DOWNTOWNDC

DOWNTOWNDC ECONOMY UPDATE

WINTER 2022

March 24, 2022

1313 L St. NW is an office-to-residential conversion project by Lincoln Properties that entails the demolition of an 80,000-SF office building (shown above) and the construction of a new 222-unit apartment building.

OVERVIEW

The COVID-19 Omicron BA.1 variant hit DowntownDC, the city, the nation, and the world very hard. Positive cases skyrocketed, but increases in hospital visits and deaths were modest, in comparison.

The impact on economic activity was greatest in late December 2021 and the first three weeks in January 2022. Then D.C. and the U.S. saw the same quick drop in cases that other parts of the world experienced.

In the second half of February through the first half of March 2022, the DowntownDC economic recovery appeared back on track for the steady, but slow, improvement that was seen in Fall 2021. Today, economic activity occurring in DowntownDC is at 52% of pre-pandemic levels, up from 33% in Fall 2021 and 16% in Winter 2021.

THE OMICRON VARIANT SLOWED DOWNTOWNDC'S RECOVERY IN LATE DEC 2021 AND JAN 2022. THE RECOVERY IS NOW BACK ON A STEADY, THOUGH SLOW, TRACK – BUT FACING MORE RISKS TODAY THAN IN FALL 2021.

There is substantial economic uncertainty going forward as D.C. has moved from facing the impacts of COVID-19 and work-from-home trends in early Fall 2021 to now facing the impacts of Seven Major Risks:

- COVID-19 (now Omicron variant BA.2)
- Work-from-home trends
- Russian invasion of Ukraine
- U.S. and worldwide inflation
- Metrorail's uncertain operational and financial capacity
- Decline in federal demand for private office space
- Potential downtown zoning changes

The office, hotel, and office-serving retail markets are all well behind the recovery of the other DowntownDC and D.C. economic sectors; museums, theaters, and retail are steadily recovering. DowntownDC's recovery is being led by its housing market, Capital One Arena, destination restaurants, and Johns Hopkins University and Georgetown University. District and Federal Government relief funding to DowntownDC hotels, restaurants, retailers, and cultural institutions has provided critical support to these sectors during the pandemic.

Despite certain economic sectors that are recovering more slowly, there are several bright spots in the DowntownDC economy that are described in this report.

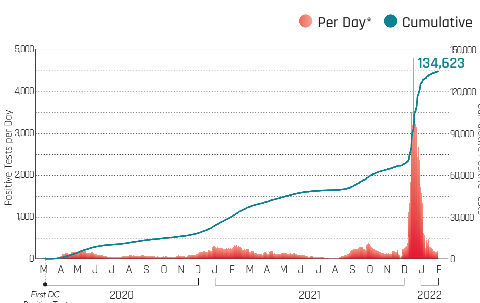
THE OFFICE AND HOTEL ECONOMIC SECTORS' RECOVERIES LAG ALL OTHER SECTORS, WITH SIGNIFICANT IMPLICATIONS FOR D.C.'S TAX BASE AND REVENUE GROWTH.

What's Next?

DowntownDC's economic performance in 2Q and 3Q 2022 will depend greatly on the return of more office workers and business travelers. Longer-term, the continued D.C. Government support of the office market through business attraction and office-to-residential conversions is very important. Also, further District Government relief funding may be needed to accelerate or maintain DowntownDC's economic recovery.

THE 100-FOLD RISE IN OMICRON CASES TRANSLATED INTO ONLY A MODEST INCREASE IN HOSPITALIZATIONS AND DEATHS.

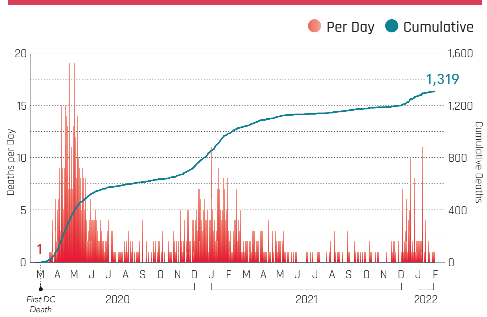
COVID-19 Positive Tests in D.C.



Source: D.C. Government

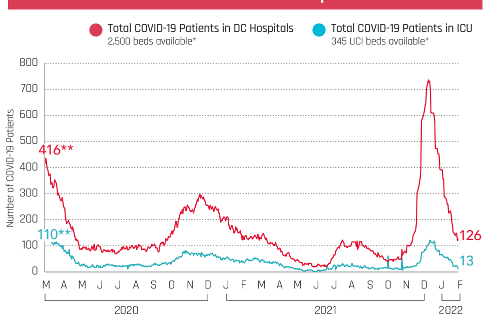
*Data shown is a five-day average.

COVID-19 Deaths in DC



Source: DC Government

COVID Patients in DC Hospitals



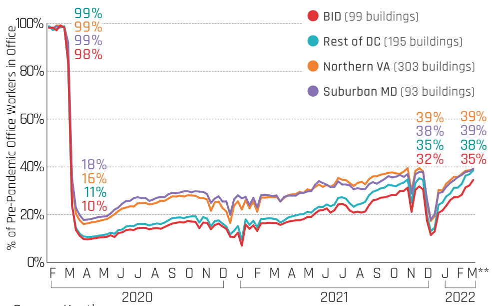
Source: DC Government

*For May 2020 Through February 2022
**First day data was available

OVERVIEW

Office Workers In D.C. Region In The Office During Pandemic

Office Workers in Office as % of Pre-Pandemic Office Workers in Office*



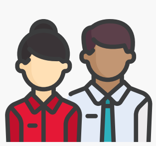
Source: Kastle

* The pandemic months are compared to a pre-pandemic control period of February 3, 2020, to February 18, 2020.
** March 1–18, 2022.

The graphics on this page show that DowntownDC's economy has bounced back from the substantial negative impact of the Omicron variant, but still has a long way to go to return to pre-pandemic levels of economic activity.

In particular, the recent increase in the percentage of office workers that are coming to the office has been encouraging. March 15, 2022, set the pandemic record for office workers in the office, at 41.56% of pre-pandemic levels. Given that the Office Market totals 76 million SF, or an estimated 76% of the DowntownDC BID's built space, this improvement is very important to increasing DowntownDC pedestrian activity and demand for office-serving retail.

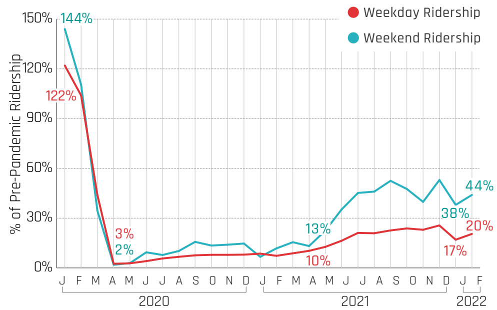
MARCH 15, 2022, SET A PANDEMIC RECORD OF 41.56% OF OFFICE WORKERS IN THEIR OFFICES, COMPARED WITH THE PREVIOUS HIGH OF 35% IN LATE NOV AND EARLY DEC 2021.



There are encouraging signs that additional workers will be returning to the office in the near future: many private companies and organizations have announced March, April, and May 2022 increases in requirements for/expectations of workers to be in the office several days a week, and several federal agencies have announced requirements for/expectations of office workers to be in the office starting in April and May. Given that the Federal Government owns or leases 21 million SF in DowntownDC (with an estimated 50,000–60,000 employees), the return of federal workers to their offices could increase daytime foot traffic significantly. There are a total of 125,000–135,000 public and private-office workers in the DowntownDC BID.

Metrorail Ridership In DowntownDC During Pandemic

Ridership as % of Pre-Pandemic Ridership*



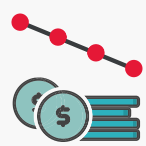
Source: WMATA

* The pandemic months are compared to the most recent pre-pandemic same month. For example, April 2020 and April 2021 are both compared to April 2019.

"IT'S TIME FOR AMERICANS TO GET BACK TO WORK AND FILL OUR GREAT DOWNTOWNS AGAIN. PEOPLE WORKING FROM HOME CAN FEEL SAFE TO RETURN TO THE OFFICE." – PRESIDENT JOE BIDEN, 2022 STATE OF THE UNION ADDRESS, MARCH 1, 2022

DowntownDC's February 2022 office vacancy rate was a record high of 16.4%, totaling 9.6 million SF. It will take seven to 10 years to absorb this, based on historic absorption rates. The District Government's new Vitality Fund (to increase demand) and support of office-to-residential conversions (to decrease supply) are important public investments that could help improve office market performance.

RECORD OFFICE VACANCY RATES, VACANT SF, AND RENT CONCESSIONS FOR BOTH DOWNTOWNDC AND D.C. ARE LIKELY TO REDUCE OFFICE PROPERTY TAX REVENUE IN FY 2024, AS OCCURRED IN FY 2022.



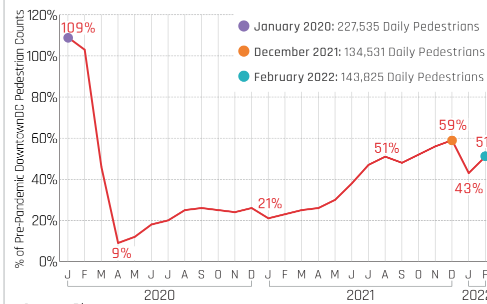
The consequence of a high vacancy rate is that tenants can push rents down, which lowers values and tax revenue. In FY 2022, the District's large office building property tax revenue will decline by $120 million per year due to a 10.1% reduction in large office building assessed values as of January 1, 2021; this may increase as more appeals are resolved.

HOTEL REVENUE IS CURRENTLY AT 50% TO 60% OF PRE-PANDEMIC LEVELS – THE SAME AS LATE FALL 2021.

The DowntownDC and D.C. Hotel Sectors have suffered greatly during the pandemic and are lagging most other sectors in their recoveries. Hotel employment has only recovered 18% of its May 2020 job losses — a much lower recovery rate than all other D.C. employment categories.

Pedestrian Counts In DowntownDC During Pandemic

Pedestrian Counts as % of Pre-Pandemic Counts*

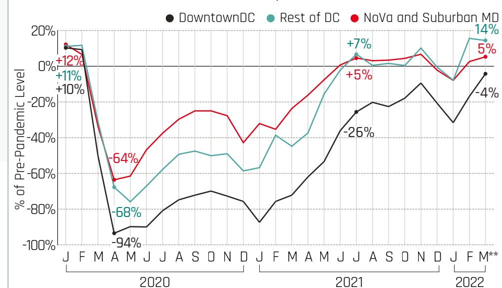


Source: Placer

* The pandemic months are compared to the most recent pre-pandemic same month. For example, April 2020 and April 2021 are both compared to April 2019.

D.C. Region Restaurant Sales During Pandemic

Jan 2020 - Mar 2022 Sales Compared to Pre-Pandemic Sales*

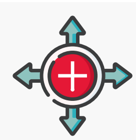


Source: MarginEdge and DowntownDC BID

* The pandemic months are compared to the most recent pre-pandemic same month. For example, April 2020 and April 2021 are both compared to April 2019.
** March 1 - 20, 2022.

Hotel revenue for January–March 2022 in D.C. has returned to its late Fall 2021 performance of 50%–60% of pre-pandemic levels. The District Government's hotel relief funding has been critical in allowing the city's hotels to remain open. Moving forward, DowntownDC and D.C. hotels should benefit from a solid convention schedule, warmer weather, and increased traveler comfort with COVID-19.

Metrorail weekday ridership in February 2022 was 20.5%, about the same as August 2021's 20.9%, but down from December 2021's 26%. Weekend ridership in February 2022 was 44%, about the same as August 2021's 46%, but down from September and December 2021's 53%.



FEB 2022 PEDESTRIAN COUNTS WERE 51% OF FEB 2020 – COMPARED WITH 43% IN JAN 2022 AND 59% IN DEC 2021.

DowntownDC's retail vacancy rate dropped to 20.8% in November 2021, a slight decline from 21.6% in July 2021 and from a record 22.6% in December 2020, but up significantly from 10.3% in December 2019.

RETAIL VACANCY RATES REMAINED HIGH, BUT STABLE, AT 20.8% IN NOV 2021.

OVERVIEW — GOOD NEWS AND IMPORTANT TRENDS

Despite tough economic times as well as the slow recovery of the office and hotel markets, there is good news in DowntownDC to highlight.

Office-to-Residential Conversions 2021–2025

In High-Density Downtown Areas

	Developer	SF of Office	Apts or Condos	# of Units	Completion Date
Completed					
1255 22nd St. NW (a)	Tesea/Auger	116,138	Apts	198	2018
2501 M St. NW (b)	PRP Real Estate	98,060	Condos	60	2018
515 22nd St. NW	Insight Property	108,229	Apts	158	2021
Under Construction					
1313 L St. NW (c)	Lincoln Property	84,040 (d)	Apts	222	2023
Announced					
1125 15th St. NW (c)	Lincoln Property	273,011	Apts	264	2024
1425 NY Ave. NW (c)	Foulger Pratt	287,042	Apts	255	2024
1111 20th St. NW	Wilco	145,889	Apts	161	2024
Projected					
Golden Triangle BID	NA	150,000	NA	150–200	2025
DowntownDC BID (c)	NA	300,000	NA	250–300	2026

Source: DowntownDC BID

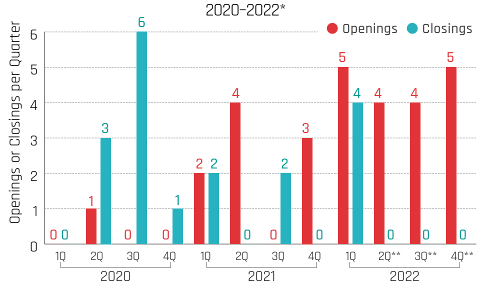
(a) Approximately 90,000 SF of new construction was added on a vacant lot behind the existing building. (b) There were several floors of condominiums above the converted office space. (c) Located in the DowntownDC BID. (d) Only six stories due to zoning.

Downtown Office-to-Residential Conversions Are Happening

- The 741 units under construction or announced in DowntownDC office-to-residential conversions will be a 10.6% increase in the DowntownDC housing supply.
- Mayor Bowser's FY 2023 budget includes two important investments in office-to-residential conversions with affordable housing.
- These investments may spur the conversions of 500 to 1,000 residential units per year over the next 10 years, which would dramatically improve the supply and demand balance in the office market and could potentially increase office property tax revenue by $20–$50 million per year.

DowntownDC Destination Restaurant Openings and Closings

2020–2022*



Source: DowntownDC BID

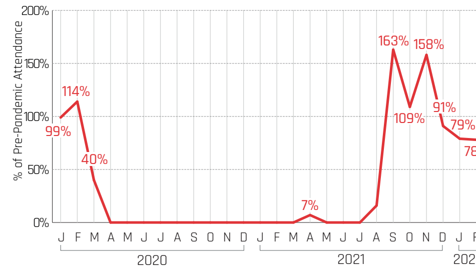
* Began with 134 Destination Restaurants and projected to end with 144.
** Under construction or announced.

DowntownDC Destination Restaurant Openings Have Been Strong

- 131 Destination Restaurants at 3/15/22
- 15 openings during the pandemic
- 18 closings during the pandemic
- 4 under construction
- 9 announced
- Net gain of 10 new Destination Restaurants for 3/15/20–12/31/22

Capital One Arena's Attendance 2020–Jan 2022

As a % of Pre-Pandemic Attendance*



Source: Monumental Sports & Entertainment

* Pre-pandemic data is Jan–Dec 2019.

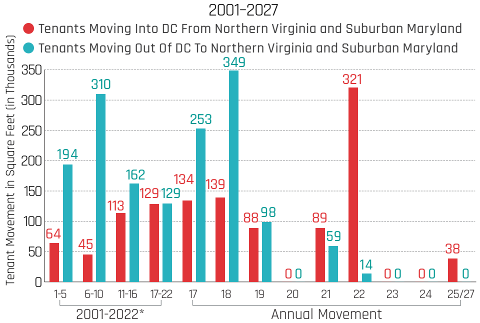
Capital One Arena's Recent Attendance Is Approximately 80% of Pre-Pandemic Levels

- 4Q 2021's attendance was 113% of 4Q 2019 attendance.
- Jan/Feb 2022 attendance was 79% and 78% of Jan/Feb 2019 attendance, respectively.
- Jan–Feb 2022 and Jan–Feb 2019 each had 49 games and other events.
- The Wizards started off the 2021–2022 season with a hot streak.
- Alex Ovechkin became the third all-time goal scorer in NHL history in early March 2022.
- The arena's concert and event schedules are returning to pre-pandemic levels.

There are several District-wide trends that will have a positive impact on the DowntownDC economy as it recovers.

Regional Private Office Tenant Movement

2001-2027



Source: DowntownDC BID Movement

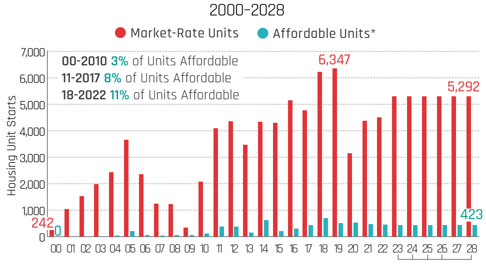
* Annual average movement shown.

Regional Office Tenant Movement Has Been Positive for D.C. in Recent Years

- 2022 was the strongest year for tenants moving into D.C. since 2001; the city attracted six office tenants from the suburbs.
- 2020, 2021, and 2022 were the three lowest years for D.C. office tenants moving out to the suburbs.

D.C. Multifamily Housing Units

2000–2028



Source: Delta Associates and DowntownDC BID

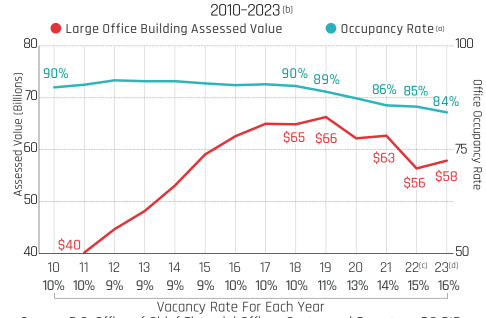
* Affordable units in predominately market-rate projects. Does not include projects funded with the HPTF, LIHTC or vouchers. Does include projects with units required by IZ, PUDs, DC land sales or long-term ground leases and other projects.
** Calculated by taking the 31,751 units in medium and long-term plans and assuming all the projects start over six years, and assumes 8% of the market rate units are affordable.

D.C. Market-Rate Multifamily Housing Starts Are Strong

- 2018: 6,925 starts (including 702 affordable)
- 2019: 6,845 starts (including 498 affordable)
- 2020: 3,664 starts (including 520 affordable)
- 2021: 4,373 starts (including 435 affordable)
- 2022: 4,500 starts projected (400 affordable)
- Over 28,000 starts planned for following four to six years.
- DowntownDC office-to-residential conversions can tap into this strong investor interest and strong consumer demand.

D.C. Large Office Building Assessed Values and D.C. Office Occupancy Rate (a)

2010–2023 (b)



Source: D.C. Office of Chief Financial Officer, Costar and DowntownDC BID

(a) Leased occupancy -not physical occupancy.
(b) Tax year for Assessed Value and December 31 calendar year for Vacancy Rate.
(c) February 2022. (d) Projection.

The Assessments of Large Office Buildings' Increased Slightly in FY 2023

- As D.C. Office Occupancy Rates have declined (and Vacancy Rates risen), the Assessed Value of Large Office Buildings has fallen in recent years but will rise in FY 2023.
- 1/1/22 assessment is 2.8% increase over 1/1/21.
- 1/1/21 assessment is 10.1% decrease from 1/1/20.
- 10–12 million SF of office space needs to be filled or removed to return the D.C. office market to equilibrium.
- A 1% increase in the assessed values of large office buildings would increase property tax revenue by $11 million per year.

CURRENT DEVELOPMENT

Development activity in DowntownDC is strong. Investors, developers, and organizations continue to invest here. Investment in projects under construction rose above $1 billion for the first time since the end of 2018. The nature of development has changed over the past 24 months, with an increase in university and residential development.

Two projects broke ground in the 4Q 2021 and 1Q 2022, totaling $128 million:

- Georgetown University's 151,000-SF McCourt School of Public Policy at 125 E St. NW, with an estimated construction cost of $40 to $50 million.
- Lincoln Property's 222-unit apartment building at 1313 L St. NW, with an estimated investment of $90 million.

The only project completion in the last five months was Lincoln Property's new 162,000-SF office and retail building at 699 14th St. NW, with three announced restaurants slated to occupy 24,000 SF.

222 APARTMENTS ARE UNDER CONSTRUCTION AND 529 APARTMENTS ARE ANNOUNCED – INCREASING DOWNTOWNDC'S HOUSING BY ALMOST 11%.

Eight projects are under construction, totaling just over $1 billion of investments:

- Johns Hopkins University's $570 million investment at 555 Pennsylvania Ave. NW.
- Office Properties Income Trust's $200 million investment at 20 Massachusetts Ave. NW: a 274-room Royal Sonesta Hotel and 184,000 SF of office.
- 1313 L Street NW (see photo on page 1).
- The National Museum of Women in the Arts' $67 million renovation.
- The McCourt School (see photo on page 9).
- The Capital Jewish Museum at 3rd and F streets NW.
- The Center for the Advancement of the American Dream.
- The Victims of Communism Museum.

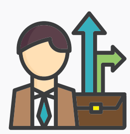
There are 14 planned projects, totaling $1.6 billion, including the WMATA Headquarters renovation by Rockefeller/Stonebridge; two conversion projects by Lincoln Property and Foulger-Pratt; and the renovation of the Renaissance Hotel as it moves to the Westin flag. The 14 planned projects are estimated to generate $44 million in new annual tax revenue.

THE NATURE OF DEVELOPMENT HAS CHANGED OVER THE PAST 24 MONTHS, WITH AN INCREASE IN UNIVERSITY AND RESIDENTIAL DEVELOPMENT.

EMPLOYMENT

DowntownDC employment was an estimated 183,750 in February 2022, a decline of 4,850 from the 188,600 jobs at the end of 2019, or 2.6%. This is an improvement of 950 jobs over Fall 2021, mostly due to improved occupancy at DowntownDC hotels, the pick-up in restaurant sales, and the opening of several new restaurants that offset declines in store and office workers.

D.C.'s employment recovery progressed slowly in 4Q 2021: its pandemic employment loss from December 2019 to December 2021 was 40,200 (down 5.0%). The District has seen steady employment recovery since May 2020, when its job loss compared with May 2019 was 77,900. The suburbs have continued to see faster employment recovery than D.C. Much of this can be explained by the District's high percentage of leisure and hospitality jobs.



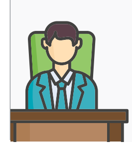
THERE ARE 40,200 FEWER JOBS IN D.C. IN DEC 2021 THAN IN DEC 2019 – BUT EMPLOYMENT IS UP 25,900 FROM DEC 2020.

District unemployment totaled 23,741 residents in December 2021 (5.8%), an improvement from 24,981 residents in November 2021 (6.0%); 26,800 residents in August 2021 (6.5%); and 45,122 residents in April 2020 (11.1%).

Employment growth occurred in only two sectors compared with December 2019:

- Federal Government: up 4,900 jobs to 200,000 — a 2.5% increase
- Construction: up 1,800 jobs to 16,200 — a 12.5% increase

The hardest-hit sectors are highlighted in the table below: Accommodations, Food Service and Drinking Places, Arts/Entertainment/Recreation, Retail Trade, and Office-Using Jobs. Of these sectors, the Accommodations sector has been the slowest to recover, with only 1,800 jobs, or 18%, returning from the 9,600 lost in May 2020 compared with May 2021. D.C. employment is projected to grow by 33,000 jobs in 2022, according to the Stephen S. Fuller Institute, making up a bit for its relative poor performance compared with the suburbs since the pandemic began. D.C. is projected to enjoy further employment growth of 22,800, 15,300, and 12,000 over 2023–2025 (though dropping from 24.4% of regional growth in 2022 to 18.9% in 2025).



NORTHERN VIRGINIA AND SUBURBAN MARYLAND HAD 1.6% MORE JOBS IN DEC 2021 THAN DEC 2019, WHILE D.C. HAD 5.0% FEWER JOBS.

District Employment During the Pandemic
(all numbers in thousands)

Employment Sectors	December 2021(a)		December 2020(a)	December 2019(a)	Change Dec 20-Dec 21 #	Dec 19-Dec 21 #	Dec 19-Dec 21 %	Change Nov 19-Nov 21 #	Change Oct 19-Oct 21 #	Change Sep 19-Sep 21 #	Change Aug 19-Aug-21 #	Change Jun 19-Jun 21 #	Change May 19-May 20 # (c)
Total D.C. Employment	761.8	100%	735.9	802.0	25.9	(40.2)	-5.0%	(42.5)	(40.5)	(46.8)	(45.1)	(51.1)	(77.9)
Federal Government	200.0	26%	200.4	195.1	(0.4)	4.9	2.5%	4.5	5.2	4.7	4.4	3.5	(0.1)
D.C. Government	37.0	5%	38.3	37.8	(1.3)	(0.8)	-2.1%	(0.6)	(0.6)	(0.9)	(0.4)	0.8	0.1
Private Sector Total	520.8	68%	493.0	564.9	27.8	(44.1)	-7.8%	(46.2)	(45.0)	(50.5)	(45.8)	(55.1)	(77.8)
Key D.C. Employment Sectors Impacting Downtown													
Office Using Jobs (b)	288.3	38%	283.6	302.8	4.7	(14.5)	-4.8%	(14.4)	(12.4)	(15.7)	(13.8)	(13.7)	(11.6)
Food Services & Drinking Places	43.6	6%	27.0	54.6	16.6	(11.0)	-20.1%	(12.3)	(14.2)	(14.9)	(15.6)	(23.9)	(34.8)
Retail Trade	20.8	3%	20.6	24.1	0.2	(3.3)	-13.7%	(3.1)	(3.3)	(3.7)	(3.1)	(3.1)	(5.3)
Accommodations	8.6	1%	6.7	16.4	1.9	(7.8)	-47.6%	(7.8)	(7.9)	(8.2)	(8.5)	(9.1)	(9.6)
Arts. Entertainment & Recreation	6.2	1%	5.1	10.2	1.1	(4.0)	-39.2%	(3.3)	(3.6)	(3.5)	(3.1)	(4.0)	(5.3)

Source: Bureau of Labor Statistics (Not Seasonally Adjusted)

(a) Preliminary data. In March of each year, the monthly jobs data are revised for the prior year(s) to incorporate more complete information and methodological improvements.
(b) Professional and business services, legal services, financial activities, information, and organizations
(c) The May 2019 to May 2020 employment change columns shows D.C.'s largest year-over-year employment decline during the pandemic.

OFFICE

The DowntownDC Office market continued to weaken throughout October 2021–February 2022. Effective rents (asking rents adjusted for concessions) and office space absorption decreased in 2021, and office space absorption dropped significantly in January and February 2022.

DOWNTOWNDC AND THE REST OF D.C. HAD RECORD OFFICE VACANCY RATES AS OF FEB 2022 OF 16.4% AND 13.6%, RESPECTIVELY.

As of February 2022, DowntownDC had record office vacant SF of 9.7 million SF, and the rest of D.C. had record office vacant SF of 14.6 million SF, resulting in record vacancy rates of 16.4% and 13.6%, respectively. The D.C. totals were record vacant office SF of 24.3 million SF and a record vacancy rate of 14.6%. With 197,324 SF and 2.49 million SF of office space under construction in DowntownDC and the rest of D.C., respectively, the respective vacancy rates are likely to rise to 17% and 16%.

The DowntownDC BID uses CoStar office data, which includes office buildings that other researchers do not. Therefore, many other researchers report vacancy rates for D.C. of 18% to 20%. The key number is 24.3 million SF of vacant office space that is consistent among most researchers.

The substantial vacant office space is causing an intense competition for office tenants with concessions at record levels and declining effective rents.

THE WEAK DOWNTOWNDC AND D.C. OFFICE MARKETS ARE LIKELY TO RESULT IN LOWER BUILDING VALUES AND LOWER D.C. PROPERTY TAX REVENUE IN FY 2024.

For FY 2022, the District's large office property tax revenue will be an estimated $120 million lower than FY 2021 due to a 10.1% reduction in large office building assessed values as of January 1, 2021.

Excluding the two large minority-interest sales in 1100 15th St. NW and 655 New York Ave. NW, the sales volumes and prices per SF of office buildings in 2020 and 2021 were down substantially. In July 2021, WashREIT sold a portfolio of five office buildings for 79% of the portfolio's combined assessed values at the time of sale.

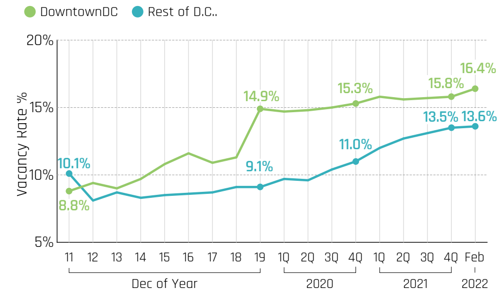
OFFICE SALES VOLUMES HAVE DROPPED IN 2020 AND 2021, MAKING OFFICE BUILDING VALUATION COMPARISONS MORE DIFFICULT.

To reduce the amount of vacant office SF, the City's FY 2022 and Mayor Bowser's proposed FY 2023 budgets include very much needed funding to increase office demand through the new Vitality Fund and to decrease office supply through a pilot office-to-residential conversion program. But more funding may be needed — the return on investment may be substantial.

For example, an investment of $15 million per year in tax abatement to assist in conversions with workforce housing may increase office property tax revenue by $20–$40 million per year by converting 6–8 million SF of office space to housing and creating 8,000–11,000 housing units, including 700–900 affordable units.

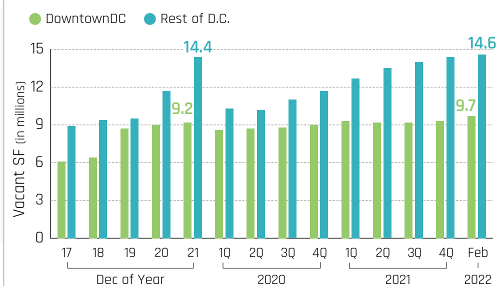
A 1% IMPROVEMENT IN LARGE OFFICE BUILDNG ASSESSMENTS WILL INCREASE PROPERTY TAX REVENUE BY $11 MILLION PER YEAR.

Vacancy Rate



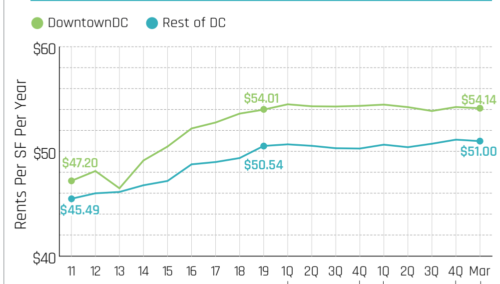
Source: CoStar

Vacant Office Square Feet



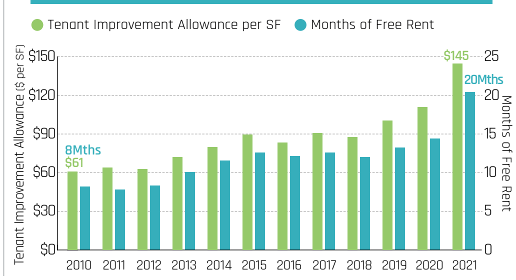
Source: CoStar

Asking Office Rents Per SF Per Year



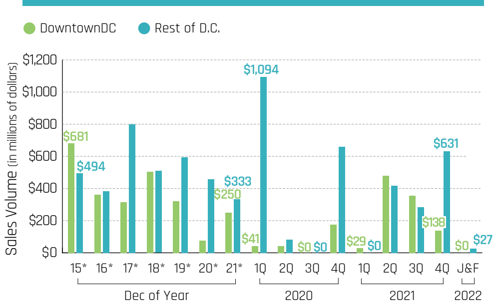
Source: CoStar

Office Market Rent Concessions in the CBD and East End



Source: Cushman & Wakefield

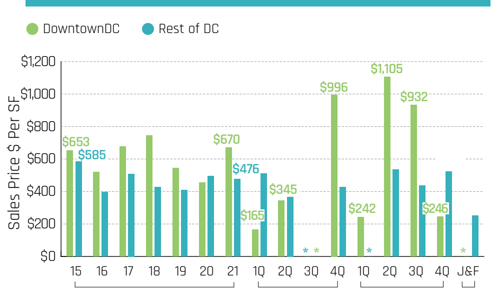
Office Sales - Volume



Source: CoStar

* Quarterly sales volume for the year for comparion purposes. To get full year sales, multiply by four.

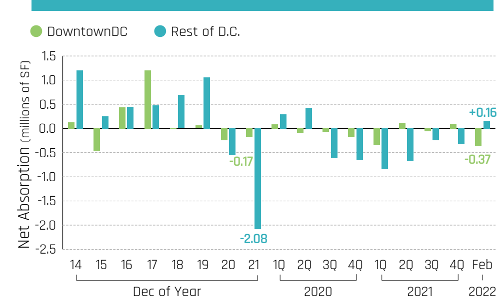
Office Sales Prices — $ Per SF



Source: CoStar

* No sales in the quarter.

Office Space Net Absorption

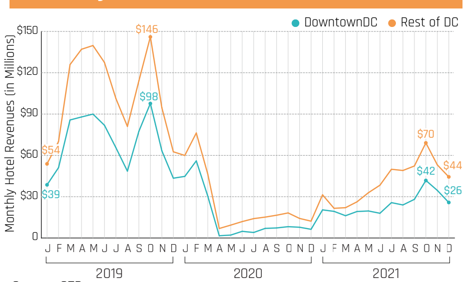


Source: CoStar

HOTELS, CONVENTION CENTER & TOURISM

For the period of October 2021 through mid-March 2022, the DowntownDC hotel industry continued to experience low levels of demand from the business traveler, the international traveler, and the convention traveler. As a result, DowntownDC hotel revenue in 4Q 2021 was only 50% of 4Q 2019. Nevertheless, 4Q 2021 was the strongest quarter since the pandemic began.

Monthly Hotel Revenues for 2019–Dec 2021



Source: STR

For January and early February 2022, D.C. hotel revenue dropped to 30% to 40% of pre-pandemic levels. Hotel revenue rebounded to 60% of pre-pandemic levels in late February and early March 2022.

DOWNTOWNDC'S HOTEL INDUSTRY IS LAGGING ALL OTHER ECONOMIC SECTORS IN EMPLOYMENT RECOVERY AND REVENUE AS A % OF PRE-PANDEMIC LEVELS.

While 44% of hotel workers that lost their jobs nationwide during the pandemic have returned to work, only 18% of D.C.'s 9,600 hotel workers that lost their jobs as of May 2020 have returned to work.

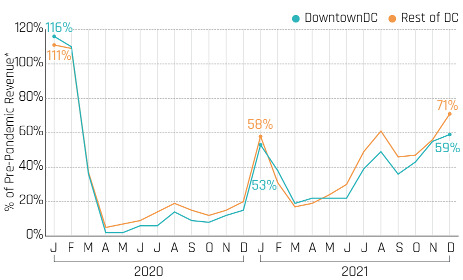
The Walter E. Washington Convention Center (WEWCC) visitor attendance in 4Q 2021 totaled 49,000 — 40% of pre-pandemic levels. January 2022 visitor attendance was 57% of January 2020. The annual high school women's volleyball tournament returned to the District in February 2022, with attendance at 80% of pre-pandemic levels. It is especially important to note that recent conventions and events at the WEWCC have not been COVID super-spreader events. The WEWCC schedule for 2022 calls for large conventions/events at 78% of pre-pandemic levels, and there have been only a few convention/event cancellations since Fall 2021.

DC's domestic visitation was 13.3 million in 2020, down 42% from 2019's 22.8 million. Projections for 2021 and 2022 are for 16 and 20 million domestic visitors, or 70% and 87% of 2019's levels, respectively.

The recent hotel relief funding by the District Government in its Fiscal Year 2022 budget of $40 million has been very important to the hotel industry.

Hotel Revenues During The Pandemic

As % of Pre-Pandemic Revenues*

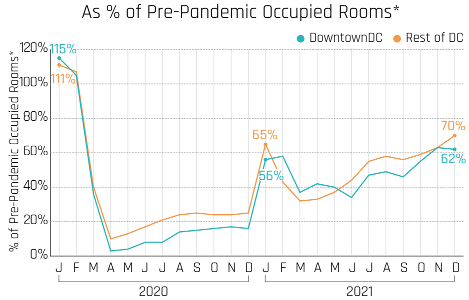


Source: STR

* The pandemic months are compared to the most recent pre-pandemic same month. For example, April 2020 and April 2021 are both compared with April 2019.

Hotel Occupied Rooms During The Pandemic

As % of Pre-Pandemic Occupied Rooms*

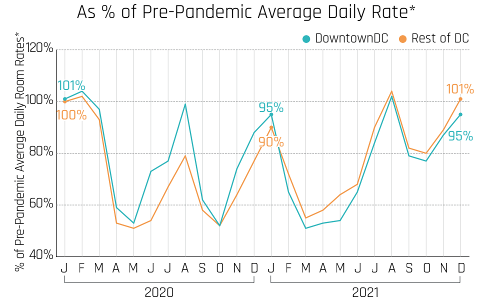


Source: STR

* The pandemic months are compared to the most recent pre-pandemic same month. For example, April 2020 and April 2021 are both compared with April 2019.

Hotel Average Daily Room Rates During The Pandemic

As % of Pre-Pandemic Average Daily Rate*



Source: STR

* The pandemic months are compared to the most recent pre-pandemic same month. For example, April 2020 and April 2021 are both compared to April 2019.

CULTURE & ENTERTAINMENT

The Culture & Entertainment economic sector began 4Q 2021 with a robust reopening program schedule. Attendance as a percentage of pre-pandemic levels began to rise from October through December, but then dropped substantially due to the Omicron variant as museum hours were reduced and several theater productions were canceled or postponed. Capital One Arena attendance has recovered the fastest of all culture and entertainment organizations: December 2021–February 2022 attendance was between 78% and 91% of pre-pandemic levels.

DOWNTOWN THEATERS LOST AN EXPECTED 40,000 PATRONS DUE TO OMICRON-CAUSED CANCELLATIONS.

Despite the lower overall museum and theater attendance than the pre-pandemic levels, there is some very good news:

- Shakespeare Theatre set an attendance record with its production of the Broadway-bound, Britney Spears–inspired musical *Once Upon a One More Time*, despite the show running in the middle of the Omicron surge, which was incredibly well-managed by the theater, although at an unbudgeted cost of close to $100,000.
- Woolly Mammoth had strong attendance with its Broadway-bound *Strange Loop*, which, if several shows had not been canceled due to Omicron, would have been one of the top-five attended Woolly shows.
- The National Museum of Women in the Arts is undergoing a $67 million renovation.

SHAKESPEARE THEATRE COMPANY SET AN ATTENDANCE RECORD WITH THE BROADWAY-BOUND, BRITNEY SPEARS-INSPIRED MUSICAL *ONCE UPON A ONE MORE TIME.*

What has DowntownDC been missing during the pandemic?

- Museum attendance was 4.8 million in 2019 and averaged 5.2 million per year for the prior decade.
- Capital One Arena attendance was 1.7 million in 2019 and averaged 2.4 million per year for the prior decade.
- Theater and Performance Venue attendance was 725,000 in 2019,and averaged 740,000 per year for the prior decade.

The pre-pandemic 7.2 million annual DowntownDC Culture & Entertainment patrons have been steadily returning to DowntownDC from October 2021 through March 2022.

CULTURE & ENTERTAINMENT TOTAL ATTENDANCE WAS RUNNING AT ABOUT 65% OF PRE-PANDEMIC LEVELS IN FEBRUARY 2022.

DowntownDC's eight performance venues and 12 museums and the Capital One Arena are open, with 2Q and 3Q 2022 program and production schedules close to pre-pandemic levels.

The Shakespeare Theatre's Broadway-bound production of Once Upon a One More Time *set an attendance record for the company in December 2021 and January 2022.*

HOUSING

The DowntownDC, D.C., and DMV apartment markets experienced sizable increases in rents and declines in vacancy rates in 2021. Most of the submarkets and many buildings are now performing at or above pre-pandemic levels. In DowntownDC, the average rent is now $3.41 per SF per month — 98% of its pre-pandemic record high in 1Q 2020 — and the vacancy rate is 3.1% — near its record low.

APARTMENT RENTS AND VACANCY RATES RETURNED TO PRE-PANDEMIC LEVELS IN 3Q AND 4Q 2021.

The condominium market has remained steady in both sales prices and sales volume. In 4Q 2021, DowntownDC condominium prices were strong, at $675 per SF.

CONDO PRICES WERE STRONG AND STABLE ON SOLID SALES VOLUME IN 2021.

D.C., Northern Virginia, and Suburban Maryland are experiencing similarly strong housing markets. Rents and vacancy rates are strong, with near-record performance.

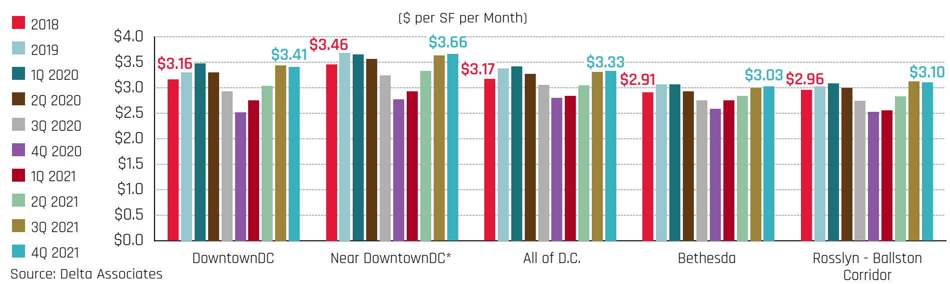
For DowntownDC and D.C., the "flight from the city" that occurred in the second half of 2020 was reversed in 2021, as shown by the year's strong rent and low vacancy numbers.

The number of apartment units under construction in D.C. is at a near record high of over 11,000 units, with quarterly groundbreakings at 60% to 100% of pre-pandemic levels (70% for 2021) and 1Q 2022 groundbreakings forecast at 90% of 1Q 2019. The District's and the DMV's strong employment base and the District's many amenities (restaurants, transportation options, culture and entertainment, and many parks and recreation options) are responsible for this continued strong housing development.

DowntownDC's three office-to-residential conversions total 741 new apartments, an 11% increase in DowntownDC housing units.

IN 4Q 2021, LINCOLN PROPERTIES' 1313 L ST. NW (222 APARTMENTS) BECAME THE FIRST NEW HOUSING PROJECT TO BREAK GROUND IN DOWNTOWNDC SINCE CITYCENTERDC IN APRIL 2011.

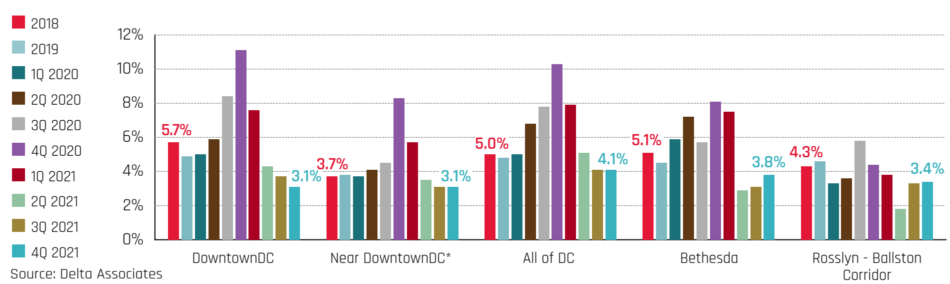
D.C. Region Class A Apartment Rents



Source: Delta Associates

* Includes the area five blocks north and west of the DowntownDC BID boundary.

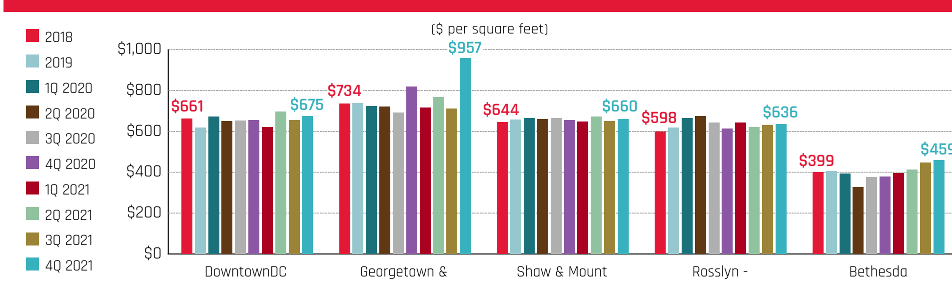
Class A Apartments Vacancy Rates



Source: Delta Associates

*Includes the area five blocks north and west of the DowntownDC BID boundary.

D.C. Region Condo Prices



Source: The Mayhood Company

SHOPPING & DINING

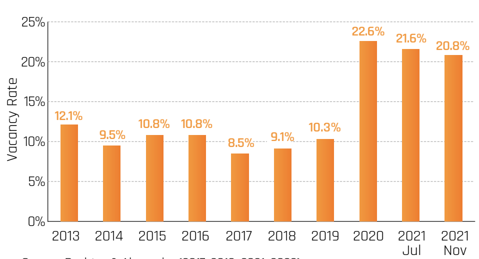
During 4Q 2021 and 1Q 2022, the DowntownDC shopping and dining sectors have continued to recover. The dining sector has seen more openings and announcements of new Destination Restaurants, while more Destination Stores have closed than have opened.

The retail vacancy rate stabilized at close to a record high of 20.8% in late November 2021. This is a slight decline from the 21.6% retail vacancy rate of July 2021 and 22.5% in December 2020, but up substantially from 10.3% at the end of 2019. Vacant retail SF is now 840,000 SF, up from 410,000 SF at the end of 2019.

The number of "temporarily closed" restaurants and stores declined substantially from 136 in Winter 2021 to seven at the middle of March 2022.

Since March 2020, there have been 43 retail and restaurant openings, with another nine under construction and 24 announced openings (mostly destination and quick-service restaurants). The 67 total openings during the pandemic and announced new restaurants and other retailers will offset 113 pandemic closings of DowntownDC's 668 pre-pandemic retail businesses. Thus the total decline in occupied retail spaces is projected to be 46 from February 2020 through December 2022: from 668 to 622.

Retail Vacancy in DowntownDC



Source: Dochter & Alexander (2017-2019, 2021-2022) and DowntownDC BID (2013-2016 and 2020)

DOWNTOWN DESTINATION RESTAURANTS REPORTED RECENT AVERAGE SALES OF 90%-95% OF PRE-PANDEMIC LEVELS, UP FROM 70%-80% IN FALL 2021 AND 40%-60% IN WINTER 2021.

Recent destination restaurant openings are:

1. L'Ardente
2. Immigrant Food+
3. Philotimo
4. SHOTO

Recent destination store openings are:

1. Chanel
2. Giorgio Armani
3. Brunello Cucinelli

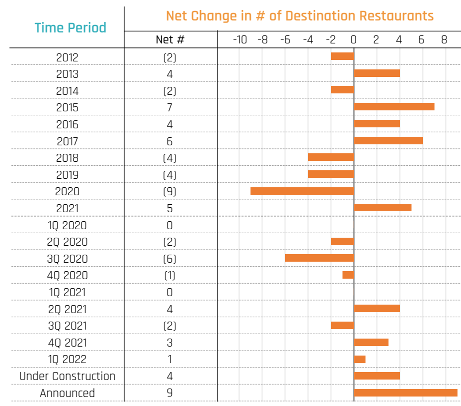
The sales performance for both Destination Restaurants and Destination Stores has remained steady over the past few months, though January 2022 saw a decline due to the Omicron variant. Destination Restaurants' sales in 4Q 2021 and 1Q 2022 grew to over 90% of pre-pandemic levels. Destination Stores' sales were at 50%–70% of pre-pandemic levels.

Restaurants, food service businesses, and retail services that directly serve the office worker and the international or business traveler continue to perform poorly, with net closings of 16 out of 190 quick-service restaurants, and four temporarily closed.

DOWNTOWNDC DESTINATION STORES REPORTED RECENT AVERAGE SALES OF 50%-70% OF PRE-PANDEMIC LEVELS, UP FROM 45%-65% IN FALL 2021 AND 20%-40% IN WINTER 2021.

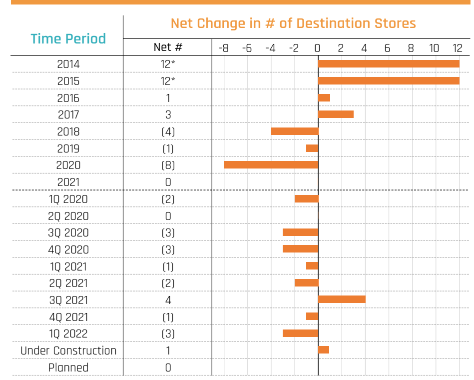
L'Ardente opened in Fall 2021 to great acclaim. This is the restaurant's signature 40-layer lasagne.

Destination Restaurant Net Change History



Source: DowntownDC BID * High-End and Casual restaurants; no quick-service restaurants.

Destination Store Net Change History



Source: DowntownDC BID * CityCenterDC stores opened.

DowntownDC Restaurant, Food Service and Other Retail Openings and Closings During the COVID-19 Pandemic

March 2020 -- March 2022

	Destination Restaurants (High End & Casual)	Restaurants and Other Food Service				Other Retail			Total
		Quick Service Restaurants	Restaurant Sub-Total	Coffee and Other	Total	Destination Shopping	All Other (a)	Total	
Number on Feb 29, 2020	134	190	324	48	372	76	220	296	668
Openings	15	12	27	4	31	6	6	12	43
Closings	18	28	46	17	63	17	33	50	113
% of 2/29/20	-13%	-15%	-14%	-35%	-17%	-22%	-15%	-17%	-17%
Net Closings	3	16	19	13	32	11	27	38	70
% of 2/29/20	-2%	-8%	-6%	-27%	-9%	-14%	-12%	-13%	-10%
Number on March 15, 2022	131	174	305	35	340	65	193	258	598
Under Construction	4	2	6	0	6	1	2	3	9
Announced	9	6	15	0	15	0	0	0	15
% of 3/15/22	7 %	3%	5%	0%	4%	0%	0%	0%	2%
Temporarily Closed	2	4	6	0	6	0	1	1	7
% of 3/15/22	1 %	2%	2%	0%	2%	0%	0%	0%	1%

Source: DowntownDC BID

(a) Includes financial institutions, drugstores, dry cleaners, hair salons, and nail salons.
(b) From Dochter & Alexander Retail Advisors.

Georgetown University broke ground in Fall 2021 on the new 151,000-SF home for the McCourt School of Public Policy at 125 E St. NW, an estimated $45 million investment.

DOWNTOWNDC ECONOMIC ACTIVTY SUMMARY — WINTER 2022

Economic Sector	DowntownDC			Activity Components for Winter 2022				
	SF Per Sector (in millions) (A)	% of DowntownDC (B)	% of City (a) (C)	Open or Closed (D)	% Open or Occupied 2019 (E)	% Open or Occupied Winter 2022 (F)	Winter 2022 Sales as % of Fall 2019 (G)	Winter 2022 Economic Activity as % of Fall 2019 ((F*G)/E)*B
1 Office	74.6	73.4%	42%	Open	88%	41%	99.5%	**34.00%**
2 Housing	6.5	6.4%	2%	Open	95%	96.9%	98.0%	**6.39%**
3 Hotels	6.1	6.0%	33%	Open	65%	54%	88%	**4.39%**
4 Retail	4.0	3.9%	NA		89.7%	79.2%	NA	
A Restaurants	1.6	1.6%	NA	Open	89.7%	79.2%	90%	**1.25%**
B Destination Shopping	0.7	0.7%	NA	Open	89.7%	79.2%	65%	**0.40%**
C Other Retail	1.0	1.0%	NA	Open	89.7%	79.2%	50%	**0.43%**
D Vacant	0.7	0.7%	NA	NA	NA	NA	NA	**0.00%**
5 Convention Center	2.3	2.3%	100%	Open	100%	100%	80%	**1.81%**
6 Museums	2.0	2.0%	11%	Open	100%	100%	50%	**0.98%**
7 Universities	1.5	1.5%	5%	Open	100%	100%	95%	**1.40%**
8 Entertainment	0.7	0.7%	33%	Open	100%	100%	80%	**0.55%**
Total	101.7	100.0%						**51.60%**

Source: DowntownDC BID, CoStar, Delta Associates, The Mayhood Company, STR and Dochter & Alexander, and MarginEdge.

(a) DowntownDC BID area is 1 square mile, or 1.6% of D.C.'s land area.