

FIGURES | WASHINGTON, D.C. OFFICE | Q4 2025

Vacancy is Flattening and is Increasingly Concentrated in Class B Properties

▲ 22.5%
Vacancy Rate

▼ (404,164)
Q4 SF Net Absorption

▶ 0
SF Under Construction

▶ \$58.78
Average Gross Asking Rate

Note: Arrows indicate change from previous quarter.

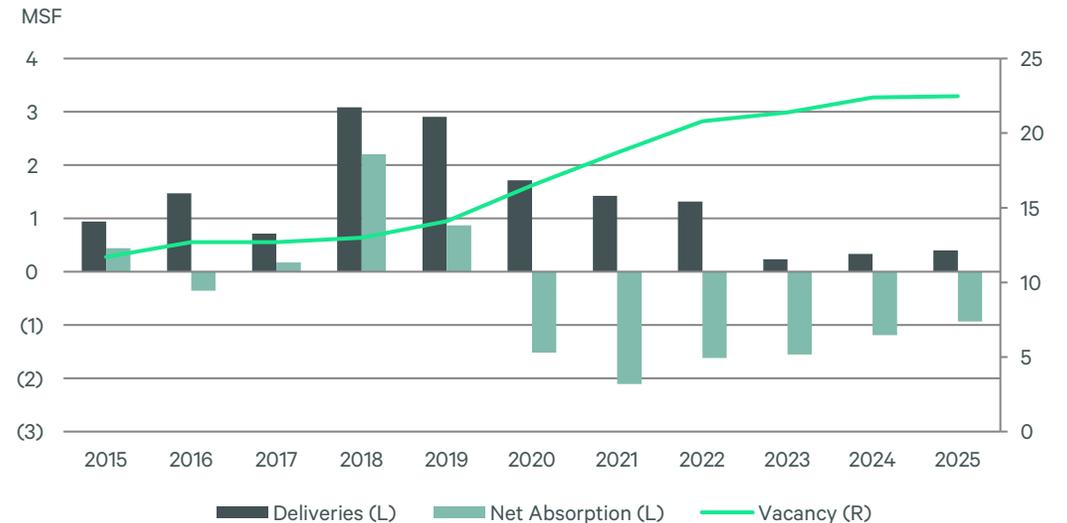
Washington, DC experienced occupancy loss in Q4 that pushed vacancy upwards 10 basis-points (bps) to 22.5%. Occupancy loss was overwhelmingly concentrated in the Class B market, where vacancy increased 250 bps in Q4. Overall, the city’s vacancy rate ended 2025 flat year-over-year, aided by inventory removal for redevelopment or conversion to alternative use, as well as a slowdown in federal government lease contractions in the second half of the year.

Tenants leased 7.1 million sq. ft. of office space in 2025, 10% below the ten-year historical average but reflecting resiliency despite significant regional economic uncertainty. The Class A+ segment of the market performed well, with notable leases including Bracewell’s 53,250 sq. ft. extension at 2001 M Street NW, the National Cable and Telecommunications Agency’s 53,000 sq. ft. renewal at 25 Massachusetts Avenue NW, and Buchanan Ingersoll’s 52,760 sq. ft. renewal and expansion at 1700 K Street NW.

A more stable economic outlook should benefit D.C. in 2026. Among private sector tenants actively looking for space, there is 474,000 SF of expected occupancy gain, aided by several new-to-market tenants and significant planned expansions. With Trophy vacancy remaining low at 10.7%, additional private sector growth should trickle down into Class A+ and well-capitalized Commodity A properties.

600 5th Street NW, Rockefeller Group and Stonebridge’s Trophy redevelopment of the former WMATA headquarters, delivered in Q4 2025 and is half-leased to Crowell & Moring. This represented the first office delivery in Washington, D.C. since Skanska’s 17xM in Q2 2024, which is now 90% leased.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

Sector Snapshot

Legal

Law firms accounted for 30% of lease volume in 2025, the second-leading share of any sector, slightly behind the government. Law firm lease volume grew from the prior year, driven by several large deals for new development. The sector has shifted towards incremental growth, with 62% of firms that transacted in 2025 either growing or maintaining a stable footprint. Moderate law firm footprint growth is expected in 2026, with a handful of firms expected to grow substantially.

Government

The government sector accounted for the leading share of leasing in 2025. Volume was skewed upwards by several large, short-term extensions, including those at 470-490 L’Enfant Plaza (National Transportation Safety Board), 450 5th Street NW (Department of Justice), and 1750 Pennsylvania Avenue (Department of Treasury). A slowdown in federal government lease contractions helped the market stabilize in the second half of 2025. Contractions in the first half of the year drove the bulk of the city’s 2025 occupancy loss.

Business and Financial Services

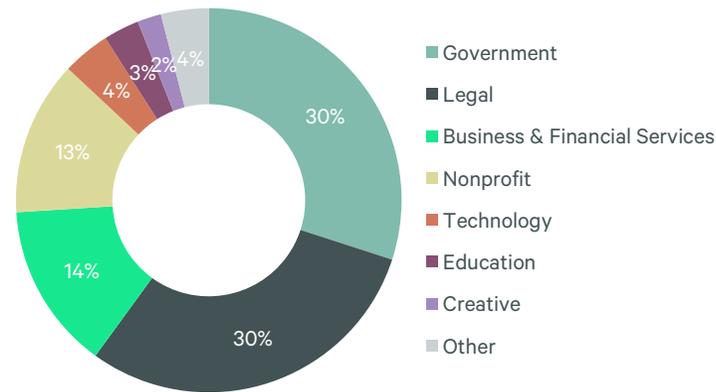
Business and financial services firms accounted for 14% of the city’s lease volume in 2025, the third-highest share among sectors. Notably, the sector consistently provides a source of incremental growth, with 86% of firms either growing or maintain a stable footprint in 2025. Notable Q4 deals include Raymond James’ relocation to 1899 Pennsylvania Avenue, Chaos Capital’s expansion at the Bank Building, and KKR’s first D.C. lease at the Mills Building.

FIGURE 2: Select Notable Q4 2025 Lease Transactions

Tenant	Industry	Address	Submarket	SF	Lease Type	Market Effect
Sidley Austin	Legal	2100 M St NW	CBD	234,000	New Lease	Contraction
GSA- National Transportation Safety Board	Government	470-490 L’Enfant Plz SW	Southwest	163,538	Renewal	Flat
GSA- Department of Treasury	Government	1750 Pennsylvania Ave NW	CBD	120,000	Renewal	Flat
Bracewell	Legal	2001 M St NW	CBD	53,250	Renewal	Flat
National Cable and Telecommunications Association	Nonprofit	25 Massachusetts Ave NW	NoMa	53,000	Renewal	Flat
Buchanan Ingersoll	Legal	1700 K St NW	CBD	52,764	Renewal	Growth
American Medical Association	Nonprofit	200 Massachusetts Ave NW	Capitol Hill	36,886	New Lease	Flat
American Society of Nephrology	Nonprofit	1401 H St NW	East End	34,197	Renewal	Flat
Campaign for Tobacco Free Kids	Nonprofit	1400 I St NW	East End	31,557	Renewal	Flat

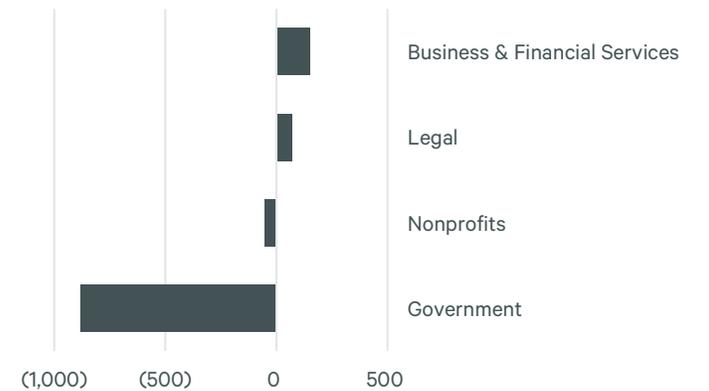
Source: CBRE

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



Source: CBRE

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



Source: CBRE

Development Activity

Rockefeller and Stonebridge’s Trophy redevelopment project at 600 5th Street NW delivered in Q4 2025. BXP’s two planned developments at 725 12th Street NW and 2100 M Street NW are the only buildings in the current pipeline. Both developments are preleased to AmLaw 25 law firms.

Looking ahead, large tenants that are willing to pay the high rents necessary to anchor new developments must contend with significant roadblocks. Many potential landlord partners are unwilling to develop new office assets, and many of the best-located development sites lack a clear path to control. Likewise, markets for office construction equity and debt remain tight, limiting new development to those firms who can self-fund projects. These factors will place further upward pressure on new development rents, while also pushing large tenants to enter the market earlier to maximize flexibility.

Pricing

Asking rents remain flat quarter-over-quarter, increasing just 0.05% in Q4 to \$58.78 per sq. ft. per annum on a full-service basis. Concessions are down slightly in 2025 to \$245 per sq. ft, though this slight pullback has been significantly aided by tighter deals for Trophy space.

Redevelopment to Alternative Use

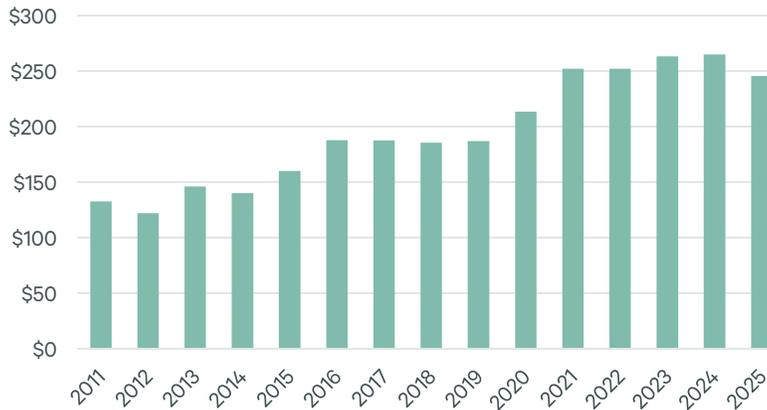
Low valuations for commodity office properties combined with resilient multifamily and hotel fundamentals have made office-to-alternative use redevelopment projects more viable. Eight office-to-residential or hotel projects are currently underway in DC, with more expected to begin construction in the coming quarter.

FIGURE 5: Development Pipeline

Expected Delivery	Address	Submarket	SF	Preleased (%)	Developer(s)
2029	725 12 th St NW	East End	320,223	94%	BXP
2031	2100 M St NW	CBD	300,000	75%	BXP

Source: CBRE

FIGURE 6: Total Concession Packages



*Analysis includes non-GSA leases sized 10,000 SF+ in the CBD, East End and Capitol Hill. Concessions weighted by SF and normalized for 12-year term.

Source: CBRE

FIGURE 7: Asking Rent Changes by Asset Class

Asset Class	Gross Rent Per SF	Quarter-over-Quarter Change
Trophy	\$96.22	0.43%
Class A	\$61.29	1.34%
Class B	\$47.45	-0.77%
Overall	\$58.78	0.05%

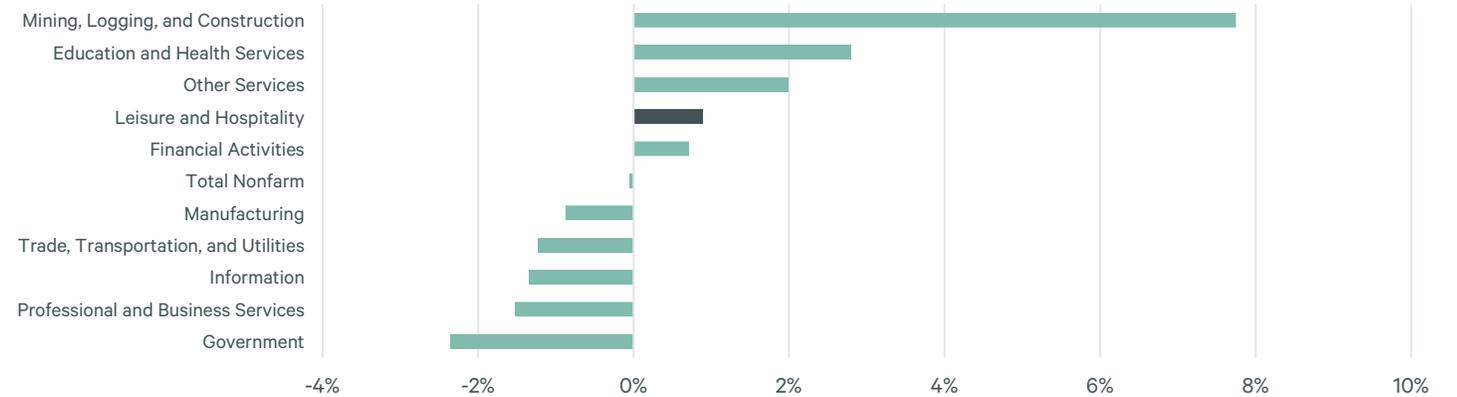
Source: CBRE

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.

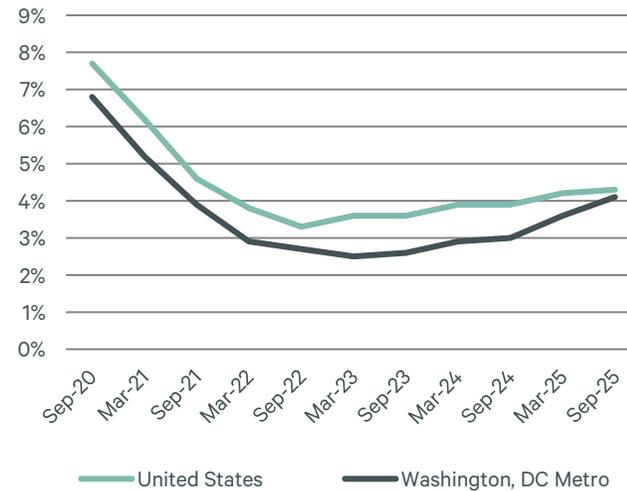
The picture gets more melancholy when looking at households. Consumer confidence remains weak, with spending reportedly driven by a smaller segment of affluent households. This mosaic of data suggests that annual average GDP growth will be steady in 2026, at 2%, but a touch softer than in 2025. A key 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 8: Employment Growth by Industry, 12-Month Percent Change



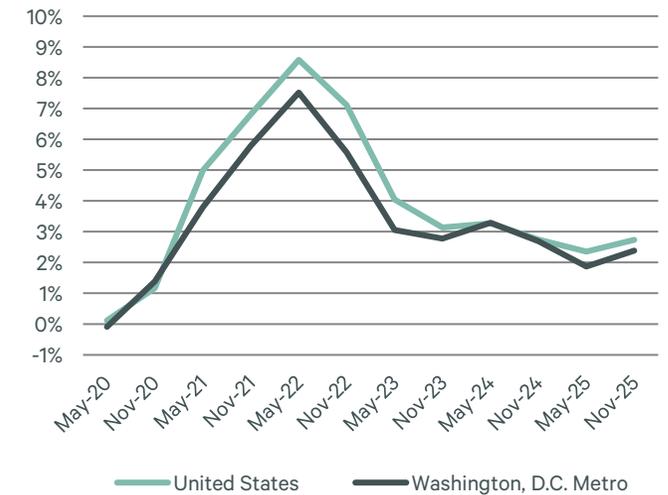
Source: BLS

FIGURE 9: Unemployment Rate



Source: BLS

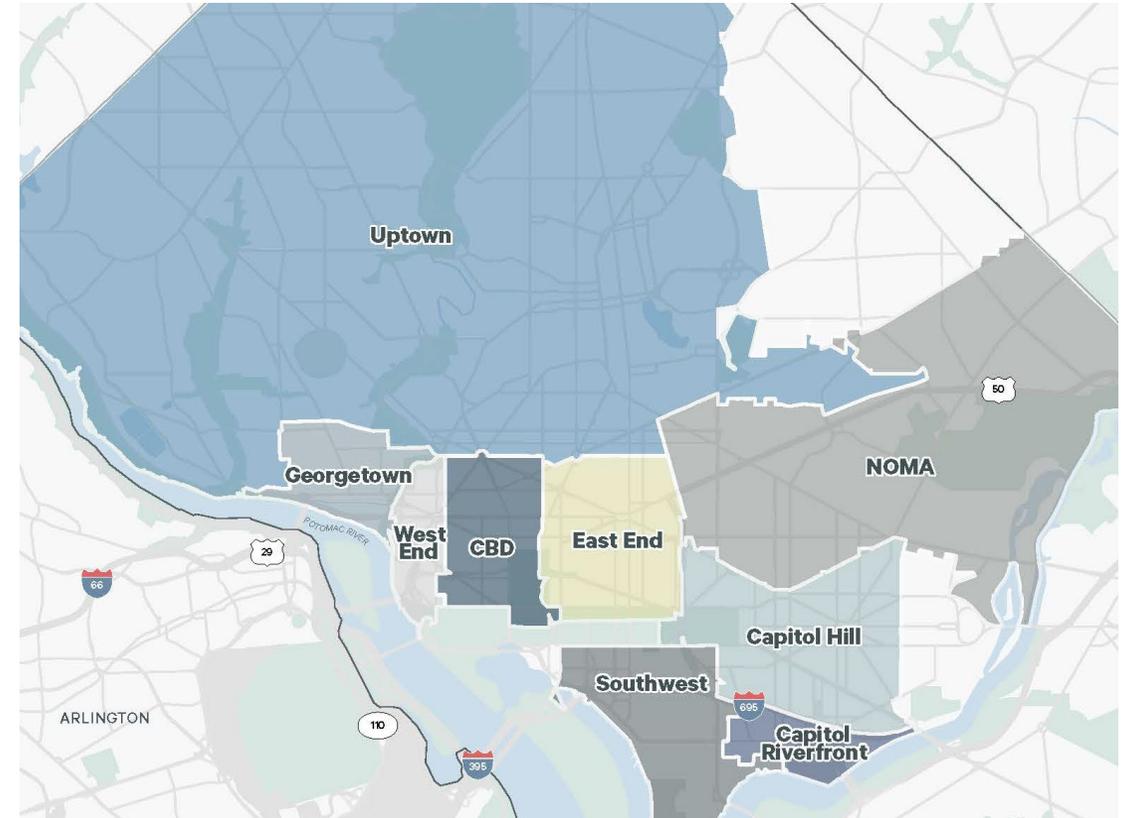
FIGURE 10: Consumer Price Index, 12-Month Percent Change



Source: BLS

FIGURE 11: 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)
Capitol Hill	27	5,106,394	20.4	161,302	143,473	75.64	-
Capitol Riverfront	14	3,311,678	28.6	(18,677)	(19,426)	57.61	-
CBD	210	38,998,348	25.2	(39,363)	(214,256)	59.22	-
East End	184	41,745,488	23.3	(185,399)	(170,655)	60.83	-
Georgetown	17	2,015,779	28.7	(20,116)	41,589	54.86	-
NoMA	42	11,744,127	17.9	(165,318)	(359,166)	52.11	-
Southwest	35	11,837,192	15.8	(99,480)	(284,167)	51.04	-
Uptown	53	4,590,234	17.1	(48,969)	(70,908)	44.61	-
West End	14	2,618,514	21.6	11,856	(3,710)	53.54	-
Trophy	48	14,164,316	10.7	273,833	818,254	96.22	-
Class A+*	53	16,459,650	21.1	(135,371)	253,958	75.50	-
Class A	287	76,412,080	22.3	(298,222)	(998,440)	61.26	-
Class B	225	29,149,214	28.9	(361,806)	(733,556)	47.45	-
Class C	36	2,242,144	20.8	(17,969)	(23,484)	45.48	-
Overall	596	121,967,754	22.5	(404,164)	(937,226)	58.78	-



Source: CBRE *Buildings achieving top 25% of taking rents, many recently renovated

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 20,000 square feet or larger (excluding owner-occupied) located in submarkets shown on the above map.

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