

The MarketPlace

2nd Qtr 2021

PRESIDENT'S REMARKS. . .

Introducing the 2nd quarter MAREMA "MarketPlace" 2021 edition. In this addition we discuss topics important to our industry. Welcome to our new members introduced in this quarter's newsletter. This quarter we introduce a new feature "Ask An Expert" providing membership the opportunity to ask other members questions. Remember the Annual Meeting this year will feature a trade show and highlight our 45th anniversary through past presidents and lifetime member's testimonials. Our theme this year is RE-Imagine and will be held at Ocean City, MD. Mark your calendar and choose a sponsorship before they are all gone, October will be here before you know it. I would like to invite all members to join us at our Monthly Meetings 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".

Annual Meeting October 28 - 30, 2021



MAREMA

MID ATLANTIC REAL ESTATE MARKETING ASSOCIATION
ESTABLISHED IN 1976

SAVE the DATE
OCTOBER 28-30, 2021



Marema 45th Anniversary
Annual Meeting

RE-imagine

Grand Hotel & Spa
Ocean City, MD
All Rooms Ocean Front





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ESTABLISHED IN 1976

45th Anniversary Annual Meeting
RE-imagine
OCT 28-30, 2021 • Ocean City, Maryland

DIAMOND President's Reception Sponsor <ul style="list-style-type: none"> 1 Registration fee for event 1 Night at resort Premier seating at event Recognition on website as Sponsor Introduces Keynote Speaker at event Name on all signage at event 1 Tradeshow table at event Can put item in Goody Bag \$1,500	PLATINUM Entertainment Sponsor Peter Pokorny Real Estate Counselors, PLLC Sandy Spring Bank REAL ESTATE COUNSELORS	GOLD Dinner Sponsor Jimmy Norton Brock Norton Insurance BRUCK NORTON	GOLD Golf Tournament Sponsor Ed Donofrio Donofrio & Associates DONOFRIO & ASSOCIATES	SILVER Lunch Sponsor Ed Cave McEneaney Commercial MCENEANEY COMMERCIAL
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MEET OUR NEW MEMBERS

TERRI WYZKOSKI

VALOR COMMERCIAL CAPITAL



A 29 year veteran commercial lender, I now serve the capital needs' requirements of nationwide-located CRE investors, developers and builders, as well as nationwide-located operating companies that range from \$500 thousand to over \$300 million. Well-networked with various funding sources also located

nationwide, the VALOR team are client advocates that analyze, underwrite, and custom-structure financing requests for operating companies and for all CRE industry participants who own all CRE assets classes.

PAUL REILEY

ATLANTIC UNION BANK



Easiest Way to Introduce Me: Your banker won't answer your emails/calls? Need to even out your cash flow? Need to purchase equipment? Want to stop paying rent and start building equity? Been told no by your banker and they couldn't/wouldn't explain why?

Received my bachelors of science in Economics and Business Administration from Washington

and Lee University and now pursuing my MBA through the Robins School of Business. My office is in the beautiful Middleburg Town and happy to take anyone on a tour of our stunning wineries/historical sites.

KWESI ROBOTHAM

KINGSTOWNE ADVISORS



Kwesi Robotham is the Founder and Managing Director of Kingstowne Advisors, LLC, a Virtual Family Office focused on working with lower middle market business owners and real estate executives. In addition to providing leadership and operational oversight at Kingstowne Advisors, Mr. Robotham is

responsible for devising tax mitigation, expense reduction, and risk management strategies germane to creating significant liquidity for the firm's clients.

Mr. Robotham holds a degree in Mechanical Engineering with a secondary concentration in Business Management from McGill University in Montreal, Quebec. He is also a certified Project Management Professional, a Certified Financial Education Instructor, and is a graduate of the Investment Banking Institute. He is married to an accomplished woman, with a distinguished career in the United States Air Force. Together they have three young and active boys.

MARCUS CHESTER

FAMILY FIRST FINANCIAL GROUP



I am a Financial Security Specialist with Family First Financial Group; providing financial & investment analysis, since 2010, to assess the needs of our clients.

We seek to partner with individuals, families and businesses to help protect and meet their financial goals with instruments such as

Annuities, Life & Health Insurance, Mortgage Protection, and Employer/Employee Benefit packages.

We are licensed to do business nationwide and believe networking is the key to building profitable relationships.



Expanded Rail Service on Track to Enhance Virginia's Economy, Reduce Congestion

BY: FRANK DILLOW

Railroads, once the backbone of Virginia's transportation network, may once again define its future. After years of planning and regional negotiations, extensive improvements in rail transportation are on their way. Northern Virginia's residential and commercial Realtors® alike will soon begin seeing the impact on communities throughout the region.

The plan envisions a network of all-day commuter and intercity train service, removing an estimated 6 million cars and trucks per day from the congested I-95 corridor and extending the boundaries of a reasonable commute to Northern Virginia from Richmond to Baltimore. Retailers and restaurants will be more desirable at the railway stations along the line and perhaps most importantly, warehouses can expand their operations along the I-95 corridor, taking advantage of the rail capacity to more efficiently and reliably deliver their cargoes without adding to traffic congestion.

Under terms of an agreement worked out between Virginia, Amtrak, CSX Transportation and

Virginia Railway Express (VRE), work will soon begin launching Virginia's \$3.7 billion investment for what Governor Ralph Northam calls a "once in a generation opportunity."

The agreements provide for Virginia to acquire existing railroad track and right of way between Alexandria and Fredericksburg, allowing tracking improvements for increased passenger and freight service.

Virginia will also construct and own an additional two-track bridge dedicated to passenger and commuter rail over the Potomac River into Washington, DC at a cost of \$1.9 billion. The new bridge will parallel the current 116-year-old Long Bridge, owned and operated by CSX, currently operating at 98% capacity with about 76 freight, VRE and Amtrak trains crossing every workday. The only rail connection between Virginia and Washington, DC or Maryland, it carries all current passenger and freight rail traffic on the east coast and has been a bottleneck for increased rail service for many years. The next closest rail bridge across the Potomac is

at Harpers Ferry. Construction is expected to begin within two years and be in service by 2030. The current bridge will remain in place, dedicated to freight traffic.

In addition, Virginia will construct a new stand-alone bicycle and pedestrian bridge connecting Crystal City to the DC waterfront. Planned railway station improvements in Crystal City and Alexandria will accommodate the anticipated growth from the development of Amazon's nearby headquarter facilities.

The Virginia project, along with its Maryland and DC counterparts, is part of a regional plan that will open rail service up and down the east coast, increasing both VRE and Amtrak service while laying the foundation for a Southeast High Speed Rail Corridor. As part of the agreement Amtrak will also contribute \$944 million toward improvements in Virginia.

VRE, which has carried commuters from Fredericksburg and Manassas into Washington, DC and back since 1992, also plans to contribute \$200 million to the project over the next ten years, along with \$800 million in service improvements. VRE will nearly double its current weekday service to Fredericksburg while adding weekend service and late-night service on Fridays. The VRE line to Manassas, which currently runs eight round trips per workday will add an additional round trip this year and three more by 2026.

The expanded rail service will also increase access to the Port of Virginia in Norfolk, further reinforcing Virginia's role as a major east coast port and transit hub. Since 2017 the Port of Virginia has been the east coast's leading rail port with more than 34% of its cargo arriving and departing on track. Port authorities

are looking to increase that to 40 percent by 2022.

One of the few deep-water ports that can accommodate the new generation of super-sized ships coming to the east coast directly from Asia through the recently expanded Panama Canal, the Port of Virginia doesn't want to be just another east coast port where containers are dropped off, but rather a rail-driven gateway that provides service all the way to the Midwest.

The expanded rail service would also facilitate local opportunities like the new 533,624-square-foot warehouse distribution center planned by DHL Corporation alongside I-95 in Stafford. The facility is expected to create 600 new jobs, while generating \$1 million in new local tax revenues serving customers from Washington, DC to Richmond. Unfortunately, it is also expected to add 1800 more vehicles each day to an already busy traffic corridor.

The population of Virginia is expected to grow from 8.5 million to 10 million over the next 25 years, with 20% of that growth expected in Northern Virginia, compounding congestion problems and putting more pressure on the transportation network. A recent study of I-95 found that adding just one lane in each direction for 50 miles would cost \$12.5 billion, and by the time construction was completed in 10 years, the corridor would be just as congested as it is today.

These projections are what led Virginia officials to consider expanding rail service, a solution that can provide the needed capacity at one-third of the cost. Increased passenger rail service will meet the increasing demand not only among Virginians, but also throughout the eastern seaboard. "We cannot pave our way out of congestion," Northam said.



The NNN Commercial Real Estate Investment Market for Loudoun County: June 2021

BY JOE SERAFIN

In this article we will discuss the NNN commercial real estate market in Loudoun County. We will begin with a brief overview of the national picture and then review Loudoun County's single tenant net lease properties, NNN lease property sales in the past 12 months, and finish with a review of NNN lease properties currently available for purchase.

NATIONAL MARKET REVIEW FOR THE PREVIOUS 12 MONTHS AND FUTURE FORECAST

Triple Net Lease investments across the US were comparatively safe for investor returns in 2020. When the lessee remains a viable entity, they pay their rent to the investor-owner and are directly responsible for paying property taxes, insurance, maintenance and utility costs. This makes NNN lease properties an effective income stream requiring little, if any, direct owner involvement.

As with every CRE investment, it is essential to choose tenants in a stable line of business who either deliver an essential service or where demand for their products and services will remain relatively strong. That underlying factor must then be matched

by choosing a property in the right location for that tenant's long term business growth or where attracting a sub-lessee would be a simple proposition. Loudoun County's recent history checks a lot of the 'location' boxes, as we have covered in previous articles.

A NATIONAL CAP RATE REVIEW 2020

The COVID-19 pandemic impacted the commercial real estate market both in terms of lease length and cap rates. A recent survey (1: see below) of 2,095 CRE sales in 13 sectors across the US gives us a good overview. The report only captured data where sales price and cap rate were reported. The sectors included automotive, retail, bank, educational/childcare, medical/pharmacy, grocery, general retail, and dining. The basic stats are as follows:

- ▶ **Automotive** did well and could see an 8% growth in 2021. 2020 saw an average cap rate of 6.3% with the average lease term remaining at 9 years.
- ▶ **Banks** were obviously impacted by the pandemic, but the average lease term increased by 3 years, and the 4Q cap rate averaged 5.75%.

- ▶ The **Education** sector saw average lease terms increase to 14 years and an average cap rate of 6.96%.
- ▶ The single tenant **Medical** sector is also strong, for obvious reasons, with an average cap rate for the previous four quarters standing at 6.85%.
- ▶ **Pharmacies** are both an essential service and are being seen by many consumers as a convenient alternative to other retail outlets. The 12 month cap rate was 6.17%.
- ▶ **Big Box stores'** lease terms dropped 2 to an average of 8 years, and the average cap rate was 6.08%.
- ▶ The **C-Store and Gas** sector is expected to grow 2% annually for the next 5 years. The 12 month average cap rate was 5.26%.
- ▶ **Dining** needed to adapt quickly in 2020. The three sub sectors surveyed (casual, fast casual, QSR,) saw an average cap rate of 5.87% ranging from 5.39% in Q4 2020 for Fast Casual to a high of 6.67% in Q1 2021 for Casual Dining.
- ▶ The **Grocery** sector is very much an essential segment. Many of 2020's sales were in California (which has historically lower cap rates, so these numbers are less 'balanced' when looking at the entire country.) The 12 month average was 5.83%.
- ▶ **General Retail** (home goods, fitness, hardware, etc.) typically delivers stable cash flow and good returns. The average cap rate stood at 6.43%.

WHAT OF THE FUTURE?

These numbers indicate a CRE market stability that many did not expect. Careful Line of Business and location selection are critical factors in any specific market. To complete this section, it is worth noting that the Commercial Real Estate Development Association's Research Foundation, [published a report](#) in May 2021 stating suburban office space should be in higher demand as we move through 2021, 2022, and 2023. Real GDP is expected to grow by 7.7%, inflation to average 2%, and unemployment to hover around 4.5%.

While no one has a crystal ball, the federal government's stimulus policies, Northern Virginia's firm economic base, its increasing population, infrastructure investments, and the massive CRE investments already in place, make this a prime time to look closely at what Loudoun County offers.

TOTAL SINGLE TENANT NET LEASED PROPERTIES IN LOUDOUN COUNTY MAY 2021

There are currently 555 single tenant leased properties totaling 15.3 million SF and showing an average cap rate of 6.5%. 80% of the properties show a cap rate of between 5% and 7%, No new buildings are under construction, and none has been demolished in the past year.

The average market sale price per SF is reported at \$248 (a recent change of just 0.1%.) Market rent per SF is rising and stands at \$22.21. This rental increase began in Q3 of 2020 and, year-on-year, shows a 3.4% rise. Asking rent per SF currently stands at a few cents below this figure. 12 month occupancy rate at delivery is 100%, and has been since Q3 2018. Current overall occupancy stands at 99.4%, although daily vacancy rates fell in May 2021 to just below 0.2%.

The amount of vacant square footage is only 97.3K, a number which is falling, and sublet square footage rose to 77.2K suggesting that if a tenant vacates a property, it can be sublet without too much difficulty.

SINGLE TENANT NNN LEASED PROPERTIES CLOSED TRANSACTIONS Q3 2020 - Q2 2021

There were three closed transactions totaling \$6.1 million and adding up to 9,000 SF. Q4 2020 and Q2 2021 saw most closed business. \$220,000 of the closed business was a condo unit, the other two were individual properties. The sold price per SF averaged out at \$397, split 50/50 between the \$220- \$250 per SF and \$400- \$450 per SF. The difference between contract and asking price was (-5%.) Sold prices and NOIs delivered an average cap rate of 6.3%. Specifically, one property's cap rate was 4.8%, and the other two, were 7% each.

All buyers and sellers were local private businesses, as opposed to national, foreign, REITs, etc. We are pleased to comment that [Serafin Real Estate](#) ranked as the top selling broker in this market segment.

NNN PROPERTIES CURRENTLY AVAILABLE FOR PURCHASE

There are three triple net properties (six records) currently for sale in Loudoun County, totaling 27.2K SF. They all show a cap rate of 6.1%. Asking prices are between \$869, 000 and \$2.5 million. Prices per SF range from \$285 to \$399. All three properties are for sale by private owners.

FINAL COMMENT

[Loudoun County](#) is an excellent location for CRE investment. The US DOL previously ranked Loudoun (September 2020) #3 in the nation for job growth, and the International Economic Development Council ranked Loudoun #1 in its category for business investment.

Aerospace, aviation, transport, federal government contractors, IT and communications tech, health care, and bio-medical research all have a major presence here, so when we add in that 70% of the world's internet traffic passes through Loudoun every day it is no surprise to learn that the county's population is rising. The growth of well-paid residents, in turn, demands provision for high quality education and childcare facilities as well as other tertiary lines of business.

NNN lease properties can be an excellent investment to generate passive income and a stable high return. Choosing the right property to attract the right tenant demands in-depth local experience and a top grade track record. If you would like to learn more about NNN investment opportunities in Loudoun County and to discuss your specific ideas and long term goals, please [click this link](#), leave your details, and we will get right back to you.

ASK AN EXPERT

Starting with the next edition, a new forum in **The Market Place** will provide an opportunity for members to seek answers to CRE topics from our panel of experts.

Please forward questions you are encountering in your practice to:

Peter Pokorny

peter@recdc.com

or

Ed Cave

ecave@mcenearney.com

UPCOMING



EVENTS

MAREMA members meet on the
3rd Wednesday of each month
9:30 am - 12:00 PM

We are open for business, meeting this month in person at our new meeting location and online.

**8230 Old Courthouse Road, Suite 400
Vienna VA 22182**