MARKETBEAT

Washington, DC

OFFICE Q3 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
22.1% Vacancy Rate	▲	▲
-738K YTD Net Absorption, SF	▲	▲
$55.16 Asking Rent, PSF	▬	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
760.5K Washington, DC Employment	▼	▼
6.0% Washington, DC Unemployment Rate	▲	▲
4.3% Country Unemployment Rate	▲	▲

Source:BLS

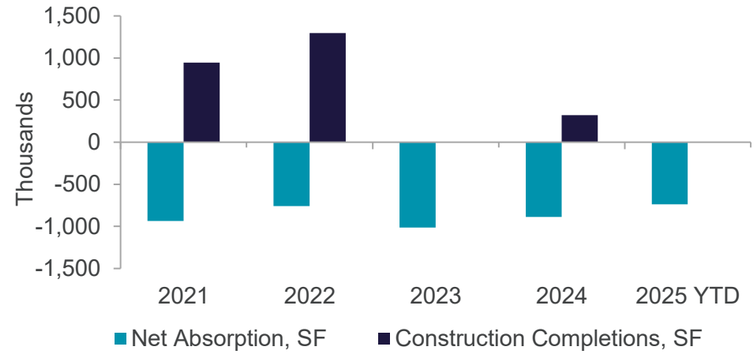
MARKET SEGMENTS

In Q3 2025, Washington, D.C. recorded 1.75 million square feet (msf) of gross leasing activity, consisting of 636,850 square feet (sf) of new deals and 1,114,000 sf of renewals. This brought year-to-date (YTD) gross leasing to 5.0 msf, split between 2.4 msf of new leasing and 2.6 msf of renewals. Compared to 6.0 msf leased during the same period in 2024, overall activity declined by 17%. This drop was primarily driven by a 26% reduction in renewals, down from 3.5 msf in 2024, while new leasing slipped a more modest 5% year-over-year (YOY).

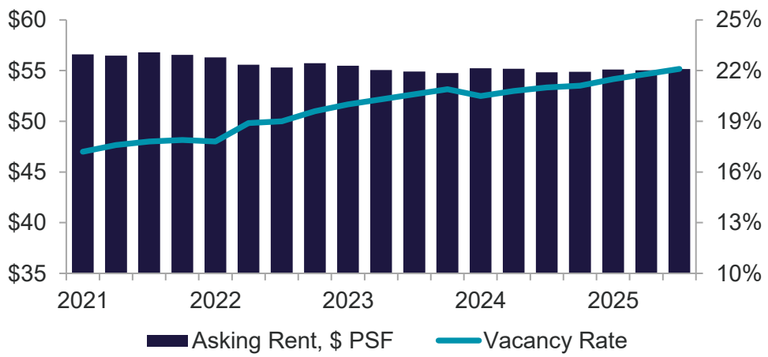
Renewals totaled 1.1 msf in Q3 and accounted for 63% of gross leasing, although 67% or 754,000 sf of those deals were short-term, highlighting limited long-term decision making in the market. After a slow start to the year, federal government activity picked up this quarter, with three of the five largest deals completed by the GSA- two of which were short-term leases. The Department of Justice renewed 465,000 sf for two years at 450 5th St, NW while the Commodity Futures Trading Commission signed a one-year, 288,000-square-foot renewal at 1155 21st St, NW. The only long-term federal deal came from the Alcohol and Tobacco Tax and Trade Bureau, which renewed 54,700 sf for 14 years at 1310 G St, NW. Both DOJ and CFTC have already signed new leases in other locations, suggesting delays in building out new space. Other notable renewals this quarter included Sullivan & Worcester's 24,500 sf renewal at 1666 K St, NW, Industrious' 20,500 sf renewal at 1 Thomas Cir, NW, Stagwell Group's 17,500 sf renewal at 1150 18th St, NW, and Union Labor Life Insurance Company's 11,000 sf renewal at 1625 Eye St, NW.

Core submarkets accounted for 68% of new leasing activity this quarter, totaling 438,000 sf. The CBD registered 145,000 sf, led by Manatt, Phelps & Phillips signing for 55,000 sf at 1700 M St, NW. The East End posted 292,000 sf, anchored by Narrative Strategies' expansion into 28,000 sf at 1400 L St, NW. In Capitol Hill, Friendship Charter School signed for 37,600 sf at 999 N Capitol St, NE. Additional activity included Thompson Hine's 23,000 sf lease at 1999 K St, NW, the Securities Investor Protection Corporation taking 22,500 sf at 1730 Pennsylvania Ave, NW, and coworking firm AdvantEdge completing a 20,000-sf sublease at 1025 Thomas Jefferson St, NW, the largest new transaction in the West End/Georgetown submarket. Law firm leasing slowed this quarter, making up only two of the ten largest deals—the lowest share recorded so far in 2025.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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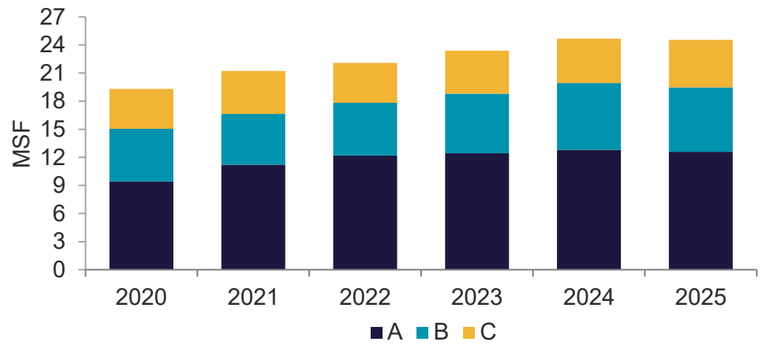
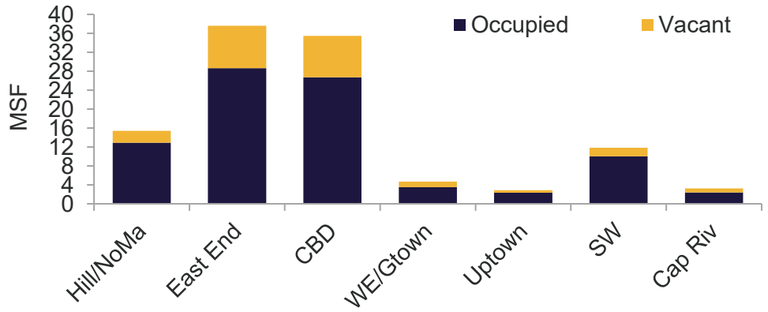
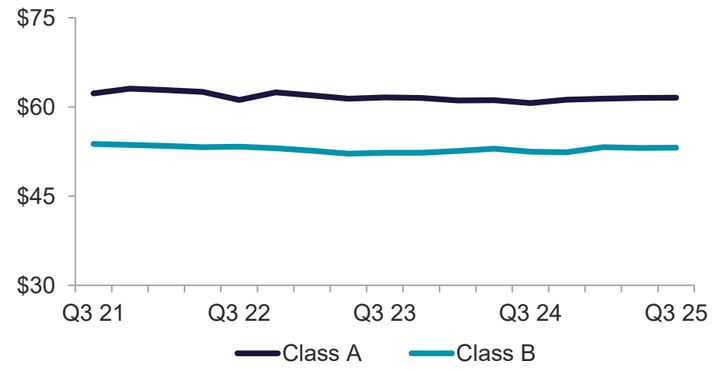
VACANT SPACE BY CLASS



SUBMARKET COMPARISON



ASKING RENT COMPARISON



SUPPLY AND DEMAND

The market posted 157,000 sf of negative absorption in Q3, bringing YTD absorption to negative 738,000 sf. While still significant, this represents an 18% improvement from the 903,000 sf of negative absorption recorded throughout the same period in 2024. Consistent with prior years, the East End accounted for the bulk of losses in Q3, with 229,500 sf of negative absorption, while the CBD recorded 49,000 sf of positive absorption.

The largest move-out of the quarter came from the Department of Treasury, which vacated over 120,000 sf at 1750 Pennsylvania Ave, NW as part of a consolidation strategy. On the positive side, CareFirst BlueCross BlueShield completed the largest move-in, consolidating three locations into 65,000 sf at Metropolitan Square. Milbank was the largest law firm relocation, moving from International Square to 65,000 sf at 1101 New York Ave, NW. The America First Policy Institute executed the largest expansion, adding 35,000 sf at the Willard Office Building. Education tenants were active, with the Chicago School opening its new 29,000 sf DC campus at 1101 K St, NW, while Georgetown University's School of Continuing Studies vacated 94,000 sf at 650 Massachusetts Ave, NW. In the financial sector, UBS moved into 32,000 sf at the trophy property at 1700 M St, NW.

Vacancy rose to 22.1% in Q3, up 30 basis points (bps) from Q2 2025 and 110 bps YOY. Class A vacancy decreased 30 bps to 18.4% from the previous quarter while Class B increased 130 bps to 26.8%, and Class C rose 10 bps to 30.0%. Trophy properties within Class A continued to outperform with a vacancy rate of just 11.0%. Despite negative absorption, overall vacancy growth was partially offset by 2.1 msf of inventory removed since Q2 2024 for residential and hospitality conversions. In Q3, three additional buildings were removed from office stock: 1990 K St, NW and 1200 18th St, NW, both converting to residential, and 1337 Connecticut Ave, NW, which is being converted into a hotel.

PRICING

Average full-service asking rents in Washington, D.C. stood at $55.16 per square foot (psf) in Q3 2025, up $0.53 psf YOY. Class A rents increased $0.63 psf to $61.56 psf, Class B rose $0.66 psf to $53.13 psf, while Class C declined $0.35 psf to $45.27 psf.

Tenant improvement allowances have continued to climb, averaging $141 psf at the end of Q3, up from $100 psf in 2019. Abatement packages have also grown, averaging 1.7 months per year of term for leases over 10,000 sf with terms of five years or longer in core submarkets, compared to 1.2 months in 2019. Despite rising concessions overall, trophy landlords are regaining leverage amid limited availability of large high-quality blocks, pushing TI and abatement packages below post-pandemic averages for certain premier deals

OUTLOOK

- The increase in interest rates and corresponding drop in asset values have caused many owners of office space to experience cash flow issues and trouble accessing debt to refinance or sell out of troubled positions. These landlords are often unable to fund concessions needed to drive leasing and has resulted in fewer owners competing for the limited number of deals in the market.
- DC's largest occupier sectors – the federal government, the legal sector and, increasingly, the not-for-profit sector are expected to continue to reduce their overall footprint as their leases roll. The average reduction in space for tenants over 25,000 square feet upon relocating is over 30%.
- With only sporadic well-leased deliveries coming to market over the next 5 years, renovated assets are better positioned to capture tenant relocations. New supply is at the lowest point on record.

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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Capitol Hill / NoMa	15,430,807	2,473,534	42,792	16.3%	4,990	-167,053	255,526	0	$51.85	$52.93
East End	37,586,446	8,419,163	535,095	23.8%	48,977	-332,899	805,004	385,000	$56.86	$64.58
CBD	35,448,868	8,528,954	184,757	24.6%	-229,496	-334,449	1,069,232	0	$56.59	$66.33
West End / Georgetown	4,682,116	987,218	177,230	24.9%	19,686	84,341	161,523	0	$49.98	$54.50
Uptown	2,896,111	541,354	25,466	19.6%	-10,067	31,215	27,681	0	$44.34	$48.07
Southwest	11,851,035	1,791,629	20,362	15.3%	9,552	6,450	32,260	0	$48.87	$51.84
Capitol Riverfront	3,225,932	680,195	127,835	25.0%	-925	-25,560	97,160	0	$58.52	$58.52
DOWNTOWN TOTALS	**111,121,315**	**23,422,047**	**1,113,537**	**22.1%**	**-157,283**	**-737,955**	**2,448,386**	**385,000**	**$55.16**	**$61.56**

**Rental rates reflect full service asking*

KEY LEASE TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
450 5th St NW	East End	GSA- DOJ	465,513	Renewal*
1155 21st NW	CBD	GSA-The Commodity Futures Trading Commission	288,395	Renewal*
1700 M St NW	CBD	Manatt, Phelps & Phillips	55,000	New Lease
1310 G St NW	East End	GSA- Alcohol and Tobacco Tax and Trade Bureau	54,771	Renewal*
999 N Capitol St NE	Capitol Hill/NoMa	Friendship Public Charter School	37,600	New Lease
1400 L St NW	East End	Narrative Strategies	28,269	Renewal*, Expansion
1666 K St NW	CBD	Sullivan & Worcester	24,403	Renewal*
1999 K St NW	CBD	Thompson Hine	22,914	New Lease
1730 Pennsylvania Ave NW	CBD	Securities Investor Protection Corp.	22,493	New Lease
300 M St NW	Capital Riverfront	Reliability & Performance Technologies	21,500	New Lease

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
1255 Union St, NE	Capitol Hill/NoMa	Carr Properties / J.P. Morgan Asset Management	237,645	$80,989,707 / $524.31
1875 K St, NW	CBD	Carr Properties / J.P. Morgan Asset Management	202,000	$54,506,857 / $415.13
1750 H St, NW	CBD	State Farm Insurance / Douglas Development	124,386	$28,800,000 / $231.54

KEY UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
600 5th Street NW	East End	Crowell & Moring	385,000	Stonebridge

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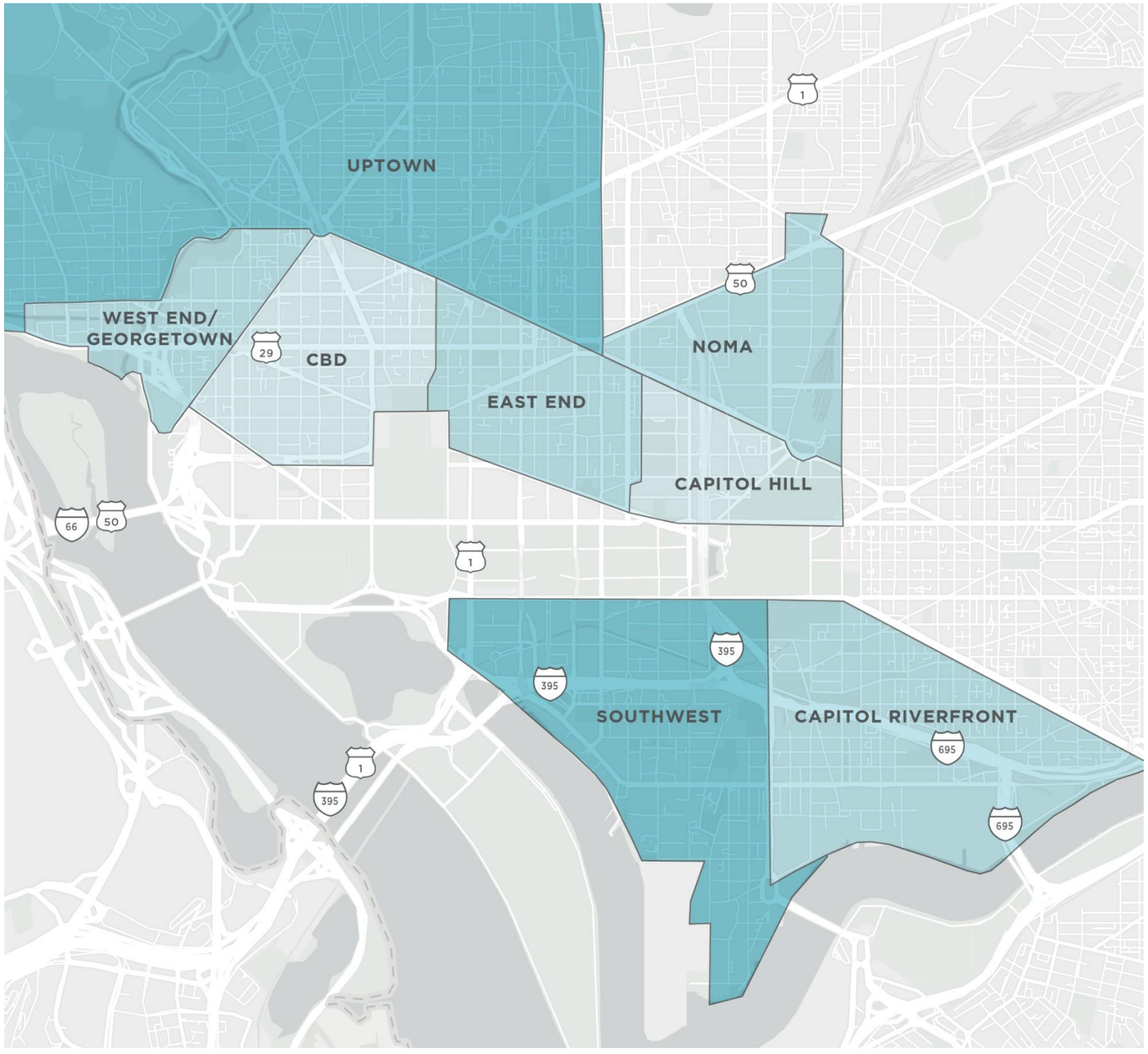
OFFICE SUBMARKETS



CHRIS WHITTLE
Research Analyst
Tel: +1 202 721 2350
Christopher.whittle@cushwake.com

LAUREN KRAEMER
Associate Director
Tel: +1 202 266 1316
Lauren.kraemer@cushwake.com

NATHAN EDWARDS
Senior Director
Tel: +1 202 266 1189
Nathan.edwards@cushwake.com

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