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Tangible markers of DC's recovery from the Great Recession: ninety-one new buildings

26 large office buildings and 65 large apartment buildings helped accommodate job and population growth

Although the Great Recession did not hurt DC as much as many other places, by the recession's end in the summer of 2009 DC was losing jobs. In the next six years, however, things turned around in DC. Jobs and people both increased—66,000 more jobs and 76,000 more residents. Along with the new jobs and people came buildings to accommodate them. The largest of these new buildings stand as tangible markers of DC's recovery from the Great Recession. Using data from CoStar, this analysis describes the importance of these buildings over the six year period from the third quarter of 2009 to the third quarter of 2015 .

Large new buildings led the recovery's growth in apartment and office space.
—65 new Class A apartment buildings, each with 50 or more apartments. added 15,043 more units from 2009.3 to 2015.3. These buildings accounted for 92% of the net increase in all apartment units in the city and 82% of the net change in occupied units.

—26 new Class A office buildings, each at least 50,000 square feet in size, brought 7.4 million square feet of space into DC's office market. These buildings accounted for 165% of the net increase in office space in DC and 156% of the net increase in occupied space.

The impact of the new buildings on the office market was so large because older office space was demolished or taken off the market. For apartments, older buildings more likely continued in use and smaller new ones also added to capacity.

New Class A apartment buldings of 50 units or more: 2009.3 to 2015.3

Buildings	number of units	% of net change in all DC apartment units	Occupied units	% of net change in all DC occupied apartment units
65	15,043	92.9%	14,572	81.7%

New Class A Office buldings of 50,000 msf or more: 2009.3 to 2015.3

Buildings	msf of space	% of net change in all msf of DC office space	Occupied msf of space	% of net change in all msf of DC occupied office space
26	7,442	165.9%	9,552	155.6%

Source: CoStar

The success of these 91 apartment and office buildings was possible because in the six years since the Great Recession there were enough households and employers who could pay higher rents.
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This briefing document was prepared by Stephen Swaim, DC Office of Revenue Analysis

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Ninety-one new buildings *continued from p.1*

It is no accident that the cranes dotting the city's landscape produced more apartments in the post-recession period than office buildings. More residential buildings could be expected because population grew at a faster rate than jobs. But that is not the only reason. While the percentage increase in total apartment units in DC was about the same as the percentage increase in households—both a little over 10%—the percentage increase in office space lagged greatly the increase in jobs. The percent change in office space was less than half that of total wage and salary employment, and less than a quarter of the growth in private wage and salary jobs. The reasons for the relatively slower growth in office space include lack of office space requirements for many new jobs (e.g. in restaurants and retail), the trend toward reduced square feet per office worker, and a lower office vacancy rate.

DC Population, apartments, jobs, and office space: 2009.3 to 2015.3

(Percent change over the 6 year period)	
Population	13.0%
Households	10.6%
Apartment inventory	10.4%
Occupied apartments	11.9%
All wage and salary jobs	8.5%
Private sector wage and salary jobs	15.6%
Inventory of office space	3.6%
Occupied office space	4.7%

Source: Moody's Analytics (population), BLS (jobs), and CoStar (apartments and office space)

So far, new office space and apartments have kept pace with demand. Which came first, offices or jobs, people or apartments? These chicken-and-egg questions involve the complexities of the interactions of real estate markets and the economy. If places to live and work aren't available at affordable prices, jobs and people go elsewhere. But it doesn't follow that build it and they will come.

In an ideal world developers want to have the supply of apartments and offices grow along with demand. This can be difficult to achieve because it takes years, sometimes many years, for a project to come online, and the are incentives for each developer to be first to market. It appears that in the post recession period to date the additional office space and apartments supplied by the market have been fairly closely linked to rising demand. Despite the addition of 91 new buildings, vacancy rates in Class A apartments and offices are lower now than they were in 2009.3. In addition, the market managed to make quite a switch to accommodate the relatively greater increase in the demand for apartments. In 2009.3 there were just 5 Class A buildings under construction, less than 10% of the number that came online in the next 6 years. By contrast, in 2009.3 there were 12 office buildings already under construction, close to half of the net increase that occurred by 2015.3. The market turned up the spigot for apartments and turned down the one for offices. —*Stephen Swaim, ORA*

Apartments in DC-- total, large Class A, and all other: 2009.3 to 2015.3

Class and period	Inventory		Status			Under construction	
	Buildings	Units	Occupied units	Vacant units	Vacancy rate	Buildings	Units
Class A with 50 or more units							
2009.3	109	21,490	19,946	1,544	7.2	5	1,328
2015.3	174	36,533	34,518	2,015	5.5	45	10,051
Net change	65	15,043	14,572	471			
% change	59.6	70.0	73.1	30.5			
All other units							
2009.3	3,023	134,834	130,421	4,413	3.3	4	249
2015.3	3,059	135,985	133,680	2,305	1.7	50	1,179
Net change	36	1,151	3,259	-2,108			
% change	1.2	0.9	2.5	-47.8			
All units							
2009.3	3,132	156,324	150,367	5,957	3.8	9	1,577
2015.3	3,233	172,518	168,198	4,320	2.5	95	11,230
Net change	101	16,194	17,831	-1,637			
% change	3.2	10.4	11.9	-27.5			

Source: CoStar. Private buldings with 5 or more units.

Commercial office space in DC--total, large Class A, and all other: 2009.3 to 2015.3

Class and period	Inventory		Status			Under construction	
	Buildings	msf	Occupied msf	Vacant msf	vacancy rate	buldings	msf
Class A with 50,000 square feet or more							
2009.3	304	85.214	72.497	12.717	14.9	12	4.195
2015.3	330	92.656	82.049	10.607	11.4	11	3.141
Net change	26	7.442	9.552	-2.110			
% change	8.6	8.7	13.2	-16.6			
All other buildings							
2009.3	2,025	62.660	57.936	4.724	7.5	0	0
2015.3	1,976	59.703	54.523	5.180	8.7	6	0.122
Net change	-49	-2.957	-3.413	0.456			
% change	-2.4	-4.7	-5.9	9.7			
All office buildings							
2009.3	2,329	147.874	130.433	17.441	11.8	12	4.195
2015.3	2,306	152.359	136.572	15.787	10.4	17	3.263
Net change	-23	4.485	6.139	-1.654			
% change	-1.0	3.0	4.7	-9.5			

Source: CoStar. msf = million square feet.