



The Future of Work *Just Got Upgraded*

CBRE

FLIGHT TO EXPERIENCE TRENDS IN THE DISTRICT | NOVEMBER 2023

Agenda

- 01 Competition remains stronger for new and renovated properties in prime locations.
- 02 Occupiers trade quantity of space for quality.
- 03 Best-in-class, amenity-rich buildings in prime, vibrant locations outperform the market.
- 04 Enhanced work environments magnetize the workspace and encourage collaboration.



As decision-makers look to enhance employees' office experience, they seek top quality building attributes and neighborhood character. This includes flexible office space, connected technologies and amenities surrounded by transit and abundant retail.

Washington, D.C.

The Landscape of Quality

Trophy

TROPHY BUILDINGS IN D.C.

47

TROPHY SF IN D.C.

14.2M SF

TROPHY VACANT SF

1.7M

TROPHY CONSTRUCTION
PIPELINE SF

716,092 SF

Class A+

CLASS A+ BUILDINGS IN D.C.

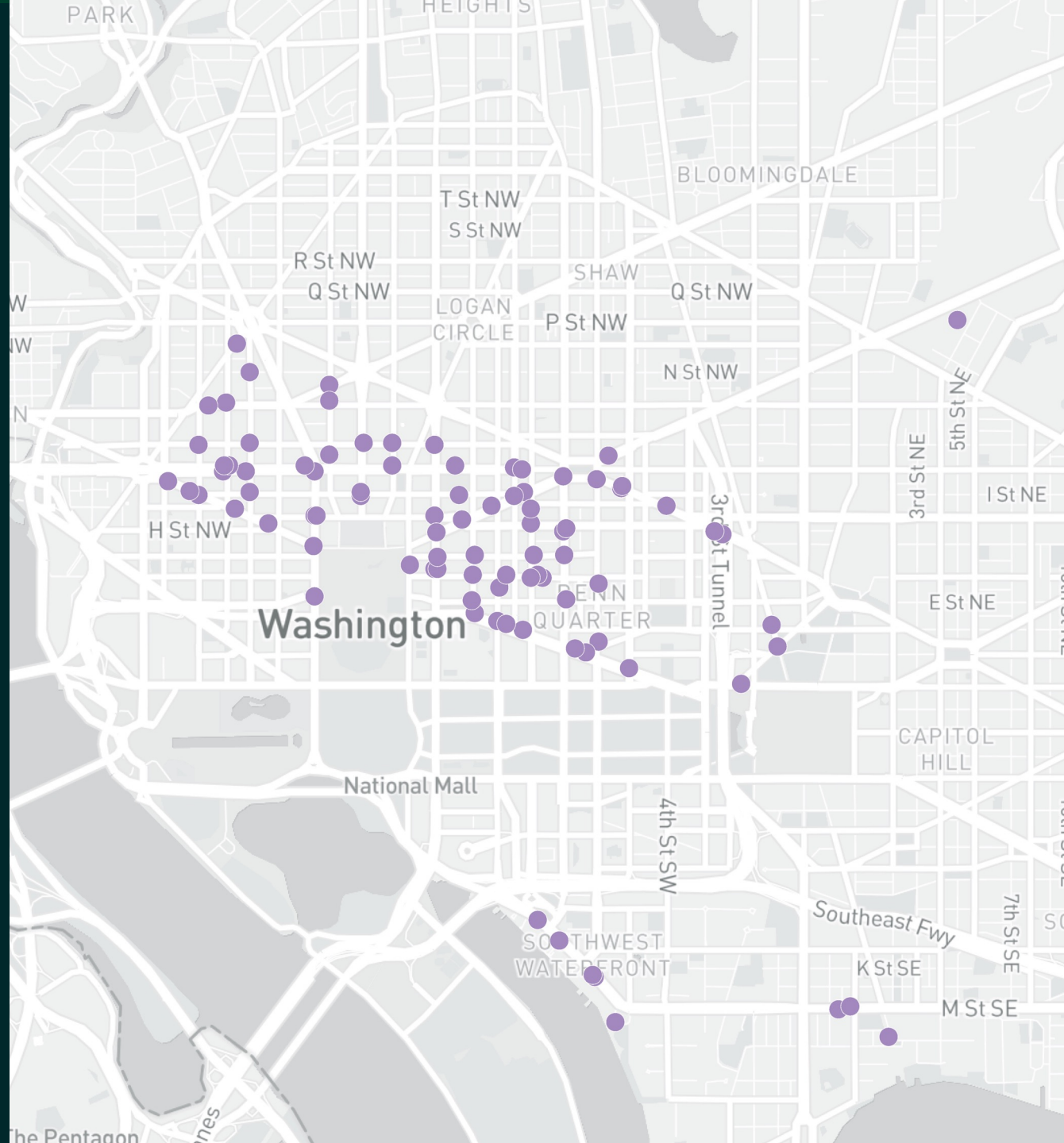
44

CLASS A+ SF IN D.C.

13.7M SF

CLASS A+ VACANT SF

3.4M



Trophy Checklist

Buildings that achieved \$50 NNN rents



Exceptional Views



Retail-Heavy Surroundings



Continuous Full Height Windows (i.e. Curtainwall)



High Quality Tenant Roster



Superior Amenities



VAV or DOAS HVAC



Architectural Design/Aesthetic Attributes



X Factor



Prestigious and Central Location



Ample Parking



Proximity to Convenient Services



ESG Impact



Metro Proximate



Class A+ Checklist

Buildings in the top 25% of taking rents



Metro Proximate



Fitness Center



Renovated Lobby



Rooftop



Conferencing Center



Tenant Lounge



Retail-Heavy Surroundings



Proximity to Convenient Services



Top 25% of Asking & Taking Rents

Demand Has Shifted to the Top of the Market

77%

of tenants who relocated during the COVID-19 pandemic upgraded their space by class (81% by SF)

80%

of tenants who relocated went to a building built or renovated in the last 5 years (85% by SF)

*Based on private sector relocation leases +20,000 SF signed between 7/1/2020 - 9/30/2023

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Activity in The Market:

65

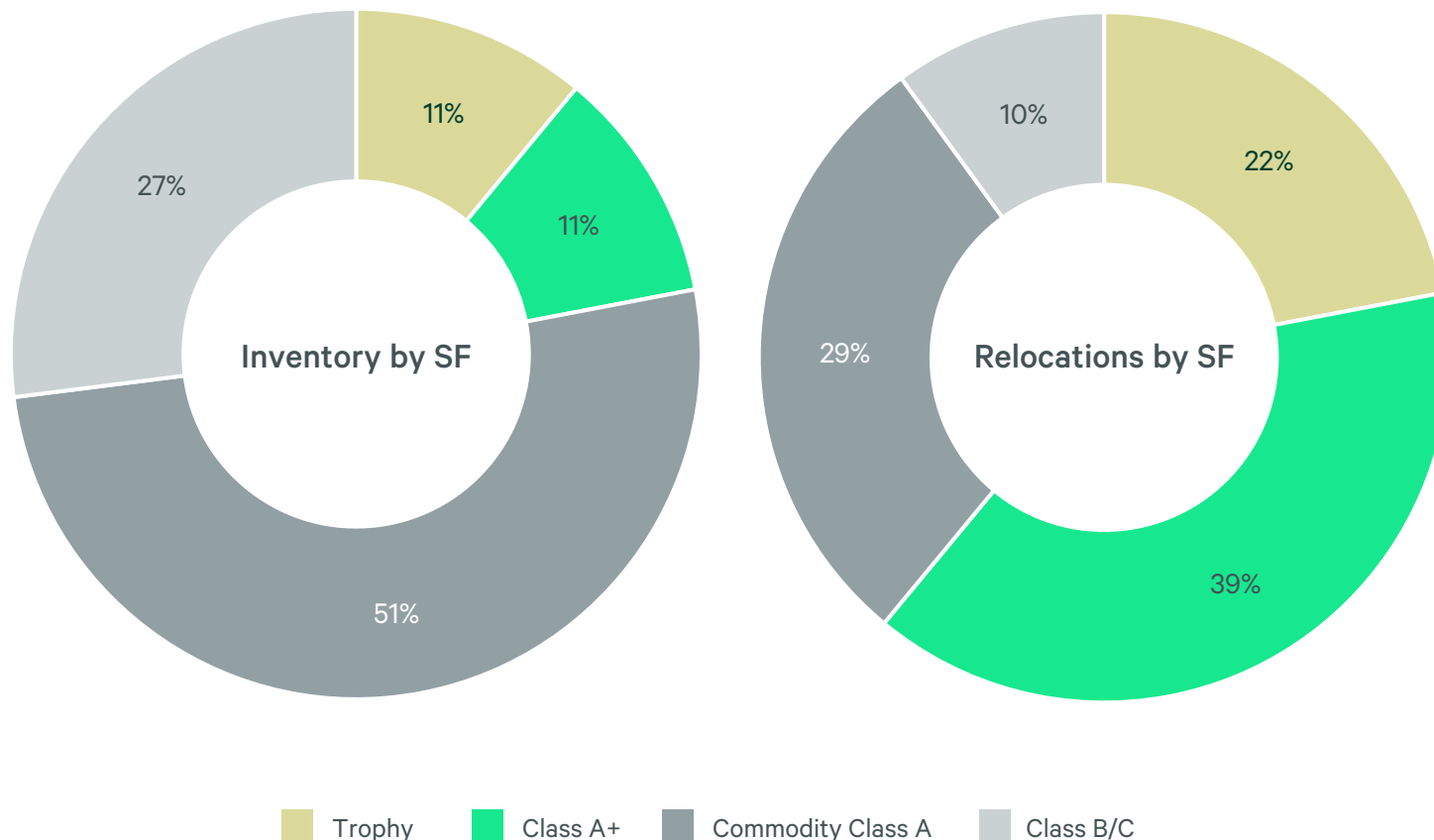
large occupiers in Washington, D.C. relocated their office in more than **3M SF** of transactions

Nonprofit & Law Firms

leased the largest share of space totaling **2.3M SF** between July 2020 and September 2023

*Based on private sector relocation leases +20,000 SF signed between 7/1/2020 - 9/30/2023

Flight to Experience in The District



Trophy and Class A+ buildings captured a disproportionate share of demand

TROPHY

11% of inventory and
22% of relocation demand

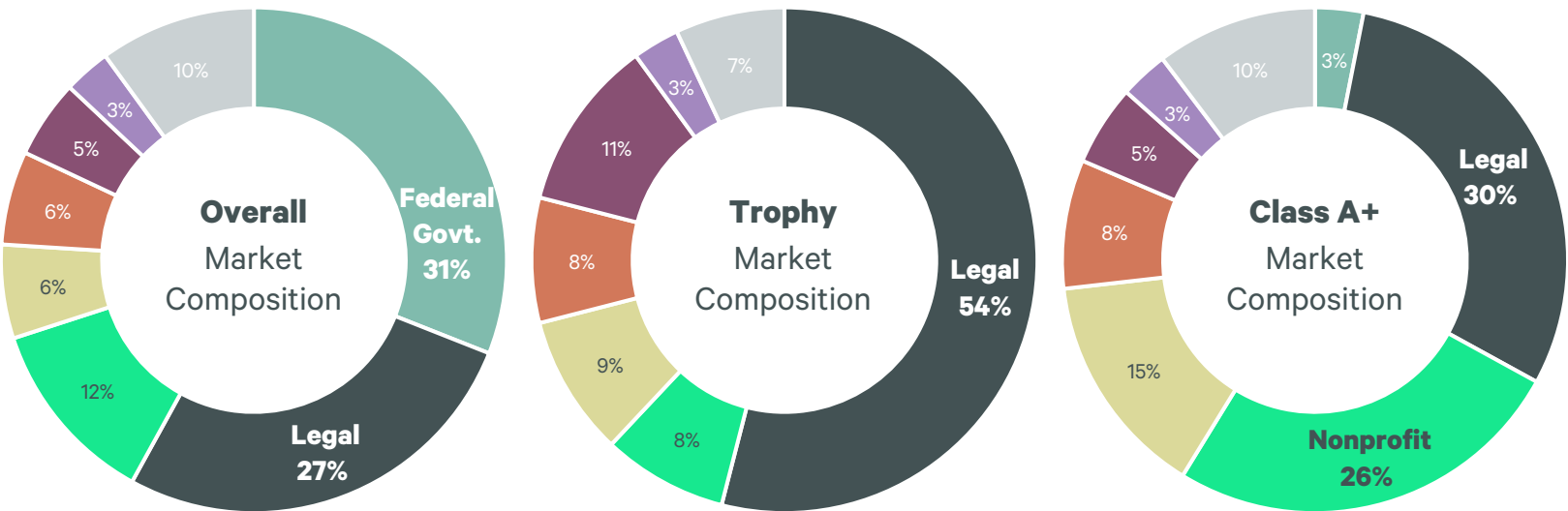
CLASS A+

11% of inventory and
39% of relocation demand

Analysis based on private sector relocation leases
+10,000 SF signed between 1/1/2020 - 9/30/2023

Occupancy Varies by Building Type

Tenant Composition by Building Class



Segments **bolded** in pie charts above highlight dominant sectors in each property type



76%

of Am Law 100 transactions signed since January 2022 have been in Trophy or Class A+ space

75%

of Fortune 150 transactions signed since January 2022 have been in Trophy or Class A+ space

Strong Leasing Demand for New Trophy Space in the District

Legal

Gibson, Dunn & Crutcher LLP	Kirkland & Ellis LLP
Crowell & Moring LLP	Baker Botts LLP
Williams & Connolly LLP	Axinn Veltrop & Harkrider LLP
Morrison Foerster	Winston & Strawn LLP
Cleary Gottlieb Stein & Hamilton LLP	Paul Hastings LLP
Akin Gump Strauss Hauser & Feld LLP	Davis Polk & Wardwell LLP
WilmerHale	Orrick Herrington & Sutcliffe LLP
Arnall Golden Gregory LLP	Kelley Drye & Warren LLP
Wiley Rein LLP	

Financial, Business Services & Tech

UBS	Smithbucklin
Fannie Mae	Rebellion Defense, Inc.
United Healthcare	CBRE
Bates White	Ryan, LLC
Accenture	Federal Agricultural Mortgage Corporation
PricewaterhouseCoopers	Cornerstone Research
Royal Bank of Canada	Calvert Research and Management
National Economic Research Associates, Inc.	Trammell
Apple Inc.	

Nonprofit & Trade Associations

National Music Publishers Association
The Washington Institute
PhRMA
AdvaMed
Information Technology Industry Council
Managed Funds Association
Motion Picture Association, Inc.
American Chemistry Council, Inc.

5.5 MSF

Executed Leases for
2018-2026 Trophy Deliveries

Trophy vs. Class A+ Rent Dynamic



Rent Analysis Trophy

AVG. ASKING RENT

\$86.13 FSG

AVG. BASE TAKING RENT

\$85.41 FSG

AVG. TIA*

\$142.43

AVG. ABATEMENT

19.49 MOS

AVG. NET EFFECTIVE RENT

\$76.00 FSG

*Concessions normalized for
12-year (144-month) term.
All stats weighted by sq. ft.



Rent Analysis Class A+

AVG. ASKING RENT

\$71.73 FSG

AVG. BASE TAKING RENT

\$69.64 FSG

AVG. TIA*

\$151.85

AVG. ABATEMENT

22.1 MOS

AVG. NET EFFECTIVE RENT

\$58.32 FSG

*Concessions normalized for
12-year (144-month) term.
All stats weighted by sq. ft.

Premium for Quality

72%

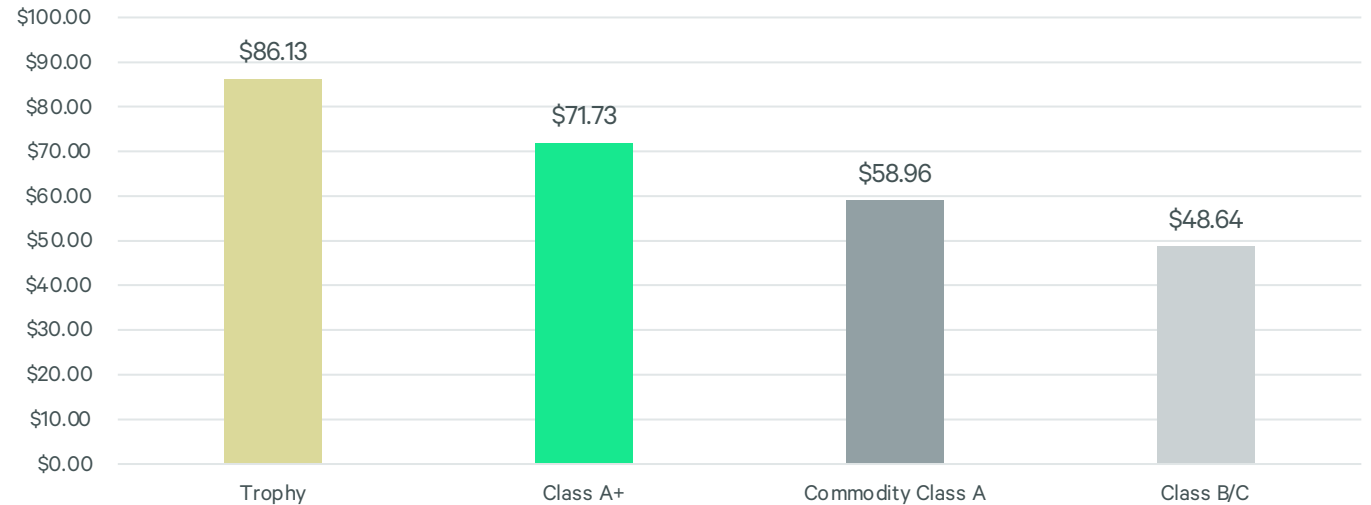
of all relocations were to buildings with asking rates in the top **25%** of all properties in Washington, D.C.

38%

of all relocations were to buildings with asking rates in the top **10%** of all properties in Washington, D.C.

Based on private sector relocation leases +20,000 SF signed between 7/1/2020 - 9/30/2023

Asking Rent by Class



Taking Rent by Class



Quality Over Quantity

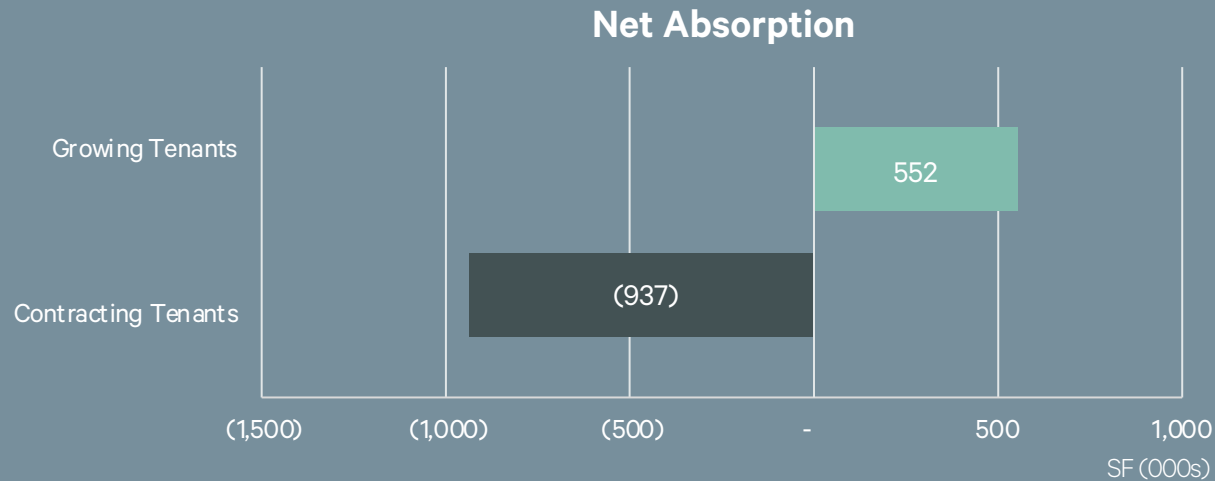
Improving Building Quality May Result in Less Space and Net Savings

51%

of tenants who upgraded their space from July 2020–September 2023 reduced their office footprint

32%

average reduction in footprint size for contracting tenants

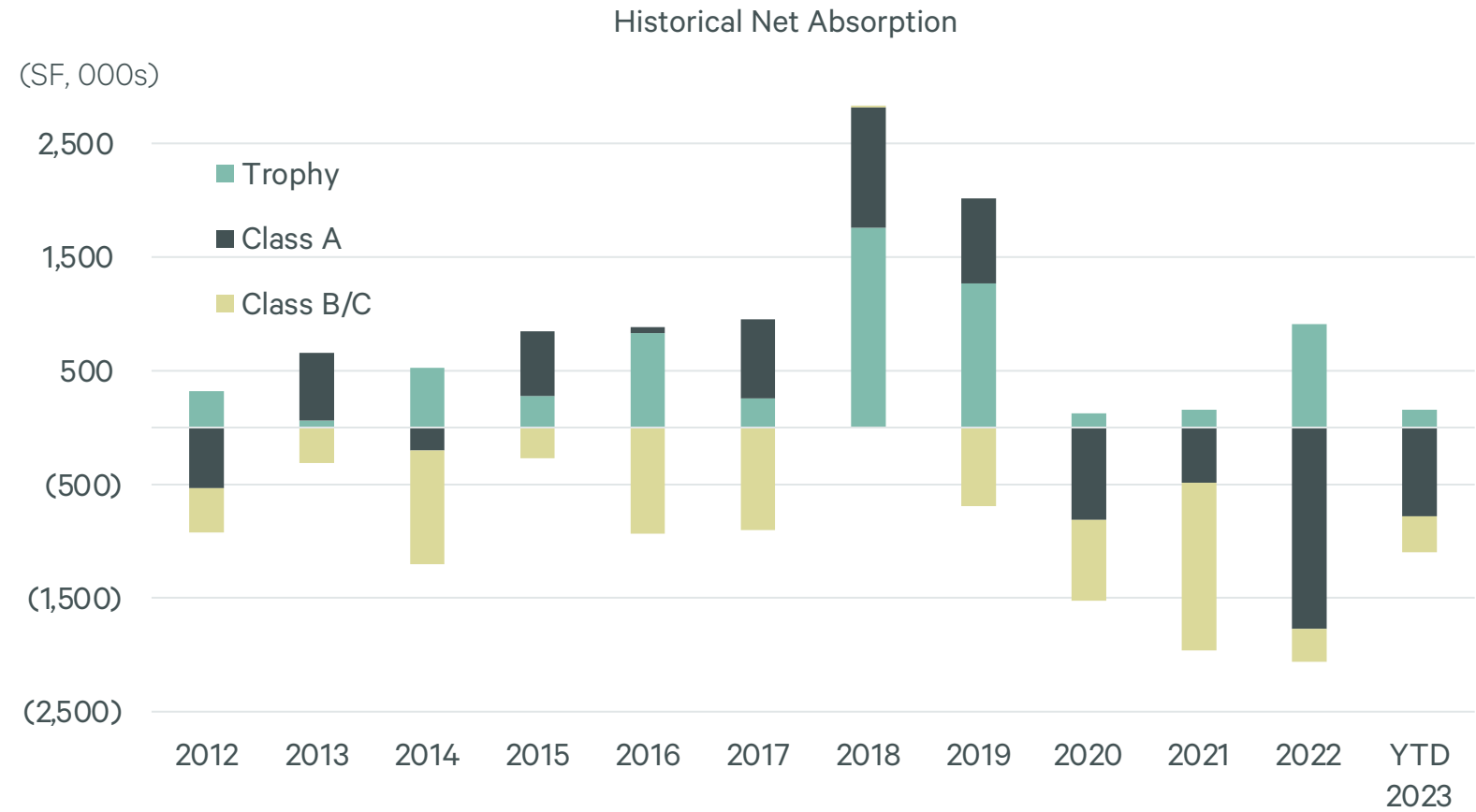


Based on private sector relocation leases +20,000 SF signed between 7/1/2020 - 9/30/2023

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Top Quality Buildings Drive Absorption



TROPHY
+6.6 MSF

CLASS A
-867 KSF

CLASS B/C
-7.3 MSF

New Age Office Insights

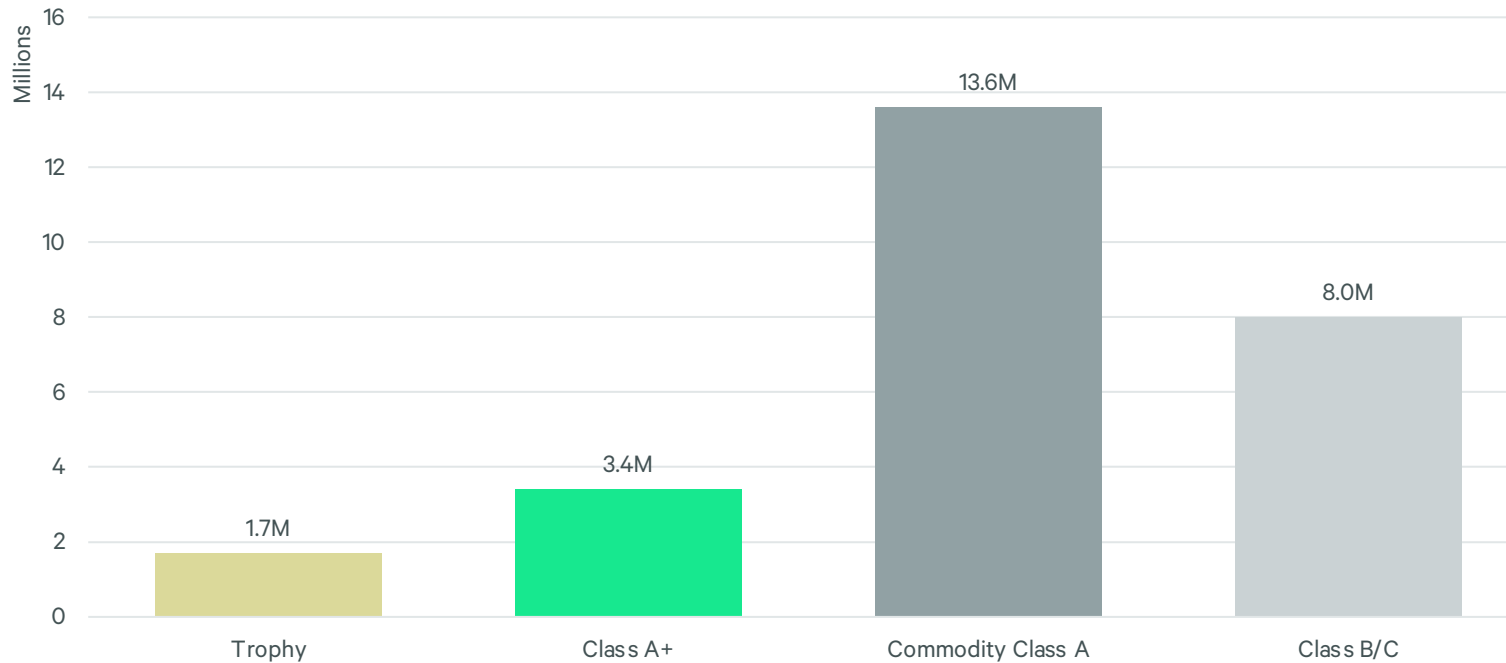
- Many executives are evaluating real estate footprints to maximize efficiency
- Generous concession packages and space reductions offset relocation and build-out costs
- Investing in premium space attracts talent and boosts employee engagement and retention
- 65% of decision-makers in a recent survey said their companies require employees in the office*
 - 38% anticipate increased office attendance this year*

* CBRE Spring 2023 Occupier Sentiment Survey, 207
Corporate Real Estate Executives in the U.S.

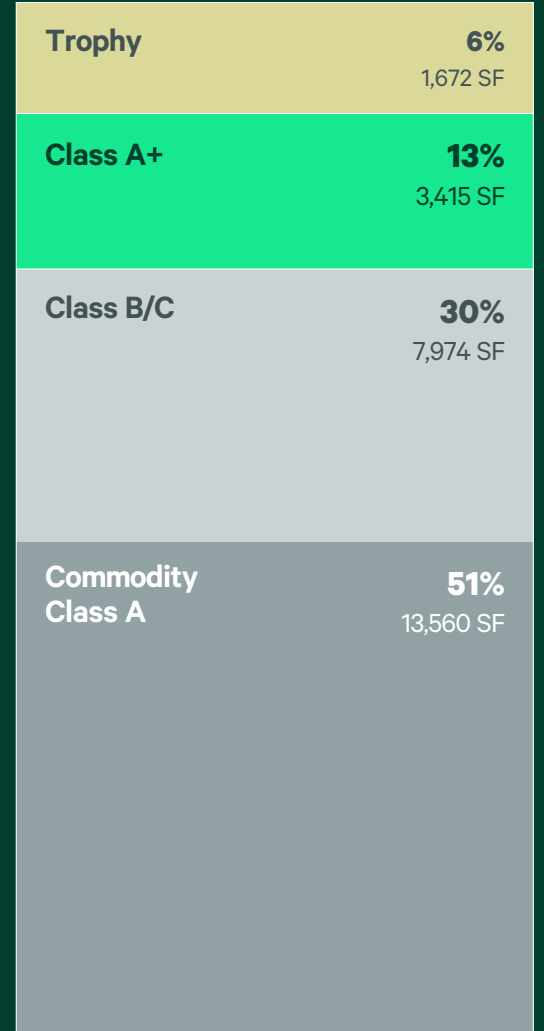


Top Quality Buildings Outperform in Vacancy

Only 5.1M SF is available in Trophy and Class A+ buildings—and just 4 of these in the CBD & East End have a 50,000 SF block on the top floor



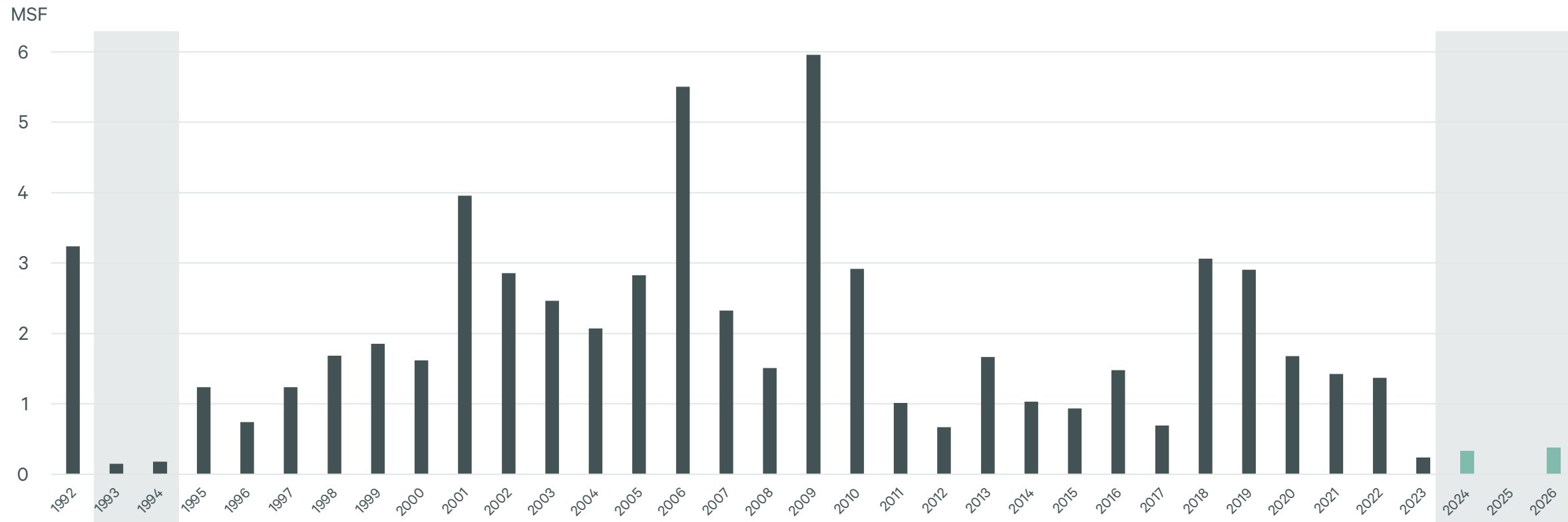
Washington, D.C. Vacancy Breakdown by Class



Construction

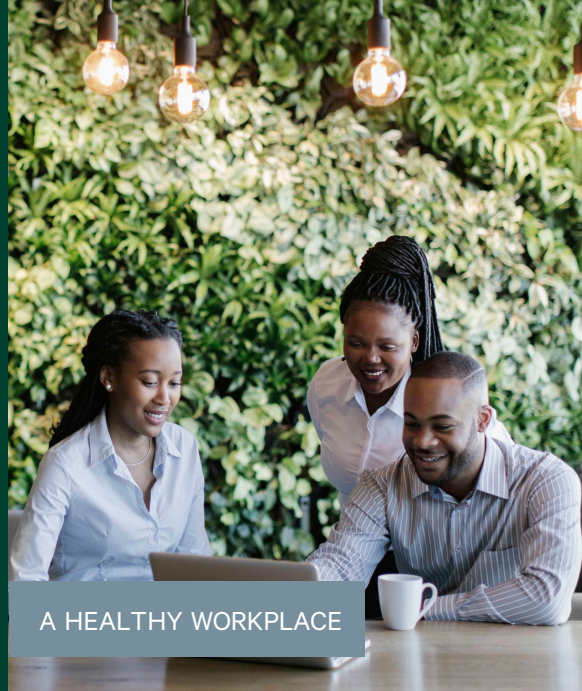
30-Year Lows in Delivery of New Construction will Continue to Limit Supply

Historical Construction Pipeline



Elevate Your 9-5 *& Don't Stop There*

Leverage space that's
more than just an office
with building amenities



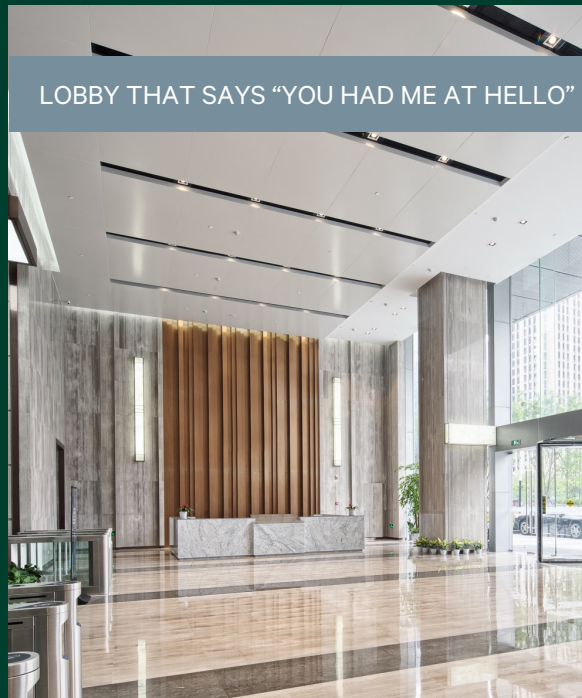
A HEALTHY WORKPLACE



FLEX SOME MUSCLE



VIEWS FROM THE TOP



LOBBY THAT SAYS "YOU HAD ME AT HELLO"



TENANT LOUNGE



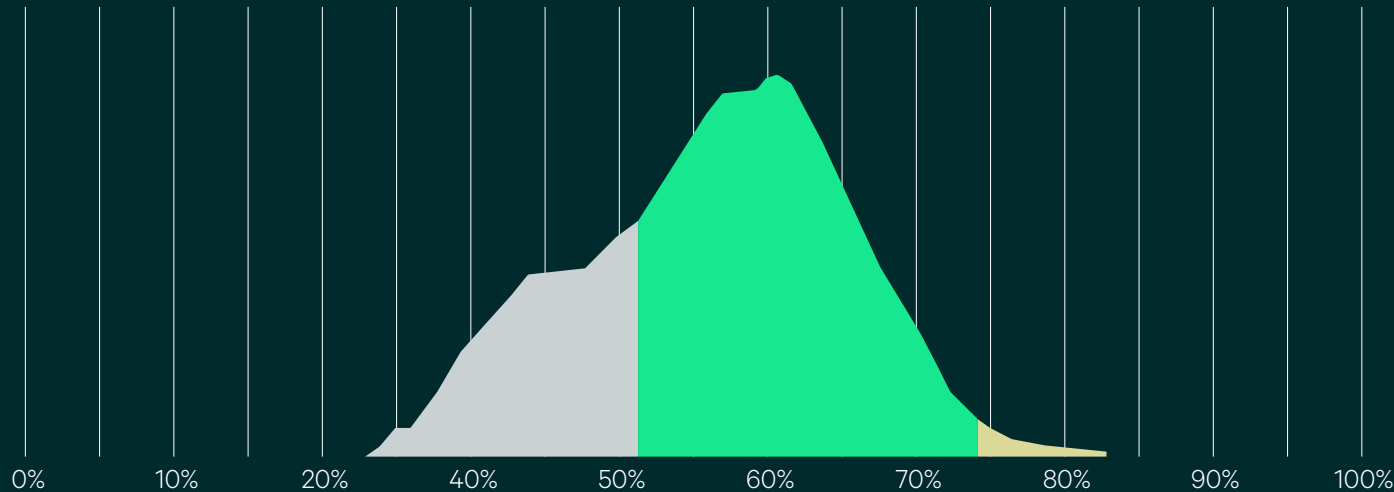
HOST-WORTHY ROOFTOP

Vibrancy

Key Driver for Office Utilization

Don't Downsize, 'Right Size'!

Continued flexibility around hybrid work is the highest priority for most employees. So, plan to right size your office with this in mind. A workplace which regularly has about 75% utilization feels more energetic, exciting and magnetic. On the other hand, if too many days are under capacity, the office will lack energy and space will sit underutilized. Intelligent office-sizing maximizes the frequency of vibrant office days.



Ghost Town

Vibrant

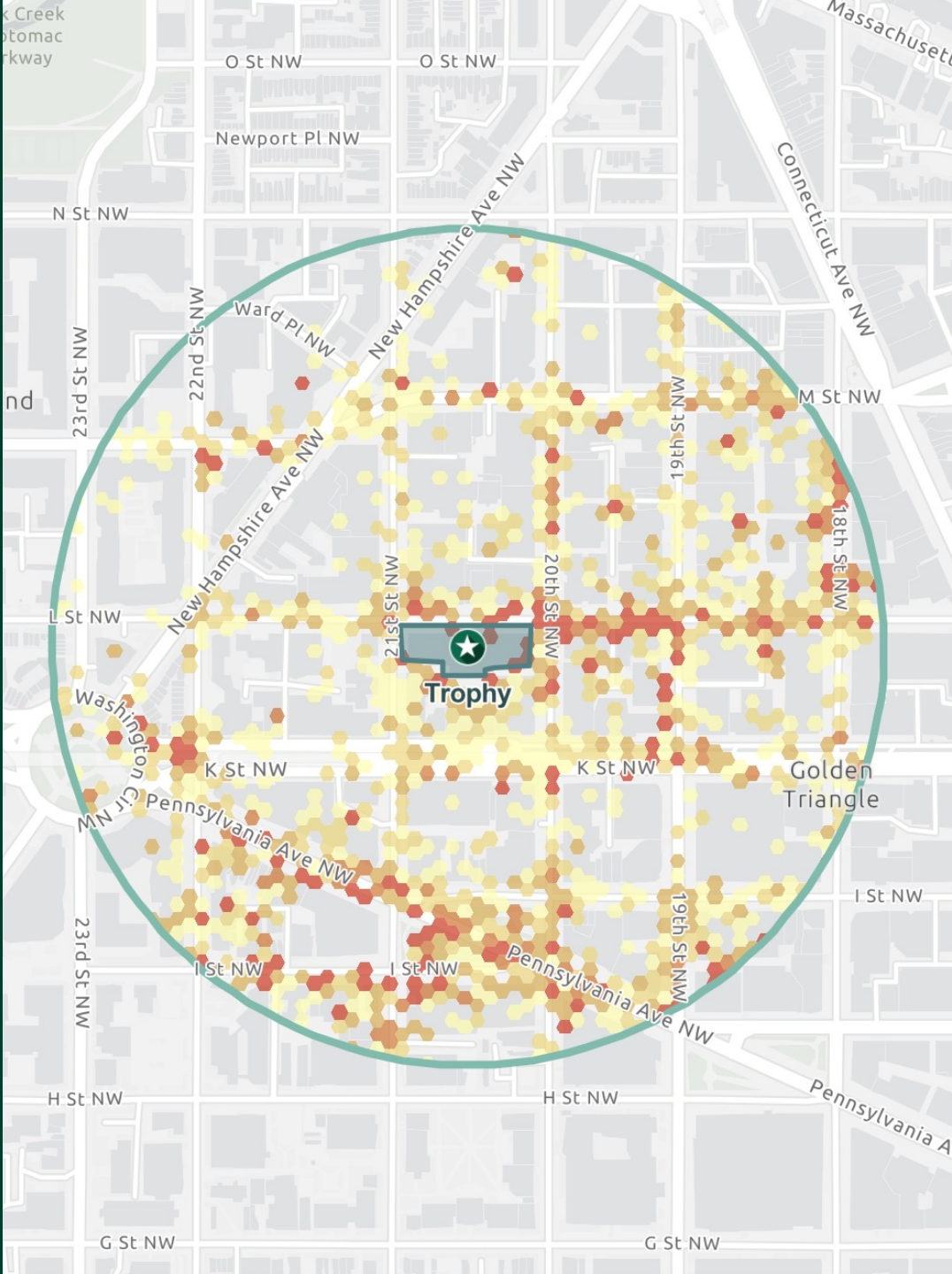
Jam Packed



All Eyes on Vibrant, Mixed-Use Urban Cores

Trophy Vibrancy Case Study

In 2023, work is more than just a desk. Beyond the four walls of the office, a vibrant neighborhood is key to creating a workplace experience that draws employees in. Buildings located in close proximity to a diversity of uses including retail hubs, mixed-use areas, and experience-driven surroundings show much higher lunch time pathing. In fact, our case study comparing Trophy to commodity Class A buildings showed as much as 90% increase in activity during lunch hours for Trophy buildings. Additionally, there is a more balanced Monday – Friday utilization for our Trophy case attributable to its mixed uses compared to the typical mid-week peak we see in office only corridors.

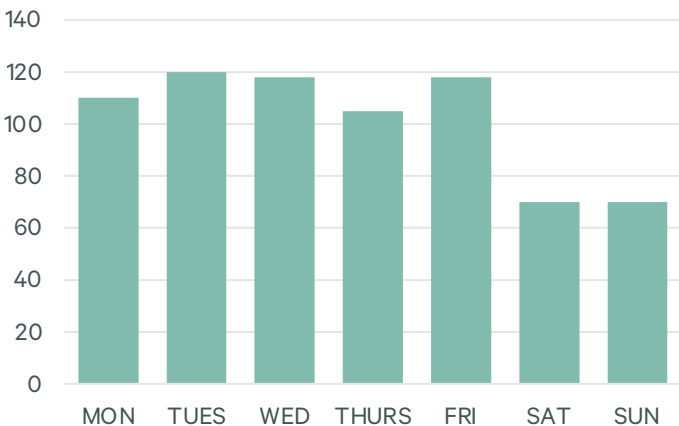


Office SF
552.5K

Estimated Visits
706.8K

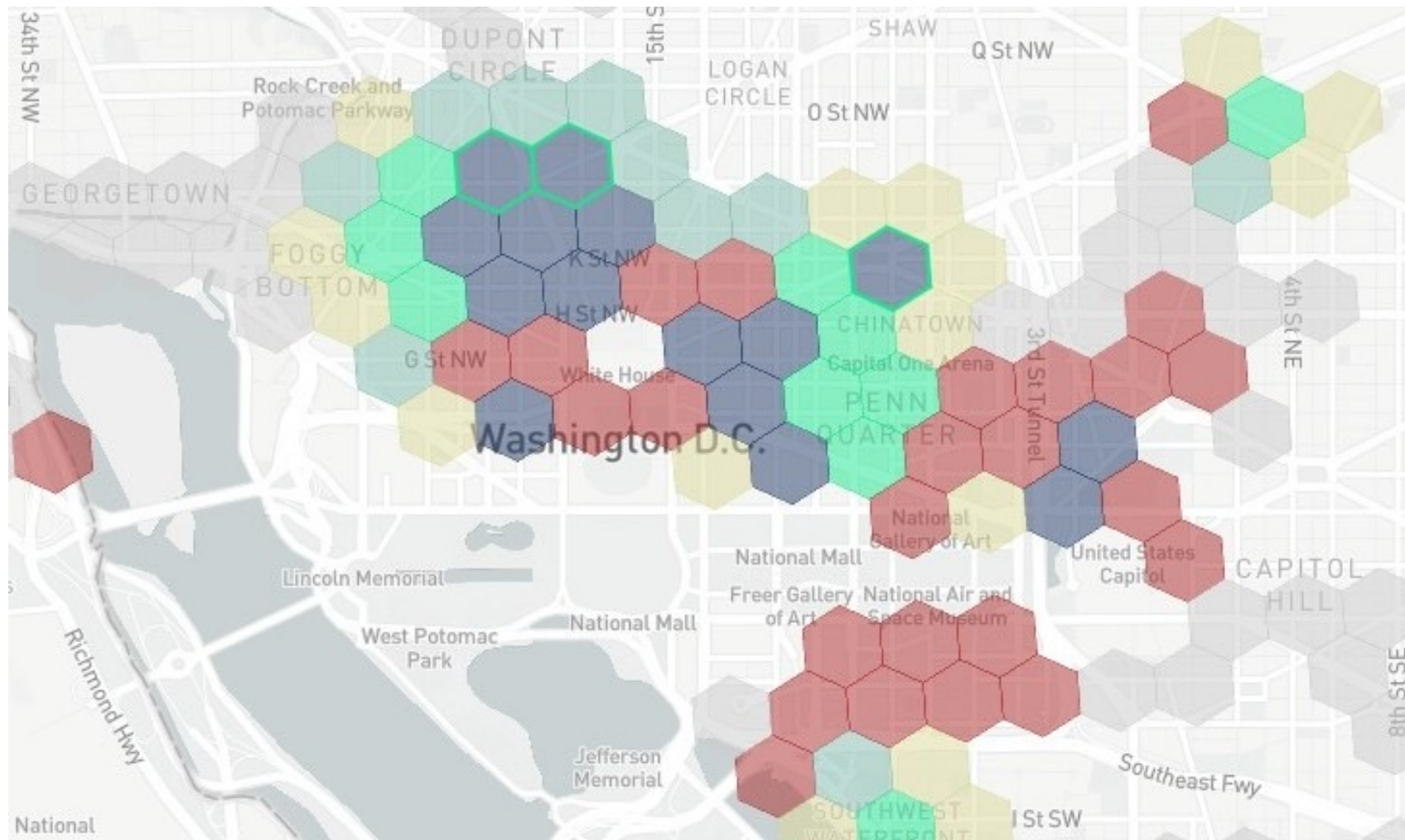
Lunch Pathing
29.2K

Office Visit Influx Per Day










Location of Quality

The best hybrid fundamentals are clustered at the NW end of CBD and around Mt. Vernon Square.



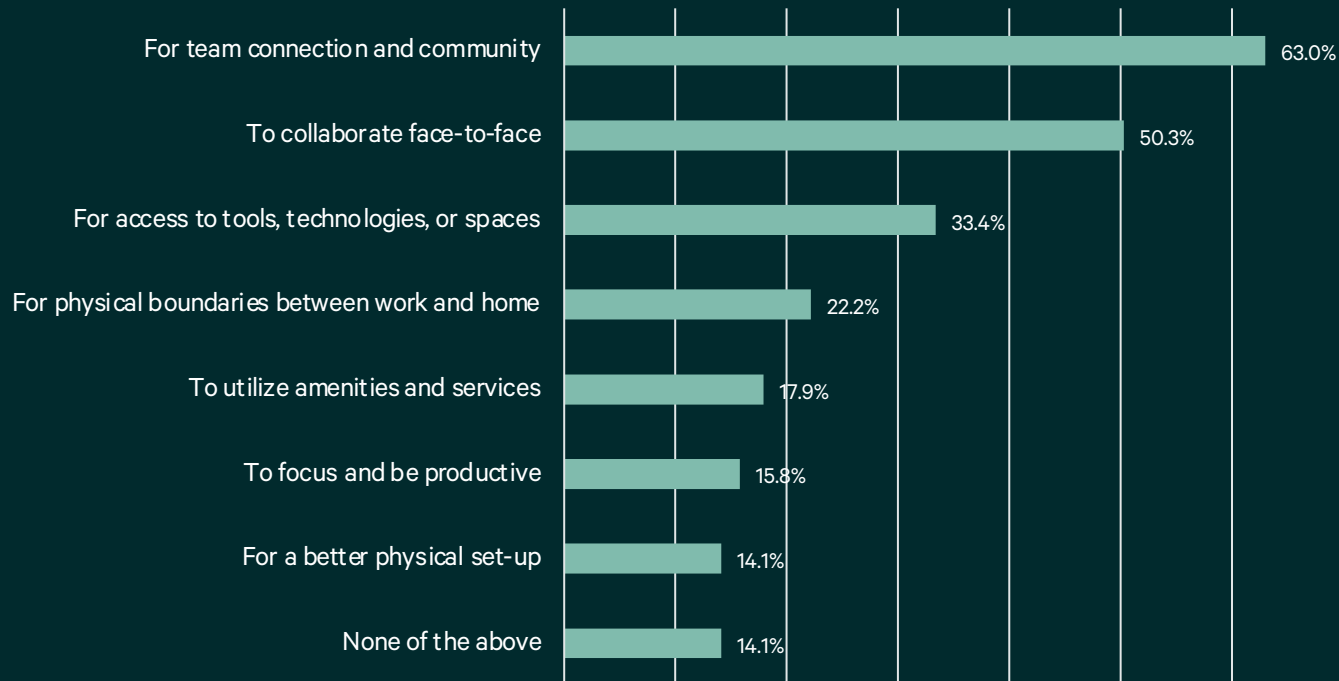
District Types:

-  Mixed-use district with Trophy Office
-  Office district with Trophy Office
-  +Adjacent to Mixed-Use district
-  Mixed-use district, near Trophy Office
-  Residential district, near Trophy Office
-  Mixed-use district, not near Trophy Office
-  Office district, no Trophy Office

Survey Results, Top Drivers for Heightened Utilization

Building Relationships. Collaboration. Social Events.

In a post-COVID world, what are the primary reasons you would come to the office?



Source: CBRE Workplace Strategy consolidated dashboards (14,000 employee responses)

“

The most important employee amenity in the return to the office is other employees.

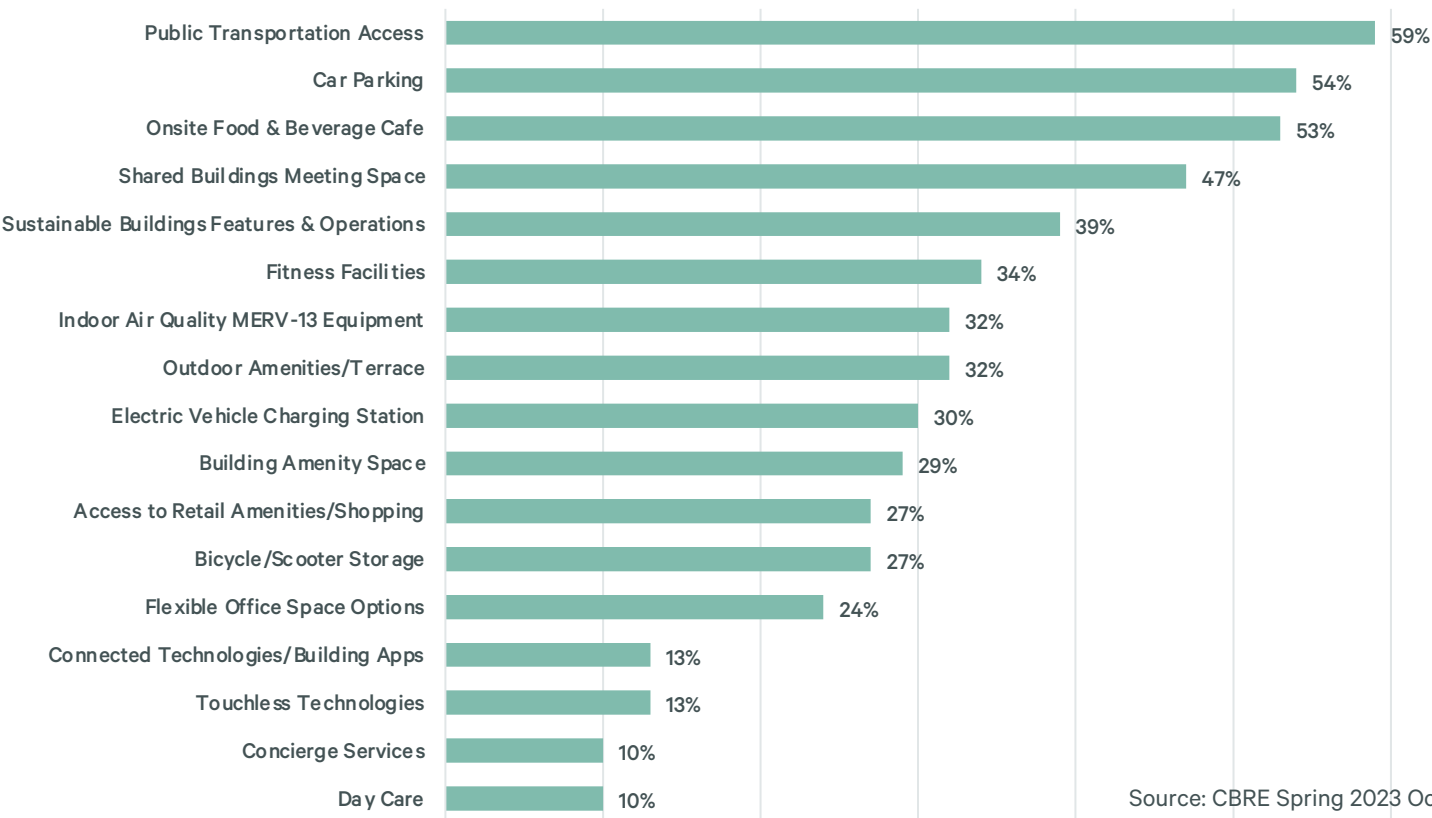
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Lenny Beaudoin

CBRE Global Workplace, Design and Occupancy

Most Desirable Building Amenities for Occupiers

CBRE Occupier Sentiment Survey Ranks Importance of Building Amenities



Source: CBRE Spring 2023 Occupier Sentiment Survey



FLIGHT TO EXPERIENCE

In Action



Trophy Delivering Soon



SKANSKA

17xM
1700 M Street NW






STONEBRIDGE | ROCKEFELLER GROUP

600 Fifth
600 5th Street NW

Rentable Building Area	334,000 SF	382,092 SF
Submarket	CBD	East End
Scheduled Delivery	Q2 2024	Q1 2026
Preleasing Activity	187,000 SF	199,000 SF
Amenities	<ul style="list-style-type: none"> ✓ Ground Level Retail ✓ Rooftop ✓ Rooftop Lounge ✓ Rooftop Conferencing ✓ Tenant Exclusive Terraces ✓ Second Floor Fitness Center ✓ Bike Room ✓ Hospitality-Focused Concierge ✓ Vehicular Layby ✓ Parking with EV Charging 	<ul style="list-style-type: none"> ✓ Ground Level Retail ✓ Penthouse ✓ Rooftop Terrace ✓ Rooftop Conferencing ✓ Five Tenant-Exclusive Terraces ✓ Lobby Level Fitness Center ✓ Bike Room ✓ Luxurious Lobby ✓ Surrounding Retail Hub

Class A+

Case Studies

	 <p>PEMBROKE</p>	 <p>THE MERIDIAN GROUP</p>	 <p>CBRE Investment Management</p>
	1201 New York 1201 New York Ave NW	The Aleck 1400 L St NW	The Warner Building 1299 Pennsylvania Avenue NW
Rentable Building Area	440,000 SF	178,000 SF	657,000 SF
Available Space	84,546 SF	46,903 SF	111,359 SF
Year Built/Renovated	1987/2020	1987/2020	1924/2022
Leasing Activity Since 2020:	140,000 SF	232,000 SF	180,000 SF
Amenities	<ul style="list-style-type: none">✓ Rooftop Conferencing✓ Rooftop Terrace✓ Tenant Lounge✓ Fitness Center✓ Bike Parking✓ Renovated Lobby	<ul style="list-style-type: none">✓ Conferencing Center✓ Renovated Lobby✓ Indoor/Outdoor Terrace✓ Tenant Lounge✓ Fitness Center	<ul style="list-style-type: none">✓ Rooftop✓ Conferencing Center✓ Tenant Lounge✓ Renovated Lobby✓ Fitness Center✓ Bike Room

The Future of Work *Just Got Upgraded*

For more information, please contact:

**Stephanie
Jennings**

Research Director

**Nnenna
Alintah**

Americas Consulting
Managing Director

**Vania
Canales-Canales**

Senior Marketing Specialist
Liquid Galaxy

**Erin
Janacek**

Research Manager

**John
Stephens**

Americas Consulting
Senior Client Strategy
Director

**Isabelle
McGrath**

Senior Research Analyst

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