



# Development BY SECTOR

ZONING COMMISSION  
District of Columbia  
CASE NO. 22-28A  
EXHIBIT NO.2D2

- ◆ OFFICE
- ◆ RETAIL
- ◆ RESIDENTIAL
- ◆ HOSPITALITY
- ◆ QUALITY OF LIFE



WASHINGTON DC  
ECONOMIC  
PARTNERSHIP



# Office

Currently, at least **13 active conversion projects** in the District are either planned or under construction.

By: Danny Calo, Senior Associate, Delta Associates

OFFICE INVENTORY<sup>1</sup>  
**169.2M**  
SF (Q4 2023)

NET ABSORPTION<sup>1</sup>  
**-1.4M**  
SF (2023)

DIRECT VACANCY RATE<sup>1</sup>  
**16.0%**  
(Q4 2023)

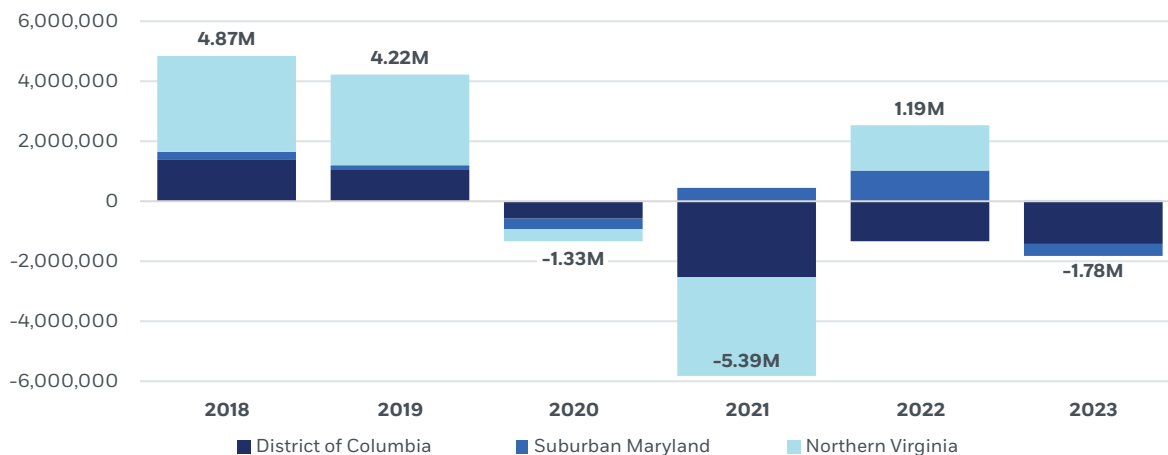
AVG. BASE RENT<sup>1</sup>  
**\$54.22**  
PSF (Q4 2023)

The District's office market continues to feel the pain from the Federal workforce's slow return to the office.

Net absorption in 2023 trended negative across the District for the fourth year in a row with a total of 1.4 million SF lost, more than the 1.3 million SF lost in

2022. The East End submarket had the lowest net absorption with -802,000 SF lost, followed by the Central Business District losing -627,200 SF. The three submarkets with positive absorption include Capitol Hill with 186,000 SF, Capitol Riverfront with 31,900 SF, and Uptown with 92,700 SF.

## ANNUAL NET OFFICE ABSORPTION: THE WASHINGTON, DC METRO AREA (SF)



Source: CoStar, January 2024.

1. CoStar (accessed on 1/23/24)

A continuing trend over the past couple of years is the lack of office groundbreakings in the District. This will likely continue for the foreseeable future as the District office market struggles with a lack of demand, particularly among the federal government and its sluggish return to the office. As of December 2023, there is less than 750,000 SF of office space under construction in the East End/CBD submarkets; split between Skanska's 17XM and Rockefeller Group's 600 Fifth. Skanska's downtown trophy building, at 1700 M Street NW, has already pre-leased over half of its available space to key tenants such as law firm Gibson, Dunn, and Crutcher and investment bank UBS. Rockefeller Group's 600 Fifth will bring just under 400,000 SF of trophy office space to the heart of DowntownDC's Penn Quarter neighborhood. The redevelopment of WMATA's former Jackson Graham headquarters building, slated for completion in 2025, inked a pre-lease with its anchor tenant, Crowell & Moring, in June 2023, and construction commenced shortly

afterward. The law firm will occupy just under 200,000 SF, a downsize from the 391,000 SF it currently leases at 1001 Pennsylvania Avenue NW.

The biggest challenge to the District's office market, as previously alluded to, is the federal government's lack of return to the office. The federal government has not yet returned to anything close to full office occupancy, in fact it has consistently downsized its total footprint across several agencies. This is all despite voiced commitments from the Biden administration to have the federal workforce return to the office over the past couple of years. However, added pressure on the Biden administration to return the federal workforce to the office (from District of Columbia officials, business leaders, and GOP members of Congress) seemed to be having an effect recently, with lawmakers ramping up their rhetoric and probes of federal workforce telework policies. Due to this push, starting in 2024, federal

## MAJOR NEW OFFICE LEASING ACTIVITY (2023)

TENANT	LOCATION	SUBMARKET	SF	INDUSTRY
Crowell & Moring LLP	600 5th St., NW	DowntownDC/East End	198,900	Legal Services
Strategic Marketing Innovations	200 Massachusetts Ave., NW	DowntownDC/East End	13,000	Public Affairs
American Enterprise Institute	11 Dupont Cir., NW	Golden Triangle/CBD	27,600	Public Policy
Arnall Golden Gregory LLP	2100 Pennsylvania Ave., NW	Golden Triangle/CBD	10,000	Legal Services
Center for a New American Security	1701 Pennsylvania Ave., NW	Golden Triangle/CBD	18,500	National Security Research
Davis Polk & Wardell	1050 17th St., NW	Golden Triangle/CBD	82,000	Legal Services
Healthcare Distribution Alliance	1275 Pennsylvania Ave., NW	DowntownDC/East End	13,000	Public Policy
Legal Services Corp.	1875 I St., NW	Golden Triangle/CBD	38,000	Legal Services
Supernal	1101 16th St., NW	DowntownDC/East End	28,000	Tech
UBS Financial Services	1700 M St., NW	Golden Triangle/CBD	23,600	Financial Services
White House Historical Association	1700 Pennsylvania Ave., NW	Golden Triangle/CBD	32,000	Historic Preservation
American Clean Power Association	1299 Pennsylvania Ave., NW	DowntownDC/East End	42,405	Public Policy
Disabled American Veterans	1300 I St., NW	DowntownDC/East End	19,500	Public Policy
Invariant	740 15th St., NW	DowntownDC/East End	17,000	Public Affairs
Locust Street Group	1307 New York Ave., NW	DowntownDC/East End	21,500	Public Affairs
The American Chemistry Council	655 New York Ave., NW	DowntownDC/East End	93,000	Public Policy
The Atlantic Council	1400 L St., NW	DowntownDC/East End	79,700	Public Policy
Kelley Drye & Warren LLP	670 Maine Ave., SW	Southwest Waterfront	65,000	Legal Services

Source: Delta Associates; January 2024.

workers will have to be in the office at least six days per pay period (depending on the agency).

The federal government is not the only lessee downsizing or vacating their space entirely. Many private sector tenants have also followed this trend as remote (and especially hybrid) work has remained prevalent since the COVID-19 pandemic. In tandem with downsizing, there remains the flight-to-quality trend as tenants who previously had more space in Class B and C spaces can afford less Class A space to accommodate their hybrid or remote workforce. As tenants continue downsizing, the flight-to-quality trend will remain a downward force on the office market, especially for Class B and C assets, many of which have been seeking a lifeline via potential conversions or teardowns to other highest and best uses.

This drastic shift in demand has led to an increase in office-to-residential conversion activity in the District. Prior to the pandemic, adaptive reuse was not as common in the District as in other large cities, due to the comparatively high value of office buildings in the city, the poor suitability, and high conversion costs for much of the city's inventory.

Free-standing pre-war office buildings with operable windows and smaller floorplates are generally the best candidates for converting to housing, unlike the majority of obsolete office product in the District, consisting of mid-block, 1980s-era buildings. Gutting, rebuilding, renovating, and upgrading older outdated office buildings to trophy class was more financially attractive than converting to multifamily. However, the continued lack of demand for office space has quickly shifted the economics in favor of residential conversions of existing office space. As office values continue to fall – a reflection of the lack of leasing demand – more owners are forced into exploring alternative highest and best uses for their properties or hand back the keys to their lender. Currently, at least 13 active conversion projects in the District are either planned or under construction. Most of the conversions are either in Downtown/ East End or the Golden Triangle/CBD, but neighborhoods such as Southwest Waterfront and Georgetown are also seeing interest in conversions. Very few existing office buildings are suitable for conversion to residential due to their floorplans, infrastructure, and tenants. Collectively, these projects represent nearly 3,500 units of housing and the removal of 3.3 million SF of office space.

#### SELECT SUBMARKET DATA (Q4 2023)

SUBMARKET	NET ABSORPTION 2023	DIRECT VACANCY	TOTAL VACANCY	DIRECT BASE RENT 2023
CBD	-627,200	15.0%	15.9%	\$53.79
Capitol Hill	186,000	15.1%	15.8%	\$53.50
Capitol Riverfront	31,900	15.0%	15.2%	\$58.97
NoMa	-411,800	9.7%	10.0%	\$50.83
East End	-802,000	15.0%	16.0%	\$55.60
Georgetown	-290,200	17.5%	17.8%	\$52.11
Southwest	-35,700	12.1%	12.3%	\$49.39
West End	-7,400	11.0%	15.1%	\$52.14
Uptown	92,700	7.3%	8.3%	\$41.89

Source: CoStar, January 2024

## GROWTH OF OFFICE-USING EMPLOYMENT SECTORS IN THE DISTRICT (2014–2023)



The DC Council passed the Housing in Downtown (HID) program in 2023, which incentivizes residential development downtown through fiscal and regulatory relief, including a 20-year property tax abatement, exemption from TOPA requirements for up to 10 years or the first sale of the property,

as well as other exemptions. The HID is one of the primary mechanisms that will support Mayor Muriel Bowser's goal to add 15,000 residents to the downtown by 2028.

## ADAPTIVE REUSE OFFICE CONVERSIONS (2023)

PROJECT NAME	DEVELOPER	PROJECT TYPE	NEIGHBORHOOD	UNIT COUNT	PREVIOUS OFFICE SF	EST. COMPLETION	STATUS
Annex on 12th	Carmel Partners	Rental	Southwest Waterfront	615	118,000	2024	Under Construction
The Accolade	Foulger-Pratt	Rental	DowntownDC/East End	255	287,042	2024	Under Construction
Elle	Willco	Rental	Golden Triangle/CBD	162	185,000	2024	Under Construction
Broadcast	Urban Investment Partners LLC	Rental	Tenleytown/Uptown	144	175,000	2024	Under Construction
Mint House Downtown	Altus Realty Partners	Hosp./Rental	DowntownDC/East End	89	82,539	2025	Under Construction
The Geneva	Post Brothers	Rental	Dupont Circle	520	685,000	2025	Planned
The Portals	Lowe Enterprises	Rental	SW Waterfront	446	508,294	2026	Planned
1000-1050 Thomas Jefferson Street, NW	Potomac Investment Trust	Rental	Georgetown	335	343,000	N/A	Planned
2100 M Street	Post Brothers	Rental	Golden Triangle/CBD	300	300,000	2026	Planned
1125 15th Street	Willow Bridge Property Company	Rental	DowntownDC/East End	264	273,011	2025	Planned
1625 Massachusetts Avenue, NW	National Real Estate Development	Rental	Golden Triangle/Dupont Circle	157	114,000	N/A	Planned
1735 K Street	Urban-Atlantic	Hosp./Rental	Golden Triangle/CBD	106	105,540	2025	Planned
2141 K Street	The RMR Group	Rental	Golden Triangle/CBD	96	98,000	2025	Planned

Source: Delta Associates; January 2024 (projects may include additions/new construction).



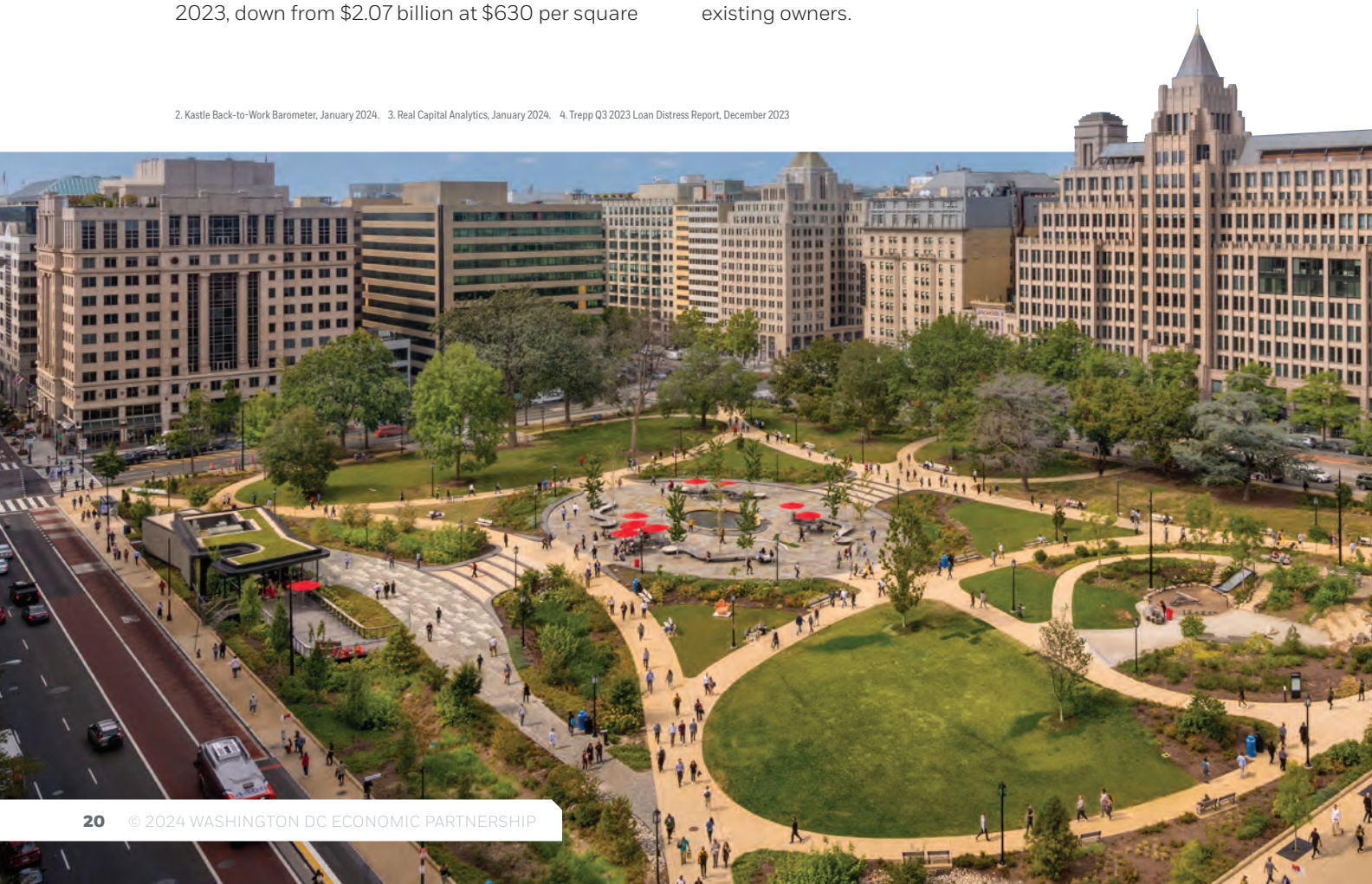
Stakeholders will have to face the unfortunate truth that remote and hybrid work is here to stay and office occupancy will not return to pre-pandemic levels. Although both the District as a whole (50.2%) and the Downtown DC BID (45.2%) have hit their highest percentage of office occupancy since 2020 as of December 2023, they are still well behind where many thought the rate would be entering into 2024<sup>2</sup>. We still expect the occupancy rate to level off somewhere around 70%, fluctuating up and down depending on the days employees are required to be in the office; however, it will take much longer than previously anticipated to achieve this occupancy rate and will likely take until the second half of 2024 or early 2025. These gains in occupancy will primarily be driven by positive job growth in office-using employment sectors.

Office investment sales have continued to decline in the District. There were at least 13 sales in 2023, down from 22 in 2022. The total value of these transactions was \$634.2 million at \$358 per SF in 2023, down from \$2.07 billion at \$630 per square

foot (not counting partial interest, portfolio sales, or conversions/teardowns).<sup>3</sup> Average cap rates in the Washington region rose in 2023 to 7.3% compared to 6.9% in 2022. Meanwhile, the Washington region leads the U.S. with 72% of office loans classified as “criticized”, defined in a Trepp report as buildings with high vacancy, lease expirations, or other risk factors.<sup>4</sup>

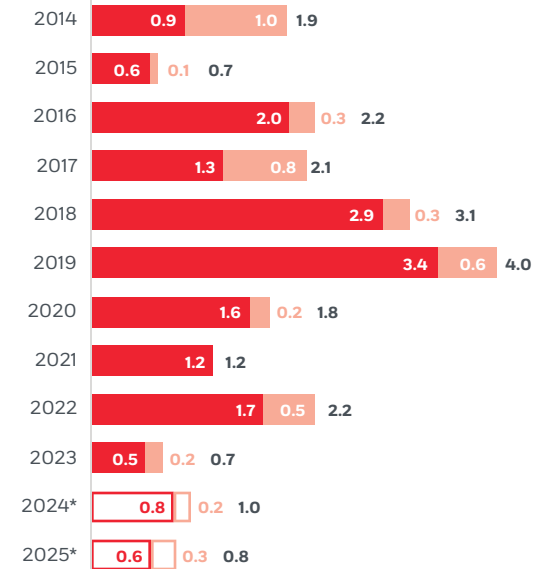
There will likely be an increase in office sales transactions in 2024 as vacancies remain high and investors look for ways to convert existing office space into other uses, the most common being residential. In the Washington region, going back to 2020, there have been a total of 30 office investment sales with the goal of converting or demolishing the existing building for other uses; 22 of these office investment sales have occurred in the past two years. Eight of these sales have occurred in the District itself. This only covers investment sales with plans for conversion at the time of sale. There are more conversions occurring in the region by existing owners.

2. Kastle Back-to-Work Barometer, January 2024. 3. Real Capital Analytics, January 2024. 4. Trepp Q3 2023 Loan Distress Report, December 2023



## OFFICE DEVELOPMENT

(DECEMBER 2023, OFFICE SF IN MILLIONS)



\*Projections based on targeted delivery dates of projects under construction as of December 2023. Total values may not sum due to rounding.

## COMPLETED

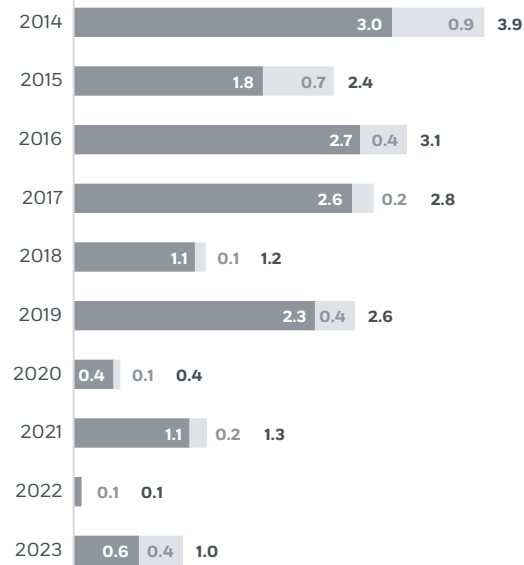
PRIVATE GOVT

## PROJECTED

PRIVATE GOVT

## GROUNDBREAKINGS

PRIVATE GOVT



## OFFICE DEVELOPMENT (DECEMBER 2023)

	PROJECTS	OFFICE SF
<b>COMPLETED (SINCE 2001)</b>	<b>335</b>	<b>69,679,450</b>
2001 - 2010	183	41,814,671
2011 - 2020	123	23,750,890
2021 - 2023	29	4,113,889

## PAST FIVE YEARS

2019	19	3,997,360
2020	7	1,766,846
2021	13	1,194,417
2022	9	2,209,414
2023	7	710,058

## UNDER CONSTRUCTION

<b>2024 DELIVERY</b>	<b>15</b>	<b>1,844,300</b>
2024 DELIVERY	10	989,558
2025 DELIVERY	3	844,742
2026 DELIVERY	2	10,000

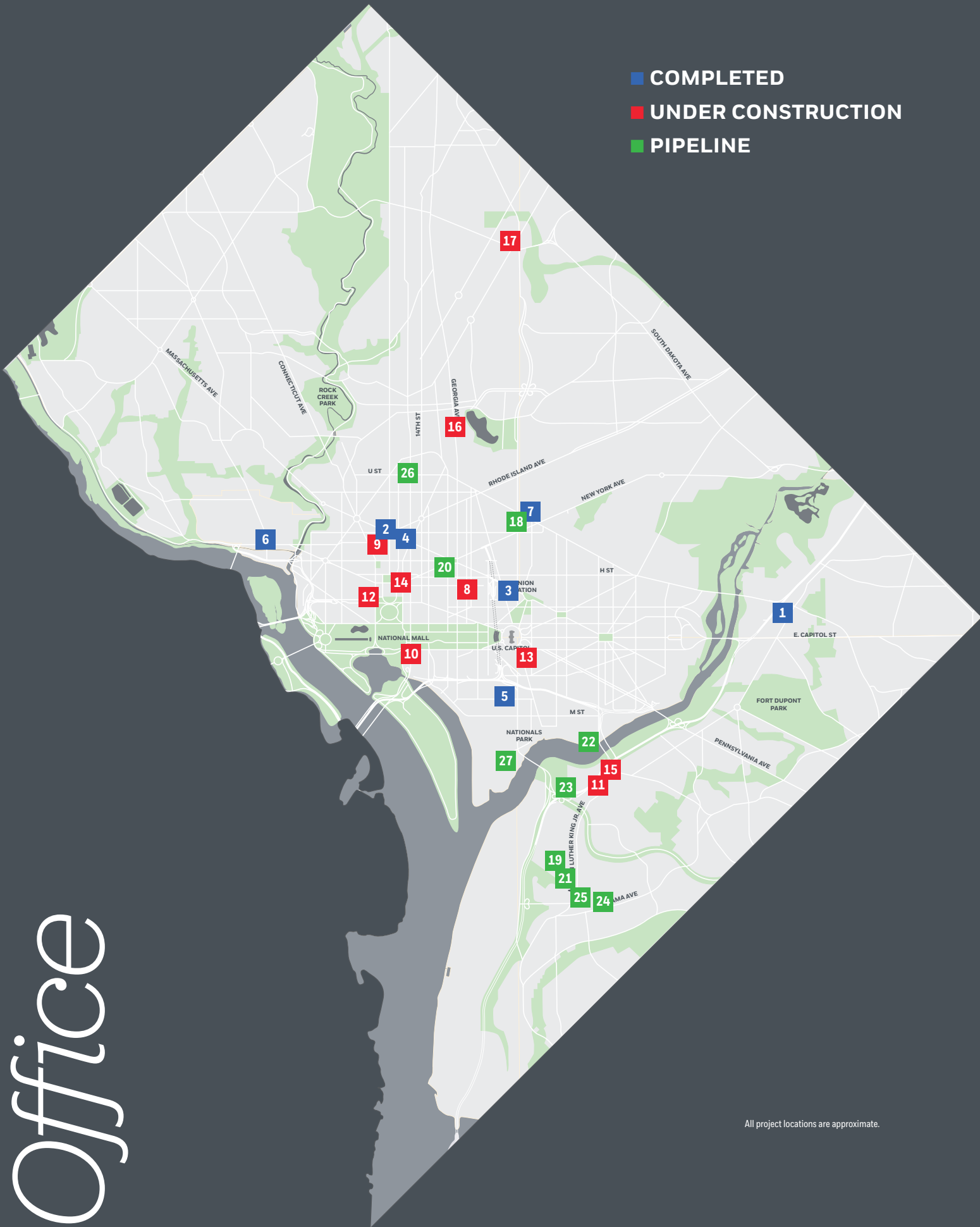
## PIPELINE

<b>NEAR TERM</b>	<b>80</b>	<b>23,301,718</b>
NEAR TERM	27	4,499,306
LONG TERM	53	18,802,412

**TOTAL 430 94,825,468**







All project locations are approximate.

PROJECT	WARD	LOCATION	DEVELOPER(S)	OFFICE SF	EST. VALUE (\$M) <sup>1</sup>	DELIVERY <sup>2</sup>
<b>TOP OFFICE PROJECTS COMPLETED (2023)</b>						
<b>1</b> Northeast Heights (DGS HQ)	7	3924 Minnesota Ave., NE	Trammell Crow Company	260,000	\$150	Q2 23
<b>2</b> Embassy of Australia	2	1601 Massachusetts Ave., NW	Commonwealth of Australia	167,400	\$237	Q3 23
<b>3</b> 20 Massachusetts Avenue	6	20 Massachusetts Ave, NW	Office Properties Income Trust / The RMR Group	183,500	\$200	Q3 23
<b>4</b> 1401 Massachusetts Avenue	2	1401 Massachusetts Ave., NW	Akelius	52,000		Q3 23
<b>5</b> Gallery 64	6	65 I St., SW	Lowe	18,600	\$200	Q1 23
<b>6</b> 1238 Wisconsin Avenue	2	1238 Wisconsin Ave., NW	Eastbanc / ACADIA Realty Trust	15,000	\$11	Q3 23
<b>7</b> 101 Q Street	5	101 Q St., NE	Avison Young / Building Partnerships	13,558	\$25	Q4 23

## TOP OFFICE PROJECTS UNDER CONSTRUCTION

<b>8</b> 600 5th Street	2	600 5th St., NW	Stonebridge Associates / Rockefeller Group	414,742	\$370	Q4 25
<b>9</b> 17xM	2	1700 M St., NW	JBG Smith / Skanska	317,000	\$216	Q2 24
<b>10</b> USDA South Building (Wing 7 Modernization)	6	1400 Independence Ave., SW	U.S. Department of Agriculture	250,000	\$114	Q2 25
<b>11</b> Reunion Square (Building 4)	8	Shannon Place & W St., SE	Four Points / Curtis Development	224,610		Q1 24
<b>12</b> AIA Headquarters Modernization	2	1735 New York Ave., NW	American Institute of Architects	180,000	\$60	Q3 25
<b>13</b> Cannon House Office Building Renewal (Ph IV)	6	27 Independence Ave., SE	Architect of the Capitol	170,000	\$188	Q4 24
<b>14</b> The Milken Center for Advancing the American Dream	2	1501 - 1505 Pennsylvania Ave., NW & 730 15th St., NW	Akridge / Milken Family Foundation	132,000		Q2 24
<b>15</b> MLK Gateway II	8	1909 Martin L King Jr Ave., SE	Menkiti Group	60,000	\$71	Q1 24
<b>16</b> The Oliver	1	2711 - 2719 Georgia Ave., NW	Rock Creek Property Group / Howard University	41,000	\$62	Q1 24
<b>17</b> The Community Partnership for the Prevention of Homelessness	4	14 Kennedy St., NW	The Community Partnership for the Prevention of Homelessness	20,000	\$8	Q1 24

## TOP OFFICE PROJECTS IN THE PIPELINE

<b>18</b> Financial Plaza	5	60 New York Ave., NE	Douglas Development Corporation	1,200,000	\$350	2028
<b>19</b> Cybersecurity & Infrastructure Security Agency HQ	8	2701 Martin Luther King, Jr. Ave., SE	General Services Administration	630,000	\$400	
<b>20</b> 900 New York Avenue	2	900 New York Ave., NW	Gould Property Company / Oxford Properties Group	575,000		
<b>21</b> Immigration & Customs Enforcement HQ	8	2701 Martin Luther King, Jr. Ave., SE	General Services Administration	570,000		
<b>22</b> Navy Yard - Parcel O	6	1000 O St., SE	Redbrick LMD	400,000		2029+
<b>23</b> The Bridge District (Phase V)	8	Howard Rd., SE	Redbrick LMD	250,000		
<b>24</b> Saint Elizabeths East (Parcel 15)	8	Saint Elizabeths East Campus	Redbrick LMD / Gragg Cardona Partners / Emerson Collective	191,700		
<b>25</b> Saint Elizabeths East (Parcel 7)	8	Saint Elizabeths East Campus	St. Elizabeths Legacy Partners / Menkiti Group / DMPED	124,300		2027
<b>26</b> 2000 14th Street	1	2000 14th St., NW	MRP Realty / CSG Urban Partners / Capri Investment Group	108,000		2029
<b>27</b> Parcel B	6	1st, Half & R Sts., SW	Hoffman & Associates	39,805	\$257	2026+

1. May include non-office components & pipeline values may include additional phases (\$ in millions)

2. Delivery date may reflect phase I delivery or final phase delivery for pipeline projects.



WARD 2

## 1401 MASSACHUSETTS AVENUE

**LOCATION:** 1401 Massachusetts Avenue, NW  
**DEVELOPER(S):** Akelius  
**ARCHITECT(S):** Perkins&Will  
**CONTRACTOR(S):** Donohoe Construction  
**LEED:** Platinum  
**STATUS:** Completed  
**TARGETED DELIVERY:** Q3 2023

**SPECS:** The Campbell Building, located next to the National City Christian Church, underwent a complete restoration of its three above-ground stories and one below-ground floor, along with a one-story and penthouse addition offering a total of 52,000 SF of office.



WARD 2

## 17xM

**LOCATION:** 1700 M Street, NW  
**DEVELOPER(S):** Skanska USA Commercial Development / JBG Smith  
**ARCHITECT(S):** Kohn Pedersen Fox & Associates  
**CONTRACTOR(S):** Skanska USA Building  
**LEED:** Gold  
**EST. VALUE:** \$216 million  
**STATUS:** Under Construction  
**TARGETED DELIVERY:** Q2 2024

**SPECS:** 17xM will be a new 11-story, 334,000 SF office building with 13,000 SF of retail space and is North America's first office building to be SmartScore certified. The unique design offers more natural light than a rectangular box office building by offering 23% more window line. Gibson Dunn & Crutcher will be the anchor tenant, occupying about 164,000 SF.



NE Corner View  
Dusk

WARD 2

## 600 5TH STREET

**LOCATION:** 600 5th Street, NW  
**DEVELOPER(S):** Stonebridge Associates / Rockefeller Group  
**ARCHITECT(S):** Pickard Chilton  
**CONTRACTOR(S):** Clark Construction Group  
**LEED:** Gold  
**EST. VALUE:** \$370 million  
**STATUS:** Under Construction  
**TARGETED DELIVERY:** Q4 2025

**SPECS:** The redevelopment plan calls for the eight-story, 270,000 SF (381,000 SF gross) Jackson Graham Building, former home to the Washington Metropolitan Area Transit Authority (WMATA), to undergo a significant renovation of the existing structure with the addition of three floors (102,000 SF) along with 12,600 SF of retail space. Crowell & Moring (199,000 SF) is the anchor office tenant.



WARD 2

## AIA HEADQUARTERS MODERNIZATION

**LOCATION:** 1735 New York Avenue, NW  
**DEVELOPER(S):** American Institute of Architects  
**ARCHITECT(S):** EHDD, Inc. / Hartman-Cox Architects  
**CONTRACTOR(S):** Turner Construction Company  
**LEED:** Platinum  
**EST. VALUE:** \$60 - \$80 million  
**STATUS:** Under Construction  
**TARGETED DELIVERY:** Q3 2025

**SPECS:** The American Institute of Architects plans to upgrade its 50-year-old, 180,000 SF headquarters building. A new lower level will house drop-in collaboration & coworking spaces, a fitness center, VR/media lounges, and archives. The second floor will host the AIA's advocacy center, office & meeting space for visiting members, including a mother's room and a library. The third- and fourth-floor workspaces will feature office space for staff.



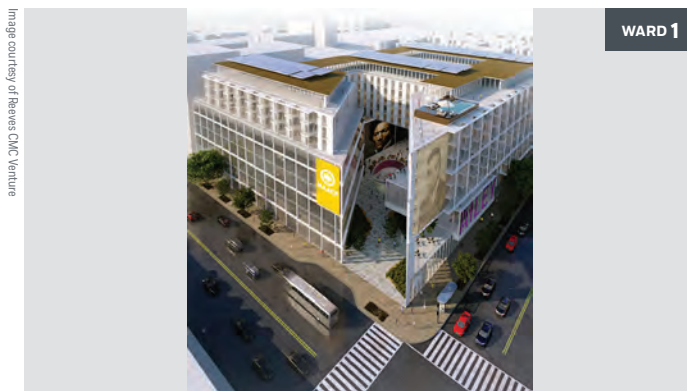
## OFFICE DEVELOPMENT HIGHLIGHTS



### 20 MASSACHUSETTS AVENUE

**LOCATION:** 20 Massachusetts Avenue, NW  
**DEVELOPER(S):** The RMR Group Inc. / Office Properties Income Trust  
**ARCHITECT(S):** Leo A Daly  
**CONTRACTOR(S):** DPR Construction  
**LEED:** Gold  
**EST. VALUE:** \$200 million  
**STATUS:** Completed  
**TARGETED DELIVERY:** Q3 2023

**SPECS:** The eight-story, 324,000 SF office building underwent a renovation with two stories added above (94,400 SF) plus a penthouse to create a 427,000 SF mixed-use property. Floors 2 - 6 will be converted to a 271-room Royal Sonesta Hotel, floors 7 - 10 will provide 183,500 SF of office space, approximately 13,800 SF of retail space in the building, and a 50-seat conference center.



### 2000 14TH STREET

**LOCATION:** 2000 14th Street, NW  
**DEVELOPER(S):** MRP Realty / CSG Urban Partners / Capri Investment Group  
**ARCHITECT(S):** PGN Architects / Michael Marshall Design  
**CONTRACTOR(S):** Smoot Construction D.C.  
**STATUS:** Pipeline  
**TARGETED DELIVERY:** 2029

**SPECS:** Potential redevelopment plans for the Reeves Center (c. 1986) site envisions 322 residential units (rental & ownership), 22,500 SF of retail, 44,000 SF of arts/entertainment uses, and 108,000 SF of office space, including the new HQ for the NAACP. The development was awarded to Reeves CMC Venture through the DC government's EquityRFP process.

### UNDER CONSTRUCTION: 600 5TH STREET



Photo taken January 2024





WARD 8

### CYBERSECURITY & INFRASTRUCTURE SECURITY AGENCY HQ

**LOCATION:** 2701 Martin Luther King, Jr. Avenue, SE  
**DEVELOPER(S):** General Services Administration  
**ARCHITECT(S):** Olin / ZGF Architects  
**LEED:** Gold  
**EST. VALUE:** \$400 million  
**STATUS:** Pipeline

**SPECS:** The Cybersecurity & Infrastructure Security Agency will move its HQ to a new 630,000 SF office building as part of the Department of Homeland Security's consolidation on the St. Elizabeths West Campus. The building will comprise of four intersecting long bars that create a courtyard space in the middle. The site includes both a plateau and ravine with the three existing buildings on the site set to be demolished while the historic power plant near the site will be preserved.



WARD 2

### EMBASSY OF AUSTRALIA

**LOCATION:** 1601 Massachusetts Avenue, NW  
**DEVELOPER(S):** Commonwealth of Australia  
**ARCHITECT(S):** Bates Smart / KCCT  
**CONTRACTOR(S):** Clark Construction Group  
**LEED:** Gold  
**EST. VALUE:** \$237 million  
**STATUS:** Completed  
**TARGETED DELIVERY:** Q3 2023

**SPECS:** The Australian Embassy built a new 167,400 SF chancery that provides chancery office space, conference and meeting rooms, consular services, and accessory space. The design includes an expansive glass atrium and a large open public space, with an exhibition gallery and function spaces. The former chancery building (c. 1969) on the site was demolished.



WARD 8

### REUNION SQUARE (BUILDING 4)

**LOCATION:** Shannon Place & W Street, SE  
**DEVELOPER(S):** Four Points / Blue Sky Housing / Curtis Development  
**ARCHITECT(S):** Hickok Cole  
**CONTRACTOR(S):** DAVIS Construction  
**LEED:** Gold  
**STATUS:** Under Construction  
**TARGETED DELIVERY:** Q1 2024

**SPECS:** Building 4 is part of the 1.57 million SF Reunion Square development in Anacostia. The new headquarters for the DC Department of Health will consist of 225,000 SF of office space, 7,000 SF of retail space, and 228 parking spaces.



WARD 8

### SAINT ELIZABETHS EAST (PARCEL 7)

**LOCATION:** Saint Elizabeths East Campus  
**DEVELOPER(S):** St. Elizabeths Legacy Partners / Menkiti Group / DMPED  
**ARCHITECT(S):** Studios Architecture  
**STATUS:** Pipeline  
**TARGETED DELIVERY:** Q1 2027

**SPECS:** Initial plans for the 3.4-acre Parcel 7 call for the new HQ for the D.C. Department of Behavioral Health (124,300 SF) along with 29,300 SF retail space, 278 affordable multifamily units (30-80% of AMI), and 18 workforce townhomes.

Image courtesy of Menkiti Group



**MLK GATEWAY II**

**LOCATION:** 1909 Martin L King Jr Avenue, SE  
**DEVELOPER(S):** Menkiti Group  
**ARCHITECT(S):** Studios Architecture  
**CONTRACTOR(S):** Consigli Construction / Keystone Plus Construction Corp.  
**LEED:** Gold  
**EST. VALUE:** \$71 million  
**STATUS:** Under Construction  
**TARGETED DELIVERY:** Q1 2024

**SPECS:** MLK Gateway II will include 60,000 SF of office space, anchored by the Department of Housing and Community Development (DHCD), and 8,000 SF of ground-floor retail. The development is in an Opportunity Zone and is designed to connect commerce and community to build an economically vibrant neighborhood-serving commercial corridor.



**NORTHEAST HEIGHTS (DGS HQ)**

**LOCATION:** 3924 Minnesota Avenue, NE  
**DEVELOPER(S):** Trammell Crow Company  
**ARCHITECT(S):** Perkins Eastman DC / Moya Design Partners  
**CONTRACTOR(S):** Gilbane Building Company  
**LEED:** Gold  
**EST. VALUE:** \$150 million  
**STATUS:** Completed  
**TARGETED DELIVERY:** Q2 2023

**SPECS:** The new build-to-suit HQ for the Department of General Services (DGS) is part of the first phase of the 1.6 million SF Northeast Heights mixed-used development. Amenities include 18,000 SF of retail space, a fitness center, conference rooms, and bike storage. The 500-employee DGS signed a 20-year lease.

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# Retail

**Taxable retail and restaurant sales volume in the District increased significantly in fiscal year 2022, up 25.4% from the prior year to \$19.5 billion.**

By: Mitesh Patel, Senior Associate, Delta Associates

**\$19.5B**  
2022 TAXABLE RETAIL &  
RESTAURANT SALES¹  
+25% FROM 2021

**285k**  
SF OF RETAIL  
DELIVERIES IN 2023²

**+8,000**  
POPULATION GROWTH  
2022-2023³  
+1.2% YEAR OVER YEAR

**85.0%**  
RETAIL CHAINS  
RECOVERY RATE⁴  
OF PRE-COVID FOOT TRAFFIC

The Washington metro area's retail industry continued to recover in 2023, although shifting work patterns have impacted office-centric submarkets, particularly in the District. However, the District benefited from increased tourism spending, resulting in robust retail and restaurant taxable sales growth. Also, easing inflation pressures helped consumers.

Taxable retail and restaurant sales volume in the District increased significantly in fiscal year 2022, up 25.4% from the prior year to \$19.5 billion.<sup>5</sup>

According to Affinity Solutions, consumer spending nationally has surpassed pre-pandemic levels, with monthly expenditures in 2023 exceeding the 2019 average by a margin of 22.0%.<sup>6</sup> The growth was most notable in the General Merchandise (+51.3%), Entertainment/Recreation (+39.7%), and Grocery (+16.7%) categories. Shopping patterns changed drastically during the pandemic and the shift is still evident three years later. Since 2019, remote services have been up by an average of 35.1% while in-person

services have been up by 21.3%. This widening gap has made it difficult for businesses to justify brick-and-mortar locations in areas with high rents, such as the District; however, the District continues to lure large national retailers as well as new expanding retailers.

In 2022, there was only one category nationally that faced a deficit in expenditures compared to the pre-pandemic period – transportation. The deficit was erased in 2023 as transportation spending exceeded the 2019 average by 13.7%. A significant factor in this rapid increase is due to inflation. Even though the bulk of the transportation increase is due to inflation, all expenditure categories are now above their pre-pandemic averages.

Meanwhile, retail foot traffic in the District continued to recover in 2023, albeit at a slower pace than in 2022. According to the Placer.ai Recovery Dashboard, retail foot traffic in the District was up 3.9% in 2023.<sup>7</sup> The highest levels of growth were in the Fitness (35.0%), Electronics (14.9%), and Hotel

1. Office of the Chief Financial Officer (FY 2024 Approved Budget & Financial Plan). Year denotes fiscal year (October–September). Taxable retail & restaurant sales include retail, liquor & restaurant sales (categories are based on tax rates and may include other expenditures). 2. Washington DC Economic Partnership (December 2023). 3. U.S. Census Bureau, Population Division. 4. Placer.ai; Delta Associates; January 2024. 5. Office of the Chief Financial Officer (FY 2024 Approved Budget & Financial Plan); accessed January 2024. Taxable retail & restaurant sales include retail, liquor & restaurant sales (categories are based on tax rates and may include other categories). 6. Affinity Solutions via Economic Tracker; Delta Associates; January 2024. Seasonally-adjusted credit/debit card spending data aggregated by Affinity Solutions. Indexed to 2019. 7. Placer.ai Retail Chains Foot Traffic Recovery data; Compares December 2023 to December 2019. Accessed January 2024.

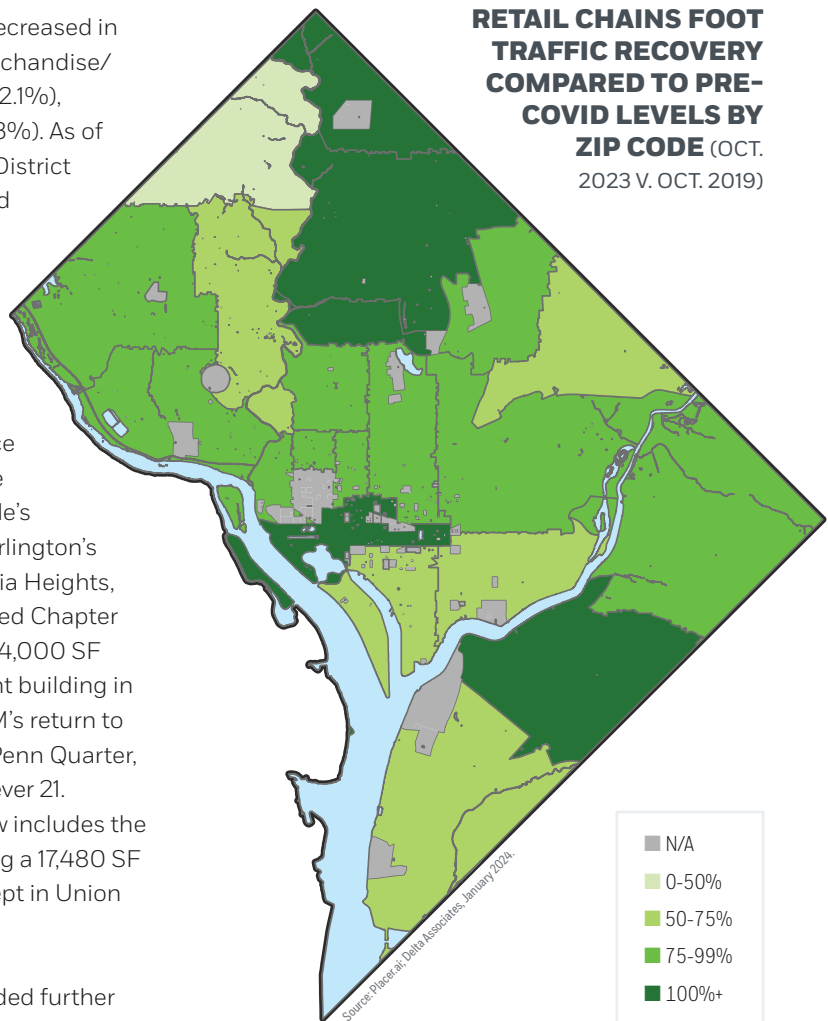
(12.7%) categories. Retail foot traffic decreased in four categories, including General Merchandise/Service (-6.1%), Home Improvement (-2.1%), Health Care (-0.8%), and Grocery (-0.3%). As of October 2023, retail foot traffic in the District is at 84% of its pre-pandemic recorded level.

The District experienced little change in retail leasing volume compared to the long-term average. According to CoStar data covering 2023, about 940,000 SF of retail space was leased.<sup>8</sup> Some of the more notable leases this year include: Barnes & Noble's return to Georgetown (34,000 SF); Burlington's 34,000 SF store at DC USA in Columbia Heights, replacing Bed Bath & Beyond which filed Chapter 11 bankruptcy; Atlas Brew Works' new 24,000 SF location at The Douglass, an apartment building in Anacostia delivering in 2025; and H&M's return to the Woodies Building (34,000 SF) in Penn Quarter, which is replacing the now closed Forever 21. Formula 1's expansion into the U.S. now includes the District, with the racing company inking a 17,480 SF lease for their F1 Arcade and Bar concept in Union Market.

The dining scene in the District expanded further in 2023 with a broad selection, including high-end restaurants, expanding kitchen concepts, as well as social media sensations and eccentric dining options. Notable openings include El Presidente by Steven Starr, Omakase DC, as well as Pacci's in Georgetown and Limani at the Wharf. Foxtrot Grocery, a store, café, and delivery service all-in-one, opened new locations in 14th & U Streets/Logan Circle and Capitol Riverfront. Social media sensation Van Leeuwen, an ice cream truck turned national chain opened two new locations in the District, in Georgetown and Union Market.

Even though there have been several new openings within the District, many have shut down in 2023 due to higher food and labor costs. The Metropolitan

**RETAIL CHAINS FOOT TRAFFIC RECOVERY COMPARED TO PRE-COVID LEVELS BY ZIP CODE (OCT. 2023 V. OCT. 2019)**



Washington Restaurant Association reported that 52 restaurants within the District had closed during 2023.<sup>9</sup> Some notable closures over the past year include Brine in Dupont, Estadio in Logan Circle, Hatoba in Navy Yard, and Bar Deco in Penn Quarter. The Capitol Riverfront location of Swingers Crazy Golf opened earlier in 2023 but closed just seven months later.

Looking forward to 2024, we expect a continued rebound in foot traffic in the District. We anticipate that there will be a moderate increase in retail spending as well, albeit primarily due to an increase in domestic and international tourism. The lack

8. CoStar 2024 9. Restaurant Association of Metropolitan Washington

## TOP NEW RETAIL LEASES (2023)

TENANT	LOCATION	NEIGHBORHOOD	SF
Atlas Brew Works	632 Howard Rd. SE	Anacostia	24,000
Barnes & Noble	3040 M St. NW	Georgetown	34,000
B&B Italia	3330 M St. NW	Georgetown	12,809
Burlington	3400 14th St. NW	Columbia Heights	34,000
Citibank	1258 Wisconsin Ave. NW	Georgetown	7,436
CVS	664 11th St. NW	DowntownDC / Penn Quarter	11,000
FI Arcade	440 Penn St. NE	Union Market	17,480
H&M	664 11th St. NW	DowntownDC / Penn Quarter	34,000
Mango	950 F St. NW	DowntownDC / Penn Quarter	9,000
Molteni&C	3306 M St. NW	Georgetown	7,149

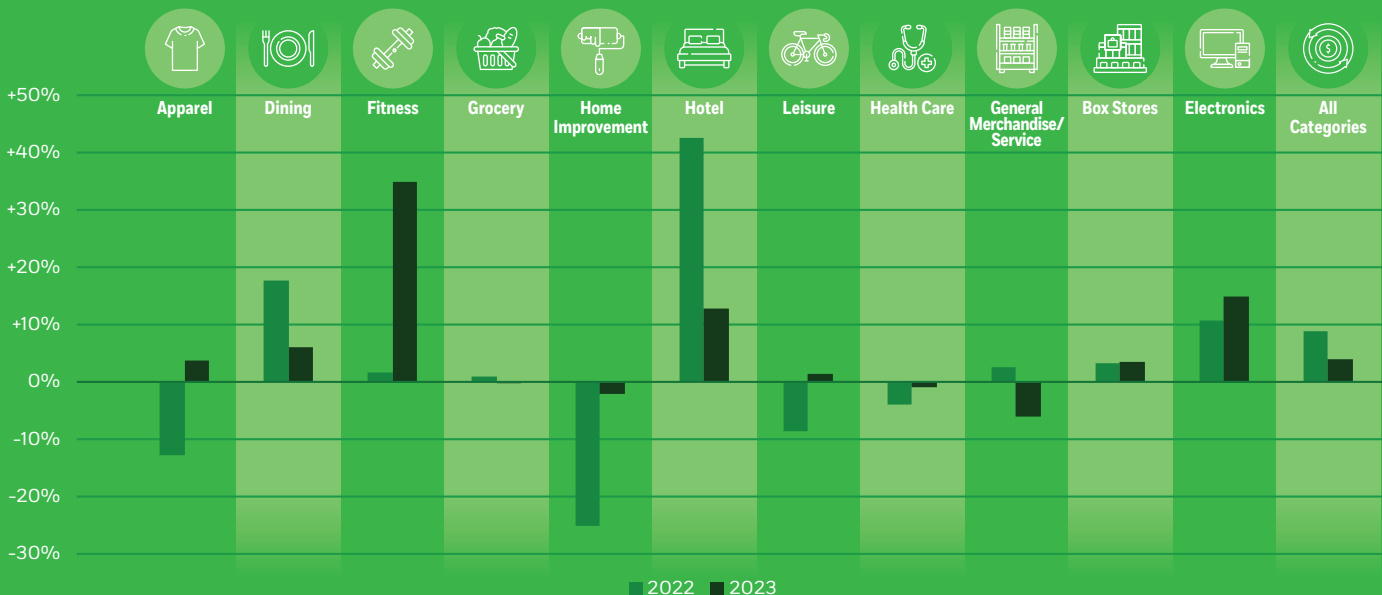
Source: Bisnow, Eater, Washington Business Journal, Delta Associates; January 2024.

of full recovery has made it difficult for big-box national retailers to justify operating with high lease costs, especially as they have a more cost-effective alternative in the online marketplace. In contrast, we expect smaller shops, restaurants, and service-based retail stores to continue to grow over the next year. Up-and-coming national restaurant chains and retailers are continuing to choose to expand into the District, a sign that the retail market still has life despite rising costs and online competition.

While inflation has cooled over the past year, it

is still high, and the effects are still being felt by consumers. As prices remain elevated and continue to rise, higher-end national retail chains may continue to downsize or shut down completely. Alternatively, this creates an opportunity for low-cost retailers or grocery stores such as Aldi and Lidl to expand their footprint in the District. However, what continues to be the single most important metric for the health of the District's retail market will be office occupancy. Should the return-to-work take hold in a meaningful way, we expect a great boost to the retail sector.

## RETAIL FOOT TRAFFIC COMPARED TO THE PREVIOUS YEAR



Source: Placer.ai, Delta Associates; January 2024 (Note: visits to retail chains compared to previous year).



**SELECT RETAIL AND RESTAURANT OPENINGS (2023)**

TENANT	LOCATION	NEIGHBORHOOD
Akeno Sushi Bar	524 8th St. SE	Barracks Row/Capitol Hill
Alley Cat	5247 Wisconsin Ave. NW	Friendship Heights
Amparo Fondita	2002 P St. NW	Dupont Circle
Bartaco	645 Wharf St. SW	Southwest Waterfront
Binge Bar	506 H St. NE	H Street, NE
Blank Street Coffee	3201 Prospect St. NW	Georgetown
Bryant Street Market	670 Rhode Island Ave. NE	Rhode Island Avenue, NE/Brentwood
Butter Chicken Company	1717 Pennsylvania Ave. NW	Golden Triangle
Burlington	3100 14th St. NW	Columbia Heights
Certo!	2121 P St. NW	Dupont Circle
Chopsmith	300 M St. NE	NoMa
Colada Shop	1900 N St. NW	Golden Triangle
DCity Smokehouse	1301 Good Hope Rd. SE	Anacostia
Dig	1301 Wisconsin Ave. NW	Georgetown
El Presidente	1255 Union St. NE	Union Market
Flavorture	2609 24th St. NW	Woodley Park
Foxtrot Grocery	1341 14th St. NW	14th & U Streets/Logan Circle
Gordon Ramsay Hell's Kitchen	652 Wharf St. SW	Southwest Waterfront
JINYA Ramen Bar	1155 Dahlia St. NW	Georgia Avenue/Walter Reed
Kaimaki	1100 15th St. SW	DowntownDC
Kinfolk Southern Kitchen	685 Wharf St. SW	Southwest Waterfront
King Street Oyster Bar	7 Ridge Sq. NW	Tenleytown
Kitchen Savages	1211 Good Hope Rd. SE	Anacostia
Kraken Kourts & Skates	514 Rhode Island Ave. NE	Rhode Island Avenue, NE/Brentwood
Lidl	3100 14th St. NW	Columbia Heights
Maman	750 9th St. NW	DowntownDC/Penn Quarter
Milk & Honey	676 Maine Ave. SW	Southwest Waterfront
Nando's	836 F St. NW	DowntownDC/Penn Quarter
Omakase	522 8th St. SE	Barracks Row/Capitol Hill
Pacci's	106 13th St. SE	Capitol Hill
Philippe Chow	635 Wharf St. SW	Southwest Waterfront
Pho House	634 Florida Ave. NW	Shaw
Rose Avenue Bakery	2633 Connecticut Ave. NW	Woodley Park
San Matteo	819 Upshur St. NW	Petworth
Scanlan Theodore	983 Palmer Aly. NW	DowntownDC/Penn Quarter
Shouk	1426 Wisconsin Ave. NW	Georgetown
Spicy Water African Grill	2019 11th St. NW	Shaw
Thaiverse	1610 20th St. NW	Dupont Circle
Van Leeuwen	418 Morse St. NE	Union Market
Whole Foods Market	7130 12th St. NW	Georgia Avenue/Walter Reed

Source: Delta Associates, Washingtonian, Eater Washington DC, January 2024.

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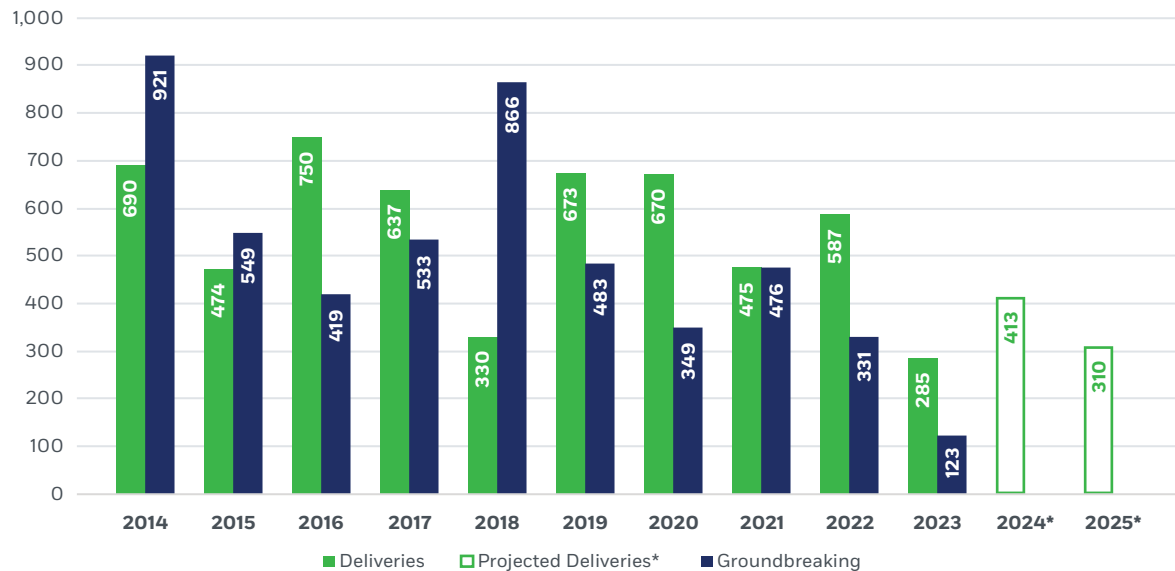
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## RETAIL DEVELOPMENT (SF IN THOUSANDS, DECEMBER 2023)



\*Projections based on targeted delivery dates of projects under construction as of December 2023



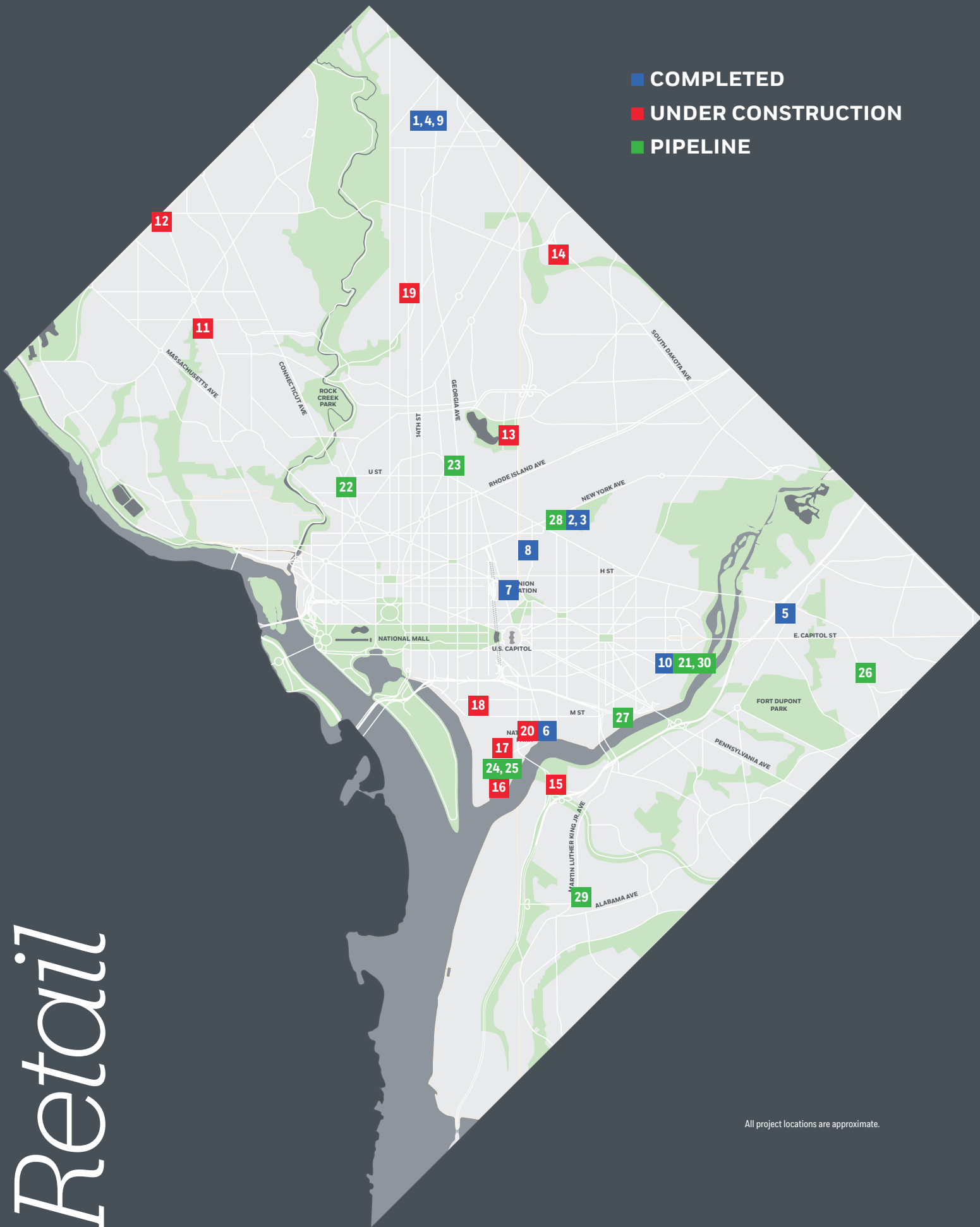
Burlington Grand Opening, December 2023

## RETAIL DEVELOPMENT (DECEMBER 2023)

	PROJECTS	RETAIL SF
<b>COMPLETED (SINCE 2001)</b>	<b>551</b>	<b>11,286,883</b>
2001 - 2010	210	4,045,385
2011 - 2020	270	5,893,739
2021 - 2023	71	1,347,759
<b>PAST FIVE YEARS</b>		
2019	29	673,434
2020	41	670,230
2021	27	475,397
2022	24	587,431
2023	20	284,931
<b>UNDER CONSTRUCTION</b>	<b>40</b>	<b>750,815</b>
2024 DELIVERY	29	413,103
2025 DELIVERY	10	310,212
2026+ DELIVERY	1	27,500
<b>PIPELINE</b>	<b>200</b>	<b>4,211,199</b>
NEAR TERM	91	1,213,846
LONG TERM	109	2,997,353
<b>TOTAL</b>	<b>791</b>	<b>16,248,897</b>



# Retail



All project locations are approximate.



## RETAIL DEVELOPMENT PIPELINE

	PROJECT	WARD	LOCATION	DEVELOPER(S)	RETAIL SF	EST. VALUE (\$M) <sup>1</sup>	DELIVERY <sup>2</sup>
<b>TOP RETAIL PROJECTS COMPLETED (2023)</b>							
1	The Hartley	4	7150 12th St., NW	Hines / Urban Atlantic / Triden Development Group / Bridge Investment Group	69,400	\$147	Q1 23
2	North Building	5	1325 5th St., NE	Gables Residential / EDENS	23,053		Q3 23
3	The Mo Apartments	5	440 Penn St., NE	EDENS / UDR	22,714		Q1 23
4	1155 Dahlia Street	4	1155 Dahlia St., NW	Hines / Urban Atlantic / Triden Development Group / Bridge Investment Group	21,700	\$62	Q2 23
5	Northeast Heights (DGS HQ)	7	3924 Minnesota Ave., NE	Trammell Crow Company	18,000	\$150	Q2 23
6	Vela (Yards Parcel I)	8	1300 Yards Pl., SE	Brookfield Properties	16,000		Q3 23
7	20 Massachusetts Avenue	6	20 Massachusetts Ave, NW	Office Properties Income Trust / The RMR Group	13,800	\$200	Q3 23
8	The Hale	6	1150 First St., NE	Carmel Partners	12,650		Q3 23
9	Kite House	4	7175 12th St. NW	Hines / Urban Atlantic / Triden Development Group	11,300	\$62	Q3 23
10	The Ethel	7	1900 C Street, SE	Donatelli Development / Blue Skye Development & Construction / DMPED	11,107	\$90	Q1 23

## TOP RETAIL PROJECTS UNDER CONSTRUCTION

11	Upton Place on Wisconsin	3	4000 Wisconsin Ave., NW & 3990 Upton St., NW	Donohoe Development / AIMCO	110,394	\$290	Q1 24
12	Mazza Gallerie	3	5300 Wisconsin Ave., NW	Tishman Speyer	90,000	\$150	Q4 25
13	Reservoir District	5	North Capitol St. & Michigan Ave., NW	Vision McMillan Partners (Trammell Crow Company / Jair Lynch Real Estate Partners / EYA) / DGS / DMPED	80,000	\$720	Q4 25
14	ART Place at Fort Totten (Phase II)	5	5300 South Dakota Ave., NE	Morris & Gwendolyn Cafritz Foundation	64,038		Q4 24
15	The Bridge District (Phase I - The Douglass)	8	632 Howard Rd., SE	Redbrick LMD	45,000	\$366	Q1 25
16	The Stacks (Phase I)	6	101 V St., SW	Akridge / National Real Estate Development	40,000	\$450	Q1 25
17	Vermeer	6	113 Potomac Ave., SW	Toll Brothers	37,000	\$259	Q3 24
18	The Westerly	6	350 Maple Drive, SW	Hoffman & Associates / Affordable Housing Developers / Paramount Development Corp. / CityPartners / DMPED	30,000	\$179	Q1 24
19	Northern Bus Garage Reconstruction Project	4	4615 14th St., NW	WMATA	27,500	\$500	Q2 27
20	The Yards DC Urby	8	110 N St., SE	Brookfield Properties / Urby	26,000		Q1 25

## TOP RETAIL PROJECTS IN THE PIPELINE

21	Reservation 13 (Bundle 2)	7	19th St., Massachusetts Ave., Independence Ave., SE	Frontier Development & Hospitality Group / A. Wash & Associates	60,000		
22	The Geneva	2	1825 & 1875 Connecticut Ave., NW	Post Brothers	56,538	\$700	
23	Bond Bread and Washington Railway & Electric Company (WRECO)	1	2112 & 2146 Georgia Ave., NW	Howard University / EDENS / The Menkiti Group / Fivesquares Development	50,000	\$339	2027
24	Parcel B	6	1st, Half & R Sts., SW	Hoffman & Associates	50,000	\$257	2026+
25	The Stacks (Phase II)	6	151 T St., SW	Akridge / National Real Estate Development	50,000		
26	Fletcher Johnson At The Park	7	4650 Benning Rd., SE	Gragg Cardona Partners / Marshall Heights CDO / Foundation Housing / H2 Design Build	45,000		
27	1333 M Street	6	1333 M St., SE	Felice Development Group	44,092		
28	1346 - 1348 4th Street	5	1346 - 1348 4th St., NE	EDENS	35,000		2026/27
29	Saint Elizabeths East (Parcel 7)	8	Saint Elizabeths East Campus	St. Elizabeths Legacy Partners / Menkiti Group / DMPED	29,300		2027
30	Reservation 13 (Bundle 1)	7	19th St., Massachusetts Ave., Independence Ave., SE	Donatelli Development / Blue Skye Development & Construction	25,000	\$700	2033

1. May include non-retail components & pipeline values may include additional phases (\$ in millions)

2. Delivery date may reflect phase I delivery or final phase delivery for pipeline projects



### ART PLACE AT FORT TOTTEN (PHASE II)

**LOCATION:** 5300 South Dakota Avenue, NE  
**DEVELOPER(S):** Morris & Gwendolyn Cafritz Foundation  
**ARCHITECT(S):** Studio Shanghai / Perkins Eastman DC  
**CONTRACTOR(S):** L.F. Jennings  
**STATUS:** Under Construction  
**TARGETED DELIVERY:** Q4 2024

**SPECS:** The second phase of the 2 million SF ART Place at Fort Totten mixed-use development is located on the 5.1-acre Block B. There will be two buildings with up to 294 multifamily units, a children's museum, a family entertainment zone, an Aldi grocery store (25,000 SF), 30 units of artist housing/workspace, additional retail, and 494 parking spaces. London-based tvg hospitality will also develop a 48,000 SF performing arts anchor with a capacity of 2,000 people.

Image courtesy of Redbrick



### THE BRIDGE DISTRICT (PHASE I - THE DOUGLASS)

**LOCATION:** 632 Howard Road, SE  
**DEVELOPER(S):** Redbrick LMD  
**ARCHITECT(S):** ZGF Architects  
**CONTRACTOR(S):** HITT  
**LEED:** Platinum  
**EST. COST:** \$366 million  
**STATUS:** Under Construction  
**TARGETED DELIVERY:** Q1 2025

**SPECS:** The first phase of the Bridge District project (known as the Douglass) will be a mixed-use residential building with 757 apartments over 45,000 SF of retail. Atlas Brewery (24,000 SF) will anchor the retail space along with anticipated tenants such as food & beverage or community retailers.



### THE HARTLEY

**LOCATION:** 7150 12th Street, NW  
**DEVELOPER(S):** Hines / Urban Atlantic / Triden Development Group / Bridge Investment Group  
**ARCHITECT(S):** Torti Gallas Urban, Inc.  
**CONTRACTOR(S):** CBG Building Company  
**LEED:** Silver  
**EST. COST:** \$147 million  
**STATUS:** Completed  
**TARGETED DELIVERY:** Q1 2023

**SPECS:** The Hartley is a mixed-use project located at the heart of the retail marketplace within the 66-acre former Walter Reed Army Medical Center. The building includes 323 rental apartments and 69,400 SF of retail space, anchored by a 47,000 SF Whole Foods grocery store. The Hartley was constructed on the site of the former 2.6 M SF hospital building.

Image courtesy of UrbanTurf (via Tishman Speyer)



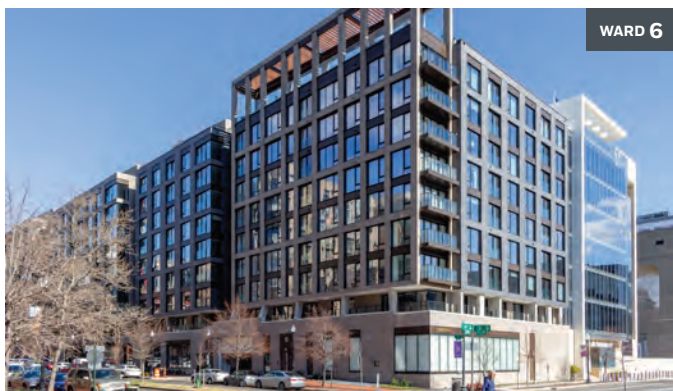
### MAZZA GALLERIE

**LOCATION:** 5300 Wisconsin Avenue, NW  
**DEVELOPER(S):** Tishman Speyer  
**ARCHITECT(S):** 3XN  
**CONTRACTOR(S):** DAVIS Construction / Smoot Construction D.C.  
**EST. COST:** \$150 million  
**STATUS:** Under Construction  
**TARGETED DELIVERY:** 2025

**SPECS:** The 294,000 SF retail center (c. 1977) will be redeveloped into a seven-story, 325-unit multifamily building with 90,000 SF of retail uses (20,000 SF on ground level, 70,000 SF on concourse). Unit sizes will range from studios to two-story townhouses to terrace penthouses. The retail pavilion and four levels of below-grade parking were retained, while the above-grade portion of the mall was demolished.



## RETAIL DEVELOPMENT HIGHLIGHTS



WARD 6

### THE CANTATA

**LOCATION:** 811 3rd Street, NW  
**DEVELOPER(S):** Quadrangle Development / The Wilkes Company / Mt. Carmel Baptist Church  
**ARCHITECT(S):** SmithGroup  
**CONTRACTOR(S):** Harvey Cleary Builders  
**LEED:** Silver  
**EST. COST:** \$145 million  
**STATUS:** Completed  
**TARGETED DELIVERY:** Q3 2023

**SPECS:** The Cantata is a 10-story, 275-unit residential building with amenities including roof deck pool, community room and exercise facility, and up to 9,500 SF of retail space. The project serves as a gateway from Massachusetts Avenue into the residential core of Mount Vernon Triangle and also offers parking for Mount Carmel Baptist Church.



WARD 7

### FLETCHER JOHNSON AT THE PARK

**LOCATION:** 4650 Benning Road, SE  
**DEVELOPER(S):** Gragg Cardona Partners / Marshall Heights CDO / Foundation Housing / H2 Design Build  
**ARCHITECT(S):** Cunningham Quill Architects  
**CONTRACTOR(S):** GCS-Sigal LLC  
**LEED:** Silver  
**STATUS:** Pipeline

**SPECS:** The potential redevelopment plans for the 15.3-acre site call for 879 residential units and 45,000 SF of retail space. The residential units (30% will be affordable) will be a mix of apartments, condominiums, townhomes, and assisted living units. The site is home to the former Fletcher-Johnson Middle School which closed in 2008.



WARD 5

### THE MO APARTMENTS

**LOCATION:** 440 Penn Street, NE  
**DEVELOPER(S):** EDENS / UDR  
**ARCHITECT(S):** Eric Colbert & Associates  
**CONTRACTOR(S):** John Moriarty & Associates  
**LEED:** Gold  
**STATUS:** Completed  
**TARGETED DELIVERY:** Q1 2023

**SPECS:** The former home to the Maurice Electric Supply Co. was redeveloped into an 11-story, 300-unit residential apartment building with 22,700 SF of retail space, anchored by F1 Arcade (17,500 SF). The project preserved and integrated the existing building's façade into the new development.



WARD 6

### PARCEL B

**LOCATION:** 1st, Half & R Streets, SW  
**DEVELOPER(S):** Hoffman & Associates  
**ARCHITECT(S):** StudioMB / Studios Architecture  
**LEED:** Gold  
**EST. COST:** \$257 million  
**STATUS:** Pipeline  
**TARGETED DELIVERY:** 2026+

**SPECS:** Located adjacent to Audi Field in Southwest DC, Parcel B development plans call for 455 residential units, including 100 affordable senior housing units, 50,000 SF of retail space, anchored by Brooklyn Bowl DC (38,000 SF on two levels), and 40,000 SF of office uses anchored by Volunteers of America (VOA).

## RETAIL DEVELOPMENT HIGHLIGHTS



WARD 3

### UPTON PLACE ON WISCONSIN

**LOCATION:** 4000 Wisconsin Avenue, NW & 3990 Upton Street, NW  
**DEVELOPER(S):** Donohoe Development / AIMCO  
**ARCHITECT(S):** SK+I Architecture  
**CONTRACTOR(S):** Donohoe Construction  
**LEED:** Silver  
**EST. COST:** \$290 million  
**STATUS:** Under Construction  
**TARGETED DELIVERY:** Q4 2023 - Q1 2024

**SPECS:** Upton Place on Wisconsin is a mixed-use, 689-unit residential building with 110,000 SF of retail space, anchored by a Lidl grocery store (29,000 SF) and Onelife Fitness (55,000 SF). The eight-story West Tower (The Parc Residences) started to deliver its 234 units in Q4 2023 and the six-story East Tower (400 Wisconsin) will begin to deliver its 455 units in Q1 2024. The project replaced a former 493,000 SF office building (c. 1987) on the 4.16-acre site but retained the existing underground parking garage and lower-level space.

Image courtesy of Akridge



WARD 6

### THE STACKS (PHASE I)

**LOCATION:** 101 V Street, SW  
**DEVELOPER(S):** Akridge / National Real Estate Development  
**ARCHITECT(S):** Morris Adjmi Architects / Handel Architects / FILLAT + Architecture / Gensler / Eric Colbert & Associates  
**CONTRACTOR(S):** Clark Construction Group  
**LEED:** Gold  
**EST. COST:** \$450 million  
**STATUS:** Under Construction  
**TARGETED DELIVERY:** Q1 2025

**SPECS:** Located on Buzzard Point, The Stacks is adjacent to Audi Field, the home of D.C. United. The 6.7-acre site will be redeveloped into 2.15 million SF of mixed-use development in two phases. Phase I (1.4 million SF), located on the southern half of the site, will have 1,100 residential units, 40,000 SF of retail space, a 180-room hotel, and 15,000 SF public park.



WARD 6

### VERMEER

**LOCATION:** 113 Potomac Avenue, SW  
**DEVELOPER(S):** Toll Brothers  
**ARCHITECT(S):** KTG Group  
**CONTRACTOR(S):** CBG Building Company  
**LEED:** Silver  
**EST. COST:** \$259 million  
**STATUS:** Under Construction  
**TARGETED DELIVERY:** Q3 2024

**SPECS:** Vermeer is a 13-story residential building offering 501 rental units and up to 37,000 SF of retail space. Toll Brothers acquired 113 Potomac Avenue SW, a 1.4-acre site, in the fall of 2019.



WARD 6

### THE WESTERLY

**LOCATION:** 350 Maple Drive, SW  
**DEVELOPER(S):** Hoffman & Associates / CityPartners / Affordable Housing Developers / Paramount Development Corp.  
**ARCHITECT(S):** Torti Gallas Urban  
**CONTRACTOR(S):** Clark Construction Group  
**LEED:** Gold  
**EST. COST:** \$179 million  
**STATUS:** Under Construction  
**TARGETED DELIVERY:** Q1 2024

**SPECS:** The Westerly (formerly Waterfront Station II) is a 12-story mixed-use development in DC's Southwest neighborhood. The building offers a mix of 449 apartment units (136 affordable), retail, and performing arts/theater space. Retailers include DC-based early childhood education provider AppleTree School and a three-meal café by Good Company Doughnuts.





# THE STACKS


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# Residential

One of the Washington region's multifamily market's most prominent changes was absorption, **increasing from 7,924 units in 2022 to 10,138 units in 2023.**

By: Colin Chapman, Associate, Delta Associates

Photo by Sam Kittner for NoMa BID

**315,785**  
TOTAL DC HOUSEHOLDS<sup>1</sup>

**65,776**  
MARKET RATE  
RENTAL UNITS<sup>2</sup>  
Q4 2023 (CLASS A + B  
MARKET-RATE)

**6.5%**  
STABILIZED APARTMENT  
VACANCY<sup>2</sup>  
Q4 2023 (CLASS A + B  
MARKET-RATE)

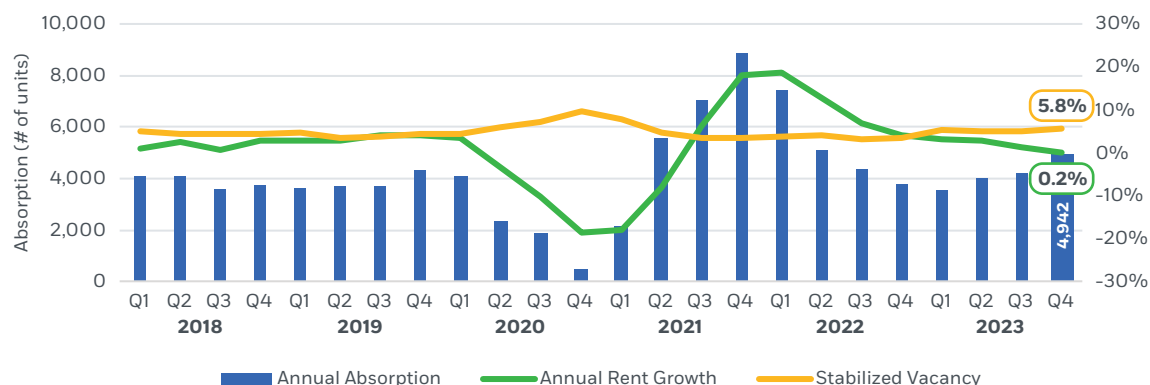
**15,876**  
RESIDENTIAL UNITS  
UNDER CONSTRUCTION<sup>3</sup>  
72% MARKET-RATE UNITS

2023 marked a shift in the market as construction starts slowed down due to high-interest rates and rising costs.

One of the Washington region's multifamily market's most prominent changes was absorption (of Class A and Class B), increasing from 7,924 units in 2022 to 10,138 units in 2023. The large number of deliveries

to the area not only had a significant impact on absorption, but it affected vacancy rates as well. While still relatively low, the average apartment vacancy rate increased 40 basis points from a year prior to 3.6% as of the end of 2023. Effective annual rent growth in the market remained above the long-term average in 2023 but moderated some from 2022 with an increase of 3.8%.

## THE DISTRICT'S CLASS A + B APARTMENT MARKET



Source: Delta Associates; January 2024.

1. Esri forecasts for 2023 2. Delta Associates, January 2024. "Stabilized Vacancy" is the rate of "available units" in properties that have achieved 95% occupancy. The building stays in the pool of stabilized properties even if it falls below 95% occupancy at a subsequent date. 3. Washington DC Economic Partnership, December 2023. Includes rental & ownership units (market-rate & non-market rate) in new construction & major renovation projects.

## WASHINGTON METRO AREA'S CLASS A + B APARTMENT MARKET



Source: Delta Associates; January 2024.

The District's apartment market led the region in absorption but lagged the suburbs in rent growth. In 2023, total annual apartment absorption was 4,942 units, a 31% increase from the 3,768 units in 2022. Apartment rents in the District stabilized in 2023 with a 0.3% increase, compared to the 4.0% jump in 2022. The plateau in rents was due to a rise in concessions towards the end of 2023, reversing a slow but steady downward trend that had endured for the past couple of years.

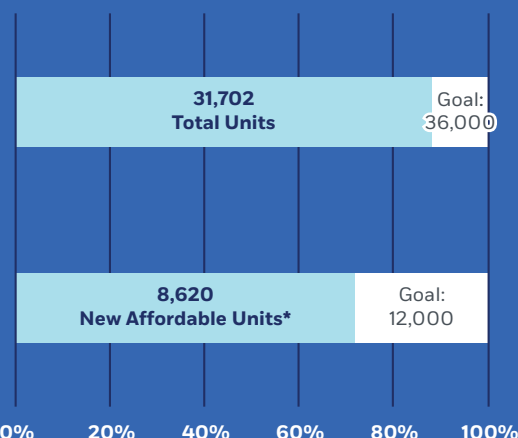
Stabilized vacancy for all apartment properties in the District increased 70 basis points to 5.8%. Throughout 2023, nearly 4,800 apartment units were brought online. Meanwhile, groundbreakings on new projects were delayed due to higher borrowing/construction costs and stricter lending standards, with new starts virtually coming to a halt in the year's second half. We expect new housing starts to remain limited through at least the first half of 2024 as higher borrowing and construction costs continue to make most projects unfeasible. Once market conditions become more favorable for development, the backlog of approved projects may result in a surge of new construction activity, but this is not expected until 2025 at the earliest.

The recent focus on more affordable housing is critical to the future growth and health of the city. The District recorded net declines in population in

both 2020 (-2.2%) and 2021 (-3.0%) for the first time in well over a decade, before rebounding slightly to 671,803 (+0.5%) and 678,972 (+1.2%) in 2022 and 2023, respectively. In 2019, Mayor Bowser set a goal to create 36,000 new housing units by 2025, 12,000 of which will be affordable to households earning below 80% of the median family income. As of the end of December 2023, the city had reached 88% of the new housing unit target and 72% of the affordable housing goal.

The pandemic brought a massive shift from in-person work to working from home. This initially was thought to be temporary, but it's been increasingly evident that at least some level of remote work

## THE DISTRICT'S HOUSING PRODUCTION GOALS & PROGRESS (JAN. 2019 - DEC. 2023)



\*New Affordable Production Units & Newly Covenanted Existing Units. Source: DMPED 36,000 by 2025 Dashboard (<https://open.dc.gov/36000by2025/>). January 2019 - December 2023. Accessed on 1/18/24.

is here to stay for the foreseeable future. This significant structural change in how we work has made less expensive areas (both regionally and nationally) more competitive.

In a ranking of 35 of the largest U.S. cities by apartment affordability (based on income and rent data from the U.S. Census Bureau and RentCafe, respectively), the District places 20th, which is more affordable than the national average and is between Las Vegas and Seattle. Generally, Midwestern cities that have historically struggled with population loss tend to be the most affordable, followed by rapidly growing cities in the Sunbelt/South, with major coastal cities ranking as the least affordable. Accordingly, New York is the nation's least affordable city for apartment renters, while St. Louis is the most affordable.

The cities that have been most competitive with the District, and other pricey Northeastern markets, for renter households (particularly young professionals) are Southeastern markets such as Atlanta, Charlotte, Raleigh, and Nashville. Other markets further west, including Denver and multiple cities in Texas, also compete with the District for renters but tend to draw more new residents from California than elsewhere.

Beyond the greater competition on the national stage, neighborhoods within the District also compete for renters, and there have been some sizable demographic shifts over the last decade or so. By far the largest demographic renting Class A apartment units in the city are professionals in their late 20's to early 30's, with households roughly evenly split between singles and couples and earning between \$80,000 and \$100,000 annually. This demographic makes up the vast majority of renters in NoMa, Southwest, and Capitol Riverfront. Neighborhoods that are trending upward and pulling empty-nesters and other residents to their respective areas are Capitol Riverfront and The Wharf. Neighborhoods closer to the city's core, such as Adams Morgan, Dupont Circle, and the West End (as well as Southwest to an extent) have attracted a

MAJOR U.S. METRO AREAS MULTIFAMILY VACANCY (Q3 2023)

LOCATION	VACANCY
Atlanta	5.6%
Boston	6.2%
Chicago	5.0%
Dallas/Fort Worth	6.2%
Houston	6.6%
Los Angeles Basin	3.8%
New York	3.5%
San Francisco Bay	5.0%
South Florida	6.1%
Washington	5.2%

Note: Vacancy includes all classes of apartments. Source: REIS, Delta Associates; January 2024.

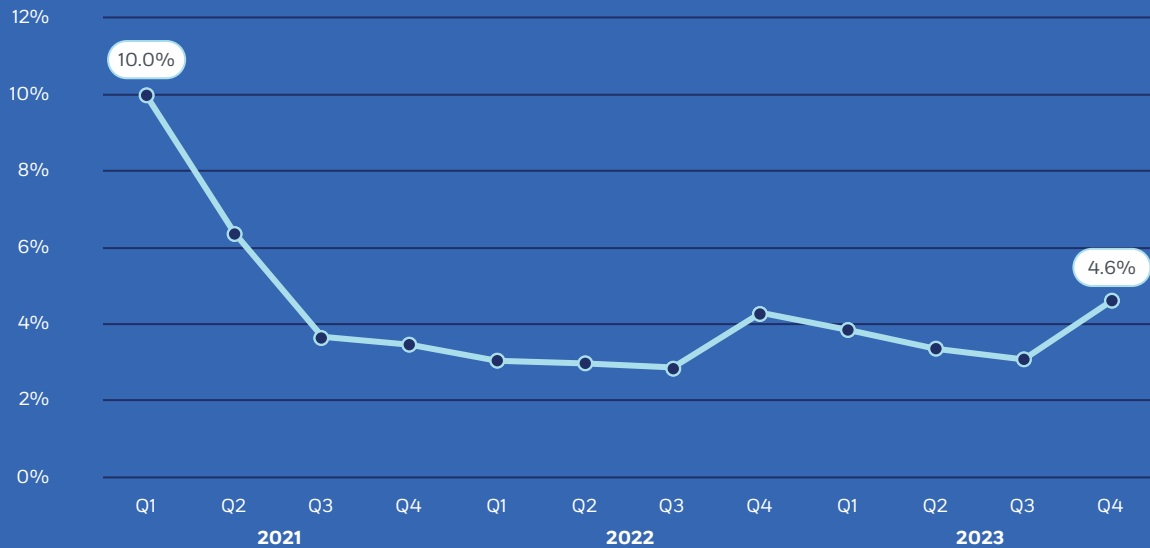
CLASS A APARTMENT EFFECTIVE RENT AND ANNUAL RENT GROWTH (Q4 2023)

SUBMARKET	EFFECTIVE RENT	ANNUAL RENT CHANGE	VACANCY
Brookland/Fort Totten	\$2,138	3.2%	6.8%
Capitol Hill	\$2,978	1.4%	6.6%
Capitol Riverfront	\$2,611	1.9%	5.7%
Columbia Heights	\$2,583	2.3%	6.7%
Dupont/Logan Circle	\$3,281	1.7%	5.9%
East End	\$2,893	-3.9%	6.4%
H Street	\$2,487	-0.2%	6.5%
Mount Vernon Triangle	\$2,639	0.9%	4.8%
NoMa/Union Market	\$2,397	2.4%	6.9%
Shaw	\$2,613	4.2%	6.2%
Southwest	\$2,677	-4.5%	5.7%
U Street	\$2,834	-1.7%	6.7%
West End	\$3,681	-5.3%	6.5%
District Average	\$2,641	0.5%	6.5%

Source: Delta Associates; January 2024



### THE DISTRICT'S CONCESSIONS AS A PERCENTAGE OF FACE RENT (2021-2023)



Source: Delta Associates; January 2024.

slightly older demographic of professionals in their late 30's with annual household incomes well over \$100,000. The youngest demographic of Class A renters has been most attracted to newer properties and developments in neighborhoods in Northeast DC and East of the Anacostia River.

We expect many of the current trends to persist in the near term. The rapidly growing Capitol Riverfront neighborhood will experience more muted growth over the next five years, but will continue to lead the city in population growth, along with the NoMa submarket.<sup>4</sup>

## SINGLE-FAMILY, CONDO, AND ROWHOME MARKET

The District's for-sale market decelerated sharply in 2023 following a stagnant 2022 as mortgage rates increased, prices remained elevated, and economic uncertainty dampened sentiment for buyers. New condo sales in the District totaled 94 units in 2023, roughly 32% of which went under contract in the first quarter of the year. The second quarter followed with a decline where 15% of condos went under

contract, and the third quarter was the most active of the year, covering 39% of new condo sales. Sales activity reached near a long-term low in Q4. After new condo prices also fell for the first time in over a decade in 2022, they decreased again in 2023, shrinking by 0.2%. As of the end of 2023, average new condo concessions were 1.1% of the sales price.

The Mideast and Capitol East submarkets led the District in new condo sales, each accounting for over 30% of activity in the city. The Mideast submarket includes Columbia Heights, Shaw, Adams Morgan, Brookland, and Brentwood. The Capitol East submarket includes Capitol Riverfront, Southwest, Capitol Hill, NoMa, and all neighborhoods east of the Anacostia River. Mideast was the only submarket that experienced a decline in pricing of -4.2%.

The market for existing attached/rowhome properties remained slow in 2023 after a cooldown in 2022 with sales volume falling 27% compared to 2022. The median sales price had an 8.0% contraction over the year. The existing condo market was also hit hard with sales falling 51% over the year and prices decreasing by 3.0%.

4. ESRI projections, retrieved January 2024.




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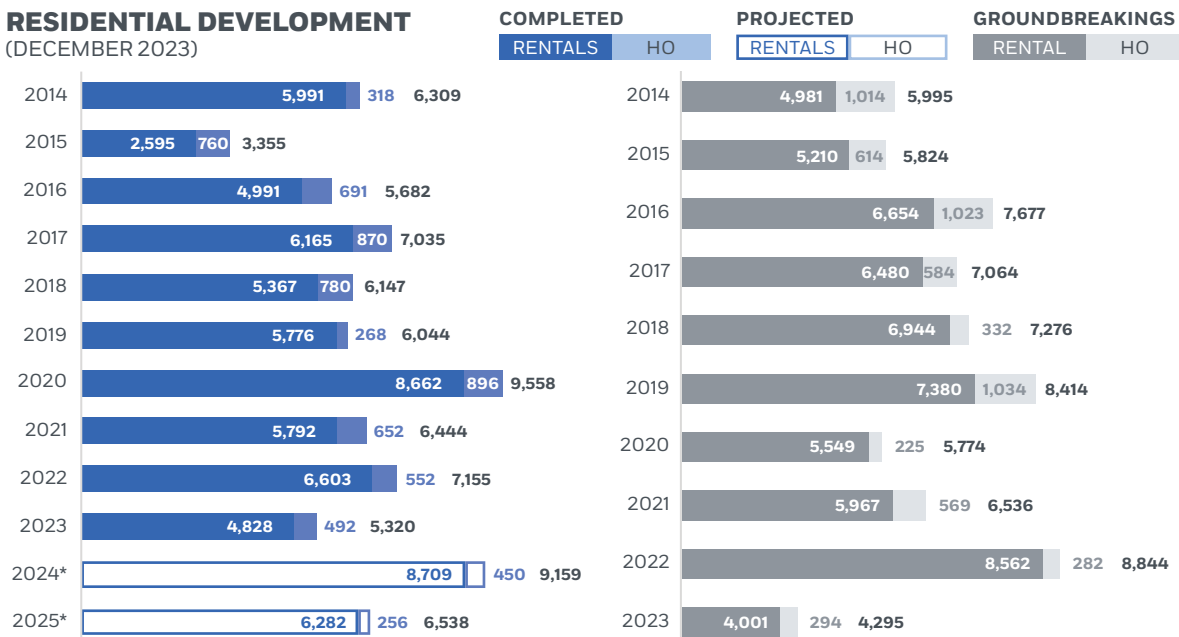
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| <input checked="" type="checkbox"/> EVENT TRANSPORTATION | <input checked="" type="checkbox"/> 24/7/365 DISPATCH CENTER |

## RESIDENTIAL DEVELOPMENT

### RESIDENTIAL DEVELOPMENT (DECEMBER 2023)



\*Projections based on targeted delivery dates of projects under construction as of December 2023

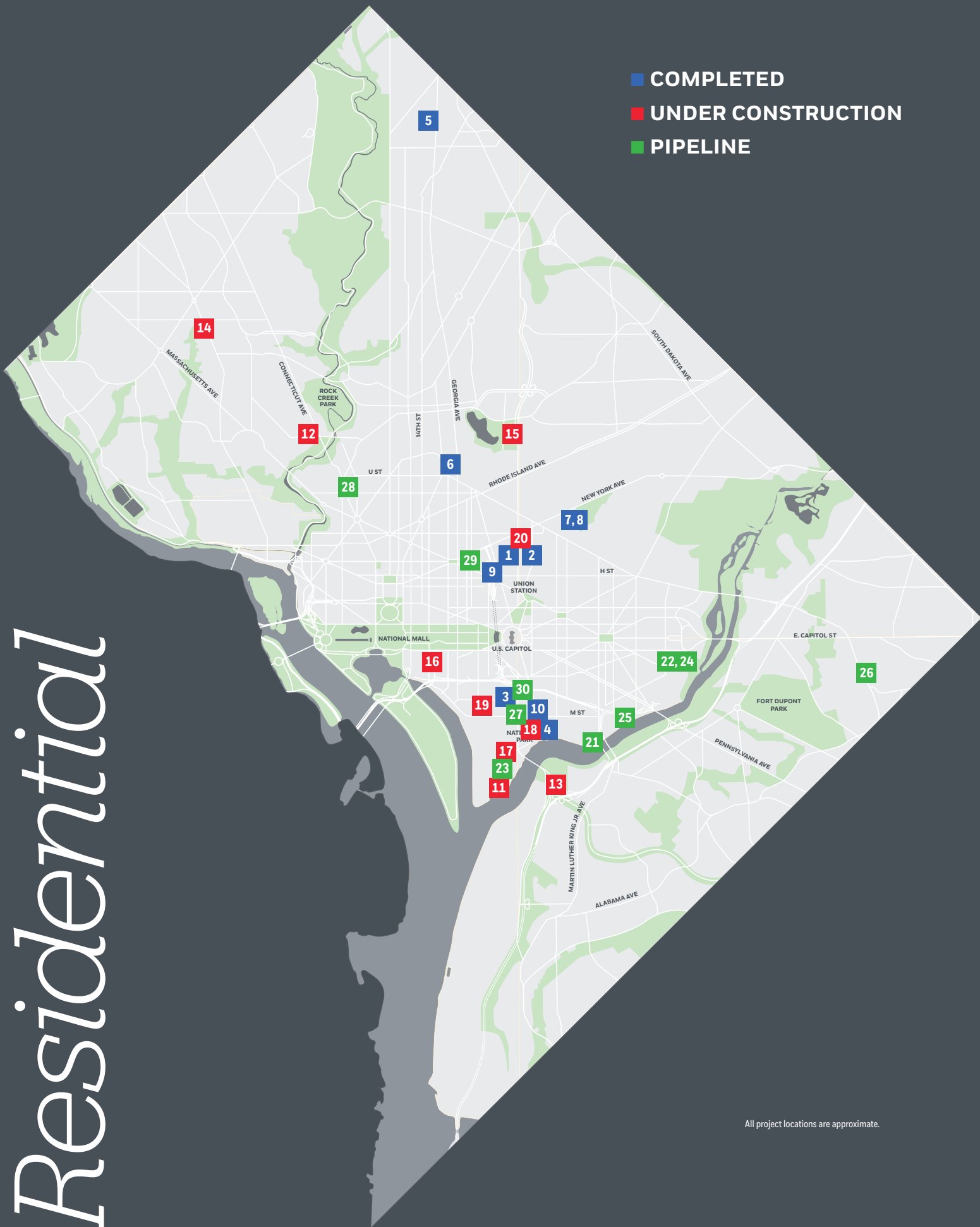
### RESIDENTIAL DEVELOPMENT (DECEMBER 2023)

	PROJECTS	SF	UNITS	RENTAL	HO	CONDOS
<b>COMPLETED (SINCE 2001)</b>	<b>905</b>	<b>107,913,366</b>	<b>110,863</b>	<b>89,242</b>	<b>21,621</b>	<b>17,012</b>
2001 - 2010	385	39,127,932	37,401	23,523	13,878	11,203
2011 - 2020	407	51,177,130	54,543	48,496	6,047	4,410
2021 - 2023	113	17,608,304	18,919	17,223	1,696	1,399
<b>PAST FIVE YEARS</b>						
2019	42	5,821,828	6,044	5,776	268	150
2020	54	8,833,251	9,558	8,662	896	834
2021	38	5,819,361	6,444	5,792	652	602
2022	39	6,656,062	7,155	6,603	552	464
2023	36	5,132,881	5,320	4,828	492	333
<b>UNDER CONSTRUCTION</b>	<b>87</b>	<b>14,436,850</b>	<b>15,876</b>	<b>15,170</b>	<b>706</b>	<b>490</b>
2024 DELIVERY	67	8,272,509	9,159	8,709	450	380
2025 DELIVERY	19	5,966,341	6,538	6,282	256	110
2026 DELIVERY	1	198,000	179	179	0	0
<b>PIPELINE</b>	<b>326</b>	<b>60,745,828</b>	<b>68,034</b>	<b>43,683</b>	<b>3,591</b>	<b>2,618</b>
NEAR TERM	160	23,233,534	25,550	23,442	1,471	974
LONG TERM	166	37,512,294	42,484	20,241	2,120	1,644
<b>TOTAL</b>	<b>1,318</b>	<b>183,096,044</b>	<b>194,773</b>	<b>148,095</b>	<b>25,918</b>	<b>20,120</b>

Note: HO = Homeownership



# Residential



All project locations are approximate.

	PROJECT	WARD	LOCATION	DEVELOPER(S)	UNITS	TYPE <sup>1</sup>	EST. VALUE (\$M) <sup>2</sup>	DELIVERY <sup>3</sup>
<b>TOP RESIDENTIAL PROJECTS COMPLETED (2023)</b>								
1	Banner Lane (Phase I)	6	44 Banner Ln., NW	Toll Brothers / L & M Development Partners	561	R	\$226	Q1 23
2	The Hale	6	1150 First St., NE	Carmel Partners	500	R		Q3 23
3	Gallery 64	6	65 I St., SW	Lowe	492	R	\$200	Q1 23
4	Vela (Yards Parcel I)	8	1300 Yards Place, SE	Brookfield Properties	379	R		Q3 23
5	The Hartley	4	7150 12th St., NW	Hines / Urban Atlantic / Triden Development Group / Bridge Investment Group	323	R	\$147	Q1 23
6	Reverb	1	2131 9th St., NW	MRP Realty / Equity Residential / Howard University	312	R		Q2 23
7	North Building	5	1325 5th St., NE	Gables Residential / EDENS	300	R		Q3 23
8	The Mo Apartments	5	440 Penn St., NE	EDENS / UDR	300	R		Q1 23
9	The Cantata	6	811 3rd St., NW	The Wilkes Company / Quadrangle Development / Mt. Carmel Baptist Church	275	R	\$145	Q3 23
10	Meridian on First (Phase II)	6	1001 New Jersey Ave., SE	Paradigm Development Co.	272	R		Q2 23
<b>TOP RESIDENTIAL PROJECTS UNDER CONSTRUCTION</b>								
11	The Stacks (Phase I)	6	101 V St., SW	Akridge / National Real Estate Development	1,100	R	\$450	Q1 25
12	Wardman Park Redevelopment	3	2650 Woodley Rd., NW	Carmel Partners	900	R	\$500	Q4 25
13	The Bridge District (Phase I - The Douglass)	8	632 Howard Rd., SE	Redbrick LMD	757	R	\$366	Q1 25
14	Upton Place on Wisconsin	3	4000 Wisconsin Ave., NW & 3990 Upton St., NW	Donohoe Development / AIMCO	689	R	\$290	Q1 24
15	Reservoir District	5	North Capitol St. & Michigan Ave., NW	Vision McMillan Partners (Trammell Crow Company / Jair Lynch Real Estate Partners / EYA) / DGS / DMPED	660	R/O	\$720	2025+
16	Annex on 12th	6	300 12th St., SW	Carmel Partners	562	R		Q4 24
17	Vermeer	6	113 Potomac Ave., SW	Toll Brothers	501	R	\$259	Q3 24
18	The Yards DC Urby	8	110 N St., SE	Brookfield Properties / Urby	466	R		Q1 25
19	The Westerly	6	350 Maple Drive, SW	Hoffman & Associates / Affordable Housing Developers / Paramount Development Corp. / CityPartners / DMPED	449	R	\$179	Q1 24
20	The Iris	6	1133 North Capitol St., NE	MRP Realty / Ares Capital Corp. / CSG Urban Partners / Taylor Adams Associates	430	R	\$130	Q4 24
<b>TOP RESIDENTIAL PROJECTS IN THE PIPELINE</b>								
21	Navy Yard - Parcel O	6	1000 O St., SE	Redbrick LMD	1,700	R		2029
22	Reservation 13 (Bundle 2)	7	19th St., Massachusetts Ave., Independence Ave., SE	Frontier Development & Hospitality Group / A. Wash & Associates	1,246	R		
23	The Stacks (Phase II)	6	151 T St., SW	Akridge / National Real Estate Development	1,000	R		
24	Reservation 13 (Bundle 1)	7	19th St., Massachusetts Ave., Independence Ave., SE	Donatelli Development / Blue Skye Development & Construction	951	R/O	\$700	2033
25	1333 M Street	6	1333 M St., SE	Felice Development Group	900	R/O		
26	Fletcher Johnson At The Park	7	4650 Benning Rd., SE	Gragg Cardona Partners / Marshall Heights CDO / Foundation Housing / H2 Design Build	879	R/O		
27	5 M Street	6	5 M St., SW	WC Smith	651	R	\$343	2027
28	The Geneva	2	1825 & 1875 Connecticut Ave., NW	Post Brothers	600	R	\$700	
29	1001 6th Street	6	1001 6th St. NW / 501 K St. NW	Steuart Investment Company / Boston Properties	550	R		2026+
30	850 South Capitol Street	6	850 South Capitol St., SE	WC Smith	520	R	\$260	2029

1. R = rental; O = ownership

2. May include non-residential components

3. Delivery date may reflect phase I delivery or final phase delivery for pipeline projects