

DELTA ASSOCIATES'

WASHINGTON METRO

COMMERCIAL REAL ESTATE MARKET OVERVIEW



01.25.22



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ASSOCIATES
A Transwestern Company

PRESENTED BY:
WILLIAM RICH, CRE

DELTA ASSOCIATES' WASHINGTON METRO CRE MARKET OVERVIEW

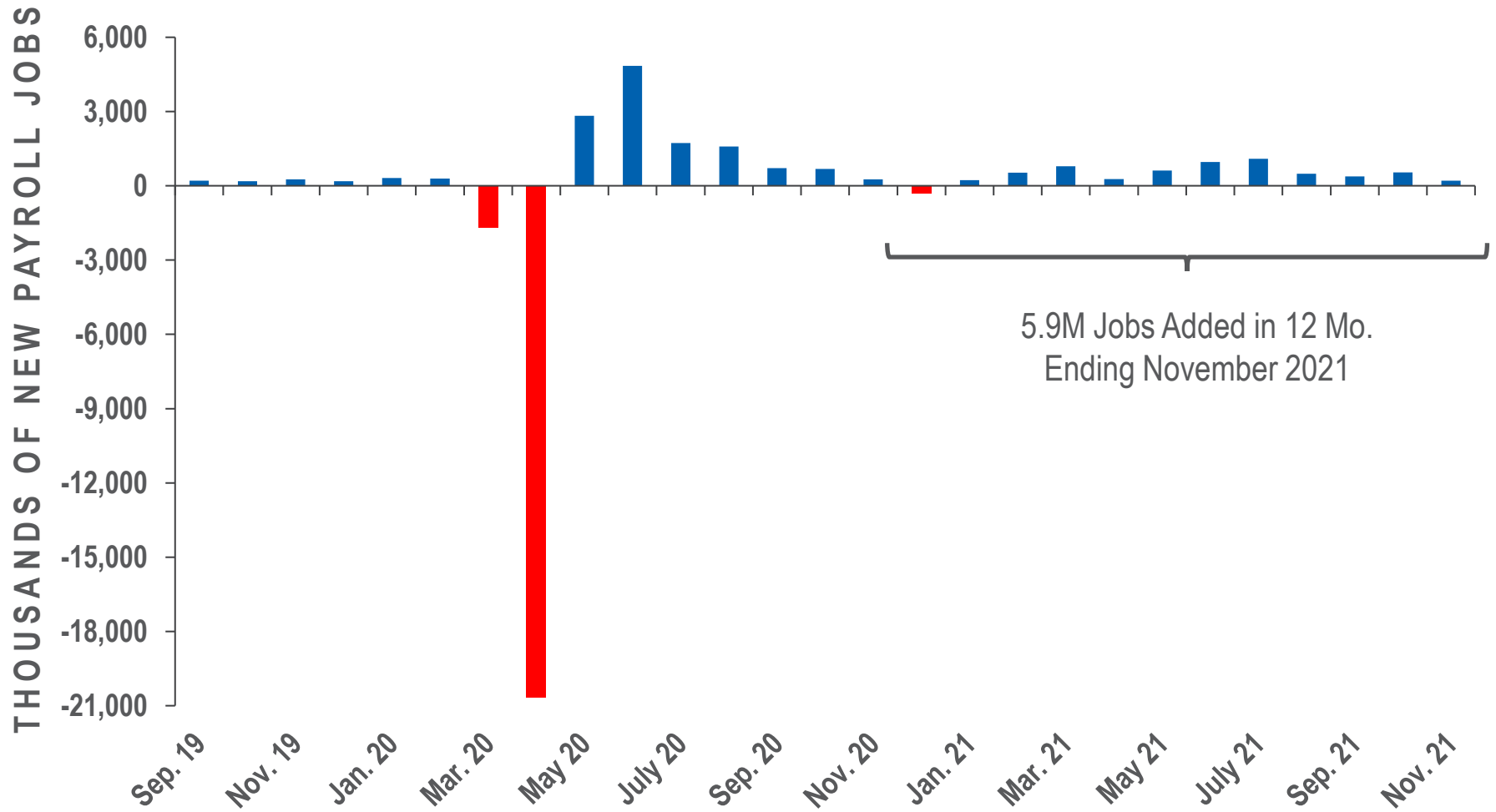
NATIONAL ECONOMY



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PAYROLL JOB GROWTH

United States | Monthly

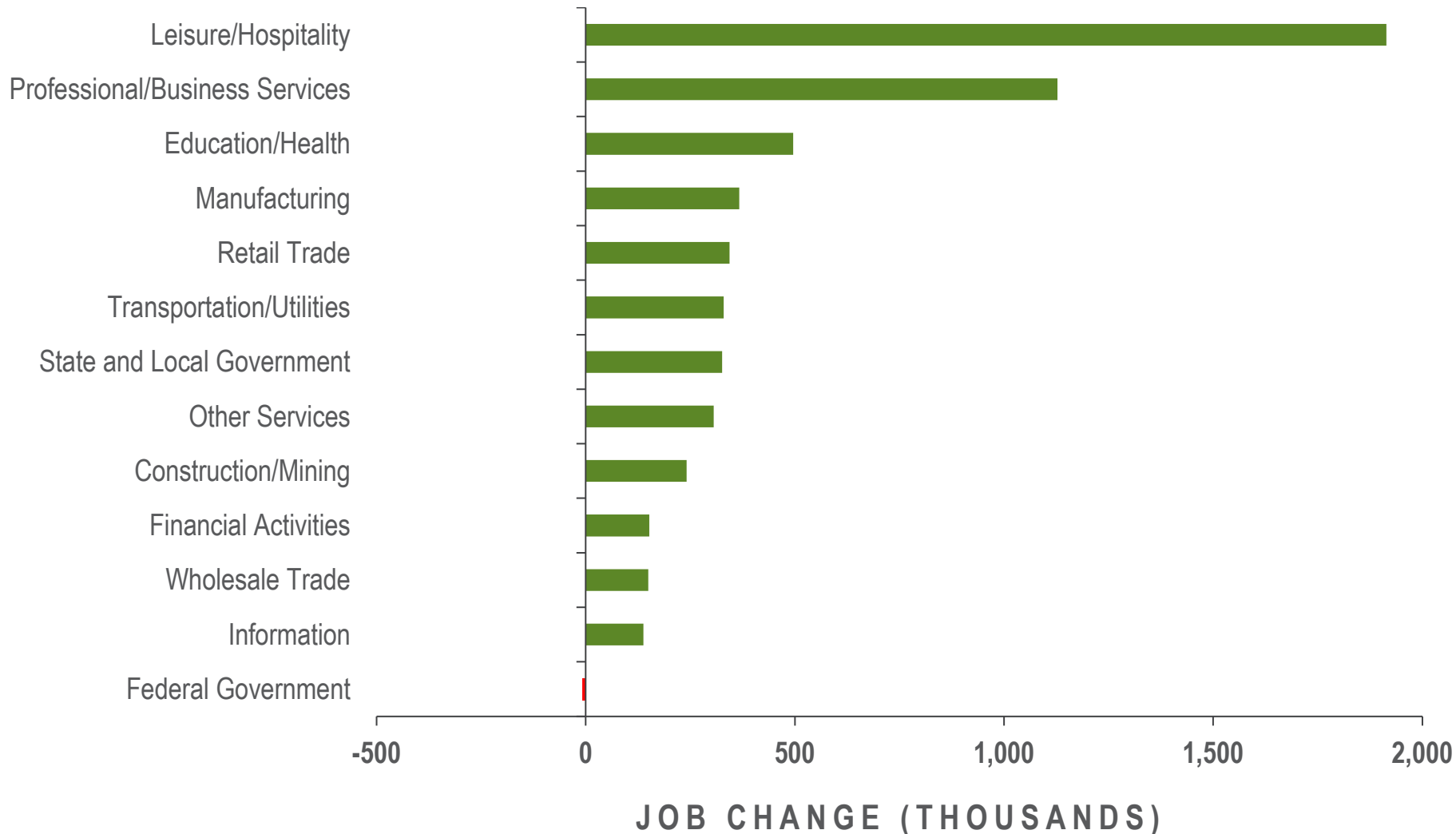


Note: Data is seasonally adjusted.

Source: Bureau of Labor Statistics, Delta Associates; January 2022.

PAYROLL JOB GROWTH

United States | 12 Months Ending November 2021

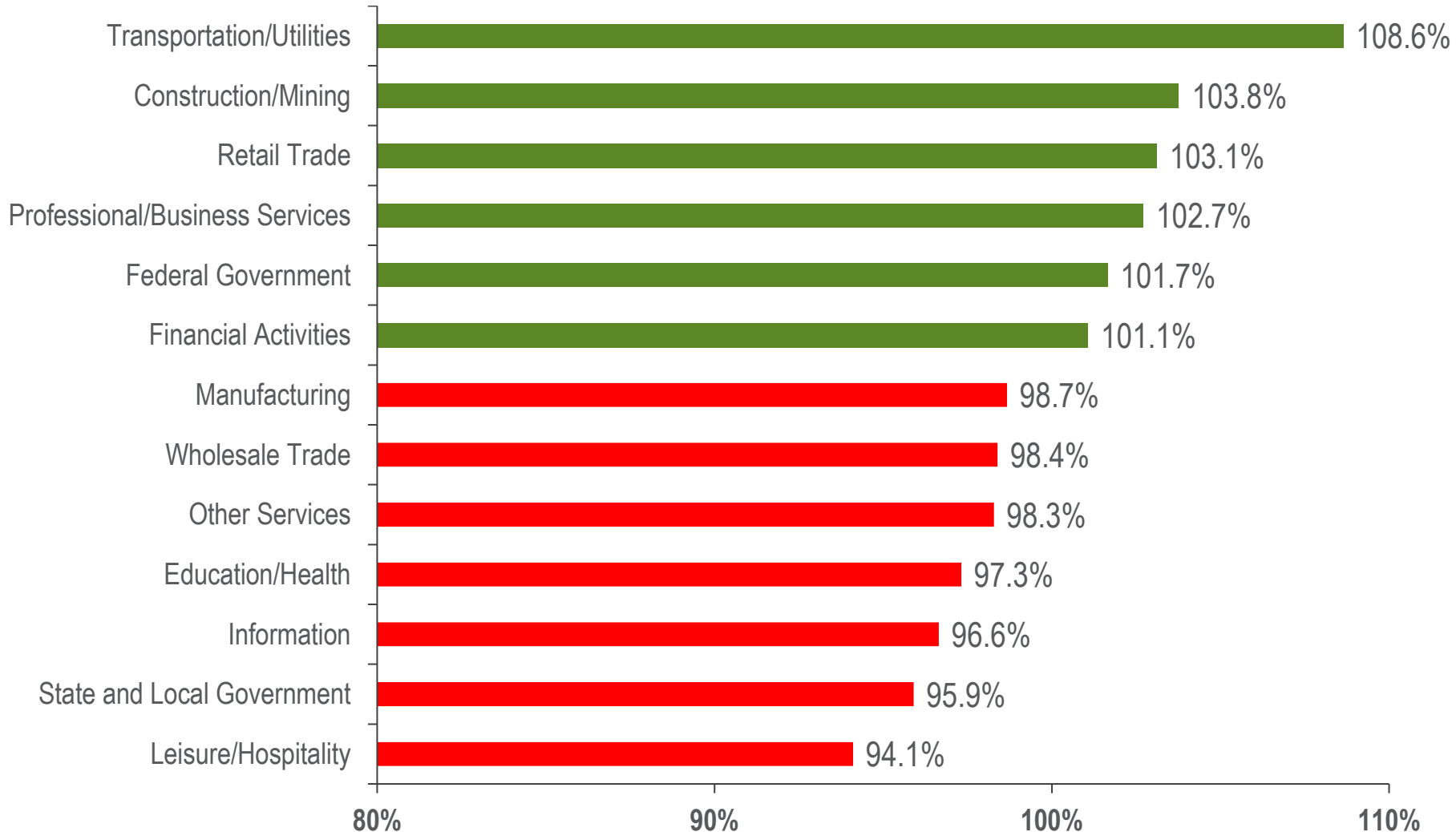


Note: Data are not seasonally adjusted.

Source: Bureau of Labor Statistics, Delta Associates; January 2022.

PANDEMIC JOB RECOVERY BY SECTOR

United States | November 2021 Employment as a Percentage of February 2020 Employment

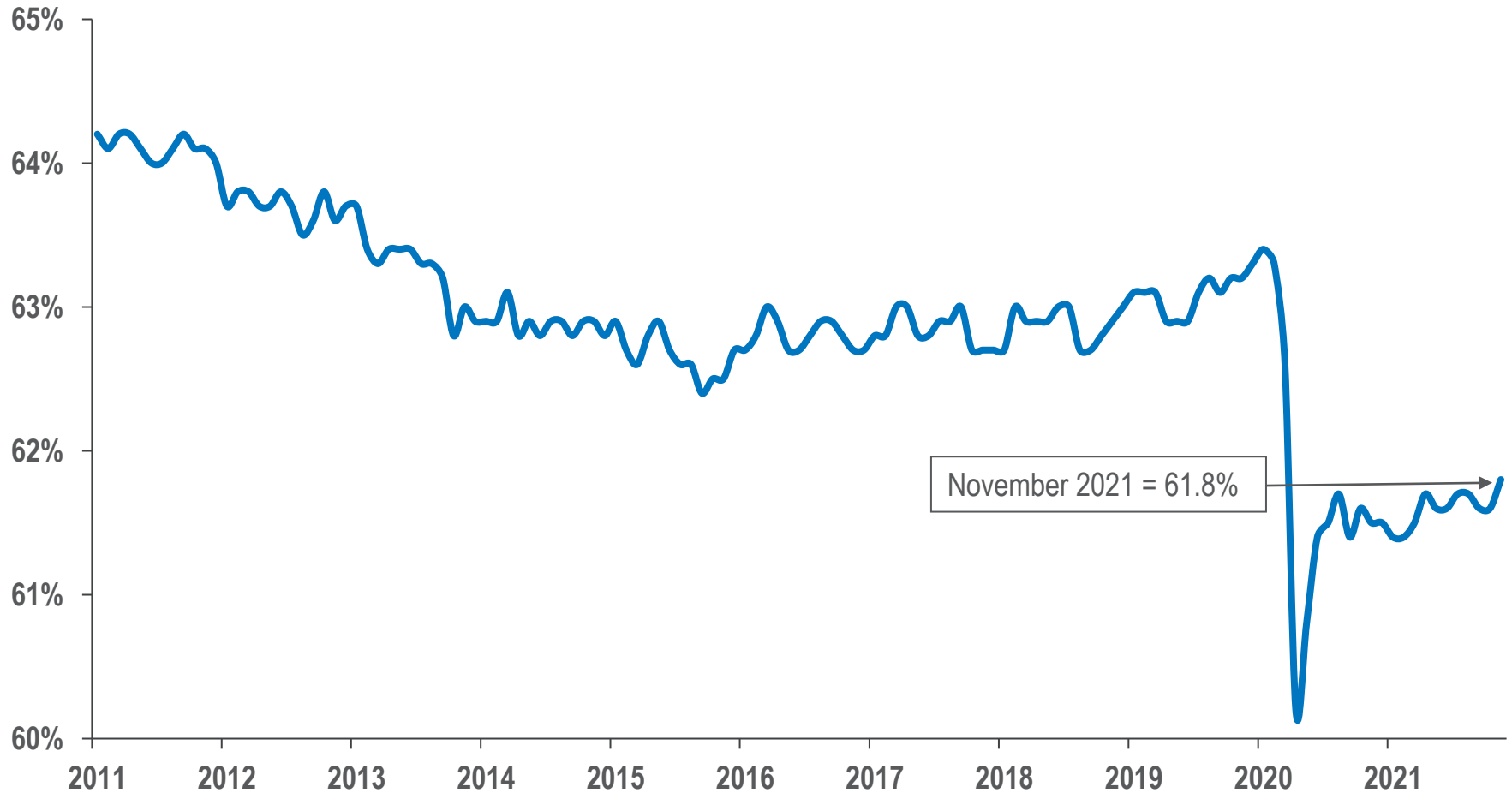


Note: Data are not seasonally adjusted.

Source: Bureau of Labor Statistics, Delta Associates; January 2022.

LABOR FORCE PARTICIPATION RATE

United States | January 2011 – November 2021

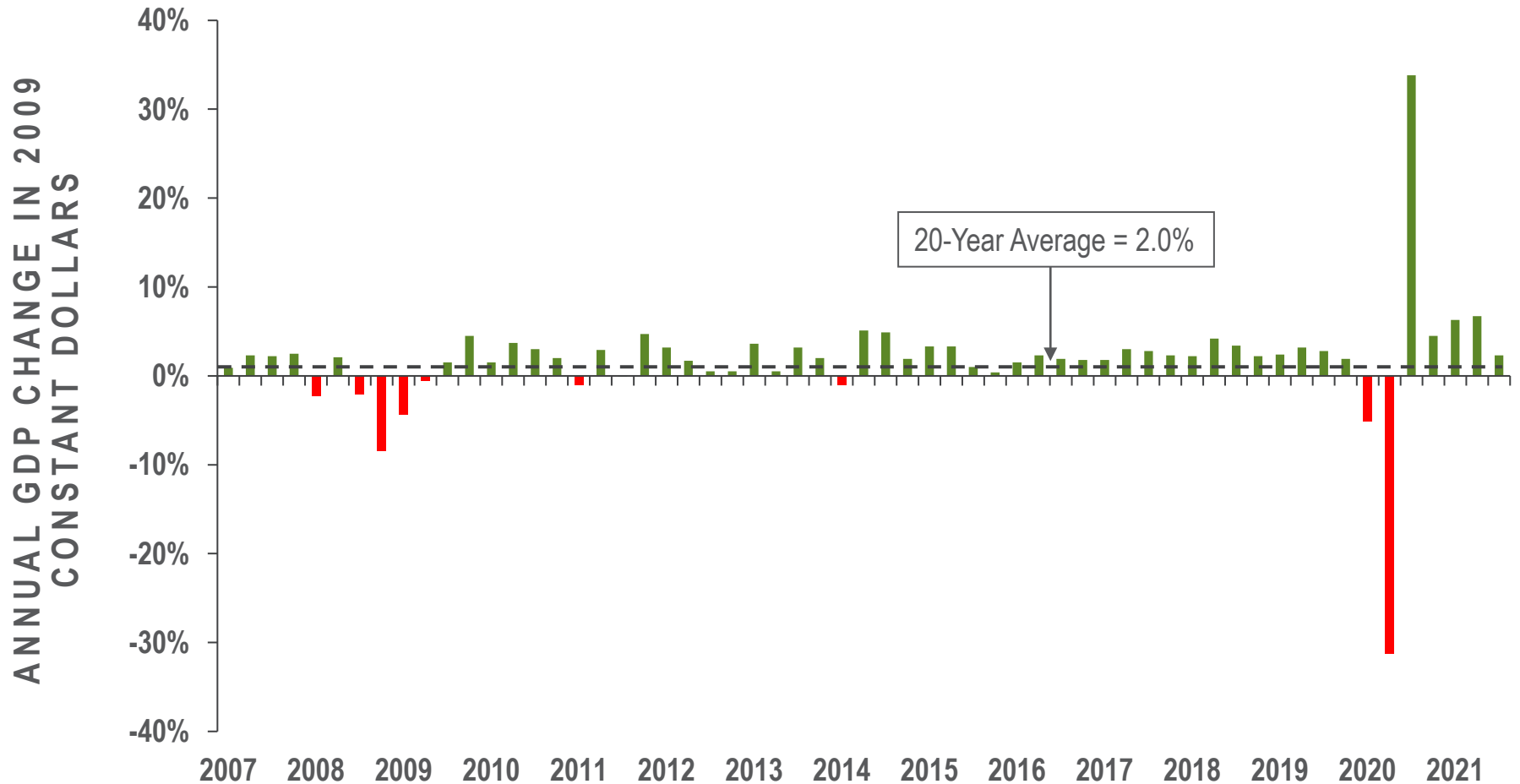


Note: Data is seasonally-adjusted.

Source: Bureau of Labor Statistics, Delta Associates; January 2022.

QUARTERLY GDP PERCENT CHANGE

United States

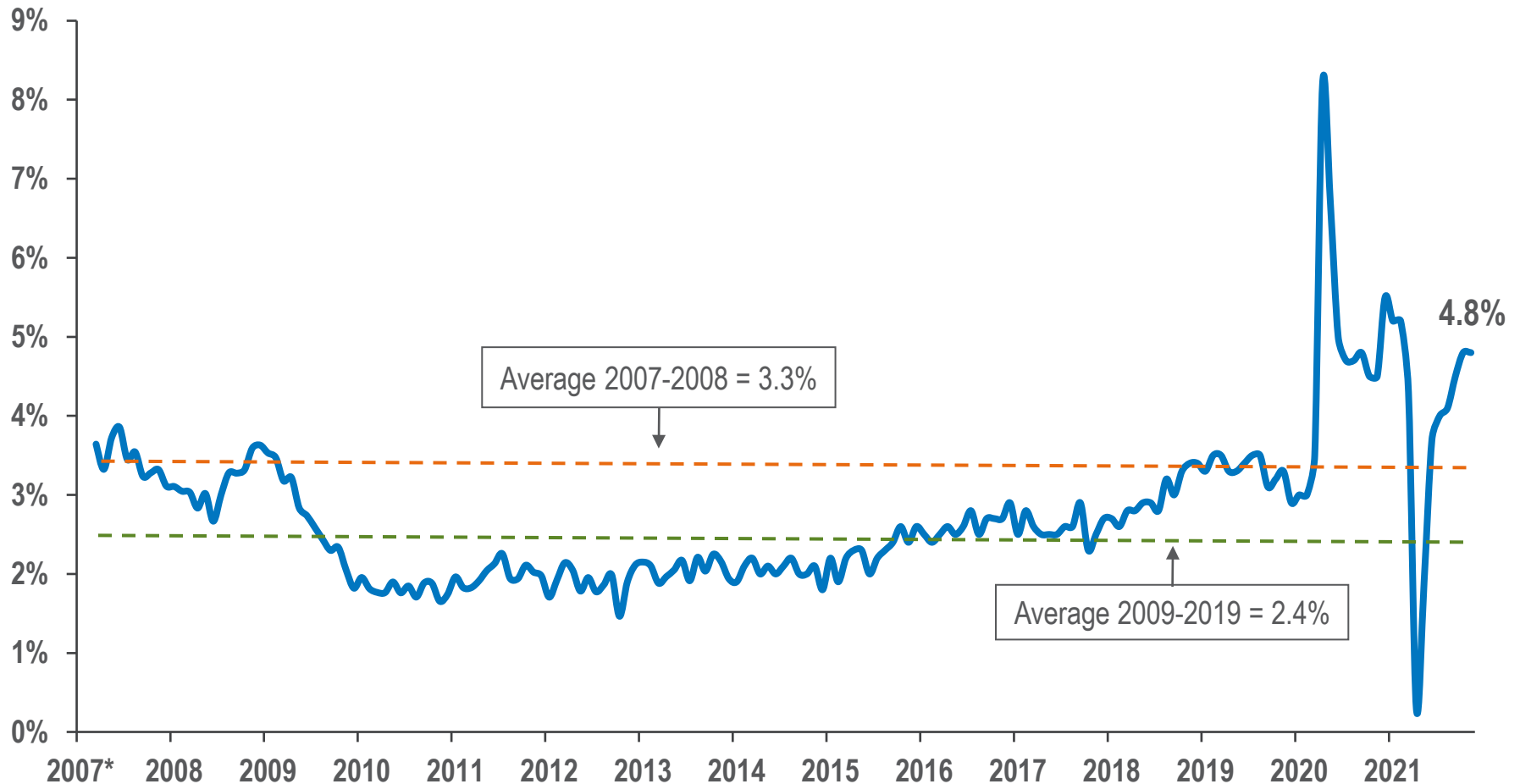


Note: Seasonally adjusted at annual rates.

Source: Bureau of Economic Analysis, Delta Associates; January 2022.

AVERAGE HOURLY EARNINGS

12-Month Percentage Growth | 2007 – November 2021

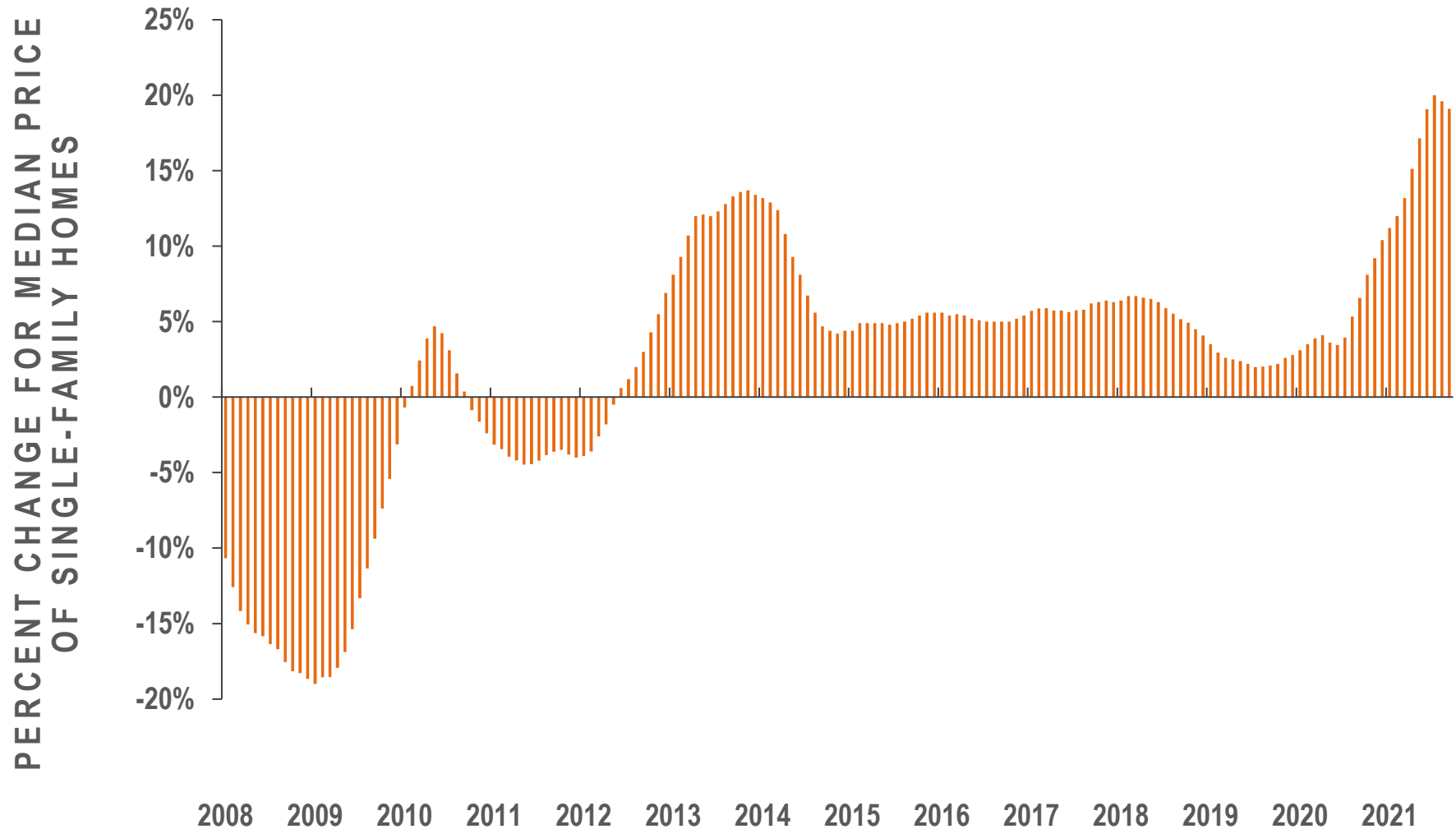


*Data available starting March 2007.

Source: Bureau of Labor Statistics, Delta Associates; December 2021.

ANNUAL CHANGE IN EXISTING HOME SALE PRICES

United States

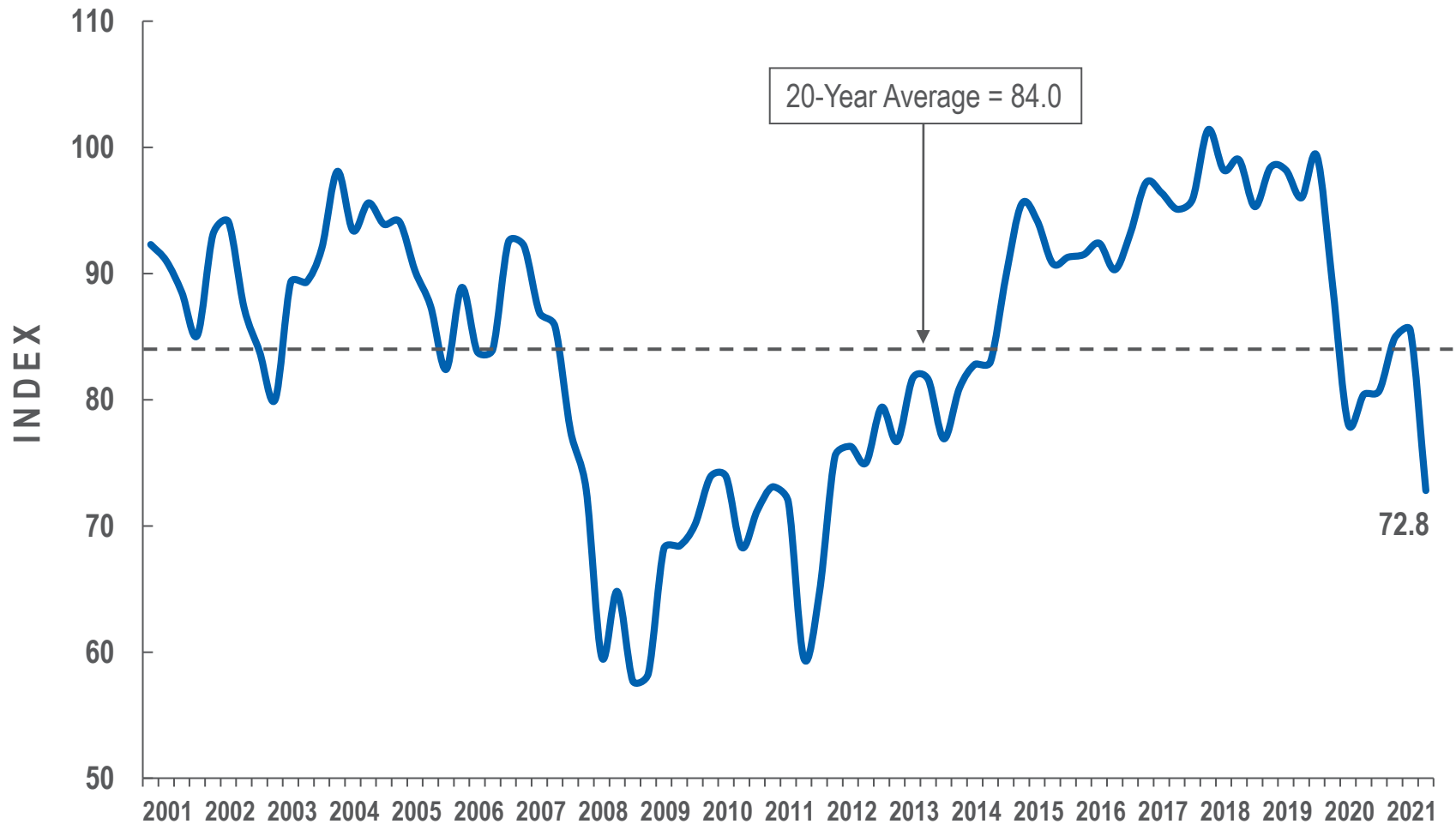


Note: Data reflect 20-city composite index.

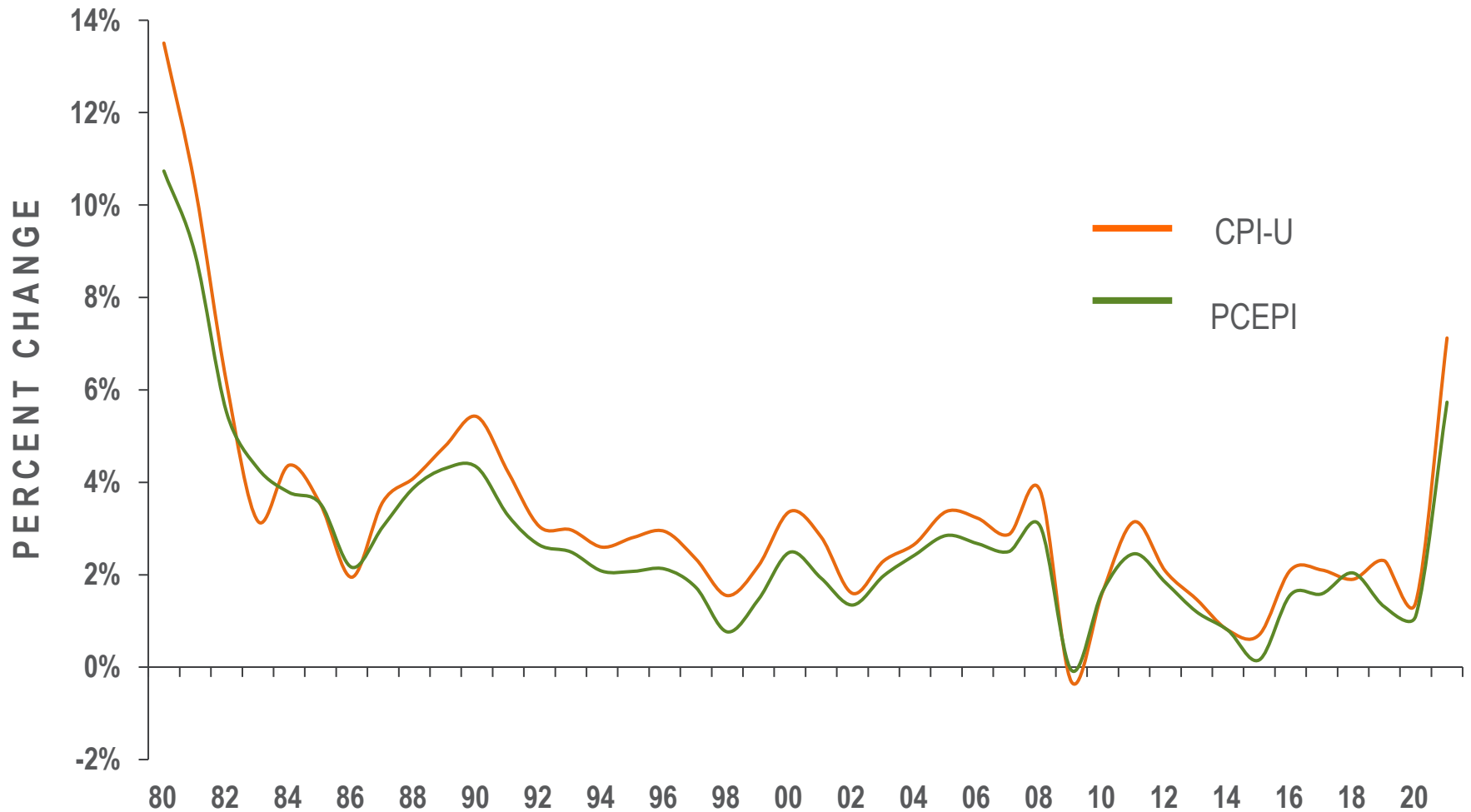
Source: S&P/Case-Shiller, Delta Associates; January 2022.

CONSUMER SENTIMENT

United States - Quarterly



U.S. INFLATION AND PERSONAL CONSUMPTION EXPENDITURE INDEX



Note: *CPI-U through December 2021 and PCEPI through November 2021. Data reflects 12-month percent change.
Source: Federal Reserve Economic Database (FRED), Delta Associates; January 2022.

DELTA ASSOCIATES' WASHINGTON METRO CRE MARKET OVERVIEW

WASHINGTON ECONOMY



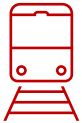
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INFRASTRUCTURE INVESTMENT & JOBS ACT BENEFITS

District of Columbia, Maryland, and Virginia



\$12.2 billion for highway repair



\$4.1 billion for public transportation



\$1.937 billion for water infrastructure



\$1.171 billion for bridges



\$544 million for airports



\$300 million for expanded broadband coverage

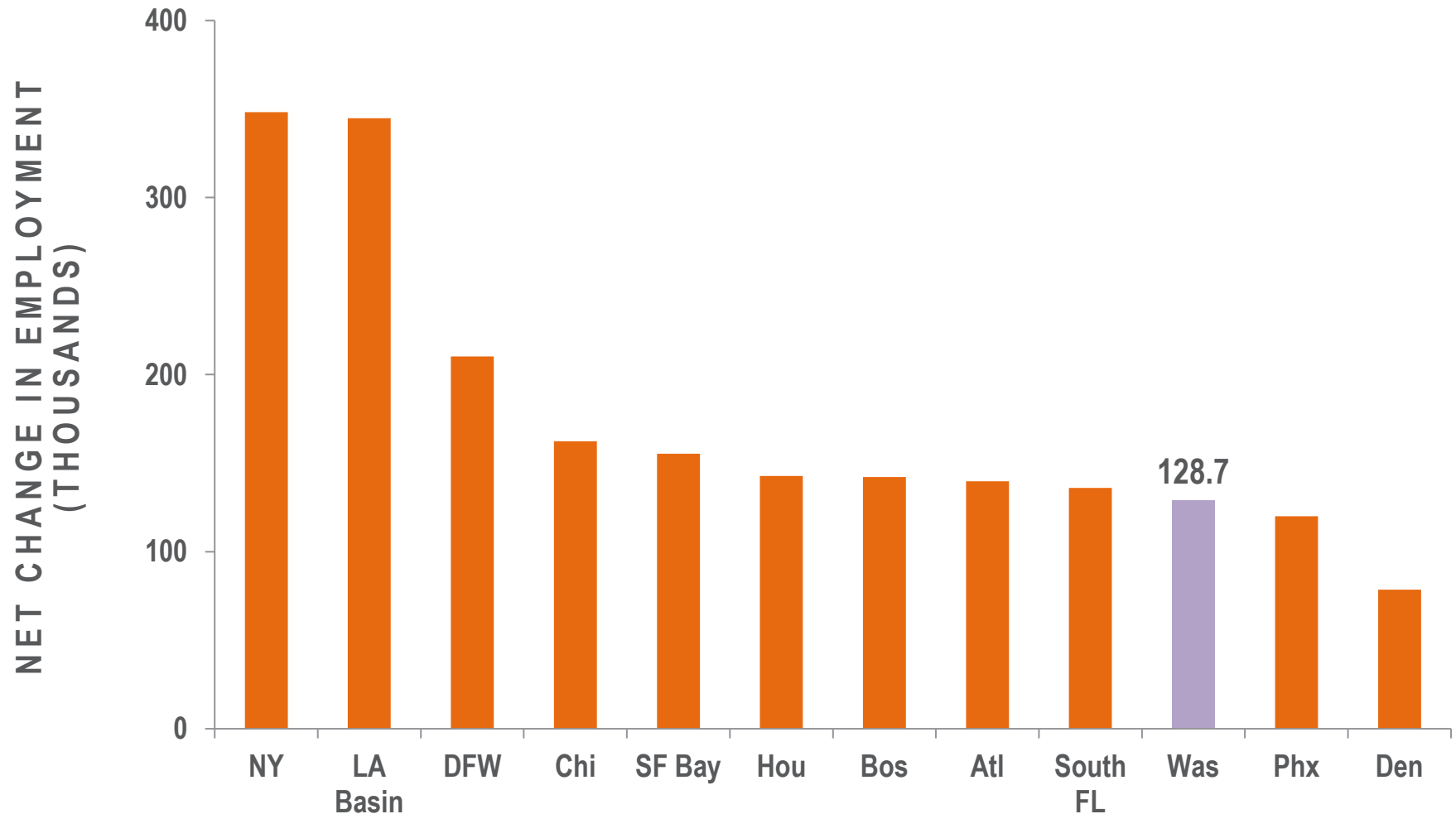


\$186 million for electric vehicle charging stations

Minimum of \$20.4 Billion
Investment Over Five Years

PAYROLL JOB GROWTH

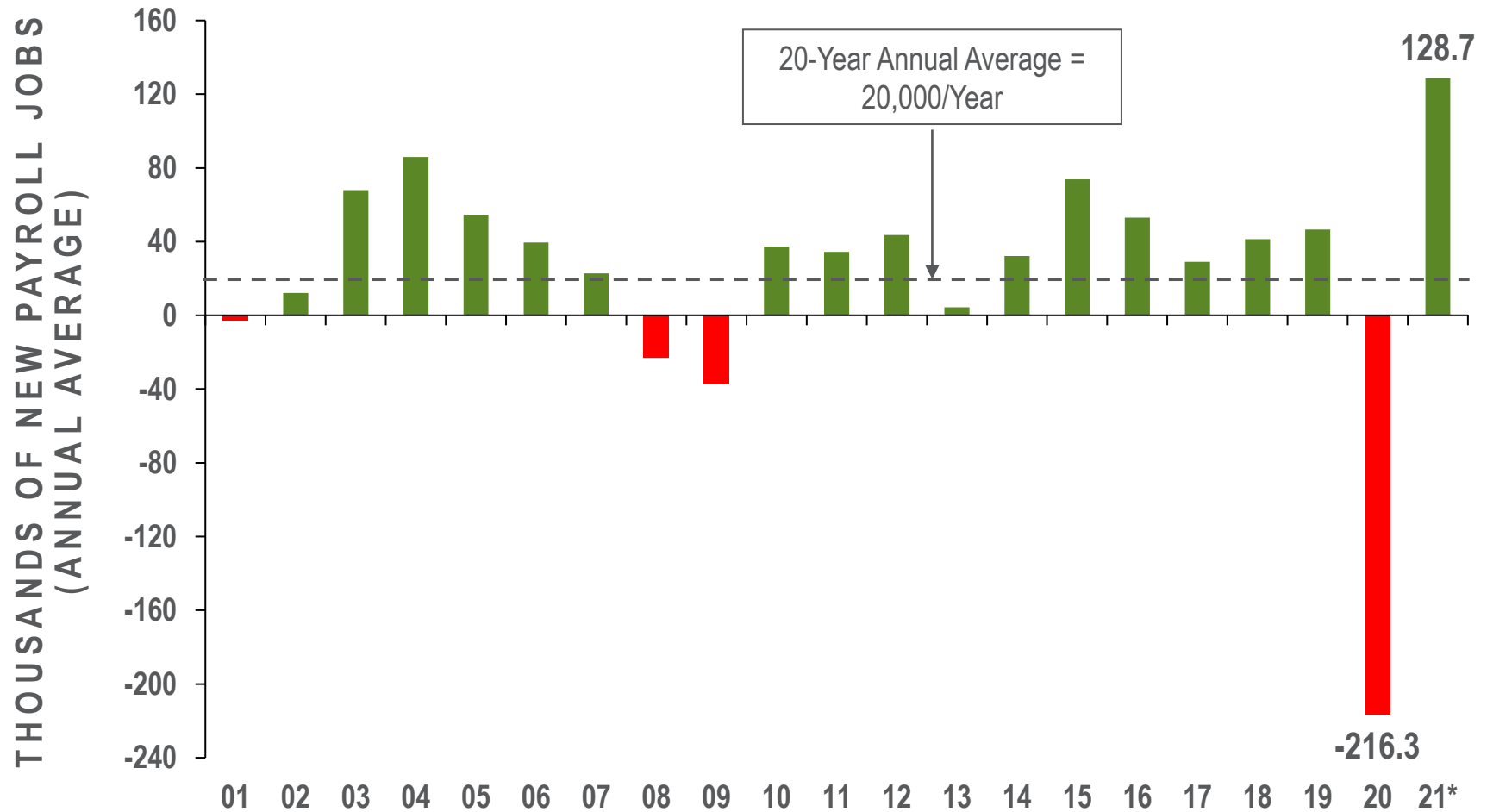
Selected Large Metro Areas | 12 Months Ending November 2021



Source: Bureau of Labor Statistics, Delta Associates; January 2022.

PAYROLL JOB GROWTH

Washington Metro Area

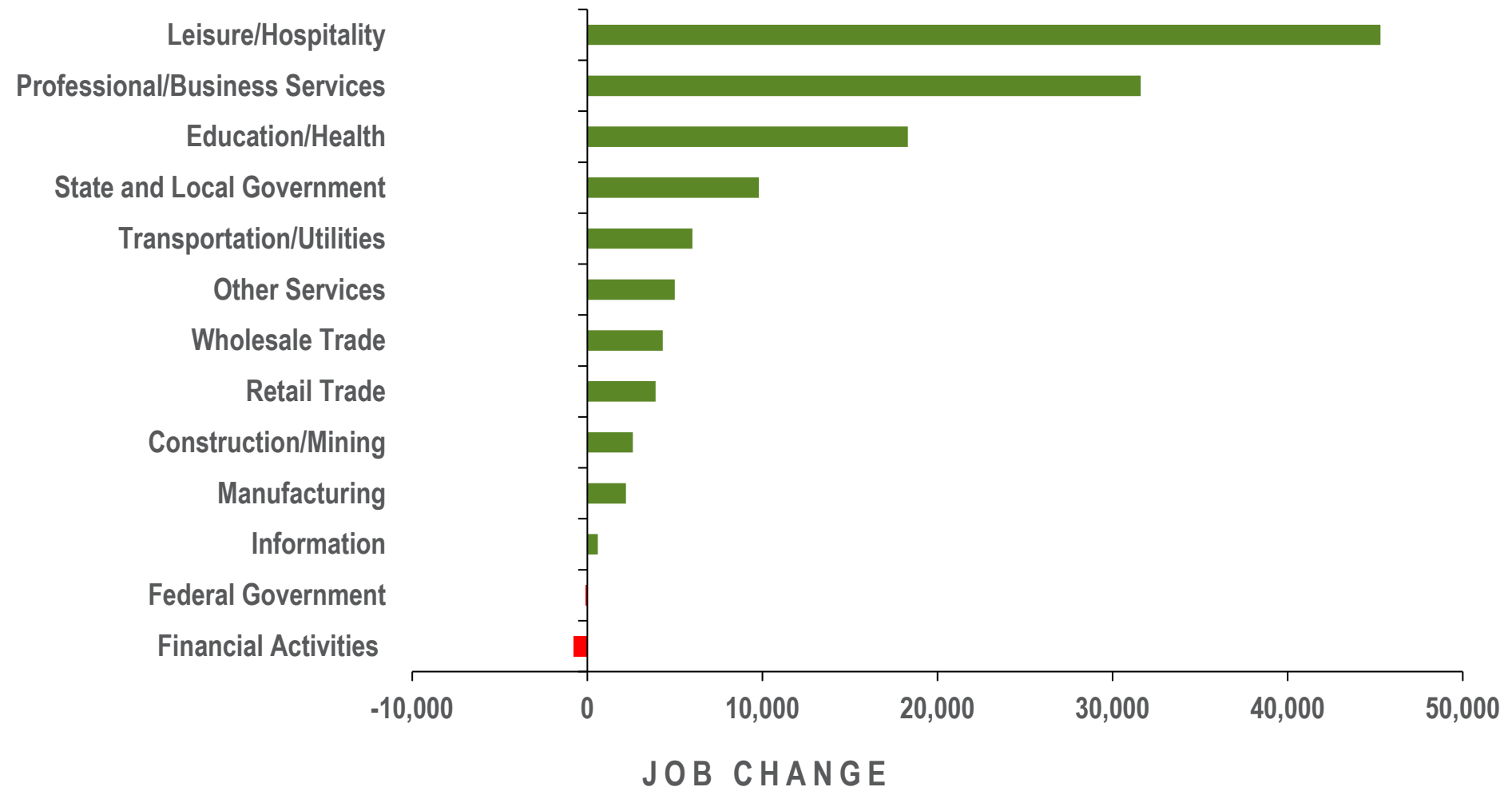


*12 months ending in November 2021.

Source: Bureau of Labor Statistics, Delta Associates; January 2022.

PAYROLL JOB GROWTH

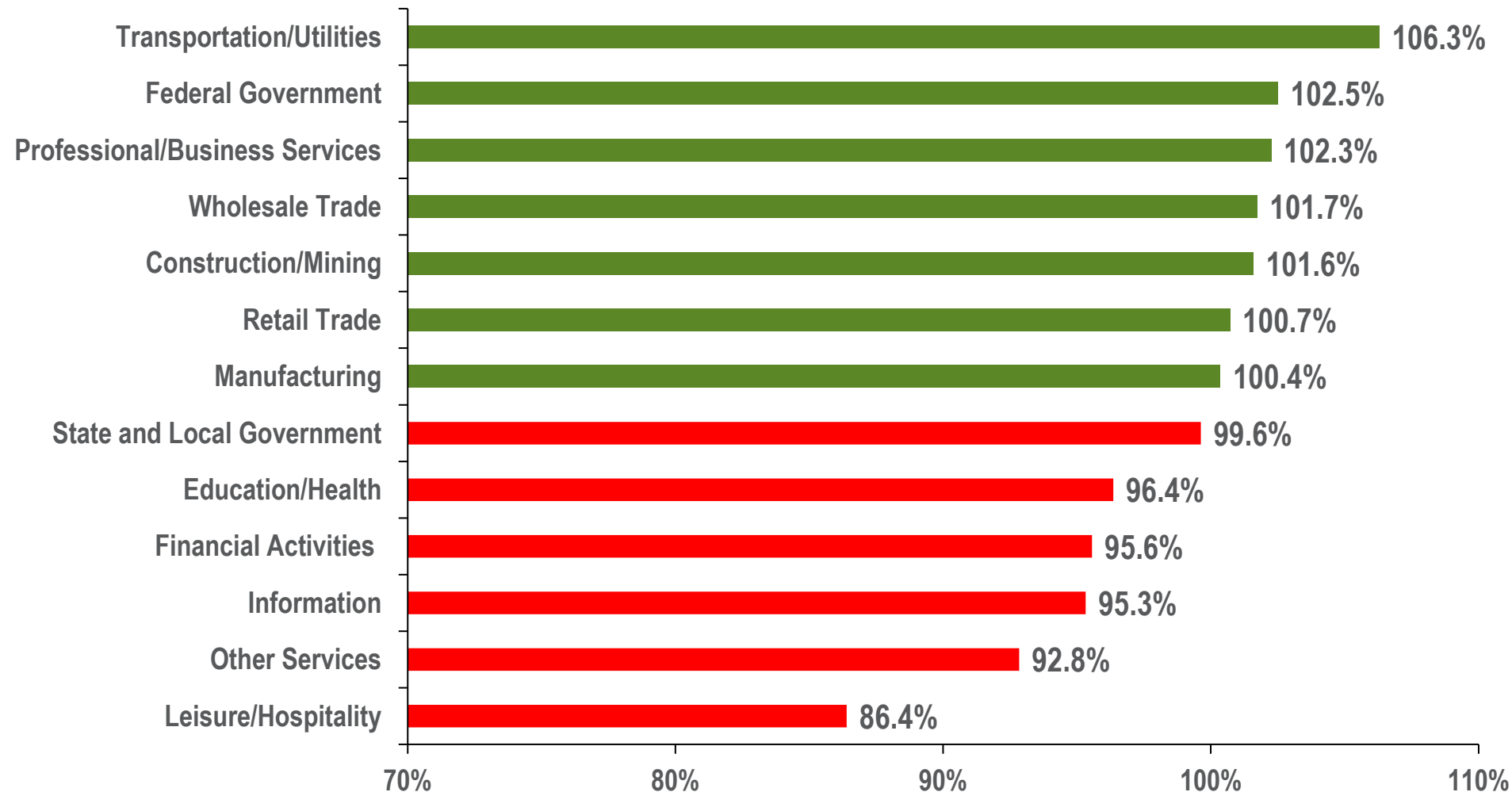
Washington Metro Area | 12 Months Ending November 2021



Source: Bureau of Labor Statistics, Delta Associates; January 2022.

PANDEMIC JOB RECOVERY BY SECTOR

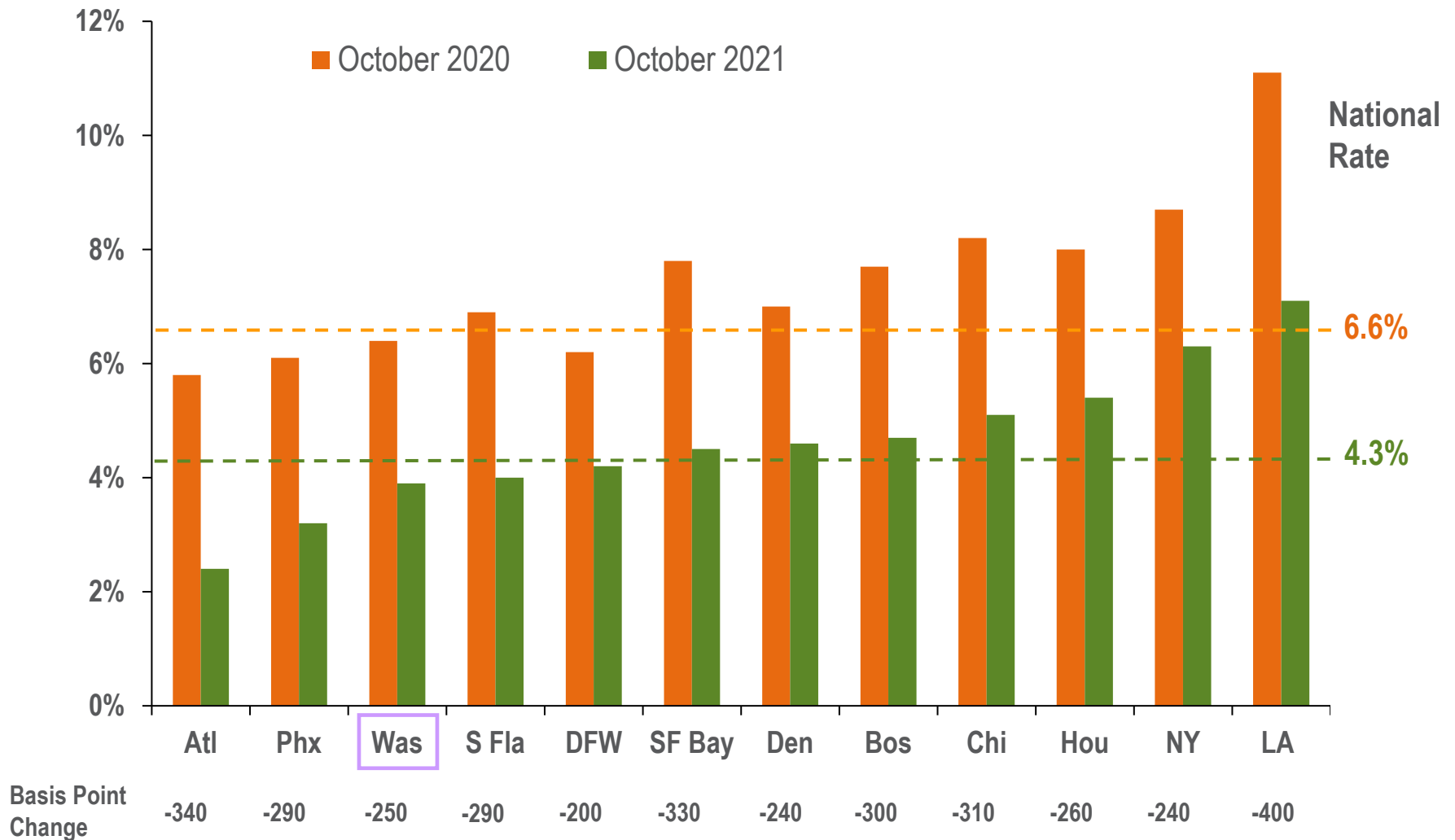
Washington Metro Area | November 2021 Employment as a Percentage of February 2020 Employment



Source: Bureau of Labor Statistics, Delta Associates; January 2022.

UNEMPLOYMENT RATE

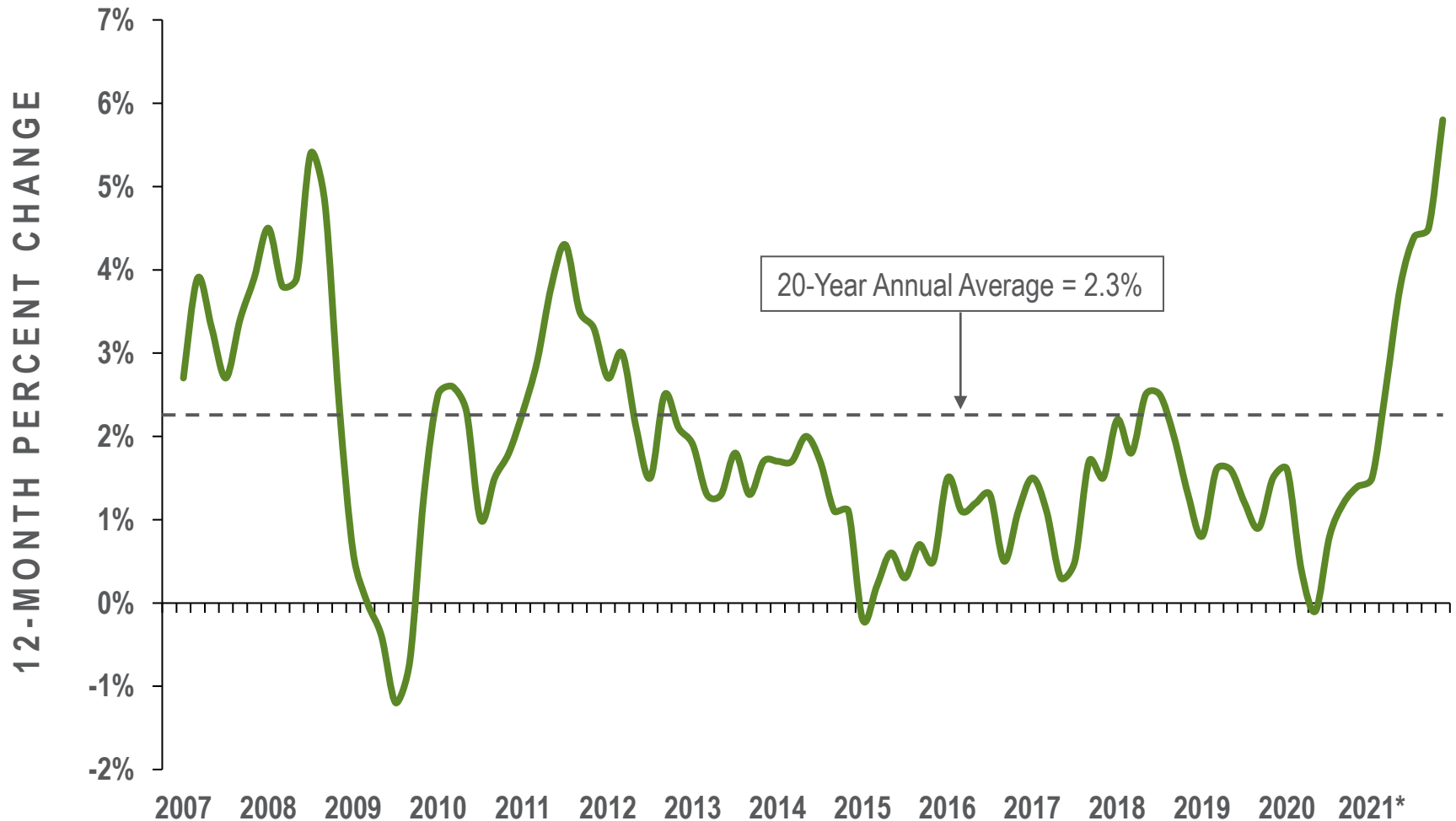
Large Metro Areas | October 2020 vs. October 2021



Source: Bureau of Labor Statistics, Delta Associates; January 2022.

CONSUMER PRICE INDEX (CPI)

Washington Region

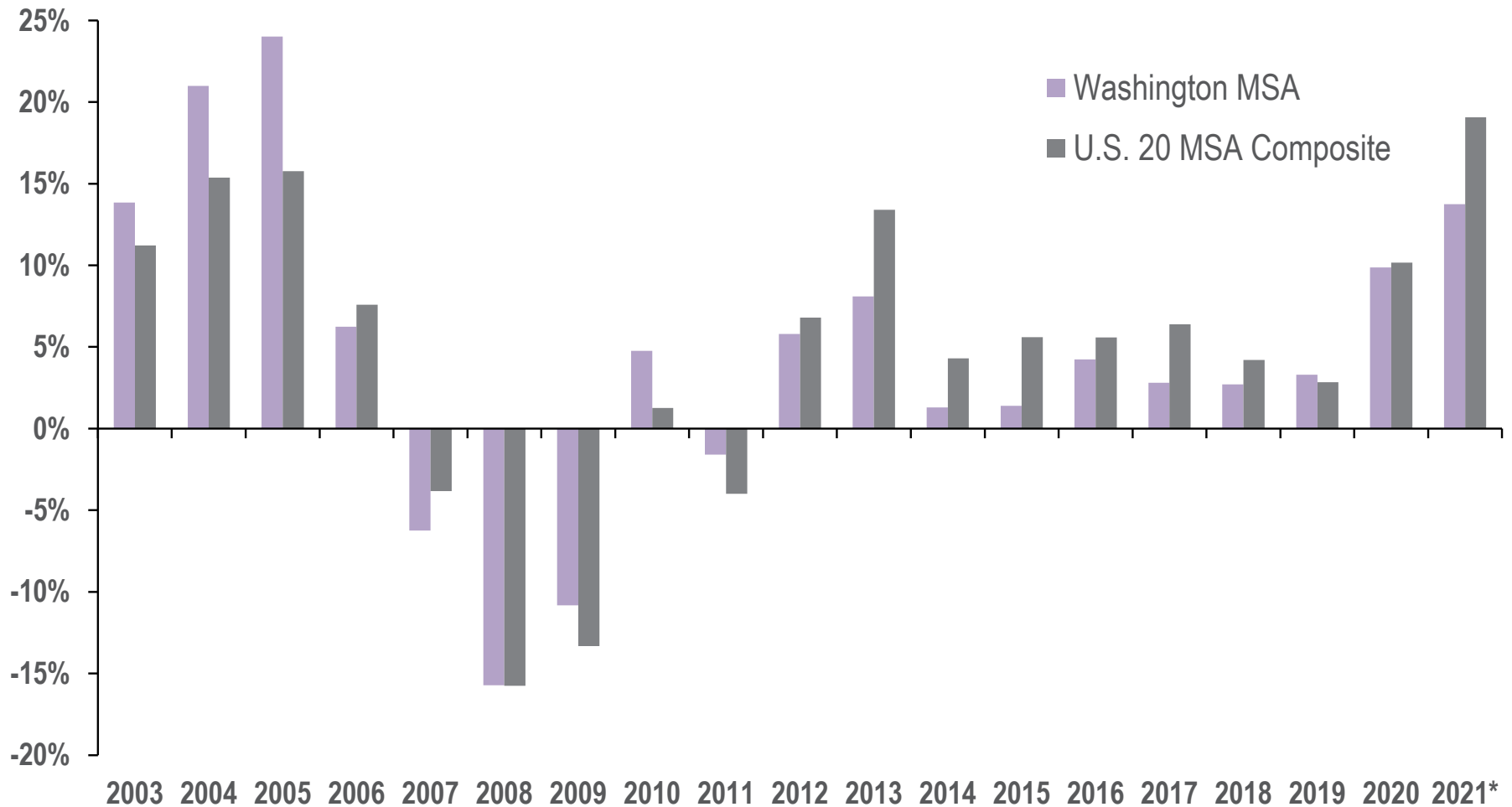


*Through November 2021.

Source: Bureau of Labor Statistics, Delta Associates; January 2022.

CHANGE IN HOUSE PRICES

Washington MSA vs. U.S. 20-MSA Composite

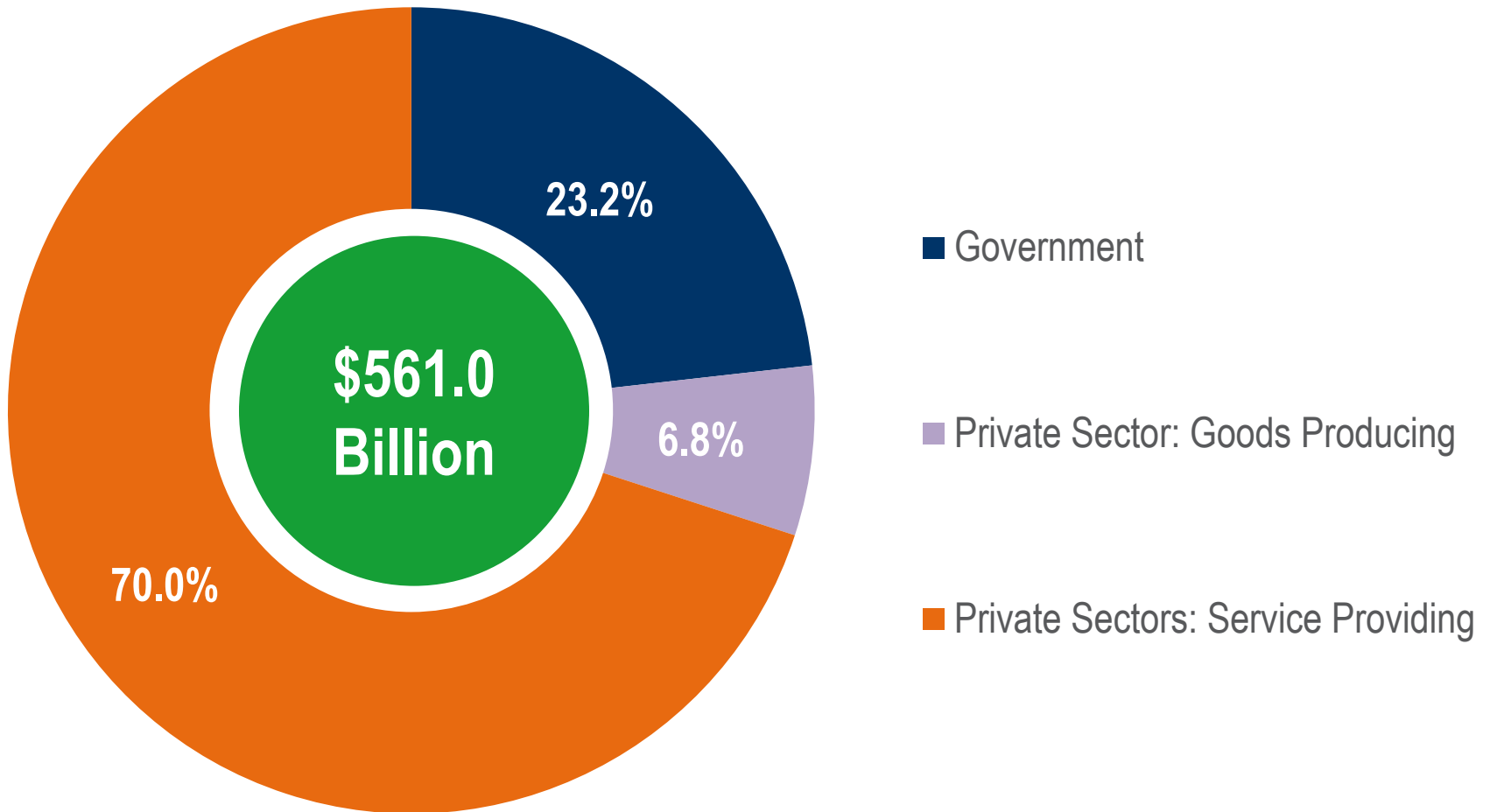


*12 months ending September 2021.

Source: S&P/Case-Shiller, Delta Associates; January 2022.

SHARE OF REGIONAL GDP

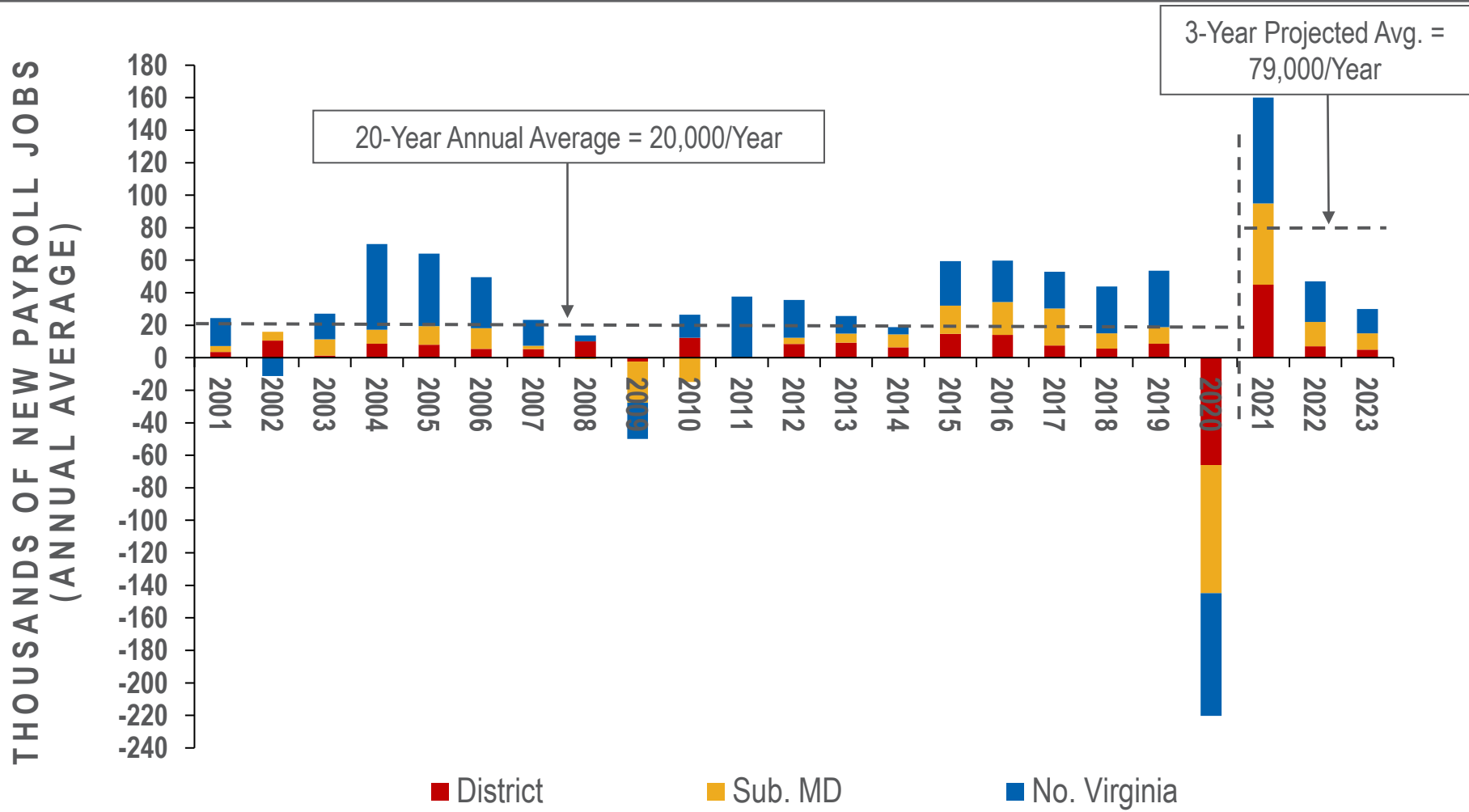
Washington Metro Area | 2020



Note: Percentages may not total to 100% due to rounding
Source: Bureau of Economic Analysis, Delta Associates; January 2022.

PAYROLL JOB GROWTH

Washington Metro Area



DELTA ASSOCIATES' WASHINGTON METRO CRE MARKET OVERVIEW

WASHINGTON APARTMENT MARKET



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UPTOWN INDIVIDUALS LIFEMODE GROUP

Tapestry Segments Most Likely to Rent Apartments



Laptops and Lattes

- Predominately single
- \$112,200 Median Income
- Large share of HHs without a car
- >75% have a bachelor's or higher



Metro Renters

- Smallest average HH size
- \$67,000 Median Income
- Live close to work
- Many currently in college

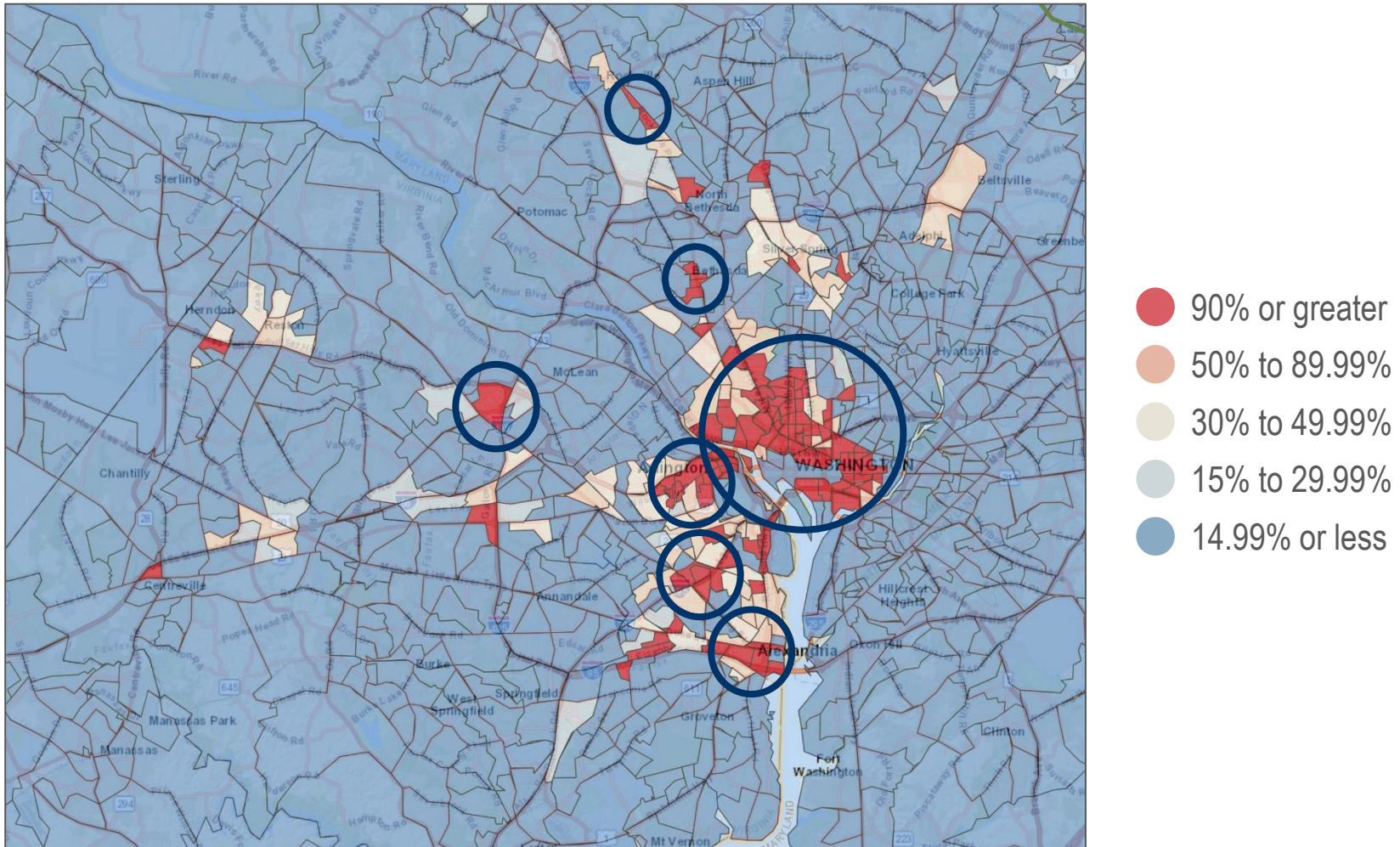


Trendsetters

- Singles & roommates/couples
- \$63,100 Median Income
- Long commute times
- >50% have a bachelor's or higher

UPTOWN INDIVIDUALS LIFEMODE GROUP

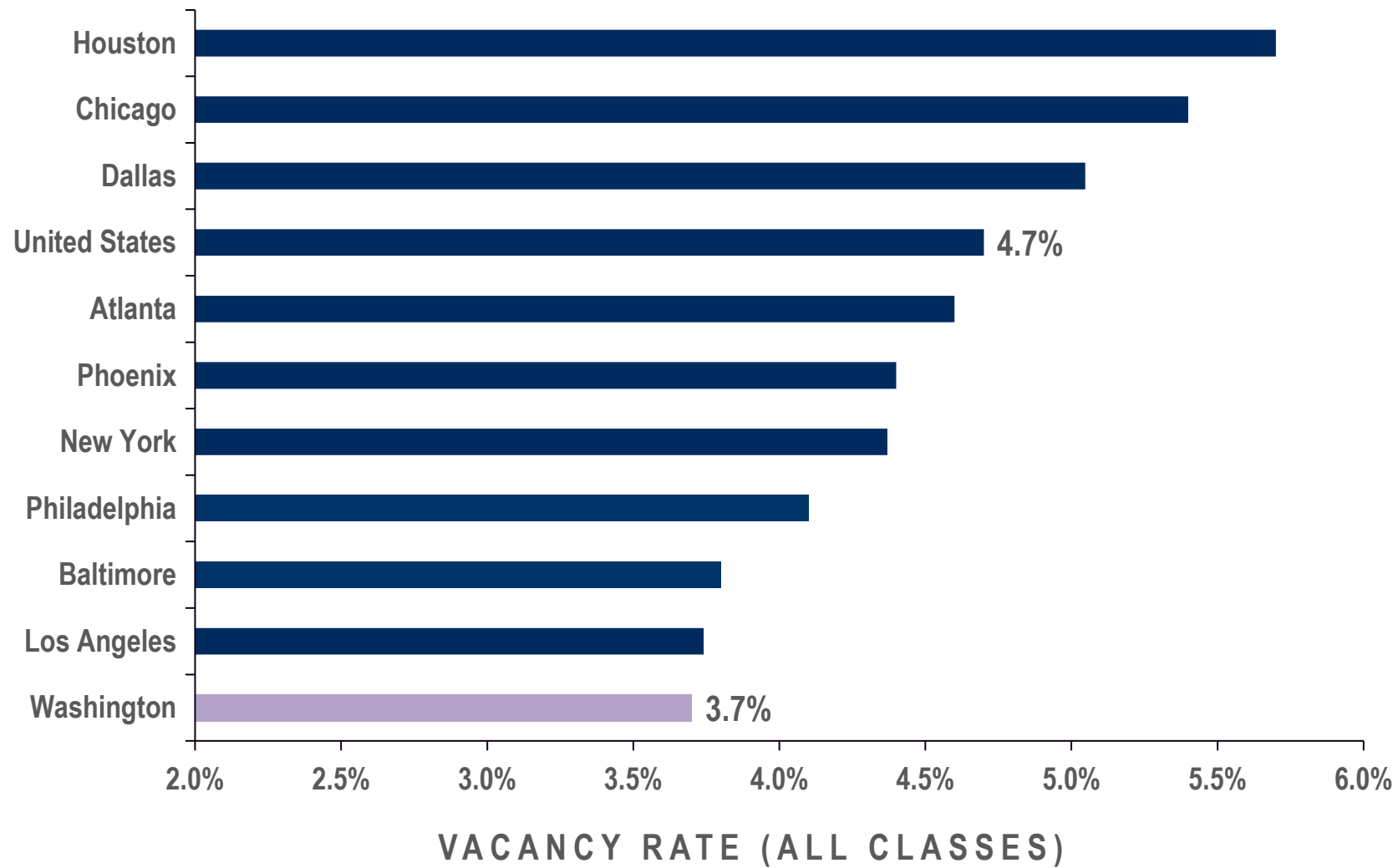
Washington Metro Area



Source: ESRI, Delta Associates; January 2022.

APARTMENT VACANCY RATES

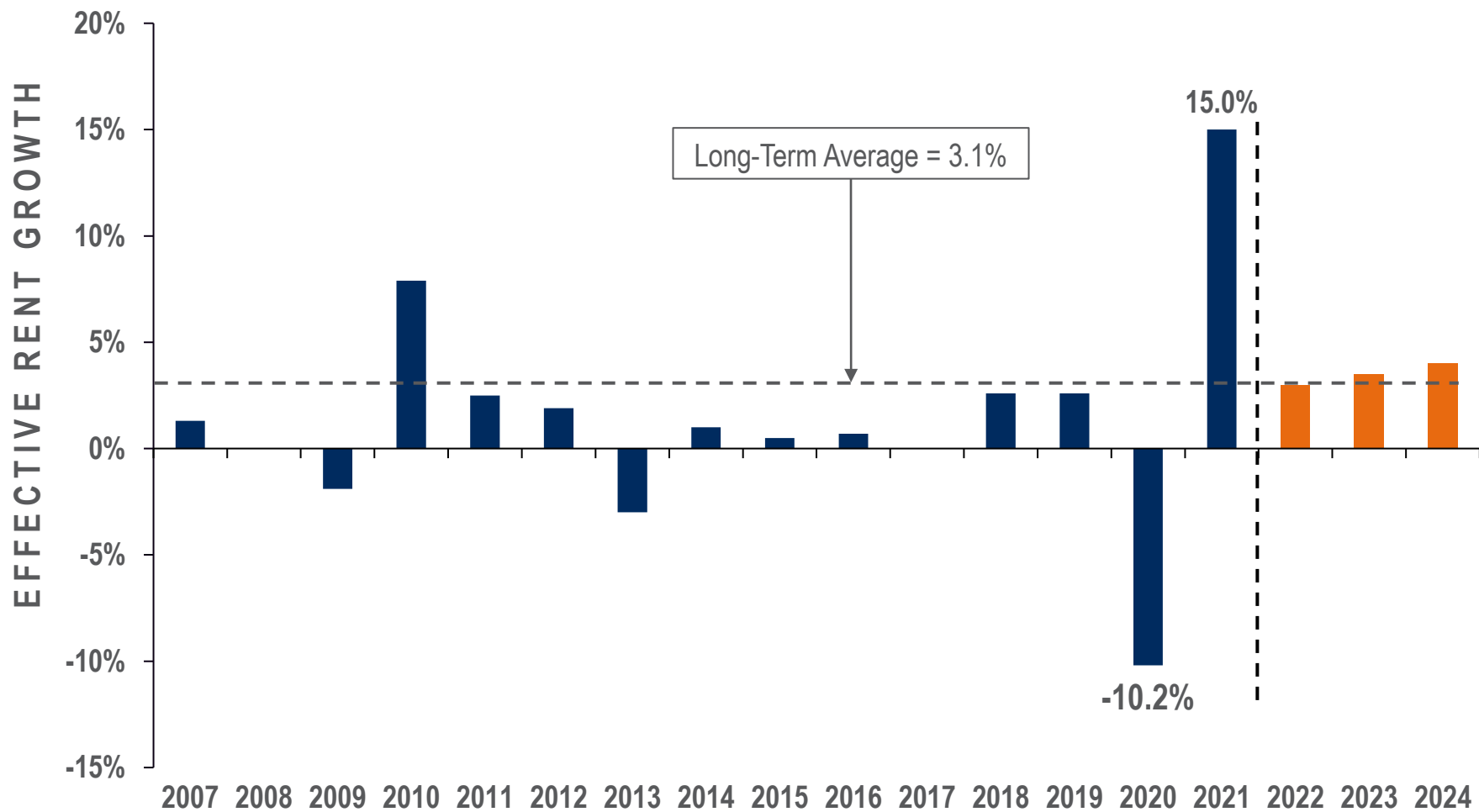
Major Apartment Markets | Q3 2021



Source: Reis, Delta Associates; January 2022.

ANNUAL CLASS A APARTMENT RENT GROWTH

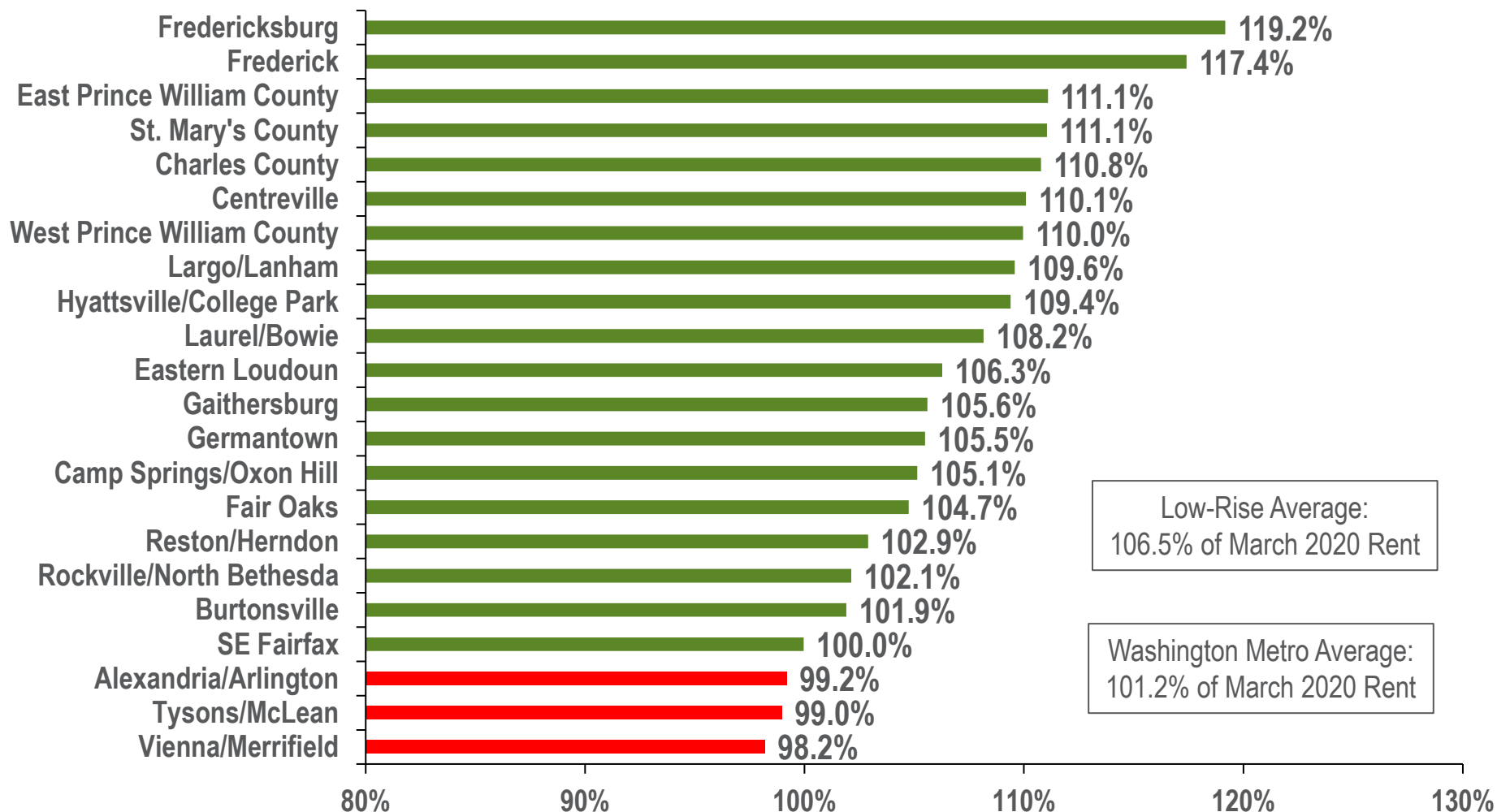
Washington Metro | 2007 - 2024



Source: Delta Associates, January 2022.

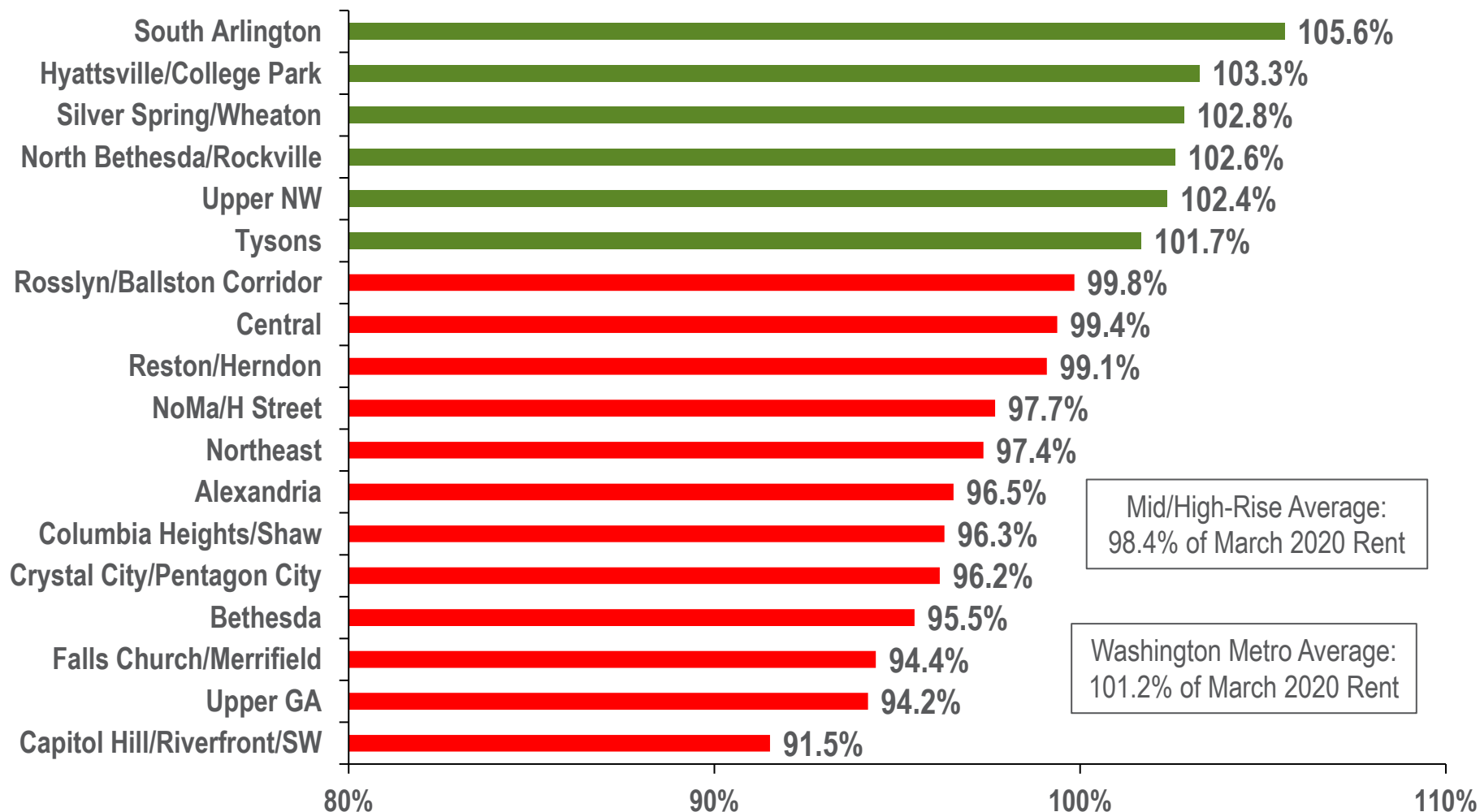
CLASS A APARTMENT RENT RECOVERY

Washington Metro Area Low-Rise Submarkets | Q4 2021 Rent as a % of March 2020 Rent



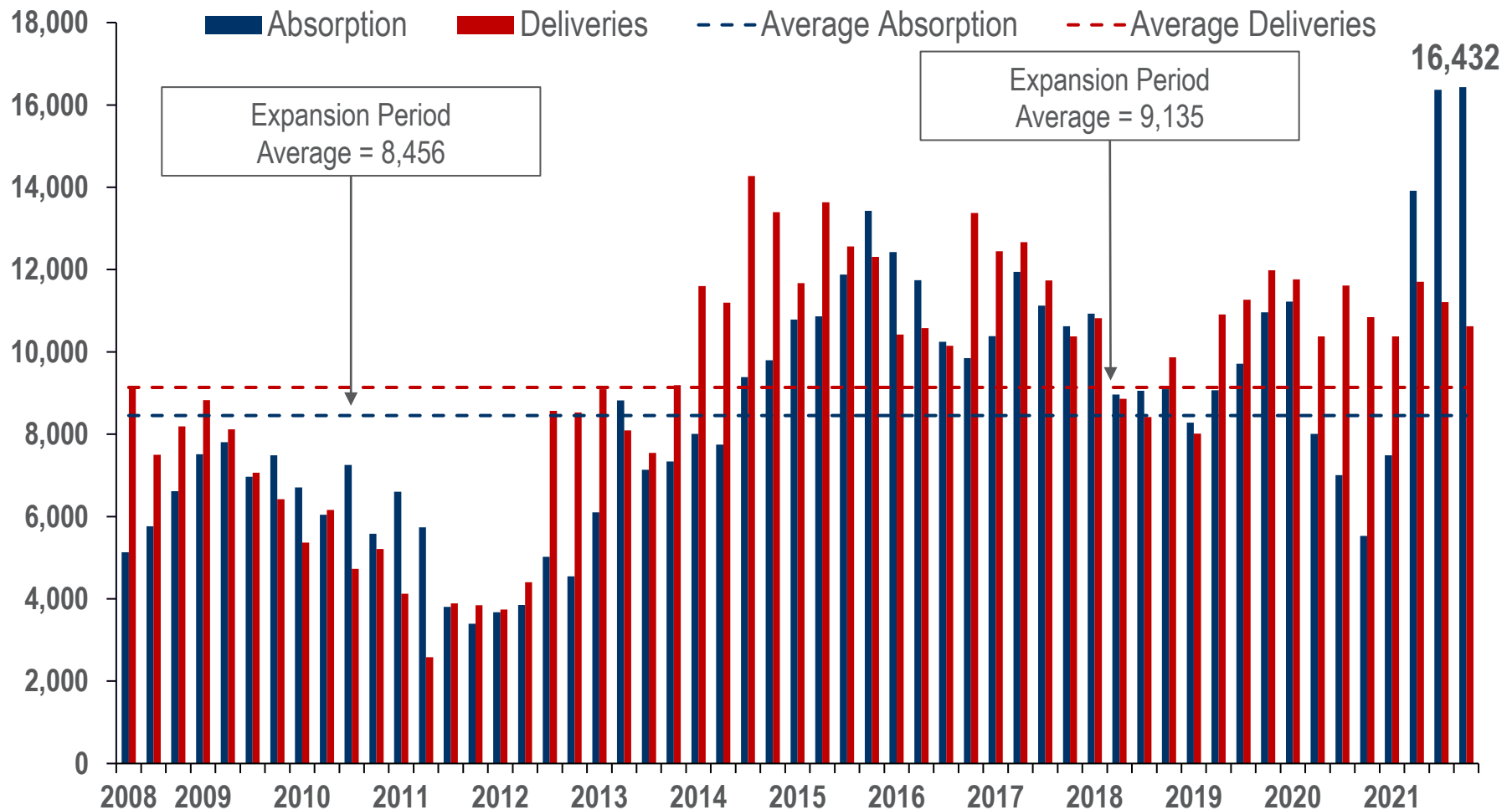
CLASS A APARTMENT RENT RECOVERY

Washington Metro Area Mid/High-Rise Submarkets | Q4 2021 Rent as a % of March 2020 Rent



ANNUAL NET ABSORPTION AND DELIVERIES

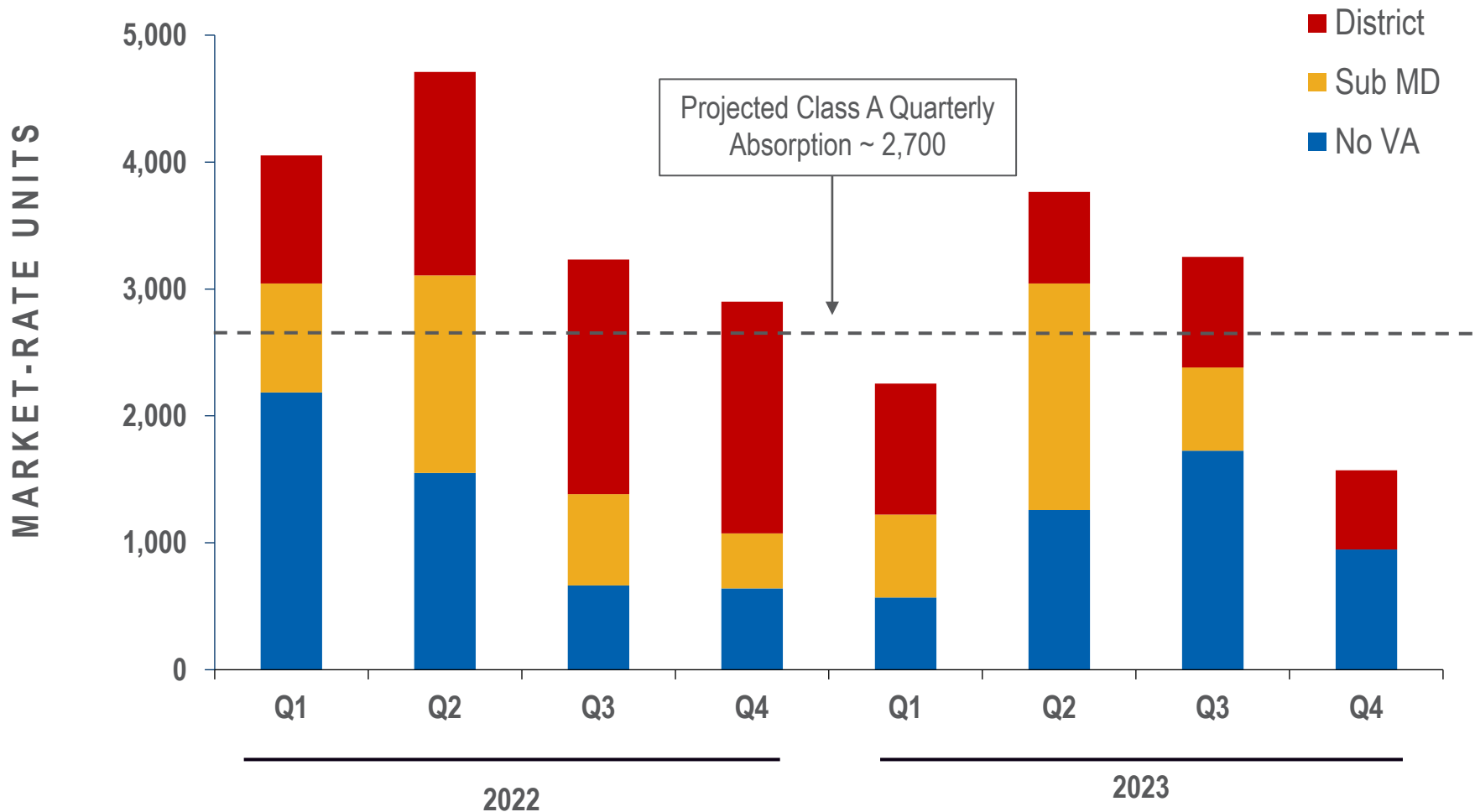
Class A Apartments | Washington Metro



Source: Delta Associates, January 2022.

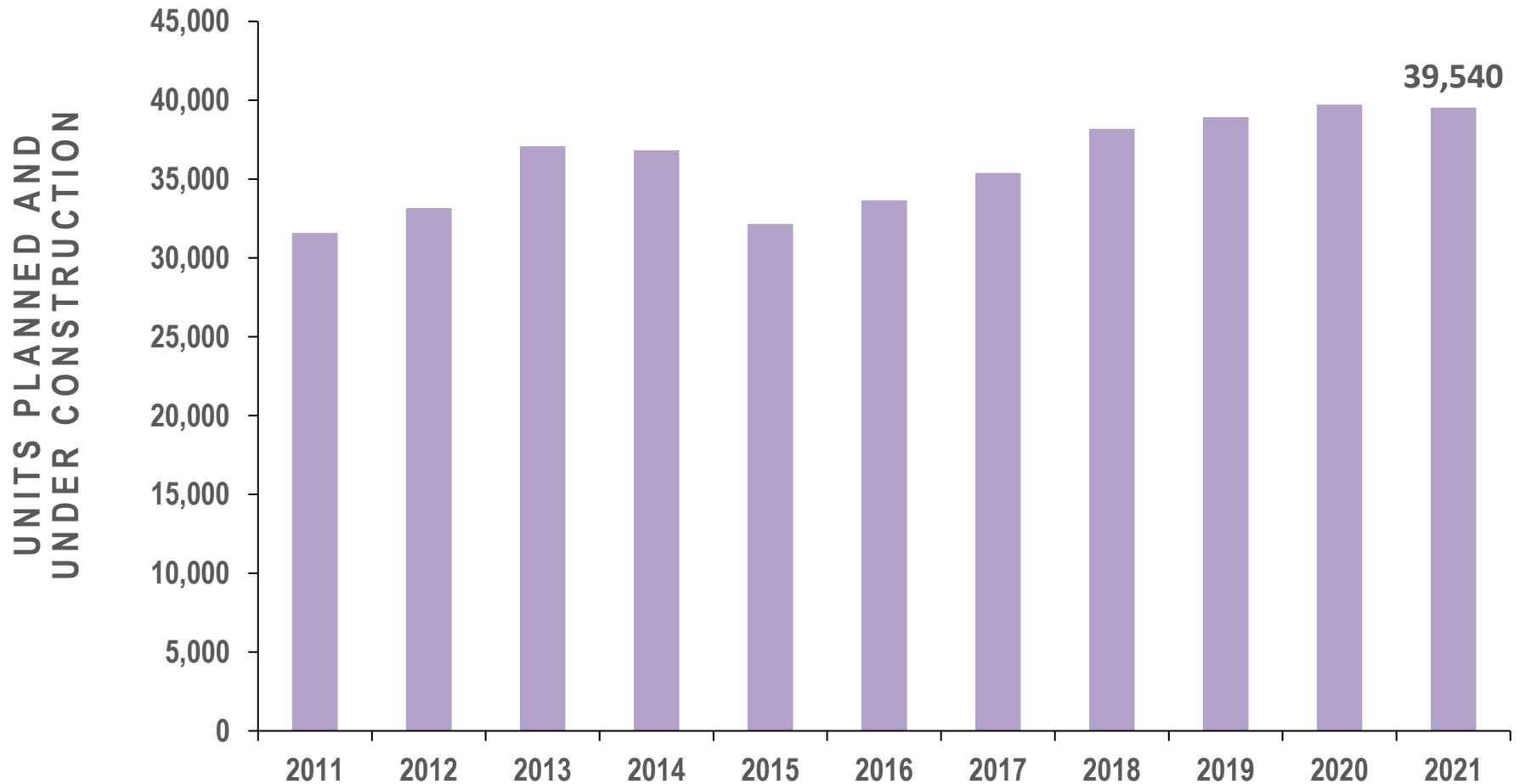
PROJECTED DELIVERIES

Washington Metro | 2022 – 2023



MARKET-RATE APARTMENT DEVELOPMENT PIPELINE

Washington Metro | 2011 – 2021

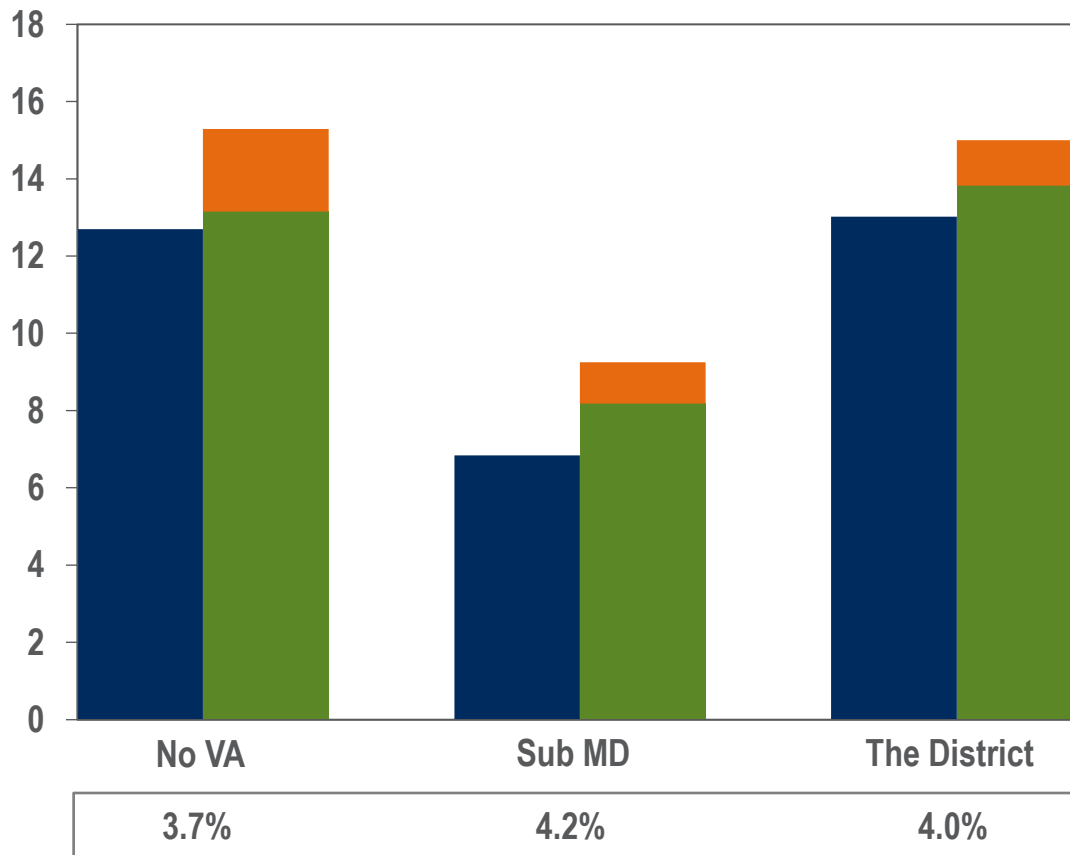


Source: Delta Associates, January 2022.

DEMAND AND SUPPLY PROJECTIONS

Washington Metro Class A Apartment Market
December 2021 – December 2024

MARKET-RATE UNITS (IN THOUSANDS)



Projected Stabilized Vacancy % at December 2024

Projected Metro Average = 3.9%

DEMAND

Net Absorption:
10,850/Year = 32,550

SUPPLY ¹

Planned and may deliver by 12/24:
4,380 units

Under construction supply:
35,160 units ²

Total = 39,540 units

¹ Probable supply after projected attrition.

² Includes unleased units at projects in lease-up.

DELTA ASSOCIATES' WASHINGTON METRO CRE MARKET OVERVIEW

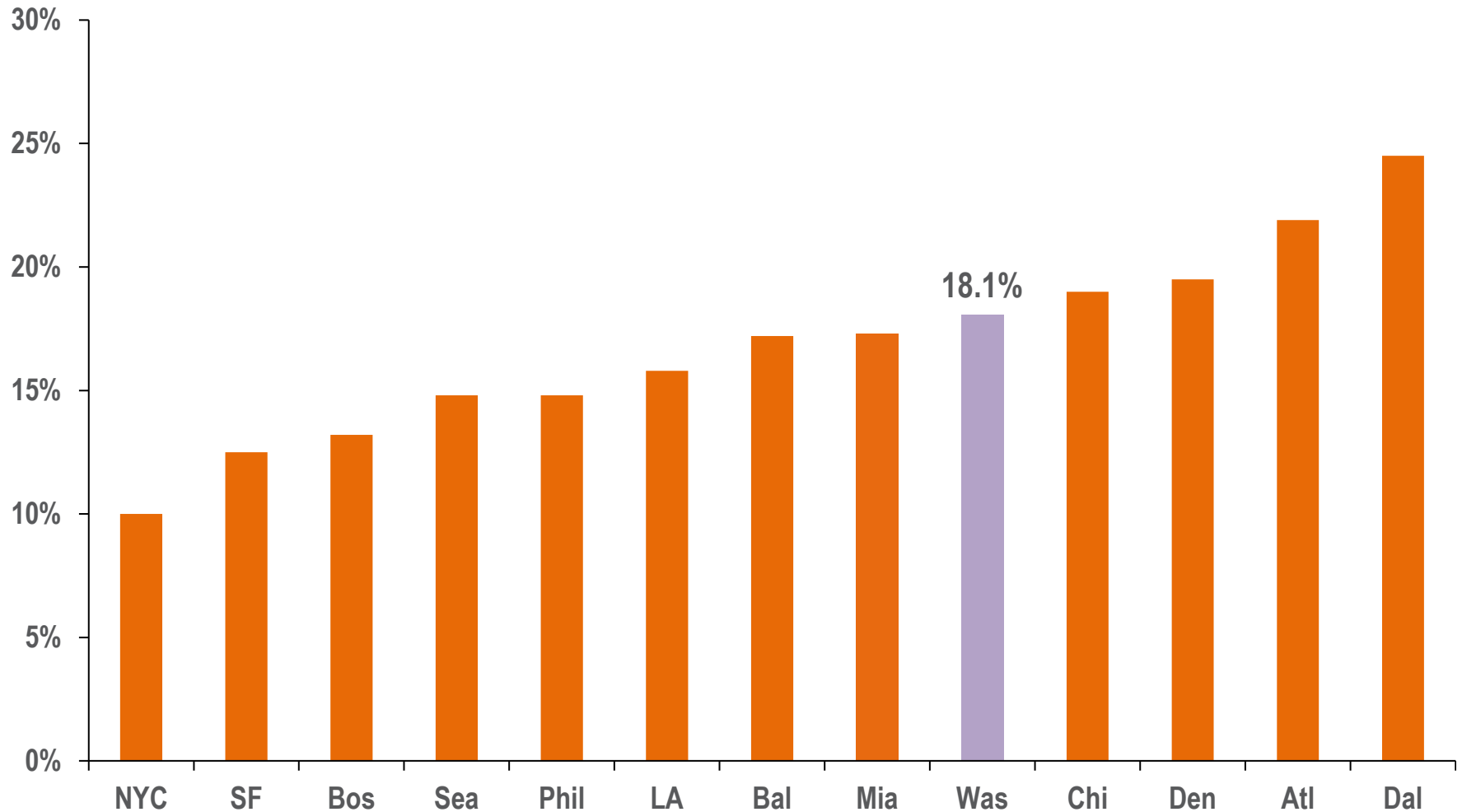
WASHINGTON OFFICE MARKET



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OVERALL DIRECT OFFICE VACANCY RATES

Selected Markets | Q4 2021

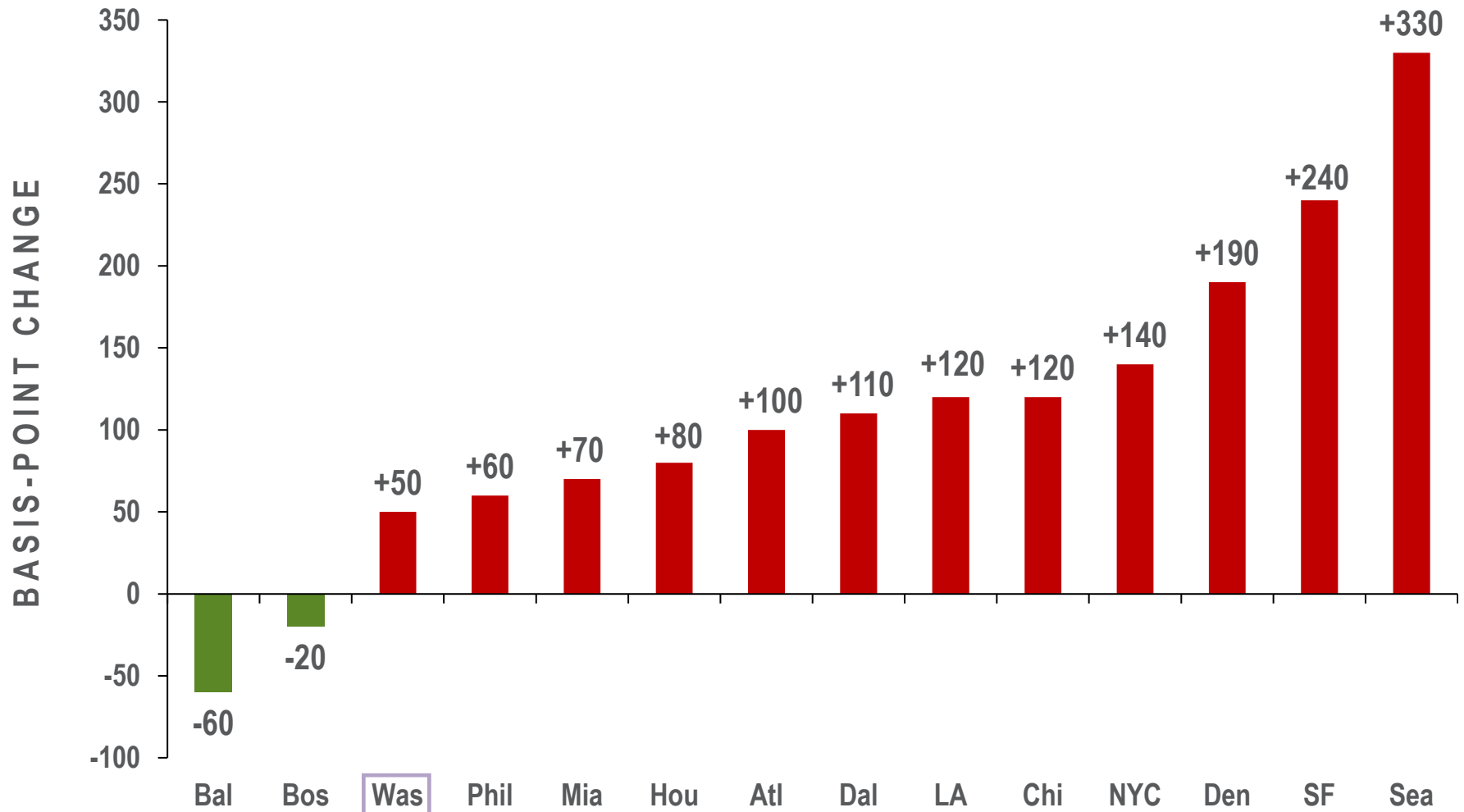


Note: Vacancy rates are for multi-tenant buildings.

Source: Reis, Delta Associates; January 2022.

CHANGE IN OVERALL DIRECT OFFICE VACANCY RATES

Selected Markets | Q4 2020 – Q4 2021

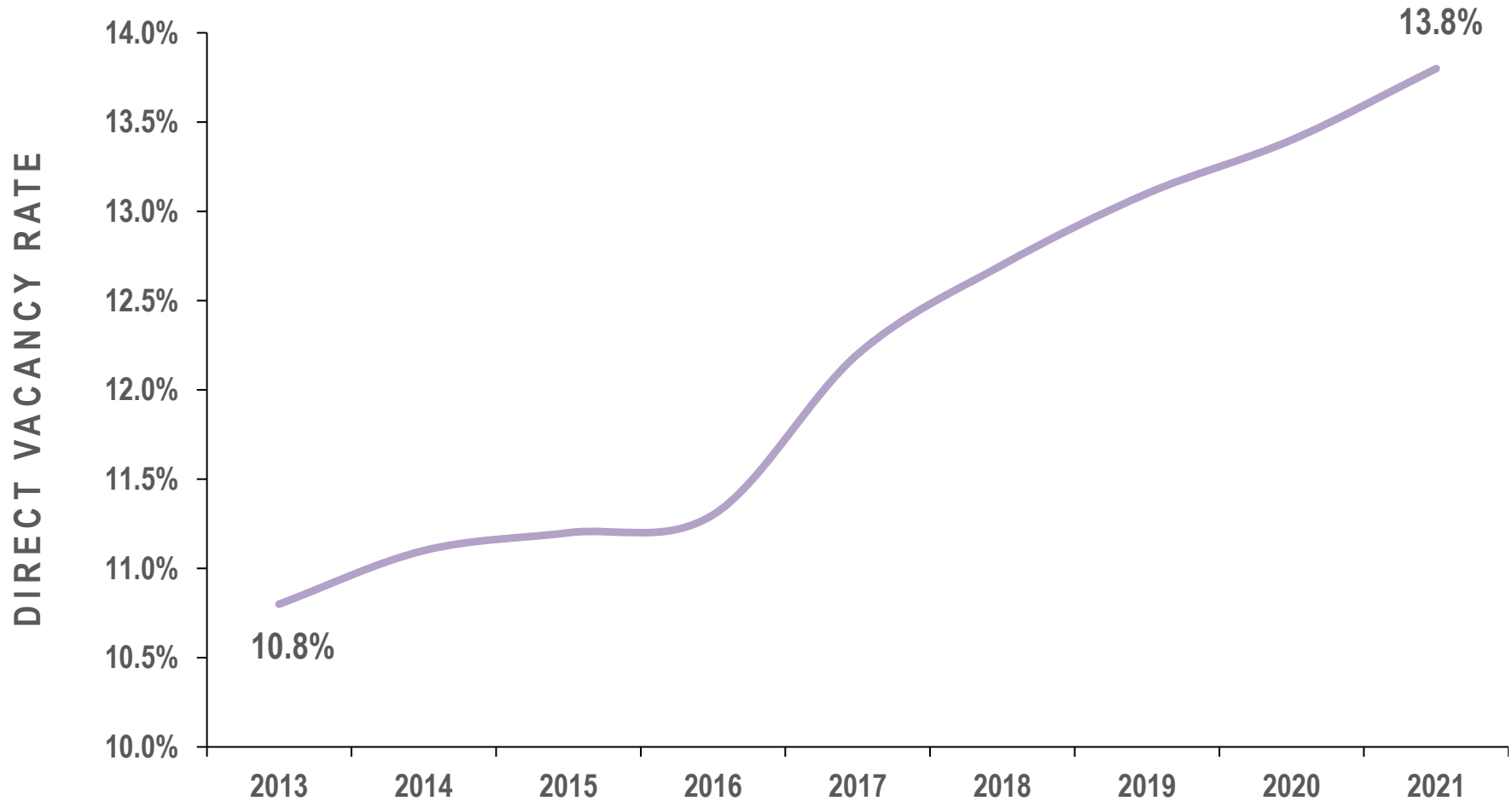


Note: Vacancy rates are for multi-tenant buildings.

Source: Reis, Delta Associates; January 2022.

OFFICE VACANCY RATE

Washington Metro Area | 2013 – 2021

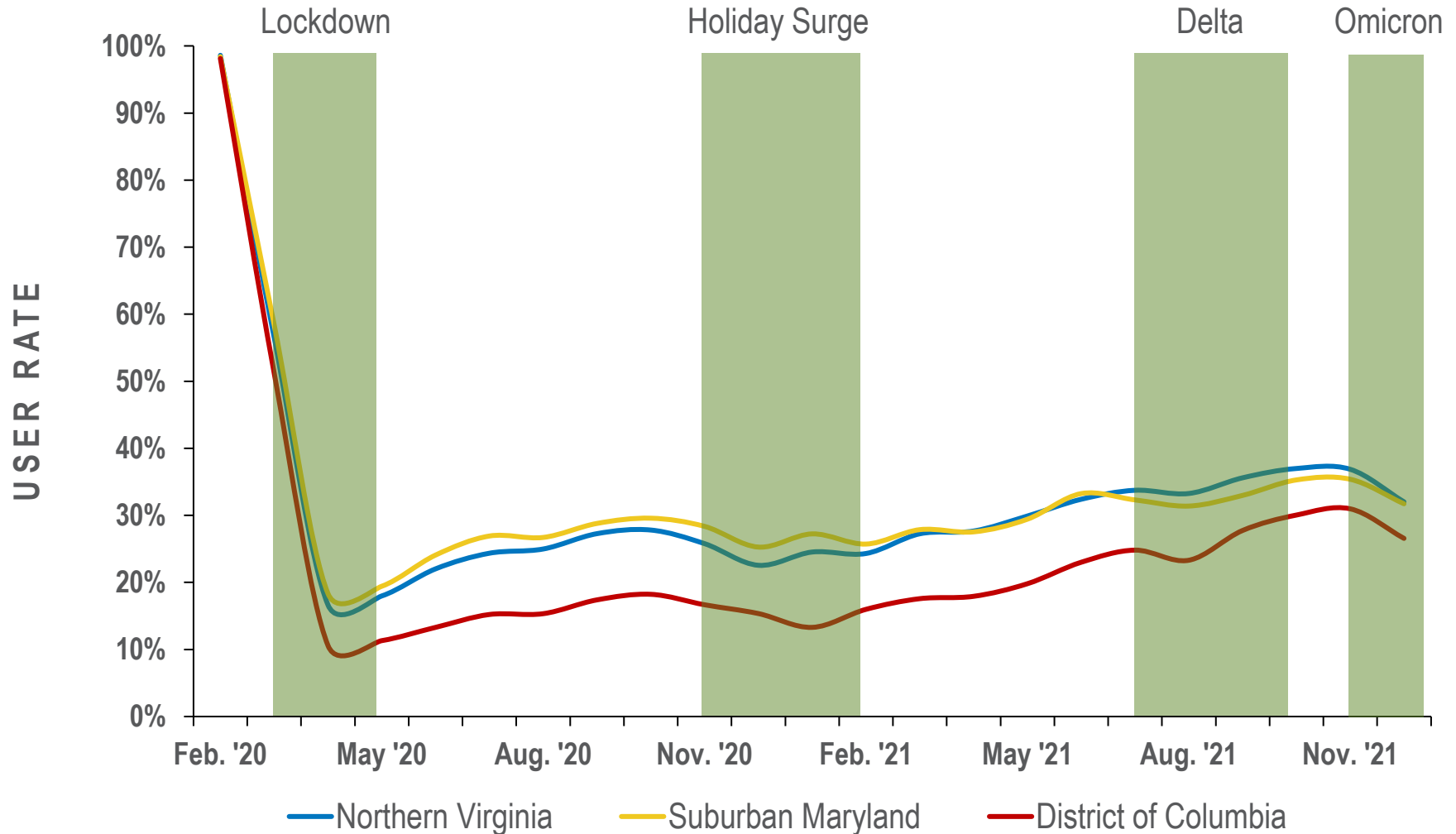


Note: Vacancy rate include single-tenant/owner-occupied and multi-tenant buildings.

Source: Delta Associates; January 2022.

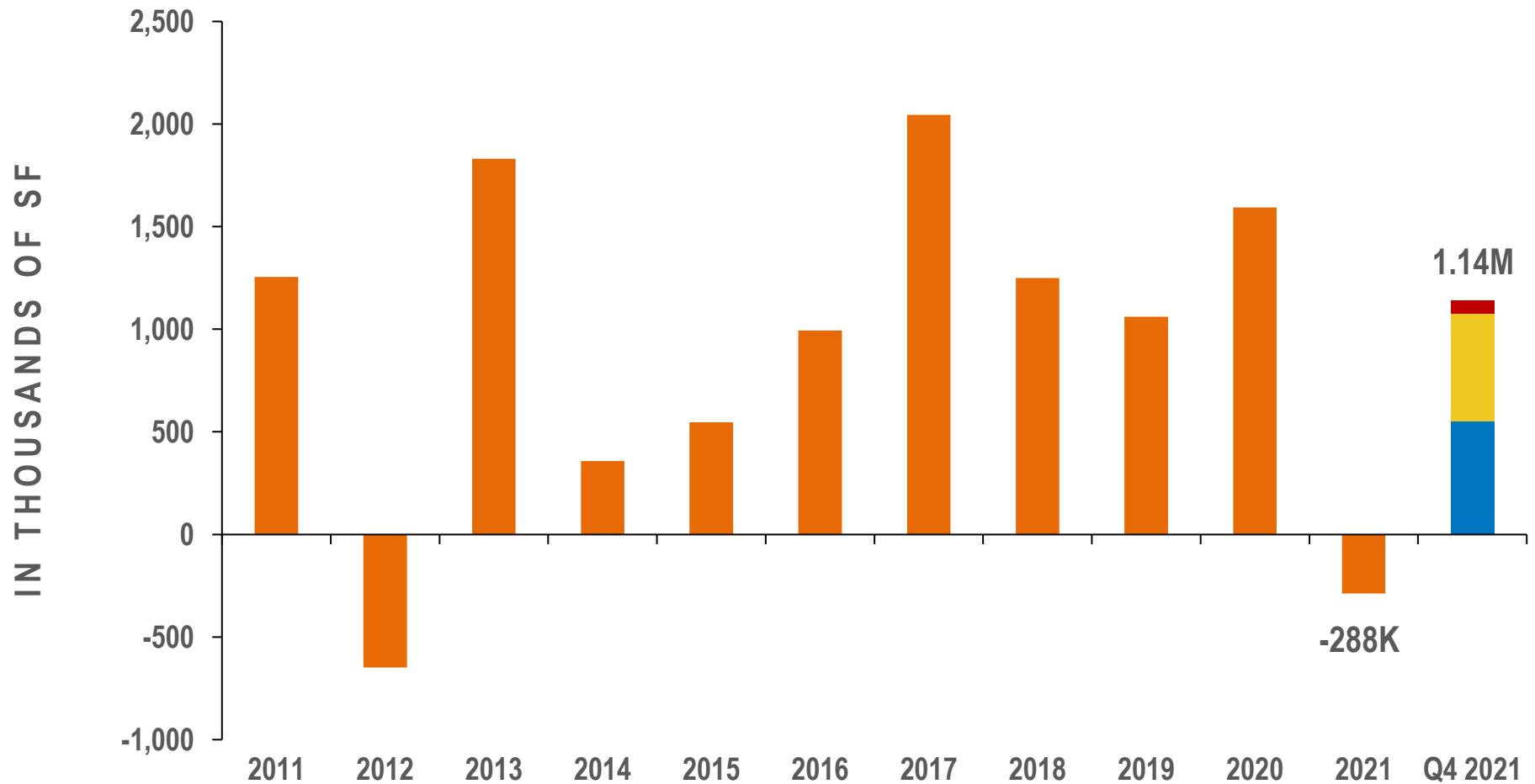
KASTLE CARDHOLDER ACTIVITY TREND

Washington Metro Area | 2020 – 2021



OFFICE NET ABSORPTION

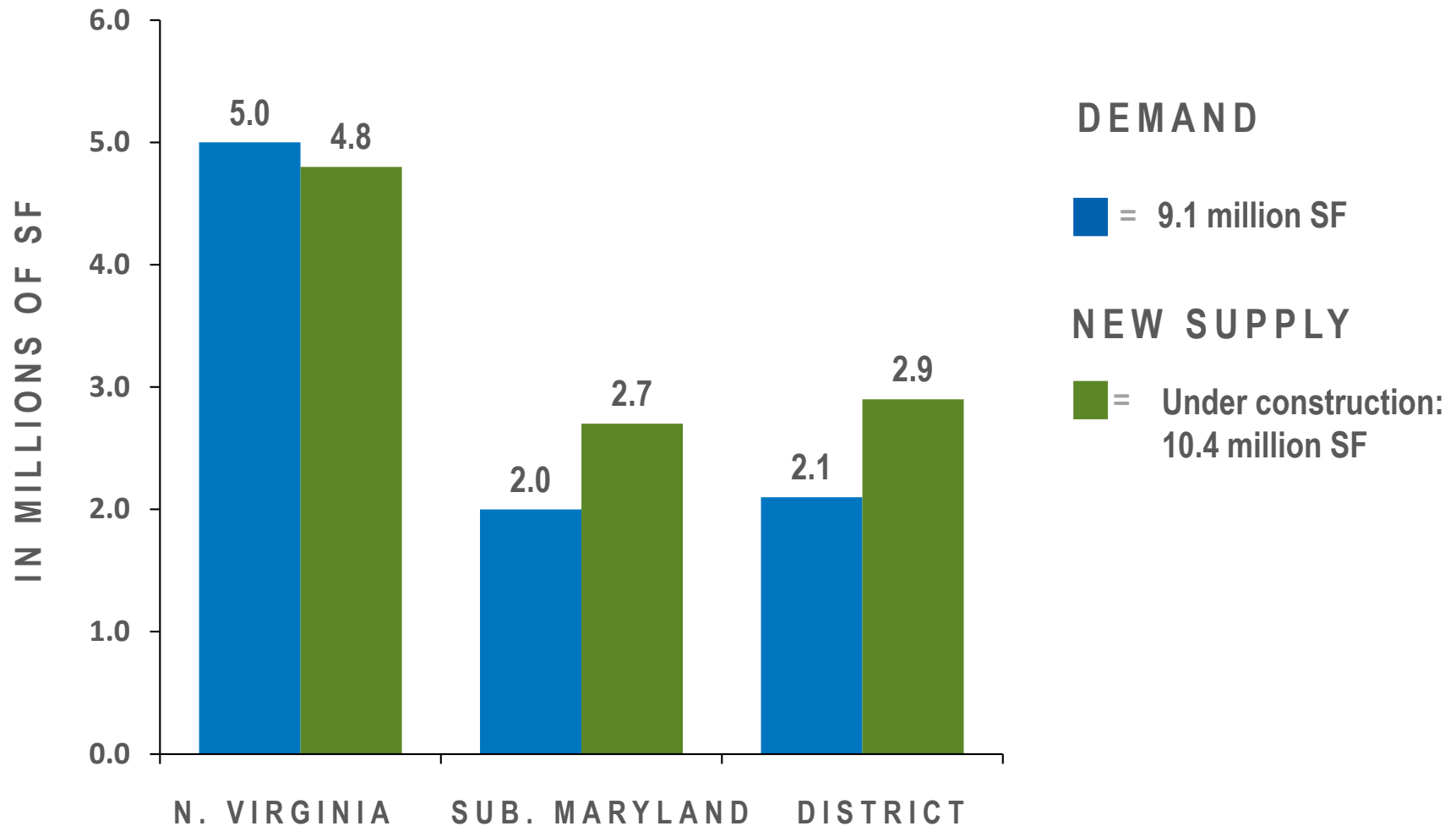
Washington Metro Area



Source: Delta Associates; January 2022.

OFFICE DEMAND AND DELIVERIES

Washington Metro Area | 24 Months Ending December 2024



*Note: Demand includes underlying demand for office space from new job growth, variable demand driven by market conditions, and pre-leases for space under construction.
Source: Delta Associates; January 2022.*

DELTA ASSOCIATES' WASHINGTON METRO CRE MARKET OVERVIEW

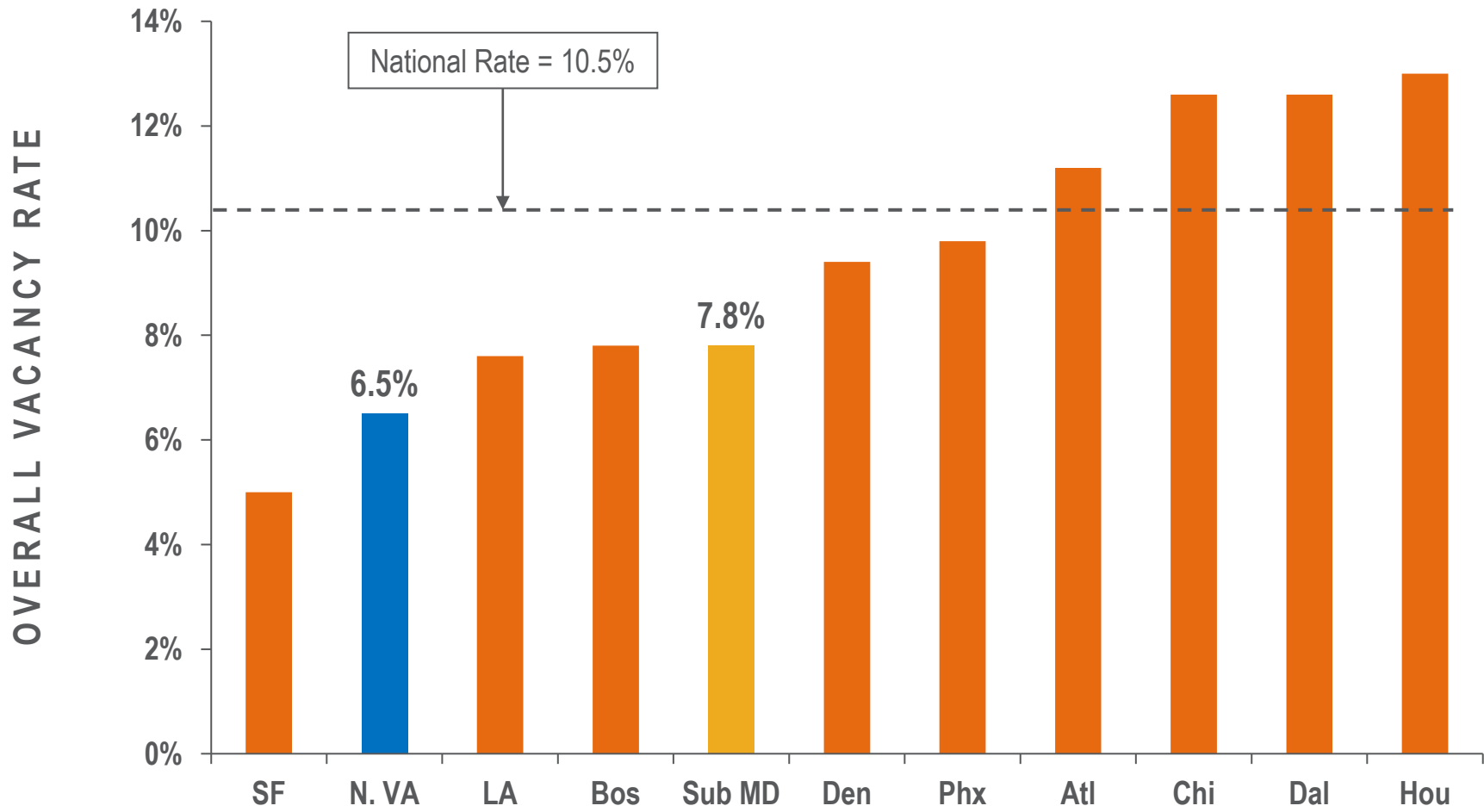
WASHINGTON RETAIL MARKET



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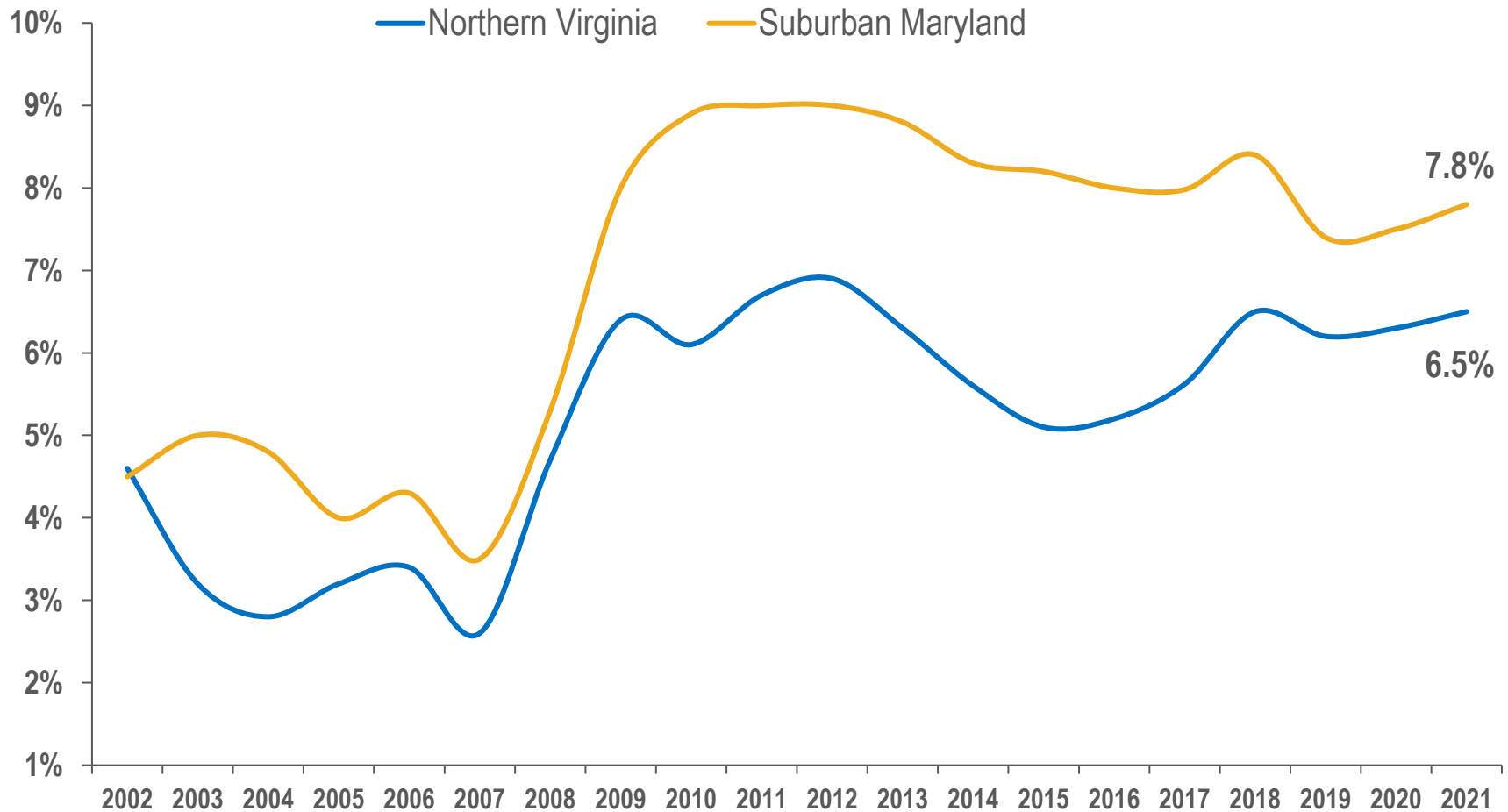
NEIGHBORHOOD/COMMUNITY CENTER VACANCY

Selected Metro Areas | Third Quarter 2021



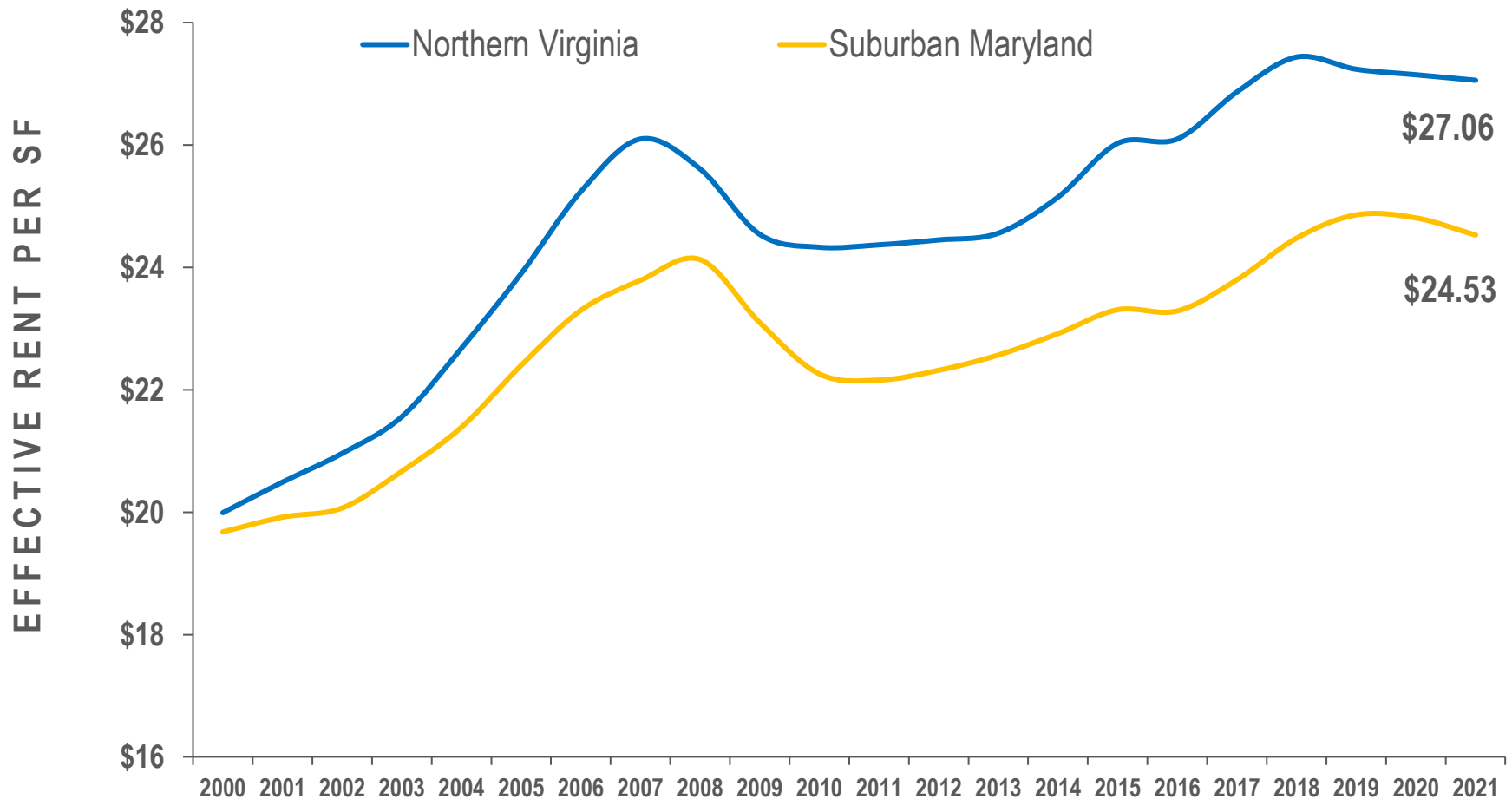
SHOPPING CENTER VACANCY RATE

Washington Metro Area Suburbs | Neighborhood/Community Centers



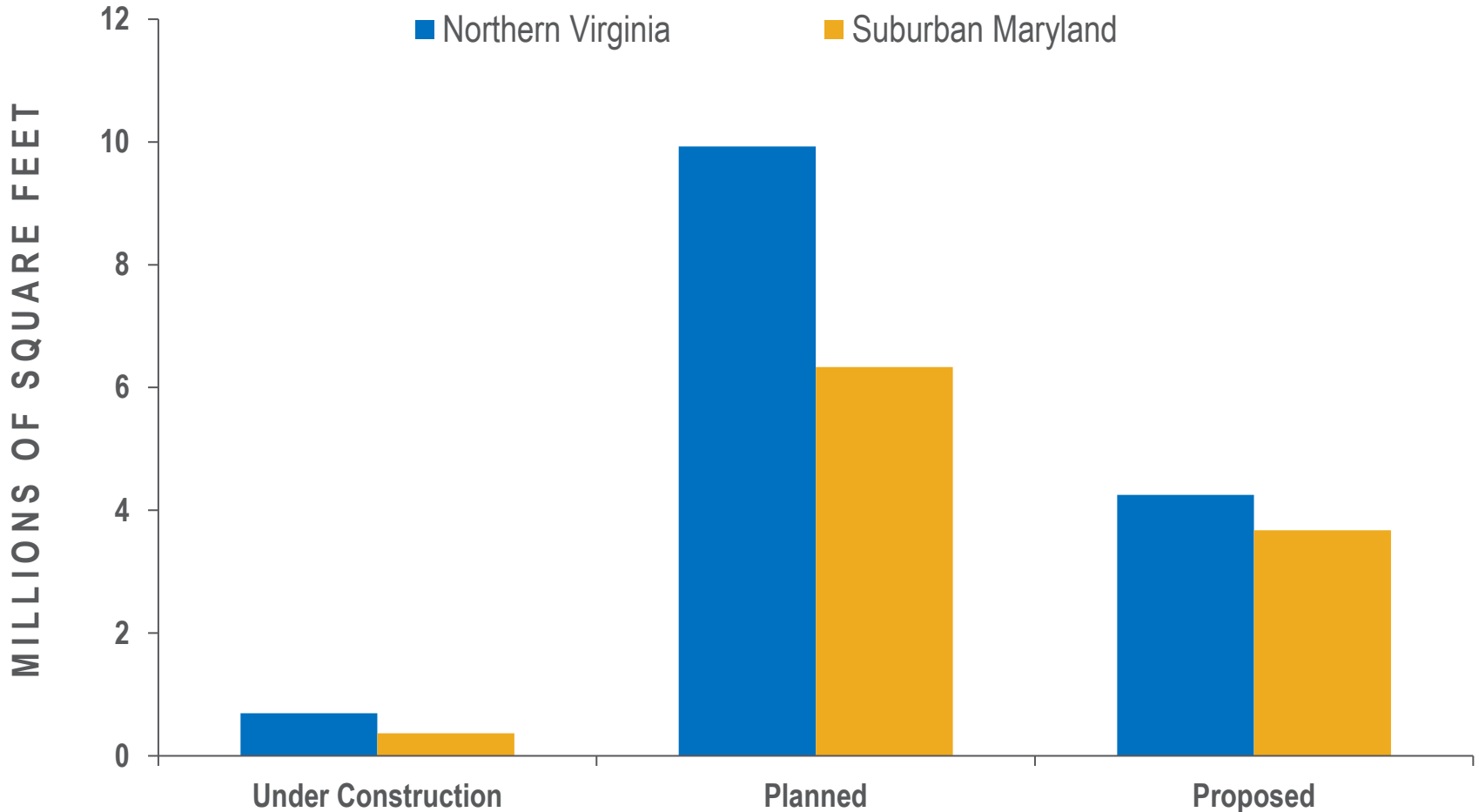
EFFECTIVE RENTS

Washington Metro Area Suburbs | Neighborhood/Community Centers



RETAIL PIPELINE

Washington Metro Area Suburbs | All Shopping Center Types | Third Quarter 2021



DELTA ASSOCIATES' WASHINGTON METRO CRE MARKET OVERVIEW

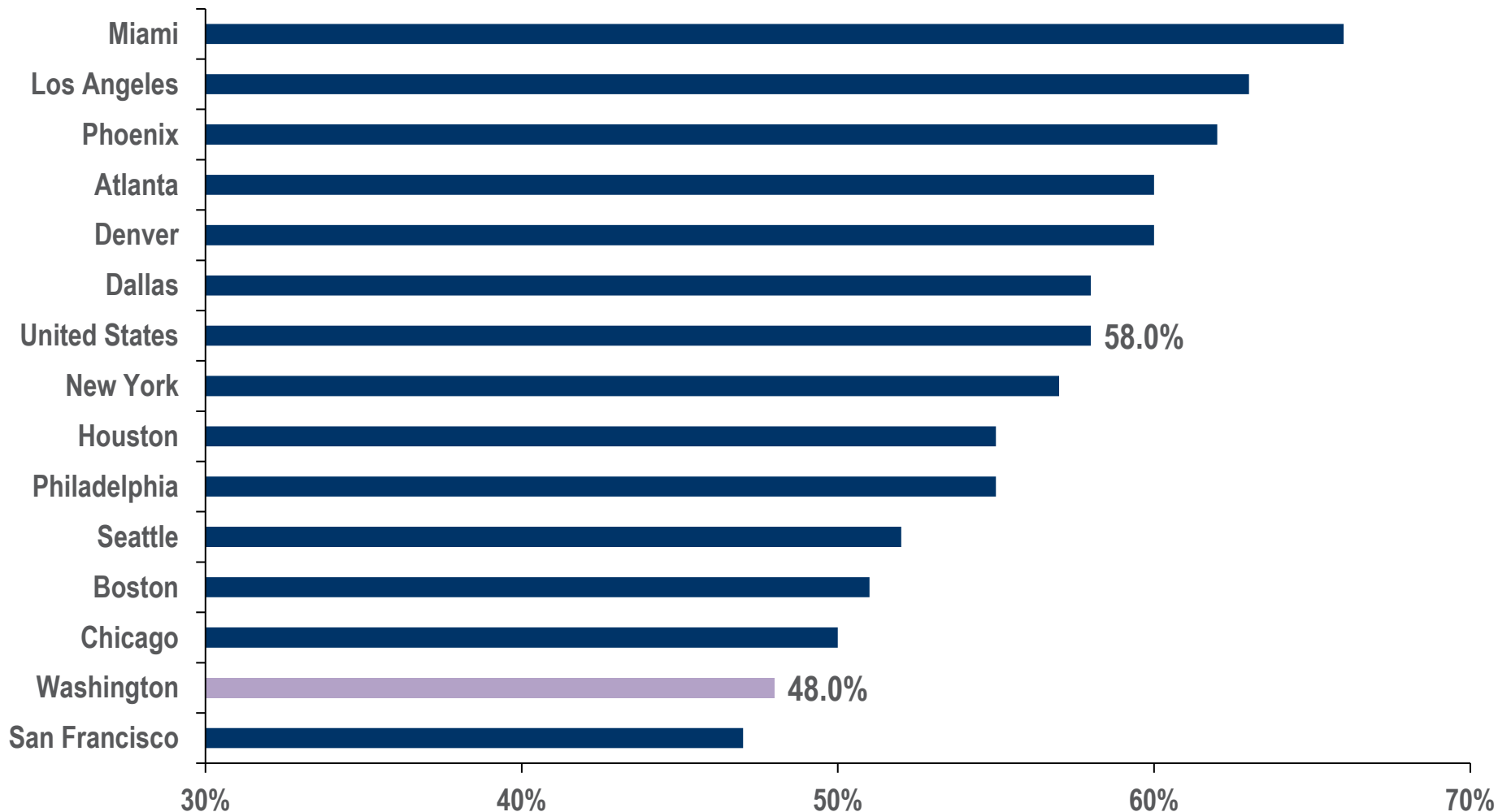
WASHINGTON HOTEL MARKET



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HOTEL OCCUPANCY RATE

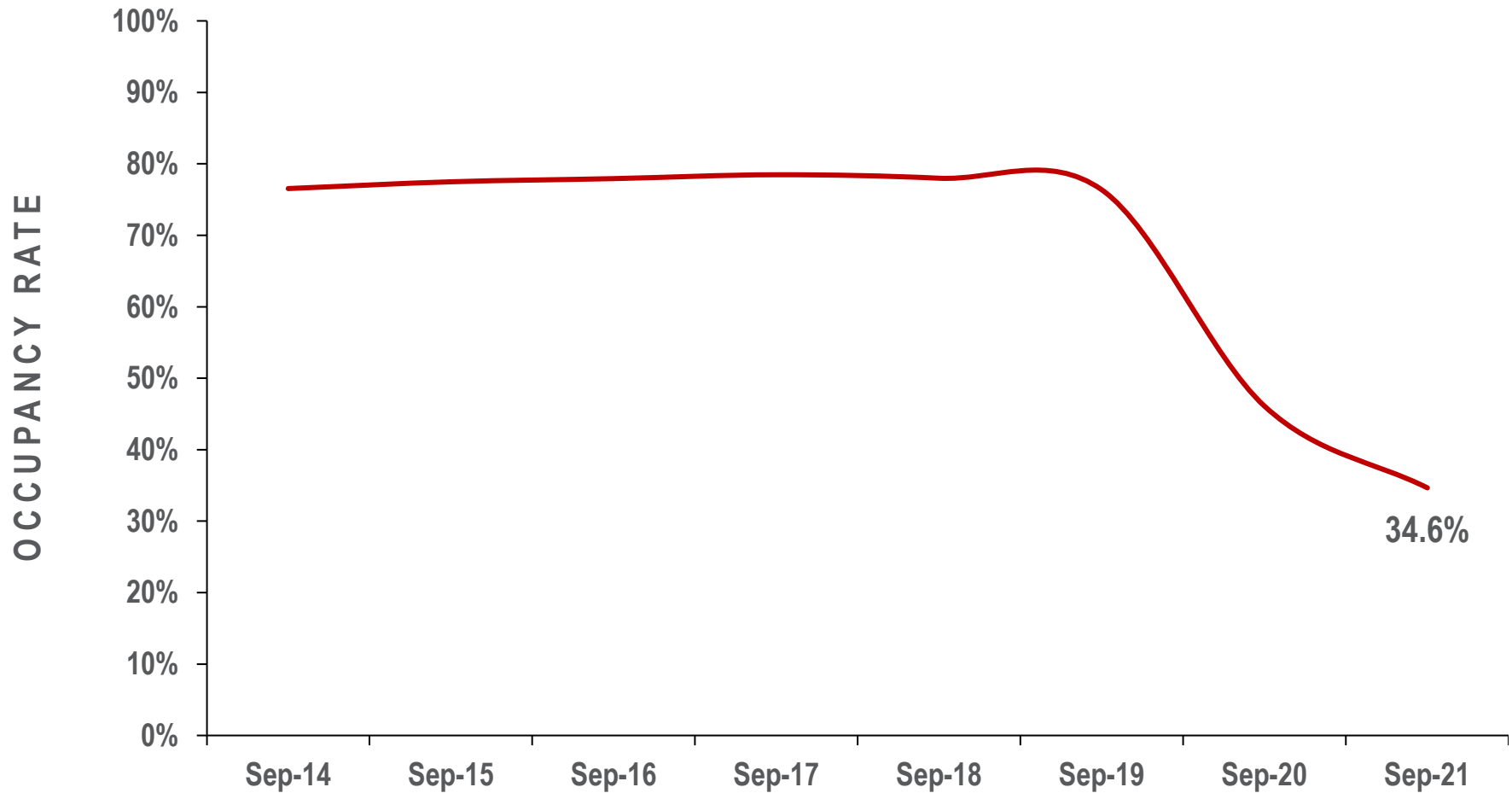
Selected Markets | YTD October 2021



Source: STR, Delta Associates; January 2022.

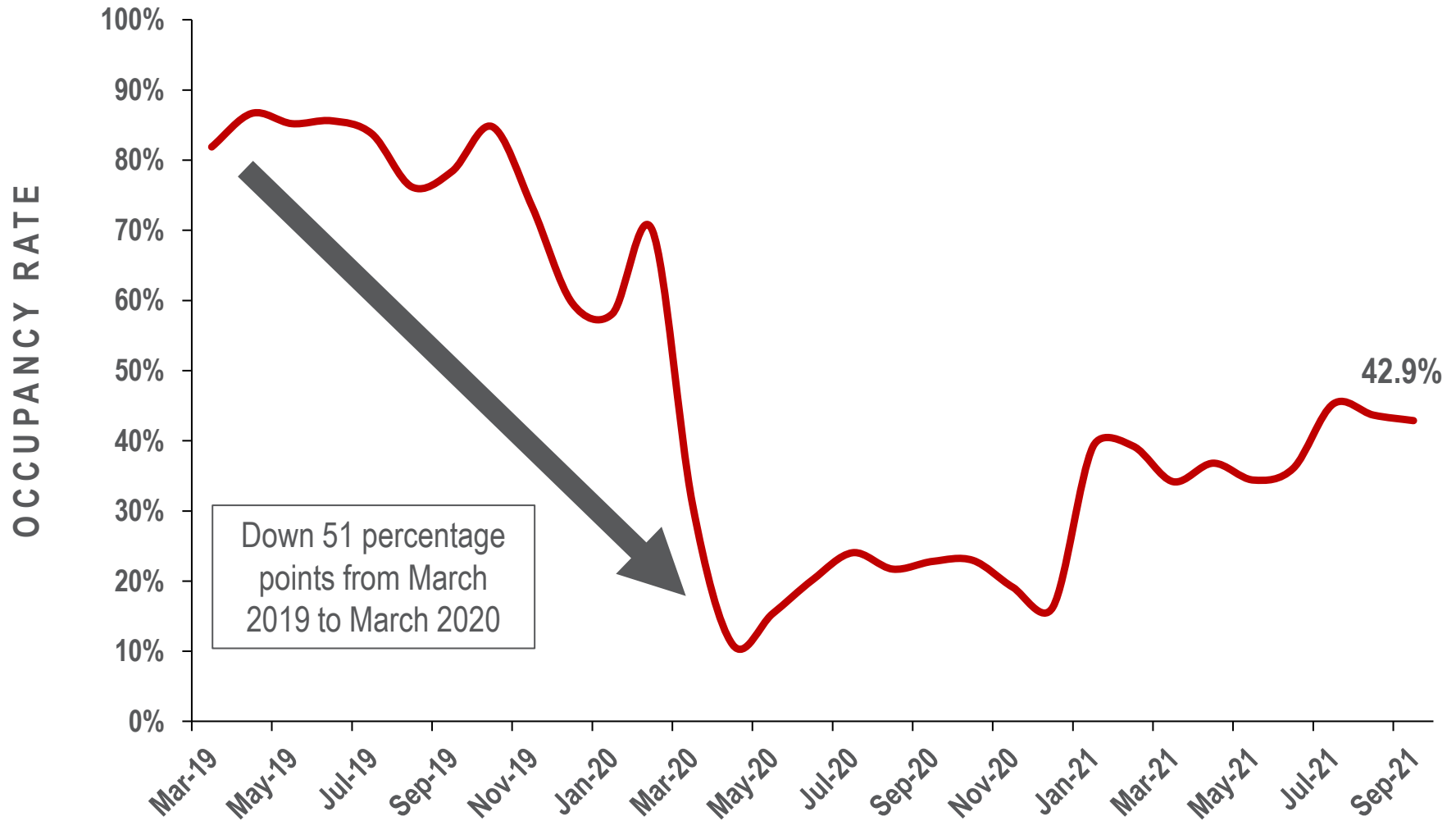
HOTEL OCCUPANCY RATE

District of Columbia | 12 Months Ending September 2014 – 2021



HOTEL OCCUPANCY RATE

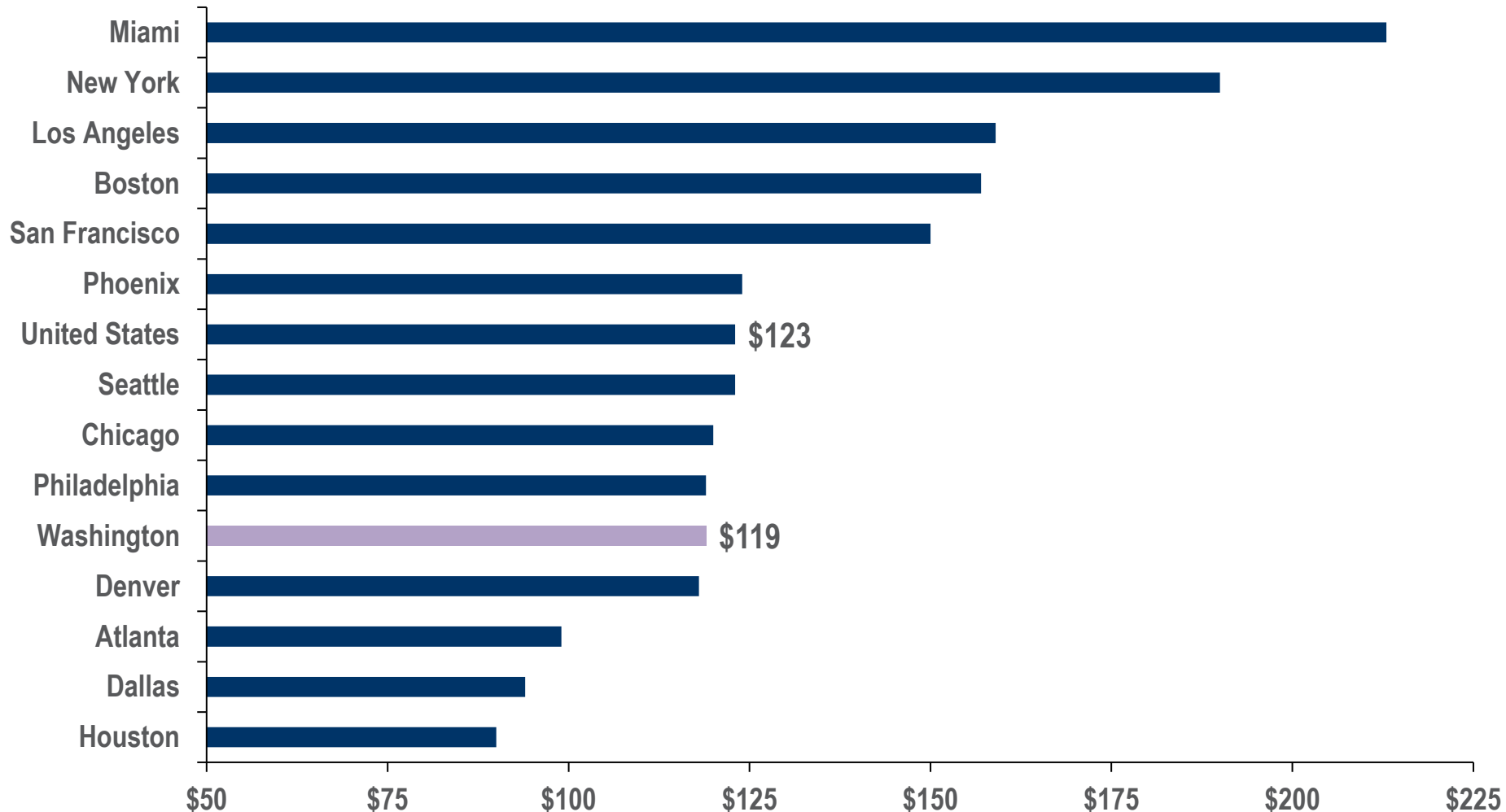
District of Columbia | March 2019 – September 2021



Source: STR, Delta Associates; January 2022.

HOTEL ADR

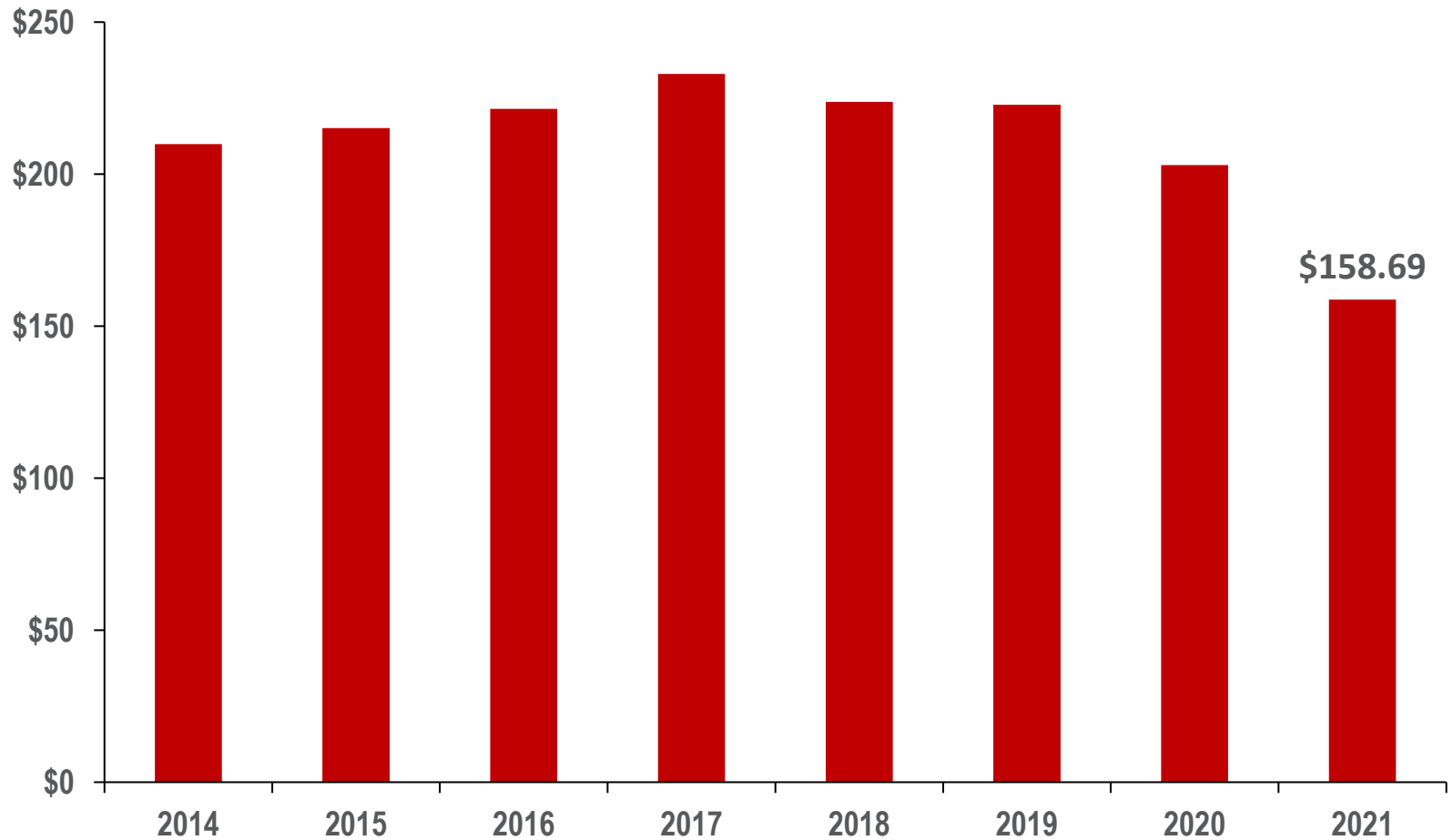
Selected Markets | YTD October 2021



Source: STR, Delta Associates; January 2022.

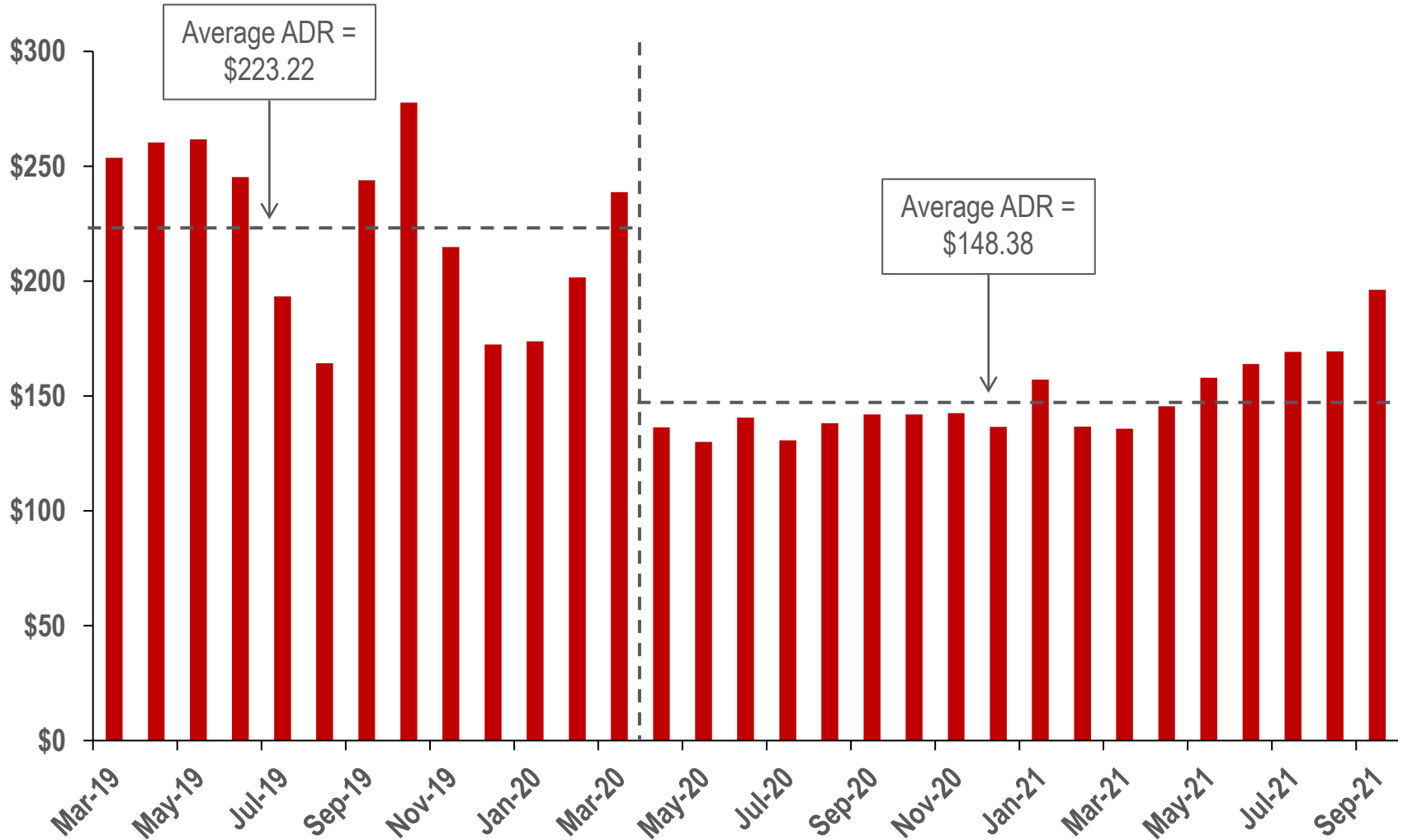
HOTEL ADR

District of Columbia | 12 Months Ending September 2014 – 2021



HOTEL ADR

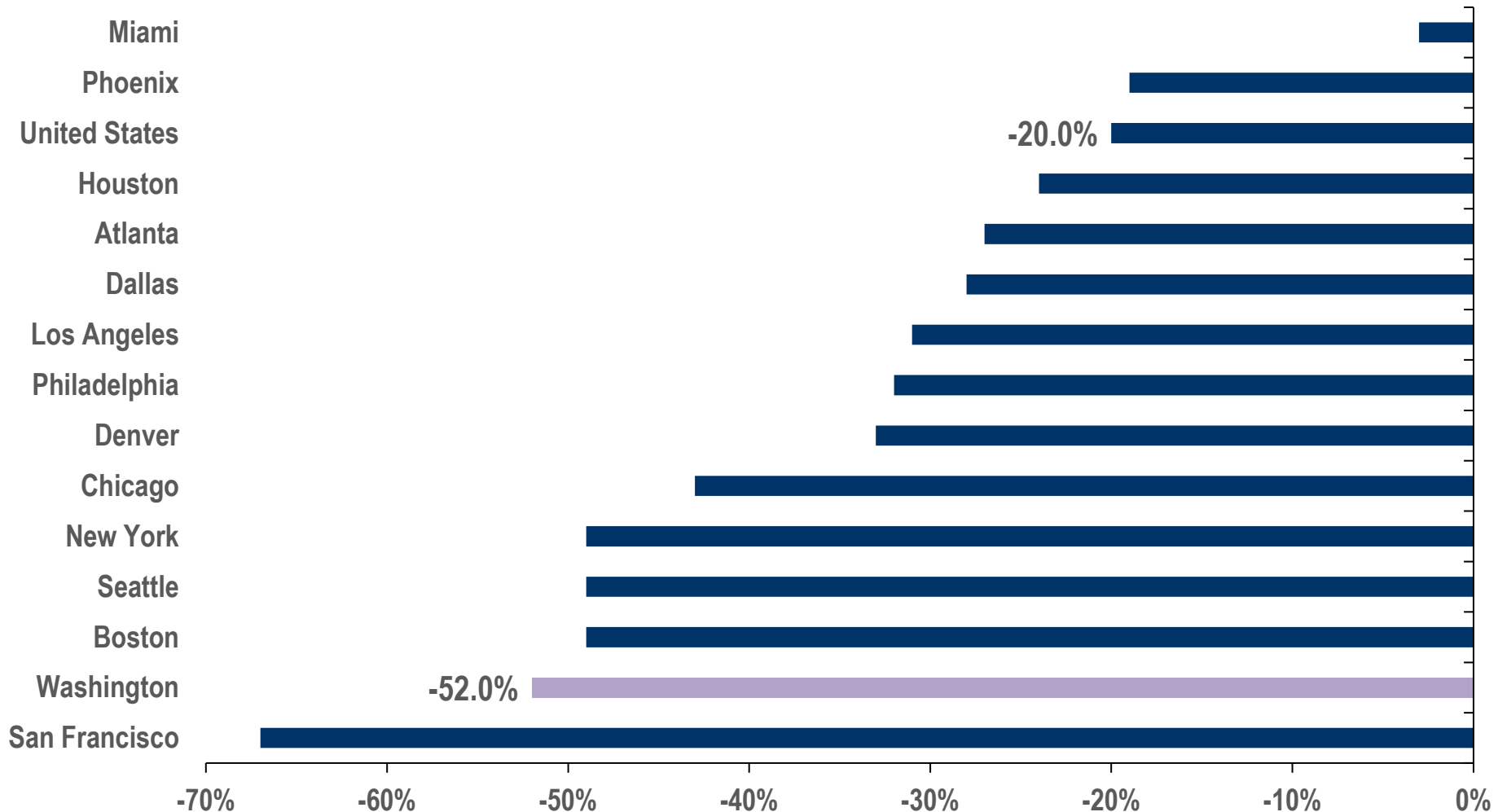
District of Columbia | March 2019 – September 2021



Source: STR, Delta Associates, January 2022.

HOTEL REVPAR PERCENT CHANGE

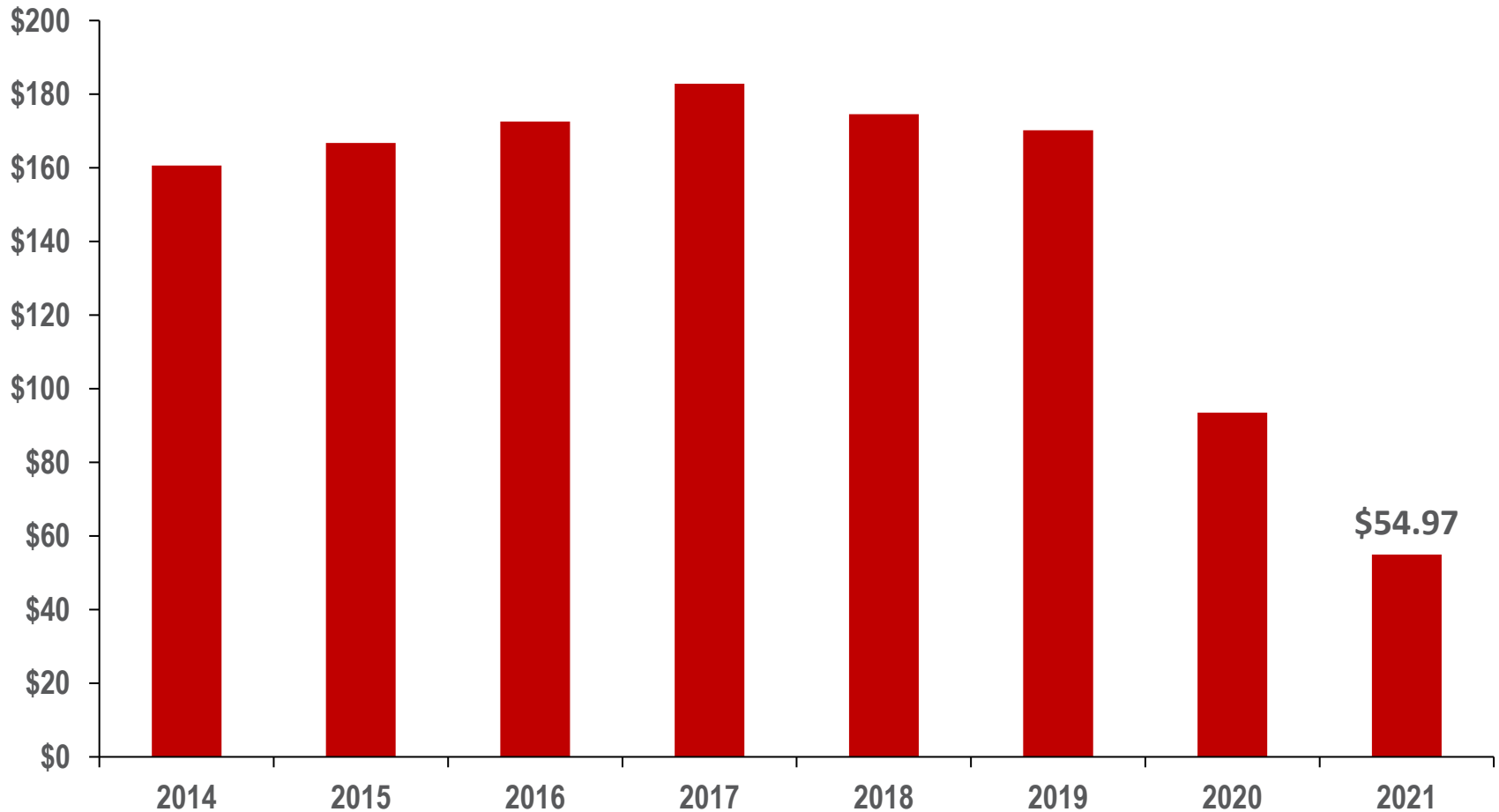
Selected Markets | From 2019 to YTD October 2021



Source: STR, Delta Associates; January 2022.

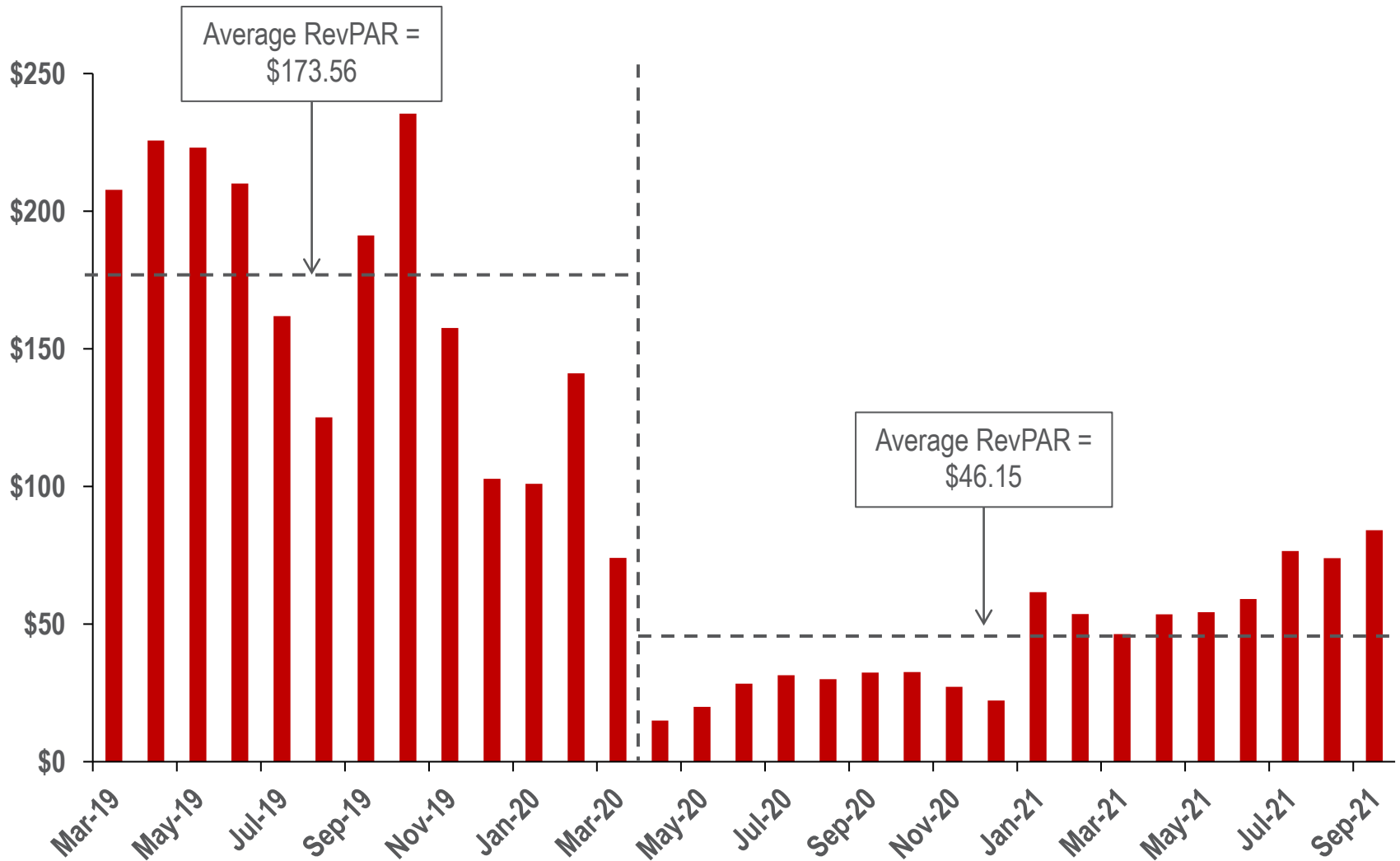
HOTEL REVPAR

District of Columbia | 12 Months Ending September 2014 – 2021



HOTEL REVPAR

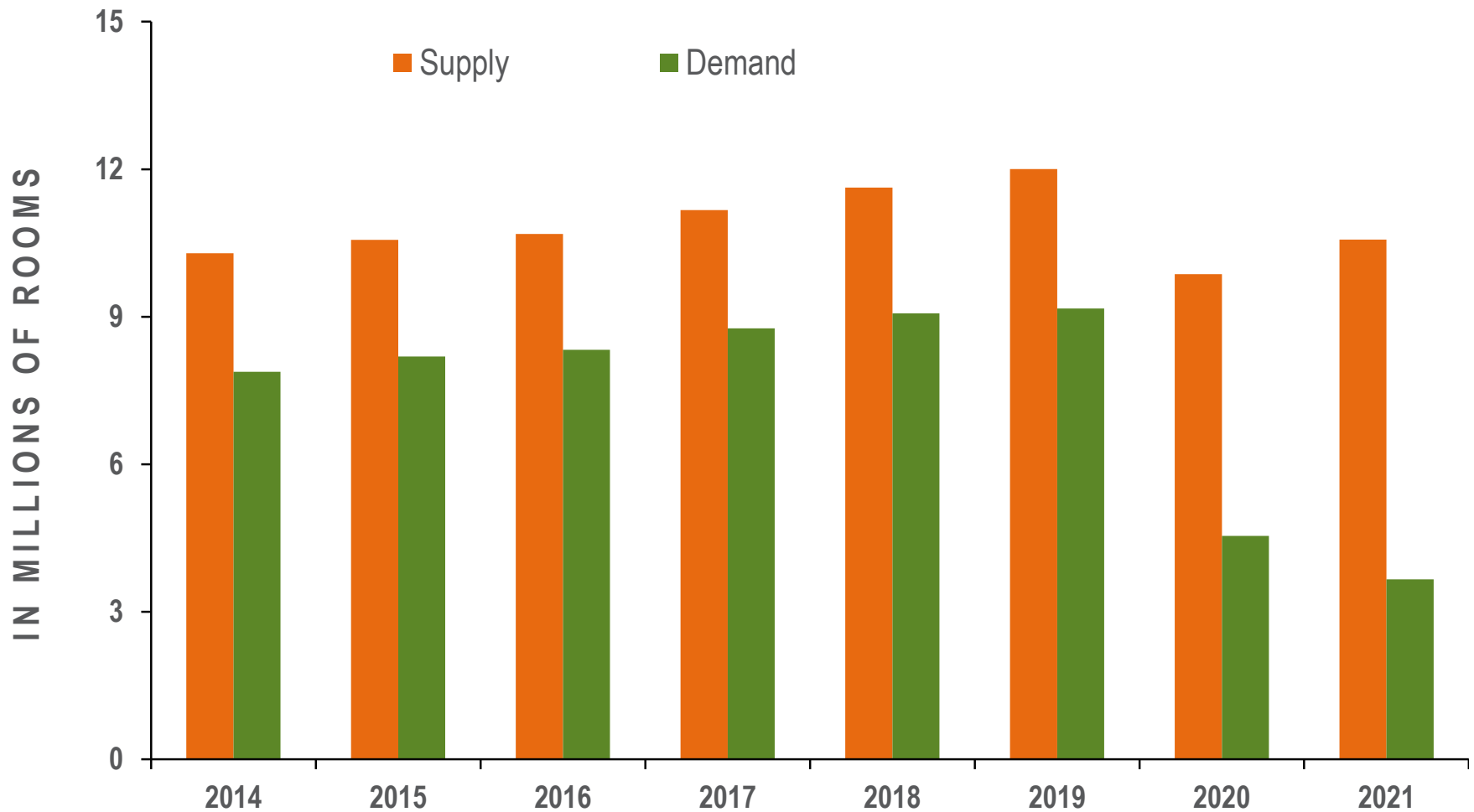
District of Columbia | March 2019 – September 2021



Source: STR, Delta Associates, January 2022.

HOTEL SUPPLY AND DEMAND

District of Columbia | 12 Months Ending September 2014 – 2021



DELTA ASSOCIATES' WASHINGTON METRO CRE MARKET OVERVIEW

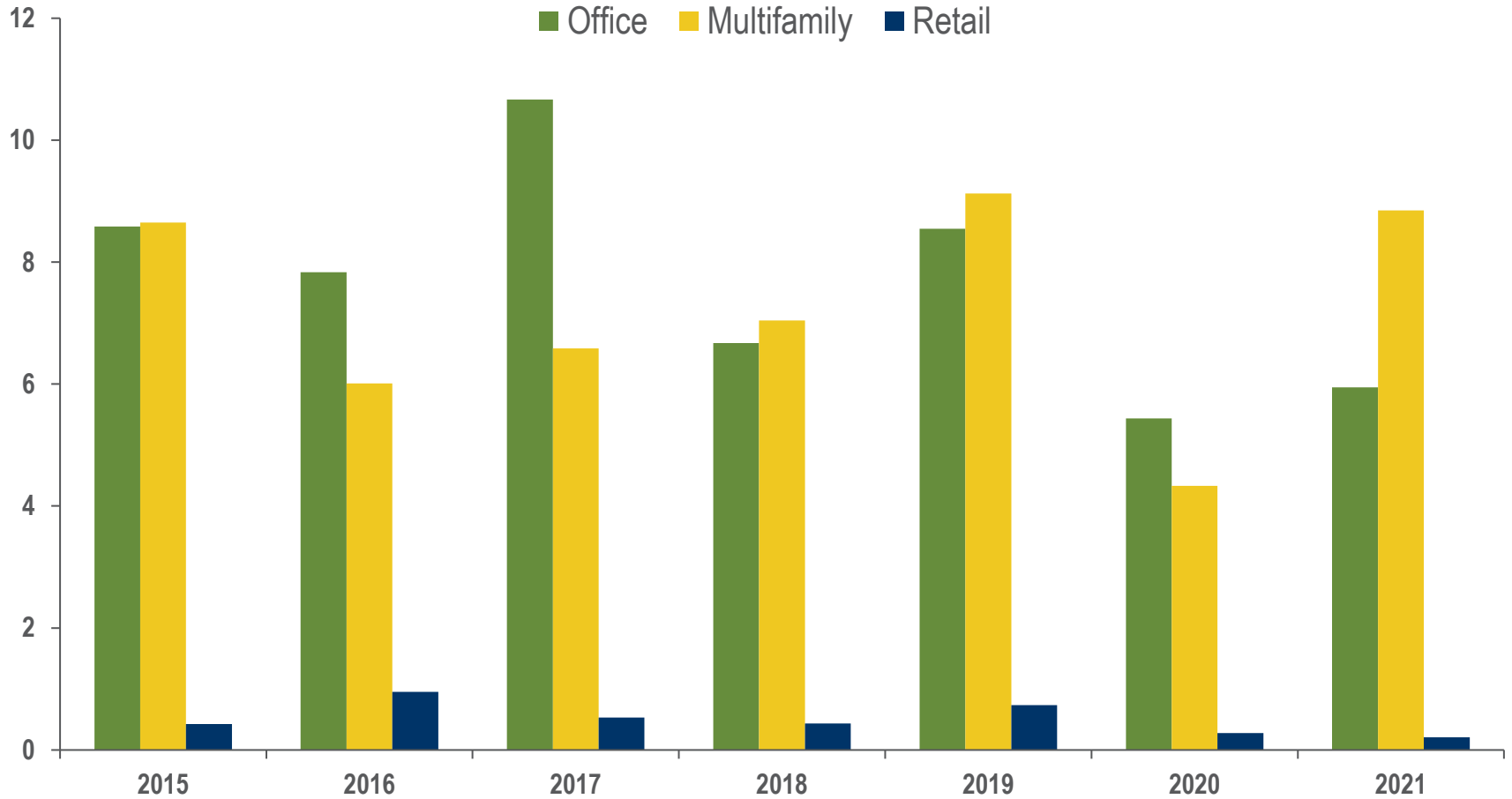
WASHINGTON CAPITAL MARKETS



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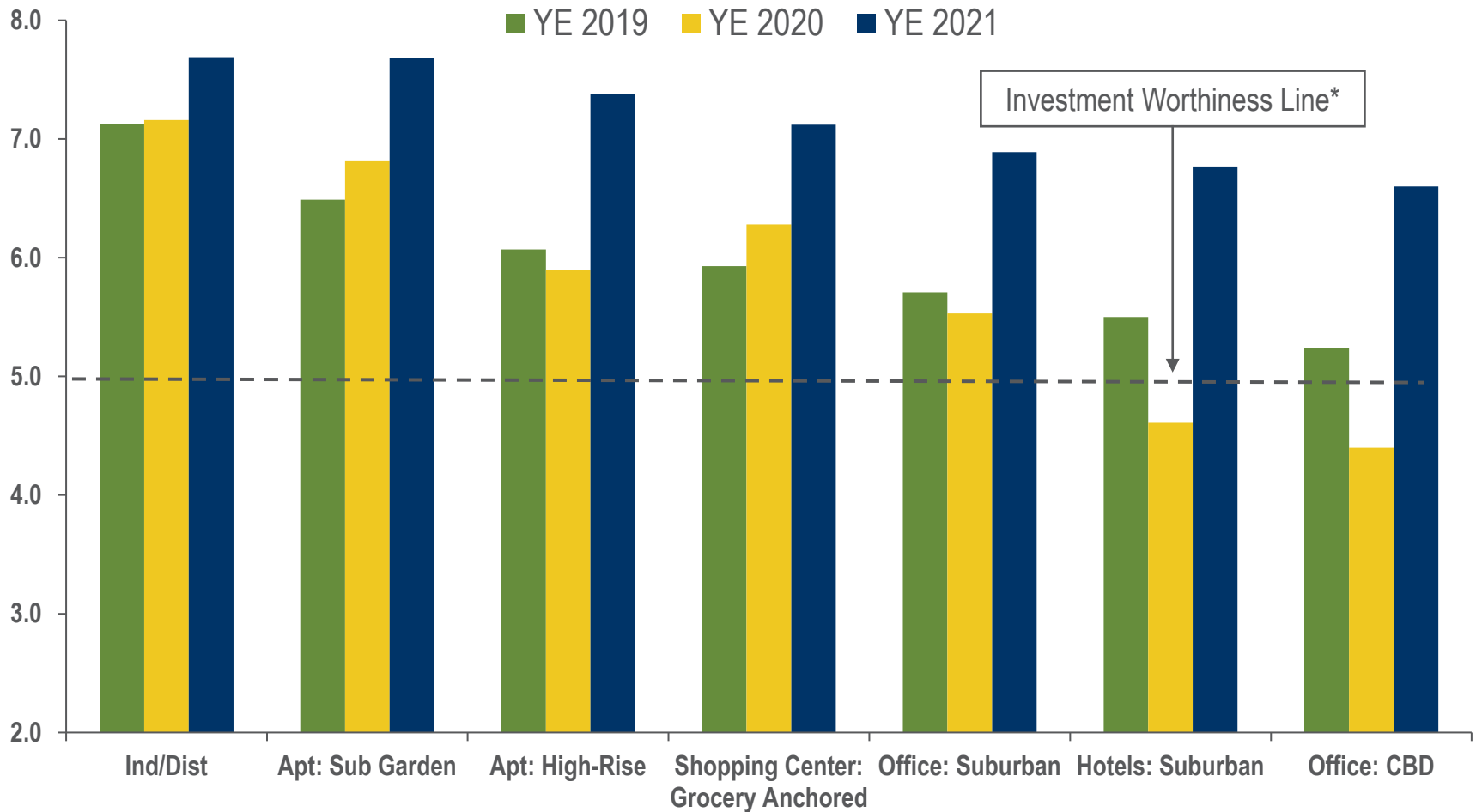
INVESTMENT SALES ACTIVITY

Washington Metro Area | 2015 – 2021



INVESTMENT WORTHINESS INDEX

Washington Metro Area | Year-End 2019 – Year-End 2021

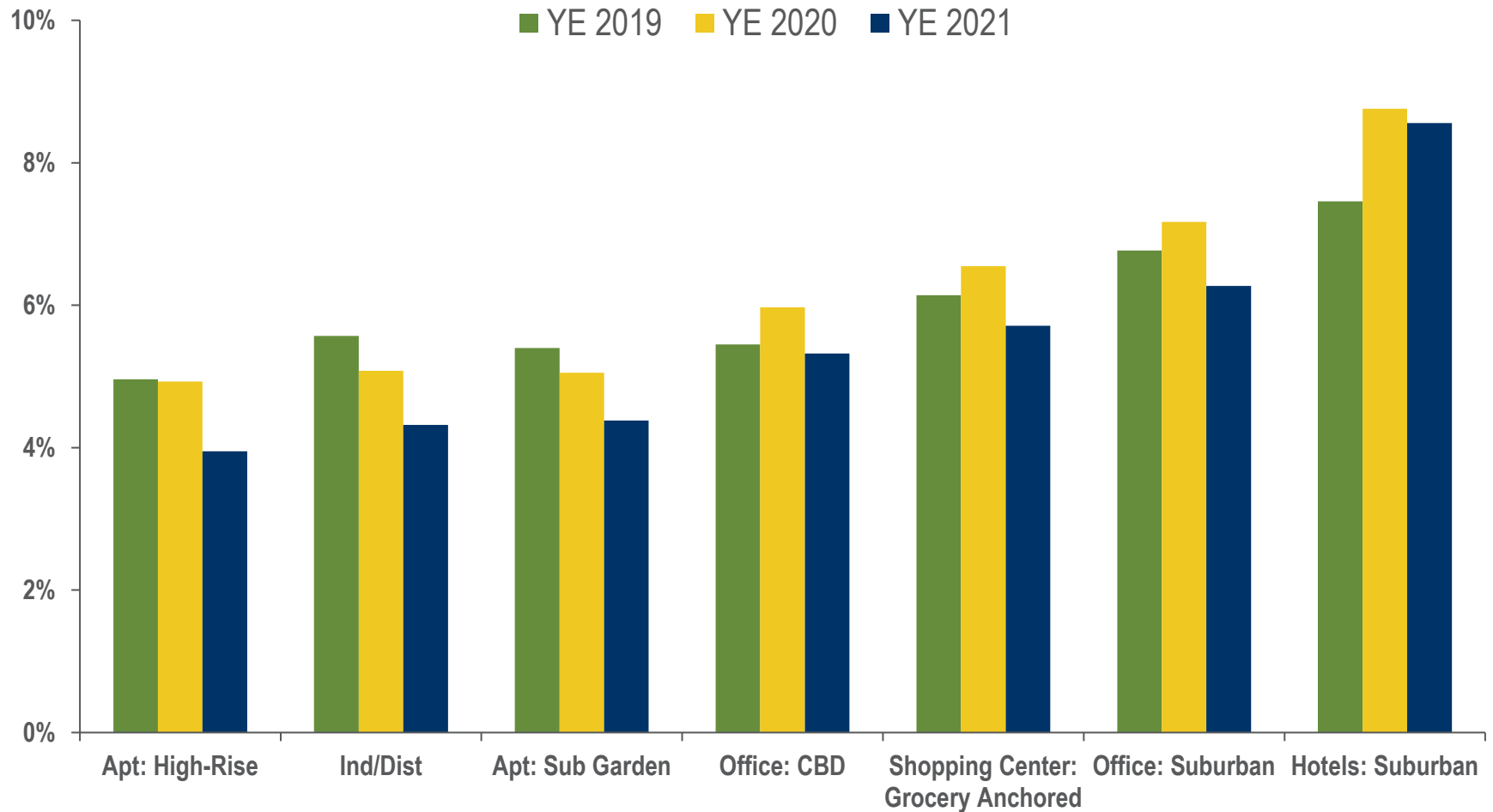


*A score below 5.0 is considered to have more interested sellers than interested buyers.

Source: Delta Associates' Market Maker Survey; January 2022.

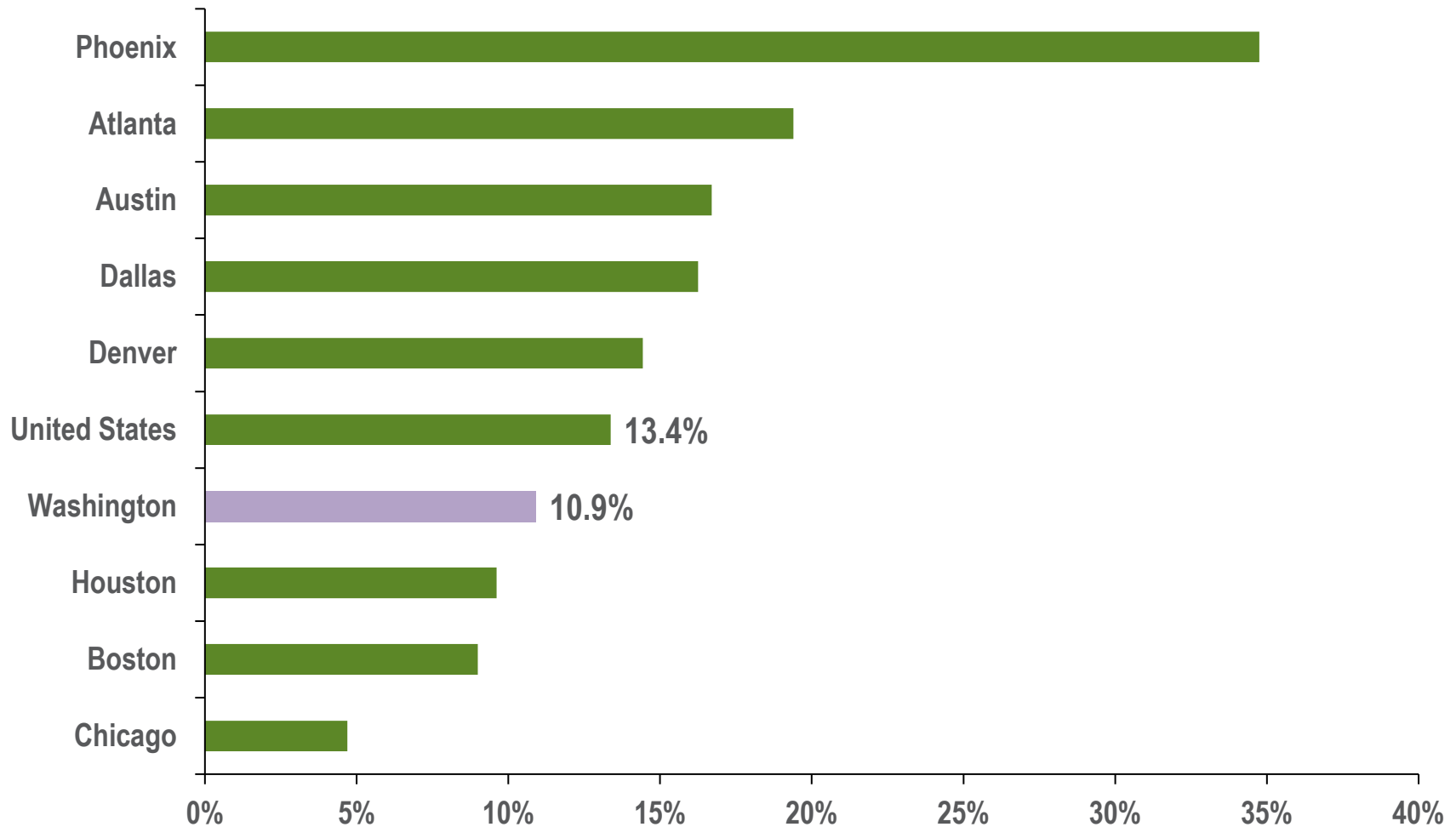
AVERAGE CAP RATES

Washington Metro Area | Year-End 2019 – Year-End 2021



NCREIF 12-MO. APARTMENT PROPERTY RETURN INDEX

Selected Markets | Q3 2021

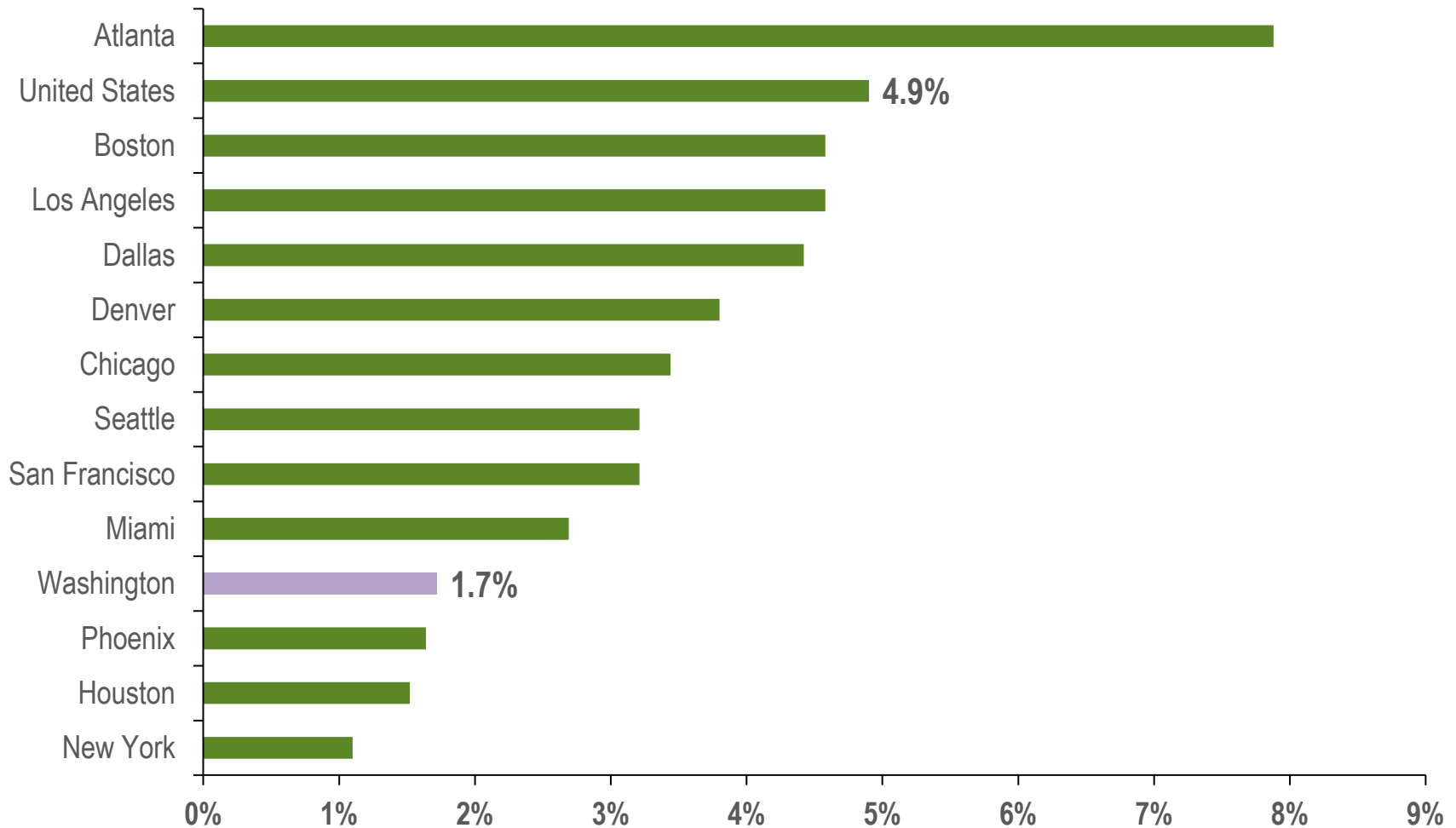


Note: Includes both current income and capital appreciation returns.

Source: NCREIF, Delta Associates; January 2022.

NCREIF 12-MO. OFFICE PROPERTY RETURN INDEX

Selected Markets | Q3 2021

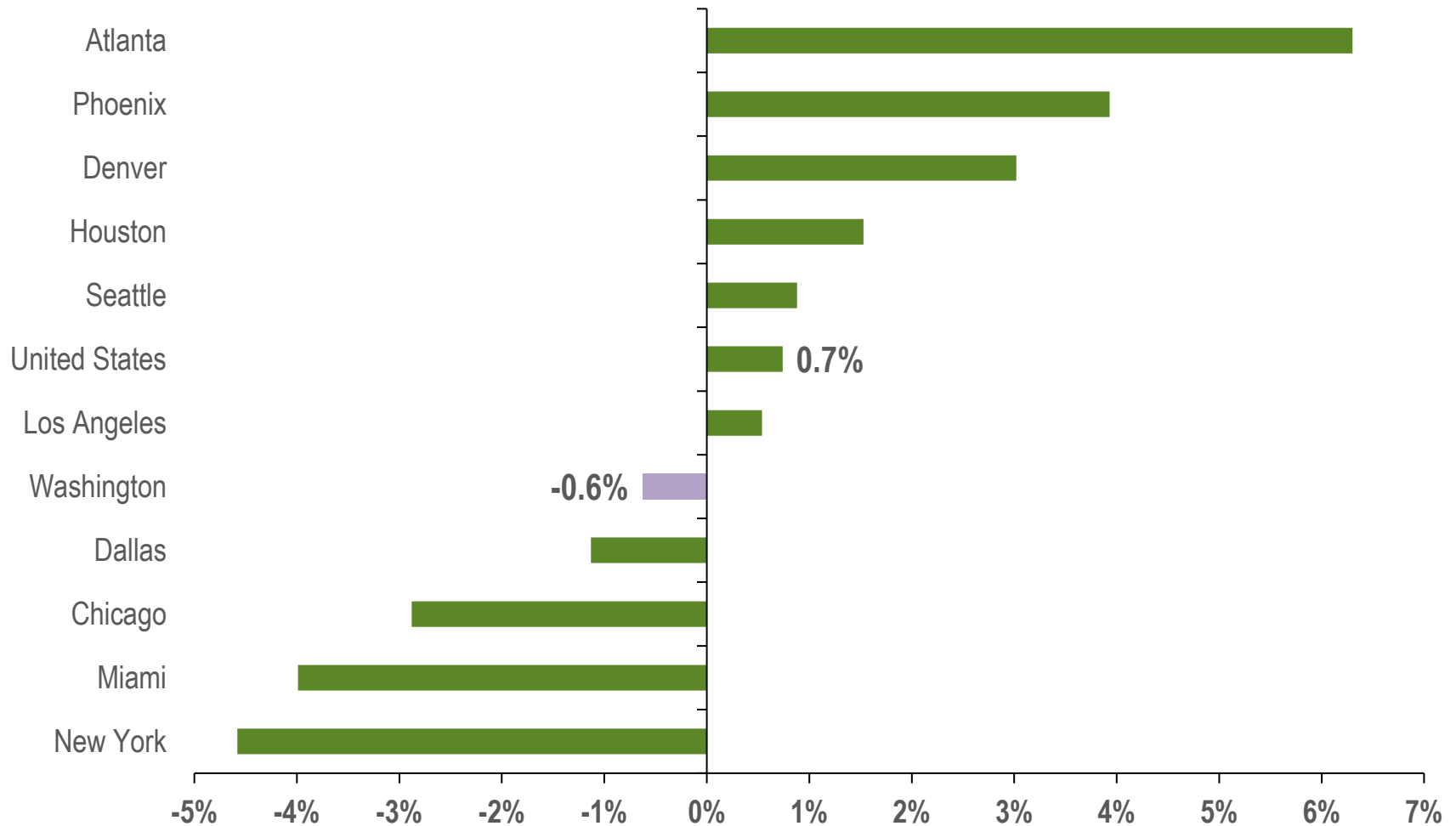


Note: Includes both current income and capital appreciation returns.

Source: NCREIF, Delta Associates; January 2022.

NCREIF 12-MO. RETAIL PROPERTY RETURN INDEX

Selected Markets | Q3 2021



Note: Includes both current income and capital appreciation returns.

Source: NCREIF, Delta Associates; January 2022.

DELTA ASSOCIATES' WASHINGTON METRO CRE MARKET OVERVIEW

TAKEAWAYS



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TAKEAWAYS

Washington Metro Area



Economy: Most metrics are improving, but inflation and consumer confidence are causes for concern.



Apartment: Amid record absorption, rents have recovered to pre-pandemic levels and vacancy is low.



Office: High vacancy remains an issue and rents are stagnant as tenants are slow to return to the office.



Retail: Vacancy above long-term average but still below most other major markets; rents stagnant.



Hotel: Occupancy, ADR and RevPar not expected to recover to 2019 levels until the end of 2023.

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