

State of the Virginia CRE Markets



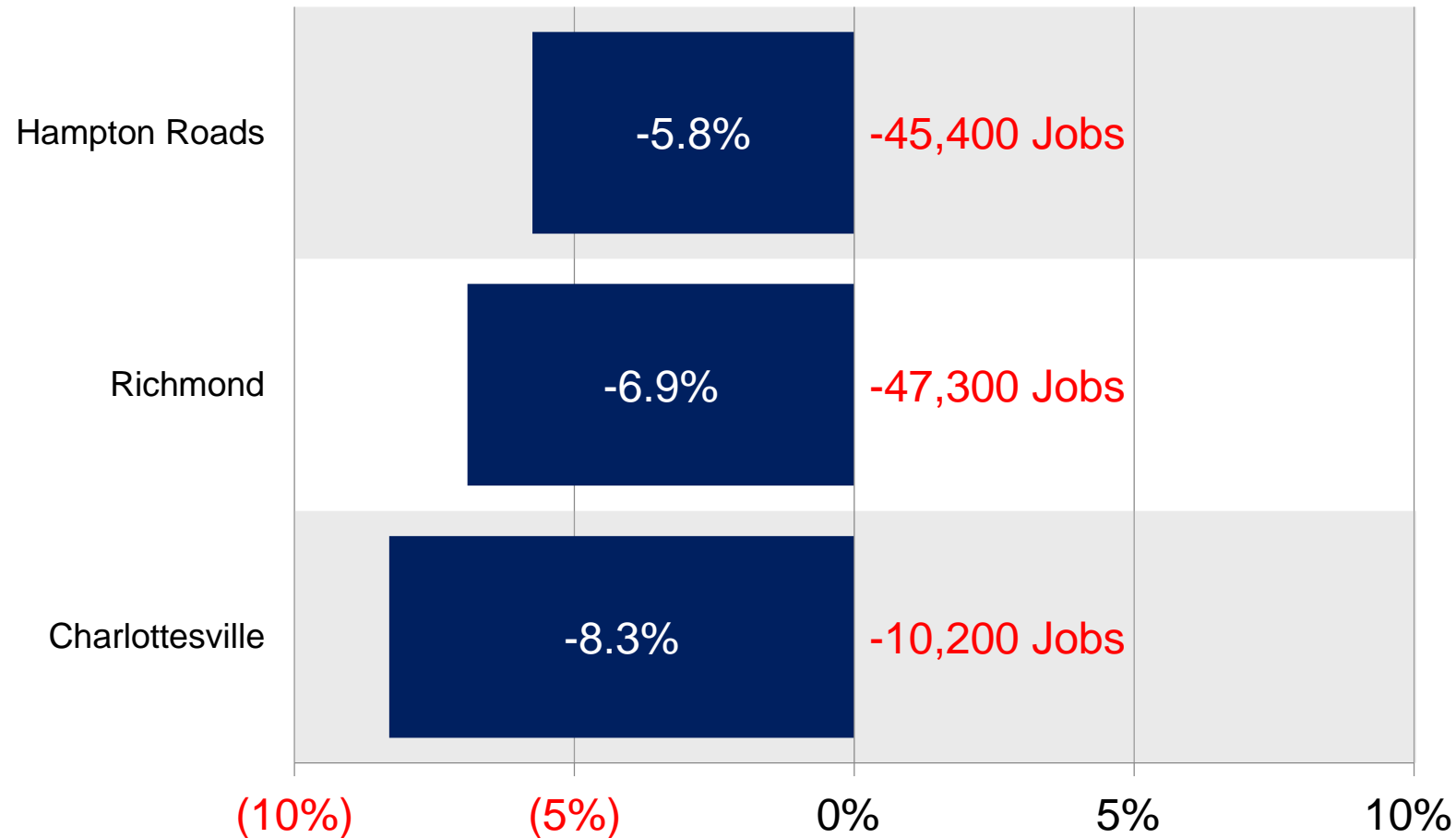
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Economy

Rates of Economic Decline Varied by Metro in 20Q2



% of Economic Growth or Decline by Metro in 20Q2
(Label shows number of jobs gained or lost in 20Q2)

Office Trends

- Each of the State's largest markets, NoVa, Richmond, and Hampton Roads, have continued to attract corporate relocations.
- However, development is more prevalent in Northern Virginia, and less so within the others.
- Newfound office-using trends have yet to be established.
- Sublet space has started to rise but is still nowhere near peaks from prior downturns.

Multifamily Trends

- The multifamily boom is still very real as development levels have been soaring.
 - Renters have shown an overwhelming preference for top-quality supply, though.
 - With a lack of construction, rent gains have been more apparent in mid-quality, more mature assets.
 - Investors have been active in NoVa for years. But, they have also been exploring secondary markets as of late for higher returns.
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Retail Trends

- Demand has already turned sharply negative this year as store closures have mounted.
 - Leasing activity has also slowed to levels not seen since the last downturn.
 - Significantly less retail is being built now than it was ten years ago, though. Under-construction pipelines are at least 50% smaller.
 - Investors have targeted grocery-anchored centers and net-leased assets recently in order to minimize risk.
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Industrial Trends

- The industrial sector has been flourishing throughout VA, just in different manners. NoVa is dominated by data centers, while the rest of the state has focused on logistics growth.
- Amazon has been a common storyline. HQ2 is coming to NoVa, and the e-commerce giant has been leasing industrial space at a torrid pace in both Richmond and Hampton Roads.
- Due to the strength of the sector, investment activity remained elevated in the first half of the year, just not in all parts of VA.

Thank You!



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