

FIGURES | SUBURBAN MARYLAND OFFICE | Q4 2025

# Market Ends On a Quiet Note After Volatile Year

▲ 21.8%

Vacancy Rate

▼ (6,051)

SF Net Absorption

▶ 0

SF Under Construction

▼ \$30.32

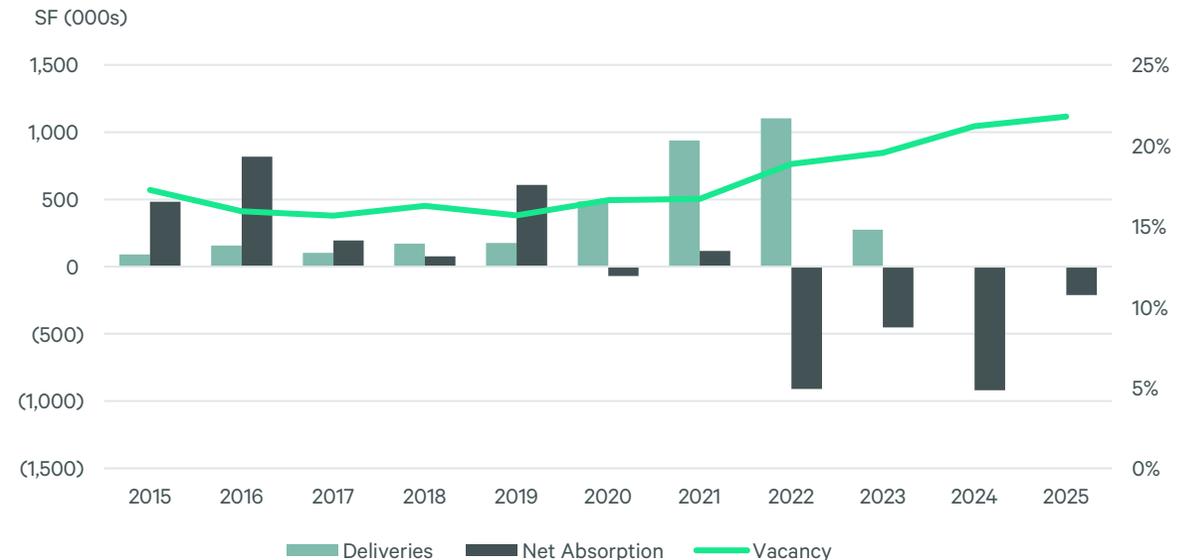
Average Gross Asking Rate

Note: Arrows indicate change from previous quarter.

The Suburban Maryland office market concluded 2025 with a notable slowdown in activity. The fourth quarter saw leasing activity fall short of the preceding quarters, securing 200,000 sq. ft. less than the average of the first three quarters. Despite this decline in leasing, a concurrent reduction in tenant move-outs and downsizing mitigated further losses. The market experienced a modest 6,051 sq. ft. of occupancy loss in Q4, bringing annual net absorption to negative 212,154 sq. ft. Consequently, the year-end vacancy rate settled at 21.8%.

During the first half of 2025, DOGE’s efforts to consolidate the office footprints of several federal agencies and to cut various government contracts resulted in the shedding of office space in Suburban Maryland, by both federal government tenants and government contractor tenants. While the pace of consolidations slowed during the second half of the year, annual absorption remains negative. The largest contraction of the fourth quarter was Solventum, which will leave 71,500 sq. ft. at 12215 Plum Orchard Drive in Silver Spring. The healthcare company has not made any public announcements about their next move; however, their parent company 3M has an office presence in Washington D.C.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

## Leasing Snapshot

Tenants recorded 533,000 sq. ft. of leasing activity during the final quarter of 2025, a substantial decrease from the 769,000 sq. ft. leased in Q3 and below the post-pandemic quarterly average of 650,000 sq. ft.

Annually, private sector leasing volume remained consistent with the previous year, totaling just over 2.5 million sq. ft. However, a significant reduction in government leasing—encompassing federal, state, and local entities—contributed to an overall annual leasing total of 2.7 million square feet, a 10% decrease from 2024.

### Business and Financial Services

The four largest leases of 2025 belonged to business and financial services tenants. These sectors were the most active in 2025, collectively accounting for 53% of all leases signed and representing 61% of the total square footage executed. The year's largest lease was by X-Energy, a nuclear reactor designer, which established a new 120,000 sq. ft. headquarters at 9801 Washingtonian Boulevard in North Rockville. Within these sectors, two notable in-place renewals occurred in Q4: Access Intelligence retained its 32,400 sq. ft. space at 9211 Corporate Boulevard, and United Educators Insurance renewed its 28,500 sq. ft. office at 7700 Wisconsin Avenue.

### Technology

In the technology sector, Siemens entered the Suburban Maryland office market, leasing 27,000 sq. ft. at 14400 Sweitzer Lane. While this represents growth for the office market, it signifies overall contraction for the global technology firm, as it exited a 74,000 sq. ft. flex office/warehouse space at 6435 Virginia Manor Road.

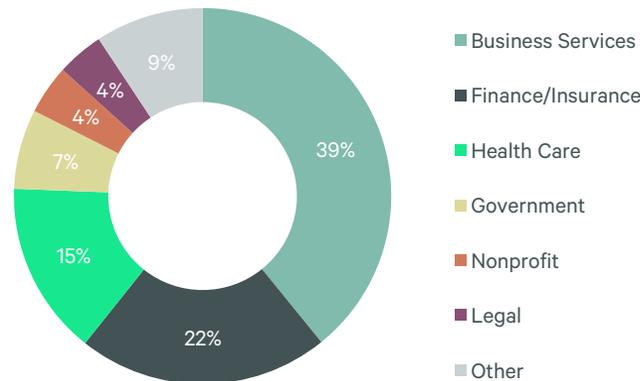
FIGURE 2: Select Notable Q4 2025 Lease Transactions

Tenant	Industry	Address	Submarket	SF	Lease Type	Market Effect
Medstar	Healthcare	6710 Rockledge Dr	N. Bethesda/Potomac	50,000	New Lease	Growth
Access Intelligence	Business Services	9211 Corporate Blvd	N. Rockville	32,402	Renewal	Flat
United Educators Insurance	Finance/Insurance	7700 Wisconsin Ave	Bethesda/Chevy Chase	28,477	Renewal	Flat
Siemens	Technology	14400 Sweitzer Ln	Laurel	26,891	New Lease	Growth*
SK&A Structural Engineers	Business Services	12435 Park Potomac Ave	Rockville	17,000	Renewal	Contraction
Long & Foster	Business Services	1101 Wootton Pkwy	Rockville	12,797	New Lease	Growth
Stonebridge Associates	Business Services	2 Bethesda Metro Center	Bethesda/Chevy Chase	11,351	New Lease	Contraction
Young Artists of America	Nonprofit	1626 E. Jefferson St	N. Bethesda/Potomac	10,601	New Lease	Growth
AAI	Nonprofit	7501 Wisconsin Ave	Bethesda/Chevy Chase	10,000	New Lease	Contraction
Mistral	Business Services	7910 Woodmont Ave	Bethesda/Chevy Chase	9,812	Renewal	Growth

Source: CBRE

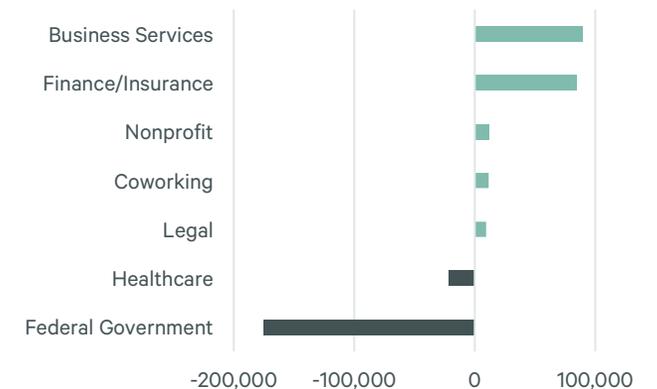
\*Tenant moved out of flex space, resulting in growth for leased office market.

FIGURE 3: 2025 Gross Leasing by Sector (Share by SF)



Source: CBRE

FIGURE 4: YTD 2025 Net Absorption by Sector (SF, 000's)



Source: CBRE

## Pricing

Average asking rents in Suburban Maryland declined for the seventh consecutive quarter, though the Q4 drop was minimal, settling at \$30.32 per sq. ft. per annum on a full-service basis. Conversely, trophy-class buildings continued to experience rising asking rents, reaching \$70.62 per sq. ft. per annum on a full-service basis. This 3% increase since year-end 2024 reflects growing demand and increasingly limited availability in these highly sought-after spaces.

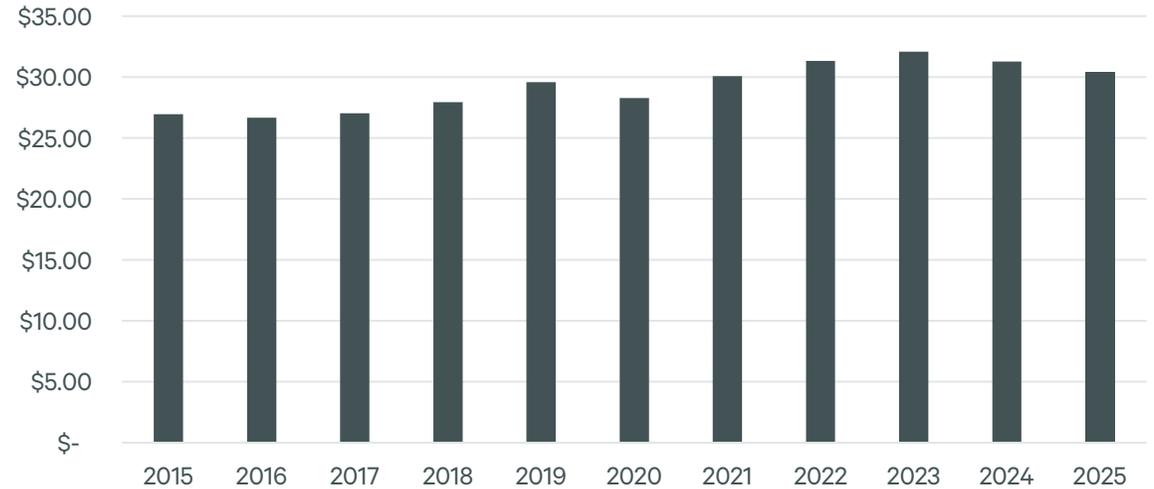
Concessions have seemingly stabilized after peaking in 2022. Tenant improvement allowances continued their gradual ascent, surpassing the \$100 per sq. ft. threshold for the first time. Rental abatements saw a slight increase from 2024, reaching 12 months for a 10-year term, though this remains below the 13-month average observed in 2022.

## Office Sales

More buildings greater than 50,000 sq. ft. (excluding condos) traded hands this year than any other since 2019. Despite this increase in activity, average sale price on a per sq. ft. basis has seen a steady and significant drop during this same period. This year, buildings that sold saw an average price of \$96.23 per sq. ft., a narrow increase from 2024's average of \$94.62 per sq. ft. However, these prices pale in comparison to 2019 when buildings sold at an average price of \$242.30 per sq. ft.

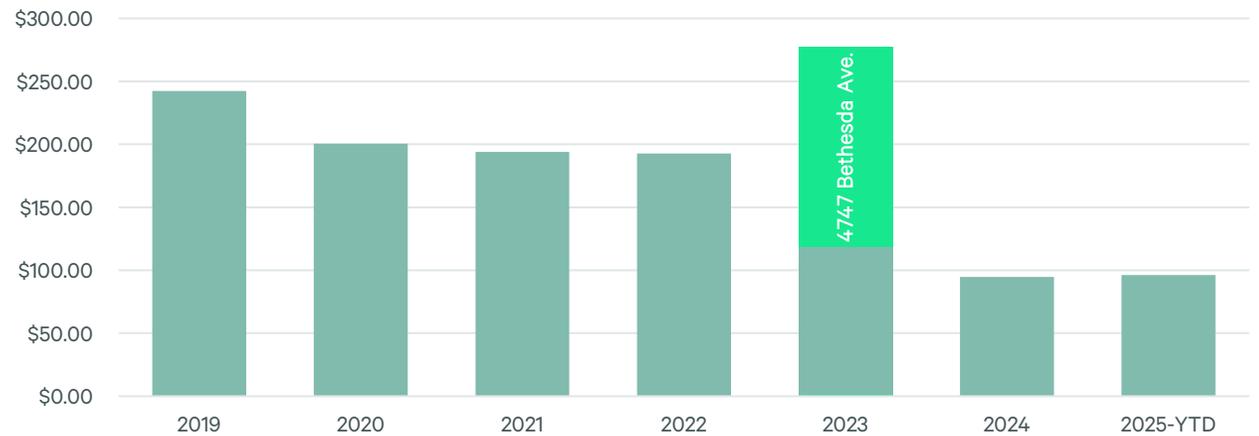
Among the most notable sales of the year was Link Logistics' sale of The Grove 270, a five-building office park in Rockville totaling over 578,000 sq. ft. of rentable building area. The entire portfolio was purchased in a joint venture between Buchanan Partners and the Pinkard Group for \$47 million, or, \$81.31 per sq. ft. While the initial plans indicate the buildings will continue to house office users, the park is already zoned for mixed-use, allowing for the potential for redevelopment.

FIGURE 5: Historical Asking Rates (FSG)



Source: CBRE

FIGURE 6: Historical Office Sale (\$/SF)\*



Source: Real Capital Analytics

\*Includes 50,000+ sq. ft. non-condo office sales

## Economic Outlook

The U.S. economy is sending some mixed signals. Financial markets are focused on the upside, particularly AI's sizable contribution to growth in recent quarters. Some indicators of business activity, such as capital goods orders, are improving, and strengthening credit markets are helping to usher real estate into a new cycle.

The picture gets more melancholy when looking at households. Consumer confidence remains weak, with spending reportedly driven by a smaller segment of affluent households. This mosaic of data suggests that annual average GDP growth will be steady in 2026, at 2%, but a touch softer than in 2025. A key catalyst is a softer labor market, as companies are 'slow to hire, slow to fire'—a trend that is likely to last a few quarters. A consequence of this outlook is softer inflation and long-term bond yields trending just below 4% by H2 2026.

FIGURE 7: Employment Growth by Industry, 12-Month Percent Change

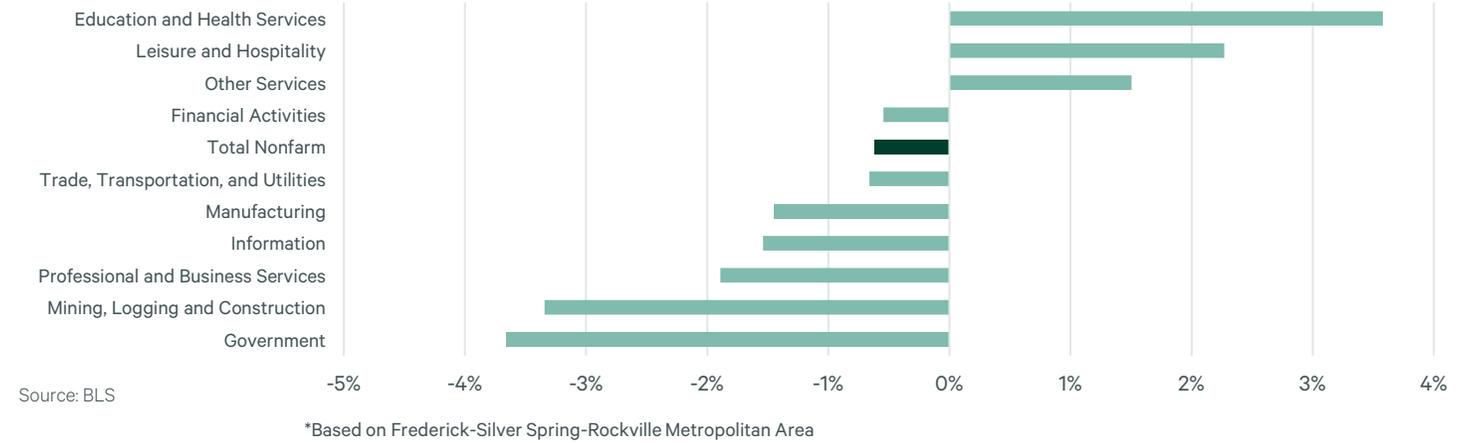


FIGURE 8: Unemployment Rate for Selected Counties

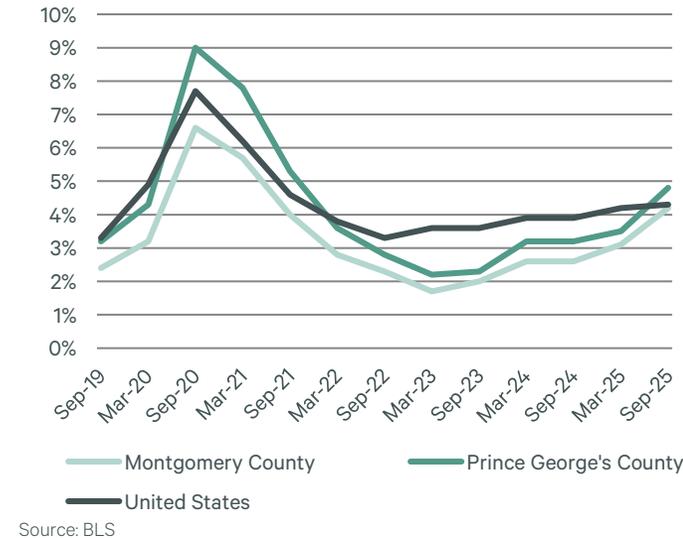


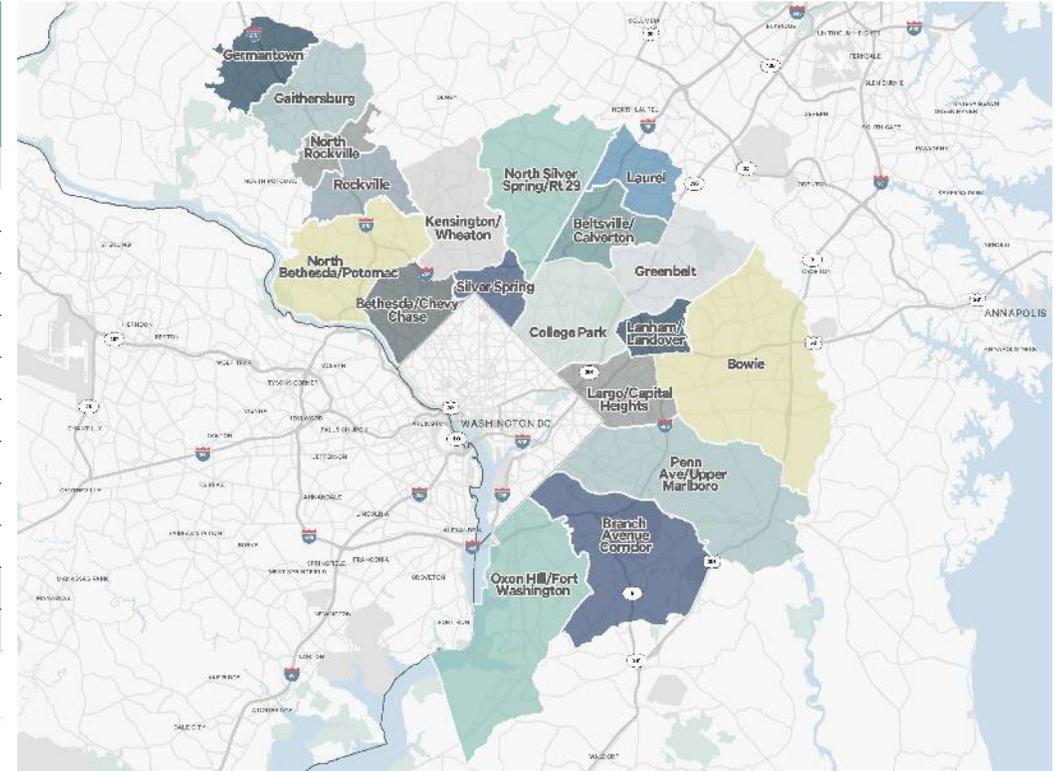
FIGURE 9: Consumer Price Index, 12-Month Percent Change



FIGURE 10: Key Market Statistics

	Number of Buildings	Inventory (SF)	Overall Vacancy Rate (%)	Q4 2025 Net Absorption (SF)	2025 Net Absorption (SF)	Gross Asking Rent (\$/SF)	Under Construction (SF)
Montgomery County	530	55,940,902	22.4	(32,080)	(150,744)	32.85	-
Bethesda/Chevy Chase	91	12,240,139	24.8	18,624	76,001	42.90	-
Gaithersburg	38	3,708,346	10.3	440	(37,027)	22.50	-
Germantown	27	2,228,689	28.6	5,028	68,888	25.22	-
Kensington/Wheaton	33	1,082,972	12.5	(2,614)	13,083	28.93	-
North Bethesda	89	10,945,822	25.8	(6,598)	49,263	31.49	-
North Rockville	98	10,899,139	21.2	17,523	14,198	29.48	-
North Silver Spring/Route 29	34	2,706,552	10.2	(68,187)	(62,645)	27.29	-
Rockville	61	6,091,192	20.4	(4,717)	(59,307)	29.40	-
Silver Spring	59	6,038,051	28.0	8,421	(213,198)	30.44	-
Prince George's County	260	16,892,392	20.0	32,150	(79,269)	23.03	-
Frederick County	59	3,160,629	20.5	(6,121)	17,859	20.56	-
<b>Overall</b>	<b>849</b>	<b>75,993,923</b>	<b>21.8</b>	<b>(6,051)</b>	<b>(212,154)</b>	<b>30.32</b>	<b>-</b>

Source: CBRE



\* Frederick County not shown on map

CBRE Mid-Atlantic Research began using a proprietary database for office properties in mid-2024. Beginning Q3 2024, statistics and trends reported in previous reports likely changed due to our revised data methodologies. The information contained in this report references office properties 10,000 square feet or larger (excluding owner-occupied) located in submarkets shown on the above map.

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