

2019

ANNUAL REPORT



1900 N Street

 **JBG SMITH**



With over 50 years of experience in the Washington, DC region, JBG SMITH is the leader in investing, owning, managing, and developing office, retail, residential, and neighborhood assets. Our creativity and scale enable us to be more than owners—we are placemakers who shape inspiring and engaging places, which we believe create value and have a positive impact in every community we touch.



Illustrative 223 23rd Street



4747 Bethesda Avenue

February 25, 2020

To Our Fellow **Shareholders:**

2019 was another extraordinary year for JBG SMITH. The year began with the execution of the Amazon HQ2 agreements and ended with an additional full-building lease to Amazon for 272,000 square feet at 2100 Crystal Drive. Additionally, after receiving final approvals at the end of 2019, we commenced construction on the first 2.15 million square feet of Amazon's new headquarters.

We also succeeded in landing the \$1 billion Virginia Tech Innovation Campus directly adjacent to approximately 2.0 million square feet of development density we own in the submarket. With almost 60% of our company located directly in National Landing and approximately 83% within a 20-minute commute, our lease-up, repositioning, and development efforts in the submarket will remain top priorities and sources of growth for years to come.

Our repositioning of National Landing is already underway with approximately 380,000 square feet under construction (Central District Retail and 1770 Crystal Drive) and an additional 650,000 square feet at 1900 Crystal Drive, expected to commence construction by the end of the first quarter. In addition, we have filed entitlement applications for 3.7 million square feet of future development density in National Landing, of which we expect approximately 1.1 million square feet (approximately 1,400 multifamily units) could be ready for construction start as early as next year. These investment opportunities not only represent compelling growth potential in their own right, but also contribute to the overall neighborhood repositioning that will benefit the other 11.3 million square feet we control in the submarket. To that end, the leasing strategy of our operating portfolio is well aligned with the timing and impact of what will be a dramatic upgrade to the amenity base in National Landing. Tenant demand already reflects some of these anticipated changes, but seeing is believing, and when delivery milestones are achieved, we expect further rental rate and occupancy growth from these strategic investments.

Outside of National Landing we are focused on increasing our concentration in a handful of high-growth, rapidly evolving emerging submarkets, such as the Ballpark, Union Market/H Street Corridor, and U Street/Shaw, where our mixed-use skillset, development expertise and our ability to deliver placemaking and amenities are strong differentiators. In these submarkets and across our portfolio, we

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anticipate strong near-term growth from the five Under Construction assets that we completed in 2019, as well as our remaining four Under Construction assets, which we expect to deliver in 2020 and 2021. Our operating portfolio in these locations is also well positioned for near-term growth given underlying multifamily fundamentals, and the burn off of free rent associated with the proactive early renewal strategy we implemented in our commercial portfolio in 2017 and 2018.

As impatient owners of land, we are always focused on mining value from unproductive assets. In addition to the approximately 4.4 million square feet of entitlements we are seeking in National Landing (1900 Crystal Drive and the 3.7 million square feet referenced above), we are actively advancing entitlement and design of an additional 5.7 million square feet within our 14.6 million square foot Future Development Pipeline (excluding the land held for sale to Amazon). Entitling this combined 10.1 million square feet of density will improve our ability to extract value from these opportunities either through development, sales, recapitalizations, and/or ground leases to third parties.

To maximize the abundant upside of our development portfolio, we continue to cultivate balance sheet capacity and position ourselves to invest both internally and externally when the cycle turns. In addition to our successful \$472 million equity offering, we recycled \$426 million of assets in 2019, and we expect to continue this opportunistic strategy in 2020 by marketing over \$500 million of assets. Based on the current challenging investment sales market, and our opportunistic expectations as a seller, we expect to transact on at least \$200 million in 2020. The strong balance sheet capacity we have created will allow us to allocate future capital to opportunities in the path of Amazon's growth and other high-growth urban infill submarkets without relying on the sale of assets or equity. Positioning ourselves to capitalize on these tailwinds is key to our long-term growth and aligns with our unwavering focus on maximizing long-term net asset value (NAV) per share.

Delivering long-term growth requires prudent near-term capital allocation and excellent operational execution. To that end, our team accomplished a great deal during 2019, which put us well on our way to achieving significant long-term NAV growth per share. **The following summarizes our achievements.**

Launched Amazon's 4.1 Million Square Foot New Headquarters

- Executed leases with Amazon for approximately 857,000 square feet, including a new full building lease at 2100 Crystal Drive for 272,000 square feet with occupancy expected in 2020.
- Executed purchase and sale agreements with Amazon for land with 4.1 million square feet of estimated potential development density in National Landing.
- Received final approvals from Arlington County for the first 2.15 million square feet of space for Amazon's new headquarters in National Landing. Construction commenced in January 2020.

Increased Operating In Service Portfolio Leased Percentage from 91.2% to 92.5%

- Leased over 2.1 million square feet of commercial space, bringing occupancy to 88.2% in our operating commercial portfolio.
- Proactively attracted tenant demand to National Landing, increasing our total commercial leased percentage from 88.3% to 91.5% with an average mark-to-market of positive 7.0% and net effective rent growth of 6.5%.
- Leased over 191,400 square feet of retail across the portfolio. In National Landing, leased 32,000 square feet of placemaking retail at Central District Retail, which was 75.2% pre-leased at the end of 2019.
- Achieved in service multifamily occupancy of 93.3%, and successfully completed West Half in the third quarter of 2019, which was 30.2% leased at the end of 2019.

Completed Five Under Construction Assets Expected to Deliver \$48 Million of Stabilized Annualized NOI

- Completed five Under Construction assets on or ahead of schedule and delivered all below budget, including: 500 L'Enfant Plaza, West Half, 4747 Bethesda Avenue, Atlantic Plumbing C, and 1900 N Street, totaling 550,000 square feet and 721 units in the aggregate. The three commercial assets were 83.4% leased at the end of 2019.
- We expect these five assets will deliver approximately \$48 million of annualized NOI with a weighted average stabilization date of the second quarter of 2021.

Increased Value and Readiness of 14.6 Million Square Foot Future Development Pipeline

- Actively advancing entitlement and design of 10.1 million square feet (69%) of our Future Development Pipeline (excluding the land held for sale to Amazon).
- Submitted entitlements for 4.4 million square feet of space in National Landing, which represents approximately two-thirds of our Future Development Pipeline in the submarket.
- Made significant progress on entitling and designing the next tranche of multifamily development in National Landing, totaling approximately \$1.4 billion of new investment and approximately 2,900 multifamily units.
- As master developer of the planned Virginia Tech Innovation Campus site, we advanced the overall plan in coordination with the directly adjacent 2.0 million square feet of development density we own in National Landing.

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Sold or Recapitalized \$426 Million of Assets at or Above our Estimated NAV

- Closed on the sale or recapitalization of four assets, totaling \$426 million, including the Metropolitan Park land sites sold to Amazon for approximately \$155 million (approximately \$11 million above the estimated contract value) in January 2020.
- Executed a reverse like-kind exchange (with proceeds from the first Amazon land sale) for the acquisition of F1RST Residences, a multifamily asset in the Ballpark submarket of Washington, DC.

Strengthened Balance Sheet – Pro forma Net Debt/Total Enterprise Value of 21.0%

- Issued 11.5 million shares at \$42.00 per share, raising net proceeds of approximately \$472 million in our first equity offering.
- Recast our \$1 billion credit facility in January 2020, extending the term for five years and reducing the interest rate.
- Raised capital and accumulated balance sheet capacity to develop 1900 Crystal Drive and to pursue future acquisition and development opportunities.
- Adjusted for the \$155 million of proceeds from the land sale to Amazon in January 2020, our pro forma Net Debt/Adjusted EBITDA was 5.3x.

Raised \$104 Million for Affordable Housing and Achieved 4-Star GRESB Sustainability Rating

- Raised over \$104 million for the Washington Housing Initiative Impact Pool (including a \$10.2 million commitment from JBG SMITH), which completed its first financing of a 326-unit residential building in Alexandria, Virginia in January 2020. Identified a pipeline to potentially preserve over 6,000 units of workforce affordable housing.
- Received a 4-star rating from GRESB for the second year in a row, ranking in the top quartile of mixed-use office and multifamily portfolios.

Washington, DC Market Update

As the real estate cycle grows longer and pricing remains aggressive, it is worth noting that Washington, DC is a market with proven resilience to recession. In each of the last three national recessions, Washington, DC Metro area employment shrank by only 1.0% on average while other gateway cities shrank by an average of 3.0%. We believe that our focused investment in high-growth, infill locations with a heavy concentration around Amazon's new headquarters in National Landing positions JBG SMITH to enjoy the best of all worlds in today's investment climate – upside through exposure to the fast-growing technology sector and continued urban infill migration against the backdrop of the historically recession resilient DC Metro market.

For our detailed quarterly market update, please see the Appendix to this letter.

Capital Allocation

Since the spin-off, we have sold or recapitalized \$1.4 billion of assets at values at or above our estimated NAV. Most of these assets were identified for sale because of their relatively low projected return potential. These sales were executed at very attractive cap rates and even more attractive “economic” cap rates when factoring in go-forward capital requirements. The assets sold or recapitalized would have required an additional \$350 million of capital over the next five years, generating an average yield on total cost of 3.5%-4.0% over this time period and a stabilized 4.5%-5.0% yield on total cost. This 5-year stabilized yield is consistent with current market values indicating little to no upside at current market cap rates. By investing the proceeds from these sales into our higher growth development pipeline where we expect to earn an average yield of approximately 6.0%-6.5% on multifamily assets and 7.0%-7.5% on commercial assets, we believe we will deliver higher income and NAV growth over the long term.

Acquisitions

We continue to remain cautious on the acquisition front as a result of aggressive pricing across asset classes. That said, to fulfill our like-kind exchange needs, we expect to be multifamily buyers in the emerging growth submarkets where we are already concentrated and where we see strong rent growth potential. In December, we acquired F1RST Residences, a 325-unit multifamily asset in the Ballpark submarket of Washington, DC with approximately 21,000 square feet of street level retail, for approximately \$161 million. The building is located one block from 1221 Van Street and West Half, our other multifamily holdings in the Ballpark submarket. The multifamily portion of the building was 91.7% occupied as of December 31, 2019. The proceeds from the sale of the Metropolitan Park land sites to Amazon completed the reverse like-kind exchange for F1RST Residences. We expect to complete the sale of the Pen Place land to Amazon in 2021, and we intend to identify a like-kind exchange acquisition for the proceeds from that sale.

Dispositions

We continued to be a net seller in 2019 with \$426 million of asset sales and recapitalizations against our \$400 million goal. We sold or recapitalized 1600 K Street, a 50% joint venture interest in Central Place Tower, Vienna Retail, and the Metropolitan Park land sites, which closed in January 2020. We sold Metropolitan Park to Amazon for approximately \$155 million, \$11 million above the estimated contract value due to the development density that was ultimately approved. We completed each of these transactions at or above our estimated NAV.

We have identified over \$500 million of additional recycling candidates that we expect to opportunistically market for sale in 2020, assuming market conditions remain supportive. Given the softening of demand for CBD office assets we saw in 2019, we believe it is prudent to expect to transact on at least \$200 million of these sale candidates as some of these assets may not ultimately trade. Having already transacted on most of the low hanging fruit in the DC portion of our office portfolio, our current sale candidates are less “core” in nature and may not fetch compelling pricing if market conditions soften. While we intend to pursue these recycling opportunities aggressively, we are fortunate that we have the balance sheet strength to be opportunistic, and only transact if and when we can source capital at attractive levels.

For low-basis sale candidates, such as the land we are selling to Amazon, we plan to seek like-kind

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exchanges that would allow us to trade out of low-return assets into higher-yielding development opportunities or acquisitions with better long-term growth profiles. In the current environment, these are more likely to be multifamily assets in the emerging growth submarkets where we are already concentrated. We are also focused on opportunities to turn land assets into income streams via like-kind exchanges or ground leases.

Financial and Operating Metrics

For the year ended December 31, 2019, we reported net income attributable to common shareholders of \$65.6 million and Core FFO attributable to common shareholders of \$210.2 million or \$1.61 per share. Same store NOI decreased 7.0% and we ended the year at 90.8% leased and 87.9% occupied. For second generation leases, the rental rate mark-to-market was positive 3.5%. As we have mentioned in the past, our mark-to-market will vary from quarter-to-quarter. That said, this level of performance exceeded our own expectations, which primarily reflects the positive commercial leasing environment in National Landing.

As expected, due to asset sales and the defensive blend-and-extend leasing strategy we implemented in 2017 and 2018, our NOI declined in 2019. Because (i) the concessions in our commercial portfolio have burned off to stabilized levels, (ii) we delivered five Under Construction assets on or ahead of schedule, and (iii) we acquired FIRST Residences, we expect our NOI to rebound in 2020. We do not, however, expect to see this NOI increase immediately flow through to Core FFO in 2020, primarily due to the reduction in capitalized interest from the delivery of our Under Construction assets. As these assets stabilize, we expect the increase in earnings to offset the increase in interest expense, which will increase Core FFO.

Operating Portfolio

For the three months ended December 31, 2019, our 10.7 million square foot operating commercial portfolio generated \$246 million of annualized NOI and was 91.4% leased and 88.2% occupied. We completed 40 office lease transactions in our operating commercial portfolio totaling over 724,000 square feet, including 438,000 square feet of new leases and 286,000 square feet of renewals. For second-generation leases, the rental rate mark-to-market was positive 7.6%.

Our same store NOI increased 1.2% across our operating portfolio during the fourth quarter. As noted in prior quarters, throughout most of 2019, the concessions related to blend-and-extend leases signed in 2017 and 2018 significantly increased the portion of our portfolio that was in a free rent period. This elevated level of free rent has burned off and returned to a level consistent with long-term averages. It is worth noting that while we expect the burn-off of rental abatements to result in significant same store NOI growth in 2020, we do not expect this year's elevated growth rate to continue over the longer term.

In 2019, we leased 2.1 million square feet of space, bringing the leased percentage of our commercial operating portfolio to 91.4% versus 89.6% at the end of 2018. We also increased our occupancy to 88.2% from 85.5% over this same period, a 270 basis point improvement. We achieved these leasing outcomes while also pushing rental rates across the portfolio, which is reflected in the positive 3.5% mark-to-market increase on rents across our portfolio in 2019 versus negative 6.6% in 2018.

In our operating multifamily portfolio, our leased percentage was 89.5% at year-end 2019 and 95.7% at year-end 2018, and our occupied percentage was 87.2% at year-end 2019 compared to 93.9% at year-end 2018. This decrease is a result of West Half, a recently delivered under construction asset, which completed

in the third quarter of 2019 and was 30.2% leased as of the end of the fourth quarter. Our operating multifamily portfolio, comprising approximately 5,327 units, generated \$82 million of annualized NOI. Our concentration in multifamily assets (based on square footage at share) increased to 30% at year-end 2019 from 26% at year-end 2018.

Development Portfolio

Over the course of 2019, we completed two new multifamily assets – West Half and Atlantic Plumbing C, and three new office assets - 500 L'Enfant Plaza, 1900 N Street, and 4747 Bethesda Avenue, which in aggregate were 83.4% leased as of the end of the fourth quarter. All five assets delivered on or ahead of schedule and below budget.

As of December 31, 2019, our development portfolio consisted of seven assets totaling 1.5 million square feet currently under construction and a Future Development Pipeline totaling 18.7 million square feet. Excluding the land held for sale to Amazon, our pipeline was 14.6 million square feet. Of the 1.5 million square feet in our Under Construction portfolio, 700,000 square feet is multifamily and 800,000 square feet is commercial, which is 86.8% pre-leased.

Under Construction

At the end of the fourth quarter, our seven assets under construction all had guaranteed maximum price construction contracts in place. These assets have weighted average estimated completion and stabilization dates of the third quarter of 2020 and the third quarter of 2021, respectively, with a projected NOI yield based on Estimated Total Project Cost of 6.4%. We expect our Under Construction assets to deliver \$56.2 million of annualized NOI.

Near Term Development

We did not have any assets in the Near Term Development pipeline at the end of the fourth quarter. As a reminder, we only place assets into our Near Term Development Pipeline when they have completed the entitlement process and when we intend to commence construction within 12 to 18 months, subject to market conditions. We expect to commence construction on 1900 Crystal Drive in the first quarter, upon receipt of full entitlements from Arlington County. We are also focused on completing design and entitlements for the next tranche of multifamily development opportunities in National Landing including, 2000 and 2001 South Bell Street, 223 23rd Street, and 2525 Crystal Drive, all of which are within a ½ mile of Amazon's new headquarters. This pipeline includes approximately 2,100 units and is still subject to final entitlements from Arlington County. Subject to market conditions, including today's escalating construction cost environment, we could be in a position to deliver these projects over the next four to five years. Based on current market conditions these projects would represent an estimated total investment of approximately \$1.0 billion and a potential stabilized NOI of between \$60 and \$65 million.

If we execute these planned multifamily developments in National Landing, without assuming any additional capital recycling activity, we expect our leverage will stabilize in the mid 6x's, with interim peak levels in the mid 8x's at the front end of this period.

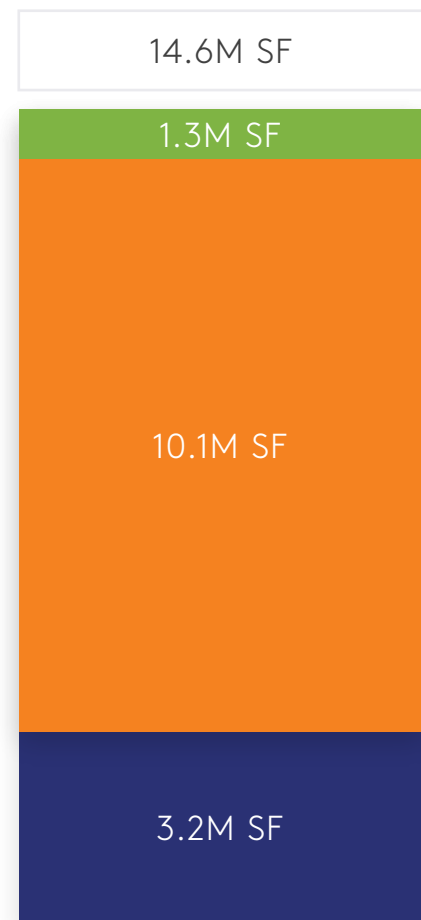
Future Development Pipeline

As of December 31, 2019, our Future Development pipeline comprises 18.7 million square feet, with an Estimated Total Investment per square foot of approximately \$40.52. Excluding the land held for sale to Amazon, our pipeline was 14.6 million square feet. At the end of the fourth quarter, 58.9% of this pipeline was in National Landing, 18.6% was in DC, 13.9% was in Reston, and the remaining 8.6% was in other Virginia and Maryland submarkets. Our DC holdings are concentrated in the fast-growing emerging submarkets of Union Market and Ballpark, and our Reston holdings include one of the best development sites on the Metro, adjacent to Reston Town Center.




Over the course of 2019, we actively advanced the entitlement and design of 10.1 million square feet (69%) of our Future Development Pipeline. This includes the 4.4 million square feet that we submitted for entitlement in National Landing, which is approximately two-thirds of our pipeline in National Landing. Of the remaining 4.5 million square feet, we continue to seek opportunities to monetize our Future Development Pipeline, either through land sales or ground lease structures, as we did with 1700 M Street in 2018.

Over the course of 2019, we actively advanced the entitlement and design of 10.1 million square feet (69%) of our Future Development Pipeline.

The following bar chart describes the stage of entitlement of our Future Development Pipeline ▼



Total Future Development Pipeline

-  Fully Entitled
-  Actively Advancing Entitlements and/or Design⁽¹⁾
-  Encumbered/Not Ready for Development

Note: Excludes 4.1M SF of Estimated Potential Development Density that Amazon has agreed to purchase from JBG SMITH, subject to customary closing conditions

⁽¹⁾ Includes 2.4M SF of Fully Entitled Estimated Potential Development Density, for which we are advancing final design.

Third-Party Asset Management and Real Estate Services Business

Revenue from our third-party asset management and real estate services business was \$16.0 million in the fourth quarter, primarily driven by \$5.1 million in property management fees, \$4.7 million in development fees, and \$3.4 million in asset management fees. The portion of total revenues associated with the JBG Legacy Funds was \$5.1 million (approximately 32.2% of total third-party revenue). The JBG Legacy Funds continued to focus on disposing of assets in accordance with their underlying business plans. We expect the fees from retaining management and leasing of sold assets, the Amazon-related fees that we expect to receive, any fee income associated with the Washington Housing Initiative, and other third-party fee income streams to offset the wind down of the JBG Legacy Fund business over time.

Balance Sheet

As of December 31, 2019, we had \$126.4 million of cash (\$136.2 million of cash at share), \$898.5 million available under our credit facility, and over \$800 million of multifamily borrowing capacity from our Operating and Under Construction multifamily assets. Our Net Debt/Total Enterprise Value was 22.5%, using our share price at February 21, 2019, and our Net Debt/Adjusted EBITDA was 5.8x. Our Net Debt/Adjusted EBITDA metric includes the short-term impact of a \$200 million draw on our credit facility to fund the FIRST Residences acquisition, which was part of the reverse like-kind exchange of the Metropolitan Park land sale to Amazon. Adjusted for the \$155 million of proceeds from the land sale to Amazon in January 2020, our pro forma Net Debt/Total Enterprise Value was 21.0% and our pro forma Net Debt/Adjusted EBITDA was 5.3x. Given that these leverage metrics include the debt incurred to date to develop our seven Under Construction assets, but none of the estimated NOI from those assets, we believe Net Debt/Total Enterprise Value is the most meaningful measure to evaluate our leverage. Our long-term leverage targets remain unchanged at 25% to 35% Net Debt/Total Enterprise Value and between 6x and 7x Net Debt/Adjusted EBITDA, with peak levels in the mid-8x's during periods of more active development. Based on these long-term leverage targets, we believe that we have ample balance sheet capacity to develop 1900 Crystal Drive and the next tranche of multifamily developments in National Landing without any additional asset sales or capital transactions.

We continue to focus on maintaining a well-laddered debt maturity profile. As of December 31, 2019, our weighted average interest rate was 4.0%, and our average debt maturity was 3.5 years, with approximately \$513 million coming due in the next two years. Consistent with our strategy to finance our business primarily with non-recourse, asset-level financing, 74.5% of our consolidated and unconsolidated debt is property-level mortgage debt, of which only approximately \$8.3 million is recourse to JBG SMITH. Our debt is 74.8% fixed rate, and we have rate caps in place for 33.3% of our floating rate debt.

Over the course of 2019, we were very active in the debt markets. We closed or modified 8 loans totaling \$737 million and repaid \$709 million of debt. The weighted average interest rate of the repaid debt was 4.05%, generating \$28.7 million of annual interest expense savings. In early January, we amended and extended our existing revolving credit facility, which was set to mature on July 16, 2021. The recast \$1.0 billion revolving credit facility extends the maturity date for five years to January 7, 2025, with a slight reduction in the interest rate. We were very pleased with the demand to participate in the recast of our credit facility, which solidified our strong balance sheet by giving us financial flexibility to execute on the significant development opportunities in our portfolio.

Environmental, Social, and Governance

In December 2019, we closed on another round of funding for the Washington Housing Initiative Impact Pool (the "Impact Pool"), bringing the total to approximately \$104 million, including a \$10.2 million commitment from JBG SMITH. We launched the Washington Housing Initiative (WHI) in partnership with the Federal City Council in 2018 to preserve or build up to 3,000 units of affordable workforce housing in the Washington, DC region over the next decade. The WHI includes a third-party non-profit, the Washington Housing Conservancy, and the Impact Pool, the JBG SMITH-managed financing component of the WHI. The Impact Pool has a targeted size of \$150 million, of which we expect to contribute up to 9.75%.

In January 2020, the Impact Pool made its first investment, providing approximately \$15 million of mezzanine financing for the Alexandria Housing Development Corporation (AHDC) to acquire Avana – renamed Parkstone – a recently renovated 326-unit, high rise residential community in Alexandria, Virginia for \$106 million. Currently, most of the units at Parkstone are naturally occurring workforce housing with rents affordable to middle-income renters. Using the Impact Pool loan, AHDC will commit to keep the property affordable for middle-income renters through long-term covenants, in addition to making investments to ensure it remains high-quality housing. JBG SMITH will be the property manager for Parkstone. In addition to this recent investment, the Impact Pool is currently evaluating a pipeline of financings that could preserve nearly 6,000 units of affordable workforce housing across the DC region.

On the corporate governance front, we regularly review best practices and proactively engage with investors on these issues. Accordingly, we recently amended our Bylaws to provide for a majority (rather than plurality) voting standard in uncontested trustee elections.

We find ourselves in the fortunate position of investing ahead of the tailwinds of Amazon's expected significant growth, while also enjoying the solid foundation of the historically recession resilient DC market.

As we look ahead into 2020 and beyond, we believe that JBG SMITH is at the front end of a significant wave of growth, and that we are only getting started. The capital allocation decisions we have made over the past few years are bearing fruit, and we anticipate strong growth in our NAV per share as a result. Similarly, the investment opportunities ahead are substantial, and we will pursue them with an obsessive focus on maximizing long-term value. Indeed, we find ourselves in the fortunate position of investing ahead of the tailwinds of Amazon's expected significant growth, while also enjoying the solid foundation of the historically recession resilient DC market. This combination is especially important given the length of the current real estate cycle and our strong capital position.

We appreciate the continued strong interest in our company, and we encourage you to visit our real estate and spend time with our team. We remain focused on the significant opportunities in front of us, and we will continue to work hard to maintain your trust and confidence.



W. Matthew Kelly
Chief Executive Officer

Washington, DC Market Update

Economy

The region's job growth and office absorption continue to be concentrated in a thriving Northern Virginia. 55% of the region's overall 2019 job growth (37,000 jobs) was in Northern Virginia, driving 84% of the net absorption in the overall market. This level of regional job growth is in line with the area's historic long-term average of approximately 40,000 jobs per year and is largely attributable to a surging professional and business services industry, which accounted for 40% of the region's total job growth. Much of that growth is in cloud computing and cyber security – two areas where federal defense spending is translating into private sector growth. High paying professional services jobs translate into apartment and, to a lesser extent, office demand. By contrast, the federal government continues to be stagnant from a hiring perspective and contributes relatively little net new office demand. As Amazon moves into its first full year of hiring, we expect the region's diversification away from federal employment drivers to accelerate even further.

Office

Supply and demand fundamentals in Northern Virginia continue to strengthen particularly along the Metro corridor between the tech-talent clusters of National Landing and Reston where professional services job growth is concentrated. In addition to strong demand, supply levels in Northern Virginia remain adequate but not excessive. Despite two new speculative projects (380,000 square feet of available space) breaking ground in the fourth quarter, only roughly 800,000 square feet of speculative office space is scheduled to deliver within the next two years, representing less than 1% of Northern Virginia supply. Given that the bulk of the region's demand is in submarkets with limited supply, favorable conditions exist for rent growth in the most desirable locations, even while Northern Virginia's overall vacancy remains relatively high at 17% (having fallen from 20% and 19% in 2017 and 2018, respectively). The contradiction between a high vacancy rate and selective pockets of rent growth continues to highlight the difference between desirable and undesirable locations. Locations with high-quality, walkable amenities continue to outperform, almost irrespective of the level of distress for locations that lack these attributes. National Landing, for example, benefitted from 400,000 square feet of positive absorption in 2019, and continues to exhibit improving office market fundamentals, with occupancy levels up 4% and rents up 17% over fourth quarter 2018 levels. JLL also reports that rents for new construction trophy assets in National Landing are now on par with those in other core Northern Virginia submarkets like the Rosslyn-Ballston Corridor and Reston. While we have not seen enough office trades to judge the impact of these improved fundamentals on investor demand, we expect to see increased interest and pricing based on these trends.

Despite improving fundamentals in Northern Virginia, the outlook in downtown DC remains less sanguine. The 12% vacancy level is the highest it has been in a decade, though it is largely static year-over-year. Direct net absorption for the year was positive by only 525,000 square feet, significantly down from the 10-year peak of 3 million square feet in 2010, and a slight decrease from the 540,000 square feet of positive absorption in 2018. That said, most of this absorption was driven by emerging submarkets, which continue to be a bright spot, with approximately 1.2 million square feet of positive absorption, including a few notable GSA moves such as the Department of Justice (500,000 square feet) and Peace Corps (176,000 square feet), versus approximately 690,000 of negative absorption in the balance of DC, according to JLL. This negative absorption is exacerbated by a pipeline of new deliveries that remains elevated, with roughly 3.6 million square feet delivering in 2019 and another 4 million square feet under construction. The emerging DC markets account for just 522,000 square feet of 2019 deliveries and 1.5 million square feet of

under construction assets, which are 87% pre-leased. In comparison, non-emerging DC markets account for nearly 3.1 million square feet of 2019 deliveries and 2.5 million square feet of assets under construction, which are only 28% pre-leased.

This data suggests that, given the favorable supply-demand dynamics, emerging DC markets will continue to outperform non-emerging DC markets. For several quarters we have been predicting that continued trophy oversupply and tenant preference for amenity-rich, emerging markets will put pressure on commodity Class A assets, which will in turn, put pressure on Class B assets. It appears that the pricing spread between Class A and Class B has narrowed to a point where Class B tenants are making the jump to better-quality product. We have seen that phenomenon play out with JLL reporting a continued decline in commodity Class A vacancy, now at its lowest level (12.8%) since 2015, and a corresponding uptick in Class B vacancy, now at a historical high (12.3%). This movement also indicates that, after protracted vacancy, many commodity Class A buildings have dropped their rents (a current discount of 28% to trophy product) and/or increased concessions to levels necessary to lease the buildings. With overall annual rents in DC proper down (-1%) for the first time in a decade, we expect to continue to see elevated concessions across all classes.

Multifamily

We continue to be encouraged by strong multifamily fundamentals across the region. Combined deliveries remain consistently on track at approximately 14,000 units expected to deliver in 2020 and 2021. As a reminder, this level is roughly on par with the 2014 single-year peak of 15,000 deliveries. With less than 200 units commencing construction in the fourth quarter, the pipeline appears to be declining with just under 1,400 units currently under construction for delivery in 2022. We believe that the shrinking pipeline will be particularly impactful in DC emerging markets where same store Class A market rents have grown by 4.1% over the past two years according to CoStar data, with average stabilization of 16 months for newly delivered buildings with a typical size of 260 units since 2015. As a reminder, our DC multifamily properties are concentrated in those emerging submarkets. We believe approximately 6,000 units will deliver in emerging markets through 2021, representing roughly 29% of the existing inventory as of the end of 2019. As amenity and population growth continue in these emerging markets, we maintain our belief in the eventual convergence of emerging market rents with those in mature markets. As of the fourth quarter, we have seen the spread between emerging and mature market rents narrow by over 5% in buildings delivered since 2015.

Office Sales

Following a spike in third quarter activity totaling \$2.1 billion, investor activity within DC proper slowed, ending the fourth quarter at \$690 million. The total sales volume of approximately \$4.1 billion for the year finished well above the five-year low of \$2.9 billion in 2016, but below the 2017 and 2018 levels of approximately \$5 billion. Buyers in fourth quarter transactions were mostly high-net worth and domestic buyers, with foreign capital remaining largely on the sidelines. According to JLL, assets with a value-add profile accounted for 12 of the first 16 single-asset trades in the first half of 2019, most likely in response to the aggressive price tags of Class A and Trophy. The recent sales of 815 Connecticut Avenue and 901 15th Street, both well-leased trophy and Class A buildings, priced at low-5% cap rates, above the 24-month trophy average of 4.8%, according to JLL.

Multifamily Sales

In 2019, multifamily volume reached \$7 billion — far higher than the \$3.7 to \$4.5 billion we have seen in the past three years. This volume increase was almost entirely suburban product, with 76% of 2019 transactions outside urban markets, according to CoStar data for the DC Metro Region. The suburban volume is mostly attributable to significant large portfolio sales, totaling approximately \$2 billion, which reflects portfolio re-alignments by large owners and a hunger for value-add suburban deals among investors. Downtown Class A trades were rare and competitively priced, with average cap rates of 4.4% over the past 12 months. According to CoStar, National Landing is an even more competitive environment with trailing 12-month cap rates averaging 3.7%.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2019

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-37994



JBG SMITH

JBG SMITH PROPERTIES

(Exact name of Registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

81-4307010

(I.R.S. Employer Identification No.)

**4747 Bethesda Avenue Bethesda MD
Suite 200**

**20814
(Zip Code)**

(Address of Principal Executive Offices)

Registrant's telephone number, including area code: **(240) 333-3600**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Shares, par value \$0.01 per share	JBGS	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

As of February 20, 2020, JBG SMITH Properties had 134,882,302 common shares outstanding.

As of June 30, 2019, the aggregate market value of common stock held by non-affiliates of the Registrant was approximately \$5.1 billion based on the June 30, 2019 closing share price of \$39.34 per share on the New York Stock Exchange.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference information from certain portions of the registrant's definitive proxy statement for its 2020 annual meeting of shareholders to be filed with the Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

JBG SMITH PROPERTIES
ANNUAL REPORT ON FORM 10-K
YEAR ENDED DECEMBER 31, 2019

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PART I

ITEM 1. BUSINESS

The Company

JBG SMITH Properties ("JBG SMITH") is a real estate investment trust ("REIT") that owns, operates, invests in, and develops a dynamic portfolio of high-growth mixed-use properties in and around Washington, D.C. Through an intense focus on placemaking, JBG SMITH cultivates vibrant, amenity-rich, walkable neighborhoods throughout the Capital region, including National Landing where it now serves as the exclusive developer for Amazon.com's ("Amazon") new headquarters. In addition, our third-party asset management and real estate services business provides fee-based real estate services to third parties and the legacy funds (the "JBG Legacy Funds") formerly organized by The JBG Companies ("JBG"). References to "our share" refer to our ownership percentage of consolidated and unconsolidated assets in real estate ventures.

As of December 31, 2019, our Operating Portfolio consists of 62 operating assets comprising 44 commercial assets totaling 12.7 million square feet (10.7 million square feet at our share) and 18 multifamily assets totaling 7,111 units (5,327 units at our share). Additionally, we have (i) seven assets under construction comprising four commercial assets totaling 943,000 square feet (821,000 square feet at our share) and three multifamily assets totaling 1,011 units (833 units at our share); and (ii) 40 future development assets totaling 21.9 million square feet (18.7 million square feet at our share) of estimated potential development density. We present combined portfolio operating data that aggregates assets that we consolidate in our financial statements and assets in which we own an interest, but do not consolidate in our financial results. For more information regarding our assets, see Item 2 "Properties."

We define "square feet" or "SF" as the amount of rentable square feet of a property that can be rented to tenants, defined as (i) for commercial assets, rentable square footage defined in the current lease and for vacant space the rentable square footage defined in the previous lease for that space, (ii) for multifamily assets, management's estimate of approximate rentable square feet, (iii) for assets under construction and near-term development assets, management's estimate of approximate rentable square feet based on current design plans as of December 31, 2019, and (iv) for future development assets, management's estimate of developable gross square feet based on its current business plans with respect to real estate owned or controlled as of December 31, 2019. "Metro" is the public transportation network serving the Washington, D.C. metropolitan area operated by the Washington Metropolitan Area Transit Authority, and we consider "Metro-served" to be locations, submarkets or assets that are generally within walking distance of a Metro station, defined as being within 0.5 miles of an existing or planned Metro station. "Annualized rent" is defined as (i) for commercial assets, or the retail component of a mixed-use asset, the in-place monthly base rent before free rent, plus tenant reimbursements as of December 31, 2019, multiplied by 12, with triple net leases converted to a gross basis by adding estimated tenant reimbursements to monthly base rent, and (ii) for multifamily assets, or the multifamily component of a mixed-use asset, the in-place monthly base rent before free rent as of December 31, 2019, multiplied by 12. Annualized rent excludes rent from signed but not yet commenced leases.

Corporate Structure and Formation Transaction

JBG SMITH was organized as a Maryland REIT on October 27, 2016 for the purpose of receiving, via the spin-off on July 17, 2017 (the "Separation"), substantially all of the assets and liabilities of Vornado Realty Trust's ("Vornado") Washington, D.C. segment, which operated as Vornado / Charles E. Smith, (the "Vornado Included Assets"). On July 18, 2017, JBG SMITH acquired the management business and certain assets and liabilities (the "JBG Assets") of JBG (the "Combination"). The Separation and the Combination are collectively referred to as the "Formation Transaction." Unless the context otherwise requires, all references to "we," "us," "our" or other similar terms refer to the Vornado Included Assets (our predecessor and accounting acquirer) for periods prior to the Separation and to JBG SMITH for periods after the Separation. Substantially all of our assets are held by, and our operations are conducted through, JBG SMITH Properties LP ("JBG SMITH LP"), our operating partnership. As of December 31, 2019, we, as its sole general partner, controlled JBG SMITH LP and owned 89.9% of its common limited partnership units ("OP Units").

Our Strategy

Our mission is to own and operate a high-growth portfolio of Metro-served, urban-infill office, multifamily and retail assets concentrated in leading urban infill submarkets or with proximity to downtown Washington, D.C. and to grow this portfolio through value-added development and acquisitions. We have significant expertise in office, multifamily and retail product types, our core asset classes. We believe we are known for our creative deal-making and capital allocation skills and for our development and value creation expertise across our core product types.

One of our approaches to value creation uses a series of complementary disciplines through a process we call "Placemaking." Placemaking involves strategically mixing high-quality multifamily and commercial buildings with anchor, specialty and neighborhood retail in a high density, thoughtfully planned and designed public space. Through this process, we create synergies,

and thus value, across those varied uses and create unique, amenity-rich, walkable neighborhoods that are desirable and enhance significant tenant and investor demand. We believe that our Placemaking approach will increase occupancy and rental rates in our portfolio, particularly with respect to our concentrated and extensive land and building holdings in National Landing, the newly defined interconnected and walkable neighborhood that encompasses Crystal City, the eastern portion of Pentagon City and the northern portion of Potomac Yard. National Landing is situated across the Potomac River from Washington, D.C., and we believe it is one of the region's best-located urban mixed-use communities. It is defined by its central and easily accessible location, its adjacency to Reagan National Airport, and its base of existing offices, apartments and hotels.

Since mid-2017, we have been focused on a comprehensive plan to reposition our holdings in National Landing through a broad array of Placemaking strategies. Our Placemaking strategies include the delivery of new multifamily and office developments, locally sourced amenity retail and thoughtful improvements to the streetscape, sidewalks, parks and other outdoor gathering spaces. In keeping with our dedication to Placemaking, each new project is intended to contribute to authentic and distinct neighborhoods by creating a vibrant street environment with a robust offering of amenity retail and improved public spaces.

In November 2018, Amazon announced it had selected sites that we own in National Landing in Northern Virginia as the location of an additional headquarters. To date, Amazon has executed leases totaling approximately 857,000 square feet at five office buildings in our National Landing portfolio. In March 2019, we executed three initial leases with Amazon totaling approximately 537,000 square feet at three of our office buildings in National Landing. These three initial leases encompass approximately 88,000 square feet at 241 18th Street South, approximately 191,000 square feet at 1800 South Bell Street, and approximately 258,000 square feet at 1770 Crystal Drive. Amazon began moving into 241 18th Street South and 1800 South Bell in 2019, and we expect Amazon to begin moving into 1770 Crystal Drive by the end of 2020. In April 2019, we executed a lease with Amazon for an additional approximately 48,000 square feet of office space at 2345 Crystal Drive in National Landing. Amazon moved its first employees into 2345 Crystal Drive during the second quarter of 2019. In December 2019, we executed a lease with Amazon for an additional approximately 272,000 square feet of office space at 2100 Crystal Drive in National Landing. We expect Amazon to begin occupying space at 2100 Crystal Drive in late 2020.

In March 2019, we also executed purchase and sale agreements with Amazon for two of our National Landing development sites, Metropolitan Park and Pen Place, which will serve as the initial phase of new construction associated with Amazon's new headquarters at National Landing. Subject to customary closing conditions, Amazon contracted to acquire these two development sites for an estimated aggregate \$293.9 million, or \$72.00 per square foot based on their combined estimated potential development density of up to approximately 4.1 million square feet. In May 2019, Amazon submitted its plans to Arlington County for approval of two new office buildings, totaling 2.1 million square feet, inclusive of over 50,000 square feet of street-level retail with new shops and restaurants, on the Metropolitan Park land sites. In January 2020, we sold the Metropolitan Park land sites to Amazon for \$155.0 million, which represents an \$11.0 million increase over the previously estimated contract value resulting from an increase in the approved development density on the sites. We expect the sale of the Pen Place land site to Amazon to be completed in 2021. We are the developer, property manager and retail leasing agent for Amazon's new headquarters at National Landing.

In February 2019, the Commonwealth of Virginia enacted an incentives bill, which provides tax incentives to Amazon if it creates up to 37,850 full-time jobs with average salaries of \$150,000 or higher in National Landing. As part of the incentive package, we expect \$1.8 billion in infrastructure and education investments led by state and local governments.

Our primary business objectives are to maximize cash flow and generate strong risk-adjusted returns for our shareholders. We intend to pursue these objectives through the following strategies:

Focus on High-Growth Mixed-Use Assets in Metro-Served Submarkets in the Washington, D.C. Metropolitan Area. We intend to continue our longstanding strategy of owning and operating assets within urban-infill, Metro-served submarkets in the Washington, D.C. metropolitan area with high barriers to entry and key urban amenities, including being within walking distance of the Metro. These submarkets, which include the District of Columbia; National Landing, the Rosslyn-Ballston Corridor, Reston and Alexandria in Virginia; and Bethesda, Silver Spring and the Rockville Pike Corridor in Maryland, generally feature strong economic and demographic attributes, as well as superior transportation infrastructure that caters to the preferences of our office, multifamily and retail tenants. We believe these positive attributes will allow our assets located in these submarkets to outperform the Washington, D.C. metropolitan area as a whole.

Realize Contractual Embedded Growth. We believe there are substantial near-term growth opportunities embedded in our existing Operating Portfolio, many of which are contractual in nature, including the burn-off of free rent, contractual rent escalators in our non-GSA office and retail leases based on increases in the Consumer Price Index or a fixed percentage, and the commencement of signed but not yet commenced leases. "GSA" refers to the General Services Administration, which is the independent federal government agency that manages real estate procurement for the federal government and federal agencies.

Drive Incremental Growth Through Lease-up of Our Assets. We believe that we are well-positioned to achieve significant internal growth through lease-up of the vacant space in our Operating Portfolio, including certain recently developed assets, given our leasing capabilities and the tenant demand for high-quality space in our submarkets. As of December 31, 2019, we had 44 operating commercial assets totaling 12.7 million square feet (10.7 million square feet at our share), which were 91.4% leased at our share, resulting in 893,000 square feet available for lease.

Deliver Our Assets Under Construction. As of December 31, 2019, we had seven high-quality assets under construction in which we expect to make an estimated incremental investment of \$196.9 million at our share. Our assets under construction consist of four commercial assets totaling 943,000 square feet (821,000 square feet at our share) and three multifamily assets totaling 1,011 units (833 units at our share), all of which are Metro-served. We believe these projects provide significant potential for value creation. As of December 31, 2019, 85.1% (86.8% at our share) of our commercial assets under construction were pre-leased. We define "estimated incremental investment" to mean management's estimate of the remaining cost to be incurred in connection with the development of an asset as of December 31, 2019, including all remaining acquisition costs, hard costs, soft costs, tenant improvements (excluding free rent converted to tenant improvement allowances), leasing costs and other similar costs to develop and stabilize the asset but excluding any financing costs and ground rent expenses.

Develop Our Significant Future Development Pipeline. We have a significant pipeline of opportunities for value creation through ground-up development, with the goal of producing favorable risk-adjusted returns on invested capital. We expect to be active in developing these opportunities while maintaining prudent leverage levels. Our future development pipeline consists of 40 assets. We estimate our future development pipeline can support over 21.9 million square feet (18.7 million square feet at our share), including the approximately 4.1 million square feet under contract for sale to Amazon as of December 31, 2019, of estimated potential development density, with 96.7% of this potential development density being Metro-served based on our share of estimated potential development density. The estimated potential development densities and uses reflect our current business plans as of December 31, 2019 and are subject to change based on market conditions. We characterize our future development pipeline as our assets that are development opportunities on which we do not intend to commence construction within 18 months of December 31, 2019 where we (i) own land or control the land through a ground lease or (ii) are under a long-term conditional contract to purchase or enter into a leasehold interest with respect to land.

Our future development pipeline includes six parcels attached to assets in our Operating Portfolio that would require a redevelopment of 413,000 office and/or retail square feet (315,000 square feet at our share) and 324 multifamily units (185 units at our share), which generated \$5.1 million of annualized net operating income ("NOI") at our share for the year ended December 31, 2019, to access 3.7 million square feet (2.5 million square feet at our share) of total estimated potential development density.

Redevelop and Reposition Our Assets. We evaluate our portfolio on an ongoing basis to identify value-creating redevelopment and renovation opportunities, including the addition of amenities, unit renovations and building and landscaping enhancements. We intend to seek to increase occupancy and rents, improve tenant quality and enhance cash flow and value by completing the redevelopment and repositioning of certain of our assets, including the use of our Placemaking process. This approach is facilitated by our extensive proprietary research platform and deep understanding of submarket dynamics. We believe there are significant opportunities to apply our Placemaking process across our portfolio.

Rigorous Approach to Capital Allocation. An important component of maximizing long-term net asset value ("NAV") per share is prudent capital allocation. We evaluate development, acquisition and disposition decisions based on how they impact long-term NAV per share. Because distinct segments of our market present substantial downside risk while others offer attractive upside, our pursuit of long-term NAV growth takes many forms, some of which sit on opposite ends of the risk-taking spectrum. Where we see elevated asset pricing, potential excess supply, and/or limited prospects for future growth, we will likely sell assets. Given the attractive pricing of office assets and our long-term objective of shifting our portfolio toward a 50:50 mix of office and multifamily, we are currently targeting dispositions primarily of office assets in submarkets where we have less concentration and where we anticipate lower growth rates going forward relative to other opportunities within our portfolio. We are also focused on opportunities to turn land assets into income streams or retained capital.

The acquisitions market in the Washington, D.C. area continues to be competitive, and we remain cautious. We expect near-term acquisition activity to be focused on assets with redevelopment potential in emerging growth neighborhoods, as well as assets adjacent to our existing holdings where the combination of sites can add unique value to any new investment. Where there are opportunities to trade out of higher risk assets with extensive capital needs or those outside of our geographic footprint, we will consider like-kind exchanges under Section 1031 of the Internal Revenue Code of 1986, as amended (the "Code").

Third-Party Services Business

Our third-party asset management and real estate services platform provides fee-based real estate services to third parties, the JBG Legacy Funds and the Washington Housing Initiative ("WHI"), which intends to pursue a transformational approach to producing affordable workforce housing and creating sustainable, mixed-income communities in the Washington, D.C. region. Although a significant portion of the assets and interests in assets formerly owned by certain of the JBG Legacy Funds were contributed to us in the Combination, the JBG Legacy Funds retained certain assets that are not consistent with our long-term business strategy. With respect to the JBG Legacy Funds and for most assets that we hold through real estate ventures, we continue to provide the same asset management, property management, construction management, leasing and other services that were provided prior to the Combination by the management business that we acquired in the Combination. Other than the WHI, we do not intend to raise any future investment funds, and the JBG Legacy Funds will be managed and liquidated over time. We expect to continue to earn fees from these funds as they are wound down, as well as from any real estate venture arrangements currently in place and any new real estate venture and/or development arrangements entered into in the future, including with Amazon. We expect the fees from retaining management and leasing of sold assets, Amazon-related fees that we expect to receive and other third-party fee income streams to offset the wind down of the JBG Legacy Fund business over time. Certain individual members of our management team own direct equity co-investment and promote interests in the JBG Legacy Funds that were not contributed to us. As the JBG Legacy Funds are wound down over time, these economic interests will decrease and will be eventually eliminated.

We believe that the fees we earn in connection with providing these services will enhance our overall returns, provide additional scale and efficiency in our operating, development and acquisition businesses and generate capital which we can use to absorb overhead and other administrative costs of the platform. This scale provides competitive advantages, including market knowledge, buying power and operating efficiencies across all product types. We also believe that our existing relationships arising out of our third-party asset management and real estate services business will continue to provide potential capital and new investment opportunities.

Competition

The commercial real estate markets in which we operate are highly competitive. We compete with numerous acquirers, developers, owners and operators of commercial real estate including other REITs, private real estate funds, domestic and foreign financial institutions, life insurance companies, pension trusts, partnerships and individual investors, many of which own or may seek to acquire or develop assets similar to ours in the same markets in which our assets are located. These competitors may have greater financial resources or access to capital than we do or be willing to acquire assets in transactions which are more highly leveraged or are less attractive from a financial viewpoint than we are willing to pursue. Leasing is a major component of our business and is highly competitive. The principal means of competition in leasing are lease terms (including rent charged and tenant improvement allowances), location, services provided and the nature and condition of the asset to be leased. If our competitors offer space at rental rates below current market rates, below the rental rates we currently charge our tenants, in better locations within our markets, in higher quality assets or offer better services, we may lose potential tenants and we may be pressured to reduce our rental rates below those we currently charge to retain tenants when our tenants' leases expire.

Seasonality

Our revenues and expenses are, to some extent, subject to seasonality during the year, which impacts quarterly net earnings, cash flows and funds from operations that affects the sequential comparison of our results in individual quarters over time. We have historically experienced higher utility costs in the first and third quarters of the year.

Segment Data

We operate in the following business segments: commercial, multifamily and third-party asset management and real estate services. Financial information related to these business segments for each of the three years in the period ended December 31, 2019 is set forth in Note 18 to our consolidated and combined financial statements included herein.

Tax Status

We have elected to be taxed as a REIT under Sections 856-860 of the Code. Under those sections, a REIT which distributes at least 90% of its REIT taxable income as dividends to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. Prior to the Separation, Vornado operated as a REIT and distributed 100% of its REIT taxable income to its shareholders; accordingly, no provision for federal income taxes has been made in the accompanying financial statements for the periods prior to the Separation. We currently adhere and intend to continue to adhere to these requirements and to maintain our REIT status in future periods.

As a REIT, we can reduce our taxable income by distributing all or a portion of such taxable income to shareholders. Future distributions will be declared and paid at the discretion of our Board of Trustees and will depend upon cash generated by operating activities, our financial condition, capital requirements, annual dividend requirements under the REIT provisions of the Code and such other factors as our Board of Trustees deems relevant.

We also participate in the activities conducted by our subsidiary entities that have elected to be treated as taxable REIT subsidiaries ("TRS") under the Code. As such, we are subject to federal, state, and local taxes on the income from these activities. Income taxes attributable to our TRSs are accounted for under the asset and liability method. Under the asset and liability method, deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future.

Significant Tenants

Only the U.S. federal government accounted for 10% or more of our rental revenue, which consists of property rentals and other property revenue, as follows:

(Dollars in thousands)	Year Ended December 31,		
	2019	2018	2017
Rental revenue from the U.S. federal government	\$ 86,644	\$ 94,822	\$ 92,192
Percentage of commercial segment rental revenue	21.2%	22.0%	24.0%
Percentage of total rental revenue	16.7%	17.6%	19.4%

Sustainable Business Strategy

Our business values integrate environmental sustainability, social responsibility and strong governance practices throughout our organization, which includes the design and construction of our new developments and the operation of our existing buildings. We believe that by understanding the social and environmental impacts of our business, we are better able to protect asset value, reduce risk and advance initiatives that result in positive social and environmental outcomes creating shared value. Our business model prioritizes maximizing long-term NAV per share. By investing in urban infill and transit-oriented development and strategically mixing high-quality multifamily and commercial buildings with public areas, retail spaces, and walkable streets, we are working to define neighborhoods that deliver benefits to the environment and our community, as well as long-term value to our shareholders.

We remain committed to transparent reporting of environmental, social and governance ("ESG") financial and non-financial indicators. We publish an annual sustainability report that is aligned with the Global Reporting Initiative ("GRI") reporting framework, Sustainable Development Goals, Sustainability Accounting Standards Board (SASB) standards and recommendations set forth by the Task Force on Climate-related Financial Disclosures. More detailed sustainability information, including our strategy, key performance indicators, annual absolute and like-for-like comparisons, achievements and historical environmental, social, governance reports are available on our website at <https://www.JBGSMITH.com/About/Sustainability>.

We focus on operating efficiency, responding to evolving environmental and social trends, and delivering on the needs of our tenants and communities. We have demonstrated the results of this focus by:

- Achieving a 4-star rating in the Global Real Estate Sustainability Benchmark (GRESB) Real Estate Assessment and 2019 Global Sector Leader - Diversified - Office/Residential Sector
- Maintaining oversight of environmental and social matters by the Board of Trustees' Corporate Governance & Nominating Committee
- Surpassing \$104 million in investor commitments to the WHI Impact Pool, which is the social impact investment vehicle of the WHI (the "Impact Pool"), and closing its first investment, a \$15.1 million mezzanine loan for the purchase of a residential community in Alexandria, Virginia. We launched the WHI in partnership with the Federal City Council to preserve or build between 2,000 and 3,000 units of affordable workforce housing in the Washington, D.C. region over the next decade.

Our sustainability team works directly with our business units to integrate our ESG principles throughout our operations and investment process. The sustainability team includes our Vice President of Sustainability and a Sustainability Associate. The Vice President reports directly to our Chief Operating Officer. The team is responsible for annual ESG reporting, maintaining building certifications, betterment program design and implementation and coordinating with industry and community partners.

To ensure that our ESG principles are fully integrated into our business practices, Steering Committees, including members of our management team, provide top-down support for the implementation of ESG initiatives. The ESG team provides our Board of Trustees' Corporate Governance & Nominating Committee with periodic updates on ESG strategy.

Energy and Water Management

We believe that the efficient use of resources will result in sustainable long-term growth. We use green building certifications as a verification tool across our portfolio. These certifications demonstrate our commitment to sustainable design and performance. At a minimum we strive to benchmark our assets to help inform capital improvement projects. As of December 31, 2019:

- 69% of all operating assets, based on square footage, have earned at least one green certification:
 - 7.3 million square feet of LEED Certified Commercial Space (69%)
 - 1.6 million square feet of LEED Certified Multifamily Space (37%)
 - 4.4 million square feet of ENERGY STAR Certified Commercial Space (41%)
 - 1.9 million square feet of ENERGY STAR Certified Multi-family Space (42%)
- 84% of our operational assets' energy and water use are benchmarked

Our long-term strategy to reduce energy and water consumption includes operational and capital improvements that align with our business plan and contribute to our sustainability goals. Asset teams review historical performance, conduct energy audits and regularly assess opportunities to achieve efficiency targets. Capital investment planning considers the useful life of equipment, energy and water efficiency, occupant health impacts and maintenance requirements.

We have committed to improve the energy efficiency of our commercial Operating Portfolio by at least 20% over the next 10 years through the Department of Energy Better Buildings Challenge. Our data demonstrates improved energy performance by an average of 2.9% each year since 2014, which is consistent with a cumulative improvement of 10%, and is on track to meet or exceed the improvement goal by 2024. We achieve this through real time energy use monitoring.

Tenant Sustainability Impacts

Customer service is an integral component of real estate management. Our mission includes creating a unique experience at all of our properties where our tenants' needs are our highest priority. We believe in sustainability as a service — by integrating efficiency and conservation into standard operating practices, we engage on topics that are most impactful to our tenants. We are committed to providing a healthy living and working environment for building occupants. We accomplish this goal through monitoring and improving indoor air quality, eliminating toxic chemicals, providing access to nature and daylight, and encouraging nutrition and fitness.

We are a Green Lease Leader established by the Institute for Market Transformation (IMT) and the U.S. Department of Energy's (DOE) Better Buildings Alliance. Green Lease Leaders recognizes companies who utilize the leasing process to achieve better collaboration between landlords and tenants with the goal of reducing building energy consumption and operating costs. Our standard lease contains a cost recovery clause for resource efficiency-related capital improvements and requires tenants to provide data for measuring, managing, and reporting sustainability performance. This language covers 100% of our new leases.

Climate Change Adaptation

We take climate change, and the risks associated with climate change, seriously, and we are committed to aligning our investment strategy with science. We stand with our communities, tenants, and fellow shareholders in supporting meaningful solutions that address this global challenge. To develop a more informed view of future climate conditions and further our understanding of the direct physical risks to our properties, we have conducted a climate risk assessment, which includes our operating assets and land holdings in our future development pipeline. The results of this assessment will be presented to senior management, and we expect it will inform our asset management planning and design of our new developments moving forward.

Social Responsibility

We believe the strength of our entire community is central to sustaining the long-term value of our portfolio. We are committed to the economic development of the Washington region through continued investment in our projects and local communities. We recognize, however that new development also fosters challenging growth dynamics, with issues of social equity at the forefront. We strive to work alongside community members, leaders, and local and federal governments to appropriately respond to these challenges. The most recent example of our commitment is the WHI, which we launched in partnership with the Federal City Council. To date, we have committed to invest \$10.2 million in the Impact Pool component of the WHI and our Executive Vice President of Social Impact Investing manages this effort.

The WHI is a transformational market-driven approach to producing affordable workforce housing and creating sustainable, mixed-income communities. The WHI is a scalable, market-driven model funded by a unique relationship between philanthropy and private investment. The WHI's Impact Pool has surpassed \$104 million in investor commitments and closed its first investment, a \$15.1 million mezzanine loan for the purchase of a residential community in Alexandria, Virginia. The initiatives' goals include:

- Preserving or building between 2,000 and 3,000 units of affordable workforce housing in the Washington, D.C. region over the next decade; and
- Delivering triple bottom line results consisting of environmental and social objectives in addition to financial returns.

We recognize that diversity in our workforce brings valuable perspectives, views and ideas to our organization. We pride ourselves on our strong, collaborative culture, and we strive to create an inclusive and healthy work environment for our employees, which allows us to continue to attract innovative thinkers to our organization. Our workforce comprises 38% females and 55% minorities, and our senior leadership has 41% female representation. Our Board of Trustees comprises 17% females. Our Board of Trustees has made a long-term commitment to evolve in a direction that reflects the strength and diversity of our national labor force and establish an equal balance between men and women and one that reflects the diversity of our country.

To learn more about our ESG initiatives, please visit JBGSMITH.com/about/sustainability and download our Sustainability Report. Our Internet website and the information contained therein or connected thereto are not intended to be incorporated into this Annual Report on Form 10-K.

Environmental Matters

Under various federal, state and local laws, ordinances and regulations, an owner of real estate is liable for the costs of removal or remediation of certain hazardous or toxic substances on such real estate. These laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The costs of remediation or removal of such substances may be substantial and the presence of such substances, or the failure to promptly remediate such substances, may adversely affect the owner's ability to sell such real estate or to borrow using such real estate as collateral. In connection with the ownership and operation of our assets, we may be potentially liable for such costs. The operations of current and former tenants at our assets have involved, or may have involved, the use of hazardous materials or generated hazardous wastes. The release of such hazardous materials and wastes could result in us incurring liabilities to remediate any resulting contamination. The presence of contamination or the failure to remediate contamination at our properties may (1) expose us to third-party liability (e.g., for cleanup costs, natural resource damages, bodily injury or property damage), (2) subject our properties to liens in favor of the government for damages and costs the government incurs in connection with the contamination, (3) impose restrictions on the manner in which a property may be used or businesses may be operated, or (4) materially adversely affect our ability to sell, lease or develop the real estate or to borrow using the real estate as collateral. In addition, our assets are exposed to the risk of contamination originating from other sources. While a property owner may not be responsible for remediating contamination that has migrated onsite from an identifiable and viable offsite source, the contaminant's presence can have adverse effects on operations and the redevelopment of our assets. To the extent we send contaminated materials to other locations for treatment or disposal, we may be liable for the cleanup of those sites if they become contaminated.

Most of our assets have been subject, at some point, to environmental assessments that are intended to evaluate the environmental condition of the subject and surrounding assets. These environmental assessments generally have included a historical review, a public records review, a visual inspection of the site and surrounding assets, visual or historical evidence of underground storage tanks, and the preparation and issuance of a written report. Soil and/or groundwater subsurface testing is conducted at our assets, when necessary, to further investigate any issues raised by the initial assessment that could reasonably be expected to pose a material concern to the property or result in us incurring material environmental liabilities as a result of redevelopment. They may not, however, have included extensive sampling or subsurface investigations. In each case where the environmental assessments have identified conditions requiring remedial actions required by law, we have initiated appropriate actions. The environmental assessments did not reveal any material environmental contamination that we believe would have a material adverse effect on our overall business, financial condition or results of operations, or that have not been anticipated and remediated during site redevelopment as required by law. Nevertheless, there can be no assurance that the identification of new areas of contamination, changes in the extent or known scope of contamination, the discovery of additional sites or changes in cleanup requirements would not result in significant cost to us.

Employees

Our headquarters are located at 4747 Bethesda Avenue, Suite 200, Bethesda, MD 20814. As of December 31, 2019, we had 1,017 employees.

Available Information

Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports are available free of charge through our website (www.JBGSMITH.com) as soon as reasonably practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission ("SEC"). Also available on our website are copies of our Audit Committee Charter, Compensation Committee Charter, Corporate Governance and Nominating Committee Charter, Code of Business Conduct and Ethics and Corporate Governance Guidelines. In the event of any changes to these charters or the code or guidelines, changed copies will also be made available on our website. Copies of these documents are also available directly from us free of charge. Our website also includes other financial information, including certain financial measures not in compliance with accounting principles generally accepted in the United States ("GAAP"), none of which is a part of this Annual Report on Form 10-K. Copies of our filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are also available free of charge from us, upon request.

ITEM 1A. RISK FACTORS

You should carefully consider the following risks in evaluating our company and our common shares. If any of the following risks were to occur, our business, prospects, financial condition, results of operations, cash flow and the ability to make distributions to our shareholders could be materially and adversely affected, which we refer herein collectively as a "material adverse effect on us," the per share trading price of our common shares could decline significantly, and you could lose all or a part of your investment. Some statements in this Form 10-K, including statements in the following risk factors, constitute forward-looking statements. Refer to the section entitled "Cautionary Statement Concerning Forward-Looking Statements" for additional information regarding these forward-looking statements.

Risks Related to Our Business and Operations

Our portfolio of assets is geographically concentrated in the Washington, D.C. metropolitan area and submarkets therein, and particularly concentrated in National Landing, which makes us susceptible to regional and local adverse economic and other conditions such that an economic downturn affecting this area could have a material adverse effect on us.

All our assets are located in the Washington, D.C. metropolitan area. As a result, we are particularly susceptible to adverse economic or other conditions in this market (such as periods of economic slowdown or recession, business layoffs or downsizing, industry slowdowns, actual or anticipated federal government shutdowns, uncertainties related to federal elections, relocations of businesses, increases in real estate and other taxes, and the cost of complying with governmental regulations or increased regulation), as well as to natural disasters (including earthquakes, floods, storms and hurricanes), potentially adverse effects of climate change and other disruptions that occur in this market (such as terrorist activity or threats of terrorist activity and other events), any of which may have a greater impact on the value of our assets or on our operating results than if we owned a more geographically diverse portfolio. This market has experienced economic downturns in past years. Similar or worse economic downturns in the future could have a material adverse effect on us. We cannot assure you that this market will grow or that underlying real estate fundamentals will be favorable to our asset classes or future development.

Moreover, the same risks that apply to the Washington, D.C. metropolitan area as a whole also apply to the individual submarkets where our assets are located. National Landing makes up more than half of our portfolio based on square footage at our share. Portions of our market, including National Landing, have underperformed other markets in the region with respect to rent growth and occupancy. Any adverse economic or other conditions in the Washington, D.C. metropolitan area, our submarkets, especially National Landing, or any decrease in demand for office, multifamily or retail assets could have a material adverse effect on us.

Our assets and the property development market in the Washington, D.C. metropolitan area are dependent on a metropolitan economy that is heavily reliant on federal government spending, and any actual or anticipated curtailment of such spending could have a material adverse effect on us.

The real estate and property development market in the Washington, D.C. metropolitan area is heavily dependent upon actual and anticipated federal government spending and the professional services and other industries that support the federal government. Any actual or anticipated curtailment of federal government spending, whether due to an actual or potential change of presidential administration or control of Congress, actual or anticipated federal government sequestrations, furloughs or shutdowns, a slowdown of the U.S. and/or global economy or other factors, could have an adverse impact on real estate values and property development in the Washington, D.C. metropolitan area, on demand and willingness to enter into long-term contracts for office space by the federal government and companies dependent upon the federal government, as well as on occupancy rates and annualized rents of multifamily and retail assets by occupants or patrons whose employment is by or related to the federal government. These curtailments in federal spending or changes in federal leasing policy could occur in the future, which could have a material adverse effect on us.

If Amazon invests less than the announced amounts in National Landing or makes such investment over a longer period, our ability to achieve the benefits associated with Amazon's headquarters location in National Landing could be adversely affected, which could have a material adverse effect on us and the market price of our common shares. Furthermore, National Landing could fail to achieve the anticipated collateral financial effect associated with Amazon's headquarters, which could have a material adverse effect on us and the market price of our common shares.

The benefits of Amazon's additional headquarters locating in National Landing that might accrue to us may be less than we, financial or industry analysts or investors anticipate. For example, if Amazon invests less than the announced amounts in National Landing or makes such investment over a longer period than anticipated, or if its business prospects decline, our ability to achieve the benefits associated with Amazon's headquarters location in National Landing could be adversely affected. Furthermore, Amazon's headquarters location in National Landing may not have the anticipated collateral financial effect. If we do not achieve the perceived benefits of such location as rapidly or to the extent anticipated by us, financial or industry analysts or investors, we and potentially the market price of our common shares could be adversely affected.

Amazon also currently leases a significant amount of office space from us, all or a substantial portion of which, we expect it will likely vacate following completion of the office buildings it is currently developing on land purchased from us in National Landing. If we are unable to re-lease that space at market rents, it could have a material adverse effect on us and the market price of our common shares.

We derive a significant portion of our revenues from U.S. federal government tenants and we may face additional risks and costs associated with directly managing assets occupied by government tenants.

In the year ended December 31, 2019, approximately 21.2% of the rental revenue from our commercial segment was generated by rentals to federal government tenants, and federal government tenants historically have been a significant source of new leasing for us. In the year ended December 31, 2019, GSA was our largest single tenant, with 67 leases comprising 23.4% of total annualized rent at our share. The occurrence of events that have a negative impact on the demand for federal government office space, such as a decrease in federal government payrolls or a change in policy that prevents governmental tenants from renting our office space, would have a much larger adverse effect on our revenues than a corresponding occurrence affecting other categories of tenants. If demand for federal government office space were to decline, it would be more difficult for us to lease our buildings and could reduce overall market demand and corresponding rental rates, all of which could have a material adverse effect on us.

Lease agreements with these federal government agencies contain provisions required by federal law, which require, among other things, that the lessor of the property agree to comply with certain rules and regulations, including rules and regulations related to anti-kickback procedures, examination of records, audits and records, equal opportunity provisions, prohibition against segregated facilities, certain executive orders, subcontractor cost or pricing data, and certain provisions intending to assist small businesses. We directly manage assets with federal government agency tenants and, therefore, we are subject to additional risks associated with compliance with all applicable federal rules and regulations. In addition, there are certain additional requirements relating to the potential application of equal opportunity provisions and the related requirement to prepare written affirmative action plans applicable to government contractors and subcontractors. Some of the factors used to determine whether these requirements apply to a company that is affiliated with the actual government contractor (the legal entity that is the lessor under a lease with a federal government agency) include whether such company and the government contractor are under common ownership, have common management, and are under common control. We own the entity that is the government contractor and the property manager, increasing the risk that requirements of the Employment Standards Administration's Office of Federal Contract Compliance Programs and requirements to prepare affirmative action plans pursuant to the applicable executive order may be determined to

be applicable to us. Compliance with these regulations is costly and any increase in regulation could increase our costs, which could have a material adverse effect on us.

Capital markets and economic conditions can materially affect our liquidity, financial condition and results of operations, as well as the value of our equity and debt securities.

There are many factors that can affect the value of our equity securities and any debt securities we may issue in the future, including the state of the capital markets and the economy. Demand for office space may decline nationwide as it did in 2008 and 2009, due to an economic downturn, bankruptcies, downsizing, layoffs and cost cutting. Government action or inaction may adversely affect the state of the capital markets. The cost and availability of credit may be adversely affected by illiquid credit markets and wider credit spreads, which may adversely affect our liquidity and financial condition, including our results of operations, and the liquidity and financial condition of our tenants. Our inability or the inability of our tenants to timely refinance maturing liabilities and access the capital markets to meet liquidity needs may materially affect our financial condition and results of operations and the value of our equity securities and any debt securities we may issue in the future.

We are exposed to risks associated with real estate development and redevelopment, such as unanticipated expenses, delays and other contingencies, any of which could have a material adverse effect on us.

Real estate development and redevelopment activities are a critical element of our business strategy, and we expect to engage in such activities with respect to several of our properties and with properties that we may acquire in the future. To the extent that we do so, we will be subject to risks, including, without limitation:

- construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable;
- time required to complete the construction or redevelopment of a project or to lease-up the completed project may be greater than originally anticipated, thereby adversely affecting our cash flow and liquidity;
- contractor, subcontractor and supplier disputes, strikes, labor disputes, weather conditions or supply disruptions;
- failure to achieve expected occupancy and/or rent levels within the projected time frame, if at all;
- delays with respect to obtaining, or the inability to obtain, necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws;
- occupancy rates and rents of a completed project may not be sufficient to make the project profitable;
- incurrence of design, permitting and other development costs for opportunities that we ultimately abandon;
- the ability of prospective real estate venture partners or buyers of our properties to obtain financing; and
- the availability and pricing of financing to fund our development activities on favorable terms or at all.

Furthermore, if we develop assets in new markets or asset classes where we do not have the same level of market knowledge or experience as with our current markets and asset classes, then we may experience weaker than anticipated performance. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation or the completion of development or redevelopment activities, any of which could have a material adverse effect on us.

We may be unable to identify and complete acquisitions of properties that meet our criteria, which may impede our growth.

Our business strategy includes the acquisition of operating properties and properties to be held for development, including in connection with like-kind exchanges under the tax code. We evaluate the market for suitable acquisition candidates or investment opportunities that meet our criteria and are compatible with our growth strategies. However, we may be unable to acquire properties identified as potential acquisition opportunities on favorable terms, or at all. We may incur significant costs and divert management attention in connection with evaluating and negotiating potential acquisitions, including ones that we are subsequently unable to complete. If we are unable to complete planned like-kind exchanges using proceeds from asset dispositions, we will be required to distribute to our shareholders those proceeds rather than reinvest them to grow our portfolio. Even if we enter into agreements for the acquisition of properties, these agreements are subject to customary conditions to closing, including the completion of due diligence investigations and other conditions that are not within our control, which may not be satisfied. In addition, we may be unable to finance the acquisition on favorable terms or at all. Furthermore, if we acquire assets in new markets or asset classes where we do not have the same level of market knowledge or experience as with our current markets and asset classes, then we may experience weaker than anticipated performance. Our inability to identify, negotiate, finance or consummate property acquisitions, or acquire properties on favorable terms, or at all, could impede our growth and have a material adverse effect on us.

Our future acquisitions may not yield the returns we expect, and we may otherwise be unable to operate acquired properties to meet our financial expectations, which could have a material adverse effect on us.

Our future acquisitions and our ability to successfully operate the properties we acquire in such acquisitions may expose us to the following significant risks:

- even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price;
- we may acquire properties that are not accretive to our results upon acquisition, and we may not be able to successfully manage and lease those properties to meet our expectations;
- we may spend more than budgeted amounts to make necessary improvements or renovations to acquired properties;
- we may be unable to integrate new acquisitions quickly and efficiently, particularly acquisitions of portfolios of properties, into our existing operations, and, as a result, our results of operations and financial condition could be adversely affected;
- market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and
- we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities, such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of such properties, liabilities incurred in the ordinary course of business and claims for indemnification by general partners, trustees, officers and others indemnified by the former owners of such properties.

If our future acquisitions do not yield the returns we expect, and we are otherwise unable to operate acquired properties to meet our financial expectations, it could have a material adverse effect on us.

We may not be able to control our operating expenses, or our operating expenses may remain constant or increase, even if our revenues do not increase, which could have a material adverse effect on us.

Operating expenses associated with owning a property include real estate taxes, insurance, loan payments, maintenance, repair and renovation costs, the cost of compliance with governmental regulation (including zoning) and the potential for liability under applicable laws. If our operating expenses increase, our results of operations may be adversely affected. Moreover, operating expenses are not necessarily reduced when circumstances such as market factors, competition or reduced occupancy cause a reduction in revenues from the property. As a result, if revenues decline, we may not be able to reduce our operating expenses associated with the property. An increase in operating expenses or the inability to reduce operating expenses commensurate with revenue reductions could have a material adverse effect on us.

Partnership or real estate venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on partners' or co-venturers' financial condition and disputes between us and our partners or co-venturers, which could have a material adverse effect on us.

As of December 31, 2019, approximately 11.8% of our assets measured by total square feet at our share were held through real estate ventures, and we expect to co-invest in the future with other third parties through partnerships, real estate ventures or other entities, acquiring noncontrolling interests in or sharing responsibility for managing the affairs of a property, partnership, real estate venture or other entity. In particular, we may use real estate ventures as a significant source of equity capital to fund our development strategy. Consequently, with respect to any such third-party arrangement, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, real estate venture or other entity, or structure of ownership and may, under certain circumstances, be exposed to risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions, and we may be forced to make contributions to maintain the value of the property. Partners or co-venturers may have economic or other business interests or goals that are inconsistent with our business interests or goals and may be in a position to take action or withhold consent contrary to our policies or objectives. In some instances, partners or co-venturers may have competing interests in our markets that could create conflict of interest issues. These investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner or co-venturer would have full control over the partnership or real estate venture. We and our respective partners or co-venturers may each have the right to trigger a buy-sell right or forced sale arrangement, which could cause us to sell our interest, or acquire our partners' or co-venturers' interest, or to sell the underlying asset, either on unfavorable terms or at a time when we otherwise would not have initiated such a transaction. In addition, a sale or transfer by us to a third party of our interests in the partnership or real estate venture may be subject to consent rights or rights of first refusal in favor of our partners or co-venturers, which would in each case restrict our ability to dispose of our interest in the partnership or real estate venture. Where we are a limited partner or non-managing member in any partnership or limited liability company, if the entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in that entity, including by contributing our interest to a subsidiary of ours that is subject to corporate level

income tax. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or trustees from focusing their time and effort on our business. Consequently, actions by or disputes with partners or co-venturers might result in subjecting assets owned by the partnership or real estate venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers. Our real estate ventures may be subject to debt, and the refinancing of such debt may require equity capital calls. We will review the qualifications and previous experience of any partners and co-venturers, although we may not obtain financial information from, or undertake independent investigations with respect to, prospective partners or co-venturers. In addition, any cash distributions from real estate ventures will be subject to the operating agreements of the real estate ventures, which may limit distributions, the timing of distributions or specify certain preferential distributions among the respective parties. The occurrence of any of the risks described above could have a material adverse effect on us.

We may be unable to renew leases, lease vacant space or re-let space as leases expire, or do so on favorable terms, which could have a material adverse effect on us.

As of December 31, 2019, leases representing 12.8% of our share of the office and retail square footage in our Operating Portfolio are scheduled to expire during the year ending December 31, 2020 or have month-to-month terms, and 11.5% of our share of the square footage of the assets in our commercial portfolio was unoccupied and not generating rent. We cannot assure you that expiring leases will be renewed or that our assets will be re-let at rental rates equal to or above current average rental rates or that substantial free rent, tenant improvements, early termination rights or below-market renewal options will not be offered to attract new tenants or retain existing tenants.

In addition, our ability to lease our multifamily assets at favorable rates, or at all, may be adversely affected by any increase in supply and/or deterioration in the multifamily market, which is dependent upon the overall level of spending in the economy; and spending is adversely affected by, among other things, job losses and unemployment levels, recession, personal debt levels, housing market conditions, stock market volatility and uncertainty about the future.

If the rental rates on new leases at our assets decrease, our existing tenants do not renew their leases, or we do not re-let a significant portion of our available space and space for which leases expire, it could have a material adverse effect on us.

We depend on major tenants in our commercial portfolio, and the bankruptcy, insolvency or inability to pay rent of any of these tenants could have a material adverse effect on us.

As of December 31, 2019, the 20 largest office and retail tenants in our Operating Portfolio represented approximately 54.2% of our share of total annualized office and retail rent. In many cases, through tenant improvement allowances and other concessions, we have made substantial upfront investments in leases with our major tenants that we may not recover if they fail to pay rent through the end of the lease term.

The inability of a major tenant to pay rent, or the bankruptcy or insolvency of a major tenant, may adversely affect the income produced by our Operating Portfolio. For example, WeWork, which represents 2.1% of our share of total annualized office and retail rent, has recently experienced publicized issues regarding its management and capitalization. If a major tenant were unable to pay rent, or were to become bankrupt or insolvent, this may adversely affect the income produced by our Operating Portfolio. Additionally, if a tenant becomes bankrupt or insolvent, federal law may prohibit us from evicting such tenant based solely upon such bankruptcy or insolvency. In addition, a bankrupt or insolvent tenant may be authorized to reject and terminate its lease with us. If a lease is rejected by a tenant in bankruptcy, we may have only a general unsecured claim for damages that is limited in amount and may only be paid to the extent that funds are available and in the same percentage as is paid to all other holders of unsecured claims. Moreover, any claim against this tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent owed under the lease.

If any of our major tenants were to experience a downturn in its business, or a weakening of its financial condition resulting in its failure to make timely rental payments or causing it to default under its lease, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment. Any such event could have a material adverse effect on us.

We derive a significant portion of our revenues from five of our assets.

As of December 31, 2019, five of our assets in the aggregate generated approximately 25% of our share of annualized rent. The occurrence of events that have a negative impact on one or more of these assets, such as a natural disaster that damages one or more of these assets, would have a much larger adverse effect on our revenues than a corresponding occurrence affecting a less significant property. A substantial decline in the revenues generated by one or more of these assets could have a material adverse effect on us.

We derive most of our revenues from commercial assets and are subject to risks that affect the businesses of our commercial tenants, which are generally financial, legal and other professional firms as well as the federal government and defense contractors.

As of December 31, 2019, our 44 operating commercial assets generated approximately 75.7% of our share of annualized rent. As a result, the occurrence of events that have a negative impact on the market for office space, such as increased unemployment in the Washington, D.C. metropolitan area, would have a much larger adverse effect on our revenues than a corresponding occurrence affecting our multifamily segment. Many of our office tenants are financial, legal and other professional firms, as well as the federal government and defense contractors. Consequently, we are subject to factors that affect the financial, legal and professional services industries or the federal government generally, including the state of the economy, stock market volatility, and the level of unemployment. These factors could adversely affect the financial condition of our office tenants and the willingness of firms to lease space in our office buildings, which in turn could have a material adverse effect on us.

Some of our assets depend on anchor or major retail tenants to attract shoppers and could be adversely affected by the loss of, or a store closure by, one or more of these tenants.

Some of our assets are anchored by large, nationally recognized tenants. These tenants may experience a downturn in their business that may significantly weaken their financial condition. As a result, these tenants may fail to comply with their contractual obligations to us, seek concessions from us to continue operations or declare bankruptcy, any of which could result in the termination of these tenants' leases. In addition, some of our tenants may cease operations at stores in our assets while continuing to pay rent. Moreover, mergers or consolidations among large retail establishments could result in the closure of existing stores or duplicate or geographically overlapping store locations, which could include stores at our assets.

Loss of, or a store closure by, an anchor or significant tenant could decrease customer traffic, thereby decreasing sales for our other tenants at the applicable retail property. If sales of our other tenants decrease, they may be unable to pay their minimum rents or expense recovery charges. These circumstances may significantly reduce our occupancy level or the rent we receive from our retail assets, and we may not have the right to re-lease vacated space or we may be unable to re-lease vacated space at attractive rents or at all. Moreover, if a significant tenant or anchor store defaults, we may experience delays and costs in enforcing our rights as landlord to recover amounts due to us under the terms of our agreements with those parties.

The occurrence of any of the situations described above, particularly if it involves an anchor or major tenant with leases in multiple locations, could have a material adverse effect on us.

Our Placemaking business model depends in significant part on a retail component, which frequently involves retail assets embedded in or adjacent to our commercial and/or multifamily assets, making us subject to risks that affect the retail environment generally, such as competition from discount and online retailers, weakness in the economy, consumer spending and the financial condition of large retail companies, any of which could adversely affect market rents for retail space and the willingness or ability of retailers to lease space in our retail assets.

We own and operate retail real estate assets and, consequently, are subject to factors that affect the retail environment generally, as well as the market for retail space. The retail environment and the market for retail space have previously been, and continue to be, adversely affected by increasing competition from online retailers and other online businesses. Additionally, discount retailers and outlet malls, weakness in national, regional and local economies, consumer spending, consumer confidence, adverse financial condition of some large retailing companies, ongoing consolidation in the retail sector and an excess amount of retail space in a number of markets could also adversely affect our retail assets. Increases in online consumer spending may significantly affect our retail tenants' ability to generate sales in their stores. This inability to generate sales may cause retailers to, among other things, close stores, decrease the size of new or existing stores, ask for concessions from us or go bankrupt, all of which could have a material adverse effect on us.

Additionally, our Placemaking model depends in significant part on a retail component, which frequently involves retail assets embedded in or adjacent to our office and/or multifamily assets, and if our retail assets lose tenants, whether to the proliferation of online businesses or otherwise, it could have a material adverse effect on us.

If we fail to reinvest in and redevelop our assets to maintain their attractiveness to retailers and shoppers, then retailers or shoppers may perceive that shopping at other venues or online is more convenient, cost-effective or otherwise more attractive, which could negatively affect our ability to rent retail space at our assets.

Any of the foregoing factors could adversely affect the financial condition of our retail tenants, the willingness of retailers to lease space from us, and the success of our Placemaking business model, which could have a material adverse effect on us.

The composition of our portfolio by asset type may change over time, which could expose us to different asset class risks than if our portfolio composition remained static.

We own commercial and multifamily assets, with commercial representing 75.7% of our annualized rent and 70.1% of our portfolio based on square footage. Therefore, our results of operations are more affected by conditions in the commercial market than markets for other asset types. If the composition of our portfolio changes, however, then we would become more exposed to the risks and markets of other asset classes. Under our current business plan, we expect that multifamily assets will become a greater proportion of our portfolio in the future. If we are successful in executing the current business plan, then we will become more exposed to the risks of the multifamily markets, and we may not manage those assets as well as our commercial assets, either of which could have a material adverse effect on us.

We may be adversely affected by trends in the office real estate industry.

Telecommuting, flexible work schedules, open workplaces, teleconferencing and the use of artificial intelligence are becoming more common. These practices enable businesses to reduce their space requirements. There is also an increasing trend among some businesses to utilize shared office spaces and co-working spaces. A continuation of the movement toward these practices could over time erode the overall demand for office space and, in turn, place downward pressure on occupancy, rental rates and property valuations.

Increased affordability of residential homes and other competition for tenants of our multifamily properties could affect our ability to retain current residents of our multifamily properties, attract new ones or increase or maintain rents, which could adversely affect our results of operations and our financial condition.

Our multifamily properties compete with numerous housing alternatives in attracting residents, including owner occupied single and multifamily homes. Occupancy levels and market rents may be adversely affected by national and local political, economic and market conditions including, without limitation, new construction and excess inventory of multifamily and owned housing/condominiums, increasing portions of owned housing/condominium stock being converted to rental use, rental housing subsidized by the government, other government programs that favor single family rental housing or owner occupied housing over multifamily rental housing, governmental regulations, slow or negative employment growth and household formation, the availability of low-interest mortgages or the availability of mortgages requiring little or no down payment for single family home buyers, changes in social preferences and the potential for geopolitical instability, all of which are beyond our control. Finally, the federal government's policies, many of which may encourage home ownership, can increase competition, possibly limit our ability to raise rents in our markets and lower the value of our properties. Competitive housing and increased affordability of owner occupied single and multifamily homes caused by lower housing prices, an influx of supply of such housing alternatives, attractive mortgage interest rates and government programs to promote home ownership could adversely affect our ability to retain our current residents, attract new ones or increase or maintain rents, which could adversely affect our results of operations and our financial condition.

Real estate is a competitive business.

We compete with numerous acquirers, developers, owners and operators of commercial real estate including other REITs, private real estate funds, domestic and foreign financial institutions, life insurance companies, pension trusts, partnerships and individual investors, some of which may have greater financial resources and be willing to accept lower returns on their investments than we are. The principal means of competition in leasing are lease terms (including rent charged and tenant improvement allowances), location, services provided and the nature and condition of the asset to be leased. If our competitors offer space at rental rates below current market rates, below the rental rates we currently charge our tenants, in better locations within our markets, in higher quality assets or offer better services, we may lose potential tenants and we may be pressured to reduce our rental rates below those we currently charge to retain tenants when our tenants' leases expire.

Our success depends upon, among other factors, trends of the global, national, regional and local economies, the financial condition and operating results of current and prospective tenants and customers, availability and cost of capital, construction and renovation costs, taxes, governmental regulations, legislation and population and employment trends.

We depend on leasing space to tenants on economically favorable terms and collecting rent from tenants who may not be able to pay.

Our financial results depend significantly on leasing space in our assets to tenants on economically favorable terms. In addition, because most of our income is derived from renting real property, our income, funds available to pay indebtedness and funds available for distribution to shareholders will decrease if our tenants cannot pay their rent or if we are not able to maintain occupancy levels on favorable terms. If a tenant does not pay its rent, we might not be able to enforce our rights as landlord without delays and might incur substantial legal and other costs. During periods of economic adversity, there may be an increase in the number of tenants that cannot pay their rent and an increase in vacancy rates, which could have a material adverse effect on us.

We may find it necessary to make rent or other concessions and/or significant capital expenditures to improve our assets to retain and attract tenants, which could have a material adverse effect on us.

We may find it necessary to make rent or other concessions to tenants, accommodate requests for renovations, build-to-suit remodeling and other improvements or provide additional services to our tenants. As a result, we may have to make significant capital or other expenditures to retain tenants whose leases expire and to attract new tenants in sufficient numbers. If the necessary capital is unavailable, we may be unable to make such expenditures. This could result in non-renewals by tenants upon expiration of their leases and our vacant space remaining untenanted, which could have a material adverse effect on us.

Affordable housing and tenant protection regulations may limit our ability to increase rents and pass through new or increased operating expenses to our tenants.

Certain states and municipalities have adopted laws and regulations imposing restrictions on the timing or amount of rent increases and other tenant protections. As of December 31, 2019, approximately 6% of the multifamily units in our Operating Portfolio were designated as affordable housing. In addition, Washington, D.C. and Montgomery County, Maryland have laws that require, in certain circumstances, an owner of a multifamily rental property to allow tenant organizations the option to purchase the building at a market price if the owner attempts to sell the property. We expect to continue operating and acquiring assets in areas that either are subject to these types of laws or regulations or where such laws or regulations may be enacted in the future. Such laws and regulations limit our ability to charge market rents, increase rents, evict tenants or recover increases in our operating expenses and could make it more difficult for us to dispose of assets in certain circumstances.

Our success depends on our senior management team whose continued service is not guaranteed, and the loss of one or more of these persons could adversely affect our ability to manage our business and to implement our growth strategies or could create a negative perception in the capital markets.

Our success and our ability to implement and manage anticipated future growth depend, in large part, upon the efforts of our senior management team, who have extensive market knowledge and relationships, and exercise substantial influence over our operational, financing, acquisition and disposition activity. Members of our senior management team have national or regional industry reputations that attract business and investment opportunities and assist us in negotiations with lenders, existing and potential tenants and other industry participants. The loss of services of one or more members of our senior management team, or our inability to attract and retain similarly qualified personnel, could adversely affect our business, diminish our investment opportunities and weaken our relationships with lenders, business partners, existing and prospective tenants and industry participants, which could have a material adverse effect on us.

The actual density of our future development pipeline and/or any particular future development parcel may not be consistent with our estimated potential development density.

As of December 31, 2019, we estimate that our 40 future development assets will total 21.9 million square feet (18.7 million square feet at our share) of estimated potential development density. We caution you not to place undue reliance on the potential development density estimates for our future development pipeline and/or any particular future development parcel because they are based solely on our estimates, using data available to us, and our business plans as of December 31, 2019. The actual density of our future development pipeline and/or any particular future development parcel may differ substantially from our estimates based on numerous factors, including our inability to obtain necessary zoning, land use and other required entitlements, legal challenges to our plans by activists and others, as well as building, occupancy and other required governmental permits and authorizations, and changes in the entitlement, permitting and authorization processes that restrict or delay our ability to develop, redevelop or use

our future development pipeline at anticipated density levels. Moreover, we may strategically choose not to develop, redevelop or use our future development pipeline to its maximum potential development density or may be unable to do so as a result of factors beyond our control, including our ability to obtain financing on terms and conditions that we find acceptable, or at all, to fund our development activities. We can provide no assurance that the actual density of our future development pipeline and/or any particular future development parcel will be consistent with our estimated potential development density.

We may not be able to realize potential incremental annualized rent from our commercial, multifamily or other lease-up opportunities.

Based on current market demand in our submarkets and the efforts of our dedicated in-house leasing teams, we believe we can increase our occupancy and revenue at certain office, multifamily and retail assets. However, we cannot assure you that we will be able to realize potential incremental annualized rent from our commercial, multifamily or other lease-up opportunities. Our ability to increase our occupancy and revenue at certain commercial, multifamily and other assets may be adversely affected by an increase in supply and/or deterioration in the commercial, multifamily or other markets. In addition, if our competitors offer space at rental rates below current asking rates or below our in-place rates, we may experience difficulties attracting new tenants or retaining existing tenants and may be pressured to reduce our rental rates below those we currently charge or to offer more substantial free rent, tenant improvements, early termination rights or below-market renewal options in order to attract or retain tenants. We caution you not to place undue reliance on our belief that we can increase our occupancy and revenue at certain office, multifamily and retail assets.

We may from time to time be subject to litigation, which could have a material adverse effect on us.

We are a party to various claims and routine litigation arising in the ordinary course of business. Some of these claims or others to which we may be subject from time to time may significantly divert the attention of our officers and/or trustees and result in defense costs, settlements, fines or judgments against us, some of which are not, or cannot be, covered by insurance. Payment of any such costs, settlements, fines or judgments that are not insured could have a material adverse effect on us. In addition, certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage, which could adversely impact our results of operations and cash flow, expose us to increased risks that would be uninsured, and/or adversely impact our ability to attract officers and trustees.

Some of our potential losses may not be covered by insurance.

We maintain general liability insurance as well as all-risk property and rental value insurance coverage, with sub-limits for certain perils such as floods and earthquakes on each of our properties. However, there can be no assurance that losses incurred by us will be covered by these insurance policies. For example, product defects not covered by manufacturers' warranties may not be covered by our insurance policies. We maintain coverage for terrorism acts including terrorism involving nuclear, biological, chemical and radiological terrorism events, as defined by the Terrorism Risk Insurance Program Reauthorization Act of 2019 ("TRIPRA"), which expires in December 2027. We will continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism. However, we cannot provide assurance that such coverage will be available on commercially reasonable terms in the future.

Our mortgage loans are generally non-recourse and contain customary covenants requiring adequate insurance coverage. Although we believe that we currently have adequate insurance coverage for purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. If lenders insist on greater coverage than we can obtain, it could adversely affect the ability to finance or refinance the properties.

Compliance or failure to comply with the Americans with Disabilities Act or other safety regulations and requirements could result in substantial costs.

The Americans with Disabilities Act ("ADA") generally requires that public buildings, including our assets, meet certain federal requirements related to access and use by disabled persons. Noncompliance could result in the imposition of fines by the federal government or the award of damages to private litigants and/or legal fees to their counsel. If, under the ADA, we are required to make substantial alterations and capital expenditures in one or more of our assets, including the removal of access barriers, it could have a material adverse effect on us.

Our assets are subject to various federal, state and local regulatory requirements, such as state and local fire and life safety requirements. If we fail to comply with these requirements, we could incur fines or private damage awards. We do not know whether existing requirements will change or whether compliance with future requirements will require significant unanticipated expenditures that will affect our cash flow and results of operations.

Terrorist attacks may adversely affect the value of our assets and our ability to generate revenue.

Our assets are in the Washington, D.C. metropolitan area, which has been and may be in the future the target of actual or threatened terrorism activity. Terrorist attacks in the Washington, D.C. metropolitan area could directly or indirectly damage our assets, both physically and financially, or cause losses that materially exceed our insurance coverage. Properties that are occupied by federal government tenants may be more likely to be the target of a future attack. As a result of the foregoing, the value of our assets and our ability to generate revenues could decline materially, which could have a material adverse effect on us.

Our business and operations would suffer in the event of system failures.

Despite system redundancy, the implementation of security measures and the existence of a disaster recovery plan for our internal information technology systems, our systems are vulnerable to damages from any number of sources, including computer viruses, unauthorized access, energy blackouts, natural disasters, terrorism, war and telecommunication failures. Any system failure or accident that causes interruptions in our operations could result in a material disruption to our business. We may also incur additional costs to remedy damages caused by such disruptions. Any of the foregoing could have a material adverse effect on us.

The occurrence of cyber incidents, or a deficiency in our cybersecurity, could negatively impact our business by causing a disruption to our operations, a compromise or corruption of our confidential information, regulatory enforcement and other legal proceedings and/or damage to our business relationships, all of which could negatively impact our financial results.

A cyber incident is any adverse event that threatens the confidentiality, integrity, or availability of our information resources. More specifically, a cyber incident is an intentional attack or an unintentional event that can include unauthorized persons gaining access to systems to disrupt operations, corrupt data or steal confidential information. The risk of a cyber incident or disruption, particularly through cyber attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased.

As our reliance on technology increases, so do the risks posed to our systems - both internal and external. Our primary risks that could directly result from the occurrence of a cyber incident are theft of assets; operational interruption; regulatory enforcement, lawsuits and other legal proceedings; damage to our relationships with our tenants; and private data exposure. A significant and extended disruption could damage our business or reputation, cause a loss of revenue, have an adverse effect on tenant relations, cause an unintended or unauthorized public disclosure, or lead to the misappropriation of proprietary, personally identifying, and confidential information, any of which could result in us incurring significant expenses to address and remediate or otherwise resolve these kinds of issues.

Although we have implemented processes, procedures and controls to help mitigate the risks associated with a cyber incident, there can be no assurance that these processes, procedures and controls will be sufficient for all possible situations. Even security measures that are appropriate, reasonable and/or in accordance with applicable legal requirements may not be sufficient to protect the information we maintain. Unauthorized parties, whether within or outside our company, may disrupt or gain access to our systems, or those of third parties with whom we do business, through human error, misfeasance, fraud, trickery, or other forms of deceit, including break-ins, use of stolen credentials, social engineering, phishing, computer viruses or other malicious codes, and similar means of unauthorized and destructive tampering. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted cyber incidents evolve and generally are not recognized until launched against a target. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, making it impossible for us to entirely mitigate this risk.

Risks Related to the Formation Transaction

We have a limited history operating as an independent company, and our historical financial information is not necessarily representative of the results that we would have achieved as a separate, publicly traded company and may not be a reliable indicator of our future results.

The historical information included herein covering periods prior to the Formation Transaction refers to our business as operated by Vornado and JBG separately from each other. Our historical financial information included herein covering periods prior to the Formation Transaction is derived from the consolidated financial statements and accounting records of Vornado and does not include the results of the assets contributed by JBG for any period prior to completion of the Formation Transaction. Accordingly, the historical financial information included herein does not necessarily reflect the financial condition, results of operations or

cash flows that we would have achieved as a separate, publicly traded company during the periods presented or those that we will achieve in the future.

For additional information about the past financial performance of our business and the basis of presentation of the historical combined financial statements, refer to "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical financial statements and accompanying notes included herein.

We could be required to indemnify Vornado for certain material tax obligations that could arise as addressed in the Tax Matters Agreement.

The Tax Matters Agreement that we entered into with Vornado provides special rules that allocate tax liabilities if the distribution of JBG SMITH shares by Vornado, together with certain related transactions, is not tax-free. Under the Tax Matters Agreement, we may be required to indemnify Vornado against any taxes and related amounts and costs resulting from (i) an acquisition of all or a portion of our equity securities or our assets, whether by merger or otherwise, (ii) other actions or failures to act by us, or (iii) any of our representations or undertakings being incorrect or violated. In addition, under the Tax Matters Agreement, we are liable for any taxes attributable to us and our subsidiaries, unless such taxes are imposed on us or any of the REITs contributed by Vornado (i) with respect to a period before the distribution as a result of any action taken by Vornado after the distribution, or (ii) with respect to any period as a result of Vornado's failure to qualify as a REIT for the taxable year of Vornado that includes the distribution.

Unless Vornado and JBG SMITH were both REITs immediately after the distribution of JBG SMITH from Vornado and at all times during the two years thereafter, JBG SMITH could be required to recognize certain corporate-level gains for tax purposes.

Section 355(h) of the Code provides that tax-free treatment will not be available unless, as relevant here, Vornado and JBG SMITH were both REITs immediately after the distribution.

In addition, subject to certain exceptions, a REIT must recognize corporate-level gain if it acquires property from a non-REIT "C" corporation in certain so-called "conversion" transactions and engages in a Section 355 transaction within ten years of such conversion. For this purpose, a conversion transaction refers to the qualification of a non-REIT "C" corporation as a REIT or the transfer of property owned by a non-REIT "C" corporation to a REIT. JBG SMITH or its subsidiaries have acquired property pursuant to conversion transactions within ten years of the distribution. One of the exceptions to the recognition of corporate-level gain applies to a distribution described in Section 355 of the Code in which the distributing corporation and the controlled corporation are both REITs immediately after such distribution and at all times during the two years thereafter.

We believe that each of Vornado and JBG SMITH qualifies as a REIT and operated in a manner so that each qualified immediately after the distribution and at all times during the two years after the distribution. However, if either Vornado or JBG SMITH failed to qualify as a REIT immediately after the distribution of JBG SMITH from Vornado or at any time during the two years after the distribution, then, for our taxable year that includes the distribution, the IRS may assert that JBG SMITH would have to recognize corporate-level gain on assets acquired in conversion transactions.

Potential indemnification liabilities to Vornado pursuant to the Separation and Distribution Agreement (the "Separation Agreement") could have a material adverse effect on us.

The Separation Agreement provides for indemnification obligations designed to make us financially responsible for substantially all liabilities that may exist relating to our business activities, whether incurred prior to or after the Formation Transaction, as well as those obligations of Vornado that we assumed pursuant to the Separation Agreement. If we are required to indemnify Vornado under the circumstances set forth in this agreement, we may be subject to substantial liabilities.

There may be undisclosed liabilities of the Vornado and JBG assets contributed to us in the Formation Transaction that might expose us to potentially large, unanticipated costs.

Prior to entering into the Master Transaction Agreement ("MTA"), each of Vornado and JBG performed diligence with respect to the business and assets of the other. However, these diligence reviews were necessarily limited in nature and scope and may not have adequately uncovered all of the contingent or undisclosed liabilities that we assumed in connection with the Formation Transaction, many of which may not be covered by insurance. The MTA does not provide for indemnification for these types of liabilities by either party post-closing, and, therefore, we may not have any recourse with respect to such unexpected liabilities. Any such liabilities could cause us to experience losses, which may be significant, which could have a material adverse effect on us.

Certain of our trustees and executive officers may have actual or potential conflicts of interest because of their previous or continuing equity interest in, or positions at, Vornado or JBG, as applicable, including trustees and members of our senior management, who have an ownership interest in the JBG Legacy Funds and own carried interests in certain JBG Legacy Funds and in certain of our real estate ventures that entitles them to receive additional compensation if the fund or real estate venture achieves certain return thresholds.

Some of our trustees and executive officers are persons who are or have been employees of Vornado or were employees of JBG. Because of their current or former positions with Vornado or JBG, certain of our trustees and executive officers own Vornado common shares or other Vornado equity awards or equity interests in certain JBG Legacy Funds and related entities. In addition, one of our trustees continues to serve as chief executive officer and chairman of the Board of Trustees of Vornado. Ownership of Vornado common shares or interests in the JBG Legacy Funds, or service as a trustee or managing partner, as applicable, at either company, could create, or appear to create, potential conflicts of interest.

Certain of the JBG Legacy Funds own assets that were not contributed to us in the combination (the "JBG Excluded Assets"), which JBG Legacy Funds are owned in part by members of our senior management. In addition, although the asset management and property management fees associated with the JBG Excluded Assets were assigned to us upon completion of the Formation Transaction, the general partner and managing member interests in the JBG Legacy Funds held by former JBG executives (who became members of our management team) were not transferred to us and remain under the control of these individuals. As a result, our management's time and efforts may be diverted from the management of our assets to management of the JBG Legacy Funds, which could adversely affect the execution of our business plan and our results of operations and cash flow.

In addition, members of our senior management have an ownership interest in the JBG Legacy Funds and own carried interests in each fund and in certain of our real estate ventures that entitle them to receive additional compensation if the fund or real estate venture achieves certain return thresholds. As a result, members of our senior management could be incentivized to spend time and effort maximizing the cash flow from the assets being retained by the JBG Legacy Funds and certain real estate ventures, particularly through sales of assets, which may accelerate payments of the carried interest but would reduce the asset management and other fees that would otherwise be payable to us with respect to the JBG Excluded Assets. These actions could adversely impact our results of operations and cash flow.

Other potential conflicts of interest with the JBG Legacy Funds include transactions with these funds and competition for tenants. We have, and in the future we may, enter into transactions with the JBG Legacy Funds, such as purchasing assets from them. Any such transaction would create a conflict of interest as a result of our management team's interests on both sides of the transaction, because we manage the JBG Legacy Funds and because members of our management own interests in the general partner or other managing entities of the funds. We may compete for tenants with the JBG Legacy Funds and because we typically manage the assets of the JBG Legacy Funds, we may have a conflict of interest when competing for a tenant if the tenant is interested in assets owned by us and the JBG Legacy Funds. Any of the above described conflicts of interest could have a material adverse effect on us.

Vornado is not required to present investments to us that satisfy our investment guidelines before pursuing such opportunities on Vornado's behalf.

Our declaration of trust provides that a trustee who is also a trustee, officer, employee or agent of Vornado or any of Vornado's affiliates has no duty to communicate or present any business opportunity to us. Additionally, our agreements with Vornado do not require Vornado to present to us investment opportunities that satisfy our investment guidelines before Vornado pursues such opportunities. While Vornado advised us at the time of the Formation Transaction that it did not intend to make acquisitions within the Washington, D.C. metropolitan area after the Formation Transaction, should it choose to do so, Vornado is free to direct investment opportunities away from us, and we may be unable to compete with Vornado in pursuing such opportunities.

In connection with the Formation Transaction, Vornado agreed to indemnify us for certain pre-distribution liabilities and liabilities related to Vornado assets. However, there can be no assurance that these indemnities will be sufficient to protect us against the full amount of such liabilities, or that Vornado's ability to satisfy its indemnification obligation will not be impaired in the future.

Pursuant to the Separation Agreement, Vornado agreed to indemnify us for certain liabilities. However, third parties could seek to hold us responsible for any of the liabilities that Vornado agreed to retain, and there can be no assurance that Vornado will be able to fully satisfy its indemnification obligations. Moreover, even if we ultimately succeed in recovering from Vornado any amounts for which we are held liable, such indemnification may be insufficient to fully offset the financial impact of such liabilities and/or we may be temporarily required to bear these losses while seeking recovery from Vornado.

Risks Related to Our Indebtedness and Financing

We have a substantial amount of indebtedness, which may limit our financial and operating activities and expose us to the risk of default under our debt obligations.

As of December 31, 2019, we had \$1.6 billion aggregate principal amount of consolidated debt outstanding, and our unconsolidated real estate ventures had \$1.2 billion aggregate principal amount of debt outstanding (\$330.2 million at our share), resulting in a total of \$2.0 billion aggregate principal amount of debt outstanding at our share. A portion of our outstanding debt is guaranteed by our operating partnership, and we may incur significant additional debt to finance future acquisition and development activities.

Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our assets or to pay the dividends currently contemplated. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- we may be forced to dispose of one or more of our assets, possibly on unfavorable terms or in violation of certain covenants to which we may be subject;
- we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations; and
- our default under any loan with cross-default provisions could result in a default on other indebtedness.

If any one of these events were to occur, it could have a material adverse effect on us.

Our debt agreements include restrictive covenants, requirements to maintain financial ratios and default provisions, which could limit our flexibility and our ability to make distributions and require us to repay the indebtedness prior to its maturity.

The mortgages on our assets contain customary negative covenants that, among other things, limit our ability, without the prior consent of the lender, to further mortgage the property and to reduce or change insurance coverage. We have a \$1.4 billion credit facility under which we have significant borrowing capacity. Additionally, our debt agreements contain customary covenants that, among other things, restrict our ability to incur additional indebtedness and may restrict our ability to engage in material asset sales, mergers, consolidations and acquisitions, and restrict our ability to make capital expenditures. These debt agreements, in some cases, also subject us to guarantor and liquidity covenants, and our credit facility requires, and other future debt may require, us to maintain various financial ratios. Some of our debt agreements contain cash flow sweep requirements and mandatory escrows, and our property mortgages generally require mandatory prepayments upon disposition of underlying collateral. Our ability to borrow is subject to compliance with these and other covenants, and failure to comply with our covenants could cause a default under the applicable debt instrument, and we may then be required to repay such debt with capital from other sources or give possession of a property to the lender. Under those circumstances, other sources of capital may not be available to us or may be available only on unattractive terms.

We may not be able to obtain capital to make investments.

Because the Code requires us, as a REIT, to distribute at least 90% of our taxable income, excluding net capital gains, to our shareholders, we depend primarily on external financing to fund the growth of our business. There is a separate requirement to distribute net capital gains or pay a corporate level tax in lieu thereof. Our access to debt or equity financing depends on the willingness of third parties to lend or make equity investments and on conditions in the capital markets generally. There can be no assurance that new financing will be available or available on acceptable terms.

Our future development plans are capital intensive. To complete these plans, we anticipate financing construction and development through asset sales, real estate ventures with third parties, recapitalizations of assets, and public or private equity offerings, or a combination thereof. Similarly, these plans require an even more significant amount of debt financing. If we are unable to obtain the required debt or equity capital, then we will not be able to execute our business plan, which could have a material adverse effect on us.

For information about our available sources of funds, see "Management's Discussion and Analysis of Financial Condition and Results of Operations-Liquidity and Capital Resources" and the notes to the consolidated and combined financial statements included herein.

High mortgage rates and/or unavailability of mortgage debt may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire or retain, our net income and the amount of cash distributions we can make.

If mortgage debt is not available at reasonable rates, or if lenders currently under contractual obligations to lend to us fail to perform on such obligations, we may not be able to finance the purchase of properties. If we place mortgages on properties, we may be unable to refinance the properties when the loans become due, or refinance on favorable terms or at all, including as a result of increases in interest rates or a decline in the value of our portfolio or portions thereof. If principal payments due at maturity cannot be refinanced, extended or paid with proceeds from other capital transactions, such as new equity issuances, our operating cash flow may not be sufficient in all years to repay all maturing debt. This, in turn, could reduce cash available for distribution to our shareholders and may hinder our ability to raise more capital by issuing more shares or by borrowing more money. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to make distributions necessary to meet the distribution requirements imposed on REITs under the Code. As a result, we may be forced to postpone capital expenditures necessary for the maintenance of our properties, we may have to dispose of one or more properties on terms that would otherwise be unacceptable to us or we may be forced to allow the mortgage holder to foreclose on a property, any of the foregoing could have a material adverse effect on us.

Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt.

Incurring mortgage and other secured debt obligations increases our risk of property losses because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately our loss of the property collateralizing loans for which we are in default. Any foreclosure on a mortgaged property or group of properties could adversely affect the overall value of our portfolio of properties. For tax purposes, a foreclosure on any of our properties that is subject to a nonrecourse mortgage loan would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code.

Variable rate debt is subject to interest rate risk that could increase our interest expense, increase the cost to refinance and increase the cost of issuing new debt.

As of December 31, 2019, \$1.1 billion of our outstanding consolidated debt was subject to instruments that bear interest at variable rates, and we may also borrow additional money at variable interest rates in the future. We have made arrangements that hedge against the risk of rising interest rates with respect to \$797.5 million of our outstanding consolidated debt; but with respect to the remainder, increases in interest rates would increase our interest expense under these instruments, increase the cost of refinancing these instruments or issuing new debt, and adversely affect our cash flow and our ability to service our indebtedness and make distributions to our shareholders, which could, in turn, adversely affect the market price of our common shares. Based on our aggregate variable rate debt outstanding as of December 31, 2019, an increase of 100 basis points in interest rates would result in a hypothetical increase of approximately \$2.7 million in interest expense on an annual basis. The amount of this change includes the benefit of swaps and caps we currently have in place.

The future of the reference rate used in our existing floating rate debt instruments and hedging arrangements is uncertain, which could have an uncertain economic effect on these instruments, which could hinder our ability to maintain effective hedges and may adversely affect our financial condition, results of operations, cash flow, per share market price of our common shares and ability to make distributions to our shareholders.

The REIT provisions of the Code impose certain restrictions on our ability to utilize hedges, swaps and other types of derivatives to hedge our liabilities. Subject to these restrictions, we may enter into hedging transactions to protect ourselves from the effects of interest rate fluctuations on floating rate debt. As of December 31, 2019, our hedging transactions include interest rate swap agreements, which covered \$797.5 million of our outstanding consolidated debt. These agreements involve risks, such as the risk that such arrangements would not be effective in reducing our exposure to interest rate changes or that a court could rule that such an agreement is not legally enforceable. In addition, interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates, which could reduce the overall returns on our investments. Failure to hedge effectively against interest rate changes could have a material adverse effect on us. In addition, while such agreements would be intended to lessen the impact

of rising interest rates on us, they could also expose us to the risk that the other parties to the agreements would not perform, and that the hedging arrangements may not be effective in reducing our exposure to interest rate changes. Moreover, there can be no assurance that our hedging arrangements will qualify as highly effective cash flow hedges under FASB Accounting Standards Codification, or Topic 815, Derivatives and Hedging, or that our hedging activities will have the desired beneficial impact on our results of operations. Furthermore, should we desire to terminate a hedging agreement, there could be significant costs and cash requirements involved to fulfill our obligation under the hedging agreement. Any of the foregoing could have a material adverse effect on us.

Our existing floating rate debt instruments, including our credit facility, and our hedging arrangements currently use as a reference rate the London Interbank Overnight Rate ("LIBOR"), as calculated for U.S. dollar ("USD-LIBOR"), and we expect a transition from LIBOR to another reference rate in the near term. In July 2017, due to a decline in the quantity of loans used to calculate LIBOR, the United Kingdom regulator that regulates LIBOR announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021, and LIBOR is expected to be phased out accordingly. In April 2018, the New York Federal Reserve commenced publishing an alternative reference rate for the U.S. dollar, the Secured Overnight Financing Rate ("SOFR"), proposed by a group of major market participants convened by the U.S. Federal Reserve with participation by SEC Staff and other regulators, the Alternative Reference Rates Committee ("ARRC"). SOFR has been published since April 2019. SOFR is based on transactions in the more robust U.S. Treasury repurchase market and has been proposed as the alternative to USD-LIBOR for use in derivatives and other financial contracts that currently rely on USD-LIBOR as a reference rate. ARRC has proposed a paced market transition plan to SOFR from LIBOR, and organizations are currently working on industry-wide and company-specific transition plans related to derivatives and cash markets exposed to LIBOR, but there remains uncertainty in the timing and details of this transition. The transition from USD-LIBOR to SOFR or any other replacement rate adopted is likely to cause uncertainty due to a mismatch in the USD-LIBOR maturities and the terms of SOFR. Additionally, there is some possibility that LIBOR continues to be published, but that the quantity of loans used to calculate LIBOR diminishes significantly enough to reduce the appropriateness of the rate as a reference rate. If a published USD-LIBOR is unavailable after 2021, the interest rates for our debt instruments that are indexed to USD-LIBOR will be determined using various alternative methods, any of which may result in interest obligations that are more than or do not otherwise correlate over time with the payments that would have been made on such debt if USD-LIBOR remained available.

We can provide no assurance regarding the future of LIBOR and when our current debt instruments and hedging arrangements will transition from USD-LIBOR as a reference rate to SOFR or another replacement reference rate. Confusion related to the transition from USD-LIBOR to SOFR or another replacement reference rate for our debt and hedging instruments could have an uncertain economic effect on these instruments and could also hinder our ability to establish effective hedges and result in a different economic value over time for these instruments than they otherwise would have had under USD-LIBOR.

We may acquire properties or portfolios of properties through tax deferred contribution transactions, which could result in shareholder dilution and limit our ability to sell or refinance such assets.

In the future, we may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership interests in our operating partnership, which may result in shareholder dilution through the issuance of OP Units that may be exchanged for common shares. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct (as compared to a transaction where we do not inherit the contributor's tax basis but acquire tax basis equal to the value of the consideration exchanged for the property) until the OP units issued in such transactions are redeemed for cash or converted into common shares. While no such protection arrangements existed at December 31, 2019, in the future we may agree to protect the contributors' ability to defer recognition of taxable gain through restrictions on our ability to dispose of, or refinance the debt on, the acquired properties for specified periods of time. Similarly, we may be required to incur or maintain debt we would otherwise not incur or maintain so that we can allocate the debt to the contributors to maintain their tax bases. These restrictions could limit our ability to sell an asset at a time, or on terms, that would be favorable absent such restrictions.

Risks Related to the Real Estate Industry

Real estate investments' value and income fluctuate due to various factors.

The value of real estate fluctuates depending on conditions in the general economy and the real estate business. These conditions may also adversely impact our revenues and cash flows.

The factors that affect the value of our real estate include, among other things:

- global, national, regional and local economic conditions;

- competition from other available space;
- local conditions such as an oversupply of space or a reduction in demand for real estate in the area;
- how well we manage our assets;
- the development and/or redevelopment of our assets;
- changes in market rental rates;
- the timing and costs associated with property improvements and rentals;
- whether we can pass all or portions of any increases in operating costs through to tenants;
- changes in real estate taxes and other expenses;
- whether tenants and users consider a property attractive;
- the financial condition of our tenants, including the extent of tenant bankruptcies or defaults;
- availability of financing on acceptable terms or at all;
- inflation or deflation;
- fluctuations in interest rates;
- our ability to obtain adequate insurance;
- changes in zoning laws and taxation;
- government regulation;
- consequences of any armed conflict involving, or terrorist attack against, the United States or individual acts of violence in public spaces;
- potential liability under environmental or other laws or regulations;
- natural disasters;
- general competitive factors; and
- climate change.

The rents or sales proceeds we receive and the occupancy levels at our assets may decline as a result of adverse changes in any of these factors. If rental revenues, sales proceeds and/or occupancy levels decline, we generally would expect to have less cash available to pay indebtedness and for distribution to shareholders. In addition, some of our major expenses, including mortgage payments, real estate taxes and maintenance costs generally do not decline when the related rents decline.

It may be difficult to buy and sell real estate quickly, which may limit our flexibility.

Real estate investments are relatively difficult to buy and sell quickly. Consequently, we may have limited ability to vary our portfolio promptly in response to changes in economic or other conditions. Moreover, our ability to buy, sell, or finance real estate assets may be adversely affected during periods of uncertainty or unfavorable conditions in the credit markets as we, or potential buyers of our assets, may experience difficulty in obtaining financing.

Our property taxes could increase due to property tax rate changes or reassessment, which could have a material adverse effect on us.

Even if we qualify as a REIT for U.S. federal income tax purposes, we will be required to pay certain state and local taxes on our properties. The real property taxes on our properties may increase as property tax rates change or as our properties are assessed or reassessed by taxing authorities. Therefore, the amount of property taxes we pay in the future may increase substantially from what we have paid in the past and such increases may not be covered by tenants pursuant to our lease agreements. An increase in the property taxes we pay could have a material adverse effect on us.

We may incur significant costs to comply with environmental laws, and environmental contamination may impair our ability to lease and/or sell real estate.

Our operations and assets are subject to various federal, state and local laws and regulations concerning the protection of the environment including air and water quality, hazardous or toxic substances and health and safety. Under some environmental laws, a current or previous owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances released at a property. The owner or operator may also be held liable to a governmental entity or to third parties for property damage or personal injuries and for investigation and clean-up costs incurred by those parties because of the contamination. These laws often impose liability without regard to whether the owner or operator knew of the release of the substances or caused such release.

The presence of contamination or the failure to remediate contamination may (1) expose us to third-party liability (e.g., for cleanup costs, natural resource damages, bodily injury or property damage), (2) subject our properties to liens in favor of the government for damages and costs the government incurs in connection with the contamination, (3) result in restrictions on the manner in which a property may be used or businesses may be operated, or (4) impair our ability to sell or lease real estate or to borrow using the real estate as collateral. To the extent we send contaminated materials to other locations for treatment or disposal, we may be liable for cleanup of those sites if they become contaminated.

Other laws and regulations govern indoor and outdoor air quality including those that can require the abatement or removal of asbestos-containing materials in the event of damage, demolition, renovation or remodeling, and also govern emissions of and exposure to asbestos fibers in the air. The maintenance and removal of lead paint and certain electrical equipment containing polychlorinated biphenyls (PCBs) are also regulated by federal and state laws. We are also subject to risks associated with human exposure to chemical or biological contaminants such as molds, pollens, viruses and bacteria which, above certain levels, can be alleged to be connected to allergic or other health effects and symptoms in susceptible individuals. Our predecessor companies may be subject to similar liabilities for activities of those companies in the past. We could incur fines for environmental noncompliance and be held liable for the costs of remedial action with respect to the foregoing regulated substances or related claims arising out of environmental contamination or human exposure at or from our assets.

Most of our assets have been subjected to varying degrees of environmental assessment at various times. To date, these environmental assessments have not revealed any environmental condition material to our business. However, identification of new compliance concerns or undiscovered areas of contamination, changes in the extent or known scope of contamination, human exposure to contamination or changes in cleanup or compliance requirements could result in significant costs to us.

In addition, we may become subject to costs or taxes, or increases therein, associated with natural resource or energy usage (such as a "carbon tax"). These costs or taxes could increase our operating costs and decrease the cash available to pay our obligations or distribute to equity holders.

If we default on or fail to renew at expiration the ground leases for land on which some of our assets are located or other long-term leases, our results of operations could be adversely affected.

We own leasehold interests in certain land on which some of our assets are located. If we default under the terms of any of these ground leases, we may be liable for damages and could lose our leasehold interest in the property or our option to purchase the underlying fee interest in such assets. In addition, unless we purchase the underlying fee interests in the land on which a particular property is located, we will lose our right to operate the property or we will continue to operate it at much lower profitability, which would significantly adversely affect our results of operations. In addition, if we are perceived to have breached the terms of a ground lease, the fee owner may initiate proceedings to terminate the lease. As of December 31, 2019, the remaining weighted average term of our ground leases, including unilateral as-of-right extension rights available to us, was approximately 50.6 years. Our share of annualized rent from assets subject to ground leases as of December 31, 2019 was approximately \$66.1 million, or 12.3% of total annualized rent.

Our assets may be subject to impairment charges, which could have a material adverse effect on our results of operations.

We evaluate our long-lived assets, primarily real estate held for investment, for impairment periodically or whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. In evaluating and/or measuring impairment, the Company considers, among other things, current and estimated future cash flows associated with each property, market information for each sub-market and other quantitative and qualitative factors. Another key consideration in this assessment is the Company's assumptions about the highest and best use of its real estate investments and its intent and ability to hold them for a reasonable period that would allow for the recovery of their carrying values. These key assumptions are subjective in nature and could differ materially from actual results if the property was disposed. Changes in our strategy or changes in the marketplace may alter the anticipated hold period of an asset or asset group, which may result in an impairment loss, and such loss could be material to our financial condition or operating performance. If, after giving effect to such changes, we conclude that the carrying values of such assets or asset groups are no longer recoverable, we may recognize impairments in future periods equal to the excess of the carrying values over the estimated fair value.

Climate change may adversely affect our business.

Climate change, including rising sea levels, flooding, extreme weather, and changes in precipitation and temperature, may result in physical damage to, a decrease in demand for and/or a decrease in rent from and value of our properties located in the areas affected by these conditions. We own several assets in low-lying areas close to sea level, making those assets susceptible to a rise in sea level. If sea levels were to rise, we may incur material costs to protect our low-lying assets or sustain damage, a decrease in value or total loss to those assets. Furthermore, our insurance premiums may increase as a result of the threat of climate change or the effects of climate change may not be covered by our insurance policies. We do not currently have any assets located within a FEMA Special Flood Hazard Area in our portfolio.

In addition, changes in federal and state legislation and regulations on climate change could result in increased utility expenses and/or increased capital expenditures to improve the energy efficiency of our existing properties or other related aspects of our properties in order to comply with such regulations or otherwise adapt to climate change. The four major jurisdictions where we operate are the District of Columbia, Arlington County, VA, Fairfax County, VA, and Montgomery County, MD, each of whom have made formal public commitments to carbon reduction aligned with the Paris Agreement's goal to keep global warming under 2 degrees Celsius. To enforce this commitment, in December 2018, the Washington, D.C. City Council passed the D.C. Clean Energy Omnibus bill. The bill requires that all electricity purchased in the District be renewable by 2032, as well as sets a building energy performance standard (BEPS) with minimum energy efficiency standards no lower than the median performance level for each building type. Under BEPS, all existing buildings over 50,000 square feet will be required to reach minimum levels of energy efficiency or deliver savings by 2026, with progressively smaller buildings phasing into compliance over the following years. This regulation may require unplanned capital improvements, and increased engagement to manage occupant energy use, which is a large driver of building performance. Properties that cannot meet performance standards within our investment thresholds risk fines for non-compliance, as well as a decrease in demand and a decline in value.

Any of the above could have a material and adverse effect on us.

Risks Related to Our Organization and Structure

Tax consequences to holders of JBG SMITH LP limited partnership units upon a sale of certain of our assets may cause the interests of our senior management to differ from your own.

Some holders of JBG SMITH LP limited partnership units, including members of our senior management, may suffer different and more adverse tax consequences than holders of our common shares upon the sale of certain of the assets owned by our operating partnership, and therefore these holders may have different objectives regarding the appropriate pricing, timing and other material terms of any sale or refinancing of certain assets, or whether to sell such assets at all.

Our declaration of trust and bylaws, the partnership agreement of our operating partnership and Maryland law contain provisions that may delay, defer or prevent a change of control transaction that might involve a premium price for our common shares or that our shareholders otherwise believe to be in their best interest.

Our declaration of trust contains ownership limits with respect to our shares.

Generally, to maintain our qualification as a REIT, no more than 50% in value of our outstanding shares of beneficial interest may be owned, directly or indirectly, by five or fewer individuals at any time during the last half of our taxable year. The Code defines "individuals" for purposes of the requirement described in the preceding sentence to include some types of entities. Our declaration of trust authorizes our Board of Trustees to take such actions as it determines are necessary or advisable to preserve our qualification as a REIT. Our declaration of trust prohibits, among other things, the actual, beneficial or constructive ownership by any person of more than 7.5% in value or number of shares, whichever is more restrictive, of the outstanding shares of any class or series. For these purposes, our declaration of trust includes a "group" as that term is used for purposes of Section 13(d)(3) of the Exchange Act in the definition of "person." Our Board of Trustees may exempt a person, prospectively or retroactively, from these ownership limits if certain conditions are satisfied.

This ownership limit and the other restrictions on ownership and transfer of our shares contained in our declaration of trust may:

- discourage a tender offer or other transactions or a change in management or of control that might involve a premium price for our common shares or that our shareholders might otherwise believe to be in their best interest; or
- result in the transfer of shares acquired in excess of the restrictions to a trust for the benefit of a charitable beneficiary and, as a result, the forfeiture by the acquirer of the benefits of owning the additional shares.

Provisions of Maryland law could inhibit changes in control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that might involve a premium price for our common shares or that our shareholders might otherwise believe to be in their best interest.

Provisions of the Maryland General Corporation Law, or "MGCL", may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of common shares with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- "business combination" provisions that, subject to limitations, prohibit business combinations between us and an "interested shareholder" (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof or an affiliate or associate of ours who was the beneficial owner, directly or indirectly, of 10% or more of the voting power of our then-outstanding voting shares at any time within the two-year period immediately prior to the date in question) for five years after the most recent date on which the shareholder becomes an interested shareholder, and thereafter impose fair price and/or supermajority shareholder voting requirements on these combinations; and
- "control share" provisions that provide that a shareholder's "control shares" of our company (defined as shares that, when aggregated with other shares controlled by the shareholder, entitle the shareholder to exercise one of three increasing ranges of voting power in electing trustees) acquired in a "control share acquisition" (defined as the direct or indirect acquisition of ownership or control of issued and outstanding "control shares") have no voting rights with respect to their control shares, except to the extent approved by our shareholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

As permitted by the MGCL, we have elected in our bylaws to opt out of the business combination and control share provisions of the MGCL. However, we cannot assure you that our Board of Trustees will not opt to be subject to such provisions of the MGCL in the future, including opting to be subject to such provisions retroactively.

The limited partnership agreement of our operating partnership requires the approval of the limited partners with respect to certain extraordinary transactions involving JBG SMITH, which may reduce the likelihood of such transactions being consummated, even if they are in the best interests of, and have been approved by, our shareholders.

The limited partnership agreement of JBG SMITH LP provides that we may not engage in a merger, consolidation or other combination with or into another person, a sale of all or substantially all of our assets, or a reclassification, recapitalization or a change in outstanding shares (except for changes in par value, or from par value to no par value, or as a result of a subdivision or combination of our common shares), which we refer to collectively as an extraordinary transaction, unless specified criteria are met. In particular, with respect to any extraordinary transaction, if partners will receive consideration for their limited partnership units and if we seek the approval of our shareholders for the transaction (or if we would have been required to obtain shareholder approval of any such extraordinary transaction but for the fact that a tender offer shall have been accepted with respect to a sufficient number of our common shares to permit consummation of such extraordinary transaction without shareholder approval), then the limited partnership agreement prohibits us from engaging in the extraordinary transaction unless we also obtain "partnership approval." To obtain "partnership approval," we must obtain the consent of our limited partners (including us and any limited partners majority owned, directly or indirectly, by us) representing a percentage interest in JBG SMITH LP that is equal to or greater than the percentage of our outstanding common shares required (or that would have been required in the absence of a tender offer) to approve the extraordinary transaction, provided that we and any limited partners majority owned, directly or indirectly, by us will be deemed to have provided consent for our partnership units solely in proportion to the percentage of our common shares approving the extraordinary transaction (or, if there is no shareholder vote with respect to such extraordinary transaction because a tender offer shall have been accepted with respect to a sufficient number of our common shares to permit consummation of the extraordinary transaction without shareholder approval, the percentage of our common shares with respect to which such tender offer shall have been accepted).

The limited partners of JBG SMITH LP may have interests in an extraordinary transaction that differ from those of common shareholders, and there can be no assurance that, if we are required to seek "partnership approval" for such a transaction, we will be able to obtain it. As a result, if a sufficient number of limited partners oppose such an extraordinary transaction, the limited partnership agreement may prohibit us from consummating it, even if it is in the best interests of, and has been approved by, our shareholders.

We may issue additional shares in a manner that could adversely affect the likelihood of takeover transactions.

Our declaration of trust authorizes the Board of Trustees, without shareholder approval, to:

- cause us to issue additional authorized but unissued common or preferred shares;
- classify or reclassify, in one or more classes or series, any unissued common or preferred shares;
- set the preferences, rights and other terms of any classified or reclassified shares that we issue; and
- amend our declaration of trust to increase the number of shares of beneficial interest that we may issue.

The Board of Trustees could establish a class or series of common or preferred shares whose terms could delay, deter or prevent a change in control or other transaction that might involve a premium price or otherwise be in the best interest of our shareholders, although the Board of Trustees does not now intend to establish a class or series of common or preferred shares of this kind. Our declaration of trust and bylaws contain other provisions that may delay, deter or prevent a change in control or other transaction that might involve a premium price or otherwise be in the best interest of our shareholders.

Substantially all our assets are owned by subsidiaries. We depend on dividends and distributions from these subsidiaries. The creditors of these subsidiaries are entitled to amounts payable to them by the subsidiaries before the subsidiaries may pay any dividends or other distributions to us.

Substantially all of our assets are held through JBG SMITH LP which holds substantially all of its assets through wholly owned subsidiaries. JBG SMITH LP's cash flow is dependent on cash distributions to it by its subsidiaries, and in turn, substantially all of our cash flow is dependent on cash distributions to us by JBG SMITH LP. The creditors of each of our subsidiaries are entitled to payment of that subsidiary's obligations to them when due and payable before distributions may be made by that subsidiary to its equity holders. In addition, the operating agreements governing some of our subsidiaries which are parties to real estate joint ventures may have restrictions on distributions which could limit the ability of those subsidiaries to make distributions to JBG SMITH LP. Thus, JBG SMITH LP's ability to make distributions to holders of its units, including us, depends on its subsidiaries' ability first to satisfy their obligations to their creditors, and then to make distributions to JBG SMITH LP. Likewise, our ability to pay dividends to our shareholders depends on JBG SMITH LP's ability first to satisfy its obligations, if any, to its creditors and make distributions payable to holders of preferred units (if any), and then to make distributions to us.

In addition, our participation in any distribution of the assets of any of our subsidiaries upon the liquidation, reorganization or insolvency of the subsidiary, occurs only after the claims of the creditors, including trade creditors, and preferred security holders, if any, of the applicable direct or indirect subsidiaries are satisfied.

Our rights and the rights of our shareholders to take action against our trustees and officers are limited.

As permitted by Maryland law, under our declaration of trust, trustees and officers shall not be liable to us and our shareholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- a final judgment based upon a finding of active and deliberate dishonesty by the trustee or officer that was material to the cause of action adjudicated.

In addition, our declaration of trust requires us to indemnify our trustees and officers for actions taken by them in those and certain other capacities to the maximum extent permitted by Maryland law. The Maryland REIT law permits a REIT to indemnify and advance expenses to its trustees, officers, employees and agents to the same extent as permitted by the MGCL for directors and officers of a Maryland corporation. Generally, Maryland law permits a Maryland corporation to indemnify its present and former directors and officers except in instances where the person seeking indemnification acted in bad faith or with active and deliberate dishonesty, actually received an improper personal benefit in money, property or services or, in the case of a criminal proceeding, had reasonable cause to believe that his or her actions were unlawful. Under Maryland law, a Maryland corporation also may not indemnify a director or officer in a suit by or in the right of the corporation in which the director or officer was adjudged liable to the corporation or for a judgment of liability on the basis that a personal benefit was improperly received. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct; however, indemnification for an adverse judgment in a suit by us or in our right, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses. As a result, we and our shareholders may have more limited rights against our trustees and officers than might otherwise exist. Accordingly, if actions taken in good faith by any of our trustees or officers impede the performance of our company, your ability to recover damages from such trustee or officer will be limited.

Risks Related to Our Status as a REIT

We may fail to qualify or remain qualified as a REIT and may be required to pay income taxes at corporate rates.

Although we believe that we are organized and intend to operate to qualify as a REIT for federal income tax purposes, we may fail to remain so qualified. Qualification and taxation as a REIT are governed by highly technical and complex provisions of the Code for which there are only limited judicial or administrative interpretations and depend on various facts and circumstances that are not entirely within our control. In addition, legislation, new regulations, administrative interpretations or court decisions may significantly change the relevant tax laws and/or the federal income tax consequences of qualifying as a REIT. If, with respect to any taxable year, we fail to maintain our qualification as a REIT and do not qualify under statutory relief provisions, we could not deduct distributions to shareholders in computing our taxable income and would have to pay federal income tax on our taxable income at regular corporate rates. If we had to pay federal income tax, the amount of money available to distribute to shareholders and pay our indebtedness would be reduced for the year or years involved, and we would not be required to make distributions to shareholders in that taxable year and in future years until we were able to qualify as a REIT. In addition, we would also be disqualified from treatment as a REIT for the four taxable years following the year during which qualification was lost, unless we were entitled to relief under the relevant statutory provisions.

REIT distribution requirements could adversely affect our liquidity and our ability to execute our business plan.

For us to qualify to be taxed as a REIT, and assuming that certain other requirements are also satisfied, we generally must distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains, to our shareholders each year, so that U.S. federal corporate income tax does not apply to earnings that we distribute. To the extent that we satisfy this distribution requirement and qualify for taxation as a REIT, but distribute less than 100% of our REIT taxable income, determined without regard to the dividends paid deduction and including any net capital gains, we will be subject to U.S. federal corporate income tax on our undistributed net taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we distribute to our shareholders in a calendar year is less than a minimum amount specified under U.S. federal income tax laws. We intend to distribute 100% of our REIT taxable income to our shareholders out of assets legally available therefor.

From time to time, we may generate taxable income greater than our cash flow as a result of differences in timing between the recognition of taxable income and the actual receipt of cash or the effect of nondeductible capital expenditures, the creation of reserves, or required debt or amortization payments. Further, under the Code, income must be accrued for U.S. federal income tax purposes no later than when such income is taken into account as revenue in our financial statements, subject to certain exceptions, which could also create mismatches between REIT taxable income and the receipt of cash attributable to such income. If we do not have other funds available in these situations, we could be required to borrow funds on unfavorable terms, sell assets at disadvantageous prices, distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt, or make taxable distributions of our shares or debt securities to make distributions sufficient to enable us to pay out enough of our taxable income to satisfy the REIT distribution requirement and avoid corporate income tax and the 4% excise tax in a particular year. These alternatives could increase our costs or reduce our equity. Further, amounts distributed will not be available to fund investment activities. Thus, compliance with the REIT requirements may hinder our ability to grow, which could adversely affect the value of our shares. Any restrictions on our ability to incur additional indebtedness or make certain distributions could preclude us from meeting the 90% distribution requirement. Decreases in funds from operations due to unfinanced expenditures for acquisitions of assets or increases in the number of shares outstanding without commensurate increases in funds from operations would each adversely affect our ability to maintain our current level of distributions to our shareholders. Consequently, there can be no assurance that we will be able to make distributions at the anticipated distribution rate or any other rate.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends, which could depress the market price of our common shares if perceived as a less attractive investment.

The maximum tax rate applicable to income from "qualified dividends" payable by non-REIT corporations to U.S. shareholders that are individuals, trusts or estates is 20%, and a 3.8% Medicare tax may also apply. Dividends payable by REITs, however, generally are not eligible for this reduced rate. Commencing with taxable years beginning on or after January 1, 2018 and continuing through 2025, the effective tax rate on ordinary REIT dividends (i.e., dividends other than capital gain dividends and dividends attributable to certain qualified dividend income received by us) is reduced for U.S. holders of our common shares that are individuals, trusts or estates as a result of the ability of such holders to claim a deduction in determining their taxable income equal to 20% of any such dividends they receive (but limited to the excess of a holder's taxable income over net capital gain). This results in a maximum effective rate of federal income tax (exclusive of the 3.8% Medicare tax) on ordinary REIT dividends of 29.6% through 2025, as compared to the 20% maximum federal income tax rate applicable to qualified dividend income received from

a non-REIT corporation (although the maximum effective rate applicable to such dividends, after taking into account the 21% federal income tax applicable to non-REIT corporations, is 36.8%). Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs, investors who are individuals, trusts or estates may perceive investments in REITs to be relatively less attractive than investments in the shares of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including the per share trading price of our common shares.

The tax imposed on REITs engaging in "prohibited transactions" may limit our ability to engage in transactions that would be treated as sales for U.S. federal income tax purposes.

A REIT's net income from prohibited transactions is subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. Although we and our subsidiary REITs believe that we have held, and intend to continue to hold, our properties for investment and do not intend to hold any properties that could be characterized as held for sale to customers in the ordinary course of our business unless a sale or disposition qualifies under a statutory safe harbor applicable to REITs, such characterization is a factual determination and no guarantee can be given that the IRS would agree with our characterization of our properties or that we will always be able to make use of the available safe harbor. In the case of some of our properties held through partnerships with third parties, our ability to dispose of such properties in a manner that satisfies the statutory safe harbor depends in part on the action of third parties over which we have no control or only limited influence.

If our operating partnership failed to qualify as a partnership for U.S. federal income tax purposes, we would cease to qualify as a REIT and suffer other adverse consequences.

We believe that our operating partnership will be treated as a partnership for U.S. federal income tax purposes. As a partnership, our operating partnership will not be subject to U.S. federal income tax on its income. Instead, each of its partners, including us, will be allocated, and may be required to pay tax with respect to, its share of our operating partnership's income. We cannot assure you, however, that the IRS will not challenge the status of our operating partnership or that a court would not sustain such a challenge. If the IRS were successful in treating our operating partnership as an entity taxable as a corporation for U.S. federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would cease to qualify as a REIT. Also, the failure of our operating partnership or any subsidiary partnership to qualify as a partnership could cause the entity to become subject to U.S. federal, state or local corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to us.

Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code may limit our ability to hedge our assets and operations. Under these provisions, income that we generate from transactions intended to hedge our interest rate and certain types of foreign currency risk generally will be excluded from gross income for purposes of the 75% and 95% gross income tests applicable to REITs if the instrument hedges interest rate or foreign currency risk on liabilities used to carry or acquire real estate assets or certain other types of foreign currency risk, and such instrument is properly identified. Income from certain hedges entered into in connection with the termination of a hedging transaction described in the preceding sentence, where the property or indebtedness that was the subject of the prior hedging transaction was extinguished or disposed of, will also be excluded from gross income for purposes of the 75% and 95% gross income tests. Income from hedging transactions that do not meet these requirements will generally constitute non-qualifying income for purposes of both the 75% and 95% gross income tests. As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous or implement those hedges through a TRS. This could increase the cost of our hedging activities, because our TRS would be subject to tax on gains, or could expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRS will generally not provide any tax benefit, except to the extent they can be carried forward and used to offset future taxable income in the TRS.

Our ability to own a significant interest in TRSs will be limited, and we will be required to pay a 100% penalty tax on certain income or deductions if our transactions with our TRSs are not conducted on arm's length terms.

We own interests in TRSs and may establish additional TRSs in the future. A TRS is a corporation other than a REIT in which a REIT directly or indirectly holds stock, and that has made a joint election with such REIT to be treated as a TRS. If a TRS owns more than 35% percent of the total voting power or value of the outstanding securities of another corporation, such other corporation will also be treated as a TRS. Other than some activities relating to lodging and health care facilities, a TRS may generally engage in any business, including the provision of customary or non-customary services to tenants of its parent REIT. A TRS is subject to U.S. federal, state and local income tax as a regular C corporation, and its after-tax net income is available for distribution to the parent REIT but is not required to be distributed. Our domestic TRSs are subject to U.S. federal income tax on their taxable income at a maximum rate of 21% (as well as applicable state and local income tax), but net operating loss, or NOL, carryforwards

of TRS losses arising in taxable years beginning after December 31, 2018 may be deducted only to the extent of 80% of TRS taxable income in the carryforward year (computed without regard to the NOL deduction). In addition, a 100% excise tax will be imposed on certain transactions between a TRS and its parent REIT that are not conducted on an arm's length basis.

A REIT's ownership of securities of a TRS is not subject to the 5% or 10% asset tests applicable to REITs. Not more than 25% of our total assets may be represented by securities (including securities of one or more TRSs), other than those securities includable in the 75% asset test, and not more than 20% of our total assets may be represented by securities of one or more TRSs. We anticipate that the aggregate value of the stock and securities of our TRSs and other nonqualifying assets will be less than 20% of the value of our total assets, and we will monitor the value of these investments to ensure compliance with applicable ownership limitations. In addition, we intend to structure our transactions with our TRSs to ensure that they are entered on arm's length terms to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the TRS asset limitation or to avoid application of the 100% excise tax discussed above.

Our ability to provide certain services to our tenants may be limited by the REIT provisions of the Code, or we may have to provide such services through a TRS.

As a REIT, we generally cannot provide services to our tenants other than those that are customarily provided by landlords, and we cannot derive income from a third party that provides such services. If we forego providing such services to our tenants, we may be at a disadvantage to competitors who are not subject to the same restrictions. However, we can provide such non-customary services to tenants and share in the revenue from such services if we do so through a TRS, though income earned through the TRS will be subject to corporate income taxes.

We face possible adverse changes in tax laws, which may result in an increase in our tax liability and adverse consequences to our shareholders.

At any time, the U.S. federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. We cannot predict when or if any new U.S. federal income tax law, regulation, or administrative interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative interpretation will be adopted, promulgated or become effective and any such law, regulation, or interpretation may take effect retroactively. Any such change in, or any new, U.S. federal income tax law, regulation or administrative interpretation, could have a material adverse effect on us.

In particular, the Tax Cuts and Jobs Act, which generally took effect for taxable years beginning on or after January 1, 2018 (subject to certain exceptions), made many significant changes to the U.S. federal income tax laws. A number of changes that affect noncorporate taxpayers will expire at the end of 2025 unless Congress acts to extend them. However, there can be no assurance that such changes will be extended.

Additionally, the rules of Section 355 of the Code and the Treasury regulations promulgated thereunder, which apply to determine the taxability of the Formation Transaction, have been the subject of change and may continue to be the subject of change, possibly with retroactive application, which could have a negative effect on us and our shareholders. If such changes occur, we may be required to pay additional taxes on our assets or income. These increased tax costs could have a material adverse effect on us.

Other legislative proposals could be enacted in the future that could affect REITs and their shareholders. Prospective investors are urged to consult their tax advisors regarding potential tax law changes on an investment in our common shares.

Risks Related to Our Common Shares

We cannot guarantee the timing, amount, or payment of dividends on our common shares.

Although we expect to pay regular cash dividends, the timing, declaration, amount and payment of future dividends to shareholders will fall within the discretion of our Board of Trustees. Our Board of Trustees' decisions regarding the payment of dividends will depend on many factors, such as our financial condition, earnings, capital requirements, debt service obligations, limitations under our financing arrangements, industry practice, legal requirements, regulatory constraints, and other factors that it deems relevant. Our ability to pay dividends will depend on our ongoing ability to generate cash from operations and access the capital markets. We cannot guarantee that we will pay a dividend in the future.

Future offerings of debt or equity securities, which would be senior to our common shares upon liquidation, and/or preferred equity securities, which may be senior to our common shares for purposes of dividend distributions or upon liquidation, may adversely affect the per share trading price of our common shares.

In the future, we may attempt to increase our capital resources by offering debt or equity securities (or causing our operating partnership to issue debt securities), including medium-term notes, senior or subordinated notes and classes or series of preferred shares. Upon liquidation, holders of our debt securities and preferred shares and lenders with respect to other borrowings will be entitled to receive our available assets prior to distribution to the holders of our common shares. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common shares and may result in dilution to owners of our common shares. Holders of our common shares are not entitled to preemptive rights or other protections against dilution. Our preferred shares, if issued, could have a preference on liquidating distributions or a preference on dividend payments that could limit our ability to pay dividends to the holders of our common shares. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings.

Your percentage of ownership in our company may be diluted in the future.

Your percentage of ownership in us may be diluted because of equity issuances for acquisitions, capital market transactions or otherwise. We also have granted and anticipate continuing to grant compensatory equity awards to our trustees, officers, employees, advisors and consultants who provide services to us. Such awards have a dilutive effect on our earnings per share, which could adversely affect the market price of our common shares.

In addition, our declaration of trust authorizes us to issue, without the approval of our shareholders, one or more classes or series of preferred shares having such designation, voting powers, preferences, rights and other terms, including preferences over our common shares with respect to dividends and distributions, as our Board of Trustees generally may determine. The terms of one or more classes or series of preferred shares could dilute the voting power or reduce the value of our common shares. For example, we could grant the holders of preferred shares the right to elect some number of our trustees in all events or on the occurrence of specified events, or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences we could assign to holders of preferred shares could affect the residual value of our common shares.

From time to time we may seek to make one or more material acquisitions. The announcement of such a material acquisition may result in a rapid and significant decline in the price of our common shares.

We are continuously looking at material transactions that we believe will maximize shareholder value. However, an announcement by us of one or more significant acquisitions could result in a quick and significant decline in the price of our common shares.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements contained herein constitute forward-looking statements within the meaning of the federal securities laws. Forward-looking statements are not guarantees of future performance. They represent our intentions, plans, expectations and beliefs and are subject to numerous assumptions, risks and uncertainties. Our future results, financial condition and business may differ materially from those expressed in these forward-looking statements. You can find many of these statements by looking for words such as "approximates," "believes," "expects," "anticipates," "estimates," "intends," "plans," "would," "may" or other similar expressions in this Annual Report on Form 10-K.

In particular, information included under "Business," "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward-looking statements. Many of the factors that will determine the outcome of these and our other forward-looking statements are beyond our ability to control or predict. Such factors include, but are not limited to:

- the economic health of the greater Washington Metro region and our geographic concentration therein, in particular our concentration in National Landing;
- reductions in or actual or threatened changes to the timing of federal government spending;
- changes in general political, economic and competitive conditions and specific market conditions;
- the risks associated with real estate development and redevelopment, including unanticipated expenses, delays and other contingencies;
- the risks associated with the acquisition, disposition and ownership of real estate in general and our real estate assets in particular;
- the ability to control our operating expenses;

- the risks related to co-investments in real estate ventures and partnerships;
- the ability to renew leases, lease vacant space or re-let space as leases expire, and to do so on favorable terms;
- the economic health of our tenants;
- fluctuations in interest rates;
- the supply of competing properties and competition in the real estate industry generally;
- the availability and terms of financing and capital and the general volatility of securities markets;
- the risks associated with mortgage debt and other indebtedness;
- compliance with applicable laws, including those concerning the environment and access by persons with disabilities;
- terrorist attacks and the occurrence of cyber incidents or system failures;
- the ability to maintain key personnel;
- failure to qualify and maintain our qualification as a REIT and the risks of changes in laws affecting REITs; and
- other factors discussed under the caption "Risk Factors."

For a further discussion of factors that could materially affect the outcome of our forward-looking statements, see "Risk Factors" in this Annual Report on Form 10-K.

You are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K or the date of any document incorporated by reference. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. We do not undertake any obligation to release publicly any revisions to our forward-looking statements to reflect events or circumstances occurring after the date of this Annual Report on Form 10-K.

ITEM 1B. UNRESOLVED STAFF COMMENTS

There are no unresolved comments from the staff of the SEC as of the date of this Annual Report on Form 10-K.

ITEM 2. PROPERTIES

Note on presentation of "at share" information. We present certain financial information and metrics "at JBG SMITH Share," which refers to our ownership percentage of consolidated and unconsolidated assets in real estate ventures. Financial information "at JBG SMITH Share" is calculated on an entity-by-entity basis. "At JBG SMITH Share" information, which we also refer to as being "at share," "our pro rata share" or "our share," is not, and is not intended to be, a presentation in accordance with GAAP. Because as of December 31, 2019, approximately 11.8% of our assets, as measured by total square feet, were held through real estate ventures in which we own less than 100% of the ownership interest, we believe this form of presentation, which includes our economic interests in the unconsolidated real estate ventures, provides investors important information regarding a significant component of our portfolio, its composition, performance and capitalization. We classify our portfolio as "operating," "under construction," "near-term development" or "future development." "Under construction" refers to assets that were under construction as of December 31, 2019. "Near-term development" refers to assets that have substantially completed the entitlement process and on which we intend to commence construction within 18 months following December 31, 2019, subject to market conditions. We had no near-term development assets as of December 31, 2019. "Future development" refers to assets that are development opportunities on which we do not intend to commence construction within 18 months of December 31, 2019 where we (i) own land or control the land through a ground lease or (ii) are under a long-term conditional contract to purchase or enter into a leasehold interest with respect to land.

The tables below provide information about each of our commercial, multifamily, near-term development and future development portfolios as of December 31, 2019. Many of our future development parcels are adjacent to or an integrated component of operating commercial or multifamily assets in our portfolio. A significant number of our assets included in the tables below are held through real estate ventures with third parties or are subject to ground leases. In addition to other information, the tables below indicate our percentage ownership, whether the assets are consolidated or unconsolidated and whether the asset is subject to a ground lease.

Commercial Assets

Commercial Assets	% Ownership	C/U ⁽¹⁾	Same Store ⁽²⁾ : YTD 2018-2019	Total Square Feet	% Leased ⁽³⁾	Office % Occupied	Retail % Occupied
D.C.							
Universal Buildings	100.0 %	C	Y	659,809	97.4 %	97.1 %	99.6 %
2101 L Street	100.0 %	C	Y	378,696	84.8 %	84.1 %	92.6 %
1730 M Street ⁽⁴⁾	100.0 %	C	Y	204,746	88.5 %	88.0 %	100.0 %
1700 M Street ⁽⁵⁾	100.0 %	C	N	34,000	—	—	—
L'Enfant Plaza Office-East ⁽⁴⁾	49.0 %	U	Y	397,057	89.5 %	89.5 %	—
L'Enfant Plaza Office-North	49.0 %	U	Y	298,445	96.8 %	97.6 %	85.9 %
L'Enfant Plaza Retail ⁽⁴⁾	49.0 %	U	Y	119,291	73.5 %	100.0 %	69.2 %
The Foundry	9.9 %	U	Y	225,095	92.2 %	89.4 %	100.0 %
1101 17th Street	55.0 %	U	Y	211,781	84.4 %	84.0 %	82.7 %
VA							
Courthouse Plaza 1 and 2 ⁽⁴⁾	100.0 %	C	Y	628,988	85.2 %	83.8 %	100.0 %
2121 Crystal Drive	100.0 %	C	Y	505,349	84.3 %	84.3 %	—
2345 Crystal Drive	100.0 %	C	Y	503,178	85.7 %	83.6 %	10.1 %
2231 Crystal Drive	100.0 %	C	Y	468,262	85.6 %	83.1 %	100.0 %
1550 Crystal Drive	100.0 %	C	Y	449,364	89.5 %	89.5 %	—
RTC-West ⁽⁶⁾	100.0 %	C	Y	432,509	94.5 %	94.5 %	—
RTC-West Retail	100.0 %	C	N	40,025	91.9 %	—	91.9 %
2011 Crystal Drive	100.0 %	C	Y	439,286	87.2 %	87.0 %	49.7 %
2451 Crystal Drive	100.0 %	C	Y	401,535	88.5 %	70.4 %	95.5 %
1235 S. Clark Street	100.0 %	C	Y	383,953	95.7 %	87.7 %	100.0 %
241 18th Street S.	100.0 %	C	Y	360,034	94.0 %	91.8 %	90.2 %
251 18th Street S.	100.0 %	C	Y	342,333	96.9 %	95.1 %	97.0 %
1215 S. Clark Street	100.0 %	C	Y	336,159	100.0 %	100.0 %	100.0 %
201 12th Street S.	100.0 %	C	Y	329,607	98.5 %	98.5 %	100.0 %
800 North Glebe Road	100.0 %	C	Y	303,644	98.5 %	100.0 %	82.3 %
2200 Crystal Drive	100.0 %	C	Y	283,608	82.8 %	76.2 %	—
1225 S. Clark Street	100.0 %	C	Y	277,145	96.9 %	53.5 %	100.0 %
1901 South Bell Street	100.0 %	C	Y	276,987	93.3 %	93.2 %	100.0 %
Crystal City Marriott (345 Rooms)	100.0 %	C	Y	266,000	—	—	—
2100 Crystal Drive	100.0 %	C	Y	249,281	100.0 %	97.4 %	—
1800 South Bell Street	100.0 %	C	N	215,828	100.0 %	100.0 %	100.0 %
200 12th Street S.	100.0 %	C	Y	202,708	90.5 %	90.5 %	—
2001 Richmond Highway ⁽⁶⁾	100.0 %	C	N	77,584	100.0 %	100.0 %	—
Crystal City Shops at 2100	100.0 %	C	Y	59,574	88.2 %	—	88.2 %
Crystal Drive Retail	100.0 %	C	Y	56,965	87.9 %	—	85.1 %
Central Place Tower ⁽⁴⁾⁽⁷⁾	50.0 %	U	N	552,437	93.0 %	92.6 %	100.0 %
Stonebridge at Potomac Town Center*	10.0 %	U	Y	503,613	95.8 %	—	95.4 %
Pickett Industrial Park	10.0 %	U	Y	246,145	100.0 %	100.0 %	—
Rosslyn Gateway-North	18.0 %	U	Y	144,157	87.6 %	86.8 %	96.0 %
Rosslyn Gateway-South	18.0 %	U	Y	102,194	86.9 %	90.6 %	40.4 %
MD							
7200 Wisconsin Avenue	100.0 %	C	Y	269,941	90.4 %	79.9 %	83.9 %
One Democracy Plaza* ⁽⁴⁾	100.0 %	C	Y	212,894	96.9 %	96.9 %	100.0 %
4749 Bethesda Avenue Retail	100.0 %	C	Y	7,999	47.9 %	—	47.9 %
11333 Woodglenn Drive	18.0 %	U	Y	62,650	97.6 %	97.2 %	100.0 %

Commercial Assets	% Ownership	C/U ⁽¹⁾	Same Store ⁽²⁾ : YTD 2018-2019	Total Square Feet	% Leased ⁽³⁾	Office % Occupied	Retail % Occupied
Total / Weighted Average				12,520,856	91.7%	88.8%	91.7%
Recently Delivered							
DC							
500 L'Enfant Plaza	49.0 %	U	N	215,213	85.7 %	79.2 %	—
Operating - Total / Weighted Average				12,736,069	91.6%	88.7%	91.7%
Under Construction							
D.C.							
1900 N Street ⁽⁴⁾	55.0 %	U		271,433	73.4 %		
VA							
1770 Crystal Drive	100.0 %	C		271,572	97.8 %		
Central District Retail	100.0 %	C		108,825	75.2 %		
MD							
4747 Bethesda Avenue ⁽⁸⁾	100.0 %	C		291,414	87.7 %		
Under Construction - Total / Weighted Average				943,244	85.1%		
Total / Weighted Average				13,679,313	91.1%		
Totals at JBG SMITH Share							
In service assets				10,602,754	91.5 %	88.3 %	91.2 %
Recently delivered assets				105,444	85.7 %	79.2 %	—
Operating assets				10,708,198	91.4 %	88.2 %	91.2 %
Under construction assets				821,099	86.8 %	—	—

Note: At 100% share, unless otherwise noted. Excludes our 10% subordinated interests in two commercial buildings held through a real estate venture in which we have no economic interest.

* Not Metro-served.

(1) "C" denotes a consolidated interest. "U" denotes an unconsolidated interest.

(2) "Y" denotes an asset as same store and "N" denotes an asset as non-same store. Same store refers to assets that were in service for the entirety of both periods being compared, except for assets for which significant redevelopment, renovation or repositioning occurred during either of the periods being compared.

(3) Represents percentage of total square feet subject to executed leases, including leases that have been executed but for which the tenants have not taken occupancy of the space.

(4) Asset is subject to a ground lease.

(5) This asset, a development site in Washington, D.C., was leased by us (as landlord) in 2018 for a 99-year term, with no extension options.

(6) The following assets contain space that is held for development or not otherwise available for lease. This out-of-service square footage is excluded from area, leased, and occupancy metrics in the above table.

Commercial Asset	In-Service	Not Available for Lease
RTC - West	432,509	17,988
2001 Richmond Highway	77,584	82,254

(7) In December 2019, we sold a 50% interest in a real estate venture that owns Central Place Tower.

(8) Includes our corporate office lease for approximately 84,400 square feet.

Multifamily Assets

Multifamily Assets	% Ownership	C/U ⁽¹⁾	Same Store ⁽²⁾ : YTD 2018-2019	Number of Units	Total Square Feet	% Leased ⁽³⁾	Multifamily % Occupied	Retail % Occupied
D.C.								
Fort Totten Square	100.0%	C	Y	345	384,956	95.6%	91.6%	100.0%
WestEnd25	100.0%	C	Y	283	273,264	94.3%	90.1%	—
FIRST Residences ⁽⁴⁾	100.0%	C	N	325	270,928	92.0%	91.7%	91.8%
1221 Van Street	100.0%	C	N	291	225,530	95.1%	92.1%	100.0%
North End Retail	100.0%	C	Y	—	27,355	95.6%	N/A	95.6%
The Gale Eckington	5.0%	U	Y	603	466,716	95.7%	93.2%	100.0%
Atlantic Plumbing	64.0%	U	Y	310	245,527	97.4%	94.8%	100.0%
VA								
RiverHouse Apartments	100.0%	C	Y	1,676	1,327,551	95.0%	93.4%	100.0%
The Bartlett	100.0%	C	Y	699	619,372	94.7%	93.8%	100.0%
220 20th Street	100.0%	C	Y	265	271,476	96.2%	93.2%	100.0%
2221 S. Clark Street	100.0%	C	Y	216	164,743	100.0%	100.0%	—
Fairway Apartments*	10.0%	U	Y	346	370,850	94.2%	93.1%	—
MD								
Falkland Chase-South & West	100.0%	C	Y	268	222,797	95.5%	94.4%	—
Falkland Chase-North	100.0%	C	Y	170	112,229	91.2%	91.2%	—
Galvan	1.8%	U	Y	356	390,641	96.0%	94.4%	96.8%
The Alaire ⁽⁵⁾	18.0%	U	Y	279	266,673	94.6%	92.5%	100.0%
The Terano ⁽⁵⁾⁽⁶⁾	1.8%	U	Y	214	195,864	94.1%	93.0%	76.2%
Total / Weighted Average				6,646	5,836,472	95.1%	93.3%	97.7%
Recently Delivered								
D.C.								
West Half ⁽⁷⁾	100.0%	C	N	465	388,653	30.2%	23.9%	57.1%
Operating - Total / Weighted Average				7,111	6,225,125	91.1%	88.7%	93.8%
Under Construction								
D.C.								
965 Florida Avenue ⁽⁸⁾	96.1%	C		433	336,092			
Atlantic Plumbing C	100.0%	C		256	225,531			
MD								
7900 Wisconsin Avenue	50.0%	U		322	359,025			
Under Construction - Total				1,011	920,648			
Total				8,122	7,145,773			
Totals at JBG SMITH Share								
In service assets				4,862	4,176,318	95.1%	93.3%	98.9%
Recently delivered assets				465	388,653	30.2%	23.9%	57.1%
Operating assets				5,327	4,564,971	89.5%	87.2%	93.2%
Under construction assets				833	728,163	—	—	—

Note: At 100% share, unless otherwise noted.

* Not Metro-served.

(1) "C" denotes a consolidated interest. "U" denotes an unconsolidated interest.

(2) "Y" denotes an asset as same store and "N" denotes an asset as non-same store. Same store refers to assets that were in service for the entirety of both periods being compared, except for assets for which significant redevelopment, renovation or repositioning occurred during either of the periods being compared.

(3) Represents percentage of total square feet subject to executed leases, including leases that have been executed but for which the tenants have not taken occupancy of the space.

(4) In December 2019, we acquired FIRST Residences for \$160.5 million.

- (5) Asset is subject to a ground lease.
- (6) The following asset contains space that is held for development or not otherwise available for lease. This out-of-service square footage is excluded from area, leased, and occupancy metrics in the above table.

Multifamily Asset	In-Service	Not Available for Lease
The Terano	195,864	3,904

- (7) During the third quarter of 2019, we completed the construction of West Half.
- (8) Ownership percentage reflects expected dilution of our real estate venture partner as contributions are funded during the construction of the asset. As of December 31, 2019, our ownership interest was 95.0%.

Near-Term Developments

As of December 31, 2019, we had no near-term development assets.

Future Developments

Region	Number of Assets	Estimated Potential Development Density (SF)				Estimated Commercial SF / Multifamily Units to be Replaced ⁽¹⁾
		Total	Office	Multifamily	Retail	
Owned						
D.C.						
D.C.	8	1,678,400	312,100	1,357,300	9,000	—
VA						
National Landing	11	6,910,400	2,135,000	4,655,700	119,700	293,412 SF
Reston	4	2,589,200	924,800	1,462,400	202,000	15 units
Other VA	4	199,600	88,200	102,100	9,300	21,568 SF
	19	9,699,200	3,148,000	6,220,200	331,000	314,980 SF / 15 units
MD						
Silver Spring	1	1,276,300	—	1,156,300	120,000	170 units
Greater Rockville	4	126,500	19,200	88,600	18,700	—
	5	1,402,800	19,200	1,244,900	138,700	170 units
Total / weighted average	32	12,780,400	3,479,300	8,822,400	478,700	314,980 SF / 185 units
Optioned ⁽²⁾						
D.C.						
D.C.	3	1,793,600	78,800	1,498,900	215,900	—
VA						
Other VA	1	11,300	—	10,400	900	—
Total / weighted average	4	1,804,900	78,800	1,509,300	216,800	—
Held for Sale						
VA						
National Landing ⁽³⁾	4	4,082,000	4,082,000	—	—	—
Total / Weighted Average	40	18,667,300	7,640,100	10,331,700	695,500	314,980 SF / 185 units

Note: At JBG SMITH share.

- (1) Represents management's estimate of the total office and/or retail rentable square feet and multifamily units that would need to be redeveloped to access some of the estimated potential development density.
- (2) As of December 31, 2019, the weighted average remaining term for the optioned future development assets is 4.5 years.
- (3) Represents the estimated potential development density that we have sold to Amazon pursuant to executed purchase and sale agreements. Subject to customary closing conditions, Amazon contracted to acquire these two development sites for an estimated aggregate \$293.9 million. In January 2020, we sold the Metropolitan Park land sites to Amazon for a gross sales price of \$155.0 million, which represents an \$11.0 million increase over the previously estimated contract value resulting from an increase in the approved development density on the sites. We expect the sale of the Pen Place land site to Amazon to be completed in 2021.

Major Tenants

The following table sets forth information for our 10 largest tenants by annualized rent for the year ended December 31, 2019:

Tenant	Number of Leases	Square Feet	At JBG SMITH Share			
			% of Total Square Feet	Annualized Rent (In thousands)	% of Total Annualized Rent	
GSA	67	2,447,892	25.8%	\$ 97,169	23.4%	
Family Health International	3	295,977	3.1%	15,311	3.7%	
Amazon	3	326,665	3.4%	14,130	3.4%	
Gartner, Inc	1	174,424	1.8%	11,360	2.7%	
Lockheed Martin Corporation	2	232,598	2.4%	10,860	2.6%	
Arlington County	2	235,779	2.5%	9,908	2.4%	
WeWork ⁽¹⁾	2	163,918	1.7%	8,543	2.1%	
Greenberg Traurig LLP	1	101,602	1.1%	7,304	1.8%	
Accenture LLP	2	116,736	1.2%	6,763	1.6%	
Public Broadcasting Service	1	140,885	1.5%	5,186	1.2%	
Total	84	4,236,476	44.5%	\$ 186,534	44.9%	

Note: Includes all in-place leases as of December 31, 2019 for office and retail space within our Operating Portfolio. As signed but not yet commenced leases commence and tenants take occupancy, our tenant concentration will change.

⁽¹⁾ Excludes the WeLive lease at 2221 South Clark Street.

Lease Expirations

The following table sets forth as of December 31, 2019 the scheduled expirations of tenant leases in our Operating Portfolio for each year from 2020 through 2028 and thereafter, assuming no exercise of renewal options or early termination rights:

Year of Lease Expiration	Number of Leases	Square Feet	At JBG SMITH Share				
			% of Total Square Feet	Annualized Rent (in thousands)	% of Total Annualized Rent	Annualized Rent Per Square Foot	Estimated Annualized Rent Per Square Foot at Expiration ⁽¹⁾
Month-to-Month	62	158,441	1.7%	\$ 5,049	1.2%	\$ 31.87	\$ 31.87
2020	160	1,051,182	11.1%	42,275	10.2%	40.22	40.62
2021	116	989,425	10.4%	46,014	11.1%	46.51	48.11
2022	104	1,539,568	16.2%	66,996	16.1%	43.52	45.65
2023	91	553,972	5.8%	24,274	5.8%	43.82	47.32
2024	97	1,047,902	11.0%	48,004	11.5%	45.81	49.99
2025	76	608,702	6.4%	25,315	6.1%	41.59	46.98
2026	55	265,397	2.8%	11,607	2.8%	43.73	50.36
2027	49	455,115	4.8%	20,166	4.8%	44.31	52.37
2028	45	386,045	4.1%	17,902	4.3%	46.37	55.62
Thereafter	99	2,440,276	25.7%	108,449	26.1%	44.44	56.84
Total / Weighted Average	954	9,496,025	100.0%	\$ 416,051	100.0%	\$ 43.81	\$ 49.52

Note: Includes all in-place leases as of December 31, 2019 for office and retail space within our Operating Portfolio and assuming no exercise of renewal options or early termination rights. The weighted average remaining lease term for the entire portfolio is 5.8 years.

⁽¹⁾ Represents monthly base rent before free rent, plus tenant reimbursements, as of lease expiration multiplied by 12 and divided by square feet. Triple net leases are converted to a gross basis by adding tenant reimbursements to monthly base rent. Tenant reimbursements at lease expiration are estimated by escalating tenant reimbursements as of December 31, 2019, or management's estimate thereof, by 2.75% annually through the lease expiration year.

ITEM 3. LEGAL PROCEEDINGS

We are, from time to time, involved in legal actions arising in the ordinary course of business. In our opinion, the outcome of such matters is not expected to have a material adverse effect on our financial position, results of operations or cash flows.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information and Dividends

Our common shares began regular way trading on the New York Stock Exchange, or NYSE, on July 18, 2017, under the symbol "JBGS." On February 20, 2020, there were 912 holders of record of our common shares. This does not reflect individuals or other entities who hold their shares in "street name."

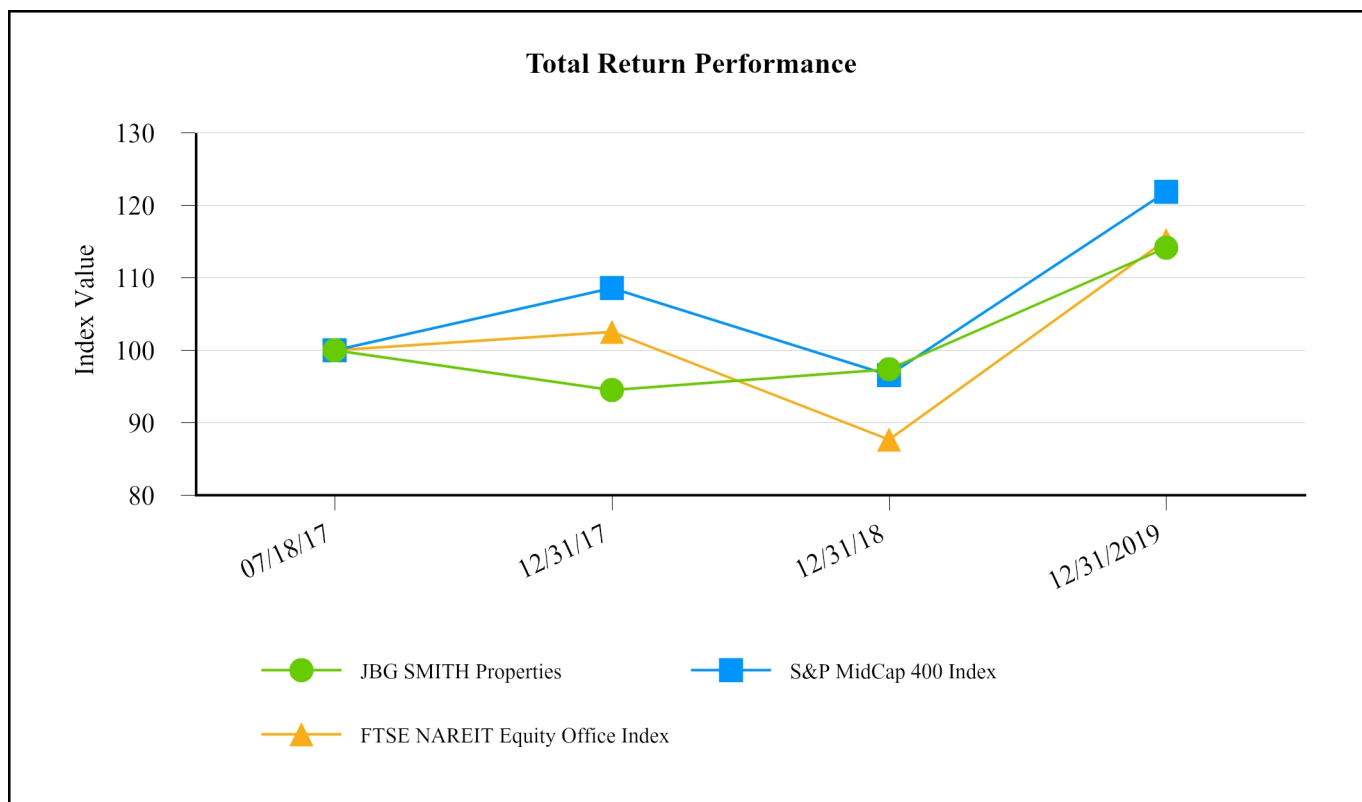
Dividends declared in 2019 totaled \$0.90 per common share (regular quarterly dividends of \$0.225 per common share each quarter). Dividends declared in 2018 totaled \$1.00 per common share (regular quarterly dividends of \$0.225 per common share each quarter plus a special dividend of \$0.10 per common share). Dividends declared in 2017 totaled \$0.45 per common share (regular quarterly dividends of \$0.225 per common share each quarter following the Formation Transaction). While future dividends will be declared at the discretion of our Board of Trustees and will depend upon cash generated by our operating activities, our financial condition, capital requirements, annual distribution requirements under the REIT provisions of the Code and such other factors as our Board of Trustees deems relevant, management currently expects regular quarterly dividends in 2020 will be comparable in amount with those declared in 2019. To qualify for the beneficial tax treatment accorded to REITs under the Code, we are currently required to make distributions to holders of our shares in an amount equal to at least 90% of our REIT taxable income as defined in Section 857 of the Code.

The annual dividend amounts are different from dividends as calculated for federal income tax purposes. Distributions to the extent of our current and accumulated earnings and profits for federal income tax purposes generally will be taxable to a shareholder as ordinary dividend income. Distributions in excess of current and accumulated earnings and profits will be treated as a nontaxable reduction of the shareholder's basis in such shareholder's shares, to the extent thereof, and thereafter as taxable capital gain. Distributions that are treated as a reduction of the shareholder's basis in its shares will have the effect of increasing the amount of gain, or reducing the amount of loss, recognized upon the sale of the shareholder's shares. No assurances can be given regarding what portion, if any, of distributions in 2020 or subsequent years will constitute a return of capital for federal income tax purposes. During a year in which a REIT earns a net long-term capital gain, the REIT can elect under Section 857(b)(3) of the Code to designate a portion of dividends paid to shareholders as capital gain dividends. If this election is made, the capital gain dividends are generally taxable to the shareholder as long-term capital gains.

Performance Graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings of under the Securities Act or the Exchange Act.

The graph below compares the cumulative total return of our common shares, the S&P MidCap 400 Index and the FTSE NAREIT Equity Office Index, from July 18, 2017 (the completion date of the Formation Transaction) through December 31, 2019. The comparison assumes \$100 was invested on July 18, 2017 in our common shares and in each of the foregoing indexes and assumes reinvestment of dividends, as applicable. We have included the FTSE NAREIT Equity Office Index because we believe that it is representative of the industry in which we compete and is relevant to an assessment of our performance. There can be no assurance that the performance of our shares will continue in line with the same or similar trends depicted in the graph below.



	<i>Period Ending</i>			
	<u>7/18/2017</u>	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>
JBG SMITH Properties	100.00	94.51	97.36	114.18
S&P MidCap 400 Index	100.00	108.61	96.58	121.88
FTSE NAREIT Equity Office Index	100.00	102.57	87.70	115.25

Sales of Unregistered Shares

During the year ended December 31, 2019, we did not sell any unregistered securities.

Repurchases of Equity Securities

During the year ended December 31, 2019, we did not repurchase any of our equity securities.

Equity Compensation Plan Information

Information regarding equity compensation plans is presented in Part III, Item 12 of this Annual Report on Form 10-K and incorporated herein by reference.

ITEM 6. SELECTED FINANCIAL DATA

The following table includes selected consolidated and combined financial data set forth as of and for each of the five years in the period ended December 31, 2019. The consolidated balance sheets as of December 31, 2019, 2018 and 2017 reflect the consolidation of properties that are wholly owned and properties in which we own less than 100% interest, including JBG SMITH LP, but in which we have a controlling interest. The consolidated statements of operations for the years ended December 31, 2019 and 2018 include our consolidated accounts. The consolidated and combined statement of operations for the year ended December 31, 2017 includes our consolidated accounts and the combined accounts of the Vornado Included Assets. Accordingly, the results presented for the year ended December 31, 2017 reflect the operations, comprehensive income (loss), and changes in cash flows and equity on a carved-out and combined basis for the period from January 1, 2017 through the date of the Separation and on a consolidated basis subsequent to the Separation. Consequently, our results for the periods before and after the Formation Transaction are not

directly comparable. The financial data for the periods prior to the Separation consist of the Vornado Included Assets and are derived from audited combined financial statements. This selected financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations", and our audited consolidated and combined financial statements and related notes included in Part II, Items 7 and 8 of this Annual Report on Form 10-K.

	Year Ended December 31,				
	2019	2018	2017	2016	2015
	(In thousands, except per share data)				
Statement of Operations Data:					
Total revenue	\$ 647,770	\$ 644,182	\$ 543,013	\$ 478,519	\$ 470,607
Depreciation and amortization	191,580	211,436	161,659	133,343	144,984
Property operating	137,622	148,081	118,836	100,304	101,511
Real estate taxes	70,493	71,054	66,434	57,784	58,874
General and administrative:					
Corporate and other	46,822	33,728	39,350	48,753	44,424
Third-party real estate services	113,495	89,826	51,919	19,066	18,217
Share-based compensation related to Formation Transaction and special equity awards	42,162	36,030	29,251	—	—
Transaction and other costs	23,235	27,706	127,739	6,476	—
Total expenses	625,409	617,861	595,188	365,726	368,010
Other income (expense):					
Income (loss) from unconsolidated real estate ventures, net	(1,395)	39,409	(4,143)	(947)	(4,283)
Interest and other income, net	5,385	15,168	1,788	2,992	2,557
Interest expense	(52,695)	(74,447)	(58,141)	(51,781)	(50,823)
Gain on sale of real estate	104,991	52,183	—	—	—
Loss on extinguishment of debt	(5,805)	(5,153)	(701)	—	—
Gain (reduction of gain) on bargain purchase	—	(7,606)	24,376	—	—
Total other income (expense)	50,481	19,554	(36,821)	(49,736)	(52,549)
Income (loss) before income tax (expense) benefit	72,842	45,875	(88,996)	63,057	50,048
Income tax (expense) benefit	1,302	738	9,912	(1,083)	(420)
Net income (loss)	74,144	46,613	(79,084)	61,974	49,628
Net (income) loss attributable to redeemable noncontrolling interests	(8,573)	(6,710)	7,328	—	—
Net loss attributable to noncontrolling interest	—	21	3	—	—
Net income (loss) attributable to common shareholders	\$ 65,571	\$ 39,924	\$ (71,753)	\$ 61,974	\$ 49,628
Earnings (loss) per common share:					
Basic	\$ 0.48	\$ 0.31	\$ (0.70)	\$ 0.62	\$ 0.49
Diluted	\$ 0.48	\$ 0.31	\$ (0.70)	\$ 0.62	\$ 0.49
Weighted average number of common shares outstanding - basic and diluted	130,687	119,176	105,359	100,571	100,571

Year Ended December 31,

	2019	2018	2017	2016	2015
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(In thousands, except per share data)

Balance Sheet Data:

Real estate, net	\$ 4,655,948	\$ 4,740,859	\$ 5,006,174	\$ 3,224,622	\$ 3,129,973
Total assets	5,986,251	5,997,285	6,071,807	3,660,640	3,575,878
Mortgages payable, net	1,125,777	1,838,381	2,025,692	1,165,014	1,302,956
Revolving credit facility	200,000	—	115,751	—	—
Unsecured term loans, net	297,295	297,129	46,537	—	—
Redeemable noncontrolling interests	612,758	558,140	609,129	—	—
Total equity	3,386,677	2,987,352	2,974,814	2,121,984	2,059,491

Cash Flow Statement Data:

Provided by operating activities	\$ 173,986	\$ 188,193	\$ 74,183	\$ 159,541	\$ 178,230
Provided by (used in) investing activities	(240,672)	66,327	(7,676)	(258,807)	(236,617)
Provided by (used in) financing activities	(190,330)	(193,545)	239,787	51,083	122,671

Other Information:

Dividends declared per common share	\$ 0.90	\$ 1.00	\$ 0.45	—	—
Funds from operations ("FFO") attributable to common shareholders ⁽¹⁾	\$ 150,590	\$ 158,640	—	—	—
FFO per diluted common share ⁽¹⁾	\$ 1.15	\$ 1.33	—	—	—

⁽¹⁾ FFO attributable to common shareholders and FFO per diluted common share prior to the year ended December 31, 2018 are excluded since periods before and after the Formation Transaction are not directly comparable. See "Management's Discussion and Analysis of Financial Condition and Results of Operations-Funds from Operations" for a reconciliation of net income attributable to common shareholders, the most directly comparable GAAP measure, to FFO.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated and combined financial statements and notes thereto appearing in Item 8 - Financial Statements and Supplementary Data of this Annual Report on Form 10-K.

Organization and Basis of Presentation

JBG SMITH was organized as a Maryland REIT for the purpose of receiving, via the spin-off on July 17, 2017, substantially all of the assets and liabilities of Vornado's Washington, D.C. segment. On July 18, 2017, JBG SMITH acquired the management business and certain assets and liabilities of JBG. Substantially all of our assets are held by, and our operations are conducted through, JBG SMITH LP, our operating partnership.

Prior to the Separation from Vornado, JBG SMITH was a wholly owned subsidiary of Vornado and had no material assets or operations. On July 17, 2017, Vornado distributed 100% of the then outstanding common shares of JBG SMITH on a pro rata basis to the holders of its common shares. Prior to such distribution by Vornado, Vornado Realty L.P. ("VRLP"), Vornado's operating partnership, distributed OP Units in JBG SMITH LP on a pro rata basis to the holders of VRLP's common limited partnership units, consisting of Vornado and the other common limited partners of VRLP. Following such distribution by VRLP and prior to such distribution by Vornado, Vornado contributed to JBG SMITH all of the OP Units it received in exchange for common shares of JBG SMITH.

Our operations are presented as if the transfer of the Vornado Included Assets had been consummated prior to all historical periods presented in the accompanying consolidated and combined financial statements at the carrying amounts of such assets and liabilities reflected in Vornado's books and records. The assets and liabilities of the JBG Assets and subsequent results of operations and cash flows are reflected in our consolidated and combined financial statements beginning on the date of the Combination.

The following is a discussion of the historical results of operations and liquidity and capital resources of JBG SMITH as of December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019, which includes results prior to the consummation of the Formation Transaction. The historical results presented prior to the consummation of the Formation Transaction include the Vornado Included Assets, all of which were under common control of Vornado until July 17, 2017. Unless otherwise specified, the discussion of the historical results prior to July 18, 2017 does not include the results of the JBG Assets. Consequently, our results for the periods before and after the Formation Transaction are not directly comparable.

References to the financial statements refer to our consolidated and combined financial statements as of December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019. References to our balance sheets refer to our consolidated balance sheets as of December 31, 2019 and 2018. References to our statements of operations refer to our consolidated and combined statements of operations for each of the three years in the period ended December 31, 2019. References to our statements of cash flows refer to our consolidated and combined statements of cash flows for each of the three years in the period ended December 31, 2019.

The accompanying financial statements are prepared in accordance with GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates. The historical financial results for the Vornado Included Assets for periods prior to the Formation Transaction reflect charges for certain corporate costs allocated by Vornado which were based on either actual costs incurred or a proportion of costs estimated to be applicable to the Vornado Included Assets based on an analysis of key metrics, including total revenues. Such costs do not necessarily reflect what the actual costs would have been if JBG SMITH had been operating as a separate standalone public company. These charges are discussed further in Note 20 to the financial statements included herein.

We have elected to be taxed as a REIT under sections 856-860 of the Code. Under those sections, a REIT which distributes at least 90% of its REIT taxable income as dividends to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. We intend to adhere to these requirements and maintain our REIT status in future periods. We also participate in the activities conducted by subsidiary entities which have elected to be treated as TRSs under the Code. As such, we are subject to federal, state, and local taxes on the income from these activities.

As a REIT, we can reduce our taxable income by distributing all or a portion of such taxable income to shareholders. Future distributions will be declared and paid at the discretion of the Board of Trustees and will depend upon cash generated by operating activities, our financial condition, capital requirements, annual dividend requirements under the REIT provisions of the Code, and such other factors as our Board of Trustees deems relevant.

We also participate in the activities conducted by our subsidiary entities that have elected to be treated as TRSs under the Code. As such, we are subject to federal, state, and local taxes on the income from these activities. Income taxes attributable to our TRSs are accounted for under the asset and liability method. Under the asset and liability method, deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements, which will result in taxable or deductible amounts in the future.

We aggregate our operating segments into three reportable segments (commercial, multifamily, and third-party asset management and real estate services) based on the economic characteristics and nature of our assets and services.

We compete with a large number of property owners and developers. Our success depends upon, among other factors, trends affecting national and local economies, the financial condition and operating results of current and prospective tenants, the availability and cost of capital, interest rates, construction and renovation costs, taxes, governmental regulations and legislation, population trends, zoning laws, and our ability to lease, sublease or sell our assets at profitable levels. Our success is also subject to our ability to refinance existing debt on acceptable terms as it comes due.

Overview

We own and operate a portfolio of high-growth commercial and multifamily assets, many of which are amenitized with ancillary retail. Our portfolio reflects our longstanding strategy of owning and operating assets within Metro-served submarkets in the Washington, D.C. metropolitan area that have high barriers to entry and key urban amenities, including being within walking distance of a Metro station.

As of December 31, 2019, our Operating Portfolio consists of 62 operating assets comprising 44 commercial assets totaling 12.7 million square feet (10.7 million square feet at our share) and 18 multifamily assets totaling 7,111 units (5,327 units at our share). Additionally, we have (i) seven assets under construction comprising four commercial assets totaling 943,000 square feet (821,000 square feet at our share) and three multifamily assets totaling 1,011 units (833 units at our share); and (ii) 40 future development assets totaling 21.9 million square feet (18.7 million square feet at our share) of estimated potential development density.

During 2019, we sold or recapitalized approximately \$426 million of assets, which included approximately \$270 million of operating assets, that were identified for sale or recapitalization because of their relatively low expected return potential and their high tax basis, enabling better capital retention. The assets sold or recapitalized generated approximately \$10 million of NOI in 2019. We expect to continue this opportunistic strategy in 2020 by marketing over \$500 million of assets for sale. Based on the current challenging investment sales market, and our opportunistic expectations as a seller, we expect to transact on at least \$200 million in 2020. Also, consistent with our approach to capital recycling, in the competitive Washington, D.C. office leasing market, we are focused on retaining tenants and avoiding the costly concessions associated with backfilling vacancy. We believe this approach produces a higher comparable return while better positioning assets for potential sale or recapitalization, and simultaneously de-risking them at a time of greater supply and cyclical downturn risk. The lease renewals we executed in 2017 and 2018 reduced our NOI in 2019, primarily due to free rent associated with these early renewals. Because (i) the concessions in our commercial portfolio have burned off to stabilized levels, (ii) we delivered Under Construction assets on or ahead of schedule, and (iii) we acquired FIRST Residences, we expect NOI to rebound in 2020. We do not, however, expect to see this NOI increase immediately flow through to FFO in 2020, primarily due to the reduction in capitalized interest from the delivery of our assets under construction. As these assets stabilize, we expect the increase in earnings to offset the increase in interest expense which will increase FFO.

Since mid-2017, we have been focused on a comprehensive plan to reposition our holdings in National Landing through a broad array of Placemaking strategies. Our Placemaking strategies include the delivery of new multifamily and office developments, locally sourced amenity retail and thoughtful improvements to the streetscape, sidewalks, parks and other outdoor gathering spaces. In keeping with our dedication to Placemaking, each new project is intended to contribute to authentic and distinct neighborhoods by creating a vibrant street environment with a robust offering of amenity retail and improved public spaces.

In November 2018, Amazon announced it had selected sites that we own in National Landing in Northern Virginia as the location of an additional headquarters. To date, Amazon has executed leases totaling approximately 857,000 square feet at five office buildings in our National Landing portfolio. In March 2019, we executed three initial leases with Amazon totaling approximately 537,000 square feet at three of our office buildings in National Landing. These three initial leases encompass approximately 88,000 square feet at 241 18th Street South, approximately 191,000 square feet at 1800 South Bell Street, and approximately 258,000 square feet at 1770 Crystal Drive. Amazon began moving into 241 18th Street South and 1800 South Bell in 2019, and we expect Amazon to begin moving into 1770 Crystal Drive by the end of 2020. In April 2019, we executed a lease with Amazon for an additional approximately 48,000 square feet of office space at 2345 Crystal Drive in National Landing. Amazon moved its first employees into 2345 Crystal Drive during the second quarter of 2019. In December 2019, we executed a lease with Amazon for an additional approximately 272,000 square feet of office space at 2100 Crystal Drive in National Landing. We expect Amazon to begin occupying space in 2100 Crystal Drive in late 2020.

In March 2019, we also executed purchase and sale agreements with Amazon for two of our National Landing development sites, Metropolitan Park and Pen Place, which will serve as the initial phase of new construction associated with Amazon's new headquarters at National Landing. Subject to customary closing conditions, Amazon contracted to acquire these two development sites for an estimated aggregate \$293.9 million, or \$72.00 per square foot based on their combined estimated potential development density of up to approximately 4.1 million square feet. In May 2019, Amazon submitted its plans to Arlington County for approval of two new office buildings, totaling 2.1 million square feet, inclusive of over 50,000 square feet of street-level retail with new shops and restaurants, on the Metropolitan Park land sites. In January 2020, we sold the Metropolitan Park land sites to Amazon for \$155.0 million, which represents an \$11.0 million increase over the previously estimated contract value resulting from an increase in the approved development density on the sites. We expect the sale of the Pen Place land site to Amazon to be completed in 2021. We are the developer, property manager and retail leasing agent for Amazon's new headquarters at National Landing.

In February 2019, the Commonwealth of Virginia enacted an incentives bill, which provides tax incentives to Amazon if it creates up to 37,850 full-time jobs with average salaries of \$150,000 or higher in National Landing. As part of the incentive package, we expect \$1.8 billion in infrastructure and education investments led by state and local governments.

Key highlights of operating results for the years ended December 31, 2019 included:

- net income attributable to common shareholders of \$65.6 million, or \$0.48 per diluted common share, for the year ended December 31, 2019 as compared to \$39.9 million, or \$0.31 per diluted common share, for the year ended December 31, 2018. Net income attributable to common shareholders for the years ended December 31, 2019 and 2018 included gains on the sale of real estate of \$105.0 million and \$52.2 million, and transaction and other costs of \$23.2 million and \$27.7 million;
- third-party real estate services revenue, including reimbursements, of \$120.9 million for the year ended December 31, 2019 as compared to \$98.7 million for the year ended December 31, 2018;
- operating commercial portfolio leased and occupied percentages at our share of 91.4% and 88.2% as of December 31, 2019 compared to 89.6% and 85.5% as of December 31, 2018;
- operating multifamily portfolio leased and occupied percentages at our share of 89.5% and 87.2% as of December 31, 2019 and 95.7% and 93.9% as of December 31, 2018. The decreases are due in part to the movement of West Half into our recently delivered operating assets during the fourth quarter of 2019. The in service operating multifamily portfolio was 95.1% leased and 93.3% occupied as of December 31, 2019;
- the leasing of approximately 2.3 million square feet, or 2.1 million square feet at our share, at an initial rent⁽¹⁾ of \$45.61 per square foot and a GAAP-basis weighted average rent per square foot⁽²⁾ of \$46.31 for the year ended December 31, 2019; and
- a decrease in same store⁽³⁾ NOI of 7.0% to \$292.3 million for the year ended December 31, 2019 as compared to \$314.1 million for the year ended December 31, 2018.

⁽¹⁾ Represents the cash basis weighted average starting rent per square foot, which excludes free rent and fixed escalations.

⁽²⁾ Represents the weighted average rent per square foot that is recognized over the term of the respective leases, including the effect of free rent and fixed escalations.

⁽³⁾ Includes the results of the properties that are owned, operated and in service for the entirety of both periods being compared except for properties for which significant redevelopment, renovation or repositioning occurred during either of the periods being compared.

Additionally, investing and financing activity during the year ended December 31, 2019 included:

- the closing of an underwritten public offering of 11.5 million common shares (including 1.5 million common shares related to the exercise of the underwriters' option to cover over-allotments) at \$42.00 per share, which generated net proceeds, after deducting the underwriting discounts and commissions and other offering expenses, of \$472.8 million;
- the sale of three commercial assets for the gross sales price of \$165.4 million, and the sale of a 50.0% interest in a real estate venture that owns Central Place Tower for the gross sales price of \$220.0 million;
- the execution of agreements for the sale of the Pen Place and Metropolitan Park land sites with Amazon for its headquarters in National Landing, for an estimated aggregate \$293.9 million. In January 2020, we sold the Metropolitan Park land sites to Amazon for the gross sales price of \$155.0 million, which represents an \$11.0 million increase over the previously estimated contract value as the result of an increase in the approved development density on the sites;
- the acquisition of FIRST Residences, a 325-unit multifamily asset located in the Ballpark submarket of Washington, D.C. with approximately 21,000 square feet of street level retail, for \$160.5 million through a like-kind exchange agreement with a third-party intermediary;
- a \$200.0 million draw under the revolving credit facility, which was repaid in 2020;
- the repayment of mortgages payable totaling \$709.1 million;
- the payment of dividends totaling \$129.8 million and distributions to our noncontrolling interests of \$17.4 million; and
- the investment of \$441.0 million in development, construction in progress and real estate additions.

Activity subsequent to December 31, 2019 included:

- the amendment of the credit facility to extend the maturity date of the revolving credit facility to January 2025;
- the closing of a mortgage loan with a principal balance of \$175.0 million collateralized by 4747 and 4749 Bethesda Avenue; and
- the issuance of 471,598 long-term incentive partnership units ("LTIP Units") and 593,100 LTIP Units with performance-based vesting requirements ("Performance-Based LTIP Units") to management and employees with an estimated aggregate fair value of \$29.4 million.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP, requires management to make estimates and assumptions that in certain circumstances may significantly impact our financial results. These estimates are prepared using management's best judgment, after considering past and current events and economic conditions. In addition, certain information relied upon by management in preparing such estimates includes internally generated financial and operating information, external market information, when available, and when necessary, information obtained from consultations with third-party experts. Actual results could differ from these estimates. We consider an accounting estimate to be critical if changes in the estimate could have a material impact on our consolidated and combined results of operations or financial condition.

Our significant accounting policies are more fully described in Note 2 to the financial statements included in Part II, Item 8 of this Annual Report on Form 10-K; however, the most critical accounting policies, which involve the use of estimates and assumptions as to future uncertainties and, therefore, may result in actual amounts that differ from estimates, are as follows:

Asset Acquisitions and Business Combinations

We account for asset acquisitions, which includes the consolidation of previously unconsolidated real estate ventures, at cost, including transaction costs, plus the fair value of any assumed debt. We estimate the fair values of acquired tangible assets (consisting of real estate, cash and cash equivalents, tenant and other receivables, investments in unconsolidated real estate ventures and other assets, as applicable), identified intangible assets and liabilities (consisting of the value of in-place leases, above- and below-market leases, options to enter into ground leases and management contracts, as applicable), assumed debt and other liabilities, and noncontrolling interests, as applicable, based on our evaluation of information and estimates available at the date of acquisition. Based on these estimates, we allocate the purchase price, including all transaction costs related to the acquisition, to the identified assets acquired and liabilities assumed based on their relative fair value.

We similarly account for business combinations by estimating the fair values of acquired tangible assets, identified intangible assets and liabilities, assumed debt and other liabilities, and noncontrolling interests, as applicable, based on our evaluation of information and estimates. Any excess of the purchase price over the estimated fair value of the net assets acquired is recorded as goodwill, and any excess of the fair value of assets acquired over the purchase price is recorded as a gain on bargain purchase. If, up to one year from the acquisition date, information regarding the fair value of the assets acquired and liabilities assumed is received and the estimates are refined, appropriate adjustments are made on a prospective basis to the purchase price allocation, which may include adjustments to identified assets, assumed liabilities, and goodwill or the gain on bargain purchase, as applicable. Transaction costs are expensed as incurred and included in "Transaction and other costs" in our statements of operations.

For both asset acquisitions and business combinations, the results of operations of acquisitions are prospectively included in our financial statements beginning with the date of the acquisition.

The fair values of buildings are determined using the "as-if vacant" approach whereby we use discounted cash flow models with inputs and assumptions that we believe are consistent with current market conditions for similar assets. The most significant assumptions in determining the allocation of the purchase price to buildings are the exit capitalization rate, discount rate, estimated market rents and hypothetical expected lease-up periods. We assess fair value of land based on market comparisons and development projects using an income approach of cost plus a margin.

The fair values of identified intangible assets are determined based on the following:

- The value allocable to the above- or below-market component of an acquired in-place lease is determined based upon the present value (using a discount rate which reflects the risks associated with the acquired lease) of the difference between (i) the contractual amounts to be received pursuant to the lease over its remaining term and (ii) management's estimate of the amounts that would be received using market rates over the remaining term of the lease. Amounts allocated to above- market leases are recorded as lease intangible assets in "Other assets, net" in our balance sheets, and amounts allocated to below-market leases are recorded as lease intangible liabilities in "Other liabilities, net" in our balance sheets. These intangibles are amortized to "Property rentals revenue" in our statements of operations over the remaining terms of the respective leases;

- Factors considered in determining the value allocable to in-place leases during hypothetical lease-up periods related to space that is leased at the time of acquisition include (i) lost rent and operating cost recoveries during the hypothetical lease-up period and (ii) theoretical leasing commissions required to execute similar leases. These intangible assets are recorded as lease intangible assets in "Other assets, net" in our balance sheets and are amortized to "Depreciation and amortization expense" in our statements of operations over the remaining term of the existing lease; and
- The fair value of the in-place property management, leasing, asset management, and development and construction management contracts is based on revenue and expense projections over the estimated life of each contract discounted using a market discount rate. These management contract intangibles are amortized to "Depreciation and amortization expense" in our statements of operations over the weighted average life of the management contracts.

The fair value of investments in unconsolidated real estate ventures and related noncontrolling interests is based on the estimated fair values of the identified assets acquired and liabilities assumed of each venture, including future expected cash flows from promote interests.

The fair value of the mortgages payable assumed is determined using current market interest rates for comparable debt financings. The fair values of the interest rate swaps and caps are based on the estimated amounts we would receive or pay to terminate the contract at the acquisition date and are determined using interest rate pricing models and observable inputs. The carrying value of cash, restricted cash, working capital balances, leasehold improvements and equipment, and other assets acquired and liabilities assumed approximates fair value.

Real Estate

Real estate is carried at cost, net of accumulated depreciation and amortization. Maintenance and repairs are expensed as incurred and are included in "Property operating expenses" in our statements of operations. As real estate is undergoing redevelopment activities, all property operating expenses directly associated with and attributable to the redevelopment, including interest expense, are capitalized to the extent that we believe such costs are recoverable through the value of the property. The capitalization period ends when the asset is ready for its intended use, but no later than one year from substantial completion of major construction activities. General and administrative costs are expensed as incurred. Depreciation and amortization require an estimate of the useful life of each property and improvement as well as an allocation of the costs associated with a property to its various components. Depreciation and amortization are recognized on a straight-line basis over estimated useful lives, which range from three to 40 years. Tenant improvements are amortized on a straight-line basis over the lives of the related leases, which approximate the useful lives of the tenant improvements. When assets are sold or retired, their costs and related accumulated depreciation are removed from the accounts with the resulting gains or losses reflected in net income or loss for the period.

Construction in progress, including land, is carried at cost, and no depreciation is recorded. Real estate undergoing significant renovations and improvements is considered to be under development. All direct and indirect costs related to development activities are capitalized into "Construction in progress, including land" on our balance sheets, except for certain demolition costs, which are expensed as incurred. Direct development costs incurred include: pre-development expenditures directly related to a specific project, development and construction costs, interest, insurance and real estate taxes. Indirect development costs include: employee salaries and benefits, travel and other related costs that are directly associated with the development. Our method of calculating capitalized interest expense is based upon applying our weighted average borrowing rate to the actual accumulated expenditures if the property does not have property specific debt. If the property is encumbered by specific debt, we will capitalize both the interest incurred applicable to that debt and additional interest expense using our weighted average borrowing rate for any accumulated expenditures in excess of the principal balance of the debt encumbering the property. The capitalization of such expenses ceases when the real estate is ready for its intended use, but no later than one-year from substantial completion of major construction activities.

Our assets and related intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment exists when the carrying amount of an asset exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Estimates of future cash flows are based on our current plans, intended holding periods and available market information at the time the analyses are prepared. An impairment loss is recognized if the carrying amount of the asset is not recoverable and is measured based on the excess of the property's carrying amount over its estimated fair value. If our estimates of future cash flows, anticipated holding periods, or fair values change, based on market conditions or otherwise, our evaluation of impairment charges may be different and such differences could be material to our financial statements. Estimates of future cash flows are subjective and are based, in part, on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results.

Investments in Real Estate Ventures

We analyze our real estate ventures to determine whether the entities should be consolidated. If it is determined that these entities are variable interest entities ("VIEs") in which we have a variable interest, we assess whether we are the primary beneficiary of the VIE to determine whether it should be consolidated. We are not the primary beneficiary of entities when we do not have voting control, lack the power to direct the activities that most significantly impact the entity's economic performance, or the limited partners (or non-managing members) have substantive participatory rights. If it is determined that these entities are not VIEs, then the determination as to whether we consolidate is based on whether we have a controlling financial interest in the entity, which is based on our voting interests and the degree of influence we have over the entity. Management uses its judgment when determining if we are the primary beneficiary of, or have a controlling financial interest in, an entity in which we have a variable interest. Factors considered in determining whether we have the power to direct the activities that most significantly impact the entity's economic performance include voting rights, involvement in day-to-day capital and operating decisions and the extent of our involvement in the entity.

We use the equity method of accounting for investments in unconsolidated real estate ventures when we have significant influence but do not have a controlling financial interest. Significant influence is typically indicated through ownership of 20% or more of the voting interests. Under the equity method, we record our investments in these entities in "Investments in unconsolidated real estate ventures" on our balance sheets, and our proportionate share of earnings or losses earned by the real estate venture is recognized in "Income (loss) from unconsolidated real estate ventures, net" in the accompanying statements of operations. We earn revenues from the management services we provide to unconsolidated entities. These fees are determined in accordance with the terms specific to each arrangement and may include property and asset management fees or transactional fees for leasing, acquisition, development and construction, financing and legal services provided. We account for this revenue gross of our ownership interest in each respective real estate venture and recognize such revenue in "Third-party real estate services, including reimbursements" in our statements of operations when earned. Our proportionate share of related expenses is recognized in "Income (loss) from unconsolidated real estate ventures, net" in our statements of operations.

We may also earn incremental promote distributions if certain financial return benchmarks are achieved upon ultimate disposition of the underlying properties. Promote fees are recognized when certain earnings events have occurred, and the amount is determinable and collectible. Any promote fees are reflected in "Income (loss) from unconsolidated real estate ventures, net" in our statements of operations.

With regard to distributions from unconsolidated real estate ventures, we use the information that is available to us to determine the nature of the underlying activity that generated the distributions. Using the nature of distribution approach, cash flows generated from the operations of an unconsolidated real estate venture are classified as a return on investment (cash inflow from operating activities) and cash flows from property sales, debt refinancing or sales of our investments are classified as a return of investment (cash inflow from investing activities).

On a periodic basis, we evaluate our investments in unconsolidated entities for impairment. We assess whether there are any indicators, including underlying property operating performance and general market conditions, that the value of our investments in unconsolidated real estate ventures may be impaired. An investment in a real estate venture is considered impaired if we determine that its fair value is less than the net carrying value of the investment in that real estate venture on an other-than-temporary basis. Cash flow projections for the investments consider property level factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. We consider various qualitative factors to determine if a decrease in the value of our investment is other-than-temporary. These factors include age of the venture, our intent and ability to retain our investment in the entity, financial condition and long-term prospects of the entity and relationships with our partners and banks. If we believe that the decline in the fair value of the investment is temporary, no impairment charge is recorded. If our analysis indicates that there is an other-than temporary impairment related to the investment in a particular real estate venture, the carrying value of the venture will be adjusted to an amount that reflects the estimated fair value of the investment.

Revenue Recognition

We have leases with various tenants across our portfolio of properties, which generate rental income and operating cash flows for our benefit. Through these leases, we provide tenants with the right to control the use of our real estate, which tenants agree to use and control. The right to control our real estate conveys to our tenants substantially all of the economic benefits and the right to direct how and for what purpose the real estate is used throughout the period of use, thereby meeting the definition of a lease. Leases will be classified as either operating, sales-type or direct finance leases based on whether the lease is structured in effect as a financed purchase.

Property rentals revenue includes base rent each tenant pays in accordance with the terms of its respective lease and is reported on a straight-line basis over the non-cancellable term of the lease, which includes the effects of periodic step-ups in rent and rent abatements under the lease. When a renewal option is included within the lease, we assess whether the option is reasonably certain

of being exercised against relevant economic factors to determine whether the option period should be included as part of the lease term. Further, property rentals revenue includes tenant reimbursements revenue from the recovery of all or a portion of the operating expenses and real estate taxes of the respective assets. Tenant reimbursements, which vary each period, are non-lease components that are not the predominant activity within the contract. We combine certain lease and non-lease components of our operating leases. Non-lease components are recognized together with fixed base rent in "Property rentals revenue", as variable lease income in the same periods as the related expenses are incurred. Certain commercial leases may also provide for the payment by the lessee of additional rents based on a percentage of sales, which are recorded as variable lease income in the period the additional rents are earned.

We commence rental revenue recognition when the tenant takes possession of the leased space or controls the physical use of the leased space and when the leased space is substantially ready for its intended use. In circumstances where we provide a tenant improvement allowance for improvements that are owned by the tenant, we recognize the allowance as a reduction of property rentals revenue on a straight-line basis over the term of the lease when the tenant takes possession of the space. Differences between rental revenue recognized and amounts due under the respective lease agreements are recorded as an increase or decrease to "Deferred rent receivable, net" on our balance sheets. Property rentals revenue also includes the amortization or accretion of acquired above-and below-market leases. We periodically evaluate the collectability of amounts due from tenants and recognize an adjustment to property rental revenue for the estimated losses resulting from the inability of tenants to make required payments under lease agreements. Any changes to the provision for lease revenue determined to be not probable of collection are included in "Property rentals revenue" in our statements of operations. We exercise judgment in assessing the probability of collection and consider payment history and current credit status in making this determination.

Third-party real estate services revenue, including reimbursements, includes property and asset management fees, and transactional fees for leasing, acquisition, development and construction, financing, and legal services. These fees are determined in accordance with the terms specific to each arrangement and are recognized as the related services are performed. Development fees are earned from providing services to third-party property owners and our unconsolidated real estate ventures. The performance obligations associated with our development services contracts are satisfied over time and we recognize our development fee revenue using a time based measure of progress over the course of the development project due to the stand-ready nature of the promised services. The transaction prices for our performance obligations that are expected to be completed in greater than twelve months are variable based on the costs ultimately incurred to develop the underlying assets. Judgments impacting the timing and amount of revenue recognized from our development services contracts include the determination of the nature and number of performance obligations within a contract, estimates of total development project costs, from which the fees are typically derived, and estimates of the period of time over which the development services are expected to be performed, which is the period over which the revenue is recognized. We recognize development fees earned from unconsolidated joint venture projects to the extent of the third-party partners' ownership interest.

Share-Based Compensation

The fair value of share-based compensation awards granted to our trustees, management or employees is determined, depending on the type of award, using the Monte Carlo or Black-Scholes methods, which is intended to estimate the fair value of the awards at the grant date using dividend yields, expected volatilities that are primarily based on available implied data and peer group companies' historical data and post-vesting restriction periods. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The shortcut method is used for determining the expected life used in the valuation method.

Compensation expense is based on the fair value of our common shares at the date of the grant and is recognized ratably over the vesting period using a graded vesting attribution model. We account for forfeitures as they occur. Distributions paid on unvested OP Units, LTIP Units, LTIP Units with time-based vesting requirements ("Time-Based LTIP Units") and Performance-Based LTIP Units are recorded to "Redeemable noncontrolling interests" in our balance sheets.

Recent Accounting Pronouncements

See Note 2 to the financial statements for a description of recent accounting pronouncements.

Results of Operations

This section of this Form 10-K discusses 2019 and 2018 items and year-to-year comparisons between 2019 and 2018. [Discussions of 2017 items and year-to-year comparisons between 2018 and 2017 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on February 26, 2019, which is incorporated herein by reference.](#)

During the year ended December 31, 2019, we sold Commerce Executive/Commerce Executive Metro Land, 1600 K Street, Vienna Retail and a 50.0% interest in the entity that owns Central Place Tower; and during 2018, we sold Summit I and II, the Bowen Building, Executive Tower, 1233 20th Street and the out-of-service portion of Falkland Chase-North, which we collectively refer to as the "Disposed Properties" in the discussion below. In December 2019, we acquired FIRST Residences, which did not have a material impact on our statement of operations for the year ended December 31, 2019.

Comparison of the Year Ended December 31, 2019 to 2018

The following summarizes certain line items from our statements of operations that we believe are important in understanding our operations and/or those items which significantly changed in the year ended December 31, 2019 as compared to the same period in 2018:

	Year Ended December 31,		
	2019	2018	% Change
	(In thousands)		
Property rentals revenue	\$ 493,273	\$ 513,447	(3.9)%
Third-party real estate services revenue, including reimbursements	120,886	98,699	22.5 %
Depreciation and amortization expense	191,580	211,436	(9.4)%
Property operating expense	137,622	148,081	(7.1)%
Real estate taxes expense	70,493	71,054	(0.8)%
General and administrative expense:			
Corporate and other	46,822	33,728	38.8 %
Third-party real estate services	113,495	89,826	26.3 %
Share-based compensation related to Formation Transaction and special equity awards	42,162	36,030	17.0 %
Transaction and other costs	23,235	27,706	(16.1)%
Income (loss) from unconsolidated real estate ventures, net	(1,395)	39,409	(103.5)%
Interest and other income, net	5,385	15,168	(64.5)%
Interest expense	52,695	74,447	(29.2)%
Gain on sale of real estate	104,991	52,183	101.2 %
Loss on extinguishment of debt	5,805	5,153	12.7 %
Reduction of gain on bargain purchase	—	7,606	(100.0)%

Property rentals revenue, decreased by approximately \$20.2 million, or 3.9%, to \$493.3 million in 2019 from \$513.4 million in 2018. The decrease was primarily due to a \$26.1 million decline in property rentals revenue related to the Disposed Properties and a \$2.8 million decline related to properties taken out of service for redevelopment. The decrease in property rentals revenue was partially offset by a \$4.2 million increase in revenue related to 1221 Van Street, which we placed into service during the first quarter of 2018, a combined \$1.9 million increase in revenue related to West Half and 4747 Bethesda Avenue, which were both placed into service during the second half of 2019, and an increase in straight line rental revenue, primarily related to a ground lease at 1700 M Street that was executed in the fourth quarter of 2018.

Third-party real estate services revenue, including reimbursements, increased by approximately \$22.2 million, or 22.5%, to \$120.9 million in 2019 from \$98.7 million in 2018. The increase was primarily due to an \$8.1 million increase in development fee income and a \$16.4 million increase in reimbursement revenue primarily driven by construction management revenue, resulting from an increase in construction projects in 2019.

Depreciation and amortization expense decreased by approximately \$19.9 million, or 9.4%, to \$191.6 million in 2019 from \$211.4 million in 2018. The decrease was primarily due to a \$14.1 million decline related to properties taken out of service for redevelopment and a \$7.6 million decrease related to the Disposed Properties. The decrease in depreciation and amortization expense was partially offset by an increase of \$3.6 million related to 1221 Van Street, West Half and 4747 Bethesda Avenue.

Property operating expense decreased by approximately \$10.5 million, or 7.1%, to \$137.6 million in 2019 from \$148.1 million in 2018. The decrease was primarily due to an \$8.3 million decline related to the Disposed Properties, a \$3.5 million decline in property operating expenses at Courthouse Plaza 1 and 2 due to a reduction in ground rent expense, and a \$2.4 million reduction associated with properties taken out of service for redevelopment. The decrease in property operating expense was partially offset by an increase of \$2.9 million related to 1221 Van Street, West Half and 4747 Bethesda Avenue.

Real estate tax expense decreased by approximately \$561,000, or 0.8%, to \$70.5 million in 2019 from \$71.1 million in 2018. The decrease was primarily due to a \$4.0 million decline related to the Disposed Properties and a \$1.2 million decrease related to properties taken out of service for redevelopment for which we began capitalizing expenses during 2019. The decrease in real estate tax expense was partially offset by an increase in real estate taxes related to various properties throughout our portfolio.

General and administrative expense: corporate and other increased by approximately \$13.1 million, or 38.8%, to \$46.8 million in 2019 from \$33.7 million in 2018. The increase was primarily due to an increase in share-based compensation expense from the issuance of the 2019 equity awards, an increase in compensation expense as a result of the adoption of Accounting Standards Update 2016-02, Leases ("Topic 842"), which requires the expensing of previously capitalized indirect internal leasing costs, and an increase in overall consulting, legal and marketing expenses.

General and administrative expense: third-party real estate services increased by approximately \$23.7 million, or 26.3%, to \$113.5 million in 2019 from \$89.8 million in 2018. The increase was primarily due to an increase in reimbursable expenses resulting from an increase in construction management projects, an increase in share-based compensation expense from the issuance of the 2019 equity awards and an increase in overall consulting and legal fees.

General and administrative expense: share-based compensation related to Formation Transaction and special equity awards increased by approximately \$6.1 million, or 17.0%, to \$42.2 million in 2019 from \$36.0 million in 2018. The increase was primarily due to share-based compensation associated with the special equity awards issued in the fourth quarter of 2018 related to our successful pursuit of Amazon's additional headquarters in National Landing, partially offset by the vesting of certain awards issued in prior years.

Transaction and other costs of \$23.2 million in 2019 include \$10.9 million of expenses related to the relocation of our corporate headquarters primarily due to an impairment charge on the right-of-use assets for leases associated with our former corporate headquarters, \$5.4 million of demolition costs related to 1900 Crystal Drive, \$5.3 million of costs incurred in connection with the Formation Transaction (including integration and severance costs), \$651,000 of expenses related to other completed, potential and pursued transactions and \$1.0 million of other costs related to a contribution to the Washington Housing Conservancy. Transaction and other costs of \$27.7 million in 2018 include \$15.9 million of costs incurred in connection with the Formation Transaction (including transition services provided by our former parent, and integration and severance costs), \$9.0 million of expenses related to other completed, potential and pursued transactions and \$2.8 million of other costs related to the successful pursuit of Amazon's additional headquarters at our properties in National Landing.

Income (loss) from unconsolidated real estate ventures, net decreased by approximately \$40.8 million, or 103.5%, to \$(1.4) million for 2019 from \$39.4 million in 2018. The decrease was primarily due to the 2018 sales of our 5% interest in a real estate venture that owned the Investment Building, resulting in a gain of \$15.5 million, and the sale of The Warner Building by one of our unconsolidated real estate ventures, resulting in a gain of \$20.6 million.

Interest and other income, net decreased by \$9.8 million, or 64.5%, to \$5.4 million in 2019 from \$15.2 million in 2018. The decrease is primarily due to a greater reduction in assumed lease liabilities in 2018 and lower income from other investments. The decrease in interest and other income was partially offset by higher interest income in 2019.

Interest expense decreased by approximately \$21.8 million, or 29.2%, to \$52.7 million in 2019 from \$74.4 million in 2018. The decrease was primarily due to the repayment of several mortgages payable during 2019 and 2018, a \$9.0 million increase in capitalized interest related to higher construction spend and additional projects under redevelopment and a \$1.1 million decrease related to the Disposed Properties. The decrease in interest expense was partially offset by additional revolving credit facility borrowings in 2019 and ceasing the capitalization of interest for 1221 Van Street and West Half.

Gain on the sale of real estate of \$105.0 million in 2019 was due to the sales of Commerce Executive/Commerce Metro Land, 1600 K Street, Vienna Retail, and a 50% interest in the entity that owns Central Place Tower and the subsequent remeasurement of our remaining interest to fair value. Gain on the sale of real estate of \$52.2 million in 2018 was primarily related to the sales of Summit I and II, the Bowen Building, Executive Tower, 1233 20th Street and the out-of-service portion of Falkland Chase - North.

Loss on the extinguishment of debt was \$5.8 million in 2019, of which \$2.9 million related to our repayment of various mortgages payable and \$2.9 million related to the termination of various interest rate swaps in connection with the repayment of the loan encumbering Central Place Tower. Loss on extinguishment of debt of \$5.2 million in 2018 was due to our repayment of various mortgages payable.

The reduction of gain on bargain purchase of \$7.6 million in 2018 was due to finalizing the fair values used in the purchase price allocation related to the Combination.

FFO

FFO is a non-GAAP financial measure computed in accordance with the definition established by National Association of Real Estate Investment Trusts ("NAREIT") in the NAREIT FFO White Paper - 2018 Restatement issued in 2018. NAREIT defines FFO as net income (computed in accordance with GAAP), excluding depreciation and amortization related to real estate, gains and losses from the sale of certain real estate assets, gains and losses from change in control and impairment write-downs of certain real estate assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity, including our share of such adjustments for unconsolidated real estate ventures.

We believe FFO is a meaningful non-GAAP financial measure useful in comparing our levered operating performance from period-to-period and as compared to similar real estate companies because FFO excludes real estate depreciation and amortization expense and other non-comparable income and expenses, which implicitly assumes that the value of real estate diminishes predictably over time rather than fluctuating based on market conditions. FFO does not represent cash generated from operating activities and is not necessarily indicative of cash available to fund cash requirements and should not be considered as an alternative to net income (computed in accordance with GAAP) as a performance measure or cash flow as a liquidity measure. FFO may not be comparable to similarly titled measures used by other companies.

The following is the reconciliation of net income attributable to common shareholders, the most directly comparable GAAP measure, to FFO:

	Year Ended December 31,	
	2019	2018
	(In thousands, except per share amounts)	
Net income attributable to common shareholders	\$ 65,571	\$ 39,924
Net income attributable to redeemable noncontrolling interests	8,573	6,710
Net loss attributable to noncontrolling interests	—	(21)
Net income	74,144	46,613
Gain on sale of real estate	(104,991)	(52,183)
Gain on sale from unconsolidated real estate ventures	(335)	(36,042)
Real estate depreciation and amortization	180,508	201,062
Pro rata share of real estate depreciation and amortization from unconsolidated real estate ventures	20,577	25,039
Net income attributable to noncontrolling interests in consolidated real estate ventures	(7)	(51)
FFO attributable to OP Units ⁽¹⁾	169,896	184,438
FFO attributable to redeemable noncontrolling interests	(19,306)	(25,798)
FFO attributable to common shareholders ⁽¹⁾	\$ 150,590	\$ 158,640
FFO per diluted common share	\$ 1.15	\$ 1.33
Weighted average diluted shares	130,687	119,176

Note: FFO is presented for the two years ended December 31, 2019 and 2018. FFO for the year ended December 31, 2017 is excluded due to the lack of comparability of periods prior to the Combination.

⁽¹⁾ Due to our adoption of Topic 842, beginning in 2019, we no longer capitalize internal leasing costs and expense these costs as incurred (such costs were \$6.5 million for the year ended December 31, 2018).

NOI and Same Store NOI

We utilize NOI, which is a non-GAAP financial measure, to assess a segment's performance. The most directly comparable GAAP measure is net income attributable to common shareholders. We use NOI internally as a performance measure and believe NOI provides useful information to investors regarding our financial condition and results of operations because it reflects only property related revenue (which includes base rent, tenant reimbursements and other operating revenue, net of free rent and payments associated with assumed lease liabilities) less operating expenses and ground rent, if applicable. NOI also excludes deferred rent, related party management fees, interest expense, and certain other non-cash adjustments, including the accretion of acquired below-market leases and amortization of acquired above-market leases and below-market ground lease intangibles. Management uses NOI as a supplemental performance measure for our assets and believes it provides useful information to investors because it

reflects only those revenue and expense items that are incurred at the asset level, excluding non-cash items. In addition, NOI is considered by many in the real estate industry to be a useful starting point for determining the value of a real estate asset or group of assets. However, because NOI excludes depreciation and amortization and captures neither the changes in the value of our assets that result from use or market conditions, nor the level of capital expenditures and capitalized leasing commissions necessary to maintain the operating performance of our assets, all of which have real economic effect and could materially impact the financial performance of our assets, the utility of NOI as a measure of the operating performance of our assets is limited. NOI presented by us may not be comparable to NOI reported by other REITs that define these measures differently. We believe that to facilitate a clear understanding of our operating results, NOI should be examined in conjunction with net income attributable to common shareholders as presented in our financial statements. NOI should not be considered as an alternative to net income attributable to common shareholders as an indication of our performance or to cash flows as a measure of liquidity or our ability to make distributions.

We also provide certain information on a "same store" basis. Information provided on a same store basis includes the results of properties that are owned, operated and in service for the entirety of both periods being compared except for properties for which significant redevelopment, renovation or repositioning occurred during either of the periods being compared. While there is judgment surrounding changes in designations, a property is removed from the same store pool when the property is considered to be under construction because it is undergoing significant redevelopment or renovation pursuant to a formal plan or is being repositioned in the market and such renovation or repositioning is expected to have a significant impact on property NOI. A development property or property under construction is moved to the same store pool once a substantial portion of the growth expected from the development or redevelopment is reflected in both the current and comparable prior year period. Acquisitions are moved into the same store pool once we have owned the property for the entirety of the comparable periods and the property is not under significant development or redevelopment.

During the year ended December 31, 2019, our same store pool changed from the prior year due to the inclusion of the JBG Assets and one Vornado Included Asset (The Bartlett), and the exclusion of Commerce Executive, 1600 K Street and Vienna Retail, which were sold during 2019, and 2001 Richmond Highway, which is being phased out of service for future development.

Same store NOI decreased by \$21.9 million, or 7.0%, for the year ended December 31, 2019 as compared to the year ended December 31, 2018. The decrease in same store NOI for the year ended December 31, 2019, was largely attributable to increased rental abatements and rent reductions, and an increase in assumed lease liability payments. The lease renewals we executed in 2017 and 2018 reduced our NOI in 2019, primarily due to free rent associated with these early renewals. Because (i) the concessions in our commercial portfolio have burned off to stabilized levels, (ii) we delivered Under Construction assets on or ahead of schedule, and (iii) we acquired FIRST Residences, we expect NOI to rebound in 2020.

The following is the reconciliation of net income attributable to common shareholders to NOI and same store NOI:

	Year Ended December 31,	
	2019	2018
	(Dollars in thousands)	
Net income attributable to common shareholders	\$ 65,571	\$ 39,924
Add:		
Depreciation and amortization expense	191,580	211,436
General and administrative expense:		
Corporate and other	46,822	33,728
Third-party real estate services	113,495	89,826
Share-based compensation related to Formation Transaction and special equity awards	42,162	36,030
Transaction and other costs	23,235	27,706
Interest expense	52,695	74,447
Loss on extinguishment of debt	5,805	5,153
Reduction of gain on bargain purchase	—	7,606
Income tax benefit	(1,302)	(738)
Net income attributable to redeemable noncontrolling interests	8,573	6,710
Less:		
Third-party real estate services, including reimbursements	120,886	98,699
Other revenue ⁽¹⁾	7,638	6,358
Income (loss) from unconsolidated real estate ventures, net	(1,395)	39,409
Interest and other income, net	5,385	15,168
Gain on sale of real estate	104,991	52,183
Net loss attributable to noncontrolling interests	—	21
Consolidated NOI	311,131	319,990
NOI attributable to unconsolidated real estate ventures at our share	21,797	36,684
Non-cash rent adjustments ⁽²⁾	(34,359)	(10,349)
Other adjustments ⁽³⁾	13,979	15,061
Total adjustments	1,417	41,396
NOI	312,548	361,386
Less: out-of-service NOI loss ⁽⁴⁾	(7,013)	(4,395)
Operating Portfolio NOI	319,561	365,781
Non-same store NOI ⁽⁵⁾	27,298	51,646
Same store NOI ⁽⁶⁾	\$ 292,263	\$ 314,135
Change in same store NOI	(7.0)%	
Number of properties in same store pool	53	

⁽¹⁾ Excludes parking revenue of \$26.0 million and \$25.7 million for the years ended December 31, 2019 and 2018.

⁽²⁾ Adjustment to exclude straight-line rent, above/below market lease amortization and lease incentive amortization.

⁽³⁾ Adjustment to include other revenue and payments associated with assumed lease liabilities related to operating properties and to exclude commercial lease termination revenue and allocated corporate general and administrative expenses to operating properties.

⁽⁴⁾ Includes the results for our under construction assets and future development pipeline.

⁽⁵⁾ Includes the results for properties that were not in service for the entirety of both periods being compared and properties for which significant redevelopment, renovation or repositioning occurred during either of the periods being compared. The decrease in non-same store NOI was primarily attributable to lost income from disposed assets.

⁽⁶⁾ Includes the results of the properties that are owned, operated and in service for the entirety of both periods being compared except for properties for which significant redevelopment, renovation or repositioning occurred during either of the periods being compared.

Reportable Segments

We review operating and financial data for each property on an individual basis; therefore, each of our individual properties is a separate operating segment. We defined our reportable segments to be aligned with our method of internal reporting and the way our Chief Executive Officer, who is also our Chief Operating Decision Maker ("CODM"), makes key operating decisions, evaluates financial results, allocates resources and manages our business. Accordingly, we aggregate our operating segments into three reportable segments (commercial, multifamily, and third-party asset management and real estate services) based on the economic characteristics and nature of our assets and services.

The CODM measures and evaluates the performance of our operating segments, with the exception of the third-party asset management and real estate services business, based on the NOI of properties within each segment. NOI includes property rental revenue and other property revenue, and deducts property operating expenses and real estate taxes.

With respect to the third-party asset management and real estate services business, the CODM reviews revenues streams generated by this segment ("Third-party real estate services, including reimbursements"), as well as the expenses attributable to the segment ("General and administrative: third-party real estate services"), which are disclosed separately in our statements of operations and discussed in the preceding pages under "Results of Operations." The following represents the components of revenue from our third-party real estate services business:

	Year Ended December 31,	
	2019	2018
	(In thousands)	
Property management fees	\$ 22,437	\$ 24,831
Asset management fees	14,045	14,910
Leasing fees	7,377	6,658
Development fees	15,655	7,592
Construction management fees	1,669	2,892
Other service revenue	4,269	2,801
Third-party real estate services revenue, excluding reimbursements	65,452	59,684
Reimbursements revenue ⁽¹⁾	55,434	39,015
Third-party real estate services revenue, including reimbursements	<u>\$ 120,886</u>	<u>\$ 98,699</u>

⁽¹⁾ Represents reimbursements of expenses incurred by us on behalf of third parties, including allocated payroll costs and amounts paid to third-party contractors for construction management projects.

Third-party real estate services revenue, including reimbursements, increased by approximately \$22.2 million, or 22.5%, to \$120.9 million in 2019 from \$98.7 million in 2018. The increase was primarily due to an \$8.1 million increase in development fee income and a \$16.4 million increase in reimbursement revenue primarily driven by construction management revenue, resulting from an increase in construction projects in 2019.

Consistent with internal reporting presented to our CODM and our definition of NOI, the third-party asset management and real estate services operating results are excluded from the NOI data below.

Property revenue is calculated as property rentals revenue plus other property revenue (primarily parking revenue). Property expense is calculated as property operating expenses plus real estate taxes. Consolidated NOI is calculated as total property revenue less total property expense. See Note 18 to the financial statements for the reconciliation of net income attributable to common shareholders to consolidated NOI for each of the three years in the period ended December 31, 2019. The following is a summary of NOI by segment:

	Year Ended December 31,	
	2019	2018
	(In thousands)	
Property revenue:		
Commercial	\$ 408,904	\$ 430,042
Multifamily	116,710	109,357
Other ⁽¹⁾	(6,368)	(274)
Total property revenue	<u>519,246</u>	<u>539,125</u>
Property expense:		
Commercial	163,292	171,612
Multifamily	50,257	45,782
Other ⁽¹⁾	(5,434)	1,741
Total property expense	<u>208,115</u>	<u>219,135</u>
Consolidated NOI:		
Commercial	245,612	258,430
Multifamily	66,453	63,575
Other ⁽¹⁾	(934)	(2,015)
Consolidated NOI	<u>\$ 311,131</u>	<u>\$ 319,990</u>

⁽¹⁾ Includes activity related to future development assets and corporate entities and the elimination of intersegment activity.

Comparison of the Year Ended December 31, 2019 to 2018

Commercial: Property revenue decreased by \$21.1 million, or 4.9%, to \$408.9 million in 2019 from \$430.0 million in 2018. Consolidated NOI decreased by \$12.8 million, or 5.0%, to \$245.6 million in 2019 from \$258.4 million in 2018. The decrease in property revenue and consolidated NOI was primarily due to the sale of the Disposed Properties, properties that were taken out of service for redevelopment, and rent reductions at 2101 L Street and Courthouse Plaza 1 and 2. These decreases were partially offset by an increase in revenue and consolidated NOI from Central Place Tower, which we placed into service during the first quarter of 2018, 4747 Bethesda Avenue, which we placed into service during the fourth quarter of 2019, and the ground lease at 1700 M Street executed in the fourth quarter of 2018.

Multifamily: Property revenue increased by \$7.4 million, or 6.7%, to \$116.7 million in 2019 from \$109.4 million in 2018. Consolidated NOI increased by \$2.9 million, or 4.5%, to \$66.5 million in 2019 from \$63.6 million in 2018. The increase in property revenue and consolidated NOI was primarily due to an increase in occupancy at 1221 Van Street, which we placed into service during the first quarter of 2018, an increase in occupancy at RiverHouse Apartments and the acquisition of FIRST Residences.

Liquidity and Capital Resources

Property rental income is our primary source of operating cash flow and is dependent on a number of factors including occupancy levels and rental rates, as well as our tenants' ability to pay rent. In addition, our third-party asset management and real estate services business provides fee-based real estate services to the JBG Legacy Funds, the WHI Impact Pool and other third parties. Our assets provide a relatively consistent level of cash flow that enables us to pay operating expenses, debt service, recurring capital expenditures, dividends to shareholders and distributions to holders of OP Units. Other sources of liquidity to fund cash requirements include proceeds from financings, asset sales and the issuance and sale of equity securities, including from any "at the market" ("ATM") offerings under our ATM program. We anticipate that cash flows from continuing operations and proceeds from financings, recapitalizations and asset sales, together with existing cash balances, will be adequate to fund our business operations, debt amortization, capital expenditures, dividends to shareholders and distributions to holders of OP Units over the next 12 months.

Financing Activities

The following is a summary of mortgages payable:

	Weighted Average Effective Interest Rate ⁽¹⁾	December 31,	
		2019	2018
		(In thousands)	
Variable rate ⁽²⁾	3.36%	\$ 2,200	\$ 308,918
Fixed rate ⁽³⁾	4.29%	1,125,648	1,535,734
Mortgages payable		1,127,848	1,844,652
Unamortized deferred financing costs and premium/ discount, net		(2,071)	(6,271)
Mortgages payable, net		\$ 1,125,777	\$ 1,838,381

⁽¹⁾ Weighted average effective interest rate as of December 31, 2019.

⁽²⁾ Includes a variable rate mortgage payable with an interest rate cap agreement as of December 31, 2018.

⁽³⁾ Includes variable rate mortgages payable with interest rates fixed by interest rate swap agreements.

As of December 31, 2019 and 2018, the net carrying value of real estate collateralizing our mortgages payable, excluding assets held for sale, totaled \$1.4 billion and \$2.3 billion. Our mortgages payable contain covenants that limit our ability to incur additional indebtedness on these properties and, in certain circumstances, require lender approval of tenant leases and/or yield maintenance upon repayment prior to maturity. Certain of our mortgages payable are recourse to us. See Note 19 to the financial statements for additional information. As of December 31, 2019, we were not in default under any mortgage loan.

During the year ended December 31, 2019, aggregate borrowings under mortgages payable totaled \$2.2 million related to construction draws. During the year ended December 31, 2019, we repaid mortgages payable with an aggregate principal balance of \$709.1 million. The loss on the extinguishment of debt was \$5.8 million for the year ended December 31, 2019, of which \$2.9 million related to our repayment of various mortgages payable and \$2.9 million related to the termination of various interest rate swaps in connection with the repayment of the loan encumbering Central Place Tower. In February 2020, we entered into a mortgage loan with a principal balance of \$175.0 million collateralized by 4747 and 4749 Bethesda Avenue.

During the year ended December 31, 2018, aggregate borrowings under mortgages payable totaled \$118.1 million, of which \$47.5 million related to the principal balance on a new mortgage payable collateralized by 1730 M Street and the remainder related to construction draws under mortgages payable. During the year ended December 31, 2018, we repaid mortgages payable with an aggregate principal balance of \$298.1 million, which resulted in a loss on the extinguishment of debt of \$5.2 million.

As of December 31, 2019 and 2018, we had various interest rate swap and cap agreements on certain of our mortgages payable with an aggregate notional value of \$867.6 million and \$1.3 billion. During the year ended December 31, 2019, in connection with the repayment of the loan encumbering Central Place Tower, we terminated various interest rate swaps with an aggregate notional value of \$220.0 million. During the year ended December 31, 2018, we entered into various interest rate swap and cap agreements on certain of our mortgages payable with an aggregate notional value of \$381.3 million. See Note 17 to the financial statements for additional information.

As of December 31, 2019, our \$1.4 billion credit facility consisted of a \$1.0 billion revolving credit facility maturing in July 2021, with two six-month extension options, a delayed draw \$200.0 million unsecured term loan ("Tranche A-1 Term Loan") maturing in January 2023, and a delayed draw \$200.0 million unsecured term loan ("Tranche A-2 Term Loan") maturing in July 2024. Effective as of July 17, 2019, the credit facility was amended to extend the delayed draw period of our Tranche A-1 Term Loan to July 2020. In December 2019, we drew \$200.0 million under the revolving credit facility, which was repaid in 2020.

Based on the terms as of December 31, 2019, the interest rate for the credit facility varies based on a ratio of our total outstanding indebtedness to a valuation of certain real property and assets and ranges (a) in the case of the revolving credit facility, from LIBOR plus 1.10% to LIBOR plus 1.50%, (b) in the case of the Tranche A-1 Term Loan, from LIBOR plus 1.20% to LIBOR plus 1.70% and (c) in the case of the Tranche A-2 Term Loan, effective as of July 17, 2019, from LIBOR plus 1.15% to LIBOR plus 1.70%, reflecting a 40 basis point reduction from the prior credit facility. There are various LIBOR options in the credit facility, and we elected the one-month LIBOR option as of December 31, 2019. We were not in default under our credit facility as of December 31, 2019. In January 2020, the credit facility was amended to extend the maturity date of the revolving credit facility from July 2021 to January 2025, and to reduce its range of interest rates by five basis points to LIBOR plus 1.05% to 1.50%.

As of December 31, 2019 and 2018, we had interest rate swaps with an aggregate notional value of \$100.0 million, which mature in January 2023 and effectively convert the variable interest rate applicable to our Tranche A-1 Term Loan to a fixed interest rate, providing weighted average base interest rates under the facility agreements of 2.12% per annum for both periods. As of December 31, 2019, we had interest rate swaps with an aggregate notional value of \$137.6 million, which effectively convert the variable interest rate applicable to a portion of the outstanding balance of our Tranche A-2 Term Loan to a fixed interest rate, providing a weighted average base interest rate under the facility agreements of 2.59% per annum.

The following is a summary of amounts outstanding under the credit facility:

	Effective Interest Rate ⁽¹⁾	December 31,	
		2019	2018
(In thousands)			
Revolving credit facility ⁽²⁾⁽³⁾⁽⁴⁾	2.86%	\$ 200,000	\$ —
Tranche A-1 Term Loan ⁽⁵⁾	3.32%	\$ 100,000	\$ 100,000
Tranche A-2 Term Loan ⁽⁵⁾	3.74%	200,000	200,000
Unsecured term loans		300,000	300,000
Unamortized deferred financing costs, net		(2,705)	(2,871)
Unsecured term loans, net		\$ 297,295	\$ 297,129

⁽¹⁾ Interest rate as of December 31, 2019.

⁽²⁾ As of December 31, 2019 and 2018, letters of credit with an aggregate face amount of \$1.5 million and \$5.7 million were provided under our revolving credit facility.

⁽³⁾ As of December 31, 2019 and 2018, net deferred financing costs related to our revolving credit facility totaling \$3.1 million and \$4.8 million were included in "Other assets, net."

⁽⁴⁾ The interest rate for the revolving credit facility excludes a 0.15% facility fee. In January 2020, the credit facility was amended to extend the maturity date of the revolving credit facility from July 2021 to January 2025, and to reduce its range of interest rates by five basis points to LIBOR plus 1.05% to 1.50%.

⁽⁵⁾ The interest rate includes the impact of interest rate swap agreements.

Our existing floating rate debt instruments, including our credit facility, and our hedging arrangements, currently use LIBOR as a reference rate, and we expect a transition from LIBOR to another reference rate in the near term. In July 2017, due to a decline in the quantity of loans used to calculate LIBOR, the United Kingdom regulator that regulates LIBOR announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021, and LIBOR is expected to be phased out accordingly. In April 2018, the New York Federal Reserve commenced publishing an alternative reference rate for the U.S. dollar, the SOFR, proposed by a group of major market participants convened by the U.S. Federal Reserve with participation by SEC Staff and other regulators, the ARRC. ARRC has proposed a paced market transition plan to SOFR from LIBOR, and organizations are currently working on industry-wide and company-specific transition plans related to derivatives and cash markets exposed to LIBOR, but there remains uncertainty in the timing and details of this transition.

Liquidity Requirements

Our principal liquidity needs for the next 12 months and beyond are to fund:

- normal recurring expenses;
- debt service and principal repayment obligations, including balloon payments on maturing debt;
- capital expenditures, including major renovations, tenant improvements and leasing costs;
- development expenditures;
- dividends to shareholders and distributions to holders of OP Units and
- possible acquisitions of properties, either directly or indirectly through the acquisition of equity interests therein.

We expect to satisfy these needs using one or more of the following:

- cash flows from operations;
- distributions from real estate ventures;
- cash and cash equivalent balances;
- proceeds from the issuance and sale of equity securities and
- proceeds from financings, recapitalizations and asset sales.

We anticipate that cash flows from continuing operations and proceeds from financings, recapitalizations and asset sales, together with existing cash balances, will be adequate to fund our business operations, debt amortization, capital expenditures, dividends to shareholders and distributions to holders of OP Units over the next 12 months.

Contractual Obligations and Commitments

The following is a summary of our contractual obligations and commitments as of December 31, 2019:

	<u>Total</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>Thereafter</u>
Contractual cash obligations (principal and interest):							
							(In thousands)
Debt obligations ⁽¹⁾⁽²⁾	\$ 1,870,093	\$ 167,619	\$ 155,518	\$ 364,836	\$ 303,224	\$ 351,997	\$ 526,899
Operating leases ⁽³⁾	53,052	5,999	3,348	3,064	2,000	2,061	36,580
Other	727	231	175	175	146	—	—
Total contractual cash obligations ⁽⁴⁾	<u>\$ 1,923,872</u>	<u>\$ 173,849</u>	<u>\$ 159,041</u>	<u>\$ 368,075</u>	<u>\$ 305,370</u>	<u>\$ 354,058</u>	<u>\$ 563,479</u>

⁽¹⁾ Interest was computed giving effect to interest rate hedges. One-month LIBOR of 1.76% was applied to loans which are variable (no hedge) or variable with an interest rate cap. Additionally, we assumed no additional borrowings on construction loans.

⁽²⁾ Excludes our proportionate share of unconsolidated real estate venture indebtedness. See additional information in Off-Balance Sheet Arrangements section below.

⁽³⁾ With the adoption of Topic 842, as of January 1, 2019, we recognized right-of-use assets and lease liabilities in our balance sheet associated with our corporate office lease and various ground leases for which we are the lessee. See Note 2 to the financial statements for more information.

⁽⁴⁾ Excludes obligations related to construction or development contracts, since payments are only due upon satisfactory performance under the contracts. See Commitments and Contingencies section below for additional information.

As of December 31, 2019, we have capital commitments and certain recorded guarantees to our unconsolidated real estate ventures totaling approximately \$57.7 million.

In December 2019, our Board of Trustees declared a quarterly dividend of \$0.225 per common share, which was paid on January 8, 2020.

Summary of Cash Flows

The following summary discussion of our cash flows is based on our statements of cash flows and is not meant to be an all-inclusive discussion of the changes in our cash flows:

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
		(In thousands)
Net cash provided by operating activities	\$ 173,986	\$ 188,193
Net cash (used in) provided by investing activities	(240,672)	66,327
Net cash used in financing activities	(190,330)	(193,545)

Cash Flows for the Year Ended December 31, 2019

Cash and cash equivalents, and restricted cash decreased \$257.0 million to \$142.5 million as of December 31, 2019, compared to \$399.5 million as of December 31, 2018. This decrease resulted from \$240.7 million of net cash used in investing activities and \$190.3 million of net cash used in financing activities, partially offset by \$174.0 million of net cash provided by operating activities. Our outstanding debt was \$1.6 billion and \$2.1 billion as of December 31, 2019 and 2018. The \$516.8 million decrease in outstanding debt was primarily from repayments of mortgages payable, partially offset by a draw on the revolving credit facility.

Net cash provided by operating activities of \$174.0 million primarily comprised: (i) \$214.8 million of net income (before \$245.6 million of non-cash items and a \$105.0 million gain on sale of real estate) and (ii) \$2.7 million of return on capital from unconsolidated real estate ventures, partially offset by (iii) \$43.5 million of net change in operating assets and liabilities. Non-cash income adjustments of \$245.6 million primarily include depreciation and amortization expense, share-based compensation expense, deferred rent, impairment of the right-of-use asset for leases associated with our former corporate headquarters, amortization of lease incentives and loss on extinguishment of debt.

Net cash used in investing activities of \$240.7 million primarily comprised: (i) \$441.0 million of development costs, construction in progress and real estate additions, (ii) \$165.2 million related to the acquisition of FIRST Residences in December 2019, and (iii) \$18.7 million of investments in unconsolidated real estate ventures, partially offset by (iv) \$377.5 million of proceeds from the sales of real estate and (v) \$7.6 million of distributions of capital from unconsolidated real estate ventures.

Net cash used in financing activities of \$190.3 million primarily comprised: (i) \$719.0 million of repayments of mortgages payable, (ii) \$129.8 million of dividends paid to common shareholders and (iii) \$17.4 million of distributions to redeemable noncontrolling interests, partially offset by (iv) \$472.8 million of net proceeds from the issuance of common stock and (v) \$200.0 million of proceeds from borrowings under our revolving credit facility.

Cash Flows for the Year Ended December 31, 2018

Cash and cash equivalents, and restricted cash increased \$61.0 million to \$399.5 million as of December 31, 2018, compared to \$338.6 million as of December 31, 2017. This increase resulted from \$188.2 million of net cash provided by operating activities and \$66.3 million of net cash provided by investing activities, partially offset by \$193.5 million of net cash used in financing activities.

Net cash provided by operating activities of \$188.2 million primarily comprised: (i) \$227.7 million of net income (before \$233.2 million of non-cash items and \$52.2 million gain on sale of real estate) and (ii) \$7.8 million of return on capital from unconsolidated real estate ventures, partially offset by (iii) \$47.3 million of net change in operating assets and liabilities. Non-cash income adjustments of \$233.2 million primarily include depreciation and amortization expense, share-based compensation expense, income from unconsolidated real estate ventures, deferred rent and reduction of gain on bargain purchase.

Net cash provided by investing activities of \$66.3 million primarily comprised: (i) \$413.1 million of proceeds from sale of real estate, (ii) \$80.3 million of distributions of capital from sales of unconsolidated real estate ventures and (iii) \$14.4 million of distributions of capital from unconsolidated real estate ventures, partially offset by (iv) \$385.9 million of development costs, construction in progress and real estate additions, (v) \$31.2 million of investments in unconsolidated real estate ventures and (vi) \$23.2 million of real estate acquisitions.

Net cash used in financing activities of \$193.5 million primarily comprised: (i) \$312.9 million of repayments of mortgages payable, (ii) \$150.8 million repayment of our revolving credit facility, (iii) \$107.4 million of dividends paid to common shareholders and (iv) \$17.4 million of distributions to redeemable noncontrolling interests, partially offset by (v) \$250.0 million of proceeds from borrowings under our unsecured term loans, (vi) \$118.1 million of aggregate proceeds from borrowings under mortgages payable and (vii) \$35.0 million of proceeds from borrowings under our revolving credit facility.

Off-Balance Sheet Arrangements

Unconsolidated Real Estate Ventures

We consolidate entities in which we have a controlling interest or are the primary beneficiary in a variable interest entity. From time to time, we may have off-balance-sheet unconsolidated real estate ventures and other unconsolidated arrangements with varying structures.

As of December 31, 2019, we have investments in unconsolidated real estate ventures totaling \$543.0 million. For the majority of these investments, we exercise significant influence over but do not control these entities and, therefore, account for these investments using the equity method of accounting. For a more complete description of our real estate ventures, see Note 6 to the financial statements.

From time to time, we (or ventures in which we have an ownership interest) have agreed, and may in the future agree with respect to unconsolidated real estate ventures, to (1) guarantee portions of the principal, interest and other amounts in connection with borrowings, (2) provide customary environmental indemnifications and nonrecourse carve-outs (e.g., guarantees against fraud, misrepresentation and bankruptcy) in connection with borrowings or (3) provide guarantees to lenders and other third parties for the completion of development projects. We customarily have agreements with our outside venture partners whereby the partners agree to reimburse the real estate venture or us for their share of any payments made under certain of these guarantees. At times, we also have agreements with certain of our outside venture partners whereby we agree to either indemnify the partners and/or

the associated ventures with respect to certain contingent liabilities associated with operating assets or to reimburse our partner for its share of any payments made by them under certain guarantees. Guarantees (excluding environmental) customarily terminate either upon the satisfaction of specified circumstances or repayment of the underlying debt. Amounts that we may be required to pay in future periods in relation to guarantees associated with budget overruns or operating losses are not estimable.

As of December 31, 2019, we have additional capital commitments and certain recorded guarantees to our unconsolidated real estate ventures totaling \$57.7 million. As of December 31, 2019, we had no principal payment guarantees related to our unconsolidated real estate ventures.

Reconsideration events could cause us to consolidate these unconsolidated real estate ventures and partnerships in the future or deconsolidate a consolidated entity. We evaluate reconsideration events as we become aware of them. Some triggers to be considered are additional contributions required by each partner and each partner's ability to make those contributions. Under certain of these circumstances, we may purchase our partner's interest. Our unconsolidated real estate ventures are held in entities which appear sufficiently stable to meet their capital requirements; however, if market conditions worsen and our partners are unable to meet their commitments, we may have to consolidate these entities.

Commitments and Contingencies

Insurance

We maintain general liability insurance with limits of \$200.0 million per occurrence and in the aggregate, and property and rental value insurance coverage with limits of \$2.0 billion per occurrence, with sub-limits for certain perils such as floods and earthquakes on each of our properties. We also maintain coverage, through our wholly owned captive insurance subsidiary, for a portion of the first loss on the above limits and for both terrorist acts and for nuclear, biological, chemical or radiological terrorism events with limits of \$2.0 billion per occurrence. These policies are partially reinsured by third-party insurance providers.

We will continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism. We cannot anticipate what coverage will be available on commercially reasonable terms in the future. We are responsible for deductibles and losses in excess of the insurance coverage, which could be material.

Our debt, consisting of mortgages payable secured by our properties, a revolving credit facility and unsecured term loans, contains customary covenants requiring adequate insurance coverage. Although we believe that we currently have adequate insurance coverage, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. If lenders insist on greater coverage than we are able to obtain, it could adversely affect the ability to finance or refinance our properties.

Construction Commitments

As of December 31, 2019, we have construction in progress that will require an additional \$196.9 million to complete (\$160.1 million related to our consolidated entities and \$36.8 million related to our unconsolidated real estate ventures at our share), based on our current plans and estimates, which we anticipate will be primarily expended over the next two to three years. These capital expenditures are generally due as the work is performed, and we expect to finance them with debt proceeds, proceeds from asset recapitalizations and sales, issuance and sale of equity securities and available cash.

Other

There are various legal actions against us in the ordinary course of business. In our opinion, the outcome of such matters will not have a material adverse effect on our financial condition, results of operations or cash flows.

In connection with the Formation Transaction, we have an agreement with Vornado regarding tax matters (the "Tax Matters Agreement") that provides special rules that allocate tax liabilities if the distribution of JBG SMITH shares by Vornado, together with certain related transactions, is determined not to be tax-free. Under the Tax Matters Agreement, we may be required to indemnify Vornado against any taxes and related amounts and costs resulting from a violation by us of the Tax Matters Agreement.

Environmental Matters

Under various federal, state and local laws, ordinances and regulations, an owner of real estate is liable for the costs of removal or remediation of certain hazardous or toxic substances on such real estate. These laws often impose such liability without regard to whether the owner knew of, or was responsible for, the presence of such hazardous or toxic substances. The costs of remediation or removal of such substances may be substantial and the presence of such substances, or the failure to promptly remediate such substances, may adversely affect the owner's ability to sell such real estate or to borrow using such real estate as collateral. In connection with the ownership and operation of our assets, we may be potentially liable for such costs. The operations of current

and former tenants at our assets have involved, or may have involved, the use of hazardous materials or generated hazardous wastes. The release of such hazardous materials and wastes could result in us incurring liabilities to remediate any resulting contamination. The presence of contamination or the failure to remediate contamination at our properties may (1) expose us to third-party liability (e.g., for cleanup costs, natural resource damages, bodily injury or property damage), (2) subject our properties to liens in favor of the government for damages and costs the government incurs in connection with the contamination, (3) impose restrictions on the manner in which a property may be used or businesses may be operated, or (4) materially adversely affect our ability to sell, lease or develop the real estate or to borrow using the real estate as collateral. In addition, our assets are exposed to the risk of contamination originating from other sources. While a property owner may not be responsible for remediating contamination that has migrated onsite from an identifiable and viable offsite source, the contaminant's presence can have adverse effects on operations and the redevelopment of our assets. To the extent we send contaminated materials to other locations for treatment or disposal, we may be liable for cleanup of those sites if they become contaminated.

Most of our assets have been subject, at some point, to environmental assessments that are intended to evaluate the environmental condition of the subject and surrounding assets. These environmental assessments generally have included a historical review, a public records review, a visual inspection of the site and surrounding assets, visual or historical evidence of underground storage tanks, and the preparation and issuance of a written report. Soil and/or groundwater subsurface testing is conducted at our assets, when necessary, to further investigate any issues raised by the initial assessment that could reasonably be expected to pose a material concern to the property or result in us incurring material environmental liabilities as a result of redevelopment. They may not, however, have included extensive sampling or subsurface investigations. In each case where the environmental assessments have identified conditions requiring remedial actions required by law, we have initiated appropriate actions. The environmental assessments did not reveal any material environmental contamination that we believe would have a material adverse effect on our overall business, financial condition or results of operations, or that have not been anticipated and remediated during site redevelopment as required by law. Nevertheless, there can be no assurance that the identification of new areas of contamination, changes in the extent or known scope of contamination, the discovery of additional sites or changes in cleanup requirements would not result in significant cost to us. As disclosed in Note 19 to the financial statements, environmental liabilities total \$17.9 million as of both December 31, 2019 and 2018, and primarily relate to a liability to remediate pre-existing environmental matters at Potomac Yard Land Bay H, which was acquired in December 2018.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We have exposure to fluctuations in interest rates, which are sensitive to many factors that are beyond our control. The following is a summary of our exposure to a change in interest rates:

	December 31, 2019			December 31, 2018	
	Balance	Weighted Average Effective Interest Rate	Effect of 1% Change in Base Rates	Balance	Weighted Average Effective Interest Rate
(Dollars in thousands)					
Debt (contractual balances):					
Mortgages payable					
Variable rate ⁽¹⁾	\$ 2,200	3.36%	\$ 22	\$ 308,918	4.30%
Fixed rate ⁽²⁾	1,125,648	4.29%	—	1,535,734	4.09%
	<u>\$ 1,127,848</u>		<u>\$ 22</u>	<u>\$ 1,844,652</u>	
Credit facility (variable rate):					
Revolving credit facility ⁽³⁾	\$ 200,000	2.86%	\$ 2,028	\$ —	3.60%
Tranche A-1 Term Loan ⁽⁴⁾	100,000	3.32%	—	100,000	3.32%
Tranche A-2 Term Loan ⁽⁵⁾	200,000	3.74%	633	200,000	4.05%
	<u>\$ 500,000</u>		<u>\$ 2,661</u>		
Pro rata share of debt of unconsolidated entities (contractual balances):					
Variable rate ⁽¹⁾	\$ 228,226	4.30%	\$ 2,314	\$ 146,980	6.19%
Fixed rate ⁽²⁾	101,993	4.24%	—	152,410	4.44%
	<u>\$ 330,219</u>		<u>\$ 2,314</u>	<u>\$ 299,390</u>	

⁽¹⁾ Includes a variable rate mortgage payable with an interest rate cap agreement as of December 31, 2018.

⁽²⁾ Includes variable rate mortgages payable with interest rates fixed by interest rate swap agreements.

- (3) The interest rate for the revolving credit facility excludes a 0.15% facility fee.
- (4) As of December 31, 2019 and 2018, the outstanding balance was fixed by interest rate swap agreements.
- (5) As of December 31, 2019, a portion of the outstanding balance was fixed by interest rate swap agreements with a notional value of \$137.6 million.

The fair value of our mortgages payable is estimated by discounting the future contractual cash flows of these instruments using current risk-adjusted rates available to borrowers with similar credit profiles based on market sources. The fair value of our revolving credit facility and unsecured term loans is calculated based on the net present value of payments over the term of the facilities using estimated market rates for similar notes and remaining terms. As of December 31, 2019 and 2018, the estimated fair value of our consolidated debt was \$1.7 billion and \$2.2 billion. These estimates of fair value, which are made at the end of the reporting period, may be different from the amounts that may ultimately be realized upon the disposition of our financial instruments.

Hedging Activities

To manage, or hedge, our exposure to interest rate risk, we follow established risk management policies and procedures, including the use of a variety of derivative financial instruments. We do not enter into derivative financial instruments for speculative purposes.

Derivative Financial Instruments Designated as Cash Flow Hedges

Certain derivative financial instruments, consisting of interest rate swap and cap agreements, are designated as cash flow hedges, and are carried at their estimated fair value on a recurring basis. We assess the effectiveness of our cash flow hedges both at inception and on an ongoing basis. If the hedges are deemed to be effective, the fair value is recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into "Interest expense" in the period that the hedged forecasted transactions affect earnings. Our cash flow hedges become less than perfectly effective if the critical terms of the hedging instrument and the forecasted transactions do not perfectly match such as notional amounts, settlement dates, reset dates, calculation period and interest rates. In addition, we evaluate the default risk of the counterparty by monitoring the creditworthiness of the counterparty. While management believes its judgments are reasonable, a change in a derivative's effectiveness as a hedge could materially affect expenses, net income and equity.

As of December 31, 2019 and 2018, we had interest rate swap and cap agreements with an aggregate notional value of \$935.1 million and \$786.4 million, which were designated as cash flow hedges. The fair value of our interest rate swaps and caps designated as cash flow hedges consisted of assets totaling \$7.9 million as of December 31, 2018, included in "Other assets, net" in our balance sheet, and liabilities totaling \$17.4 million and \$1.7 million as of December 31, 2019 and 2018, included in "Other liabilities, net" in our balance sheets.

Derivative Financial Instruments Not Designated as Hedges

Certain derivative financial instruments, consisting of interest rate swap and cap agreements, are considered economic hedges, but not designated as accounting hedges, and are carried at their estimated fair value on a recurring basis. Realized and unrealized gains are recorded in "Interest expense" in our statements of operations in the period in which the change occurs. As of December 31, 2019 and 2018, we had various interest rate swap and cap agreements with an aggregate notional value of \$307.7 million and \$646.4 million, which were not designated as cash flow hedges. The fair value of our interest rate swaps and caps not designated as hedges primarily consisted of assets totaling \$2.5 million as of December 31, 2018, included in "Other assets, net" in our balance sheet.

ITEM 8. Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Trustees of JBG SMITH Properties

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of JBG SMITH Properties and subsidiaries (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations, comprehensive income, equity, and cash flows, for the years ended December 31, 2019 and 2018, the related consolidated and combined statements of operations, comprehensive income (loss), equity, and cash flows, for the year ended December 31, 2017, and the related notes and the schedules listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 25, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Investments in Unconsolidated Real Estate Ventures - Refer to Notes 2, 6 and 7 to the financial statements

Critical Audit Matter Description

The Company has investments in unconsolidated real estate ventures which are required to be evaluated for consolidation, including determining whether the real estate venture is a variable interest entity ("VIE"), and if so, whether the Company is the primary beneficiary. Significant judgment is required by management to determine whether the Company has the power to direct the activities that most significantly impact the entity's economic performance. Factors considered by management in determining whether the Company has the power to direct the activities that most significantly impact the entity's economic performance include voting rights, involvement in day-to-day capital and operating decisions and the extent of the Company's involvement in the entity.

In December 2019, the Company sold a 50.0% interest in a real estate venture that owns Central Place Tower, an office building. The Company determined that the real estate venture was not a VIE, and it does not have a controlling financial interest in the venture. As a result, the Company recognized an aggregate \$53.4 million gain, net of certain liabilities, on the partial sale and subsequent remeasurement of its remaining interest in the real estate venture.

Given the complexities associated with the accounting for the Company's investments in real estate ventures, and the related management judgments to determine whether a real estate venture is a VIE and whether the Company is the primary beneficiary or has a controlling financial interest, performing the audit procedures to evaluate these investments in real estate ventures, including the Central Place Tower venture, involved especially complex and subjective auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's judgments to determine whether a real estate venture, including the entity that owns Central Place Tower, is a VIE and whether the Company is the primary beneficiary or has a controlling financial interest included the following, among others:

- We tested the effectiveness of the controls over management's judgments to determine whether a real estate venture is a VIE and whether the Company is the primary beneficiary or has a controlling financial interest, both at inception of a real estate venture and upon occurrence of a reconsideration event.
- We assessed each of the Company's new or modified real estate ventures and evaluated the appropriateness of the Company's accounting conclusions upon formation and reconsideration events by:
 - Reading the operating agreements, including the operating agreement for the real estate venture that owns Central Place Tower, and other related documents and evaluating the structure and terms of the agreements to determine whether a real estate venture is a VIE and whether the Company is the primary beneficiary or has a controlling financial interest that should be consolidated.
 - Evaluating the evidence obtained in other areas of the audit to determine if there were additional reconsideration events that had not been identified by the Company, including, among others, reading board minutes and understanding changes to the real estate venture's economics and status of development projects, if applicable.

/s/ Deloitte & Touche LLP
McLean, Virginia
February 25, 2020

We have served as the Company's auditor since 2016.

JBG SMITH PROPERTIES
Consolidated Balance Sheets
(In thousands, except par value amounts)

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
ASSETS		
Real estate, at cost:		
Land and improvements	\$ 1,240,455	\$ 1,371,874
Buildings and improvements	3,880,973	3,722,930
Construction in progress, including land	654,091	697,930
	<u>5,775,519</u>	<u>5,792,734</u>
Less accumulated depreciation	(1,119,571)	(1,051,875)
Real estate, net	4,655,948	4,740,859
Cash and cash equivalents	126,413	260,553
Restricted cash	16,103	138,979
Tenant and other receivables, net	52,941	46,568
Deferred rent receivable, net	169,721	143,473
Investments in unconsolidated real estate ventures	543,026	322,878
Other assets, net	253,687	264,994
Assets held for sale	168,412	78,981
TOTAL ASSETS	<u>\$ 5,986,251</u>	<u>\$ 5,997,285</u>
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Liabilities:		
Mortgages payable, net	\$ 1,125,777	\$ 1,838,381
Revolving credit facility	200,000	—
Unsecured term loans, net	297,295	297,129
Accounts payable and accrued expenses	157,702	130,960
Other liabilities, net	206,042	181,606
Liabilities related to assets held for sale	—	3,717
Total liabilities	<u>1,986,816</u>	<u>2,451,793</u>
Commitments and contingencies		
Redeemable noncontrolling interests	612,758	558,140
Shareholders' equity:		
Preferred shares, \$0.01 par value - 200,000 shares authorized, none issued	—	—
Common shares, \$0.01 par value - 500,000 shares authorized; 134,148 and 120,937 shares issued and outstanding as of December 31, 2019 and 2018	1,342	1,210
Additional paid-in capital	3,633,042	3,155,256
Accumulated deficit	(231,164)	(176,018)
Accumulated other comprehensive income (loss)	(16,744)	6,700
Total shareholders' equity of JBG SMITH Properties	<u>3,386,476</u>	<u>2,987,148</u>
Noncontrolling interests in consolidated subsidiaries	201	204
Total equity	<u>3,386,677</u>	<u>2,987,352</u>
TOTAL LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY	<u>\$ 5,986,251</u>	<u>\$ 5,997,285</u>

See accompanying notes to the consolidated and combined financial statements.

JBG SMITH PROPERTIES
Consolidated and Combined Statements of Operations
(In thousands, except per share data)

	Year Ended December 31,		
	2019	2018	2017
REVENUE			
Property rentals	\$ 493,273	\$ 513,447	\$ 451,541
Third-party real estate services, including reimbursements	120,886	98,699	63,236
Other revenue	33,611	32,036	28,236
Total revenue	<u>647,770</u>	<u>644,182</u>	<u>543,013</u>
EXPENSES			
Depreciation and amortization	191,580	211,436	161,659
Property operating	137,622	148,081	118,836
Real estate taxes	70,493	71,054	66,434
General and administrative:			
Corporate and other	46,822	33,728	39,350
Third-party real estate services	113,495	89,826	51,919
Share-based compensation related to Formation Transaction and special equity awards	42,162	36,030	29,251
Transaction and other costs	23,235	27,706	127,739
Total expenses	<u>625,409</u>	<u>617,861</u>	<u>595,188</u>
OTHER INCOME (EXPENSE)			
Income (loss) from unconsolidated real estate ventures, net	(1,395)	39,409	(4,143)
Interest and other income, net	5,385	15,168	1,788
Interest expense	(52,695)	(74,447)	(58,141)
Gain on sale of real estate	104,991	52,183	—
Loss on extinguishment of debt	(5,805)	(5,153)	(701)
Gain (reduction of gain) on bargain purchase	—	(7,606)	24,376
Total other income (expense)	<u>50,481</u>	<u>19,554</u>	<u>(36,821)</u>
INCOME (LOSS) BEFORE INCOME TAX BENEFIT	<u>72,842</u>	<u>45,875</u>	<u>(88,996)</u>
Income tax benefit	1,302	738	9,912
NET INCOME (LOSS)	<u>74,144</u>	<u>46,613</u>	<u>(79,084)</u>
Net (income) loss attributable to redeemable noncontrolling interests	(8,573)	(6,710)	7,328
Net loss attributable to noncontrolling interests	—	21	3
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	<u>\$ 65,571</u>	<u>\$ 39,924</u>	<u>\$ (71,753)</u>
EARNINGS (LOSS) PER COMMON SHARE:			
Basic	\$ 0.48	\$ 0.31	\$ (0.70)
Diluted	\$ 0.48	\$ 0.31	\$ (0.70)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:			
Basic	130,687	119,176	105,359
Diluted	130,687	119,176	105,359

See accompanying notes to the consolidated and combined financial statements.

JBG SMITH PROPERTIES
Consolidated and Combined Statements of Comprehensive Income (Loss)
(In thousands)

	Year Ended December 31,		
	2019	2018	2017
NET INCOME (LOSS)	\$ 74,144	\$ 46,613	\$ (79,084)
OTHER COMPREHENSIVE INCOME (LOSS):			
Change in fair value of derivative financial instruments	(27,722)	5,382	1,438
Reclassification of net loss on derivative financial instruments from accumulated other comprehensive income (loss) into interest expense	1,694	1,090	399
Other comprehensive income (loss)	(26,028)	6,472	1,837
COMPREHENSIVE INCOME (LOSS)	48,116	53,085	(77,247)
Net (income) loss attributable to redeemable noncontrolling interests	(8,573)	(6,710)	7,328
Other comprehensive (income) loss attributable to redeemable noncontrolling interests	2,584	(1,384)	(225)
Net loss attributable to noncontrolling interests	—	21	3
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO JBG SMITH PROPERTIES	\$ 42,127	\$ 45,012	\$ (70,141)

See accompanying notes to the consolidated and combined financial statements.

JBG SMITH PROPERTIES
Consolidated and Combined Statements of Equity
(In thousands)

	Common Shares		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Former Parent Equity	Noncontrolling Interests in Consolidated Subsidiaries	Total Equity
	Shares	Amount						
BALANCE AS OF JANUARY 1, 2017						\$ 2,121,689	\$ 295	\$ 2,121,984
Net loss attributable to common shareholders and noncontrolling interests	—	\$ —	\$ —	\$ (42,729)	\$ —	(29,024)	(3)	(71,756)
Deferred compensation shares and options, net	—	—	—	—	—	1,526	—	1,526
Contributions from former parent, net	—	—	—	—	—	333,020	—	333,020
Issuance of common limited partnership units at the Separation	—	—	—	—	—	(96,632)	—	(96,632)
Issuance of common shares at the Separation	94,736	947	2,329,632	—	—	(2,330,579)	—	—
Issuance of common shares in connection with the Combination	23,219	233	864,685	—	—	—	—	864,918
Noncontrolling interests acquired in connection with the Combination	—	—	—	—	—	—	3,586	3,586
Dividends declared on common shares (\$0.45 per common share)	—	—	—	(53,080)	—	—	—	(53,080)
Distributions to noncontrolling interests	—	—	—	—	—	—	(171)	(171)
Contributions from noncontrolling interests	—	—	—	—	—	—	499	499
Redeemable noncontrolling interest redemption value adjustment and other comprehensive income allocation	—	—	(130,692)	—	(225)	—	—	(130,917)
Other comprehensive income	—	—	—	—	1,837	—	—	1,837
BALANCE AS OF DECEMBER 31, 2017	117,955	1,180	3,063,625	(95,809)	1,612	—	4,206	2,974,814
Net income (loss) attributable to common shareholders and noncontrolling interests	—	—	—	39,924	—	—	(21)	39,903
Conversion of common limited partnership units to common shares	2,962	30	109,092	—	—	—	—	109,122
Common shares issued pursuant to Employee Share Purchase Plan ("ESPP")	20	—	741	—	—	—	—	741
Dividends declared on common shares (\$1.00 per common share)	—	—	—	(120,133)	—	—	—	(120,133)
Distributions to noncontrolling interests	—	—	—	—	—	—	(347)	(347)
Contributions from noncontrolling interests	—	—	—	—	—	—	250	250
Redeemable noncontrolling interests redemption value adjustment and other comprehensive income allocation	—	—	(16,172)	—	(1,384)	—	—	(17,556)
Acquisition of consolidated real estate venture	—	—	(1,666)	—	—	—	(3,884)	(5,550)
Other comprehensive income	—	—	—	—	6,472	—	—	6,472
Other	—	—	(364)	—	—	—	—	(364)
BALANCE AS OF DECEMBER 31, 2018	120,937	1,210	3,155,256	(176,018)	6,700	—	204	2,987,352
Net income attributable to common shareholders and noncontrolling interests	—	—	—	65,571	—	—	—	65,571
Common shares issued	11,500	115	472,665	—	—	—	—	472,780
Conversion of common limited partnership units to common shares	1,664	17	57,301	—	—	—	—	57,318
Common shares issued pursuant to ESPP	47	—	1,803	—	—	—	—	1,803
Dividends declared on common shares (\$0.90 per common share)	—	—	—	(120,717)	—	—	—	(120,717)
Distributions to noncontrolling interests	—	—	—	—	—	—	(176)	(176)
Contributions from noncontrolling interests	—	—	—	—	—	—	173	173
Redeemable noncontrolling interests redemption value adjustment and other comprehensive (income) loss allocation	—	—	(53,983)	—	2,584	—	—	(51,399)
Other comprehensive loss	—	—	—	—	(26,028)	—	—	(26,028)
BALANCE AS OF DECEMBER 31, 2019	134,148	\$ 1,342	\$ 3,633,042	\$ (231,164)	\$ (16,744)	\$ —	\$ 201	\$ 3,386,677

See accompanying notes to the consolidated and combined financial statements.

JBG SMITH PROPERTIES
Consolidated and Combined Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2019	2018	2017
OPERATING ACTIVITIES:			
Net income (loss)	\$ 74,144	\$ 46,613	\$ (79,084)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Share-based compensation expense	65,273	52,675	33,693
Depreciation and amortization, including amortization of debt issuance costs	195,795	215,659	164,580
Deferred rent	(39,174)	(14,056)	(10,388)
(Income) loss from unconsolidated real estate ventures, net	1,395	(39,409)	4,143
Amortization of market lease intangibles, net	(791)	(220)	(862)
Amortization of lease incentives	6,336	3,406	4,023
Reduction of gain (gain) on bargain purchase	—	7,606	(24,376)
Loss on extinguishment of debt	5,805	4,536	701
Gain on sale of real estate	(104,991)	(52,183)	—
Net unrealized loss (gain) on ineffective derivative financial instruments	50	(926)	(1,348)
Losses on operating lease receivables	1,560	3,298	3,807
Return on capital from unconsolidated real estate ventures	2,690	7,827	2,563
Other non-cash items	517	1,388	3,955
Deferred tax benefit	(1,336)	(718)	(10,408)
Impairment of corporate assets	10,170	—	—
Changes in operating assets and liabilities:			
Tenant and other receivables	(8,382)	(5,582)	(2,098)
Other assets, net	(9,177)	(16,600)	(23,481)
Accounts payable and accrued expenses	(7,678)	(5,984)	16,160
Other liabilities, net	(18,220)	(19,137)	(7,397)
Net cash provided by operating activities	<u>173,986</u>	<u>188,193</u>	<u>74,183</u>
INVESTING ACTIVITIES:			
Development costs, construction in progress and real estate additions	(441,014)	(385,943)	(210,593)
Acquisition of real estate	(165,208)	(23,246)	—
Cash and restricted cash received in connection with the Combination, net	—	—	97,416
Deposits for real estate acquisitions	(850)	—	—
Proceeds from sale of real estate	377,511	413,077	—
Acquisition of interests in unconsolidated real estate ventures, net of cash acquired	—	(386)	(8,834)
Distributions of capital from unconsolidated real estate ventures	7,557	14,408	6,929
Distributions of capital from sales of unconsolidated real estate ventures	—	80,279	—
Investments in unconsolidated real estate ventures	(18,668)	(31,197)	(16,321)
Repayment of notes receivable	—	—	50,934
Other	—	(665)	(2,207)
Proceeds from repayment of receivable from former parent	—	—	75,000
Net cash (used in) provided by investing activities	<u>(240,672)</u>	<u>66,327</u>	<u>(7,676)</u>
FINANCING ACTIVITIES:			
Contributions from former parent, net	—	—	160,203
Acquisition of interest in consolidated real estate venture	—	(5,550)	—
Repayment of borrowings from former parent	—	—	(115,630)
Proceeds from borrowings from former parent	—	—	4,000
Finance lease payments	(137)	(114)	(17,827)
Borrowings under mortgages payable	2,200	118,141	366,239
Borrowings under revolving credit facility	200,000	35,000	115,751
Borrowings under unsecured term loans	—	250,000	50,000
Repayments of mortgages payable	(719,003)	(312,894)	(272,905)
Repayments of revolving credit facility	—	(150,751)	—
Debt issuance costs	(515)	(3,114)	(19,287)
Proceeds from the issuance of common stock, net of issuance costs	472,780	—	—
Proceeds from common stock issued pursuant to ESPP	1,457	597	—
Dividends paid to common shareholders	(129,834)	(107,372)	(26,540)
Distributions to redeemable noncontrolling interests	(17,390)	(17,398)	(4,556)
Contributions from noncontrolling interests	207	250	357
Distributions to noncontrolling interests	(95)	(340)	(18)
Net cash (used in) provided by in financing activities	<u>(190,330)</u>	<u>(193,545)</u>	<u>239,787</u>

JBG SMITH PROPERTIES
Consolidated and Combined Statements of Cash Flows
(In thousands)

	Year Ended December 31,		
	2019	2018	2017
Net (decrease) increase in cash and cash equivalents and restricted cash	(257,016)	60,975	306,294
Cash and cash equivalents and restricted cash as of the beginning of the year	399,532	338,557	32,263
Cash and cash equivalents and restricted cash as of the end of the year	<u>\$ 142,516</u>	<u>\$ 399,532</u>	<u>\$ 338,557</u>
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AS OF END OF THE YEAR:			
Cash and cash equivalents	\$ 126,413	\$ 260,553	\$ 316,676
Restricted cash	16,103	138,979	21,881
Cash and cash equivalents and restricted cash	<u>\$ 142,516</u>	<u>\$ 399,532</u>	<u>\$ 338,557</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW AND NON-CASH INFORMATION:			
Transfer of mortgage payable to former parent	\$ —	\$ —	\$ 115,630
Cash paid for interest (net of capitalized interest of \$29,806, \$20,804 and \$12,727 in 2019, 2018 and 2017)	49,437	64,605	52,388
Accrued capital expenditures included in accounts payable and accrued expenses	84,076	53,073	12,445
Write-off of fully depreciated assets	66,533	52,272	55,998
Cash received (payments) for income taxes	282	1,965	(3,396)
Deconsolidation of properties	181,813	95,923	—
Accrued dividends to common shareholders	30,184	39,298	26,540
Accrued distributions to redeemable noncontrolling interests	3,828	5,896	4,557
Acquisition of consolidated real estate venture	—	—	5,420
Conversion of common limited partnership units to common shares	57,318	109,208	—
Initial recognition of operating right-of-use assets	35,318	—	—
Initial recognition of lease liabilities related to operating right-of-use assets	37,922	—	—
Cash paid for amounts included in the measurement of lease liabilities for operating leases	6,202	—	—
Non-cash transactions related to the Formation Transaction:			
Issuance of common limited partnership units at the Separation	—	—	96,632
Issuance of common shares at the Separation	—	—	2,330,579
Issuance of common shares in connection with the Combination	—	—	864,918
Issuance of common limited partnership units in connection with the Combination	—	—	359,967
Contribution from former parent in connection with the Separation	—	—	172,817

See accompanying notes to the consolidated and combined financial statements.

JBG SMITH PROPERTIES
Notes to Consolidated and Combined Financial Statements

1. Organization and Basis of Presentation

Organization

JBG SMITH Properties ("JBG SMITH") was organized as a Maryland real estate investment trust ("REIT") for the purpose of receiving, via the spin-off on July 17, 2017 (the "Separation"), substantially all of the assets and liabilities of Vornado Realty Trust's Washington, D.C. segment (the "Vornado Included Assets"). On July 18, 2017, JBG SMITH acquired the management business and certain assets and liabilities (the "JBG Assets") of The JBG Companies ("JBG") (the "Combination"). The Separation and the Combination are collectively referred to as the "Formation Transaction." JBG SMITH is hereinafter referred to as "we," "us," "our" or other similar terms. References to "our share" refer to our ownership percentage of consolidated and unconsolidated assets in real estate ventures. Substantially all of our assets are held by, and our operations are conducted through, JBG SMITH Properties LP ("JBG SMITH LP"), our operating partnership. As of December 31, 2019, we, as its sole general partner, controlled JBG SMITH LP and owned 89.9% of its common limited partnership units ("OP Units").

Prior to the Separation from Vornado Realty Trust ("Vornado" or "former parent"), JBG SMITH was a wholly owned subsidiary of Vornado and had no material assets or operations. On July 17, 2017, Vornado distributed 100% of the then outstanding common shares of JBG SMITH on a pro rata basis to the holders of its common shares. Prior to such distribution by Vornado, Vornado Realty L.P. ("VRLP"), Vornado's operating partnership, distributed OP Units in JBG SMITH LP on a pro rata basis to the holders of VRLP's common limited partnership units, consisting of Vornado and the other common limited partners of VRLP. Following such distribution by VRLP and prior to such distribution by Vornado, Vornado contributed to JBG SMITH all of the OP Units it received in exchange for common shares of JBG SMITH.

Our operations are presented as if the transfer of the Vornado Included Assets had been consummated prior to all historical periods presented in the accompanying consolidated and combined financial statements at the carrying amounts of such assets and liabilities reflected in Vornado's books and records. The assets and liabilities of the JBG Assets, and subsequent results of operations and cash flows, are reflected in our consolidated and combined financial statements beginning on the date of the Combination.

We own and operate a portfolio of high-growth commercial and multifamily assets, many of which are amenitized with ancillary retail. Our portfolio reflects our longstanding strategy of owning and operating assets within Metro-served submarkets in the Washington, D.C. metropolitan area that have high barriers to entry and key urban amenities, including being within walking distance of a Metro station.

As of December 31, 2019, our Operating Portfolio consists of 62 operating assets comprising 44 commercial assets totaling 12.7 million square feet (10.7 million square feet at our share) and 18 multifamily assets totaling 7,111 units (5,327 units at our share). Additionally, we have (i) seven assets under construction comprising four commercial assets totaling 943,000 square feet (821,000 square feet at our share) and three multifamily assets totaling 1,011 units (833 units at our share); and (ii) 40 future development assets totaling 21.9 million square feet (18.7 million square feet at our share) of estimated potential development density.

Our revenues are derived primarily from leases with commercial and multifamily tenants, which include fixed rents and reimbursements from tenants for certain expenses such as real estate taxes, property operating expenses, and repairs and maintenance. In addition, our third-party asset management and real estate services business provides fee-based real estate services to third parties and the legacy funds (the "JBG Legacy Funds") formerly organized by JBG.

Only the U.S. federal government accounted for 10% or more of our rental revenue, which consists of property rentals and other property revenue, as follows:

(Dollars in thousands)	Year Ended December 31,		
	2019	2018	2017
Rental revenue from the U.S. federal government	\$ 86,644	\$ 94,822	\$ 92,192
Percentage of commercial segment rental revenue	21.2%	22.0%	24.0%
Percentage of total rental revenue	16.7%	17.6%	19.4%

Basis of Presentation

The accompanying consolidated and combined financial statements and notes are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). All intercompany transactions and balances have been eliminated.

The accompanying consolidated financial statements include the accounts of JBG SMITH and our wholly owned subsidiaries and those other entities, including JBG SMITH LP, in which we have a controlling financial interest, including where we have been determined to be the primary beneficiary of a variable interest entity ("VIE"). See Note 7 for additional information on our VIEs. The portions of the equity and net income of consolidated subsidiaries that are not attributable to JBG SMITH are presented separately as amounts attributable to noncontrolling interests in our consolidated and combined financial statements.

References to the financial statements refer to our consolidated and combined financial statements as of December 31, 2019 and 2018, and for each of the three years in the period ended December 31, 2019. References to our balance sheets refer to our consolidated balance sheets as of December 31, 2019 and 2018. References to our statements of operations refer to our consolidated and combined statements of operations for each of the three years in the period ended December 31, 2019. References to our statements of comprehensive income (loss) refer to our consolidated and combined statements of comprehensive income (loss) for each of the three years in the period ended December 31, 2019. References to our statements of cash flows refer to our consolidated and combined statements of cash flows for each of the three years in the period ended December 31, 2019.

Formation Transaction

JBG SMITH and the Vornado Included Assets were under common control of Vornado for all periods prior to the Separation. The transfer of the Vornado Included Assets from Vornado to JBG SMITH was completed, at net book values (historical carrying amounts) carved out from Vornado's books and records. For purposes of the formation of JBG SMITH, the Vornado Included Assets were designated as the predecessor and the accounting acquirer of the JBG Assets. Consequently, the financial statements of JBG SMITH, as set forth herein, represent a continuation of the financial information of the Vornado Included Assets as the predecessor and accounting acquirer such that the historical financial information included herein as of any date or for any periods on or prior to the completion of the Combination represents the pre-Combination financial information of the Vornado Included Assets. The financial statements reflect the common shares as of the date of the Separation as outstanding for all periods prior to July 17, 2017. The acquisition of the JBG Assets completed subsequently by JBG SMITH was accounted for as a business combination using the acquisition method whereby identifiable assets acquired and liabilities assumed are recorded at acquisition-date fair values and income and cash flows from the operations were consolidated into the financial statements of JBG SMITH commencing July 18, 2017. Consequently, the financial statements for the periods before and after the Formation Transaction are not directly comparable.

The accompanying financial statements as of December 31, 2019 and 2018 and for the years ended December 31, 2019 and 2018 include our consolidated accounts. The results of operations for the year ended December 31, 2017 reflects the aggregate operations and changes in cash flows and equity on a combined basis for all periods prior to July 17, 2017 and on a consolidated basis for all periods subsequent to July 17, 2017. Therefore, our results of operations, cash flows and financial condition set forth in this report are not necessarily indicative of our future results of operations, cash flows or financial condition as an independent, publicly traded company.

The historical financial results for the Vornado Included Assets for periods prior to the Formation Transaction reflect charges for certain corporate costs allocated by Vornado, which were based on either actual costs incurred or a proportion of costs estimated to be applicable, to the Vornado Included Assets based on an analysis of key metrics, including total revenues. Such costs do not necessarily reflect what the actual costs would have been if JBG SMITH had been operating as a separate standalone public company. See Note 20 for additional information.

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation as follows:

- Reclassification of parking revenue totaling \$25.7 million and \$23.1 million previously included in "Property rentals revenue" for the years ended December 31, 2018 and 2017 to "Other revenue" in our statements of operations.
- Reclassification of tenant reimbursements totaling \$39.3 million and \$38.0 million for the years ended December 31, 2018 and 2017 to "Property rentals revenue" in our statements of operations.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant of these estimates include: (i) the underlying cash flows used in assessing impairment and (ii) the determination of useful lives for tangible and intangible assets. Actual results could differ from these estimates.

Asset Acquisitions and Business Combinations

We account for asset acquisitions, which includes the consolidation of previously unconsolidated real estate ventures, at cost, including transaction costs, plus the fair value of any assumed debt. We estimate the fair values of acquired tangible assets (consisting of real estate, cash and cash equivalents, tenant and other receivables, investments in unconsolidated real estate ventures and other assets, as applicable), identified intangible assets and liabilities (consisting of the value of in-place leases, above- and below-market leases, options to enter into ground leases and management contracts, as applicable), assumed debt and other liabilities, and noncontrolling interests, as applicable, based on our evaluation of information and estimates available at the date of acquisition. Based on these estimates, we allocate the purchase price, including all transaction costs related to the acquisition, to the identified assets acquired and liabilities assumed based on their relative fair value.

We similarly account for business combinations by estimating the fair values of acquired tangible assets, identified intangible assets and liabilities, assumed debt and other liabilities, and noncontrolling interests, as applicable, based on our evaluation of information and estimates. Any excess of the purchase price over the estimated fair value of the net assets acquired is recorded as goodwill, and any excess of the fair value of assets acquired over the purchase price is recorded as a gain on bargain purchase. If, up to one year from the acquisition date, information regarding the fair value of the assets acquired and liabilities assumed is received and the estimates are refined, appropriate adjustments are made on a prospective basis to the purchase price allocation, which may include adjustments to identified assets, assumed liabilities, and goodwill or the gain on bargain purchase, as applicable. Transaction costs are expensed as incurred and included in "Transaction and other costs" in our statements of operations.

For both asset acquisitions and business combinations, the results of operations of acquisitions are prospectively included in our financial statements beginning with the date of the acquisition.

The fair values of buildings are determined using the "as-if vacant" approach whereby we use discounted cash flow models with inputs and assumptions that we believe are consistent with current market conditions for similar assets. The most significant assumptions in determining the allocation of the purchase price to buildings are the exit capitalization rate, discount rate, estimated market rents and hypothetical expected lease-up periods. We assess fair value of land based on market comparisons and development projects using an income approach of cost plus a margin.

The fair values of identified intangible assets are determined based on the following:

- The value allocable to the above- or below-market component of an acquired in-place lease is determined based upon the present value (using a discount rate which reflects the risks associated with the acquired lease) of the difference between (i) the contractual amounts to be received pursuant to the lease over its remaining term and (ii) management's estimate of the amounts that would be received using market rates over the remaining term of the lease. Amounts allocated to above-market leases are recorded as lease intangible assets in "Other assets, net" in our balance sheets, and amounts allocated to below-market leases are recorded as lease intangible liabilities in "Other liabilities, net" in our balance sheets. These intangibles are amortized to "Property rentals revenue" in our statements of operations over the remaining terms of the respective leases;
- Factors considered in determining the value allocable to in-place leases during hypothetical lease-up periods related to space that is leased at the time of acquisition include (i) lost rent and operating cost recoveries during the hypothetical lease-up period and (ii) theoretical leasing commissions required to execute similar leases. These intangible assets are recorded as lease intangible assets in "Other assets, net" in our balance sheets and are amortized to "Depreciation and amortization expense" in our statements of operations over the remaining term of the existing lease; and
- The fair value of the in-place property management, leasing, asset management, and development and construction management contracts is based on revenue and expense projections over the estimated life of each contract discounted using a market discount rate. These management contract intangibles are amortized to "Depreciation and amortization expense" in our statements of operations over the weighted average life of the management contracts.

The fair value of investments in unconsolidated real estate ventures and related noncontrolling interests is based on the estimated fair values of the identified assets acquired and liabilities assumed of each venture, including future expected cash flows from promote interests.

The fair value of the mortgages payable assumed is determined using current market interest rates for comparable debt financings. The fair values of the interest rate swaps and caps are based on the estimated amounts we would receive or pay to terminate the contract at the acquisition date and are determined using interest rate pricing models and observable inputs. The carrying value of cash, restricted cash, working capital balances, leasehold improvements and equipment, and other assets acquired and liabilities assumed approximates fair value.

Real Estate

Real estate is carried at cost, net of accumulated depreciation and amortization. Maintenance and repairs are expensed as incurred and are included in "Property operating expenses" in our statements of operations. As real estate is undergoing redevelopment activities, all property operating expenses directly associated with and attributable to the redevelopment, including interest expense, are capitalized to the extent that we believe such costs are recoverable through the value of the property. The capitalization period ends when the asset is ready for its intended use, but no later than one year from substantial completion of major construction activities. General and administrative costs are expensed as incurred. Depreciation and amortization require an estimate of the useful life of each property and improvement as well as an allocation of the costs associated with a property to its various components. Depreciation and amortization are recognized on a straight-line basis over estimated useful lives, which range from three to 40 years. Tenant improvements are amortized on a straight-line basis over the lives of the related leases, which approximate the useful lives of the tenant improvements. When assets are sold or retired, their costs and related accumulated depreciation are removed from the accounts with the resulting gains or losses reflected in net income or loss for the period.

Construction in progress, including land, is carried at cost, and no depreciation is recorded. Real estate undergoing significant renovations and improvements is considered to be under development. All direct and indirect costs related to development activities are capitalized into "Construction in progress, including land" on our balance sheets, except for certain demolition costs, which are expensed as incurred. Direct development costs incurred include: pre-development expenditures directly related to a specific project, development and construction costs, interest, insurance and real estate taxes. Indirect development costs include: employee salaries and benefits, travel and other related costs that are directly associated with the development. Our method of calculating capitalized interest expense is based upon applying our weighted average borrowing rate to the actual accumulated expenditures if the property does not have property specific debt. If the property is encumbered by specific debt, we will capitalize both the interest incurred applicable to that debt and additional interest expense using our weighted average borrowing rate for any accumulated expenditures in excess of the principal balance of the debt encumbering the property. The capitalization of such expenses ceases when the real estate is ready for its intended use, but no later than one-year from substantial completion of major construction activities.

Our assets and related intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment exists when the carrying amount of an asset exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Estimates of future cash flows are based on our current plans, intended holding periods and available market information at the time the analyses are prepared. An impairment loss is recognized if the carrying amount of the asset is not recoverable and is measured based on the excess of the property's carrying amount over its estimated fair value. If our estimates of future cash flows, anticipated holding periods, or fair values change, based on market conditions or otherwise, our evaluation of impairment charges may be different and such differences could be material to our financial statements. Estimates of future cash flows are subjective and are based, in part, on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with a purchase date life to maturity of three months or less and are carried at cost, which approximates fair value due to their short-term maturities.

Restricted Cash

Restricted cash consists primarily of proceeds from property dispositions held in escrow, security deposits held on behalf of our tenants and cash escrowed under loan agreements for debt service, real estate taxes, property insurance and capital improvements.

Investments in Real Estate Ventures

We analyze our real estate ventures to determine whether the entities should be consolidated. If it is determined that these entities are VIEs in which we have a variable interest, we assess whether we are the primary beneficiary of the VIE to determine whether it should be consolidated. We are not the primary beneficiary of entities when we do not have voting control, lack the power to direct the activities that most significantly impact the entity's economic performance, or the limited partners (or non-managing members) have substantive participatory rights. If it is determined that these entities are not VIEs, then the determination as to whether we consolidate is based on whether we have a controlling financial interest in the entity, which is based on our voting interests and the degree of influence we have over the entity. Management uses its judgment when determining if we are the primary beneficiary of, or have a controlling financial interest in, an entity in which we have a variable interest. Factors considered in determining whether we have the power to direct the activities that most significantly impact the entity's economic performance include voting rights, involvement in day-to-day capital and operating decisions and the extent of our involvement in the entity.

We use the equity method of accounting for investments in unconsolidated real estate ventures when we have significant influence but do not have a controlling financial interest. Significant influence is typically indicated through ownership of 20% or more of the voting interests. Under the equity method, we record our investments in these entities in "Investments in unconsolidated real estate ventures" on our balance sheets, and our proportionate share of earnings or losses earned by the real estate venture is recognized in "Income (loss) from unconsolidated real estate ventures, net" in the accompanying statements of operations. We earn revenues from the management services we provide to unconsolidated entities. These fees are determined in accordance with the terms specific to each arrangement and may include property and asset management fees or transactional fees for leasing, acquisition, development and construction, financing and legal services provided. We account for this revenue gross of our ownership interest in each respective real estate venture and recognize such revenue in "Third-party real estate services, including reimbursements" in our statements of operations when earned. Our proportionate share of related expenses is recognized in "Income (loss) from unconsolidated real estate ventures, net" in our statements of operations.

We may also earn incremental promote distributions if certain financial return benchmarks are achieved upon ultimate disposition of the underlying properties. Promote fees are recognized when certain earnings events have occurred, and the amount is determinable and collectible. Any promote fees are reflected in "Income (loss) from unconsolidated real estate ventures, net" in our statements of operations.

With regard to distributions from unconsolidated real estate ventures, we use the information that is available to us to determine the nature of the underlying activity that generated the distributions. Using the nature of distribution approach, cash flows generated from the operations of an unconsolidated real estate venture are classified as a return on investment (cash inflow from operating activities) and cash flows from property sales, debt refinancing or sales of our investments are classified as a return of investment (cash inflow from investing activities).

On a periodic basis, we evaluate our investments in unconsolidated entities for impairment. We assess whether there are any indicators, including underlying property operating performance and general market conditions, that the value of our investments in unconsolidated real estate ventures may be impaired. An investment in a real estate venture is considered impaired if we determine that its fair value is less than the net carrying value of the investment in that real estate venture on an other-than-temporary basis. Cash flow projections for the investments consider property level factors such as expected future operating income, trends and prospects, as well as the effects of demand, competition and other factors. We consider various qualitative factors to determine if a decrease in the value of our investment is other-than-temporary. These factors include age of the venture, our intent and ability to retain our investment in the entity, financial condition and long-term prospects of the entity and relationships with our partners and banks. If we believe that the decline in the fair value of the investment is temporary, no impairment charge is recorded. If our analysis indicates that there is an other-than temporary impairment related to the investment in a particular real estate venture, the carrying value of the venture will be adjusted to an amount that reflects the estimated fair value of the investment.

Intangibles

Intangible assets consist of in-place leases, below-market ground rent obligations, above-market real estate leases and options to enter into ground leases that were recorded in connection with the acquisition of properties. Intangible assets also include management and leasing contracts acquired in the Combination. Intangible liabilities consist of above-market ground rent obligations and below-market real estate leases that are also recorded in connection with the acquisition of properties. Both intangible assets and liabilities are amortized and accreted using the straight-line method over their applicable remaining useful life. When a lease or contract is terminated early, any remaining unamortized or unaccreted balances are charged to earnings. The useful lives of intangible assets are evaluated each reporting period with any changes in estimated useful lives being accounted for over the revised remaining useful life.

Assets Held for Sale

Assets, primarily consisting of real estate, are classified as held for sale when all the necessary criteria are met. The criteria include (i) management, having the authority to approve action, commits to a plan to sell the property in its present condition, (ii) the sale of the property is at a price reasonable in relation to its current fair value and (iii) the sale is probable and expected to be completed within one year. Real estate held for sale is carried at the lower of carrying amounts or estimated fair value less disposal costs. Depreciation and amortization is not recognized on real estate classified as held for sale.

Deferred Costs

Deferred financing costs consist of loan issuance costs directly related to financing transactions that are deferred and amortized over the term of the related loan as a component of interest expense. Unamortized deferred financing costs related to our mortgages payable and unsecured term loan are presented as a direct deduction from the carrying amounts of the related debt instruments, while such costs related to our revolving credit facility are included in other assets.

Noncontrolling Interests

We identify our noncontrolling interests separately on our balance sheets. Amounts of consolidated net income (loss) attributable to redeemable noncontrolling interests and to the noncontrolling interests in consolidated subsidiaries are presented separately in our statements of operations.

Redeemable Noncontrolling Interests - Redeemable noncontrolling interests consists of OP Units issued in conjunction with the Formation Transaction and our venture partner's interest in 965 Florida Avenue. The OP Units became redeemable for our common shares or cash beginning August 1, 2018, subject to certain limitations. Redeemable noncontrolling interests are generally redeemable at the option of the holder and are presented in the mezzanine section between total liabilities and shareholders' equity on our balance sheets. The carrying amount of redeemable noncontrolling interests is adjusted to its redemption value at the end of each reporting period, but no less than its initial carrying value, with such adjustments recognized in "Additional paid-in capital." See Note 12 for additional information.

Noncontrolling Interests - Noncontrolling interests represents the portion of equity that we do not own in entities we consolidate, including interests in consolidated real estate ventures.

Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are used at times to manage exposure to variable interest rate risk. Derivative financial instruments are recognized as either assets or liabilities and are measured at fair value. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation.

Derivative Financial Instruments Designated as Cash Flow Hedges - Certain derivative financial instruments, consisting of interest rate swap and cap agreements, are designated as cash flow hedges, and are carried at their estimated fair value on a recurring basis. We assess the effectiveness of our cash flow hedges both at inception and on an ongoing basis. If the hedges are deemed to be effective, the fair value is recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into "Interest expense" in the period that the hedged forecasted transactions affect earnings. Our cash flow hedges become less than perfectly effective if the critical terms of the hedging instrument and the forecasted transactions do not perfectly match such as notional amounts, settlement dates, reset dates, calculation period and interest rates. In addition, we evaluate the default risk of the counterparty by monitoring the creditworthiness of the counterparty.

Derivative instruments and hedging activities require management to make judgments on the nature of its derivatives and their effectiveness as hedges. These judgments determine if the changes in fair value of the derivative instruments are reported in our statements of operations or as a component of comprehensive income and as a component of shareholders' equity on our balance sheets.

Derivative Financial Instruments Not Designated as Hedges - Certain derivative financial instruments, consisting of interest rate swap and cap agreements, are considered economic hedges, but not designated as accounting hedges, and are carried at their estimated fair value on a recurring basis. Realized and unrealized gains are recorded in "Interest expense" in our statements of operations in the period in which the change occurs.

Fair Value of Assets and Liabilities

Accounting Standards Codification ("ASC") 820 ("Topic 820"), Fair Value Measurement and Disclosures, defines fair value and establishes a framework for measuring fair value. The objective of fair value is to determine the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). Topic 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels:

Level 1 — quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities;

Level 2 — observable prices that are based on inputs not quoted in active markets, but corroborated by market data; and

Level 3 — unobservable inputs that are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, we utilize valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as consider counterparty credit risk in our assessment of fair value.

Revenue Recognition

We have leases with various tenants across our portfolio of properties, which generate rental income and operating cash flows for our benefit. Through these leases, we provide tenants with the right to control the use of our real estate, which tenants agree to use and control. The right to control our real estate conveys to our tenants substantially all of the economic benefits and the right to direct how and for what purpose the real estate is used throughout the period of use, thereby meeting the definition of a lease. Leases will be classified as either operating, sales-type or direct finance leases based on whether the lease is structured in effect as a financed purchase.

Property rentals revenue includes base rent each tenant pays in accordance with the terms of its respective lease and is reported on a straight-line basis over the non-cancellable term of the lease, which includes the effects of periodic step-ups in rent and rent abatements under the lease. When a renewal option is included within the lease, we assess whether the option is reasonably certain of being exercised against relevant economic factors to determine whether the option period should be included as part of the lease term. Further, property rentals revenue includes tenant reimbursements revenue from the recovery of all or a portion of the operating expenses and real estate taxes of the respective assets. Tenant reimbursements, which vary each period, are non-lease components that are not the predominant activity within the contract. We combine certain lease and non-lease components of our operating leases. Non-lease components are recognized together with fixed base rent in "Property rentals revenue", as variable lease income in the same periods as the related expenses are incurred. Certain commercial leases may also provide for the payment by the lessee of additional rents based on a percentage of sales, which are recorded as variable lease income in the period the additional rents are earned.

We commence rental revenue recognition when the tenant takes possession of the leased space or controls the physical use of the leased space and when the leased space is substantially ready for its intended use. In circumstances where we provide a tenant improvement allowance for improvements that are owned by the tenant, we recognize the allowance as a reduction of property rentals revenue on a straight-line basis over the term of the lease when the tenant takes possession of the space. Differences between rental revenue recognized and amounts due under the respective lease agreements are recorded as an increase or decrease to "Deferred rent receivable, net" on our balance sheets. Property rentals revenue also includes the amortization or accretion of acquired above-and below-market leases. We periodically evaluate the collectability of amounts due from tenants and recognize an adjustment to property rental revenue for the estimated losses resulting from the inability of tenants to make required payments under lease agreements. Any changes to the provision for lease revenue determined to be not probable of collection are included in "Property rentals revenue" in our statements of operations. We exercise judgment in assessing the probability of collection and consider payment history and current credit status in making this determination.

Third-party real estate services revenue, including reimbursements, includes property and asset management fees, and transactional fees for leasing, acquisition, development and construction, financing, and legal services. These fees are determined in accordance with the terms specific to each arrangement and are recognized as the related services are performed. Development fees are earned from providing services to third-party property owners and our unconsolidated real estate ventures. The performance obligations associated with our development services contracts are satisfied over time and we recognize our development fee revenue using a time based measure of progress over the course of the development project due to the stand-ready nature of the promised services. The transaction prices for our performance obligations that are expected to be completed in greater than twelve months are variable based on the costs ultimately incurred to develop the underlying assets. Judgments impacting the timing and amount of revenue recognized from our development services contracts include the determination of the nature and number of performance obligations within a contract, estimates of total development project costs, from which the fees are typically derived, and estimates of the

period of time over which the development services are expected to be performed, which is the period over which the revenue is recognized. We recognize development fees earned from unconsolidated joint venture projects to the extent of the third-party partners' ownership interest.

Third-Party Real Estate Services Expenses

Third-party real estate services expenses include the costs associated with the management services provided to our unconsolidated real estate ventures and other third parties, including amounts paid to third-party contractors for construction management projects. We allocate personnel and other overhead costs using the estimates of the time spent performing services for our third-party real estate services and other allocation methodologies.

Lessee Accounting

We are obligated under non-cancellable operating leases, including ground leases on certain of our properties through 2061. When a renewal option is included within a lease, we assess whether the option is reasonably certain of being exercised against relevant economic factors to determine whether the option period should be included as part of the lease term. Lease payments associated with renewal periods that we are reasonably certain will be exercised are included in the measurement of the corresponding lease liability and right-of-use asset. Lease expense for our operating leases is recognized on a straight-line basis over the expected lease term and is included in our statements of operations in either "Property operating expenses" or "General and administrative expense" depending on the nature of the lease.

Certain lease agreements include variable lease payments that, in the future, will vary based on changes in inflationary measures, market rates or our share of expenditures of the leased premises. Such variable payments are recognized in lease expense in the period in which the variability is determined. Certain lease agreements may also include various non-lease components that primarily relate to property operating expenses associated with our office leases, which also vary each period. We have elected the practical expedient which allows us not to separate lease and non-lease components for our ground and office leases and recognize variable non-lease components in lease expense when incurred.

We discount our future lease payments for each lease to calculate the related lease liability using an estimated incremental borrowing rate computed based on observable corporate borrowing rates reflective of the general economic environment, taking into consideration our creditworthiness and various financing and asset specific considerations, adjusted to approximate a secured borrowing for the lease term. We made a policy election to forgo recording right-of-use assets and the related lease liabilities for leases with initial terms of 12 months or less.

Income Taxes

We have elected to be taxed as a REIT under sections 856-860 of the Internal Revenue Code of 1986, as amended (the "Code"). Under those sections, a REIT which distributes at least 90% of its REIT taxable income as dividends to its shareholders each year and which meets certain other conditions will not be taxed on that portion of its taxable income which is distributed to its shareholders. Prior to the Separation, Vornado operated as a REIT and distributed 100% of its REIT taxable income to its shareholders; accordingly, no provision for federal income taxes has been made in the accompanying financial statements for the periods prior to the Separation. We currently adhere and intend to continue to adhere to these requirements and to maintain our REIT status in future periods.

As a REIT, we can reduce our taxable income by distributing all or a portion of such taxable income to shareholders. Future distributions will be declared and paid at the discretion of the Board of Trustees and will depend upon cash generated by operating activities, our financial condition, capital requirements, annual dividend requirements under the REIT provisions of the Code and such other factors as our Board of Trustees deems relevant.

We also participate in the activities conducted by our subsidiary entities that have elected to be treated as taxable REIT subsidiaries ("TRS") under the Code. As such, we are subject to federal, state, and local taxes on the income from these activities. Income taxes attributable to our TRSs are accounted for under the asset and liability method. Under the asset and liability method, deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in our financial statements, which will result in taxable or deductible amounts in the future. We provide for a valuation allowance for deferred income tax assets if we believe all or some portion of the deferred tax asset may not be realized. Any increase or decrease in the valuation allowance that results from a change in circumstances that causes a change in the estimated ability to realize the related deferred tax asset is included in deferred tax benefit (expense).

Accounting Standards Codification 740 ("Topic 740"), Income Taxes, provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in our financial statements. Topic 740 requires the evaluation of tax positions taken in the course of preparing our tax returns to determine whether the tax positions are "more-likely-than-not" of being sustained

by the applicable tax authority. Tax benefits of positions not deemed to meet the more-likely-than-not threshold are recorded as a tax expense in the current year.

Earnings (Loss) Per Common Share

Basic earnings (loss) per common share is computed by dividing net income (loss) attributable to common shareholders by the weighted average common shares outstanding during the period. Unvested share-based compensation awards that entitle holders to receive non-forfeitable dividends, which include long-term incentive partnership units ("LTIP Units"), are considered participating securities. Consequently, we are required to apply the two-class method of computing basic and diluted earnings that would otherwise have been available to common shareholders. Under the two-class method, earnings for the period are allocated between common shareholders and participating securities based on their respective rights to receive dividends. During periods of net loss, losses are allocated only to the extent the participating securities are required to absorb their share of such losses. Diluted earnings (loss) per common share reflects the potential dilution of the assumed exchange of various unit and share-based compensation awards into common shares to the extent they are dilutive.

Share-Based Compensation

The fair value of share-based compensation awards granted to our trustees, management or employees is determined, depending on the type of award, using the Monte Carlo or Black-Scholes methods, which is intended to estimate the fair value of the awards at the grant date using dividend yields, expected volatilities that are primarily based on available implied data and peer group companies' historical data and post-vesting restriction periods. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The shortcut method is used for determining the expected life used in the valuation method.

Compensation expense is based on the fair value of our common shares at the date of the grant and is recognized ratably over the vesting period using a graded vesting attribution model. We account for forfeitures as they occur. Distributions paid on unvested OP Units, LTIP Units, LTIP Units with time-based vesting requirements ("Time-Based LTIP Units"), LTIP Units with performance-based vesting requirements ("Performance-Based LTIP Units") are recorded to "Redeemable noncontrolling interests" in our balance sheets.

Recent Accounting Pronouncements

Adoption of Accounting Standards Update 2016-02, Leases ("Topic 842")

We enter into various lease agreements to make our properties available for use by third parties in exchange for cash consideration or to obtain the right to use properties owned by third parties to administer our business operations. We account for these leases under Topic 842, which we adopted as of January 1, 2019 using a modified retrospective approach and by applying the several transitional practical expedients including the Comparatives Under 840 expedient, the Relief Package for existing leases and the Easement expedient for existing easements, but not the Hindsight expedient. The Comparatives Under 840 expedient allows us not to recast our comparative periods in the period of adoption, and the Relief Package and Easement expedients allow us to maintain our historical accounting conclusions on current leases as of the date of adoption with respect to whether a contract contains a lease, what a lease's classification should be, what initial direct costs are capitalizable and whether a land easement constituted a lease.

The adoption of Topic 842 did not result in a material change to our recognition of property rental revenue and did not impact our opening accumulated deficit balance, but resulted in:

- (i) the inclusion of tenant reimbursements in "Property rentals revenue" in our statements of operations. Such amounts were previously separately presented as "Tenant reimbursements" in our statements of operations;
- (ii) the recognition, as of January 1, 2019, of right-of-use assets totaling \$35.3 million in "Other assets, net" and lease liabilities totaling \$37.9 million in "Other liabilities, net" in our accompanying balance sheet, associated with our corporate office lease and various ground leases for which we are the lessee. The initial right-of-use assets comprised \$37.9 million of lease liabilities, \$3.5 million of ground lease deferred rent payable reclassified from "Other liabilities, net" and \$767,000 of identified net intangible assets and \$140,000 of prepaid expenses both reclassified from "Other assets, net;"
- (iii) the inclusion as a deduction to revenue, as of January 1, 2019, of the impact of revenue deemed improbable of collection. Such amounts were previously recognized within "Property operating expenses" in our statements of operations; and
- (iv) the change, as of January 1, 2019, in our capitalization policy for direct leasing costs to include only incremental costs associated with successful leasing arrangements, which would not have been incurred if the leasing arrangements had not been obtained. As a result, we no longer capitalize internal leasing costs, which are now expensed as incurred within "General and administrative expense: corporate and other" in our statements of operations. Internal leasing costs capitalized for the years ended December 31, 2018 and 2017 totaled \$6.5 million and \$2.9 million.

Lessor Accounting

The following is a summary of revenue from our non-cancellable leases:

	Year Ended December 31, 2019
	(In thousands)
Property rentals:	
Fixed	\$ 458,329
Variable	34,944
Total	<u>\$ 493,273</u>

As of December 31, 2019, the undiscounted cash flows to be received from lease payments under our operating leases on an annual basis for the next five years and thereafter are as follows:

Year ending December 31,	Amount
	(In thousands)
2020	\$ 371,332
2021	297,603
2022	265,150
2023	220,722
2024	191,946
Thereafter	933,143

As of December 31, 2018, future base rental revenue under our non-cancellable operating leases, as determined under ASC Topic 840, were as follows:

Year ending December 31,	Amount
	(In thousands)
2019	\$ 377,427
2020	321,205
2021	287,463
2022	256,352
2023	215,203
Thereafter	1,188,767

Lessee Accounting

As of December 31, 2019, the weighted average discount rate used in calculating lease liabilities for our active operating leases was 5.4%, which had a weighted average remaining lease term of 23.9 years.

As of December 31, 2019, future minimum lease payments under our non-cancellable operating leases are as follows:

Year ending December 31,	Amount
	(In thousands)
2020	\$ 5,999
2021	3,348
2022	3,064
2023	2,000
2024	2,061
Thereafter	36,580
Total future minimum lease payments	53,052
Imputed interest	(24,576)
Total ⁽¹⁾	<u>\$ 28,476</u>

⁽¹⁾ The total for operating leases of \$28.5 million corresponds to lease liabilities related to operating right-of-use assets, which was included in "Other liabilities, net" as of December 31, 2019. See Note 10 for additional information.

As of December 31, 2018, future minimum rental payments under our non-cancellable operating leases, capital leases and lease assumption liabilities, as determined under Topic 840, were as follows:

Year ending December 31,	Amount
	(In thousands)
2019	\$ 13,991
2020	13,710
2021	13,395
2022	12,554
2023	9,489
Thereafter	55,780
Total	<u>\$ 118,919</u>

For the year ended December 31, 2019, we incurred \$2.3 million of fixed operating and finance lease costs and \$1.3 million of variable operating lease costs.

3. The Combination

In the Combination on July 18, 2017, we acquired the JBG Assets in exchange for approximately 37.2 million common shares and OP Units. The Combination has been accounted for at fair value under the acquisition method of accounting. The following allocation of the purchase price was based on the fair value of the assets acquired and liabilities assumed (in thousands):

Fair value of purchase consideration:	
Common shares and OP Units	\$ 1,224,885
Cash	20,573
Total consideration paid	\$ 1,245,458
Fair value of assets acquired and liabilities assumed:	
Land and improvements	\$ 338,072
Building and improvements	609,156
Construction in progress, including land	699,800
Leasehold improvements and equipment	7,890
Real estate	1,654,918
Cash	104,529
Restricted cash	13,460
Investments in unconsolidated real estate ventures	241,142
Identified intangible assets	138,371
Notes receivable ⁽¹⁾	50,934
Identified intangible liabilities	(8,687)
Mortgages payable assumed ⁽²⁾	(768,523)
Capital lease obligations assumed ⁽³⁾	(33,543)
Lease assumption liabilities ⁽⁴⁾	(48,127)
Deferred tax liability ⁽⁵⁾	(18,610)
Other liabilities acquired, net	(60,048)
Noncontrolling interests in consolidated subsidiaries	(3,588)
Net assets acquired	1,262,228
Gain on bargain purchase ⁽⁶⁾	16,770
Total consideration paid	\$ 1,245,458

⁽¹⁾ During the year ended December 31, 2017, we received proceeds of \$50.9 million from the repayment of the notes receivable acquired in the Combination.

⁽²⁾ Subject to various interest rate swap and cap agreements assumed in the Combination that are considered economic hedges, but not designated as accounting hedges.

⁽³⁾ In the Combination, two ground leases were assumed that were determined to be capital leases. On July 25, 2017, we purchased a land parcel located in Reston, Virginia associated with one of the ground leases for \$19.5 million.

⁽⁴⁾ Includes a \$14.0 million payment to a tenant, which was paid in 2018, and a \$34.1 million lease liability we assumed in relocating a tenant to one of our office buildings. The \$34.1 million assumed lease liability was based on the contractual payments we assumed under the tenant's previous lease, which are partially offset by estimated sub-tenant income we anticipate receiving as we actively pursue a sub-tenant.

⁽⁵⁾ Related to the management and leasing contracts acquired in the Combination.

⁽⁶⁾ The Combination resulted in a gain on bargain purchase of \$24.4 million for the year ended December 31, 2017 because the fair value of the identifiable net assets acquired exceeded the purchase consideration. As a result of finalizing our fair value estimates used in the purchase price allocation related to the Combination, during the year ended December 31, 2018, we adjusted the fair value of certain assets acquired and liabilities assumed consisting of a decrease of \$468,000 to investments in unconsolidated real estate ventures, an increase of \$4.7 million to lease assumption liabilities and an increase of \$2.4 million to other liabilities acquired, resulting in a reduction of the gain on bargain purchase of \$7.6 million for the year ended December 31, 2018. The purchase consideration was based on the fair value of the common shares and OP Units issued in the Combination. We have concluded that all acquired assets and liabilities were recognized and that the valuation procedures and resulting estimates of fair values were appropriate.

The fair value of the common shares and OP Units purchase consideration was determined as follows (in thousands, except exchange ratio and price per share/unit):

Outstanding common shares and common limited partnership units prior to the Combination	100,571
Exchange ratio ⁽¹⁾	2.71
Common shares and OP Units issued in consideration	37,164
Price per share/unit ⁽²⁾	\$ 37.10
Fair value of common shares and OP Units issued in consideration	\$ 1,378,780
Fair value adjustment to OP Units due to transfer restrictions	(43,304)
Portion of consideration attributable to performance of future services ⁽³⁾	(110,591)
Fair value of common shares and OP Units purchase consideration	<u>\$ 1,224,885</u>

⁽¹⁾ Represents the implied exchange ratio of one common share and OP Unit of JBG SMITH for 2.71 common shares and common limited partnership units prior to the Combination.

⁽²⁾ Represents the volume weighted average share price on July 18, 2017.

⁽³⁾ OP Unit consideration paid to certain of the owners of the JBG Assets, which have a fair value of \$110.6 million, is subject to post-combination employment with vesting over periods of either 12 or 60 months and amortization is recognized as compensation expense over the period of employment in "General and administrative expense: Share-based compensation related to Formation Transaction and special equity awards" in our statements of operations.

The JBG Assets acquired on July 18, 2017 comprise: (i) 30 operating assets comprising 21 commercial assets totaling 4.1 million square feet (2.4 million square feet at our share) and nine multifamily assets with 2,883 units (1,099 units at our share); (ii) 11 commercial and multifamily assets under construction totaling over 2.5 million square feet (2.2 million square feet at our share); (iii) two near-term development commercial and multifamily assets totaling 401,000 square feet (242,000 square feet at our share); (iv) 26 future development assets totaling 11.7 million square feet (8.5 million square feet at our share) of estimated potential development density; and (v) JBG/Operating Partners, L.P., a real estate services company providing investment, development, asset management, property management, leasing, construction management and other services. Before the Combination, JBG/Operating Partners, L.P. was owned by 20 unrelated individuals, 19 of whom became our employees and three of whom serve on our Board of Trustees.

The following is a summary of the fair values of tangible and identified intangible assets and liabilities, which have definite lives:

	Total Fair Value	Weighted Average Amortization Period	Useful Life ⁽¹⁾
	(In thousands)	(In years)	
Tangible assets:			
Building and improvements	\$ 543,584		3 - 40 years
Tenant improvements	65,572		Shorter of useful life or remaining life of the respective lease
Total building and improvements	<u>\$ 609,156</u>		
Leasehold improvements	\$ 4,422		Shorter of useful life or remaining life of the respective lease
Equipment	3,468		5 years
Total leasehold improvements and equipment	<u>\$ 7,890</u>		
Identified intangible assets:			
In-place leases	\$ 60,317	6.4	Remaining life of the respective lease
Above-market real estate leases	11,732	6.3	Remaining life of the respective lease
Below-market ground leases	332	88.5	Remaining life of the respective lease
Option to enter into ground lease	17,090	N/A	Remaining life of contract
Management and leasing contracts ⁽²⁾	48,900	7.5	Estimated remaining life of contracts, ranging between 3 - 9 years
Total identified intangible assets	<u>\$ 138,371</u>		
Identified intangible liabilities:			
Below-market real estate leases	\$ 8,687	10.3	Remaining life of the respective lease

⁽¹⁾ In determining these useful lives, we considered the length of time the asset had been in existence, the maintenance history, as well as anticipated future maintenance, and any contractual stipulations that might limit the useful life.

⁽²⁾ Includes in-place property management, leasing, asset management and development management contracts.

The total revenue and net loss of the JBG Assets for the year ended December 31, 2017 included in our statements of operations from the acquisition date was \$71.3 million and \$23.1 million.

4. Acquisitions, Dispositions and Assets Held for Sale

Acquisitions

In December 2019, we acquired FIRST Residences, a 325-unit multifamily asset in the Ballpark submarket of Washington, D.C. with approximately 21,000 square feet of street level retail, for \$160.5 million through a like-kind exchange agreement with a third-party intermediary. See Note 7 for additional information. The multifamily portion of the building was 91.7% occupied as of December 31, 2019. Transaction costs related to the asset acquisition of \$4.7 million were included in the cost of the acquisition.

During the year ended December 31, 2018, we purchased a land parcel and the remaining interest in the West Half real estate venture for an aggregate purchase price of \$28.0 million.

Dispositions

The following is a summary of disposition activity for the year ended December 31, 2019:

Date Disposed	Assets	Segment	Location	Total Square Feet	Gross Sales Price	Cash Proceeds from Sale	Gain on Sale of Real Estate
						(In thousands)	
February 4, 2019	Commerce Executive / Commerce Metro Land ⁽¹⁾⁽²⁾	Commercial / Other	Reston, Virginia	388,562	\$ 114,950	\$ 117,676	\$ 39,033
July 31, 2019	1600 K Street	Commercial	Washington, D.C.	82,653	43,000	40,134	8,088
December 18, 2019	Vienna Retail	Commercial	Vienna, Virginia	8,584	7,400	7,005	4,514
				<u>479,799</u>	<u>\$ 165,350</u>	<u>\$ 164,815</u>	51,635
December 12, 2019	Central Place Tower ⁽³⁾	Commercial	Arlington, Virginia				53,356
Total							<u>\$ 104,991</u>

⁽¹⁾ The sale also included 894,000 square feet of estimated potential development density. The sale was part of a like-kind exchange. See Note 7 for additional information.

⁽²⁾ Cash proceeds include the reimbursement of \$4.0 million of tenant improvement costs and leasing commissions paid by us prior to the closing.

⁽³⁾ Represents the gain, net of certain liabilities, on the sale of a 50.0% interest in the entity that owns Central Place Tower and the remeasurement of our remaining 50.0% interest to fair value. See Note 6 for additional information.

During the year ended December 31, 2018, we sold four commercial assets, a future development asset and the out-of-service portion of a multifamily asset for an aggregate gross sales price of \$427.4 million, resulting in gains on sale of real estate of \$52.2 million.

Assets Held for Sale

As of December 31, 2019 and 2018, we had certain real estate properties that were classified as held for sale. The amounts included in "Assets held for sale" in our balance sheets primarily represent the carrying value of real estate. The following is a summary of assets held for sale:

Assets	Segment	Location	Total Square Feet	Assets Held for Sale	Liabilities Related to Assets Held for Sale
(In thousands)					
December 31, 2019					
Pen Place ⁽¹⁾	Other	Arlington, Virginia	—	\$ 73,895	\$ —
Metropolitan Park ⁽¹⁾	Other	Arlington, Virginia	—	94,517	—
			—	\$ 168,412	\$ —
December 31, 2018					
Commerce Executive / Commerce Metro Land ⁽²⁾	Commercial	Reston, Virginia	388,562	\$ 78,981	\$ 3,717

⁽¹⁾ In March 2019, we entered into agreements for the sale of Pen Place and Metropolitan Park, land sites having an aggregate estimated potential development density of up to approximately 4.1 million square feet, for approximately \$293.9 million, subject to customary closing conditions. In January 2020, we sold the Metropolitan Park land sites to Amazon for the gross sales price of \$155.0 million, which represents an \$11.0 million increase over the previously estimated contract value as the result of an increase in the approved development density on the sites. The sale was part of a like-kind exchange. See Note 7 for additional information.

⁽²⁾ As noted above, we sold Commerce Executive/Commerce Metro Land in February 2019.

5. Tenant and Other Receivables, Net

The following is a summary of tenant and other receivables:

	December 31,	
	2019	2018
(In thousands)		
Tenants ⁽¹⁾	\$ 37,823	\$ 31,362
Third-party real estate services	14,541	12,443
Other	577	9,463
Allowance for doubtful accounts ⁽¹⁾	—	(6,700)
Total tenant and other receivables, net	\$ 52,941	\$ 46,568

⁽¹⁾ Due to the adoption of Topic 842 as of January 1, 2019, we recognize changes in the assessment of collectability of tenant receivables as adjustments to the specific tenant's receivable in our balance sheet and to "Property rentals revenue" in our statement of operations. Prior to the adoption of Topic 842, we recorded estimated losses on tenant receivables as an allowance for doubtful accounts in our balance sheets and to "Property operating expenses" in our statements of operations.

6. Investments in Unconsolidated Real Estate Ventures

The following is a summary of the composition of our investments in unconsolidated real estate ventures:

Real Estate Venture Partners	Ownership Interest ⁽¹⁾	December 31,	
		2019	2018
(In thousands)			
Prudential Global Investment Management ("PGIM")	50.0%	\$ 215,624	\$ —
CPPIB	55.0%	109,911	97,521
Landmark	1.8% - 49.0%	77,944	84,320
CBREI Venture	5.0% - 64.0%	68,405	73,776
Berkshire Group	50.0%	46,391	43,937
Brandywine	30.0%	13,830	13,777
CIM Group ("CIM") and Pacific Life Insurance Company ("PacLife")	16.7%	10,385	9,339
Other		536	208
Total investments in unconsolidated real estate ventures		\$ 543,026	\$ 322,878

⁽¹⁾ Ownership interests as of December 31, 2019. We have multiple investments with certain venture partners with varying ownership interests.

We provide leasing, property management and other real estate services to our unconsolidated real estate ventures. We recognized revenue, including expense reimbursements, of \$28.5 million, \$26.1 million and \$12.9 million for each of the three years in the period ended December 31, 2019 for such services.

PGIM

In December 2019, we sold a 50.0% interest in a real estate venture that owns Central Place Tower, a 552,000 square foot office building located in Arlington, Virginia, to PGIM for the gross sales price of \$220.0 million. Per the terms of the venture agreement, we determined the venture was not a VIE and we do not have a controlling financial interest in the venture. As a result, we deconsolidated our remaining 50.0% interest in the real estate venture and recorded a gain as our unconsolidated interest was increased to reflect its fair value. We recognized an aggregate \$53.4 million gain, net of certain liabilities, recorded as "Gain on sale of real estate" in our statement of operations for the year ended December 31, 2019, on the partial sale and remeasurement of our remaining interest in the real estate venture subsequent to the transfer of control.

CPPIB

As of December 31, 2019 and 2018, we had a zero investment balance in the real estate venture that owns 1101 17th Street and had suspended the equity method of accounting for the venture since June 30, 2018. We will recognize as income any future distributions from the venture until our share of unrecorded earnings and contributions exceeds the cumulative excess distributions previously recognized in income. During the years ended December 31, 2019 and 2018, we recognized income of \$6.4 million and \$8.3 million related to distributions from this venture, which was included in "Income (loss) from unconsolidated real estate ventures, net" in our statement of operations. During the year ended December 31, 2018, we also recognized the \$5.4 million negative investment balance as income within "Income (loss) from unconsolidated real estate ventures, net" in our statement of operations as a result of the venture refinancing a mortgage payable collateralized by the property and eliminating certain principal guaranty provisions that had been included in a prior loan.

In December 2018, our unconsolidated real estate venture with CPPIB sold The Warner, a 583,000 square foot office building located in Washington, D.C., for \$376.5 million. In connection with the sale, the unconsolidated real estate venture recognized a gain on sale of \$32.5 million, of which our proportionate share was \$20.6 million, which was included in "Income (loss) from unconsolidated real estate ventures, net" in our statement of operations for the year ended December 31, 2018. Additionally, in connection with the sale, our unconsolidated real estate venture repaid the related mortgage payable of \$270.5 million.

In February 2018, we entered into a real estate venture with CPPIB to develop and own 1900 N Street, an under construction commercial asset in Washington, D.C. We contributed 1900 N Street, valued at \$95.9 million, to the real estate venture, and CPPIB committed to contribute approximately \$101.3 million to the venture for a 45.0% interest, which reduced our ownership interest from 100.0% at the real estate venture's formation to 55.0% as CPPIB's contributions were funded.

CIM and PacLife

In January 2018, we invested \$10.1 million for a 16.67% interest in a real estate venture with CIM and PacLife, which purchased the 1,152-key Wardman Park hotel, located adjacent to the Woodley Park Metro Station in northwest Washington, D.C. Prior to the acquisition by this venture, the JBG Legacy Funds owned a 47.64% interest in the Wardman Park hotel. The JBG Legacy Funds did not receive any proceeds from the sale, as the net proceeds were used to satisfy the prior mortgage debt. A third-party asset manager oversees the hotel operations on behalf of the venture and our involvement will increase only to the extent a land development opportunity becomes the primary business plan for the asset.

JP Morgan

In August 2018, JP Morgan, our former partner in the real estate venture that owned the Investment Building, a 401,000 square foot office building located in Washington, D.C., acquired our 5.0% interest in the venture for \$24.6 million, resulting in a gain of \$15.5 million, which was included in "Income (loss) from unconsolidated real estate ventures, net" in our statement of operations for the year ended December 31, 2018.

The following is a summary of the debt of our unconsolidated real estate ventures:

	Weighted Average Effective Interest Rate ⁽¹⁾	December 31,	
		2019	2018
(In thousands)			
Variable rate ⁽²⁾	4.10%	\$ 629,479	\$ 461,704
Fixed rate ⁽³⁾	3.98%	561,236	665,662
Unconsolidated real estate ventures - mortgages payable		1,190,715	1,127,366
Unamortized deferred financing costs		(2,859)	(1,998)
Unconsolidated real estate ventures - mortgages payable, net ⁽⁴⁾		\$ 1,187,856	\$ 1,125,368

⁽¹⁾ Weighted average effective interest rate as of December 31, 2019.

⁽²⁾ Includes variable rate mortgages payable with interest rate cap agreements.

⁽³⁾ Includes variable rate mortgages payable with interest rates fixed by interest rate swap agreements.

⁽⁴⁾ See Note 19 for additional information on guarantees of the debt of certain of our unconsolidated real estate ventures.

The following is a summary of the financial information for our unconsolidated real estate ventures:

	December 31,	
	2019	2018
(In thousands)		
Combined balance sheet information:		
Real estate, net	\$ 2,493,961	\$ 2,050,985
Other assets, net ⁽¹⁾	291,092	169,264
Total assets	\$ 2,785,053	\$ 2,220,249
Borrowings, net	\$ 1,187,856	\$ 1,125,368
Other liabilities, net ⁽¹⁾	168,243	94,845
Total liabilities	1,356,099	1,220,213
Total equity	1,428,954	1,000,036
Total liabilities and equity	\$ 2,785,053	\$ 2,220,249

⁽¹⁾ On January 1, 2019, our unconsolidated real estate ventures adopted Topic 842, which required the ventures to record operating right-of-use assets totaling \$52.4 million and related lease liabilities totaling \$44.1 million.

	Year Ended December 31,		
	2019	2018	2017
Combined income statement information:	(In thousands)		
Total revenue	\$ 266,653	\$ 300,032	\$ 135,256
Operating income ⁽¹⁾	18,041	56,262	14,741
Net loss	(32,507)	(1,155)	(7,593)

⁽¹⁾ Includes gain on sale of The Warner of \$32.5 million recognized by our unconsolidated real estate venture with CPPIB during the year ended December 31, 2018.

7. Variable Interest Entities

We hold various interests in entities deemed to be VIEs, which we evaluate at acquisition, formation, after a change in the ownership agreement or after a change in the real estate venture's economics to determine if the VIEs should be consolidated in our financial statements or should no longer be considered a VIE. Certain criteria we assess in determining whether the VIEs should be consolidated relate to our at-risk equity, our control over significant business activities, our voting rights, the noncontrolling interest kick-out rights and whether we are the primary beneficiary of the VIE.

Unconsolidated VIEs

As of December 31, 2019 and 2018, we had interests in entities deemed to be VIEs that are in the development stage and do not hold sufficient equity at risk or conduct substantially all their operations on behalf of an investor with disproportionately few voting rights. Although we are engaged to act as the managing partner in charge of day-to-day operations of these investees, we are not the primary beneficiary of these VIEs as we do not hold unilateral power over activities that, when taken together, most significantly impact the respective VIE's performance. We account for our investment in these entities under the equity method. As of December 31, 2019 and 2018, the net carrying amounts of our investment in these entities were \$242.9 million and \$232.8 million, which are included in "Investments in unconsolidated real estate ventures" in our balance sheets. Our equity in the income of unconsolidated VIEs is included in "Income (loss) from unconsolidated real estate ventures, net" in our statements of operations. Our maximum loss exposure in these entities is limited to our investments, construction commitments and debt guarantees. See Note 19 for additional information.

Consolidated VIEs

JBG SMITH LP is our most significant consolidated VIE. We hold the majority limited partnership interest in the operating partnership, act as the general partner and exercise full responsibility, discretion and control over its day-to-day management.

The noncontrolling interests of the operating partnership do not have substantive liquidation rights, substantive kick-out rights without cause, or substantive participating rights that could be exercised by a simple majority of noncontrolling interest limited partners (including by such a limited partner unilaterally). Because the noncontrolling interest holders do not have these rights, the operating partnership is a VIE. As general partner, we have the power to direct the core activities of the operating partnership that most significantly affect its performance, and through our majority interest in the operating partnership have both the right to receive benefits from and the obligation to absorb losses of the operating partnership. Accordingly, we are the primary beneficiary of the operating partnership and consolidate the operating partnership in our financial statements. As we conduct our business and hold our assets and liabilities through the operating partnership, the total assets and liabilities of the operating partnership comprise substantially all of our consolidated assets and liabilities.

In conjunction with the acquisition of FIRST Residences, located in the Ballpark submarket of Washington, D.C. in December 2019, we entered into a like-kind exchange agreement with a third-party intermediary. As of December 31, 2019, the third-party intermediary was the legal owner of the entity that owned this property. The agreement that governed the operations of this entity provided us with the power to direct the activities that most significantly impacted the entity's economic performance. This entity was deemed a VIE as of December 31, 2019 primarily because it may not have had sufficient equity at risk to finance its activities without additional subordinated financial support from other parties. We determined we were the primary beneficiary of the VIE as a result of having had the power to direct the activities that most significantly impacted its economic performance and the obligation to absorb losses, as well as the right to receive benefits, that could have been potentially significant to the VIE. Accordingly, we consolidated the property and its operations as of the acquisition date. Legal ownership of this entity was transferred to us by the third-party intermediary as the like-kind exchange agreement was completed with the sale of the

Metropolitan Park land sites in January 2020.

In conjunction with the acquisition of Potomac Yard Land Bay H, located in Alexandria, Virginia in December 2018, we entered into a like-kind exchange agreement with a third-party intermediary. As of December 31, 2018, the third-party intermediary was the legal owner of the entity that owned this property. The agreement that governed the operations of this entity provided us with the power to direct the activities that most significantly impacted the entity's economic performance. This entity was deemed a VIE as of December 31, 2018 primarily because it may not have had sufficient equity at risk to finance its activities without additional subordinated financial support from other parties. We determined we were the primary beneficiary of the VIE as a result of having had the power to direct the activities that most significantly impacted its economic performance and the obligation to absorb losses, as well as the right to receive benefits, that could have been potentially significant to the VIE. Accordingly, we consolidated the property and its operations as of the acquisition date. Legal ownership of this entity was transferred to us by the third-party intermediary as the like-kind exchange agreement was completed with the sale of Commerce Executive/Commerce Metro Land in February 2019.

We consolidate VIEs in which we control the most significant business activities. These entities are VIEs because they are in the development stage and do not hold sufficient equity at risk. We are the primary beneficiaries of these VIEs because the noncontrolling interest holders do not have substantive kick-out or participating rights, and we control all of the significant business activities.

As of December 31, 2019, excluding the operating partnership, we consolidated two VIEs with total assets and liabilities of \$136.8 million and \$11.8 million. As of December 31, 2018, excluding the operating partnership, we consolidated two VIEs with total assets and liabilities of \$94.8 million and \$43.4 million.

8. Other Assets, Net

The following is a summary of other assets, net:

	December 31,	
	2019	2018
	(In thousands)	
Deferred leasing costs	\$ 205,830	\$ 202,066
Accumulated amortization	(79,814)	(72,465)
Deferred leasing costs, net	\$ 126,016	\$ 129,601
Lease intangible assets, net	23,644	34,390
Other identified intangible assets, net	48,620	55,469
Operating right-of-use assets, net ⁽¹⁾	19,865	—
Prepaid expenses	12,556	6,482
Deferred financing costs on credit facility, net	3,071	4,806
Deposits	3,210	3,633
Derivative agreements, at fair value	—	10,383
Other	16,705	20,230
Total other assets, net	<u>\$ 253,687</u>	<u>\$ 264,994</u>

⁽¹⁾ Related to our adoption of Topic 842 on January 1, 2019. See Note 2 for additional information.

The following is a summary of the composition of lease intangible assets, net:

	December 31,	
	2019	2018
	(in thousands)	
Lease intangible assets:		
In-place leases	\$ 33,812	\$ 38,216
Above-market real estate leases	8,635	9,414
Below-market ground leases	—	2,215
Total lease intangibles assets	42,447	49,845
Accumulated amortization:		
In-place leases	15,231	11,602
Above-market real estate leases	3,572	2,405
Below-market ground leases	—	1,448
Total accumulated amortization	18,803	15,455
Lease intangible assets, net	<u>\$ 23,644</u>	<u>\$ 34,390</u>

The following is a summary of the composition of other identified intangible assets, net:

	December 31,	
	2019	2018
	(in thousands)	
Other identified intangible assets:		
Option to enter into ground lease	\$ 17,090	\$ 17,090
Management and leasing contracts	48,900	48,900
Other	166	166
Total other identified intangibles assets	66,156	66,156
Accumulated amortization:		
Management and leasing contracts	17,385	10,297
Other	151	390
Total accumulated amortization	17,536	10,687
Other identified intangible assets, net	\$ 48,620	\$ 55,469

The following is a summary of amortization expense related to lease and other identified intangible assets:

	Year Ended December 31,		
	2019	2018	2017
	(in thousands)		
In-place lease amortization ⁽¹⁾	\$ 7,375	\$ 11,807	\$ 10,216
Above-market real estate lease amortization ⁽²⁾	1,730	2,390	1,428
Below-market ground lease amortization ⁽³⁾	—	85	87
Management and leasing contract amortization ⁽¹⁾	7,088	7,088	3,209
Other amortization	(240)	191	14
Total lease and other identified intangible asset amortization expense	\$ 15,953	\$ 21,561	\$ 14,954

⁽¹⁾ Amounts are included in "Depreciation and amortization expense" in our statements of operations.

⁽²⁾ Amounts are included in "Property rentals revenue" in our statements of operations.

⁽³⁾ Amounts are included in "Property operating expenses" in our statements of operations.

The following is a summary of the estimated amortization of lease and other identified intangible assets for the next five years and thereafter as of December 31, 2019:

Year ending December 31,	Amount
	(in thousands)
2020	\$ 12,949
2021	9,993
2022	8,999
2023	8,510
2024	7,973
Thereafter	6,750
Total ⁽¹⁾	\$ 55,174

⁽¹⁾ Estimated amortization related to the option to enter into ground lease is not included within the amortization table above as the ground lease does not have a definite start date.

9. Debt

Mortgages Payable

The following is a summary of mortgages payable:

	Weighted Average Effective Interest Rate ⁽¹⁾	December 31,	
		2019	2018
		(In thousands)	
Variable rate ⁽²⁾	3.36%	\$ 2,200	\$ 308,918
Fixed rate ⁽³⁾	4.29%	1,125,648	1,535,734
Mortgages payable		1,127,848	1,844,652
Unamortized deferred financing costs and premium/ discount, net		(2,071)	(6,271)
Mortgages payable, net		\$ 1,125,777	\$ 1,838,381

⁽¹⁾ Weighted average effective interest rate as of December 31, 2019.

⁽²⁾ Includes a variable rate mortgage payable with an interest rate cap agreement as of December 31, 2018.

⁽³⁾ Includes variable rate mortgages payable with interest rates fixed by interest rate swap agreements.

As of December 31, 2019 and 2018, the net carrying value of real estate collateralizing our mortgages payable, excluding assets held for sale, totaled \$1.4 billion and \$2.3 billion. Our mortgages payable contain covenants that limit our ability to incur additional indebtedness on these properties and, in certain circumstances, require lender approval of tenant leases and/or yield maintenance upon repayment prior to maturity. Certain of our mortgages payable are recourse to us. See Note 19 for additional information. As of December 31, 2019, we were not in default under any mortgage loan.

During the year ended December 31, 2019, aggregate borrowings under mortgages payable totaled \$2.2 million related to construction draws. During the year ended December 31, 2019, we repaid mortgages payable with an aggregate principal balance of \$709.1 million. The loss on the extinguishment of debt was \$5.8 million for the year ended December 31, 2019, of which \$2.9 million related to our repayment of various mortgages payable and \$2.9 million related to the termination of various interest rate swaps in connection with the repayment of the loan encumbering Central Place Tower. In February 2020, we entered into a mortgage loan with a principal balance of \$175.0 million collateralized by 4747 and 4749 Bethesda Avenue.

During the year ended December 31, 2018, aggregate borrowings totaled \$118.1 million, of which \$47.5 million related to the principal balance on a new mortgage payable collateralized by 1730 M Street and the remainder related to construction draws under mortgages payable. During the year ended December 31, 2018, we repaid mortgages payable with an aggregate principal balance of \$298.1 million, which resulted in a loss on the extinguishment of debt of \$5.2 million.

As of December 31, 2019 and 2018, we had various interest rate swap and cap agreements on certain of our mortgages payable with an aggregate notional value of \$867.6 million and \$1.3 billion. During the year ended December 31, 2019, in connection with the repayment of the loan encumbering Central Place Tower, we terminated various interest rate swaps with an aggregate notional value of \$220.0 million. During the year ended December 31, 2018, we entered into various interest rate swap and cap agreements on certain of our mortgages payable with an aggregate notional value of \$381.3 million. See Note 17 for additional information.

Credit Facility

As of December 31, 2019, our \$1.4 billion credit facility consisted of a \$1.0 billion revolving credit facility maturing in July 2021, with two six-month extension options, a delayed draw \$200.0 million unsecured term loan ("Tranche A-1 Term Loan") maturing in January 2023, and a delayed draw \$200.0 million unsecured term loan ("Tranche A-2 Term Loan") maturing in July 2024. Effective as of July 17, 2019, the credit facility was amended to extend the delayed draw period of our Tranche A-1 Term Loan to July 2020. In December 2019, we drew \$200.0 million under the revolving credit facility, which was repaid in 2020.

Based on the terms as of December 31, 2019, the interest rate for the credit facility varies based on a ratio of our total outstanding indebtedness to a valuation of certain real property and assets and ranges (a) in the case of the revolving credit facility, from LIBOR plus 1.10% to LIBOR plus 1.50%, (b) in the case of the Tranche A-1 Term Loan, from LIBOR plus 1.20% to LIBOR plus 1.70% and (c) in the case of the Tranche A-2 Term Loan, effective as of July 17, 2019, from LIBOR plus 1.15% to LIBOR plus 1.70%, reflecting a 40 basis points reduction from the prior credit facility. There are various LIBOR options in the credit facility, and we elected the one-month LIBOR option as of December 31, 2019. We were not in default under our credit facility as of December 31, 2019. In January 2020, the credit facility was amended to extend the maturity date of the revolving credit facility from July 2021 to January 2025, and to reduce its range of interest rates by five basis points to LIBOR plus 1.05% to 1.50%.

As of December 31, 2019 and 2018, we had interest rate swaps with an aggregate notional value of \$100.0 million, which mature in January 2023 and effectively convert the variable interest rate applicable to our Tranche A-1 Term Loan to a fixed interest rate, providing weighted average base interest rates under the facility agreements of 2.12% per annum for both periods. As of December 31, 2019, we had interest rate swaps with an aggregate notional value of \$137.6 million, which effectively convert the variable interest rate applicable to a portion of the outstanding balance of our Tranche A-2 Term Loan to a fixed interest rate, providing a weighted average base interest rate under the facility agreements of 2.59% per annum.

The following is a summary of amounts outstanding under the credit facility:

	Effective Interest Rate ⁽¹⁾	December 31,	
		2019	2018
		(In thousands)	
Revolving credit facility ^{(2) (3) (4)}	2.86%	\$ 200,000	\$ —
Tranche A-1 Term Loan ⁽⁵⁾	3.32%	\$ 100,000	\$ 100,000
Tranche A-2 Term Loan ⁽⁵⁾	3.74%	200,000	200,000
Unsecured term loans		300,000	300,000
Unamortized deferred financing costs, net		(2,705)	(2,871)
Unsecured term loans, net		\$ 297,295	\$ 297,129

⁽¹⁾ Interest rate as of December 31, 2019.

⁽²⁾ As of December 31, 2019 and 2018, letters of credit with an aggregate face amount of \$1.5 million and \$5.7 million were provided under our revolving credit facility.

⁽³⁾ As of December 31, 2019 and 2018, net deferred financing costs related to our revolving credit facility totaling \$3.1 million and \$4.8 million were included in "Other assets, net."

⁽⁴⁾ The interest rate for the revolving credit facility excludes a 0.15% facility fee. In January 2020, the credit facility was amended to extend the maturity date of the revolving credit facility from July 2021 to January 2025, and to reduce its range of interest rates by five basis points to LIBOR plus 1.05% to 1.50%.

⁽⁵⁾ The interest rate includes the impact of interest rate swap agreements.

Principal Maturities

Principal maturities of debt outstanding as of December 31, 2019, including mortgages payable, revolving credit facility and the term loans, are as follows:

Year ending December 31,	Amount
	(In thousands)
2020	\$ 99,341
2021	296,227
2022	107,500
2023	273,961
2024	334,290
Thereafter	516,529
Total	\$ 1,627,848

10. Other Liabilities, Net

The following is a summary of other liabilities, net:

	December 31,	
	2019	2018
	(In thousands)	
Lease intangible liabilities	\$ 38,577	\$ 40,179
Accumulated amortization	(26,253)	(26,081)
Lease intangible liabilities, net	\$ 12,324	\$ 14,098
Prepaid rent	23,612	21,998
Lease assumption liabilities	17,589	23,105
Lease incentive liabilities	20,854	9,317
Lease liabilities related to operating right-of-use assets ⁽¹⁾	28,476	—
Finance lease liability ⁽²⁾	—	15,704
Security deposits	16,348	17,696
Environmental liabilities	17,898	17,898
Ground lease deferred rent payable ⁽³⁾	—	3,510
Net deferred tax liability	5,542	6,878
Dividends payable	34,012	45,193
Derivative agreements, at fair value	17,440	1,723
Other	11,947	4,486
Total other liabilities, net	<u>\$ 206,042</u>	<u>\$ 181,606</u>

⁽¹⁾ Related to our adoption of Topic 842 on January 1, 2019. See Note 2 for additional information.

⁽²⁾ In December 2019, we sold a 50.0% interest in Central Place Tower, which resulted in the deconsolidation of the entity that was the lessee to our sole finance lease. See Note 6 for additional information.

⁽³⁾ In connection with our adoption of Topic 842 on January 1, 2019, the ground lease deferred rent payable balance as of December 31, 2018 was included in the initial determination of the operating right-of-use assets. See Note 2 for additional information.

Amortization expense included in "Property rentals revenue" in our statements of operations related to lease intangible liabilities for each of the three years in the period ended December 31, 2019 was \$2.5 million, \$2.6 million and \$2.3 million.

The following is a summary of the estimated amortization of lease intangible liabilities for the next five years and thereafter as of December 31, 2019,:

Year ending December 31,	Amount
	(in thousands)
2020	\$ 2,017
2021	1,800
2022	1,781
2023	1,773
2024	1,755
Thereafter	3,198
Total	<u>\$ 12,324</u>

11. Income Taxes

We have elected to be taxed as a REIT, and accordingly, we have incurred no federal income tax expense related to our REIT subsidiaries except for our TRSs. Due to the passage of federal tax reform legislation, which was signed into law on December

22, 2017 and which we refer as the 2017 Tax Act, our TRSs were required to decrease the net deferred tax liability, which resulted in a net tax benefit of \$3.9 million during the year ended December 31, 2017. The recorded tax charges in 2017 for the impact of the 2017 Tax Act were made using the current available information and technical guidance on the interpretations of the 2017 Tax Act. As permitted by Securities and Exchange Commission Staff Accounting Bulletin 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act, we subsequently finalized our accounting analysis based on the guidance, interpretations and data available as of December 31, 2018. We did not have any changes to our 2017 estimate related to the 2017 Tax Act and therefore, it had no impact to our 2018 financial statements.

Our financial statements include the operations of our TRSs, which are subject to federal, state and local income taxes on their taxable income. As a REIT, we may also be subject to federal excise taxes if we engage in certain types of transactions. Continued qualification as a REIT depends on our ability to satisfy the REIT distribution tests, stock ownership requirements and various other qualification tests. As of December 31, 2019, our TRSs have an estimated federal and state net operating loss of \$3.6 million, which will expire in 2038 and 2039. The net basis of our assets and liabilities for tax reporting purposes is approximately \$55.9 million higher than the amounts reported in our balance sheet as of December 31, 2019.

The following is a summary of our income tax benefit:

	Year Ended December 31,		
	2019	2018	2017
	(in thousands)		
Current tax benefit (expense)	\$ (34)	\$ 20	\$ (496)
Deferred tax benefit	1,336	718	10,408
Income tax benefit	<u>\$ 1,302</u>	<u>\$ 738</u>	<u>\$ 9,912</u>

As of December 31, 2019 and 2018, we have a net deferred tax liability of \$5.5 million and \$6.9 million primarily related to the management and leasing contracts assumed in the Combination, partially offset by deferred tax assets associated with tax versus book differences, related general and administrative expenses and the net operating loss remaining from 2018 and 2017. We are subject to federal, state and local income tax examinations by taxing authorities for 2016 through 2019.

	December 31,	
	2019	2018
	(in thousands)	
Deferred tax assets:		
Accrued bonus	\$ 721	\$ —
Net operating loss	915	2,326
Deferred revenue	626	998
Bad debt expense	—	583
Charitable contributions	435	—
Other	217	198
Total deferred tax assets	<u>2,914</u>	<u>4,105</u>
Valuation allowance	(523)	(469)
Total deferred tax assets, net of valuation allowance	<u>2,391</u>	<u>3,636</u>
Deferred tax liabilities:		
Management and leasing contracts	(7,412)	(9,905)
Other	(521)	(609)
Total deferred tax liabilities	<u>(7,933)</u>	<u>(10,514)</u>
Net deferred tax liability	<u>\$ (5,542)</u>	<u>\$ (6,878)</u>

During the year ended December 31, 2019, our Board of Trustees declared cash dividends totaling \$0.90 of which \$0.333 was taxable as ordinary income for federal income tax purposes, \$0.342 were capital gain distributions and the remaining \$0.225 will be determined in 2020. During the year ended December 31, 2018, our Board of Trustees declared cash dividends totaling \$1.00 (regular dividends of \$0.90 per common share and a special dividend of \$0.10 per common share) of which \$0.531 was taxable as ordinary income for federal income tax purposes and \$0.469 were capital gain distributions. During the year ended December 31, 2017, our Board of Trustees declared cash dividends of \$0.45 per common share of which \$0.385 was taxable as ordinary income for federal income tax purposes and \$0.065 were capital gains distributions.

12. Redeemable Noncontrolling Interests

JBG SMITH LP

A portion of the OP Units held by persons other than JBG SMITH became redeemable for cash or, at our election, our common shares beginning on August 1, 2018, subject to certain limitations. During the years ended December 31, 2019 and 2018, unitholders redeemed 1.7 million and 3.0 million OP Units, which we elected to redeem for an equivalent number of our common shares. As of December 31, 2019, outstanding OP Units totaled 15.2 million, representing a 10.1% ownership interest in JBG SMITH LP. On our balance sheets, our OP Units and certain vested LTIPs are presented at the higher of their redemption value or their carrying value, with such adjustments recognized in "Additional paid-in capital." Redemption value per OP Unit is equivalent to the market value of one of our common shares at the end of the period. In 2020, as of the date of this filing, unitholders redeemed 733,851 OP Units, which we elected to redeem for an equivalent number of our common shares.

Consolidated Real Estate Venture

We are a partner in a real estate venture that owns an under construction multifamily asset located at 965 Florida Avenue in Washington, D.C. Pursuant to the terms of the real estate venture agreement, we will fund all capital contributions until our ownership interest reaches a maximum of 97.0%. Our partner can redeem its interest, for cash, two years after delivery, but no later than seven years after delivery. As of December 31, 2019, we held a 95.0% ownership interest in the real estate venture.

The following is a summary of the activity of redeemable noncontrolling interests:

	Year Ended December 31,					
	2019			2018		
	JBG SMITH LP	Consolidated Real Estate Venture	Total	JBG SMITH LP	Consolidated Real Estate Venture	Total
	(In thousands)					
Balance as of beginning of period	\$ 552,159	\$ 5,981	\$ 558,140	\$ 603,717	\$ 5,412	\$ 609,129
OP Unit redemptions	(57,318)	—	(57,318)	(109,208)	—	(109,208)
LTIP Units issued in lieu of cash bonuses ⁽¹⁾	3,954	—	3,954	—	—	—
Net income attributable to redeemable noncontrolling interests	8,566	7	8,573	6,641	69	6,710
Other comprehensive income (loss)	(2,584)	—	(2,584)	1,384	—	1,384
Contributions (distributions)	(15,325)	71	(15,254)	(18,737)	500	(18,237)
Share-based compensation expense	63,264	—	63,264	52,190	—	52,190
Adjustment to redemption value	53,983	—	53,983	16,172	—	16,172
Balance as of end of period	<u>\$ 606,699</u>	<u>\$ 6,059</u>	<u>\$ 612,758</u>	<u>\$ 552,159</u>	<u>\$ 5,981</u>	<u>\$ 558,140</u>

⁽¹⁾ See Note 13 for additional information.

13. Share-Based Payments and Employee Benefits

OP UNITS

The acquisition of JBG/Operating Partners, L.P. in the Combination, resulted in the issuance of 3.3 million OP Units to the former owners with an estimated grant-date fair value of \$110.6 million. The OP Units are subject to post-combination vesting over

periods of either 12 or 60 months based on continued employment. The significant assumptions used to value the OP Units included expected volatility (18.0% to 27.0%), risk-free interest rates (1.3% to 1.5%) and post-vesting restriction periods (1 year to 3 years). Compensation expense for these OP Units is recognized over the graded vesting period. See Note 3 for additional information.

The following is a summary of the OP Units activity:

	Unvested Shares	Weighted Average Grant- Date Fair Value
Unvested at December 31, 2018	2,999,987	\$ 33.39
Vested	(127,735)	33.39
Unvested at December 31, 2019	<u>2,872,252</u>	33.39

The total-grant date fair value of the OP Units that vested for each of the three years in the period ended December 31, 2019 was \$4.3 million, \$3.2 million and \$7.2 million.

JBG SMITH 2017 Omnibus Share Plan

On June 23, 2017, our Board of Trustees adopted the JBG SMITH 2017 Omnibus Share Plan (the "Plan"), effective as of July 17, 2017, and authorized the reservation of 10.3 million of our common shares pursuant to the Plan. As of December 31, 2019, there were 3.9 million common shares available for issuance under the Plan.

Formation Awards

Pursuant to the Plan, on July 18, 2017, we granted 2.7 million formation awards ("Formation Awards") based on an aggregate notional value of approximately \$100 million divided by the volume-weighted average price on July 18, 2017 of \$37.10 per common share. In 2018, we granted 93,784 Formation Awards based on an aggregate notional value of \$3.2 million divided by the volume-weighted average price on the date of issuance of \$34.40 per common share.

The Formation Awards are structured in the form of profits interests in JBG SMITH LP that provide for a share of appreciation determined by the increase in the value of a common share at the time of conversion over the volume-weighted average price of a common share at the time the formation unit was granted. The Formation Awards, subject to certain conditions, generally vest 25% on each of the third and fourth anniversaries and 50% on the fifth anniversary, of the date granted, subject to continued employment with JBG SMITH through each vesting date.

The value of vested Formation Awards is realized through conversion of the award into a number of LTIP Units, and subsequent conversion into a number of OP Units determined based on the difference between the volume-weighted average price of a common share at the time the Formation Award was granted and the value of a common share on the conversion date. The conversion ratio between Formation Awards and OP Units, which starts at zero, is the quotient of (i) the excess of the value of a common share on the conversion date above the per share value at the time the Formation Award was granted over (ii) the value of a common share as of the date of conversion. Like options, Formation Awards have a finite 10-year term over which their value is allowed to increase and during which they may be converted into LTIP Units (and in turn, OP Units). Holders of Formation Awards will not receive distributions or allocations of net income or net loss prior to vesting and conversion to LTIP Units.

The aggregate grant-date fair value of the Formation Awards granted during the years ended December 31, 2018 and 2017 was \$725,000 and \$23.7 million estimated using Monte Carlo simulations. No Formation Awards were granted during the year ended December 31, 2019. Compensation expense for these awards is being recognized over a five-year period. The following is a summary of the significant assumptions used to value the Formation Awards:

	Year Ended December 31,	
	2018	2017
Expected volatility	27.0% to 29.0%	26.0%
Dividend yield	2.5% to 2.7%	2.3%
Risk-free interest rate	2.8% to 3.0%	2.3%
Expected life	7 years	7 years

The following is a summary of the Formation Awards activity:

	Unvested Shares	Weighted Average Grant- Date Fair Value
Unvested at December 31, 2018	2,655,394	\$ 8.81
Vested	(160,746)	8.84
Forfeited	(9,702)	8.55
Unvested at December 31, 2019	<u>2,484,946</u>	8.81

The total-grant date fair value of the Formation Awards that vested during the years ended December 31, 2019 and 2018 was \$1.4 million and \$333,000.

LTIP, Time-Based LTIP and Special Time-Based LTIP Units

During the years ended December 31, 2019 and 2018, as part of their annual compensation, we granted a total of 50,159 and 25,770 fully vested LTIP Units to non-employee trustees with an aggregate grant-date fair value of \$1.8 million and \$794,000. The LTIP Units may not be sold while such non-employee trustee is serving on the Board.

On July 18, 2017, we granted a total of 47,166 fully vested LTIP Units to the seven independent trustees in the notional amount of \$250,000 each. On the same date, we also granted 59,927 LTIP units to a key employee of which 50% vested immediately and the remaining 50% vests ratably from the 31st to the 60th month following the grant date.

During each of the three years in the period ended December 31, 2019, we granted 351,982, 367,519 and 302,518 Time-Based LTIP Units to management and other employees with a weighted average grant-date fair value of \$34.26, \$31.48 and \$33.71 per unit that vest over four years, 25.0% per year, subject to continued employment. Compensation expense for these units is being recognized over a four-year period.

During the year ended December 31, 2019, we granted 91,636 of fully vested LTIP Units, with a grant-date fair value of \$34.21 per unit, to certain executives who elected to receive all or a portion of their cash bonus paid in 2019, related to 2018 service, as LTIP Units.

Additionally, during the year ended December 31, 2018, related to our successful pursuit of Amazon's additional headquarters in National Landing, we granted 356,591 Special Time-Based LTIP Units to management and other employees with a weighted average grant-date fair value of \$36.84 per unit. The Special Time-Based LTIP Units vest 50% on each of the fourth and fifth anniversaries of the grant date, subject to continued employment. Compensation expense for these units is being recognized over a five-year period.

The aggregate grant-date fair value of the LTIP, Time-Based LTIP and Special Time-Based LTIP Units granted (collectively "Granted LTIPs") for each of the three years in the period ended December 31, 2019 was \$17.0 million, \$25.5 million and \$13.7 million, valued using Monte Carlo simulations. Holders of the Granted LTIPs have the right to convert all or a portion of vested units into OP Units, which are then subsequently exchangeable for our common shares. Granted LTIPs do not have redemption rights, but any OP Units into which units are converted are entitled to redemption rights. Granted LTIPs, generally, vote with the OP Units and do not have any separate voting rights except in connection with actions that would materially and adversely affect the rights of the Granted LTIPs. The following is a summary of the significant assumptions used to value the Granted LTIPs:

	Year Ended December 31,		
	2019	2018	2017
Expected volatility	18.0% to 24.0%	20.0% to 22.0%	17.0% to 19.0%
Risk-free interest rate	2.3% to 2.6%	1.9% to 2.6%	1.3% to 1.5%
Post-grant restriction periods	2 to 3 years	2 to 3 years	2 to 3 years

The following is a summary of the Granted LTIP activity:

	Unvested Shares	Weighted Average Grant- Date Fair Value
Unvested at December 31, 2018	962,662	\$ 34.03
Granted	493,777	34.40
Vested	(360,703)	33.15
Forfeited	(393)	34.52
Unvested at December 31, 2019	<u>1,095,343</u>	34.35

The total-grant date fair value of the Granted LTIPs that vested for each of the three years in the period ended December 31, 2019 was \$12.0 million, \$3.6 million and \$2.5 million. In 2020, we issued 471,598 LTIP Units to management and employees with an estimated aggregate grant-date fair value of \$18.3 million.

Performance-Based LTIP and Special Performance-Based LTIP Units

During each of the three years in the period ended December 31, 2019, we granted 478,411, 567,106 and 605,072 Performance-Based LTIP Units to management and other employees. During the year ended December 31, 2018, related to our successful pursuit of Amazon's additional headquarters at our properties in National Landing, we granted 511,555 Special Performance-Based LTIP Units to management and other employees.

Performance-Based LTIP Units, including the Special Performance-Based LTIP Units, are performance-based equity compensation pursuant to which participants have the opportunity to earn LTIP Units based on the relative performance of the total shareholder return ("TSR") of our common shares compared to the companies in the FTSE NAREIT Equity Office Index, over the defined performance period beginning on the grant date, inclusive of dividends and stock price appreciation.

Our Performance-Based LTIP and Special Performance-Based LTIP Units have a three-year performance period. Fifty percent of any Performance-Based LTIP Units that are earned vest at the end of the three-year performance period and the remaining 50% on the fourth anniversary of the date of grant, subject to continued employment. Fifty percent of any Special Performance-Based LTIP Units that are earned at the end of the three-year performance period vest on the fourth anniversary of the date of grant and the remaining 50% on the fifth anniversary of the date of grant, subject to continued employment.

The aggregate grant-date fair value of the Performance-Based LTIP and Special Performance-Based LTIP Units granted for each of the three years in the period ended December 31, 2019 was \$9.3 million, \$21.1 million and \$9.7 million, valued using Monte Carlo simulations. Compensation expense for the Performance-Based LTIP Units is being recognized over a four-year period, while compensation expense for the Special Performance Based LTIP Units is being recognized over a five-year period. The following is a summary of the significant assumptions used to value both the Performance-Based LTIP and Special Performance-Based LTIP Units:

	Year Ended December 31,		
	2019	2018	2017
Expected volatility	19.0% to 23.0%	19.9% to 26.0%	18.0%
Dividend yield	2.3% to 2.5%	2.5% to 2.7%	2.3%
Risk-free interest rate	2.3% to 2.6%	2.3% to 3.0%	1.5%

The following is a summary of both the Performance-Based LTIP and Special Performance-Based LTIP Units activity:

	Unvested Shares	Weighted Average Grant- Date Fair Value
Unvested at December 31, 2018	1,657,578	\$ 18.27
Granted	478,411	19.49
Forfeited	(18,054)	18.00
Unvested at December 31, 2019	<u>2,117,935</u>	18.55

In 2020, we issued 593,100 Performance-Based LTIP Units to management and employees with an estimated aggregate grant-date fair value of \$11.1 million.

JBG SMITH 2017 ESPP

The JBG SMITH 2017 ESPP authorized the issuance of up to 2.1 million common shares. The ESPP provides eligible employees an option to purchase, through payroll deductions, our common shares at a discount of 15.0% of the closing price of a common share on relevant determination dates, provided that the fair market value of common shares, determined as of the first day of the relevant offering period, purchased by any eligible employee may not exceed \$25,000 in any calendar year. The maximum aggregate number of common shares reserved for issuance under the ESPP will automatically increase on January 1 of each year, unless the Compensation Committee of the Board of Trustees determines to limit any such increase, by the lesser of (i) 0.10% of the total number of outstanding common shares on December 31 of the preceding calendar year or (ii) 206,600 common shares.

Pursuant to the ESPP, employees purchased 47,022 and 20,178 common shares for \$1.5 million and \$597,000 during the years ended December 31, 2019 and 2018. The following is a summary of the significant assumptions used to value the ESPP common shares using the Black-Scholes model:

	<u>Year Ended December 31,</u>	
	<u>2019</u>	<u>2018</u>
Expected volatility	18.0% to 28.0%	21.0%
Dividend yield	2.6% to 3.5%	2.5%
Risk-free interest rate	2.2% to 2.4%	2.0%
Expected life	6 months	6 months

As of December 31, 2019, there were 2.0 million common shares available for issuance under the ESPP.

Share-Based Compensation Expense

The following is a summary of share-based compensation expense:

	<u>Year Ended December 31,</u>		
	<u>2019</u>	<u>2018</u>	<u>2017</u>
	(In thousands)		
Time-Based LTIP Units	\$ 11,386	\$ 10,095	\$ 2,211
Performance-Based LTIP Units	8,716	5,271	1,172
LTIP Units	1,000	794	—
Other equity awards ⁽¹⁾	4,535	3,826	1,526
Share-based compensation expense - other	25,637	19,986	4,909
Formation Awards	5,734	5,606	5,169
OP Units ⁽²⁾	29,826	29,455	21,467
LTIP Units ⁽²⁾	456	277	2,615
Special Performance-Based LTIP Units ⁽³⁾	2,843	323	—
Special Time-Based LTIP Units ⁽³⁾	3,303	369	—
Share-based compensation related to Formation Transaction and special equity awards ⁽⁴⁾	42,162	36,030	29,251
Total share-based compensation expense	67,799	56,016	34,160
Less amount capitalized	(2,526)	(3,341)	(467)
Share-based compensation expense	<u>\$ 65,273</u>	<u>\$ 52,675</u>	<u>\$ 33,693</u>

⁽¹⁾ For the years ended December 31, 2019 and 2018, primarily includes compensation expense for certain executives who have elected to receive all or a portion of any cash bonus that may be paid in the subsequent year related to past service in the form of fully vested LTIP Units and related to our ESPP. For the year ended December 31, 2017, represents share-based compensation expense related to equity awards prior to the Formation Transaction.

⁽²⁾ Represents share-based compensation expense for LTIP Units and OP Units subject to post-Combination employment obligations.

⁽³⁾ Represents equity awards issued related to our successful pursuit of Amazon's additional headquarters in National Landing.

⁽⁴⁾ Included in "General and administrative expense: Share-based compensation related to Formation Transaction and special equity awards" in the accompanying statements of operations.

As of December 31, 2019, we had \$77.4 million of total unrecognized compensation expense related to unvested share-based payment arrangements, which is expected to be recognized over a weighted average period of 2.2 years.

Employee Benefits

We have a 401(k) defined contribution plan covering substantially all of our officers and employees which permits participants to defer compensation up to the maximum amount permitted by law. We provide a discretionary matching contribution. Employees' contributions vest immediately and our matching contributions vest after one year. Our contributions for each of the three years in the period ended December 31, 2019 were \$2.0 million, \$1.8 million and \$3.6 million.

14. Transaction and Other Costs

The following is a summary of transaction and other costs:

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Relocation of corporate headquarters ⁽¹⁾	\$ 10,900	\$ —	\$ —
Demolition costs ⁽²⁾	5,432	—	—
Formation transaction and integration costs ⁽³⁾	5,252	15,907	127,739
Completed, potential and pursued transaction expenses	651	9,008	—
Other ⁽⁴⁾	1,000	2,791	—
Transaction and other costs	<u>\$ 23,235</u>	<u>\$ 27,706</u>	<u>\$ 127,739</u>

⁽¹⁾ In November 2019, we relocated our corporate headquarters. Upon the relocation of our corporate headquarters, we incurred an impairment charge on the right-of-use assets for leases related to our former corporate headquarters as well as other costs. See Note 17 for more information.

⁽²⁾ Related to 1900 Crystal Drive.

⁽³⁾ For the year ended December 31, 2019 includes integration and severance costs. For the year ended December 31, 2018 includes transition services provided by our former parent, and integration and severance costs. For the year ended December 31, 2017 includes severance and transaction bonus expense of \$40.8 million, investment banking fees of \$33.6 million, legal fees of \$13.9 million and accounting fees of \$10.8 million.

⁽⁴⁾ For the year ended December 31, 2019 represents a contribution to the Washington Housing Conservancy. For the year ended December 31, 2018 represents costs related to the successful pursuit of Amazon's additional headquarters at our properties in National Landing.

15. Interest Expense

The following is a summary of interest expense:

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Interest expense	\$ 79,234	\$ 91,651	\$ 69,178
Amortization of deferred financing costs	3,217	4,661	3,011
Net loss (gain) on derivative financial instruments not designated as cash flow hedges:			
Net unrealized	50	(926)	(1,348)
Net realized	—	(135)	27
Capitalized interest	(29,806)	(20,804)	(12,727)
Interest expense	<u>\$ 52,695</u>	<u>\$ 74,447</u>	<u>\$ 58,141</u>

16. Shareholders' Equity and Earnings (Loss) Per Common Share

Shareholders' Equity

In April 2019, we closed an underwritten public offering of 11.5 million common shares (including 1.5 million common shares related to the exercise of the underwriters' option to cover over-allotments) at \$42.00 per share, which generated net proceeds, after deducting the underwriting discounts and commissions and other offering expenses, of \$472.8 million.

Earnings (Loss) Per Common Share

The following is a summary of the calculation of basic and diluted earnings (loss) per common share and a reconciliation of the amounts of net income (loss) available to common shareholders used in calculating basic and diluted earnings per common share to net income (loss):

	Year Ended December 31,		
	2019	2018	2017
	(In thousands, except per share amounts)		
Net income (loss)	\$ 74,144	\$ 46,613	\$ (79,084)
Net (income) loss attributable to redeemable noncontrolling interests	(8,573)	(6,710)	7,328
Net loss attributable to noncontrolling interests	—	21	3
Net income (loss) attributable to common shareholders	65,571	39,924	(71,753)
Distributions to participating securities	(2,489)	(2,599)	(1,655)
Net income (loss) available to common shareholders — basic and diluted	<u>\$ 63,082</u>	<u>\$ 37,325</u>	<u>\$ (73,408)</u>
Weighted average number of common shares outstanding — basic and diluted	<u>130,687</u>	<u>119,176</u>	<u>105,359</u>
Earnings (loss) per common share:			
Basic	<u>\$ 0.48</u>	<u>\$ 0.31</u>	<u>\$ (0.70)</u>
Diluted	<u>\$ 0.48</u>	<u>\$ 0.31</u>	<u>\$ (0.70)</u>

The effect of the redemption of OP Units and Time-Based LTIP Units that were outstanding as of December 31, 2019 and 2018 is excluded in the computation of diluted earnings per common share as the assumed exchange of such units for common shares on a one-for-one basis was antidilutive (the assumed redemption of these units would have no impact on the determination of diluted earnings per share). Since OP Units and Time-Based LTIP Units, which are held by noncontrolling interests, are attributed gains at an identical proportion to the common shareholders, the gains attributable and their equivalent weighted average OP Unit

and Time-Based LTIP Unit impact are excluded from net income available to common shareholders and from the weighted average number of common shares outstanding in calculating diluted earnings per common share. Performance-Based LTIP Units, Special Performance-Based LTIP Units and Formation Awards, which totaled 4.7 million, 3.9 million and 3.3 million for each of the three years in the period ended December 31, 2019, were excluded from the calculation of diluted earnings per common share as they were antidilutive, but potentially could be dilutive in the future.

17. Fair Value Measurements

Fair Value Measurements on a Recurring Basis

To manage or hedge our exposure to interest rate risk, we follow established risk management policies and procedures, including the use of a variety of derivative financial instruments. We do not enter into derivative financial instruments for speculative purposes.

As of December 31, 2019 and 2018, we had various derivative financial instruments consisting of interest rate swap and cap agreements that are measured at fair value on a recurring basis. The net unrealized (loss) gain on our derivative financial instruments designated as cash flow hedges was \$(17.7) million and \$8.3 million as of December 31, 2019 and 2018 and was recorded in "Accumulated other comprehensive income (loss)" in our balance sheets, of which a portion was reclassified to "Redeemable noncontrolling interests." Within the next 12 months, we expect to reclassify \$5.5 million as an increase to interest expense. The net unrealized (loss) gain on our derivative financial instruments not designated as cash flow hedges was \$(50,000), \$926,000 and \$1.3 million for each of the three years in the period ended December 31, 2019, and was recorded in "Interest expense" in our statements of operations and "Net unrealized loss (gain) on ineffective derivative financial instruments" in our statements of cash flows. The fair values of the derivative financial instruments are based on the estimated amounts we would receive or pay to terminate the contracts at the reporting date and are determined using interest rate pricing models and observable inputs. The derivative financial instruments are classified within Level 2 of the valuation hierarchy.

The following is a summary of assets and liabilities measured at fair value on a recurring basis:

	Fair Value Measurements			
	Total	Level 1	Level 2	Level 3
(In thousands)				
December 31, 2019				
Derivative financial instruments designated as cash flow hedges:				
Classified as liabilities in "Other liabilities, net"	\$ 17,440	—	\$ 17,440	—
December 31, 2018				
Derivative financial instruments designated as cash flow hedges:				
Classified as assets in "Other assets, net"	\$ 7,913	\$ —	\$ 7,913	\$ —
Classified as liabilities in "Other liabilities, net"	1,723	—	1,723	—
Derivative financial instruments not designated as cash flow hedges:				
Classified as assets in "Other assets, net"	2,470	—	2,470	—

The fair values of our derivative financial instruments were determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of the derivative financial instrument. This analysis reflected the contractual terms of the derivative, including the period to maturity, and used observable market-based inputs, including interest rate market data and implied volatilities in such interest rates. While it was determined that the majority of the inputs used to value the derivatives fall within Level 2 of the fair value hierarchy under authoritative accounting guidance, the credit valuation adjustments associated with the derivatives also utilized Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default. However, as of December 31, 2019 and 2018, the significance of the impact of the credit valuation adjustments on the overall valuation of the derivative financial instruments was assessed, and it was determined that these adjustments were not significant to the overall valuation of the derivative financial instruments. As a result, it was determined that the derivative financial instruments in their entirety should be classified in Level 2 of the fair value hierarchy. The net unrealized gains and losses included in "Other comprehensive income (loss)" in our statements of comprehensive income (loss) for each of the three years in the period ended December 31, 2019 were attributable to the net change in unrealized gains or losses related to the interest rate swaps that were outstanding during those periods, none of which were reported in our statements of operations as the interest rate swaps were documented and qualified as hedging instruments.

Fair Value Measurements on a Nonrecurring Basis

Fair value measurements on a nonrecurring basis consist of the right-of-use asset related to our former corporate office lease, which we measured for impairment upon relocation to our new corporate headquarters in November 2019. Prior to the relocation, we leased office space in a building we owned through one of our unconsolidated real estate ventures. With the adoption of Topic 842 in January 2019, we recorded a right-of-use asset based on the expected future use of our former headquarters. Upon the relocation of our corporate headquarters, we impaired the right-of-use asset due to our change in use of the asset. The fair value of the right-of-use asset subsequent to the relocation was based on Level 3 inputs, including estimated sublease income and our incremental borrowing rate. For the year ended December 31, 2019, we incurred an impairment charge of \$10.2 million and certain additional expenses related to the relocation of our corporate headquarters. There were no other assets measured at fair value on a nonrecurring basis as of December 31, 2019 and 2018. See Note 14 for more information.

Financial Assets and Liabilities Not Measured at Fair Value

As of December 31, 2019 and 2018, all financial instruments and liabilities were reflected in our balance sheets at amounts which, in our estimation, reasonably approximated their fair values, except for the following:

	December 31, 2019		December 31, 2018	
	Carrying Amount ⁽¹⁾	Fair Value	Carrying Amount ⁽¹⁾	Fair Value
(In thousands)				
Financial liabilities:				
Mortgages payable	\$ 1,127,848	\$ 1,162,890	\$ 1,844,652	\$ 1,870,078
Revolving credit facility	200,000	200,177	—	—
Unsecured term loans	300,000	300,607	300,000	300,727

⁽¹⁾ The carrying amount consists of principal only.

The fair values of the mortgages payable, revolving credit facility and unsecured term loans were determined using Level 2 inputs of the fair value hierarchy.

18. Segment Information

We review operating and financial data for each property on an individual basis; therefore, each of our individual properties is a separate operating segment. We defined our reportable segments to be aligned with our method of internal reporting and the way our Chief Executive Officer, who is also our Chief Operating Decision Maker ("CODM"), makes key operating decisions, evaluates financial results, allocates resources and manages our business. Accordingly, we aggregate our operating segments into three reportable segments (commercial, multifamily, and third-party asset management and real estate services) based on the economic characteristics and nature of our assets and services.

The CODM measures and evaluates the performance of our operating segments, with the exception of the third-party asset management and real estate services business, based on the net operating income ("NOI") of properties within each segment. NOI includes property rental revenue and other property revenue, and deducts property operating expenses and real estate taxes.

With respect to the third-party asset management and real estate services business, the CODM reviews revenues streams generated by this segment ("Third-party real estate services, including reimbursements"), as well as the expenses attributable to the segment ("General and administrative: third-party real estate services"), which are both disclosed separately in our statements of operations. The following represents the components of revenue from our third-party real estate services business:

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Property management fees	\$ 22,437	\$ 24,831	\$ 16,022
Asset management fees	14,045	14,910	10,083
Leasing fees	7,377	6,658	3,639
Development fees	15,655	7,592	3,653
Construction management fees	1,669	2,892	2,220
Other service revenue	4,269	2,801	712
Third-party real estate services revenue, excluding reimbursements	65,452	59,684	36,329
Reimbursements revenue ⁽¹⁾	55,434	39,015	26,907
Third-party real estate services revenue, including reimbursements	<u>\$ 120,886</u>	<u>\$ 98,699</u>	<u>\$ 63,236</u>

⁽¹⁾ Represents reimbursement of expenses incurred by us on behalf of third parties, including allocated payroll costs and amounts paid to third-party contractors for construction management projects.

Management company assets primarily consist of management and leasing contracts with a net book value of \$31.5 million and \$38.6 million and are classified in "Other assets, net" in our balance sheets as of December 31, 2019 and 2018. Consistent with internal reporting presented to our CODM and our definition of NOI, the third-party asset management and real estate services operating results are excluded from the NOI data below.

The following is the reconciliation of net income attributable to common shareholders to consolidated NOI:

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Net income (loss) attributable to common shareholders	\$ 65,571	\$ 39,924	\$ (71,753)
Add:			
Depreciation and amortization expense	191,580	211,436	161,659
General and administrative expense:			
Corporate and other	46,822	33,728	39,350
Third-party real estate services	113,495	89,826	51,919
Share-based compensation related to Formation Transaction and special equity awards	42,162	36,030	29,251
Transaction and other costs	23,235	27,706	127,739
Interest expense	52,695	74,447	58,141
Loss on extinguishment of debt	5,805	5,153	701
Reduction of gain (gain) on bargain purchase	—	7,606	(24,376)
Income tax benefit	(1,302)	(738)	(9,912)
Net income (loss) attributable to redeemable noncontrolling interests	8,573	6,710	(7,328)
Less:			
Third-party real estate services, including reimbursements	120,886	98,699	63,236
Other revenue ⁽¹⁾	7,638	6,358	5,167
Income (loss) from unconsolidated real estate ventures, net	(1,395)	39,409	(4,143)
Interest and other income, net	5,385	15,168	1,788
Gain on sale of real estate	104,991	52,183	—
Net loss attributable to noncontrolling interests	—	21	3
Consolidated NOI	<u>\$ 311,131</u>	<u>\$ 319,990</u>	<u>\$ 289,340</u>

⁽¹⁾ Excludes parking revenue of \$26.0 million, \$25.7 million and \$23.1 million for each of the three years in the period ended December 31, 2019.

The following is a summary of NOI by segment. Items classified in the Other column include future development assets, corporate entities and the elimination of intersegment activity.

	Year Ended December 31, 2019			
	Commercial	Multifamily	Other	Total
	(In thousands)			
Property rentals revenue	\$ 383,311	\$ 116,330	\$ (6,368)	\$ 493,273
Other property revenue	25,593	380	—	25,973
Total property revenue	408,904	116,710	(6,368)	519,246
Property expense:				
Property operating	113,177	35,236	(10,791)	137,622
Real estate taxes	50,115	15,021	5,357	70,493
Total property expense	163,292	50,257	(5,434)	208,115
Consolidated NOI	\$ 245,612	\$ 66,453	\$ (934)	\$ 311,131

	Year Ended December 31, 2018			
	Commercial	Multifamily	Other	Total
	(In thousands)			
Property rentals revenue	\$ 404,826	\$ 108,989	\$ (368)	\$ 513,447
Other property revenue	25,216	368	94	25,678
Total property revenue	430,042	109,357	(274)	539,125
Property expense:				
Property operating	118,288	31,502	(1,709)	148,081
Real estate taxes	53,324	14,280	3,450	71,054
Total property expense	171,612	45,782	1,741	219,135
Consolidated NOI	\$ 258,430	\$ 63,575	\$ (2,015)	\$ 319,990

	Year Ended December 31, 2017			
	Commercial	Multifamily	Other	Total
	(In thousands)			
Property rentals revenue	\$ 361,121	\$ 91,294	\$ (874)	\$ 451,541
Other property revenue	22,776	275	18	23,069
Total property revenue	383,897	91,569	(856)	474,610
Property expense:				
Property operating	97,701	24,623	(3,488)	118,836
Real estate taxes	50,546	11,030	4,858	66,434
Total property expense	148,247	35,653	1,370	185,270
Consolidated NOI	\$ 235,650	\$ 55,916	\$ (2,226)	\$ 289,340

The following is a summary of certain balance sheet data by segment:

	Commercial	Multifamily	Other	Total
<u>December 31, 2019</u>	(In thousands)			
Real estate, at cost	\$ 3,415,294	\$ 1,998,297	\$ 361,928	\$ 5,775,519
Investments in unconsolidated real estate ventures	396,199	107,882	38,945	543,026
Total assets ⁽¹⁾	3,361,122	1,682,872	942,257	5,986,251
<u>December 31, 2018</u>				
Real estate, at cost	\$ 3,634,472	\$ 1,656,974	\$ 501,288	\$ 5,792,734
Investments in unconsolidated real estate ventures	177,173	109,232	36,473	322,878
Total assets ⁽¹⁾	3,707,255	1,528,177	761,853	5,997,285

⁽¹⁾ Includes assets held for sale. See Note 4 for additional information.

19. Commitments and Contingencies

Insurance

We maintain general liability insurance with limits of \$200.0 million per occurrence and in the aggregate, and property and rental value insurance coverage with limits of \$2.0 billion per occurrence, with sub-limits for certain perils such as floods and earthquakes on each of our properties. We also maintain coverage, through our wholly owned captive insurance subsidiary, for a portion of the first loss on the above limits and for both terrorist acts and for nuclear, biological, chemical or radiological terrorism events with limits of \$2.0 billion per occurrence. These policies are partially reinsured by third-party insurance providers.

We will continue to monitor the state of the insurance market and the scope and costs of coverage for acts of terrorism. We cannot anticipate what coverage will be available on commercially reasonable terms in the future. We are responsible for deductibles and losses in excess of the insurance coverage, which could be material.

Our debt, consisting of mortgages payable secured by our properties, a revolving credit facility and unsecured term loans, contains customary covenants requiring adequate insurance coverage. Although we believe that we currently have adequate insurance coverage, we may not be able to obtain an equivalent amount of coverage at reasonable costs in the future. If lenders insist on greater coverage than we are able to obtain, it could adversely affect the ability to finance or refinance our properties.

Construction Commitments

As of December 31, 2019, we have construction in progress that will require an additional \$196.9 million to complete (\$160.1 million related to our consolidated entities and \$36.8 million related to our unconsolidated real estate ventures at our share), based on our current plans and estimates, which we anticipate will be primarily expended over the next two to three years. These capital expenditures are generally due as the work is performed, and we expect to finance them with debt proceeds, proceeds from asset recapitalizations and sales, issuance and sale of equity securities and available cash.

Environmental Matters

Most of our assets have been subject, at some point, to environmental assessments that are intended to evaluate the environmental condition of the subject and surrounding assets. The environmental assessments did not reveal any material environmental contamination that we believe would have a material adverse effect on our overall business, financial condition or results of operations, or that have not been anticipated and remediated during site redevelopment as required by law. Nevertheless, there can be no assurance that the identification of new areas of contamination, changes in the extent or known scope of contamination, the discovery of additional sites or changes in cleanup requirements would not result in significant cost to us. Environmental liabilities total \$17.9 million as of both December 31, 2019 and 2018, and primarily relate to a liability to remediate pre-existing environmental matters at Potomac Yard Land Bay H, which was acquired in December 2018.

Other

There are various legal actions against us in the ordinary course of business. In our opinion, the outcome of such matters will not have a material adverse effect on our financial condition, results of operations or cash flows.

From time to time, we (or ventures in which we have an ownership interest) have agreed, and may in the future agree with respect to unconsolidated real estate ventures, to (1) guarantee portions of the principal, interest and other amounts in connection with borrowings, (2) provide customary environmental indemnifications and nonrecourse carve-outs (e.g., guarantees against fraud, misrepresentation and bankruptcy) in connection with borrowings or (3) provide guarantees to lenders and other third parties for the completion of development projects. We customarily have agreements with our outside venture partners whereby the partners agree to reimburse the real estate venture or us for their share of any payments made under certain of these guarantees. At times, we also have agreements with certain of our outside venture partners whereby we agree to either indemnify the partners and/or the associated ventures with respect to certain contingent liabilities associated with operating assets or to reimburse our partner for its share of any payments made by them under certain guarantees. Guarantees (excluding environmental) customarily terminate either upon the satisfaction of specified circumstances or repayment of the underlying debt. Amounts that we may be required to pay in future periods in relation to guarantees associated with budget overruns or operating losses are not estimable.

We also may guarantee portions of the principal, interest and other amounts in connection with the borrowings of our consolidated entities. As of December 31, 2019, the aggregate amount of principal payment guarantees was \$8.3 million for our consolidated entities.

As of December 31, 2019, we have additional capital commitments and certain recorded guarantees to our unconsolidated real estate ventures totaling \$57.7 million. As of December 31, 2019, we had no principal payment guarantees related to our unconsolidated real estate ventures.

In connection with the Formation Transaction, we have an agreement with Vornado regarding tax matters (the "Tax Matters Agreement") that provides special rules that allocate tax liabilities if the distribution of JBG SMITH shares by Vornado, together with certain related transactions, is determined not to be tax-free. Under the Tax Matters Agreement, we may be required to indemnify Vornado against any taxes and related amounts and costs resulting from a violation by us of the Tax Matters Agreement.

20. Transactions with Vornado and Related Parties

Transactions with Vornado

As described in Note 1, the accompanying financial statements present the operations of the Vornado Included Assets as carved-out from the financial statements of Vornado for all periods prior to July 17, 2017.

In connection with the Formation Transaction, we entered into an agreement with Vornado under which Vornado provided operational support for a period that ended July 18, 2019. These services included information technology, financial reporting and payroll services. The charges for these services were based on an hourly or per transaction fee arrangement including reimbursement for overhead and out-of-pocket expenses totaling \$3.6 million and \$2.2 million for the years ended December 31, 2018 and 2017. Charges for these services for 2019 were de minimis.

Pursuant to agreements, we are providing Vornado with leasing and property management services for certain of its assets that were not part of the Separation. The total revenue related to these services was \$2.0 million, \$2.1 million and \$779,000 for each of the three years in the period ended December 31, 2019.

We have agreements with Building Maintenance Services ("BMS"), a wholly owned subsidiary of Vornado, to supervise cleaning, engineering and security services at our properties. We paid BMS \$21.8 million, \$20.9 million and \$13.6 million for each of the three years in the period ended December 31, 2019, which are included in "Property operating expenses" in our statements of operations.

In connection with the Formation Transaction, we have a Tax Matters Agreement with Vornado. See Note 19 for additional information.

Certain centralized corporate costs borne by Vornado for management and other services including, but not limited to, accounting, reporting, legal, tax, information technology and human resources have been allocated to the assets in our financial statements based on either actual costs incurred or a proportion of costs estimated to be applicable to the Vornado Included Assets based on key metrics including total revenue. The total amounts allocated for the year ended December 31, 2017 were \$13.0 million. These allocated amounts are included as a component of "General and administrative expense: Corporate and other" expenses in our statement of operations and do not necessarily reflect what actual costs would have been if the Vornado Included Assets were a separate standalone public company.

In August 2014, we completed a \$185.0 million financing of the Universal Buildings, a 687,000 square foot office complex located in Washington, D.C. In connection with this financing, pursuant to a note agreement dated August 12, 2014, we used a portion of the financing proceeds and made an \$86.0 million loan to Vornado at LIBOR plus 2.90% due August 2019. At the Separation, Vornado repaid the outstanding balance of the loan and related accrued interest. We recognized interest income of \$1.8 million for the year ended December 31, 2017.

In connection with the development of The Bartlett, prior to the Separation, we entered into various note agreements with Vornado whereby we could borrow up to a maximum of \$170.0 million. Vornado contributed these note agreements along with accrued and unpaid interest to JBG SMITH at the Separation. We incurred interest expense of \$4.1 million for the year ended December 31, 2017.

In June 2016, the \$115.0 million mortgage payable (including \$608,000 of accrued interest) secured by the Bowen Building, a 231,000 square foot office building located in Washington, D.C., was repaid with the proceeds of a \$115.6 million draw on our former parent's revolving credit facility. We repaid our former parent with amounts drawn under our revolving credit facility at the Combination. We incurred interest expense related to the mortgage payable of \$1.3 million for the year ended December 31, 2017.

We had a consulting agreement with Mitchell Shear, a member of our Board of Trustees and formerly the president of Vornado's Washington, D.C. segment. The consulting agreement expired on December 31, 2017 and provided for the payment of consulting fees and expenses at the rate of \$169,400 per month for the 24 months following the Separation, including after the expiration of the consulting agreement. The amount due under this consulting agreement of \$4.1 million was expensed in connection with the Combination. Additionally, in March 2017, Vornado amended Mr. Shear's employment agreement to provide for the payment of severance, bonus and post-employment services. A total of \$16.4 million was expensed in connection with the Separation for the year ended December 31, 2017.

Transactions with the JBG Legacy Funds and the Washington Housing Initiative ("WHI")

Our third-party asset management and real estate services business provides fee-based real estate services to third parties, the JBG Legacy Funds and the WHI. We provide services for the benefit of the JBG Legacy Funds that own interests in the assets retained by the JBG Legacy Funds. In connection with the contribution of the JBG Assets to us, the general partner and managing member interests in the JBG Legacy Funds that were held by certain former JBG executives (and who became members of our management team and/or Board of Trustees) were not transferred to us and remain under the control of these individuals. In addition, certain members of our senior management and Board of Trustees have an ownership interest in the JBG Legacy Funds and own carried interests in each fund and in certain of our real estate ventures that entitle them to receive cash payments if the fund or real estate venture achieves certain return thresholds.

The WHI was launched by us and the Federal City Council in June 2018 as a scalable market-driven model that uses private capital to help address the scarcity of housing for middle income families. To date, the WHI Impact Pool ("Impact Pool") completed closings of capital commitments totaling \$104.8 million, which included a commitment from us of \$10.2 million. We are the manager for the Impact Pool, which is the social impact investment vehicle of the WHI.

The third-party real estate services revenue, including expense reimbursements, from the JBG Legacy Funds and the Impact Pool was \$36.5 million, \$33.8 million and \$19.9 million for each of the three years in the period ended December 31, 2019. As of December 31, 2019 and 2018, we had receivables from the JBG Legacy Funds and the Impact Pool totaling \$6.2 million and \$3.6 million for such services.

We rented our corporate offices from an unconsolidated real estate venture and made payments totaling \$5.0 million, \$4.9 million and \$2.2 million for each of the three years in the period ended December 31, 2019. In November 2019, we relocated our corporate headquarters. See Note 17 for additional information.

21. Quarterly Financial Data (unaudited)

2019	First Quarter ⁽¹⁾	Second Quarter	Third Quarter ⁽²⁾	Fourth Quarter ⁽³⁾
	(In thousands, except per share data)			
Total revenue	\$ 155,199	\$ 160,617	\$ 167,077	\$ 164,877
Net income (loss)	28,248	(3,328)	10,532	38,692
Net income (loss) attributable to common shareholders	24,861	(3,040)	9,360	34,390
Earnings (loss) per share:				
Basic	0.20	(0.03)	0.06	0.25
Diluted	0.20	(0.03)	0.06	0.25

⁽¹⁾ During the first quarter of 2019, we recognized a gain on the sale of real estate of \$39.0 million from the sale of Commerce Executive/Commerce Metro Land.

⁽²⁾ During the third quarter of 2019, we recognized a gain on the sale of real estate of \$8.1 million from the sale of 1600 K Street.

⁽³⁾ During the fourth quarter of 2019, we recognized an aggregate gain on the sale of real estate of \$57.9 million, from the sale of Vienna Retail, and the partial sale and remeasurement of our remaining interest subsequent to the transfer of control in the real estate venture that owns Central Place Tower. Additionally, during the fourth quarter of 2019, we incurred an impairment charge of \$10.2 million and certain additional expenses related to the relocation of our corporate headquarters.

2018	First Quarter	Second Quarter ⁽¹⁾	Third Quarter ⁽²⁾	Fourth Quarter ⁽³⁾
	(In thousands, except per share data)			
Total revenue	\$ 163,037	\$ 159,447	\$ 158,443	\$ 163,255
Net income (loss)	(4,786)	24,023	26,382	994
Net income (loss) attributable to common shareholders	(4,190)	20,574	22,830	710
Earnings (loss) per share:				
Basic	(0.04)	0.17	0.19	(0.01)
Diluted	(0.04)	0.17	0.19	(0.01)

⁽¹⁾ During the second quarter of 2018, we recognized an aggregate gain on the sale of real estate of \$33.4 million from the sale of Summit I and II and the Bowen Building, a reduction to the gain on bargain purchase of \$7.6 million related to the final adjustments to the fair value of certain asset acquired and liabilities assumed in the Formation Transaction and a loss on the extinguishment of debt of \$4.5 million.

⁽²⁾ During the third quarter of 2018, we recognized a gain of \$15.5 million related to the sale of our interest in a real estate venture that owned the Investment Building and a gain on the sale of real estate of \$11.9 million from the sale of Executive Tower.

⁽³⁾ During the fourth quarter of 2018, we recognized a gain of \$20.6 million from the sale of The Warner by our unconsolidated real estate venture with CPPIB, transaction and other costs of \$15.6 million related to expenses incurred in connection with the Formation Transaction (including transition services provided by our former parent, integration costs, and severance costs), costs related to the pursuit of Amazon's additional headquarter, and costs related to other completed, potential and pursued transactions, and an aggregate gain on the sale of real estate of \$6.4 million, from the sale of 1233 20th Street and the out-of-service portion of Falkland Chase - North.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURES

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2019, our disclosure controls and procedures were effective.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over our financial reporting (as such term is defined in Rule 13a-15(f) and 15d-15(f) under the Exchange Act). Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting includes policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of our assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisitions, use or disposition of our assets that could have a material effect on our financial statements.

As of December 31, 2019, management conducted an assessment of the effectiveness of our internal control over financial reporting based on the framework established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has concluded that our internal control over financial reporting was effective as of December 31, 2019.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited our financial statements and has issued a report on the effectiveness of our internal control over financial reporting, which is included herein.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting during the quarter ended December 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Trustees of JBG SMITH Properties

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of JBG SMITH Properties and subsidiaries (the "Company") as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2019, of the Company and our report dated February 25, 2020, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP
McLean, Virginia
February 25, 2020

ITEM 9B. OTHER INFORMATION

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The following discussion summarizes our taxation and the material U.S. federal income tax consequences to holders of our common shares, preferred shares and depositary shares (together with common shares and preferred shares, the "shares") as well as our warrants and rights (together with the shares, the "securities") and is provided for general information only. This is not tax advice. The tax treatment of our shareholders will vary depending upon the holder's particular situation, and this discussion does not deal with all aspects of taxation that may be relevant to particular shareholders in light of their personal investment or tax circumstances. This section also does not deal with all aspects of taxation that may be relevant to certain types of shareholders to which special provisions of the U.S. federal income tax laws apply, including:

- dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- banks;
- life insurance companies;
- tax-exempt organizations;
- certain insurance companies;
- persons liable for the alternative minimum tax;
- persons that hold shares that are a hedge, that are hedged against interest rate or currency risks or that are part of a straddle or conversion transaction;
- persons that purchase or sell shares as part of a wash sale for tax purposes;
- persons who do not hold our shares as capital assets; and
- U.S. shareholders whose functional currency is not the U.S. dollar.

This summary is based on the Internal Revenue Code of 1986 (the "Code"), its legislative history, existing and proposed regulations under the Code, published rulings and court decisions. This summary describes the provisions of these sources of law only as they are currently in effect. All of these sources of law may change at any time, and any change in the law may apply retroactively.

If a partnership holds our shares, the U.S. federal income tax treatment of a partner generally depends on the status of the partner and the tax treatment of the partnership. A partner in a partnership holding our shares should consult its tax advisor with regard to the U.S. federal income tax treatment of an investment in our shares.

We urge you to consult with your tax advisors regarding the federal, state, local and foreign tax consequences to you of acquiring, owning and selling our shares, in light of your particular circumstances.

Tax Reform Legislation Enacted December 22, 2017

On December 22, 2017, the U.S. President signed into law H.R. 1. This legislation makes changes, some of which are only temporary, to the U.S. federal income tax laws that significantly impact the taxation of individuals, corporations (both regular C corporations as well as corporations that have elected to be taxed as real estate investment trusts, or REITs), and the taxation of taxpayers with foreign assets and operations. These changes generally are effective for taxable years beginning after December 31, 2017. A number of the changes that reduce the tax rates applicable to noncorporate taxpayers (including a deduction under Section 199A of the Code equal to 20% of "qualified" REIT dividends received that reduces the effective rate of regular income tax on such dividends) and limit the ability of such taxpayers to claim certain deductions, will expire for taxable years beginning after December 31, 2025 unless Congress acts to extend them.

These changes impact us and holders of our shares in various ways, some of which are adverse compared to prior law, and this summary discusses these changes where material. There are numerous interpretive issues and ambiguities that require guidance and that are not clearly addressed in the Conference Report that accompanied H.R. 1 or the General Explanation released by the Joint Committee on Taxation. Technical corrections to the legislation are needed to clarify certain of the provisions and to give proper effect to congressional intent. There can be no assurance, however, that the technical clarifications or other legislative

changes that may be needed to prevent unintended or unforeseen tax consequences will be enacted by Congress any time soon. Taxpayers should consult with their tax advisors regarding the effect of H.R. 1 on their particular circumstances (including the impact of other changes enacted as part of H.R. 1 that do not directly relate to an investment in a REIT and that are not discussed herein).

Tax Consequences of Exercising the OP Unit Redemption Right

If you are a holder of common limited partnership units ("OP Units"), other than a holder to which special provisions of the U.S. federal income tax laws apply, as enumerated above, and you exercise your redemption right under the JBG SMITH LP partnership agreement, it is possible that we will elect to exercise our right to acquire some or all of such OP Units in exchange for cash or our common shares. However, we are under no obligation to exercise this right. If we do elect to acquire your OP Units in exchange for cash or our common shares, the transaction will be treated as a fully taxable sale. Your amount realized, taxable gain and the tax consequences of that gain are described under "- Disposition of OP Units" below. If we do not elect to acquire some or all of your OP Units in exchange for our common shares, JBG SMITH LP is required to redeem those OP Units for cash. Your amount realized, taxable gain and the tax consequences of that gain are described under "- Redemption of OP Units" below. See "-Other Tax Consequences-State and Local Taxes" for a discussion of state tax consequences that would apply to you on exercise of your redemption right.

Redemption of OP Units

If JBG SMITH LP redeems OP Units for cash contributed by us in order to effect the redemption, the redemption likely will be treated as a sale of the OP Units to us in a fully taxable transaction, with your taxable gain and the tax consequences of that gain determined as described under "- Disposition of OP Units" below.

If your OP Units are redeemed for cash that is not contributed by us to effect the redemption, your tax treatment will depend upon whether or not the redemption results in a disposition of all of your OP Units. If all of your OP Units are redeemed, your taxable gain and the tax consequences of that gain will be determined as described under "- Disposition of OP Units" below. However, if less than all of your OP Units are redeemed, you will not be allowed to recognize loss on the redemption and may recognize taxable gain only if and to the extent that your amount realized, calculated as described below, on the redemption exceeds your adjusted tax basis in all of your OP Units immediately before the redemption.

Disposition of OP Units

If OP Units are sold, exchanged, or otherwise subject to disposition (including through the exercise of the OP Unit redemption right in a manner that is treated as a sale, as discussed above in "-Redemption of OP Units"), gain or loss from the disposition will be based on the difference between the amount realized on the disposition and the adjusted tax basis of the OP Units. The amount realized on the disposition of OP Units generally will equal the sum of: any cash received, the fair market value of any other property (including the fair market value of any of our common shares received pursuant to the redemption) received, and the amount of liabilities of JBG SMITH LP allocated to the OP Units.

You will recognize gain on the disposition of OP Units to the extent that this amount realized exceeds your adjusted tax basis in the OP Units. Because the amount realized includes any amount attributable to the relief from liabilities of JBG SMITH LP attributable to the OP Units, you could have taxable income, or perhaps even a tax liability, in excess of the amount of cash and value of the property received upon the disposition of the OP Units.

Generally, gain recognized on the disposition of OP Units will be capital gain. However, any portion of your amount realized that is attributable to "unrealized receivables" of JBG SMITH LP (as defined in Section 751 of the Code) will give rise to ordinary income. The amount of ordinary income recognized would be equal to the amount by which your share of "unrealized receivables" of JBG SMITH LP exceeds the portion of your adjusted tax basis that is attributable to those assets. Unrealized receivables include, to the extent not previously included in JBG SMITH LP's income, your allocable share of any rights held by JBG SMITH LP to payment for services rendered or to be rendered. Unrealized receivables also include amounts that would be subject to recapture as ordinary income if JBG SMITH LP were to sell its assets at their fair market value at the time of the sale of OP Units. In addition, a portion of the capital gain recognized on a sale or other disposition of OP Units may be subject to tax at a maximum rate of 25% to the extent attributable to accumulated depreciation on our "section 1250 property," or depreciable real property.

Taxation of JBG SMITH as a REIT

We elected to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with our taxable year that ended December 31, 2017. We believe that we are organized and operate in such a manner as to qualify for taxation as a REIT under the applicable provisions of the Code. We conduct our business as an umbrella partnership REIT, pursuant to which substantially all of our assets are held by our operating partnership, JBG SMITH LP. We are the sole general partner of JBG SMITH LP and we own approximately 89.9% of its outstanding OP Units. JBG SMITH LP owns, directly or indirectly, majority interests in several subsidiary REITs and minority interests in certain other subsidiary REITs through its interests in certain joint ventures. Our subsidiary REITs are subject to the same REIT qualification requirements and other limitations described herein that apply to us (and in certain cases, are subject to more stringent REIT qualification requirements).

When we offer our shares, we will request an opinion of Hogan Lovells US LLP, our REIT tax counsel, to the effect that we have been organized and have operated in conformity with the requirements for qualification and taxation as a REIT, effective for each of our taxable years ended December 31, 2017, through and including our immediately preceding calendar year, and that our current organization and current and intended method of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT under the Code for the taxable year in which the offering occurs and thereafter.

It must be emphasized that such opinion of Hogan Lovells US LLP, described in the preceding paragraph, regarding our status as a REIT, will rely, without independent investigation or verification, on various assumptions relating to our organization and operation and on prior opinions provided by Sullivan & Cromwell LLP and Hogan Lovells US LLP, as described below under "Failure to Qualify as a REIT," as to the qualification and taxation of Vornado, each REIT that was contributed by VRLP to JBG SMITH LP and each REIT that was contributed to JBG SMITH LP by JBG, as a REIT, and will be conditioned upon fact-based representations and covenants made by our management regarding our organization, assets and income, and the present and future conduct of our business operations. While we intend to continue to operate so that we continue to qualify to be taxed as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of future changes in our circumstances, no assurance can be given by Hogan Lovells US LLP or by us that we will qualify to be taxed as a REIT for any particular year. Any such opinion will be expressed as of the date issued. In connection with such opinion, Hogan Lovells US LLP will have no obligation to advise us or our shareholders of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in the applicable law. You should be aware that opinions of counsel are not binding on the IRS, and no assurance can be given that the IRS will not challenge the conclusions set forth in any such opinion. Hogan Lovells US LLP's opinion would not foreclose the possibility that we may have to utilize one or more of the REIT savings provisions discussed below, which could require us to pay an excise or penalty tax (which could be significant in amount) in order to maintain our REIT qualification.

Our qualification and taxation as a REIT depend on our ability to meet, on a continuing basis, through actual operating results, distribution levels and diversity of share ownership, various qualification requirements imposed upon REITs by the Code, the compliance with which will not be monitored by Hogan Lovells US LLP. Our ability to qualify to be taxed as a REIT also requires that we satisfy certain tests, some of which depend upon the fair market values of assets that we own directly or indirectly. Such values may not be susceptible to a precise determination. Accordingly, no assurance can be given that the actual results of our operations for any taxable year will satisfy such requirements for qualification and taxation as a REIT.

As noted above, we have elected, and believe we have been organized and have operated in such a manner as to qualify, to be taxed as a REIT for U.S. federal income tax purposes, from and after our taxable year that ended December 31, 2017. The material qualification requirements are summarized below under "-Requirements for Qualification." While we believe that we operate so that we qualify to be taxed as a REIT, no assurance can be given that the IRS will not challenge our qualification, or that we will be able to operate in accordance with the REIT requirements in the future. Please refer to "-Failure to Qualify as a REIT." The discussion in this section "-Taxation of JBG SMITH as a REIT" assumes that we will qualify as a REIT.

As a REIT, we generally do not have to pay federal corporate income taxes on our net income that we currently distribute to our shareholders. This treatment substantially eliminates the "double taxation" at the corporate and shareholder levels that generally results from investment in a regular corporation. Our dividends typically are not eligible for (i) the reduced rates of tax applicable to dividends received by noncorporate shareholders, except in limited circumstances, and (ii) the corporate dividends received deduction. However, for taxable years beginning after December 31, 2017 and before January 1, 2026, U.S. shareholders that are individuals, trusts or estates may deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations. Our capital gain dividends and qualified dividend income are subject to a maximum 23.8% rate (which rate takes into account the maximum capital gain rate of 20% and the 3.8% Medicare tax on net investment income, described below under "-Net Investment Income Tax"). See "-Taxation of U.S. Shareholders-Taxation of Taxable U.S. Shareholders-Taxation of Dividends."

Any net operating losses, foreign tax credits and other tax attributes generated or incurred by us generally do not pass through to our shareholders, subject to special rules for certain items such as the capital gain that we recognize. See "-Taxation of U.S. Shareholders-Taxation of Taxable U.S. Shareholders-Taxation of Dividends."

Although we generally do not pay federal corporate income tax on our net income that we currently distribute to our shareholders, we will have to pay U.S. federal income tax as follows:

- First, we will have to pay tax at regular corporate rates on any undistributed real estate investment trust taxable income, including undistributed net capital gains.
- Second, if we elect to treat property that we acquire in connection with certain leasehold terminations or a foreclosure of a mortgage loan as "foreclosure property," we may thereby avoid (i) the 100% prohibited transactions tax on gain from a resale of that property (if the sale otherwise would constitute a prohibited transaction); and (ii) the inclusion of any income from such property as non-qualifying income for purposes of the REIT gross income tests discussed below. Income from the sale or operation of the property may be subject to U.S. federal corporate income tax at the highest applicable rate (currently 21%).
- Third, if we have net income from "prohibited transactions," as defined in the Code, we will have to pay a 100% tax on that income. Prohibited transactions are, in general, certain sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business.
- Fourth, if we should fail to satisfy the 75% gross income test or the 95% gross income test, as discussed below under "-Requirements for Qualification-Income Tests," but have nonetheless maintained our qualification as a REIT because we have satisfied some other requirements, we will have to pay a 100% tax on an amount equal to (a) the gross income attributable to the greater of (i) 75% of our gross income over the amount of gross income that is qualifying income for purposes of the 75% test, and (ii) 95% of our gross income over the amount of gross income that is qualifying income for purposes of the 95% test, multiplied by (b) a fraction intended to reflect our profitability.
- Fifth, if we should fail to distribute during each calendar year at least the sum of (1) 85% of our real estate investment trust ordinary income for that year, (2) 95% of our real estate investment trust capital gain net income for that year and (3) any undistributed taxable income from prior periods, we would have to pay a 4% excise tax on the excess of that required distribution over the sum of the amounts actually distributed and retained amounts on which income tax is paid at the corporate level.
- Sixth, if we acquire any asset from a C corporation in certain transactions in which we must adopt the basis of the asset or any other property in the hands of the C corporation as the basis of the asset in our hands, and we recognize gain on the disposition of that asset during the five-year period beginning on the date on which we acquired that asset, then we will have to pay tax on the built-in gain at the highest regular corporate rate. A C corporation means generally a corporation that has to pay full corporate-level tax.
- Seventh, if we derive "excess inclusion income" from a residual interest in a real estate mortgage investment conduit, or "REMIC," or certain interests in a taxable mortgage pool, or "TMP," we could be subject to corporate level federal income tax at a 21% rate to the extent that such income is allocable to certain types of tax-exempt shareholders that are not subject to unrelated business income tax, such as government entities.
- Eighth, if we receive non-arm's-length income from a "taxable REIT subsidiary" (as defined under "-Requirements for Qualification-Asset Tests"), or as a result of services provided by a taxable REIT subsidiary to our tenants or to us, we will be subject to a 100% tax on the amount of our non-arm's-length income.
- Ninth, if we fail to satisfy a REIT asset test, as described below, due to reasonable cause and we nonetheless maintain our REIT qualification because of specified cure provisions, we will generally be required to pay a tax equal to the greater of \$50,000 or the highest corporate tax rate multiplied by the net income generated by the nonqualifying assets that caused us to fail such test.
- Tenth, if we fail to satisfy any provision of the Code that would result in our failure to qualify as a REIT (other than a violation of the REIT gross income tests or a violation of the asset tests described below) and the violation is due to reasonable cause, we may retain our REIT qualification but will be required to pay a penalty of \$50,000 for each such failure.
- Eleventh, we have a number of taxable REIT subsidiaries, the net income of which will be subject to U.S. federal, state and local corporate income tax.

Notwithstanding our qualification as a REIT, we and our subsidiaries may be subject to a variety of taxes, including payroll taxes, property and other taxes on our assets, operations and net worth. We also could be subject to tax in other situations and on transactions not presently contemplated.

Requirements for Qualification

The Code defines a REIT as a corporation, trust or association:

- which is managed by one or more directors or trustees;
- the beneficial ownership of which is evidenced by transferable shares, or by transferable certificates of beneficial interest;
- that would otherwise be taxable as a domestic corporation, but for Sections 856 through 859 of the Code;
- that is neither a financial institution nor an insurance company to which certain provisions of the Code apply;
- the beneficial ownership of which is held by 100 or more persons (except with respect to the first taxable year for which an election to be taxed as a REIT is made);
- during the last half of each taxable year, not more than 50% in value of the outstanding shares of which is owned, directly or constructively, by five or fewer individuals, as defined in the Code to include certain entities (the "not closely held requirement") (except with respect to the first taxable year for which an election to be taxed as a REIT is made); and
- that meets certain other tests, including tests described below regarding the nature of its income and assets.

The Code provides that the conditions described in the first through fourth bullet points above must be met during the entire taxable year and that the condition described in the fifth bullet point above must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. We satisfy the conditions described in the first through sixth bullet points of the preceding paragraph. Our declaration of trust provides for restrictions regarding the ownership and transfer of our shares of beneficial interest, which restrictions are intended to assist us in continuing to satisfy the share ownership requirements described in the fifth and sixth bullet points of the preceding paragraph. The ownership and transfer restrictions pertaining to our common shares are described in this prospectus under the heading "Description of Shares of Beneficial Interest-Common Shares-Restrictions on Ownership of Common Shares."

Ownership of Subsidiary Entities

Ownership of Partnerships, Limited Liability Companies and Qualified REIT Subsidiaries

If we are a partner in an entity that is treated as a partnership for U.S. federal income tax purposes, Treasury regulations under Section 856 of the Code provide that we will be deemed to own our proportionate share of the assets of the partnership and will be deemed to be entitled to the income of the partnership attributable to that share. In addition, the character of the assets and gross income of the partnership will retain the same character in our hands for purposes of Section 856 of the Code, including for purposes of satisfying the gross income tests and the asset tests. As the sole general partner of our operating partnership, JBG SMITH LP, we have direct control over it and indirect control over the subsidiaries in which JBG SMITH LP or a subsidiary has a controlling interest. We currently intend to operate these entities in a manner consistent with the requirements for our qualification as a REIT. If we are or become a limited partner or non-managing member in any partnership or limited liability company and such entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. In addition, it is possible that a partnership or limited liability company could take an action that could cause us to fail a gross income or asset test, and that we would not become aware of such action in time for us to dispose of our interest in the partnership or limited liability company or take other corrective action on a timely basis. In that case, we could fail to qualify as a REIT unless we were entitled to relief as described below in "-Failure to Qualify as a REIT." In addition, actions taken by partnerships in which we own an interest can affect the determination of whether we have net income from prohibited transactions. See the fourth bullet in the list under "-Taxation of JBG SMITH as a REIT" for a brief description of prohibited transactions.

Under the Bipartisan Budget Act of 2015, liability is imposed on a partnership (rather than its partners) for adjustments to reported partnership taxable income resulting from audits or other tax proceedings. The liability can include an imputed underpayment of tax, calculated by using the highest marginal U.S. federal income tax rate, as well as interest and penalties on such imputed underpayment of tax. Using certain rules, partnerships may be able to transfer these liabilities to their partners. In the event any

adjustments are imposed by the IRS on the taxable income reported by JBG SMITH LP or any of our other subsidiary partnerships, we intend to utilize the audit rules to the extent possible to allow us to transfer any liability with respect to such adjustments to the partners of JBG SMITH LP or the partners of any other subsidiary partnership who should properly bear such liability. However, there is no assurance that we will qualify under those rules or that we will have the authority to use those rules under the operating agreements for certain of our subsidiary partnerships.

If we own a corporate subsidiary that is a "qualified REIT subsidiary," or QRS, the QRS generally is disregarded for U.S. federal income tax purposes, and its assets, liabilities and items of income, deduction and credit are treated as assets, liabilities and items of income, deduction and credit of ours, including for purposes of the gross income and asset tests that apply to us as a REIT. A QRS is any corporation other than a taxable REIT subsidiary that is wholly owned by us. Other entities that are wholly owned by us, including single member limited liability companies that have not elected to be taxed as corporations for U.S. federal income tax purposes, also generally are disregarded as separate entities for U.S. federal income tax purposes, including for purposes of the REIT income and asset tests. Disregarded subsidiaries, along with any partnerships in which we hold an equity interest, are sometimes referred to herein as "pass-through subsidiaries."

If a disregarded subsidiary ceases to be wholly owned by us (for example, if any equity interest in the subsidiary is acquired by a person other than us or another disregarded subsidiary of ours), the subsidiary's separate existence no longer would be disregarded for U.S. federal income tax purposes. Instead, the subsidiary would have multiple owners and would be treated either as a partnership or a taxable corporation. Such an event could, depending on the circumstances, adversely affect our ability to satisfy the various asset and gross income requirements applicable to REITs, including the requirement that REITs generally may not own, directly or indirectly, more than 10% of the securities of another corporation unless it is a taxable REIT subsidiary, a QRS or another REIT. See "-Income Tests" and "-Asset Tests."

Ownership of Subsidiary REITs

JBG SMITH LP owns, directly or indirectly, majority interests in several subsidiary REITs and minority interests in certain other subsidiary REITs through our interests in certain joint ventures. We believe that these subsidiary REITs are organized and operate in a manner that permits them to qualify for taxation as a REIT for U.S. federal income tax purposes. However, if any of these subsidiary REITs were to fail to qualify as a REIT, then (i) the subsidiary REIT would become subject to regular U.S. corporate income tax, as described herein, see "-Failure to Qualify as a REIT" below, and (ii) our equity interest in such subsidiary REIT would cease to be a qualifying real estate asset for purposes of the 75% asset test and could become subject to the 5% asset test, the 10% voting share asset test, and the 10% value asset test generally applicable to our ownership in corporations other than REITs, QRSs and taxable REIT subsidiaries. See "-Asset Tests" below. If a subsidiary REIT were to fail to qualify as a REIT and if we were not able to treat the subsidiary REIT as a taxable REIT subsidiary of ours pursuant to certain prophylactic elections we have made, it is possible that we would not meet the 10% voting share test and the 10% value test with respect to our indirect interest in such entity, in which event we would fail to qualify as a REIT unless we could avail ourselves of certain relief provisions.

Taxable REIT Subsidiaries

JBG SMITH LP owns a number of taxable REIT subsidiaries. A taxable REIT subsidiary is any corporation in which a REIT directly or indirectly owns stock, provided that the REIT and that corporation make a joint election to treat that corporation as a taxable REIT subsidiary. The election can be revoked at any time as long as the REIT and the taxable REIT subsidiary revoke such election jointly. In addition, if a taxable REIT subsidiary holds, directly or indirectly, more than 35% of the securities of any other corporation other than a REIT (by vote or by value), then that other corporation is also treated as a taxable REIT subsidiary. A corporation can be a taxable REIT subsidiary with respect to more than one REIT.

A taxable REIT subsidiary is subject to U.S. federal income tax at regular corporate rates (currently a maximum rate of 21%), and may also be subject to state and local taxation. Any dividends paid or deemed paid by any one of our taxable REIT subsidiaries will also be taxable, either (1) to us to the extent the dividend is retained by us, or (2) to our shareholders to the extent the dividends received from the taxable REIT subsidiary are paid to our shareholders. We may hold more than 10% of the stock of a taxable REIT subsidiary without jeopardizing our qualification as a REIT notwithstanding the rule described below under "-Asset Tests" that generally precludes ownership of more than 10% of any issuer's securities. However, as noted below, for us to qualify as a REIT, the securities of all the taxable REIT subsidiaries in which we have invested either directly or indirectly may not represent more than 20% of the total value of our assets. Other than certain activities related to operating or managing a lodging or health care facility, a taxable REIT subsidiary may generally engage in any business, including the provision of customary or non-customary services to tenants of the parent REIT.

Income Tests

To maintain our qualification as a REIT, we annually must satisfy two gross income requirements.

- First, we must derive at least 75% of our gross income, excluding gross income from prohibited transactions, for each taxable year directly or indirectly from investments relating to real property, mortgages on real property or investments in REIT equity securities, including "rents from real property," as defined in the Code, or from certain types of temporary investments. Rents from real property generally include our expenses that are paid or reimbursed by tenants.
- Second, at least 95% of our gross income, excluding gross income from prohibited transactions, for each taxable year must be derived from real property investments as described in the preceding bullet point, dividends, interest and gain from the sale or disposition of stock or securities, or from any combination of these types of sources.

Rents that we receive will qualify as rents from real property in satisfying the gross income requirements for a REIT described above only if the rents satisfy several conditions.

- First, the amount of rent must not be based in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from rents from real property solely because it is based on a fixed percentage or percentages of receipts or sales.
- Second, the Code provides that rents received from a tenant will not qualify as rents from real property in satisfying the gross income tests if the REIT, directly or under the applicable attribution rules, owns a 10% or greater interest in that tenant; except that rents received from a taxable REIT subsidiary under certain circumstances qualify as rents from real property even if we own more than a 10% interest in the subsidiary. We refer to a tenant in which we own a 10% or greater interest as a "related party tenant."
- Third, if rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to the personal property will not qualify as rents from real property.
- Finally, for rents received to qualify as rents from real property, the REIT generally must not operate or manage the property or furnish or render services to the tenants of the property, other than through an independent contractor from whom the REIT derives no revenue or through a taxable REIT subsidiary. However, we may directly perform certain services that landlords usually or customarily render when renting space for occupancy only or that are not considered rendered to the occupant of the property.

We expect that we will not derive material rents from related party tenants. We also expect that we will not derive material rental income attributable to personal property, except where the personal property is leased in connection with the lease of real property and the amount of which is less than 15% of the total rent received under the lease.

We directly perform services for some of our tenants. We do not believe that the provision of these services will cause our gross income attributable to these tenants to fail to be treated as rents from real property. If we were to provide directly services to a tenant that are other than those that landlords usually or customarily provide when renting space for occupancy only, amounts received or accrued by us for any of these services will not be treated as rents from real property for purposes of the REIT gross income tests. However, the amounts received or accrued for these services will not cause other amounts received with respect to the property to fail to be treated as rents from real property unless the amounts treated as received in respect of the services, together with amounts received for certain management services, exceed 1% of all amounts received or accrued by us during the taxable year with respect to the property. If the sum of the amounts received in respect of the services to tenants and management services described in the preceding sentence exceeds the 1% threshold, then all amounts received or accrued by us with respect to the property will not qualify as rents from real property, even if we only provide the impermissible services to some, but not all, of the tenants of the property.

The term "interest" generally does not include any amount received or accrued, directly or indirectly, if the determination of that amount depends in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term "interest" solely because it is based on a fixed percentage or percentages of receipts or sales.

From time to time, we may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps and floors, options to purchase these items, and futures and forward contracts. Except to the extent provided by Treasury regulations, any income we derive from a hedging transaction that is clearly

identified as such as specified in the Code, including gain from the sale or disposition of such a transaction, will not constitute gross income for purposes of the 75% or 95% gross income tests, and therefore will be excluded for purposes of these tests, but only to the extent that the transaction hedges indebtedness incurred or to be incurred by us to acquire or carry real estate. The term "hedging transaction," as used above, generally means any transaction we enter into in the normal course of our business primarily to manage risk of interest rate or price changes or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, by us. "Hedging transaction" also includes any transaction entered into primarily to manage the risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the 75% or 95% gross income test (or any property which generates such income or gain), including gain from the termination of such a transaction. Gross income also excludes income from clearly identified hedging transactions that are entered into with respect to previously acquired hedging transactions that a REIT entered into to manage interest rate or currency fluctuation risks when the previously hedged indebtedness is extinguished or property is disposed of. We intend to structure any hedging transactions in a manner that does not jeopardize our status as a REIT.

Interest income and gain from the sale of a debt instrument not secured by real property or an interest in real property, including "nonqualified" debt instruments issued by a "publicly offered REIT," are not treated as qualifying income for purposes of the 75% gross income test (even though such instruments are treated as "real estate assets," as discussed below) but are treated as qualifying income for purposes of the 95% gross income test. A "publicly offered REIT" means a REIT that is required to file annual and periodic reports with the SEC under the Securities Exchange Act of 1934.

As a general matter, certain foreign currency gains will be excluded from gross income for purposes of one or both of the gross income tests, as follows.

"Real estate foreign exchange gain" will be excluded from gross income for purposes of both the 75% and 95% gross income test. Real estate foreign exchange gain generally includes foreign currency gain attributable to any item of income or gain that is qualifying income for purposes of the 75% gross income test, foreign currency gain attributable to the acquisition or ownership of (or becoming or being the obligor under) obligations secured by mortgages on real property or on interests in real property and certain foreign currency gain attributable to certain qualified business units of a REIT.

"Passive foreign exchange gain" will be excluded from gross income for purposes of the 95% gross income test. Passive foreign exchange gain generally includes real estate foreign exchange gain as described above, and also includes foreign currency gain attributable to any item of income or gain that is qualifying income for purposes of the 95% gross income test and foreign currency gain attributable to the acquisition or ownership of (or becoming or being the obligor under) obligations that would not fall within the scope of the definition of real estate foreign exchange gain.

If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for that year if we satisfy the requirements of other provisions of the Code that allow relief from disqualification as a REIT. These relief provisions will generally be available if:

- Our failure to meet the income tests was due to reasonable cause and not due to willful neglect; and
- We file a schedule of each item of income in excess of the limitations described above in accordance with regulations to be prescribed by the IRS.

We might not be entitled to the benefit of these relief provisions, however, and, even if these relief provisions apply, we would have to pay a tax on the excess income. The tax will be a 100% tax on an amount equal to (a) the gross income attributable to the greater of (i) 75% of our gross income over the amount of gross income that is qualifying income for purposes of the 75% test, and (ii) 95% of our gross income over the amount of gross income that is qualifying income for purposes of the 95% test, *multiplied* by (b) a fraction intended to reflect our profitability.

Asset Tests

At the close of each quarter of our taxable year, we must also satisfy four tests relating to the nature of our assets.

- First, at least 75% of the value of our total assets must be represented by real estate assets, including (a) real estate assets held by our qualified REIT subsidiaries, our allocable share of real estate assets held by partnerships in which we own an interest and stock issued by another REIT, (b) for a period of one year from the date of our receipt of proceeds of an offering of our shares of beneficial interest or publicly offered debt with a term of at least five years, stock or debt instruments purchased

with these proceeds, (c) cash, cash items and government securities, and (d) certain debt instruments of "publicly offered REITs" (as defined above), interests in real property or interests in mortgages on real property (including a mortgage secured by both real property and personal property, provided that the fair market value of the personal property does not exceed 15% of the total fair market value of all property securing such mortgage), and personal property to the extent that rents attributable to the property are treated as rents from real property under the applicable Code section.

- Second, not more than 25% of our total assets may be represented by securities other than those in the 75% asset class (except that not more than 25% of the REIT's total assets may be represented by "nonqualified" debt instruments issued by publicly offered REITs). For this purpose, a "nonqualified" debt instrument issued by a publicly offered REIT is any real estate asset that would cease to be a real estate asset if the definition of a real estate asset was applied without regard to the reference to debt instruments issued by publicly offered REITs.
- Third, not more than 20% of our total assets may constitute securities issued by taxable REIT subsidiaries and, of the investments included in the 25% asset class, the value of any one issuer's securities, other than equity securities issued by another REIT or securities issued by a taxable REIT subsidiary, owned by us may not exceed 5% of the value of our total assets.
- Fourth, we may not own more than 10% of the vote or value of the outstanding securities of any one issuer, except for issuers that are REITs, qualified REIT subsidiaries or taxable REIT subsidiaries, or certain securities that qualify under a safe harbor provision of the Code (such as so-called "straight-debt" securities).

Solely for the purposes of the 10% value test described above, the determination of our interest in the assets of any partnership or limited liability company in which we own an interest will be based on our capital interest in any securities issued by the partnership or limited liability company, excluding for this purpose certain securities described in the Code.

If the IRS successfully challenges the partnership status of any of the partnerships in which we maintain a more than 10% vote or value interest, and the partnership is reclassified as a corporation or a publicly traded partnership taxable as a corporation, we could lose our REIT status. In addition, in the case of such a successful challenge, we could lose our REIT status if such recharacterization results in us otherwise failing one of the asset tests described above.

Certain relief provisions may be available to us if we fail to satisfy the asset tests described above after a 30-day cure period. Under these provisions, we will be deemed to have met the 5% and 10% REIT asset tests if the value of our nonqualifying assets (i) does not exceed the lesser of (a) 1% of the total value of our assets at the end of the applicable quarter and (b) \$10,000,000, and (ii) we dispose of the nonqualifying assets within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the period of time prescribed by Treasury regulations to be issued. For violations due to reasonable cause and not willful neglect that are not described in the preceding sentence, we may avoid disqualification as a REIT under any of the asset tests, after the 30-day cure period, by taking steps including (i) the disposition of the nonqualifying assets to meet the asset test within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the period of time prescribed by Treasury regulations to be issued, (ii) paying a tax equal to the greater of (a) \$50,000 or (b) the highest corporate tax rate *multiplied* by the net income generated by the nonqualifying assets, and (iii) disclosing certain information to the IRS.

Annual Distribution Requirements.

To qualify as a REIT, we are required to distribute, on an annual basis, dividends, other than capital gain dividends, to our shareholders in an amount at least equal to (1) the sum of (a) 90% of our "real estate investment trust taxable income," computed without regard to the dividends paid deduction and our net capital gain, and (b) 90% of the net after-tax income, if any, from foreclosure property *minus* (2) the sum of certain items of non-cash income.

In addition, if we acquire an asset from a C corporation in a carryover basis transaction and dispose of such asset during the five-year period beginning on the date on which we acquired that asset, we may be required to distribute at least 90% of the after-tax built-in gain, if any, recognized on the disposition of the asset.

These distributions must be paid in the taxable year to which they relate or may be paid in the following taxable year if the distributions are declared before we timely file our tax return for the year to which they relate and are paid on or before the first regular dividend payment after the declaration. A special rule applies that permits distributions that are declared in October, November or December as of a record date in such month and actually paid in January of the following year to be treated as if they were paid on December 31 of the year declared.

To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100%, of our real estate investment trust taxable income, as adjusted, we will have to pay tax on the undistributed amounts at regular ordinary and capital gain corporate tax rates. Furthermore, if we fail to distribute during each calendar year at least the sum of (a) 85% of our ordinary income for that year, (b) 95% of our capital gain net income for that year, and (c) any undistributed taxable income from prior periods, we will have to pay a 4% excise tax on the excess of the required distribution over the sum of the amounts actually distributed and retained amounts on which income tax is paid at the corporate level.

In order for distributions to be counted as satisfying the annual distribution requirement for REITs, and to provide REITs with a REIT-level dividends paid deduction, the distributions must not be "preferential dividends." A distribution is not a preferential dividend if the distribution is (1) pro rata among all outstanding shares of stock within a particular class and (2) in accordance with the preferences among different classes of stock as set forth in the REIT's organizational documents. This requirement does not apply to publicly offered REITs, including us, with respect to distributions made in tax years beginning after 2014, continues to apply to our subsidiary REITs.

We intend to satisfy the annual distribution requirements.

The calculation of REIT taxable income includes deductions for noncash charges, such as depreciation. Accordingly, we anticipate that we generally will have sufficient cash or liquid assets to enable us to satisfy the distribution requirements described above. However, from time to time, we may not have sufficient cash or other liquid assets to meet these distribution requirements due to timing differences between the actual receipt of income and the actual payment of deductible expenses, and the inclusion of income and deduction of expenses for purposes of determining our annual taxable income. Further, under amendments to Section 451 of the Code made by H.R. 1, subject to certain exceptions, we must accrue income for U.S. federal income tax purposes no later than the time at which such income is taken into account in our financial statements, which could create additional differences between REIT taxable income and the receipt of cash attributable to such income. In addition, we may decide to retain our cash, rather than distribute it, to repay debt, acquire assets, or for other reasons. If these timing differences occur, we may borrow funds to pay dividends or we may pay dividends through the distribution of other property (including our shares) in order to meet the distribution requirements, while preserving our cash. Alternatively, subject to certain conditions and limitations, we may declare a taxable dividend payable in cash or shares at the election of each shareholder, where the aggregate amount of cash to be distributed with respect to such dividend may be subject to limitation. In such case, for U.S. federal income tax purposes, shareholders receiving such dividends will be required to include the full amount (both the cash and share component) of the dividend as ordinary taxable income to the extent of our current and accumulated earnings and profits.

Under certain circumstances, we may be able to rectify a failure to meet the distribution requirement for a year by paying "deficiency dividends" to shareholders in a later year, which may be included in our deduction for dividends paid for the earlier year. Thus, we may be able to avoid being taxed on amounts distributed as deficiency dividends; however, we will be required to pay interest based upon the amount of any deduction taken for deficiency dividends.

Interest Deduction Limitation Enacted by H.R. 1

With respect to our taxable years beginning after December 31, 2017, Section 163(j) of the Code, as amended by H.R. 1, limits the deductibility of net interest expense paid or accrued on debt properly allocable to a trade or business to 30% of "adjusted taxable income," subject to certain exceptions. Any amount paid or accrued in excess of the limitation is carried forward and may be deducted in a subsequent year, again subject to the 30% limitation. Adjusted taxable income is determined without regard to certain deductions, including those for net interest expense, net operating loss carryforwards and, for taxable years beginning before January 1, 2022, depreciation, amortization and depletion. Provided the taxpayer makes a timely election (which is irrevocable), the 30% limitation will not apply to interest paid or accrued in a trade or business involving real property development, redevelopment, construction, reconstruction, rental, operation, acquisition, conversion, disposition, management, leasing or brokerage, within the meaning of Section 469(c)(7)(C) of the Code. If this election is made, depreciable real property (including certain improvements) held by the relevant trade or business must be depreciated under the alternative depreciation system under the Code, which generally is less favorable than the generally applicable system of depreciation under the Code. If we do not make the election or if the election is determined not to be available with respect to all or certain of our business activities, the new interest deduction limitation could result in us having more REIT taxable income and, thus, increase the amount of distributions we must make in order to comply with the REIT requirements and avoid incurring corporate level income tax.

Failure to Qualify as a REIT

If we would otherwise fail to qualify as a REIT because of a violation of one of the requirements described above, our qualification as a REIT will not be terminated if the violation is due to reasonable cause and not willful neglect and we pay a penalty tax of

\$50,000 for the violation. The immediately preceding sentence does not apply to a violation of the income tests described above or a violation of the asset tests described above, each of which has a specific relief provision that is described above.

If we fail to qualify for taxation as a REIT in any taxable year, and the relief provisions described above do not apply, we would be subject to tax on our taxable income at regular corporate tax rates. We cannot deduct distributions to holders of our shares in any year in which we are not a REIT, nor would we be required to make distributions in such a year. As a result, we anticipate that our failure to qualify as a REIT would reduce the funds available for distribution by us to our shareholders. In addition, if we fail to qualify as a REIT, all distributions to our shareholders will be taxable as regular corporate dividends to such shareholders to the extent of current and accumulated earnings and profits (as determined for U.S. federal income tax purposes). Such dividends paid to U.S. holders of our shares that are individuals, trusts and estates may be taxable at the preferential income tax rates (i.e., the 23.8% maximum U.S. federal rate for capital gain, which rate takes into account the maximum capital gain rate of 20% and the 3.8% Medicare tax on net investment income, described below under "-Net Investment Income Tax") for qualified dividends. Such dividends, however, would not be eligible for the 20% deduction on "qualified" REIT dividends allowed by Section 199A of the Code generally available to U.S. holders of our shares that are individuals, trusts or estates for taxable years beginning after December 31, 2017 and before January 1, 2026. In addition, in a case where we did not qualify to be taxed as a REIT, corporate distributees may be eligible for the dividends received deduction, subject to the limitations of the Code. Unless we are entitled to relief under specific statutory provisions, we also will be disqualified from re-electing to be taxed as a REIT for the four taxable years following the year during which we lose our qualification. It is not possible to state whether, in all circumstances, we will be entitled to this statutory relief.

In addition, if either Vornado or JBG SMITH were to fail to qualify as a REIT at any time during the two years following the 2017 distribution of JBG SMITH by Vornado, then, in our 2017 taxable year, we would have to recognize corporate-level gain on our assets that were acquired in so-called "conversion transactions." For more information, please review the risk factor entitled "Unless Vornado and JBG SMITH are both REITs immediately after the distribution of JBG SMITH by Vornado and at all times during the two years thereafter, JBG SMITH could be required to recognize certain corporate-level gains for tax purposes" in our Annual Report on Form 10-K for the year ended December 31, 2018, which is incorporated by reference herein. In connection with the distribution of JBG SMITH by Vornado and the combination, we received an opinion of Sullivan & Cromwell LLP and an opinion of Hogan Lovells US LLP to the effect that we were organized in conformity with the requirements for qualification and taxation as a REIT under the Code, and that our proposed method of operation enabled us to meet the requirements for qualification and taxation as a REIT commencing with our taxable year ending December 31, 2017. In addition, we received an opinion of Hogan Lovells US LLP with respect to each REIT that was contributed to JBG SMITH LP by JBG in the combination, and we and JBG received an opinion of Sullivan & Cromwell LLP with respect to each REIT that was contributed by VRLP to JBG SMITH LP, in each case to the effect that each such REIT had been organized and had operated in conformity with the requirements for qualification and taxation as a REIT under the Code, and that its actual method of operation enabled such REIT to meet up to the date of the distribution, and its proposed method of operation would enable such REIT to continue to meet following the date of the distribution, the requirements for qualification and taxation as a REIT under the Code.

Proposed Regulations Under Section 162(m)

On December 16, 2019, the IRS issued proposed regulations under Section 162(m) of the Code ("Section 162(m)"), which denies a compensation deduction for certain employee remuneration in excess of \$1 million. We, like many umbrella partnership REITs, have taken the position that Section 162(m) does not apply to payments to their employees from an "operating partnership," based on private letter rulings issued by the IRS to several umbrella partnership REITs. These proposed regulations include a provision that could cause Section 162(m) to apply to us, depending on how it is finally written. As a result of the proposed regulations, the Company is currently evaluating arrangements under which covered employees are compensated to determine the impact of these proposed regulations on our compensation arrangements and our resulting REIT taxable income (and required distributions to shareholders).

Taxation of U.S. Shareholders

Taxation of Taxable U.S. Shareholders

As used in this section, the term "U.S. shareholder" means a holder of our shares who, for U.S. federal income tax purposes, is:

- a citizen or resident of the United States;
- a domestic corporation;

- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons have authority to control all substantial decisions of the trust.

Taxation of Dividends.

As long as we qualify as a REIT, distributions made by us out of our current or accumulated earnings and profits, and not designated by us as capital gain dividends, will constitute dividends that are taxable to our taxable U.S. shareholders as ordinary income.

Noncorporate U.S. shareholders will generally not be entitled to the preferential tax rate (currently 23.8%, inclusive of the 3.8% net investment income tax) applicable to certain types of dividends that give rise to "qualified dividend income," except with respect to the portion of any distribution (a) that represents income from dividends we received from a corporation in which we own shares (but only if such dividends would be eligible for the lower rate on dividends if paid by the corporation to its individual shareholders), (b) that is equal to the sum of our real estate investment trust taxable income (taking into account the dividends paid deduction available to us) and certain net built-in gain with respect to property acquired from a C corporation in certain transactions in which we must adopt the basis of the asset in the hands of the C corporation for our previous taxable year and *less* any taxes paid by us during our previous taxable year, or (c) that represents earnings and profits that were accumulated by us in a prior non-REIT taxable year, in each case, provided that certain holding period and other requirements are satisfied at both the REIT and individual shareholder level. For taxable years beginning after December 31, 2017 and prior to January 1, 2026, our U.S. shareholders that are individuals, trusts or estates may deduct 20% of the aggregate amount of ordinary dividends distributed by us, subject to certain limitations. Such noncorporate U.S. shareholders should consult their tax advisors to determine the impact of tax rates on dividends received from us.

Our distributions will not be eligible for the dividends received deduction in the case of U.S. shareholders that are corporations. Our distributions that we properly designate as capital gain dividends will be taxable to U.S. shareholders as gain from the sale of a capital asset held for more than one year, to the extent that they do not exceed our actual net capital gain for the taxable year, without regard to the period for which a U.S. shareholder has held its shares. Thus, with certain limitations, capital gain dividends received by an individual U.S. shareholder may be eligible for preferential rates of taxation. U.S. shareholders that are corporations may, however, be required to treat up to 20% of certain capital gain dividends as ordinary income. The maximum amount of dividends that may be designated by us as capital gain dividends and as "qualified dividend income" with respect to any taxable year may not exceed the dividends paid by us with respect to such year, including dividends paid by us in the succeeding taxable year that relate back to the prior taxable year for purposes of determining our dividends paid deduction. In addition, the IRS has been granted authority to prescribe regulations or other guidance requiring the proportionality of the designation for particular types of dividends (for example, capital gain dividends) among REIT shares.

To the extent that we make ordinary distributions in excess of our current and accumulated earnings and profits, these distributions will be treated first as a tax-free return of capital to each U.S. shareholder. Thus, these distributions will reduce the adjusted basis which the U.S. shareholder has in its shares for tax purposes by the amount of the distribution, but not below zero. Distributions in excess of a U.S. shareholder's adjusted basis in its shares will be taxable as capital gain, provided that the shares have been held as a capital asset. For purposes of determining the portion of distributions on separate classes of shares that will be treated as dividends for federal income tax purposes, current and accumulated earnings and profits will be allocated first to distributions attributable to the priority rights of preferred shares before being allocated to other distributions.

Dividends authorized by us in October, November or December of any year and payable to a shareholder of record on a specified date in any of those months will be treated as both paid by us and received by the shareholder on December 31 of that year, provided that we actually pay the dividend on or before January 31 of the following calendar year but only to the extent of earnings and profits in that year. Shareholders may not include in their own income tax returns any of our net operating losses or capital losses.

We may make distributions to our shareholders that are paid in shares. These distributions would be intended to be treated as dividends for U.S. federal income tax purposes and a U.S. shareholder would, therefore, generally have taxable income with respect to such distributions of shares and may have a tax liability on account of such distribution in excess of the cash (if any) that is received.

U.S. shareholders holding shares at the close of our taxable year will be required to include, in computing their long-term capital gains for the taxable year in which the last day of our taxable year falls, the amount of our undistributed net capital gain that we designate in a written notice distributed to our shareholders. We may not designate amounts in excess of our undistributed net capital gain for the taxable year. Each U.S. shareholder required to include the designated amount in determining the shareholder's long-term capital gains will be deemed to have paid, in the taxable year of the inclusion, the tax paid by us in respect of the

undistributed net capital gains. U.S. shareholders to whom these rules apply will be allowed a credit or a refund, as the case may be, for the tax they are deemed to have paid. U.S. shareholders will increase their basis in their shares by the difference between the amount of the includible gains and the tax deemed paid by the shareholder in respect of these gains.

Distributions made by us and gain arising from a U.S. shareholder's sale or exchange of shares will not be treated as passive activity income. As a result, U.S. shareholders generally will not be able to apply any passive losses against that income or gain.

Distributions to Holders of Depositary Shares. Owners of depositary shares will be treated for U.S. federal income tax purposes as if they were owners of the underlying preferred shares represented by such depositary shares. Accordingly, such owners will be entitled to take into account, for U.S. federal income tax purposes, income and deductions to which they would be entitled if they were direct holders of underlying preferred shares. In addition, (i) no gain or loss will be recognized for U.S. federal income tax purposes upon the withdrawal of certificates evidencing the underlying preferred shares in exchange for depositary receipts, (ii) the tax basis of each share of the underlying preferred shares to an exchanging owner of depositary shares will, upon such exchange, be the same as the aggregate tax basis of the depositary shares exchanged therefor, and (iii) the holding period for the underlying preferred shares in the hands of an exchanging owner of depositary shares will include the period during which such person owned such depositary shares.

Sale or Exchange of Shares

When a U.S. shareholder sells or otherwise disposes of shares, the shareholder will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between (a) the amount of cash and the fair market value of any property received on the sale or other disposition, and (b) the holder's adjusted basis in the shares for tax purposes. This gain or loss will be capital gain or loss if the U.S. shareholder has held the shares as a capital asset. The gain or loss will be long-term gain or loss if the U.S. shareholder has held the shares for more than one year. Long-term capital gain of an individual U.S. shareholder is generally taxed at preferential rates. In general, any loss recognized by a U.S. shareholder when the shareholder sells or otherwise disposes of our shares that the shareholder has held for nine months or less, after applying certain holding period rules, will be treated as a long-term capital loss, to the extent of distributions received by the shareholder from us which were required to be treated as long-term capital gains.

The IRS has the authority to prescribe, but has not yet prescribed, Treasury Regulations that would apply a capital gain tax rate of 25% (which is higher than the long-term capital gain tax rate for noncorporate U.S. shareholders) to all or a portion of capital gain realized by a noncorporate U.S. shareholder on the sale of shares of our shares that would correspond to the U.S. shareholder's share of our "unrecaptured Section 1250 gain." U.S. shareholders should consult with their tax advisors with respect to their capital gain tax liability.

Redemption of Preferred Shares and Depositary Shares.

Whenever we redeem any preferred shares held by the depositary, the depositary will redeem as of the same redemption date the number of depositary shares representing the preferred shares so redeemed. The treatment accorded to any redemption by us for cash (as distinguished from a sale, exchange or other disposition) of our preferred shares to a holder of such preferred shares can only be determined on the basis of the particular facts as to each holder at the time of redemption. In general, a holder of our preferred shares will recognize capital gain or loss measured by the difference between the amount received by the holder of such shares upon the redemption and such holder's adjusted tax basis in the preferred shares redeemed (provided the preferred shares are held as a capital asset) if such redemption (i) is "not essentially equivalent to a dividend" with respect to the holder of the preferred shares under Section 302(b)(1) of the Code, (ii) is a "substantially disproportionate" redemption with respect to the shareholder under Section 302(b)(2) of the Code, or (iii) results in a "complete termination" of the holder's interest in all classes of our shares under Section 302(b)(3) of the Code. In applying these tests, there must be taken into account not only any series or class of the preferred shares being redeemed, but also such holder's ownership of other classes of our shares and any options (including stock purchase rights) to acquire any of the foregoing. The holder of our preferred shares also must take into account any such securities (including options) which are considered to be owned by such holder by reason of the constructive ownership rules set forth in Sections 318 and 302(c) of the Code.

If the holder of preferred shares owns (actually or constructively) none of our voting shares, or owns an insubstantial amount of our voting shares, based upon current law, it is probable that the redemption of preferred shares from such a holder would be considered to be "not essentially equivalent to a dividend." However, whether a distribution is "not essentially equivalent to a dividend" depends on all of the facts and circumstances, and a holder of our preferred shares intending to rely on any of these tests at the time of redemption should consult its tax advisor to determine their application to its particular situation.

Satisfaction of the "substantially disproportionate" and "complete termination" exceptions is dependent upon compliance with the respective objective tests set forth in Section 302(b)(2) and Section 302(b)(3) of the Code. A distribution to a holder of preferred shares will be "substantially disproportionate" if the percentage of our outstanding voting shares actually and constructively owned by the shareholder immediately following the redemption of preferred shares (treating preferred shares redeemed as not outstanding) is less than 80% of the percentage of our outstanding voting shares actually and constructively owned by the shareholder immediately before the redemption, and immediately following the redemption the shareholder actually and constructively owns less than 50% of the total combined voting power of the Company. Because the Company's preferred shares are nonvoting shares, a shareholder would have to reduce such holder's holdings (if any) in our classes of voting shares to satisfy this test.

If the redemption does not meet any of the tests under Section 302 of the Code, then the redemption proceeds received from our preferred shares will be treated as a distribution on our shares as described under "-Taxation of U.S. Shareholders-Taxation of Taxable U.S. Shareholders-Taxation of Dividends," and "-Taxation of Non-U.S. Shareholders." If the redemption of a holder's preferred shares is taxed as a dividend, the adjusted basis of such holder's redeemed preferred shares will be transferred to any other shares held by the holder. If the holder owns no other shares, under certain circumstances, such basis may be transferred to a related person, or it may be lost entirely.

With respect to a redemption of our preferred shares that is treated as a distribution with respect to our shares, which is not otherwise taxable as a dividend, the IRS has proposed Treasury regulations that would require any basis reduction associated with such a redemption to be applied on a share-by-share basis which could result in taxable gain with respect to some shares, even though the holder's aggregate basis for the shares would be sufficient to absorb the entire amount of the redemption distribution (in excess of any amount of such distribution treated as a dividend). Additionally, these proposed Treasury regulations would not permit the transfer of basis in the redeemed shares of the preferred shares to the remaining shares held (directly or indirectly) by the redeemed holder. Instead, the unrecovered basis in our preferred shares would be treated as a deferred loss to be recognized when certain conditions are satisfied. These proposed Treasury regulations would be effective for transactions that occur after the date the regulations are published as final Treasury regulations. There can, however, be no assurance as to whether, when, and in what particular form such proposed Treasury regulations will ultimately be finalized.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to payments of dividends on and payments of the proceeds of the sale of our shares held by U.S. shareholders, unless an exception applies. The applicable withholding agent is required to withhold tax on such payments if (i) the payee fails to furnish a taxpayer identification number, or TIN, to the payor or to establish an exemption from backup withholding, or (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect. In addition, the applicable withholding agent with respect to the dividends on our shares is required to withhold tax if (i) there has been a notified payee under-reporting with respect to interest, dividends or original issue discount described in Section 3406(c) of the Code, or (ii) there has been a failure of the payee to certify under the penalty of perjury that the payee is not subject to backup withholding under the Code. A U.S. shareholder that does not provide the applicable withholding agent with a correct TIN may also be subject to penalties imposed by the IRS. In addition, we may be required to withhold a portion of capital gain distributions to any U.S. shareholders who fail to certify their U.S. status to us.

Some U.S. shareholders, including corporations, may be exempt from backup withholding. Any amounts withheld under the backup withholding rules from a payment to a U.S. shareholder will be allowed as a credit against the U.S. shareholder's U.S. federal income tax and may entitle the shareholder to a refund, provided that the required information is furnished to the IRS. The applicable withholding agent will be required to furnish annually to the IRS and to U.S. shareholders of our shares information relating to the amount of dividends paid on our shares, and that information reporting may also apply to payments of proceeds from the sale of our shares. Some U.S. shareholders, including corporations, financial institutions and certain tax-exempt organizations, are generally not subject to information reporting.

Net Investment Income Tax

A U.S. shareholder that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) the U.S. shareholder's "net investment income" (or "undistributed net investment income" in the case of an estate or trust) for the relevant taxable year and (2) the excess of the U.S. shareholder's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals is between \$125,000 and \$250,000, depending on the individual's circumstances). A holder's net investment income generally includes its dividend income and its net gains from the disposition of REIT shares, unless such dividends or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). The temporary 20% deduction allowed by Section 199A of the Internal Revenue Code, as added by H.R. 1, with respect to ordinary REIT dividends received by noncorporate taxpayers is allowed only for purposes of Chapter 1 of the Internal Revenue Code and, thus, apparently

is not allowed as a deduction allocable to such dividends for purposes of determining the amount of net investment income subject to the 3.8% Medicare tax, which is imposed under Chapter 2A of the Internal Revenue Code. If you are a U.S. shareholder that is an individual, estate or trust, you are urged to consult your tax advisors regarding the applicability of the Medicare tax to your income and gains in respect of your investment in our shares.

Taxation of Tax-Exempt Shareholders

The IRS has ruled that amounts distributed as dividends by a REIT generally do not constitute unrelated business taxable income when received by a tax-exempt entity. Based on that ruling, provided that a tax-exempt shareholder is not one of the types of entity described below and has not held its shares as "debt financed property" within the meaning of the Code, the dividend income from shares will not be unrelated business taxable income to a tax-exempt shareholder. Similarly, income from the sale of shares will not constitute unrelated business taxable income unless the tax-exempt shareholder has held the shares as "debt financed property" within the meaning of the Code or has used the shares in a trade or business.

Notwithstanding the above paragraph, tax-exempt shareholders will be required to treat as unrelated business taxable income any dividends paid by us that are allocable to our "excess inclusion" income, if any.

Income from an investment in our shares will constitute unrelated business taxable income for tax-exempt shareholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans exempt from U.S. federal income taxation under the applicable subsections of Section 501(c) of the Code, unless the organization is able to properly deduct amounts set aside or placed in reserve for certain purposes so as to offset the income generated by its shares. Prospective investors of the types described in the preceding sentence should consult their tax advisors concerning these "set aside" and reserve requirements.

Notwithstanding the foregoing, however, a portion of the dividends paid by a "pension-held REIT" will be treated as unrelated business taxable income to any trust which:

- is described in Section 401(a) of the Code;
- is tax-exempt under Section 501(a) of the Code; and
- holds more than 10% (by value) of the equity interests in the REIT.

Tax-exempt pension, profit-sharing and stock bonus funds that are described in Section 401(a) of the Code are referred to below as "qualified trusts." A REIT is a "pension-held REIT" if:

- it would not have qualified as a REIT but for the fact that Section 856(h)(3) of the Code provides that stock owned by qualified trusts will be treated, for purposes of the "not closely held" requirement, as owned by the beneficiaries of the trust (rather than by the trust itself); and
- either (a) at least one qualified trust holds more than 25% by value of the interests in the REIT or (b) one or more qualified trusts, each of which owns more than 10% by value of the interests in the REIT, hold in the aggregate more than 50% by value of the interests in the REIT.

The percentage of any REIT dividend treated as unrelated business taxable income to a qualifying trust is equal to the ratio of (a) the gross income of the REIT from unrelated trades or businesses, determined as though the REIT were a qualified trust, less direct expenses related to this gross income, to (b) the total gross income of the REIT, less direct expenses related to the total gross income. A *de minimis* exception applies where this percentage is less than 5% for any year. We do not expect to be classified as a pension-held REIT.

The rules described above under the heading "U.S. Shareholders" concerning the inclusion of our designated undistributed net capital gains in the income of its shareholders will apply to tax-exempt entities. Thus, tax-exempt entities will be allowed a credit or refund of the tax deemed paid by these entities in respect of the includible gains.

Taxation of Non-U.S. Shareholders

The rules governing U.S. federal income taxation of nonresident alien individuals, foreign corporations, foreign partnerships and estates or trusts that in either case are not subject to U.S. federal income tax on a net income basis who own shares, which we call "non-U.S. shareholders," are complex. The following discussion is only a limited summary of these rules. Prospective non-U.S.

shareholders should consult with their tax advisors to determine the impact of U.S. federal, state and local income tax laws with regard to an investment in our shares, including any reporting requirements.

Ordinary Dividends

Distributions, other than distributions that are treated as attributable to gain from sales or exchanges by us of U.S. real property interests, as discussed below, and other than distributions designated by us as capital gain dividends, will be treated as ordinary income to the extent that they are made out of our current or accumulated earnings and profits. A withholding tax equal to 30% of the gross amount of the distribution will ordinarily apply to distributions of this kind to non-U.S. shareholders, unless an applicable tax treaty reduces that tax. However, if income from the investment in the shares is (i) treated as effectively connected with the non-U.S. shareholder's conduct of a U.S. trade or business or is (ii) attributable to a permanent establishment that the non-U.S. shareholder maintains in the United States if that is required by an applicable income tax treaty as a condition for subjecting the non-U.S. shareholder to U.S. taxation on a net income basis, tax at graduated rates will generally apply to the non-U.S. shareholder in the same manner as U.S. shareholders are taxed with respect to dividends, and the 30% branch profits tax may also apply if the shareholder is a foreign corporation. We expect to withhold U.S. tax at the rate of 30% on the gross amount of any dividends, other than dividends treated as attributable to gain from sales or exchanges of U.S. real property interests and capital gain dividends, paid to a non-U.S. shareholder, unless (a) a lower treaty rate applies and the required form evidencing eligibility for that reduced rate is filed with us or the appropriate withholding agent or (b) the non-U.S. shareholder files an IRS Form W-8 ECI or a successor form with us or the appropriate withholding agent claiming that the distributions are effectively connected with the non-U.S. shareholder's conduct of a U.S. trade or business and in either case other applicable requirements were met.

Distributions to a non-U.S. shareholder that are designated by us at the time of distribution as capital gain dividends that are not attributable to, or treated as not attributable to, the disposition by us of a U.S. real property interest generally will not be subject to U.S. federal income taxation, except as described below.

If a non-U.S. shareholder receives an allocation of "excess inclusion income" with respect to a REMIC residual interest or an interest in a TMP owned by us, the non-U.S. shareholder will be subject to U.S. federal income tax withholding at the maximum rate of 30% with respect to such allocation, without reduction pursuant to any otherwise applicable income tax treaty.

Return of Capital

Distributions in excess of our current and accumulated earnings and profits that are not treated as attributable to the gain from our disposition of a U.S. real property interest, will not be taxable to a non-U.S. shareholder to the extent that they do not exceed the adjusted basis of the non-U.S. shareholder's shares. Distributions of this kind will instead reduce the adjusted basis of the shares. To the extent that distributions of this kind exceed the adjusted basis of a non-U.S. shareholder's shares, they will give rise to tax liability if the non-U.S. shareholder otherwise would have to pay tax on any gain from the sale or disposition of its shares, as described below. If it cannot be determined at the time a distribution is made whether the distribution will be in excess of current and accumulated earnings and profits, withholding will apply to the distribution at the rate applicable to dividends. However, the non-U.S. shareholder may seek a refund of these amounts from the IRS if it is subsequently determined that the distribution was, in fact, in excess of our current accumulated earnings and profits.

Also, we could potentially be required to withhold at least 15% of any distribution in excess of our current and accumulated earnings and profits, even if the non-U.S. shareholder is not liable for U.S. tax on the receipt of that distribution. However, a non-U.S. shareholder may seek a refund of these amounts from the IRS if the non-U.S. shareholder's tax liability with respect to the distribution is less than the amount withheld. Such withholding should generally not be required if a non-U.S. shareholder would not be taxed under the Foreign Investment in Real Property Tax Act of 1980, as amended ("FIRPTA"), upon a sale or exchange of shares. See the discussion below under "-Sales of Shares."

Capital Gain Dividends

Distributions that are attributable to gain from sales or exchanges by us of U.S. real property interests that are paid with respect to any class of stock that is regularly traded on an established securities market located in the United States and held by a non-U.S. shareholder who does not own more than 10% of such class of stock at any time during the one-year period ending on the date of distribution will be treated as a normal distribution by us, and such distributions will be taxed as described above in "-Ordinary Dividends."

Distributions that are not described in the preceding paragraph and are attributable to gain from sales or exchanges by us of U.S. real property interests will be taxed to a non-U.S. shareholder under the provisions of FIRPTA. Under this statute, these distributions are taxed to a non-U.S. shareholder as if the gain were effectively connected with a U.S. business. Thus, non-U.S. shareholders

will be taxed on the distributions at the normal capital gain rates applicable to U.S. shareholders, subject to any applicable alternative minimum tax. We are required by applicable Treasury regulations under this statute to withhold 21% of any distribution that we could designate as a capital gain dividend. However, if we designate as a capital gain dividend a distribution made before the day we actually effect the designation, then, although the distribution may be taxable to a non-U.S. shareholder, withholding does not apply to the distribution under this statute. Rather, we must effectuate the 21% withholding from distributions made on and after the date of the designation, until the distributions so withheld equal the amount of the prior distribution designated as a capital gain dividend. The non-U.S. shareholder may credit the amount withheld against its U.S. tax liability.

Share Distributions

We may make distributions to our shareholders that are paid in shares. These distributions will be intended to be treated as dividends for U.S. federal income tax purposes and, accordingly, will be treated in a manner consistent with the discussion above in "- Ordinary Dividends" and "Capital Gain Dividends." If we are required to withhold an amount in excess of any cash distributed along with the shares, we will retain and sell some of the shares that would otherwise be distributed in order to satisfy our withholding obligations.

Sales of Shares

Gain recognized by a non-U.S. shareholder upon a sale or exchange of our shares generally will not be taxed under FIRPTA if we are a "domestically controlled REIT," defined generally as a REIT less than 50% in value of whose stock is and was held directly or indirectly by foreign persons at all times during a specified testing period (provided that, if any class of a REIT's stock is regularly traded on an established securities market in the United States, a person holding less than 5% of such class during the testing period is presumed not to be a foreign person, unless the REIT has actual knowledge otherwise). We believe that we are a domestically controlled REIT, but because our common shares are publicly traded, there can be no assurance that we in fact will qualify as a domestically-controlled REIT. Assuming that we continue to be a domestically controlled REIT, taxation under FIRPTA generally will not apply to the sale of shares. However, gain to which the FIRPTA rules do not apply will be taxable to a non-U.S. shareholder if investment in the shares is treated as effectively connected with the non-U.S. shareholder's U.S. trade or business or is attributable to a permanent establishment that the non-U.S. shareholder maintains in the United States if that is required by an applicable income tax treaty as a condition for subjecting the non-U.S. shareholder to U.S. taxation on a net income basis. In this case, the same treatment will apply to the non-U.S. shareholder as to U.S. shareholders with respect to the gain. In addition, gain to which FIRPTA does not apply will be taxable to a non-U.S. shareholder if the non-U.S. shareholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, or maintains an office or a fixed place of business in the United States to which the gain is attributable. In this case, a 30% tax will apply to the nonresident alien individual's capital gains. A similar rule will apply to capital gain dividends to which this statute does not apply.

If we do not qualify as a domestically controlled REIT, the tax consequences of a sale of shares by a non-U.S. shareholder will depend upon whether such shares are regularly traded on an established securities market and the amount of such shares that are held by the non-U.S. shareholder. Specifically, a non-U.S. shareholder that holds a class of shares that is traded on an established securities market will only be subject to FIRPTA in respect of a sale of such shares if the shareholder owned more than 10% of the shares of such class at any time during a specified period. A non-U.S. shareholder that holds a class of our shares that is not traded on an established securities market will only be subject to FIRPTA in respect of a sale of such shares if, on the date the shares were acquired by the shareholder, the shares had a fair market value greater than the fair market value on that date of 5% of the regularly traded class of our outstanding shares with the lowest fair market value. If a non-U.S. shareholder holds a class of our shares that is not regularly traded on an established securities market, and subsequently acquires additional interests of the same class, then all such interests must be aggregated and valued as of the date of the subsequent acquisition for purposes of the 5% test that is described in the preceding sentence. If tax under FIRPTA applies to the gain on the sale of shares, the same treatment would apply to the non-U.S. shareholder as to U.S. shareholders with respect to the gain, subject to any applicable alternative minimum tax. For purposes of determining the amount of shares owned by a shareholder, complex constructive ownership rules apply. You should consult your tax advisors regarding such rules in order to determine your ownership in the relevant period.

Qualified Shareholders and Qualified Foreign Pension Funds

Stock of a REIT will not be treated as a U.S. real property interest subject to FIRPTA if the stock is held directly (or indirectly through one or more partnerships) by a "qualified shareholder" or "qualified foreign pension fund." Similarly, any distribution made to a "qualified shareholder" or "qualified foreign pension fund" with respect to REIT stock will not be treated as gain from the sale or exchange of a U.S. real property interest to the extent the stock of the REIT held by such qualified shareholder or qualified foreign pension fund is not treated as a U.S. real property interest.

A "qualified shareholder" generally means a foreign person which (i) (x) is eligible for certain income tax treaty benefits and the principal class of interests of which is listed and regularly traded on at least one recognized stock exchange or (y) a foreign limited partnership that has an agreement with the United States for the exchange of information with respect to taxes, has a class of limited partnership units that is regularly traded on the NYSE or the Nasdaq Stock Market, and such units' value is greater than 50% of the value of all the partnership's units; (ii) is a "qualified collective investment vehicle;" and (iii) maintains certain records with respect to certain of its owners. A "qualified collective investment vehicle" is a foreign person which (i) is entitled, under a comprehensive income tax treaty, to certain reduced withholding rates with respect to ordinary dividends paid by a REIT even if such person holds more than 10% of the stock of the REIT; (ii) (x) is a publicly traded partnership that is not treated as a corporation, (y) is a withholding foreign partnership for purposes of chapters 3, 4 and 61 of the Code, and (z) if the foreign partnership were a United States corporation, it would be a United States real property holding corporation, at any time during the five-year period ending on the date of disposition of, or distribution with respect to, such partnership's interest in a REIT; or (iii) is designated as a qualified collective investment vehicle by the Secretary of the Treasury and is either fiscally transparent within the meaning of Section 894 of the Code or is required to include dividends in its gross income, but is entitled to a deduction for distribution to a person holding interests (other than interests solely as a creditor) in such foreign person.

Notwithstanding the foregoing, if a foreign investor in a qualified shareholder directly or indirectly, whether or not by reason of such investor's ownership interest in the qualified shareholder, holds more than 10% of the stock of the REIT, then a portion of the REIT stock held by the qualified shareholder (based on the foreign investor's percentage ownership of the qualified shareholder) will be treated as a U.S. real property interest in the hands of the qualified shareholder and will be subject to FIRPTA.

A "qualified foreign pension fund" is any trust, corporation, or other organization or arrangement (A) which is created or organized under the law of a country other than the United States, (B) which is established (i) by such country (or one or more political subdivisions thereof) to provide retirement or pension benefits to participants or beneficiaries that are current or former employees (including self-employed individuals) or persons designated by such employees, as a result of services rendered by such employees to their employers or (ii) by one or more employers to provide retirement or pension benefits to participants or beneficiaries that are current or former employees (including self-employed individuals) or persons designated by such employees in consideration for services rendered by such employees to such employers, (C) which does not have a single participant or beneficiary with a right to more than 5% of its assets or income, (D) which is subject to government regulation and with respect to which annual information about its beneficiaries is provided, or is otherwise available, to the relevant tax authorities in the country in which it is established or operates, and (E) with respect to which, under the laws of the country in which it is established or operates, (i) contributions to such organization or arrangement that would otherwise be subject to tax under such laws are deductible or excluded from the gross income of such entity or arrangement or taxed at a reduced rate, or (ii) taxation of any investment income of such organization or arrangement is deferred or such income is excluded from the gross income of such entity or arrangement or is taxed at a reduced rate.

Federal Estate Taxes

Shares held by a non-U.S. shareholder at the time of death will be included in the shareholder's gross estate for U.S. federal estate tax purposes, unless an applicable estate tax treaty provides otherwise.

Backup Withholding and Information Reporting

Generally, information reporting will apply to payments of interest and dividends on our shares, and backup withholding described above for a U.S. shareholder will apply, unless the payee certifies that it is not a U.S. person or otherwise establishes an exemption.

The payment of the proceeds from the disposition of our shares to or through the U.S. office of a U.S. or foreign broker will be subject to information reporting and backup withholding as described above for U.S. shareholders unless the non-U.S. shareholder satisfies the requirements necessary to be an exempt non-U.S. shareholder or otherwise qualifies for an exemption. The proceeds of a disposition by a non-U.S. shareholder of our shares to or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, if the broker is a U.S. person, a controlled foreign corporation for U.S. federal income tax purposes, a foreign person 50% or more of whose gross income from all sources for specified periods is from activities that are effectively connected with a U.S. trade or business, a foreign partnership if partners who hold more than 50% of the interest in the partnership are U.S. persons, or a foreign partnership that is engaged in the conduct of a trade or business in the U.S., then information reporting generally will apply as though the payment was made through a U.S. office of a U.S. or foreign broker.

Taxation of Holders of Our Warrants and Rights

Warrants. Holders of our warrants will not generally recognize gain or loss upon the exercise of a warrant. A holder's basis in the common shares, preferred shares, or depository shares representing preferred shares, as the case may be, received upon the exercise of the warrant will be equal to the sum of the holder's adjusted tax basis in the warrant and the exercise price paid. A holder's holding period in the common shares, preferred shares, or depository shares representing preferred shares, as the case may be, received upon the exercise of the warrant will not include the period during which the warrant was held by the holder. Upon the expiration of a warrant, the holder will recognize a capital loss in an amount equal to the holder's adjusted tax basis in the warrant. Upon the sale or exchange of a warrant to a person other than us, a holder will recognize gain or loss in an amount equal to the difference between the amount realized on the sale or exchange and the holder's adjusted tax basis in the warrant. Such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the warrant was held for more than one year. Upon the sale of the warrant to us, the IRS may argue that the holder should recognize ordinary income on the sale. Prospective holders of our warrants should consult their own tax advisors as to the consequences of a sale of a warrant to us.

Rights. In the event of a rights offering, the tax consequences of the receipt, expiration, and exercise of the rights we issue will be addressed in detail in a prospectus supplement. Prospective holders of our rights should review the applicable prospectus supplement in connection with the ownership of any rights, and consult their own tax advisors as to the consequences of investing in the rights.

Dividend Reinvestment and Share Purchase Plan

General

We offer shareholders and prospective shareholders the opportunity to participate in our Dividend Reinvestment and Share Purchase Plan, which is referred to herein as the "DRIP."

Although we do not currently offer any discount in connection with the DRIP, nor do we plan to offer such a discount at present, we reserve the right to offer in the future a discount on shares purchased, not to exceed 5%, with reinvested dividends or cash distributions and shares purchased through the optional cash investment feature. This discussion assumes that we do not offer a discount in connection with the DRIP. If we were to offer a discount in connection with the DRIP the tax considerations described below would materially differ. In the event that we offer a discount in connection with the DRIP, shareholders are urged to consult with their tax advisors regarding the tax treatment to them of receiving a discount.

Amounts Treated as a Distribution

Generally, a DRIP participant will be treated as having received a distribution with respect to our shares for U.S. federal income tax purposes in an amount determined as described below.

- A shareholder who participates in the dividend reinvestment feature of the DRIP and whose dividends are reinvested in our shares purchased from us will generally be treated for U.S. federal income tax purposes as having received the gross amount of any cash distributions which would have been paid by us to such a shareholder had they not elected to participate. The amount of the distribution deemed received will be reported on the Form 1099-DIV received by the shareholder.
- A shareholder who participates in the dividend reinvestment feature of the DRIP and whose dividends are reinvested in our shares purchased in the open market, will generally be treated for U.S. federal income tax purposes as having received (and will receive a Form 1099-DIV reporting) the gross amount of any cash distributions which would have been paid by us to such a shareholder had they not elected to participate (plus any brokerage fees and any other expenses deducted from the amount of the distribution reinvested) on the date the dividends are reinvested.

We will pay the annual maintenance cost for each shareholder's DRIP account. Consistent with the conclusion reached by the IRS in a private letter ruling issued to another REIT, we intend to take the position that the administrative costs do not constitute a distribution which is either taxable to a shareholder or which would reduce the shareholder's basis in their common shares. However, because the private letter ruling was not issued to us, we have no legal right to rely on its conclusions. Thus, it is possible that the IRS might view the shareholder's share of the administrative costs as constituting a taxable distribution to them and/or a distribution which reduces the basis in their shares. For this and other reasons, we may in the future take a different position with respect to these costs.

In the situations described above, a shareholder will be treated as receiving a distribution from us even though no cash distribution is actually received. These distributions will be taxable in the same manner as all other distributions paid by us, as described above

under "-Taxation of U.S. Shareholders-Taxation of Taxable U.S. Shareholders," "-Taxation of U.S. Shareholders -Taxation of Tax-Exempt Shareholders," or "-Taxation of Non-U.S. Shareholders," as applicable.

Basis and Holding Period in Shares Acquired Pursuant to the DRIP. The tax basis for our shares acquired by reinvesting cash distributions through the DRIP generally will equal the fair market value of our shares on the date of distribution (plus the amount of any brokerage fees paid by the shareholder). The holding period for our shares acquired by reinvesting cash distributions will begin on the day following the date of distribution.

The tax basis in our shares acquired through an optional cash investment generally will equal the cost paid by the participant in acquiring our shares, including any brokerage fees paid by the shareholder. The holding period for our shares purchased through the optional cash investment feature of the DRIP generally will begin on the day our shares are purchased for the participant's account.

Withdrawal of Shares from the DRIP. When a participant withdraws stock from the DRIP and receives whole shares, the participant will not realize any taxable income. However, if the participant receives cash for a fractional share, the participant will be required to recognize gain or loss with respect to that fractional share.

Effect of Withholding Requirements. Withholding requirements generally applicable to distributions from us will apply to all amounts treated as distributions pursuant to the DRIP. See "-Backup Withholding and Information Reporting" for discussion of the withholding requirements that apply to other distributions that we pay. All withholding amounts will be withheld from distributions before the distributions are reinvested under the DRIP. Therefore, if a U.S. shareholder is subject to withholding, distributions which would otherwise be available for reinvestment under the DRIP will be reduced by the withholding amount.

Withholdable Payments to Foreign Financial Entities and Other Foreign Entities

Pursuant to Sections 1471 through 1474 of the Code, commonly known as the Foreign Account Tax Compliance Act ("FATCA"), a 30% withholding tax ("FATCA withholding") may be imposed on U.S.-source dividends paid to you or to certain foreign financial institutions, investment funds and other non-U.S. persons receiving payments on your behalf if you or such persons fail to comply with information reporting requirements. Payments of dividends that you receive in respect of our shares could be affected by this withholding if you are subject to the FATCA information reporting requirements and fail to comply with them or if you hold shares through a non-U.S. person (*e.g.*, a foreign bank or broker) that fails to comply with these requirements (even if payments to you would not otherwise have been subject to FATCA withholding). An intergovernmental agreement between the United States and an applicable non-U.S. government may modify these rules. You should consult your tax advisors regarding the relevant U.S. law and other official guidance on FATCA withholding.

Other Tax Consequences

State and Local Taxes

State or local taxation may apply to us and our shareholders in various state or local jurisdictions, including those in which we or they transact business or reside. The state and local tax treatment of us and our shareholders may not conform to the U.S. federal income tax consequences discussed above. Consequently, prospective shareholders should consult their tax advisors regarding the effect of state and local tax laws on an investment in us.

If you are a holder of OP Units and you exercise your redemption right under the JBG SMITH LP partnership agreement, you will be required to reimburse the JBG SMITH LP for certain quarterly nonresident partner state income tax payments made on your behalf.

Legislative or Other Actions Affecting REITs

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. For example, and as noted above, H.R. 1 was signed into law by the U.S. President on December 22, 2017. H.R. 1 significantly changed the U.S. federal income tax laws applicable to businesses and their owners, including REITs and their shareholders, and additional legislative and administrative interpretations must be enacted and issued to clarify the impact of certain provisions of H.R. 1. Accordingly, we cannot predict the long-term effect of H.R. 1, or of any future law changes on REITs or their shareholders. Changes to the U.S. federal tax laws and interpretations thereof could adversely affect an investment in our shares. Taxpayers should consult with their tax advisors regarding the effect of H.R. 1, and any future legislation, on their particular circumstances.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information regarding trustees is incorporated herein by reference from the section entitled "Proposal One: Election of Trustees —Nominees for Election as Trustees" in our definitive Proxy Statement (the "2020 Proxy Statement") to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, for our 2020 Annual Meeting of Shareholders to be held on April 30, 2020. The 2020 Proxy Statement will be filed within 120 days after the end of our fiscal year ended December 31, 2019.

ITEM 11. EXECUTIVE COMPENSATION

The information included under the following captions in our definitive Proxy Statement (the "2020 Proxy Statement") to be filed pursuant to Regulation 14A of the Securities Exchange Act of 1934, as amended, for our 2020 Annual Meeting of Shareholders to be held on April 30, 2020 is incorporated herein by reference: "Proposal One: Election of Trustees —Nominees for Election as Trustees," "Executive Officers," "Corporate Governance and Board Matters—Code of Business Conduct and Ethics" and "Corporate Governance and Board Matters—Committees of the Board—Audit Committee." The 2020 Proxy Statement will be filed within 120 days after the end of our fiscal year ended December 31, 2019.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding security ownership of certain beneficial owners and management is incorporated herein by reference from the section entitled "Security Ownership of Certain Beneficial Owners and Management" and "Compensation of Executive Officers —Equity Compensation Plan Information" in our 2020 Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information regarding transactions with related persons and trustee independence is incorporated herein by reference from the sections entitled "Certain Relationships and Related Party Transactions" and "Corporate Governance and Board Matters—Corporate Governance Profile" in the Company's 2020 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information regarding principal auditor fees and services and the audit committee's pre-approval policies are incorporated herein by reference from the sections entitled "Proposal Three: Ratification of the Appointment of Independent Registered Public Accounting Firm—Principal Accountant Fees and Services" and "Proposal Three: Ratification of the Appointment of Independent Registered Public Accounting Firm—Pre-Approval Policies and Procedures" in our 2020 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following consolidated and combined information is included in this Form 10-K:

(1) Financial Statements

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2019 and 2018

Consolidated and Combined Statements of Operations for the years ended December 31, 2019, 2018 and 2017

Consolidated and Combined Statements of Comprehensive Income (Loss) for the years ended December 31, 2019, 2018 and 2017

Consolidated and Combined Statements of Equity for the years ended December 31, 2019, 2018 and 2017

Consolidated and Combined Statements of Cash Flows for the years ended December 31, 2019, 2018 and 2017

Notes to Consolidated and Combined Financial Statements

These financial statements are set forth in Item 8 of this report and are hereby incorporated by reference.

(2) Financial Statement Schedules

	Page
Schedule II - Valuation and Qualifying Accounts	<u>138</u>
Schedule III - Real Estate Investments and Accumulated Depreciation	<u>139</u>

Schedules other than those listed above are omitted because they are not applicable or the information required is included in the financial statements or the notes thereto.

SCHEDULE II
JBG SMITH PROPERTIES
VALUATION AND QUALIFYING ACCOUNTS

	Balance at Beginning of Year	Additions Charged Against Operations	Adjustments to Valuation Accounts	Uncollectible Accounts Written-off	Balance at End of Year
	(In thousands)				
Allowance for doubtful accounts ⁽¹⁾ for year ended December 31:					
2019 ⁽²⁾	\$ —	\$ —	\$ —	\$ —	\$ —
2018	\$ 6,285	\$ 3,298	\$ —	\$ (1,989)	\$ 7,594
2017	\$ 4,526	\$ 3,807	\$ —	\$ (2,048)	\$ 6,285

⁽¹⁾ Includes allowance for doubtful accounts related to tenant and other receivables and deferred rent receivable.

⁽²⁾ Due to the adoption of Topic 842 as of January 1, 2019, we recognize changes in the assessment of collectability of tenant receivables as adjustments to the specific tenant's receivable in our balance sheet and to "Property rentals revenue" in our statement of operations. Prior to the adoption of Topic 842, we recorded estimated losses on tenant receivables as an allowance for doubtful accounts in our balance sheets and to "Property operating expenses" in our statements of operations.

SCHEDULE III
JBG SMITH PROPERTIES
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2019

Description	Initial Cost to Company				Gross Amounts at Which Carried at Close of Period			Accumulated Depreciation and Amortization	Date of Construction ⁽³⁾	Date Acquired
	Encumbrances ⁽¹⁾	Land and Improvements	Buildings and Improvements	Costs Capitalized Subsequent to Acquisition ⁽²⁾	Land and Improvements	Buildings and Improvements	Total			
Commercial Operating Assets										
Universal Buildings	\$ —	\$ 69,393	\$ 143,320	\$ 26,516	\$ 68,612	\$ 170,617	\$ 239,229	\$ 59,237	1956	2007
2101 L Street	134,290	32,815	51,642	94,247	39,768	138,936	178,704	43,962	1975	2003
1730 M Street	47,500	10,095	17,541	17,207	10,687	34,156	44,843	14,154		2002, 2006
1700 M Street	—	34,178	46,938	(26,130)	54,986	—	54,986	—	1964	2002
Courthouse Plaza 1 and 2	2,200	—	105,475	55,168	—	160,643	160,643	66,985	1989	2002
2121 Crystal Drive	133,960	21,503	87,329	31,234	22,361	117,705	140,066	51,920	1985	2002
2345 Crystal Drive	—	23,126	93,918	47,870	23,882	141,032	164,914	59,290	1988	2002
2231 Crystal Drive	—	20,611	83,705	22,116	21,311	105,121	126,432	46,350	1987	2002
1550 Crystal Drive	—	17,988	70,525	27,967	18,175	98,305	116,480	42,082	1980	2002
RTC - West	92,846	30,326	134,108	11,160	30,425	145,169	175,594	16,791	1988	2017
RTC - West Retail	2,897	2,894	—	8,480	2,894	8,480	11,374	709	2017	2017
2011 Crystal Drive	—	18,940	76,921	42,909	19,257	119,513	138,770	53,009	1984	2002
2451 Crystal Drive	—	16,755	68,047	27,955	12,271	100,486	112,757	42,294	1990	2002
1235 S. Clark Street	78,000	15,826	56,090	31,131	16,444	86,603	103,047	36,804	1981	2002
241 18th Street S.	—	13,867	54,169	40,229	17,018	91,247	108,265	36,854	1977	2002
251 18th Street S.	34,152	12,305	49,360	57,055	15,859	102,861	118,720	44,679	1975	2002
1215 S. Clark Street	—	13,636	48,380	54,977	14,149	102,844	116,993	36,644	1983	2002
201 12th Street S.	32,728	14,766	52,750	24,350	15,257	76,609	91,866	33,639	1987	2002
800 North Glebe Road	107,500	28,168	140,983	2,290	28,168	143,273	171,441	14,785	2012	2017
2200 Crystal Drive	—	13,104	30,050	34,931	13,565	64,520	78,085	21,773	1968	2002
1225 S. Clark Street	—	11,176	43,495	24,169	11,601	67,239	78,840	28,228	1968	2002
1901 South Bell Street	—	11,669	36,918	21,205	12,117	57,675	69,792	26,461	1982	2002
Crystal City Marriott	—	8,000	47,191	22,029	8,045	69,175	77,220	24,859	1968	2004
2100 Crystal Drive	—	10,287	23,590	31,845	10,686	55,036	65,722	25,709	1968	2002
1800 South Bell Street	—	—	28,702	8,370	213	36,859	37,072	3,807	1985	2002
200 12th Street S.	16,439	8,016	30,552	19,867	8,320	50,115	58,435	22,991	1967	2002
2001 Richmond Highway	—	7,300	16,746	11,722	7,520	28,248	35,768	12,628	1969	2002
Crystal City Shops at 2100	—	4,059	9,309	3,664	4,049	12,983	17,032	5,712	1968	2002
Crystal Drive Retail	—	—	20,465	3,194	55	23,604	23,659	11,315	2003	2004
7200 Wisconsin Avenue	—	34,683	92,059	10,430	34,683	102,489	137,172	9,361	1986	2017
One Democracy Plaza	—	—	33,628	8,494	—	42,122	42,122	25,817	1987	2002
4749 Bethesda Avenue Retail	—	2,480	11,830	53	2,872	11,491	14,363	599	2016	2017
4747 Bethesda Avenue	—	29,030	10,040	126,535	29,492	136,113	165,605	837	2019	2017
Commercial Construction Assets										
1770 Crystal Drive	—	10,771	44,276	30,727	—	85,774	85,774	—	1974-1980	2002
Central District Retail	—	4,194	—	48,807	—	53,001	53,001	—		2002
Multifamily Operating Assets										
Fort Totten Square	—	24,390	90,404	995	24,395	91,394	115,789	9,227	2015	2017
WestEnd25	96,227	67,049	5,039	111,284	68,213	115,159	183,372	30,478	2017	2019
FIRST Residences	—	31,064	133,256	10	31,064	133,266	164,330	421	2009	2007
1221 Van Street	—	27,386	63,775	27,162	28,198	90,125	118,323	7,905	2015	2017
North End Retail	—	5,847	9,333	(301)	5,871	9,008	14,879	723	1960	2007
RiverHouse Apartments	307,710	118,421	125,078	90,748	138,946	195,301	334,247	70,549	2016	2007
The Bartlett	—	41,687	—	225,461	41,868	225,280	267,148	21,948	2009	2017
220 20th Street	—	8,434	19,340	101,416	8,761	120,429	129,190	34,674	1964	2002
2221 S. Clark Street	—	7,405	16,981	41,453	7,583	58,256	65,839	8,936	1938	2017
Falkland Chase - South & West	40,001	18,530	44,232	1,062	18,642	45,182	63,824	5,017	1938	2017
Falkland Chase - North	—	9,810	22,706	(2,072)	8,994	21,450	30,444	2,422		2017

Description	Initial Cost to Company				Gross Amounts at Which Carried at Close of Period			Accumulated Depreciation and Amortization	Date of Construction ⁽³⁾	Date Acquired
	Encumbrances ⁽¹⁾	Land and Improvements	Buildings and Improvements	Costs Capitalized Subsequent to Acquisition ⁽²⁾	Land and Improvements	Buildings and Improvements	Total			
West Half	—	45,668	17,902	156,076	47,342	172,304	219,646	1,986	2019	2017
Multifamily Construction Assets										
965 Florida Avenue	—	14,306	—	120,570	—	134,876	134,876	—		2017
Atlantic Plumbing C	—	47,678	13,952	94,669	—	156,299	156,299	—		2017
Future Development Assets										
1900 Crystal Drive	—	16,811	53,187	(14,948)	—	55,050	55,050	281	1968	2002
Capitol Point - North	—	32,730	—	18,587	50,829	488	51,317	—		2017
Potomac Yard Land Bay G	—	20,318	—	8,815	26,804	2,329	29,133	—		
Potomac Yard Land Bay H	—	38,369	—	29	38,390	8	38,398	—		
RTC - West Land	1,398	29,956	—	3,798	29,956	3,798	33,754	—		2017
Square 649	—	15,550	6,451	(1,657)	12,672	7,672	20,344	487		2005
Other Future Development Assets	—	76,771	15,286	30,549	77,185	45,421	122,606	444		
Corporate										
Corporate	500,000	—	—	11,925	—	11,925	11,925	3,788		2017
	1,627,848	1,250,141	2,496,974	2,028,404	1,240,455	4,535,064	5,775,519	1,119,571		
Held for sale:										
Metropolitan Park ⁽⁴⁾	—	65,259	1,326	27,963	82,898	11,650	94,548	32		
Pen Place	—	104,473	55	(30,625)	61,970	11,933	73,903	9		
	—	169,732	1,381	(2,662)	144,868	23,583	168,451	41		
	\$ 1,627,848	\$ 1,419,873	\$ 2,498,355	\$ 2,025,742	\$ 1,385,323	\$ 4,558,647	\$ 5,943,970	\$ 1,119,612		

Note: Depreciation of the buildings and improvements is calculated over lives ranging from the life of the lease to 40 years. The net basis of our assets and liabilities for tax reporting purposes is approximately \$55.9 million higher than the amounts reported in our balance sheet as of December 31, 2019.

⁽¹⁾ Represents the contractual debt obligations.

⁽²⁾ Includes asset impairments recognized, amounts written off in connection with redevelopment activities, partial sale of assets and the reclassification of the net book value of assets to construction in progress.

⁽³⁾ Date of original construction, many assets have had substantial renovation or additional construction. See "Costs Capitalized Subsequent to Acquisition" column.

⁽⁴⁾ In January 2020, we sold the Metropolitan Park land sites to Amazon for a gross sales price of \$155.0 million.

The following is a reconciliation of real estate and accumulated depreciation:

	Year Ended December 31,		
	2019	2018	2017
	(In thousands)		
Real Estate:			
Balance at beginning of the year	\$ 5,895,953	\$ 6,025,797	\$ 4,155,391
Acquisitions	164,320	38,369	—
Additions	469,450	358,976	1,926,404
Assets sold or written-off	(585,753)	(527,189)	(55,998)
Balance at end of the year	\$ 5,943,970	\$ 5,895,953	\$ 6,025,797
Accumulated Depreciation:			
Balance at beginning of year	\$ 1,086,844	\$ 1,011,330	\$ 930,769
Depreciation expense	161,937	151,346	136,559
Accumulated depreciation on assets sold or written-off	(129,169)	(75,832)	(55,998)
Balance at end of year	\$ 1,119,612	\$ 1,086,844	\$ 1,011,330

(3) Exhibit Index

<u>Exhibits</u>	<u>Description</u>
2.1	<u>Master Transaction Agreement, dated as of October 31, 2016, by and among Vornado Realty Trust, Vornado Realty L.P., JBG Properties, Inc., JBG/Operating Partners, L.P., certain affiliates of JBG Properties Inc. and JBG/Operating Partners set forth on Schedule A thereto, JBG SMITH Properties and JBG SMITH Properties LP (incorporated by reference to Exhibit 2.1 to our Registration Statement on Form 10, filed on June 12, 2017).</u>
2.2	<u>Amendment to Master Transaction Agreement, dated as of July 17, 2017, by and among Vornado Realty Trust, Vornado Realty L.P., JBG Properties, Inc., JBG/Operating Partners, L.P., certain affiliates of JBG Properties Inc. and JBG/Operating Partners set forth on Schedule A thereto, JBG SMITH Properties and JBG SMITH Properties LP (incorporated by reference to Exhibit 2.1 to our Current Report on Form 8-K, filed on July 21, 2017).</u>
2.3	<u>Agreement and Plan of Merger, dated as of July 17, 2017, by and between JBG/Fund VI Transferred, L.L.C. and JBGS/Fund VI OP Mergerco, L.L.C. (incorporated by reference to Exhibit 2.3 to our Current Report on Form 8-K, filed on July 21, 2017).</u>
2.4	<u>Agreement and Plan of Merger, dated as of July 17, 2017, by and between JBG/Fund VII Transferred, L.L.C. and JBGS/Fund VII OP Mergerco, L.L.C. (incorporated by reference to Exhibit 2.4 to our Current Report on Form 8-K, filed on July 21, 2017).</u>
2.5	<u>Agreement and Plan of Merger, dated as of July 17, 2017, by and between JBG/Fund IX Transferred, L.L.C. and JBGS/Fund IX OP Mergerco, L.L.C. (incorporated by reference to Exhibit 2.5 to our Current Report on Form 8-K, filed on July 21, 2017).</u>
2.6	<u>Contribution and Assignment Agreement, dated as of July 18, 2017, by and between JBG SMITH Properties LP and JBG/Fund VIII Legacy, L.L.C. (incorporated by reference to Exhibit 2.6 to our Current Report on Form 8-K, filed on July 21, 2017).</u>
2.7	<u>Contribution and Assignment Agreement, dated as of July 18, 2017, by and between JBG SMITH Properties LP and JBG/UDM Legacy, L.L.C. (incorporated by reference to Exhibit 2.7 to our Current Report on Form 8-K, filed on July 21, 2017).</u>
2.8	<u>Agreement and Plan of Merger, dated as of July 17, 2017, by and between JBG/Operating Partners, L.P. and JBGS/OP Mergerco, L.L.C. (incorporated by reference to Exhibit 2.8 to our Current Report on Form 8-K, filed on July 21, 2017).</u>
2.9	<u>Contribution and Assignment Agreement, dated as of July 18, 2017, by and between JBG Properties, Inc. and JBG SMITH Properties LP (incorporated by reference to Exhibit 2.9 to our Current Report on Form 8-K, filed on July 21, 2017).</u>
2.10	<u>Separation and Distribution Agreement, dated as of July 17, 2017, by and among Vornado Realty Trust, Vornado Realty L.P., JBG SMITH Properties and JBG SMITH Properties LP (incorporated by reference to Exhibit 2.2 to our Current Report on Form 8-K, filed on July 21, 2017).</u>
3.1	<u>Declaration of Trust of JBG SMITH Properties, as amended and restated (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed on July 21, 2017).</u>
3.2	<u>Articles Supplementary to Declaration of Trust of JBG SMITH Properties (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed on March 6, 2018).</u>
3.3	<u>Articles of Amendment to Declaration of Trust of JBG SMITH Properties (incorporated by reference to Exhibit 3.1 to our current report on Form 8-K, filed on May 3, 2018).</u>
3.4	<u>Amended and Restated Bylaws of JBG SMITH Properties (incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K, filed on February 21, 2020).</u>
4.1**	<u>Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, as amended.</u>
10.1	<u>Second Amendment to Credit Agreement, dated as of January 7, 2020, by and among JBG SMITH Properties LP, as Borrower, the financial institutions party thereto as lenders, and Wells Fargo Bank, National Association, as Administrative Agent (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on January 7, 2020.)</u>
10.2	<u>First Amendment to Credit Agreement, dated as of May 8, 2019, by and between JBG SMITH Properties LP, as Borrower, the financial institutions party thereto as lenders, and Wells Fargo Bank, National Association, as Administrative Agent (incorporated by reference to Exhibit 10.1 to our Current Report on Form 10-Q, filed on August 6, 2019.)</u>

<u>Exhibits</u>	<u>Description</u>
10.3	<u>First Amended and Restated Limited Partnership Agreement of JBG SMITH Properties LP, dated as of July 17, 2017 (incorporated by reference to Exhibit 10.1 to our Annual Report on Form 10-K, filed on March 12, 2018).</u>
10.4	<u>Tax Matters Agreement, dated as of July 17, 2017, by and between Vornado Realty Trust and JBG SMITH Properties (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on July 21, 2017).</u>
10.5	<u>Employee Matters Agreement, dated as of July 17, 2017, by and between Vornado Realty Trust, Vornado Realty L.P., JBG SMITH Properties and JBG SMITH Properties LP (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on July 21, 2017).</u>
10.6	<u>Transition Services Agreement, dated as of July 17, 2017, by and between Vornado Realty Trust and JBG SMITH Properties (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K, filed on July 21, 2017).</u>
10.7	<u>Credit Agreement, dated as of July 18, 2017, by and among JBG SMITH Properties LP, as Borrower, the financial institutions party thereto as lenders, and Wells Fargo Bank, National Association, as Administrative Agent (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K, filed on July 21, 2017).</u>
10.8†	<u>Form of JBG SMITH Properties Unit Issuance Agreement (incorporated by reference to Exhibit 10.7 to our Current Report on Form 8-K, filed on July 21, 2017).</u>
10.9†	<u>JBG SMITH Properties Non-Employee Trustee Unit Issuance Agreement, dated July 18, 2017, by and among, JBG SMITH Properties, JBG SMITH Properties LP, Michael J. Glosserman and Glosserman Family JBG Operating, L.L.C. (incorporated by reference to Exhibit 10.8 to our Current Report on Form 8-K, filed on July 21, 2017).</u>
10.10†	<u>Amended and Restated Employment Agreement, dated as of June 16, 2017, by and between JBG SMITH Properties and W. Matthew Kelly (incorporated by reference to Exhibit 10.5 to our Registration Statement on Form 10, filed on June 21, 2017).</u>
10.11†	<u>Amended and Restated Employment Agreement, dated as of June 16, 2017, by and between JBG SMITH Properties and David P. Paul (incorporated by reference to Exhibit 10.7 to our Registration Statement on Form 10, filed on June 21, 2017).</u>
10.12†	<u>Amended and Restated Employment Agreement, dated as of June 16, 2017, by and between JBG SMITH Properties and Robert A. Stewart (incorporated by reference to Exhibit 10.10 to our Registration Statement on Form 10, filed on June 21, 2017).</u>
10.13†	<u>Employment Agreement, dated as of July 17, 2017, by and between JBG SMITH Properties and Stephen W. Theriot (incorporated by reference to Exhibit 10.11 to our Current Report on Form 8-K, filed on July 21, 2017).</u>
10.14†	<u>Employment Agreement, dated as of February 21, 2019, by and between JBG SMITH Properties and Madumita Moina Banerjee (incorporated by reference to Exhibit 10.14 to our Annual Report on Form 10-K, filed on March 12, 2018).</u>
10.15†	<u>Form of Indemnification Agreement between JBG SMITH Properties and each of its trustees and executive officers (incorporated by reference to Exhibit 10.12 to our Current Report on Form 8-K, filed on July 21, 2017).</u>
10.16†	<u>Formation Unit Grant Letter, dated as of October 31, 2016, by and between JBG SMITH Properties and Steven Roth (incorporated by reference to Exhibit 10.15 to our Registration Statement on Form 10, filed on January 24, 2017).</u>
10.17†	<u>Consulting Agreement, dated as of March 10, 2017, by and between JBG SMITH Properties and Mitchell Shear (incorporated by reference to Exhibit 10.16 to our Registration Statement on Form 10, filed on June 12, 2017).</u>
10.18†	<u>JBG SMITH Properties 2017 Employee Share Purchase Plan (incorporated by reference to Exhibit 10.9 to our Current Report on Form 8-K, filed on July 21, 2017).</u>
10.19†	<u>Amendment No. 1 to the JBG SMITH Properties 2017 Employee Share Purchase Plan, effective January 1, 2018 (incorporated by reference to Exhibit 10.20 to our Annual Report on Form 10-K, filed on March 12, 2018).</u>
10.20†	<u>JBG SMITH Properties 2017 Omnibus Share Plan (incorporated by reference to Exhibit 10.10 to our Current Report on Form 8-K, filed on July 21, 2017).</u>
10.21†	<u>Form of JBG SMITH Properties Formation Unit Agreement (incorporated by reference to Exhibit 10.18 to our Registration Statement on Form 10, filed on June 12, 2017).</u>
10.22†	<u>Form of JBG SMITH Properties Formation Unit Agreement for Non-Employee Trustees (incorporated by reference to Exhibit 10.19 to our Registration Statement on Form 10, filed on June 12, 2017).</u>

Exhibits	Description
10.23†	Form of JBG SMITH Properties Restricted LTIP Unit Agreement (incorporated by reference to Exhibit 10.20 to our Registration Statement on Form 10, filed on June 12, 2017).
10.24†	Form of JBG SMITH Properties Performance LTIP Unit Agreement (incorporated by reference to Exhibit 10.21 to our Registration Statement on Form 10, filed on June 12, 2017).
10.25†	Form of 2018 Performance LTIP Unit Agreement (incorporated by reference to Exhibit 10.26 to our Annual Report on Form 10-K, filed on March 12, 2018).
10.26†	Form of JBG SMITH Properties Non-Employee Trustee Restricted LTIP Unit Agreement (incorporated by reference to Exhibit 10.22 to our Registration Statement on Form 10, filed on June 21, 2017).
10.27†	Form of JBG SMITH Properties Non-Employee Trustee Restricted Stock Agreement (incorporated by reference to Exhibit 10.23 to our Registration Statement on Form 10, filed on June 21, 2017).
10.28†	Form of JBG SMITH Properties Non-Employee Trustee Unit Issuance Agreement (incorporated by reference to Exhibit 10.24 to our Registration Statement on Form 10, filed on June 21, 2017).
10.29	Side Letter to Tax Matters Agreement, dated as of August 13, 2018, by and between Vornado Realty Trust and JBG SMITH Properties (incorporated by reference to Exhibit 10.1 to our Current Report on Form 10-Q filed on November 7, 2018.)
10.30†**	Amendment No. 1 to the JBG SMITH Properties 2017 Omnibus Share Plan, effective February 18, 2020.
10.31†**	Amendment No. 2 to the JBG SMITH Properties 2017 Employee Share Purchase Plan, effective May 1, 2019.
10.32†**	Form of 2020 JBG SMITH Properties Restricted LTIP Unit Agreement.
10.33†**	Form of 2020 JBG SMITH Properties Performance LTIP Unit Agreement.
10.34†**	Form of Amended and Restated 2017 Performance LTIP Unit Agreement.
10.35†**	Form of Amended and Restated 2018 Performance LTIP Unit Agreement.
10.36†	Amended and Restated Employment Agreement, dated as of June 16, 2017, by and between JBG SMITH Properties and Kevin P. Reynolds (incorporated by reference to Exhibit 10.9 to our Registration Statement on Form 10, filed on June 21, 2017).
10.37†**	Letter Agreement, dated as of February 21, 2020, by and between JBG SMITH Properties and Robert A. Stewart.
21.1**	List of Subsidiaries of the Registrant.
23.1**	Consent of Independent Registered Public Accounting Firm.
31.1**	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended and Section 302 of the Sarbanes-Oxley Act of 2002.
31.2**	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended and Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934, as amended and 18 U.S.C 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Extension Calculation Linkbase
101.LAB	XBRL Extension Labels Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

** Filed herewith.

† Denotes a management contract or compensatory plan, contract or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

JBG SMITH Properties

Date: February 25, 2020

/s/ Stephen W. Theriot

Stephen W. Theriot

Chief Financial Officer

(Principal Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ Steven Roth</u> Steven Roth	Chairman of the Board	February 25, 2020
<u>/s/ Robert Stewart</u> Robert Stewart	Executive Vice Chairman	February 25, 2020
<u>/s/ W. Matthew Kelly</u> W. Matthew Kelly	Chief Executive Officer	February 25, 2020
<u>/s/ Stephen W. Theriot</u> Stephen W. Theriot	Chief Financial Officer (Principal Financial and Accounting Officer)	February 25, 2020
<u>/s/ Scott Estes</u> Scott Estes	Trustee	February 25, 2020
<u>/s/ Alan S. Forman</u> Alan S. Forman	Trustee	February 25, 2020
<u>/s/ Michael J. Glosserman</u> Michael J. Glosserman	Trustee	February 25, 2020
<u>/s/ Charles E. Haldeman, Jr.</u> Charles E. Haldeman, Jr.	Trustee	February 25, 2020
<u>/s/ Carol Melton</u> Carol Melton	Trustee	February 25, 2020
<u>/s/ William J. Mulrow</u> William J. Mulrow	Trustee	February 25, 2020
<u>/s/ Mitchell N. Schear</u> Mitchell N. Schear	Trustee	February 25, 2020
<u>/s/ Ellen Shuman</u> Ellen Shuman	Trustee	February 25, 2020
<u>/s/ John F. Wood</u> John F. Wood	Trustee	February 25, 2020

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF THE
SECURITIES EXCHANGE ACT OF 1934**

The following description sets forth certain material terms and provisions of our common shares, par value \$0.01 per share, which is our only security registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and also summarizes relevant provisions of the Maryland General Corporation Law ("MGCL") and certain provisions of our Articles of Amendment and Restatement of the Declaration of Trust (the "declaration of trust") and our Amended and Restated Bylaws (the "bylaws"). The following description does not purport to be complete and is subject to and qualified in its entirety by reference to applicable Maryland law and to our declaration of trust and bylaws, each of which are incorporated by reference as exhibits to the Annual Report on Form 10-K of which this Exhibit 4.1 is a part. We encourage you to read our declaration of trust, our bylaws and the applicable provisions of Maryland law for additional information.

General

Our authorized shares of beneficial interest consist of 500,000,000 common shares, par value \$0.01 per share, and 200,000,000 preferred shares, par value \$0.01 per share. Our declaration of trust, as permitted by Maryland law, authorizes our board of trustees, with the approval of a majority of the entire board and without any action on the part of our shareholders, to amend our declaration of trust to increase or decrease the aggregate number of shares that we are authorized to issue or the number of authorized shares of any class or series. The authorized common shares and undesignated preferred shares are generally available for future issuance without further action by our shareholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. As of February 20, 2020, 134,881,352 common shares were issued and outstanding.

Maryland's statutory law governing real estate investment trusts (or "REITs") formed under Maryland law and our declaration of trust provide that none of our shareholders will be personally liable by reason of such shareholder's status as a shareholder for any of our obligations.

Dividend, Voting and Other Rights of Holders of Common Shares

The holders of common shares are entitled to receive dividends when, if and as authorized by the board of trustees and declared by us out of assets legally available to pay dividends, if receipt of the dividends complies with the provisions in the declaration of trust restricting the ownership and transfer of our shares and the preferential rights of any other class or series of our shares.

Subject to the provisions of our declaration of trust regarding the restrictions on ownership and transfer of our common shares and except as may otherwise be specified in the terms of any class or series of shares of beneficial interest, the holders of common shares are entitled to one vote for each share on all matters on which shareholders are entitled to vote, including elections of trustees. There is no cumulative voting in the election of trustees, which means that the holders of a majority of the outstanding common shares can elect all of the trustees then standing for election. Generally, the holders of common shares do not have any conversion, sinking fund, redemption, appraisal or preemptive rights to subscribe to any securities. If we are dissolved, liquidated or wound up, holders of common shares will be entitled to share proportionally in any assets remaining after satisfying (i) the prior rights of creditors, including holders of our indebtedness, and (ii) the aggregate liquidation preference of any preferred shares then outstanding.

Subject to the provisions of our declaration of trust regarding the restrictions on ownership and transfer of our common shares, common shares have equal dividend, distribution, liquidation and other rights and have no preference or exchange rights. The rights, preferences and privileges of the holders of common shares are subject to, and may be adversely affected by, the rights of the holders of shares of any class or series of preferred shares that we may designate and issue in the future.

Preferred Shares and Share Reclassification

Under the terms of our declaration of trust, our board of trustees may classify any unissued preferred shares, and reclassify any unissued common shares or any previously classified but unissued preferred shares into other classes or series of shares, including one or more classes or series of shares that have priority over our common shares with respect to distributions or upon liquidation, and we are authorized to issue the newly classified shares. Prior to the issuance of shares of each class or series, the board of trustees is required by the Maryland statute governing real estate investment trusts formed under the laws of that state, which we refer to as the Maryland REIT Law, and our declaration of trust to set, subject to the provisions of our declaration of trust regarding the restrictions on ownership and transfer of our shares, the preferences, conversion or other

rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption for each such class or series. These actions may be taken without shareholder approval, unless shareholder approval is required by applicable law, the terms of any other class or series of our shares or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. As of the date hereof, no preferred shares are outstanding. Any preferred shares issued will be subject to ownership and transfer restrictions that are similar to the restrictions applicable to common shares (including a prohibition on owning more than 7.5% of the outstanding preferred shares of any class or series).

Power to Increase Authorized Shares and Issue Additional Common and Preferred Shares

We believe that the power of our board of trustees, without shareholder approval, to amend our declaration of trust to increase or decrease the aggregate number of authorized shares or the number of shares in any class or series that we have authority to issue, to issue additional authorized but unissued common shares or preferred shares and to classify or reclassify unissued common shares or preferred shares and thereafter to issue such classified or reclassified shares provides us with flexibility in structuring possible future financings and acquisitions and in meeting other needs which might arise. These actions may be taken without shareholder approval, unless shareholder approval is required by applicable law, the terms of any other class or series of our shares or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although our board of trustees does not currently intend to do so, it could authorize us to issue additional classes or series of common shares or preferred shares that could, depending upon the terms of the particular class or series, delay, defer or prevent a transaction or a change of control of our company, even if such transaction or change of control involves a premium price for our shareholders or shareholders believe that such transaction or change of control may be in their best interests.

Listing

Our common shares are listed on the NYSE and trade under the symbol "JBGS."

REIT Qualification

Under our declaration of trust, the board of trustees may revoke or otherwise terminate our REIT election without shareholder approval if it determines that it is no longer in our best interest to continue to qualify as a REIT.

Transfer Agent and Registrar

The transfer agent and registrar for our common shares is American Stock Transfer & Trust Company, LLC.

Certain Provisions of Maryland Law and Our Declaration of Trust and Bylaws

The following description of certain provisions of Maryland law and our declaration of trust and bylaws is only a summary and does not purport to be a complete statement of the relevant provisions. The description is qualified in its entirety by reference to these documents, which you should read (along with the applicable provisions of Maryland law) for complete information on such provisions.

The Board of Trustees

Our declaration of trust and bylaws provide that the number of our trustees may be established, increased or decreased only by a majority of the entire board of trustees but may not be fewer than the number required by the Maryland REIT Law, which is currently one, nor, unless our bylaws are amended, more than 15, provided, however, that the tenure of office of a trustee will not be affected by any decrease in the number of trustees. Our declaration of trust also provides that, except as may be provided by our board of trustees in setting the terms of any class or series of shares, any vacancy may be filled only by a majority of the remaining trustees, even if the remaining trustees do not constitute a quorum, and any trustee elected to fill a vacancy will hold office for the remainder of the full term of the trusteeship in which the vacancy occurred and until a successor is duly elected and qualifies.

Our declaration of trust initially divided our board of trustees into three classes and provides that the terms of the first, second and third classes will expire at our 2020 annual meeting of shareholders (the "2020 Annual Meeting"). Commencing with the 2020 Annual Meeting, all trustees will be elected annually for a term of one year and shall hold office until the next succeeding annual meeting and until their successors are duly elected and qualify. There is no cumulative voting in the election of trustees. Consequently, at each annual meeting of shareholders, the holders of a majority of our common shares will be able to elect all of our trustees standing for election.

Under our bylaws, in any uncontested election of trustees, the affirmative vote of a majority of the votes cast for and against such nominee at a meeting of shareholders duly called and at which a quorum is present is required to elect a trustee. Our bylaws provide for plurality voting for contested trustee elections. Notwithstanding such vote requirement, our Corporate Governance Guidelines provide that any nominee in an uncontested election who does not receive a greater number of "for" votes than "against" votes shall promptly tender his or her offer of resignation to the board of trustees following certification of the vote. The Corporate Governance and Nominating Committee shall consider the offer to resign and shall recommend to the board of trustees the action to be taken in response to the offer, and the board of trustees shall

determine whether to accept such resignation. The board of trustees shall publicly disclose its decision regarding the tendered resignation and the reasons therefor by a press release, in a Current Report on Form 8-K furnished to the Securities and Exchange Commission (the "SEC") or other broadly disseminated means of communication within 90 days from the date of the certification of the election results.

Removal of Trustees

Our declaration of trust provides that, subject to the rights of holders of one or more classes or series of preferred shares to elect or remove one or more trustees, a trustee may be removed only for cause (defined as conviction of a felony or a final judgment of a court of competent jurisdiction holding that such trustee caused demonstrable, material harm to the trust through willful misconduct, bad faith or active and deliberate dishonesty) and only by the affirmative vote of a majority of the shares then outstanding and entitled to vote generally in the election of trustees. This provision, when coupled with the exclusive power of our board of trustees to fill vacancies on our board of trustees, precludes shareholders from removing incumbent trustees, except for cause and upon a majority affirmative vote, and filling the vacancies created by the removal with their own nominees.

Business Combinations

Under the Maryland Business Combination Act (the "MBCA"), a "business combination" between a Maryland real estate investment trust and an interested shareholder or an affiliate of an interested shareholder is prohibited for five years after the most recent date on which the interested shareholder becomes an interested shareholder. A business combination includes a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer, issuance or reclassification of equity securities or recapitalization. An interested shareholder is defined as:

- a person who beneficially owns, directly or indirectly, 10% or more of the voting power of the real estate investment trust's outstanding voting shares; or
- an affiliate or associate of the real estate investment trust who, at any time within the two-year period prior to the date in question, was the beneficial owner, directly or indirectly, of 10% or more of the voting power of the then-outstanding voting shares of the real estate investment trust.

A person is not an interested shareholder under the statute if the board of trustees approved in advance the transaction by which such person otherwise would have become an interested shareholder. In approving a transaction, the board of trustees may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board of trustees.

After the five-year prohibition, any business combination between the Maryland real estate investment trust and an interested shareholder generally must be recommended by the board of trustees of the real estate investment trust and approved by the affirmative vote of at least:

- 80% of the votes entitled to be cast by holders of outstanding voting shares of the real estate investment trust; and
- two-thirds of the votes entitled to be cast by holders of voting shares of the real estate investment trust other than shares held by the interested shareholder with whom or with whose affiliate the business combination is to be effected or held by an affiliate or associate of the interested shareholder.

These super-majority vote requirements do not apply if, among other conditions, the real estate investment trust's common shareholders receive a minimum price, as defined under the MBCA, for their shares in the form of cash or other consideration in the same form as previously paid by the interested shareholder for its shares.

The MBCA permits various exemptions from its provisions, including business combinations that are approved or exempted by the board of trustees before the time that the interested shareholder becomes an interested shareholder.

The MBCA may have the effect of delaying, deferring or preventing a change in control or other transaction that might involve a premium price or otherwise be in the best interest of the shareholders. The MBCA may discourage others from trying to acquire control and increase the difficulty of consummating any offer.

As permitted by the MGCL, we have elected in our bylaws to opt out of the MBCA. However, we cannot assure you that our board of trustees will not opt to be subject to such provisions in the future, including opting to be subject to such provisions retroactively.

Control Share Acquisitions

The Maryland Control Share Acquisition Act (the "MCSAA") provides that control shares of a Maryland real estate investment trust acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquiring person, by officers or by employees who are trustees of the real estate investment trust are excluded from shares entitled to vote on the matter. "Control shares" are voting shares which, if aggregated with all other shares owned by the acquiring person or in respect of which the acquiring person is

able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiring person to exercise voting power in electing trustees within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

Control shares do not include shares that the acquiring person is then entitled to vote as a result of having previously obtained shareholder approval or shares acquired directly from the real estate investment trust. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the board of trustees of the real estate investment trust to call a special meeting of shareholders to be held within 50 days of the demand to consider the voting rights of the control shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the meeting. If no request for a meeting is made, the real estate investment trust may itself present the question at any shareholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the MCSAA, then the real estate investment trust may redeem for fair value any or all of the control shares, except those for which voting rights have previously been approved. The right of the real estate investment trust to redeem control shares is subject to certain conditions and limitations. Fair value is determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiring person or, if a meeting of shareholders is held at which the voting rights of the shares are considered and not approved, as of the date of such meeting. If voting rights for control shares are approved at a shareholders meeting and the acquiring person becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights. The fair value of the shares as determined for purposes of appraisal rights may not be less than the highest price per share paid by the acquiring person in the control share acquisition.

The MCSAA does not apply to (a) shares acquired in a merger, consolidation or share exchange if the real estate investment trust is a party to the transaction, or (b) acquisitions approved or exempted by the declaration of trust or bylaws of the real estate investment trust.

Our bylaws contain a provision exempting from the MCSAA any and all acquisitions by any person of our shares. There can be no assurance that this provision will not be amended or eliminated at any time in the future.

Approval of Extraordinary Trust Action; Amendment of Declaration of Trust and Bylaws

Under the Maryland REIT Law, a Maryland real estate investment trust generally cannot dissolve, amend its declaration of trust or merge with or convert into another entity, unless the action is advised by its board of trustees and approved by the affirmative vote of shareholders holding at least two-thirds of the shares entitled to vote on the matter. However, a Maryland real estate investment trust may provide in its declaration of trust for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Except for certain amendments described in our declaration of trust that require only approval by our board of trustees, our declaration of trust provides for approval of any of these matters by the affirmative vote of not less than a majority of all of the votes entitled to be cast on such matters. However, the partnership agreement of JBG SMITH LP, our operating partnership, provides that certain extraordinary transactions require, in addition to the consent of our shareholders, "partnership approval" from the limited partners of JBG SMITH LP (as defined in JBG SMITH LP's partnership agreement).

Our bylaws provide that any provision of our bylaws may be amended, altered or repealed, and new bylaws adopted by the board of trustees or by the affirmative vote of holders of our shares representing not less than a majority of all the votes entitled to be cast on the matter.

Exclusive Forum

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (a) any derivative action or proceeding brought in our right or on our behalf, (b) any action asserting a claim of breach of any duty owed by any of our trustees or officers or other employees or agents to us or to our shareholders, (c) any action asserting a claim against us or any of our trustees or officers or other employees or agents arising pursuant to any provision of the Maryland REIT Law or our declaration of trust or bylaws or (d) any action asserting a claim against us or any of our trustees or officers or other employees that is governed by the internal affairs doctrine shall be the Circuit Court for Baltimore City, Maryland (and any shareholder that is a party to any action or proceeding pending in such Court shall cooperate in having the action or proceeding assigned to the Business & Technology Case Management Program), or, if that Court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division.

Advance Notice of Trustee Nominations and New Business

Our bylaws provide that with respect to an annual meeting of shareholders, nominations of persons for election to the board of trustees and the proposal of business to be considered by shareholders may be made only (i) pursuant to our notice of the meeting, (ii) by or at the direction of our board of trustees or (iii) by a shareholder who is a shareholder of record both at the time of giving the advance notice required by the bylaws and at the time of the meeting, who is entitled to vote at the meeting and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of shareholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of persons for election to the board of trustees at a special meeting may be made only (i) by the board of trustees or (ii) provided that the special meeting has been called in accordance with the bylaws for the purpose of electing trustees, by a shareholder who is a shareholder of record both at the time of giving the advance notice required by the bylaws and at the time of the meeting, who is entitled to vote at the meeting and who has complied with the advance notice provisions of the bylaws.

Maryland Unsolicited Takeover Act

Subtitle 8 of Title 3 of the MGCL, commonly referred to as the Maryland Unsolicited Takeovers Act ("MUTA"), permits a Maryland real estate investment trust with a class of equity securities registered under the Exchange Act and at least three independent trustees to elect to be subject, by provision in its declaration of trust or bylaws or a resolution of its board of trustees and notwithstanding any contrary provision in the declaration of trust or bylaws, to any or all of the following five provisions:

- a classified board;
- a two-thirds vote requirement for removing a trustee;
- a requirement that the number of trustees be fixed only by vote of the trustees;
- a requirement that a vacancy on the board of trustees be filled only by the remaining trustees and, if its board is classified, for the remainder of the full term of the class of trustees in which the vacancy occurred; or
- a majority requirement for the calling of a shareholder-requested special meeting of shareholders.

Our declaration of trust prohibits us from electing to be subject to any provision of MUTA unless such election is first approved by our shareholders by the affirmative vote of at least a majority of the votes entitled to vote on the matter. Through provisions in our declaration of trust and bylaws unrelated to Subtitle 8, (1) we have a classified board until the 2020 Annual Meeting and (2) we vest in the board of trustees the exclusive power to fix the number of trusteeships, subject to limitations set forth in our declaration of trust and bylaws.

Anti-takeover Effect of Certain Provisions of Maryland Law and of Our Declaration of Trust and Bylaws

The business combination provisions and, if the applicable provision in our bylaws is rescinded, the control share acquisition provisions of Maryland law, the provisions of our declaration of trust on removal of trustees and the advance notice provisions of our bylaws could delay, defer or prevent a transaction or a change in control that might involve a premium price for holders of our common shares or otherwise be in their best interest.

Shareholder Meetings

Our bylaws provide that annual meetings of our shareholders may only be held each year at a date, time and place determined by our board of trustees. Special meetings of shareholders may be called by the chairman of our board of trustees, our chief executive officer, our president, our board of trustees and our shareholders that hold a majority of all of the votes entitled to be cast on the matter. Only matters set forth in the notice of a special meeting of shareholders may be conducted at such a meeting.

Shareholder Action by Written Consent

Under our declaration of trust, any action required to be taken at any annual or special meeting of shareholders may be taken without a meeting, without prior notice and without a vote if (i) a unanimous consent setting forth the action is given in writing or by electronic transmission by all shareholders entitled to vote on the matter or (ii) the action is advised and submitted to the shareholders for approval by our board of trustees and a consent in writing or by electronic transmission is given by shareholders entitled to cast not less than the minimum number of votes that would be required to take the action at a meeting of our shareholders.

Limitation of Liability and Indemnification of Trustees and Officers

Maryland law permits a Maryland real estate investment trust to include in its declaration of trust a provision limiting or eliminating the liability of its trustees and officers to the real estate investment trust and its shareholders for money damages except for liability resulting from (i) actual receipt of an improper benefit or profit in money, property or services or (ii) active and deliberate dishonesty that is established by a final judgment and which is material to the cause of action. Our declaration of trust includes such a provision eliminating such liability to the maximum extent permitted by Maryland law.

Our declaration of trust and bylaws obligate us, to the fullest extent permitted by Maryland law in effect from time to time, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding, without requiring a preliminary determination of the trustee's or officer's ultimate entitlement to indemnification, to (i) any present or former trustee or officer who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity, or (ii) any individual who, while serving as our trustee or officer and at our request, serves or has served as a director, trustee, officer, partner, member or manager of another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity. Our declaration of trust and bylaws also permit us, with the approval of the board of trustees, to indemnify and advance expenses to any person who served one of our predecessors in any of the capacities described above and to any of our employees, agents or predecessors.

Maryland law requires a Maryland real estate investment trust (unless its declaration of trust provides otherwise, which ours does not) to indemnify a trustee or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made a party by reason of his or her service in that capacity. Maryland law permits a real estate investment trust to indemnify its present and former trustees and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the trustee or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) the trustee or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the trustee or officer had reasonable cause to believe that the act or omission was unlawful. However, under Maryland law, a Maryland real estate investment trust may not indemnify for an adverse judgment in a suit by or in the right of the real estate investment trust or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses. In addition, Maryland law permits a real estate investment trust to advance reasonable expenses to a trustee or officer upon the real estate investment trust's receipt of (a) a written affirmation by the trustee or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the real estate investment trust and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed by the real estate investment trust if it shall ultimately be determined that the standard of conduct was not met.

We entered into indemnification agreements with each of our trustees and executive officers that provide for indemnification to the maximum extent permitted by Maryland law.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to our officers, trustees or controlling persons pursuant to the foregoing provisions or otherwise, we have been advised that, in the opinion of the SEC, such indemnification is against public policy and, therefore, unenforceable. We have purchased liability insurance for the purpose of providing a source of funds to pay the indemnification described above.

Business Opportunities

Our declaration of trust provides that our trustees who are also trustees, officers, employees or agents of Vornado Realty Trust ("Vornado") or any of Vornado's affiliates (each such trustee, a "Covered Person") shall have no duty to communicate or present any business opportunity to us, and we renounce any potential interest or expectation in, or right to be offered or to participate in, such business opportunity and waives to the maximum extent permitted from time to time by Maryland law any claim against a Covered Person arising from the fact that he or she does not present, communicate or offer any such business opportunity to us or any of our subsidiaries or pursues such business opportunity or facilitates the pursuit of such business opportunity by others; provided, however, that the foregoing shall not apply in a case in which a Covered Person is presented with a business opportunity in writing expressly in his or her capacity as our trustee. Accordingly, to the maximum extent permitted from time to time by Maryland law and except to the extent such business opportunity is presented to a Covered Person in writing expressly in his or her capacity as our trustee, (a) no Covered Person is required to present, communicate or offer any business opportunity to us and (b) any Covered Person, on his or her own behalf or on behalf of Vornado, shall have the right to hold and exploit any business opportunity, or to direct, recommend, offer, sell, assign or otherwise transfer such business opportunity to any person or entity other than us.

Proxy Access

Our bylaws permit a shareholder, or group of up to 20 shareholders, owning at least 3% of our outstanding common shares, continuously for at least three years, to nominate and include in the our proxy statement for an annual meeting of shareholders, trustee nominees constituting up to the greater of two nominees or 20% of the board of trustees, provided that the shareholder(s) and the trustee nominee(s) satisfy the requirements specified in the bylaws.

Restrictions on Ownership and Transfer

The Beneficial Ownership Limit

For us to maintain our qualification as a REIT under the Internal Revenue Code of 1986, as amended (the "Code"), not more than 50% of the value of our outstanding shares of beneficial interest may be owned, directly or indirectly, by five or fewer individuals at any time during the last half of a taxable year, and the shares of beneficial interest must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months, or during a proportionate part of a shorter taxable year (except, in each case, with respect to the first taxable year for which an election to be taxed as a REIT is made). The Code defines "individuals" to include some entities for purposes of the preceding sentence. All references to a shareholder's ownership of common shares in this section "-The Beneficial Ownership Limit" assume application of the applicable attribution rules of the Code under which, for example, a shareholder is deemed to own shares owned by his or her spouse.

The declaration of trust contains several provisions that restrict the ownership and transfer of our shares that are designed to safeguard us against loss of our REIT status. These provisions also seek to deter non-negotiated acquisitions of, and proxy fights for, us by third parties. The declaration of trust contains a limitation that restricts, with some exceptions, shareholders from owning more than 7.5% (in value or number of shares, whichever is more restrictive) of the outstanding shares of any class or series, including our common shares. We refer to this percentage as the "beneficial ownership limit."

Shareholders should be aware that events other than a purchase or other transfer of common shares can result in ownership, under the applicable attribution rules of the Code, of common shares in excess of the beneficial ownership limit. For instance, if two shareholders, each of whom owns 6% of the outstanding common shares, were to marry, then after their marriage both shareholders would be deemed to own 12% of the outstanding common shares, which is in excess of the beneficial ownership limit. Similarly, if a shareholder who is treated as owning 6% of the outstanding common shares purchased a 50% interest in a corporation which owns 10% of the outstanding common shares, then the shareholder would be deemed to own 11% of the outstanding common shares immediately after such purchase. You should consult your tax advisors concerning the application of the attribution rules of the Code in your particular circumstances.

Closely Held and General Restriction on Ownership

In addition, common shares may not be transferred if, as a result of such transfer, more than 50% in value of the outstanding common shares would be owned by five or fewer individuals or if such transfer would otherwise cause us to fail to qualify as a REIT.

The Constructive Ownership Limit

Under the Code, rental income received by a REIT from persons in which the REIT is treated, under the applicable attribution rules of the Code, as owning a 10% or greater interest does not constitute qualifying income for purposes of the income requirements that REITs must satisfy. For these purposes, a REIT is treated as owning any shares owned, under the applicable attribution rules of the Code, by a person that owns 10% or more of the value of the outstanding shares of the REIT. The attribution rules of the Code applicable for these purposes are different from those applicable with respect to the beneficial ownership limit. All references to a shareholder's ownership of common shares in this section "-The Constructive Ownership Limit" assume application of the applicable attribution rules of the Code.

To ensure that our rental income will not be treated as nonqualifying income under the rule described in the preceding paragraph, and thus to ensure that we will not inadvertently lose our REIT status as a result of the ownership of shares by a tenant, or a person that holds an interest in a tenant, the declaration of trust contains an ownership limit that restricts, with some exceptions, shareholders from constructively owning, directly or indirectly, more than 7.5% (in value or number of shares, whichever is more restrictive) of the outstanding shares of any class or series. We refer to this 7.5% ownership limit as the "constructive ownership limit."

Shareholders should be aware that events other than a purchase or other transfer of shares may result in ownership, under the applicable attribution rules of the Code, of shares in excess of the constructive ownership limit. As the attribution rules that apply with respect to the constructive ownership limit differ from those that apply with respect to the beneficial ownership limit, the events other than a purchase or other transfer of shares which may result in share ownership in excess of the constructive ownership limit may differ from those which may result in share ownership in excess of the beneficial ownership limit. You should consult your tax advisors concerning the application of the attribution rules of the Code in your particular circumstances.

Automatic Transfer to a Trust If the Ownership Limits Are Violated

The declaration of trust provides that a transfer of shares of any class or series that would otherwise result in ownership, under the applicable attribution rules of the Code, of shares in excess of the beneficial ownership limit or the constructive ownership limit would cause our shares of beneficial interest to be beneficially owned by fewer than 100 persons, would result in us being "closely held" (within the meaning of Section 856(h) of the Code) or would otherwise cause us to fail

to qualify as a REIT, will be void and the purported transferee will acquire no rights or economic interest in the shares. In addition, our declaration of trust provides that, if the provisions causing a transfer to be void do not prevent a violation of the restrictions mentioned in the preceding sentence, the shares that would otherwise be owned, under the applicable attribution rules of the Code, in excess of the beneficial ownership limit or the constructive ownership limit, or that would cause us to be "closely held" or otherwise fail to qualify as a REIT, will be automatically transferred to one or more charitable trusts (each, a "charitable trust") for the benefit of one or more charitable beneficiaries, appointed by us, effective as of the close of business on the business day prior to the date of the relevant transfer.

Shares held in a charitable trust will be issued and outstanding shares. Pursuant to our declaration of trust, the purported transferee will have no rights in the shares held in a charitable trust and will not benefit economically from ownership of any shares held in the charitable trust, will have no rights to dividends or other distributions and will have no right to vote or other rights attributable to the shares held in the charitable trust. Instead, our declaration of trust provides that the trustee of the charitable trust will have all voting rights and rights to dividends or other distributions with respect to shares held in the charitable trust, to be exercised for the exclusive benefit of the charitable beneficiary. Under our declaration of trust, any dividend or other distribution paid prior to the discovery by us that the shares have been transferred to the charitable trust shall be paid by the holder of such dividend or other distribution to the trustee upon demand and any dividend or other distribution authorized but unpaid shall be paid when due to the trustee. Subject to Maryland law, the trustee of the charitable trust has the authority (i) to rescind as void any vote cast by a purported transferee prior to the discovery by us that the shares have been transferred to the charitable trust and (ii) to recast such vote in accordance with the desires of the trustee acting for the benefit of the charitable beneficiary. However, if we have already taken irreversible trust action, then the trustee will not have the authority to rescind and recast the vote.

Under our declaration of trust, within 20 days of receiving notice from us that shares have been transferred to the charitable trust, the trustee of the charitable trust shall sell the shares held in the charitable trust to a person or persons, designated by the trustee, whose ownership of the shares will not violate the restrictions on ownership and transfer noted above. Upon such sale, our declaration of trust provides that the interest of the charitable beneficiary in the shares sold terminates and the trustee of the charitable trust is required to distribute the net proceeds of the sale to the purported transferee and to the charitable beneficiary as follows: the purported transferee will receive the lesser of (i) the price paid by the purported transferee for the shares or, if the purported transferee did not purchase the shares for the market price (as defined in our declaration of trust) in connection with the event causing the shares to be held in the charitable trust, the market price of the shares on the date of the event causing the shares to be held in the charitable trust and (ii) the price per share received by the trustee (net of any commissions and other expenses of sale) from the sale or other disposition of the shares held in the charitable trust. The trustee of the charitable trust may reduce the amount payable to the purported transferee by the amount of dividends and distributions which have been paid to the purported transferee and are owed by the purported transferee to the charitable trust, as described above. Any net sales proceeds in excess of the amount payable to the purported transferee will be paid immediately to the charitable beneficiary. If, prior to the discovery by us that common shares have been transferred to the charitable trust, such shares are sold by a purported transferee, then (1) such shares shall be deemed to have been sold on behalf of the charitable trust and (2) to the extent that the purported transferee received an amount for such shares that exceeds the amount that such purported transferee would have been entitled to receive if such shares had been sold by the charitable trust, such excess shall be paid to the trustee upon demand.

Our declaration of trust provides that any shares transferred to the charitable trust are deemed to have been offered for sale to us, or our designee. The price at which we, or our designee, may purchase the shares transferred to the charitable trust will be equal to the lesser of (i) the price paid by the purported transferee for the shares or, if the purported transferee did not purchase the shares for the market price in connection with the event causing the shares to be held in the charitable trust, the market price of the shares on the date of the event causing the shares to be held in the charitable trust and (ii) the market price of the shares on the date that we, or our designee, accepts the offer. Upon a sale to us, the interest of the beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the purported transferee and the trustee will distribute any dividends or other distributions held by the trustee with respect to such shares to the beneficiary.

We may reduce the amount payable to the purported transferee by the amount of dividends and other distributions that have been paid to the purported transferee and are owed by the purported transferee to the charitable trust, as described above. Our right to accept the offer described above exists for as long as the charitable trust has not otherwise sold the shares held in trust.

In addition, if our board of trustees determines that a transfer or other event has occurred that would violate the restrictions on ownership and transfer of shares described above, the board of trustees may take such action as it deems advisable to refuse to give effect to or to prevent such transfer, including, but not limited to, causing us to redeem shares, refusing to give effect to the transfer on our books or instituting proceedings to enjoin the transfer.

Other Provisions Concerning the Restrictions on Ownership

Our board of trustees, in its sole discretion, may prospectively or retroactively exempt persons from the beneficial ownership limit and the constructive ownership limit and increase or decrease the beneficial ownership limit and constructive ownership limit for one or more persons, if in each case the board of trustees obtains such representations, covenants and undertakings as the board of trustees may deem appropriate in order to conclude that such exemption or modification will not cause us to lose our status as a REIT. In addition, the board of trustees may require such opinions of counsel, affidavits, undertakings or agreements or a ruling from the Internal Revenue Service as it may deem necessary or advisable in order to determine or ensure our status as a REIT, and any such exemption or modification may be subject to such conditions or restrictions as the board of trustees may impose.

The foregoing restrictions on transfer and ownership will not apply if the board of trustees determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT or that compliance with any of the foregoing restrictions is no longer required for REIT qualification.

All persons who own, directly or by virtue of the applicable attribution rules of the Code, more than 1.0% (or such lower percentage as required by the Code or the regulations promulgated thereunder) of the outstanding shares of any class or series must give a written notice to us containing the information specified in the declaration of trust by January 31 of each year. In addition, each shareholder will be required to disclose to us upon demand any information that we may request, in good faith, to determine our status as a REIT or to comply with Treasury regulations promulgated under the REIT provisions of the Code.

The transfer and ownership restrictions described above may have the effect of precluding acquisition of control of us unless our board of trustees determines that maintenance of REIT status is no longer in our best interests or that compliance with any of the foregoing restrictions is no longer required for REIT qualification.

Amendment No. 1

to the

JBG SMITH Properties

2017 Omnibus Share Plan

(As approved by shareholders on July 10, 2017)

The 2017 Omnibus Share Plan of JBG SMITH Properties, effective July 10, 2017 (the “Plan”), is hereby amended as follows, effective February 18, 2020:

1. The second paragraph of Section 5 of the Plan is hereby deleted in its entirety and replaced with the following:

Notwithstanding any other provision of the Plan to the contrary, Full Value Awards (a) that vest on the basis of the Participant’s continued employment or service shall be subject to a minimum vesting schedule of at least three years (with no more than one-third of the Shares subject thereto vesting earlier than a date 60 days prior to the first anniversary of the date on which such award is granted and on each of the next two anniversaries of such initial vesting date) and (b) that vest on the basis of the attainment of performance goals shall provide for a performance period that ends no earlier than 60 days prior to the first anniversary of the commencement of the period over which performance is evaluated; provided, however, that the foregoing limitations shall not preclude the acceleration of vesting of any such award upon the involuntary termination, death, disability or retirement of the Participant or upon an actual change in control (and not, for example, the commencement of a tender offer for the Trust’s shares or shareholder approval of a transaction that, if consummated, would result in an actual change in control).

Notwithstanding the foregoing, (i) Full Value Awards with respect to 5% of the maximum aggregate number of Share Equivalents available for the purpose of awards under the Plan pursuant to Section 2 may be granted under the Plan to any one or more Participants without respect to such minimum vesting provisions, (ii) Full Value Awards granted in connection with the Spinoff (as defined in Section 21) shall not be subject to the provisions of this paragraph and shall not be counted against the 5% exception in clause (i), and (iii) the foregoing minimum vesting provision shall not apply to Awards granted to Employees or Non-Employee Trustees to the extent the Employees have elected to receive such Awards in lieu of cash bonuses or the Non-Employee Trustees have elected to receive such Awards in lieu of fees or retainers payable to them.

JBG SMITH Properties

Amendment No. 2

to the

2017 Employee Share Purchase Plan

(As approved by the sole shareholder on July 10, 2017)

The 2017 Employee Share Purchase Plan of JBG SMITH Properties, effective July 17, 2017 (the “ESPP”), is hereby amended as follows, effective May 1, 2019:

1. Section 11(d) of the ESPP is hereby deleted in its entirety and replaced with the following:

(d) Return of Unused Payroll Deductions. Any balance remaining in an employee’s payroll deduction account at the end of an Offering Period will be automatically refunded to the employee.

**FORM OF JBG SMITH PROPERTIES
2017 OMNIBUS SHARE PLAN**

RESTRICTED LTIP UNIT AGREEMENT

RESTRICTED LTIP UNIT AGREEMENT (the “Agreement” or “Restricted LTIP Unit Agreement”) made as of the Grant Date set forth on Schedule A hereto between JBG SMITH Properties, a Maryland real estate investment trust (the “Company”), its subsidiary JBG SMITH Properties LP, a Delaware limited partnership (the “Partnership”), and the employee of the Company or one of its affiliates listed on Schedule A (the “Employee”).

RECITALS

A. In accordance with the JBG SMITH Properties 2017 Omnibus Share Plan, as it may be amended from time to time (the “Plan”), the Company desires, in connection with the employment of the Employee, to provide the Employee with an opportunity to acquire LTIP Units (as defined in the agreement of limited partnership of the Partnership, as amended (the “Partnership Agreement”)) having the rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption and conversion set forth herein, in the Plan and in the Partnership Agreement, and thereby provide additional incentive for the Employee to promote the progress and success of the business of the Company, the Partnership and its Subsidiaries.

B. Schedule A hereto sets forth certain significant details of the LTIP Unit grant herein and is incorporated herein by reference. Capitalized terms used herein and not otherwise defined have the meanings provided in the Partnership Agreement and on Schedule A.

NOW, THEREFORE, the Company, the Partnership and the Employee hereby agree as follows:

AGREEMENT

1. Grant of Restricted LTIP Units. On the terms and conditions set forth below, as well as the terms and conditions of the Plan, the Company hereby grants to the Employee such number of LTIP Units as is set forth on Schedule A (the “Restricted LTIP Units”).

2. Vesting Period. The vesting period of the Restricted LTIP Units (the “Vesting Period”) begins on January 1, 2020 and continues until such Vesting Dates as set forth on Schedule A. On the first Vesting Date following the date of this Agreement and each Vesting Date thereafter, the number of LTIP Units equal to the Vesting Amount shall become vested, subject to earlier forfeiture as provided in this Agreement. To the extent that Schedule A provides for amounts or schedules of vesting that conflict with the provisions of this paragraph, the provisions of Schedule A will govern. Except as permitted under Section 12, the Restricted LTIP Units for which the applicable Vesting Period has not expired may not be sold, assigned, transferred, pledged or otherwise disposed of or encumbered (whether voluntary or involuntary or by judgment, levy, attachment, garnishment or other legal or equitable proceeding).

The Employee shall be entitled to receive distributions with respect to Restricted LTIP Units to the extent provided for in the Partnership Agreement, as modified hereby, if applicable. The Distribution Participation Date (as defined in the Partnership Agreement) for the Restricted LTIP Units shall be the Grant Date. Notwithstanding the foregoing, the Employee shall not have the right to receive cash distributions paid on Restricted LTIP Units for which the applicable Vesting Period has not expired unless the Employee is employed by the Company or an affiliate on the payroll date coinciding with or immediately following the date any such distributions are payable.

The Employee shall have the right to vote the Restricted LTIP Units if and when voting is allowed under the Partnership Agreement, regardless of whether the applicable Vesting Period has expired.

3. Forfeiture of Restricted LTIP Units. Except as otherwise provided in any employment agreement between the Employee and the Company or its affiliate, upon the Employee’s Disability, death or Retirement, or if the employment of the Employee by the Company or its affiliate is terminated either by the Company or its affiliate (or a successor

thereof) without Cause or by the Employee for Good Reason, all outstanding unvested LTIP Units shall vest and become non-forfeitable. If the employment of the Employee by the Company or its affiliate terminates for any reason other than as described in the preceding sentence, any outstanding unvested LTIP Units as of the date of such termination shall be forfeited and returned to the Company for delivery to the Partnership and cancellation.

4. For purposes of this Restricted LTIP Unit Agreement, the following terms will have the meaning given to them by any employment agreement between the Employee and the Company, and if there is no such agreement, the meanings below:

“Cause” means the Employee’s: (a) conviction of, or plea of guilty or nolo contendere to, a felony, (b) willful and continued failure to use reasonable best efforts to substantially perform his duties (other than such failure resulting from the Employee’s incapacity due to physical or mental illness) that the Employee fails to remedy within 30 days after written notice is delivered by the Company to the Employee that specifically identifies in reasonable detail the manner in which the Company believes the Employee has not used reasonable efforts to perform in all material respects his duties hereunder, or (c) willful misconduct (including, but not limited to, a willful breach of the provisions of any agreement with the Company with respect to confidentiality, ownership of documents, non-competition or non-solicitation) that is materially economically injurious to the Company or its affiliates. For purposes of this paragraph, no act, or failure to act, by the Employee will be considered “willful” unless committed in bad faith and without a reasonable belief that the act or omission was in the best interests of the Company.

“Disability” means if, as a result of the Employee’s incapacity due to physical or mental illness, the Employee shall have been substantially unable to perform his duties for a continuous period of 180 days, and within 30 days after written notice of termination is given after such 180-day period, the Employee shall not have returned to the substantial performance of his duties on a full-time basis, the employment of the Employee is terminated by the Company.

“Good Reason” means (a) a reduction by the Company in the Employee’s base salary, (b) a material diminution in the Employee’s position, authority, duties or responsibilities, (c) a relocation of the Employee’s location of employment to a location outside of the Washington D.C. metropolitan area, or (d) the Company’s material breach of the Agreement, provided, in each case, that the Employee terminates employment within 90 days after the Employee has actual knowledge of the occurrence, without the written consent of the Employee, of one of the foregoing events that has not been cured within 30 days after written notice thereof has been given by the Employee to the Company setting forth in reasonable detail the basis of the event (provided such notice must be given to the Company within 30 days of the Employee becoming aware of such condition).

“Retirement” means the termination of employment of the Employee after the Employee has met all of the following conditions: (a) the Employee has attained at least age 50, (b) the Employee has completed at least ten (10) years of service with the Company and its affiliates (including any predecessors thereto), (c) the sum of his or her age and years of service with the Company and its affiliates (including any predecessors thereto) equals or exceeds seventy (70) and (d) the Employee has provided at least six (6) months’ notice of his or her termination of employment to the Company or its applicable affiliate.

5. Certificates. Each certificate, if any, issued in respect of the Restricted LTIP Units awarded under this Restricted LTIP Unit Agreement shall be registered in the Employee’s name and held by the Company until the expiration of the applicable Vesting Period. If certificates representing the LTIP Units are issued by the Partnership, at the expiration of each Vesting Period, the Company shall deliver to the Employee (or, if applicable, to the Employee’s legal representatives, beneficiaries or heirs) certificates representing the number of LTIP Units that vested upon the expiration of such Vesting Period. The Employee agrees that any resale of the LTIP Units received upon the expiration of the applicable Vesting Period (or Shares) received upon redemption of or in exchange for LTIP Units or Common Partnership Units of the Partnership into which LTIP Units may have been converted) shall not occur during the “blackout periods” forbidding sales of Company securities, as set forth in the then-applicable Company employee manual or insider trading policy. In addition, any resale shall be made in compliance with the registration requirements of the Securities Act of 1933, as amended (the “Securities Act”), or an applicable exemption therefrom, including, without limitation, the exemption provided by Rule 144 promulgated thereunder (or any successor rule).

6. Tax Withholding. The Company or its applicable affiliate has the right, to the extent applicable, to withhold from cash compensation payable to the Employee all applicable income and employment taxes due and owing at the time the applicable portion of the Restricted LTIP Units becomes includible in the Employee’s income (the “Withholding Amount”), and/or to delay delivery of Restricted LTIP Units until appropriate arrangements have been made for payment of such withholding. In the alternative, the Company has the right to retain and cancel, or sell or otherwise dispose of, such number of Restricted LTIP Units as have a market value (determined as of the date the applicable LTIP Units vest) approximately equal to the Withholding Amount, with any excess proceeds being paid to Employee.

7. Certain Adjustments. The LTIP Units shall be subject to adjustment as provided in the Partnership Agreement, and except as otherwise provided therein, if (a) the Company shall at any time be involved in a merger, consolidation, dissolution, liquidation, reorganization, exchange of shares, sale of all or substantially all of the assets or stock of the Company, spin-off of a Subsidiary, business unit or other transaction similar thereto, (b) any stock dividend, stock split, reverse stock split, stock combination, reclassification, recapitalization, significant repurchases of stock, or other similar change in the capital structure of the Company, or any extraordinary dividend or other distribution to holders of Shares or Common Partnership Units other than regular dividends shall occur, or (c) any other event shall occur that in each case in the good faith judgment of the Compensation Committee of the Board (the "Committee") necessitates action by way of appropriate equitable adjustment in the terms of this Restricted LTIP Unit Agreement, the Plan or the LTIP Units, then the Committee shall take such action as it deems necessary to maintain the Employee's rights hereunder so that they are substantially proportionate to the rights existing under this Agreement and the terms of the LTIP Units prior to such event, including, without limitation: (i) adjustments in the LTIP Units; and (ii) substitution of other awards under the Plan or otherwise. In the event of any change in the outstanding Shares (or corresponding change in the Conversion Factor applicable to Common Partnership Units of the Partnership) by reason of any share dividend or split, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other corporate change, or any distribution to common shareholders of the Company other than regular dividends, any Common Partnership Units, shares or other securities received by the Employee with respect to the applicable Restricted LTIP Units for which the Vesting Period shall not have expired will be subject to the same restrictions as the Restricted LTIP Units with respect to an equivalent number of shares or securities and shall be deposited with the Company.

8. No Right to Employment. Nothing herein contained shall affect the right of the Company or any affiliate to terminate the Employee's services, responsibilities and duties at any time for any reason whatsoever.

9. Notice. Any notice to be given to the Company shall be addressed to the General Counsel, JBG SMITH Properties, 4445 Willard Avenue, Suite 400, Chevy Chase, Maryland 20815, and any notice to be given the Employee shall be addressed to the Employee at the Employee's address as it appears on the employment records of the Company, or at such other address as the Company or the Employee may hereafter designate in writing to the other.

10. Governing Law. This Restricted LTIP Unit Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware, without references to principles of conflict of laws.

11. Successors and Assigns. This Restricted LTIP Unit Agreement shall be binding upon and inure to the benefit of the parties hereto and any successors to the Company and any successors to the Employee by will or the laws of descent and distribution, but this Restricted LTIP Unit Agreement shall not otherwise be assignable or otherwise subject to hypothecation by the Employee.

12. Transfer; Redemption. None of the LTIP Units shall be sold, assigned, transferred, pledged or otherwise disposed of or encumbered (whether voluntarily or involuntarily or by judgment, levy, attachment, garnishment or other legal or equitable proceeding) (each such action, a "Transfer"), or redeemed in accordance with the Partnership Agreement (a) prior to vesting and (b) unless such Transfer is in compliance with all applicable securities laws (including, without limitation, the Securities Act), and such Transfer is in accordance with the applicable terms and conditions of the Partnership Agreement. Any attempted Transfer of LTIP Units not in accordance with the terms and conditions of this Section 12 shall be null and void, and the Partnership shall not reflect on its records any change in record ownership of any LTIP Units as a result of any such Transfer, and shall otherwise refuse to recognize any such Transfer.

13. Severability. If, for any reason, any provision of this Restricted LTIP Unit Agreement is held invalid, such invalidity shall not affect any other provision of this Restricted LTIP Unit Agreement not so held invalid, and each such other provision shall to the full extent consistent with law continue in full force and effect. If any provision of this Restricted LTIP Unit Agreement shall be held invalid in part, such invalidity shall in no way affect the rest of such provision not held so invalid, and the rest of such provision, together with all other provisions of this Restricted LTIP Unit Agreement, shall to the full extent consistent with law continue in full force and effect.

14. Headings. The headings of paragraphs hereof are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Restricted LTIP Unit Agreement.

15. Counterparts. This Restricted LTIP Unit Agreement may be executed in multiple counterparts with the same effect as if each of the signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

16. Miscellaneous. This Restricted LTIP Unit Agreement may not be amended except in writing signed by the Company and the Employee. Notwithstanding the foregoing, this Restricted LTIP Unit Agreement may be amended in writing signed only by the Company to: (a) correct any errors or ambiguities in this Restricted LTIP Unit Agreement; and/or (b) to make such changes that do not materially adversely affect the Employee's rights hereunder. This grant shall in no way affect the Employee's participation or benefits under any other plan or benefit program maintained or provided by the Company. In the event of a conflict between this Restricted LTIP Unit Agreement and the Plan, the Plan shall govern.

17. Conflict With Employment Agreement. If (and only if) the Employee and the Company or its affiliates have entered into an employment agreement, in the event of any conflict between any of the provisions of this Agreement and any such employment agreement, the provisions of such employment agreement will govern. As further provided in Section 8, nothing herein shall imply that any employment agreement exists between the Employee and the Company or its affiliates.

18. Status as a Partner. As of the Grant Date, the Employee shall be admitted as a partner of the Partnership with beneficial ownership of the number of LTIP Units issued to the Employee as of such date pursuant to this Restricted LTIP Unit Agreement by: (A) signing and delivering to the Partnership a copy of this Agreement; and (B) signing, as a Limited Partner, and delivering to the Partnership a counterpart signature page to the Partnership Agreement (attached hereto as Exhibit A).

19. Status of LTIP Units under the Plan. The LTIP Units are both issued as equity securities of the Partnership and granted as awards under the Plan. The Company will have the right at its option, as set forth in the Partnership Agreement, to issue Shares in exchange for Common Partnership Units into which LTIP Units may have been converted pursuant to the Partnership Agreement, subject to certain limitations set forth in the Partnership Agreement, and such Shares, if issued, will be issued under the Plan. The Employee must be eligible to receive the LTIP Units in compliance with applicable federal and state securities laws and to that effect is required to complete, execute and deliver certain covenants, representations and warranties (attached as Exhibit B). The Employee acknowledges that the Employee will have no right to approve or disapprove such determination by the Company.

20. Investment Representations; Registration. The Employee hereby makes the covenants, representations and warranties as set forth on Exhibit B attached hereto. All of such covenants, warranties and representations shall survive the execution and delivery of this Restricted LTIP Unit Agreement by the Employee. The Partnership will have no obligation to register under the Securities Act any LTIP Units or any other securities issued pursuant to this Restricted LTIP Unit Agreement or upon conversion or exchange of LTIP Units.

21. Section 83(b) Election. In connection with this Restricted LTIP Unit Agreement, the Employee hereby agrees to make an election to include in gross income in the year of transfer the fair market value of the applicable LTIP Units over the amount paid for them pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, substantially in the form attached hereto as Exhibit C and to supply the necessary information in accordance with the regulations promulgated thereunder.

22. Acknowledgement. The Employee hereby acknowledges and agrees that this Restricted LTIP Unit Agreement and the LTIP Units issued hereunder shall constitute satisfaction in full of all obligations of the Company and the Partnership, if any, to grant to the Employee LTIP Units pursuant to the terms of any written employment agreement or letter or other written offer or description of employment with the Company and/or the Partnership executed prior to or coincident with the date hereof.

[signature page follows]

IN WITNESS WHEREOF, this Restricted LTIP Unit Agreement has been executed by the parties hereto as of the date and year first above written.

JBG SMITH Properties

By: _____
Name:
Title:

JBG SMITH Properties LP

By: _____
Name:
Title:

EMPLOYEE

Name: _____

EXHIBIT A

FORM OF LIMITED PARTNER SIGNATURE PAGE

The Employee, desiring to become one of the within named Limited Partners of JBG SMITH Properties LP, hereby accepts all of the terms and conditions of (including, without limitation, the provisions related to powers of attorney), and becomes a party to, the Limited Partnership Agreement, dated as of July 17, 2017, of JBG SMITH Properties LP, as amended (the "Partnership Agreement"). The Employee agrees that this signature page may be attached to any counterpart of the Partnership Agreement and further agrees as follows (where the term "Limited Partner" refers to the Employee): Capitalized terms used but not defined herein have the meaning ascribed thereto in the Partnership Agreement.

1. The Limited Partner hereby confirms that it has reviewed the terms of the Partnership Agreement and affirms and agrees that it is bound by each of the terms and conditions of the Partnership Agreement, including, without limitation, the provisions thereof relating to limitations and restrictions on the transfer of Partnership Units.

2. The Limited Partner hereby confirms that it is acquiring the Partnership Units for its own account as principal, for investment and not with a view to resale or distribution, and that the Partnership Units may not be transferred or otherwise disposed of by the Limited Partner otherwise than in a transaction pursuant to a registration statement filed by the Partnership (which it has no obligation to file) or that is exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), and all applicable state and foreign securities laws, and the General Partner may refuse to transfer any Partnership Units as to which evidence of such registration or exemption from registration satisfactory to the General Partner is not provided to it, which evidence may include the requirement of a legal opinion regarding the exemption from such registration. If the General Partner delivers to the Limited Partner common Shares of beneficial interest of the General Partner ("Common Shares") upon redemption of any Partnership Units, the Common Shares will be acquired for the Limited Partner's own account as principal, for investment and not with a view to resale or distribution, and the Common Shares may not be transferred or otherwise disposed of by the Limited Partner otherwise than in a transaction pursuant to a registration statement filed by the General Partner with respect to such Common Shares (which it has no obligation under the Partnership Agreement to file) or that is exempt from the registration requirements of the Securities Act and all applicable state and foreign securities laws, and the General Partner may refuse to transfer any Common Shares as to which evidence of such registration or exemption from such registration satisfactory to the General Partner is not provided to it, which evidence may include the requirement of a legal opinion regarding the exemption from such registration.

3. The Limited Partner hereby affirms that it has appointed the General Partner, any Liquidator and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead, in accordance with Section 2.4 of the Partnership Agreement, which section is hereby incorporated by reference. The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and not be affected by the death, incompetency, dissolution, disability, incapacity, bankruptcy or termination of the Limited Partner and shall extend to the Limited Partner's heirs, executors, administrators, legal representatives, successors and assigns.

4. The Limited Partner hereby confirms that, notwithstanding any provisions of the Partnership Agreement to the contrary, the LTIP Units shall not be redeemable by the Limited Partner pursuant to Section 8.6 of the Partnership Agreement.

5. (a) The Limited Partner hereby irrevocably consents in advance to any amendment to the Partnership Agreement, as may be recommended by the General Partner, intended to avoid the Partnership being treated as a publicly-traded partnership within the meaning of Section 7704 of the Internal Revenue Code, including, without limitation, (x) any amendment to the provisions of Section 8.6 of the Partnership Agreement intended to increase the waiting period between the delivery of a Notice of Redemption and the Specified Redemption Date and/or the Valuation Date to up to sixty (60) days or (y) any other amendment to the Partnership Agreement intended to make the redemption and transfer provisions, with respect to certain redemptions and transfers, more similar to the provisions described in Treasury Regulations Section 1.7704-1(f).

(b) The Limited Partner hereby appoints the General Partner, any Liquidator and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead, to execute and deliver any amendment referred to in the foregoing paragraph 5(a) on the Limited Partner's behalf. The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and not be affected by the death, incompetency, dissolution, disability, incapacity, bankruptcy or termination of the Limited Partner and shall extend to the Limited Partner's heirs, executors, administrators, legal representatives, successors and assigns.

6. The Limited Partner agrees that it will not transfer any interest in the Partnership Units (x) through (i) a national, non-U.S., regional, local or other securities exchange, (ii) PORTAL or (iii) an over-the-counter market (including an interdealer quotation system that regularly disseminates firm buy or sell quotations by identified brokers or dealers by electronic means or otherwise) or (y) to or through (a) a person, such as a broker or dealer, that makes a market in, or regularly quotes prices for, interests in the Partnership, (b) a person that regularly makes available to the public (including customers or subscribers) bid or offer quotes with respect to any interests in the Partnership and stands ready to effect transactions at the quoted prices for itself or on behalf of others or (c) another readily available, regular and ongoing opportunity to sell or exchange the interest through a public means of obtaining or providing information of offers to buy, sell or exchange the interest.

7. The Limited Partner acknowledges that the General Partner shall be a third-party beneficiary of the representations, covenants and agreements set forth in Sections 4 and 6 hereof. The Limited Partner agrees that it will transfer, whether by assignment or otherwise, Partnership Units only to the General Partner or to transferees that provide the Partnership and the General Partner with the representations and covenants set forth in Sections 4 and 6 hereof.

8. This acceptance shall be construed and enforced in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

Signature Line for Limited Partner:

Name:

Date:

January [], 2020

Address of Limited Partner:

EXHIBIT B

EMPLOYEE'S COVENANTS, REPRESENTATIONS AND WARRANTIES

The Employee hereby represents, warrants and covenants as follows:

(a) The Employee has received and had an opportunity to review the following documents (the "Background Documents"):

- (i) The Company's latest information statement filed with the Securities and Exchange Commission relating to the transactions contemplated by the Master Transaction Agreement (the "Transaction Agreement") dated as of October 31, 2016 between Vornado Realty Trust and Vornado Realty L.P., JBG Properties Inc., a Maryland corporation and JBG/Operating Partners, L.P., a Delaware limited partnership, together with certain JBG entities, and JBG SMITH Properties and JBG SMITH Properties LP;
- (ii) Each of the Quarterly Report(s) on Form 10-Q of the Company;
- (iii) Each of the Current Report(s) on Form 8-K of the Company and the Partnership, if any, filed since the beginning of the current fiscal year;
- (iv) The Partnership Agreement; and
- (v) The Plan.

The Employee also acknowledges that any delivery of the Background Documents and other information relating to the Company and the Partnership prior to the determination by the Partnership of the suitability of the Employee as a holder of LTIP Units shall not constitute an offer of LTIP Units until such determination of suitability shall be made.

(b) The Employee hereby represents and warrants that:

(i) The Employee either (A) is an "accredited investor" as defined in Rule 501(a) under the Securities Act of 1933, as amended (the "Securities Act"), or (B) by reason of the business and financial experience of the Employee, together with the business and financial experience of those persons, if any, retained by the Employee to represent or advise him with respect to the grant to him of LTIP Units, the potential conversion of LTIP Units into Common Partnership Units of the Partnership ("Common Units") and the potential redemption of such Common Units for the Company's common Shares ("REIT Shares"), has such knowledge, sophistication and experience in financial and business matters and in making investment decisions of this type that the Employee (I) is capable of evaluating the merits and risks of an investment in the Partnership and potential investment in the Company and of making an informed investment decision, (II) is capable of protecting his own interest or has engaged representatives or advisors to assist him in protecting his interests, and (III) is capable of bearing the economic risk of such investment.

(ii) The Employee understands that (A) the Employee is responsible for consulting his own tax advisors with respect to the application of the U.S. federal income tax laws, and the tax laws of any state, local or other taxing jurisdiction to which the Employee is or by reason of the award of LTIP Units may become subject, to his particular situation; (B) the Employee has not received or relied upon business or tax advice from the Company, the Partnership or any of their respective employees, agents, consultants or advisors, in their capacity as such; (C) the Employee provides services to the Partnership on a regular basis and in such capacity has access to such information, and has such experience of and involvement in the business and operations of the Partnership, as the Employee believes to be necessary and appropriate to make an informed decision to accept this award of LTIP Units; and (D) an investment in the Partnership and/or the Company involves substantial risks. The Employee has been given the opportunity to make a thorough investigation of matters relevant to the LTIP Units and has been furnished with, and has reviewed and understands, materials relating to the Partnership and the Company and their respective activities (including, but not limited to, the Background Documents). The Employee has been afforded the opportunity to obtain any additional information (including any exhibits to the Background Documents) deemed necessary by the Employee to verify the accuracy of information conveyed to the Employee. The Employee confirms that all documents, records, and books pertaining to his receipt of LTIP Units which were requested by the Employee have been made available or delivered to the Employee. The Employee has had an opportunity to ask questions of and receive answers from the Partnership and the Company, or from a person or persons acting on their behalf, concerning the terms and conditions of the LTIP Units. **The Employee has relied upon, and is making its decision solely upon, the Background Documents and other written information provided to the Employee by the Partnership or the Company.**

(iii) The LTIP Units to be issued, the Common Units issuable upon conversion of the LTIP Units and any REIT Shares issued in connection with the redemption of any such Common Units will be acquired for the account of the Employee for investment only and not with a current view to, or with any intention of, a distribution or resale thereof, in whole or in part, or the grant of any participation therein, without prejudice, however, to the Employee's right (subject to the terms of the LTIP Units, the Plan and this Agreement) at all times to sell or otherwise

dispose of all or any part of his LTIP Units, Common Units or REIT Shares in compliance with the Securities Act, and applicable state securities laws, and subject, nevertheless, to the disposition of his assets being at all times within his control.

(iv) The Employee acknowledges that (A) neither the LTIP Units to be issued, nor the Common Units issuable upon conversion of the LTIP Units, have been registered under the Securities Act or state securities laws by reason of a specific exemption or exemptions from registration under the Securities Act and applicable state securities laws and, if such LTIP Units or Common Units are represented by certificates, such certificates will bear a legend to such effect, (B) the reliance by the Partnership and the Company on such exemptions is predicated in part on the accuracy and completeness of the representations and warranties of the Employee contained herein, (C) such LTIP Units or Common Units, therefore, cannot be resold unless registered under the Securities Act and applicable state securities laws, or unless an exemption from registration is available, (D) there is no public market for such LTIP Units and Common Units and (E) neither the Partnership nor the Company has any obligation or intention to register such LTIP Units or the Common Units issuable upon conversion of the LTIP Units under the Securities Act or any state securities laws or to take any action that would make available any exemption from the registration requirements of such laws, except that, upon the redemption of the Common Units for REIT Shares, the Company may issue such REIT Shares under the Plan and pursuant to a Registration Statement on Form S-8 under the Securities Act, to the extent that (I) the Employee is eligible to receive such REIT Shares under the Plan at the time of such issuance, (II) the Company has filed a Form S-8 Registration Statement with the Securities and Exchange Commission registering the issuance of such REIT Shares and (III) such Form S-8 is effective at the time of the issuance of such REIT Shares. The Employee hereby acknowledges that because of the restrictions on transfer or assignment of such LTIP Units acquired hereby and the Common Units issuable upon conversion of the LTIP Units which are set forth in the Partnership Agreement or this Agreement, the Employee may have to bear the economic risk of his ownership of the LTIP Units acquired hereby and the Common Units issuable upon conversion of the LTIP Units for an indefinite period of time.

(v) The Employee has determined that the LTIP Units are a suitable investment for the Employee.

(vi) No representations or warranties have been made to the Employee by the Partnership or the Company, or any officer, director, shareholder, agent or affiliate of any of them, and the Employee has received no information relating to an investment in the Partnership or the LTIP Units except the information specified in paragraph (a) above.

(c) So long as the Employee holds any LTIP Units, the Employee shall disclose to the Partnership in writing such information as may be reasonably requested with respect to ownership of LTIP Units as the Partnership may deem reasonably necessary to ascertain and to establish compliance with provisions of the Code applicable to the Partnership or to comply with requirements of any other appropriate taxing authority.

(d) The Employee hereby agrees to make an election under Section 83(b) of the Code with respect to the LTIP Units awarded hereunder, and has delivered with this Agreement a completed, executed copy of the election form attached hereto as Exhibit C. The Employee agrees to file the election (or to permit the Partnership to file such election on the Employee's behalf) within thirty (30) days after the award of the LTIP Units hereunder with the IRS Service Center at which such Employee files his personal income tax returns.

(e) The address set forth on the signature page of this Agreement is the address of the Employee's principal residence, and the Employee has no present intention of becoming a resident of any country, state or jurisdiction other than the country and state in which such residence is sited.

EXHIBIT C

ELECTION TO INCLUDE IN GROSS INCOME IN YEAR OF TRANSFER OF PROPERTY PURSUANT TO SECTION 83(B) OF THE INTERNAL REVENUE CODE

The undersigned hereby makes an election pursuant to Section 83(b) of the Internal Revenue Code with respect to the property described below and supplies the following information in accordance with the regulations promulgated thereunder:

1. The name, address and taxpayer identification number of the undersigned are:

Name: Employee Name (the "Taxpayer")

Address:

Social Security No./Taxpayer Identification No.:
2. Description of property with respect to which the election is being made:

The election is being made with respect to LTIP Units in JBG SMITH Properties LP (the "Partnership").
3. The date on which the LTIP Units were transferred is January [], 2020. The taxable year to which this election relates is calendar year 2020.
4. Nature of restrictions to which the LTIP Units are subject:
 - (a) With limited exceptions, until the LTIP Units vest, the Taxpayer may not transfer in any manner any portion of the LTIP Units without the consent of the Partnership.
 - (b) The Taxpayer's LTIP Units vest in accordance with the vesting provisions described in the Schedule attached hereto. Unvested LTIP Units are forfeited in accordance with the vesting provisions described in the Schedule attached hereto.
5. The fair market value at time of transfer (determined without regard to any restrictions other than a nonlapse restriction as defined in Treasury Regulations Section 1.83-3(h)) of the LTIP Units with respect to which this election is being made was \$0 per LTIP Unit.
6. The amount paid by the Taxpayer for the LTIP Units was \$0 per LTIP Unit.
7. A copy of this statement has been furnished to the Partnership and JBG SMITH Properties.

Dated: _____

Name:

SCHEDULE TO EXHIBIT C

Vesting Provisions of LTIP Units

The LTIP Units are subject to time-based vesting with 25% vesting on each of January 1, 2021, January 1, 2022, January 1, 2023 and January 1, 2024, provided that the Taxpayer remains an employee of JBG SMITH Properties or its affiliate through such dates, subject to acceleration in the event of certain extraordinary transactions or termination of the Taxpayer's service relationship with JBG SMITH Properties (or its affiliate) under specified circumstances. Unvested LTIP Units are subject to forfeiture in the event of failure to vest based on the passage of time and continued employment.

JBG SMITH Properties, a Maryland real estate
investment trust

By: _____

Name:

Title:

Employee

SCHEDULE A TO RESTRICTED LTIP UNIT AGREEMENT

(Terms being defined are in quotation marks.)

Date of Restricted LTIP Unit Agreement:

Name of Employee:

Number of LTIP Units Subject to Grant:

“Grant Date”:

“Vesting Amount”:

[Insert 25% of the total number of LTIP Units subject to grant.]

“Vesting Date” (or if such date is not a business day, on the next succeeding business day):

January 1, 2021, January 1, 2022, January 1, 2023,
January 1, 2024

**FORM OF JBG SMITH PROPERTIES
2017 OMNIBUS SHARE PLAN
PERFORMANCE LTIP UNIT AGREEMENT**

Name of Employee: _____ (the “Employee”)

No. of LTIP Units Awarded: _____

Grant Date: January [], 2020

RECITALS

A. The Employee is an employee of JBG SMITH Properties, a Maryland real estate investment trust (the “Company”) and provides services to JBG SMITH Properties LP, a Delaware limited partnership, through which the Company conducts substantially all of its operations (the “Partnership”).

B. In accordance with the JBG SMITH Properties 2017 Omnibus Share Plan, as it may be amended from time to time (the “Plan”), the Company desires, in connection with the employment of the Employee, to provide the Employee with an opportunity to acquire LTIP Units (as defined in the agreement of limited partnership of the Partnership, as amended (the “Partnership Agreement”)) having the rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption and conversion set forth herein in the plan and in the Partnership Agreement, and thereby provide additional incentive for the Employee to promote the progress and success of the business of the Company, the Partnership and its Subsidiaries. Upon the close of business on the Grant Date pursuant to this Performance LTIP Unit Agreement (this “Agreement”), the Employee shall receive the number of LTIP Units specified above (the “Award LTIP Units”), subject to the restrictions and conditions set forth herein, in the Plan and in the Partnership Agreement.

C. The exact number of LTIP Units earned under this award of OP Units (the “Award”) shall be determined following the conclusion of the Performance Period (or the Extended Performance Period, if applicable) based on the Company’s Total Shareholder Return and Relative Performance during the Performance Period (and on the Company’s Total Shareholder Return during the Extended Performance Period, if applicable) as provided herein. Any LTIP Units not earned following the conclusion of the Performance Period (or Extended Performance Period, if applicable) will be forfeited and any additional LTIP Units owed to the Employee shall be issued as soon as reasonably practical following the end of the Performance Period.

NOW, THEREFORE, the Company, the Partnership and the Employee agree as follows:

1. Definitions. Capitalized terms used herein without definitions shall have the meanings given to those terms in the Plan. In addition, as used herein:

“Baseline Value” for each of the Company and the Peer Companies means the dollar amount representing the average of the Fair Market Value of one share of common stock of such company over the five consecutive trading days ending on, and including, the Effective Date.

“Cause” means, if not otherwise defined in the Employee’s Service Agreement, if any, the Employee’s: (i) conviction of, or plea of guilty or nolo contendere to, a felony, (ii) willful and continued failure to use reasonable best efforts to substantially perform his duties (other than such failure resulting from the Employee’s incapacity due to physical or mental illness) that the Employee fails to remedy within 30 days after written notice is delivered by the Company to the Employee that specifically identifies in reasonable detail the manner in which the Company believes the Employee has not used reasonable efforts to perform in all material respects his duties hereunder, or (iii) willful misconduct (including, but not limited to, a willful breach of the provisions of any agreement with the Company with respect to confidentiality, ownership of documents, non-competition or non-solicitation) that is materially economically injurious to the Company or its affiliates. For purposes of this paragraph, no act, or failure to act, by the Employee will be considered “willful” unless committed in bad faith and without a reasonable belief that the act or omission was in the best interests of the Company.

“Common Share Price” means, with respect to the Company and each of the Peer Companies, as of a particular date, the average of the Fair Market Value of one share of common stock of such company over the 30 consecutive trading days ending on, and including, such date (or, if such date is not a trading day, the most recent trading day immediately preceding such date)? provided, however, that if such date is the date upon which a Transactional Change of Control occurs, the Common Share Price of a share of common stock as of such date shall be equal to the fair value, as determined by the Committee, of the total consideration paid or payable in the transaction resulting in the Transactional Change of Control for one Share.

“Common Units” means Common Partnership Units issued by the Partnership.

“Continuous Service” means the continuous service to the Employer, without interruption or termination, in any capacity of employee, or, with the written consent of the Committee, consultant. Continuous Service shall not be considered interrupted in the case of: (a) any approved leave of absence? (b) transfers among the Employers, or any successor in any capacity of employee, or with the written consent of the Committee, as a member of the Board or a consultant? or (c) any change in status as long as the individual remains in the service of the Employer in any capacity of employee or (if the Committee specifically agrees in writing that the Continuous Service is not uninterrupted) as a member of the Board or a consultant. An approved leave of absence shall include sick leave, military leave, or any other authorized personal leave.

“Disability” means, if not otherwise defined in the Employee’s Service Agreement, if any, if, as a result of the Employee’s incapacity due to physical or mental illness, the Employee shall have been substantially unable to perform his duties for a continuous period of 180 days, and within 30 days after written notice of termination is given after such 180-day period, the Employee shall not have returned to the substantial performance of his duties on a full-time basis, the employment of the Employee is terminated by the Company.

“Distribution Participation Date” shall have the meaning set forth in the Partnership Agreement and in Section 6(b) hereof.

“Effective Date” means January 1, 2020.

“Employer” means either the Company, the Partnership or any of their Subsidiaries that employ the Employee.

“Extended Performance Period” means the seven-year period beginning the day after the last day of the Performance Period.

“Fair Market Value” of a security means, as of any given date, the closing sale price reported for such security on the principal stock exchange or, if applicable, any other national exchange on which the security is traded or admitted to trading on such date on which a sale was reported. If there are no market quotations for such date, the determination shall be made by reference to the last day preceding such date for which there are market quotations.

“Good Reason” means, if not otherwise defined in the Employee’s Service Agreement, if any, (a) a reduction by the Company in the Employee’s base salary, (b) a material diminution in the Employee’s position, authority, duties or responsibilities, (c) a relocation of the Employee’s location of employment to a location outside of the Washington D.C. metropolitan area, or (d) the Company’s material breach of the Agreement, provided, in each case, that the Employee terminates employment within 90 days after the Employee has actual knowledge of the occurrence, without the written consent of the Employee, of one of the foregoing events that has not been cured within 30 days after written notice thereof has been given by the Employee to the Company setting forth in reasonable detail the basis of the event (provided such notice must be given to the Company within 30 days of the Employee becoming aware of such condition).

“LTIP Unit Initial Sharing Percentage” shall have the meaning set forth in Section 6(c) hereof.

“Partial Service Factor” means a factor carried out to the sixth decimal to be used in calculating the number of LTIP Units earned pursuant to Section 3(c) hereof in the event of a Qualified Termination of the Employee’s Continuous Service prior to the Valuation Date, determined by dividing (a) the number of calendar days that have elapsed since the Effective Date to and including the date of the Employee’s Qualified Termination by (b) the number of calendar days from the Effective Date to and including the Valuation Date.

“Peer Companies” means the companies in the FTSE NAREIT Equity Office Index.

“Performance Period” means the period beginning on the Effective Date and ending on December 31, 2022.

“Relative Performance” means the Company’s Total Shareholder Return relative to the Total Shareholder Return of the Peer Companies expressed as a percentile calculated by dividing the number of such Peer Companies with a Total Shareholder Return less than the Company’s Total Shareholder Return by the total number of such Peer Companies.

“Retirement” means the termination of employment of the Employee after the Employee has met all of the following conditions: (a) the Employee has attained at least age 50, (b) the Employee has completed at least ten (10) years of service with the Company and its affiliates (including any predecessors thereto), (c) the sum of his or her age and years of service with the Company and its affiliates (including any predecessors thereto) equals or exceeds seventy (70) and (d) the Employee has provided at least six (6) months’ notice of his or her termination of employment to the Company or its applicable affiliate.

“Securities Act” means the Securities Act of 1933, as amended.

“Service Agreement” means, as of a particular date, any employment, consulting or similar service agreement then in effect between the Employee, on the one hand, and the Employer, on the other hand, as amended or supplemented through such date.

“Total Shareholder Return” means, for each of the Company and the Peer Companies, with respect any measurement period, the total return (expressed as a percentage) that would have been realized by a shareholder who (a) bought one share of common stock of such company at the Baseline Value on the Effective Date, (b) reinvested each dividend and other distribution declared during such measurement period with respect to such share (and any other shares, or fractions thereof, previously received upon reinvestment of dividends or other distributions or on account of stock dividends), without deduction for any taxes with respect to such dividends or other distributions or any charges in connection with such reinvestment, in additional Shares at a price per share equal to (i) the Fair Market Value on the trading day immediately preceding the ex-dividend date for such dividend or other distribution less (ii) the amount of such dividend or other distribution, and (c) sold such shares on the last day of the measurement period at the Common Share Price on such date, without deduction for any taxes with respect to any gain on such sale or any charges in connection with such sale. As set forth in, and pursuant to, Section 7 of this Agreement, appropriate adjustments to the Total Shareholder Return shall be made to take into account all stock dividends, stock splits, reverse stock splits and the other events set forth in Section 7 that occur during the measurement period.

“Transactional Change of Control” means a Change of Control resulting from any person or group making a tender offer for the Shares, a merger or consolidation where the Company is not the acquirer or surviving entity or consisting of a sale, lease, exchange or other transfer to an unrelated party of all or substantially all of the assets of the Company.

“Valuation Date” means the earlier of (a) the last day of the Performance Period, or (b) the date upon which a Change of Control shall occur.

2. Effectiveness of Award. The Employee shall be admitted as a partner of the Partnership with beneficial ownership of the Award LTIP Units as of the Grant Date by (i) signing and delivering to the Partnership a copy of this Agreement and (ii) signing, as a Limited Partner, and delivering to the Partnership a counterpart signature page to the Partnership Agreement (attached hereto as Exhibit A). Upon execution of this Agreement by the Employee, the Partnership and the Company, the books and records of the Partnership shall reflect the issuance to the Employee of the Award LTIP Units. Thereupon, the Employee shall have all the rights of a Limited Partner of the Partnership with respect to a number of LTIP Units equal to the Award LTIP Units, as set forth in the Partnership Agreement, subject, however, to the restrictions and conditions specified in Section 3 below.

3. Vesting and Earning of Award LTIP Units.

(a) This Award is subject to performance vesting during the Performance Period and service vesting thereafter tied to Continuous Service of the Employee for one year after the last day of the Performance Period. The Award LTIP Units will be subject to forfeiture based on the Company’s Total Shareholder Return and Relative Performance during the Performance Period, and Extended Performance Period, if applicable, as set forth in this Section 3, subject to Section 5 hereof in the event of a Change in Control.

(b) The number of Award LTIP Units earned will be determined based on the Total Shareholder Return for each of the Company and the Peer Companies as of the Valuation Date, as follows:

Relative Performance	Percentage of Award LTIP Units Earned
TSR equal to the 35 th percentile of Peer Companies	25%
TSR equal to the 55 th percentile of Peer Companies	50%
TSR equal to the 75 th percentile of Peer Companies	100%

The Award will be forfeited in its entirety if the Relative Performance is below the 35th percentile of Peer Companies or as provided in Section 3(e) hereof. If the Relative Performance is between the 35th percentile and 55th percentile of Peer Companies, or between the 55th percentile and 75th percentile of Peer Companies, the percentage of the Award LTIP Units earned will be determined using linear interpolation as between those tiers, respectively.

(c) As soon as practicable following the Valuation Date, the Committee shall:

(i) determine the number of LTIP Units earned by the Employee.

(ii) determine the number of additional LTIP Units that would have accumulated if the Employee had received all distributions paid by the Partnership with respect to earned LTIP Units determined pursuant to clause (i) (reduced by the distributions actually paid with respect to the Award LTIP Units) and such distributions had been invested in Common Units at a price equal to the fair market value of one Common Unit on the ex-dividend date (together with the earned LTIP Units determined pursuant to clause (i), the “Earned LTIP Unit Equivalent”). Notwithstanding the foregoing, the Committee retains the discretion to pay out the value of the distributions determined pursuant to the preceding sentence in cash. In that event, the Earned LTIP Unit Equivalent shall refer to the earned LTIP Units determined pursuant to clause (i) only.

If the Earned LTIP Unit Equivalent is smaller than the number of Award LTIP Units previously issued to the Employee, then the Employee, as of the Valuation Date, shall forfeit a number of Award LTIP Units equal to the difference without payment of any consideration by the Partnership? thereafter the term Award LTIP Units will refer only to the Award LTIP Units that were not so forfeited and neither the Employee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in the LTIP Units that were so forfeited. If the Earned LTIP Unit Equivalent is greater than the number of Award LTIP Units previously issued to the Employee, then, upon the performance of the calculations set forth in this Section 3(c): (A) the Company shall cause the Partnership to issue to the Employee, as of the Valuation Date, a number of additional LTIP Units equal to the difference? (B) such additional LTIP Units shall be added to the Award LTIP Units previously issued, if any, and thereby become part of this Award (provided that such additional LTIP Units shall be treated as being issued as of the date they are actually issued for purposes of determining their holding period under the Partnership Agreement)? (C) the Company and the Partnership shall take such corporate and partnership action as is necessary to accomplish the grant of such additional LTIP Units? and (D) thereafter the term Award LTIP Units will refer collectively to the Award LTIP Units, if any, issued prior to such additional grant plus such additional LTIP Units? provided that such issuance will be subject to the Employee confirming the truth and accuracy of the representations set forth in Section 13 hereof and executing and delivering such documents, comparable to the documents executed and delivered in connection with this Agreement, as the Company and/or the Partnership reasonably request in order to comply with all applicable legal requirements, including, without limitation, federal and state securities laws. If the Earned LTIP Unit Equivalent is the same as the number of Award LTIP Units previously issued to the Employee, then there will be no change to the number of Award LTIP Units under this Award pursuant to this Section 3.

(d) If any of the Award LTIP Units have been earned based on performance as provided in Section 3(b), subject to Section 3(e) and Section 4 hereof, the Earned LTIP Unit Equivalent shall become vested in the following amounts and at the following times, provided that the Continuous Service of the Employee continues through and on the applicable vesting date or the accelerated vesting date provided in Section 4 hereof, as applicable:

(i) 50 percent of the Earned LTIP Unit Equivalent shall become vested on the date the Committee determines the Earned LTIP Unit Equivalent?

(ii) 50 percent of the Earned LTIP Unit Equivalent shall become vested on the first anniversary of the Valuation Date.

(e)

(i) Notwithstanding any other provision in this Agreement, and subject to Section 5 hereof in the event of a Change of Control, if any of the Award LTIP Units have been earned based on Relative Performance as provided in Section 3(b) but the Company's Total Shareholder Return is 0% or less with respect to the Performance Period, then 50% of the Award LTIP Units determined pursuant to Sections 3(b) and 3(c) shall automatically and without notice be forfeited as of the Valuation Date. The remaining 50% of the Award LTIP Units determined pursuant to Sections 3(b) and 3(c) (the "Contingent Award LTIP Units") may become earned and vested only if the Company's Total Shareholder Return is positive within the Extended Performance Period. For purposes of the preceding sentence, the Company's Total Shareholder Return shall be measured at the end of each quarter during the Extended Performance Period, beginning with the first quarter following the end of the Performance Period, and it shall be measured on a cumulative basis from the beginning of the Performance Period through the end of each most recently completed quarter. If the Company's Total Shareholder Return is positive within the Extended Performance Period, then the Contingent Award LTIP Units shall become earned as soon as reasonably practicable, but no later than thirty (30) days, following the end of the first quarter during which the Company's Total Shareholder Return is positive (such date, the "Extended Valuation Date"). In addition, the Committee shall, on such Extended Valuation Date, determine the number of additional LTIP Units that would have accumulated if the Employee had received all distributions paid by the Partnership with respect to the Contingent Award LTIP Units (reduced by the distributions actually paid with respect to the Contingent Award LTIP Units) and such distributions had been invested in Common Units at a price equal to the fair market value of one Common Unit on the ex-dividend date, and such number of additional LTIP Units together with the Contingent Award LTIP Units shall be treated as the Award LTIPs for all purposes under this Agreement following the Extended Valuation Date. Notwithstanding the foregoing, the Committee retains the discretion to pay out the value of the distributions determined pursuant to the preceding sentence in cash, in which case the Award LTIP Units shall refer to the number of Contingent Award LTIP Units only following the Extended Valuation Date. Such Award LTIP Units shall become vested on the Extended Valuation Date.

(ii) If the Company's Total Shareholder Return is not positive within the Extended Performance Period, then notwithstanding Sections 3(b) and 3(c), the Award and the Contingent Award LTIP Units shall, without payment of any consideration by the Partnership, automatically and without notice be forfeited and be and become null and void as of the last day of the Extended Performance Period, and neither the Employee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in the Award or any Contingent Award LTIP Units.

(f) Any Award LTIP Units that do not become vested pursuant to Section 3(d), Section 3(e) or Section 4 hereof shall, without payment of any consideration by the Partnership, automatically and without notice be forfeited and be and become null and void, and neither the Employee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such unvested Award LTIP Units.

4. Termination of Employee's Service Relationship? Death and Disability

(a) If the Employee is a party to a Service Agreement that addresses treatment of the Award LTIP Units on a termination of employment and ceases to be an employee of the Company or any of its affiliates, the provisions of such Service Agreement that apply to the Award LTIP Unit will govern. If the Employee is not a party to a Service Agreement that addresses treatment of the Award LTIP Unit on a termination of employment, Sections 4(b) through 4(d) hereof shall govern the treatment of the Employee's Award LTIP Units exclusively. In the event an entity ceases to be a Subsidiary or affiliate of the Company or the Partnership, such action shall be deemed to be a termination of employment of all employees of that entity for purposes of this Agreement, provided that the Committee or the Board, in its sole and absolute discretion, may make provision in such circumstances for lapse of forfeiture restrictions and/or accelerated vesting of some or all of the Employee's remaining unvested Award LTIP Units that have not previously been forfeited, effective immediately prior to such event.

(b) Except as otherwise provided in any Service Agreement between the Employee and the Company or its affiliate, in the event of a termination of the Employee's Continuous Service by (A) the Employer without Cause after the first anniversary of the Grant Date, (B) the Employee for Good Reason after the first anniversary of the Grant Date, (C) the Employee's Retirement, (D) the Employee's death, or (E) the Employee's Disability, in each case prior to the Valuation Date (each, a "Qualified Termination"), the Employee will not forfeit the Award LTIP Units upon such termination, but the following provisions of this Section 4(b) shall modify the determination and vesting of the Earned LTIP Unit Equivalent for the Employee:

(i) the calculations provided in Section 3(c) hereof shall be performed as of the Valuation Date as if the Qualified Termination had not occurred?

(ii) other than in the case of the Employee's Retirement, the Earned LTIP Unit Equivalent calculated pursuant to Section 3(c) shall be multiplied by the Partial Service Factor (with the resulting number being rounded to the nearest whole LTIP Unit or, in the case of 0.5 of a unit, up to the next whole unit), and such adjusted number of LTIP Units shall be deemed the Employee's Earned LTIP Unit Equivalent for all purposes under this Agreement? and

(iii) the Employee's Earned LTIP Unit Equivalent, as adjusted pursuant to Section 4(b)(ii) above, as applicable, shall no longer be subject to forfeiture pursuant to Section 3(d) hereof but will be subject to Section 3(e) hereof? provided that, notwithstanding that the Continuous Service requirement pursuant to Section 3(d) hereof will not apply to the Employee after the effective date of a Qualified Termination, except in the case of death or Disability, the Employee will not have the right to Transfer (as defined in Section 23 hereof) his or her Award LTIP Units or request redemption of his or her Common Units under the Partnership Agreement until such dates as of which his or her Earned LTIP Unit Equivalent, as adjusted pursuant to Section 4(b)(ii) above, as applicable, would have become vested pursuant to Section 3(d), or become earned and vested pursuant to Section 3(e), if applicable, absent a Qualified Termination. For the avoidance of doubt, the purpose of this Section 4(b)(iii) is to prevent a situation where Employees who have had a Qualified Termination would be able to realize the value of their Award LTIP Units or Common Units (through Transfer or redemption) before other Employees whose Continuous Service continues through the applicable vesting dates set forth in Section 3(d) and Section 3(e) hereof.

(c) In the event of a Qualified Termination after the Valuation Date, all unvested Award LTIP Units that have not previously been forfeited pursuant to the calculations set forth in Section 3(c) hereof shall no longer be subject to forfeiture pursuant to Section 3(d) hereof but will be subject to Section 3(e) hereof? provided that, notwithstanding that no Continuous Service requirement pursuant to Section 3(d) hereof will apply to the Employee after the effective date of a Qualified Termination, except in the case of death or Disability, the Employee will not have the right to Transfer (as defined in Section 23 hereof) his or her Award LTIP Units or request redemption of his or her Common Units under the Partnership Agreement until such dates as of which his or her Earned LTIP Unit Equivalent would have become vested pursuant to Section 3(d) or become earned and vested pursuant to Section 3(e), if applicable, absent a Qualified Termination. For the avoidance of doubt, the purpose of this Section 4(c) is to prevent a situation where Employees who have had a Qualified Termination would be able to realize the value of their Award LTIP Units or Award Common Units (through Transfer or redemption) before other grantees of Earned LTIP awards whose Continuous Service continues through the applicable vesting dates set forth in Section 3(d) and Section 3(e) hereof.

(d) In the event of a termination of the Employee's Continuous Service other than a Qualified Termination, all Award LTIP Units except for those that, as of the date at such termination, both (i) have ceased to be subject to forfeiture pursuant to Sections 3(b) and (c) hereof and (ii) are vested pursuant to Section 3(d) or 3(e) hereof shall, without payment of any consideration by the Partnership, automatically and without notice terminate, be forfeited and be and become null and void, and neither the Employee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such Award LTIP Units.

5. Change in Control.

(a) If the Valuation Date occurs upon the date of a Change in Control, the provisions of Section 3 shall apply to determine the Earned LTIP Unit Equivalent except that (i) Section 3(e) shall not apply, such that Relative Performance alone shall determine the Earned LTIP Unit Equivalent, and (ii) if the Valuation Date occurs upon the date of a Change in Control on or before the first anniversary of the Effective Date, the Earned LTIP Unit Equivalent shall be prorated to reflect the portion of the Performance Period that had elapsed as of the date of such Change in Control. For the avoidance of doubt, if the Valuation Date occurs upon the date of a Change in Control after the first anniversary of the Effective Date, the Earned LTIP Unit Equivalent shall be determined as provided in the preceding sentence, but without proration of the Earned LTIP Unit Equivalent.

(b) The number of Earned LTIP Unit Equivalent determined under Section 3, as modified by Section 5(a), shall remain subject to vesting tied to Continuous Employment as provided in Section 3(d), except that the Employee shall become fully vested in the Earned LTIP Unit Equivalent if he is terminated without Cause or resigns for Good Reason within 18 months following the Change in Control.

(c) If the Change in Control occurs after the third anniversary of the Effective Date, and the Employee is terminated without Cause or resigns for Good Reason within 12 months following the Change in Control, the Employee shall become fully vested in any unvested portion of the Earned LTIP Unit Equivalent.

(d) Notwithstanding the foregoing, if the Earned LTIP Unit Equivalent does not remain outstanding after a Change in Control, then the Employee shall become fully vested in the Earned LTIP Unit Equivalent upon the consummation of the Change in Control.

6. Distribution Participation Date and LTIP Unit Initial Sharing Percentage.

(a) The holder of the Award LTIP Units shall be entitled to receive distributions and allocations with respect to such Award LTIP Units to the extent provided for in the Partnership Agreement, including Exhibit E thereof, as modified hereby.

(b) The Distribution Participation Date with respect to such Award LTIP Units shall be the Valuation Date or, to the extent the Award LTIP Units become earned and vested during the Extended Performance Period as set forth in Section

3(e), the Extended Valuation Date. Accordingly, for the avoidance of doubt, from the Grant Date until the Distribution Participation Date, the holder of the Award LTIP Units shall only be entitled to certain distributions and allocations described in, and pursuant to, Sections 2.A. and 3 of Exhibit E to the Partnership Agreement with respect to an Award LTIP Unit in an amount equal to the product of the LTIP Unit Initial Sharing Percentage for such Award LTIP Unit and the amount otherwise distributable or allocable with respect to such Award LTIP Unit.

(c) The LTIP Unit Initial Sharing Percentage shall be ten percent (10%). For the avoidance of doubt, after the Valuation Date (or, to the extent the Award LTIP Units become earned and vested during the Extended Performance Period as set forth in Section 3(e), the Extended Valuation Date), Award LTIP Units, both vested and (until and unless forfeited pursuant to Section 3(f) or Section 4(d)) unvested, shall be entitled to receive the same distributions payable with respect to Common Units if the payment date for such distributions is after the Distribution Participation Date, even though the record date for such distributions is before the Distribution Participation Date.

(d) All distributions paid with respect to Award LTIP Units, both before and after the Distribution Participation Date, shall be fully vested and non-forfeitable when paid, whether or not the underlying LTIP Units have been earned based on performance or have become vested based on the passage of time as provided in Section 3 or Section 4 hereof.

7. Certain Adjustments. The LTIP Units shall be subject to adjustment as provided in the Partnership Agreement, and except as otherwise provided therein, if (i) the Company shall at any time be involved in a merger, consolidation, dissolution, liquidation, reorganization, exchange of shares, sale of all or substantially all of the assets or stock of the Company, spin-off of a Subsidiary, business unit or other transaction similar thereto, (ii) any stock dividend, stock split, reverse stock split, stock combination, reclassification, recapitalization, significant repurchases of stock, or other similar change in the capital structure of the Company, or any extraordinary dividend or other distribution to holders of the Shares or Common Partnership Units other than regular dividends shall occur, or (iii) any other event shall occur that in each case in the good faith judgment of the Committee necessitates action by way of appropriate equitable adjustment in the terms of this Agreement, the Plan or the LTIP Units, then the Committee shall take such action as it deems necessary to maintain the Employee's rights hereunder so that they are substantially proportionate to the rights existing under this Agreement and the terms of the LTIP Units prior to such event, including, without limitation: (A) adjustments in the LTIP Units? and (B) substitution of other awards under the Plan or otherwise. In the event of any change in the outstanding Shares (or corresponding change in the Conversion Factor applicable to Common Partnership Units of the Partnership) by reason of any share dividend or split, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other corporate change, or any distribution to common shareholders of the Company other than regular dividends, any Common Partnership Units, shares or other securities received by the Employee with respect to the applicable Award LTIP Unit which have not been earned or still subject to a risk of forfeiture will be subject to the same restrictions as the Award LTIP Units with respect to an equivalent number of shares or securities and shall be deposited with the Company.

8. Incorporation of Plan? Interpretation by Administrator. This Agreement is subject to the terms, conditions, limitations and definitions contained in the Plan, to the extent not inconsistent with the terms of this Agreement. In the event of any discrepancy or inconsistency between this Agreement and the Plan, the terms and conditions of this Agreement shall control. The Administrator may make such rules and regulations and establish such procedures for the administration of this Agreement, which are consistent with the terms of this Agreement, as it deems appropriate.

9. Certificates? Legend Each certificate, if any, issued in respect of the Restricted LTIP Units awarded under this Agreement shall be registered in the Employee's name and held by the Company until the expiration of the applicable Vesting Period. If certificates representing the LTIP Units are issued by the Partnership, at the expiration of each Vesting Period, the Company shall deliver to the Employee (or, if applicable, to the Employee's legal representatives, beneficiaries or heirs) certificates representing the number of LTIP Units that vested upon the expiration of such Vesting Period. The records of the Partnership and any other documentation evidencing the Award LTIP Units shall bear an appropriate legend, as determined by the Partnership in its sole discretion, to the effect that such LTIP Units are subject to restrictions as set forth herein, in the Plan and in the Partnership Agreement.

10. Tax Withholding. The Company or its applicable affiliate (including the Partnership) has the right to withhold from cash compensation payable to the Employee all applicable income and employment taxes due and owing at the time the applicable portion of the Restricted LTIP Units becomes includible in the Employee's income (the "Withholding Amount"), and/or to delay delivery of Restricted LTIP Units until appropriate arrangements have been made for payment of such withholding. In the alternative, the Company has the right to retain and cancel, or sell or otherwise dispose of, such number of Restricted LTIP Units as have a market value (determined as of the date the applicable LTIP Units vest) approximately equal to the Withholding Amount, with any excess proceeds being paid to Employee.

11. Amendment? Modification This Agreement may only be modified or amended in a writing signed by the parties hereto, provided that the Employee acknowledges that the Plan may be amended or discontinued in accordance with the provisions thereof and that this Agreement may be amended or canceled by the Administrator, on behalf of the Company and

the Partnership, in each case for the purpose of satisfying changes in law or for any other lawful purpose, so long as no such action shall adversely affect the Employee's rights under this Agreement without the Employee's written consent. No promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, with respect to the subject matter hereof, have been made by the parties which are not set forth expressly in this Agreement. The failure of the Employee or the Company or the Partnership to insist upon strict compliance with any provision of this Agreement, or to assert any right the Employee or the Company or the Partnership, respectively, may have under this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

12. Complete Agreement. Other than as specifically stated herein or as otherwise set forth in any employment, change in control or other agreement or arrangement to which the Employee is a party which specifically refers to the Award LTIP Units or to the treatment of compensatory equity held by the Employee generally, this Agreement (together with those agreements and documents expressly referred to herein, for the purposes referred to herein) embody the complete and entire agreement and understanding between the parties with respect to the subject matter hereof, and supersede any and all prior promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, which may relate to the subject matter hereof in any way.

13. Investment Representation? Registration The Employee agrees that any resale of the LTIP Units received upon the expiration of the applicable Vesting Period (or the Shares) received upon redemption of or in exchange for LTIP Units or Common Units of the Partnership into which LTIP Units may have been converted) shall not occur during the "blackout periods" forbidding sales of Company securities, as set forth in the then-applicable Company employee manual or insider trading policy. In addition, any resale shall be made in compliance with the registration requirements of the Securities Act, or an applicable exemption therefrom, including, without limitation, the exemption provided by Rule 144 promulgated thereunder (or any successor rule). The Employee hereby makes the covenants, representations and warranties set forth on Exhibit B attached hereto as of the Grant Date. All of such covenants, warranties and representations shall survive the execution and delivery of this Agreement by the Employee. The Employee shall promptly notify the Partnership upon discovering that any of the representations or warranties set forth on Exhibit B was false when made or have, as a result of changes in circumstances, become false. The Partnership will have no obligation to register under the Securities Act any of the Award LTIP Units or any other securities issued pursuant to this Agreement or upon conversion or exchange of the Award LTIP Units into other limited partnership interests of the Partnership.

14. No Right to Employment. Nothing herein contained shall affect the right of the Company or any affiliate to terminate the Employee's services, responsibilities and duties at any time for any reason whatsoever.

15. No Limit on Other Compensation Arrangements. Nothing contained in this Agreement shall preclude the Company from adopting or continuing in effect other or additional compensation plans, agreements or arrangements, and any such plans, agreements and arrangements may be either generally applicable or applicable only in specific cases or to specific persons.

16. Status of Award LTIP Units under the Plan. The Award LTIP Units are both issued as equity securities of the Partnership and granted as "Awards" under the Plan. The Company will have the right at its option, as set forth in the Partnership Agreement, to issue Shares in exchange for partnership units into which Award LTIP Units may have been converted pursuant to the Partnership Agreement, subject to certain limitations set forth in the Partnership Agreement, and such Shares, if issued, will be issued under the Plan. The Employee must be eligible to receive the LTIP Units in compliance with applicable federal and state securities laws and to that effect is required to complete, execute and deliver certain covenants, representations and warranties (attached as Exhibit B). The Employee acknowledges that the Employee will have no right to approve or disapprove such determination by the Company.

17. Severability. If, for any reason, any provision of this Agreement is held invalid, such invalidity shall not affect any other provision of this Agreement not so held invalid, and each such other provision shall to the full extent consistent with law continue in full force and effect. If any provision of this Agreement shall be held invalid in part, such invalidity shall in no way affect the rest of such provision not held so invalid, and the rest of such provision, together with all other provisions of this Agreement, shall to the full extent consistent with law continue in full force and effect.

18. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws.

19. Headings. The headings of paragraphs hereof are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

20. Notices. Any notice to be given to the Company shall be addressed to the General Counsel, JBG SMITH Properties, 4445 Willard Avenue, Suite 400, Chevy Chase, Maryland 20815, and any notice to be given the Employee shall be

addressed to the Employee at the Employee's address as it appears on the employment records of the Company, or at such other address as the Company or the Employee may hereafter designate in writing to the other.

21. Counterparts. This Agreement may be executed in multiple counterparts with the same effect as if each of the signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

22. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and any successors to the Company and any successors to the Employee by will or the laws of descent and distribution, but this Agreement shall not otherwise be assignable or otherwise subject to hypothecation by the Employee.

23. Transfer; Redemption. None of the LTIP Units shall be sold, assigned, transferred, pledged or otherwise disposed of or encumbered (whether voluntarily or involuntarily or by judgment, levy, attachment, garnishment or other legal or equitable proceeding) (each such action, a "Transfer"), or redeemed in accordance with the Partnership Agreement (a) prior to vesting and (b) unless such Transfer is in compliance with all applicable securities laws (including, without limitation, the Securities Act), and such Transfer is in accordance with the applicable terms and conditions of the Partnership Agreement. Any attempted Transfer of LTIP Units not in accordance with the terms and conditions of this Section 23 shall be null and void, and the Partnership shall not reflect on its records any change in record ownership of any LTIP Units as a result of any such Transfer, and shall otherwise refuse to recognize any such Transfer.

24. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company and its agents may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Employee (i) authorizes the Company to collect, process, register and transfer to its agents all Relevant Information? and (ii) authorizes the Company and its agents to store and transmit such information in electronic form. The Employee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law and to the extent necessary to administer the Plan and this Agreement, and the Company and its agents will keep the Relevant Information confidential except as specifically authorized under this paragraph.

25. Electronic Delivery of Documents. By accepting this Agreement, the Employee (i) consents to the electronic delivery of this Agreement, all information with respect to the Plan and any reports of the Company provided generally to the Company's stockholders? (ii) acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Employee by contacting the Company by telephone or in writing? (iii) further acknowledges that he or she may revoke his or her consent to electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail? and (iv) further acknowledges that he or she is not required to consent to electronic delivery of documents.

26. Section 83(b) Election. In connection with this Agreement, the Employee hereby agrees to make an election to include in gross income in the year of transfer the fair market value of the applicable Award LTIP Units over the amount paid for them pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, substantially in the form attached hereto as Exhibit C and to supply the necessary information in accordance with the regulations promulgated thereunder.

27. Acknowledgement. The Employee hereby acknowledges and agrees that this Agreement and the LTIP Units issued hereunder shall constitute satisfaction in full of all obligations of the Company and the Partnership, if any, to grant to the Employee LTIP Units pursuant to the terms of any written employment agreement or letter or other written offer or description of employment with the Company and/or the Partnership executed prior to or coincident with the date hereof.

[signature page follows]

IN WITNESS WHEREOF, this Performance LTIP Unit Agreement has been executed by the parties hereto as of the date and year first above written.

JBG SMITH Properties

By: _____
Name:
Title:

JBG SMITH Properties LP

By: _____
Name:
Title:

EMPLOYEE

Name: _____

EXHIBIT A

FORM OF LIMITED PARTNER SIGNATURE PAGE

The Employee, desiring to become one of the within named Limited Partners of JBG SMITH Properties LP, hereby accepts all of the terms and conditions of (including, without limitation, the provisions related to powers of attorney), and becomes a party to, the Limited Partnership Agreement, dated as of July 17, 2017, of JBG SMITH Properties LP, as amended (the "Partnership Agreement"). The Employee agrees that this signature page may be attached to any counterpart of the Partnership Agreement and further agrees as follows (where the term "Limited Partner" refers to the Employee): Capitalized terms used but not defined herein have the meaning ascribed thereto in the Partnership Agreement.

1. The Limited Partner hereby confirms that it has reviewed the terms of the Partnership Agreement and affirms and agrees that it is bound by each of the terms and conditions of the Partnership Agreement, including, without limitation, the provisions thereof relating to limitations and restrictions on the transfer of Partnership Units.

2. The Limited Partner hereby confirms that it is acquiring the Partnership Units for its own account as principal, for investment and not with a view to resale or distribution, and that the Partnership Units may not be transferred or otherwise disposed of by the Limited Partner otherwise than in a transaction pursuant to a registration statement filed by the Partnership (which it has no obligation to file) or that is exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), and all applicable state and foreign securities laws, and the General Partner may refuse to transfer any Partnership Units as to which evidence of such registration or exemption from registration satisfactory to the General Partner is not provided to it, which evidence may include the requirement of a legal opinion regarding the exemption from such registration. If the General Partner delivers to the Limited Partner common Shares of beneficial interest of the General Partner ("Common Shares") upon redemption of any Partnership Units, the Common Shares will be acquired for the Limited Partner's own account as principal, for investment and not with a view to resale or distribution, and the Common Shares may not be transferred or otherwise disposed of by the Limited Partner otherwise than in a transaction pursuant to a registration statement filed by the General Partner with respect to such Common Shares (which it has no obligation under the Partnership Agreement to file) or that is exempt from the registration requirements of the Securities Act and all applicable state and foreign securities laws, and the General Partner may refuse to transfer any Common Shares as to which evidence of such registration or exemption from such registration satisfactory to the General Partner is not provided to it, which evidence may include the requirement of a legal opinion regarding the exemption from such registration.

3. The Limited Partner hereby affirms that it has appointed the General Partner, any Liquidator and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead, in accordance with Section 2.4 of the Partnership Agreement, which section is hereby incorporated by reference. The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and not be affected by the death, incompetency, dissolution, disability, incapacity, bankruptcy or termination of the Limited Partner and shall extend to the Limited Partner's heirs, executors, administrators, legal representatives, successors and assigns.

4. The Limited Partner hereby confirms that, notwithstanding any provisions of the Partnership Agreement to the contrary, the LTIP Units shall not be redeemable by the Limited Partner pursuant to Section 8.6 of the Partnership Agreement.

5. (a) The Limited Partner hereby irrevocably consents in advance to any amendment to the Partnership Agreement, as may be recommended by the General Partner, intended to avoid the Partnership being treated as a publicly-traded partnership within the meaning of Section 7704 of the Internal Revenue Code, including, without limitation, (x) any amendment to the provisions of Section 8.6 of the Partnership Agreement intended to increase the waiting period between the delivery of a Notice of Redemption and the Specified Redemption Date and/or the Valuation Date to up to sixty (60) days or (y) any other amendment to the Partnership Agreement intended to make the redemption and transfer provisions, with respect to certain redemptions and transfers, more similar to the provisions described in Treasury Regulations Section 1.7704-1(f).

(b) The Limited Partner hereby appoints the General Partner, any Liquidator and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead, to execute and deliver any amendment referred to in the foregoing paragraph 5(a) on the Limited Partner's behalf. The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and not be affected by the death, incompetency, dissolution, disability, incapacity, bankruptcy or termination of the Limited Partner and shall extend to the Limited Partner's heirs, executors, administrators, legal representatives, successors and assigns.

6. The Limited Partner agrees that it will not transfer any interest in the Partnership Units (x) through (i) a national, non-U.S., regional, local or other securities exchange, (ii) PORTAL or (iii) an over-the-counter market (including an

interdealer quotation system that regularly disseminates firm buy or sell quotations by identified brokers or dealers by electronic means or otherwise) or (y) to or through (a) a person, such as a broker or dealer, that makes a market in, or regularly quotes prices for, interests in the Partnership, (b) a person that regularly makes available to the public (including customers or subscribers) bid or offer quotes with respect to any interests in the Partnership and stands ready to effect transactions at the quoted prices for itself or on behalf of others or (c) another readily available, regular and ongoing opportunity to sell or exchange the interest through a public means of obtaining or providing information of offers to buy, sell or exchange the interest.

7. The Limited Partner acknowledges that the General Partner shall be a third-party beneficiary of the representations, covenants and agreements set forth in Sections 4 and 6 hereof. The Limited Partner agrees that it will transfer, whether by assignment or otherwise, Partnership Units only to the General Partner or to transferees that provide the Partnership and the General Partner with the representations and covenants set forth in Sections 4 and 6 hereof.

8. This acceptance shall be construed and enforced in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

Signature Line for Limited Partner:

Name:

Date: _____
January [], 2020

Address of Limited Partner:

EXHIBIT B

EMPLOYEE'S COVENANTS, REPRESENTATIONS AND WARRANTIES

The Employee hereby represents, warrants and covenants as follows:

(a) The Employee has received and had an opportunity to review the following documents (the "Background Documents"):

(i) The Company's latest information statement filed with the Securities and Exchange Commission relating to the transactions contemplated by the Master Transaction Agreement (the "Transaction Agreement") dated as of October 31, 2016 between Vornado Realty Trust and Vornado Realty L.P., JBG Properties Inc., a Maryland corporation and JBG/Operating Partners, L.P., a Delaware limited partnership, together with certain JBG entities, and JBG SMITH Properties and JBG SMITH Properties LP;

(ii) Each of the Quarterly Report(s) on Form 10-Q of the Company?

(iii) Each of the Current Report(s) on Form 8-K of the Company and the Partnership, if any, filed since the beginning of the current fiscal year;

(iv) The Partnership Agreement? and

(v) The Plan.

The Employee also acknowledges that any delivery of the Background Documents and other information relating to the Company and the Partnership prior to the determination by the Partnership of the suitability of the Employee as a holder of LTIP Units shall not constitute an offer of LTIP Units until such determination of suitability shall be made.

(b) The Employee hereby represents and warrants that:

(i) The Employee either (A) is an "accredited investor" as defined in Rule 501(a) under the Securities Act of 1933, as amended (the "Securities Act"), or (B) by reason of the business and financial experience of the Employee, together with the business and financial experience of those persons, if any, retained by the Employee to represent or advise him with respect to the grant to him of LTIP Units, the potential conversion of LTIP Units into Common Partnership Units of the Partnership ("Common Units") and the potential redemption of such Common Units for the Company's common Shares ("REIT Shares"), has such knowledge, sophistication and experience in financial and business matters and in making investment decisions of this type that the Employee (I) is capable of evaluating the merits and risks of an investment in the Partnership and potential investment in the Company and of making an informed investment decision, (II) is capable of protecting his own interest or has engaged representatives or advisors to assist him in protecting his interests, and (III) is capable of bearing the economic risk of such investment.

(ii) The Employee understands that (A) the Employee is responsible for consulting his own tax advisors with respect to the application of the U.S. federal income tax laws, and the tax laws of any state, local or other taxing jurisdiction to which the Employee is or by reason of the award of LTIP Units may become subject, to his particular situation? (B) the Employee has not received or relied upon business or tax advice from the Company, the Partnership or any of their respective employees, agents, consultants or advisors, in their capacity as such? (C) the Employee provides services to the Partnership on a regular basis and in such capacity has access to such information, and has such experience of and involvement in the business and operations of the Partnership, as the Employee believes to be necessary and appropriate to make an informed decision to accept this award of LTIP Units? and (D) an investment in the Partnership and/or the Company involves substantial risks. The Employee has been given the opportunity to make a thorough investigation of matters relevant to the LTIP Units and has been furnished with, and has reviewed and understands, materials relating to the Partnership and the Company and their respective activities (including, but not limited to, the Background Documents). The Employee has been afforded the opportunity to obtain any additional information (including any exhibits to the Background Documents) deemed necessary by the Employee to verify the accuracy of information conveyed to the Employee. The Employee confirms that all documents, records, and books pertaining to his receipt of LTIP Units which were requested by the Employee have been made available or delivered to the Employee. The Employee has had an opportunity to ask questions of and receive answers from the Partnership and the Company, or from a person or persons acting on their behalf, concerning the terms and conditions of the LTIP Units. **The Employee has relied upon, and is making its decision solely upon, the Background Documents and other written information provided to the Employee by the Partnership or the Company.**

(iii) The LTIP Units to be issued, the Common Units issuable upon conversion of the LTIP Units and any REIT Shares issued in connection with the redemption of any such Common Units will be acquired for the account of the Employee for investment only and not with a current view to, or with any intention of, a distribution or resale thereof, in whole or in part, or the grant of any participation therein, without prejudice, however, to the

Employee's right (subject to the terms of the LTIP Units, the Plan and this Agreement) at all times to sell or otherwise dispose of all or any part of his LTIP Units, Common Units or REIT Shares in compliance with the Securities Act, and applicable state securities laws, and subject, nevertheless, to the disposition of his assets being at all times within his control.

(iv) The Employee acknowledges that (A) neither the LTIP Units to be issued, nor the Common Units issuable upon conversion of the LTIP Units, have been registered under the Securities Act or state securities laws by reason of a specific exemption or exemptions from registration under the Securities Act and applicable state securities laws and, if such LTIP Units or Common Units are represented by certificates, such certificates will bear a legend to such effect, (B) the reliance by the Partnership and the Company on such exemptions is predicated in part on the accuracy and completeness of the representations and warranties of the Employee contained herein, (C) such LTIP Units or Common Units, therefore, cannot be resold unless registered under the Securities Act and applicable state securities laws, or unless an exemption from registration is available, (D) there is no public market for such LTIP Units and Common Units and (E) neither the Partnership nor the Company has any obligation or intention to register such LTIP Units or the Common Units issuable upon conversion of the LTIP Units under the Securities Act or any state securities laws or to take any action that would make available any exemption from the registration requirements of such laws, except that, upon the redemption of the Common Units for REIT Shares, the Company may issue such REIT Shares under the Plan and pursuant to a Registration Statement on Form S-8 under the Securities Act, to the extent that (I) the Employee is eligible to receive such REIT Shares under the Plan at the time of such issuance, (II) the Company has filed a Form S-8 Registration Statement with the Securities and Exchange Commission registering the issuance of such REIT Shares and (III) such Form S-8 is effective at the time of the issuance of such REIT Shares. The Employee hereby acknowledges that because of the restrictions on transfer or assignment of such LTIP Units acquired hereby and the Common Units issuable upon conversion of the LTIP Units which are set forth in the Partnership Agreement or this Agreement, the Employee may have to bear the economic risk of his ownership of the LTIP Units acquired hereby and the Common Units issuable upon conversion of the LTIP Units for an indefinite period of time.

(v) The Employee has determined that the LTIP Units are a suitable investment for the Employee.

(vi) No representations or warranties have been made to the Employee by the Partnership or the Company, or any officer, director, shareholder, agent or affiliate of any of them, and the Employee has received no information relating to an investment in the Partnership or the LTIP Units except the information specified in paragraph (a) above.

(c) So long as the Employee holds any LTIP Units, the Employee shall disclose to the Partnership in writing such information as may be reasonably requested with respect to ownership of LTIP Units as the Partnership may deem reasonably necessary to ascertain and to establish compliance with provisions of the Code applicable to the Partnership or to comply with requirements of any other appropriate taxing authority.

(d) The Employee hereby agrees to make an election under Section 83(b) of the Code with respect to the LTIP Units awarded hereunder, and has delivered with this Agreement a completed, executed copy of the election form attached hereto as Exhibit C. The Employee agrees to file the election (or to permit the Partnership to file such election on the Employee's behalf) within thirty (30) days after the award of the LTIP Units hereunder with the IRS Service Center at which such Employee files his personal income tax returns.

(e) The address set forth on the signature page of this Agreement is the address of the Employee's principal residence, and the Employee has no present intention of becoming a resident of any country, state or jurisdiction other than the country and state in which such residence is sited.

EXHIBIT C

ELECTION TO INCLUDE IN GROSS INCOME IN YEAR OF TRANSFER OF PROPERTY PURSUANT TO SECTION 83(B) OF THE INTERNAL REVENUE CODE

The undersigned hereby makes an election pursuant to Section 83(b) of the Internal Revenue Code with respect to the property described below and supplies the following information in accordance with the regulations promulgated thereunder:

1. The name, address and taxpayer identification number of the undersigned are:

Name: (the "Taxpayer")
Address:
Social Security No./Taxpayer Identification No.:
2. Description of property with respect to which the election is being made:

The election is being made with respect to LTIP Units in JBG SMITH Properties LP (the "Partnership").
3. The date on which the LTIP Units were transferred is January [], 2020. The taxable year to which this election relates is calendar year 2020.
4. Nature of restrictions to which the LTIP Units are subject:
 - (a) With limited exceptions, until the LTIP Units vest, the Taxpayer may not transfer in any manner any portion of the LTIP Units without the consent of the Partnership.
 - (b) The Taxpayer's LTIP Units vest in accordance with the vesting provisions described in the Schedule attached hereto. Unvested LTIP Units are forfeited in accordance with the vesting provisions described in the Schedule attached hereto.
5. The fair market value at time of transfer (determined without regard to any restrictions other than a nonlapse restriction as defined in Treasury Regulations Section 1.83-3(h)) of the LTIP Units with respect to which this election is being made was \$0 per LTIP Unit.
6. The amount paid by the Taxpayer for the LTIP Units was \$0 per LTIP Unit.
7. A copy of this statement has been furnished to the Partnership and JBG SMITH Properties.

Dated: _____

Name:

SCHEDULE TO EXHIBIT C

Vesting Provisions of LTIP Units

The LTIP Units are subject to performance-based vesting criteria, based on certain absolute and relative total shareholder return thresholds, and subsequent time-based vesting criteria, provided that the Taxpayer remains an employee of JBG SMITH Properties or its affiliate through the relevant vesting periods, subject to acceleration in the event of certain extraordinary transactions or termination of the Taxpayer's service relationship with JBG SMITH Properties (or its affiliate) under specified circumstances. Unvested LTIP Units are subject to forfeiture in the event of failure to vest based on the failure to satisfy the applicable performance goals and the passage of time and continued employment.

JBG SMITH Properties, a Maryland real estate
investment trust

By: _____
Name:
Title:

Employee

**FORM OF JBG SMITH PROPERTIES
2017 OMNIBUS SHARE PLAN
PERFORMANCE LTIP UNIT AGREEMENT
(As Amended and Restated Effective February 20, 2020)**

Name of Employee: _____ (the “Employee”)

No. of LTIP Units Awarded: _____

Grant Date: •, 2017

RECITALS

A. The Employee is an employee of JBG SMITH Properties, a Maryland real estate investment trust (the “Company”) and provides services to JBG SMITH Properties LP, a Delaware limited partnership, through which the Company conducts substantially all of its operations (the “Partnership”).

B. In accordance with the JBG SMITH Properties 2017 Omnibus Share Plan, as it may be amended from time to time (the “Plan”), the Company desires, in connection with the employment of the Employee, to provide the Employee with an opportunity to acquire LTIP Units (as defined in the agreement of limited partnership of the Partnership, as amended (the “Partnership Agreement”)) having the rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption and conversion set forth herein in the plan and in the Partnership Agreement, and thereby provide additional incentive for the Employee to promote the progress and success of the business of the Company, the Partnership and its Subsidiaries. Upon the close of business on the Grant Date pursuant to this Performance LTIP Unit Agreement (this “Agreement”), the Employee shall receive the number of LTIP Units specified above (the “Award LTIP Units”), subject to the restrictions and conditions set forth herein, in the Plan and in the Partnership Agreement.

C. The exact number of LTIP Units earned under this award of OP Units (the “Award”) shall be determined following the conclusion of the Performance Period based on the Company’s Total Shareholder Return and Relative Performance during the Performance Period as provided herein. Any LTIP Units not earned upon the end of the Performance Period will be forfeited and any additional LTIP Units owed to the Employee shall be issued as soon as reasonably practical following the end of the Performance Period.

NOW, THEREFORE, the Company, the Partnership and the Employee agree as follows:

1. Definitions. Capitalized terms used herein without definitions shall have the meanings given to those terms in the Plan. In addition, as used herein:

“Baseline Value” for each of the Company and the Peer Companies means the dollar amount representing the average of the Fair Market Value of one share of common stock of such company over the five consecutive trading days ending on, and including, the Effective Date.

“Cause” means, if not otherwise defined in the Employee’s Service Agreement, if any, the Employee’s: (i) conviction of, or plea of guilty or nolo contendere to, a felony, (ii) willful and continued failure to use reasonable best efforts to substantially perform his duties (other than such failure resulting from the Employee’s incapacity due to physical or mental illness) that the Employee fails to remedy within 30 days after written notice is delivered by the Company to the Employee that specifically identifies in reasonable detail the manner in which the Company believes the Employee has not used reasonable efforts to perform in all material respects his duties hereunder, or (iii) willful misconduct (including, but not limited to, a willful breach of the provisions of any agreement with the Company with respect to confidentiality, ownership of documents, non-competition or non-solicitation) that is materially economically injurious to the Company or its affiliates. For purposes of this paragraph, no act, or failure to act, by the Employee will be considered “willful” unless committed in bad faith and without a reasonable belief that the act or omission was in the best interests of the Company.

“Common Share Price” means, with respect to the Company and each of the Peer Companies, as of a particular date, the average of the Fair Market Value of one share of common stock of such company over the 30 consecutive trading days ending on, and including, such date (or, if such date is not a trading day, the most recent trading day immediately preceding such date)? provided, however, that if such date is the date upon which a Transactional Change of Control occurs, the Common Share Price of a share of common stock as of such date shall be equal to the fair value, as determined by the Committee, of the total consideration paid or payable in the transaction resulting in the Transactional Change of Control for one Share.

“Common Units” means Common Partnership Units issued by the Partnership.

“Continuous Service” means the continuous service to the Employer, without interruption or termination, in any capacity of employee, or, with the written consent of the Committee, consultant. Continuous Service shall not be considered interrupted in the case of: (a) any approved leave of absence? (b) transfers among the Employers, or any successor in any capacity of employee, or with the written consent of the Committee, as a member of the Board or a consultant? or (c) any change in status as long as the individual remains in the service of the Employer in any capacity of employee or (if the Committee specifically agrees in writing that the Continuous Service is not uninterrupted) as a member of the Board or a consultant. An approved leave of absence shall include sick leave, military leave, or any other authorized personal leave.

“Disability” means, if not otherwise defined in the Employee’s Service Agreement, if any, if, as a result of the Employee’s incapacity due to physical or mental illness, the Employee shall have been substantially unable to perform his duties for a continuous period of 180 days, and within 30 days after written notice of termination is given after such 180-day period, the Employee shall not have returned to the substantial performance of his duties on a full-time basis, the employment of the Employee is terminated by the Company.

“Distribution Participation Date” shall have the meaning set forth in the Partnership Agreement and in Section 6(b) hereof.

“Effective Date” means the Grant Date.

“Employer” means either the Company, the Partnership or any of their Subsidiaries that employ the Employee.

“Fair Market Value” of a security means, as of any given date, the closing sale price reported for such security on the principal stock exchange or, if applicable, any other national exchange on which the security is traded or admitted to trading on such date on which a sale was reported. If there are no market quotations for such date, the determination shall be made by reference to the last day preceding such date for which there are market quotations.

“Good Reason” means, if not otherwise defined in the Employee’s Service Agreement, if any, (a) a reduction by the Company in the Employee’s base salary, (b) a material diminution in the Employee’s position, authority, duties or responsibilities, (c) a relocation of the Employee’s location of employment to a location outside of the Washington D.C. metropolitan area, or (d) the Company’s material breach of the Agreement, provided, in each case, that the Employee terminates employment within 90 days after the Employee has actual knowledge of the occurrence, without the written consent of the Employee, of one of the foregoing events that has not been cured within 30 days after written notice thereof has been given by the Employee to the Company setting forth in reasonable detail the basis of the event (provided such notice must be given to the Company within 30 days of the Employee becoming aware of such condition).

“LTIP Unit Initial Sharing Percentage” shall have the meaning set forth in the Partnership Agreement.

“Partial Service Factor” means a factor carried out to the sixth decimal to be used in calculating the number of LTIP Units earned pursuant to Section 3(c) hereof in the event of a Qualified Termination of the Employee’s Continuous Service prior to the Valuation Date, determined by dividing (a) the number of calendar days that have elapsed since the Effective Date to and including the date of the Employee’s Qualified Termination by (b) the number of calendar days from the Effective Date to and including the Valuation Date.

“Peer Companies” means the companies in the FTSE NAREIT Equity Office Index.

“Performance Period” means the period beginning on the Effective Date and ending on the Valuation Date.

“Relative Performance” means the Company’s Total Shareholder Return relative to the Total Shareholder Return of the Peer Companies expressed as a percentile calculated by dividing the number of such Peer Companies with a Total Shareholder Return less than the Company’s Total Shareholder Return by the total number of such Peer Companies.

“Securities Act” means the Securities Act of 1933, as amended.

“Service Agreement” means, as of a particular date, any employment, consulting or similar service agreement then in effect between the Employee, on the one hand, and the Employer, on the other hand, as amended or supplemented through such date.

“Total Shareholder Return” means, for each of the Company and the Peer Companies, with respect to the Performance Period, the total return (expressed as a percentage) that would have been realized by a shareholder who (a) bought one share of common stock of such company at the Baseline Value on the Effective Date, (b) reinvested each dividend and other distribution declared during the Performance Period with respect to such share (and any other shares, or fractions thereof, previously received upon reinvestment of dividends or other distributions or on account of stock dividends), without deduction for any taxes with respect to such dividends or other distributions or any charges in connection with such reinvestment, in additional Shares at a price per share equal to (i) the Fair Market Value on the trading day immediately preceding the ex-dividend date for such dividend or other distribution less (ii) the amount of such dividend or other distribution, and (c) sold such shares on the Valuation Date at the Common Share Price on the Valuation Date, without deduction for any taxes with respect to any gain on such sale or any charges in connection with such sale. As set forth in, and pursuant to, Section 7 of this Agreement, appropriate adjustments to the Total Shareholder Return shall be made to take into account all stock dividends, stock splits, reverse stock splits and the other events set forth in Section 7 that occur during the Performance Period.

“Transactional Change of Control” means a Change of Control resulting from any person or group making a tender offer for the Shares, a merger or consolidation where the Company is not the acquirer or surviving entity or consisting of a sale, lease, exchange or other transfer to an unrelated party of all or substantially all of the assets of the Company.

“Valuation Date” means the earlier of (a) the third anniversary of the Effective Date, or (b) the date upon which a Change of Control shall occur.

2. Effectiveness of Award. The Employee shall be admitted as a partner of the Partnership with beneficial ownership of the Award LTIP Units as of the Grant Date by (i) signing and delivering to the Partnership a copy of this Agreement and (ii) signing, as a Limited Partner, and delivering to the Partnership a counterpart signature page to the Partnership Agreement (attached hereto as Exhibit A). Upon execution of this Agreement by the Employee, the Partnership and the Company, the books and records of the Partnership shall reflect the issuance to the Employee of the Award LTIP Units. Thereupon, the Employee shall have all the rights of a Limited Partner of the Partnership with respect to a number of LTIP Units equal to the Award LTIP Units, as set forth in the Partnership Agreement, subject, however, to the restrictions and conditions specified in Section 3 below.

3. Vesting and Earning of Award LTIP Units.

(a) This Award is subject to performance vesting during the Performance Period and service vesting thereafter tied to Continuous Service of the Employee for one year after the last day of the Performance Period. The Award LTIP Units will be subject to forfeiture based on the Company’s Total Shareholder Return and Relative Performance during the Performance Period as set forth in this Section 3.

(b) The number of Award LTIP Units earned will be determined as follows:

Relative Performance	Percentage of Award LTIP Units Earned
TSR equal to the 35 th percentile of Peer Companies	25%
TSR equal to the 55 th percentile of Peer Companies	50%
TSR equal to the 75 th percentile of Peer Companies	100%

The Award will be forfeited in its entirety if the Relative Performance is below the 35th percentile of Peer Companies or if the Total Shareholder Return for the Company is 0% or less. If the Relative Performance is between the 35th percentile and 55th percentile of Peer Companies, or between the 55th percentile and 75th percentile of Peer Companies, the percentage of the Award LTIP Units earned will be determined using linear interpolation as between those tiers, respectively.

(c) As soon as practicable following the Valuation Date, the Committee shall:

(i) determine the number of LTIP Units earned by the Employee.

(ii) determine the number of additional LTIP Units that would have accumulated if the Employee had received all distributions paid by the Partnership with respect to earned LTIP Units determined pursuant to clause (i) (reduced by the distributions actually paid with respect to the Award LTIP Units) and such distributions had been invested in Common Units at a price equal to the fair market value of one Common Unit on the ex-dividend date (together with the earned LTIP Units determined pursuant to clause (i), the “Earned LTIP Unit Equivalent”). Notwithstanding the foregoing, the Committee retains the discretion to pay out the value of the distributions determined pursuant to the preceding sentence in cash. In that event, the Earned LTIP Unit Equivalent shall refer to the earned LTIP Units determined pursuant to clause (i) only.

If the Earned LTIP Unit Equivalent is smaller than the number of Award LTIP Units previously issued to the Employee, then the Employee, as of the Valuation Date, shall forfeit a number of Award LTIP Units equal to the difference without payment of any consideration by the Partnership? thereafter the term Award LTIP Units will refer only to the Award LTIP Units that were not so forfeited and neither the Employee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in the LTIP Units that were so forfeited. If the Earned LTIP Unit Equivalent is greater than the number of Award LTIP Units previously issued to the Employee, then, upon the performance of the calculations set forth in this Section 3(c): (A) the Company shall cause the Partnership to issue to the Employee, as of the Valuation Date, a number of additional LTIP Units equal to the difference? (B) such additional LTIP Units shall be added to the Award LTIP Units previously issued, if any, and thereby become part of this Award (provided that such additional LTIP Units shall be treated as being issued as of the date they are actually issued for purposes of determining their holding period under the Partnership Agreement)? (C) the Company and the Partnership shall take such corporate and partnership action as is necessary to accomplish the grant of such additional LTIP Units? and (D) thereafter the term Award LTIP Units will refer collectively to the Award LTIP Units, if any, issued prior to such additional grant plus such additional LTIP Units? provided that such issuance will be subject to the Employee confirming the truth and accuracy of the representations set forth in Section 13 hereof and executing and delivering such documents, comparable to the documents executed and delivered in connection with this Agreement, as the Company and/or the Partnership reasonably request in order to comply with all applicable legal requirements, including, without limitation, federal and state securities laws. If the Earned LTIP Unit Equivalent is the same as the number of Award LTIP Units previously issued to the Employee, then there will be no change to the number of Award LTIP Units under this Award pursuant to this Section 3.

(d) If any of the Award LTIP Units have been earned based on performance as provided in Section 3(b), subject to Section 4 hereof, the Earned LTIP Unit Equivalent shall become vested in the following amounts and at the following times, provided that the Continuous Service of the Employee continues through and on the applicable vesting date or the accelerated vesting date provided in Section 4 hereof, as applicable:

(i) 50 percent of the Earned LTIP Unit Equivalent shall become vested on the date the Committee determines the Earned LTIP Unit Equivalent?

(ii) 50 percent of the Earned LTIP Unit Equivalent shall become vested on the first anniversary of the Valuation Date.

(e) Any Award LTIP Units that do not become vested pursuant to Section 3(d) or Section 4 hereof shall, without payment of any consideration by the Partnership, automatically and without notice be forfeited and be and become null and void, and neither the Employee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such unvested Award LTIP Units.

4. Termination of Employee’s Service Relationship? Death and Disability

(a) If the Employee is a party to a Service Agreement that addresses treatment of the Award LTIP Units on a termination of employment and ceases to be an employee of the Company or any of its affiliates, the provisions of such Service Agreement that apply to the Award LTIP Unit will govern. If the Employee is not a party to a Service Agreement that addresses treatment of the Award LTIP Unit on a termination of employment, Sections 4(b) through 4(d) hereof shall govern the treatment of the Employee’s Award LTIP Units exclusively. In the event an entity ceases to be a Subsidiary or affiliate of the Company or the Partnership, such action shall be deemed to be a termination of employment of all employees of that entity for purposes of this Agreement, provided that the Committee or the Board, in its sole and absolute discretion, may make provision in such circumstances for lapse of forfeiture restrictions and/or accelerated vesting of some or all of the Employee’s remaining unvested Award LTIP Units that have not previously been forfeited, effective immediately prior to such event.

(b) Except as otherwise provided in any Service Agreement between the Employee and the Company or its affiliate, in the event of a termination of the Employee’s Continuous Service by (A) the Employer without Cause after the first anniversary of the Grant Date, (B) the Employee for Good Reason after the first anniversary of the Grant Date, (C) the Employee’s death, or (D) the Employee’s Disability, in each case prior to the Valuation Date (each, a “Qualified Termination”),

the Employee will not forfeit the Award LTIP Units upon such termination, but the following provisions of this Section 4(b) shall modify the determination and vesting of the Earned LTIP Unit Equivalent for the Employee:

(i) the calculations provided in Section 3(c) hereof shall be performed as of the Valuation Date as if the Qualified Termination had not occurred?

(ii) the Earned LTIP Unit Equivalent calculated pursuant to Section 3(c) shall be multiplied by the Partial Service Factor (with the resulting number being rounded to the nearest whole LTIP Unit or, in the case of 0.5 of a unit, up to the next whole unit), and such adjusted number of LTIP Units shall be deemed the Employee's Earned LTIP Unit Equivalent for all purposes under this Agreement? and

(iii) the Employee's Earned LTIP Unit Equivalent as adjusted pursuant to Section 4(b)(ii) above shall no longer be subject to forfeiture pursuant to Section 3(d) hereof? provided that, notwithstanding that no Continuous Service requirement pursuant to Section 3(d) hereof will apply to the Employee after the effective date of a Qualified Termination, except in the case of death or Disability, the Employee will not have the right to Transfer (as defined in Section 23 hereof) his or her Award LTIP Units or request redemption of his or her Common Units under the Partnership Agreement until such dates as of which his or her Earned LTIP Unit Equivalent, as adjusted pursuant to Section 4(b)(ii) above, would have become vested pursuant to Section 3(d) absent a Qualified Termination. For the avoidance of doubt, the purpose of this Section 4(b)(iii) is to prevent a situation where Employees who have had a Qualified Termination would be able to realize the value of their Award LTIP Units or Common Units (through Transfer or redemption) before other Employees whose Continuous Service continues through the applicable vesting dates set forth in Section 3(d) hereof.

(c) In the event of a Qualified Termination after the Valuation Date, all unvested Award LTIP Units that have not previously been forfeited pursuant to the calculations set forth in Section 3(c) hereof shall no longer be subject to forfeiture pursuant to Section 3(d) hereof? provided that, notwithstanding that no Continuous Service requirement pursuant to Section 3(d) hereof will apply to the Employee after the effective date of a Qualified Termination, except in the case of death or Disability, the Employee will not have the right to Transfer (as defined in Section 23 hereof) his or her Award LTIP Units or request redemption of his or her Common Units under the Partnership Agreement until such dates as of which his or her Earned LTIP Unit Equivalent would have become vested pursuant to Section 3(d) absent a Qualified Termination. For the avoidance of doubt, the purpose of this Section 4(c) is to prevent a situation where Employees who have had a Qualified Termination would be able to realize the value of their Award LTIP Units or Award Common Units (through Transfer or redemption) before other grantees of Earned LTIP awards whose Continuous Service continues through the applicable vesting dates set forth in Section 3(d) hereof.

(d) In the event of a termination of the Employee's Continuous Service other than a Qualified Termination, all Award LTIP Units except for those that, as of the date at such termination, both (i) have ceased to be subject to forfeiture pursuant to Sections 3(b) and (c) hereof and (ii) are vested pursuant to Section 3(d) hereof shall, without payment of any consideration by the Partnership, automatically and without notice terminate, be forfeited and be and become null and void, and neither the Employee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such Award LTIP Units.

5. Change in Control.

(a) If the Valuation Date occurs upon the date of a Change in Control on or before the first anniversary of the Effective Date, the provisions of Section 3 shall apply to determine the Earned LTIP Unit Equivalent except that the Earned LTIP Unit Equivalent shall be prorated to reflect the portion of the Performance Period that had elapsed as of the date of such Change in Control. If the Valuation Date occurs upon the date of a Change in Control after the first anniversary of the Effective Date, the Earned LTIP Unit Equivalent shall be determined as provided in the preceding sentence, but without proration of the Earned LTIP Unit Equivalent.

(b) The number of Earned LTIP Unit Equivalent determined under Section 3, as modified by Section 5(a), shall remain subject to vesting tied to Continuous Employment as provided in Section 3(d), except that the Employee shall become fully vested in the Earned LTIP Unit Equivalent if he is terminated without Cause or resigns for Good Reason within 18 months following the Change in Control.

(c) If the Change in Control occurs after the third anniversary of the Effective Date, and the Employee is terminated without Cause or resigns for Good Reason within 12 months following the Change in Control, the Employee shall become fully vested in any unvested portion of the Earned LTIP Unit Equivalent.

(d) Notwithstanding the foregoing, if the Earned LTIP Unit Equivalent does not remain outstanding after a Change in Control, then the Employee shall become fully vested in the Earned LTIP Unit Equivalent upon the consummation of the Change in Control.

6. Distribution Participation Date and LTIP Unit Initial Sharing Percentage.

(a) The holder of the Award LTIP Units shall be entitled to receive distributions and allocations with respect to such Award LTIP Units to the extent provided for in the Partnership Agreement, including Exhibit E thereof, as modified hereby.

(b) The Distribution Participation Date with respect to such Award LTIP Units shall be the Valuation Date. Accordingly, for the avoidance of doubt, from the Grant Date until the Distribution Participation Date, the holder of the Award LTIP Units shall only be entitled to certain distributions and allocations described in, and pursuant to, Sections 2.A. and 3 of Exhibit E to the Partnership Agreement with respect to an Award LTIP Unit in an amount equal to the product of the LTIP Unit Initial Sharing Percentage for such Award LTIP Unit and the amount otherwise distributable or allocable with respect to such Award LTIP Unit.

(c) The LTIP Unit Initial Sharing Percentage shall be ten percent (10%). For the avoidance of doubt, after the Valuation Date, Award LTIP Units, both vested and (until and unless forfeited pursuant to Section 3(e) or Section 4(d)) unvested, shall be entitled to receive the same distributions payable with respect to Common Units if the payment date for such distributions is after the Distribution Participation Date, even though the record date for such distributions is before the Distribution Participation Date.

(d) All distributions paid with respect to Award LTIP Units, both before and after the Distribution Participation Date, shall be fully vested and non-forfeitable when paid, whether or not the underlying LTIP Units have been earned based on performance or have become vested based on the passage of time as provided in Section 3 or Section 4 hereof.

7. Certain Adjustments. The LTIP Units shall be subject to adjustment as provided in the Partnership Agreement, and except as otherwise provided therein, if (i) the Company shall at any time be involved in a merger, consolidation, dissolution, liquidation, reorganization, exchange of shares, sale of all or substantially all of the assets or stock of the Company, spin-off of a Subsidiary, business unit or other transaction similar thereto, (ii) any stock dividend, stock split, reverse stock split, stock combination, reclassification, recapitalization, significant repurchases of stock, or other similar change in the capital structure of the Company, or any extraordinary dividend or other distribution to holders of the Shares or Common Partnership Units other than regular dividends shall occur, or (iii) any other event shall occur that in each case in the good faith judgment of the Committee necessitates action by way of appropriate equitable adjustment in the terms of this Agreement, the Plan or the LTIP Units, then the Committee shall take such action as it deems necessary to maintain the Employee's rights hereunder so that they are substantially proportionate to the rights existing under this Agreement and the terms of the LTIP Units prior to such event, including, without limitation: (A) adjustments in the LTIP Units? and (B) substitution of other awards under the Plan or otherwise. In the event of any change in the outstanding Shares (or corresponding change in the Conversion Factor applicable to Common Partnership Units of the Partnership) by reason of any share dividend or split, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other corporate change, or any distribution to common shareholders of the Company other than regular dividends, any Common Partnership Units, shares or other securities received by the Employee with respect to the applicable Award LTIP Unit which have not been earned or still subject to a risk of forfeiture will be subject to the same restrictions as the Award LTIP Units with respect to an equivalent number of shares or securities and shall be deposited with the Company.

8. Incorporation of Plan? Interpretation by Administrator. This Agreement is subject to the terms, conditions, limitations and definitions contained in the Plan, to the extent not inconsistent with the terms of this Agreement. In the event of any discrepancy or inconsistency between this Agreement and the Plan, the terms and conditions of this Agreement shall control. The Administrator may make such rules and regulations and establish such procedures for the administration of this Agreement, which are consistent with the terms of this Agreement, as it deems appropriate.

9. Certificates? Legend Each certificate, if any, issued in respect of the Restricted LTIP Units awarded under this Agreement shall be registered in the Employee's name and held by the Company until the expiration of the applicable Vesting Period. If certificates representing the LTIP Units are issued by the Partnership, at the expiration of each Vesting Period, the Company shall deliver to the Employee (or, if applicable, to the Employee's legal representatives, beneficiaries or heirs) certificates representing the number of LTIP Units that vested upon the expiration of such Vesting Period. The records of the Partnership and any other documentation evidencing the Award LTIP Units shall bear an appropriate legend, as determined by the Partnership in its sole discretion, to the effect that such LTIP Units are subject to restrictions as set forth herein, in the Plan and in the Partnership Agreement.

10. Tax Withholding. The Company or its applicable affiliate (including the Partnership) has the right to withhold from cash compensation payable to the Employee all applicable income and employment taxes due and owing at the time the applicable portion of the Restricted LTIP Units becomes includible in the Employee's income (the "Withholding Amount"), and/or to delay delivery of Restricted LTIP Units until appropriate arrangements have been made for payment of such withholding. In the alternative, the Company has the right to retain and cancel, or sell or otherwise dispose of, such number of

Restricted LTIP Units as have a market value (determined as of the date the applicable LTIP Units vest) approximately equal to the Withholding Amount, with any excess proceeds being paid to Employee.

11. Amendment? Modification This Agreement may only be modified or amended in a writing signed by the parties hereto, provided that the Employee acknowledges that the Plan may be amended or discontinued in accordance with the provisions thereof and that this Agreement may be amended or canceled by the Administrator, on behalf of the Company and the Partnership, in each case for the purpose of satisfying changes in law or for any other lawful purpose, so long as no such action shall adversely affect the Employee's rights under this Agreement without the Employee's written consent. No promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, with respect to the subject matter hereof, have been made by the parties which are not set forth expressly in this Agreement. The failure of the Employee or the Company or the Partnership to insist upon strict compliance with any provision of this Agreement, or to assert any right the Employee or the Company or the Partnership, respectively, may have under this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

12. Complete Agreement. Other than as specifically stated herein or as otherwise set forth in any employment, change in control or other agreement or arrangement to which the Employee is a party which specifically refers to the Award LTIP Units or to the treatment of compensatory equity held by the Employee generally, this Agreement (together with those agreements and documents expressly referred to herein, for the purposes referred to herein) embody the complete and entire agreement and understanding between the parties with respect to the subject matter hereof, and supersede any and all prior promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, which may relate to the subject matter hereof in any way.

13. Investment Representation? Registration The Employee agrees that any resale of the LTIP Units received upon the expiration of the applicable Vesting Period (or the Shares) received upon redemption of or in exchange for LTIP Units or Common Units of the Partnership into which LTIP Units may have been converted) shall not occur during the "blackout periods" forbidding sales of Company securities, as set forth in the then-applicable Company employee manual or insider trading policy. In addition, any resale shall be made in compliance with the registration requirements of the Securities Act, or an applicable exemption therefrom, including, without limitation, the exemption provided by Rule 144 promulgated thereunder (or any successor rule). The Employee hereby makes the covenants, representations and warranties set forth on Exhibit B attached hereto as of the Grant Date. All of such covenants, warranties and representations shall survive the execution and delivery of this Agreement by the Employee. The Employee shall promptly notify the Partnership upon discovering that any of the representations or warranties set forth on Exhibit B was false when made or have, as a result of changes in circumstances, become false. The Partnership will have no obligation to register under the Securities Act any of the Award LTIP Units or any other securities issued pursuant to this Agreement or upon conversion or exchange of the Award LTIP Units into other limited partnership interests of the Partnership.

14. No Right to Employment. Nothing herein contained shall affect the right of the Company or any affiliate to terminate the Employee's services, responsibilities and duties at any time for any reason whatsoever.

15. No Limit on Other Compensation Arrangements. Nothing contained in this Agreement shall preclude the Company from adopting or continuing in effect other or additional compensation plans, agreements or arrangements, and any such plans, agreements and arrangements may be either generally applicable or applicable only in specific cases or to specific persons.

16. Status of Award LTIP Units under the Plan. The Award LTIP Units are both issued as equity securities of the Partnership and granted as "Awards" under the Plan. The Company will have the right at its option, as set forth in the Partnership Agreement, to issue Shares in exchange for partnership units into which Award LTIP Units may have been converted pursuant to the Partnership Agreement, subject to certain limitations set forth in the Partnership Agreement, and such Shares, if issued, will be issued under the Plan. The Employee must be eligible to receive the LTIP Units in compliance with applicable federal and state securities laws and to that effect is required to complete, execute and deliver certain covenants, representations and warranties (attached as Exhibit B). The Employee acknowledges that the Employee will have no right to approve or disapprove such determination by the Company.

17. Severability. If, for any reason, any provision of this Agreement is held invalid, such invalidity shall not affect any other provision of this Agreement not so held invalid, and each such other provision shall to the full extent consistent with law continue in full force and effect. If any provision of this Agreement shall be held invalid in part, such invalidity shall in no way affect the rest of such provision not held so invalid, and the rest of such provision, together with all other provisions of this Agreement, shall to the full extent consistent with law continue in full force and effect.

18. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws.

19. Headings. The headings of paragraphs hereof are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

20. Notices. Any notice to be given to the Company shall be addressed to the General Counsel, JBG SMITH Properties, 4445 Willard Avenue, Suite 400, Chevy Chase, Maryland 20815, and any notice to be given the Employee shall be addressed to the Employee at the Employee's address as it appears on the employment records of the Company, or at such other address as the Company or the Employee may hereafter designate in writing to the other.

21. Counterparts. This Agreement may be executed in multiple counterparts with the same effect as if each of the signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

22. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and any successors to the Company and any successors to the Employee by will or the laws of descent and distribution, but this Agreement shall not otherwise be assignable or otherwise subject to hypothecation by the Employee.

23. Transfer; Redemption. None of the LTIP Units shall be sold, assigned, transferred, pledged or otherwise disposed of or encumbered (whether voluntarily or involuntarily or by judgment, levy, attachment, garnishment or other legal or equitable proceeding) (each such action, a "Transfer"), or redeemed in accordance with the Partnership Agreement (a) prior to vesting and (b) unless such Transfer is in compliance with all applicable securities laws (including, without limitation, the Securities Act), and such Transfer is in accordance with the applicable terms and conditions of the Partnership Agreement. Any attempted Transfer of LTIP Units not in accordance with the terms and conditions of this Section 23 shall be null and void, and the Partnership shall not reflect on its records any change in record ownership of any LTIP Units as a result of any such Transfer, and shall otherwise refuse to recognize any such Transfer.

24. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company and its agents may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Employee (i) authorizes the Company to collect, process, register and transfer to its agents all Relevant Information? and (ii) authorizes the Company and its agents to store and transmit such information in electronic form. The Employee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law and to the extent necessary to administer the Plan and this Agreement, and the Company and its agents will keep the Relevant Information confidential except as specifically authorized under this paragraph.

25. Electronic Delivery of Documents. By accepting this Agreement, the Employee (i) consents to the electronic delivery of this Agreement, all information with respect to the Plan and any reports of the Company provided generally to the Company's stockholders? (ii) acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Employee by contacting the Company by telephone or in writing? (iii) further acknowledges that he or she may revoke his or her consent to electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail? and (iv) further acknowledges that he or she is not required to consent to electronic delivery of documents.

26. Section 83(b) Election. In connection with this Agreement, the Employee hereby agrees to make an election to include in gross income in the year of transfer the fair market value of the applicable Award LTIP Units over the amount paid for them pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, substantially in the form attached hereto as Exhibit C and to supply the necessary information in accordance with the regulations promulgated thereunder.

27. Acknowledgement. The Employee hereby acknowledges and agrees that this Agreement and the LTIP Units issued hereunder shall constitute satisfaction in full of all obligations of the Company and the Partnership, if any, to grant to the Employee LTIP Units pursuant to the terms of any written employment agreement or letter or other written offer or description of employment with the Company and/or the Partnership executed prior to or coincident with the date hereof.

[signature page follows]

JBG SMITH Properties

By: _____
Name:
Title:

JBG SMITH Properties LP

By: _____
Name:
Title:

EMPLOYEE

Name: _____

EXHIBIT A

FORM OF LIMITED PARTNER SIGNATURE PAGE

The Employee, desiring to become one of the within named Limited Partners of JBG SMITH Properties LP, hereby accepts all of the terms and conditions of (including, without limitation, the provisions related to powers of attorney), and becomes a party to, the Limited Partnership Agreement, dated as of •, 2017, of JBG SMITH Properties LP, as amended (the "Partnership Agreement"). The Employee agrees that this signature page may be attached to any counterpart of the Partnership Agreement and further agrees as follows (where the term "Limited Partner" refers to the Employee): Capitalized terms used but not defined herein have the meaning ascribed thereto in the Partnership Agreement.

1. The Limited Partner hereby confirms that it has reviewed the terms of the Partnership Agreement and affirms and agrees that it is bound by each of the terms and conditions of the Partnership Agreement, including, without limitation, the provisions thereof relating to limitations and restrictions on the transfer of Partnership Units.

2. The Limited Partner hereby confirms that it is acquiring the Partnership Units for its own account as principal, for investment and not with a view to resale or distribution, and that the Partnership Units may not be transferred or otherwise disposed of by the Limited Partner otherwise than in a transaction pursuant to a registration statement filed by the Partnership (which it has no obligation to file) or that is exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), and all applicable state and foreign securities laws, and the General Partner may refuse to transfer any Partnership Units as to which evidence of such registration or exemption from registration satisfactory to the General Partner is not provided to it, which evidence may include the requirement of a legal opinion regarding the exemption from such registration. If the General Partner delivers to the Limited Partner common Shares of beneficial interest of the General Partner ("Common Shares") upon redemption of any Partnership Units, the Common Shares will be acquired for the Limited Partner's own account as principal, for investment and not with a view to resale or distribution, and the Common Shares may not be transferred or otherwise disposed of by the Limited Partner otherwise than in a transaction pursuant to a registration statement filed by the General Partner with respect to such Common Shares (which it has no obligation under the Partnership Agreement to file) or that is exempt from the registration requirements of the Securities Act and all applicable state and foreign securities laws, and the General Partner may refuse to transfer any Common Shares as to which evidence of such registration or exemption from such registration satisfactory to the General Partner is not provided to it, which evidence may include the requirement of a legal opinion regarding the exemption from such registration.

3. The Limited Partner hereby affirms that it has appointed the General Partner, any Liquidator and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead, in accordance with Section 2.4 of the Partnership Agreement, which section is hereby incorporated by reference. The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and not be affected by the death, incompetency, dissolution, disability, incapacity, bankruptcy or termination of the Limited Partner and shall extend to the Limited Partner's heirs, executors, administrators, legal representatives, successors and assigns.

4. The Limited Partner hereby confirms that, notwithstanding any provisions of the Partnership Agreement to the contrary, the LTIP Units shall not be redeemable by the Limited Partner pursuant to Section 8.6 of the Partnership Agreement.

5. (a) The Limited Partner hereby irrevocably consents in advance to any amendment to the Partnership Agreement, as may be recommended by the General Partner, intended to avoid the Partnership being treated as a publicly-traded partnership within the meaning of Section 7704 of the Internal Revenue Code, including, without limitation, (x) any amendment to the provisions of Section 8.6 of the Partnership Agreement intended to increase the waiting period between the delivery of a Notice of Redemption and the Specified Redemption Date and/or the Valuation Date to up to sixty (60) days or (y) any other amendment to the Partnership Agreement intended to make the redemption and transfer provisions, with respect to certain redemptions and transfers, more similar to the provisions described in Treasury Regulations Section 1.7704-1(f).

(b) The Limited Partner hereby appoints the General Partner, any Liquidator and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead, to execute and deliver any amendment referred to in the foregoing paragraph 5(a) on the Limited Partner's behalf. The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and not be affected by the death, incompetency, dissolution, disability, incapacity, bankruptcy or termination of the Limited Partner and shall extend to the Limited Partner's heirs, executors, administrators, legal representatives, successors and assigns.

6. The Limited Partner agrees that it will not transfer any interest in the Partnership Units (x) through (i) a national, non-U.S., regional, local or other securities exchange, (ii) PORTAL or (iii) an over-the-counter market (including an interdealer quotation system that regularly disseminates firm buy or sell quotations by identified brokers or dealers by electronic means or otherwise) or (y) to or through (a) a person, such as a broker or dealer, that makes a market in, or regularly quotes prices for, interests in the Partnership, (b) a person that regularly makes available to the public (including customers or subscribers) bid or offer quotes with respect to any interests in the Partnership and stands ready to effect transactions at the quoted prices for itself or on behalf of others or (c) another readily available, regular and ongoing opportunity to sell or exchange the interest through a public means of obtaining or providing information of offers to buy, sell or exchange the interest.

7. The Limited Partner acknowledges that the General Partner shall be a third-party beneficiary of the representations, covenants and agreements set forth in Sections 4 and 6 hereof. The Limited Partner agrees that it will transfer, whether by assignment or otherwise, Partnership Units only to the General Partner or to transferees that provide the Partnership and the General Partner with the representations and covenants set forth in Sections 4 and 6 hereof.

8. This acceptance shall be construed and enforced in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

Signature Line for Limited Partner:

Name:

Date:

, 20

Address of Limited Partner:

EXHIBIT B

EMPLOYEE'S COVENANTS, REPRESENTATIONS AND WARRANTIES

The Employee hereby represents, warrants and covenants as follows:

(a) The Employee has received and had an opportunity to review the following documents (the "Background Documents"):

(i) The Company's latest information statement filed with the Securities and Exchange Commission relating to the transactions contemplated by the Master Transaction Agreement (the "Transaction Agreement") dated as of October 31, 2016 between Vornado Realty Trust and Vornado Realty L.P., JBG Properties Inc., a Maryland corporation and JBG/Operating Partners, L.P., a Delaware limited partnership, together with certain JBG entities, and JBG SMITH Properties and JBG SMITH Properties LP?

(ii) Each of the Current Report(s) on Form 8-K of the Company and the Partnership, if any, filed since the beginning of the current fiscal year;

(iii) The Partnership Agreement? and

(iv) The Plan.

The Employee also acknowledges that any delivery of the Background Documents and other information relating to the Company and the Partnership prior to the determination by the Partnership of the suitability of the Employee as a holder of LTIP Units shall not constitute an offer of LTIP Units until such determination of suitability shall be made.

(b) The Employee hereby represents and warrants that:

(i) The Employee either (A) is an "accredited investor" as defined in Rule 501(a) under the Securities Act of 1933, as amended (the "Securities Act"), or (B) by reason of the business and financial experience of the Employee, together with the business and financial experience of those persons, if any, retained by the Employee to represent or advise him with respect to the grant to him of LTIP Units, the potential conversion of LTIP Units into Common Partnership Units of the Partnership ("Common Units") and the potential redemption of such Common Units for the Company's common Shares ("REIT Shares"), has such knowledge, sophistication and experience in financial and business matters and in making investment decisions of this type that the Employee (I) is capable of evaluating the merits and risks of an investment in the Partnership and potential investment in the Company and of making an informed investment decision, (II) is capable of protecting his own interest or has engaged representatives or advisors to assist him in protecting his interests, and (III) is capable of bearing the economic risk of such investment.

(ii) The Employee understands that (A) the Employee is responsible for consulting his own tax advisors with respect to the application of the U.S. federal income tax laws, and the tax laws of any state, local or other taxing jurisdiction to which the Employee is or by reason of the award of LTIP Units may become subject, to his particular situation? (B) the Employee has not received or relied upon business or tax advice from the Company, the Partnership or any of their respective employees, agents, consultants or advisors, in their capacity as such? (C) the Employee provides services to the Partnership on a regular basis and in such capacity has access to such information, and has such experience of and involvement in the business and operations of the Partnership, as the Employee believes to be necessary and appropriate to make an informed decision to accept this award of LTIP Units? and (D) an investment in the Partnership and/or the Company involves substantial risks. The Employee has been given the opportunity to make a thorough investigation of matters relevant to the LTIP Units and has been furnished with, and has reviewed and understands, materials relating to the Partnership and the Company and their respective activities (including, but not limited to, the Background Documents). The Employee has been afforded the opportunity to obtain any additional information (including any exhibits to the Background Documents) deemed necessary by the Employee to verify the accuracy of information conveyed to the Employee. The Employee confirms that all documents, records, and books pertaining to his receipt of LTIP Units which were requested by the Employee have been made available or delivered to the Employee. The Employee has had an opportunity to ask questions of and receive answers from the Partnership and the Company, or from a person or persons acting on their behalf, concerning the terms and conditions of the LTIP Units. **The Employee has relied upon, and is making its decision solely upon, the Background Documents and other written information provided to the Employee by the Partnership or the Company.**

(iii) The LTIP Units to be issued, the Common Units issuable upon conversion of the LTIP Units and any REIT Shares issued in connection with the redemption of any such Common Units will be acquired for the account of the Employee for investment only and not with a current view to, or with any intention of, a distribution or resale thereof, in whole or in part, or the grant of any participation therein, without prejudice, however, to the Employee's right (subject to the terms of the LTIP Units, the Plan and this Agreement) at all times to sell or otherwise dispose of all or any part of his LTIP Units, Common Units or REIT Shares in compliance with the Securities Act, and

applicable state securities laws, and subject, nevertheless, to the disposition of his assets being at all times within his control.

(iv) The Employee acknowledges that (A) neither the LTIP Units to be issued, nor the Common Units issuable upon conversion of the LTIP Units, have been registered under the Securities Act or state securities laws by reason of a specific exemption or exemptions from registration under the Securities Act and applicable state securities laws and, if such LTIP Units or Common Units are represented by certificates, such certificates will bear a legend to such effect, (B) the reliance by the Partnership and the Company on such exemptions is predicated in part on the accuracy and completeness of the representations and warranties of the Employee contained herein, (C) such LTIP Units or Common Units, therefore, cannot be resold unless registered under the Securities Act and applicable state securities laws, or unless an exemption from registration is available, (D) there is no public market for such LTIP Units and Common Units and (E) neither the Partnership nor the Company has any obligation or intention to register such LTIP Units or the Common Units issuable upon conversion of the LTIP Units under the Securities Act or any state securities laws or to take any action that would make available any exemption from the registration requirements of such laws, except that, upon the redemption of the Common Units for REIT Shares, the Company may issue such REIT Shares under the Plan and pursuant to a Registration Statement on Form S-8 under the Securities Act, to the extent that (I) the Employee is eligible to receive such REIT Shares under the Plan at the time of such issuance, (II) the Company has filed a Form S-8 Registration Statement with the Securities and Exchange Commission registering the issuance of such REIT Shares and (III) such Form S-8 is effective at the time of the issuance of such REIT Shares. The Employee hereby acknowledges that because of the restrictions on transfer or assignment of such LTIP Units acquired hereby and the Common Units issuable upon conversion of the LTIP Units which are set forth in the Partnership Agreement or this Agreement, the Employee may have to bear the economic risk of his ownership of the LTIP Units acquired hereby and the Common Units issuable upon conversion of the LTIP Units for an indefinite period of time.

(v) The Employee has determined that the LTIP Units are a suitable investment for the Employee.

(vi) No representations or warranties have been made to the Employee by the Partnership or the Company, or any officer, director, shareholder, agent or affiliate of any of them, and the Employee has received no information relating to an investment in the Partnership or the LTIP Units except the information specified in paragraph (a) above.

(c) So long as the Employee holds any LTIP Units, the Employee shall disclose to the Partnership in writing such information as may be reasonably requested with respect to ownership of LTIP Units as the Partnership may deem reasonably necessary to ascertain and to establish compliance with provisions of the Code applicable to the Partnership or to comply with requirements of any other appropriate taxing authority.

(d) The Employee hereby agrees to make an election under Section 83(b) of the Code with respect to the LTIP Units awarded hereunder, and has delivered with this Agreement a completed, executed copy of the election form attached hereto as Exhibit C. The Employee agrees to file the election (or to permit the Partnership to file such election on the Employee's behalf) within thirty (30) days after the award of the LTIP Units hereunder with the IRS Service Center at which such Employee files his personal income tax returns.

(e) The address set forth on the signature page of this Agreement is the address of the Employee's principal residence, and the Employee has no present intention of becoming a resident of any country, state or jurisdiction other than the country and state in which such residence is sited.

EXHIBIT C

ELECTION TO INCLUDE IN GROSS INCOME IN YEAR OF TRANSFER OF PROPERTY PURSUANT TO SECTION 83(B) OF THE INTERNAL REVENUE CODE

The undersigned hereby makes an election pursuant to Section 83(b) of the Internal Revenue Code with respect to the property described below and supplies the following information in accordance with the regulations promulgated thereunder:

1. The name, address and taxpayer identification number of the undersigned are:

Name: (the "Taxpayer")
Address:
Social Security No./Taxpayer Identification No.:
2. Description of property with respect to which the election is being made:

The election is being made with respect to LTIP Units in JBG SMITH Properties LP (the "Partnership").
3. The date on which the LTIP Units were transferred is _____, 20 ____ . The taxable year to which this election relates is calendar year 20 ____ .
4. Nature of restrictions to which the LTIP Units are subject:
 - (a) With limited exceptions, until the LTIP Units vest, the Taxpayer may not transfer in any manner any portion of the LTIP Units without the consent of the Partnership.
 - (b) The Taxpayer's LTIP Units vest in accordance with the vesting provisions described in the Schedule attached hereto. Unvested LTIP Units are forfeited in accordance with the vesting provisions described in the Schedule attached hereto.
5. The fair market value at time of transfer (determined without regard to any restrictions other than a nonlapse restriction as defined in Treasury Regulations Section 1.83-3(h)) of the LTIP Units with respect to which this election is being made was \$0 per LTIP Unit.
6. The amount paid by the Taxpayer for the LTIP Units was \$0 per LTIP Unit.
7. A copy of this statement has been furnished to the Partnership and JBG SMITH Properties.

Dated: _____

Name:

SCHEDULE TO EXHIBIT C

Vesting Provisions of LTIP Units

The LTIP Units are subject to performance-based vesting criteria, based on certain absolute and relative total shareholder return thresholds, over a three-year performance period and time-based vesting criteria over a subsequent one-year period, provided that the Taxpayer remains an employee of JBG SMITH Properties or its affiliate through such dates, subject to acceleration in the event of certain extraordinary transactions or termination of the Taxpayer's service relationship with JBG SMITH Properties (or its affiliate) under specified circumstances. Unvested LTIP Units are subject to forfeiture in the event of failure to vest based on the failure to satisfy the applicable performance goals and the passage of time and continued employment.

JBG SMITH Properties, a Maryland real estate
investment trust

By: _____

Name:

Title:

Employee

**FORM OF JBG SMITH PROPERTIES
2017 OMNIBUS SHARE PLAN
PERFORMANCE LTIP UNIT AGREEMENT
(As Amended and Restated Effective February 18, 2020)**

Name of Employee: _____ (the “Employee”)

No. of LTIP Units Awarded: _____

Grant Date: February 2, 2018

RECITALS

A. The Employee is an employee of JBG SMITH Properties, a Maryland real estate investment trust (the “Company”) and provides services to JBG SMITH Properties LP, a Delaware limited partnership, through which the Company conducts substantially all of its operations (the “Partnership”).

B. In accordance with the JBG SMITH Properties 2017 Omnibus Share Plan, as it may be amended from time to time (the “Plan”), the Company desires, in connection with the employment of the Employee, to provide the Employee with an opportunity to acquire LTIP Units (as defined in the agreement of limited partnership of the Partnership, as amended (the “Partnership Agreement”)) having the rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption and conversion set forth herein in the plan and in the Partnership Agreement, and thereby provide additional incentive for the Employee to promote the progress and success of the business of the Company, the Partnership and its Subsidiaries. Upon the close of business on the Grant Date pursuant to this Performance LTIP Unit Agreement (this “Agreement”), the Employee shall receive the number of LTIP Units specified above (the “Award LTIP Units”), subject to the restrictions and conditions set forth herein, in the Plan and in the Partnership Agreement.

C. The exact number of LTIP Units earned under this award of OP Units (the “Award”) shall be determined following the conclusion of the Performance Period (or the Extended Performance Period, if applicable) based on the Company’s Total Shareholder Return and Relative Performance during the Performance Period (and on the Company’s Total Shareholder Return during the Extended Performance Period, if applicable) as provided herein. Any LTIP Units not earned following the conclusion of the Performance Period (or Extended Performance Period, if applicable) will be forfeited and any additional LTIP Units owed to the Employee shall be issued as soon as reasonably practical following the end of the Performance Period.

NOW, THEREFORE, the Company, the Partnership and the Employee agree as follows:

1. Definitions. Capitalized terms used herein without definitions shall have the meanings given to those terms in the Plan. In addition, as used herein:

“Baseline Value” for each of the Company and the Peer Companies means the dollar amount representing the average of the Fair Market Value of one share of common stock of such company over the five consecutive trading days ending on, and including, the Effective Date.

“Cause” means, if not otherwise defined in the Employee’s Service Agreement, if any, the Employee’s: (i) conviction of, or plea of guilty or nolo contendere to, a felony, (ii) willful and continued failure to use reasonable best efforts to substantially perform his duties (other than such failure resulting from the Employee’s incapacity due to physical or mental illness) that the Employee fails to remedy within 30 days after written notice is delivered by the Company to the Employee that specifically identifies in reasonable detail the manner in which the Company believes the Employee has not used reasonable efforts to perform in all material respects his duties hereunder, or (iii) willful misconduct (including, but not limited to, a willful breach of the provisions of any agreement with the Company with respect to confidentiality, ownership of documents, non-competition or non-solicitation) that is materially economically injurious to the Company or its affiliates. For purposes of this

paragraph, no act, or failure to act, by the Employee will be considered “willful” unless committed in bad faith and without a reasonable belief that the act or omission was in the best interests of the Company.

“Common Share Price” means, with respect to the Company and each of the Peer Companies, as of a particular date, the average of the Fair Market Value of one share of common stock of such company over the 30 consecutive trading days ending on, and including, such date (or, if such date is not a trading day, the most recent trading day immediately preceding such date)? provided, however, that if such date is the date upon which a Transactional Change of Control occurs, the Common Share Price of a share of common stock as of such date shall be equal to the fair value, as determined by the Committee, of the total consideration paid or payable in the transaction resulting in the Transactional Change of Control for one Share.

“Common Units” means Common Partnership Units issued by the Partnership.

“Continuous Service” means the continuous service to the Employer, without interruption or termination, in any capacity of employee, or, with the written consent of the Committee, consultant. Continuous Service shall not be considered interrupted in the case of: (a) any approved leave of absence? (b) transfers among the Employers, or any successor in any capacity of employee, or with the written consent of the Committee, as a member of the Board or a consultant? or (c) any change in status as long as the individual remains in the service of the Employer in any capacity of employee or (if the Committee specifically agrees in writing that the Continuous Service is not uninterrupted) as a member of the Board or a consultant. An approved leave of absence shall include sick leave, military leave, or any other authorized personal leave.

“Disability” means, if not otherwise defined in the Employee’s Service Agreement, if any, if, as a result of the Employee’s incapacity due to physical or mental illness, the Employee shall have been substantially unable to perform his duties for a continuous period of 180 days, and within 30 days after written notice of termination is given after such 180-day period, the Employee shall not have returned to the substantial performance of his duties on a full-time basis, the employment of the Employee is terminated by the Company.

“Distribution Participation Date” shall have the meaning set forth in the Partnership Agreement and in Section 6(b) hereof.

“Effective Date” means January 31, 2018.

“Employer” means either the Company, the Partnership or any of their Subsidiaries that employ the Employee.

“Extended Performance Period” means the seven-year period beginning the day after the last day of the Performance Period.

“Fair Market Value” of a security means, as of any given date, the closing sale price reported for such security on the principal stock exchange or, if applicable, any other national exchange on which the security is traded or admitted to trading on such date on which a sale was reported. If there are no market quotations for such date, the determination shall be made by reference to the last day preceding such date for which there are market quotations.

“Good Reason” means, if not otherwise defined in the Employee’s Service Agreement, if any, (a) a reduction by the Company in the Employee’s base salary, (b) a material diminution in the Employee’s position, authority, duties or responsibilities, (c) a relocation of the Employee’s location of employment to a location outside of the Washington D.C. metropolitan area, or (d) the Company’s material breach of the Agreement, provided, in each case, that the Employee terminates employment within 90 days after the Employee has actual knowledge of the occurrence, without the written consent of the Employee, of one of the foregoing events that has not been cured within 30 days after written notice thereof has been given by the Employee to the Company setting forth in reasonable detail the basis of the event (provided such notice must be given to the Company within 30 days of the Employee becoming aware of such condition).

“LTIP Unit Initial Sharing Percentage” shall have the meaning set forth in Section 6(c) hereof.

“Partial Service Factor” means a factor carried out to the sixth decimal to be used in calculating the number of LTIP Units earned pursuant to Section 3(c) hereof in the event of a Qualified Termination of the Employee’s Continuous Service prior to the Valuation Date, determined by dividing (a) the number of calendar days that have elapsed since the Effective Date to and including the date of the Employee’s Qualified Termination by (b) the number of calendar days from the Effective Date to and including the Valuation Date.

“Peer Companies” means the companies in the FTSE NAREIT Equity Office Index.

“Performance Period” means the period beginning on the Effective Date and ending on January 30, 2021.

“Relative Performance” means the Company’s Total Shareholder Return relative to the Total Shareholder Return of the Peer Companies expressed as a percentile calculated by dividing the number of such Peer Companies with a Total Shareholder Return less than the Company’s Total Shareholder Return by the total number of such Peer Companies.

“Securities Act” means the Securities Act of 1933, as amended.

“Service Agreement” means, as of a particular date, any employment, consulting or similar service agreement then in effect between the Employee, on the one hand, and the Employer, on the other hand, as amended or supplemented through such date.

“Total Shareholder Return” means, for each of the Company and the Peer Companies, with respect any measurement period, the total return (expressed as a percentage) that would have been realized by a shareholder who (a) bought one share of common stock of such company at the Baseline Value on the Effective Date, (b) reinvested each dividend and other distribution declared during such measurement period with respect to such share (and any other shares, or fractions thereof, previously received upon reinvestment of dividends or other distributions or on account of stock dividends), without deduction for any taxes with respect to such dividends or other distributions or any charges in connection with such reinvestment, in additional Shares at a price per share equal to (i) the Fair Market Value on the trading day immediately preceding the ex-dividend date for such dividend or other distribution less (ii) the amount of such dividend or other distribution, and (c) sold such shares on the last day of the measurement period at the Common Share Price on such date, without deduction for any taxes with respect to any gain on such sale or any charges in connection with such sale. As set forth in, and pursuant to, Section 7 of this Agreement, appropriate adjustments to the Total Shareholder Return shall be made to take into account all stock dividends, stock splits, reverse stock splits and the other events set forth in Section 7 that occur during the measurement period.

“Transactional Change of Control” means a Change of Control resulting from any person or group making a tender offer for the Shares, a merger or consolidation where the Company is not the acquirer or surviving entity or consisting of a sale, lease, exchange or other transfer to an unrelated party of all or substantially all of the assets of the Company.

“Valuation Date” means the earlier of (a) the last day of the Performance Period, or (b) the date upon which a Change of Control shall occur.

2. Effectiveness of Award. The Employee shall be admitted as a partner of the Partnership with beneficial ownership of the Award LTIP Units as of the Grant Date by (i) signing and delivering to the Partnership a copy of this Agreement and (ii) signing, as a Limited Partner, and delivering to the Partnership a counterpart signature page to the Partnership Agreement (attached hereto as Exhibit A). Upon execution of this Agreement by the Employee, the Partnership and the Company, the books and records of the Partnership shall reflect the issuance to the Employee of the Award LTIP Units. Thereupon, the Employee shall have all the rights of a Limited Partner of the Partnership with respect to a number of LTIP Units equal to the Award LTIP Units, as set forth in the Partnership Agreement, subject, however, to the restrictions and conditions specified in Section 3 below.

3. Vesting and Earning of Award LTIP Units.

(a) This Award is subject to performance vesting during the Performance Period and service vesting thereafter tied to Continuous Service of the Employee for one year after the last day of the Performance Period. The Award LTIP Units will be subject to forfeiture based on the Company’s Total Shareholder Return and Relative Performance during the Performance Period, and Extended Performance Period, if applicable, as set forth in this Section 3, subject to Section 5 hereof in the event of a Change in Control.

(b) The number of Award LTIP Units earned will be determined based on the Total Shareholder Return for each of the Company and the Peer Companies as of the Valuation Date, as follows:

Relative Performance	Percentage of Award LTIP Units Earned
TSR equal to the 35 th percentile of Peer Companies	25%
TSR equal to the 55 th percentile of Peer Companies	50%
TSR equal to the 75 th percentile of Peer Companies	100%

The Award will be forfeited in its entirety if the Relative Performance is below the 35th percentile of Peer Companies or as provided in Section 3(e) hereof. If the Relative Performance is between the 35th percentile and 55th percentile of Peer Companies, or between the 55th percentile and 75th percentile of Peer Companies, the percentage of the Award LTIP Units earned will be determined using linear interpolation as between those tiers, respectively.

(c) As soon as practicable following the Valuation Date, the Committee shall:

(i) determine the number of LTIP Units earned by the Employee.

(ii) determine the number of additional LTIP Units that would have accumulated if the Employee had received all distributions paid by the Partnership with respect to earned LTIP Units determined pursuant to clause (i) (reduced by the distributions actually paid with respect to the Award LTIP Units) and such distributions had been invested in Common Units at a price equal to the fair market value of one Common Unit on the ex-dividend date (together with the earned LTIP Units determined pursuant to clause (i), the “Earned LTIP Unit Equivalent”). Notwithstanding the foregoing, the Committee retains the discretion to pay out the value of the distributions determined pursuant to the preceding sentence in cash. In that event, the Earned LTIP Unit Equivalent shall refer to the earned LTIP Units determined pursuant to clause (i) only.

If the Earned LTIP Unit Equivalent is smaller than the number of Award LTIP Units previously issued to the Employee, then the Employee, as of the Valuation Date, shall forfeit a number of Award LTIP Units equal to the difference without payment of any consideration by the Partnership? thereafter the term Award LTIP Units will refer only to the Award LTIP Units that were not so forfeited and neither the Employee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in the LTIP Units that were so forfeited. If the Earned LTIP Unit Equivalent is greater than the number of Award LTIP Units previously issued to the Employee, then, upon the performance of the calculations set forth in this Section 3(c): (A) the Company shall cause the Partnership to issue to the Employee, as of the Valuation Date, a number of additional LTIP Units equal to the difference? (B) such additional LTIP Units shall be added to the Award LTIP Units previously issued, if any, and thereby become part of this Award (provided that such additional LTIP Units shall be treated as being issued as of the date they are actually issued for purposes of determining their holding period under the Partnership Agreement)? (C) the Company and the Partnership shall take such corporate and partnership action as is necessary to accomplish the grant of such additional LTIP Units? and (D) thereafter the term Award LTIP Units will refer collectively to the Award LTIP Units, if any, issued prior to such additional grant plus such additional LTIP Units? provided that such issuance will be subject to the Employee confirming the truth and accuracy of the representations set forth in Section 13 hereof and executing and delivering such documents, comparable to the documents executed and delivered in connection with this Agreement, as the Company and/or the Partnership reasonably request in order to comply with all applicable legal requirements, including, without limitation, federal and state securities laws. If the Earned LTIP Unit Equivalent is the same as the number of Award LTIP Units previously issued to the Employee, then there will be no change to the number of Award LTIP Units under this Award pursuant to this Section 3.

(d) If any of the Award LTIP Units have been earned based on performance as provided in Section 3(b), subject to Section 3(e) and Section 4 hereof, the Earned LTIP Unit Equivalent shall become vested in the following amounts and at the following times, provided that the Continuous Service of the Employee continues through and on the applicable vesting date or the accelerated vesting date provided in Section 4 hereof, as applicable:

(i) 50 percent of the Earned LTIP Unit Equivalent shall become vested on the date the Committee determines the Earned LTIP Unit Equivalent?

(ii) 50 percent of the Earned LTIP Unit Equivalent shall become vested on the first anniversary of the Valuation Date.

(e)

(i) Notwithstanding any other provision in this Agreement, and subject to Section 5 hereof in the event of a Change of Control, if any of the Award LTIP Units have been earned based on Relative Performance as provided in Section 3(b) but the Company’s Total Shareholder Return is 0% or less with respect to the Performance Period, then 50% of the Award LTIP Units determined pursuant to Sections 3(b) and 3(c) shall automatically and without notice be forfeited as of the Valuation Date. The remaining 50% of the Award LTIP Units determined pursuant to Sections 3(b) and 3(c) (the “Contingent Award LTIP Units”) may become earned and vested only if the Company’s Total Shareholder Return is positive within the Extended Performance Period. For purposes of the preceding sentence, the Company’s Total Shareholder Return shall be measured at the end of each quarter during the Extended Performance Period, beginning with the first quarter following the end of the Performance Period, and it shall be measured on a cumulative basis from the beginning of the Performance Period through the end of each most recently completed quarter. If the Company’s Total Shareholder Return is positive within the Extended Performance Period, then the Contingent Award LTIP Units shall become earned as soon as reasonably practicable, but no later than thirty (30) days, following the end of the first quarter during which the Company’s Total Shareholder Return is positive (such date, the “Extended Valuation Date”). In addition, the Committee shall, on such Extended Valuation Date,

determine the number of additional LTIP Units that would have accumulated if the Employee had received all distributions paid by the Partnership with respect to the Contingent Award LTIP Units (reduced by the distributions actually paid with respect to the Contingent Award LTIP Units) and such distributions had been invested in Common Units at a price equal to the fair market value of one Common Unit on the ex-dividend date, and such number of additional LTIP Units together with the Contingent Award LTIP Units shall be treated as the Award LTIPs for all purposes under this Agreement following the Extended Valuation Date. Notwithstanding the foregoing, the Committee retains the discretion to pay out the value of the distributions determined pursuant to the preceding sentence in cash, in which case the Award LTIP Units shall refer to the number of Contingent Award LTIP Units only following the Extended Valuation Date. Such Award LTIP Units shall become vested on the Extended Valuation Date.

(ii) If the Company's Total Shareholder Return is not positive within the Extended Performance Period, then notwithstanding Sections 3(b) and 3(c), the Award and the Contingent Award LTIP Units shall, without payment of any consideration by the Partnership, automatically and without notice be forfeited and be and become null and void as of the last day of the Extended Performance Period, and neither the Employee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in the Award or any Contingent Award LTIP Units.

(f) Any Award LTIP Units that do not become vested pursuant to Section 3(d), Section 3(e) or Section 4 hereof shall, without payment of any consideration by the Partnership, automatically and without notice be forfeited and be and become null and void, and neither the Employee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such unvested Award LTIP Units.

4. Termination of Employee's Service Relationship? Death and Disability

(a) If the Employee is a party to a Service Agreement that addresses treatment of the Award LTIP Units on a termination of employment and ceases to be an employee of the Company or any of its affiliates, the provisions of such Service Agreement that apply to the Award LTIP Unit will govern. If the Employee is not a party to a Service Agreement that addresses treatment of the Award LTIP Unit on a termination of employment, Sections 4(b) through 4(d) hereof shall govern the treatment of the Employee's Award LTIP Units exclusively. In the event an entity ceases to be a Subsidiary or affiliate of the Company or the Partnership, such action shall be deemed to be a termination of employment of all employees of that entity for purposes of this Agreement, provided that the Committee or the Board, in its sole and absolute discretion, may make provision in such circumstances for lapse of forfeiture restrictions and/or accelerated vesting of some or all of the Employee's remaining unvested Award LTIP Units that have not previously been forfeited, effective immediately prior to such event.

(b) Except as otherwise provided in any Service Agreement between the Employee and the Company or its affiliate, in the event of a termination of the Employee's Continuous Service by (A) the Employer without Cause after the first anniversary of the Grant Date, (B) the Employee for Good Reason after the first anniversary of the Grant Date, (C) the Employee's death, or (D) the Employee's Disability, in each case prior to the Valuation Date (each, a "Qualified Termination"), the Employee will not forfeit the Award LTIP Units upon such termination, but the following provisions of this Section 4(b) shall modify the determination and vesting of the Earned LTIP Unit Equivalent for the Employee:

(i) the calculations provided in Section 3(c) hereof shall be performed as of the Valuation Date as if the Qualified Termination had not occurred?

(ii) the Earned LTIP Unit Equivalent calculated pursuant to Section 3(c) shall be multiplied by the Partial Service Factor (with the resulting number being rounded to the nearest whole LTIP Unit or, in the case of 0.5 of a unit, up to the next whole unit), and such adjusted number of LTIP Units shall be deemed the Employee's Earned LTIP Unit Equivalent for all purposes under this Agreement? and

(iii) the Employee's Earned LTIP Unit Equivalent as adjusted pursuant to Section 4(b)(ii) above shall no longer be subject to forfeiture pursuant to Section 3(d) hereof but will be subject to Section 3(e) hereof? provided that, notwithstanding that no Continuous Service requirement pursuant to Section 3(d) hereof will apply to the Employee after the effective date of a Qualified Termination, except in the case of death or Disability, the Employee will not have the right to Transfer (as defined in Section 23 hereof) his or her Award LTIP Units or request redemption of his or her Common Units under the Partnership Agreement until such dates as of which his or her Earned LTIP Unit Equivalent, as adjusted pursuant to Section 4(b)(ii) above, would have become vested pursuant to Section 3(d), or become earned and vested pursuant to Section 3(e), if applicable, absent a Qualified Termination. For the avoidance of doubt, the purpose of this Section 4(b)(iii) is to prevent a situation where Employees who have had a Qualified Termination would be able to realize the value of their Award LTIP Units or Common Units (through Transfer or redemption) before other Employees whose Continuous Service continues through the applicable vesting dates set forth in Section 3(d) and Section 3(e) hereof.

(c) In the event of a Qualified Termination after the Valuation Date, all unvested Award LTIP Units that have not previously been forfeited pursuant to the calculations set forth in Section 3(c) hereof shall no longer be subject to forfeiture pursuant to Section 3(d) hereof but will be subject to Section 3(e) hereof? provided that, notwithstanding that no Continuous Service requirement pursuant to Section 3(d) hereof will apply to the Employee after the effective date of a Qualified Termination, except in the case of death or Disability, the Employee will not have the right to Transfer (as defined in Section 23

hereof) his or her Award LTIP Units or request redemption of his or her Common Units under the Partnership Agreement until such dates as of which his or her Earned LTIP Unit Equivalent would have become vested pursuant to Section 3(d) or become earned and vested pursuant to Section 3(e), if applicable, absent a Qualified Termination. For the avoidance of doubt, the purpose of this Section 4(c) is to prevent a situation where Employees who have had a Qualified Termination would be able to realize the value of their Award LTIP Units or Award Common Units (through Transfer or redemption) before other grantees of Earned LTIP awards whose Continuous Service continues through the applicable vesting dates set forth in Section 3(d) and Section 3(e) hereof.

(d) In the event of a termination of the Employee's Continuous Service other than a Qualified Termination, all Award LTIP Units except for those that, as of the date at such termination, both (i) have ceased to be subject to forfeiture pursuant to Sections 3(b) and (c) hereof and (ii) are vested pursuant to Section 3(d) or 3(e) hereof shall, without payment of any consideration by the Partnership, automatically and without notice terminate, be forfeited and be and become null and void, and neither the Employee nor any of his or her successors, heirs, assigns, or personal representatives will thereafter have any further rights or interests in such Award LTIP Units.

5. Change in Control.

(a) If the Valuation Date occurs upon the date of a Change in Control, the provisions of Section 3 shall apply to determine the Earned LTIP Unit Equivalent except that (i) Section 3(e) shall not apply, such that Relative Performance alone shall determine the Earned LTIP Unit Equivalent, and (ii) if the Valuation Date occurs upon the date of a Change in Control on or before the first anniversary of the Effective Date, the Earned LTIP Unit Equivalent shall be prorated to reflect the portion of the Performance Period that had elapsed as of the date of such Change in Control. For the avoidance of doubt, if the Valuation Date occurs upon the date of a Change in Control after the first anniversary of the Effective Date, the Earned LTIP Unit Equivalent shall be determined as provided in the preceding sentence, but without proration of the Earned LTIP Unit Equivalent.

(b) The number of Earned LTIP Unit Equivalent determined under Section 3, as modified by Section 5(a), shall remain subject to vesting tied to Continuous Employment as provided in Section 3(d), except that the Employee shall become fully vested in the Earned LTIP Unit Equivalent if he is terminated without Cause or resigns for Good Reason within 18 months following the Change in Control.

(c) If the Change in Control occurs after the third anniversary of the Effective Date, and the Employee is terminated without Cause or resigns for Good Reason within 12 months following the Change in Control, the Employee shall become fully vested in any unvested portion of the Earned LTIP Unit Equivalent.

(d) Notwithstanding the foregoing, if the Earned LTIP Unit Equivalent does not remain outstanding after a Change in Control, then the Employee shall become fully vested in the Earned LTIP Unit Equivalent upon the consummation of the Change in Control.

6. Distribution Participation Date and LTIP Unit Initial Sharing Percentage.

(a) The holder of the Award LTIP Units shall be entitled to receive distributions and allocations with respect to such Award LTIP Units to the extent provided for in the Partnership Agreement, including Exhibit E thereof, as modified hereby.

(b) The Distribution Participation Date with respect to such Award LTIP Units shall be the Valuation Date or, to the extent the Award LTIP Units become earned and vested during the Extended Performance Period as set forth in Section 3(e), the Extended Valuation Date. Accordingly, for the avoidance of doubt, from the Grant Date until the Distribution Participation Date, the holder of the Award LTIP Units shall only be entitled to certain distributions and allocations described in, and pursuant to, Sections 2.A. and 3 of Exhibit E to the Partnership Agreement with respect to an Award LTIP Unit in an amount equal to the product of the LTIP Unit Initial Sharing Percentage for such Award LTIP Unit and the amount otherwise distributable or allocable with respect to such Award LTIP Unit.

(c) The LTIP Unit Initial Sharing Percentage shall be ten percent (10%). For the avoidance of doubt, after the Valuation Date (or, to the extent the Award LTIP Units become earned and vested during the Extended Performance Period as set forth in Section 3(e), the Extended Valuation Date), Award LTIP Units, both vested and (until and unless forfeited pursuant to Section 3(f) or Section 4(d)) unvested, shall be entitled to receive the same distributions payable with respect to Common Units if the payment date for such distributions is after the Distribution Participation Date, even though the record date for such distributions is before the Distribution Participation Date.

(d) All distributions paid with respect to Award LTIP Units, both before and after the Distribution Participation Date, shall be fully vested and non-forfeitable when paid, whether or not the underlying LTIP Units have been earned based on performance or have become vested based on the passage of time as provided in Section 3 or Section 4 hereof.

7. Certain Adjustments. The LTIP Units shall be subject to adjustment as provided in the Partnership Agreement, and except as otherwise provided therein, if (i) the Company shall at any time be involved in a merger, consolidation, dissolution, liquidation, reorganization, exchange of shares, sale of all or substantially all of the assets or stock of the Company, spin-off of a Subsidiary, business unit or other transaction similar thereto, (ii) any stock dividend, stock split,

reverse stock split, stock combination, reclassification, recapitalization, significant repurchases of stock, or other similar change in the capital structure of the Company, or any extraordinary dividend or other distribution to holders of the Shares or Common Partnership Units other than regular dividends shall occur, or (iii) any other event shall occur that in each case in the good faith judgment of the Committee necessitates action by way of appropriate equitable adjustment in the terms of this Agreement, the Plan or the LTIP Units, then the Committee shall take such action as it deems necessary to maintain the Employee's rights hereunder so that they are substantially proportionate to the rights existing under this Agreement and the terms of the LTIP Units prior to such event, including, without limitation: (A) adjustments in the LTIP Units? and (B) substitution of other awards under the Plan or otherwise. In the event of any change in the outstanding Shares (or corresponding change in the Conversion Factor applicable to Common Partnership Units of the Partnership) by reason of any share dividend or split, recapitalization, merger, consolidation, spin-off, combination or exchange of shares or other corporate change, or any distribution to common shareholders of the Company other than regular dividends, any Common Partnership Units, shares or other securities received by the Employee with respect to the applicable Award LTIP Unit which have not been earned or still subject to a risk of forfeiture will be subject to the same restrictions as the Award LTIP Units with respect to an equivalent number of shares or securities and shall be deposited with the Company.

8. Incorporation of Plan? Interpretation by Administrator. This Agreement is subject to the terms, conditions, limitations and definitions contained in the Plan, to the extent not inconsistent with the terms of this Agreement. In the event of any discrepancy or inconsistency between this Agreement and the Plan, the terms and conditions of this Agreement shall control. The Administrator may make such rules and regulations and establish such procedures for the administration of this Agreement, which are consistent with the terms of this Agreement, as it deems appropriate.

9. Certificates? Legend Each certificate, if any, issued in respect of the Restricted LTIP Units awarded under this Agreement shall be registered in the Employee's name and held by the Company until the expiration of the applicable Vesting Period. If certificates representing the LTIP Units are issued by the Partnership, at the expiration of each Vesting Period, the Company shall deliver to the Employee (or, if applicable, to the Employee's legal representatives, beneficiaries or heirs) certificates representing the number of LTIP Units that vested upon the expiration of such Vesting Period. The records of the Partnership and any other documentation evidencing the Award LTIP Units shall bear an appropriate legend, as determined by the Partnership in its sole discretion, to the effect that such LTIP Units are subject to restrictions as set forth herein, in the Plan and in the Partnership Agreement.

10. Tax Withholding. The Company or its applicable affiliate (including the Partnership) has the right to withhold from cash compensation payable to the Employee all applicable income and employment taxes due and owing at the time the applicable portion of the Restricted LTIP Units becomes includible in the Employee's income (the "Withholding Amount"), and/or to delay delivery of Restricted LTIP Units until appropriate arrangements have been made for payment of such withholding. In the alternative, the Company has the right to retain and cancel, or sell or otherwise dispose of, such number of Restricted LTIP Units as have a market value (determined as of the date the applicable LTIP Units vest) approximately equal to the Withholding Amount, with any excess proceeds being paid to Employee.

11. Amendment? Modification This Agreement may only be modified or amended in a writing signed by the parties hereto, provided that the Employee acknowledges that the Plan may be amended or discontinued in accordance with the provisions thereof and that this Agreement may be amended or canceled by the Administrator, on behalf of the Company and the Partnership, in each case for the purpose of satisfying changes in law or for any other lawful purpose, so long as no such action shall adversely affect the Employee's rights under this Agreement without the Employee's written consent. No promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, with respect to the subject matter hereof, have been made by the parties which are not set forth expressly in this Agreement. The failure of the Employee or the Company or the Partnership to insist upon strict compliance with any provision of this Agreement, or to assert any right the Employee or the Company or the Partnership, respectively, may have under this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

12. Complete Agreement. Other than as specifically stated herein or as otherwise set forth in any employment, change in control or other agreement or arrangement to which the Employee is a party which specifically refers to the Award LTIP Units or to the treatment of compensatory equity held by the Employee generally, this Agreement (together with those agreements and documents expressly referred to herein, for the purposes referred to herein) embody the complete and entire agreement and understanding between the parties with respect to the subject matter hereof, and supersede any and all prior promises, assurances, commitments, agreements, undertakings or representations, whether oral, written, electronic or otherwise, and whether express or implied, which may relate to the subject matter hereof in any way.

13. Investment Representation? Registration The Employee agrees that any resale of the LTIP Units received upon the expiration of the applicable Vesting Period (or the Shares) received upon redemption of or in exchange for LTIP Units or Common Units of the Partnership into which LTIP Units may have been converted) shall not occur during the "blackout periods" forbidding sales of Company securities, as set forth in the then-applicable Company employee manual or insider trading policy. In addition, any resale shall be made in compliance with the registration requirements of the Securities Act, or

an applicable exemption therefrom, including, without limitation, the exemption provided by Rule 144 promulgated thereunder (or any successor rule). The Employee hereby makes the covenants, representations and warranties set forth on Exhibit B attached hereto as of the Grant Date. All of such covenants, warranties and representations shall survive the execution and delivery of this Agreement by the Employee. The Employee shall promptly notify the Partnership upon discovering that any of the representations or warranties set forth on Exhibit B was false when made or have, as a result of changes in circumstances, become false. The Partnership will have no obligation to register under the Securities Act any of the Award LTIP Units or any other securities issued pursuant to this Agreement or upon conversion or exchange of the Award LTIP Units into other limited partnership interests of the Partnership.

14. No Right to Employment. Nothing herein contained shall affect the right of the Company or any affiliate to terminate the Employee's services, responsibilities and duties at any time for any reason whatsoever.

15. No Limit on Other Compensation Arrangements. Nothing contained in this Agreement shall preclude the Company from adopting or continuing in effect other or additional compensation plans, agreements or arrangements, and any such plans, agreements and arrangements may be either generally applicable or applicable only in specific cases or to specific persons.

16. Status of Award LTIP Units under the Plan. The Award LTIP Units are both issued as equity securities of the Partnership and granted as "Awards" under the Plan. The Company will have the right at its option, as set forth in the Partnership Agreement, to issue Shares in exchange for partnership units into which Award LTIP Units may have been converted pursuant to the Partnership Agreement, subject to certain limitations set forth in the Partnership Agreement, and such Shares, if issued, will be issued under the Plan. The Employee must be eligible to receive the LTIP Units in compliance with applicable federal and state securities laws and to that effect is required to complete, execute and deliver certain covenants, representations and warranties (attached as Exhibit B). The Employee acknowledges that the Employee will have no right to approve or disapprove such determination by the Company.

17. Severability. If, for any reason, any provision of this Agreement is held invalid, such invalidity shall not affect any other provision of this Agreement not so held invalid, and each such other provision shall to the full extent consistent with law continue in full force and effect. If any provision of this Agreement shall be held invalid in part, such invalidity shall in no way affect the rest of such provision not held so invalid, and the rest of such provision, together with all other provisions of this Agreement, shall to the full extent consistent with law continue in full force and effect.

18. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws.

19. Headings. The headings of paragraphs hereof are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

20. Notices. Any notice to be given to the Company shall be addressed to the General Counsel, JBG SMITH Properties, 4445 Willard Avenue, Suite 400, Chevy Chase, Maryland 20815, and any notice to be given the Employee shall be addressed to the Employee at the Employee's address as it appears on the employment records of the Company, or at such other address as the Company or the Employee may hereafter designate in writing to the other.

21. Counterparts. This Agreement may be executed in multiple counterparts with the same effect as if each of the signing parties had signed the same document. All counterparts shall be construed together and constitute the same instrument.

22. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and any successors to the Company and any successors to the Employee by will or the laws of descent and distribution, but this Agreement shall not otherwise be assignable or otherwise subject to hypothecation by the Employee.

23. Transfer; Redemption. None of the LTIP Units shall be sold, assigned, transferred, pledged or otherwise disposed of or encumbered (whether voluntarily or involuntarily or by judgment, levy, attachment, garnishment or other legal or equitable proceeding) (each such action, a "Transfer"), or redeemed in accordance with the Partnership Agreement (a) prior to vesting and (b) unless such Transfer is in compliance with all applicable securities laws (including, without limitation, the Securities Act), and such Transfer is in accordance with the applicable terms and conditions of the Partnership Agreement. Any attempted Transfer of LTIP Units not in accordance with the terms and conditions of this Section 23 shall be null and void, and the Partnership shall not reflect on its records any change in record ownership of any LTIP Units as a result of any such Transfer, and shall otherwise refuse to recognize any such Transfer.

24. Data Privacy Consent. In order to administer the Plan and this Agreement and to implement or structure future equity grants, the Company and its agents may process any and all personal or professional data, including but not limited to Social Security or other identification number, home address and telephone number, date of birth and other information that is necessary or desirable for the administration of the Plan and/or this Agreement (the "Relevant Information"). By entering into this Agreement, the Employee (i) authorizes the Company to collect, process, register and transfer to its agents all Relevant Information? and (ii) authorizes the Company and its agents to store and transmit such information in electronic form. The Employee shall have access to, and the right to change, the Relevant Information. Relevant Information will only be used in accordance with applicable law and to the extent necessary to administer the Plan and this

Agreement, and the Company and its agents will keep the Relevant Information confidential except as specifically authorized under this paragraph.

25. Electronic Delivery of Documents. By accepting this Agreement, the Employee (i) consents to the electronic delivery of this Agreement, all information with respect to the Plan and any reports of the Company provided generally to the Company's stockholders? (ii) acknowledges that he or she may receive from the Company a paper copy of any documents delivered electronically at no cost to the Employee by contacting the Company by telephone or in writing? (iii) further acknowledges that he or she may revoke his or her consent to electronic delivery of documents at any time by notifying the Company of such revoked consent by telephone, postal service or electronic mail? and (iv) further acknowledges that he or she is not required to consent to electronic delivery of documents.

26. Section 83(b) Election. In connection with this Agreement, the Employee hereby agrees to make an election to include in gross income in the year of transfer the fair market value of the applicable Award LTIP Units over the amount paid for them pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, substantially in the form attached hereto as Exhibit C and to supply the necessary information in accordance with the regulations promulgated thereunder.

27. Acknowledgement. The Employee hereby acknowledges and agrees that this Agreement and the LTIP Units issued hereunder shall constitute satisfaction in full of all obligations of the Company and the Partnership, if any, to grant to the Employee LTIP Units pursuant to the terms of any written employment agreement or letter or other written offer or description of employment with the Company and/or the Partnership executed prior to or coincident with the date hereof.

[signature page follows]

IN WITNESS WHEREOF, this Performance LTIP Unit Agreement has been executed by the parties hereto as of the date and year first above written.

JBG SMITH Properties

By: _____
Name:
Title:

JBG SMITH Properties LP

By: _____
Name:
Title:

EMPLOYEE

Name: _____

EXHIBIT A

FORM OF LIMITED PARTNER SIGNATURE PAGE

The Employee, desiring to become one of the within named Limited Partners of JBG SMITH Properties LP, hereby accepts all of the terms and conditions of (including, without limitation, the provisions related to powers of attorney), and becomes a party to, the Limited Partnership Agreement, dated as of July 17, 2017, of JBG SMITH Properties LP, as amended (the "Partnership Agreement"). The Employee agrees that this signature page may be attached to any counterpart of the Partnership Agreement and further agrees as follows (where the term "Limited Partner" refers to the Employee): Capitalized terms used but not defined herein have the meaning ascribed thereto in the Partnership Agreement.

1. The Limited Partner hereby confirms that it has reviewed the terms of the Partnership Agreement and affirms and agrees that it is bound by each of the terms and conditions of the Partnership Agreement, including, without limitation, the provisions thereof relating to limitations and restrictions on the transfer of Partnership Units.

2. The Limited Partner hereby confirms that it is acquiring the Partnership Units for its own account as principal, for investment and not with a view to resale or distribution, and that the Partnership Units may not be transferred or otherwise disposed of by the Limited Partner otherwise than in a transaction pursuant to a registration statement filed by the Partnership (which it has no obligation to file) or that is exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), and all applicable state and foreign securities laws, and the General Partner may refuse to transfer any Partnership Units as to which evidence of such registration or exemption from registration satisfactory to the General Partner is not provided to it, which evidence may include the requirement of a legal opinion regarding the exemption from such registration. If the General Partner delivers to the Limited Partner common Shares of beneficial interest of the General Partner ("Common Shares") upon redemption of any Partnership Units, the Common Shares will be acquired for the Limited Partner's own account as principal, for investment and not with a view to resale or distribution, and the Common Shares may not be transferred or otherwise disposed of by the Limited Partner otherwise than in a transaction pursuant to a registration statement filed by the General Partner with respect to such Common Shares (which it has no obligation under the Partnership Agreement to file) or that is exempt from the registration requirements of the Securities Act and all applicable state and foreign securities laws, and the General Partner may refuse to transfer any Common Shares as to which evidence of such registration or exemption from such registration satisfactory to the General Partner is not provided to it, which evidence may include the requirement of a legal opinion regarding the exemption from such registration.

3. The Limited Partner hereby affirms that it has appointed the General Partner, any Liquidator and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead, in accordance with Section 2.4 of the Partnership Agreement, which section is hereby incorporated by reference. The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and not be affected by the death, incompetency, dissolution, disability, incapacity, bankruptcy or termination of the Limited Partner and shall extend to the Limited Partner's heirs, executors, administrators, legal representatives, successors and assigns.

4. The Limited Partner hereby confirms that, notwithstanding any provisions of the Partnership Agreement to the contrary, the LTIP Units shall not be redeemable by the Limited Partner pursuant to Section 8.6 of the Partnership Agreement.

5. (a) The Limited Partner hereby irrevocably consents in advance to any amendment to the Partnership Agreement, as may be recommended by the General Partner, intended to avoid the Partnership being treated as a publicly-traded partnership within the meaning of Section 7704 of the Internal Revenue Code, including, without limitation, (x) any amendment to the provisions of Section 8.6 of the Partnership Agreement intended to increase the waiting period between the delivery of a Notice of Redemption and the Specified Redemption Date and/or the Valuation Date to up to sixty (60) days or (y) any other amendment to the Partnership Agreement intended to make the redemption and transfer provisions, with respect to certain redemptions and transfers, more similar to the provisions described in Treasury Regulations Section 1.7704-1(f).

(b) The Limited Partner hereby appoints the General Partner, any Liquidator and authorized officers and attorneys-in-fact of each, and each of those acting singly, in each case with full power of substitution, as its true and lawful agent and attorney-in-fact, with full power and authority in its name, place and stead, to execute and deliver any amendment referred to in the foregoing paragraph 5(a) on the Limited Partner's behalf. The foregoing power of attorney is hereby declared to be irrevocable and a power coupled with an interest, and it shall survive and not be affected by the death, incompetency, dissolution, disability, incapacity, bankruptcy or termination of the Limited Partner and shall extend to the Limited Partner's heirs, executors, administrators, legal representatives, successors and assigns.

6. The Limited Partner agrees that it will not transfer any interest in the Partnership Units (x) through (i) a national, non-U.S., regional, local or other securities exchange, (ii) PORTAL or (iii) an over-the-counter market (including an

interdealer quotation system that regularly disseminates firm buy or sell quotations by identified brokers or dealers by electronic means or otherwise) or (y) to or through (a) a person, such as a broker or dealer, that makes a market in, or regularly quotes prices for, interests in the Partnership, (b) a person that regularly makes available to the public (including customers or subscribers) bid or offer quotes with respect to any interests in the Partnership and stands ready to effect transactions at the quoted prices for itself or on behalf of others or (c) another readily available, regular and ongoing opportunity to sell or exchange the interest through a public means of obtaining or providing information of offers to buy, sell or exchange the interest.

7. The Limited Partner acknowledges that the General Partner shall be a third-party beneficiary of the representations, covenants and agreements set forth in Sections 4 and 6 hereof. The Limited Partner agrees that it will transfer, whether by assignment or otherwise, Partnership Units only to the General Partner or to transferees that provide the Partnership and the General Partner with the representations and covenants set forth in Sections 4 and 6 hereof.

8. This acceptance shall be construed and enforced in accordance with and governed by the laws of the State of Delaware, without regard to the principles of conflicts of law.

Signature Line for Limited Partner:

Name:

Date:

February 2, 2018

Address of Limited Partner:

EXHIBIT B

EMPLOYEE'S COVENANTS, REPRESENTATIONS AND WARRANTIES

The Employee hereby represents, warrants and covenants as follows:

(a) The Employee has received and had an opportunity to review the following documents (the "Background Documents"):

(i) The Company's latest information statement filed with the Securities and Exchange Commission relating to the transactions contemplated by the Master Transaction Agreement (the "Transaction Agreement") dated as of October 31, 2016 between Vornado Realty Trust and Vornado Realty L.P., JBG Properties Inc., a Maryland corporation and JBG/Operating Partners, L.P., a Delaware limited partnership, together with certain JBG entities, and JBG SMITH Properties and JBG SMITH Properties LP;

(ii) Each of the Quarterly Report(s) on Form 10-Q of the Company?

(iii) Each of the Current Report(s) on Form 8-K of the Company and the Partnership, if any, filed since the beginning of the current fiscal year;

(iv) The Partnership Agreement? and

(v) The Plan.

The Employee also acknowledges that any delivery of the Background Documents and other information relating to the Company and the Partnership prior to the determination by the Partnership of the suitability of the Employee as a holder of LTIP Units shall not constitute an offer of LTIP Units until such determination of suitability shall be made.

(b) The Employee hereby represents and warrants that:

(i) The Employee either (A) is an "accredited investor" as defined in Rule 501(a) under the Securities Act of 1933, as amended (the "Securities Act"), or (B) by reason of the business and financial experience of the Employee, together with the business and financial experience of those persons, if any, retained by the Employee to represent or advise him with respect to the grant to him of LTIP Units, the potential conversion of LTIP Units into Common Partnership Units of the Partnership ("Common Units") and the potential redemption of such Common Units for the Company's common Shares ("REIT Shares"), has such knowledge, sophistication and experience in financial and business matters and in making investment decisions of this type that the Employee (I) is capable of evaluating the merits and risks of an investment in the Partnership and potential investment in the Company and of making an informed investment decision, (II) is capable of protecting his own interest or has engaged representatives or advisors to assist him in protecting his interests, and (III) is capable of bearing the economic risk of such investment.

(ii) The Employee understands that (A) the Employee is responsible for consulting his own tax advisors with respect to the application of the U.S. federal income tax laws, and the tax laws of any state, local or other taxing jurisdiction to which the Employee is or by reason of the award of LTIP Units may become subject, to his particular situation? (B) the Employee has not received or relied upon business or tax advice from the Company, the Partnership or any of their respective employees, agents, consultants or advisors, in their capacity as such? (C) the Employee provides services to the Partnership on a regular basis and in such capacity has access to such information, and has such experience of and involvement in the business and operations of the Partnership, as the Employee believes to be necessary and appropriate to make an informed decision to accept this award of LTIP Units? and (D) an investment in the Partnership and/or the Company involves substantial risks. The Employee has been given the opportunity to make a thorough investigation of matters relevant to the LTIP Units and has been furnished with, and has reviewed and understands, materials relating to the Partnership and the Company and their respective activities (including, but not limited to, the Background Documents). The Employee has been afforded the opportunity to obtain any additional information (including any exhibits to the Background Documents) deemed necessary by the Employee to verify the accuracy of information conveyed to the Employee. The Employee confirms that all documents, records, and books pertaining to his receipt of LTIP Units which were requested by the Employee have been made available or delivered to the Employee. The Employee has had an opportunity to ask questions of and receive answers from the Partnership and the Company, or from a person or persons acting on their behalf, concerning the terms and conditions of the LTIP Units. **The Employee has relied upon, and is making its decision solely upon, the Background Documents and other written information provided to the Employee by the Partnership or the Company.**

(iii) The LTIP Units to be issued, the Common Units issuable upon conversion of the LTIP Units and any REIT Shares issued in connection with the redemption of any such Common Units will be acquired for the account of the Employee for investment only and not with a current view to, or with any intention of, a distribution

or resale thereof, in whole or in part, or the grant of any participation therein, without prejudice, however, to the Employee's right (subject to the terms of the LTIP Units, the Plan and this Agreement) at all times to sell or otherwise dispose of all or any part of his LTIP Units, Common Units or REIT Shares in compliance with the Securities Act, and applicable state securities laws, and subject, nevertheless, to the disposition of his assets being at all times within his control.

(iv) The Employee acknowledges that (A) neither the LTIP Units to be issued, nor the Common Units issuable upon conversion of the LTIP Units, have been registered under the Securities Act or state securities laws by reason of a specific exemption or exemptions from registration under the Securities Act and applicable state securities laws and, if such LTIP Units or Common Units are represented by certificates, such certificates will bear a legend to such effect, (B) the reliance by the Partnership and the Company on such exemptions is predicated in part on the accuracy and completeness of the representations and warranties of the Employee contained herein, (C) such LTIP Units or Common Units, therefore, cannot be resold unless registered under the Securities Act and applicable state securities laws, or unless an exemption from registration is available, (D) there is no public market for such LTIP Units and Common Units and (E) neither the Partnership nor the Company has any obligation or intention to register such LTIP Units or the Common Units issuable upon conversion of the LTIP Units under the Securities Act or any state securities laws or to take any action that would make available any exemption from the registration requirements of such laws, except that, upon the redemption of the Common Units for REIT Shares, the Company may issue such REIT Shares under the Plan and pursuant to a Registration Statement on Form S-8 under the Securities Act, to the extent that (I) the Employee is eligible to receive such REIT Shares under the Plan at the time of such issuance, (II) the Company has filed a Form S-8 Registration Statement with the Securities and Exchange Commission registering the issuance of such REIT Shares and (III) such Form S-8 is effective at the time of the issuance of such REIT Shares. The Employee hereby acknowledges that because of the restrictions on transfer or assignment of such LTIP Units acquired hereby and the Common Units issuable upon conversion of the LTIP Units which are set forth in the Partnership Agreement or this Agreement, the Employee may have to bear the economic risk of his ownership of the LTIP Units acquired hereby and the Common Units issuable upon conversion of the LTIP Units for an indefinite period of time.

(v) The Employee has determined that the LTIP Units are a suitable investment for the Employee.

(vi) No representations or warranties have been made to the Employee by the Partnership or the Company, or any officer, director, shareholder, agent or affiliate of any of them, and the Employee has received no information relating to an investment in the Partnership or the LTIP Units except the information specified in paragraph (a) above.

(c) So long as the Employee holds any LTIP Units, the Employee shall disclose to the Partnership in writing such information as may be reasonably requested with respect to ownership of LTIP Units as the Partnership may deem reasonably necessary to ascertain and to establish compliance with provisions of the Code applicable to the Partnership or to comply with requirements of any other appropriate taxing authority.

(d) The Employee hereby agrees to make an election under Section 83(b) of the Code with respect to the LTIP Units awarded hereunder, and has delivered with this Agreement a completed, executed copy of the election form attached hereto as Exhibit C. The Employee agrees to file the election (or to permit the Partnership to file such election on the Employee's behalf) within thirty (30) days after the award of the LTIP Units hereunder with the IRS Service Center at which such Employee files his personal income tax returns.

The address set forth on the signature page of this Agreement is the address of the Employee's principal residence, and the Employee has no present intention of becoming a resident of any country, state or jurisdiction other than the country and state in which such residence is sited.

EXHIBIT C

ELECTION TO INCLUDE IN GROSS INCOME IN YEAR OF TRANSFER OF PROPERTY PURSUANT TO SECTION 83(B) OF THE INTERNAL REVENUE CODE

The undersigned hereby makes an election pursuant to Section 83(b) of the Internal Revenue Code with respect to the property described below and supplies the following information in accordance with the regulations promulgated thereunder:

1. The name, address and taxpayer identification number of the undersigned are:
Name: (the "Taxpayer")
Address:
Social Security No./Taxpayer Identification No.:
2. Description of property with respect to which the election is being made:
The election is being made with respect to LTIP Units in JBG SMITH Properties LP (the "Partnership").
3. The date on which the LTIP Units were transferred is February 2, 2018. The taxable year to which this election relates is calendar year 2018.
4. Nature of restrictions to which the LTIP Units are subject:
 - (a) With limited exceptions, until the LTIP Units vest, the Taxpayer may not transfer in any manner any portion of the LTIP Units without the consent of the Partnership.
 - (b) The Taxpayer's LTIP Units vest in accordance with the vesting provisions described in the Schedule attached hereto. Unvested LTIP Units are forfeited in accordance with the vesting provisions described in the Schedule attached hereto.
5. The fair market value at time of transfer (determined without regard to any restrictions other than a nonlapse restriction as defined in Treasury Regulations Section 1.83-3(h)) of the LTIP Units with respect to which this election is being made was \$0 per LTIP Unit.
6. The amount paid by the Taxpayer for the LTIP Units was \$0 per LTIP Unit.
7. A copy of this statement has been furnished to the Partnership and JBG SMITH Properties.

Dated: _____

Name:

SCHEDULE TO EXHIBIT C

Vesting Provisions of LTIP Units

The LTIP Units are subject to performance-based vesting criteria, based on certain absolute and relative total shareholder return thresholds, and subsequent time-based vesting criteria, provided that the Taxpayer remains an employee of JBG SMITH Properties or its affiliate through the relevant vesting periods, subject to acceleration in the event of certain extraordinary transactions or termination of the Taxpayer's service relationship with JBG SMITH Properties (or its affiliate) under specified circumstances. Unvested LTIP Units are subject to forfeiture in the event of failure to vest based on the failure to satisfy the applicable performance goals and the passage of time and continued employment.

JBG SMITH Properties, a Maryland real estate
investment trust

By: _____

Name:

Title:

Employee

February 21, 2020

Robert Stewart
c/o JBG SMITH Properties
4747 Bethesda Avenue, Suite 200
Bethesda, MD 20814

Dear Rob:

This letter (this “**Letter Agreement**”) reflects our agreement to adjust your compensation program, commencing January 2020, to reduce your base salary and provide a greater percentage of your total compensation in the form of equity incentive awards, with your total compensation remaining the same.

To effectuate the foregoing, the Amended and Restated Employment Agreement dated as of June 16, 2017 between you and JBG SMITH Properties (the “Agreement”), is hereby amended as follows, effective as of January 1, 2020:

1. Section 5(a) of the Agreement is amended in its entirety to read as follows:

Base Salary. Effective January 1, 2020, the Company will pay Executive a base salary at the rate of not less than \$50,000 per year (“Base Salary”). Executive’s Base Salary will be paid in approximately equal installments in accordance with the Company’s customary payroll practices. Executive’s Base Salary shall be reviewed at last annually for possible increase, but not decrease. If Executive’s Base Salary is increased by the Company, such increased Base Salary will then constitute the Base Salary for all purposes of this Agreement.

2. Section 5(c)(ii) of the Agreement is amended to add the following sentence at the end thereof to read as follows:

With respect to calendar year 2020, in addition to any grant otherwise awarded to Executive by the Compensation Committee of the Board in accordance with its normal grant practices, Executive shall receive an equity grant in the form of time-based long-term incentive units (“LTIP Units”), in an amount not less than \$500,000 *divided by* the fair value of an LTIP Unit on the grant date, as determined in accordance with the Company’s standard procedures.

3. Section 8(b)(i) of the Agreement is amended in its entirety to read as follows:

(i) The “Severance Amount” will be equal to:

(A) if such termination is following the execution of a definitive agreement the consummation of which would result in, or within two years following, a Change in Control of the Company (and such Change in Control does in fact occur) (a “Qualifying CIC Termination”), two times the sum of Executive’s: (x) \$500,000, and (y) target Annual Bonus, payable in a lump sum within 60 days after the Date of Termination; or

(B) if such termination is not a Qualifying CIC Termination, one times the sum of Executive’s (x) \$500,000, and (y) target Annual Bonus, payable in equal installments over 12 months in accordance with the Company’s regular payroll procedures, commencing within 60 days after the Date of Termination.

4. Section 8(e) of the Agreement is amended in its entirety to read as follows:

Nonrenewal of the Agreement by the Company. Upon notice to Executive of the Company’s intention to not renew the term of this Agreement, pursuant to Section 2, and conditioned upon the execution by Executive of the Release, which must become effective within 55 days following the Date of Termination,

**SUBSIDIARIES OF THE REGISTRANT
JBG SMITH PROPERTIES
as of December 31, 2019**

	<u>Entity</u>	<u>State of Organization</u>
1	1101 Fern Street, L.L.C.	Delaware
2	1200 Eads Street LLC	Delaware
3	1200 Eads Street Sub LLC	Delaware
4	1229-1231 25th Street, L.L.C.	Delaware
5	1244 South Capitol Residential, L.L.C.	Delaware
6	1250 First Street Office, L.L.C.	Delaware
7	1263 First Street Office, L.L.C.	Delaware
8	1400 Eads Street LLC	Delaware
9	1400 Eads Street Sub LLC	Delaware
10	151 Q Street Co-Investment, L.P.	Delaware
11	151 Q Street REIT, L.L.C.	Delaware
12	151 Q Street Residential, L.L.C.	Delaware
13	1770 Crystal Drive, L.L.C.	Virginia
14	1776 Seed Investors, LP	Delaware
15	1800 Rockville Residential, L.L.C.	Delaware
16	1800 S. Bell, L.L.C.	Virginia
17	220 S. 20th Street Member, L.L.C.	Delaware
18	220 S. 20th Street, L.L.C.	Delaware
19	2101 L STREET, L.L.C.	Delaware
20	50 Patterson Office, L.L.C.	Delaware
21	51 N 50 Patterson Corporate Member, L.L.C.	Delaware
22	51 N 50 Patterson Holdings, L.L.C.	Delaware
23	51 N Residential, L.L.C.	Delaware
24	5640 Fishers Associates, L.L.C.	Delaware
25	5640 Fishers GP, L.L.C.	Delaware
26	75 New York Avenue, L.L.C.	Delaware
27	7200 Wisconsin Condo Association, Inc.	Maryland
28	7900 Wisconsin Residential, L.L.C.	Delaware
29	Arna-Eads, L.L.C.	Delaware
30	Arna-Fern, L.L.C.	Delaware
31	Ashley House Member, L.L.C.	Delaware
32	Ashley House Residential, L.L.C.	Delaware
33	Atlantic AB Holdings, L.L.C.	Delaware
34	Atlantic AB Services, L.L.C.	Delaware
35	Atlantic Residential A, L.L.C.	Delaware
36	Atlantic Residential C, L.L.C.	Delaware
37	Atlantic Retail B, L.L.C.	Delaware
38	Blue Lion Cell 2, PC	District of Columbia
39	Blue Lion 1, IC, L.L.C.	District of Columbia
40	Blue Lion PCC, LLC	District of Columbia
41	Bowen Building, L.P.	Delaware
42	Building Maintenance Service LLC	Delaware
43	Central Place Office, L.L.C.	Delaware
44	Central Place REIT, L.L.C.	Delaware
45	Central Place TRS, L.L.C.	Delaware
46	CESC 1101 17th Street L.L.C.	Delaware
47	CESC 1101 17th Street L.P.	Maryland
48	CESC 1101 17th Street Manager L.L.C.	Delaware

	<u>Entity</u>	<u>State of Organization</u>
49	CEC 1150 17th Street L.L.C.	Delaware
50	CEC 1150 17th Street Manager, L.L.C.	Delaware
51	CEC 1730 M Street L.L.C.	Delaware
52	CEC 2101 L Street L.L.C.	Delaware
53	CEC Commerce Executive Park L.L.C.	Delaware
54	CEC Crystal Square Four L.L.C.	Delaware
55	CEC Crystal/Rosslyn L.L.C.	Delaware
56	CEC Crystal Rosslyn II, L.L.C.	Delaware
57	CEC District Holdings L.L.C.	Delaware
58	CEC Downtown Member L.L.C.	Delaware
59	CEC Engineering TRS, L.L.C.	Delaware
60	CEC Gateway One L.L.C.	Delaware
61	CEC Gateway Two Limited Partnership	Virginia
62	CEC Gateway Two Manager L.L.C.	Virginia
63	CEC Gateway/Square L.L.C.	Delaware
64	CEC Gateway/Square Member L.L.C.	Delaware
65	CEC H Street L.L.C.	Delaware
66	CEC Mall L.L.C.	Virginia
67	CEC Mall Land L.L.C.	Delaware
68	CEC One Courthouse Plaza Holdings LLC	Delaware
69	CEC One Courthouse Plaza L.L.C.	Delaware
70	CEC One Democracy Plaza L.P.	Maryland
71	CEC One Democracy Plaza Manager L.L.C.	Delaware
72	CEC Park Five Land L.L.C.	Delaware
73	CEC Park Five Manager L.L.C.	Virginia
74	CEC Park Four Land L.L.C.	Delaware
75	CEC Park Four Manager L.L.C.	Virginia
76	CEC Park One Land L.L.C.	Delaware
77	CEC Park One Manager L.L.C.	Delaware
78	CEC Park Three Land L.L.C.	Delaware
79	CEC Park Three Manager L.L.C.	Virginia
80	CEC Park Two L.L.C.	Delaware
81	CEC Park Two Land L.L.C.	Delaware
82	CEC Plaza Five Limited Partnership	Virginia
83	CEC Plaza Limited Partnership	Virginia
84	CEC Plaza Manager L.L.C.	Virginia
85	CEC Potomac Yard LLC	Delaware
86	CEC Square L.L.C.	Virginia
87	CEC TRS, L.L.C.	Delaware
88	CEC Two Courthouse Plaza Limited Partnership	Virginia
89	CEC Two Courthouse Plaza Manager L.L.C.	Delaware
90	CEC Water Park L.L.C.	Virginia
91	Charles E. Smith Commercial Realty L.P.	Delaware
92	Crystal Gateway 3 Owner, L.L.C.	Delaware
93	Crystal Tech Fund LP	Delaware
94	Fairways I Residential, L.L.C.	Delaware
95	Fairways II Residential, L.L.C.	Delaware
96	Fairways Residential REIT, L.L.C.	Delaware
97	Falkland Chase Residential I, L.L.C.	Delaware
98	Falkland Chase Residential II, L.L.C.	Delaware
99	Falkland/REC Holdco, L.L.C.	Delaware
100	Falkland/REC Holdco Member, L.L.C.	Delaware
101	Falkland Road Residential, L.L.C.	Delaware

<u>Entity</u>	<u>State of Organization</u>
102 Fifth Crystal Park Associates Limited Partnership	Virginia
103 First Crystal Park Associates Limited Partnership	Virginia
104 Fishers III GP, L.L.C.	Delaware
105 Florida Avenue Residential, L.L.C.	Delaware
106 Fort Totten North, L.L.C.	Delaware
107 Fourth Crystal Park Associates Limited Partnership	Virginia
108 H Street Building Corporation	Delaware
109 H Street Management LLC	Delaware
110 James House Member, L.L.C.	Delaware
111 James House Residential, L.L.C.	Delaware
112 JBG Associates, L.L.C.	Delaware
113 JBG Core Venture I, L.P.	Delaware
114 JBG SMITH Impact Manager, L.L.C.	Delaware
115 JBG SMITH PROPERTIES	Maryland
116 JBG SMITH PROPERTIES LP	Delaware
117 JBG Urban, L.L.C.	Delaware
118 JBG/151 Q Street Services, L.L.C.	Delaware
119 JBG/1233 20th Street, L.L.C.	Delaware
120 JBG/1250 First Member, L.L.C.	Delaware
121 JBG/12511 Parklawn, L.L.C.	Delaware
122 JBG/1253 20th Street, L.L.C.	Delaware
123 JBG/1300 First Street, L.L.C.	Delaware
124 JBG/1600 K Member, L.L.C.	Delaware
125 JBG/1600 K, L.L.C.	District of Columbia
126 JBG/1831 Wiehle, L.L.C.	Delaware
127 JBG/1861 Wiehle Lessee, L.L.C.	Delaware
128 JBG/55 New York Avenue, L.L.C.	Delaware
129 JBG/6th Street Associates, L.L.C.	Delaware
130 JBG/7200 Wisconsin Mezz, L.L.C.	Delaware
131 JBG/7200 Wisconsin, L.L.C.	Maryland
132 JBG/7900 Wisconsin Member, L.L.C.	Delaware
133 JBG/Asset Management, L.L.C.	Delaware
134 JBG/Atlantic Developer, L.L.C.	Delaware
135 JBG/Atlantic Fund, L.P.	Delaware
136 JBG/Atlantic GP, L.L.C.	Delaware
137 JBG/Atlantic Investor, L.L.C.	Delaware
138 JBG/Atlantic REIT, L.L.C.	Delaware
139 JBG/BC 5640, L.P.	Delaware
140 JBG/BC Chase Tower, L.P.	Delaware
141 JBG/BC Fishers III, L.P.	Delaware
142 JBG/BC GP, L.L.C.	Delaware
143 JBG/BC Investor, L.P.	Delaware
144 JBG/Bethesda Avenue, L.L.C.	Delaware
145 JBG/Commercial Management, L.L.C.	Delaware
146 JBG/Core I GP, L.L.C.	Delaware
147 JBG/Core I LP, L.L.C.	Delaware
148 JBG/Courthouse Metro, L.L.C.	Delaware
149 JBG/Development Group, L.L.C.	Delaware
150 JBG/Development Services, L.L.C.	Delaware
151 JBG/Fort Totten Member, L.L.C.	Delaware
152 JBG/Foundry Office REIT, L.L.C.	Delaware
153 JBG/7900 Wisconsin Member, L.L.C.	Delaware
154 JBG/Foundry Office, L.L.C.	Delaware

<u>Entity</u>	<u>State of Organization</u>
155 JBG/Foundry Office Services, L.L.C.	Delaware
156 JBG/Fund IX Transferred, L.L.C.	Delaware
157 JBG/Fund VI Transferred, L.L.C.	Delaware
158 JBG/Fund VII Transferred, L.L.C.	Delaware
159 JBG/Fund VIII Services, L.L.C.	Delaware
160 JBG/Fund VIII Transferred, L.L.C.	Delaware
161 JBG/Fund VIII Trust	Maryland
162 JBG/Hatton Retail, L.L.C.	Delaware
163 JBG/HQ Member, L.L.C.	Delaware
164 JBG/Landbay G Member, L.L.C.	Delaware
165 JBG/Landbay G, L.L.C.	Delaware
166 JBG/L'Enfant Plaza Member, L.L.C.	Delaware
167 JBG/L'Enfant Plaza Mezzanine, L.L.C.	Delaware
168 JBG/LEP Southeast, L.L.C.	Delaware
169 JBG/LEP Southeast Manager, L.L.C.	Delaware
170 JBG/Lionhead, L.L.C.	Delaware
171 JBG/N & Patterson Member, L.L.C.	Delaware
172 JBG/New York Avenue, L.L.C.	Delaware
173 JBG/Nicholson Lane East II, L.L.C.	Delaware
174 JBG/Nicholson Lane East, L.L.C.	Delaware
175 JBG/Nicholson Lane West, L.L.C.	Delaware
176 JBG/Nicholson Member, L.L.C.	Delaware
177 JBG/Pickett Office REIT, L.L.C.	Delaware
178 JBG/Pickett Office, L.L.C.	Delaware
179 JBG/Residential Management, L.L.C.	Delaware
180 JBG/Reston Executive Center, L.L.C.	Delaware
181 JBG/Retail Management, L.L.C.	Maryland
182 JBG/Rosslyn Gateway North, L.L.C.	Delaware
183 JBG/Rosslyn Gateway South, L.L.C.	Delaware
184 JBG/Shay Retail, L.L.C.	Delaware
185 JBG/Sherman Member, L.L.C.	Delaware
186 JBG/Tenant Services, L.L.C.	Delaware
187 JBG/Twinbrook Metro, L.L.C.	Maryland
188 JBG/UDM Transferred, L. L. C.	Delaware
189 JBG/Urban TRS, L.L.C.	Delaware
190 JBG/West Half Residential Member, L.L.C.	Delaware
191 JBG/Woodbridge REIT, L.L.C.	Delaware
192 JBG/Woodbridge Retail, L.L.C.	Delaware
193 JBG/Woodbridge Services, L.L.C.	Delaware
194 JBG/Woodbridge, L.L.C.	Delaware
195 JBG/Woodmont II, L.L.C.	Delaware
196 JBGS/1235 South Clark, L.L.C.	Delaware
197 JBGS 1399 New York Avenue TIC Owner, L.L.C.	Delaware
198 JBGS Employee Company, L.L.C.	Delaware
199 JBGS Hotel Operator L.L.C.	Delaware
200 JBGS Warner GP, L.L.C.	Delaware
201 JBGS/1101 South Capitol, L.L.C.	Delaware
202 JBGS/1399 HOLDING, L.L.C.	Delaware
203 JBGS/1399 New York Avenue TIC Owner, L.L.C.	Delaware
204 JBGS/17th Street Holdings, L.P.	Delaware
205 JBGS/17th Street, L.L.C.	Delaware
206 JBGS/1900 N GP, L.L.C.	Delaware
207 JBGS/1900 N, L.L.C.	Delaware

<u>Entity</u>	<u>State of Organization</u>
208 JBGS/1900 N Member, L.P.	Delaware
209 JBGS/1900 N REIT, L.L.C.	Delaware
210 JBGS/Bowen GP, L.L.C.	Delaware
211 JBGS/Bowen II, L.L.C.	Delaware
212 JBGS/Bowen, L.L.C.	Delaware
213 JBGS/Capitol Point TDR Holdings, L.L.C.	Delaware
214 JBGS/CES Management, L.L.C.	Delaware
215 JBGS/CIM Wardman Owner Member, L.L.C.	Delaware
216 JBGS/Commercial Realty GEN-PAR, L.L.C.	Delaware
217 JBGS/Company Manager, L.L.C.	Delaware
218 JBGS/Courthouse I, L.L.C.	Delaware
219 JBGS/Courthouse II, L.L.C.	Delaware
220 JBGS/Fund VIII REIT Management Services, L.L.C.	Delaware
221 JBGS/Hotel Operator, L.L.C.	Delaware
222 JBGS/Hotel Owner, L.L.C.	Delaware
223 JBGS/IB Holdings, L.L.C.	Delaware
224 JBGS/KMS Holdings, L.L.C.	Delaware
225 JBGS/Management OP, L.P.	Virginia
226 JBGS/OP Management Services, L.L.C.	Delaware
227 JBGS/Pentagon Plaza, L.L.C.	Virginia
228 JBGS/Pickett Services, L.L.C.	Delaware
229 JBGS/Recap GP L.L.C.	Delaware
230 JBGS/Recap, L.L.C.	Delaware
231 JBGS/TRS, L.L.C.	Delaware
232 JBGS/Wardman Owner Member, L.L.C.	Delaware
233 JBGS/Warner Acquisition, L.L.C.	Delaware
234 JBGS/Warner GP, L.L.C.	Delaware
235 JBGS/Warner Holdings, L.P.	Delaware
236 JBGS/Warner, L.L.C.	Delaware
237 JBGS/Waterfront Holdings, L.L.C.	Delaware
238 Kaempfer Management Services, LLC	Delaware
239 Landbay G Corporate Member, L.L.C.	Delaware
240 Landbay G Declarant, L.L.C.	Virginia
241 LBG Parcel A, L.L.C.	Delaware
242 LBG Parcel B, L.L.C.	Delaware
243 LBG Parcel C, L.L.C.	Delaware
244 LBG Parcel D, L.L.C.	Delaware
245 LBG Parcel E, L.L.C.	Delaware
246 LBG Parcel F, L.L.C.	Delaware
247 LBG Parcel G, L.L.C.	Delaware
248 LBG Parcel H, L.L.C.	Delaware
249 Market Square Fairfax MM LLC	Delaware
250 National Landing Business Owners' Association	Virginia
251 National Landing Development, L.L.C.	Delaware
252 National Landing Hotel TRS, L.L.C.	Delaware
253 New Kaempfer 1501 LLC	Delaware
254 New Kaempfer IB LLC	Delaware
255 New Kaempfer Waterfront LLC	Delaware
256 North Glebe Office, L.L.C.	Delaware
257 Operating Partners Legacy, L.L.C.	Delaware
258 Palisades 1399 New York Avenue TIC Owner LLC	Delaware
259 Park One Member L.L.C.	Delaware
260 Potomac Creek Associates, L.L.C.	Delaware

<u>Entity</u>	<u>State of Organization</u>
261 Potomac House Member, L.L.C.	Delaware
262 Potomac House Residential, L.L.C.	Delaware
263 PY RR Land, L.L.C.	Delaware
264 Rosslyn Gateway Hotel, L.L.C.	Delaware
265 Sherman Avenue, L.L.C.	District of Columbia
266 SINEWAVE VENTURES FUND I, L.P.	Delaware
267 SMB Tenant Services, LLC	Delaware
268 South Capitol L.L.C.	Delaware
269 The Commerce Metro Association of Co-Owners	Virginia
270 Third Crystal Park Associates Limited Partnership	Virginia
271 Twinbrook Commons Office, L.L.C.	Delaware
272 Twinbrook Commons Residential 1B, L.L.C.	Delaware
273 Twinbrook Commons Residential North, L.L.C.	Delaware
274 Twinbrook Commons Residential South, L.L.C.	Delaware
275 Twinbrook Commons Residential West, L.L.C.	Delaware
276 Twinbrook Commons, L.L.C.	Delaware
277 UBI Management LLC	Delaware
278 Universal Bldg., North, Inc.	District of Columbia
279 Universal Building, Inc.	District of Columbia
280 V0012 LLC	Delaware
281 Wardman Hotel Owner, L.L.C.	Delaware
282 Warner Investments, L.P.	Delaware
283 Washington CESC TRS, L.L.C.	Delaware
284 Washington CT Fund GP LLC	Delaware
285 WASHINGTON HOUSING INITIATIVE IMPACT POOL, L.L.C.	Delaware
286 Washington Mart TRS, L.L.C.	Delaware
287 WATERFRONT 375 M STREET, LLC	Delaware
288 WATERFRONT 425 M STREET, LLC	Delaware
289 West Half Residential II, L.L.C.	Delaware
290 West Half Residential III, L.L.C.	Delaware

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-220507 on Form S-8 and Registration Statement No. 333-226023 on Form S-3 of our reports dated February 25, 2020, relating to the financial statements of JBG SMITH Properties, and the effectiveness of JBG SMITH Properties' internal control over financial reporting, appearing in this Annual Report on Form 10-K of JBG SMITH Properties for the year ended December 31, 2019.

/s/ Deloitte & Touche LLP
McLean, Virginia
February 25, 2020

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, W. Matthew Kelly, certify that:

1. I have reviewed this annual report on Form 10-K of JBG SMITH Properties;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 25, 2020

/s/ W. Matthew Kelly

W. Matthew Kelly

Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Stephen W. Theriot, certify that:

1. I have reviewed this annual report on Form 10-K of JBG SMITH Properties;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

February 25, 2020

/s/ Stephen W. Theriot

Stephen W. Theriot

Chief Financial Officer

(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED
PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of JBG SMITH Properties (the “Company”) on Form 10-K for the period ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, W. Matthew Kelly, Chief Executive Officer of the Company, and I, Stephen W. Theriot, Chief Financial Officer of the Company, certify, to our knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

February 25, 2020

/s/ W. Matthew Kelly

W. Matthew Kelly
Chief Executive Officer

February 25, 2020

/s/ Stephen W. Theriot

Stephen W. Theriot
Chief Financial Officer



Illustrative 2001 S Bell Street



West Half



Illustrative Central District Retail



Illustrative 2525 Crystal Drive



500 L'Enfant Plaza



WestEnd25



4747 Bethesda Avenue, Suite 200
Bethesda, MD 20814

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