

New Space Looms Over Troubled D.C. Leasing Mart

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Citywide vacancy in Washington, D.C., already at a 15-year high of 8%, may peak at 13% about the end of next year as nine million square feet of office space now under construction comes to market. "From 2004 until the end of 2010, the city's office market's going to have increased by 20%. No market anywhere in the world can sustain that much coming online and D.C.'s not immune to that," said [John Sikaitis](#), director of research at [Jones Lang LaSalle](#)'s Washington office.

The largest projects include:

* [David Nassif](#)'s rehabilitation of Constitution Center, which will deliver 1.4 million square feet of available space to the southwest submarket in the third quarter.

* [Louis Dreyfus Property Group](#)'s Station Place is slated to complete its third phase, bringing 507,000 square feet to the NoMa business improvement district in the fourth quarter.

* [Hines](#)' construction at 1200 Ninth Street will add 308,000 square feet to the central business district in the second quarter.

Sikaitis said the bottom 70% of the Class A segment, a group he calls "commodity A," will suffer the highest vacancy increases. Vacancy at trophy buildings, the top 30% of Class A assets, will increase to 6%, outperforming the rest of the market, he added.

Landlords have boosted tenant improvements \$10 to \$20 from this time last year and are offering six months or more of free rent, but "haven't started to officially reach yet" when it comes to reducing rents, said [Gary Stein](#), managing principal at [CresaPartners](#). "There are some buildings that always seem to be leased--801 Pennsylvania, 1101 Pennsylvania--but in representing a 20,000-square-foot tenant with a 2009 lease expiration, you have 25 solid Class A options out there."

[Opus East](#), which is set to deliver 100 M Street, a 240,000-square-foot office property in the Capitol Riverfront business improvement district, believes that a solid location will help leasing efforts, even in a market where so much space is set to come online. [Steve Cohen](#), v.p., said 100 M Street's proximity to the [Federal Department of Transportation](#) headquarters helped Opus East to land an 80,000-square-foot lease from [Parsons](#), the engineering and construction company, which uses the space to house its transportation department. Cohen also sees the nearby Washington Navy Yard metro stop as another draw. The building is 45% leased. *--Matt Jarzemsky*

10 Largest Washington, D.C., Office Developments Slated For 2009

Address	Owner/Developer	Project Type	RBA sf	% Preleased
400 7th Street SW (Constitution Center)	David Nassif	Rehab	1.4 million	0%
700 2nd Street NE (Station Place Phase III)	Louis Dreyfus Property Group	Spec	507,000	19%
4th Street at M Street, SW (Waterside Mall)	Vornado, Charles E. Smith	BTS Rehab	500,000	100%
355 E Street SW (Three Patriots Plaza)	Kennedy, MEPT	Spec	384,000	0
1100 1st Street NE	Tishman Speyer	Spec	346,000	0
375 E Street SW (Two Patriots Plaza)	Kennedy, MEPT	Spec	323,000	0
1200 19th Street NW	Hines	Spec Rehab	308,000	26.80%
700 6th Street NW	Mitsui, Akridge	Spec	300,000	31.20%
55 M Street SE	Monument Realty	Spec	274,000	0
901 K Street NW	Carr Properties	Spec	261,000	16.30%

Source: Jones Lang LaSalle

