



Downtown DC: Key Facts and Trends

July 2023

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OFFICE OF THE DEPUTY MAYOR FOR
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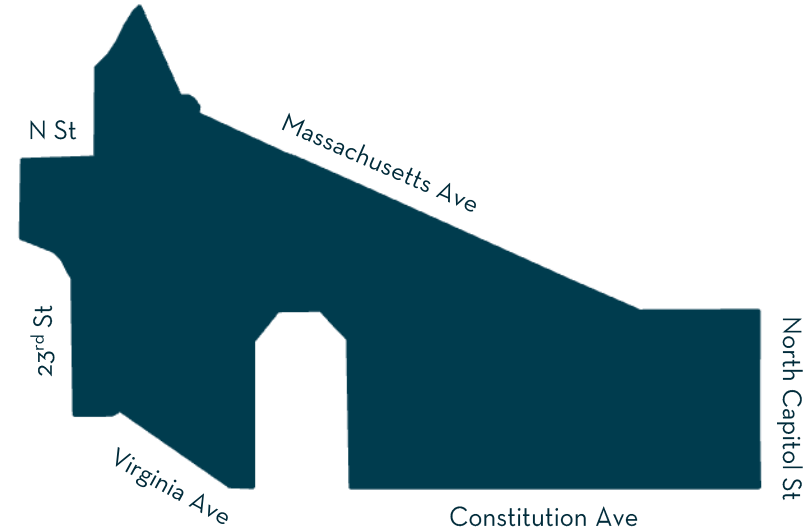
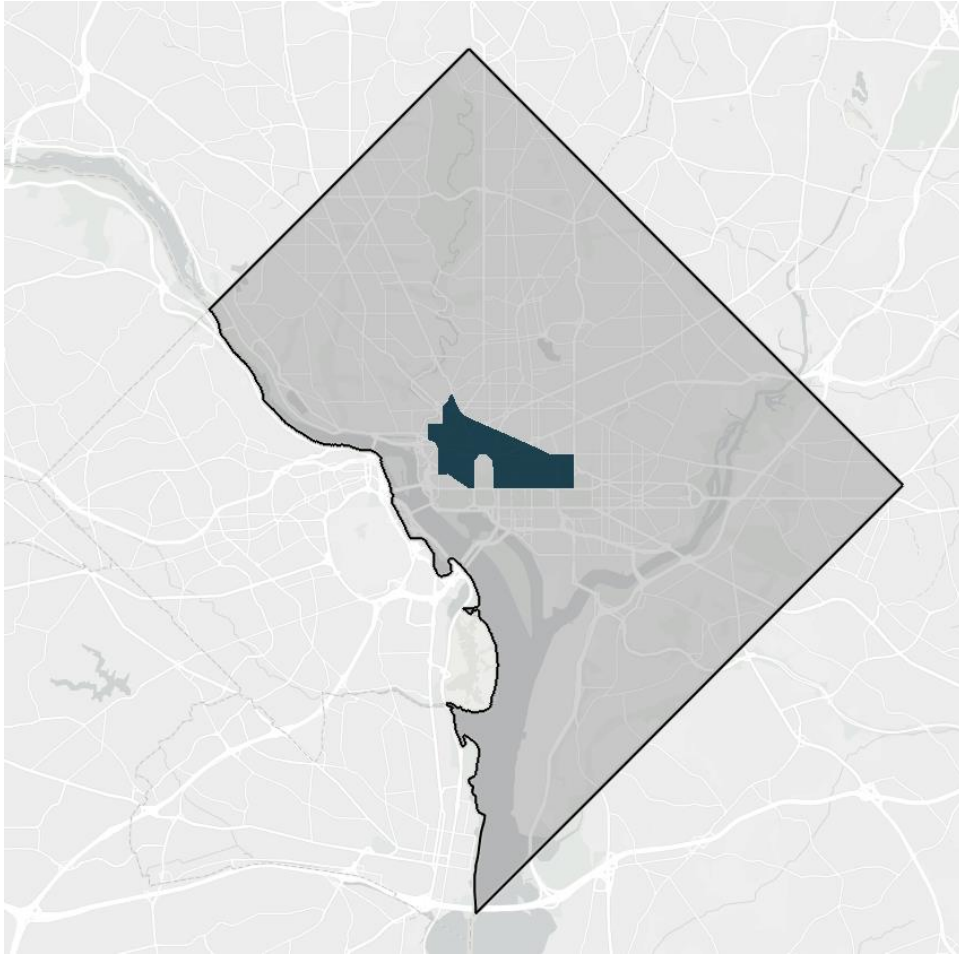
★ ★ ★ GOVERNMENT OF THE
★ ★ ★ DISTRICT OF COLUMBIA
★ ★ ★ **DC** MURIEL BOWSER, MAYOR

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Downtown Economic Impact Overview

Downtown as defined in DC's Comeback Plan



Geographically the area is 2 square miles, or approximately **3% of the District's total land area**.

The Downtown boundary overlaps with Wards 2 and 6, and touches Advisory Neighborhood Commission boundaries 2A, 2B, 2C, 2F, 2G, 6C, and 6E.

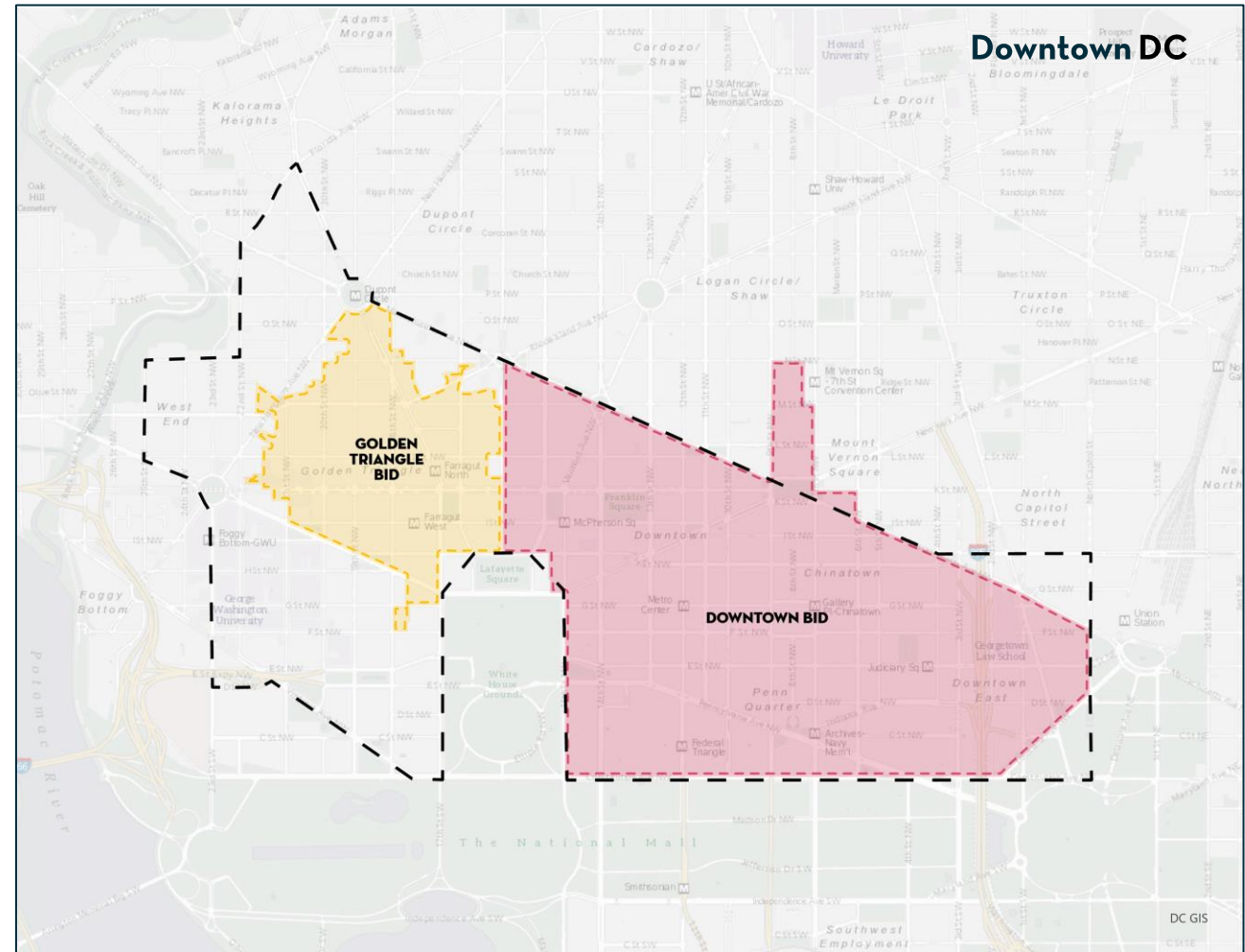
How do we define Downtown?

Downtown DC - Comeback Plan Boundary

The map for downtown pulls in the East and West ends, Chinatown, Penn Quarter and few other neighborhoods between Massachusetts Avenue and the National Mall, now home to about 25,000 people.

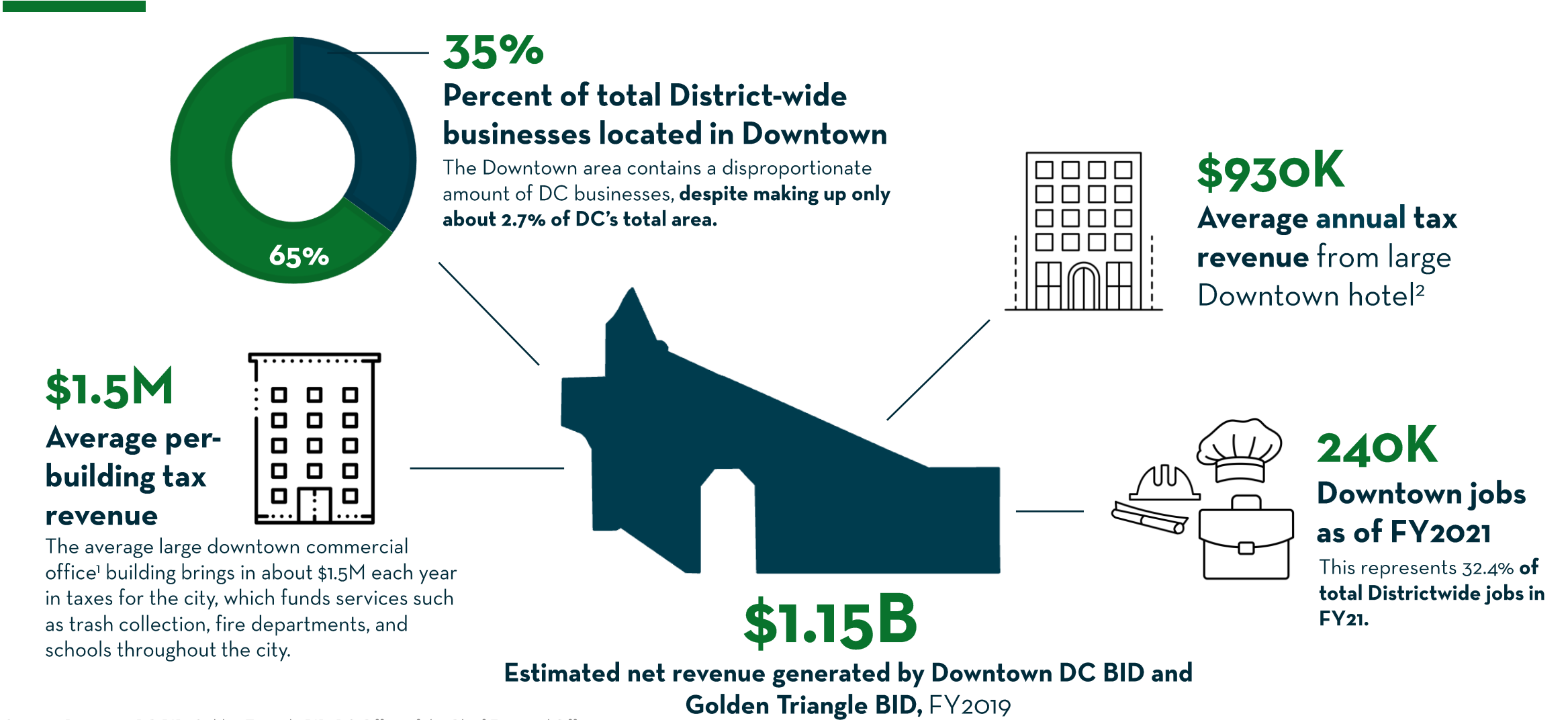
The map area includes two business improvement districts (BIDs):

-  Downtown DC BID
-  Golden Triangle BID



This map serves as the baseline for the District's 15,000 new resident goal by 2028. The 15,000 resident goal corresponds with roughly 7M SF of residential development (using a 1.6 household size).

Downtown has historically served as DC’s economic powerhouse

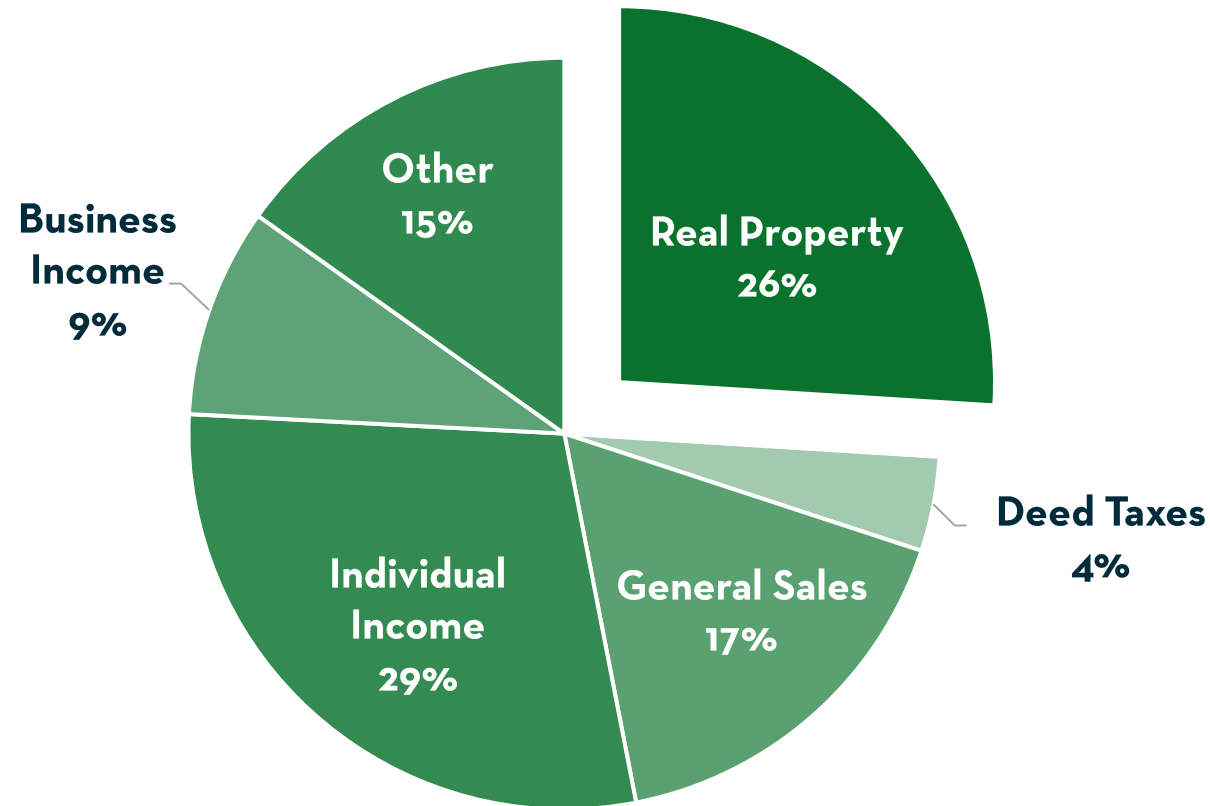


Sources: DowntownDC BID, Golden Triangle BID, DC Office of the Chief Financial Officer

¹ A large commercial office building is defined as (Class 4): Structure with elevator; used predominantly for offices, secondarily for retail sales, services, parking. A full list of Property Use Codes can be found at <https://opendata.dc.gov/datasets/DCGIS::property-use-code-list-lookup>
² A large hotel is defined as (Class 3): Structure providing a temporary or semi-permanent residences; full personal services; eating/drinking facilities, entertainment, retail, banquet/conference capabilities; more than 150 rooms. A full list of Property Use Codes can be found at <https://opendata.dc.gov/datasets/DCGIS::property-use-code-list-lookup>

What are DC's revenue streams? Why do property taxes matter?

Real property includes land plus the buildings and fixtures permanently attached to it, often referred to simply as property taxes. These property taxes account for **26% of all revenues** in DC. After income taxes, these property taxes are the main revenue contributor to the District's budget.

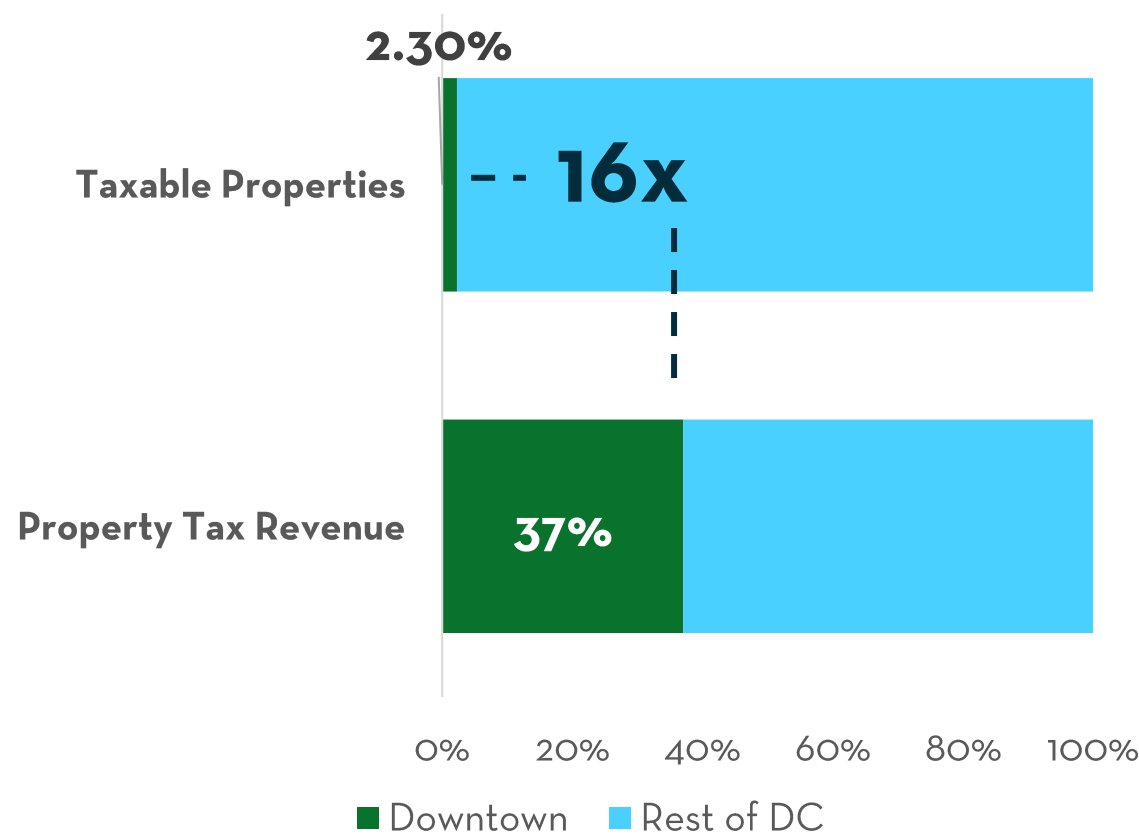


Source: OCFO February 2023 Revenue Estimate

FY23 DC Tax Revenue Estimates

Why does Downtown matter?

Downtown accounts for **only 2.3% of all taxable properties** in DC but contributes **37% of all property tax revenue collected**.

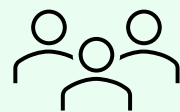


These **property tax revenues contribute to operating costs of essential city services** such as residential trash collection by the Department of Public Works and access to DC Public Library resources.



Source: OCFO February 2023 Revenue Estimate, DC ITSPE, OCFO FY23 Operating Costs

Who lives Downtown today?



25,000 current residents
13,000 total downtown households

Households & Families



1.6

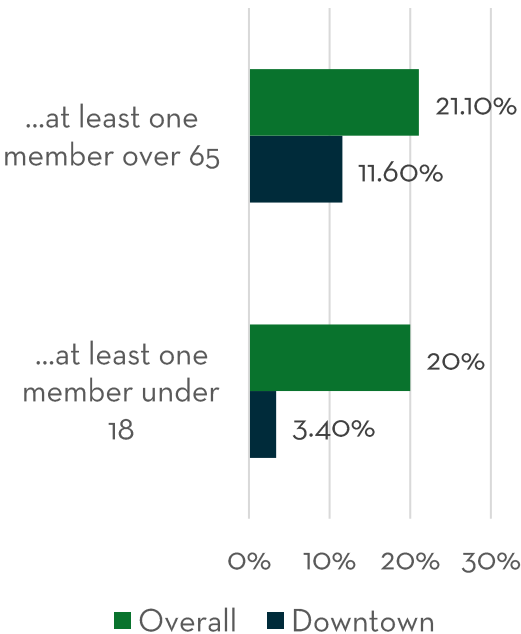
Average Downtown **household** size, which is about **22% lower** than the District's average household size of 2.1.



2.3

Average Downtown **family** size, which is about **24% lower** than the District's average family size of 3.1.

Percent of Households Which Include...



Resident Movement



21.8

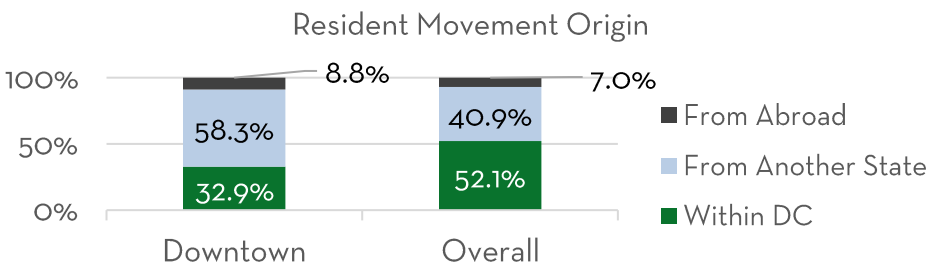
Average **commute time** in minutes for Downtown residents. This is **28% lower** than the District average



58.4%

Percent of Downtown residents who **changed address in the last year**, nearly **40% higher** than the District overall

Downtown residents disproportionately move from other states (58.3%) and countries (8.8%).



Source: ACS 2021 5-Year Estimates

Federal Government and Downtown

The federal government’s office presence in the District at a glance

Federal vs. Non-Federal Footprint (SF)

The office market in DC is comprised of federal and non-federal assets; the GSA controls **29%** of the total office market.

	Downtown	Districtwide
Federal SF <i>(Leased & Owned)</i>	24.8M	54.6M
Non-Federal SF	102.3M	151.5M
Total Office SF*	120.8M	188.4M

*Total Office SF represents all privately and federally owned commercial square footage. Federally leased square footage is not included in this calculation to avoid double counting federal leases of privately owned space.

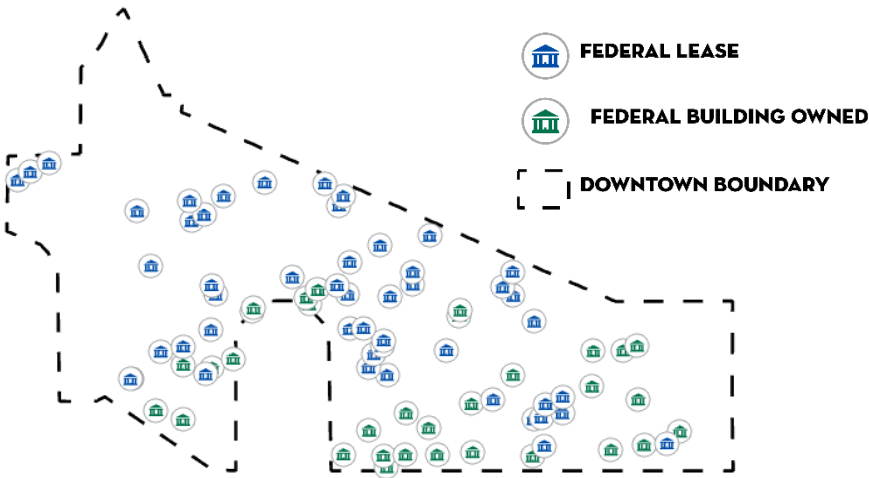
Note that other figures may not sum exactly due to rounding.

Source: CoStar, General Services Administration, Downtown DC BID

Federal Leased vs. Owned (SF)

The GSA manages and reports on many federal assets, through leases or ownership; and there are many GSA buildings Downtown.

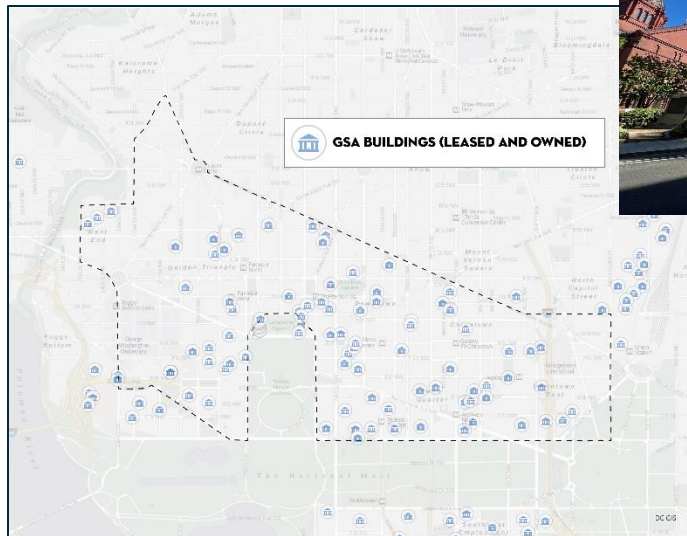
	Downtown	Districtwide
GSA Leased SF	6.3M	17.7M
GSA Owned SF	18.5M	36.9M



What do we mean by “federal footprint”?

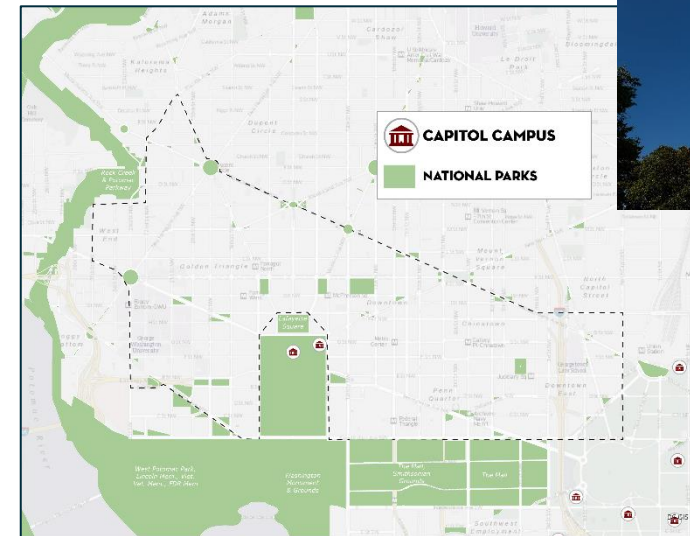
Our analysis only includes **federally owned or leased office** property – the federal government also manages parks and monuments in the District.

The **General Services Administration** (GSA) manages federal office property and provides data on leasing and ownership activity.



Example: 1730
M St NW

These properties **do not include** national parks and monuments, most of which are managed by the National Park Service, or properties maintained by the Architect of the Capitol.



Example: United
States Capitol

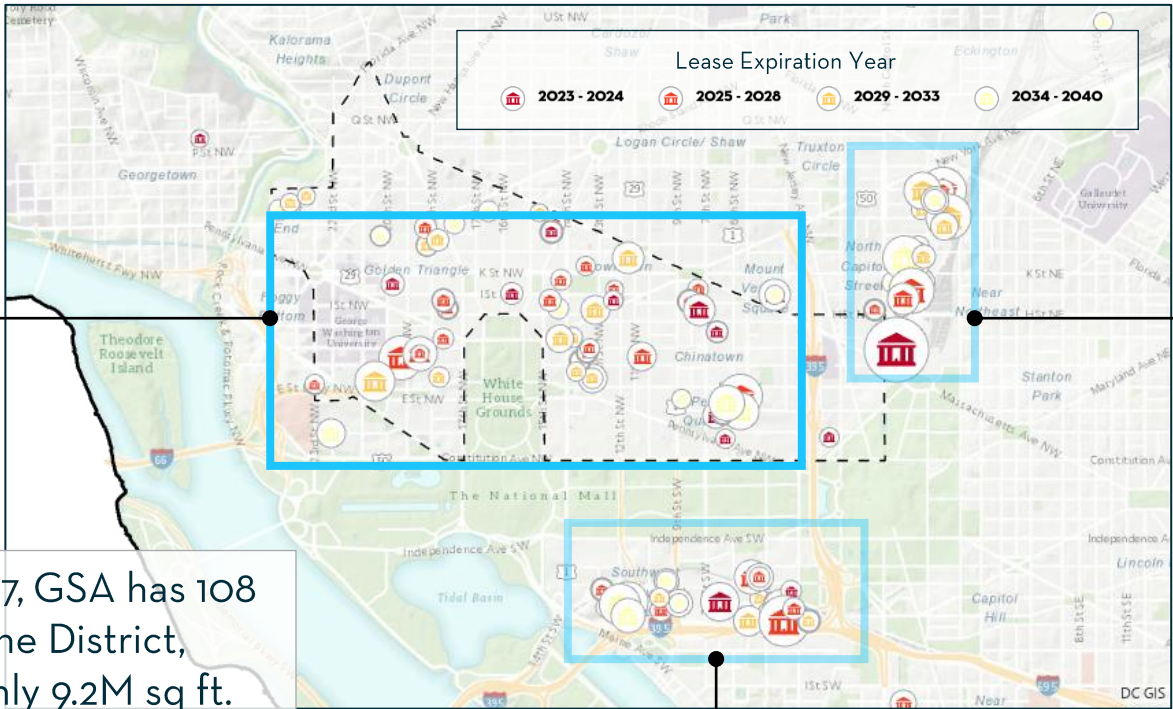
Over half of Downtown GSA leases will expire by 2028, representing 3M sq. ft. of the total 6.3M federally leased sq. ft. Downtown

Downtown cluster

Leased square feet: 6.3m
Square feet expiring by 2028: 3m (48%)
Example tenants: FBI, DOJ



GSA Leases Expiring and Lease Agreement (sq ft)



Between 2023-2027, GSA has 108 expiring leases in the District, equivalent to roughly 9.2M sq ft. 33% of expiring square footage is within Downtown DC

NoMa Corridor

Leased square feet: 7.0m
Square feet expiring in 5 years: 79%
Example tenants: SEC, ATF



Southwest Corridor

Leased square feet: 6.2m
Square feet expiring in 5 years: 47%
Example tenants: HUD, NASA, DOE



Source: GSA, ACS 5-Year Estimates, ABC News, Lightcast

The federal government owns or leases a higher proportion of the total office inventory (sq ft) in DC than in comparator cities

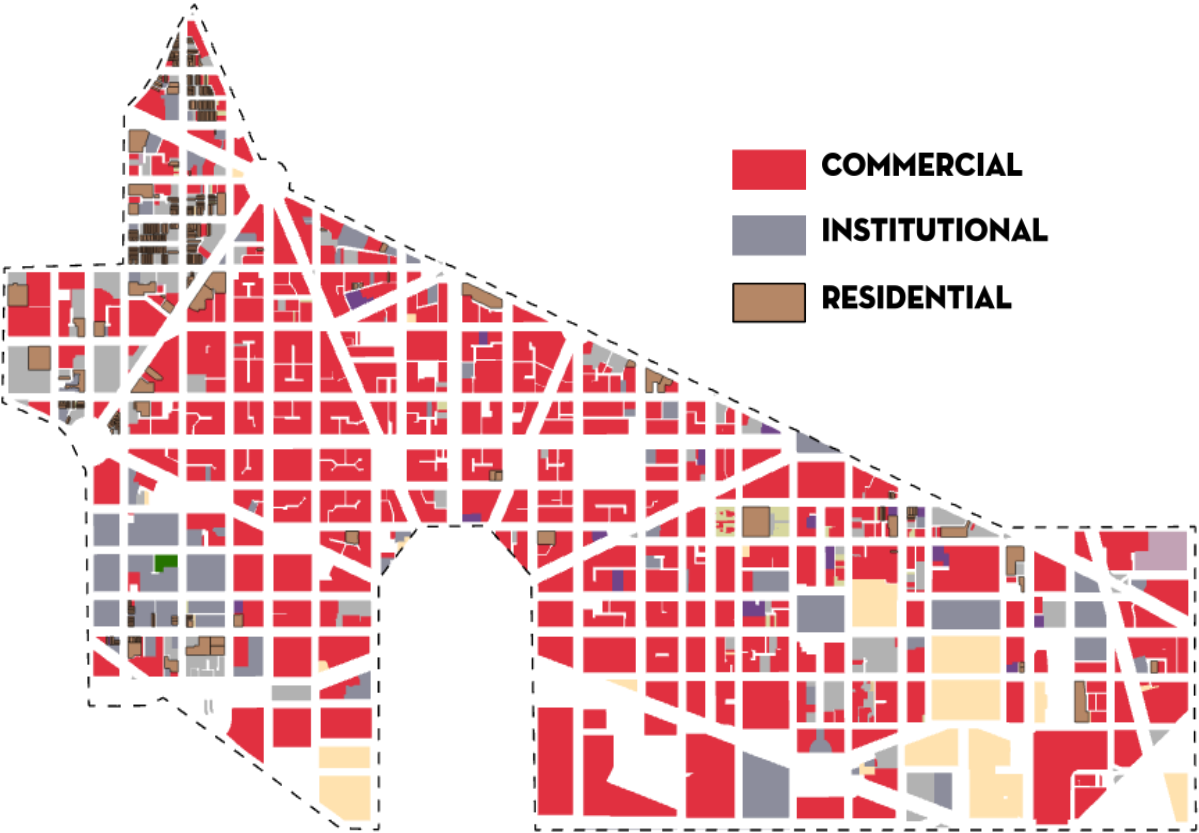
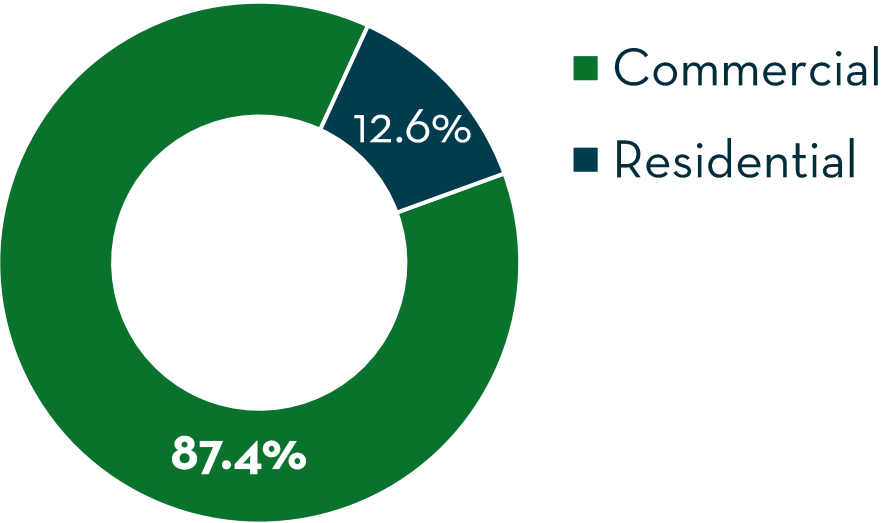


Source: GSA, CoStar

Downtown Challenges: Office Market

Downtown has a unique reliance on commercial office space

87% of Downtown square footage is commercial compared to 13% residential.

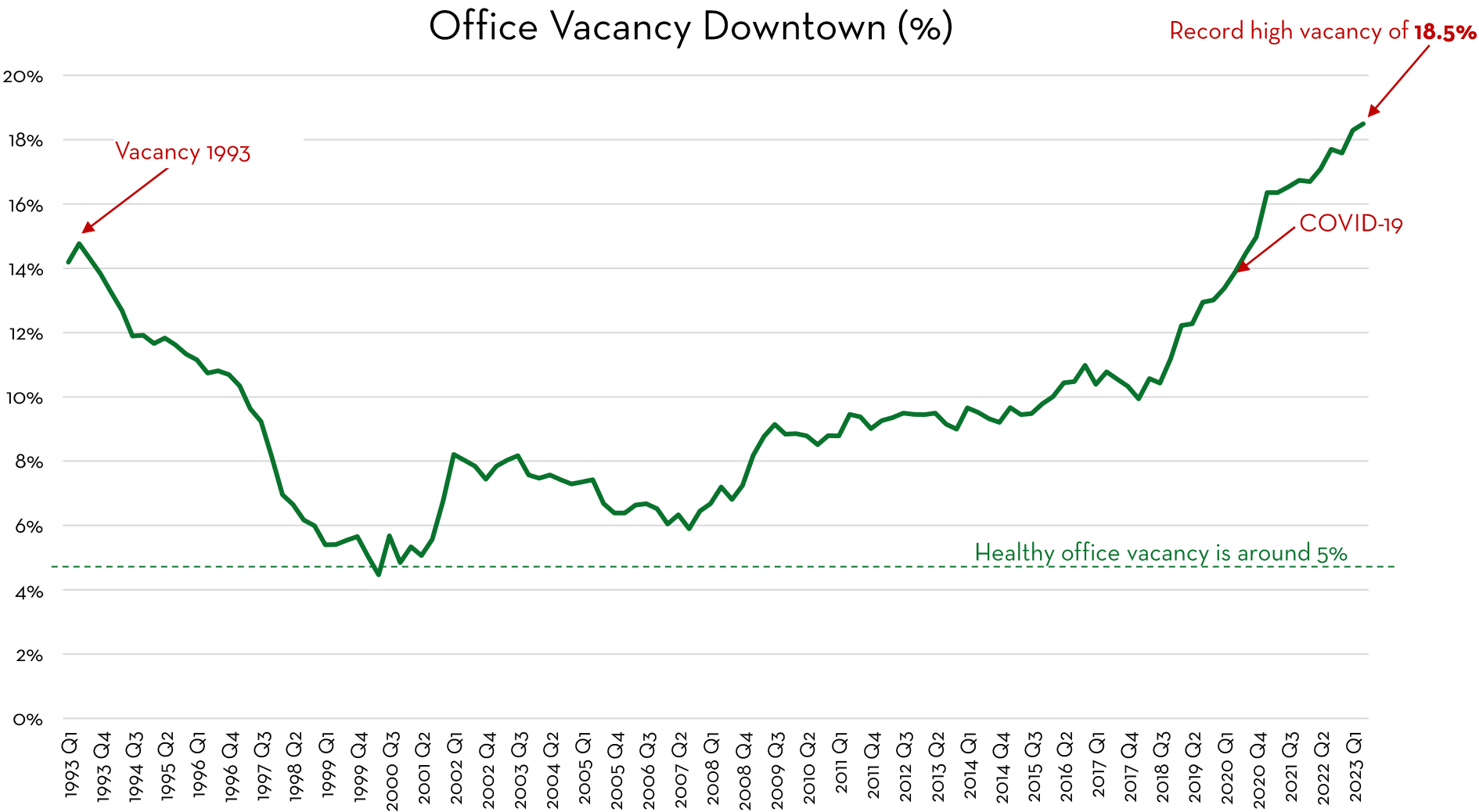


Source: CoStar

Downtown office market vacancy rates have reached historic highs



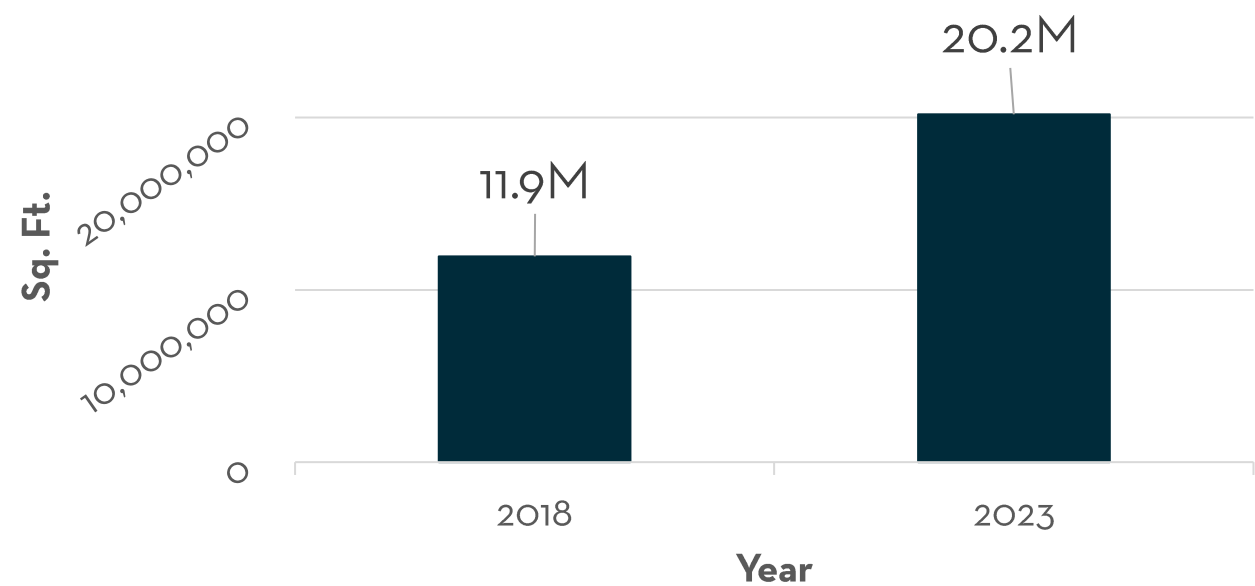
20M SF of vacant office downtown
(~18.5% vacancy rate)
is a record high.



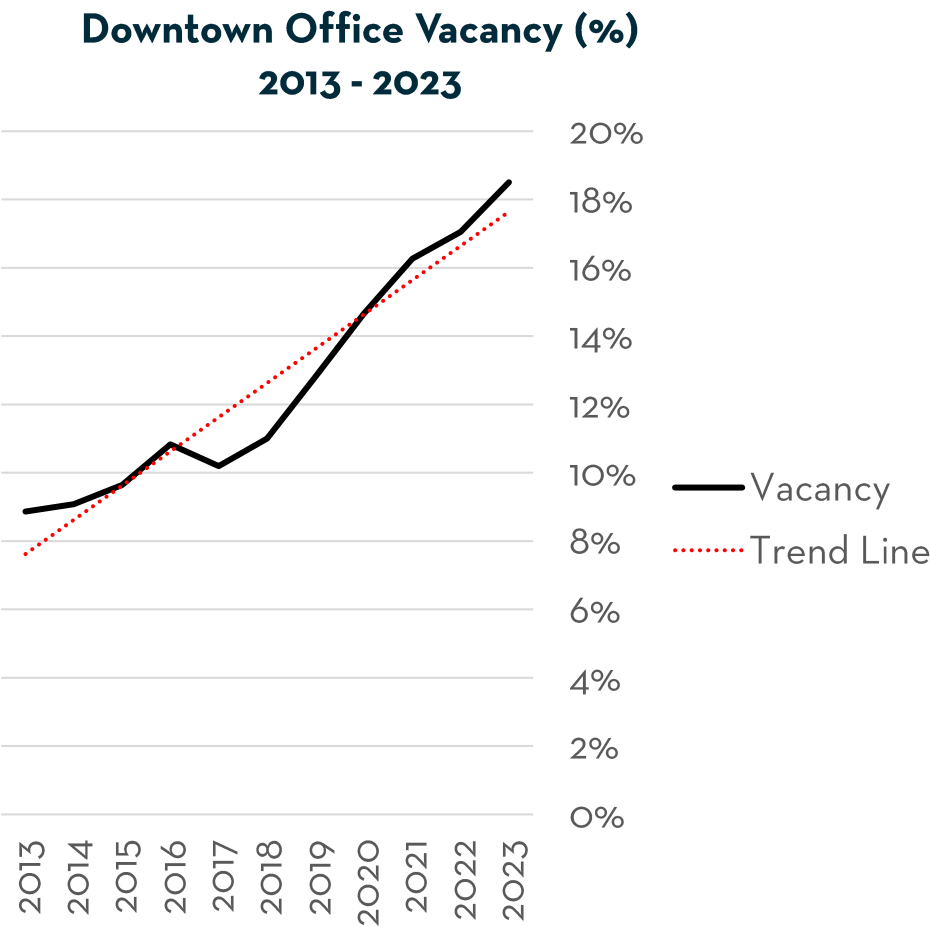
Source: CoStar

Downtown commercial office space vacancy rates have increased significantly in the last ten years, and nearly doubled since 2018

18.5% of total Downtown commercial square footage is vacant in 2023 compared to 11.2% in 2018



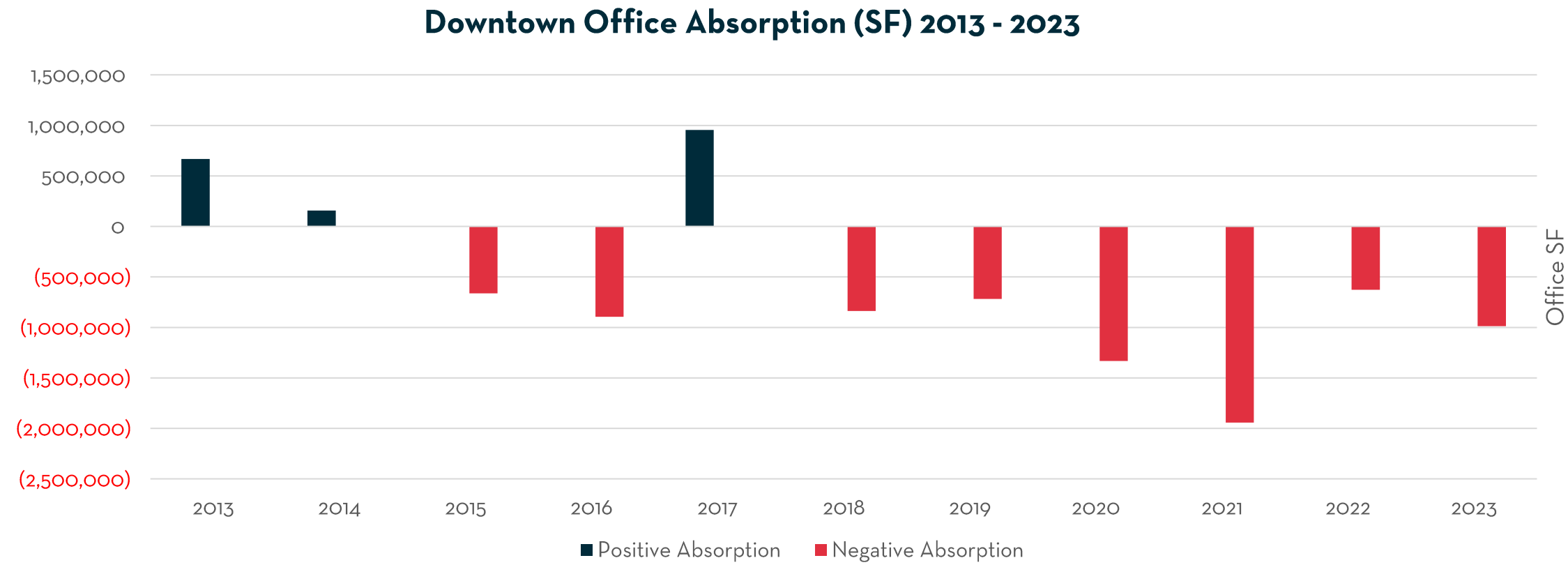
Vacancy Rate is the percentage of time an investment property is left unleased (either partially or entirely) throughout the timespan of a year.



Source: CoStar

Demand for office has waned since 2017, with a persistent negative absorption

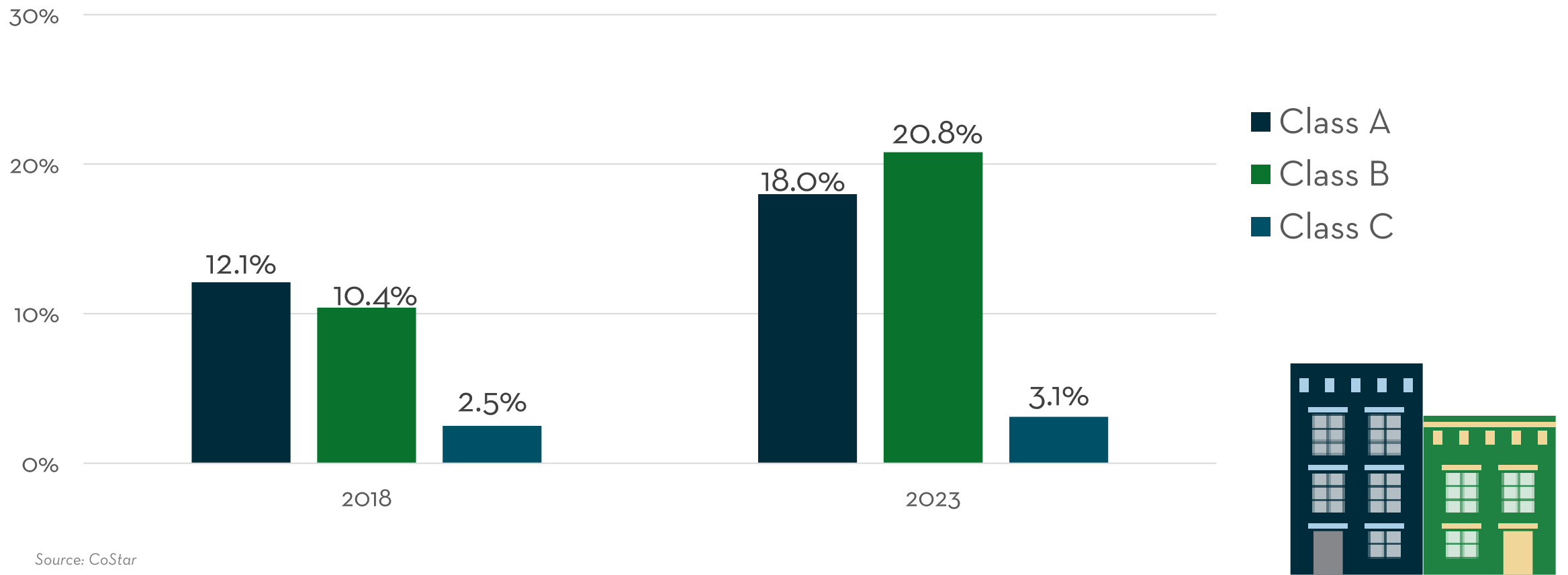
Absorption represents the demand for a type of real estate contrasted with supply. When demand is less than supply, vacancy increases, and absorption is negative.



Source: CoStar

Class B office space is leading the vacancy increase as a percent of total Downtown stock

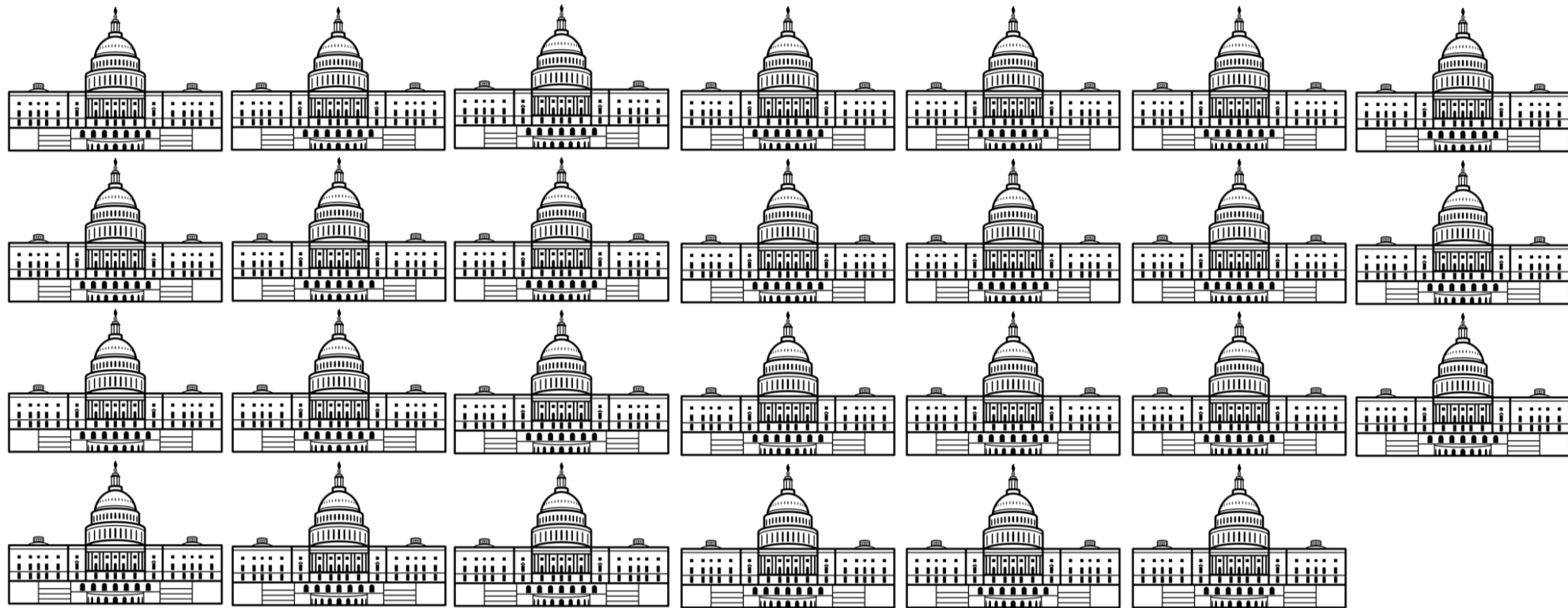
Vacancy has increased across all classes, though **Class B space has seen the most dramatic change** – 20.3% of all Downtown Class B commercial space is vacant in 2023 compared to 10.4% in 2018.



Source: CoStar

Visualizing office vacancy Downtown

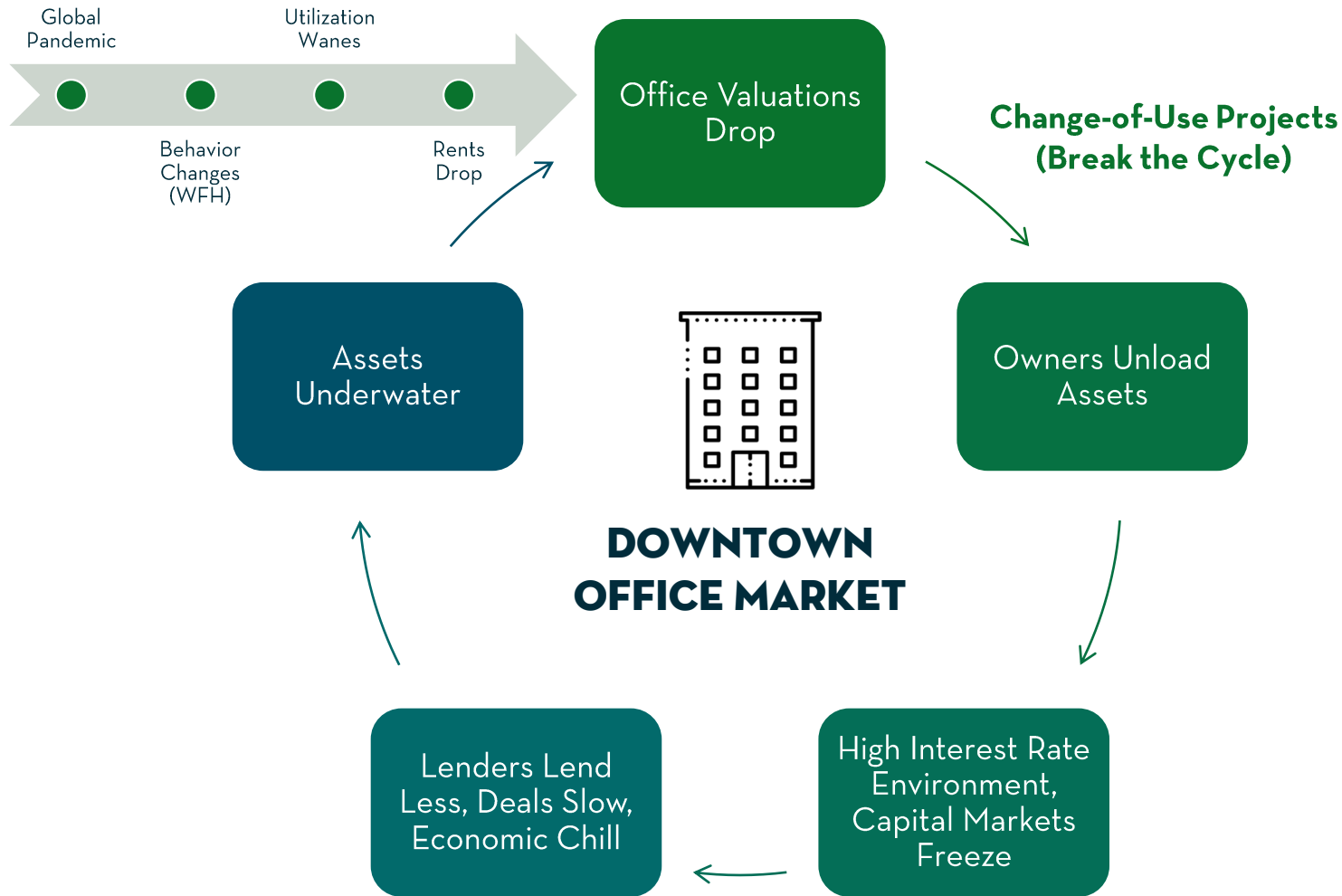
20M square feet of office property are vacant Downtown, which is equivalent to **27** Capitol Buildings



Note: This analysis captures vacant private sector office space Downtown as reported by CoStar, whereas vacant federal properties are not captured by CoStar and are therefore not represented in this visualization. This analysis accounts for the floor area of the US Capitol Building which is approx. 718,740 sf (floor area includes the space occupied by rooms, hallways, corridors, and other interior areas bounded by the floor).

Source: CoStar, Architect of the Capitol

The Downtown office market is vulnerable to the high-interest rate environment and the uncertainty of a post-Covid world, office valuations have plummeted



Economic uncertainty will persist as the Federal Reserve continues to raise interest rates now around 5%, which is the highest rate since the great recession 15 years ago.

"Tax revenue from commercial properties in the District, particularly large office buildings valued over \$50 million, significantly declined in the past fiscal year and was the main reason for the reduction in overall real property tax revenue in FY 2022"

- CFO Glen Lee

Tracking Housing Downtown: housing developments since 2019 and recently announced conversion projects

Conversion from office-to-residential is necessary for downtown; however only two conversion projects are currently under construction. In total, there is roughly 1M SF of change-of-use projects in the pipeline (announced and under construction).

As you can see, new housing projects are sparse Downtown.

Conversion Projects Under Construction

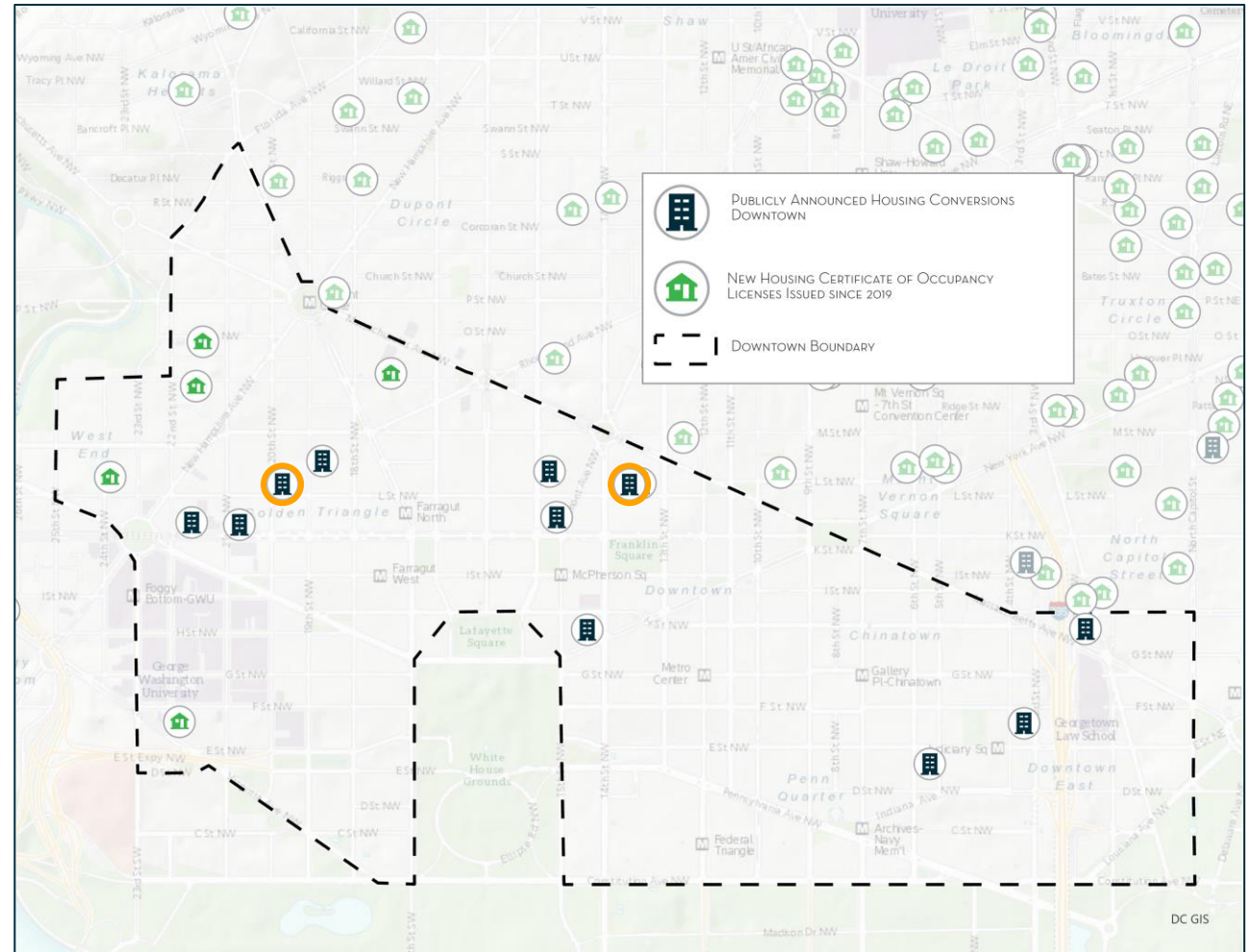
(orange circles on map)



The Elle Apartments
1111 20th St NW (161 Units)



1313 L Street NW (222 Units)



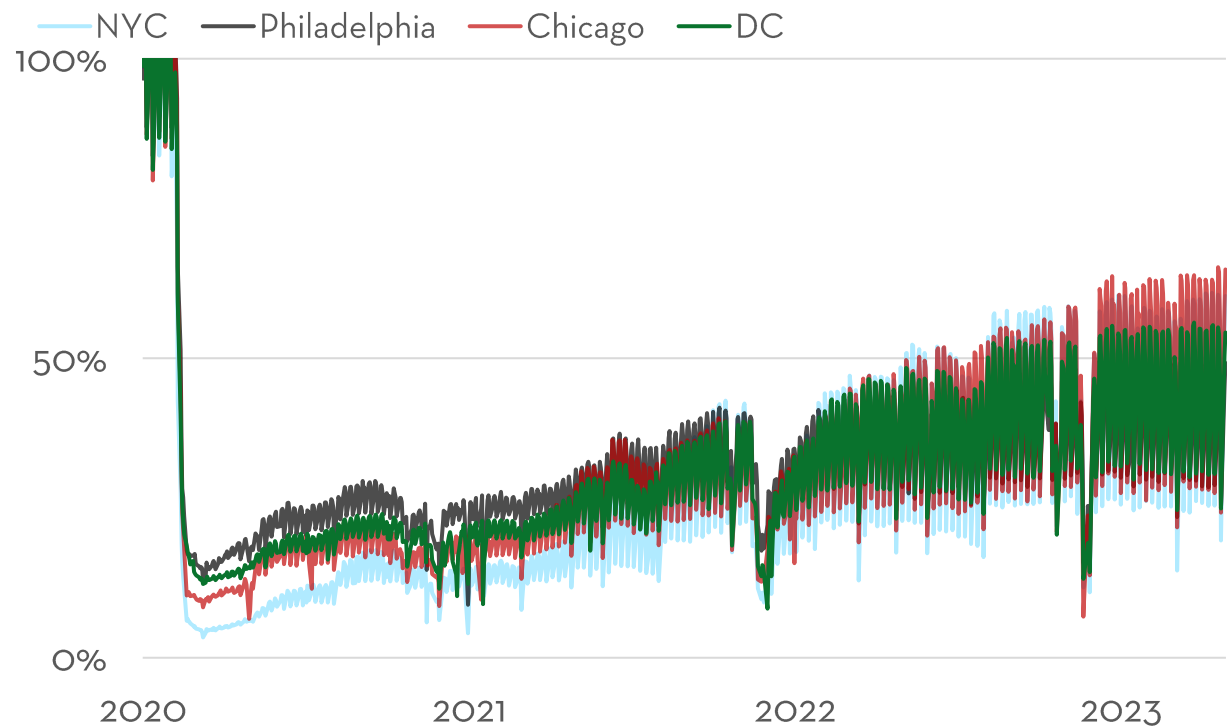
Downtown publicly announced housing conversions and new housing developments

Source: Open Data DC, Certificates of Occupancy (DOB)

Downtown Challenges: Return to Office

In-person work in DC remains significantly below pre-pandemic levels

Weekly average office utilization Downtown is below comparison cities



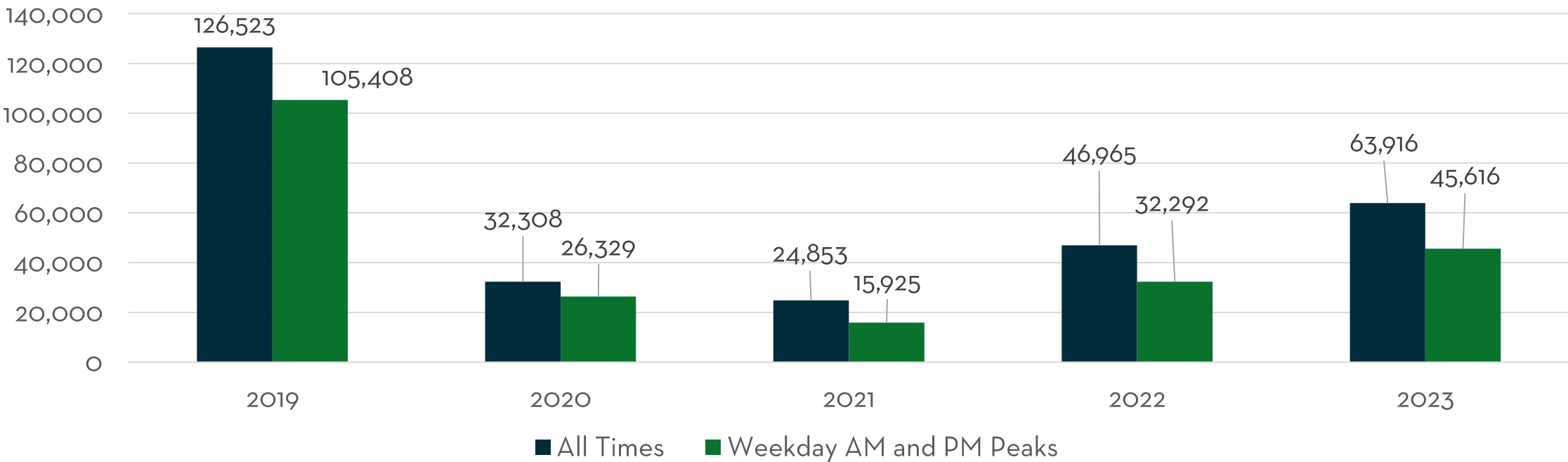
Comparative Office Utilization	
Month of May 2023 Average	
City	Utilization
Philadelphia Metro	41.9%
Washington, DC Metro	46.6%
All of DC	47.6%
Downtown DC	42.9%
New York City Metro	49%
Chicago Metro	51.8%

Utilization is measured by comparing office badge-ins on any given day to pre-pandemic levels - note that true utilization in the District is likely much lower due to limited federal capture in Kastle data.
Source: Kastle, Downtown DC BID

Downtown WMATA entries remain significantly below pre-pandemic levels

Overall average daily Metro entries for Downtown stations have returned to 52% of pre-pandemic levels. During AM and PM weekday peaks, averages are 43.9% of pre-pandemic levels.

Average Daily Downtown Metro Entries



Metro stations within Downtown boundary: Dupont Circle, McPherson Sq, Foggy Bottom-GWU, Farragut West, Farragut North, Archives-Navy Memorial-Penn Quarter, Judiciary Square, Metro Center, Gallery Pl-Chinatown, Federal Triangle
Source: WMATA, May 2023

Guiding Downtown's Transition: Actions, Plans, and Programs

DC's Comeback Plan outlines a 3-pronged approach to Downtown transformation: 1) Fill the Space, 2) Change the Space, and 3) Bring the People

Related goals include creating 35,000 new jobs in high-growth target sectors and adding 15,000 residents to the Downtown population in the next 5 years.

Initiatives in Progress

Fill the Space



Vitality Fund (\$10M) to attract and retain businesses in targeted sectors that make commitments to locate in DC
Expand business attraction, retention and expansion efforts
Grow Penn West Equity and Innovation District
Grow university and innovation activity and footprint Downtown

Change the Space



Housing in Downtown program implementation
Pennsylvania Avenue Initiative with the National Capital Planning Commission
Downtown public realm study and action plan (OP and DMPED)
Downtown housing capacity analysis
Federal government real estate portfolio engagement

Bring the People



- Tourism Recovery District to increase marketing for tourism by \$20M+ FY24-27 (DDC)
- \$7.5M DC Family Fun Destinations
- \$1.5M Special Event Relief Fund (SERF) for local outdoor events
- \$12M DMPED State Tourism Grant to support travel, tourism, and recreation sectors
- \$1.4M Streets for People program to support public space activations

FY24 Initiatives

\$991K Creative and Open Space Modernization rebate program (DMPED) to retain tech/innovation companies
\$3.2M Retail Support Grant Program for downtown businesses (DMPED)

Housing in Downtown (HID) program modifications - \$2.5M total cap, FY24-26, increases to \$6.8M in FY27 and \$41M in FY28. (DMPED). Will create ~ 7,900 new homes downtown

\$9.8M to update Farragut Square Park (DPR)
\$550K for Dupont Underground
\$3M grant to Ford Theatre for community and education center on 10th Street NW

\$1.5M Festival Fund (DMPED) to offset costs for community organizations hosting events
\$1.2M Downtown Safe Commercial Corridors Grant (DMPSJ)
\$1.3M Main Streets Program (DSLBD)

Making the most of Downtown’s transition takes all of us, and we’re just getting started

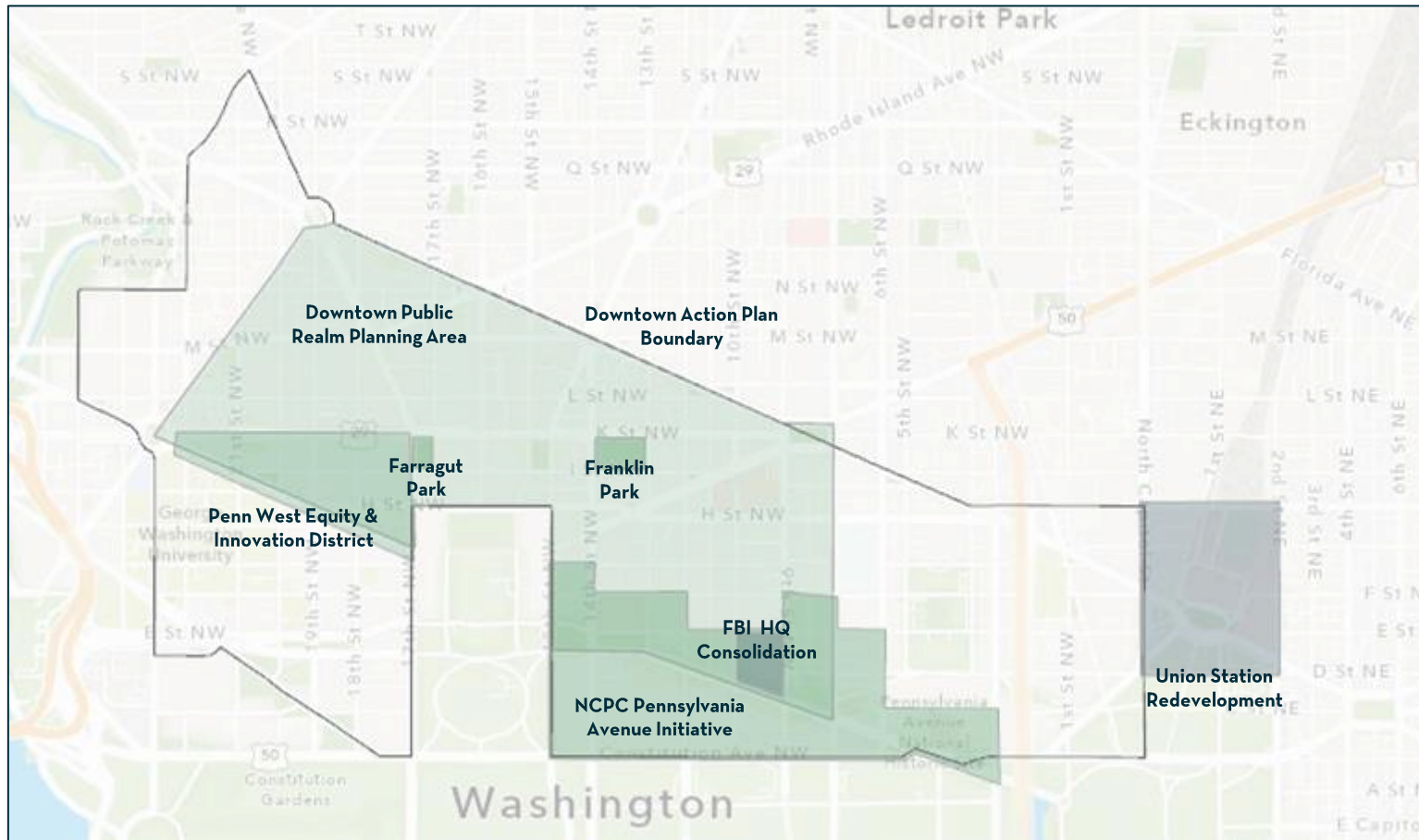
	Scope	Actions in Progress	FY23	FY24	FY25	FY26	FY27
DC’s Comeback Plan 2023 – 2027	Sets ambitious goals for DC’s Comeback, including for Downtown recovery <ul style="list-style-type: none">Thriving peopleSuccessful businessesOpportunity-rich neighborhoods, including Downtown	<ul style="list-style-type: none">Vitality Fund and Penn West Equity Innovation District to bring new employers and jobsHousing in Downtown program to support 15k new residents goalK Street Transitway investment to improve bus service, congestion and safetyTourism Recovery District and Family Fun Destinations grant to bring the peopleDC Family Fun Destinations supporting family-friendly attractions downtown.					
Downtown-Specific Plans							
Downtown DC Public Realm Plan	Identifies transformative public realm projects	Kicked off in early May 2023					
Reimagine Downtown Engagement and Action Plan	Creates plan to reimagine Downtown as a vibrant, mixed-use community	RFP released in February 2023, awarded in April 2023					

Ready to play a role in Downtown’s comeback?

Get involved in the Downtown Public Realm Plan as well as the Reimagine Downtown Action and Engagement Plan!

Actions, Plans, and Programs Forthcoming Downtown

The map below represents initiatives downtown that have recently started or are planned within the District's transitioning downtown.



■ Actions, Plans, and Programs

- DC Family Fun Destinations*
- Downtown Action Plan Boundary
- Farragut Square
- Penn West Equity & Innovation District
- Downtown Public Realm Planning Area
- NCPC Pennsylvania Avenue Initiative
- Franklin Park
- Housing in Downtown Program

■ Future Transformations

- Union Station Redevelopment
- FBI Headquarters (*Consolidation*)

*DC Family Fun Destinations Funds will be used to create or enhance attractions in the District, with a strong focus on the Downtown and adjacent areas.