

RESEARCH MARKET REPORT

WASHINGTON, DC REGION

RETAIL | MID-YEAR 2017



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Retail Sales Continue to Remain Consistent

The Washington, DC Area retail market is comprised of 187.8 million square feet spread across 1,328 Centers and 11,930 free standing buildings.

Demographics

Population

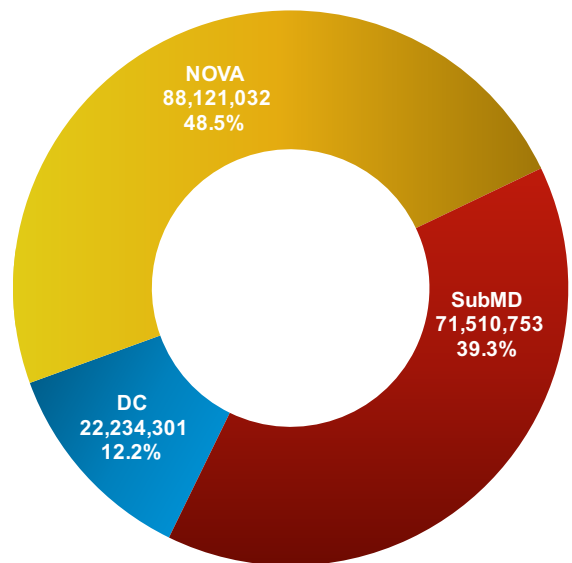
Across the Washington, DC Metropolitan Area, economic indicators continue to support additional retail growth, but at a slower rate than what has occurred over the last 10 years. The population of the DC area retail market grew 0.82 percent over the last four quarters, equating to a quarterly growth rate of 0.20 percent. While up, the population growth has slowed compared to the 10-year quarterly average of 0.74 percent. The slowest growth over the last four quarters occurred in Suburban Maryland, where the population grew by 0.61 percent to end the second quarter at 1.96 million residents. One of the major influences on slower population growth in Suburban Maryland was that more people are leaving the area than moving into the market. Since the second quarter of 2016, net migration to Suburban Maryland has totaled negative 5,200 people. In contrast, the population grew 1.01 percent to 0.69 million residents in the District and grew 0.93 percent to 2.52 million residents in Northern Virginia. Net migration has remained positive for both jurisdictions. During the second quarter of 2016, net migration for the District was 7,000 as compared to 2,600 during this quarter, which marks a significantly decreased rate of migration. On the other hand, the inflow of people into Northern Virginia increased. This quarter last year, net migration in Northern Virginia was negative 600 people, but with the rebounding office market and economy, net migration has increased to 300 people during this quarter.

Over the next four quarters, population growth across all three markets is expected to increase, but growth in Northern Virginia is expected to overtake the District. Population growth in Suburban Maryland is expected to improve, but will remain slower than its neighbors.

Summary Statistics

Mid-Year Office Market	Washington, DC	Northern Virginia	Suburban Maryland
Vacancy Rate	4.2%	2.6%	2.8%
Change from Beginning of Year (basis points)	-1	3	0
Absorption (Square Feet)	13,400	164,188	62,659
New Construction (Square Feet)	3,600	281,655	53,225
Under Construction (Millions Square Feet)	117,361	545,286	161,605

All Retail by Market (SF)



Income

Income levels in the Greater Washington, DC Area have increased significantly over the last quarters, outpacing inflation. Since the second quarter of 2016, the median household income increased 3.29 percent. The largest increase occurred in Northern Virginia, where it increased 3.65 percent to end at \$115,600. The median household income in Suburban Maryland was almost as impressive, increasing 3.10 percent to \$93,100. The District continues to see the slowest median household income growth of all the markets with it only increasing 1.17 percent to \$78,500.

Growth in the median household income is expected to moderate over the next four quarters, and the growth in Suburban Maryland is expected to surpass that of Northern Virginia. Projections call for household incomes to reach \$118,700 in Northern Virginia, \$96,300 in Suburban Maryland and \$80,000 in the District of Columbia

Housing and Housing Values

The pace of new housing construction continues to be robust in the Greater Washington, DC Area. In the past four quarters, 67,700 new housing units broke ground. This is on par with the 67,300 housing starts in the four quarters ending with the second quarter of 2016. Over the last four quarters, ground breaking of multifamily product moderated while single family starts increased. Developers also broke ground on 31,100 new multifamily units. This compares to 31,200 over the four quarters ending with the second quarter of 2016. Finally, 36,600 single family units broke ground. This is more than the four quarters ending with the second quarter of 2016, when 35,200 units were started. The pace at which developers construct new housing units is only expected to increase over the next four quarters.

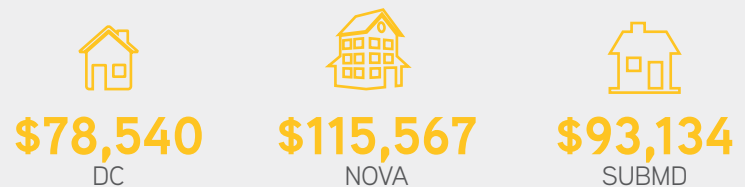
Retail Sales

Retail sales have increased over the last four quarters with all three markets participating. Northern Virginia continues to have the greatest total increase, jumping \$4.9 million from 174.8 million over the four quarters ending with the second quarter of 2016 to \$179.7 million in sales over the four quarters ending with the second quarter of 2017. Retail sales in the District of Columbia had the largest percentage increase between July 2016 to June 2017 compared to the four quarters ending June 2016. During this period, retail sales grew 3.82 percent to \$39.4 million. Retail in Suburban Maryland increased from \$115.5 million to \$120.3 million over the same period. Over the next four quarters, retail sales are expected to total \$41.6 million in the District, \$188.9 million in Northern Virginia and \$126.0 million in Suburban Maryland.

TOTAL POPULATION



MEDIAN HOUSEHOLD INCOME



NOTABLE TRANSACTIONS

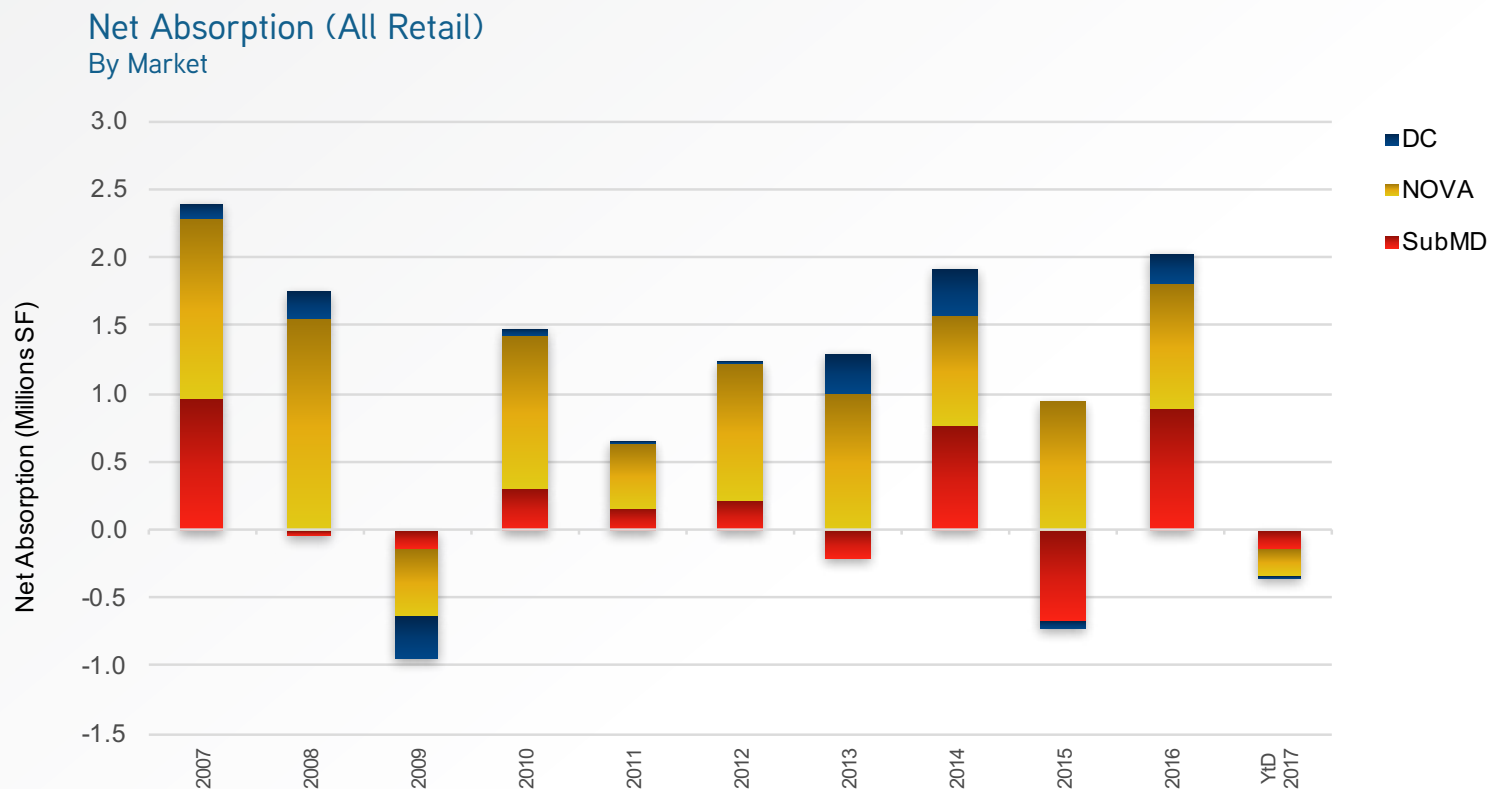
Punch Bowl Social	24,078 SF	1250 Half Street SE
Strosnidars Hardware	18,400 SF	10504 Connecticut Ave
Goodwill	17,900 SF	5077 Westfields Blvd
District Winery	17,000 SF	385 Water Street SE
Mom's Organic Market	16,000 SF	20 Upper Rock Circle
Wawa	13,854 SF	1222 Wisconsin Ave
Trader Joe's	13,072 SF	10014 Darnestown Rd
Mi Vida	9,500 SF	800 Maine Ave SW
Wawa	9,475 SF	1111 19th Street NW
Express Care Urgent Care	7,000 SF	10601 Greenbelt Rd
Wahlburgers	6,487 SF	1 Dupont Circle NW
Cava Mezze Grill	6,300 SF	10 Upper Rock Circle

Anchored Centers

- Demand for Anchored Center retail space decreased by 491,166 square feet so far in 2017. This compares to 452,391 square feet of growth during the first half of 2016.
- Demand for this type of space has fallen across all three markets with the largest pull back in demand occurring in Northern Virginia with net absorption totaling 303,294 square feet. Net absorption totaled negative 12,941 square feet in the District of Columbia and negative 174,931 square feet in Suburban Maryland.
- During the first half of 2017, 131,932 square feet of Anchored Center retail space delivered to the market. At 53,468 square feet, the bulk of the space delivered in Northern Virginia. Another 26,448 square feet delivered in the District, while another 52,016 square feet delivered in Suburban Maryland.
- At the end of the second quarter of 2017, 477,234 square feet of space was under construction. The most space being constructed, 264,168 square feet, was in Northern Virginia. There was an additional 142,234 square feet being constructed in the District, while 19,000 was being built in Suburban Maryland.
- Rental Rates in anchored centers from the start of the year have increased in two of the three markets tracked in the DC Metro. Both DC and Northern Virginia saw an increase while Suburban Maryland decreased.

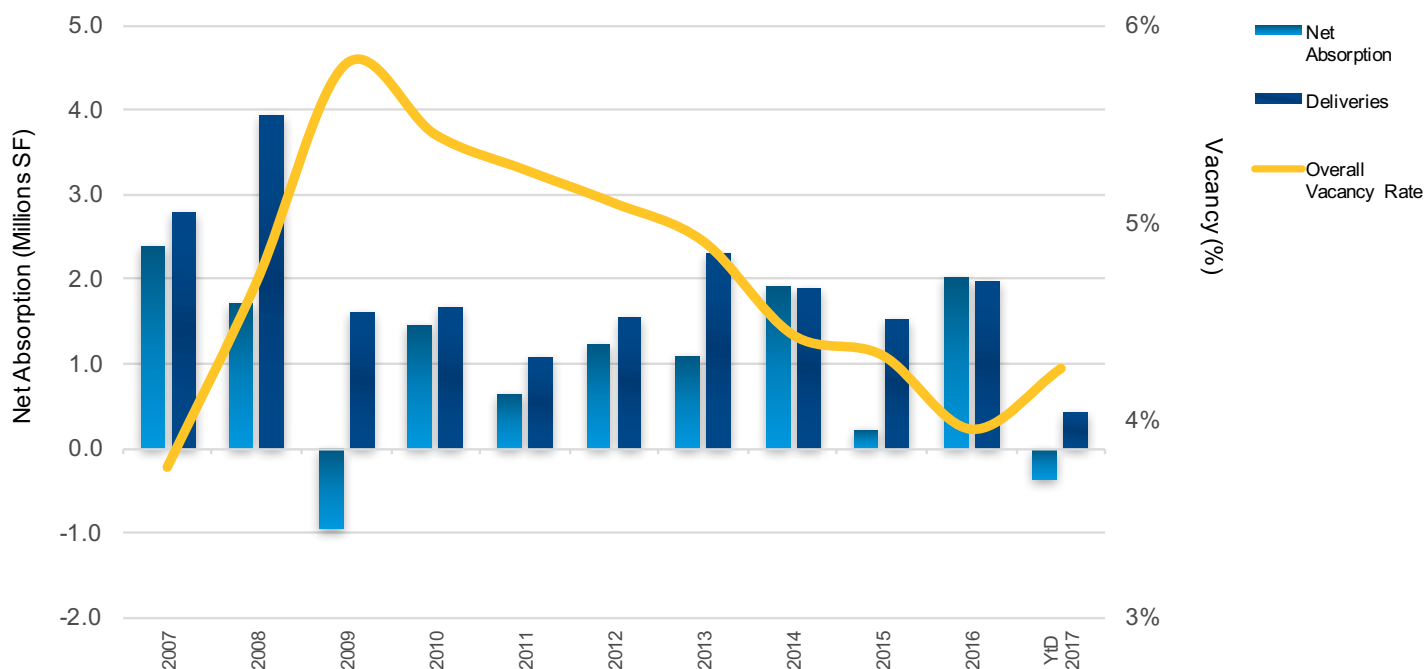
Lifestyle

- Demand for Lifestyle retail space grew at faster pace in the first half of 2017 than it did in 2016. In the first half of the 2017, net absorption has totaled 41,556 square feet, which was significantly higher than the 9,536 square feet absorbed during all of 2016
- The second quarter delivered just one lifestyle center to the market in Suburban Maryland. 1801 Ritchie Station Court will have Regency Furniture occupy all 46,000 square feet delivered in the Pennsylvania Avenue submarket.
- There is a total of 505,400 square feet currently under construction in the Washington, DC region. With the construction of Skyland, over half the total square footage under construction was in the District.
- Rental rates are up across the board in lifestyle centers from the start of the year.



Demand/Supply Fundamentals (All Retail)

Net Absorption, Deliveries, Vacancy



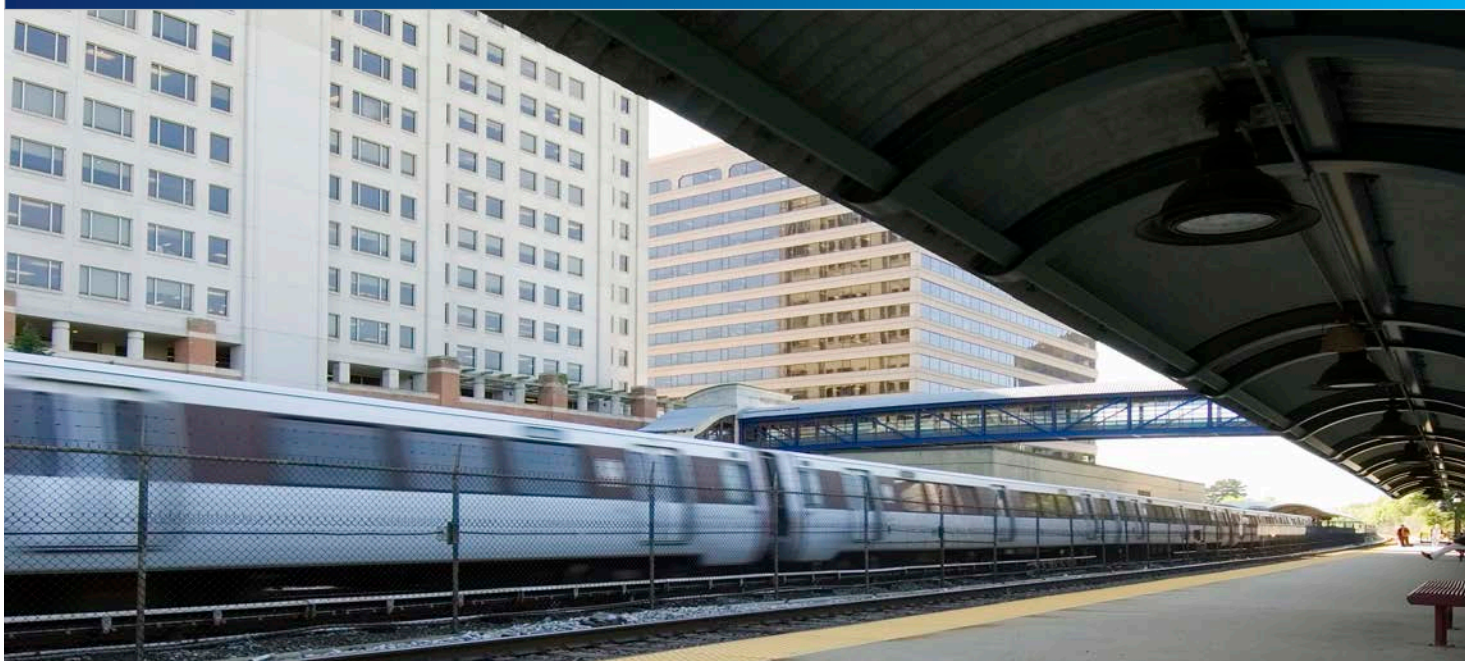
Strip/Freestanding

- Demand for Strip/Freestanding product grew during the first half of 2017, with net absorption totaling 240,247 square feet. While strong, it was off the pace set in the first half of 2016, when net absorption totaled 354,896 square feet.
- Demand grew the most in Northern Virginia with net absorption totaling 164,188 square feet in the first half of 2017. Demand grew by 85,230 square feet in Suburban Maryland and 13,400 square feet in the District
- In the first half of 2017, 338,480 square feet of Strip/Freestanding product delivered. The most product delivered in Northern Virginia with 281,655 square feet delivering. In addition, 53,225 square feet delivered in Suburban Maryland and 3,600 square feet delivered in the District.
- In the Strip/Freestanding segment there was 1.7 million square feet under construction. With 1.2 million square feet under construction, the bulk of the development activity was in the Northern Virginia market.
- The average asking rental rates for the region increased during the first half of 2017. Higher expectations in both the District and Northern Virginia drove this year's increase, while Suburban Maryland rent expectations fell slightly during the first half of the year.





MARKET	RBA	TOTAL NET ABSORPTION	TOTAL % VACANT	AVERAGE ASKING BASE RENT
NORTHERN VIRGINIA				
Annandale	2,055,396	-17,472	2.6%	\$30-40
Chantilly/Centreville	5,171,325	13,260	3.5%	\$30-40
Crystal City/Pentagon City	1,753,034	-46,394	4.4%	\$30-50
Eisenhower Ave Corridor	510,427	4,185	6.4%	\$30-60
Fairfax Center	3,966,671	-14,621	2.0%	\$30-45
Fairfax City	4,016,996	21,651	3.7%	\$30-45
Falls Church	3,425,538	-7,280	2.3%	\$30-45
Great Falls	419,645	-1,247	2.5%	\$35-60
Haymarket	6,752,441	-43,685	5.6%	\$25-40
I-395 Corridor	6,733,069	-2,687	2.5%	\$30-50
Leesburg/West Loudoun	6,545,335	-34,529	3.5%	\$30-50
Manassas	4,350,804	-27,616	4.8%	\$30-40
McLean	845,208	-11	1.7%	\$40-60
Merrifield	1,896,411	18,035	1.6%	\$35-50
N Arlington/E Falls Church	1,099,550	-2,729	2.7%	\$30-40
Oakton	348,387	5,122	0.9%	\$30-40
Old Town Alexandria/Carlyle	2,709,845	-4,252	2.8%	\$30-60
R-B Corridor	1,548,247	6,086	2.5%	\$40-70
Reston/ Herndon	366,221	-17,104	3.1%	\$30-60
Route 7 Corridor/Ashburn	1,998,796	137,468	6.3%	\$30-45
Springfield/Huntington/Burke	11,259,138	-44,557	2.1%	\$30-50
Sterling/Dulles	7,977,838	-50,680	6.4%	\$30-40
Tysons Corner	2,501,487	299,455	2.0%	\$40-80
Vienna	1,362,499	-14,191	4.5%	\$35-60
Woodbridge/I-95 Corridor	10,907,934	-97,676	5.3%	\$20-40



MARKET	RBA	TOTAL NET ABSORPTION	TOTAL % VACANT	AVERAGE ASKING BASE RENT
SUBURBAN MARYLAND				
Beltsville/Calverton	1,509,131	3,540	2.6%	\$18-25
Bethesda/Chevy Chase	3,989,450	-26,823	4.0%	\$45-100
Bowie	4,536,141	4,056	6.7%	\$25-40
Branch Avenue Corridor	4,827,056	-101,005	6.3%	\$20-35
College Park	6,124,074	-30,968	3.7%	\$25-50
Gaithersburg	5,244,395	-32,862	4.5%	\$25-45
Germantown	4,704,500	-14,229	2.3%	\$25-45
Greater Upper Marlboro	1,096,557	5,800	3.8%	\$20-35
Greenbelt	1,030,351	2,290	13.9%	\$20-30
I-270 Corridor North/Clarksburg	286,326	1,103	0.0%	\$30-40
Kensington/Wheaton	3,077,396	14,358	3.5%	\$30-45
Landover/Largo/Capitol Heights	3,725,414	49,089	7.4%	\$25-35
Lanham	1,605,758	6,928	3.2%	\$25-35
Laurel	3,733,618	27,223	6.1%	\$25-40
National Harbor	205,689	0	1.9%	\$40-60
North Bethesda/Potomac	2,758,611	44,076	5.2%	\$35-80
North Rockville	3,511,686	12,178	1.8%	\$35-50
North Silver Spring/Rt 29	3,634,373	29,261	4.2%	\$25-35
Outlying Montgomery County E/Damascus	1,602,799	2,889	4.4%	\$20-35
Outlying Montgomery County W/Kentlands	642,677	-35,174	11.5%	\$25-40
Outlying PG County South/Brandywine	890,666	2,285	1.7%	\$25-35
Oxen Hill/ Fort Washington	2,850,027	28,425	2.0%	\$20-25
Pennsylvania Ave Corridor/District Heights	3,342,389	-65,975	9.9%	\$20-35
Rockville	4,364,247	-14,018	5.3%	\$30-70
Silver Spring	2,217,422	16,849	2.5%	\$30-50



MARKET	RBA	TOTAL NET ABSORPTION	TOTAL % VACANT	AVERAGE ASKING BASE RENT
WASHINGTON, DC				
Capitol Hill	2,257,032	-15,238	6.5%	\$40-70
Ball Park/Navy Yark	365,473	-339	3.1%	\$40-60
CBD	471,747	-9,767	8.3%	\$40-120
Chinatown/East End	1,936,240	-1,607	2.5%	\$50-200
Georgetown	2,229,359	-2,691	6.5%	\$50-125
NoMa	504,094	-176	8.9%	\$30-50
Northeast	3,948,999	16,907	5.3%	\$25-50
Southeast	1,582,947	-7,835	3.1%	\$20-30
Southwest	25,498	0	0.0%	\$50-80
Uptown/Tenlytown	8,590,657	20,375	3.7%	\$50-80
West End/Foggy Bottom	322,255	830	0.0%	\$50-80

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