

# 2021 COMMERCIAL CONSTRUCTION TRENDS FOR MWCOCG REGION

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## Analysis of CoStar data

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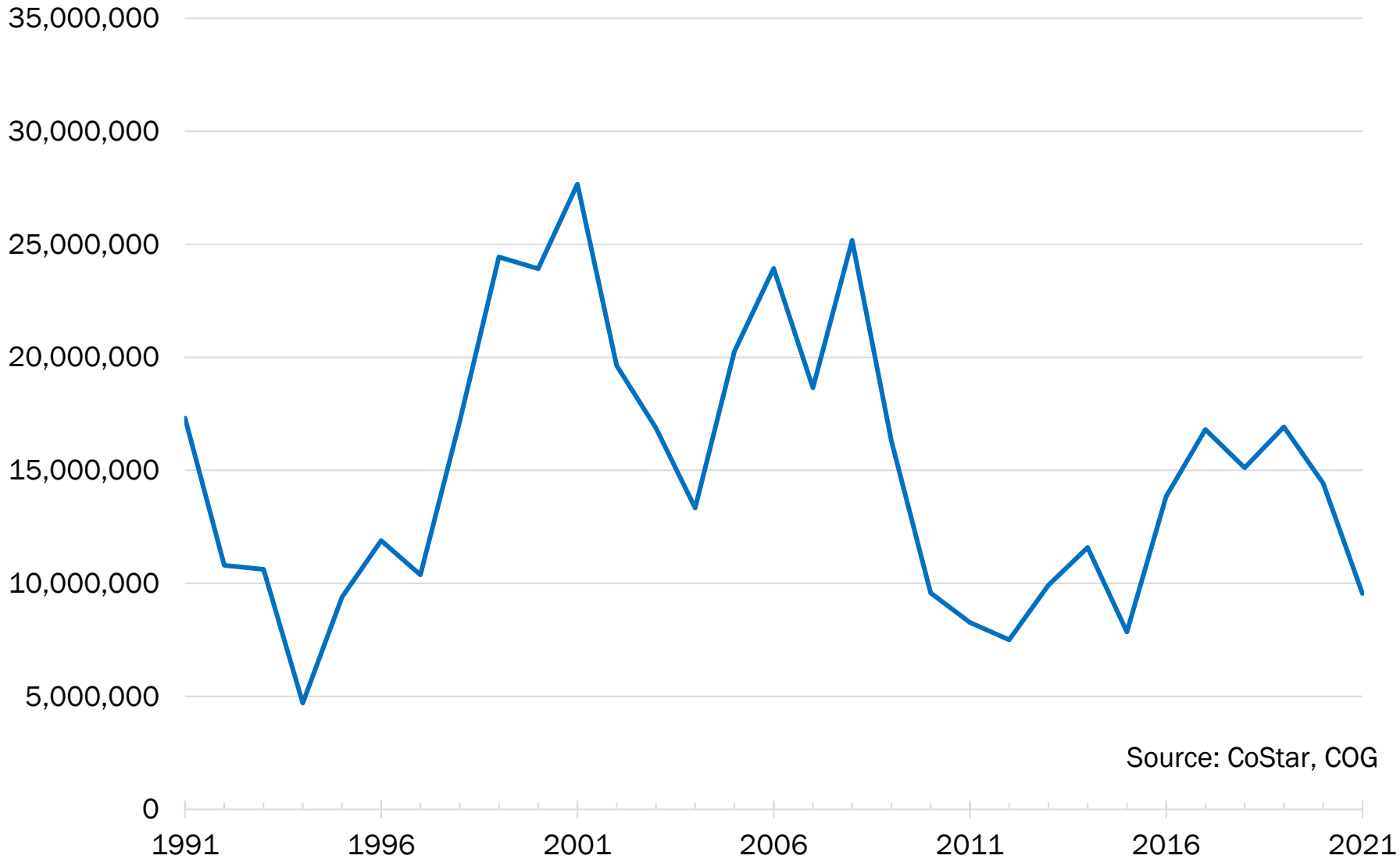
# About the Commercial Construction Report

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- Annual analysis of completed regional commercial real estate projects using data from CoStar’s database of properties.
  - Includes office, retail, industrial, flex, healthcare, hospitality, sports and entertainment and specialty buildings
  - Generally, government buildings—including courts, administrative buildings and public schools—are omitted from the database



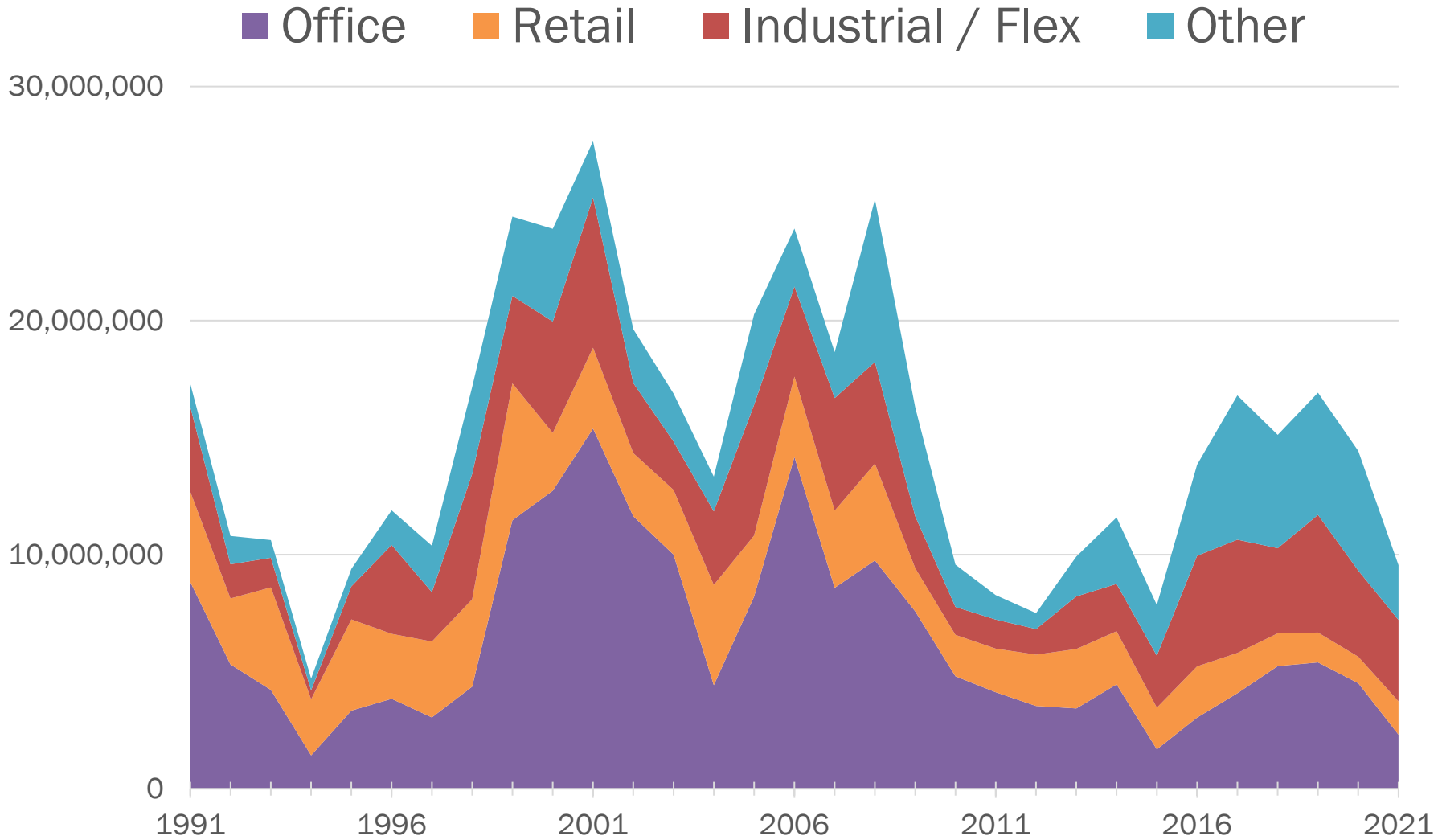
# Square Footage of Completed Commercial Construction, 1991 - 2021



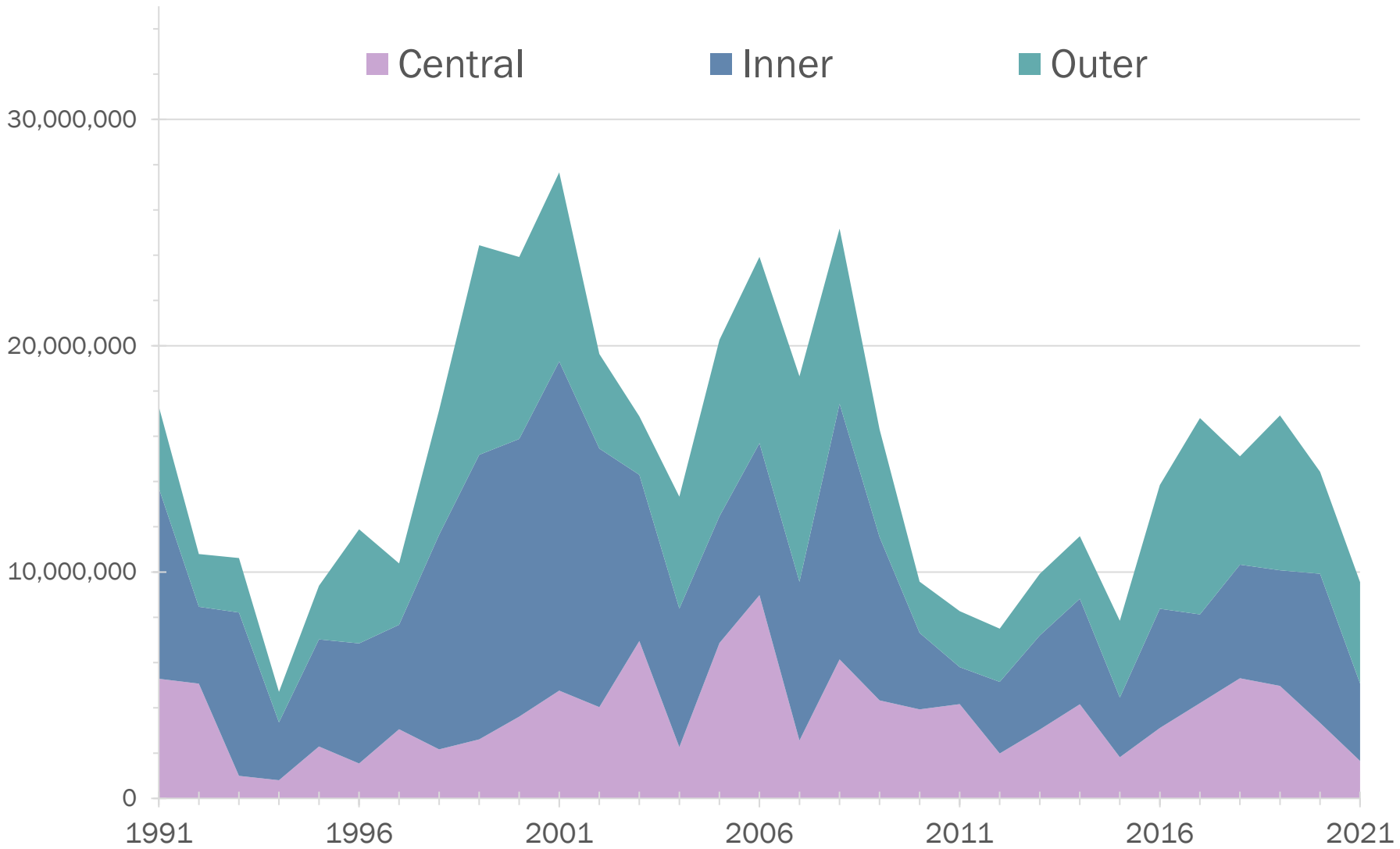
Source: CoStar, COG



# Square Footage of Completed Commercial Construction by Structure Type, 1991 - 2021



# Commercial Construction by Jurisdictional Group



## Central Jurisdictions

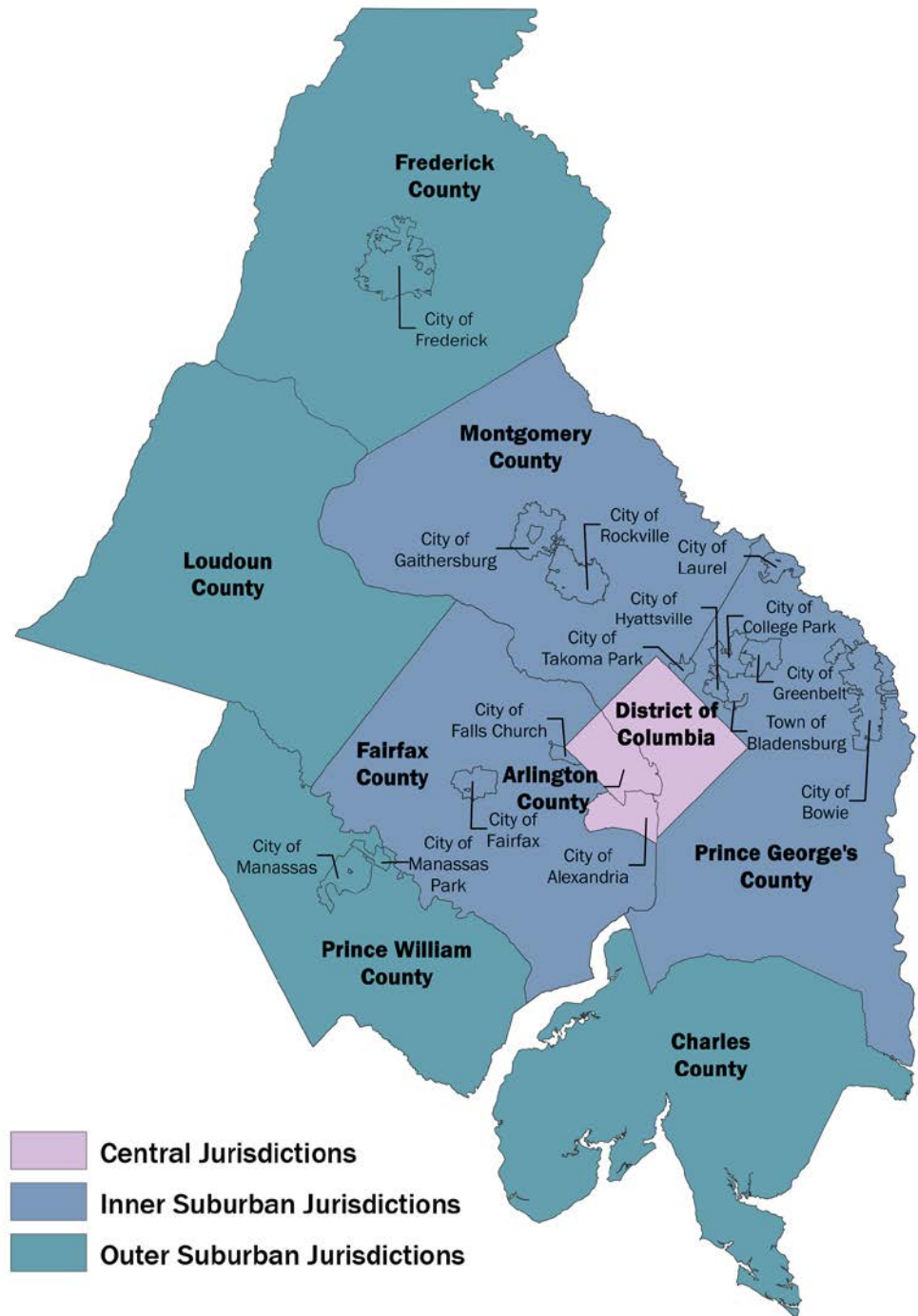
District of Columbia  
Arlington County  
City of Alexandria

## Inner Jurisdictions

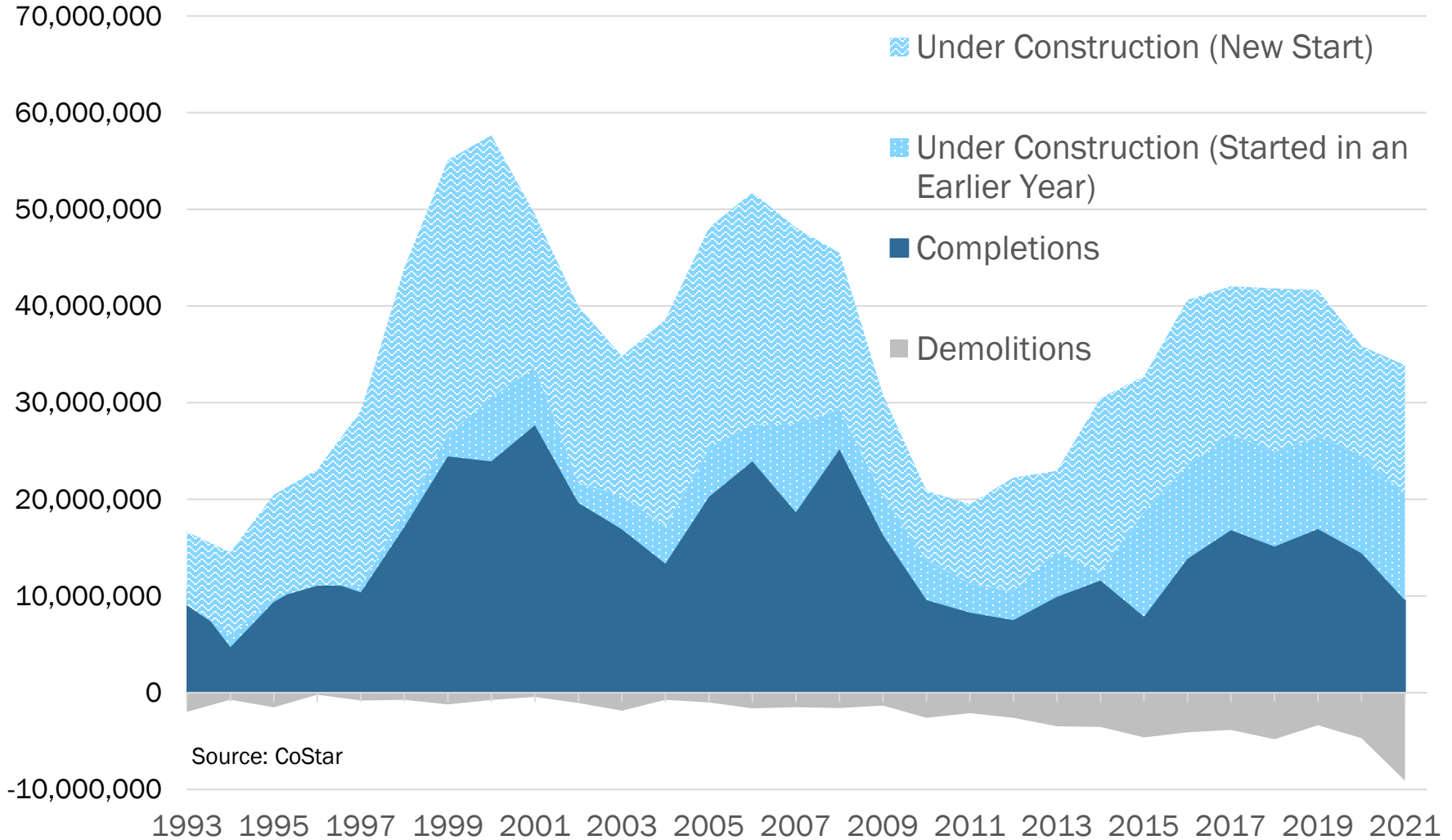
Fairfax County  
Montgomery County  
Prince George's County  
City of Falls Church  
City of Fairfax

## Outer Jurisdictions

Charles County  
Frederick County  
Loudoun County  
Prince William County  
City of Manassas  
City of Manassas Park



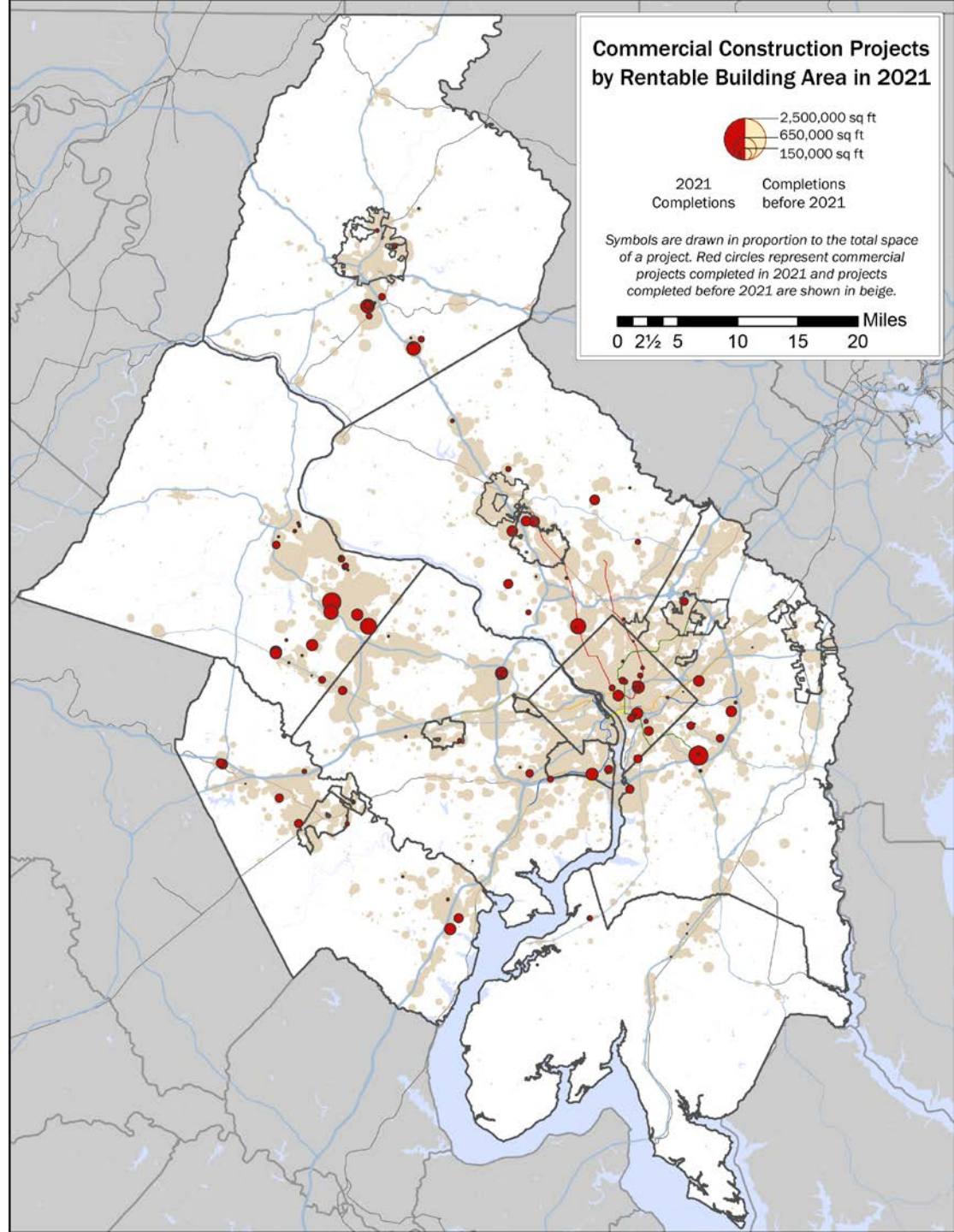
# Commercial Construction Starts and Demolitions 2006 - 2021



Source: CoStar



- Arlington County was the only major COG jurisdiction not to add commercial space in 2021.
- The industrial/flex sector accounted for about a third of new space, led by data center construction in Loudoun County.
- Office construction was the second largest sector, primarily in DC and near Metrorail stations





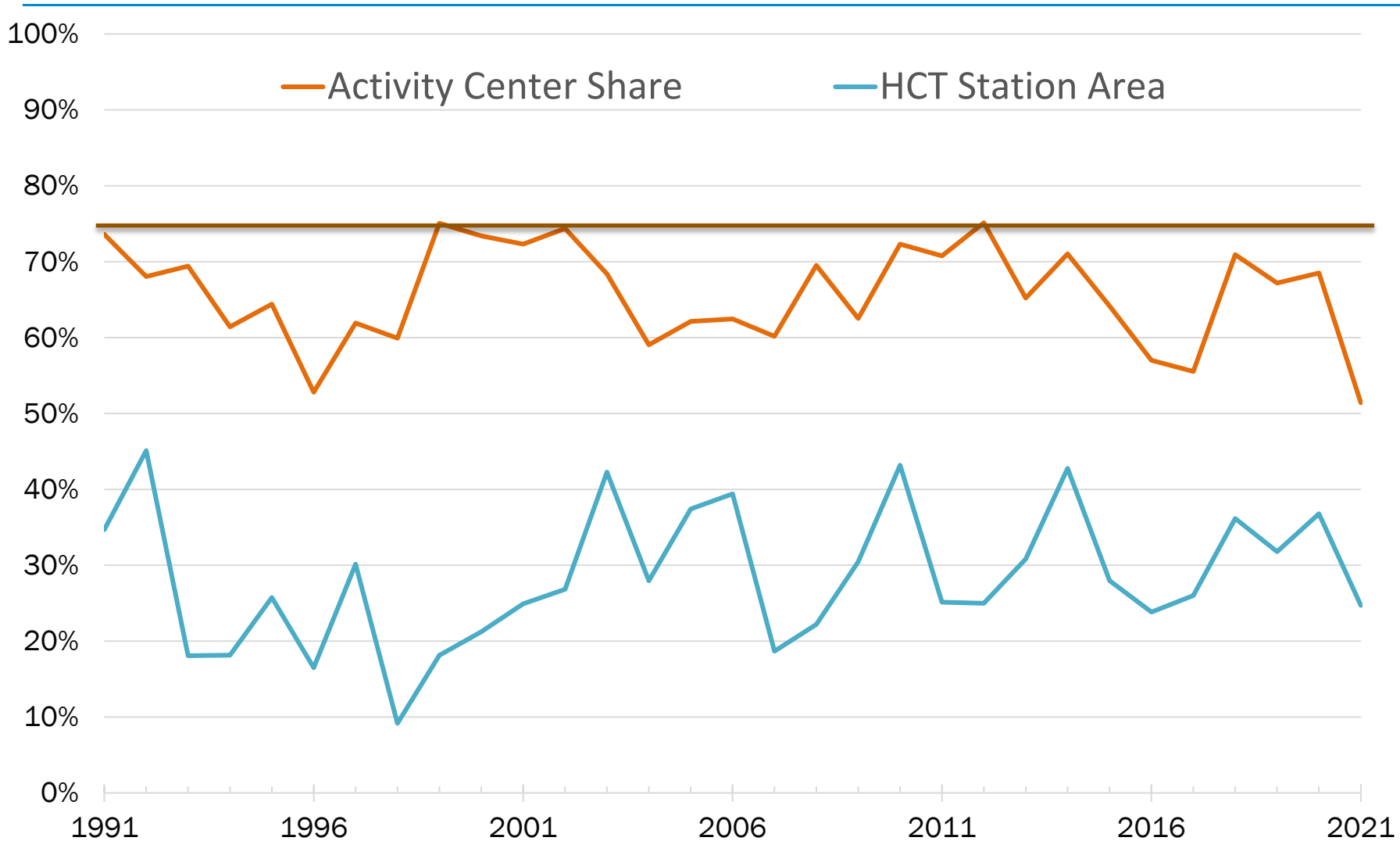
# Largest Projects in 2021

Project Name	Land Use	Jurisdiction	Stories	RBA
US Citizenship and Immigration Services HQ	Office	Prince George's County	4	574,767
Aligned Ashburn - IAD02	Flex (Data Center)	Loudoun County	3	513,000
22900 Platform Plaza	Flex (Data Center)	Loudoun County	1	385,228
The Wilson	Office	Montgomery County	23	362,643
Ashburn-Shellhorn Data Centers DS1	Flex (Data Center)	Loudoun County	1	306,394
Kite Pharma	Industrial (Manufacturing)	Frederick County	1	279,000
Building 3 Progress Labs at Center 85	Industrial (Warehouse)	Frederick County	1	276,000
Signal House	Office	District of Columbia	10	236,204
The Watermark Hotel	Hotel	Fairfax County	10	213,265
Carlyle Crossing at Hoffman Town Center	Retail	City of Alexandria	2	210,000

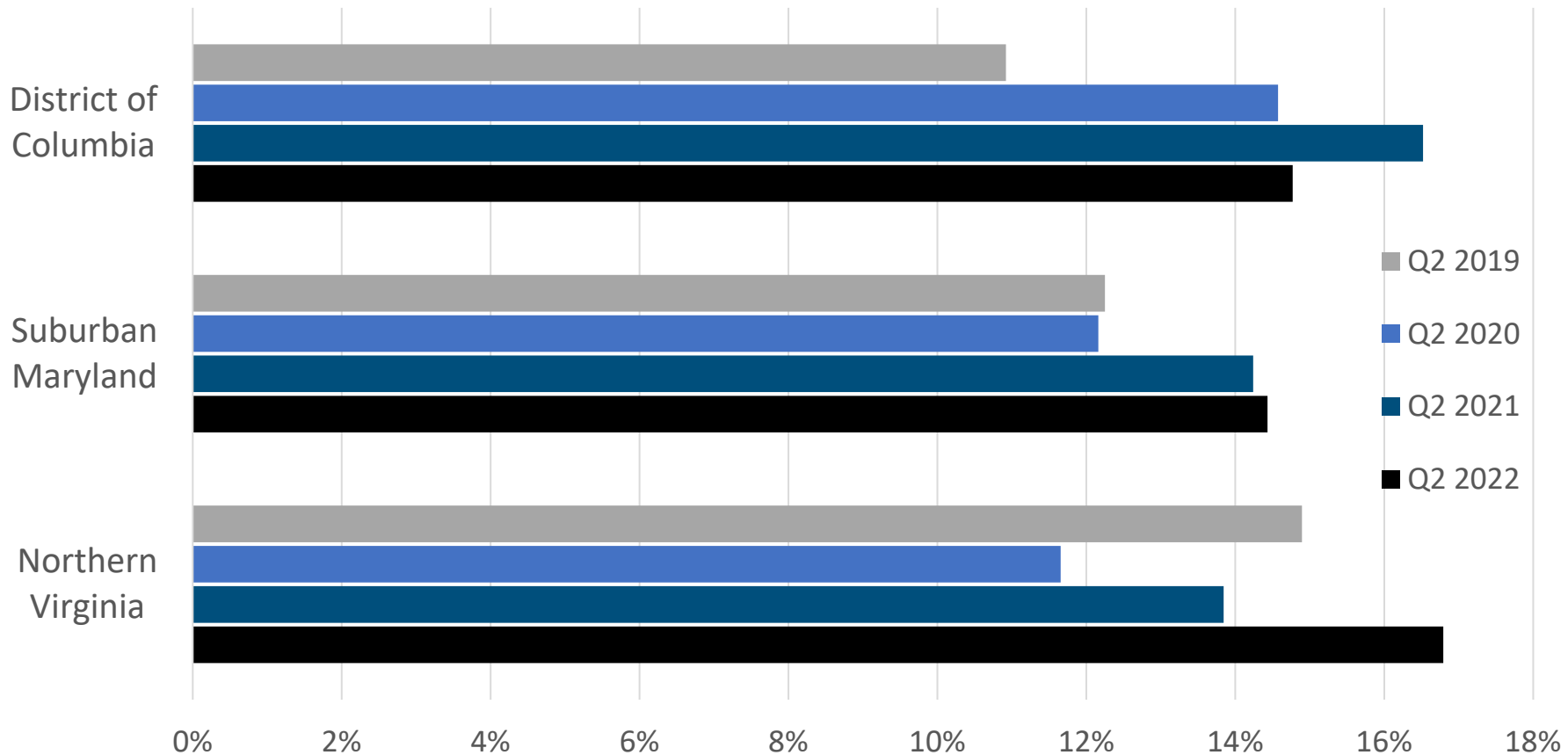
- The ten largest projects represent 35% of the region's 9.6 million square feet of new commercial space.
- The largest project was the 4-story headquarters building for the US Citizenship and Immigration Services near the Branch Avenue Metrorail Station in Prince George's County.



# Share of Construction Square Footage in Activity Centers and High-Capacity Transit Station Areas



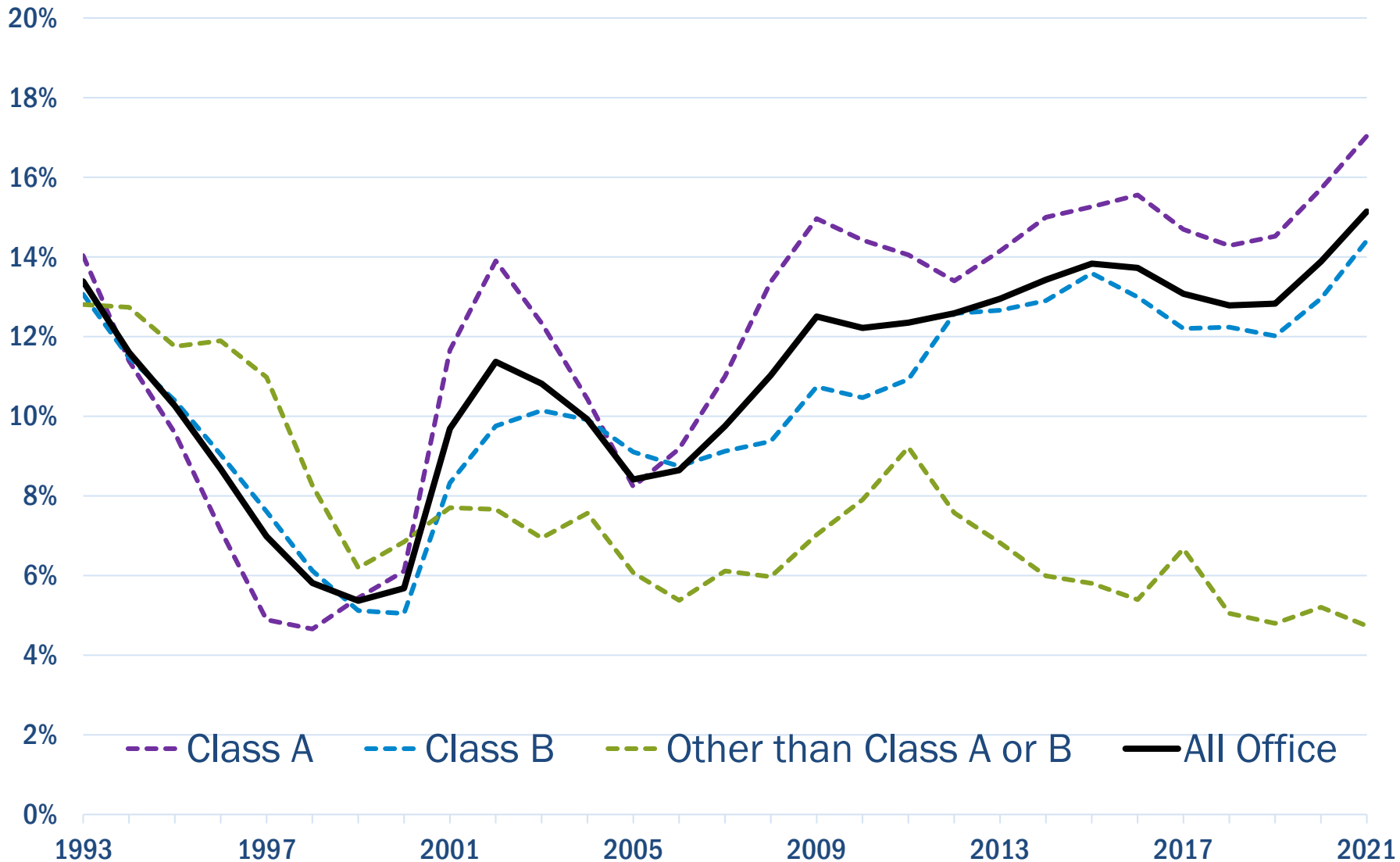
# Change in Office Vacancy Rates Q2 2019 to Q2 2022



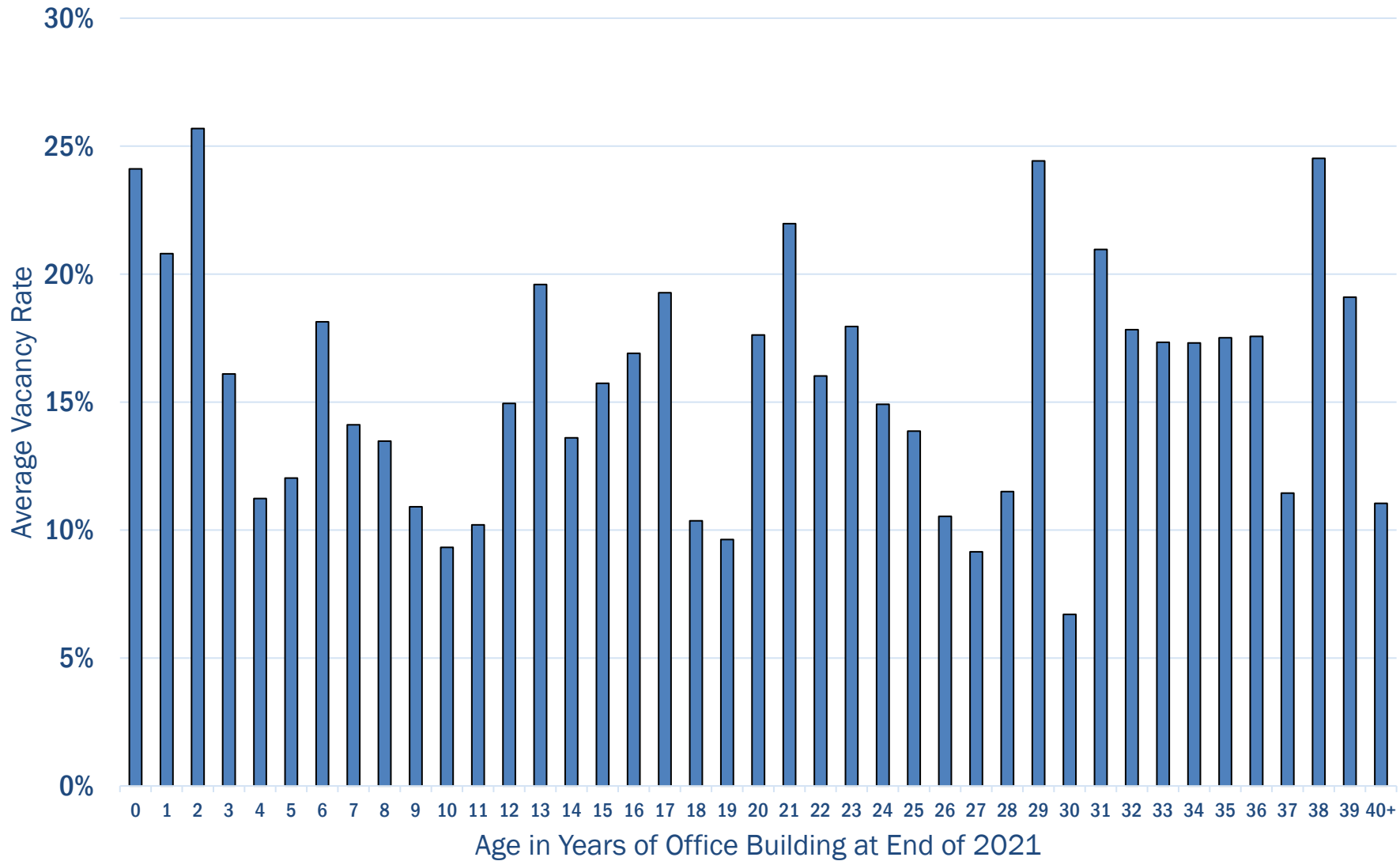
Office vacancies from Q2 2020 to Q2 2021. In 2022, the vacancy rate has fallen in DC, stabilized in MD jurisdictions but continues to rise in Northern Virginia.



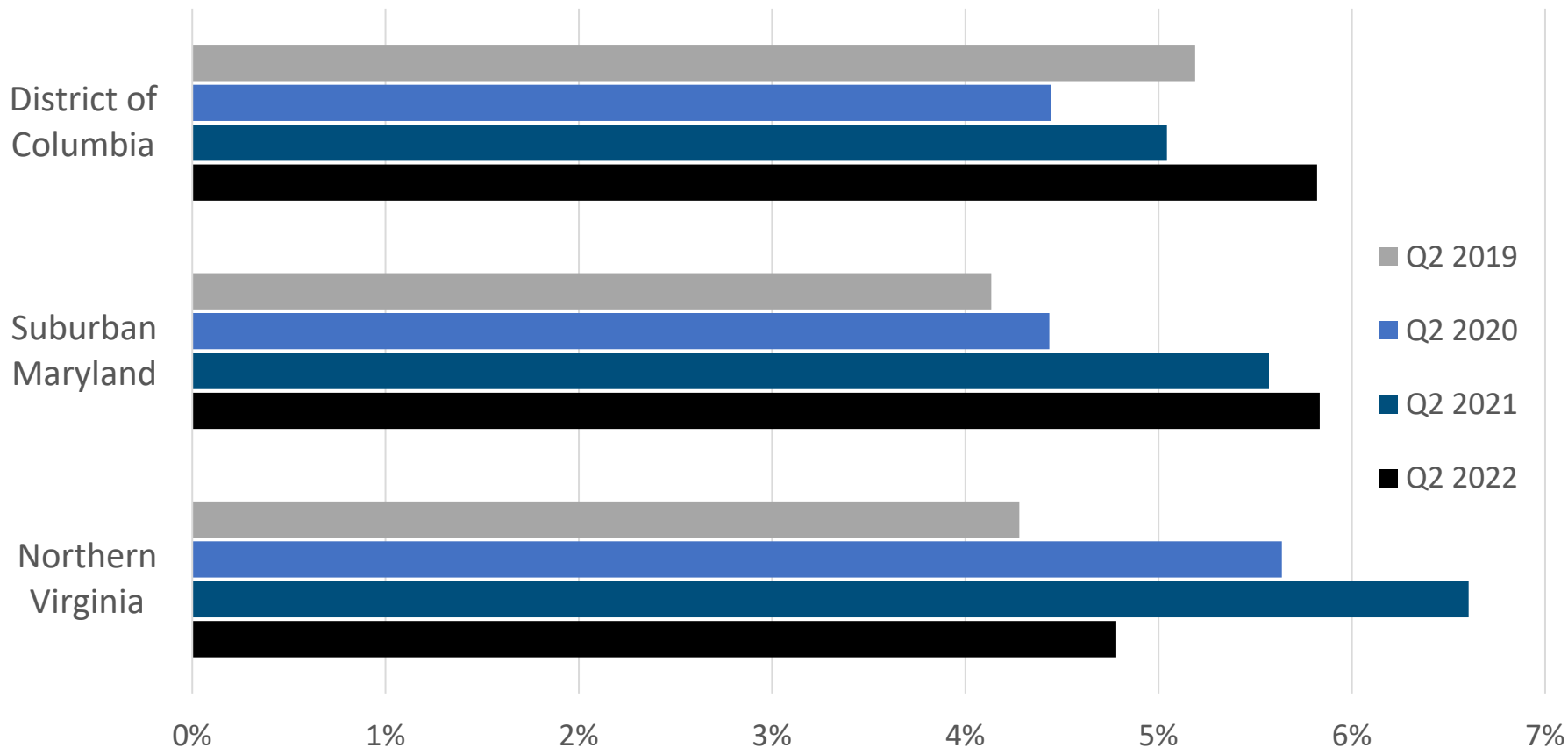
# Vacancy Rate for Office Space, 1993 - 2021



# 2021 Year End Office Vacancy Rate by Age of Building



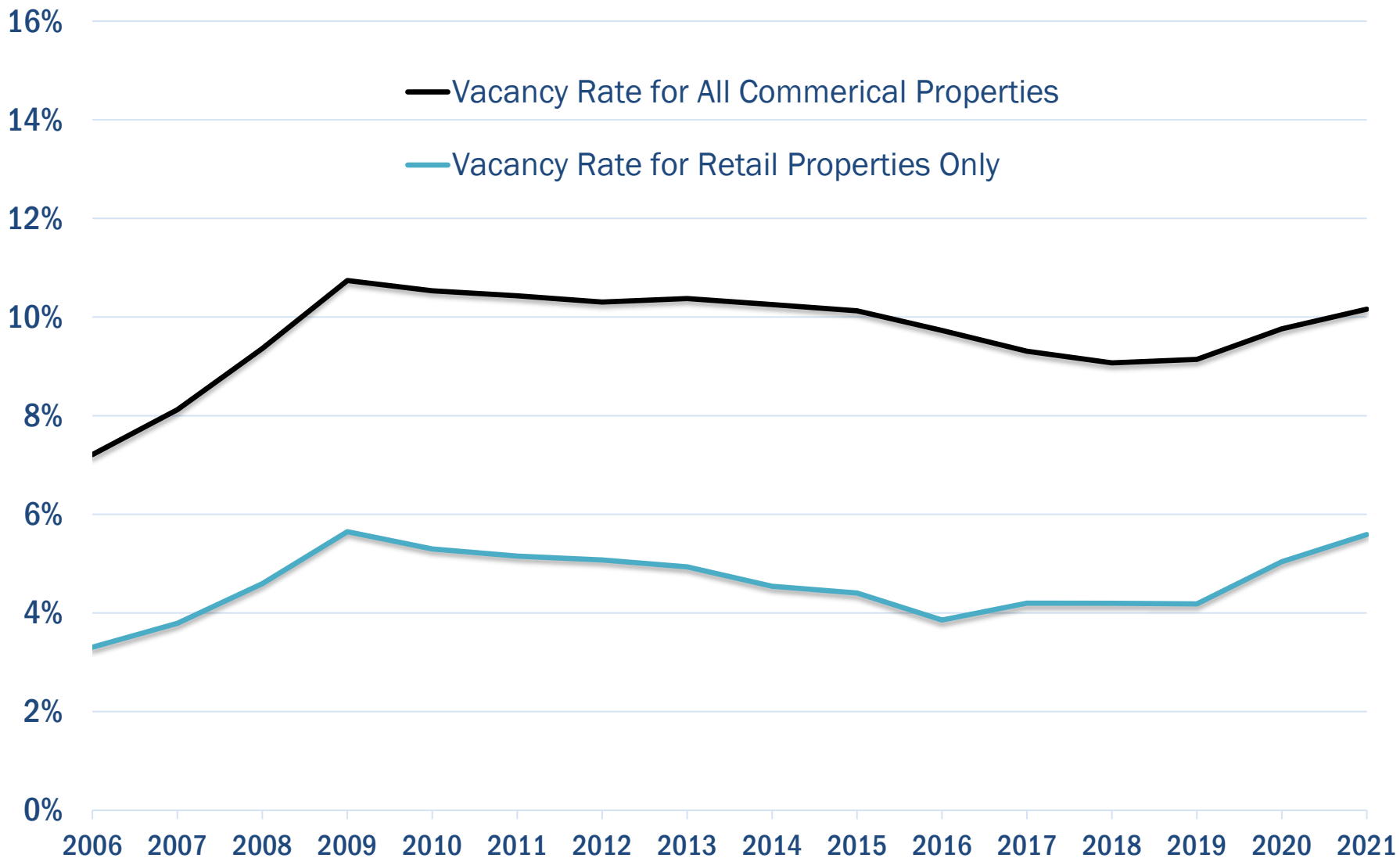
# Change in Retail Vacancy Rates Q2 2019 to Q2 2022



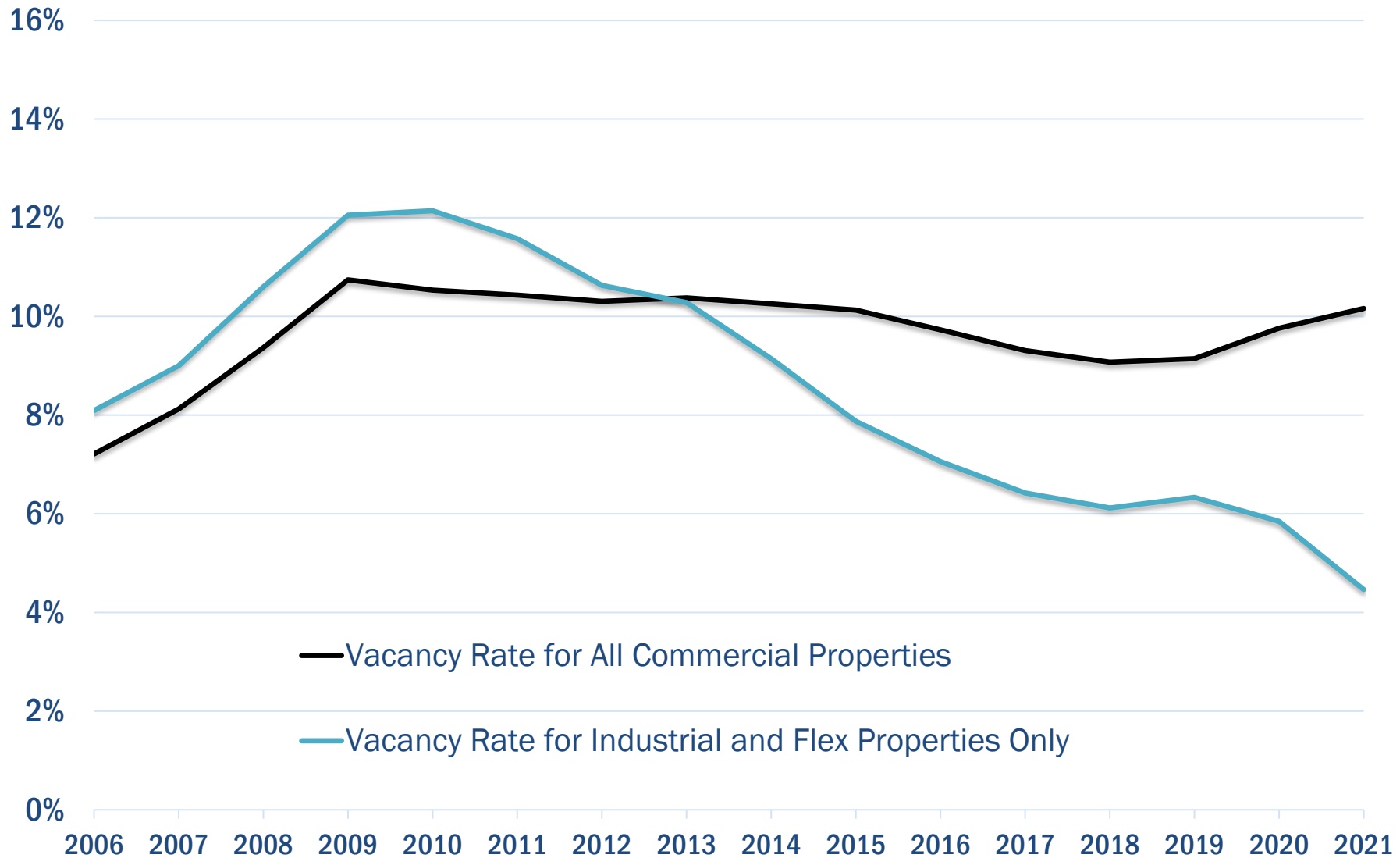
Retail vacancies rose through the first two years of the pandemic. Rates have since fallen in Northern Virginia but continue to rise in DC and Suburban Maryland.



# Vacancy Rate for Retail Space, 2006 – 2021



# Vacancy Rate for Industrial/Flex Space, 2006 - 2021





# Kastle Systems Key Card Occupancy Estimates

## OCCUPANCY OVER TIME - MARCH 4, 2020 TO JUNE 29, 2022



\*On March 22, 2021, Kastle moved from daily to weekly data reporting to provide a more robust and comprehensive picture of office occupancy. We have also recalculated data back to the start of the time series for consistency. This has only a marginal impact on most cities and the national average.



# Key Findings

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- At 9.6 million square feet of new space, 2021 had the sixth lowest construction total in the past 30 years
- Industrial and Flex sectors led regional construction, with much of the new space coming from data centers in Loudoun County
- The Hospitality industry was the hardest hit sector but could return to pre-pandemic construction levels in the next few years

## COMMERCIAL CONSTRUCTION INDICATORS

Information on the number, location, structure type, and size of new development projects in 2022 in metropolitan Washington.

June 2022

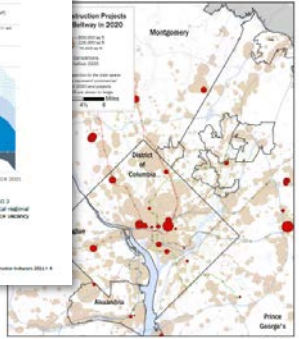


Metropolitan Washington Council of Governments

Most of commercial space developments in 2022 (Figure 2), these "non-core" projects, are in existing office or industrial areas. However, high-profile commercial projects still had prominent contributions to the former. Major new Army Medical Center (AMC) headquarters and renovation of the former AMC headquarters have occurred. These new office developments have occurred in the following areas:

- In the former AMC headquarters (see chart).
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Construction within the Beltway: About 53 percent of regional construction in 2022 (Figure 3), these "non-core" projects, are in existing office or industrial areas. However, high-profile commercial projects still had prominent contributions to the former. Major new Army Medical Center (AMC) headquarters and renovation of the former AMC headquarters have occurred. These new office developments have occurred in the following areas:

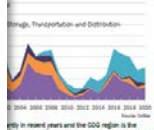


### By Jurisdiction

In commercial construction, accounting for 23 percent of 2022 construction, Loudoun County had the largest total construction. In four new data centers in Ashburn and Sterling. An major project completed in 2022 but not at the Greater OOD level year. Blackening had not added new commercial

By Jurisdiction						
Jurisdiction	2022 Construction			Estimated 2022 Year		
	Value (\$M)	Area (Sq Ft)	Jobs	Value (\$M)	Area (Sq Ft)	Jobs
Loudoun County	1,473,388	23,876,000	11,878	1,473,388	23,876,000	11,878
Montgomery County	1,145,073	1,174	6,976	1,145,073	1,174	6,976
Prince George's County	476,154	3,976	7,476	476,154	3,976	7,476
Other	238,142	7,476	2,476	238,142	7,476	2,476
Region Total	2,336,757	25,027	28,830	2,336,757	25,027	28,830

### Construction and Plan Construction by Square Foot, 2019-2020



Construction and Plan Construction by Square Foot, 2019-2020. The chart shows that construction activity was significantly higher in 2020 than in 2019, particularly in the Loudoun County area.

### Commercial Properties

Jurisdiction	Value (\$M)	Area (Sq Ft)	Jobs
Loudoun County	1,473,388	23,876,000	11,878
Montgomery County	1,145,073	1,174	6,976
Prince George's County	476,154	3,976	7,476
Other	238,142	7,476	2,476
Region Total	2,336,757	25,027	28,830

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