

FIGURES | WASHINGTON D.C. OFFICE | Q3 2026

Private Sector Activity is Driving D.C. Market Recovery

▼21.8%

Vacancy Rate

▲360.2

KSF Net Absorption

►0.0

KSF Construction Delivered

►300.0

KSF Under Construction

▼\$59.45

Direct Avg. Asking Lease Rate

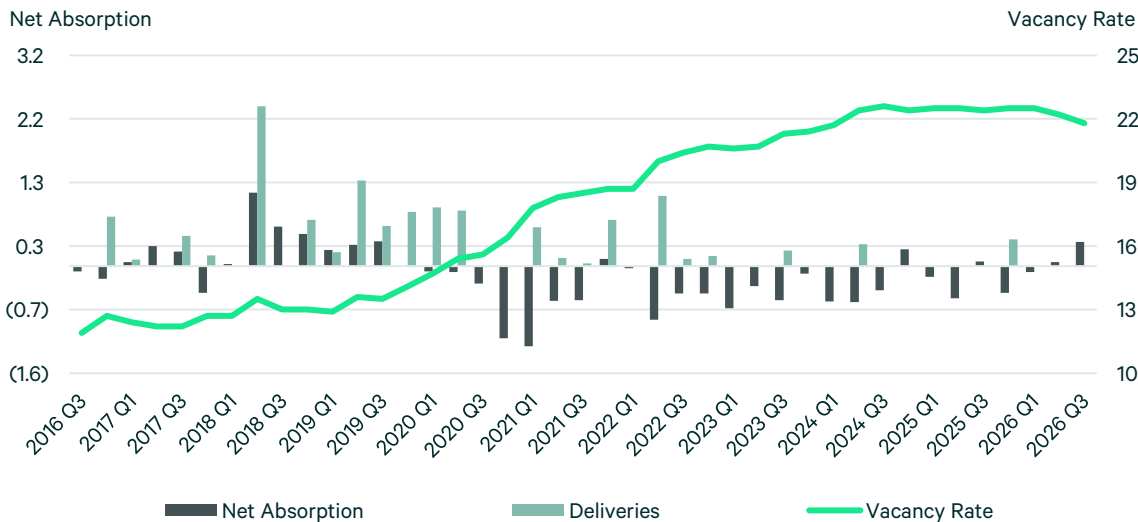
Note: Arrows indicate change from previous quarter.

Market Overview

Washington, D.C.’s office market continued its recovery in Q3, with 360,154 sq. ft. of positive absorption driving a 40-basis point (bps) decline in overall vacancy. Private sector activity, including significant legal and technology transactions, drove demand and occupancy gain. Notably, with Prime (Trophy) vacancy at just 8.3%, more activity has begun to spill over into other Class A properties, which absorbed 218,400 sq. ft. during the quarter.

Market performance remains sharply bifurcated between the public and private sectors. GSA leasing activity remains well below historical averages, and second-generation government space still accounts for a significant share of overall market vacancy. At the same time, the private sector is on pace to again exceed it’s 10-year historical leasing average, and a dearth of quality options for private sector tenants in the downtown core is beginning to put upwards pressure on rental rates at the top of the market. The shortage of available Prime space is also pushing some large private sector tenants to consider new developments, although elevated construction costs and a lack of developable sites remain significant roadblocks to those projects.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q3 2026

Vacancy

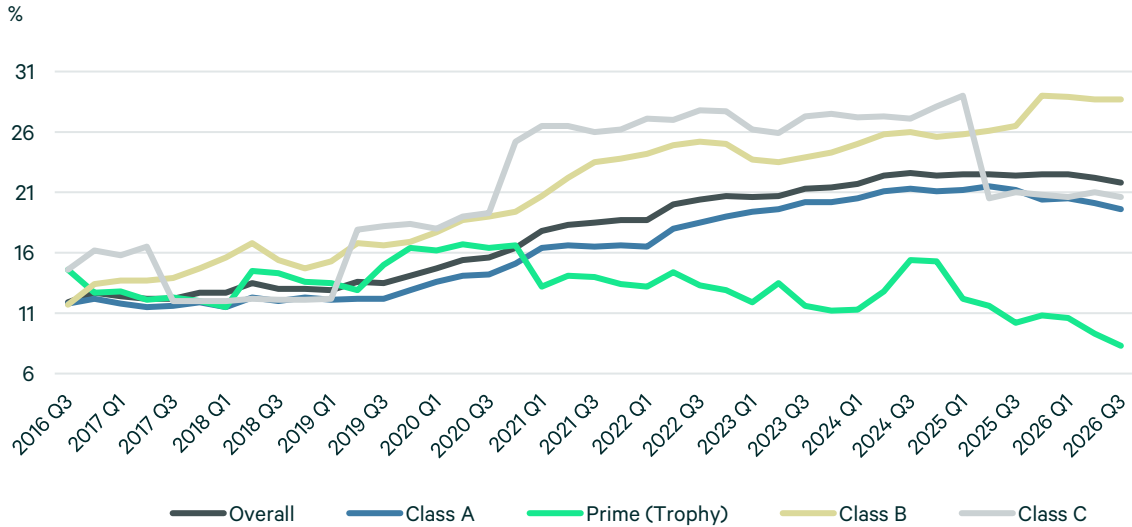
Overall vacancy declined by 40 bps in Q3 to 21.8%, which is now 80 bps below the peak recorded in 2024. The Prime market continues to outperform, with vacancy in that class dropping to 8.3%. Activity continues to spillover into other Class A properties, where vacancy dropped to 21.8%. At the lower-end of the market and even despite inventory removal, Class B vacancy remains elevated at 28.7%. This segment of the market has suffered considerably from the GSA’s contraction of its leased footprint.

While no major office buildings were purchased for conversion or redevelopment to alternative use in Q3, this trend will persist in Q4 and put more downward pressure on vacancy by the end of 2026. Conversion and redevelopment has significantly aided D.C. office market fundamentals over the past several years, helping to offset occupancy loss from broader market contraction. Redevelopment projects also continue to improve the mix of uses downtown in areas like Dupont Circle, where several projects- including those at 1133 19th Street NW, 1200 18th Street NW, and 1201 Connecticut Avenue NW- are under active redevelopment to residential use.

Asking Rent

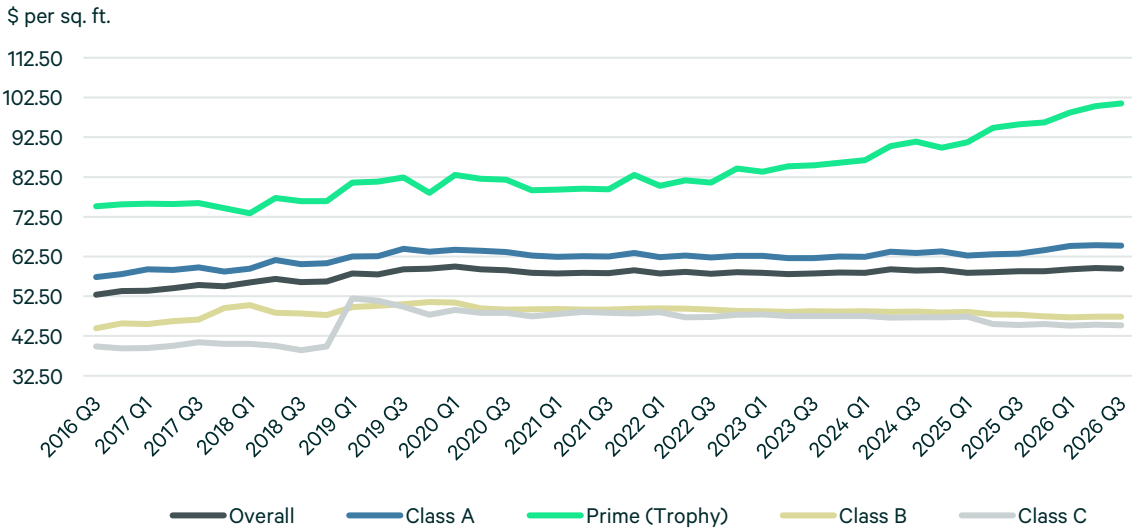
Overall asking rents stood at \$59.45 per sq. ft. in Q3, unchanged from Q2 levels. Rent growth in Prime and other Class A space has been offset by declining rents in the Class B segment, which remains largely out of favor with the most active private sector tenants. Continued rent growth in the Prime segment, where asking rents now average more than \$100 per sq. ft., is expected to push more tenants into other Class A buildings in the downtown core that are well-located and offer a relative discount.

Figure 2: Vacancy Rates by Class



Source: CBRE Research, Q3 2026

Figure 3: Average Direct Asking Rate by Class



Source: CBRE Research, Q3 2026

Net Absorption

Washington, D.C. posted 360,154 sq. ft. of occupancy gain in Q3, and the city has experienced year-to-date occupancy gain for 2026. Prime and other Class A properties drove activity, absorbing 359,328 sq. ft. of space. The Prime segment has now gained 1.2 million sq. ft. of occupancy since the start of 2025, far outpacing the remainder of the market. During that same period, Class B buildings lost roughly 1.0 million square feet of occupancy, reinforcing the bifurcated state of the current market.

The East End and CBD submarkets have both gained occupancy in 2026. Occupancy loss has been concentrated in the Southwest submarket in the federal corridor south of the National Mall, which continues to contend with cuts to federally-leased space.

Construction Activity

BXP’s two current projects at 725 12th Street NW and 2100 M Street NW remain the only two buildings in the ground-up development pipeline, with the former under construction and the latter expected to begin construction in 2028. Both are preleased to AmLaw 25 firms.

During the third quarter, law firm Sheppard leased 107,000 sq. ft. at 2033 K Street NW, which will anchor a Prime redevelopment project expected to deliver in 2029. Ownership, In-Rel Properties, will reskin the existing eight-story structure and add three additional floors.

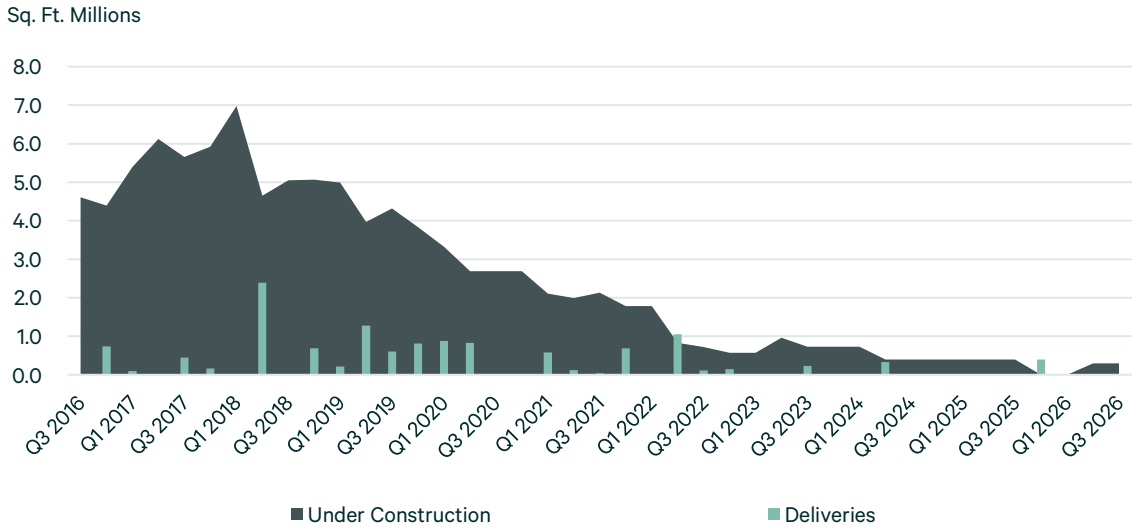
Broadly, a lack of large-block options in the existing Prime market is pushing more tenants to consider new development projects. Tenants larger than 100,000 sq. ft. in the market for new space are actively considering additional sites in the CBD and East End. Owners that are marketing development sites are typically asking more than \$110 per sq. ft. on a triple-net basis to kick-off new projects.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q3 2026

Figure 5: Construction Activity



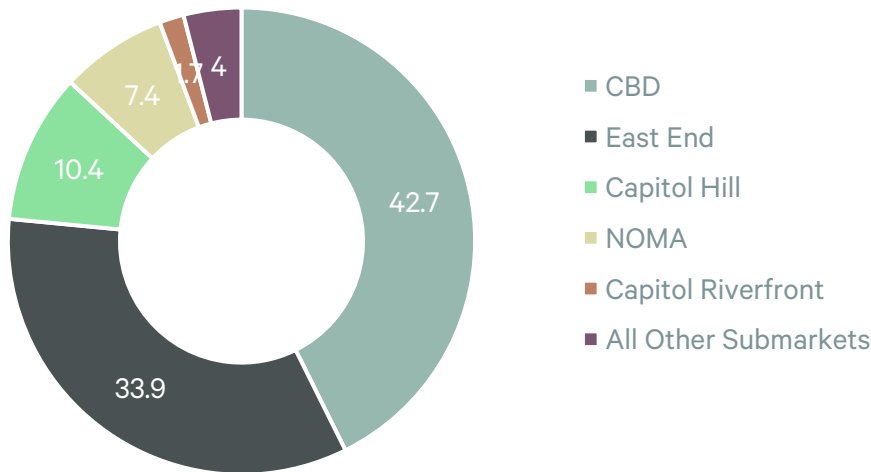
Source: CBRE Research, Q3 2026

Leasing Activity

Tenants leased nearly 2.5 million sq. ft. of space in Q3, the highest level of quarterly activity since Q4 2024. Overall activity in 2026 remains down compared to historical levels, driven by a dip in federal government leasing. Private sector leasing exceeded 10-year historical levels in 2025 and is tracking to do the same in 2026.

Law firms led leasing activity in 2026, accounting for 28% of activity. Business and financial services (14%) and technology (11%) transactions have also boosted private sector activity in 2026. Notable Q3 deals included Sheppard’s prelease for a Prime redevelopment at 2033 K Street NW, O’Melveny Myers’ long-term renewal at 1625 I Street NW, and Greenberg Traurig’s early extension and expansion at 2101 L Street NW. Seven deals signed in Q3 exceeded 80,000 SF, which is a broad increase in large-block leasing versus prior quarters.

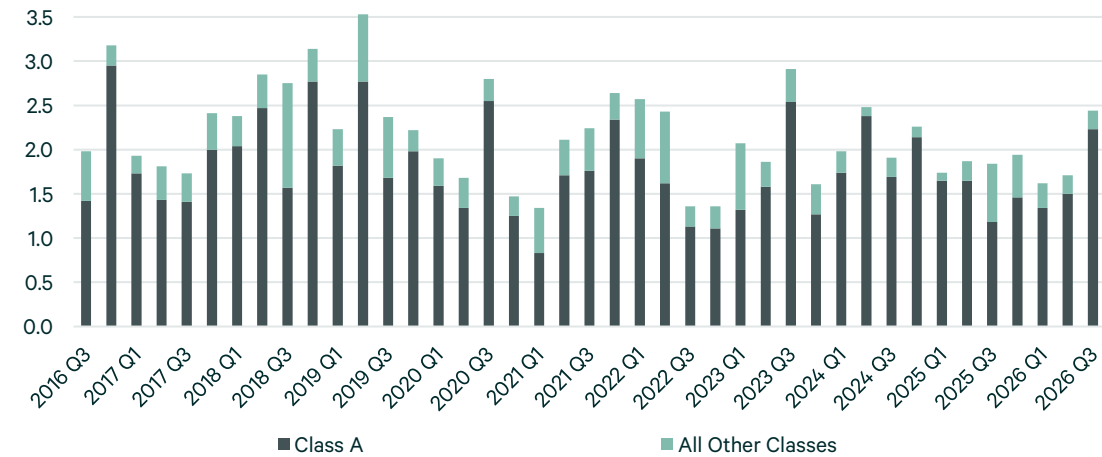
Figure 7: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q3 2026

Figure 6: Leasing Activity Trend

Sq. Ft. Millions



Source: CBRE Research, Q3 2026

Figure 8: Select Notable Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
GSA (CFTC)	304,000	Extension	1155 21st St NW	CBD
DC Government	164,000	Renewal	1050 1st St NE	NOMA
Sheppard	107,000	New Lease	2033 K St Nw	CBD
O'Melveny Myers	98,000	Renewal	1625 I St Nw	CBD
Greenberg Traurig	81,000	Renewal	2101 L St NW	CBD
Gates Foundation	54,000	Renewal	1300 I St NW	East End
Spencer Fane	46,000	Sublease	700 13 th St NW	East End
Capstone	42,000	New Lease	901 K St NW	East End

Source: CBRE Research, Q3 2026

Market Statistics

Figure 9: Market Statistics by Class

	Net Rentable Area (MSF)	Total Vacant (%)	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	88.86	19.6	24.0	22.5	1.5	65.23	359,000	544,000	-	300,000
Prime (Trophy)	14.27	8.3	11.2	10.5	0.7	101.01	141,000	334,000	-	300,000
Other Class A	74.59	21.8	26.5	24.8	1.7	62.17	218,000	210,000	-	-
Class B	28.79	28.7	33.0	31.3	1.7	47.40	(10,000)	(231,000)	-	-
Class C	2.23	20.6	24.2	22.8	1.4	45.23	10,000	15,000	-	-
Total	119.88	21.8	26.2	24.6	1.6	59.45	360,000	329,000	-	300,000

Source: CBRE Research, Q3 2026

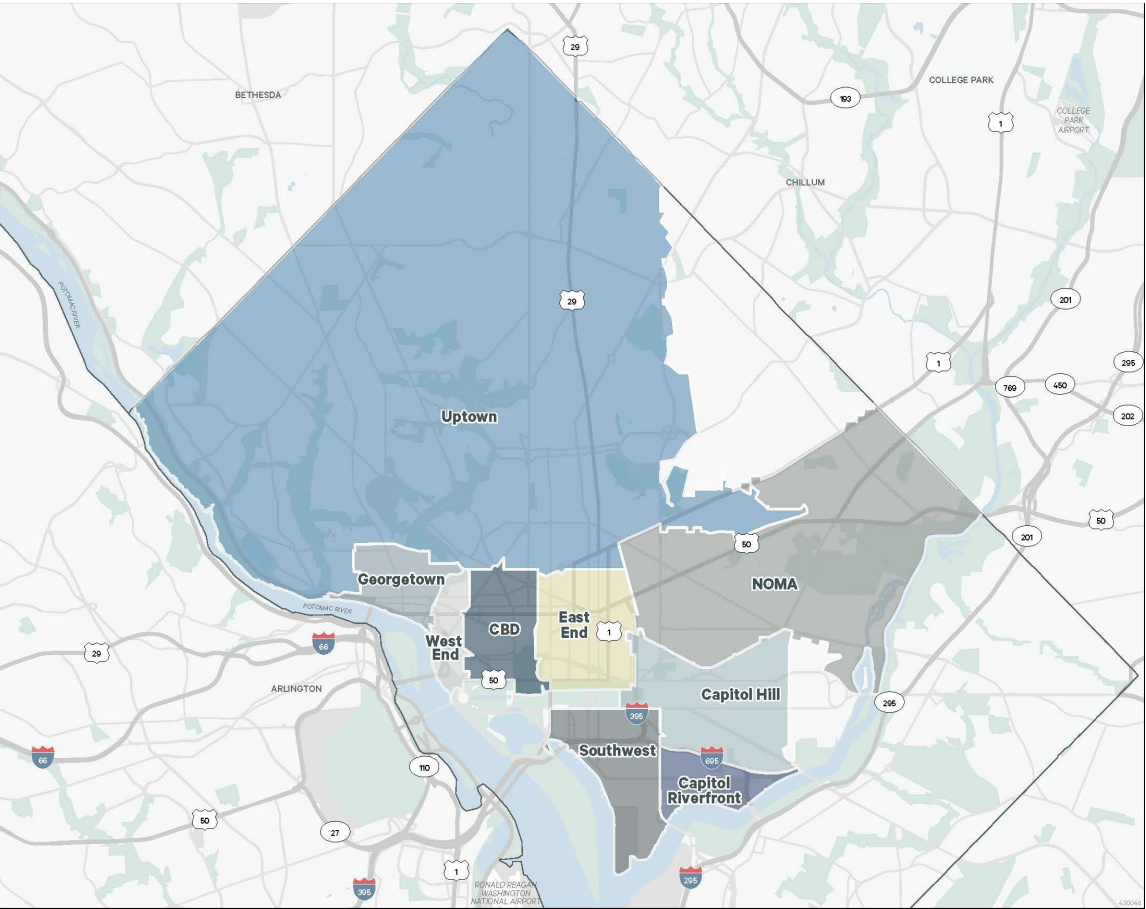
Market Statistics by Submarket

Figure 10

Submarket	Net Rentable Area (MSF)	Total Vacant (%)	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)
CBD	38.85	24.2	27.3	25.7	1.6	59.17	315,000	139,000	-	-
Capitol Hill	5.11	19.3	21.4	21.1	0.3	81.39	57,000	9,000	-	-
Capitol Riverfront	3.31	27.8	30.0	28.8	1.2	56.96	38,000	27,000	-	-
East End	41.16	21.8	27.1	25.0	2.1	62.81	(38,000)	276,000	-	300,000
Georgetown	1.83	29.2	31.4	30.6	0.8	57.73	20,000	43,000	-	-
NOMA	11.09	17.9	27.5	26.7	0.8	51.59	(39,000)	-	-	-
Southwest	11.84	18.0	20.0	19.4	0.6	50.57	(25,000)	(255,000)	-	-
Uptown	4.08	16.5	21.5	18.3	3.3	45.25	3,000	80,000	-	-
West End	2.62	21.2	25.9	24.7	1.2	57.14	29,000	9,000	-	-
Total	119.88	21.8	26.2	24.6	1.6	59.45	360,000	329,000	-	300,000

Source: CBRE Research, Q3 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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