

# Washington, DC

Office market snapshot | Q2 2024

Through the halfway point of 2024, the Washington, DC office market has shown signs of life in certain segments and distress in others, much like any major US office market. Availability continues to rise in the older and more obsolete office stock, while higher quality assets continue to outperform. A limited development pipeline will only exacerbate the tightening in the Trophy segment of the market. Loan sales and other instances of distress have driven Q2 investment sales activity, following a Q1 that featured several core office trades.

## 12.8%

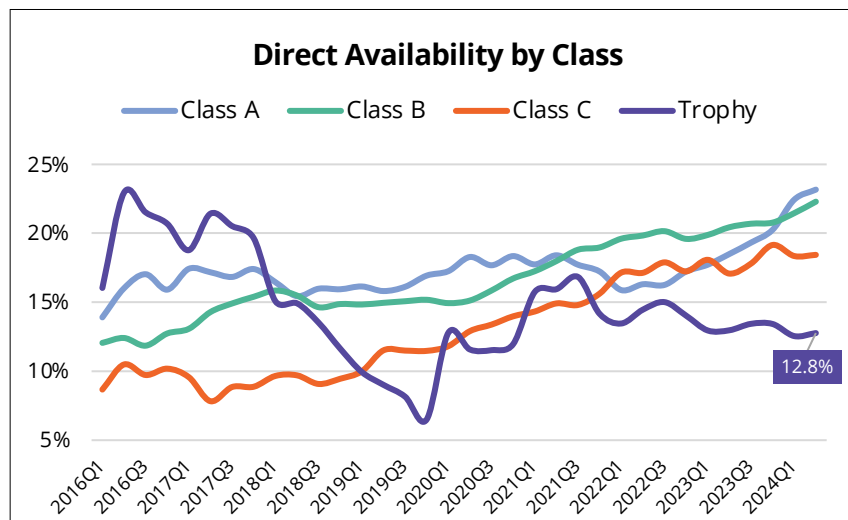
**Direct Availability in Trophy Buildings.** This segment of the market continues to outperform peers.

## \$753mm

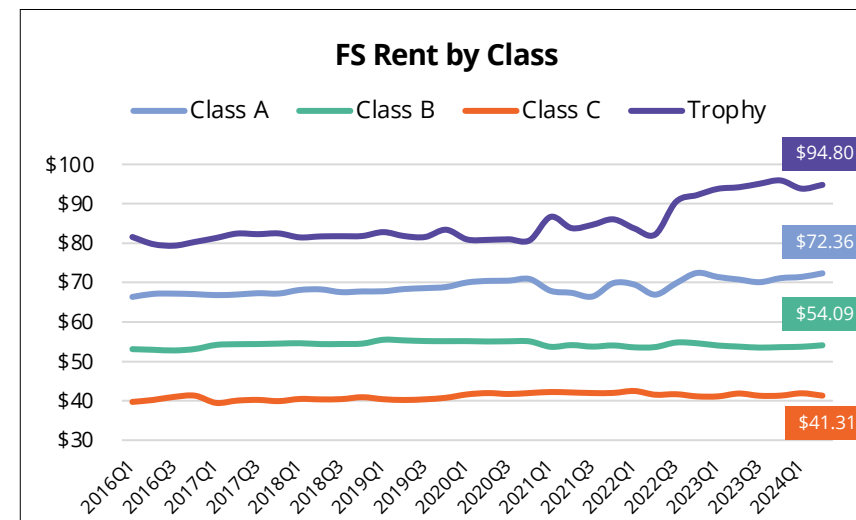
**YTD Investment Sales Volume.** Through Q2, DC has eclipsed the 2023 total of **\$656mm**.

## 441k sf

**DC Under Construction Office Developments.** This is the lowest level in over 20 years.



The Trophy segment of the market has continued to outperform its peer segments, indicating that tenants are willing to pay a premium for quality space with access to quality amenities.



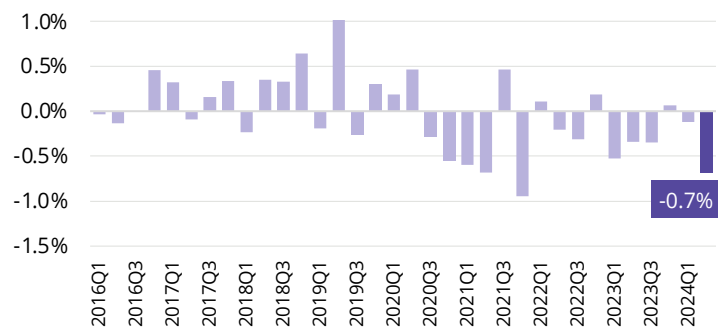
As a function of the DC Trophy market's resilience, rents in that sector have trended upward. A crucial piece to this is the ever-shrinking office development pipeline, which sits at the lowest level in over 20 years. This lack of new supply will continue to add upward pressure on rents.

Source: AVANT by Avison Young, CoStar, RCA

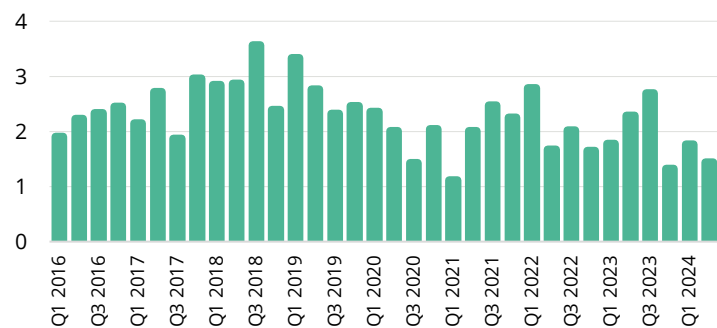
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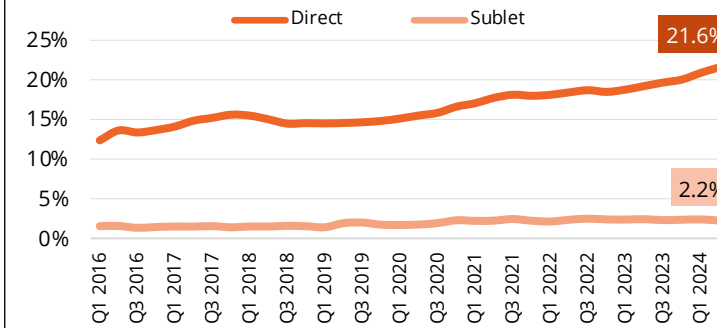
Net Absorption as a % of Inventory



Leasing Velocity (msf)



Availability



Recent Leasing Activity

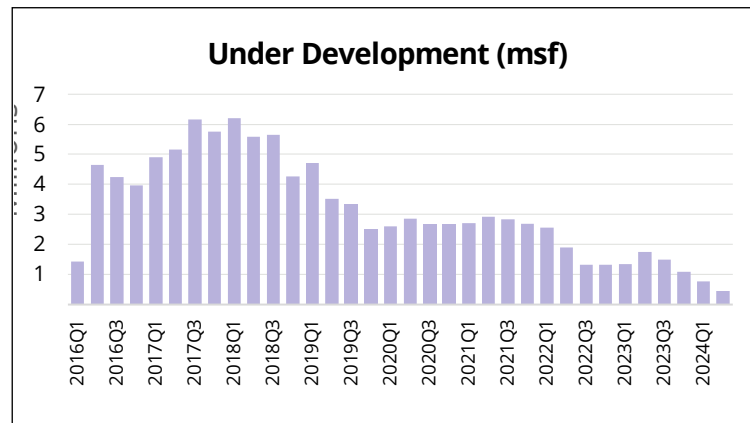
Tenant	Address	Size (sf)	Transaction type	Lease type
International Food Policy Research Institute	1201 I St NW	71,543	Direct	Renewal
Cozen O'Connor	2001 M St NW	65,576	Sublease	Relocation
Carefirst Blue Cross Blue Shield	655 15 <sup>th</sup> St NW	65,399	Direct	Relocation

Recent Sales Activity

Buyer	Address	Sale price	Sale price psf	Seller
Taicon Property Partners	1899 L St NW	\$26,500,000	\$175	Blackrock
Brookfield	1200 New Hampshire Ave NW	\$70,788,216	\$229	BentallGreenOak
State Farm	1750 H St NW	\$17,600,000	\$132	Office Properties Income Trust

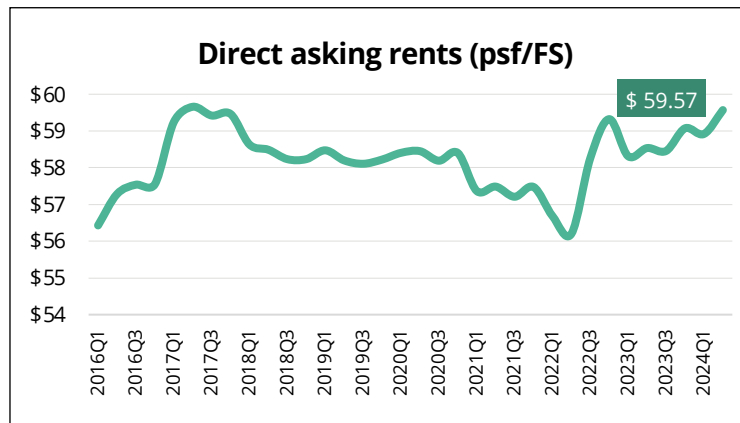
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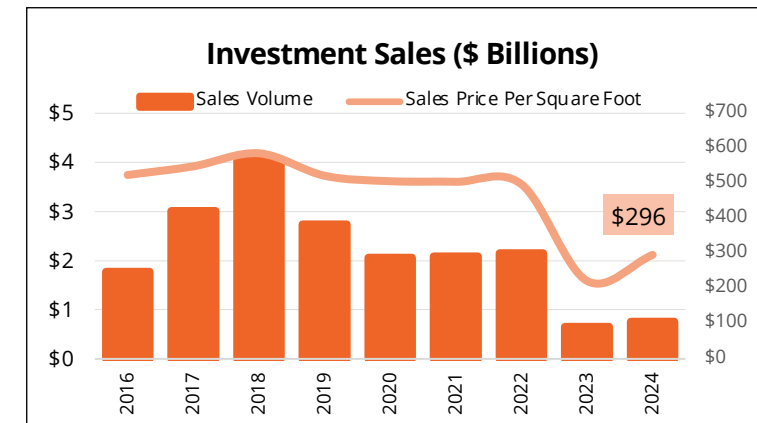
## A quick note on development

The DC office development pipeline currently sits at the lowest level in over 20 years. Rising construction costs, general macroeconomic headwinds, and the uncertain future of tenant demand have all contributed to this phenomenon. This lack of new supply has already begun to contribute to dwindling availability in trophy assets and has also caused a rise in renewal activity among larger tenants, who are facing limited options to relocate and upgrade their space.



## A quick note on asking rents

Asking rents for DC office buildings have increased incrementally over the last several quarters. Concessions remain elevated, albeit they have shown signs of tapering in the upper segments of the market. The limited development pipeline in DC should apply upward pressure to rents in the Trophy and Class A segments of the market.



## A quick note on investment sales

After a lackluster investment sales market in 2023, the volume for office trades has already eclipsed the 2023 total watermark through Q2 of 2024. Pricing has seemingly bottomed out, and investors are approaching the market with more conviction, albeit cautiously. There still is a market for quality assets in quality locations; however, current market conditions generally do not present an environment where owners of office buildings will willingly exit their investments.

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## Get in touch

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	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Total availability change (YoY)	Net absorption % of inventory (QTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
East End	51,797,341		399,617	26.3%	2.7%	29.0%	2.5%	-0.8%	-1.82%	\$ 62.15
CBD	39,723,536	334,000		23.5%	1.9%	25.4%	2.8%	0.0%	0.60%	\$ 59.75
Southwest	13,350,606			14.5%	0.9%	15.5%	1.9%	-0.4%	-0.71%	\$ 51.84
Capitol Hill	8,824,072			19.4%	2.8%	22.2%	0.5%	-1.4%	-1.93%	\$ 71.53
NoMa	7,998,680			15.4%	1.1%	16.5%	-0.2%	-0.9%	-0.28%	\$ 49.72
Dupont Logan Shaw	6,250,122	-35,679		16.8%	0.9%	17.8%	3.7%	-4.1%	-4.46%	\$ 55.49
Upper Northwest	5,221,683		41,000	13.6%	3.0%	16.5%	1.1%	-0.2%	-0.13%	\$ 43.34
Navy Yard	4,754,454			18.5%	4.1%	22.6%	2.3%	-0.8%	-1.44%	\$ 58.74
West End	4,670,298			8.6%	5.3%	13.8%	-2.1%	0.2%	-0.25%	\$ 52.83
Georgetown	2,824,215			30.3%	2.1%	32.4%	3.8%	0.2%	-1.82%	\$ 50.12
Northeast	2,197,611	32,251		15.9%	0%	15.9%	1.4%	-2.6%	-0.11%	\$ 49.11
Southeast - East of the River	1,449,366	288,000		5.6%	1.5%	7.1%	4.3%	0.3%	15.15%	\$ 46.02
Market total	149,061,984	618,572	440,617	21.7%	2.2%	23.9%	2.2%	-0.7%	-0.8%	\$59.57

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Total availability change (YoY)	Net absorption % of inventory (QTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
Trophy	9,632,503	334,000	399,617	12.8%	3.1%	15.9%	-1.7%	-0.9%	-1.3%	\$ 94.80
Class A	36,706,650	288,000	41,000	23.2%	3.0%	26.1%	4.8%	-1.2%	-0.7%	\$ 72.36
Class B	91,952,160	32,251		22.3%	2.0%	24.3%	1.7%	-0.4%	-0.5%	\$ 54.09
Class C	10,770,671	-35,679		18.4%	0.9%	19.4%	1.2%	-1.2%	-2.8%	\$ 41.31
Market total	149,061,984	618,572	440,617	21.7%	2.2%	23.9%	2.2%	-0.7%	-0.8%	\$59.57

Note: Office Buildings over 20k rsf  
Source: Avant by Avison Young, CoStar

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