Z.C. Order No. 22-28
Request for Two-Year Extension of an Approved Design Review Application
1100 South Capitol Street, SE (Square 698, Lots 814 and 817)

Affidavit of Applicant in Support of Two-Year Extension of Time

I, Richard Ruben, being duly sworn, depose and state as follows:

1. I am Richard Ruben, the managing member of RCM Socap, LLC, which is the managing member of of 1100 SOUTH CAPITOL, LLC (the "Applicant"), the owner of property located at 1100 South Capitol Street, SE (Square 698, Lots 814 and 817) (the "Property")).

2. Pursuant to Z.C. Order No. 22-28, dated November 17, 2022, and effective as of February 17, 2023 (the "Order"), the Zoning Commission approved an application for Design Review to develop the Property with a new residential building containing approximately 263 dwelling units, ground floor and rooftop amenity space, and approximately 162 vehicle parking spaces (the "Project").

3. Approval the Project is valid for a period of two years from the effective date of the Order, within which time an application for a building permit must be filed (i.e., by February 17, 2025). However, despite our diligent good faith efforts, we have been unable to obtain sufficient project financing because of changes in economic and market conditions beyond our reasonable control.

4. Following issuance of the Order in November, 2022, impacts to the real estate market associated with the Covid-19 pandemic were ongoing and in many ways worsening. The market overall was plagued with high construction costs, insufficient labor, and supply chain issues. Inflation was high throughout the country, which led to tightened credit, increased borrowing costs, heightened market uncertainty, and a weak lending market. These conditions collectively created an inhospitable market for multi-family residential development in the District, and this pattern has continued as follows:

    a. Challenges to the construction industry generally. Construction costs have increased significantly in terms of raw materials, building systems, and labor rates. In Washington, D.C., construction costs rose by approximately 5.3% between January, 2023 and January, 2024 alone, which makes it extremely difficult to predict final development budgets. *See* First Quarter 2024 North America Quarterly Construction Cost Report, issued by Rider Levett Bucknall (Exhibit A to this Affidavit). In addition, the ordering, fabricating, and delivering of equipment, supplies, and construction materials is routinely being disrupted or delayed, which impacts hard construction cost schedules and budgets. As such, we cannot embark on construction until a more stable supply chain is reestablished.

    b. Higher interest rates and tighter lending conditions. Recent efforts of the Federal Reserve to reduce inflation through aggressive rate hikes have led to heightened market uncertainty, increased borrowing costs, and tightened credit, collectively putting downward pressure on lending activity. The Lending Momentum Index issued by Coldwell Banker Richard Ellis ("CBRE") demonstrates that overall lending momentum in Q1 2024 was down 32.7% from a year earlier, as high interest rates lowered lending activity. *See* CBRE Figures | U.S. Lending | Q1 2024 (Exhibit B to this Affidavit). At the same time, multi-family capitalization rates remained at approximately 5.4% in Q1 2024, as inflation rates continued to be persistently high. *See* Avison Young U.S. Multifamily Market Report | Q1 2024 (Exhibit C to this Affidavit).

Furthermore, the benchmark secured overnight financing rate ("SOFR"), which is a measure of the cost of borrowing for construction loans, increased from approximately 2% to 5.25%, which doubled the projected debt service during the development period approved for the Project. Such increases in short-term interest rates, as well as market increases in long-term lease interest rates, have also caused the increase in capitalization rates described above, thus enlarging the equity requirement for the Project and decreasing the Project's anticipated value at completion. *See, e.g.,* "US overnight funding rate hits highest since January," *Reuters,* July 2, 2024, stating that the unusually high SOFR is a sign of "dwindling liquidity."

The result of the foregoing is that during the "biggest apartment construction boom in decades, a growing number of developers can't make the numbers work to get started on their project, or can't get the money to complete them." *See* "Developers Sit on Empty Lots After Historic Apartment Boom," *The Wall Street Journal*, June 4, 2024 (Exhibit D to this Affidavit). Across the country, multi-family building starts fell to an annual rate of 322,000 units in April, 2024, which was the lowest April rate since 2020. *Id.* This comes as many banks sour on the commercial real estate loans already on their books as their current portfolios are getting marked down and they don't have much to lend. *Id.* As a consequence, developers need to raise more cash from investors to build, but many investors are more cautious today as rent growth flattens and new projects look less profitable at today's higher interest rates and construction costs. The result is that fewer and fewer multifamily buildings, even once entitled, are able to start construction.

The statistics above are pervasive in the District as well. In 2023, "groundbreakings on new projects were delayed due to higher borrowing/construction costs and stricter lending standards, with new starts virtually coming to a halt in the year's second half." As set forth in *the DC Economic Partnership Redevelopment Report* ("WDCEP") 2023/24 Edition (Exhibit E to this Affidavit), the District expects "new housing starts to remain limited through at least the first half of 2024 as higher borrowing and construction costs continue to make most projects unfeasible. Once market conditions become more favorable for development, the backlog of approved projects may result in a surge of new construction activity, but this is not expected until 2025 at the earliest."

c. The overall decline in apartment rents, increase in vacancy rates, and the District's flatlining population. Over the past year, numerous new and competing apartment buildings opened in the surrounding neighborhoods, with apartment rents plateauing as a result of competitive concessions to attract tenants. *See* WDCEP Report (Exhibit E). Nationwide, multifamily absorption reached its highest level in Q1 2024 since 2021, whereas rent growth has been minimal following the flood of new deliveries. *See* Avison Young Report (Exhibit C). This has resulted in a noteworthy lack of demand for additional new multi-family housing at the targeted dates of Project completion and makes it particularly difficult to be competitive in the marketplace.

5. Due to the extremely poor multi-family market conditions that have plagued not only the District of Columbia but the nation overall, we have been unable to obtain financing for the Project and move forward with filing a building permit application by the required deadline. Thus, we have determined that in order to ensure an economically feasible and successful project, the most practical course of action is to temporarily pause advancement of design and construction documents for the Project.

6. Despite the foregoing, to address the headwinds and continue to make progress on the approved Project, we have continued to move the Project forward. For example, we have worked to value engineer certain aspects of the building design by evaluating structural, façade, and mechanical systems and interior finish selections, which can collectively reduce cost while maintaining the design and commitments made as part of the Zoning Commission approval. In doing so, we have worked closely with our general contractor and potential subcontractors to price various options and negotiate lower costs. Finally, we have reviewed alternative financing options, including outreach to alternative capital partners with lower and/or more flexible costs. We are doing everything we can to move the Project forward given the harsh economic conditions.

7. Despite the obstacles described above, which are entirely outside of our reasonable control, we are still fully committed to moving forward with development of the Project as soon as market conditions allow. We have worked diligently to advance the Project having met the following milestones:
    a. Completed schematic design and partial design development drawings in mid-2023;
    b. Entered into an Access and Protection Agreement with the adjacent St. Vincent de Paul Church in October, 2023;
    c. Submitted an application to the Office of the Surveyor for the District of Columbia in May, 2023, for the creation of a single record lot as is required for development of the Project; and
    d. Continued to advance the required site permits with DDOT and DOB, including obtaining a sheet and shoring permit (SH2300013) in June, 2024.

8. Based on the foregoing, it is clear that we are fully prepared to proceed with development of the approved Project once capital markets and construction costs improve. We have already invested substantial resources in the Project, including legal, architectural, engineering, permitting, construction, and other consulting fees, such that there is no

financial advantage for us not to move forward with development, and we have every incentive to do so as soon as feasible.

[SIGNATURES APPEAR ON THE FOLLOWING PAGE]

I solemnly affirm under the penalty of perjury that the contents of this Affidavit are true and correct to the best of my personal knowledge.

1100 SOUTH CAPITOL, LLC
a Delaware limited liability company

By: **RCM Socap, LLC**
a Delaware limited liability company
its managing member

By: ______________________
Name: Richard Ruben
Title: Managing Member

Sworn and subscribed to me this 7th day of August, 2024.

____
Notary Public

CARESSA VELAZQUEZ
Notary Public - State of New York
NO. 01VE0003290
Qualified in Queens County
My Commission Expires Mar 21, 2027

#504615515_v3

EXHIBIT A TO AFFIDAVIT

FIRST QUARTER 2024

NORTH AMERICA

QUARTERLY CONSTRUCTION COST REPORT

RLB Rider Levett Bucknall

UCHEALTH CHERRY CREEK MEDICAL CENTER ▲

DENVER, COLORADO

UCHealth, a large, Colorado-based healthcare system serving the general Rocky Mountain area, opened a new medical center serving Cherry Creek and the surrounding integral neighborhoods of metro Denver, bringing much needed primary, advanced, and specialty care to the population.

At the project's inception, UCHealth started as only a tenant planning to occupy 2 floors. Later, the decision was made to occupy the building as UCHealth Cherry Creek Medical Center, becoming a much larger and impactful project.

RLB monitored, amended budget, and schedule concerns from the very first estimate through to completion, ensuring our client had the best information to make key decisions resulting in a successful new medical building built in a busy, crowded section of Denver.

Having the opportunity to assist a long-time client in a remarkable addition to their healthcare system was an opportunity to blend RLB's service lines and tailor them to ensure the best outcome for our client. With our team involved from conception, we were able to add tremendous value to the UCHealth team and project generally.

NORTH AMERICA AT A GLANCE

Q1 2024

Since 2020, our industry has been riding a rollercoaster of change, complete with economic uncertainty, supply chain issues, and workforce shortages. It'd be easy to say that with all we've faced, it's been akin to 'death by a thousand cuts.' Well, it's probably more like 'painful by a thousand cuts,' but regardless, I am cautiously optimistic about this upcoming year.

When we look at inflation, I see promising indicators that fuel my optimism for the construction industry in the coming year. Our research indicates that the trend of construction cost inflation is gradually decelerating. The quarterly growth of 1.29% mirrors the pre-pandemic levels of 2019, and the year-over-year growth is just slightly higher than five years ago, standing at 5.85% this quarter.

Despite having reached extremely high peaks, prices for construction materials are now on a downward trajectory. With cautious optimism about inflation, construction cost pressures should lessen in 2024, more than in previous years. Prices are still rising as market participants try to reconcile the growing slowdown in private starts with long-term requirements, but overall, this is positive news for construction costs.

In light of this, construction companies must prioritize investment in their existing workforce, as recruiting skilled workers is increasingly challenging. While construction employment has increased in more than two-thirds of metro areas in the last year, there are still a reported 400,000 job openings nationwide. This suggests that many more cities would have experienced employment increases if enough qualified workers were available.

The architecture firms' billings remained soft going into 2024, with an Architecture Billings Index (ABI) score of 46.2 in January. According to the ABI, all regions of the country saw weak business conditions except the Midwest, where three of the last four months saw modest growth. Of all specializations, companies with multifamily residential expertise continue to report the softest business conditions.

That being said, ongoing investment in manufacturing and infrastructure will help offset any decline in privately funded projects in 2024. Overall, construction spending will be driven by public funding for manufacturing and infrastructure projects.

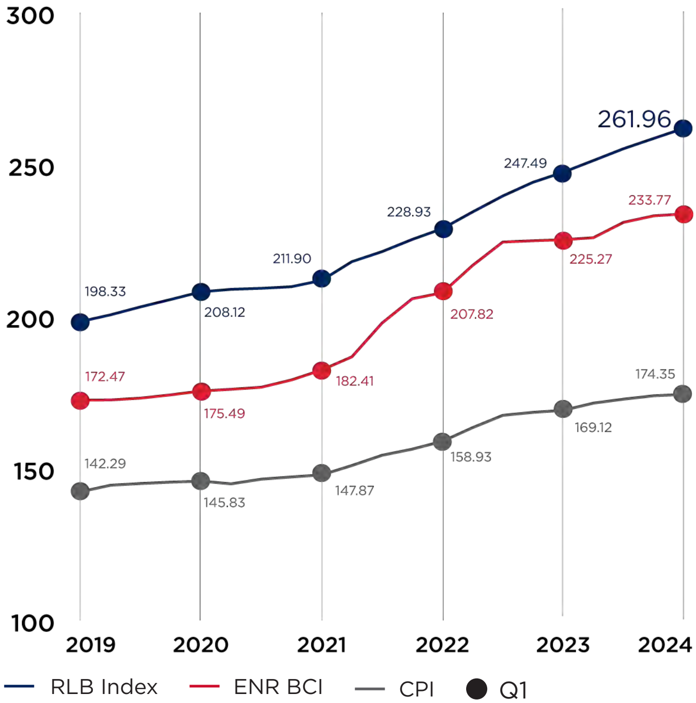
So, while the construction industry may still bear the scars of the recent tribulations, the pain will lessen as we head through the year. Knowing what we know now, I'd describe our current situation as more of a 'rebirth by a thousand adversities,' as resilience has been the hallmark of our industry and is looking up in many ways this year.

We can confidently navigate the path ahead through disciplined planning, investment in workforce development, and adaptation to market dynamics. So, it's fair to say there is a promising future ahead, not a tragic ending resulting from a thousand cuts.

Paul Brussow
President,
North America

UNITED STATES

NATIONAL CONSTRUCTION COST INDEX



Date	NCCI
Q2 2020	208.96
Q3 2020	209.29
Q4 2020	209.82
Q1 2021	211.90
Q2 2021	218.06
Q3 2021	221.36
Q4 2021	225.38
Q1 2022	228.93
Q2 2022	234.42
Q3 2022	239.68
Q4 2022	244.19
Q1 2023	247.49
Q2 2023	251.34
Q3 2023	255.24
Q4 2023	258.62
Q1 2024	261.96

Welcome to the first quarter 2024 issue of the RLB Quarterly Cost Report! This issue contains data current to mid-Q1 2024.

$2,102.4 billion

According to the U.S. Department of Commerce, construction-put-in-place during January 2023 was estimated at a seasonally adjusted annual rate of $2,102.4 billion, which is

0.2% below

the revised December 2023 estimate of $2,105.8 billion, and

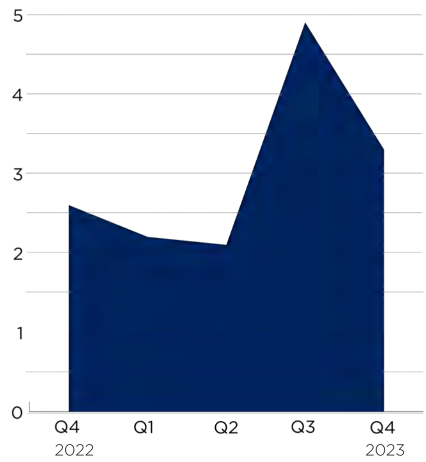
11.7% above

the January 2023 estimate of $1,882.2 billion.

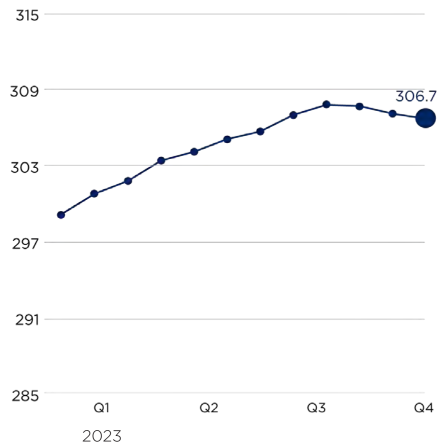
The National Construction Cost Index shows the changing cost of construction between April 2020 and January 2024, relative to a base of 100 in April 2001. Index recalibrated as of April 2011.

KEY UNITED STATES STATISTICS

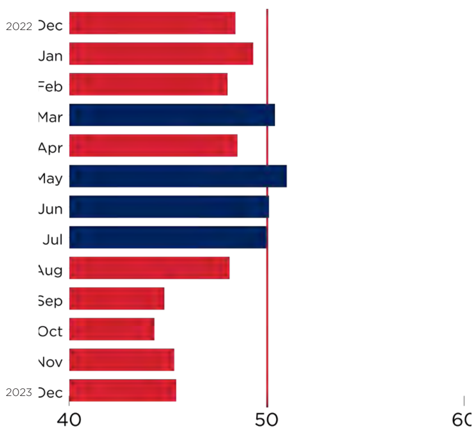
Gross Domestic Product* (GDP)



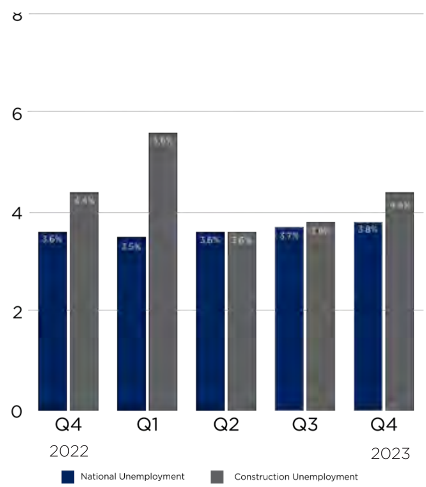
Consumer Price Index (CPI)



Architectural Billings



Unemployment Comparison



GDP represented in percent change from the preceding quarter, seasonally adjusted at annual rates. CPI quarterly figures represent the monthly value at the end of the quarter. Inflation rates represent the total price of inflation from the previous quarter, based on the change in the Consumer Price Index. ABI is derived from a monthly American Institute of Architects survey of architectural firms of their work on the boards, reported at the end of the period. Construction Put-in-Place figures represent total value of construction dollars in billions spent at a seasonally adjusted annual rate taken at the end of each quarter. General Unemployment rates are based on the total population 16 years and older. Construction Unemployment rates represent only the percent of experienced private wage and salary workers in the construction industry 16 years and older. National unemployment rates are seasonally adjusted, reflecting the average of a three-month period.

* Adjustments made to GDP based on amended changes from the Bureau of Economic Analysis.

Sources: U.S. Bureau of Labor Statistics, Bureau of Economic Analysis, American Institute of Architects.

UNITED STATES

INDICATIVE CONSTRUCTION COSTS

	OFFICES				RETAIL SHOPPING				HOTELS				HOSPITAL	
	PRIME		SECONDARY		CENTER		STRIP		5 STAR		3 STAR		GENERAL	
LOCATION	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH
USA														
Boston	415	670	255	365	225	335	170	270	450	655	310	440	515	1030
Chicago	330	550	200	330	200	440	160	270	490	765	360	490	420	875
Denver	350	500	250	350	200	350	170	230	425	625	285	425	675	900
Honolulu	360	595	220	350	280	575	260	435	685	830	395	625	525	890
Las Vegas	265	460	185	250	160	630	145	340	410	760	245	415	520	625
Los Angeles	255	385	195	285	175	375	150	215	410	635	295	390	655	995
New York	390	905	225	565	340	675	360	710	485	730	360	485	610	920
Phoenix	250	425	160	225	200	335	115	195	395	620	210	315	480	675
Portland	275	365	250	340	260	360	250	325	485	630	360	470	800	1100
San Francisco	430	740	330	530	315	520	240	410	550	900	390	650	700	1100
Seattle	345	615	230	325	260	415	195	320	455	690	325	455	605	860
Washington	335	555	230	365	180	325	150	245	430	665	280	440	510	915
CANADA														
Calgary	280	420	240	285	235	315	140	200	305	470	230	260	685	925
Toronto	295	480	245	340	220	465	180	230	420	785	255	305	615	960

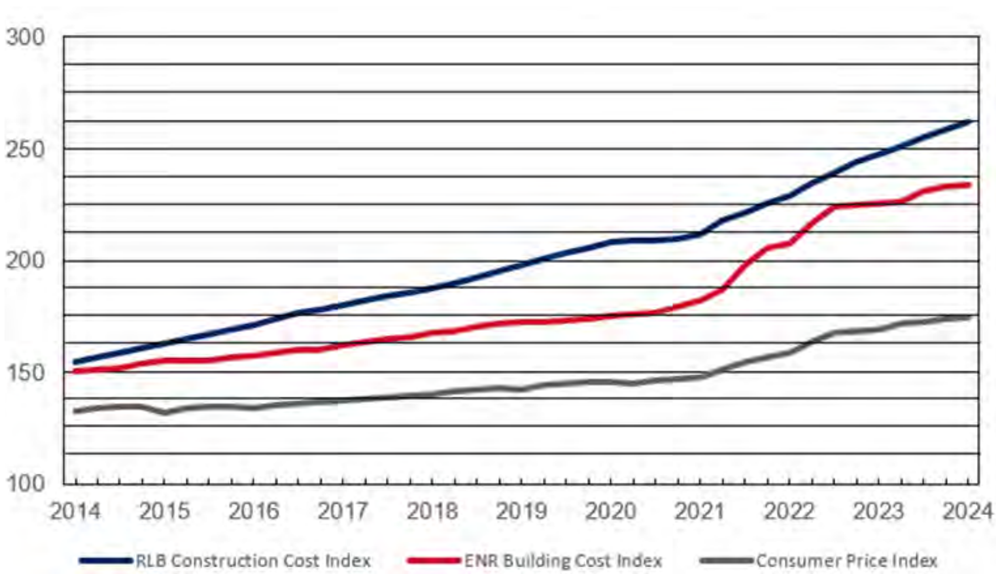
INFLATION INDEX COMPARISON

The chart on the following page demonstrates the relative differences in inflation between the cost of general goods and services (represented by the U.S. Bureau of Labor Statistics' Consumer Price Index), the cost of construction materials and labor (represented by Engineering News-Record's Building Cost Index) and the bid cost of construction (represented by Rider Levett Bucknall's National Construction Cost Index).

The Consumer Price Index (CPI) and the ENR index indicate a flattening trend in 2023. The RLB's Index shows a slower rate of increase in construction costs. The Consumer Price Index (CPI) climbed 3.1% in Q1 2024, the lowest increase since Q2 2021. During the same period, the ENR's index rose by 3.8%, which is almost a quarter of the staggering increase of 14.9% recorded in Q4 2021, while the RLB's index increased by 5.8% which is its lowest rate in nearly three years.

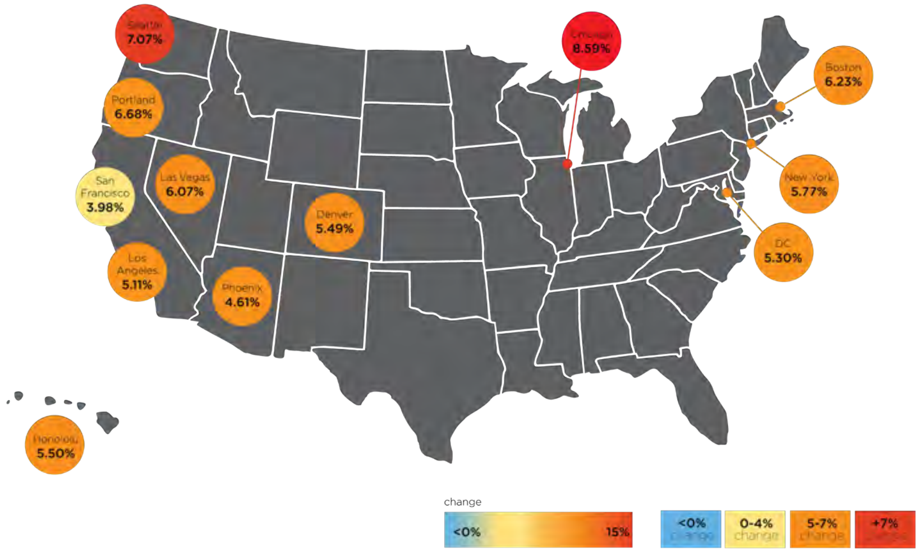
The data in the chart below represents estimates of current building costs in each respective market. Costs may vary as a consequence of factors such as site conditions, climatic conditions, standards of specification, market conditions, etc. Values of U.S. locations represent hard construction costs based on U.S. dollars per square foot of gross floor area, while values of Canadian locations represent hard construction costs based on Canadian dollars per square foot.

INDUSTRIAL		PARKING				RESIDENTIAL				EDUCATION					
WAREHOUSE		GROUND		BASEMENT		MULTI-FAMILY		SINGLE-FAMILY		ELEMENTARY		HIGH SCHOOL		UNIVERSITY	
LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH	LOW	HIGH
125	210	100	160	130	180	260	360	295	410	415	570	465	725	515	775
135	225	95	140	150	270	200	460	275	550	310	460	350	490	435	875
125	195	125	200	165	250	185	355	230	465	310	475	400	575	600	850
125	265	155	210	180	290	275	470	310	580	525	870	540	740	675	995
80	155	80	105	100	185	195	465	230	460	425	530	505	690	655	870
135	205	115	140	155	210	250	410	220	390	390	510	335	590	490	665
135	225	115	195	155	235	235	460	340	675	520	655	565	720	555	795
80	145	55	105	85	155	180	275	190	515	280	395	310	480	425	650
200	285	200	240	220	295	275	385	275	420	460	570	510	650	550	700
150	255	130	205	250	350	400	625	310	520	390	570	440	750	570	1000
170	240	125	190	200	295	270	455	250	380	420	630	355	630	555	760
130	210	75	100	90	155	210	355	265	390	385	585	400	600	450	725
110	165	90	125	95	150	195	275	300	430	255	350	260	360	335	510
130	185	120	160	155	220	255	325	320	635	270	330	270	350	310	545



UNITED STATES

COMPARATIVE COST INDEX



City	January 2023	April 2023	July 2023	October 2023	January 2024	Annual % Change
• Boston	28,741	29,165	29,574	30,048	30,530	6.23%
• Chicago	28,947	29,595	30,103	30,749	31,432	8.59%
• Denver	18,236	18,632	18,898	19,005	19,237	5.49%
• Honolulu	29,106	29,402	29,895	30,293	30,707	5.50%
• Las Vegas	17,932	18,289	18,583	18,809	19,021	6.07%
• Los Angeles	26,585	26,929	27,263	27,541	27,943	5.11%
• New York	33,456	33,924	34,496	34,922	35,386	5.77%
• Phoenix	18,993	19,253	19,503	19,706	19,870	4.61%
• Portland	20,949	21,263	21,741	22,081	22,348	6.68%
• San Francisco	33,679	34,202	34,425	34,741	35,019	3.98%
• Seattle	23,641	23,991	24,651	25,042	25,312	7.07%
• Washington, DC	26,857	27,169	27,428	27,883	28,282	5.30%

Comparative Cost Map Indicates percentage change between January 2023 to January 2024.

INTRODUCING

SECTOR MARKET INSIGHTS

A Companion to the QCR Providing Expert Insights and Construction Cost Drivers Impacting the Future of the Sector.

WHAT IS A SECTOR MARKET INSIGHT?

A companion to the Quarterly Cost Report, our sector market insight offers clients the certainty they need to make critical, real-time decisions to ensure the commercial success of their projects.

The sector market insight takes a deep dive into:

- state of the market,
- what cost drivers are likely to affect material prices,
- industry trends, and
- what information like this means for the future of the sector.

What sectors are included?

The Sector Market Insights will feature Aviation, Convention Centers, Data Centers, Healthcare, Hotels & Leisure, Infrastructure, Sports & Events, and Federal/Government. For Q1 2024, we'll be highlighting:

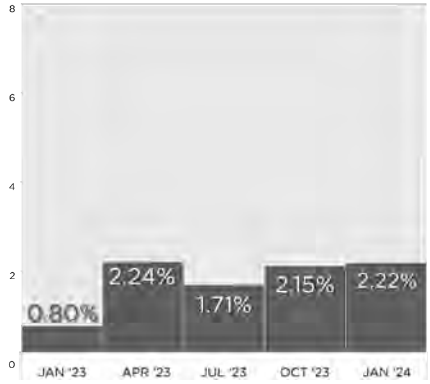
HEALTHCARE

INFRASTRUCTURE

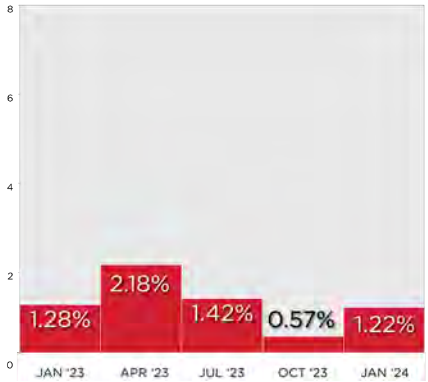
UNITED STATES

The following escalation charts track changes in the cost of construction each quarter in many of the cities where RLB offices are located. Each chart illustrates the percentage change per period.

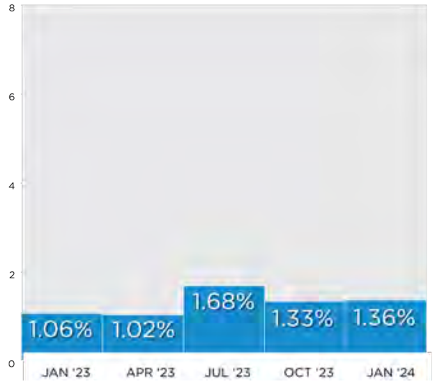
Boston Cost Index



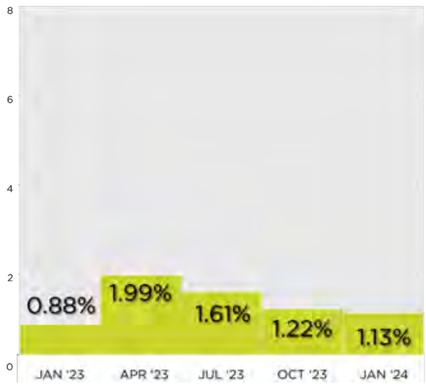
Chicago Cost Index



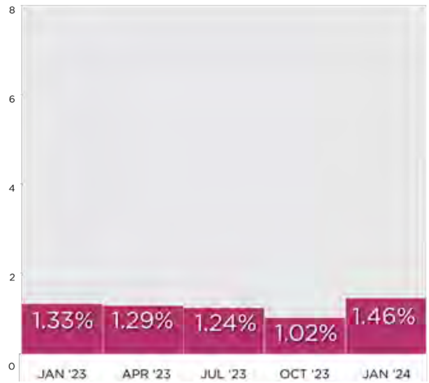
Denver Cost Index



Honolulu Cost Index

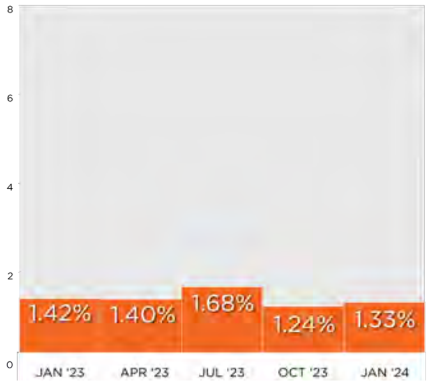


Las Vegas Cost Index

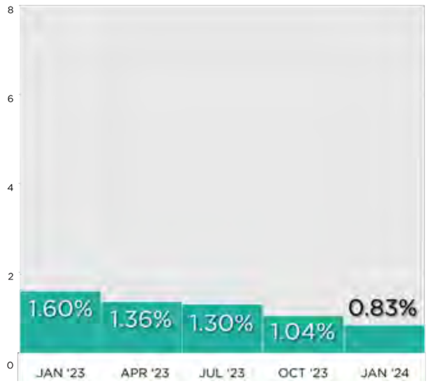


Los Angeles Cost Index

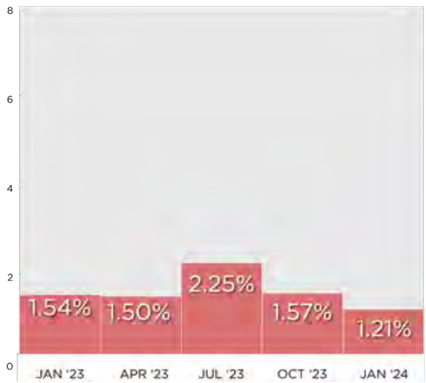
Our research suggests that over the course of 2023, the national average increase in construction cost was 5.85%. Boston, Chicago, Las Vegas, Portland, and Seattle all experienced increases above the quarterly national average during Q1 2024. Locations below the national average included Denver, Honolulu, Los Angeles, New York, Phoenix, San Francisco. and Washington, D.C.



New York Cost Index

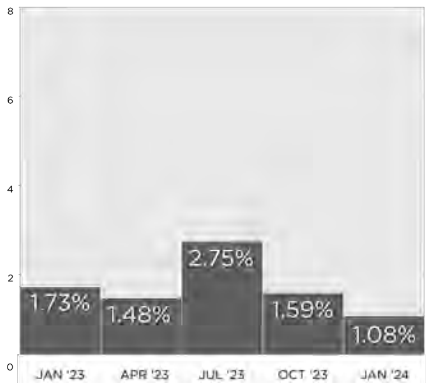


Phoenix Cost Index



Portland Cost Index

San Francisco Cost Index

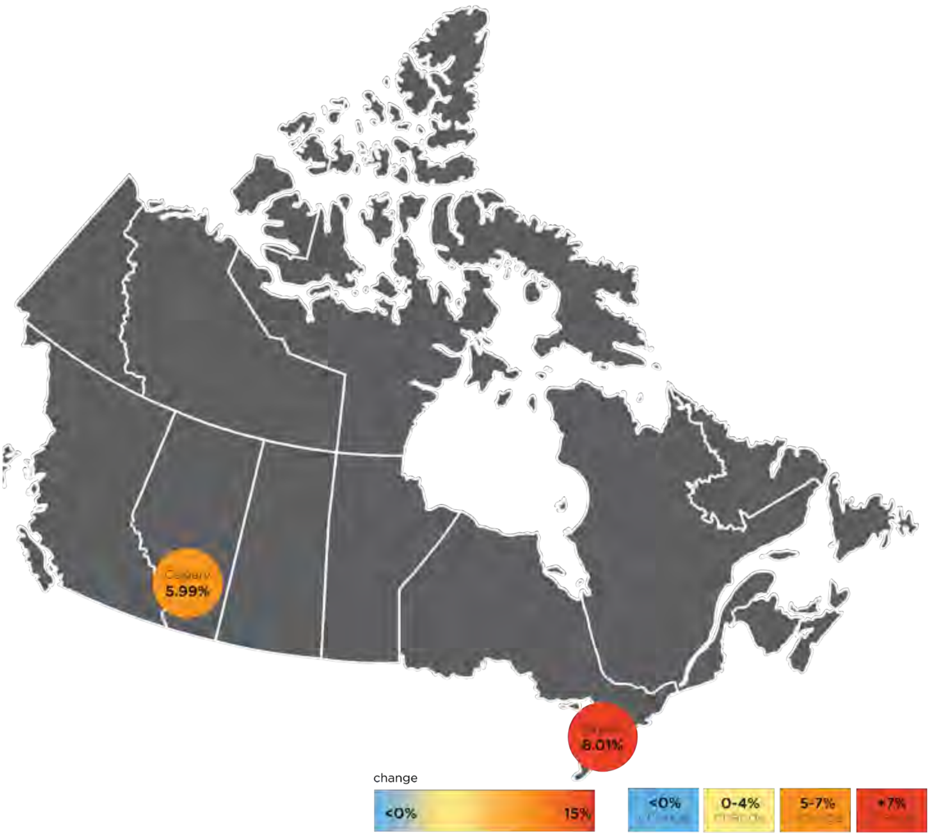


Seattle Cost Index

Washington DC Cost Index

CANADA

COMPARATIVE COST INDEX

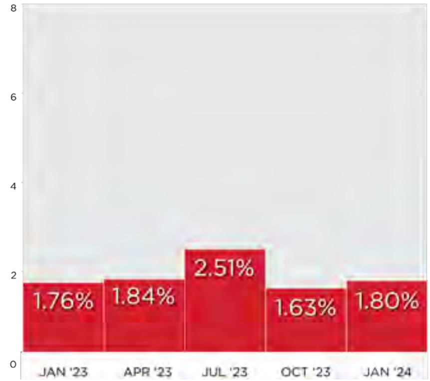


City	January 2023	April 2023	July 2023	October 2023	January 2024	Annual % Change
• Calgary	24,477	24,732	25,220	25,555	25,944	5.99%
• Toronto	32,028	32,619	33,437	33,981	34,593	8.01%

Alberta's economy has experienced steady growth, driven by the oil and gas sector, increased exports to the US, and a focus on green energy. Residential building construction investment is on the rise despite higher borrowing costs. In January 2024, Alberta marked a 47.9% increase in housing starts. The province is expected to continue experiencing substantial gains in residential investments, supported by tight resale markets. Building construction investment in Alberta reached $2.6 billion in Q4 2023, up 13.4% from the previous year, with Calgary alone issuing building permits valued at $1.5 billion. However, the growth of Alberta's workforce is being constrained by factors such as population growth and retirements, leading to shortages in training and hiring opportunities.

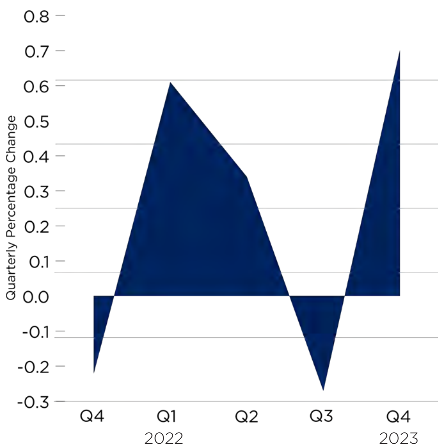
In Ontario, total investment in ICI building construction rose by 13.2% in Q4 2023, with the industrial sector showing the most significant growth. The provincial government has committed to constructing 1.5 million new homes in Ontario over a ten-year period, currently in its third year of implementation. Recent data from the Canada Mortgage and Housing Corporation indicates a 13% year-over-year increase in housing starts nationwide, driven by a notable surge in multi-unit starts in Toronto. January 2024 marked the second-highest number of housing starts since 1990, with Toronto contributing significantly to the national increase, recording a 49% year-over-year growth in actual starts. Ontario's total seasonally adjusted annual rate (SAAR) of housing starts saw a 17% monthly increase.

Calgary Cost Index

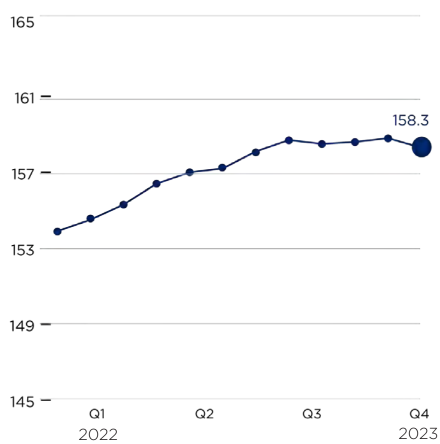


Toronto Cost Index

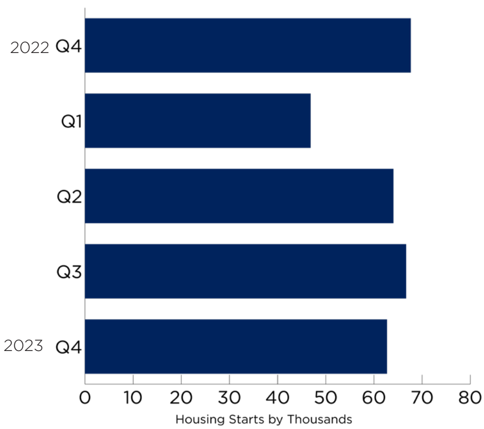
KEY CANADIAN STATISTICS



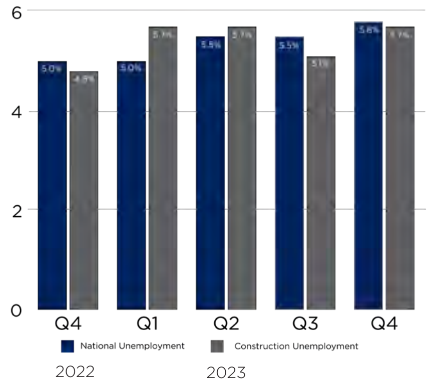
Gross Domestic Product* (GDP)



Consumer Price Index (CPI)



Housing Starts



Unemployment Comparison

ABOUT RIDER LEVETT BUCKNALL

Rider Levett Bucknall is an award-winning international firm known for providing project management, construction cost consulting, and related property and construction advisory services – at all stages of the design and construction process.

This issue was compiled and designed by Taryn Harbert and Kaylie Lu with contributions from Antonio Gonzalez, Cassie Idehara, Charlie Andrews, Daniel Junge, Evans Pomegas, James Casey, Julia Flores, Kirk Miller, Lucy Liu, Maelyn Uyehara, Paul Brussow, Paraic Morrissey, Peter Knowles, Peter Vavaroutsos, and Scott Macpherson.

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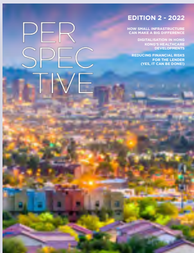
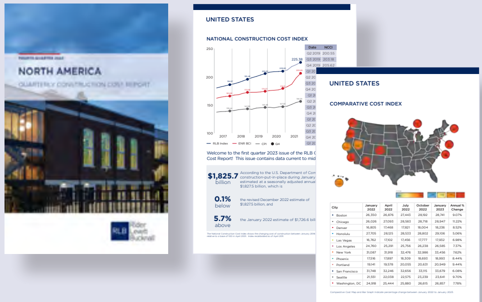
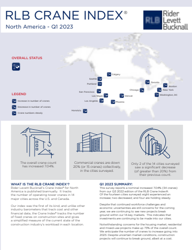


CONSTRUCTION COST REPORT



CRANE INDEX



SECTOR MARKET INSIGHTS

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EXHIBIT B TO AFFIDAVIT

CBRE

Commercial Mortgage Lending Slows in Q1, Shows Signs of Stabilizing

▼ 168	▼ 57.9%	▲ 63.9%	▼ 6.92%	▼ 9.75%
Lending Momentum Index	Commercial LTV	Multifamily LTV	Average Loan Constant	Average Debt Yield

Arrows indicate change from previous quarter.
Source: CBRE Capital Markets, Q1 2024.

Executive Summary

- The CBRE Lending Momentum Index fell by 11% quarter-over-quarter and 32.7% year-over-year in Q1 to 168 due to less financing activity amid high interest rates and limited credit availability.
- Spreads between the 10-year Treasury yield and seven-to-10-year, 55%-to-65%-loan-to-value (LTV) fixed-rate permanent commercial loans tightened by 22 basis points (bps) quarter-over-quarter to 212 and multifamily spreads tightened by 17 bps to 175.
- Alternative lenders were the top lending group, accounting for 47.2% of Q1 loan volume that was largely driven by bridge lending. Due to the rise in loan extensions and potential regulatory challenges, banks' non-agency lending share fell to 23% in Q1 2024 from 41% in Q1 2023.
- Multifamily agency lending totaled $19.2 billion in Q1, down from $27.1 billion in Q4. Mortgage rates on closed fixed-rate seven-to-10-year agency loans fell by 32 bps quarter-over-quarter but were up by 40 bps year-over-year.
- Mortgage rates and loan constants fell by 50 bps quarter-over-quarter in Q1. Debt yields and underwritten cap rates fell to 9.75% and 6%, respectively. The percentage of loans carrying partial- or full-term interest only declined to 75.2% from 77.8%, increasing the amortization rate by 120 bps.
- The overall average LTV ratio rose by 80 bps quarter-over-quarter to 62.3%. The average LTV ratio for multifamily loans also increased by 80 bps to 63.9%, while that for commercial loans fell by 30 bps to 57.9%.

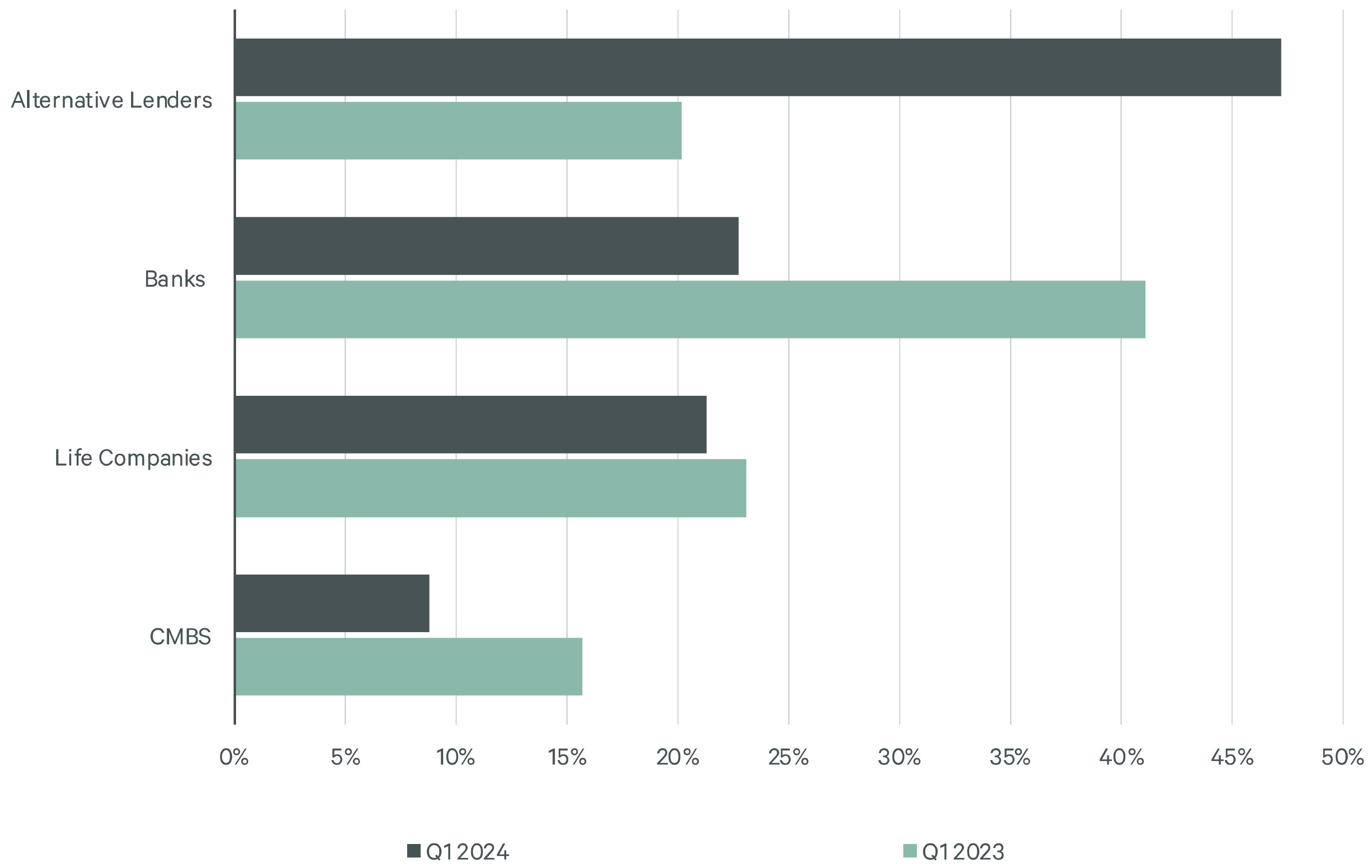
Figure 1
Lending momentum slows

- The CBRE Lending Momentum Index ended Q1 down by 32.7% from a year earlier, as high rates lowered lending activity. Improving conditions at the start of the quarter dissipated with the rise in borrowing rates throughout Q1.
- The CBRE Lending Momentum Index tracks loans originated or brokered by CBRE Capital Markets. The index has a base value of 100, which represents average activity for 2005.

Source: CBRE Capital Markets, CBRE Research, Q1 2024.

Figure 2
Alternative lenders dominate in Q1

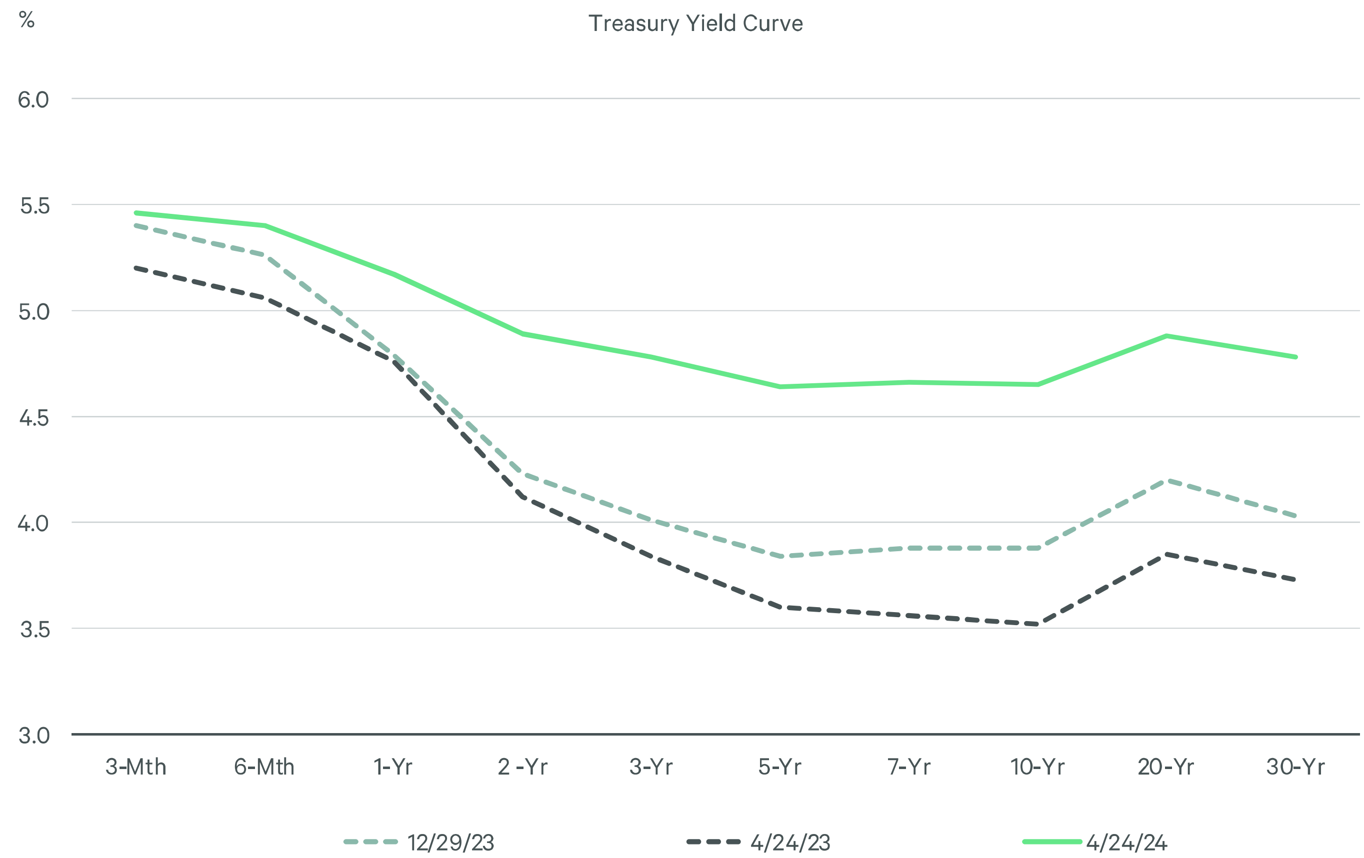
- Alternative lenders were the top non-agency group with 47.2% market share in Q1, more than double their 20.2% share a year earlier. Industrywide collateralized loan obligation (CLO) issuance increased to $1.5 billion in Q1, up from $700 million in Q4.
- Banks were the next most active lending group with 22.7% of non-agency loan closings in Q1, down from their 41.1% share a year earlier. Banks likely will remain cautious due to limited liquidity and potential regulatory pressures.
- Life companies accounted for 21.3% of closed non-agency loans in Q1, down from 23.1% a year earlier. Although life companies remain active, they are likely to remain selective this year.
- CMBS conduit loans accounted for the remaining 8.8% of non-agency loan volume in Q1, down from 15.7% a year earlier. Spreads on 10-year AAA CMBS bond issues fell by 50 bps quarter-over-quarter.



Note: Reflects non-agency commercial/multifamily loans
Source: CBRE Capital Markets, CBRE Research, Q1 2024..

Figure 3
Treasury yield curve rises

- The benchmark 10-year Treasury yield closed at 4.2% at the end of Q1, up from 3.88% at the end of Q4 2023.
- CBRE expects that the Federal Reserve will lower the federal funds rate twice this year, once in July and a second time in December, as inflation slows. This will ease financial conditions and help lower the 10-year Treasury yield, which CBRE forecasts will close the year at 4.1%.



Source: Federal Reserve Bank, April 2024.

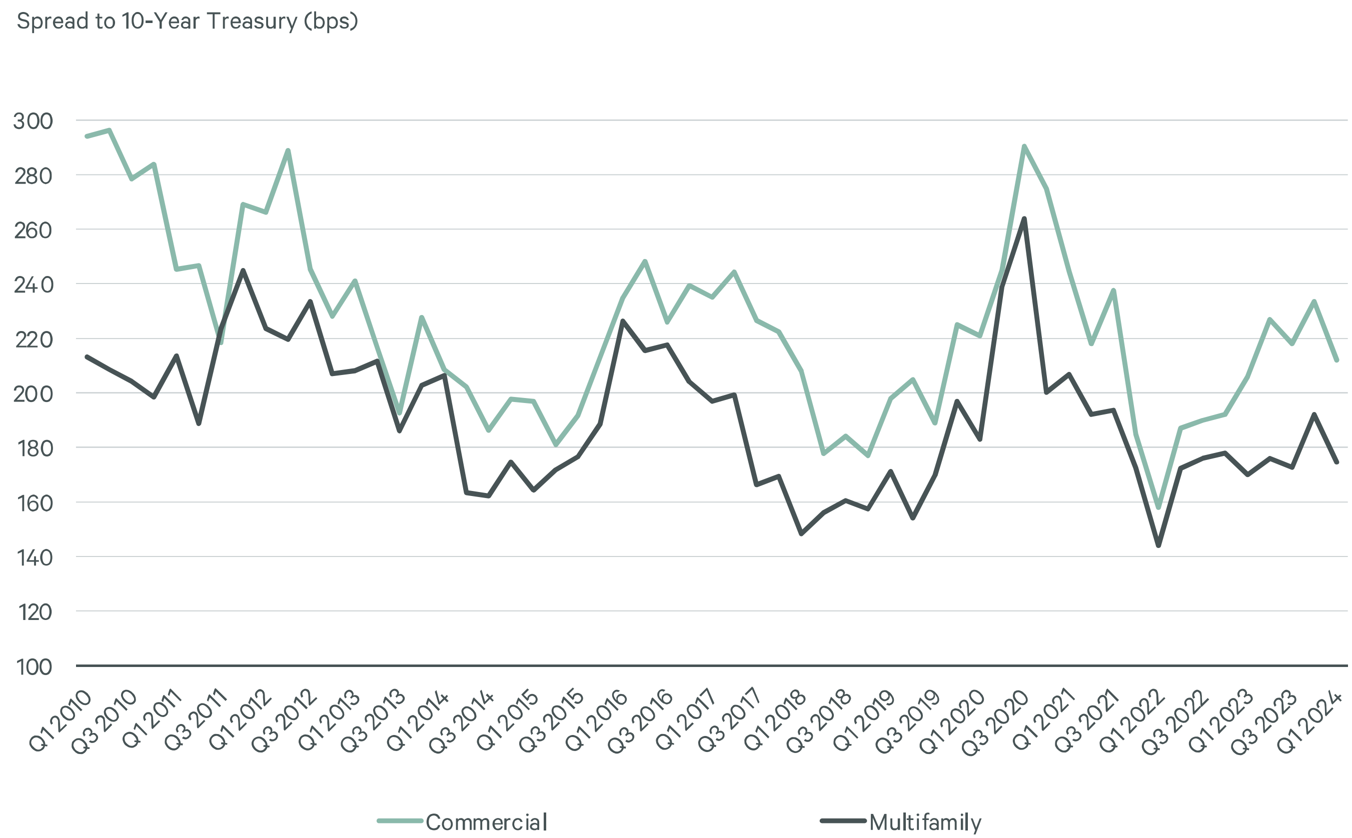
Figure 4
10-Year Treasury yield & BBB option-adjusted corporate bond spread

- Despite high interest rates and tight credit conditions, corporate bond spreads have tightened steadily since November. The 10-year Treasury yield averaged 4.16% in Q1 vs. 4.44% in Q4, lowering the average interest rate to 6.14% from 6.64%.
- Bank of America/Merrill Lynch U.S. Corporate BBB Index spreads tightened to 115 bps at the end of Q1, from 129 bps at the end of December.

Source: ICE Bank of America/Merrill Lynch, Federal Reserve, CBRE Research, April 2024. Data through 4/24/2024.

Figure 5
Commercial & multifamily loan spreads tighten

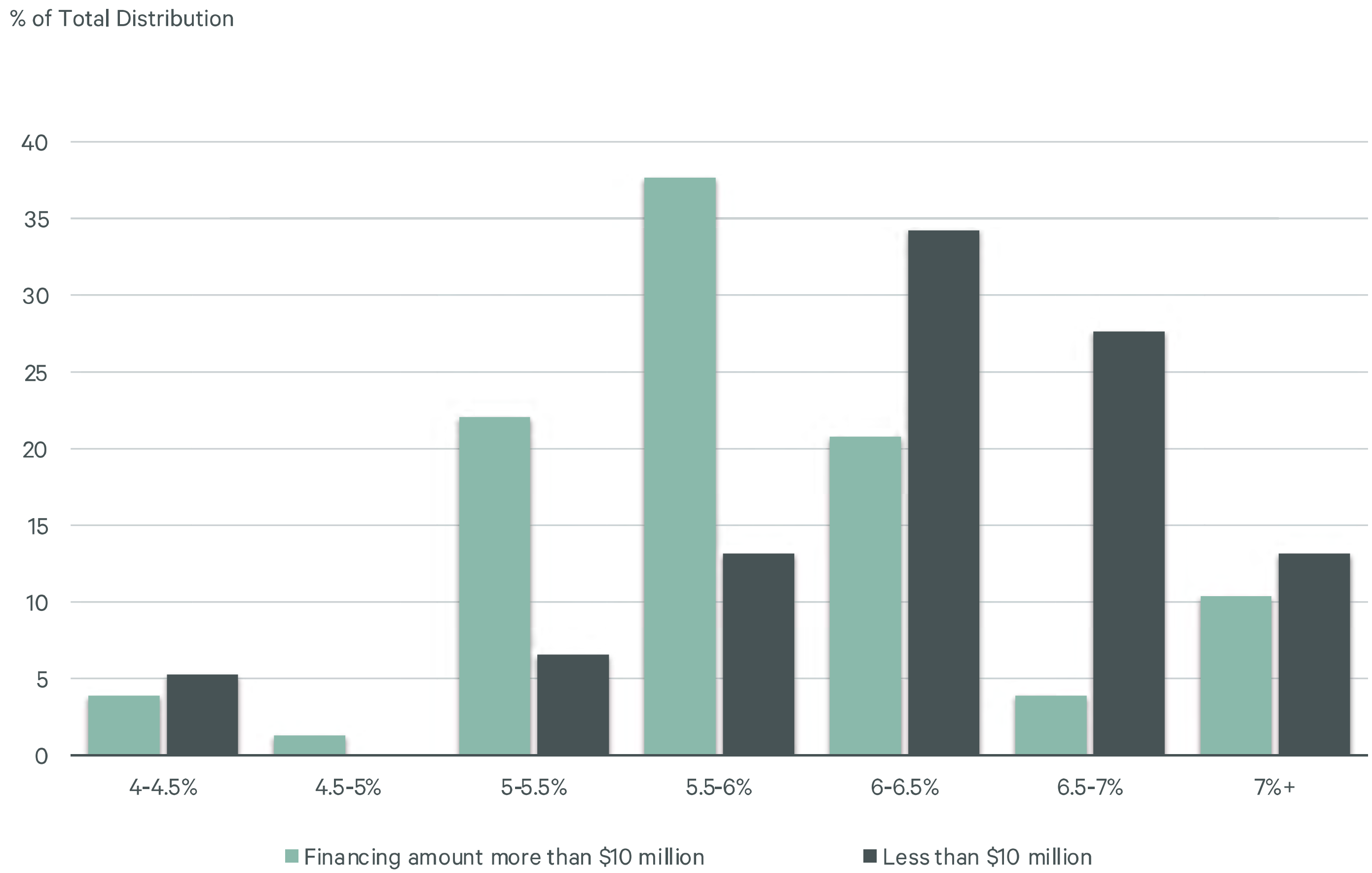
- The spread on closed commercial mortgage loans averaged 212 bps in Q1, down by 22 bps from Q4 2023 but up 6 bps from a year ago.
- The average spread on multifamily mortgages fell by 17 bps quarter-over-quarter in Q1 to an average of 175 bps. Multifamily spreads were 5 bps wider than a year ago.
- Our analysis of active deal quotes in April indicates that multifamily spreads remain constant compared with the Q1 closed loan averages, while commercial spreads have slightly tightened by about 3 bps.
- The data reflects fixed-rate deals with a seven-to-10-year term and 55-to-65% LTV that were closed by CBRE Capital Markets.



Note: Reflects average spreads on 7-to-10 year, 55%-to-65% LTV, permanent fixed-rate loans closed by CBRE Capital Markets.
Source: CBRE Capital Markets, CBRE Research, Q1 2024.

Figure 6
Mortgage rate distribution

- Mortgage rates declined in Q1 as the average 10-year Treasury yield was lower than in Q4. The share of mortgages with a 5%-to-6% coupon rate was 60% in Q1, up from 35% in Q4. The share of mortgages with a 4%-to-5% coupon rate also increased to 5% in Q1 from 0.6% in Q4. The share of loans with a coupon of more than 7% fell to 12% from 22%.
- About 86% of larger loans with a balance of $10 million or more carried a coupon rate below 6.5%, compared with 59% of loans with a balance of $10 million or less.



Source: CBRE Research, Q1 2024.

Figure 7
Mortgage rates and loan constants fall

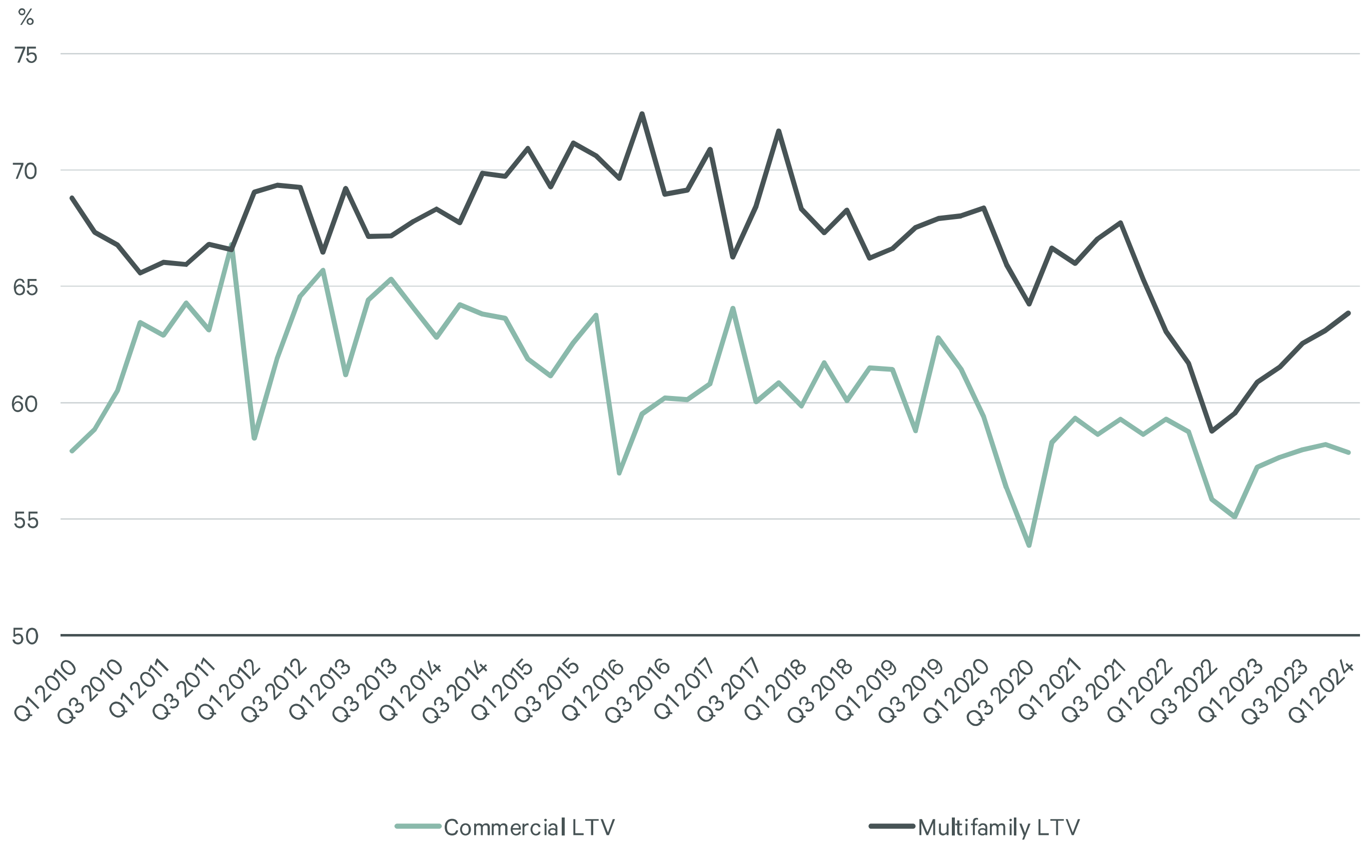
- Mortgage rates and loan constants fell by 50 bps quarter-over-quarter, while the overall debt-service coverage ratio rose slightly to 1.34.
- Underwritten cap rates and debt yields leveled off at 6% and 9.8%, respectively. The average LTV ratio increased by 80 bps quarter-over-quarter.
- The percentage of partial- or full-term interest-only loans fell to 75.2% in Q1 from 77.8% in Q4 but remained well above the five-year pre-pandemic average of 61.3%. As a result, the average amortization rate—the percentage of loan origination balance that pays down over the long term—rose to 8.4% in Q1 from 7.2% in Q4.

Key Underwriting Measures	Q1 2024	Q4 2023	Q1 2023	Q1 2021
Debt Service Coverage Ratio	1.34	1.33	1.36	1.52
Loan-to-Value (LTV) (%)	62.3	61.5	59.9	64.1
Cap Rate (%)	6.00	6.06	5.61	5.41
Amortization Rate (%)	8.4	7.2	8.2	26.8
Percent Partial or Full Interest-Only	75.2	77.8	77.6	60.6
Percent Full Interest-Only	33.1	33.3	39.7	17.4
Loan Constant (%)	6.92	7.42	6.51	5.17
Interest Rate (%)	6.14	6.64	5.68	3.34
Debt Yield (%)	9.75	10.09	9.62	8.75

Note: Amortization rate reflects the average percentage of origination balances scheduled to pay down over the loan term.
Source: CBRE Research, Q1 2024

Figure 8
Commercial LTVs fall; multifamily LTVs rise

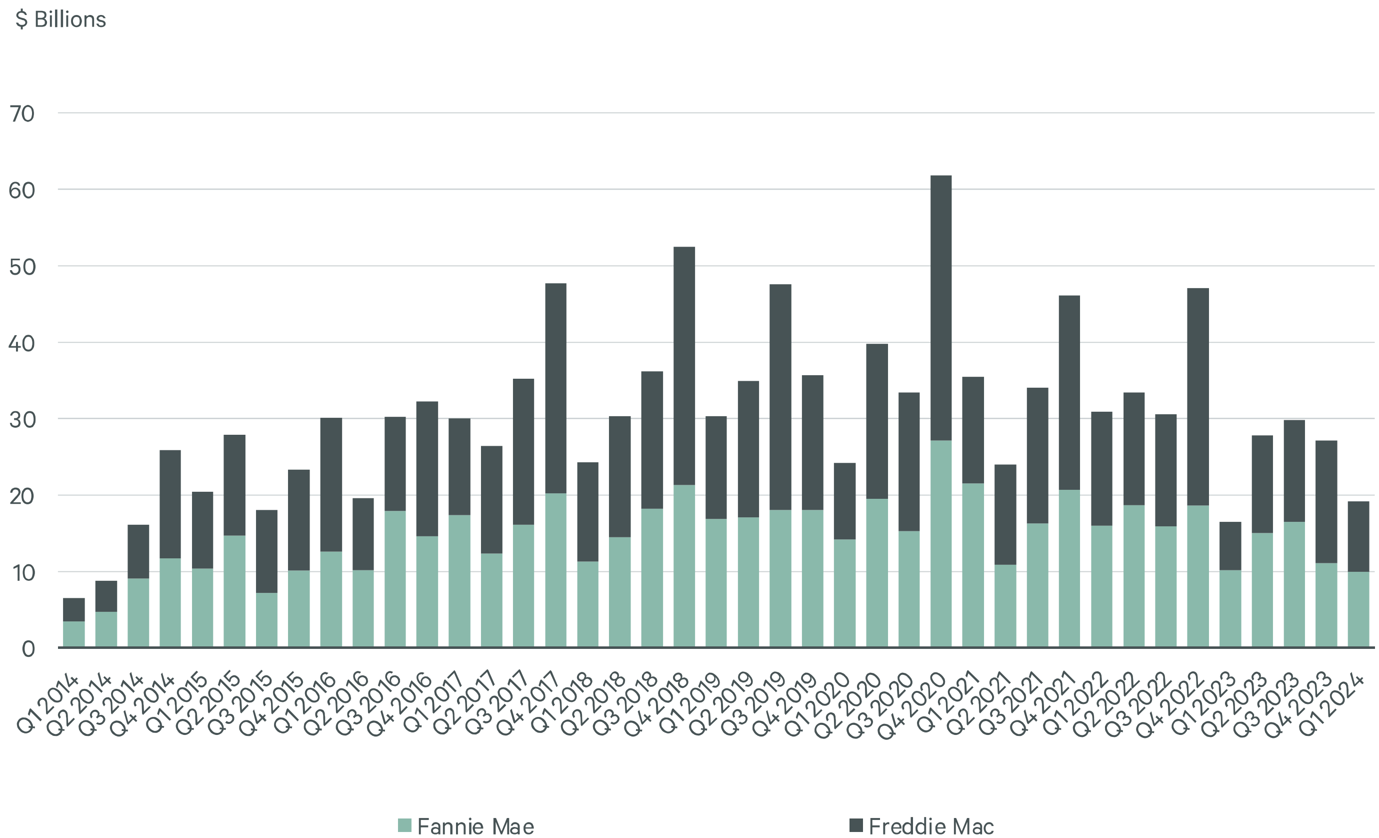
- Commercial LTVs averaged 57.9% in Q1, down by 30 bps from Q4 but up by 60 bps from a year earlier.
- Multifamily LTVs averaged 63.9% in Q1, up 80 bps from Q4 and 3 percentage points from a year earlier.
- LTVs reflect permanent fixed-rate loans closed by CBRE Capital Markets.



Source: CBRE Research, Q1 2024.

Figure 9a
Quarterly agency multifamily mortgage production

- Agency origination volume fell to $19.2 billion in Q1 from $27.1 billion in Q4.
- Q1 2024's rolling-four-quarter total agency origination volume totaled $103.9 billion, down by 19% year-over-year.

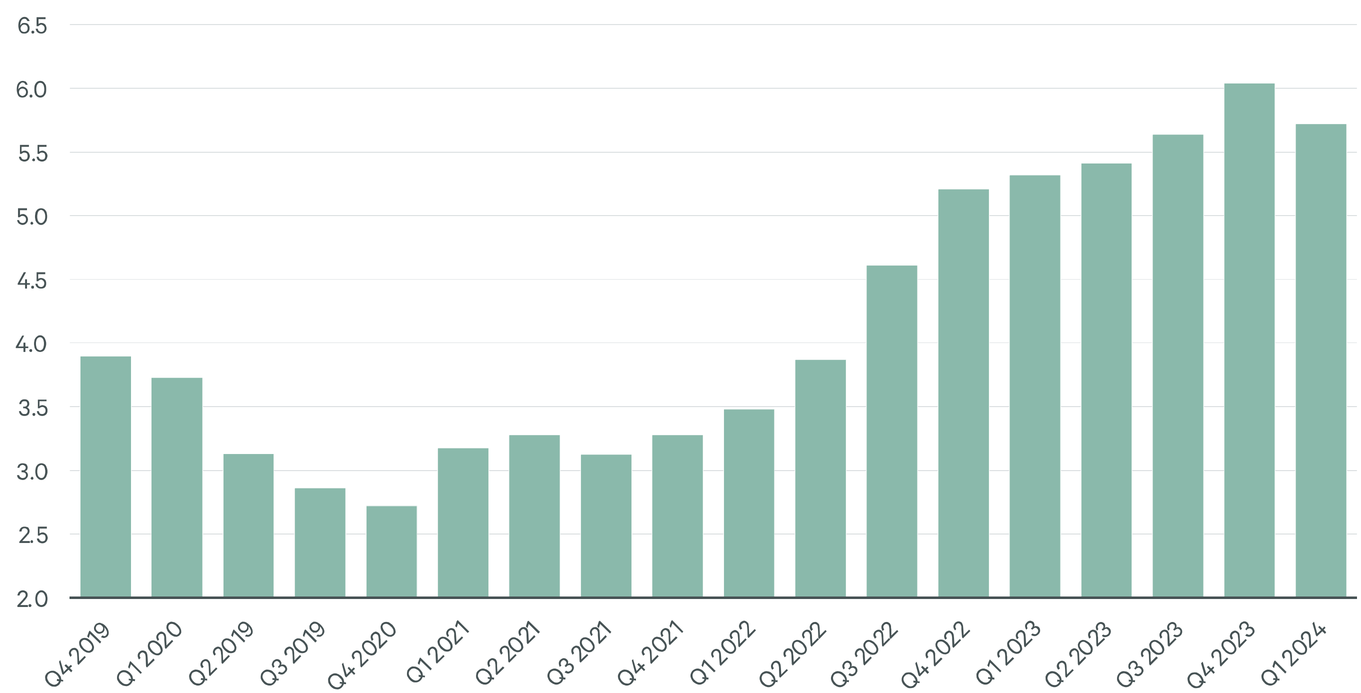


Source: CBRE Research, CBRE Capital Markets, Fannie Mae, Freddie Mac, Q1 2024.

Figure 9b
Quarterly average agency mortgage rate

— CBRE's Agency Pricing Index, which reflects the average GSE fixed mortgage rates for closed permanent loans with a seven-to-10-year term, fell by 32 bps quarter-over-quarter but rose by 40 bps from a year earlier to average 5.72%.

Average Closed Mortgage Rate



Reflects average closed mortgage rate for seven-to-10 year permanent fixed-rate agency loans.
Source: CBRE Capital Markets, Q1 2024.

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<u>EXHIBIT C TO AFFIDAVIT</u>

U.S. multifamily market report

Q1 2024

AVISON YOUNG

U.S. multifamily market trends

3.4%

Average annual inventory growth since 2020

Development activity will peak in 2024 following the delivery of almost 500,000 new units.

Meanwhile, sunbelt markets continue to see elevated development activity; of those with +10% of the multifamily inventory currently under construction, rents have declined by an average of 1.8% over the last 12 months.

52.0%

Of top U.S. markets saw for-sale housing pricing increase in last 12 months

Over half of the top U.S. markets have seen for-sale housing prices increased by +1%, while just 36% of those markets have seen multifamily rents grow by +1%.

Increased pricing within the for-sale market is helping retain demand for multifamily assets; in Q1 2024, multifamily absorption reached its highest level since 2021 when demand peaked.

5.2%

Average multifamily cap rate in Q1 2024 for major U.S. markets

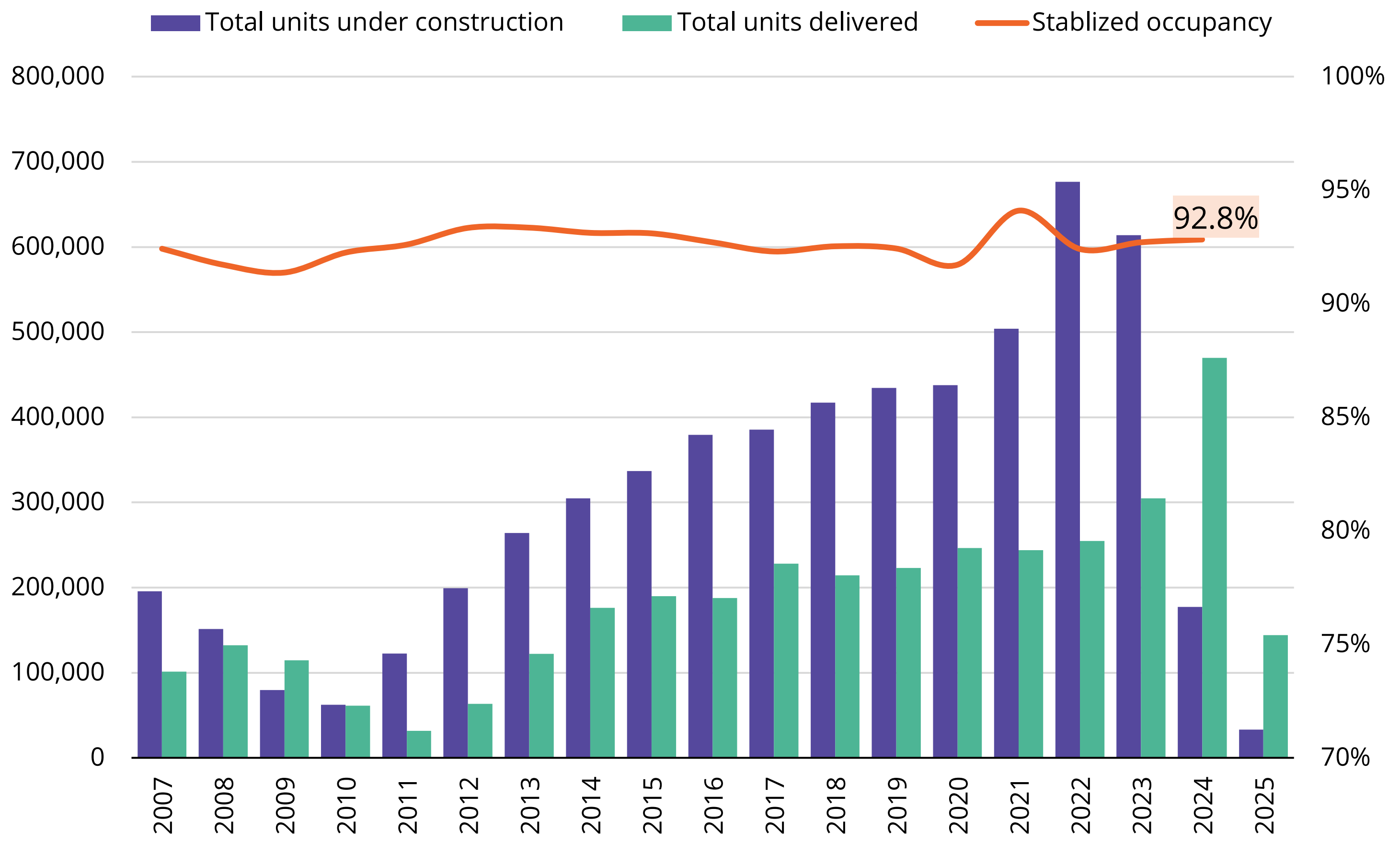
Cap rates remained unchanged from Q4 2023 levels and Q1 2024 sales volumes dropped to its lowest level since Q2 2020. Meanwhile the 10-year Treasury rate returned to Q3 2023 levels as inflation remains persistently high.

Despite this, multifamily continues to remain a favored asset class for investors, accounting for 35% of dry powder volumes.

U.S. multifamily conditions

Let’s examine prevailing multifamily trends.

Multifamily development activity

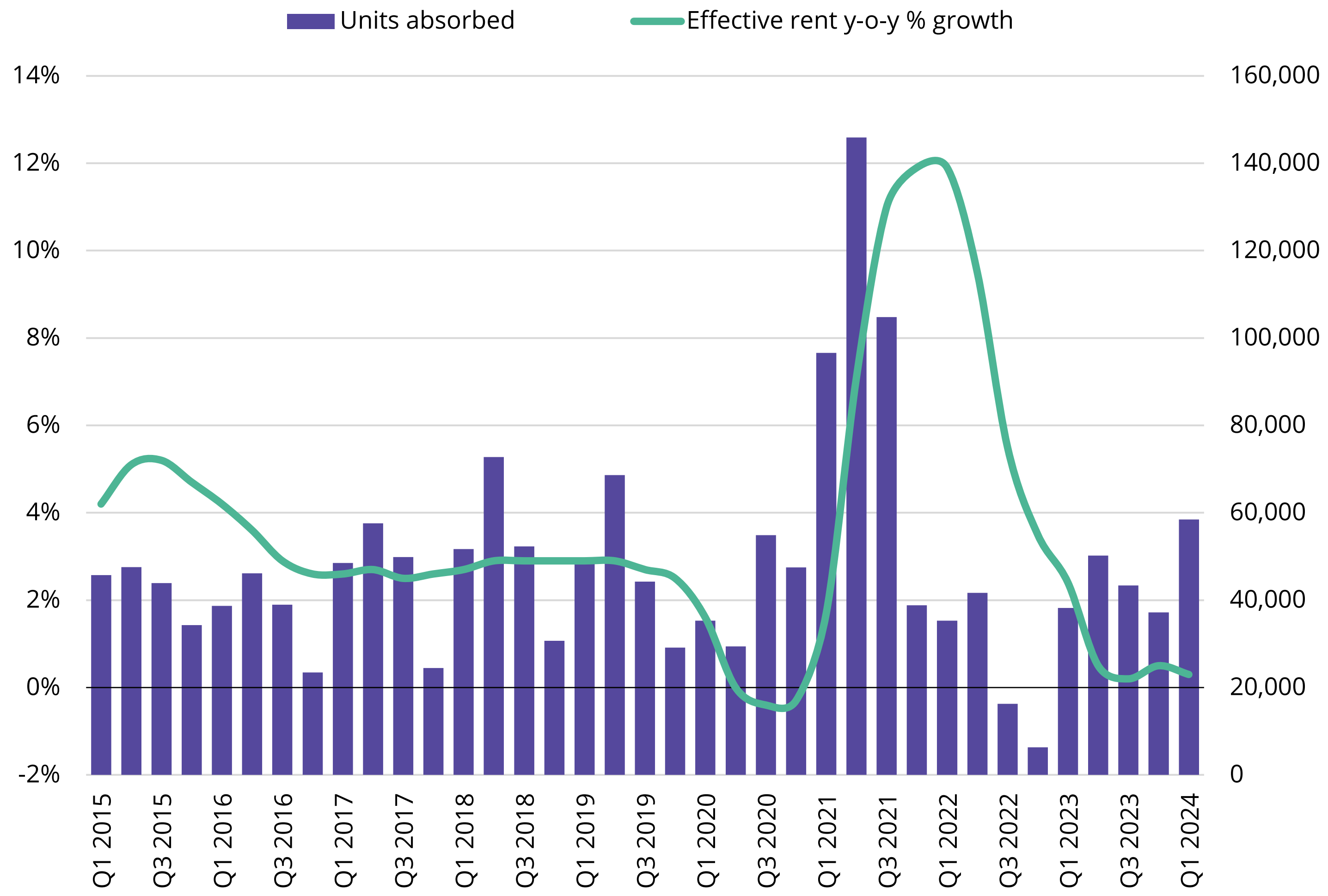


Notes: Proposed projects are excluded from projection figures
Source: AVANT by Avison Young, CoStar

Development activity will peak in 2024 following the delivery of almost 500,000 new units; despite the uptick in construction levels, Q1 2024 stabilized occupancy has continued to grow since 2022.

AVANT by AVISON YOUNG

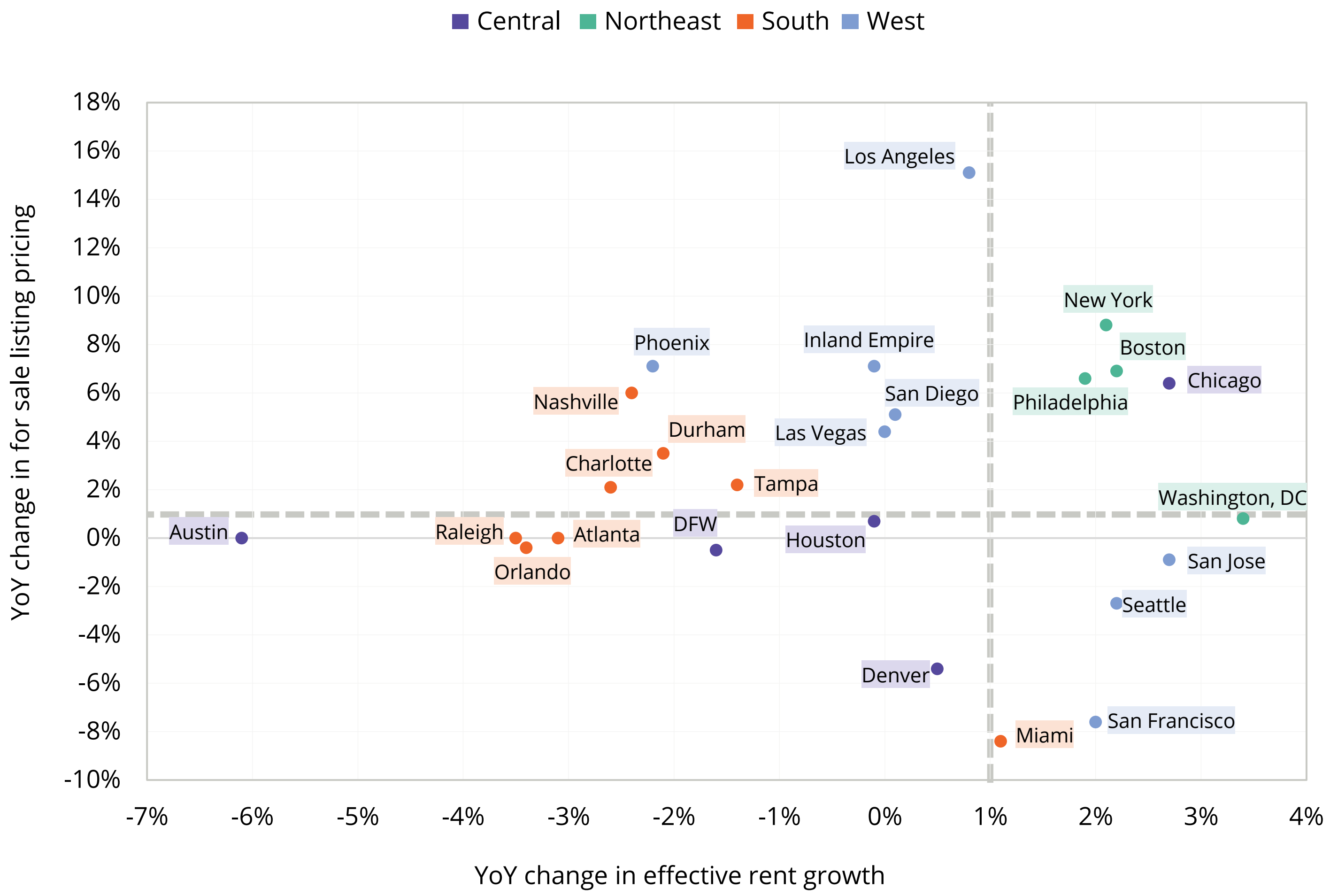
Absorption and effective rent growth



Source: AVANT by Avison Young, CoStar

Absorption reached its highest level in Q1 2024 since 2021, when demand peaked; meanwhile rent growth has been minimal following the flood of new deliveries.

Change in for sale listing pricing and rents

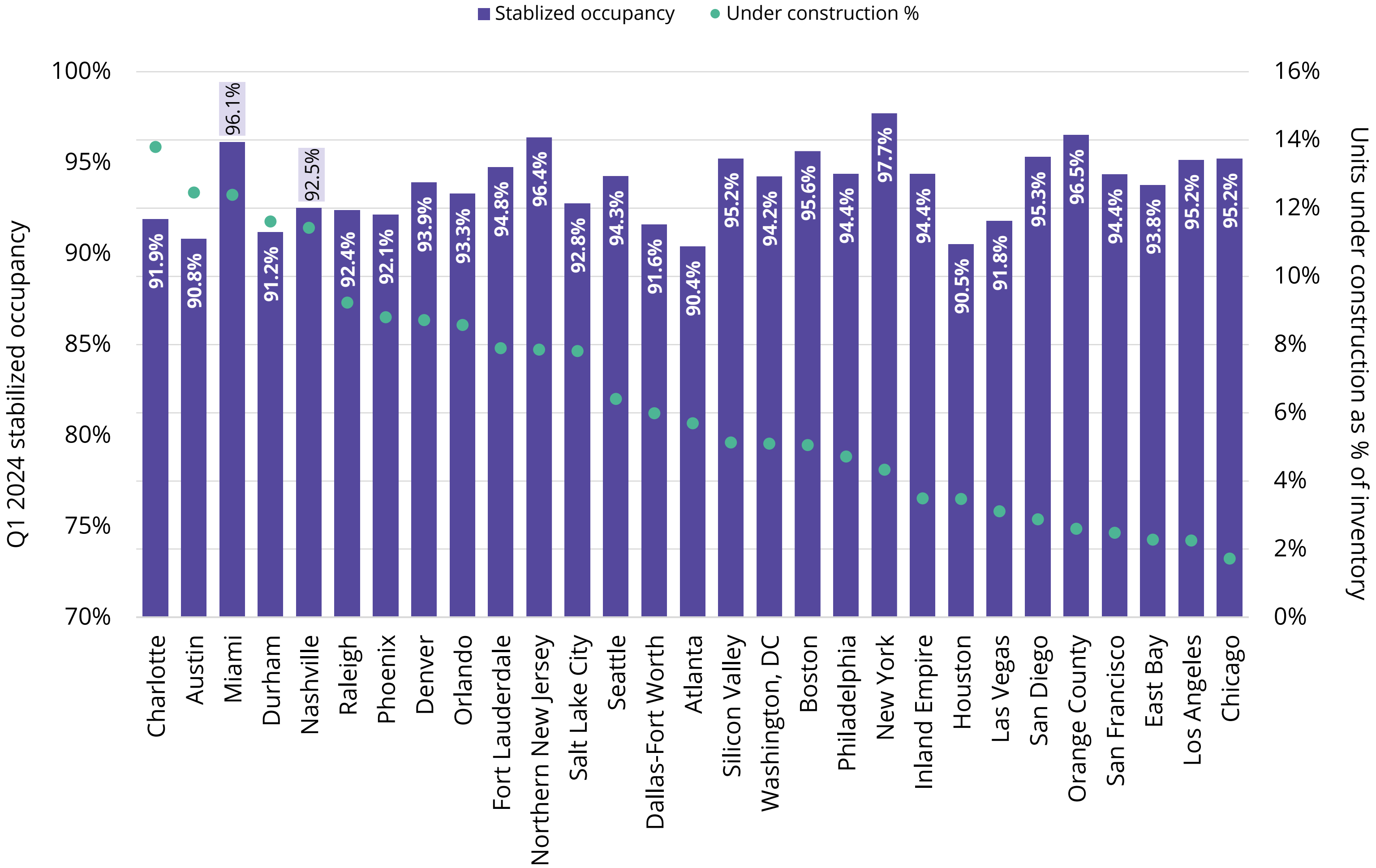


Over the last 12 months, 52% of major U.S. MSAs have seen for-sale housing prices increase by +1%, while just 36.0% of markets have seen rents grow by +1%.

Source: AVANT by Avison Young, CoStar, Realtor.com

AVANT by AVISON YOUNG

Occupancy and development activity by market

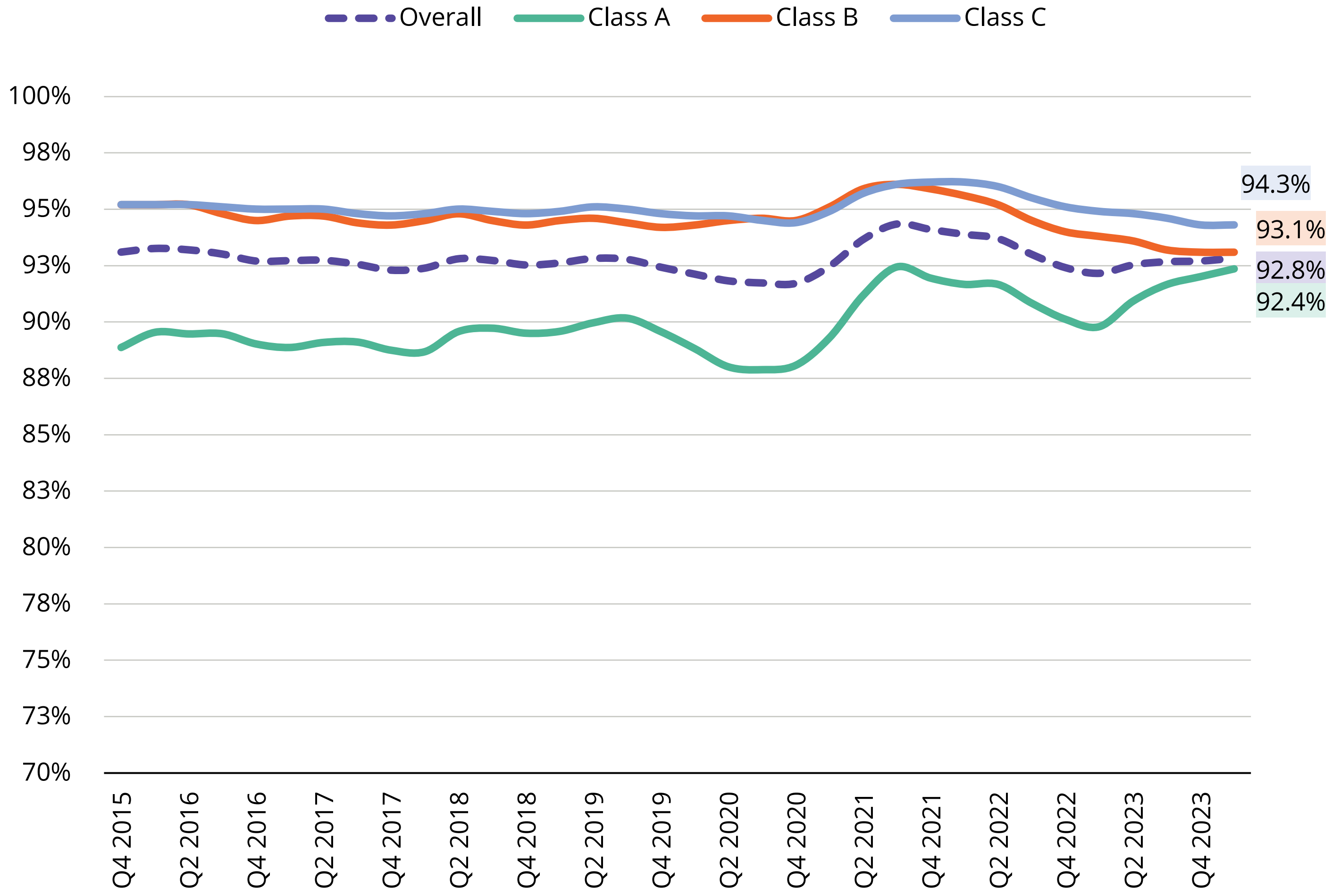


Markets with +10.0% of inventory currently under construction have seen rents decline by an average of 1.8% over the last 12 months.

Source: AVANT by Avison Young, CoStar, Realtor.com

AVANT by AVISON YOUNG

Stabilized occupancy by class

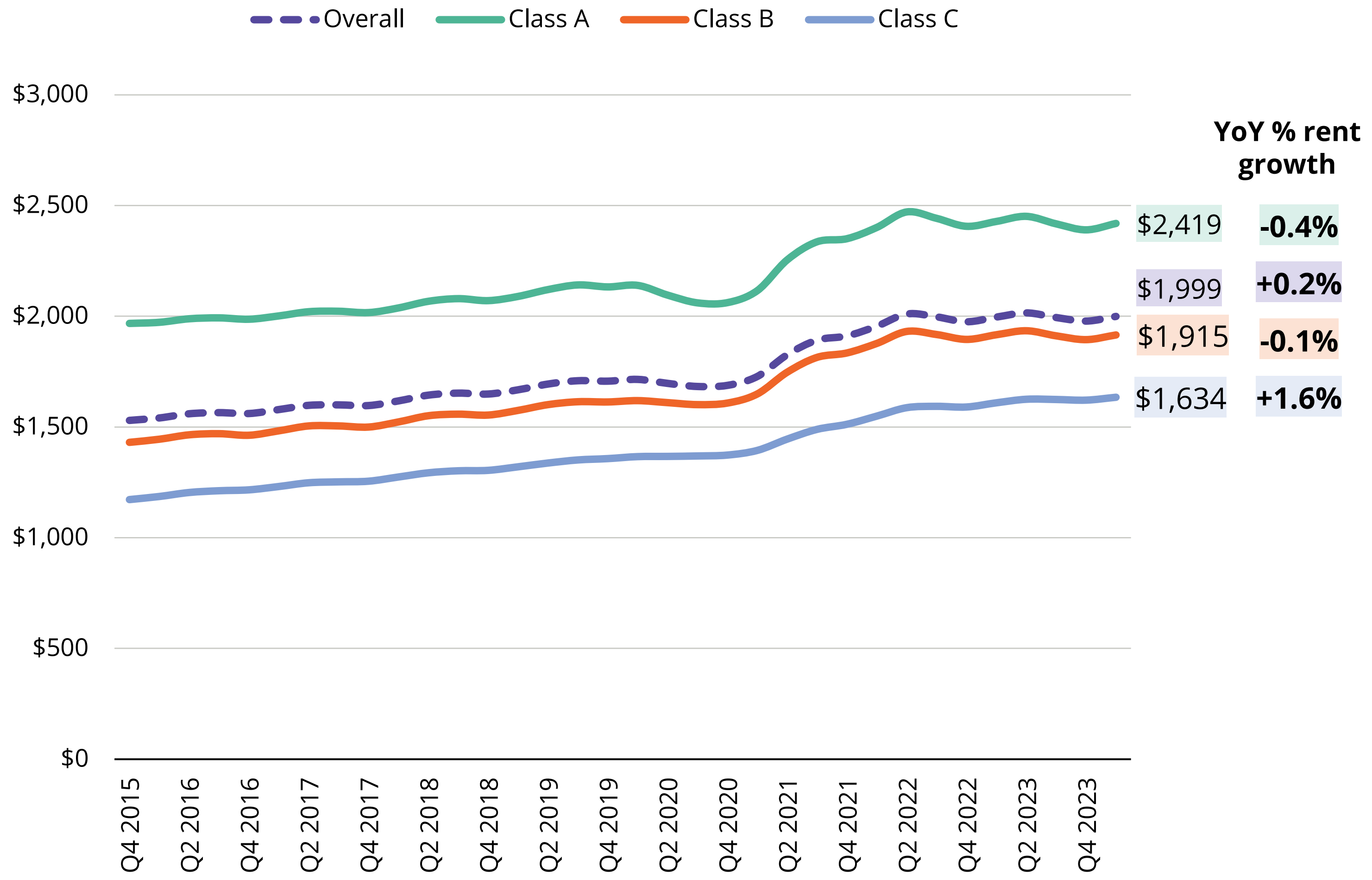


Source: AVANT by Avison Young, CoStar

Occupancy within the class A market continues to improve, while occupancy within the class B and C markets stabilized in Q1 2024, following seven consecutive quarters of negative absorption.

AVANT by AVISON YOUNG

Effective rent per unit by class



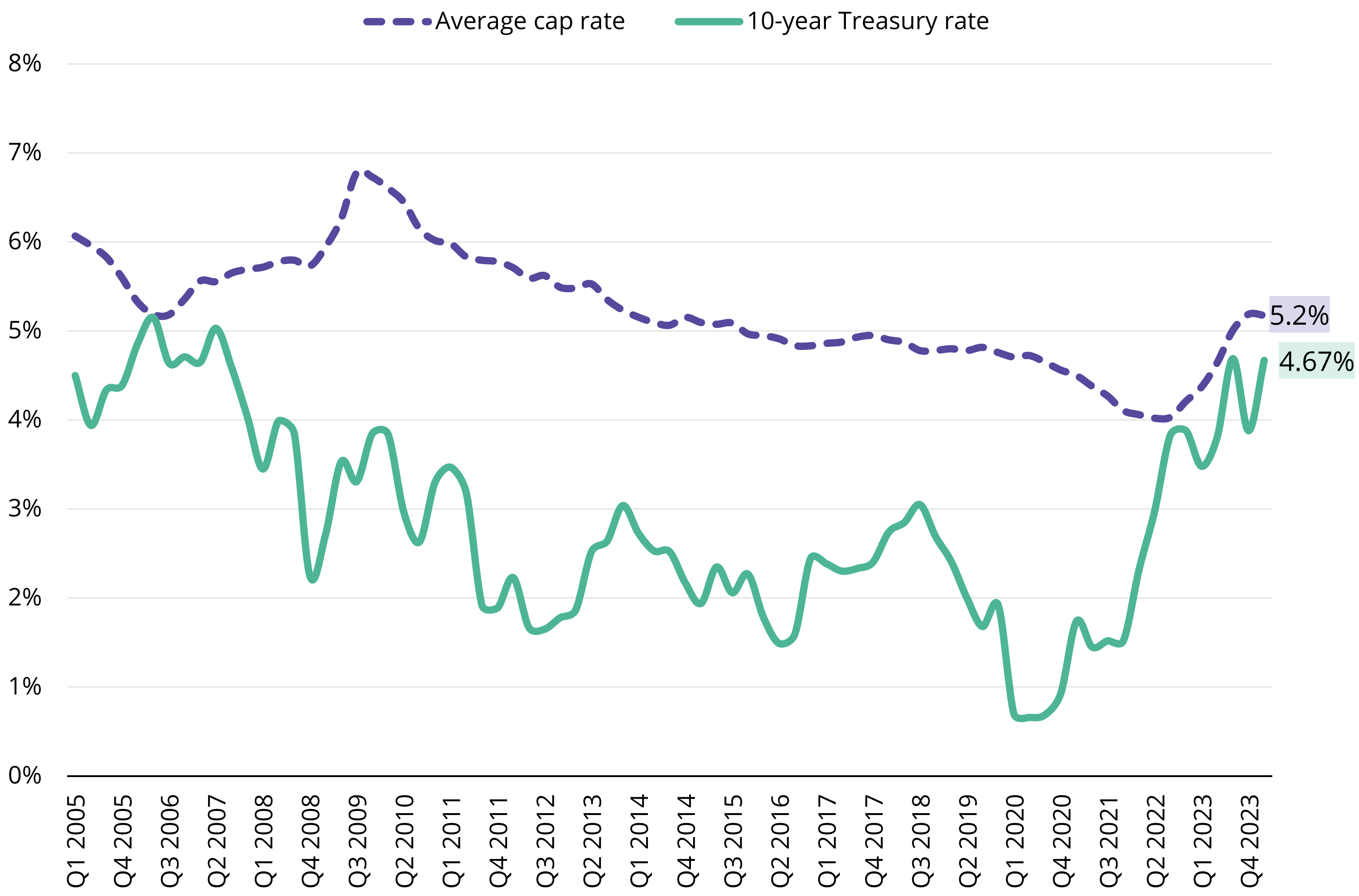
Rent growth has been minimal among class A and B assets, while older class C assets have seen rent growth increase by 1.6% over the last 12 months.

Source: AVANT by Avison Young, CoStar

U.S. multifamily capital markets conditions

Let’s examine capital market conditions.

Multifamily average cap rate and 10-year Treasury

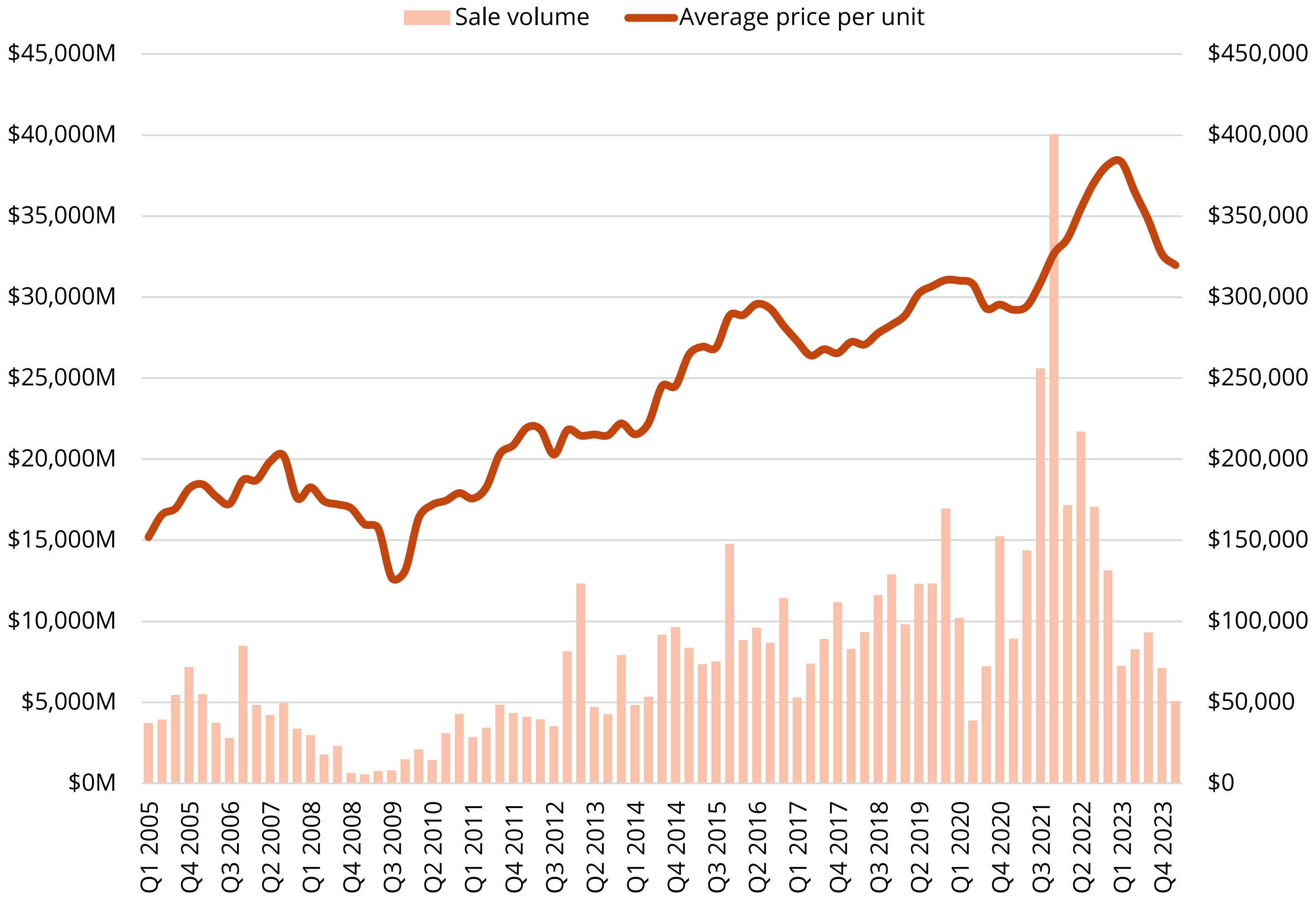


Source: AVANT by Avison Young, RCA, St. Louis FED

Cap rates remained unchanged in Q1 2024 at 5.2% while the 10-year Treasury rate returned to Q3 2023 levels as inflation remains persistently high.

AVANT by AVISON YOUNG

Investment sales volume and pricing

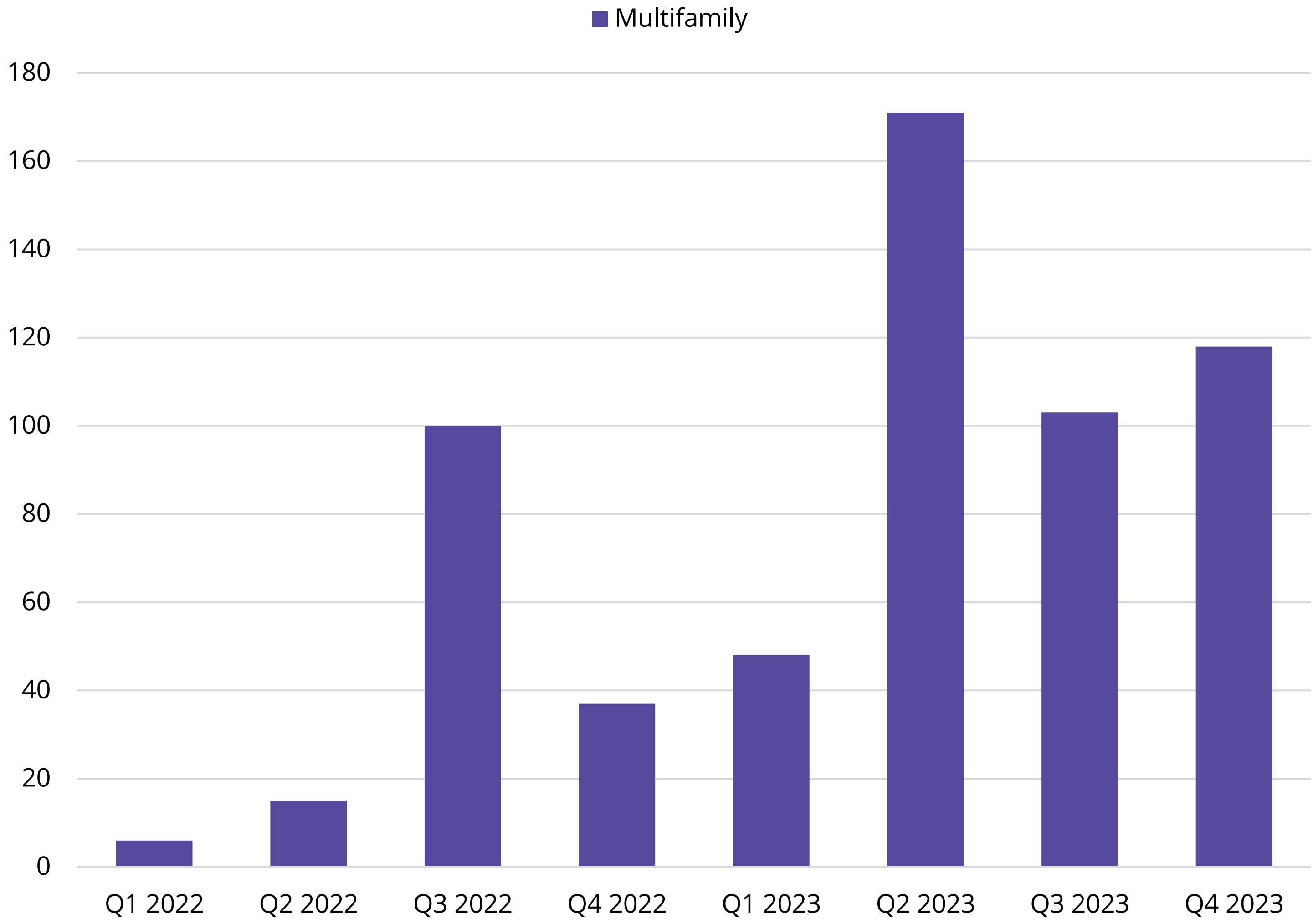


Source: AVANT by Avison Young, RCA

Average sales pricing per unit dropped by 16.6% over the last 12 months while sales volumes dropped to levels last seen in Q2 2020.

AVANT by AVISON YOUNG

Foreclosure initiations by quarter

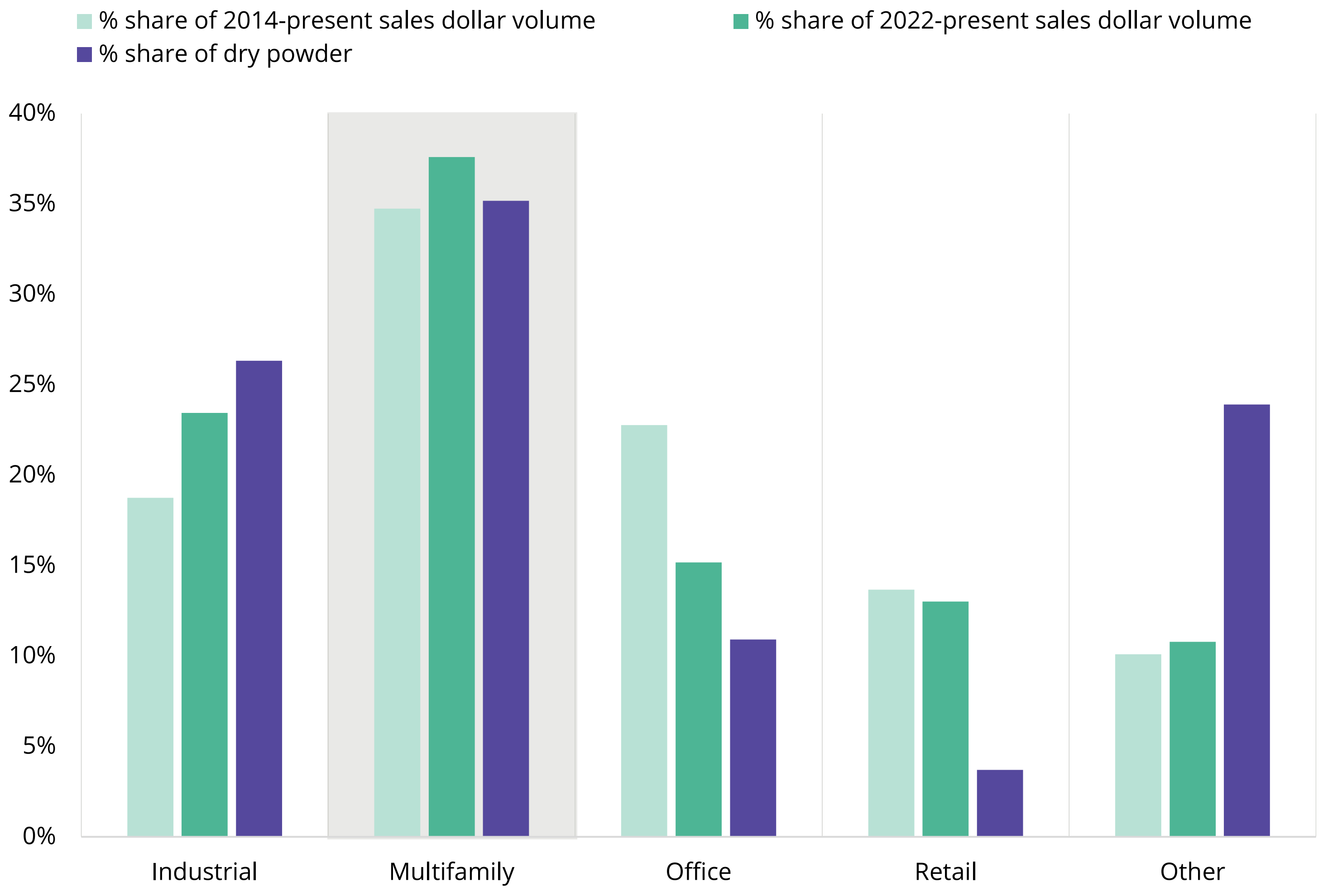


Multifamily assets comprised 40.2% of foreclosures across all property types in 2023, following interest rate increases in Q1 2023.

Source: AVANT by Avison Young, RCA

AVANT by AVISON YOUNG

Sales volume vs. dry powder



Multifamily continues to remain a favored asset class for dry powder as investor sentiment has greatly shifted towards the office market.

Source: AVANT by Avison Young, CoStar

For more market insights and information visit **avisonyoung.com**

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AVISON YOUNG

EXHIBIT D TO AFFIDAVIT

https://www.wsj.com/real-estate/developers-sit-on-empty-lots-after-historic-apartment-boom-1c0e5fe8

Developers Sit on Empty Lots After Historic Apartment Boom

Higher interest rates and flattening rents scuttle projects

By Will Parker Follow

June 4, 2024 5:30 am ET

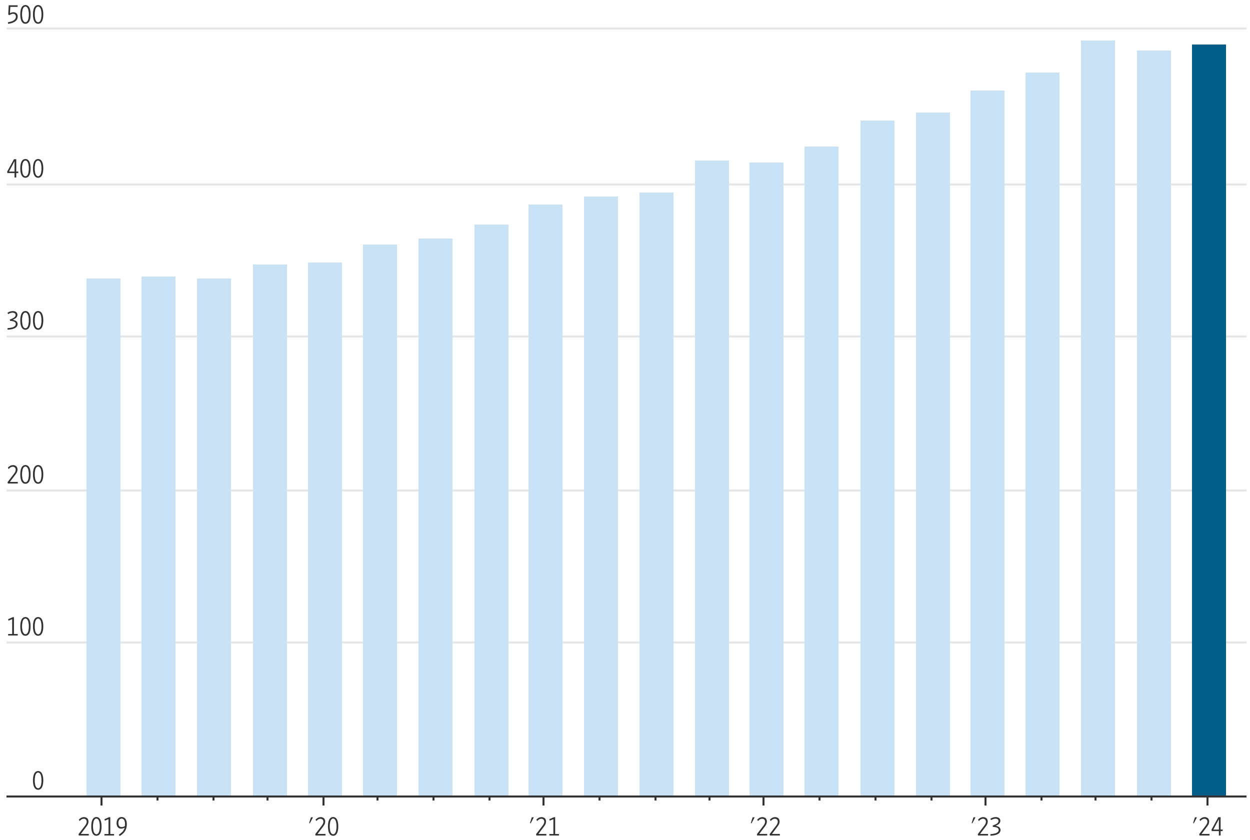
Seattle-based developer Tyler Carr set out to build apartments in Boise, Idaho, where rents were rising the fastest in the country. In 2021, his company bought land near the growing downtown with plans to develop 104 rental units.

Three years later, his land remains an empty lot. When market conditions deteriorated, his strategy no longer made financial sense. Interest rates and construction costs rose, Carr said, “and those two things really converged to make the project unviable.”

During the biggest apartment construction boom in decades, a growing number of developers can’t make the numbers work to get started on their project, or can’t get the money to complete them. Higher interest rates, tighter lending conditions and flattening rents in parts of the country have left property companies from California to Florida waiting for financing that might not come soon.

The amount of time the average apartment project spends between construction authorization and when construction begins has risen to nearly 500 days, a 45% increase from 2019, according to property data firm Yardi Matrix.

Average number of days between permitting and start of construction, apartments.



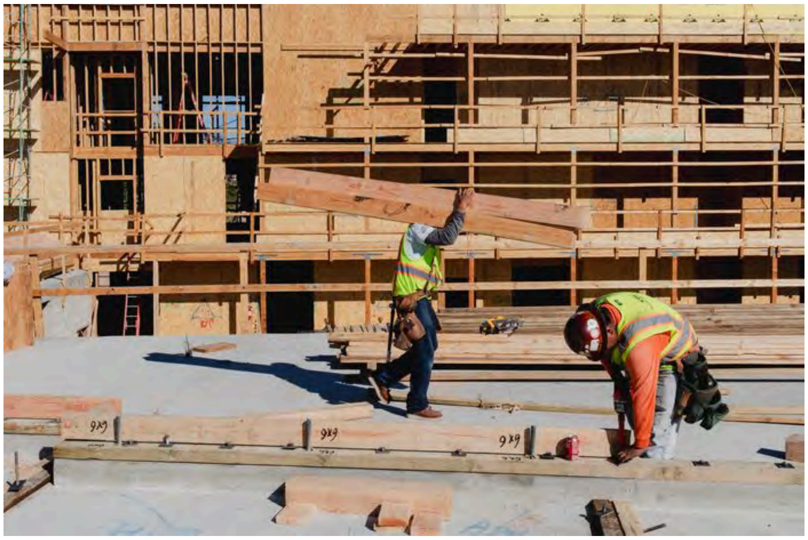
Note: 2024 data is for the first quarter.
Source: Yardi Matrix

Developers also are launching fewer projects amid the financing crunch. Multifamily building starts fell to an annual rate of 322,000 units in April, the lowest April rate since 2020, according to the Census Bureau.

While most developers get tripped up before real activity begins, a few have found trouble after starting construction, leaving them with half-built properties. In downtown Phoenix, work stopped last fall at a 25-story apartment tower that was most of the way up. Contractors filed claims for millions of dollars over unpaid work.

"We certainly are seeing a decline in construction," said Robert Dietz, chief economist at the National Association of Home Builders. "Deals and financing have dried up."

Some decline was inevitable. About half a million new apartments opened in 2023, the most in 40 years. Based on what is already under construction, analysts expect a similar number to be completed in 2024.



Multifamily building starts dipped to an annual rate of 322,000 units in April, the lowest April rate since 2020, according to the Census Bureau. PHOTO: ALEX WELSH FOR THE WALL STREET JOURNAL

In some cities, the surge in building has meant there are more apartments than can be quickly leased without cutting rents, making some investors skittish about adding more units.

But banks have other issues that keep them from lending as much to apartment builders this year. Many regional banks are souring on the commercial real-estate loans already on their books.

“Their current portfolios are getting marked down and they don’t have that much to lend,” said David Frosh, chief executive of Fidelity Bancorp Funding, a California real-estate lender.

That means developers need to raise more cash from investors to build. But many investors are more cautious today, as rent growth flattens and new projects look less profitable at today’s higher interest rates and construction costs.

“The numbers don’t add up,” Frosh said.

In Worcester, Mass., about a dozen apartment projects with more than 2,000 units are delayed, according to a May report from the city’s economic-development office. Struggling projects include buildings with as many as 200 market-rate apartments and affordable housing, said Joshua Lee Smith, a real-estate attorney working with developers who have stalled projects in Worcester.

“The interest rates are at a point where a lot of investors are sitting on the sidelines,” he said.

Cities like Worcester and Boise, whose relative affordability has attracted droves of newcomers in recent years, had been overdue for a spate of new housing construction. In August 2021, annual asking rent growth in Boise hit a record of 25%, according to property software company RealPage. Home prices in its surrounding county shot up 79% in three years between 2019 and 2022.

Encouraged by that strong demand, apartment construction has also increased in the Idaho capital. But like Carr, the Seattle developer who came to Boise, some builders are running into problems.

In late 2022, Boise apartment developer Galena Opportunity was about a third of the way through construction of a 350-unit project, when a major investor decided to back out. Contractors filed millions of dollars of claims against the company for portions of unpaid work, and cranes came down.

The project, in the Boise suburb of Meridian, remains stalled while Galena tries to court new partners. Galena is proposing other changes to its plans to bring down construction costs, such as switching up the materials it had originally chosen for the building’s facade, said Bill Truax, the company’s president.

He hopes to resume construction with the help of new investment later this year.

Other builders have made bigger changes to save their projects, including Carr.

His company is refashioning part of its Boise development into affordable housing, so it qualifies for government tax credits. That means the company doesn’t need to put up as much equity to move forward. Carr hopes to start building by the fall.

“It’s been way more brain damage,” Carr said. “But I see it as this great opportunity. I’m sinking my teeth into something new.”

Write to Will Parker at will.parker@wsj.com

Appeared in the June 5, 2024, print edition as 'Apartment Developers Scuttle New Projects'.

Videos

EXHIBIT E TO AFFIDAVIT

THE STACKS | AKRIDGE + NATIONAL REAL ESTATE DEVELOPMENT

THE STACKS
ALTOGETHER DIFFERENT

WASHINGTON DC
ECONOMIC
PARTNERSHIP

Washington, DC
DEVELOPMENT REPORT
2023/24 Edition

IN PUBLIC-PRIVATE PARTNERSHIP WITH

DMPED
OFFICE OF THE DEPUTY MAYOR FOR PLANNING & ECONOMIC DEVELOPMENT

WE ARE WASHINGTON DC
GOVERNMENT OF THE DISTRICT OF COLUMBIA
MURIEL BOWSER, MAYOR

The Washington DC Economic Partnership would like to acknowledge our public and private sector board members whose continued financial support and guidance has made the Washington, DC Development Report 2023/2024 Edition possible.

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Washington, DC

DEVELOPMENT REPORT

2023/2024 Edition

THE STACKS | AKRIDGE + NATIONAL REAL ESTATE DEVELOPMENT

A publication of the Washington DC Economic Partnership

In partnership with Delta Associates, A Transwestern Company; DMPED Office of the Deputy Mayor for Planning & Economic Development; Government of the District of Columbia Muriel Bowser, Mayor

About the PARTNERSHIP

The Washington DC Economic Partnership (WDCEP) is a non-profit, public-private organization whose core purpose is to actively position, promote, and support economic development and business opportunities in Washington, DC.

Our mission is to promote DC's economic and business opportunities and support business retention and attraction activities. Through historical knowledge of the city's business and economic climate; accurate analytics, data, and research; and community partners and access, WDCEP is the central organization in Washington, DC that connects public and private sectors, neighborhoods, and communities to local, national, and international audiences.

WDCEP works with its partners in the city to facilitate dynamic relationships with technology visionaries, artists, real estate entrepreneurs, non-profits, and global enterprise leaders based on independent thinking and objective insights. We stay one step ahead of the vibrant and evolving economic landscape by monitoring the pulse of DC's developers, startups, entrepreneurs, and large and small businesses.

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THE DC DEVELOPMENT REPORT

The DC Development Report is a summary of the major development and construction projects in the District of Columbia. WDCEP tracks major developments throughout the year and performs an annual "development census" in the month of December. This involves soliciting contributions from more than 80 developers, architects, contractors, and economic development organizations to provide updates to more than 200 projects. While our database of projects is constantly being updated, for the purposes of this publication all data reflect project status, design, and information as of December 2023.

Although every attempt was made to ensure the quality of the information contained in this document, WDCEP and Delta Associates make no warranty or guarantee as to its accuracy, completeness, or usefulness for any given purpose.

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This Program is being funded, partially or fully, through the District of Columbia Executive Office of the Mayor - Office of the Deputy Mayor for Planning and Economic Development.

Development OVERVIEW

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- **DEVELOPMENT OVERVIEW**
- **MOST ACTIVE**

WASHINGTON DC
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Economic Overview

Job growth in the Washington, DC metro area *remained above average in 2023*, with 38,100 net additions over the 12 months ending December.

By: Danny Calo, Senior Associate, Delta Associates

U.S. ECONOMY

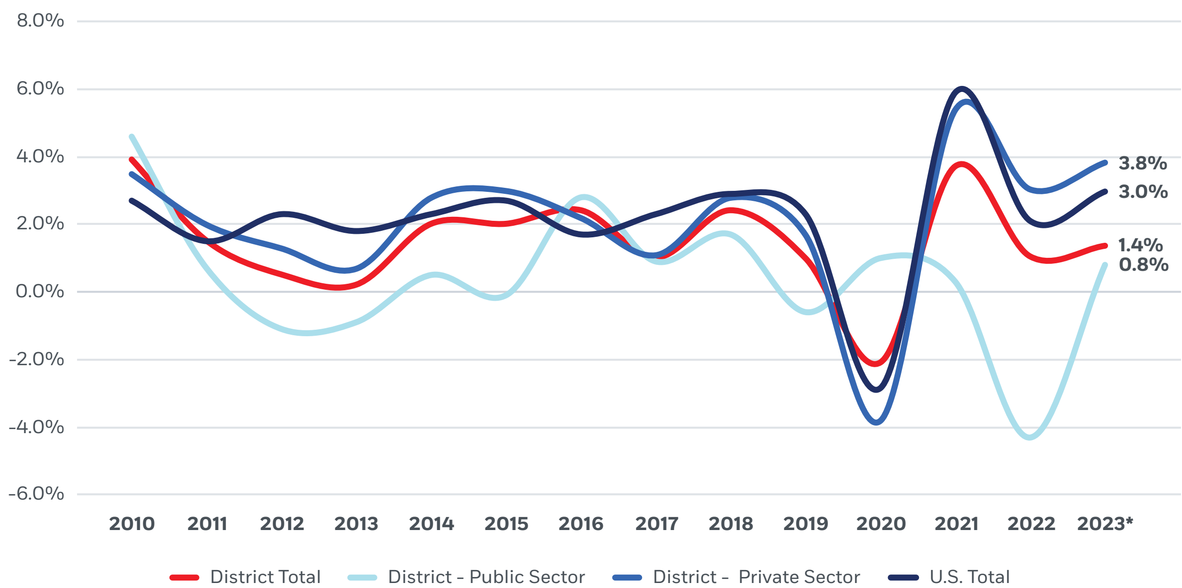
The strength of the U.S. economy, buoyed by consumer spending, was on full display in 2023. Total economic output grew at a real rate of 3.0% from Q3 2022 to Q3 2023. Meanwhile, consumer spending rose 3.1% over the year. U.S. consumers have continued spending robustly: real consumption spending grew almost two percentage points more than expected at this time last year (2.4% vs. 0.5%).

Every employment sector of the U.S. economy, apart from the Information sector, recorded positive growth in the 12 months ending December 2023. The Education/Health services sector continued to lead all others in job growth, adding over a million new jobs. The State/Local government sector followed with 635,000 additions. The Professional and Business Services sector managed an increase of 137,000 jobs, despite unstable economic projections. Meanwhile, the Federal Government recorded positive annual job growth for the first time in three years, with an 81,000 net change in total employment.

The labor market added 216,000 jobs in December, up from 173,000 the previous month. This number exceeded expectations made by economists surveyed by Bloomberg, who had expected 175,000 new jobs. Investors were closely watching the report for signs of whether the Federal Reserve can achieve a "soft landing," where inflation retreats to the Fed's 2% goal without a recession. The resilient job market could impact the Federal Open Market Committee's (Fed's) timeline for cutting rates in 2024.

Job gains continued at a solid pace in 2023, although down from the rates seen in 2021 and 2022 immediately following the pandemic-triggered recession. Monthly nonfarm payrolls grew by 225,000 per month on average in 2023, 48,000 more jobs per month than the average pace in 2018 and 2019. As a result, total job gains achieved under the Biden administration reached 14.1 million through December 2023. Meanwhile, the unemployment rate has, to date, stayed below 4% for 22 straight months, a run not seen in more than 50 years. This is especially remarkable given the rapid rise of interest rates.

THE DISTRICT'S GDP YEAR-OVER-YEAR GROWTH RATE



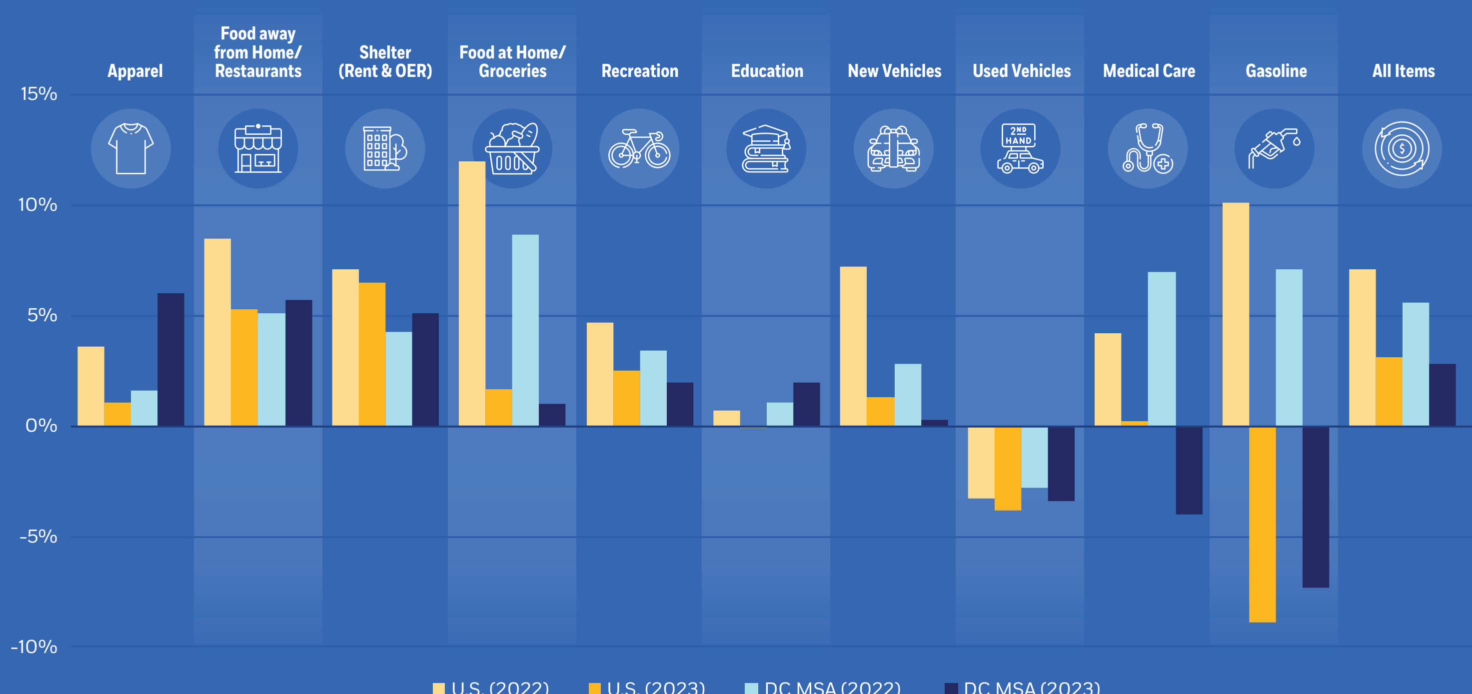
Source: Bureau of Economic Analysis, Delta Associates; January 2024. *Q3 2022 - Q3 2023 growth for DC.

The biggest economic story of 2023 was the rapid increase in mortgage interest rates, which contributed to a slowdown in the housing market. Interest rates reached a plateau in July 2023, with the Federal Reserve halting further hikes after 11 consecutive increases since March 2022. These rate increases by the Fed have pushed mortgage rates to levels not seen in many decades. As of the end of 2023, mortgage rates have started to decrease, with 30-year rates falling below seven percent for the first time since the summer. The Fed is poised to begin lowering the federal funds rate sometime in 2024, which means mortgage rates should continue to decrease in the year ahead, resulting in a housing market rebound.

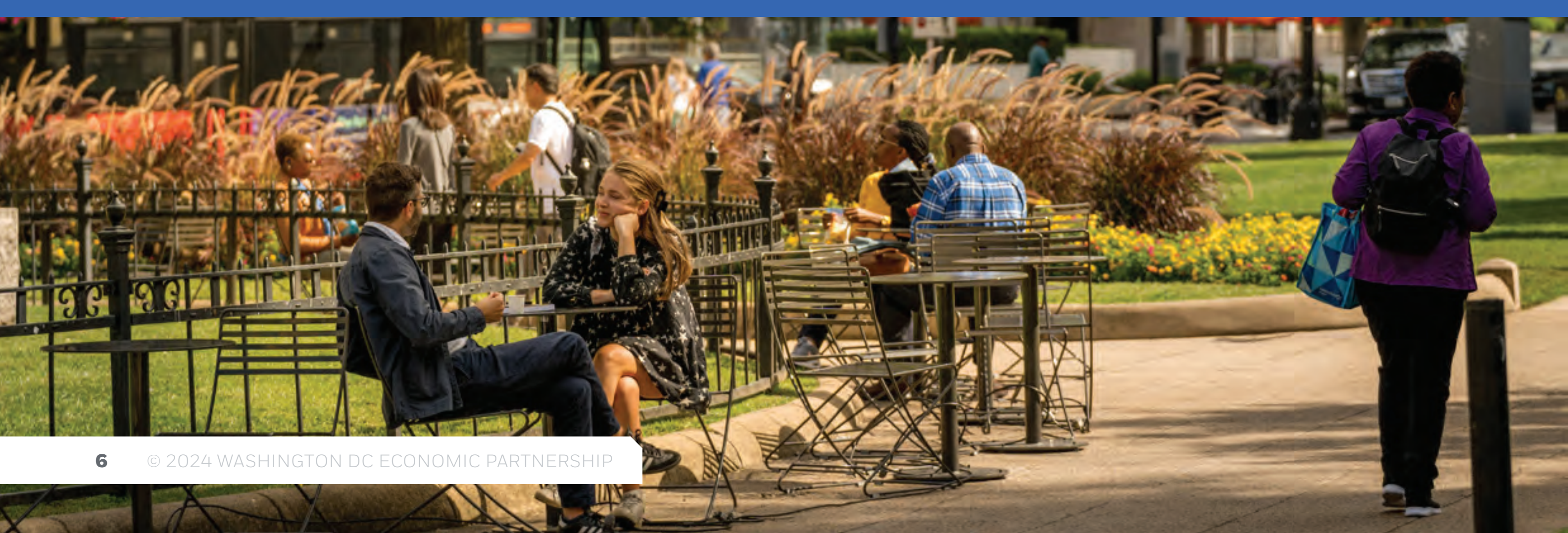
Recently, inflation has started to ease, and while the job market is slowing, it remains robust. The major stock indices have recovered from losses in the third quarter of 2023. Most economists now believe that the likelihood of a recession in 2024 is significantly lower than the predictions made for 2023 at the same time last year. The Federal Reserve has not yet fully claimed success, as inflation is still above its 2% long-term goal. However, the federal funds rate has been maintained at a steady range of 5.25% to 5.5% since July. The central focus has been whether the Fed can manage a balanced approach ("soft landing") and sufficiently slow down the economy to curb inflation without triggering a recession.

Thus far, the U.S. economy's and labor market's unexpected robustness appears to be paying off. The unemployment rate increased to 3.7% in December from 3.5% in December 2022, yet remains historically low, with wage growth showing signs of moderation. Collectively, these factors suggest that concerns about inflation are significantly less pressing than they were six to twelve months earlier.

ANNUAL CONSUMER PRICE INDEX FOR ALL URBAN CONSUMERS (CPI-U) GROWTH (INFLATION)



Source: Bureau of Labor Statistics, Delta Associates; January 2024. Washington MSA CPI is calculated bi-monthly, and is as of Nov. 2023.



DISTRICT OF COLUMBIA ECONOMY

Job growth in the Washington, DC metro area remained above average in 2023, with 38,100 net additions over the 12 months ending December. Although the figure remains well above the metro's long-term annual average of 24,700 new jobs since 2013, growth is decelerating faster than in many other metro areas. The region's annual employment growth rate ranked near the bottom among similar metros across the nation, falling just under the Chicago MSA in 2023.

The unemployment rate in the Washington metro area (not seasonally adjusted) stood at 2.5% as of December 2023, the same as December 2022, and just below its pre-pandemic level of 2.6% from December 2019. The regional unemployment rate is also 120 basis points lower than the national unemployment rate (not seasonally adjusted) of 3.7% in December.

The continued contraction in the Federal sector held back overall job growth in the 12 months ending December 2023 with a -2,700 net change in federal employment in the Washington metro area. The Financial Activities sector also experienced a decline in employment (-3,000 positions) thanks to the ever-shrinking physical footprint of retail banking, the industry adoption of AI, and a shift to online platforms. Notwithstanding muted employment growth, the region continues to boast one of the lowest unemployment rates of any metro area—2.5% (not seasonally adjusted) as of December 2023—and the health of the regional economy remains sound.

The District added 10,200 jobs on a net basis in the 12 months ending December 2023. Notably, the Leisure/Hospitality sector continued to dominate with the most significant growth of 4,100 jobs. Nevertheless, as of December 2023, only five of the thirteen major employment sectors have fully recovered to their pre-pandemic levels (or beyond): Construction/Mining, Local Government, Professional/Business Services, Wholesale Trade, and Information. A few local sectors, such as Manufacturing (76.9%) and Retail Trade (86.7%), have been in long-term decline since before the pandemic and are unlikely to exceed pre-pandemic employment totals for the foreseeable future. We

ANNUAL JOB GROWTH (THOUSANDS)

	2023			2013 - 2022 AVERAGE		
	DISTRICT OF COLUMBIA	WASHINGTON MSA	UNITED STATES	DISTRICT OF COLUMBIA	WASHINGTON MSA	UNITED STATES
Construction/Mining	-0.3	0.2	278.0	0.2	1.7	186.0
Education/Health Services	3.5	16.4	1,054.0	0.9	5.6	358.0
Federal Government	-1.7	-2.7	81.0	-1.2	-0.3	5.0
Financial Activities	0.4	-3.0	92.0	0.0	0.8	126.0
Information	0.0	0.7	-82.0	0.3	0.3	40.0
Leisure/Hospitality	4.1	12.3	558.0	0.3	1.8	207.0
Manufacturing	0.0	-1.6	24.0	0.0	0.5	90.0
Other Services	3.6	6.0	101.0	-0.1	0.8	28.0
Professional/Business Services	-0.2	-3.1	137.0	2.0	9.5	454.0
Retail Trade	-0.2	1.4	151.7	0.2	-0.5	67.4
State/Local Government	1.1	11.9	635.0	0.7	3.0	21.0
Transportation/Utilities	-0.1	-1.2	172.0	0.0	1.4	329.0
Wholesale Trade	0.0	0.8	108.6	0.0	0.1	36.7
Total	**10.2**	**38.1**	**3,310.3**	**3.3**	**24.7**	**1,948.1**

Source: Bureau of Labor Statistics, Delta Associates; January 2024.

expect continued progress in Education/Health Services, Leisure/Hospitality and Other Services in 2024, especially as workers return to downtown offices.

Job growth in the Washington metro area ranked tenth amongst all metro areas in the year ending December 2023 with 38,100 new jobs. Among the largest 10 metro areas, Dallas-Fort Worth-Arlington had the largest increase (+134,200), followed by Los Angeles-Long Beach-Anaheim (+132,100), and New York-Newark-Jersey City (+93,000), whereas Chicago had the second lowest increase (+38,900), narrowly outpacing the Washington metro area's increase of 38,100.

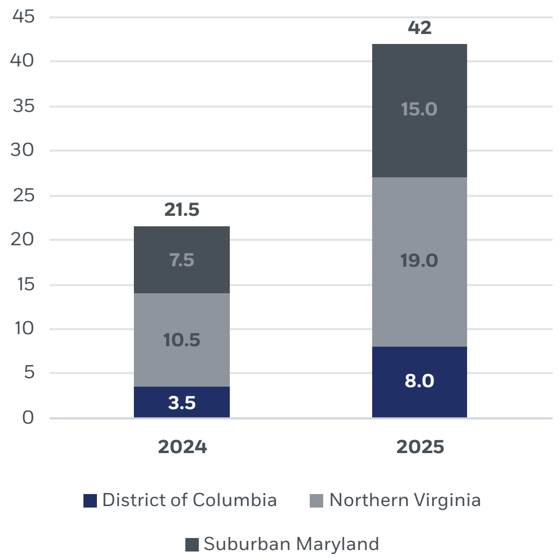
According to the U.S. Census Bureau, the population of the District of Columbia increased 1.1% to 678,972 in 2023, the second consecutive year of growth following the drop experienced earlier in the pandemic period. The District also experienced a positive net inflow of residents domestically for the first time since prior to the pandemic. The 2023 population increase was driven by a 2,827 surplus of births over deaths, net migration of 2,387 residents domestically, and the migration of 6,969 residents to the District from other countries. We do not expect this pattern to change materially in 2024.

DISTRICT JOB RECOVERY BY SECTOR
(EMPLOYMENT IN THOUSANDS. DEC. 2023 AS A PERCENTAGE OF DEC 2019 EMPLOYMENT)

	2019	2023	RECOVERY %
Construction/Mining	14.4	14.9	103.5%
Wholesale Trade	5.3	5.5	103.8%
Information	20.5	21.1	102.9%
Professional/Business Services	174.5	175.2	100.4%
State/Local Government	42	42.5	101.2%
Federal Government	195.1	191.8	98.3%
Education/Health Services	131	128	97.7%
Leisure/Hospitality	81.2	77.5	95.4%
Financial Activities	29.9	28.3	94.6%
Transportation/Utilities	4.8	4.4	91.7%
Other Services	77.9	72	92.4%
Retail Trade	24.1	20.9	86.7%
Manufacturing	1.3	1	76.9%
Total	**802.0**	**783.1**	**97.6%**

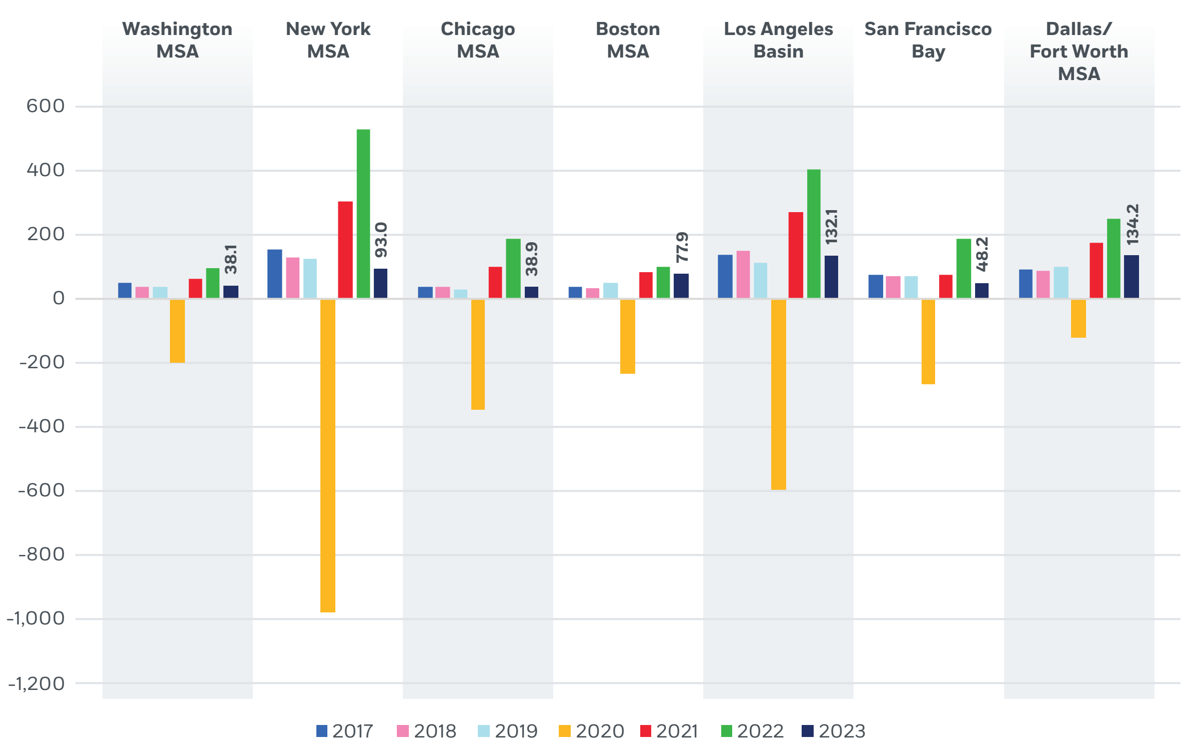
Source: Bureau of Labor Statistics, Delta Associates; January 2024.

PROJECTED JOB GROWTH (THOUSANDS)



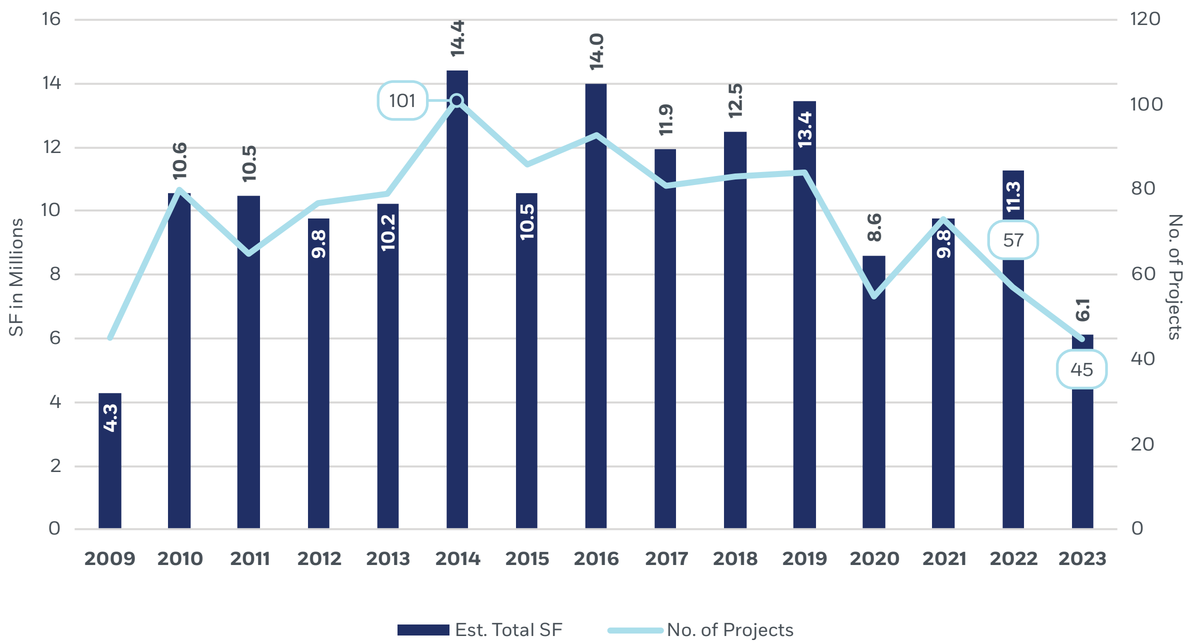
Source: GMU Center for Regional Analysis, Delta Associates; January 2024.

SELECT METROS: ANNUAL JOB GROWTH (THOUSANDS)



Source: Bureau of Labor Statistics, Delta Associates; January 2024

THE DISTRICT'S DEVELOPMENT GROUNDBREAKINGS (DECEMBER 2023)



SUMMARY OF PROJECTS (DECEMBER 2023)

	PROJECTS	SF	ESTIMATED VALUE ($B)
COMPLETED	**1,769**	**246,284,121**	**$84.8**
2001 - 2010	803	109,677,447	$31.0
2011 - 2020	782	107,261,265	$41.4
2021 - 2023	184	29,345,409	$12.4
PAST FIVE YEARS			
2019	90	13,631,145	$6.1
2020	84	13,518,587	$4.7
2021	69	9,179,201	$4.1
2022	67	12,008,365	$5.3
2023	48	8,157,843	$3.0
UNDER CONSTRUCTION	**128**	**21,939,373**	**$10.2**
2024 DELIVERY	91	11,219,084	$3.8
2025 DELIVERY	32	9,235,589	$4.5
2026+ DELIVERY	5	1,484,700	$1.9
PIPELINE	**468**	**119,676,745**	**$40.6**
NEAR TERM	219	34,675,431	$9.9
LONG TERM	249	85,001,314	$30.7

Source: Washington DC Economic Partnership Research

PROJECTS COMPLETED (2001–2023)

	# OF PROJECTS	SF	UNITS	ROOMS
Office	335	69,679,450	--	--
Retail	551	11,286,883	--	--
Residential	905	107,913,366	110,863	
Hospitality	164	24,027,879	--	24,523
Quality of Life	360	27,908,713	--	--

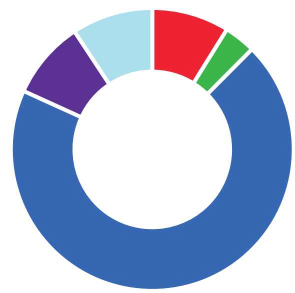
Total Estimated Value of Projects: $84.8 billion

246.3 MILLION
Square Feet Completed

PROJECTS UNDER CONSTRUCTION (DECEMBER 2023)

	# OF PROJECTS	SF	UNITS	ROOMS
Office	15	1,844,300	--	--
Retail	40	750,815	--	--
Residential	87	14,436,850	15,876	--
Hospitality	14	1,990,474	--	1,538
Quality of Life	16	1,931,783	--	--

Total Estimated Value of Projects: $10.2 billion

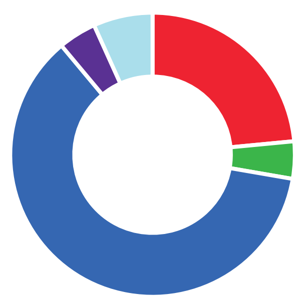


21.9 MILLION
Square Feet Under Construction

PIPELINE PROJECTS (DECEMBER 2023)

	# OF PROJECTS	SF	UNITS	ROOMS
Office	80	23,301,718	--	--
Retail	200	4,211,199	--	--
Residential	326	60,745,828	68,034	--
Hospitality	54	4,154,714	--	5,437
Quality of Life	67	6,689,331	--	--

Total Estimated Value of Projects: $40.6 billion

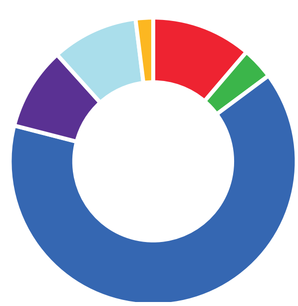


119.7 MILLION
Square Feet in the Pipeline

PROJECT STARTS PAST 5 YEARS (2019 - 2023)

	# OF PROJECTS	SF	UNITS	ROOMS
Office	41	5,435,480	--	--
Retail	109	1,734,489	--	--
Residential	198	30,986,430	33,863	--
Hospitality	39	4,628,372	--	4,513
Quality of Life	54	4,691,198	--	--
Industrial/ Infrastructure	13	953,289	--	--

Total Estimated Value of Projects: $19.4 billion



49.2 MILLION
Square Feet of Groundbreakings

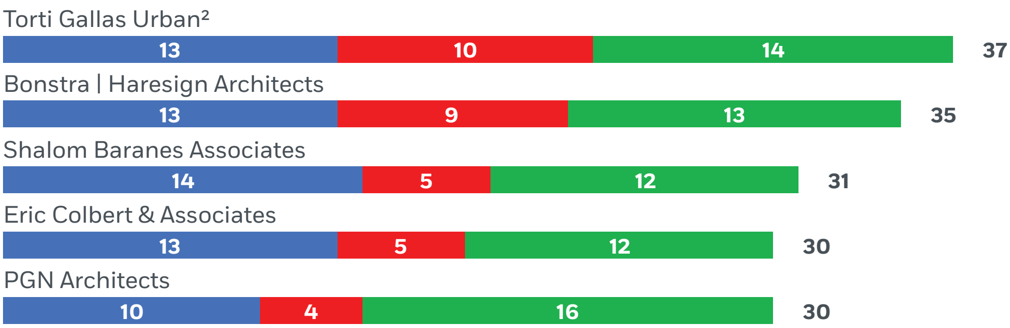
The figures below list the private sector developers, architects, and contractors that have been the most active in contributing to the District's development activity in the past five years (2019-2023).

Completed
Under Construction
Pipeline

MOST ACTIVE PRIVATE SECTOR DEVELOPERS PAST FIVE YEARS (# OF PROJECTS)[3]

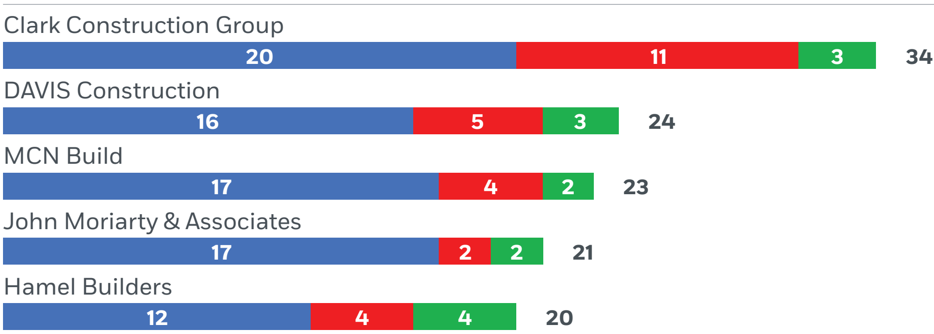
If measured by square feet the most active developers include Brookfield Properties (6.8M SF), Akridge (6.4M SF), MRP Realty (6.5M SF), JBG Smith (5.7m SF), and Douglas Development Corporation (5.2M SF).

MOST ACTIVE ARCHITECTS PAST FIVE YEARS (# OF PROJECTS)[3]



If measured by square feet the most active architects include Shalom Baranes Associates (14.7M SF), Perkins Eastman DC (9.5M SF), Beyer Blinder Belle Architects & Planners (8.5M SF), SK+I Architecture (8.3M SF), and Torti Gallas + Partners (7.4M SF).

MOST ACTIVE GENERAL CONTRACTORS PAST FIVE YEARS (# OF PROJECTS)[3]



If measured by square feet the most active architects include Clark Construction Group (12.1M SF), John Moriarty & Associates (5.9M SF), DAVIS Construction (4.9M SF), CBG Building Company (4.8 M SF), and HITT (4.4M SF).

1. Includes projects developed as The JBG Companies. 2. Includes Torti Gallas + Partners projects. 3. Projects completed since January 2019, under construction or in the pipeline as December 2023 (excludes government agencies and colleges/universities). Only companies with 10 or more projects since 2019 are included in SF calculations.

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