

Washington DC

Office | Q2 2023 Market Report

Quarterly Snapshot

↓ Average Rent
\$53.26/SF

↑ Vacancy
19.4%

↑ Net Absorption
-815,132 SF

Occupier's Perspective

Rising vacancy rates are continuing to put increased pressure on landlords. This is giving leverage to the tenants as landlords struggle to fill their buildings.

Rising interest rates are impacting tenant concession packages. Landlords are finding issues with providing tenant improvement dollars as lending markets continue to tighten. On top of this, concerns continue to mount regarding landlords facing loan maturities and handing buildings back to lenders.

The federal government return-to-office rates continue to lag. A large majority of federal government headquarters are only using about 25 percent of their spaces around the district.

The Washington DC office market is continuing to see heightened vacancy, availability, and negative net absorption. Sublease space is rapidly growing, ending the quarter at nearly 11.8 million square feet. Approximately four million square feet of this is concentrated in the downtown DC area. A large part of the rise in vacancy rates comes because of the federal government condensing their office spaces, coupled with a lack of return-to-office policies from the government sector.

Trophy and Class A products continue to have stronger momentum, as amenities and desirable workspaces have become a priority for tenants trying to provide a space that will attract employees to return to the office. Development has slowed throughout the year, specifically as Amazon put a halt on their phase two construction after completing their initial phase.

Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
GSA - Court Services and Offender Supervision Agency	152,000 SF	East End	New Lease	Office
Hunton Andrews Kurth	115,000 SF	CBD	Renewal	Office
Hollingsworth	49,000 SF	East End	Renewal	Office

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
14.1%	▼	\$43.33	Northeast
21.9%	▲	\$44.62	Uptown
24.1%	▲	\$46.57	Georgetown
13.3%	▲	\$49.87	Southwest
11.8%	▲	\$51.60	NoMa
21.7%	▼	\$54.67	West End
22.6%	▲	\$57.23	CBD
23.7%	▼	\$59.66	Capitol Riverfront
19.6%	▲	\$60.64	East End
21.1%	▼	\$64.39	Capitol Hill
3.5%	▼	NA	Southeast