



(DRAFT)
**ANALYSIS OF REGIONAL
ECONOMIC COMPETITION**

RESEARCH SUMMARY
DOWNTOWN D.C.

Prepared for DowntownDC BID and Golden Triangle BID
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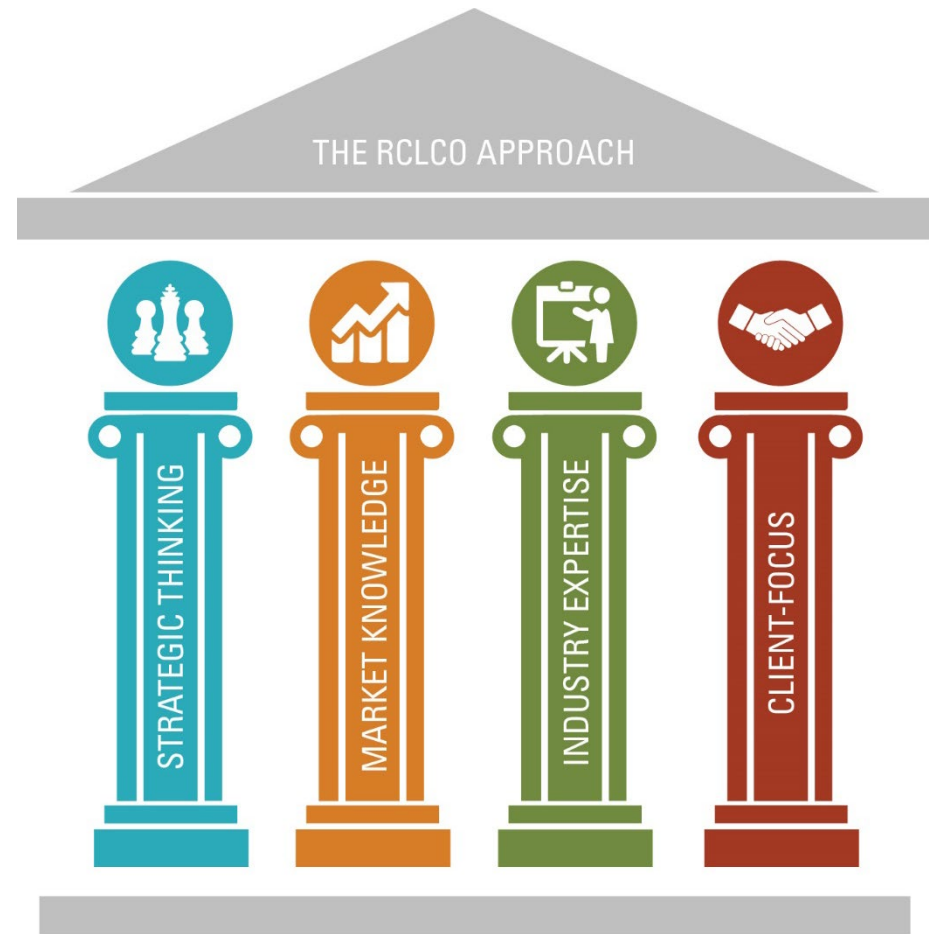
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- ▶ **There are many workforce, demographic, and accessibility factors that make Downtown D.C. a favorable location for office tenants in the region.** The household base in and around Downtown D.C. is among the most educated in the nation, and firms looking to draw on these demographic fundamentals to fuel their own expansion will continue to view Downtown D.C. as desirable. Likewise, Downtown D.C. boasts a large amount of new and desirable office space, and its multimodal accessibility remains a strength relative to other submarkets in the region.
- ▶ **However, Downtown D.C. has long struggled to diversify its amenity and residential offerings,** especially relative to regionally competitive submarkets. While this dynamic is not new, Downtown D.C. is at an increasing disadvantage as tenants are placing an outsized focus on a safe, compelling, mixed-use environment to drive employee attraction/retention and return-to-office.
- ▶ **From a competitiveness perspective, one of the most significant shortcomings of Downtown D.C. is that it requires a greater depth and breadth of amenities to serve its daytime population.** The number of grocery stores, daycare centers, restaurants, fitness studios, and other services in Downtown D.C. pales in comparison to the number of amenities in other competitive submarkets, considering just how many people use these amenities.
- ▶ **Downtown D.C.'s ability to serve and house a broader swath of the regional population will become increasingly important going forward.** Today, regionally competitive submarkets offer more diverse and attainable housing options that are price-inclusive of 75% more renter households than the housing options in Downtown D.C.
- ▶ Crucially, housing and serving a broader swath of the population is not only a question of building more housing—it is **just as important to create an environment where people want to both live and work.** Indeed, relatively few people who work in Downtown D.C. also live in the area, and this dynamic likely stems from a lack of housing to serve these individuals. However, the opposite trend is true as well; today, a disproportionate share of people who live in Downtown D.C. are employed in the area, highlighting a challenge for the submarket: Its residential appeal hinges almost entirely on its access to jobs, the importance of which is poised to decline in the wake of the pandemic.

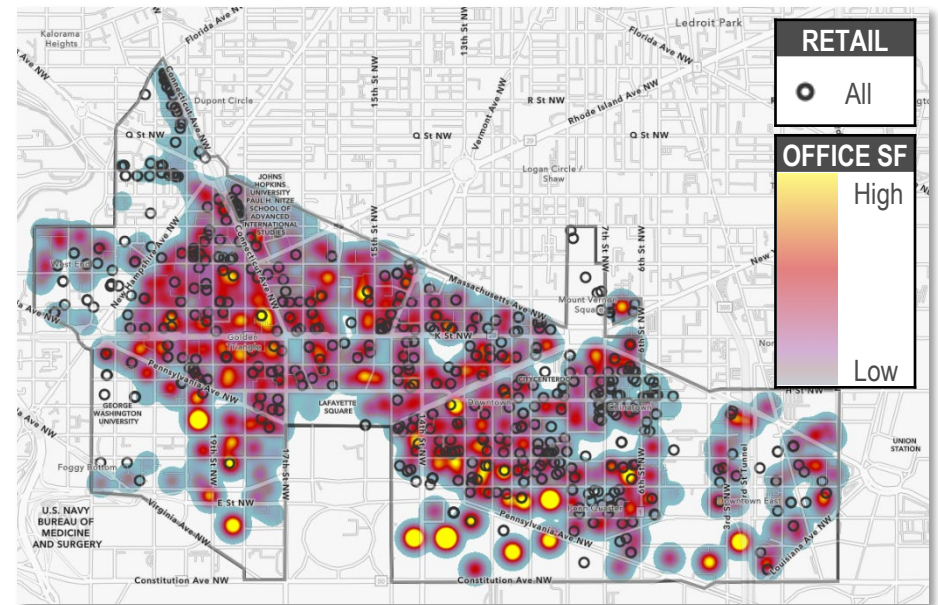
PROFILE OF DOWNTOWN

DOWNTOWN D.C. IS THE LARGEST SUBMARKET IN THE REGION, IN TERMS OF ITS AMOUNT OF EMPLOYMENT, AS WELL AS THE GEOGRAPHIC AREA OVER WHICH THAT EMPLOYMENT IS SPREAD

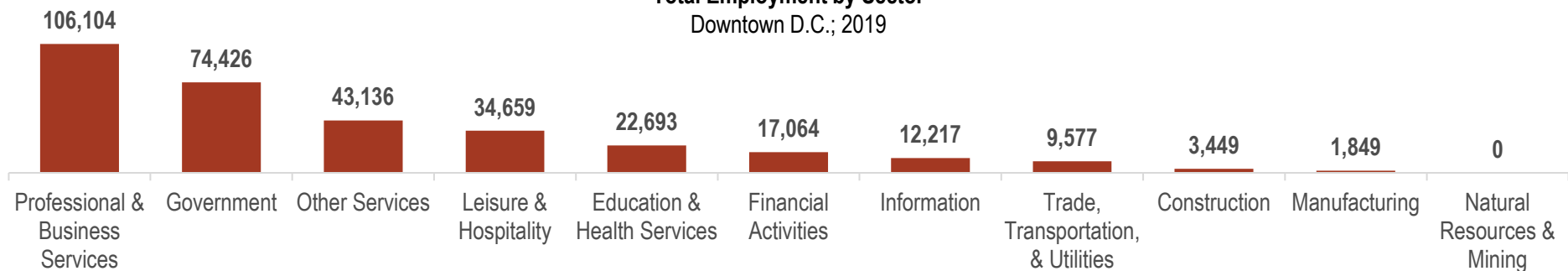
Office Inventory and Performance Summary
Downtown D.C.; 2008-2023 YTD

| | BUILT 2000 OR LATER | ALL |
|---|---------------------|-------------|
| CURRENT CHARACTERISTICS (2023 YTD) | | |
| Properties | 97 | 492 |
| Square Feet | 26,089,469 | 107,267,549 |
| Vacant Square Feet | 4,311,420 | 20,099,387 |
| Vacancy | 16.5% | 18.7% |
| SHORT-TERM TRENDS (2018-2022) | | |
| Avg. Rent Growth | 0.6% | 0.4% |
| Avg. Vacancy | 15.3% | 14.7% |
| Avg. Net Absorption | 632,400 | (708,598) |
| Avg. Gross Absorption | 1,711,760 | 5,484,806 |
| LONG-TERM TRENDS (2008-2022) | | |
| Avg. Rent Growth | 1.5% | 1.2% |
| Avg. Vacancy | 12.8% | 11.1% |
| Avg. Net Absorption | 656,299 | (25,000) |
| Avg. Gross Absorption | 1,520,445 | 5,635,515 |

Supply of Office and Neighborhood-Serving Retail
Downtown D.C.; 2023 YTD



Total Employment by Sector
Downtown D.C.; 2019



Note: Above table reflects data for properties over 25,000 square feet.
Retail includes grocery stores, restaurants, daycare centers, pharmacies, and gyms.

Source: CoStar; U.S. Census LEHD; RCLCO

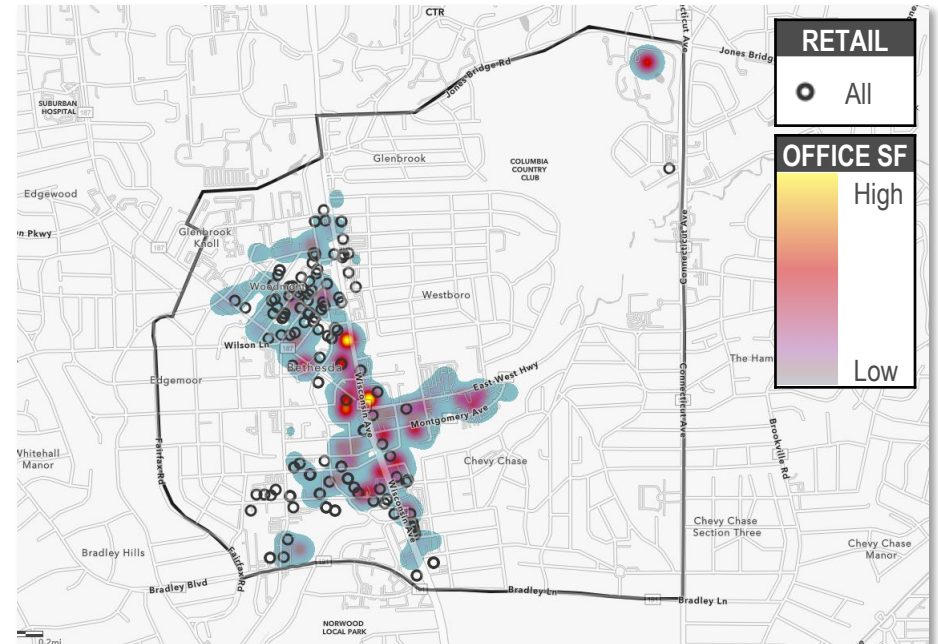
PROFILES OF REGIONALLY COMPETITIVE SUBMARKETS

BETHESDA IS HOME TO A DISPROPORTIONATE AMOUNT OF PROFESSIONAL SERVICES AND FINANCIAL ACTIVITIES FIRMS, WITH A ROBUST AND VARIED SUPPLY OF DAILY NEEDS-SERVING RETAIL IN ITS COMMERCIAL CORE

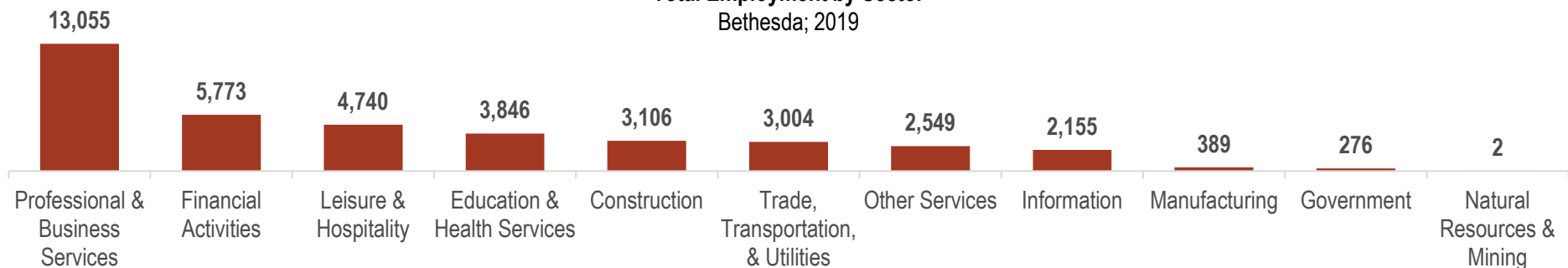
Office Inventory and Performance Summary
Bethesda; 2008-2023 YTD

| | BUILT 2000 OR LATER | ALL |
|---|---------------------|------------|
| CURRENT CHARACTERISTICS (2023 YTD) | | |
| Properties | 10 | 62 |
| Square Feet | 3,216,294 | 10,147,183 |
| Vacant Square Feet | 858,113 | 2,630,867 |
| Vacancy | 26.7% | 25.9% |
| SHORT-TERM TRENDS (2018-2022) | | |
| Avg. Rent Growth | -2.2% | 0.2% |
| Avg. Vacancy | 13.3% | 16.9% |
| Avg. Net Absorption | 212,139 | 37,228 |
| Avg. Gross Absorption | 357,023 | 721,133 |
| LONG-TERM TRENDS (2008-2022) | | |
| Avg. Rent Growth | 0.8% | 0.5% |
| Avg. Vacancy | 8.9% | 11.6% |
| Avg. Net Absorption | 84,229 | 18,322 |
| Avg. Gross Absorption | 184,881 | 591,519 |

Supply of Office and Neighborhood-Serving Retail
Bethesda; 2023 YTD



Total Employment by Sector
Bethesda; 2019



Note: Above table reflects data for properties over 25,000 square feet.
Retail includes grocery stores, restaurants, daycare centers, pharmacies, and gyms.

Source: CoStar; U.S. Census LEHD; RCLCO

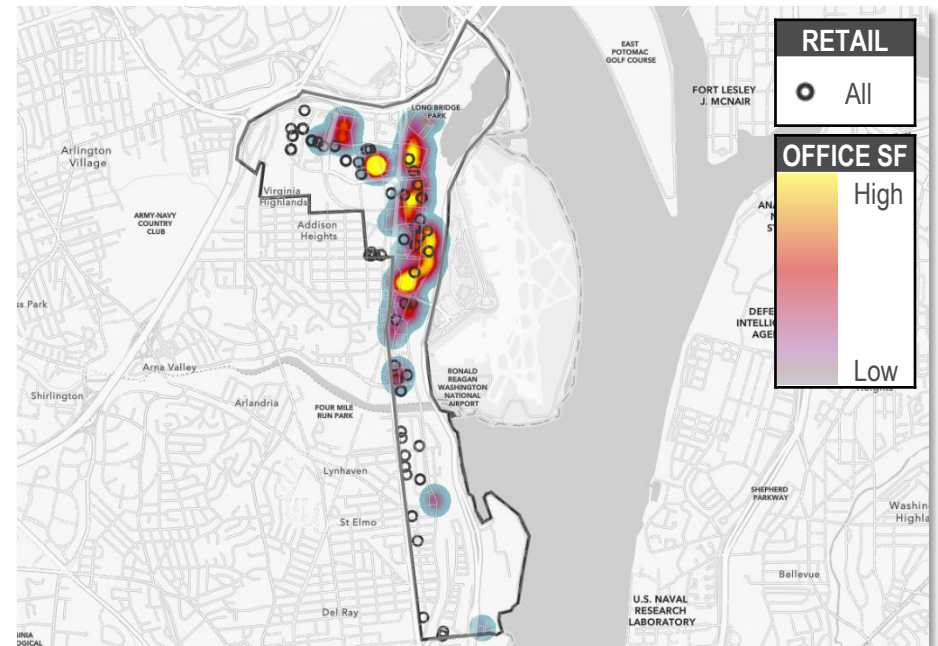
CRYSTAL CITY / PENTAGON CITY / POTOMAC YARD

DUE TO THE PRESENCE OF MAJOR CORPORATE TENANTS LIKE AMAZON, CRYSTAL CITY / PENTAGON CITY / POTOMAC YARD HAS RAPIDLY EXPANDED AND DIVERSIFIED ITS MIX OF USES IN RECENT YEARS

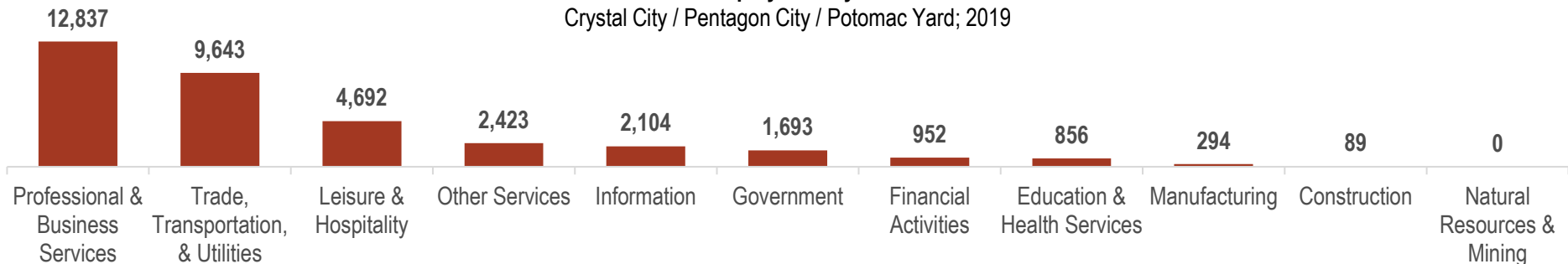
Office Inventory and Performance Summary
Crystal City / Pentagon City / Potomac Yard; 2008-2023 YTD

| | BUILT 2000 OR LATER | ALL |
|---|---------------------|------------|
| CURRENT CHARACTERISTICS (2023 YTD) | | |
| Properties | 13 | 52 |
| Square Feet | 4,451,953 | 15,866,043 |
| Vacant Square Feet | 675,800 | 3,565,674 |
| Vacancy | 15.2% | 22.5% |
| SHORT-TERM TRENDS (2018-2022) | | |
| Avg. Rent Growth | -1.2% | 0.4% |
| Avg. Vacancy | 20.4% | 19.0% |
| Avg. Net Absorption | 63,243 | (106,788) |
| Avg. Gross Absorption | 104,166 | 743,031 |
| LONG-TERM TRENDS (2008-2022) | | |
| Avg. Rent Growth | 0.1% | 0.6% |
| Avg. Vacancy | 28.9% | 17.1% |
| Avg. Net Absorption | 87,028 | (1,133) |
| Avg. Gross Absorption | 116,594 | 826,480 |

Supply of Office and Neighborhood-Serving Retail
Crystal City / Pentagon City / Potomac Yard; 2023 YTD



Total Employment by Sector
Crystal City / Pentagon City / Potomac Yard; 2019



Note: Above table reflects data for properties over 25,000 square feet.
Retail includes grocery stores, restaurants, daycare centers, pharmacies, and gyms.

Source: CoStar; U.S. Census LEHD; RCLCO

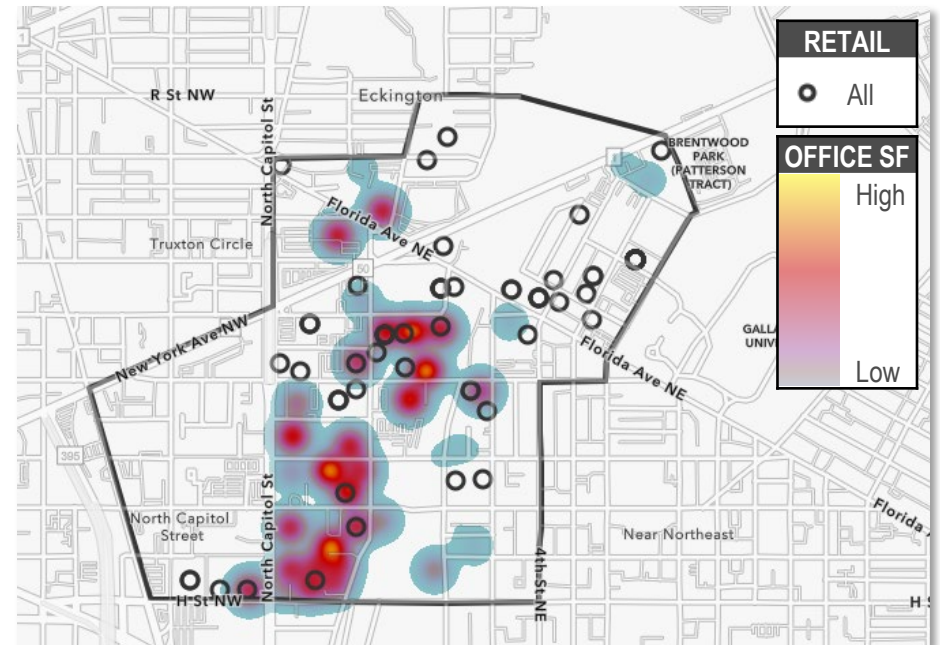
NOMA / UNION MARKET

A MIX OF FEDERAL AGENCIES AND HEALTHCARE/EDUCATION INSTITUTIONS CREATE A STABLE AND DIVERSE EMPLOYMENT BASE IN NOMA, SUPPORTING A MODEST SELECTION OF RESTAURANTS AND FITNESS OPTIONS

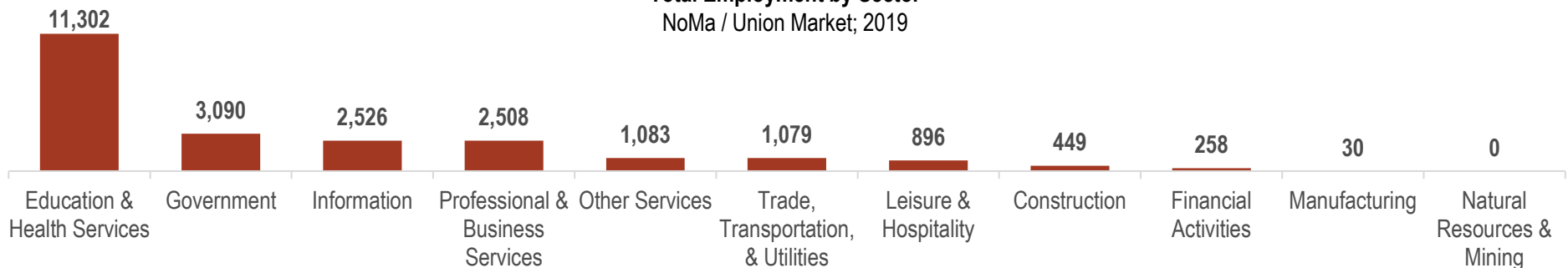
Office Inventory and Performance Summary
NoMa / Union Market; 2008-2023 YTD

| | BUILT 2000 OR LATER | ALL |
|---|---------------------|-----------|
| CURRENT CHARACTERISTICS (2023 YTD) | | |
| Properties | 17 | 34 |
| Square Feet | 5,568,326 | 9,290,915 |
| Vacant Square Feet | 330,561 | 1,103,785 |
| Vacancy | 5.9% | 11.9% |
| SHORT-TERM TRENDS (2018-2022) | | |
| Avg. Rent Growth | -0.5% | -0.7% |
| Avg. Vacancy | 5.3% | 8.3% |
| Avg. Net Absorption | 335,132 | 235,352 |
| Avg. Gross Absorption | 390,241 | 438,015 |
| LONG-TERM TRENDS (2008-2022) | | |
| Avg. Rent Growth | 2.2% | 1.5% |
| Avg. Vacancy | 18.8% | 13.0% |
| Avg. Net Absorption | 291,427 | 265,566 |
| Avg. Gross Absorption | 367,002 | 532,560 |

Supply of Office and Neighborhood-Serving Retail
NoMa / Union Market; 2023 YTD



Total Employment by Sector
NoMa / Union Market; 2019



Note: Above table reflects data for properties over 25,000 square feet.
Retail includes grocery stores, restaurants, daycare centers, pharmacies, and gyms.

Source: CoStar; U.S. Census LEHD; RCLCO

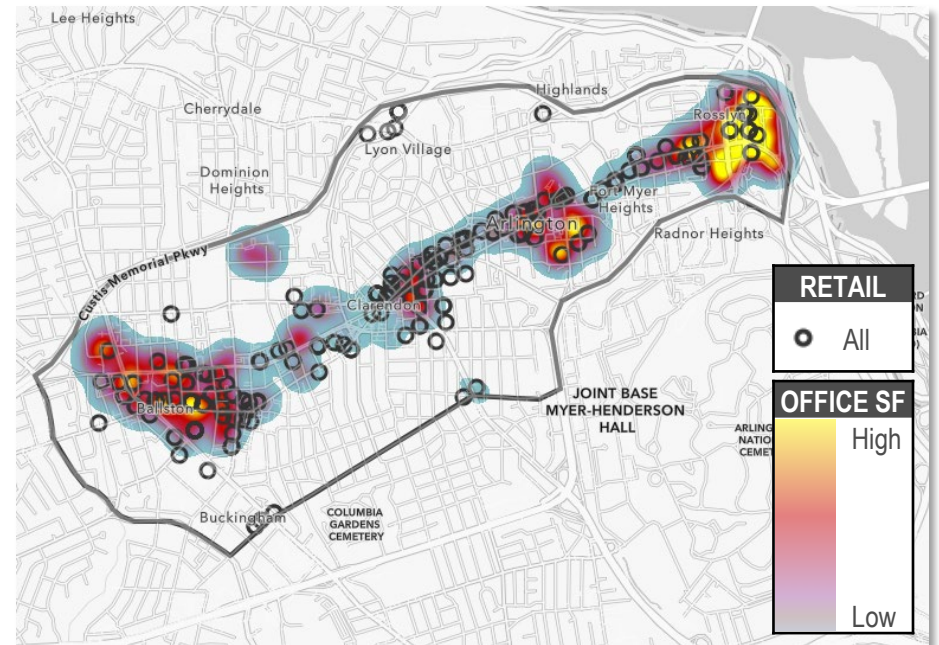
ROSSLYN-BALLSTON CORRIDOR

PROFESSIONAL AND BUSINESS SERVICES FIRMS ARE A DOMINANT PRESENCE ALONG THE ROSSLYN-BALLSTON CORRIDOR, OCCUPYING THE BULK OF NEW OFFICE PRODUCT

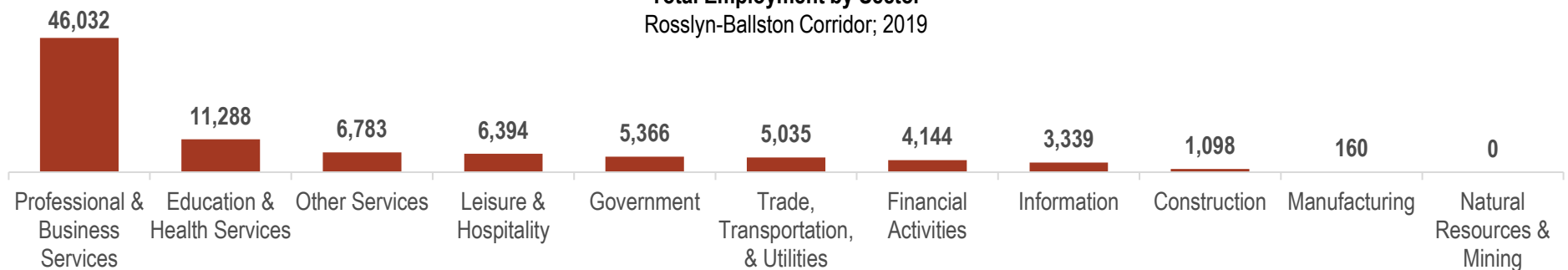
Office Inventory and Performance Summary
Rosslyn-Ballston Corridor; 2008-2023 YTD

| | BUILT 2000 OR LATER | ALL |
|---|---------------------|------------|
| CURRENT CHARACTERISTICS (2023 YTD) | | |
| Properties | 33 | 119 |
| Square Feet | 8,085,609 | 25,477,834 |
| Vacant Square Feet | 1,352,931 | 5,633,686 |
| Vacancy | 16.7% | 22.1% |
| SHORT-TERM TRENDS (2018-2022) | | |
| Avg. Rent Growth | -1.3% | -0.2% |
| Avg. Vacancy | 13.5% | 20.0% |
| Avg. Net Absorption | 193,978 | 29,590 |
| Avg. Gross Absorption | 590,584 | 1,650,062 |
| LONG-TERM TRENDS (2008-2022) | | |
| Avg. Rent Growth | 0.2% | 0.7% |
| Avg. Vacancy | 12.4% | 16.1% |
| Avg. Net Absorption | 200,059 | (15,620) |
| Avg. Gross Absorption | 502,743 | 1,634,972 |

Supply of Office and Neighborhood-Serving Retail
Rosslyn-Ballston Corridor; 2023 YTD



Total Employment by Sector
Rosslyn-Ballston Corridor; 2019



Note: Above table reflects data for properties over 25,000 square feet.
Retail includes grocery stores, restaurants, daycare centers, pharmacies, and gyms.

Source: CoStar; U.S. Census LEHD; RCLCO

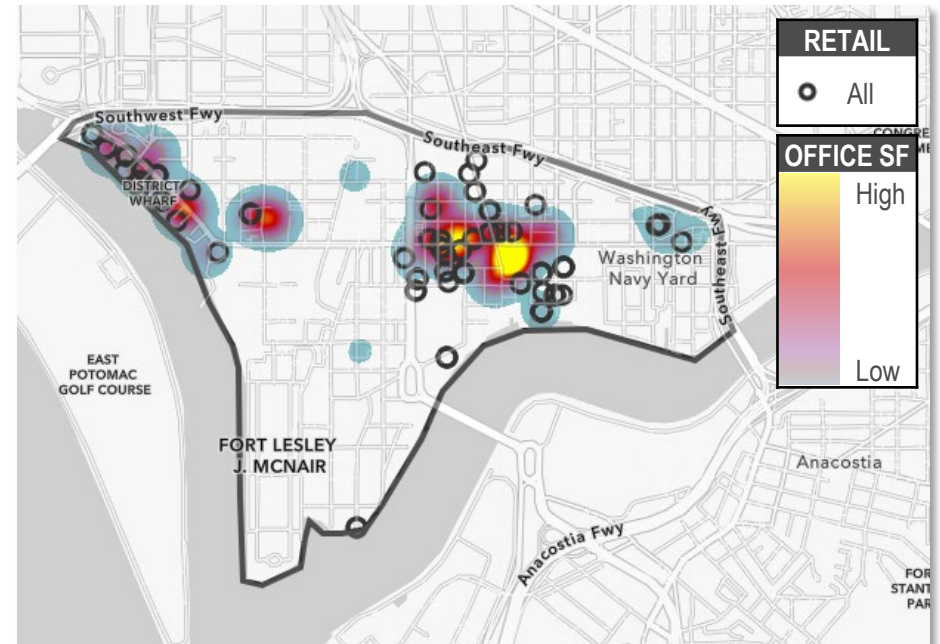
SOUTHWEST / CAPITOL RIVERFRONT

WHILE STILL EMERGING, THE SOUTHWEST / CAPITOL RIVERFRONT AREA HAS PROVEN HIGHLY COMPETITIVE, ATTRACTING A DIVERSE ARRAY OF FIRMS AND DEVELOPING A ROBUST SUPPLY OF EMPLOYEE- AND RESIDENT-SERVING AMENITIES

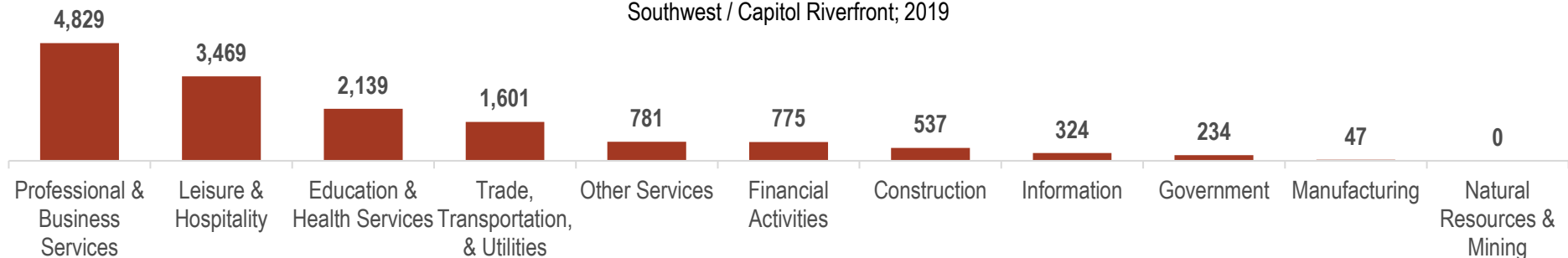
Office Inventory and Performance Summary
Southwest / Capitol Riverfront; 2008-2023 YTD

| | BUILT 2000 OR LATER | ALL |
|---|---------------------|-----------|
| CURRENT CHARACTERISTICS (2023 YTD) | | |
| Properties | 22 | 24 |
| Square Feet | 6,508,484 | 6,695,119 |
| Vacant Square Feet | 1,049,423 | 1,175,283 |
| Vacancy | 16.1% | 17.6% |
| SHORT-TERM TRENDS (2018-2022) | | |
| Avg. Rent Growth | 3.4% | 2.9% |
| Avg. Vacancy | 9.6% | 10.6% |
| Avg. Net Absorption | 206,126 | 181,672 |
| Avg. Gross Absorption | 447,041 | 448,450 |
| LONG-TERM TRENDS (2008-2022) | | |
| Avg. Rent Growth | 2.1% | 2.0% |
| Avg. Vacancy | 11.1% | 11.2% |
| Avg. Net Absorption | 204,228 | 195,837 |
| Avg. Gross Absorption | 324,178 | 327,767 |

Supply of Office and Neighborhood-Serving Retail
Southwest / Capitol Riverfront; 2023 YTD



Total Employment by Sector
Southwest / Capitol Riverfront; 2019



Note: Above table reflects data for properties over 25,000 square feet.
Retail includes grocery stores, restaurants, daycare centers, pharmacies, and gyms.

Source: CoStar; U.S. Census LEHD; RCLCO

TYSONS IS THE LARGEST SUBURBAN EMPLOYMENT NODE IN THE DC REGION IN TERMS OF PRIVATE SECTOR EMPLOYMENT, AND HAS RECENTLY DIVERSIFIED ITS MIX OF LAND USES WITH RESIDENTIAL OFFERINGS AND OTHER NEW DEVELOPMENTS

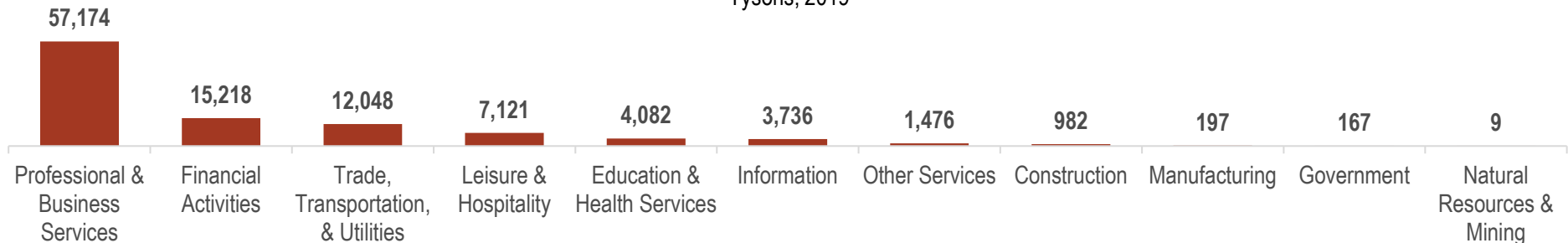
Office Inventory and Performance Summary
Tysons; 2008-2023 YTD

| | BUILT 2000 OR LATER | ALL |
|---|---------------------|------------|
| CURRENT CHARACTERISTICS (2023 YTD) | | |
| Properties | 28 | 129 |
| Square Feet | 9,309,543 | 26,755,818 |
| Vacant Square Feet | 1,278,232 | 5,616,878 |
| Vacancy | 13.7% | 21.0% |
| SHORT-TERM TRENDS (2018-2022) | | |
| Avg. Rent Growth | 0.5% | 1.1% |
| Avg. Vacancy | 9.5% | 16.2% |
| Avg. Net Absorption | 372,525 | 209,556 |
| Avg. Gross Absorption | 673,500 | 1,823,659 |
| LONG-TERM TRENDS (2008-2022) | | |
| Avg. Rent Growth | 1.2% | 1.0% |
| Avg. Vacancy | 10.7% | 16.0% |
| Avg. Net Absorption | 182,290 | 55,625 |
| Avg. Gross Absorption | 487,288 | 1,842,399 |

Supply of Office and Neighborhood-Serving Retail
Tysons; 2023 YTD



Total Employment by Sector
Tysons; 2019



Note: Above table reflects data for properties over 25,000 square feet.
Retail includes grocery stores, restaurants, daycare centers, pharmacies, and gyms.

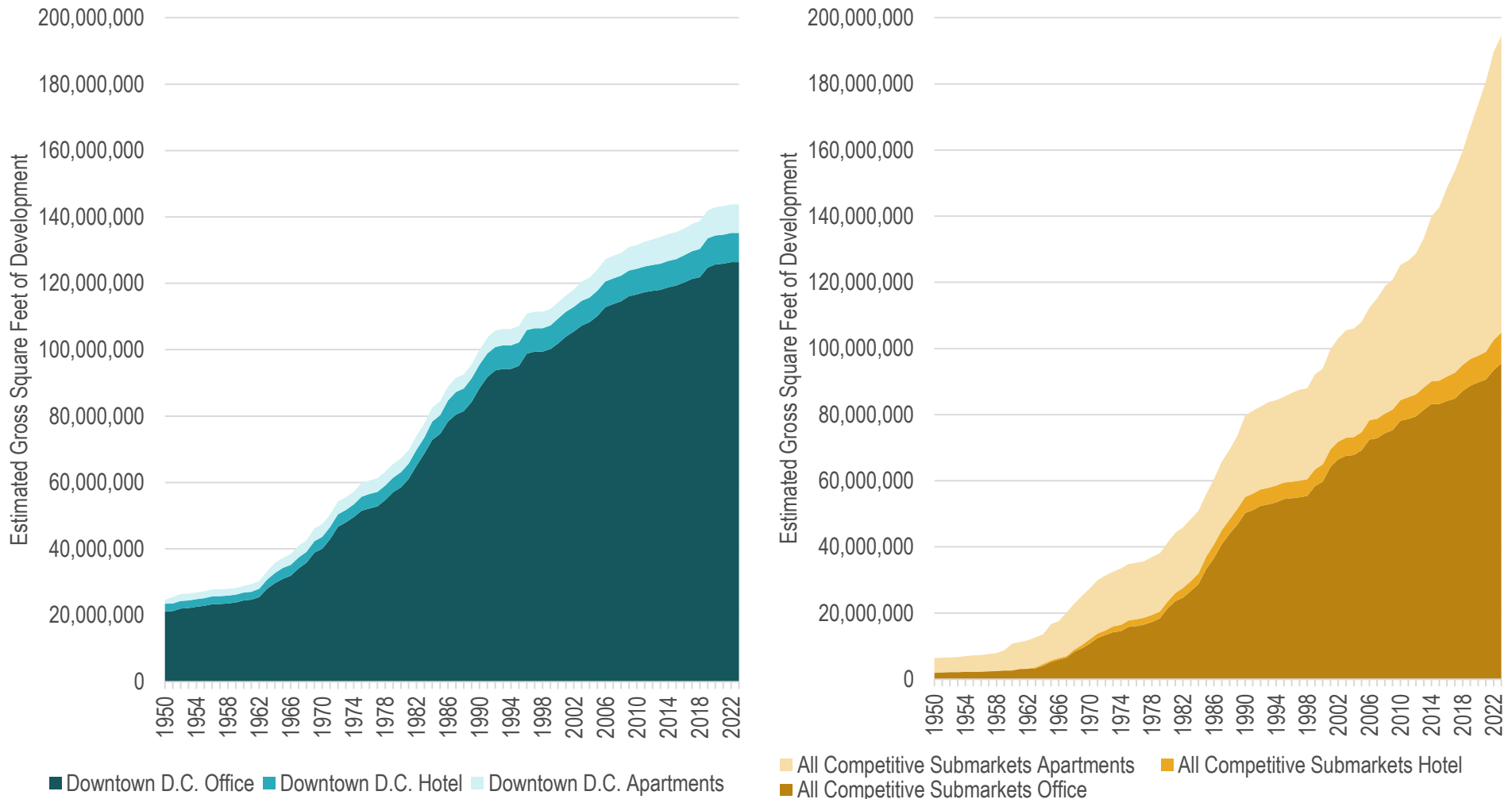
Source: CoStar; U.S. Census LEHD; RCLCO

COMPARISON OF DOWNTOWN TO COMPETITIVE SUBMARKETS

HISTORIC DEVELOPMENT TRENDS

AS OUTLYING SUBMARKETS HAVE BECOME MORE DESIRABLE PLACES TO LIVE AND WORK, THE BALANCE OF GROWTH HAS SHIFTED AWAY FROM DOWNTOWN D.C.—PARTICULARLY AS THESE COMPETITIVE SUBMARKETS HAVE LED WITH RESIDENTIAL

Cumulative Development by Year Built
Downtown D.C. vs. Regionally Competitive Submarkets; 1950-2023 YTD

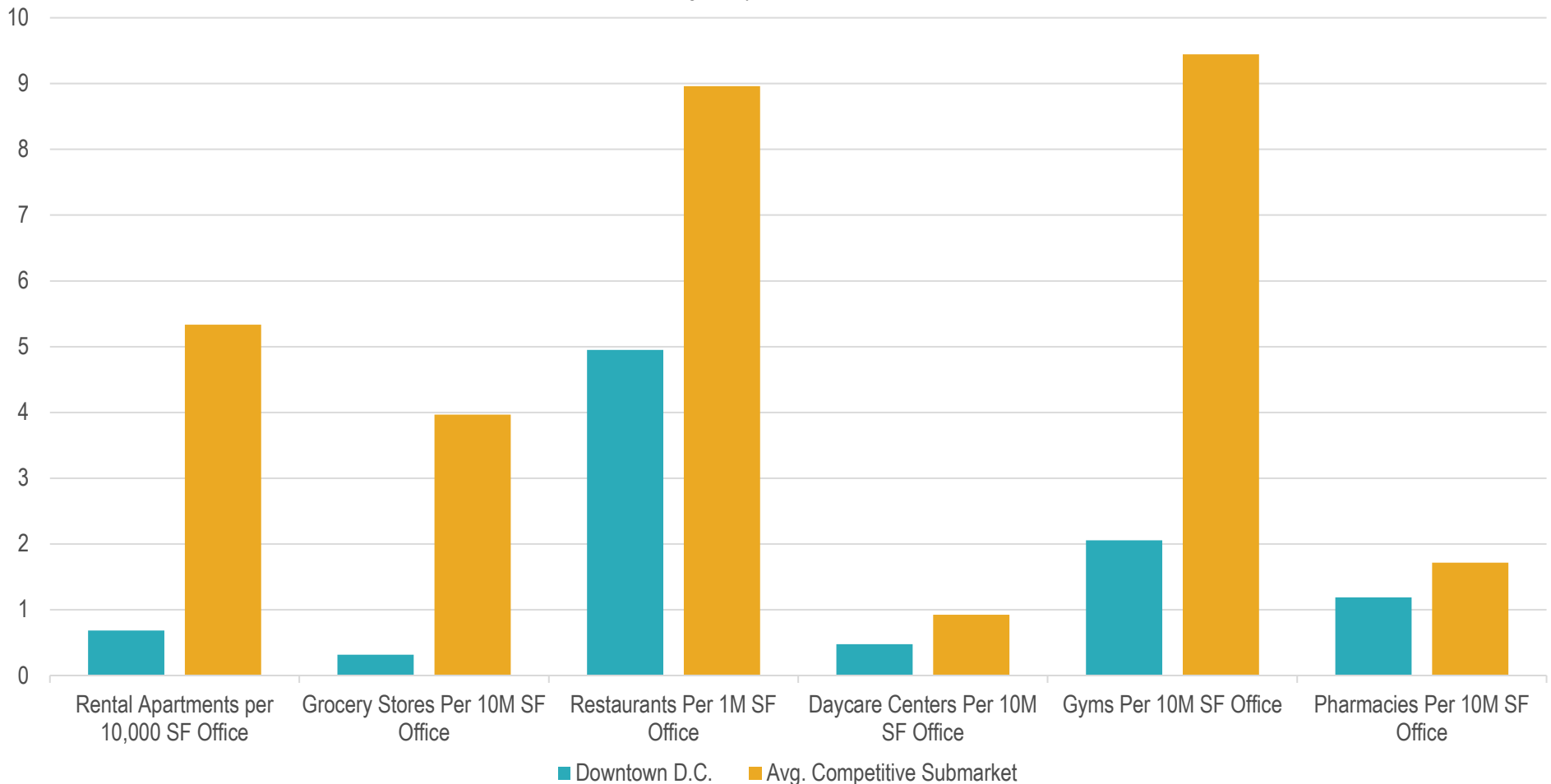


Note: Development totals based on buildings that are present today; does not include buildings that were torn down and subsequently replaced.

Source: CoStar; RCLCO

REGIONALLY COMPETITIVE SUBMARKETS HAVE MANAGED TO CREATE MORE WELL-BALANCED MIXES OF RESIDENTIAL AND COMMERCIAL USES, POSITIONING THEM AT AN ADVANTAGE TO DOWNTOWN D.C., WHICH “CAME OF AGE” WHEN THE OFFICE-CENTRIC MODEL OF DOWNTOWN AREAS WAS STILL DOMINANT

Alternate Commercial and Residential Uses Relative to Office Inventory
Downtown D.C. vs. Regionally Competitive Submarkets; 2023 YTD

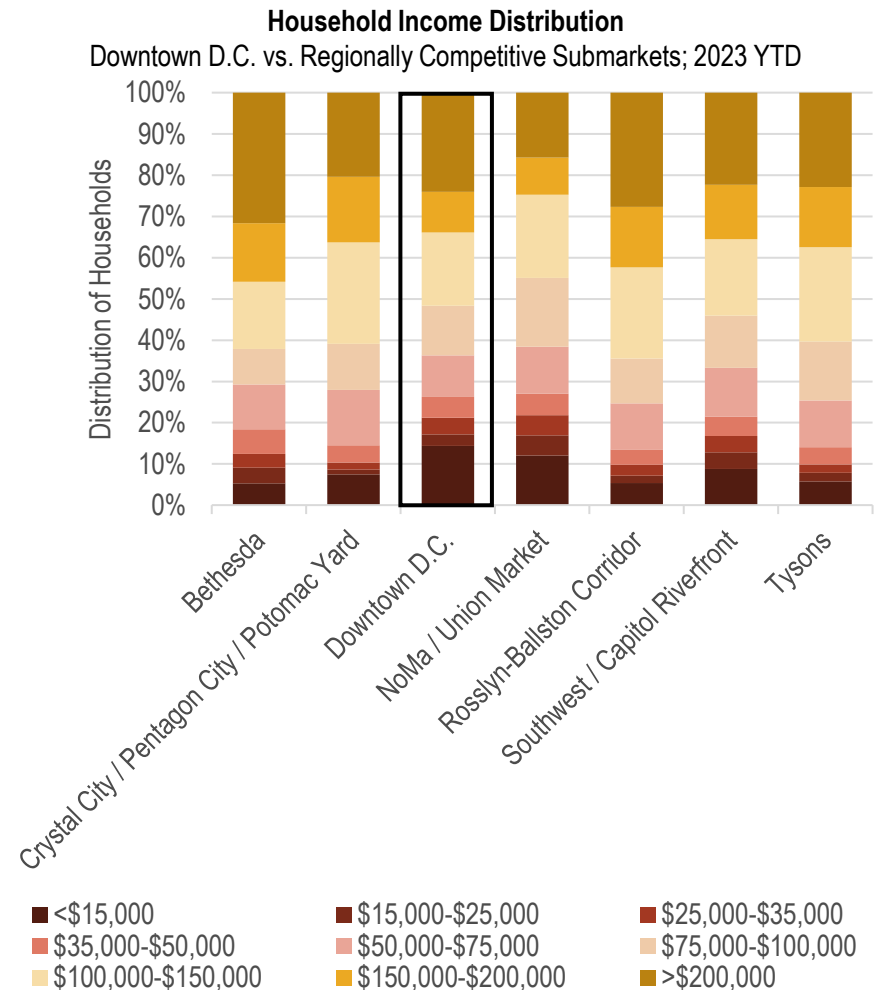
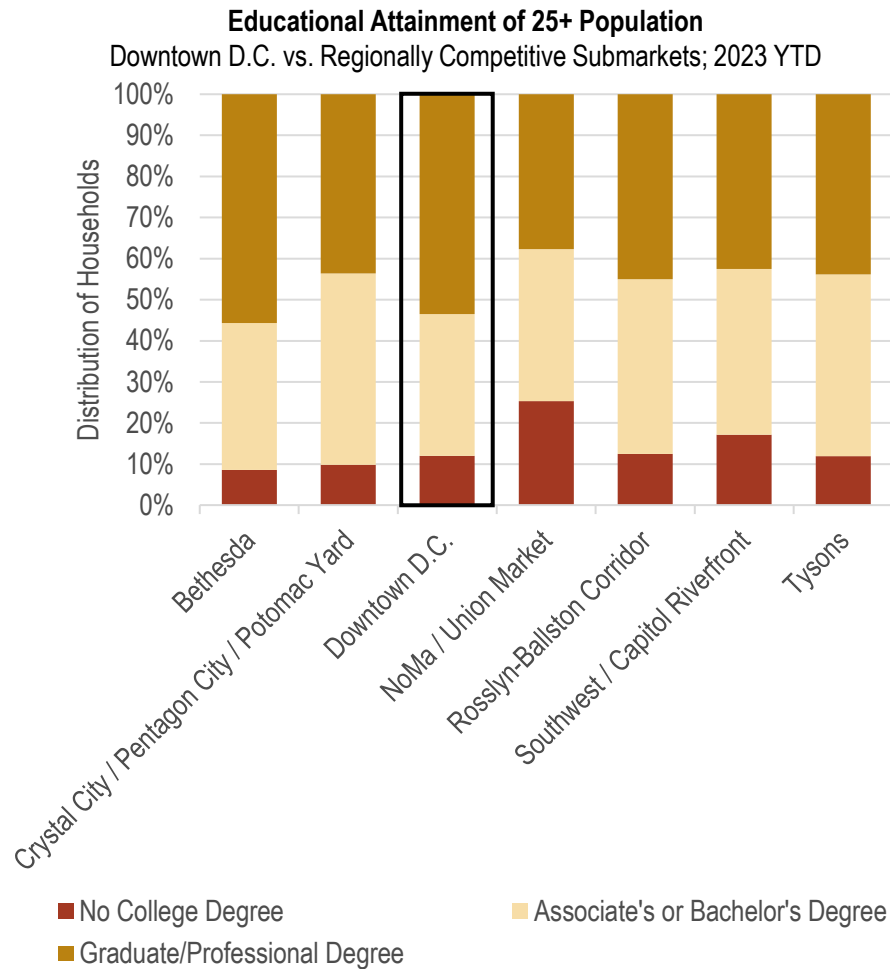


Source: CoStar; RCLCO

MIX OF USES

THIS COMPELLING MIX OF LAND USES HAS LURED YOUNG PROFESSIONALS TO THESE REGIONALLY COMPETITIVE SUBMARKETS—BUT PROXIMITY TO WORK HAS MOTIVATED SOME AFFLUENT PROFESSIONALS TO STAY DOWNTOWN

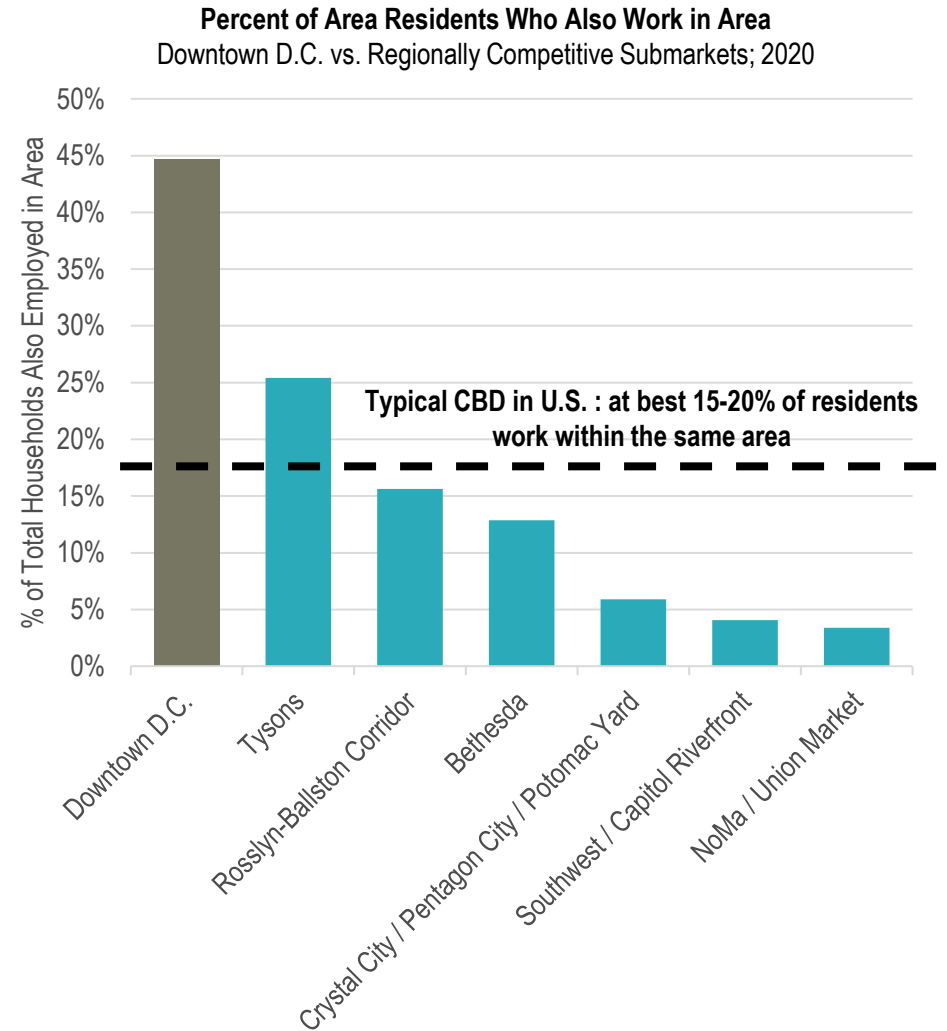
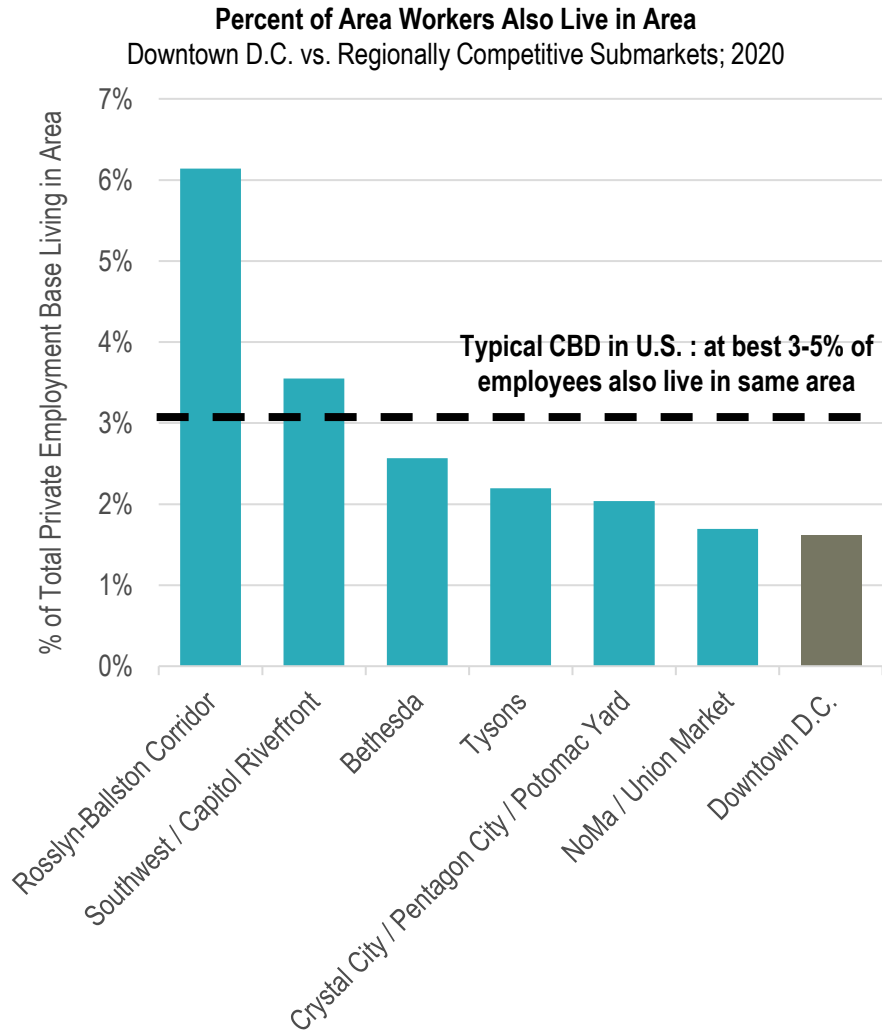
- ▶ While Downtown D.C. has managed to retain highly affluent and well-educated households, a large portion of whom also work in the area (see Page 18), households in the middle of the market (i.e., earning between \$50k and \$150k) are relatively scarce in Downtown D.C. compared to many of the regionally competitive submarkets.



Source: Esri; RCLCO

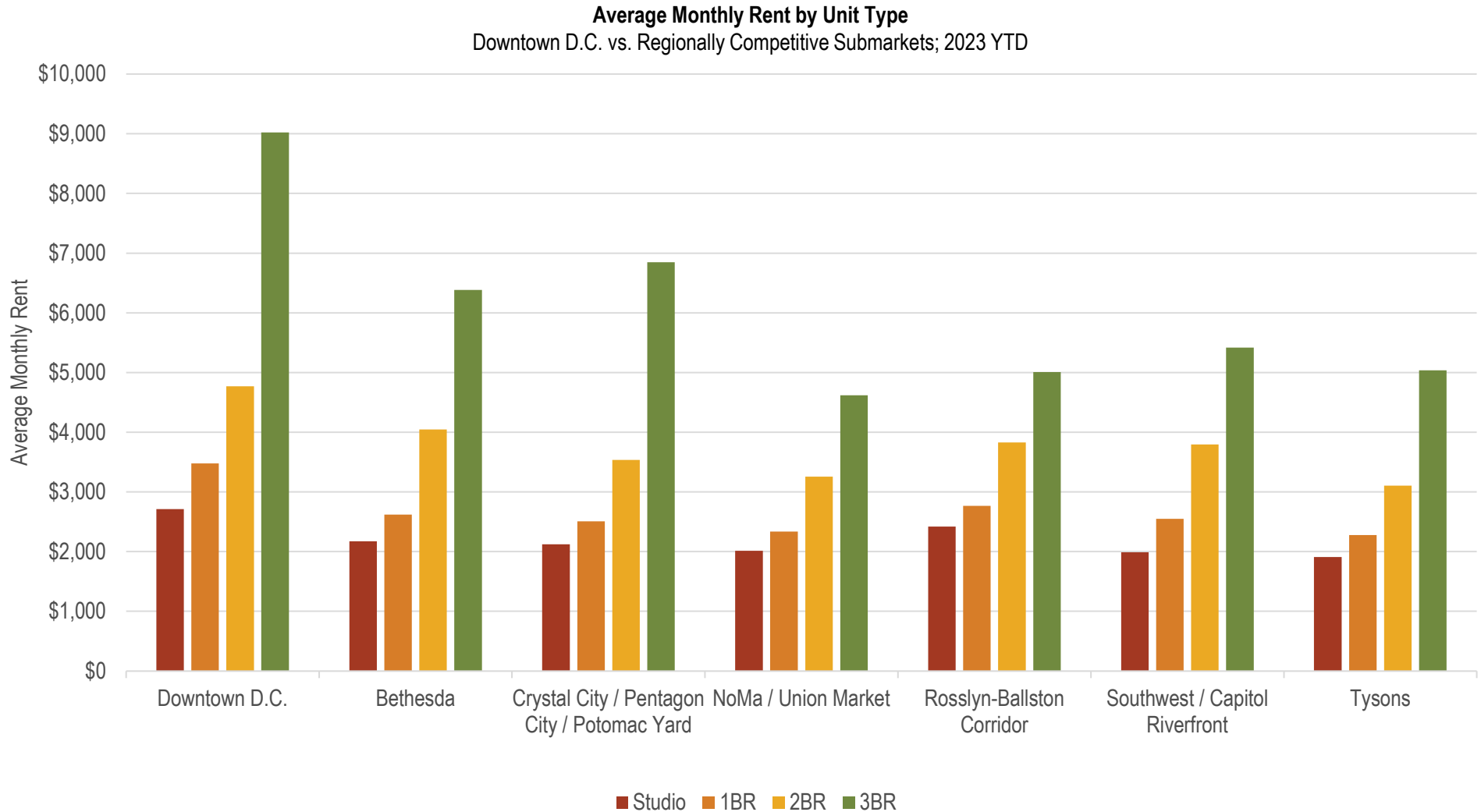
LIVE-WORK PATTERNS

TODAY, A SIGNIFICANT PORTION OF PEOPLE WHO LIVE IN DOWNTOWN D.C. ALSO WORK IN THE AREA, SUGGESTING THAT—RELATIVE TO OTHER COMPETITIVE SUBMARKETS—IT OFFERS NARROWER APPEAL FOR NON-DOWNTOWN EMPLOYEES



STILL, DOWNTOWN D.C. IS UNIQUE IN ITS LACK OF DIVERSE AND ATTAINABLE HOUSING OPTIONS

- ▶ The low share of Downtown D.C.'s employment base living in the area is driven in part by the lack of attainable rental housing options for a vast swath of the market—even households earning \$150,000 or more per year.



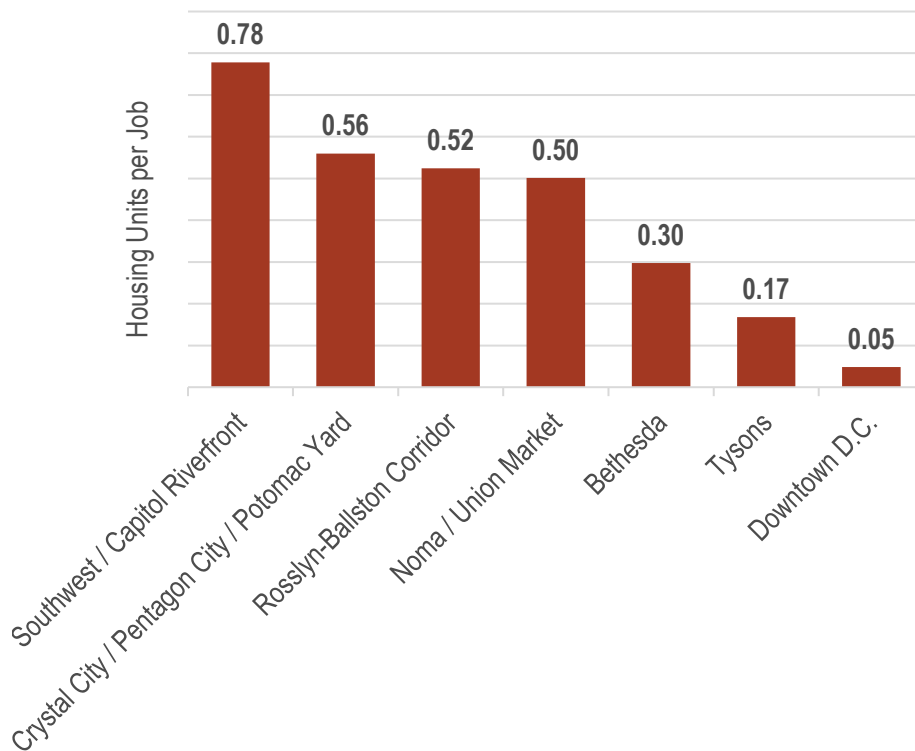
Source: CoStar; RCLCO

WHILE THE RELATIVE UNAFFORDABILITY OF DOWNTOWN D.C. IS IN PART ATTRIBUTABLE TO ITS UNRIVALED EMPLOYMENT BASE, IT IS ALSO FUNDAMENTALLY SUPPLY DRIVEN

- ▶ Emergent competitive submarkets (e.g. Southwest/Capitol Riverfront, Crystal City/Pentagon City/Potomac Yard) have drastically expanded their office inventories over the last two decades, but have also managed to grow their housing supply simultaneously, unlike Downtown D.C. As a result, Downtown D.C. suffers from a profound housing deficit relative to other competitive nodes throughout the region, particularly relative to the size of its employment base.
- » While it may be unlikely that Downtown D.C. will ever feature a similar units-per-job ratio as other submarkets in the region given the sheer amount of employment in the central business district, the mismatch highlights the pressures on its housing market; in Downtown D.C., people who wish to live near the locations in which they work face far greater competition to find housing units that enable them to do so, given that there is a larger pool of demand competing for a smaller amount of supply.

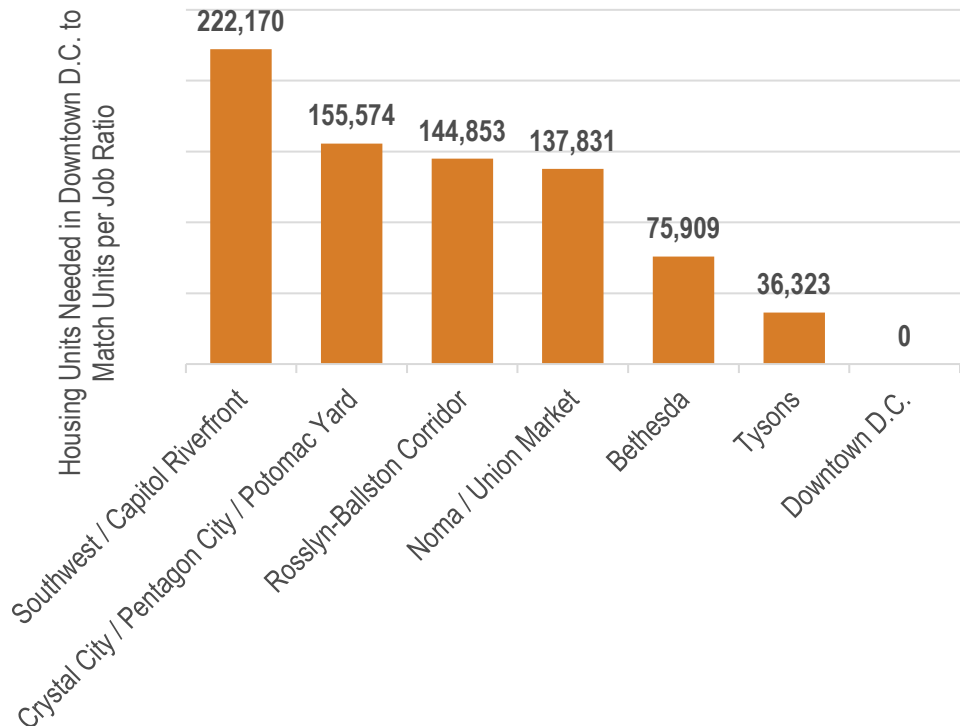
Housing Units Per Job

Downtown D.C. vs. Regionally Competitive Submarkets; 2023



Housing Units Needed in Downtown DC to Match Other Submarkets' Units Per Job Ratio

Downtown D.C. vs. Regionally Competitive Submarkets; 2023



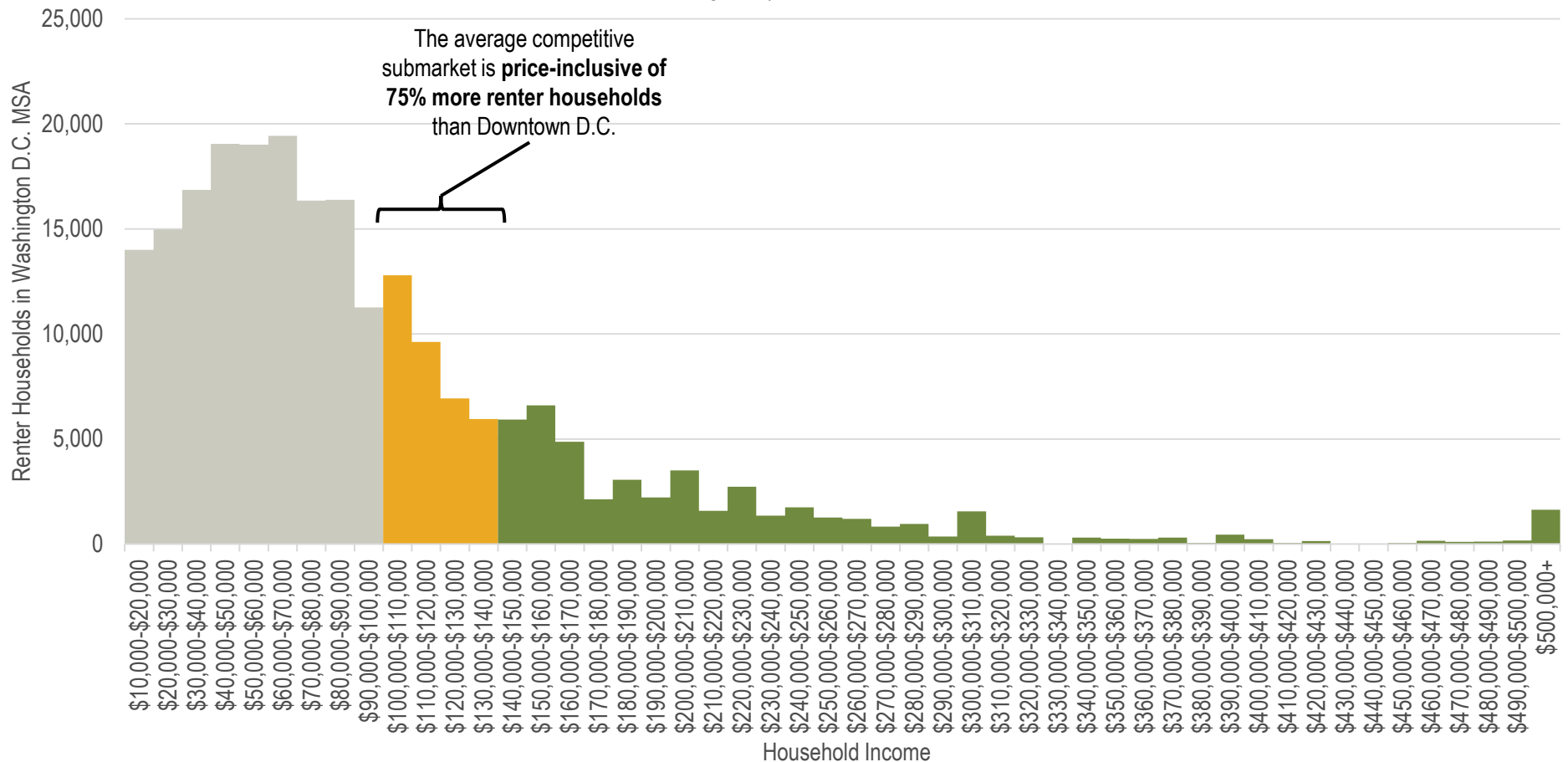
Source: Esri; RCLCO

HOUSEHOLD MARKET AUDIENCE

DOWNTOWN D.C.'S FUTURE COMPETITIVENESS WILL DEPEND ON ITS ABILITY TO HOUSE AND SERVE A BROADER RANGE OF HOUSEHOLDS IN THE D.C. REGION

- ▶ More than 15% of renter households actively on the market can afford to rent the average one-bedroom apartment in a regionally competitive submarket, but cannot afford to do so in Downtown D.C.

Ability of Renter Households in Turnover to Afford Existing Rental Supply
Downtown D.C. vs. Regionally Competitive Submarkets; 2023



■ Can't Afford 1BR in Avg. Competitive Submarket ■ Can Afford Avg. Competitive Submarket 1BR but not Downtown D.C. 1BR ■ Can Afford Downtown D.C. 1BR

Source: CoStar; ACS PUMS; RCLCO

REGIONAL COMPETITIVENESS ANALYSIS

COMPETITIVENESS SCORE METHODOLOGY

TO UNDERSTAND DOWNTOWN D.C.'S STRENGTHS AND WEAKNESSES COMPARED TO OTHER REGIONAL SUBMARKETS, RCLCO CONSTRUCTED A COMPETITIVENESS SCORE BASED ON A VARIETY OF RELEVANT INDICATORS

Variables Used to Determine RCLCO Competitiveness Score
Downtown D.C. vs. Regionally Competitive Submarkets; 2023

| Which submarkets have access to a young, upwardly mobile workforce? | |
|--|---------------|
| DEMOGRAPHIC COMPETITIVENESS | |
| Relevant Variable | Weight |
| Executive-Level Households Within 10-Minute Drive | 40.0% |
| Young Professional Population | 20.0% |
| Educational Attainment of Household Base | 20.0% |
| Daytime Population | 5.0% |
| Affordability of Studio Apartments to Active Renter Market | 5.0% |
| Affordability of 1BR Apartments to Active Renter Market | 5.0% |
| Affordability of 2BR Apartments to Active Renter Market | 5.0% |

| Which submarkets provide a safe environment for residents, employees, and visitors to live, work, and play? | |
|--|---------------|
| SAFETY | |
| Relevant Variable | Weight |
| Relative Safety on Measures of Property and Personal Crime | 100.0% |

| Which submarkets are the most accessible by bike, on foot, or via public transit? | |
|--|---------------|
| ACCESSIBILITY | |
| Relevant Variable | Weight |
| Multi-Modal Accessibility (Public Transportation, Walkability) | 100.0% |

| Which submarkets are sufficiently amenitized to support future growth? | |
|---|---------------|
| AMENITY BASE | |
| Relevant Variable | Weight |
| Grocery Stores for Employment Base | 20.0% |
| Restaurants for Employment Base | 20.0% |
| Gyms/Fitness for Employment Base | 20.0% |
| Daycare Centers for Employment Base | 15.0% |
| Pharmacies for Employment Base | 15.0% |
| Traditional Shopping for Employment Base | 10.0% |

| Where can prospective tenants lease suitable, high-quality office space for a reasonable cost? | |
|---|---------------|
| APPEAL OF OFFICE SPACE | |
| Relevant Variable | Weight |
| Average Base Rent for New Office Space (2023 YTD) | 50.0% |
| Proportion of Office Space Built Since 2000 | 25.0% |
| Total Office Space Built Since 2000 | 15.0% |
| Hotel Supply with Meeting/Event Space | 10.0% |

Source: Esri; CoStar; RCLCO

COMPETITIVENESS VARIABLES

DOWNTOWN D.C.'S PERFORMANCE ON THESE KEY INDICATORS VARIES RELATIVE TO THE COMPETITIVE SUBMARKETS

Performance on Variables Used to Determine RCLCO Competitiveness Score
Downtown D.C. vs. Regionally Competitive Submarkets; 2023

| VARIABLE | SPECIFIC MEASURE | DOWNTOWN D.C. | BETHESDA | CRYSTAL CITY / PENTAGON CITY / POTOMAC YARDS | NOMA / UNION MARKET | ROSSLYN-BALLSTON CORRIDOR | SOUTHWEST / CAPITOL RIVERFRONT | TYSONS |
|---|---|---------------|-----------|--|---------------------|---------------------------|--------------------------------|-----------|
| DEMOGRAPHIC COMPETITIVENESS | | | | | | | | |
| Executive-Level Households | % Households Earning >\$200k Within 10-Minute Drive | 26.7% | 39.6% | 25.0% | 25.4% | 27.9% | 22.3% | 37.4% |
| Young Professional Population | % of Population Aged 25-34 | 29.1% | 19.7% | 32.9% | 25.2% | 37.3% | 27.6% | 23.7% |
| Educational Attainment of Household Base | % of Population 25+ with Bachelor's Degree or More | 88.0% | 91.4% | 90.1% | 74.6% | 87.5% | 82.9% | 88.1% |
| Daytime Population | Daytime Population | 371,756 | 53,590 | 50,645 | 36,181 | 124,443 | 48,394 | 89,188 |
| Affordability of Studios | % of Active Renter HHs in Region Can Afford Average Studio at 30% RTI Ratio | 24.5% | 35.2% | 37.1% | 39.2% | 30.0% | 41.5% | 42.2% |
| Affordability of 1BRs | % of Active Renter HHs in Region Can Afford Average 1BR at 30% RTI Ratio | 16.8% | 26.2% | 27.1% | 31.8% | 23.3% | 27.1% | 32.4% |
| Affordability of 2BRs | % of Active Renter HHs in Region Can Afford Average 2BR at 30% RTI Ratio | 13.2% | 19.0% | 25.3% | 29.1% | 21.7% | 22.4% | 31.2% |
| APPEAL OF OFFICE SPACE | | | | | | | | |
| Average Base Rent for New Office Space | Average Base Rent for Office Space Built Since 2000 | \$56.57 | \$33.98 | \$42.66 | \$52.42 | \$40.67 | \$61.07 | \$52.54 |
| Proportion of Office Space Built Since 2000 | % of Office Inventory Built Since 2000 | 24.3% | 31.7% | 28.1% | 59.9% | 31.7% | 97.2% | 34.8% |
| Total Office Space Built Since 2000 | Total Office Space (Square Feet) Built Since 2000 | 26,089,469 | 3,216,294 | 4,451,953 | 5,568,326 | 8,085,609 | 6,508,484 | 9,309,543 |
| Hotel Supply with Meeting/Event Space | Hotel Rooms in Hotels with Meeting/Event Space per 100k Square Feet Office | 38 | 30 | 81 | 25 | 22 | 33 | 16 |
| AMENITY BASE | | | | | | | | |
| Grocery Stores for Employment Base | Grocery Stores per 1M Square Feet Office Space | 0.03 | 0.65 | 0.39 | 0.44 | 0.31 | 0.44 | 0.15 |
| Restaurants for Employment Base | Restaurants per 1M Square Feet Office Space | 4.95 | 12.60 | 6.90 | 8.22 | 8.26 | 12.51 | 5.27 |
| Gyms/Fitness for Employment Base | Gyms/Fitness per 1M Square Feet Office Space | 0.21 | 1.87 | 0.65 | 0.66 | 1.28 | 0.74 | 0.48 |
| Daycare Centers for Employment Base | Daycare Centers per 1M Square Feet Office Space | 0.05 | 0.00 | 0.06 | 0.00 | 0.19 | 0.29 | 0.00 |
| Pharmacies for Employment Base | Pharmacies per 1M Square Feet Office Space | 0.12 | 0.19 | 0.32 | 0.11 | 0.12 | 0.29 | 0.00 |
| Traditional Shopping for Employment Base | Traditional Shopping per 1M Square Feet Office Space | 0.74 | 3.08 | 7.25 | 0.71 | 1.17 | 1.22 | 6.69 |
| SAFETY | | | | | | | | |
| Relative Safety | Total Crime Index (Esri) | 349 | 218 | 217 | 836 | 177 | 298 | 187 |
| ACCESSIBILITY | | | | | | | | |
| Multi-Modal Accessibility | % of Workers Bike, Walk, or Take Public Transportation to Work (2021) | 77.5% | 45.0% | 51.0% | 70.2% | 51.6% | 59.9% | 18.1% |

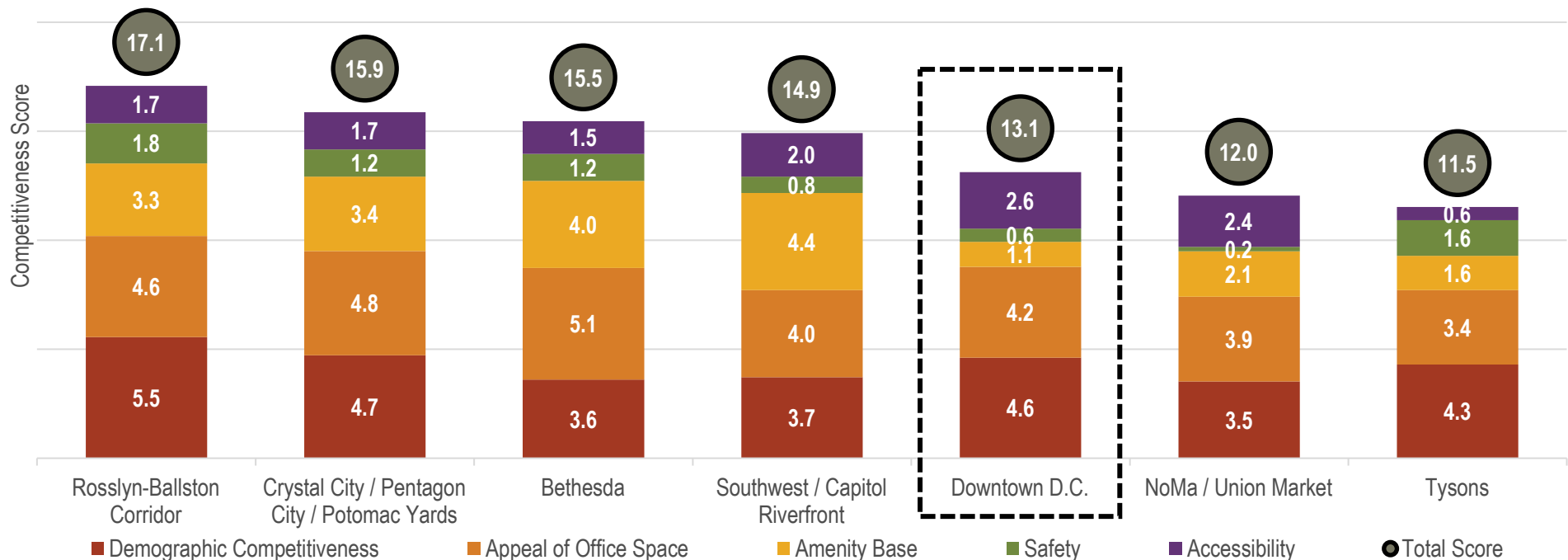
Source: Esri; CoStar; RCLCO

COMPETITIVENESS SCORE

WHILE DOWNTOWN D.C. IS COMPETITIVE IN TERMS OF ITS DEMOGRAPHICS AND ACCESSIBILITY, ITS PRINCIPAL WEAKNESS IS ITS LACK OF NEIGHBORHOOD-SERVING AMENITY BASE RELATIVE TO ITS OFFICE SUPPLY

- ▶ Using the variables listed on Page 23, RCLCO constructed a weighted competitiveness score, assigning a relative importance multiplier to each category (ranging from 30.0 for demographic competitiveness and appeal of office space to 7.5 for safety) to produce a score in each relevant category and a total competitiveness score.
- ▶ The submarkets containing a range of amenities, newer and better-positioned office space, and a sizable base of high-earning young professionals emerged as the most competitive submarkets. Rosslyn-Ballston Corridor, Crystal City / Pentagon City / Potomac Yard, and Bethesda were top performers. In general, the primary factors limiting the competitiveness of Downtown D.C. relative to these other submarkets were its amenity base, followed by safety.

RCLCO Competitiveness Score
Downtown D.C. vs. Regionally Competitive Submarkets; 2023



Source: RCLCO

DISCLAIMERS

CRITICAL ASSUMPTIONS

Our conclusions are based on our analysis of the information available from our own sources and from the client as of the date of this report. We assume that the information is correct, complete, and reliable.

We made certain assumptions about the future performance of the global, national, and local economy and real estate market, and on other factors similarly outside either our control or that of the client. We analyzed trends and the information available to us in drawing these conclusions. However, given the fluid and dynamic nature of the economy and real estate markets, as well as the uncertainty surrounding particularly the near-term future, it is critical to monitor the economy and markets continuously and to revisit the aforementioned conclusions periodically to ensure that they are reflective of changing market conditions.

We assume that the economy and real estate markets will experience a period of slower growth in the next 12 to 24 months, and then return to a stable and moderate rate in 2025 and beyond. However, stable and moderate growth patterns are historically not sustainable over extended periods of time, the economy is cyclical, and real estate markets are typically highly sensitive to business cycles. Further, it is very difficult to predict when inflection points in economic and real cycles will occur.

With the above in mind, we assume that the long-term average absorption rates and price changes will be as projected, realizing that most of the time performance will be either above or below said average rates.

Our analysis does not consider the potential impact of future economic shocks on the national and/or local economy, and does not consider the potential benefits from major "booms" that may occur. Similarly, the analysis does not reflect the residual impact on the real estate market and the competitive environment of such a shock or boom. Also, it is important to note that it is difficult to predict changing consumer and market psychology.

As such, we recommend the close monitoring of the economy and the marketplace, and updating this analysis as appropriate.

Further, the project and investment economics should be "stress tested" to ensure that potential fluctuations in revenue and cost assumptions resulting from alternative scenarios regarding the economy and real estate market conditions will not cause failure.

In addition, we assume that the following will occur in accordance with current expectations:

- ▶ Economic, employment, and household growth
- ▶ Other forecasts of trends and demographic and economic patterns, including consumer confidence levels
- ▶ The cost of development and construction
- ▶ Tax laws (i.e., property and income tax rates, deductibility of mortgage interest, and so forth)
- ▶ Availability and cost of capital and mortgage financing for real estate developers, owners and buyers
- ▶ Competitive projects will be developed as planned (active and future) and that a reasonable stream of supply offerings will satisfy real estate demand
- ▶ Major public works projects occur and are completed as planned

Should any of the above change, this analysis should be updated, with the conclusions reviewed accordingly (and possibly revised).

GENERAL LIMITING CONDITIONS

Reasonable efforts have been made to ensure that the data contained in this study reflect accurate and timely information and are believed to be reliable. This study is based on estimates, assumptions, and other information developed by RCLCO from its independent research effort, general knowledge of the industry, and consultations with the client and its representatives. No responsibility is assumed for inaccuracies in reporting by the client, its agent, and representatives or in any other data source used in preparing or presenting this study. This report is based on information that to our knowledge was current as of the date of this report, and RCLCO has not undertaken any update of its research effort since such date.

Our report may contain prospective financial information, estimates, or opinions that represent our view of reasonable expectations at a particular time, but such information, estimates, or opinions are not offered as predictions or assurances that a particular level of income or profit will be achieved, that particular events will occur, or that a particular price will be offered or accepted. Actual results achieved during the period covered by our prospective financial analysis may vary from those described in our report, and the variations may be material. Therefore, no warranty or representation is made by RCLCO that any of the projected values or results contained in this study will be achieved.

Possession of this study does not carry with it the right of publication thereof or to use the name of "Robert Charles Lesser & Co." or "RCLCO" in any manner without first obtaining the prior written consent of RCLCO. No abstracting, excerpting, or summarization of this study may be made without first obtaining the prior written consent of RCLCO. This report is not to be used in conjunction with any public or private offering of securities or other similar purpose where it may be relied upon to any degree by any person other than the client without first obtaining the prior written consent of RCLCO. This study may not be used for any purpose other than that for which it is prepared or for which prior written consent has first been obtained from RCLCO.





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