



 DOWNTOWNDC

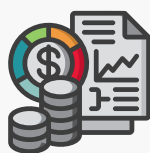
# DOWNTOWNDC ECONOMY UPDATE

## FALL 2019

Flagship Apple Store and D.C. History Center at the Carnegie Library in DowntownDC. Source: Apple.

## OVERVIEW

The DowntownDC economy is the leading regional employment center, and a national leader in the office, hospitality and culture and entertainment sectors. There continues to be strong investment and development interest in DowntownDC as shown by high prices for DowntownDC office buildings and hotels as well as over \$700 million of construction. Furthermore, Johns Hopkins and Georgetown universities recently bought buildings in DowntownDC to expand their operations. In addition, DowntownDC's 188,200 jobs provide strong demand for new multifamily developments in other DC submarkets, as DowntownDC only has 7,000 housing units.



THOUGH THE  
DOWNTOWNDC ECONOMY  
HAS MANY STRENGTHS, ITS  
**JAN - NOV 2019  
PERFORMANCE  
HAS BEEN WEAK**

In contrast to these strong overall indicators, DowntownDC experienced weak performance in several economic sectors from Jan.- Nov. 2019: a slight decline in employment, more destination restaurants closed than opened, two large retailers closed or announced their closing and office and retail vacancy rates reached their highest levels in many years. DowntownDC's 7.7 million square feet (SF) of vacant office space offers an opportunity to bring more businesses to the area. These businesses could create more jobs for DC residents and result in a \$20 million to \$30 million increase in city tax revenues if the vacancy rate were reduced by 30%.

## EMPLOYMENT

Citywide employment continued to grow from Jan.- Oct. 2019, however it grew at a slower rate than the suburbs and the nation. DC employment grew 0.96% (7,700 jobs to 805,300) in the year ending Oct. 2019 vs 1.78% in the suburbs and 1.35% in the U.S. DC private sector jobs increased 1.55% (8,700 jobs to 569,000) and federal jobs decreased by 700 to 194,900 jobs. DC office-space-using jobs increased by 7,000 to 301,900, or 2.4%, which equals 1.4 million SF of office space at 200 SF per worker.

However, at a hyperlocal level, employment in DowntownDC declined by an estimated 1,800 employees, from 190,000 to 188,200 (-0.8%) from Jan.-Nov 2019. The main reason for the decline was because the U.S. Department of Justice moved 1,900 employees to NoMa and there was also a slight decline in retail jobs, both of which were offset partially by modest increases in co-working office workers and hotel workers.

EMPLOYMENT  
IN DOWNTOWNDC



DECLINED BY  
**0.8%** IN  
2019

## DEVELOPMENT

There are 11 projects under construction in DowntownDC, totaling a bit over \$700 million. From Jan.- Nov. 2019, eight projects were delivered totaling a bit over \$700 million, including the new flagship Apple Store and DC History Center at the Carnegie Library, The Conrad Hotel, Anthem Row and the Capital One Arena's renovation phase 2. However, there has only been one 2019 groundbreaking: the renovation of The ALECK at 1400 L Street NW by the Meridian Group. Three new developments projects have been announced: Johns Hopkins University's purchase and planned \$200 million renovation of the Newseum, Georgetown University's \$70 million purchase and multi-million dollar renovation of 500 First Street NW, and a new hotel (between 105 and 220 rooms) by Acumen Cos. on the 500-block of H Street NW. The total of planned development projects now totals ten, with an estimated investment of \$4.3 billion, including the renovation/reconstruction of the FBI Headquarters building.

ONLY

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DEVELOPMENT PROJECT  
BROKE GROUND IN DOWNTOWNDC  
IN 2019



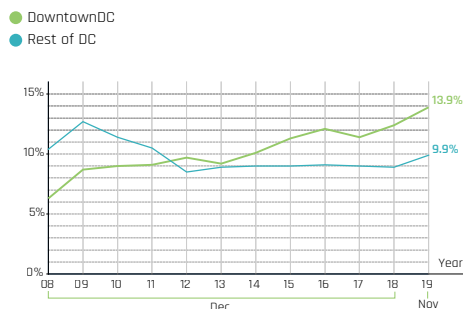
## OFFICE

The office market in DowntownDC continues to move sideways at best. Landlords have retained and/or attracted tenants with near record concessions. The office vacancy rate has increased significantly to 13.9% at 11/30/19 from 11.5% at 9/30/18. This is the highest vacancy rate since 1993. Absorption for Jan.– Nov. 2019 was a negative 283,000 SF. Vacant SF totals a record of 7.7 million SF at 11/30/19. Occupied SF totals 47.9 million SF, just modestly below DowntownDC's occupancy record of 48.5 million SF at 6/30/18. The vacancy rate for the Rest of DC is 9.9% at 11/30/19 up from 9.2% at 9/30/18. Rest of DC absorption for Jan.– Nov. 2019 was a positive 818,000 SF. Vacant SF for the Rest of DC totals a record 10.2 million SF. Occupied SF for the Rest of DC totals a record 92.7 million SF.

**DOWNTOWNDC HAD  
RECORD OFFICE  
VACANCY RATE  
AND VACANT SF  
AS OF NOV 2019**

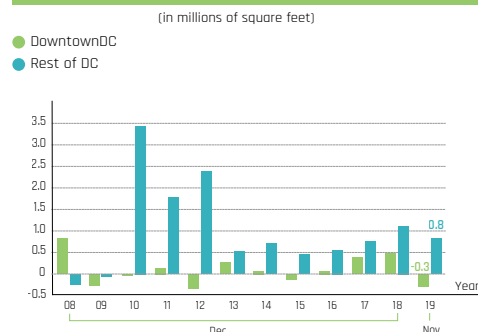


### Vacancy Rate



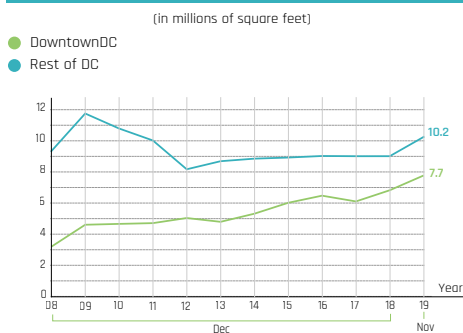
Source: CoStar

### Office Space Net Absorption



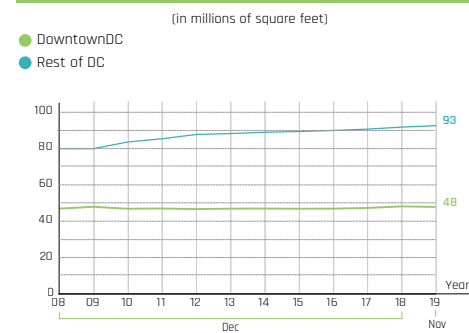
Source: CoStar

### Vacant Office Square Feet



Source: CoStar

### Occupied Office Square Feet

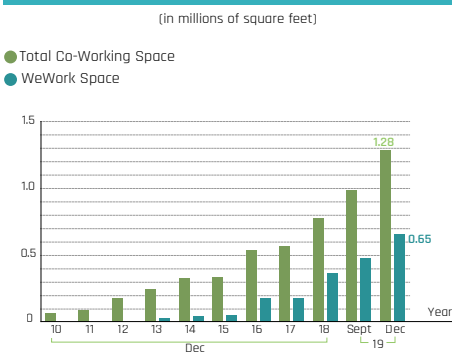


Source: CoStar

DC co-working space totals 3.1 million SF as of Dec. 2019, which is 2.0% of the DC office market. DowntownDC co-working is projected at 1.3 million SF at the end of 2019, which is 2.3% of the sub-market. WeWork leases approximately 650,000 SF in DowntownDC and an additional 680,000 SF in the Rest of DC. DC co-working space represents a lower percentage of the DC office market than the co-working share of the office markets in New York City or San Francisco.

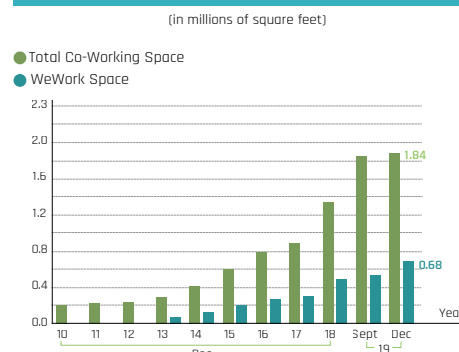
Lastly, it appears that 2019 will be the best year since 2000 for DC not losing office tenants to Northern Virginia. Much of this is due to the increase in rents in Crystal City due to Amazon's decision to locate its HQ2 there. And, in the Fall of 2019, DowntownDC attracted a Northern Virginia business back to DC as The Carlyle Group moved its Rosslyn operation back to 1001 Pennsylvania Avenue, leasing 70,000 SF.

### Co-Working Space in DowntownDC



Source: DowntownDC BID

### Co-Working Space in Rest of DC



Source: DowntownDC BID



## HOTELS, CONVENTION CENTER & TOURISM

From Jan.–Sept. 2019, the DowntownDC hotel market set a new record for both the supply of hotel rooms (up 4.1% over 2018) and room demand (up 1.8% over 2018). However, DowntownDC's RevPAR (Revenue Per Available Room) was down 1.3% from 2018, though it is a strong RevPAR of \$195 (trailing only NYC, Boston and San Francisco). DowntownDC hotel revenues are up 2.7% compared to 2018 and are slightly behind 2017's record performance. The Rest of DC's hotels are experiencing similar growth and performance.

DowntownDC hotels continue to enjoy a RevPAR premium of 19% over the Rest of DC (\$195 vs \$164).

JAN – SEPT 2019 SAW

**RECORD  
HOTEL DEMAND**

IN DOWNTOWNDC  
AND THE REST OF DC

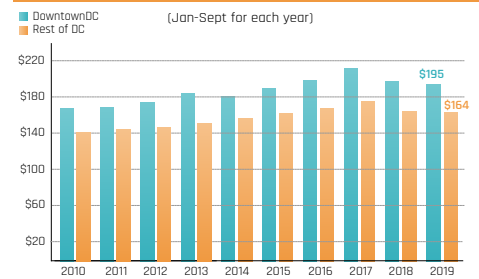


In March 2019, the new 360-room Conrad Hotel opened at CityCenterDC. In early Dec. 2019, Acumen Companies announced plans for a 105 to 220 room hotel on the northeast end of the 500 block of H Street NW in Chinatown. The Rest of DC has several hotels that have come on line in the past year and several under construction or planned.

The Walter E. Washington Convention Center is on pace to attract an estimated 1 million visitors in 2019, creating strong demand for hotels and restaurants in DowntownDC and citywide. Compared to 2018's record attendance of 1.5 million, 2019's attendance will be lower due to three fewer conventions in 2019 and the fact that 2018 was boosted by the Major League Baseball All-Star Game.

DC also recorded a record 23.8 million visitors in 2018 (the most recent period that data is available) with 21.9 domestic visitors and 1.9 million overseas visitors. Total visitation was up 4.4% over 2017.

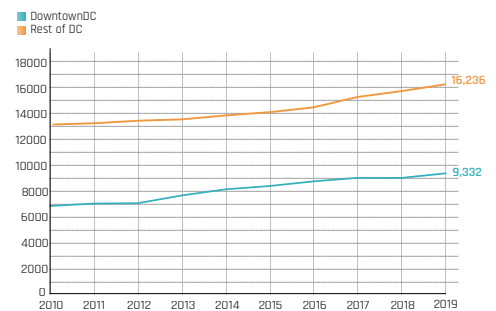
### Hotel REVPAR\*



Source: Smith Travel

\* REVPAR = Revenue Per Available Room Night = Occupancy Rate \* Average Daily Room Rate

### Hotel Room Demand Per Day



Source: Smith Travel

## HOUSING

DowntownDC has one of the most diverse, though relatively small, housing markets in the city. It has a total of only 6,996 units composed of 3,584 market rate apartments, 2,420 market rate condominiums, 423 units of subsidized affordable or public housing and over 500 units of senior or university housing.

DowntownDC continues to have strong

apartment rents and condominium prices. However, there are several DC submarkets with more grocery stores and an array of other attractive amenities that have higher rents and condominium prices. CityCenterDC in DowntownDC commands some of the highest rents in the city and region with rents above \$4.00 per SF and condominium prices around \$1,000 per SF.

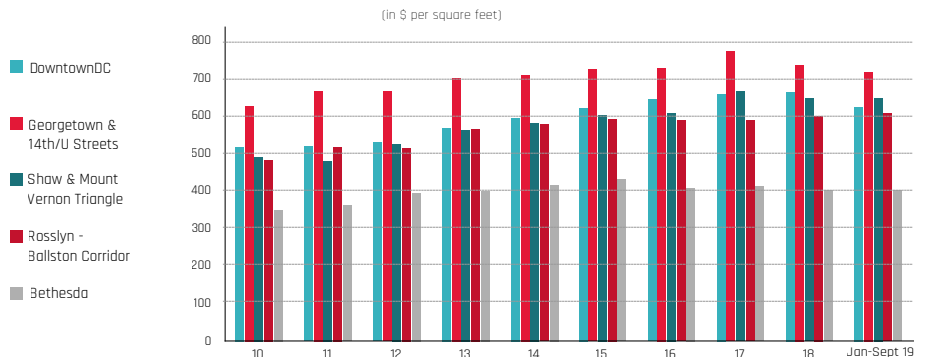
On average, DowntownDC's Jan.–Sept. 2019 rents (\$3.16 per SF) and condo prices (\$626 per SF) were lower than 2018's averages and below those of several DC submarkets.

Citywide groundbreaking on market-rate multifamily units may reach 7,000 in 2019 for DC—a new record. DowntownDC's 188,200 workers provide demand for some of this new market-rate housing development.

**DOWNTOWNDC  
HAS SOME OF THE  
STRONGEST CONDO PRICES  
AND APARTMENT RENTS  
IN THE CITY AND REGION.**



### DC Region Condo Prices



Source: The Mayhoo Company

## CULTURE & ENTERTAINMENT

DowntownDC's Capital One Arena, theaters and museums continue to record strong attendance. The patrons of these institutions support DowntownDC shopping, dining, transit and parking. The 2019 State of Downtown Report will include complete 2019 attendance information for this sector.

### SPY MUSEUM AND NEWSEUM

CLOSED IN DOWNTOWNDC  
IN DEC. 2018 AND DEC. 2019,  
RESPECTIVELY



## DINING

DowntownDC has 150 destination restaurants as of Nov. 2019. Ten new restaurants opened in 2019, 14 restaurants closed in 2019 and seven restaurants plan to open in 2020. The ten openings in 2019 were: Boqueria, Olivia, Mazi, Punjab Grill, SPIN, Estuary, Via Sophia, The Boardwalk DC, Matchbox (E Street) and Cherry.

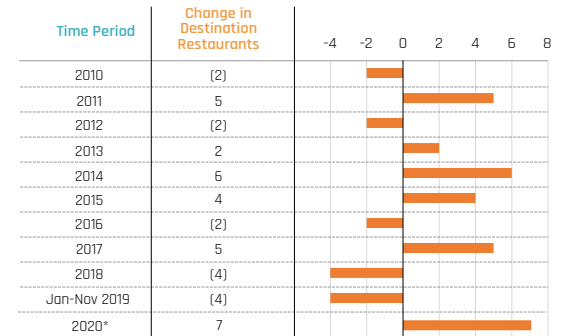
The 14 closings were: Pennsylvania Six, Iron Horse Tap Room, Matchbox (H Street), Woodward Table, SEI, Scotts Restaurant, Penn Commons, The Greene Turtle Sports

Bar & Grille, Proof Restaurant, Del Frisco's Grille, Pineau, NoPa Kitchen & Bar, 14K Restaurant and Lounge, and La Tasca. The seven announced restaurants coming to DowntownDC are: Cranes, The Cheesecake Factory, Yardbird, Eddie V's, Henri, The Ardent and Farmbird.

### RESTAURANTS IN 2019

10 OPENINGS  
14 CLOSINGS  
7 PLANNED

### Destination Restaurant Change in DowntownDC



\* Planned

Source: DowntownDC BID

## SHOPPING

DowntownDC has 80 destination shopping stores, totaling 700,000 SF as of Dec. 2019 (adjusted for recent closings and closing announcements). In 2019 store openings included the Apple flagship store, Tiffany's and Brunello Cucinelli.

Due to the many restaurant closings and vacant space in new developments, the DowntownDC retail vacancy rate rose to 10.4% at 11/30/19 from 9.1% as of 11/30/18. Adjusting for the Dec. 2019 closing of Forever 21 and Dec. 2019 announced closing of Bed Bath & Beyond, the

DowntownDC retail vacancy will increase to 13.2% — its highest level since 2004 (when this data was first collected).

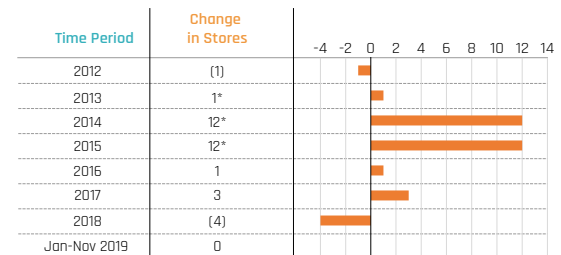
The BID plans to have a DowntownDC retail strategy manager on board in the first quarter of 2020 with the goal of increasing DowntownDC shopping store SF by 300,000 to 400,000 SF, including a potential pop-up program.

**DOWNTOWN IS LOSING  
120,000 SF**

OF SHOPPING WITH THE CLOSINGS OF  
FOREVER 21 AND BED BATH & BEYOND



### Shopping Store Change in DowntownDC



\* CityCenterDC stores

Source: DowntownDC BID

## DOWNTOWNDC ECONOMIC ACTIVITY SUMMARY

(DOWNTOWNDC IS ONE SQUARE MILE—1.6% OF DC'S LAND AREA)

Economic Sector	DowntownDC (in millions of SF)	% of DowntownDC	% of DC	Sector Significance	Sector Recent Performance
Office	55.7 SF	75%	35%	International	Weak
Hotel	5.9	8	33	International	Strong
Culture & Entertainment	3.0	4	26	National/Int'l	Steady/Strong
Apartment	2.7	4	2	National	Strong
Convention Center	2.3	3	100	National/Int'l	Strong
Condominium	1.9	3	7	Regional	Strong
University	1.1	1	7	International	Strong
Restaurant	1.0	1	NA	International	Weak
Shopping	0.7	1	NA	Regional/Int'l	Weak
<b>Total</b>	<b>74.3</b>	<b>100%</b>			
<b>Economic Data</b>					
Employment	188,200	NA	24%	NA	NA
Population	10,300	NA	1%	NA	NA



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