

Market News

- » Leasing by co-working providers has been a bright spot in an otherwise slow market. During the first quarter, WeWork continued to expand their presence in the District, leasing all of Akridge's 101,000-square-foot building at 1701 Rhode Island Avenue, NW in the CBD. Despite a loss of \$1.8 billion nationally in 2018, this lease will mark their 14th location in the District of Columbia. Convene, another shared office space provider, leased 74,545 square feet at 575 7th Street NW in the East End.
- » Six out of the top-ten leases signed in the first quarter were renewals. Of these, three were law firms: King & Spaulding, Alston & Bird LLP and Sheppard Mullin. Sheppard Mullin was the only expansion of the three.

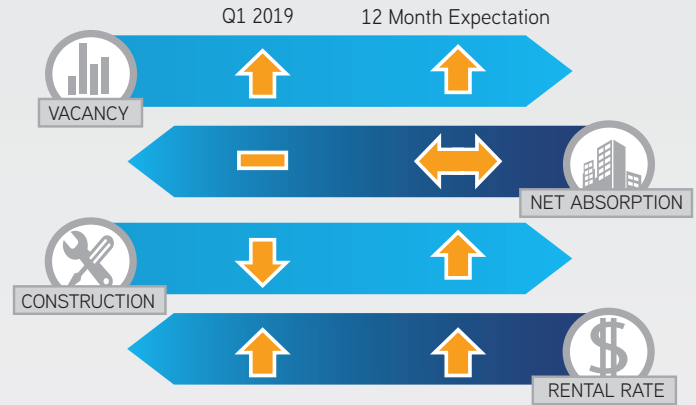
Supply & Demand

- » During the first quarter of 2019, net absorption measured negative 358,594 square feet in the District. The quarter marked the second in the last four in which demand fell by more than 250,000 square feet.
- » Negative absorption occurred in six of the nine submarkets in the District, with the largest decrease in the East End. This was largely due to the move out of U.S. Immigration and Customs Enforcement Agency from 1400 L Street, NW. The building is currently being renovated.
- » Three buildings delivered in the first quarter of 2019 accounting for 363,550 square feet of new space to the market. Both 905-909 E Street, NW (36,900 SF) and 1441 L Street, NW (225,000 SF) were significant renovations, while 1101 16th Street, NW (101,650) was a speculative development.
- » The District still has over 4.2 million square feet under construction with several projects expected to break ground in the near future.

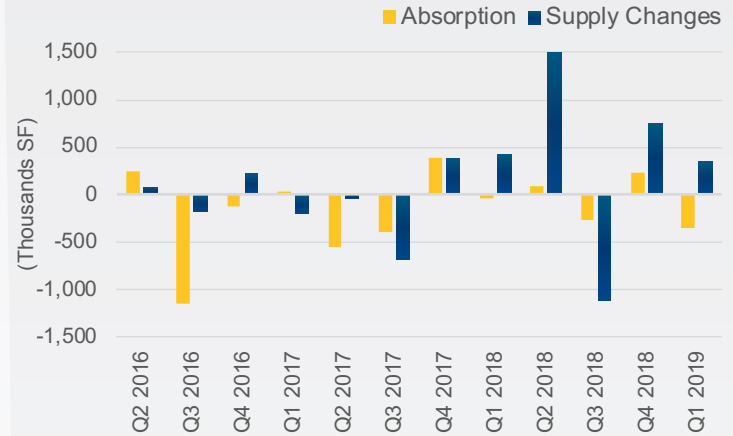
Vacancy & Rental Rates

- » Vacancy rates increased in the first quarter as a result of both falling demand and the delivery of new supply. The vacancy rate increased 50 basis points to 13.5 percent, the highest in over 20 years.
- » Despite the rise in vacancy and lack of demand, asking rents continue to rise due to higher end space coming to the market. The direct average asking rental rates increased for the third consecutive quarter to end at \$56.68 per square foot full service.

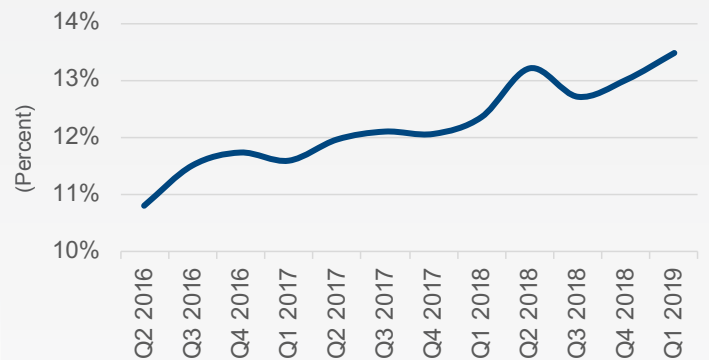
Market Indicators



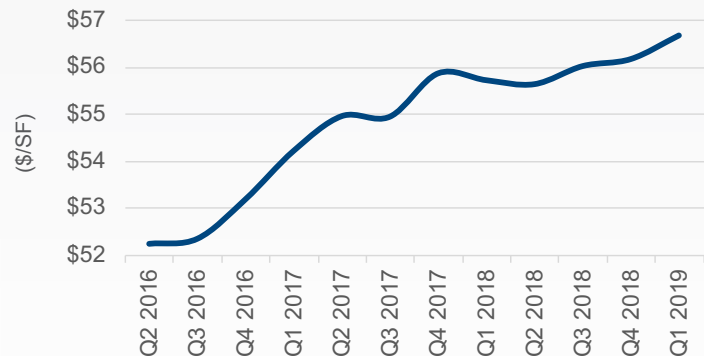
Demand/Supply



Vacancy Rate



Direct Asking Rate



Source: Colliers International, CoStar Group

District of Columbia—Office Market—All Classes | Q1 2019

| MARKET | EXISTING INVENTORY | NEW SUPPLY | YTD NEW SUPPLY | UNDER CONSTRUCTION | ABSORPTION | YTD ABSORPTION | OVERALL VACANCY RATE | DIRECT ASKING RATE |
|-----------------------------------|--------------------|----------------|----------------|--------------------|-----------------|-----------------|----------------------|--------------------|
| DISTRICT OF COLUMBIA | | | | | | | | |
| Capitol Hill | 5,944,046 | - | - | 539,289 | 8,908 | 8,908 | 16.5% | \$59.10 |
| Capitol Riverfront | 4,653,029 | - | - | 352,878 | -8,106 | -8,106 | 17.1% | \$53.73 |
| CBD | 45,739,448 | 101,650 | 101,650 | 1,451,509 | -7,920 | -7,920 | 11.3% | \$58.12 |
| East End | 47,438,292 | 261,900 | 261,900 | 737,504 | -294,080 | -294,080 | 15.4% | \$59.24 |
| Georgetown | 3,320,266 | - | - | - | -4,456 | -4,456 | 11.8% | \$47.08 |
| NoMa | 10,873,132 | - | - | 1,068,373 | -54,877 | -54,877 | 8.6% | \$53.38 |
| Southwest | 12,190,447 | - | - | - | -129,724 | -129,724 | 14.4% | \$47.53 |
| West End | 4,084,288 | - | - | - | 81,138 | 81,138 | 14.2% | \$50.94 |
| Uptown | 9,643,892 | - | - | 80,000 | 50,523 | 50,523 | 15.0% | \$44.66 |
| DISTRICT OF COLUMBIA TOTAL | 143,886,840 | 363,550 | 363,550 | 4,229,553 | -358,594 | -358,594 | 13.5% | \$56.68 |

District of Columbia—Office Market—Class A | Q1 2019

| MARKET | EXISTING INVENTORY | NEW SUPPLY | YTD NEW SUPPLY | UNDER CONSTRUCTION | ABSORPTION | YTD ABSORPTION | OVERALL VACANCY RATE | DIRECT ASKING RATE |
|-----------------------------------|--------------------|----------------|----------------|--------------------|----------------|----------------|----------------------|--------------------|
| DISTRICT OF COLUMBIA | | | | | | | | |
| Capitol Hill | 3,601,540 | - | - | 539,289 | 10,809 | 10,809 | 20.3% | \$62.00 |
| Capitol Riverfront | 4,041,467 | - | - | 352,878 | -4,648 | -4,648 | 7.8% | \$53.73 |
| CBD | 23,674,284 | 101,650 | 101,650 | 1,259,306 | 40,583 | 40,583 | 11.5% | \$63.56 |
| East End | 34,051,967 | 225,000 | 225,000 | 625,504 | 16,627 | 16,627 | 15.1% | \$64.10 |
| Georgetown | 1,641,799 | - | - | - | 1,665 | 1,665 | 15.5% | \$50.34 |
| NoMa | 9,001,182 | - | - | 1,068,373 | -50,519 | -50,519 | 10.1% | \$53.48 |
| Southwest | 9,885,094 | - | - | - | 49,748 | 49,748 | 13.7% | \$48.45 |
| West End | 2,451,970 | - | - | - | 80,368 | 80,368 | 22.9% | \$50.95 |
| Uptown | 2,193,535 | - | - | - | -10,032 | -10,032 | 27.3% | \$50.98 |
| DISTRICT OF COLUMBIA TOTAL | 90,542,838 | 326,650 | 326,650 | 3,845,350 | 134,601 | 134,601 | 13.9% | \$60.29 |

District of Columbia—Office Market—Class B & C | Q1 2019

| MARKET | EXISTING INVENTORY | NEW SUPPLY | YTD NEW SUPPLY | UNDER CONSTRUCTION | ABSORPTION | YTD ABSORPTION | OVERALL VACANCY RATE | DIRECT ASKING RATE |
|-----------------------------------|--------------------|---------------|----------------|--------------------|-----------------|-----------------|----------------------|--------------------|
| DISTRICT OF COLUMBIA | | | | | | | | |
| Capitol Hill | 2,342,506 | - | - | - | -1,901 | -1,901 | 10.7% | \$54.26 |
| Capitol Riverfront | 611,562 | - | - | - | -3,458 | -3,458 | 78.7% | n/a |
| CBD | 22,065,164 | - | - | 192,203 | -48,503 | -48,503 | 11.1% | \$52.76 |
| East End | 13,386,325 | 36,900 | 36,900 | 112,000 | -310,707 | -310,707 | 16.4% | \$50.94 |
| Georgetown | 1,678,467 | - | - | - | -6,121 | -6,121 | 8.2% | \$41.85 |
| NoMa | 1,871,950 | - | - | - | -4,358 | -4,358 | 1.4% | \$44.04 |
| Southwest | 2,305,353 | - | - | - | -179,472 | -179,472 | 17.4% | \$42.80 |
| West End | 1,632,318 | - | - | - | 770 | 770 | 1.1% | \$50.90 |
| Uptown | 7,450,357 | - | - | 80,000 | 60,555 | 60,555 | 11.4% | \$40.92 |
| DISTRICT OF COLUMBIA TOTAL | 53,344,002 | 36,900 | 36,900 | 384,203 | -493,195 | -493,195 | 12.8% | \$50.69 |