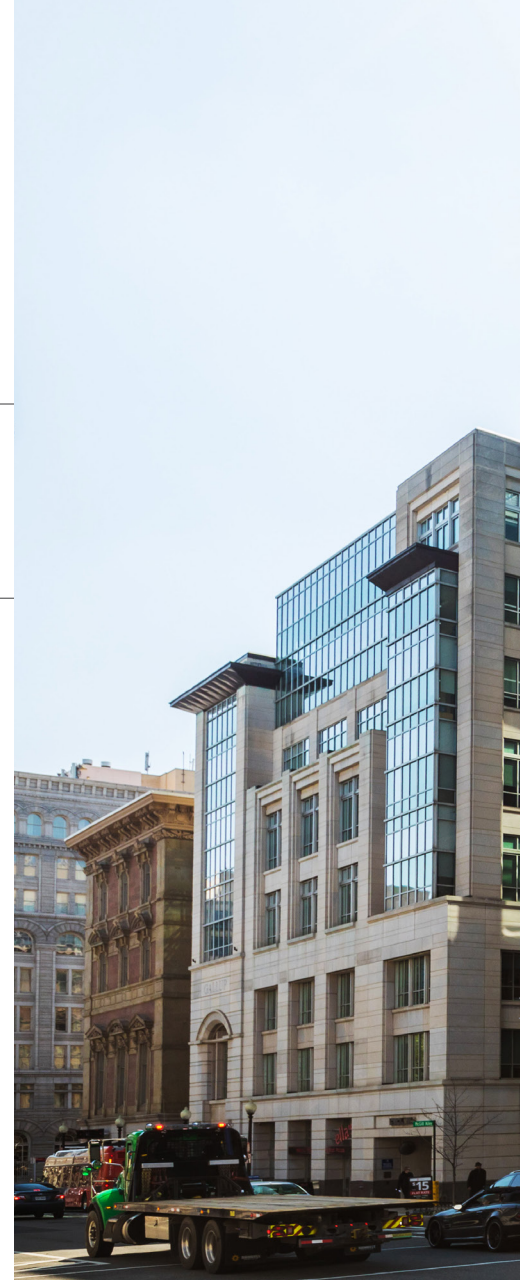


# OFFICE MARKET

## CONTINUED DENSIFICATION

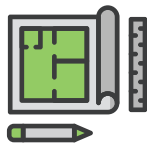
DowntownDC in 2017 continued to be one of the most attractive office markets in the nation, anchored by the presence of the federal government, its location at the center of the regional transportation system and its diverse amenities. During 2017, the office market in the DowntownDC BID area and DC set a new record sales price for a commercial office building at 900 G Street NW.

The office market also experienced continued densification, gained a marginal increase in effective rents due to record concessions, experienced higher vacancies and continued to be attractive to foreign investors. A total of 3.1 million square feet (SF) of office space was under construction in 2017, approximately 50% of the city's total construction of office space.



THE DOWNTOWNDC BID IS HOME TO APPROXIMATELY

**65.5**  
MILLION SF

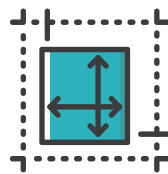


OF PRIVATE, FEDERAL  
AND DC GOVERNMENT  
OFFICE SPACE

OR **39%** OF THE  
CITY'S TOTAL

0

100



**3.1**  
MILLION SF

OF OFFICE SPACE WAS  
UNDER CONSTRUCTION IN 2017  
OR 50% OF THE CITY'S TOTAL

THE SALE OF  
900 G STREET  
NW FOR

**\$1,273** PER  
SF

SET A RECORD FOR THE  
DOWNTOWNDC BID AND ALL OF DC

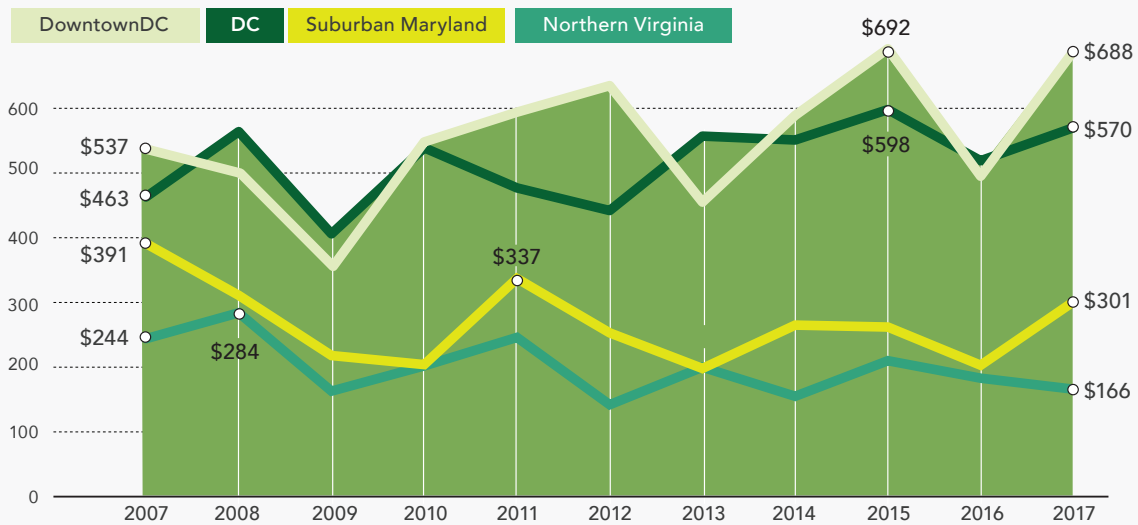
## FOREIGN INVESTMENT

In the 2017 rankings by the Association of Foreign Investors in Real Estate (AFIRE), DC rose from No. 6 to No. 4 for U.S. cities (behind New York City, Los Angeles and Seattle) and dropped from No. 16 to No. 25 for global cities.

Foreign investors accounted for 84% of DowntownDC office sales and 61% of the office sales in the city in 2017. For the past five years, foreign investors accounted for an average of 58% of office sales and 57% of the city's.



### AVERAGE SALES PRICE TRENDS IN DOWNTOWNDC, DC AND REGION (per SF)

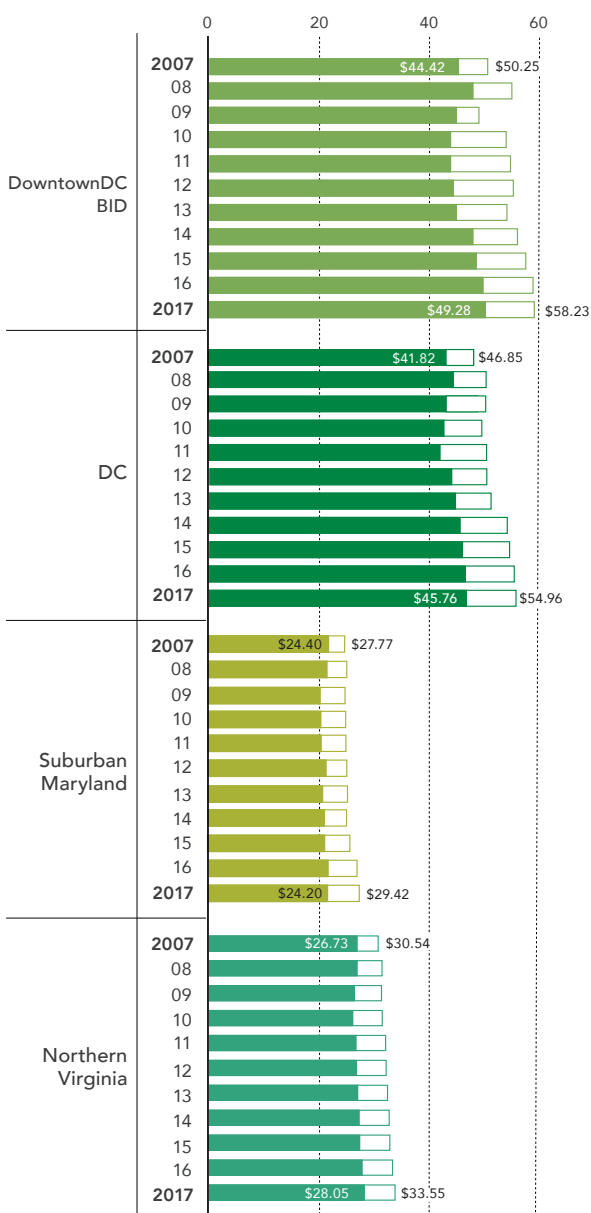


Source: JLL Research



## OVERALL OFFICE ASKING &amp; EFFECTIVE RENTS

● Effective ○ Asking (per SF)



Source: Delta Associates and REIS

**DESPITE THE TREND  
TOWARDS DENSIFICATION,  
THE BID AREA IS STILL HOME  
TO THE LARGEST SHARE OF  
DC'S OFFICE MARKET**



The DowntownDC BID Corporation office move to 1275 K Street is an example of office densification: moving from 17,000 SF to 12,000 SF.

## SLIGHT RENT INCREASES, RECORD VACANCIES

On the operating side, office market performance remained static as effective rents rose slightly from \$48.88 per square foot (SF) in 2016 to \$49.28 per SF or 1%, as free rent averaged 3.8 months and tenant improvement allowances rose to \$70.31 per SF, according to Delta Associates.

Total vacant office space rose from 4.9 million SF to a record 5.2 million SF and the vacancy rate rose from 13% in 2016 to 13.8% in 2017,

according to Cushman & Wakefield. This was due to densification and the delivery of new or substantially renovated buildings and the beginning of federal tenants moving to lower-rent submarkets.

Office building owners and their leasing brokers are working hard to bring new tenants into the BID. In 2017, new offices opened in DowntownDC including: Fannie Mae, Facebook, Mapbox, FS Card and FiscalNote.

### OVERALL VACANCY RATE

	DowntownDC BID	DC	Suburban Maryland	Northern Virginia
2007	6.9%	7.1%	11.9%	11.0%
2008	8.1%	8.0%	13.5%	12.7%
2009	10.8%	14.3%	17.7%	15.7%
2010	10.4%	12.6%	17.1%	14.9%
2011	10.4%	11.9%	17.3%	16.5%
2012	11.8%	13.0%	17.9%	18.9%
2013	13.2%	14.4%	18.3%	19.7%
2014	11.7%	13.0%	21.0%	21.1%
2015	12.0%	11.6%	21.2%	21.2%
2016	13.0%	12.1%	20.6%	21.3%
2017	13.8%	12.4%	19.4%	21.5%

\* DowntownDC is considered to be the East End submarket

Source: Cushman & Wakefield

# DOWNTOWNDC WAS HOME TO 29 CO-WORKING SPACES IN 2017

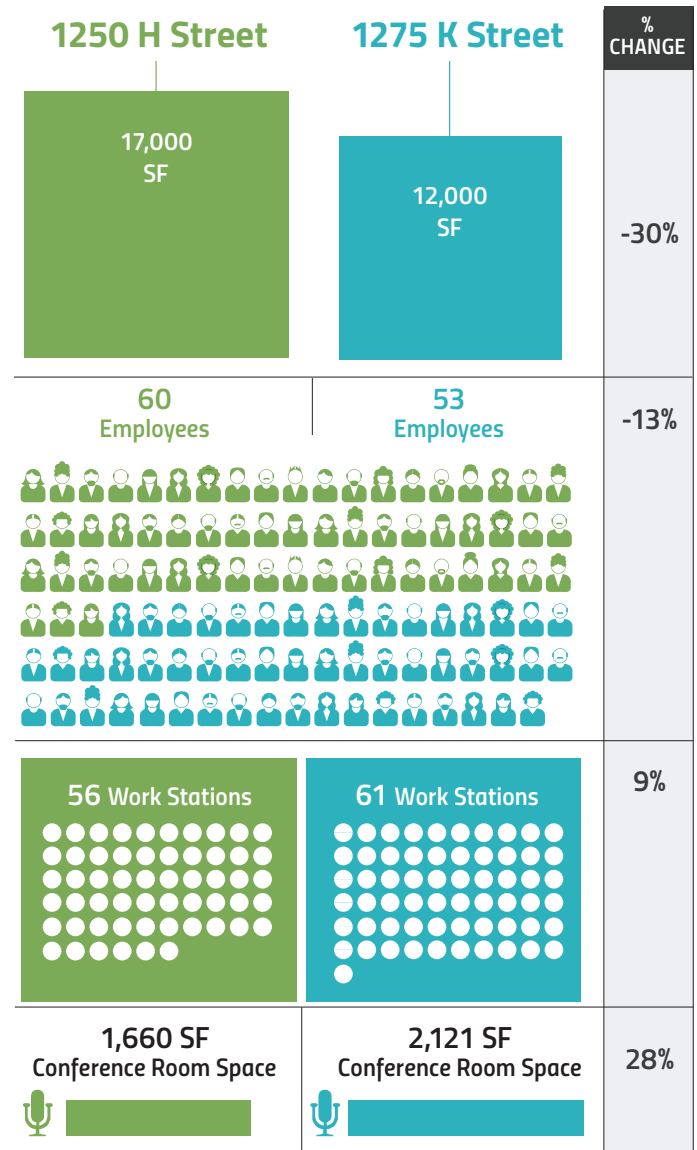
Office markets across the country are experiencing the trend of smaller work areas per employee and a shift towards open office floor plans. One example of this densification trend is the administrative office of the Downtown BID Corp. In 2017 the BID downsized the administrative office from 17,000 square feet (SF) to approximately 12,000 SF.

As densification continues, co-working spaces continue to increase in the BID area and in DC. The BID in 2017 was home to 29 co-working spaces and the largest one in the District, WeWork White House at 1440 G Street.



# 41 OF THE REGION'S 100 LARGEST LAW FIRMS ARE IN THE DOWNTOWNDC BID

## DOWNTOWN BID CORPORATION DENSIFICATION EXAMPLE (Including National Cherry Blossom Festival Sub-Tenant)



## SIGNIFICANT SHARE OF THE OFFICE MARKET

Despite the trend towards densification, the BID area continued to be home to the largest share of DC's office market. A significant share of the DowntownDC office market continued to be occupied by law firms. Forty-one of the region's 100 largest law firms were located in DowntownDC. Overall, DowntownDC's approximately 65.5 million SF of private, federal and DC government office space accounted for 39% of the city's total office space in 2017.



## LARGE CITY OFFICE MARKET COMPARISON

	Class A Asking Rent Per SF	Overall Vacancy Rate	Total Office Inventory (millions of SF)
DowntownDC	63	13.8%	70
DC	62	12.4%	160
NYC Midtown South	85	6.9%	67
NYC Midtown	84	9.5%	243
San Francisco	74	9.7%	52
NYC Downtown	62	8.7%	89
Boston	60	7.4%	64
Seattle	47	5.7%	51
Chicago	45	13.8%	132
Houston	45	Data Not Available	37
Los Angeles	43	21.1%	27
Dallas	34	24.7%	28
Atlanta	32	16.2%	48
Philadelphia	31	10.7%	40
Denver	34	16.2%	28

Source: Cushman &amp; Wakefield

FEDERAL  
GOVERNMENT **IMPACT**

Recently the U.S. General Services Administration recommendation that the FBI rebuild its headquarters at its current location (935 Pennsylvania Avenue). The decision to remain in the current location means that the FBI will require swing space for several years and firms that work with the FBI will continue to lease space nearby.

The BID area economy continued to be bolstered by the presence of the federal government. With approximately 6 million SF of GSA-leased space and 16 million SF of GSA-owned space, the DowntownDC BID area had more federally-occupied space than any submarket in the country.

**FEDERAL  
GOVERNMENT  
OFFICES OCCUPY**



**22**  
MILLION

**SQUARE FEET  
OF LEASED AND  
OWNED SPACE IN THE BID**