

2021 Annual Report



JBG SMITH

1900 Crystal Drive (rendering)

JBG SMITH At a Glance

Operating Portfolio

COMMERCIAL SF	MULTIFAMILY UNITS	Q4 2021 ANNUALIZED NOI
11.3M	6,557	\$345.8M
NATIONAL LANDING CONCENTRATION (% OF NOI)	LEASED IN-SERVICE PORTFOLIO	WEIGHTED AVERAGE LEASE TERM (PORTFOLIO-WIDE)
54%	88.3%	6.0 YEARS

Development Pipeline

UNDER-CONSTRUCTION	NEAR-TERM DEVELOPMENT PIPELINE	
808 UNITS	COMMERCIAL SF	MULTIFAMILY UNITS
	1.4M	3,990
	FUTURE DEVELOPMENT PIPELINE	
	9.5M SF	

Balance Sheet

TOTAL ENTERPRISE VALUE ⁽¹⁾	NET DEBT/TOTAL ENTERPRISE VALUE ⁽¹⁾	NET DEBT/ANNUALIZED ADJUSTED EBITDA ⁽²⁾
\$6.6B	38.5%	8.9x

⁽¹⁾ Total Enterprise Value is based on the closing price per share of \$28.71 as of December 31, 2021.

⁽²⁾ Net Debt to Annualized Adjusted EBITDA is adjusted to reflect \$198.0M of gross proceeds from the sale of Pen Place which is expected to close in Q2 2022.

February 22, 2022

To Our Fellow Shareholders:

2022 did not bring an end to the pandemic, but it did shed a flickering light on what the new normal might look like. Despite hybrid work arrangements dominating the labor market and headlines foretelling the death of big cities, we have seen steady and sustained signs of strength returning to the market. In particular, our concentration on multifamily and National Landing office aligns well with urban-suburban demand trends, and our investments in physical and digital placemaking are starting to bear fruit. As Amazon and Virginia Tech continue to grow their anchor presence, we have accelerated our growth pipeline and exceeded the capital recycling targets designated to fund it. This growth pipeline positions us incredibly well to capitalize on what we expect to be years of strong and sustained growth in one of the most unique innovation clusters in the country. On top of this, we have established ourselves as leaders in sustainability (Leader in the Light, no less!), equity, and inclusion, both internally and externally. This year's accomplishments are part of the bedrock on which we are building long-term NAV per share growth, and we take great pride in sharing them with you.



8001 Woodmont Avenue
(multifamily asset delivered in 2021)

"In particular, our concentration on multifamily and National Landing office aligns well with urban-suburban demand trends, and our investments in physical and digital placemaking are starting to bear fruit."

2021 Accomplishments

Paved the Way for Amazon's Continued Expansion in National Landing

- Progressed construction on Metropolitan Park, the 2.1 million square foot first phase of Amazon HQ2, with 20 of the planned 22 stories currently above ground and an unchanged planned 2023 delivery.
- Advanced entitlements and expect to receive final approvals and close in the second quarter on the sale of Pen Place to Amazon for an increased purchase price of \$198 million.
- Executed new leases with Amazon in National Landing, bringing its total existing leased office space from JBG SMITH to approximately 1.0 million square feet.

Expanded Growth Footprint Surrounding Virginia Tech's \$1 Billion Innovation Campus in National Landing

- Entered a joint venture with institutional investors advised by J.P. Morgan Global Alternatives with respect to approximately 2.0 million square feet of new mixed-use development (1.1 million square feet of office and 900,000 square feet of multifamily) in Potomac Yard, the southern portion of National Landing. In addition to our 50% ownership stake in the joint venture, we will act as pre-developer, developer, property manager, and leasing agent for all future commercial and residential properties on the site.
 - In advanced stages of design for Potomac Yard Landbay F (Blocks 15 and 19), a planned 470-unit multifamily development, which we expect will commence construction in 2022. The assets are immediately adjacent to Virginia Tech's \$1 billion Innovation Campus (which opened in 2020 with new campus buildings expected to deliver in 2024).

Over 210,000 Retail Square Feet, Representing Over 50 New Retailers, Well Underway in National Landing

- JBG SMITH's and Amazon's planned retail deliveries over the next few years will almost triple the number of street-level retailers in National Landing. In 2021, we made significant progress on several of these projects:
 - 100% leased or committed to 10 retailers at Central District Retail, the first phase of our retail repositioning in National Landing, opening in 2022.
 - In March 2021, commenced construction on 20 street-level retail spaces at 1900 Crystal Drive, with expected delivery in 2023.
 - Expect to break ground on two noteworthy retail placemaking projects encompassing 11 retail spaces in National Landing in the first quarter of 2022: Dining in the Park and Water Park, opening in 2023.
 - Partnered with Amazon to identify and execute leases with 14 new retailers at the under-construction Metropolitan Park, expected to open by the end of 2023.
 - New anchor retailers in the submarket will include Alamo Theater and an Amazon Fresh grocer, with openings planned this year.

Establishing National Landing as the First 5G-Enabled Connected City at Scale in the Country

- Entered into an innovative public-private partnership with Arlington County to activate existing dark fiber and conduit assets across National Landing, accelerating the rollout of 5G networks.

- Signed a definitive agreement with AT&T to deploy 5G ubiquitously across National Landing. AT&T is leveraging a combination of our controlled fiber, power, and real estate assets to deploy their 5G public network.

Completed 1.7 Million Square Feet of Office Leasing Activity

- 1.7 million square feet of leases (the majority of which were renewals) executed, highlighting tenants' continued commitment to office space.
 - 8-year weighted average lease term and 2% cash mark-to-market in the fourth quarter.
 - Includes 1.3 million square feet of leasing in National Landing, where our 2021 retention rate was 74%.

Grew Multifamily Occupancy and Rents

- Increased in-service multifamily occupancy (excluding newly developed and acquired assets) by 380 basis points to 94.9%.
- Increased our portfolio asking rents by 15%.
 - In-place rents remain approximately 9% below asking rents, indicating significant embedded growth as we begin 2022.

Expanded Multifamily Portfolio by 3,313 Units Through Development and Acquisitions at an Average Yield of 5.9%

- Continued lease-up of 1,298 units across five newly delivered multifamily assets (West Half, 900 and 901 W Street, The Wren, and 8001 Woodmont).
- In March 2021, commenced construction at 1900 Crystal Drive, an 808-unit multifamily asset located in National Landing.
- In January 2022, commenced construction at 2000 and 2001 South Bell Street, two multifamily towers in National Landing totaling 775 units.
- In November 2021, acquired The Batley, a 432-unit multifamily asset in DC's Union Market.

Advanced Design and Entitlement on 11.3 million Square Feet, or 77%, of our Development Pipeline

- 100% of our 5.1 million square foot Near-Term Development Pipeline is either fully entitled or has been submitted for final entitlements.
- 82% of our 9.5 million square foot Future Development Pipeline is either fully entitled or in advanced stages of design and entitlement.

Concentrating Portfolio in Multifamily and National Landing Office by Successfully Recycling Non-Core Office and Land Holdings

- \$108 million sold since the beginning of 2021 and over \$800 million under firm contract today, subject to financing and customary closing conditions.
- Acquired The Batley, a 432-unit multifamily asset, for \$205 million, with expected annualized stabilized NOI of approximately \$8 - \$8.5 million.

Preserved our Balance Sheet Strength and Liquidity

- Maintained approximately \$1.6 billion of liquidity.
- Continued our non-recourse asset-level financing strategy, securing mortgage loans on two commercial assets with an aggregate principal balance of \$190 million.
- In January 2022, amended our \$200 million Term Loan A-1 to reduce pricing, extend the maturity date to 2025 (plus two 1-year extension options), and incorporate sustainability-focused pricing reductions.

Leading the Market on ESG Initiatives

- Achieved carbon neutrality for energy consumed across our operating portfolio.
- Received a 5-star rating in the GRESB Assessment and named Global Sector Leader for both our operating portfolio and Development Pipeline.
- Received Nareit's 2021 Diversified Leader in the Light award in recognition of our sustained ESG efforts.
- Achieved Fitwel Viral Response Certification for all our office assets, building on our entity level certification earlier this year, and became a Fitwel Champion.
- Through the JBG SMITH-managed Washington Housing Initiative (WHI) Impact Pool, financed over 1,600 affordable workforce housing units across four jurisdictions, including 825 units in partnership with Amazon.
- Launched our inaugural Diversity & Inclusion and WHI Impact Pool reports.
- Increased the inclusivity of our Board of Trustees, which now includes four women (out of 11 Trustees), one of whom identifies as diverse.



901 W Street

“We believe the strong technology sector tailwinds created by Amazon, the Virginia Tech Innovation Campus, and our National Landing digital infrastructure initiatives, including our 5G rollout and other connectivity enhancements with best-in-class partners, will drive substantial long-term NAV per share growth.”

JBG SMITH Overview

We own and operate urban mixed-use properties concentrated in what we believe are the highest growth submarkets of the historically recession-resilient Washington, DC metro area.

Our concentration in these submarkets, our substantial portfolio of operating and development opportunities, and our market-leading platform position us to capitalize on the significant growth we anticipate in our target submarkets.

Over 50% of our holdings are in the National Landing submarket in Northern Virginia, directly across the Potomac River from Washington, DC, where Amazon’s new 5 million+ square foot headquarters and Virginia Tech’s \$1 billion Innovation Campus that are under construction are located.

The Commonwealth of Virginia has incentivized Amazon to bring up to 38,000 new jobs to National Landing, which, based on data from the National Landing Business Improvement District, would increase the daytime population in the submarket from approximately 50,000 people to nearly 90,000 people in the future, representing dramatic growth of nearly 80%. Amazon announced its hybrid return-to-the-office policy in late 2021, requiring employees to live locally and within commuting distance of the office for at least 11 months of the year. This policy aligns well with Amazon’s aggressive hiring in the current competitive job market.

At its Seattle headquarters, approximately 20% of Amazon’s employees live within walking or biking distance to work, and Amazon provides \$350 monthly stipends to employees who bike to HQ2. Using Amazon’s Seattle employee patterns and preferences as proxies for behaviors that might be expected at HQ2, 20% of employees, or up to 7,600 Amazon employees, could be expected to live within the National Landing submarket. This potential influx of demand for additional multifamily units aligns well with our plans to deliver new multifamily supply to the submarket. In addition to the 1,583 units currently under construction in National Landing (1900 Crystal Drive and 2000 and 2001 South Bell Street), our Near-Term Development Pipeline has the potential to add as many as 1,760 more new multifamily units to National Landing.

While we control most of the existing office supply and unencumbered development density in National Landing, the balance of our portfolio is concentrated in what we believe are the highest growth submarkets in the Washington, DC metro region, the majority of which are within a 20-minute commute of the growing technology ecosystem in National Landing.

We believe the strong technology sector tailwinds created by Amazon, the Virginia Tech Innovation Campus, and our National Landing digital infrastructure initiatives, including our 5G rollout and other connectivity enhancements with best-in-class partners, will drive substantial long-term NAV per share growth.

Our successful track record and well-established platform position us to maximize the value of our Development Pipeline and to access attractively priced capital through opportunistic land sales, ground leases, and/or recapitalizations with private investors.

As of February 2022, we had two multifamily developments under construction in the heart of National Landing – 1900 Crystal Drive (planned for 808 units), and 2000 and 2001 South Bell Street (planned for 775 units). Since our formation in 2017, we have successfully delivered 2.8 million square feet of mixed-use development, with estimated stabilized yields of 6.5% for multifamily assets and 7.0% for commercial assets.

Over the past year, we advanced the design and entitlement of approximately 77% of our Development Pipeline, 60% of which is in National Landing. Our 14.6 million square foot Development Pipeline, 73% of which is multifamily, includes both a 5.1 million square foot Near-Term Development Pipeline and a 9.5 million square foot Future Development Pipeline. Our Near-Term Development Pipeline comprises what we believe to be the most accretive

and strategic development opportunities in our growth pipeline—those which have the potential to commence construction over the next 36 months, subject to receipt of final entitlements, completion of design, and market conditions. Within our Future Development Pipeline, we have fully entitled 3.6 million square feet and are actively advancing design and entitlement on an additional 4.2 million square feet. We believe that advancing entitlement and design of these assets is the best way to maximize optionality and value, either through internal development, land sales, ground lease structures, and/or recapitalizations with third parties. The remaining 1.7 million square feet within our Future Development pipeline primarily includes encumbered assets that we are not currently entitling.

[Our capital allocation strategy is to shift our portfolio to multifamily and concentrate our office portfolio in National Landing.](#)

We expect our portfolio shift to majority multifamily will occur through a combination of investing in multifamily assets and opportunistically divesting non-core office and land assets. Since our formation, we have sold \$1.7 billion of non-core, primarily office assets located in downtown Washington, DC.

Capital Allocation

Our capital allocation strategy is grounded in our primary goal of maximizing long-term NAV per share growth for our shareholders. This strategy entails two key elements: repositioning our portfolio to concentrate our office in National Landing; and transitioning to a majority multifamily portfolio that continues to expand in high-growth, amenity-rich DC metro submarkets through acquisitions and development. Opportunistic dispositions of income-producing office assets outside of National Landing, as well as the sale, ground lease, or joint venture of non-core land holdings, serve as an important source of NAV-priced capital to fund our strategy.

We are pleased to report that we have substantially advanced our goal to market \$1 billion of non-core office and land assets in 2022. We are currently under firm contract to transact on over \$800 million, subject to financing and customary closing conditions, with capitalization rates in the 5% - 6% range. These transactions include the recently announced agreement to form a joint venture with affiliates of Fortress Investment Group LLC for a 1.6 million square foot portfolio of non-core office and land holdings. Barring any significant changes in market conditions, we will continue to market non-core assets for sale and pursue accretive investment opportunities. Our asset recycling strategy has enabled us to source capital at full NAV from assets generating low cash yields and to invest in new acquisitions with higher cash yields and growth potential, including development projects with significant yield spreads and profit potential.

Finally, our capital allocation strategy demands that we seek investment opportunities with the highest potential risk-adjusted returns, which may include share repurchases. When our stock trades at a material discount to NAV, share repurchases are one of the most accretive uses of capital available to us. During the fourth quarter, we repurchased 2.4 million shares at a weighted average price per share of \$28.56, totaling \$69.6 million, bringing our total shares repurchased in 2021 to \$157.7 million. Since the beginning of the pandemic, we have repurchased 9.1 million shares at a weighted average price per share of \$28.67, totaling \$262.4 million.

Financial and Operating Metrics

For the three months ended December 31, 2021, we reported Core FFO attributable to common shareholders of \$40.4 million, or \$0.31 per diluted share. Same Store NOI for the quarter increased 9.5% year-over-year to \$78.4 million, and NOI for our operating portfolio and Adjusted EBITDA increased year-over-year by 20.9% and 14.2%. Our operating portfolio ended the quarter at 87.7% leased and 85.8% occupied. For second generation leases, the rental rate mark-to-market was 2.0%. As we have mentioned before, our mark-to-market will vary from quarter to quarter depending on the leases signed.



1770 Crystal Drive
(office portion 100% leased to Amazon)

“Our asset recycling strategy has enabled us to source capital at full NAV from assets generating low cash yields and to invest in new acquisitions with higher cash yields and growth potential, including development projects with significant yield spreads and profit potential.”



4747 Bethesda Avenue

“Over 50% of the leasing success in the fourth quarter can be attributed to our leasing team securing several early renewals with our mission critical GSA tenants, highlighting the resiliency of this tenant base and their commitment to office space.”

As of December 31, 2021, our Net Debt/Total Enterprise Value was 38.5%. Our Net Debt/Annualized Adjusted EBITDA ended the fourth quarter at 9.6x. In November 2021, we closed on the acquisition of The Batley for approximately \$205 million. The Batley has been identified as our like-kind exchange candidate for the sale of Pen Place, which is expected to generate gross proceeds of \$198 million upon closing in Q2 2022. Adjusting for the sale, net debt to annualized Adjusted EBITDA would have been 8.9x in Q4 2021. As we have discussed in the past, our leverage levels may increase during periods of active development, but we may also use some of the proceeds from our ongoing capital recycling activity to moderate these increases.

Operating Portfolio

Office Trends

Our office portfolio had a strong finish to the year, with 467,000 square feet leased in the fourth quarter and a weighted average lease term of eight years, bringing our 2021 total leasing volume to 1.7 million square feet – double the leasing volume in 2020 and 77% of the leasing volume in 2019. Over 50% of the leasing success in the fourth quarter can be attributed to our leasing team securing several early renewals with our mission critical GSA tenants, highlighting the resiliency of this tenant base and their commitment to office space. Despite this robust leasing activity, occupancy only increased 30 basis points quarter-over-quarter, primarily as a result of pre-pandemic decision making. As we mentioned in our prior letter, we believe the pandemic has delayed our ability to backfill some known 2021 and 2022 office vacancies related to tenants’ pre-pandemic leasing decisions. Looking ahead to 2022, we feel confident that we will renew at or above our historical retention rates on the 912,000 square feet of leases rolling. While this is positive news, new leasing has been slow to recover over the past 18 months and will likely continue to lag due to delayed return-to-the-office plans and decision-making related to future office utilization. We expect this lag to continue to impact our occupancy levels through 2022.

Market-Wide Trends

(based on JLL Q4 2021 reporting)

While the DC metro region saw continued negative net absorption through the fourth quarter, the rate of losses slowed. Negative net absorption of 395,000 square feet represents the lowest rate of losses for any quarter in 2021 and suggests that the market may have found its bottom. That same trajectory was apparent in the results for Northern Virginia in particular, where the fourth quarter was the third consecutive quarter of declining losses. While overall absorption in Northern Virginia remained negative, National Landing exhibited modest positive net absorption of 19,000 square feet in the fourth quarter. Physical occupancy data from Kastle Systems as of February 1st show that our market continues to see more companies returning to in-person work (29.9%) than other gateway markets such as New York (25.8%) and San Francisco (21.5%), although we have yet to see any significant change in occupancy associated with a widespread return-to-office.

Multifamily Trends

Our multifamily portfolio performance continues to improve, despite seasonality typical in the fourth quarter. Residents continue to return to urban environments as offices reinstate in-person mandates and cities repopulate, resulting in strong leasing metrics as we capitalize on returning demand. Our portfolio ended the quarter 91.8% occupied, slightly down from the prior quarter, and 93.6% leased. Asking rents in our portfolio ended the quarter 2% below pre-pandemic (March 2020) levels, after declining 15% from March 2020 to December 2020. With demand remaining strong and our portfolio in-place rents still approximately 9% below asking rents, our residential portfolio has significant embedded growth. Pandemic-related concessions continue to burn-off, though some remain based on submarket fundamentals for certain assets.

Market-Wide Trends

(based on CoStar and Apartment List data)

Our multifamily markets continue to recover as both occupancy and asking rents remain above pre-pandemic levels. Data from Apartment List show that occupancy across the DC metro region remains strong at 95.5% and in-line with that of other gateway markets including Boston, New York, and San Francisco, which average 96.1%. Meanwhile, asking rents in our market have increased 4.5% as compared to Q1 2020, outperforming other gateway markets (3.6%), signaling a strong ability to hold onto rebounding rents across the market. Seeing the strong recovery in multifamily asking rents and occupancy, developers in our market continued to move forward on development projects before year-end. Data from CoStar and Urban Turf indicates that a total of 6,700 units commenced construction in 2021 in our tracked submarkets. This represents a modest increase from the 6,100 reported for 2020 and a 28% decrease from the 9,300 reported for 2019. Average expected annual deliveries from 2021 through 2023 in the same submarkets now total 7,100 units. For comparison, there were more than 9,000 units delivered annually from 2010 through 2019, indicating that we expect less competition from new supply than we saw in the previous cycle.

Retail Trends

Despite the surge in COVID-19 cases in the latter half of the quarter, our retail leasing plans remained unaltered, and interest in our assets persisted. Ahead of an anticipated return of consumer demand, our team diligently pursued tenant leads yielding strong results—we executed 11 leases in the fourth quarter totaling just over 26,000 square feet.

In National Landing specifically, we executed eight leases over the course of 2021. Interest in this submarket remains incredibly high, which we attribute almost entirely to our successful anchor leasing, planned multifamily deliveries, and overall successful placemaking track record. We are advancing the most critical milestones of our overall Crystal Drive retail repositioning, including the upcoming groundbreakings on two notable placemaking projects—Dining in the Park and Water Park; and, as the retail leasing partner for Amazon’s under-construction Metropolitan Park, leasing progress is coming to fruition well in advance of the anticipated 2023 completion date. In addition to the new multifamily supply under construction, these projects are crucial to our submarket repositioning, serving as the all-important main street in our overall placemaking strategy. JBG SMITH’s and Amazon’s other planned retail deliveries in the next few years will almost triple the number of street-level retailers in National Landing.

Environmental, Social, and Governance

In November, we received Nareit’s 2021 Diversified Leader in the Light award in recognition of our sustained ESG efforts. The 2021 Leader in the Light Awards are based on the results of theGRESB Annual Survey, as well as scored responses to supplemental questions by an interdisciplinary panel of judges. The award was presented to REITs in eight property sectors, and JBG SMITH was honored with the highest achievement across all Diversified companies.

In December, the WHI Impact Pool provided financing to the Washington Housing Conservancy for its first acquisition in the District of Columbia, Huntwood Courts, a 214-unit multifamily asset located in the Deanwood neighborhood of Northeast, Washington, DC. With the addition of this asset, the WHI Impact Pool has now financed over 1,600 affordable workforce housing units across four jurisdictions, including 825 units with Amazon, all of which are managed by JBG SMITH.



Water Park in National Landing
(rendering)

“JBG SMITH’s and Amazon’s other planned retail deliveries in the next few years will almost triple the number of street-level retailers in National Landing.”



National Landing Skyline (rendering)

Despite the roller coaster ride of the pandemic throughout 2021, our team did not miss a beat, and we continued to advance our strategic objectives on all fronts. Looking forward, we are incredibly energized by the opportunities before us. When our near-term capital recycling objectives are complete, we will be a majority multifamily company with an office portfolio concentrated in National Landing – in our view, the best-located and fastest growing urban/suburban submarket in the Washington Metro Area. Our efforts there are delivering a dramatically upgraded amenity base, much needed new housing stock to balance daytime and evening populations, and the first of its kind digital infrastructure at scale anywhere in the country. Amazon’s meteoric growth in hiring is expected to surge in the coming years, and Virginia Tech’s Innovation Campus has already exceeded timing and funding expectations. Coupled with the existing anchor presence of the Pentagon and the Department of Defense, our holdings in National Landing sit amidst a powerhouse combination of current and future demand drivers. To serve the growing needs of this innovation cluster, state and local governments have fully committed \$4.7 billion to critical transportation projects, the first of which is planned to commence in 2023. Thanks to our capital recycling success over the past four years, we are concentrated where we see the greatest levels of future growth and are well-positioned to fund it with ample balance sheet and continued funding capacity.



Our team’s track record of skilled capital allocation and development-driven value creation positions us well to capitalize on the incredible opportunities before us. As we emerge (knock on wood) from the pandemic, we are excited to have both the mass and the velocity to build on the momentum of everything we have started during this time.

I remain deeply thankful to our team for their grit and resilience during the past few years and to each of our fellow shareholders for your continued trust and confidence.

Sincerely,

A handwritten signature in black ink, appearing to read 'W. Kelly'.

W. Matthew Kelly
Chief Executive Officer

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, 2021

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
Suite 200

(Address of Principal Executive Offices)

Bethesda

MD

20814
(Zip Code)

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

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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 18, 2022, JBG SMITH Properties had 127,553,236 common shares outstanding.

As of June 30, 2021, the aggregate market value of common stock held by non-affiliates of the Registrant was approximately \$4.1 billion based on the June 30, 2021 closing share price of \$31.51 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 2022 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, 2021**

TABLE OF CONTENTS

		<u>Page</u>
	Definitions	3
PART I		
Item 1.	Business	7
Item 1A.	Risk Factors	18
Item 1B.	Unresolved Staff Comments	34
Item 2.	Properties	35
Item 3.	Legal Proceedings	40
Item 4.	Mine Safety Disclosures	40
PART II		
Item 5.	Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	40
Item 6.	[Reserved]	43
Item 7.	Management's Discussion and Analysis of Financial Condition and Results of Operations	43
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	63
Item 8.	Financial Statements and Supplementary Data	65
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	111
Item 9A.	Controls and Procedures	111
Item 9B.	Other Information	113
Item 9C.	Disclosure Regarding Foreign Jurisdictions that Prevent Inspections	135
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	136
Item 11.	Executive Compensation	136
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	136
Item 13.	Certain Relationships and Related Transactions and Director Independence	136
Item 14.	Principal Accounting Fees and Services	136
PART IV		
Item 15.	Exhibits and Financial Statement Schedules	137
Item 16.	Form 10-K Summary	145
	Signatures	146

DEFINITIONS

Defined terms used in this Annual Report on Form 10-K:

"**2000/2001 South Bell Street**" refers to 2000 South Bell Street and 2001 South Bell Street.

"**ADA**" means the Americans with Disabilities Act.

"**Amazon**" refers to Amazon.com, Inc.

"**Americana Portfolio**" refers to a 1.4-acre future development parcel in National Landing, which was formerly occupied by the Americana Hotel, and three other parcels.

"**Annualized rent**" means: (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, 2021, multiplied by 12 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, 2021, multiplied by 12. Annualized rent excludes rent from leases that have been signed but have not yet taken occupancy (not yet included in percent occupied metrics). The in-place monthly base rent does not take into consideration temporary rent relief arrangements.

"**At JBG SMITH Share**" and "**Our share**" refer to our ownership percentage of consolidated and unconsolidated assets in real estate ventures.

"**CBRS**" means the Citizens Broadband Radio Service.

"**CEO**" means chief executive officer.

"**Code**" refers to the Internal Revenue Code of 1986, as amended.

"**CODM**" means our Chief Operating Decision Maker.

"**Combination**" refers to our acquisition of the management business and certain assets and liabilities of JBG.

"**COVID-19**" refers to the novel coronavirus pandemic.

"**D&I**" means diversity and inclusion.

"**Development pipeline**" refers to the near-term development pipeline and future development pipeline.

"**ESG**" means environmental, social and governance.

"**Estimated potential development density**" reflects management's estimate of developable gross square feet based on our current business plans with respect to real estate owned or controlled as of December 31, 2021. Our current business plans may contemplate development of less than the maximum potential development density for individual assets. As market conditions change, our business plans, and therefore, the estimated potential development density, could change accordingly. Given timing, zoning requirements and other factors, we make no assurance that estimated potential development density amounts will become actual density to the extent we complete development of assets for which we have made such estimates.

"**Exchange Act**" refers to the Securities Exchange Act of 1934, as amended.

"**FATCA**" means the Foreign Account Tax Compliance Act.

"**FATCA withholding**" refers to a FATCA withholding tax.

"**FIRPTA**" means the Foreign Investment in Real Property Tax Act of 1980, as amended.

"**Formation Transaction**" refers to the Separation and the Combination.

"**Free rent**" means the amount of base rent and tenant reimbursements that are abated according to the applicable lease agreement(s).

"**FFO**," means funds from operations, a non-GAAP financial measure computed in accordance with the definition established by Nareit in the Nareit FFO White Paper - 2018 Restatement. See Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations-FFO" for further discussion.

"**Future development pipeline**" refers to assets that are development opportunities on which we do not intend to commence construction within the next three years 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.

"**GAAP**" means accounting principles generally accepted in the United States.

"**GSA**" means the General Services Administration, the independent U.S. federal government agency that manages real estate procurement for the federal government and federal agencies.

"**GRESB**" refers to the Global ESG Benchmark for Real Estate Assets.

"**In-service**" refers to commercial or multifamily operating assets that are at or above 90% leased or have been operating and collecting rent for more than 12 months as of December 31, 2021.

"**IRS**" means the Internal Revenue Service.

"**JBG**" refers to The JBG Companies.

"**JBG Legacy Funds**" refers to the legacy funds formerly organized by The JBG Companies.

"**JBG SMITH**" refers to JBG SMITH Properties together with its consolidated subsidiaries.

"**JBG SMITH LP**" refers to JBG SMITH Properties LP, our operating partnership, together with its consolidated subsidiaries.

"**JBG Excluded Assets**" refers to the assets of the JBG Legacy Funds that were not contributed to JBG SMITH LP in the Combination.

"**LIBOR**" means the London Interbank Offered Rate.

"**Metro**" is the public transportation network serving the Washington, D.C. metropolitan area operated by the Washington Metropolitan Area Transit Authority.

"**Metro-served**" are locations, submarkets or assets that are within walking distance of a Metro station, defined as being within 0.5 miles of an existing or planned Metro station.

"**MGCL**" means the Maryland General Corporation Law.

"**MTA**" means the Master Transaction Agreement, dated as of October 31, 2016, by and among Vornado, certain affiliates of Vornado, JBG SMITH and certain affiliates of JBG SMITH, as amended.

"**Nareit**" means the National Association of Real Estate Investment Trusts.

"**NAV**" refers to net asset value.

"**Near-term development pipeline**" refers to select assets that have the potential to commence construction over the next three years, subject to receipt of full entitlements, completion of design and market conditions.

"**NOI**" means net operating income, a non-GAAP financial measure management uses to assess a segment's performance. The most directly comparable GAAP measure is net income (loss) 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 for operating leases, 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 (loss) attributable to common shareholders as presented in our consolidated financial statements. NOI should not be considered as an alternative to net income (loss) 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. "**Annualized NOI**" means the NOI from the specified quarterly period multiplied by four.

"**NYSE**" means the New York Stock Exchange.

"**Non-same store**" refers to all operating assets excluded from the same store pool.

"**OP Units**" refers to JBG SMITH LP common limited partnership units.

"**Percent leased**" is based on leases signed as of December 31, 2021, and is calculated as total rentable square feet less rentable square feet available for lease divided by total rentable square feet expressed as a percentage. Out-of-service square feet are excluded from this calculation.

"**Percent occupied**" is based on occupied rentable square feet/units as of December 31, 2021, and is calculated as: (i) for office and retail space, total rentable square feet less unoccupied square feet divided by total rentable square feet, and (ii) for multifamily space, total units less unoccupied units divided by total units, expressed as a percentage. Out-of-service square feet and units are excluded from this calculation.

"**REC**" means renewable energy credits.

"**Recently delivered**" refers to commercial and multifamily operating assets that are below 90% leased and have been delivered within the 12 months ended December 31, 2021.

"**REIT**" means real estate investment trust.

"**REMIC**" means a real estate mortgage investment conduit.

"**Same store**" refers to the pool of 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.

"**SEC**" means the Securities and Exchange Commission.

"**Separation**" refers to the spin-off transaction on July 17, 2017 through which we received substantially all the assets and liabilities of Vornado's Washington, D.C. segment.

"**Separation Agreement**" refers to the Separation and Distribution Agreement.

"**Signed but not yet commenced leases**" means leases for assets in our portfolio that, as of December 31, 2021, have been executed but for which no rental payments had yet been charged to the tenant.

"**SOFR**" means the Secured Overnight Financing Rate.

"**Square feet**" ("**SF**") refers to the area 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 under-construction assets, management's estimate of approximate rentable square feet based on current design plans as of December 31, 2021, and (iv) for near-term and future development pipeline assets, management's estimate of developable gross square feet based on current business plans with respect to real estate owned or controlled as of December 31, 2021.

"**STEM**" means science, technology, engineering and mathematics.

"**Tax Matters Agreement**" refers to an agreement with Vornado regarding tax matters.

"**TIN**" means taxpayer identification number.

"**TMP**" means taxable mortgage pool.

"**Total annualized estimated rent**" represents contractual monthly base rent before free rent, plus estimated tenant reimbursements for the month in which the lease is expected to commence, multiplied by 12.

"**Tranche A-1 Term Loan**" refers to the \$200.0 million unsecured term loan maturing in January 2023, which was amended on January 14, 2022, to extend the maturity date to January 2025.

"**Tranche A-2 Term Loan**" refers to the \$200.0 million unsecured term loan maturing in July 2024.

"**Transaction and other costs**" include fees and expenses incurred for the relocation of our corporate headquarters, demolition costs, integration and severance costs, pursuit costs related to other completed, potential and pursued transactions, as well as other expenses.

"**TRS**" refers to taxable real estate investment trust subsidiaries.

"**Under-construction**" refers to assets that were under construction during the three months ended December 31, 2021.

"**USD-LIBOR**" refers to LIBOR as calculated for U.S. dollar.

"**Vornado**" means Vornado Realty Trust, a Maryland real estate investment trust.

"**WHI**" means the Washington Housing Initiative which includes the third-party non-profit, Washington Housing Conservancy and the WHI Impact Pool, a financing vehicle which we manage on behalf of third-party investors.

PART I

ITEM 1. BUSINESS

The Company

JBG SMITH, a Maryland REIT, owns and operates a portfolio of commercial and multifamily assets amenitized with ancillary retail. JBG SMITH's portfolio reflects its longstanding strategy of owning and operating assets within Metro-served submarkets in the Washington, D.C. metropolitan area with high barriers to entry and vibrant urban amenities. Over half of our portfolio is in National Landing where we serve as the developer for Amazon's new over five million square foot headquarters and where Virginia Tech's \$1 billion Innovation Campus is under construction. In addition, our third-party asset management and real estate services business provides fee-based real estate services to Amazon, the WHI Impact Pool, the JBG Legacy Funds and other third parties. Substantially all our assets are held by, and our operations are conducted through, JBG SMITH LP. As of December 31, 2021, JBG SMITH, as its sole general partner, controlled JBG SMITH LP and owned 89.5% of its OP Units. JBG SMITH is referred to herein as "we," "us," "our" or other similar terms.

As of December 31, 2021, our Operating Portfolio consisted of 64 operating assets comprising 42 commercial assets totaling 13.1 million square feet (11.3 million square feet at our share) and 22 multifamily assets totaling 8,208 units (6,557 units at our share). Additionally, we have: (i) one under-construction multifamily asset with 808 units (808 units at our share); (ii) 11 near-term development pipeline assets totaling 5.3 million square feet (5.0 million square feet at our share) of estimated potential development density; and (iii) 25 future development pipeline assets totaling 14.3 million square feet (11.6 million square feet at our share) of estimated potential development density. We present combined portfolio operating data that aggregates assets we consolidate in our consolidated financial statements and assets in which we own an interest, but do not consolidate in our financial results. For additional information regarding our assets, see Item 2 "Properties."

Certain terms used throughout this Annual Report on Form 10-K are defined under "Definitions" starting on page 3.

Our Strategy

We own and operate urban mixed-use properties concentrated in what we believe are the highest growth, Metro-served submarkets in the Washington, D.C. metropolitan area, including National Landing, that have significant barriers to entry and key urban amenities and plan to grow through value-added development and acquisitions. We have significant expertise with multifamily, office and retail assets, our core asset classes. We believe that we are known for our creative deal-making and capital allocation skills and for our development and value creation expertise. Since 2017, we have completed the sale, recapitalization and/or ground lease of \$1.7 billion of primarily office assets. We intend to continue to opportunistically sell non-core office assets outside of National Landing as well as land sites where a ground lease or joint venture execution may represent the most attractive path to maximizing value. Recycling the proceeds from these sales will not only fund our planned extensive growth, but will also further advance the strategic shift in the composition of our portfolio to majority multifamily.

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 leading to unique, amenity-rich, walkable neighborhoods that are desirable and enhance tenant and investor demand. We believe our Placemaking approach will increase occupancy and rental rates in our portfolio, in particular with respect to our concentrated and extensive land and operating asset holdings in National Landing, the location of Amazon's new headquarters and Virginia Tech's \$1 billion Innovation Campus, which is under construction. National Landing, situated in Northern Virginia directly across the Potomac River from Washington, D.C., is the interconnected and walkable neighborhood that encompasses Crystal City, the eastern portion of Pentagon City and the northern portion of Potomac Yard. We believe National Landing is one of the region's best-located urban mixed-use communities due to its central and easily accessible location, its adjacency to Reagan National Airport, and its large base of existing offices, apartments and hotels.

We are repositioning our holdings in National Landing by executing a broad array of Placemaking strategies, including 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. Utilizing our Placemaking expertise, each new project is intended to contribute to authentic and distinct neighborhoods by creating a vibrant street environment with robust retail offerings and other amenities, including improved public spaces. Additionally, the cutting-edge digital infrastructure investments we are making in National Landing, including the purchase of CBRS wireless spectrum and an agreement with AT&T, are advancing our efforts to make National Landing among the first 5G-operable submarkets in the nation, as discussed below.

In November 2018, Amazon announced it had selected sites in National Landing as the location of its new headquarters. We currently have leases with Amazon totaling 1.0 million square feet at six office buildings in National Landing. In March 2019, we executed purchase and sale agreements with Amazon for two of our National Landing development sites, Metropolitan Park and Pen Place, on which Amazon is constructing its new headquarters. We are currently constructing two new office buildings for Amazon on Metropolitan Park, totaling 2.1 million square feet, inclusive of over 50,000 square feet of street-level retail with new shops and restaurants. The sale of Pen Place to Amazon is expected to close, subject to customary closing conditions, during the second quarter of 2022, and we expect Amazon to begin construction of four new buildings (three office towers and The Helix) in 2022. In December 2021, we finalized the agreement for the sale of Pen Place to Amazon for \$198.0 million, which represents a \$48.1 million increase over the previously estimated contract value. We are the developer, property manager and retail leasing agent for Amazon's new headquarters at National Landing.

In connection with Amazon's new headquarters in National Landing, the Commonwealth of Virginia enacted an incentives bill, which provides tax incentives to Amazon to create a minimum of 25,000 new full-time jobs and potentially 37,850 full-time jobs in National Landing with average annual wage targets for each calendar year, starting with \$150,000 in 2019, and escalating 1.5% per year. We, alongside Amazon, Virginia Tech, and federal, state and local governments plan to invest in aggregate more than \$12.4 billion, including infrastructure investments, that will directly benefit National Landing. The infrastructure investments include: two new Metro entrances (Crystal Drive and Potomac Yard); a pedestrian bridge to Reagan National Airport; a new commuter rail station located between two of our Crystal Drive office assets; lowering of elevated sections of U.S. Route 1 that currently divide parts of National Landing to create better multimodal access and walkability; funding for the innovation campus anchored by Virginia Tech; and Long Bridge, the planned two-track rail connection between Washington, D.C. and National Landing.

In the fall of 2020, Virginia Tech virtually launched the inaugural academic year of its \$1 billion Innovation Campus in National Landing, which is under construction. This expected powerful demand driver sits adjacent to 2.2 million square feet of development density we own in National Landing and a new, under-construction Potomac Yard Metro station, all approximately one mile south of Amazon's new headquarters. The campus is part of a 20-acre innovation district, of which the fully entitled first phase encompasses approximately 1.7 million square feet of space, including four office towers and two residential buildings, with ground-level retail. On this campus, Virginia Tech intends to create an innovation ecosystem by co-locating academic and private sector uses to accelerate research and development spending, as well as the commercialization of technology. When the Innovation Campus is fully operational, Virginia Tech plans to annually graduate approximately 750 master students and 150 PhD students in STEM fields. Virginia Tech is expected to occupy 675,000 square feet in the Innovation Campus.

The following are key components of our strategy:

Capitalize on Significant Demand Catalysts in National Landing. We believe the strong technology sector tailwinds created by Amazon, the Virginia Tech Innovation Campus, and our National Landing digital infrastructure initiative will contribute to substantial growth from our Operating Portfolio and our 7.3 million square foot development pipeline in National Landing. Over half our holdings are located in National Landing, and over 80% are located within a 20-minute commute of the submarket, where Amazon's new headquarters will house a minimum of 25,000 new full-time jobs and potentially 37,850 planned employees, and Virginia Tech's \$1 billion Innovation Campus is under construction. Amazon's growth in National Landing is expected to increase the daytime population in the submarket from approximately 50,000 people to nearly 90,000 people in the future, representing a growth of nearly 80%, according to estimates from Amazon and the National Landing Business Improvement District.

We believe our investment in next-generation connectivity infrastructure such as dense, redundant, and secure fiber networks, data center access, and world-class 5G connectivity, will be a key advantage in continuing to attract companies to National Landing. In September 2020, we took our first step in implementing the strategy by securing access to multiple blocks for between 30 and 40 megahertz of licensed CBRS wireless spectrum to support 5G broadband communications for the geographic license areas stretching across National Landing, and as of December 31, 2021, we have invested a total of \$25.8 million. In addition to other investments that we are making in the submarket, we believe this investment in CBRS spectrum and an agreement with AT&T will allow us to control the process of attracting and partnering with best-in-class service providers, making National Landing among the first 5G-operable submarkets in the nation. This digital infrastructure will also provide us with valuable tenant inducement tools, such as the ability to offer ubiquitous and redundant fiber connectivity and 5G private cellular networks. These features are increasingly important to technology companies, especially innovators in cybersecurity, internet of things, artificial intelligence and cloud computing.

In addition to our Primary Focus on National Landing, Invest in and Operate Mixed-Use Assets in High-Growth, Metro-Served Submarkets in the Washington, D.C. Metropolitan Area. We intend to continue our longstanding strategy of owning and operating urban mixed-use properties concentrated in what we believe are the highest growth, Metro-served submarkets in the Washington, D.C. metropolitan area with high barriers to entry and vibrant urban amenities. In addition to National Landing, these submarkets include the Rosslyn-Ballston Corridor in Northern Virginia; the Ballpark, U Street/Shaw, and Union Market, in the District of Columbia; and Bethesda in Maryland. These submarkets generally feature strong economic and demographic attributes, as well as superior transportation infrastructure that caters to the preferences of multifamily, office and retail tenants. We believe these positive attributes will enable our assets located in these high-growth submarkets to outperform the Washington, D.C. metropolitan area as a whole.

Drive Incremental Growth Through Lease-up and Stabilization of Our Operating Assets. We believe that, given our leasing capabilities and the tenant demand for high-quality space in our submarkets, we are well-positioned to achieve significant internal growth from the lease-up of vacant space in our in-service Operating Portfolio. As of December 31, 2021, we had 42 in-service operating commercial assets totaling 13.1 million square feet (11.3 million square feet at our share), which were 84.9% leased at our share, resulting in 1.7 million square feet available for lease. As of December 31, 2021, we had 21 in-service multifamily assets totaling 7,886 units (6,396 units at our share), which were 95.4% leased at our share. Further, we expect increases in NOI from: (i) the commencement of signed but not yet commenced leases (\$21.2 million total annualized estimated rent as of December 31, 2021) and (ii) contractual rent escalators in our non-GSA office and retail leases, which are based on increases in the Consumer Price Index or a fixed percentage.

While COVID-19 has negatively impacted our operating results, our multifamily portfolio has seen an improvement in percentage occupied and leased as residents continue to return to urban environments, offices reinstate in-person mandates, and cities repopulate. Although asking rents in our portfolio ended the year above pre-pandemic levels, average in-place rents ended the year approximately 9% below asking rents. We expect multifamily in-place rents to increase as leases roll, resulting in incremental NOI growth.

Deliver Our Under-Construction Assets and Stabilize Our Recently Delivered Assets. As of December 31, 2021, we had one 808-unit multifamily asset under construction in National Landing, 1900 Crystal Drive, that will, based on our current plans and estimates, require an additional \$291.4 million to complete. In January 2022, we commenced construction on two multifamily towers at 2000/2001 South Bell Street with 775 units located in National Landing. Since the fourth quarter of 2019, we have completed construction and placed into service four multifamily assets with 1,011 units (833 units at our share) and three commercial assets with 843,739 square feet (722,428 square feet at our share). As of December 31, 2021, these multifamily assets were 77.9% leased, and these commercial assets were 95.0% leased.

Monetize Our Significant Development Pipeline. We intend to create value from our significant pipeline of ground-up development opportunities, which we expect will produce favorable risk-adjusted returns on invested capital. We divide our 17.5 million (14.6 million at our share) square foot land portfolio into our near-term development pipeline and our future development pipeline, the latter of which comprises potentially longer-term opportunities. The development pipeline excludes the 2.1 million square feet of land (Pen Place) held for sale to Amazon, which we expect to close during the second quarter of 2022.

As of December 31, 2021, our near-term development pipeline consists of 11 assets, and we estimate that it can support 5.3 million (5.0 million square feet at our share) of estimated potential development density, 73% of which are multifamily projects located in the high-growth submarkets of National Landing, the Ballpark, and Union Market/NoMa/H Street. We expect four of these multifamily projects to deliver 2,300 units within a half mile of Amazon's new headquarters. We commenced construction in January 2022 on the two multifamily projects located in National Landing at 2000/2001 South Bell Street with 775 units. We intend to invest in multifamily development as market demand evolves, matching delivery dates with Amazon's expected job growth in National Landing, and new office development subject to preleasing. While these opportunities have the potential to commence construction over the next 36 months, subject to receipt of full entitlements, completion of design and market conditions, these potential investment opportunities will be subject to our rigorous return requirements.

As of December 31, 2021, our future development pipeline consisted of 25 assets, and we estimate it can support over 14.3 million square feet (11.6 million square feet at our share), including the 2.1 million square feet under contract for sale to Amazon, of estimated potential development density, with 98.2% of this potential development density being Metro-served. The estimated potential development densities and uses reflect our current business plans as of December 31, 2021 and are subject to change based on market conditions.

In addition to developing select assets in these pipelines, we will consider opportunities to unlock value through opportunistic asset sales, ground leases and recapitalizations.

Actively Allocate our Capital and Reposition Our Portfolio to Majority Multifamily and Concentrate our Office Portfolio in National Landing. A fundamental component of our strategy to maximize long-term NAV per share is active capital allocation. We evaluate development, acquisition, disposition, share repurchase and other investment decisions based on how they may impact long-term NAV per share. Since 2017, we have completed the sale, recapitalization and/or ground lease of \$1.7 billion of primarily office assets. We intend to continue to opportunistically sell non-core office assets outside of National Landing as well as land sites where a ground lease or joint venture execution may represent the most attractive path to maximizing value. Successful execution of our capital allocation strategy will enable us to source capital at NAV from the disposition of assets generating low cash yields and invest those proceeds in new acquisitions with higher cash yields and growth, as well as in development projects with significant yield spreads and profit potential. We view this strategy as a key tool to source capital and intend to continue disposing of assets where the disparity in public and private market valuations are the greatest. Consequently, at any given time, we expect to be in various stages of discussions and negotiations with potential buyers, real estate venture partners, ground lessors and other counterparties with respect to sales, joint ventures and/or ground leases for certain of our assets, including portfolios thereof. These discussions and negotiations may or may not lead to definitive documentation or closed transactions. Redeploying the proceeds from these sales will not only help fund our planned growth, but will also further advance the strategic shift of our portfolio to majority multifamily.

We expect near-term acquisition activity to be focused on assets 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 with a focus on multifamily given our long-term objective of growing our portfolio to majority multifamily. 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 Code. Subject to customary closing conditions, we expect to close the sale of Pen Place to Amazon during the second quarter of 2022 and exchange into The Batley, which was acquired in November 2021 through a third-party intermediary.

Third-Party Services Business

Our third-party asset management and real estate services business provides fee-based real estate services to Amazon, the WHI Impact Pool, the JBG Legacy Funds and other third parties. The WHI pursues 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 were not consistent with our long-term business strategy. With respect to the remaining investments of the JBG Legacy Funds, we provide substantially the same asset management, property management, development, construction management, leasing and

other services that were provided prior to the Combination. Other than those related to the WHI, we do not intend to raise any future investment funds, and we expect to continue to earn fees for the management of the JBG Legacy Funds until their investments are liquidated. Certain individual members of our management team own direct equity co-investment and promote interests in the JBG Legacy Funds and certain of the funds' investments that were not contributed to us. These economic interests will be eliminated as the JBG Legacy Funds are wound down over time. Additionally, we often retain management of properties we sell as part of our capital allocation strategy. These assets, while no longer owned by us, continue to generate third-party service fees.

We believe that the fees we earn in connection with providing these third-party services enhance our overall returns, provide additional scale and efficiency in our operating, development and acquisition businesses and absorb a portion of the overhead and other administrative costs of our 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 access to 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 equity investors, 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, which may reduce the number of suitable investment opportunities available to us or increase pricing. 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 existing and 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.

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, 2021 is set forth in Note 18 to the consolidated financial statements.

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. We currently adhere and intend to continue to adhere to these requirements and to maintain our REIT status in future periods.

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 TRSs under the Code. As such, we are subject to federal, state, and local taxes on the income from these activities. For additional information regarding our REIT status, see Item 9B "Other Information."

Significant Tenants

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

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Rental revenue from the U.S. federal government	\$ 83,256	\$ 84,086	\$ 86,644
Percentage of commercial segment rental revenue	22.0 %	23.4 %	21.2 %
Percentage of total rental revenue	16.2 %	17.8 %	16.7 %

ESG

Our business values integrate environmental sustainability, social responsibility, D&I, and strong governance practices throughout our organization. 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 ESG financial and non-financial indicators. We intend to continue publishing an annual ESG report with key performance indicators that are aligned with the Global Reporting Initiative reporting framework, United Nations Sustainable Development Goals, Sustainability Accounting Standards Board Standards and recommendations set forth by the Task Force on Climate-Related Financial Disclosures. During 2021, we achieved carbon neutrality across our Operating Portfolio for energy associated with the operations of our buildings. This was accomplished through the purchase of verified carbon offsets for Scope 1 emissions produced by onsite natural gas consumption and Green-e RECs for Scope 2 emissions produced by consuming onsite electricity procured by us. Our planned next step toward long-term sustainability includes the development and execution of an offsite renewable energy strategy, which is expected to replace a significant portion of our annual REC purchases, which add renewable energy capacity to the national electrical grid. Our detailed sustainability information, including our strategy, key performance targets and indicators, annual absolute and like-for-like comparisons, achievements and historical ESG reports are available on our website at <https://www.JBGSMITH.com/About/Sustainability>. 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.

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 5-star rating in the GRESB Global ESG Benchmark for Real Assets for both diversified operating assets and future development, and being recognized as a 2021 Global Sector Leader - Diversified - Office/Residential Sector.
- Being named 2021 Nareit Diversified Leader in the Light award winner for sustained ESG excellence.
- Being recognized by Newsweek's America's Most Responsible Companies 2021.
- Maintaining oversight of environmental and social matters by the Board of Trustees' Corporate Governance & Nominating Committee.
- Improving the diversity of our Board of Trustees, which currently comprises 36% females. Reflecting the strength and diversity of our national labor force, our Board of Trustees has made a long-term commitment to evolve its composition to have equal balance between men and women and to reflect the ethnic diversity of our country.
- Surpassing \$114 million in investor commitments to the JBG SMITH-managed WHI Impact Pool, which raises funds from third parties and, through year ended 2021, closed \$55.8 million in financing related to the purchase of residential communities that contain 1,610 units. We launched the WHI in 2018 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. In 2022, the WHI Impact Pool was named ESG Investing Awards' 2022 Best ESG Investment Fund: Real Estate.

Our sustainability team works directly with our business units to integrate our ESG principles throughout our operations and investment process. The team is responsible for annual ESG reporting, maintaining building certifications, energy, water and waste benchmarking, sustainability strategy development, ESG improvement programs and implementation and coordination with industry and community partners.

To ensure that our ESG principles are fully integrated into our business practices, our sustainability, human resources, legal, accounting, D&I and WHI teams, as well as members of our management team, provide top-down support for the implementation of ESG initiatives. The sustainability 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 natural resources will result in sustainable long-term value. By 2030, we have committed to: reduce energy consumption 25%, predicted energy consumption 25%, water consumption 20%, predicted water consumption 20%, embodied carbon 20%, and greenhouse gas emissions (Scope 1 and 2) 25%; increase waste diversion to 60%; and, verify all assets are using green building and health and well-being certifications across our Operating Portfolio and development pipeline. In addition to our 2030 targets, we have a legacy commitment to improve the energy efficiency of our commercial Operating Portfolio by at least 20% over the 10-year period ending in 2024 through the Department of Energy Better Buildings Challenge. We have improved energy performance by 21% since 2014, and are on track to meet or exceed the improvement goal by 2024. We achieve this improvement through real time energy use monitoring. We plan to report progress on these commitments annually in our ESG report.

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 targets. 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.

Our development strategy focuses on reducing predicted energy and water consumption and embodied carbon, contributing to our sustainability targets. Development teams use energy, water, and embodied carbon modeling to inform design decisions that best fit each individual building program, adapt to identified climate change conditions for our region, and promote healthy buildings.

We use green building and health and well-being certifications as a verification tool across our portfolio. These certifications demonstrate our commitment to green, smart, and healthy buildings and verify predicted operational performance. We seek to benchmark 100% of our assets to help inform capital improvement projects. As of December 31, 2021:

- 71% 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 (65%)
 - 2.9 million square feet of LEED Certified Multifamily Space (53%)
 - 4.3 million square feet of ENERGY STAR Certified Commercial Space (38%)
 - 2.3 million square feet of ENERGY STAR Certified Multifamily Space (43%)
- 99% of our operating assets' energy and water use are benchmarked

Tenant Sustainability Impacts

Customer service is an integral component of real estate management. Our mission includes creating a unique experience at all 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 and residents. 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, nutritious fresh foods in our common areas, fitness, composting and waste reduction programs.

We are a Green Lease Leader established by the Institute for Market Transformation and the U.S. Department of Energy's Better Buildings Alliance. Green Lease Leaders recognizes companies who use 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 is included in 100% of our new office and retail leases and renewals.

Nearly all of our tenants are metered at the whole building level for their grid electricity and water usage. Many of our retail tenants in multifamily buildings are billed directly for electricity and water. As such, the percentage of our directly sub-metered tenants is very low. In most cases, we receive a bill at the whole building level for grid electricity and water usage, and bill tenants based on the percentage of the building's square footage that they occupy. These tenants are not considered to be separately metered or sub-metered.

Climate Change Adaptation

We take seriously climate change and the risks associated with climate change, and we are committed to aligning our investment strategy with science. We stand with our communities, tenants and 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 physical climate risk assessment, which includes our operating assets and land holdings in our development pipeline. We currently have no properties in a Federal Emergency Management Agency hazard designated area. Management intends to use the results of this assessment to inform both our asset management planning and design of our new developments. In 2021, our insurance team conducted a resilience assessment of our portfolio. Data collected from this exercise is currently being reviewed and will further inform capital planning.

Social Responsibility

We believe the economic strength of our region is central to sustaining the long-term value of our portfolio. We are committed to the economic development of the Washington D.C. metropolitan area through continued investment in our projects and local communities. We recognize, however, that new development can foster 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. One of our efforts is the WHI, which we launched in 2018 in partnership with the Federal City Council.

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. As of December 31, 2021, we have committed to invest \$11.2 million in the WHI Impact Pool, and our Executive Vice President of Social Impact Investing manages this effort. As of December 31, 2021, our remaining commitment was \$8.3 million. The WHI's Impact Pool has completed closings of capital commitments totaling \$114.4 million, and closed \$55.8 million in financing related to the purchase of residential communities that contain 1,610 units. The initiatives' goals include:

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

To learn more about our ESG initiatives and performance, please visit <https://www.JBGSMITH.com/About/Sustainability> and download our ESG Report. The expected publication date of our 2022 ESG report is March 31, 2022. 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.

D&I

We have a comprehensive, multi-year D&I strategy. See "Human Capital" section below for further discussion.

Regulatory Matters

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 (i) expose us to third-party liability (e.g., for cleanup costs, natural resource damages, bodily injury or property damage), (ii) subject our properties to liens in favor of the government for damages and costs the government incurs in connection with the contamination, (iii) impose restrictions on the manner in which a property may be used or businesses may be operated, or (iv) 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.

Affordable Housing and Tenant Protection Regulations

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, 2021, approximately 8% 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.

The Americans with Disabilities Act and other Federal, State and Local Regulations

The 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.

Additionally, 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.

Regulation Related to Government Tenants

As discussed above, the U.S. federal government is a significant tenant. Lease agreements with 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, which subjects us to additional risks associated with compliance with applicable federal rules and regulations. In addition, there are additional requirements relating to the potential application of equal opportunity provisions and related requirements 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.

Human Capital

Our headquarters are located at 4747 Bethesda Avenue, Suite 200, Bethesda, MD 20814. As of December 31, 2021, we had 997 employees.

We believe that our talent is our competitive advantage. To that end, we focus on talent development and succession planning, pay-for-performance and D&I.

We utilize talent management practices in the broadest sense to create a holistic, engaging work experience for our employees. The upshot of these practices has resulted (based on employee surveys) in us continuing to be an employer of

choice, with an extremely engaged workforce (92% favorable) that has also shown a strong positive attitude around the great work we have done in D&I (91% favorable). Our ability to cultivate an inclusive environment that values diversity and fosters a sense of belonging and connection, has resulted in D&I becoming one of our key drivers of overall engagement. In addition to our inclusive culture, our pay equity study results show no systemic disparity in compensation related to race or gender, affirming our strong belief in treating people equitably.

While many companies continued to work from home throughout 2021, our on-site teams continued to come in throughout the pandemic, and the corporate office team came back to the office in early October 2021. With our hybrid schedule, flexibility and keen focus on health and welfare (e.g., early adopters of a vaccinated only environment, weekly testing, etc.), our employees were able to be confident in their in-office experience and demonstrate the energy and excitement that comes from being together and collaborating with coworkers to achieve desirable outcomes.

A key to our strong levels of engagement is ensuring we are putting our employees' needs first and creating an inclusive workplace experience where employees thrive. For example, as the work from home fatigue set in, we increased our focus on mental health by offering access to free counseling, app-based resources and enabling greater flexibility (e.g., meeting-free Monday mornings, reduced meeting times) to help employees better manage the confluence of work and life.

Beyond support throughout the pandemic, we continued our investment in our employee population, ensuring our employee experience more broadly continues to help us attract and retain the best talent in the industry. The list below is a more comprehensive list of offerings that together, help create a compelling employee experience:

- Talent reviews and 360 surveys for senior leaders
- Streamlined annual performance reviews
- Executive coaching available
- Employee share purchase plan
- Hybrid / flexible work schedules
- Flexible paid time off
- Town halls & video updates from our Chief Executive Officer
- Employee surveys / pulse surveys
- Mentorship program to develop and retain talent
- Monthly D&I newsletters
- Utilization of JBGS Inclusion Community and Women's Initiative to guide programming
- D&I Deep Dialogue Series and employee roundtables
- Partnerships with schools and organizations to facilitate recruitment of diverse talent
- Workforce development partnerships focused on diverse pipeline development

In addition to the above, we have a strong pay-for-performance culture where compensation is tied to both company and individual performance, ensuring that employees focus on both broader business focused goals, as well as their individual goals. To that end, we also have a strong track record of promoting from within. Hence, the opportunities for growth and development are another factor that helps to keep our population engaged and motivated.

2021 continued the evolution of our comprehensive, multi-year D&I strategy. With an ongoing focus on our five strategic pillars – (i) workforce and talent, (ii) workplace culture, (iii) business integration, (iv) industry and branding and (v) metrics and accountability – we have made additional progress and have continued to drive cultural and behavioral change.

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 helps us continue to attract innovators to our organization. Our workforce comprises 38% females and 56% minorities, and our senior leadership has 43% female representation.

Implementing more inclusive, equitable systems and practices had a significant impact on our ability to identify diverse talent, particularly related to our entry-level recruitment efforts. Our 2021 intern hires were 64% diverse (i.e. women and/or people of color) and the new entry-level hires (Interns, Analyst and Associates) in our Development department were 100% diverse. In addition, we have continued to expand our strategic partnerships with diverse educational, professional and community organizations. In the early part of the year, we launched our first workforce development program, which also resulted in newly established collaborations, partnerships and hires.

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 (<https://www.JBGSMITH.com>) as soon as reasonably practicable after they are electronically filed with, or furnished to, the 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 GAAP, none of which is a part of this Annual Report on Form 10-K. Copies of our filings under 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 to 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 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 Pandemics

COVID-19 has significantly impacted and disrupted our business, and may continue to impact and disrupt, our business, financial performance and condition, operating results and cash flows, and such impacts and disruptions could have a material adverse effect on us. Future COVID-19 variants and outbreaks of other highly infectious or contagious diseases or other public health crises could have adverse effects on our business.

Factors that could negatively impact our ability to successfully operate during or following a pandemic, or that have, during 2020 and 2021, significantly adversely impacted and disrupted our business, financial performance and condition, operating results and cash flows, or otherwise adversely impacted our shareholders and may continue to do so include:

- Property rental income, our primary source of operating cash flow, depends on occupancy levels and rental rates, as well as our tenants' ability and willingness to pay rent, and our ability to continue to collect rents, on a timely basis or at all, without reductions or other concessions, in our commercial and multifamily properties;
- We have experienced and continue to experience decreased property rental revenue on our commercial assets due to deferral of rent for primarily retail tenants that were placed on the cash basis of accounting and increases in uncollectable operating lease receivables. Property rental income may be reduced or eliminated due to delays in enforcing our rights as landlord, including the inability to evict tenants that fail to pay rent, new federal and state governmental regulations related to the pandemic or otherwise;
- Demand for office space in the Washington, D.C. metropolitan area and nationwide, including in our portfolio, has declined and may continue to decline due to increased usage of teleworking arrangements and more flexible work from anywhere policies leading to reconsiderations regarding amount of square footage needed (e.g. two civilian agency GSA tenants reduced their leased square footage due to a planned shift toward working from home), and cost cutting resulting from the pandemic, which could lead to continued lower office occupancy (as of December 31, 2021, 9.6% of our commercial and retail leases at our share, based on square footage, were

scheduled to expire in 2022 or had month-to-month terms), and new leasing has been slow to recover and will likely continue to lag due to delayed return-to-the office plans and decision making related to future office utilization;

- Average in-place rents in our multifamily portfolio as of December 31, 2021 are approximately 9% below asking rents;
- During 2021 and 2020, we recorded \$1.1 million and \$11.2 million of credit losses against billed rent receivables, and \$19.6 million against deferred (straight-line) rent receivables in 2020. These losses were due to the effects of COVID-19, primarily from co-working and retail tenants, that were unable to pay rent while businesses were closed, not operating at full capacity or while employees continue to work from home;
- A component of "Third-party real estate services, including reimbursements," the metric we use to measure and evaluate the performance of our third-party asset management and real estate services business operating segment, may decline if we do not receive reimbursement revenue, which 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. Reimbursement revenue may decline if third-party clients cannot or do not reimburse us for such expenses, resulting in us incurring these costs in "General and administrative: third-party real estate services," but not being reimbursed for them, which could have a material adverse effect on this operating segment ("General and administrative: third-party real estate services expense" was \$107.2 million and \$114.8 million for years ended December 31, 2021 and 2020, and "Reimbursement revenue" was less than half of total revenue of our third-party asset management and real estate services business – \$48.1 million of \$114.0 million for the year ended December 31, 2021, and \$56.7 million of \$113.9 million, for the year ended December 31, 2020);
- The potential deterioration of the appeal of our Placemaking strategy of amenity-rich, walkable Metro-served neighborhoods. Our Placemaking includes the delivery primarily of new multifamily and some office developments, locally sourced amenity retail and thoughtful improvements to streetscapes, sidewalks, parks and other outdoor gathering spaces. Pandemics may change how people think about work and residential spaces, as well as the appeal of public transportation, which could have a material adverse effect on our Placemaking;
- Our Placemaking depends in significant part on a retail component, which frequently involves retail assets embedded in or adjacent to our multifamily and/or office assets. Temporary store closures and masking requirements may significantly affect our retail tenants' ability to generate sales and cause many retailers to, among other things, permanently close stores, decrease the size of new or existing stores, ask for concessions from us or go bankrupt;
- During 2020, we began recognizing revenue from substantially all co-working tenants and retailers except for grocers, pharmacies, essential businesses and certain national credit tenants on the cash basis of accounting. We provided rent deferrals that had been contractually due during 2020 and 2021 totaling \$10.1 million, of which \$4.0 million was subsequently abated and \$1.2 million was collected. During 2021, revenue for the majority of these tenants continued to be recognized on the cash basis of accounting. While we have seen some improvement in performance and cash collections, our retailers and co-working tenants are still experiencing some impact from the effects of COVID-19 and may continue to experience such impact;
- Our under-construction assets may take longer to reach completion, including due to supply chain disruption and labor shortages, and assets that were recently moved from under-construction assets to operating assets totaling 322 units (161 units at our share) as of December 31, 2021 may take longer to stabilize and contribute to NOI;
- A delay or reversal of the anticipated growth in our NOI;
- The scaling back or delay of a significant amount of planned discretionary capital expenditures, including planned renovation projects, which could adversely affect the value of our properties;
- We have experienced and may continue to experience supply chain and/or labor delays and disruptions as a result of new job site procedures or for other reasons, such as the ongoing labor shortage, delays in advancing entitlements, or the inability to obtain necessary permits; this could result in construction or development costs for our projects exceeding original estimates;
- Parking revenue in our commercial portfolio for the year ended December 31, 2021 was approximately 65% of pre-pandemic levels of approximately \$30 million annually due to delayed return-to-the-office plans for many of our office tenants;

- During 2020, we determined that our investment in our former real estate venture that owned The Marriott Wardman Park hotel was impaired due to a decline in the fair value of the underlying asset and recorded an impairment loss of \$6.5 million; and
- Throughout 2020 and 2021, we experienced failures by some of our residential and commercial and many of our retail tenants to pay rent, combined with the inability to pursue our rights against many of those tenants due to governmental suspensions of evictions and late fees.

In the event that some or all of the foregoing risks continue or occur again, as applicable, it could have a material adverse effect on us.

Risks Related to Our Business and Operations

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

We are particularly susceptible to adverse economic or other conditions in the Washington D.C. metropolitan 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. 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. 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 markets, 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 and 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 an economy that is heavily reliant on federal government spending and use of office assets, and any actual or anticipated curtailment of such spending could have a material adverse effect on us.

Any curtailment of federal government spending, whether due to a change of presidential administration or control of Congress, federal government sequestrations, furloughs or shutdowns, a slowdown of the U.S. and/or global economy, any change in federal government agencies work-from-home policies or uses of office space 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. For instance, two of our civilian agency GSA tenants reduced their leased square footage due to a planned shift toward working from home. Any such 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 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 new 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 (with a remaining weighted average lease term of 2.5 years), all or a substantial portion of which it may 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. Additionally, if the Virginia Tech Innovation Campus reduces its contemplated size or does not have the anticipated collateral financial effect, it could have a material adverse effect on us.

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

For the year ended December 31, 2021, 22.0% 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. For the year ended December 31, 2021, GSA was our largest single tenant, with 57 leases comprising 20.3% 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 revenue 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, which subjects us to additional risks associated with compliance with applicable federal rules and regulations. In addition, there are additional requirements relating to the potential application of equal opportunity provisions and related requirements 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.

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 or shortages, weather conditions or supply disruptions (including those related to the supply chain);
- 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.

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.

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, 2021, 10.3% 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. Furthermore, 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 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, 2021, the 20 largest office and retail tenants in our Operating Portfolio represented 55.5% of our share of total annualized office and retail estimated 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 or failure 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. Additionally, we may experience delays in enforcing our rights as landlord due to federal, state and local laws and regulations 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 revenue from five of our assets.

As of December 31, 2021, five of our assets in the aggregate generated 20.9% 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 revenue than a corresponding occurrence affecting a less significant property. A substantial decline in the revenue generated by one or more of these assets could have a material adverse effect on us.

Our Placemaking depends in significant part on a retail component, which frequently involves retail assets embedded in or adjacent to our multifamily assets and/or commercial assets, making us subject to risks that affect the retail environment generally, such as competition from discount and online retailers, weakness in the economy, pandemics, a decline in consumer spending and the financial condition of major retail tenants, 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.

If our retail assets lose tenants, whether to the proliferation of online businesses and discount retailers, a decline in general economic conditions and consumer spending 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. In addition, 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. 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, which could have a material adverse effect on us.

The loss of one or more members of our senior management team 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. 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 development pipeline and/or any development parcel may not be consistent with our estimated potential development density.

As of December 31, 2021, we estimate that our 11 near-term development pipeline assets will total 5.3 million square feet (5.0 million square feet at our share) of estimated potential development density and our 25 future development pipeline assets will total 14.3 million square feet (11.6 million square feet at our share) of estimated potential development density. The potential development density estimates for our development pipeline and/or any particular development parcel are based solely on our estimates, using data available to us, and our business plans as of December 31, 2021. The actual density of our development pipeline and/or any 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 development pipeline at anticipated density levels. Moreover, we may strategically choose not to develop, redevelop or use our 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 development pipeline and/or any development parcel will be consistent with our estimated potential development density.

The occurrence of cyber incidents, or a deficiency in our cybersecurity, or the cybersecurity of our service providers, 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 intentional or unintentional adverse event that threatens the confidentiality, integrity, or availability of our information resources and can include unauthorized persons gaining access to systems to disrupt operations, corrupting data or stealing confidential information. The risk of a cyber incident or disruption, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks have increased globally. 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 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 measures 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. A successful attack on one of our service providers could result in a compromise of our own network or a disruption in our supply chain or of services upon which we rely. 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. If any of the foregoing risks materialize, it could have a material adverse effect on us.

Increased focus on our ESG business values may constrain our business operations, impose additional costs and expose us to new risks that could have a material adverse effect on us.

Our business values integrate environmental sustainability, social responsibility, D&I and strong governance practices throughout our organization—these types of ESG matters have become increasingly important to investors and other stakeholders. Some investors may use these factors to determine their investment strategies, while current and potential employees and business partners may consider these factors when considering relationships with us. Certain organizations that provide corporate risk and corporate governance advisory services to investors have developed scores and ratings to evaluate companies based upon ESG metrics, and investors consider a company's score as a factor in making an investment decision. The focus and activism related to ESG matters may constrain our business operations or increase expenses. Additionally, we may face reputational damage if our corporate responsibility initiatives do not meet the standards set by various constituencies, including those of third-party providers of corporate responsibility ratings and reports. There can be no assurance that our focus on our ESG business values will be well-regarded by investors, particularly since the criteria by which companies are rated for their ESG efforts may change. A low ESG score could result in a negative perception of us, exclusion of our securities from consideration by certain investors and/or cause investors to reallocate their capital away from us, each of which could have an adverse impact on the price of our securities.

We face risks related to the real estate industry.

As a REIT we are subject to significant risks related to the real estate industry, any of which could have a material adverse effect on us. These include, among other things:

- The value of real estate fluctuates depending on conditions in the general economy and the real estate business. Additionally, adverse changes in these conditions may result in a decline in rental revenue, sales proceeds and occupancy levels at our assets and adversely impact our revenue and cash flows. If rental revenue, 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.

- The cost and availability of credit may be adversely affected by illiquid credit markets and wider credit spreads, and our inability or the inability of our tenants to timely refinance maturing liabilities to meet liquidity needs may materially affect our financial condition and results of operations. Additionally, mortgage debt obligations expose us to risk of foreclosure and the loss of properties subject to such obligations.
- It may be difficult to buy and sell real estate quickly, or we or potential buyers of our assets may experience difficulty in obtaining financing, which may limit our ability to vary our portfolio promptly in response to changes in economic or other conditions. Additionally, we may be unable to identify, negotiate, finance or consummate acquisitions of properties, or acquire properties on favorable terms, or at all.
- The composition of our portfolio by asset type is likely to change over time, which could expose us to different asset class risks than if our portfolio composition remained static, and we may be adversely affected by trends in the asset classes we currently own.
- We may not be able to control the operating expenses associated with our properties, which include real estate taxes, insurance, loan payments, maintenance, and costs of compliance with governmental regulation, or our operating expenses may remain constant or increase, even if our revenue does not increase, which 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, 2021, leases representing 9.6% of our share of the office and retail square footage in our Operating Portfolio are scheduled to expire in 2022 or have month-to-month terms, and 16.8% of our share of the square footage of the assets in our commercial portfolio was unoccupied and not generating rent. 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.
- We may be unable to maintain or increase our occupancy and revenue at certain commercial, multifamily and other assets due to an increase in supply, more favorable terms offered by competitors, and/or deterioration in our markets.
- 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.
- We may from time to time be subject to litigation, which 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, any of which could have a material adverse effect on us.
- 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 asset. 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.
- Our assets may be subject to impairment losses, which could have a material adverse effect on our results of operations.
- Climate change, including rising sea levels, flooding, extreme weather, and changes in precipitation and temperature, may result in physical damage to, or a total loss of, our assets located in areas affected by these conditions, including those in low-lying areas close to sea level, and/or decreases in demand, rent from, or the value of those assets. In addition, we may incur material costs to protect these assets, including increases in our insurance premiums as a result of the threat of climate change, or the effects of climate change may not be covered by our insurance policies. Furthermore, 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 and reduce carbon emissions of our properties in order to comply with such regulations or result in fines for non-compliance. Any of the foregoing could have a material and 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 (i) expose us to third-party liability (e.g., for cleanup costs, natural resource damages, bodily injury or property damage), (ii) subject our properties to liens in favor of the government for damages and costs the government incurs in connection with the contamination, (iii) result in restrictions on the manner in which a property may be used or businesses may be operated, or (iv) 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.

Risks Related to the Capital Markets and Related Activities

We face risks related to our common shares.

These risks include, among other things, the risk that an economic downturn or a deterioration in the capital markets may materially affect the value of our equity and debt securities; the absence of any guarantee or certainty regarding the timing, amount, or payment of future dividends on our common shares; the risk of dilution of ownership in our company due to certain actions taken by us; the risk that 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; and the risk that the announcement of a material acquisition may result in a rapid and significant decline in the price of our common shares. If any of the foregoing risks materialize, it could have a material adverse effect on us.

We have a substantial amount of indebtedness, and our debt agreements include restrictive covenants and other requirements, which may limit our financial and operating activities, our future acquisition and development activities, or otherwise affect our financial condition.

As of December 31, 2021, we had \$2.5 billion aggregate principal amount of consolidated debt outstanding, and our unconsolidated real estate ventures had \$1.1 billion aggregate principal amount of debt outstanding (\$373.3 million at our share), resulting in a total of \$2.9 billion aggregate principal amount of debt outstanding at our share. A portion of our outstanding debt is guaranteed by our operating partnership. Our cash flow from operations may be insufficient to meet our required debt service and 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. Additionally, our debt agreements include

customary restrictive covenants, that, among other things, restrict our ability to incur additional indebtedness, to engage in material asset sales, mergers, consolidations and acquisitions, and to make capital expenditures, and some of our debt agreements also include requirements to maintain financial ratios. 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. Any of the foregoing could affect our ability to obtain additional funds as needed, or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs or to finance our future acquisition and development activities.

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

We are primarily dependent on external capital to fund the expected growth of our business. Our access to debt or equity capital 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 capital will be available or available on acceptable terms.

Our future development plans are capital intensive. To complete these plans, we anticipate funding construction and development through asset sales, real estate ventures with third parties, recapitalizations of assets, and public or private securities offerings, or a combination thereof. Similarly, these plans require a significant amount of debt financing which subjects us to additional risks. 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 financial statements included herein.

We are subject to interest rate risk, which could increase our interest expense, increase the cost to refinance and increase the cost of issuing new debt.

As of December 31, 2021, \$1.2 billion of our outstanding consolidated debt was subject to instruments that bear interest at variable rates without the benefit of arrangements that hedge against the risk of rising interest rates, and we may also borrow additional money at variable interest rates in the future without the benefit of associated hedges. With respect to these unhedged amounts, 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, 2021, an increase of 100 basis points in interest rates would result in a hypothetical increase of approximately \$11.8 million in interest expense on an annual basis. The amount of this change includes the benefit of interest rate swaps and caps we currently have in place.

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, 2021, our hedging transactions included interest rate swap agreements, which covered \$862.7 million of our outstanding consolidated debt, a significant portion of which is with one counterparty, which also exposes us to counterparty risk. Interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates, which could reduce the overall returns on our investments. Moreover, there can be no assurance that our hedging arrangements will qualify as highly effective cash flow hedges under applicable accounting standards. Furthermore, should we desire to terminate a hedging agreement, there could be significant costs and cash requirements. Finally, the REIT provisions of the Code impose certain restrictions on our ability to use hedges, swaps and other types of derivatives to hedge our liabilities. Any of the foregoing could have a material adverse effect on us.

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 have a material adverse effect on us.

As of December 31, 2021, we had floating rate debt with a principal balance totaling \$2.0 billion and hedging arrangements with a notional value totaling \$1.7 billion that use LIBOR as a reference rate. On November 30, 2020, the United Kingdom regulator announced its intentions, subject to confirmation following an early December consultation, to cease the publication of the one-week and two-month USD-LIBOR immediately following the December 31, 2021 publications, and the remaining USD-LIBOR tenors immediately following the June 30, 2023 publications. Though an alternative reference rate for LIBOR, the SOFR, exists, significant uncertainties still remain. We can provide no assurance regarding

the future of LIBOR and when our LIBOR-based instruments will transition from LIBOR as a reference rate to SOFR or another reference rate. The discontinuation of a benchmark rate or other financial metric, changes in a benchmark rate or other financial metric, or changes in market perceptions of the acceptability of a benchmark rate or other financial metric, including LIBOR, could, among other things, result in increased interest payments, changes to our risk exposures, or require renegotiation of previous transactions. In addition, any such discontinuation or changes, whether actual or anticipated, could result in market volatility, adverse tax or accounting effects, increased compliance, legal and operational costs, and risks associated with contract negotiations.

Risks and Conflicts of Interest 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 some 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 material terms of any sale or refinancing of certain assets, or whether to sell such assets at all.

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 JBG, 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 entitle them to receive additional compensation if certain funds or real estate ventures achieve certain return thresholds.

Some of our trustees and executive officers are persons who were employees of JBG, and they own equity interests in certain JBG Legacy Funds and related entities. Ownership of interests in the JBG Legacy Funds and current or past service as a managing member, at JBG, could create, or appear to create, potential conflicts of interest. Certain of the JBG Legacy Funds own the JBG Excluded Assets, which JBG Legacy Funds are owned in part by members of our senior management and certain trustees. 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) and certain trustees 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 and certain 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 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 and board of trustees 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.

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 as of December 31, 2021, 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.

Our declaration of trust and bylaws, the partnership agreement of our operating partnership and Maryland law, and the Code 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 under the Code, not more than 50% in value of our outstanding shares of beneficial interest may be owned, directly or indirectly, by five or fewer "individuals" (including some types of entities) at any time during the last half of our taxable year. To address this requirement and other tax considerations, 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, including our common shares. 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, but is not required to grant any exemption. Our Board of Trustees may determine not to grant an exemption even if no adverse tax or REIT qualification consequences would be caused by ownership in excess of the 7.5% ownership limit.

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.

Additionally, our declaration of trust authorizes the Board of Trustees, without shareholder approval, to 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. Our declaration of trust and bylaws contain other provisions that may delay, deter or prevent a change of control or other transaction that might involve a premium price or otherwise be in the best interest of our shareholders.

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 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:

- provisions that prohibit business combinations between us and an "interested shareholder," defined generally as any holder or affiliate of any holder who beneficially owns 10% or more of the voting power of our shares, 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

- provisions that provide that a shareholder's "control shares" acquired in a "control share acquisition", as defined in the MGCL, have no voting rights, 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.

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 (in some cases, without requiring a preliminary determination of the trustee's or officer's ultimate entitlement to indemnification) 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. If, with respect to any taxable year, we fail to maintain our qualification as a REIT and do not qualify under the relevant statutory relief provisions, we would have to pay federal income tax on our taxable income at regular corporate rates and could not deduct our distributions in determining our taxable income subject to tax. 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 again 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 or require us to make distributions of our shares or other securities.

For us to qualify to be taxed as a REIT, we generally must distribute to our shareholders each year at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains. 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. For example, if we dispose of properties in transactions that are intended to qualify as like-kind exchanges under Section 1031 of the Code and such transactions either fail to consummate the acquisition of replacement property in the like-kind exchanges or are successfully challenged and determined to be currently taxable, our taxable income and earnings and profits would increase, and may require additional distributions to shareholders or, in lieu of that, require us to pay corporate income tax, possibly including interest and penalties. If we do not have other funds available in these and other types of 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 a 4% excise tax in a particular year. These alternatives could increase our

costs or reduce our equity. Because amounts distributed will not be available to fund investment activities, 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.

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 direct (rather than through taxable corporate subsidiaries) any properties that could be characterized as held for sale to customers in the ordinary course of our business, 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 statutory safe harbor. In the case of some of our properties held through partnerships with third parties, our ability to control the disposition of such properties in a manner that avoids the imposition of the prohibited transactions tax depends in part on the action of third parties over which we have no control or only limited influence.

To comply with the restrictions imposed on REITs, we may have to conduct certain activities and own certain assets through a TRS, which will be subject to normal corporate income tax, and we could be subject to a 100% penalty tax if our transactions with our TRSs are not conducted on arm's length terms.

A TRS is a corporation in which a REIT directly or indirectly holds stock and which has elected, with the REIT to be taxable as a regular corporation, at regular corporate income tax rates. As a REIT, we cannot own certain assets or conduct certain activities directly, without risking failing the income or asset tests that apply to REITs. We can, however, hold these assets or undertake these activities through a TRS. For example, we generally cannot provide certain non-customary services to our tenants, 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. Accordingly, we provide such non-customary services to our tenants and share in the revenue from such services through our TRSs. As noted, the income earned through our TRSs will be subject to corporate income taxes. In addition, a 100% excise tax will be imposed on certain transactions between us and our TRSs that are not conducted on an arm's length basis.

Risks Related to the Formation Transaction

We could be required to indemnify Vornado for certain material tax obligations that could arise as addressed in the Tax Matters Agreement and certain obligations under the Separation and Distribution Agreement. Furthermore, Vornado agreed to indemnify us for certain pre-distribution liabilities and liabilities related to Vornado assets and there can be no assurance that these obligations will be sufficient to protect us. Additionally, 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.

Under the Tax Matters Agreement that we entered into with Vornado, we may be required to indemnify Vornado against any taxes and related amounts and costs if the distribution of JBG SMITH shares by Vornado, together with certain related transactions, is not tax-free and that treatment results from (i) actions or failures to act by us, or (ii) our breach of certain representations or undertakings. 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 the Tax Matters Agreement or the Separation Agreement, we may be subject to substantial liabilities. 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. Additionally, prior to entering into the MTA, the diligence reviews performed by each of Vornado and JBG SMITH with respect to the business and assets of the other 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.

Unless Vornado and JBG SMITH were both REITs following the Separation, JBG SMITH could be required to recognize certain corporate-level gains for tax purposes as a result of the Separation.

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

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.

One of the most significant factors that could cause actual outcomes to differ materially from our forward-looking statements is the adverse effect of the current pandemic of the novel coronavirus, or COVID-19 and the ensuing economic turmoil on the Company, our financial condition, results of operations, cash flows, performance, our tenants, the real estate market, and the global economy and financial markets. The extent to which COVID-19 continues to impact us and our tenants depends on future developments, many of which are highly uncertain and cannot be predicted with confidence. These developments include: the continued severity, duration, transmission rate and geographic spread of COVID-19 in the United States, effectiveness and willingness of people to take COVID-19 vaccines, the duration of associated immunity and vaccine efficacy against variants of COVID-19, the extent and effectiveness of other containment measures taken, and the response of the overall economy, the financial markets and the population (including the potential effects of inflation), particularly in areas in which we operate, and whether the residential market in the Washington, D.C. region and any of our properties will be materially impacted by the various moratoriums on residential evictions; the impact of disruptions to the credit and capital markets on our ability to access capital, including refinancing maturing debt; changes to the amount and manner in which tenants use space; whether we incur additional costs or make additional concessions or offer other incentives to existing or prospective tenants to reconfigure space; the impact on our net operating income, same store net operating income, NAV, stock price, revenue from our multifamily and commercial portfolio, operating costs, deferrals of rent, uncollectable operating lease receivables, occupancy rates, parking revenue, and burn-off of rent abatement; whether the Washington, D.C. region will be more resilient than other parts of the country in any recession resulting from COVID-19; whether we will recognize currently estimated unrecognized development fee revenue on the anticipated timing or at all; our annual dividend per share and dividend yield; in the case of our construction and near-term development pipeline assets, estimated square feet, estimated number of units and in the case of our future development pipeline assets, estimated potential development density; expected key Amazon transaction terms and timeframes for closing any Amazon transactions not yet closed; planned infrastructure and educational improvements related to Amazon's additional headquarters and the Virginia Tech Innovation Campus; the economic impact of Amazon's additional headquarters on the D.C. region and National Landing; the impact of our role as the developer, property manager and retail leasing agent in connection with Amazon's new headquarters; our development plans related to Amazon's additional headquarters; whether we can access agency debt secured by our currently-unencumbered multifamily assets timely, on reasonable terms or at all; and the allocation of capital to our share repurchase plan and any impact on our stock price,

among others, investors are cautioned to interpret many of the risks identified under the section titled "Risk Factors" in this Annual Report on Form 10-K as being heightened as a result of the ongoing and numerous adverse impacts of COVID-19.

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, particularly 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;
- increased investor focus and activism related to ESG matters;
- 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.

For these forward-looking statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. 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 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, 2021, 10.3% 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."

The following tables provide information about each of our commercial, multifamily, near-term development pipeline and future development pipeline portfolios as of December 31, 2021. Many of our near-term and future development pipeline assets 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 following tables are held through real estate ventures with third parties or are subject to ground leases. In addition to other information, the following tables indicate our percentage ownership, whether the asset is 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 2020-2021	Total Square Feet	% Leased	Office % Occupied	Retail % Occupied
National Landing							
1550 Crystal Drive ⁽³⁾	100.0 %	C	Y	550,179	94.6%	92.0%	86.0%
2121 Crystal Drive	100.0 %	C	Y	505,349	71.3%	71.3%	-
2345 Crystal Drive	100.0 %	C	Y	499,663	87.3%	87.1%	100.0%
2231 Crystal Drive	100.0 %	C	Y	468,238	86.9%	80.3%	97.4%
2011 Crystal Drive	100.0 %	C	Y	440,996	57.5%	52.7%	100.0%
2451 Crystal Drive	100.0 %	C	Y	401,902	76.9%	76.4%	92.6%
1235 S. Clark Street	100.0 %	C	Y	384,753	97.5%	95.9%	97.2%
241 18th Street S.	100.0 %	C	Y	363,356	96.5%	97.6%	84.0%
251 18th Street S. ⁽³⁾	100.0 %	C	Y	337,961	89.7%	97.9%	34.6%
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%
2200 Crystal Drive	100.0 %	C	Y	283,608	57.0%	57.0%	-
1225 S. Clark Street	100.0 %	C	Y	276,594	96.2%	96.0%	100.0%
1901 South Bell Street ⁽³⁾	100.0 %	C	Y	275,037	92.1%	92.1%	-
1770 Crystal Drive	100.0 %	C	N	273,650	98.4%	100.0%	68.5%
Crystal City Marriott (345 Rooms)	100.0 %	C	Y	266,000	-	-	-
2100 Crystal Drive	100.0 %	C	Y	253,437	100.0%	100.0%	-
1800 South Bell Street	100.0 %	C	Y	206,186	99.2%	100.0%	88.8%
200 12th Street S.	100.0 %	C	Y	202,708	79.5%	79.5%	-
Crystal City Shops at 2100 ⁽³⁾	100.0 %	C	Y	53,174	81.3%	-	81.3%
Crystal Drive Retail ⁽³⁾	100.0 %	C	Y	49,839	86.2%	-	86.2%
2221 S. Clark Street - Office	100.0 %	C	Y	35,182	-	-	-
Other VA							
Courthouse Plaza 1 and 2 ⁽⁴⁾	100.0 %	C	Y	630,135	82.0%	80.8%	94.3%
RTC-West ⁽³⁾	100.0 %	C	Y	470,095	87.4%	85.7%	93.3%
800 North Glebe Road	100.0 %	C	Y	303,644	98.5%	100.0%	82.3%
Central Place Tower ⁽⁴⁾	50.0 %	U	Y	551,758	98.4%	98.3%	100.0%
Stonebridge at Potomac Town Center ⁽⁵⁾	10.0 %	U	Y	504,327	97.8%	-	95.2%
Rosslyn Gateway-North	18.0 %	U	Y	145,601	67.4%	62.9%	72.3%
Rosslyn Gateway-South	18.0 %	U	Y	102,879	75.9%	78.8%	40.4%
D.C.							
Universal Buildings	100.0 %	C	Y	659,459	64.1%	58.4%	99.6%
2101 L Street	100.0 %	C	Y	378,660	85.6%	70.5%	92.6%
1730 M Street ⁽⁴⁾	100.0 %	C	Y	204,840	90.4%	83.8%	100.0%
1700 M Street ⁽⁶⁾	100.0 %	C	Y	34,000	-	-	-
L'Enfant Plaza Office-East ⁽⁴⁾	49.0 %	U	Y	397,855	63.4%	63.4%	-
L'Enfant Plaza Office-North	49.0 %	U	Y	298,567	90.5%	90.2%	87.1%
L'Enfant Plaza Retail ⁽⁴⁾	49.0 %	U	Y	119,291	71.0%	100.0%	66.3%
1900 N Street ⁽⁴⁾	55.0 %	U	N	269,581	82.7%	76.4%	21.3%
The Foundry	9.9 %	U	Y	225,683	88.2%	87.9%	100.0%
1101 17th Street	55.0 %	U	Y	208,894	85.0%	84.2%	100.0%
MD							
4747 Bethesda Avenue ⁽⁷⁾	100.0 %	C	N	300,508	98.0%	96.2%	100.0%
7200 Wisconsin Avenue	100.0 %	C	Y	270,817	72.5%	56.3%	100.0%
One Democracy Plaza ⁽⁴⁾⁽⁵⁾	100.0 %	C	Y	212,922	86.9%	86.8%	100.0%
Operating - Total / Weighted Average				13,083,094	85.1%	82.8%	88.1%
Totals at JBG SMITH Share							
National Landing				6,793,578	86.3%	85.5%	82.3%
Other VA				1,774,912	89.0%	88.1%	92.4%
D.C.				1,962,101	76.2%	70.5%	87.8%
MD				784,247	86.2%	79.9%	100.0%
Operating - Total / Weighted Average				11,314,838	84.9%	82.9%	86.3%

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

(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.

(3) 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 square feet, leased, and occupancy metrics in the above table.

Commercial Asset	In-Service	Not Available for Lease
1550 Crystal Drive	550,179	1,721
251 18th Street S.	337,961	1,480
1901 South Bell Street	275,037	1,924
Crystal City Shops at 2100	53,174	19,041
Crystal Drive Retail	49,839	7,126
RTC-West	470,095	17,988

(4) Asset is subject to a ground lease where we are the lessee.

(5) Not Metro-served.

(6) 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.

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

Multifamily Assets

Multifamily Assets	% Ownership	C/U ⁽¹⁾	Same Store ⁽²⁾ : YTD 2020-2021	Number of Units	Total Square Feet	% Leased	Multifamily % Occupied	Retail % Occupied
National Landing								
RiverHouse Apartments	100.0 %	C	Y	1,676	1,327,551	96.3%	95.1%	100.0%
The Bartlett	100.0 %	C	Y	699	619,372	95.7%	93.6%	100.0%
220 20th Street	100.0 %	C	Y	265	271,476	97.0%	94.0%	100.0%
2221 S. Clark Street - Residential ⁽³⁾	100.0 %	C	Y	216	96,948	72.5%	60.1%	-
D.C.								
West Half	100.0 %	C	N	465	385,368	91.0%	88.6%	72.6%
Fort Totten Square	100.0 %	C	Y	345	384,956	98.1%	96.5%	100.0%
The Wren ⁽⁴⁾	96.1 %	C	N	433	332,682	90.7%	83.8%	100.0%
The Batley ⁽⁵⁾	100.0 %	C	N	432	300,388	91.4%	89.6%	-
WestEnd25	100.0 %	C	Y	283	273,264	97.2%	95.4%	-
FIRST Residences	100.0 %	C	Y	325	270,928	97.2%	94.8%	100.0%
1221 Van Street	100.0 %	C	Y	291	225,530	95.7%	94.5%	100.0%
901 W Street	100.0 %	C	N	161	154,862	94.7%	98.1%	70.8%
900 W Street ⁽³⁾	100.0 %	C	N	95	69,183	53.7%	51.6%	-
North End Retail	100.0 %	C	Y	—	27,355	92.7%	-	92.7%
The Gale Eckington	5.0 %	U	Y	603	466,716	92.4%	86.7%	100.0%
Atlantic Plumbing	64.0 %	U	Y	310	245,527	93.3%	91.6%	97.4%
MD								
Falkland Chase-South & West	100.0 %	C	Y	268	222,754	98.9%	98.1%	-
Falkland Chase-North	100.0 %	C	Y	170	112,143	98.8%	97.6%	-
Galvan	1.8 %	U	Y	356	390,293	97.8%	96.9%	97.1%
The Alaïre ⁽⁶⁾	18.0 %	U	Y	279	266,673	94.6%	93.5%	78.4%
The Terano ⁽⁶⁾	1.8 %	U	Y	214	196,921	95.8%	94.9%	88.8%
Total / Weighted Average ⁽³⁾				7,886	6,640,890	95.3%	93.0%	94.6%
Recently Delivered								
MD								
8001 Woodmont	50.0 %	U	N	322	363,979	41.0%	33.2%	74.7%
Operating - Total / Weighted Average ⁽³⁾				8,208	7,004,869	92.4%	90.6%	93.8%
Under-Construction								
National Landing								
1900 Crystal Drive ⁽⁷⁾	—	C		808	633,985			
Total				9,016	7,638,854			
Totals at JBG SMITH Share ⁽³⁾								
National Landing				2,856	2,315,347	96.2%	94.6%	100.0%
D.C.				3,042	2,592,147	94.3%	91.6%	93.9%
MD				498	393,468	98.3%	97.5%	85.9%
In-service assets				6,396	5,300,962	95.4%	93.4%	94.5%
Recently delivered assets				161	181,990	41.0%	33.2%	74.7%
Operating - Total / Weighted Average				6,557	5,482,952	93.6%	91.8%	94.0%
In-service excluding newly developed and acquired assets ⁽⁸⁾				4,611	3,974,373	96.6%	94.9%	98.9%
Under-construction assets				808	633,985			

Note: At 100% share, unless otherwise noted.

- (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.
- (3) 2221 S. Clark Street - Residential and 900 W Street are excluded from percent leased and percent occupied metrics as they are operated as short-term rental properties.
- (4) 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, 2021, our ownership interest was 96.0%.
- (5) The Batley was acquired in November 2021. See Note 3 to the consolidated financial statements for additional information.
- (6) Asset is subject to a ground lease. In January 2022, our unconsolidated real estate venture sold The Alaire and The Terano.
- (7) In March 2021, we leased the land underlying 1900 Crystal Drive to a lessee. The asset is consolidated in our financial statements as it is owned through a variable interest entity for which we are the primary beneficiary. See Note 6 to the consolidated financial statements for additional information.
- (8) Excludes West Half, The Wren, The Batley and 901 W Street.

Near-Term Development Pipeline

Asset	% Ownership	Estimated Potential Development Density (SF)			Estimated Number of Units	
		Total	Office	Multifamily		Retail
National Landing						
2000 South Bell Street ⁽¹⁾	—	389,600	—	374,400	15,200	355
2001 South Bell Street ⁽¹⁾	—	351,400	—	339,800	11,600	420
Potomac Yard Landbay F - Block 15 - 3331 Exchange Avenue	50.0%	181,300	—	164,300	17,000	210
Potomac Yard Landbay F - Block 19 - 3330 Exchange Avenue	50.0%	238,100	—	214,800	23,300	260
2250 Crystal Drive	100.0%	677,100	—	677,100	—	825
223 23rd Street	100.0%	512,800	—	512,800	—	700
2525 Crystal Drive ⁽²⁾	100.0%	750,000	750,000	—	—	—
101 12th Street	100.0%	239,600	234,400	—	5,200	—
Other VA						
RTC - West Trophy Office	100.0%	396,000	380,000	—	16,000	—
D.C.						
5 M Street Southwest	100.0%	705,400	—	675,400	30,000	615
Gallaudet Parcel 1-3 ⁽³⁾	100.0%	818,000	—	756,400	61,600	840
Total		5,259,300	1,364,400	3,715,000	179,900	4,225
Totals at JBG SMITH Share						
National Landing		3,130,300	984,400	2,093,700	52,200	2,535
Other VA		396,000	380,000	—	16,000	—
D.C.		1,523,400	—	1,431,800	91,600	1,455
		5,049,700	1,364,400	3,525,500	159,800	3,990

Note: At JBG SMITH share.

- (1) In December 2021, we leased the land underlying 2000/2001 South Bell Street to a lessee. This asset, consisting of two multifamily towers, is consolidated in our financial statements as we are the primary beneficiary of the variable interest entity. See Note 6 to the consolidated financial statements for additional information. In January 2022, we commenced construction on 2000/2001 South Bell Street, a 775-unit multifamily asset.
- (2) Estimated potential development density (SF) use is subject to change based on market demand and entitlement.
- (3) Controlled through an option to acquire a leasehold interest. As of December 31, 2021, the weighted average remaining term for the option is 2.1 years.

Future Development Pipeline

Region	Number of Assets	Estimated Potential Development Density (SF)			Estimated Commercial SF / Multifamily Units to be Replaced ⁽¹⁾	
		Total	Office	Multifamily		Retail
Owned						
VA						
National Landing	8	4,141,500	1,610,800	2,433,000	97,700	206,186 SF
Reston	3	2,140,600	544,800	1,409,800	186,000	—
Other VA	3	148,000	88,200	54,000	5,800	21,691 SF
	14	6,430,100	2,243,800	3,896,800	289,500	227,877 SF
D.C.						
D.C.	6	1,024,400	312,100	703,300	9,000	—
MD						
Silver Spring	1	1,276,300	—	1,156,300	120,000	170 units
Greater Rockville	1	1,200	—	—	1,200	—
	2	1,277,500	—	1,156,300	121,200	170 units
Total / weighted average	22	8,732,000	2,555,900	5,756,400	419,700	227,877 SF / 170 units
Optioned ⁽²⁾						
D.C.						
D.C.	2	783,600	—	678,900	104,700	—
Held for Sale						
VA						
National Landing ⁽³⁾	1	2,082,000	2,082,000	—	—	—
Total / Weighted Average	25	11,597,600	4,637,900	6,435,300	524,400	227,877 SF / 170 units

Note: At JBG SMITH share.

- (1) Represents management's estimate of the total office and/or retail rentable square feet and multifamily units currently included in our Operating Portfolio that would need to be redeveloped to access some of the estimated potential development density.
- (2) As of December 31, 2021, the weighted average remaining term for the optioned future development pipeline assets is 3.4 years.
- (3) Represents the estimated potential development density that we have under contract for sale to Amazon pursuant to an executed purchase and sale agreement. In March 2019, we entered into an agreement for the sale of Pen Place, a land site with an estimated potential development density of 2.1 million square feet. In December 2021, we finalized the agreement for the sale of Pen Place for \$198.0 million, which represents a \$48.1 million increase over the previously estimated contract value. The sale of Pen Place is expected to close during the second quarter of 2022.

Major Tenants

The following table sets forth information for our 10 largest tenants by annualized rent for the year ended December 31, 2021:

Tenant	Number of Leases	Square Feet	% of Total Square Feet	At JBG SMITH Share	
				Annualized Rent (In thousands)	% of Total Annualized Rent
GSA	57	2,197,989	23.1 %	\$ 88,372	20.3 %
Amazon	7	1,025,463	10.8 %	44,058	10.1 %
Gartner, Inc	1	174,424	1.8 %	12,331	2.8 %
Family Health International	3	220,670	2.3 %	12,265	2.8 %
Lockheed Martin Corporation	2	232,598	2.4 %	11,420	2.6 %
Arlington County	2	235,779	2.5 %	10,536	2.4 %
Booz Allen Hamilton Inc	3	159,610	1.7 %	7,787	1.8 %
Greenberg Traurig LLP	1	101,602	1.1 %	7,348	1.7 %
Accenture LLP	2	116,736	1.2 %	7,188	1.6 %
Public Broadcasting Service	1	125,533	1.3 %	4,700	1.1 %
Total	79	4,590,404	48.2 %	\$ 206,005	47.2 %

Note: Includes all in-place leases as of December 31, 2021 for which a tenant has taken occupancy for office and retail space within our Operating Portfolio.

Lease Expirations

The following table sets forth as of December 31, 2021 the scheduled expirations of tenant leases in our Operating Portfolio for each year from 2022 through 2030 and thereafter, assuming no exercise of renewal options or early termination rights:

At JBG SMITH Share						
Year of Lease Expiration	Number of Leases	Square Feet	% of Total Square Feet	Annualized Rent ⁽¹⁾ (in thousands)	% of Total Annualized Rent	Annualized Rent Per Square Foot ⁽¹⁾
Month-to-Month	56	84,578	0.9 %	\$ 1,828	0.4 %	\$ 21.62
2022	105	827,415	8.7 %	38,001	8.7 %	45.93
2023	130	1,020,318	10.7 %	44,696	10.2 %	43.81
2024	105	1,525,246	16.0 %	71,559	16.4 %	46.92
2025	95	952,266	10.0 %	41,569	9.5 %	43.65
2026	79	458,021	4.8 %	19,585	4.5 %	47.02
2027	56	623,423	6.5 %	29,359	6.7 %	47.09
2028	52	435,237	4.6 %	20,830	4.8 %	47.86
2029	40	444,526	4.7 %	23,171	5.3 %	52.13
2030	36	470,364	4.9 %	25,674	5.9 %	54.58
Thereafter	104	2,682,244	28.2 %	119,874	27.6 %	45.35
Total / Weighted Average	858	9,523,638	100.0 %	\$ 436,146	100.0 %	\$ 46.19

Note: Includes all in-place leases as of December 31, 2021 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 6.0 years.

⁽¹⁾ Annualized rent and annualized rent per square foot exclude percentage rent and the square footage of tenants that only pay percentage rent.

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 trade under the symbol "JBGS." On February 18, 2022, there were 836 holders of record of our common shares. This does not reflect individuals or other entities who hold their shares in "street name."

Dividends declared for each of the three years in the period ended December 31, 2021 totaled \$0.90 per common share (regular quarterly dividends of \$0.225 per common share each quarter). 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 2022 will be comparable in amount with those declared in 2021. 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 2022 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 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, 2021. 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>	<u>12/31/2020</u>	<u>12/31/2021</u>
JBG SMITH Properties	100.00	94.51	97.36	114.18	92.24	87.24
S&P MidCap 400 Index	100.00	108.61	96.58	121.88	138.53	172.83
FTSE Nareit Equity Office Index	100.00	102.57	87.70	115.25	94.01	114.68

Sales of Unregistered Shares

During the year ended December 31, 2021, we did not sell any unregistered securities.

Repurchases of Equity Securities

The following is a summary of common shares repurchased in 2021:

Period	Total Number Of Common Shares Purchased	Average Price Paid Per Common Share	Total Number Of Common Shares Purchased As Part Of Publicly Announced Plans Or Programs	Approximate Dollar Value Of Common Shares That May Yet Be Purchased Under the Plan Or Programs
October 1, 2021 - October 31, 2021	-	\$ -	-	\$ 307,107,767
November 1, 2021 - November 30, 2021	770,431	29.09	770,431	284,678,393
December 1, 2021 - December 31, 2021	1,663,205	28.31	1,663,205	237,555,511
Total for the three months ended December 31, 2021	2,433,636	28.56	2,433,636	
Total for the year ended December 31, 2021	5,370,469	29.34	5,370,469	
Program total since inception in March 2020	9,146,821	28.67	9,146,821	

In March 2020, our Board of Trustees authorized the repurchase of up to \$500.0 million of our outstanding common shares. Purchases under the program are made either in the open market or in privately negotiated transactions from time to time as permitted by federal securities laws and other legal requirements. The timing, manner, price and amount of any repurchases will be determined by us at our discretion and will be subject to economic and market conditions, share price, applicable legal requirements and other factors. The program may be suspended or discontinued at our discretion without prior notice.

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. [RESERVED]

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

The following discussion is intended to provide material information relevant to our financial condition and results of operations, including cash flows, and should be read in conjunction with the consolidated 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, a Maryland REIT, owns and operates a portfolio of commercial and multifamily assets 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 with high barriers to entry and vibrant urban amenities. Over half of our portfolio is in National Landing, where we serve as the developer for Amazon's new over five million square foot headquarters, and where Virginia Tech's \$1 billion Innovation Campus is under construction. In addition, our third-party asset management and real estate services business provides fee-based real estate services to Amazon, the WHI Impact Pool, the JBG Legacy Funds and other third parties. Substantially all our assets are held by, and our operations are conducted through, JBG SMITH LP.

We were organized for the purpose of receiving, via the spin-off on July 17, 2017, substantially all the assets and liabilities of Vornado's Washington, D.C. segment. On July 18, 2017, we acquired the management business and certain assets and liabilities of JBG.

The accompanying consolidated 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 disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

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 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 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 consolidated 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 many 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

As of December 31, 2021, our Operating Portfolio consisted of 64 operating assets comprising 42 commercial assets totaling 13.1 million square feet (11.3 million square feet at our share) and 22 multifamily assets totaling 8,208 units (6,557 units at our share). Additionally, we have: (i) one under-construction asset with 808 units (808 units at our share); (ii) 11 near-term development pipeline assets totaling 5.3 million square feet (5.0 million square feet at our share) of estimated potential development density; and (iii) 25 future development pipeline assets totaling 14.3 million square feet (11.6 million square feet at our share) of estimated potential development density.

We continue to focus on our comprehensive plan to reposition our holdings in National Landing in Northern Virginia by executing a broad array of Placemaking strategies. Our Placemaking includes 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 robust retail offerings and other amenities, including improved public spaces. Additionally, the cutting-edge digital infrastructure investments we are making in National Landing, including the purchase of CBRS wireless spectrum and an agreement with AT&T, are advancing our efforts as we strive to make National Landing among the first 5G-operable submarkets in the nation.

In November 2018, Amazon announced it had selected sites in National Landing as the location of its new headquarters. We currently have leases with Amazon totaling 1.0 million square feet at six office buildings in National Landing. In

March 2019, we executed purchase and sale agreements with Amazon for two of our National Landing development sites, Metropolitan Park and Pen Place, on which Amazon is constructing its new headquarters. We are currently constructing two new office buildings for Amazon on Metropolitan Park, totaling 2.1 million square feet, inclusive of over 50,000 square feet of street-level retail with new shops and restaurants. The sale of Pen Place to Amazon is expected to close, subject to customary closing conditions, during the second quarter of 2022, and we expect Amazon to begin construction of four new buildings (three office towers and The Helix) in 2022. In December 2021, we finalized the agreement for the sale of Pen Place to Amazon for \$198.0 million, which represents a \$48.1 million increase over the previously estimated contract value. We are the developer, property manager and retail leasing agent for Amazon's new headquarters at National Landing.

Outlook

A fundamental component of our strategy to maximize long-term NAV per share is active capital allocation. We evaluate development, acquisition, disposition, share repurchase and other investment decisions based on how they may impact long-term NAV per share. Since 2017, we have completed the sale, recapitalization and/or ground lease of \$1.7 billion of primarily office assets. We intend to continue to opportunistically sell non-core office assets outside of National Landing as well as land sites where a ground lease or joint venture execution may represent the most attractive path to maximizing value. Successful execution of our capital allocation strategy will enable us to source capital at NAV from the disposition of assets generating low cash yields and invest those proceeds in new acquisitions with higher cash yields and growth, as well as in development projects with significant yield spreads and profit potential. We view this strategy as a key tool to source capital and intend to continue disposing of assets where the disparity in public and private market valuations are the greatest. Consequently, at any given time, we expect to be in various stages of discussions and negotiations with potential buyers, real estate venture partners, ground lessors and other counterparties with respect to sales, joint ventures and/or ground leases for certain of our assets, including portfolios thereof. These discussions and negotiations may or may not lead to definitive documentation or closed transactions. Redeploying the proceeds from these sales will not only help fund our planned growth, but will also further advance the strategic shift of our portfolio to majority multifamily.

While the pandemic appears to be abating, and we are optimistic about the future, new leasing has been slow to recover and will likely continue to lag due to delayed return-to-the office plans and decision making related to future office utilization. We expect this lag to continue to impact our occupancy levels through 2022. Occupancy of our commercial portfolio declined by 480 basis points from December 31, 2020, the majority of which was related to pre-pandemic decision making, although we had two civilian agency GSA tenants that reduced their leased square footage due to a planned shift toward working from home. Parking revenue in our commercial portfolio was approximately 65% of pre-pandemic levels of approximately \$30 million annually due to delayed return-to-the-office plans for many of our office tenants.

Our multifamily portfolio has seen an improvement in percentage occupied and leased as residents continue to return to urban environments, offices reinstate in-person mandates, and cities repopulate. Although asking rents in our portfolio ended the year above pre-pandemic levels, average in-place rents ended the year approximately 9% below asking rents. We expect in-place rents to increase as leases roll, resulting in incremental NOI growth.

In 2021 and 2020, we recorded \$1.1 million and \$11.2 million of credit losses against billed rent receivables, and \$19.6 million against deferred (straight-line) rent receivables in 2020. These losses were due to the effects of COVID-19, primarily from co-working and retail tenants, that were unable to pay rent while businesses were closed, not operating at full capacity or while employees continue to work from home. During 2020, we began recognizing revenue from substantially all co-working tenants and retailers except for grocers, pharmacies, essential businesses and certain national credit tenants on the cash basis of accounting. We provided rent deferrals that had been contractually due during 2020 and 2021 totaling \$10.1 million, of which \$4.0 million was subsequently abated and \$1.2 million was collected. During 2021, revenue for the majority of these tenants continued to be recognized on the cash basis of accounting. While we have seen some improvement in performance and cash collections, our retailers and co-working tenants are still experiencing some impact from the effects of COVID-19 and may continue to experience such impact. During the fourth quarter of 2021, we received \$4.5 million of business interruption insurance proceeds for COVID-19 related losses, which were included in "Interest and other income (loss), net" in our consolidated statement of operations.

Operating Results

Highlights of operating results for the year ended December 31, 2021 included:

- net loss attributable to common shareholders of \$79.3 million, or \$0.63 per diluted common share, for 2021 as compared to \$62.3 million, or \$0.49 per diluted common share, for 2020;
- third-party real estate services revenue, including reimbursements, of \$114.0 million for 2021 as compared to \$113.9 million for 2020;
- operating commercial portfolio leased and occupied percentages at our share of 84.9% and 82.9% as of December 31, 2021 compared to 88.1% and 87.7% as of December 31, 2020;
- operating multifamily portfolio leased and occupied percentages ⁽¹⁾ at our share of 93.6% and 91.8% as of December 31, 2021 and 87.3% and 81.7% as of December 31, 2020. The in-service operating multifamily portfolio was 95.4% leased and 93.4% occupied as of December 31, 2021 as compared to 91.0% leased and 87.3% occupied as of December 31, 2020;
- the leasing of 1.7 million square feet at our share, at an initial rent ⁽²⁾ of \$45.58 per square foot and a GAAP-basis weighted average rent per square foot ⁽³⁾ of \$44.58 for 2021; and
- a decrease in same store ⁽⁴⁾ NOI of 0.9% to \$299.7 million for 2021 as compared to \$302.3 million for 2020.

⁽¹⁾ 2221 S. Clark Street - Residential and 900 W Street are excluded from leased and occupied percentages as they are operated as short-term rental properties.

⁽²⁾ Represents the cash basis weighted average starting rent per square foot at our share, which excludes free rent and fixed escalations.

⁽³⁾ Represents the weighted average rent per square foot recognized over the term of the respective leases, including the effect of free rent and fixed escalations at our share.

⁽⁴⁾ 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, 2021 included:

- the acquisition of The Batley, a 432-unit multifamily asset in the Union Market submarket of Washington, D.C., for \$205.3 million, exclusive of \$3.1 million of transaction costs that were capitalized as part of the acquisition, which we intend to use as a replacement property in a like-kind exchange for the sale of Pen Place to Amazon. See Note 3 to the consolidated financial statements for additional information;
- the lease of the land underlying 1900 Crystal Drive located in National Landing to a lessee, which plans to construct an 808-unit multifamily asset comprising two towers with ground floor retail. The ground lessee has engaged us to be the development manager for the construction of 1900 Crystal Drive, and separately, we are the lessee in a master lease of the asset. See Note 6 to the consolidated financial statements for additional information;
- the lease of the land underlying 2000/2001 South Bell Street located in National Landing to a lessee, which plans to construct a 775-unit multifamily asset comprising two towers with ground floor retail. The ground lessee has engaged us to be the development manager for the construction of 2000/2001 South Bell Street, and separately, we are the lessee in a master lease of the asset. See Note 6 to the consolidated financial statements for additional information;
- an investment in two real estate ventures, in which we have 50% ownership interests, to design, develop, manage and own 2.0 million square feet of new mixed-use development located in Potomac Yard, the southern portion of National Landing. We recognized an \$11.3 million gain on the land contributed to one of the real estate ventures based on the cash received and the remeasurement of our retained interest in the asset. See Note 5 to the consolidated financial statements for additional information;
- recognition of an aggregate gain of \$28.3 million from the sale of various assets by our unconsolidated real estate ventures. See Note 5 to the consolidated financial statements for additional information;
- execution of two separate mortgage loans with a principal balance of \$190.0 million, collateralized by 1225 S. Clark Street and 1215 S. Clark Street;
- borrowings of \$300.0 million under our revolving credit facility;

- the payment of dividends totaling \$118.1 million and distributions to our noncontrolling interests of \$17.8 million;
- the repurchase and retirement of 5.4 million of our common shares for \$157.7 million, a weighted average purchase price per share of \$29.34; and
- the investment of \$173.2 million in development, construction in progress and real estate additions.

Activity subsequent to December 31, 2021 included:

- a definitive agreement with affiliates of Fortress Investment Group LLC, entered into on February 11, 2022, to form a real estate venture in which we will have a noncontrolling interest. The unconsolidated real estate venture will acquire a 1.6 million square foot portfolio of four wholly owned commercial assets from us. The assets include 7200 Wisconsin Avenue, 1730 M Street, RTC-West and Courthouse Plaza 1 and 2. The transaction is expected to close in the first half of 2022, subject to financing and customary closing conditions;
- the amendment of the Tranche A-1 Term Loan to extend the maturity date to January 2025 with two one-year extension options, and to amend the interest rate to SOFR plus 1.05% to SOFR plus 1.65%, in each case including a credit spread adjustment; and
- the sale by one of our unconsolidated real estate ventures of The Alaire, The Terano and 12511 Parklawn Drive, multifamily and future development assets located in Rockville, Maryland, for \$137.5 million. Our ownership in these assets ranged from 1.8% to 18.0%.

Critical Accounting Estimates

The preparation of consolidated 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 results of operations or financial condition.

Our significant accounting policies are fully described in Note 2 to the consolidated financial statements; however, the most critical accounting estimates, which involve the use of judgments as to future uncertainties and, therefore, may result in actual amounts that differ from estimates, are as follows:

Asset Acquisitions

Description: We account for asset acquisitions at cost, which includes the consolidation of previously unconsolidated real estate ventures, including transaction costs, plus the fair value of any assumed debt. We estimate the fair values of acquired assets and liabilities assumed 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 and any contingent consideration, to the identified assets acquired and liabilities assumed based on their relative fair value.

Judgments and Uncertainties: Asset acquisitions primarily consist of buildings and land. 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 the fair value of land based on market comparisons and development projects using an income approach of cost plus a margin.

Sensitivity of Estimate to Change: While our methodology did not change in 2021, if the estimates and assumptions in our discounted cash flow models used to value our buildings or our projections of land value change based on market conditions or other factors, our evaluation of fair values may be different and such differences could be material to our consolidated financial statements.

Real Estate

Description: Real estate is carried at cost, net of accumulated depreciation and amortization. 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.

Judgments and Uncertainties: Our real estate and related intangible assets are reviewed for impairment whenever there are changes in circumstances or indicators that the carrying amount of the assets may not be recoverable. These indicators may include operating performance, shortened anticipated holding periods, costs in excess of budgets for under-construction assets and adverse changes in circumstances. 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, anticipated 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. Estimated fair values are calculated based on the following information in order of preference, dependent upon availability: (i) pending or executed agreements, (ii) market prices for comparable properties or (iii) the sum of discounted cash flows.

Sensitivity of Estimate to Change: While our methodology did not change in 2021, if our estimates of future cash flows, anticipated holding periods, or fair values change, based on market conditions, anticipated selling prices or other factors, our evaluation of impairment losses may be different and such differences could be material to our consolidated 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. Longer anticipated holding periods for real estate assets directly reduce the likelihood of recording an impairment loss. If there is a change in the strategy for an asset or if market conditions dictate an earlier sale date, an impairment loss may be recognized, and such loss could be material. In connection with the preparation and review of our 2021 annual consolidated financial statements, we recorded impairment losses totaling \$25.1 million related to 7200 Wisconsin Avenue, RTC-West and a future development parcel, which are non-core assets that were written down to their estimated fair value due to shortened anticipated holding periods, based on contracts under negotiation as of December 31, 2021.

Investments in Real Estate Ventures

Description: 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.

Judgments and Uncertainties: On a periodic basis, we evaluate our investments in unconsolidated real estate ventures for impairment. 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, anticipated holding periods, 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 the 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 loss 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.

Sensitivity of Estimate to Change: While our methodology did not change in 2021, if our cash flow projections or our evaluation of qualitative factors change, based on market conditions or other factors, our evaluation of impairment losses may be different and such differences could be material to our consolidated financial statements. Cash flow projections are subjective and are based, in part, on assumptions regarding expected future operating income, trends and prospects, anticipated holding periods, as well as the effects of demand, competition and other factors that could differ materially from actual results. If our assessment that an impairment is other-than-temporary changes, it could result in an impairment loss that could be material to our consolidated financial statements.

Revenue Recognition

Description: We have leases with various tenants across our portfolio of properties, which generate rental income and operating cash flows for our benefit. Property rental 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.

Judgments and Uncertainties: We periodically evaluate the collectability of amounts due from tenants and recognize an adjustment to property rental revenue for accounts receivable and deferred rent receivable if we conclude it is not probable we will collect the remaining lease payments under the lease agreements. We exercise judgment in assessing the probability of collection and consider payment history and current credit status in making this determination.

Sensitivity of Estimate to Change: If the probability of collection changes, due to tenant creditworthiness, changes to tenant payment patterns or economic trends, including the impact of COVID-19, our evaluation of collectability may be different and such differences could be material to our consolidated financial statements. Due to the impact of COVID-19, during 2020, we began recognizing revenue from substantially all co-working tenants and retailers except for grocers, pharmacies, essential businesses and certain national credit tenants on the cash basis of accounting. During 2021, revenue for the majority of these tenants continued to be recognized on the cash basis of accounting.

Recent Accounting Pronouncements

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

Results of Operations

The following section discusses certain line items from our 2021 and 2020 consolidated statements of operations and the year-to-year comparisons between 2021 and 2020. Discussions of 2019 items and year-to-year comparisons between 2020 and 2019 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of [Annual Report on Form 10-K for the year ended December 31, 2020](#), filed with the SEC on February 23, 2021, which is incorporated herein by reference.

In April 2021, we contributed Potomac Yard Landbay G to an unconsolidated real estate venture. In November 2021, we acquired The Batley. In January 2020, we sold Metropolitan Park. In December 2020, we acquired the Americana Portfolio.

Comparison of the Year Ended December 31, 2021 to 2020

The following summarizes certain line items from our consolidated 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, 2021 as compared to the same period in 2020:

	Year Ended December 31,		
	2021	2020	% Change
	(Dollars in thousands)		
Property rental revenue	\$ 499,586	\$ 458,958	8.9 %
Third-party real estate services revenue, including reimbursements	114,003	113,939	0.1 %
Depreciation and amortization expense	236,303	221,756	6.6 %
Property operating expense	150,638	145,625	3.4 %
Real estate taxes expense	70,823	70,958	(0.2)%
General and administrative expense:			
Corporate and other	53,819	46,634	15.4 %
Third-party real estate services	107,159	114,829	(6.7)%
Share-based compensation related to Formation Transaction and special equity awards	16,325	31,678	(48.5)%
Transaction and other costs	10,429	8,670	20.3 %
Loss from unconsolidated real estate ventures, net	2,070	20,336	(89.8)%
Interest and other income (loss), net	8,835	(625)	*
Interest expense	67,961	62,321	9.0 %
Gain on sale of real estate	11,290	59,477	(81.0)%
Impairment loss	25,144	10,232	145.7 %

* Not meaningful.

Property rental revenue increased by \$40.6 million, or 8.9%, to \$499.6 million in 2021 from \$459.0 million in 2020. The increase was primarily due to (i) a \$25.0 million increase due to the deferral of rent and the write-off of deferred rent receivable for tenants that were placed on the cash basis of accounting in 2020 and a decrease in uncollectable operating lease receivables attributable to COVID-19 in 2021, (ii) an \$18.6 million increase related to 4747 Bethesda Avenue, West Half, The Wren, 900 W Street and 901 W Street as these properties placed additional space into service, (iii) an \$8.7 million increase related to 1770 Crystal Drive, which was placed into service in the fourth quarter of 2020, (iv) a \$4.4 million increase related to the commencement of a lease with Amazon at 2100 Crystal Drive and (v) a \$3.7 million increase related to 1225 S. Clark Street due to the commencement of a lease. The increase in property rental revenue was partially offset by (i) an \$11.3 million decrease related to lower occupancy at the Universal Buildings, 2011 Crystal Drive, 2101 L Street and RTC-West, (ii) a \$4.8 million decrease related to 1901 South Bell Street due to tenant reimbursements for construction services in 2020 and (iii) a \$3.0 million decrease related to RiverHouse Apartments and The Bartlett due to increased rent concessions and lower market rents.

Third-party real estate services revenue, including reimbursements, increased by \$64,000, or 0.1%, to \$114.0 million in 2021 from \$113.9 million in 2020. The increase was primarily due to a \$14.0 million increase in development fees related to the timing of development projects. The increase in third-party real estate services revenue was partially offset by a \$8.5 million decrease in reimbursements revenue and a \$2.5 million decrease in construction management fees due to the timing of construction projects and a \$2.1 million decrease in property and asset management fees due to the sale of assets within the JBG Legacy Funds.

Depreciation and amortization expense increased by \$14.5 million, or 6.6%, to \$236.3 million in 2021 from \$221.8 million in 2020. The increase was primarily due to (i) an \$8.6 million increase related to 4747 Bethesda Avenue, West Half, The Wren, 900 W Street and 901 W Street as these properties placed additional space into service, (ii) a \$6.5 million increase related to the Universal Buildings due to the write-off of certain tenant improvements, (iii) a \$6.2 million increase related to 2345 Crystal Drive due to an increase in tenant improvements, (iv) a \$3.0 million increase due to 1770 Crystal Drive being placed into service, (v) a \$2.3 million increase related to Crystal Drive Retail due to the acceleration of depreciation of certain assets, (vi) a \$2.1 million increase related to The Batley, which was acquired in November 2021, and (vii) a \$2.0 million increase related to 1550 Crystal Drive as additional space was placed into service. The increase in depreciation and amortization expense was partially offset by a \$16.0 million decrease related to 2000/2001 South Bell Street as the existing buildings were demolished and we commenced construction on two new buildings in January 2022.

Property operating expense increased by \$5.0 million, or 3.4%, to \$150.6 million in 2021 from \$145.6 million in 2020. The increase was primarily due to (i) a \$4.0 million increase related to 4747 Bethesda Avenue, West Half, The Wren, 900 W Street and 901 W Street as these properties placed additional space into service, (ii) a \$3.1 million increase related to 2451 Crystal Drive due to costs incurred for construction management services provided to tenants, (iii) a \$2.0 million increase due to 1770 Crystal Drive being placed into service and (iv) a \$1.1 million increase at Courthouse Plaza 1 and 2 primarily related to ground rent expense. The increase in property operating expense was partially offset by a \$5.5 million decrease related to 1901 South Bell Street due to costs incurred in 2020 for construction management services provided to tenants.

Real estate tax expense decreased by \$135,000, or 0.2%, to \$70.8 million in 2021 from \$71.0 million in 2020. The decrease was primarily due to a \$1.8 million decrease related to Courthouse Plaza 1 and 2 due to a tax refund received in 2021 related to prior years and a decrease in real estate tax assessments for various properties located in National Landing. The decrease in real estate tax expense was partially offset by (i) a \$1.8 million increase at 4747 Bethesda Avenue, West Half, The Wren, 900 W Street and 901 W Street as these properties placed additional space into service, (ii) a \$717,000 increase related to 5 M Street Southwest due to an increase in its applicable tax rate in 2021 and (iii) a \$617,000 increase due to 1770 Crystal Drive being placed into service.

General and administrative expense: corporate and other increased by \$7.2 million, or 15.4%, to \$53.8 million in 2021 from \$46.6 million in 2020. The increase was primarily due to increases in compensation and information technology expenses.

General and administrative expense: third-party real estate services decreased by \$7.7 million, or 6.7%, to \$107.2 million in 2021 from \$114.8 million in 2020. The decrease was primarily due to a decrease in reimbursable expenses.

General and administrative expense: share-based compensation related to Formation Transaction and special equity awards decreased by \$15.4 million, or 48.5%, to \$16.3 million in 2021 from \$31.7 million in 2020. The decrease was primarily due to the graded vesting of certain awards issued in prior years, which resulted in lower expense as portions of the awards vested.

Transaction and other costs of \$10.4 million in 2021 consisted of \$5.8 million of expenses related to completed, potential and pursued transactions, \$3.6 million of demolition costs related to 2000/2001 South Bell Street and \$1.0 million of integration and severance costs. Transaction and other costs of \$8.7 million in 2020 included \$4.0 million of costs related to a charitable commitment to the Washington Housing Conservancy, a non-profit that acquires and owns affordable workforce housing in the Washington D.C. metropolitan region, \$3.7 million of integration and severance costs and \$682,000 of demolition costs related to several under development properties.

Loss from unconsolidated real estate ventures decreased by \$18.3 million, or 89.8%, to \$2.1 million for 2021 from \$20.3 million in 2020. The decrease was primarily due to (i) the recognition of our proportionate share of the gain from the sale of various assets totaling \$28.3 million in 2021 as compared to a net \$2.2 million loss from the sale of 11333 Woodglen Drive/NoBe II Land/Woodglen and Pickett Industrial Park in 2020, (ii) a \$6.5 million impairment charge recognized in 2020 related to our investment in a venture that owned The Marriott Wardman Park hotel, and \$2.7 million for losses incurred from its COVID-19 related closure and (iii) a \$6.1 million charge recognized in 2020 from the deferral of rent and the write-off of deferred rent receivables for tenants that were placed on the cash basis of accounting and an increase in uncollectible operating lease receivable attributable to COVID-19. The decrease in the loss from unconsolidated real estate ventures was partially offset by an impairment loss recorded by one of our unconsolidated real estate ventures, of which our proportionate share was \$23.9 million.

Interest and other income of \$8.8 million in 2021 was primarily related to \$4.5 million of business interruption insurance proceeds received for COVID-19 related losses and \$3.6 million of net investment income from investment funds entered into in 2021.

Interest expense increased by \$5.6 million, or 9.0%, to \$68.0 million in 2021 from \$62.3 million in 2020. The increase was primarily due to a \$6.5 million decrease in capitalized interest primarily due to the placing of additional space into service at 4747 Bethesda Avenue, West Half, The Wren, 901 W Street and 1770 Crystal Drive and a \$6.1 million increase

due to new mortgage loans entered into in 2021 and 2020 at 1225 S. Clark Street, 1221 Van Street, The Bartlett and 220 20th Street. The increase in interest expense was partially offset by a \$2.5 million decrease related to our revolving credit facility due to a lower weighted average outstanding balance and to a \$4.5 million decrease related to the repayment of a mortgage loan at WestEnd25 in 2020.

Gain on the sale of real estate of \$11.3 million in 2021 was based on the cash received and the remeasurement of our retained interest in the land we contributed to one of our unconsolidated real estate ventures. See Note 5 to the consolidated financial statements for additional information. Gain on the sale of real estate of \$59.5 million in 2020 was due to the sale of Metropolitan Park.

Impairment loss of \$25.1 million in 2021 was related to 7200 Wisconsin Avenue, RTC-West and a future development parcel, which are non-core assets that were written down to their estimated fair value due to shortened anticipated holding periods, based on contracts under negotiation as of December 31, 2021. Impairment loss of \$10.2 million in 2020 was due to a decline in the fair value of One Democracy Plaza, a non-core commercial real estate asset, which was written down to its estimated fair value.

FFO

FFO is a non-GAAP financial measure computed in accordance with the definition established by Nareit in the Nareit FFO White Paper - 2018 Restatement. Nareit defines FFO as net income (loss) (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 (loss) (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 (loss) attributable to common shareholders, the most directly comparable GAAP measure, to FFO:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Net income (loss) attributable to common shareholders	\$ (79,257)	\$ (62,303)	\$ 65,571
Net income (loss) attributable to redeemable noncontrolling interests	(8,728)	(4,958)	8,573
Net loss attributable to noncontrolling interests	(1,740)	—	—
Net income (loss)	(89,725)	(67,261)	74,144
Gain on sale of real estate	(11,290)	(59,477)	(104,991)
(Gain) loss on sale of unconsolidated real estate assets	(28,326)	2,126	(335)
Real estate depreciation and amortization	227,424	211,455	180,508
Real estate impairment loss, net of tax ⁽¹⁾	24,301	7,805	—
Impairment related to unconsolidated real estate ventures ⁽²⁾	25,263	6,522	—
Pro rata share of real estate depreciation and amortization from unconsolidated real estate ventures	28,216	28,949	20,577
FFO attributable to noncontrolling interests	1,522	(9)	(7)
FFO attributable to OP Units	177,385	130,110	169,896
FFO attributable to redeemable noncontrolling interests	(18,034)	(14,163)	(19,306)
FFO attributable to common shareholders	<u>\$ 159,351</u>	<u>\$ 115,947</u>	<u>\$ 150,590</u>

-
- (1) In connection with the preparation and review of our annual consolidated financial statements, we determined certain assets were impaired and recorded impairment losses for the year ended December 31, 2021 and 2020 totaling \$25.1 million (\$24.3 million net of tax) and \$10.2 million (of which \$7.8 million related to real estate).
 - (2) Includes an impairment on real estate assets taken by an unconsolidated real estate venture and impairments of our investment in unconsolidated real estate ventures related to decreases in the value of the underlying assets.

NOI and Same Store NOI

NOI is a non-GAAP financial measure management uses to assess a segment's performance. The most directly comparable GAAP measure is net income (loss) 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 for operating leases, 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 the amortization of acquired above-market leases and below-market ground lease intangibles. Management uses NOI as a supplemental performance measure of 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 to facilitate a clear understanding of our operating results, NOI should be examined in conjunction with net income (loss) attributable to common shareholders as presented in our consolidated financial statements. NOI should not be considered as an alternative to net income (loss) 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.

During the year ended December 31, 2021, our same store pool increased from 52 properties to 55 properties due to the inclusion of 1800 South Bell Street, FIRST Residences, 1221 Van Street and the commercial portion of 2221 S. Clark Street, and the exclusion of Fairway Apartments, which was sold during the period. 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, which excludes 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 under-construction property 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.

Same store NOI decreased by \$2.6 million, or 0.9%, for the year ended December 31, 2021 as compared to the year ended December 31, 2020. The decrease was substantially attributable to the COVID-19 pandemic, which commenced at the end of the first quarter of 2020, including (i) higher concessions and lower rents in our multifamily portfolio and (ii) lower occupancy and a decline in parking revenue in our commercial portfolio. These declines were partially offset by a decrease in uncollectable operating lease receivables and rent deferrals.

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

	Year Ended December 31,	
	2021	2020
Net loss attributable to common shareholders	\$ (79,257)	\$ (62,303)
Add:		
Depreciation and amortization expense	236,303	221,756
General and administrative expense:		
Corporate and other	53,819	46,634
Third-party real estate services	107,159	114,829
Share-based compensation related to Formation Transaction and special equity awards	16,325	31,678
Transaction and other costs	10,429	8,670
Interest expense	67,961	62,321
Loss on extinguishment of debt	—	62
Impairment loss	25,144	10,232
Income tax expense (benefit)	3,541	(4,265)
Net loss attributable to redeemable noncontrolling interests	(8,728)	(4,958)
Net loss attributable to noncontrolling interests	(1,740)	—
Less:		
Third-party real estate services, including reimbursements revenue	114,003	113,939
Other revenue	7,671	15,372
Loss from unconsolidated real estate ventures, net	(2,070)	(20,336)
Interest and other income (loss), net	8,835	(625)
Gain on sale of real estate	11,290	59,477
Consolidated NOI	291,227	256,829
NOI attributable to unconsolidated real estate ventures at our share	29,232	27,693
Non-cash rent adjustments ⁽¹⁾	(15,539)	5,535
Other adjustments ⁽²⁾	20,732	6,058
Total adjustments	34,425	39,286
NOI	325,652	296,115
Less: out-of-service NOI loss ⁽³⁾	(6,382)	(5,789)
Operating Portfolio NOI	332,034	301,904
Non-same store NOI ⁽⁴⁾	32,326	(427)
Same store NOI ⁽⁵⁾	\$ 299,708	\$ 302,331
Change in same store NOI	(0.9)%	
Number of properties in same store pool	55	

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

(2) 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.

(3) Includes the results of our under-construction assets, and near-term and future development pipelines.

(4) Includes the results of 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.

(5) Includes the results of the properties that are owned, operated and in-service for the entirety of both 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 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.

With respect to the third-party asset management and real estate services business, the CODM reviews revenue 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 consolidated statements of operations. The following represents the components of revenue from our third-party asset management and real estate services business:

	Year Ended December 31,	
	2021	2020
Property management fees	\$ 19,427	\$ 20,178
Asset management fees	8,468	9,791
Development fees ⁽¹⁾	25,493	11,496
Leasing fees	5,833	5,594
Construction management fees	512	2,966
Other service revenue	6,146	7,255
Third-party real estate services revenue, excluding reimbursements	65,879	57,280
Reimbursement revenue ⁽²⁾	48,124	56,659
Third-party real estate services revenue, including reimbursements	114,003	113,939
Third-party real estate services expenses	107,159	114,829
Third-party real estate services revenue less expenses	<u>\$ 6,844</u>	<u>\$ (890)</u>

⁽¹⁾ As of December 31, 2021, we had estimated unrecognized development fee revenue totaling \$48.6 million, of which \$13.8 million, \$12.0 million and \$6.3 million is expected to be recognized in 2022, 2023 and 2024, and \$16.5 million is expected to be recognized from 2025 to 2027 as unsatisfied performance obligations are completed.

⁽²⁾ 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.

See discussion of third-party real estate services revenue, including reimbursements, and third-party real estate services expenses for the year ended December 31, 2021 in the preceding pages under "Results of Operations."

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 rental revenue plus parking revenue. Property expense is calculated as property operating expenses plus real estate taxes. Consolidated NOI is calculated as property revenue less property expense. See Note 18 to the consolidated financial statements for the reconciliation of net income (loss) attributable to common shareholders to consolidated NOI for the years ended December 31, 2021 and 2020. The following is a summary of NOI by segment:

	Year Ended December 31,	
	2021	2020
Property revenue:		
Commercial	\$ 378,310	\$ 359,291
Multifamily	140,333	121,886
Other ⁽¹⁾	(5,955)	(7,765)
Total property revenue	<u>512,688</u>	<u>473,412</u>
Property expense:		
Commercial	148,723	153,096
Multifamily	72,734	66,741
Other ⁽¹⁾	4	(3,254)
Total property expense	<u>221,461</u>	<u>216,583</u>
Consolidated NOI:		
Commercial	229,587	206,195
Multifamily	67,599	55,145
Other ⁽¹⁾	(5,959)	(4,511)
Consolidated NOI	<u>\$ 291,227</u>	<u>\$ 256,829</u>

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

Comparison of the Year Ended December 31, 2021 to 2020

Commercial: Property rental revenue increased by \$19.0 million, or 5.3%, to \$378.3 million in 2021 from \$359.3 million in 2020. Consolidated NOI increased by \$23.4 million, or 11.3%, to \$229.6 million in 2021 from \$206.2 million in 2020. The increase in property revenue and consolidated NOI was due to (i) a decline in rent deferrals and uncollectable operating lease receivables related to tenants impacted by COVID-19, (ii) increases in revenues related to 4747 Bethesda Avenue and 1770 Crystal Drive as these properties were placed into service, and (iii) increases related to 2100 Crystal Drive, 1225 South Clark Street and 2345 Crystal Drive due to higher occupancy. These increases were partially offset by a decrease in parking revenue due to reduced transient and office parking and decreases related to the Universal Buildings, 2101 L Street and RTC-West due to lower occupancy.

Multifamily: Property rental revenue increased by \$18.4 million, or 15.1%, to \$140.3 million in 2021 from \$121.9 million in 2020. Consolidated NOI increased by \$12.5 million, or 22.6%, to \$67.6 million in 2021 from \$55.1 million in 2020. The increase in property revenue and consolidated NOI was due to The Wren, 900 W Street, 901 W Street and West Half as these properties placed additional units into service. These increases were partially offset by lower rents and higher concessions at RiverHouse Apartments and The Bartlett.

Liquidity and Capital Resources

Property rental income is our primary source of operating cash flow and depends on many 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 Amazon, the WHI Impact Pool, the JBG Legacy Funds 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 and LTIP Units. Other sources of liquidity to fund cash requirements include proceeds from financings, recapitalizations, asset sales and the issuance and sale of securities. 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, any dividends to shareholders and distributions to holders of OP Units and LTIP Units over the next 12 months.

Financing Activities

The following is a summary of mortgages payable:

	Weighted Average Effective Interest Rate ⁽¹⁾	2021	2020
(In thousands)			
Variable rate ⁽²⁾	2.01%	\$ 867,246	\$ 678,346
Fixed rate ⁽³⁾	4.32%	921,013	925,523
Mortgages payable		1,788,259	1,603,869
Unamortized deferred financing costs and premium/discount, net ⁽⁴⁾		(10,560)	(10,131)
Mortgages payable, net		<u>\$ 1,777,699</u>	<u>\$ 1,593,738</u>

(1) Weighted average effective interest rate as of December 31, 2021.

(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) As of December 31, 2021, excludes \$6.4 million of net deferred financing costs related to unfunded mortgage loans that were included in "Other assets, net."

As of December 31, 2021 and 2020, the net carrying value of real estate collateralizing our mortgages payable totaled \$1.8 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 mortgages payable are recourse to us. See Note 19 to the consolidated financial statements for additional information. We were not in default under any mortgage loan as of December 31, 2021.

During the year ended December 31, 2021, we entered into two separate mortgage loans with an aggregate principal balance of \$190.0 million, collateralized by 1225 S. Clark Street and 1215 S. Clark Street. During the year ended December 31, 2020, we entered into four separate mortgage loans with an aggregate principal balance of \$560.0 million, collateralized by 4747 Bethesda Avenue, The Bartlett, 1221 Van Street and 220 20th Street, and refinanced the mortgage payable collateralized by RTC-West, increasing the principal balance by \$20.2 million. In December 2020, we repaid the mortgage payable collateralized by WestEnd25 with a principal balance of \$94.7 million.

As of December 31, 2021 and 2020, we had various interest rate swap and cap agreements on certain of our mortgages payable with an aggregate notional value of \$1.3 billion. See Note 17 for additional information.

As of December 31, 2021, our \$1.4 billion credit facility consisted of a \$1.0 billion revolving credit facility maturing in January 2025, a \$200.0 million Tranche A-1 Term Loan maturing in January 2023 and a \$200.0 million Tranche A-2 Term Loan maturing in July 2024.

Based on the terms as of December 31, 2021, 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 (i) in the case of the revolving credit facility from LIBOR plus 1.05% to LIBOR plus 1.50%, (ii) in the case of the Tranche A-1 Term Loan, from LIBOR plus 1.20% to LIBOR plus 1.70% and (iii) in the case of the Tranche A-2 Term Loan, from LIBOR plus 1.15% to LIBOR plus 1.70%. There are various LIBOR options in the credit facility, and we elected the one-month LIBOR option as of December 31, 2021. We were not in default under our credit facility as of December 31, 2021. Effective as of January 14, 2022, the Tranche A-1 Term Loan was amended to extend the maturity date to January 2025 with two one-year extension options, and to amend the interest rate to SOFR plus 1.05% to SOFR plus 1.65%, in each case including a credit spread adjustment. In connection with the loan amendment, we amended the related LIBOR-based interest rate swaps, extending the maturity to July 2024 and converting the hedged rate from one-month LIBOR to one-month SOFR.

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

	Effective Interest Rate ⁽¹⁾	2021	2020
(In thousands)			
Revolving credit facility ^{(2) (3) (4)}	1.15%	\$ 300,000	\$ —
Tranche A-1 Term Loan ⁽⁵⁾	2.59%	\$ 200,000	\$ 200,000
Tranche A-2 Term Loan ⁽⁵⁾	2.49%	200,000	200,000
Unsecured term loans		400,000	400,000
Unamortized deferred financing costs, net		(1,336)	(2,021)
Unsecured term loans, net		<u>\$ 398,664</u>	<u>\$ 397,979</u>

⁽¹⁾ Effective interest rate as of December 31, 2021.

⁽²⁾ As of December 31, 2021 and 2020, letters of credit with an aggregate face amount of \$911,000 and \$1.5 million were outstanding under our revolving credit facility.

⁽³⁾ As of December 31, 2021 and 2020, excludes net deferred financing costs related to our revolving credit facility of \$5.0 million and \$6.7 million that were included in "Other assets, net."

⁽⁴⁾ The interest rate for the revolving credit facility excludes a 0.15% facility fee.

⁽⁵⁾ As of December 31, 2021 and 2020, the outstanding balance was fixed by interest rate swap agreements. As of December 31, 2021, the interest rate swaps mature concurrently with the respective term loan and fix LIBOR at a weighted average interest rate of 1.39% for the Tranche A-1 Term Loan and 1.34% for the Tranche A-2 Term Loan.

As of December 31, 2021, we had floating rate debt with a principal balance totaling \$2.0 billion and hedging arrangements with a notional value totaling \$1.7 billion that use LIBOR as a reference rate. On November 30, 2020, the United Kingdom regulator announced its intentions, subject to confirmation following an early December consultation, to cease the publication of the one-week and two-month USD-LIBOR immediately following the December 31, 2021 publications, and the remaining USD-LIBOR tenors immediately following the June 30, 2023 publications. Though an alternative reference rate for LIBOR, the SOFR, exists, significant uncertainties still remain. We can provide no assurance regarding the future of LIBOR and when our LIBOR-based instruments will transition from LIBOR as a reference rate to SOFR or another reference rate. The discontinuation of a benchmark rate or other financial metric, changes in a benchmark rate or other financial metric, or changes in market perceptions of the acceptability of a benchmark rate or other financial metric, including LIBOR, could, among other things, result in increased interest payments, changes to our risk exposures, or require renegotiation of previous transactions. In addition, any such discontinuation or changes, whether actual or anticipated, could result in market volatility, adverse tax or accounting effects, increased compliance, legal and operational costs, and risks associated with contract negotiations.

Common Shares Repurchased

In March 2020, our Board of Trustees authorized the repurchase of up to \$500.0 million of our outstanding common shares. During the year ended December 31, 2021, we repurchased and retired 5.4 million common shares for \$157.7 million, a weighted average purchase price per share of \$29.34. During the year ended December 31, 2020, we repurchased and retired 3.8 million common shares for \$104.8 million, a weighted average purchase price per share of \$27.72. Since we began the share repurchase program, we have repurchased and retired 9.1 million common shares for \$262.4 million, a weighted average purchase price per share of \$28.67.

Purchases under the program are made either in the open market or in privately negotiated transactions from time to time as permitted by federal securities laws and other legal requirements. The timing, manner, price and amount of any repurchases will be determined by us at our discretion and will be subject to economic and market conditions, share price,

applicable legal requirements and other factors. The program may be suspended or discontinued at our discretion without prior notice.

Material Cash Requirements

Our material cash requirements 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 LTIP Units;
- common share repurchases; and
- possible acquisitions of properties, either directly or indirectly through the acquisition of equity interests therein.

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

- cash and cash equivalent balances;
- cash flows from operations;
- distributions from real estate ventures; and
- proceeds from financings, recapitalizations and asset sales.

While we do not expect the need to do so during the next 12 months, we also can issue securities to raise funds.

While we have not experienced a significant impact to date in this regard, we expect COVID-19 to continue to have an adverse impact on our liquidity and capital resources. Future decreases in cash flows from operations resulting from tenant defaults, rent deferrals or decreases in our rents or occupancy, would decrease the cash available for the capital uses described above.

As of December 31, 2021, we had \$699.1 million of availability under our credit facility (net of outstanding letters of credit totaling \$911,000). As of December 31, 2021, we had mortgages payable totaling \$107.5 million on a consolidated basis and \$194.2 million at our share scheduled to mature in 2022.

The following is a summary of our material cash requirements as of December 31, 2021:

	<u>Total</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>Thereafter</u>
	(In thousands)						
Material cash requirements (principal and interest):							
Debt obligations ⁽¹⁾⁽²⁾	\$ 2,746,035	\$ 182,016	\$ 428,245	\$ 371,418	\$ 884,520	\$ 132,223	\$ 747,613
Operating leases ⁽³⁾	8,087	1,897	1,102	1,163	1,227	1,294	1,404
Finance leases ⁽³⁾	1,365,756	3,611	3,703	4,797	4,893	4,991	1,343,761
Other	2,328	1,181	1,137	6	4	—	—
Total material cash requirements ⁽⁴⁾	\$ 4,122,206	\$ 188,705	\$ 434,187	\$ 377,384	\$ 890,644	\$ 138,508	\$ 2,092,778

(1) Interest was computed giving effect to interest rate hedges. One-month LIBOR of 0.10% 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 Unconsolidated Real Estate Ventures section below.

(3) We recognize operating and finance lease right-of-use assets and lease liabilities associated with our corporate office lease and various ground leases for which we are the lessee in our consolidated balance sheet. See Note 19 to the consolidated financial statements for additional information.

(4) Excludes obligations related to construction or development contracts totaling \$291.4 million since payments are only due upon satisfactory performance under the contracts. Also excludes committed tenant-related obligations totaling \$76.0 million (\$70.7

million related to our consolidated entities and \$5.3 million related to our unconsolidated real estate ventures at our share) as timing and amounts of payments are uncertain and may only be due upon satisfactory performance of certain conditions. See Commitments and Contingencies section below for additional information.

As of December 31, 2021, we have capital commitments and certain recorded guarantees to our unconsolidated real estate ventures totaling \$66.9 million.

In December 2021, our Board of Trustees declared a quarterly dividend of \$0.225 per common share, which was paid on January 14, 2022.

Summary of Cash Flows

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

	Year Ended December 31,	
	2021	2020
	(In thousands)	
Net cash provided by operating activities	\$ 217,622	\$ 169,021
Net cash used in investing activities	(368,741)	(167,690)
Net cash provided by financing activities	189,878	119,489

Cash Flows for the Year Ended December 31, 2021

Cash and cash equivalents, and restricted cash increased \$38.8 million to \$302.1 million as of December 31, 2021, compared to \$263.3 million as of December 31, 2020. This increase resulted from \$217.6 million of net cash provided by operating activities and \$189.9 million of net cash provided by financing activities, partially offset by \$368.7 million of net cash used in investing activities. Our outstanding debt was \$2.5 billion and \$2.0 billion as of December 31, 2021 and 2020. The \$484.4 million increase in outstanding debt was primarily from borrowings under our revolving credit facility totaling \$300.0 million and borrowings from two separate mortgage loans with an aggregate principal balance of \$190.0 million, collateralized by 1225 S. Clark Street and 1215 S. Clark Street.

Net cash provided by operating activities of \$217.6 million primarily comprised: (i) \$201.1 million of net income (before \$302.1 million of non-cash items and an \$11.3 million gain on sale of real estate), (ii) \$15.9 million of return on capital from unconsolidated real estate ventures and (iii) \$633,000 of net change in operating assets and liabilities. Non-cash income adjustments of \$302.1 million primarily include depreciation and amortization expense, share-based compensation expense, impairment loss, deferred rent and amortization of lease incentives.

Net cash used in investing activities of \$368.7 million comprised: (i) \$208.3 million related to the acquisition of The Batley in November 2021, (ii) \$173.2 million of development costs, construction in progress and real estate additions and (iii) \$41.8 million of investments in unconsolidated real estate ventures, partially offset by (iv) \$40.2 million of distributions of capital from unconsolidated real estate ventures and (v) \$14.4 million of proceeds from the sale of real estate.

Net cash provided by financing activities of \$189.9 million primarily comprised: (i) \$300.0 million of proceeds from borrowings under our revolving credit facility, (ii) \$190.0 million of proceeds from borrowings under mortgages payable, and (iii) \$24.1 million of contributions from noncontrolling interests, partially offset by (iv) \$157.7 million of common shares repurchased, (v) \$118.1 million of dividends paid to common shareholders, (vi) \$20.0 million of finance lease payments, (vii) \$17.8 million of distributions to redeemable noncontrolling interests, (viii) \$6.6 million of debt issuance costs and (ix) \$5.6 million of repayments of mortgages payable.

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, 2021, we have investments in unconsolidated real estate ventures totaling \$462.9 million. For 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 5 to the consolidated 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 (i) guarantee portions of the principal, interest and other amounts in connection with borrowings, (ii) provide customary environmental indemnifications and nonrecourse carve-outs (e.g., guarantees against fraud, misrepresentation and bankruptcy) in connection with borrowings or (iii) 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, 2021, we had additional capital commitments and certain recorded guarantees to our unconsolidated real estate ventures totaling \$66.9 million. As of December 31, 2021, we had no principal payment guarantees related to our unconsolidated real estate ventures.

We evaluate reconsideration events as we become aware of them. Reconsideration events include amendments to real estate venture agreements or changes in our partner's ability to make contributions to the venture. Under certain circumstances, we may purchase our partner's interest. A reconsideration event could cause us to consolidate an unconsolidated real estate venture in the future or deconsolidate a consolidated entity.

Commitments and Contingencies

Insurance

We maintain general liability insurance with limits of \$150.0 million per occurrence and in the aggregate, and property and rental value insurance coverage with limits of \$1.5 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, 2021, we had assets under construction that will, based on our current plans and estimates, require an additional \$291.4 million to complete, 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, and available cash.

Other

As of December 31, 2021, we had committed tenant-related obligations totaling \$76.0 million (\$70.7 million related to our consolidated entities and \$5.3 million related to our unconsolidated real estate ventures at our share). The timing and amounts of payments for tenant-related obligations are uncertain and may only be due upon satisfactory performance of certain conditions.

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.

With respect to borrowings of our consolidated entities, we have agreed, and may in the future agree, to (i) guarantee portions of the principal, interest and other amounts, (ii) provide customary environmental indemnifications and nonrecourse carve-outs (e.g., guarantees against fraud, misrepresentation and bankruptcy) or (iii) provide guarantees to lenders, tenants and other third parties for the completion of development projects. As of December 31, 2021, the aggregate amount of principal payment guarantees was \$8.3 million for our consolidated entities.

In connection with the Formation Transaction, we have a 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 (i) expose us to third-party liability (e.g., for cleanup costs, natural resource damages, bodily injury or property damage), (ii) subject our properties to liens in favor of the government for damages and costs the government incurs in connection with the contamination, (iii) impose restrictions on the manner in which a property may be used or which businesses may be operated, or (iv) 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 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 consolidated financial statements, environmental liabilities totaled \$18.2 million as of December 31, 2021 and 2020, and are included in "Other liabilities, net" in our consolidated balance sheets.

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, 2021			December 31, 2020	
	Balance	Weighted Average Effective Interest Rate	Annual Effect of 1% Change in Base Rates	Balance	Weighted Average Effective Interest Rate
(Dollars in thousands)					
Debt (contractual balances):					
Mortgages payable:					
Variable rate ⁽¹⁾	\$ 867,246	2.01%	\$ 8,793	\$ 678,346	2.18%
Fixed rate ⁽²⁾	921,013	4.32%	—	925,523	4.32%
	<u>\$ 1,788,259</u>		<u>\$ 8,793</u>	<u>\$ 1,603,869</u>	
Credit facility:					
Revolving credit facility ⁽³⁾	\$ 300,000	1.15%	\$ 3,042	\$ —	1.19%
Tranche A-1 Term Loan ⁽⁴⁾	200,000	2.59%	—	200,000	2.59%
Tranche A-2 Term Loan ⁽⁴⁾	200,000	2.49%	—	200,000	2.49%
	<u>\$ 700,000</u>		<u>\$ 3,042</u>	<u>\$ 400,000</u>	
Pro rata share of debt of unconsolidated real estate ventures (contractual balances):					
Variable rate ⁽¹⁾	\$ 281,608	2.56%	\$ 2,855	\$ 319,057	2.47%
Fixed rate ⁽²⁾	91,653	4.49%	—	79,989	4.36%
	<u>\$ 373,261</u>		<u>\$ 2,855</u>	<u>\$ 399,046</u>	

⁽¹⁾ Includes variable rate mortgages payable with interest rate cap agreements.

⁽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, 2021 and 2020, the outstanding balance was fixed by interest rate swap agreements. As of December 31, 2021, the interest rate swaps mature concurrently with the term loan and fix LIBOR at a weighted average interest rate of 1.39% for the Tranche A-1 Term Loan and 1.34% for the Tranche A-2 Term Loan.

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, 2021 and 2020, the estimated fair value of our consolidated debt was \$2.5 billion and \$2.0 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 loss" in our consolidated balance sheets and is subsequently reclassified into "Interest expense" in our consolidated statements of operations 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, 2021 and 2020, we had interest rate swap and cap agreements with an aggregate notional value of \$862.7 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 \$393,000 as of December 31, 2021 included in "Other assets, net" in our consolidated balance sheet, and liabilities totaling \$18.4 million and \$44.2 million as of December 31, 2021 and 2020, included in "Other liabilities, net" in our consolidated balance sheets.

Derivative Financial Instruments Not Designated as Accounting Hedges

Certain derivative financial instruments, consisting of interest rate swap and cap agreements, are considered cash flow 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 consolidated statements of operations in the period in which the change occurs. As of December 31, 2021 and 2020, we had various interest rate swap and cap agreements with an aggregate notional value of \$867.7 million, which were not designated as accounting hedges. The fair value of our interest rate caps not designated as accounting hedges consisted of assets totaling \$558,000 and \$35,000 as of December 31, 2021 and 2020, included in "Other assets, net" in our consolidated balance sheets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

TABLE OF CONTENTS

	Page
Report of Independent Registered Public Accounting Firm (PCAOB ID No. 34)	66
Consolidated Balance Sheets as of December 31, 2021 and 2020	68
Consolidated Statements of Operations for the years ended December 31, 2021, 2020 and 2019	69
Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2021, 2020 and 2019	70
Consolidated Statements of Equity for the years ended December 31, 2021, 2020 and 2019	71
Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019	72
Notes to Consolidated Financial Statements	74

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, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes and the schedule 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, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, 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, 2021, 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 22, 2022, 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 US 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.

Real Estate – Impairment Indicators - Refer to Note 2 to the consolidated financial statements

Critical Audit Matter Description

The Company has real estate which is required to be evaluated for impairment. 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. The Company evaluates real estate assets for impairment whenever events or changes in circumstances occur that indicate the carrying amount of the asset may not be recoverable. These indicators may include operating performance, shortened anticipated holding periods, and adverse changes in circumstances. At December 31, 2021, the carrying value

of the Company's real estate assets was approximately \$4.87 billion, including an impairment loss in the year ended December 31, 2021 of \$25.1 million.

Given the Company's evaluation of possible indications of impairment of real estate assets requires management to make significant judgments, performing audit procedures to evaluate whether management appropriately identified events or changes in circumstances indicating that the carrying amounts of real estate assets may not be recoverable required an increased extent of effort and high degree of auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the evaluation of real estate assets for possible indications of impairment included the following, among others:

- We tested the effectiveness of controls over management's identification of impairment indicators, which include assessing possible circumstances that could indicate that the carrying amounts of real estate assets are not recoverable.
- We evaluated the reasonableness of management's judgments by:
 - Testing real estate assets for possible indications of impairment, including searching for adverse asset-specific and/or market conditions.
 - Inquiring of management and reading business performance reports and board minutes to identify properties that should be evaluated for shortened anticipated holding periods.
 - Developing an expectation of assets for which impairment indicators are identified in management's analysis.

/s/ Deloitte & Touche LLP
McLean, Virginia
February 22, 2022

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,</u>	
	<u>2021</u>	<u>2020</u>
ASSETS		
Real estate, at cost:		
Land and improvements	\$ 1,378,218	\$ 1,391,472
Buildings and improvements	4,513,606	4,341,103
Construction in progress, including land	344,652	268,056
	<u>6,236,476</u>	<u>6,000,631</u>
Less: accumulated depreciation	<u>(1,368,003)</u>	<u>(1,232,690)</u>
Real estate, net	4,868,473	4,767,941
Cash and cash equivalents	264,356	225,600
Restricted cash	37,739	37,736
Tenant and other receivables	44,496	55,903
Deferred rent receivable	192,265	170,547
Investments in unconsolidated real estate ventures	462,885	461,369
Other assets, net	442,116	286,575
Assets held for sale	73,876	73,876
TOTAL ASSETS	<u>\$ 6,386,206</u>	<u>\$ 6,079,547</u>
LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY		
Liabilities:		
Mortgages payable, net	\$ 1,777,699	\$ 1,593,738
Revolving credit facility	300,000	—
Unsecured term loans, net	398,664	397,979
Accounts payable and accrued expenses	106,136	103,102
Other liabilities, net	342,565	247,774
Total liabilities	<u>2,925,064</u>	<u>2,342,593</u>
Commitments and contingencies		
Redeemable noncontrolling interests	522,725	530,748
Shareholders' equity:		
Preferred shares, \$0.01 par value - 200,000 shares authorized; none issued	—	—
Common shares, \$0.01 par value - 500,000 shares authorized; 127,378 and 131,778 shares issued and outstanding as of December 31, 2021 and 2020	1,275	1,319
Additional paid-in capital	3,539,916	3,657,643
Accumulated deficit	(609,331)	(412,944)
Accumulated other comprehensive loss	<u>(15,950)</u>	<u>(39,979)</u>
Total shareholders' equity of JBG SMITH Properties	2,915,910	3,206,039
Noncontrolling interests	<u>22,507</u>	<u>167</u>
Total equity	<u>2,938,417</u>	<u>3,206,206</u>
TOTAL LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY	<u>\$ 6,386,206</u>	<u>\$ 6,079,547</u>

See accompanying notes to the consolidated financial statements.

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

	Year Ended December 31,		
	2021	2020	2019
REVENUE			
Property rental	\$ 499,586	\$ 458,958	\$ 493,273
Third-party real estate services, including reimbursements	114,003	113,939	120,886
Other revenue	20,773	29,826	33,611
Total revenue	<u>634,362</u>	<u>602,723</u>	<u>647,770</u>
EXPENSES			
Depreciation and amortization	236,303	221,756	191,580
Property operating	150,638	145,625	137,622
Real estate taxes	70,823	70,958	70,493
General and administrative:			
Corporate and other	53,819	46,634	46,822
Third-party real estate services	107,159	114,829	113,495
Share-based compensation related to Formation Transaction and special equity awards	16,325	31,678	42,162
Transaction and other costs	10,429	8,670	23,235
Total expenses	<u>645,496</u>	<u>640,150</u>	<u>625,409</u>
OTHER INCOME (EXPENSE)			
Loss from unconsolidated real estate ventures, net	(2,070)	(20,336)	(1,395)
Interest and other income (loss), net	8,835	(625)	5,385
Interest expense	(67,961)	(62,321)	(52,695)
Gain on sale of real estate	11,290	59,477	104,991
Loss on extinguishment of debt	—	(62)	(5,805)
Impairment loss	(25,144)	(10,232)	—
Total other income (expense)	<u>(75,050)</u>	<u>(34,099)</u>	<u>50,481</u>
INCOME (LOSS) BEFORE INCOME TAX (EXPENSE) BENEFIT	(86,184)	(71,526)	72,842
Income tax (expense) benefit	(3,541)	4,265	1,302
NET INCOME (LOSS)	(89,725)	(67,261)	74,144
Net (income) loss attributable to redeemable noncontrolling interests	8,728	4,958	(8,573)
Net loss attributable to noncontrolling interests	1,740	—	—
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	\$ (79,257)	\$ (62,303)	\$ 65,571
EARNINGS (LOSS) PER COMMON SHARE - BASIC AND DILUTED	\$ (0.63)	\$ (0.49)	\$ 0.48
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING - BASIC AND DILUTED	130,839	133,451	130,687

See accompanying notes to the consolidated financial statements.

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

	Year Ended December 31,		
	2021	2020	2019
NET INCOME (LOSS)	\$ (89,725)	\$ (67,261)	\$ 74,144
OTHER COMPREHENSIVE INCOME (LOSS):			
Change in fair value of derivative financial instruments	11,326	(38,137)	(27,722)
Reclassification of net loss on derivative financial instruments from accumulated other comprehensive loss into interest expense	15,378	11,912	1,694
Other comprehensive income (loss)	26,704	(26,225)	(26,028)
COMPREHENSIVE INCOME (LOSS)	(63,021)	(93,486)	48,116
Net (income) loss attributable to redeemable noncontrolling interests	8,728	4,958	(8,573)
Net loss attributable to noncontrolling interests	1,740	—	—
Other comprehensive (income) loss attributable to redeemable noncontrolling interests	(2,675)	2,990	2,584
COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO JBG SMITH PROPERTIES	\$ (55,228)	\$ (85,538)	\$ 42,127

See accompanying notes to the consolidated financial statements.

JBG SMITH PROPERTIES
Consolidated Statements of Equity
(In thousands)

	Common Shares		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity
	Shares	Amount					
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 Employee Share Purchase Plan ("ESPP")	47	—	1,803	—	—	—	1,803
Dividends declared on common shares (\$0.90 per common share)	—	—	—	(120,717)	—	—	(120,717)
Distributions to noncontrolling interests, net	—	—	—	—	—	(3)	(3)
Redeemable noncontrolling interests redemption value adjustment and other comprehensive 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
Net loss attributable to common shareholders and noncontrolling interests	—	—	—	(62,303)	—	—	(62,303)
Conversion of common limited partnership units to common shares	1,338	13	47,504	—	—	—	47,517
Common shares repurchased	(3,776)	(37)	(104,737)	—	—	—	(104,774)
Common shares issued pursuant to ESPP	68	1	2,241	—	—	—	2,242
Dividends declared on common shares (\$0.90 per common share)	—	—	—	(119,477)	—	—	(119,477)
Distributions to noncontrolling interests	—	—	—	—	—	(34)	(34)
Redeemable noncontrolling interests redemption value adjustment and other comprehensive loss allocation	—	—	79,593	—	2,990	—	82,583
Other comprehensive loss	—	—	—	—	(26,225)	—	(26,225)
BALANCE AS OF DECEMBER 31, 2020	131,778	1,319	3,657,643	(412,944)	(39,979)	167	3,206,206
Net loss attributable to common shareholders and noncontrolling interests	—	—	—	(79,257)	—	(1,740)	(80,997)
Conversion of common limited partnership units to common shares	906	9	29,625	—	—	—	29,634
Common shares repurchased	(5,370)	(54)	(157,632)	—	—	—	(157,686)
Common shares issued pursuant to employee incentive compensation plan and ESPP	64	1	2,426	—	—	—	2,427
Dividends declared on common shares (\$0.90 per common share)	—	—	—	(117,130)	—	—	(117,130)
Contributions from noncontrolling interests, net	—	—	—	—	—	24,080	24,080
Redeemable noncontrolling interests redemption value adjustment and other comprehensive income allocation	—	—	7,854	—	(2,675)	—	5,179
Other comprehensive income	—	—	—	—	26,704	—	26,704
BALANCE AS OF DECEMBER 31, 2021	<u>127,378</u>	<u>\$ 1,275</u>	<u>\$ 3,539,916</u>	<u>\$ (609,331)</u>	<u>\$ (15,950)</u>	<u>\$ 22,507</u>	<u>\$ 2,938,417</u>

See accompanying notes to the consolidated financial statements.

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

	Year Ended December 31,		
	2021	2020	2019
OPERATING ACTIVITIES:			
Net income (loss)	\$ (89,725)	\$ (67,261)	\$ 74,144
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Share-based compensation expense	51,551	66,051	65,273
Depreciation and amortization, including amortization of deferred financing costs	240,454	225,597	195,795
Deferred rent	(21,964)	(20,084)	(39,174)
Loss from unconsolidated real estate ventures, net	2,070	20,336	1,395
Amortization of market lease intangibles, net	(1,189)	(442)	(791)
Amortization of lease incentives	7,973	6,603	6,336
Loss on extinguishment of debt	—	62	5,805
Impairment loss	25,144	10,232	—
Gain on sale of real estate	(11,290)	(59,477)	(104,991)
Loss on operating lease and other receivables	2,595	25,805	1,560
Income from investment funds, net	(3,620)	—	—
Return on capital from unconsolidated real estate ventures	15,912	4,302	2,690
Other non-cash items	(922)	4,326	567
Impairment of corporate assets	—	—	10,170
Changes in operating assets and liabilities:			
Tenant and other receivables	8,812	(9,231)	(8,382)
Other assets, net	(12,780)	(11,075)	(9,177)
Accounts payable and accrued expenses	8,700	591	(7,678)
Other liabilities, net	(4,099)	(27,314)	(19,556)
Net cash provided by operating activities	<u>217,622</u>	<u>169,021</u>	<u>173,986</u>
INVESTING ACTIVITIES:			
Development costs, construction in progress and real estate additions	(173,177)	(307,497)	(441,014)
Acquisition of real estate	(208,342)	(45,688)	(165,208)
Deposits for real estate and other acquisitions	—	(25,424)	(850)
Proceeds from sale of real estate	14,370	154,493	377,511
Distributions of capital from unconsolidated real estate ventures	40,188	71,065	7,557
Investments in unconsolidated real estate ventures and other	(41,780)	(14,639)	(18,668)
Net cash used in investing activities	<u>(368,741)</u>	<u>(167,690)</u>	<u>(240,672)</u>
FINANCING ACTIVITIES:			
Borrowings under mortgages payable	190,000	580,105	2,200
Borrowings under revolving credit facility	300,000	500,000	200,000
Borrowings under unsecured term loans	—	100,000	—
Repayments of mortgages payable	(5,611)	(104,083)	(719,003)
Repayments of revolving credit facility	—	(700,000)	—
Debt issuance costs	(6,610)	(14,856)	(515)
Finance lease payments	(19,970)	(3,531)	(137)
Proceeds from the issuance of common stock, net of issuance costs	—	—	472,780
Proceeds from common shares issued pursuant to ESPP	1,594	1,715	1,457
Common shares repurchased	(157,686)	(104,774)	—
Dividends paid to common shareholders	(118,115)	(120,011)	(129,834)
Distributions to redeemable noncontrolling interests	(17,804)	(15,030)	(17,390)
Distributions to noncontrolling interests	(46)	(46)	(95)
Contributions from noncontrolling interests	24,126	—	207
Net cash provided by (used in) financing activities	<u>189,878</u>	<u>119,489</u>	<u>(190,330)</u>
Net increase (decrease) in cash and cash equivalents and restricted cash	38,759	120,820	(257,016)
Cash and cash equivalents and restricted cash, beginning of period	263,336	142,516	399,532
Cash and cash equivalents and restricted cash, end of period	<u>\$ 302,095</u>	<u>\$ 263,336</u>	<u>\$ 142,516</u>

See accompanying notes to the consolidated financial statements.

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

	Year Ended December 31,		
	2021	2020	2019
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF PERIOD:			
Cash and cash equivalents	\$ 264,356	\$ 225,600	\$ 126,413
Restricted cash	37,739	37,736	16,103
Cash and cash equivalents and restricted cash	<u>\$ 302,095</u>	<u>\$ 263,336</u>	<u>\$ 142,516</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW AND NON-CASH INFORMATION:			
Cash paid for interest (net of capitalized interest of \$6,734, \$13,189 and \$29,806 in 2021, 2020 and 2019)	\$ 61,928	\$ 56,961	\$ 49,437
Accrued capital expenditures included in accounts payable and accrued expenses	43,290	43,188	84,076
Write-off of fully depreciated assets	61,123	30,798	66,533
Cash (paid) received for income taxes	(815)	1,187	282
Deconsolidation of real estate asset	26,476	—	181,813
Accrued dividends to common shareholders	28,665	29,650	30,184
Accrued distributions to redeemable noncontrolling interests	3,938	4,425	3,828
Conversion of common limited partnership units to common shares	29,634	47,517	57,318
Recognition (derecognition) of operating lease right-of-use assets	(1,596)	(13,151)	35,318
Recognition (derecognition) of liabilities related to operating lease right-of-use assets	(1,587)	(13,151)	37,922
Recognition of finance lease right-of-use assets	139,507	42,354	—
Recognition of liabilities related to finance lease right-of-use assets	141,574	40,684	—
Cash paid for amounts included in the measurement of lease liabilities for operating leases	2,295	5,201	6,202
Deferred purchase price related to acquisition	—	19,479	—

See accompanying notes to the consolidated financial statements.

JBG SMITH PROPERTIES
Notes to Consolidated Financial Statements

1. Organization and Basis of Presentation

Organization

JBG SMITH Properties ("JBG SMITH"), a Maryland real estate investment trust ("REIT"), owns and operates a portfolio of commercial and multifamily assets amenitized with ancillary retail. JBG SMITH's portfolio reflects its longstanding strategy of owning and operating assets within Metro-served submarkets in the Washington, D.C. metropolitan area with high barriers to entry and vibrant urban amenities. Over half of our portfolio is in National Landing in Northern Virginia, where we serve as the developer for Amazon.com, Inc.'s ("Amazon") new headquarters and where Virginia Tech's \$1 billion Innovation Campus is under construction. In addition, our third-party asset management and real estate services business provides fee-based real estate services to the Washington Housing Initiative ("WHI") Impact Pool, Amazon, the legacy funds formerly organized by The JBG Companies ("JBG") (the "JBG Legacy Funds") and other third parties. Substantially all 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, 2021, JBG SMITH, as its sole general partner, controlled JBG SMITH LP and owned 89.5% of its common limited partnership units ("OP Units"), after incorporating the conversion of certain vested long-term incentive partnership units ("LTIP Units") that are convertible into OP Units. JBG SMITH is referred to herein 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.

We were organized 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. On July 18, 2017, we acquired the management business and certain assets and liabilities of JBG (the "Combination"). The Separation and the Combination are collectively referred to as the "Formation Transaction."

As of December 31, 2021, our Operating Portfolio consisted of 64 operating assets comprising 42 commercial assets totaling 13.1 million square feet (11.3 million square feet at our share) and 22 multifamily assets totaling 8,208 units (6,557 units at our share). Additionally, we have: (i) one under-construction multifamily asset totaling 808 units (808 units at our share); (ii) 11 near-term development pipeline assets totaling 5.3 million square feet (5.0 million square feet at our share) of estimated potential development density; and (iii) 25 future development pipeline assets totaling 14.3 million square feet (11.6 million square feet at our share) of estimated potential development density.

We derive our revenue primarily from leases with commercial and multifamily tenants, which include fixed and percentage 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.

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

	Year Ended December 31,		
	2021	2020	2019
	(Dollars in thousands)		
Rental revenue from the U.S. federal government	\$ 83,256	\$ 84,086	\$ 86,644
Percentage of commercial segment rental revenue	22.0 %	23.4 %	21.2 %
Percentage of total rental revenue	16.2 %	17.8 %	16.7 %

Basis of Presentation

The accompanying consolidated 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 our accounts and those of our wholly owned subsidiaries and consolidated variable interest entities ("VIEs"), including JBG SMITH LP. See Note 6 for additional information on our VIEs. The portions of the equity and net income (loss) of consolidated entities that are not attributable to us are presented separately as amounts attributable to noncontrolling interests in our consolidated financial statements.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities as of the date of the consolidated 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 and anticipated holding periods used in assessing impairment; (ii) the determination of useful lives for tangible and intangible assets; and (iii) the assessment of the collectability of receivables, including deferred rent receivables. Longer anticipated holding periods for real estate assets directly reduce the likelihood of recording an impairment loss. If there is a change in the strategy for an asset or if market conditions dictate an earlier sale date, an impairment loss may be recognized, and such loss could be material.

In March 2020, the World Health Organization declared a global pandemic related to the novel coronavirus ("COVID-19"). The significance, extent and duration of the impact of COVID-19 on us and our tenants remains largely uncertain and dependent on near-term and future developments that cannot be accurately predicted at this time, such as the continued severity, duration, transmission rate and geographic spread of COVID-19, the distribution, effectiveness and willingness of people to take COVID-19 vaccines, the extent and effectiveness of the containment measures taken, and the response of the overall economy, the financial markets and the population, particularly in the area in which we operate. The ultimate adverse impact of COVID-19 is highly uncertain; however, the effects of COVID-19 on us and our tenants have affected estimates used in the preparation of the underlying cash flows used in assessing our long-lived assets for impairment and the assessment of the collectability of receivables from tenants, including deferred rent receivables. We have made what we believe to be appropriate accounting estimates based on the facts and circumstances available as of the reporting date. To the extent these estimates differ from actual results, our consolidated financial statements may be materially affected.

During the years ended December 31, 2021 and 2020, we recorded \$1.1 million and \$11.2 million of credit losses against billed rent receivables, and \$19.6 million against deferred (straight-line) rent receivables during the year ended December 31, 2020. These losses were due to the effects of COVID-19, primarily from co-working and retail tenants, that were unable to pay rent while businesses were closed, not operating at full capacity or while employees continue to work from home. During 2020, we began recognizing revenue from substantially all co-working tenants and retailers except for grocers, pharmacies, essential businesses and certain national credit tenants on the cash basis of accounting. We provided rent deferrals that had been contractually due during 2020 and 2021 totaling \$10.1 million, of which \$4.0 million was subsequently abated and \$1.2 million was collected. During 2021, revenue for the majority of these tenants continued to be recognized on the cash basis of accounting. While we have seen some improvement in performance and cash collections, our retailers and co-working tenants are still experiencing some impact from the effects of COVID-19 and may continue to experience such impact. During the fourth quarter of 2021, we received \$4.5 million of business interruption insurance proceeds for COVID-19 related losses, which were included in "Interest and other income (loss), net" in our consolidated statement of operations.

Asset Acquisitions

We account for asset acquisitions at cost, which includes the consolidation of previously unconsolidated real estate ventures, including transaction costs, plus the fair value of any assumed debt. We estimate the fair values of acquired tangible assets (consisting of real estate, tenant and other receivables, and other assets, as applicable), identified intangible assets and liabilities (consisting 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 and any contingent consideration, to

the identified assets acquired and liabilities assumed based on their relative fair value. The results of operations of acquisitions are prospectively included in our consolidated 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 the 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 consolidated balance sheets, and amounts allocated to below-market leases are recorded as lease intangible liabilities in "Other liabilities, net" in our consolidated balance sheets. These intangibles are amortized to "Property rental revenue" in our consolidated statements of operations over the remaining terms of the respective leases; and
- 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 consolidated balance sheets and are amortized to "Depreciation and amortization expense" in our consolidated statements of operations over the remaining term of the existing lease.

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 consolidated 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 (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" in our consolidated 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 real estate and related intangible assets are reviewed for impairment whenever there are changes in circumstances or indicators that the carrying amount of the assets may not be recoverable. These indicators may include operating performance, shortened anticipated holding periods, costs in excess of budgets for under-construction assets and adverse changes in circumstances. 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, anticipated 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. Estimated fair values are calculated based on the following information in order of preference, dependent upon availability: (i) pending or executed agreements, (ii) market prices for comparable properties or (iii) the sum of discounted cash flows.

If our estimates of future cash flows, anticipated holding periods, or fair values change, based on market conditions, anticipated selling prices or other factors, our evaluation of impairment losses may be different and such differences could be material to our consolidated 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 each real estate venture to determine whether the entity should be consolidated. If it is determined that an entity is a VIE 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 a VIE 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 the entity is not a VIE, 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 judgment when determining if we are the primary beneficiary of or have a controlling financial interest in a VIE. 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" in our consolidated balance sheets, and our proportionate share of earnings or losses earned by the real estate venture is recognized in "Loss from unconsolidated real estate ventures, net" in the accompanying consolidated statements of operations. We earn revenue from the management services we provide to unconsolidated real estate ventures. 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 consolidated statements of operations when earned. Our proportionate share of related expenses is recognized in "Loss from unconsolidated real estate ventures, net" in our consolidated 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 revenue is recognized when certain earnings events have occurred, and the amount of revenue is determinable and collectible. Any promote revenue is reflected in "Loss from unconsolidated real estate ventures, net" in our consolidated 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 real estate ventures for impairment. 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, anticipated holding periods, 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 the 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 loss 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: (i) 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 and (ii) 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.

Intangible assets also include the wireless spectrum licenses we acquired. While the licenses are issued for ten years, as long as we act within the requirements and constraints of the regulatory authorities, the renewal and extension of these licenses is reasonably certain at minimal cost. Accordingly, we have concluded that the licenses are indefinite-lived intangible assets.

Investments

Investments in equity securities without readily determinable fair values are carried at cost. Investments in investment funds without readily determinable fair values that qualify for the net asset value ("NAV") practical expedient are carried at fair value based on their reported NAV. Investments in equity securities and investment funds are included in "Other assets" in our consolidated balance sheets. Realized and unrealized gains and losses are included in "Interest and other income (loss), net" in our consolidated statements of operations.

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 loans 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 in our consolidated 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 consolidated statements of operations.

Redeemable Noncontrolling Interests - Redeemable noncontrolling interests consists of OP Units issued in conjunction with the Formation Transaction, LTIP Units issued to employees and our venture partners' interests in The Wren. Redeemable noncontrolling interests are generally redeemable at the option of the holder for our common shares, or cash at our election, subject to certain limitations, and are presented in the mezzanine section between total liabilities and shareholders' equity in our consolidated 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 11 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 consolidated statements of operations, or in our consolidated statements of comprehensive income (loss).

Derivative Financial Instruments Not Designated as Accounting Hedges - Certain derivative financial instruments, consisting of interest rate swap and cap agreements, are considered cash flow hedges, but are 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 consolidated 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. Investments that are valued using NAV as a practical expedient are excluded from the fair value hierarchy disclosures.

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 rental 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 rental revenue includes tenant reimbursement 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 have elected the practical expedient that allows us to combine certain lease and non-lease components of our operating leases. Non-lease components are recognized together with fixed base rent in "Property rental 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 rental revenue on a straight-line basis over the term of the lease commencing 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" in our consolidated balance sheets. Property rental 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 accounts receivable and deferred rent receivable if we conclude it is not probable we will collect the remaining lease payments under the lease agreements. Any changes to the provision for lease revenue determined to be not probable of collection are included in "Property rental revenue" in our consolidated 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 real estate venture projects to the extent of our venture 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 projects that we manage. We allocate personnel and other overhead costs using 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 and finance leases, including ground leases on certain of our properties with terms extending through the year 2118. 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 consolidated statements of operations in "Property operating expenses." Amortization of the right-of-use asset associated with a finance lease is recognized on a straight-line basis over the expected lease term and is included in our consolidated statements of operations in "Depreciation and amortization expense" with the related interest on our outstanding lease liability included in "Interest expense."

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 to combine 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 consolidated 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 consolidated 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).

ASC 740 ("Topic 740"), Income Taxes, provides guidance for how uncertain tax positions should be recognized, measured, presented and disclosed in our consolidated 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 are considered participating securities. Consequently, we are required to apply the two-class method of computing basic and diluted earnings (loss) 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. Compensation expense for share-based compensation awards made to retirement eligible employees is recognized over a six-month period after the grant date or over the remaining period until they become retirement eligible. We account for forfeitures as they occur. Distributions paid on unvested OP Units and LTIP Units are recorded to "Redeemable noncontrolling interests" in our consolidated balance sheets. Distributions paid on unvested Restricted Share Units ("RSUs") are recorded to "Additional paid-in capital" in our consolidated balance sheets.

Recent Accounting Pronouncements

Reference Rate Reform

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update 2020-04, Reference Rate Reform ("Topic 848"). Topic 848 contains practical expedients for reference rate reform related activities that impact debt, leases, derivatives and other contracts. The guidance in Topic 848 is optional and may be elected over the period of March 12, 2020 through December 31, 2022 as reference rate reform activities occur. During the year ended December 31, 2021, we did not make any elections. During the year ended December 31, 2020, we elected to apply the hedge accounting expedients related to (i) the assertion that our hedged forecasted transactions remain probable and (ii) the assessments of effectiveness for future London Interbank Offered Rate ("LIBOR") indexed cash flows to assume that the index upon which future hedged transactions will be based matches the index on the corresponding derivatives. Application of these expedients preserves our past presentation of our derivatives. We will continue to evaluate the impact of the guidance and may apply other elections, as applicable.

3. Acquisitions, Dispositions and Assets Held for Sale

Acquisitions

In November 2021, we acquired The Batley, a 432-unit multifamily asset in the Union Market submarket of Washington, D.C., for \$205.3 million, exclusive of \$3.1 million of transaction costs that were capitalized as part of the acquisition. We intend to use The Batley as a replacement property in a like-kind exchange for the sale of Pen Place, which is expected to close during the second quarter of 2022. See Note 6 for additional information.

In December 2020, we acquired a 1.4-acre future development parcel in National Landing, which was formerly occupied by the Americana Hotel, and three other parcels for an aggregate total of \$65.0 million, exclusive of \$688,000 of transaction costs that were capitalized as part of the acquisition. Of the total purchase price, \$47.3 million was allocated to the former Americana Hotel site, of which \$20.0 million has been deferred until the earlier of the approval of certain entitlements or January 1, 2023, and \$17.7 million was allocated to the other three parcels. The former Americana Hotel site has the potential to accommodate up to approximately 550,000 square feet of new development density and is located directly across the street from Amazon's future headquarters.

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, exclusive of \$4.7 million of transaction costs that were capitalized as part of the acquisition. We used FIRST Residences as a replacement property in a like-kind exchange for the sale of Metropolitan Park in January 2020. See Note 6 for additional information.

Dispositions

In April 2021, we invested cash in and contributed land to two real estate ventures and recognized an \$11.3 million gain on the disposition of land, which is included in "Gain on sale of real estate" in our consolidated statement of operations for the year ended December 31, 2021. See Note 5 for additional information.

In January 2020, we sold Metropolitan Park for \$155.0 million and recognized a \$59.5 million gain, which is included in "Gain on sale of real estate" in our consolidated statement of operations for the year ended December 31, 2020.

During the year ended December 31, 2019, we sold three commercial assets for a gross sales price of \$165.4 million and a 50.0% interest in a real estate venture that owned Central Place Tower for a gross sales price of \$220.0 million, resulting in a \$105.0 million aggregate gain, which is included in "Gain on sale of real estate" in our consolidated statement of operations for the year ended December 31, 2019.

During the years ended December 31, 2021 and 2020, we recognized our proportionate share of the gain (loss) from the sale of various assets by our unconsolidated real estate ventures. See Note 5 for additional information.

On February 11, 2022, we entered into a definitive agreement with affiliates of Fortress Investment Group LLC to form a real estate venture in which we will have a noncontrolling interest. The unconsolidated real estate venture will acquire a 1.6 million square foot portfolio of four wholly owned commercial assets from us. The assets include 7200 Wisconsin Avenue, 1730 M Street, RTC-West and Courthouse Plaza 1 and 2. The transaction is expected to close in the first half of 2022, subject to financing and customary closing conditions.

Assets Held for Sale

The amounts included in "Assets held for sale" in our consolidated 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 ⁽¹⁾	Assets Held for Sale
			(In thousands)	
December 31, 2021				
Pen Place ⁽²⁾	Other	Arlington, Virginia	2,082	\$ 73,876
December 31, 2020				
Pen Place ⁽²⁾	Other	Arlington, Virginia	2,082	\$ 73,876

⁽¹⁾ Represents estimated or approved potential development density.

⁽²⁾ In March 2019, we entered into an agreement for the sale of Pen Place to Amazon, which we expect to close during the second quarter of 2022. In December 2021, we finalized the agreement for the sale of Pen Place for \$198.0 million, which represents a \$48.1 million increase over the previously estimated contract value.

4. Tenant and Other Receivables

The following is a summary of tenant and other receivables:

	December 31,	
	2021	2020
(In thousands)		
Tenants	\$ 31,504	\$ 39,077
Third-party real estate services	12,563	15,658
Other	429	1,168
Total tenant and other receivables	<u>\$ 44,496</u>	<u>\$ 55,903</u>

5. 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	Effective Ownership Interest ⁽¹⁾	December 31,	
		2021	2020
(In thousands)			
Prudential Global Investment Management ("PGIM")	50.0%	\$ 208,421	\$ 216,939
Landmark Partners ("Landmark")	1.8% - 49.0%	28,298	66,724
CBREI Venture	5.0% - 64.0%	57,812	65,190
Canadian Pension Plan Investment Board ("CPPIB")	55.0%	48,498	47,522
J.P. Morgan Global Alternatives ("J.P. Morgan") ⁽²⁾	50.0%	52,769	—
Berkshire Group	50.0%	52,770	50,649
Brandywine Realty Trust	30.0%	13,693	13,710
Other		624	635
Total investments in unconsolidated real estate ventures ⁽³⁾		<u>\$ 462,885</u>	<u>\$ 461,369</u>

- (1) Reflects our effective ownership interests in the underlying real estate as of December 31, 2021. We have multiple investments with certain venture partners with varying ownership interests in the underlying real estate.
- (2) J.P. Morgan is the advisor for an institutional investor.
- (3) As of December 31, 2021 and 2020, our total investments in unconsolidated real estate ventures were greater than our share of the net book value of the underlying assets by \$18.6 million and \$18.9 million, resulting principally from capitalized interest and our zero investment balance in the real estate venture with CPPIB that owns 1101 17th Street.

We provide leasing, property management and other real estate services to our unconsolidated real estate ventures. We recognized revenue, including expense reimbursements, of \$23.7 million, \$25.5 million and \$28.5 million for each of the three years in the period ended December 31, 2021, for such services.

We evaluate reconsideration events as we become aware of them. Reconsideration events include amendments to real estate venture agreements or changes in our partner's ability to make contributions to the venture. Under certain circumstances, we may purchase our partner's interest. A reconsideration event could cause us to consolidate an unconsolidated real estate venture in the future or deconsolidate a consolidated entity.

The following is a summary of disposition activity by our unconsolidated real estate ventures:

<u>Date Disposed</u>	<u>Real Estate Venture Partners</u>	<u>Assets</u>	<u>Ownership Percentage</u>	<u>Gross Sales Price</u>	<u>Mortgage Payable Repaid by Venture</u>	<u>Proportionate Share of Aggregate Gain (Loss) ⁽¹⁾</u>
(In thousands)						
Year Ended December 31, 2021						
May 3, 2021	CBREI Venture	Fairway Apartments/Fairway Land ("Fairway")	10.0%	\$ 93,000	\$ 45,343	\$ 2,094
May 19, 2021	Landmark	Courthouse Metro Land/Courthouse Metro Land – Option ("Courthouse Metro")	18.0%	3,000	—	2,352
May 27, 2021	Landmark	5615 Fishers Lane	18.0%	6,500	—	743
September 17, 2021	Landmark	500 L'Enfant Plaza	49.0%	166,500	80,000	23,137
						\$ 28,326
Year Ended December 31, 2020						
June 5, 2020	Landmark	11333 Woodglen Drive/NoBe II Land/Woodglen ("Woodglen")	18.0%	\$ 17,750	\$ 12,213	\$ (2,952)
October 28, 2020	CBREI Venture	Pickett Industrial Park	10.0%	46,250	23,572	800
						\$ (2,152)

- (1) Included in "Loss from unconsolidated real estate ventures, net" in our consolidated statements of operations.

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 \$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, which was included in "Gain on sale of real estate" in our consolidated 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.

Landmark

In connection with the preparation and review of their 2021 annual financial statements, our unconsolidated real estate venture with Landmark recorded an aggregate impairment loss of \$48.7 million on the L'Enfant Plaza assets. Our proportionate share of the impairment loss was \$23.9 million, which was included in "Loss from unconsolidated real estate ventures, net" in our consolidated statement of operations for the year ended December 31, 2021.

In January 2022, our unconsolidated real estate venture with Landmark sold The Alaire, The Terano and 12511 Parklawn Drive, multifamily and future development assets located in Rockville, Maryland, for \$137.5 million. Additionally, the venture repaid the related mortgages payable of \$79.8 million. Our ownership in these assets ranged from 1.8% to 18.0%.

CPPIB

As of December 31, 2021 and 2020, we had a zero investment balance in the real estate venture that owns 1101 17th Street and had suspended equity loss recognition 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 year ended December 31, 2019, we recognized income of \$6.4 million related to distributions from this venture, which was included in "Loss from unconsolidated real estate ventures, net" in our consolidated statement of operations.

In April 2020, our real estate venture with CPPIB entered into a mortgage loan with a maximum principal balance of \$160.0 million collateralized by 1900 N Street, and as a result, we received a distribution of \$70.8 million from the venture during the second quarter of 2020.

JP Morgan

In April 2021, we entered into two real estate ventures with an institutional investor advised by J.P. Morgan, in which we have 50% ownership interests, to design, develop, manage and own 2.0 million square feet of new mixed-use development located in Potomac Yard, the southern portion of National Landing. Our venture partner contributed a land site that is entitled for 1.3 million square feet of development at Potomac Yard Landbay F, while we contributed cash and adjacent land with over 700,000 square feet of estimated development capacity at Potomac Yard Landbay G. We will also act as pre-developer, developer, property manager and leasing agent for all future commercial and residential properties on the site. We have determined the ventures are VIEs, but we are not the primary beneficiary of the VIEs and, accordingly, we have not consolidated either venture. We recognized an \$11.3 million gain on the land contributed to one of the real estate ventures based on the cash received and the remeasurement of our retained interest in the asset, which was included in "Gain on sale of real estate" in our consolidated statement of operations for the year ended December 31, 2021. As part of the transaction, our venture partner elected to accelerate the monetization of a 2013 promote interest in the land contributed by it to the ventures. During the second quarter of 2021, the total amount of the promote paid was \$17.5 million, of which \$4.2 million was paid to certain of our non-employee trustees and certain of our executives.

PacLife

During the second quarter of 2020, we determined that our investment in the venture that owned The Marriott Wardman Park hotel was impaired due to a decline in the fair value of the underlying asset and recorded an impairment loss of \$6.5 million, which reduced the net book value of our investment to zero, and we suspended equity loss recognition for the venture after June 30, 2020. On October 1, 2020, we transferred our interest in this venture to PacLife.

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

	Weighted Average Effective Interest Rate ⁽¹⁾	December 31,	
		2021	2020
(In thousands)			
Variable rate ⁽²⁾	2.50%	\$ 785,369	\$ 863,617
Fixed rate ⁽³⁾	4.20%	309,813	323,050
Mortgages payable		1,095,182	1,186,667
Unamortized deferred financing costs		(5,239)	(7,479)
Mortgages payable, net ⁽⁴⁾		<u>\$ 1,089,943</u>	<u>\$ 1,179,188</u>

⁽¹⁾ Weighted average effective interest rate as of December 31, 2021.

⁽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,	
	2021	2020
(In thousands)		
Combined balance sheet information:		
Real estate, net	\$ 2,116,290	\$ 2,247,384
Other assets, net	264,397	270,516
Total assets	<u>\$ 2,380,687</u>	<u>\$ 2,517,900</u>
Mortgages payable, net	\$ 1,089,943	\$ 1,179,188
Other liabilities, net	118,752	140,304
Total liabilities	1,208,695	1,319,492
Total equity	1,171,992	1,198,408
Total liabilities and equity	<u>\$ 2,380,687</u>	<u>\$ 2,517,900</u>

	Year Ended December 31,		
	2021	2020	2019
(In thousands)			
Combined income statement information: ⁽¹⁾			
Total revenue	\$ 187,252	\$ 203,456	\$ 266,653
Operating income (loss) ⁽²⁾	48,214	(21,639)	18,041
Net income (loss) ⁽²⁾	16,051	(65,756)	(32,507)

⁽¹⁾ Excludes information related to the venture that owned The Marriott Wardman Park hotel for the second half of 2020 as we suspended equity loss recognition for the venture after June 30, 2020. On October 1, 2020, we transferred our interest in this venture to our venture partner.

⁽²⁾ Includes the gain from the sale of Fairway, Courthouse Metro, 5615 Fishers Lane and 500 L'Enfant Plaza totaling \$85.5 million during the year ended December 31, 2021. Includes the impairment loss recognized by the unconsolidated real estate venture that owns the L'Enfant Plaza assets totaling \$48.7 million during the year ended December 31, 2021. Includes the loss from the sale of Woodglen of \$16.4 million and the gain from the sale of Pickett Industrial Park of \$8.0 million during the year ended December 31, 2020.

6. 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, after a change in the entity's economics or after any other reconsideration event to determine if the VIE should be consolidated in our financial statements or should no longer be considered a VIE. An entity is a VIE because it is in the development stage and/or does not hold sufficient equity at risk, or conducts substantially all its operations on behalf of an investor with disproportionately few voting rights. We will consolidate a VIE if we are the primary beneficiary of the VIE, which entails having the power to direct the activities that most significantly impact the VIE's economic performance. Certain criteria we assess in determining whether we are the primary beneficiary of the VIE include our influence over significant business activities, our voting rights, and any noncontrolling interest kick-out or participating rights.

Unconsolidated VIEs

As of December 31, 2021 and 2020, we had interests in entities deemed to be VIEs. 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 economic performance. We account for our investment in these entities under the equity method. As of December 31, 2021 and 2020, the net carrying amounts of our investment in these entities were \$145.2 million and \$116.2 million, which were included in "Investments in unconsolidated real estate ventures" in our consolidated balance sheets. Our equity in the income of unconsolidated VIEs is included in "Loss from unconsolidated real estate ventures, net" in our consolidated 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 89.5% of the limited partnership interest in JBG SMITH LP, act as the general partner and exercise full responsibility, discretion and control over its day-to-day management. The noncontrolling interests of JBG SMITH LP 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, JBG SMITH LP is a VIE. As general partner, we have the power to direct the activities of JBG SMITH LP that most significantly affect its economic performance, and through our majority interest, we have both the right to receive benefits from and the obligation to absorb losses of JBG SMITH LP. Accordingly, we are the primary beneficiary of JBG SMITH LP and consolidate it in our financial statements. Because we conduct our business and hold our assets and liabilities through JBG SMITH LP, its total assets and liabilities comprise substantially all of our consolidated assets and liabilities.

In conjunction with the acquisition of The Batley in November 2021, we entered into an agreement with a third-party intermediary to facilitate a like-kind exchange. As a result, the third-party intermediary was the legal owner of the entity that owned this property as of December 31, 2021. We determined that the entity that owns the Batley was a VIE, and we are the primary beneficiary of the VIE. We consolidated the property and its operations as of the acquisition date. Legal ownership of this entity will be transferred to us by the third-party intermediary when the like-kind exchange agreement is completed with the sale of Pen Place, which we expect to close during the second quarter of 2022. As of December 31, 2021, the VIE had total assets, consisting of primarily real estate, and liabilities of \$207.2 million and \$792,000.

In March 2021, we leased the land underlying 1900 Crystal Drive located in National Landing to a lessee, which plans to construct an 808-unit multifamily asset comprising two towers with ground floor retail. The ground lessee has engaged us to be the development manager for the construction of 1900 Crystal Drive, and separately, we are the lessee in a master lease of the asset. We have an option to acquire the asset until a specified period after completion. In March 2021, the ground lessee entered into a mortgage loan collateralized by the leasehold interest with a maximum principal balance of \$227.0 million and an interest rate of LIBOR plus 3.0% per annum. As of December 31, 2021, no proceeds had been received from the mortgage loan. In connection with the mortgage loan, we have guaranteed the completion of the asset

and provided certain non-recourse carve-outs (e.g., guarantees against fraud, misrepresentation, bankruptcy and certain environmental liabilities). The ground lessee invested \$17.5 million of equity funding and we are obligated to provide additional project funding through a mezzanine loan to the ground lessee estimated at \$104.8 million, of which \$34.9 million has been funded as of December 31, 2021. We determined that 1900 Crystal Drive is a VIE and that we are the primary beneficiary of the VIE. Accordingly, we consolidate the VIE with the lessee's ownership interest shown as "Noncontrolling interests" in our consolidated balance sheet. The aforementioned ground lease, the mezzanine loan and the master lease are eliminated in consolidation. As of December 31, 2021, the VIE had total assets, consisting of primarily construction in process, and liabilities of \$58.6 million and \$12.0 million. The assets of the VIE can only be used to settle the obligations of the VIE, and the liabilities include third-party liabilities of the VIE for which the creditors or beneficial interest holders do not have recourse against us.

In December 2021, we leased the land underlying 2000 South Bell Street and 2001 South Bell Street ("2000/2001 South Bell Street") located in National Landing to a lessee, which plans to construct a 775-unit multifamily asset comprising two towers with ground floor retail. The ground lessee has engaged us to be the development manager for the construction of 2000/2001 South Bell Street, and separately, we are the lessee in a master lease of the asset. We have an option to acquire the asset until a specified period after completion. In December 2021, the ground lessee entered into a mortgage loan collateralized by the leasehold interest with a maximum principal balance of \$208.5 million and an interest rate of LIBOR plus 2.15% per annum. As of December 31, 2021, no proceeds had been received from the mortgage loan. In connection with the mortgage loan, we have guaranteed the completion of the asset and provided certain non-recourse carve-outs (e.g., guarantees against fraud, misrepresentation, bankruptcy and certain environmental liabilities). The ground lessee is obligated to invest \$16.0 million of equity funding, of which \$6.7 million was funded as of December 31, 2021, and we are obligated to provide additional project funding through a mezzanine loan to the ground lessee, estimated at \$96.2 million, none of which has been funded as of December 31, 2021. We determined that 2000/2001 South Bell Street is a VIE and that we are the primary beneficiary of the VIE. Accordingly, we consolidate the VIE with the lessee's ownership interest shown as "Noncontrolling interests" in our consolidated balance sheet. The aforementioned ground lease, the mezzanine loan and the master lease are eliminated in consolidation. As of December 31, 2021, the VIE had total assets and liabilities of \$3.9 million and \$1.1 million. The assets of the VIE can only be used to settle the obligations of the VIE, and the liabilities include third-party liabilities of the VIE for which the creditors or beneficial interest holders do not have recourse against us.

7. Other Assets, Net

The following is a summary of other assets, net:

	December 31,	
	2021	2020
	(In thousands)	
Deferred leasing costs, net	\$ 124,742	\$ 117,141
Lease intangible assets, net	14,736	15,565
Other identified intangible assets	36,698	43,012
Wireless spectrum licenses ⁽¹⁾	25,780	—
Operating lease right-of-use assets	1,660	3,542
Finance lease right-of-use assets ⁽²⁾	180,956	41,996
Prepaid expenses	17,104	14,000
Deferred financing costs, net	11,436	6,656
Deposits ⁽¹⁾	1,938	28,560
Other ⁽³⁾	27,066	16,103
Total other assets, net	\$ 442,116	\$ 286,575

⁽¹⁾ During 2020, we deposited \$25.3 million with the Federal Communications Commission in connection with the acquisition of wireless spectrum licenses. In March 2021, we received the licenses.

⁽²⁾ Includes \$139.4 million as of December 31, 2021 related to the amendment of the ground lease for Courthouse Plaza 1 and 2, which was executed in December 2021. The amendment extended the expiration date of the lease from January 2062 to December 2119, and resulted in a change in its classification from an operating lease to a finance lease.

- (3) As of December 31, 2021, included \$9.8 million of investments in funds, which invest in real estate focused technology companies, that are recorded at their fair value based on their reported NAV. During the fourth quarter of 2021, we recorded unrealized gains totaling \$4.6 million related to these investments, which are included in "Interest and other income (loss), net" in our consolidated statement of operations.

The following is a summary of the composition of deferred leasing costs, lease intangible assets and other identified intangible assets:

	December 31, 2021			December 31, 2020		
	Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
	(In thousands)					
Deferred leasing costs	\$ 219,751	\$ (95,009)	\$ 124,742	\$ 202,940	\$ (85,799)	\$ 117,141
Lease intangible assets:						
In-place leases	\$ 27,793	\$ (15,241)	\$ 12,552	\$ 27,363	\$ (15,027)	\$ 12,336
Above-market real estate leases	6,585	(4,401)	2,184	7,515	(4,286)	3,229
	\$ 34,378	\$ (19,642)	\$ 14,736	\$ 34,878	\$ (19,313)	\$ 15,565
Other identified intangible assets:						
Option to enter into ground lease	\$ 17,090	\$ —	\$ 17,090	\$ 17,090	\$ —	\$ 17,090
Management and leasing contracts	45,900	(26,292)	19,608	45,900	(20,388)	25,512
Other	—	—	—	410	—	410
	\$ 62,990	\$ (26,292)	\$ 36,698	\$ 63,400	\$ (20,388)	\$ 43,012

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

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
In-place lease amortization ⁽¹⁾	\$ 4,171	\$ 5,695	\$ 7,375
Above-market real estate lease amortization ⁽²⁾	1,032	1,582	1,730
Management and leasing contract amortization ⁽¹⁾	5,905	6,002	7,088
Other amortization	—	16	(240)
Total amortization expense related to lease and other identified intangible assets	\$ 11,108	\$ 13,295	\$ 15,953

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

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

The following is a summary of the estimated amortization related to lease and other identified intangible assets for the next five years and thereafter as of December 31, 2021:

Year ending December 31,	Amount
	(In thousands)
2022	\$ 9,571
2023	8,954
2024	8,376
2025	3,972
2026	1,669
Thereafter	1,802
Total ⁽¹⁾	\$ 34,344

(1) Estimated amortization related to the option to enter into ground lease is excluded from the amortization table above as the ground lease does not have a definite start date. Estimated amortization related to wireless spectrum licenses is excluded from the amortization table above as they are indefinite-lived.

8. Debt

Mortgages Payable

The following is a summary of mortgages payable:

	Weighted Average Effective Interest Rate ⁽¹⁾	December 31,	
		2021	2020
(In thousands)			
Variable rate ⁽²⁾	2.01%	\$ 867,246	\$ 678,346
Fixed rate ⁽³⁾	4.32%	921,013	925,523
Mortgages payable		1,788,259	1,603,869
Unamortized deferred financing costs and premium / discount, net ⁽⁴⁾		(10,560)	(10,131)
Mortgages payable, net		<u>\$ 1,777,699</u>	<u>\$ 1,593,738</u>

(1) Weighted average effective interest rate as of December 31, 2021.

(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) As of December 31, 2021, excludes \$6.4 million of net deferred financing costs related to unfunded mortgage loans that were included in "Other assets, net."

As of December 31, 2021 and 2020, the net carrying value of real estate collateralizing our mortgages payable totaled \$1.8 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 mortgages payable are recourse to us. See Note 19 for additional information. We were not in default under any mortgage loan as of December 31, 2021.

During the year ended December 31, 2021, we entered into two separate mortgage loans with an aggregate principal balance of \$190.0 million, collateralized by 1225 S. Clark Street and 1215 S. Clark Street. During the year ended December 31, 2020, we entered into four separate mortgage loans with an aggregate principal balance of \$560.0 million, collateralized by 4747 Bethesda Avenue, The Bartlett, 1221 Van Street and 220 20th Street, and refinanced the mortgage payable collateralized by RTC-West, increasing the principal balance by \$20.2 million. In December 2020, we repaid the mortgage payable collateralized by WestEnd25 with a principal balance of \$94.7 million.

As of December 31, 2021 and 2020, we had various interest rate swap and cap agreements on certain of our mortgages payable with an aggregate notional value of \$1.3 billion. See Note 17 for additional information.

Credit Facility

As of December 31, 2021 and 2020, our \$1.4 billion credit facility consisted of a \$1.0 billion revolving credit facility maturing in January 2025, a \$200.0 million unsecured term loan ("Tranche A-1 Term Loan") maturing in January 2023 and a \$200.0 million unsecured term loan ("Tranche A-2 Term Loan") maturing in July 2024.

Based on the terms as of December 31, 2021, 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 (i) in the case of the revolving credit facility from LIBOR plus 1.05% to LIBOR plus 1.50%, (ii) in the case of the Tranche A-1 Term Loan, from LIBOR plus 1.20% to LIBOR plus 1.70% and (iii) in the case of the Tranche A-2 Term Loan, from LIBOR plus 1.15% to LIBOR plus 1.70%. There are various LIBOR options in the credit facility, and we elected the one-month LIBOR option as of December 31, 2021. We were not in default under our credit facility as of December 31, 2021. Effective as of January 14,

2022, the Tranche A-1 Term Loan was amended to extend the maturity date to January 2025 with two one-year extension options, and to amend the interest rate to Secured Overnight Financing Rate ("SOFR") plus 1.05% to SOFR plus 1.65%, in each case including a credit spread adjustment. In connection with the loan amendment, we amended the related LIBOR-based interest rate swaps, extending the maturity to July 2024 and converting the hedged rate from one-month LIBOR to one-month SOFR.

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

	Effective Interest Rate ⁽¹⁾	December 31,	
		2021	2020
(In thousands)			
Revolving credit facility ^{(2) (3) (4)}	1.15%	\$ 300,000	\$ —
Tranche A-1 Term Loan ⁽⁵⁾	2.59%	\$ 200,000	\$ 200,000
Tranche A-2 Term Loan ⁽⁵⁾	2.49%	200,000	200,000
Unsecured term loans		400,000	400,000
Unamortized deferred financing costs, net		(1,336)	(2,021)
Unsecured term loans, net		\$ 398,664	\$ 397,979

(1) Effective interest rate as of December 31, 2021.

(2) As of December 31, 2021 and 2020, letters of credit with an aggregate face amount of \$911,000 and \$1.5 million were outstanding under our revolving credit facility.

(3) As of December 31, 2021 and 2020, excludes net deferred financing costs related to our revolving credit facility of \$5.0 million and \$6.7 million that were included in "Other assets, net."

(4) The interest rate for the revolving credit facility excludes a 0.15% facility fee.

(5) As of December 31, 2021 and 2020, the outstanding balance was fixed by interest rate swap agreements. As of December 31, 2021, the interest rate swaps mature concurrently with the respective term loan and fix LIBOR at a weighted average interest rate of 1.39% for the Tranche A-1 Term Loan and 1.34% for the Tranche A-2 Term Loan.

Principal Maturities

The following is a summary of principal maturities of debt outstanding, including mortgages payable, revolving credit facility and the term loans, as of December 31, 2021:

Year ending December 31,	Amount
	(In thousands)
2022	\$ 112,516
2023	373,344
2024	322,571
2025	858,890
2026	113,845
Thereafter	707,093
Total	\$ 2,488,259

9. Other Liabilities, Net

The following is a summary of other liabilities, net:

	December 31,	
	2021	2020
	(In thousands)	
Lease intangible liabilities	\$ 32,893	\$ 33,256
Accumulated amortization	(24,621)	(22,956)
Lease intangible liabilities, net	8,272	10,300
Lease assumption liabilities	5,399	10,126
Lease incentive liabilities	21,163	13,913
Liabilities related to operating lease right-of-use assets	6,910	10,752
Liabilities related to finance lease right-of-use assets ⁽¹⁾	162,510	40,221
Prepaid rent	19,852	19,809
Security deposits	18,188	13,654
Environmental liabilities	18,168	18,242
Deferred tax liability, net	5,340	2,509
Dividends payable	32,603	34,075
Derivative agreements, at fair value	18,361	44,222
Deferred purchase price ⁽²⁾	19,691	19,479
Other	6,108	10,472
Total other liabilities, net	<u>\$ 342,565</u>	<u>\$ 247,774</u>

⁽¹⁾ Includes \$121.6 million as of December 31, 2021 related to the amendment of the ground lease for Courthouse Plaza 1 and 2, which was executed in December 2021. The amendment extended the expiration date of the lease from January 2062 to December 2119, and resulted in a change in its classification from an operating lease to a finance lease.

⁽²⁾ Deferred purchase price associated with the acquisition of the former Americana Hotel site. See Note 3 for additional information.

Amortization expense included in "Property rental revenue" in our consolidated statements of operations related to lease intangible liabilities for each of the three years in the period ended December 31, 2021 was \$2.2 million, \$2.0 million and \$2.5 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, 2021:

Year ending December 31,	Amount
	(In thousands)
2022	\$ 1,769
2023	1,761
2024	1,743
2025	1,179
2026	319
Thereafter	1,501
Total	<u>\$ 8,272</u>

10. 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.

Our consolidated 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. Our TRSs have estimated federal and state net operating loss (“NOL”) carry forwards of \$4.8 million and \$11.0 million as of December 31, 2021 and 2020, all of which are subject to limitations. The net basis of our assets and liabilities for tax reporting purposes is approximately \$297.0 million higher than the amounts reported in our consolidated balance sheet as of December 31, 2021.

The following is a summary of our income tax (expense) benefit:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Current tax (expense) benefit	\$ (709)	\$ 1,232	\$ (34)
Deferred tax (expense) benefit	(2,832)	3,033	1,336
Income tax (expense) benefit	<u>\$ (3,541)</u>	<u>\$ 4,265</u>	<u>\$ 1,302</u>

As of December 31, 2021 and 2020, we have a net deferred tax liability of \$5.3 million and \$2.5 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 NOL carry forward from 2020 and 2019, as well as NOLs converted from charitable contribution carry forwards from 2021 and 2020. We are subject to federal, state and local income tax examinations by taxing authorities for the tax years ending in 2018 through 2021.

	December 31,	
	2021	2020
	(In thousands)	
Deferred tax assets:		
Accrued bonus	\$ 388	\$ 1,921
NOL	1,206	2,770
Deferred revenue	1,473	—
Capital loss	3,130	1,283
Charitable contributions	1,091	1,533
Other	302	265
Total deferred tax assets	7,590	7,772
Valuation allowance	(3,969)	(2,072)
Total deferred tax assets, net of valuation allowance	3,621	5,700
Deferred tax liabilities:		
Basis difference - intangible assets	(4,911)	(5,887)
Basis difference - real estate	(3,033)	(2,164)
Basis difference - investments	(989)	—
Other	(28)	(158)
Total deferred tax liabilities	(8,961)	(8,209)
Net deferred tax liability	<u>\$ (5,340)</u>	<u>\$ (2,509)</u>

During the year ended December 31, 2021, our Board of Trustees declared cash dividends totaling \$0.90 of which \$0.252 was taxable as ordinary income for federal income tax purposes, \$0.423 were capital gain distributions and the remaining \$0.225 will be determined in 2022. During the year ended December 31, 2020, our Board of Trustees declared cash dividends totaling \$0.90 of which \$0.489 was taxable as ordinary income for federal income tax purposes and \$0.411 were capital gain distributions. During the year ended December 31, 2019, our Board of Trustees declared cash dividends totaling \$0.90 of which \$0.468 was taxable as ordinary income for federal income tax purposes and \$0.432 were capital gain distributions.

11. Redeemable Noncontrolling Interests

JBG SMITH LP

Op Units held by persons other than JBG SMITH are redeemable for cash or, at our election, our common shares, subject to certain limitations. Vested LTIP Units are redeemable into OP Units and, in turn cash or, at our election, our common shares, subject to certain limitations. During the years ended December 31, 2021 and 2020, unitholders redeemed 906,126 and 1.3 million OP Units and LTIP Units, which we elected to redeem for an equivalent number of our common shares. As of December 31, 2021, outstanding OP Units and redeemable LTIP Units totaled 14.9 million, representing a 10.5% ownership interest in JBG SMITH LP. In our consolidated balance sheets, our OP Units and certain vested LTIP Units are presented at the higher of their redemption value or their carrying value, with adjustments to the redemption value 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 2022, as of the date of this filing, unitholders redeemed 205,455 OP Units and LTIP Units, which we elected to redeem for an equivalent number of our common shares.

Consolidated Real Estate Venture

We are a partner in The Wren, a consolidated real estate venture that owns a multifamily asset located in Washington, D.C. Pursuant to the terms of the real estate venture agreement, we are obligated to fund all capital contributions until our ownership interest reaches a maximum of 97.0%. Our partner can redeem its interest for cash under certain conditions. As of December 31, 2021, we held a 96.0% ownership interest in the real estate venture.

The following is a summary of the activity of redeemable noncontrolling interests:

	Year Ended December 31,					
	2021			2020		
	JBG SMITH LP	Consolidated Real Estate Venture	Total	JBG SMITH LP	Consolidated Real Estate Venture	Total
	(In thousands)					
Balance, beginning of period	\$ 522,882	\$ 7,866	\$ 530,748	\$ 606,699	\$ 6,059	\$ 612,758
OP Unit redemptions	(29,634)	—	(29,634)	(47,517)	—	(47,517)
LTIP Units issued in lieu of cash bonuses ⁽¹⁾	5,614	—	5,614	4,066	—	4,066
Net loss attributable to redeemable noncontrolling interests	(8,671)	(57)	(8,728)	(4,818)	(140)	(4,958)
Other comprehensive income (loss)	2,675	—	2,675	(2,990)	—	(2,990)
Distributions	(17,170)	(148)	(17,318)	(15,629)	—	(15,629)
Share-based compensation expense	47,222	—	47,222	64,611	—	64,611
Adjustment to redemption value	(9,650)	1,796	(7,854)	(81,540)	1,947	(79,593)
Balance, end of period	\$ 513,268	\$ 9,457	\$ 522,725	\$ 522,882	\$ 7,866	\$ 530,748

⁽¹⁾ See Note 13 for additional information.

12. Property Rental Revenue

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

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Fixed	\$ 456,393	\$ 420,521	\$ 458,329
Variable	43,193	38,437	34,944
Property rental revenue	\$ 499,586	\$ 458,958	\$ 493,273

As of December 31, 2021, the amounts that are contractually due, including amounts due from tenants that were placed on a cash basis, 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)
2022	\$ 384,901
2023	303,558
2024	270,820
2025	230,133
2026	205,752
Thereafter	2,215,589

13. Share-Based Payments and Employee Benefits

OP UNITS

Certain OP Units issued in the Combination to the former owners of JBG/Operating Partners, L.P. are subject to post-combination vesting over a period of 60 months based on continued employment. Compensation expense for these OP Units is recognized over the graded vesting period through July 2022.

The following is a summary of the OP Units activity:

	Unvested Shares	Weighted Average Grant- Date Fair Value
Unvested as of December 31, 2020	1,520,570	\$ 33.39
Vested	(1,079,472)	33.39
Unvested as of December 31, 2021	<u>441,098</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, 2021 was \$36.0 million, \$45.1 million and \$4.3 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. In April 2021, our shareholders approved an amendment to the Plan to increase the common shares reserved under the Plan by 8.0 million. As of December 31, 2021, there were 8.9 million common shares available for issuance under the Plan.

Formation Awards

The formation awards issued in the Combination ("Formation Awards") were 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. Compensation expense for these awards is being recognized over a five-year period through July 2022.

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 LTIP 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. 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 (net loss) prior to conversion to LTIP Units.

The following is a summary of the Formation Awards activity:

	Unvested Shares	Weighted Average Grant- Date Fair Value
Unvested as of December 31, 2020	1,697,555	\$ 8.80
Vested	(682,297)	8.81
Forfeited	(7,745)	8.04
Unvested as of December 31, 2021	<u>1,007,513</u>	8.80

The total-grant date fair value of the Formation Awards that vested for each of the three years in the period ended December 31, 2021 was \$6.0 million, \$6.9 million and \$1.4 million.

Time-Based LTIP Units, LTIP Units and Special Time-Based LTIP Units

During each of the three years in the period ended December 31, 2021, we granted to certain employees 498,955, 381,504 and 351,982 LTIP Units with time-based vesting requirements ("Time-Based LTIP Units") with a weighted average grant-date fair value of \$29.21, \$38.52 and \$34.26 per unit that primarily vest over four years subject to continued employment. Compensation expense for these units is being recognized over a four-year period.

Additionally, in July 2021, we granted to certain employees as part of a long-term retention incentive award 608,325 Time-Based LTIP Units with a weighted average grant-date fair value of \$31.73 per unit that vest 50% on the fifth anniversary of the grant date and 25% on each of the sixth and seventh anniversaries of the grant date, subject to continued employment. Compensation expense for these units is being recognized over a seven-year period.

During each of the three years in the period ended December 31, 2021, we granted 163,065, 90,094 and 91,636 fully vested LTIP Units to certain employees, who elected to receive all or a portion of their cash bonus, related to prior service, as LTIP Units. The LTIP Units had a grant-date fair value of \$29.54, \$40.13 and \$34.21 per unit.

During each of the three years in the period ended December 31, 2021, as part of their annual compensation, we granted to non-employee trustees a total of 71,792, 54,607 and 50,159 fully vested LTIP Units with a grant-date fair value of \$26.31, \$28.38 and \$36.28. The LTIP Units may not be sold while a trustee is serving on the Board of Trustees.

The aggregate grant-date fair value of the Time-Based LTIP Units and LTIP Units granted (collectively "Granted LTIPs") for each of the three years in the period ended December 31, 2021 was \$40.6 million, \$19.9 million and \$17.0 million. Holders of the Granted LTIPs and the Time-Based LTIP Units issued in 2018 related to our successful pursuit of Amazon's new headquarters ("Special Time-Based LTIP Units") have the right to convert vested units into OP Units, which are then subsequently exchangeable for our common shares. Granted LTIPs and Special Time-Based LTIP Units do not have redemption rights, but any OP Units into which units are converted are entitled to redemption rights. Granted LTIPs and Special Time-Based LTIP Units, 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 and Special Time-Based LTIP Units. The Granted LTIPs were valued based on the closing common share price on the date of grant, less a

discount for post-grant restrictions. The discount was determined using Monte Carlo simulations, and the following is a summary of the significant assumptions used to value the Granted LTIPs:

	Year Ended December 31,		
	2021	2020	2019
Expected volatility	34.0% to 39.0%	18.0% to 29.0%	18.0% to 24.0%
Risk-free interest rate	0.1% to 0.4%	0.3% to 1.5%	2.3% to 2.6%
Post-grant restriction periods	2 to 3 years	2 to 3 years	2 to 3 years

The following is a summary of the Granted LTIPs and Special Time-Based LTIP Units activity:

	Unvested Shares	Weighted Average Grant- Date Fair Value
Unvested as of December 31, 2020	1,171,551	\$ 35.90
Granted	1,342,137	30.24
Vested	(592,929)	32.19
Forfeited	(13,945)	32.68
Unvested as of December 31, 2021	<u>1,906,814</u>	33.10

The total-grant date fair value of the Granted LTIPs and Special Time-Based LTIP Units that vested for each of the three years in the period ended December 31, 2021 was \$19.1 million, \$15.3 million and \$12.0 million.

Performance-Based LTIP Units

During each of the three years in the period ended December 31, 2021, we granted to certain employees 627,874, 593,100 and 478,411 LTIP Units with performance-based vesting requirements ("Performance-Based LTIP Units") with a weighted average grant-date fair value of \$15.14, \$18.67 and \$19.49 per unit.

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 Units have a three-year performance period. 50% of any Performance-Based LTIP Units that are earned vest at the end of the three-year performance period and the remaining 50% vest on the fourth anniversary of the date of grant, subject to continued employment. If, however, the Performance-Based LTIP Units do not achieve a positive absolute TSR at the end of the three-year performance period, but achieve at least the threshold level of the relative performance criteria thereof, 50% of the units that otherwise could have been earned will be forfeited, and the remaining units that are earned will vest if and when we achieve a positive TSR during the succeeding seven years, measured at the end of each quarter. Compensation expense for these units is generally being recognized over a four-year period.

Additionally, in July 2021, we granted to certain employees as part of a long-term retention incentive award 844,070 Performance-Based LTIP Units with a weighted average grant-date fair value of \$23.08 per unit that vest 50% on the fifth anniversary of the grant date and 25% on each of the sixth and seventh anniversaries of the grant date, subject to continued employment, based on our achievement of four share price targets during the performance period commencing on the first

anniversary of the grant date and ending on the sixth anniversary of the grant date. Compensation expense for these units is being recognized over a seven-year period.

The aggregate grant-date fair value of the Performance-Based LTIP Units granted for each of the three years in the period ended December 31, 2021 was \$29.0 million, \$11.1 million and \$9.3 million, valued using Monte Carlo simulations. The following is a summary of the significant assumptions used to value the Performance-Based LTIP Units:

	Year Ended December 31,		
	2021	2020	2019
Expected volatility	31.0% - 34.0%	15.0%	19.0% to 23.0%
Dividend yield	2.6%	2.3%	2.3% to 2.5%
Risk-free interest rate	0.2% - 1.0%	1.3%	2.3% to 2.6%

The following is a summary of the Performance-Based LTIP activity:

	Unvested Shares	Weighted Average Grant- Date Fair Value
Unvested as of December 31, 2020	2,126,597	\$ 19.29
Granted	1,471,944	19.69
Vested ⁽¹⁾	(299,832)	17.07
Forfeited / cancelled ⁽²⁾	(522,467)	22.10
Unvested as of December 31, 2021 ⁽³⁾	<u>2,776,242</u>	19.21

⁽¹⁾ Primarily represents the Performance-Based LTIP Units granted in February 2018. Based on our relative performance and absolute TSR over the three-year performance period, all of the outstanding units were earned, with half of the units vesting at the end of the performance period and the remaining half vesting in February 2022.

⁽²⁾ Includes 506,182 Performance-Based LTIP Units issued in 2018 related to our successful pursuit of Amazon's new headquarters ("Special Performance-Based LTIP Units") that were forfeited in November 2021 as the performance measures were not met.

⁽³⁾ In January 2022, 469,624 Performance-Based LTIP Units, which were unvested as of December 31, 2021, were forfeited as the performance measures were not met.

The total-grant date fair value of the Performance-Based LTIP that vested for the year ended December 31, 2021 and 2020 was \$5.1 million and \$4.6 million.

RSUs

In January 2021, we granted to certain non-executive employees 22,194 RSUs with time-based vesting requirements ("Time-Based RSUs") with a weighted average grant-date fair value of \$31.52 per unit and 13,516 RSUs with performance-based vesting requirements ("Performance-Based RSUs") with a weighted average grant-date fair value of \$15.16 per unit. Vesting requirements and compensation expense recognition for the Time-Based RSUs and the Performance-Based RSUs are similar to those of the Time-Based LTIP Units and Performance-Based LTIP Units granted in 2021.

The aggregate grant-date fair value of the RSUs granted during the year ended December 31, 2021 was \$905,000. The Time-Based RSUs were valued based on the closing common share price on the date of grant and the Performance-Based RSUs were valued using Monte Carlo simulations with the same significant assumptions used to value the Performance-Based LTIP Units above.

The following is a summary of the RSUs activity:

	Time-Based RSUs		Performance-Based RSUs	
	Unvested Shares	Weighted Average Grant-Date Fair Value	Unvested Shares	Weighted Average Grant-Date Fair Value
Unvested as of December 31, 2020	—	\$ —	—	\$ —
Granted	22,194	31.52	13,516	15.16
Forfeited	(616)	32.44	—	—
Unvested as of December 31, 2021	<u>21,578</u>	31.50	<u>13,516</u>	15.16

ESPP

The ESPP authorized the issuance of up to 2.1 million common shares. The ESPP provides eligible employees an option to contribute up to \$25,000 in any calendar year, through payroll deductions, toward the purchase of our common shares at a discount of 15.0% of the closing price of a common share on relevant determination dates. As of December 31, 2021, there were 1.9 million common shares available for issuance under the ESPP.

Pursuant to the ESPP, employees purchased 64,321, 68,047 and 47,022 common shares for \$1.6 million, \$1.7 million and \$1.5 million during each of the three years in the period ended December 31, 2021. The following is a summary of the significant assumptions used to value the ESPP common shares using the Black-Scholes model:

	Year Ended December 31,		
	2021	2020	2019
Expected volatility	22.0% to 39%	13.0% to 67.0%	18.0% to 28.0%
Dividend yield	1.5% to 3.1%	1.1% to 3.3%	2.6% to 3.5%
Risk-free interest rate	0.1%	0.1% to 1.7%	2.2% to 2.4%
Expected life	6 months	6 months	6 months

Share-Based Compensation Expense

The following is a summary of share-based compensation expense:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Time-Based LTIP Units	\$ 16,705	\$ 14,018	\$ 11,386
Performance-Based LTIP Units	13,101	17,815	8,716
LTIP Units	1,091	1,100	1,000
Other equity awards ⁽¹⁾	7,355	6,024	4,535
Share-based compensation expense - other	<u>38,252</u>	<u>38,957</u>	<u>25,637</u>
Formation Awards	2,874	4,242	5,734
OP Units and LTIP Units ⁽²⁾	7,927	21,836	30,282
Special Time-Based LTIP Units and Special Performance-Based LTIP Units	5,524	5,600	6,146
Share-based compensation related to Formation Transaction and special equity awards ⁽³⁾	<u>16,325</u>	<u>31,678</u>	<u>42,162</u>
Total share-based compensation expense	54,577	70,635	67,799
Less: amount capitalized	<u>(3,026)</u>	<u>(4,584)</u>	<u>(2,526)</u>
Share-based compensation expense	<u>\$ 51,551</u>	<u>\$ 66,051</u>	<u>\$ 65,273</u>

⁽¹⁾ Primarily comprising compensation expense for: (i) fully vested LTIP Units issued to certain employees in lieu of all or a portion of any cash bonus earned, (ii) RSUs and (iii) shares issued under our ESPP.

- (2) Represents share-based compensation expense for LTIP Units and OP Units issued in the Formation Transaction, which are subject to post-Combination employment obligations.
- (3) Included in "General and administrative expense: Share-based compensation related to Formation Transaction and special equity awards" in the accompanying consolidated statements of operations.

As of December 31, 2021, we had \$62.6 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 3.6 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, which vests after one year of service. Our contributions for each of the three years in the period ended December 31, 2021 were \$2.4 million, \$2.2 million and \$2.0 million.

2022 Grants

Beginning in 2022, certain employees were granted performance-based, appreciation-only LTIP Units ("AO LTIP Units"). The AO LTIP Units are structured in the form of profit interests 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 participation threshold of \$32.30. The AO LTIP Units have a three-year performance period. 50% of any AO LTIP Units that are earned vest at the end of the three-year performance period and the remaining 50% vest on the fourth anniversary of the date of grant, subject to continued employment. The AO LTIP Units are subject to a TSR modifier whereby the number of AO LTIP Units that will ultimately be earned will be increased or reduced by as much as 25%. In January 2022, we granted 1.5 million AO LTIP Units, 702,888 Time-Based LTIP Units, 21,705 Performance-Based LTIP Units and 39,536 Time-Based RSUs to certain employees with an estimated aggregate grant-date fair value of \$27.3 million.

In February 2022, we granted 252,206 fully vested LTIP Units, with a total grant-date fair value of \$5.6 million, to certain employees who elected to receive all or a portion of their cash bonus earned, related to 2021 service, as LTIP Units.

14. Transaction and Other Costs

The following is a summary of transaction and other costs:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Demolition costs	\$ 3,573	\$ 682	\$ 5,432
Integration and severance costs	1,038	3,694	5,252
Completed, potential and pursued transaction expenses ⁽¹⁾	5,818	294	651
Relocation of corporate headquarters ⁽²⁾	—	—	10,900
Other ⁽³⁾	—	4,000	1,000
Transaction and other costs	<u>\$ 10,429</u>	<u>\$ 8,670</u>	<u>\$ 23,235</u>

⁽¹⁾ Includes primarily legal and dead deal costs.

⁽²⁾ In November 2019, we relocated our corporate headquarters and incurred an impairment loss on the right-of-use assets for leases related to our former corporate headquarters as well as other costs.

⁽³⁾ Related to charitable commitments to the Washington Housing Conservancy, a non-profit that acquires and owns affordable workforce housing in the Washington D.C. metropolitan area.

15. Interest Expense

The following is a summary of interest expense:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Interest expense before capitalized interest	\$ 68,485	\$ 70,561	\$ 78,313
Amortization of deferred financing costs	4,291	3,315	3,217
Interest expense related to finance lease right-of-use assets	2,261	1,450	921
Net unrealized (gain) loss on derivative financial instruments not designated as accounting hedges	(342)	184	50
Capitalized interest	(6,734)	(13,189)	(29,806)
Interest expense	<u>\$ 67,961</u>	<u>\$ 62,321</u>	<u>\$ 52,695</u>

16. Shareholders' Equity and Earnings (Loss) Per Common Share

Common Shares Repurchased

In March 2020, our Board of Trustees authorized the repurchase of up to \$500.0 million of our outstanding common shares. During the year ended December 31, 2021, we repurchased and retired 5.4 million common shares for \$157.7 million, a weighted average purchase price per share of \$29.34. During the year ended December 31, 2020, we repurchased and retired 3.8 million common shares for \$104.8 million, a weighted average purchase price per share of \$27.72. Since we began the share repurchase program, we have repurchased and retired 9.1 million common shares for \$262.4 million, a weighted average purchase price per share of \$28.67.

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 (loss) per common share to net income (loss):

	Year Ended December 31,		
	2021	2020	2019
	(In thousands, except per share amounts)		
Net income (loss)	\$ (89,725)	\$ (67,261)	\$ 74,144
Net (income) loss attributable to redeemable noncontrolling interests	8,728	4,958	(8,573)
Net loss attributable to noncontrolling interests	1,740	—	—
Net income (loss) attributable to common shareholders	(79,257)	(62,303)	65,571
Distributions to participating securities	(2,854)	(3,100)	(2,489)
Net income (loss) available to common shareholders - basic and diluted	<u>\$ (82,111)</u>	<u>\$ (65,403)</u>	<u>\$ 63,082</u>
Weighted average number of common shares outstanding - basic and diluted	<u>130,839</u>	<u>133,451</u>	<u>130,687</u>
Earnings (loss) per common share - basic and diluted	<u>\$ (0.63)</u>	<u>\$ (0.49)</u>	<u>0.48</u>

The effect of the redemption of OP Units, Time-Based LTIP Units, fully vested LTIP Units and Special Time-Based LTIP Units that were outstanding as of December 31, 2021 and 2020 is excluded in the computation of diluted earnings (loss) 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 (loss) per share). Since OP Units, Time-Based LTIP Units, LTIP Units and Special 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 impact are excluded from net income (loss) available to common shareholders and from the weighted average number of common shares outstanding in calculating diluted earnings (loss) per common share. Performance-Based LTIP Units, Formation Awards and RSUs, which totaled 4.5 million, 4.7 million and 4.7 million for each of the three years in the period ended December 31, 2021, were excluded from the calculation of diluted earnings (loss) 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, 2021 and 2020, 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 on our derivative financial instruments designated as cash flow hedges was \$17.2 million and \$43.9 million as of December 31, 2021 and 2020 and was recorded in "Accumulated other comprehensive loss" in our consolidated balance sheets, of which a portion was reclassified to "Redeemable noncontrolling interests." Within the next 12 months, we expect to reclassify \$11.4 million of the net unrealized loss as an increase to interest expense.

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)			
<u>December 31, 2021</u>				
Derivative financial instruments designated as cash flow hedges:				
Classified as assets in "Other assets, net"	\$ 393	—	\$ 393	—
Classified as liabilities in "Other liabilities, net"	18,361	—	18,361	—
Derivative financial instruments not designated as accounting hedges:				
Classified as assets in "Other assets, net"	558	—	558	—
<u>December 31, 2020</u>				
Derivative financial instruments designated as cash flow hedges:				
Classified as liabilities in "Other liabilities, net"	\$ 44,222	—	\$ 44,222	—
Derivative financial instruments not designated as accounting hedges:				
Classified as assets in "Other assets, net"	35	—	35	—

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, 2021 and 2020, 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 consolidated statements of comprehensive income (loss) for each of the three years in the period ended December 31, 2021 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 consolidated statements of operations as the interest rate swaps were documented and qualified as hedging instruments.

Fair Value Measurements on a Nonrecurring Basis

We evaluate the carrying amount of our assets for impairment. 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.

In connection with the preparation and review of our 2021 annual consolidated financial statements, we assessed the recoverability of the carrying amount of our real estate and related intangible assets. This assessment resulted in the remeasurement of 7200 Wisconsin Avenue, RTC-West and a future development parcel, which are non-core assets that were written down to their estimated aggregate fair value of \$309.0 million and were classified as Level 2 in the fair value hierarchy. Our estimates of the fair values were based on expected sales prices as determined by contracts under negotiation as of December 31, 2021, after adjusting for estimated selling costs. The remeasurements resulted in impairment losses totaling \$25.1 million, which are included in "Impairment loss" in our consolidated statement of operations.

In connection with the preparation and review of our 2020 annual consolidated financial statements, we assessed the recoverability of the carrying amount of our real estate and related intangible assets. This assessment resulted in the remeasurement of One Democracy Plaza, a non-core commercial asset which was written down to its estimated fair value of \$3.3 million, including the right-of-use asset associated with the property's ground lease, and was classified as Level 3 in the fair value hierarchy. Our estimate of fair value was determined using a discounted cash flow model, which considers, among other things, the anticipated holding period, current market conditions and utilizes unobservable quantitative inputs, including appropriate capitalization and discount rates. The remeasurements resulted in an impairment loss of \$10.2 million, which is included in "Impairment loss" in our consolidated statement of operations.

There were no other assets measured at fair value on a nonrecurring basis as of December 31, 2021 and 2020.

Financial Assets and Liabilities Not Measured at Fair Value

As of December 31, 2021 and 2020, all financial instruments and liabilities were reflected in our consolidated balance sheets at amounts which, in our estimation, reasonably approximated their fair values, except for the following:

	<u>December 31, 2021</u>		<u>December 31, 2020</u>	
	<u>Carrying Amount ⁽¹⁾</u>	<u>Fair Value</u>	<u>Carrying Amount ⁽¹⁾</u>	<u>Fair Value</u>
	(In thousands)			
Financial liabilities:				
Mortgages payable	\$ 1,788,259	\$ 1,814,780	\$ 1,603,869	\$ 1,606,470
Revolving credit facility	300,000	300,363	—	—
Unsecured term loans	400,000	400,519	400,000	399,678

⁽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. 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.

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 define 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 parking 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 revenue 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 consolidated statements of operations. The following represents the components of revenue from our third-party asset management and real estate services business:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Property management fees	\$ 19,427	\$ 20,178	\$ 22,437
Asset management fees	8,468	9,791	14,045
Development fees ⁽¹⁾	25,493	11,496	15,655
Leasing fees	5,833	5,594	7,377
Construction management fees	512	2,966	1,669
Other service revenue	6,146	7,255	4,269
Third-party real estate services revenue, excluding reimbursements	65,879	57,280	65,452
Reimbursement revenue ⁽²⁾	48,124	56,659	55,434
Third-party real estate services revenue, including reimbursements	114,003	113,939	120,886
Third-party real estate services expenses	107,159	114,829	113,495
Third-party real estate services revenue less expenses	<u>\$ 6,844</u>	<u>\$ (890)</u>	<u>\$ 7,391</u>

⁽¹⁾ As of December 31, 2021, we had estimated unrecognized development fee revenue totaling \$48.6 million, of which \$13.8 million, \$12.0 million and \$6.3 million is expected to be recognized in 2022, 2023 and 2024, and \$16.5 million is expected to be recognized thereafter through 2027 as unsatisfied performance obligations are completed.

⁽²⁾ 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 \$19.6 million and \$25.5 million as of December 31, 2021 and 2020, which are classified in "Other assets, net" in our consolidated balance sheets. 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 (loss) attributable to common shareholders to consolidated NOI:

	Year Ended December 31,		
	2021	2020	2019
	(In thousands)		
Net income (loss) attributable to common shareholders	\$ (79,257)	\$ (62,303)	\$ 65,571
Add:			
Depreciation and amortization expense	236,303	221,756	191,580
General and administrative expense:			
Corporate and other	53,819	46,634	46,822
Third-party real estate services	107,159	114,829	113,495
Share-based compensation related to Formation Transaction and special equity awards	16,325	31,678	42,162
Transaction and other costs	10,429	8,670	23,235
Interest expense	67,961	62,321	52,695
Loss on extinguishment of debt	—	62	5,805
Impairment loss	25,144	10,232	—
Income tax expense (benefit)	3,541	(4,265)	(1,302)
Net income (loss) attributable to redeemable noncontrolling interests	(8,728)	(4,958)	8,573
Net loss attributable to noncontrolling interests	(1,740)	—	—
Less:			
Third-party real estate services, including reimbursements revenue	114,003	113,939	120,886
Other revenue	7,671	15,372	7,638
Loss from unconsolidated real estate ventures, net	(2,070)	(20,336)	(1,395)
Interest and other income (loss), net	8,835	(625)	5,385
Gain on sale of real estate	11,290	59,477	104,991
Consolidated NOI	<u>\$ 291,227</u>	<u>\$ 256,829</u>	<u>\$ 311,131</u>

The following is a summary of NOI by segment. Items classified in the Other column include future development pipeline assets, corporate entities and the elimination of intersegment activity.

	Year Ended December 31, 2021			
	Commercial	Multifamily	Other	Total
	(In thousands)			
Property rental revenue	\$ 365,869	\$ 139,918	\$ (6,201)	\$ 499,586
Parking revenue	12,441	415	246	13,102
Total property revenue	<u>378,310</u>	<u>140,333</u>	<u>(5,955)</u>	<u>512,688</u>
Property expense:				
Property operating	103,022	52,527	(4,911)	150,638
Real estate taxes	45,701	20,207	4,915	70,823
Total property expense	<u>148,723</u>	<u>72,734</u>	<u>4</u>	<u>221,461</u>
Consolidated NOI	<u>\$ 229,587</u>	<u>\$ 67,599</u>	<u>\$ (5,959)</u>	<u>\$ 291,227</u>
	Year Ended December 31, 2020			
	Commercial	Multifamily	Other	Total
	(In thousands)			
Property rental revenue	\$ 345,403	\$ 121,559	\$ (8,004)	\$ 458,958
Parking revenue	13,888	327	239	14,454
Total property revenue	<u>359,291</u>	<u>121,886</u>	<u>(7,765)</u>	<u>473,412</u>
Property expense:				
Property operating	105,489	47,508	(7,372)	145,625
Real estate taxes	47,607	19,233	4,118	70,958
Total property expense	<u>153,096</u>	<u>66,741</u>	<u>(3,254)</u>	<u>216,583</u>
Consolidated NOI	<u>\$ 206,195</u>	<u>\$ 55,145</u>	<u>\$ (4,511)</u>	<u>\$ 256,829</u>
	Year Ended December 31, 2019			
	Commercial	Multifamily	Other	Total
	(In thousands)			
Property rental revenue	\$ 383,311	\$ 116,330	\$ (6,368)	\$ 493,273
Parking revenue	25,593	380	—	25,973
Total property revenue	<u>408,904</u>	<u>116,710</u>	<u>(6,368)</u>	<u>519,246</u>
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	<u>163,292</u>	<u>50,257</u>	<u>(5,434)</u>	<u>208,115</u>
Consolidated NOI	<u>\$ 245,612</u>	<u>\$ 66,453</u>	<u>\$ (934)</u>	<u>\$ 311,131</u>

The following is a summary of certain balance sheet data by segment:

	<u>Commercial</u>	<u>Multifamily</u>	<u>Other</u>	<u>Total</u>
	(In thousands)			
<u>December 31, 2021</u>				
Real estate, at cost	\$ 3,477,260	\$ 2,367,712	\$ 391,504	\$ 6,236,476
Investments in unconsolidated real estate ventures	281,515	103,389	77,981	462,885
Total assets	3,739,902	1,797,807	848,497	6,386,206
<u>December 31, 2020</u>				
Real estate, at cost	\$ 3,459,171	\$ 2,036,131	\$ 505,329	\$ 6,000,631
Investments in unconsolidated real estate ventures	327,798	108,593	24,978	461,369
Total assets	3,430,509	1,787,718	861,320	6,079,547

19. Commitments and Contingencies

Insurance

We maintain general liability insurance with limits of \$150.0 million per occurrence and in the aggregate, and property and rental value insurance coverage with limits of \$1.5 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 a reasonable cost in the future. If lenders insist on greater coverage than we are able to obtain, it could adversely affect our ability to finance or refinance our properties.

Construction Commitments

As of December 31, 2021, we had assets under construction that will, based on our current plans and estimates, require an additional \$291.4 million to complete, 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, 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 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 totaled \$18.2 million as of December 31, 2021 and 2020, and are included in "Other liabilities, net" in our consolidated balance sheets.

Operating and Finance Leases

As of December 31, 2021, our operating and finance lease liabilities were calculated based on the weighted average discount rates of 5.5% and 4.5%, and had weighted average remaining lease terms of 5.4 years and 97.7 years.

As of December 31, 2021, future minimum lease payments under our non-cancellable operating and finance leases are as follows:

Year ending December 31,	Operating	Finance
	(In thousands)	
2022	\$ 1,897	\$ 3,611
2023	1,102	3,703
2024	1,163	4,797
2025	1,227	4,893
2026	1,294	4,991
Thereafter	1,404	1,343,761
Total future minimum lease payments	8,087	1,365,756
Imputed interest	(1,177)	(1,203,246)
Total liabilities related to lease right-of-use assets	<u>\$ 6,910</u>	<u>\$ 162,510</u>

During the year ended December 31, 2021, we incurred \$731,000 and \$2.8 million of fixed operating and finance lease expenses, and \$2.6 million of variable operating lease expenses. During the year ended December 31, 2020, we incurred \$1.1 million and \$1.8 million of fixed operating and finance lease costs, and \$1.6 million of variable operating lease costs.

Other

As of December 31, 2021, we had committed tenant-related obligations totaling \$76.0 million (\$70.7 million related to our consolidated entities and \$5.3 million related to our unconsolidated real estate ventures at our share). The timing and amounts of payments for tenant-related obligations are uncertain and may only be due upon satisfactory performance of certain conditions.

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 (i) guarantee portions of the principal, interest and other amounts in connection with borrowings, (ii) provide customary environmental indemnifications and nonrecourse carve-outs (e.g., guarantees against fraud, misrepresentation and bankruptcy) in connection with borrowings or (iii) 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, 2021, we had additional capital commitments and certain recorded guarantees to our unconsolidated real estate ventures totaling \$66.9 million. As of December 31, 2021, we had no principal payment guarantees related to our unconsolidated real estate ventures.

Additionally, with respect to borrowings of our consolidated entities, we have agreed, and may in the future agree, to (i) guarantee portions of the principal, interest and other amounts, (ii) provide customary environmental indemnifications and nonrecourse carve-outs (e.g., guarantees against fraud, misrepresentation and bankruptcy) or (iii) provide guarantees to

lenders, tenants and other third parties for the completion of development projects. As of December 31, 2021, the aggregate amount of principal payment guarantees was \$8.3 million for our consolidated entities.

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 Related Parties

Our third-party asset management and real estate services business provides fee-based real estate services to the WHI, Amazon, the JBG Legacy Funds and other third parties. In connection with the contribution to us of certain assets formerly owned by the JBG Legacy Funds as part of the Formation Transaction, 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 team and Board of Trustees have ownership interests 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.

We launched the WHI with 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. We are the manager for the WHI Impact Pool, which is the social impact financing vehicle of the WHI. As of December 31, 2021, the WHI Impact Pool had completed closings of capital commitments totaling \$114.4 million, which included a commitment from us of \$11.2 million. As of December 31, 2021, our remaining commitment was \$8.3 million.

The third-party real estate services revenue, including expense reimbursements, from the JBG Legacy Funds and the WHI Impact Pool was \$22.6 million, \$22.4 million and \$36.5 million for each of the three years in the period ended December 31, 2021. As of December 31, 2021 and 2020, we had receivables from the JBG Legacy Funds and the WHI Impact Pool totaling \$3.2 million and \$7.5 million for such services.

We rented our former corporate offices from an unconsolidated real estate venture and made payments totaling \$1.3 million, \$4.6 million and \$5.0 million for each of the three years in the period ended December 31, 2021.

We have agreements with Building Maintenance Services ("BMS"), an entity in which we have a minor preferred interest, to supervise cleaning, engineering and security services at our properties. We paid BMS \$18.6 million, \$16.9 million and \$21.8 million for each of the three years in the period ended December 31, 2021, which is included in "Property operating expenses" in our statements of operations.

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 Exchange Act, 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, 2021, 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 consolidated 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 consolidated 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 consolidated financial statements.

As of December 31, 2021, 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, 2021.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited our consolidated 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, 2021 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, 2021, 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, 2021, 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, 2021, of the Company and our report dated February 22, 2022, expressed an unqualified opinion on those consolidated 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 US 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 accounting principles generally accepted in the United States of America. 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 accounting principles generally accepted in the United States of America, 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 22, 2022

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.

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 (our first taxable year). 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 89.5% 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 the 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 use 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 (our first taxable year). 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, however, 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. For taxable years beginning before January 1, 2026, however, 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 generally 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 succeed to 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 REMIC or certain interests in a 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 at normal rates.

Notwithstanding our qualification as a REIT, we and our subsidiaries also may be subject to a variety of other 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 for purposes of the gross income and asset tests applicable to REITs that are described below, 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 (including possibly by transferring the interest to one of our taxable REIT subsidiaries). 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 use 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 (which would include us) 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 directly provide 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 Exchange Act.

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 Section 451 of the Code, 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 consolidated 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

Section 163(j) of the Code 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 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 immediately after the Separation in July 2017, 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." (Out of an abundance of caution, we are assuming that the "immediately after" requirement would be applied looking at the two years following the Separation). 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.

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 to the extent that 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 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, pursuant to the temporary 20% deduction allowed by Section 199A of the Code. 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. Capital gains attributable to the sale of depreciable real property held for more than twelve months are subject to a 25% maximum U.S. federal income tax rate for taxpayers who are taxed as individuals, to the extent of previously claimed depreciation deductions. 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.

We do not currently have any preferred shares outstanding, but if we were to issue preferred shares in the future, the following would apply to a redemption of those preferred 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 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 Code with respect to ordinary REIT dividends received by noncorporate taxpayers is allowed only for purposes of Chapter 1 of the 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 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 are not and 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 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 (for this purpose, 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 we have 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 still 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 FIRPTA 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

We do not currently have any warrants or rights outstanding, but if we were in the future, the follow treatment would apply to the holders of those warrants or 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 depositary 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 depositary 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 FATCA, a 30% 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.

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. We cannot assure you that a change in law, including the possibility of major tax legislation, possibly with retroactive application, will not significantly alter the tax considerations (including applicable tax rates) on REITs or their shareholders that we describe herein, which could adversely affect an investment in our shares. Taxpayers should consult with their tax advisors regarding the effect of any future legislation, on their particular circumstances.

Tax Consequences of Exercising the OP Unit Redemption Right

If you are a holder of 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, we may elect to exercise our right to acquire some or all of such OP Units in exchange for cash or our common shares (rather than having JBG SMITH LP satisfy your redemption right. 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 of your OP Units to us. 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. In addition, you will need to take into account the state and local 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 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 (rather than just your adjusted tax basis in the OP Units redeemed), and you will not be allowed to recognize loss on the redemption.

Disposition of OP Units

If you sell, exchange or otherwise dispose of OP Units (including through the exercise of the OP Unit redemption right where the disposition 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 received (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.

If you are considering disposing of your OP Units (including through exercise of your redemption right), you should consult with your personal tax advisor regarding the tax consequences to you of the disposition in light of your particular circumstances, particularly if any of your OP Units were converted from LTIP Units. 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.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

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 "2022 Proxy Statement") to be filed pursuant to Regulation 14A of the Exchange Act for our 2022 Annual Meeting of Shareholders to be held on April 29, 2022. The 2022 Proxy Statement will be filed within 120 days after the end of our fiscal year ended December 31, 2021.

ITEM 11. EXECUTIVE COMPENSATION

The information included under the following captions in our 2022 Proxy Statement to be filed pursuant to Regulation 14A of the Exchange Act for our 2022 Annual Meeting of Shareholders to be held on April 29, 2022 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 2022 Proxy Statement will be filed within 120 days after the end of our fiscal year ended December 31, 2021.

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 2022 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 our 2022 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 2022 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following consolidated information is included in this Form 10-K:

(1) Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2021 and 2020

Consolidated Statements of Operations for the years ended December 31, 2021, 2020 and 2019

Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2021, 2020 and 2019

Consolidated Statements of Equity for the years ended December 31, 2021, 2020 and 2019

Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020 and 2019

Notes to Consolidated Financial Statements

These consolidated financial statements are set forth in Item 8 of this report and are hereby incorporated by reference.

(2) Financial Statement Schedules

	<u>Page</u>
Schedule III - Real Estate Investments and Accumulated Depreciation	138

Schedules other than the one listed above are omitted because they are not applicable or the information required is included in the consolidated financial statements or the notes thereto.

SCHEDULE III
JBG SMITH PROPERTIES
REAL ESTATE AND ACCUMULATED DEPRECIATION
December 31, 2021
(Dollars in thousands)

Description	Encumbrances ⁽¹⁾	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition ⁽²⁾	Gross Amounts at Which Carried at Close of Period			Accumulated Depreciation and Amortization	Date of Construction ⁽³⁾	Date Acquired
		Land and Improvements	Buildings and Improvements		Land and Improvements	Buildings and Improvements	Total			
Commercial Operating Assets										
Universal Buildings	\$ —	\$ 69,393	\$ 143,320	\$ 13,557	\$ 68,612	\$ 157,658	\$ 226,270	\$ 61,799	1956	2007
2101 L Street	127,576	32,815	51,642	93,454	39,768	138,143	177,911	50,779	1975	2003
1730 M Street	47,500	10,095	17,541	19,902	10,687	36,851	47,538	17,692	1964	2002
1700 M Street	—	34,178	46,938	(26,135)	54,981	—	54,981	—		2002, 2006
Courthouse Plaza 1 and 2	—	—	105,475	61,132	—	166,607	166,607	79,032	1989	2002
2121 Crystal Drive	131,535	21,503	87,329	34,817	22,855	120,794	143,649	57,235	1985	2002
2345 Crystal Drive	—	23,126	93,918	60,830	24,165	153,709	177,874	71,931	1988	2002
2231 Crystal Drive	—	20,611	83,705	26,839	21,784	109,371	131,155	54,729	1987	2002
1550 Crystal Drive	—	22,182	70,525	133,794	24,375	202,126	226,501	53,120	1980, 2020	2002
RTC - West	117,300	33,220	134,108	21,153	33,390	155,091	188,481	29,467	1988, 2017	2017
2011 Crystal Drive	—	18,940	76,921	47,156	19,716	123,301	143,017	58,670	1984	2002
2451 Crystal Drive	—	11,669	68,047	42,881	12,496	110,101	122,597	50,621	1990	2002
1235 S. Clark Street	78,000	15,826	56,090	34,954	16,660	90,210	106,870	45,088	1981	2002
241 18th Street S.	—	13,867	54,169	53,944	17,236	104,744	121,980	45,256	1977	2002
251 18th Street S.	34,152	12,305	49,360	57,178	15,509	103,334	118,843	50,177	1975	2002
1215 S. Clark Street	105,000	13,636	48,380	55,558	14,338	103,236	117,574	45,990	1983	2002
201 12th Street S.	32,728	8,432	52,750	28,665	9,039	80,808	89,847	40,584	1987	2002
800 North Glebe Road	107,500	28,168	140,983	2,364	28,168	143,347	171,515	26,065	2012	2017
2200 Crystal Drive	—	10,136	30,050	36,767	10,756	66,197	76,953	25,943	1968	2002
1225 S. Clark Street	85,000	11,176	43,495	36,405	11,758	79,318	91,076	33,827	1982	2002
1901 South Bell Street	—	11,669	36,918	20,875	12,273	57,189	69,462	30,471	1968	2002
Crystal City Marriott	—	8,000	47,191	23,334	8,050	70,475	78,525	30,424	1968	2004
2100 Crystal Drive	—	7,957	23,590	9,118	8,496	32,169	40,665	1,497	1968	2002
1800 South Bell Street	—	9,072	28,702	9,891	9,299	38,366	47,665	19,368	1969	2002
200 12th Street S.	16,439	8,016	30,552	20,528	8,434	50,662	59,096	27,581	1985	2002
Crystal City Shops at 2100	—	4,059	9,309	3,584	4,049	12,903	16,952	6,377	1968	2002
Crystal Drive Retail	—	5,241	20,465	3,306	5,401	23,611	29,012	15,035	2003	2004
7200 Wisconsin Avenue	—	34,683	92,059	(18,210)	30,447	78,085	108,532	10	1986	2017
One Democracy Plaza	—	—	33,628	(27,353)	—	6,275	6,275	872	1987	2002
4747 Bethesda Avenue	175,000	31,510	21,870	140,160	32,518	161,022	193,540	15,360	2016, 2019	2017
1770 Crystal Drive	—	10,771	44,276	69,335	11,540	112,842	124,382	3,932	1980, 2020	2002
2221 S. Clark Street-Office	—	985	2,704	6,757	1,045	9,401	10,446	2,169	1964	2002
Multifamily Operating Assets										
Fort Totten Square	—	24,390	90,404	1,379	24,407	91,766	116,173	16,921	2015	2017
WestEnd25	—	67,049	5,039	112,656	68,343	116,401	184,744	37,156	2009	2007
FIRST Residences	—	31,064	133,256	165	31,064	133,421	164,485	10,514	2017	2019
1221 Van Street	87,253	27,386	63,775	27,429	28,208	90,382	118,590	16,736	2018	2017
North End Retail	—	5,847	9,333	(327)	5,871	8,982	14,853	1,353	2015	2017
RiverHouse Apartments	307,710	118,421	125,078	95,346	138,994	199,851	338,845	85,421	1960	2007
The Bartlett	217,453	41,687	—	226,547	41,901	226,333	268,234	33,545	2016	2007
220 20th Street	80,240	8,434	19,340	102,757	8,917	121,614	130,531	42,021	2009	2017
Falkland Chase - South & West	37,873	18,530	44,232	1,703	18,662	45,803	64,465	9,295	1938	2017
Falkland Chase - North	—	9,810	22,706	(1,535)	8,999	21,982	30,981	4,480	1938	2017
West Half	—	45,668	17,902	161,432	48,899	176,103	225,002	21,967	2019	2017

Description	Encumbrances ⁽¹⁾	Initial Cost to Company		Costs Capitalized Subsequent to Acquisition ⁽²⁾	Gross Amounts at Which Carried at Close of Period			Accumulated Depreciation and Amortization	Date of Construction ⁽³⁾	Date Acquired
		Land and Improvements	Buildings and Improvements		Land and Improvements	Buildings and Improvements	Total			
The Wren	\$ —	\$ 14,306	\$ —	\$ 140,345	\$ 17,741	\$ 136,910	\$ 154,651	\$ 10,499	2020	2017
900 W Street	—	21,685	5,162	39,125	22,182	43,790	65,972	3,115	2020	2017
901 W Street	—	25,992	8,790	64,696	26,898	72,580	99,478	6,020	2020	2017
The Batley	—	44,315	158,408	—	44,315	158,408	202,723	677	2019	2021
2221 S. Clark Street-Residential	—	5,200	14,277	35,332	5,477	49,332	54,809	11,471	1964	2002
Multifamily Construction Assets										
1900 Crystal Drive	—	16,811	53,187	58,524	—	128,522	128,522	—		2002
Near-Term Development Pipeline										
5 M Street Southwest	—	15,550	6,451	4,454	12,672	13,783	26,455	1,022		2005
2000 South Bell Street	—	3,882	8,805	1,847	—	14,534	14,534	—		2002
2001 South Bell Street	—	3,418	7,941	1,647	—	13,006	13,006	—		2002
223 23rd Street	—	3,910	6,546	5,388	—	15,844	15,844	—	1969	2002
2250 Crystal Drive	—	3,974	8,644	7,557	—	20,175	20,175	—	1969	2002
Gallaudet Parcel 1-3	—	—	—	7,494	—	7,494	7,494	—		2017
2525 Crystal Drive	—	5,086	—	6,312	5,086	6,312	11,398	—		2002
RTC - West Trophy Office	—	8,687	—	(475)	5,596	2,616	8,212	—		2017
101 12th Street	—	6,335	—	4,141	6,335	4,141	10,476	—		2002
Future Development Pipeline	—	212,444	1,522	35,600	219,806	29,760	249,566	195		various
Corporate										
Corporate	700,000	—	—	10,467	—	10,467	10,467	4,494		2017
	2,488,259	1,333,122	2,656,808	2,246,546	1,378,218	4,858,258	6,236,476	1,368,003		
Held for sale										
Pen Place	—	104,473	55	(30,643)	61,970	11,915	73,885	9		2007
	\$ 2,488,259	\$ 1,437,595	\$ 2,656,863	\$ 2,215,903	\$ 1,440,188	\$ 4,870,173	\$ 6,310,361	\$ 1,368,012		

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 \$297.0 million higher than the amounts reported in our consolidated balance sheet as of December 31, 2021.

(1) Represents the contractual debt obligations.

(2) Includes asset impairments recognized, amounts written off in connection with redevelopment activities and partial sale of assets.

(3) Date of original construction, many assets have had substantial renovation or additional construction. See "Costs Capitalized Subsequent to Acquisition" column.

The following is a reconciliation of real estate and accumulated depreciation:

	Year Ended December 31,		
	2021	2020	2019
Real Estate:			
Balance at beginning of the year	\$ 6,074,516	\$ 5,943,970	\$ 5,895,953
Acquisitions	202,565	65,270	164,320
Additions	165,930	252,306	469,450
Assets sold or written-off	(92,332)	(152,000)	(585,753)
Real estate impaired ⁽¹⁾	(40,318)	(35,030)	—
Balance at end of the year	\$ 6,310,361	\$ 6,074,516	\$ 5,943,970
Accumulated Depreciation:			
Balance at beginning of the year	\$ 1,232,699	\$ 1,119,612	\$ 1,086,844
Depreciation expense	201,649	194,190	161,937
Accumulated depreciation on assets sold or written-off	(51,162)	(53,878)	(129,169)
Accumulated depreciation on real estate impaired ⁽¹⁾	(15,174)	(27,225)	—
Balance at end of the year	\$ 1,368,012	\$ 1,232,699	\$ 1,119,612

(1) In connection with the preparation and review of our 2021 annual consolidated financial statements, we determined that 7200 Wisconsin Avenue, RTC-West and a future development asset, non-core assets, were impaired due to shortened expected holding periods, based on contracts under negotiation as of December 31, 2021, and recorded impairment losses totaling \$25.1 million. In connection with the preparation and review of our 2020 annual consolidated financial statements, we determined that One Democracy Plaza, a non-core commercial asset, was impaired due to a decline in the fair value of the asset and recorded an impairment loss of \$10.2 million, of which \$7.8 million related to real estate. The remaining \$2.4 million of the impairment loss was attributable to the right-of-use asset associated with the property's ground lease.

(3) Exhibit Index

<u>Exhibits</u>	<u>Description</u>
2.1	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).
2.2	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).
2.3	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).
3.1	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).
3.2	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).
3.3	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).
3.4	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).
4.1	Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (incorporated by reference to Exhibit 4.1 to our Annual Report on Form 10-K, filed on February 23, 2021).
10.1	Second Amended and Restated Limited Partnership Agreement of JBG SMITH Properties LP, dated as of December 17, 2020 (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on December 17, 2020).
10.2	Amendment No. 1 to Second Amended and Restated Limited Partnership Agreement of JBG SMITH Properties LP, dated as of April 29, 2021 (incorporated by reference to Exhibit 10.2 to our Registration Statement on Form S-3, filed on June 30, 2021.)
10.3	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).
10.4	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).

Exhibits	Description
10.5	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).
10.6	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).
10.7	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.)
10.8	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.)
10.9	Third Amendment to Credit Agreement, dated as of January 14, 2022, 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 10.2 to our Current Report on Form 8-K, filed on January 14, 2022.)
10.10	Credit Agreement, dated as of January 14, 2022 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 14, 2022.)
10.11†	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).
10.12†	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).
10.13†	Separation Agreement, dated as of July 31, 2020, by and between JBG SMITH Properties and Robert A. Stewart (incorporated by reference to Exhibit 10.1 to our Current Report on Form 10-Q, filed on November 3, 2020.)
10.14†	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).
10.15†	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).
10.16†	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>Exhibits</u>	<u>Description</u>
10.17†	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).
10.18†	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).
10.19†	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).
10.20†	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).
10.21†	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).
10.22†	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).
10.23†	Form of Second Amended and Restated 2017 JBG SMITH Properties Performance LTIP Unit Agreement (incorporated by reference to Exhibit 10.1 to our Current Report on Form 10-Q, filed on August 4, 2020.)
10.24†	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).
10.25†	Form of July 2021 Performance LTIP Unit Agreement (incorporated by reference to Exhibit 10.3 to our Current Report on Form 10-Q, filed on August 3, 2021).
10.26†	Amended Form of July 2021 Performance LTIP Unit Agreement (incorporated by reference to Exhibit 10.2 to our Current Report on Form 10-Q, filed on November 2, 2021).
10.27†	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).
10.28†	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).
10.29†	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).
10.30	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.)
10.31†	Amendment No. 1 to the JBG SMITH Properties 2017 Omnibus Share Plan, effective February 18, 2020 (incorporated by reference to Exhibit 10.30 to our Annual Report on Form 10-K, filed on March 5, 2020).
10.32†	Amendment No. 2 to the JBG SMITH Properties 2017 Employee Share Purchase Plan, effective May 1, 2019 (incorporated by reference to Exhibit 10.31 to our Annual Report on Form 10-K, filed on March 5, 2020).

Exhibits	Description
10.33†	Amendment No. 3 to the 2017 Employee Share Purchase Plan, effective July 20, 2020 (incorporated by reference to Exhibit 10.2 to our Current Report on Form 10-Q, filed on November 3, 2020.)
10.34†	Form of 2020 JBG SMITH Properties Restricted LTIP Unit Agreement (incorporated by reference to Exhibit 10.32 to our Annual Report on Form 10-K, filed on March 5, 2020).
10.35†	Form of 2020 JBG SMITH Properties Performance LTIP Unit Agreement (incorporated by reference to Exhibit 10.33 to our Annual Report on Form 10-K, filed on March 5, 2020).
10.36†	Form of Amended and Restated 2018 Performance LTIP Unit Agreement (incorporated by reference to Exhibit 10.30 to our Annual Report on Form 10-K, filed on March 5, 2020).
10.37†	Second Amended and Restated Employment Agreement, dated as of February 18, 2021, by and between JBG SMITH Properties and W. Matthew Kelly (incorporated by reference to Exhibit 10.32 to our Annual Report on Form 10-K, filed on February 23, 2021).
10.38†	Second Amended and Restated Employment Agreement, dated as of February 18, 2021, by and between JBG SMITH Properties and David P. Paul (incorporated by reference to Exhibit 10.33 to our Annual Report on Form 10-K, filed on February 23, 2021).
10.39†	Second Amended and Restated Employment Agreement, dated as of February 18, 2021, by and between JBG SMITH Properties and Kevin P. Reynolds (incorporated by reference to Exhibit 10.34 to our Annual Report on Form 10-K, filed on February 23, 2021).
10.40†	Amended and Restated Employment Agreement, dated as of February 18, 2021, by and between JBG SMITH Properties and Madhumita Moina Banerjee (incorporated by reference to Exhibit 10.35 to our Annual Report on Form 10-K, filed on February 23, 2021).
10.41†	Amended and Restated Employment Agreement, dated as of February 18, 2021, by and between JBG SMITH Properties and Stephen W. Theriot (incorporated by reference to Exhibit 10.36 to our Annual Report on Form 10-K, filed on February 23, 2021).
10.42†	Amended and Restated Employment Agreement, dated as of February 18, 2021, by and between JBG SMITH Properties and Steven A. Museles (incorporated by reference to Exhibit 10.37 to our Annual Report on Form 10-K, filed on February 23, 2021).
10.43†	Employment Agreement, dated as of February 18, 2021, by and between JBG SMITH Properties and George Xanders (incorporated by reference to Exhibit 10.38 to our Annual Report on Form 10-K, filed on February 23, 2021).
10.44†	Amendment No. 2 to the JBG SMITH Properties 2017 Omnibus Share Plan, effective December 1, 2020 (incorporated by reference to Exhibit 10.39 to our Annual Report on Form 10-K, filed on February 23, 2021).
10.45†	Amendment No. 3 to the JBG SMITH Properties 2017 Omnibus Share Plan (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on April 30, 2021.)
10.46†	Form of JBG SMITH Properties Restricted Share Unit Award Agreement for Employees (incorporated by reference to Exhibit 10.40 to our Annual Report on Form 10-K, filed on February 23, 2021).

Exhibits	Description
10.47†	Form of JBG SMITH Properties Restricted Share Unit Award Agreement for Consultants (incorporated by reference to Exhibit 10.41 to our Annual Report on Form 10-K, filed on February 23, 2021).
10.48†	Form of July 2021 Restricted LTIP Unit Agreement (incorporated by reference to Exhibit 10.5 to our Current Report on Form 10-Q, filed on August 3, 2021).
10.49†	Form of July 2021 Restricted LTIP Unit Agreement (Special Termination & Vesting Provisions) (incorporated by reference to Exhibit 10.6 to our Current Report on Form 10-Q, filed on August 3, 2021).
10.50†	Form of JBG SMITH Properties Performance Share Unit Award Agreement (incorporated by reference to Exhibit 10.42 to our Annual Report on Form 10-K, filed on February 23, 2021).
10.51†	Form of 2021 JBG SMITH Properties Performance LTIP Unit Agreement (incorporated by reference to Exhibit 10.43 to our Annual Report on Form 10-K, filed on February 23, 2021).
10.52†	Form of AO LTIP Unit Agreement (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K, filed on January 5, 2022).
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	Inline 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	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Extension Calculation Linkbase
101.LAB	Inline XBRL Extension Labels Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
101.DEF	Inline 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, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

JBG SMITH Properties

Date: February 22, 2022

/s/ M. Moina Banerjee
M. Moina Banerjee
Chief Financial Officer
(Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, 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>NAME</u>	<u>TITLE</u>	<u>DATE</u>
<u>/s/ Robert Stewart</u> Robert Stewart	Chairman of the Board	February 22, 2022
<u>/s/ W. Matthew Kelly</u> W. Matthew Kelly	Chief Executive Officer and Trustee (Principal Executive Officer)	February 22, 2022
<u>/s/ M. Moina Banerjee</u> M. Moina Banerjee	Chief Financial Officer (Principal Financial Officer)	February 22, 2022
<u>/s/ Angela Valdes</u> Angela Valdes	Chief Accounting Officer (Principal Accounting Officer)	February 22, 2022
<u>/s/ Phyllis R. Caldwell</u> Phyllis R. Caldwell	Trustee	February 22, 2022
<u>/s/ Scott A. Estes</u> Scott A. Estes	Trustee	February 22, 2022
<u>/s/ Alan S. Forman</u> Alan S. Forman	Trustee	February 22, 2022
<u>/s/ Michael J. Glosserman</u> Michael J. Glosserman	Trustee	February 22, 2022
<u>/s/ Charles E. Haldeman, Jr.</u> Charles E. Haldeman, Jr.	Trustee	February 22, 2022
<u>/s/ Alisa M. Mall</u> Alisa M. Mall	Trustee	February 22, 2022
<u>/s/ Carol A. Melton</u> Carol A. Melton	Trustee	February 22, 2022
<u>/s/ William J. Mulrow</u> William J. Mulrow	Trustee	February 22, 2022
<u>/s/ D. Ellen Shuman</u> D. Ellen Shuman	Trustee	February 22, 2022

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 22, 2022

/s/ W. Matthew Kelly

W. Matthew Kelly
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, M. Moina Banerjee, 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 22, 2022

/s/ M. Moina Banerjee

M. Moina Banerjee
Chief Financial Officer
(Principal Financial 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, 2021 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, M. Moina Banerjee, 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 22, 2022

/s/ W. Matthew Kelly
W. Matthew Kelly
Chief Executive Officer

February 22, 2022

/s/ M. Moina Banerjee
M. Moina Banerjee
Chief Financial Officer

Executive Officers

W. Matthew Kelly

Chief Executive Officer
and Trustee

David P. Paul

President and
Chief Operating Officer

M. Moina Banerjee

Chief Financial Officer

Kevin P. Reynolds

Chief Development Officer

George L. Xanders

Chief Investment Officer

Steven A. Museles

Chief Legal Officer

Board of Trustees

Robert A. Stewart

Chairman of the
Board Of Trustees

W. Matthew Kelly

Chief Executive Officer

Phyllis R. Caldwell

Independent Trustee

Scott A. Estes

Independent Trustee

Alan S. Forman

Independent Trustee

Michael J. Glosserman

Independent Trustee

Charles E. Haldeman, Jr.

Independent Trustee

Alisa M. Mall

Independent Trustee

Carol A. Melton

Independent Trustee

William J. Mulrow

Independent Trustee

D. Ellen Shuman

Independent Trustee



JBG SMITH

4747 Bethesda Avenue, Suite 200
Bethesda, MD 20814

JBGSMITH.com | 240.333.3600 | NYSE: JBGS