FOR TENANTS, THE BEST STRATEGY IS TO WAIT.

In the Washington, DC metropolitan area, we see office market vacancy rates increasing substantially over the next 6-12 months as a result of the COVID-19 economic fallout. By waiting now, most tenants:

- Will be in a better position to make a more informed decision about the impacts of the pandemic on your business, cash flow, the real estate markets, etc. 4-6 months from now after landlords have completed workouts with their most needy tenants

- Have more leverage to secure lower rents and higher concession simply because of other possible tenant defaults, downsizings, etc. which inevitably will increase the already historically high vacancy rate

- The current DC vacancy rate is approximately 15%. To put this in context, at the peak of the 2008-2009 recession the vacancy rate reached 14%. WLS expects vacancy to increase significantly over the next 6-12 months, perhaps reaching 17%-20%.

- This will create opportunities for tenants to restructure their leases earlier than usual (3-5 years prior to expiration) as landlords scramble to solidify the tenant base of their buildings.

- As a result, we expect lower rental rates and greater tenant concession packages as well as other favorable lease terms to be available market wide.

KEY TAKEAWAYS

The current market was already at peak vacancy before the COVID-19 crisis. Therefore, unless your organization has a very specific reason to enter into a transaction today:

1. You are not missing out on any opportunity by not acting today.
2. The market will get even better for tenants 4-6 months from now.
3. You can use this time to cement your space needs, and approach the market at the opportune time to secure the best long term transaction.