

REVIEW

WASHINGTON OFFICE MARKET

USA H1 2025



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Real Estate for a changing world



H1 2025

OFFICE MARKET WASHINGTON

KEY FIGURES

149m sqft

INVENTORY

15.7%

VACANCY RATE

\$83.3

PRIME AVERAGE ASKING RENT

\$672m

TOTAL INVESTMENT

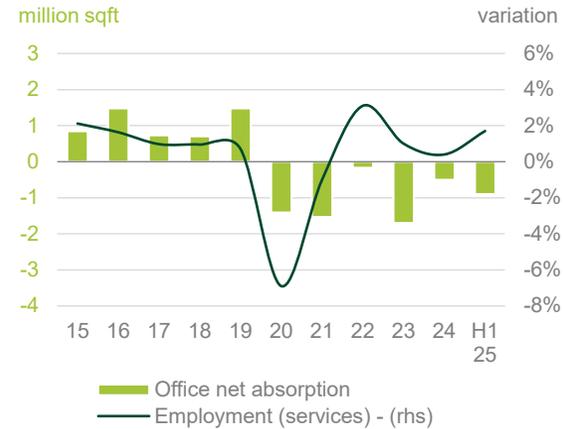
\$614m

OFFICE INVESTMENT

8.0%

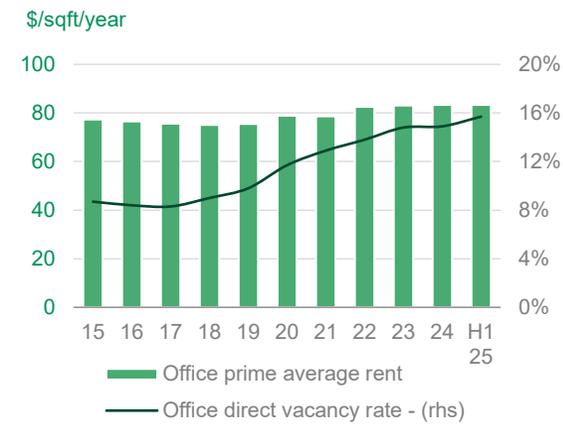
OFFICE PRIME CAP RATE

Net Absorption / Employment



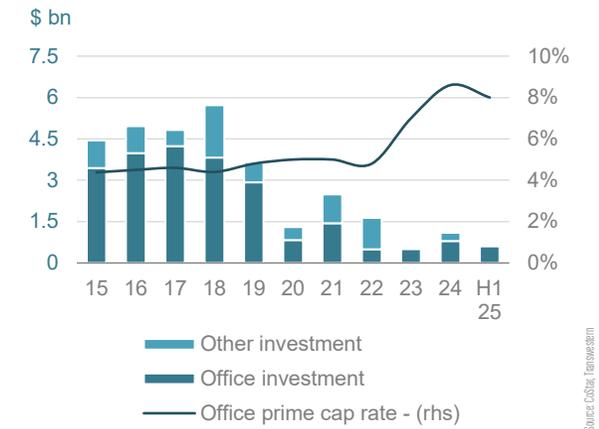
Source: Bureau of Labor Statistics, Colliers, Treaswest.com

Prime rent / Vacancy Rate



Source: Colliers, Treaswest.com

Investment / Capital Rate



Source: Colliers, Treaswest.com

Federal workforce uncertainty negatively impacts FH 2025

During the first half of 2025, Washington, DC's office market experienced continued contraction, marked by rising vacancies and significant negative net absorption. Across Q1 and Q2, the market recorded a combined net absorption of nearly -950,000 SF, with -295,101 SF in Q1 and a steeper -654,614 SF in Q2. This trend reflects a broader pullback in office demand, driven in part by federal downsizing and corporate relocations.

Stable Rents Amid Market Softness

Office rents in Washington, DC remained relatively stable during the first half of 2025, despite rising vacancy and negative absorption. The average full-service asking rent declined only slightly, from \$53.14 PSF in Q1 to \$53.04 PSF in Q2, reflecting a modest 10 basis point drop year-over-year. Direct vacant available rate reached 15.7% in Q2 2025, up from 15.3% last quarter and 15.2% year-over-year. The CBD posted the highest rate at 18.5% with 7.83 M SF vacant.

Office Investment Continues to Lead DC Sales Limited Activity

In FH 2025, office properties accounted for a dominant share of real estate investment activity in Washington, DC, totaling \$672 million, or approximately 91% of all property-type investment volume year-to-date. The average capitalization rate for office transactions remained high, reflecting investor caution amid a challenging market environment. With elevated interest rates and ongoing softness in office fundamentals, near-term investment activity is expected to remain subdued. However, the current climate may present opportunities for opportunistic investors targeting distressed assets available at discounted pricing.

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H1 2025

OFFICE MARKET USA

Occupier Market	Inventory (million sqft)	Net Absorption (million sqft)	Vacancy Rate (%)		Office Prime Average Rent (\$/sqft/year)		
	H1 2025	H1 2025	2024	H1 2025	2024	H1 2025	Trend
Atlanta	178	-0.1	21.6%	21.7%	32.8	33.2	1%
Chicago	158	-0.8	21.7%	22.2%	73.1	76.8	5%
Dallas/Fort Worth	326	0.8	19.5%	18.3%	72.1	77.3	7%
Denver	163	-0.7	16.5%	20.1%	32.1	32.1	0%
Detroit	202	-1.6	10.9%	11.7%	21.3	21.2	0%
Houston	206	-0.3	20.8%	20.9%	46.1	46.8	1%
Los Angeles	402	-0.8	16.6%	17.5%	45.4	47.9	6%
Miami	52	0.1	12.9%	11.4%	86.7	91.2	5%
Minneapolis	190	-155.0	11.9%	12.3%	30.0	28.9	-4%
New York/Manhattan	457	7.5	14.4%	14.2%	79.9	77.2	-3%
Phoenix	169	0.4	20.8%	18.6%	30.1	29.6	-2%
San Diego	109	-0.2	12.5%	13.2%	36.5	36.7	1%
San Francisco	92	-0.5	30.4%	30.4%	70.0	74.5	6%
Seattle	181	-1.4	16.5%	17.3%	36.5	36.2	-1%
Washington DC	149	-0.9	14.9%	15.7%	83.3	83.3	0%
Total 15 markets	3,031	-153.5	17.5%	17.7%	51.7	52.9	1.5%

Investment Market	Total investment volume (\$ million)		Office investment volume (\$ million)		Cap rate (%)		
	2024	H1 2025	2024	H1 2025	2024	H1 2025	bps
Atlanta	13,830	5,080	1,660	1,030	8.70%	10.60%	190
Chicago	770	230	590	140	NA	NA	NA
Dallas/Fort Worth	2,510	5,330	410	1,390	6.40%	6.90%	50
Denver	3,070	1,820	730	530	6.00%	7.60%	160
Detroit	1,700	580	260	123	8.90%	7.40%	-150
Houston	9,840	5,420	1,220	1,630	11.50%	NA	NA
Los Angeles	9,460	4,180	2,150	1,530	NA	7.80%	NA
Miami	5,120	3,270	1,760	430	8.10%	6.40%	-170
Minneapolis	6,770	1,440	680	270	7.20%	7.80%	60
New York/Manhattan	10,240	4,770	7,620	3,470	5.70%	5.10%	-60
Phoenix	7,110	3,710	1,140	500	7.50%	7.10%	-40
San Diego	4,380	2,040	930	600	7.50%	7.00%	-50
San Francisco	1,850	840	630	520	6.60%	5.00%	-160
Seattle	3,000	1,060	1,210	600	6.40%	6.80%	40
Washington DC	1,090	670	790	610	8.60%	8.00%	-60
Total 15 markets	80,740	40,440	21,780	13,373	7.62%	7.19%	-16

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