

February 23, 2021

NAIOP

2021 NORTHERN VIRGINIA FORECAST

CBRE



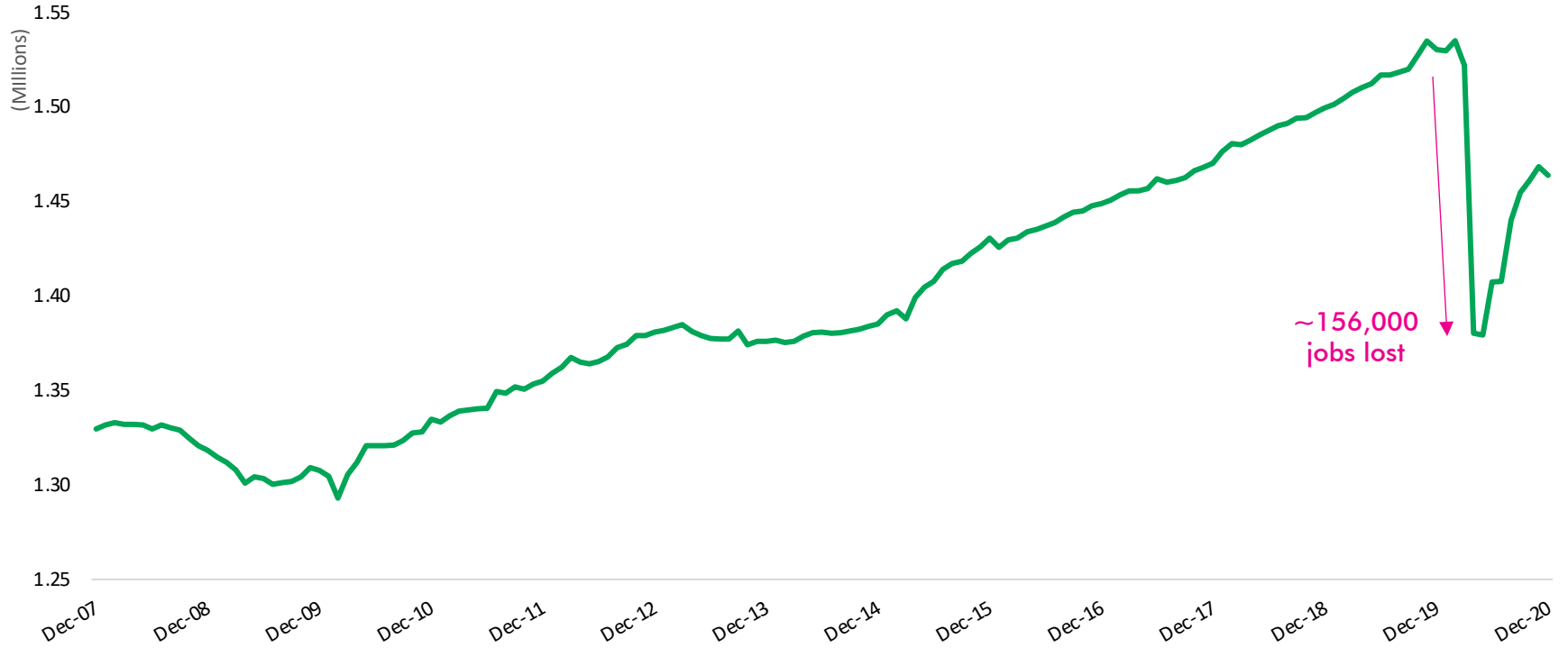
**NORTHERN
VIRGINIA
ECONOMIC
OUTLOOK**

I WILL SURVIVE.



NOT EXACTLY AN EASY YEAR...

Northern Virginia Total Employment (Source: US BLS)

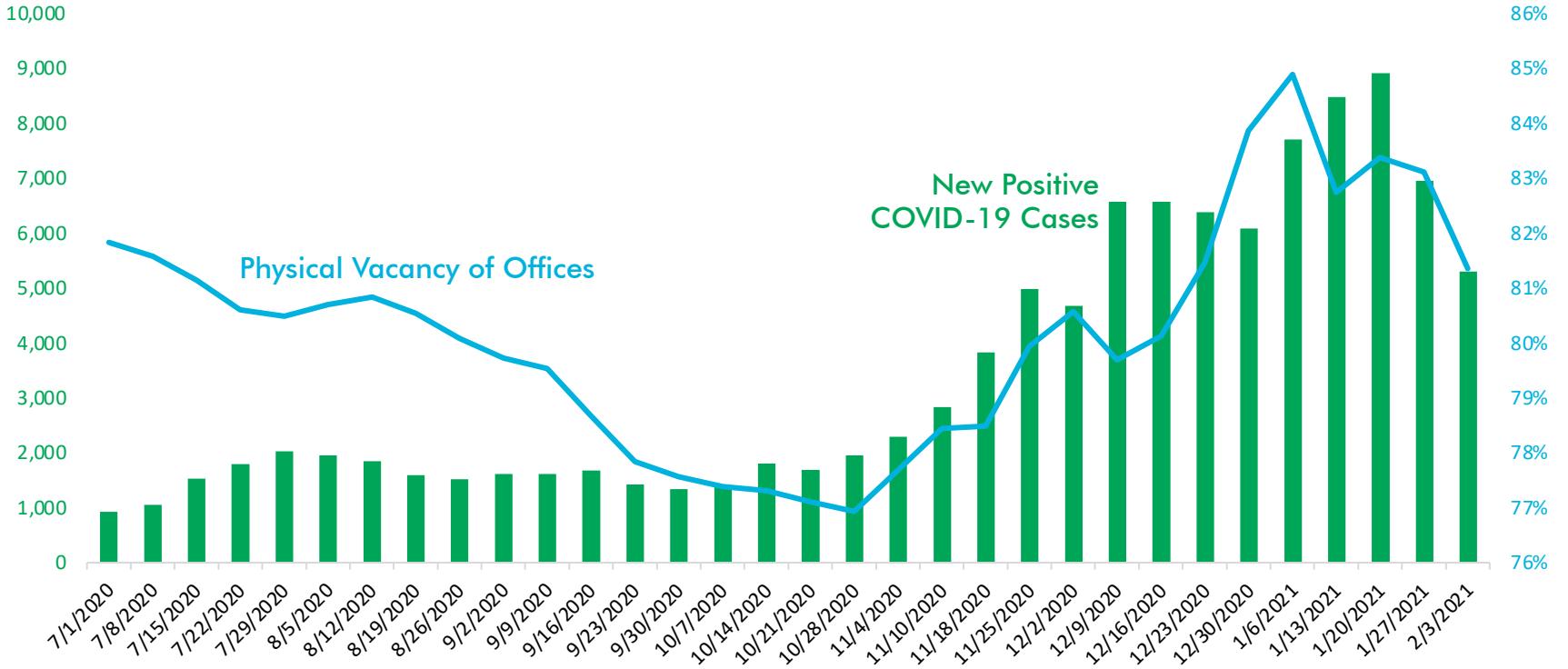


Source: US BLS



**COVID
19**
Coronavirus
Vaccine

COVID-19 AND ECONOMIC ACTIVITY



Source: COVID-19 Tracking Project, CBRE Research, Kastle Systems. 7-day moving average of new, positive COVID-19 cases in Virginia, District of Columbia, and Maryland. Physical Vacancy represented by percentage of office access card swipes not used according to Kastle Systems.

HOUSEHOLDS SITTING ON BIG PILES OF CASH

Savings deposits, % of nominal GDP

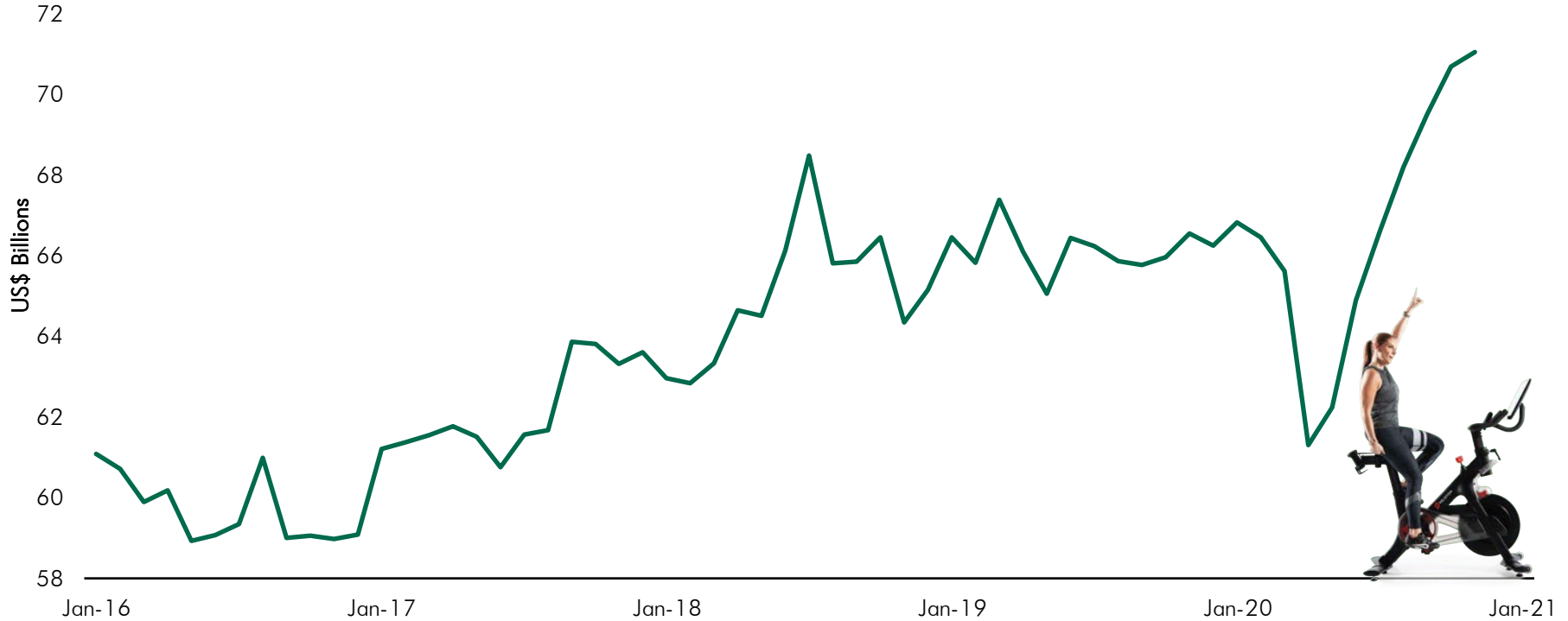


Source: Federal Reserve, Macrobond, CBRE Research, December 2020.

CBRE

AND PURCHASING DURABLE GOODS RATHER THAN SERVICES

Capital goods orders (appliances, computer equipment, sports equipment, automobiles)



Source: U.S. Census Bureau, CBRE Research, December 2020.



ALL AREN'T PROSPERING SO WELL, BUT MORE SUPPORT IS ON THE WAY...

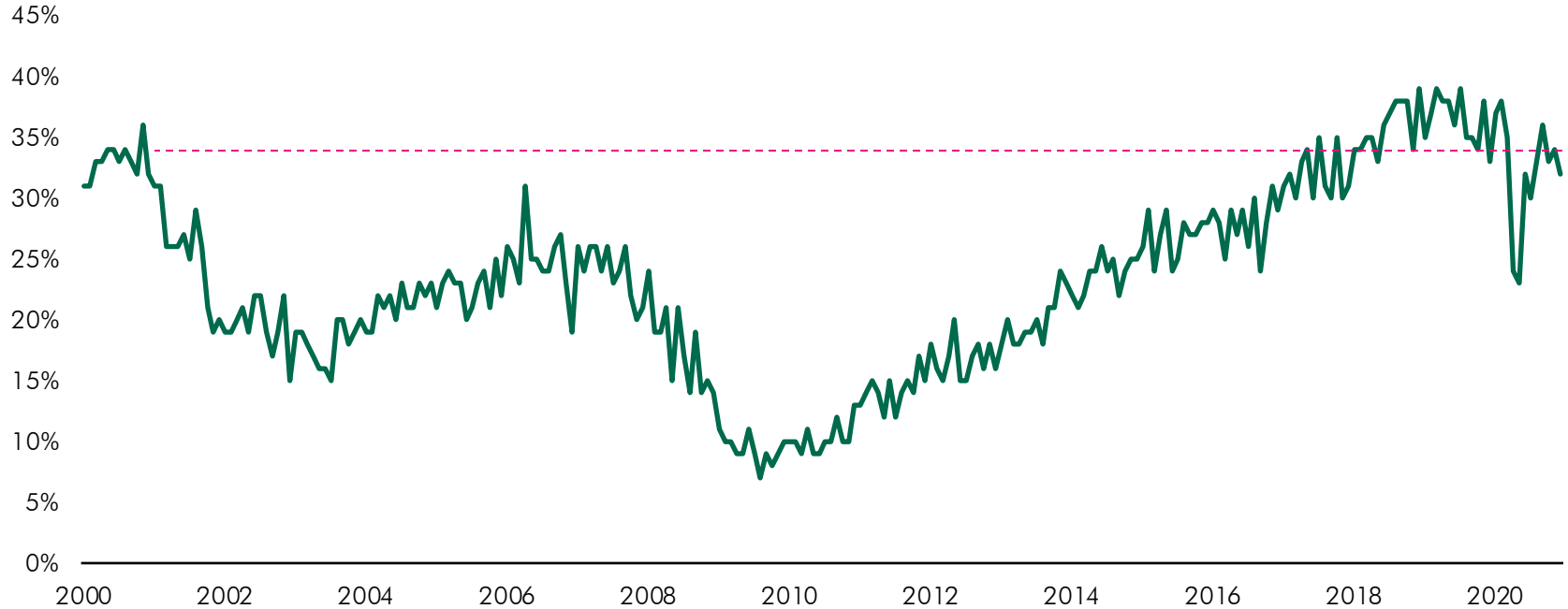
Federal government outlays for unemployment benefits, 7-day moving total



Source: U.S. Department of Treasury, Macrobond, CBRE Research, 21 Jan 2021.

THE LABOR MARKET IS MUCH BETTER THAN POST-GFC

Percent of job openings not able to fill right now



Source: NFIB, CBRE Research, December 2020.

THE 2021 COMEBACK

Annual GDP Growth Forecast, US



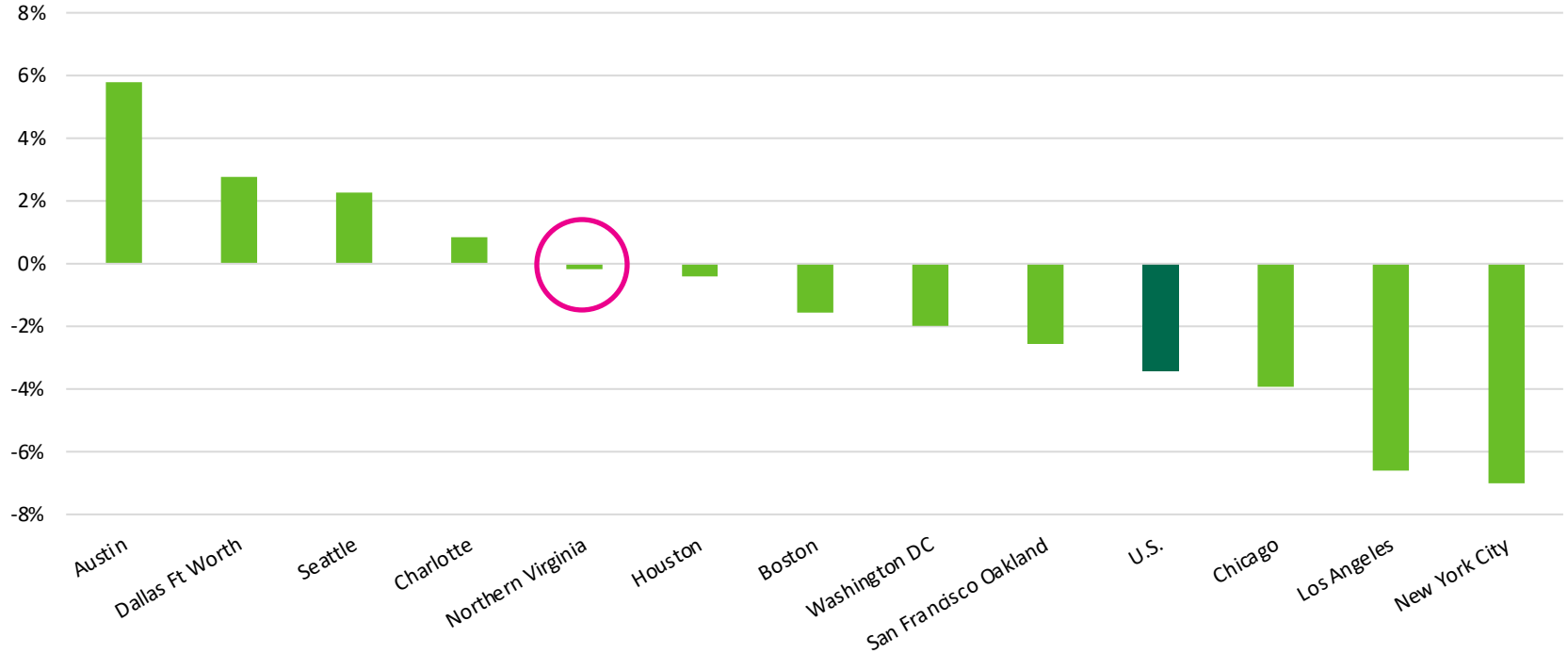
Source: CBRE House-View, January 2021.

CALL IT A
COMEBACK.



NORTHERN VIRGINIA INSULATED, GROWTH TO RESUME

Y-O-Y Change In Office-Using Employment



Source: US BLS, CBRE Research, January 2021. Office-using employment consists of Professional & Business Services, Information, and Financial Activities.



WHAT
TO
WATCH
IN 2021

billboard
THE HOT
10

#10

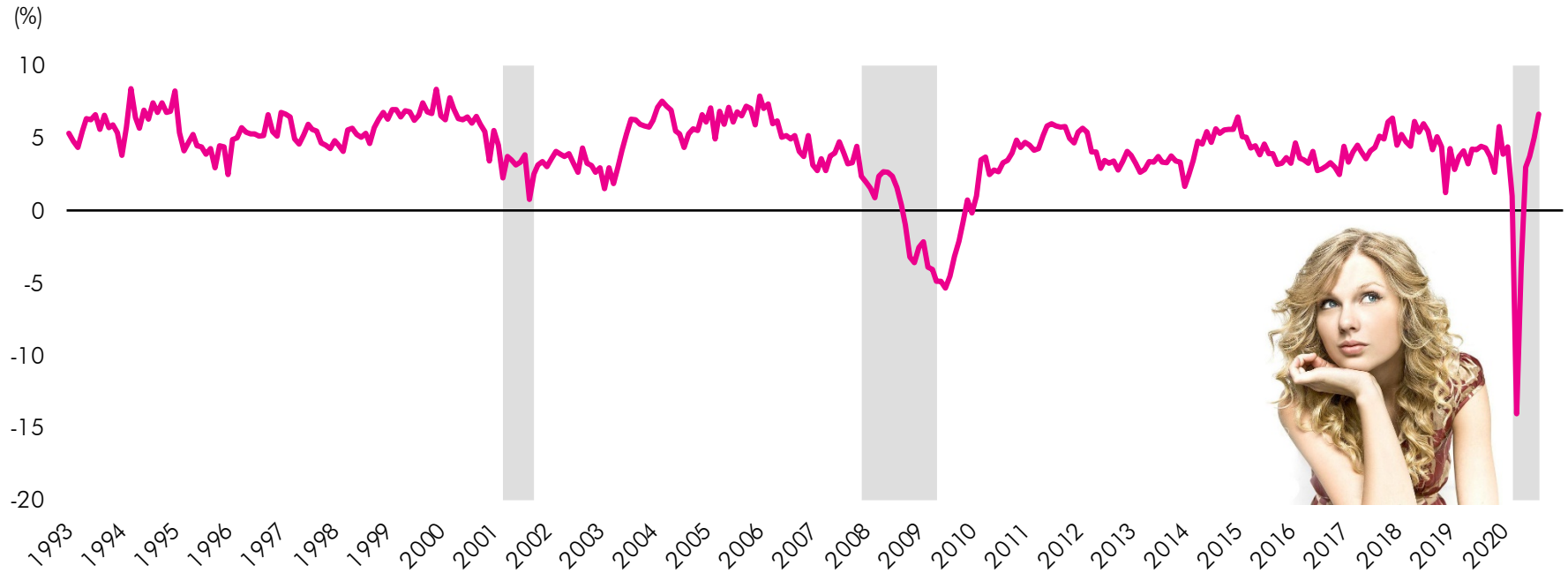
**WINNERS &
LOSERS IN
RETAIL**



**I GET KNOCKED DOWN,
BUT I GET UP AGAIN**

RETAIL SALES BOUNCING BACK SWIFTLY

U.S. retail and food services sales Y-O-Y growth (excl. auto and gas)



BIDDING FAREWELL

National & large regional retailers (excl. small business)

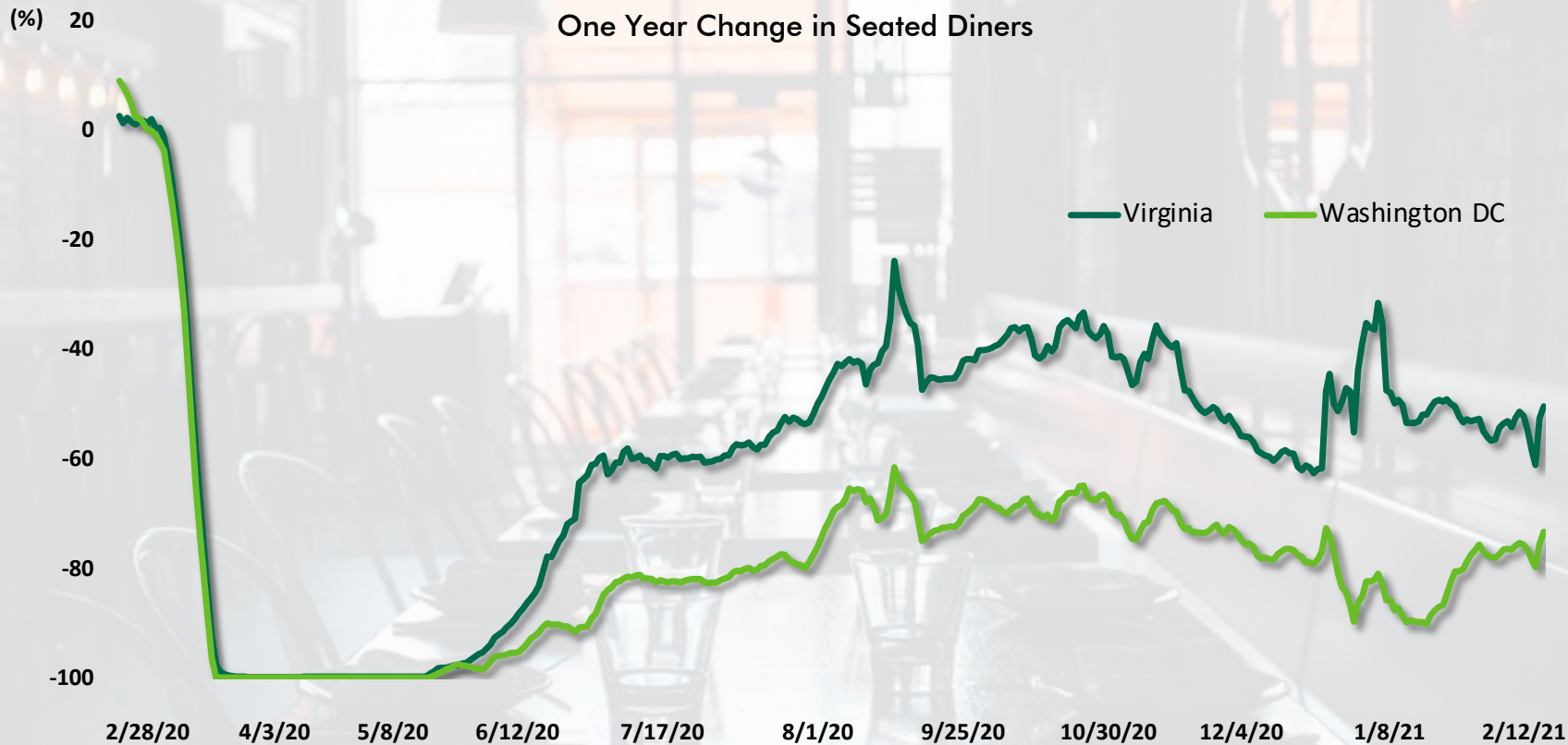
Approximately 12,130 announced & 6,352 actual retail store closures as of Dec 31



JAN FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC

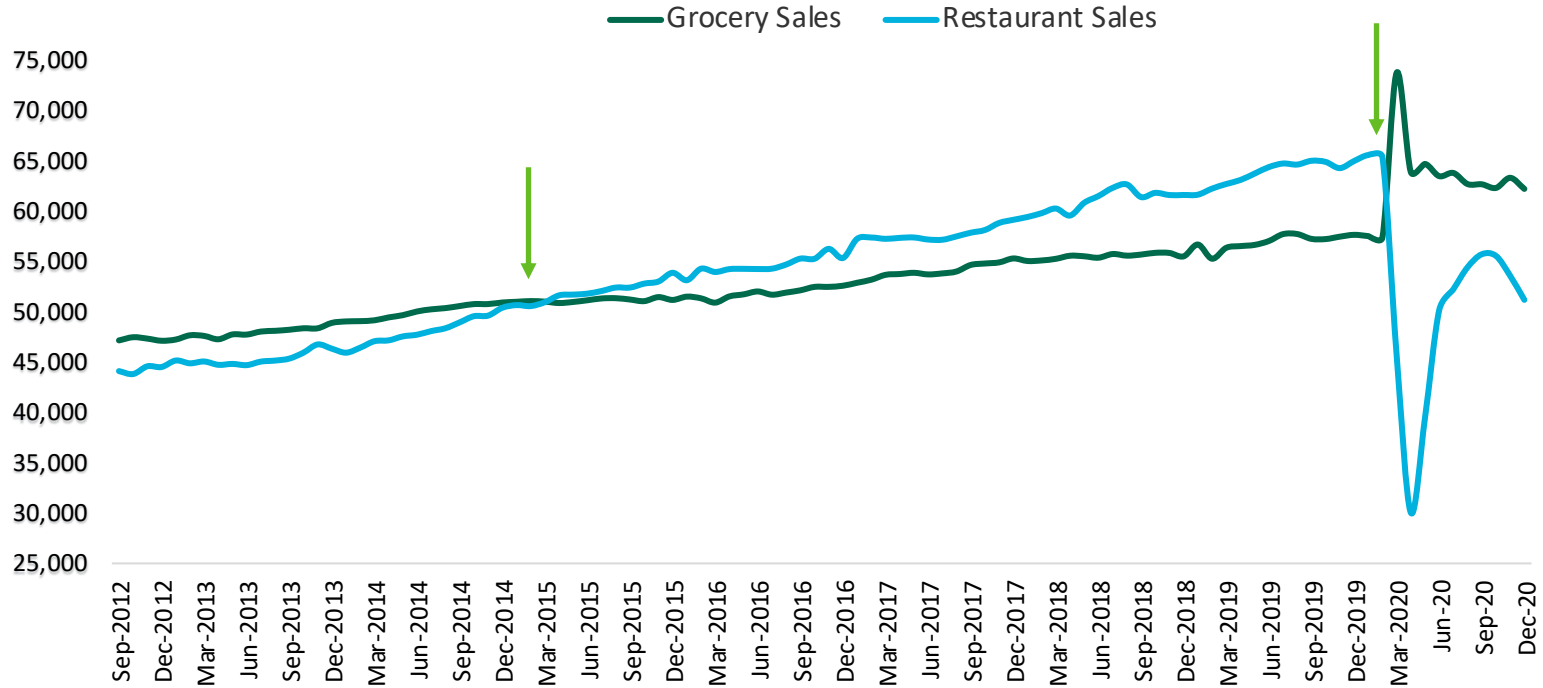
Source: CBRE Research, Creditintel, as of January, 2020.

One Year Change in Seated Diners



LET'S STAY HOME

Grocery vs. Restaurant Sales





FUNCTIONAL AREA

EM

CARDIO





#9

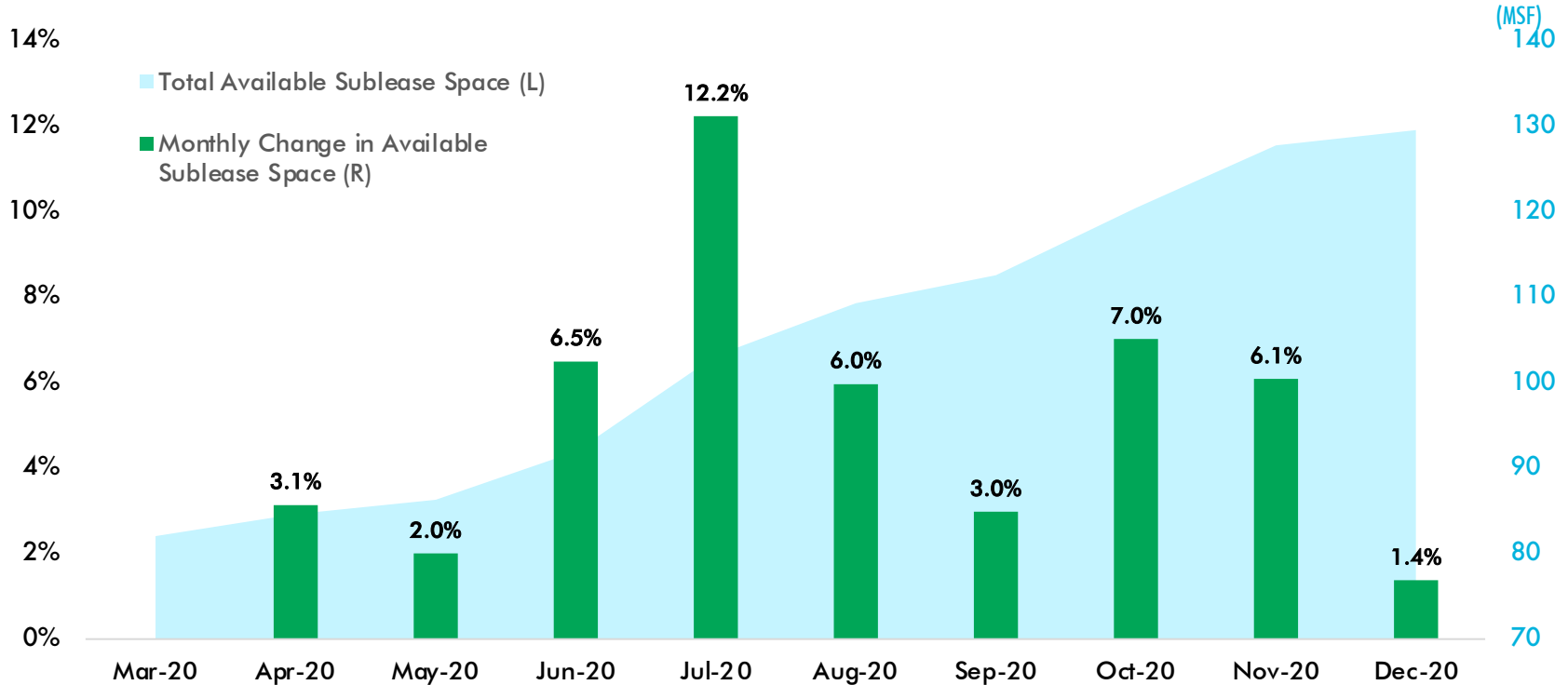
**SUBLEASING
IS A
DRAG**

DON'T BRING ME DOWN.



SLOWING ADDITIONS OF SUBLEASE OFFICE SPACE

Available sublease office space

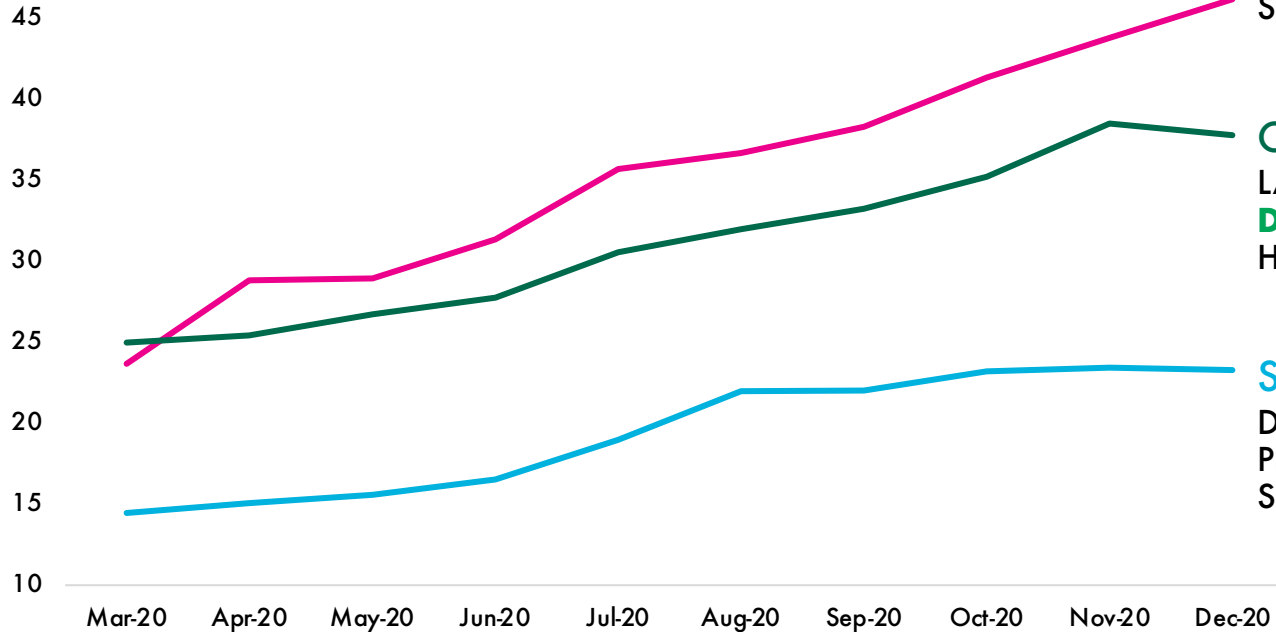


Source: CBRE Research. Data reflects 35 major markets.

THREE CLASSES OF SUBLEASE MARKETS AS OF YE 2020

Available sublease office space aggregated

(MSF) 50



Ongoing Deterioration

Manhattan & NJ
Chicago
San Francisco
Seattle

Cautious Optimism?

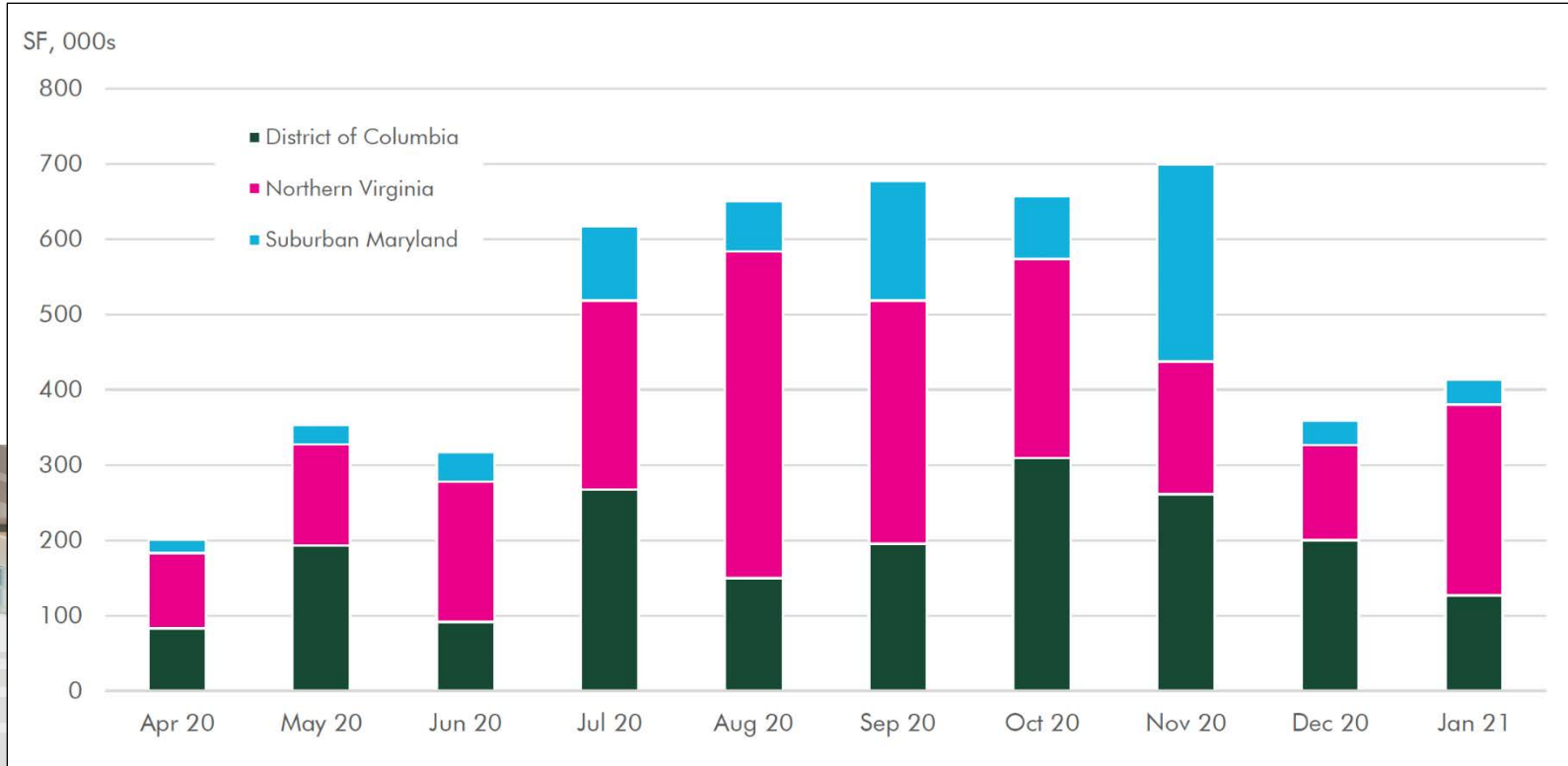
LA
DC
Houston
Boston
Atlanta
Austin

Surprisingly Stable

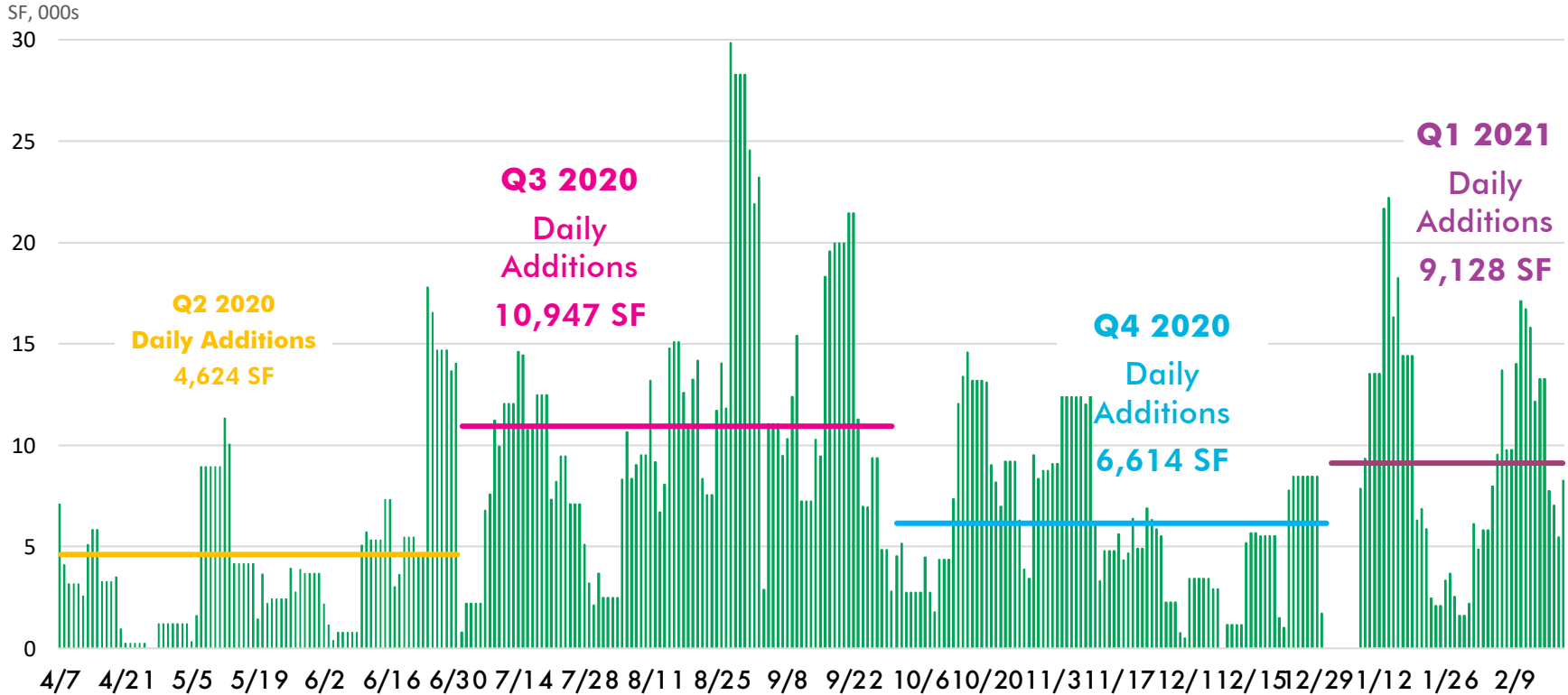
Dallas
Phoenix
San Diego
Denver
Miami
Orange County

Source: CBRE Research. All markets are metro area, unless specified.

SUBLEASE ADDITIONS BY MONTH



7-DAY MOVING AVERAGE OF SUBLEASE ADDITIONS - NORTHERN VIRGINIA

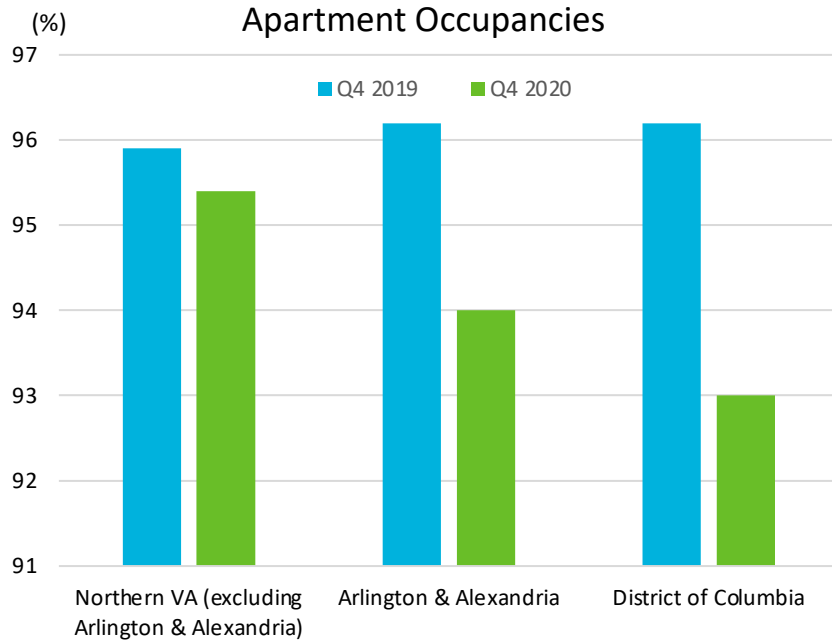


#8

MULTIFAMILY IS
SEEING CHANGES



I'M MOVIN' OUT.



Outflow from the urban centers
Postal Service Address Changes 10/19 – 10/20

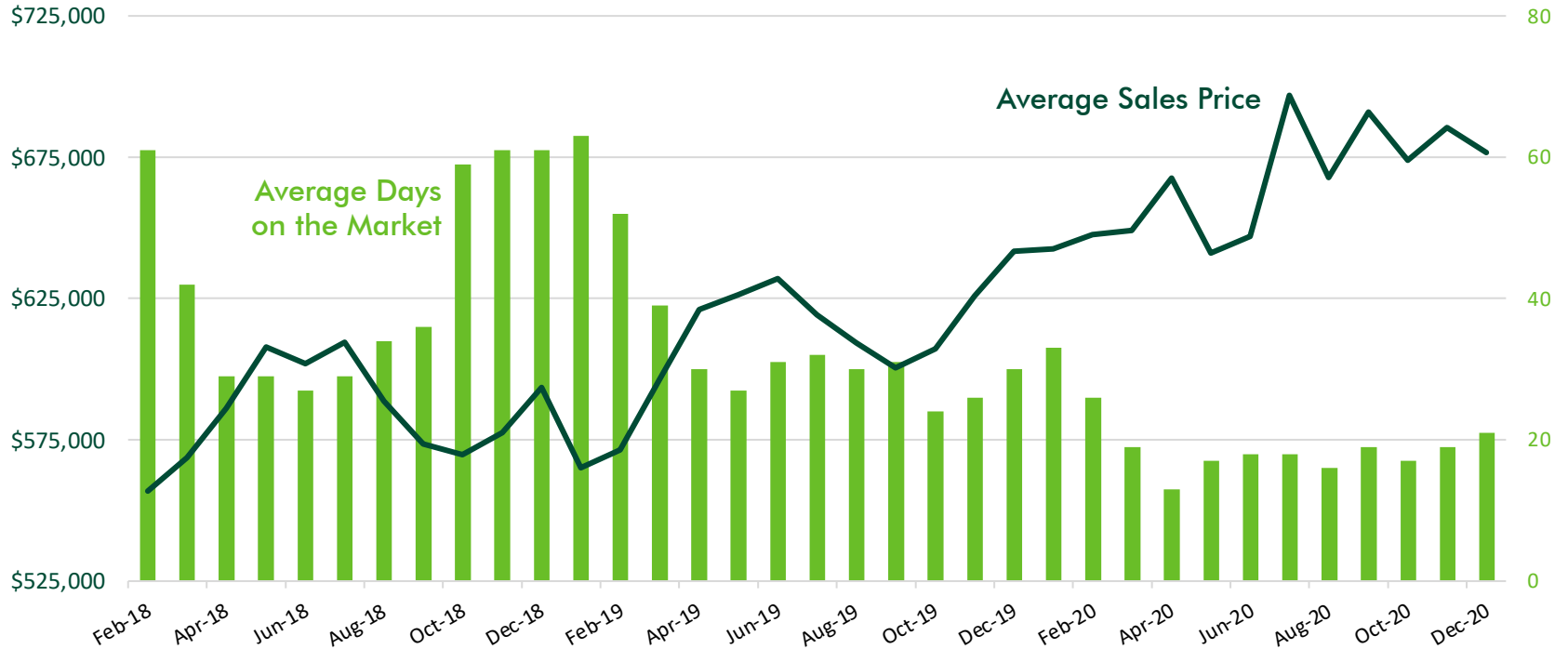


Color Key: More move-outs More move-ins



BEGIN THE BIDDING WARS

Northern Virginia Home Sales Trends



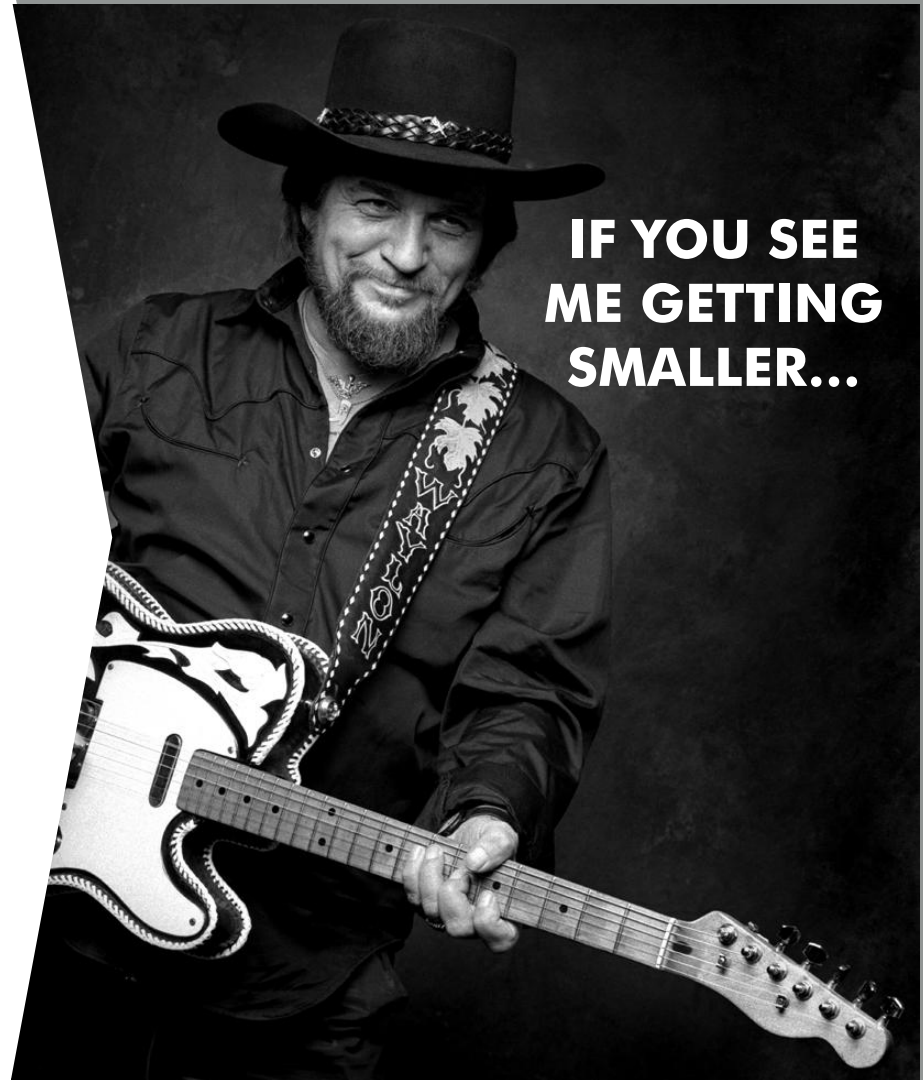
Source: Northern Virginia Realtors Association.





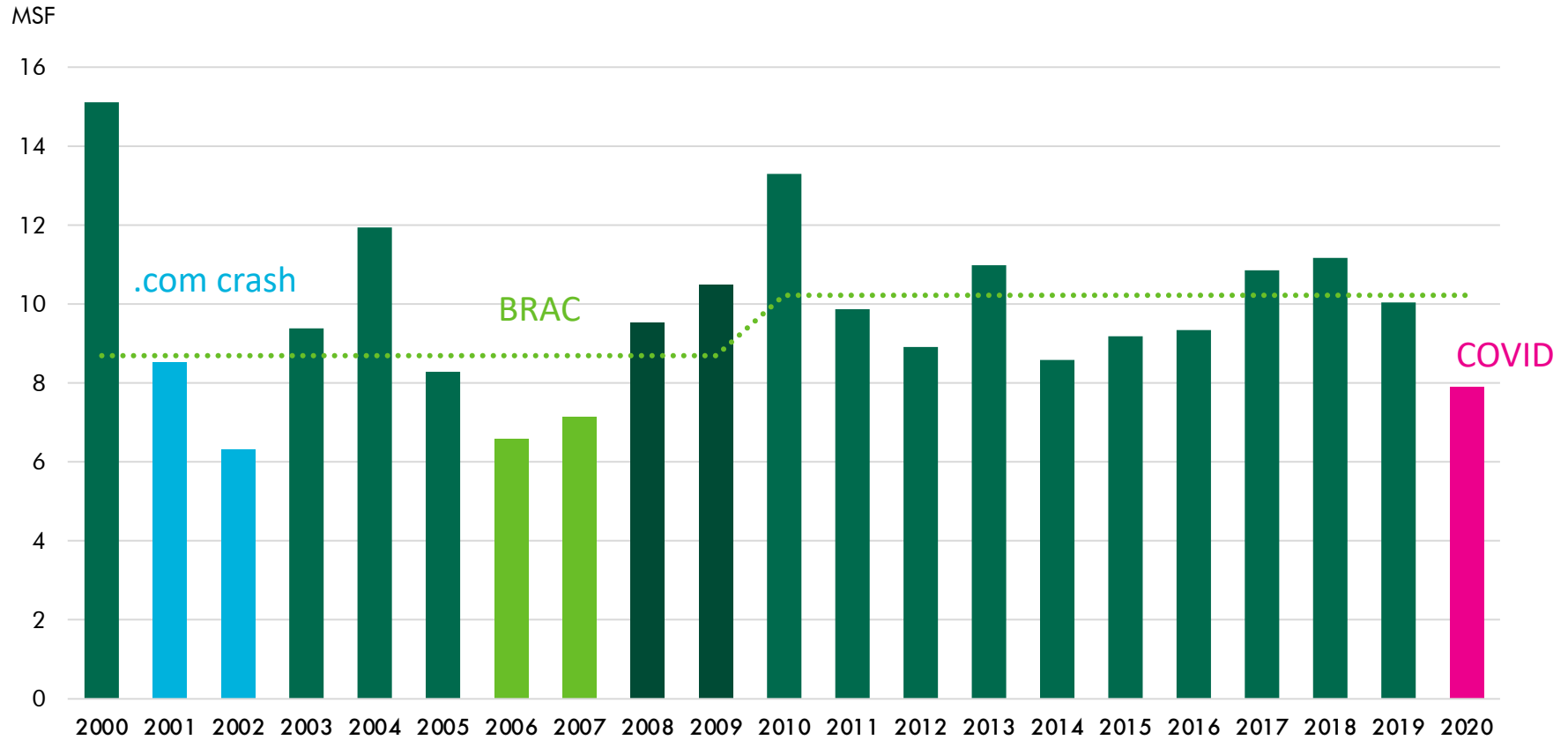
#7

**OFFICE LEASING AND
THE BIG SHRINK**



**IF YOU SEE
ME GETTING
SMALLER...**

NORTHERN VIRGINIA GROSS LEASING





Signature

For any capex item - For any item not budgeted for the purchase must approve for the purchase.

Signature 1

Signature 2

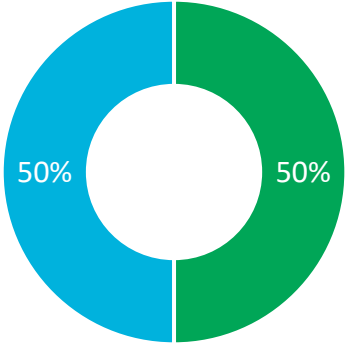
Signature 3

Signature 4

Date

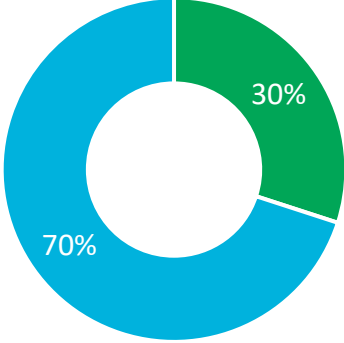
RELOCATIONS VS. RENEWALS

Historical
By # of Transactions



■ Relocation ■ Renewal

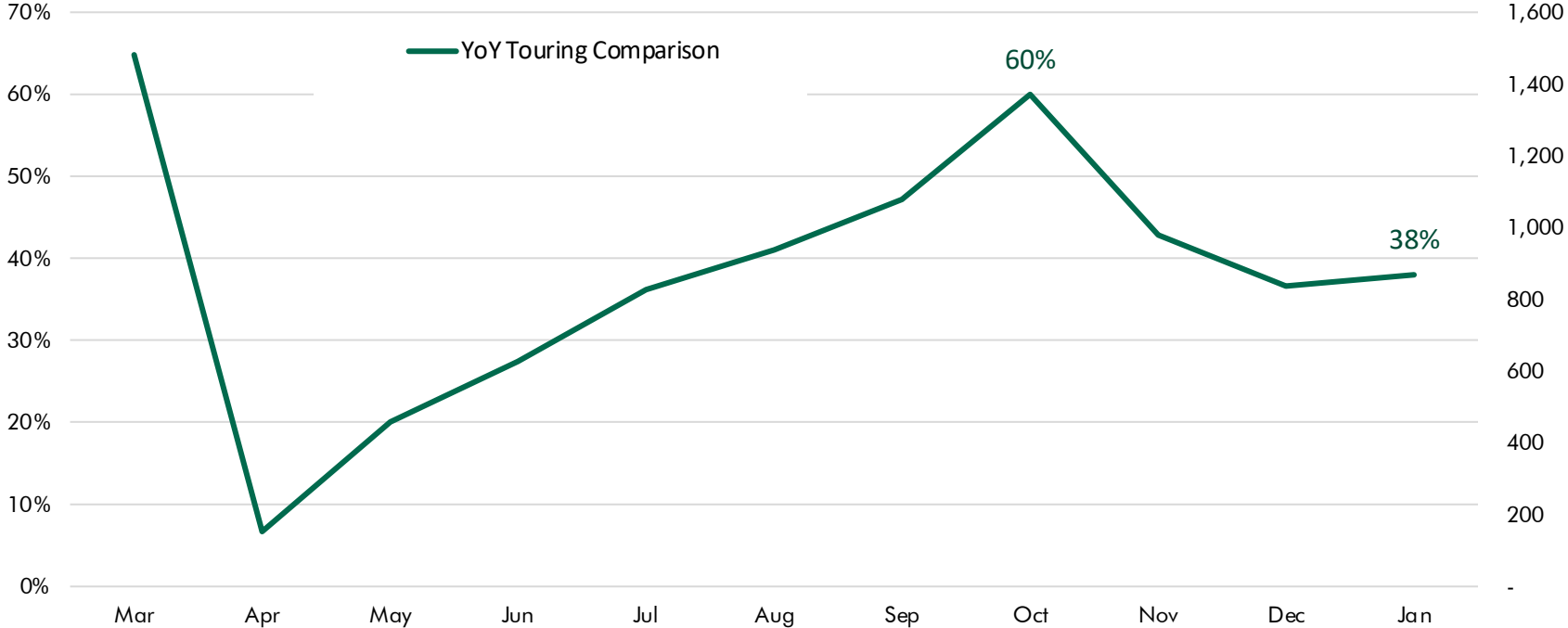
2020
By # of Transactions



■ Relocation ■ Renewal

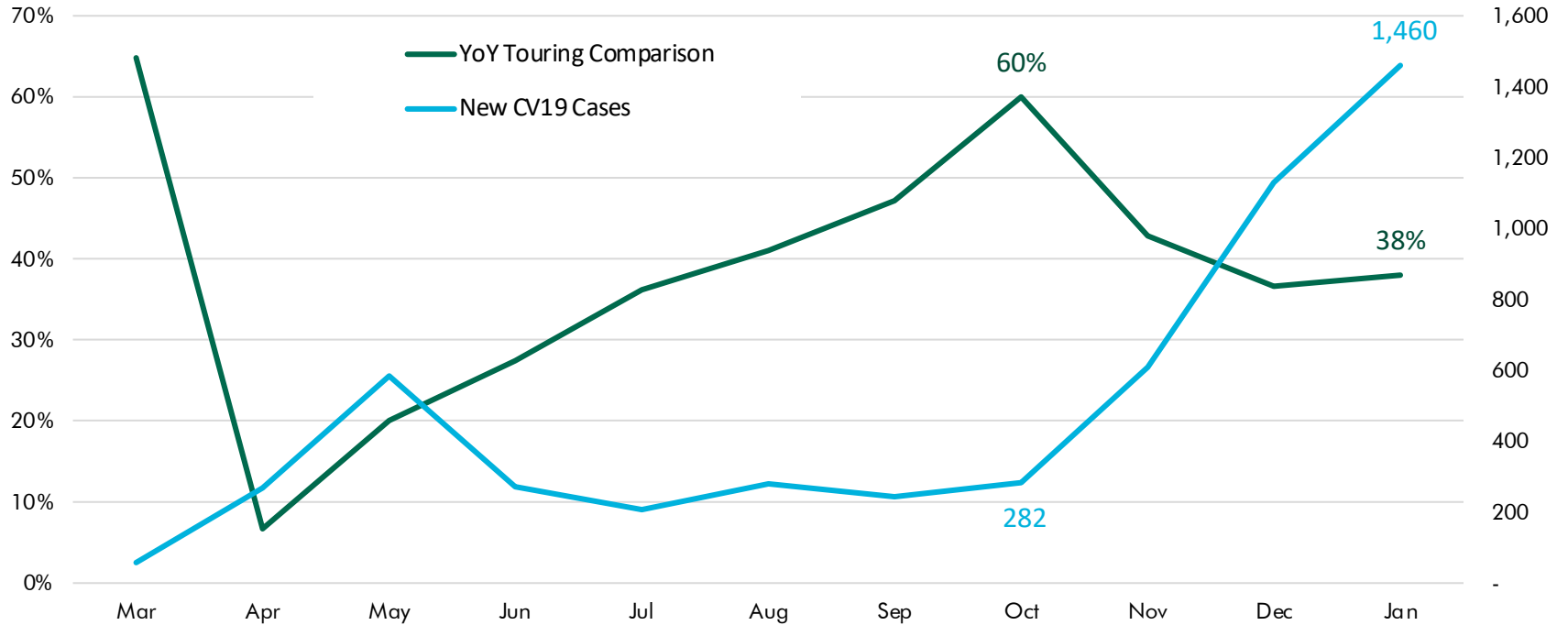


NORTHERN VIRGINIA OFFICE TOURING TRENDS



* Analysis based on data from CBRE Northern Virginia agency leasing teams.

NORTHERN VIRGINIA OFFICE TOURING TRENDS

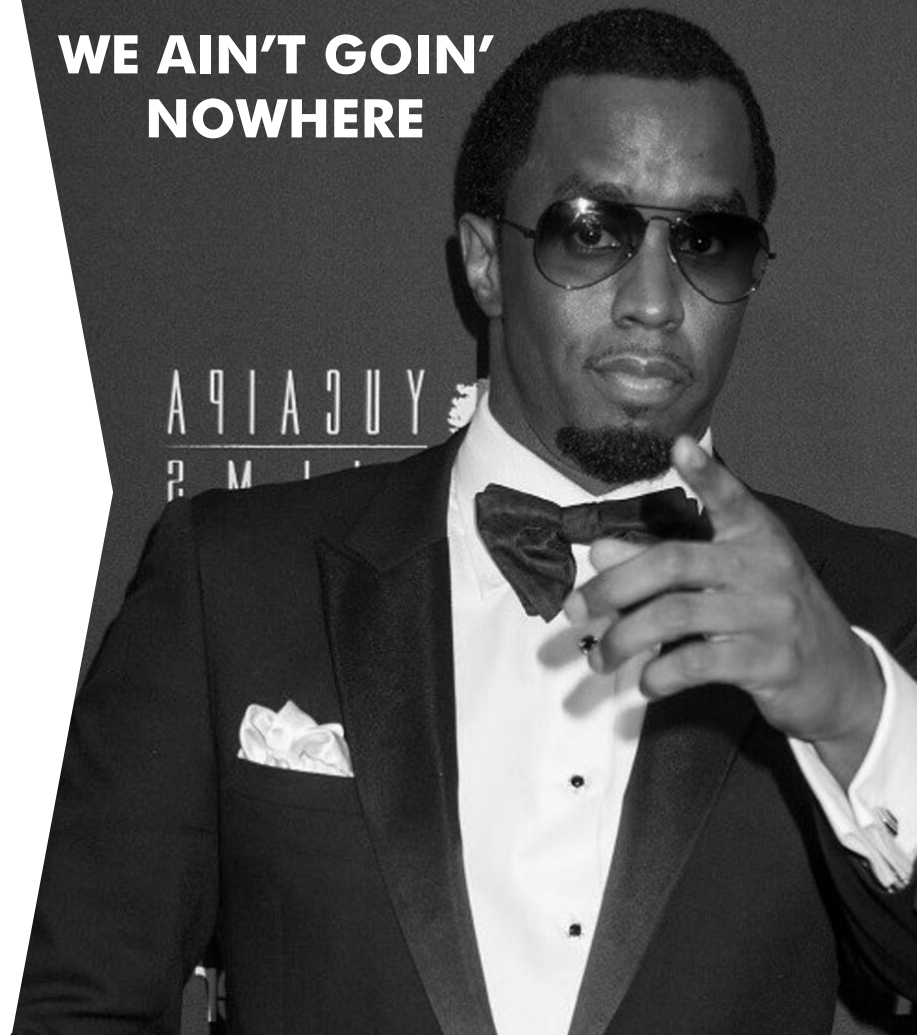


* Analysis based on data from CBRE Northern Virginia agency leasing teams.

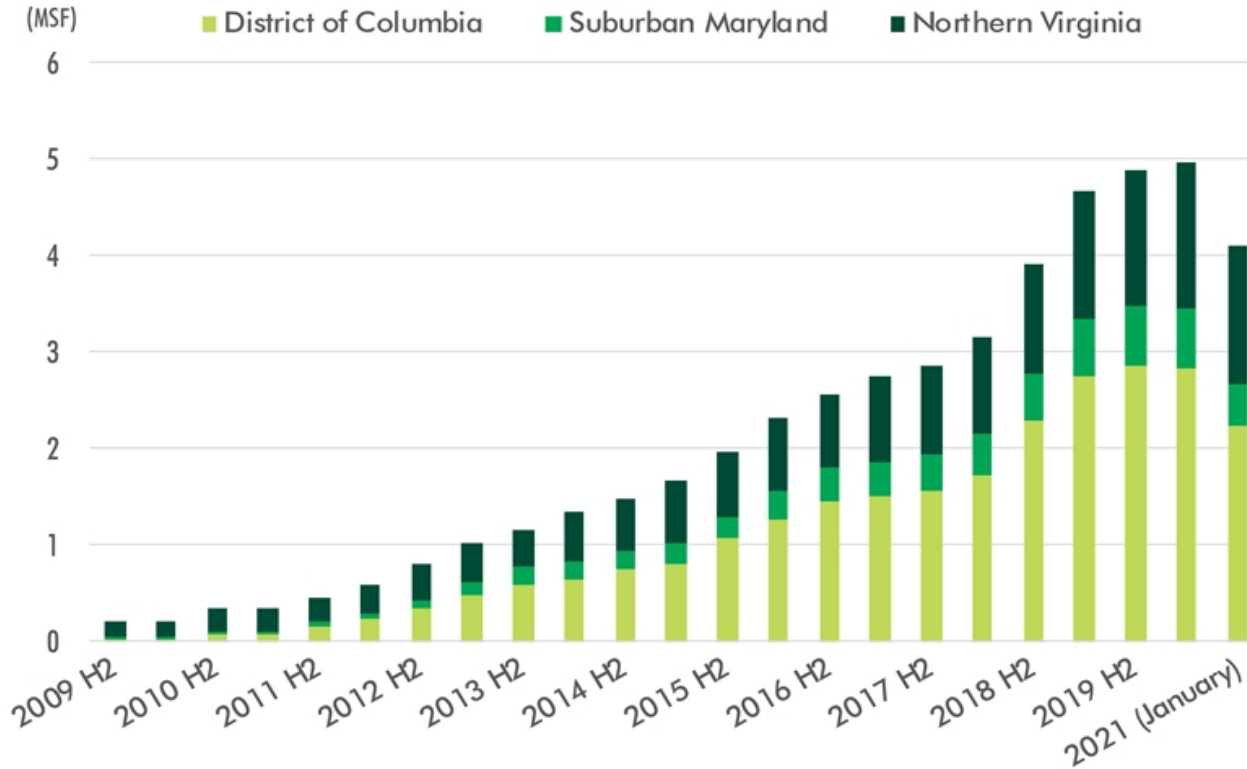
#6

FLEX SPACE IS
HERE TO
STAY

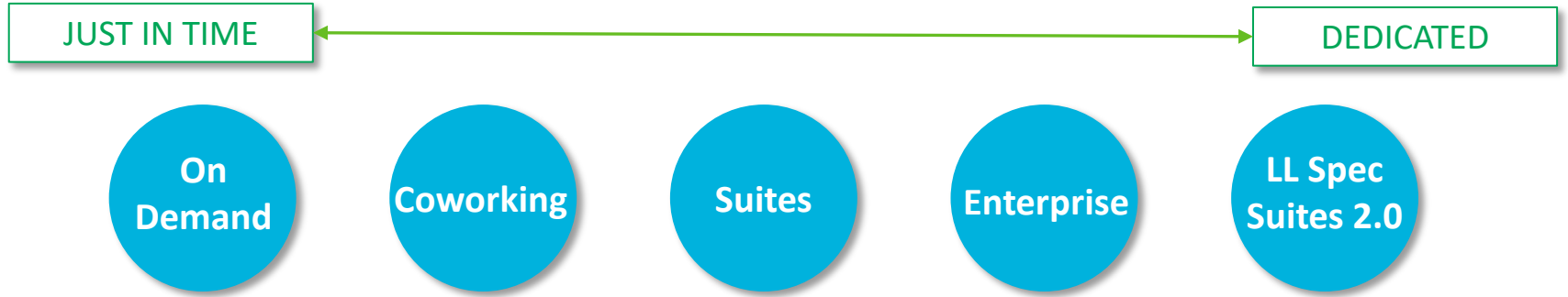
WE AIN'T GOIN'
NOWHERE



FLEX PROVIDER GROWTH



A MARKET IN CONSTANT EVOLUTION



56%

Anticipate using more flexible space in future strategy

37%

Expect flex to play a significant role in future strategy

82%

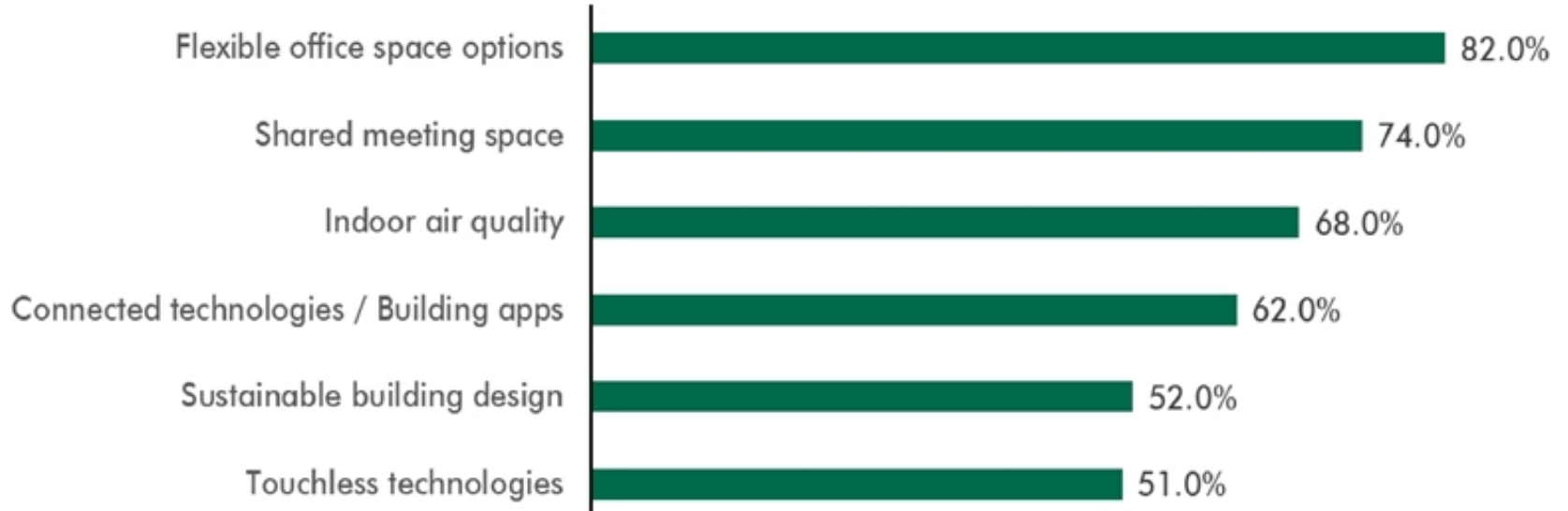
Will favor buildings with flex space and shared conference space in the future



wework **KNOTEL**

Regus

WHAT USERS WANT



NATIONAL LANDING - FLOOR 6



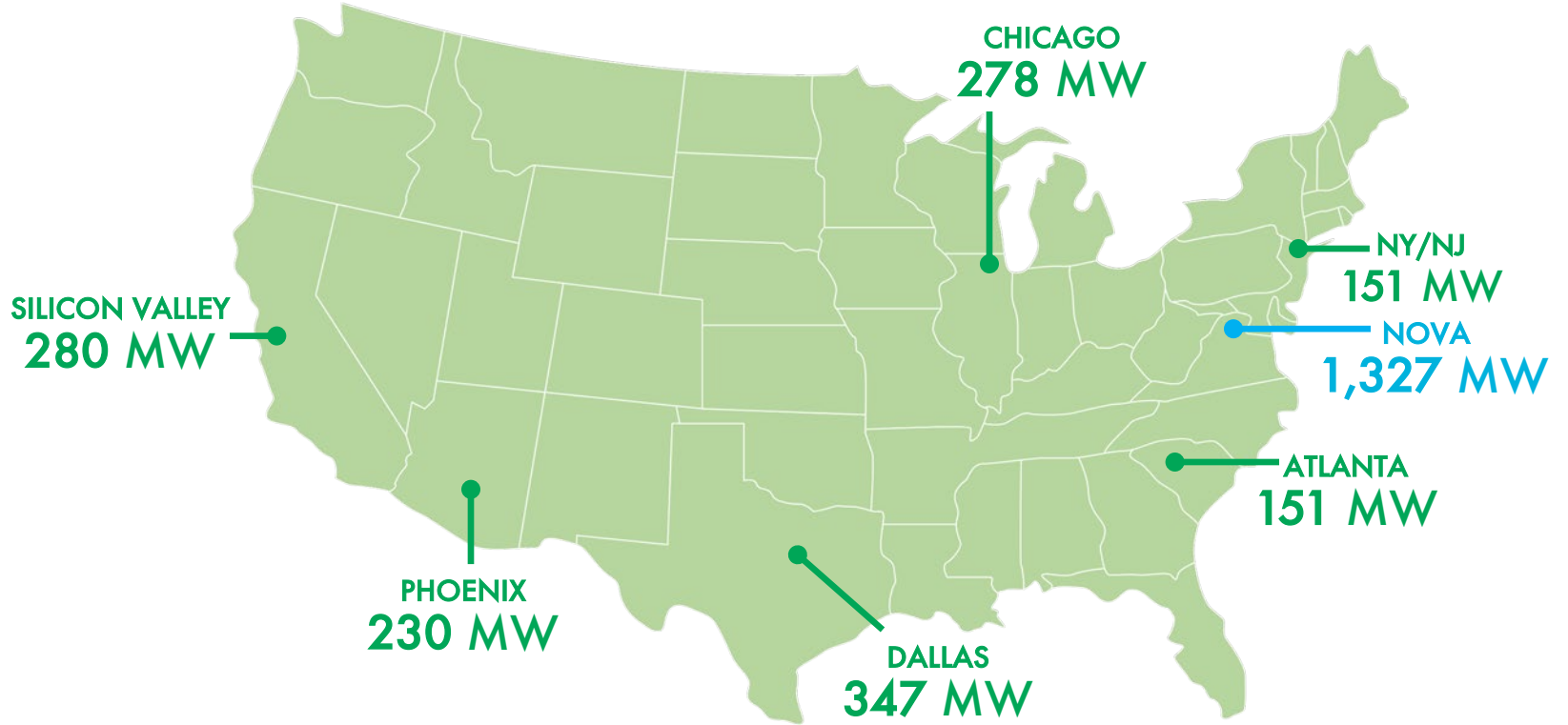
#5

**DATA CENTERS:
A PANDEMIC
BRIGHT SPOT,
VOLUME 1**



THAT'S THE POWER OF DATA

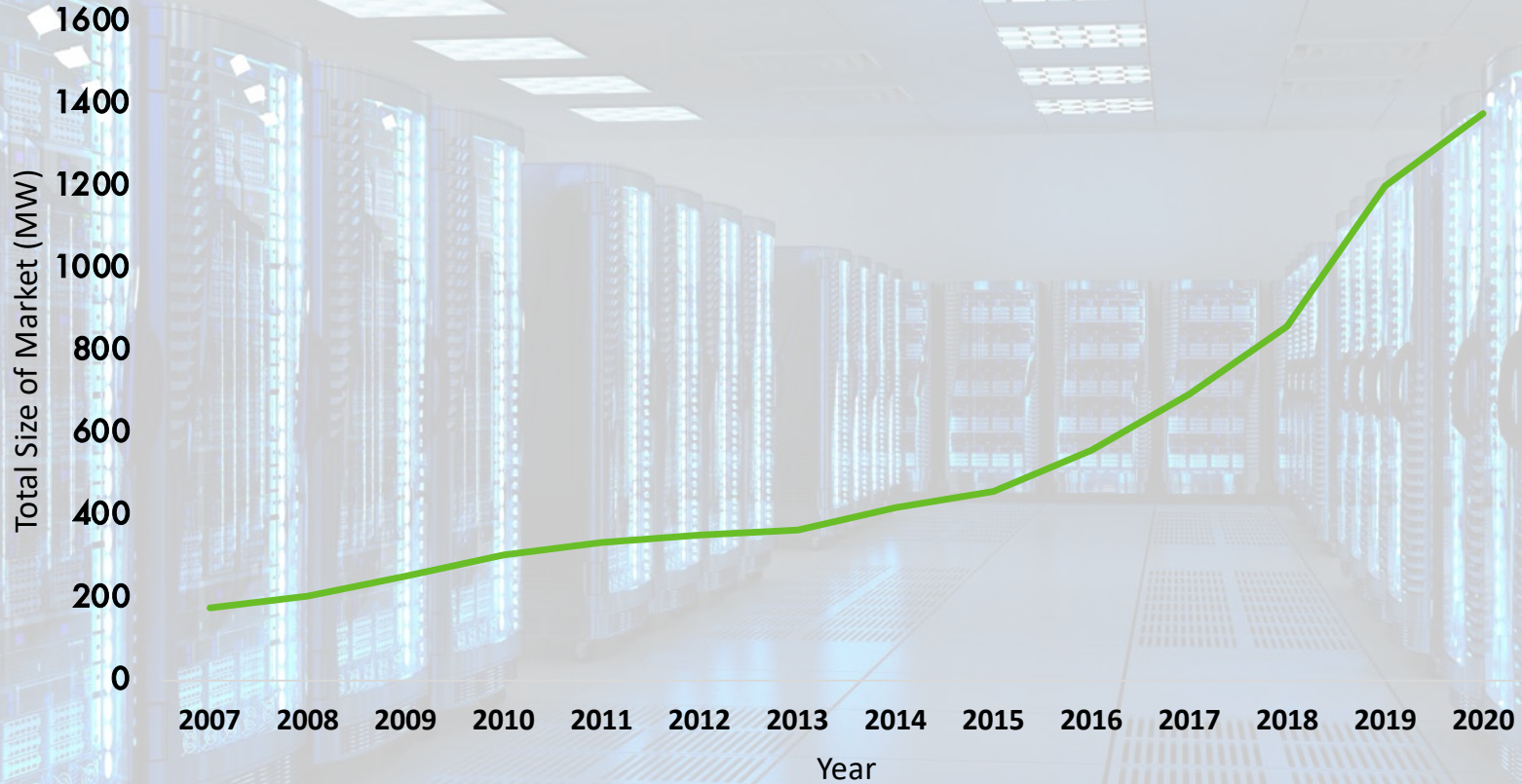
ACTIVE WHOLESALE COLOCATION MARKETS



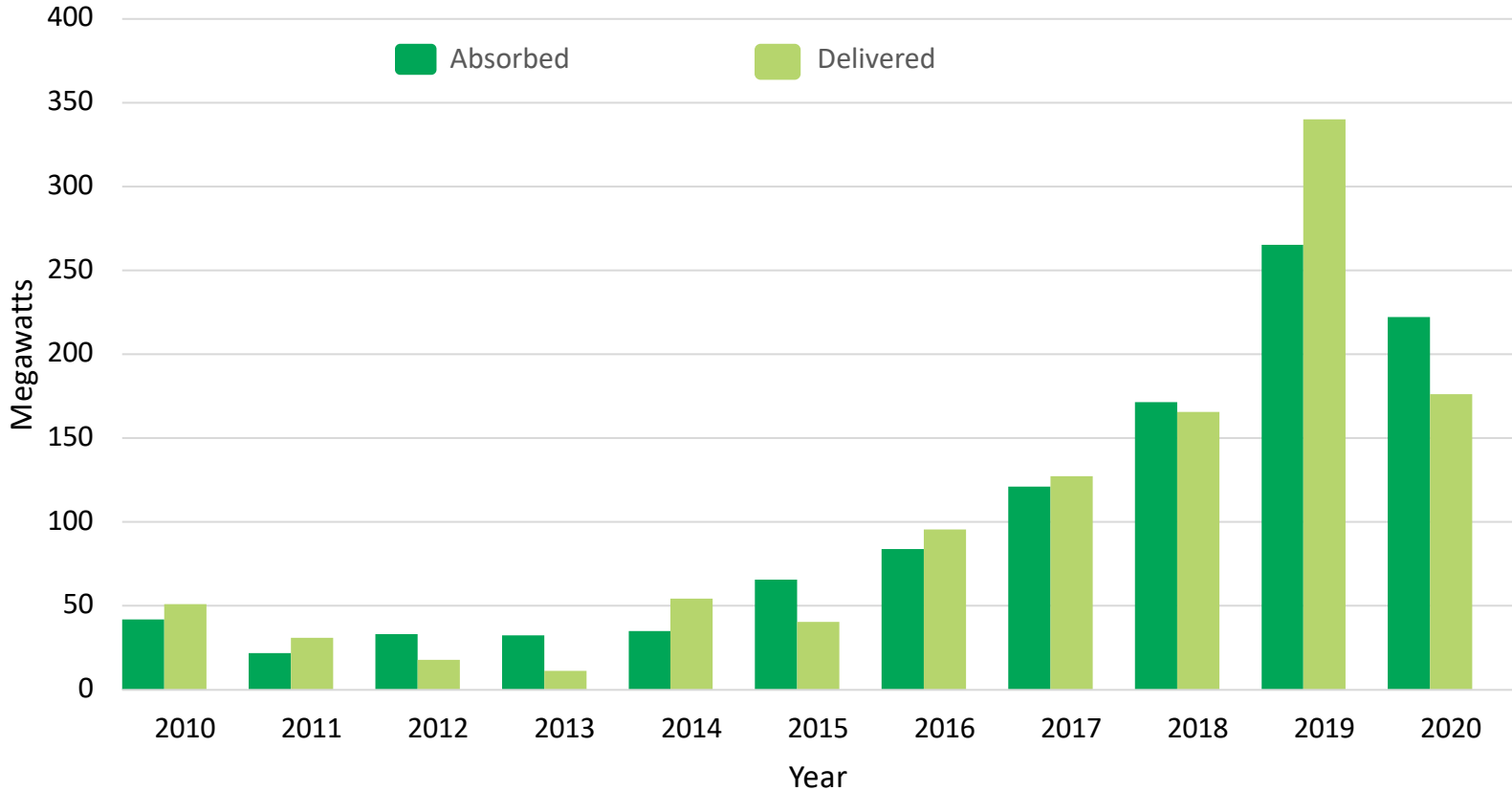


stonks

NORTHERN VIRGINIA TOTAL MARKET SIZE



DATA CENTER COLOCATION DELIVERIES/ABSORPTION







#4

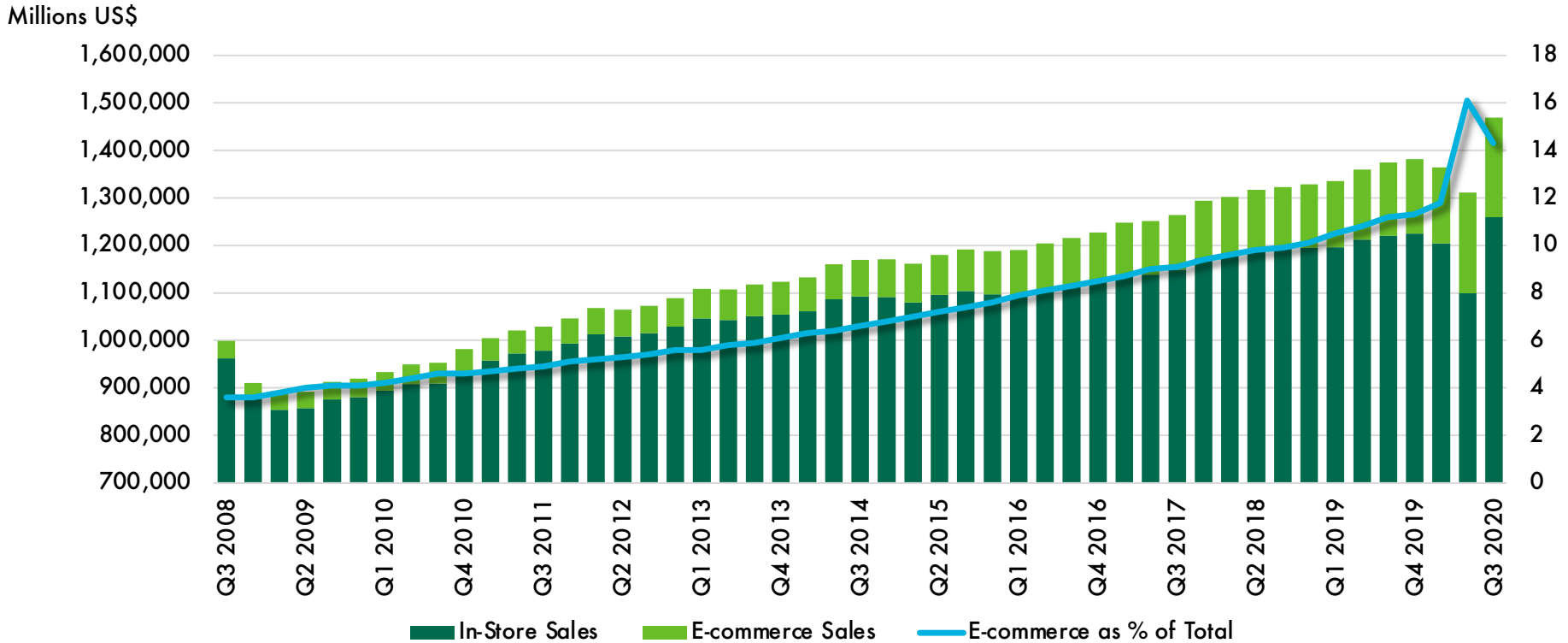
**INDUSTRIAL:
A PANDEMIC
BRIGHT SPOT,
VOLUME 2**

I'M MR. BRIGHTSIDE



A SPIKE IN E-COMMERCE

U.S. Quarterly Retail Sales, In-Store vs. E-commerce



INTERNET PENETRATION ACCELERATED

Currently at 16% penetration; Rising to 27% by 2024

\$ US (Billions)

1,400

1,200

1,000

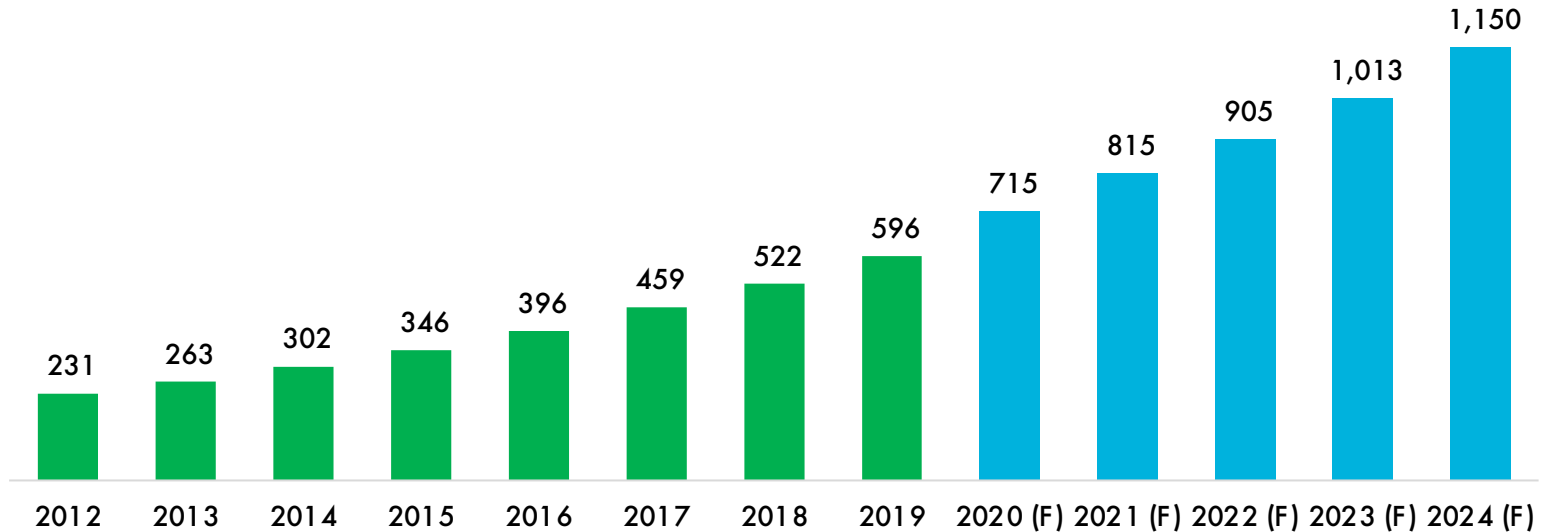
800

600

400

200

-



Source: U.S. Census Bureau, CBRE Research, August 2020.







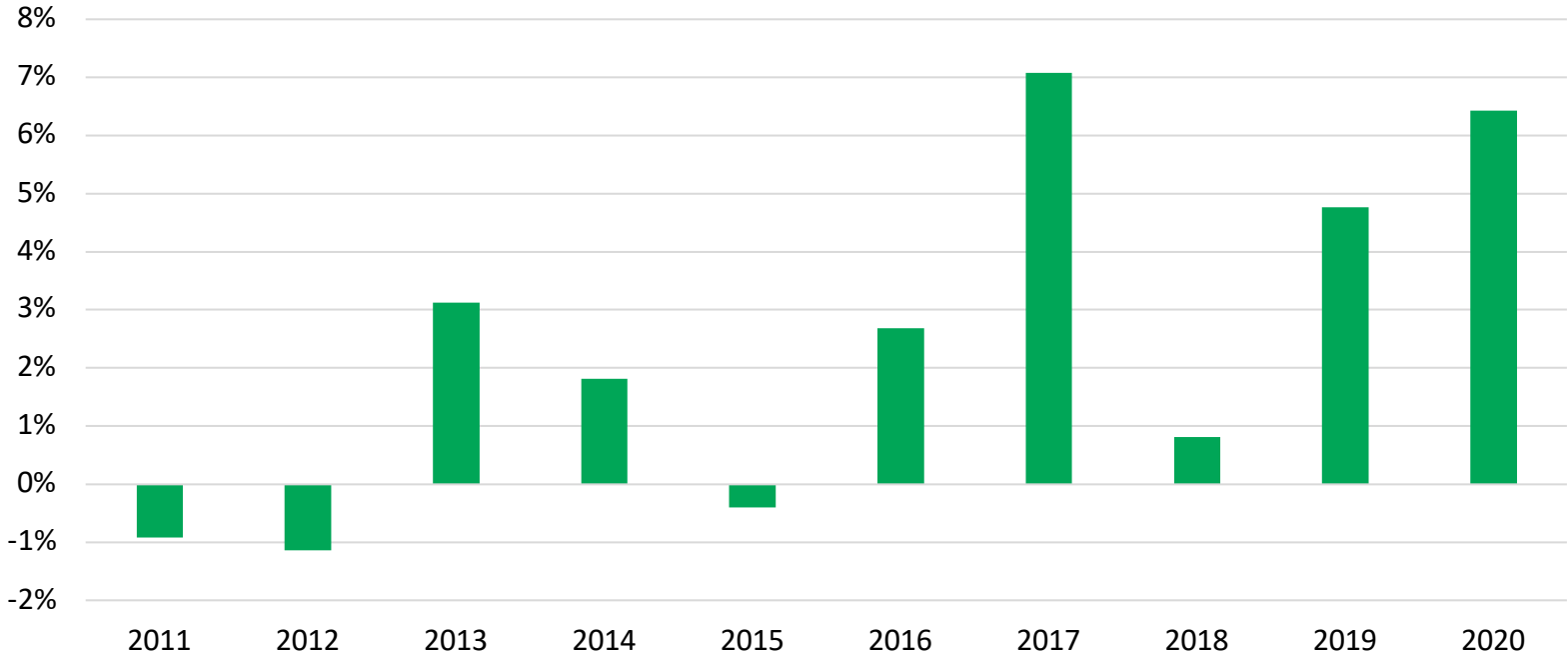
prime

prime



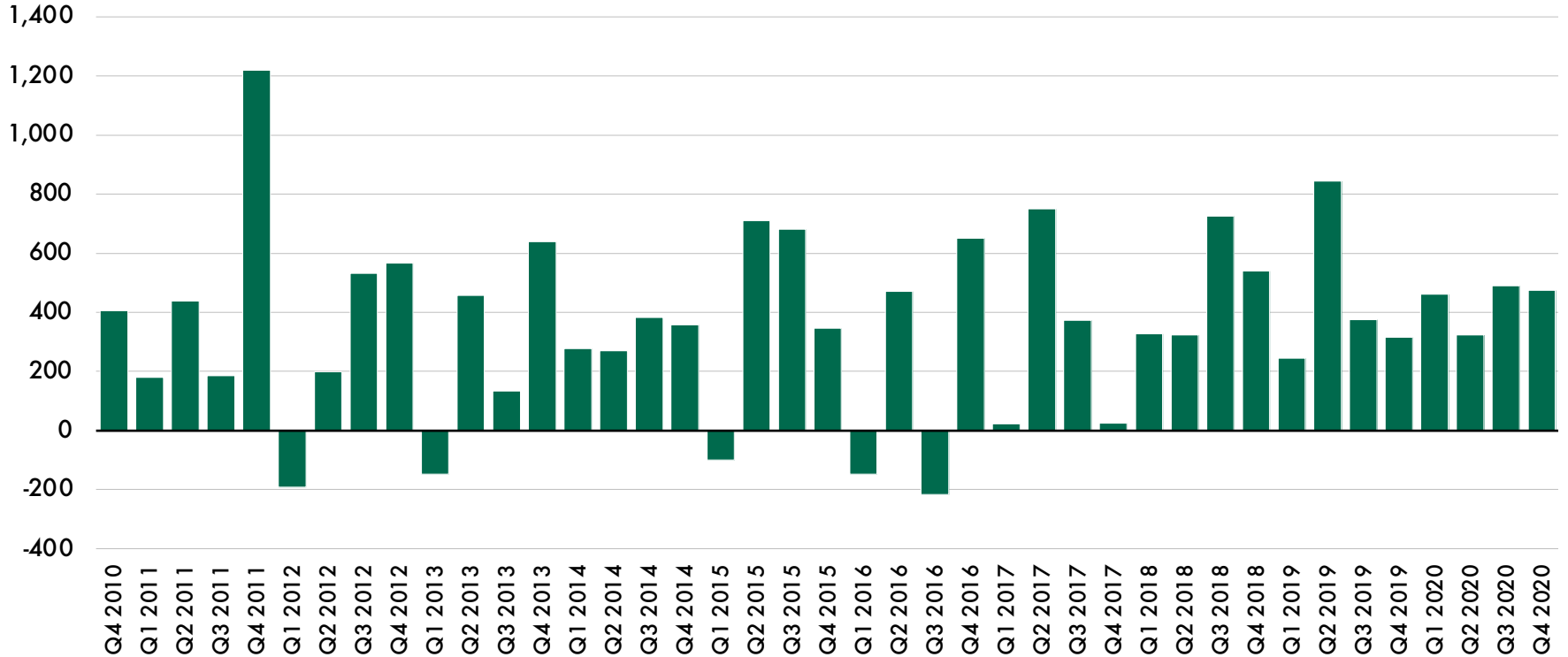
NORTHERN VIRGINIA INDUSTRIAL RENT GROWTH

YoY Rent Growth



NORTHERN VIRGINIA INDUSTRIAL NET ABSORPTION

Net Absorption (KSF)





CURRENT CYCLE VS. PEAK GFC

2004 – 2007 (PREVIOUS CYCLE PEAK)

Avg. YOY Rent Growth
2.7%

Vacancy Rate
7.4 – 8.2%

2016 - 2020 (CURRENT CYCLE)

Avg. YOY Rent Growth
6.3%

Vacancy Rate
4.2 – 4.6%

#3

**THE FEDERAL
GOVERNMENT,
A FIRM FOUNDATION**

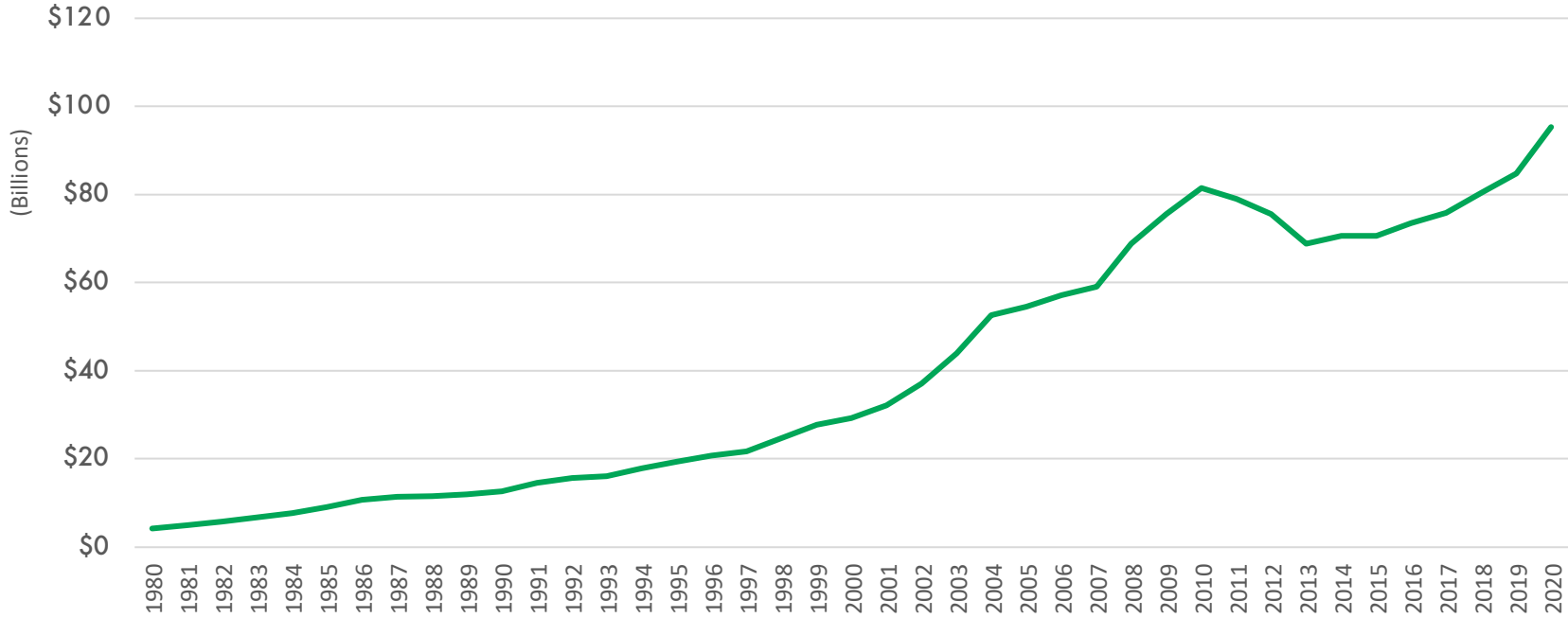
**YOU
NEED ME**





FEDERAL PROCUREMENT

Federal Procurement in the Washington DC MSA



(Sources: U.S. Census (Consolidated Federal Funds Report); usaspending.gov; The Stephen S. Fuller Institute: CBRE Research)

THE PROS AND CONS



A SHRINKING FOOTPRINT



42%

- **Renewal more likely**
- **Longer lease term**
- **Space reduction**
- **More competitive**

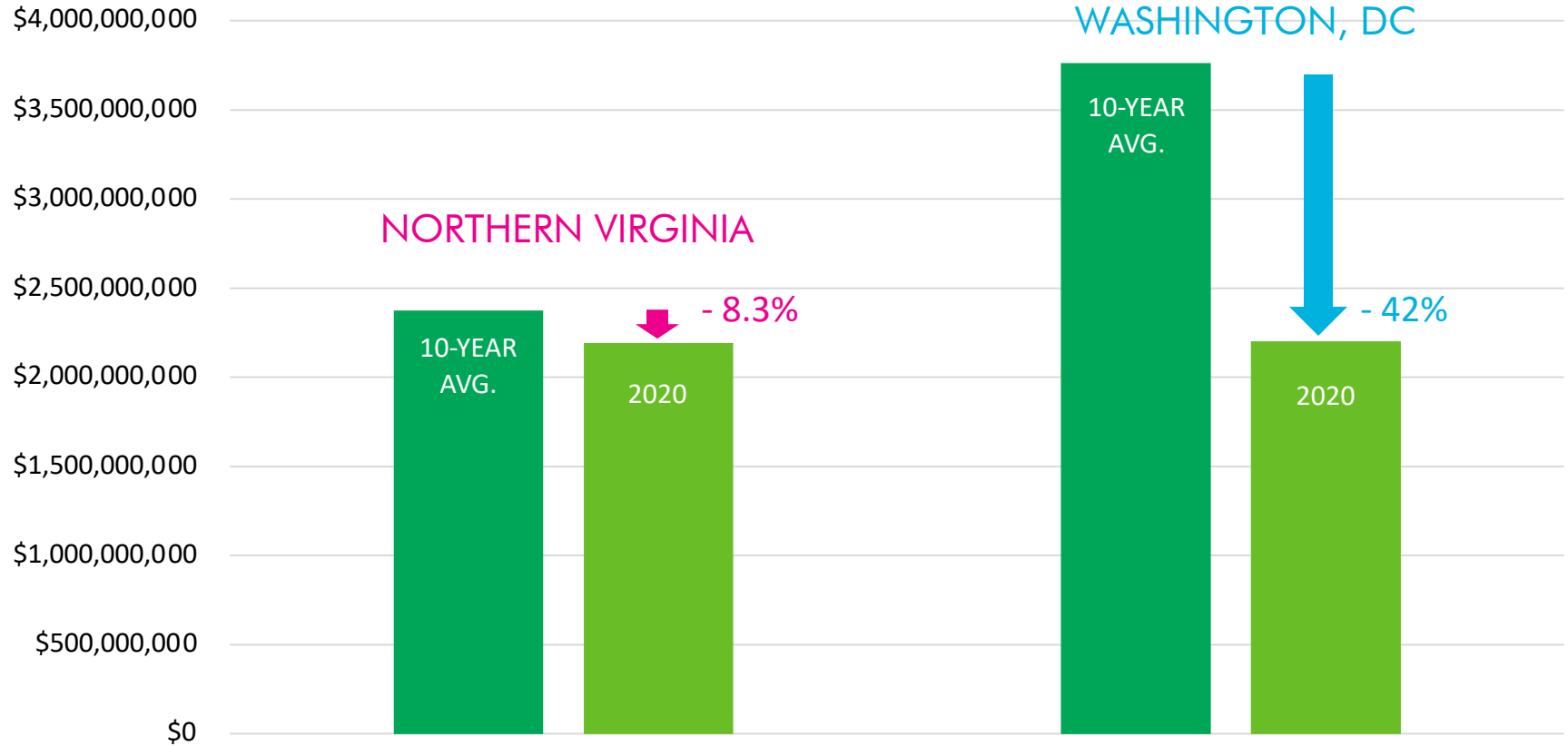
#2

**OFFICE CAPITAL
MARKETS MAY
SURPRISE YOU**

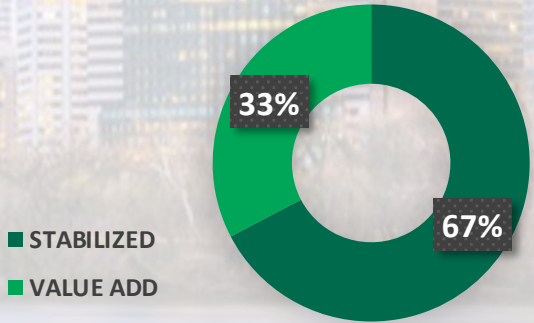


I'M STILL STANDIN'

CAPITAL MARKET ACTIVITY IN NORTHERN VA/DC



2020



15 TRADES: \$1.1B
8 STABILIZED: \$781M
7 VALUE ADD: \$379M

2021

\$250M
5 DEALS ON
THE MARKET

STABILIZED: ACTIVE
VALUE ADD: "WAIT AND SEE"

#1

OFFICE
OCCUPIERS
ARE FIGURING
IT OUT



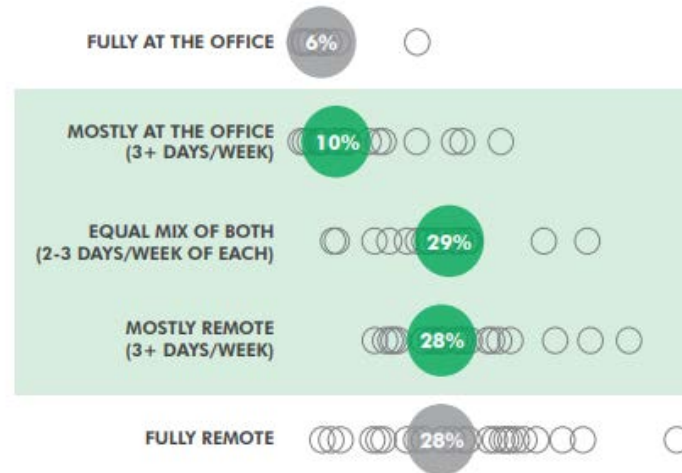
HOME,
SWEET
HOME.



EMPLOYEES ATTITUDES ARE CHANGING

67% of employees desire a balance of office and remote as their preferred workstyle.

When the COVID crisis is over, where would you prefer to work?



Note: 8% undecided.

Source: CBRE Workforce Sentiment Survey, 2020.





THE OFFICE IS STILL A REQUIREMENT FOR MOST









**THE MORE
THINGS
CHANGE,**

**THE MORE
THEY STAY
THE SAME.**