

WASHINGTON, D.C. OFFICE MARKET Yardi® Matrix

Market Analysis

Fourth Quarter 2019

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Oversupply To Test Office Market



The office market in Washington, D.C., continues to expand, thanks to growing interest from tech companies attracted by the metro's highly educated workforce and relatively affordable cost of doing business. Coworking companies were at the center of some large-block leases, with WeWork leasing more than 600,000 square feet in 2019 alone. In total, shared office space providers occupied nearly 6 million square feet or 1.6% of the metro's inventory.

Employers added 38,800 positions in the 12 months ending in September, with nearly 30% of that comprising office-using jobs. The leisure and hospitality sector gained 17,100 positions, expanding by 5.1% year-over-year, the highest growth rate in the metro. The professional and business services sector followed with 14,000 jobs, up 2.3% year-over-year.

Construction activity is booming amid relatively slow absorption rates across the metro. More than 10 million square feet was underway as of October, with 40% of that projected to come online by the end of 2020. Washington, D.C.'s office vacancy rate of 14.4% as of October is likely to increase as new projects reach completion in the coming quarters. New deliveries were expected to reach a record 5.6 million square feet by the end of 2019. Transaction volume amounted to \$5.1 billion year-to-date through October. Investors focused increasingly on value-add opportunities, which accounted for almost two-thirds of the 163 deals closed year-to-date through October.