

NEWMARK

Washington Metro Office Market Overview

4Q25

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Market Observations

The Washington metro area vacancy rate ended 2025 at 20.8%, a year-over-year decrease of ten basis points.

The Washington metro area registered approximately 125,000 SF of positive net absorption during the fourth quarter of 2025, helping to temper annual negative net absorption of 1.3 MSF.

Asking rents ended 2025 at \$43.70/SF, increasing 1.6% over the year. Rents have increased 5.7% over the last five years.

The region's trophy office product has outperformed all other asset classes, ending 2025 at a 13.3% vacancy rate, an increase of 70 basis points over the previous quarter, but down 20 basis points year-over-year.



The Washington metro area office development pipeline remains historically low, with two deliveries occurring during 2025 and just three projects totaling 325,000 SF currently under construction.

600 Fifth Street, NW delivered during the fourth quarter of 2025, the market's second new office property added this year, following 1880 Reston Row Plaza, which delivered during the second quarter.

Conversions covering more than 27.1 MSF of office space have been completed or proposed in the region since 2020, approximately 7.5% of the current total inventory in the market.

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%.

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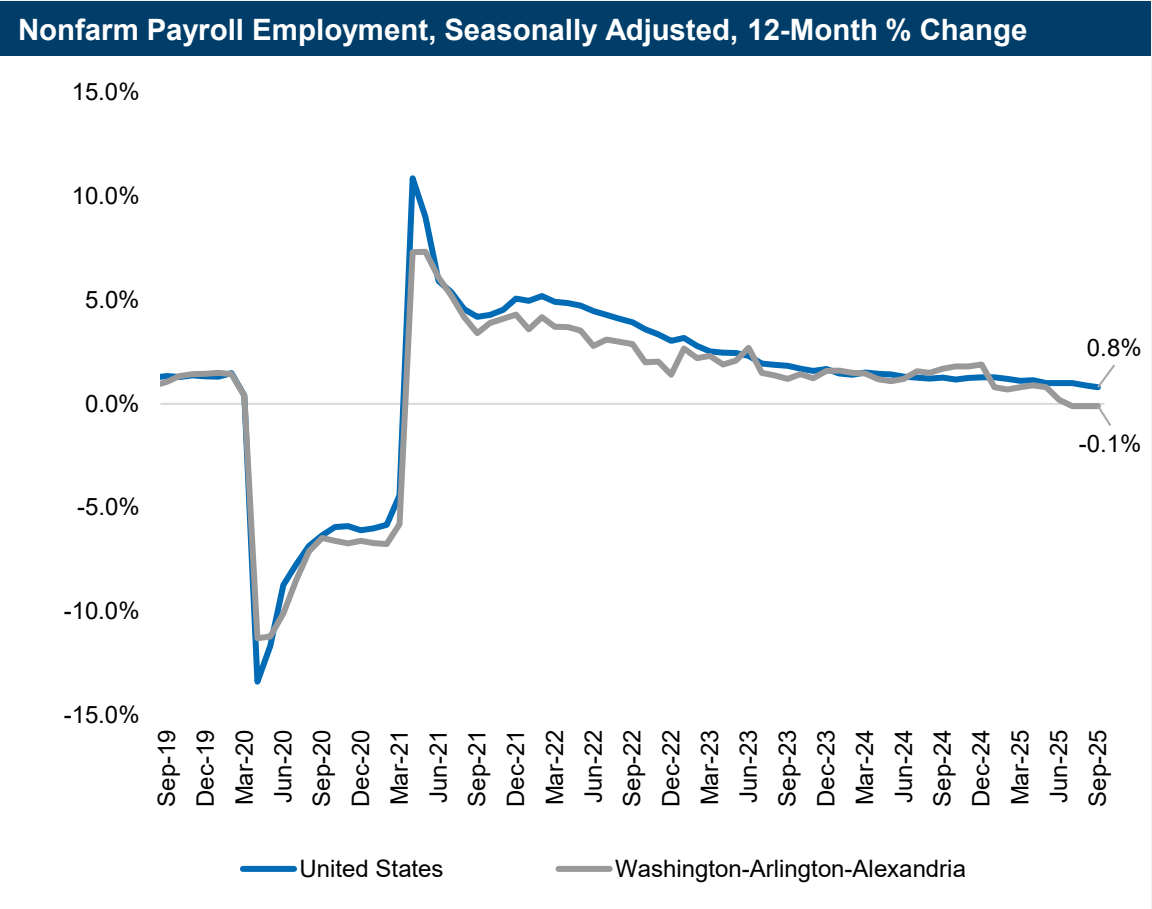
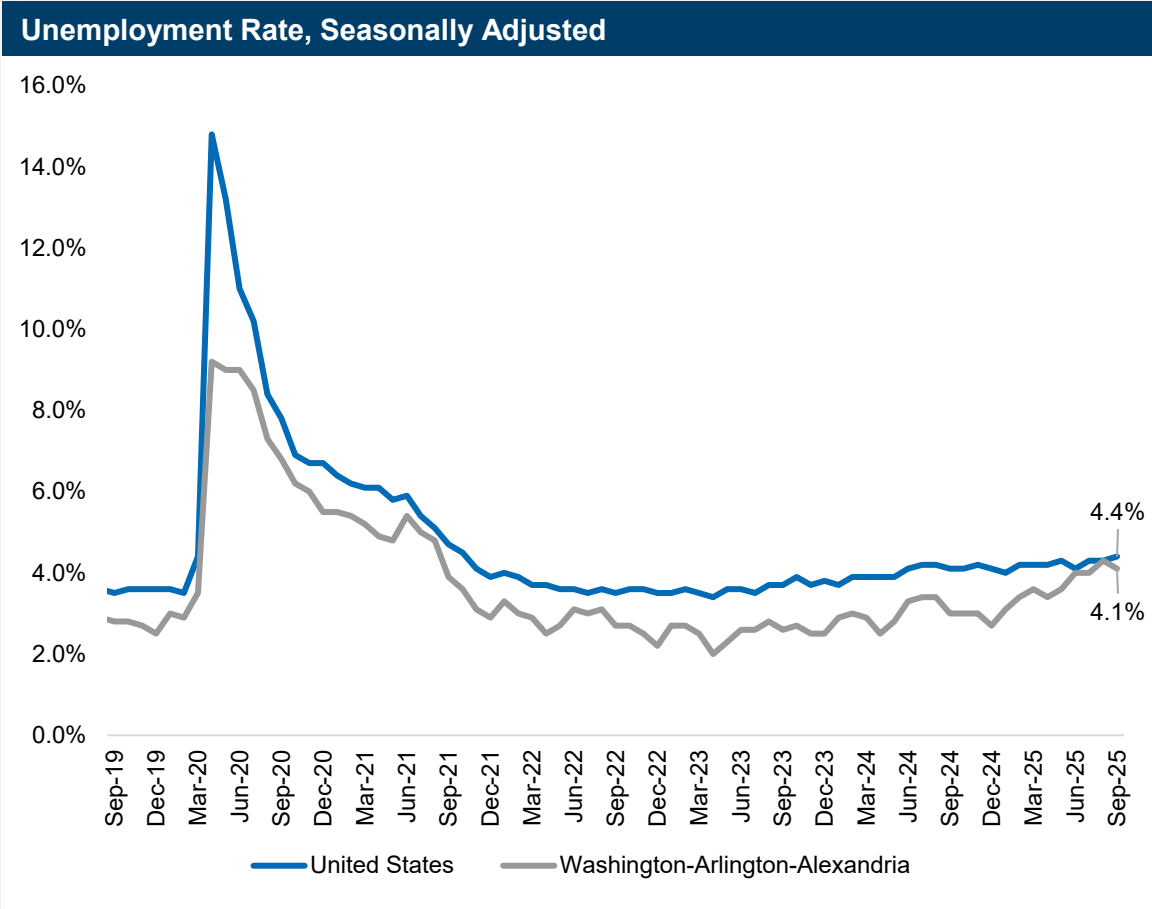
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Economy



Delayed Local Unemployment Data Clouds Region's Employment Health

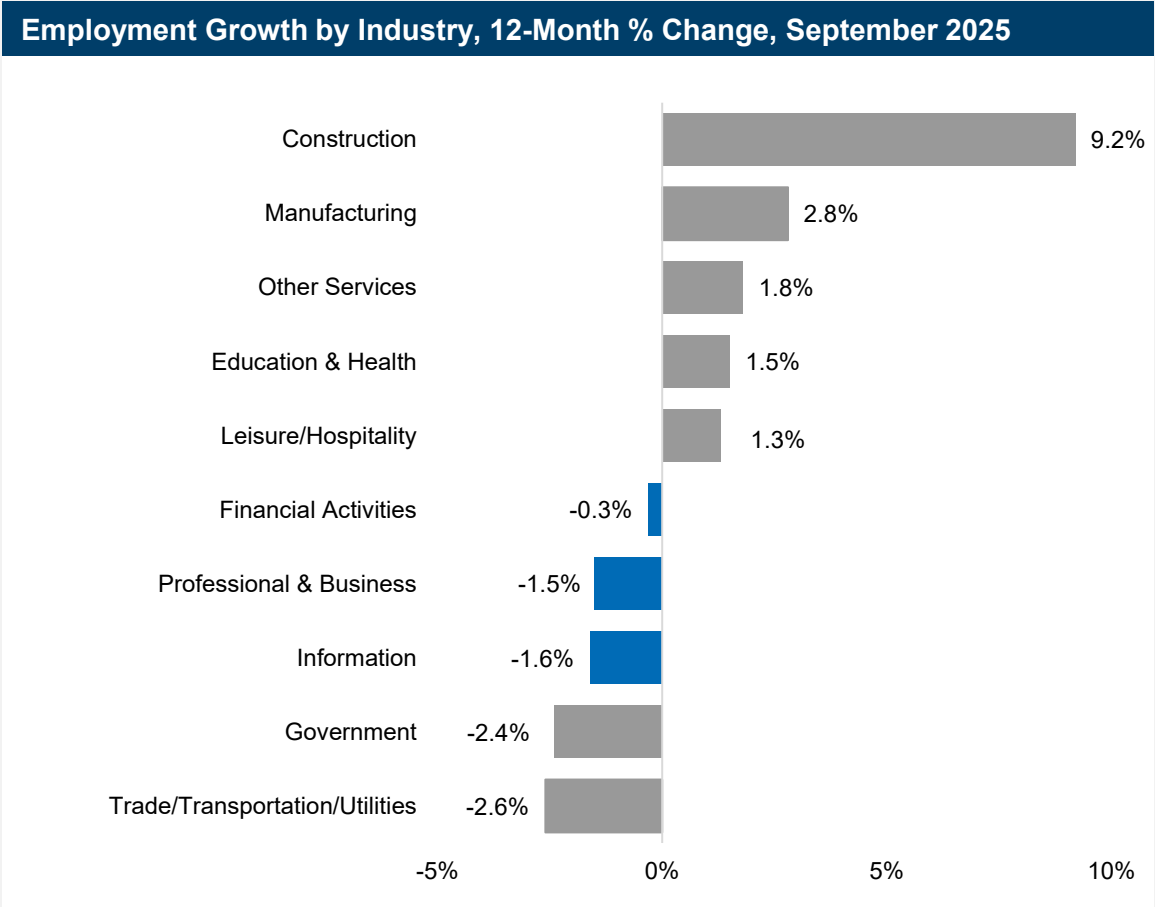
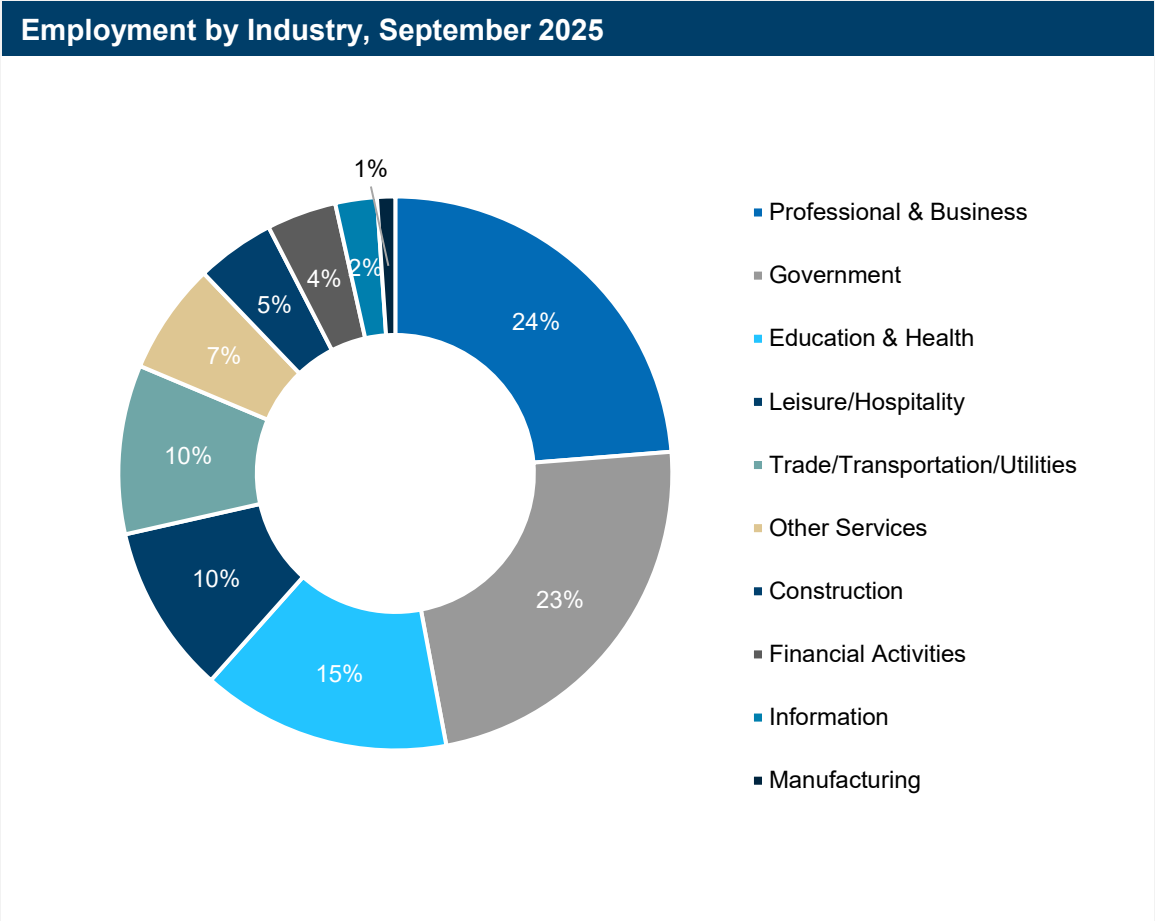
According to the most recently released data, the labor market remains tight, though more data from recent months will likely show growing unemployment in the Washington region. The fall's federal government shutdown, as well as deferred resignations, contributed to negative employment growth. The metro's 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

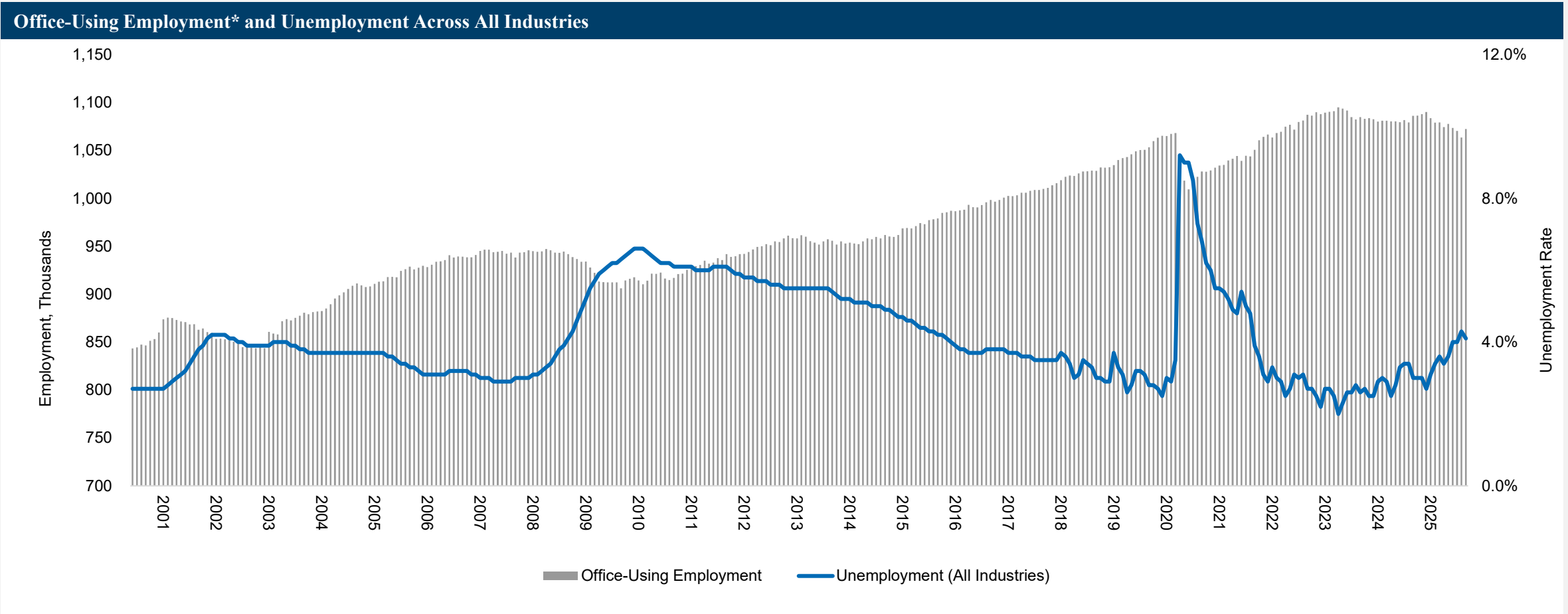
Washington Metro Area Job Growth Driven by Construction and Manufacturing

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. 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

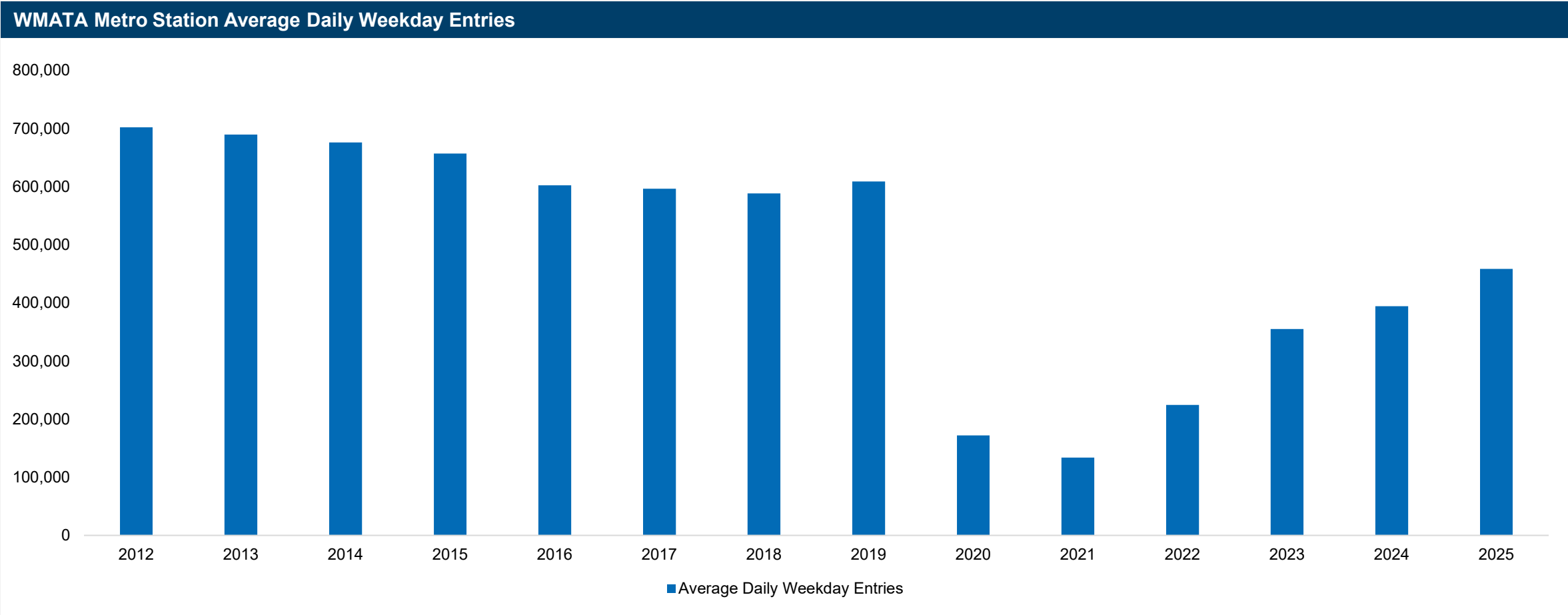
The number of office jobs exceeds pre-pandemic levels as of September 2025 – the most recently available data – but are down year-over-year. Office-using jobs in the region are currently 4.3% higher than five years ago, but only slightly higher than in March 2020, just before the pandemic began. Year-over-year 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.



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.

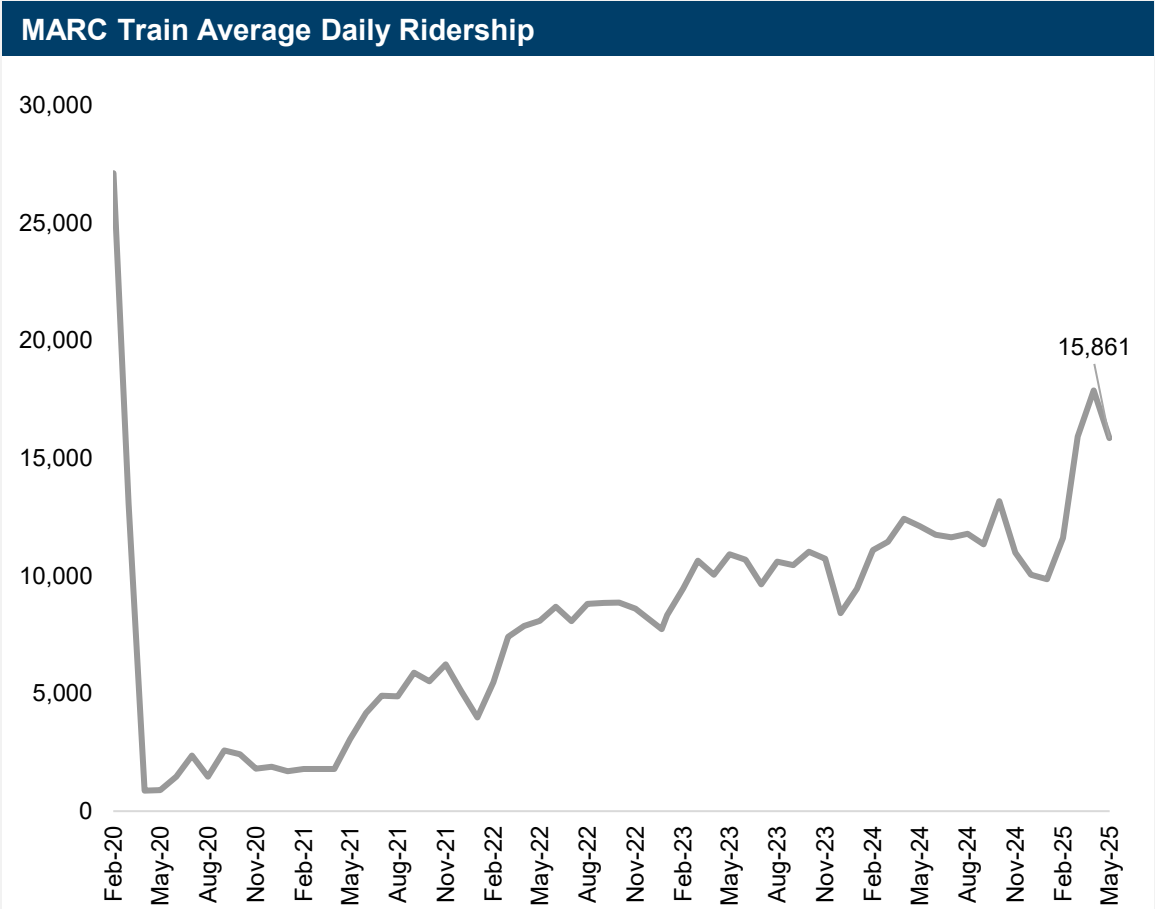
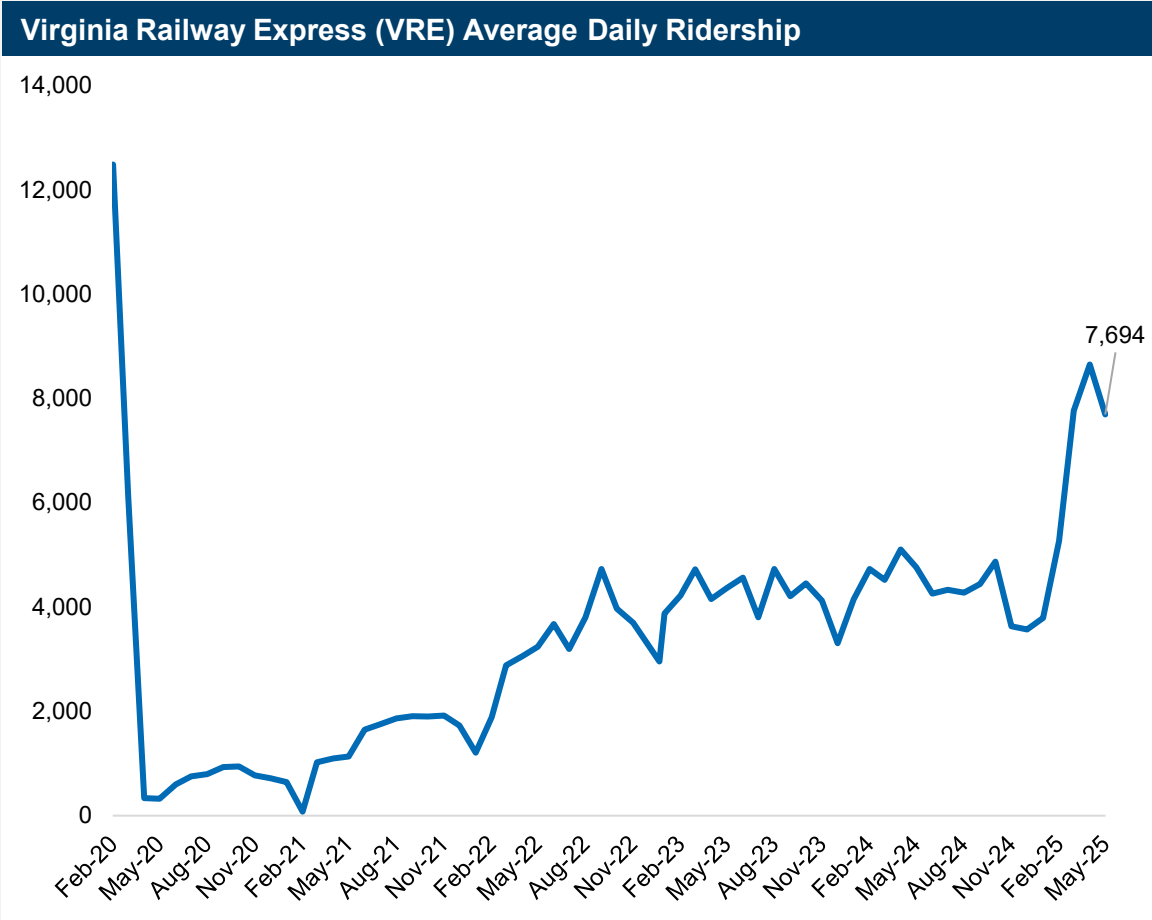
WMATA Ridership Is Up

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.



Metro-Wide Mobility Trends

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.





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Leasing Market Fundamentals

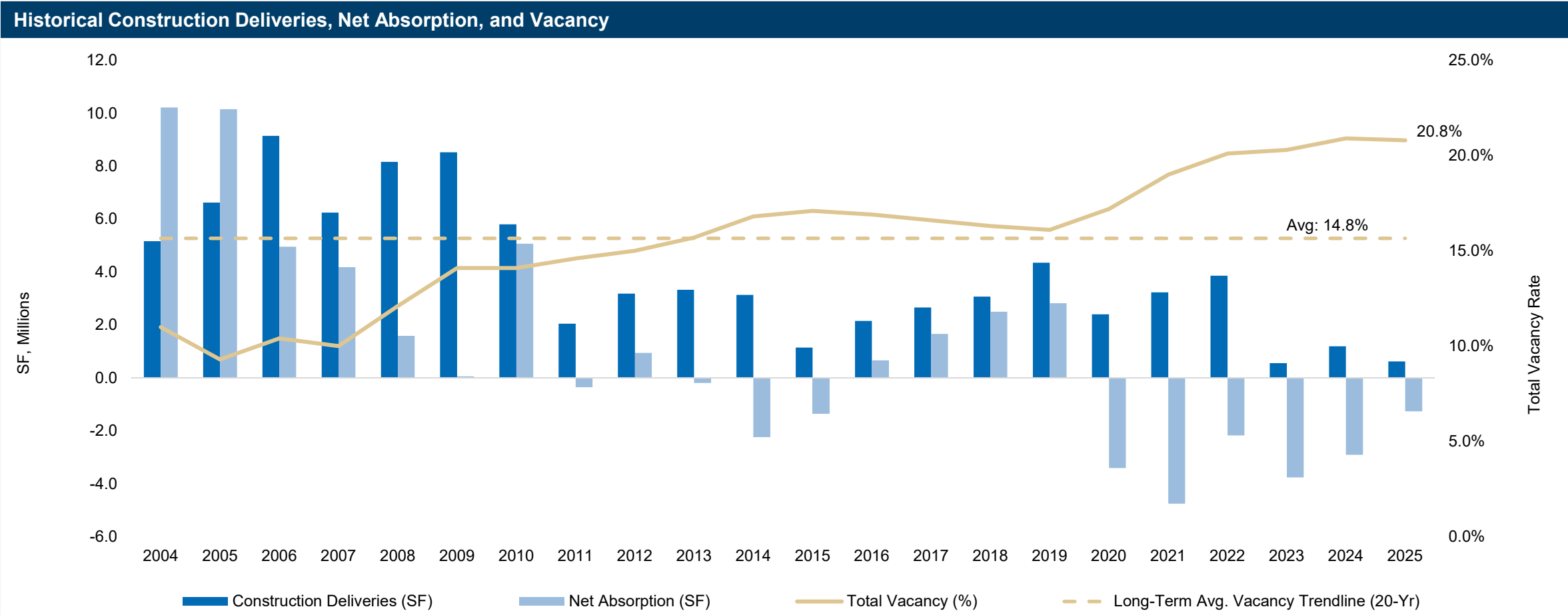
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Vacancy Decreases Slightly As Region Registers Positive Fourth Quarter Absorption

The metro area vacancy rate ended 2025 at 20.8%, a year-over-year decrease of 10 basis points. The Washington metro area registered approximately 125,000 SF of positive net absorption during the fourth quarter, helping to temper annual negative net absorption of 1.3 MSF. During the fourth quarter, the District experienced 304,154 SF of negative net absorption, while both Northern Virginia (418,692 SF) and Suburban Maryland (11,662 SF) had positive movement. The market continues to see a slowdown in development, with just two office deliveries in 2025 and only 326,750 SF under construction. A dearth of speculative development and continued office conversions could help to compress vacancy.

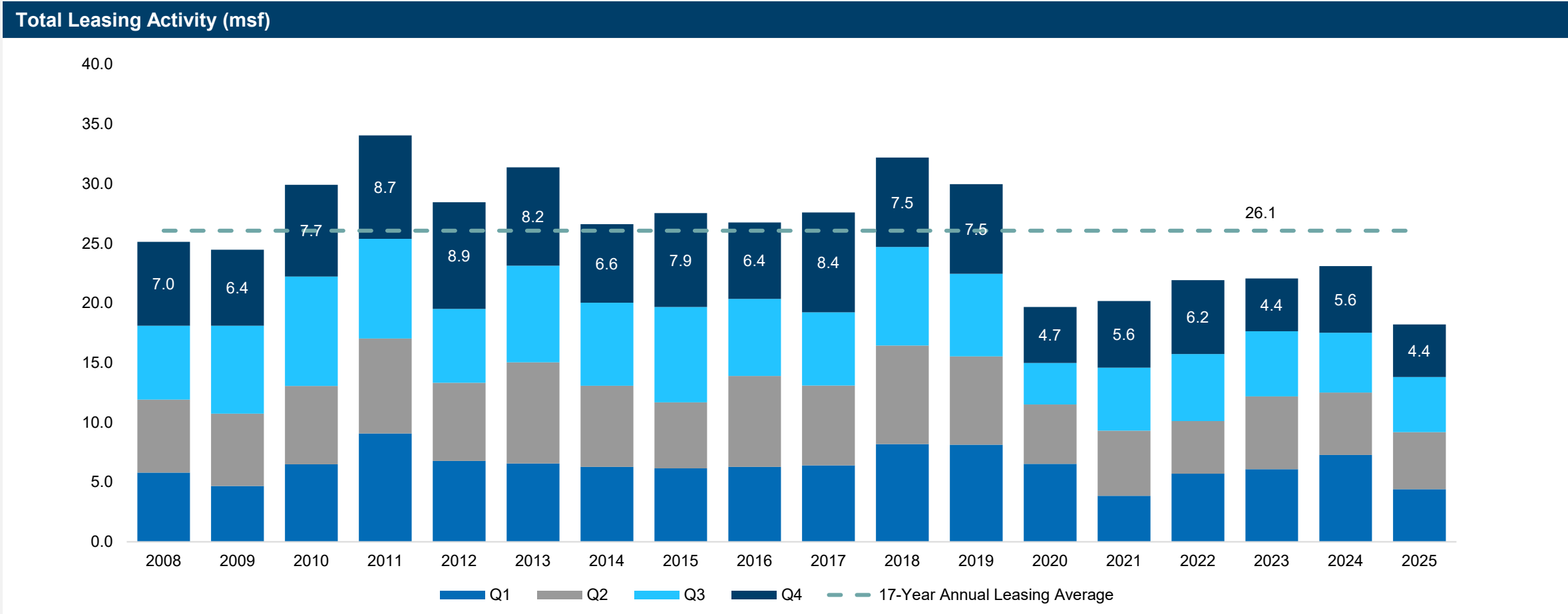




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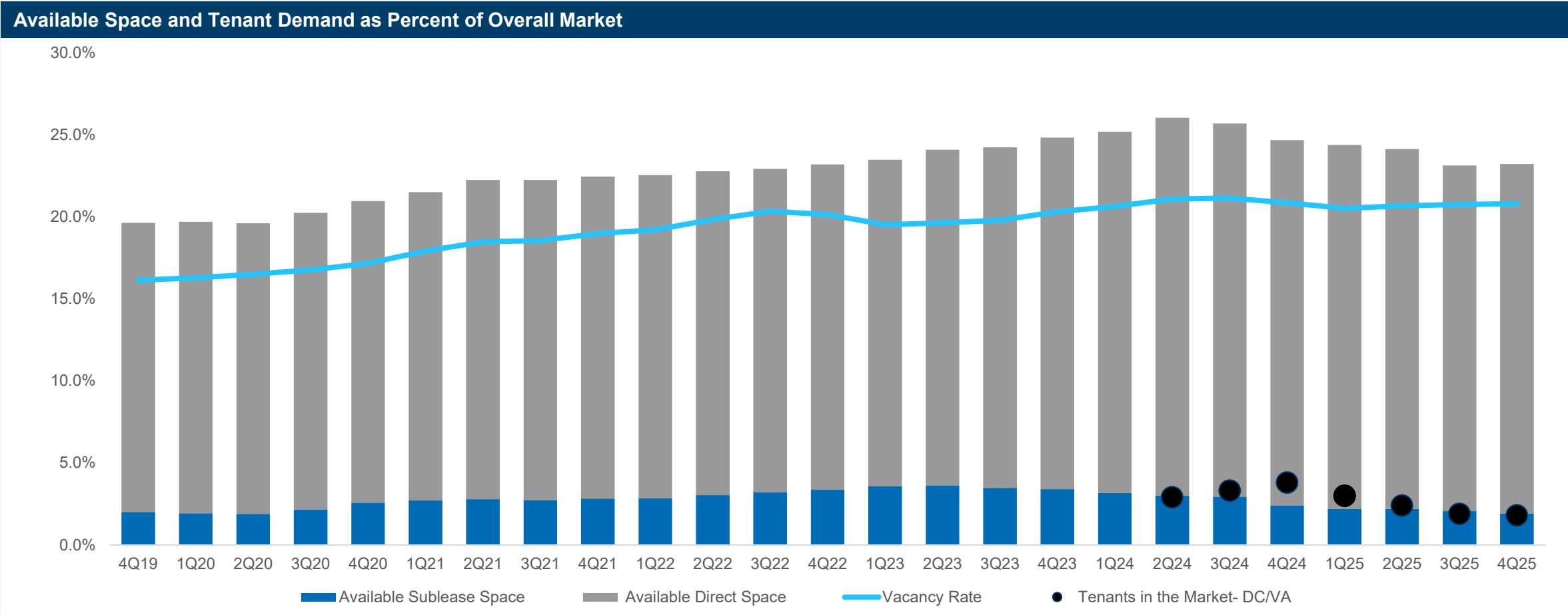
Leasing Volumes Down Compared with Previous Years

Leasing activity in the Washington metro area averaged 20.9 MSF per year since the beginning of 2020, well below the seventeen-year average of 26.1 MSF per year. Although the market hit a five-year high in 2024, with 23.1 MSF leased, activity dipped significantly in 2025. During the fourth quarter, the market logged only 4.4 MSF of activity, much less than the ten-year fourth quarter average of 6.1 MSF. Annually, the metro area recorded 18.2 MSF of leasing activity, down from 23.1 MSF during 2024, and below the five-year average of 21.1 MSF.



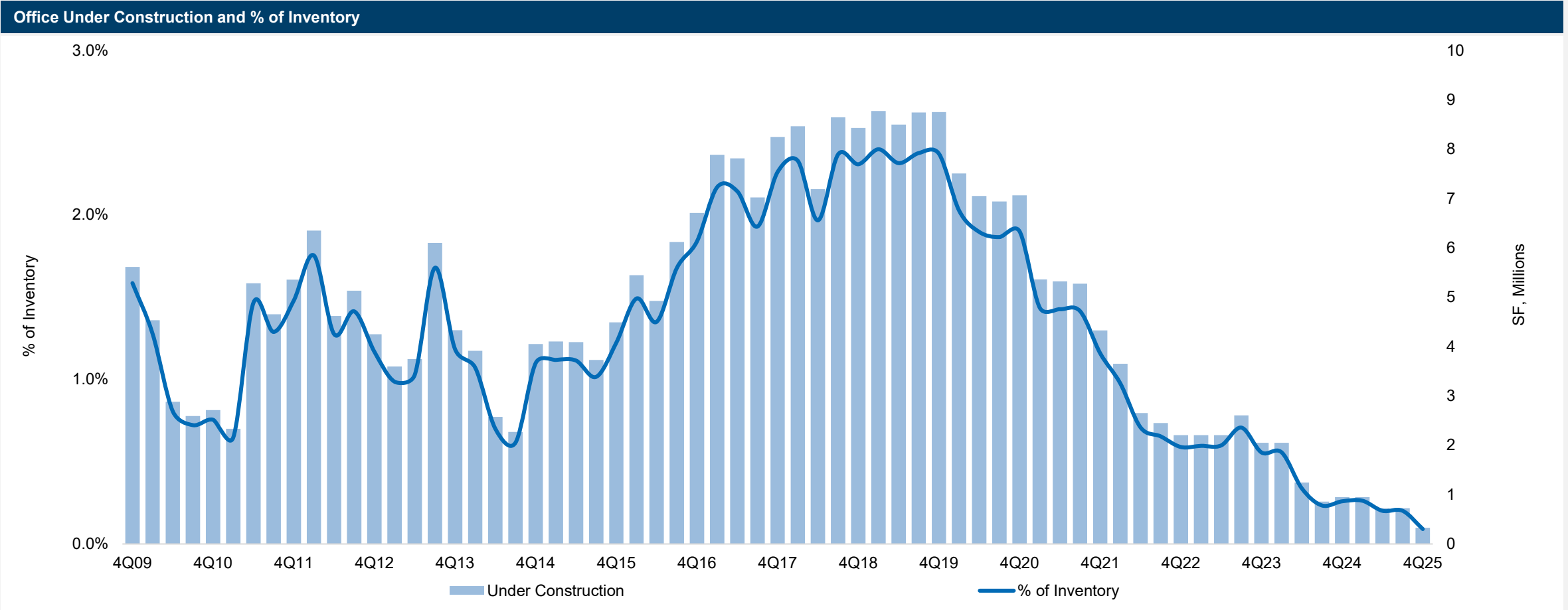
Availability Decreases While Vacancy Remains Flat And Tenant Demand Drops

Sublease availability across the region has decreased by 47.2% since the beginning of 2023, ending 2025 at 1.9%, the lowest reading since the second quarter of 2020. Direct availability ended 2025 at 21.3%, increasing by 20 basis points quarter-over-quarter but declining by 50 basis points year-over-year. Direct availability is down 7.8% since peaking in the second quarter of 2024. Overall, available office space ended the fourth quarter of 2025 at 23.2%, a ten-basis point decrease quarter-over-quarter and 150-basis point decrease year-over-year. Tenant demand has decreased in the District and Northern Virginia as the market adjusts to federal government policy changes.



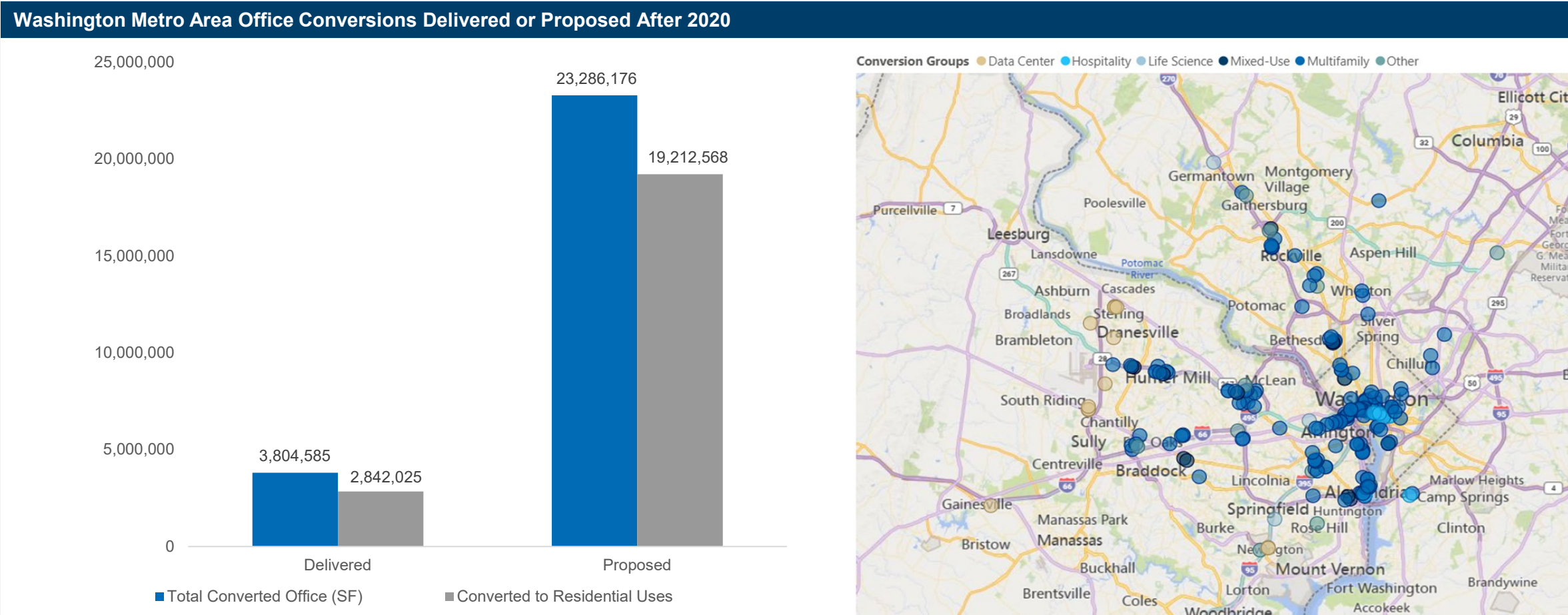
Construction Pipeline Shrinks After Fourth-Quarter Delivery

The region’s office development pipeline remains nearly non-existent, continuing at a fifteen-year low after one delivery during the fourth quarter of 2025, just the second of the year in the metro area. There are currently only three office properties totaling approximately 325,000 SF under construction, well below the historical average of 17 properties totaling over 4.6 MSF under construction. BXP is slated to redevelop two trophy office properties in the District of Columbia, including 725 12th Street, NW in the East End submarket, which will consist of 320,000 SF, and is 81% preleased, and the recently-announced redevelopment of 2100 M Street, NW, which will have law firm Sidley Austin as an anchor.



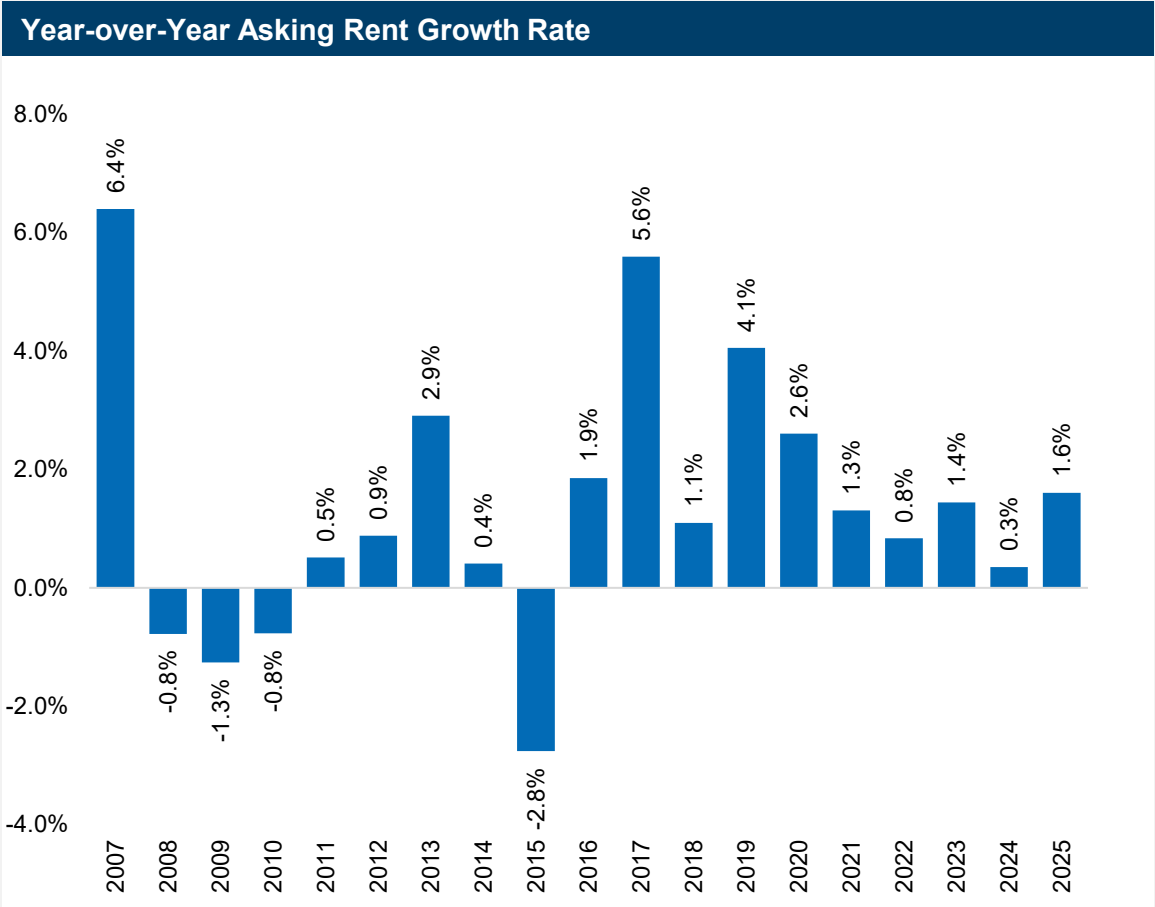
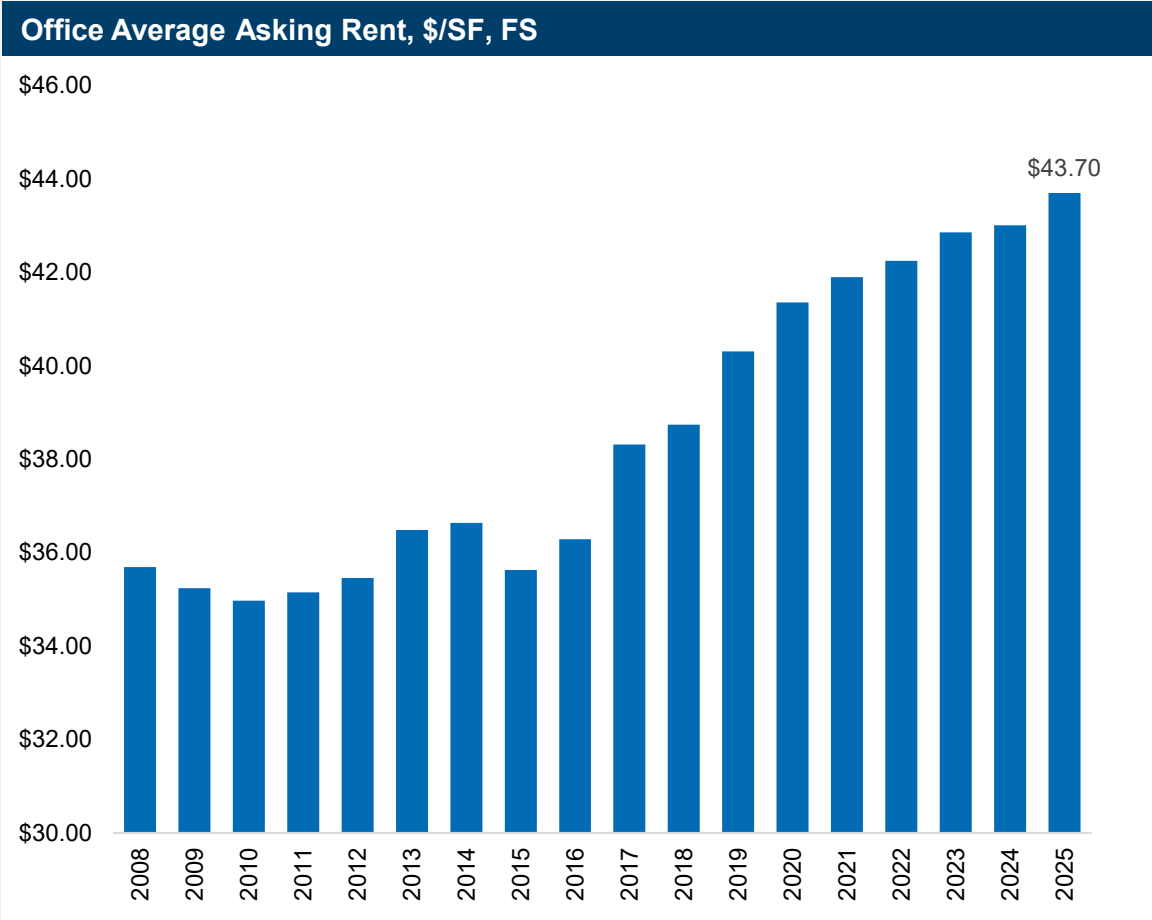
Office Conversions Continue to Increase

Since 2020, 3.8 MSF of office space has been converted to other uses, with an additional 23.3 MSF of office space proposed for conversion. Historically, 2.8 MSF of the 3.8 MSF (74.7%) of office space that has been removed throughout the metro was converted into residential uses. Looking forward, approximately 19.2 MSF of the 23.3MSF (82.5%) is proposed to be converted into residential uses. In addition, more than 2.3 MSF of Northern Virginia office space is proposed for conversion into data centers. The bulk of conversion activity overall exists in the District and Northern Virginia.



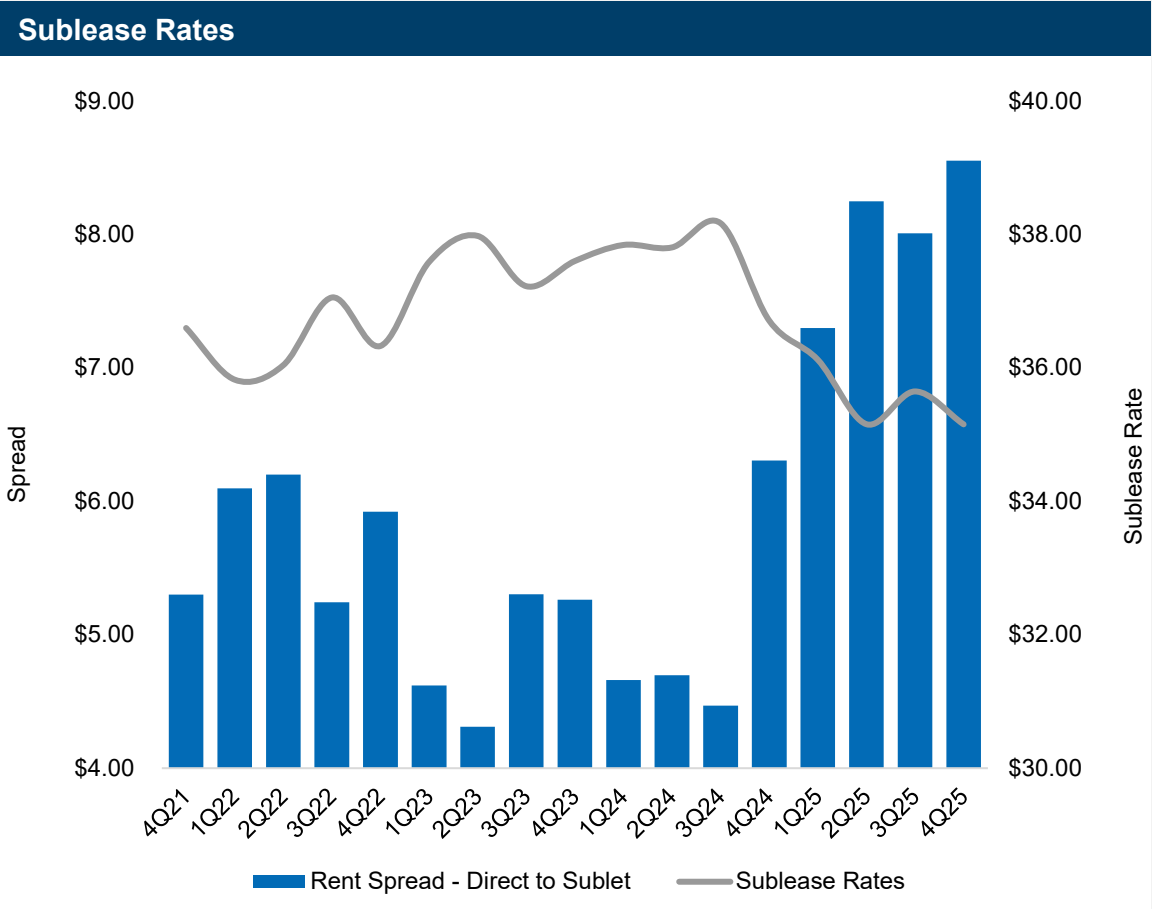
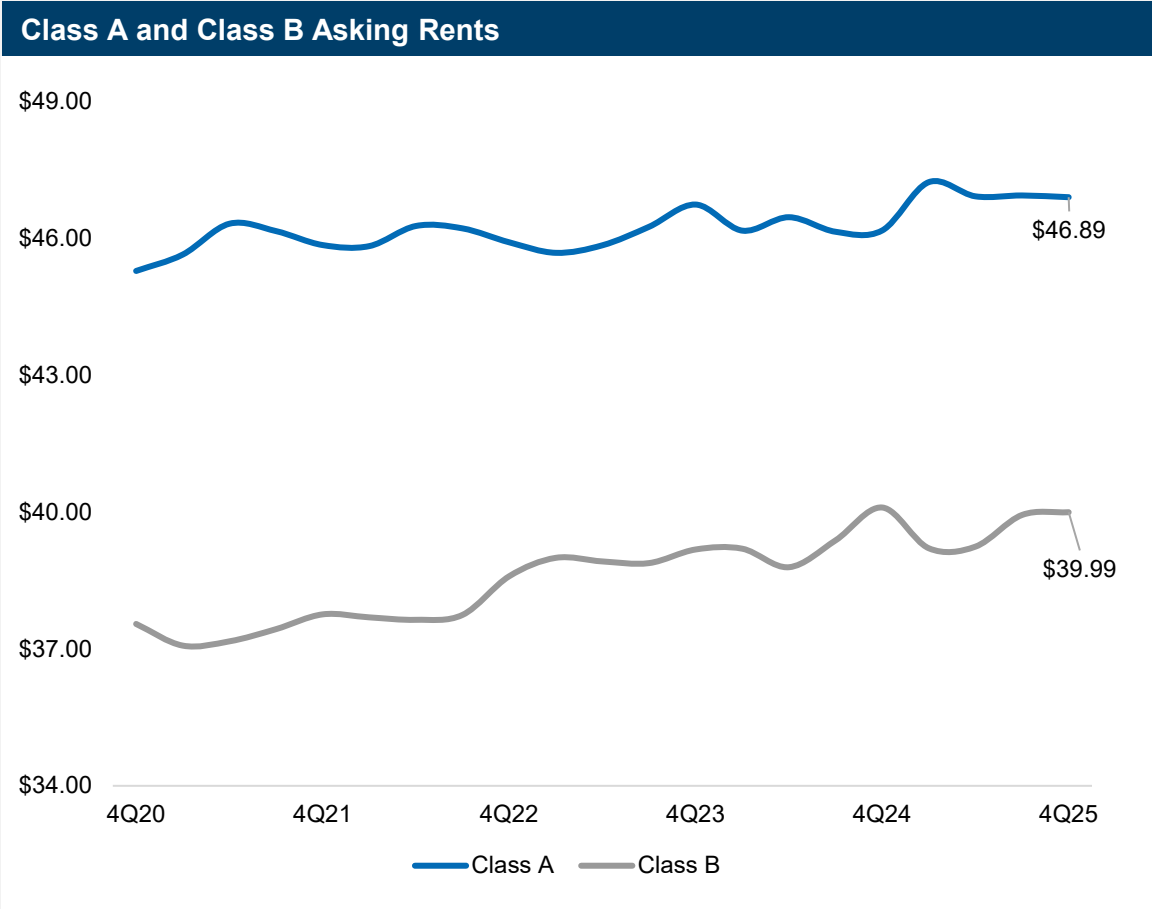
Rents Continue to Grow In 2025

Asking rents ended 2025 at \$43.70/SF, increasing 1.6% over the year. Rent growth has fluctuated over the last few years, peaking at 5.6% in 2017, and reaching a ten-year low in 2024, when rents grew 0.3%. Overall, ten-year average rent growth in the Washington metro area is 2.1%, while the five-year average is lower, at 1.1%. Rents began decelerating in 2020 and have oscillated at lower levels since.



Class A and Class B Rents Move In Opposite Directions During 2025

Class A asking rents increased 1.6% year-over-year, ending 2025 at \$46.89/SF. Class B asking rates declined, however, ending the period at \$39.99/SF, a decrease of 0.3% over the same period. Sublease rates have declined in four of the last five quarters, shrinking 1.4% quarter-over-quarter and 4.2% year-over-year, finishing 2025 at \$35.15/SF. However, the spread between direct and sublet continues to grow, reaching \$8.55/SF as of the fourth quarter of 2025.





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Market Statistics

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