

# Washington, DC

Office market snapshot | Q4 2024

Reflecting on 2024, the DC office market showed signs of growth, but also faced ongoing challenges similar to those seen in other major markets nationwide. A potential positive for Q4 was the stabilization of vacancy rates. While this could be a temporary trend, akin to what was observed in Q3 of 2021, other favorable factors, like increased investment sales volume, might help sustain this positive momentum. Investment sales rebounded in 2024, in comparison to what was a very low trading year in 2023, and while distressed properties remained the primary focus, there were also several higher-quality assets that traded hands as the economic outlook potentially shifts.

## 14.7%

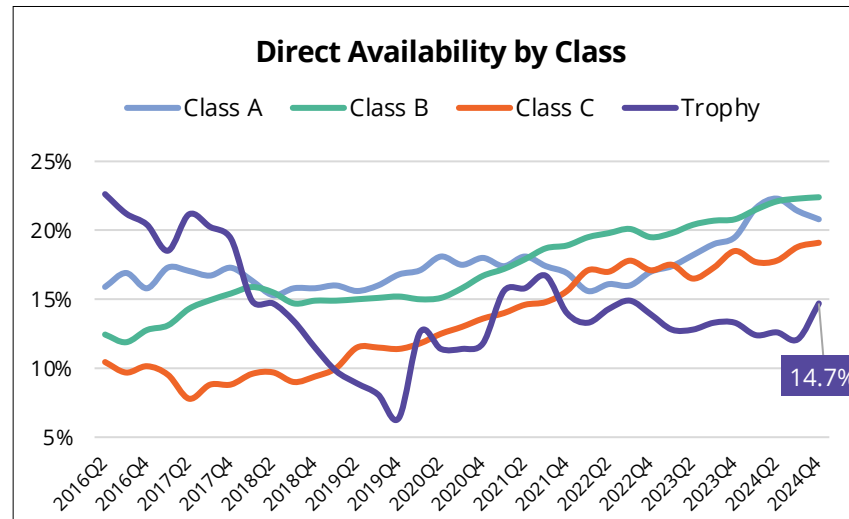
Direct Availability in Trophy Buildings. This segment of the market continues to outperform all others.

## \$1.6B

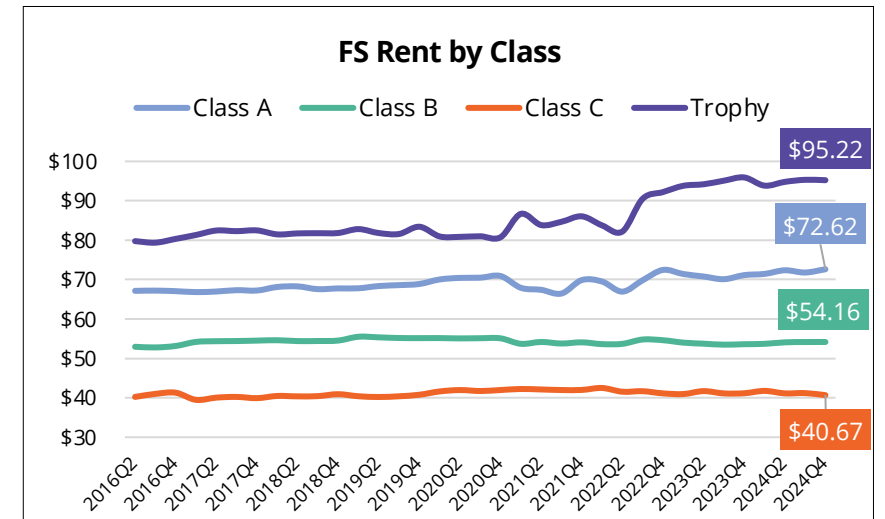
YTD Investment sales volume. In 2024, volume more than tripled the 2023 total of **\$438mm**.

## 400k sf

DC Under Construction office developments. This is the lowest level in over 20 years.



The Trophy segment of the market has continued to outperform all others, as a flight to quality in the market continues to be observed. Tenants are willing to pay a premium for high quality space, and access to premier amenities, motivated by talent recruitment and retention

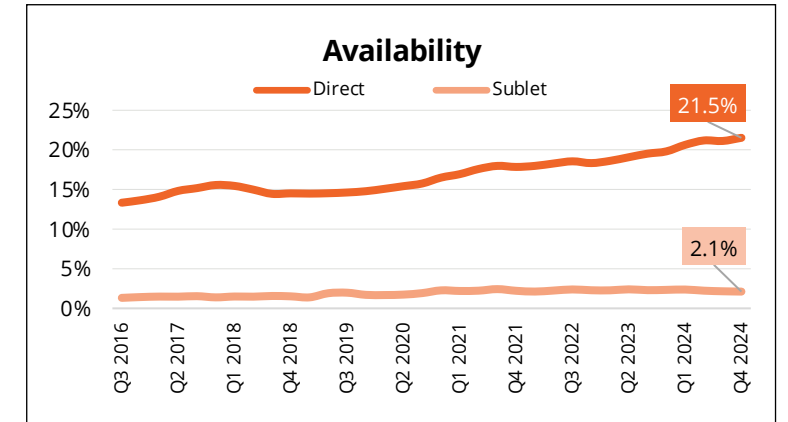
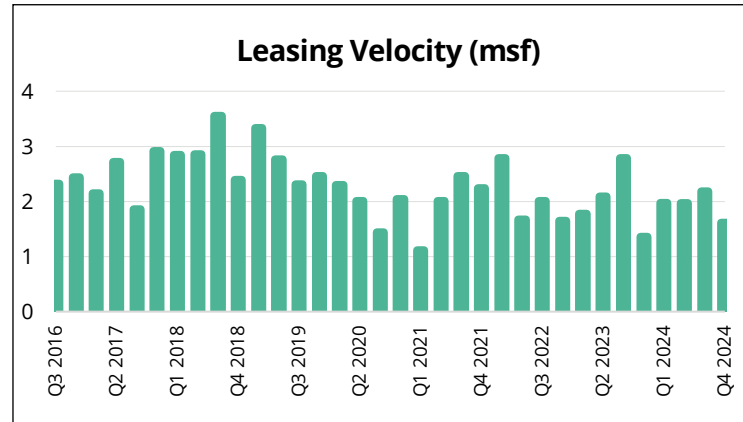
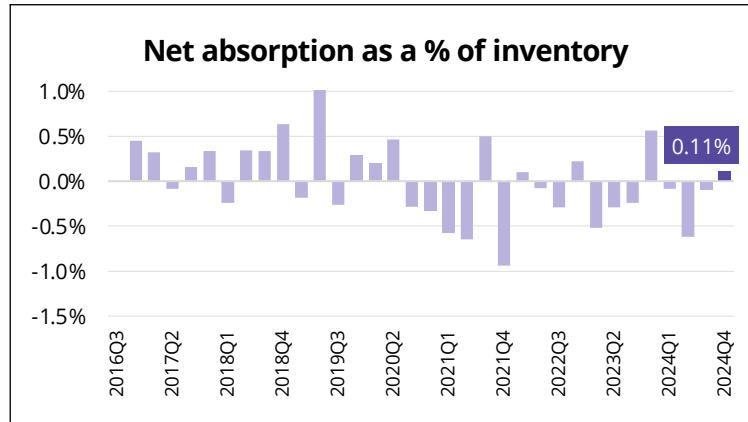


Due to the resilience of the DC Trophy market, rents in this sector have been on the rise. Strong tenant demand for high quality space and a constrained office development pipeline, currently at its lowest level in over 20 years, will help maintain upward pressure on rents.

Source: AVANT by Avison Young, CoStar, RCA

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## Recent leasing activity

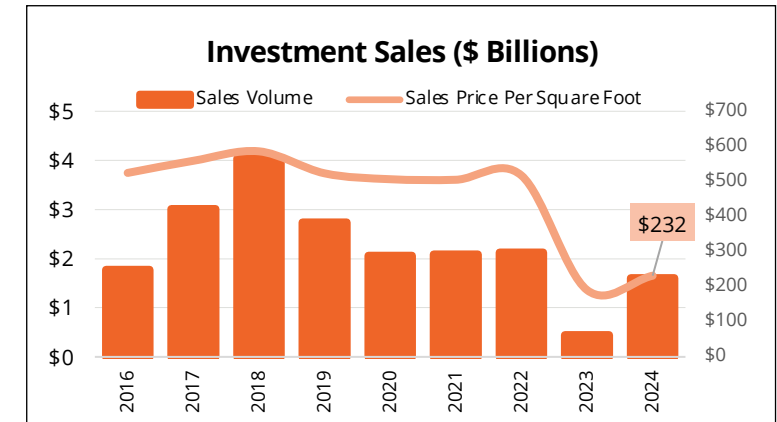
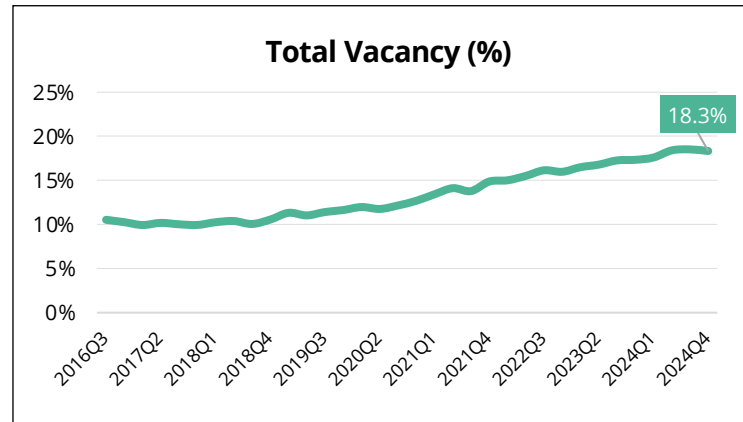
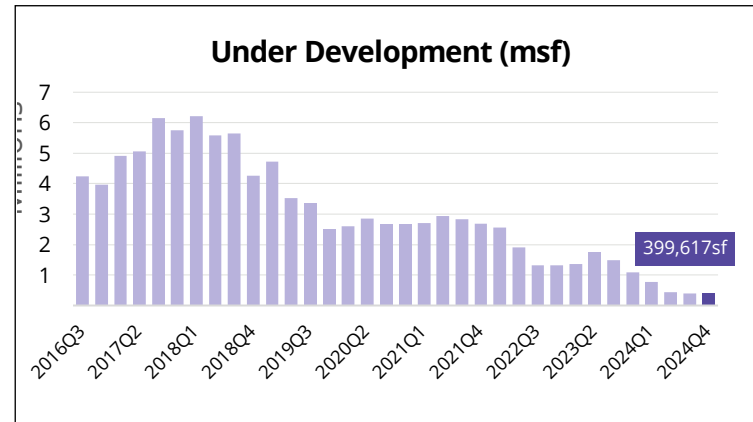
Tenant	Address	Size (sf)	Transaction type	Lease type
McDermott Will & Emery	725 12 <sup>th</sup> St NW	150,000	Direct	New
Holland & Knight	800 17 <sup>th</sup> St NW	150,000	Direct	Renewal
Monumental Sports & Entertainment	616 H St NW	120,000	Direct	New

## Recent sales activity

Buyer	Address	Sale price	Sale price psf	Seller
BXP	725 12 <sup>th</sup> St NW	\$34,000,000	\$103	Swift Creek, Hines
Real Capital Solutions	1501 M St NW	\$29,300,000	\$164	JPMorganChase
Beckham Gumbin Ventures	2101 L St NW	\$110,100,000	\$291	JBG Smith

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## A quick note on development

The DC office development pipeline continues to be at its lowest point in more than 20 years, driven by factors such as elevated construction costs, high interest rates, and diminished tenant demand. The shortage of new deliveries has created a bottle neck in the availability of Class A and Trophy space. However, as buildings are sold at a much lower basis and lending rates improve, new construction activity could pick up. BXP's planned redevelopment of 725 12<sup>th</sup> St NW, which has already seen successful preleasing with McDermott Will & Emery as anchor tenant and other rumored large tenant commitments, could serve as a model for owners to emulate.

## A quick note on vacancy

Vacancy for DC office buildings leveled off in Q4 2024, experiencing a slight decrease for the first time since Q3 of 2021. Supply constraints increased tenant demand from return-to-office initiatives, and further redevelopment from office to alternative uses like residential will positively impact vacancy rates going forward. 1111 20th St NW has recently undergone a successful conversion to multifamily use, and with additional projects such as 1201 Connecticut also slated for conversion, this represents a significant reduction in high-vacancy buildings in the DC office space.

## A quick note on investment sales

Following a lackluster investment sales market in 2023, office trade volume has nearly quadrupled that in 2024. Pricing appears to have bottomed out, as investors have entered the market with greater confidence and opportunity, though still cautious. Demand for core profile assets remains strong but investors continue to act with caution due to tenants' slow return, illiquidity in the debt market, and uncertainty surrounding the new administration's approach towards underutilized office space. Total investment volume rebounded in 2024 due to investors seizing opportunity to acquire assets at a reset basis.

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## Get in touch

Henry Murphy  
Mid-Atlantic – Market Intelligence  
Henry.Murphy@avisonyoung.com

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Total availability change (YoY)	Net absorption % of inventory (QTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
East End	52,329,594		399,617	25.2%	2.4%	27.8%	0.95%	0.10%	-1.39%	\$ 62.01
CBD	39,717,285	334,000		23.9%	1.7%	25.7%	1.72%	0.16%	0.63%	\$ 59.20
Southwest	13,490,160			14.9%	0.7%	15.6%	0.83%	-0.34%	-0.79%	\$ 51.59
Capitol Hill	9,023,755			18.3%	3.0%	21.4%	0.31%	0.37%	-0.48%	\$ 67.23
NoMa	7,998,680			19.5%	0.3%	19.8%	2.77%	-0.68%	-2.59%	\$ 49.45
Dupont Logan Shaw	6,213,184			15.1%	2.1%	17.2%	2.08%	0.89%	-3.31%	\$ 53.33
Upper Northwest	5,495,236	41,000		13.4%	1.0%	16.2%	-2.17%	0.32%	1.14%	\$ 43.41
Navy Yard	4,754,454			22.0%	8.6%	30.6%	3.93%	0.79%	-0.09%	\$ 58.29
West End	4,671,472			9.7%	5.4%	15.0%	1.15%	0.08%	0.37%	\$ 51.60
Georgetown	2,853,378			29.1%	2.4%	30.6%	-1.39%	0.23%	-0.54%	\$ 50.27
Northeast	2,281,293	32,251		15.8%	0.1%	16.0%	2.59%	0.06%	-0.66%	\$ 51.46
Southeast - East of the River	1,449,366	288,000		5.6%	1.5%	7.1%	-0.63%	0.14%	16.00%	\$ 46.00
<b>Market total</b>	<b>148,799,973</b>	<b>695,251</b>	<b>399,617</b>	<b>21.6%</b>	<b>2.2%</b>	<b>23.8%</b>	<b>1.17%</b>	<b>0.11%</b>	<b>-0.51%</b>	<b>\$58.98</b>

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Trophy	9,737,248	334,000	399,617	14.7%	3.1%	17.8%	0.14%	0.66%	2.78%	\$ 95.22
Class A	36,058,078	329,000		21.8%	2.4%	24.2%	-0.07%	-0.15%	-0.81%	\$ 72.62
Class B	92,246,925	32,251		22.6%	2.2%	24.8%	1.89%	0.19%	-0.54%	\$ 54.16
Class C	10,885,606			19.1%	0.9%	20.0%	0.17%	-0.18%	-2.25%	\$ 40.67
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Note: Office Buildings over 20k rsf  
Source: Avant by Avison Young, CoStar