

	YoY Chg	12-Mo. Forecast
18.7% Vacancy Rate	▲	▲
255K Net Absorption, SF	▲	▼
\$56.56 Asking Rent, PSF	▬	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
3.2 M D.C. Metro Employment	▲	▲
4.4% D.C. Metro Unemployment Rate	▼	▼
4.2% U.S. Unemployment Rate	▼	▼

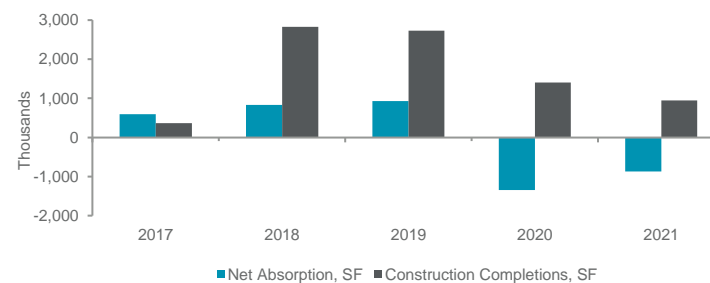
Source: BLS

Gross Leasing & Demand

After historically low volumes of leasing at the start of 2021, Washington D.C. has picked up pace with just over five million square feet (msf) of new leasing to end the year. DC saw nearly half of the year's leasing in Q4, registering 2.5 msf of new leasing. New leasing also accounted for more of the total square feet (sf) leased this quarter than renewals, which registered just under 1.3 msf in Q4. It is important to note these numbers reflect the recent development of the 1.2 msf GSA-SEC prelease in NoMA, out of Station Place, and the 165,000 sf Gibson Dunn prelease at 1700 M Street- both officially recorded in 4Q2021 numbers. This is an early but significant sign that the market may have accepted the notion that COVID-19 will be around for a long time and the market is looking past it and a leasing recovery has begun to take place. As has been the case for the past few quarters, the relative lag in leasing activity is also a result of larger transactions in protracted negotiations being finalized. For a multitude of reasons, larger deals have taken longer to negotiate but are getting finalized as users are running against deadlines needed to procure and buildout space.

Large footprint new leases executed over 30,000 sf remained relatively light in number throughout 2020 and into 2021 but new leases signed has picked up in the fourth quarter. For reference, across all of DC in 2020, there were only 18 new relocations or new-to-market private sector deals 30,000 sf or larger and Q1-Q3 2021 saw 12 new deals over 30,000 sf. The fourth quarter of 2021 has registered 12 additional relocations or new-to-market deals over 30,000 sf. Besides Gibson Dunn and the SEC signings, Industrious inked deals at three locations for a combined 140,000 sf while Deloitte took 55,000 sf at 1299 Pennsylvania Ave, NW, Elias Law Group, a newly formed law firm, took 55,000 sf at 250 Massachusetts Avenue, NW and TikTok took 50,000 sf at 1255 Union Street, NE, which delivered 4Q2021. The market also saw a number of large renewals take place this quarter with DC Government renewing just under 600,000 sf at 1100 & 1101 4th Street, SW, GSA- Department of Veterans' Affairs renewing 240,000 sf at 425 Eye Street, NW and Kaiser Permanente renewing 200,000 sf at 700 2nd Street, NE.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Washington, D.C.

Office Q4 2021

Looking at just executed deals, DC is still lacking in large footprint relocations for owners to chase. In light of this, spec suite offerings continue to increase in popularity and capture most of the small-tenant demand as users with compressed timelines look to get back into quality, built-out space. Spec suite listings in the downtown core submarkets have grown since the end of 2019 as the market has become more competitive, with many owners looking to set their spaces apart by way of amenities, size, tenant experience, and price in order to break up large blocks and tackle more readily available smaller user demand.

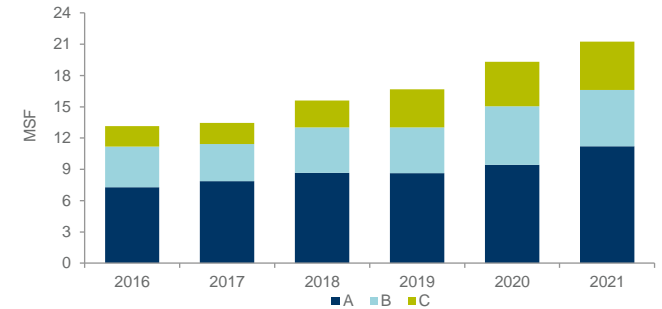
Market Segments

After eight quarters of negative absorption, DC registered 255,000 sf of positive absorption in the fourth quarter of 2021. Capital Riverfront saw 370,000 sf of positive absorption with Chemonics taking 315,000 sf of the newly delivered 1275 New Jersey Avenue, SE and DC Government-HSEMA taking 45,000 sf at 1015 Half Street, SE. The CBD registered 190,000 sf of negative absorption mostly due to the Chemonics move out of 170,000 sf at 1717 H Street, NW. Year-to-date (YTD) absorption registered 869,192 sf of negative absorption with the CBD registering 60% of total absorption with nearly 500,000 sf of negative absorption. Other large move outs included the IRS move out of 999 N Capitol Street, NE and consolidation into 77 K Street, NE.

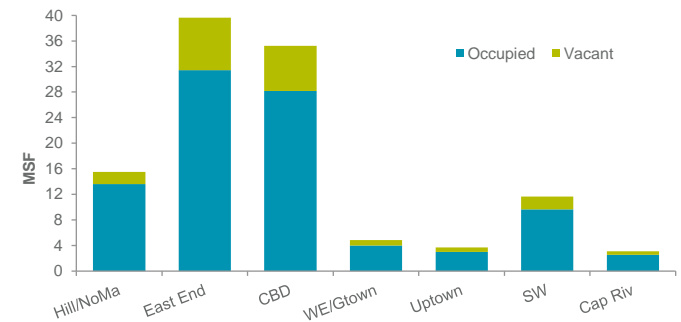
Development Pipeline & Outlook

The development wave brought three new buildings to market in the fourth quarter with 1275 New Jersey Avenue, SE occupied by Chemonics; 699 14th Street, NW, with Accenture taking 40,000 sf of the 215,000 sf, and 1255 Union Street, NE where TikTok is taking 50,000 sf of the 144,000 sf delivered. We still expect vacancy to continue increasing at least through the midterm. Outside of the 1.2 msf GSA – SEC relocation out of Station Place, anticipated in 2025, 2100 Pennsylvania Avenue and the Wharf’s second phase, consisting of 670 & 680 Maine Avenue and 610 Water Street, along with a couple of other developments, are still slated to come online in 2022 against 1.5 msf of law firm expirations. In 2023, 20 Massachusetts Avenue’s top stack Trophy renovation is scheduled to deliver followed by Skanska’s 1700 M Street against 2 msf of legal expirations in 2024. We expect overall vacancy to hover around 21% in that timeframe before any sort of broad vacancy recovery takes place across the market. One move that has gathered steam during the pandemic is the conversion of empty and older buildings to residential. Most recently, Foulger-Pratt acquired 1425 New York Avenue, NW, vacant since the DOJ moved out of 240,000 sf, and is planning to convert the building to 255 apartments while Lincoln Property Company purchased 1125 15th Street, NW, which had been sitting vacant since 2019, to convert the 270,000 sf building into 264 apartments. With the DC government looking for new ideas on how to incentivize these conversions, older stock and empty buildings could be given new life and vacancies a reprieve in the coming years as well.

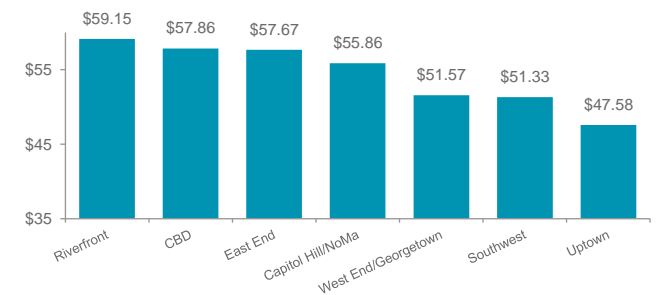
VACANT SPACE BY CLASS



SUBMARKET COMPARISON



SUBMARKET ASKING RENT





Washington, D.C.

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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Capitol Hill/NoMa	15,509,307	16,788	1,884,395	12.3%	-42,946	-20,860	1,708,878	0	\$55.86	\$61.51
East End	39,656,957	316,289	7,899,441	20.7%	134,352	-120,865	1,707,549	0	\$57.67	\$63.51
CBD	35,208,186	276,734	6,772,856	20.0%	-191,673	-512,862	1,324,610	781,987	\$57.86	\$68.72
West End/Georgetown	4,837,555	43,228	802,972	17.5%	-14,635	-81,314	98,483	0	\$51.57	\$58.27
Uptown	3,667,899	17,140	647,653	18.1%	-6,897	-155,204	77,788	174,000	\$47.58	\$50.33
Southwest	11,644,799	10,586	1,989,399	17.2%	4,672	-194,601	245,912	639,703	\$51.33	\$53.40
Capitol Riverfront	3,099,932	20,126	541,334	18.1%	372,467	216,514	92,364	0	\$59.15	\$59.15
DOWNTOWN TOTALS	113,624,635	700,891	20,538,050	18.7%	255,340	-869,192	5,255,584	1,595,690	\$56.56	\$63.07

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
60 New York Avenue, NE	Capitol Hill/NoMa	U.S. Securities and Exchange Commission	1,229,345	New Lease
1100 & 1101 4 th Street, SW	Southwest	DC Government	652,594	Renewal
425 Eye Street, NW	East End	GSA- Dept. of Veterans' Affairs	241,398	Renewal
700 2 nd Street, NE	Capitol Hill/NoMa	Kaiser Permanente	206,875	Renewal
1700 M Street, NW	CBD	Gibson Dunn	165,000	New Lease
999 North Capitol Street, NE	Capitol Hill/NoMa	GSA- Office of Justice Programs	162,000	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
45 L Street, NE	Capitol Hill/NoMa	MetLife Investment/USAA Real Estate	545,823	\$305,000,000 / \$558.79
111 Massachusetts Avenue, NW	East End	Douglas Development/Georgetown University	264,288	\$85,000,000 / \$321.62
1425 New York Avenue, NW	East End	Ares JV Monument/Foulger-Pratt Companies	287,042	\$56,000,000 / \$195.09

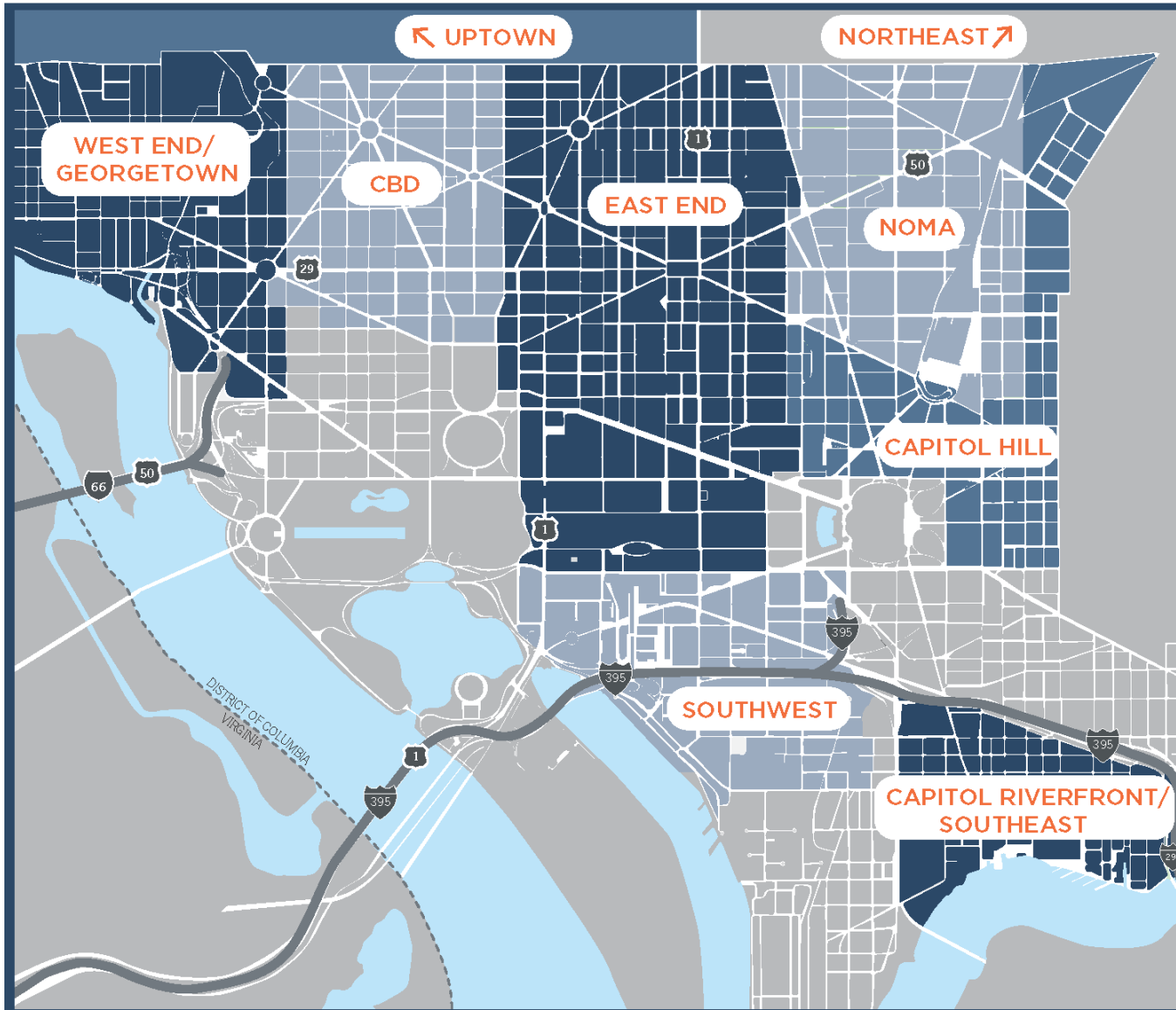
KEY CONSTRUCTION COMPLETIONS YTD 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
1275 New Jersey Avenue, SE	Capitol Riverfront	Chemonics	315,000	Forest City Washington
1255 Union Street, NE	Capitol Hill/NoMa	ByteDance (TikTok)	215,308	Carr Properties/Kettler
699 14 th Street NW	East End	Accenture	143,872	Pearlmark Real Estate/Lincoln Property

Washington, D.C.

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