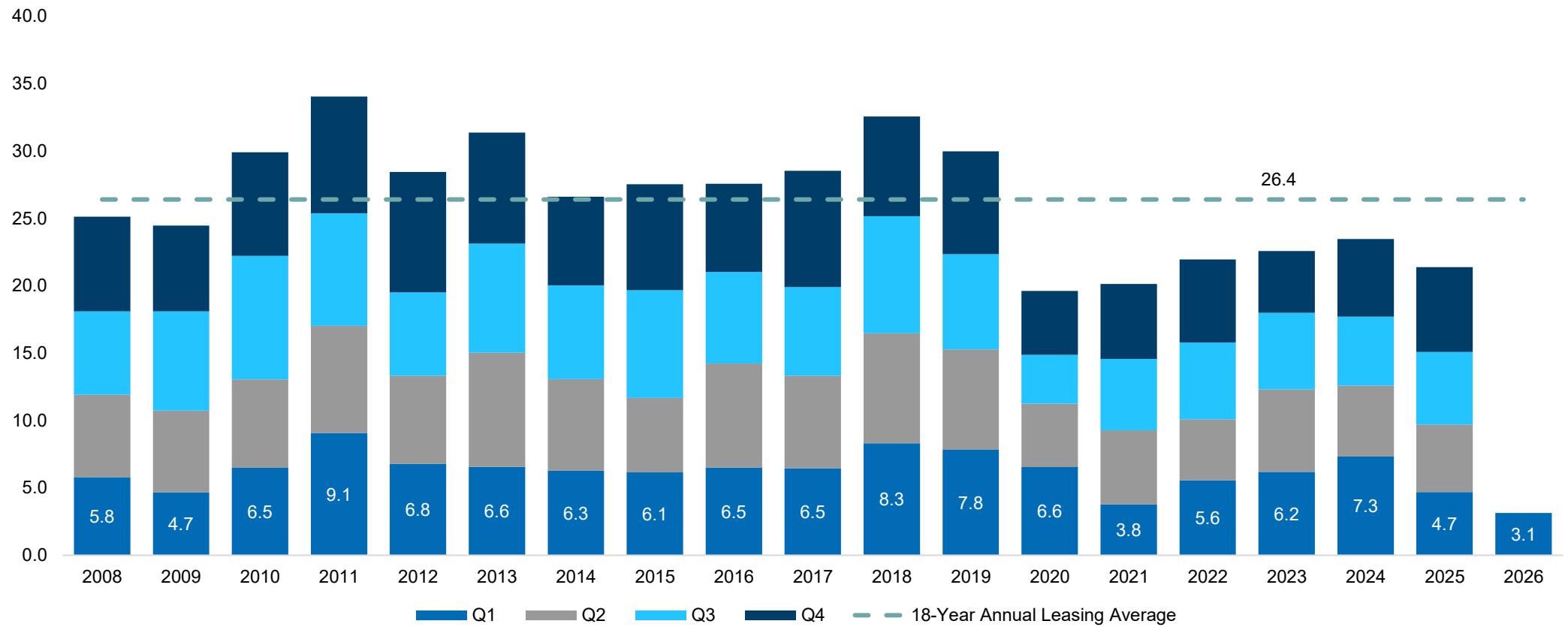


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# First Quarter Leasing Volume Significantly Lower Than Previous Years

Leasing activity in the Washington metro area averaged 21.5 MSF per year since the beginning of 2020, well below the eighteen-year average of 26.4 MSF per year. Although the market hit a five-year high in 2024, with 23.5 MSF leased, activity dipped to 21.4 MSF in 2025. During the first quarter of 2026, activity declined by 32.9% year-over-year as the market logged only 3.1 MSF of leasing volume, though this number may grow once all first quarter deals are tallied. This figure is more than 50% below the ten-year first quarter average of 6.3 MSF, and 43.6% below the five-year first quarter average of 5.5 MSF.

**Total Leasing Activity (MSF)**

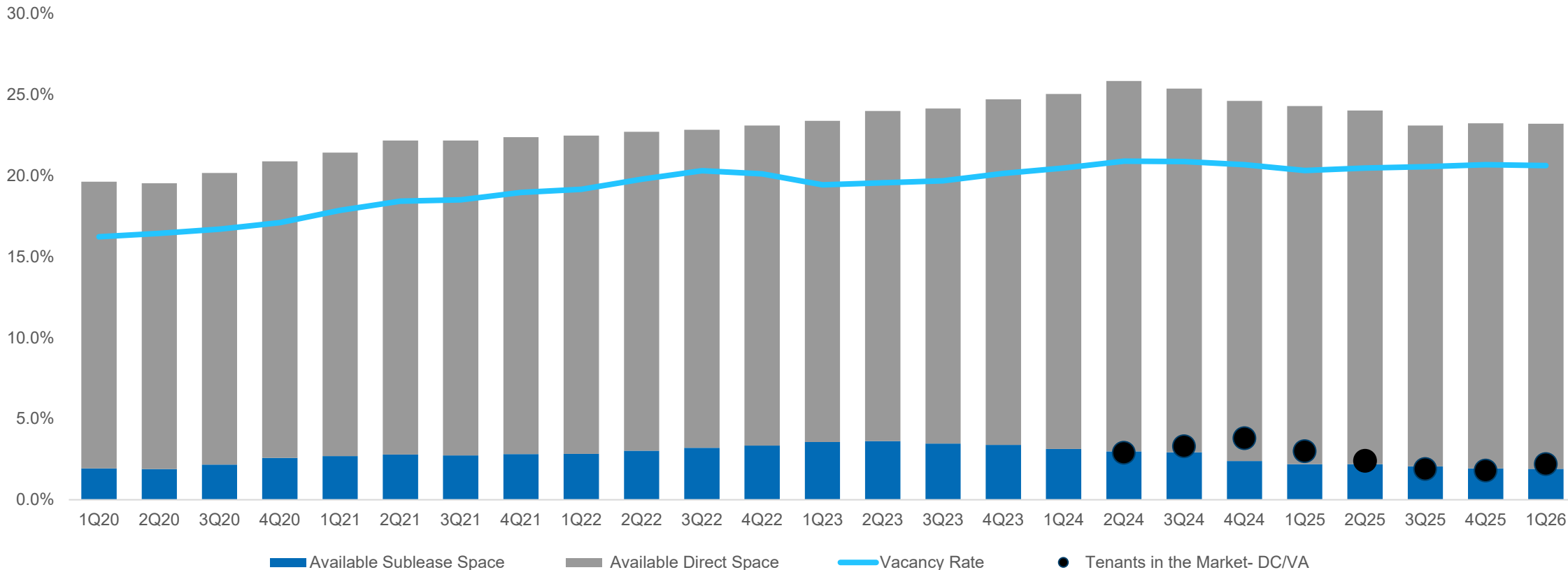


Source: Newmark Research, CoStar

# Tenant Demand Increases Slightly As Availability And Vacancy Remain Flat

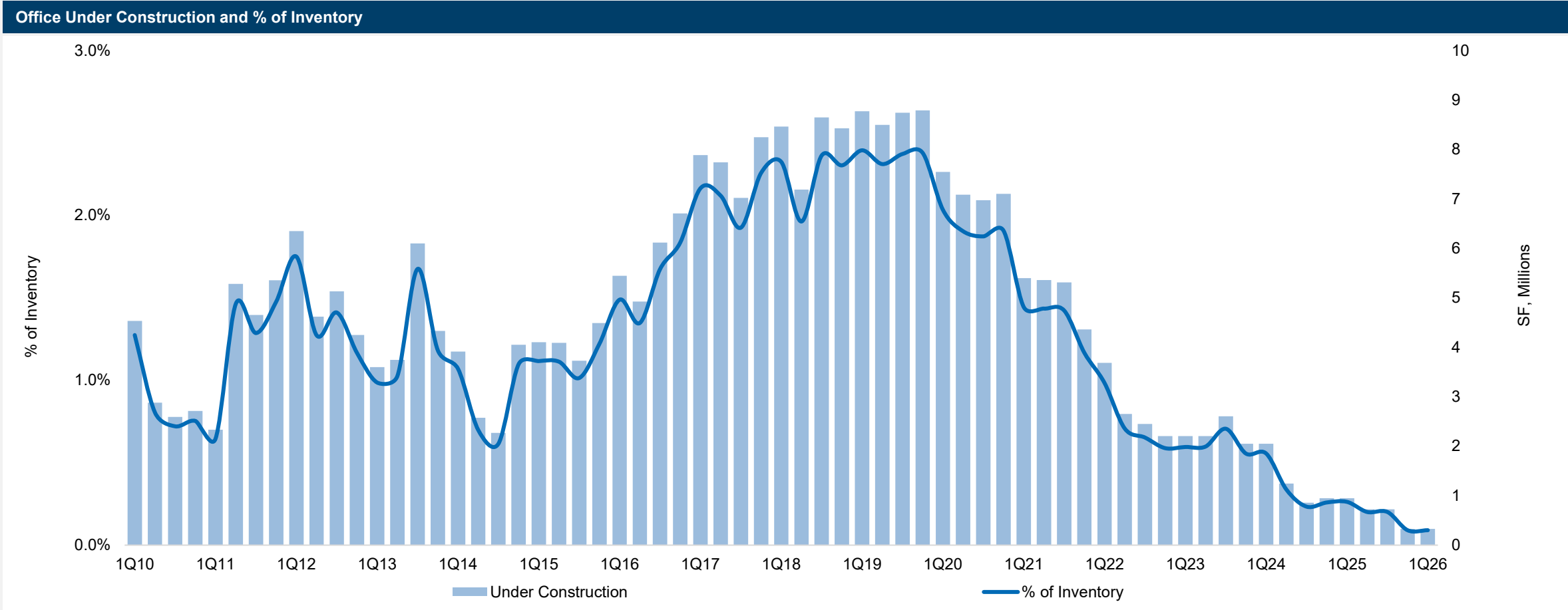
Sublease availability across the region has decreased by 47.2% since the beginning of 2023, ending the first quarter of 2026 at 1.9%, matching the lowest reading since the second quarter of 2020. Direct availability ended the quarter at 21.3%, even quarter-over-quarter and declining by 80 basis points year-over-year. Direct availability is down 7.0% since peaking in the second quarter of 2024. Overall, available office space ended the first quarter of 2026 at 23.2%, a decline of 10 basis points quarter-over-quarter and 110-basis point decrease year-over-year. Tenant demand as a percentage of inventory increased slightly during the first quarter in the District and Northern Virginia as the market adjusts to the new local federal government landscape.

Available Space and Tenant Demand as Percent of Overall Market



# Construction Pipeline Remains Historically Low

The region’s office development pipeline remains nearly non-existent, continuing at a fifteen-year low with zero deliveries during the first quarter of 2026. There are currently only three office properties totaling approximately 325,000 SF under construction, well below the historical average of 17 properties totaling over 4.6 MSF under construction. BXP is slated to redevelop two trophy office properties in the District of Columbia, including 725 12th Street, NW in the East End submarket, which will consist of 320,000 SF, and is 81% preleased, and the recently-announced redevelopment of 2100 M Street, NW, which will have law firm Sidley Austin as an anchor.

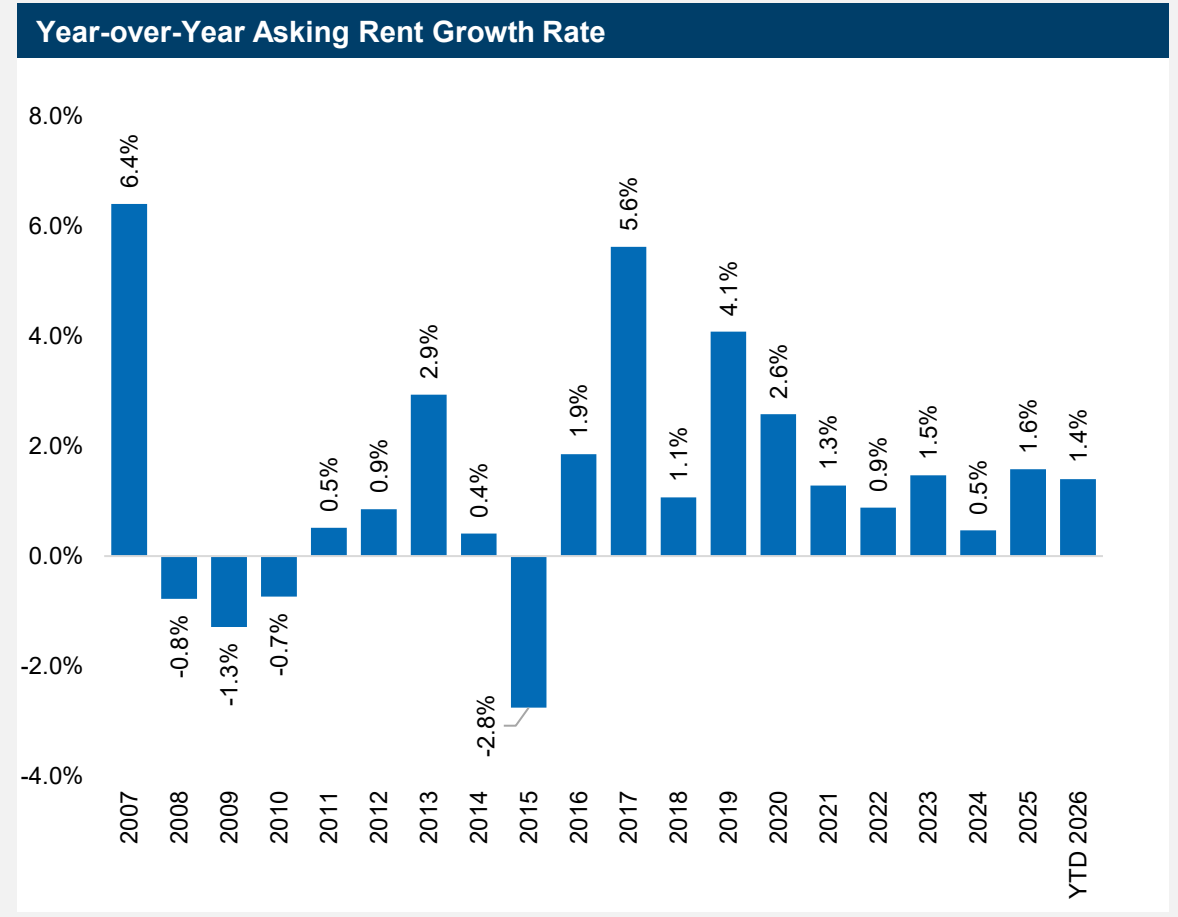
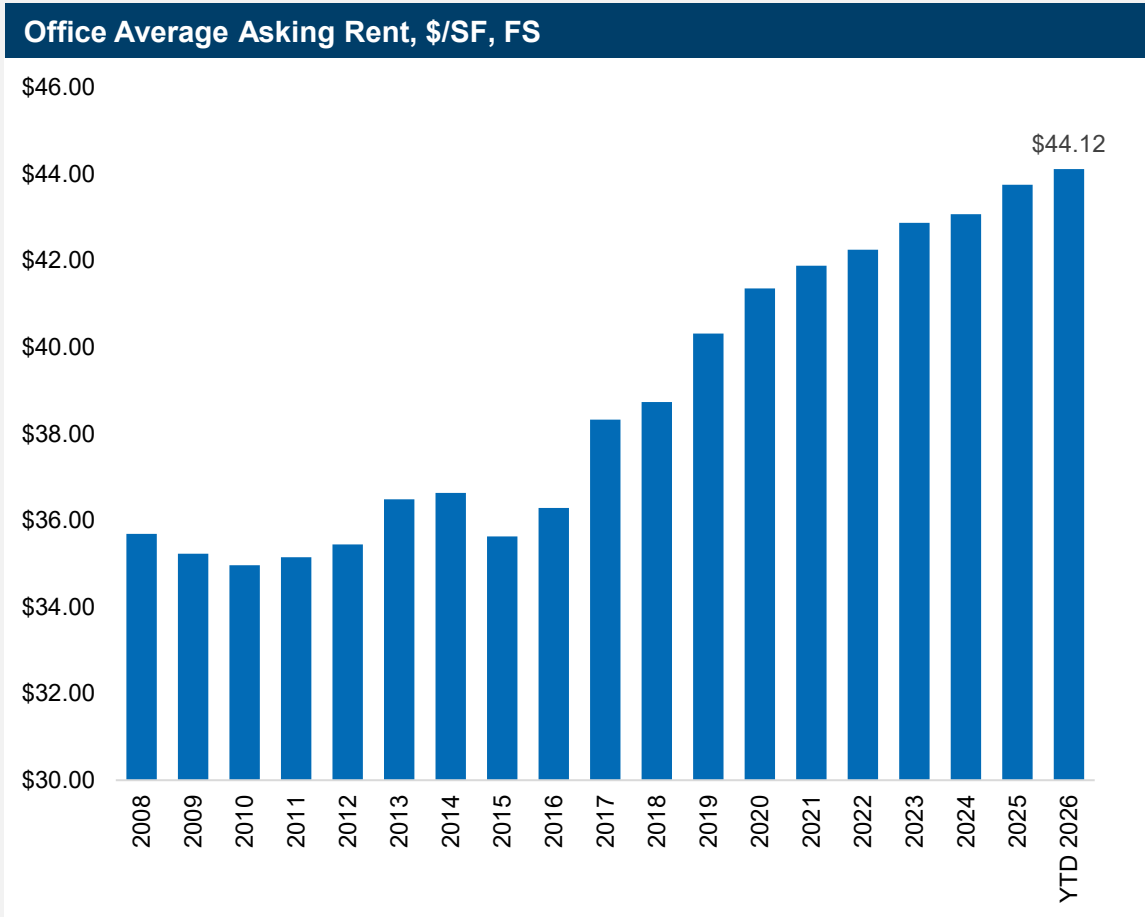




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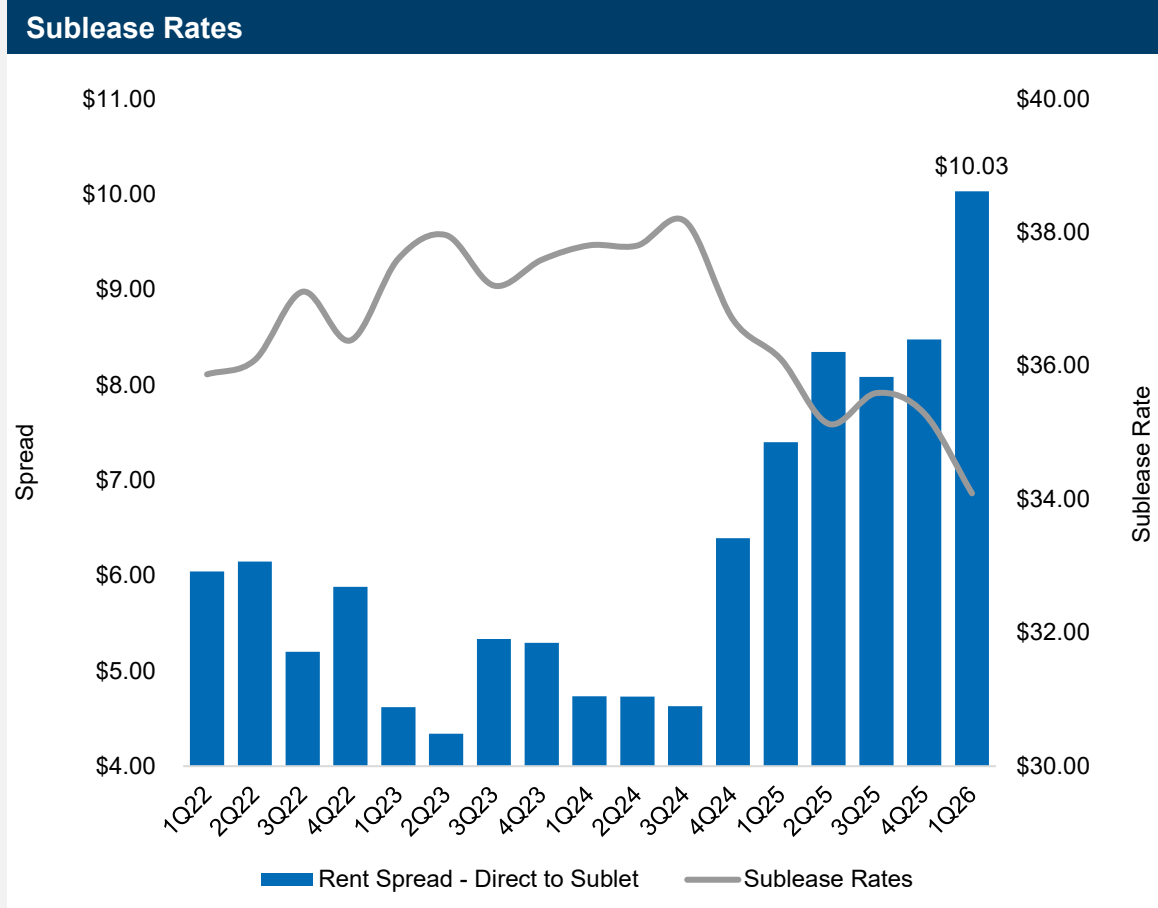
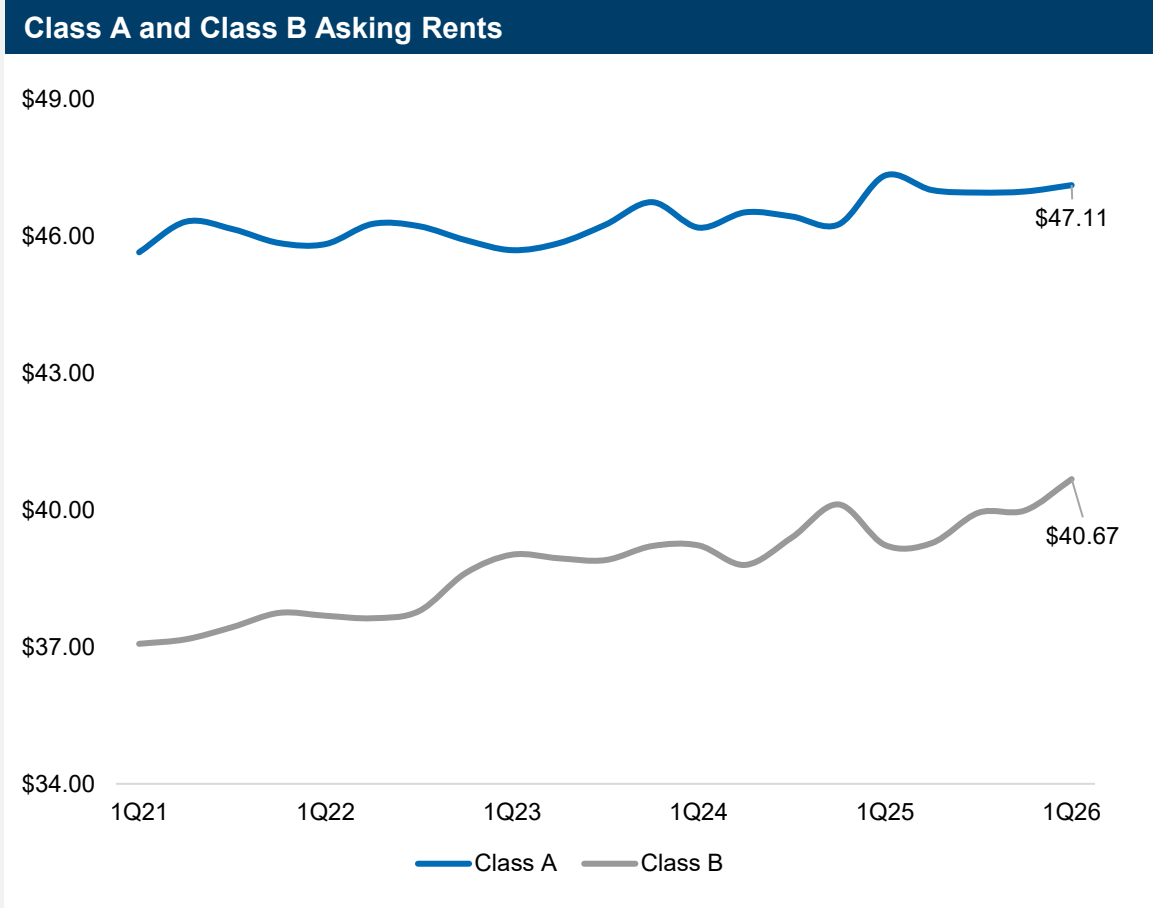
# Rental Growth Continues To Begin 2026

Asking rents ended the first quarter of 2026 at \$44.12/SF, increasing 1.4% year-over-year. Rent growth has fluctuated over the last few years, peaking at 5.6% in 2017, and reaching a ten-year low in 2024, when rents grew 0.5%. Overall, ten-year average rent growth in the Washington metro area is 2.1%, while the five-year average is lower, at 1.1%. Rental rate growth began decelerating in 2020 and has fluctuated at lower levels since.



# Class A and Class B Rents Tighten During First Quarter

Class A asking rents declined by 0.4% year-over-year, ending the first quarter of 2026 at \$47.11/SF. Class B asking rates grew, however, ending the period at \$40.67/SF, an increase of 3.7% over the same period. Sublease rates have declined in five of the last six quarters, shrinking 3.4% quarter-over-quarter and 5.6% year-over-year, to \$34.09/SF to begin the year. The spread between direct and sublet continues to grow, reaching \$10.03/SF as of the first quarter of 2026.





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# 03

## Market Statistics

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