

### METROPOLITAN DC MARKET OVERVIEW

2Q 2014

#### OVERALL MARKET SUMMARY

The Washington, DC Metropolitan commercial real estate market is comprised of approximately 410.4 million square feet of rentable office space located in the District of Columbia, Northern Virginia, and Suburban Maryland. The total vacancy rate increased to 15.4%, up from 15.2% at the end of the previous quarter. The market recorded approximately 14,000 square feet of net absorption in the second quarter, a substantial improvement from the -1.1 million square feet absorbed in the first quarter. Seven buildings completed construction in the first quarter (1 DC, 4 VA, 2 MD), totaling 2.0 million square feet and 73% leased. Leasing activity remained relatively flat with 5.3 million square feet in transactions signed during the second quarter. The largest lease executed in the quarter was a renewal signed by law firm Hogan Lovells for 384,650 square feet in Washington, DC. There were twenty-four sale transactions in the second quarter, comprising of 3.5 million rentable square feet and totaling \$1.1 billion (a 45% drop from the \$2.0 billion that sold in the previous quarter). Average asking rental rates ticked down \$0.04 to \$35.45 per square foot, Full Service. From May 2013 to May 2014 employment in the DC Metropolitan area had a net increase of 6,000 jobs (9,800 private sector, -3,800 government) representing 0.2% growth, while unemployment decreased to 5.0%.

	Direct Vacancy	Total Vacancy	Total Net Absorption	Leasing Activity
DC	10.6% ↑	11.2% ↑	-85,379 SF ↓	4.1 M SF ↑
VA	15.2% →	16.2% →	-228,090 SF ↓	3.8 M SF ↓
MD	16.4% ↑	17.2% ↑	-754,973 SF ↓	2.6 M SF ↑
Metro Area	14.6%	15.4%	-1.1 M SF	10.5 M SF

Arrows reflect differences from 1Q 2014

Arrows reflect differences from YTD 2Q 2013 totals

#### OUTLOOK

As low employment growth continues to stymie the Washington, DC metro area, the commercial real estate market is expected to remain relatively flat through the remainder of 2014. The private sector should continue to drive employment; while the federal government continues to downsize its workforce. Early renewals are expected to dominate the larger lease transactions, as private sector tenants leverage the current market conditions; while the GSA continues to execute short-term renewals. To maintain or increase competitiveness in this “tenant’s market”, aggressive landlords will continue to renovate and upgrade amenities to their buildings. While the market recorded positive absorption in the second quarter, absorption is expected to return to the negative as government agencies and private sector tenants continue to consolidate and strive for maximum space efficiency. Vacancy is expected to increase due to these factors, and through the delivery of moderately pre-leased buildings scheduled for completion in 2014. There are approximately 3.7 million square feet in the construction pipeline, currently 52% pre-leased. Approximately a dozen buildings are currently under contract to close, while several additional buildings have come to market recently. Impacting Northern Virginia, and Tysons Corner specifically, will be the opening of Phase I of the new Silver Line Metro on July 26; tenant demand for high-end space should intensify around these five, new metro stations.

## MARKET SUMMARY

- The Washington, DC office market consists of 783 buildings over 25,000 square feet, totaling approximately 142.5 million square feet of rentable space.
- As of May, the 2014 unemployment rate in the District remained flat at 7.5%. Nationally, unemployment decreased to 6.1%, with 816,000 new jobs created in the second quarter.
- The largest private sector lease signed this quarter was executed by Hogan Lovells for 384,650 square feet at 555 13th Street, NW.
- The GSA signed the largest public sector transaction of the quarter with a lease for 220,000 square feet for the National Park Service (NPS) at 1201 Eye Street, NW.
- Seven office buildings sold this quarter, totaling approximately \$758 million. The largest sale was 800 K & 801 Eye Streets, NW - *Techworld*, in the East End submarket, for \$325 million.
- Only one building delivered this quarter, a 287,800-square-foot owner/user in the East End submarket, while 900 16th Street, NW, a 127,000-square-foot building in the CBD submarket, was the sole building to break ground.

## VACANCY RATE

- Total vacancy increased to 11.2% at the end of the quarter, totaling approximately 16.0 million square feet.
- This is the first time since the fourth quarter 2011 that total vacancy has surpassed the 11% threshold.
- Sublet vacancy remained relatively flat at 0.6% at the end of the second quarter, totaling approximately 900,000 square feet.

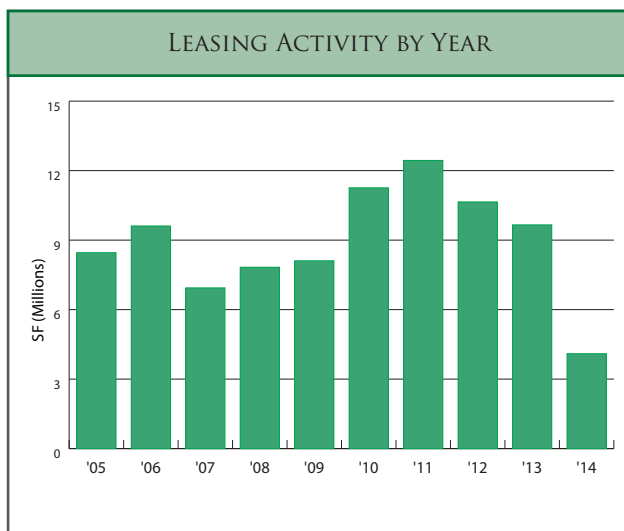
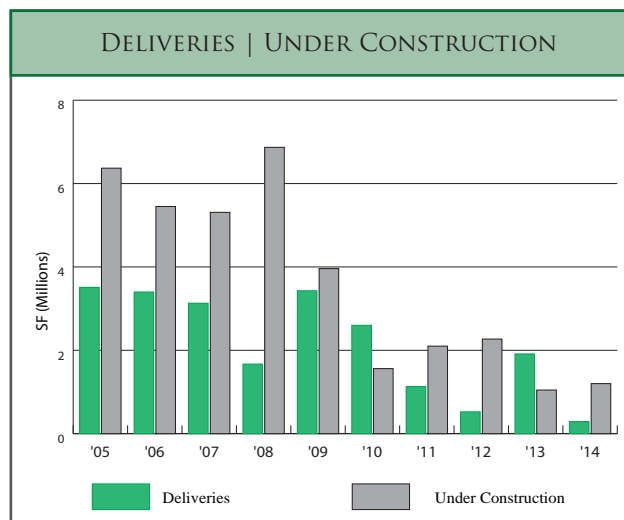
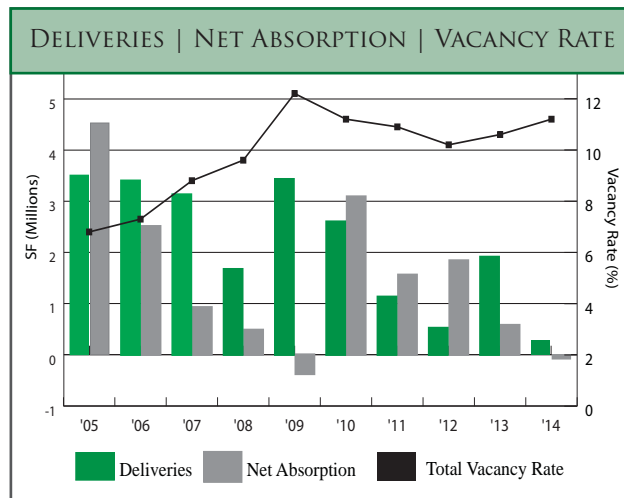
	2Q '14	1Q '14	2Q '13
DIRECT VACANCY	10.6%	10.1%	9.7%
TOTAL VACANCY	11.2%	10.8%	10.5%
NET ABSORPTION	-372,089 SF	286,710 SF	510,426 SF
LEASING ACTIVITY	2.4 M SF	1.7 M SF	2.1 M SF
UNDER CONSTRUCTION	1.2 M SF	1.4 M SF	2.0 M SF
UNDER CONSTRUCTION PERCENT PRE-LEASED	46%	48%	53%
ASKING RENTAL RATES (FULL SERVICE)	\$49.99	\$50.08	\$48.83
DELIVERIES (SF)	287,800	0	450,000

## ABSORPTION AND GROSS LEASING

- The DC market recorded **-372,089** square feet of net absorption in the second quarter, totaling **-85,379** square feet absorbed year-to-date. A major contributor to the negative absorption this quarter was Intelsat vacating approximately 475,400 square feet at 4000 Connecticut Avenue, NW (relocating to Tysons, VA).
- Since the most recent peak in 2010 with a total of 3.1 million square feet absorbed, the District has declined in yearly absorption totals; 1.6 million in 2011, 1.8 million in 2012, and 577,000 square feet absorbed in 2013. YTD 2014 is **-85,379** square feet.
- This is the first time the District has posted negative net absorption since the first quarter 2013 when **-528,227** square feet was absorbed.
- The Central Business District (CBD) posted **-58,153** square feet of net absorption in the second quarter, a further drop from the **-31,217** square feet absorbed in the first quarter. Including the fourth quarter 2013 (with **-68,241** sf absorbed), the CBD has experienced three consecutive quarters of negative net absorption.
- Leasing activity increased to 2.4 million square feet in the second quarter, up from 1.7 million leased in the previous quarter; representing a 41% increase in activity.
- Since peaking in 2011 with 12.4 million square feet leased, leasing activity in DC has been on a decline; with 10.7 million sf leased in 2012, 9.7 million sf leased in 2013, and 4.1 million sf leased YTD 2014. Contributing to the decrease of leasing activity, in general, is limited GSA growth (“freeze the footprint”), combined with reduced private sector demand.
- The largest of the Top Ten Leases signed this quarter was for 384,650 square feet in the East End submarket; all other leases in the Top Ten ranged between 248,297 to 48,410 square feet.

## CONSTRUCTION

- A total of five buildings were under construction in the DC market at the end of the second quarter, totaling approximately 1.2 million square feet and 46% pre-leased.
- One building completed construction in the second quarter, the new headquarters of the Association of American Medical Colleges (AAMC), located at 655 K Street, NW. The building is 287,800 square feet and is 75% occupied by the AAMC.

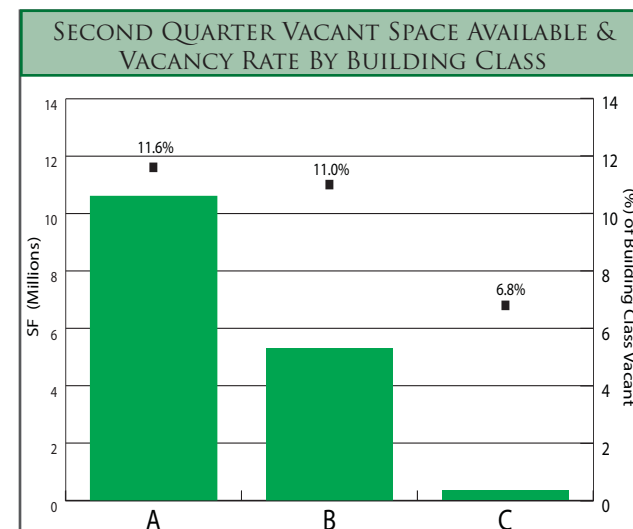
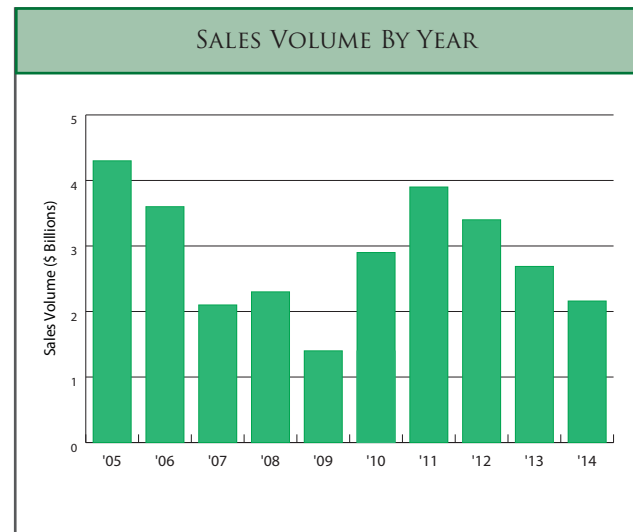


## CONSTRUCTION (CONT.)

- The only building scheduled for delivery in 2014 is 1200 17th Street, NW (169,150 sf, 62% pre-leased).
- Buildings scheduled to deliver in 2015 include; 900 G Street, NW (111,446 sf, 0% pre-leased), 400 6th Street, SW (342,000 sf, 0% pre-leased), and 601 Massachusetts Avenue, NW (478,882 sf, 78% pre-leased to Arnold & Porter).
- 900 16th Street, NW was the only building to break ground in the second quarter. Slated for delivery in 2015, this new, 127,000-square-foot office building is 66% pre-leased to Miller & Chevalier.
- Expected to break ground in the third quarter is 660 N. Capitol Street, NW, located in the NoMa submarket. This new, 200,000-square-foot office building is being built on a speculative basis, tentatively scheduled to deliver first quarter 2016.
- Renovations to 799 9th Street, NW (204,025 sf) were completed this quarter. Nixon Peabody & Norton Rose Fulbright have both signed leases there for 65,000 square feet each.

## OUTLOOK

- The private sector is expected to continue driving leasing and employment growth through 2014.
- Public sector leasing activity is expected to remain limited to short-term renewals. The GSA will continue to reduce the Federal Government's real estate footprint through "right-sizing" and space consolidations.
- Vacancy is expected to tick upward as tenants continue to give back more space in the attempt to increase space efficiency.
- Competition for tenants will remain fierce and landlords will continue to offer generous concessions (rent abatement and TI's) and lower base rental rates.
- Sales volume is expected to decline as approximately three to four buildings are currently under contract to close in 2014. The inventory of buildings on the market is expected to remain relatively flat, with only a few new buildings rumored to be coming to the market.



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**800 K & 801 Eye St, NW - *Techworld***

Submarket: East End  
Date Sold: April 2014  
Price: \$325,000,000 PPSF: \$429  
Cap Rate: 6.45%  
Buyer: Meridian Group  
Seller: The JBG Companies  
Class: A  
Leased: 94.3%

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**616 H St, NW - *The Offices at Gallery Place***

Submarket: East End  
Date Sold: May 2014  
Price: \$129,565,051 PPSF: \$859  
Buyer: Oxford Properties  
Seller: Massachusetts Mutual Life Insurance Company  
Class: A  
Leased: 97.7%  
Note: 69% Partial Interest Transfer, Recapitalization. Part of a 2-building portfolio sale totalling \$223,188,326.

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**1775 Eye St, NW - *Paramount Building***

Submarket: CBD  
Date Sold: May 2014  
Price: \$104,500,000 PPSF: \$564  
Cap Rate: 6.20%  
Buyer: Washington Real Estate Investment Trust  
Seller: Public Employees Retirement System of Nevada  
Class: B  
Leased: 61.8%

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**999 E St, NW**

Submarket: East End  
Date Sold: April 2014  
Price: \$95,163,966 PPSF: \$547  
Buyer: Princeton Holdings LLC  
Seller: UrbanAmerica, L.P.  
Class: B  
Leased: 87.3%  
Note: Part of a national, 15-building portfolio sale totalling \$440 million.



1401 K St, NW - Tower Building

Submarket: East End

Date Sold: April 2014

Price: \$58,000,000

PPSF: \$465

Cap Rate: 5.80%

Buyer: First Potomac Realty Trust

Seller: Guardian Realty Investors

Class: B

Leased: 89.1%



1503-1505 Pennsylvania Ave, NW

Submarket: East End

Date Sold: May 2014

Price: \$31,000,000

PPSF: \$811

Buyer: Milken Family Foundation

Seller: PNC Financial Services Group

Class: B

Leased: 0%

Note: Owner/User



### WASHINGTON, DC TOP TEN LEASES

### 2Q 2014

In the second quarter 2014, seven of the Top Ten Leases were renewals and three were new transactions. Four of the top leases signed this quarter exceeded 100,000 square feet.

The largest private sector lease signed this quarter was by Hogan Lovells, renewing for 384,650 square feet at 555 13th Street, NW. This renewal, however, represented a 24% (122,000 sf) reduction in space. The largest public sector transaction was a renewal by the GSA for the National Park Service (NPS) for 220,000 square feet at 1201 Eye Street, NW. The NPS will give back approximately 46,000 square feet in 2015.

Of the five GSA transactions, the NPS, the Department of Veteran Affairs, the TTB, and the EPA, were all short-term, 5-year renewals; while the Department of the Treasury was a long-term, 10-year lease.

Along with Hogan Lovells, two additional law firms renewed leases; Reed Smith signed for 79,692 square feet at 1301 K Street, NW and Boies, Schiller & Flexner signed for 63,241 square feet (10,750 sf expansion space) at 5301 Wisconsin Avenue, NW.

Leasing activity for the second quarter was approximately 2.4 million square feet; compared to 1.7 million square feet leased in the first quarter, representing a 41% increase in square footage leased.



555 13TH ST, NW

Tenant: Hogan Lovells  
Size: 384,650 sf  
Renewal / Contraction  
(Downsized 24%)



1301 K ST, NW

Tenant: The Washington Post  
Size: 248,297 sf  
New



1201 EYE ST, NW

Tenant: GSA - National Park Service (NPS)  
Size: 220,000 sf  
Renewal



1800 G ST, NW

Tenant: GSA - Department of Veterans Affairs  
Size: 163,917 sf  
Renewal



1301 K ST, NW

Tenant: Reed Smith  
Size: 79,692 sf  
Renewal



1625 EYE ST, NW

Tenant: Laborers International Union of North America (LIUNA)  
Size: 71,260 sf  
New



5301 WISCONSIN AVE, NW

Tenant: Boies, Schiller & Flexner LLP  
Size: 63,241 sf  
Renewal / Expansion



1722 EYE ST, NW

Tenant: GSA - Department of the Treasury  
Size: 54,771 sf  
New



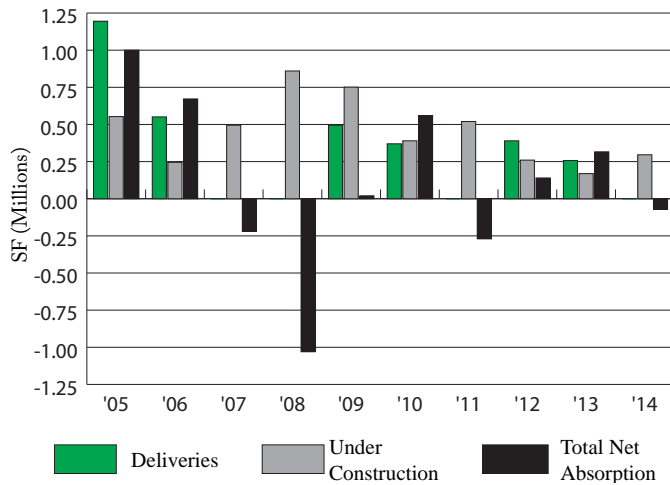
1310 G ST, NW

Tenant: GSA - Alcohol and Tobacco Tax and Trade Bureau (TTB)  
Size: 52,000 sf  
Renewal



1025 F ST, NW

Tenant: GSA - Environmental Protection Agency (EPA)  
Size: 48,410 sf  
Renewal



## MARKET STATS

### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: 114,531 SF/YR  
DELIVERIES: 325,008 SF/YR

INVENTORY: 44.0 MILLION SF

DIRECT VACANCY: 9.7%

TOTAL VACANCY: 10.5%

YTD 2014 ABSORPTION: **-89,370 SF**

UNDER CONSTRUCTION: 296,150 SF

% PRE-LEASED: 64%

YTD DELIVERIES: 0 SF

### ASKING RENTAL RATES (FULL SERVICE)

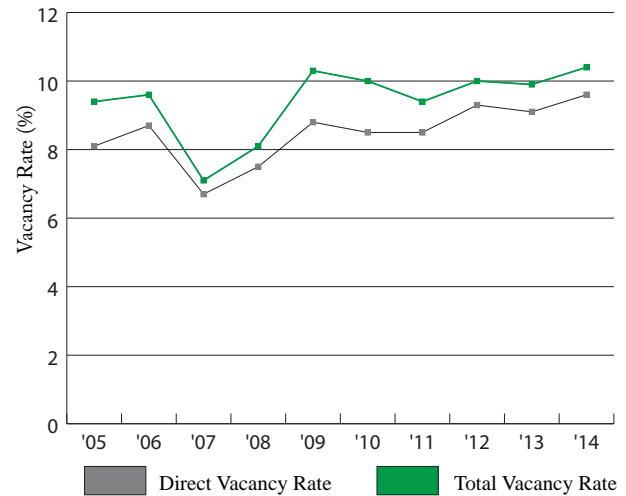
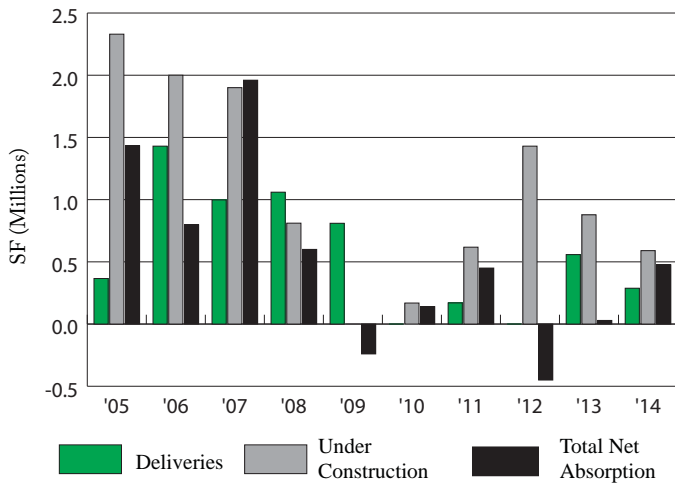
2005: \$38.35 PSF

2014: \$49.82 PSF

## HIGHLIGHTS

- The vacancy rate increased to 10.5% in the second quarter, up from 10.4% in the first quarter.
- The CBD market recorded **-58,153** square feet of net absorption in the second quarter, a further drop from the **-31,217** square feet absorbed in the first quarter. Contributing to the negative absorption was the State Department vacating approximately 70,000 square feet at 1111 19th Street, NW.
- Leasing activity increased to 664,968 square feet this quarter, up from the 512,100 square feet leased in the previous quarter. Tenants executing leases this quarter include the Laborers International Union of North America (LIUNA) signing for 71,260 square feet at 1625 Eye Street, NW, Barnes & Thornburg renewing 16,374 square feet at 1717 Pennsylvania Avenue, NW, and Russell Reynolds Associates, Inc. signing for 14,608 square feet at 1700 New York Avenue, NW.
- One building sold in the CBD; 1775 Eye Street, NW traded to Washington Real Estate Investment Trust (WRIT) from Public Employees Retirement System of Nevada for \$104,500,000 (\$564 psf).





## MARKET STATS

### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: 516,434 SF/YR  
DELIVERIES: 573,132 SF/YR

INVENTORY: 46.8 MILLION SF

DIRECT VACANCY: 9.6%

TOTAL VACANCY: 10.4%

YTD 2014 ABSORPTION: 476,244 SF

UNDER CONSTRUCTION: 590,348 SF

% PRE-LEASED: 53%

YTD DELIVERIES: 287,800 SF

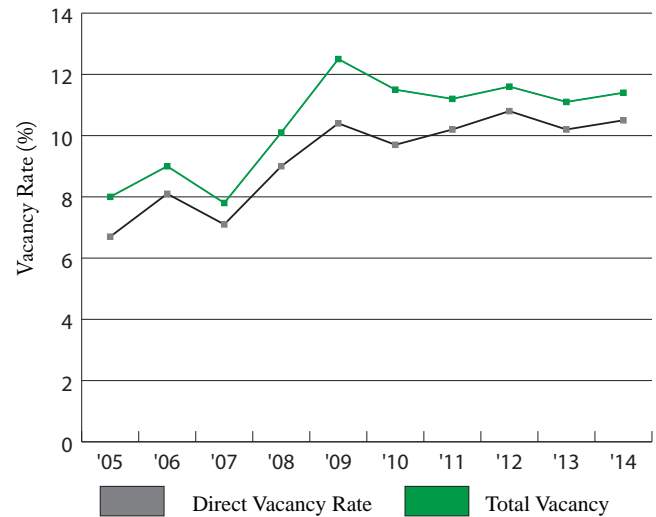
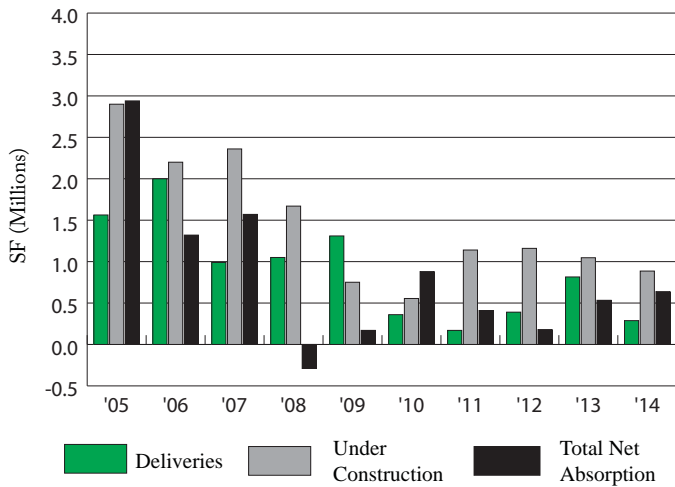
### ASKING RENTAL RATES (FULL SERVICE)

2005: \$43.05 PSF

2014: \$53.57 PSF

## HIGHLIGHTS

- The vacancy rate remained flat at 10.4% at the end of the second quarter.
- The East End market recorded 259,803 square feet of net absorption in the second quarter, a moderate increase from the 216,441 square feet absorbed in the first quarter. Contributing to the positive absorption include the Association of American Medical Colleges (AAMC) moving into approximately 247,500 square feet at their new, recently delivered headquarters at 655 K Street, NW.
- Leasing activity increased to approximately 1.2 million square feet this quarter, doubling the 552,162 million square feet leased in the previous quarter. Tenants executing leases this quarter include Hogan Lovells renewing 384,650 square feet at 555 13th Street, NW, The Washington Post signing for 248,297 square feet at 1301 K Street, NW, and the GSA - National Park Service renewing for 220,000 square feet at 1201 Eye Street, NW.
- A total of five properties sold in the East End including; 800 K & 801 Eye Streets, NW (*Techworld*) selling to Meridian Group for \$325,000,000 (\$429 psf), 1400 K Street, NW selling to First Potomac for \$58,000,000 (\$465 psf), and 616 H Street, NW selling to Oxford Properties for \$129,565,051 (\$859 psf, 69% partial interest transfer).



## MARKET STATS

### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: 702,038 SF/YR  
DELIVERIES: 898,141 SF/YR

INVENTORY: 58.6 MILLION SF  
DIRECT VACANCY: 10.5%  
TOTAL VACANCY: 11.4%

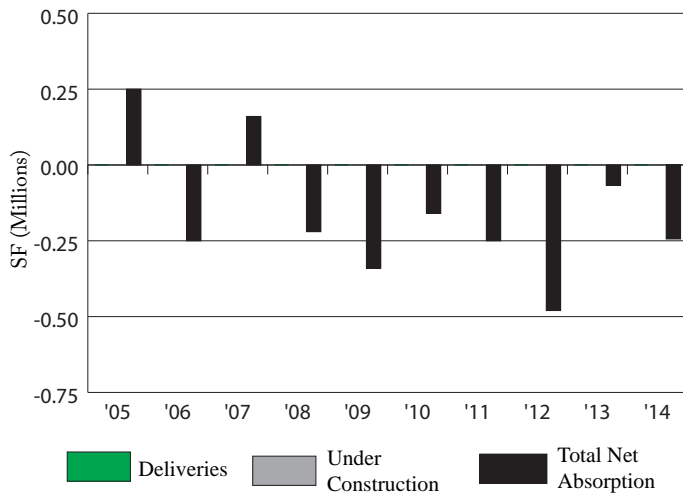
YTD 2014 ABSORPTION: 638,121 SF  
UNDER CONSTRUCTION: 886,498 SF  
% PRE-LEASED: 64%  
YTD DELIVERIES: 278,800 SF

### ASKING RENTAL RATES (FULL SERVICE)

2005: \$44.31 PSF  
2014: \$55.99 PSF

## HIGHLIGHTS

- The vacancy rate in the CBD/East End Class A market remained flat at 11.4% at the end of the second quarter.
- The market recorded 254,078 square feet of net absorption in the second quarter, a decrease from the 384,043 square feet absorbed in the first quarter.
- Leasing activity increased this quarter to approximately 1.6 million square feet, up substantially from the 751,874 square feet leased in the previous quarter. Tenants executing leases this quarter include the GSA - Alcohol and Tobacco Tax and Trade Bureau (TTB) renewing 52,000 square feet at 1310 G Street, NW, the GSA - Environmental Protection Agency (EPA) renewing 48,410 square feet at 1025 F Street, NW, and Albright Stonebridge Group signing a new lease for 32,075 square feet at 601 13th Street, NW.
- A total of four, Class A buildings are currently under construction (2 in the CBD and 2 in the East End).



## MARKET STATS

### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: **-66,137 SF/YR**  
DELIVERIES: 0 SF/YR

INVENTORY: 30.2 MILLION SF  
DIRECT VACANCY: 8.4%  
TOTAL VACANCY: 8.9%

YTD 2014 ABSORPTION: **-244,180 SF**  
UNDER CONSTRUCTION: 0 SF  
% PRE-LEASED: 0%  
YTD DELIVERIES: 0 SF

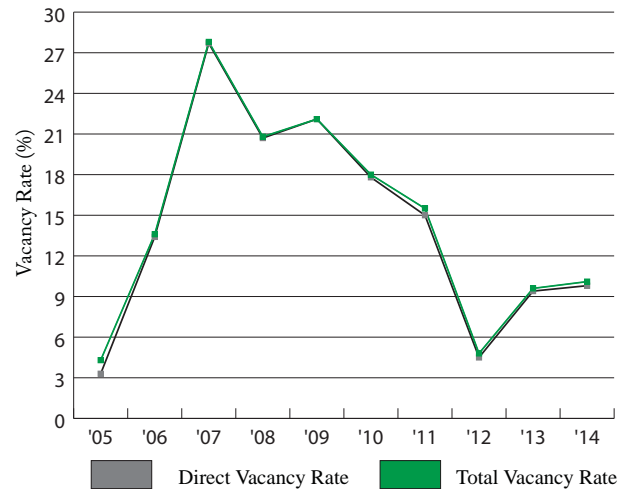
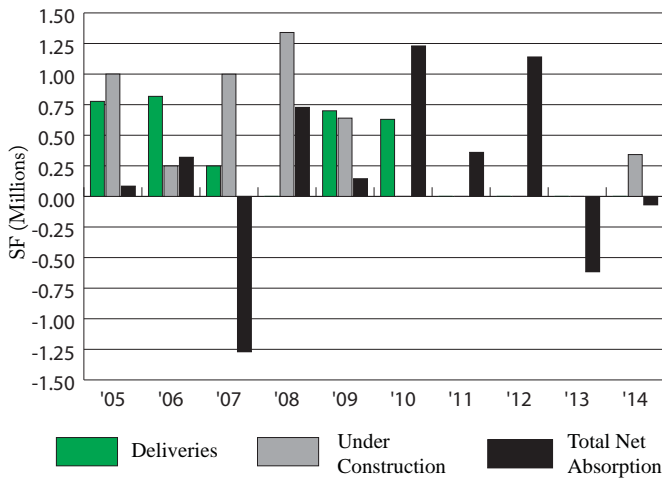
### ASKING RENTAL RATES (FULL SERVICE)

2005: \$34.99 PSF  
2014: \$42.98 PSF

## HIGHLIGHTS

- The vacancy rate in the CBD/East End Class B market increased to 8.9% in the second quarter, up from 8.7% in the first quarter.
- Net absorption decreased to **-51,610** square feet in the second quarter, an improvement from the **-192,570** square feet absorbed in the first quarter. Contributing to the negative absorption was the International Resources Group vacating approximately 16,000 square feet at 1211 Connecticut Avenue, NW.
- Leasing activity increased to 485,550 square feet in the quarter, up from the 252,361 square feet leased in the previous quarter. Contributing tenants include the GSA - Department of Veteran Affairs renewing for 163,917 square feet at 1800 G Street, NW, the GSA - Department of the Treasury signing for 54,771 square feet at 1722 Eye Street, NW, and DDC Advocacy signing a new lease for 20,860 square feet at 805 15th Street, NW.
- A total of four Class B buildings sold this quarter including; 999 E Street, NW (\$95 million), 1775 Eye Street, NW (\$104.5 million), 1401 K Street, NW (\$58 million), and 1503-1505 Pennsylvania Avenue, NW (\$31 million).





## MARKET STATS

### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: 168,606 SF/YR  
DELIVERIES: 315,727 SF/YR

INVENTORY: 11.9 MILLION SF

DIRECT VACANCY: 9.8%

TOTAL VACANCY: 10.1%

YTD 2014 ABSORPTION: -69,973 SF

UNDER CONSTRUCTION: 342,000 SF

% PRE-LEASED: 0%

YTD DELIVERIES: 0 SF

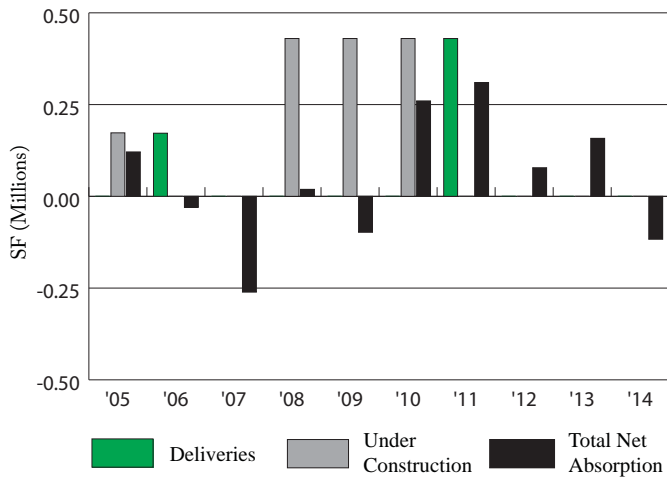
### ASKING RENTAL RATES (FULL SERVICE)

2005: \$48.26 PSF

2014: \$49.86 PSF

## HIGHLIGHTS

- Vacancy remained flat at 10.1% in the second quarter. Since it's most recent low point at 4.7% in the third quarter 2012, the vacancy rate has increased steadily over the past eight consecutive quarters.
- The Southwest market recorded -6,401 square feet of net absorption in the second quarter, an improvement from the -63,572 square feet absorbed in the first quarter. Southwest has posted seven consecutive quarters of negative net absorption, totaling -644,485 square feet.
- Leasing activity decreased this quarter to 26,564 square feet, down from 146,688 square feet leased in the previous quarter. The sole lease executed in the quarter was by The Smithsonian Institute expanding by 26,564 square feet at 600 Maryland Avenue, SW.
- 400 6th Street, SW (342,000 sf, 0% pre-leased) is the only building currently under construction in the Southwest market. The building is scheduled to deliver in the third quarter 2015.



## MARKET STATS

### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: 28,000 SF/YR  
DELIVERIES: 60,071 SF/YR

INVENTORY: 7.6 MILLION SF

DIRECT VACANCY: 7.7%

TOTAL VACANCY: 8.0%

YTD 2014 ABSORPTION: **-116,627 SF**

UNDER CONSTRUCTION: 0 SF

% PRE-LEASED: 0%

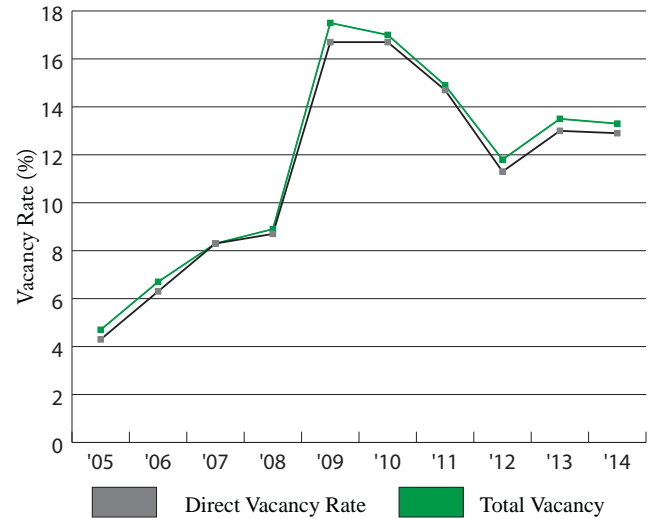
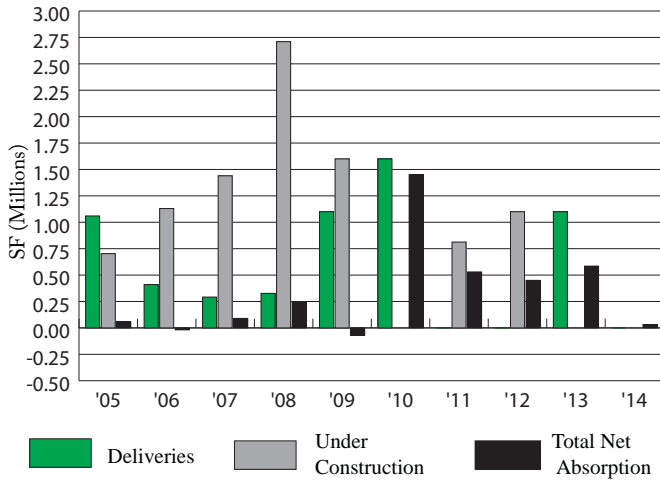
YTD DELIVERIES: 0 SF

### ASKING RENTAL RATES (FULL SERVICE)

2005: \$39.60 PSF  
2014: \$48.43 PSF

## HIGHLIGHTS

- The vacancy rate increased to 8.0% in the second quarter, up significantly from 5.8% in the first quarter. This ends twelve consecutive quarters of decreasing vacancy.
- The West End/Georgetown market recorded **-171,023** square feet of net absorption in the second quarter, a sharp decrease from the 54,396 square feet recorded in the first quarter. This is the first time since the first quarter 2012, that the market has recorded negative net absorption. Contributing to the negative absorption, and spike in vacancy, was the Association of American Medical Colleges (AAMC) vacating a total of 186,000 square feet at 2501 M Street, NW and 2450 N Street, NW (relocating to its new headquarters at 655 K St, NW).
- Leasing activity increased this quarter to 56,908 square feet, up modestly from the 51,369 square feet leased in the previous quarter. Tenants executing leases this quarter include NERA Economic Consulting renewing for 26,979 square feet at 1255 23rd Street, NW and Sage Publications signing a new lease for 26,113 square feet at 2600 Virginia Avenue, NW.



## MARKET STATS

### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: 450,492 SF/YR  
DELIVERIES: 591,373 SF/YR

INVENTORY: 15.7 MILLION SF  
DIRECT VACANCY: 12.9%  
TOTAL VACANCY: 13.3%  
YTD 2014 ABSORPTION: 31,753 SF  
UNDER CONSTRUCTION: 0 SF  
% PRE-LEASED: 0%  
YTD DELIVERIES: 0 SF

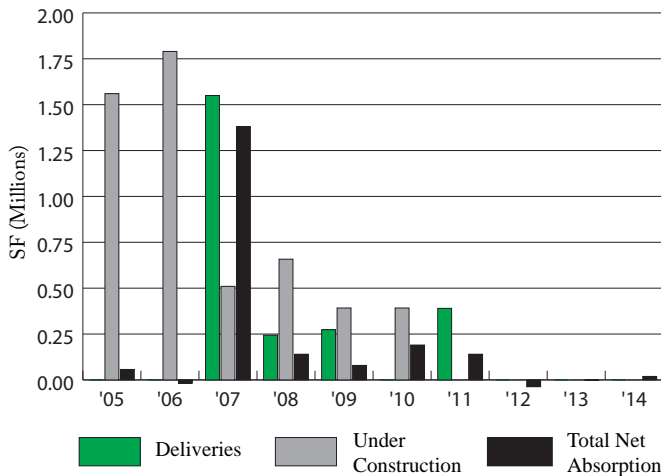
### ASKING RENTAL RATES (FULL SERVICE)

2005: \$35.18 PSF  
2014: \$50.22 PSF

## HIGHLIGHTS

- The vacancy rate remained flat at 13.3% during the second quarter. The completion of 1050 First Street, NE - Sentinel Square II (289,524 sf) and 175 N Street, NE - Constitution Square III (360,000 sf) in the fourth quarter 2013 caused the recent spike in vacancy, as both buildings continued to remain 0% leased through the second quarter 2014.
- The Capitol Hill/NoMa market recorded 2,655 square feet of net absorption in the second quarter, a decrease from the 29,098 square feet absorbed in the first quarter. Contributing to the positive absorption was Independent Insurance Agents and Brokers of America (IIABA) moving to 20 F Street, NW and Banner Public Affairs and Michael Torry Associates both moving to 440 First Street, NW.
- Leasing activity increased to 98,477 square feet in the second quarter, up slightly from the 92,861 square feet leased in the first quarter. Contributing tenants include Amazon.com signing a new lease for 21,132 square feet at 601 New Jersey Avenue, NW.





## MARKET STATS

### 10 YEAR AVERAGES (2005-2014)

TOTAL ABSORPTION: 203,664 SF/YR  
DELIVERIES: 245,296 SF/YR

INVENTORY: 4.9 MILLION SF  
DIRECT VACANCY: 18.5%  
TOTAL VACANCY: 18.8%  
YTD 2014 ABSORPTION: 19,075 SF  
UNDER CONSTRUCTION: 0 SF  
% PRE-LEASED: 0%  
YTD DELIVERIES: 0 SF

### ASKING RENTAL RATES (FULL SERVICE)

2005: \$39.23 PSF  
2014: \$40.83 PSF

## HIGHLIGHTS

- The vacancy rate decreased to 18.8% in the second quarter, down from 19.0% in the first quarter. The recent spike in vacancy is attributed to the U.S. Coast Guard vacating approximately 130,000 square feet at 1900 Half Street, SW in the fourth quarter 2013.
- The Capitol Riverfront market recorded 11,691 square feet of net absorption in the second quarter, a slight increase from the 7,384 square feet absorbed in the first quarter. Contributing to the positive absorption was ManTech International Corporation moving into approximately 3,000 square feet at 1100 New Jersey Avenue, SE.
- Leasing activity decreased to 54,584 square feet in the second quarter, a significant decrease from the 151,114 square feet leased in the first quarter. Tenants executing leases this quarter were CBS Radio signing for 33,042 square feet at 1015 Half Street, SE and Regus signing for 16,417 square feet at 100 M Street, SE