

REVIEW

WASHINGTON OFFICE MARKET

USA 2025



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Real Estate for a changing world



2025

OFFICE MARKET WASHINGTON

KEY FIGURES

145m sqft

INVENTORY

16.0%

VACANCY RATE

\$88.3

PRIME AVERAGE ASKING RENT

\$1.3bn

TOTAL INVESTMENT

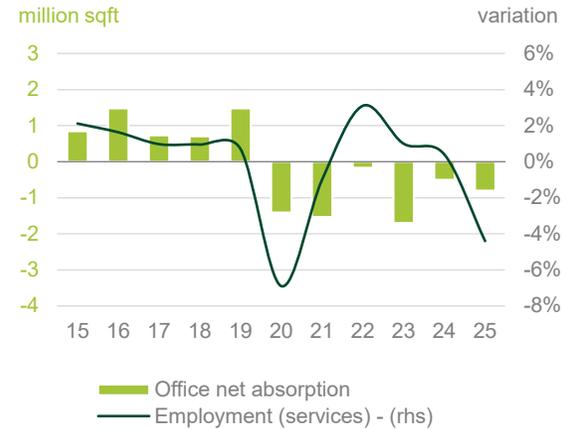
\$870m

OFFICE INVESTMENT

9.0%

OFFICE PRIME CAP RATE

Net Absorption / Employment

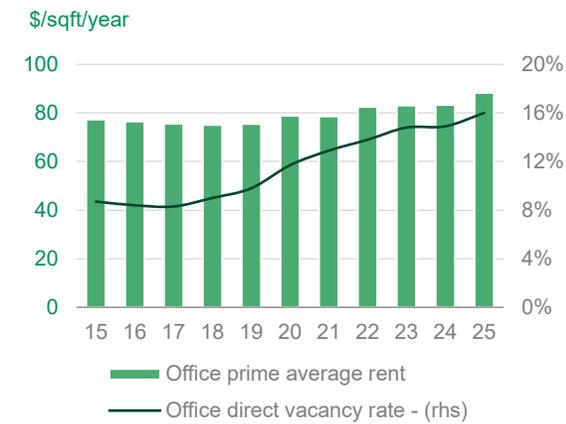


Source: Bureau of Labor Statistics, Colliers, Tenon Research

Net Absorption & Employment Services Plummet at Year-end 2025

The District of Columbia finished the 2025 year with negative 16,138 SF of net absorption in the month of December, bringing their yearly total to negative 770,139 SF. Employment services in the District of Columbia declined by 4.4 percent in 2025 as federal workforce reductions and contractor pullbacks disproportionately affected professional and business services. This downturn was amplified by weak office utilization and elevated vacancy, which limited business expansion. Looking ahead, employment services are expected to stabilize rather than rebound sharply, with future performance dependent on the pace of federal hiring and increase in office occupancy.

Prime rent / Vacancy Rate

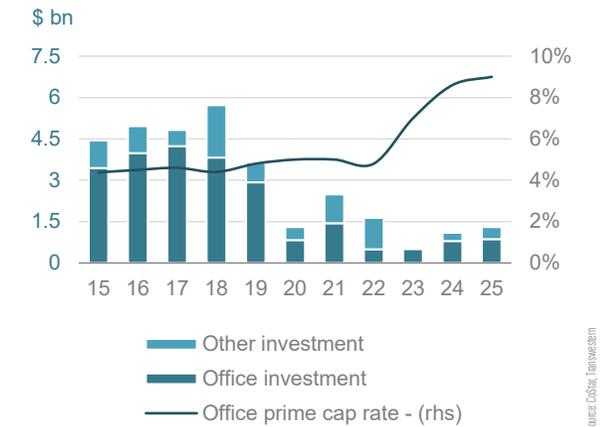


Source: Colliers, Tenon Research

Prime Asking Rents Surge in 2025

The average rental rate for all classes of office space in the District of Columbia increased to \$53.33 PSF, reversing the losses seen in 2024. The office prime average rent jumped to \$88.27 in 2025, the largest yearly gain we've seen in the past 10 years. This surge was driven by a tight supply of new high-quality office space, as elevated construction costs and financing constraints limited new deliveries. At the same time, sustained demand for premium, well-located offices allowed landlords to push rents sharply higher. Until construction resumes at a normal rate, expect rent to continue climbing as the demand for high-quality office space keeps rising.

Investment / Capital Rate



Source: Colliers, Tenon Research

Capital Rates Remain Elevated Throughout 2025

Office investment volume increased to \$869 million in 2025, representing 67% of the total real estate investment dollars throughout the city. Overall District office cap rates remained flat at 10.0%, while prime office cap rates increased from 8.6% to 9.0%, indicating that pricing has largely stabilized at post-reset levels, but investor caution remains apparent across all asset classes. This movement reflects the combined impact of sustained higher interest rates, lingering uncertainty around office leasing fundamentals, and a risk-averse capital market that continues to demand wider spreads to compensate for NOI volatility. Over the following year, cap rates are expected to remain elevated and relatively stable, while the office investment volume is expected to modestly increase.

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2025

OFFICE MARKET
USA

Occupier Market	Inventory (million sqft)	Net Absorption (000 sqft)	Vacancy Rate (%)		Office Prime Average Rent (\$/sqft/year)		
	2025	2025	2024	2025	2024	2025	Trend
Atlanta	177	20	22.3%	22.4%	33.0	33.9	3%
Chicago	156	-1,400	21.7%	22.6%	73.1	77.4	6%
Dallas/Fort Worth	308	2,200	19.5%	18.4%	72.1	74.3	3%
Denver	164	-1,880	16.5%	18.7%	32.1	33.5	4%
Detroit	202	1,174	10.9%	11.0%	21.3	21.3	0%
Houston	206	-1,300	20.8%	21.5%	46.1	48.9	6%
Los Angeles	396	-1,700	16.6%	15.4%	45.4	44.7	-2%
Miami	52	200	11.5%	11.6%	86.7	89.7	3%
Minneapolis	83	-1,200	19.8%	21.0%	29.5	30.5	3%
New York/Manhattan	458	15,700	14.4%	13.5%	79.9	77.4	-3%
Phoenix	198	360	20.8%	17.0%	30.1	32.1	7%
San Diego	120	-400	12.5%	12.7%	36.5	38.3	5%
San Francisco	93	1,200	30.4%	30.1%	70.0	74.3	6%
Seattle	181	-1,613	16.5%	18.2%	36.5	34.5	-5%
Washington DC	145	-800	14.9%	16.0%	83.3	88.3	6%
Total 15 markets	2,939	10,561	17.9%	18.0%	51.7	53.3	2.8%

Investment Market	Total investment volume (\$ million)		Office investment volume (\$ million)		Cap rate (%)		
	2024	2025	2024	2025	2024	2025	bps
Atlanta	15,090	15,990	1,170	1,560	8.20%	8.30%	10
Chicago	770	920	590	550	NA	NA	NA
Dallas/Fort Worth	2,510	13,410	410	3,440	6.40%	6.20%	-20
Denver	3,070	7,740	730	1,260	6.00%	7.20%	120
Detroit	1,700	1,550	260	300	8.90%	8.60%	-30
Houston	9,840	14,170	1,220	1,710	11.50%	NA	NA
Los Angeles	9,460	13,080	2,150	4,140	NA	5.80%	NA
Miami	5,120	4,830	1,760	1,290	6.80%	6.90%	10
Minneapolis	5,380	5,470	860	670	7.30%	7.70%	40
New York/Manhattan	10,240	14,010	7,620	11,180	5.70%	6.50%	80
Phoenix	7,110	9,870	1,140	1,170	7.50%	7.20%	-30
San Diego	4,380	4,970	930	1,600	7.50%	6.20%	-130
San Francisco	1,850	2,700	630	1,790	6.60%	4.40%	-220
Seattle	3,000	2,440	1,210	1,110	6.40%	7.60%	120
Washington DC	1,090	1,300	790	870	8.60%	9.00%	40
Total 15 markets	80,610	112,450	21,470	32,640	7.49%	7.05%	-1

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