



State of the Washington Market

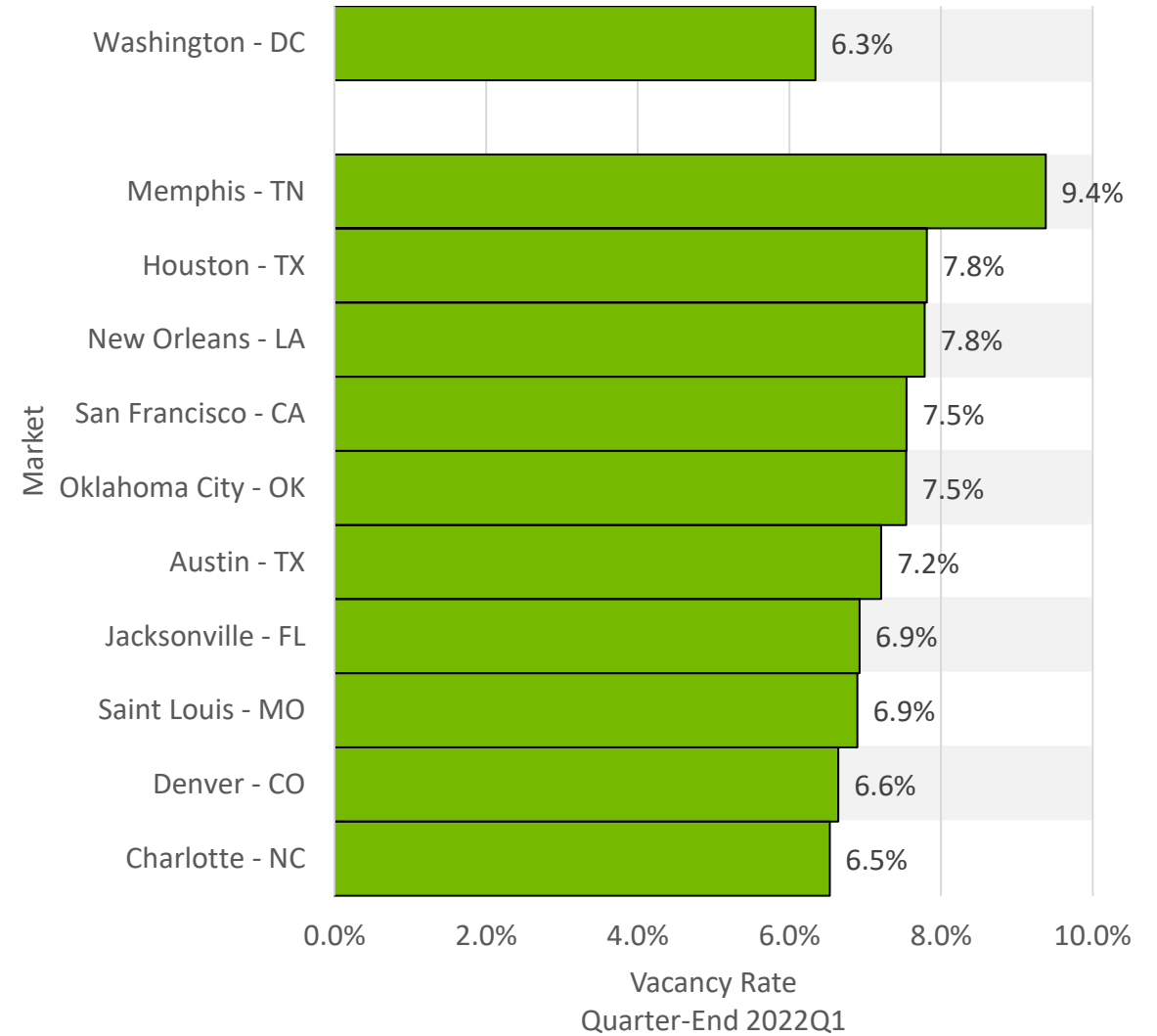
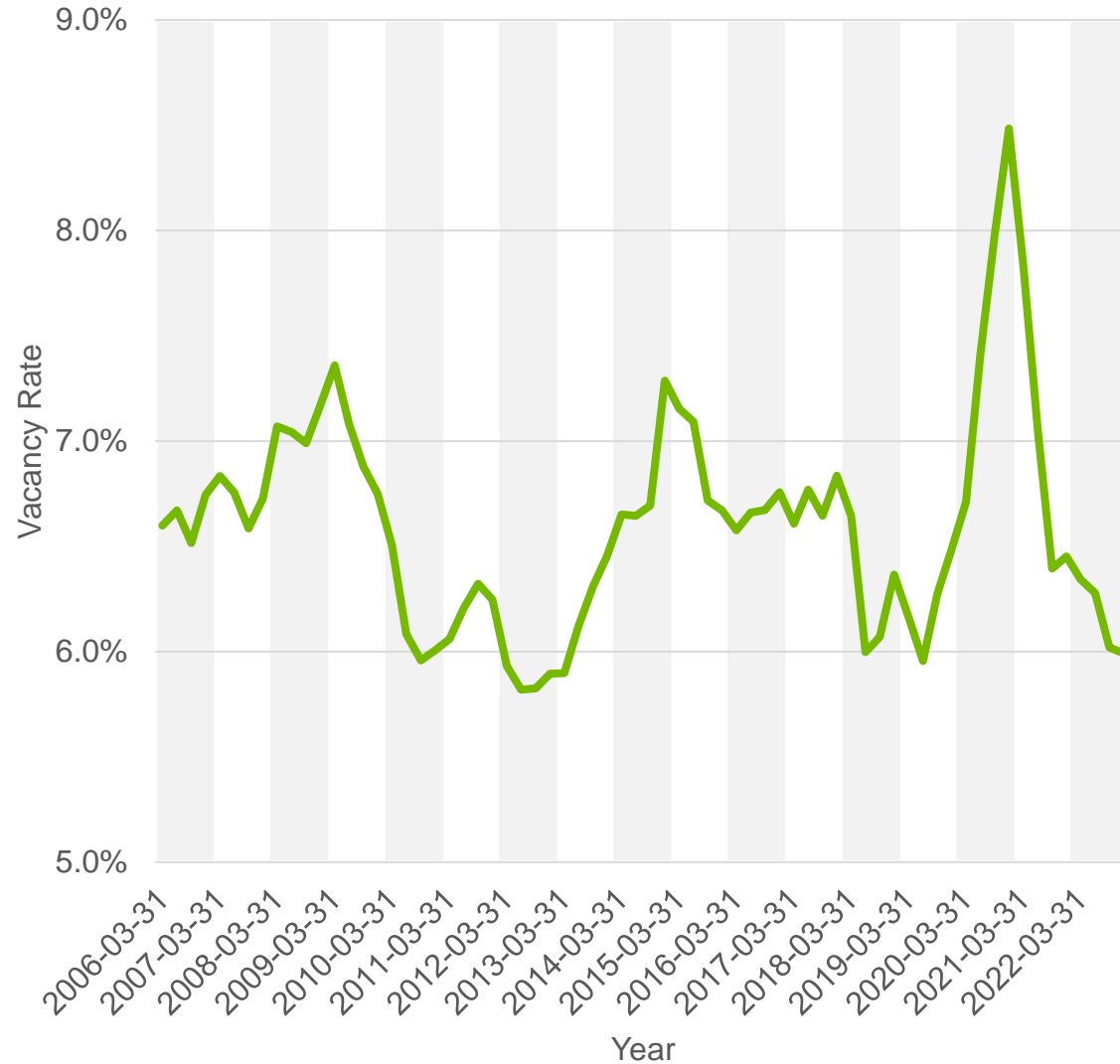
AI.DC | CoStar Group | April 2022

An update on the performance of Washington CRE
Multifamily | Office | Industrial | Retail

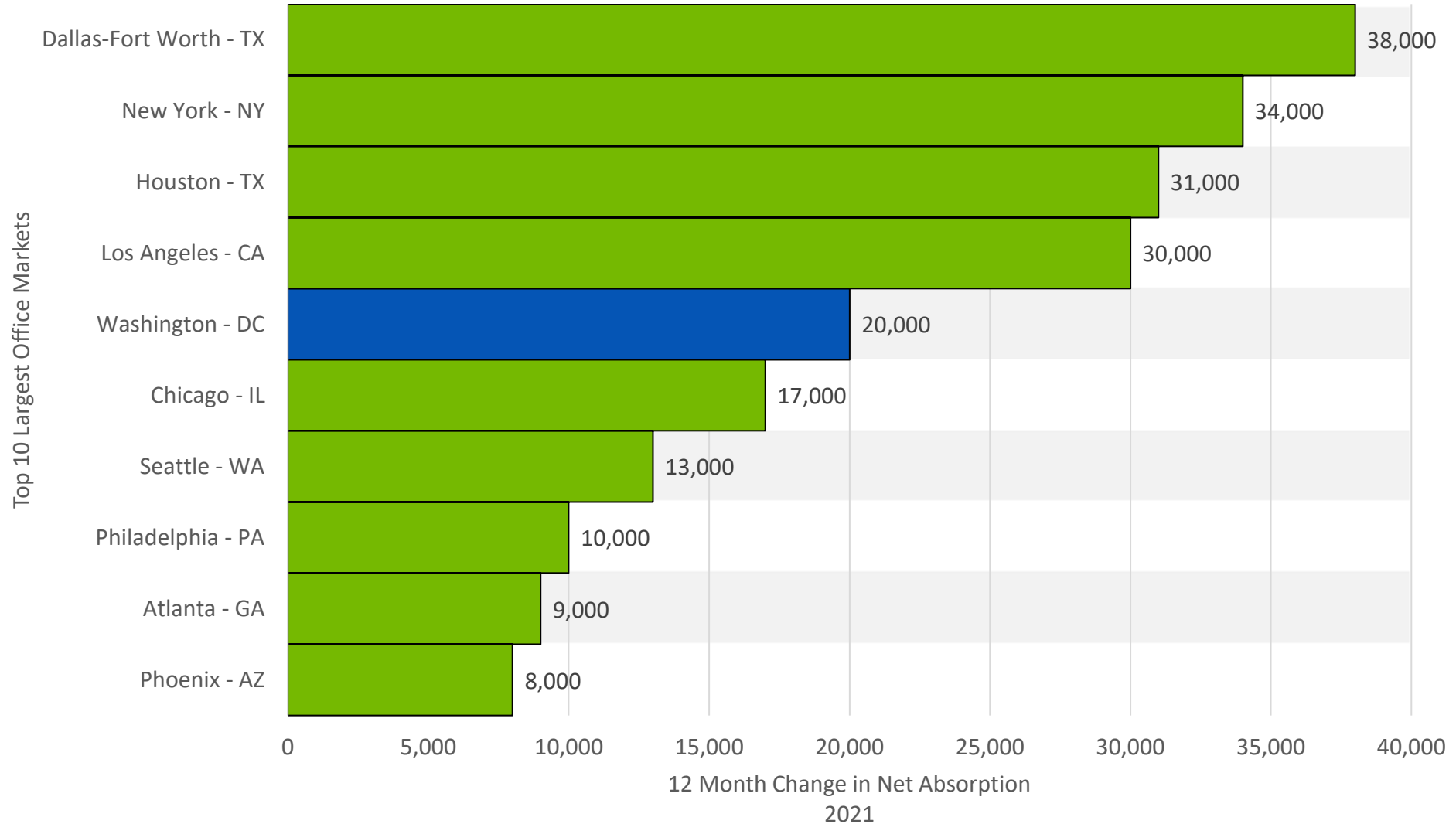
Multifamily



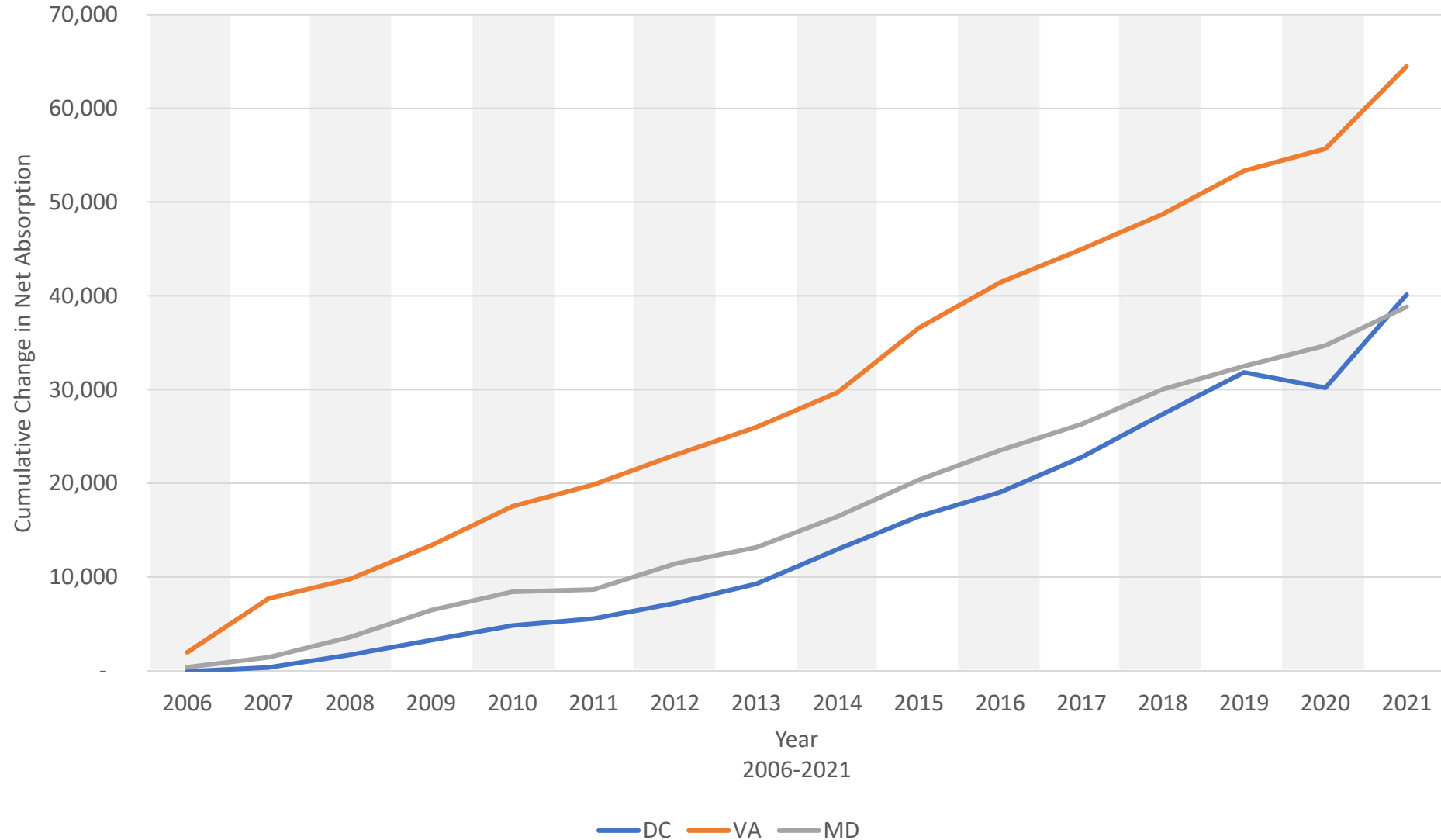
Rapid vacancy compression because of stellar demand



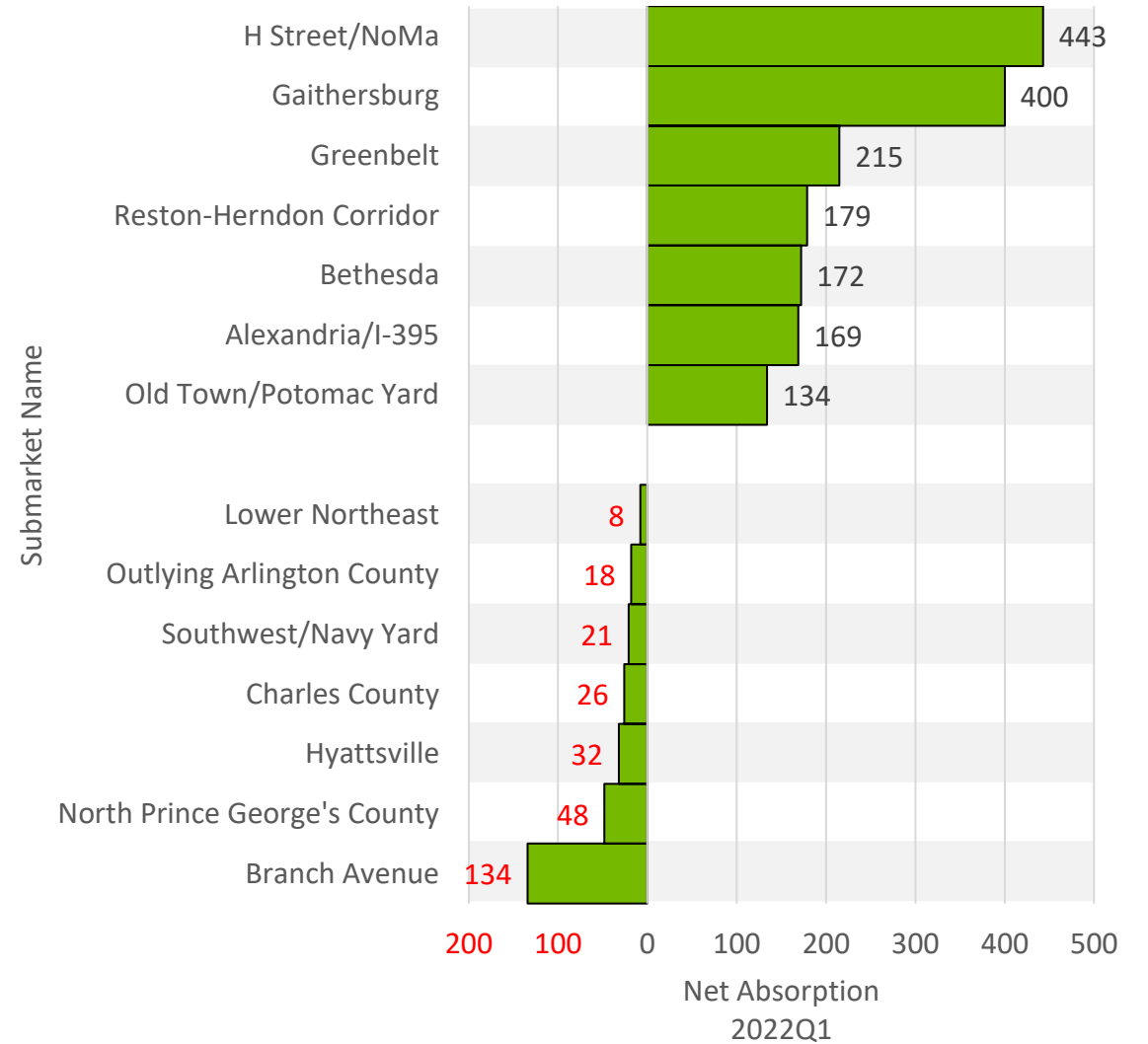
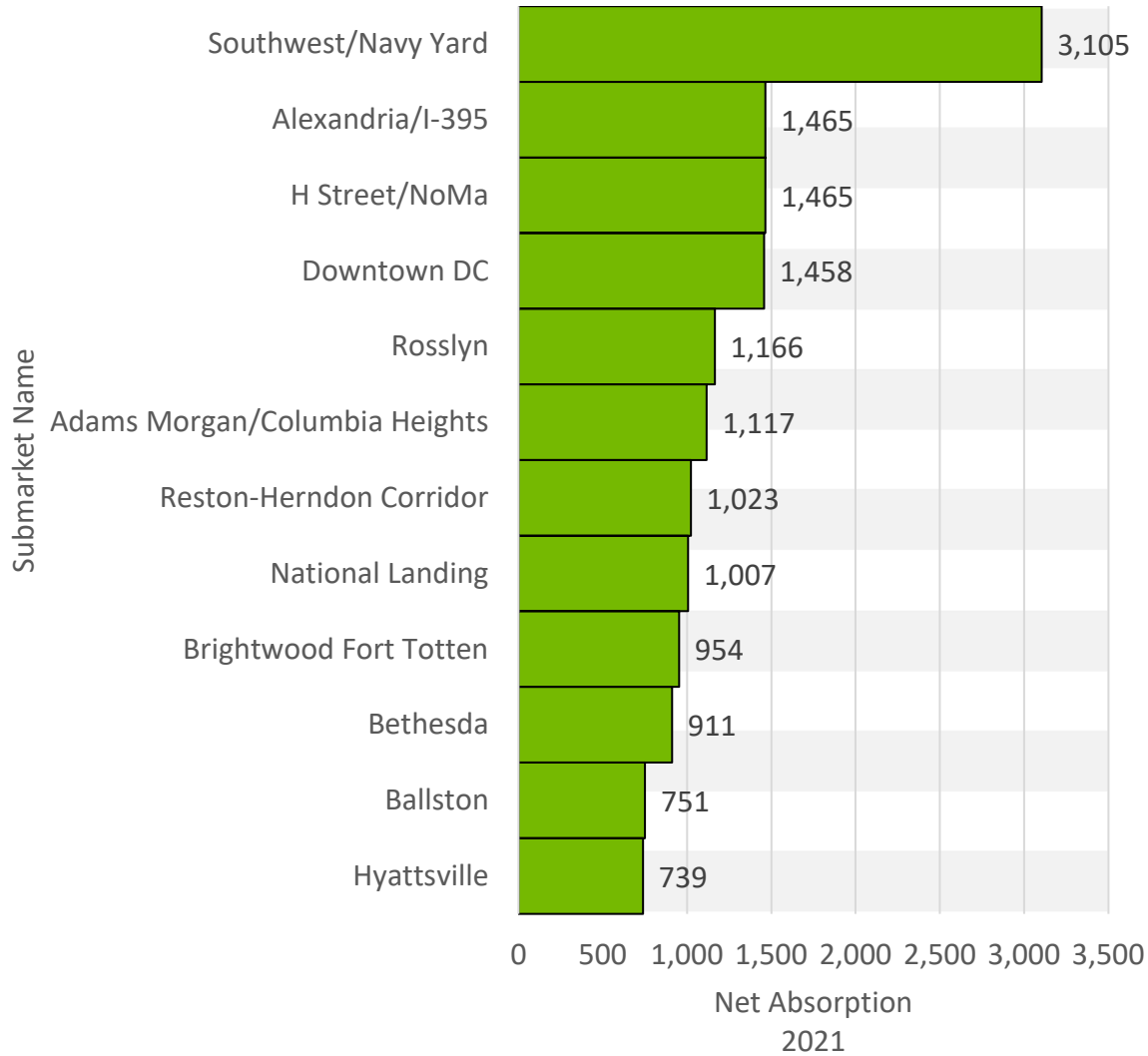
Washington posting record demand figures



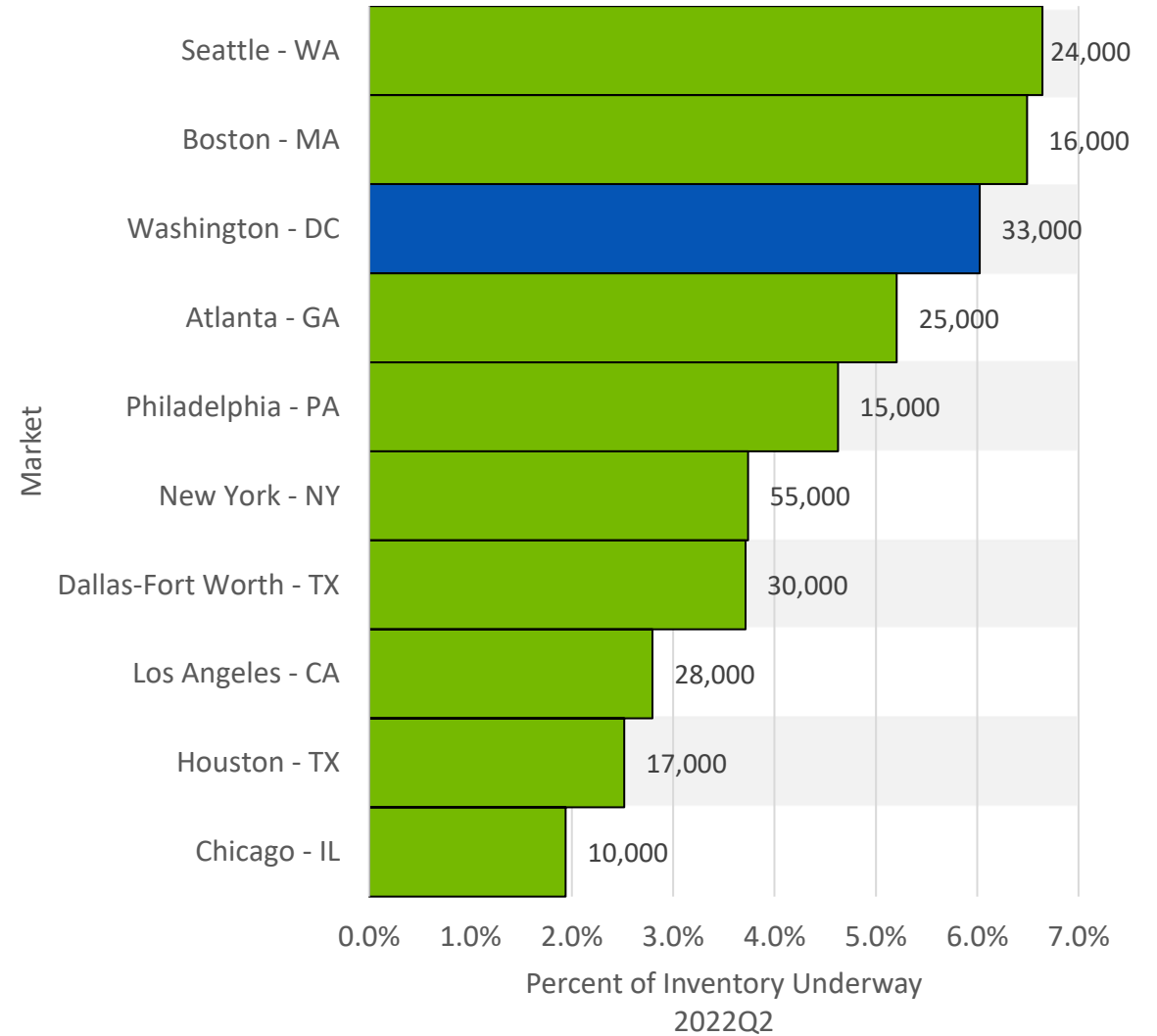
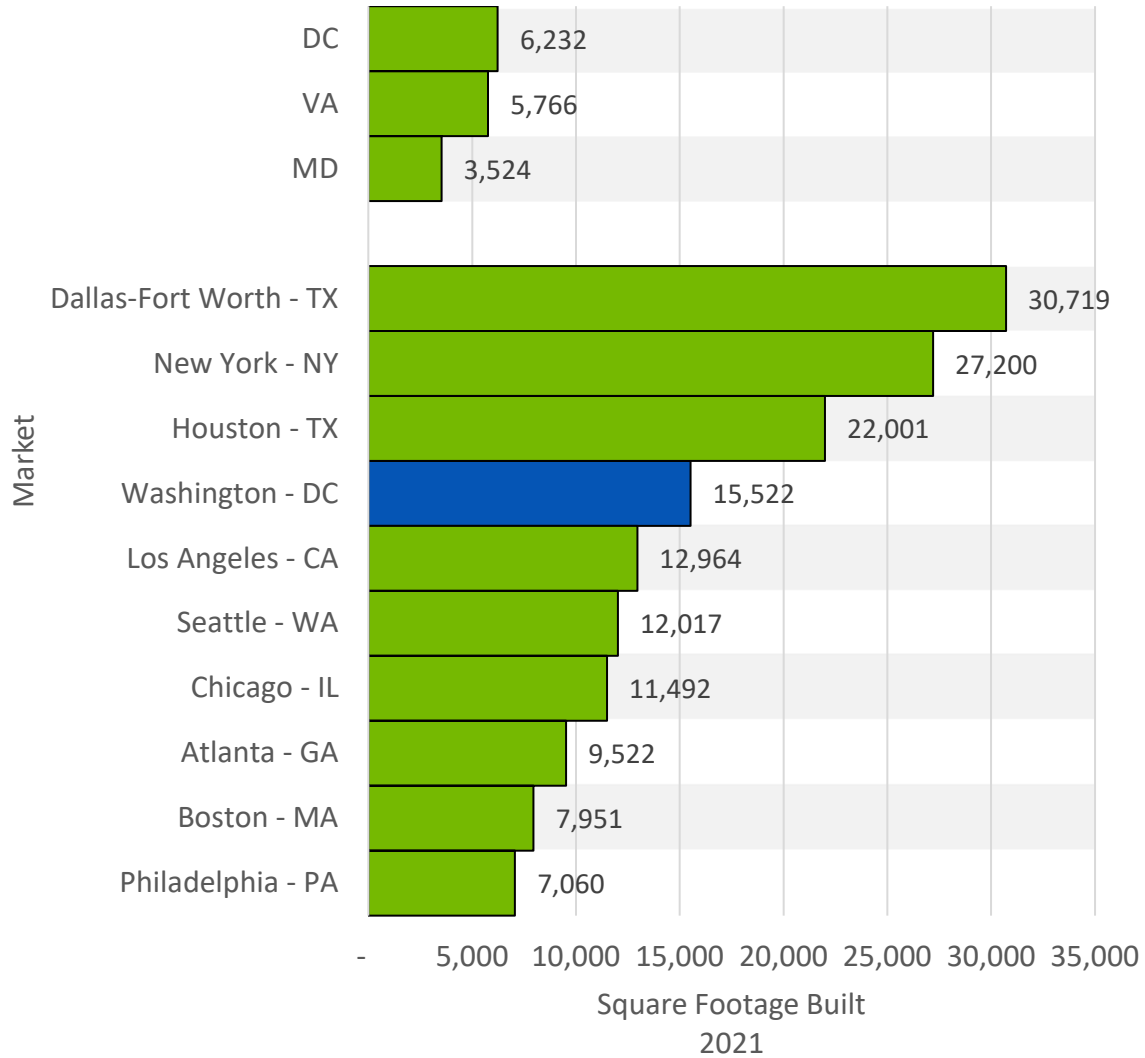
Virginia's large inventory is a draw for renters



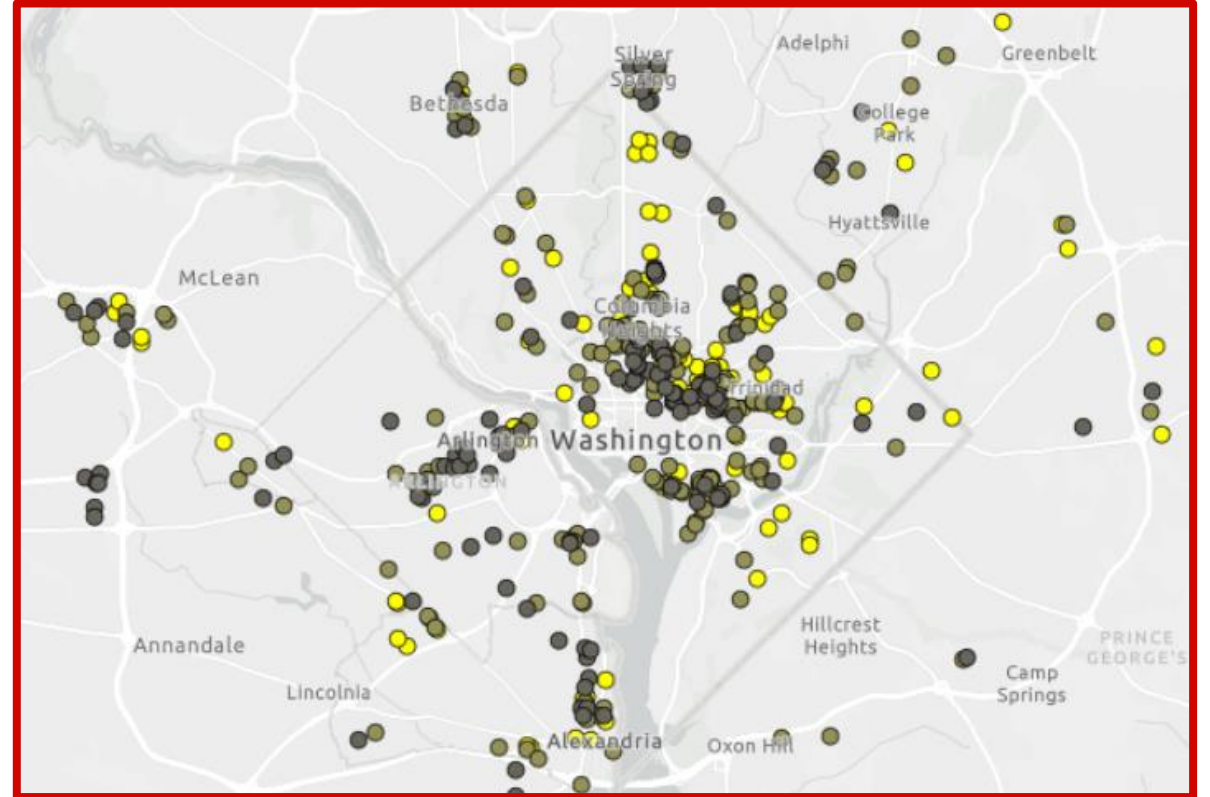
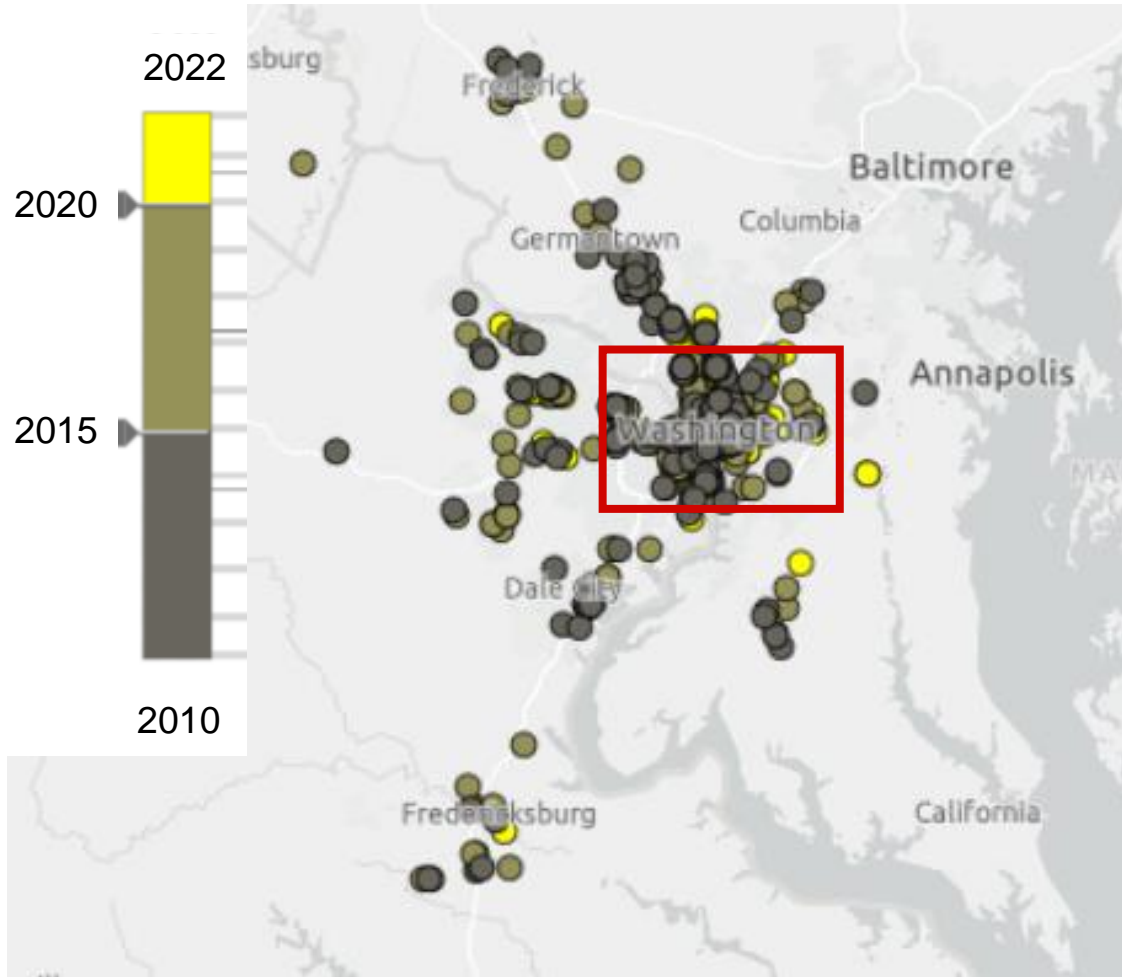
Urban neighborhoods near jobs attracted the most renters



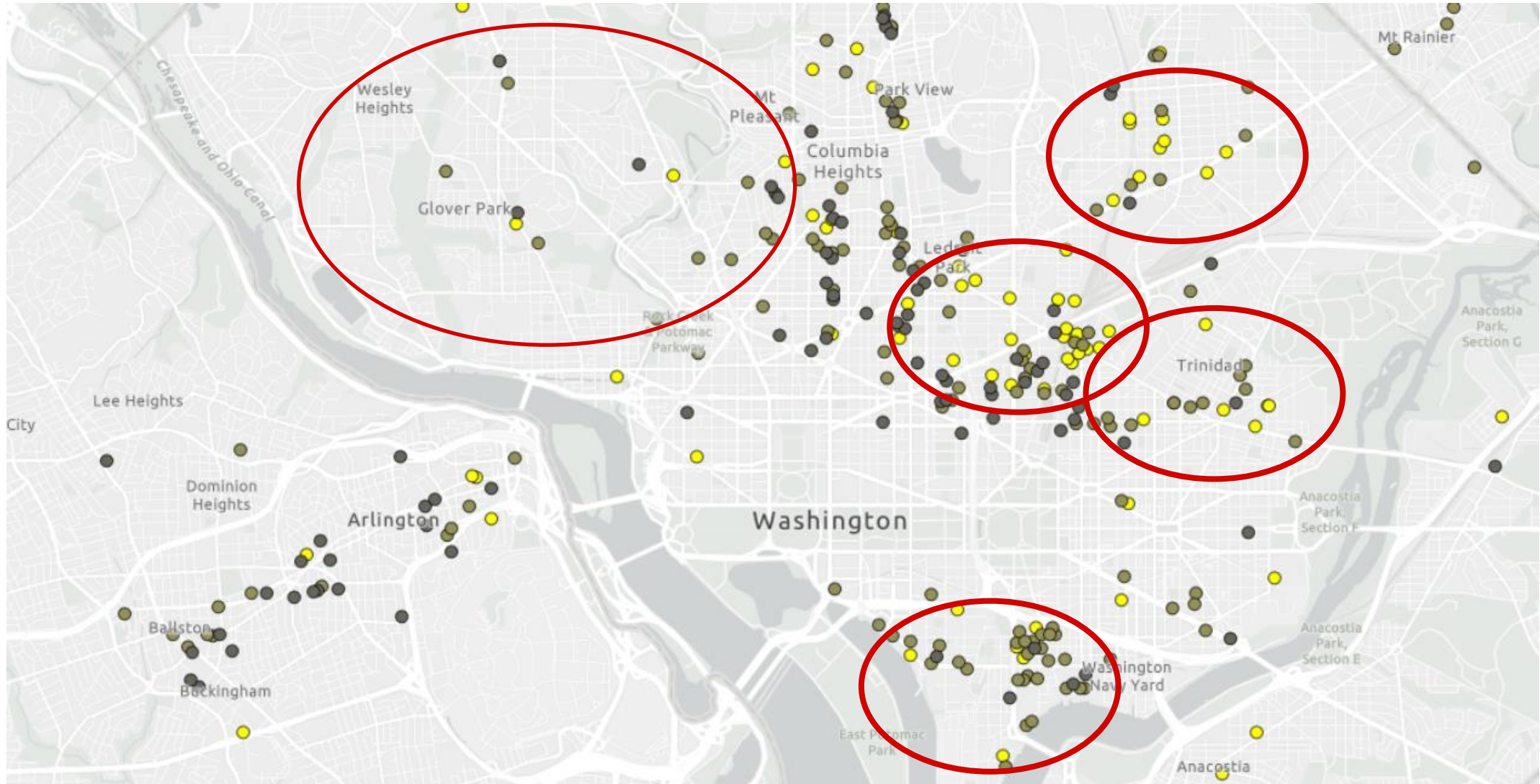
Washington's construction pipeline never slowed



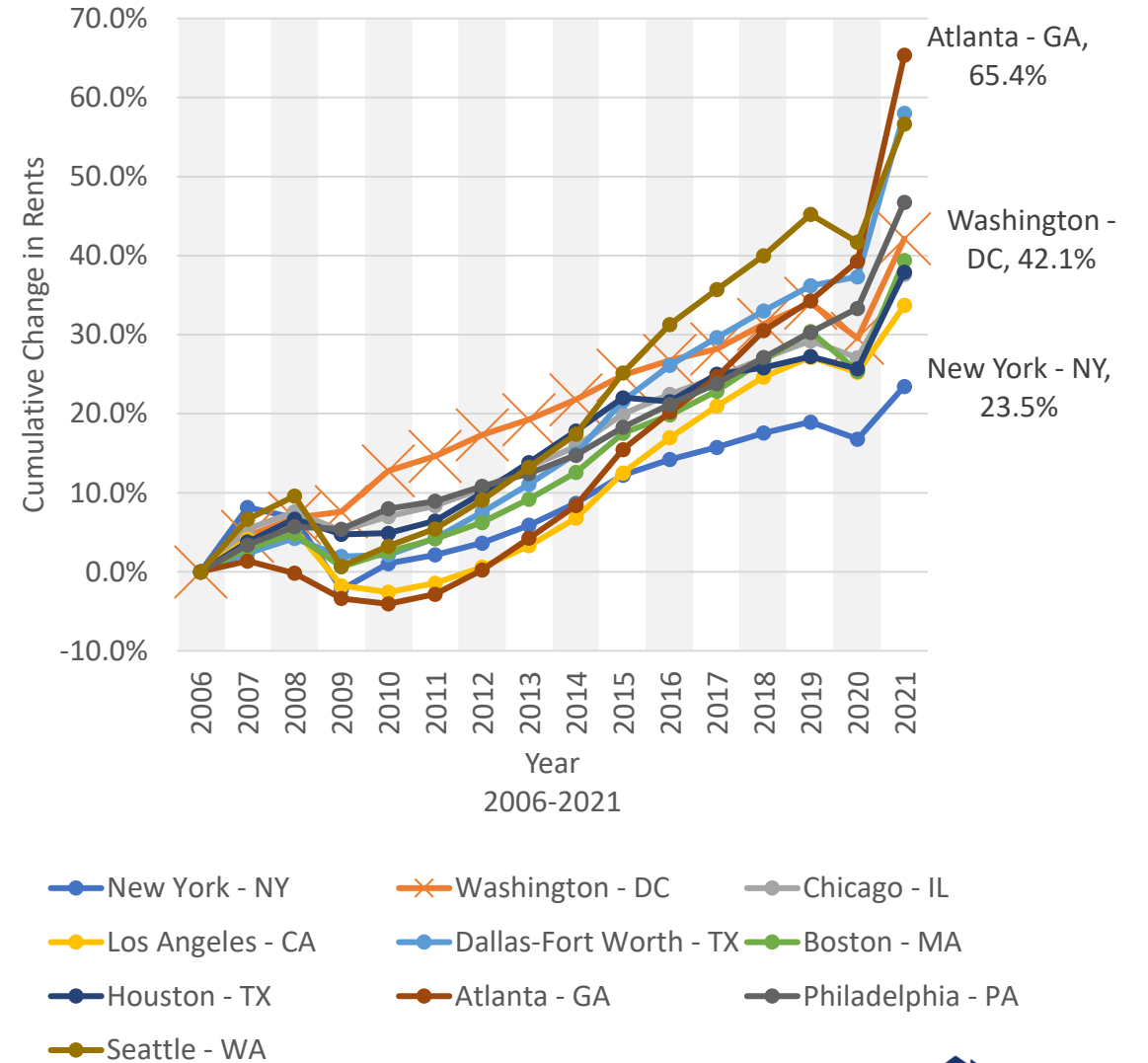
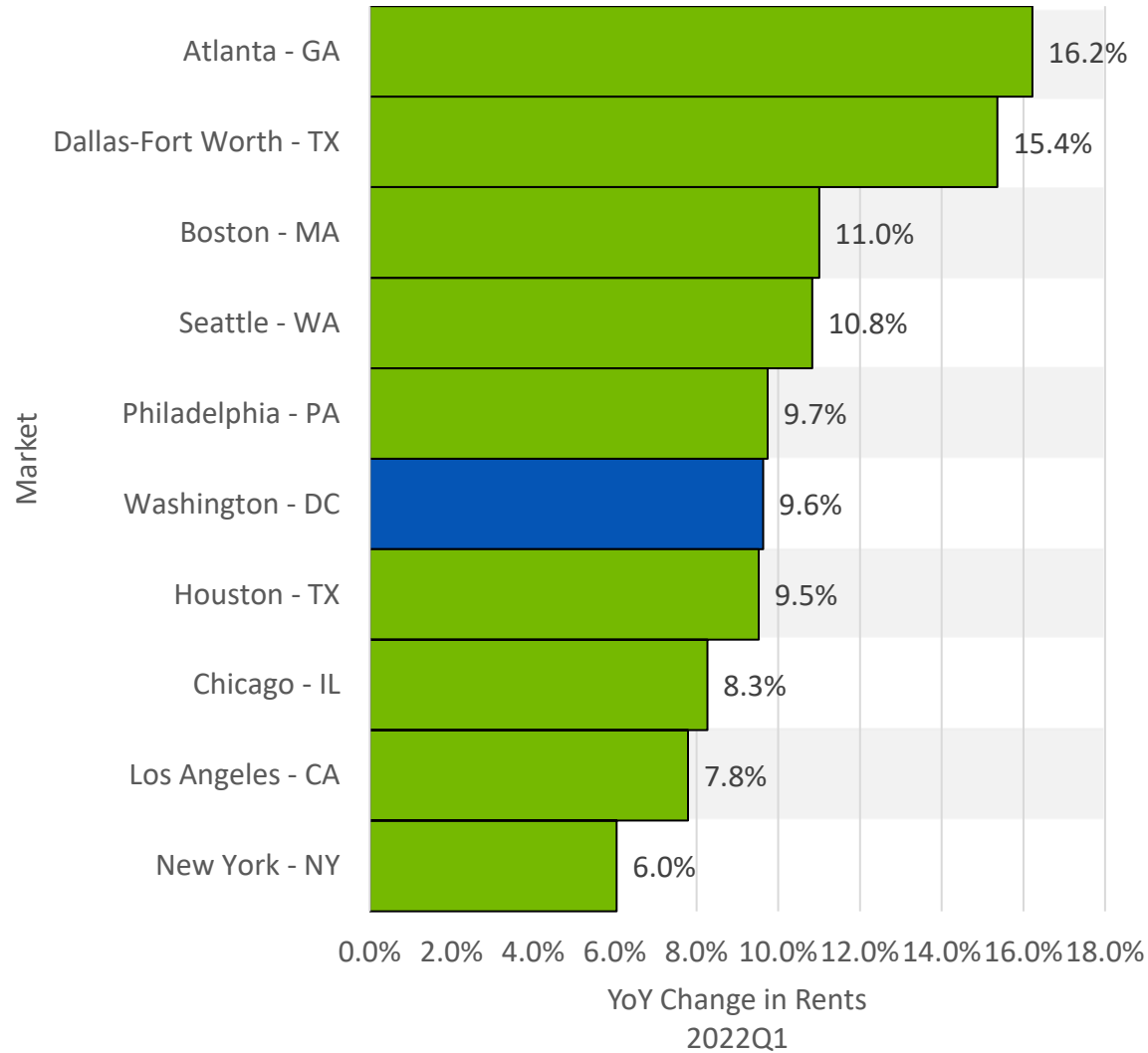
500+ properties and 130,000+ units since 2010



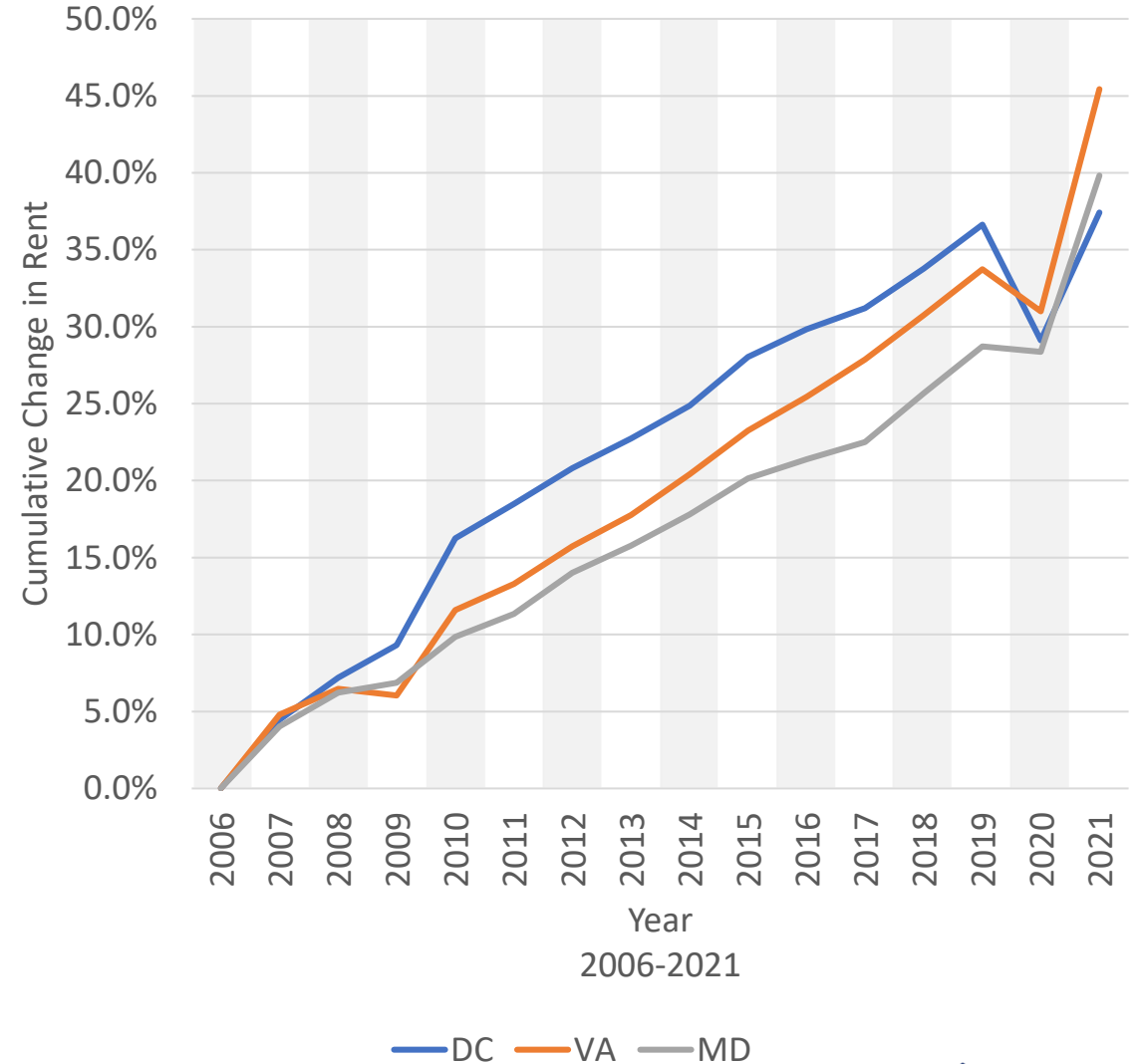
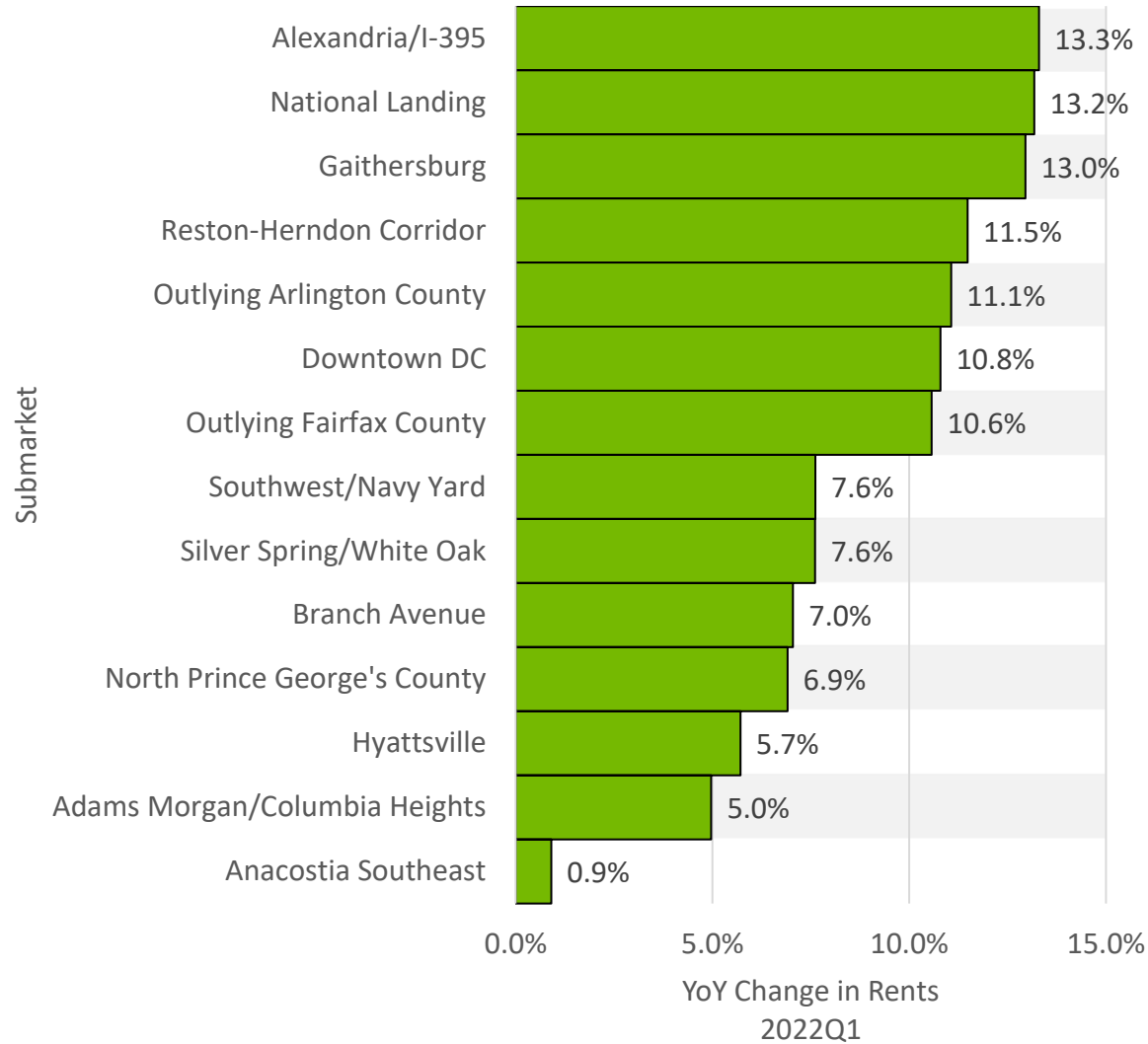
District development shifting east



Washington emerged as a premier multifamily market in the past decade

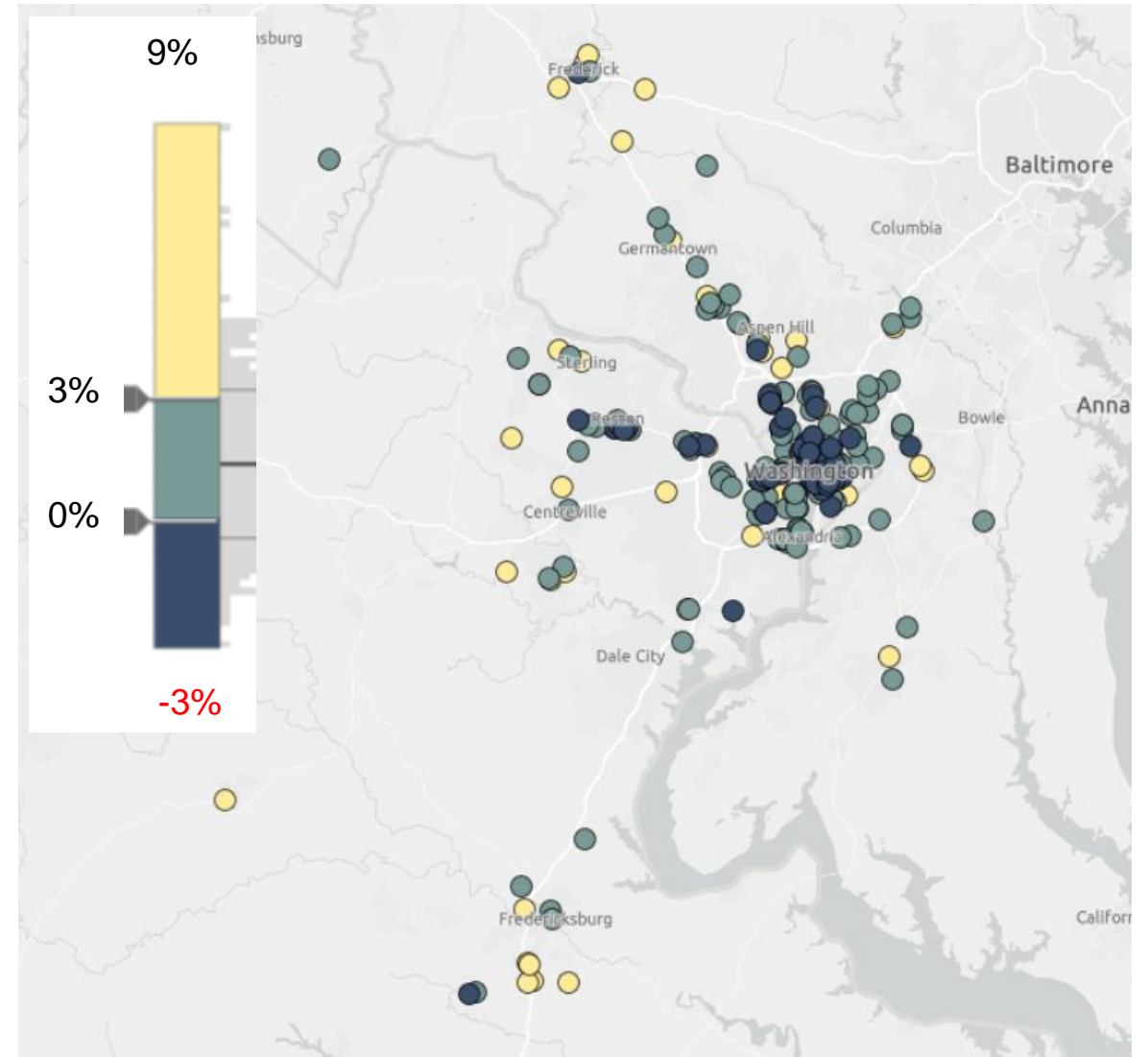


Amazon potential still a cause for optimism and rent increases

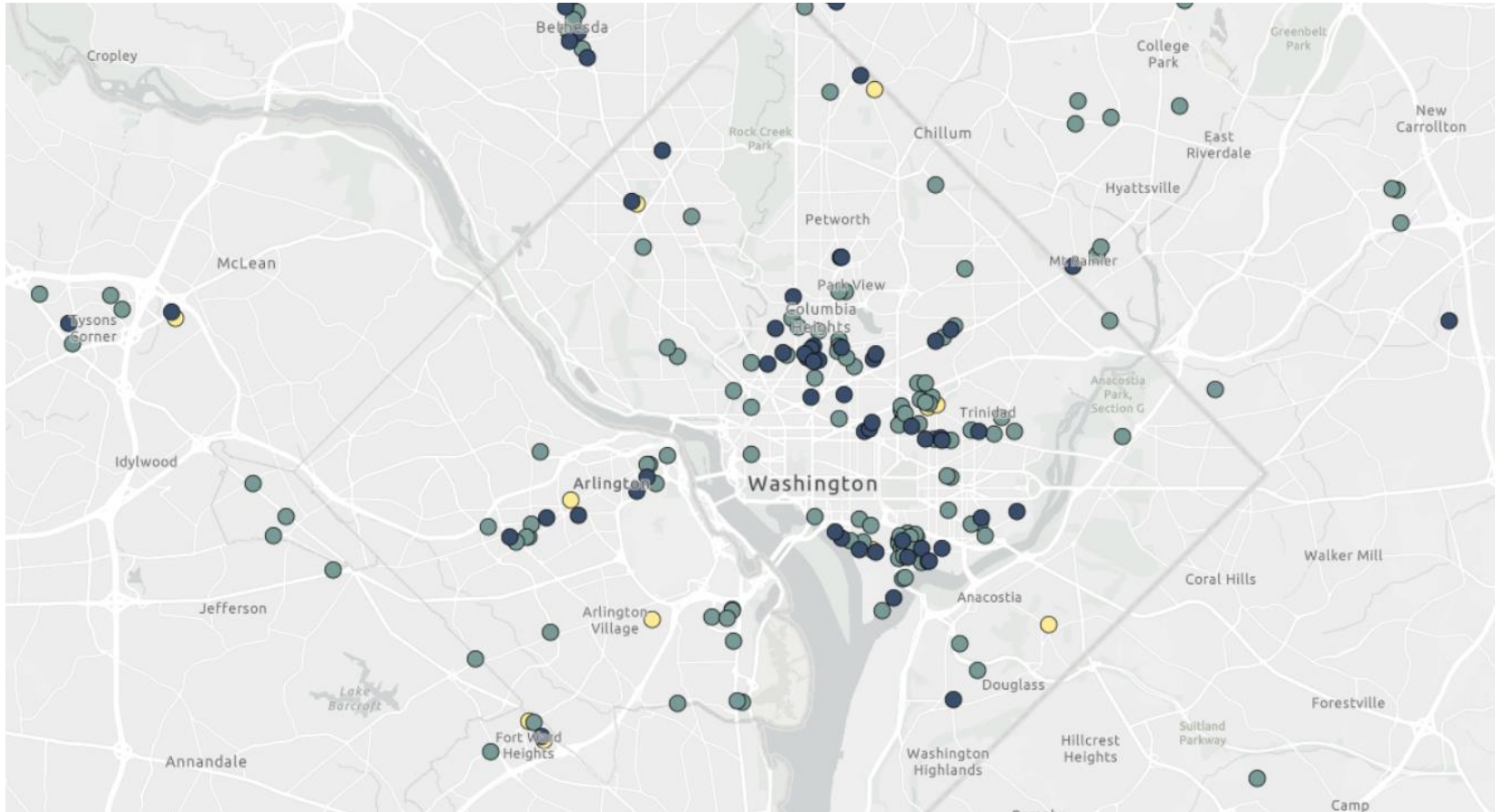


Suburban properties show the strongest annualized rent growth

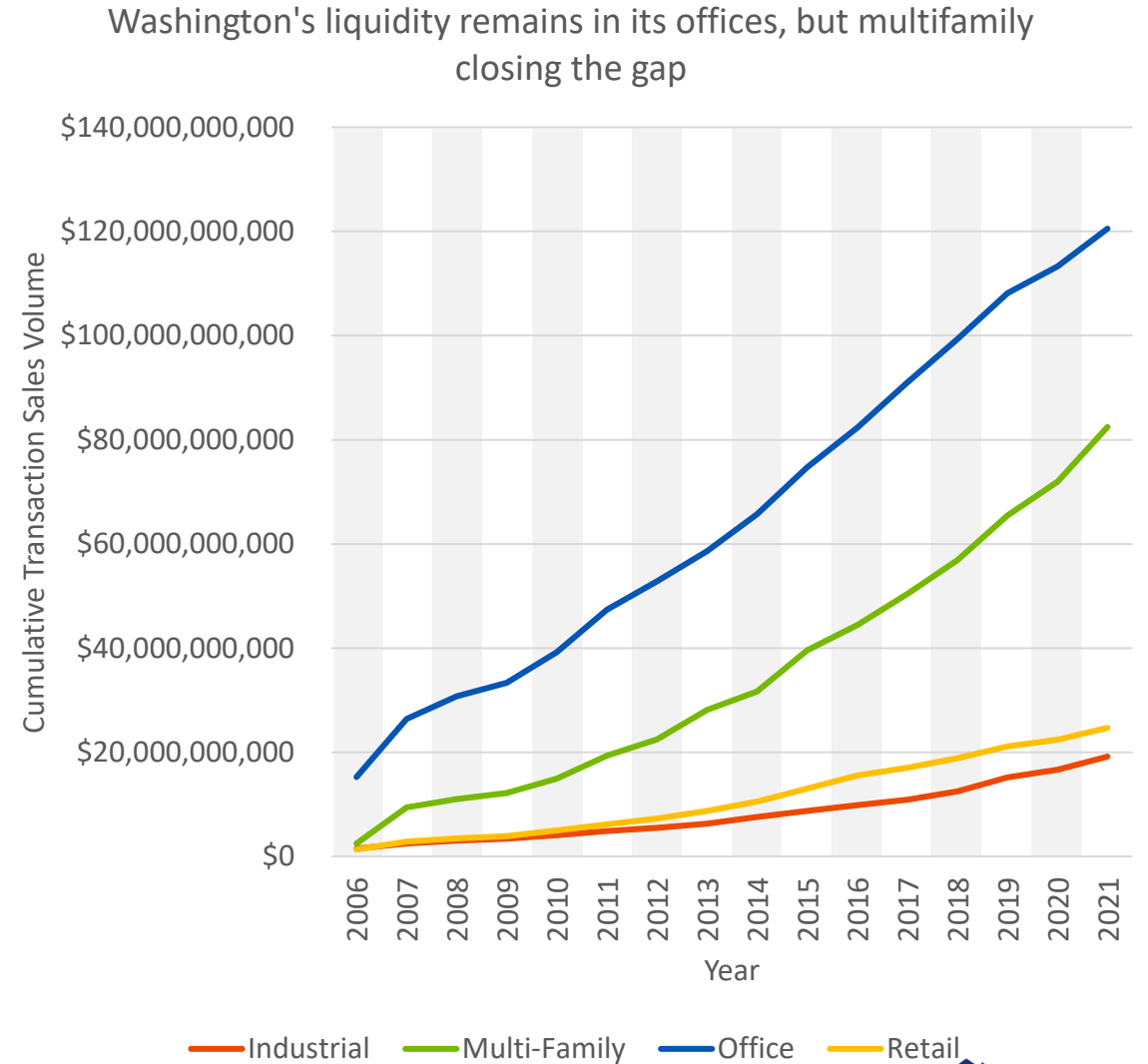
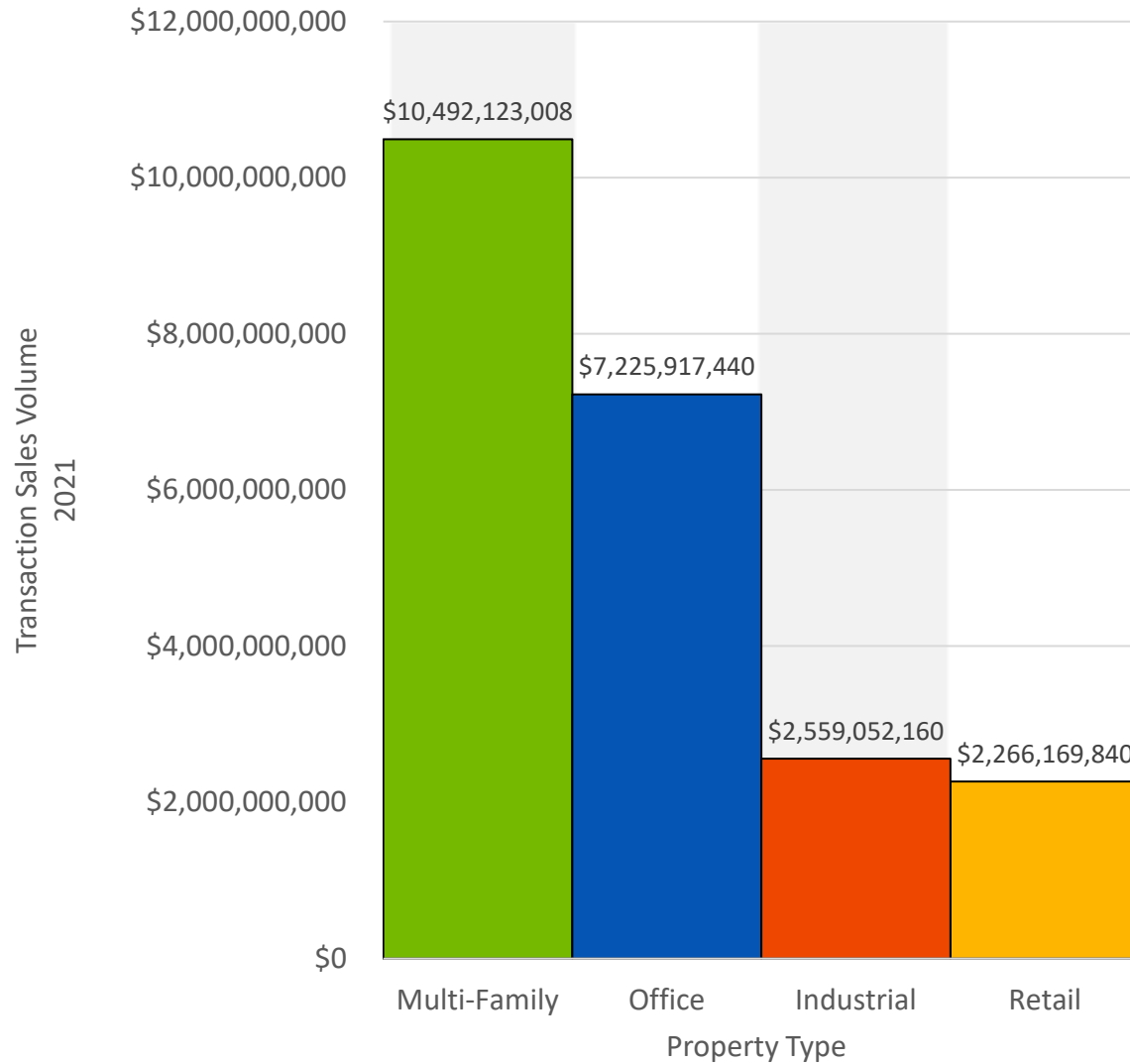
Submarket Name	ANNUALIZ		
Frederick County	5.1%	Falls Church/Vienna	1.9%
Spotsylvania	4.8%	North Bethesda	1.9%
Fredericksburg	4.8%	Jefferson County	1.8%
Stafford County	4.6%	Calvert County	1.7%
Outlying South	4.4%	Clarke County	1.7%
Charles County	4.4%	Outlying Arlington County	1.6%
Leesburg	3.8%	Reston-Herndon Corridor	1.5%
Manassas/Gainesville	3.8%	Old Town/Potomac Yard	1.4%
Dulles Greenway	3.6%	Ballston	1.4%
Ashburn/Sterling	3.5%	Lower Northeast	1.4%
McLean/Great Falls	3.4%	Silver Spring/White Oak	1.4%
Potomac	3.3%	Tysons Corner	1.4%
Woodbridge/I-95 Corridor	3.3%	Anacostia Southeast	1.3%
Gaithersburg	3.1%	Wheaton/Kensington	1.3%
Branch Avenue	2.9%	Georgetown/Wisconsin Ave	1.2%
Capitol Heights/Largo	2.7%	H Street/NoMa	1.2%
South Prince George's County	2.7%	Fauquier County	1.1%
Outlying Fairfax County	2.7%	National Landing	1.0%
Outlying Montgomery County	2.7%	Outlying Loudoun County	1.0%
North Prince George's County	2.6%	Warren County	1.0%
Annandale	2.6%	Rosslyn	0.9%
Alexandria/I-395	2.5%	Connecticut Ave Northwest	0.9%
Fairfax City/Oakton	2.4%	Southwest/Navy Yard	0.9%
Huntington/Springfield	2.3%	Brightwood Fort Totten	0.8%
Rockville	2.3%	Bethesda	0.7%
Greenbelt	2.2%	Capitol Hill	0.7%
Hyattsville	2.1%	Downtown DC	0.7%
		Adams Morgan/Columbia Heights	0.5%



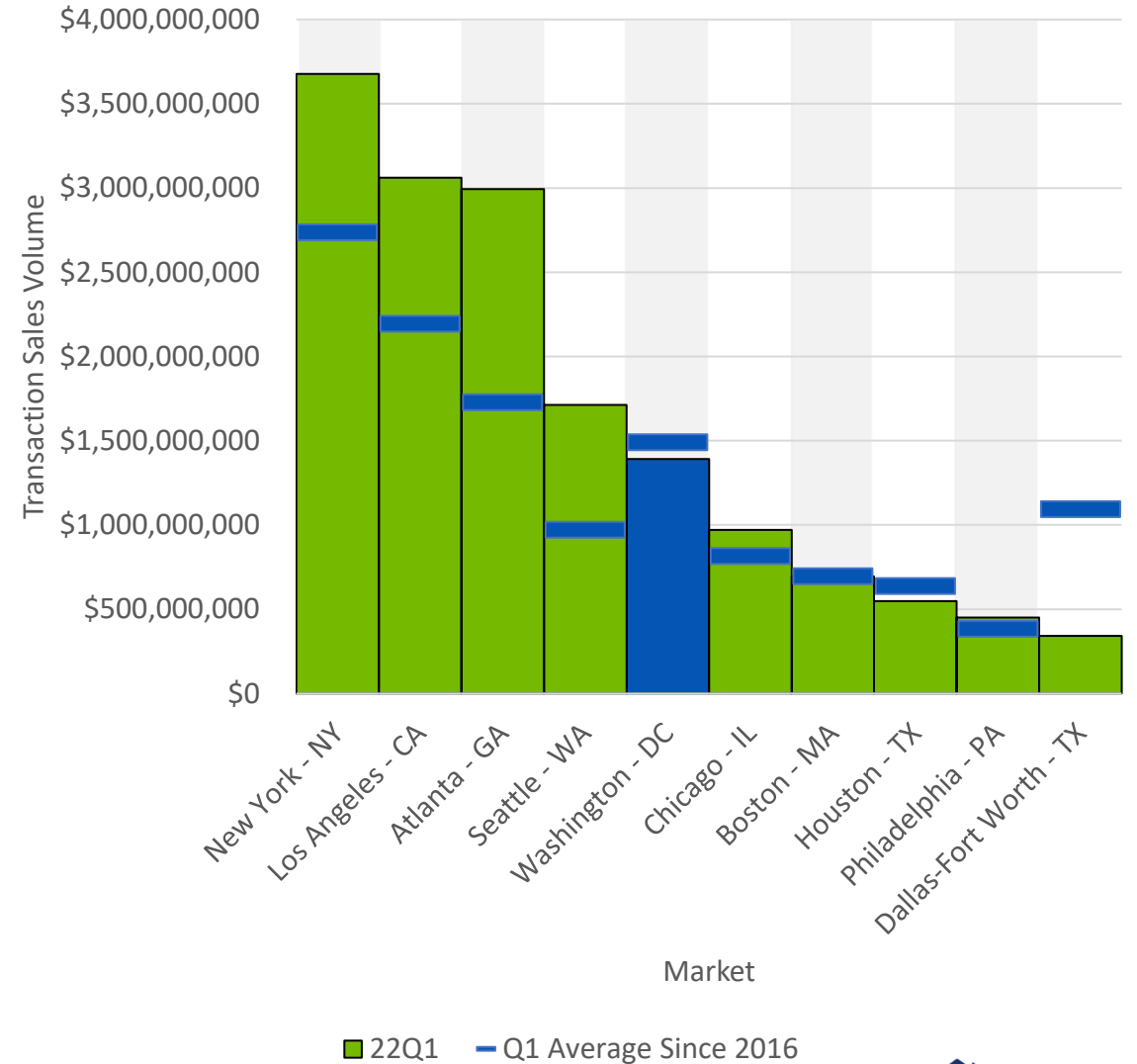
High-supply nodes in downtown DC hampered rent increases



Multifamily emerging as focus of capital allocation



Massive allocation to multifamily last year

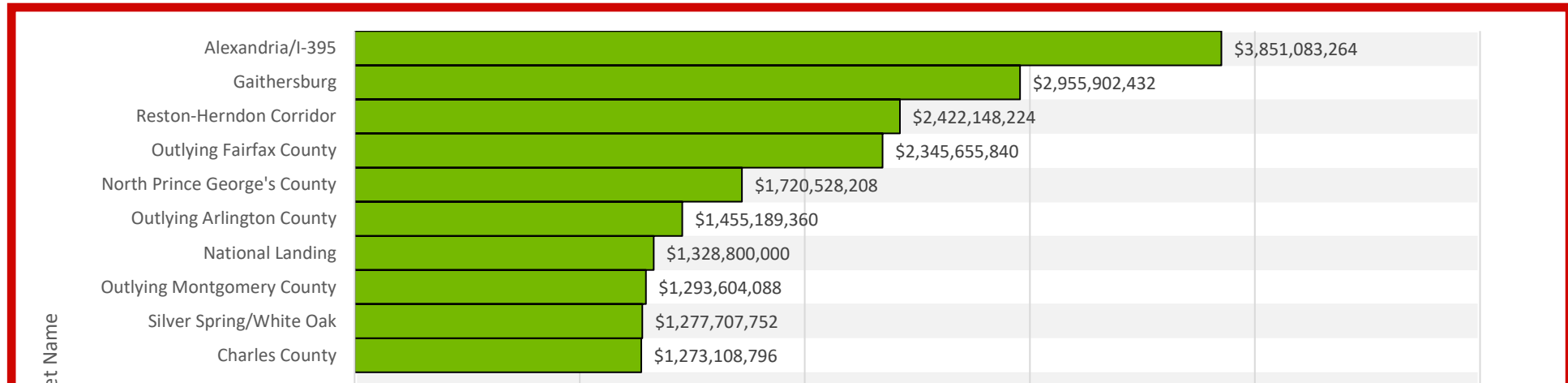


Suburban submarkets dominate investor interest

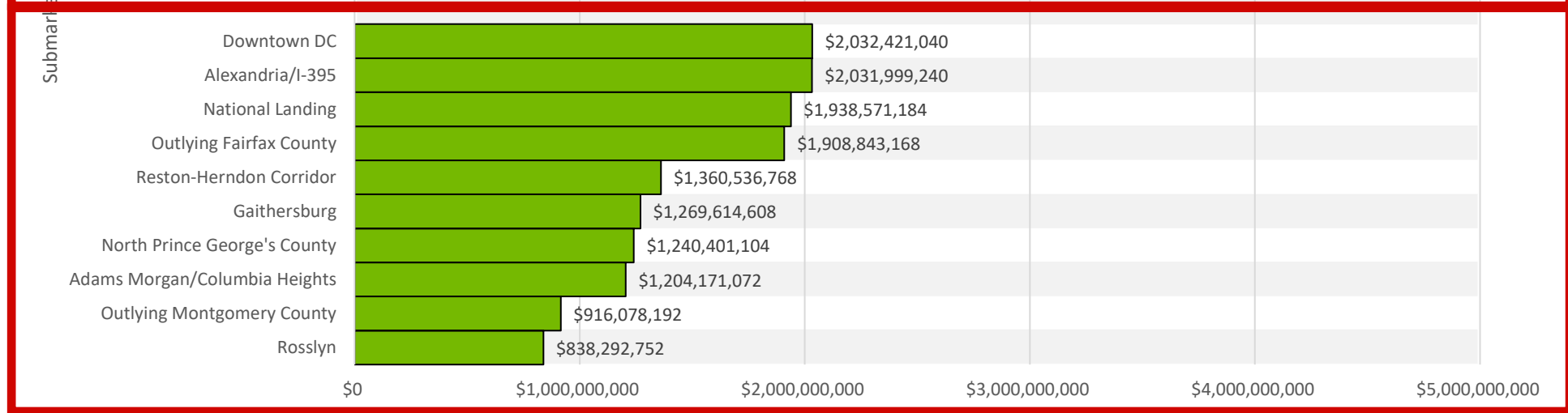


A very different investment market over the past five years

2016-2021



2010-2015



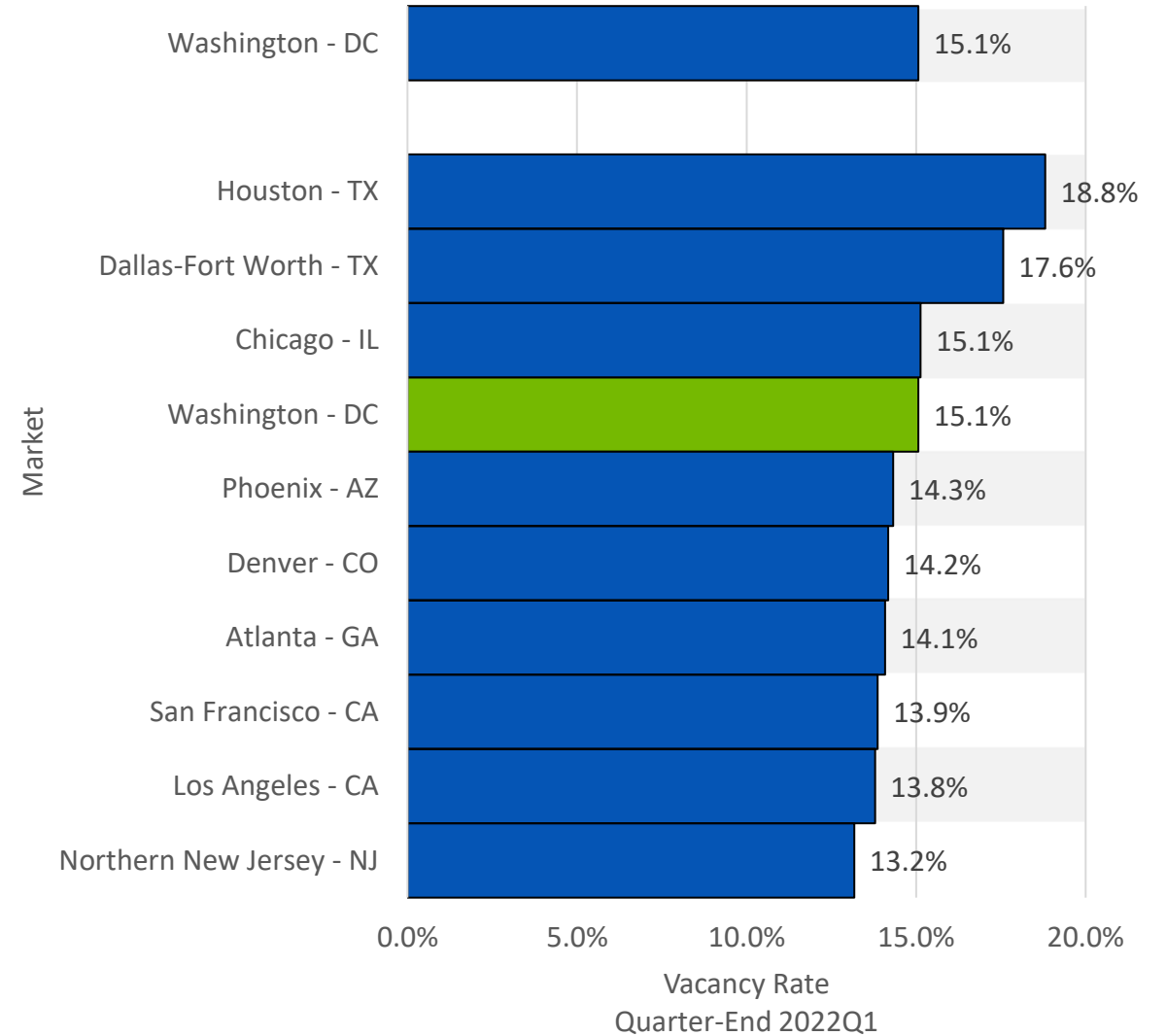
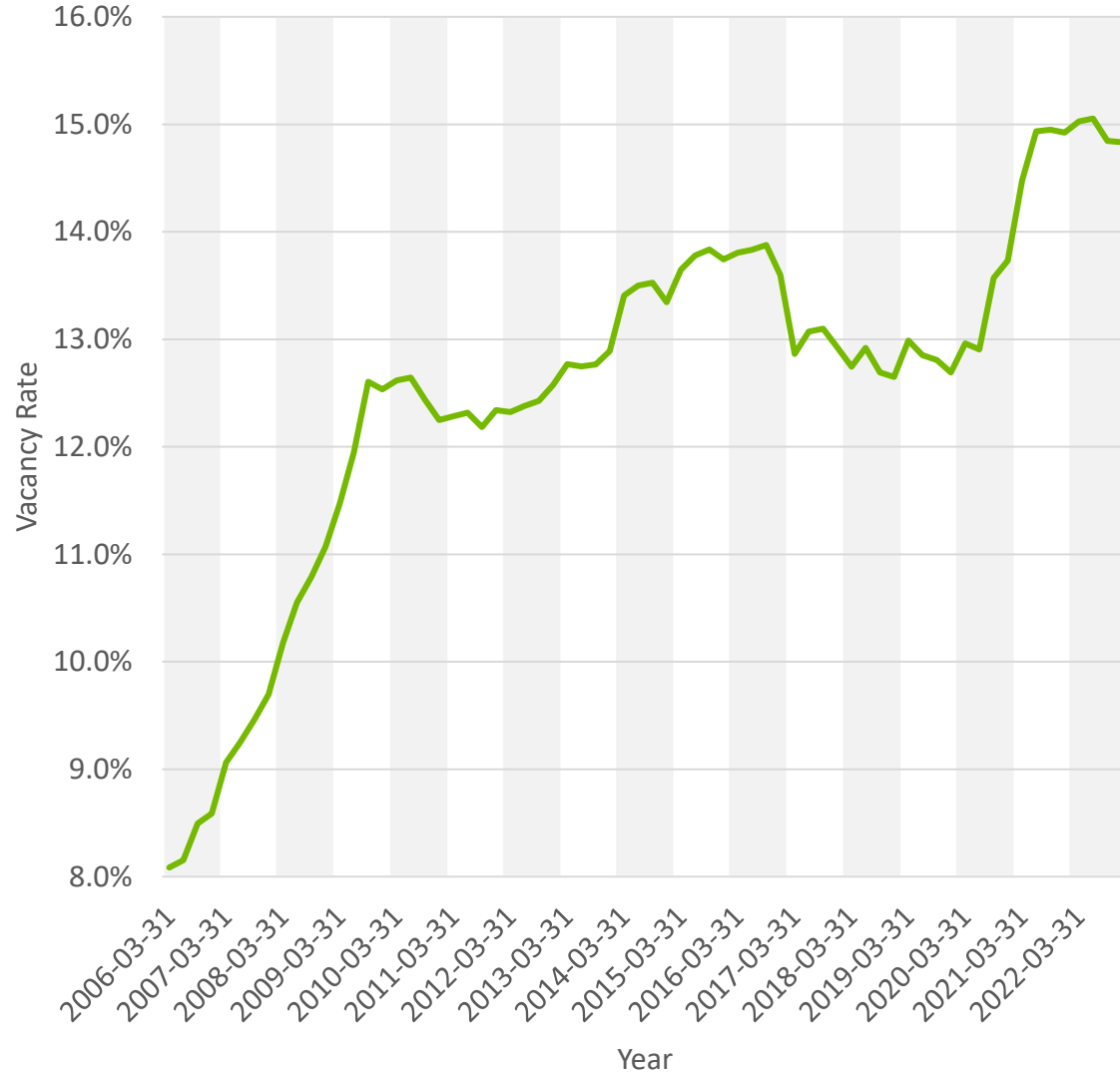
Cumulative Transaction Sales Volume

Buckets:
2021-2016
2020-2015

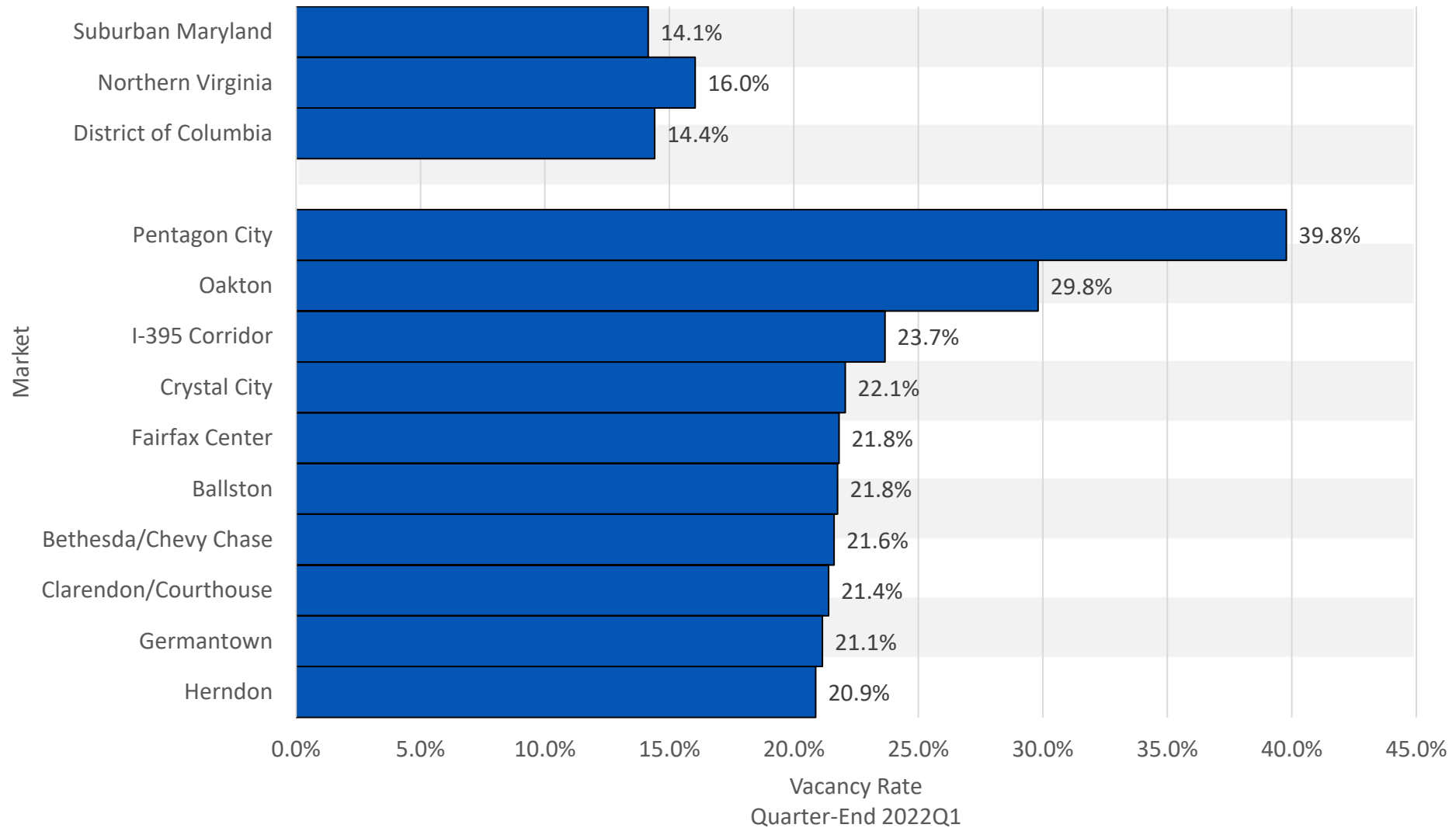
Office



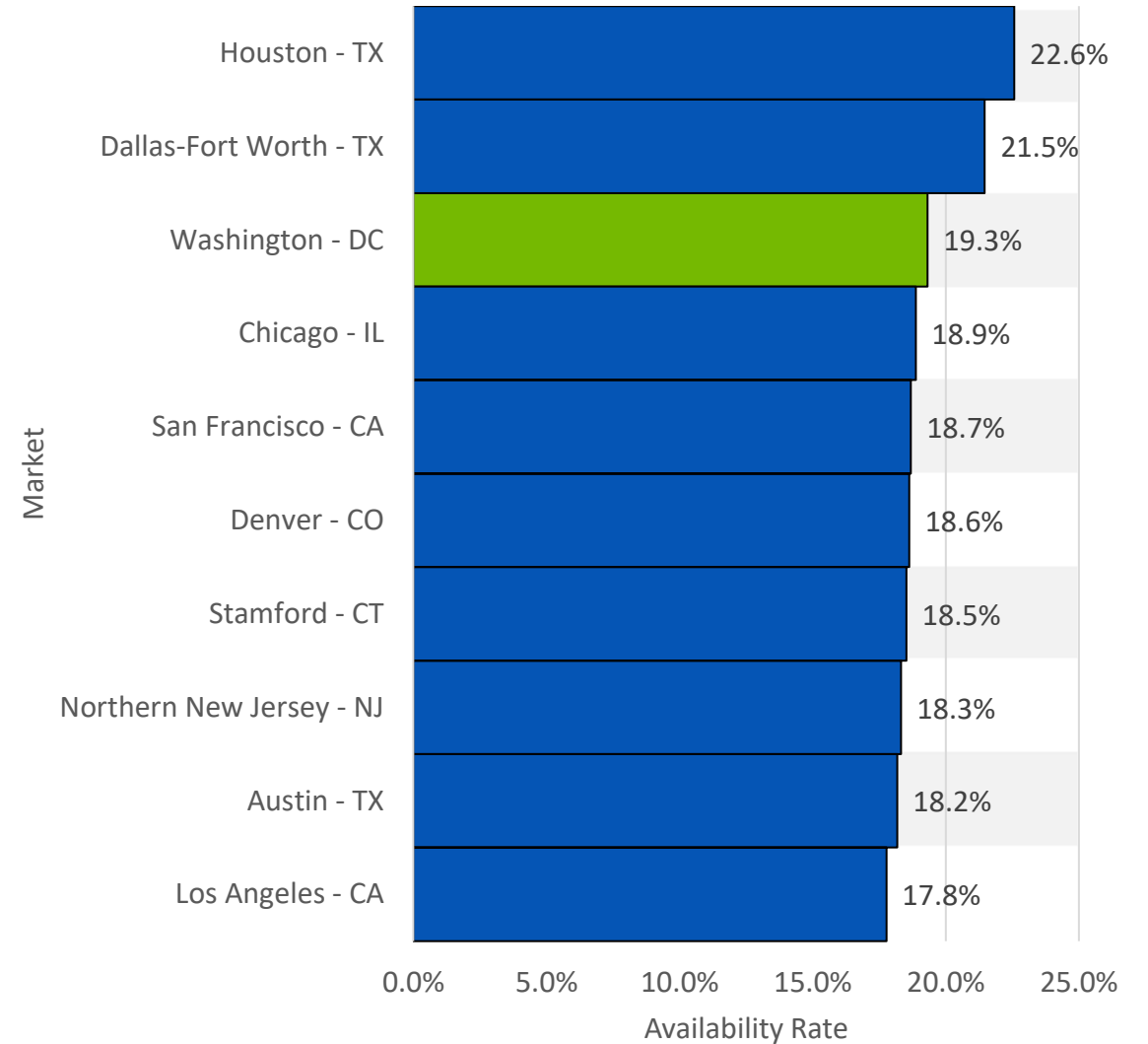
Washington's vacancy rate at peak levels



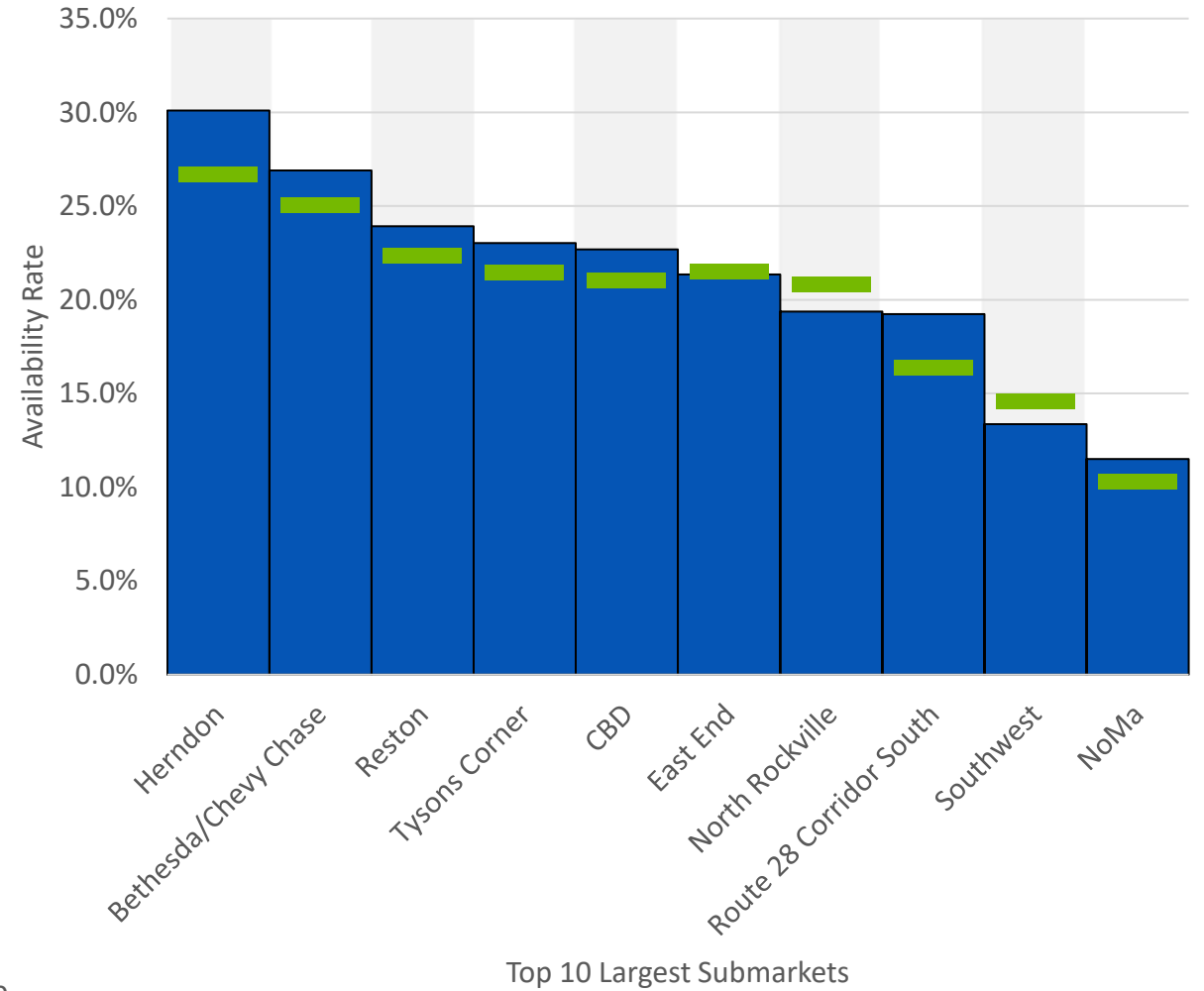
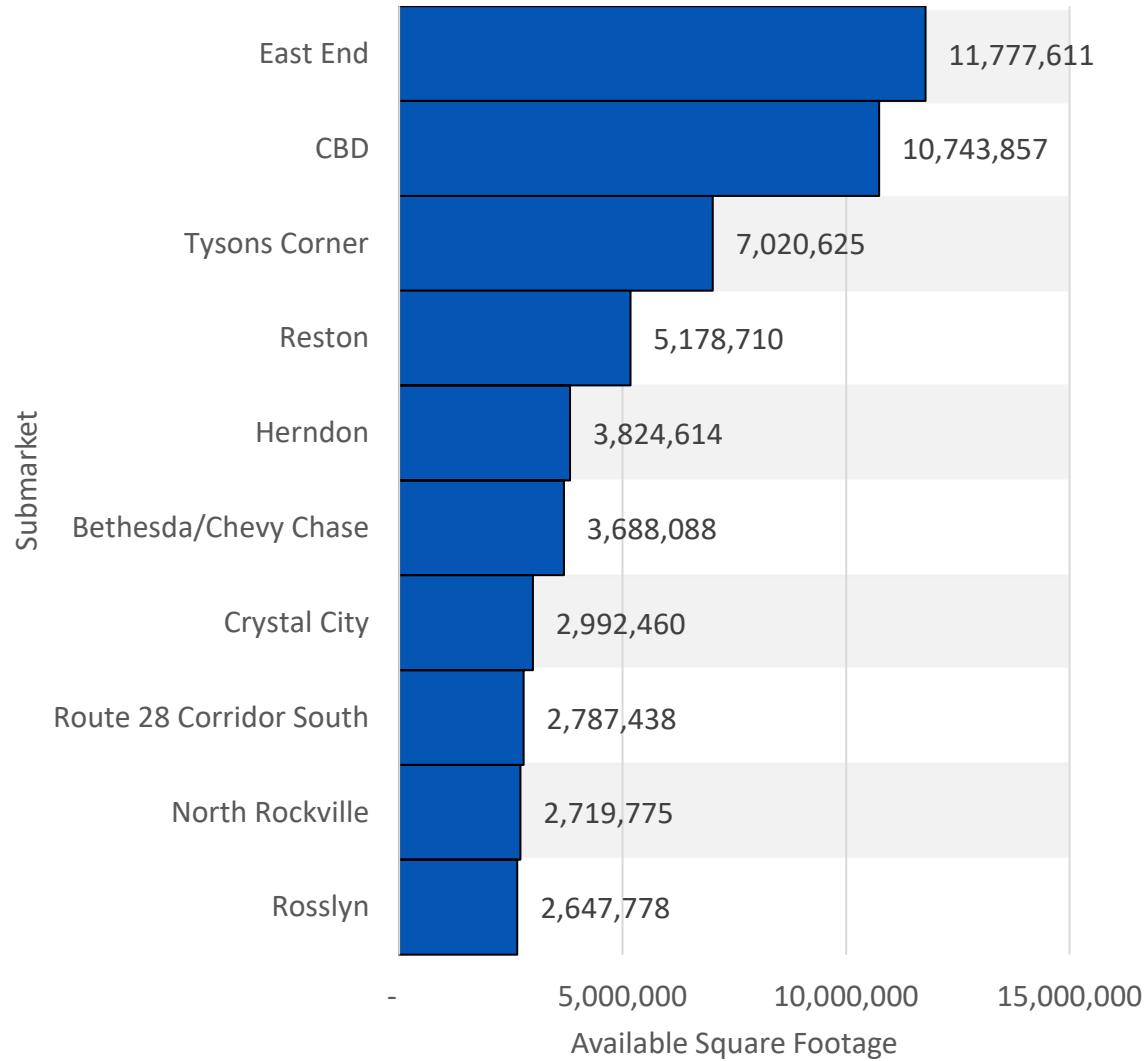
Empty suburban offices weigh on submarket vacancies in NoVa



Space is available in the millions throughout the country

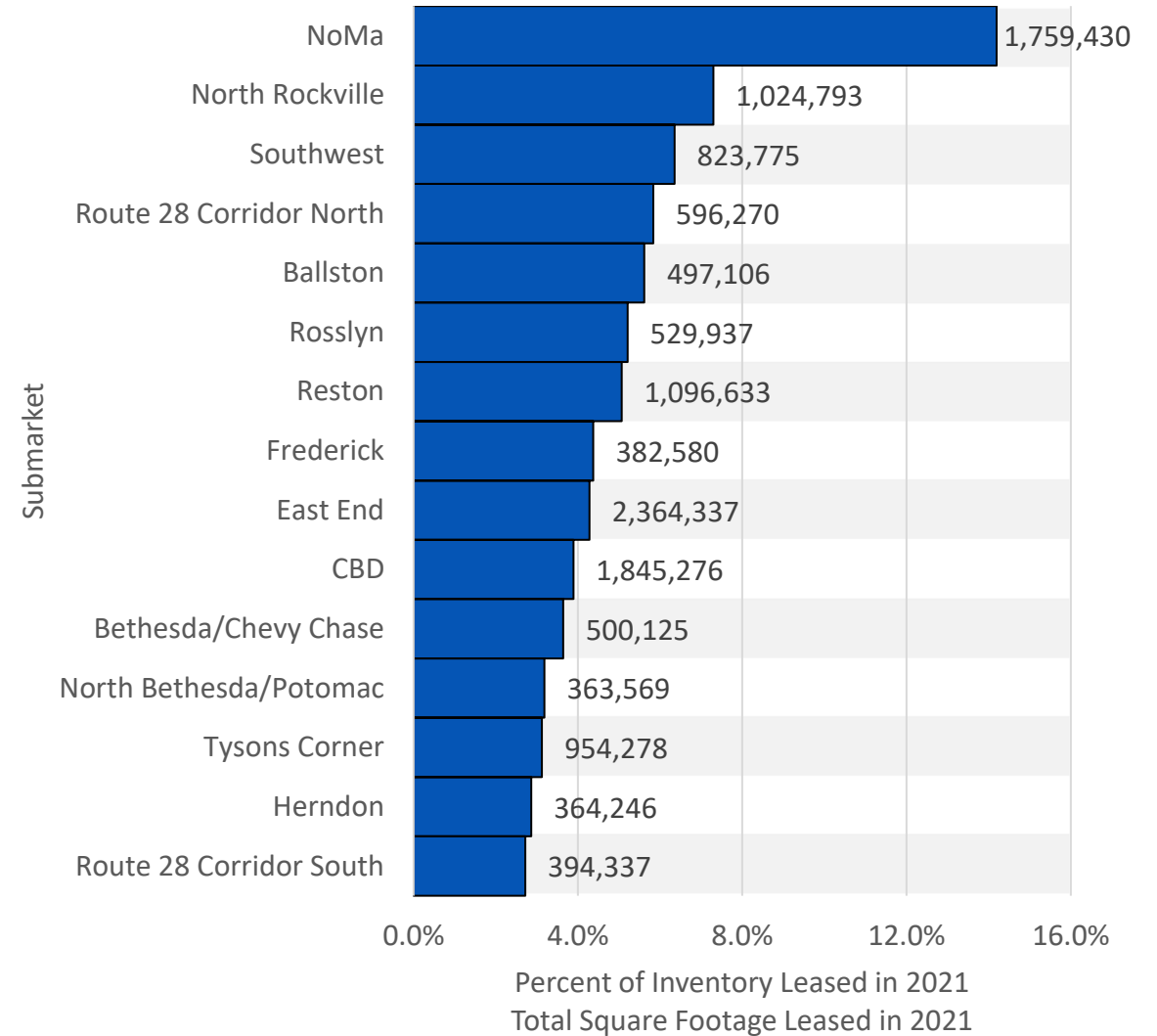
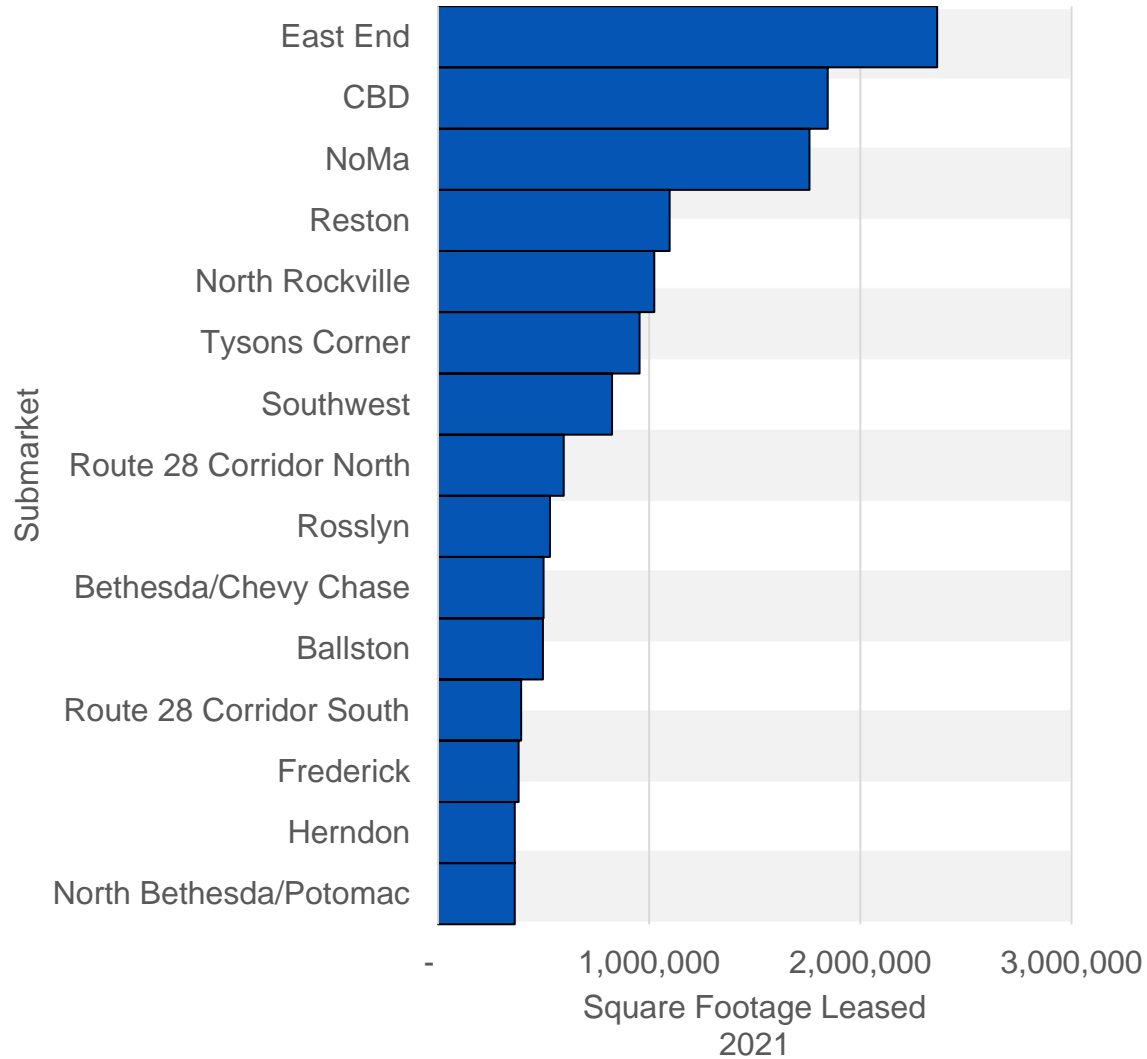


Largest submarkets offering the most space available



■ Availability Rate, 2022Q1 — Availability Rate, 1 Year Ago

Smaller submarkets are seeing a larger share of leasing



DC Deals in 2021



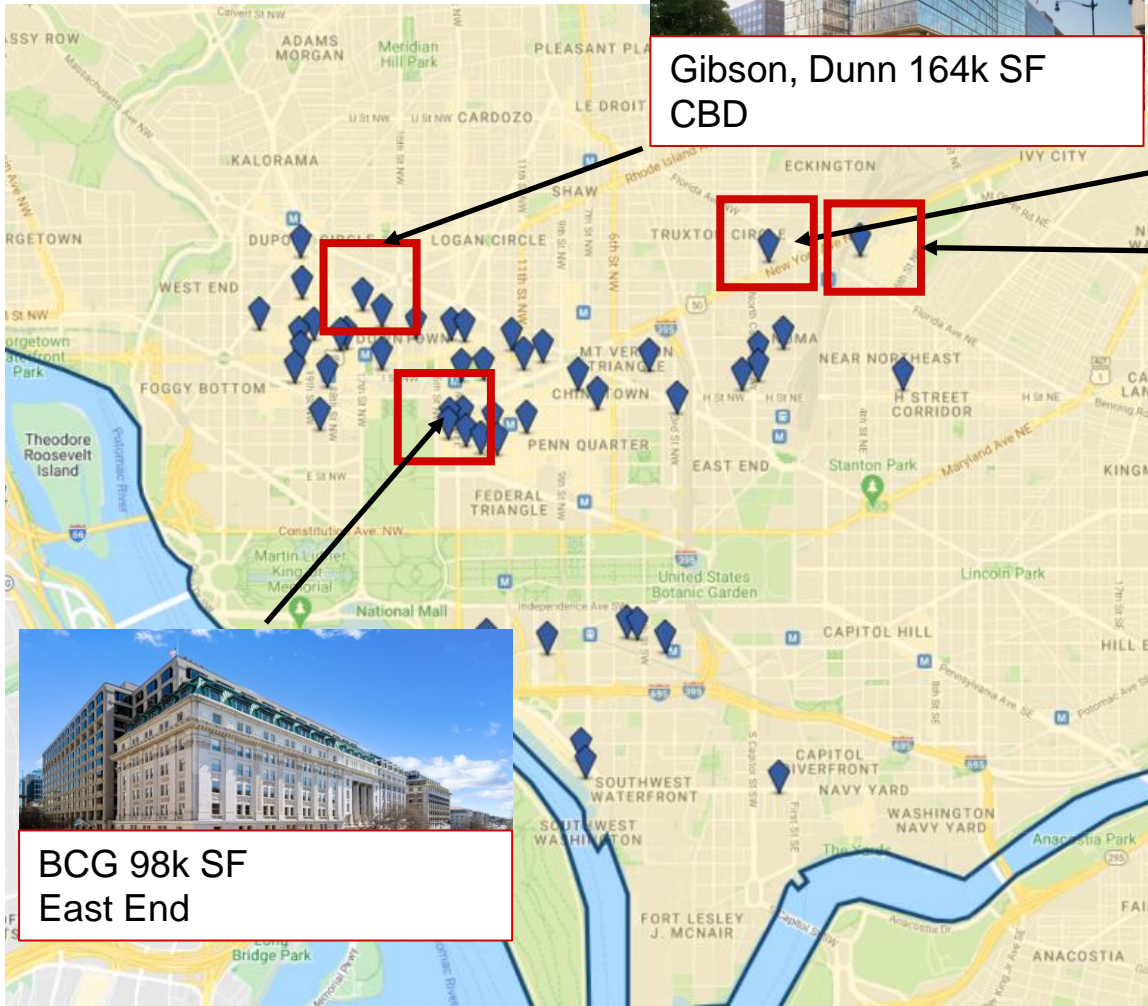
Gibson, Dunn 164k SF
CBD



SEC, 1.2 MSF
NoMa



TikTok, 47k SF
NoMa



BCG 98k SF
East End

NoVA Deals in 2021



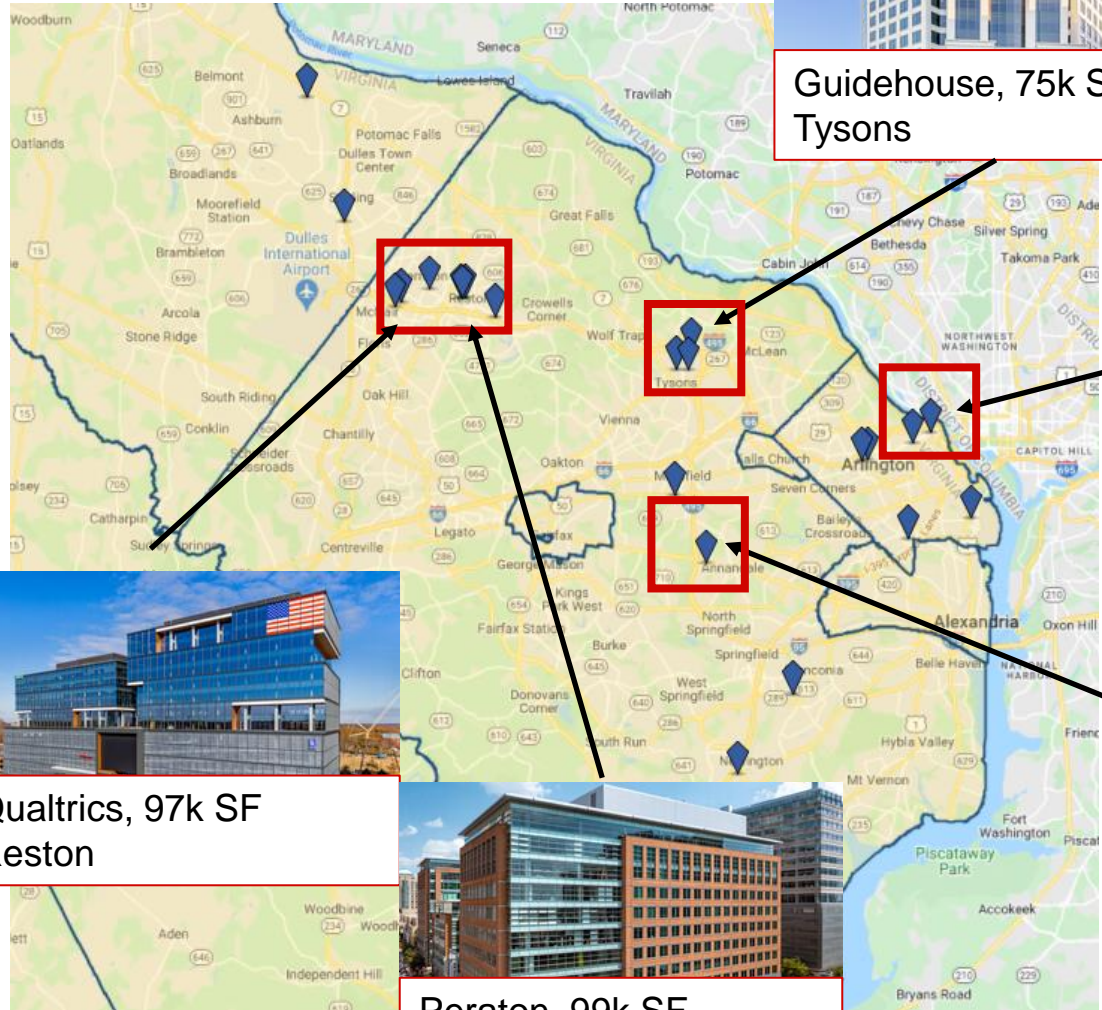
Guidehouse, 75k SF
Tysons



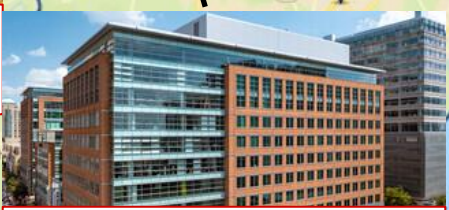
Microsoft, 181k SF
Rosslyn



Blue Origin, 68k SF
Annandale

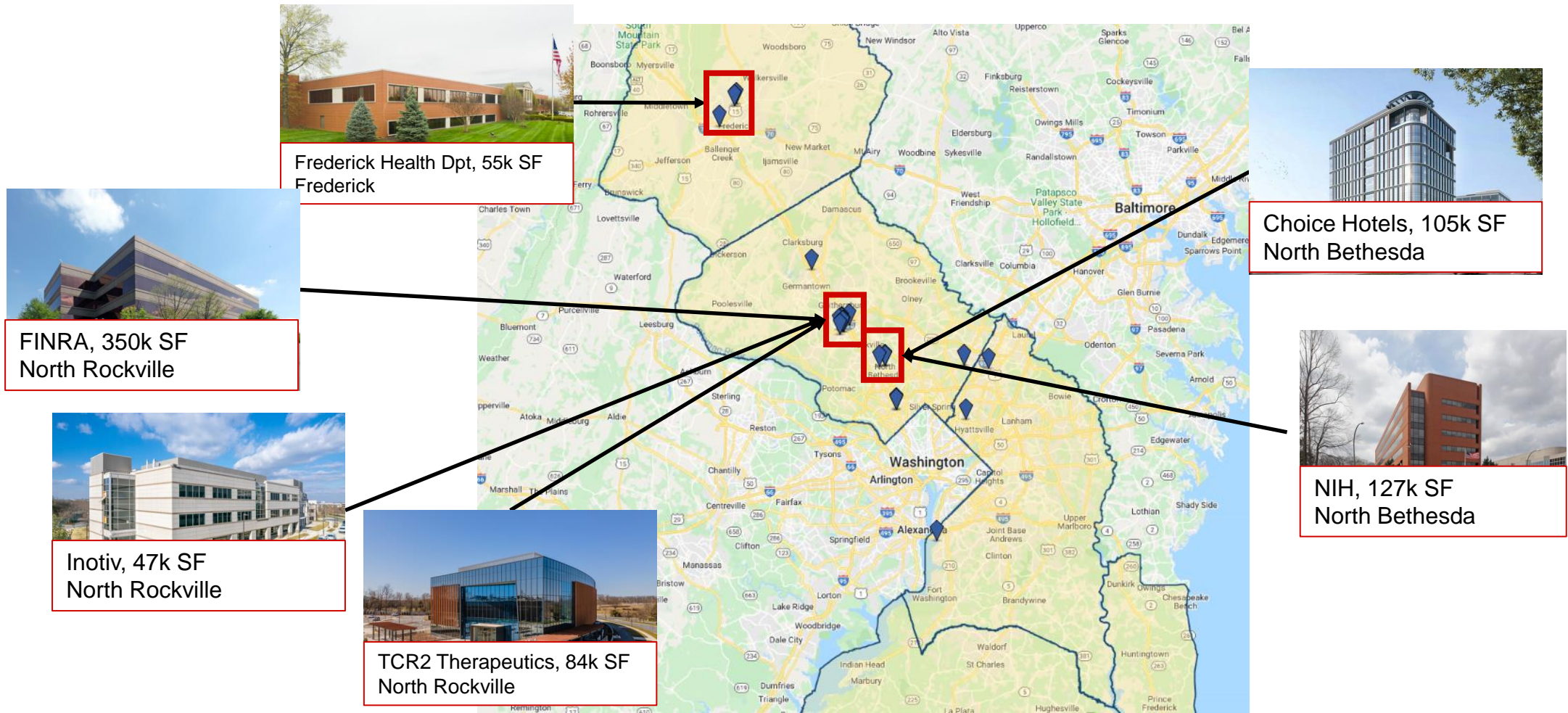


Qualtrics, 97k SF
Reston

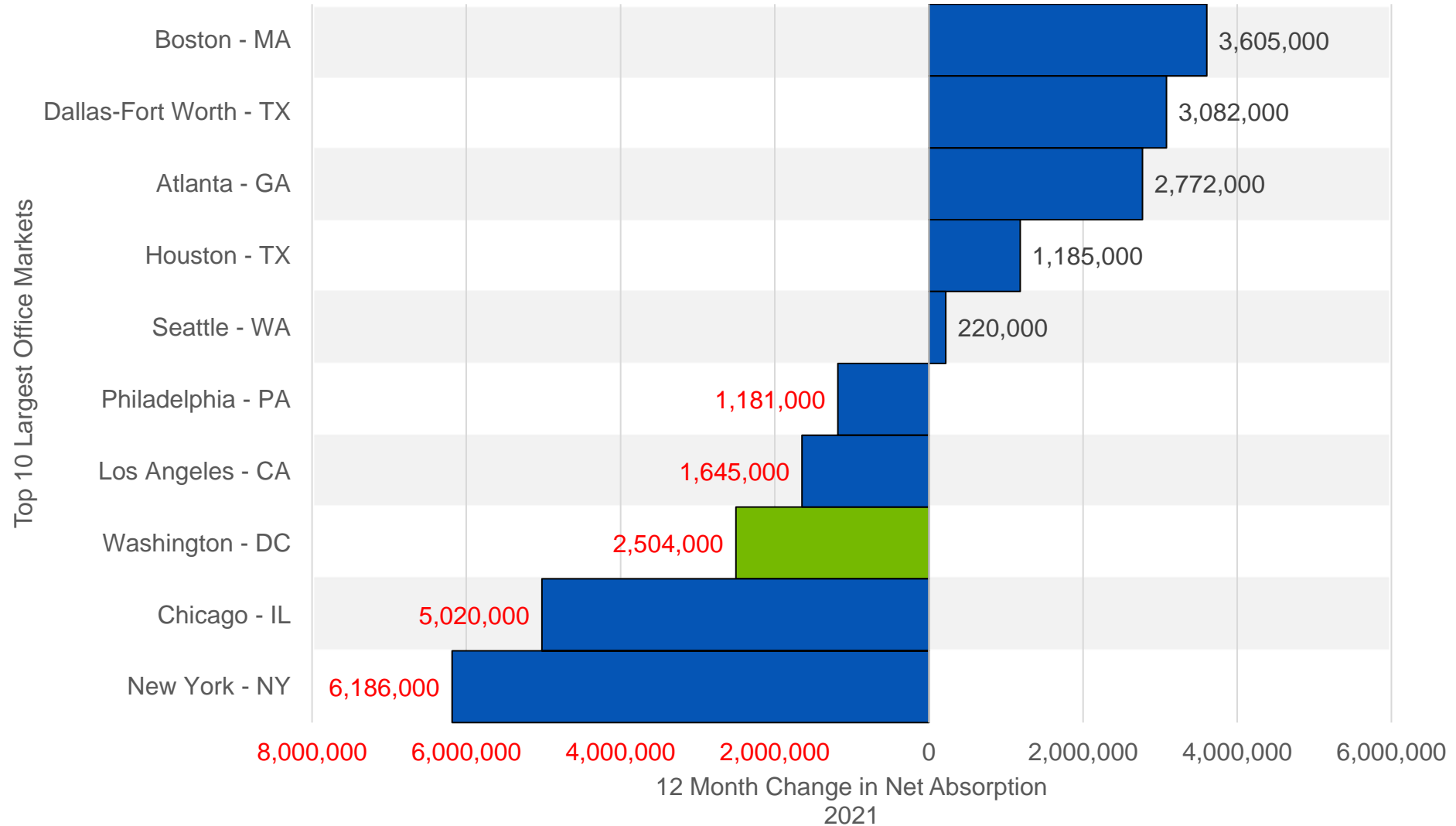


Peraton, 99k SF
Reston

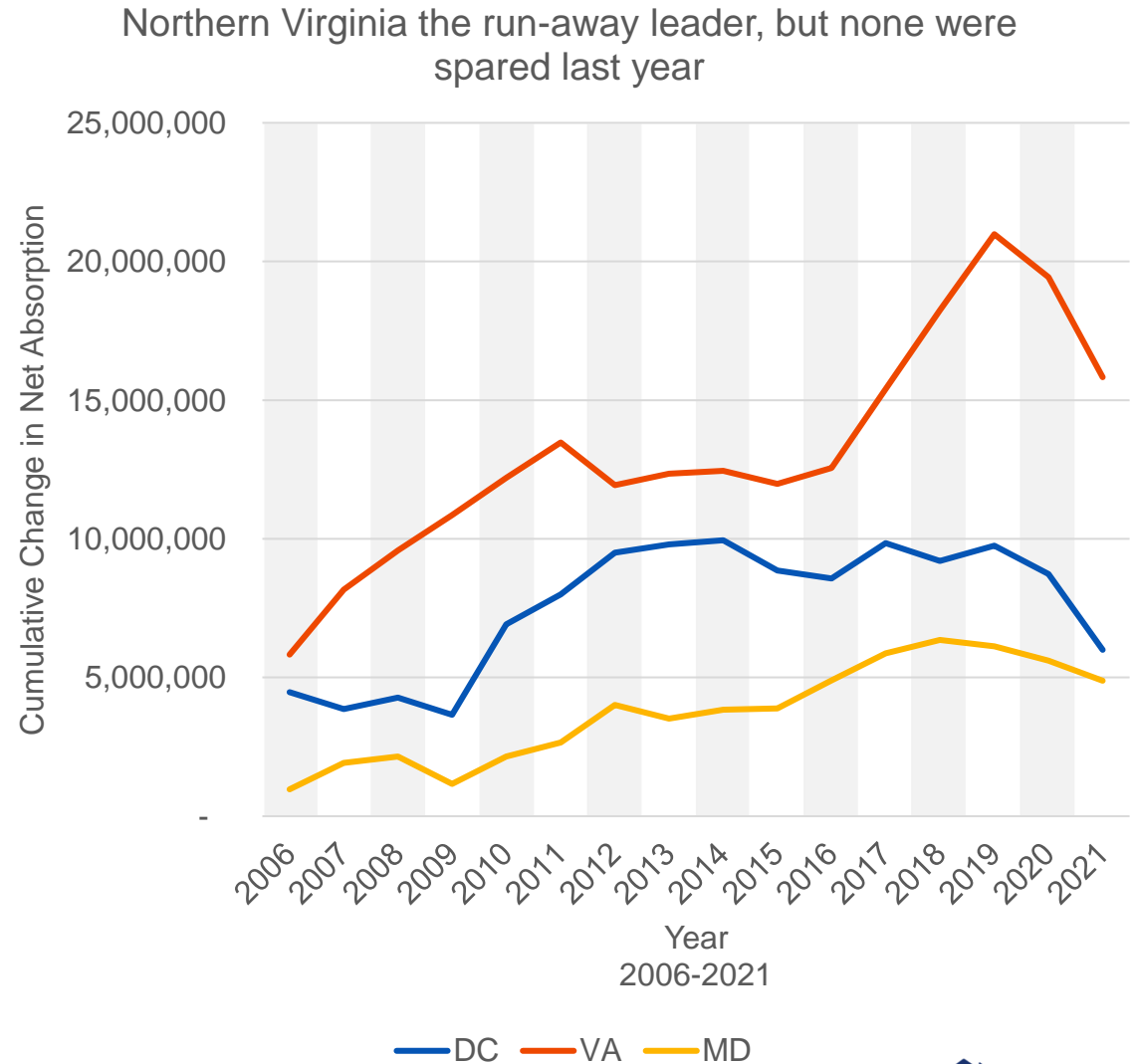
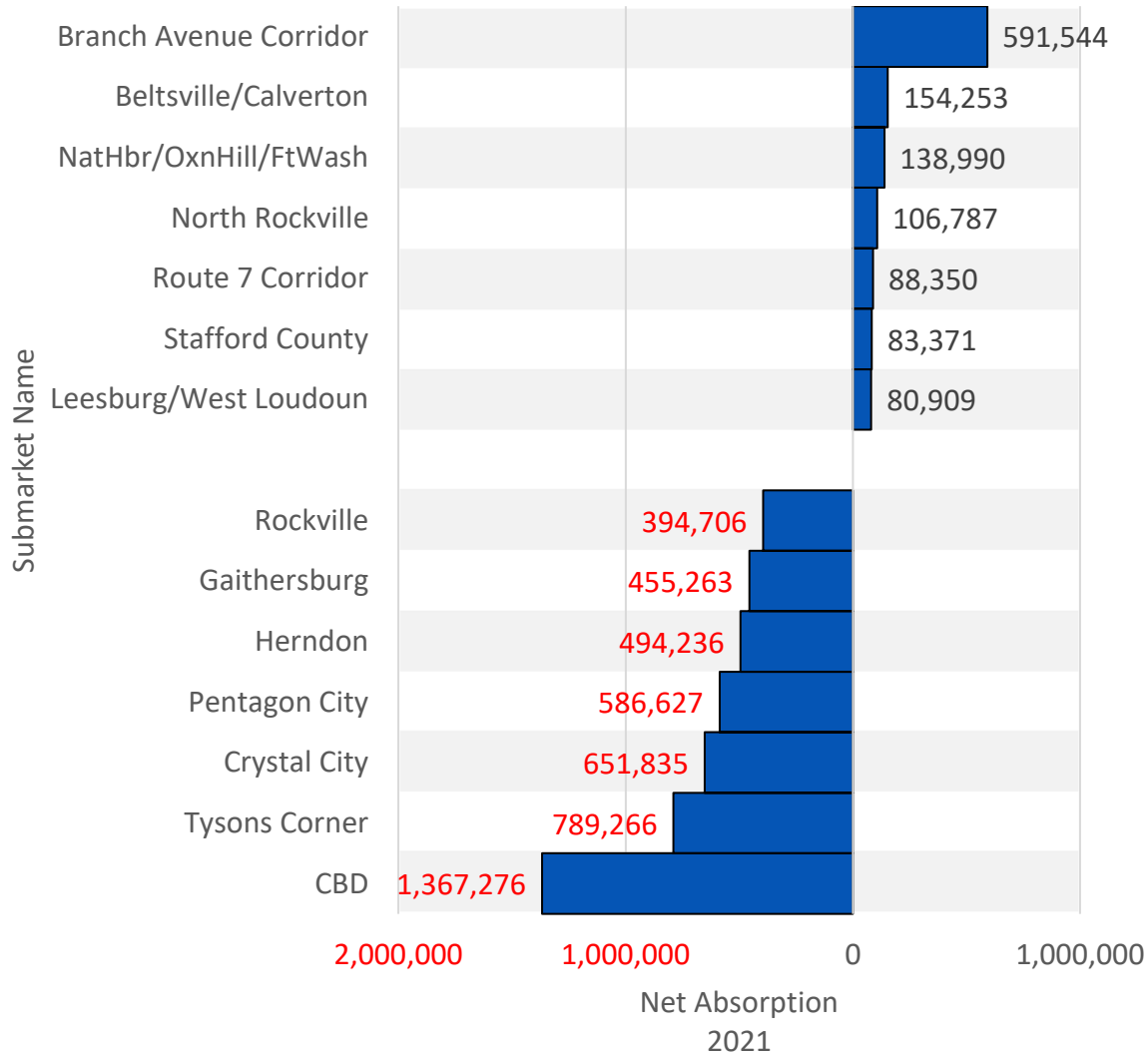
New leases signed in Suburban Maryland in 2021



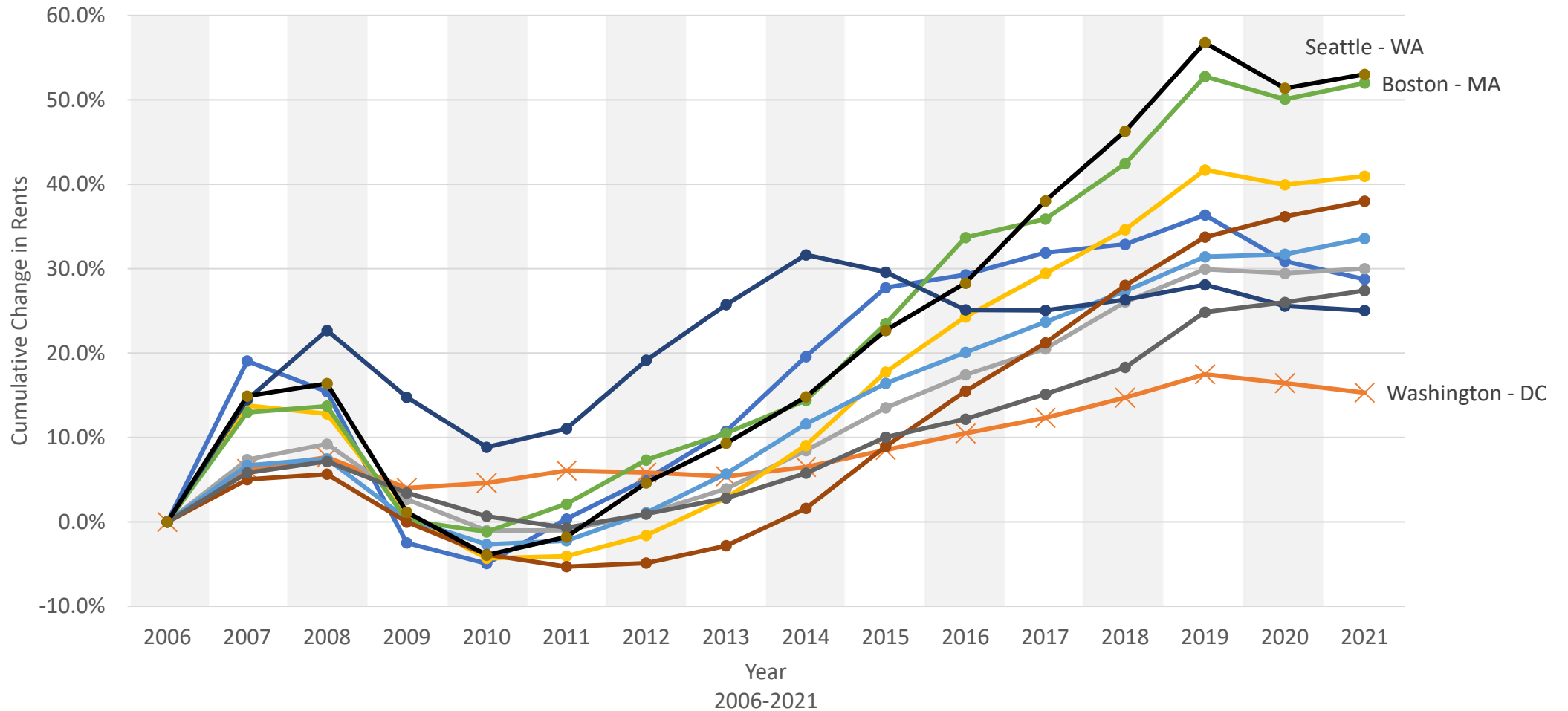
Space is being shed faster than owners can fill



Most of the major submarkets experiencing negative absorption

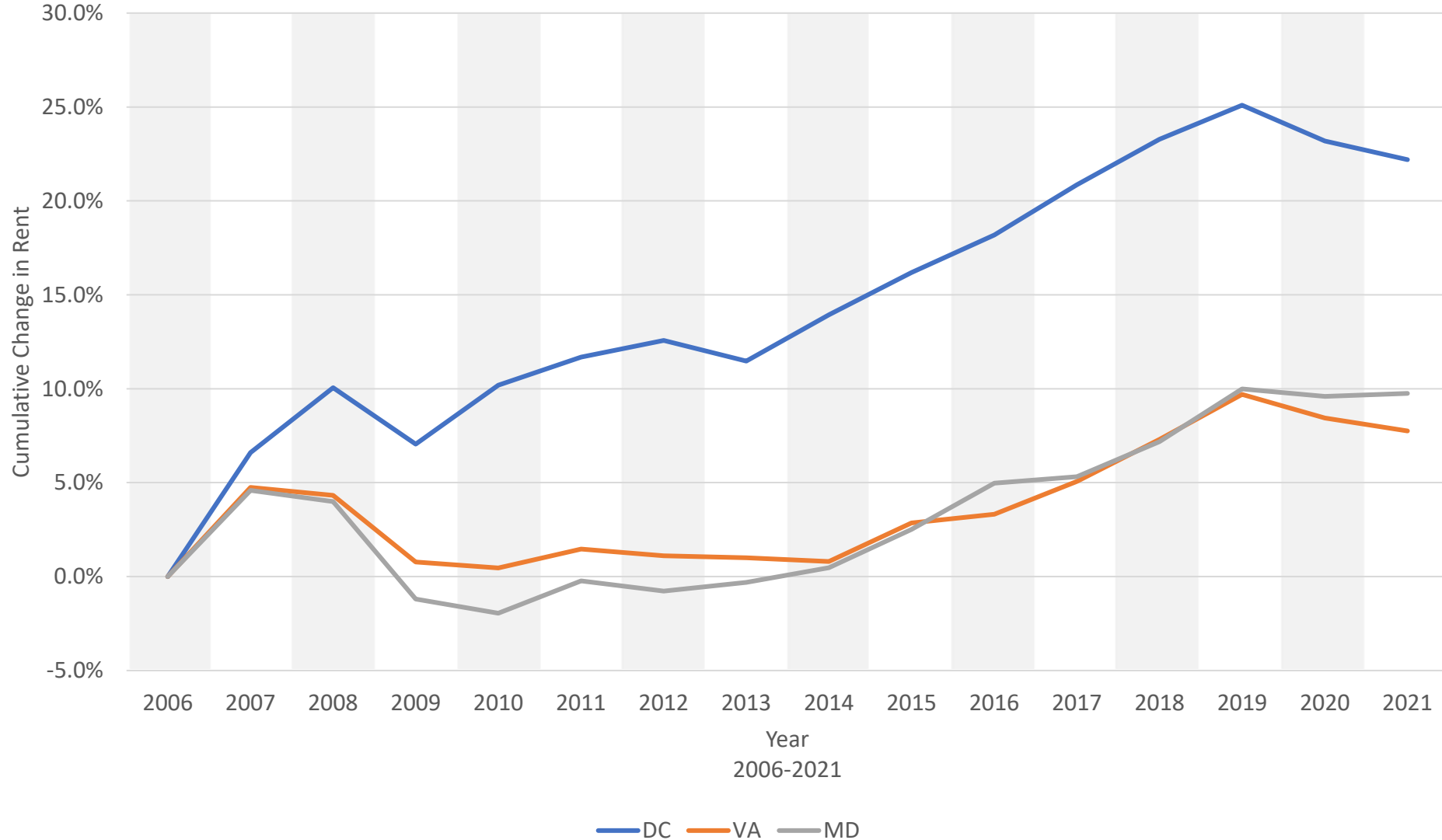


Washington's office rent growth lag the largest markets

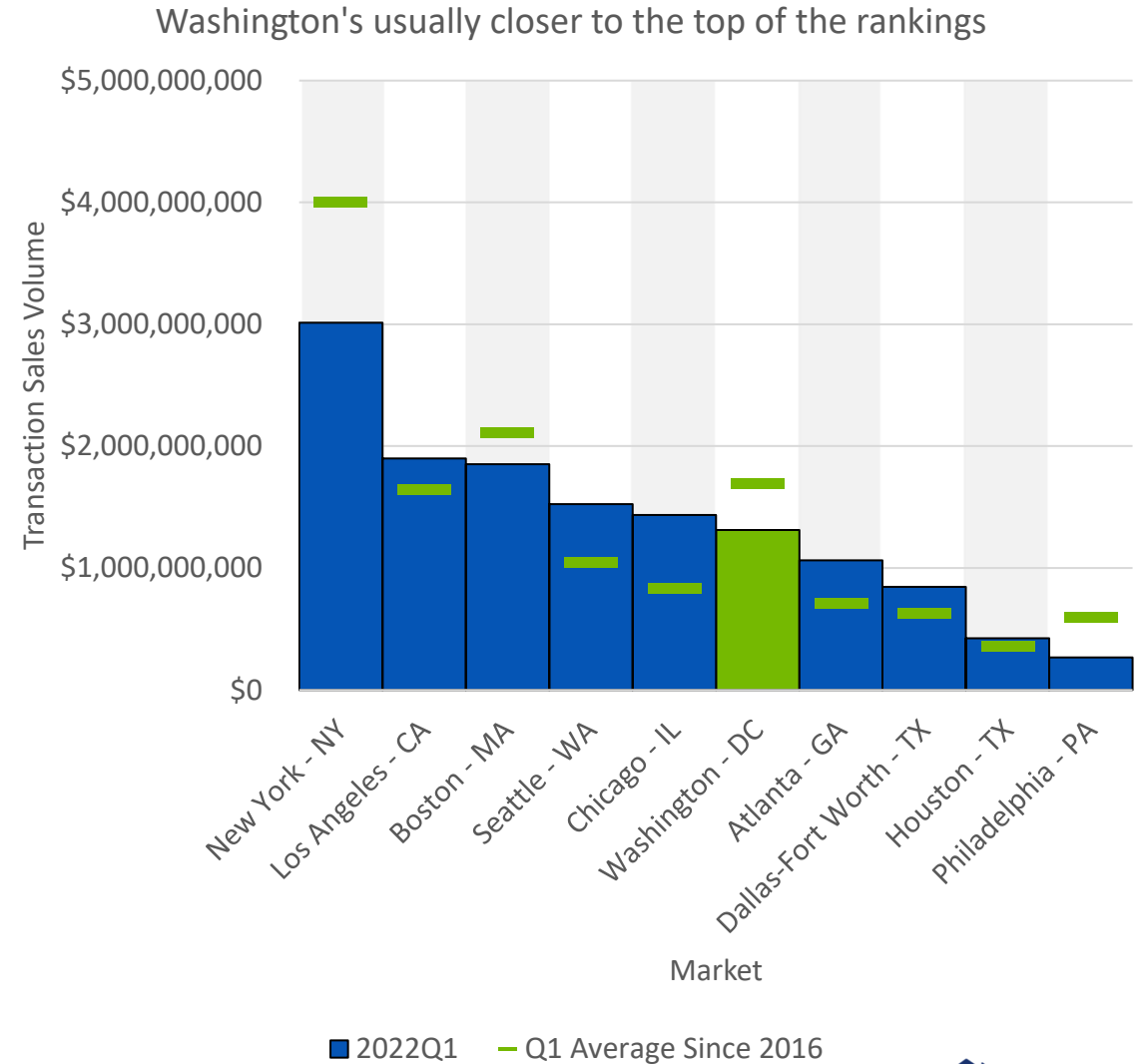
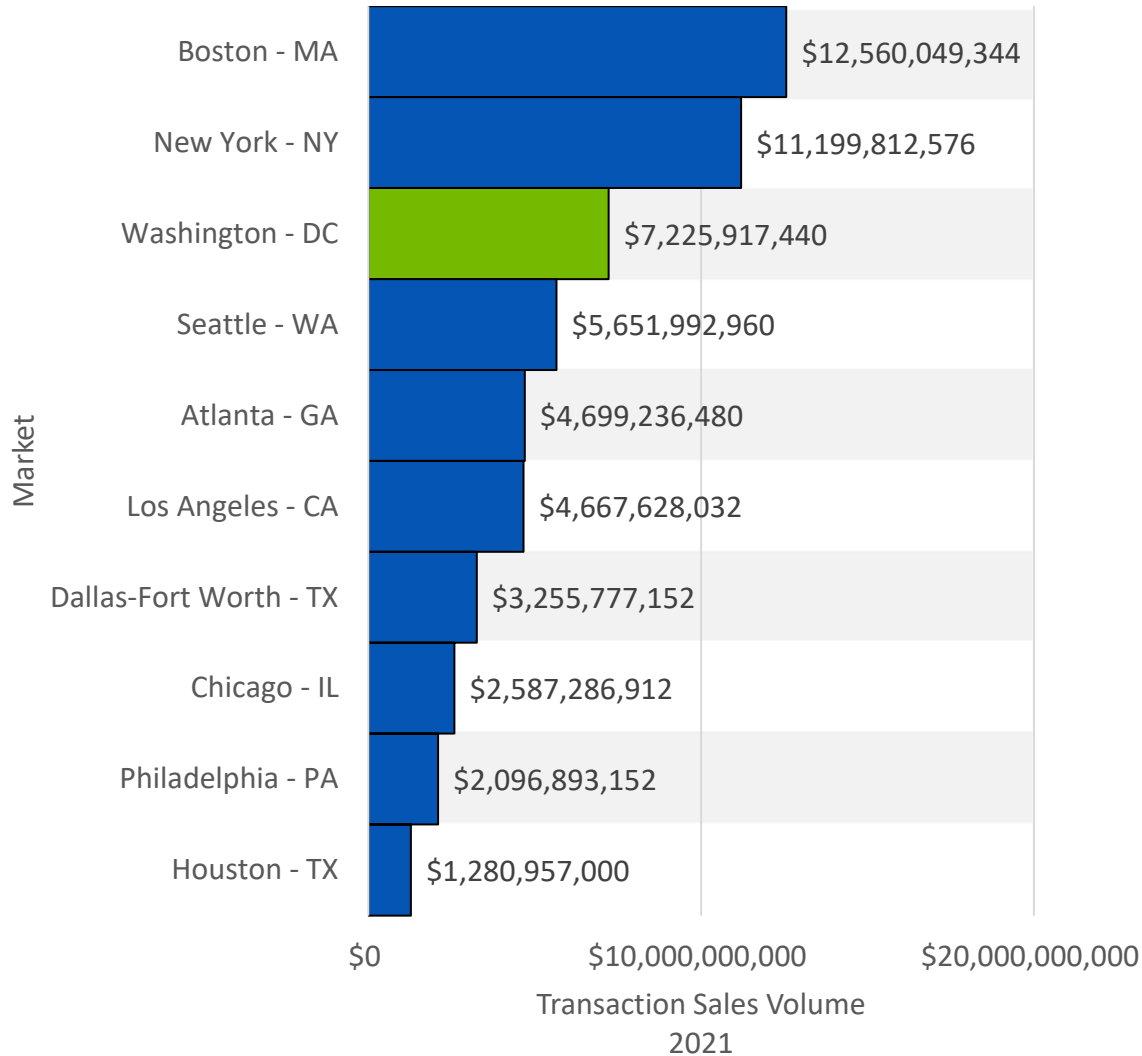


- New York - NY
- Washington - DC
- Chicago - IL
- Los Angeles - CA
- Dallas-Fort Worth - TX
- Boston - MA
- Houston - TX
- Atlanta - GA
- Philadelphia - PA
- Seattle - WA

Asking rents experience little pressures in the District

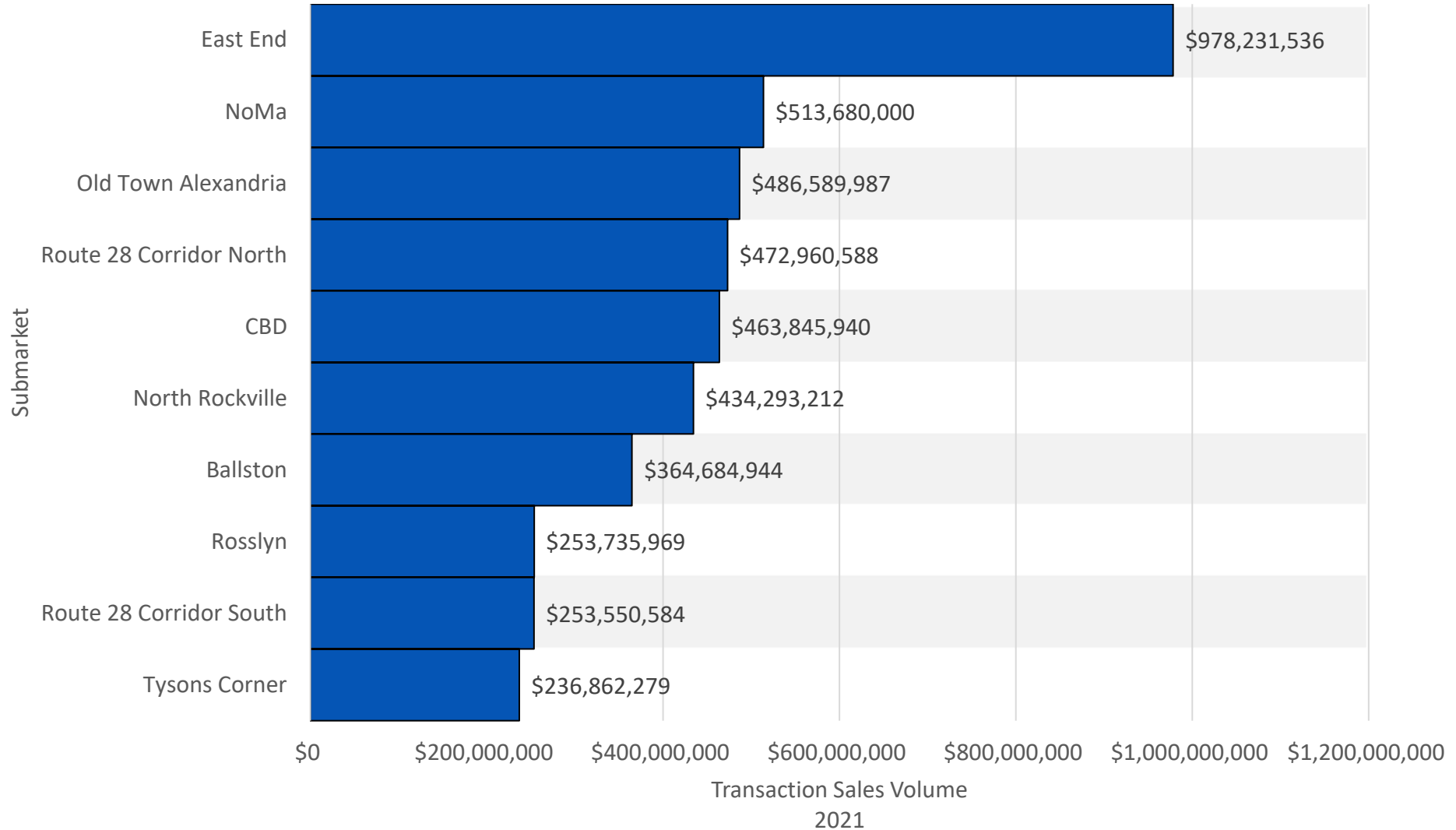


Washington continues to be among the most liquid office markets



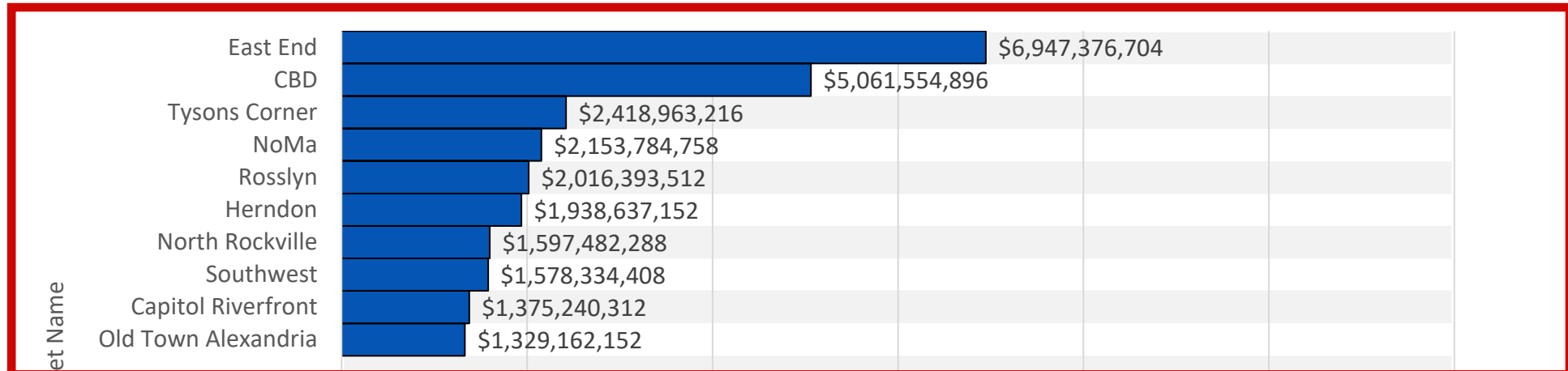
■ 2022Q1 ■ Q1 Average Since 2016

Office properties concentrated in East End the most desirable

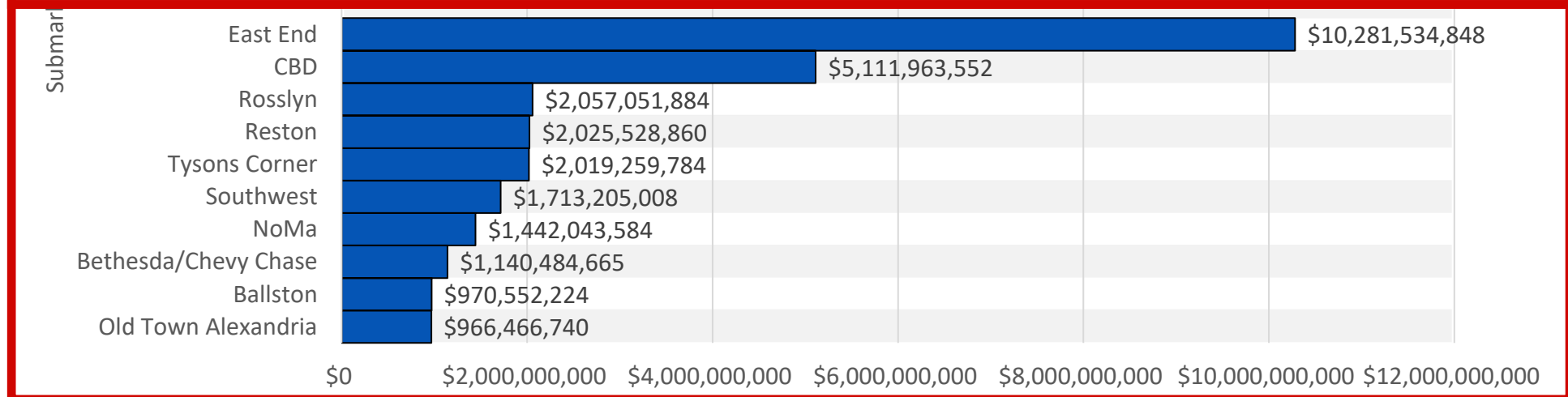


Allocation of capital shifting from downtown core submarkets to more growth opportunities

2016-2021



2010-2015



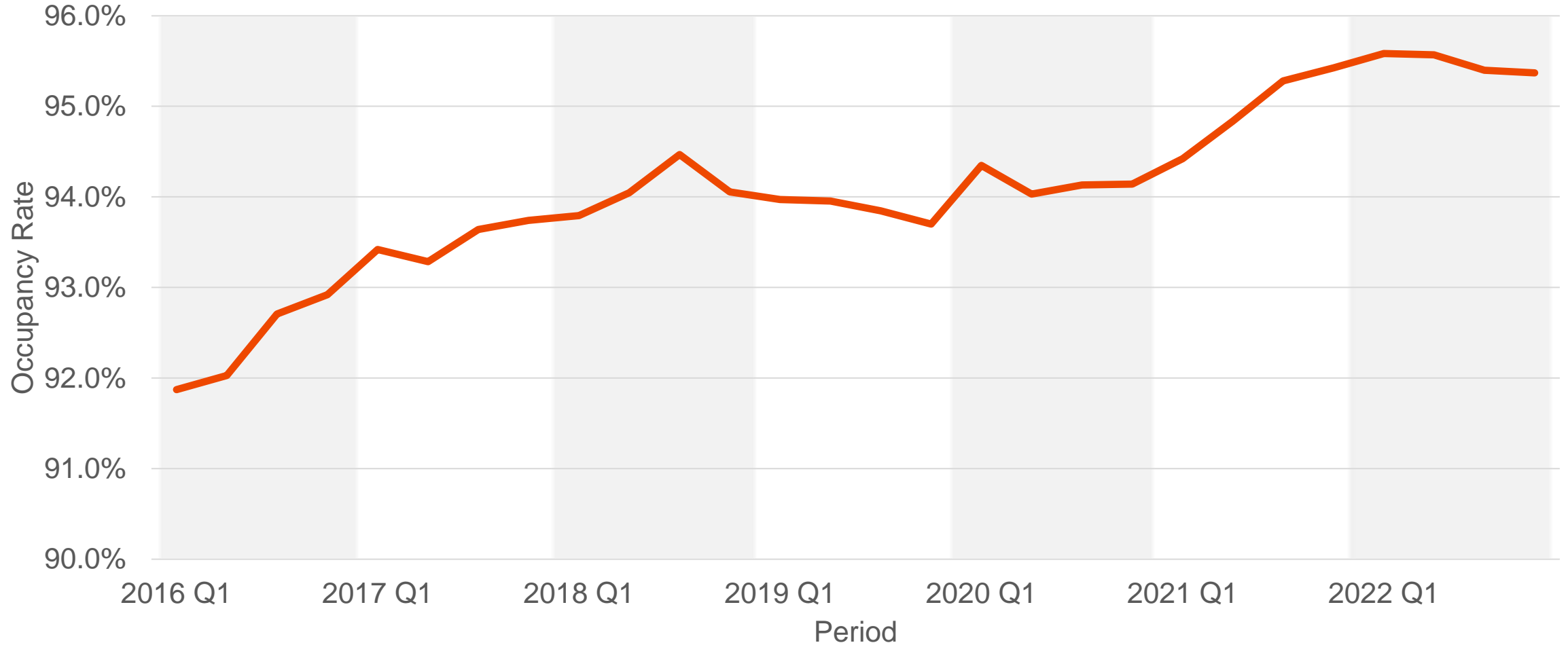
Cumulative Transaction Sales Volume

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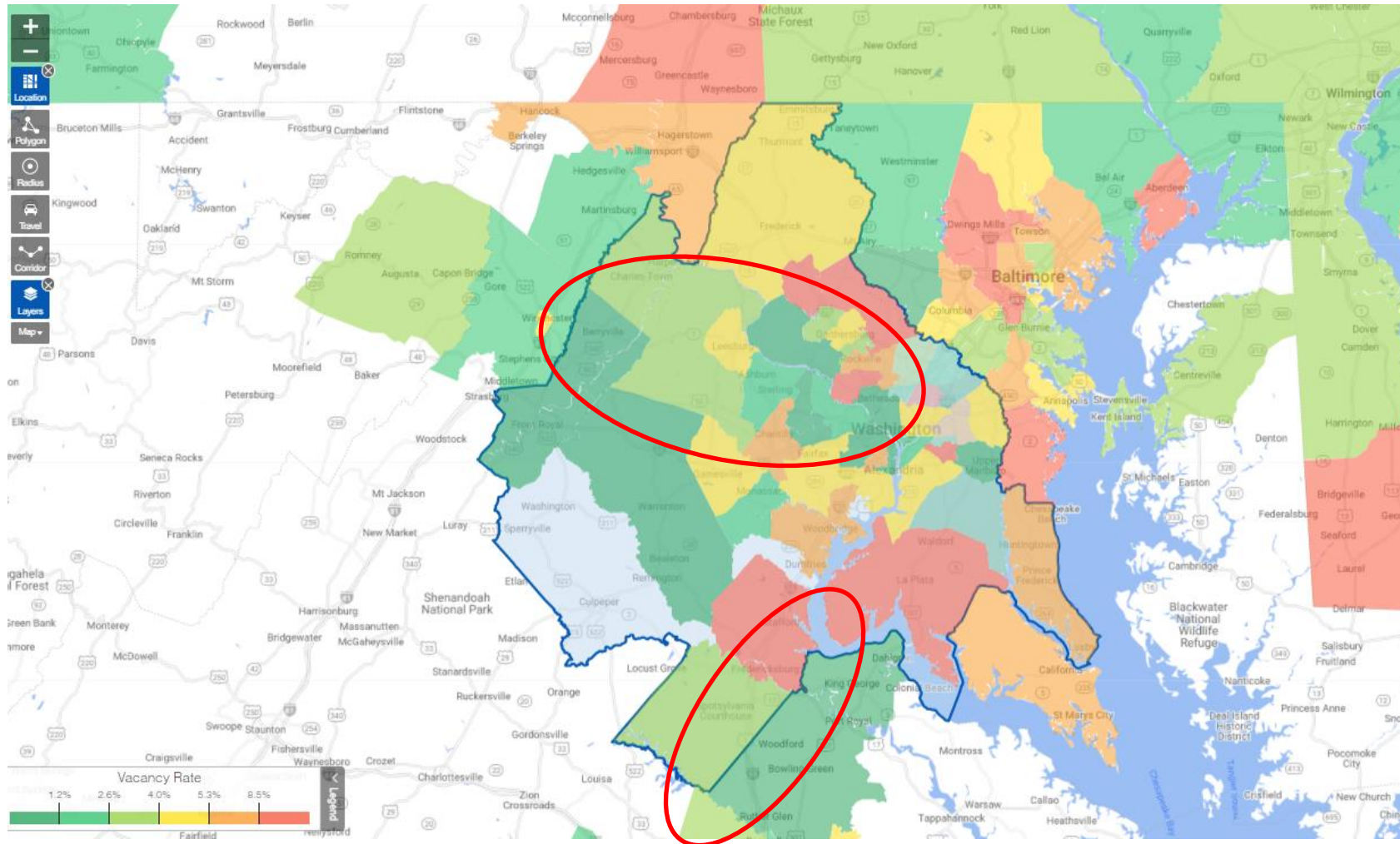
Industrial



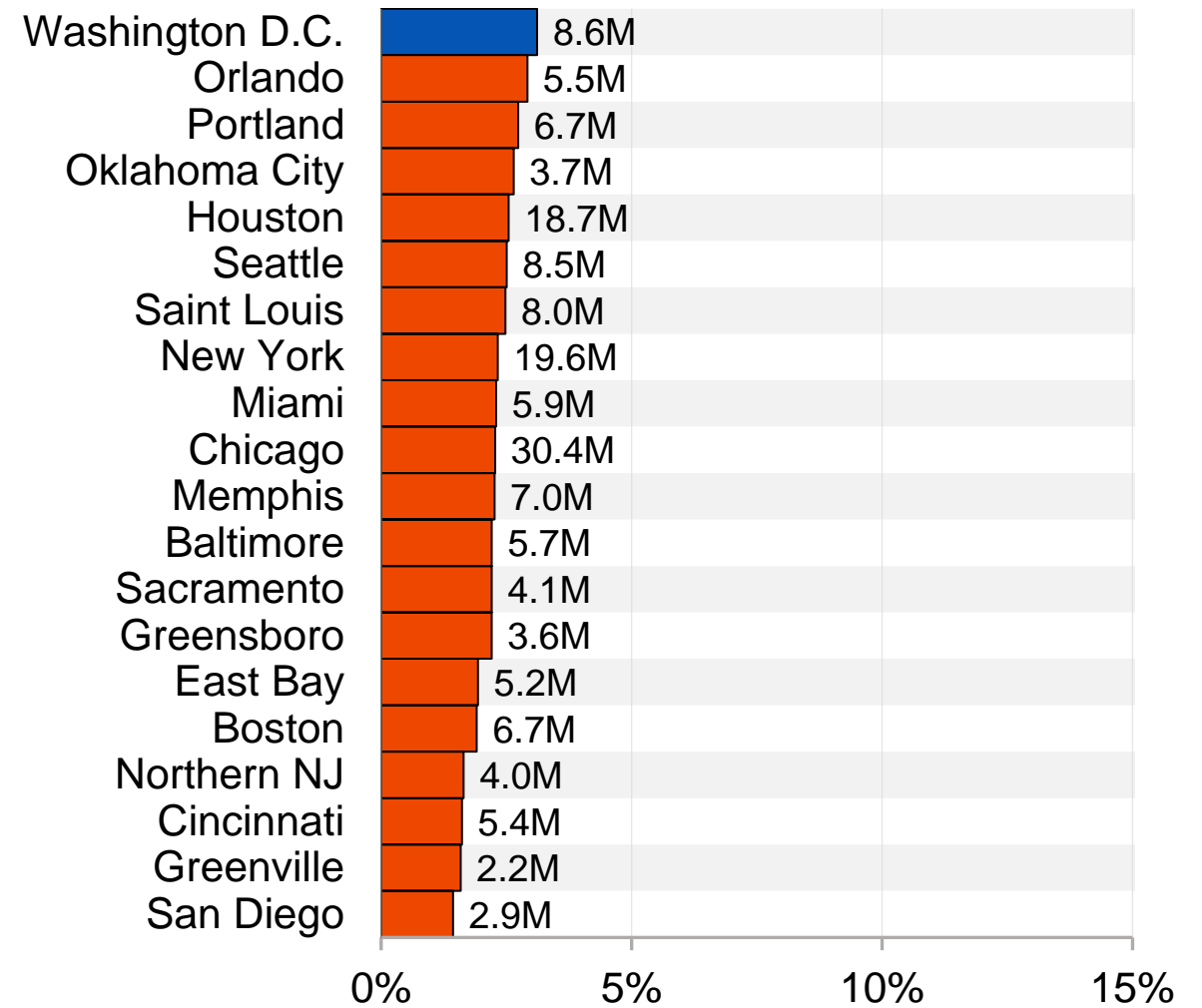
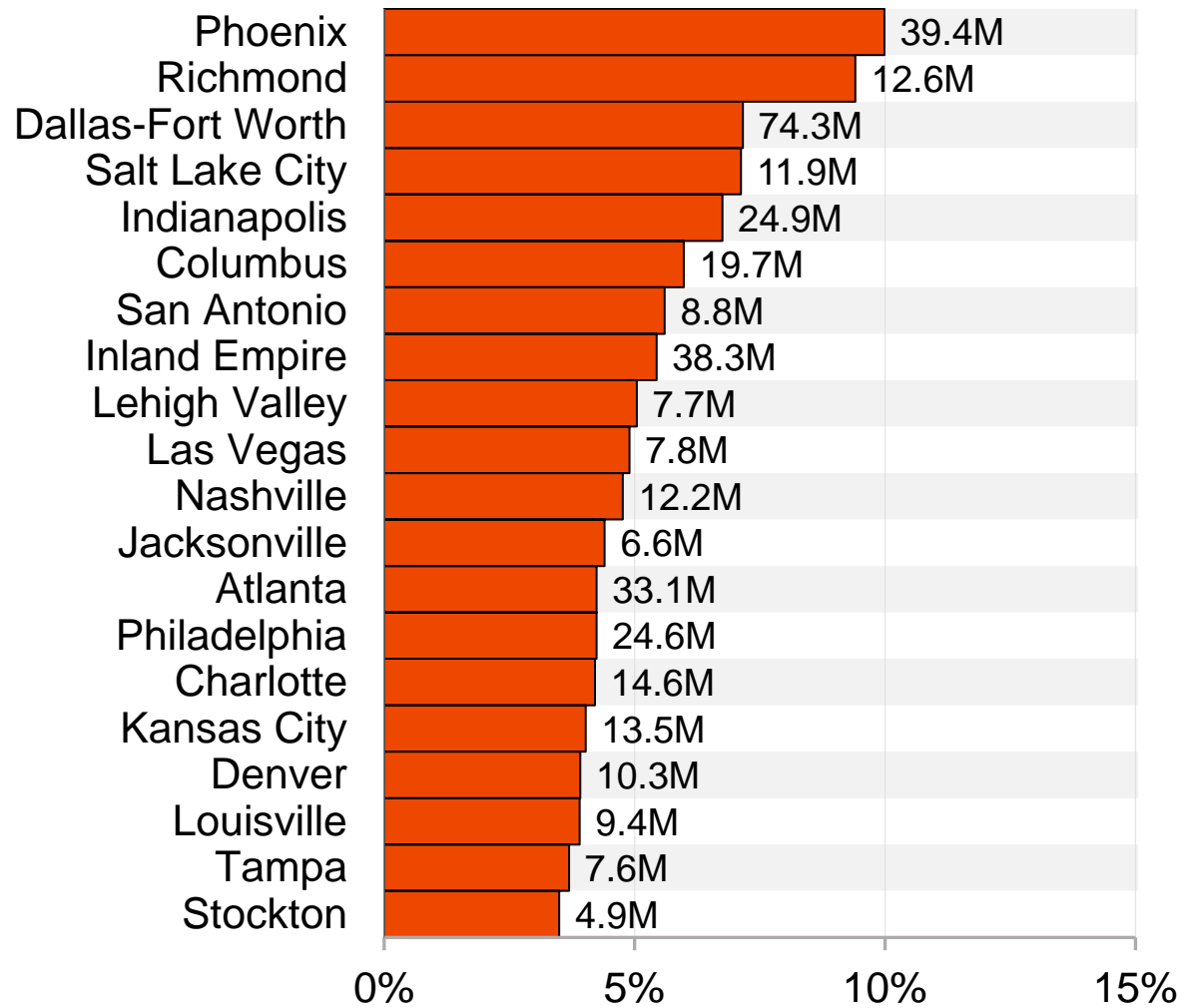
Washington Industrial Occupancy Rate



Industrial Vacancy Rate



Under Construction As Share of Inventory

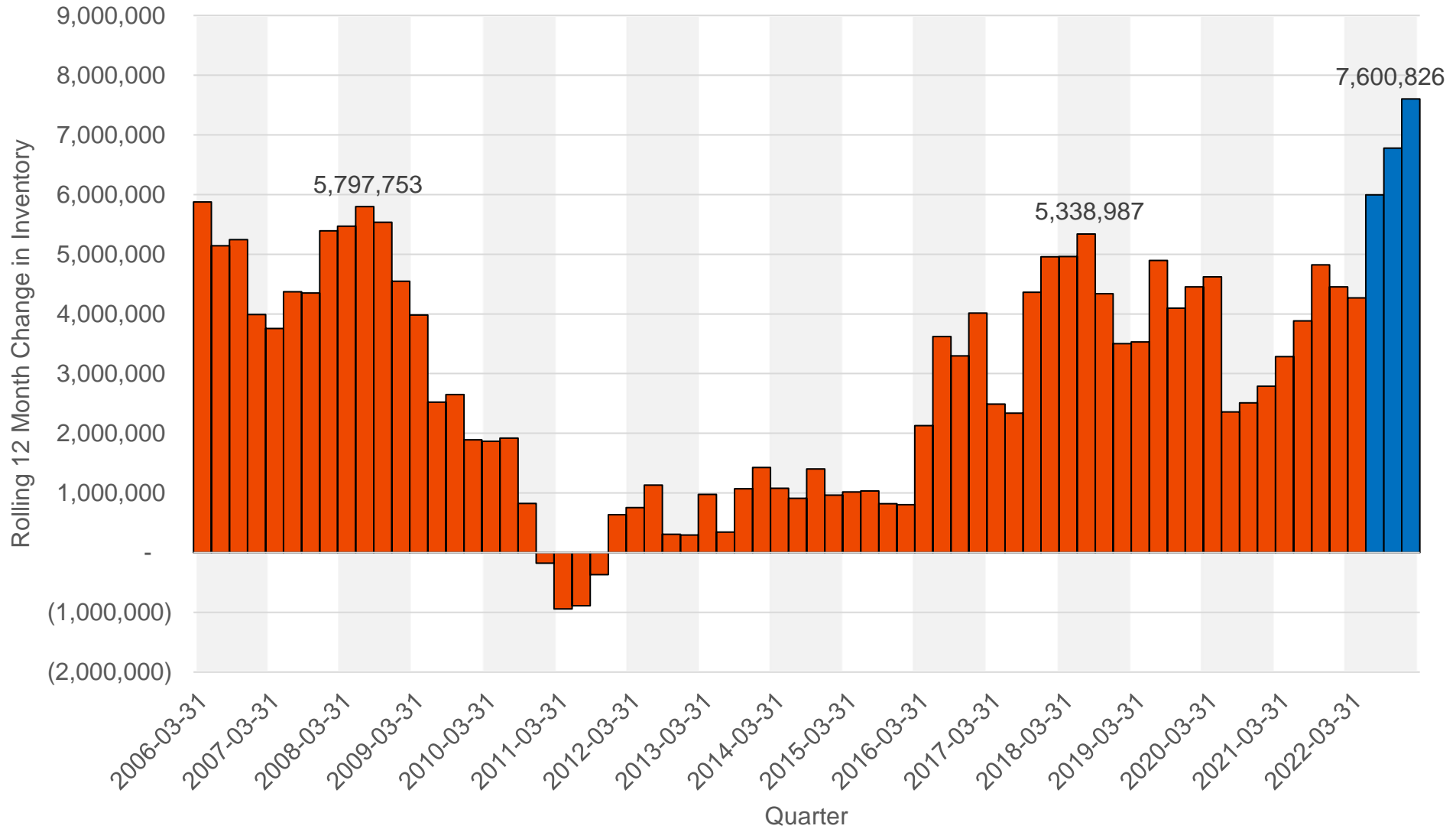


Under Construction as Share of Inventory

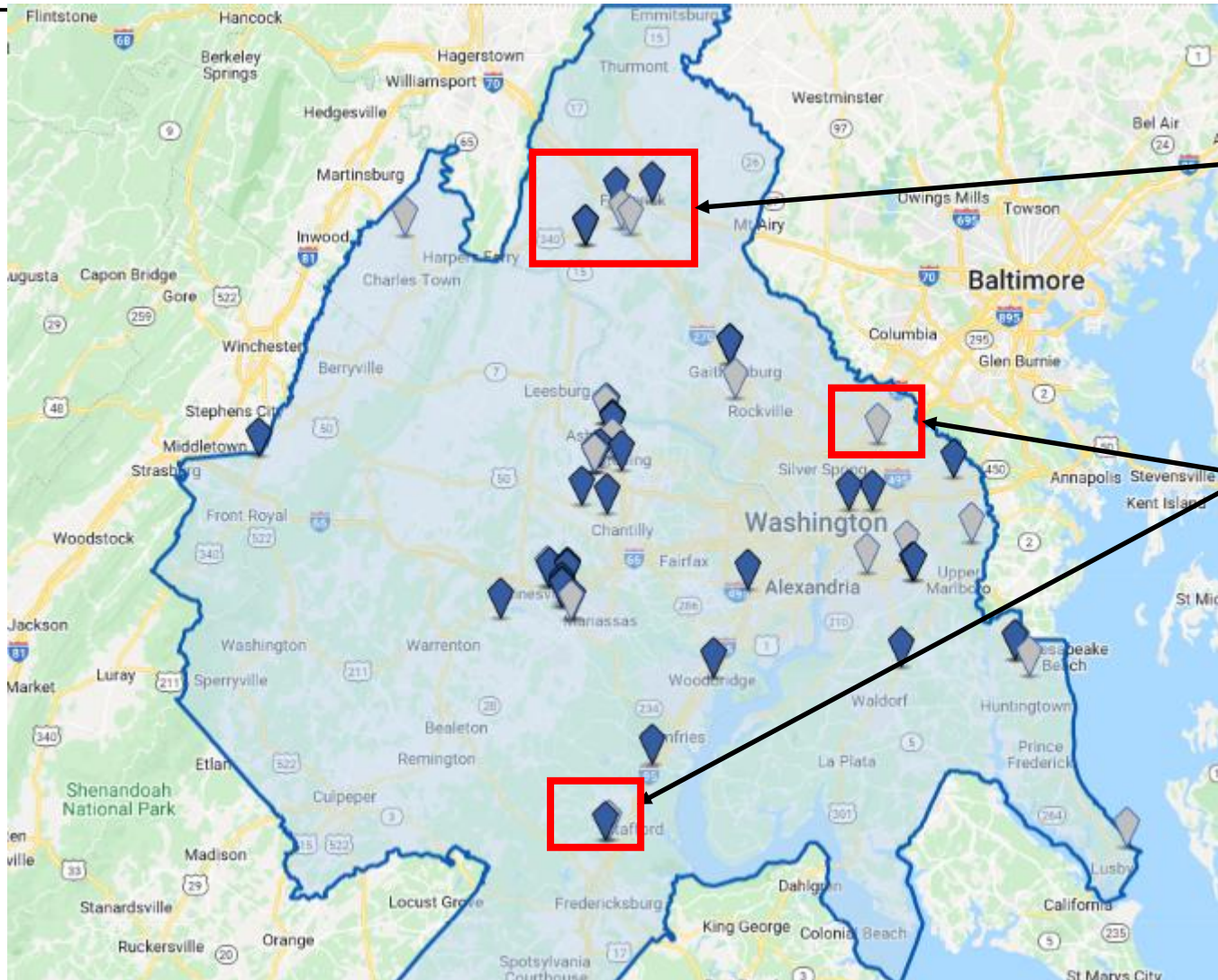
Under Construction as Share of Inventory



Industrial pipeline setting new highs



Industrial under construction projects



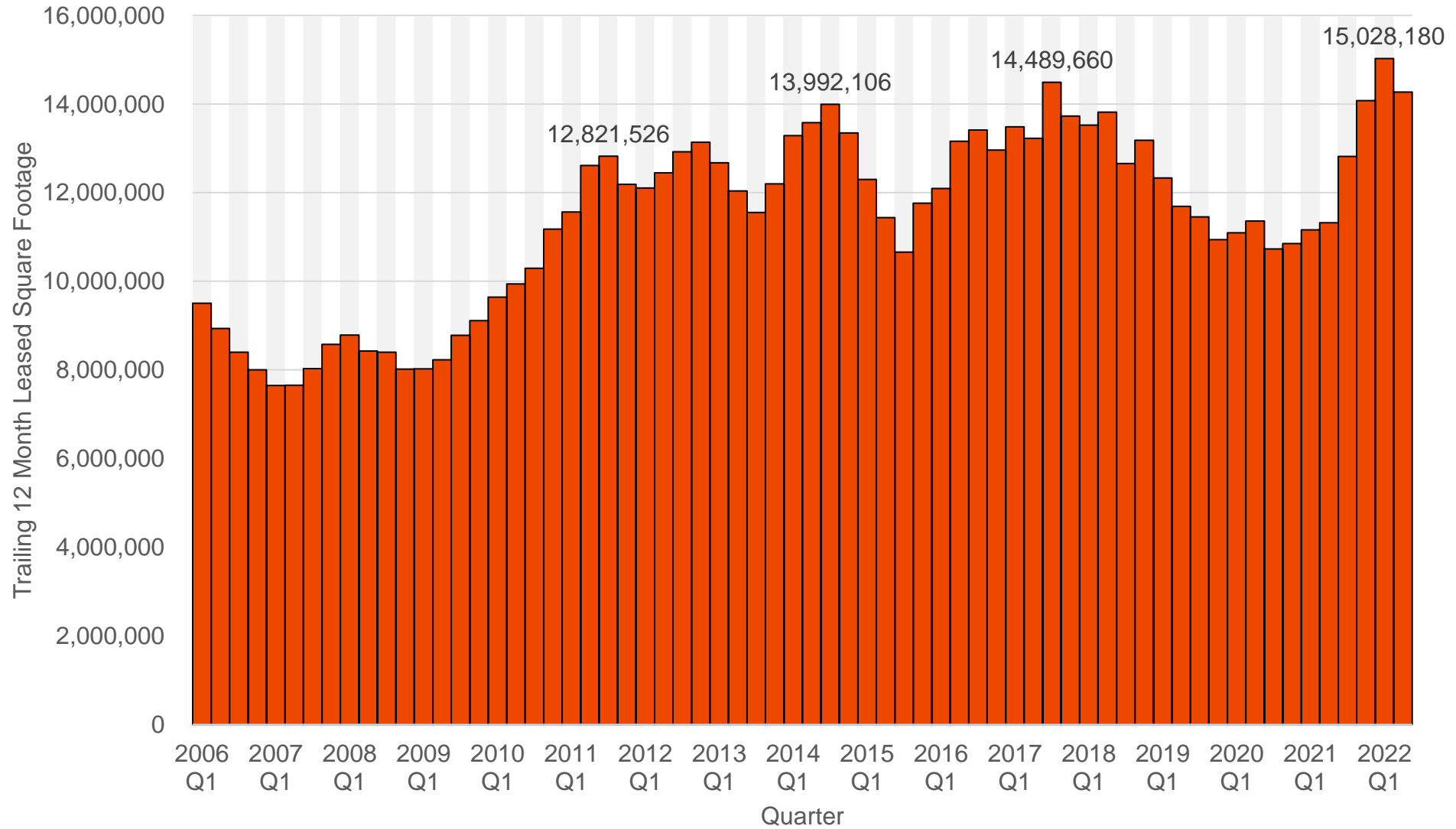
Kroger Distribution, 335k
Frederick



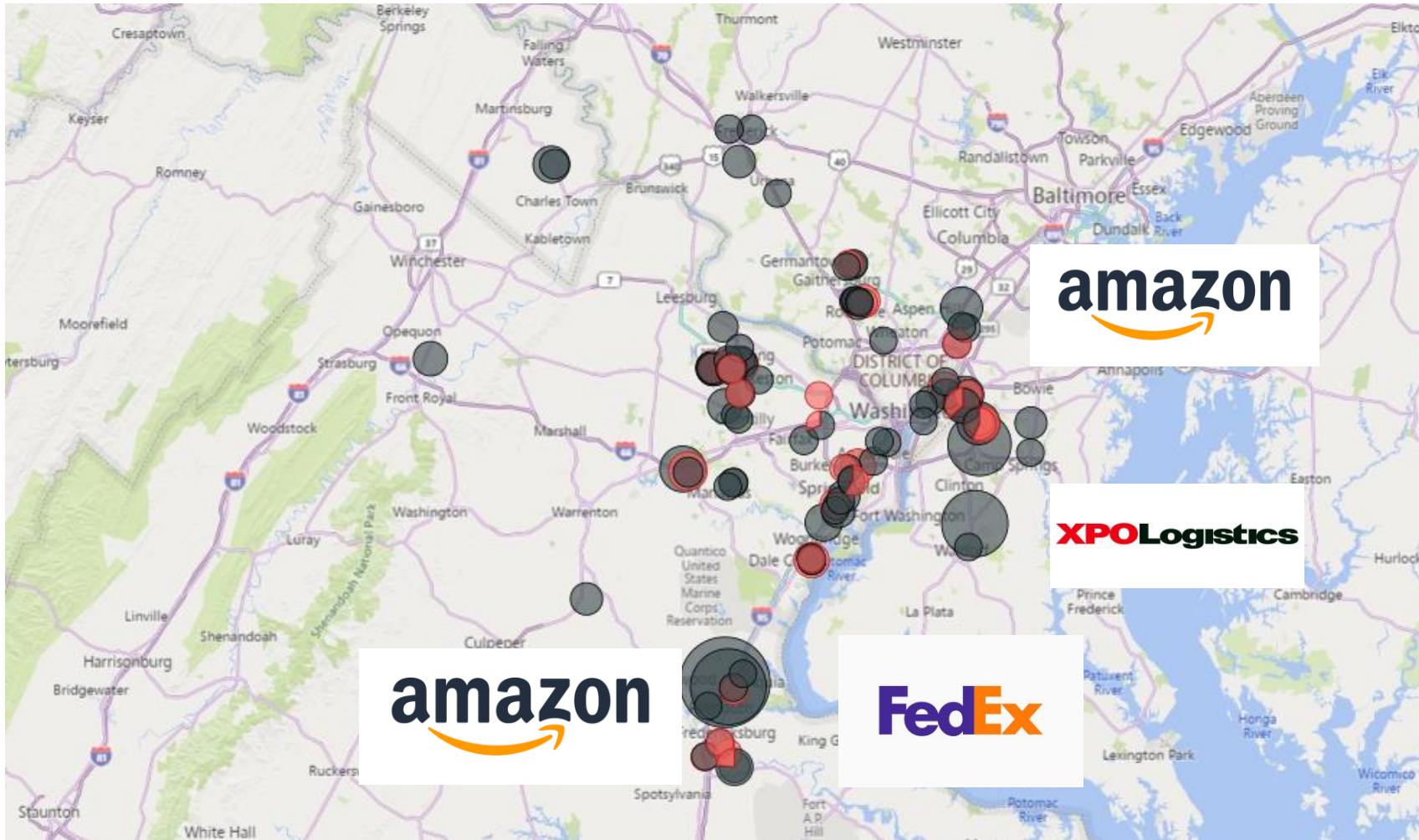
Amazon, 265k
Prince George's

Amazon, 630k
Stafford

Industrial demand has never been stronger



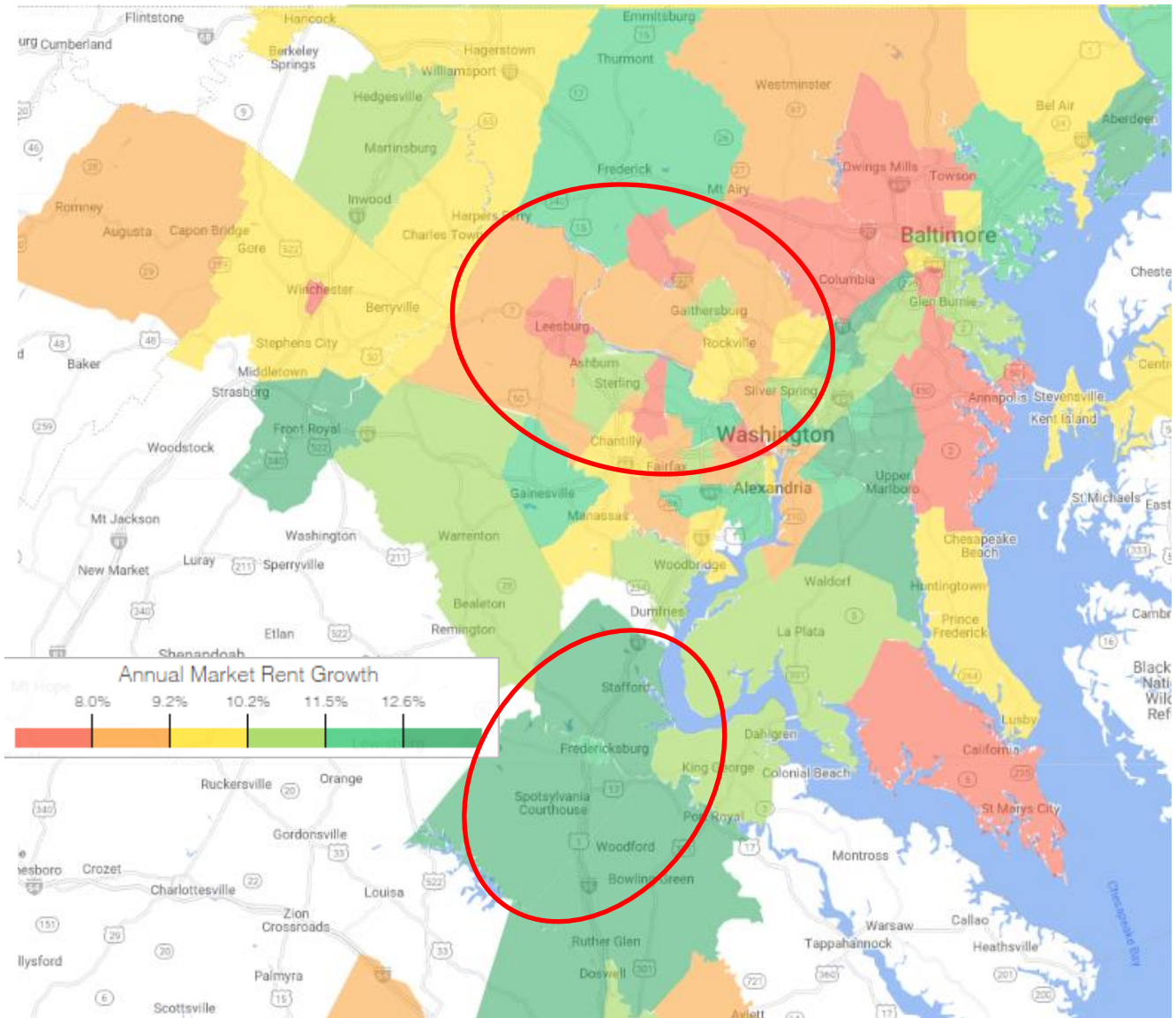
Industrial Lease Deals Past 12 Months



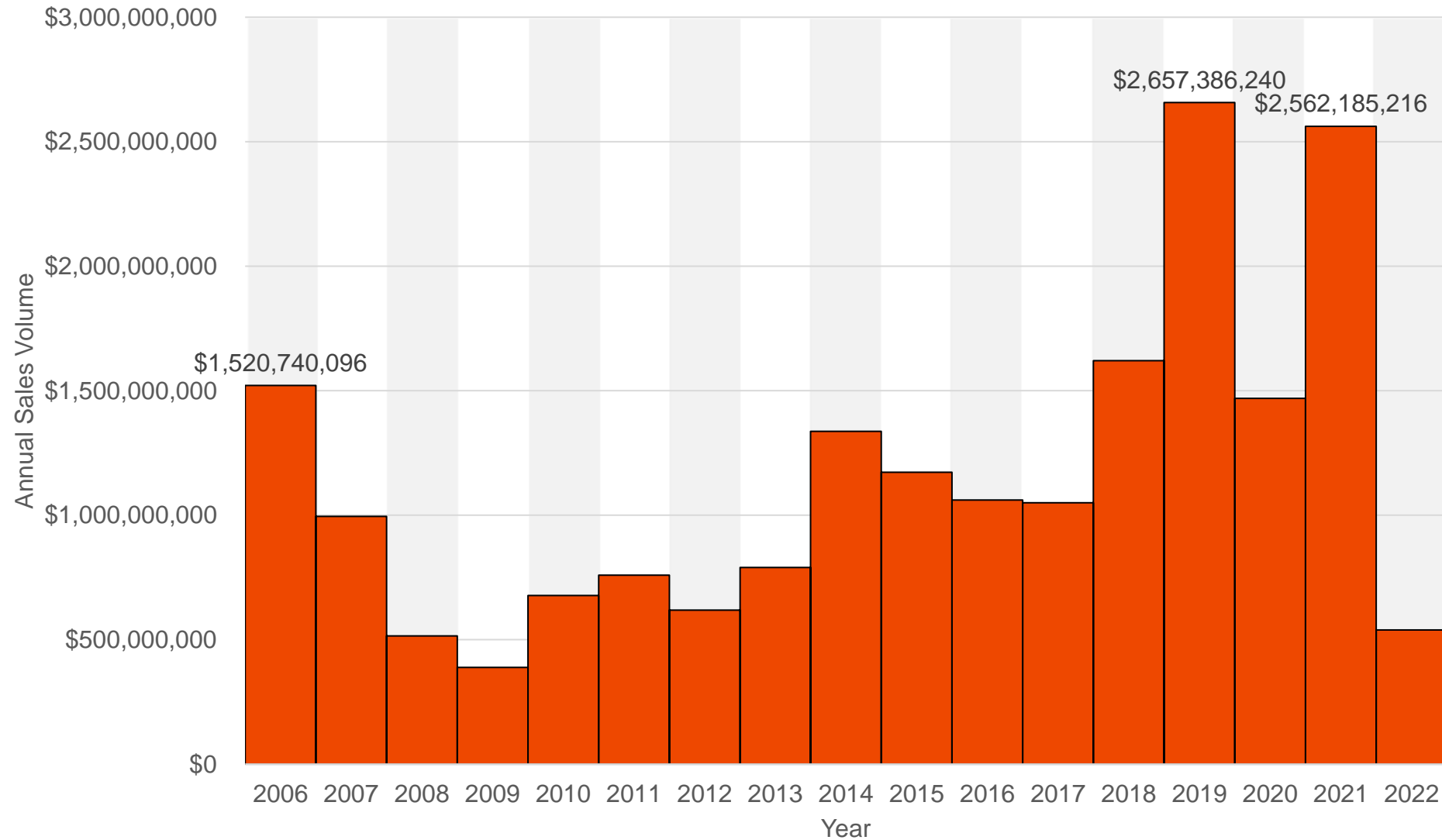
Flex (Data Warehousing / Bio-Tech)



Dulles Corridor cooling while 95 heats up

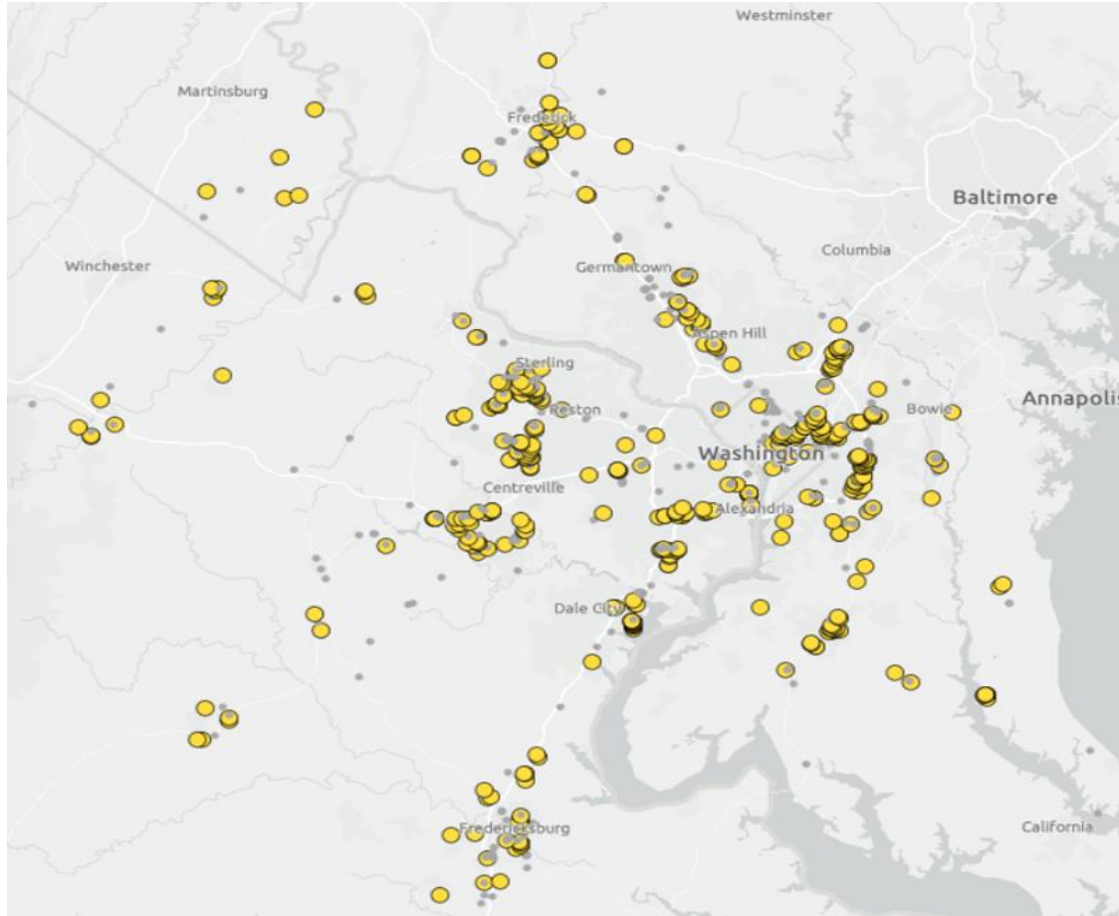


Red hot industrial investment market

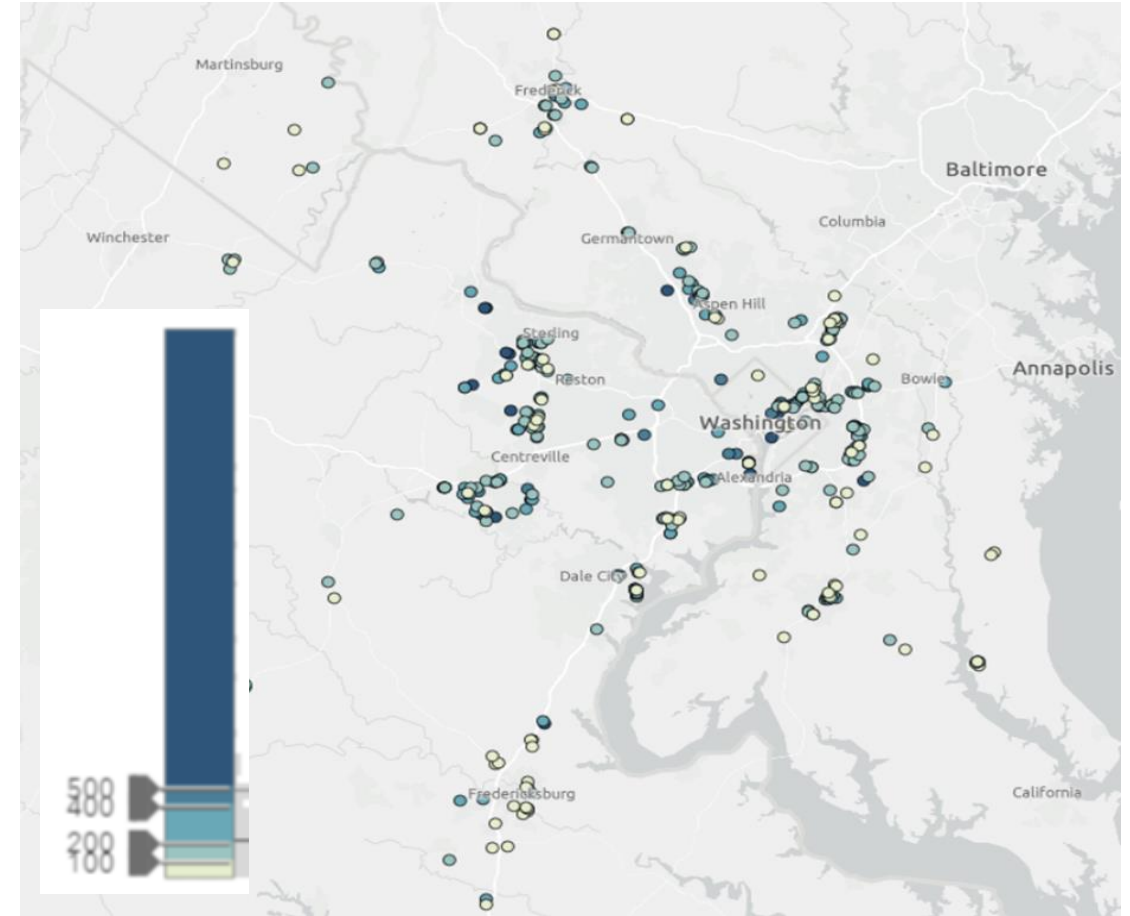


Southern Virginia, Maryland pricing still reasonable

Property Sales 2021-2022 YTD



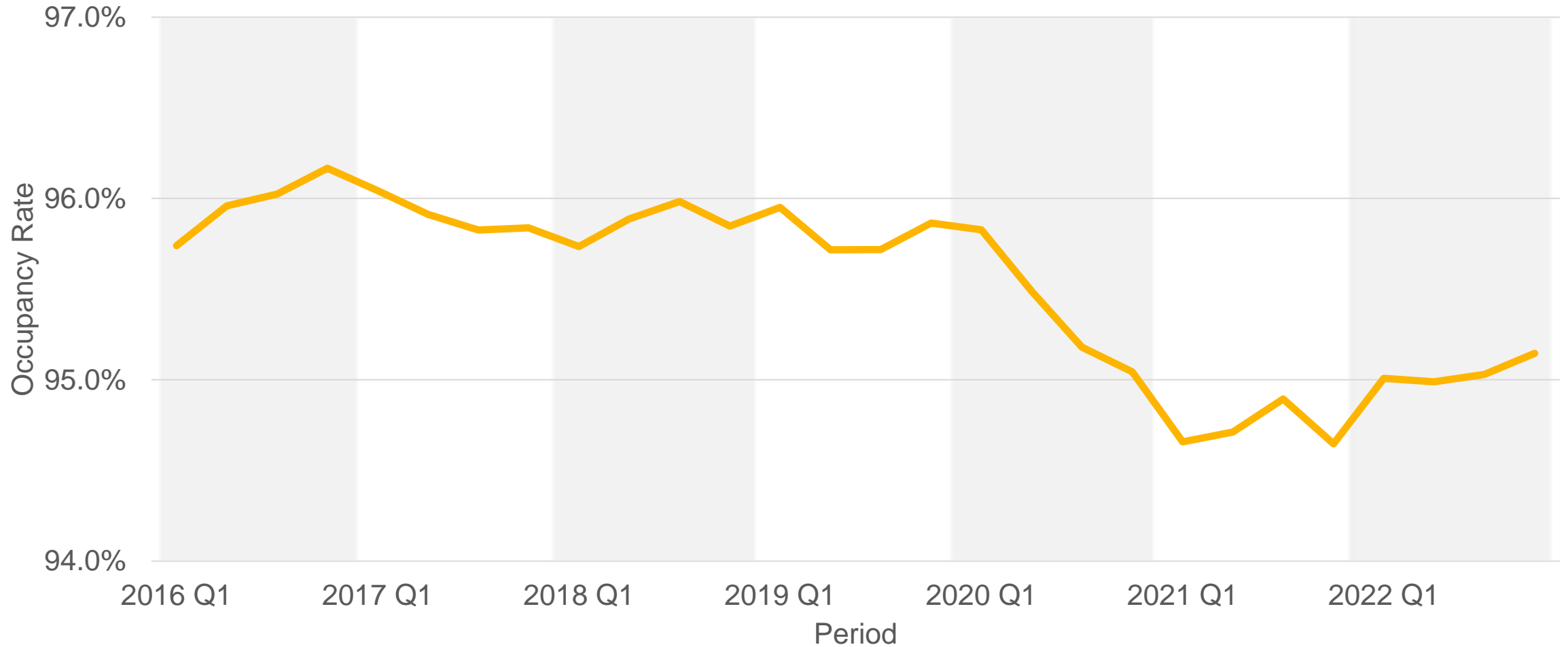
Property Sales Price Per SF 2021-2022 YTD



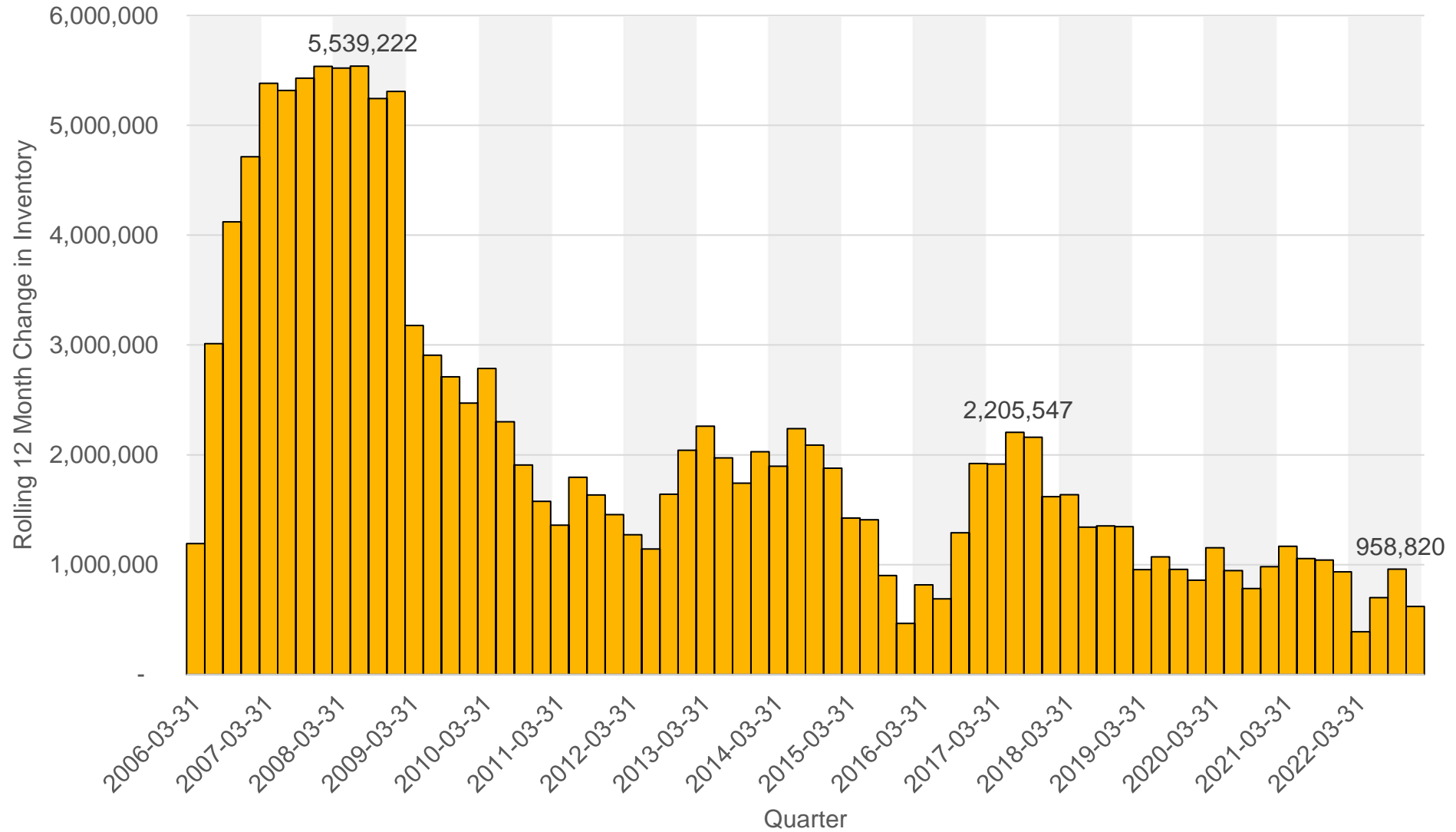
Retail



Washington Retail Occupancy Rate



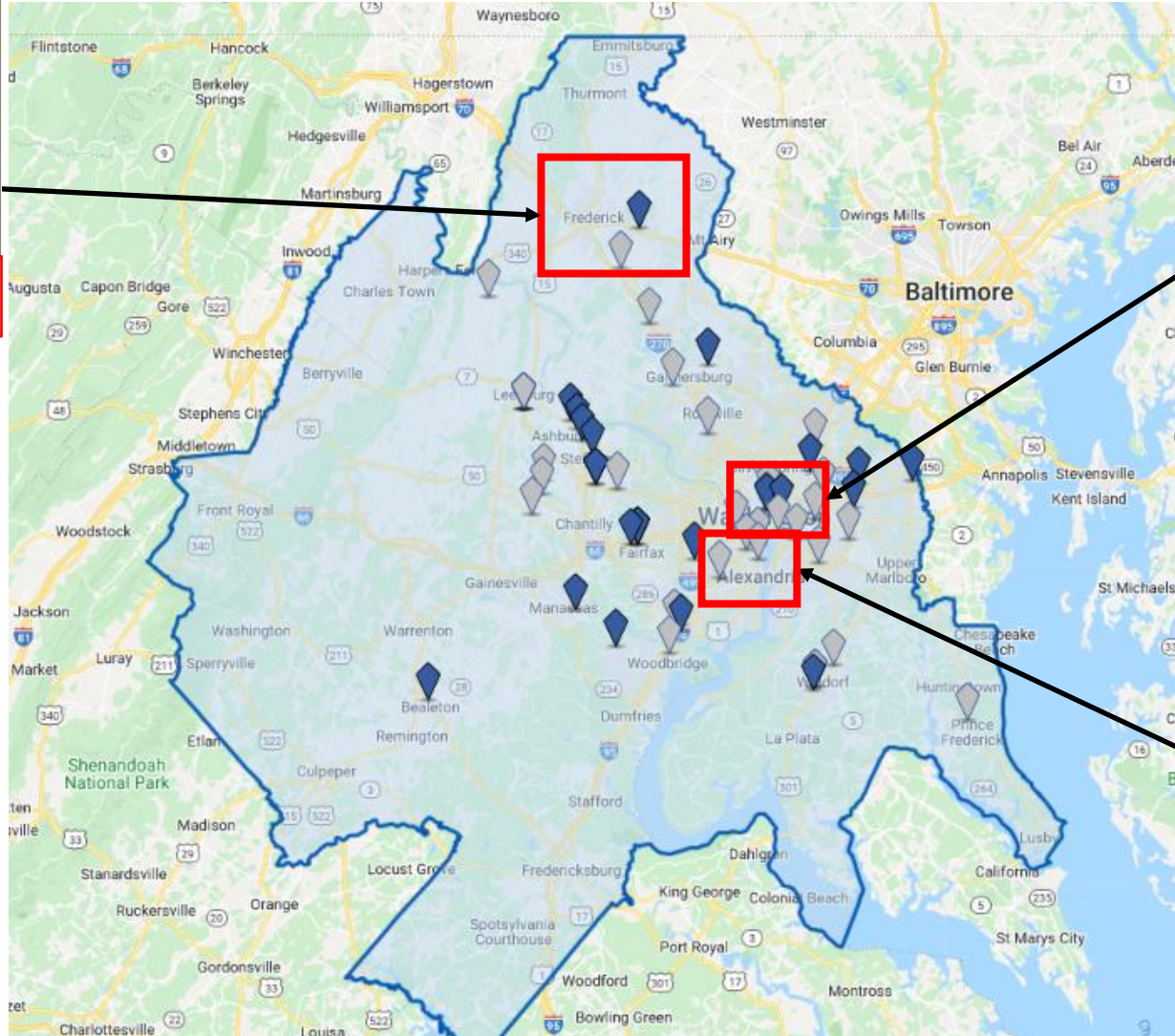
Retail construction shifting to more mixed-use, urban locations



Town center development in growing neighborhoods



Lake Linganore Town Center, 200k
Frederick

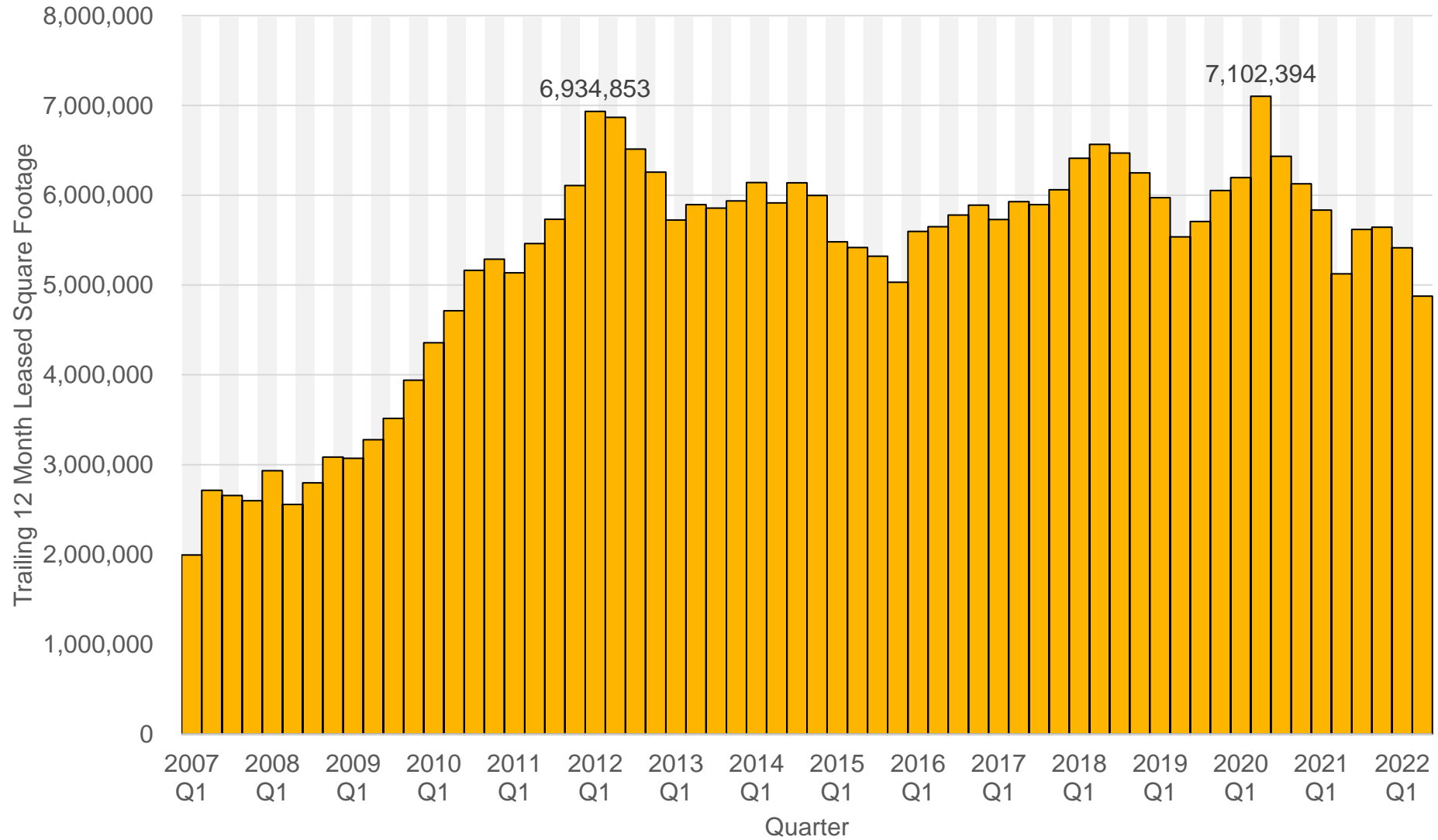


The Aster at College Park, 100k
College Park

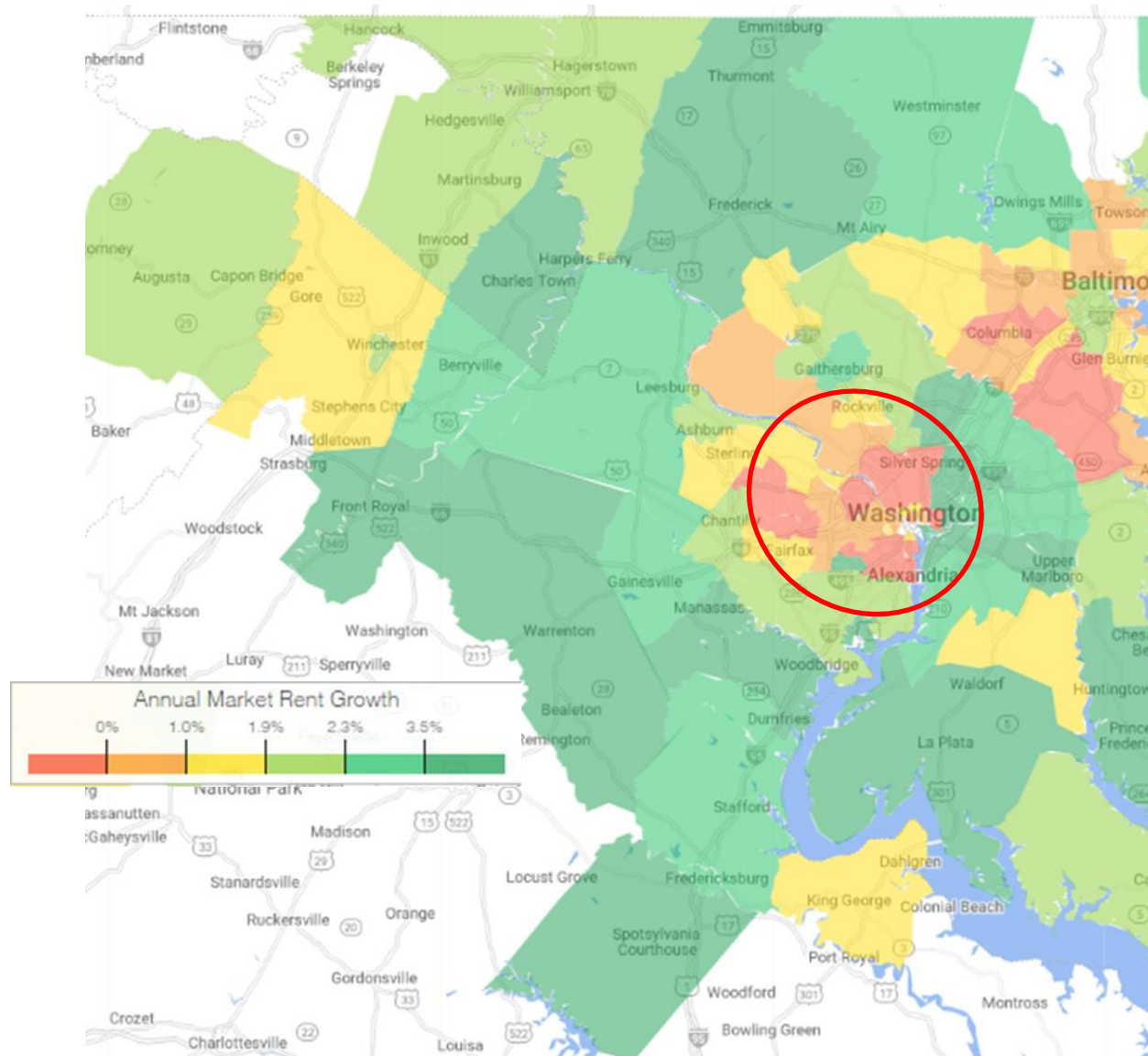


Tesla, 64k
Arlington

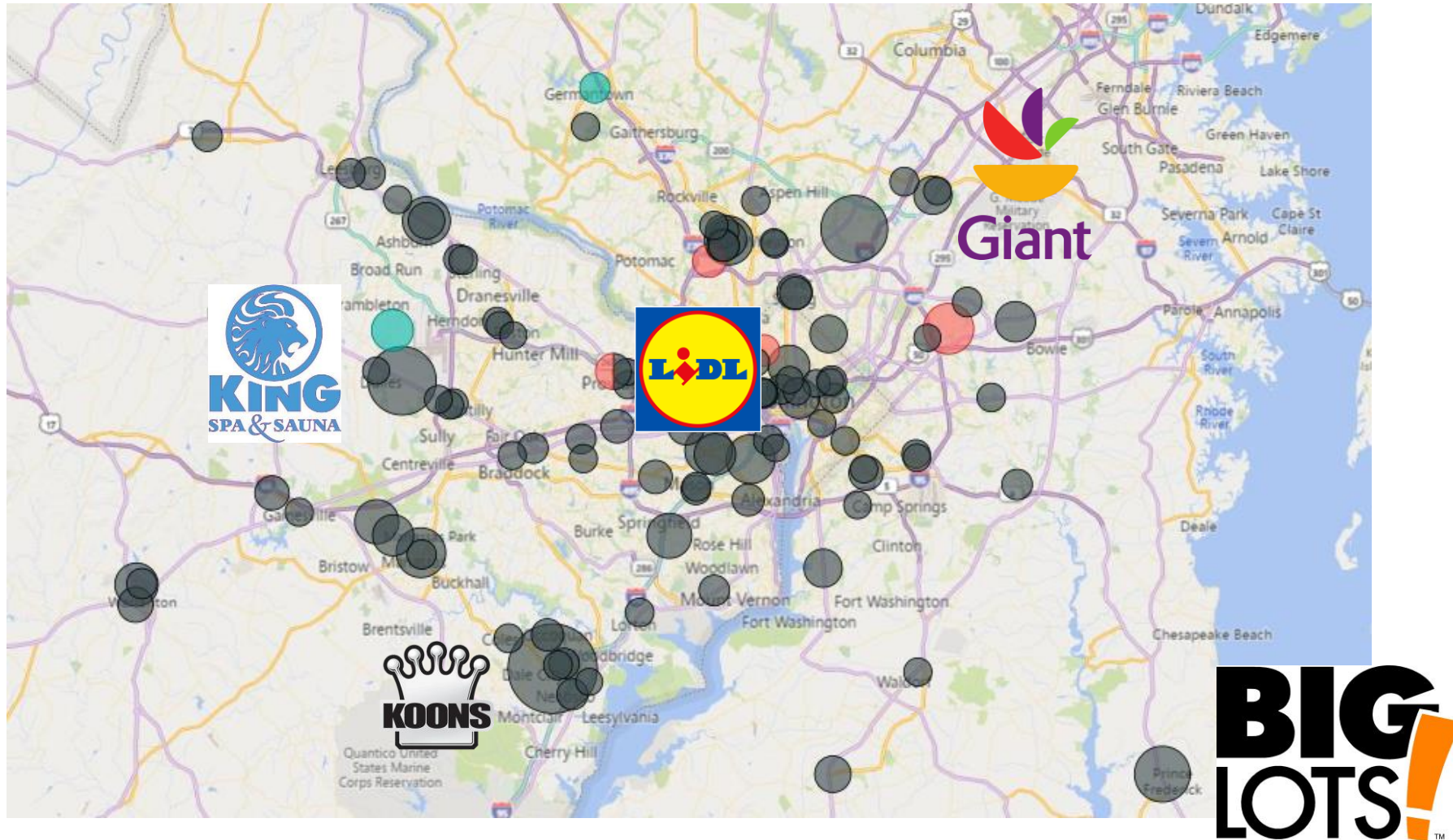
Retail leasing still flailing from the pandemic



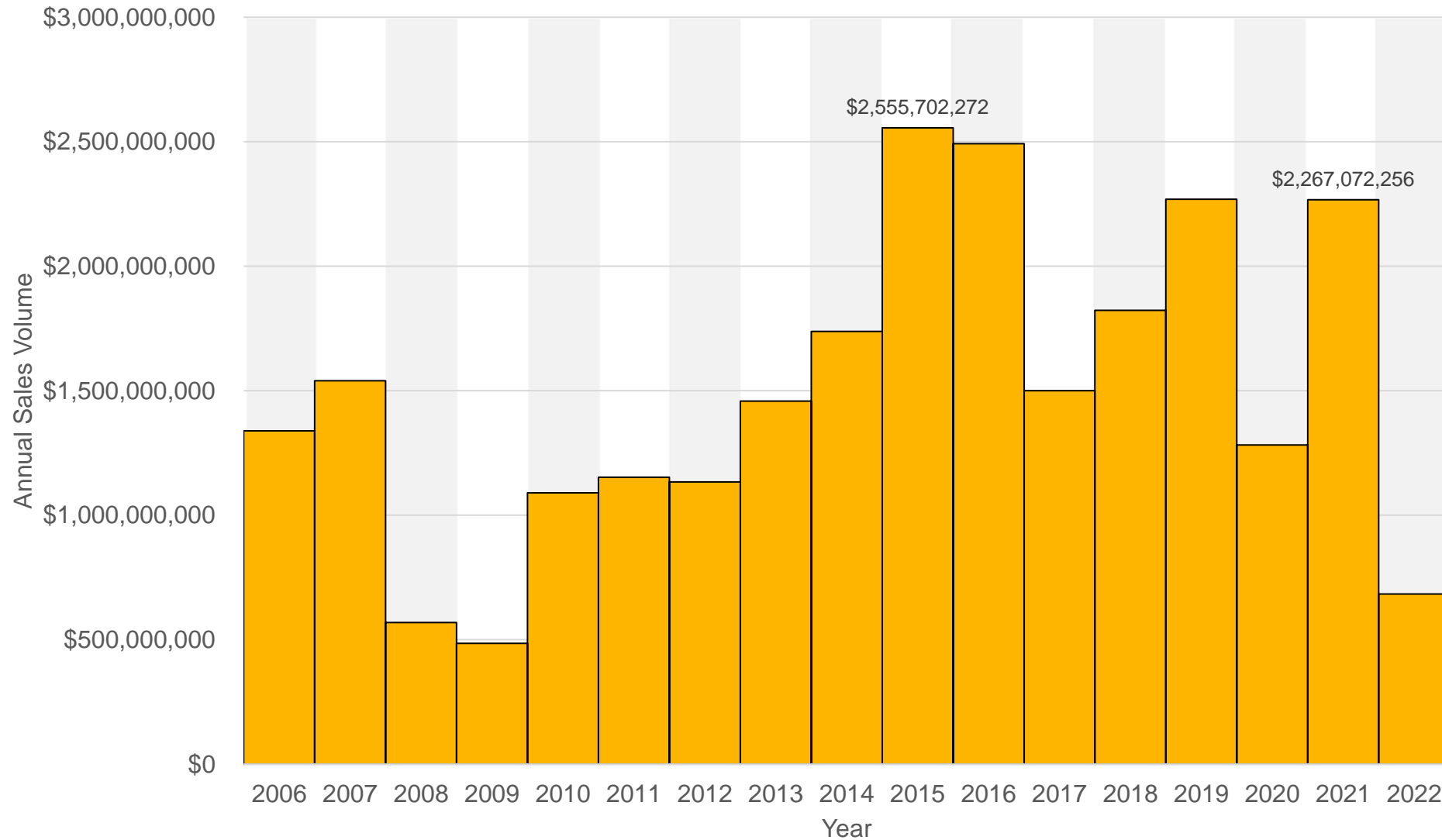
Difficult to push rents in urban core



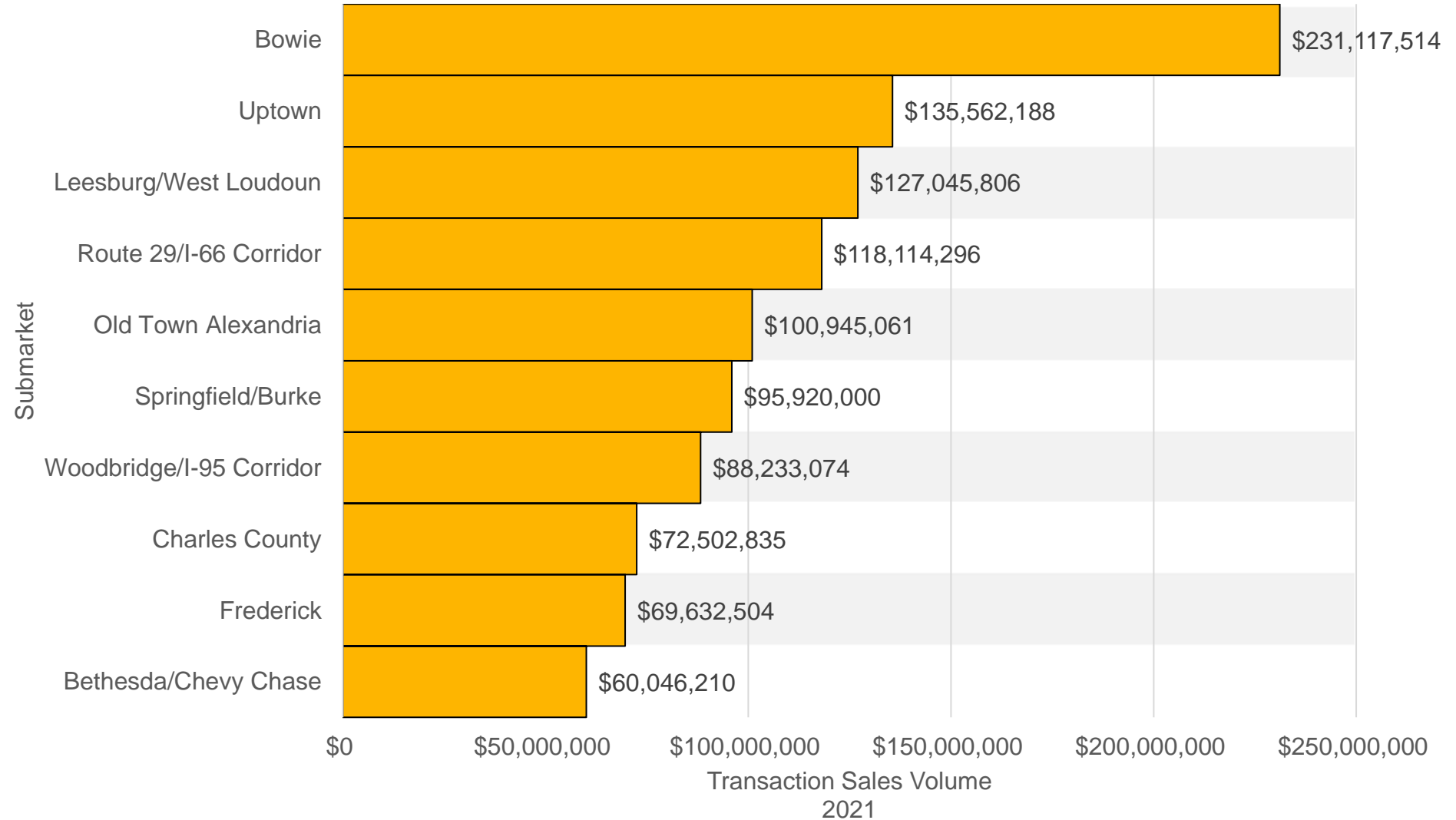
Retail Leasing Map Over Past 12 Months

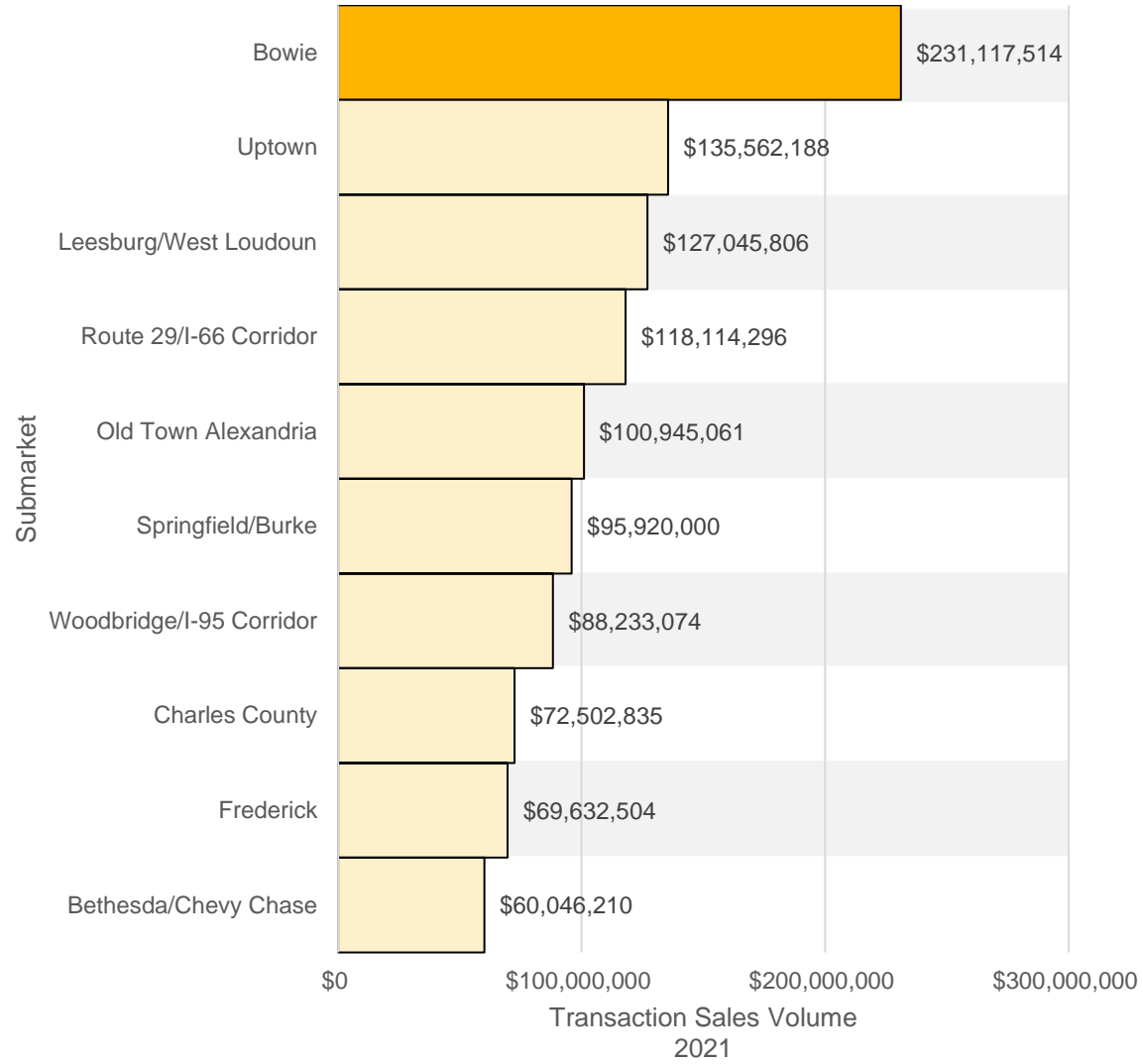


Investment activity still strong in retail market, despite fundamentals



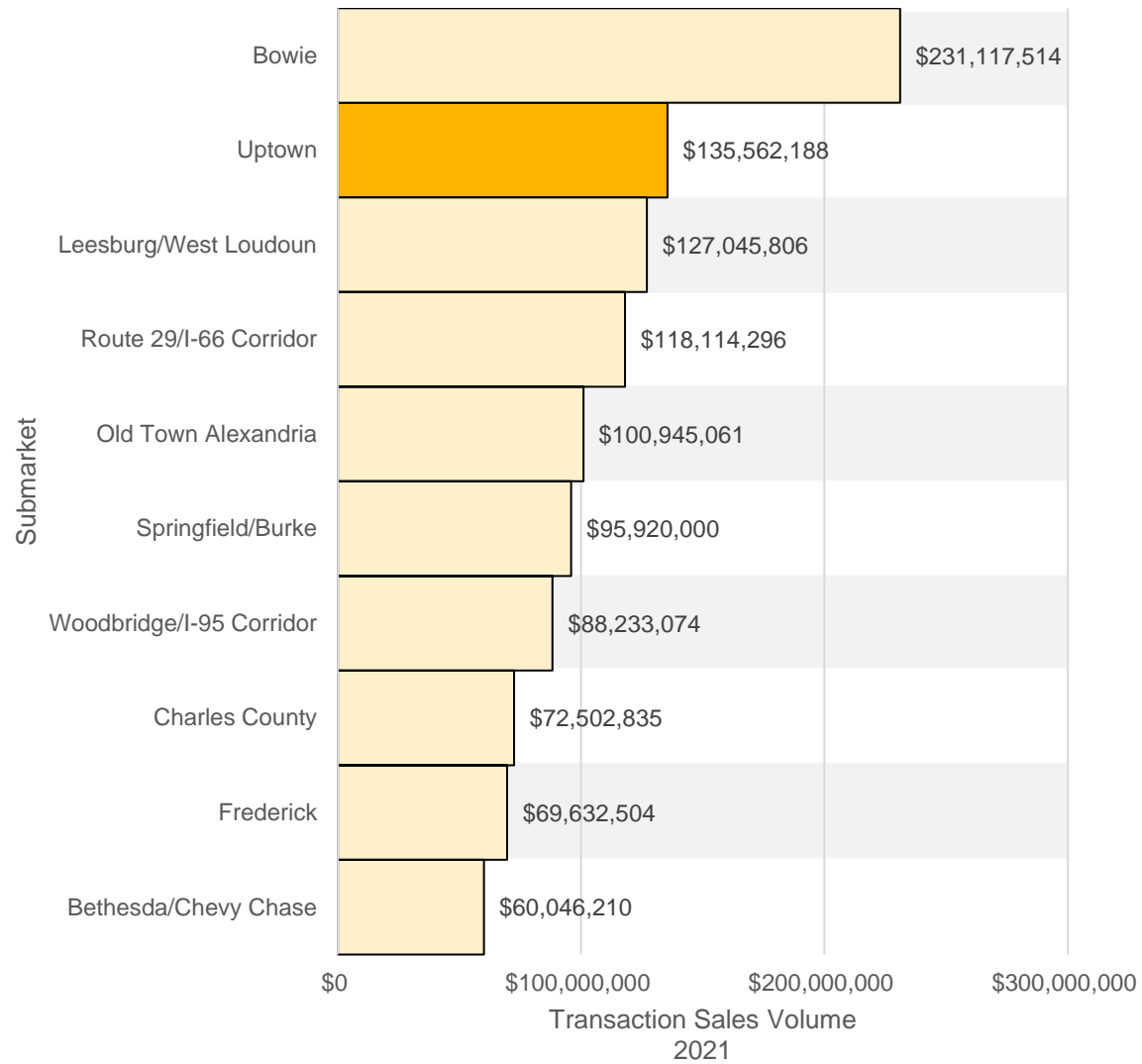
Portfolio acquisitions of shopping centers driving volume





Woodmore Town Centre
December 2021
\$193 Million, \$240/SF





Spring Valley Village
 September 2021
 \$168 million, \$238/SF



Chevy Chase Metro Center
 September 2021
 \$168 million, \$238/SF

