

	YoY Chg	12-Mo. Forecast
18.4% Vacancy Rate	▲	▲
165K Net Absorption, SF	▲	▼
\$55.82 Asking Rent, PSF	▬	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
3.3 M D.C. Metro Employment	▲	▲
3.5% D.C. Metro Unemployment Rate	▼	▼
3.6% U.S. Unemployment Rate	▼	▼

Source: BLS

Gross Leasing & Demand

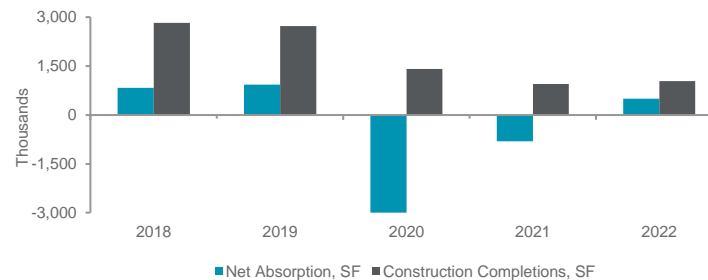
Washington, DC registered positive absorption for the third consecutive quarter during the second quarter of 2022 with 165,000 square feet (sf) absorbed. The trend of flight to quality remains evident as second quarter absorption was driven by Class A registering just over 600,000 sf of positive absorption, while Class B and C registered a combined negative 445,000 sf of absorption. The Southwest submarket saw the largest tenant move in with Williams & Connolly taking space at the newly built 680 Maine Avenue, SW. In the CBD, Patient Centered Outcomes Research Institute (PCORI) moved out of 75,000 sf at 1828 L Street, NW and into 96,000 sf at 1333 New Hampshire Avenue, NW. Wells Fargo left 45,000 sf at 1750 H Street, NW and moved into 69,000 sf at 1700 K Street, NW. The East End submarket saw Biotechnology Innovation Organization (BIO) take 60,000 sf at 1201 New York Avenue, NW after leaving 67,000 sf at 1201 Maryland Avenue, SW and Deloitte taking 55,000 sf at 1299 Pennsylvania Avenue, NW, after departing 555 12th Street, NW.

After hitting 820,000 sf of new leasing during the first quarter of 2022, DC saw just over 1 million square feet (msf) of new leasing activity in the second quarter of 2022. New leasing also accounted for more of the total square feet leased this quarter than renewals, which was below average registering just 314,610 sf in the second quarter. The COVID-19 pandemic has caused lags in leasing activity but throughout the first half of 2022 new leasing activity has steadily increased and is up 30% quarter over quarter. And, despite the overall economy experiencing turbulence in the first half of 2022, new leasing activity is up 15.5% in the first half of 2022 compared to the first half of 2021. While there has been a slight uptick from 2021, companies continue to delay leasing decisions amid the slow return to the office in which current return to work metrics hover around 40% in the District according to Kastle Systems data.

Market Segments

In the second quarter, there were ten leases over 30,000 sf executed compared to eight signed in the first quarter. The East End saw the largest tenant signings with the Department of Justice taking 331,000 sf at 555 4th Street, NW and Blue Cross Blue Shield taking 63,782 sf at 750 9th Street, NW. In the CBD, Bank of America renewed and expanded a combined 117,874 sf at 1800 K Street, NW, which was the second largest lease of the quarter. Non-profits and trade associations represented 31% of leases over 30,000 sf signed in the second quarter. Other sizable leases during the quarter included the Psychiatric Institute of Washington renewal of 67,500 sf at 4228 Wisconsin Avenue NW, The Special Olympics sublease of 35,557 sf at 2600 Virginia Avenue, NW, the Milken Center for Advancing the American Dream sublease of 35,279 sf from Hogan Lovells at 555 13th Street, NW and the National Women's Law Center new lease for 32,726 sf at 1350 Eye Street, NW.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Washington, D.C.

Office Q2 2022



Leasing activity for consultants and public relations firms was steady in the second quarter. The largest new leases came from business management consultant Finsbury Glover & Hering which signed a 60,904 sf lease at 1299 Pennsylvania Avenue, NW and government relations consultant McAllister & Quinn taking 16,175 sf at 1625 K Street, NW. Political communications firm GMMB, Inc. renewed 46,340 sf at 3050 K Street, NW and public relations firm Capitol Counsel renewed 17,243 sf at 700 13th Street, NW. Coworking companies continue to expand in the District with Regus leasing 36,298 sf of new coworking space at 1015 15th Street, NW and Industrious signing for 15,000 sf at 601 13th Street, NW. DC currently has two msf of coworking space with another 200,000 sf coming online between fall 2022 and winter 2023. Washington, DC continues to attract tech companies due to the proximity to the federal government and regulatory processes. Several large technology companies have signed leases or expanded within the District during the second quarter such as Visa USA signing a 35,557-sf new lease at 701 Pennsylvania Avenue, NW, social media giant Tik Tok expanding their space at 1255 Union Street, NE by 23,833 sf, and IBM expanding 11,203 sf lease at 600 14th Street, NW.

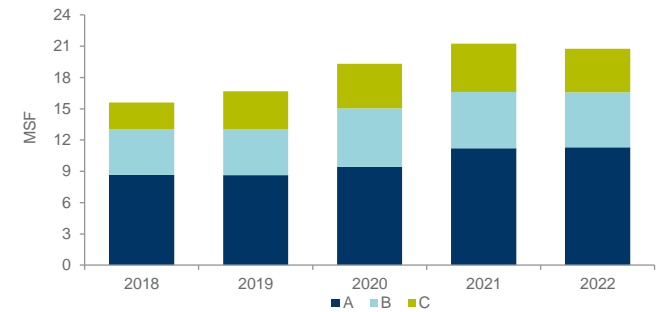
Development Pipeline & Outlook

Two buildings came online at the Wharf during the second quarter- 670 and 680 Maine Avenue, SW delivered a combined 549,703 sf. Williams & Connolly has leased and moved into 292,000 sf at 680 Maine Avenue, SW and PhRMA has leased 76,470 sf at 670 Maine Avenue, SW. The CBD submarket saw the delivery of 2100 Pennsylvania Avenue, NW where Wilmer Hale, Arnall Golden Gregory, and the Royal Bank of Canada will be taking space. There is an additional 264,000 sf expected to deliver in the second half of 2022 at City Ridge in the Uptown submarket and 610 Water Street, SW in Southwest. City Ridge will be welcoming the International Baccalaureate HQ into 110,000 sf at 3950 Wisconsin Avenue, NW although nearly 60,000 sf of this space has been put on the sublet market. The smaller of the City Ridge buildings, 14 Ridge Square, will be home to coworking company Industrious along with the Cava headquarters.

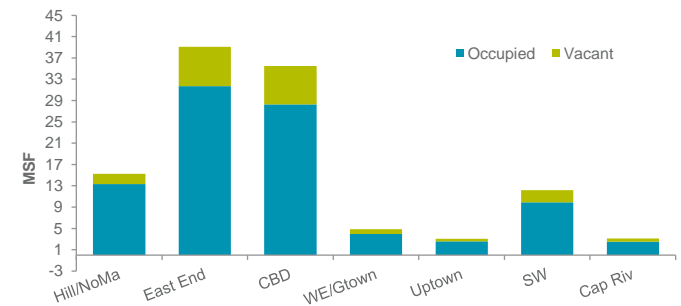
In 2023, 20 Massachusetts Avenue's top stack trophy renovation is scheduled to deliver followed by Skanska's new build at 1700 M Street, NW in 2024 where Gibson Dunn has leased 164,000 sf. There are several proposed speculative projects still in the wings totaling 3.5 msf- 1251 Yards Parcel F, SE and 25 M Street, SE in the Capitol Riverfront along with 900 New York Avenue, NW and 1001 6th Street, NW in the East End. Douglas Development is looking to kick off the SEC's 1.2 msf build to suit at 60 New York Avenue, NE while 200 F Street, NW at Capitol Crossing is also in the works in Capitol Hill/NoMa.

With multifamily demand remaining robust even in the face of record deliveries, several empty, older buildings in the District core are moving closer to residential conversion. Lincoln Property in a joint venture with Cadillac Fairview has proposed 264 units at 1125 15th Street, NW with ground break scheduled in the fourth quarter while Foulger Pratt is gearing up to start the conversion at 1425 New York Avenue, NW into a 255-unit apartment by the end of 2022. The proposal pipeline also includes the former Peace Corp building at 1111 20th Street, NW which Wilco has slated for 161 units. Philadelphia-based development firm Post Brothers purchased 1825 and 1875 Connecticut Avenue, NW in April 2022 for \$228 million and is likely to convert Universal North and South into apartments. Currently being constructed is Lincoln Property Company's 222-unit apartment building at 1313 L Street, NW which is expected to deliver in mid-2023.

VACANT SPACE BY CLASS



SUBMARKET COMPARISON



SUBMARKET ASKING RENT



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	15,252,483	6,681	1,944,279	12.8%	-53,478	-59,363	188,122	0	\$56.11	\$61.62
East End	39,103,835	247,452	7,133,801	18.9%	17,891	211,726	1,057,471	0	\$57.11	\$63.53
CBD	35,514,511	314,206	6,910,461	20.3%	-43,365	124,501	457,707	299,987	\$56.67	\$67.75
West End/Georgetown	4,837,555	43,228	831,416	18.1%	-23,213	-28,444	85,447	0	\$50.89	\$58.45
Uptown	3,063,352	7,653	467,895	15.5%	-6,026	-4,030	34,181	174,000	\$48.45	\$50.19
Southwest	12,194,502	10,586	2,262,467	18.6%	276,967	276,635	7,249	378,000	\$51.41	\$53.34
Capitol Riverfront	3,099,932	0	577,239	18.6%	-3,491	-21,392	59,307	0	\$59.59	\$59.59
DOWNTOWN TOTALS	113,066,170	629,806	20,127,558	18.4%	165,285	499,633	1,889,484	851,987	\$55.82	\$62.52

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
555 4 th Street NW	East End	GSA- Department of Justice	331,000	New Lease
1800 K Street NW	CBD	Bank of America	117,874	Renewal*/Expansion
4228 Wisconsin Avenue NW	Uptown	Psychiatric Institute of Washington	67,500	Renewal*
750 9 th Street NW	East End	Blue Cross Blue Shield	64,000	New Lease
3050 K Street NW	West End/Georgetown	GMMB, Inc	46,340	Renewal*
2600 Virginia Avenue NW	West End/Georgetown	Special Olympics	35,557	Sublease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
1900 N Street NW	CBD	JBG Smith / Commerz Real AG	271,433	\$265,000,000 / \$976.30
1825 & 1875 Connecticut Avenue NW	Uptown	JBG Smith / Post Brothers	685,000	\$228,000,000 / \$297.37
1901 Pennsylvania Avenue NW	CBD	Brookfield / Josef Pultuskier	104,944	\$41,500,000 / \$395.45

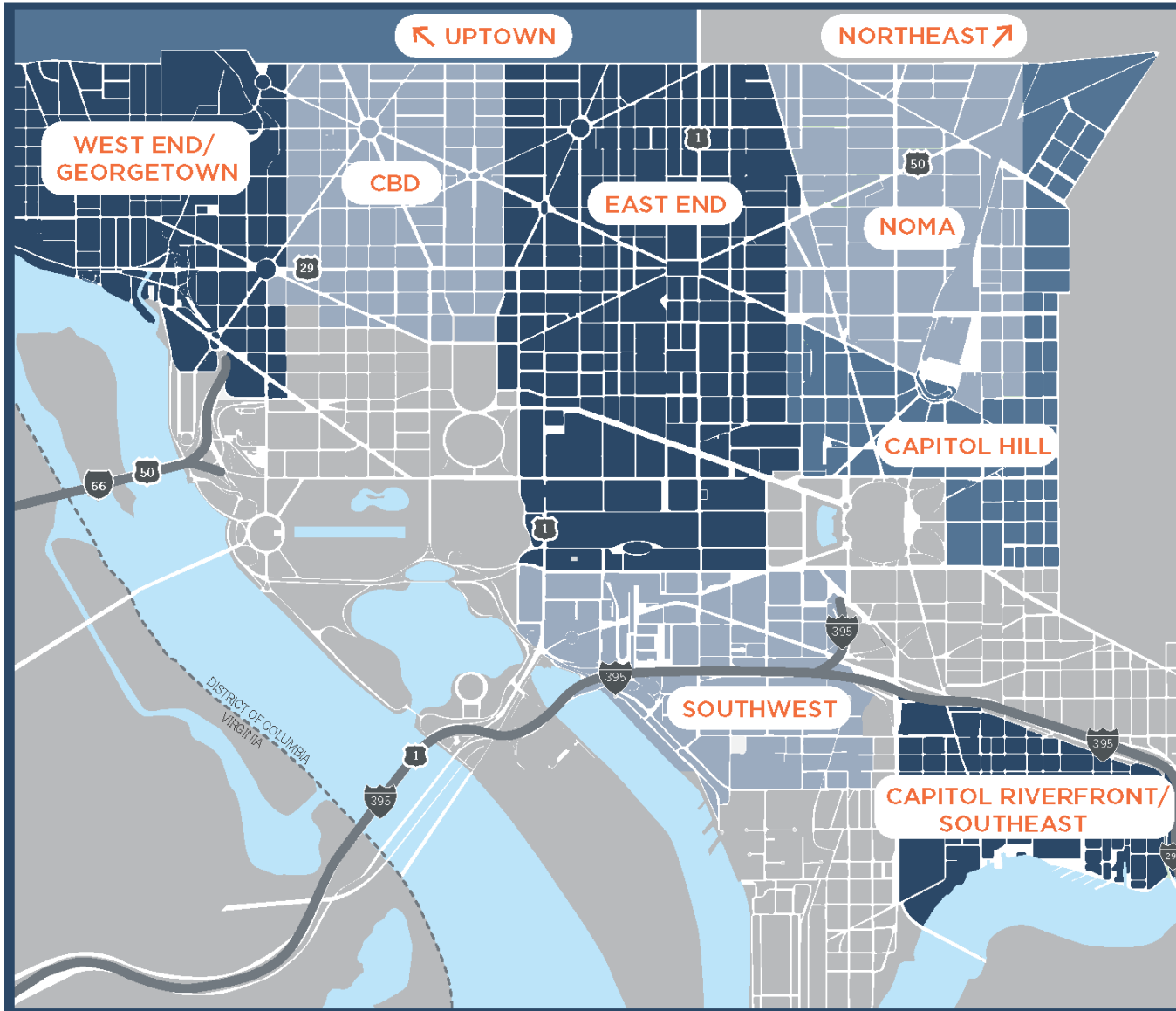
KEY CONSTRUCTION COMPLETIONS YTD 2022

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
2100 Pennsylvania Avenue NW	CBD	WilmerHale	482,000	Boston Properties
680 Maine Avenue SW	Southwest	Williams & Connolly	293,953	Madison Marquette/Hoffman
670 Maine Avenue SW	Southwest	PhRMA	255,750	Madison Marquette/Hoffman

Washington, D.C.

Office Q2 2022

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