

Washington, DC



OVERVIEW

Office demand, coupled with robust economic indicators remained positive in the region. As the federal government reviews its footprint with the attempt of scaling back, professional and business services companies were leasing at rapid rates. The 12-month absorption for the region totaled 2.8 million SF, with Northern Virginia making up over 90% of this growth. Despite it still being dominated by the federal government and defense contractors, over the years, Northern Virginia has been able to attract some notable high-tech companies such as Apple, Dell, IBM, Hewlett-Packard, Microsoft, Google, Facebook, and Amazon. Recently, Google doubled its footprint and leased over 100,000 SF at Reston Station, where it will be the anchor tenant at Comstock's property. Amazon has expanded into National Landing and will now occupy over 500,000 SF. Amazon Web Services signed one of the largest deals at Dulles Corner for over 250,000 SF.

FUNDAMENTALS

Forecast

YTD net absorption	2.9M SF ▲
Under construction	12.2M SF ▲
Average asking rent (gross)	\$37.79/SF ▲
Concessions	14+ months free & \$100+ allowance ▲

 Market Size	 Fannie Mae	 Total Vacancy
501 million SF	Fannie Mae: 498k SF	12.9%

TOTAL VACANCY



AVERAGE ASKING RENTS



OUTLOOK

- With another 1.9 million sf of space set to deliver across Washington, DC, and only about 50% having been preleased at the close of the second quarter of 2019, we could see another one million sf of vacant space hit the market by year's end.
- The labor markets remain very tight with a regional unemployment rate of 3.3%. We are seeing growth across all industries; however most are using space

more efficiently as square footage use per FTE has been decreasing for years. Concessions offered by landlords continue to rise (especially in DC), and while construction costs have been increasing at a similar pace, we expect downtown DC to continue to soften. Northern Virginia has been fueled by Amazon related growth along with growing government contractors. Maryland will continue to see growth from the biotech industry.

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