INVESTMENT FORECAST

IPA INSTITUTIONAL PROPERTY ADVISORS

Industrial

Washington, D.C.

2026

Core-Suburban Divergence Becomes Clearer, Influencing Investment Decisions

Steady absorption helps limit vacancy upticks. Washington, D.C., is the only coastal metro that has not recorded a year-over-year decline in average asking rents since 2021, reinforcing the stability of the local industrial sector. The market's inventory remains among the smallest of primary markets, and with deliveries and net absorption largely in balance in recent years, vacancy expansion has been slower than in similarly sized metros such as Atlanta and Philadelphia. This dynamic is expected to carry into 2026. Still, macroeconomic uncertainty and federal layoffs have weighed on more central areas, with both the District and Fairfax County posting consecutive quarters of net space relinquishment throughout 2025 amid softer demand for last-mile delivery space. In contrast, demand has remained more resilient in outlying submarkets such as Washington County, Lanham-Landover-Bowie, and Greater Fredericksburg — underscoring the metro's strategic positioning along key transportation routes as a draw for distribution and logistics tenants.

Property sales pick up in strategic corridors. Transaction velocity increased 20 percent over the last 12 months ended in March, with activity concentrated in several key submarkets. Along Interstate 495 in Prince George's County, sales of pre-2000-built assets, many configured for light manufacturing and distribution, rose sharply. At the same time, the Dulles Corridor, which maintains a sub-4 percent vacancy rate as of March, recorded a threefold increase in sales activity over the past year. Investor interest has been driven by a preference for newer assets near multimodal infrastructure, a trend further supported by ongoing cargo and passenger capacity expansions at Washington Dulles International Airport.

2026 MARKET FORECAST

-0.9% — **Employment:** Federal government layoffs will continue to ripple through the metro's labor market, resulting in a net loss of roughly 30,000 jobs by year-end.

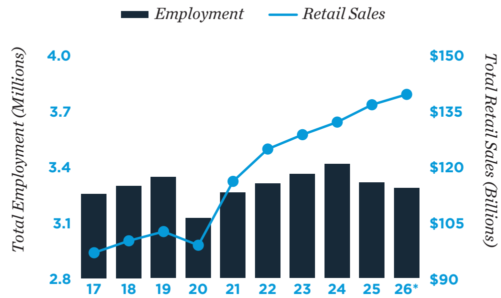
3.1 million *sq. ft.* — **Construction:** This year's delivery slate will be the smallest since 2020; however, roughly two-thirds of the space remains unleased as of March, suggesting lingering supply-side pressure.

+10 bps — **Vacancy:** More balanced supply and demand will support stabilization, with metrowide vacancy reaching 8.2 percent by year-end — 200 basis points above the prior 10-year average.

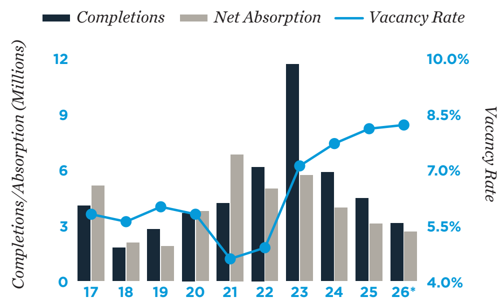
+2.1% — **Rent:** Following an average annual growth rate of 8.2 percent over the past five years, rent gains will moderate in 2026, with the metric projected to reach $14.35 per square foot.

INVESTMENT: *Data center expansion in Northern Virginia is generating localized demand for specialized industrial users, including equipment suppliers and contractors, while also tightening land availability nearby.*

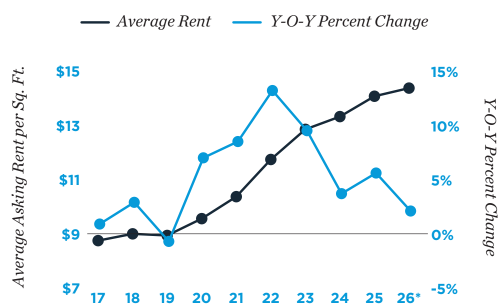
Economic Trends



Supply and Demand



Rent Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics

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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.