REVIEW

WASHINGTON OFFICE MARKET

USA H1 2026

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BNP PARIBAS
REAL ESTATE

Real Estate for a changing world

KEY FIGURES

143m sqft
INVENTORY

16.7%
VACANCY RATE

$88.2
PRIME AVERAGE ASKING RENT

$830m
TOTAL INVESTMENT

$760m
OFFICE INVESTMENT

9.0%
OFFICE PRIME CAP RATE

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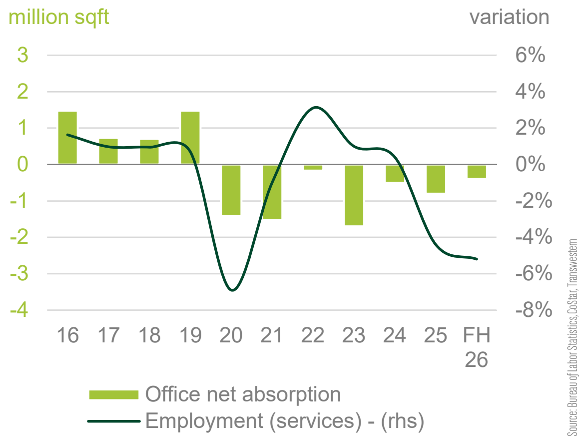
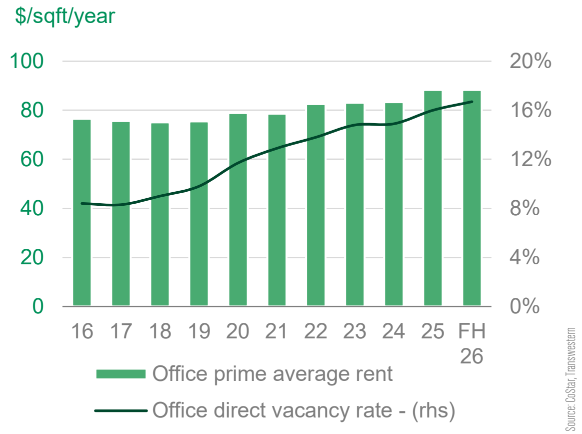
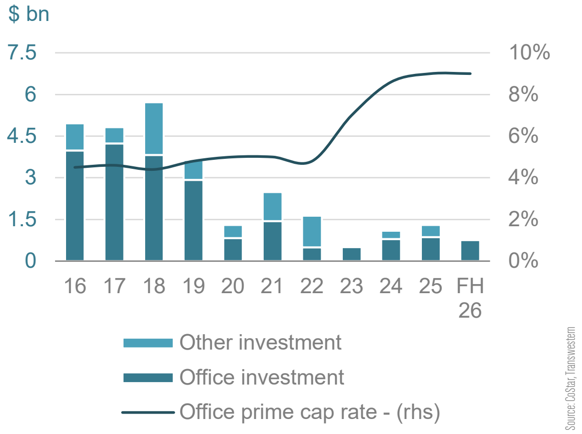
Net Absorption / Employment



Prime rent / Vacancy Rate



Investment / Capital Rate



Employment Services Continue to Plummet at Mid-Year 2026

The District of Columbia finished the first half of 2026 with negative 468,419 SF of net absorption. Employment services in the District of Columbia declined by 5.2 percent mid-year as federal workforce reductions and contractor pullbacks have remained a strain on the market.

The District of Columbia is usually immune to employment declines, but the cuts to federal workers in 2025 have taken a significant toll on the city. Looking ahead, the new protections for federal employment and stabilization of funding to the impacted agencies provide hope that the district's employment rate steadies in the second half of 2026.

Steady Highs in Asking Rents for First Half of 2026

The average rental rate for all classes of office space in the District of Columbia increased to $54.69 PSF, continuing the rise in asking rents seen in 2025. The office prime average rent dipped to $88.24 in the first half of 2026 from 2025's $88.27, remaining at historical highs. The elevated prime asking rates reflect the sustained demand for high-quality space and constrained availability of these assets. Landlords are able to continue to push rents higher as spaces stays highly coveted and competitive to lock down. The office construction pipeline is still inactive for now. There are two planned projects by BXP for three law firms that will break ground over the next year or two. The lack of availability will keep rents on the rise in new, high-class space.

Capital Rates Remain Elevated Through June 2026

Overall District office capital rates are estimated around 11%, rising from 10% at the end of last year. Prime office capital rates remained at 9% midway through the year, indicating the lingering hesitancy from investors. The elevated capital rates display the higher return that investors are requiring to invest in properties. There is less confidence in the investment market to be risk-tolerant. Office investment volume totaled $762 million, heading into the second half of 2026. The office investment volume represented over 90% of the real estate investment market.

Occupier Market	Inventory (million sqft)	Net Absorption (000 sqft)	Vacancy Rate (%)		Office Prime Average Rent ($/sqft/year)		
	Q2 2026	H1 2026	2025	Q2 2026	2025	Q2 2026	Trend
Atlanta	176	800	22.4%	21.1%	33.9	33.4	-2%
Chicago	155	-100	22.6%	23.2%	77.4	72.8	-6%
Dallas/Fort Worth	306	1,800	18.4%	18.2%	74.3	75.3	1%
Denver	164	200	18.7%	21.2%	33.5	35.6	6%
Detroit	202	-129	10.4%	10.1%	21.3	21.6	2%
Houston	204	500	20.8%	21.4%	48.9	42.6	-13%
Los Angeles	371	500	15.4%	15.3%	44.7	45.0	1%
Miami	52	160	11.6%	11.4%	89.7	89.7	0%
Minneapolis	68	-600	21.0%	29.4%	30.5	31.1	2%
New York/Manhattan	452	3,900	13.5%	12.8%	77.4	78.1	1%
Phoenix	98	-200	17.0%	16.7%	32.1	31.8	-1%
San Diego	125	-100	12.7%	14.0%	38.3	41.2	8%
San Francisco	93	1,900	30.1%	26.7%	74.3	77.7	5%
Seattle	183	686	15.9%	15.5%	34.5	35.9	4%
Washington DC	143	-400	16.0%	16.7%	88.3	88.2	0%
Total 15 markets	**2,791**	**8,917**	**17.8%**	**18.2%**	**53.3**	**53.3**	**0.5%**

Investment Market	Total investment volume ($ million)		Office investment volume ($ million)		Cap rate (%)		
	2025	H1 2026	2025	H1 2026	2025	Q2 2026	bps
Atlanta	15,990	5,400	1,560	1,210	8.30%	8.82%	52
Chicago	920	920	550	720	NA	NA	NA
Dallas/Fort Worth	13,410	2,970	3,440	780	6.20%	6.30%	10
Denver	7,740	3,660	1,260	560	7.20%	8.40%	120
Detroit	1,550	880	300	290	8.60%	7.40%	-120
Houston	14,170	6,490	1,710	1,550	NA	11.25%	NA
Los Angeles	13,080	5,360	4,140	2,130	NA	6.80%	NA
Miami	4,830	5,670	1,290	1,300	6.90%	6.50%	-40
Minneapolis	5,470	2,150	670	210	7.70%	13.00%	530
New York/Manhattan	14,010	5,660	11,660	4,390	6.30%	6.10%	-20
Phoenix	9,870	8,220	1,170	970	7.20%	7.00%	-20
San Diego	4,970	3,440	1,600	650	6.20%	7.20%	100
San Francisco	2,700	1,760	1,790	1,120	4.40%	5.30%	90
Seattle	2,440	1,000	1,110	290	7.60%	8.80%	120
Washington DC	1,300	830	870	760	9.00%	9.00%	0
Total 15 markets	**112,450**	**54,410**	**33,120**	**16,930**	**7.13%**	**7.99%**	**69**

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