



DC Metro Area broker sentiment survey

2024 Outlook

**AVISON
YOUNG**

Overview

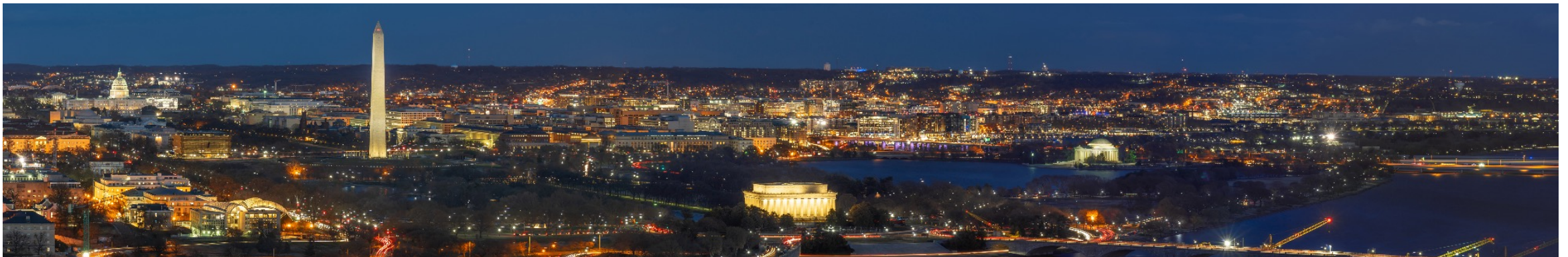
The 2024 DC Metro Area Sentiment Survey offers an in-depth analysis of the current perceptions and forecasts within the local commercial real estate industry. It is set against the broader context of the general market, which is displaying resilience in certain sectors while also navigating a period of adjustment and uncertainty.

The poll included brokers from Avison Young and other leading CRE firms in the area, as well as active developers and investors, the survey reveals key insights into market trends, investment fundamentals, and the overall economic outlook for 2024. The questions covered a range of topics from crime and safety to tenant amenity preferences and investment climate. Respondents were also asked to specify the marketplaces (DC, Maryland, Virginia) in which they are active, their modes of transportation to work, and whether their company has implemented a formal Return-to-Office (RTO) policy, including the number of days per week they spend in the office.

The survey was sent to over 100 participants and received over 75 responses that were anonymized.

Key findings highlight a consensus among respondents that a healthy vacancy rate should be between 10% and 15%, indicating a balanced leverage between landlords and tenants. There's a general expectation that office values will face corrections of 10%-40%, varying significantly with the quality of assets and tenancy. The importance of walkable amenities emerged as a critical factor for tenants when choosing office spaces, alongside fitness centers, conference facilities, and access to public transportation.

Furthermore, the survey reveals a cautiously optimistic view of demand in 2024, with expectations for increased tenant tours and leasing velocity. However, concerns about investment pricing reaching 'fire sale' levels suggest a significant opportunity for investors.



Key takeaways

10-15%

Balanced market perception

Survey respondents indicated overwhelmingly that a healthy stabilized vacancy rate lies somewhere **between 10% and 15%**. This is the level in which respondents feel as though there is equal leverage between landlords and tenants. Currently, in DC, Northern Virginia and Suburban Maryland, the vacancy rate is above this, which indicates that it is still a very tenant friendly market.

Walkable amenities

Amenities and tenant preferences

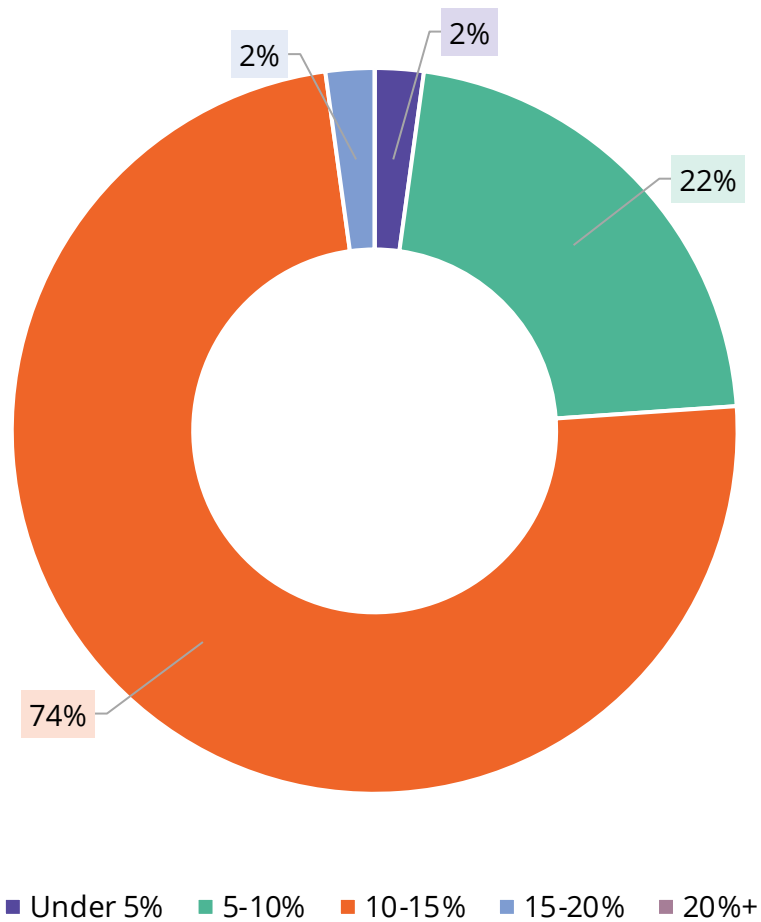
Far and away the most important amenity to prospective tenants is access to walkable amenities, with **91.3%** of respondents indicating that amenity-rich locations are very important to tenants when considering their office location. This is an important consideration for office landlords in the DC Metro as they consider placemaking, and potentially subsidizing retail rents in order to drive office leasing.

11%

Office week new normal

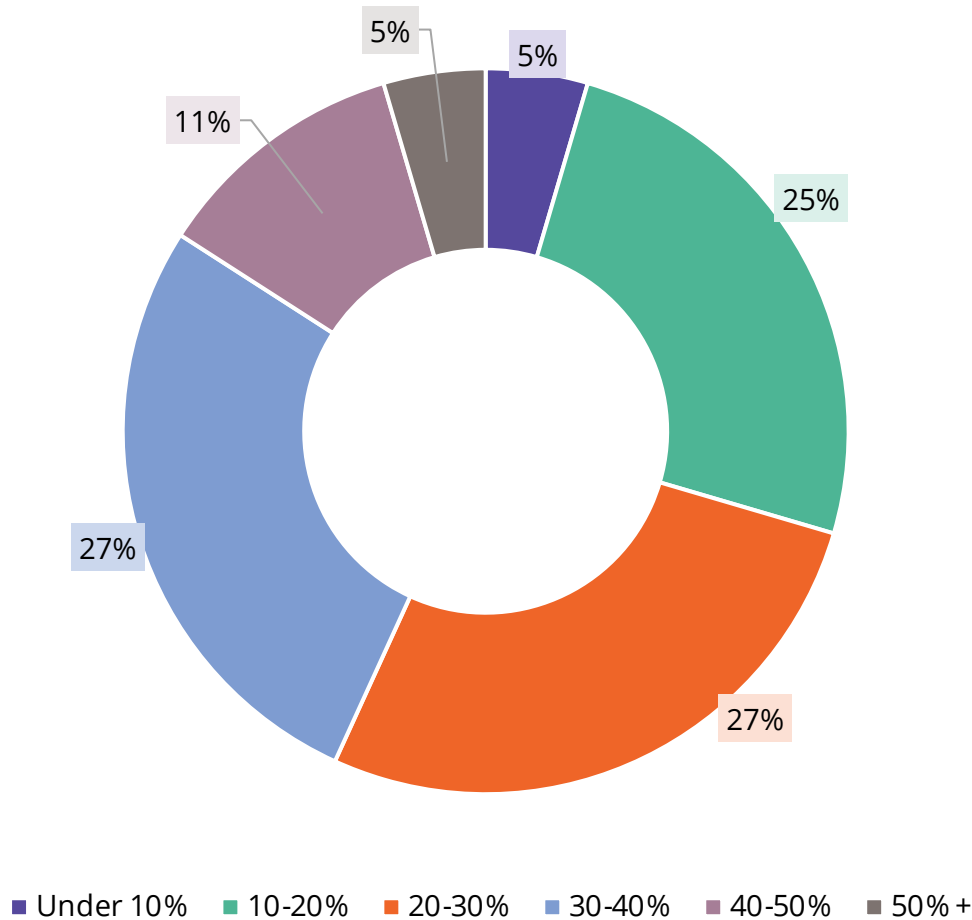
Only 11% of respondents believed that a 5-day in the office work week will ever be normalized again. For the sake of context, **66%** of respondents personally are in the office 5 days per week. Albeit many respondents indicated that this trend will be predicated on the industry, 32% indicated that they do not think 5 days in the office per week will ever be normalized again.

What is a healthy stabilized vacancy rate?



An overwhelming majority of respondents feel that a healthy equilibrium between landlord and tenant leverage lies when the **vacancy rate is between 10% and 15%**.

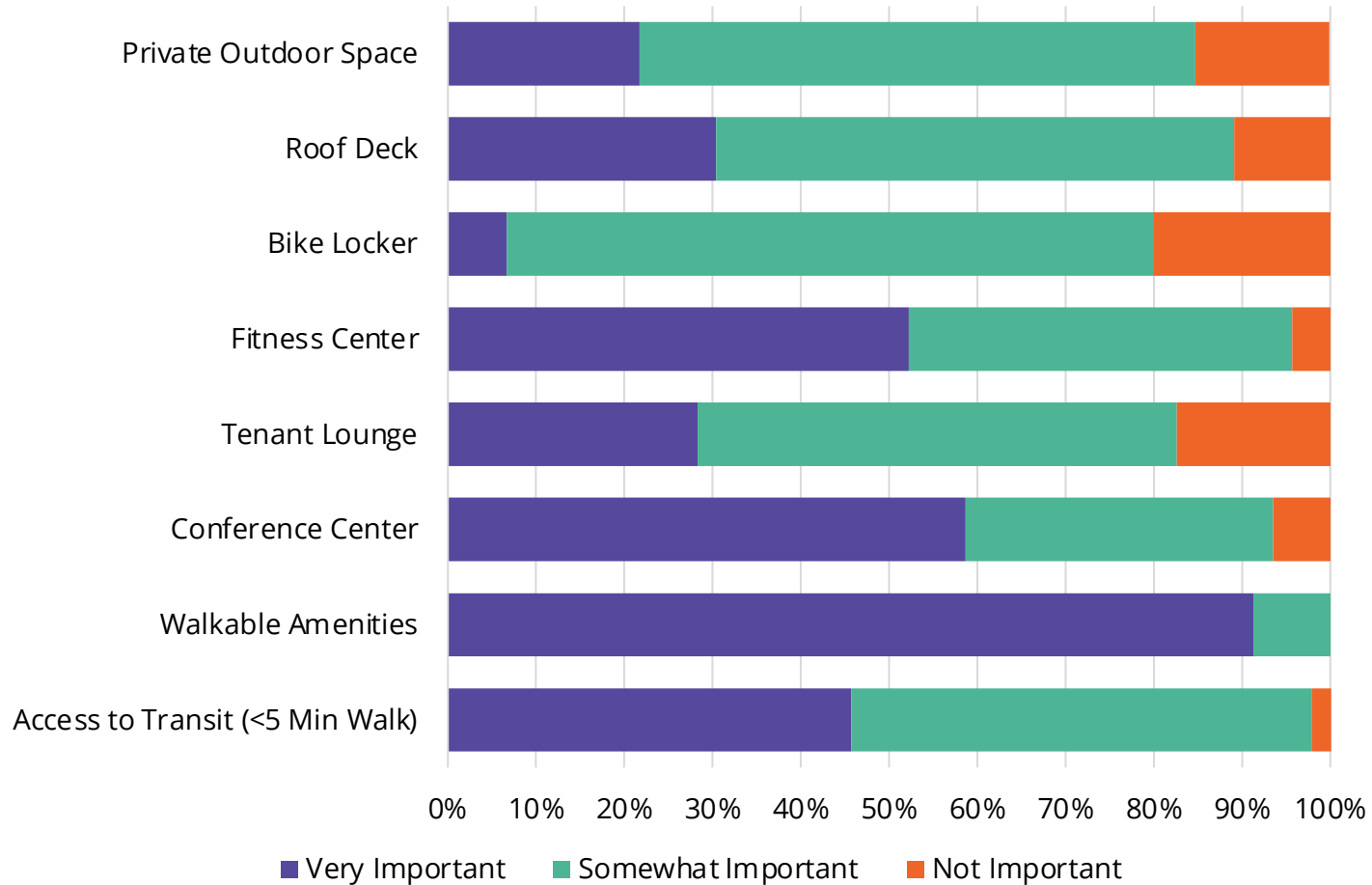
How much will office values correct over the next cycle?



The general consensus indicates that office values remain uncertain, with projections suggesting a **correction ranging from 10% to 40%.**

This correction is likely to depend on the quality of the asset and its tenancy. Since office trades vary significantly on a case-by-case basis, it is understandable that the value corrections will also differ.

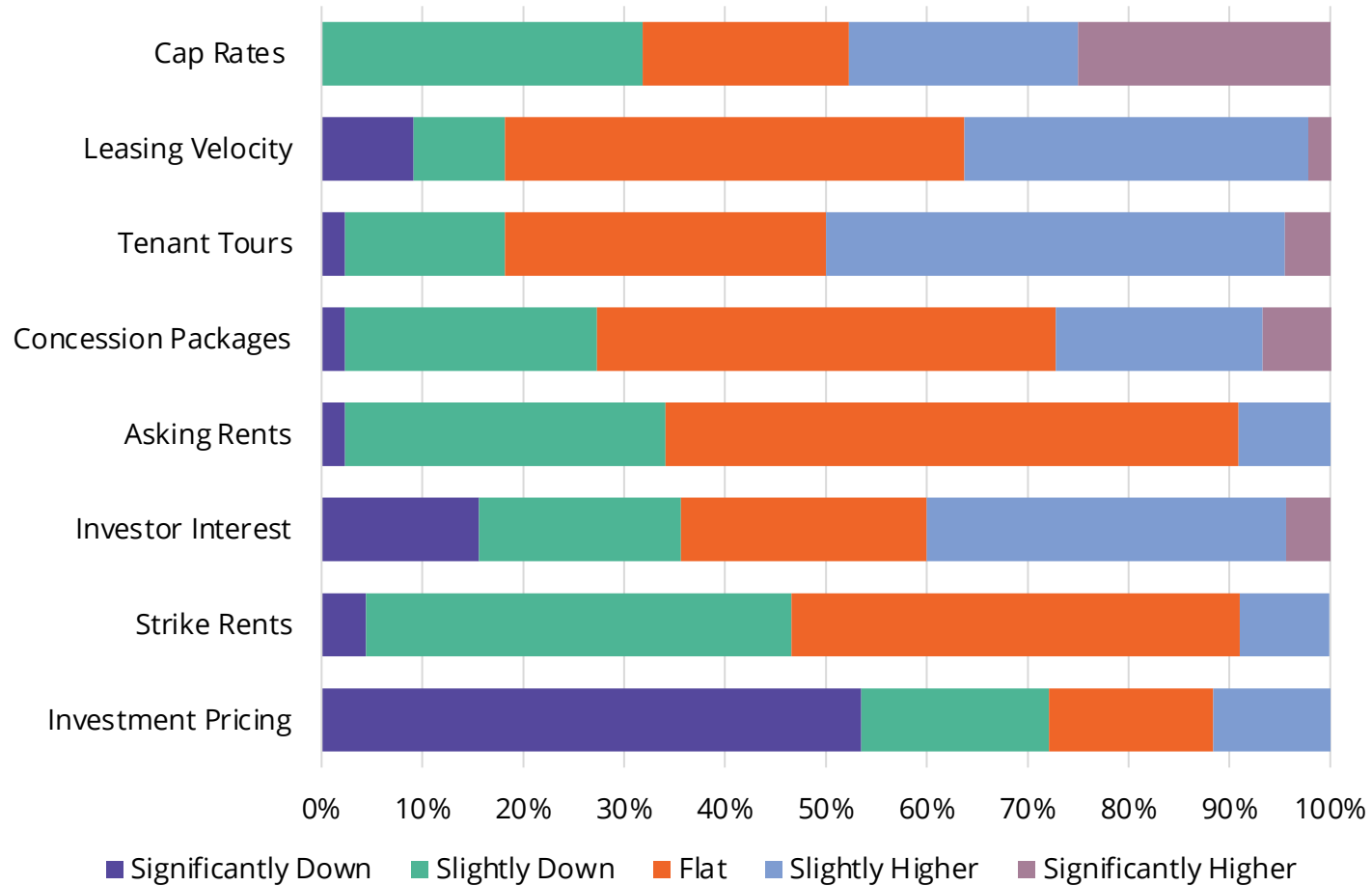
What amenities are important to tenants?



Walkable amenities are by far the most important feature for tenants when considering their office space. This should be a key consideration for landlords when upgrading their buildings.

Fitness centers, conference facilities, and access to public transportation are also significant factors.

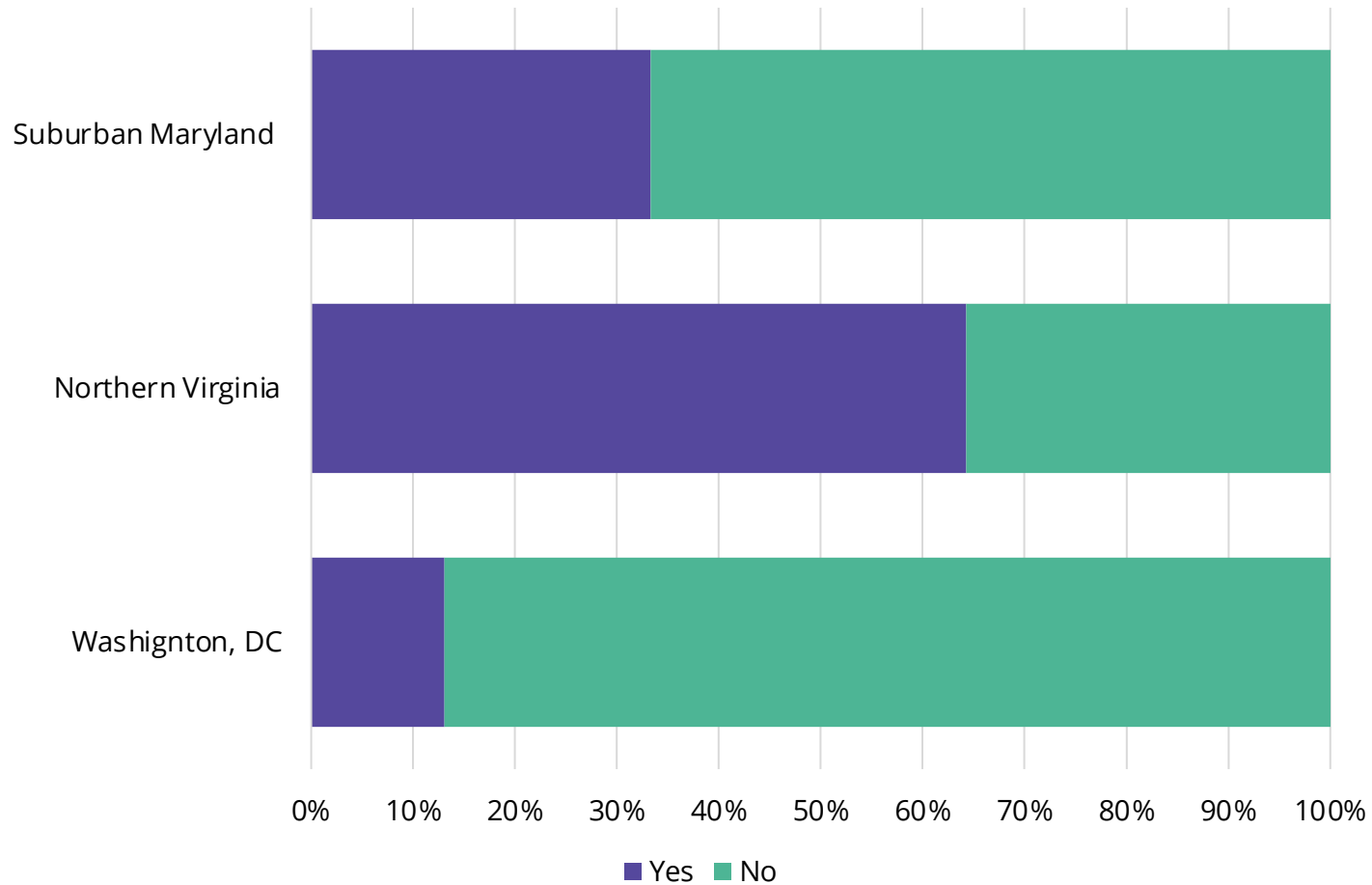
How will certain metrics fare in 2024?



The respondents generally had a positive outlook as it relates to demand in 2024, with **expectations for an increase in tenant tours and leasing velocity.**

However, the picture is not entirely optimistic, as investment pricing is anticipated to reach 'fire sale' levels. This situation presents what could be a generational buying opportunity for investors to purchase existing assets far below replacement cost.

Are DC Metro office markets going down the correct path for success?



Among the three markets that make up the DC Metro region, **Northern Virginia is viewed as having the most optimistic outlook.**

As for public safety, 100% of respondents feel that crime rates are the same or have worsened since 2020, with none believing that the situation regarding crime and safety has improved.

Crime and safety

Crime and safety has become a hot-button issues in Washington, DC in recent months. Respondents were questioned about their sentiments regarding crime and safety, which are overwhelmingly negative. This concern is particularly acute when it comes to curating a vibrant retail experience.

3.3

How do you perceive crime & safety in DC on a scale of 1 - 10?

1 being very unsafe and 10 being very safe.

8.13

How important is building proximity (5-min walk) to vibrant retail offerings on a scale of 1 -10 when deciding on office location?

1 being not important, 10 being critically important

4.6

How do you perceive crime & safety on public transit (WMATA) on a scale of 1-10?

1 being very unsafe and 10 being very safe.

4.9

How do you perceive the retail experience in DC on a scale of 1-10?

1 being not vibrant, 10 being very vibrant

Economic proactiveness

Respondents were also asked to share their insights on how proactive certain jurisdictions have been in attracting and retaining corporate occupiers, as well as which municipalities offer the most clarity to prospective tenants. These municipalities were ranked on a scale of 1-10, 1 being not proactive and 10 being very proactive.

2.13

On a scale of 1-10, How engaging has the DC Gov/DMPED been in attracting and retaining companies to locate in Downtown DC?

7.8

On a scale of 1-10, how engaging has the VA Gov been in attracting and retaining companies to locate in Northern Virginia

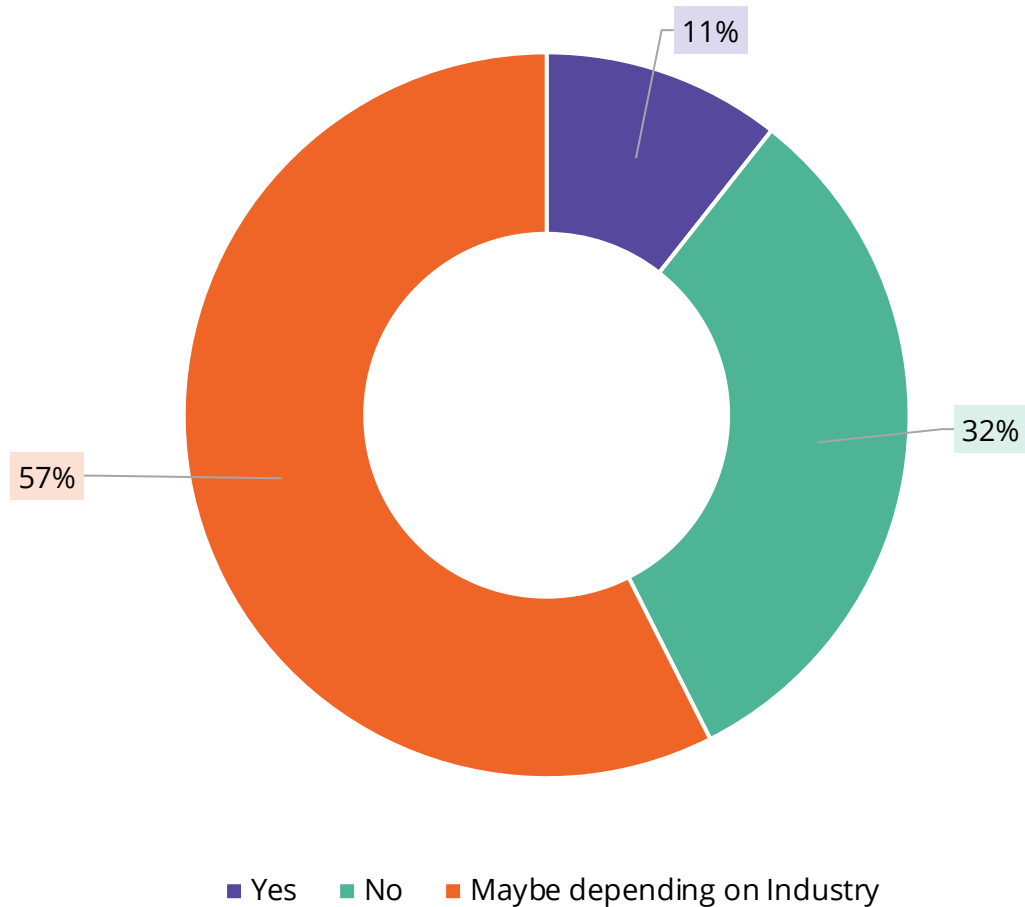
4.3

On a scale of 1-10, how engaging has the Maryland Gov been in attracting and retaining companies to locate in Suburban Maryland

Arlington County

The most proactive municipality as it relates to attracting and retaining corporate occupiers, as well as providing the most clarity relative to incentives offered.

Will 5 days per week in the office ever be normalized again?



For the most part, respondents believe that **the norm of being in the office 5 days per week has been discontinued since 2020**, though they acknowledge that this may ultimately vary by industry.

It is important to note that the group surveyed may have an inherent bias towards office work, as 66% of the respondents currently spend five days per week in the office themselves.

For more information about this survey please contact:

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