

NEWMARK

Washington Metro Industrial Market Overview

4Q25

U.S. Market Observations



Economy

- The region's labor market saw a dip during 2025, highlighted by the unemployment rate. The metro's unemployment rate sat at 4.1% as of September, a concerning expansion of 110 bps year-over-year. This expansion in the unemployment rate is likely due to the federal workforce layoffs that are most affecting the regions surrounding the nation's capital.
- Within the industrial sector, manufacturing saw job gains with employment growth of 2.8% year-over-year, while trade/transportation/utilities counteracted this with a year-over-year decline of 2.6%.
- Despite the recent decline, the number of industrial jobs has rebounded and now sits in line with pre-pandemic levels. Industrial employment ended September 2025 at 449,000 employees, slightly lower than the decade average, however an increase of 24.3% since the market reached a pandemic-related low in April of 2020.



Major Transactions

- The largest deal of the quarter was the sale of 2300 Craftsman Circle in Hyattsville. Atapco Properties sold the 180,000-square-foot distribution facility to Terreno Realty for \$50 million, or \$277.78/SF. The property was sold in shell condition, with the buyer planning to complete interior finishes by early 2027.
- A second notable deal during the quarter was the sale of 14850 Thompson Road, located at Stonecroft Industrial Center within the Rt 28 / Dulles South submarket. Matan, Inc. sold the 104,136-square-foot industrial warehouse to WestPark Properties for \$35 million, or \$336.19/SF. The property was 100% leased at the time of sale by OnTrac, with a current lease ongoing until 2030.



Leasing Market Fundamentals

- The Washington D.C. industrial market experienced 4.2 million SF of deliveries while seeing almost 3.1 million SF of positive net absorption during 2025. With deliveries outpacing absorption, the market saw a slight annual expansion in vacancy, ending 2025 at a 7.3% vacancy rate, an increase of 30 basis points year-over-year. Despite the annual expansion in vacancy, the market's vacancy remains relatively in line with the decade average of 6.2%.
- Despite seeing a slight deceleration, asking rents continue to grow at elevated rates, ending 2025 at \$17.84/SF across all product types. This is an increase of 5.4% year-over-year, with the market seeing rents decelerate annually since the market had peak annual growth of 9.2% in 2022.
- Development remained elevated during 2025, as the market saw 4.2 million SF of deliveries throughout the year, higher than the decade-average of 3.4 million SF of annual deliveries. Construction levels remain relatively stabilized, ending 2025 with 38 properties under construction totaling over 4.1 million SF, in line with the market's historical average of 4.0 million SF under construction.



Outlook

- The market appears to be re-adjusting after experiencing unprecedented development in recent years. This development has led to an oversupply of space, which is leading to an increase in the vacancy rate as demand catches up. While supply and demand re-adjust, rent growth will likely continue decelerating while remaining at historically elevated levels.
- Leasing activity will likely continue at elevated levels, with the continued addition of new, high-quality space to the market leading to many options for prospective tenants. As has been the case historically, Class A space will continue to see the most interest from landlords, tenants, and investors alike.
- The region faces major headwinds from the new administration, especially due to recent tariffs and policy uncertainty.

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Economy

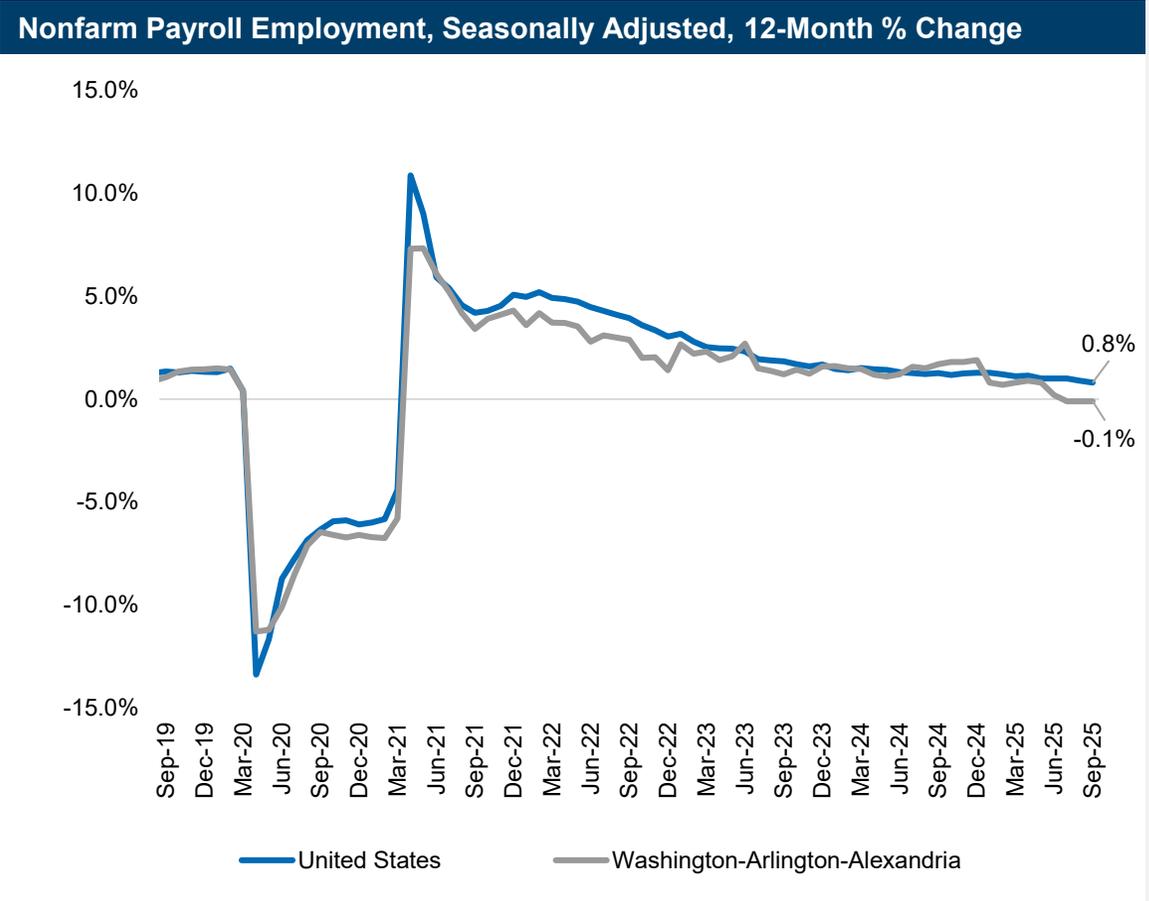
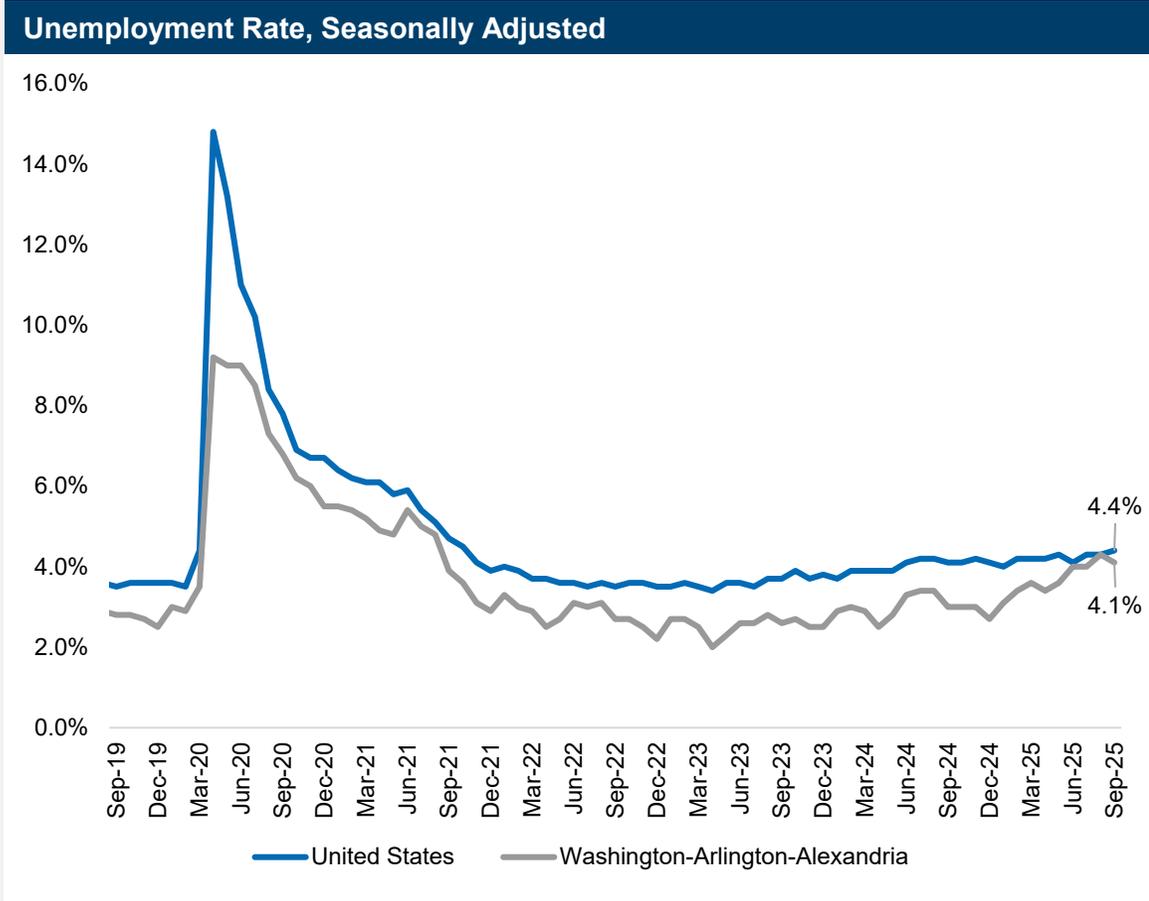
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Delayed Local Unemployment Data Clouds Region's Employment Health

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.

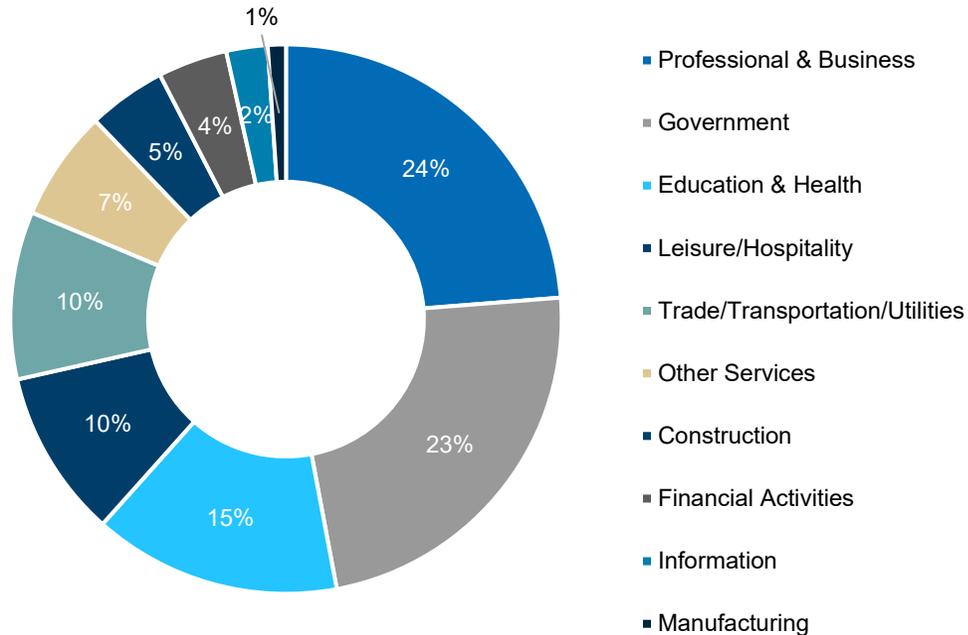


Source: U.S. Bureau of Labor Statistics, Washington-Arlington-Alexandria

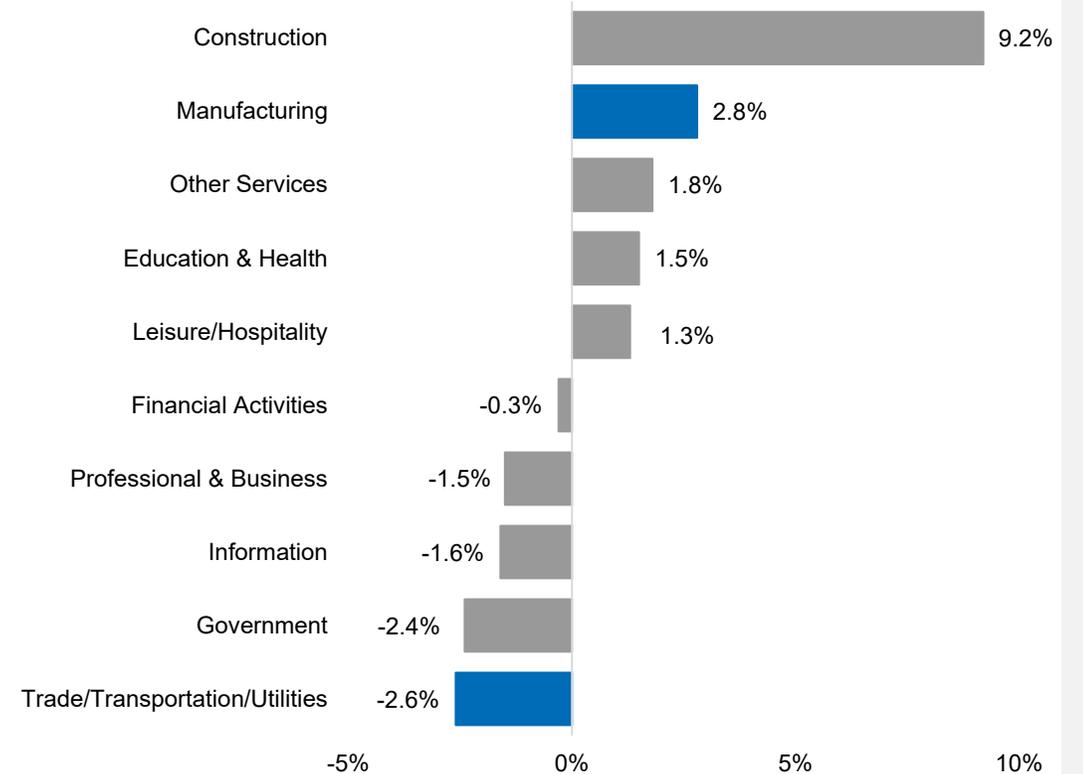
Washington Metro Area Job Growth Driven by Construction and Manufacturing

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. Trade/transportation/utilities performed the poorest out of all industries after experiencing a 12-month decline of 2.6%.

Employment by Industry, September 2025

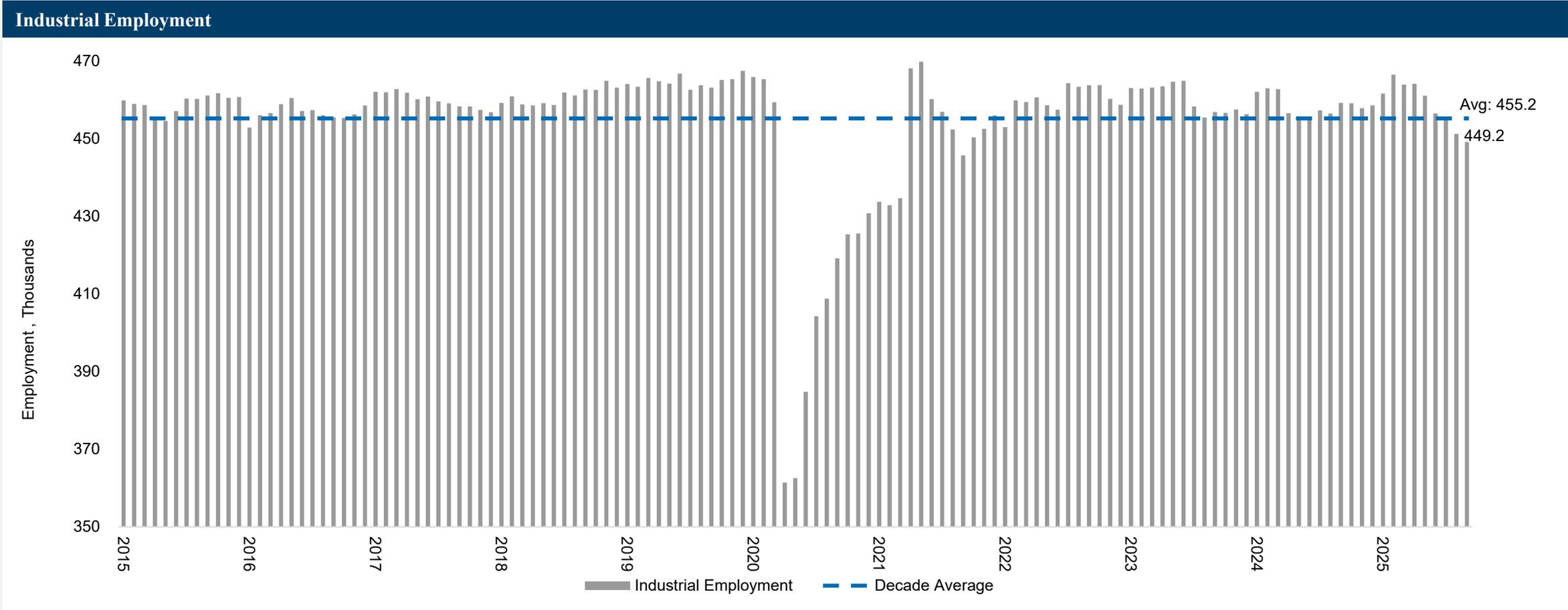


Employment Growth by Industry, 12-Month % Change, September 2025



Industrial Employment Sees Notable Decline

The number of industrial jobs saw a notable decline year-over-year. Industrial employment ended September 2025 at 449,200 employees, slightly lower than the decade average, and a 2.2% decline year-over-year. Despite this, the market has seen an increase of 24.3% since the market reached a pandemic-related low in April of 2020. Industrial employment is dominated by the trade/transportation/utilities industry, which makes up over 87.9% of industrial employment in the region.



Source: U.S. Bureau of Labor Statistics, Washington-Arlington-Alexandria
 *Industrial employment includes employment in the following industry sectors: Trade/Transportation/Utilities and Manufacturing

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Leasing Market Fundamentals

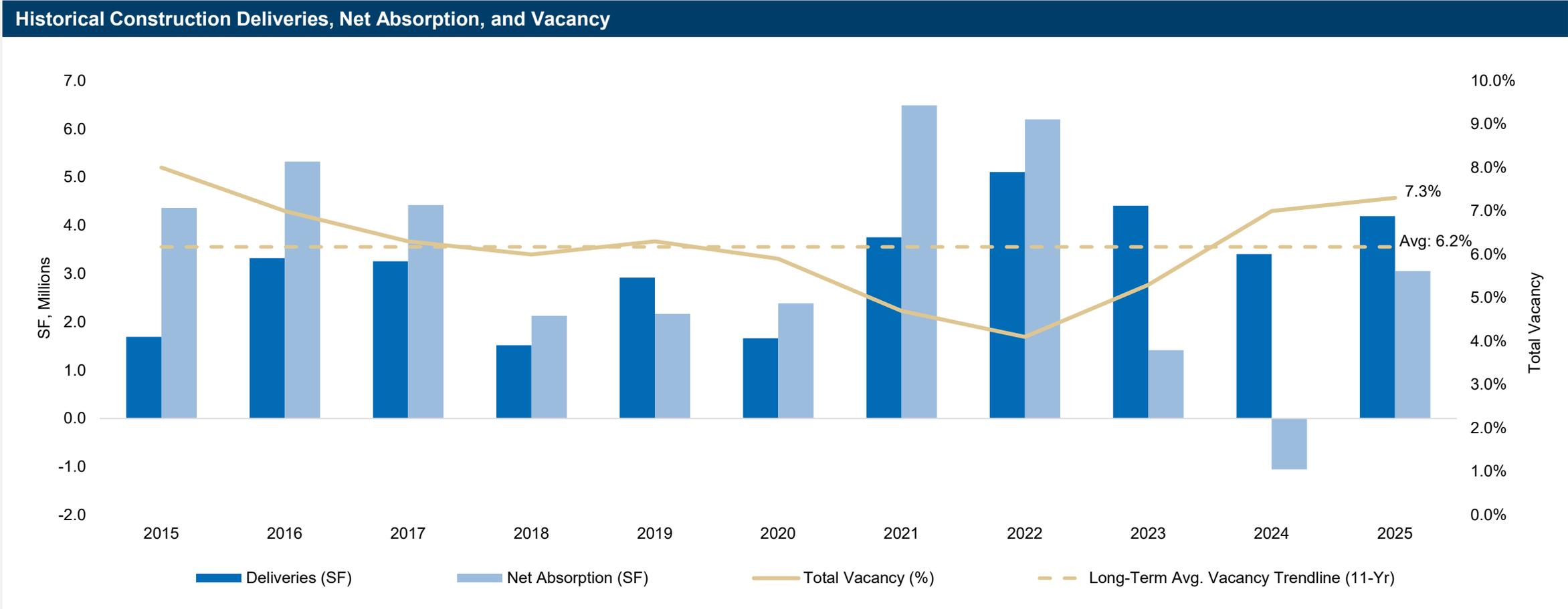
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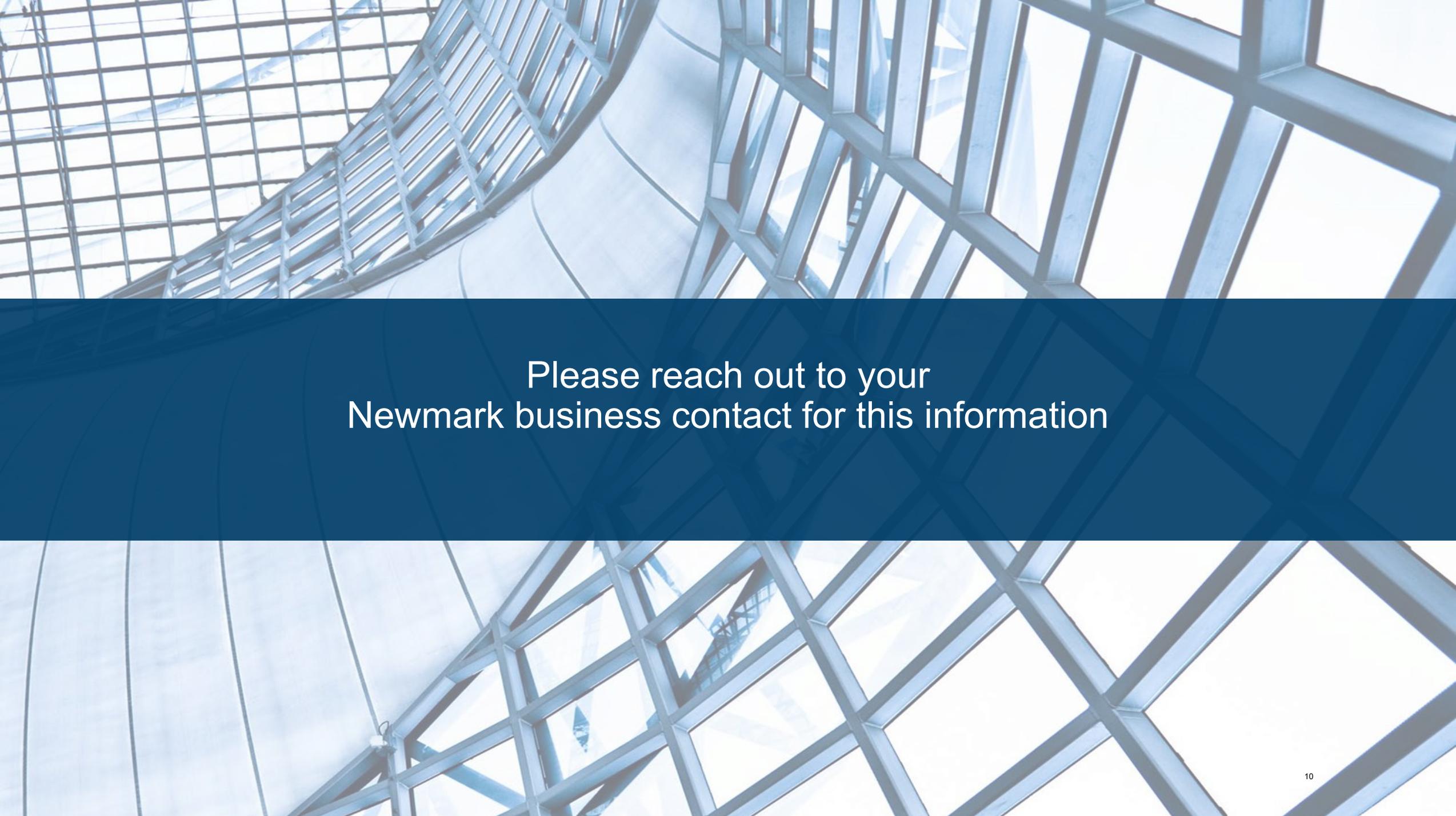
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Market Rebounds in 2025 As Fundamentals Stabilize

The Washington D.C. industrial market continues to perform exceptionally well, as evidenced by its fundamentals. During 2025, the market experienced 4.2 million SF of deliveries while seeing almost 3.1 million SF of positive net absorption. With deliveries outpacing absorption, the market saw a slight annual expansion in vacancy, ending 2025 at a 7.3% vacancy rate, an increase of 30 basis points year-over-year. Overall, the market saw an impressive rebound after experiencing over 1.0 million SF of negative net absorption during 2024.

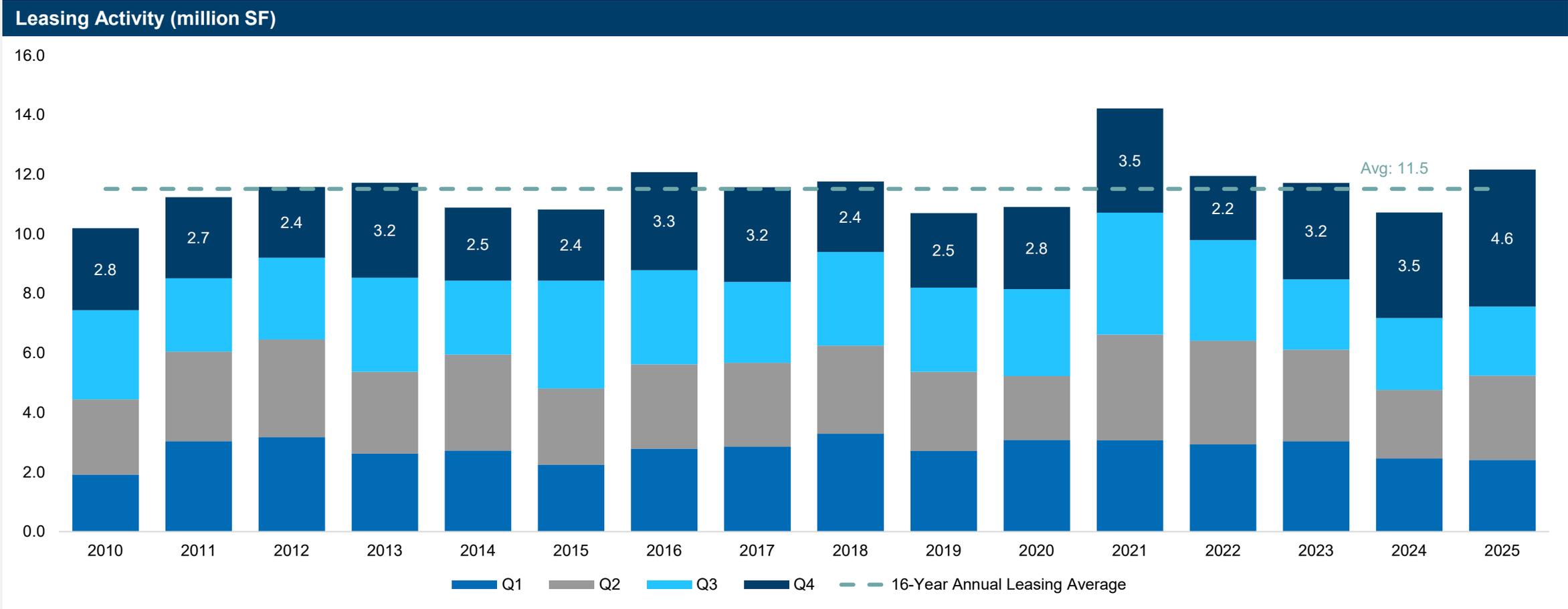




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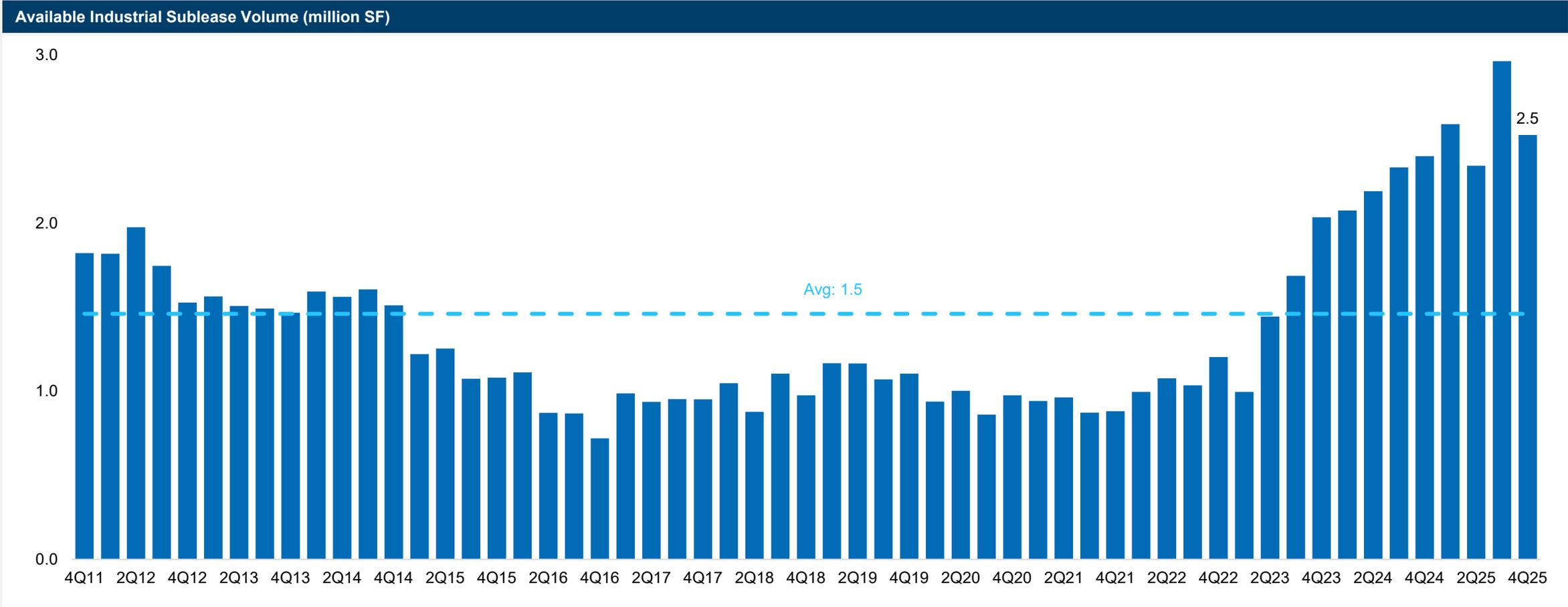
Leasing Activity Accelerates During 2025

Leasing activity rose above the market’s historical average during 2025, with the market seeing 12.2 million SF of activity, above the historical average of 11.5 million SF of annual leasing activity. Leasing activity during 2025 was the most the market has seen since 2021 and the second most the market has seen in the past 16 years. This includes 4.6 million SF of leasing activity during the fourth quarter of 2025, which is the most active fourth quarter in the past 16 years. The market will look to continue this level of leasing activity, as it looks to lease up the large amount of deliveries from recent years.



Industrial Sublease Availability Remains Elevated

The market saw a noticeable decline in sublease available space during the beginning of the pandemic, as demand for industrial space soared. Since the market saw near-historical lows in the third quarter of 2021, sublease available space has been consistently added to the market and has remained elevated, ending 2025 at 2.5 million SF, which far surpasses volumes prior to the pandemic.



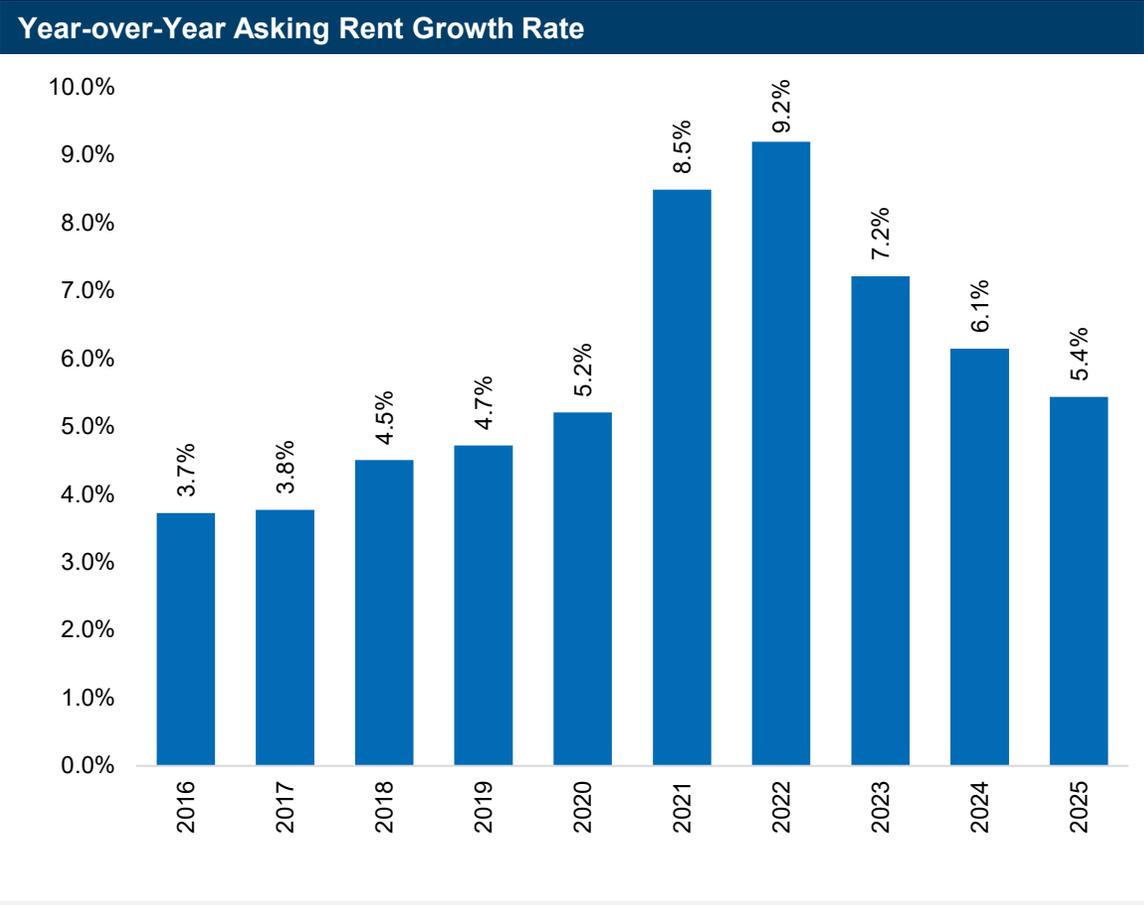
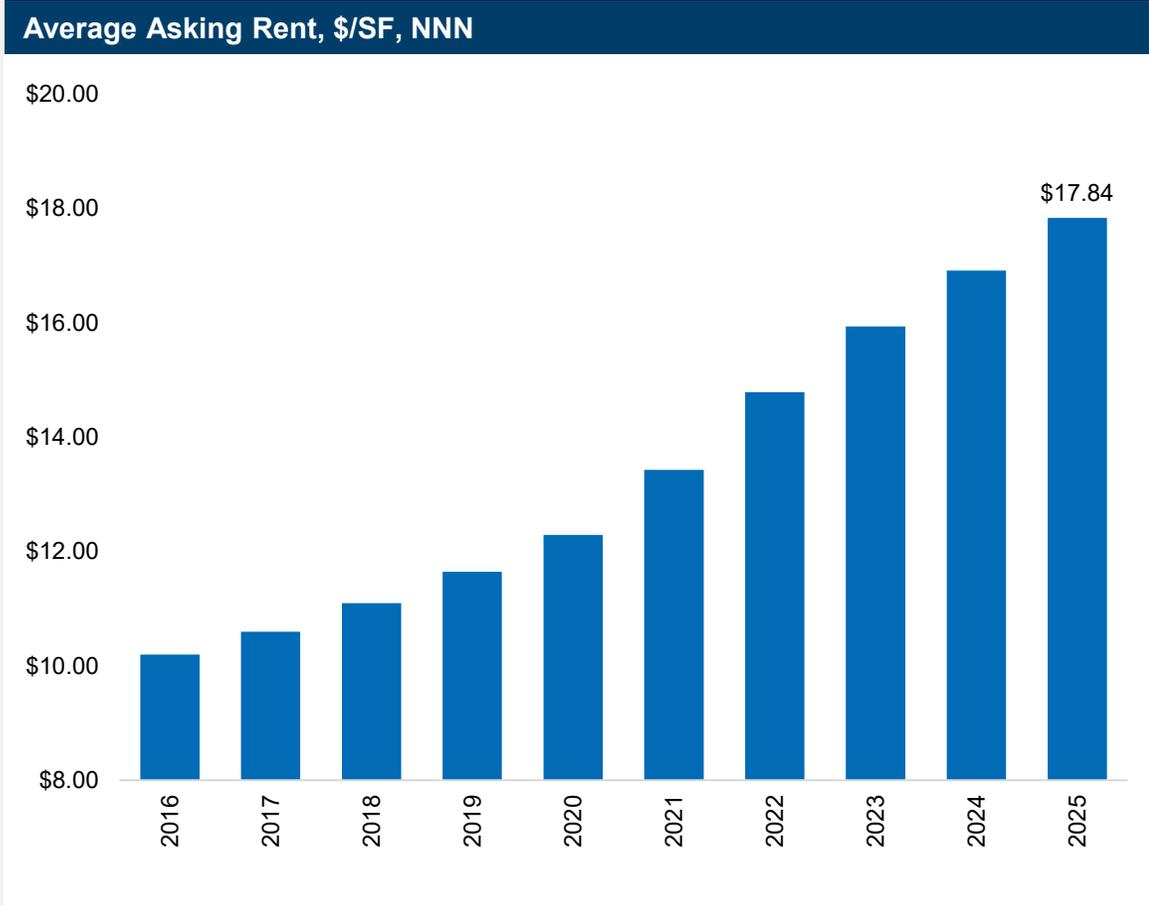
Construction Remains Historically Elevated

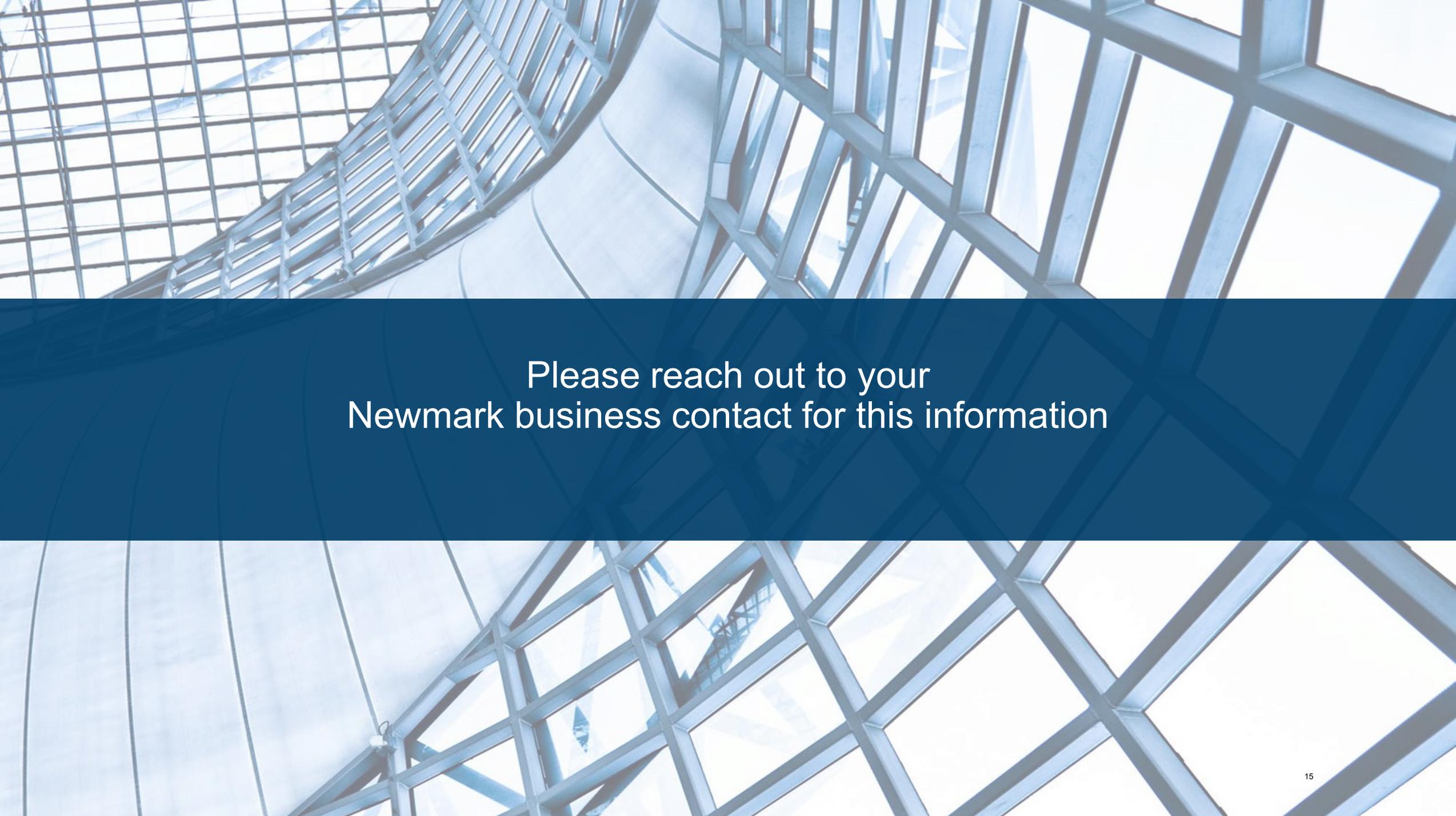
Washington D.C. ended 2025 with 38 industrial properties under construction totaling over 4.1 million SF, declining by approximately 1.0 million SF quarter-over-quarter. This slowdown in construction comes after the market saw eleven properties, totaling over 1.7 million SF, delivered during the fourth quarter. Construction declined consistently from 2022 to 2024 after seeing a historical high of over 6.5 million SF under construction during the second quarter of 2022. Since 2024, the market’s development has remained relatively stable and will likely continue that trend with many proposed projects in the pipeline.



Asking Rents Remain Near Historic Highs

Average asking rents ended 2025 at \$17.84/SF, continuing to expand to historical highs. This is a 5.4% increase year-over-year, as the market has seen stable growth over the past few years. The market has seen rents explode since 2020, seeing an astounding 53.1% increase in rents during that time. Rents will likely continue to see this stable growth in the short term, albeit at these decelerated rates, as demand catches up to the recent influx of supply.





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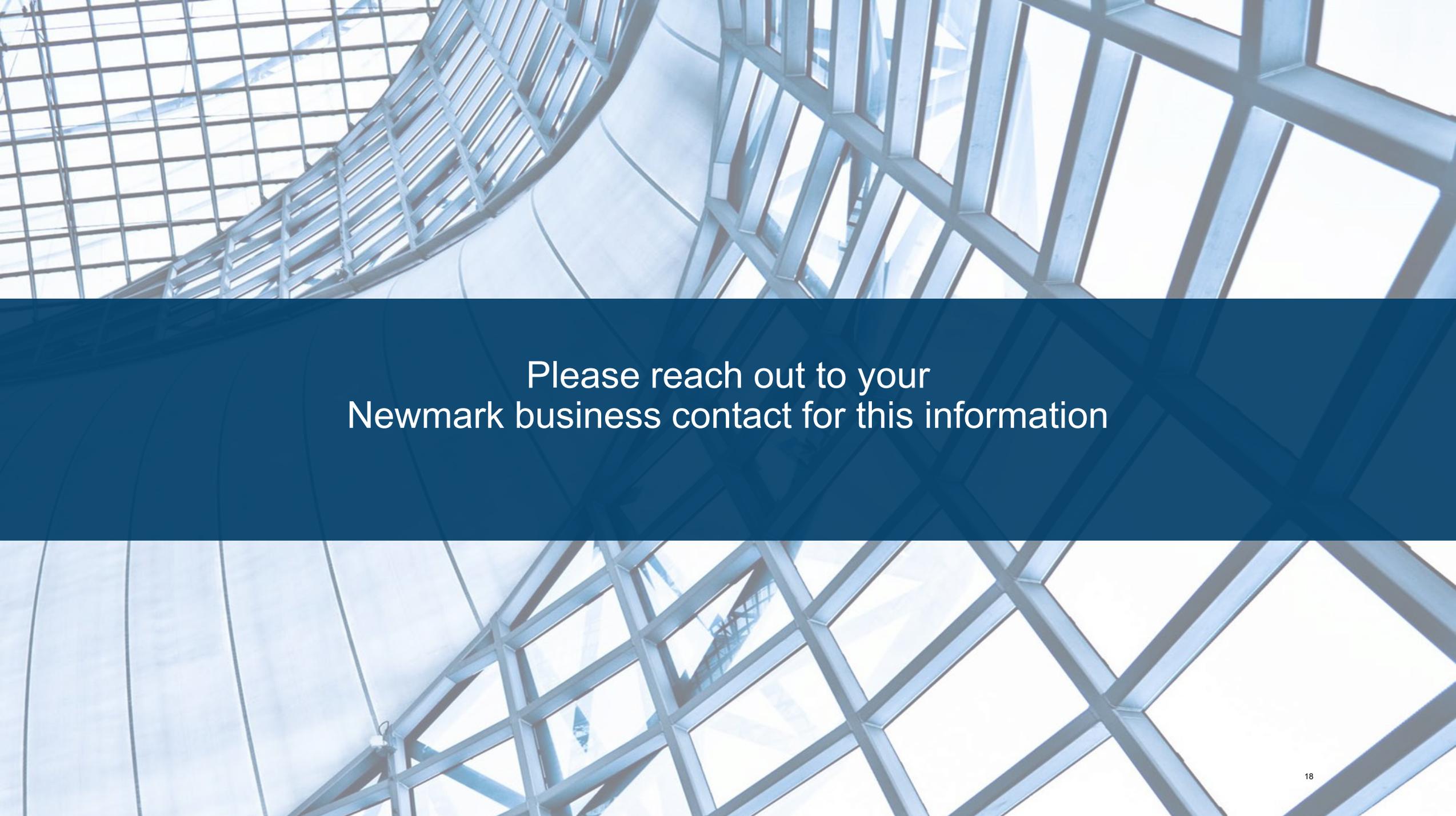
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Market Statistics

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