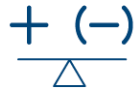


DISTRICT OF COLUMBIA

INDUSTRIAL MARKET | Q1 2025



7.8 MSF
Inventory



(52,000) SF
Net Absorption



5.9%
Direct Vacancy



6.2%
Overall Vacancy



0 SF
Under Construction



\$18.85 PSF
Asking Rent

Soft market conditions to start 2025, but rent growth healthy

Market Observations

- The industrial market softened during the first quarter of 2025, with negative 52,000 SF of net absorption. Year-over-year, net absorption totaled negative 198,000 SF.
- The most notable move-out was National Holistic Health who used their termination clause to vacate 19,200 SF at 1901-1907 Fairview Avenue, NE.
- Despite some softening, the vacancy rate, at 5.9%, remains low enough to push asking rents. Asking rents increased 120-basis points to \$18.85 PSF in March 2025. Year-over-year, rents are up 4.6%.
- There are currently no industrial properties under construction in the District of Columbia. We expect the pipeline to remain empty as developers focus on Northern Virginia and Suburban Maryland.
- We expect demolitions of obsolete industrial product to persist and overall industrial inventory to decrease over time. Over the past 10 years, a total of 1.7 million SF has been demolished and therefore removed from the inventory. In most cases, multifamily has been built in its place.
- With the limited amount of available inventory, coupled with future demolitions, we expect the vacancy rate to remain relatively steady with restricted net absorption during the balance of 2025.

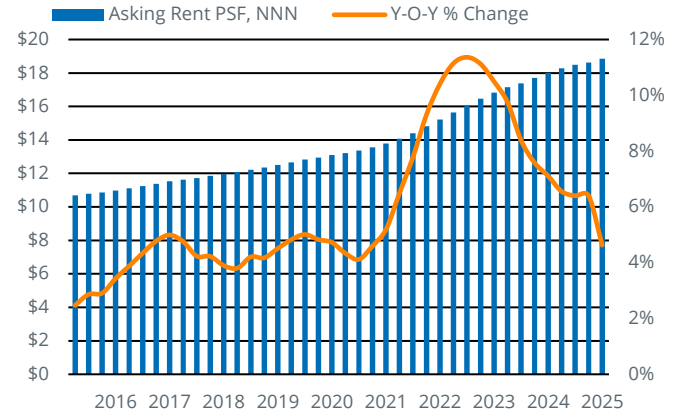




DISTRICT OF COLUMBIA INDUSTRIAL MARKET | Q1 2025

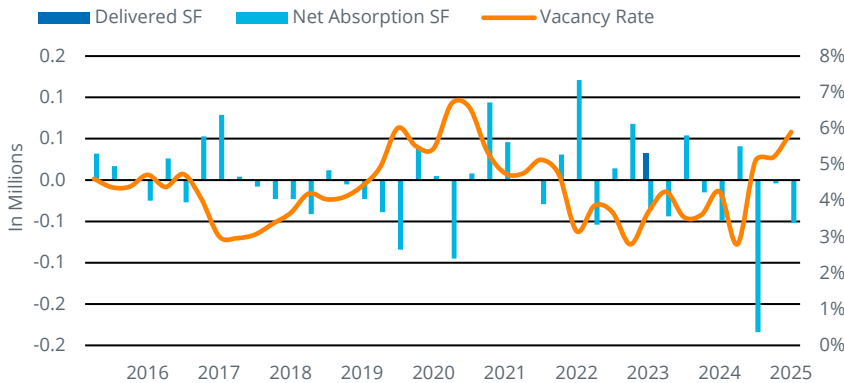
- **Net absorption** totaled negative 52,000 SF during the first quarter of 2025, with year-over-year totaling negative 198,000 SF.
- The **direct vacancy** rate increased 70-basis points since last quarter settling at 5.9% but is elevated from 4.2% one year ago. Move outs continuing to outweigh lease signings which caused the jump in direct vacancy this quarter.
- **Asking rents** increased 120-basis points during the quarter to \$18.85 PSF in March 2025. Year-over-year, rents are up 460-basis points. Flex rents increased 110-basis points to \$21.44 PSF, while warehouse rates increased 160-basis points, resting at \$17.52 PSF year-over-year.
- There are zero projects **under construction** as of March 2025. We do not expect any new construction over the next 12 months, rather demolitions. Future demolitions will tighten the inventory, which will keep the market stabilized with steady gains in rent throughout 2025.

ASKING RENT



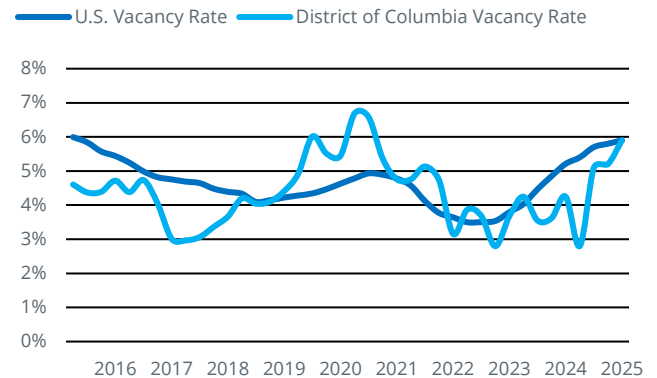
Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

DIRECT VACANCY RATE



Source: CoStar, Transwestern



DISTRICT OF COLUMBIA INDUSTRIAL MARKET | Q1 2025

MARKET INDICATORS TABLE

All Product Types | Q1 2025

PRODUCT TYPE	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, NNN
FLEX	1,203,363	56,101	4.7%	4.7%	0	(13,000)	(12,000)	\$21.44
INDUSTRIAL	6,550,494	398,985	6.1%	6.5%	0	(39,000)	(186,000)	\$17.52
TOTAL	7,753,857	454,995	5.9%	6.2%	0	(52,000)	(198,000)	\$18.85

Source: CoStar, Transwestern



DISTRICT OF COLUMBIA INDUSTRIAL MARKET | Q1 2025

Research Methodology

The information in this report is the result of a compilation of information on flex and industrial properties located in the District of Columbia. This report includes single tenant, multi-tenant and owner-user properties 15,000 SF and larger, excluding data centers, biotech, and properties owned by a government agency.

About Transwestern

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at transwestern.com and [@Transwestern](https://twitter.com/Transwestern)

For more information

Elizabeth Norton

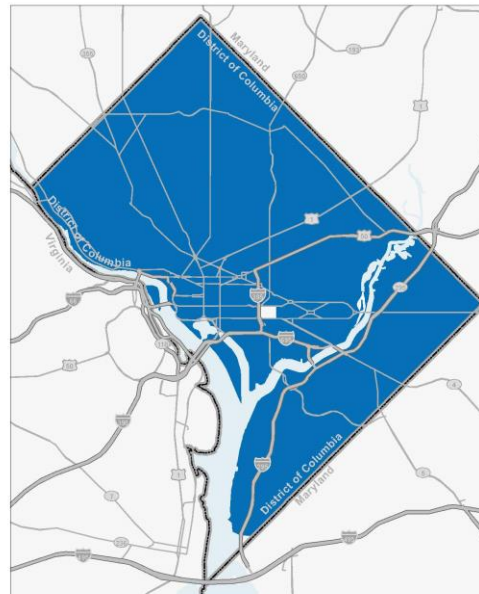
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District of Columbia Industrial Submarkets

■ District of Columbia