

Suburban Maryland Office Market Overview

Market Observations

Economy

- The metro’s unemployment rate expanded 70 bps quarter-over-quarter as the reduction of the federal workforce is beginning to be shown in the unemployment numbers. This led to the metro’s unemployment rate now being in line with the national rate. Furthermore, regional nonfarm payroll employment has dipped into the negatives, with a 0.3% 12-month decrease as of August.
- While total nonfarm employment decreased by 0.3% over the last twelve months, office-using employment sectors saw mixed results. The Professional & Business Services and Information sectors each registered 12-month declines of -2.3% and -1.1%, respectively, while the Financial Activities sector experienced 0.6% growth over the last year.
- The number of office jobs has rebounded and now exceeds pre-pandemic levels. Office-using jobs in the region are currently 1.6% higher than five years ago—just before the pandemic—and 6.2% higher than the pandemic-induced employment trough in May 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 deal of the quarter was the sale of Maryland Trade Center III, a two-building office portfolio located at 7501-7503 Greenbelt Center Drive. The two office buildings, totaling 192,000 SF, were sold by Leah Waldman to Skyrock Capital, LLC for \$27.5 M, or \$143.23 PSF. 7501 Greenbelt Center Drive is a twelve-story, Class A office building totaling 187,040 SF, while 7503 Greenbelt Center Drive is a one-story, Class B office building totaling 4,960 SF. The two buildings were 75% leased at the time of sale.

Leasing Market Fundamentals

- Suburban Maryland saw positive activity during Q3 2025, with 115,000 SF of positive net absorption, with the market currently seeing its first year of notable positive net absorption since 2019. Overall vacancy ended the quarter at 20.1%, tightening 20 bps quarter-over-quarter, however flat year-over-year.
- After a building boom from 2017-2022, 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 rose through the first three quarters of 2024, before declining to end the year, a trend that has continued so far in 2025. Asking rents have decreased 2.2% year-to-date, ending Q3 2025 at \$31.19 PSF.

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 25,000 SF. In addition, a restrained office pipeline should help limit rising vacancies. Despite this, DOGE and tariffs continue to provide uncertainty for regional tenants and federal employees.
- 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 highest quality space.

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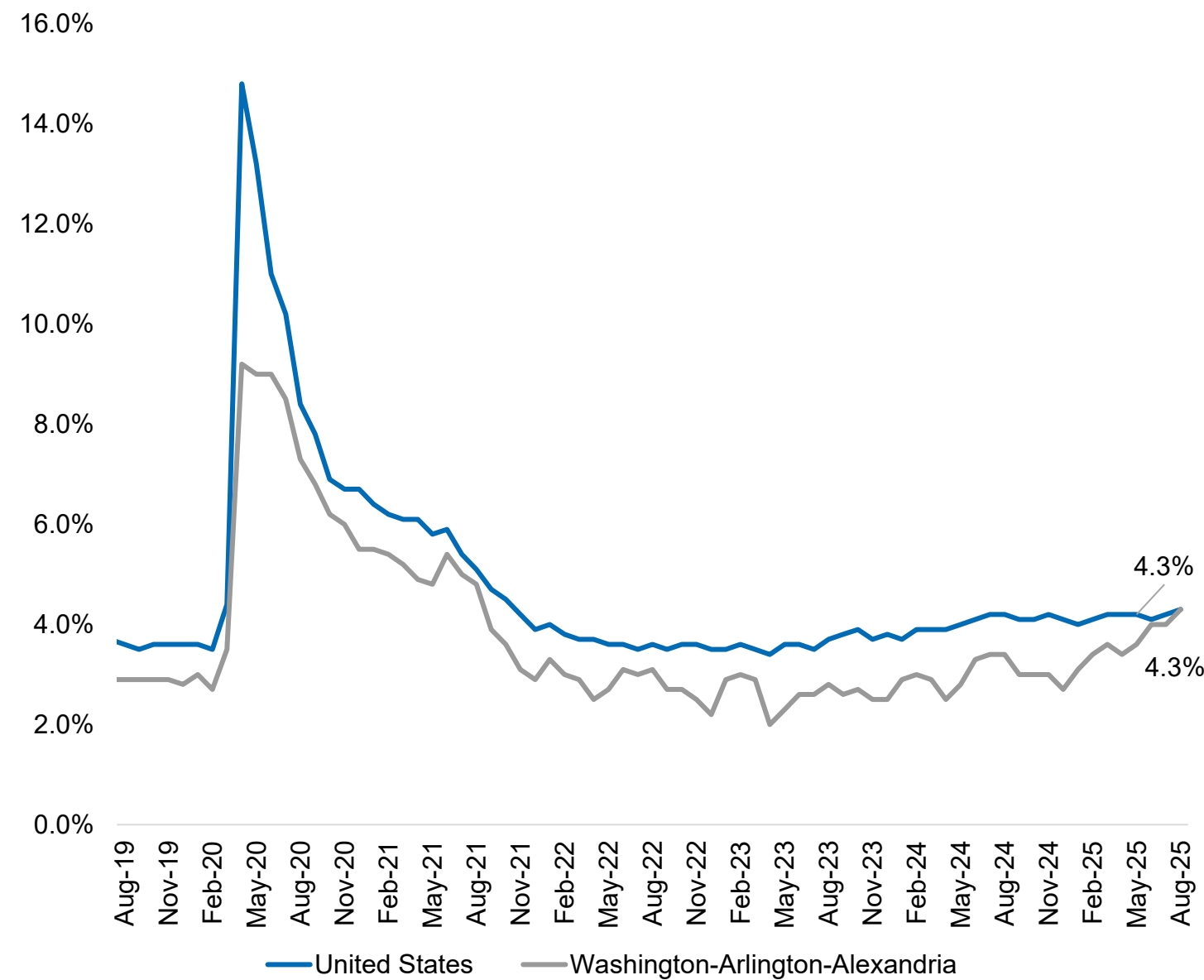
Economy



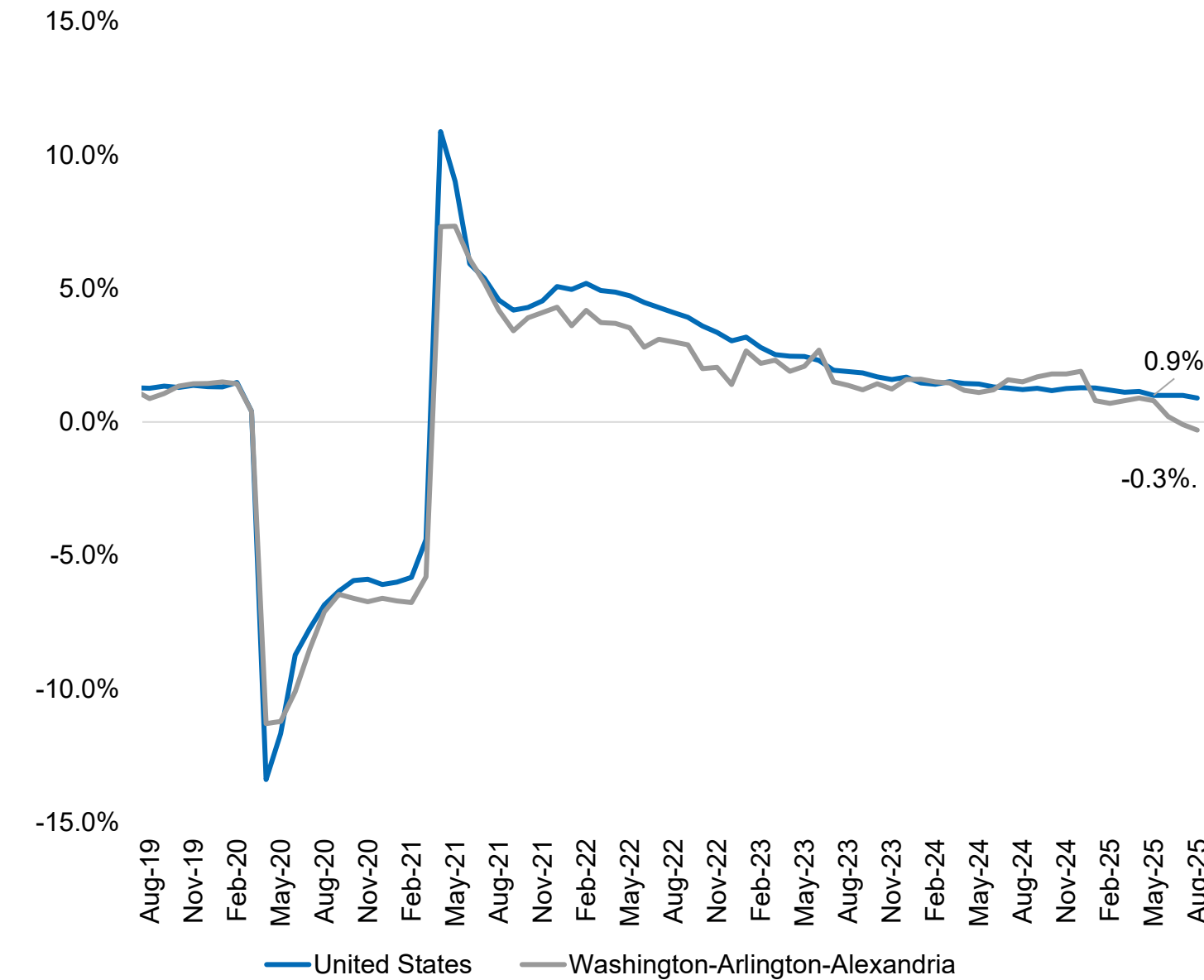
Metro Unemployment Rate Even With The National Average

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

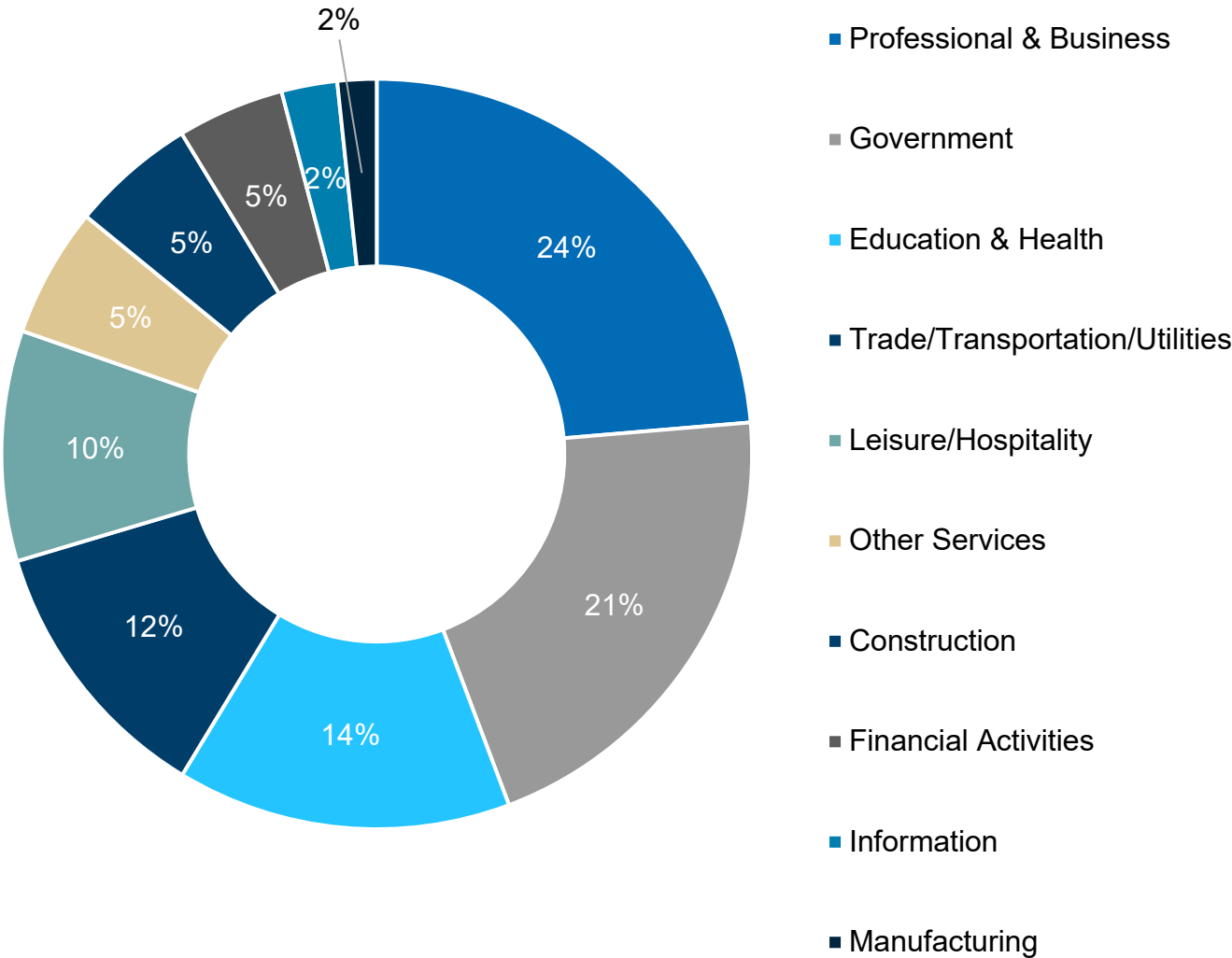


Source: U.S. Bureau of Labor Statistics, Washington-Arlington-Alexandria

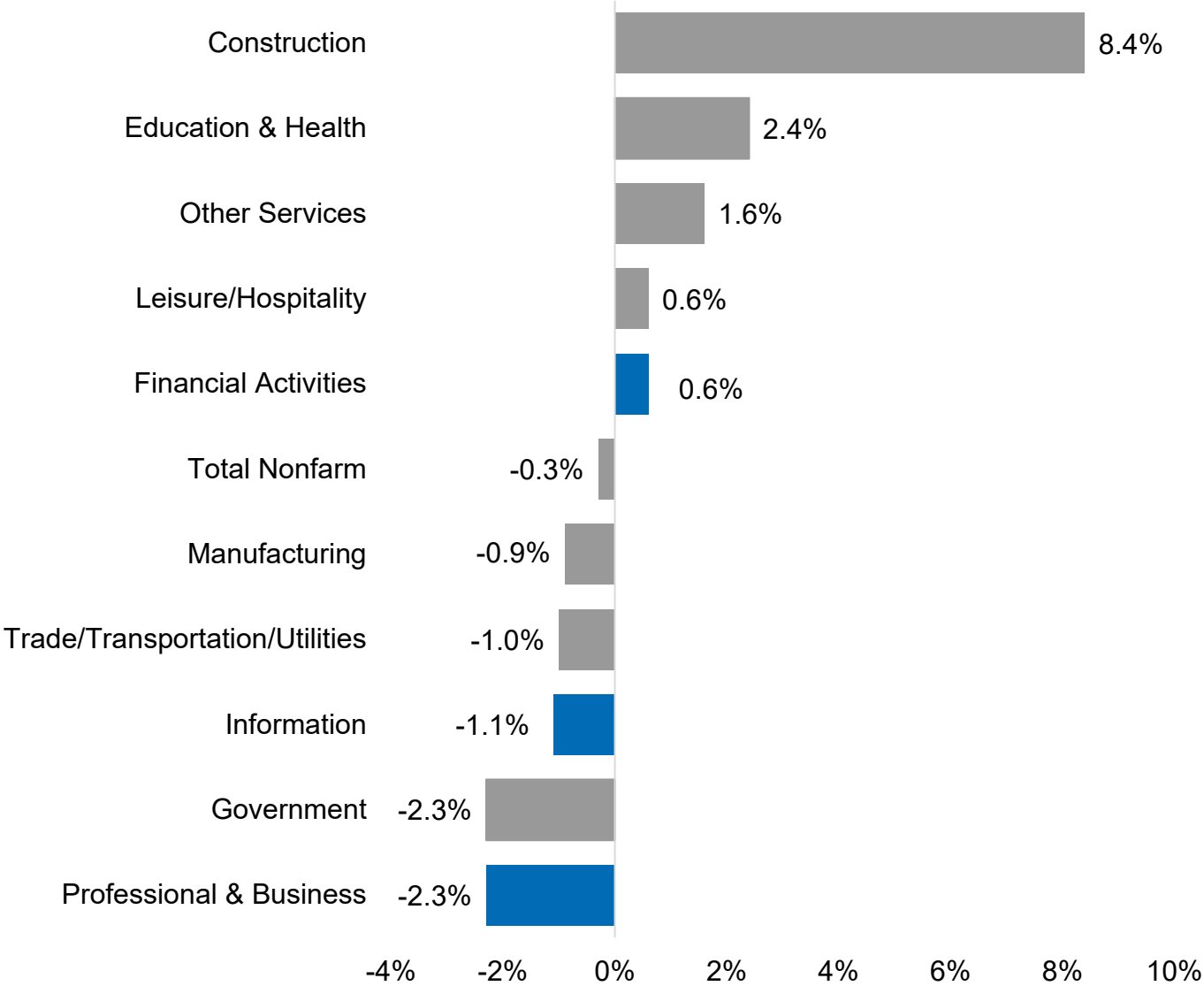
Job Growth Driven by Construction and Education & Health

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 Business & Professional 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

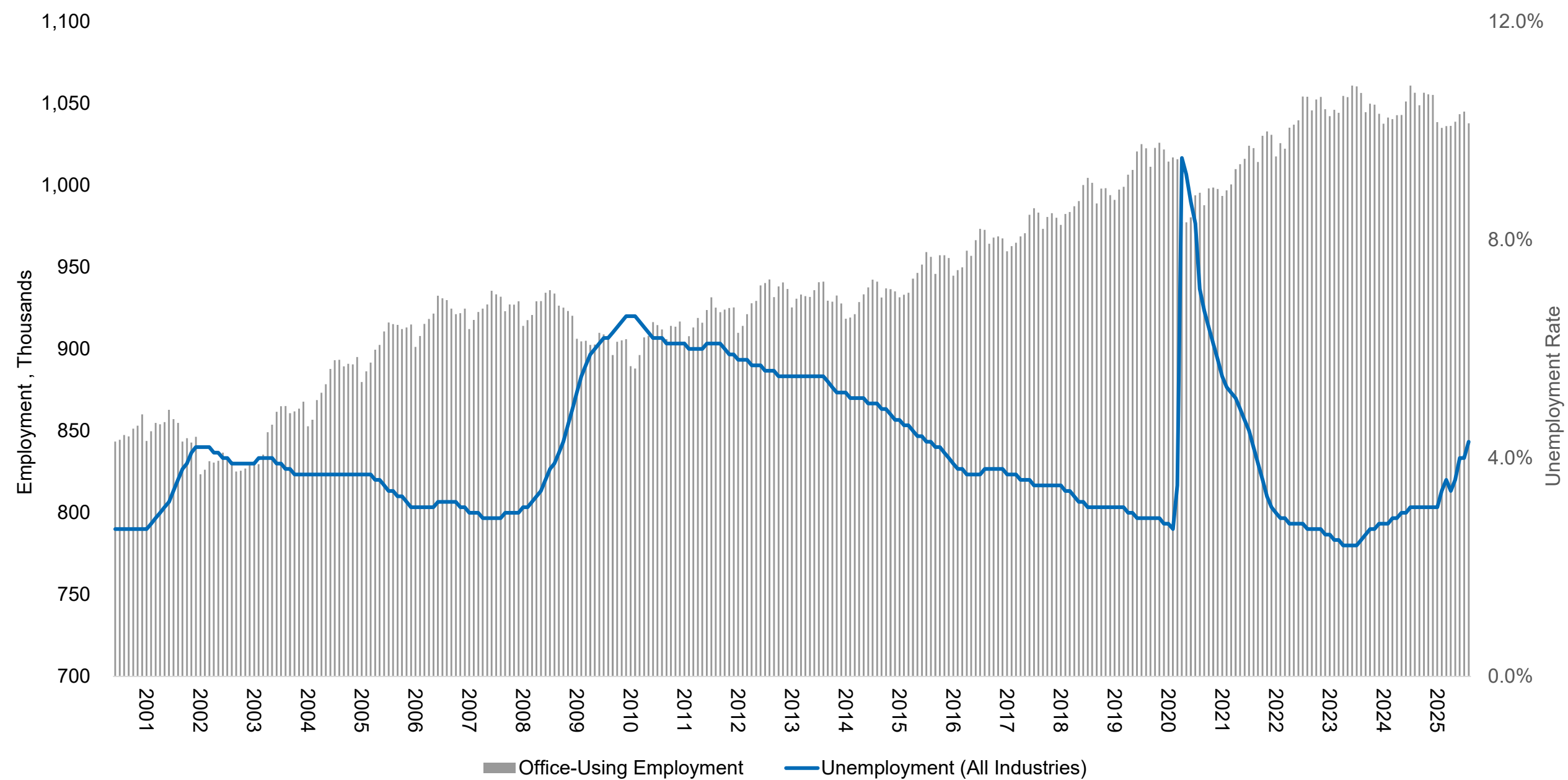


Source: U.S. Bureau of Labor Statistics, Washington-Arlington-Alexandria
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

Overall Office-Using Employment Is Lower Year-Over-Year

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.

Office-Using Employment* and Unemployment Across All Industries

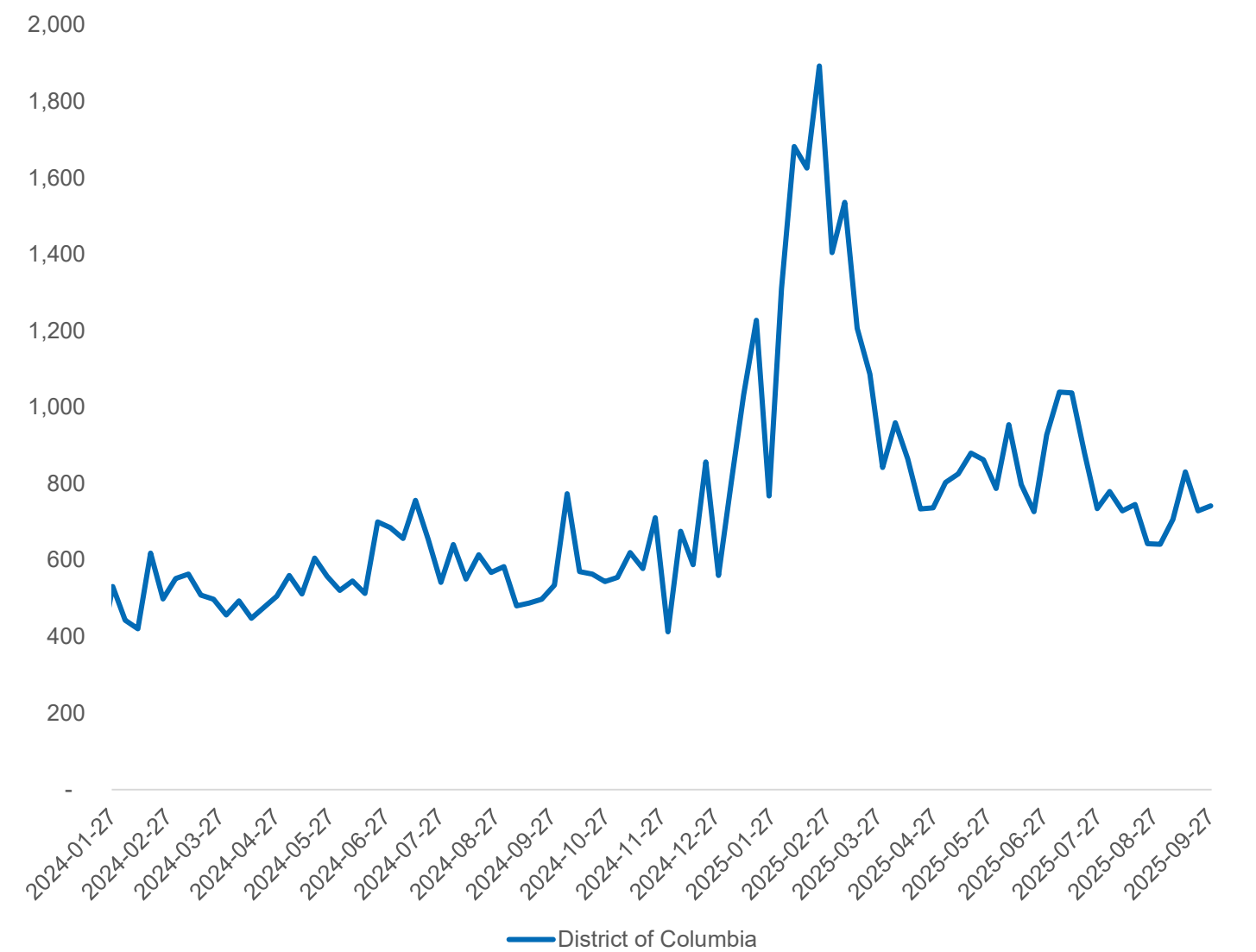


Source: U.S. Bureau of Labor Statistics, Washington-Arlington-Alexandria
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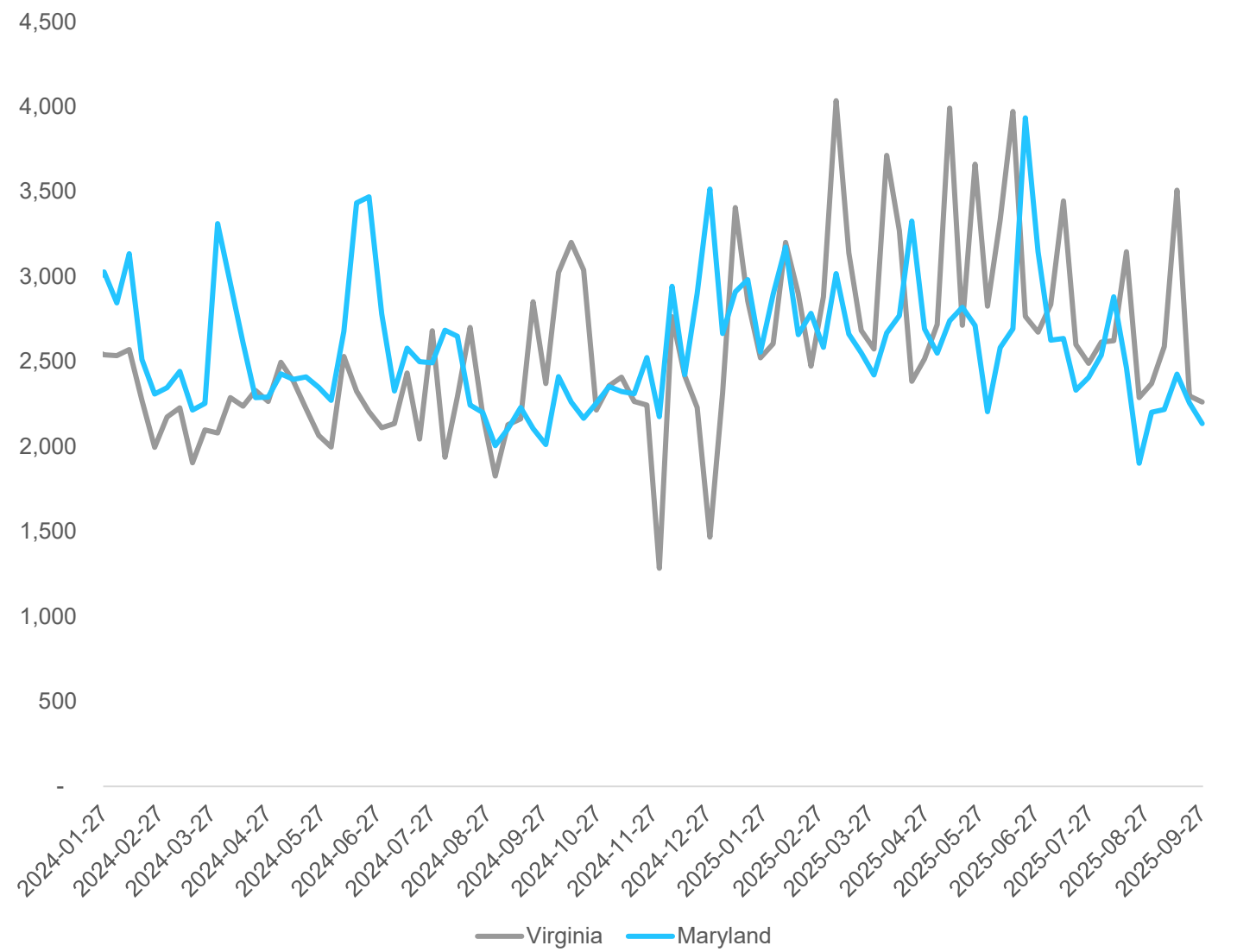
D.C. Initial Jobless Claims Up 178% Compared to the Same Period Last Year

Year-to-date, initial jobless claims in Washington, D.C. have totaled 37,528, which is 1.78 times greater than initial jobless claims over the same period last year. The states of Virginia and Maryland have also witnessed an increase in initial claims, with Virginia bearing the most dislocation.

District of Columbia Initial Jobless Claims



Virginia and Maryland Initial Jobless Claims



Source: U.S. Employment and Training Administration. Data as of September 27th, 2025.

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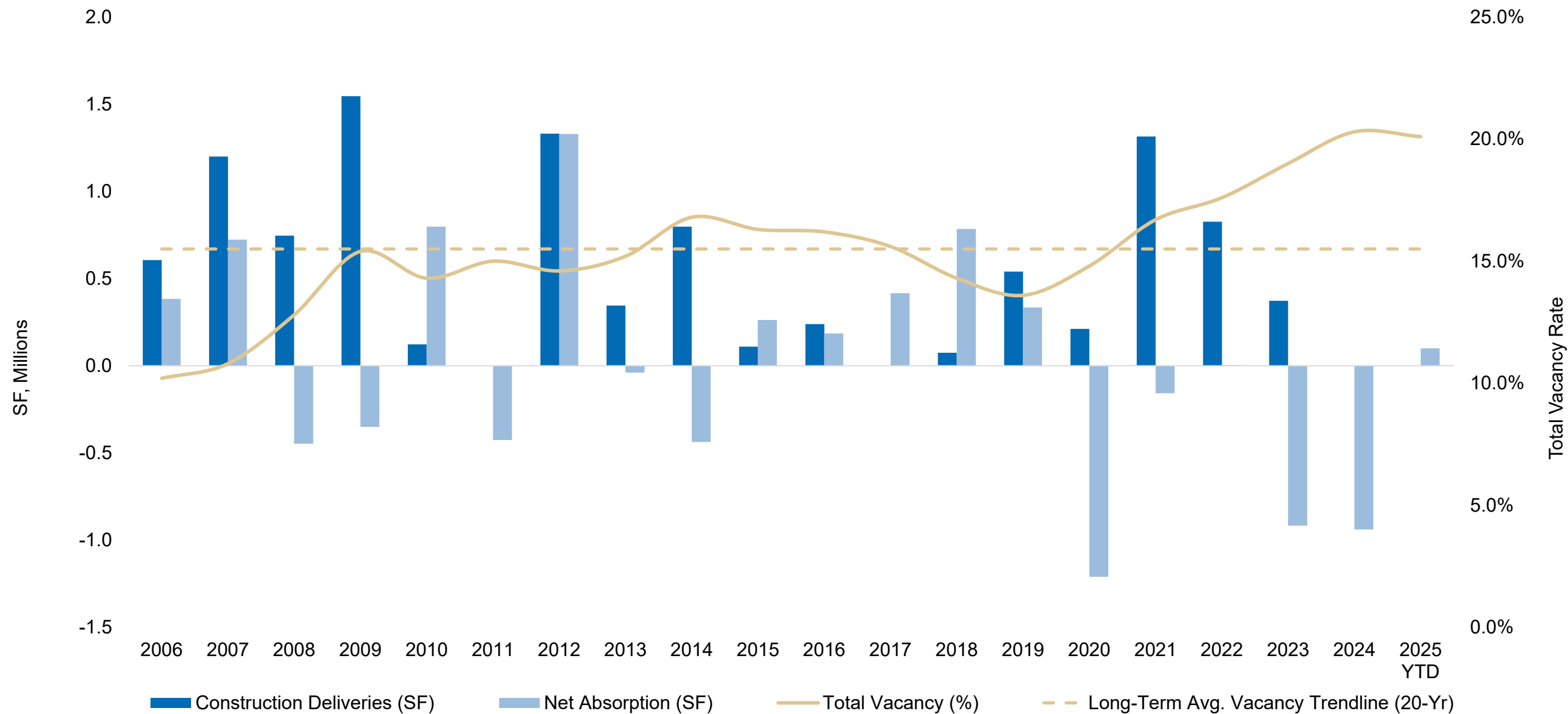
Leasing Market Fundamentals



Market On Pace to See First Year of Notable Positive Net Absorption Since 2019

Suburban Maryland saw over 115,000 SF of positive net absorption during Q3 2025, which tightened the vacancy rate 20 bps, ending Q3 2025 at 20.1%. 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. However, cuts to Suburban Maryland-based federal government agencies and contractors, such as NIH, may have a negative impact on the market in the near-term.

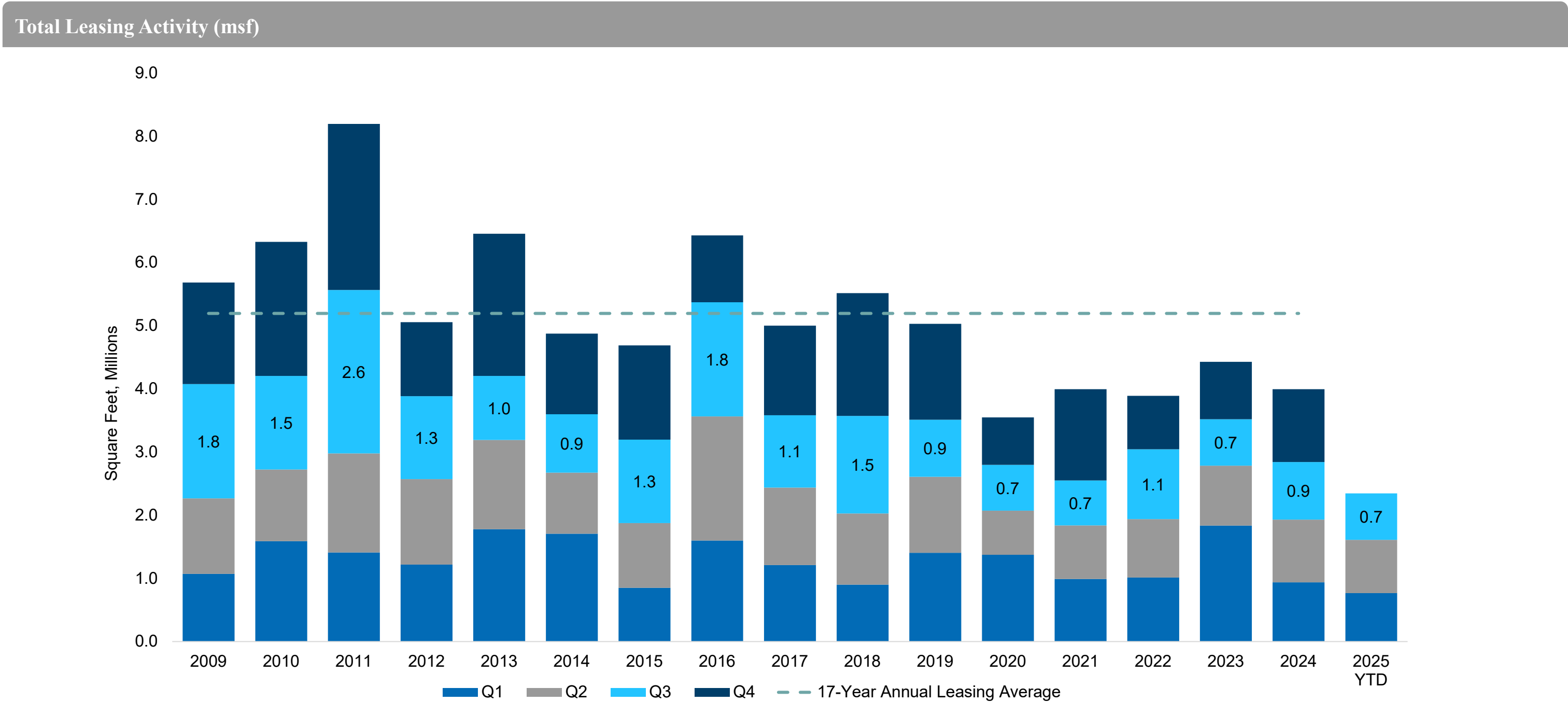
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Leasing Activity Slow So Far In 2025

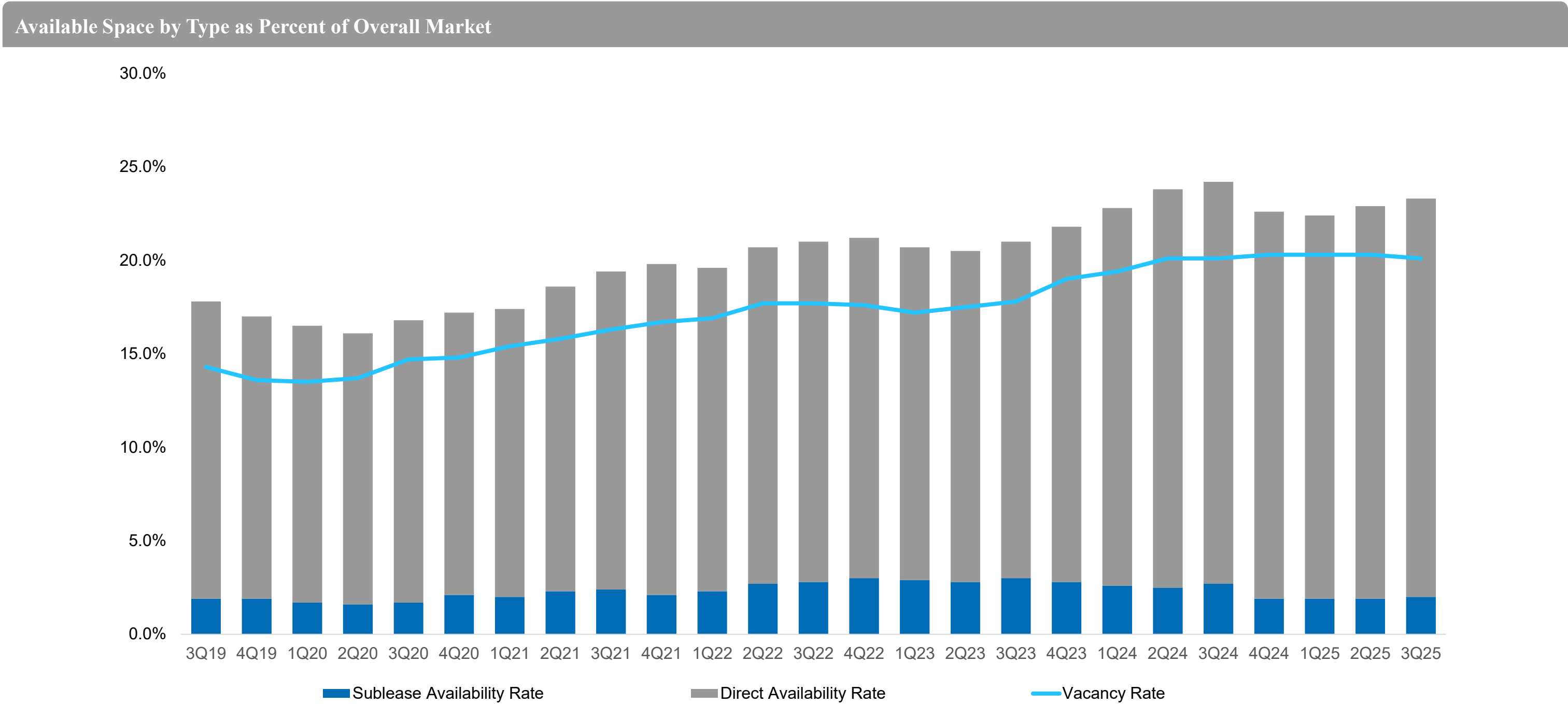
The market saw 0.7 MSF of leasing activity during the third quarter of 2025, one of the slowest third quarters over the past 15 years. Leasing activity during the third quarter trails the historical average of 1.2 MSF by 39.2%, though the gap may close after third-quarter transactions are fully tallied. Some tenants in the market have seen direct impacts from DOGE and tariffs, while others have slowed decision-making due to uncertainty.



Source: Newmark Research, CoStar

Office Market Vacancy and Availability Diverge Slightly

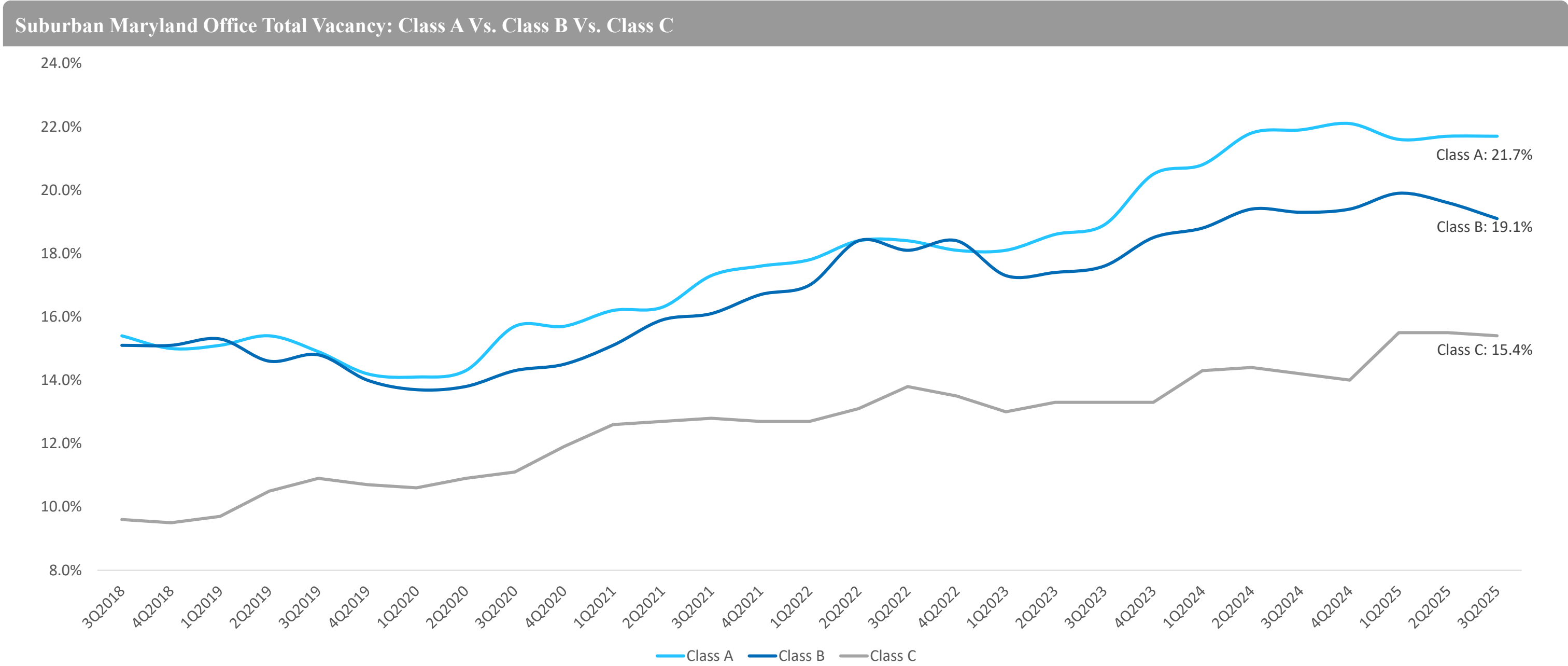
Suburban Maryland office availability was up slightly during Q3 2025, ending the quarter at 23.3%, an increase of 40 bps quarter-over-quarter but a decrease of 90 bps year-over-year. This includes increases in both direct and sublease availability. The vacancy rate declined during the quarter to 20.1%, a tightening of 20 bps quarter-over-quarter, however flat year-over-year.



Source: Newmark Research

Lower-Quality Product Outperforming Higher-Quality Product

The Suburban Maryland market has seen lower-quality product outperform higher-quality product during recent years. At the beginning of 2020, Class A product saw a vacancy rate of 14.2%, followed closely by Class B product at 14.0%, and Class C product at 10.7%. Since then, all classes have seen expansions in vacancy, however Class A product has seen the largest expansion. Ending Q3 2025, Class A product saw a vacancy rate of 21.7%, an increase of 750 bps since 2020. This is followed by Class B product at 19.1%, an increase of 510 bps, and finally Class C product at 15.4%, an increase of 470 bps. These numbers suggest that tenants may increasingly prefer lower-quality, more affordable space relative to more expensive, high-quality space.

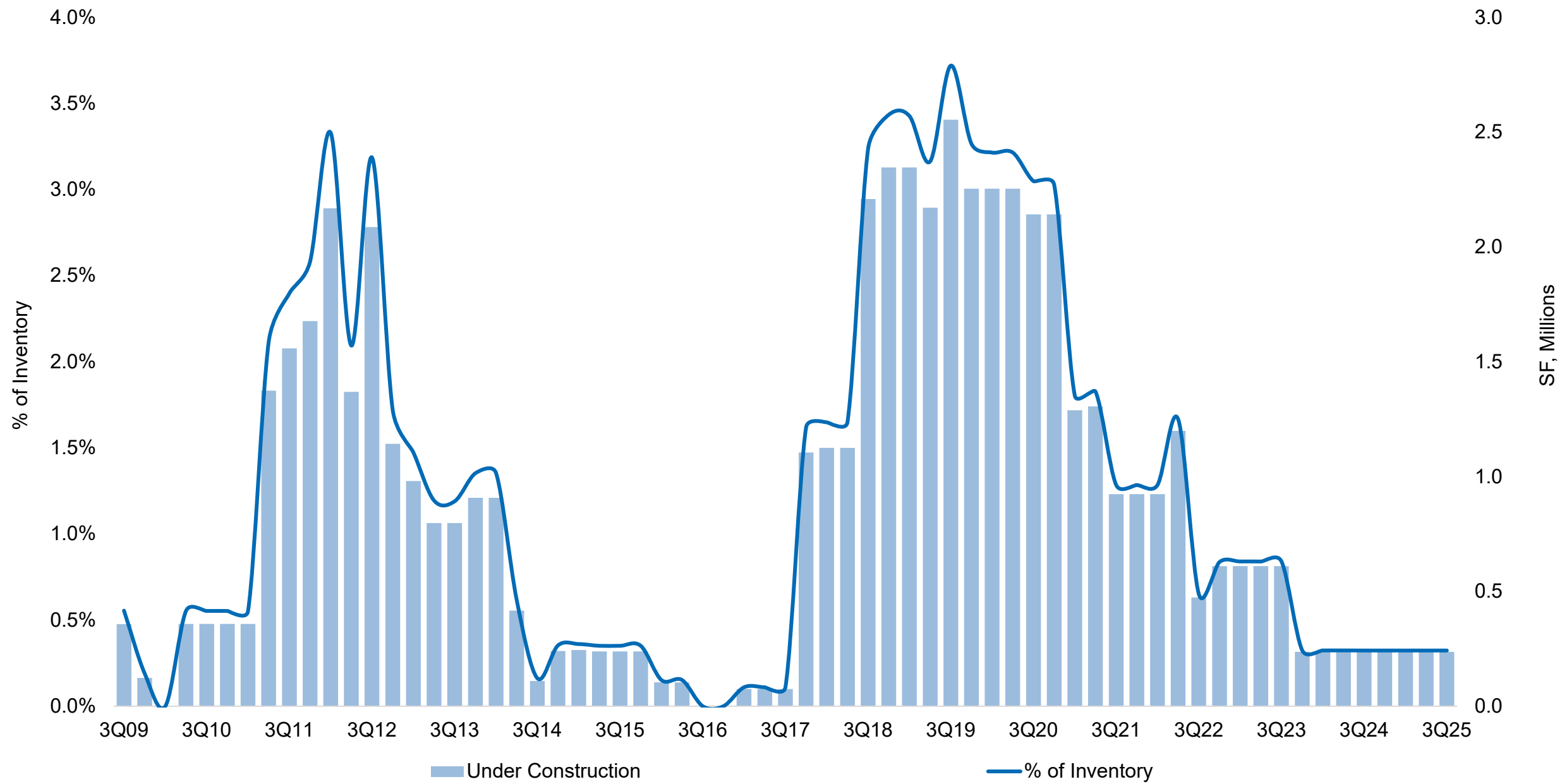


Source: Newmark Research

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.

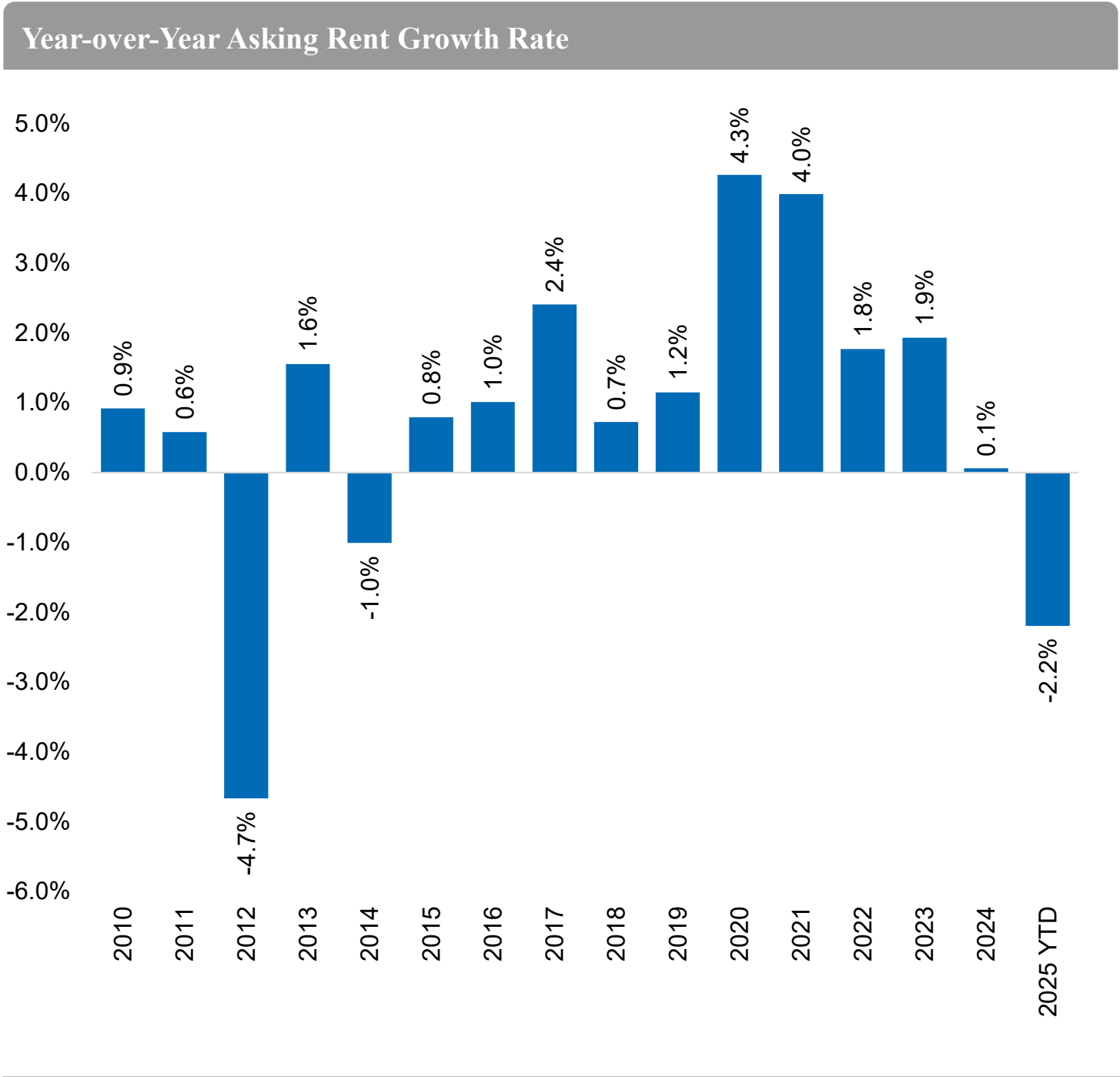
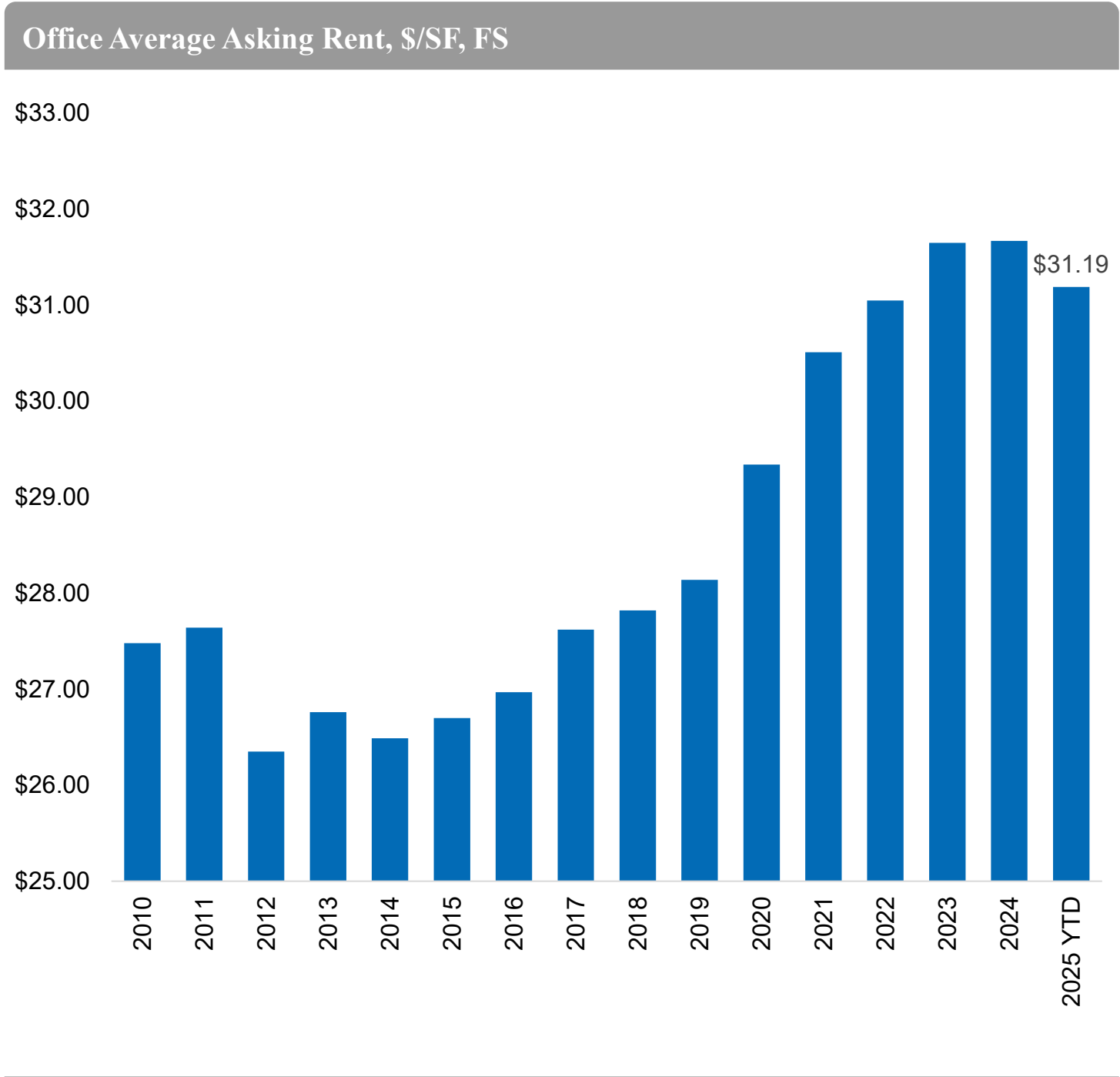
Office Under Construction and % of Inventory



Source: Newmark Research, CoStar

Asking Rents Dip So Far in 2025

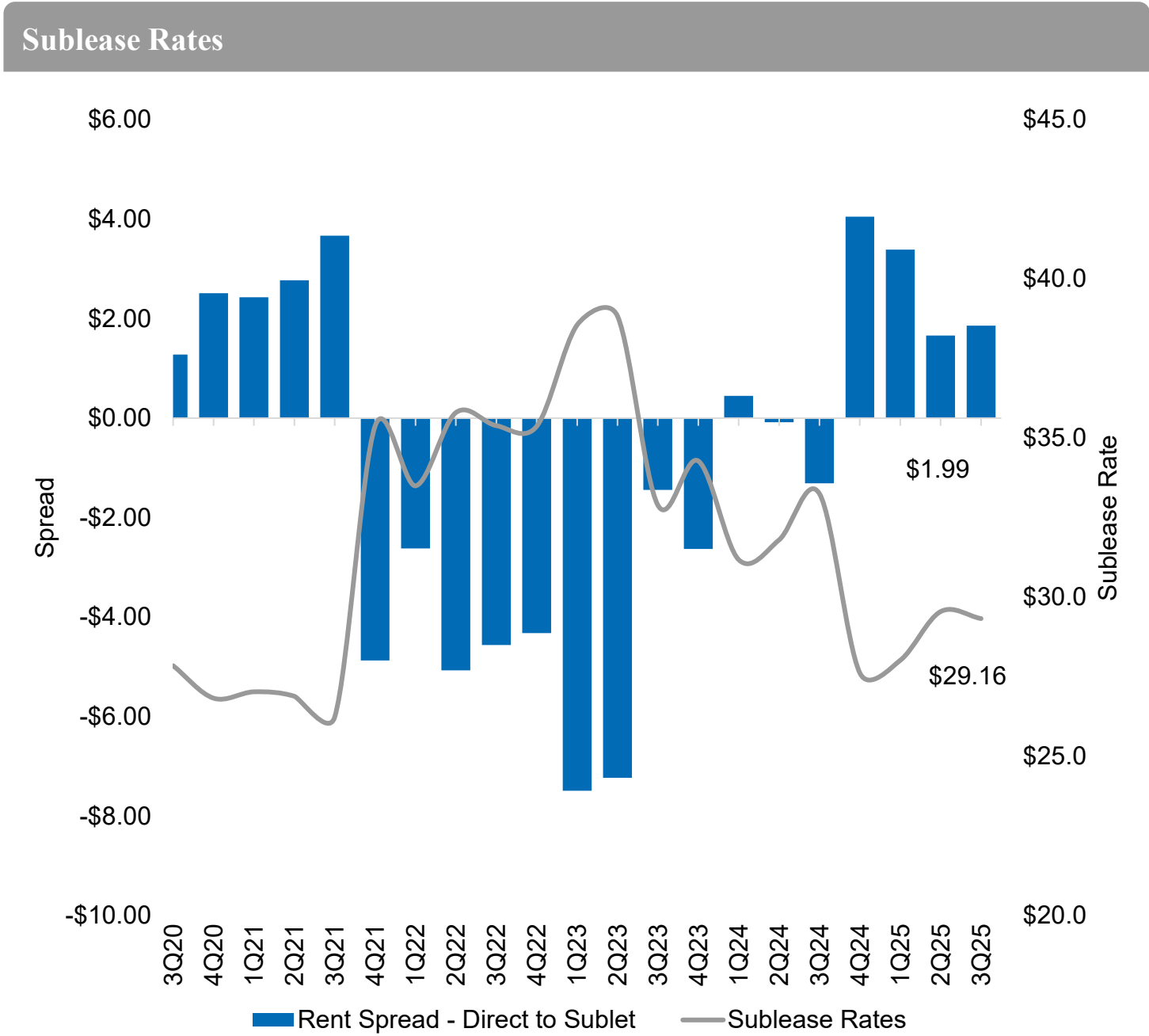
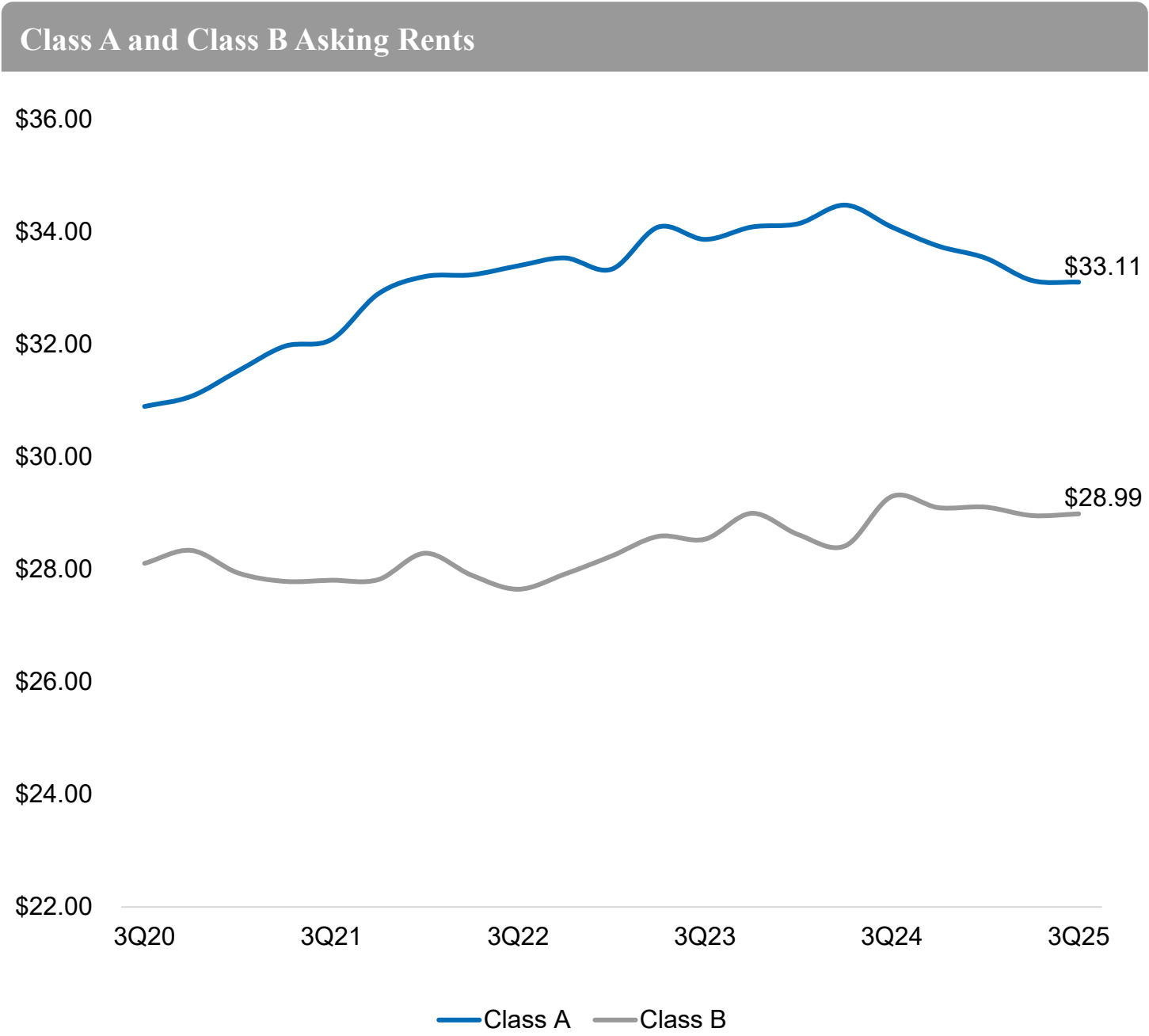
Average asking rents in Suburban Maryland have declined each of the last three quarters, ending Q3 2025 at \$31.19 PSF, a decrease of 2.2% year-to-date. Since a cyclical high of 4.3% rent growth in 2020, the market has seen decelerating increases in rent as demand wanes, dipping into the negative so far in 2025.



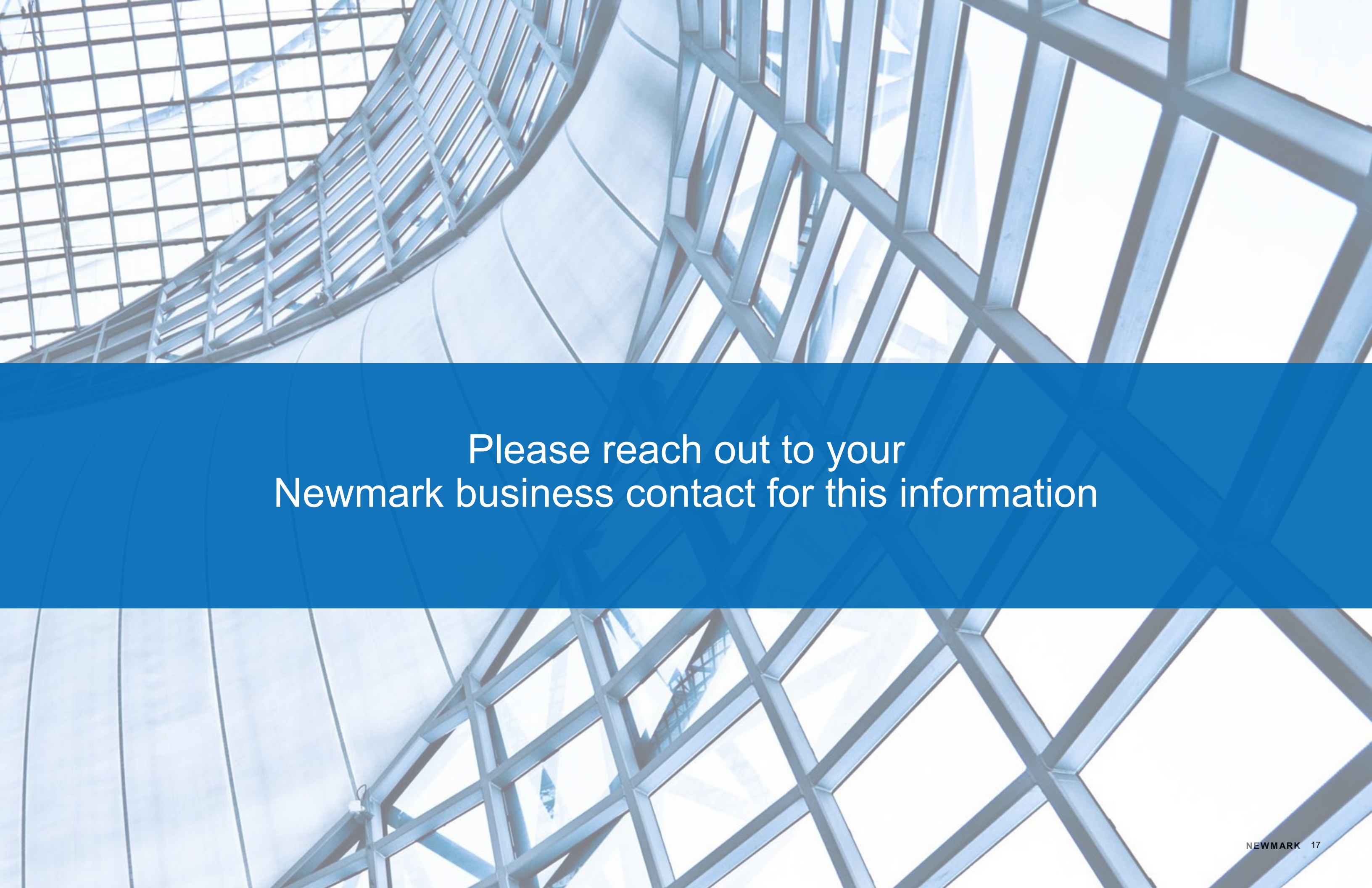
Source: Newmark Research, CoStar

Both Class A and Class B Rents Stay Flat

Class A asking rents ended Q3 2025 at \$33.11 PSF, staying relatively flat quarter-over-quarter, however decreasing 2.9% year-over-year. Class B asking rents ended Q3 2025 at \$28.99 PSF, also staying relatively flat quarter-over-quarter, however, decreasing 1.1% year-over-year. Sublease rates ended Q3 2025 at \$29.33 PSF, a decrease of 11.8% year-over-year and 7.5% below the five-year average. The direct-to-sublet rent spread remains positive but has declined so far during 2025.



Source: Newmark Research, CoStar

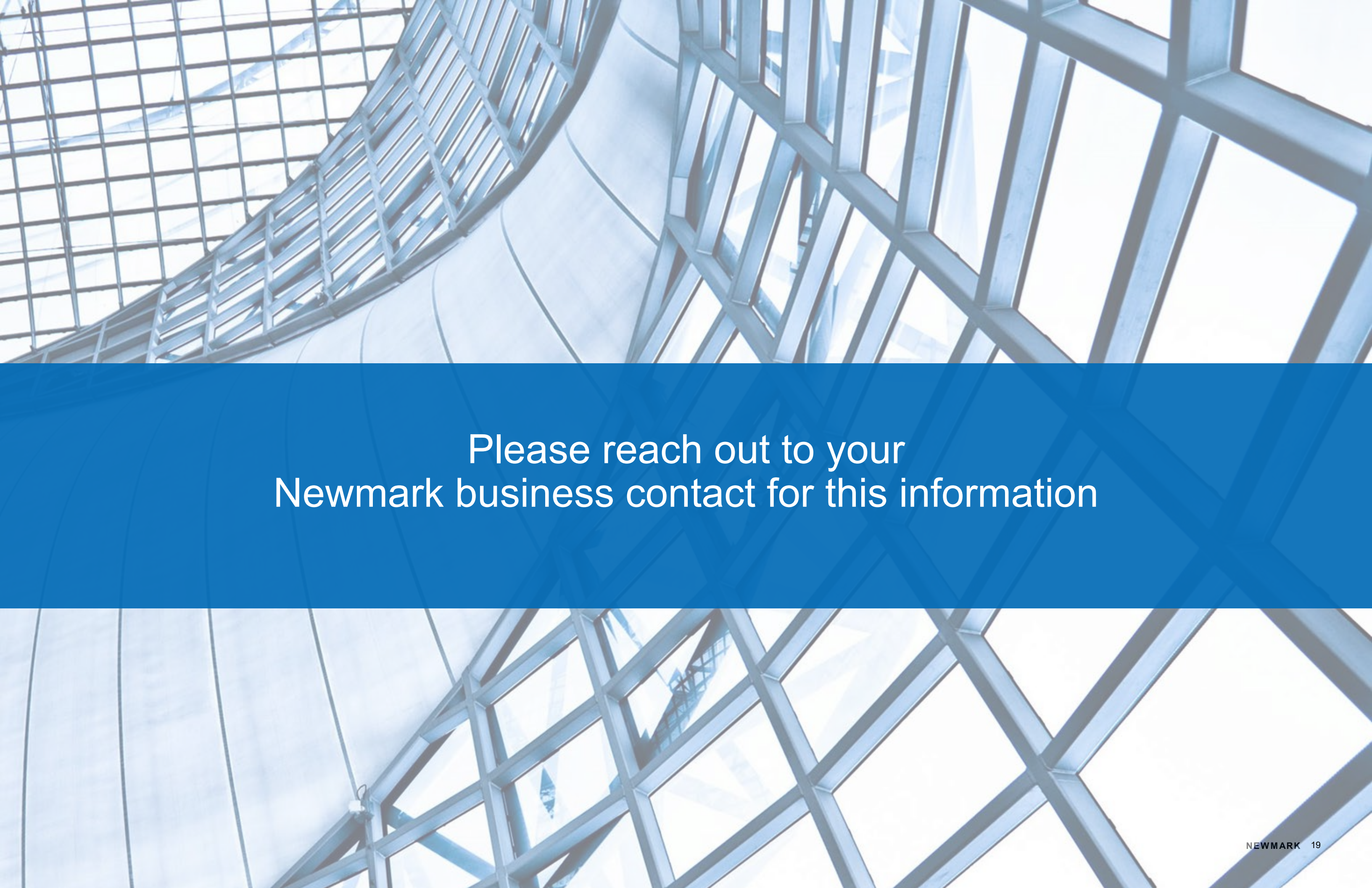


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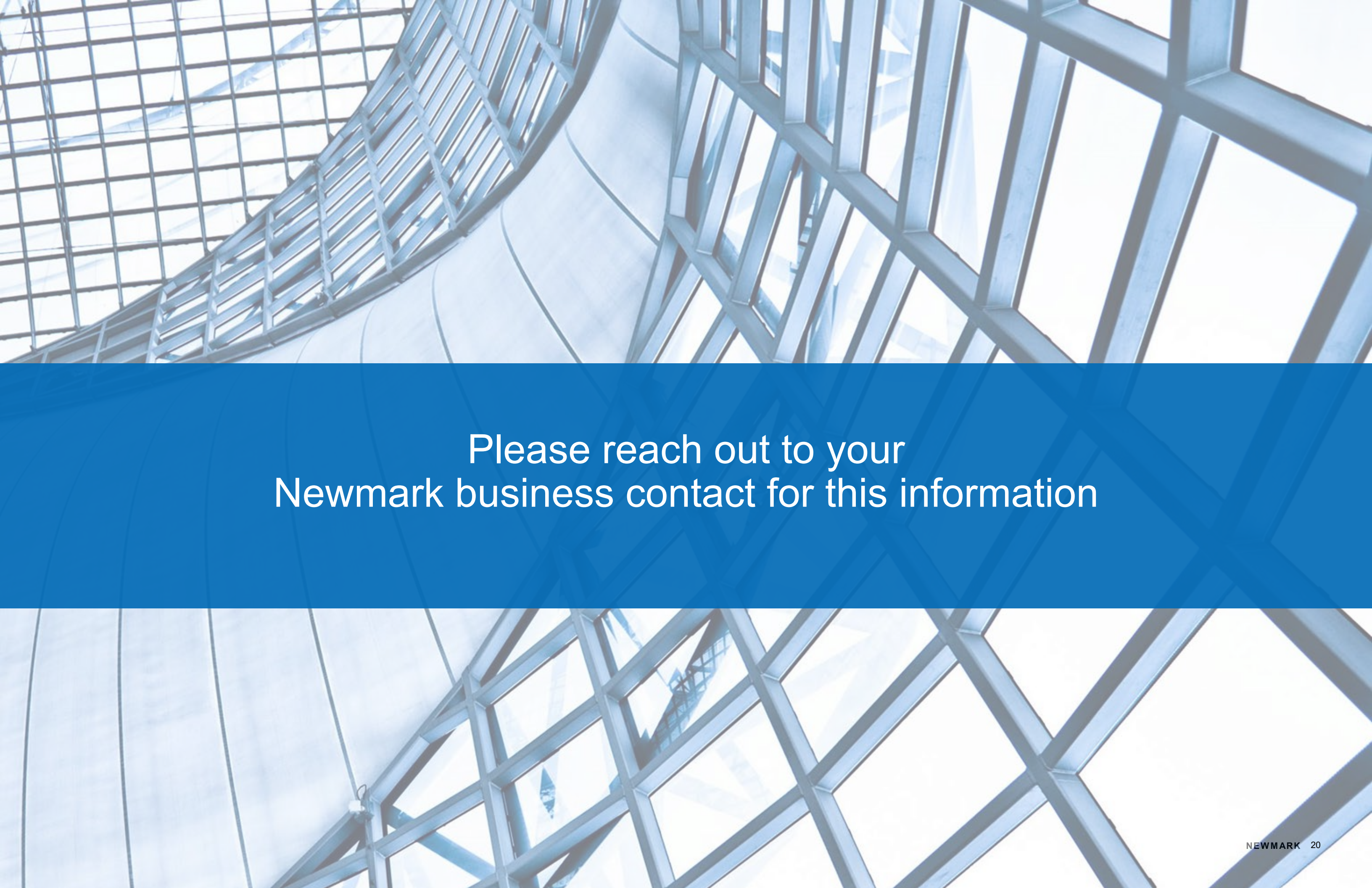
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Market Statistics





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