MARKET IN MINUTES
Savills Research

Q2 2019

WASHINGTON, D.C.

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Availability holds steady, even as leasing activity booms

Overall availability in the District ended the quarter at 15.7%, essentially unchanged from Q1 and down just 40 basis points year over year. Class A availability followed a similar trend, holding flat quarter over quarter and declining 50 basis points on a year-over-year basis to end Q2 at 14.8%. New product continues to push overall asking rents up, now averaging $54.97 per square foot (psf) for all classes and $58.94 psf for Class A space. Still, concessions remain generous keeping effective rents in check. Tenants can generally expect to see upwards of $115.00 psf in tenant improvement allowances and an average of 15 months free rent on new, long-term, Class A leases.

Mid-year leasing total strongest seen in five years

Leasing activity for the quarter totaled 3.2 million square feet (msf), bringing the year-to-date total to 5.4 msf, the highest mid-year volume seen in five years. It was a strong quarter for federal leasing with the General Services Administration (GSA) accounting for the three largest leases seen – all renewals. Private-sector tenants continue to vie for space in new construction. WeWork expanded its presence with another location, taking 111,273 sf at Capitol Crossing (200 Massachusetts Avenue NW). Law firm King and Spalding LLP committed to remain in 146,994 sf at its current location. 1700 Pennsylvania Avenue NW will undergo a dramatic overhaul to upgrade, accommodate and retain the firm.

Most submarkets see availability level off, yet options continue to expand in the CBD

While most other submarkets saw some leveling off, availability in the CBD submarket increased 200 basis points over the year, now at 15.6% - its highest in the past five years. As the CBD is home to the largest pipeline of redevelopment activity in the District, options are plentiful in both existing and new space. Both 1900 N Street NW and 1901 L Street NW are set to deliver within one year, and while pre-leasing activity has been strong, they will deliver combined more than 180,000 sf of available mid-to-lower-floor options. There are approximately 25 properties (existing and under construction) with at least 50,000 sf of contiguous Class A space available in the CBD.

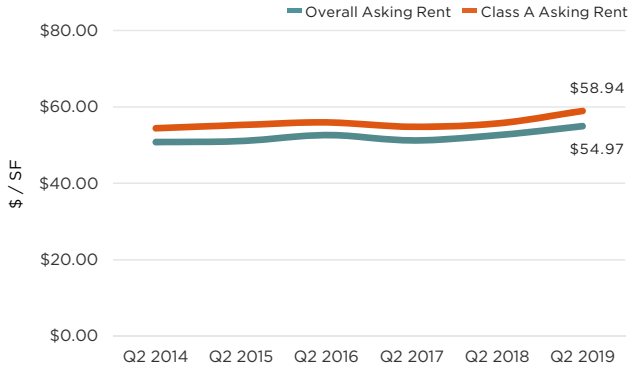
Outlook

- Availability will continue to fluctuate as new product comes online and tenants shift around the market, yet market conditions remain highly tenant favorable
- Government demand was strong this quarter but will not generate new growth; coworking continues to drive any significant expansion in the market
- Though asking rents are edging up with the demand for top-tier space, concessions will continue to rise to meet the market and keep effective rents in check

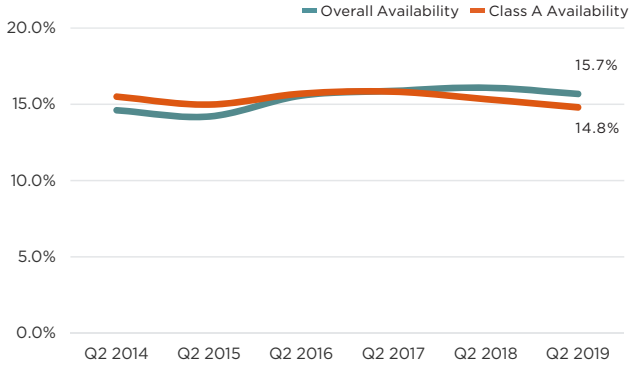
KEY STATISTICS

	Q2 2018	Q2 2019	y-o-y Change
Inventory	121.8 MSF	**123.2 MSF**	▲
Availability Rate	16.1%	**15.7%**	▼
Asking Rental Rate	$52.59	**$54.97**	▲
Class A Asking Rental Rate	$55.67	**$58.94**	▲
Quarterly Leasing Activity	2.2 MSF	**3.2 MSF**	▲

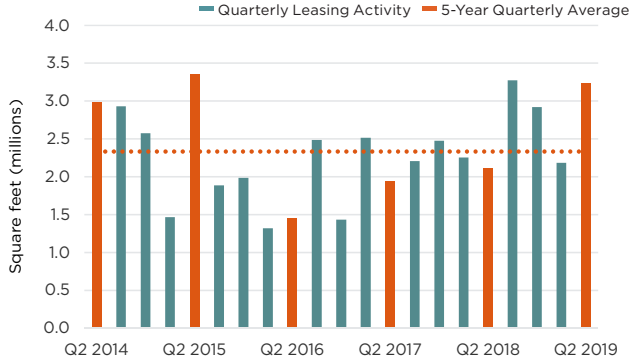
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

88.9%
of major transactions were renewals

55.7%
of major transactions occurred in NoMa

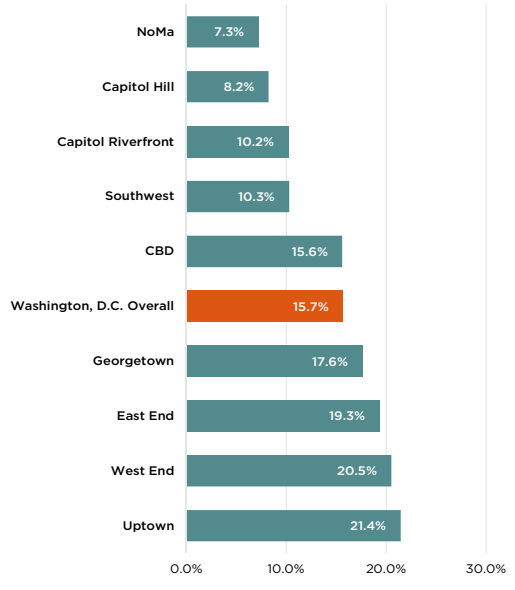
73.6%
Government represented 73.6% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
GSA - U.S. Securities and Exchange Commission	704,793	100 F Street NE	Renewal	NoMa	Government
GSA - U.S. Securities and Exchange Commission	571,363	600 & 700 2nd Street NE	Renewal	NoMa	Government
GSA - U.S. Department of State	463,151	600 19th Street NW	Renewal	CBD	Government
King & Spalding LLP	146,994	1700 & 1730 Pennsylvania Avenue NW	Renewal	CBD	Legal Services
Smithsonian Institution	133,984	750 9th Street NW	Renewal	East End	Associations and Non-Profits
WeWork	111,273	200 Massachusetts Avenue NW	New Location	East End	Coworking
Verizon Corporate Services Corporation	79,719	1300 Eye Street NW	Renewal and Expansion	East End	Telecommunications
Richard Wright Public Charter School	62,254	475 School Street SW	Relocation	East End	Education
SmithBucklin	49,974	2001 K Street NW	Relocation	CBD	Professional Services
Pact	39,289	1140 3rd Street NE	Relocation	NoMa	Associations and Non-Profits

Source Savills Research

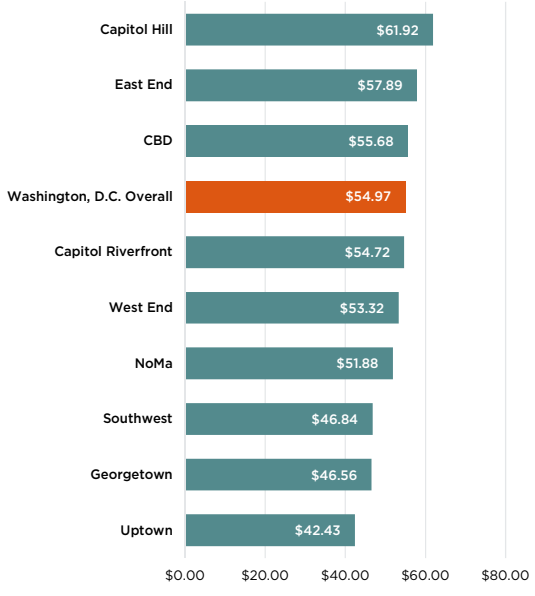
AVAILABILITY RATE COMPARISON

Washington, D.C. Submarkets



RENTAL RATE COMPARISON ($/SF)

Washington, D.C. Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents psf. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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