

Washington, D.C.

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Government sector dominates Q3 2023 leasing activity

The Washington D.C. office market saw a sharp uptick in leasing activity for Q3 with volume totaling 2.2 million square feet (msf), compared to 1.4 msf in the previous quarter. Year-over-year leasing activity increased 1.1 msf. Third-quarter leasing activity was dominated by the Government sector, which executed five of the largest leases of the quarter. Most notable were two short term extensions for SEC (U.S. Securities and Exchange Commission) at 100 F St NE for 709,403 square feet (sf), and at 600 2nd St NE for 361,833 sf.

Fundamental shift in building preference and space use cause availability to remain near an all-time high

The third quarter overall availability rate remains unchanged from the 22.3% all-time high reached in Q2 2023. The stubbornly-high level is partly attributed to the tenant flight to quality which continues to define the office market. Trophy buildings are reporting lower availability rates, while non-trophy properties lag in performance. Available sublease space remains high at 3.2 msf, down just slightly from 3.3 msf a year ago. Although we have seen progress in return to office (RTO) metrics for Washington D.C. since the start of the pandemic, without a definitive RTO plan from many federal government agencies, 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 down year-over-year as the market remains highly tenant-favorable

Overall average asking rents ended the quarter at \$54.73 per square foot (psf), down from \$55.18 psf reported a year ago. Class A average asking rents are similarly down year-over-year, now averaging \$58.08 psf. While asking rates have not changed dramatically considering the market's high availability rate, concession packages such as rental abatement and tenant improvement allowances continue to be high in an effort to incentivize potential tenants and keep existing ones.

Key Statistics

	Q3 2022	Q3 2023	Y-0-Y
Inventory	122.6 msf	122.3 msf	-0.3 msf
Availability Rate	21.5%	22.3%	+80 bps
Asking Rental Rate	\$55.18	\$54.73	-0.8%
Class A Asking Rental Rate	\$58.42	\$58.08	-0.6%
Quarterly Leasing Activity	1.1 msf	2.2 msf	+1.1 msf
Available Sublease Space	3.4 msf	3.2 msf	-0.2 msf

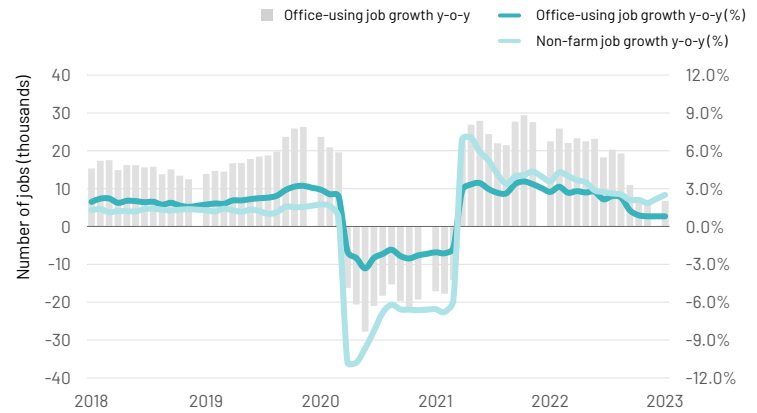
Outlook

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

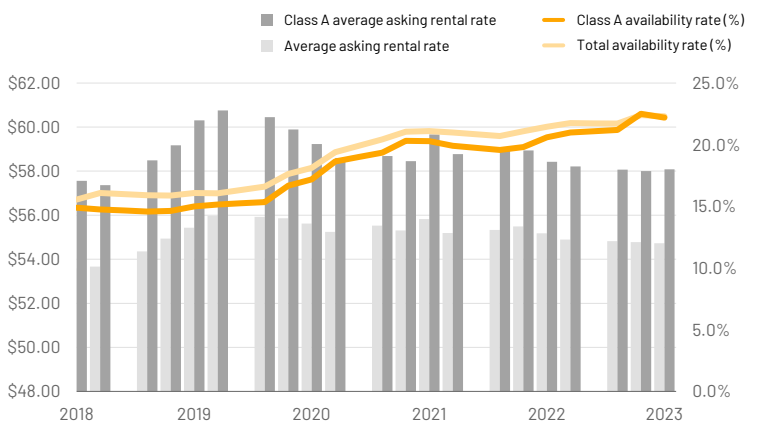
02 Expect more companies to alter their office footprint going forward; return-to-office policy and workforce planning will continue to drive this decision-making

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

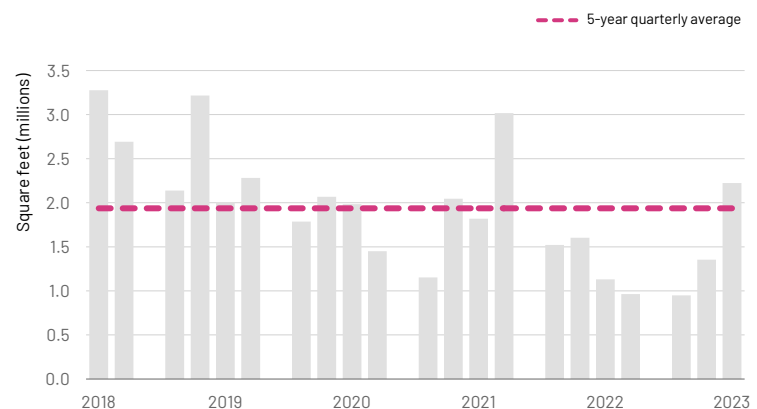
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

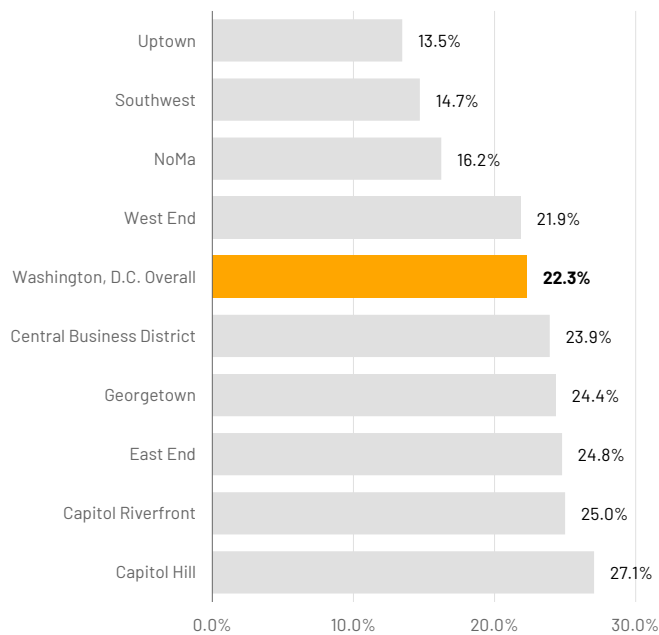
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
U.S. Securities and Exchange Commission	● Government	NoMa	101 F Street NE	709,403	Extension
U.S. Securities and Exchange Commission	● Government	NoMa	600 2 nd Street NE	361,833	Extension
GSA-United States Secret Service	● Government	East End	1100 L Street NW	78,722	Renewal
GSA - Court Services & Offender Supervision Agency (CSOSA)	● Government	NoMa	800 N Capitol Street NW	73,421	Renewal
CareFirst BlueCross BlueShield	● Healthcare	NoMa	840 1 st Street NE	62,010	Renewal
American Clean Power Association	● Associations and Non-profit Organizations	East End	1299 Pennsylvania Avenue NW	42,405	Relocation
Amtrak	● Transportation	NoMa	10 G Street NE	33,289	Renewal
Locust Street Group - LSG	● Business, Professional, and Consulting Services	East End	1307 New York Avenue NW	19,548	Relocation
GSA - Court Services & Offender Supervision Agency (CSOSA)	● Government	NoMa	800 N Capitol Street NW	19,217	Renewal
HNTB	● Architecture, Engineering, and Construction	Capitol Riverfront	80 M Street NE	18,859	Extension

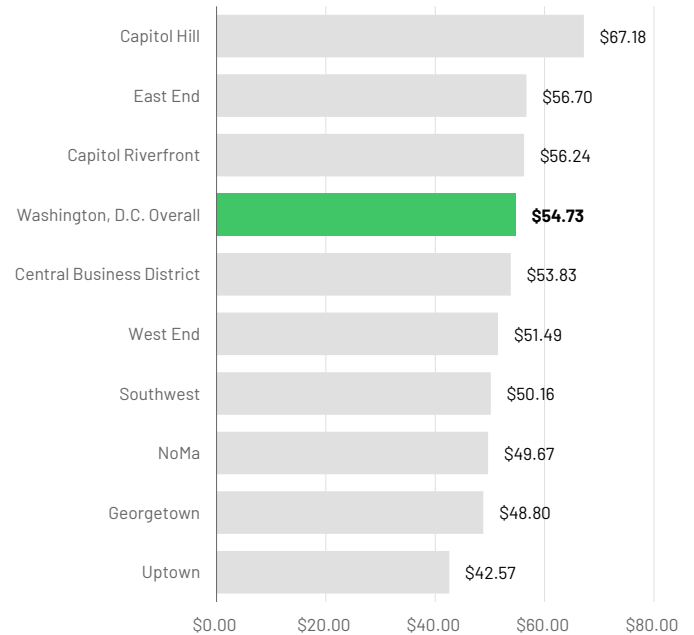
Availability Rate Comparison (%)

WASHINGTON, D.C. SUBMARKETS



Rental Rate Comparison (\$/sf)

WASHINGTON, D.C. SUBMARKETS



Washington, D.C. Q2 2023 - Office

For more information, please contact us:

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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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