WASHINGTON, D.C. OFFICE MARKET

Yardi® Matrix

Market Analysis

Second Quarter 2019

Contacts

Jeff Adler
Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(800) 866-1124 x2403

Jack Kern
Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Chris Nebenzahl
Senior Analyst
Chris.Nebenzahl@Yardi.com
(800) 866-1124 x2200

Veronica Grecu
Senior Real Estate Market Analyst
Veronica.Grecu@Yardi.com
(306) 955-1855 x7583

Author
Jeff Hamann
Associate Editor
Jeffrey.Hamann@Yardi.com
(212) 977-0041 x8598

Aggregated and anonymized expense and lease expiration data is available to Yardi Matrix subscribers. Please contact us for details!

For more information please contact:

Ron Brock, Jr.
Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

A Developing Risk of Oversupply

Washington, D.C., is in the midst of a development boom. Some 2.7 million square feet was added to the market in the first half of the year, exceeding 2018's total completions, while an additional 3.4 million square feet is anticipated to come online before the end of the year. Developers have relied upon the flight to quality of tenants, as trophy office space remains in high demand. However, rents are expected to soften in older assets—even in many Class A properties—as a result of the new supply's impact on vacancy rates.

Amazon continued to make headlines, signing leases with developer JBG Smith for more than half a million square feet of existing space as part of its highly anticipated HQ2 in Crystal City. The tech giant's new headquarters is projected to generate approximately 25,000 jobs during the next decade. Amazon's announcement in April has led to some speculation in the nearby submarkets, with land prices and development costs expected to rise substantially. Public transportation investment into the expansion of the Silver Line and the development of a light-rail line in suburban Maryland are also anticipated to drive demand for office space in select suburban nodes.

Some 64 buildings changed hands in the first half of the year for a combined $2 billion, a far cry from 2018's sales volume of $7.5 billion. A large number of deals involved Class B properties or outdated Class A assets, indicating growing investor appetite for value-add plays in the market.

Image by Yin Yang/iStockphoto.com