

Washington, D.C.

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Despite uptick in Q1 leasing activity, overall office demand remains weak

The Washington D.C. office market saw an increase in Q1 2024 leasing activity, which totaled 1.7 million square feet (msf), compared to 1.3 msf in the previous quarter. The Q1 leasing activity was dominated by Technology, Advertising, Media, Information (TAMI) and Government, as well as the Legal sector. The largest lease this quarter was executed by The Washington Post, who signed a 297,176-square foot renewal at 1301 K Street NW. Despite the quarterly uptick in leasing activity, overall volume is below the five-year average and availability is at a historic high. Tenant flight-to-quality continues to characterize the office market, with trophy buildings reporting lower availability rates, while non-trophy properties still lag in performance.

Overall availability peaks; sublease space continues to weigh on the market

Overall availability peaked in Q1 2024, up 20 basis points (bps) on the quarter to 22.6%. Available sublease space also reached a new high at 3.6 msf, up from 3.1 msf a year ago, continuing to weigh on the market. Prior to the pandemic, the average time on the market for sublease space was 17 months, now it is 23 months. Some of this sublease space has been sitting on the market for many years now with the possibility that it may never be leased at all.

Office market remains bifurcated between trophy and non-trophy buildings as tenant flight-to-quality prevails

As occupiers begin to more fully understand their “new normal” patterns of in-office and hybrid work, they are getting more and more comfortable making long-term real estate decisions. As managers continue to believe that there is a significant benefit to their businesses from people being in the office, they are looking to their office space to be competitive with home environments and are seeking the best space with the best amenities. As a result, the availability rate for trophy buildings has remained below 17.0% for the past year while Trophy and Class A building asking rents remain relatively unchanged from a year ago.

Key Statistics

	Q1 2023	Q1 2024	Y-0-Y
Inventory	122.1 msf	122.6 msf	+0.5 msf
Availability Rate	21.7%	22.6%	+90 bps
Asking Rental Rate	\$54.82	\$54.58	-0.4%
Class A Asking Rental Rate	\$58.07	\$58.05	+0.0%
Quarterly Leasing Activity	0.9 msf	1.7 msf	+0.8 msf
Available Sublease Space	3.4 msf	3.3 msf	-0.1 msf

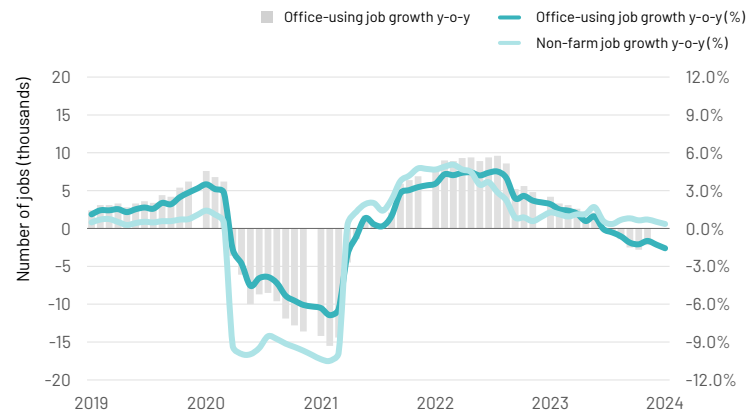
Outlook

01 Due to continued economic uncertainty, expect some tenants without near-term lease expirations to take a “wait-and-see” approach before transacting

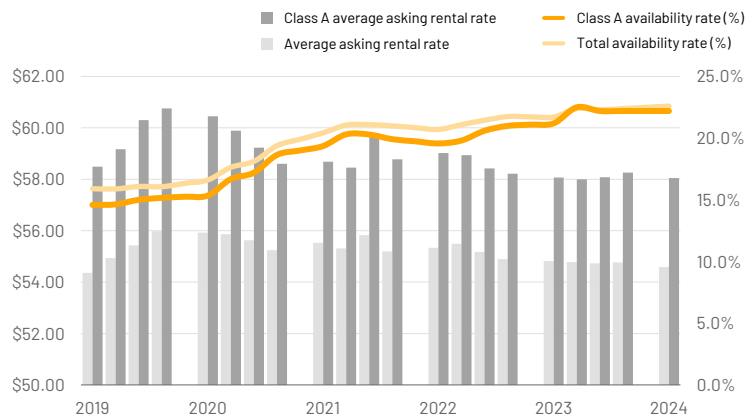
02 Expect more companies to alter their office footprint going forward; return-to-office policy and workforce planning will continue to drive this decision-making

03 As some owners may raise rents for limited competitive best-in-class product, others who own obsolete buildings could consider office to residential conversions

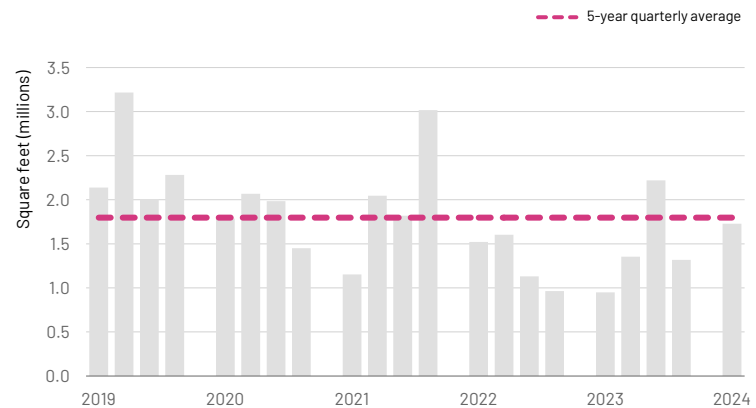
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

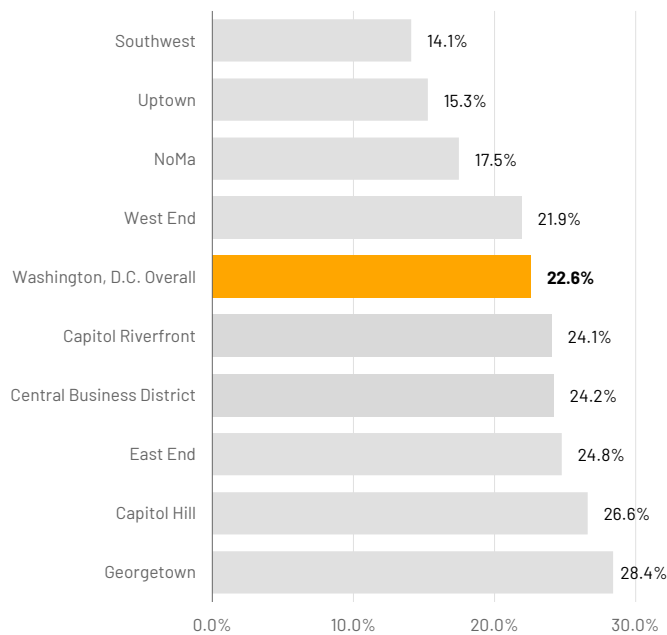
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
The Washington Post	TAMI	East End	1301 K Street NW	297,176	Renewal
D.C. Dept. of General Services	Government	Southwest	1101 4 th Street SW	274,122	Early Restructure
Finnegan, Henderson, Farabow, Garrett & Dunner	Legal Services	East End	901 New York Avenue NW	214,408	Renewal
International Bank for Reconstruction and Development	Associations and Non-profit Organizations	CBD	1899 Pennsylvania Avenue NW	56,796	Renewal
IBM	TAMI	East End	600 14 th Street NW	51,990	Renewal
Caplin & Drysdale	Legal Services	East End	1 Thomas Circle NW	51,247	Renewal
International Republican Institute	Associations and Non-profit Organizations	CBD	1225 Eye Street NW	47,416	Renewal/Expansion
Zuckerman Spaeder LLP	Legal Services	CBD	2100 L Street NW*	40,531	Relocation
The American Council of Life Insurers	Business, Professional, and Consulting Services	Capitol Hill	300 New Jersey Avenue NW*	27,330	Relocation
National Indian Gaming Commission	Government	NoMa	90 K Street NE	26,009	Renewal

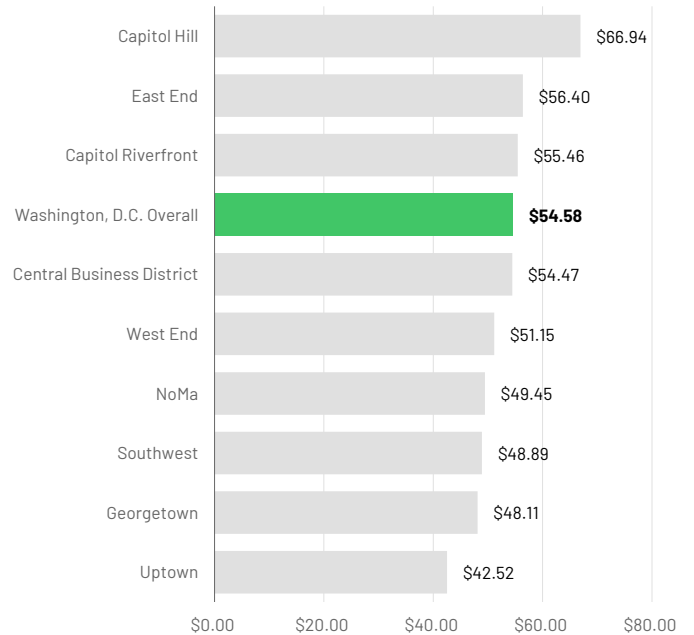
Availability Rate Comparison (%)

WASHINGTON, D.C. SUBMARKETS



Rental Rate Comparison (\$/sf)

WASHINGTON, D.C. SUBMARKETS



Washington, D.C. Q1 2024 - Office

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Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. 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.

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