INVESTMENT FORECAST

IPA INSTITUTIONAL PROPERTY ADVISORS

Retail

Washington, D.C.

2026

Policy Uncertainty Continues to Impact D.C. Proper, But Suburban Submarkets Performing Well

Bifurcated performance likely to continue. Retail fundamentals in the Virginia suburbs of Washington, D.C., remained resilient last year, with asking rent growth averaging roughly 5 percent annually over the past two years. Arlington and Alexandria have been particularly bright spots. Vacancy and rent growth in suburban Maryland have been weaker but largely steady, supported by population growth that should continue to underpin retail sales in the near term. By contrast, performance within the District of Columbia has lagged. Net absorption has been negative in seven of the past eight quarters, pushing vacancy to a historic high of 6.3 percent entering 2026. Restaurant closures reached a record level in 2025, driven by rising labor costs, softer consumer spending, federal workforce reductions, and weaker tourism. These pressures are likely to persist into 2026, though planned activities such as America250 events could help restore foot traffic and support tenant demand.

Transaction activity gaining traction across the metro. As the metrowide average cap rate expanded by 20 basis points over the past two years across multi-tenant and single-tenant properties, transaction velocity increased across the metro. Within the District, Georgetown-Uptown is likely to lead sales activity after trading nearly doubled in 2025, with the small-format nature of the inventory appealing to investors seeking assets under 50,000 square feet. Elsewhere, properties in outlying cities such as Stafford and Haymarket, Va., and Waldorf, Md., could continue to trade actively, as relative affordability, a necessity-oriented tenant base, and ongoing population growth support buyer interest. Investment appeal in the Dulles Corridor and Alexandria should also hold up, as established suburban locations post resilient fundamentals.

2026 MARKET FORECAST

-0.3% — **Employment:** Following job losses last year, Washington, D.C., is expected to shed an additional 10,000 positions in 2026, as federal government uncertainty continues to weigh on the labor market.

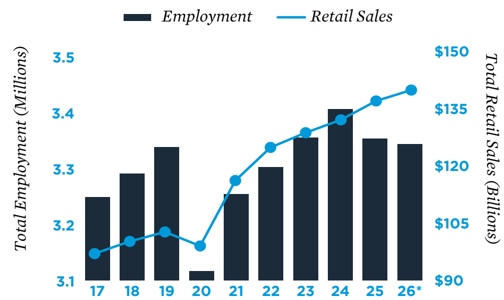
550,000 *sq. ft.* — **Construction:** Completions should remain in line with the past three years. Supply pressure in D.C. proper will be minimal, as additions are split roughly evenly between Virginia and Maryland.

+20 bps — **Vacancy:** Metrowide retail vacancy is projected to tick up to 4.8 percent by December, mirroring last year's increase and remaining near the metro's long-term average.

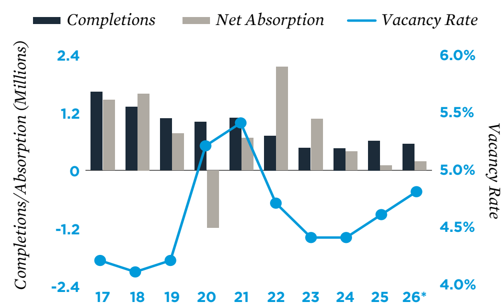
+2.4% — **Rent:** Strong rent growth in Virginia should help offset softness in D.C. proper, supporting the metrowide average asking rent rising to $30.63 per square foot by the end of this year.

INVESTMENT: *Recent sector volatility has increased transaction activity in convenience store and restaurant assets, a trend that should continue as investors seek stable cash flow and clearer entry points for pricing.*

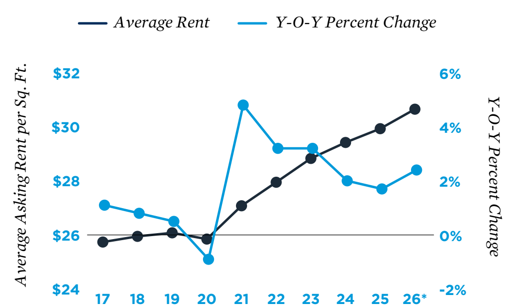
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

IPA Retail

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Metro-level employment, vacancy and effective rents are year-end figures and are based on the most up-to-date information available as of January 2026. Average prices and cap rates are a function of the age, class and geographic area of the properties trading and therefore may not be representative of the market as a whole. Sales data includes transactions valued at $1,000,000 and greater unless otherwise noted. Forecasts for employment and office data are made during the fourth quarter and represent estimates of future performance. No representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. This is not intended to be a forecast of future events and this is not a guarantee regarding future event. This is not intended to provide specific investment advice and should not be considered as investment advice.