

Washington, DC

Office market snapshot | Q3 2024

As we approach the end of 2024, the Washington, DC office market is experiencing mixed signals: some segments are thriving while others face challenges, mirroring trends seen across major US markets. The flight to quality persists, with the availability of premium properties steadily declining, while lower-tier Class B and C buildings continue to see an increase in availability. A constrained development pipeline is likely to intensify the competition for trophy assets. Additionally, distress continues to be a theme of office investment sales activity, however, the market has seen more core-profile trades in 2024 vs. 2023.

12.1%

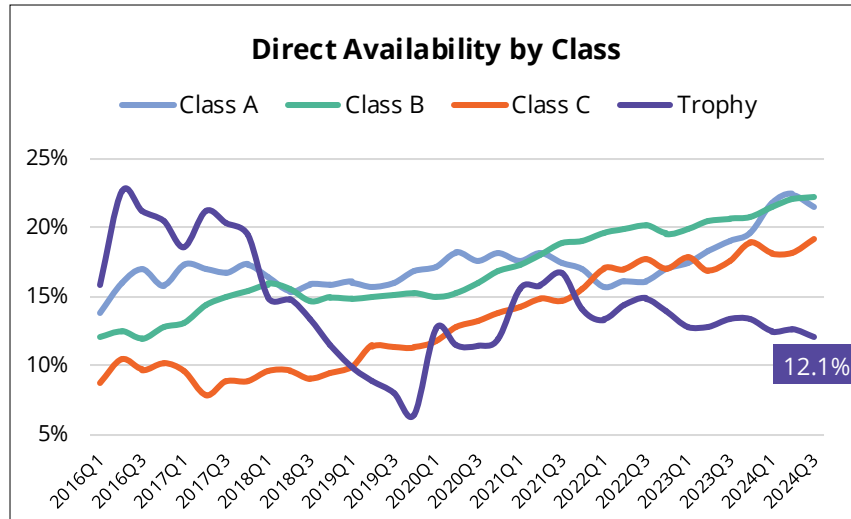
Direct availability in Trophy Class buildings. This segment of the market continues to outperform peers.

\$998mm

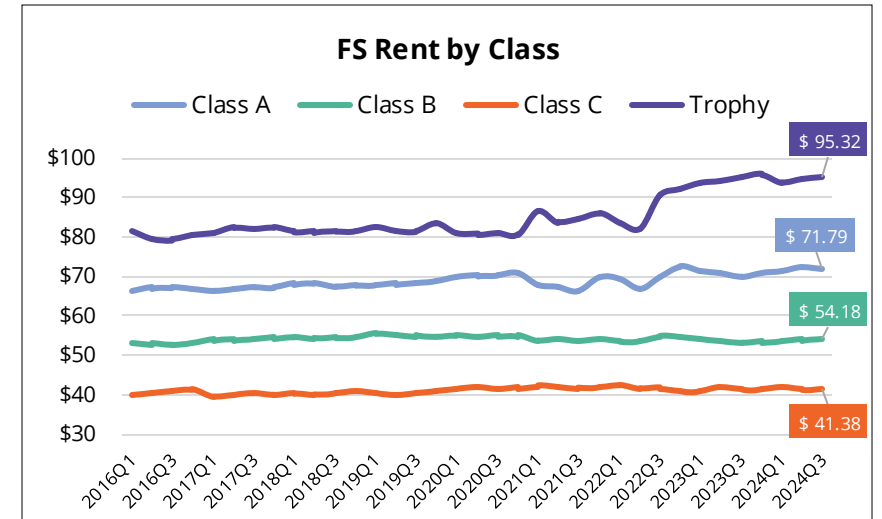
YTD investment sales volume. Through Q3, DC has eclipsed the 2023 total of **\$438mm**.

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, and indicator that tenants are willing to pay a premium for quality space, with access to quality amenities.

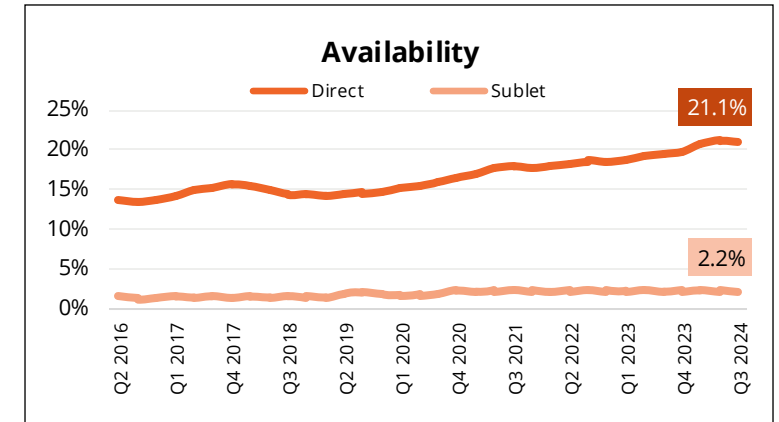
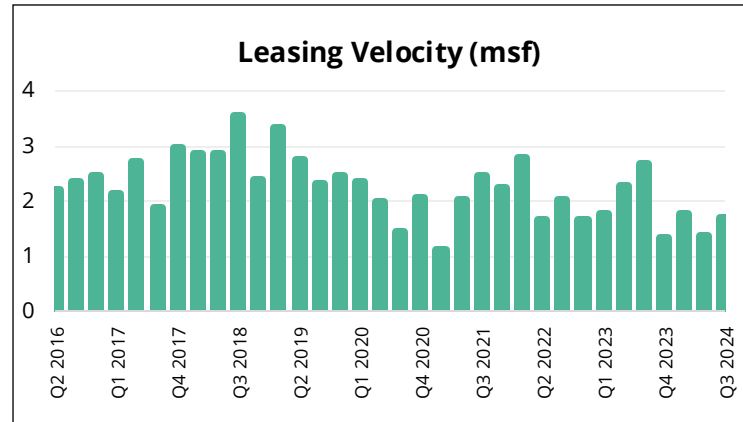
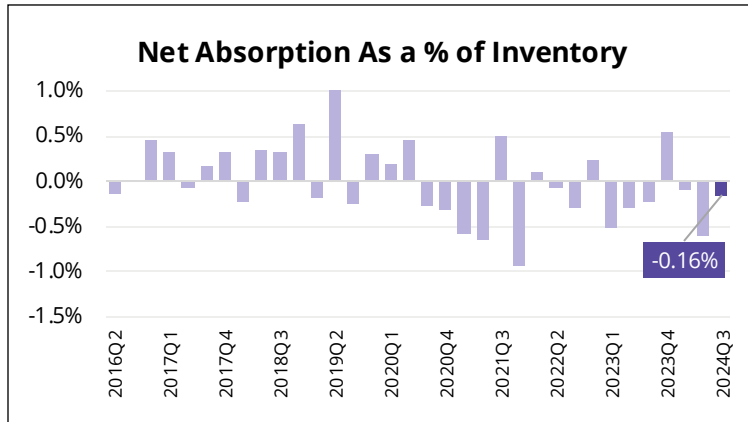


Due to the resilience of the DC Trophy market, rents in this sector have been on the rise. A key factor driving this trend is the significantly shrinking office development pipeline, which is at its lowest level in over 20 years. This shortage of new supply is expected to keep putting upward pressure on rents.

Source: AVANT by Avison Young, CoStar, RCA

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Recent Leasing Activity

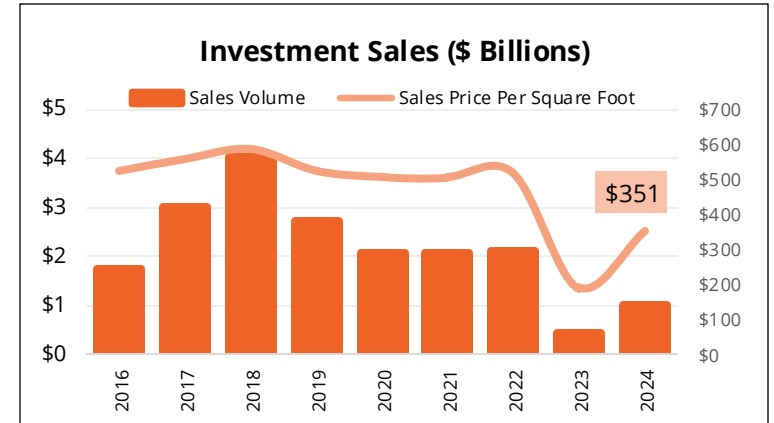
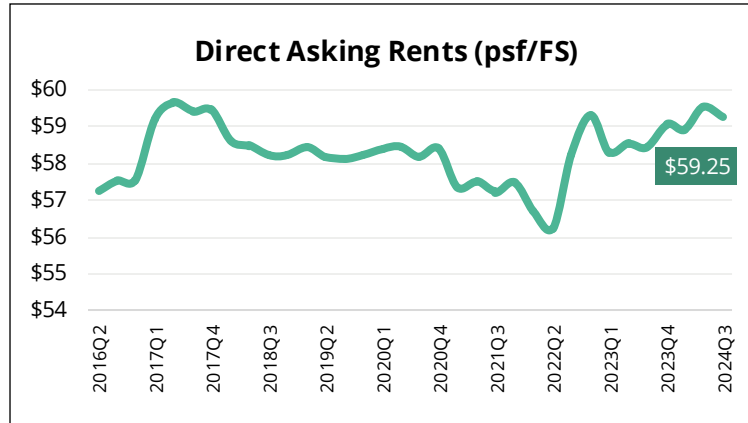
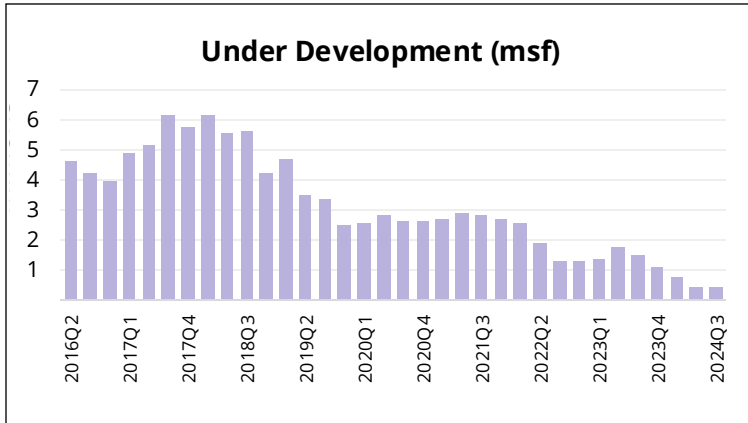
Tenant	Address	Size (sf)	Transaction type	Lease type
Fannie Mae	1100 15 th St NW	340,000	Direct	Renewal
United States Department of the Treasury	1575 I St NW	65,000	Direct	New
Brownstein Hyatt Farber Schreck	600 Massachusetts Ave NW	63,000	Sublease	New

Recent Sales Activity

Buyer	Address	Sale price	Sale price psf	Seller
Douglas Development	701 8 th St NW	\$34,250,000	\$248	Voya
Spear Street Capital	2000 K St NW	\$140,200,000	\$601	Tishman Speyer
Davis Companies	1200 18 th St NW	\$18,500,000	\$110	Ring Management Associates

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A quick note on development

The DC office development pipeline is at its lowest point in more than 20 years. Factors such as increasing construction costs, broader economic challenges, and uncertain tenant demand have all played a role in this decline. The shortage of new supply is leading to reduced availability of prime assets and an uptick in renewal activity among larger tenants, who find their options for relocation and upgrades increasingly limited.

A quick note on asking rents

Asking rents for DC office buildings have increased incrementally over the last several quarters but is down in Q3 over Q2. Concessions remain elevated, albeit 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

Following a lackluster investment sales market in 2023, office trade volume has already surpassed the total for that year by Q3 of 2024. Pricing appears to have stabilized, with investors entering the market with greater confidence, though still cautiously. There remains demand for quality assets in prime locations; however, current market conditions are not conducive for office building owners to readily exit their investments, albeit, a lower interest rate environment will help this.

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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	52,209,023		399,617	25.4%	2.6%	27.9%	2.0%	0.36%	-1.49%	\$ 62.21
CBD	40,411,702	334,000		22.8%	1.6%	24.4%	1.0%	-0.29%	0.30%	\$ 59.05
Southwest	13,490,160			14.9%	1.2%	16.1%	0.9%	0.02%	-0.69%	\$ 51.70
Capitol Hill	9,000,570			19.3%	3.0%	22.4%	1.4%	1.04%	-0.85%	\$ 70.46
NoMa	7,998,680			17.5%	0.7%	18.2%	1.2%	-3.03%	-3.31%	\$ 48.67
Dupont Logan Shaw	6,324,730	-35,679		15.9%	1.3%	17.2%	5.5%	-0.21%	-4.68%	\$ 55.10
Upper Northwest	5,479,236		41,000	13.0%	2.7%	15.6%	0.9%	0.21%	0.08%	\$ 42.92
Navy Yard	4,754,454			17.1%	4.0%	21.1%	1.5%	0.81%	-0.63%	\$ 57.39
West End	4,671,472			10.2%	5.3%	15.5%	0.5%	0.54%	0.29%	\$ 52.63
Georgetown	2,853,378			29.5%	3.3%	32.9%	1.0%	0.80%	-0.77%	\$ 50.29
Northeast	2,253,793	32,251		15.4%	0%	15.4%	1.5%	-0.63%	-0.73%	\$ 50.42
Southeast - East of the River	1,449,366	288,000		5.7%	1.5%	7.2%	-0.3%	0.71%	15.86%	\$ 46.00
Market total	150,896,564	618,572	440,617	21.1%	2.2%	23.3%	1.56%	-0.16%	-0.80%	\$59.25

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Trophy	9,737,248	334,000	399,617	12.1%	3.2%	15.3%	-2.6%	2.43%	1.13%	\$ 94.80
Class A	37,949,039	288,000	41,000	21.4%	2.5%	23.9%	2.6%	-0.24%	-0.73%	\$ 72.36
Class B	92,277,728	32,251		22.0%	2.0%	24.0%	1.6%	-0.25%	-0.79%	\$ 54.09
Class C	10,932,549	-35,679		15.3%	0.9%	16.1%	1.5%	-0.04%	-2.83%	\$ 41.31
Market total	150,896,564	618,572	440,617	21.1%	2.2%	23.3%	1.56%	-0.16%	-0.80%	\$59.25

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

