

Washington, D.C.

Powered by Savills Research & Data Services

Government sector dominates Q2 2024 leasing activity as overall volume increases

The Washington D.C. office market continued to experience an increase in leasing activity in Q2 2024 with volume totaling nearly 2.1 million square feet (msf), compared to 1.7 msf in the previous quarter. Leasing volume also increased year over year from just 1.4 msf reported a year ago. Q2 2024 leasing activity was dominated by the Government sector, which executed half of the top ten leases. Most notable were two GSA deals: the Federal Housing Finance Agency (FHFA) and Commodity Futures Trading Commission (CFTC) each signed deals at 400 7th Street NW for 377,092 square feet (sf), and at 355 E Street SW for 147,050 sf, respectively. The second largest deal of the quarter was the District of Columbia Department of General Services which signed at 64 New York Avenue NE for 333,658 sf. The Federal Bureau of Investigation (FBI) executed two renewals at 375 E and 395 E Streets NW totaling 94,838 sf.

Despite an increase in leasing activity for the quarter, availability continues to rise

Overall availability increased to 23.3% which is another all-time high for the market. However, tenant flight to quality continues as trophy buildings are reporting lower availability rates while non-trophy properties have lagged in performance. Available sublease space remains high at 3.1 msf, down just slightly from 3.4 msf a year ago. Although return to office (RTO) metrics have improved since the start of the pandemic, a definitive RTO plan from many federal government agencies remains in flux. As a result, expect availability levels to remain elevated through year-end and into next year particularly as commodity and sublease space sits on the market longer.

Average asking rents are up year over year even as the market remains highly tenant-favorable

Overall average asking rents ended the quarter at \$54.89 per square foot (psf), up from \$54.78 psf reported a year ago. Class A average asking rents are similarly up year over year, now averaging \$58.60 psf as most landlords who are able, prefer giving large concession packages in order to keep their face rents high. Expect this trend to continue for the foreseeable future.

Key Statistics

	Q2 2023	Q2 2024	Y-0-Y
Inventory	123.8 msf	122.6 msf	-1.2 msf
Availability Rate	22.1%	23.3%	+120 bps
Asking Rental Rate	\$54.78	\$54.81	+0.1%
Class A Asking Rental Rate	\$58.00	\$58.47	+0.8%
Quarterly Leasing Activity	1.4 msf	2.1 msf	+0.7 msf
Available Sublease Space	3.4 msf	3.1 msf	-0.3 msf

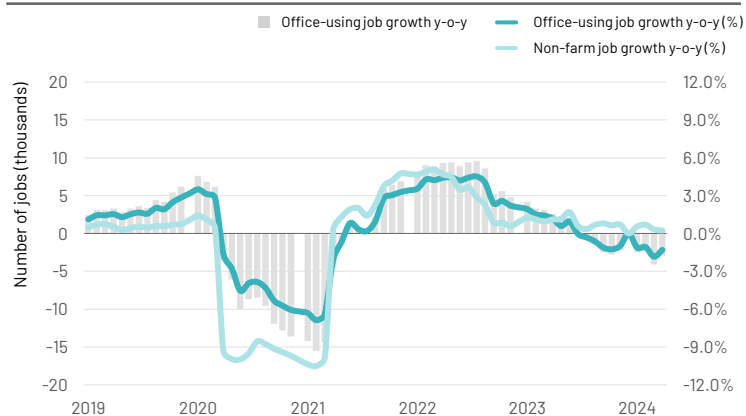
Outlook

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

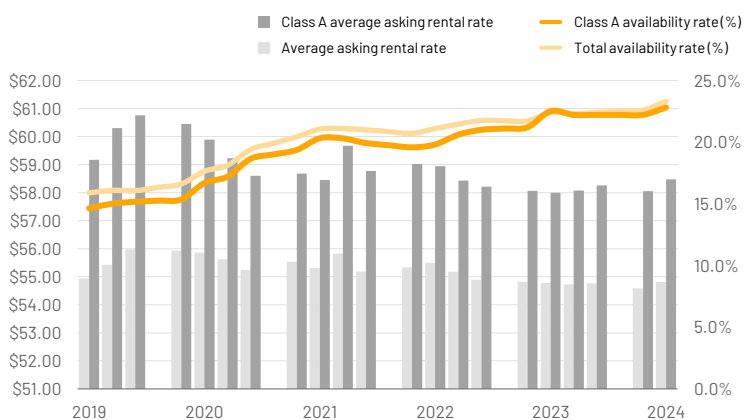
02 Expect most companies to remain cost conscious going forward as they continue to use office space more efficiently

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

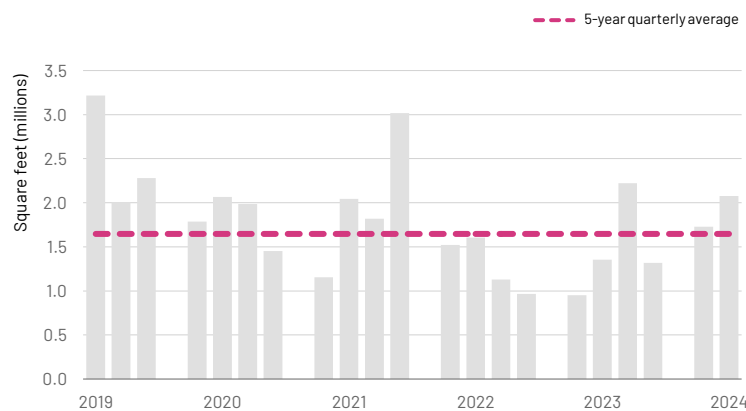
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

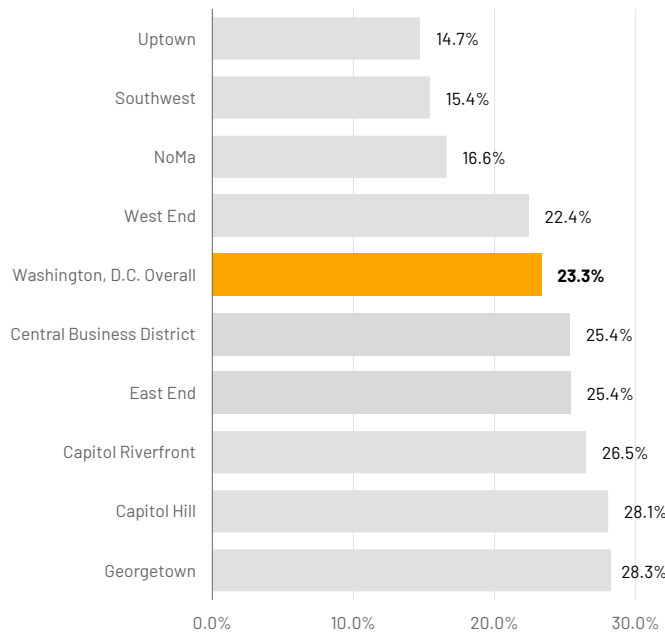
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Federal Housing Finance Agency (FHFA)	● Government	Southwest	400 7th Street SW	377,092	Extension
D.C. Dept. of General Services	● Government	NoMa	64 New York Avenue NE	333,658	Renewal
Commodity Futures Trading Commission (CFTC)	● Government	Southwest	355 E Street SW	147,050	Relocation
The Washington Design Center	● Retail	East End	1099 14 th Street NW	115,475	Renewal
International Food Policy Research Institute	● Associations and Non-profit Organizations	East End	1201 Eye Street NW	71,543	Renewal
Cozen O'Connor	● Legal Services	CBD	2001 M Street NW	65,576	Relocation**
Bloomberg	● TAMI	East End	1101 New York Avenue NW*	50,000	Renewal
Federal Bureau of Investigation (FBI)	● Government	Southwest	395 E Street SW	49,804	Renewal
Federal Bureau of Investigation (FBI)	● Government	Southwest	375 E Street SW	45,034	Renewal
BGR Group	● Business, Professional and Consulting Services	East End	601 13 th Street NW	40,000	Renewal

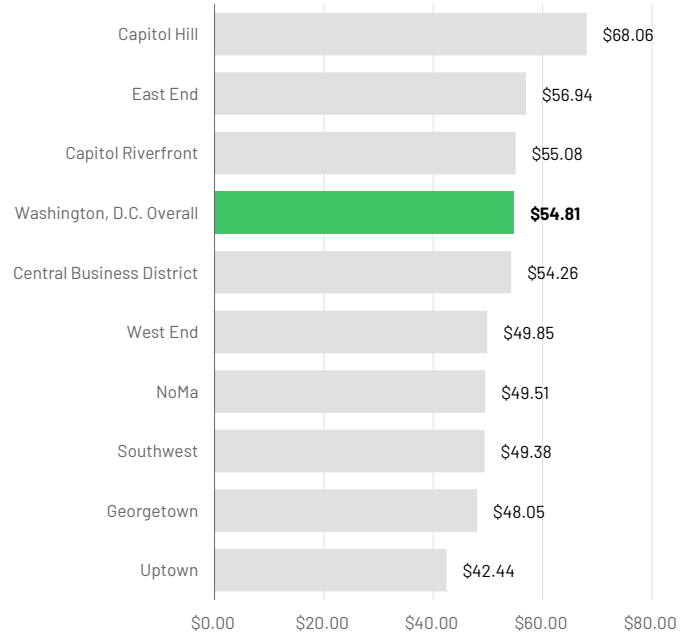
Availability Rate Comparison (%)

WASHINGTON, D.C. SUBMARKETS



Rental Rate Comparison (\$/sf)

WASHINGTON, D.C. SUBMARKETS



Washington, D.C. Q2 2024 - Office

For more information, please contact us:

savills.us

Savills Washington, D.C.
1201 F Street, NW
Suite 500
Washington, DC 20004
+1 202 628 6000

Thomas M. Fulcher, Jr.
Vice Chair, Director

William P. Quinby
Vice Chair

Julie K. Rayfield
Vice Chair

Nicole Miller
Senior Managing Director

Jon Glass
Senior Managing Director

Arty Maharajh
Research Director
+1 202 624 8545
amaharajh@savills.us

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.

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.

Copyright © 2024 Savills

