

Highlights

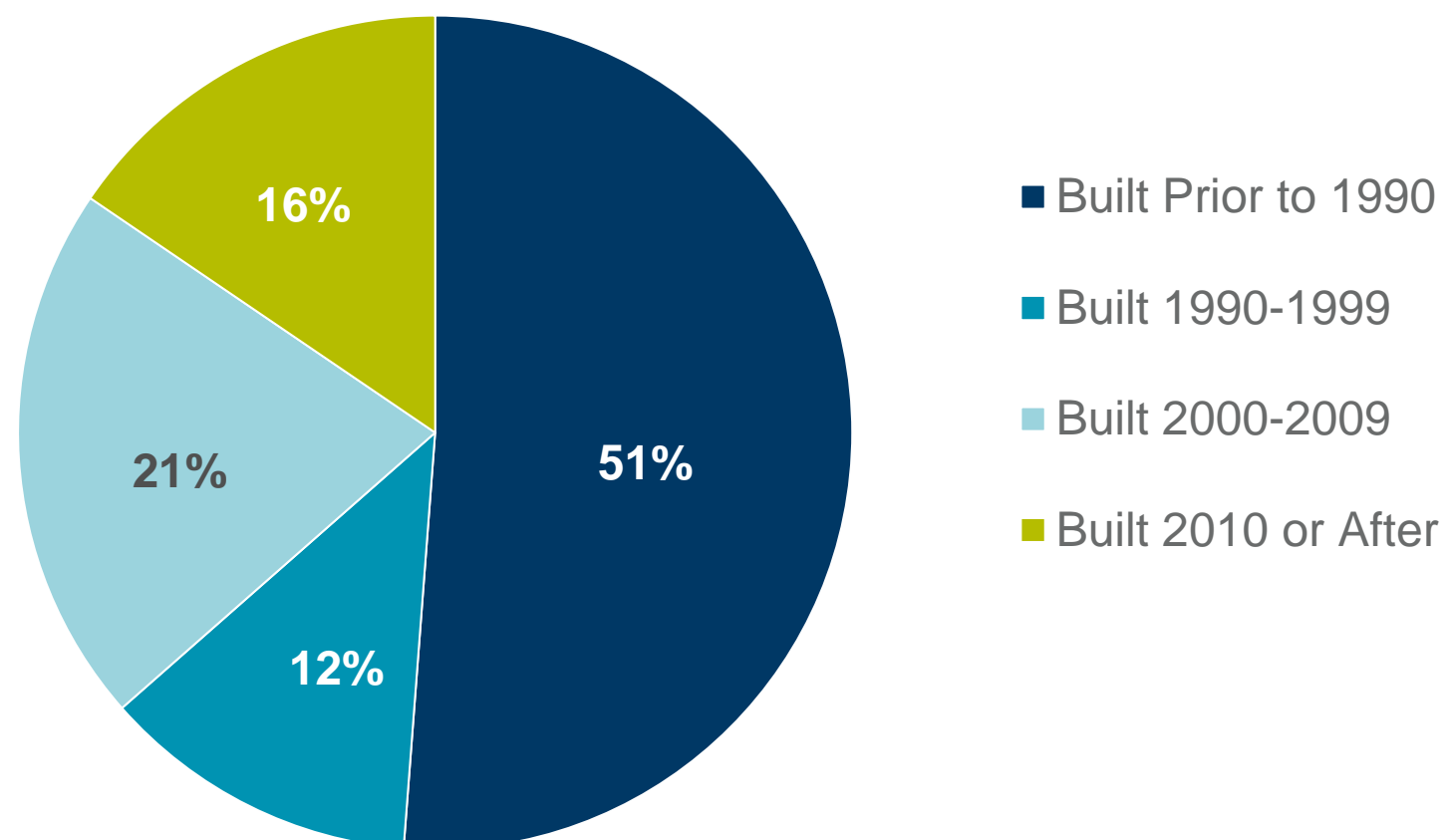
- Office vacancy hit **19.5%** in the fourth quarter of 2022, a record high. Builders, lenders and brokers are preparing for a reduction in new office building deliveries as the lending environment remains challenging and construction costs remain elevated.
- Preleasing requirements for securing construction financing have become much more strict over the past **18 months**. This is also expected to reduce the amount of new supply in the pipeline.
- Two buildings are under renovation - **1401 Massachusetts Ave, NW** in the East End with **52,157 sf** and **20 Massachusetts Ave, NW** in Capitol Hill/NoMa with **178,324**—both are scheduled to wrap up in Q2 2023. In 2024, Skanska will deliver **320,000 sf** at **1700 M St NW** in the CBD where Gibson Dunn has signed for **164,000 sf** on floors 6-11. Skanska is also finalizing a lease on the 5th floor and has received multiple proposals for the remaining space.
- Over the last two years there has been an uptick in repurposing and repositioning aging, obsolete office buildings. With the increase of office vacancy, these buildings present an opportunity for adaptive reuse projects that also support the market's need for residential. Mayor Bowser has also called upon the federal government to cede vacant or underutilized buildings to become housing.
- The District's office inventory is rapidly aging. C&W is anticipating a quality squeeze as only **15.5%** (or **17.5 msf**) of current existing inventory was built 2010 or after. At this level, there is not enough new supply to satisfy tenant demand for high-quality modern office space in the near-term. As positive absorption remains robust for the highest quality office assets and new supply remains scarce, market conditions in the trophy office space are expected to shift into landlord-favorable conditions.



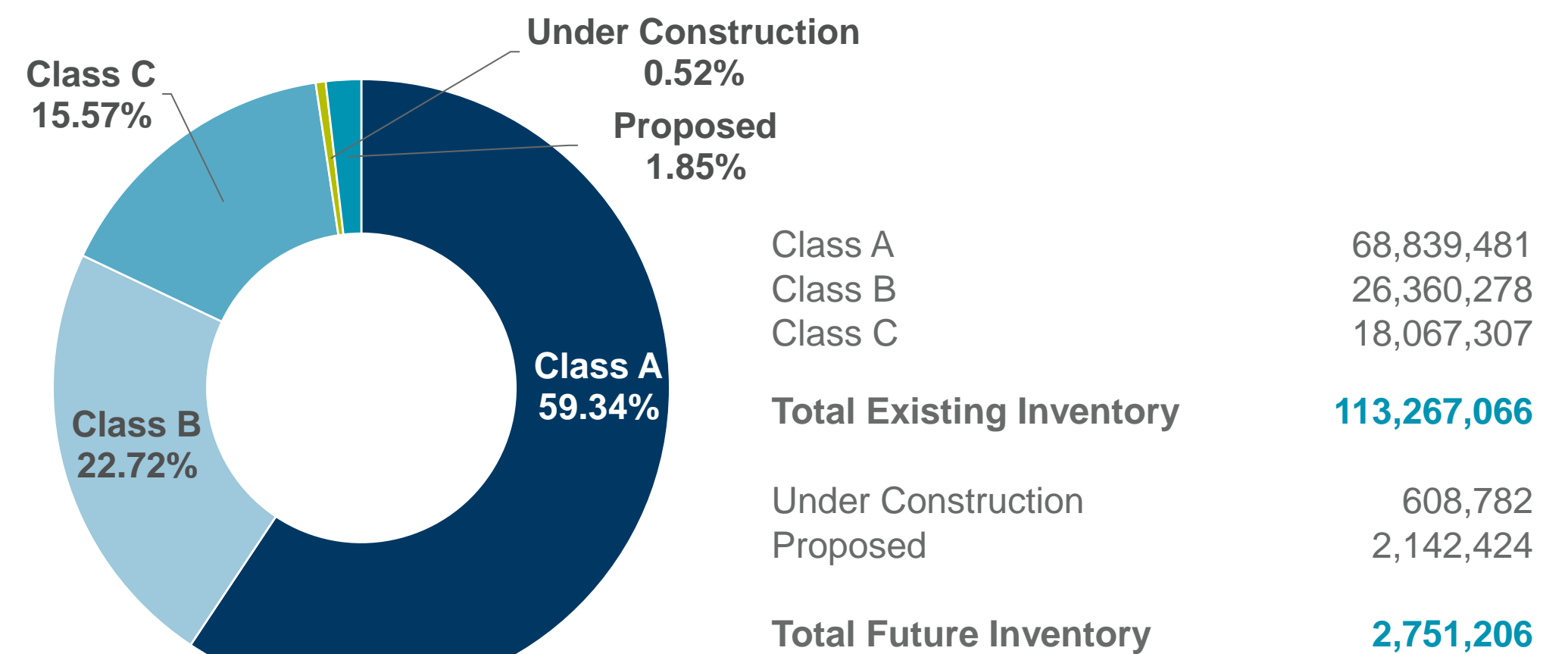
Office Pipeline

Address	Owner	Submarket	Class	SF	Pre-leased		Estimated Completion	BTS / SPEC	Status
					SF	%			
2201 Shannon Pl SE	Curtis Property Management	Southeast	A	288,000	288,000	100%	Q1 2024	SPEC	UC
1700 M St NW	Skanska	CBD	A	320,782	164,000	55%	Q3 2024	SPEC	UC
Total Under Construction				608,782	452,000	74.2%			
20 Massachusetts Ave NW	Office Property Income Trust/RMR	Capitol Hill/NoMa	A	178,324	0	0%	Q2 2023	SPEC	UR
1401 Massachusetts Ave NW	Akelius	East End	A	52,157	11,806	23%	Q2 2023	SPEC	UR
Total Under Renovation				230,481	11,806	5.1%			
25 M St SE	Skanska	Capitol Riverfront	A	245,987	0	0%	-	SPEC	Proposed
1251 Yards Parcel F	Brookfield Properties	Capitol Riverfront	A	285,000	0	0%	-	SPEC	Proposed
600 5th St NW	Stonebridge	East End	A	382,092	0	0%	-	SPEC	Proposed
60 New York Ave NE (SEC)	Douglas Development	Capitol Hill/NoMa	A	1,229,345	1,229,345	100%	2026	BTS	Proposed
Total Proposed				2,142,424	1,229,345	57.4%			

Inventory is Aging: 63.5% Built Pre-2000



Office Inventory in Washington, D.C.



FUTURE SUPPLY

Washington, D.C.

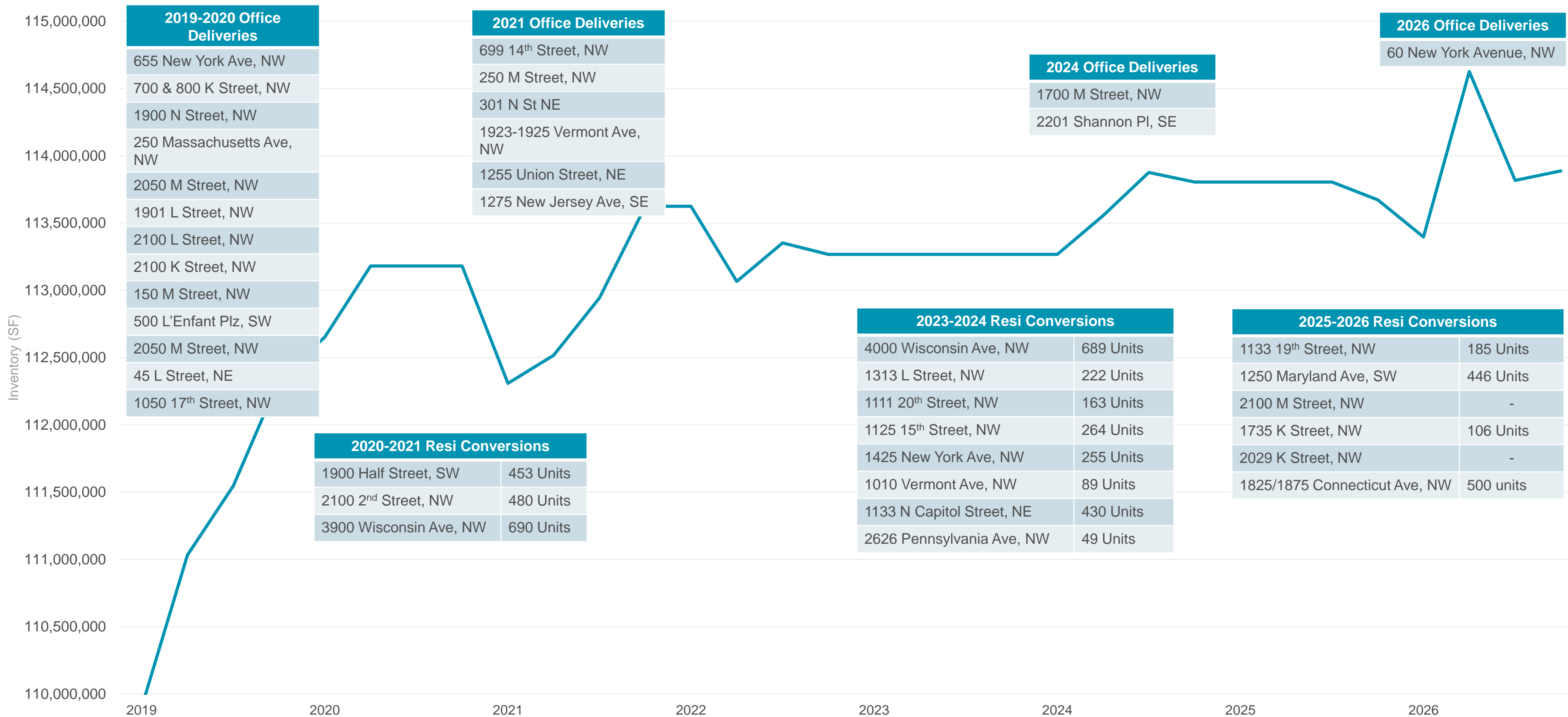
Q1 2023



		2022					2024
		670 Maine	680 Maine	610 Water	2100 Penn	14 Ridge Sq	1700 M
11							
10		PhRMA	Williams & Connolly		WilmerHale		Gibson Dunn
9		PhRMA	Williams & Connolly		WilmerHale		Gibson Dunn
8		PhRMA	Williams & Connolly		WilmerHale		Gibson Dunn
7			Williams & Connolly				Gibson Dunn
6			Williams & Connolly		Orrick		
5			Williams & Connolly	The Atlantic	Orrick	Industrious	
4			Williams & Connolly	The Atlantic		Industrious	
3			Williams & Connolly	Freedom Forum	Arnall Golden	Cava	
2		Williams & Connolly	Williams & Connolly	Freedom Forum	WilmerHale	Equinox	
1			Williams & Connolly	Freedom Forum		Equinox	
RBA		255,750	292,000	89,250	480,000	105,200	320,000
SF Avail		136,756	0	0	91,292	0	153,151
Asking		\$50s NNN	\$50s NNN	\$50s NNN	\$60s NNN	N/A	\$60s NNN
Developer		PN Hoffman	PN Hoffman	PN Hoffman	Boston Properties	Roadside	Skanska
		2026	Under Renovation		Proposed		
		60 New York	20 Mass Ave	1401 Mass Ave	25 M St SE	1251 Yards	600 5th St
11							LOI- Crowll & Moring
10		SEC					LOI- Crowll & Moring
9		SEC					LOI- Crowll & Moring
8		SEC					
7		SEC					
6		SEC					
5		SEC					
4		SEC		Compass			
3		SEC					
2							
1							
RBA		1,229,345	197,234	52,157	245,987	310,000	382,092
SF Avail		180,000	178,324	31,062	245,987	310,000	382,092
Asking		N/A	N/A	\$70 FS	N/A	N/A	N/A
Developer		Douglas Development	RMR	Rock Creek Property	Skanska	Brookfield	Stonebridge

Conversion Highlights

- Since 2018, just over 2 msf of office space was converted into residential use. Nearly 580,000 sf is currently under conversion to residential or education uses with 1313 L St NW and 1111 20th St NW removing a combined 270,000 sf from office inventory and adding 385 units to the market.
- An additional 3.2 msf of residential spaces across 14 buildings is in the works which would bring 3,000 units to market. Post Brothers plans to convert 1825 and 1875 Connecticut Avenue NW into 500 apartments. The top two sales of the fourth quarter 2022 were purchased to be redeveloped into apartments- Altus Realty with McLean Partners purchased 1010 Vermont Avenue NW for \$15.94 million with plans to convert the 63,000 sf building into 89 units and 1735 K Street NW was purchased by Bernstein Management in a joint venture with Urban Atlantic for \$15.5 million with plans to convert the 97,000 sf building into a 106 unit “flex housing hospitality” building.
- DC’s Mayor Bowser’s “Comeback Plan” has proposed adding 7 msf of residential units and increasing the city’s population up to 725,000 or a 9.9% increase over the next five years. The Housing in Downtown Abatement Program will incentivize future residential transformations by providing tax relief for new residential projects. In FY 2024 through FY 2026, \$2.5 million will be available for this abatement, increasing to \$6.8 million in FY 2027 before increasing by 4% annually. Developers will have to price 15% of the units as affordable (those earning 60% of median family income) to qualify.



Office to Residential Redevelopment Pipeline

Redevelopment Projectsg	Office SF	Units	Status	Conversion Year	Owner	Submarket
1313 L Street, NW	84,040	222	Converting	2023	Lincoln/Cadillac Fairview	East End
1111 20 th Street, NW	186,012	161	Converting	2024	Willco Companies	CBD
1425 New York Avenue, NW	287,042	255	Planned	2024	Foulger-Pratt	East End
1125 15 th Street, NW	273,011	264	Planned	2024	Lincoln/Cadillac Fairview	East End
3300 Whitehaven Street, NW	128,875	279	Planned	2024	Grosvenor	Georgetown
1133 N Capitol Street, NE	157,896	430	Planned	2024	MRP	Capitol Hill/NoMa
1011 N Capitol Street, NE	80,660	446	Planned	2024	Kaiser Permanente	Capitol Hill/NoMa
1010 Vermont Avenue, NW	70,917	89	Planned	2024	Altus JV McLean	East End
2626 Pennsylvania Avenue, NW	33,924	49	Planned	2024	Velocity JV New Legacy Partners	West End
1825/1875 Connecticut Avenue, NW	762,000	500	Planned	2025	Post Brothers	Uptown
1735 K Street, NW	96,720	106	Planned	2025	Bernstein JV Urban Atlantic JV Placemakr	CBD
1133 19 th Street, NW	275,585	185	Planned	2026	Tower Companies	CBD
1250 Maryland Avenue, SW	508,294	446	Planned	TBD	Lowe Enterprises	Southwest
2100 M Street, NW	301,347	TBD	Planned	TBD	Network JV Meadow	CBD
2029 K Street, NW	35,750	TBD	Planned	TBD	TF Cornerstone	CBD
2121 Virginia Avenue, NW	143,366	TBD	Planned	TBD	Pan American Health Org	CBD
2141 K Street, NW	82,592	TBD	Planned	TBD	Diversified Healthcare Trust	CBD
633 Indiana Avenue, NW	151,300	TBD	Rumored	TBD	Zuckerman Gravely	East End
1776 K Street, NW	197,000	TBD	Rumored	TBD	Potomac Investments	CBD
1050 Thomas Jefferson Street, NW	200,000	TBD	Rumored	TBD	Potomac Investments	Georgetown
810 1 st Street, NE	232,126	TBD	Rumored	TBD	Broadshore Capital	Capitol Hill/NoMa
810 7 th Street, NW	279,431	TBD	Rumored	TBD	IGIS Asset Mgmt	East End
1120 Vermont Avenue, NW	502,009	TBD	Rumored	TBD	SC Herman & Associates	East End
1625 Massachusetts Avenue, NW	119,000	TBD	Rumored	TBD	Lenkin Company	CBD
1717 Massachusetts Avenue, NW	122,460	TBD	Rumored	TBD	Johns Hopkins	CBD

17

Office resi conversions underway/planned in DC



3.5 msf

Office space scheduled for resi conversion



3,434

Residential units planned