# *Transcript of WashREIT*
## Accelerating Our Transformation into a Multifamily REIT
## June 15, 2021

## Participants

Paul McDermott - Chairman, President & Chief Executive Officer
Stephen Riffee - Executive Vice President & Chief Financial Officer
Grant Montgomery - Vice President, Head of Research
Drew Hammond - Vice President, Chief Accounting Officer and Treasurer

## Analysts

Chris Lucas – Capital One
Anthony Paolone – JP Morgan
Daniel Ismail – Green Street

## Presentation

**Drew Hammond – Vice President, Chief Accounting Officer & Treasurer**
Welcome to the Washington Real Estate Investment Trust Investor Presentation, "Accelerating Our Transformation into a Multifamily REIT." As a reminder, today's presentation and webcast is being recorded. I am Drew Hammond, Vice President, Chief Accounting Officer and Treasurer and would like to share the following information before we get started.

Please note that forward-looking statements may be made during this discussion. Such statements involve known and unknown risks and uncertainties, including those relating to our strategic transactions, which may cause actual results to differ materially, and we undertake no duty to update them as actual events unfold. We refer to certain of these risks in our SEC filings.

There is no assurance that we will execute the described transactions and strategies, including the expected dispositions, repayment of debt and redeployment of proceeds into additional multifamily assets, on the terms, and timing anticipated, or at all.

Reconciliations of the GAAP and non-GAAP financial measures discussed in this presentation are available in the materials we are presenting and can be found on the Investor Relations page of our website.

Participating in today's presentation today are Paul McDermott, President and Chief Executive Officer, Steve Riffee, Executive Vice President and Chief Financial Officer, and Grant Montgomery, Vice President and Head of Research.

Now I'd like to turn the presentation over to Paul.

**Paul McDermott – President and Chief Executive Officer**
Thank you, Drew. Today we are pleased to announce a significant step in our transformation into a multifamily REIT and thus accelerating the expansion of our successful strategic plans. Our strategies target

the Class A-, Class B value-add and Class B segments of the multifamily market, focusing on the deepest part of the demand curve – the mid-market renter, while minimizing new supply competition. Our research on under-served middle income renters, and markets poised for strong, sustained demand has led us to select the Southeastern markets of Atlanta, Raleigh-Durham and Charlotte for geographic expansion. Expansion into these markets will diversify our geographic concentration risk, while providing opportunities for additional growth - driven both by current and projected long-term rent growth outperformance.

We are also strengthening our balance sheet as we will simultaneously further de-lever and increase our flexibility to allocate capital to our strongest asset class. While we believe this is an NAV neutral series of transactions initially, less transactions costs, we are confident we are allocating capital in order for NAV to be greatest moving forward with our research-led multifamily portfolio and stronger balance sheet.

Today, we would like to walk you through our transactions, our transformation and our strategy and show you the compelling deep research that we believe supports the expanded execution of our multifamily strategies. We believe our concentration in multifamily simplifies our story for investors making access to capital even stronger and further improves our business and credit profiles. Of the asset classes we have operated, we will now be fully committed and focused on the sector that we believe delivers the stronger and steadier cash flows and lower capital requirements, which, coupled with lower leverage, makes the Company stronger. This is a transformation reset that we believe will allow us to grow and create the greatest long-term value for our investors going forward.

With that said, Steve, Grant and I will walk you through what we are executing and our plans that allow us to substantially complete our transformation into a multifamily REIT following several years of repositioning.

Let's move to slide 5 and review our progression to date as we allocated capital to multifamily and the specific geographies that our internal research has indicated has the strongest dynamics.

In 2013 we were 16% multifamily and pro forma as of March 31st we have made tremendous progress elevating multifamily to more than half our portfolio at 51%. Similarly in our region, our research led us to allocate capital to Virginia - the growth engine of the Washington Metro region - and further into the suburbs where 75% of household formations will occur over the next few years. This diversification of renter base demonstrated its strength during the pandemic as our suburban expansion was validated.

Turning to slide 6, we illustrate our anticipated portfolio mix following these transactions which includes retaining our best office asset for the near term, Watergate 600, that represents approximately 5% of the square footage of the assumed total portfolio going forward. We believe that it will provide greater value if sold separately and will look to do so as soon as practicable. We initially expect these transactions to allow us to geographically expand into Southeastern markets and aspire to achieve further diversification of our geographic weighting of the portfolio. We expect to do so primarily by growing the company and not recycling assets as we have had to do in the past to reach this point.

Steve will cover the next few slides before I pick it back up.

**Steve Riffee – Executive Vice President and Chief Financial Officer**

Thanks Paul. I am now on slide 7 which is a summary of sources and uses of funds reflecting the magnitude of our transformative steps. As Paul explained today, we are announcing an agreement to sell 12 office assets for $766 million and expect the transaction to close in July. We are also engaged in a process to sell our remaining retail properties. The eight retail assets are currently under LOI for approximately $170 million. We believe those sales are likely to be completed in the third quarter. The total estimated proceeds for both transactions is expected to be approximately $935 million. Again, that excludes our best office asset, Watergate 600, and we will continue to evaluate opportunities to create optimal value with it going forward.

For the remainder of 2021, we are currently estimating that we will acquire $450 million of apartments in Southeastern markets that we will discuss momentarily. We believe we can deploy this amount of capital as evidenced by our ability to acquire more than $530 million of multifamily properties in 2019 including the acquisition of the Assembly portfolio. Furthermore, we are de-levering by paying down an assumed $421 million of net debt which will include redeeming all of the $300 million of bonds maturing in 2022 and paying down $150 million of the term loan that matures in 2023.

Our leverage will be very low as we execute the sale transactions, but when fully re-invested, we believe we will be able to sustain operating at even lower leverage levels than our prior governors. While we may be in the mid to high five times net debt to adjusted EBITDA range, in the first year after executing these transactions, as we progress to second and third years of multifamily NOI growth, we would aspire to operate in the lower half of the five to six times range.

Turning to slide 8 we believe these transactions will help us achieve the following. One, accelerate our transformation into a multifamily-focused REIT, which is the strongest asset class we have operated in and further de-risks our portfolio. Two, provide us with capital to prudently invest in high-growth Southeastern markets. Three, reset earnings growth and geographically diversify utilizing our research from the last several years. Four, streamline and simplify our business model to promote sustainable growth and investor returns. Five, improve our cash flow characteristics providing lower volatility, lower capex, and greater growth going forward. And finally, de-lever to a target mid to high five times net debt to adjusted EBITDA range, assuming the repayment of $421 million of net debt and the redeployment of cash into future multifamily investments

Moving to slide 9. This will further improve and fortify our capital structure by operating at targeted lower leverage levels on a sustained basis. We plan to repay debt and reinvest in apartments thus improving both sides of the balance sheet. Assuming we de-lever as planned, we will have very little debt maturing in the near term, none earlier than 2023, and our equity ratio versus debt ratio is expected to get close to 80% to 20%, which would be very strong. As I said, we expect to operate at lower targeted leverage levels, and we have no secured debt in our capital structure which provides us with flexibility to take on some agency debt or other secured debt as we acquire apartments. Moreover, we believe we will have most of our line available, so strong liquidity will be maintained.

Now I want to take a minute to discuss slide 10. Despite the expectation that the transaction will be dilutive to FFO as we sell office assets at an estimated forward GAAP cap rate of approximately 7.75% based on estimates that are likely to face even more headwinds than we allow for, with the cash range slightly wide of that, invest in multifamily assets with an estimated initial cap rate in the low fours, averaging in the high fours over first three years while hoping to do better than that in some submarkets, and pay down debt at lower interest rates, we

believe these transactions are initially NAV neutral excluding incurring transaction costs. Additionally, we fundamentally believe the trajectory of our new multifamily concentrated NAV will grow much faster and be worth much more than the commercial portfolio we are trading out of and that by de-leveraging further and strengthening the balance sheet, we will be able to create greater long-term value.

We are allocating capital out of office assets where we have experienced 20% recurring capital costs to NOI levels into multifamily assets where we have experienced 6% or less recurring capital expenditures to NOI. We believe the capex load for office is more likely to get worse going forward and this is a stronger net cash flow allocation on a relative basis.

We do not publish our estimate of NAV, but on this slide we are providing a summary of our disclosures that make up the main components that can be used to derive an estimated NAV. We disclosed the NOI components that we just reported for the first quarter, the assumed proceeds of asset sales, the reported CIP balance and other assets and liabilities from our March 31st balance sheet adjusted for the assumed sale of our office and retail portfolios, and our share count.

Before I turn it back over to Paul, slide 11 summarizes the building blocks to our story going forward. We will continue to own our existing same-store multifamily portfolio. The Trove is now fully invested and should begin to grow its NOI contribution significantly. In the first quarter, it contributed only $200,000 of NOI. For 2021 we assume that it will contribute between $2.75 and $3.25 million. Once stabilized and lease up concessions from pre-stabilization burn off, we expect it to contribute between $7 and $7.5 million annually and grow from there. I will now turn it back over to Paul.

**Paul McDermott – President and Chief Executive Officer**
Let me talk about Watergate 600 on slide 12, which will be our sole remaining commercial asset, assuming we complete the sale of the office and retail assets as previously discussed. It is an iconic, Potomac riverfront asset and was very much desired in the office portfolio transaction, but, we believe we can extract the best value for it separately. It has the longest weighted average lease term of the portfolio and is a Class A asset adjacent to the Kennedy Center with state-of-the-art amenities and panoramic river, monument and rooftop views. We expect to harvest greater value for it when it is most practical and thus have not included it in the expected transactions we are reviewing today. We believe it provides future upside to the objectives we have laid out today.

Before we get to strategy and our investment plans, I want to go through our expected strategic actions timeline on slide 13. It started today when we announced we are under contract for the sale of the office portfolio, excluding one asset, for $766 million. We expect to close that sale in July. Additionally, signed a letter of intent to sell the remaining retail assets. We are estimating those proceeds to be approximately $170 million. We are currently looking to expand into three Southeastern markets, where our research has long supported sourcing multifamily acquisition opportunities that fit our strategies that we will discuss later and will look to close on apartment acquisitions over the balance of 2021. We plan to redeem the $300 million of 2022 bonds in the third quarter once the office portfolio sale closes and plan to pay down $150 million of the term loan in the third quarter in conjunction with the expected retail sales. Trove continues to lease up with very strong momentum and is now over 60% occupied. We expect it to stabilize in occupancy around year end 2021.

Slide 14, Let's quickly recap the foundation that we start with after we complete the transformative asset sales before we transition to our research-driven multifamily strategies.

Moving to slide 15, our current same-store multifamily portfolio has approximately 7,100 units and is over 95% occupied as of May 31. Our average monthly rent is just under $1,700 per door. We currently have a renovation pipeline of over 2,800-units that we expect will generate double digit returns over the next few years.

Turning to slide 16, consistent with what we said on our Q1 2021 earnings call, multifamily fundamentals continue to strengthen as we are now in the prime leasing season. We are seeing significant improvement in urban net applications, fewer concessions, effective rents strengthening, and occupancy improving. All are important trends as we come out of the pandemic into the stronger leasing season.

Slide 17 shows that our suburban multifamily performance was strong throughout the pandemic and remains very strong today. Our research and strategies led us to diversify our renter base into the suburbs in 2019 and these submarkets have performed strong ever since. Our Virginia suburban apartments performed like Southeastern markets during the pandemic and continue to strengthen as lease rates are improving more quickly than in urban submarkets. That said, urban submarkets continue to strengthen from December pandemic lows and appear to be on the cusp of turning positive.

Additionally, we have reactivated our renovation programs at select assets as we continue to test the market and plan to scale as conditions improve.

Continuing with the review of the post-transformative asset sales foundation that we will build on, slide 18 shows a snapshot of our multifamily portfolio and Watergate 600. The chart on the right shows the distribution across our multifamily strategies that we execute today, and momentarily, we will explain how they drive our expansion plans going forward.

Finally, slide 19 captures today's distribution of multifamily units that we plan to enhance through expansion, going forward. It also shows that, as of May 31 we are over 95% occupied and have excellent resident credit having collected 99% of rents. As I noted before, research led us to diversify our resident base with a third of our residents located in strong suburban locations. Our research always focuses on the resident, the economy, jobs and other demand drivers, and you can see the demographics are strong surrounding our apartments.

Now with that foundation, let's look at our expansion strategy to add even more long-term value creation.

As we turn to slide 21, let's stop for a moment and make perhaps the most important point here: we have operated both multifamily and commercial assets. We know from this experience that multifamily is the asset class that provides the most attractive long-term growth and NAV as we will outline on this slide. Concentrating in this asset class strengthens our growth prospects, and we believe it will create the greatest value for our stakeholders. As we allocate more capital to multifamily and geographically expand, it should enhance returns while significantly improving our business and credit profile.

So, let's talk about why multifamily? First, there are significant demand drivers supporting continued growth; second, it offers stronger rent growth driven by demand, rising home prices and minimal new product at mid-range rents; third, it requires significantly less capex; next, credit risk is low and much more diversified with minimal downtime between residents resulting in steady strong cash flows which will allow us to operate at

steadier EBITDA levels and lower leverage levels; and finally, multifamily generates more consistent returns and is supported by a more diversified resident base.

Now I'd like for Grant to walk you through how we use research to power our capital allocation model and also several of our value creation and operating levels.

**Grant Montgomery – Vice President and Head of Research**
Thanks, Paul. I will start with slide 22. We do use research as a strategic differentiator in a variety of ways. First, research powers our understanding and selection of markets, submarkets and assets for capital allocation, which I'll be discussing in greater detail as we move through the presentation. Research also enables us to craft optimal approaches to creating value from assets, from renovation scoping to disposition timing. It also informs our services and amenity offerings, so that we can provide the best resident experience. Research has also been integral to the planning of our operating platform, allowing us to bypass legacy restraints and optimize operational design.

Turning to slide 23, WashREIT's strategies for expansion markets are really a natural progression of our experience and learnings in the Washington, DC Metro market. So, what have we learned? First, demand is deepest at mid-range rents. Second, affordability is a pressing rental issue at multiple price points across the mid-range rent spectrum. And third, rents can be consistently grown, even in a high supply market, if an asset's price point doesn't compete directly with new product price points and wages for mid-rage renters are growing.

Paul, perhaps you can comment on our execution track record here in the Washington Metro Area before I tie it to the expansion markets.

**Paul McDermott – President and Chief Executive Officer**
Sure, Grant I will go to slide 24, and that is just the point. We have an excellent execution track record.
We have done this and grown multifamily NOI from 16% in 2013 to 51% on a pro forma basis at the end of the first quarter of 2021. Pre-COVID, we averaged 3.5% NOI growth per year and, counting the recent Covid year, 2.6% annually over five years. We have generated renovation returns of 10% to 20% for 1,800 units. We have leveraged a covered land play with a 30% to market basis discount into a value-add development, Trove. Finally, as we said before, our research-led suburban multifamily acquisition was the right call, as it outperformed during the pandemic. With that said, I will give it back to you Grant to layout our expansion strategies and supporting research.

**Grant Montgomery – Vice President and Head of Research**
Thanks Paul, I am now on slide 25. As we have progressed our portfolio transformation in the Washington, DC Metro market over the past several years, we have also been exploring potential expansion markets and our research has led us to the Southeast, in particular, the markets of Atlanta, Raleigh-Durham and Charlotte. We believe that our strategies can be successful in these markets, diversifying our geographic concentration risk, while providing opportunities for additional growth - driven both by current and projected long-term rent growth outperformance.

As Paul noted earlier, growth of our portfolio over the mid-term will rebalance our asset allocation toward these Southeast markets, while retaining a significant presence in the Washington, DC Metro region.

Turning to Slide 26, the first step in our exploration of expansion has been exploring individual markets' economies and labor markets. This critical first step flows from our fundamental belief that when we acquire assets in new markets, we are also acquiring the underlying economy that will power their performance.

Our market selection is built on this viewpoint: Economies with diverse, innovation industries will benefit from outsized job creation, wage-growth and in-migration in the years ahead. Dynamic economies provide the strong foundation of demand upon which to grow our portfolio.

Continuing on, as slide 27 illustrates, our existing and targeted markets are projected to benefit from their industrial mix, with their outsized exposure to tech and other innovation industries, driving outperformance in both GDP and employment growth over the medium term.

Continuing on to slide 28, we want to make this important point. This employment growth outperformance creates a virtuous feedback loop with in-migration. Our targeted markets across the Southeast are projected to be among the best in the nation in population growth and net migration over the next decade, driving strong, sustained apartment demand in these markets.

Slide 29 illustrates a critical pillar of our research and methodology. Strong employment growth is a good predictor of apartment demand, but strong employment growth at income levels aligned with our strategies and submarkets is an even better predictor. We measure employment depth and growth at our strategies' targeted income bands by region, submarket and asset locations to invest into the path of growth with the appropriate strategy. These insights enable us to best tap into the underlying employment strengths and tailor our approach to capital allocation. Within our targeted markets, not only is there strong projected employment growth – but our strategies are positioned to capture a growing share of the total demand at the income bands they serve.

Furthermore, as Slide 30 illustrates, we go a step further and seek indicators supporting sustained, strong rent growth when we allocate capital. We look at the multiplier effect, not only focusing on direct employment growth but indirect employment creation as well. High wage employment sectors, particularly those in key growth industries, drive significant indirect job creation at more moderate wages, through their job multiplier effect.

So while many of the direct jobs produced in these key growth industries pay high-income wages that make home ownership or luxury rentership more likely, in aggregate, the indirect jobs created at our rental strategies' targeted mid-level income bands are actually more numerous, creating more demand depth at mid-market wages. Regional and submarket-specific analyses such as these, help us measure demand and tailor appropriate strategies to best capture it.

Let's turn to slide 31 now. A key topic that we've discussed in the past and will continue to focus on is housing affordability. Underproduction of housing, of all types, is an issue we have discussed with investors for years in the context of Washington, but is also a national issue, creating affordability pressures, particularly at mid-range price points – driven by land, labor, and commodities prices and the regulatory environment. Our strategies are focused on middle incomes and mid-range rental price points – which make up the largest share of apartment demand in each of our targeted markets, yet for only which a limited share of new supply is affordable.

Slide 32 demonstrates how we intend to mitigate risk of competing with new supply. The mismatch of demand and supply is visible in this chart, with the vast majority of new product targeted and priced for the upper end of the market. By targeting the lower range of Class A- rents priced below 110% of market median and Class B

priced below 95% of market median, we reduce direct competition with new deliveries while focusing on the high demand mid-market.

In Atlanta, for example illustrated here, just 12% of new product delivered since 2017 is priced below 110% of market median, while just 1% is priced below 95% of market median. I'll discuss how this research is applied to our strategies in just a moment.

I am now moving to slide 33 now. Earlier, I spoke about how we use research in multiple ways across our Company. A part of that approach is continually improving our research methods to increase our chances for success. One such example is the use of our predictive analytic model, RADIANT, which enables us to target price points and submarkets with greater probability of rent growth outperformance.

For example, our research has proven out a consistent inverse correlation between rent levels and effective rent change. This relationship has resulted in significant effective same-store rent growth outperformance of older vintages versus newer, Class A+ product built over the past five years.

Let's breakdown our portfolio strategies on slide 34. Our research-forward approach has also been integral to the development of our successful portfolio strategies. We intend to utilize the learnings from the Washington, DC Metro market Paul discussed earlier, to continue our growth as we geographically diversify. Momentarily, Paul will walk you through a few case studies of how our strategies have been successfully proven out in the Washington, DC Metro region.

Going forward, our strategies will, harness the strong demand in Southeastern markets, target the deepest demand segments, of which some are also somewhat "sticky," and therefore rent for longer, and that simultaneously have market constraints from providing new product to serve them.

Each strategy also has distinct rent growth drivers as well as vintage and price-point parameters.

Our Class A- strategy is focused primarily on 2000's-era assets, generally at the 100% to 110% of market median rent range. Rent growth drivers for this strategy include operational improvements, unit upgrades, prop-tech, submarket rent growth, and future renovations.

Our Class B value-add strategy is focused primarily on 80's, 90's and in some cases 2000's- era assets, generally at an 80% to 95% of market median, pre-renovation rents. Rent growth drivers for this strategy include operational improvements, full renovations and submarket rent growth.

Our Class B strategy is similarly focused on '80's through 2000's-era assets, at 80% to 95% of market median rents. However, no immediate value-add is programmed, with rent growth in the near term driven by operational improvements and submarket rent growth, with future renovations as an option, when market conditions are right.

We align these three strategies with submarket attributes to drive rent growth across our portfolio.

As slide 35 explains, our three strategies are focused on a diverse set of renters in urban and suburban settings, across multiple price points, each with a distinct set of priorities. We use our understanding of these priorities to tailor service offerings, amenities and value-add project scopes for each renter type.

Turning to slide 36, for our residents, regardless of their price point, we offer a specific value proposition living in a WashREIT apartment will provide you the best balance of price, quality and resident experience that fits your

budget. From value luxury in our Class A- assets, to “like-new” interiors in our Class B value-add, and budget-friendly Class B assets, we offer a diverse set of options for our residents.

I’ll turn it back over to Paul now so he can walk you through our Washington portfolio case studies.

**Paul McDermott – President and Chief Executive Officer**
Thanks Grant, I will quickly walk through those starting on slide 37.

Each of the strategies Grant just walked through have been effectively proven out in our Washington, DC portfolio. Yale West is a great example of our Class A- strategy, appealing to professionals in downtown, DC, at rents just above the median rent for the submarket and at a discount to new product. We tailored a renovation program there to change out the carpet to wood flooring, driving additional rent growth at the property.

Turning to slide 38, Wellington is a prime example of our Class B value-add strategy, given its market rent position and rent gap to new product of nearly 30%. After acquiring this property in 2015, we executed both unit and common area renovations, including upgrading amenities across the asset. This acquisition also yielded a covered land play development site for Trove, our most recent development, at a land basis discount to market of approximately 30%.

And finally on slide 39, Assembly Leesburg fits our Class B strategy with asset rents at 92% of Washington Metro median and a 24% gap vs new product in its submarket. This asset has performed very well, with strong demand and exceptional rent growth, driven by its location in the fastest growing county in Virginia.

As we have said value-add programs are a critical part of our execution track record. Slide 40 briefly summarizes and shows examples of how we have approached these renovations. Value-add programs have been very important to both our capital allocation and performance in the Washington, DC Metro region and that will continue in the future as we expand to new markets. We currently have over 2,800 units in our pipeline and are remobilizing our programs in the Washington, DC Metro region after pausing during the pandemic with a 10% return on cost target at a minimum. Going forward, we will continue to execute on our existing Washington, DC Metro pipeline, expand our value-add Class B program to our Southeast markets and set the stage for future renovations through our Class A- strategy.

Our value-add programs have also included asset repositioning as illustrated on slide 41. Although, we paused our value-add program during the pandemic, we continue to move some priorities forward, such as the asset repositioning of Assembly Alexandria, which we acquired in 2019, as part of the 2,100-unit Assembly portfolio acquisition. The central clubhouse was modernized, and many underutilized spaces were re-programmed to meet resident’s needs. An unutilized racquetball court and movie room has become a state-of-the-art gym facility. The leasing center was upgraded, work from home amenities such as a conference room were built out, and full unit renovations have begun and will continue throughout 2021 into 2022.

The last thing I will cover before turning it over to Steve to wrap us up is slide 42. We are prepared to move now on the opportunities for value creation we have just presented. On the operations front we are first leveraging our proven relationship with a third-party property manager to immediately ramp operations of acquired assets. Second, we are expanding our multifamily team with leadership located in our Southeast expansion markets. Third, we are building our multifamily operating platform of the future via a road map that we developed over the past year. And last, we are scoping and tailoring our value-add programming so that we can hit the ground

running as we bring new assets into our expansion markets into the fold. Steve why don't you close out the presentation now.

**Steve Riffee – Executive Vice President and Chief Financial Officer**
Thanks Paul, I'd like to talk about the ongoing importance of ESG in our plans. I am on slide 43.

While our primary focus today is on these transformative plans and transactions today, we always have an ESG focus as well and would be remiss not to comment on how that is important as we plan and execute all of this. We have certainly elevated and lived our ESG commitment to date and see this transformation as an opportunity to reaffirm and follow our ESG Priorities as we create value through this transformation. We will continue to integrate climate risk, including during our acquisition process for new assets, as we are evaluating physical operational risks and will maintain transparency through our commitment to TCFD.

Our green bond has allowed us to match capital committed to supporting ESG priorities with our own efforts. Trove just received LEED silver certification and we are working with BREEAM to have our $460 million Assembly portfolio certified. As many of you know BRREAM recently released a residential-specific version of the BREEAM In-Use certification standard that we think aligns well with our sustainability priorities. And BREEAM requires a third-party assessor to conduct onsite verification, which we believe adds to the rigor of the validity of the certification. We plan to continue to be a leader in multifamily ESG as we expand and continue to follow through on our commitments to do so. Importantly, our very strategy to serve the underserved mid-range income renter and provide quality life residential experiences that they can afford is socially responsible and aligns their needs with strong financial returns for our Investors.

To wrap up our presentation, as we move to this next phase as a multifamily REIT, we believe these transformative transactions will allow us to create the greatest long-term value for our shareholders despite absorbing initial FFO dilution.

Today we have shared what we believe will be the culmination of several years of transformation into a multifamily REIT. We believe that our concentration in the multifamily asset class, following this reset, not only will provide substantial growth in our Washington, DC Metro markets but also further growth outside our region in markets where we believe we can provide significant additional value to our shareholders. Our execution track record and research convince us that expanding into selected Southeastern markets is a natural extension of our value creation strategies. We also believe that operating at even lower targeted leverage levels will allow us to have the strength to access capital and grow more rapidly than we could as a diversified asset class REIT. We believe we will grow our NAV more following this transformation.

We commenced this transformation eight years ago when this company was in four asset classes, primarily office. We view these transactions today as the final step of that journey of simplification and focus. In many ways this is the end of the beginning. We are very excited about the next phase for WashREIT as a pure-play Southeastern focused multifamily REIT with a focus on middle-income renters. We are very excited about our portfolio, our strategy and our team and are eager to continue to create value for our shareholders.

We thank you for your time and interest today and will be providing further updates as we progress these transactions and complete asset sales and acquisitions to geographically diversify and further strengthen our company.

And with that Operator, we will now open it up for questions.

**Operator**
Thank you. At this time we'll be conducting a question-and-answer session. Our first question comes from the line of Anthony Paolone with JPMorgan, please proceed with your question.

**Q**: Thank you and good morning. My first question is, as you thought about making this large transformational move, how did you think about doing this versus going all the way with potential strategic sale of the whole business?

**Paul McDermott - President & Chief Executive Officer**
We have looked at several opportunities over the last few years just talking to buyers. And candidly there were challenges probably more around the DC office component. But in terms of our process, we talked to numerous buyers, we felt like this was the right time for the execution. We think that the breakup strategy probably affords us a better opportunity for execution. We think that we have good executions on both the office and the retail portfolio, leaving us with the asset class we think is most favorable from a growth perspective, and we want to continue to solely focus on and allocate capital to.

**Q:** The $450 million to be deployed, is there a portfolio transaction that's being contemplated or is this a series of one-offs, or how'd you get that number and what are you seeing out there more specifically?

**Paul McDermott - President & Chief Executive Officer**
That number obviously, is just the remaining amount after we pay off the debt and take it down. In terms of the transactions that we'll be evaluating with our balance sheet position the way it is, we're set up to both execute on an individual basis and portfolios. We think there's a pretty deep pipeline in the market today and throughout the balance of 2021, going into '22. And I think, we're going to have the opportunity to evaluate both types of execution.

**Q:** Last question, any thoughts on what happens to just corporate overhead, as you go to one property type, but also, it sounds like you, over time, have to build out a platform there.

**Stephen Riffee - Executive Vice President & Chief Financial Officer**
While we're in transition there'll be a minimum amount of G&A that we have to have as a public company, we'll be transitioning out of commercial into multifamily. We view that our G&A is going to be really scalable, and we will no longer be in a position of having to keep recycling assets and step backwards to go forward. We're looking at an opportunity to scale up the G&A we have and scale the company without having to increase G&A by much but there will be a transition as we are executing one asset class and reallocating to another.

**Operator**
Our next question comes from line of Daniel Ismail with Green Street Advisors. Please proceed with your question.

**Q:** I'm just curious on the strategy of selling the office assets. Holding on to Watergate's current rates, makes sense to maximize value in the building but how did you think about offloading all the assets collectively to or the remaining assets collectively to BAM versus trying to lease those up and maximize value there as well?

**Paul McDermott - President & Chief Executive Officer**
We went through the process and as I said, we've been looking at repositioning the portfolio for several years now and we have done a number of one-offs. We talked to numerous buyers and on the individual sales basis, I think what we did want to look for in terms of number one certainty of execution, our buyers, an all cash buyer, but more importantly, when we broke it up, collectively. And I think you know the state of DC B right now, we did not want to be potentially left with the more challenging assets. And so we thought a portfolio execution offered us and our shareholders the best certainty of execution on moving out of the office asset class.

**Q**: And I know, you guys don't disclose an internal NAV, but I'm just curious, given the pricing on this portfolio versus some of the other assets you've sold recently, understanding the leasing profile those assets were different. But I'm curious how much have you think office values changed from the sales relative to the valuation you guys held these assets to, say, 2019?

**Stephen Riffee - Executive Vice President & Chief Financial Officer**
The pandemic certainly affected them to some degree. The assets that we sold at the end of last year had a lot of WALT on them, a lot of weighted average lease term, and they were sort of uniquely positioned. This was a process where we had lots of folks take a look at it. Our view is that we got the best execution overall doing it this way, although we saw that we could get more on Watergate 600 because it has great WALT..

When we look at what might have been left, if we had tried to break it up, it might have been more challenging assets. And we thought we wouldn't get as good an execution plus, we're talking about an all cash buyer. And we're talking about our fundamental belief that we're allocating into an asset class that's got tailwinds behind it that's going to continue to grow over the next three years. And we didn't want to protract getting out of an asset class where we actually see the headwinds getting stronger.

**Paul McDermott - President & Chief Executive Officer**
I'd add to Steve's comments, we have a pretty deep research group here and we've been tracking increasing TIs, increasing free rent, higher recurring CapEx over time. I believe our experience has been 20% of NOI and we see that number increasing. So we thought the time was now for the execution. As Steve said, we want to participate in what we believe is a growth vehicle in terms of our NOI for the company and for its shareholders.

**Q:** Great, appreciate the color. Just looking at the supplement, excuse me, the presentation, it doesn't look like there will be any tax consequences. And I didn't hear any mention of 1031s but I'm curious if there any need to necessitate some of these proceeds in a 1031 transaction.

**Stephen Riffee - Executive Vice President & Chief Financial Officer**
There is not and we've done a lot of tax planning over the last few years, and sometimes that's affected our execution, as we've been moving along. But we plan this so that we do not require 1031s to execute these transactions. We're going to be very efficient from that standpoint, and get our basis step up to as well on our new assets.

**Operator**
Our next question comes from line of Chris Lucas with Capital One Securities. Please proceed with your question.

**Q:** Congratulations on doing something that I thought was impossible to get done. First question is related to just the rating agencies. You're basically selling a lot of EBITDA right out of the gate. What is their review and what is their timeframe for reviewing your ratings outlook, where does that stand?

**Stephen Riffee - Executive Vice President & Chief Financial Officer**
We've met with them and totally vetted our whole process with them. S&P at 6:15 this morning went ahead and reaffirmed on a forward-looking basis in light of the strategic transactions reaffirmed our rating. And Moody's is well aware of it. As far as I know, they're not going to take action right now in terms of our rating. But I think they all fully understand the merits of our strategy and S&P actually went to committee and issued a press release this morning reaffirming our rating in light of the transactions.

**Q:** Okay. And then just following up on Tony's question about G&A, just sort of maybe bigger picture should we be expecting -- I'm assuming we're going to -- the company is going to run at a lower G&A run rate, but I mean, can you just confirm that, I am just trying to understand what the offsets are?

**Stephen Riffee - Executive Vice President & Chief Financial Officer**
Well, I don't think we are ready to give guidance. We're in the middle of transition, you're certainly going to see some moving parts and some reductions in some ways. As we're reinvesting, I wouldn't say we're going to think of G&A as something more that can scale up now that we can start growing, and something that's going to substantially decrease. There are a lot of moving parts for the balance of the year. So we're not planning on giving guidance right now. But look, we certainly think we'll have most of this done and in place, as we get ready to give guidance for 2022. And we do plan on giving updates as we execute along the way, the balance of the year.

**Q:** Okay. And then do you have anything under LOI at this point?

**Paul McDermott - President & Chief Executive Officer**
In terms of recycling the capital? No, we don't have anything under contract, under LOI at this point, but we are aggressively pursuing several opportunities. Our team is spending a lot of time in the three markets that we've talked about. And as we also said, we will be upgrading our staffing in those southeastern markets. We're confident that we can recycle the capital growth.

**Q:** As it relates to the retail portfolio is that also a single buyer transaction or is that more complicated?

**Paul McDermott - President & Chief Executive Officer**
That is a single buyer transaction also after a pretty robust process, all cash.

**Operator**
Thank you. Ladies and gentlemen, this concludes our question-and-answer session. I'll turn the floor back to Mr. McDermott, for any final comments.

**Paul McDermott - President & Chief Executive Officer**

We'd like to thank you for your time and interest in our transformation into a multifamily REIT. We're excited about delivering value to our shareholders in this next important phase of WashREIT. We look forward to talking to many of you about our transformation over the next several days. We plan to provide updates as we move forward. Thank you for your time this morning.