

INVESTMENT FORECAST

Office
Washington, D.C., Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

2026

Corporate World Continues to Find Value in Workspaces Within Reach of Federal Government

Regional demand headwinds muted. Entering 2026, the desire for upgraded space is evident in how some of the metro's existing tenants are seeking new offices within the market. IT services contractor CACI moves into a newer, similarly sized office in Reston this spring. Homebuilder NVR, Inc. will move into a new space in Reston as well, while Geico is shifting from Chevy Chase to Bethesda. Class A properties should benefit from this, as well as another year of limited new supply. Two office-to-residential conversion projects in Crystal City will also remove 600,000 square feet of office stock. Meanwhile, the metrowide Class B/C vacancy rate near 13 percent in January sits within 100 basis points of the national level. In the District of Columbia itself, where the segment rate ended 2025 closer to 15 percent, net absorption grew year-over-year. As tight apartment vacancy highlights the growing attractiveness of the core, employers may seek convenient workspace. These trends suggest a slight decline in vacancy for the metro overall.

Trading upswell includes institutional deals in the core. Transaction velocity rose in the market heading into the new year, with high-end deal flow roughly doubling during that period. Investors may again target Class A offices around Capitol Hill in 2026, given a below-market local segment vacancy rate near 22 percent. Institutions watching luxury offices fill space elsewhere in the market may be growing more interested in the core's enduring locational value. At the same time, private buyers seeking buildings priced from \$1 million to \$10 million are increasingly active in northern Virginia, where the Class B/C vacancy rate finished 2025 just below 10 percent. New express lanes on Interstate 495 leading into Maryland, completed last fall, may also add to the appeal of offices in areas like McLean, Tysons, and Bethesda.

2026 MARKET FORECAST

-0.3%



Employment: The pace of workforce cuts slows in 2026, with white-collar roles hit harder. The metro sheds 10,000 positions on net, including 18,000 office-using jobs.

815,000
sq. ft.



Construction: The metro's office inventory grows by 0.2 percent year-over-year in 2026. This is the market's second-lowest measure since at least 2007, behind the previous year.

-40 bps



Vacancy: After posting a year-over-year decline amid labor market uncertainty, the Washington, D.C., area will again record vacancy compression in 2026. The rate is expected to fall to 19.4 percent.

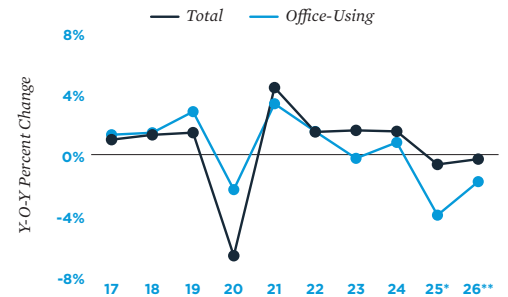
+0.3%



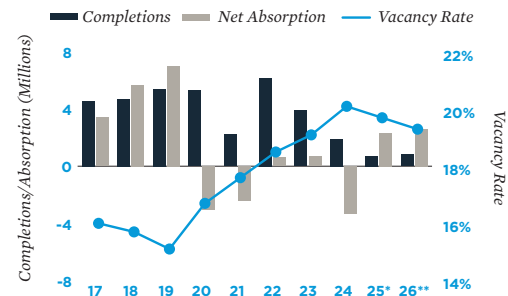
Rent: Average asking rent growth will mirror last year's pace, rising to \$38.20 per square foot. Nine other major markets are projected to record a similar or slower rate of increase.

INVESTMENT: *Investors targeting suburban Maryland properties may increasingly weigh the benefits of Purple Line access as its fall 2027 opening approaches, aiding commuters.*

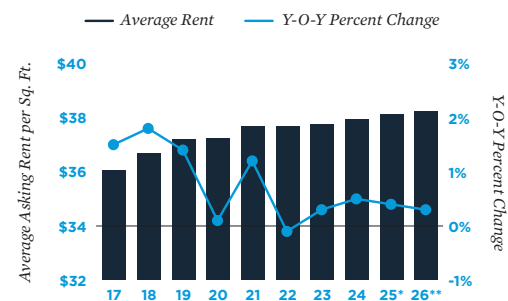
Employment Trends



Supply and Demand



Rent Trends



* Estimate ** 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 a future event. This is not intended to provide specific investment advice and should not be considered as investment advice.