MAREMA

MID ATLANTIC REAL ESTATE MARKETING ASSOCIATION

Established in 1976

A NETWORK OF COMMERCIAL BROKERS AND ASSOCIATES

The MarketPlace

3rd Qtr — October 2020

PRESIDENT'S REMARKS. . .

Introducing the 3rd quarter MAREMA "MarketPlace" 2020 edition. In this addition we introduce new members, discuss topics important to our industry, visit Annual Meeting get together and review upcoming MAREMA events. This year the October MAREMA Annual Meeting was held at Canaan Valley, WV and was a smashing success. Be sure to read Peter Pokorny's review and learn about all the fun you missed and the skills discovered to help us grow our business. I would like to invite all members to join us at the November Monthly Meeting and invite a guest. If you are not a member yet join us as my guest and learn how we share best practices and share Haves (property listings) and Wants. I hope everyone enjoys "The MarketPlace".

MEET OUR NEW MEMBERS

RAPHAELA (ELLA) O'BRIEN
AIVI GLOBAL OPERATIONS

Raphaela (Ella) O'Brien leads the AIVI Global Operations, with responsibility for overseeing the company's ongoing expansion efforts. Before joining AIVI, O'Brien served as SBLO/Contracts & Compliance Officer for various companies in the Northern Virginia Metro area, where she was instrumental in growing revenues by more than 30 percent by establishing Supplier Diversity Programs. In addition to an Internal Certified Auditor and Schedules Manager certifications, O'Brien holds a master's degree in Business Administration from University of Phoenix, and a bachelor's degree in Contract Management from University of Texas.

PETAR RADAKOVIC, PMP
DEVELOPMENT AND CONSTRUCTION SPECIALIST

Petar has been in commercial development for over 10 years, primarily in the Washington, DC metro area. After completing the Civil Engineering program at UVA in 2009, Petar completed an intelligence facility for DIA in Charlottesville, VA and then relocated to Washington, DC for the renovation of the GSA HQ building two blocks from the White House. After a couple of years constructing public projects, Petar went into the private development world and constructed office and apartment buildings in DC and the metro area. Petar spent a combined 9 years with Walsh Construction and Grunley Construction companies before starting his own consulting firm in 2016.

Garth Williams
Commercial & Residential Realtor
ExecuHome Realty

Garth's primary goal in real estate is to help clients sell or acquire one of the most important assets in their lifetime and to be able to have the satisfaction knowing that all his clients and customers are well served. He is very interested in working with various sellers & buyers, investors, rental projects.

Garth is currently a member of the **MAREMA** Mid Atlantic and a student with CCIM Institute, National Association & Maryland Association of Realtors and is accredited in four areas serving the MD Real Estate industry; MRP- Military Relocation Professional, SRS- Seller's Representative Specialist, ABR- Accredited Buyer's Representative, SFR- Short Sale & Foreclosure Professional.

With his spare time, he enjoys business, finances, playing golf, and keeping abreast of local & national events.

Chris and Debbie Cloud
CD Encompass, Inc.

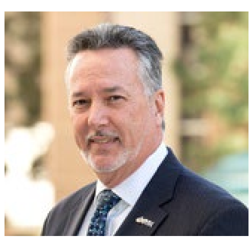
Chris & Debbie Cloud, known around Northern Fauquier as The CLOUD Difference (a strategic consulting team working in Northern Virginia). We consult around the world and handle real property deals here in Virginia. Our worldly experience includes general managers, project management, business administration, hospitality, property management, investment properties, estate management, and commercial real estate.

Chris and Debbie's goal is to take the client's idea and locate options for the best property for that endeavor. We enjoy locating, developing and implementing a creative vision of a client looking to impact the community with innovative ideas.

Chris and Debbie work with a select group of clients and their specific real estate interests. Our expertise in the full spectrum of real estate lends our unique touch and dedication to our client's projects. Debbie started working in the real estate profession back in 1987, and received her license the first time in 1989. Chris had worked in yacht/estate/island management since 1994 and received his real estate license in 2017.

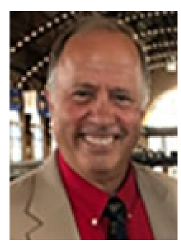
MAREMA 2021 Leadership Team

ED Cave
President



Jim Guisewhite
Vice President

Peter Pokorny
Secretary



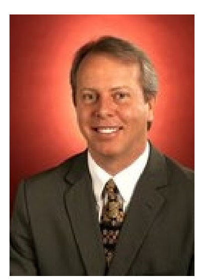
Edward Donofrio
Treasurer

Paul Mandell
Sergeant at Arms

Wayne Hallheimer
Director

Kayvan Mehrbakhsh
Director

Deniz Senyurt
Director



Michael Wilmore
Director

Joe Serafin
Director

Loudoun County's Commercial Real Estate Market Update to Midyear 2020

By: Joe Serafin

Introduction

Loudoun County's 2020 investment market has shown some interesting results. In this article we will explore Q120 and Q220's sales figures across all four sectors: industrial, retail, office, and multi-family. We will begin with an overview, then look at each sector individually. We will compare 2020's first two quarters with previous periods, as well as seeing what trend analyses may tell us.

Loudoun County Overview

Overall investment property sales for Q1 and Q2 totaled $247,212,387. Q2's sales were only about 38% of Q1; a downturn clearly brought on by the effects of COVID-19. The first half year in 2019 saw four times that number with sales of $1,002,743,319. Last year as a whole, saw commercial sales of $2,905,895,744, with $1.3 Billion closing in Q4 alone.

Because of Loudoun County's recent growth, we have to go back to 2012 to see a first half year lower than 2020. 2012 had Q1 and Q2 sales of only $153,151,087, but Q3 and Q4 delivered $365,764,874, with the year finishing at a little over half a billion in total sales. Initially, it is reasonable to note that Q1's low figure reflects Q419's high number, and that without the impact of this pandemic, 2020 was set for another very positive year. Breaking down those numbers we see the following statistics and trend indicators.

The Industrial Sector

The industrial sector saw $4,997,700 in sales during the first half of the year. 2019's first two quarters show a marked difference, with $136,416,961 in sales. 2017's Q1 was the worst in ten years with sales of only $518,349. That number was bulldozed by Q2's sales of $25,663,510. Even the first half year of 2010 saw sales of $7,316,659.

In outlying Loudoun this sector has an average 12-month vacancy rate of 3.8% and a rent growth of 2.2%. 2020's year to date (YTD) cap rate is 6.2%, and is expected to be 6.3% for the year as a whole. The trends indicate it will remain at 6.3 throughout 2021. Rent per square foot should dip slightly in the next two quarters. Sales price per square foot ($/sq.ft.) year to date is $223.21, and should finish the year at $216.25. It is likely to remain at this level through 2021, then increase to $234.61 in 2022 and 3, then increase again in 2024 to $248.20/ sq.ft.

Rt 28-Dulles North-Industrial Submarket is an active market. Industrial performance is good, but investment is taking a "wait-and-see" approach so far. Data Center Alley saw new construction and high demand. Current annual vacancy rate is 4.7% with a 1.9% rent growth. A slight dip is expected for next quarter and beyond, but long term rental income growth is expected. There are 1.3 million sq. ft. under construction with more on the way following Google's 146 acre acquisition and the expected Microsoft 332 acre acquisition. All this should mean more new construction. The cap rate so far is 6.3% and is expected to rise to 6.5% for the year.

Leesburg Industrial Submarket has higher vacancy rates of 14.9%, but this is expected to fall to 12.1% in Qs 3 and 4. YTD's cap rate is 6.3% and is trending to 6.5% as we move into Q3.

The Retail Sector

The COVID-19 pandemic has hit retail as we would expect. Retail sector sales were $12,613,087 in Q1 and zero in Q2 of this year. Q1 numbers may have resulted from Q419's sales of more than $41 million, and total sales of $126,274,593. For comparison, Q116 was low with only $2.8 million sold, but 2016 then ended on almost $146 million. Q110 was also low with sales of $2,795,000 and the year ending above $38 million.

Loudoun's population has soared in the past decade, and this had a direct effect on retail development. As the population's wealth increased, there was a move to other areas but the data industry developments we are seeing should have a positive effect on retail in the coming years.

Route 28 retail submarket has a 5.5% YTD vacancy rate with low rent growth currently averaging 0.8%. Interestingly, the market price of $308/sq.ft. is still above the Washington average

Leesburg retail submarket has an average vacancy rate of 5.6% with rent growth expected to be 0.7%. $/sq.ft. so far is $327.80, and is likely to fall a little in Q3 ending 2020 with an annual average of $316.58. Even though it is a dip, it is still above the regional average. Rental income is likely to dip 4%, but is expected to rise +4% (making it an 8% increase) by Q3 2022.

Route 7 submarket has higher vacancies than the overall market and is expected to see rents increase by only 0.6%. Sales price of retail properties in this submarket, though, stand at an above regional average of $384/sq.ft. No new construction is expected until Q221. Q3's sales volume is expected to hit $40 million.

The Office Sector

Office sector sales so far this year total $58,257,500. Even with COVID-19's effect, Loudoun County saw seven previous years, where the Q1 and Q2 sales were below $58 million. 2010 had only $5.21 million in the first half of the year, but they exploded to more than $231 million in the second half.

The Multifamily Sector

There have been no sales in the multifamily sector this year and there were none in Q419. The other three quarters' figures show total multifamily sales of $261,247,496. Again, we have to go back to 2010 to find zero sales in the first two quarterly periods of any year. The Silver Line expansion, with its three new stations, is expected to have a major, positive effect on population, neighborhoods, and the multifamily market in coming years if previous experience tells us anything.

The Dulles-Greenway submarket has a huge pipeline, but inventory is low. Q3 is expected to see national investors leading the field for purchases. Vacancy rates stand at a submarket average of 5.9% with a slight rise expected in Q3, but it is well below Washington average. 3* properties are expected to have 3% vacancy rate in Q3, and rents are growing at one of the fastest rates across the metro.

Ashburn Sterling submarket is also reflecting the growth in tech jobs. There are 812 apartment units under construction, with about 320 due for completion in Q4. Sales in Q2 were $80+ million and Q3 should see sales of about the same. There is an average vacancy rate of 5%. Rents currently average $1.82-$1.83/day with a potential rise in Q3 of 1%. Overall, 1-bedroom apartments will see the drop, but 2 and 3-bedroom apartments are expected to see a rental increase. The average YTD cap rate is 5.1% with a slight increase expected, bringing it to 5.3% by year-end. 2-bedrooom apartments are generating a cap rate, currently of 6.2-6.4%.

Leesburg submarket has a vacancy rate of 10% but rent increases should see 4.% across all unit sizes by year-end. Current sales are likely to dip in Q3, then stabilize throughout 2021 and see a rise in 2022.

Summary Comment

We have covered a lot of data in this article, but we hope it gives a broad and detailed enough perspective of Loudoun County's commercial real estate market. The COVID-19 pandemic hit everyone hard, but our underlying performance and future trends imply our strong foundation, plus the new commercial and infrastructure developments, will continue to take us onwards and upwards.

The Opportunity of Obsolete Buildings

By: Frank Dillow

Real Estate Reborn for New Uses

"WHAT WAS GOING TO HAPPEN IN THE FUTURE IS HAPPENING TODAY," NAR's Chief Economist Lawrence Yun observed in a recent Commercial Market Update presented by the National Association of Realtors®.

While it is still too early to know all the changes likely to occur in commercial real estate as a result of the COVID-19 pandemic, there were certain trends already underway before the economic shutdown that are now likely to accelerate, Yun predicted.

The demand for bricks and mortar retailers was already declining due to the increasing competition from e-commerce. Major retailers such as Lord & Taylor, Neiman Marcus, J. C. Penney, Sears and others had gone out of business, or significantly reduced their retail presence. As much as 10% of small business had followed suit, Yun estimated.

These closings created an increasing number of vacant retail properties, especially in older, less attractive shopping centers. Rather than attempt to re-tenant many of these properties, landlords had been turning to "experience" retailers such as restaurants, food courts, movie theaters or fitness centers to fill the empty spaces and create traffic.

But now, many of these businesses have been closed for extended periods and may not be able to reopen. In today's environment, landlords and developers need to be increasingly creative in how they plan to use existing property.

With business moving from bricks to clicks, current retail giants like Amazon and Walmart need additional space to store products for home delivery. Not long ago, delivery times could be measured in weeks, but now consumers expect delivery within one to two days or even hours of their purchase. Underperforming retail sites, and even some vacant office spaces, are much closer to customers and have become ideal locations for last-mile warehouses or fulfillment centers.

Since 2017, 13.8 million square feet of retail space across America – equal to about 35 small-format regional malls – have been converted to 15.5 million square feet of industrial space, primarily used as fulfillment centers, according to research released on July 23 by the commercial brokerage firm CBRE, and reported in the National Real Estate Investor (NREI) newsletter.

Another possibility is to use vacated retail centers for multifamily residential. Populated with residents, office workers and shoppers, the unused retail centers could effectively become mixed use centers addressing the continuing shortage of affordable housing. Sharing residential living within walking distance to a grocery store or pharmacy could be especially attractive for senior housing, where golf carts could replace automobiles for running daily errands.

As people become more comfortable working remotely from home, obsolete, largely vacant and older office buildings could also be ideal candidates for conversion to multifamily and mixed uses.

The Mission Lofts development on Columbia Pike in the Bailey's Crossroads area of Falls Church innovatively combines both functions into 156 individual residential/commercial units, surrounded by private and open meeting areas, conference rooms and spaces for social gathering.

Located in an opportunity zone not far from Arlington County's Amazon headquarters, the vacant building was an attractive investment opportunity, according to Arlington developer Robert Seldin, CEO of the Highland Square Holdings Development and Construction firm that redeveloped the property.

Originally built in the 1960s, the 173,000 square-foot, 10-story office building, including ample covered parking,

the Opportunity of Obsolete Buildings (Continued)

housed various Defense Department agencies until they were relocated during the Base Realignment and Closure (BRAC) implementation roughly 10 years ago.

“Unlike most buildings, Mission Lofts allows each of the units to be occupied at all times at the tenants’ choice as either a place to live, a place to work, or a place to do both,” Seldin told Dima Williams, as reported in her April 19 Forbes magazine article.

Real estate in its current form is no longer consistent with how people want to live and work –a serious problem, but also a significant opportunity, Seldin observed in remarks to the Falls Church News Press.

Other sites in Northern Virginia could be similarly attractive, such as the vacant Landmark Mall along the 395 corridor in Alexandria. The city has been working with the mall owners for several years to come up with package to repurpose the mostly vacant sprawling 51-acre mall into an urban community with mixed uses and community open spaces.

In converting old buildings into new uses, developers may need to overcome structural and design issues, including removing asbestos used in the original construction. As more jurisdictions encourage such investments through flexible zoning and financial incentives, developers may be more likely to pursue these projects.

The realities of the new business environment encourage communities and developers to become more bold, adapting their plans to see these properties as creative opportunities to provide new ways to live and work.

Future survival demands “out of the box” thinking, with potential reward for risk takers.

Submit your article to Ed Cave at ecave@McEnearneyCommercial.com
or Peter Pokorny at peter@recdc.com for upcoming newsletters.

MAREMA 2020 Annual Meeting
"Connect as One"

A smashing success, MAREMA's 2020 annual meeting took place at Canaan Valley Resort in West Virginia on October 22nd through October 24th. Twenty-six members and guests enjoyed networking, deal making, dynamic programs and resort activities. Kudos to President Ed Cave and the members of Annual Meeting Committee for their hard work and making this event happen in the current environment!

The meeting kicked off with the President's cocktail reception on Thursday evening.



Friday morning began with a captivating program on how positive psychology can help improve performance and well-being. Shannon Polly, the keynote speaker, is a psychologist who has done keynotes for Google and GE and facilitated workshops in Kenya and Bangladesh.

Following was a skills workshop with participants role playing in a commercial real estate deal and vying to be the best deal makers. The winning team was Mike "Let's do some deals" Wilmore representing the seller Lee and Kathy "don't take advantage of my buyer" Killion representing the buyer Bill.

During lunch, Kayvan "make sure you control the deal" Mehrbakhsh led the "haves and wants" presentation.



That afternoon sixteen members, from pros to novices, played in a golf tournament competing for prizes. The winning team was led by ringer Joe Serafin and his wife Tristen along with valiant efforts by Mike Wilmore and his wife Lee. Others enjoyed activities on the property and chair lift rides to the top of the mountain.

Following afternoon activities was a wine reception and dinner. Entertainment included live music with the band Amanda Wilkins and humor courtesy of Ed “court jester” Donofrio.

Saturday morning commenced with breakfast followed by the President’s remarks. Joe “technology guru” Serafin gave a presentation on Technology to work as a team and “Connect as One”.

This year there were a record number of conference sponsors and MAREMA wishes to thank the following:

Platinum – Mike Wilmore, Capital Area Business Brokerage

Gold – Peter Pokorny, Real Estate Counselors

Gold – Ed Donofrio, Donofrio & Associates

Silver – Jimmy Norton, Brock Norton Insurance

Bronze – Carolyn Snyder, Snyder Bailey & Associates

Registration Sponsor – Karin Arnette, Karin’s Custom Images

Breakfast Sponsor – Kamelia Sacks, Stewart Title

Program Sponsor – Joe Serafin, Serafin Real Estate

Decoration Sponsor – Janet Varre, Conference Direct

Dinner Reception

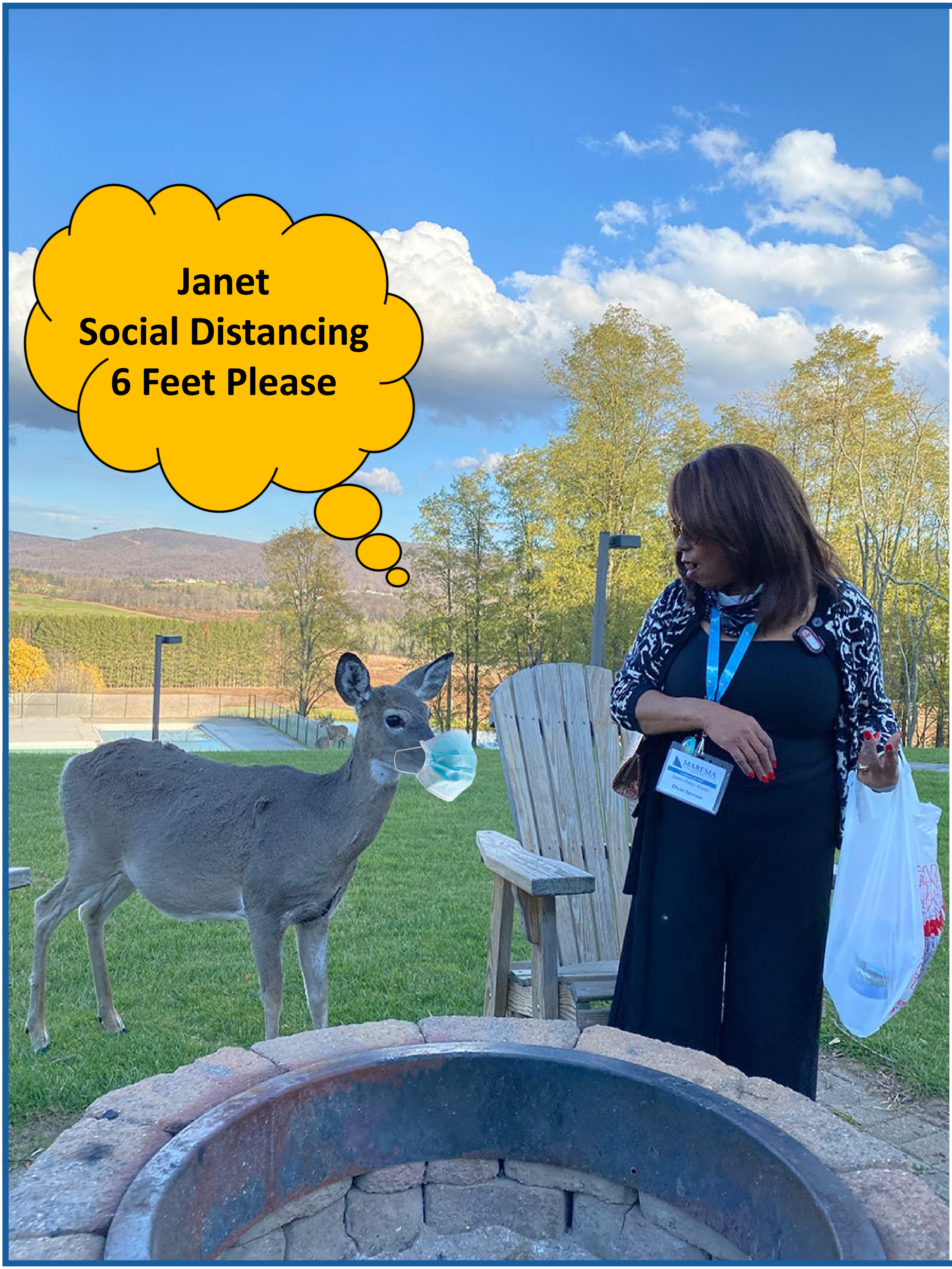


Golf Anyone



Warming By the Fire




Janet
Social Distancing
6 Feet Please

UPCOMING EVENTS

MAREMA's November 18th meeting will be in-person AND online via WebEx. We will hold the meeting at our new meeting location!

8230 Old Courthouse Road, Suite 400

Vienna VA 22182

HOLIDAY MEETING AND GIFT EXCHANGE

December 16th meeting will be in-person AND online via WebEx. We will hold the meeting at our new location!

8230 Old Courthouse Road, Suite 400

Vienna VA 22182

We will network and discuss Haves and Wants, but we will also hold our annual Thieves' Gift Exchange. If you wish to participate, please bring a gift valued at $25 or less. We will each have an opportunity to pick (or steal!) a present. You must be present to participate in the Gift Exchange.