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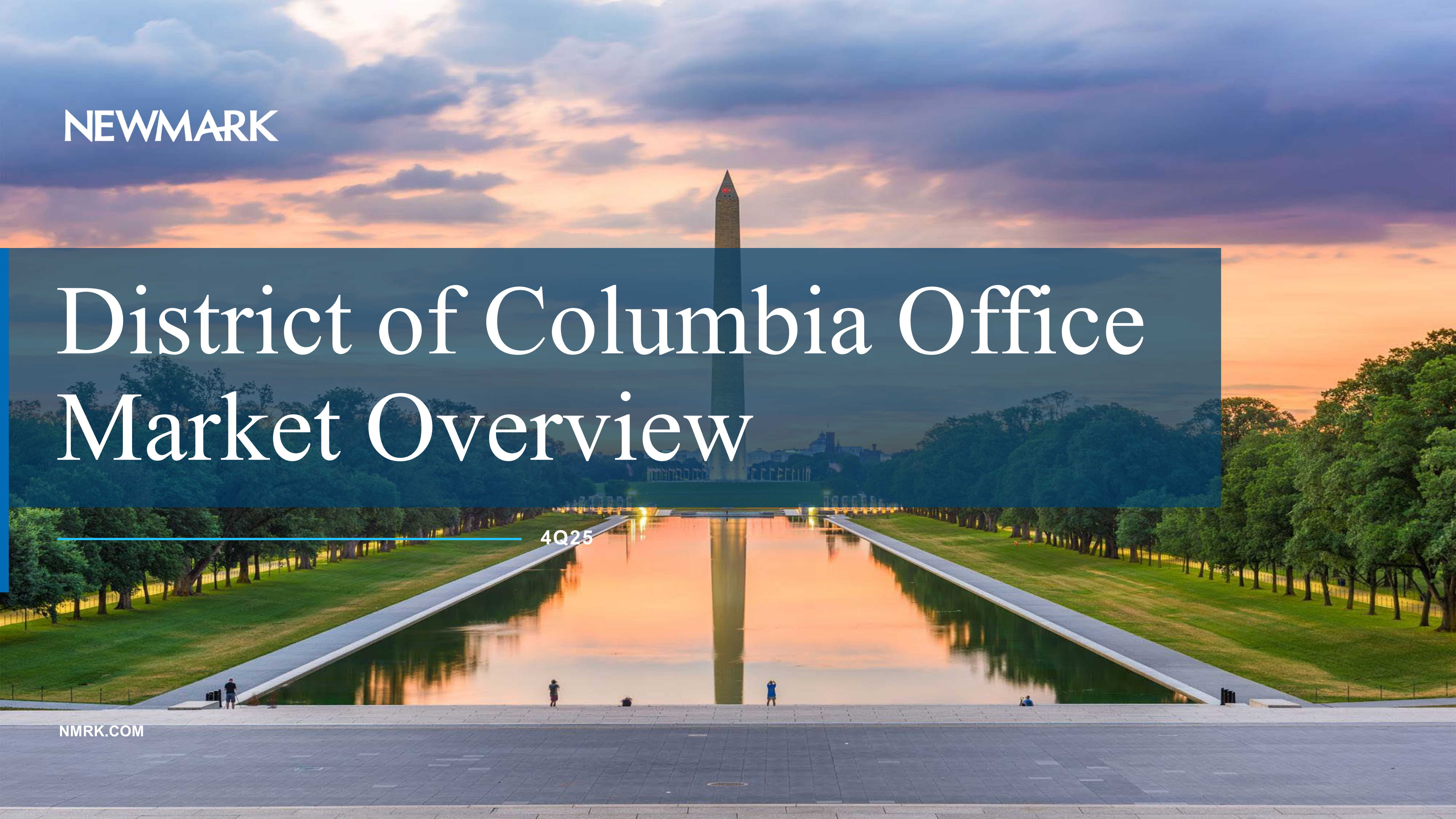

District of Columbia Office Market Overview

4Q25

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Market Observations

The District of Columbia's vacancy rate ended 2025 at 20.4%, an increase of 50-basis points quarter-over-quarter and 100-basis points year-over-year.

Annual absorption registered net negative 1.7 MSF, including negative 304,154 SF during the fourth quarter.

Average asking rates have finally turned a corner, increasing by 0.4% over the quarter and 1.9% over the year. Following three years of annual decline, office rents ended 2025 at $57.19/SF.

The District's trophy office product has outperformed all other asset classes, with vacancy tightening 890 basis points since peaking during the second quarter of 2020, ending 2025 at 10.7%.

The District of Columbia's development pipeline remains historically low, with one delivery occurring during 2025 and no projects currently under construction.

600 Fifth Street, NW delivered during the fourth quarter of 2025, the market's first new office property added since the second quarter of 2024.

Conversions covering more than 7.0 million SF of office space have been completed or proposed in the District since 2020.

Office-using jobs in the region are currently 4.3% 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 1.3%.

Source: CoStar; Newmark Research; Real Capital Analytics

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Economy

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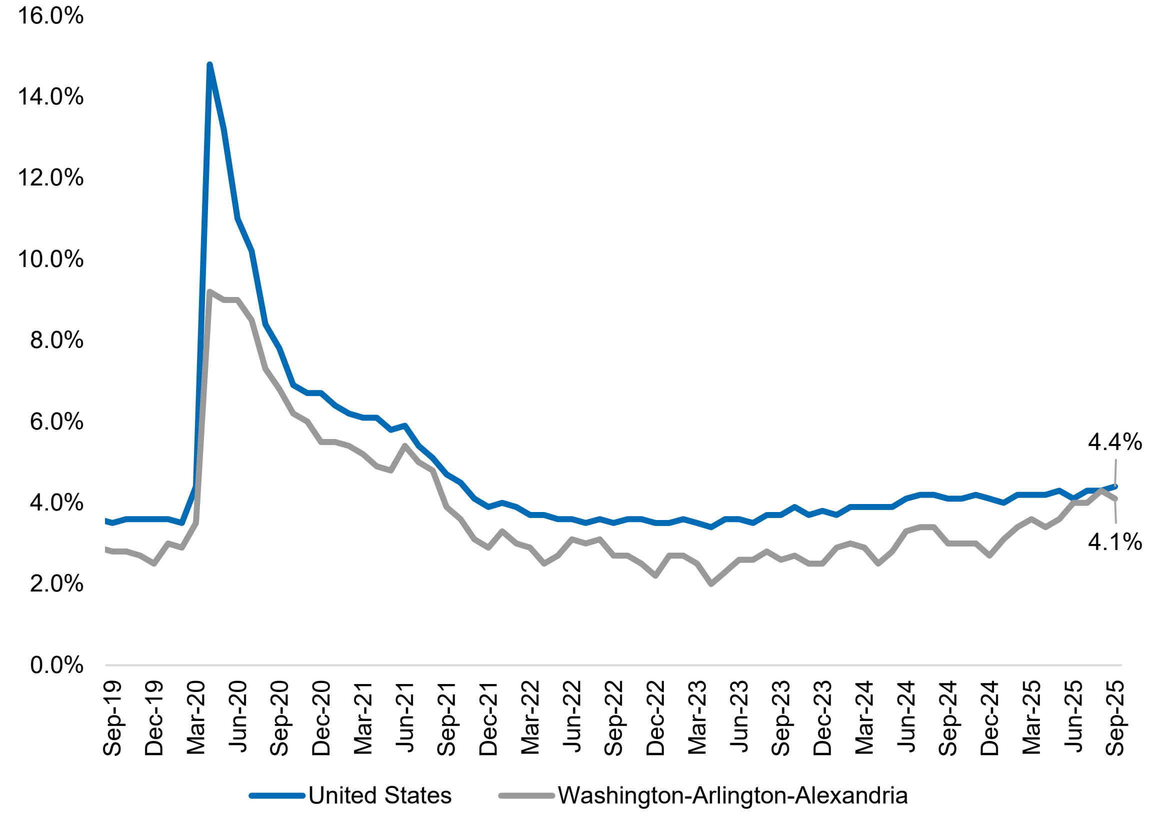
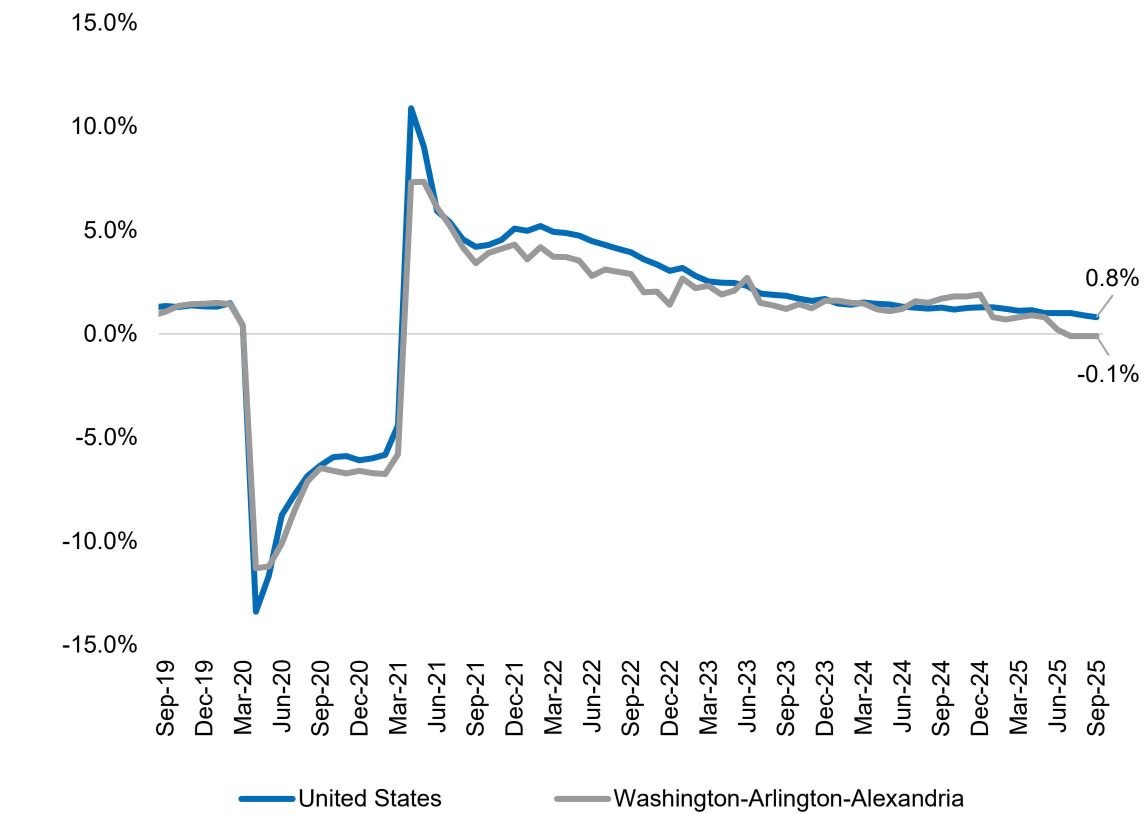
Delayed Local Unemployment Data Clouds Region's Employment Health

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 decreased quarter-over-quarter but grew year-over-year, according to data available from before the shutdown. As of September 2025, the region's unemployment rate was 4.1%, an increase of 110 basis points compared with the same period last year. Regional nonfarm job growth dipped negative, declining by 0.1% over the same period.

Unemployment Rate, Seasonally Adjusted



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

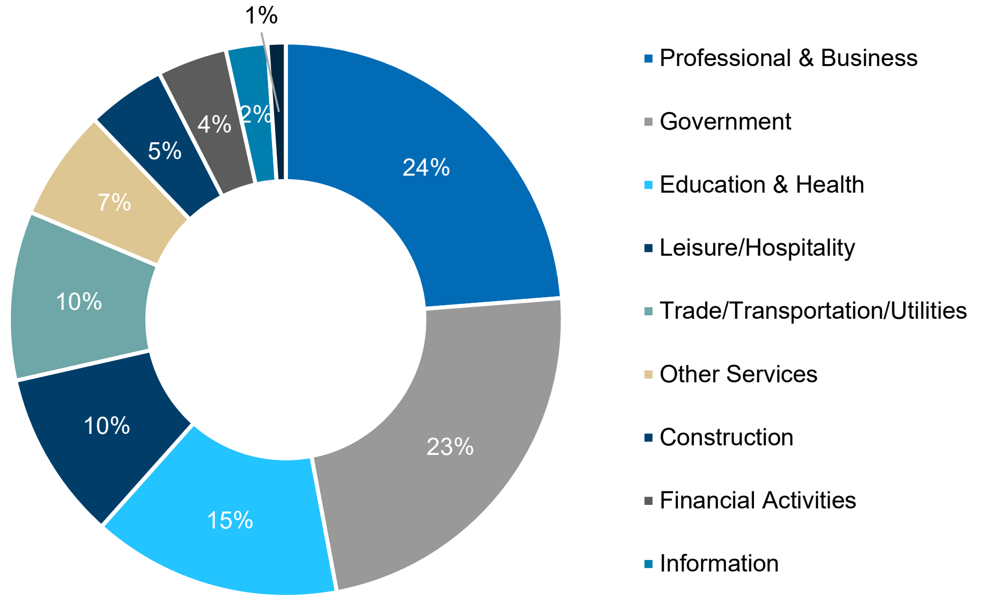


Source: U.S. Bureau of Labor Statistics, Washington-Arlington-Alexandria

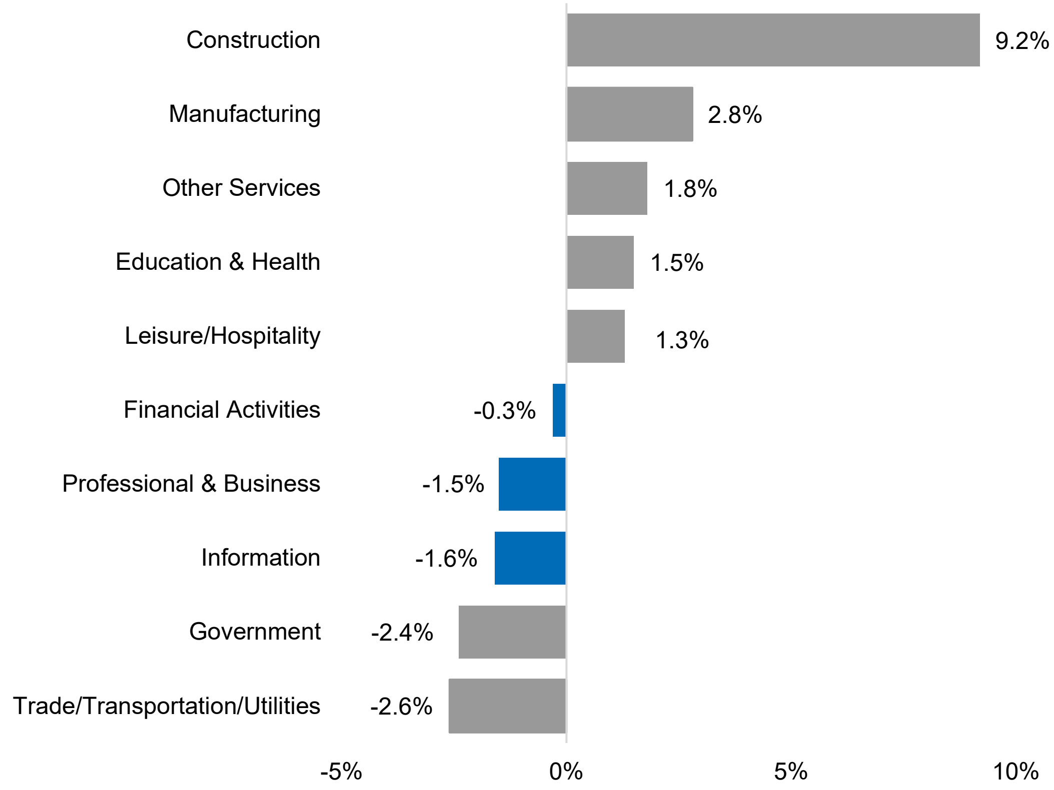
Washington Metro Area Job Growth Driven by Construction and Manufacturing

The Construction and Manufacturing sectors propped up job growth in the region with a 9.2% 12-month increase and a 2.8% 12-month increase, respectively. The Other Services, Education & Health and Leisure/Hospitality sectors also experienced month 12-month growth. Office-using sectors saw job contraction over the last 12 months, with Information (-1.6%), Professional & Business Services (-1.5%) and Financial Activities (-0.3%) each losing jobs. According to the U.S. Bureau of Labor Statistics, federal government employment in the Washington, DC metro has decreased by approximately 72,000 jobs over the last year.

Employment by Industry, September 2025



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

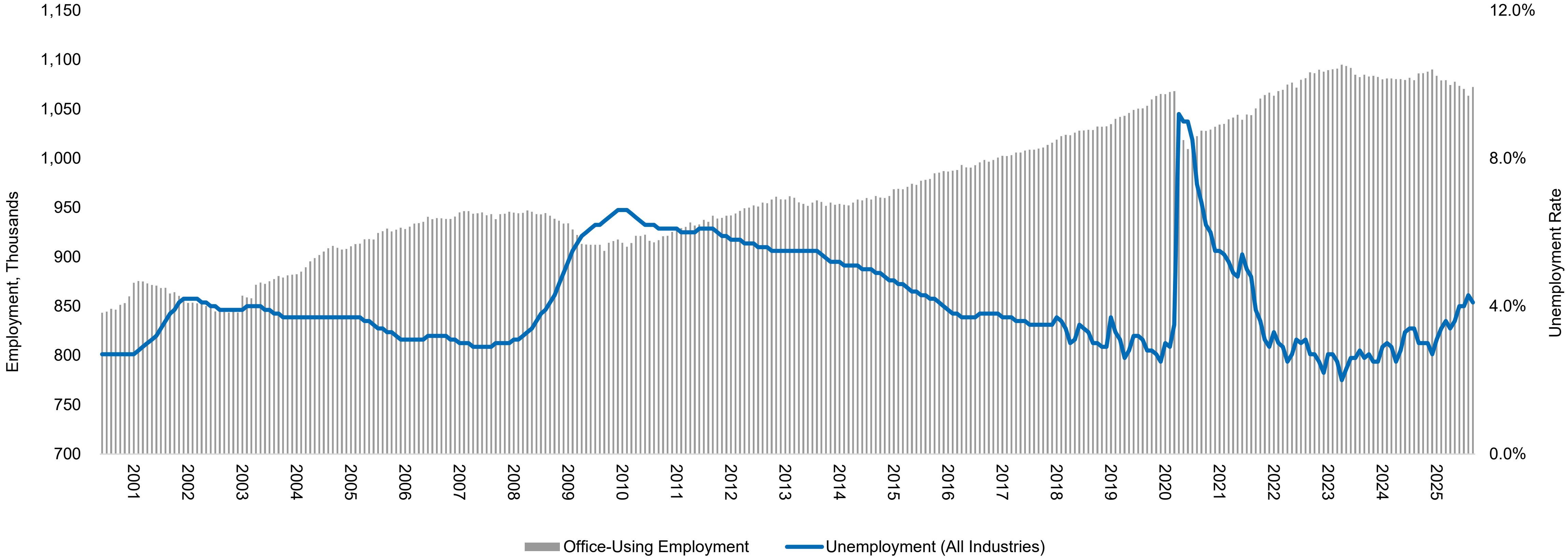


Source: U.S. Bureau of Labor Statistics, Washington-Arlington-Alexandria; Moody's: Arlington, Alexandria, Reston; District of Columbia; Washington, DC-MD
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

Office-Using Employment Has Lost Traction

The number of office jobs exceeds pre-pandemic levels as of September 2025 – the most recently available data – but are down year-over-year. Office-using jobs in the region are currently 4.3% 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 1.3%, due in part to DOGE actions and their impact on the regional workforce. Office employment in the region may stagnate in the near- to medium-term, as pullback from the federal government and a lack of a new stimulant have the potential to hamper growth.

Office-Using Employment* and Unemployment Across All Industries



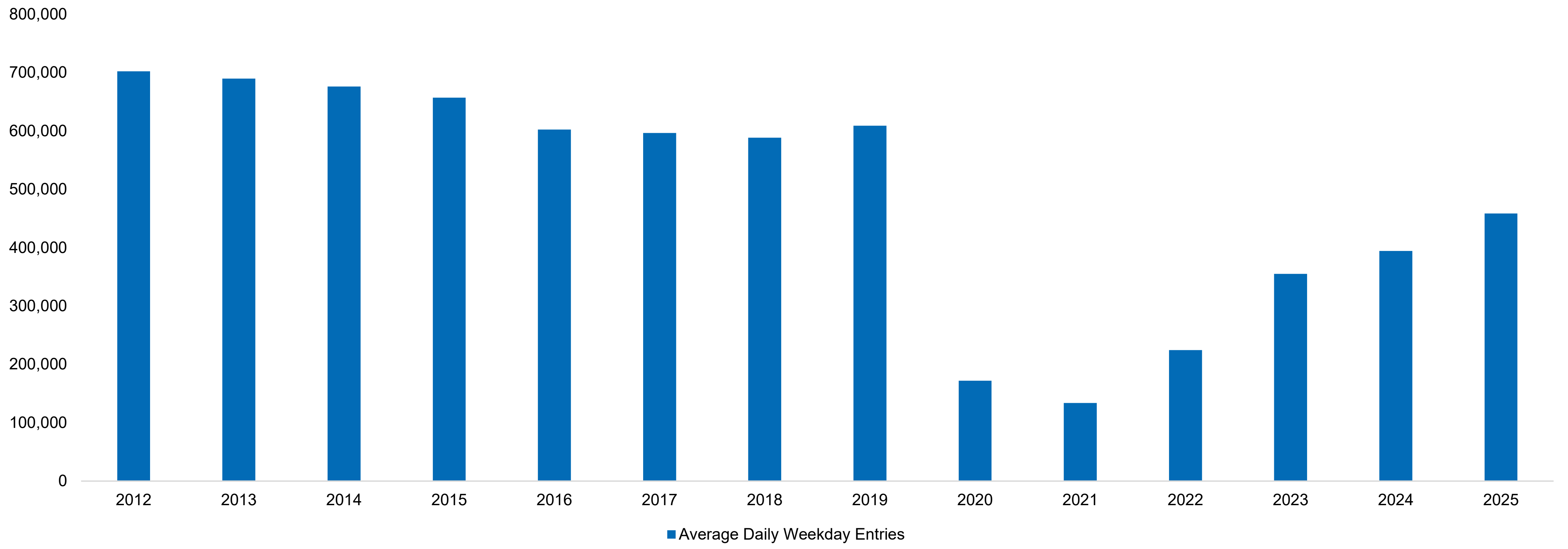
Source: U.S. Bureau of Labor Statistics, Washington-Arlington-Alexandria; Moody's, Arlington, Alexandria, Reston; District of Columbia; Washington, DC-MD

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

WMATA Ridership Improves, But Falls Short of Full Recovery

WMATA ridership has increased each of the last four years after reaching a nadir 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. Current ridership levels are 24.7% below those in 2019, averaging 458,659 daily entries.

WMATA Metro Station Average Daily Weekday Entries

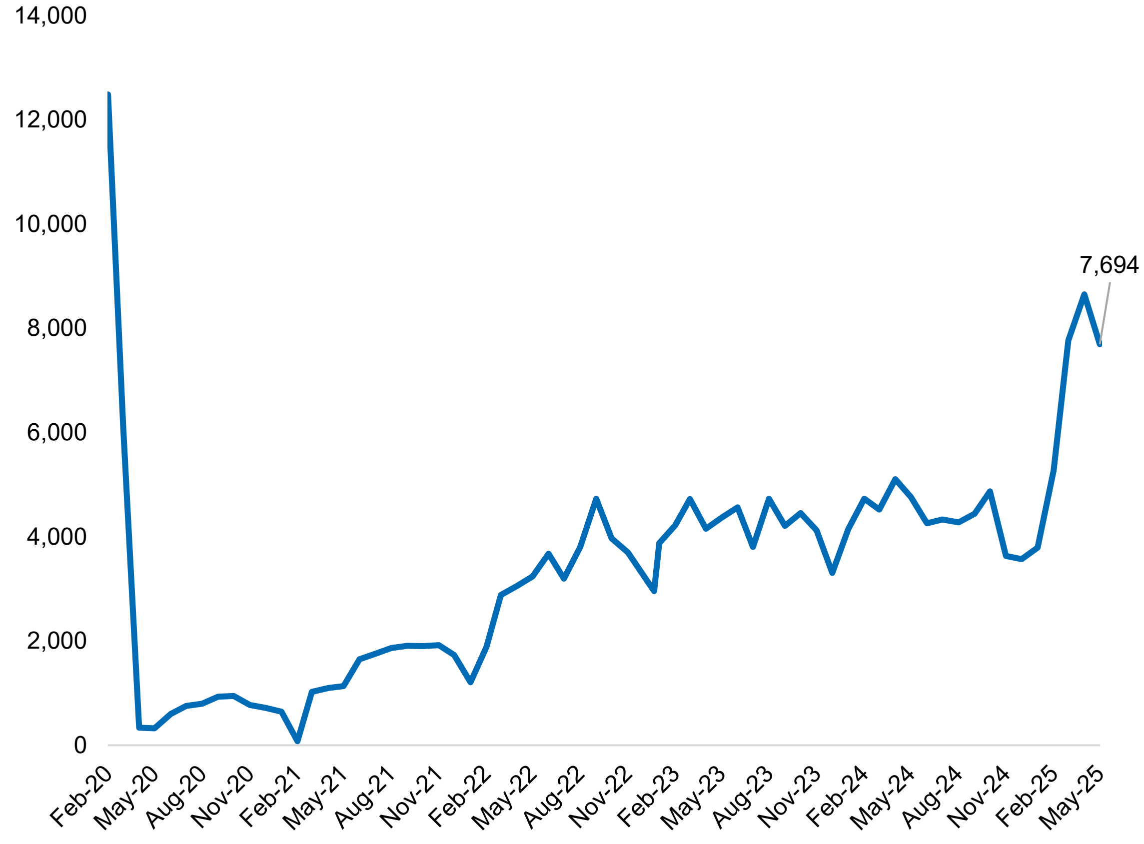


Source: Newmark Research; WMATA

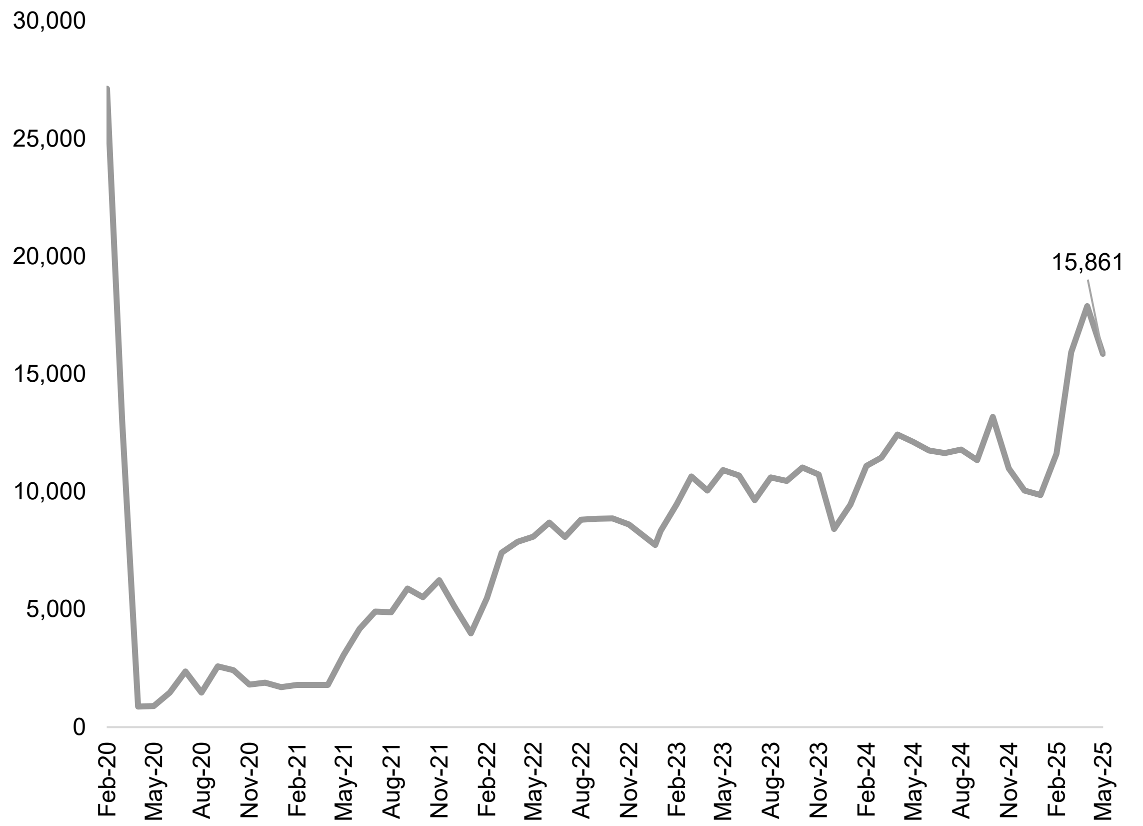
Regional Mobility Continues to Struggle As Well, Despite Improvement

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. As of the most recently available data from May of 2025, recovery has been modest for both the VRE and Marc Train, recovering 61.6% and 58.5%, respectively, when compared to February 2020.

Virginia Railway Express (VRE) Average Daily Ridership



MARC Train Average Daily Ridership



Source: Newmark Research; MTA; VRE

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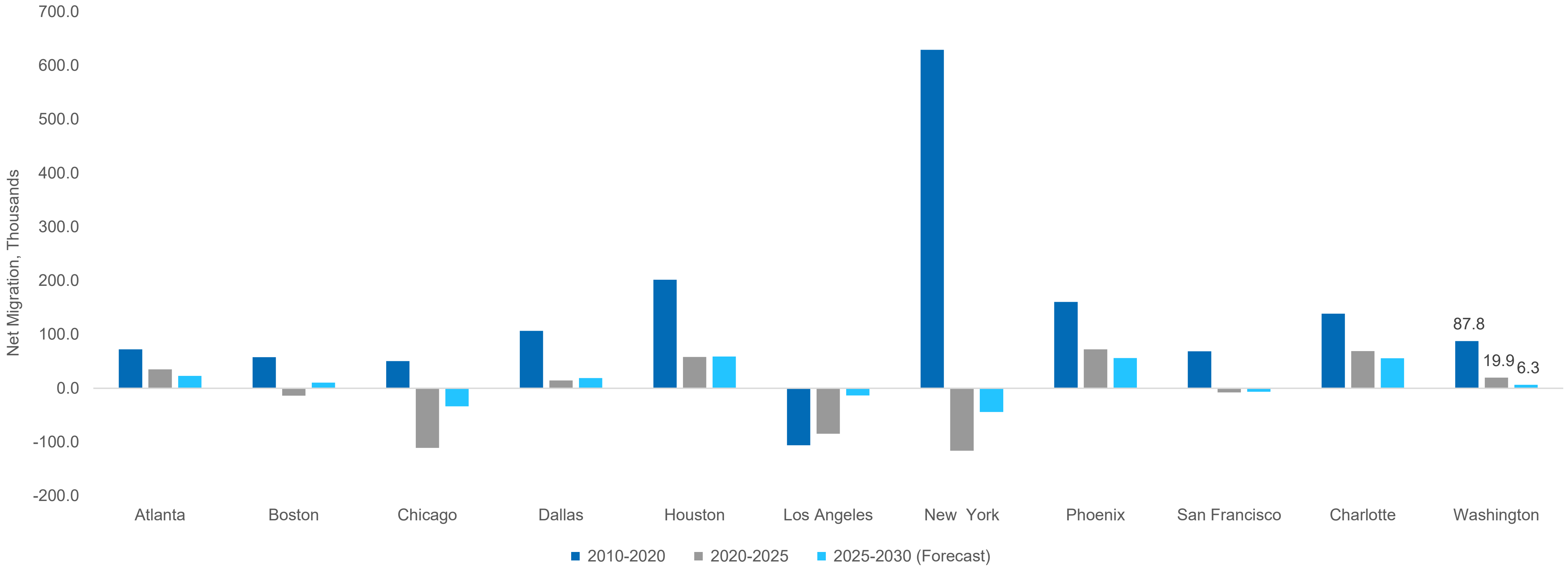
District of Columbia Net Migration Expected to Slow Over Next Five Years

During the 2010-2020 cycle, the District's in-migration outpaced out-migration with nearly 88,000 new residents in the years leading up to the Covid pandemic. District of Columbia in-migration slowed between 2020 and 2025, and ESRI expects this trend to continue with positive net migration of just 6,300 residents between 2025 and 2030—one of the biggest post-pandemic recoveries among large cities outside of the Sun Belt cities.

Historic And Forecast Net Migration By Major Metro



Source: CoStar; ESRI; Newmark Research

02

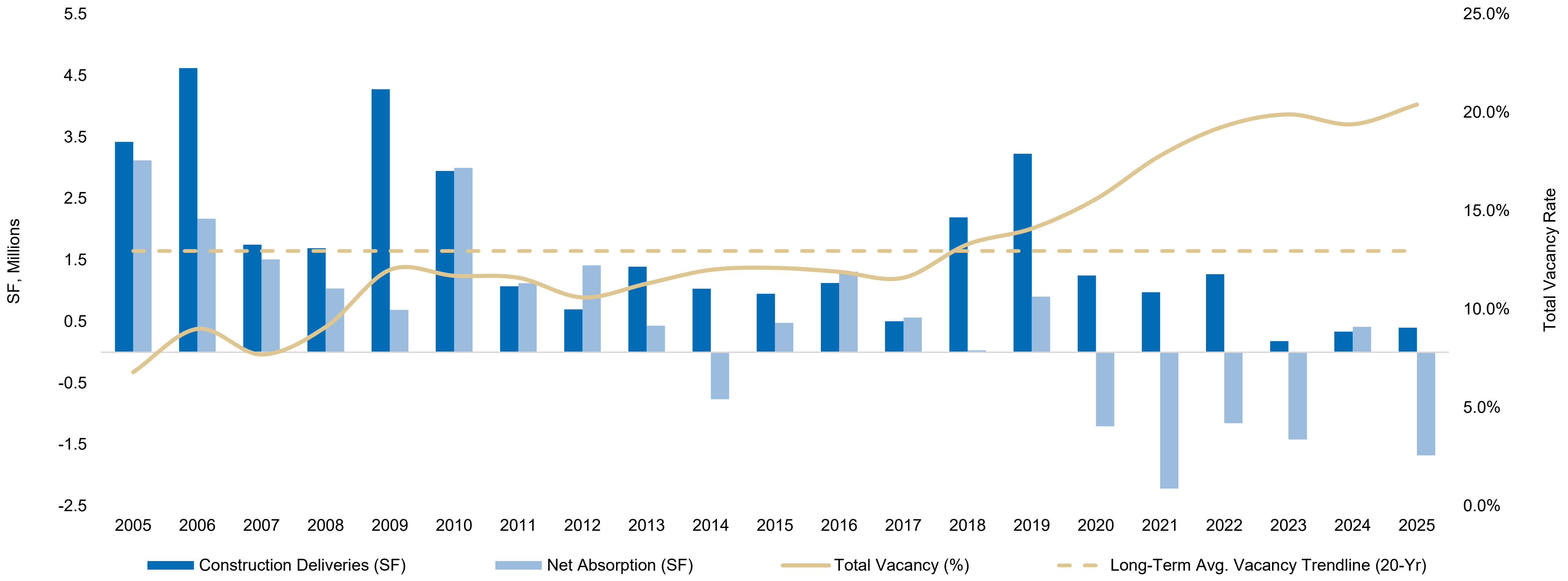
Leasing Market Fundamentals

4Q25

Vacancy Increases During 2025 As Federal Government Changes Bite

The District of Columbia's vacancy rate ended 2025 at 20.4%, an increase of 50 basis points quarter-over-quarter and 100 basis points year-over-year. While the District experienced nearly 1.7 MSF of negative net absorption during the year, the continued trend of converting obsolete office space to other uses, coupled with a continued lack of speculative office construction, could help ease vacancy pressures in a period of limited demand. However, remaining uncertainty around the federal government and a lack of a demand stimulant to replace its losses may propel the market into an era of stagnation.

Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

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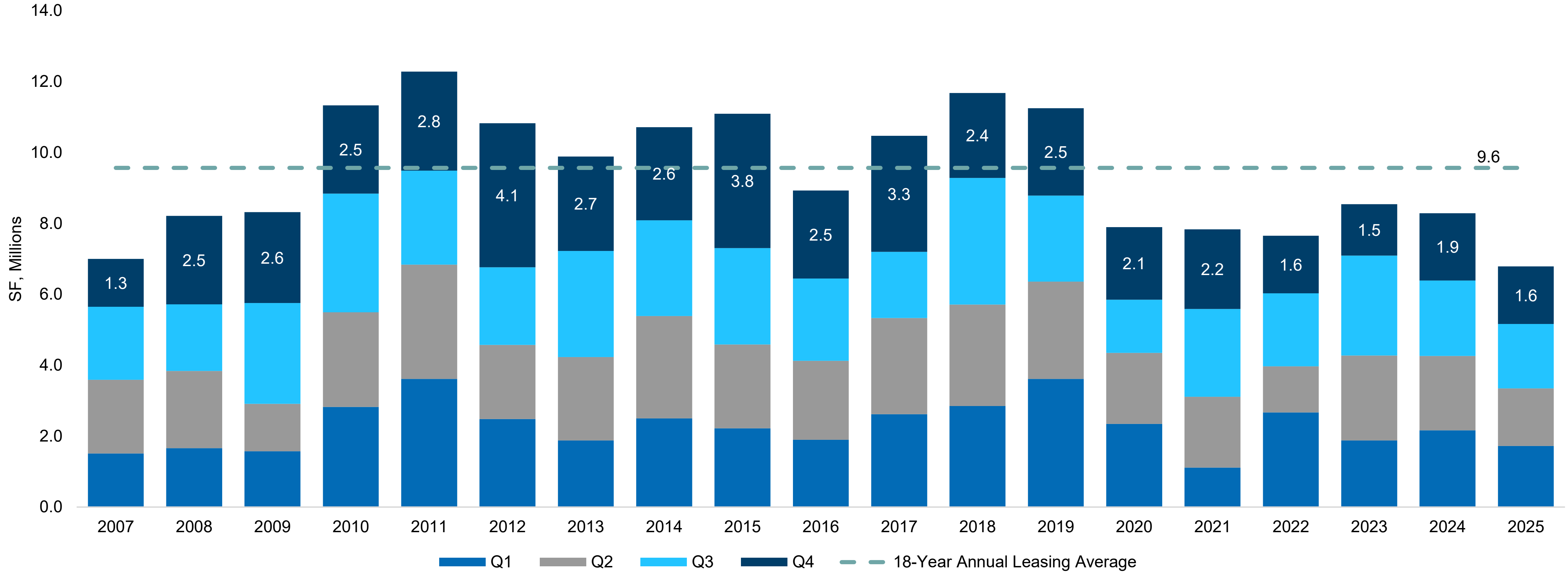
Fourth Quarter Leasing Activity Slows

The District of Columbia office market registered approximately 1.6 MSF of leasing activity during the fourth quarter of 2025, bringing the annual total to approximately 6.8 MSF, though this number is likely to increase once all fourth-quarter leases are tallied. Leasing activity in 2025 falls 18.1% below activity last year, 15.6% behind the previous five-year average, and 27.5% below the previous ten-year average. Law firms seeking the limited trophy space that exists, as well as smaller tenants seeking spec suites (typically under 10,000 SF), continue to drive leasing activity in the District.

Total Leasing Activity (MSF)



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

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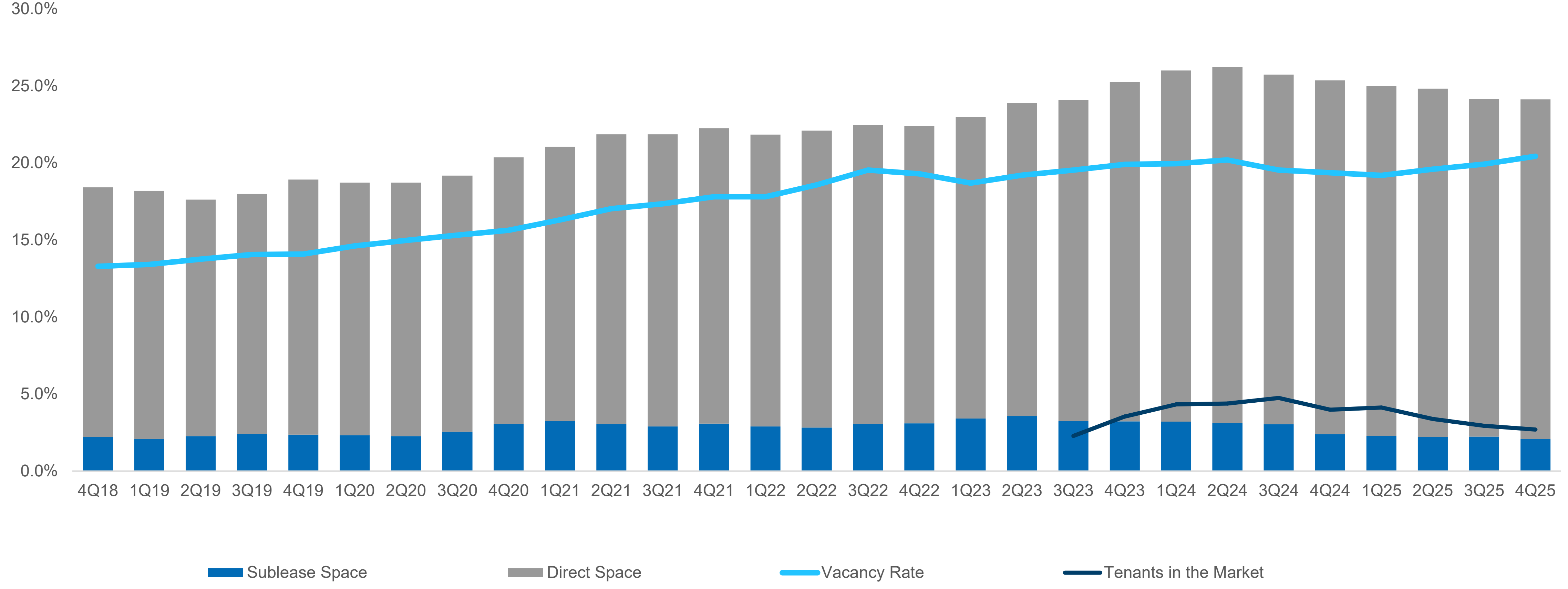
Availability, Tenant Demand Trend Lower

District of Columbia sublease availability registered 2.1% at fourth quarter 2025, a decrease of 12.5% year-over-year and 41.7% 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 fourth-quarter direct availability rate of 22.0% is down 100 basis points from the year prior but well above the five-year average of 20.6%.

Available Space and Tenant Demand as Percent of Overall Market



Source: Newmark Research

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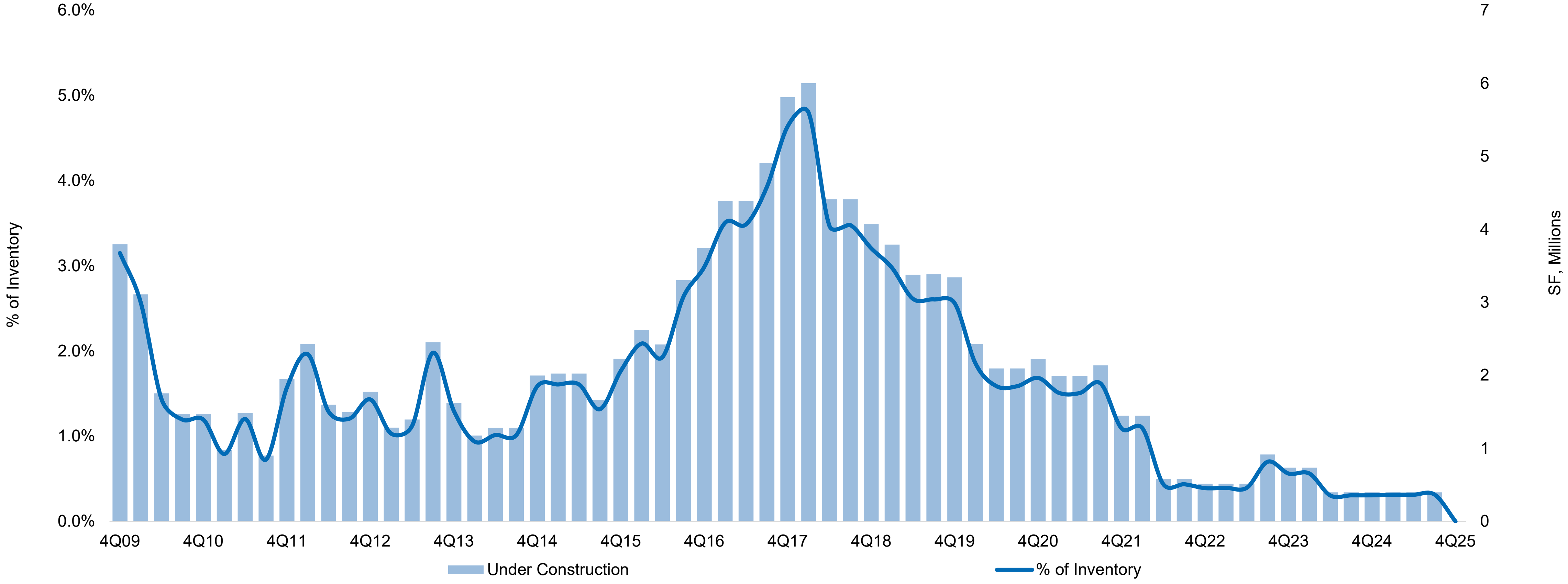
Stagnant Office Construction Pipeline May Drive Vacancy Down

The District of Columbia's development pipeline remains historically low, with one delivery occurring during 2025 and no projects currently under construction. The market's lone completed project since the second quarter of 2024, 600 Fifth Street, NW, was approximately 50% preleased at delivery, though it was vacant as the anchor tenant will not occupy its space until early 2026, leading to an expanded vacancy rate in the submarket at year end.

Office Under Construction and % of Inventory



Source: Newmark Research, CoStar

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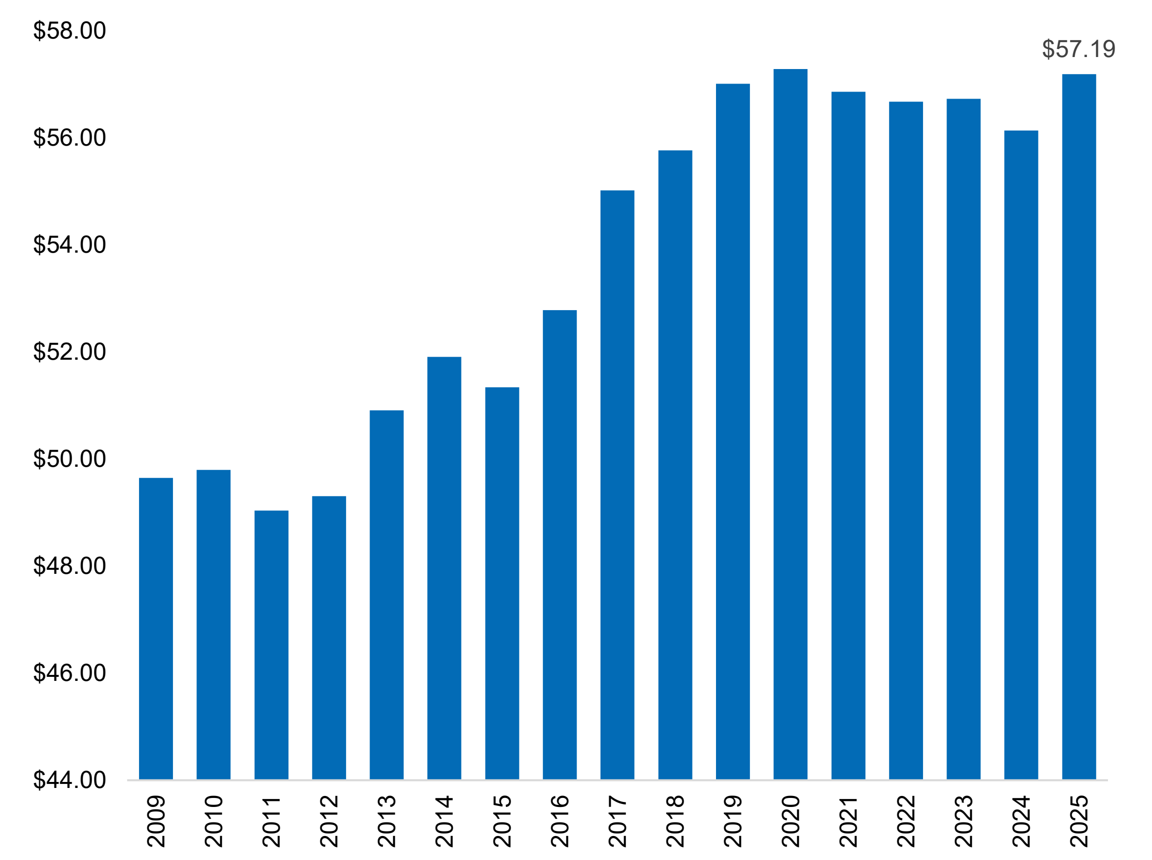
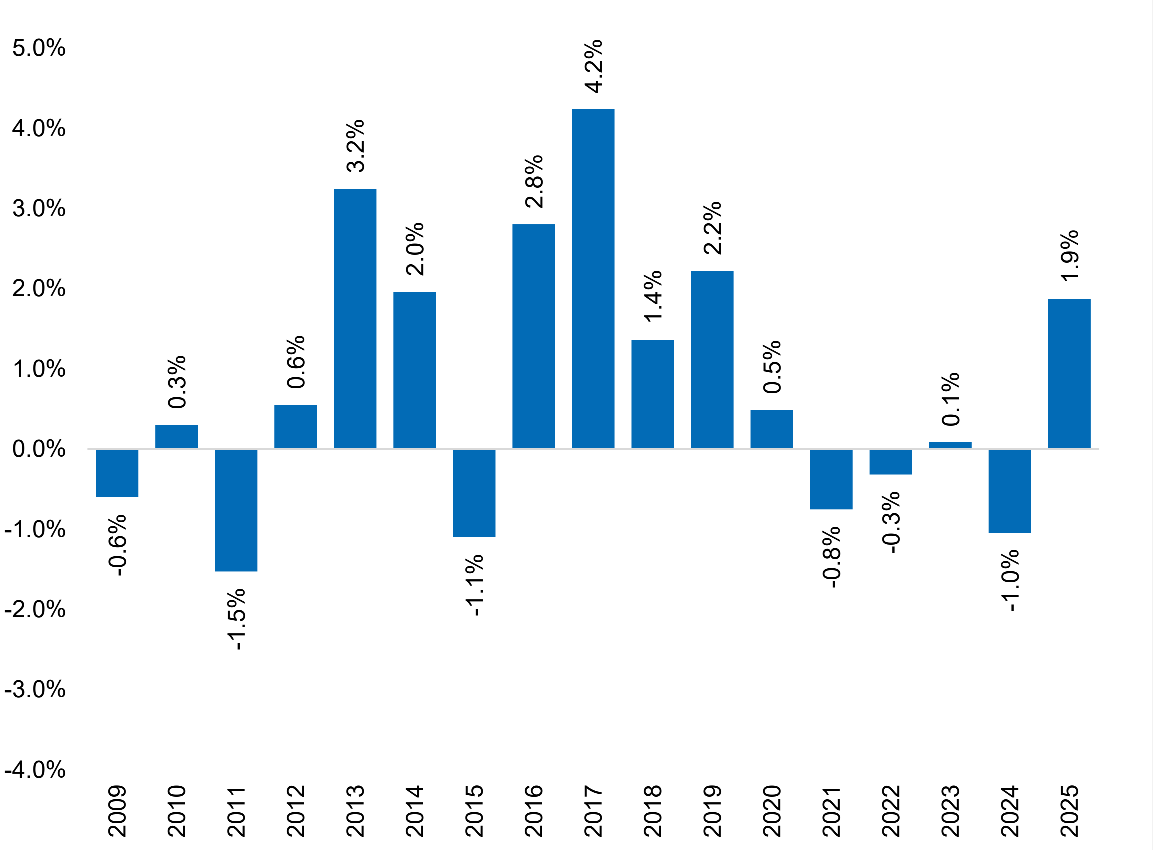
District of Columbia Asking Rents Grow During 2025

Asking rental rates increased 0.4% quarter-over-quarter and 1.9% year-over-year, after decreasing in three of the previous four years. Ending 2025 at $57.19/SF, asking rental rates are nearly even with the peak reached in 2020. Continued limited demand—and in some cases, a lack of capital for concessions—has placed downward pressure on asking rents in the District in previous quarters. However, contracting availability and 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

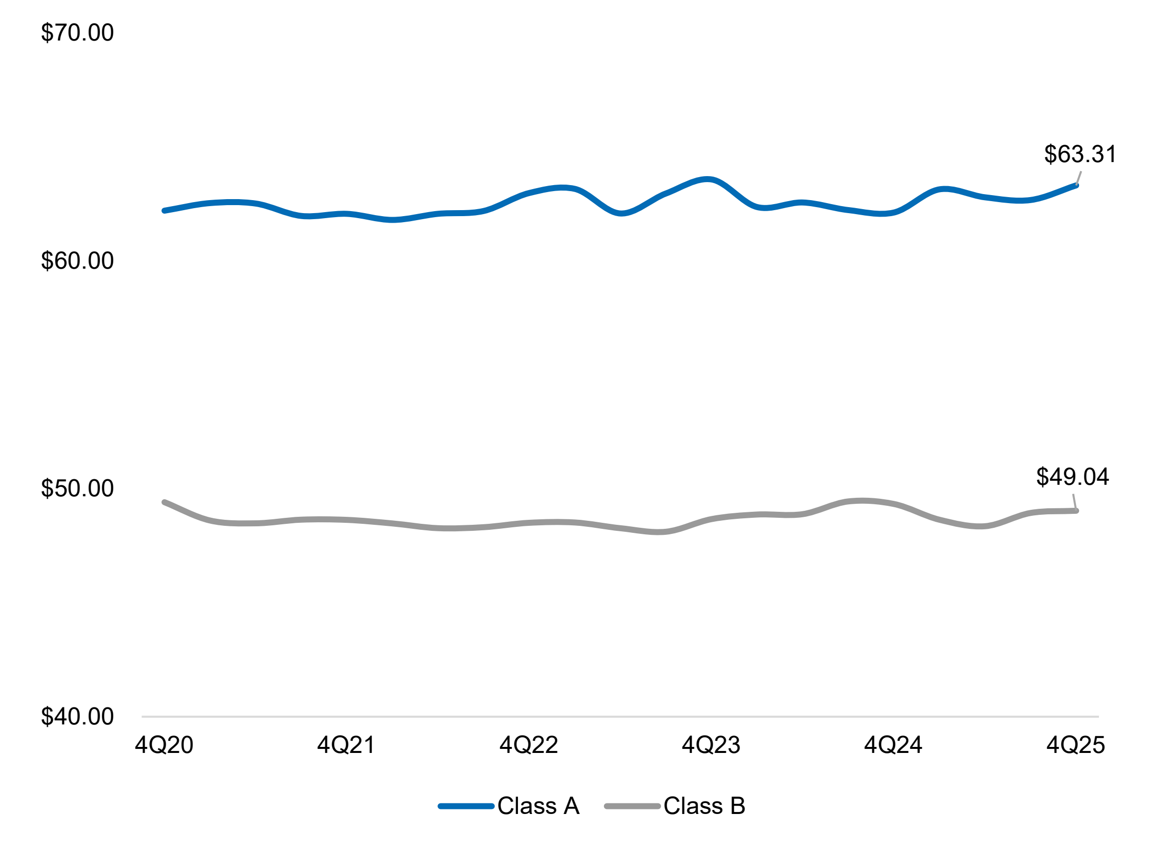


Source: Newmark Research

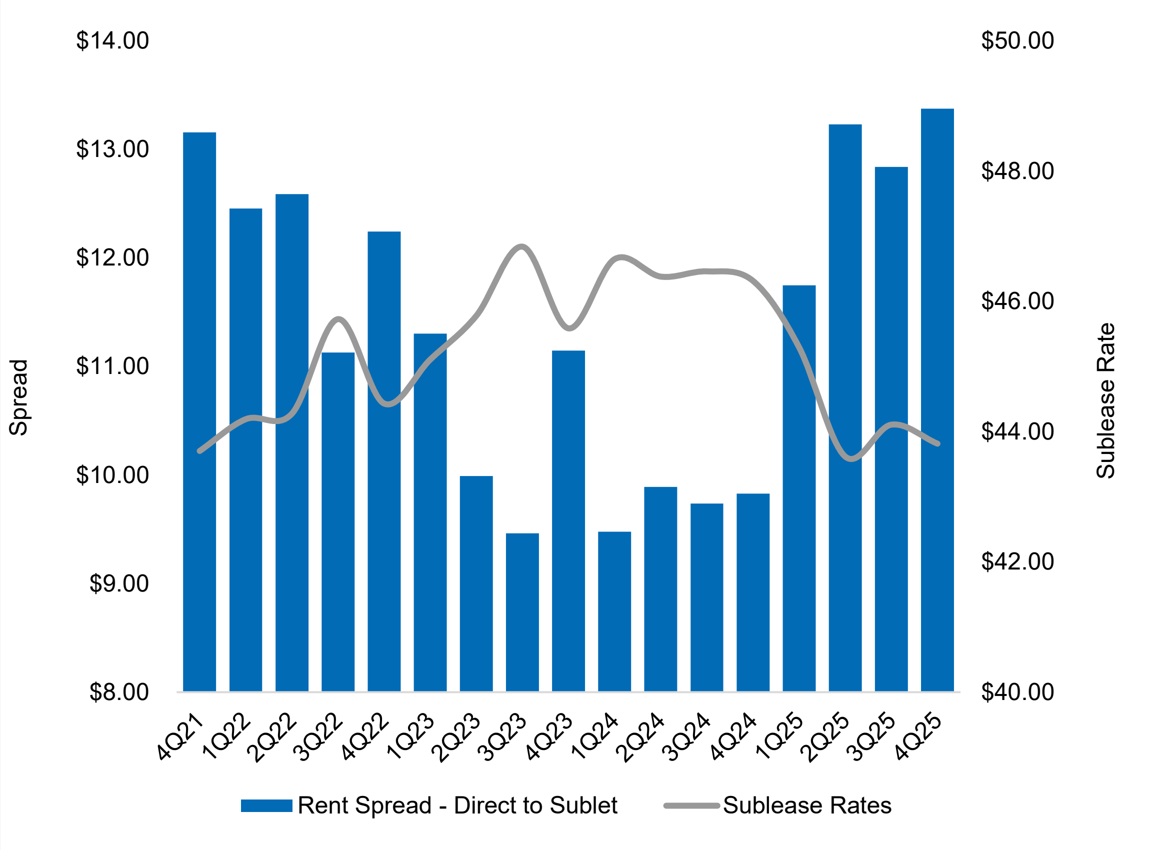
Spread Between Class A and Class B Asking Rents Grows

The spread between Class A and Class B rents expanded during the fourth quarter of 2025. Class A rents increased by 1.9% year-over-year, while Class B rents decreased by 0.6% over the same period. Over the past five years, Class A rents have increased by 1.8% compared with a 0.8% contraction for Class B rents. The rent spread between direct and sublet deals grew to $13.37/SF during the fourth quarter—a 22.0% decline since it's peak at the beginning of 2020 but 19.7% higher than the five-year average

Class A and Class B Asking Rents; $/SF



Sublease Rates; $/SF



Source: Newmark Research

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Newmark business contact for this information

03

Market Statistics

4Q25

Please reach out to your
Newmark business contact for this information

NEWMARK

Liz Berthelette
Head of Northeast Research &
National Life Science Research
elizabeth.berthelette@nmrk.com

Kevin Sweeney
Associate Director
Mid-Atlantic Research
kevin.sweeney@nmrk.com

Chad Braden
Senior Research Analyst
Mid-Atlantic Research
chad.braden@nmrk.com

Nick Schlanger
Senior Research Analyst
Mid-Atlantic Research
nick.schlanger@nmrk.com

Salini Thiraviyarajah
Research Analyst
Mid-Atlantic Research
salini.thiraviyarajah@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