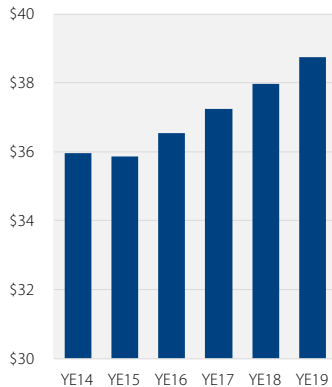
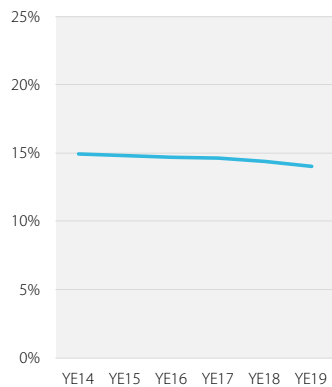


Washington Metro Region

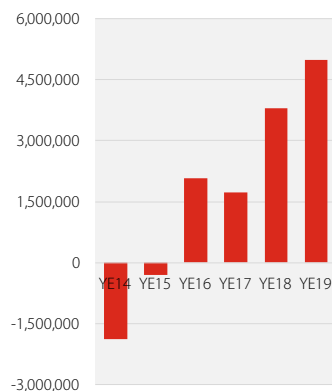
Average Asking Rent*



Vacancy Rate**



Historical Net Absorption



*All Classes, Direct Space, FS Rent;
**All Classes, Inclusive of Sublet Vacancy

Year Ends on Stable Note

The Washington region's 385-msf office market recorded nearly 5 msf of positive absorption in 2019, and overall vacancy improved by 40 bps year-over-year to 14%. Supply continues to outpace demand, keeping vacancy elevated, and the metro area could experience a temporary pause in leasing activity during the 2020 presidential election year. Yet, there is reason for optimism as some areas in this increasingly bifurcated market are outperforming the whole with high concentrations of new and amenity-rich product. Also, the region's employment base is diversifying – specifically toward the tech sector, fueled in part by Amazon's growing presence.

Three of the lease transactions signed this quarter in the metro area ranked among the 10 largest of 2019, starting in fourth place. In Northern Virginia, the U.S. Social Security Administration (SSA) renewed 334,000 sf at 5107 Leesburg Pike (I-395 Corridor in Fairfax County) and ICF International preleased 207,000 sf at 1902 Reston Metro Plaza (Reston). In D.C., PricewaterhouseCoopers (PwC) took 198,000 sf at 655 New York Avenue, NW (East End). The year's top three deals remained renewals by the federal government: the U.S. Securities and Exchange Commission (1.3 msf in NoMa), the U.S. Central Intelligence Agency (503,000 sf in Herndon) and the U.S. Department of State

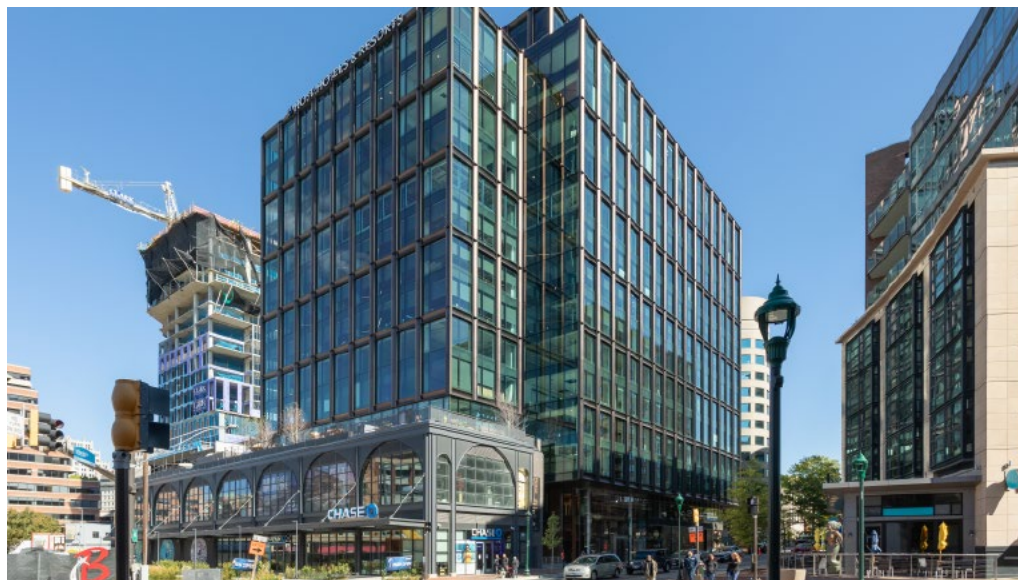
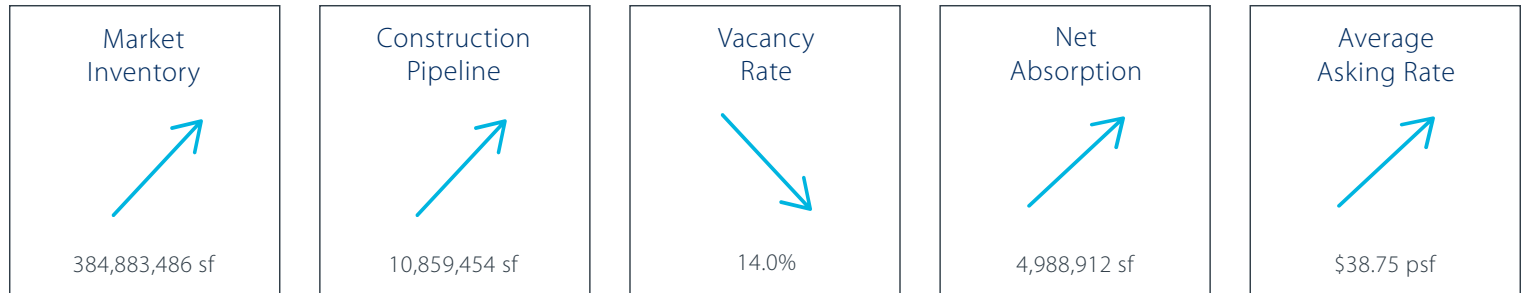
(463,000 sf in the CBD). Still, half of the 10 largest were private-sector leases, and six were non-renewal deals.

In 2019, 5 msf of office space (in 19 buildings) was completed across the region, including five properties in the fourth quarter. Delivering in the District were 1900 N Street, NW (271,000 sf in the CBD, largely committed to tenants such as Goodwin Procter and Beveridge & Diamond), the National Association of Broadcasters' new home at 1 M Street, SE (125,000 sf in Capitol Riverfront) and the second office property at Capitol Crossing (539,000 sf at 250 Massachusetts Avenue, NW in Capitol Hill). In Northern Virginia, 11011 Sunset Hills Road (160,000 sf for General Dynamics in Reston) came online, and in Suburban Maryland, 4747 Bethesda Avenue (291,000 sf in Bethesda, largely preleased to the likes of Host Hotels & Resorts and Booz Allen Hamilton) was completed. Work was started this quarter on Chemonics International's future headquarters at 1275 New Jersey Avenue, SE (290,000 sf at The Yards in Capitol Riverfront), the renovation of 1333 New Hampshire Avenue, NW (386,000 sf in the CBD, partially committed to WeWork) and 1750 Tysons Central Street (384,000 sf in Tysons). In 2020, another 5.1 msf is slated for delivery in the metro area, followed by 1.7 msf in 2021 and 4.1 msf in 2022.

Office Market Snapshot

Market Indicators

Year-to-date overall market indicators as compared to year-end 2018



Development

- Nineteen office buildings totaling 5 msf came online across the metro area in 2019.
- Among the properties completed in the fourth quarter was 4747 Bethesda Avenue, which delivered significantly preleased (photo left).

Washington Metro Region by the Numbers

	Net Absorption		Vacancy			Supply			
	2018	2019	YE 2019 Inventory	YE 2018 Vacancy (%)	YE 2019 Vacancy (%)	2018 Deliveries	2019 Deliveries	2020 Deliveries	2021 Deliveries
Washington, D.C.	1,787,043	1,176,139	139,635,791	10.5%	11.6%	3,264,857	3,765,466	2,002,829	902,117
Northern Virginia	2,592,185	3,543,659	166,490,505	16.8%	14.9%	2,282,781	787,777	1,909,441	430,025
Suburban Maryland	-586,579	269,114	78,757,190	16.1%	16.0%	1,529,206	491,414	1,149,410	382,664
Suburban Subtotal	2,005,606	3,812,773	245,247,695	16.5%	15.3%	3,811,987	1,279,191	3,058,851	812,689
Metro Region Total	3,792,649	4,988,912	384,883,486	14.4%	14.0%	7,076,844	5,044,657	5,061,680	1,714,806



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