

NEWMARK

# Suburban Maryland Office Market Overview

4Q25

# Suburban Maryland Office Market Observations



## Economy

- As of September 2025, the most recently released data, the region's labor market remains tight, registering an unemployment rate of 4.1%, though more data from recent months will likely show growing unemployment in the region. The region's unemployment rate saw 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.
- 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
- 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%. 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.



## Leasing Market Fundamentals

- Suburban Maryland saw positive activity during the fourth quarter of 2025, with 11,662 SF of positive net absorption, leading to 66,707 SF of positive annual absorption, the market's first year of notable positive net absorption since 2019. Overall vacancy ended 2025 at 20.4%, up 10 basis points quarter-over-quarter, but down 20 basis points over the 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 continued through 2025. Asking rents have decreased 1.6% year-over-year, ending 2025 at \$31.15/SF.



## 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.
- A notable deal occurring during the quarter was the sale of the Quince Diamond Executive Center, a 108,222-square-foot office building located at 555 Quince Orchard Road in the Gaithersburg submarket. The property was sold by Shireen Inc. to Glazer Properties for \$7.8 M, or \$71.98/SF. The building was 48% leased at the time of sale.
- Siemens Building Technologies signed one of the largest lease deals of the quarter, taking 22,820 SF at 14400 Sweitzer Lane in the Laurel submarket.



## Outlook

- With the closing of DOGE and impending Supreme Court decisions regarding some of its actions as well as on tariffs, the region may gain some level of certainty in 2026, potentially leading to increased leasing activity.
- 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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## Table of Contents

1. Economy
2. Leasing Market Fundamentals
3. Market Statistics

# 01

## Economy

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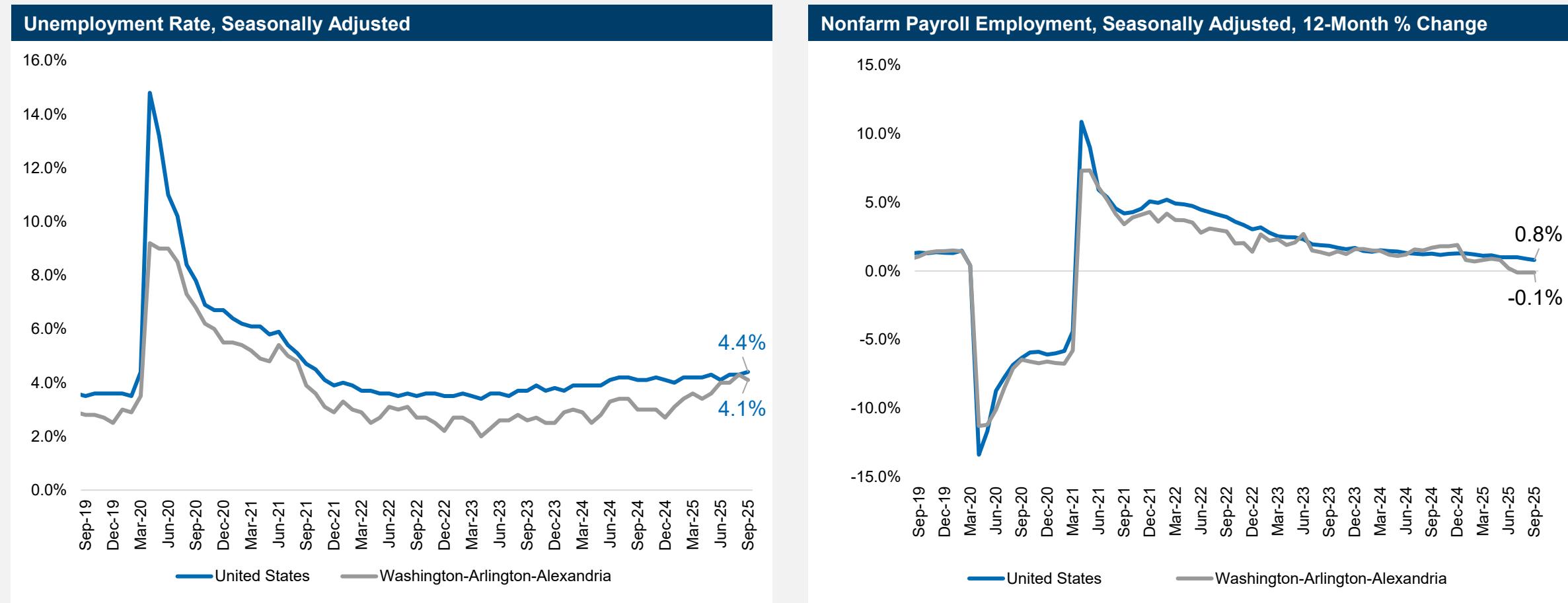
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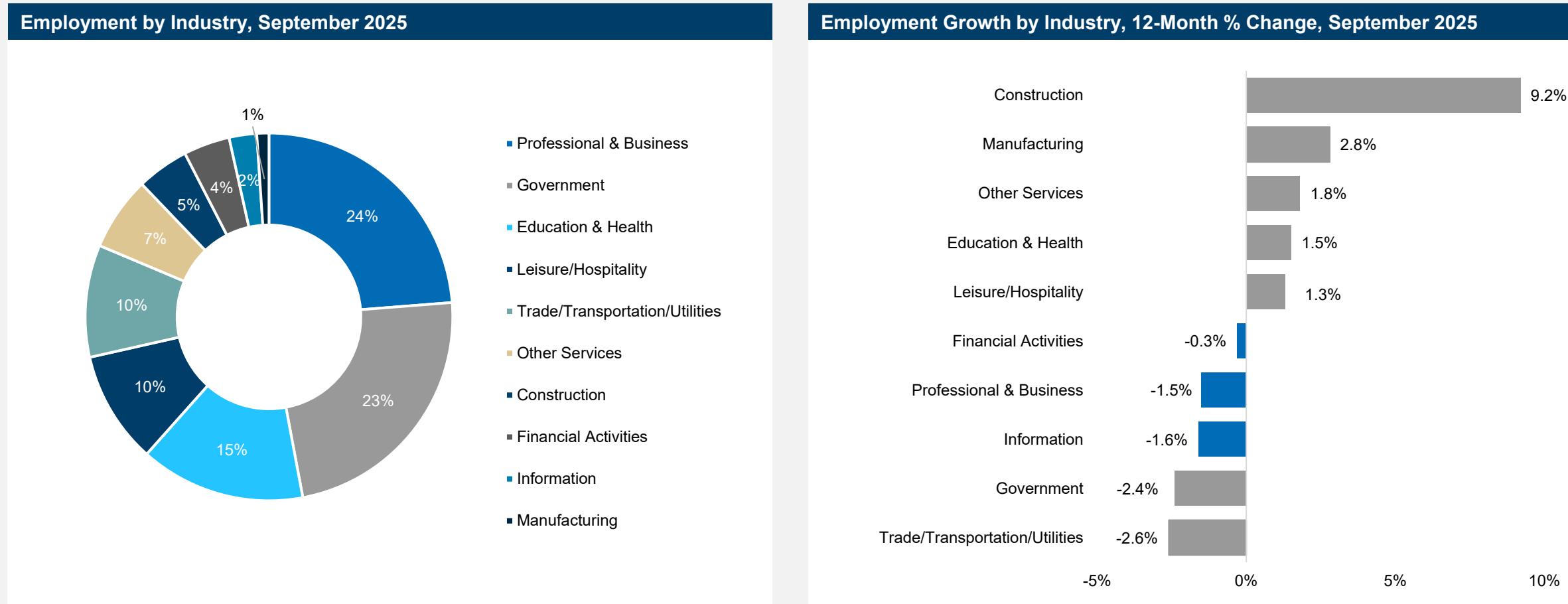
# Delayed Local Unemployment Data Clouds Region's Employment Health

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 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.



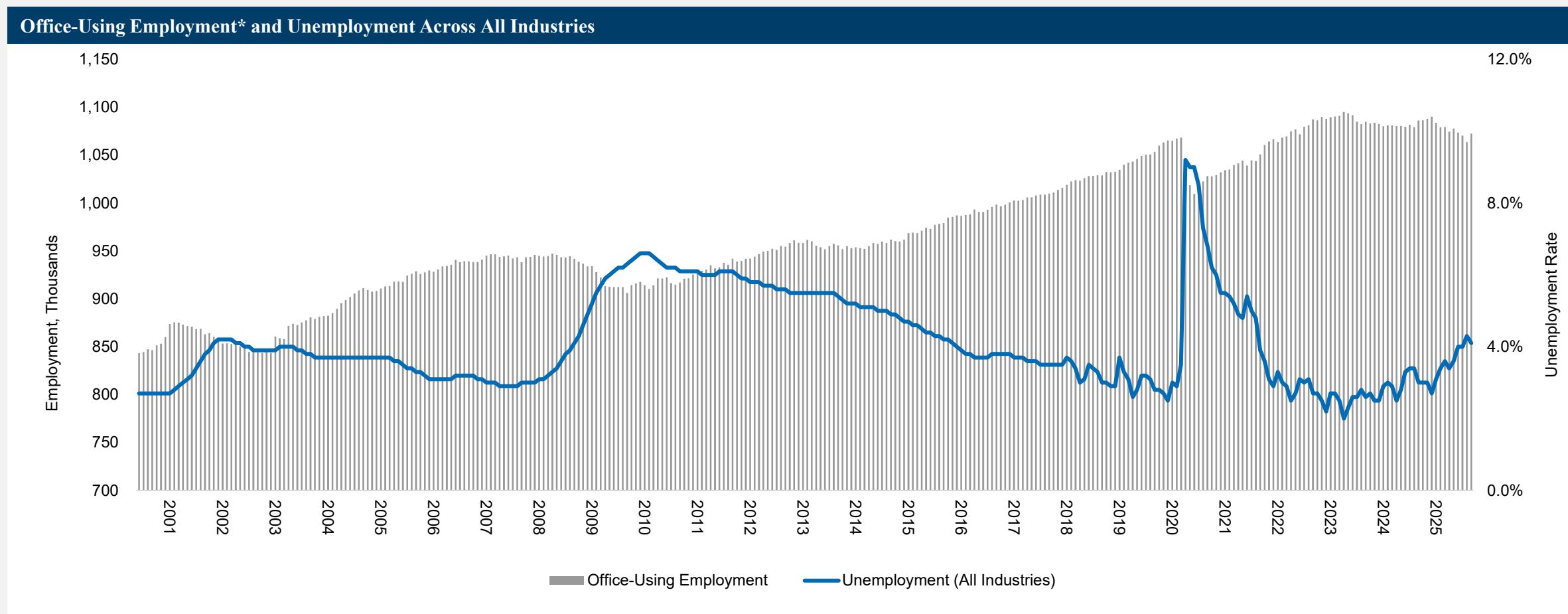
# Washington Metro Area Job Growth Driven by Construction and Manufacturing

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.



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

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.



# 02

## Leasing Market Fundamentals

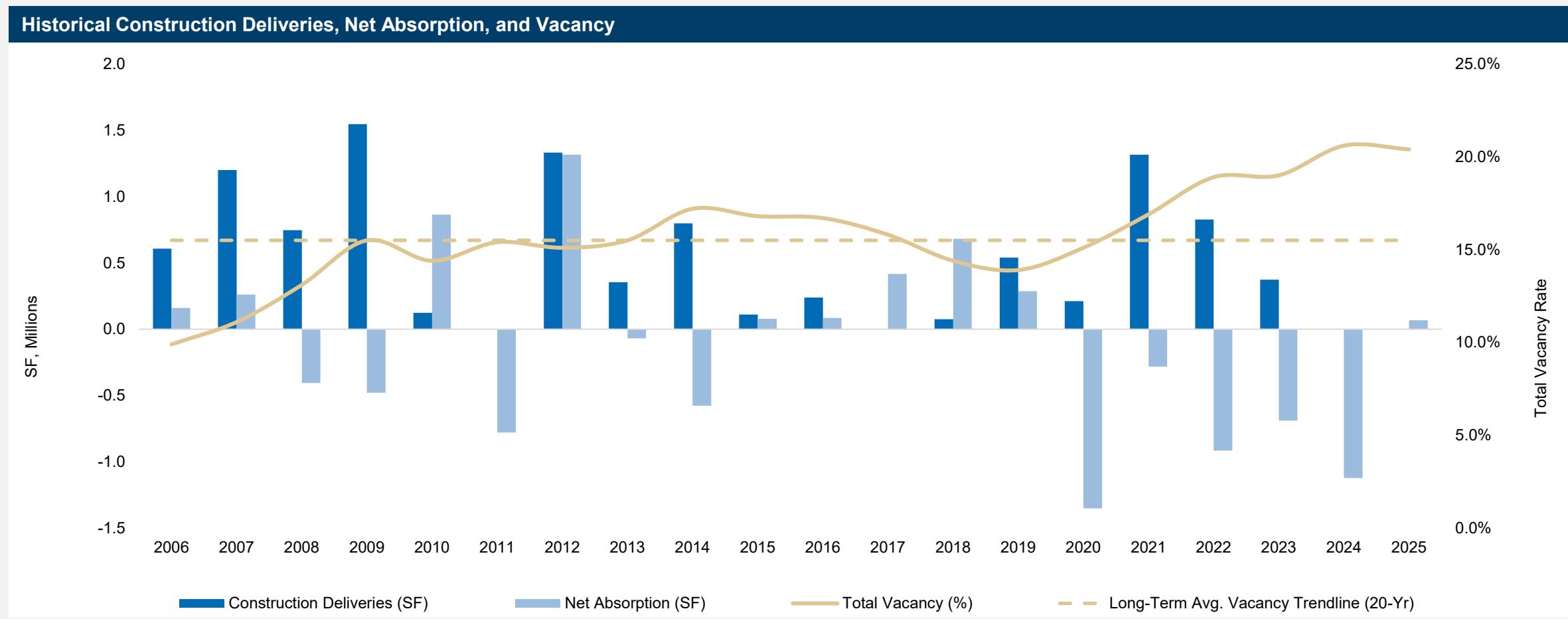
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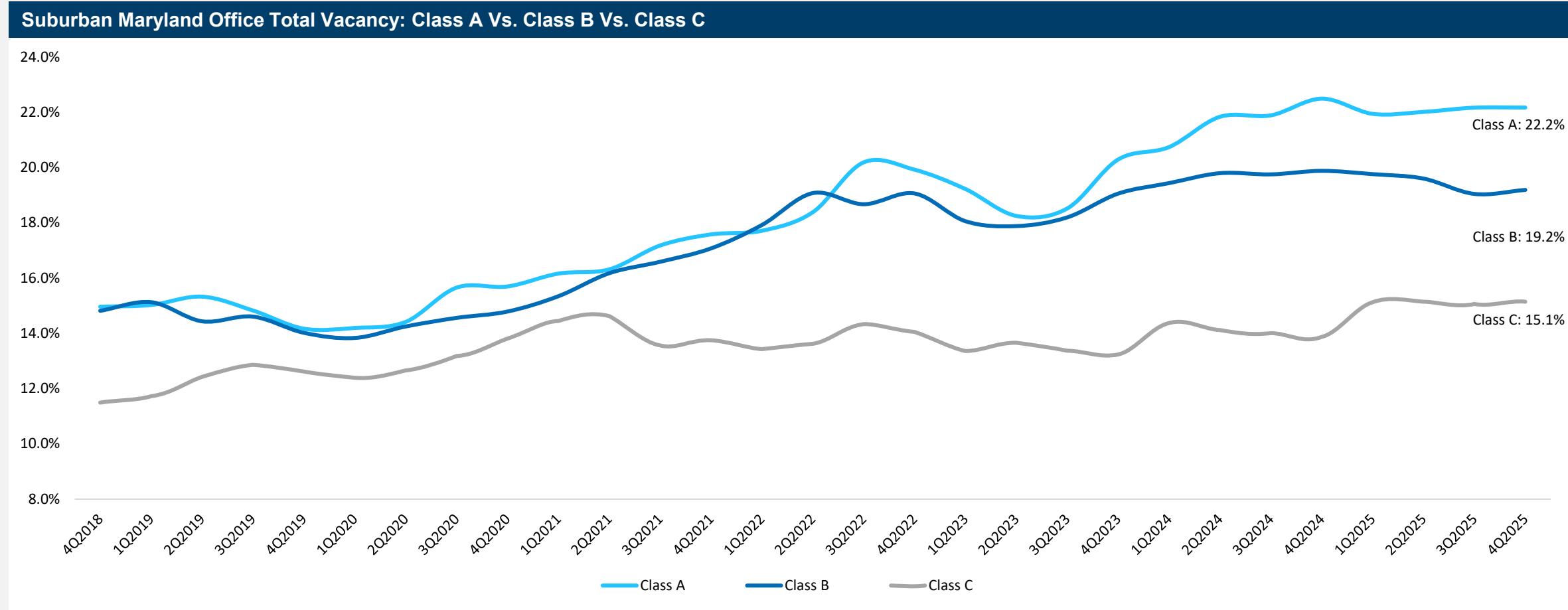
# Market Registers Notable Positive Net Absorption For First Time Since 2019

Suburban Maryland saw over 11,000 SF of positive net absorption during the fourth quarter of 2025, and approximately 67,000 square feet of positive absorption for the year. The market's vacancy rate increased by 10 basis points quarter-over-quarter, but tightened by 20 basis points year-over-year, ending 2025 at 20.4%. 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.



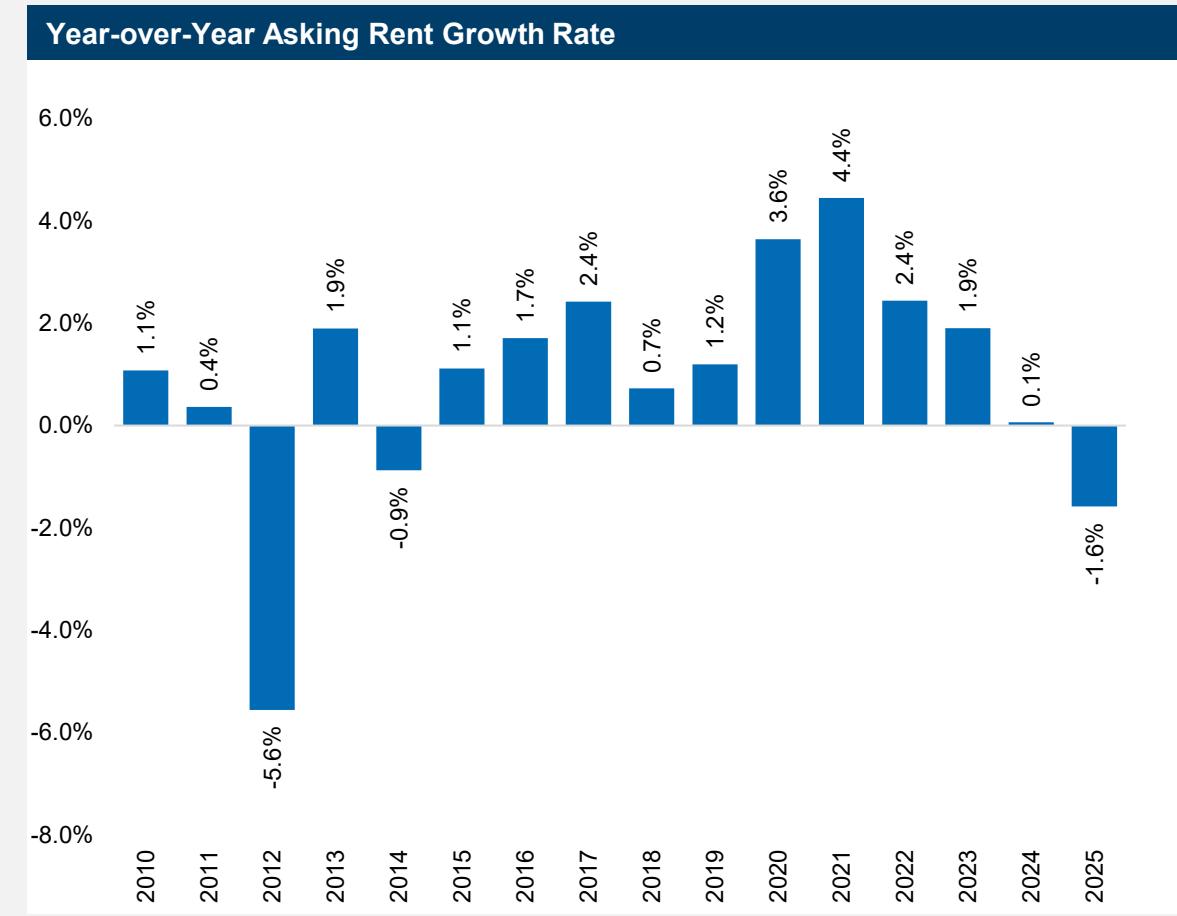
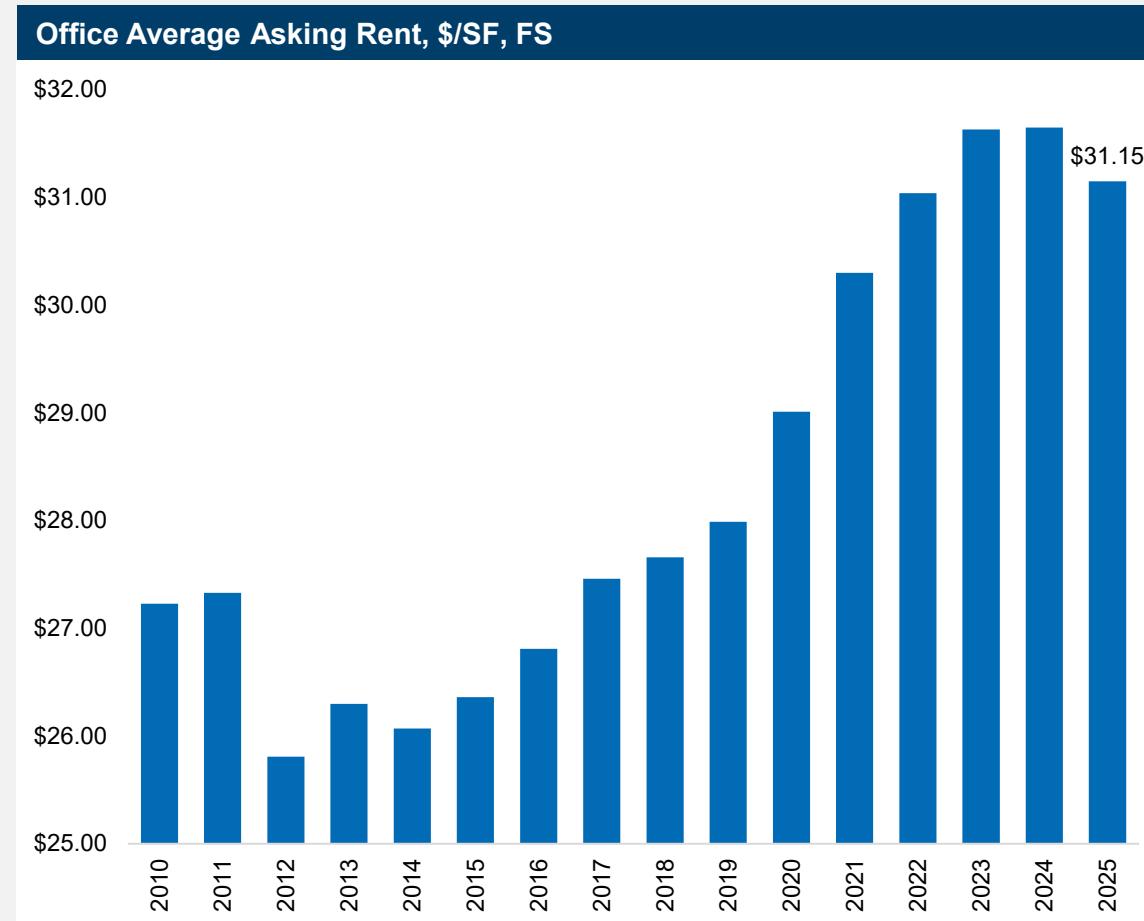
# Lower-Quality Product Continues To Outperform Higher-Quality Product

The Suburban Maryland market has seen lower-quality product outperform higher-quality product during recent years. At the beginning of 2020, Class A vacancy was 14.2%, higher than both Class B product at 13.7% and Class C product at 12.4%. Since then, all classes have seen expansions in vacancy, however Class A product has seen the largest expansion. At the end of 2025, the Class A vacancy rate was 22.2%, an increase of 800 basis points since the start of 2020. Class B vacancy registered 19.2% at year end, an increase of 550 basis points, while Class C vacancy was 15.1%, an increase of 270 basis points. Demand for lower-priced suburban office space has outpaced newer, high-quality space in downtown nodes.



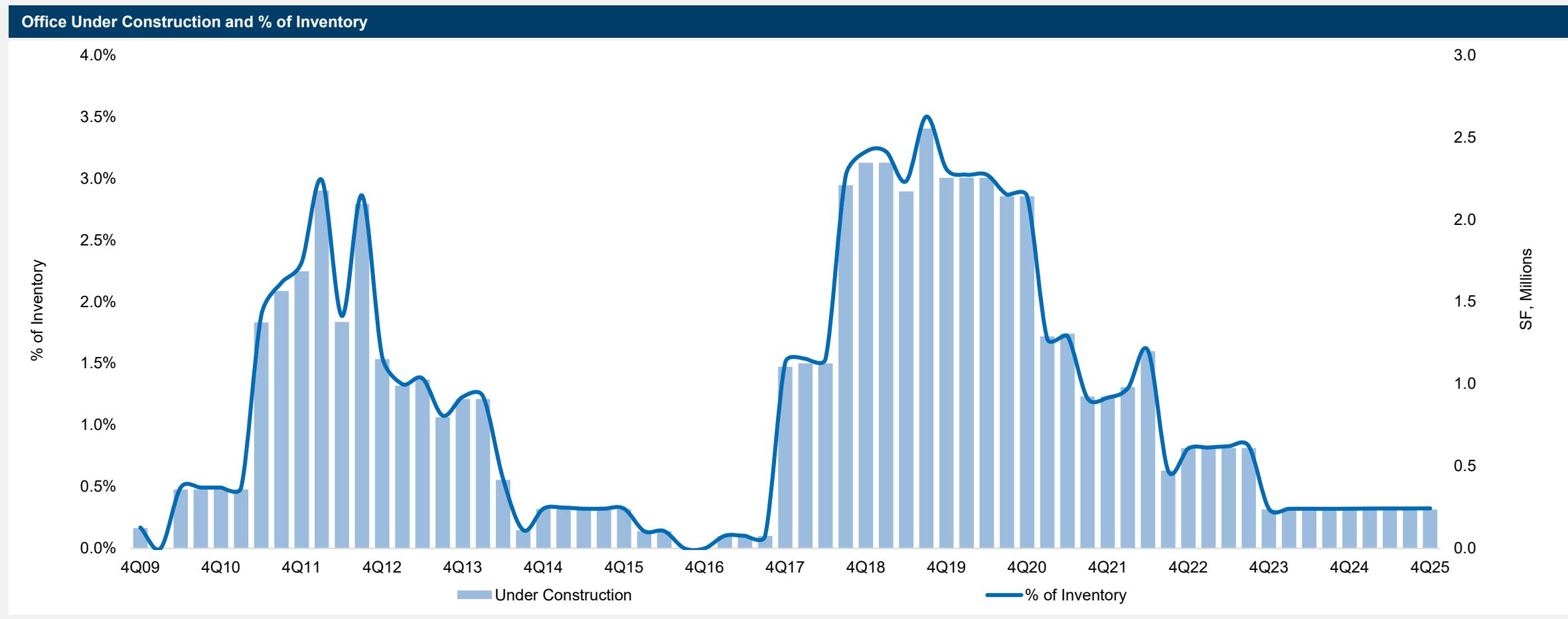
# Asking Rents Shrink In 2025

Average asking rents in Suburban Maryland have declined each of the last five quarters, ending 2025 at \$31.15 PSF, a decrease of 1.6% year-over-year. Since a cyclical high of 4.4% rent growth in 2021, the market has seen decelerating increases in rent as demand wanes, dipping into the negative during 2025.



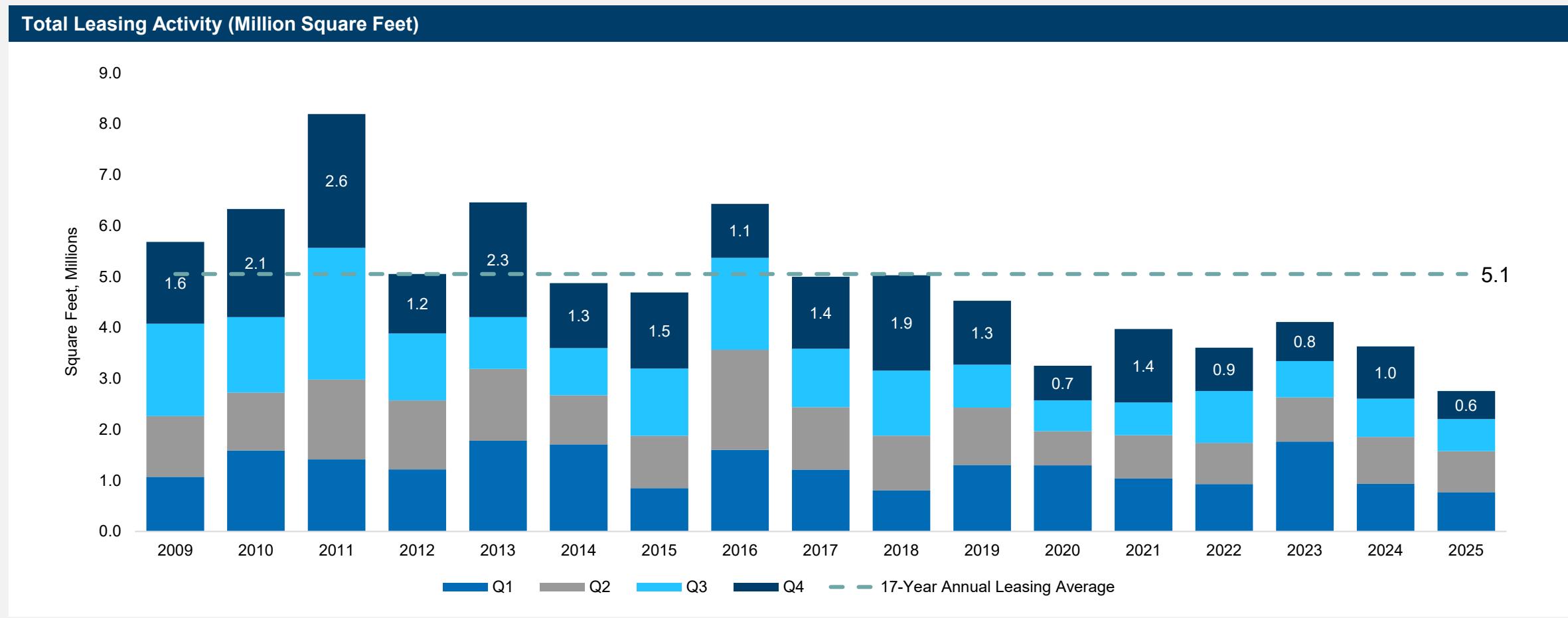
# Limited Office Construction Pipeline Primed To Push Vacancy Lower

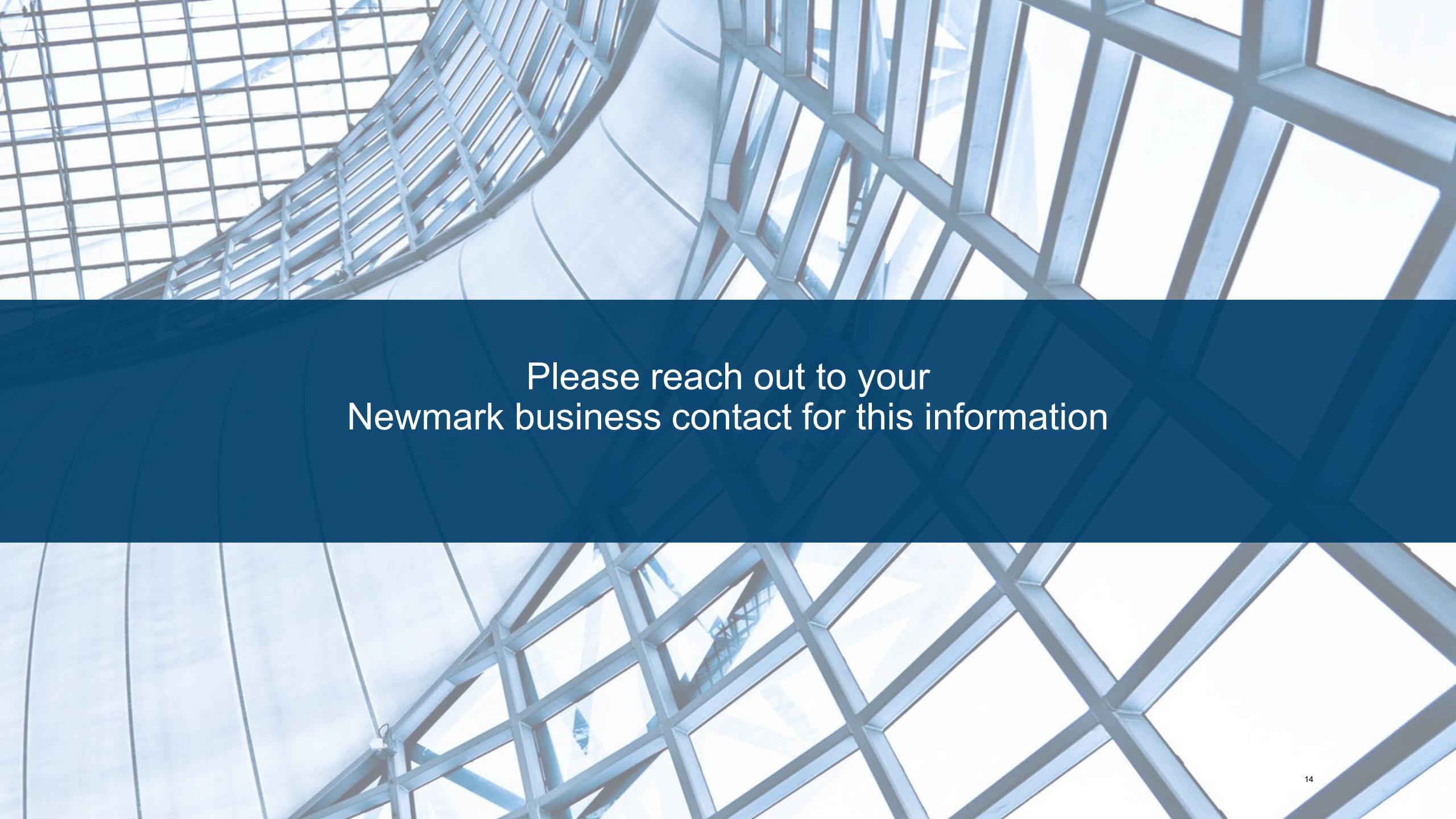
Suburban Maryland has one project under construction: BF Saul's 1600 Rockville Pike office development, part of the Twinbrook Quarter mixed-use project, which is expected to deliver in early 2026 as a part of phase 1B. A limited pipeline, in combination with existing conversions of office into other uses, will help ease rising vacancies. Overall, the market's construction pipeline is equal to 0.3% of the current total inventory, the lowest level since the middle of 2017.



# Leasing Activity Hits Long-Term Low

The Suburban Maryland office market saw just over 550,000 square feet of leasing activity during the fourth quarter of 2025, bringing the annual total to approximately 2.75 MSF, a decrease of 24.1% year-over-year. Fourth-quarter leasing activity was 60% lower than the historical average of approximately 1.4 MSF, though the gap may close after all fourth-quarter transactions are tallied. Some tenants in the market have seen direct impacts from DOGE and tariffs, while others have slowed decision-making due to uncertainty at the federal government level.





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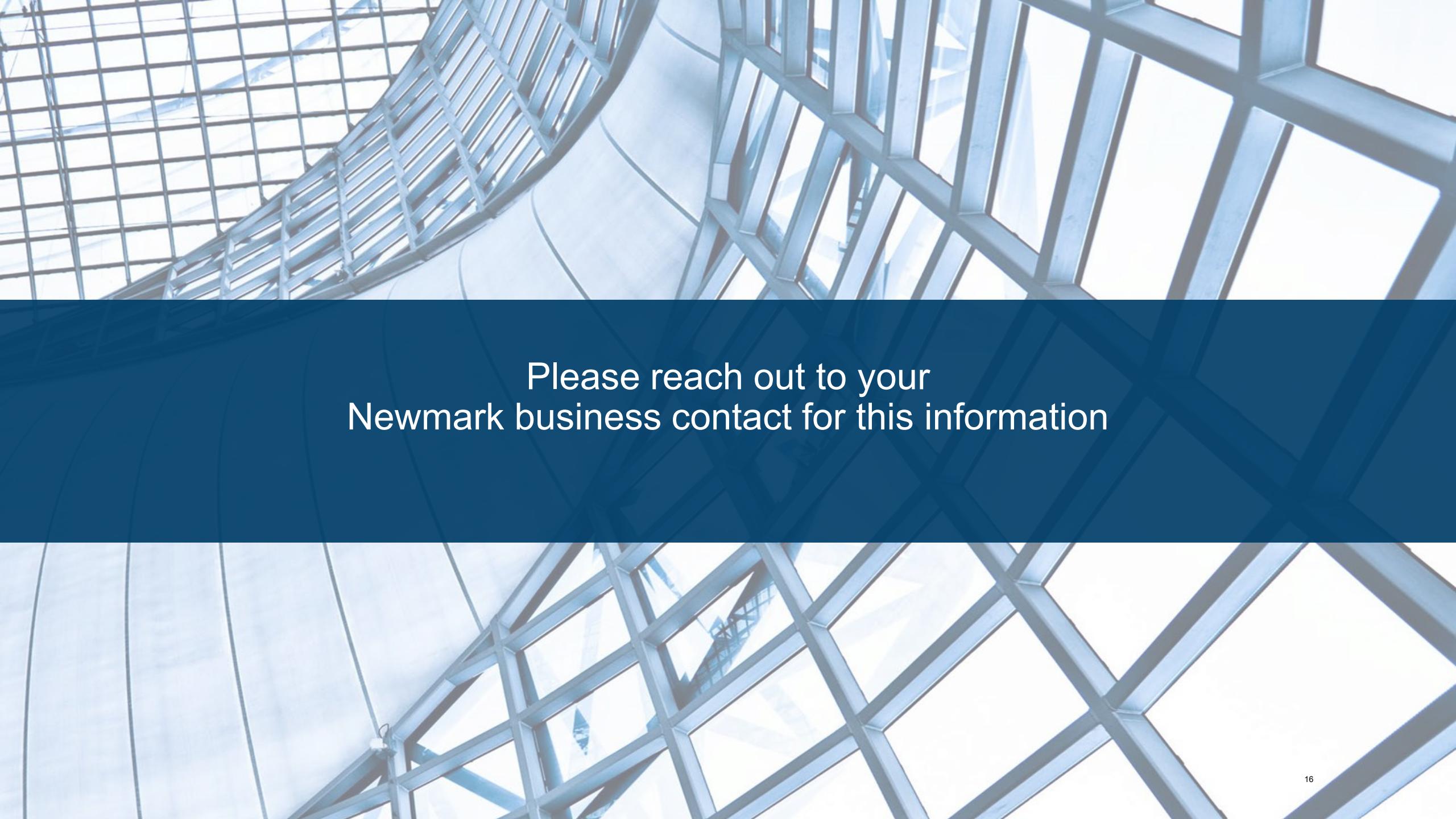
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## Market Statistics

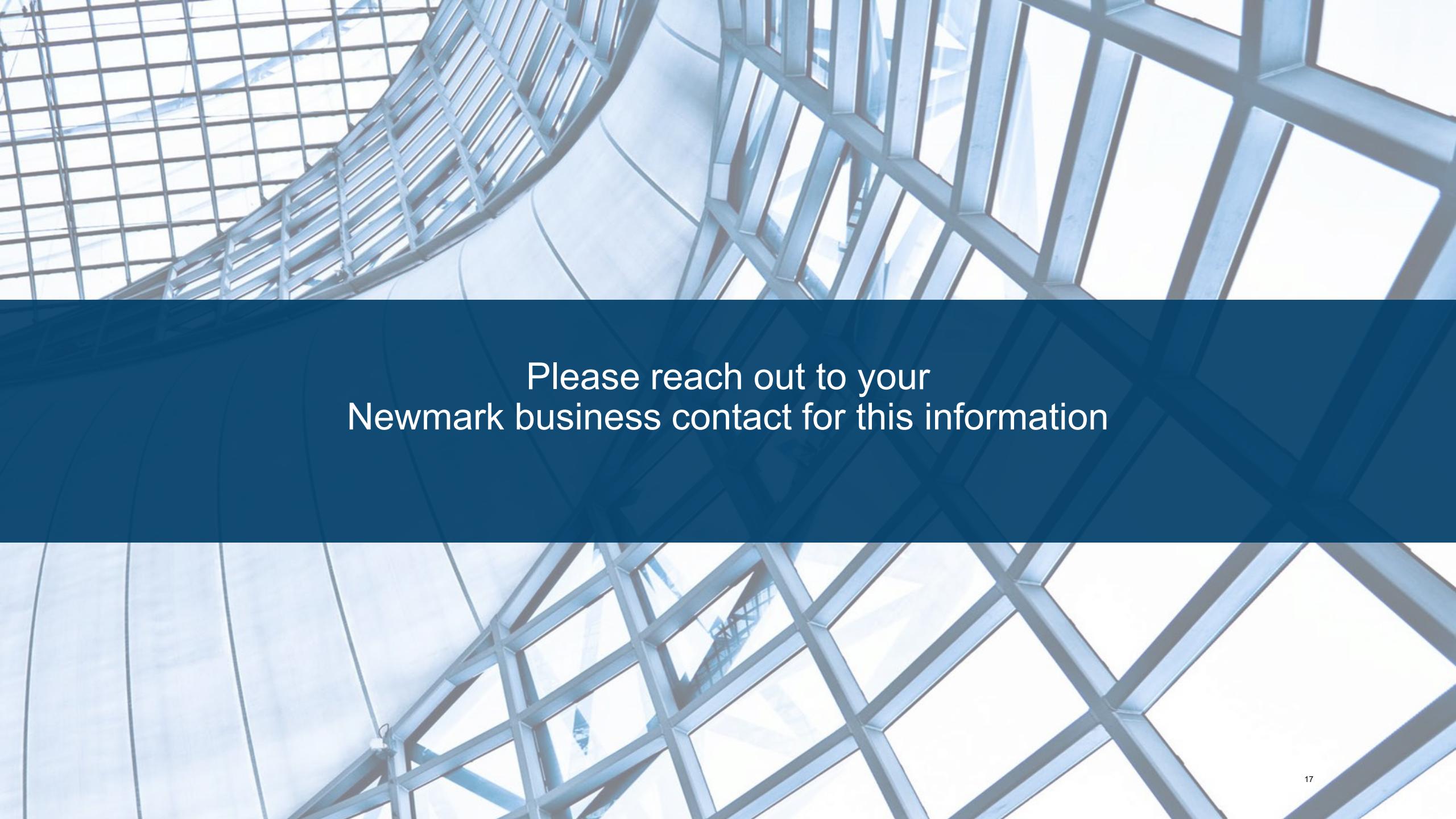
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