

Commercial Construction at a Glance

Commercial construction in the metropolitan Washington region declined by seven percent in 2017, as the commercial real estate sector continues a tepid recovery from the recession. Last year, 144 new commercial buildings were erected totaling 12.7 million square feet of space, a decline of almost one million square feet from 2016.

Northern Virginia accounted for more than half of all new construction with 7.9 million square feet of commercial space in 2017. Suburban Maryland and the District of Columbia added 2.5 and 2.3 million square feet respectively.

Outer suburban jurisdictions led regional commercial construction with 44 percent of new projects in the metropolitan Washington region. Central jurisdictions built 33 percent of new space while 23 percent of area construction was in the region's inner suburban jurisdictions.

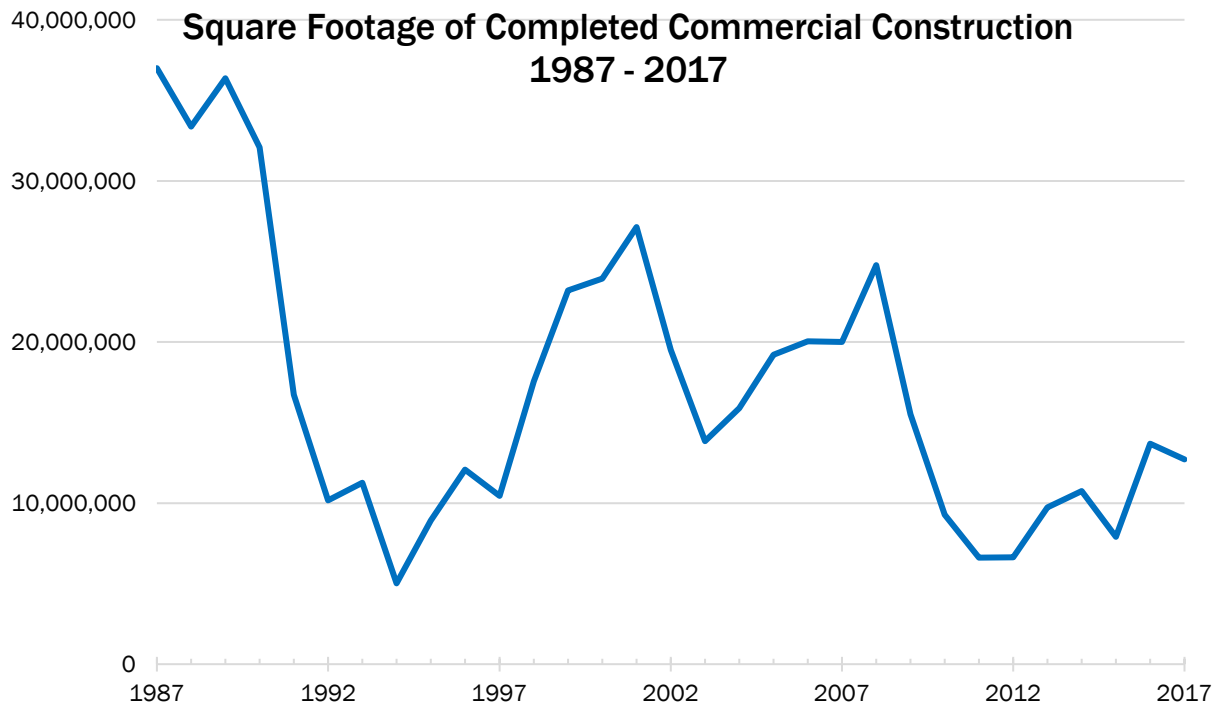
Definition of Jurisdiction Groups

Central Jurisdictions - The District of Columbia, Arlington County, and the City of Alexandria in Virginia

Inner Suburban Jurisdictions - Montgomery and Prince George's Counties, and the Cities of Bowie, College Park, Gaithersburg, Greenbelt, Hyattsville, Laurel, Rockville and Takoma Park in Maryland, Fairfax County and the Cities of Fairfax and Falls Church in Virginia.

Outer Suburban Jurisdictions - Charles and Frederick Counties and the City of Frederick in Maryland; Loudoun and Prince William Counties, and the Cities of Manassas and Manassas Park in Virginia.

From 2016 to 2017, commercial construction within Activity Centers declined 16 percent. In 2017, 52 percent of all commercial construction occurred within Activity Centers. Historically, between 65 to 75 percent of construction has been in such communities.



Source: CoStar, COG

Thirty buildings representing 38 percent of all regional commercial construction by square feet were sited within a half-mile of a Metrorail station in 2017. Construction in station areas increased 72 percent from 2016.

The office sector held the greatest share of commercial construction in 2017, creating 32 percent of the region's new space. The 4.8 million square feet of office space—83 percent of which was sited within a half-mile of a Metro station—is the most since 2014 but still less than half of the pre-recession peak. Five of the ten largest projects by square feet were office buildings, including the new National Science Foundation's headquarters in a 14-story, 700,000 square foot tower next to the Eisenhower Ave Metro station in Alexandria. The largest project in the region last year was the 2.3 million square foot and 778-megawatt Panda Stonewall natural gas combined-cycle power plant constructed south of Leesburg in Loudoun County. Construction of retail, industrial/flex, health care and hospitality space all declined from 2016; retail construction in 2017 was at its lowest rate since 1957.

The overall regional vacancy rate for commercial space was 10.2 percent at the end of 2017, a slight decline from the previous year; vacancy rates still remain high compared to both current national trends and regional historical trends.

Ten Largest Projects by Rentable Building Area from 2013 to 2016

Project Name	Year	Land Use	Street Address	Jurisdiction	Stories	RBA
Marriott Marquis	2014	Hotel	901 Massachusetts Ave NW, Washington, DC	District of Columbia	14	1,262,000
MGM National Harbor	2016	Hotel Casino	1 National Harbor Blvd, Oxon Hill, MD	Prince George's	24	945,288
Inova Women and Children's Hospital	2016	Hospital	3300 Gallows Rd, Falls Church, VA	Fairfax County	11	660,000
Costco Distribution Center	2016	Industrial (Distribution)	5151 Intercoastal Ct, Monrovia, MD	Frederick	1	600,000
1812 North Moore	2013	Office	1812 N Moore St, Arlington, VA	Arlington County	35	539,552
Tysons Tower	2014	Office	7900 Tysons One Pl, McLean, VA	Fairfax County	22	528,290
NIAID	2014	Office	5601 Fishers Ln, Rockville, MD	Montgomery County	10	490,998
601 Mass Ave	2015	Office	601 Massachusetts Ave NW, Washington, DC	District of Columbia	11	478,883
The Corporate Office Centre @ Tysons II	2016	Office	1775 Tysons Blvd, McLean, VA	Fairfax County	18	476,913
NPR HQ	2013	Office	1111 N Capitol St NE, Washington, DC	District of Columbia	7	450,000

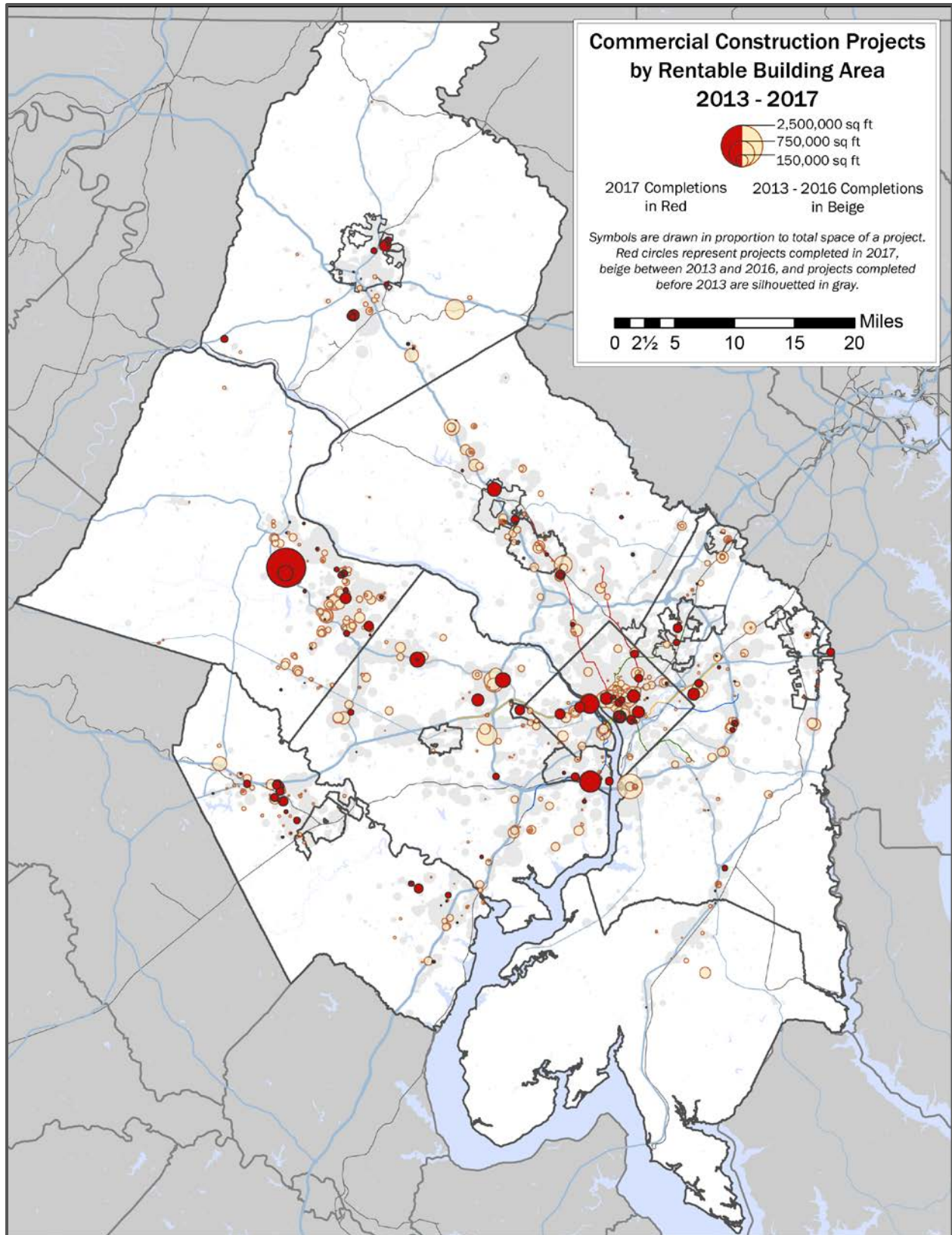
Source: CoStar, COG

Ten Largest Projects by Rentable Building Area in 2017

Project Name	Land Use	Street Address	Jurisdiction	Stories	RBA*
Stonewall Generating Station	Natural Gas Power Plant	20077 Gant, Leesburg, VA	Loudoun	1	2,280,802
2415 Eisenhower Ave	Office	2415 Eisenhower Ave, Alexandria, VA	Alexandria	14	700,000
CEB Tower at Central Place	Office	1201 Wilson Blvd, Arlington, VA	Arlington	31	552,781
Stonewall Secure Business Park	Utility Sub-Station	Energy Park Dr, Ashburn, VA	Loudoun	1	375,000
1900 Reston Metro Plaza	Office	1900 Reston Metro Plz, Reston, VA	Fairfax County	16	368,413
MITRE 4	Office	7598 Colshire Dr, McLean, VA	Fairfax County	14	340,000
Fed-Ex Distribution Center	Distribution Center	800 N Frederick Ave, Gaithersburg, MD	Montgomery	1	330,000
The Wharf Intercontinental	Hotel	801 Wharf St SW, Washington, DC	District of Columbia	12	249,532
Uline NoMa	Office / Retail Mixed Use	1140 3rd St NE, Washington, DC	District of Columbia	5	244,000
800 Maine at the Wharf	Office	800 Maine Ave SW, Washington, DC	District of Columbia	11	241,450

*The ten largest projects combine to make up 44% of the region's 12.9 million square feet of combined new rentable building area

Source: CoStar, COG

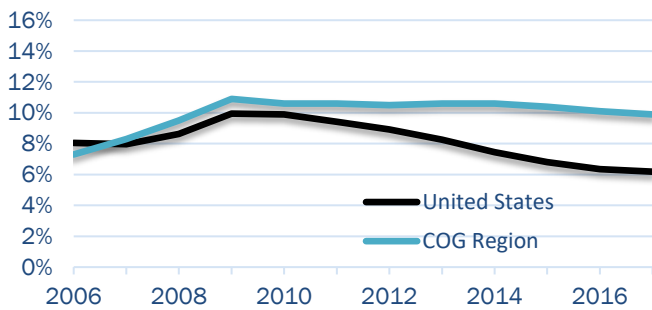


Source: CoStar, COG

Vacancy Rates

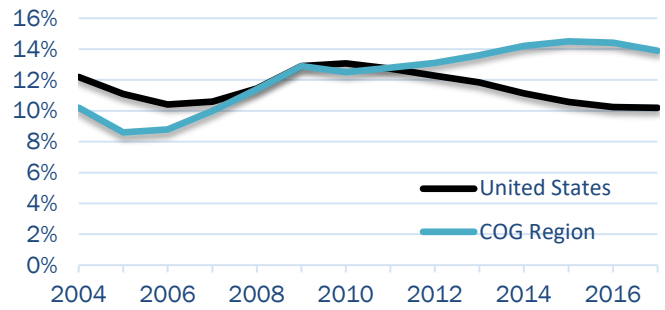
At the end of 2017, Washington market had the highest vacancy rate for commercial space among the top 142 markets in the United States. Regional vacancy rates in the retail and industrial/flex markets have fallen to pre-recession levels but the office rate remain high, despite some modest improvement over the past two years. Only the Houston, Dallas and Phoenix markets had higher office vacancy rates at the end of 2017.

Vacancy Rate for Commercial Space 2006 - 2017



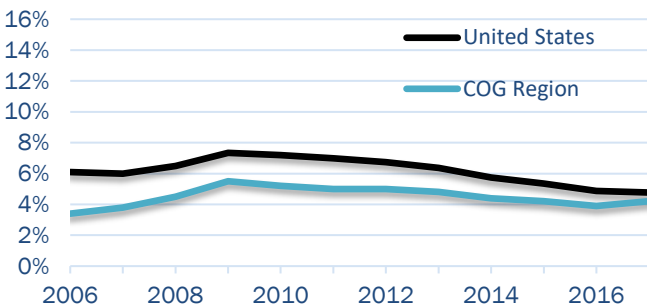
Source: CoStar, COG

Vacancy Rate for Office Space 2004 - 2017



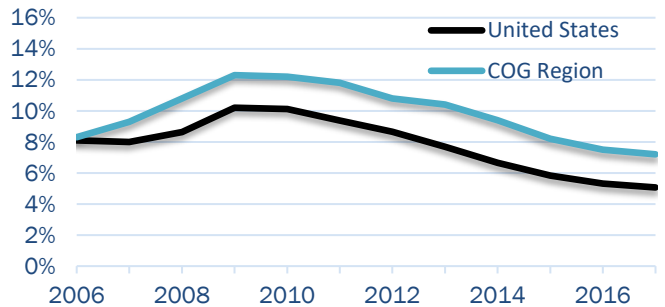
Source: CoStar, COG

Vacancy Rate for Retail Space 2006 - 2017



Source: CoStar, COG

Vacancy Rate for Industrial and Flex Space 2006 - 2017



Source: CoStar, COG