

FIGURES | WASHINGTON D.C. OFFICE | Q2 2026

Occupancy Gain in Q2 Amid Rebounding Private Sector Activity

▼ 22.2%

Vacancy Rate

▲ 65,101

SF Net Absorption

▶ 0

SF Construction Delivered

▲ 320,000

SF Under Construction

▲ \$59.58

FSG/YR Direct Lease Rate

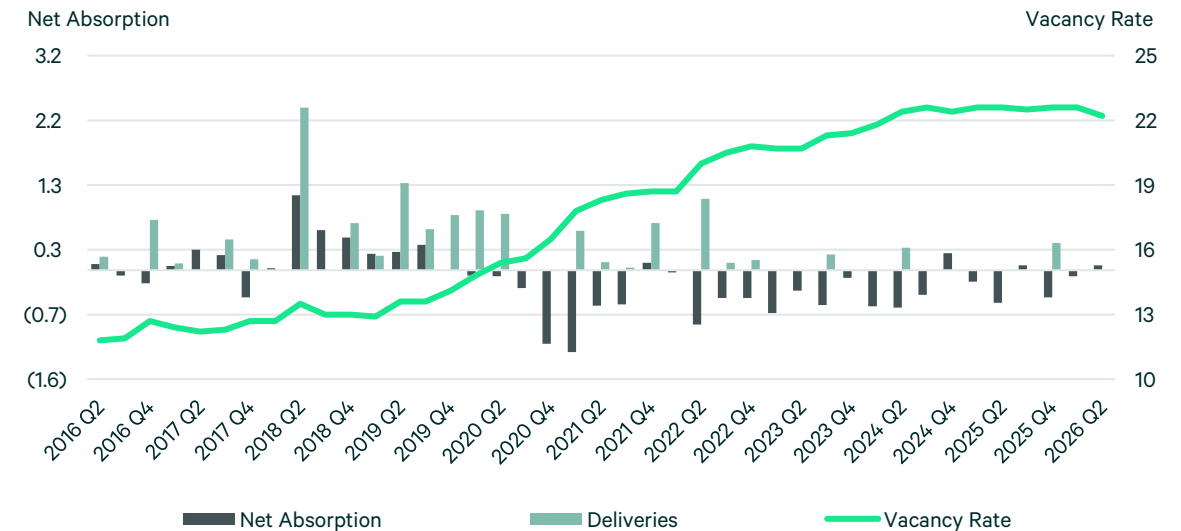
Note: Arrows indicate change from previous quarter.

Market Overview

In Q2 2026, the office market posted its first quarterly occupancy gain in several periods, as net absorption reached 65,101 sq. ft. Vacancy fell 40 basis-points to 22.2%. Private sector occupancy gain and the conversion or redevelopment of vacant office buildings to alternative uses have both helped market fundamentals stabilize.

Washington, D.C. is one of the leading cities in the U.S. for office-to-residential conversion and redevelopment activity, which has steadily cut obsolete office space from the market. Additionally, a tapering supply of new office space will help further stabilize the D.C. market. Just three buildings have delivered in Washington, D.C. since the start of 2023, and the two buildings in the current pipeline are both fully preleased, excluding encumbered space, and won't deliver until 2028 and 2031.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

Vacancy

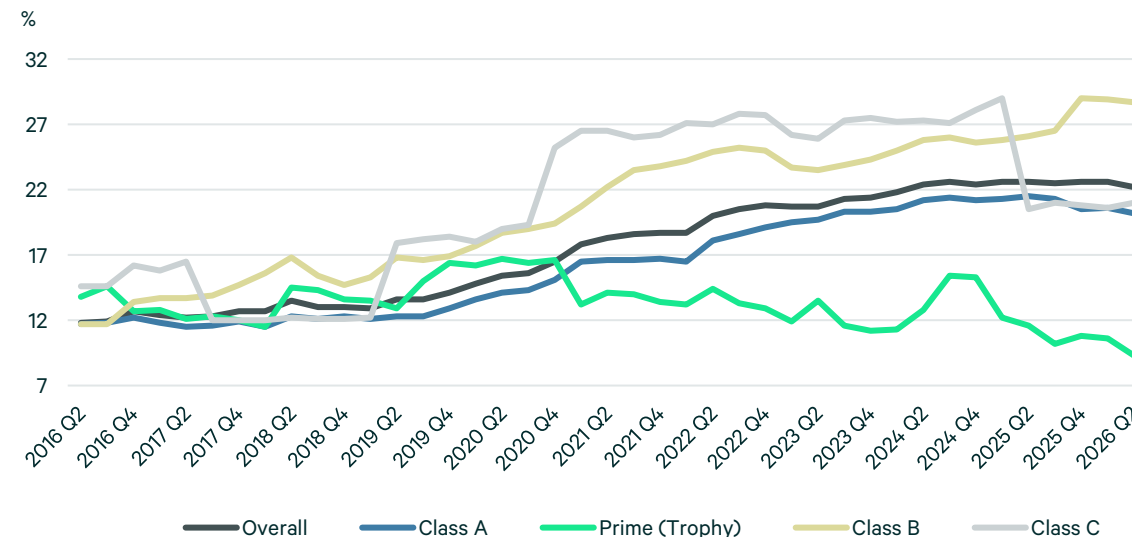
Overall vacancy fell in Q2 2026 to 22.2%, reflecting positive momentum in Class A product (both Prime and non-Prime Class A space). Prime (Trophy) vacancy fell by 130 bps quarter-over-quarter to 9.3% and the broader Class A vacancy rate dropped to 20.2%, while the Class B vacancy rate remained significantly elevated at 28.7%. The improvement at the top segment of the market reflected a pronounced flight-to-quality in newer assets, whereas older buildings continued to see tenants right-size footprints and release space back to the market. The Class B vacancy rate has doubled over the past 10 years.

Beyond higher demand for Prime and Class A space, inventory removal also continues to benefit the D.C. market and suppress the vacancy rate. A steady number of obsolete office buildings in Northwest D.C. that are adjacent to existing, high-demand residential neighborhoods are trading at low bases for redevelopment. User-purchases, while less common than redevelopment deals, have been another source of beneficial inventory removal. In Q2, an embassy purchased a near-fully vacant building in the East End, cutting the amount of East End vacancy by 180,000 sq. ft.

Asking Rent

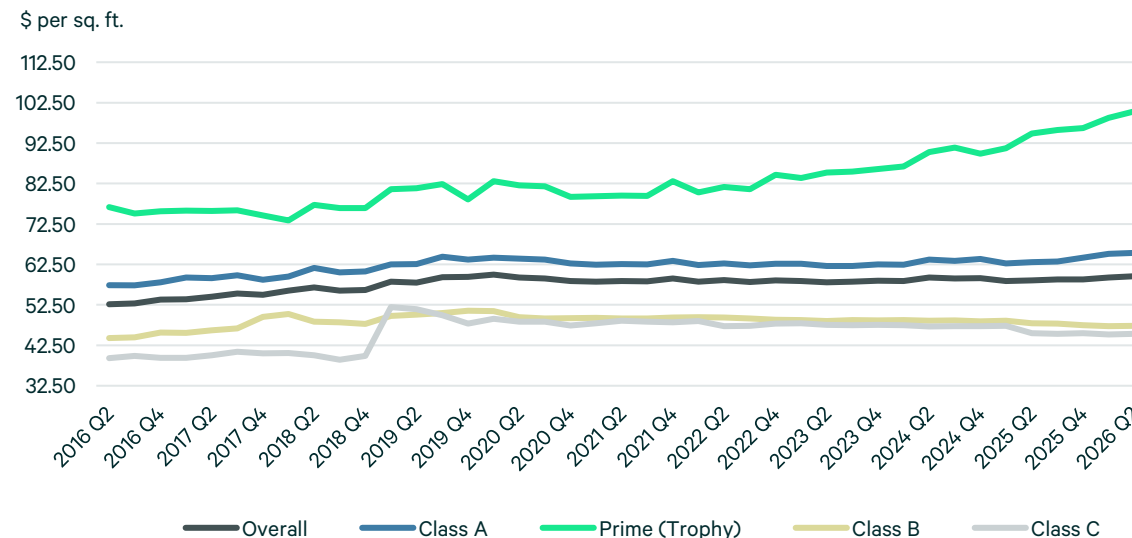
In Q2 2026, overall asking rents stood at \$59.58 per sq. ft., up moderately quarter-over-quarter and year-over-year. Prime asking rents surpassed \$100 per sq. ft. for the first time, reflecting significant strength in that asset class. Prime rates are rising faster than non-Prime Class A on both a quarterly and annual basis, leading to a wider gap between Prime and the broader Class A benchmark that could incentivize further spillover demand into non-Prime Class A properties, which are now relatively discounted. Class B rents have remained flat over the last several years despite inventory removal in the Class B market, indicating a sustained period of low demand as Class B buildings fall out of favor with the D.C. tenant base.

Figure 2: Vacancy Rates by Class



Source: CBRE Research, Q2 2026

Figure 3: Average Direct Asking Rate by Class



Source: CBRE Research, Q2 2026

Net Absorption

In Q2 2026 the market experienced 65,101 sq. ft. of occupancy gain, the first level of moderate growth in several quarters. The Class A market drove net absorption, with 132,644 sq. ft. of occupancy gain. Demand continues to spillover from Prime into the remainder of the Class A market.

Within the downtown core, the East End continues to significantly outperform the CBD. The East End has experienced 314,000 sq. ft. of occupancy gain in 2026, while the CBD has lost 174,000 sq. ft. of occupancy. The East End’s relative strength reflects a deeper stock of newer and amenitized buildings and a low share of Class B office stock, while the CBD has been weighed down by a larger share of functionally obsolete assets and sizeable blocks of second-generation government and law firm space.

Construction Activity

One building is currently under construction in Washington, DC: BXP’s 725 12th St NW, which is fully preleased to two AmLaw 25 law firms. Another BXP project at 2100 M St NW is also fully preleased, excluding encumbered space, by an AmLaw 25 firm, but is still in the planning stage and will not begin construction until 2028. Broadly, and consistent with national trends, construction activity has significantly declined in Washington, D.C. and is currently at a 30-year low.

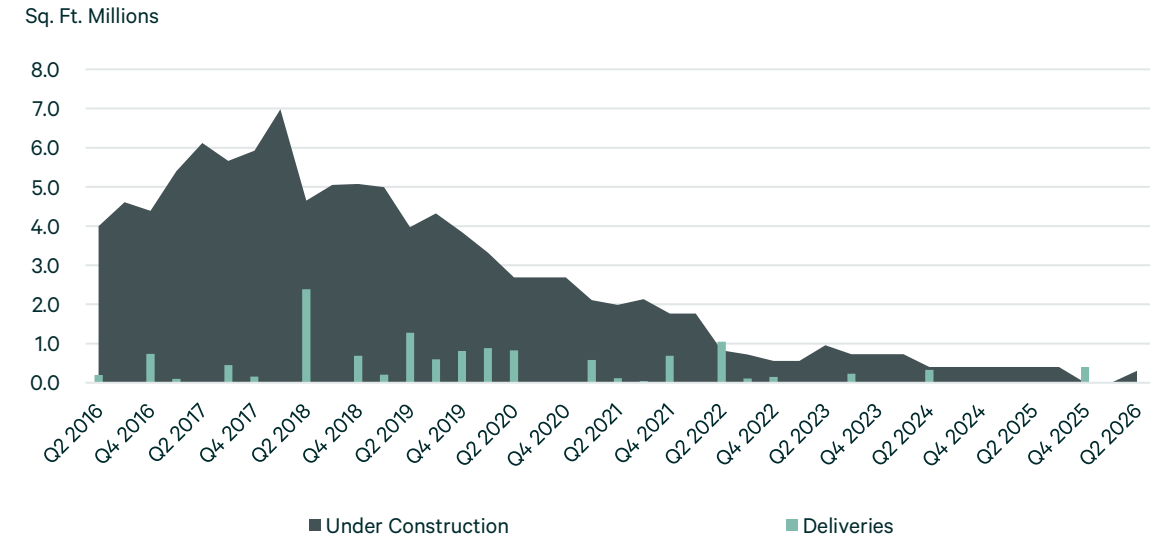
The significant cost to build will continue to suppress ground-up construction activity, though some select projects involving motivated developers and tenants will move forward in the coming years as tenants face a shortage of Prime space. Some tenants, such as White & Case, which signed for 196,000 sq. ft. at 1701 Pennsylvania Avenue NW during Q2, might favor renovation projects which upgrade older properties to Prime status at a lower cost and shorter construction timeline.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q2 2026

Figure 5: Construction Activity



Source: CBRE Research, Q2 2026

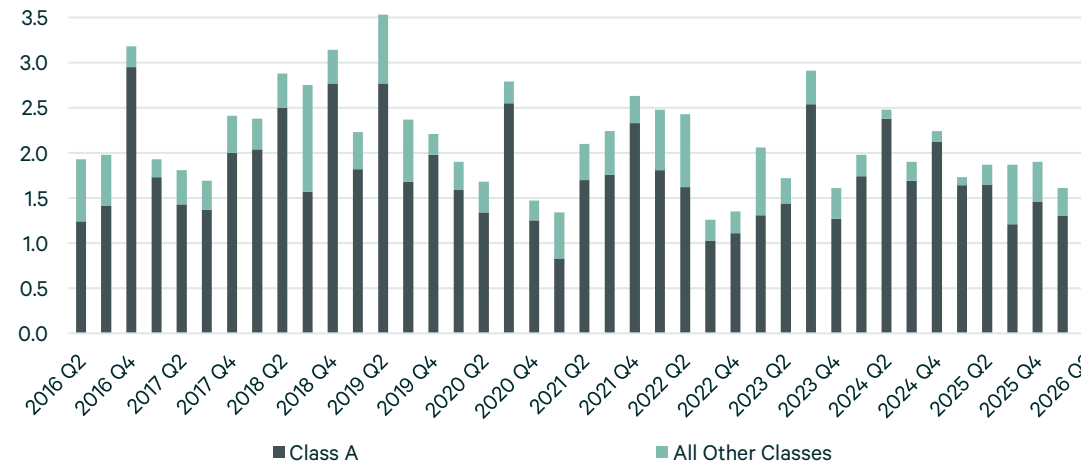
Leasing Activity

Tenants have leased roughly 3.5 million sq. ft. of space thus far in 2026, down slightly against the historical first-half average. Major market transactions included White & Case’s 196,000 sq. ft. new lease at 1701 Pennsylvania Avenue NW, the GSA’s 86,000 sq. ft. extension on behalf of the USDA at Patriots Plaza in Southwest, and several renewals from private sector tenants including Reed Smith, Booz Allen Hamilton, and Reuters.

Leasing activity in D.C. remains bifurcated between the public and private sectors. The government—which historically led D.C. leasing—has leased just 200,000 sq. ft. in 2026, causing a dip in overall demand relative to the historical first-half level. Simultaneously, private sector activity has rebounded, exceeding the ten-year average annual levels in 2025 and tracking to again exceed the ten-year level in 2026. Law firms account for 33% of all leasing in 2026, the leading share of any sector, followed by business and financial services (17%) and the technology sector (10%). D.C.’s current demand pipeline indicates that these three sectors will continue to drive overall demand in the second half of 2026.

Figure 6: Leasing Activity Trend

Sq. Ft. Millions



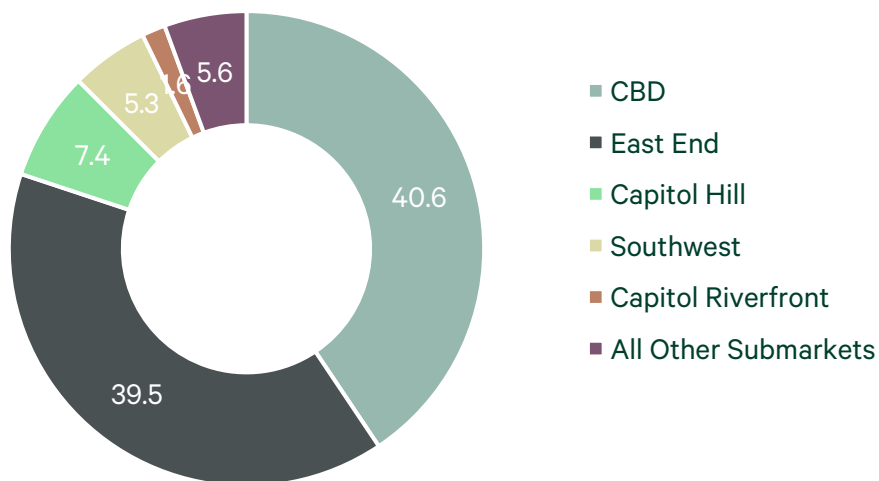
Source: CBRE Research, Q2 2026

Figure 8: Select Notable Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
White & Case	196,000	New Lease	1701 Pennsylvania Ave NW	CBD
USA General Services Administration	86,000	Renewal	355 E St SW	Southwest
Reed Smith	70,000	Renewal	1301 K St NW	East End
Booz Allen Hamilton	55,000	Renewal	901 15th St NW	East End
Vanda Pharmaceuticals	40,000	Renewal	2200 Pennsylvania Ave NW	CBD
Reuters	33,000	Renewal	1333 H St NW	East End
Honigman	23,000	New Lease	1999 K St NW	CBD
Capitol Meridian Partners	21,000	Renewal	1601 K St NW	CBD

Source: CBRE Research, Q2 2026

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



Source: CBRE Research, Q2 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	88.91	20.2	25.1	23.3	1.8	65.35	133,000	187,000	-	320,000
Prime (Trophy)	14.27	9.3	12.2	11.5	0.8	100.34	184,000	193,000	-	320,000
Other Class A	74.65	22.3	27.6	25.5	2.1	62.33	(51,000)	(6,000)	-	-
Class B	28.79	28.7	33.7	31.7	2.0	47.34	(62,000)	(221,000)	-	-
Class C	2.23	21.0	24.1	22.8	1.4	45.33	(6,000)	4,000	-	-
Total	119.93	22.2	27.2	25.3	1.9	59.58	65,000	(30,000)	-	320,000

Source: CBRE Research, Q2 2026

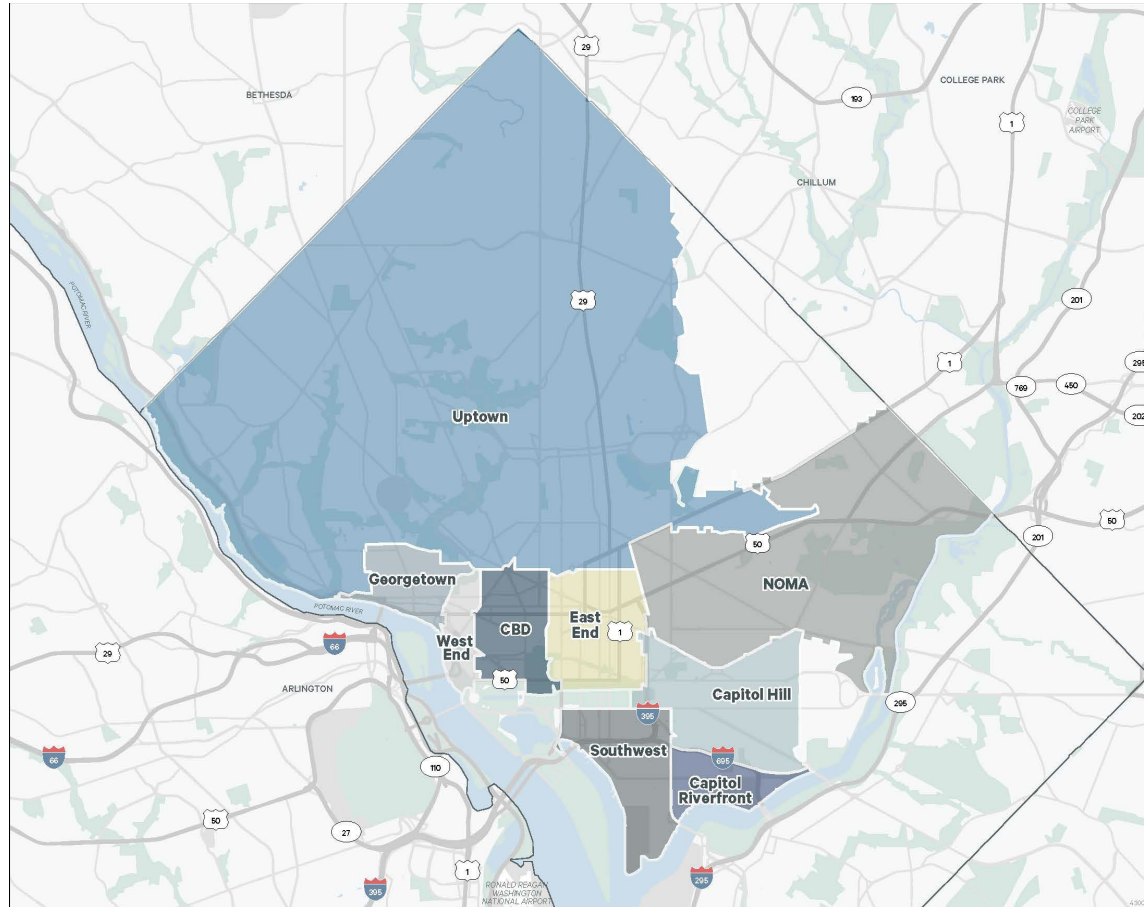
Market Statistics by Submarket

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	38.97	25.2	28.8	27.0	1.8	59.03	(97,000)	(174,000)	-	-
Capitol Hill	5.11	21.4	26.7	26.2	0.5	81.02	(28,000)	(48,000)	-	-
Capitol Riverfront	3.31	28.9	32.3	30.4	1.9	58.87	17,000	(11,000)	-	-
East End	41.09	21.8	27.6	25.1	2.5	62.79	187,000	314,000	-	320,000
Georgetown	1.82	30.3	36.6	33.2	3.4	56.83	18,000	22,000	-	-
NOMA	11.09	17.6	26.8	25.9	0.9	51.19	66,000	39,000	-	-
Southwest	11.84	17.8	20.1	19.3	0.7	50.53	(179,000)	(230,000)	-	-
Uptown	4.08	16.6	21.2	17.7	3.5	45.12	64,000	77,000	-	-
West End	2.62	22.3	26.9	25.6	1.3	55.05	15,000	(19,000)	-	-
Total	119.93	22.2	27.2	25.3	1.9	59.58	65,000	(30,000)	-	320,000

Source: CBRE Research, Q2 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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