



DOWNTOWNDC ECONOMIC UPDATE

HIGHLIGHTS

July - September 2018

Wild Days rooftop bar in the Eaton Hotel. Source: DowntownDC BID.

The third quarter of 2018 (July - Sept.) was a relatively steady period for the DowntownDC economy and trends continued from 2017 and the first six months of 2018. In addition to strong regional competition, the DowntownDC economy faced growing competition from the District's new submarkets. Nevertheless, DowntownDC is strongly competing, and remains the vibrant economic epicenter of the region. Highlights from the third quarter include:

- More people spent time in DowntownDC in 3Q 2018 than ever to work, live, visit a museum, shop, dine, or take in a game, show or event.

DOWNTOWNDC AND DC EMPLOYMENT GROWTH WAS MODEST

AND SUBSTANTIALLY SLOWER THAN THE SUBURBS' OR THE NATION'S GROWTH



- Employment annual growth for 1Q - 3Q 2018 in DowntownDC and DC was 0.3% and 0.9%, respectively, while DC suburban and national employment for the same time period grew by 2.4% and 1.7%, respectively.
- DowntownDC's 190,500 employees contributed to multifamily development throughout DC as the city's multifamily groundbreakings continued at a high level of 6,300 groundbreakings per year.

OFFICE ABSORPTION
NEAR RECORD OF
1,000,000 SF FOR 1Q - 3Q 2018



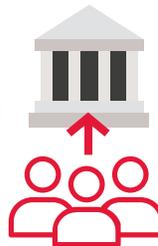
- DowntownDC is 97% built out, including 2.9 million SF currently under construction – an investment of \$1.6 billion – and almost 50% of the projects are renovations of existing buildings.

- The DowntownDC office market continued to go sideways with a near record for occupied SF of office space of 47 million and a record 6.4 million SF of vacant office space. Absorption for 1Q - 3Q 2018 was a strong positive 1,000,000 SF; however, 3Q 2018 saw negative absorption of 149,000 SF.

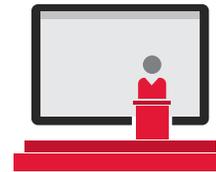
- DowntownDC hotel revenue performance dropped modestly for 1Q - 3Q 2018 compared to the previous year due in large part to the Jan 2017 Inauguration and related events.

FOUR MEDIUM-SIZED MUSEUMS UNDER CONSTRUCTION

WILL BRING TENS OF THOUSANDS OF ADDITIONAL VISITORS TO DOWNTOWNDC EACH YEAR



- The Walter E. Washington Convention Center was on pace for record attendance for 2018.
- Four medium-sized museums now under construction: The National Law Enforcement Museum, Milken Institute's Center for the American Dream, National Children's Museum and Planet Word will bring tens of thousands of additional visitors to DowntownDC each year.



CONVENTION CENTER ON PACE FOR RECORD ATTENDANCE IN 2018

- Retail vacancy rose to 9.50% at 3Q 2018 from 8.54% at 3Q 2017. Over the next 15 months, Downtown retail will benefit from the opening of 12 new destination restaurants and the opening of the Apple Flagship Store at the Carnegie Library and Tiffany & Co. at CityCenterDC.

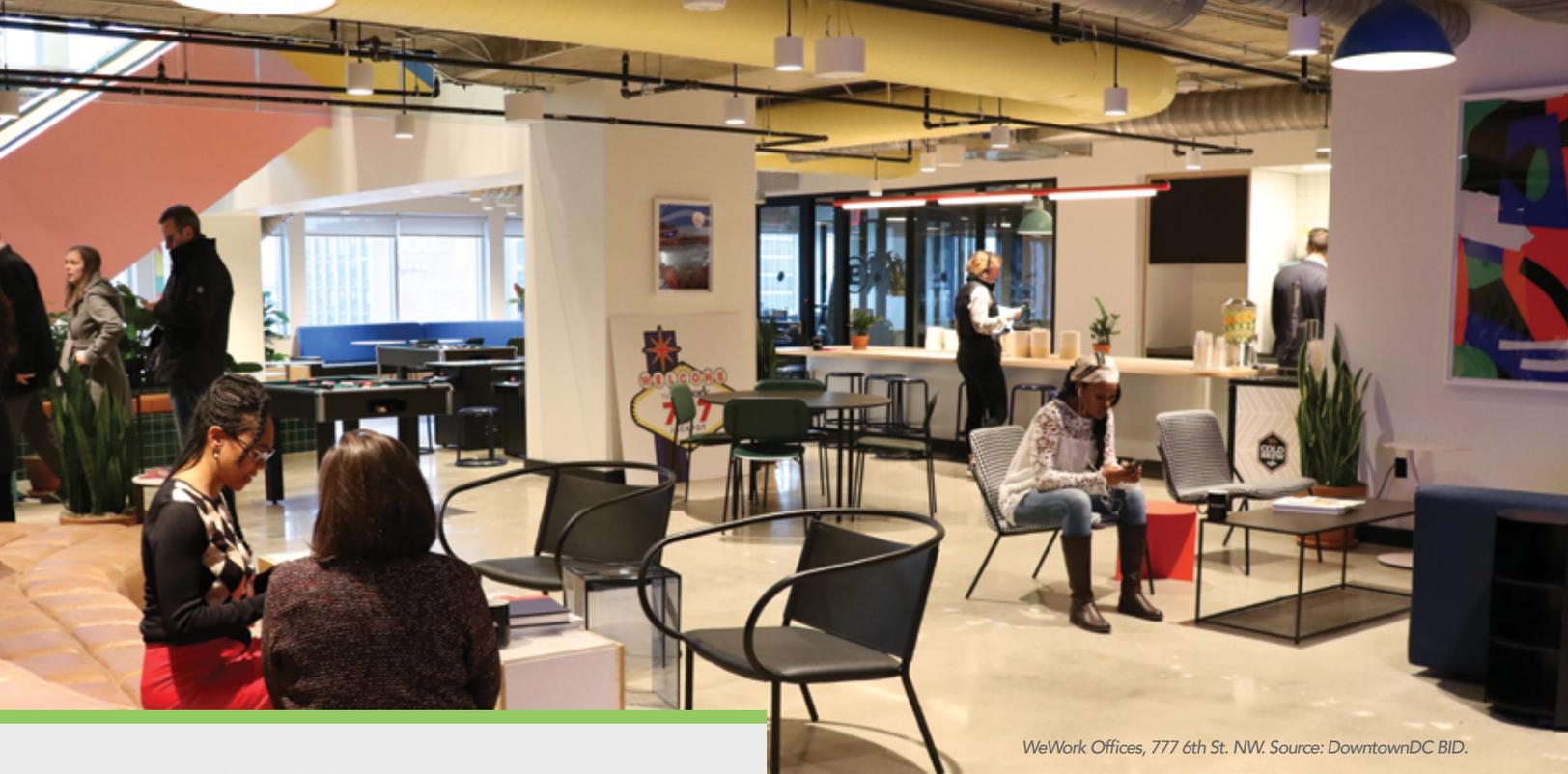
12 NEW DESTINATION RESTAURANTS PLAN TO OPEN BY THE END OF 2019



- Metrorail news was mixed: ridership declined 2.4% in 3Q 2018 compared to 3Q 2017, rail car reliability improved by 48% and the proposed WMATA budget did not include the restoration of late-night service, a vital resource to the DowntownDC economy.
- DowntownDC's 2017 net fiscal impact of \$807 million will grow in 2018 and 2019.



DOWNTOWNDC'S FY17 NET FISCAL CONTRIBUTION TO THE DISTRICT WAS \$807 MILLION AND GROWING



WeWork Offices, 777 6th St. NW. Source: DowntownDC BID.

EMPLOYMENT

 FOR MORE DATA, CLICK HERE

- **190,500 employees worked in DowntownDC at the end of Sept. 2018**, up from 190,000 at the end of June 2018 and 188,300 at the end of 2017.

- » **3,000 Fannie Mae employees** moved into Midtown Center.

- » **1,200 Department of Justice employees** left DowntownDC for NoMa.

- **DC employment changes from Sept. 2017 - Sept. 2018:**

- » Total employment increased by 7,100 to 799,800 or +0.9%
- » Private employment increased by 9,500 to 563,000 or +1.7%
- » Federal employment declined by 3,500 to 198,600, or -1.8%



**DC PRIVATE
EMPLOYMENT
INCREASED
BY 9,500 JOBS
OR +1.7%
OVER THE PAST YEAR**

- **Suburban employment changes from Sept. 2017 - Sept. 2018:**

- » Total employment grew by 2.4%
- » Private employment grew by 2.7%
- » Federal employment declined by 1.7%

- **U.S. employment growth from Sept. 2017 - Sept. 2018 grew by 1.7%.**

DURING JULY 2018, DC EXCEEDED

800,000

TOTAL PAYROLL JOBS FOR THE FIRST TIME



FROM JULY - SEPT. 2018
**DOWNTOWNDC AND DC
EMPLOYMENT GROWTH
TRAILED THAT OF
THE SUBURBS AND THE NATION**

**DC FEDERAL
EMPLOYMENT
DECREASED
BY 3,500 JOBS**

**OR -1.8%
OVER THE PAST YEAR**



DOWNTOWNDC LIVING

 FOR MORE DATA, [CLICK HERE](#)

DOWNTOWNDC EMPLOYMENT SUPPORTS DC POPULATION GROWTH



- **DowntownDC's 190,500 employees** are an important driver of 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)
 - » 6,634 market-rate and 420 subsidized housing units
 - » 1,613 beds within two shelters.
- **DowntownDC residential demographics:**
 - » 80% have college or graduate degrees
 - » Average and median household incomes of **\$149,000** and **\$113,000**, respectively.
- **Class A Apartment rents of \$3.46 per SF for 3Q 2018** – up from \$3.34 per SF at the end of 2017, but down from \$3.48 per SF at the end of 2016

DowntownDC is home to



OF THE
DISTRICT'S JOBS



OF ITS
HOUSING UNITS



THE DOWNTOWN DAY SERVICES CENTER

IS SET TO OPEN THIS
WINTER IN
DOWNTOWNDC



**DOWNTOWNDC
RENTS AND
CONDO PRICES
ARE AMONG
THE STRONGEST
IN THE NATION**

- **Condo resale prices of \$678 per SF for 1Q – 3Q 2018** – up from \$658 per SF in 2017
- **DC Market-Rate Apartment starts of 4,670 for 1Q – 3Q 2018** (almost matching last year's record of 4,747), but only 74 DC condo starts



Family fun at the DowntownDC BID 2018 Fall Festival.

Source: DowntownDC BID.

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

8 DEVELOPMENT SITES REMAIN

CURRENT DEVELOPMENT

 FOR MORE DATA, CLICK HERE

Current development is strong with 2.9 million SF under construction - total investments of \$1.6 billion – and almost **50% of the projects are major renovations of existing buildings**. The project pipeline is 3.4 million SF - investments of \$1.2 billion.

One delivery in 3Q 2018: The Eaton Hotel -- a 209-room hotel featuring chef Tim Ma's American Son restaurant, a speakeasy bar, a rooftop bar, an indoor/ outdoor café, a movie theater, a spa, an in-house radio station, meeting rooms and a co-working space.

Two construction starts:

- The Milken Institute's Center for the American Dream (a museum, conference center and office space)
- The W Hotel's major renovation

Two development announcements:

- RiggsDC Hotel – a major renovation of the former 188-room Marriott Courtyard Hotel at 9th & F streets
- 1125 15th Street Class B office renovation by S.C. Herman & Associates

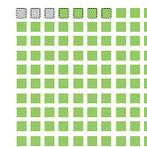
Expected deliveries in 2018 and 2019:

- Apple Flagship Store at the Carnegie Library in March 2019
- Moxy Hotel, featuring 200 rooms and a restaurant by Baltimore's Atlas Restaurant Group in November 2018
- Conraad Hotel at CityCenterDC (370 rooms) will open in early 2019 and includes a Tiffany & Co. store and a restaurant by Bryan Voltaggio
- 946,000 SF of new office space in three buildings and 660,000 SF of substantially renovated office space in four buildings

*One Freedom Plaza by Quadrangle Development.
Source: Quadrangle.*

OFFICE DELIVERIES OF
1.2 MILLION SF
IN 2018

AND ANOTHER
1.6 MILLION SF
BY THE END OF 2019



DOWNTOWNDC IS
97% BUILT OUT

**2.9 MILLION SF
UNDER CONSTRUCTION**
TOTALING \$1.6 BILLION



**3.4 MILLION
SF OF PLANNED
DEVELOPMENT**
TOTALING \$1.2 BILLION

**\$14 BILLION
OF DEVELOPMENT
SINCE 1995**



**201
PROJECTS
DEVELOPED
SINCE 1997**



OFFICE MARKET



FOR MORE DATA,
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- **DowntownDC absorption of 1 million SF for Jan. - Sept. 2018 was the highest total since 2007**, however, the 3Q saw negative absorption of 149,000 SF.
- DowntownDC occupied office space at 47 million SF was slightly down from its 2Q 2018 record of 47.2 million SF.
- **DowntownDC vacant office space was at a record 6.4 million SF**, with a near record vacancy rate of 11.9% (3Q and 4Q 2016 recorded a rate of 12.0%).
- **DowntownDC is experiencing record concession levels** as landlords are working hard to keep their tenants.
- **The difference between DowntownDC asking rents and effective rents are at record highs** and effective rents as a percentage of asking rents are at record lows.
- **DC office property taxes average \$12 - 15 per SF versus**

surrounding areas' average property taxes of \$3 - 5 per SF.

About 35% is due to the District's higher tax rate and 65% due to higher property values.

- **DC companies' recent success in raising venture capital funds (55% of the regional total in 3Q 2018)**

Fannie Mae Headquarters. Source: Carr Properties.

is a leading indicator that these companies are likely to grow over the next few years and occupy more DowntownDC and DC office space.

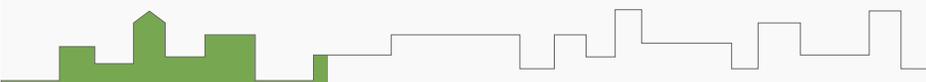
- **Federal tenants are leaving DowntownDC: federally-leased SF will decline from 6 million SF in 2016 to 4 million SF in 2019.**
- **DowntownDC office sales prices remained among the highest in the nation and averaged \$734 per SF** for Jan. - Sept 2018, down 9% from Jan. - June 2018 and up from \$688 per SF for all of 2017.
- **Foreign investors' share of DowntownDC office sales dropped to 54%** in Jan. - Sept. 2018 from 84% in 2017 and an average of 68% for 2013—2017.



DOWNTOWNDC HAD STRONG ABSORPTION 1 MILLION SF
FOR JAN. - SEPT. 2018

DOWNTOWNDC OFFICE SALES AVERAGED \$734 PER SF
JAN. - SEPT. 2018

DOWNTOWNDC HAD A NEAR RECORD 47 MILLION SF OF OCCUPIED OFFICE SPACE
(33% OF DC'S TOTAL)





Otakon Convention at the W.E.W. Convention Center.
Source: Christopher Troiano/Otakorp Galleries.

HOTELS, TOURISM & CONVENTIONS

 FOR MORE DATA, CLICK HERE

- **Hotel performance was modestly lower in Jan. - Sept. 2018 compared to the same period in 2017**, largely due to the Jan. 2017 Presidential Inauguration and related events.
- **The Eaton Hotel opened in late August and the Moxy and Conrad hotels** are scheduled to open in late 2018 and 2019, respectively.
- **The W Hotel is undergoing a \$50 million renovation.**
- **The new Riggs DC Hotel (formerly the Courtyard Marriott) at 9th & F streets began an estimated \$40 million renovation** by the Lore Collection (owned by Global Holdings).
- **The Walter E. Washington Convention Center projects record annual attendance for 2018 of 1.4 - 1.5 million.** The previous record was 1.36 million in 2016.

DOWNTOWNDC AND OTHER DC HOTELS



HOSTED A
RECORD NUMBER
OF HOTEL GUESTS

FOR JAN - SEPT 2018



STRONG HOTEL ROOM GROWTH

2013 - 3Q 2018:
DOWNTOWNDC **+19%**
REST OF DC **+14%**

3Q 2018 - 2022:
DOWNTOWNDC **+11%**
REST OF DC **+10%**



**DOWNTOWNDC HOTELS CONTINUED
TO ENJOY A PERFORMANCE PREMIUM
OVER OTHER DC HOTELS**

19%

FOR JAN. - SEPT. 2018

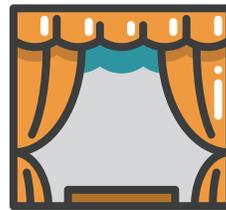


CULTURE & ENTERTAINMENT

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- **DowntownDC's 17** culture and entertainment venues are on pace to once again **bring over 8 million visitors into DowntownDC.**
- **The Capital One Arena completed its \$40 million summer renovation,** which included new seats and renovated public areas.
- **The International Spy Museum will close at the end of 2018** and reopen a few months later in its new building at L'Enfant Plaza.
- **The Milken Institute's Center for the American Dream** is under construction at 1501-1505 Pennsylvania Avenue, joining **The National Law Enforcement Museum, Planet Word and National Children's Museum** as new DowntownDC cultural attractions under construction at the end of 3Q 2018.

Model flaunts wares by Peruvian Connection at DowntownDC's District of Fashion Show. Source: Bob Rivas/DowntownDC BID.



DOWNTOWNDC
IS HOME TO
**EIGHT PERFORMING
ARTS VENUES**



DOWNTOWNDC
IS HOME TO
EIGHT MUSEUMS



DOWNTOWNDC
HAS **17 CULTURE AND
ENTERTAINMENT
VENUES**
INCLUDING CAPITAL
ONE ARENA



SHOPPING & DINING

Taco Bamba. Source: Kristen Franklin/DowntownDC BID.



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- **The retail vacancy rate increased from 8.54% at 3Q 2017 to 9.50% at 3Q 2018**, primarily due to the closure of many quick service restaurants and the delivery of unleased new construction space.
- **Destination restaurants remained at 164** with two openings and two closing in 3Q 2018.
- **Destination restaurants are expected to grow by 12** over the coming year. Five restaurants were under construction in 3Q.



164

DESTINATION RESTAURANTS
IN DOWNTOWNDC

**+12 OVER THE
COMING YEAR**



82

DESTINATION SHOPPING
STORES IN DOWNTOWNDC

- **Destination shopping stores declined to 82** from 86 between 3Q 2017 and 3Q 2018. Closings included Dress Barn and Sports Zone Elite.
- **Destination shopping in 2019 will be significantly boosted** by the openings of the **Apple Store** and **Tiffany & Co.**



**APPLE'S
FLAGSHIP STORE WILL
OPEN IN MARCH 2019**

TRANSPORTATION



FOR MORE DATA, [CLICK HERE](#)

- **More people than ever are traveling to and from DowntownDC.**
- **A regional agreement for Metrorail funding with an annual \$500 million investment was reached** in the Spring of 2018. Funds will be used for capital maintenance and improvements.
- **DowntownDC is a major contributor to the city's \$178 million regional funding commitment** through (1) its contributions to general tax revenue growth, (2) an increase in the general sales tax rate from 5.75% to 6% and (3) an increase in the commercial property tax rates from 1.85% to 1.89% for properties with a value over \$10 million.
- **Metrorail car reliability increased dramatically** from a low of 57,000 miles between railcar delays for July - Sept. 2015 to 129,000 miles for July - Sept. 2018.
- **Metrorail trips declined for July - Sept. 2018 by 2.4% from July - Sept. 2017** (from 44.9 million trips to 43.8 million).
- **Metrorail offers the fewest service hours of any major city subway line in the nation** at 127 hours versus an average of 134 hours.
- **The state of dockless bikes and scooters** in the District remained in flux:
 - » *The number of **dockless bike providers declined from five to one.** Jump (owned by Uber) continues to provide dockless electric bikes.*
 - » ***The number of dockless scooter companies increased to four:** Bird, Lime, Lyft and Skip.*
 - » ***The District proposed new regulations for dockless bikes and scooters to take effect in Jan. 2019,** including an increase in the number of dockless vehicles from 400 to 600 per company and further expansion by 25% if approved by the District Department of Transportation and a \$5 fee per vehicle per month.*
 - » ***Advocates estimate scooter demand of up to 20,000 scooters,** not just the 3,000 allowed by the proposed regulations.*



THE MARKETS CONTINUED TO CHANGE
FOR DOCKLESS BIKES
AND SCOOTERS

METRORAIL PROVIDES OVER
175 MILLION TRIPS
PER YEAR
AND OVER
620,000 RIDES
PER WEEKDAY
(MAY 2018)

METRORAIL
OFFERS THE
FEWEST
SERVICE HOURS
OF ANY MAJOR
CITY SUBWAY LINE
IN THE NATION



METRORAIL CAR
RELIABILITY
IMPROVED BY 48%
FOR JULY - SEPT. 2018

WMATA'S
PROPOSED BUDGET
DID NOT
INCLUDE THE
RESTORATION OF
ANY LATE-NIGHT
SERVICE HOURS



DOWNTOWNDC

**DOWNTOWN BUSINESS IMPROVEMENT
DISTRICT CORPORATION**

1275 K STREET NW
SUITE 1000
WASHINGTON, DC 20005

WWW.DOWNTOWNDC.ORG