

MARKET FUNDAMENTALS

	YOY Chg	Outlook
23.5% Vacancy Rate	▲	▲
-496K YTD Net Absorption, SF	▼	▬
\$55.15 Asking Rent, PSF (Overall, All Property Classes)	▼	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
721K Washington, DC Employment	▼	▼
5.8% Washington, DC Unemployment Rate	▼	▲
4.2% U.S. Unemployment Rate Source: BLS	▼	▲

MARKET SEGMENTS

Washington, D.C. recorded gross leasing activity of just over 1.7 million square feet (msf) in Q3 2026, comprising 980,000 square feet (sf) of new deals and 773,000 sf of renewals. This brings year-to-date (YTD) gross leasing to 5.1 msf, a 9% decline from the 5.5 msf recorded over the same period in 2025, driven by a 14% drop in new leasing and a more modest 4% decline in renewal activity. Despite the YTD softness, leasing fundamentals remained healthy in the third quarter, with 35 leases exceeding 10,000 sf signed during the period. The quarter's largest new deal came from Google, which signed for 209,000 sf at 500 N Capitol St NE. The space will be vacated by McDermott Will & Schulte, which is relocating to BXP's new development at 725 12th St NW.

The CBD remained the primary driver of gross leasing activity in Q3, accounting for 47% of the market total. The submarket recorded more than 356,700 sf of new leasing—36% of the quarter's total—alongside 466,600 sf of renewals, representing 60% of all renewal activity. Law firms continued to underpin leasing demand, accounting for more than 300,000 sf of activity during the quarter. Notable transactions included Sheppard Mullin's 107,000-sf lease at 2033 K St NW, Greenberg Traurig's 80,100-sf renewal at 2101 L St NW, and Torridon Law's 36,500-sf sublease at 1201 Pennsylvania Ave NW.

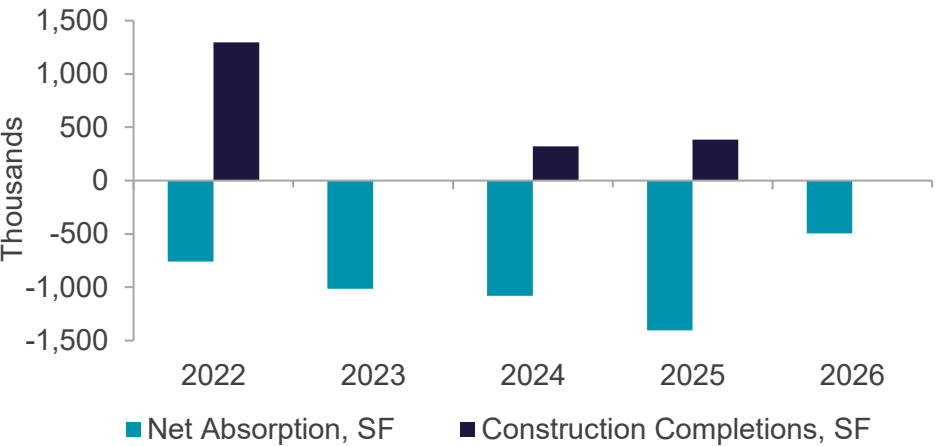
Government leasing activity picked up in Q3 following a slow start to the year, totaling 495,000 sf across four transactions. Notable government deals included the D.C. Department of General Services' 165,000-sf renewal at 1050 1st St NE, the U.S. International Development Finance Corporation's 24,000-sf expansion at 1100 New York Ave NW, and the Federal Labor Relations Board's 18,500-sf renewal at 1400 K St NW.

SUPPLY AND DEMAND

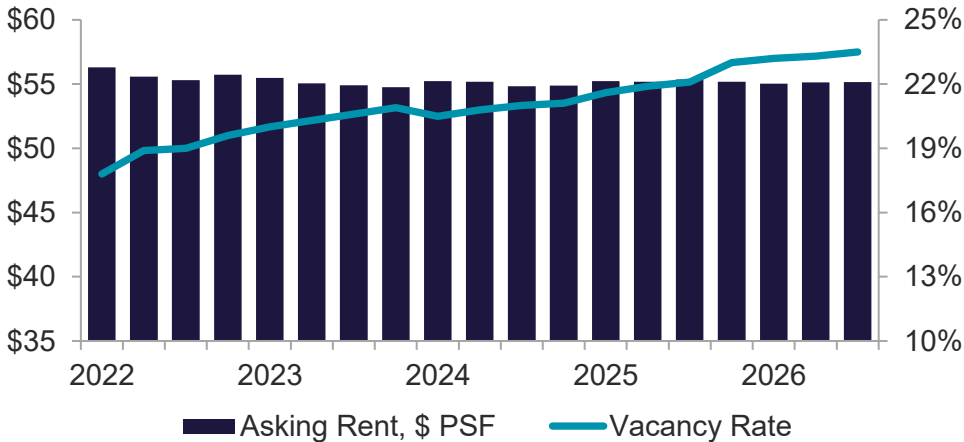
The market recorded 123,800 sf of negative absorption in Q3 2026, with losses concentrated in the CBD and West End/Georgetown submarkets. In West End/Georgetown, major move-outs included EAB's departure from 38,500 sf at 2445 M St NW and Lathrop GPM's relocation from 15,000 sf at 2600 Virginia Ave NW to 1015 15th St NW. In the CBD, notable move-outs included Cadwalader placing 36,000 sf on the sublease market at 1919 Pennsylvania Ave NW, Steptoe's return of a full floor at 1330 Connecticut Ave NW, and Saul Ewing's departure from 35,000 sf at 1919 Pennsylvania Ave NW in favor of 24,000 sf at 1800 M St NW.

Absorption improved by nearly 37% year-over-year (YOY) through the first three quarters of 2026, totaling negative 469,000 sf compared with negative 742,000 sf over

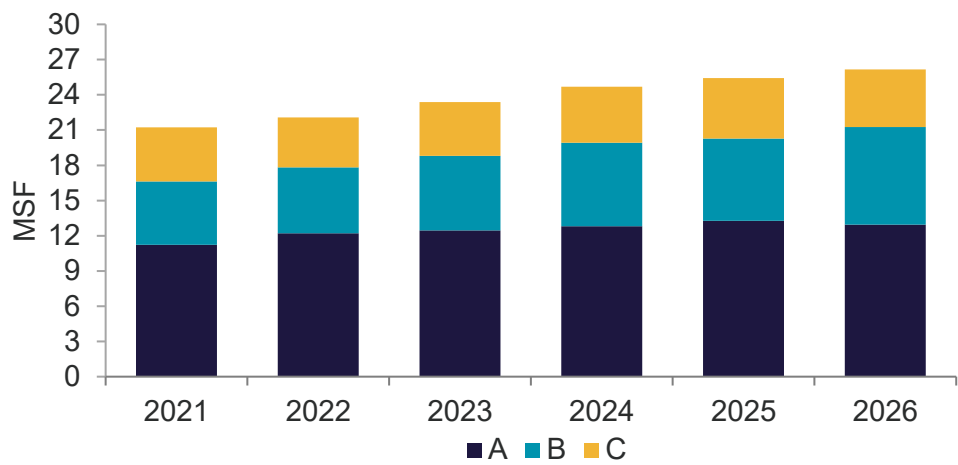
SPACE DEMAND / DELIVERIES



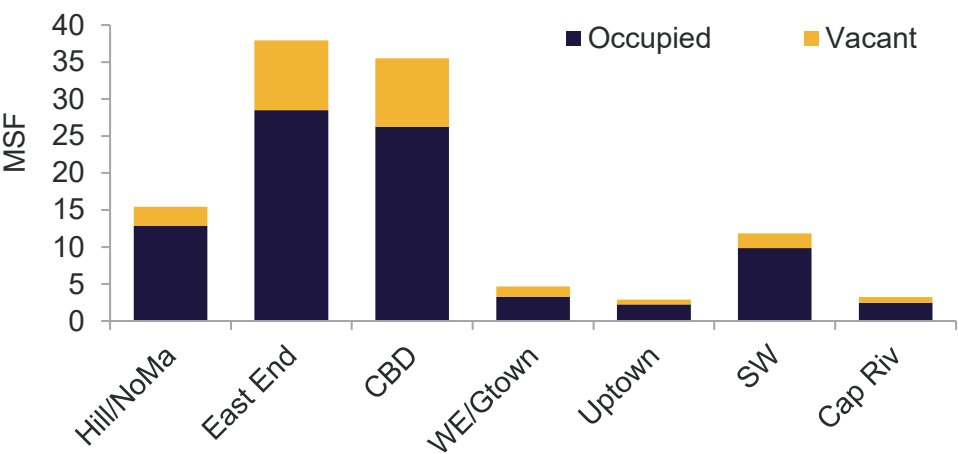
OVERALL VACANCY & ASKING RENT



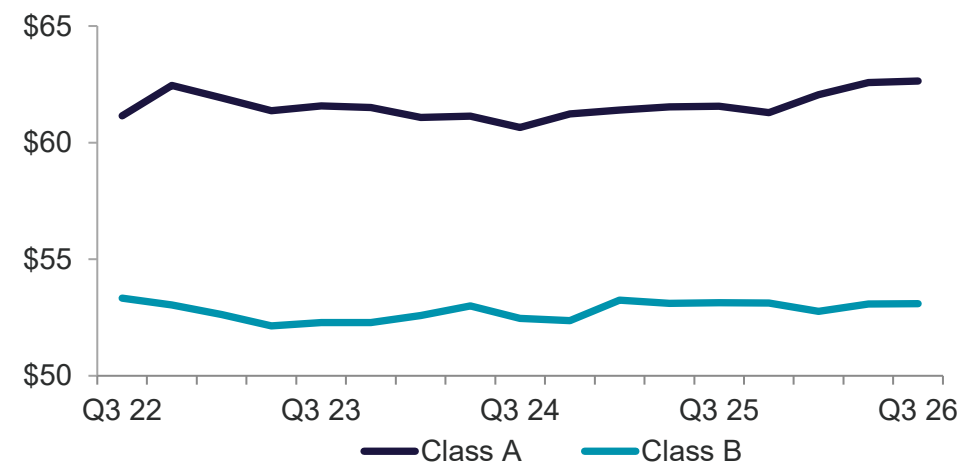
VACANT SPACE BY CLASS



SUBMARKET COMPARISON



ASKING RENT COMPARISON



the same period in 2025. A significant government move-out highlighted Q3, with the Department of Veterans Affairs vacating 77,000 sf at 425 Eye St NW. Additionally, the National Democratic Institute, a nonprofit organization, vacated 35,700 sf at 455 Massachusetts Ave NW following the loss of federal funding. In the CBD, Class B move-outs drove Q3 absorption to negative 42,500 sf, bringing the submarket's YTD absorption to negative 165,000 sf. The East End, by contrast, recorded 70,400 sf of positive absorption in Q3, driven primarily by Class A product, which posted 46,000 sf of positive absorption and brought the submarket's YTD absorption to negative 9,970 sf. Positive absorption in the East End was led by mid-sized tenants, including Chaos Industries' 20,000-sf move into 699 14th St NW, Seay/Felton Trial Lawyers' 17,000-sf lease at 601 Pennsylvania Ave NW, and Partnership for Public Service's 15,400-sf occupancy at 600 14th St NW.

VACANCY

Vacancy rose to 23.5% in Q3 2026, up 20 basis points (bps) quarter-over-quarter and 140 bps YOY. By asset class, Class A vacancy increased to 19.4%, up 80 bps YOY, while Class B vacancy rose to 28.4%, a steeper 170-bps increase that reflects greater softness in commodity space. The widening gap between Class A and Class B underscores a continued flight-to-quality trend, as tenants increasingly prioritize newer, amenitized buildings over older inventory. Trophy office—a subset of Class A—finished the quarter at 12.4% vacancy, reflecting sustained demand and limited supply among the market's top-tier assets.

Despite ongoing occupancy losses, vacancy growth has been partially offset by continued inventory reduction, as buildings are removed from the competitive stock for residential conversion or repositioning. At the same time, the limited availability of large, contiguous blocks in newer trophy assets continues to support lower vacancy at the top end of the market.

PRICING

Average full-service asking rents in Washington, D.C. stood at \$55.15 per square foot (psf) in Q3, down \$0.20 YOY. Class A rents rose \$1.08 psf YOY to \$61.56, while Class B rents declined \$0.04 YOY to \$53.09 psf, and Class C rents fell \$0.73 YOY to \$44.54 psf. This divergence highlights continued strength at the top of the market alongside persistent pricing pressure on older, commodity product.

Tenant improvement (TI) allowances remain elevated, averaging approximately \$156 psf, compared with pre-pandemic levels of nearly \$100 psf in 2019. Abatement packages have also expanded, averaging 1.7 months of free rent per year of term for leases over 10,000 sf with terms of five years or longer in core submarkets, compared with approximately 1.2 months in 2019. Despite elevated concessions across much of the market, trophy landlords are beginning to regain leverage amid limited availability of large, high-quality blocks. As a result, select premier assets are achieving stronger economics, with TI packages and free rent concessions trending below peak post-pandemic levels for top-tier deals.

OUTLOOK

- The bifurcation between trophy assets and commodity office is expected to persist. Limited availability of large, contiguous blocks in newer and highly amenitized buildings should continue to support stronger performance at the top of the market, allowing select trophy landlords to maintain leverage on rents and moderate concessions.
- Government leasing activity accelerated in Q3, with nearly 500,000 sf of transactions signed. However, much of this activity consisted of short-term extensions, reflecting continued uncertainty around agency space needs. Ongoing federal space consolidation, funding uncertainty and broader efforts to optimize government footprints are expected to generate additional move-outs and temper the impact of new leasing activity.
- Supply reductions through residential conversions are expected to remain an important counterbalance to continued occupancy losses. While overall vacancy may remain elevated in the near term, the removal of obsolete inventory and limited new office construction, should gradually help stabilize market fundamentals.

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	2,550,770	56,096	16.9%	-15,500	-51,500	410,630	0	\$51.97	\$56.70
East End	37,937,595	9,045,401	401,568	24.9%	70,418	-9,970	822,122	320,223	\$56.93	\$65.50
CBD	35,500,131	9,018,704	229,777	26.1%	-42,555	-164,937	1,259,234	0	\$56.61	\$66.92
West End / Georgetown	4,682,116	1,257,087	148,111	30.0%	-74,758	-58,167	190,402	0	\$53.47	\$61.40
Uptown	2,896,111	581,408	78,913	22.8%	-14,811	-83,843	24,850	0	\$43.43	\$48.23
Southwest	11,851,035	2,010,150	0	17.0%	-11,527	-137,946	18,251	0	\$48.72	\$51.66
Capitol Riverfront	3,225,932	663,841	120,433	24.3%	-35,138	10,157	79,451	0	\$57.82	\$57.82
DOWNTOWN TOTALS	111,523,727	25,127,361	1,034,898	23.5%	-123,871	-496,206	2,804,940	320,223	\$55.15	\$62.64

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
500 N Capitol St NW	Capitol Hill/NoMa	Google	209,000	New Lease
1050 1 st St NE	Capitol Hill/NoMa	DC Government- Dept. of General Services	164,110	Renewal*
2033 K St NW	CBD	Sheppard, Mullin, Richter & Hampton	107,227	New Lease
2101 L St NW	CBD	Greenberg Traurig	80,089	Renewal*
1001 Pennsylvania Ave NW	East End	Edison Electric Institute	63,882	New Lease
1801 Pennsylvania Ave NW	CBD	Brown Advisory	53,675	Expansion/Renewal*
1111 19 th St NW	CBD	The Washington Institute for Near East Policy	41,005	Expansion/Renewal*
1201 Pennsylvania Ave NW	East End	Torridon Law	36,436	Sublease
1919 M St NW	CBD	CBIZ, Inc.	34,170	Sublease
1900 M St NW	CBD	Industrious	33,600	New Lease

*Renewals not included in leasing statistics

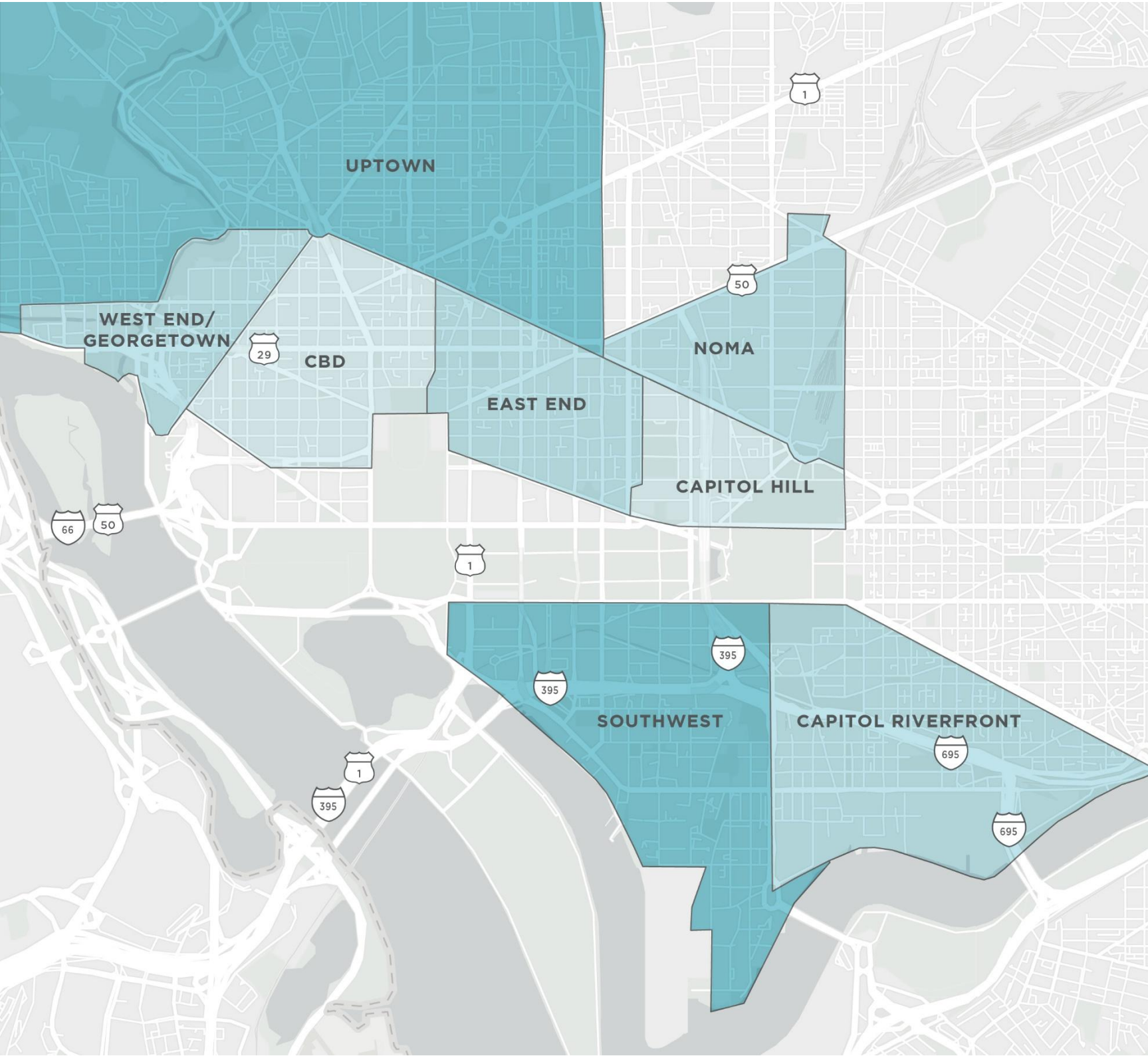
KEY SALES TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
600 14 th St NW	East End	CommonWealth Partners / Montclif JV FCP	278,000	\$126,000,000 / \$453.24
1615 M St NW	CBD	BXP / Vireon Capital	187,556	\$47,368,636 / \$252.56
1775 Pennsylvania Ave NW	CBD	The Company of Woodwind / Monument Realty JV 7K Investments	157,002	\$37,500,000 / \$238.85

KEY UNDER CONSTRUCTION BUILDINGS

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
725 12 th Street NW	East End	McDermott Will & Emery / Cooley LLP	320,223	BXP

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