

The Cresa logo features the word "cresa" in a lowercase, sans-serif font. To the right of the text is a graphic element consisting of a 3x3 grid of small squares, with the top-right square missing, creating a stylized "C" shape. The background of the entire page is a photograph of cherry blossom trees in full bloom, with the Washington Monument visible in the distance behind them. The scene is set against a clear blue sky and a body of water in the foreground.

cresa

WASHINGTON DC OFFICE REPORT

Cresa Research | Q1 2026

www.cresa.com

OFFICE REPORT

Market Overview

The Washington DC office market remained under pressure in Q1 2026, recording -234,546 square feet of negative absorption. This is an improvement from the steep losses posted in Q4 2025, but still an indicator of suspended demand. Despite these figures, the overall vacancy rate has remained flat over the past few quarters and currently sits at 22.0%. This suggests stabilization driven in part by inventory reduction, including office-to-residential conversions. Flight-to-quality trends also persisted during the quarter, with tenants favoring newer assets, while older properties continue to face the greatest leasing challenges.

Rental rate trends were mixed in Q1 2026, with overall pricing showing slight downward pressure. The average full-service rent declined -0.32% from last quarter to \$58.71 per square foot, bringing year-to-date growth to -2.25%. Class B led the decline, falling -0.13% to \$49.09 per square foot, while Trophy rents remained relatively flat, increasing 0.22% to \$83.48 per square foot. In contrast, Class A rents posted a 2.38% quarterly increase to \$61.53 per square foot, reflecting ongoing demand for higher quality space despite broader market softness.

Investment and leasing activity remained subdued this quarter, underscoring continued investor interest in well-located CBD assets. In total, three sales exceeding 100,000 square feet closed in the CBD during the quarter. Stream Realty Partners' acquired 2001 M Street from Brookfield; a joint venture between Carr Properties and Barings purchased 1401 New York Avenue NW; and Douglas Development Corporation purchased 1341 G Street NW. Large leases were limited in the first quarter, with no transactions exceeding 100,000 square feet. Two bright spots for the DC market were seen by Howard University's new 94,717 square foot sublease at 650 Massachusetts Avenue in the East End submarket and the Washington Commanders' new 60,000 square foot lease at 2200 Pennsylvania Avenue NW.

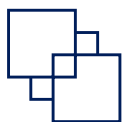
RECENT LEASE TRANSACTIONS

Tenant	Property	Submarket	Square Feet
Howard University	650 Massachusetts Ave NW	East End	94,717
Washington Commanders	2200 Pennsylvania Ave NW	CBD	60,000
Washington Examiner	1152 15th St NW	East End	33,079

BUILDING CLASS COMPARISON

Asset Class	Full Service Rent Per SF	Q-Q % Change	YTD % Change
Trophy	\$83.48	0.22%	0.13%
Class A	\$61.53	2.38%	-0.59%
Class B	\$49.09	-0.13%	-1.99%
Overall	\$58.71	-0.32%	-2.25%

WASHINGTON DC KEY PERFORMANCE INDICATORS



Vacancy Rate
22.0%
Q1 2026



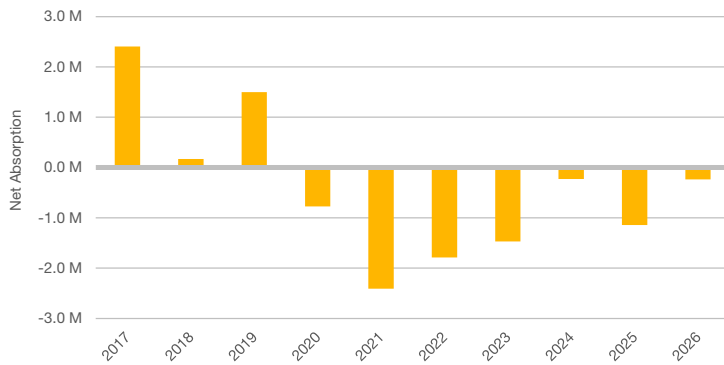
Net Absorption
(234,546)
Q1 2026



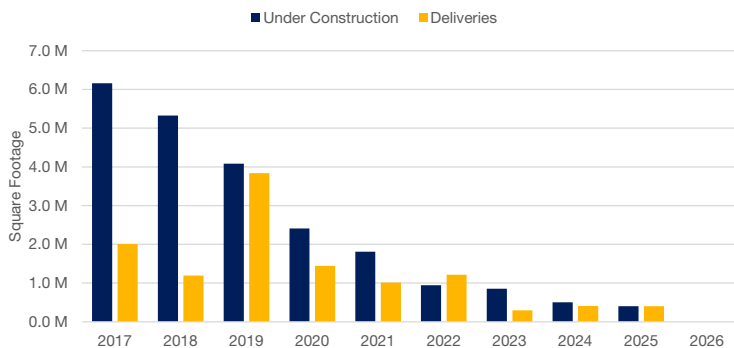
Direct Asking Rent
\$58.71/SF
Q1 2026

MARKET AT A GLANCE

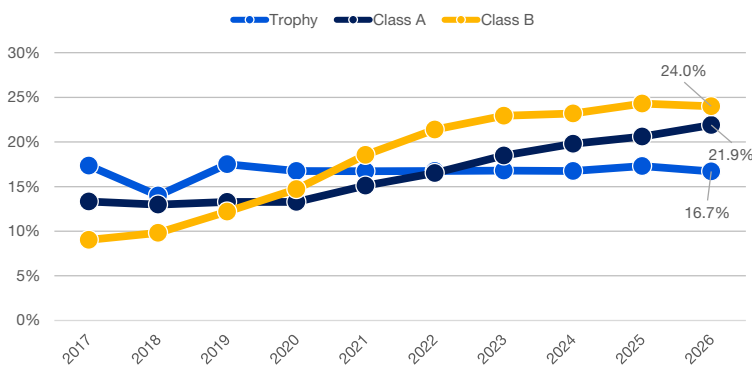
OCCUPANCY TRENDS



CONSTRUCTION SNAPSHOT



VACANCY



MARKET INSIGHTS

The Washington, DC office market posted 234,546 square feet of negative absorption, extending a prolonged period of contraction, albeit at a more moderate pace than the past two quarters. Class A properties led losses with -254,621 square feet of negative absorption, with Class B assets close behind at -165,272 square feet. Trophy assets continued their momentum, with 192,265 square feet of positive absorption. The CBD and Georgetown submarkets experienced the largest pullbacks, giving back 188,986 square feet and 106,019 square feet, respectively. The West End submarket was a rare silver lining for the District, with 110,992 square feet of positive absorption. Since 2020, the District has given back more than 8 million square feet of occupied space.

Following nearly a decade of sustained development, Washington DC's construction pipeline has slowed to a complete halt. Weak tenant demand, rising construction costs, and broader economic hindrances have collectively caused this deceleration. While recently delivered Trophy assets have continued to outperform older inventory in attracting tenants, the sharp pullback in new development may limit future relocation opportunities and prolong challenges for lower class buildings. As of Q1 2026, no office projects are actively under construction- a significant decline from the 2017 peak, when more than six million square feet were underway. Looking ahead, the Trophy pipeline remains extremely limited, consisting of just two highly pre-leased projects by BXP: 725 12th Street NW in the East End, slated for delivery in 2028, and 2100 M Street NW, in the CBD, expected to deliver in 2031.

The flight-to-quality trend remains a defining feature of the Washington, DC office market, with Trophy buildings continuing to outperform Class A and Class B properties. As of Q1 2026, Trophy vacancy declined 60 basis points quarter-over-quarter to 16.7%, reflecting sustained tenant demand for newer, highly amenitized space in prime locations. When looking at Trophy vacancy in just the CBD and East End submarkets, that figure drops to 12.4%. In contrast, Class A properties saw vacancy edge higher by 130 basis points to 21.9%, while Class B vacancies declined 30 basis points but remained the highest of all the classes at 24.0%. Overall vacancy remains largely unmoved within the past two years. Top-tier assets continue to capture a disproportionate share of leasing activity, while older buildings face persistent challenges.

Subleasing continues to play a significant role in DC office market

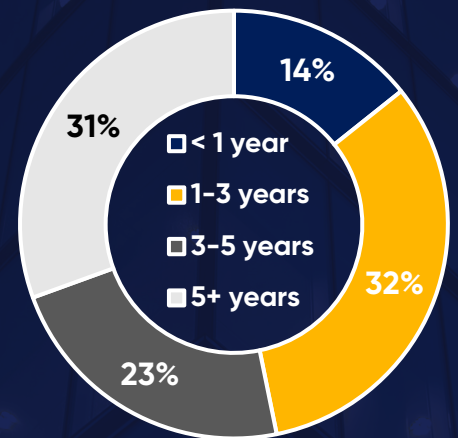
The sublease market in Washington, DC continues to play a significant role in the overall office market landscape. Currently, there are approximately 300 sublease spaces available across the District, totaling over 3.0 million square feet of inventory. Roughly 65% of these spaces range from 2,500 to 20,000 square feet, offering a variety of flexible options for tenants with diverse space requirements. The East End and CBD remain the dominant areas, accounting for 64% of the total available sublease space across the District.

Pricing for sublease spaces varies, with 32% of the current offerings asking between \$35.00 and \$55.00 per square foot. The majority of subleases in the market are priced at a significant discount compared to direct spaces, putting further pressure on landlords as they compete for tenants in the market. The breakdown of lease term lengths further reflects the market's dynamics, with nearly 70% of subleases offering terms of 5 years or less. These varied term lengths contribute to the flexibility tenants seek in the current market.

Sublease activity in Q1 was concentrated in the downtown core, where the CBD and East End collectively added 29 new spaces, against only 10 removals. This resulted in a large combined net increase of roughly 100,000 square feet across the two submarkets. Meanwhile, Southwest and Capitol Hill listed only one space each, totalling only 20,343 square feet of new space added this quarter. In the District overall, sublease availability rose by about 171,000 square feet, reflecting continued pressure even amidst natural expirations and withdrawals.

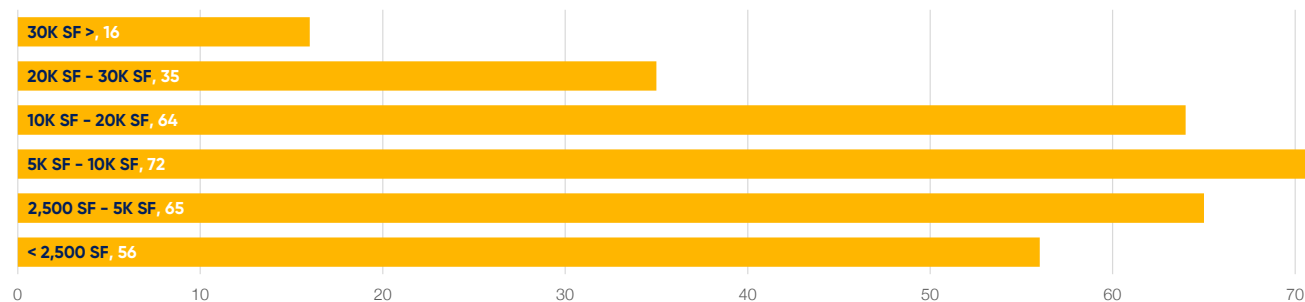
SUBLEASE TERM DISTRIBUTION

30% of all sublease availabilities listed as "Negotiable"

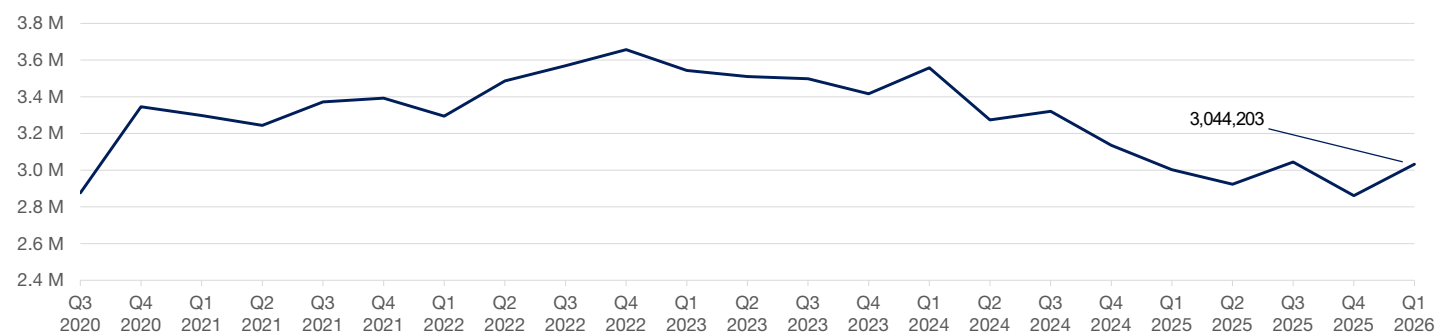


- 47.6% Increase from 2020
- 20.4 Average Months on Market

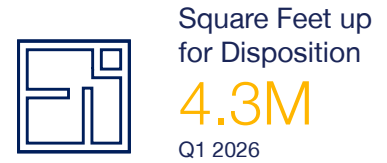
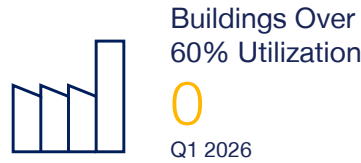
DISTRIBUTION OF SUBLEASE AVAILIBILITIES BY SQUARE FOOTAGE



DISTRICT OF COLUMBIA TOTAL SUBLEASE AVAILABILITY



GSA DOWNSIZING DISRUPTION



General Service Administration's (GSA's) ongoing effort to offload and right-size its DC portfolio has the potential to materially impact DC market fundamentals, as the agency is actively evaluating millions of square feet for disposition. While the GSA is working to significantly downsize their portfolio nation-wide, their impact is sure to be far more pronounced in the Washington, DC region. With more than 50 million square feet of GSA occupied space (leased and owned), the region far outpaces any other market across the country. Since the beginning of President Trump's second term, DOGE has been urging federal efficiency changes. Additionally, the USE IT Act, passed in 2025 to address GSA's utilization of their assets, mandates a 60% utilization threshold. The GSA's entire portfolio falls below this level, and as such, ongoing consolidation is more than likely. The additional planned dispositions, coupled with the concentration of upcoming lease expirations in core submarkets such as the CBD, Southwest, and NoMa, have the potential to quickly shift supply-demand dynamics. At the same time, rising deferred maintenance costs, estimated at roughly \$50 billion across GSA's portfolio, are reinforcing the economic case for accelerated dispositions, suggesting this trend will persist rather than taper.

GSA DEFERRED MAINTENANCE COST BY BUILDING AGE

Building Age	# of Buildings	Gross Square Footage	Cost per Square Foot	Avg Deferred Maintenance Cost (% of Replacement Value)
1-20 years	370	32,934,551	\$55	11%
21-30 years	466	80,041,815	\$78	16%
31-75 years	611	107,426,447	\$130	15%
76-100 years	314	43,457,807	\$124	15%
> 100 years	197	16,169,030	\$130	16%
Total	1,958	280,029,650	-	15%

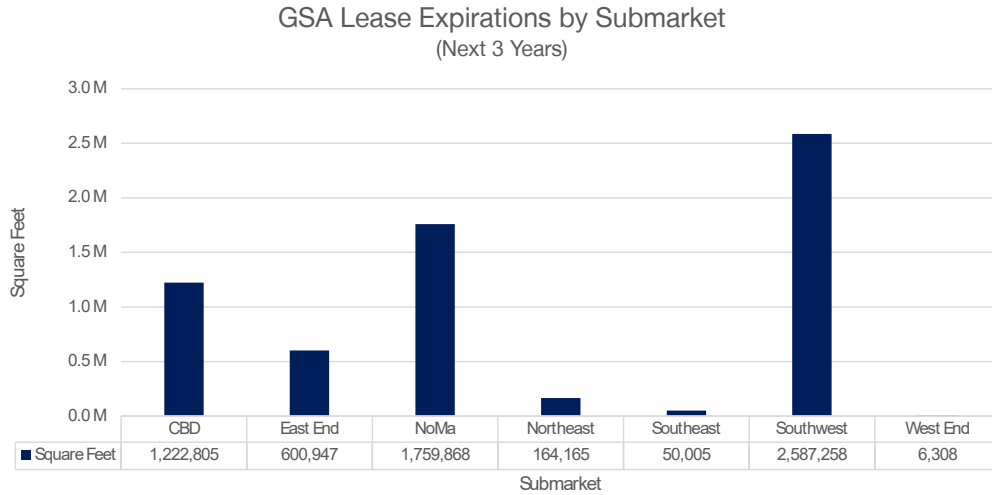
Source: pbrb.gov

Deferred maintenance is a widespread issue across GSA buildings, regardless of age. The table shows costs averaging 11%–16% of replacement value. 10% or higher typically signals risk to a building's long-term viability. Even newer assets exceed this level, while older buildings face higher costs per square foot.

This reflects a pattern of delayed repairs in federal properties, creating significant upfront capital needs and uncertainty for buyers. Additionally, this dynamic creates a disconnect in the market: GSA-owned assets are often so capital-intensive that they don't directly compete with Class A private space, while lease expirations reduce overall demand as agencies vacate rather than relocate.



GSA DOWNSIZING DISRUPTION



Within the next three years, more than 6.0 million square feet of GSA lease expirations are expected in DC, with the majority concentrated in the Southwest and NoMa submarkets. At the same time, a clear trend toward office-to-residential and mixed-use conversions is emerging, underscored by the recent sale of the approximately 940,000 square feet GSA Regional Office Building in Southwest DC to Dalian Development for planned residential redevelopment with mixed-use components. As additional assets are offloaded and repositioned, these conversions are likely to reshape leasing dynamics and support renewed activity and long-term revitalization, especially in Southwest DC.

BUILDING SALES SPOTLIGHT

New wave of GSA buildings on the market signal an acceleration of the federal government’s effort reduce its real estate footprint.



1400 INDEPENDENCE AVENUE SW
 United States Department of Agriculture
 Status: FOR SALE
 Square Feet: 2,014,653



301 7TH STREET SW
 GSA Regional Office Building
 Date Listed: 4/10/2025
 Status: SOLD
 Square Feet: 940,000



401 14TH STREET SW
 United States Department of Treasury
 Status: UNDER CONTRACT
 Square Feet: 133,083

AS THE MARKET ADJUSTS TO A NEW DEMAND BASELINE, LONG-TERM STABILITY IN DC WILL HINGE ON **REPOSITIONING OBSOLETE SPACE AND SUSTAINING MOMENTUM IN TROPHY ASSETS.**



SUBMARKET STATISTICS - ALL CLASSES

Submarket	Total Bldgs	Inventory (SF)	Sublet Available (SF)	Total Available (SF)	Direct Vacancy Rate	Overall Vacancy Rate	Net Absorption Current (SF)	Under Construction	Deliveries YTD (SF)	Avg Asking Rental Rate (FSG)
Capitol Hill	31	5,571,356	106,204	1,510,912	24.2%	24.9%	62,294	-	-	\$73.58
Capitol Riverfront	14	3,372,968	277,644	1,126,350	21.4%	22.8%	43,505	-	-	\$57.48
CBD	186	36,718,242	784,683	10,073,315	22.4%	23.3%	(188,986)	-	-	\$57.42
East End	189	45,238,446	892,437	13,176,180	22.1%	23.4%	(67,991)	-	-	\$62.93
Georgetown	27	2,915,863	62,544	822,756	24.5%	24.8%	(106,019)	-	-	\$58.08
NoMa	37	10,950,241	110,213	2,833,620	15.9%	16.3%	(1,336)	-	-	\$50.66
Southwest	39	12,706,256	97,537	2,196,430	16.6%	16.7%	(42,468)	-	-	\$49.50
Uptown	83	6,499,086	85,410	1,131,929	21.9%	22.4%	(44,537)	-	-	\$45.58
West End	18	3,159,365	137,612	914,413	16.5%	19.9%	110,992	-	-	\$52.89
Overall	624	127,131,823	2,554,284	33,785,905	21.1%	22.0%	(234,546)	-	-	\$58.71

MARKET STATISTICS BY CLASS

Class	Total Bldgs	Inventory (SF)	Sublet Available (SF)	Total Available (SF)	Direct Vacancy Rate	Overall Vacancy Rate	Net Absorption Current (SF)	Under	Deliveries YTD (SF)	Avg Asking Rental Rate (FSG)
Trophy	46	15,519,157	164,583	2,858,385	16.2%	16.6%	192,265	-	-	\$83.48
Class A	259	70,368,999	1,807,180	19,081,102	20.7%	22.0%	(254,621)	-	-	\$61.53
Class B	319	41,152,284	704,967	11,898,234	23.4%	24.3%	(165,272)	-	-	\$49.09



ABOUT THE AUTHOR

Anna DiBella Research Analyst
adibella@cresa.com

Anna is responsible for a wide range of research tasks to support Cresa's advisors in the Washington, DC, Baltimore, and Richmond regions, directly impacting clients' real estate decisions. She utilizes her experience in Real Estate Analytics to produce high-quality market research deliverables such as quarterly market reports, industry trends, competitor analyses, and ad hoc data analyses and reporting.

Visit [Cresa.com](https://www.cresa.com) For More Information.

Cresa is the world's leading commercial real estate advisory firm that exclusively represents occupiers and specializes in the delivery of fully integrated real estate solutions. Our purpose is to think beyond space, strengthening those we serve and enhancing the quality of life for our clients. Delivered across every industry, Cresa's services include Transaction Management, Workplace Solutions, Project Management, Transition & Relocation Management, Advisory, Lease Administration, Technology, Capital Strategies and Portfolio Solutions. In partnership with London-based Knight Frank, Cresa provides occupier-focused services across the globe. For more information, please visit [cresa.com](https://www.cresa.com).

Visit [cresa.com](https://www.cresa.com) for more information.

Cresa © 2026

cresa