

# DC Market Continues to Stabilize

▲ 22.6%

Vacancy Rate

▲ (99,600)

SF Net Absorption

▼ 0

SF Construction Delivered

▶ 0

SF Under Construction

▲ \$59.30

FSG/YR Direct Lease Rate

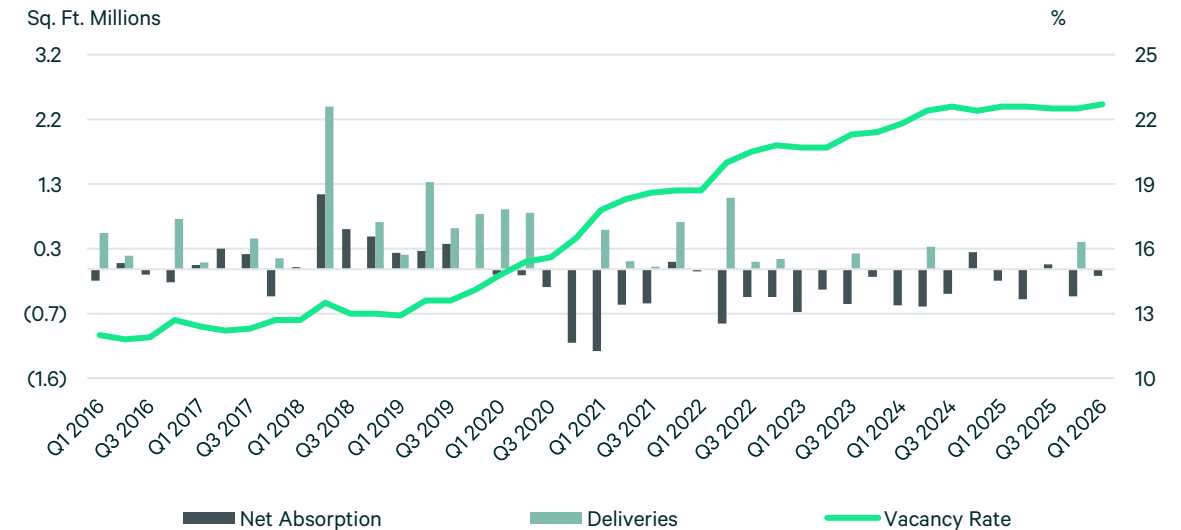
Note: Arrows indicate change from previous quarter.

## Market Overview

The market remained in a prolonged correction through Q1 2026, with vacancy at 22.6%, up from 14.1% at year-end 2019. However, the market has shown signs of stabilization, as the vacancy rate has remained flat since Q3 2024. Inventory removal for conversion or redevelopment to alternative use has helped counteract occupancy loss over the last year, as has inventory removal for user-purchases. Much of D.C. market vacancy is in obsolete or near-obsolete former GSA leased buildings.

Fundamentals are aided by a lack of new construction activity. The construction pipeline that once exceeded 7.0 million sq. ft. in 2018 was reduced to zero by Q1 2026. Two projects are planned for delivery between 2028 and 2031, but both are near fully preleased ahead of construction and will not add available supply to the market.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

## Vacancy

Total office vacancy was 22.6% in Q1 2026, up 10 bps from Q4 2025 but unchanged year-over-year. Direct vacancy is 22.0%. Private sector resurgence and return to the office, in tandem with inventory removal, has significantly counteracted large occupancy loss from the federal government, resulting in a vacancy rate that has been largely unmoved in the past two years.

The upper tier of the market continues to outperform. Vacancy remains at a cyclical low in the Prime (Trophy) segment at 10.6%, while the broader Class A market vacancy rate (inclusive of Prime and A properties) is 210 basis points below the overall market level. A significant amount of D.C. market vacancy remains concentrated in second-generation government space, reflected by the Class B market’s 28.9% vacancy rate. Despite 3.3 million sq. ft. of Class B inventory removal since 2020, the vacancy rate in that building class has increased roughly 66%, reflecting consistent occupancy loss.

## Asking Rent

The overall average direct asking lease rate in Q1 2026 is \$59.30 per sq. ft., up 0.7% quarter-over-quarter and 0.9% year-over-year. The market continues to diverge, with Prime asking rates recording 9.0% growth year-over-year while the remainder of the market remains flat. Rates are outpacing the long-term average growth rate in the Prime segment.

Higher asking rates in the Prime segment have begun to offer additional runway for rent growth in the broader Class A segment. Higher-quality or recently renovated Class A buildings have recorded rent growth of 5%+ as tenant demand spills over from the Prime segment.

Figure 2: Vacancy Rates by Class



Source: CBRE Research, Q1 2026

Figure 3: Average Direct Asking Rate by Class  
\$ per sq. ft.



Source: CBRE Research, Q1 2026

## Net Absorption

The D.C. market experienced 99,600 sq. ft. of occupancy loss in Q1, representing a moderate change compared to Q4 2025. The Class B market was the sole driver of occupancy loss in Q1, while the Class A market gained 50,000 sq. ft. of occupancy. A tighter Prime market and a lack of pipeline activity have begun to meaningfully push demand into the Class A segment.

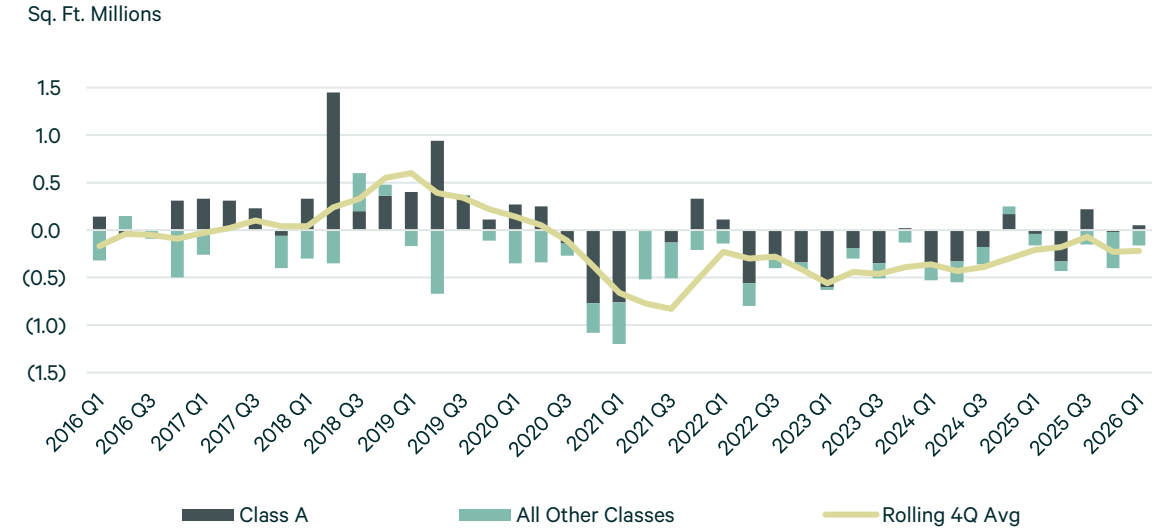
By submarket, the East End gained a significant 126,920 sq. ft. of occupancy in Q1. East End vacancy is now down 170 basis-points from a Q1 2024 peak. Prime and recently renovated A properties account for 40% of East End inventory, so the submarket has significantly benefitted from tenant flight-to-quality trends relative to other submarkets. Outside of the East End, other major submarkets experienced Q1 occupancy loss. The CBD lost 81,000 sq. ft. of occupancy, driven by several contractions in Class B space.

## Construction Activity

Construction activity has fully wound down for the time being, with zero sq. ft. currently under construction. This caps a long taper from a peak pipeline of 7.0 million sq. ft. in Q1 2018. Given costs of borrowing and construction, DC's pipeline will remain at a historic low for several years.

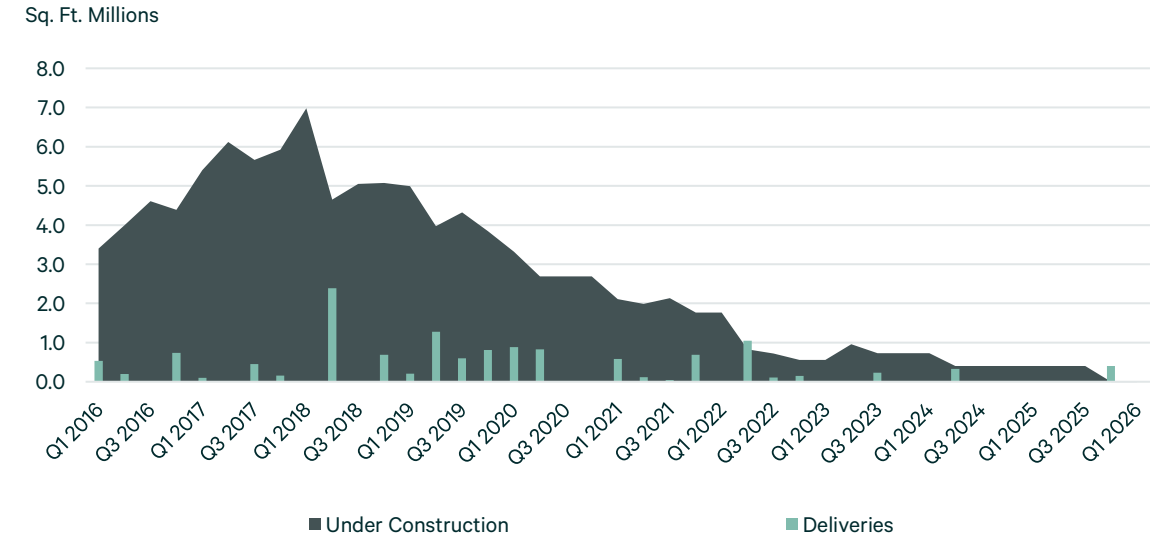
While not yet under construction, there are two buildings, both planned by BXP, in the current pipeline: 725 12th Street NW in the East End, and 2100 M Street NW in the CBD. Both are near fully pre-leased to AmLaw 25 law firms. 725 12th is expected to deliver in 2028, and 2100 M is expected to deliver in 2031

Figure 4: Net Absorption Trend



Source: CBRE Research, Q1 2026

Figure 5: Construction Activity



Source: CBRE Research, Q1 2026

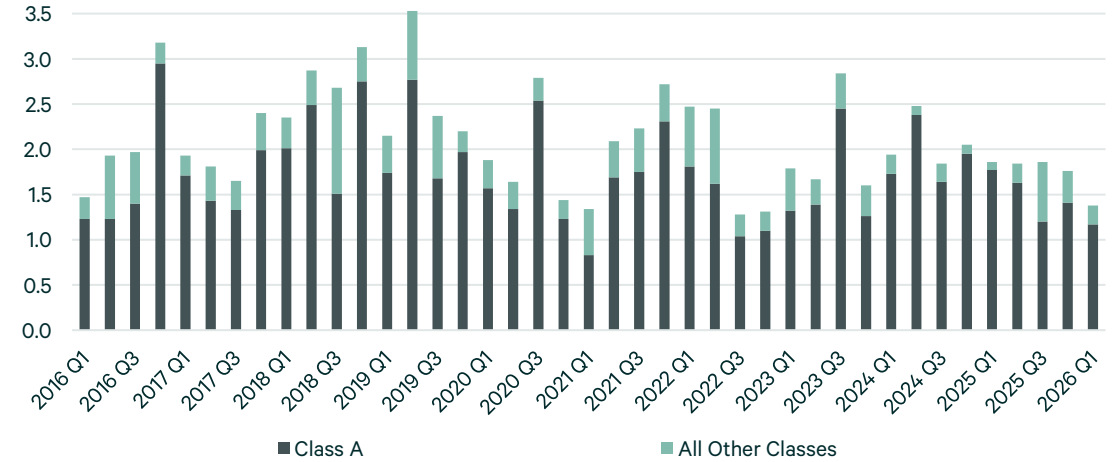
## Leasing Activity

Tenants leased 1.4 million sq. ft. of space in Q1, down 26% against the 10-year trailing Q1 average. Major deals included Howard University’s sublease at 650 Massachusetts Avenue NW, a Washington Commanders lease at 2200 Pennsylvania Avenue NW, and the GSA’s 62,000 sq. ft. extension at 1331 F St NW on behalf of the Department of Justice.

Government leasing, which captured 30% of D.C. lease volume in 2025, declined significantly in Q1, driving the moderate decrease in overall activity. Private sector activity remained healthy, with consistent leasing across law firms, business and financial services tenants, and nonprofits, along with notable deals in smaller sectors like technology and higher education. By submarket, the lack of government leasing drove a notable decline in activity in NoMa and Southwest. Leasing otherwise remained largely consistent across major submarkets.

Figure 6: Leasing Activity Trend

Sq. Ft. Millions



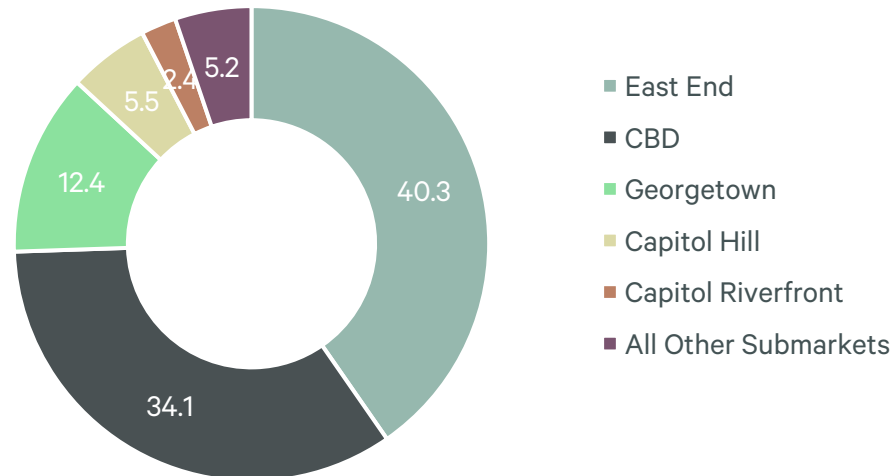
Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Howard University	94,000	Sublease	650 Massachusetts Ave NW	East End
US General Services Administration	62,000	Renewal	1331 F St NW	East End
Washington Commanders	60,000	New Lease	2200 Pennsylvania Ave Nw	CBD
Washington Examiner	33,000	Renewal	1152 15th St NW	CBD
Kellen Company	32,000	Renewal	529 14th St NW	East End
Convene	27,000	New Lease	600 14th St NW	East End
Ogletree Deakins	24,000	New Lease	1776 I St NW	CBD
Bristol Myers Squibb	22,000	New Lease	250 Massachusetts Ave NW	Capitol Hill

Source: CBRE Research, Q1 2026

Figure 7: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q1 2026

## Market Statistics

Figure 9: Market Statistics by Class

Property Class	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	89.35	20.5%	25.0%	23.0%	2.0%	\$65.19	49,620	49,620	-	-
Prime	14.27	10.6%	13.2%	11.0%	2.2%	\$98.89	4,453	4,453	-	-
Other Class A	75.09	22.4%	27.3%	25.3%	2.0%	\$62.21	45,167	45,167	-	-
Class B	29.34	28.9%	34.0%	32.0%	2.0%	\$47.20	(159,077)	(159,077)	-	-
Class C	2.22	20.6%	23.6%	22.3%	1.3%	\$45.14	9,857	9,857	-	-
Total	120.91	22.6%	27.2%	25.2%	2.0%	\$59.30	(99,600)	(99,600)	-	-

Source: CBRE Research, Q1 2026

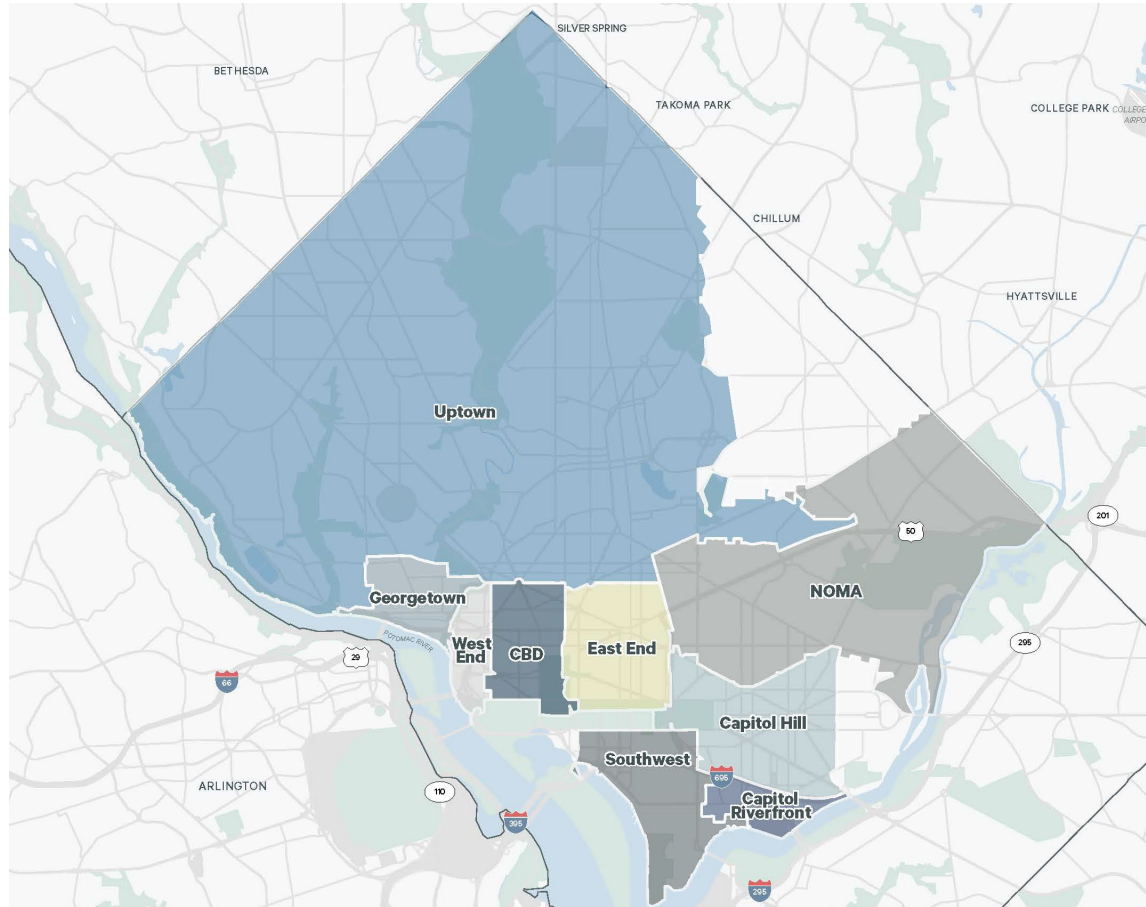
## Market Statistics by Submarket

Figure 10

Submarket	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Capitol Hill	5.11	20.9%	27.7%	25.6%	2.1%	\$80.36	(19,876)	(19,876)	-	-
Capitol Riverfront	3.31	29.4%	32.7%	30.7%	2.0%	\$57.51	(27,914)	(27,914)	-	-
CBD	39.46	25.2%	29.3%	27.3%	2.0%	\$59.18	(81,765)	(81,765)	-	-
East End	41.45	22.8%	27.1%	24.8%	2.3%	\$61.66	126,924	126,924	-	-
Georgetown	1.88	30.6%	38.0%	34.7%	3.3%	\$54.93	3,910	3,910	-	-
NOMA	11.14	18.0%	26.7%	25.6%	1.1%	\$52.08	(27,005)	(27,005)	-	-
Southwest	11.84	16.3%	18.7%	17.5%	1.1%	\$50.89	(51,497)	(51,497)	-	-
Uptown	4.11	18.8%	21.6%	19.8%	1.9%	\$44.51	12,295	12,295	-	-
West End	2.62	22.9%	28.9%	26.2%	2.8%	\$54.88	(34,672)	(34,672)	-	-
<b>Grand Total</b>	<b>120.91</b>	<b>22.6%</b>	<b>27.2%</b>	<b>25.2%</b>	<b>2.0%</b>	<b>\$59.30</b>	<b>(99,600)</b>	<b>(99,600)</b>	<b>-</b>	<b>-</b>

Source: CBRE Research, Q1 2026

## Market Area Overview



### Definitions

**Available Sq. Ft.:** Space in a building, ready for occupancy within six months; can be occupied or vacant. **Availability Rate:** Total Available Sq. Ft. divided by the total building Area. **Average Asking Lease Rate:** A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. **Building Area:** The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. **Gross Activity:** All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. **Gross Lease Rate:** Rent typically includes real property taxes, building insurance, and major maintenance. **Net Absorption:** In Mid-Atlantic markets, the change in leased sq. ft. from one period to the next. Net absorption includes both the occupancy gained in the building a tenant will move into and the occupancy lost in the building the tenant will vacate, counted when the lease is signed. **Net Lease Rate:** Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. **Occupied Sq. Ft.:** Building Area not considered vacant. **Vacancy Rate:** Total Vacant Sq. Ft. divided by the total Building Area. **Vacant Sq. Ft.:** In Mid-Atlantic markets, space in a building that is not occupied, or space where vacancy is confirmed to be upcoming because an existing tenant has committed to another location. **Prime:** An office building that has consistently secured taking rents within the top 10% of all office properties in the market. CBRE determines this ranking by analyzing building rents as a weighted average over the past five years.

### Survey Criteria

CBRE’s market report analyzes office buildings that total 20,000+ sq. ft., excluding owner-occupied buildings, that are located within the submarket boundaries shown on the accompanying map.

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