

Key Performance Indicators



* Y-O-Y Comparison

Tenant's Perspective

DC's office market continues to remain tenant-favorable, a trend expected to continue into the upcoming quarter. The trend of generous concession packages (free rent >1.3 months/year of term and TIAs over \$140/SF) will persist as space availabilities remain plentiful.

Landlords have been looking to compete further through repositions and renovations, adding heightened amenities such as fitness centers, rooftop spaces, and conference facilities.

Market Overview

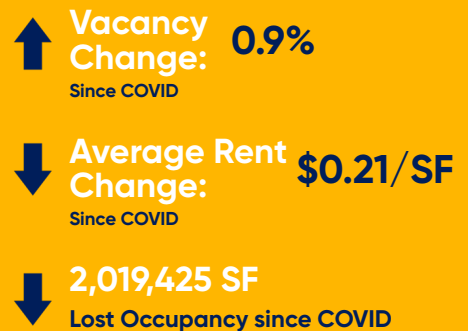
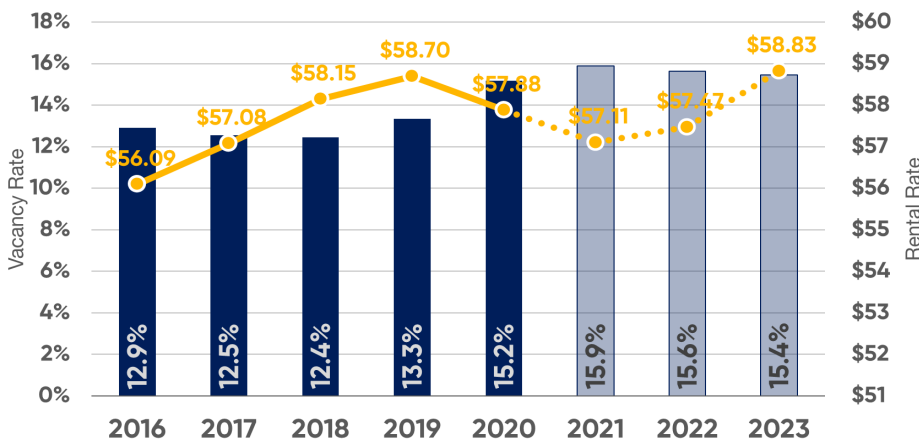
The District of Columbia's office market fundamentals continued to face significant shocks four quarters post-impact of the pandemic. Pandemic-induced economic uncertainty continues to cause a freeze in leasing activity, with total volume falling 36% from year-ago levels. First-quarter vacancy, a market fundamental affected by COVID uncertainty, ended at 15.9%, a 90 basis points (bps) increase from year-ago levels. Asking rates in the District of Columbia continued a downward trend to \$57.91/SF, continuing negative growth, down \$0.21/Sf from year-ago levels. Though trepidation and uncertainty encompass the market, vaccine distribution has led to increased public optimism and return-to-office strategies. This optimism and office occupancies are expected to grow as vaccines are projected to become widely distributed in the upcoming year, bringing momentum and increased activity to the market.

Washington Region
Return to Office Barometer: **21.2%**

*Kastle Systems, Return to the Office Barometer

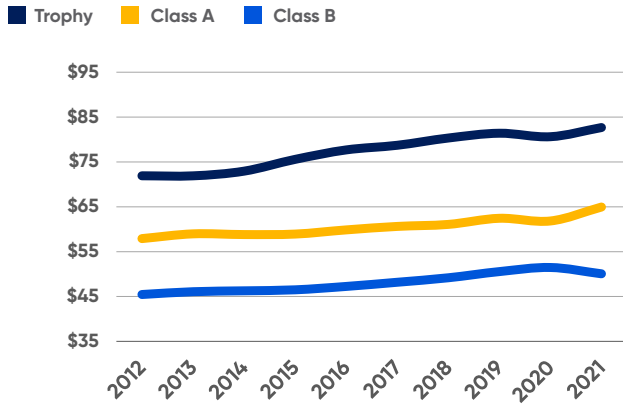
Labor Market Perspective

DC's labor pool contracted by 72,300 jobs over the last 12 months; however, most losses were non-office-using jobs.

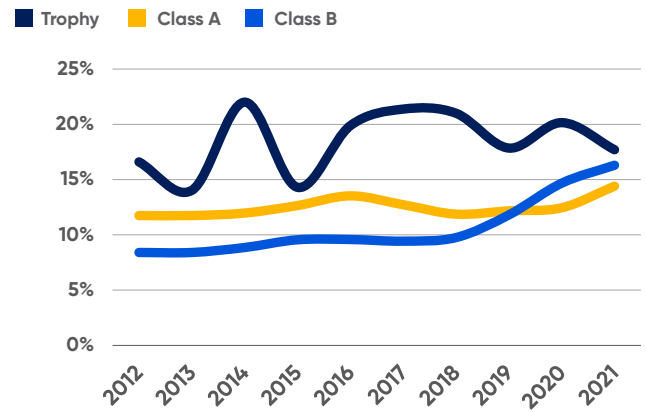


Q1 2021 Market Report

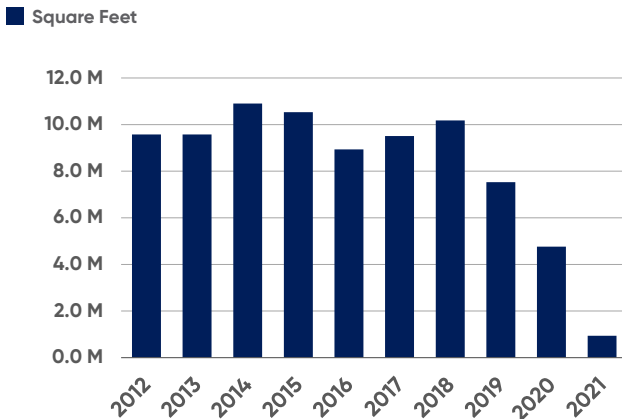
Average Asking Rents



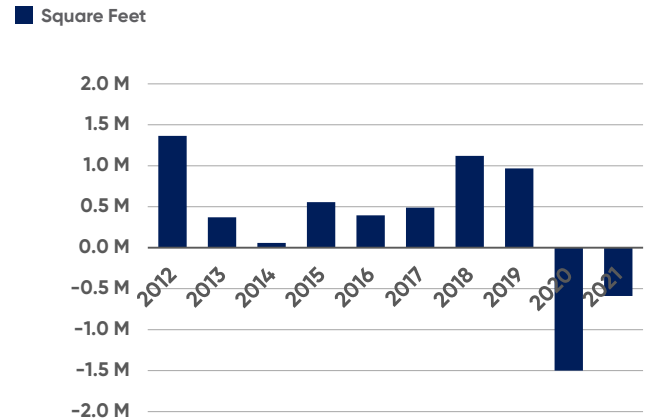
Average Vacancy Rate



Leasing Activity



Net Absorption



COVID Magnifies Softening Downtown Market

Office market fundamentals in DC have been soft for several years prior to the COVID pandemic. The growth of DC's non-core submarkets (Capitol Riverfront, Capitol Hill, Noma) slowly siphoned demand from downtown, a trend which magnitude has been felt into the current pandemic-induced recessionary period. Vacancy in downtown increased to 18.0%, 170 bps from year-ago levels. Downtown occupancy losses totaled 532,1515 SF, continuing as the seventh consecutive quarter of occupancy losses. As a return-to-office becomes likely in the near future due to the wide distribution of vaccines, tenant rightsizing, restructures, and downsizing are all trends expected to continue softening the downtown market.

Q1 2021 Market Report

Q1 Top Leases

Tenant	Submarket	Address	Size	Type
DC Department of Health	NoMa	899 N Capitol St NE	205,860	New Lease
Biotechnology Innovation Organization	East End	1201 New York Ave NW	60,809	New Lease
HSEMA	Capitol Riverfront	1015 Half St SE	42,289	New Lease
Foley Hoag	CBD	1717 K Street NW	33,178	Renewal
CACI	Capitol Riverfront	300 M St SE	32,812	Renewal

Sublease Market

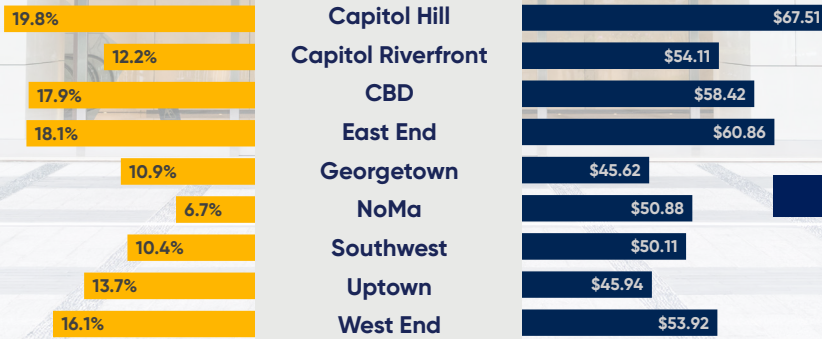
Recessionary Connection

Following past economic shocks, sublease listings increased sharply. For a variety of reasons, many firms used the recessionary uncertainty to list unused and unnecessary space.

Current Availability

Sublease availability has increased by 46% since the beginning of COVID. This growth is on par with the post-2001 and 2008 market crashes. Following those shocks, availability expansion continued for two years.

Submarket Comparison



Vacancy Rate

Asking Rate

Submarket Statistics

Submarket	Total Bldgs	Inventory	Sublet Available	Total Available	Total Vacant	Vacancy Rate	Net Absorption Q1	Net Absorption (YTD)	Class A Rent	Class B Rent	Total Direct Rent	Under Construction	SF Delivered YTD	Net New SF Delivered
CBD	209	36,457,662	1,013,390	9,707,533	6,536,937	17.9% ▲	(343,798)	(343,798)	\$71.43	\$52.80	\$58.42 ▼	591,153	-	-
East End	220	48,090,647	1,385,317	11,678,942	8,661,689	18.1% ▲	(188,353)	(188,353)	\$66.23	\$49.33	\$60.86 ▼	216,571	-	-
Downtown Core	429	84,548,309	2,398,707	21,386,475	15,198,626	18.0% ▲	(532,151)	(532,151)	\$68.04	\$51.40	\$59.75 ▼	807,724	-	-
Capitol Hill	37	5,467,081	140,433	1,645,854	1,084,602	19.8% ▼	(26,293)	(26,293)	\$72.67	\$52.29	\$67.51 ▲	226,841	-	-
Capitol Riverfront	13	3,071,716	167,424	1,000,359	373,350	12.2% ▲	186,549	186,549	\$54.11	N/A	\$54.11 ▼	457,663	227,948	227,948
Georgetown	42	3,271,782	92,783	763,630	358,243	10.9% ▼	(18,711)	(18,711)	\$53.45	\$39.63	\$45.62 ▼	-	-	-
NoMa	36	10,528,562	166,449	1,076,767	708,771	6.7% ▼	(72,455)	(72,455)	\$50.97	\$48.48	\$50.88 ▼	38,191	-	-
Southwest	34	11,664,233	10,586	1,665,719	1,208,156	10.4% ▲	(23,517)	(23,517)	\$56.69	\$47.18	\$50.11 ▼	866,203	-	-
Uptown	124	7,010,230	235,612	1,549,089	962,694	13.7% ▼	(120,946)	(120,946)	\$51.32	\$42.70	\$45.94 ▼	281,655	-	-
West End	21	3,333,213	121,933	746,212	535,772	16.1% ▲	18,717	18,717	\$57.48	\$50.92	\$53.92 ▼	-	-	-
District of Columbia	758	129,793,093	3,333,927	29,730,939	21,587,339	15.9% ▲	(588,807)	(588,807)	\$64.94	\$50.07	\$57.91 ▼	2,678,277	227,948	227,948