

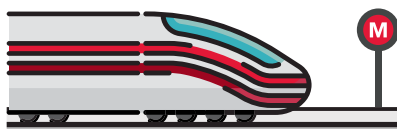
DOWNTOWNDC ECONOMIC UPDATE

HIGHLIGHTS

Jan. 2018 - June 2018

Fannie Mae's headquarters, source: Carr properties

In the first half of 2018, economic indicators continued the trends established in 2017. All economic sectors within the BID were performing at high or record levels except for the office market. Despite continual regional pressure, both the DowntownDC and DC economies were strongly competing. Significant milestones and accomplishments over the first six months of 2018 included:



REGIONAL AGREEMENT REACHED FOR DEDICATED FUNDING OF METRORAIL'S CAPITAL NEEDS

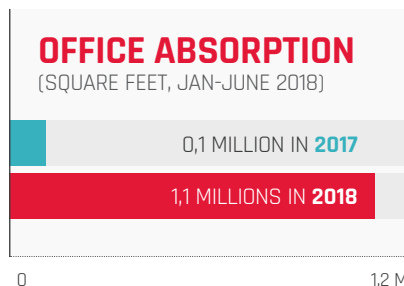
- DC, MD, and VA all passed legislation to create **dedicated funding of \$500 million per year for Metrorail**. This will enable **Metro to borrow \$15 billion** for needed capital investments.
- Downtown and DC **employment continued to grow despite a decline in federal employment**, but employment growth rates remained below the region and nation.

DOWNTOWNDC AND DC EMPLOYMENT GROWING



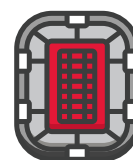
BUT AT A SLOWER RATE THAN THE
SUBURBS AND THE NATION

- There was a **slight uptick in the DowntownDC population**, and DC's population continued to grow at approximately 8,000 –12,000 per year in 2018.
- **Downtown development continued to be strong**, despite only eight development sites remaining.
- The **DowntownDC office market had record absorption of 1.1 million SF in the first half of 2018** while setting new records for vacant space SF and occupied SF.



- **Hotel performance remained strong**, though modestly decreased from 2017.
- **Stanley Cup Champions the Washington Capitals helped keep the**

attendance levels high in the Culture and Entertainment sectors.



CONVENTION CENTER ON PACE FOR RECORD ATTENDANCE IN 2018 & CAPITAL ONE ARENA CONTINUES TO DRAW A LARGE NUMBER OF ATTENDEES

- **The number of Destination Shopping Stores in DowntownDC remained unchanged at 86.** The Apple Flagship store at the Carnegie Library will open in December 2018, and Tiffany's is planning to open in the new Conrad Hotel at CityCenterDC.
- **DowntownDC's Destination Restaurants totaled 164**, with five restaurants opening and six closing. Two destination restaurants were slated to open at the time of this publication.
- DowntownDC had **179 sidewalk cafés with 1,882 tables and 5,056 seats** at restaurants, cafés, and bars.
- **The nation continued to await Amazon's HQ2 location decision**, yet DC, NoVa, and Montgomery County were all being considered.



DC EMPLOYMENT IS
793,600

24%

OF THE
REGIONAL
TOTAL

EMPLOYMENT

 VISIT SECTION ON THE DOWNTOWNDC BID WEBSITE

- **190,000 employees worked in the DowntownDC BID, up from 188,300 at the end of December 2017** (growth rate of 0.90%). This increase was due mainly to 2,500 Fannie Mae employees moving into Midtown Center and offset by the departure of 1,200 Department of Justice employees from DowntownDC to NoMa.
- **DC employment increased by 7,200 to 793,600** in June 2018, or 0.92%
- **BID and DC Employment continued to lag:**
 - » NoVa employment growth was 1.61%;
 - » Suburban MD was 0.42%;
 - » The United States: 1.54%.



**DOWNTOWNDC
EMPLOYMENT IS
190,000**

6% OF REGIONAL TOTAL 24% OF DC TOTAL

0

100

EMPLOYMENT

FIRST HALF OF 2017 VS.
FIRST HALF OF 2018



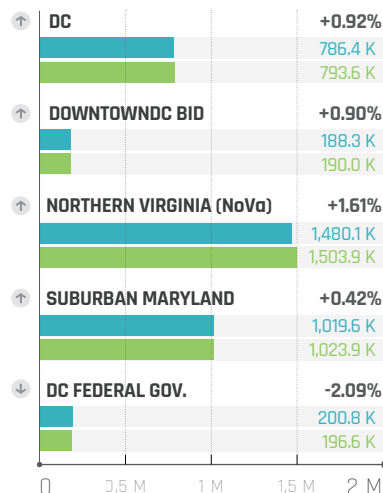
USA +1.58%

FROM 145.6 M
TO 147.9 M

DC PRIVATE
EMPLOYMENT
**INCREASED
9,700 (+1.78%)**
TO 555,600



DC FEDERAL
EMPLOYMENT
**DECREASED
4,200 (-2.09%)**
TO 196,600



DOWNTOWNDC LIVING

 VISIT SECTION ON THE DOWNTOWNDC BID WEBSITE

DOWNTOWNDC EMPLOYMENT SUPPORTS DC POPULATION GROWTH



- **190,000** DowntownDC employees support **residential growth** throughout the city
- **10,290** people live in DowntownDC's 7,054 housing units (2.2% of DC's 325,000 housing units)
- DowntownDC housing mix remains diverse:
 - » **6,300** market rate units
 - » **420** Federally and locally subsidized units
 - » **213** beds for women experiencing homelessness
 - » **1,000** beds for men experiencing homelessness



DOWNTOWNDC RENTS AND CONDO PRICES AMONG STRONGEST IN REGION

CITYCENTERDC
RESALE PRICES OVER
\$1,000 PER SF



DOWNTOWNDC
HAS 2.2%
OF CITY'S HOUSING UNITS

- **80.3%** of residents have college or graduate degrees
- **Average household income \$149,000**/Median household income \$113,000
- **Rents up slightly from \$3.20 to \$3.40 per SF**
- **Condo resale prices of \$700 per SF** – up from \$658 per SF in 2017
- **DC Apartment starts in first half of 2018:** 3,505 market-rate, 289 Inclusionary Zoning units; **3,794 total units**





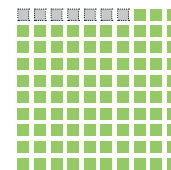
**DOWNTOWNDC BID COUNTED
111 DEVELOPMENT SITES IN 1997**

8 DEVELOPMENT SITES REMAIN

CURRENT DEVELOPMENT

 [VISIT SECTION ON THE DOWNTOWNDC BID WEBSITE](#)

- **Two major deliveries in the first half of 2018:** Carr Properties' \$460 million and 870,000 SF Midtown Center at 1150 15th Street, NW, and Property Group Partners' \$180 million and 430,000 SF 200 Massachusetts Avenue as Phase One of its Capitol Crossing project
- **Two construction projects started in first half of 2018:** Planet Word at 51,000 SF and Douglas Development's 90 E Street Renovation at 33,200 SF
- **One new planned project announced in first half of 2018:** The \$50 million renovation of the W Hotel
- **Three hotels under construction and one renovation planned** – total investment of \$345 million
- **Planned development of 5.8 million SF and \$4.6 billion of investment in 2018**



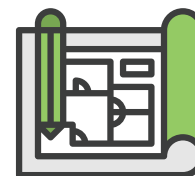
DOWNTOWNDC IS
93% BUILT OUT



**RECORD
OFFICE
DELIVERIES
OF**



1.2 MILLION SF



5.8 M
SF OF PLANNED
**DEVELOPMENT
IN 2018**

OFFICE MARKET



VISIT SECTION ON
THE DOWNTOWNDC
BID WEBSITE

- DowntownDC has **34% of the city's private office inventory**.
- DowntownDC absorption of **1.1 million SF in the first half of 2018** – a BID record.
- **DowntownDC had record Total Vacant SF** and a very high Vacancy Rate due mostly to new supply:
 - » **6.3 million SF of vacant office space in BID** (10.5 million SF in rest of D.C.).
 - » **11.8% office vacancy rate in BID** (10.3% in rest of D.C.).
- **DowntownDC had record Occupied SF:**
 - » **47 million SF in BID** (92 million in rest of D.C.) **vs 45.8 million SF at June 30, 2017 and 45.6 million SF at December 31, 2013.**
- Downtown landlords are working incredibly hard to keep tenants by offering record concessions.
- **Tenant Growth:**
 - » **WeWork will open 60,000 SF on**



DOWNTOWN HAS 53.3 MILLION SF OF PRIVATE OFFICE SPACE

6.3 M SF VACANT IN BID VS 4.8 M SF IN BID AT END OF 2013
11.8% VACANCY RATE IN BID VS 9.6% AT END OF 2012

**RECORD OCCUPIED SF:
47 MILLION SF IN BID IN 2018**

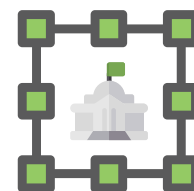
92 M IN REST OF DC

VS. 45.6 M ON 12/31/13 VS. 45.8 M ON 6/30/17



the top three floors of 777 Sixth St NW in October 2018

- » **FiscalNote**, located at 1201 Pennsylvania Ave NW, **recently raised \$10 million**, bringing their total venture capital funding to \$35 million.
- » **Optoro**, located at 1001 G St NW, **just announced the completion of a new funding round of \$75 million**, bringing their total venture capital funding to \$200 million.
- **Regional Tenant Movement Into BID:**
 - » **Carlyle is moving 300 employees** from Arlington to 1001 Pennsylvania Ave NW—adding 70,000 SF for a total lease of 200,000 SF in DowntownDC.
 - » **Interel**, a public affairs consultant,



DOWNTOWN HAS 5.5 M SF OF FEDERAL GOVERNMENT LEASED SPACE

DOWNTOWNDC BID AREA
OFFICE SALES PRICE AVERAGED
\$807 PER SF
THE HIGHEST IN THE REGION

is moving from Tysons to 15,000 SF at 1420 New York Ave NW.

- **DC Tenant Movement Out of BID:**
 - » **Department of Justice to NoMa** from 601 D & 600 E to 839,000 SF at Three & Four Constitution Square. The move will be finalized in the first half of 2019.
 - » **Williams & Connolly appears to be moving to the Wharf** and out of 300,000+ SF at 777 12th St NW, as the space is now being marketed.

- **Foreign Investors still represent the majority of DowntownDC office sales**, with a 72% market share in the first half of 2018, and 49% in the rest of DC.

HOTELS, TOURISM & CONVENTIONS

 [VISIT SECTION ON THE DOWNTOWNDC BID WEBSITE](#)

- Hotel performance was **modestly down in the first half of 2018** compared to the first half of 2017 due to the January 2017 Inauguration and marches. Revenue was up when comparing Feb-June 2018 to Feb-June 2016.
- **DowntownDC's RevPAR of \$189 was in the top four cities in the country** along with New York City, Boston and San Francisco.
- The Walter E. Washington Convention Center **projects an annual attendance record of over 1.5 million for 2018**. The previous record was 1.4 million in 2016.
- **Gregory O'Dell, President & CEO of EventsDC, is currently serving as the Vice President to the Board of Directors of Association Internationale des Palais de Congress** (the International Association of Convention Centres).
- **Elliott Ferguson, President & CEO of DestinationDC, is slated to become the chair of the board of the U.S. Travel Association** in March 2019.

New Conrad Hotel opening 2018



**CONVENTION
CENTER ON
TRACK FOR
A RECORD
ATTENDANCE
YEAR IN 2018**



**DOWNTOWNDC IS
ONE OF THE TOP HOTEL
MARKETS IN THE NATION**

**BOTH DOWNTOWNDC AND
THE REST OF THE CITY
HAVE AN OUTSIDE
CHANCE OF SETTING
NEW REVPAR AND
REVENUE RECORDS
IN 2018**

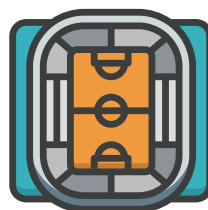


CULTURE & ENTERTAINMENT



VISIT SECTION ON THE DOWNTOWNDC BID WEBSITE

- **Capital One Arena** continued to anchor DowntownDC's entertainment sector. In the first half of 2017, 1.49 million visitors attended events compared to 1.26 million visitors in the first half of 2018.
- **Theatre and performance venue attendance increased modestly in 2018** – up 11% at 341,347 for the first half of 2018.
- **Three medium-sized museums were under construction:** National Law Enforcement Museum, Planet Word and National Children's Museum.
- **One museum planned:** Milken Foundation Museum of the American Educator.

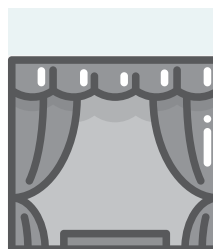


CAPITAL ONE ARENA
CONTINUES TO ANCHOR

DOWNTOWNDC'S ENTERTAINMENT SECTOR

DOWNTOWN THEATRES AND PERFORMANCE VENUE ATTENDANCE IS UP 11% OVER 2017

+ 11%



2017



2018



SHOPPING & DINING

 VISIT SECTION ON THE DOWNTOWNDC BID WEBSITE

- **Retail vacancy rate at 9.85%**, up slightly from 9.75% at year end 2017.
- **The Apple store** in the Carnegie Library at 8th & K Streets **is scheduled to open by mid-December.**
- **Destination shopping stores remained at 86.**
- **Destination restaurants totaled 164** and two restaurants were pending opening at the time of this publication.
- **Sidewalk cafes totaled 179**, with 1,882 tables and 5,056 seats, including 35 cafes with over 40 seats.

86



**DESTINATION
STORES**
IN DOWNTOWNDC



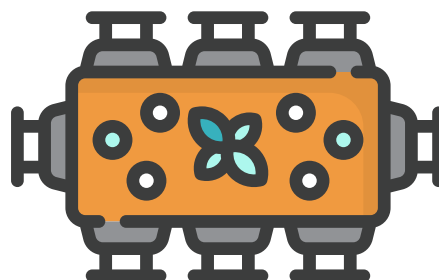
APPLE
**IS SCHEDULED
TO OPEN**
IN THE FIRST HALF
OF DECEMBER 2018



164

DESTINATION RESTAURANTS
IN DOWNTOWNDC

+2 MORE PENDING OPENING



**1,882
TABLES &
5,056
CHAIRS**

AT
179



**SIDEWALK
CAFES**



TRANSPORTATION

Photo credits: DC Government, Executive Office of the Mayor. [Visit source.](#)

 VISIT SECTION ON THE DOWNTOWNDC BID WEBSITE

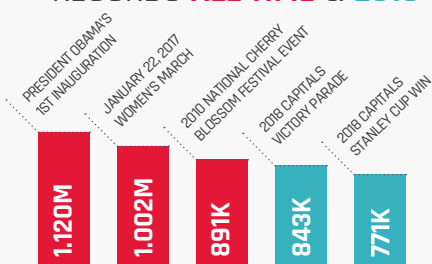
- **Regional Metrorail funding of \$500 million per year** agreed to by DC, Maryland, and Virginia
 - » *D.C. pledged \$178M, Maryland contributed \$167M, while Virginia pledged \$154.6M*
 - » **DowntownDC contributed to the city's \$178 million of funding** through (1) its contributions to general tax revenue growth, and (2) an increase in the commercial property tax rate of 0.04% from 1.85% to 1.89% for properties with a value of over \$10 million.
- **Metrorail's regional importance** was highlighted by the **high ridership during the Caps Stanley Cup Championship Run and Victory Parade**: 771,000 riders on June 7th, when the Caps won the Stanley Cup (even though the game was in Las Vegas) and 843,000 on June 12th, the day of the Victory Parade.
- **DC extended its dockless bikeshare and dockless scooter pilot program** until August 31, 2018. The remaining **bike participants are Spin, LimeBike and Jump** (electric bikes). **Scooter services are provided by Bird, Skip** (formerly Waybots) **and LimeBike.**
- **Preliminary data suggests that:**
 - » **Electric options** (bikes and scooters) **are very popular**, more so than regular dockless bikes.
- » **Capital Bikeshare ridership is still very prevalent in the District.**
- **Greater investment in the bikeshare and scooter sectors:**
 - » **Uber buys Jump** (electric bikes) **for around \$200 million.**
 - » **Lyft buys Motivate for around \$250 million.** Motivate owns DC's Capital Bikeshares as well as the three other largest station-based bikeshare systems in the U.S. (New York's Citi Bike, Chicago's Divvy and Boston's Bluebikes)
 - » **Bird raised \$300 million in June**, bringing its funding total to \$400 million in the past year.
 - » **Lime is raising \$350 million**, including Uber.
- **Metrorail system-wide ridership** for July 2017 - March 2018 **is down slightly 1.3%.**

2Q
2018



SAW REGIONAL DEDICATED
**METRORAIL FUNDING
FINALLY ACHIEVED**

METRORAIL RIDERSHIP RECORDS **ALL TIME** & **2018**



**THE DECLINE METRO ONCE
SAW IS LEVELING OFF,
WITH THEIR Q2 RIDERSHIP NUMBERS
NEARING THEIR TARGET OF**

**219.7 MILLION
PASSENGERS**

(ABOUT 7M SHY OF TARGET)





DOWNTOWNDC

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