

District of Columbia Office Market Overview

Market Observations



Economy

- The region’s labor market has slowed in recent months due to shifting federal government policy. August’s 4.3% unemployment rate exceeds the region’s ten-year historical average of 3.8%, expanding 30 bps quarter-over-quarter and 90 bps year-over-year. The Washington, DC metro’s unemployment rate reached equilibrium with the national rate.
- Construction alongside Education & Health propped up job growth in the region with an 8.4% 12-month increase and a 2.4% 12-month increase, respectively, though total nonfarm employment growth was negative at -0.3%. The Leisure/Hospitality and Financial Activities sector also experienced 12-month growth of 0.6%, while the Information and Business & Professional sectors saw 12-month declines of 1.1% and 2.3%, respectively.
- The number of office jobs exceeds pre-pandemic levels but are lower year-over-year. Office-using jobs in the region are currently 4.2% higher than five years ago, but 1.8% lower than in August 2024, due in part to DOGE actions and their impact on the regional workforce.



Major Transactions

- Office investment sales price per square foot as well as total transaction volume decreased during the third quarter of 2025, with the 12-month average PSF of \$275 down from the recent peak of \$645 PSF in 1Q23. The trailing 12-month total transaction volume as of the third quarter was \$2.2 billion, including just \$157.8 million for the third quarter of 2025, down from \$547.3 million during the 2Q 2025.
- Notable sales during the quarter included 1990 K Street, NW, a 269,000-square-foot office property in the CBD submarket. The property was sold by Bernstein Companies for \$27.5 million, or \$102/SF. The buyer was Stonebridge, which purchased the property for its land value and plans to convert the property to residential use.



Leasing Market Fundamentals

- The District of Columbia experienced 344,540 SF of negative net absorption during the third quarter of 2025. Registering 19.9% as of the third quarter, the vacancy rate increased 30 basis points quarter-over-quarter and 90 basis points year-over-year.
- Net negative absorption during the third quarter was partly due to several private sector tenants vacating leased space, including Georgetown University at 650 Massachusetts Avenue NW, Independent Bankers Association at 1615 L Street NW and Locke Lord at 2001 K Street NW.
- The sole property under construction in the district is 600 Fifth NW, a 400,000-square-foot office building in the East End that is scheduled to deliver in the first quarter of 2026. Half of the building is preleased to law firm Crowell & Moring.
- Overall asking rental rates increased 0.2% quarter-over-quarter during the third quarter of 2025 and are 2.9% lower than their peak in 2020, ending the quarter at \$56.38 psf. Further conversion activity and a limited development pipeline will help to increase future rents.
- D.C. continues to benefit from one of the lowest sublease availability rates (2.2%) in the nation.



Outlook

- A limited office construction pipeline, decelerating tenant demand and a slowing local economy are among headwinds that the District of Columbia faces approaching the end of the year. Though many tenants have right-sized and moved forward on decisions, uncertainty from the federal government, including further layoffs and shutdown delays continue to impact the local office market.
- The District’s trophy office market continues to outperform, and with dwindling availability, high-quality Class A product may benefit from downward pressure on vacancy and increasing rental rates. Properties that invest in enhanced amenities including conference and fitness facilities are poised to see increased market interest. Further, continued conversions are likely to impact vacancy moving forward.

1. Economy
2. Leasing Market Fundamentals
3. Submarket Stats

3Q25

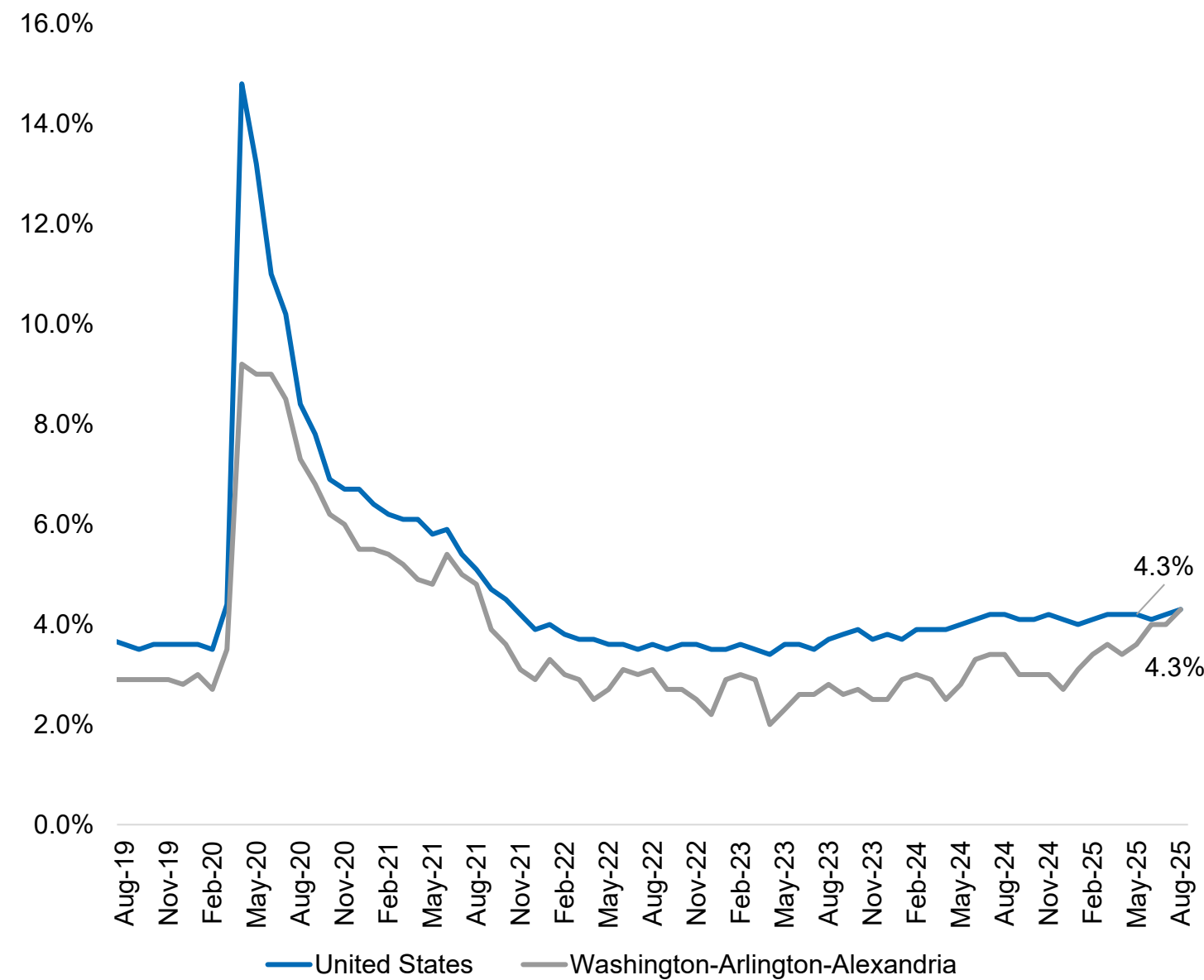
Economy



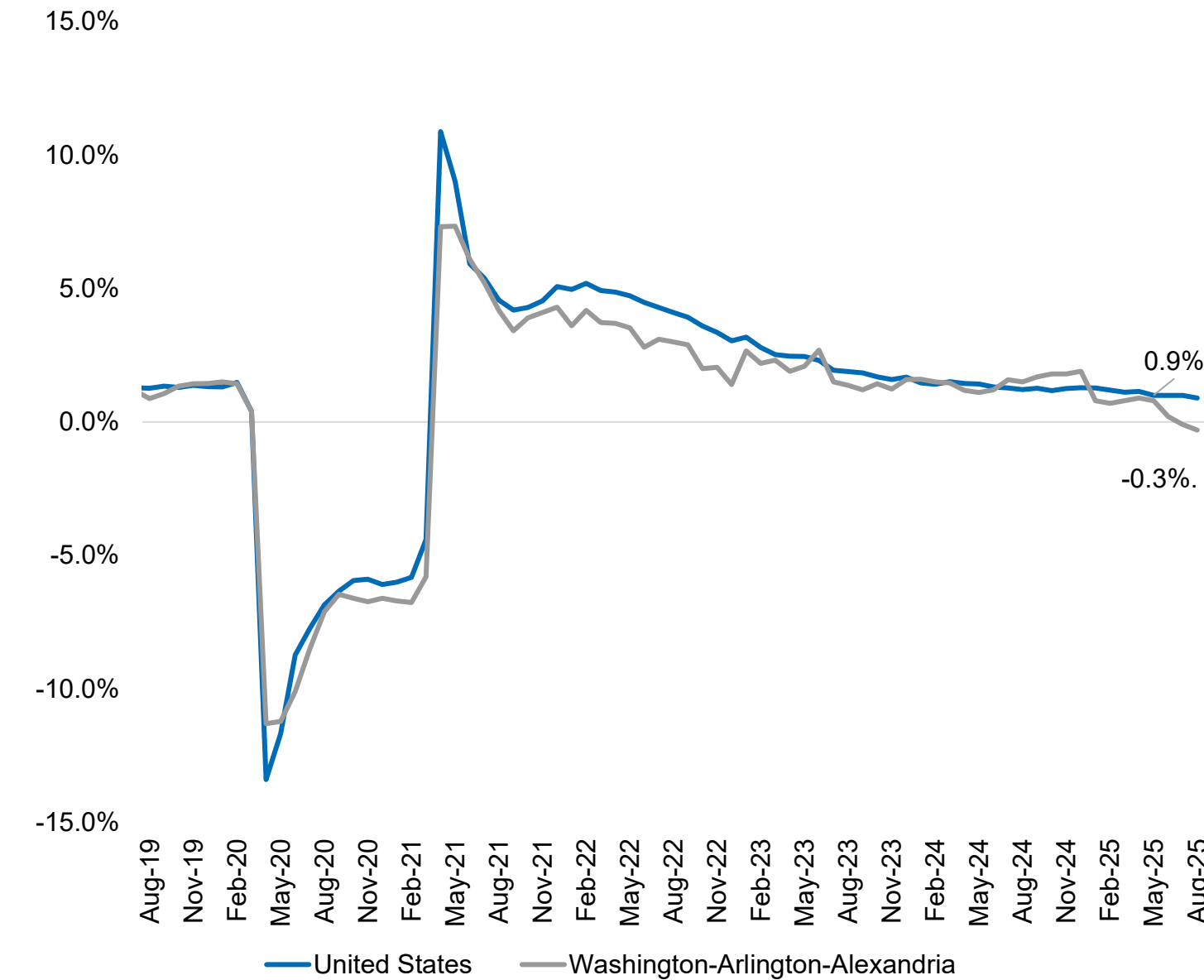
Metro Unemployment Rate Even With The National Average

Though the region’s labor market remains tight, the metro’s unemployment rate increased quarter-over-quarter and year-over-year, with unemployment now equal to the national average. As of August 2025, the region’s unemployment rate is 4.3%, an increase of 90 bps compared with the same period last year. Regional nonfarm job growth dipped negative, with a -0.3% 12-month growth as of August.

Unemployment Rate, Seasonally Adjusted



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

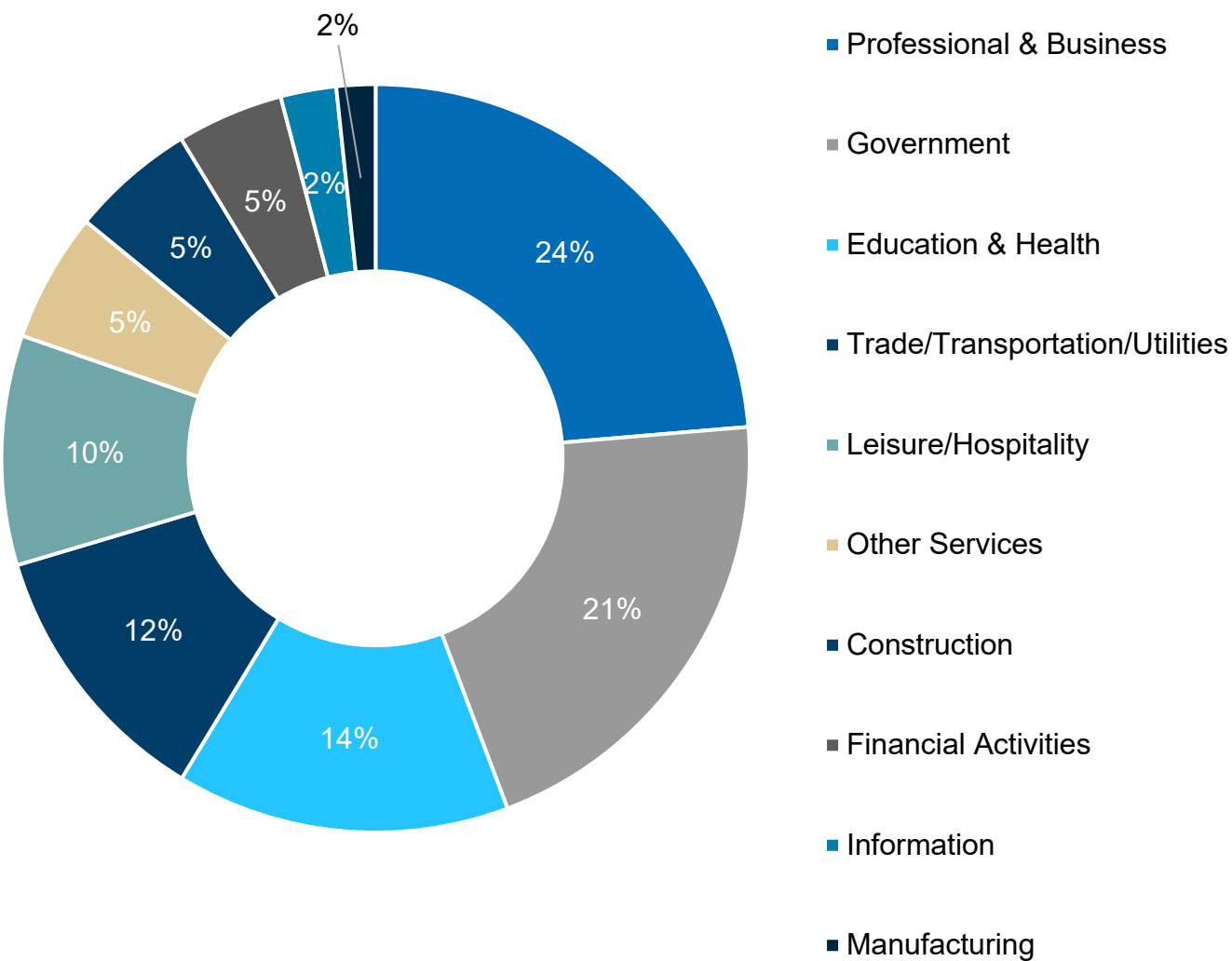


Source: U.S. Bureau of Labor Statistics, Washington-Arlington-Alexandria

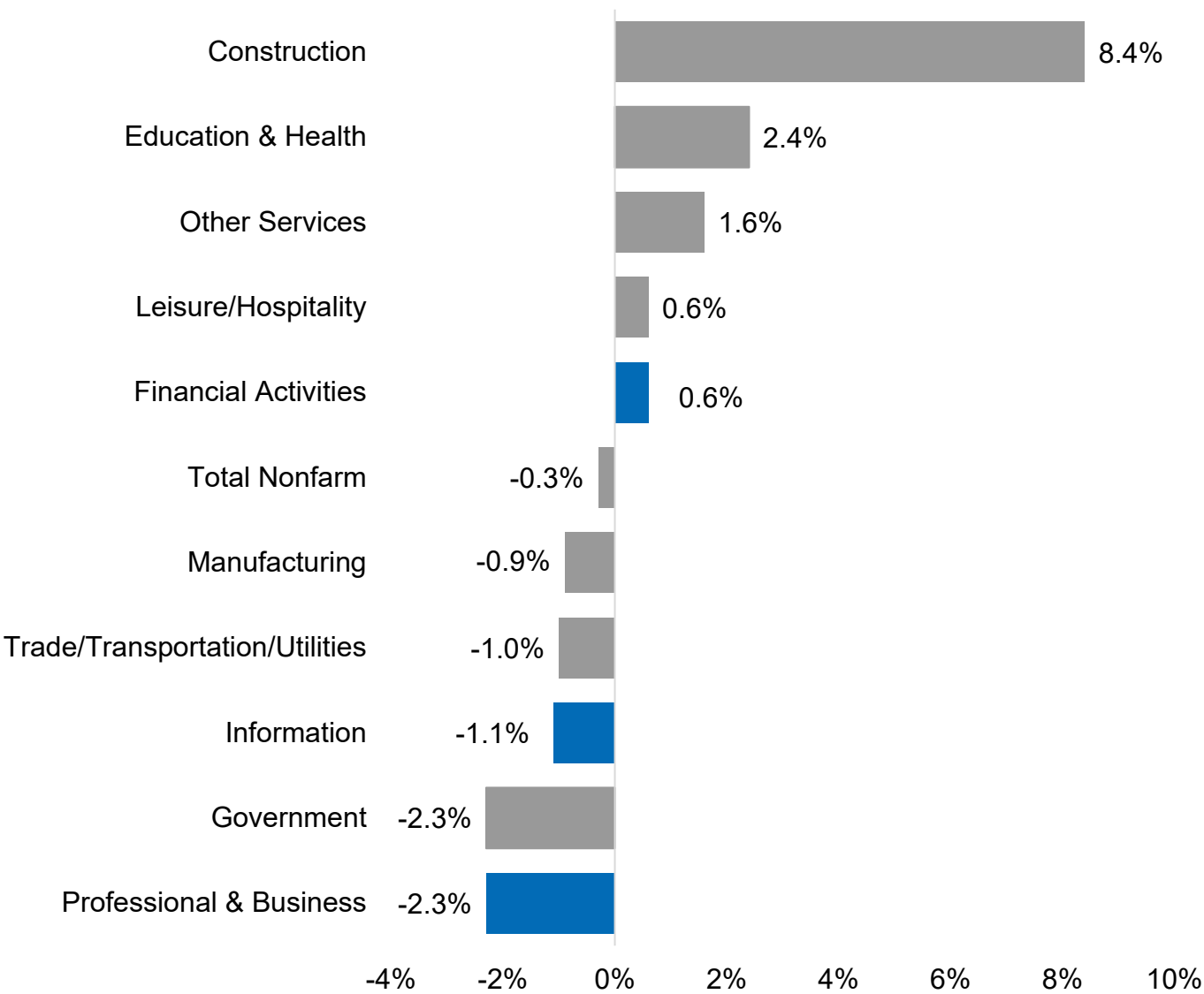
Job Growth Driven by Construction And Education & Health

Construction alongside Education & Health propped up job growth in the region with an 8.4% 12-month increase and a 2.4% 12-month increase, respectively, though total nonfarm employment growth was negative at -0.3%. The Leisure/Hospitality and Financial Activities sector also experienced 12-month growth of 0.6%, while the Information and Professional & Business Services sectors saw 12-month declines of 1.1% and 2.3%, respectively.

Employment by Industry, August 2025



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

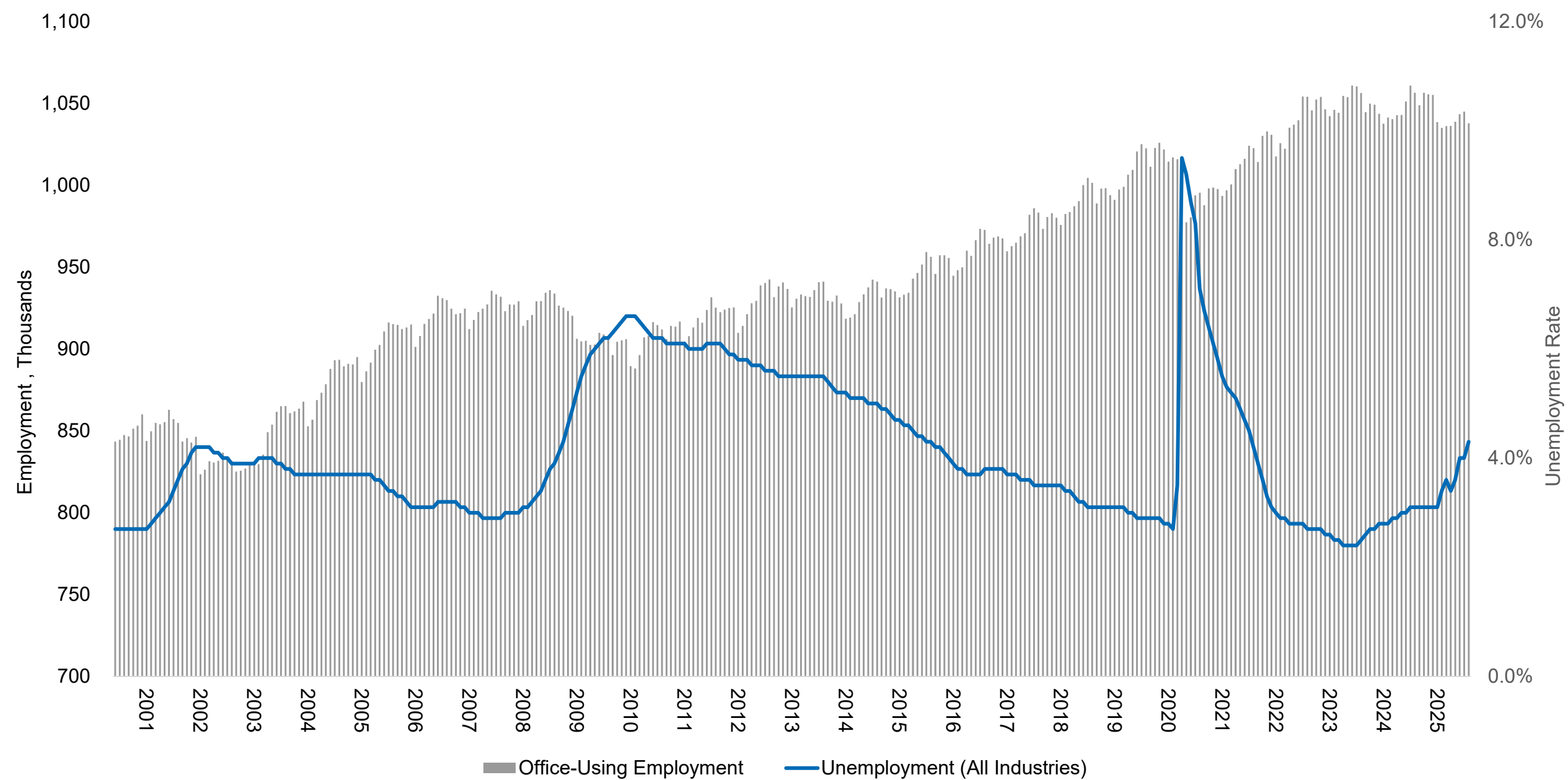


Source: U.S. Bureau of Labor Statistics, Washington-Arlington-Alexandria
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

Overall Office-Using Employment Is Lower YOY, Yet Still Higher Than Pre-Pandemic

The number of office jobs exceeds pre-pandemic levels but are down year-over-year. Office-using jobs in the region are currently 4.2% higher than five years ago, but 1.8% lower than in August 2024, due in part to DOGE actions and their impact on the regional workforce.

Office-Using Employment* and Unemployment Across All Industries



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.

3Q25

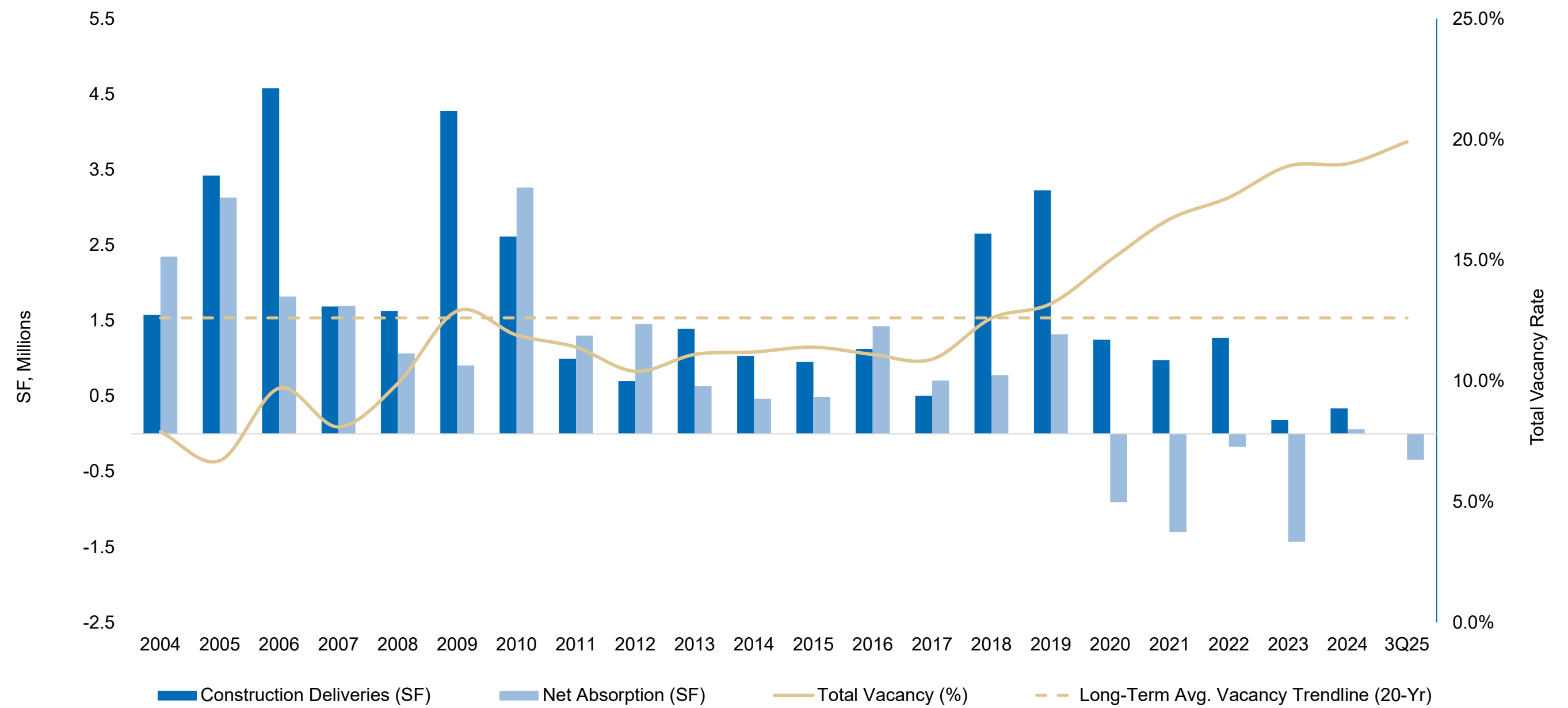
Leasing Market Fundamentals



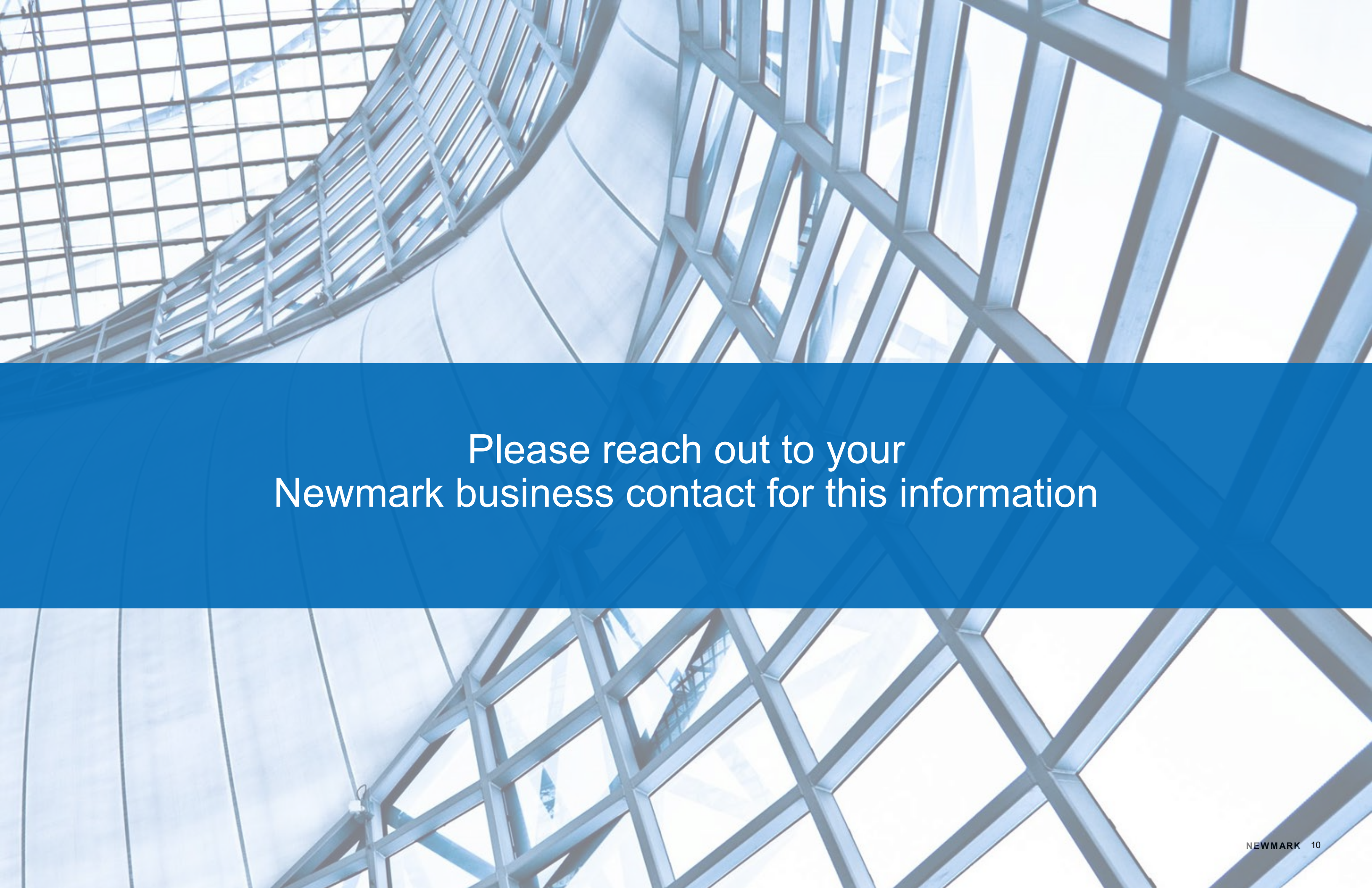
Vacancy Increases Over First Three Quarters of 2025

The District of Columbia’s vacancy rate ended the third quarter of 2025 at 19.9%, an increase of 30-bps quarter-over-quarter and 90-bps year-over-year. While the District experienced nearly 1.2 million square feet of negative absorption year-to-date in 2025, the continued trend of converting obsolete office space to other uses, coupled with a continued lack of speculative office construction, will help to ease vacancy pressures in a period of limited demand.

Historical Construction Deliveries, Net Absorption, and Vacancy



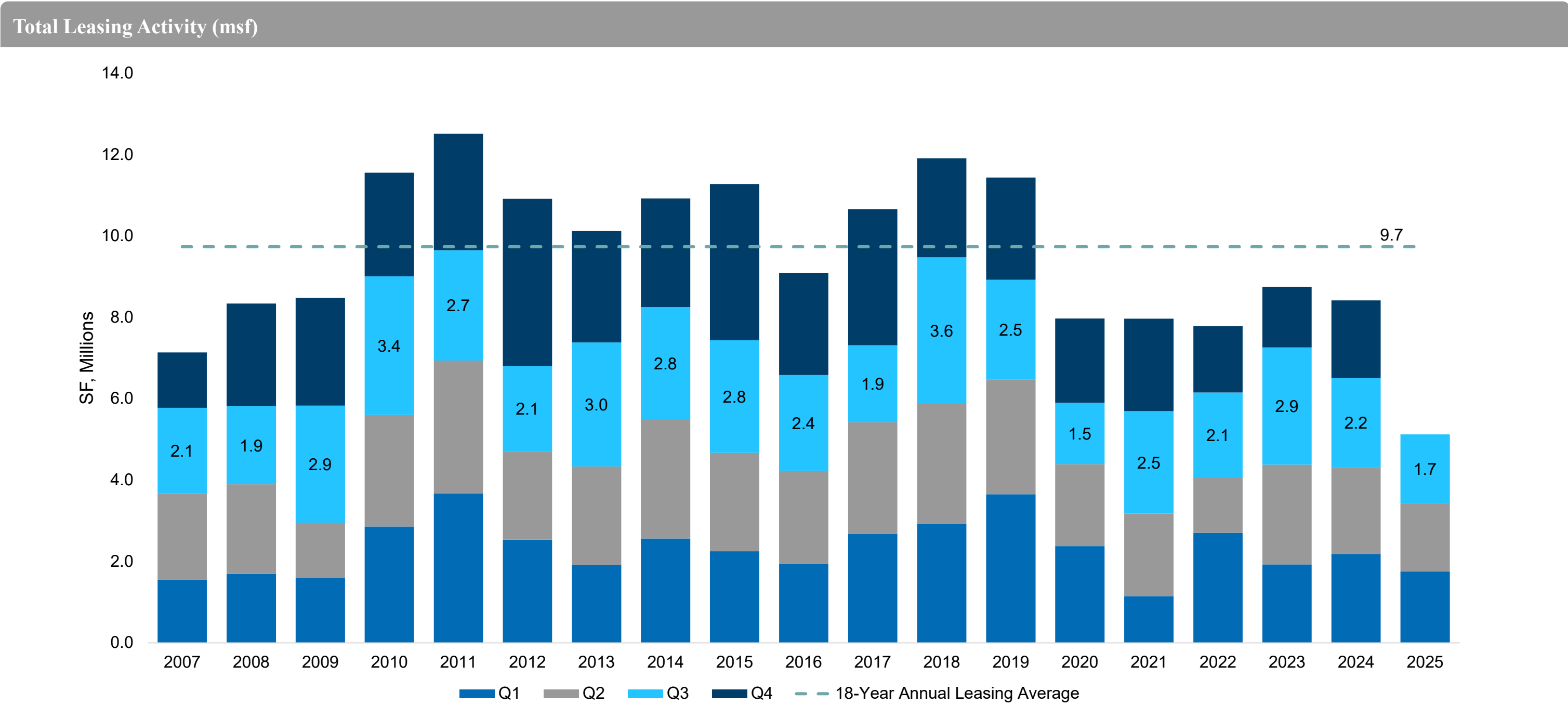
Source: Newmark Research



Please reach out to your
Newmark business contact for this information

Third Quarter Leasing Activity Slows

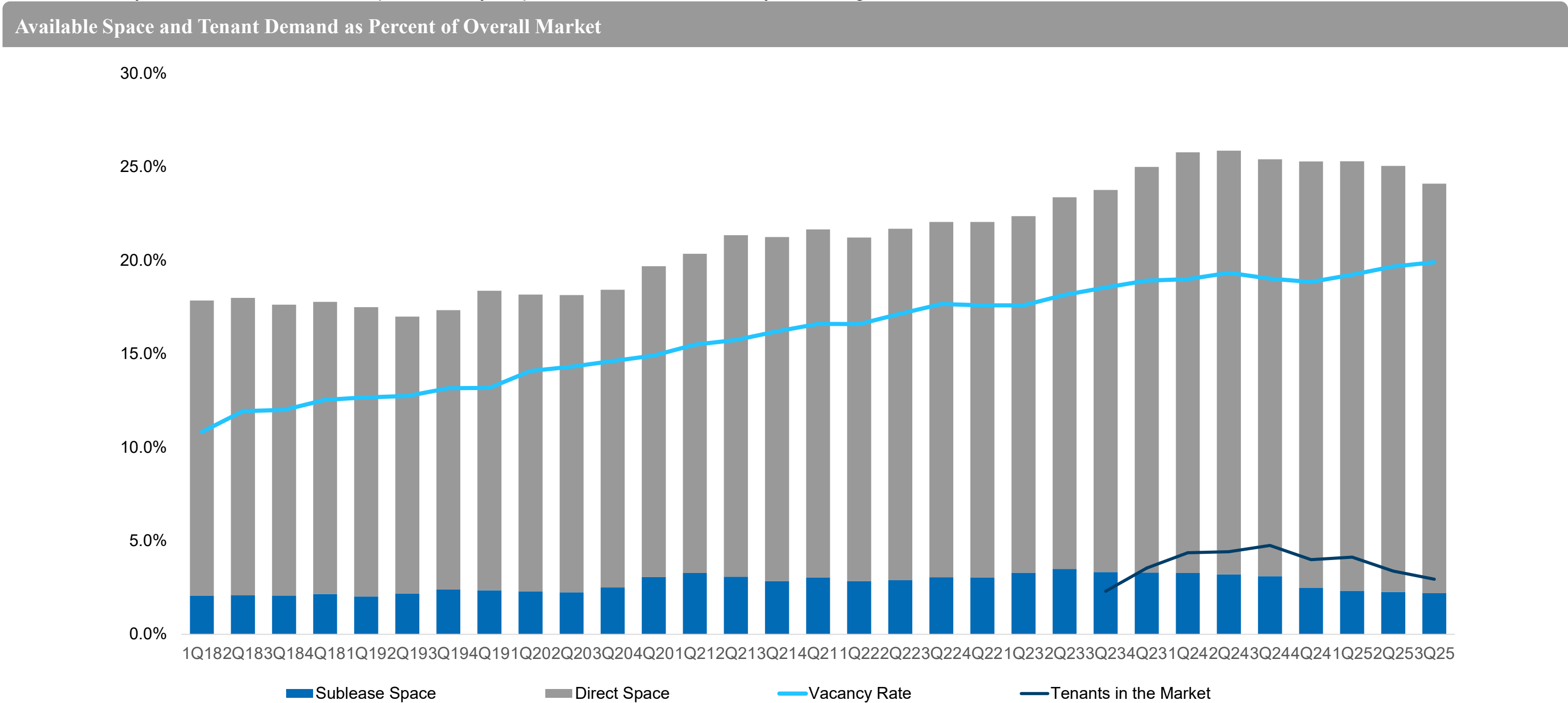
The District of Columbia office market saw 1.7 MSF of leasing activity during the third quarter of 2025. While down nearly a half-million square feet compared with the same period one year ago, the number is likely to increase once all third-quarter leases are tallied. So far, leasing activity through the first three quarters of the year lags behind average activity during the same period over the previous three years. Law firms seeking the limited trophy space that exists as well as smaller tenants seeking spec suites (typically under 10,000 SF) are driving leasing activity in the District.



Source: Newmark Research, CoStar
*Most recent quarter data is subject to change due to lag in CoStar data

Availability, Tenant Demand Trend Lower

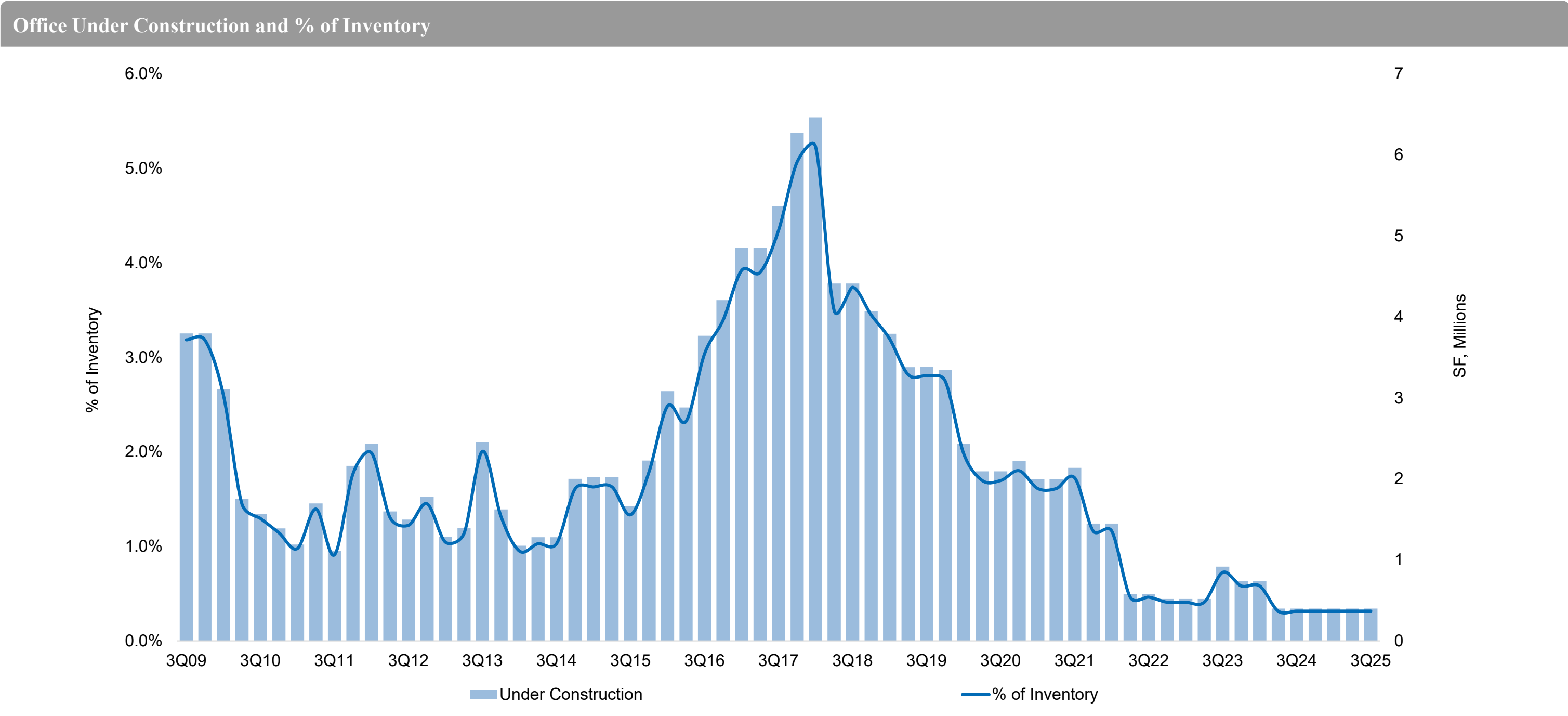
District of Columbia sublease availability registered 2.2% at third quarter 2025, a decrease of 29% year-over-year and 37.1% since peaking during the second quarter of 2023. The Washington metro area has among the lowest sublease availability rates of the nation’s gateway markets. The decline in sublease availability illustrates the increasing demand for ready-to-go functional office space in the District. Overall availability rates have come down slightly from their peak at the beginning of 2024 but remain elevated. The third-quarter direct availability rate of 21.9% is down 30 bps from the year prior but well above the five-year average of 19.8%.



Source: Newmark Research

Stagnant Office Construction Pipeline Minimizes Impact of Vacancy

The District of Columbia’s development pipeline remains historically low, with no deliveries since the second quarter of 2024. There is one project under construction totaling 400,000 SF. This development, 600 Fifth NW, is a 400,000-square-foot office building located in the East End. It has an expected delivery of Q1 2026 and is 54% preleased. BXP will begin demolition and site work for the future 725 12th Street NW development, which will deliver 320,000 SF of trophy space in late 2028, and is approximately 81% preleased. Leases to date in each building have consisted of law firms relocating into trophy space.

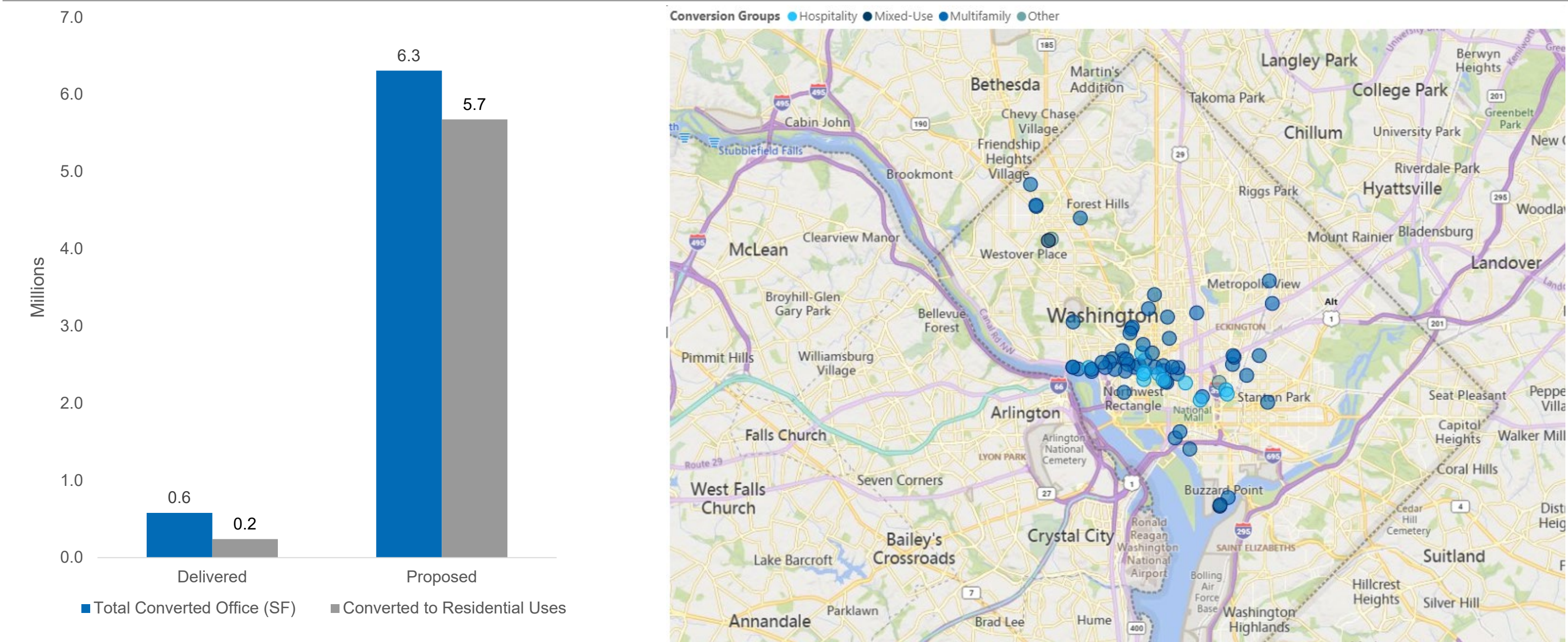


Source: Newmark Research, CoStar

Office Conversion Proposals Continue To Add Up

Conversions covering nearly 7.0 million SF of office space have been completed or proposed in the District since 2020. Approximately 240,000 SF of the 580,000 SF of office space that has been removed from inventory in the District of Columbia since 2020 was converted to residential uses. Looking forward, approximately 6.3 MSF of office space is proposed to be converted into other uses, with 5.7 MSF of that space slated for residential use. Recently announced conversions include 1990 K Street, NW, a 269,000-square-foot office building, which will be renamed 1999 Eye Street, NW and is proposed to include 415,000 square feet and 435 multifamily rental units.

DC Office Conversions Delivered or Proposed After 2020

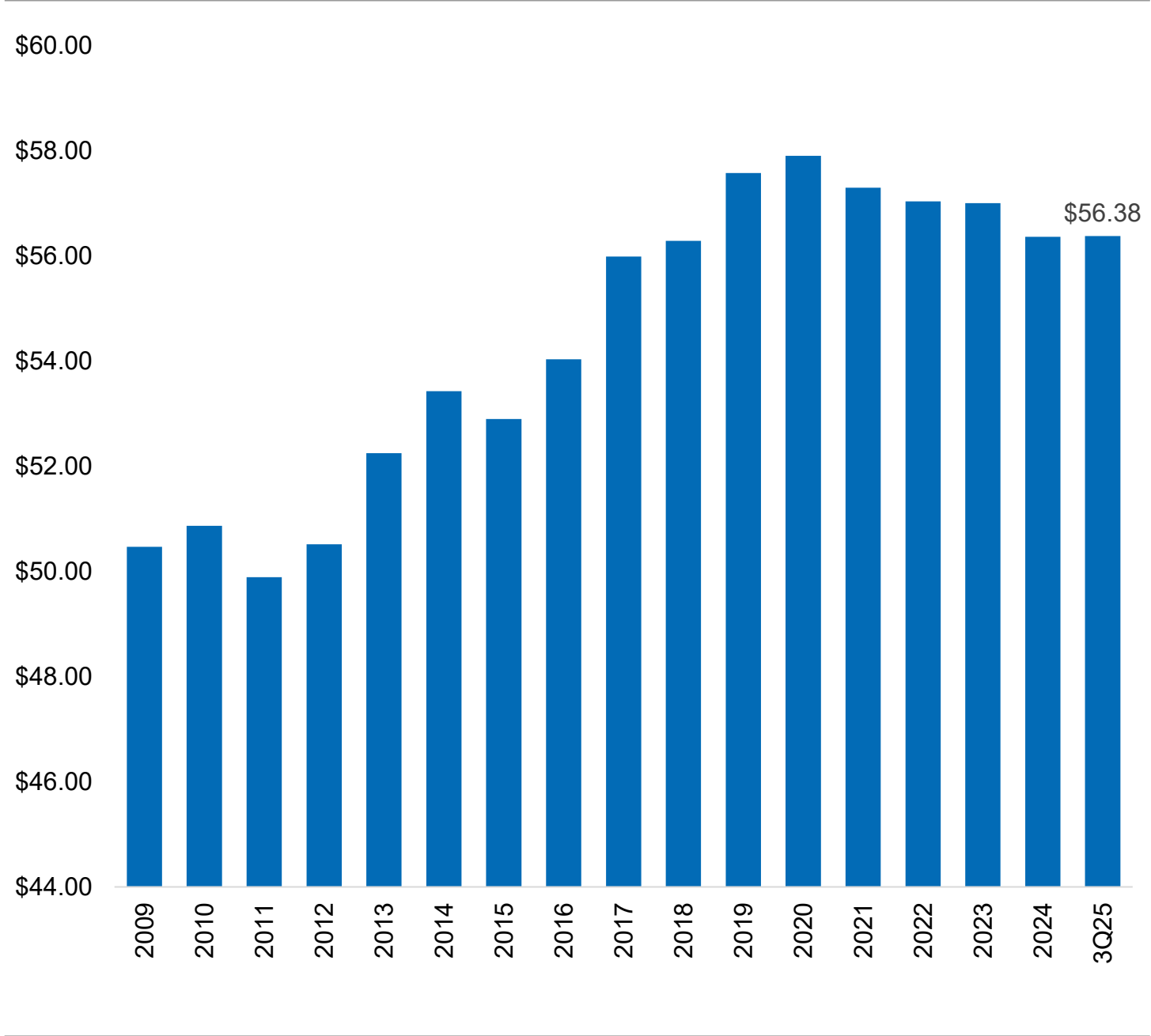


Source: Newmark Research

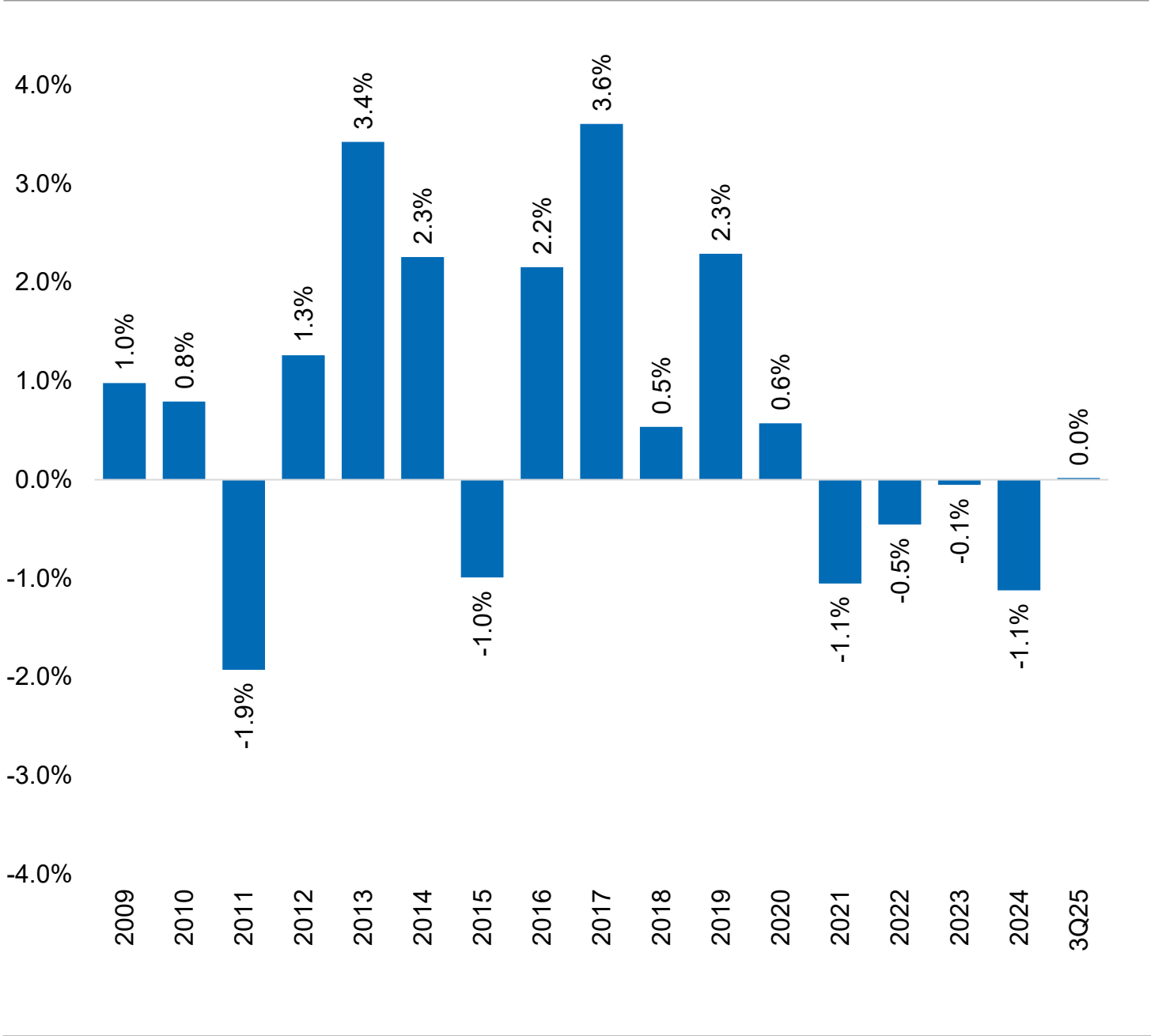
District of Columbia Asking Rents Flat Through Third Quarter

Asking rental rates have remained remarkably stable over the last year, remaining essentially flat since the third quarter of 2024. 3Q 2025 asking rental rates were down 0.1% compared with the same period last year, but even with the end of 2024. Rents are 2.9% lower than their peak in 2020, ending the quarter at \$56.38 psf. Continued limited demand—and in some cases, a lack of capital for concessions—has placed downward pressure on asking rents in the District. However, the conversion of obsolete office space to other uses helps to raise average rents to a level more reflective of competitive product.

Office Average Asking Rent, \$/SF, FS



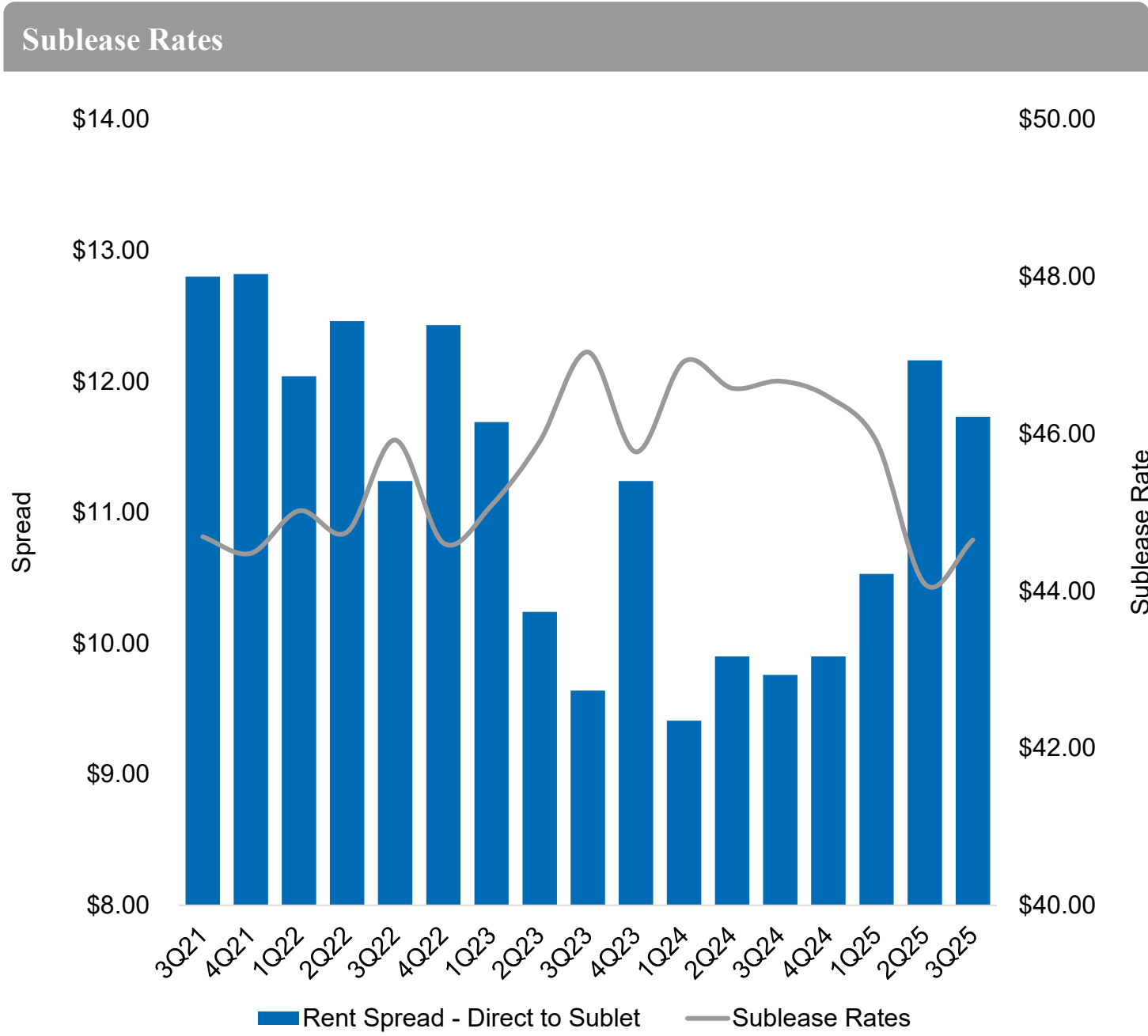
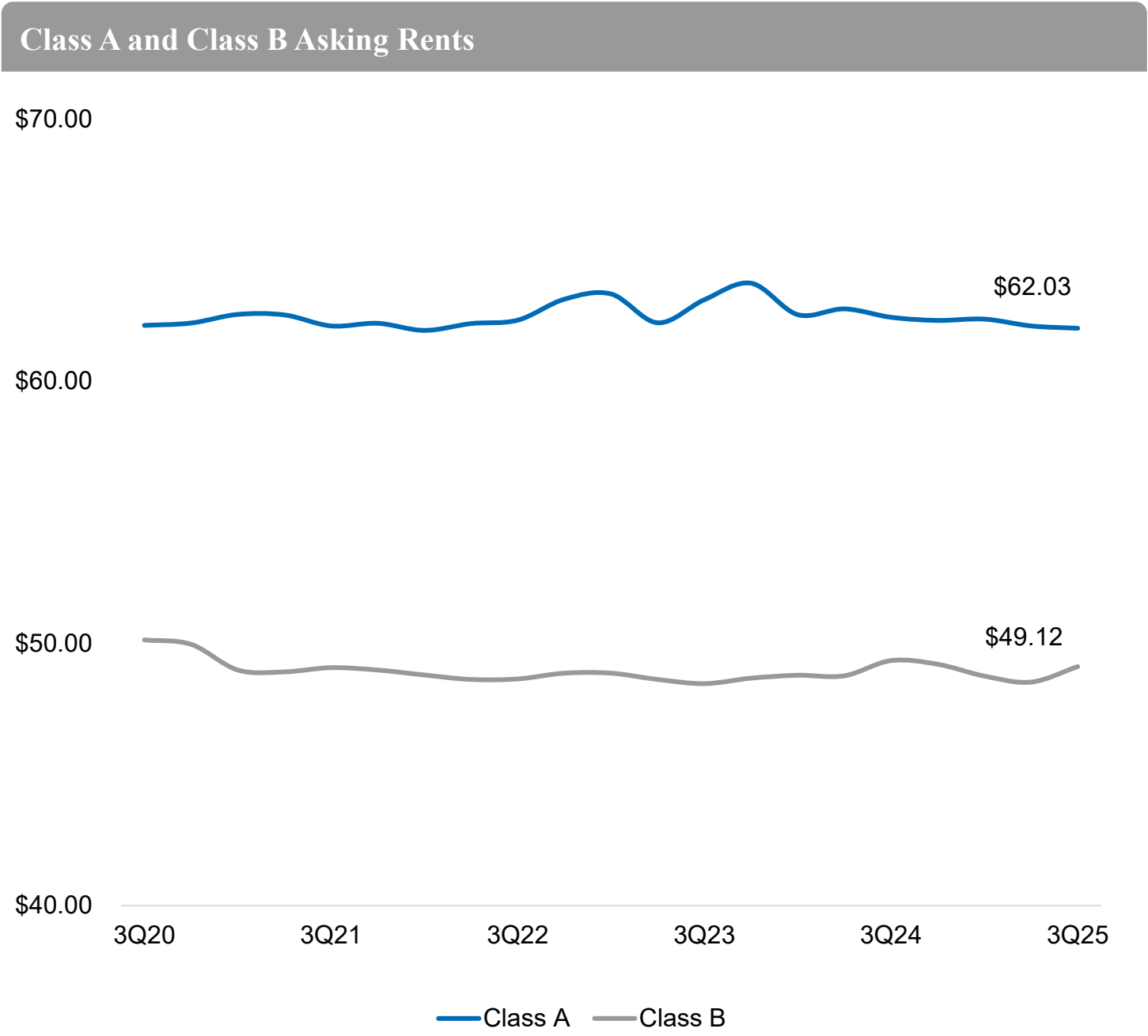
Year-over-Year Asking Rent Growth Rate



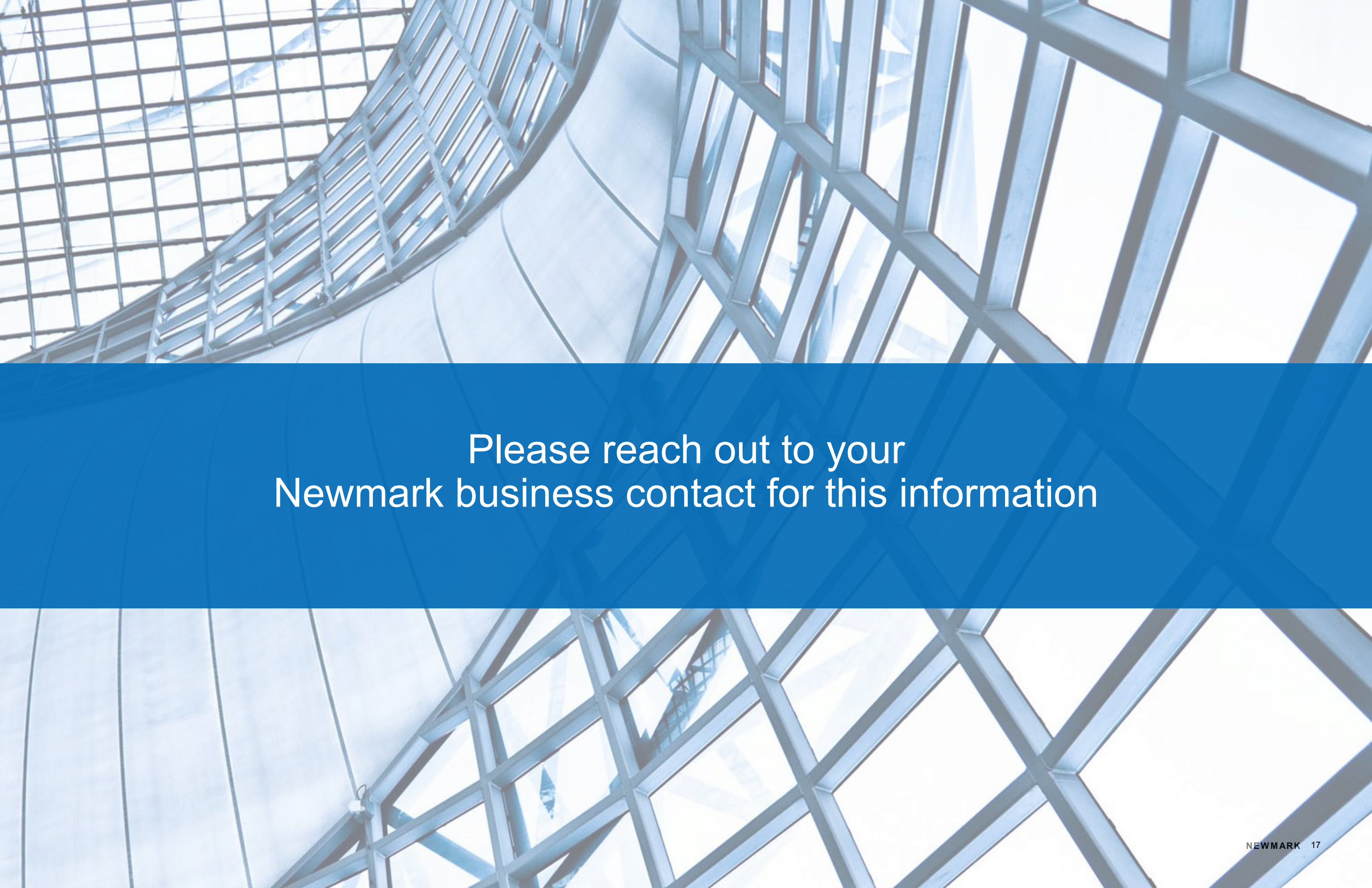
Source: Newmark Research

Spread Between Class A and Class B Asking Rents Shrinks Slightly

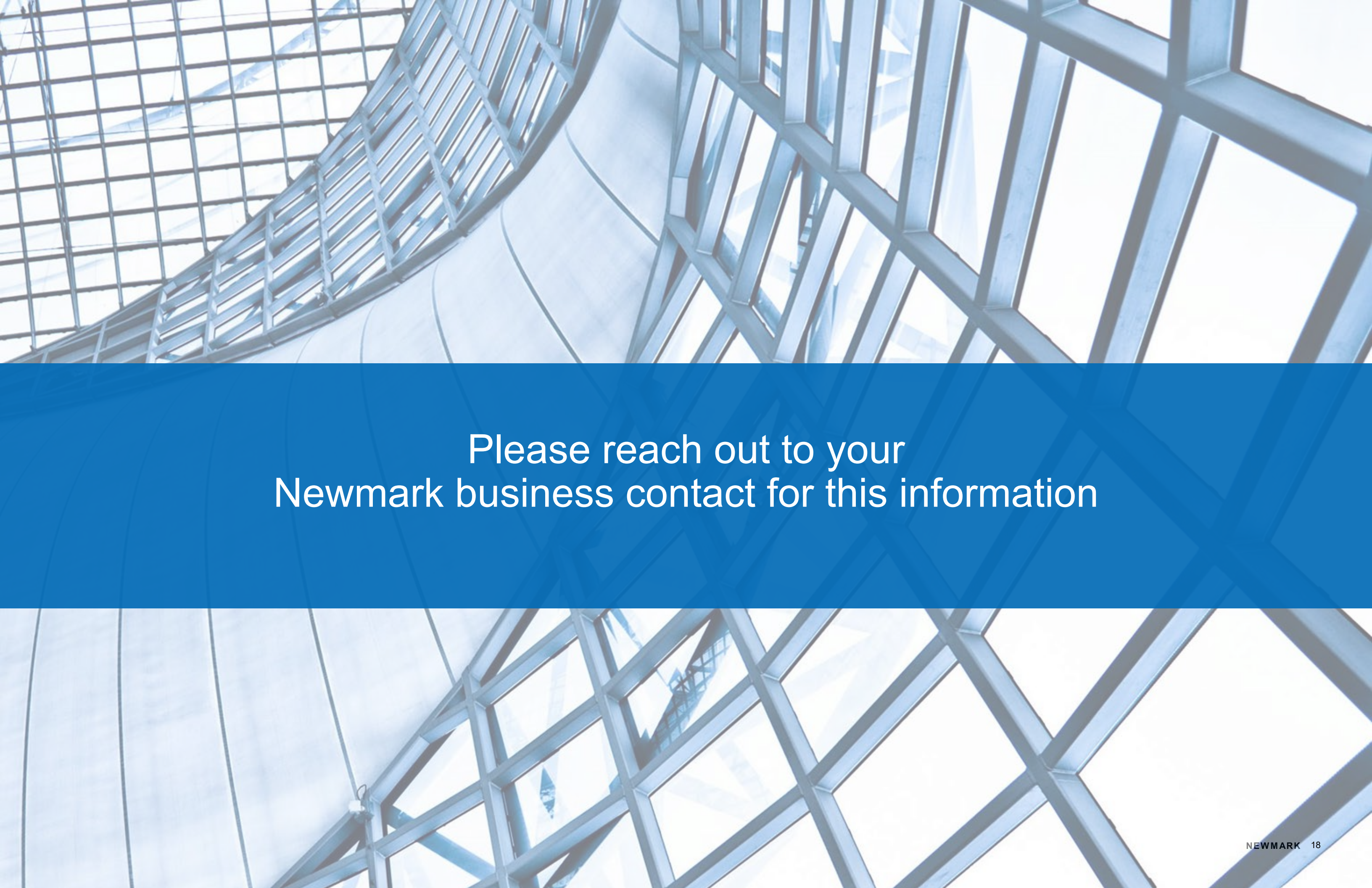
The spread between Class A and Class B rents expanded during the third quarter of 2025. Class A rents decreasing by 0.7% year-over-year, while Class B rents decreased by 0.5% over the same period. Over the past five years, Class A rents have declined by 0.2% compared with a 2.0% decline for Class B rents. The rent spread between direct and sublet deals decreased to \$11.73 during the third quarter—a 29% decline since it’s peak at the end of 2020 but even with its five-year average.



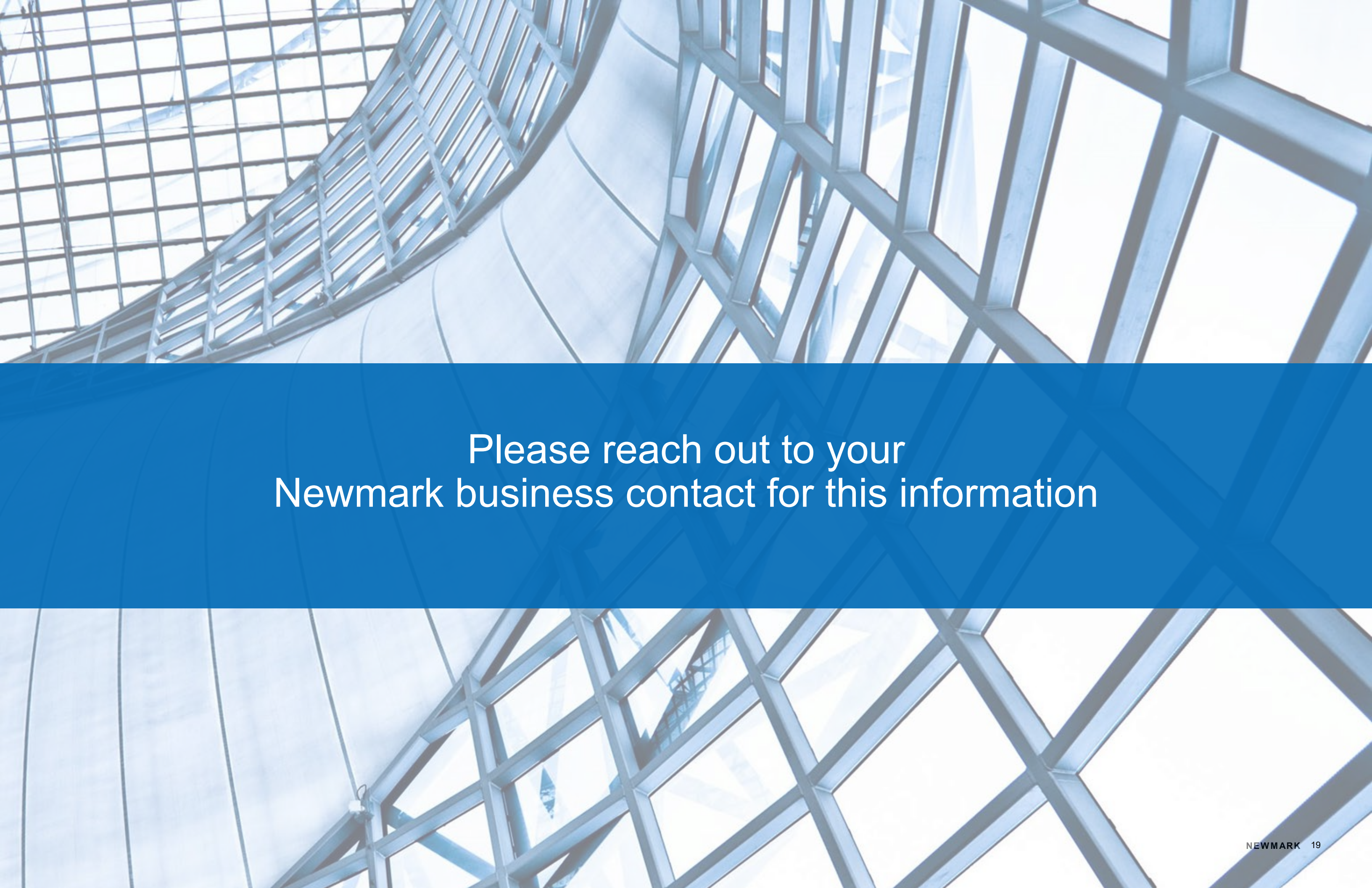
Source: Newmark Research



Please reach out to your
Newmark business contact for this information



Please reach out to your
Newmark business contact for this information

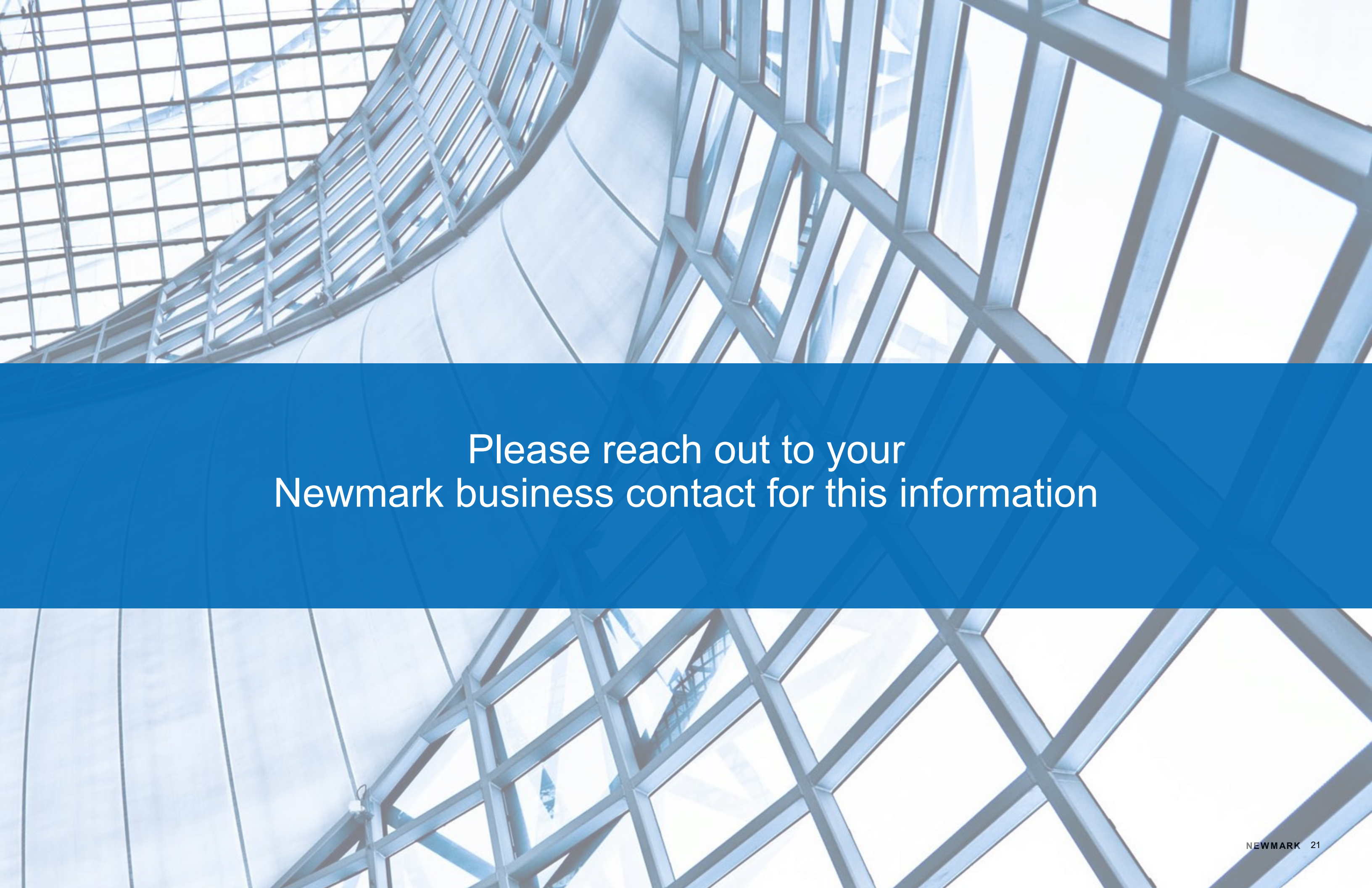


Please reach out to your
Newmark business contact for this information

3Q25

Submarket Stats





Please reach out to your
Newmark business contact for this information

For more information:

Carolyn Bates

Director
Mid-Atlantic Research

carolyn.bates@nmrk.com

Chad Braden

Senior Research Analyst
Mid-Atlantic Research

chad.braden@nmrk.com

Kevin Sweeney

Associate Director
Mid-Atlantic Research

kevin.sweeney@nmrk.com

District of Columbia

1899 Pennsylvania Avenue, NW
Suite 300
Washington, DC 20006
t 202-331-7000

New York Headquarters

125 Park Ave.
New York, NY 10017
t 212-372-2000

[nmrk.com](#)

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at [nmrk.com/insights](#).

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.