

## TABLE OF CONTENTS

---

ECONOMIC OVERVIEW .....	2
OFFICE MARKET ASSESSMENT .....	3
NET ABSORPTION & VACANCY.....	4
RENTAL RATES & LEASING ACTIVITY .....	5
CONSTRUCTION .....	6
SUBMARKET STATISTICS & RECENT DEALS.....	7
ABOUT MADISON MARQUETTE .....	8

### ECONOMIC OVERVIEW

#### KEY INDICATORS

Washington, DC  
Total Nonfarm Employment



+96,600 jobs YOY



ΔQ



ΔY

Washington, DC  
Office Employment



+6,200 jobs YOY



ΔQ



ΔY

DC Unemployment



3.3%



ΔQ



ΔY

US Unemployment



3.6%



ΔQ



ΔY

Domestic Airport  
Passengers



+117.9% YOY



ΔQ



ΔY

DC Area Coincident  
Business Cycle Indicator



111.4

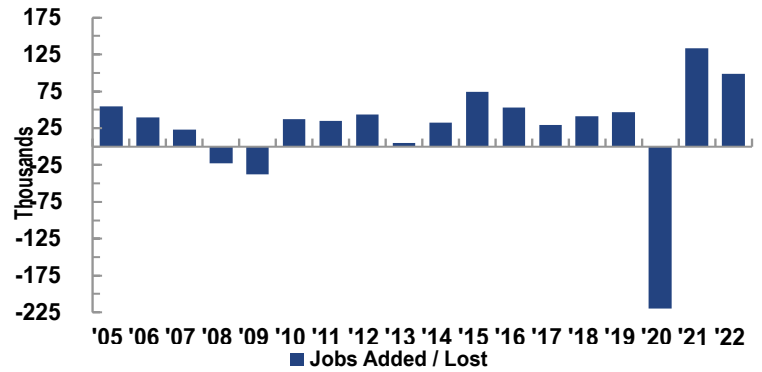


ΔQ

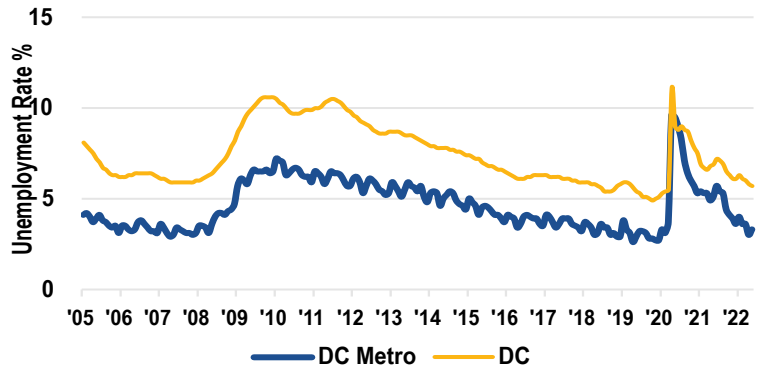


ΔY

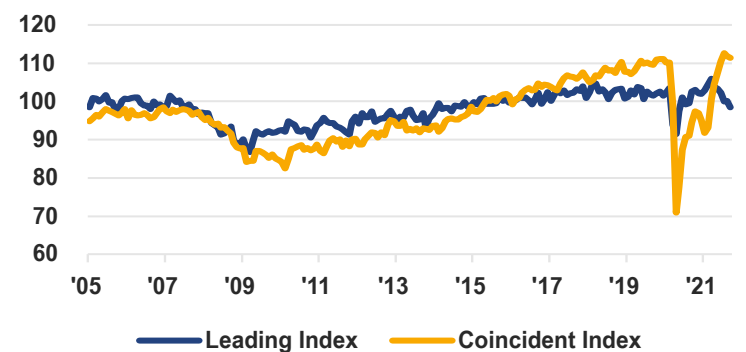
#### EMPLOYMENT TRENDS



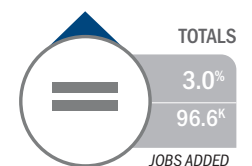
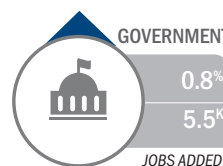
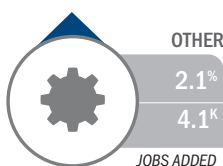
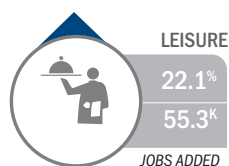
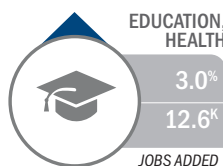
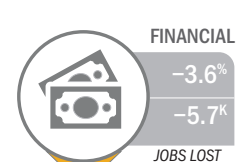
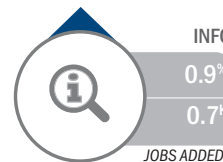
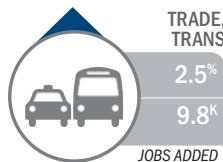
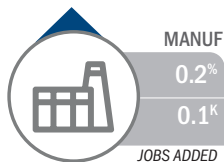
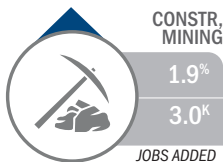
#### UNEMPLOYMENT



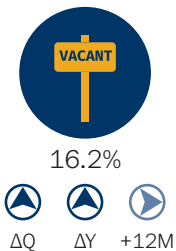
#### DC BUSINESS CYCLE INDEX



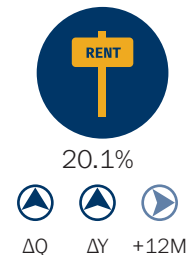
#### EMPLOYMENT GROWTH BY SECTOR (YOY)



#### Direct Vacancy



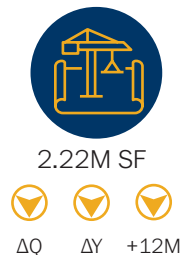
#### Direct Availability



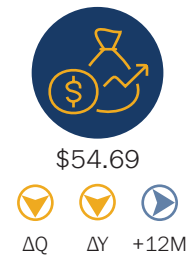
#### Direct Net Absorption (T-12 mos)



#### Under Construction



#### Direct Asking Rents



## OFFICE MARKET ASSESSMENT

- The District of Columbia's office market fundamentals showed modest signs of improvement with 24k SF of direct space absorbed in Q2 - its second straight quarter of positive absorption - bringing the YTD total up to 146k SF of occupancy gains.

- The District's direct vacancy rate rose by 40 bps in Q2 and have climbed 130 bps from a year ago to an all-time high of 16.2% largely due to newly delivered space hitting the market.

- The Class A sector registered positive absorption for the second straight quarter with 205k SF of direct net absorption in Q2, driven by pre-leased deliveries in the Wharf, bringing the trailing 12-months total up to 690k SF of occupancy gains.

- Class B properties continued to experience softness with 192k SF of red ink in Q2 and 1.3 MSF of occupancy losses over the trailing 12 months resulting from recent business contractions and a flight to quality trend that has severely impacted this sector over the past 5 years.

- Sublease availability rose by 229k SF to an all-time high of 3.4 MSF in Q2. Nearly 80% of the District's sublease inventory is located in the East End and CBD submarket with 1.5 MSF and 1.2 MSF of space being marketed, respectively.

- Leasing activity modestly slowed during the second quarter, but pent-up demand has caused leasing volume over the trailing 12-month period to improve by 17% Y-O-Y. Leasing volume totaled 1.2 MSF in Q2, up 15.6% compared to its pandemic low a year ago but remains 48% below its pre-pandemic quarterly average.

- Although Class A face rates have modestly risen over the past year, the gap between asking and effective rates have widened as owners remain aggressive in pricing, concessions, and flexibility to attract and retain tenants.

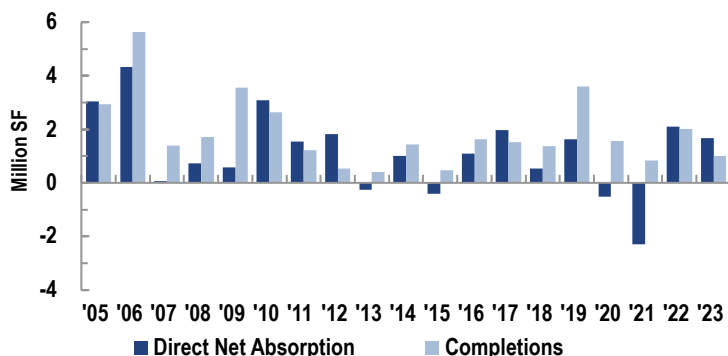
- The office development pipeline currently has 2.2 MSF of new product under construction currently 63% pre-leased. Developers delivered 994k SF of new product during the first half of 2022, with an additional 1 MSF of new inventory slated to deliver by year-end 2022.

- Even though demand remains the strongest for new construction and renovated product, we expect fewer ground breakings over the next 12 months unless a significant pre-lease is secured. Developers have remained cautious in moving forward on any significant speculative projects due to the supply-demand imbalance and uncertainty in the market.

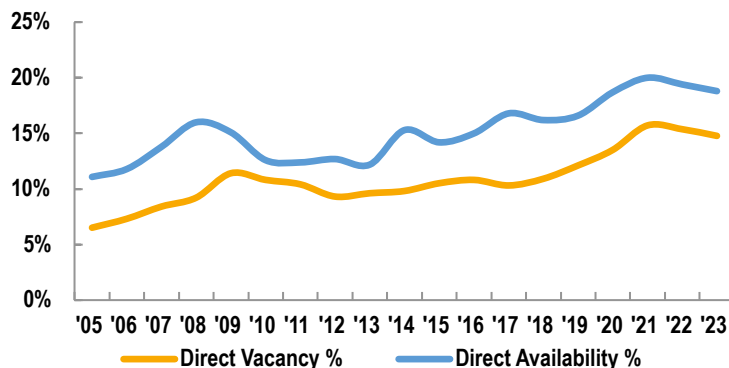
- Although the decline in development activity could help stabilize vacancy in the long run, the second-generation spaces that will eventually be left behind as tenants relocate to newer projects will indirectly place further upward pressure on vacancy rates.

- The office market will remain tenant-favorable in the near term as space availability options are plentiful, but pent-up activity should help improve leasing fundamentals as return to office momentum continues to build and more companies make long-term real estate decisions. However, we expect office space demand to remain challenged as select tenants consolidate and reduce their footprint to move up in quality and/or adopt a hybrid remote work model.

### SUPPLY AND DEMAND



### VACANCY AND AVAILABILITY



### Net Absorption Trends

#### CLASS A



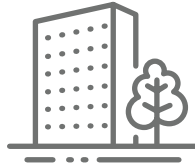
**+690K SF**  
T-12 MOS



#### CLASS B



**-1.3M SF**  
T-12 MOS



### Vacancy and Availability Trends

#### CLASS A



DIRECT VACANCY

**14.4%**

**12.7M SF**

DIRECT AVAILABILITY

**19.0%**

**16.8M SF**

#### CLASS B



DIRECT VACANCY

**20.1%**

**9.1M SF**

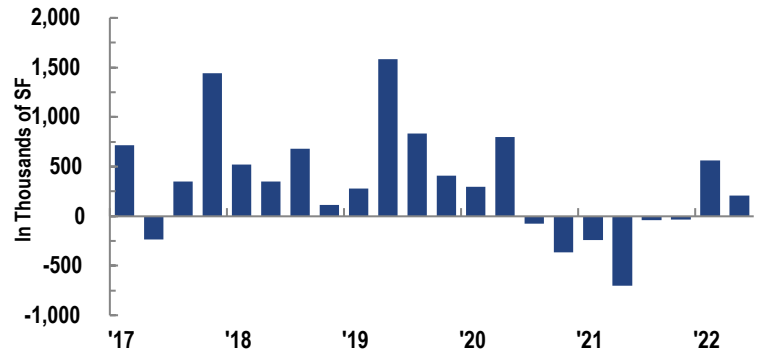
DIRECT AVAILABILITY

**23.4%**

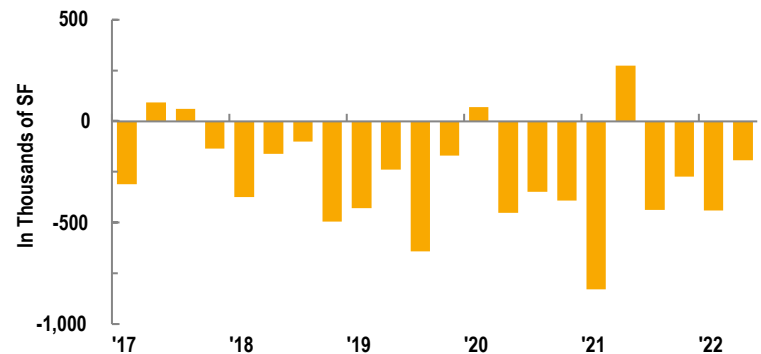
**10.6M SF**

### DIRECT NET ABSORPTION

#### CLASS A

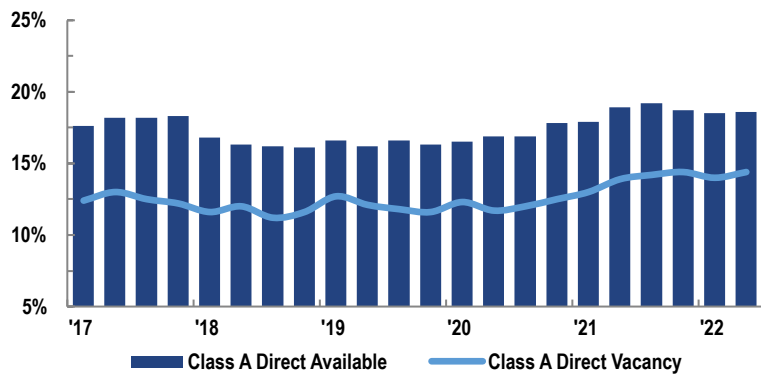


#### CLASS B

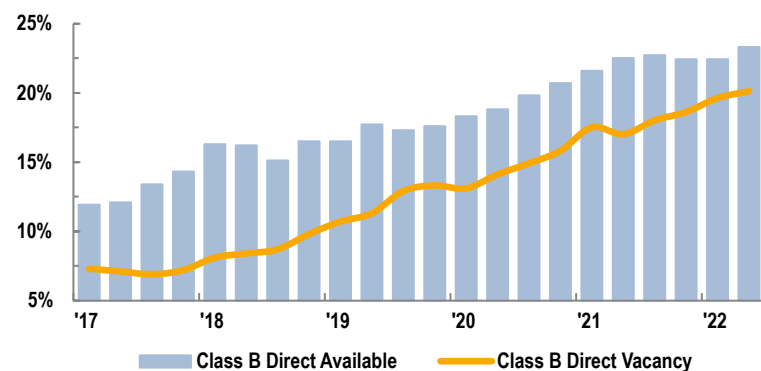


### DIRECT VACANCY AND AVAILABILITY

#### CLASS A



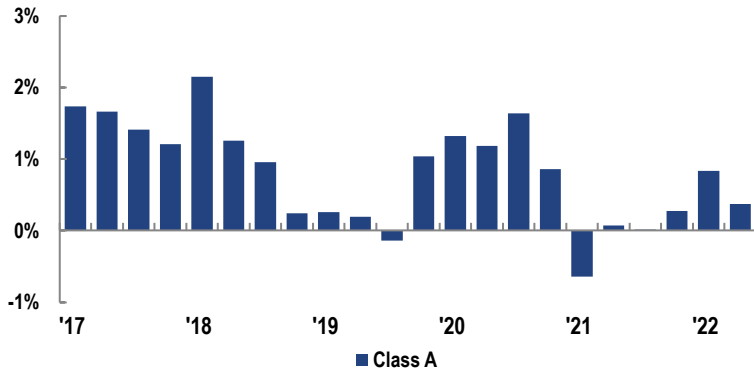
#### CLASS B





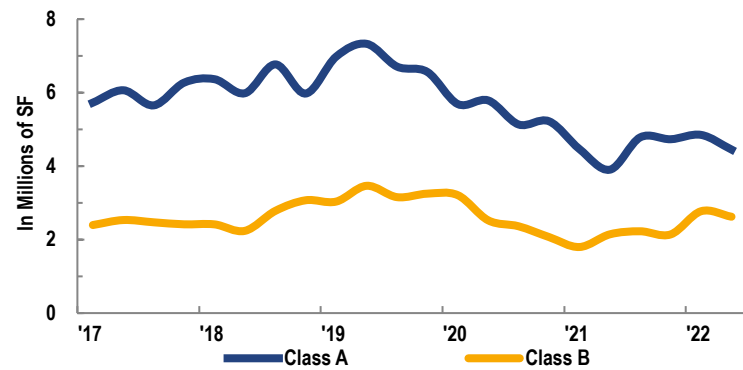
### RENTAL RATES

Y-O-Y % Change, Full Service Gross

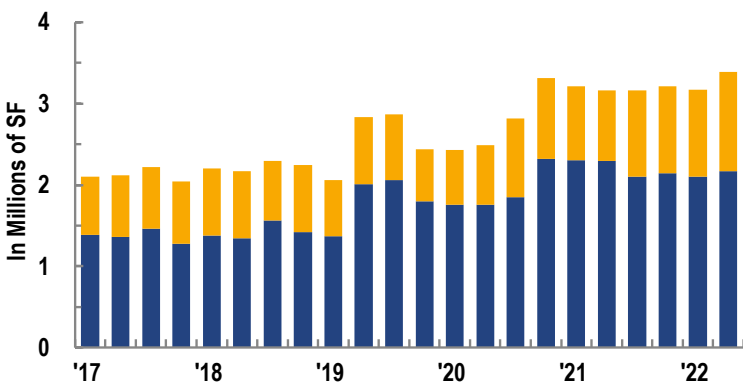


### LEASING ACTIVITY

Direct Leasing Activity, Rolling 12 Months



### SUBLEASE AVAILABILITY



### Rent Growth (Y-O-Y)

**0.4%**

CLASS A



**-1.4%**

CLASS B



### Direct Net Leasing Activity

CLASS A

**4.4 M<sup>SF</sup>**

T-12 MOS



**+14.0%**  
Y-O-Y CHANGE

CLASS B

**2.6 M<sup>SF</sup>**

T-12 MOS



**+22.4%**  
Y-O-Y CHANGE



### Sublease Availability

CLASS A

**2.2 M<sup>SF</sup>**



**-5.6%**  
Y-O-Y CHANGE

CLASS B

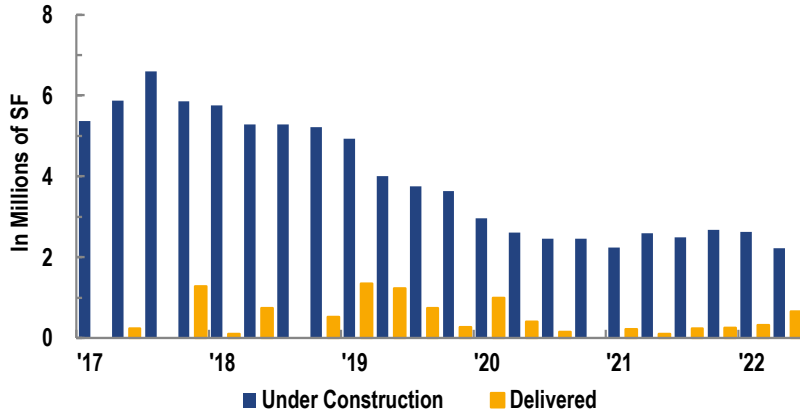
**1.2 M<sup>SF</sup>**



**+41.0%**  
Y-O-Y CHANGE



## CONSTRUCTION PIPELINE



## OFFICE SPACE UNDER CONSTRUCTION



**2.2M SF**  
63.2% PRE-LEASED

## NEW OFFICE BREAKING GROUND



**1.1M SF**  
T-12 MOS

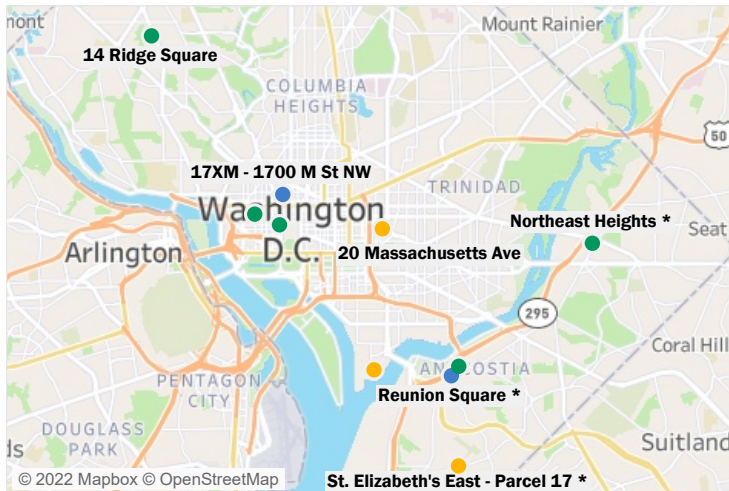
## FORECASTED SUPPLY IN 2022



**2.0M SF**

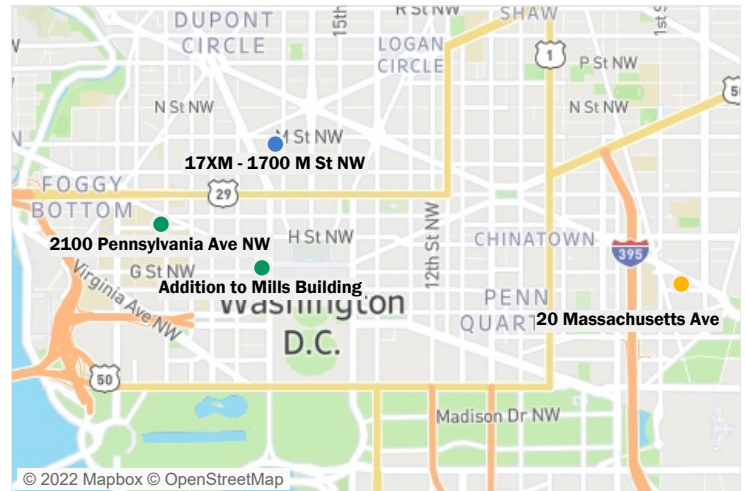
## SIGNIFICANT PROJECTS UNDER CONSTRUCTION

## Greater Washington, DC



Scheduled Completion ■ 2022 ■ 2023 ■ 2024

## The District



PROJECT NAME	SIZE (SF)	SUBMARKET	MAJOR TENANT	% PRE-LEASED	DEVELOPER	TARGET DELIVERY
2100 Pennsylvania Ave NW	480,000	CBD	WilmerHale	63%	Boston Properties	3Q22
17XM - 1700 M St NW	334,000	CBD	Gibson, Dunn & Crutcher LLP	51%	Skanska	2Q24
Reunion Square *	288,000	Southeast	DC Health	98%	Four Points	1Q24
Northeast Heights *	258,000	Northeast	DC Department of General Service	100%	Cedar Realty Trust, Inc.	4Q22
The Stacks	250,000	Capitol Riverfront	N/A	0%	Akridge	4Q23
20 Massachusetts Ave	197,324	Capitol Hill	N/A	0%	The RMR Group	1Q23
St. Elizabeth's East - Parcel 17 *	139,200	Southeast	Whitman-Walker Health System	100%	Redbrick LMD	4Q23
14 Ridge Square	105,200	Uptown	N/A	100%	Roadside Development	4Q22
1909 Martin Luther King Jr. Ave SE	80,000	Southeast	Dept. of Housing and Community Development	100%	MG Commercial	4Q22
Addition to Mills Building	54,794	CBD	King & Spalding LLP	100%	Akridge	3Q22

\*Build to Suit; † Renovation

## SUBMARKET STATISTICS

Submarket	TOTAL SPACE AVAILABLE			DIRECT AVAILABLE / VACANT		DIRECT NET ABSORPTION		ASKING RENT	
	Total Inventory SF	Direct Available	Sublease Available	Direct Vacancy	Direct Availability	Current Quarter	Trailing 12-Months	Avg Rents PSF/Yr	Y-O-Y % Change
CBD	38,272,314	9,417,420	1,219,078	19.4%	24.6%	(147,464)	(519,112)	\$55.05	-0.5%
Class A	16,643,774	3,823,581	406,433	16.1%	23.0%	42,115	139,130	\$60.90	0.5%
Class B	21,436,200	5,543,152	811,223	22.1%	25.9%	(188,831)	(656,428)	\$52.20	-0.3%
East End	48,313,540	10,726,931	1,503,127	16.5%	22.2%	51,354	(265,778)	\$56.28	-1.5%
Class A	35,873,988	7,254,839	1,157,008	14.5%	20.2%	78,188	384,694	\$61.26	0.3%
Class B	12,214,568	3,411,599	323,708	22.8%	27.9%	(30,765)	(665,324)	\$48.67	-2.4%
West End	3,625,917	592,558	92,819	15.0%	16.3%	(18,346)	11,044	\$53.59	-1.8%
Class A	2,750,617	422,391	82,829	14.4%	15.4%	(31,216)	(15,456)	\$55.15	-2.7%
Class B	830,248	170,167	9,990	17.7%	20.5%	12,870	26,500	\$48.85	0.9%
Capitol Hill	5,332,612	1,577,987	138,566	22.8%	29.6%	(51,467)	31,488	\$57.50	-0.8%
Class A	4,423,495	1,460,701	121,981	26.1%	33.0%	(51,559)	9,146	\$59.58	-0.9%
Class B	692,949	94,272	13,778	5.4%	13.6%	1,300	23,550	\$48.51	-3.1%
Capitol Riverfront	4,980,235	748,155	155,441	13.3%	15.0%	(66,499)	224,465	\$61.00	9.1%
Class A	4,754,666	645,210	155,441	11.8%	13.6%	(66,499)	214,437	\$61.00	6.8%
Class B	199,682	102,945	0	51.6%	51.6%	0	10,028	-	-
NoMa	11,071,304	1,280,931	117,475	7.5%	11.6%	(39,718)	(176,730)	\$51.11	0.8%
Class A	9,890,628	1,242,000	117,475	8.2%	12.6%	(39,718)	(176,730)	\$51.59	1.4%
Class B	1,157,700	38,931	0	2.1%	3.4%	0	0	\$43.88	-2.7%
Southwest	13,435,246	1,630,871	45,836	13.7%	12.1%	298,890	163,171	\$50.17	0.6%
Class A	10,379,042	1,126,858	45,836	12.4%	10.9%	270,510	233,431	\$51.63	0.9%
Class B	2,971,204	462,678	0	17.1%	15.6%	18,595	(80,045)	\$48.82	0.2%
Georgetown	3,019,431	644,207	72,667	17.3%	21.3%	(24,990)	(191,461)	\$46.76	0.6%
Class A	1,804,880	428,439	50,339	11.3%	23.7%	(3,598)	(65,320)	\$53.77	0.4%
Class B	1,182,351	205,168	22,328	26.2%	17.4%	(21,392)	(115,541)	\$39.26	0.5%
Uptown	6,308,910	986,358	72,169	14.4%	15.6%	22,588	50,709	\$45.04	-6.1%
Class A	1,701,942	385,468	29,684	25.5%	22.6%	7,053	(33,707)	\$51.30	-1.2%
Class B	3,997,827	532,350	42,485	10.9%	13.3%	15,781	84,147	\$42.84	-9.3%
Northeast / Southeast	1,090,450	55,662	0	3.3%	5.1%	0	30,090	\$41.26	-0.7%
Class A	82,000	16,634	0	0.0%	20.3%	0	0	-	-
Class B	667,145	37,658	0	4.8%	5.6%	0	31,680	\$41.56	0.0%

Submarket	TOTAL SPACE AVAILABLE			DIRECT AVAILABLE / VACANT		DIRECT NET ABSORPTION		ASKING RENT	
	Total Inventory SF	Direct Available	Sublease Available	Direct Vacancy	Direct Availability	Current Quarter	Trailing 12-Months	Avg Rents PSF/Yr	Y-O-Y % Change
Class A	88,305,032	16,806,121	2,167,026	14.4%	19.0%	205,276	689,625	\$59.17	0.4%
Class B	45,349,874	10,598,920	1,223,512	20.1%	23.4%	(192,442)	(1,341,433)	\$49.97	-1.4%
Overall	135,449,959	27,661,080	3,417,178	16.2%	20.4%	24,348	(642,114)	\$54.69	-0.8%

## SIGNIFICANT TRANSACTIONS

Tenant	SF	Type	Tenant Industry	Building	Class	Submarket
GSA - Department of Justice	327,565	New	Government	555 4th St NW	B	East End
Bank of America	117,874	Ren/Exp.	Financial	1800 K St NW	A	CBD
Psychiatric Institute of Washington	67,500	Renewal	Healthcare	4228 Wisconsin Avenue NW	B	Uptown
Blue Cross Blue Shield Association	63,782	New	Insurance	750 9th St NW	A	East End
Finsbury Glover Herring	61,000	New	Business Services	1299 Pennsylvania Ave NW	A	East End
District of Columbia Housing Authority (DCHA)	51,796	New	Government	300 7th St SW	B	Southwest
GMMB, Inc.	46,340	Renewal	Business Services	3050 K St NW	A	Georgetown
Cushman & Wakefield	37,723	Renewal	Real Estate	2101 L St NW	A	CBD
Regus	35,624	New	CoWorking	1015 15th St NW	A	East End
Special Olympics	35,557	Sublet	Non-Profit	2600 Virginia Ave NW	A	West End





**JIM PROEHL**  
President,  
Property Services  
949.309.5555

[jim.proehl@madisonmarquette.com](mailto:jim.proehl@madisonmarquette.com)



**PATTY NOONEY**  
Executive Vice President  
Director of Operations  
561.807.1003

[patty.nooney@madisonmarquette.com](mailto:patty.nooney@madisonmarquette.com)



**JOE LUGIANO**  
Executive Vice President  
Project Mangement Services  
202.503.1855

[joe.lugiano@madisonmarquette.com](mailto:joe.lugiano@madisonmarquette.com)



**ARIEL GUERRERO**  
Senior Vice President,  
Director of Research  
713.209.5704

[ariel.guerrero@madisonmarquette.com](mailto:ariel.guerrero@madisonmarquette.com)



**JON CARRASCO**  
Director,  
Data Analytics  
713.209.5800

[jon.carrasco@madisonmarquette.com](mailto:jon.carrasco@madisonmarquette.com)



**WHITNEY WILLIAMS**  
Vice President,  
Marketing & Communications  
713.209.5935

[whitney.williams@madisonmarquette.com](mailto:whitney.williams@madisonmarquette.com)

## ABOUT MADISON MARQUETTE

Madison Marquette is a national private fully-integrated real estate services provider, investment manager, developer and operator headquartered in Washington, D.C. The company delivers integrated investment, development, leasing and management services to a diverse portfolio of 330 assets in 20 states and manages an investment portfolio valued at over \$6.2 billion.

The company partners with global, institutional and private investors to provide industry-leading investment and advisory services across asset classes – including mixed-use, retail, office, medical, industrial, senior living and multifamily. Following its 2019 merger with the Boston-based Roseview Group, Madison Marquette added capital markets, investment banking and corporate advisory services to its integrated capabilities. Founded in 1992, the company built its reputation on the successful development, repositioning and redevelopment of landmark mixed-use assets, and now leverages that performance legacy to provide clients with exceptional asset services and investment advice.

Madison Marquette has a strategic bench of professionals providing nationwide service from 12 regional markets and is a member of the Capital Guidance group of companies. For additional information, visit [www.madisonmarquette.com](http://www.madisonmarquette.com).