

Investing in the Future









AGENDA



Presentation	of the	Flac	a
		_	

Georgetown University ROTC

National Anthem

Breyanna Hill | Transwestern

Opening Remarks

Keith Foery

Executive Managing Director, Mid-Atlantic | Transwestern

TrendLines Presentation

David Weisel, CRE, Chief Executive Officer | Delta Associates

Elizabeth Norton, Managing Research Director | Transwestern

William Rich, Multifamily Practice Director | Delta Associates

TrendSetter Presentations

Monty Hoffman Founder and CEO

PN Hoffman

Richard Bynum

Regional President, Greater Washington Area | PNC Bank

Muriel Bowser

Mayor

District of Columbia

Barbara Schaeffer McDuffie

Managing Director | Baker Tilly

Closing Remarks

Phil McCarthy

Executive Managing Director, Mid-Atlantic | Transwestern

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- 2. Impact of New Government
- 3. Megatrends: Investing in the Future
 - Infrastructure
 - Metro
- 4. Office Market
- 5. Flex/Industrial Market
- 6. Apartment Market
- 7. Condominium Market
- 8. Trendsetters





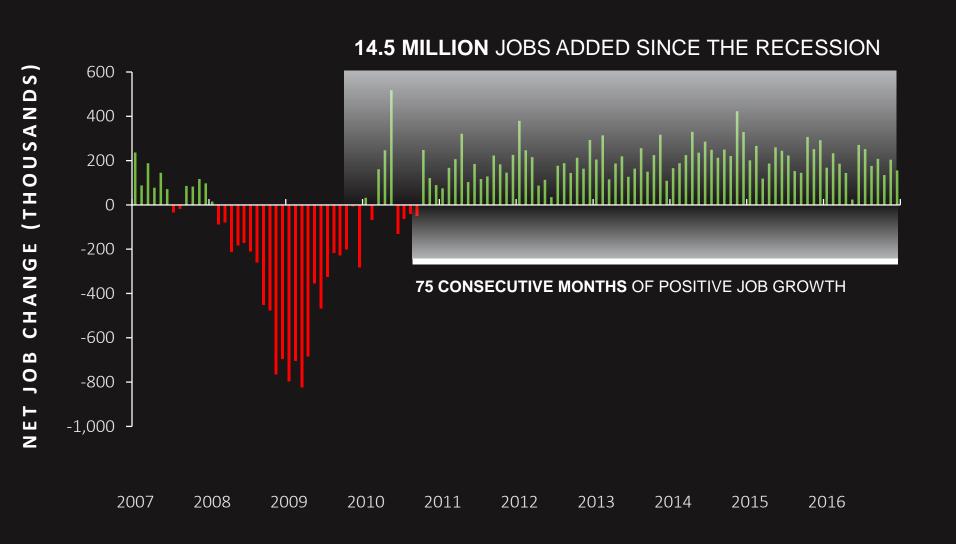






PAYROLL JOB GROWTH UNITED STATES | MONTH-TO-MONTH



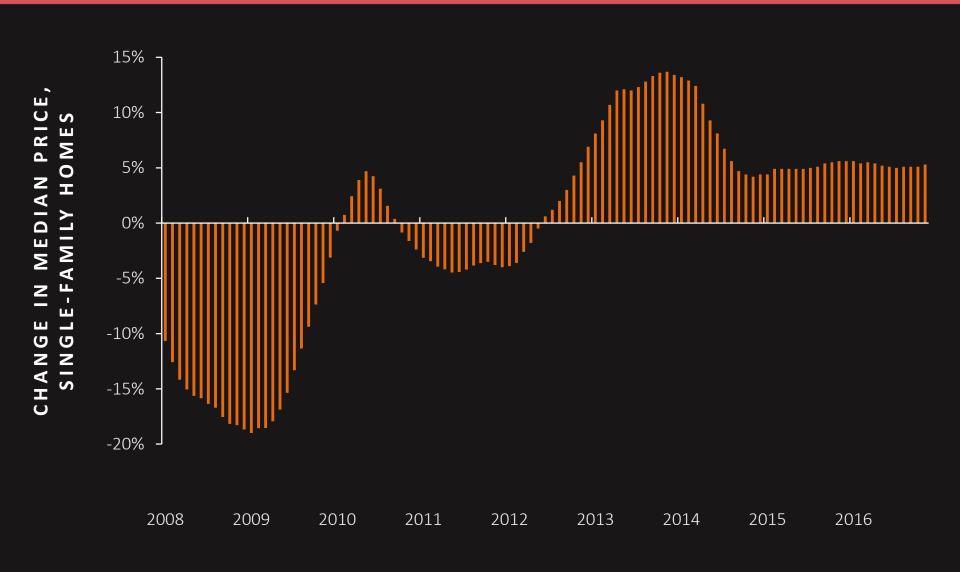


Note: Data are seasonally adjusted.

Source: Bureau of Labor Statistics, Delta Associates; February 2017.

CHANGE IN EXISTING HOME SALE PRICES 20 MAJOR METRO COMPOSITE



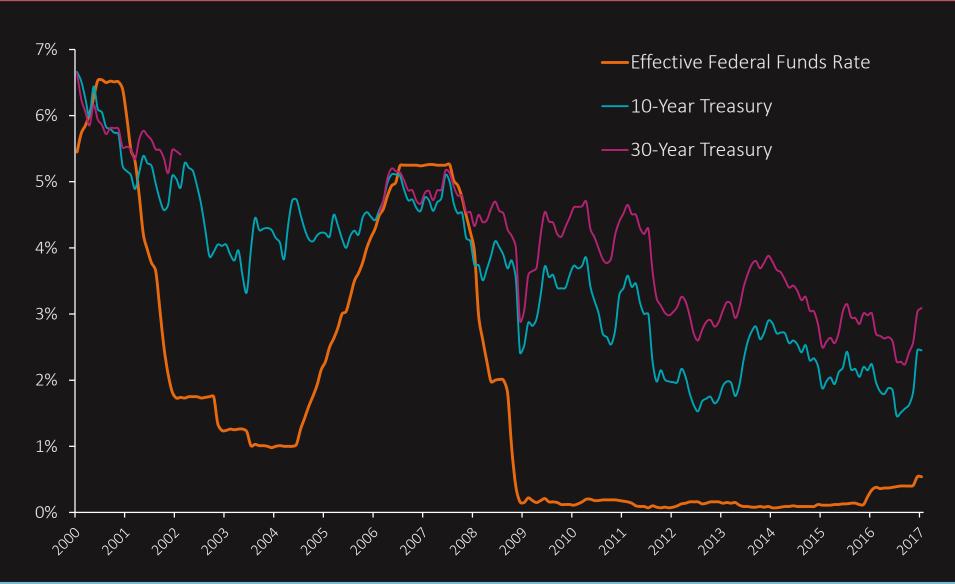


Note: Data is monthly over the year.

Source: S&P/Case-Shiller, Delta Associates; February 2017.

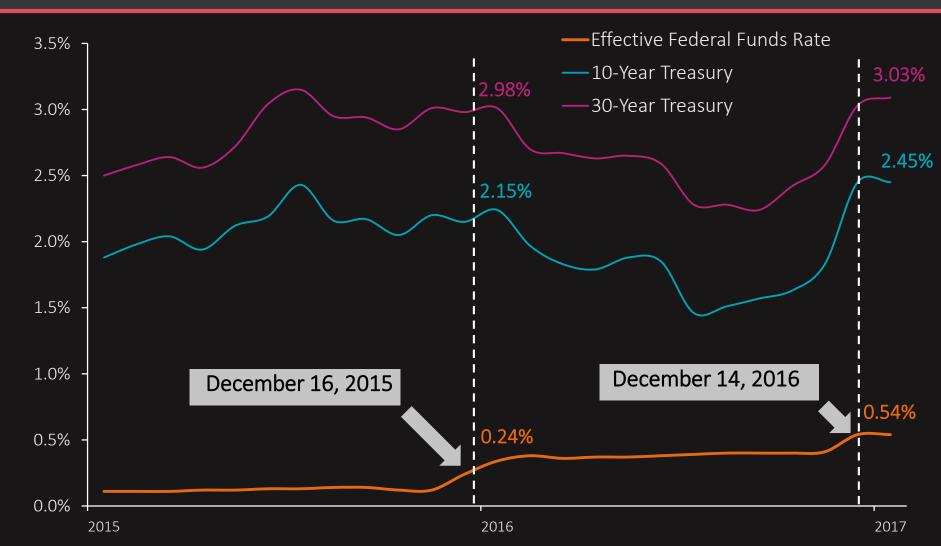
INTEREST RATES





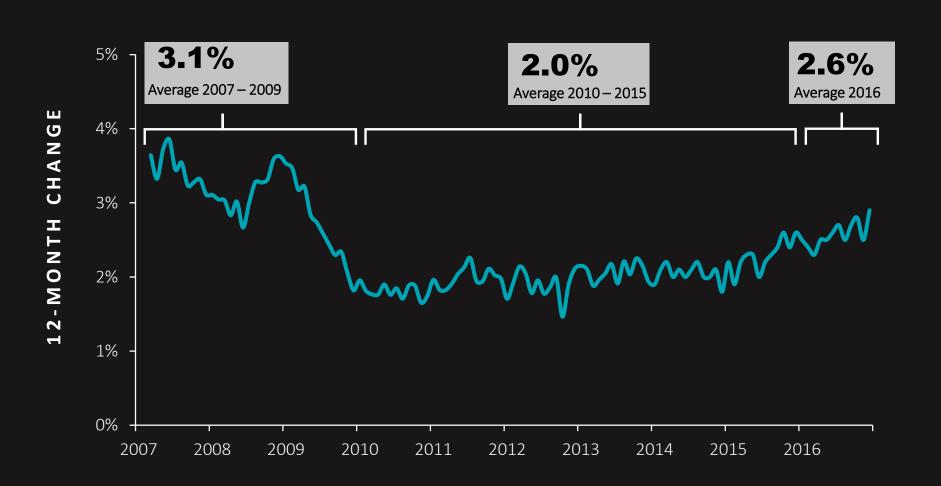
INTEREST RATES





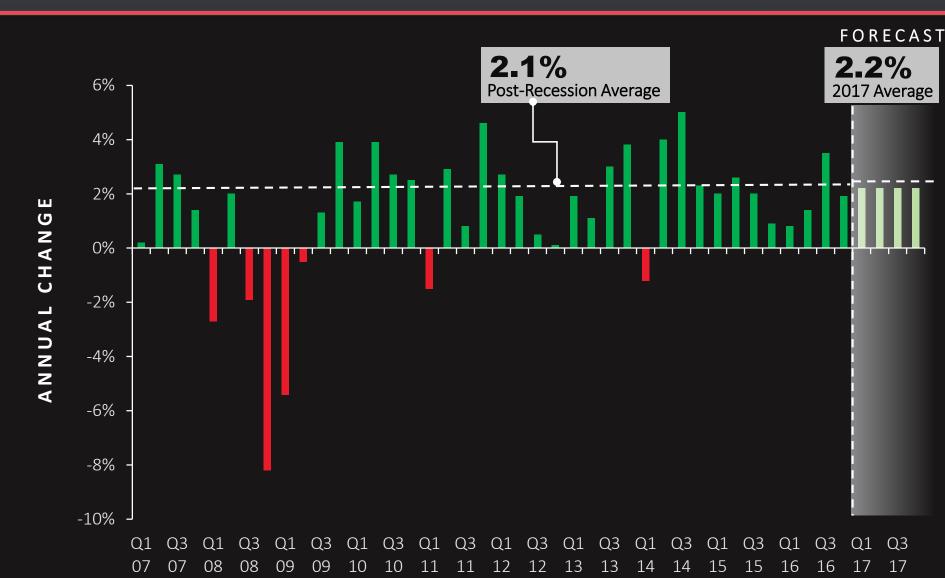
AVERAGE HOURLY EARNINGS UNITED STATES





GDP CHANGE UNITED STATES

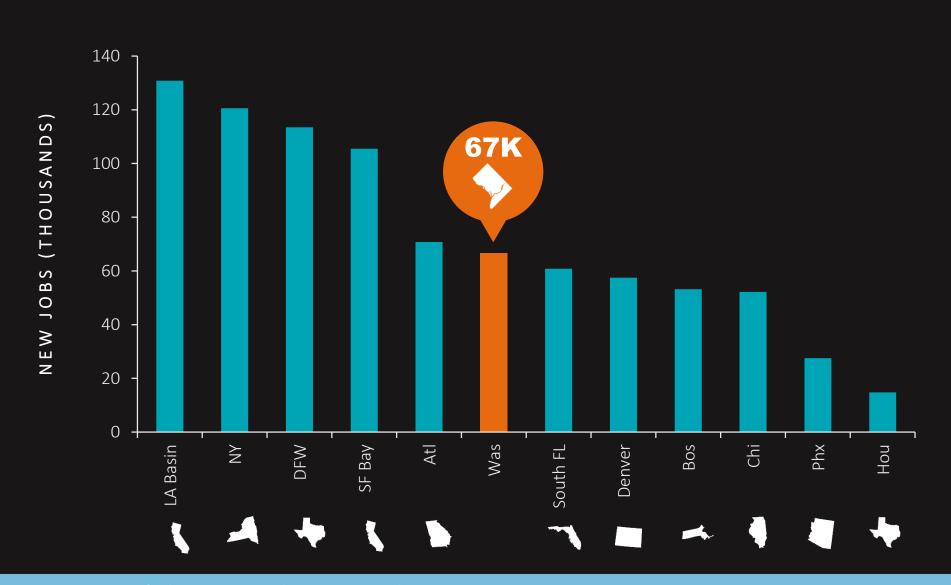




PAYROLL JOB GROWTH

LARGE METRO AREAS | 12 MONTHS ENDING DECEMBER 2016

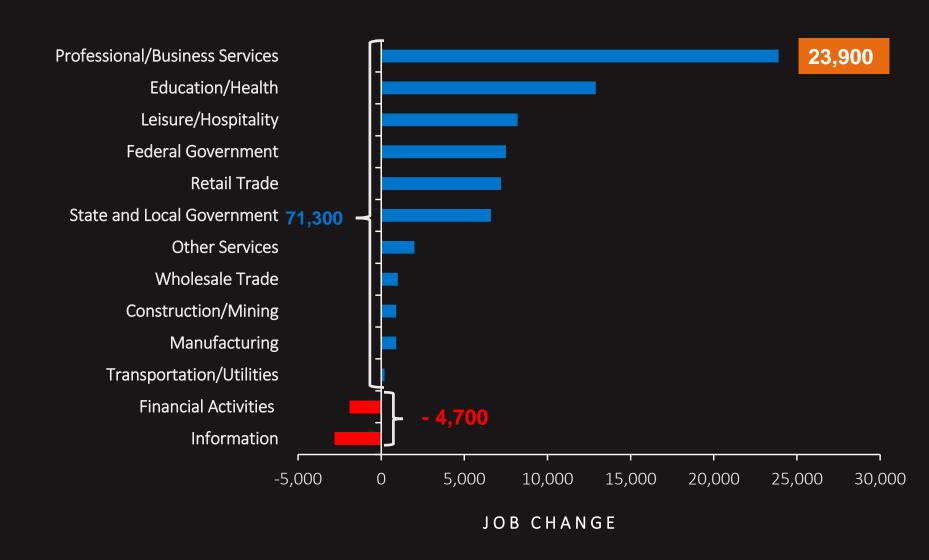




PAYROLL JOB GROWTH

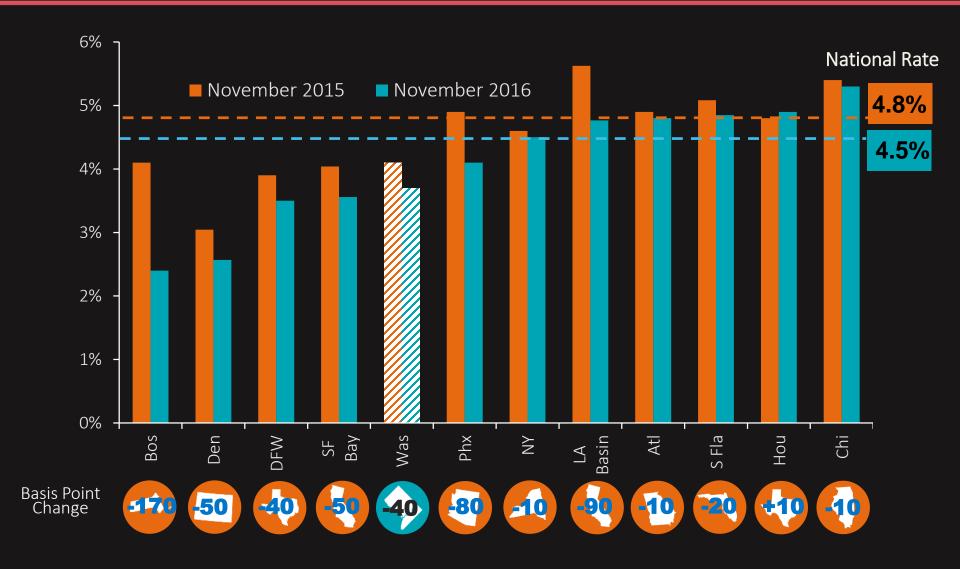
LARGE METRO AREAS | 12 MONTHS ENDING DECEMBER 2016





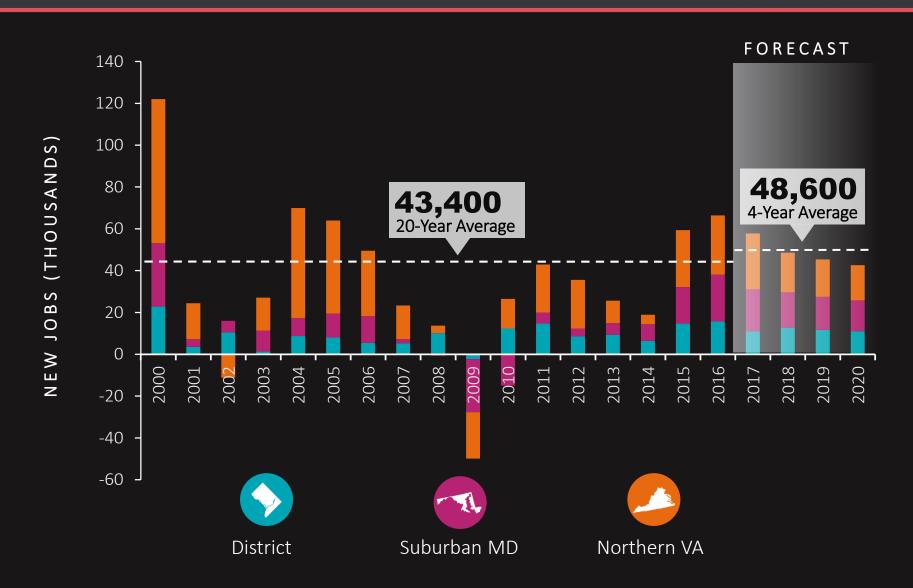
UNEMPLOYMENT RATE MAJOR METRO AREAS | NOVEMBER 2016





PAYROLL JOB GROWTH WASHINGTON METRO AREA











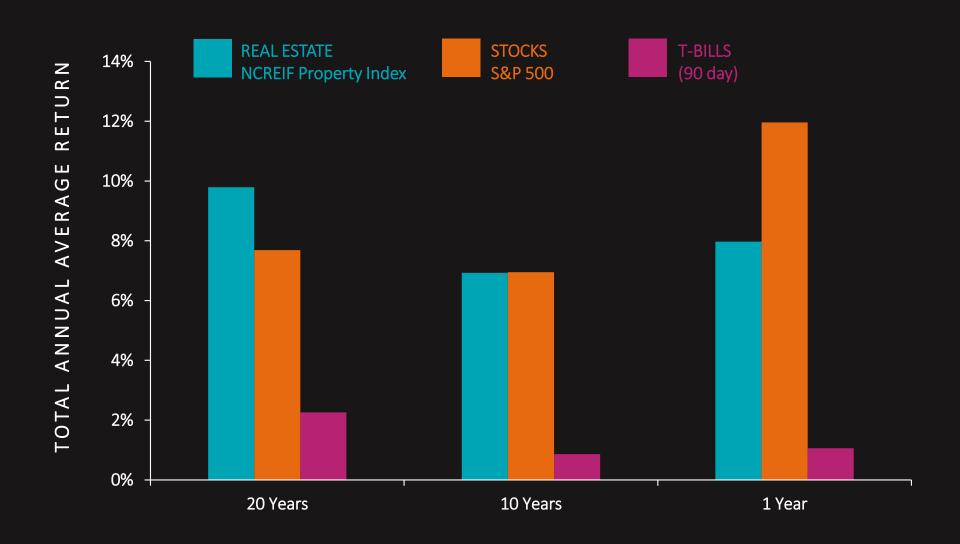




INVESTMENT ALTERNATIVES



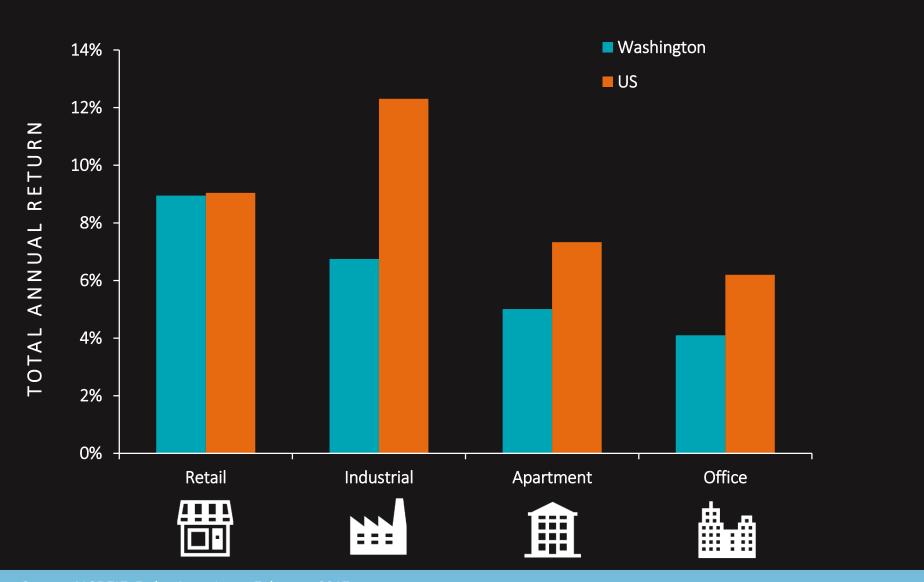




REAL ESTATE INVESTMENT RETURNS

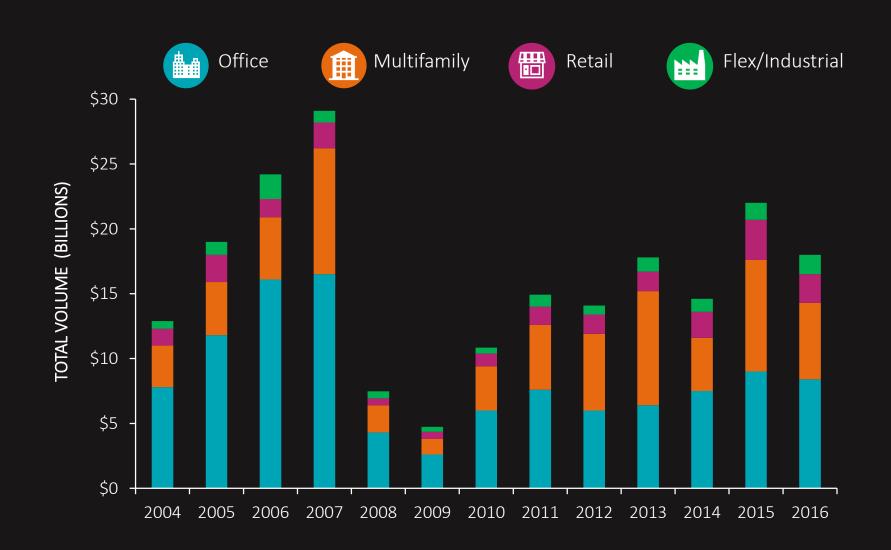
WASHINGTON METRO VS. U.S. | 2016





INVESTMENT SALES WASHINGTON METRO AREA



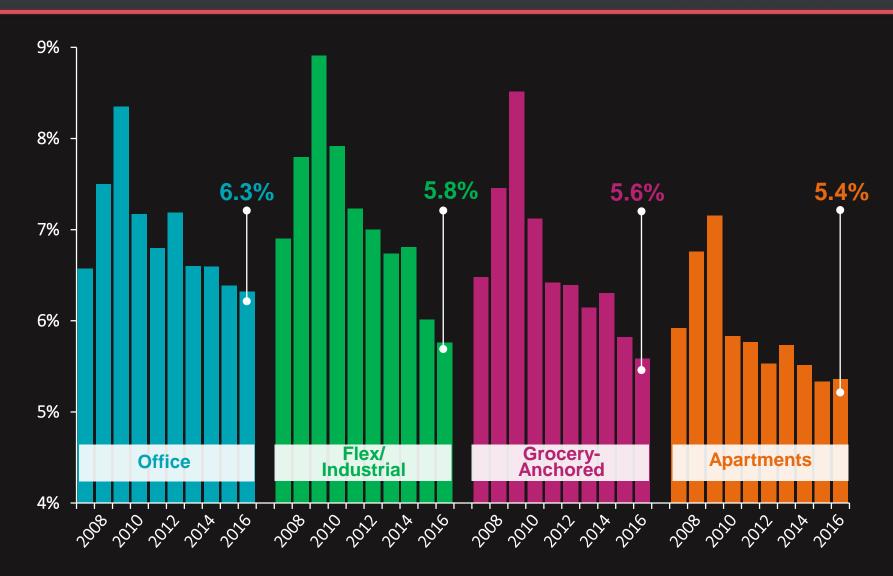


Note: Includes portfolio sales and entity-level transactions.

Source: Real Capital Analytics, Delta Associates; February 2017.

CAP RATES WASHINGTON METRO AREA















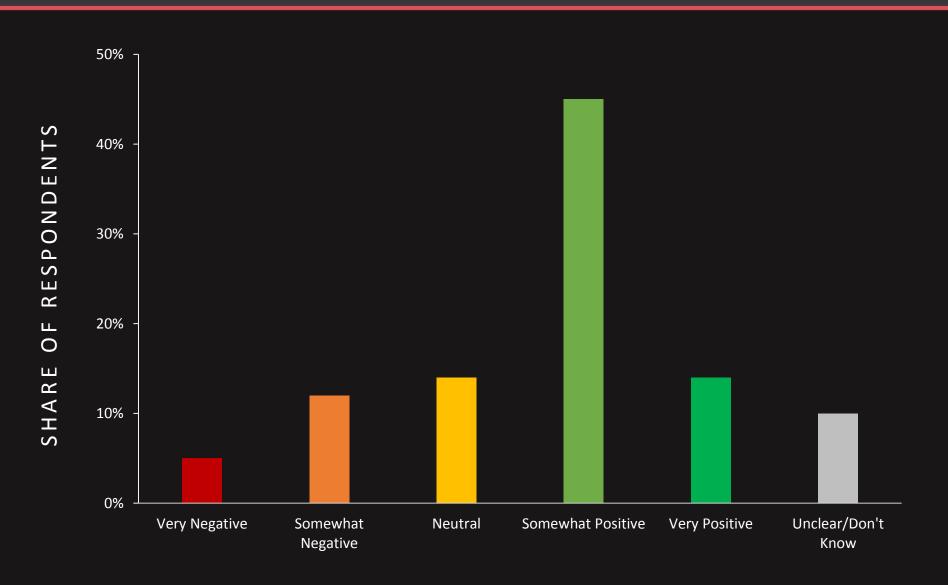
IMPACT OF NEW GOVERNMENT ON REAL ESTATE





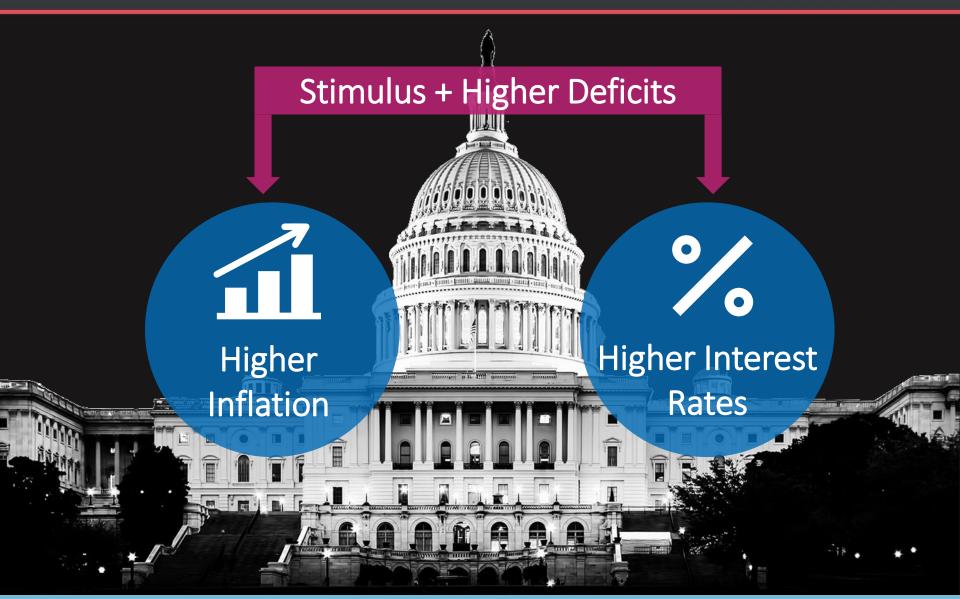
SURVEY: EXPECTED IMPACT OF PRESIDENT TRUMP ON U.S. REAL ESTATE CONDITIONS





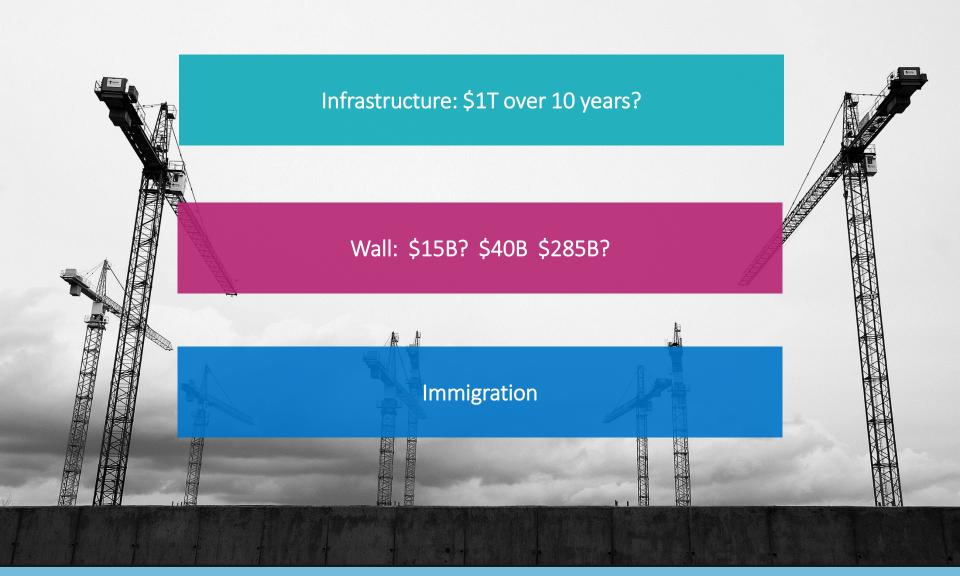
IMPACT OF NEW GOVERNMENT ON REAL ESTATE: INFLATION AND INTEREST RATES





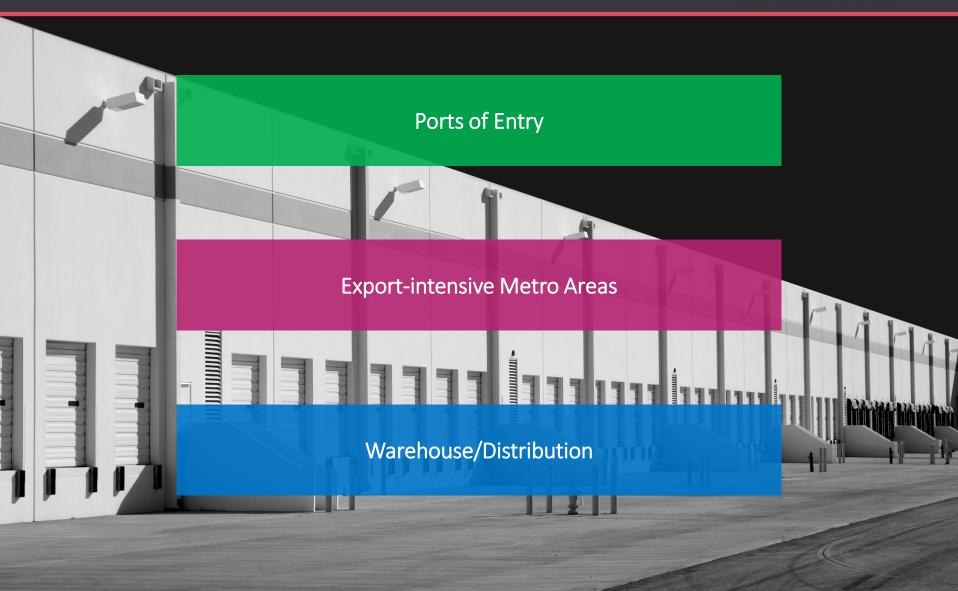
IMPACT OF NEW GOVERNMENT ON REAL ESTATE: CONSTRUCTION COSTS





IMPACT OF NEW GOVERNMENT ON REAL ESTATE: TRADE





IMPACT OF NEW GOVERNMENT ON REAL ESTATE: REGULATION AND SPENDING



LOW INCOME HOUSING TAX CREDITS

Lower tax rates



Fewer affordable units

FINANCIAL INSTITUTIONS

Eased regulations

Home mortgage underwriting

Fannie Mae, Freddie Mac?

WASHINGTON METRO AREA

Federal hiring freeze

Defense spending vs.
Other spending

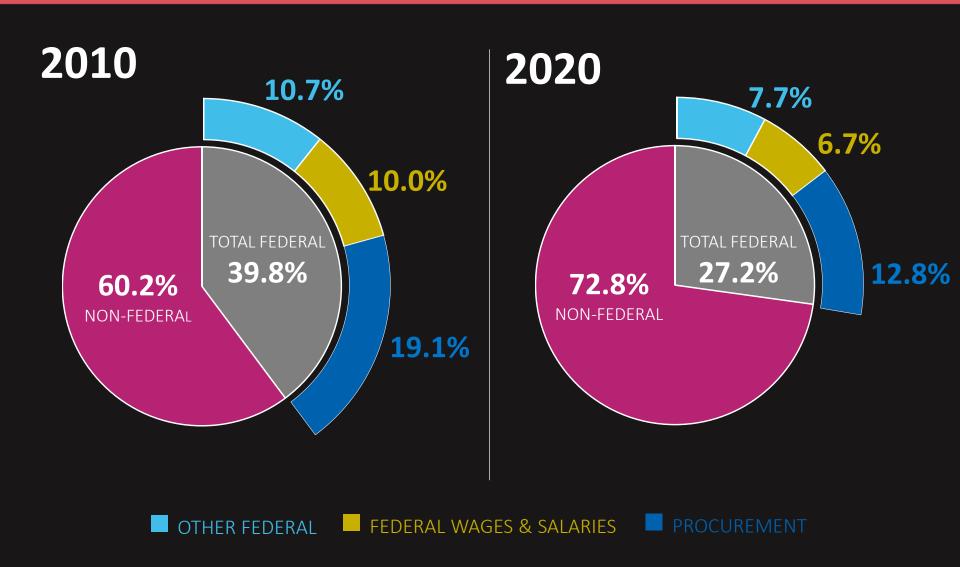
Federal agencies moved out of region?



GROSS REGIONAL PRODUCT

WASHINGTON METRO AREA

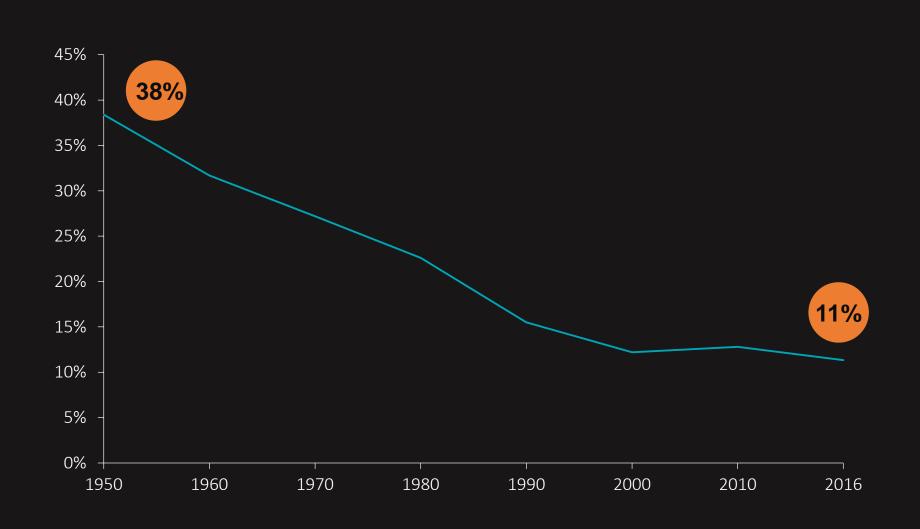




FEDERAL SHARE OF TOTAL EMPLOYMENT

WASHINGTON METRO AREA

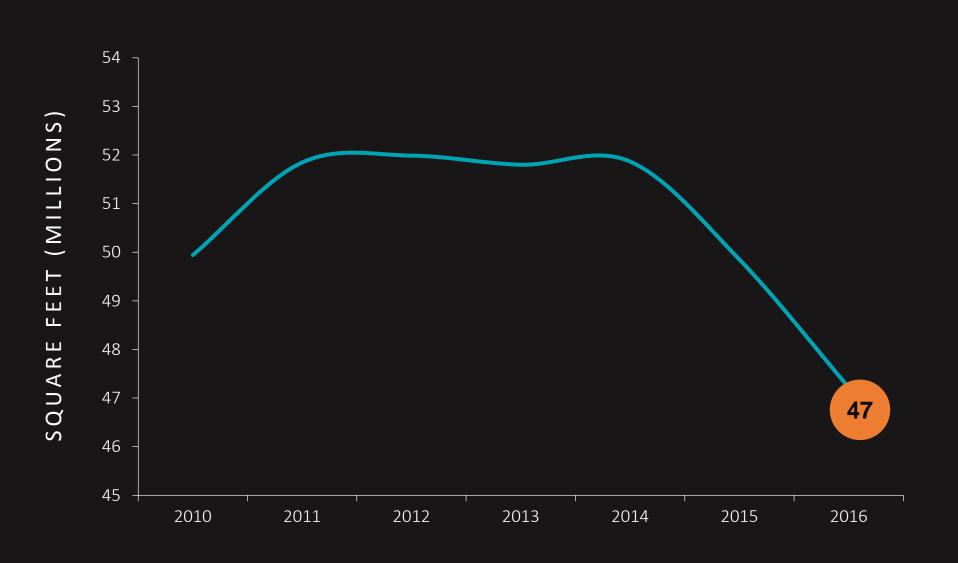




GSA LEASING TRENDS

NATIONAL CAPITAL REGION



























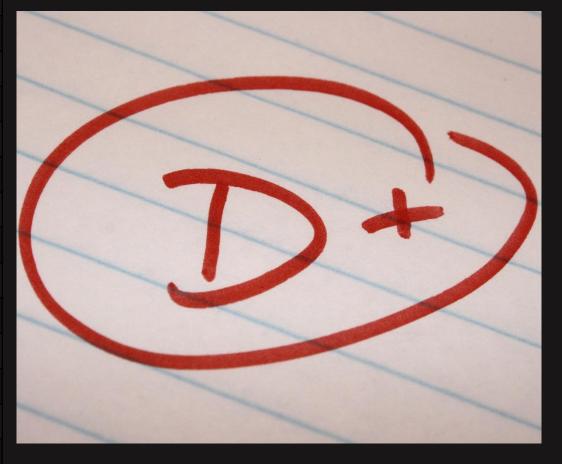


AMERICA'S INFRASTRUCTURE REPORT CARD



Aviation	D
Bridges	C+
Dams	D
Drinking Water	D
Energy	D+
Hazardous Waste	D
Inland Waterways	D-
Levees	D-
Public Parks and Recreation	C-
Rail	C+
Roads	D
Schools	D
Solid Waste	B-
Transit	D
Wastewater	D
Ports	С

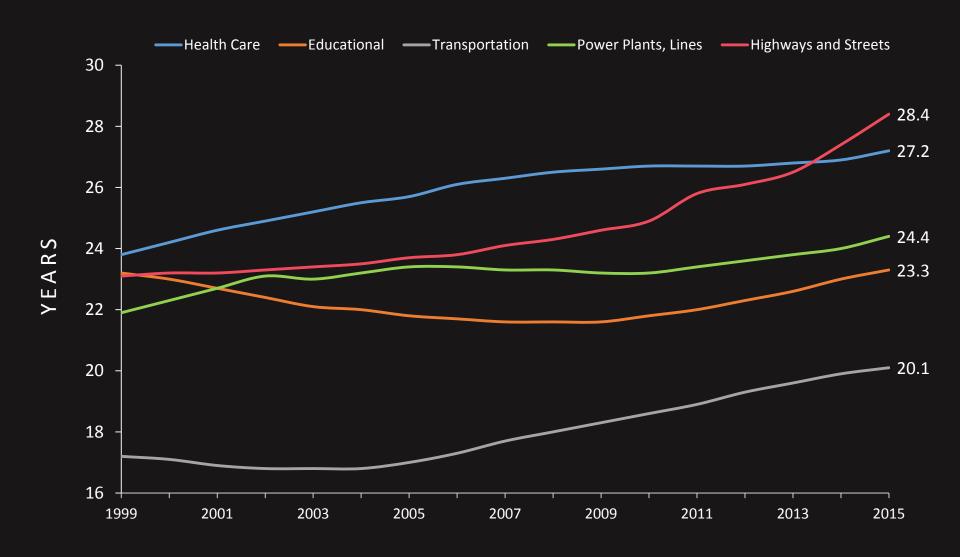
Overall grade:



AVERAGE AGE OF INFRASTRUCTURE

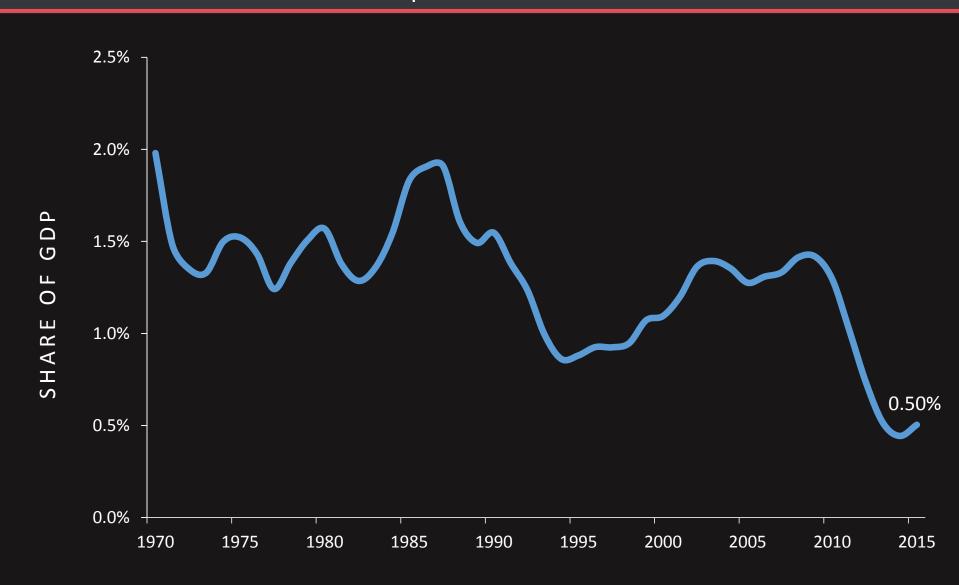


UNITED STATES



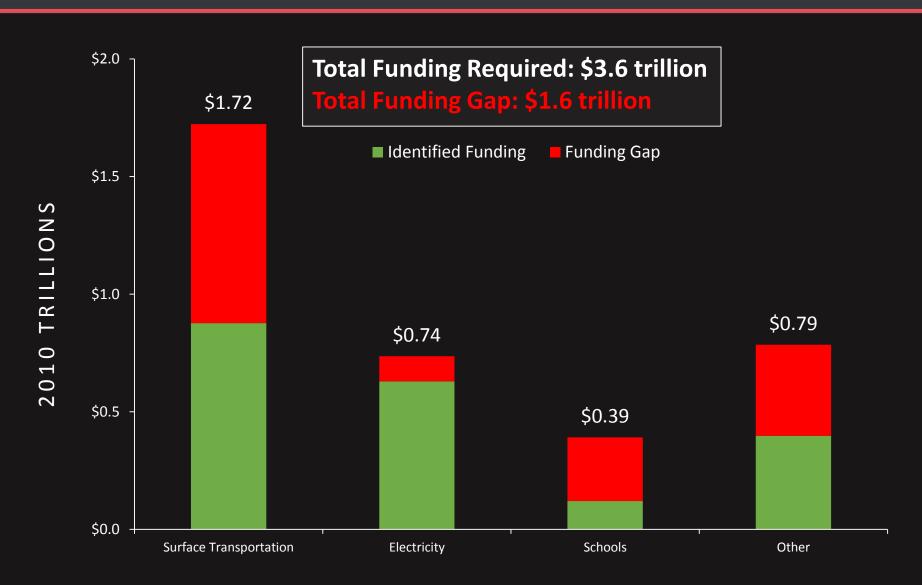
NET GOVERNMENT INVESTMENT IN PHYSICAL CAPITAL AND R&D | UNITED STATES





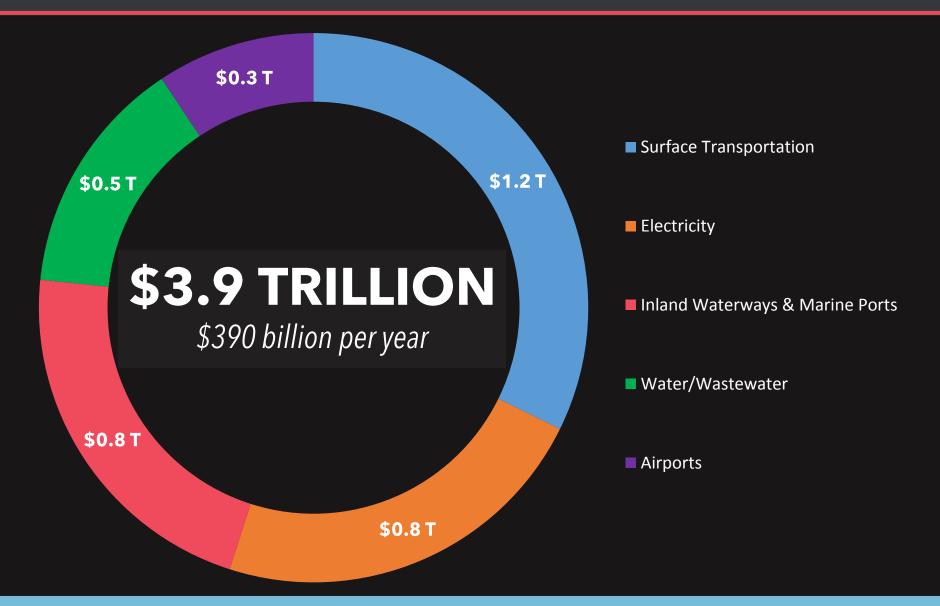
INFRASTRUCTURE FUNDING GAPS UNITED STATES





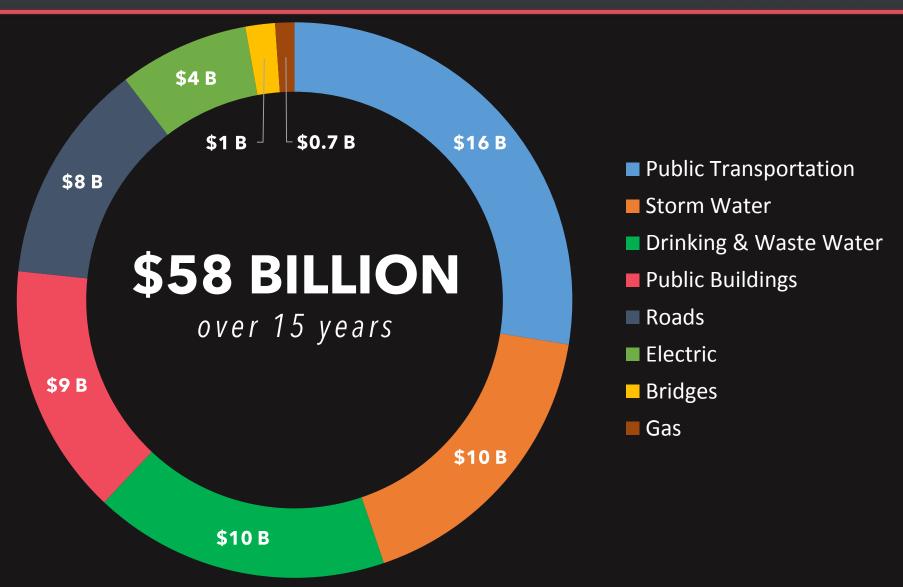
IMPACT OF INFRASTRUCTURE GAPS ON GDP UNITED STATES | 2016 - 2025

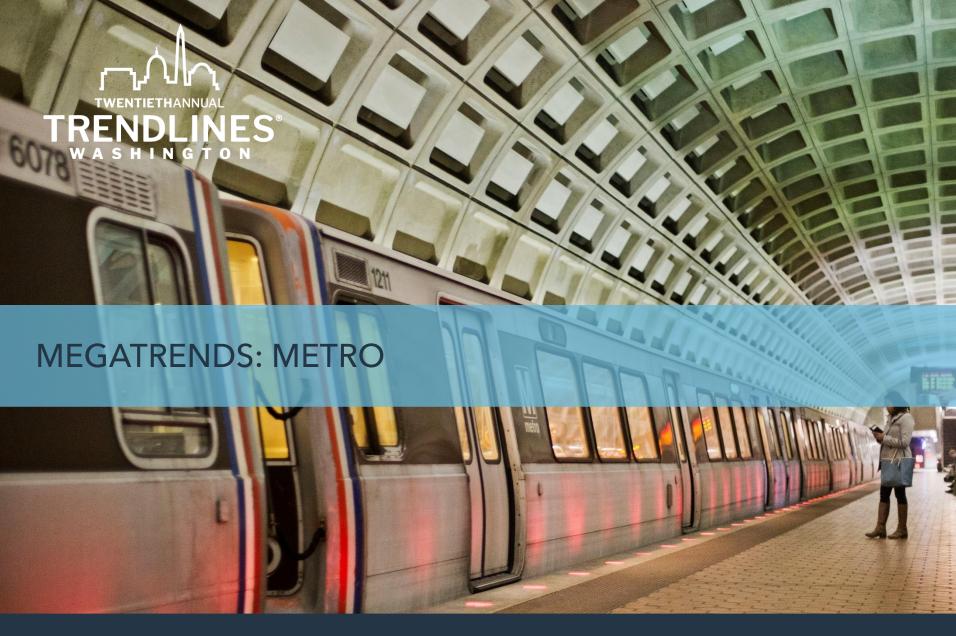




INFRASTRUCTURE FUNDING GAPS WASHINGTON METRO AREA















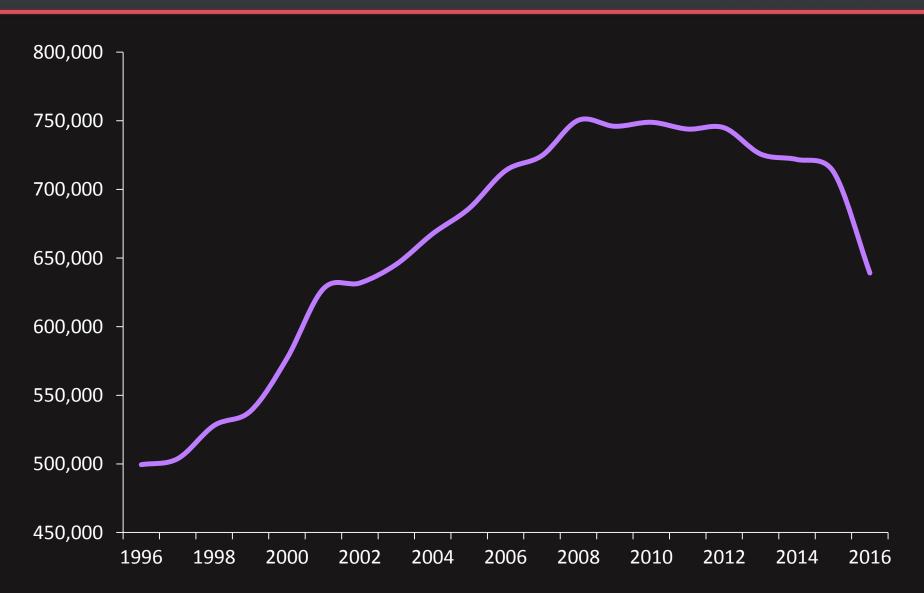
METRO: THE REGION'S JEWEL





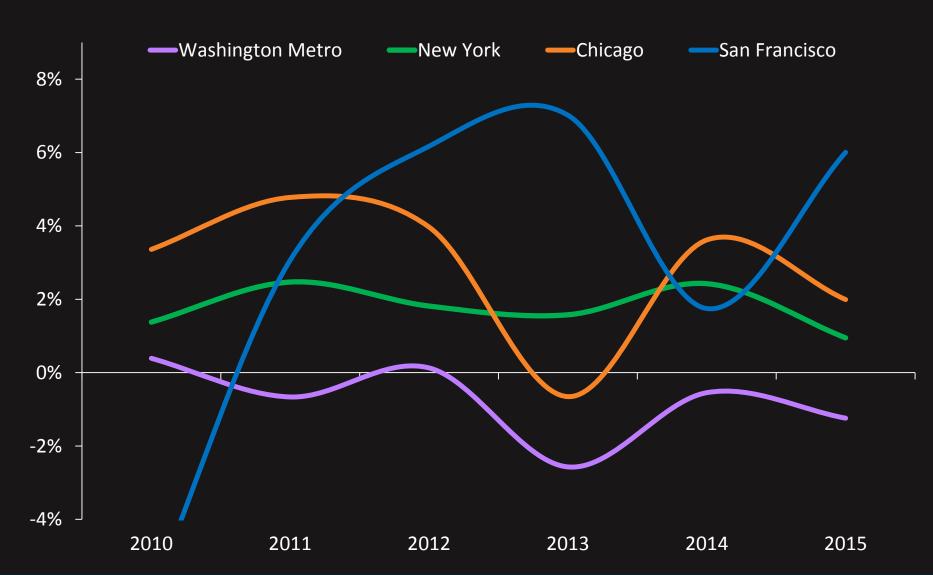
AVERAGE WEEKDAY METRORAIL BOARDINGS





CHANGE IN RAIL TRANSIT RIDERSHIP SELECTED METROS

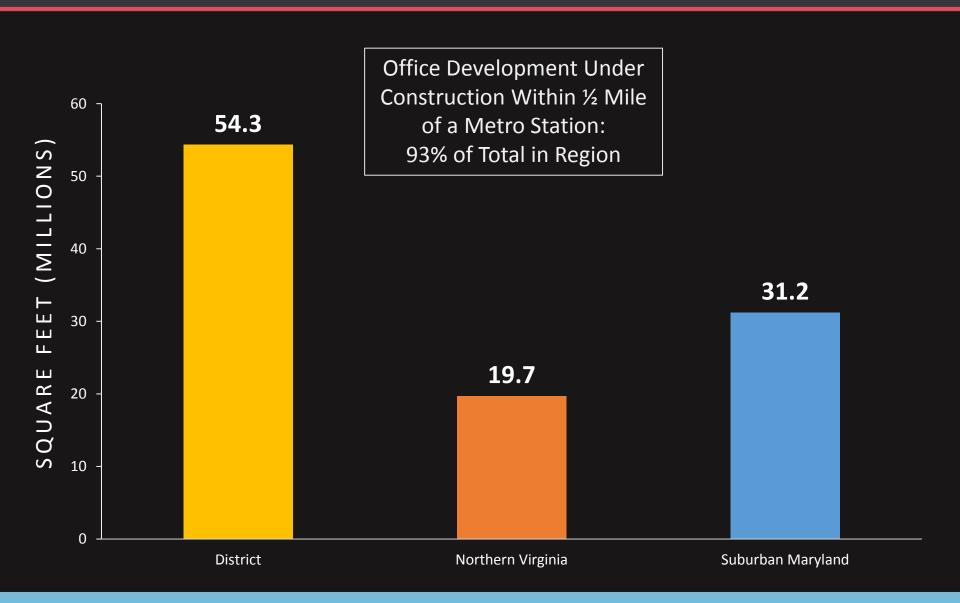




Sources: WMATA; Chicago Transit Authority; Metropolitan Transportation Authority; Bay Area Rapid Transit; Delta Associates; February 2017.

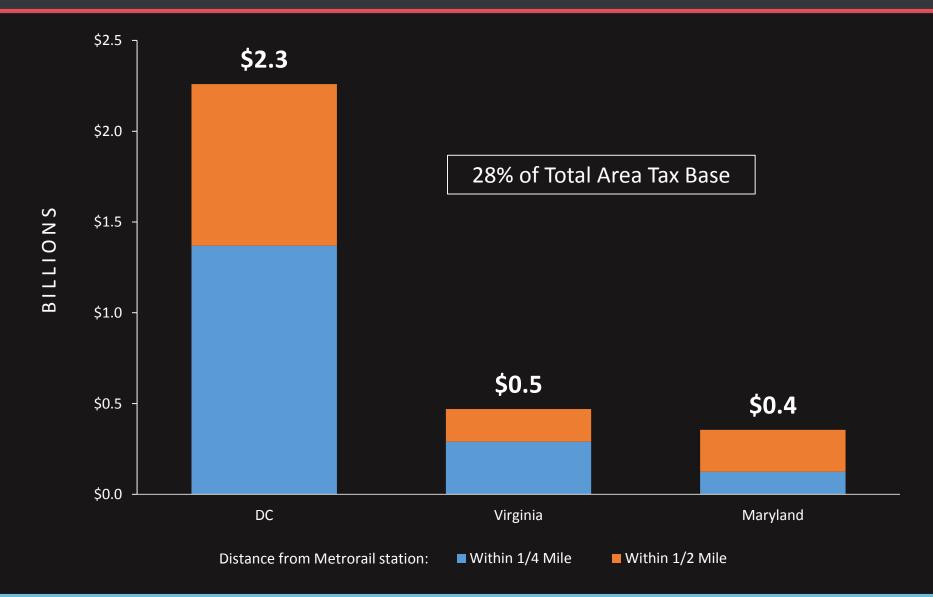
DEVELOPMENT PIPELINE NEAR METRORAIL STATIONS UNDER CONSTRUCTION AND PROPOSED





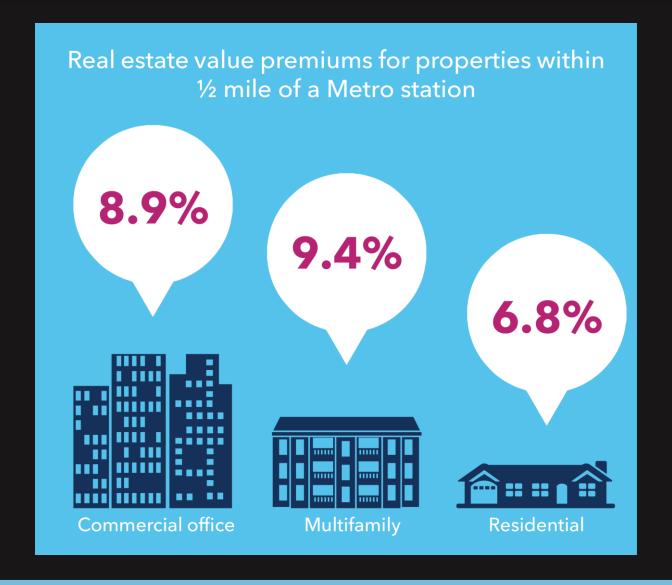
PROPERTY TAX REVENUES PROPERTIES NEAR METRO





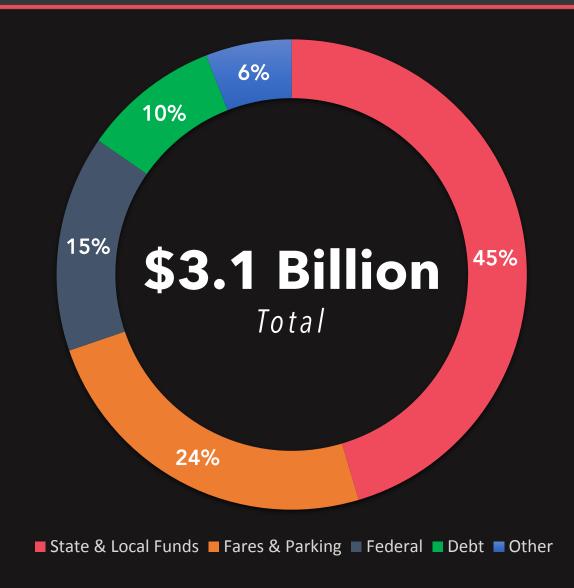
VALUE PREMIUM FOR PROPERTIES NEAR METRO





PROPOSED METRO BUDGET FY 2018





FY18 BUDGET GAP	
FTA Grants	\$60M
Management/Labor	\$50M
Riders	\$50M
District of Columbia	\$47M
Maryland	\$44M
Virginia	\$39M
TOTAL	\$290M

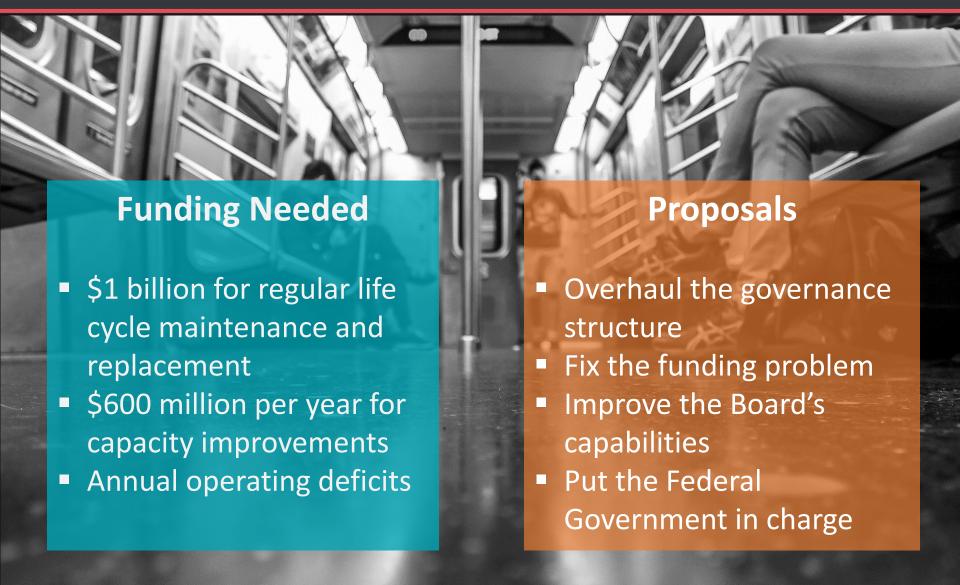
Compared to FY 2017: \$2.8B (+11%)

RECENT INITIATIVES















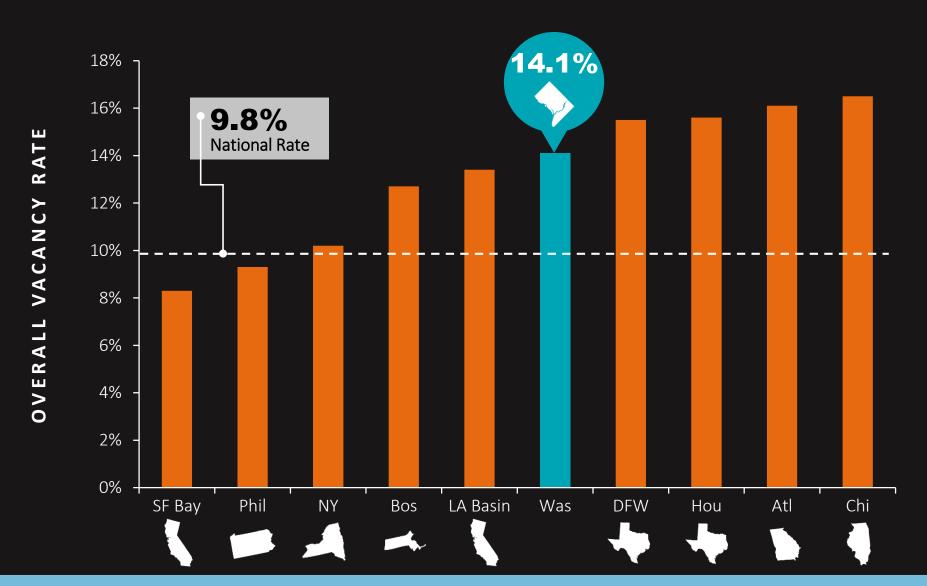




OFFICE OVERALL VACANCY RATE

SELECT METRO AREAS | DECEMBER 2016

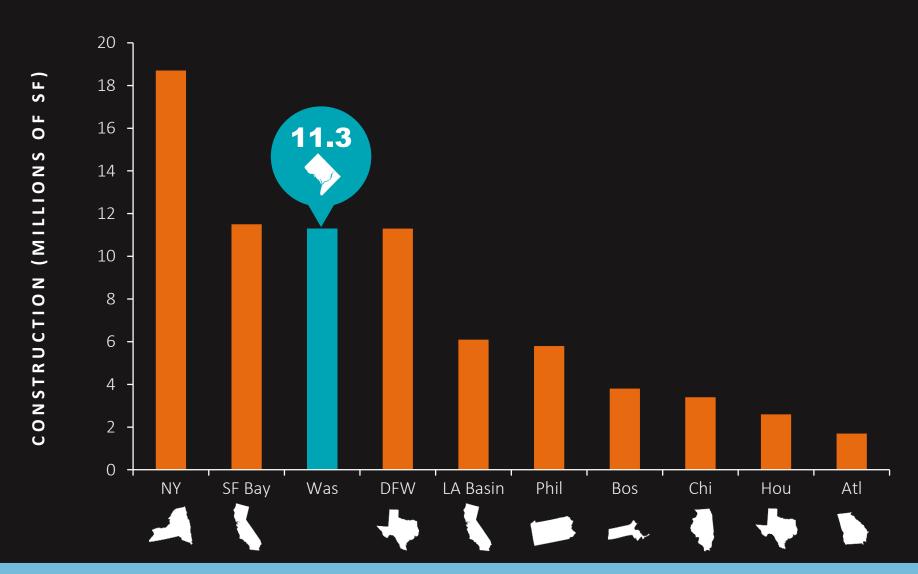




OFFICE UNDER CONSTRUCTION

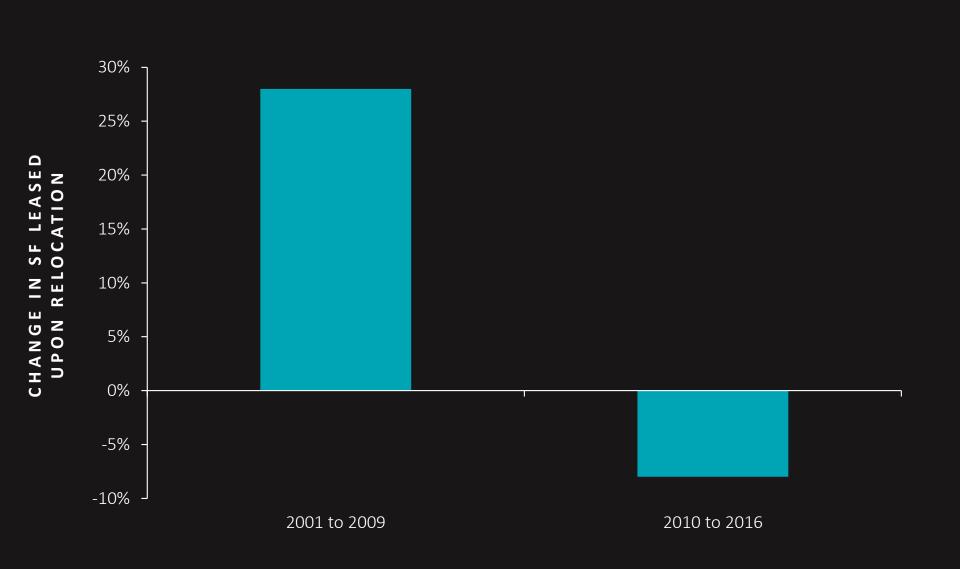
SELECT METRO AREAS | DECEMBER 2016





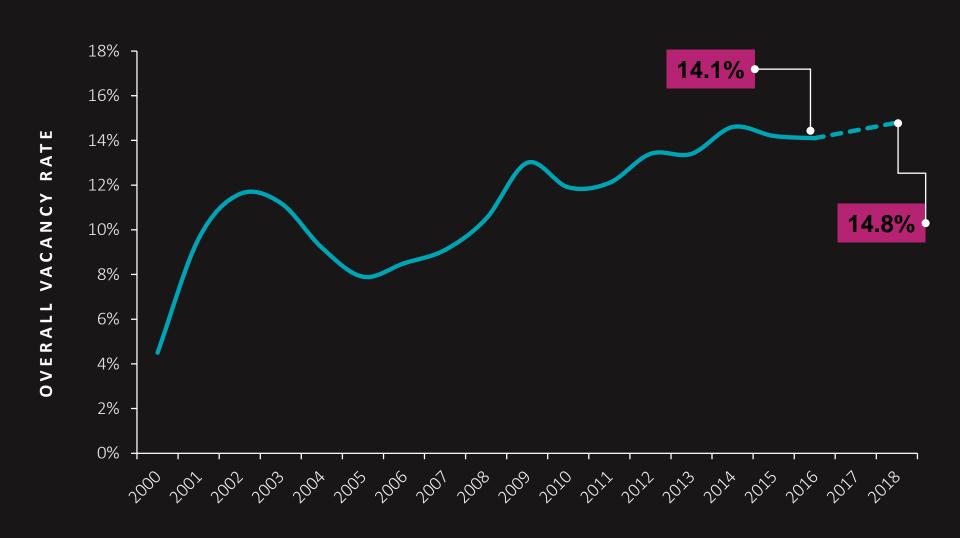
OFFICE TENANT RELOCATIONS





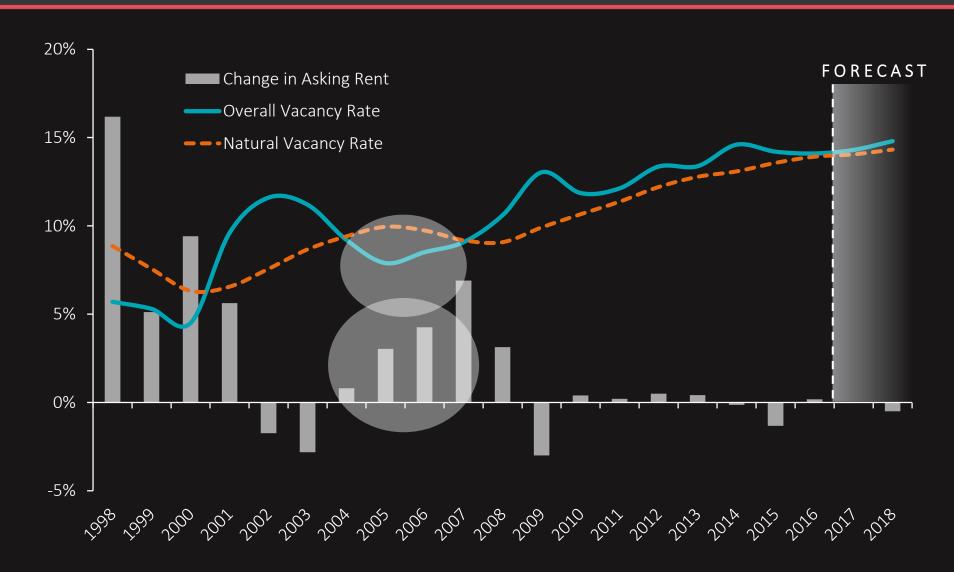
OFFICE OVERALL VACANCY RATE





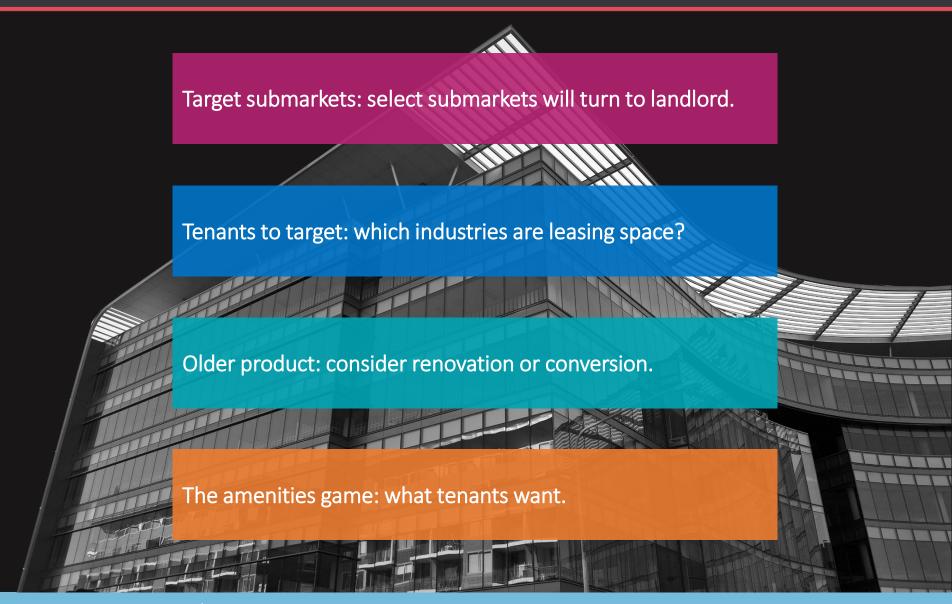
OFFICE NATURAL VACANCY RATE





OFFICE MARKET OPPORTUNITIES









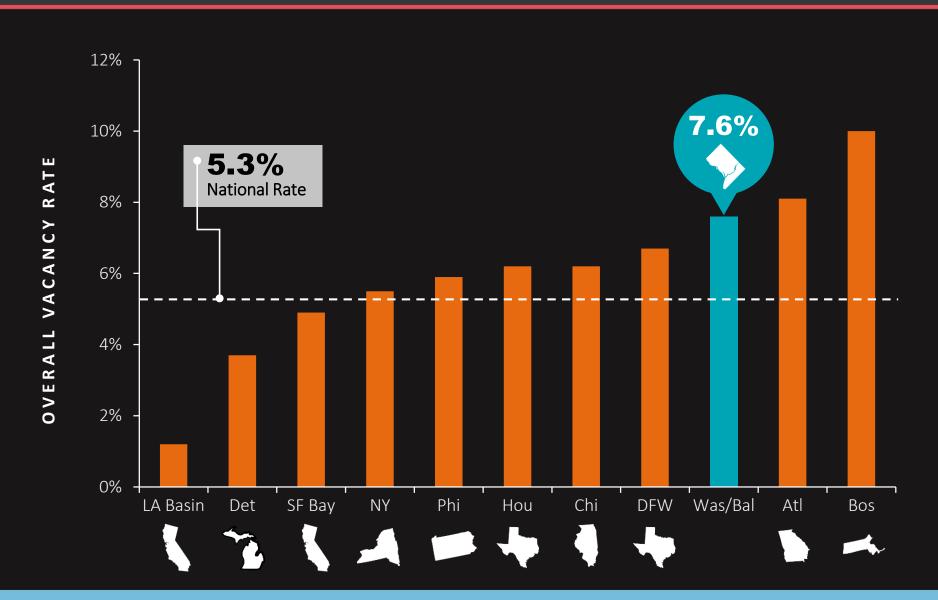






FLEX/INDUSTRIAL OVERALL VACANCY RATE SELECT METRO AREAS | DECEMBER 2016

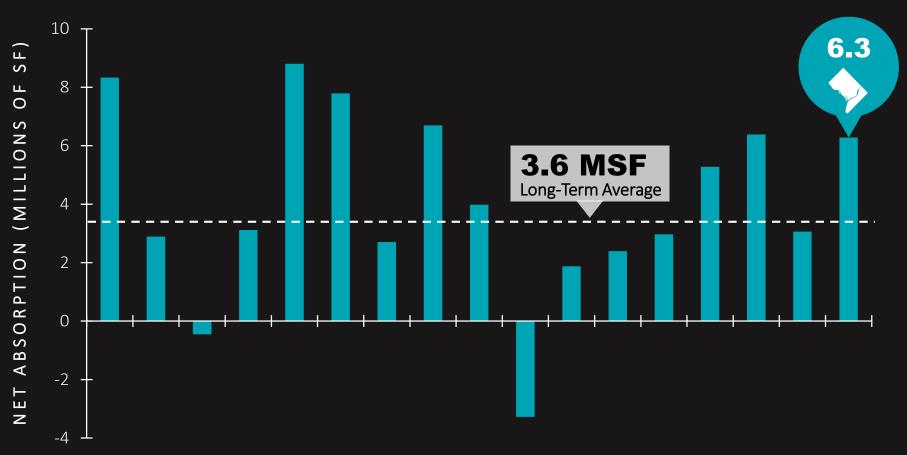




FLEX/INDUSTRIAL NET ABSORPTION

WASHINGTON/BALTIMORE REGION



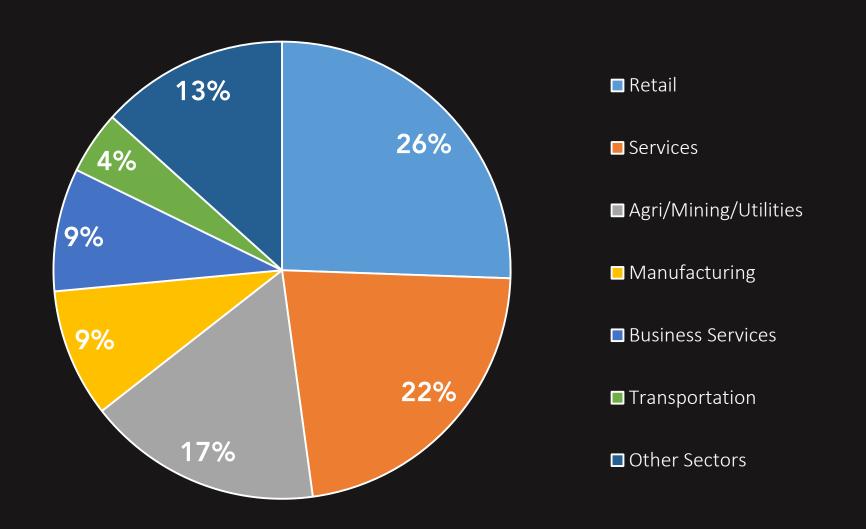


2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016

FLEX/INDUSTRIAL TENANTS

WASHINGTON/BALTIMORE REGION | DECEMBER 2016

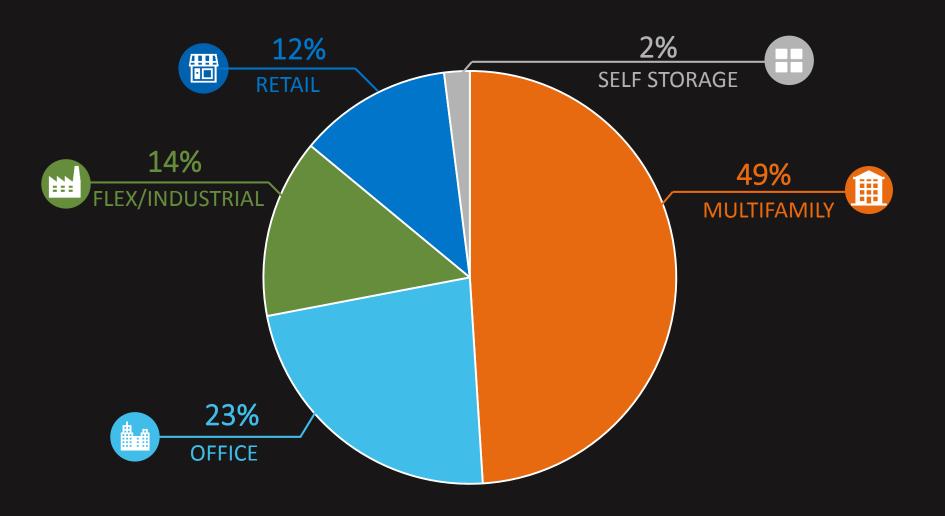




OLDER FLEX/IND BUILDING CONVERSIONS & REDEVELOPMENT

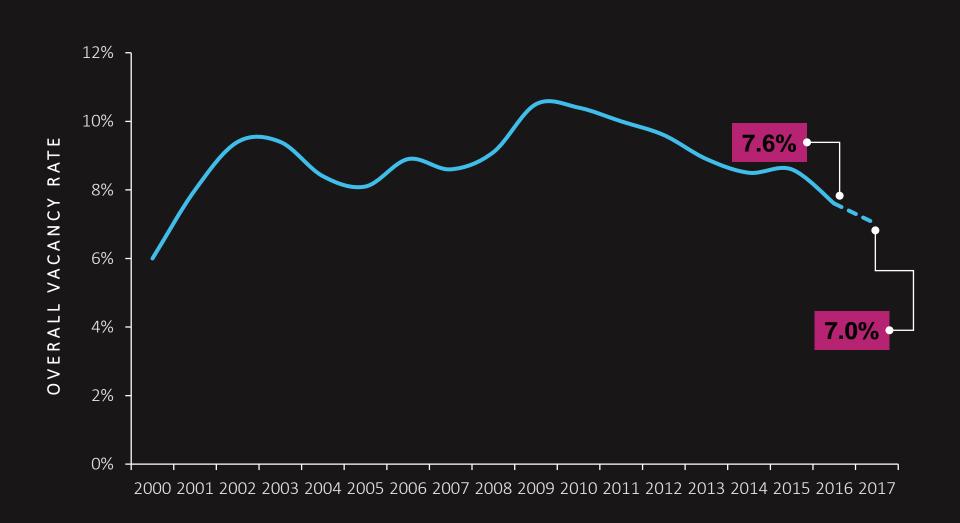


WASHINGTON/BALTIMORE REGION | 2005 to 2018



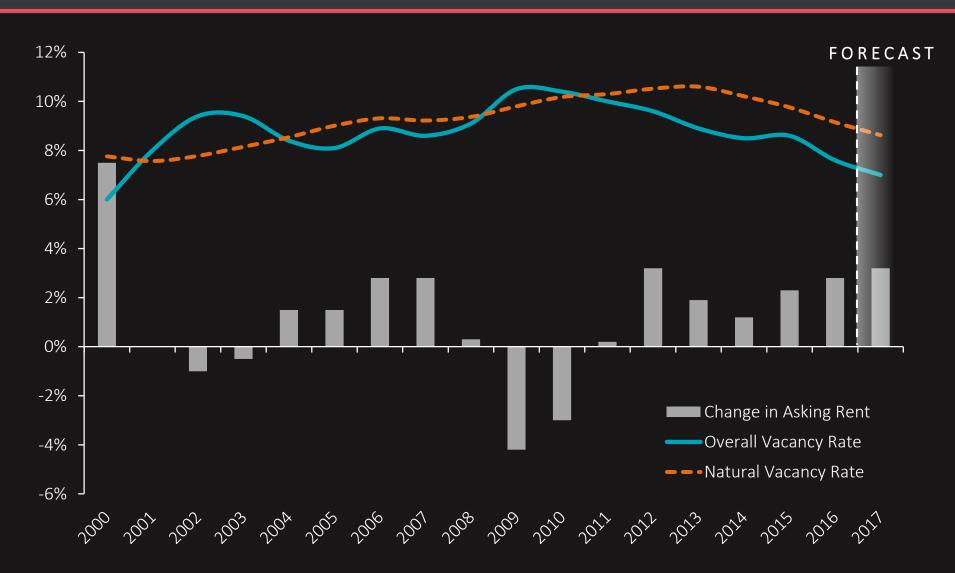
FLEX/INDUSTRIAL OVERALL VACANCY RATE WASHINGTON/BALTIMORE REGION





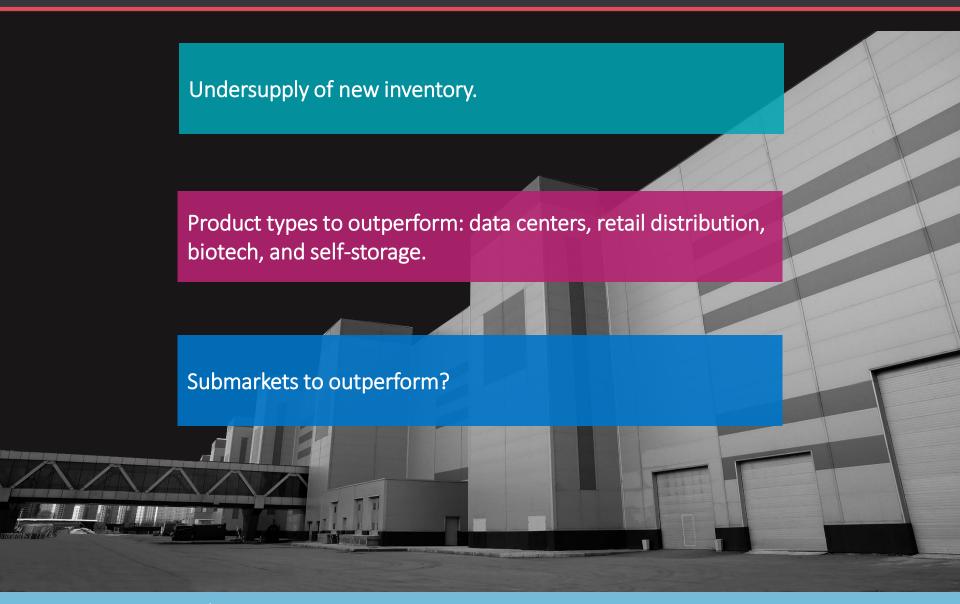
FLEX/INDUSTRIAL NATURAL VACANCY RATE WASHINGTON/BALTIMORE REGION





FLEX/INDUSTRIAL MARKET OPPORTUNITIES WASHINGTON/BALTIMORE REGION





Source: Transwestern; February 2017





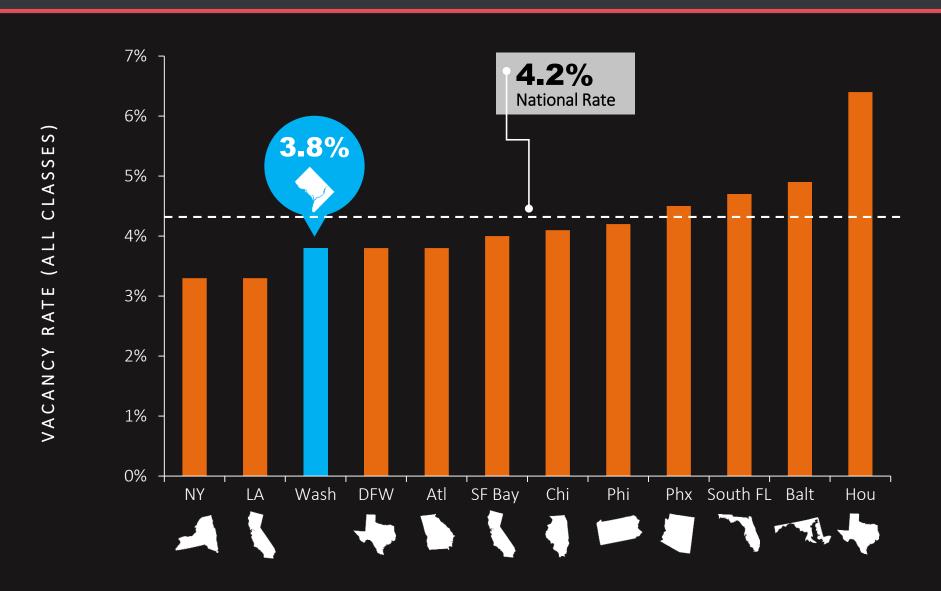






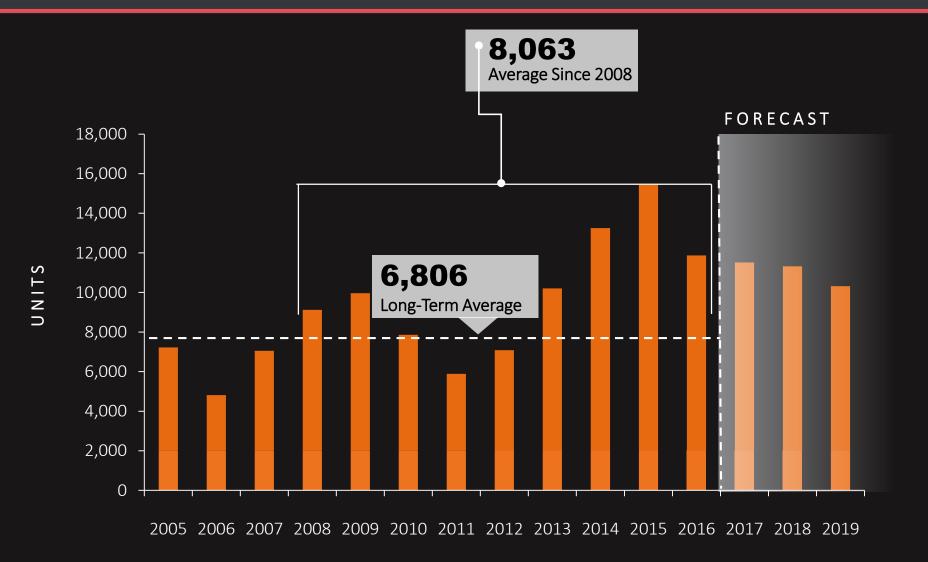
STABILIZED APARTMENT VACANCY RATES MAJOR APARTMENT MARKETS | Q4 2016





CLASS A APARTMENT ABSORPTION WASHINGTON METRO AREA

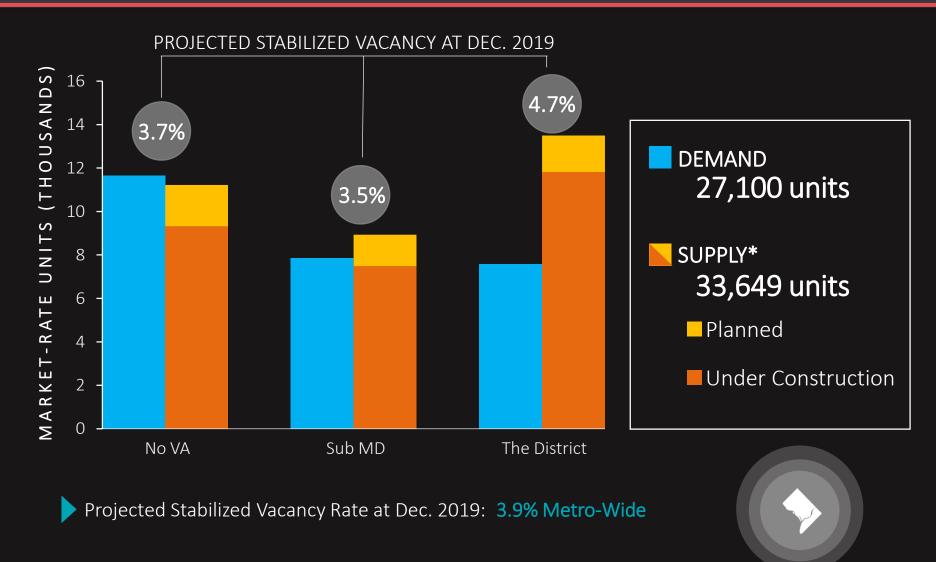




DEMAND AND SUPPLY PROJECTIONS

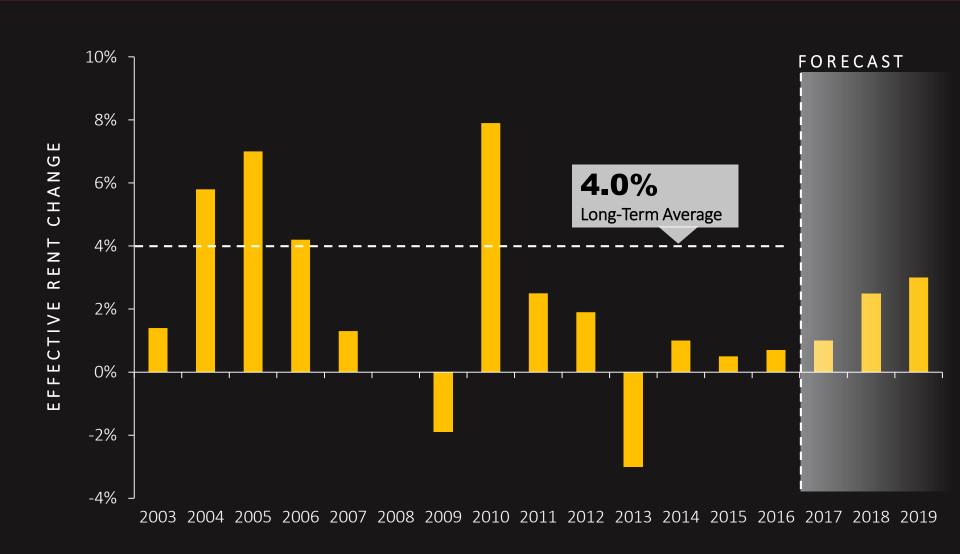
WASHINGTON METRO CLASS A APARTMENTS | 36 MONTHS ENDING DECEMBER 2019





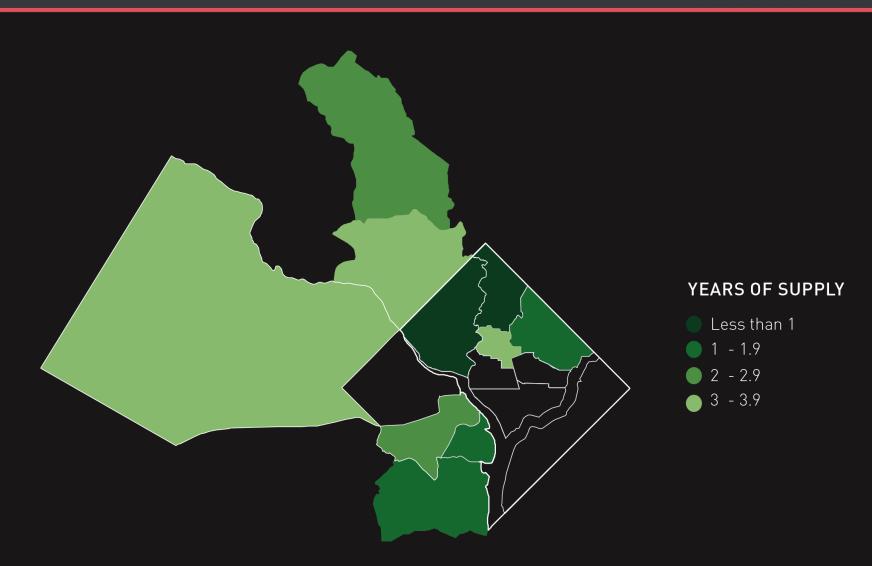
ANNUAL CLASS A APARTMENT RENT GROWTH





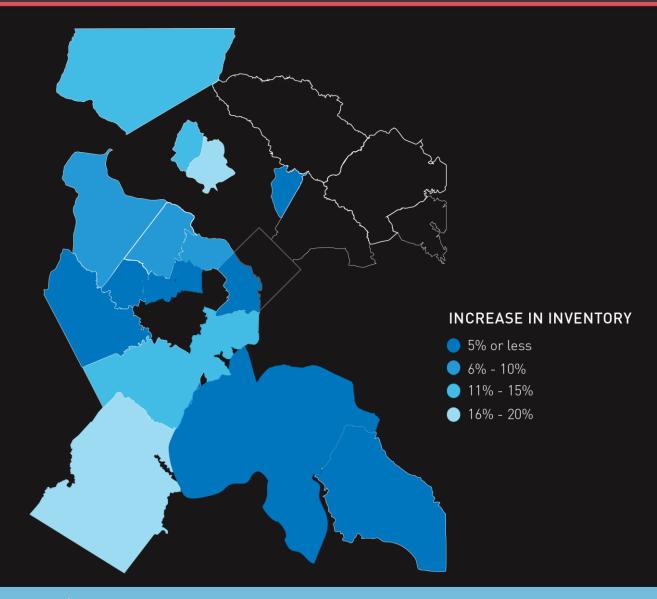
YEARS OF APARTMENT SUPPLY HIGH-RISE SUBMARKETS | Q4 2016





CHANGE IN INVENTORY OVER NEXT 36 MOS. LOW-RISE SUBMARKETS | Q4 2016





APARTMENT MARKET OPPORTUNITIES WASHINGTON METRO AREA



There are pockets of undersupply around the region.

Convert obsolete office buildings to apartments.

Differentiate from the competition.

Consider developing smaller-scale buildings in the District.



THE WASHINGTON AREA CONDOMINIUM MARKET





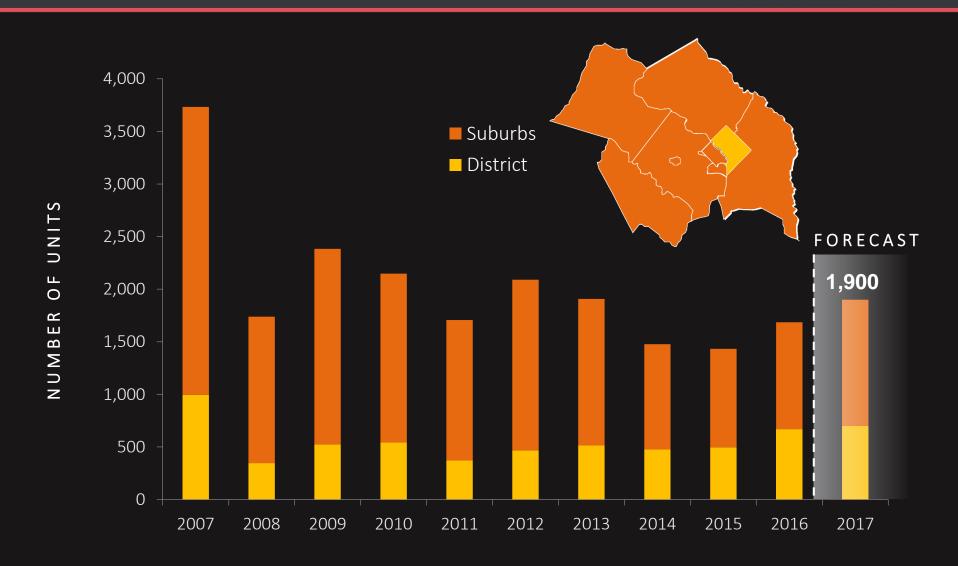






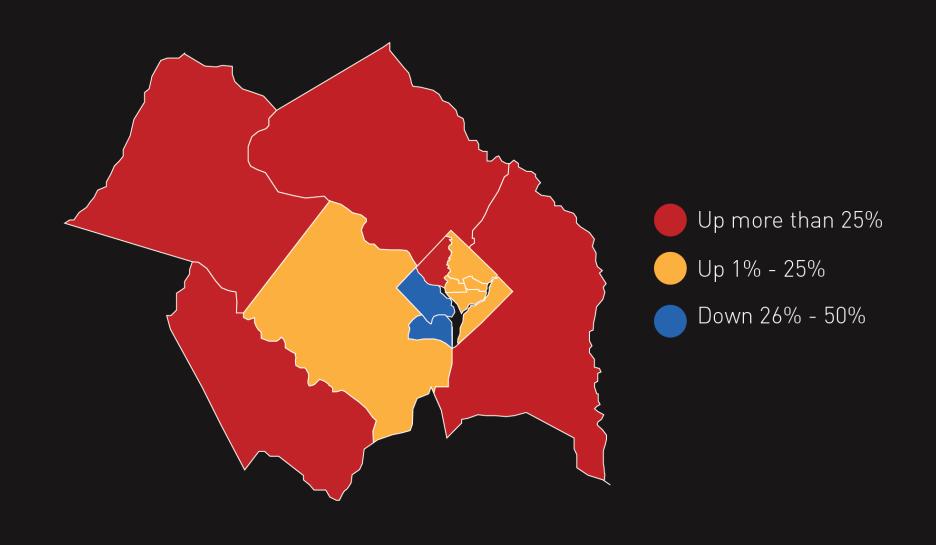
NEW CONDOMINIUM SALES WASHINGTON METRO AREA





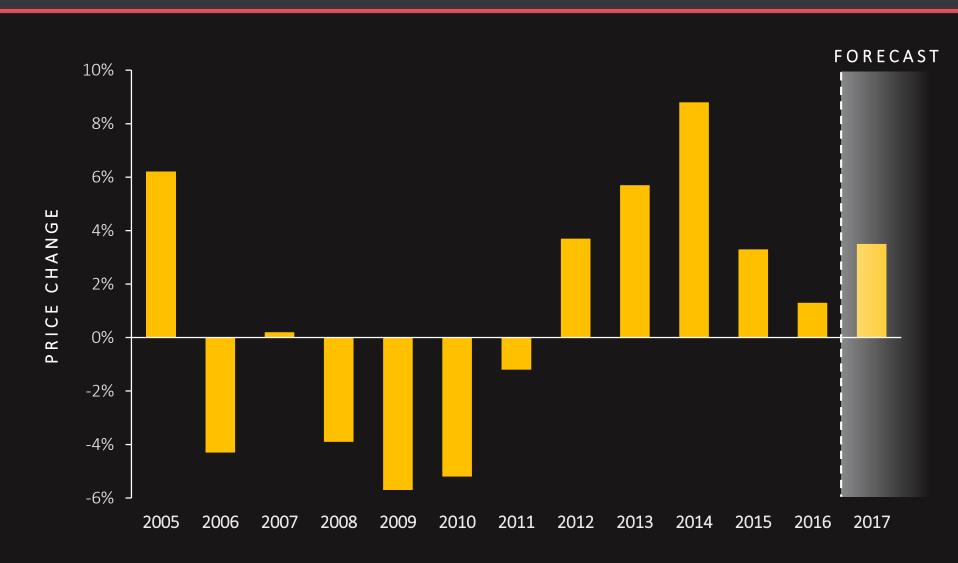
CONDOMINIUM SALES ACTIVITY WASHINGTON METRO AREA | 2016 COMPARED TO 2015





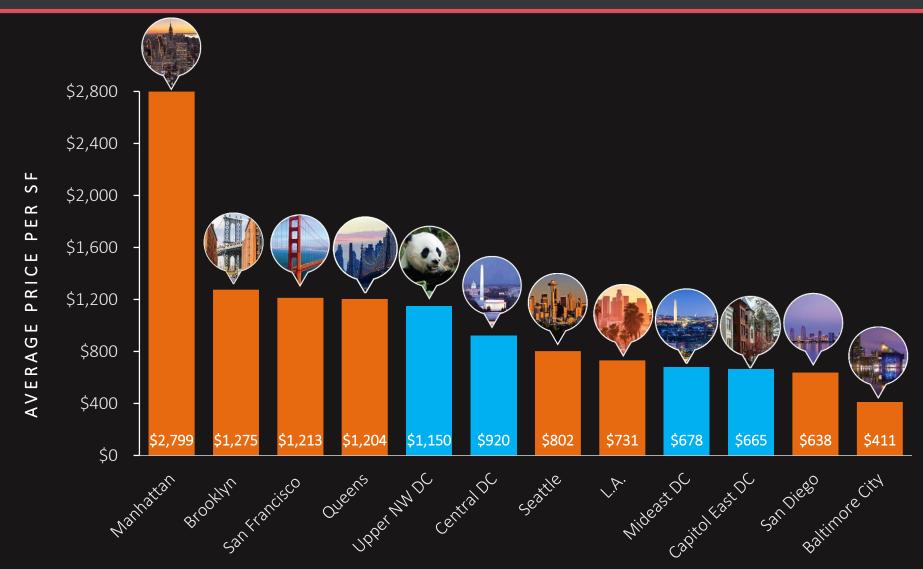
EFFECTIVE NEW CONDO SALES PRICE CHANGE WASHINGTON METRO AREA





NEW CONDOMINIUM PRICE PER SF SELECTED DOWNTOWN AREAS IN THE U.S. | Q4 2016*





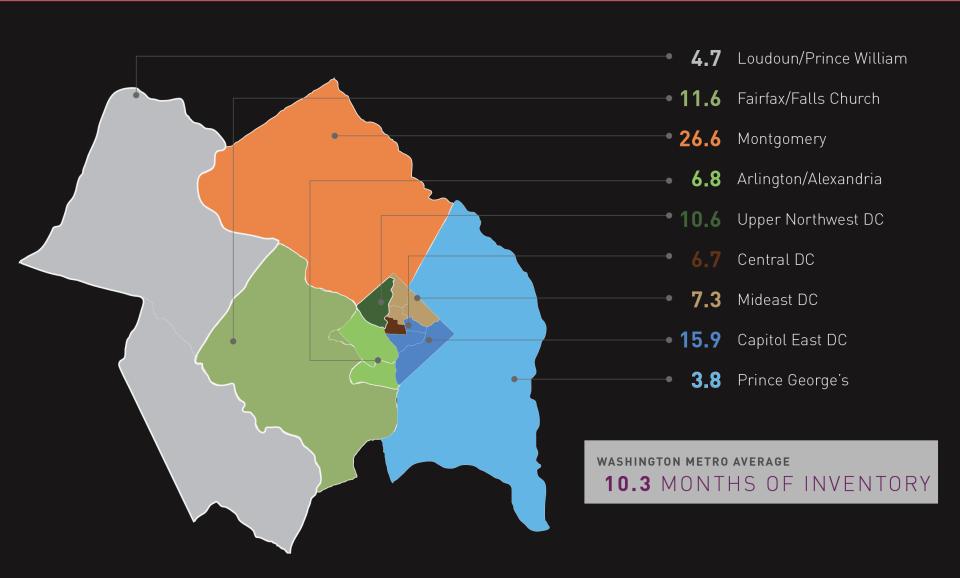
NEW CONDOS ACTIVELY MARKETING OR U/C WASHINGTON METRO AREA





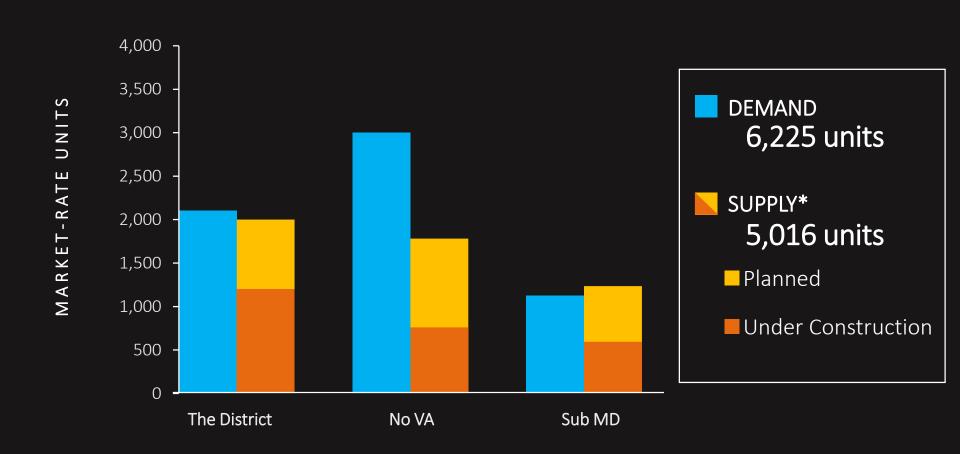
MONTHS OF INVENTORY WASHINGTON METRO AREA | Q4 2016





CONDO DEMAND AND SUPPLY PROJECTIONS WASHINGTON METRO AREA | Q4 2016 - Q4 2019





CONDOMINIUM MARKET OPPORTUNITIES WASHINGTON METRO AREA



Many development opportunities exist in the right locations.

Consider converting obsolete office buildings to condos.

Build boutique or medium-sized condo projects.

Be mindful of design and amenities depending on the buyer.











TRENDSETTERS





Monty Hoffman Founder and CEO PN Hoffman

PN HOFFMAN



Muriel Bowser

Mayor
District of Columbia

