

Washington, D.C.

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Washington D.C. leasing velocity slows at year-end

At the close of 2023, the Washington D.C. office leasing market witnessed a cooling in activity with 1.3 million square feet (msf) of executed leases reported in the fourth quarter. This is down from the 2.2 msf reported for the third quarter. For the full year, however, total leasing activity of 5.8 msf was up from 5.2 msf reported in 2022 but this is still well below the 8.0 msf and 7.3 msf reported in 2021 and 2020, respectively. As a comparison in 2019, prior to the COVID-19 pandemic, annual leasing activity was 9.6 msf. One of the larger leases in Q4 2023 was executed by The Smithsonian, which leased 133,000 square feet (sf) at 750 9th Street NW. Office leasing is expected to be lower amid continued economic uncertainty. As a result, the Washington D.C. office market will remain tenant-favorable for the foreseeable future.

Office availability continues to increase to historical highs

The District's overall availability rate increased to a new high of 22.4% in the fourth quarter of 2023, up 10 basis points (bps) from 22.3% reported last quarter and up 60 bps from 21.8% reported a year ago. Sublease availability also remains historically high and is now at 3.3 msf as many occupiers have put their spaces on the market while they continue to figure out their longer-term return-to-work plans. There was just 44,000 sf of sublease space taken during the fourth quarter of 2023, down 19.0% from 51,000 sf reported for the year ago period. Full year 2023 total sublet leasing was 199,429 sf, down 56.0% from a total of 460,000 sf executed in 2022.

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

Overall asking rents ended the quarter at \$54.77 per square foot (psf), down from \$54.99 psf reported a year ago. Class A asking rents are similarly down year-over-year and now average \$58.26 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 appear to have plateaued.

Key Statistics

	Q4 2022	Q4 2023	Y-0-Y
Inventory	122.1 msf	122.7 msf	+0.6 msf
Availability Rate	21.8%	22.4%	+60 bps
Asking Rental Rate	\$54.89	\$54.77	-0.2%
Class A Asking Rental Rate	\$58.22	\$58.26	+0.1%
Quarterly Leasing Activity	1.0 msf	1.3 msf	+0.3 msf
Available Sublease Space	3.3 msf	3.3 msf	+0.0 msf

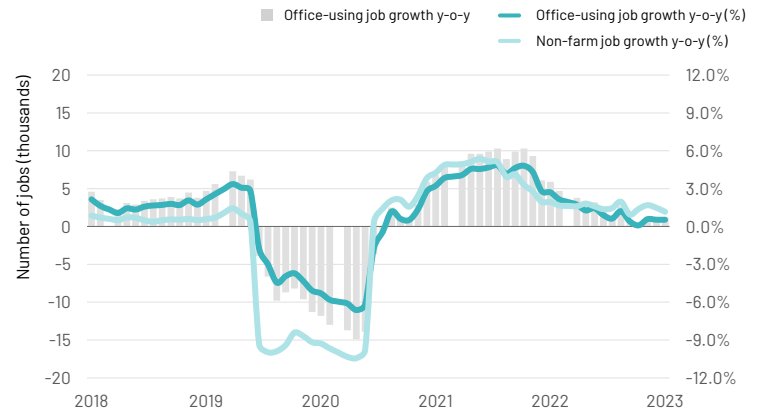
Outlook

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

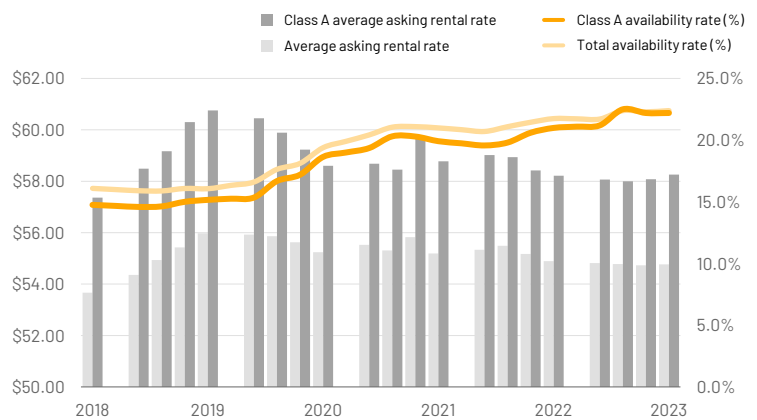
02 Expect more companies to alter their office footprint going forward; return-to-office policy and workforce planning will continue to drive this decision-making

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

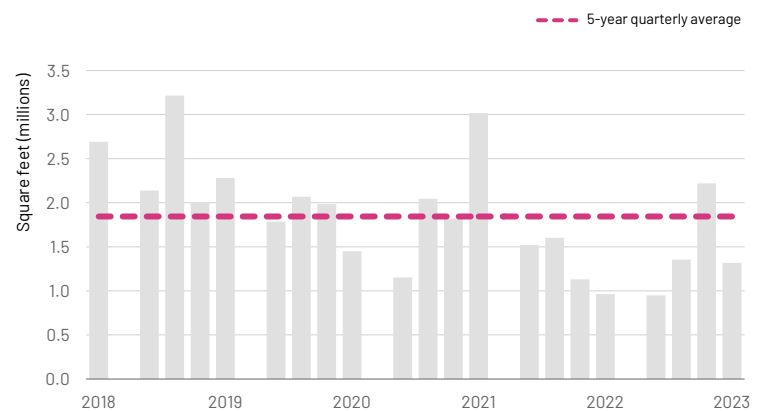
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

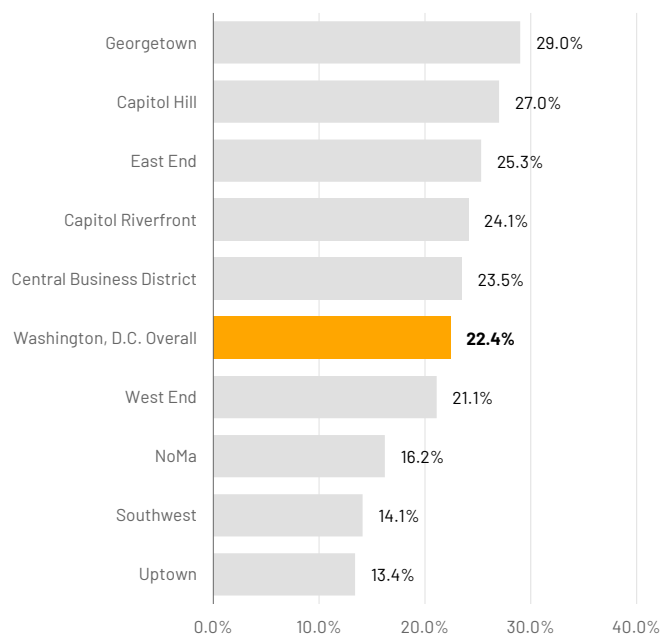
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
The Smithsonian	● Government	East End	750 9 th Street NW	133,000	Renewal
Federal Aviation Administration	● Government	Southwest	950 L'Enfant Plaza SW	99,585	Renewal
Cohen Milstein	● Legal Services	East End	1100 New York Avenue NW	41,281	Renewal
International Research and Exchange Board	● Associations and Non-profit Organizations	East End	1350 Eye Street NW	32,899	New Location
Federal Aviation Administration	● Government	Southwest	370 L'Enfant Plaza SW	25,518	Renewal
Bryan Cave Leighton Paisner	● Legal Services	East End	1155 F Street NW	24,000	Renewal
Progressive Policy Institute**	● Associations and Non-profit Organizations	CBD	1919 M Street NW	20,464	New Location
Third Way	● Associations and Non-profit Organizations	CBD	1025 Connecticut Avenue NW	19,513	Expansion
Mindset	● Business, Professional, and Consulting Services	East End	455 Massachusetts Avenue NW	18,861	New Location
Plastics Industry Association	● Associations and Non-profit Organizations	East End	1425 K Street NW	18,834	Renewal

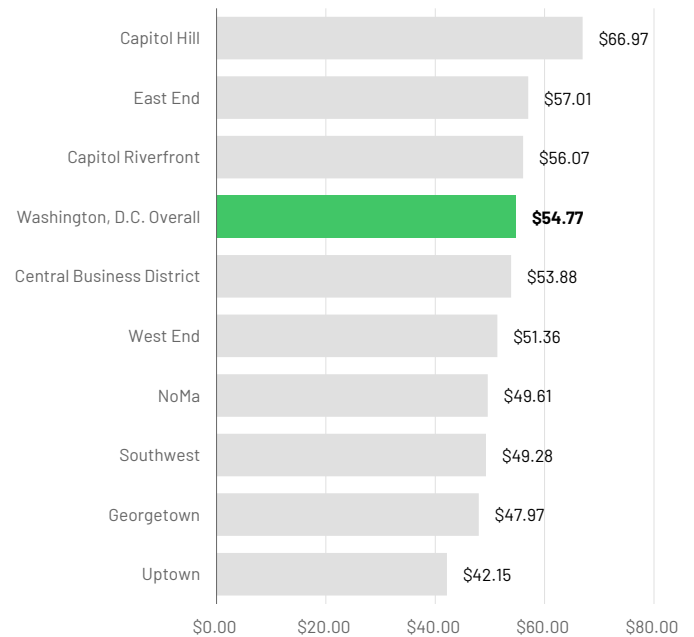
Availability Rate Comparison (%)

WASHINGTON, D.C. SUBMARKETS



Rental Rate Comparison (\$/sf)

WASHINGTON, D.C. SUBMARKETS



Washington, D.C. Q4 2023 - 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.

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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