

COSTAR
GROUP

STATE OF THE
VIRGINIA
MARKETS

AUGUST 2021



CoStar™



COSTAR TEAM



Anne Purcell
Director of Hospitality
Market Analytics



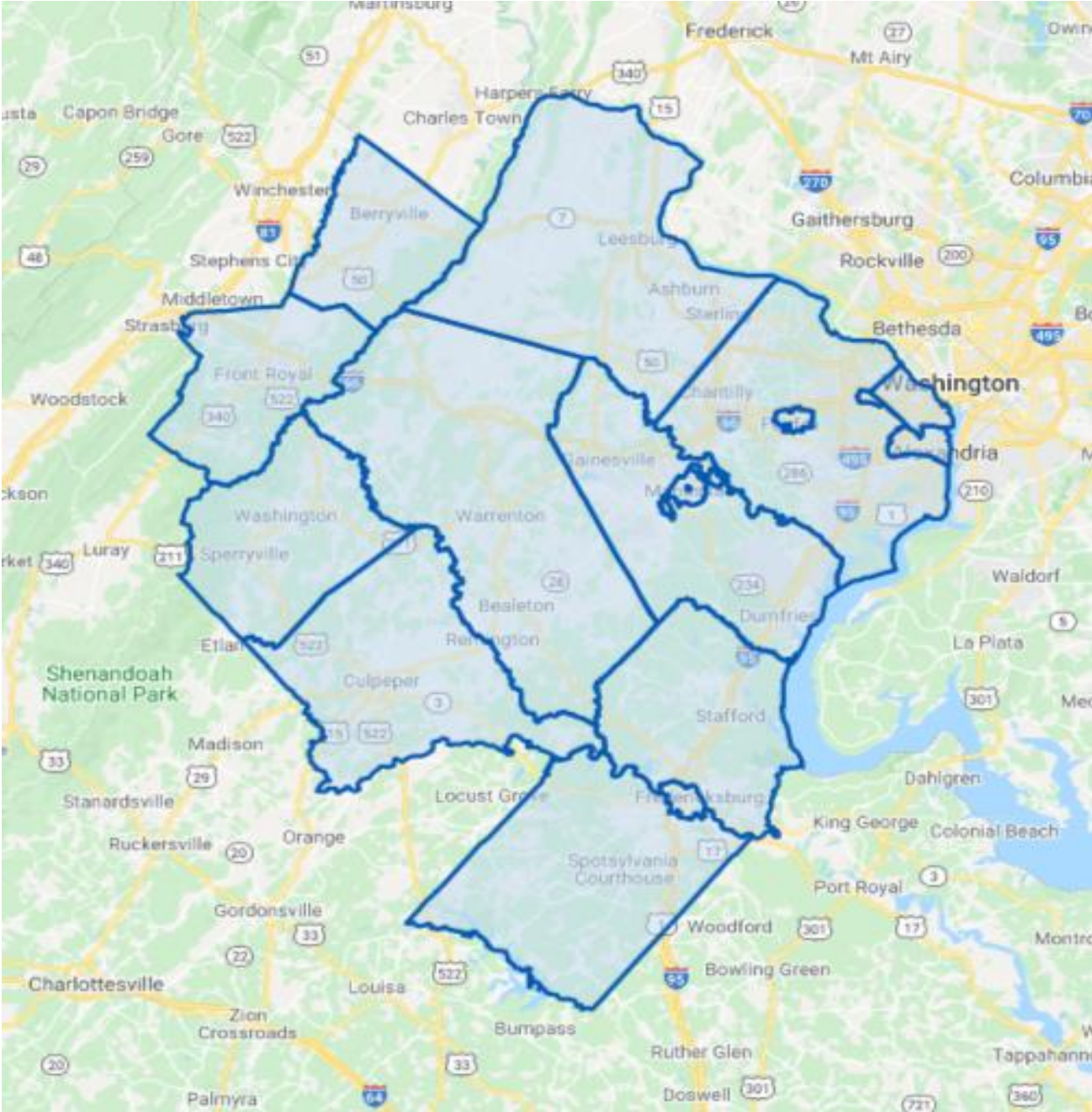
Mike Cobb
Senior Market Analyst



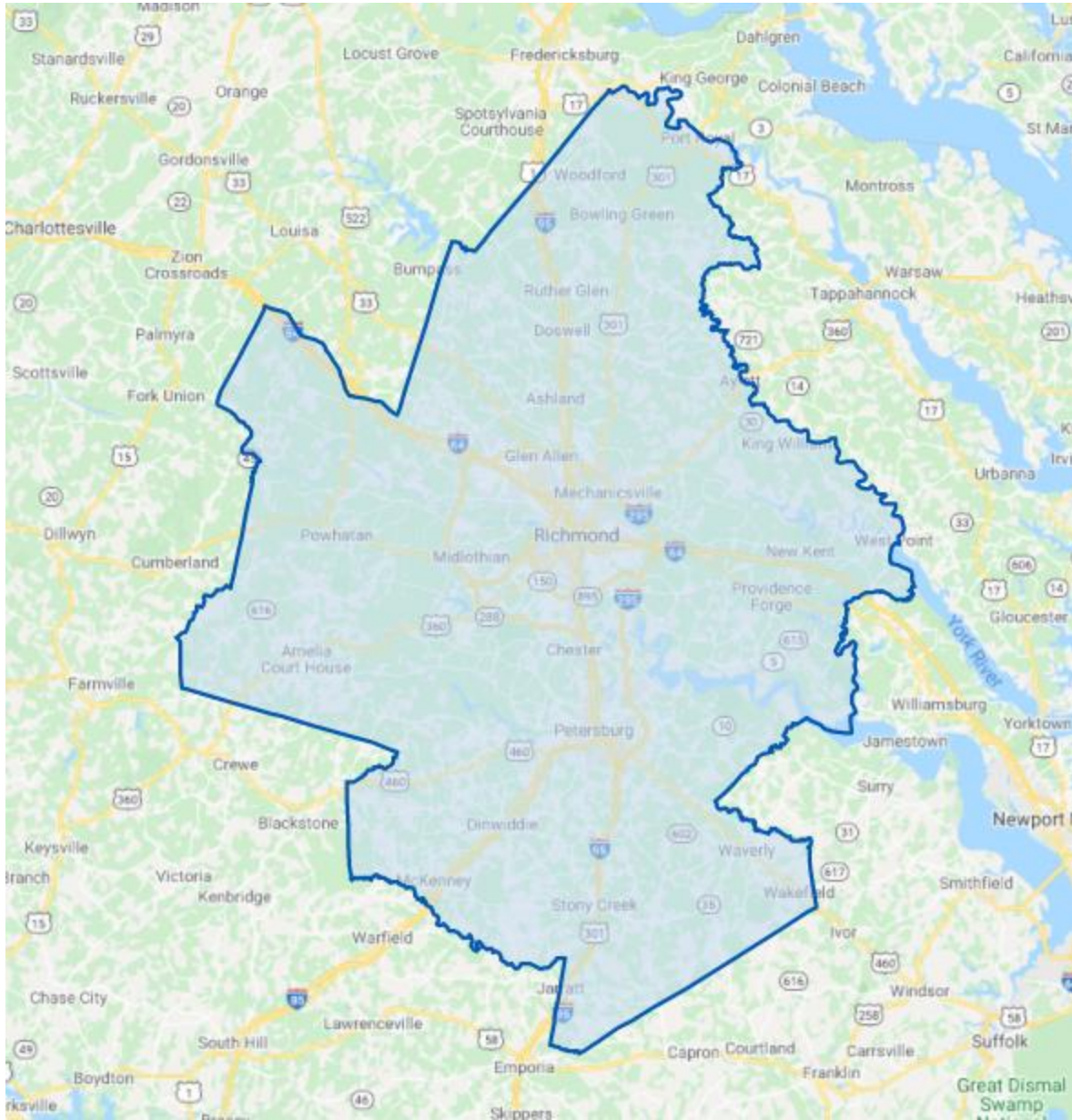
Nick Mills
Senior Market Analyst



Northern Virginia



Richmond, Virginia



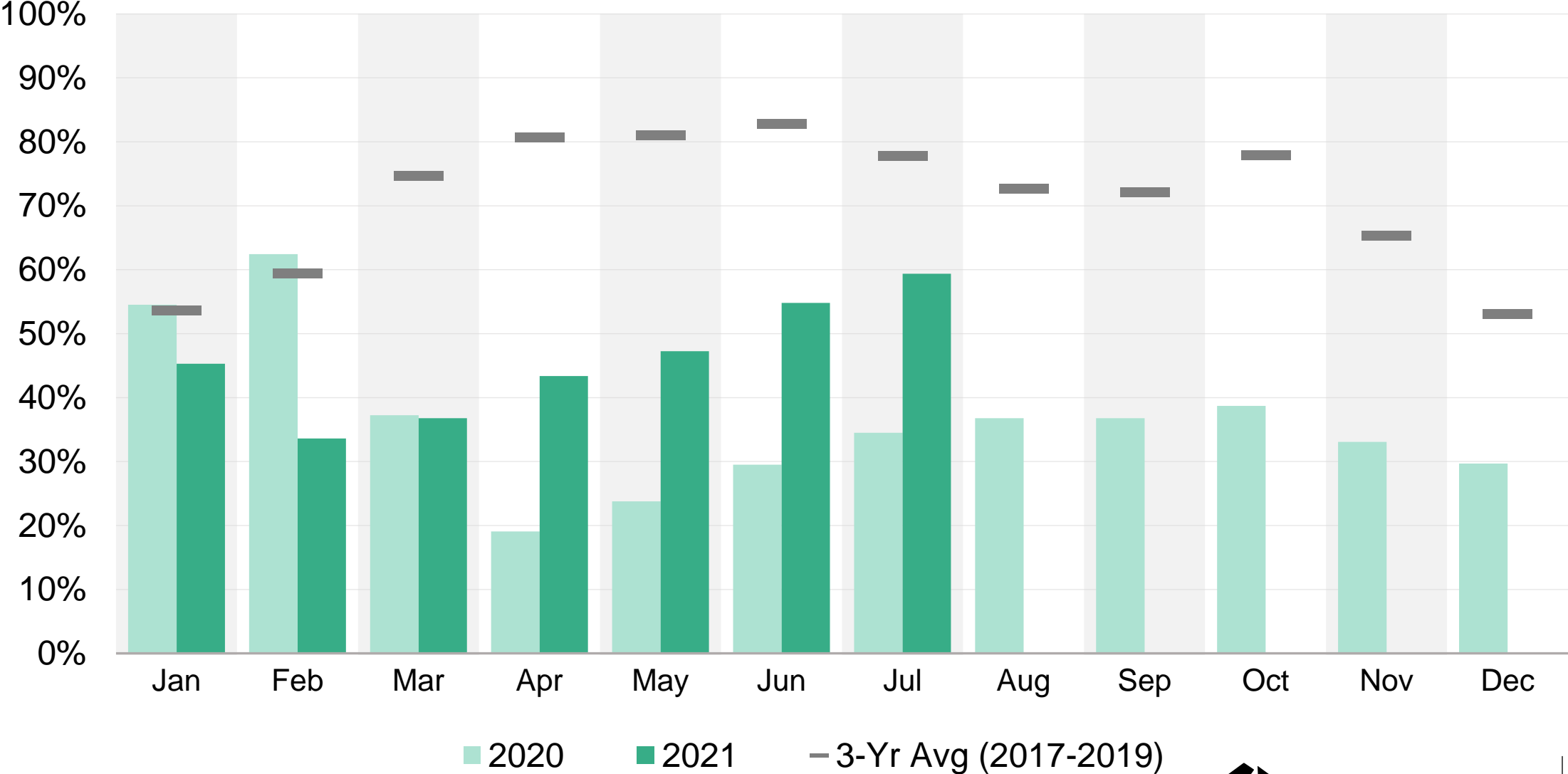
Norfolk, Virginia



Hospitality Trends

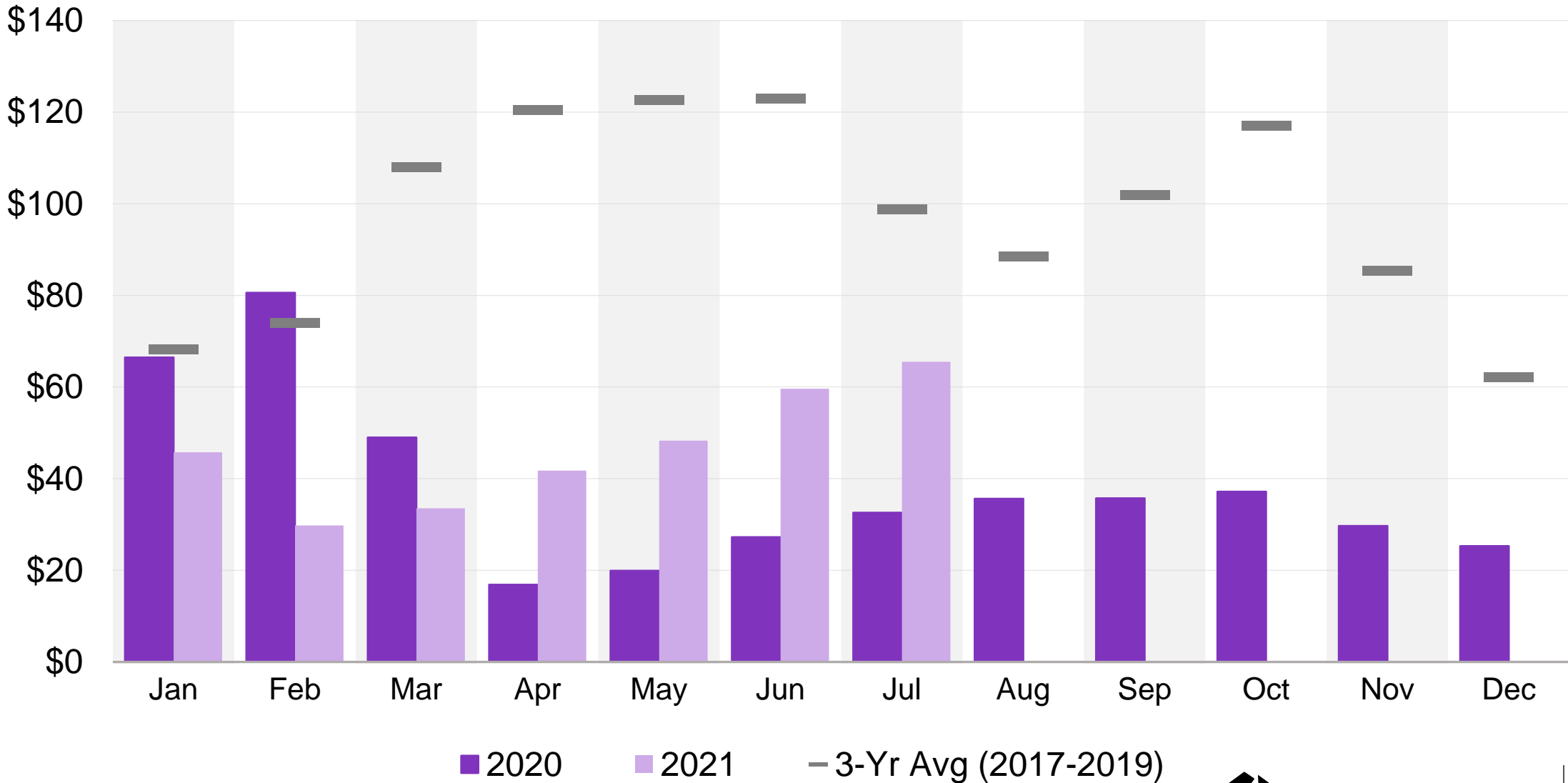
- Lodging recovery across the state remains uneven
- Labor market extremely challenging
- Headwinds expected for the 4th Quarter and into 2022
- Transaction activity increasing
- Supply pipeline muted

Northern Virginia Hotel Occupancy



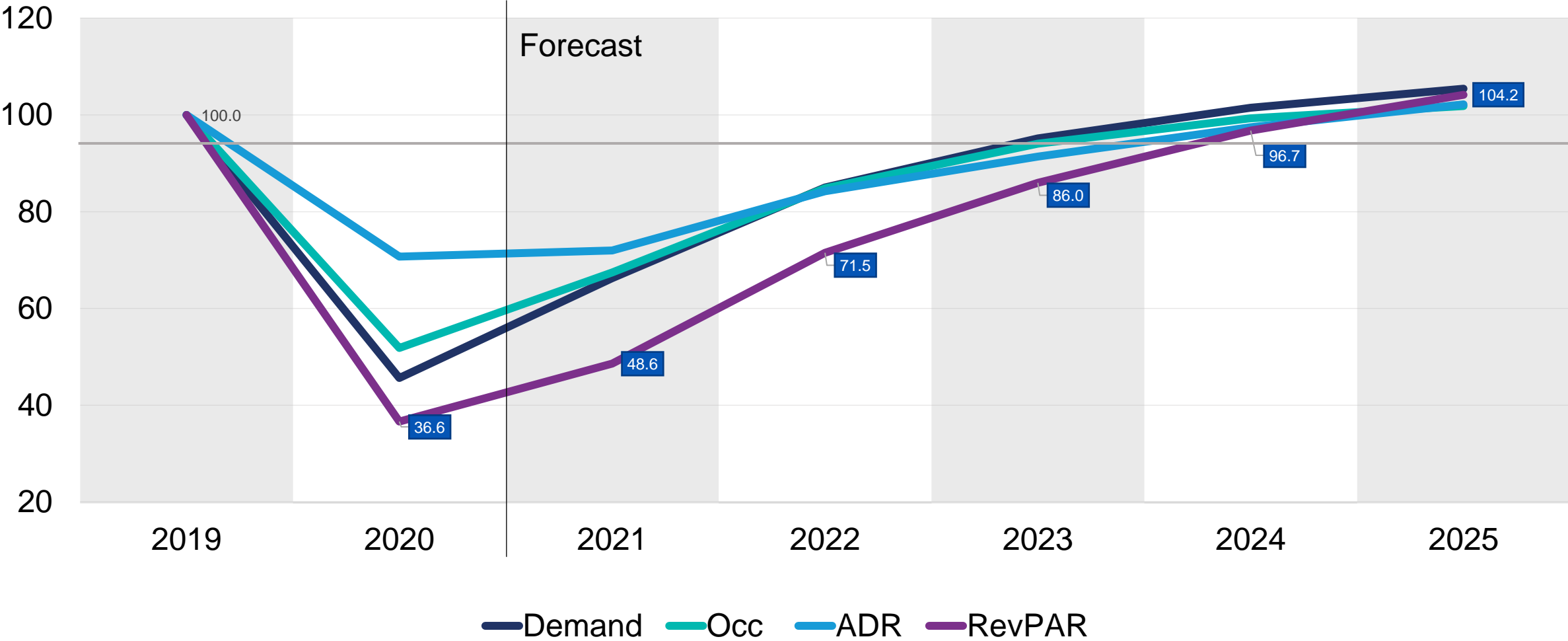
■ 2020 ■ 2021 — 3-Yr Avg (2017-2019)

Northern Virginia RevPAR



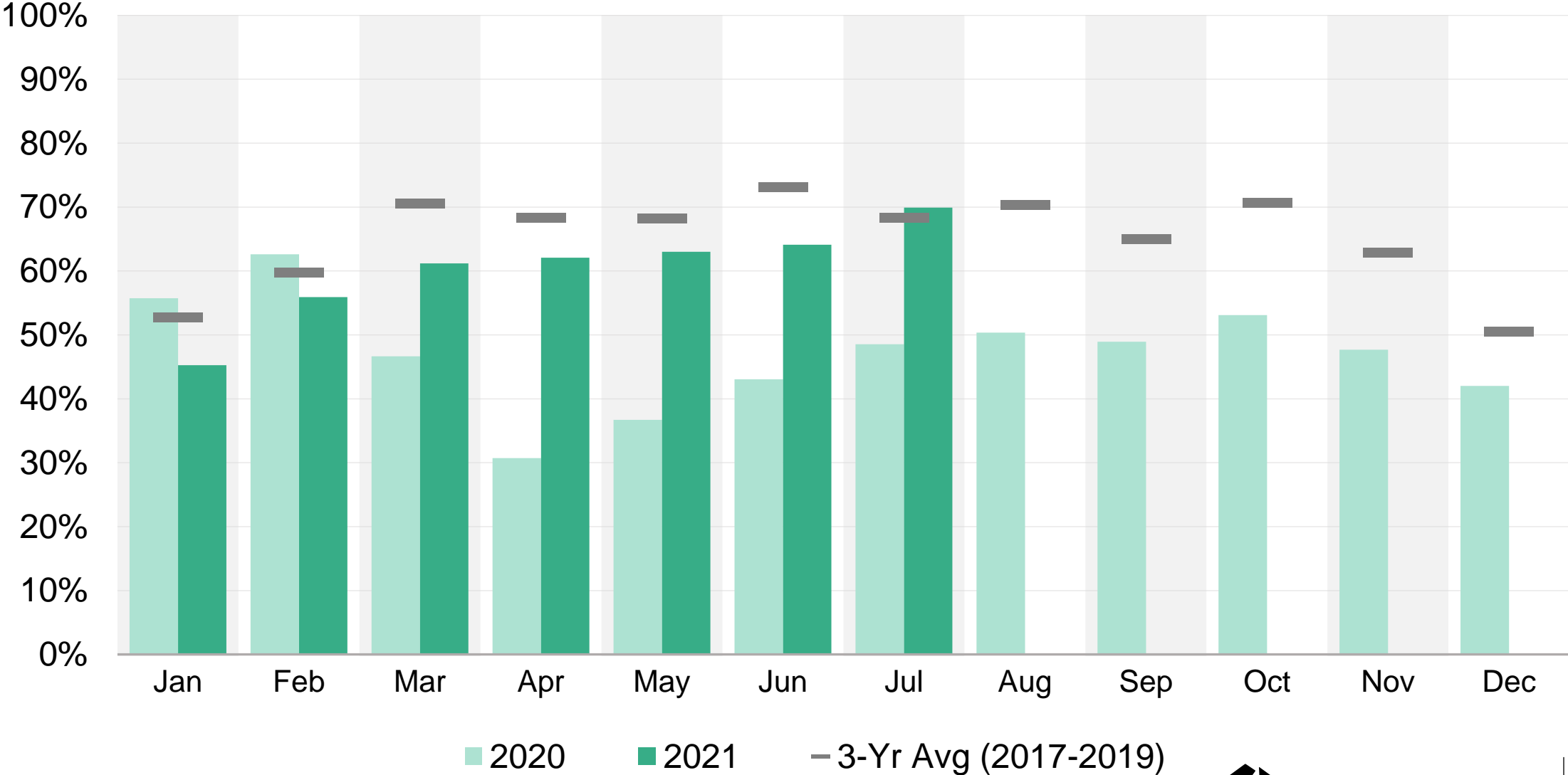
■ 2020 ■ 2021 — 3-Yr Avg (2017-2019)

DC Region Recovery Forecast



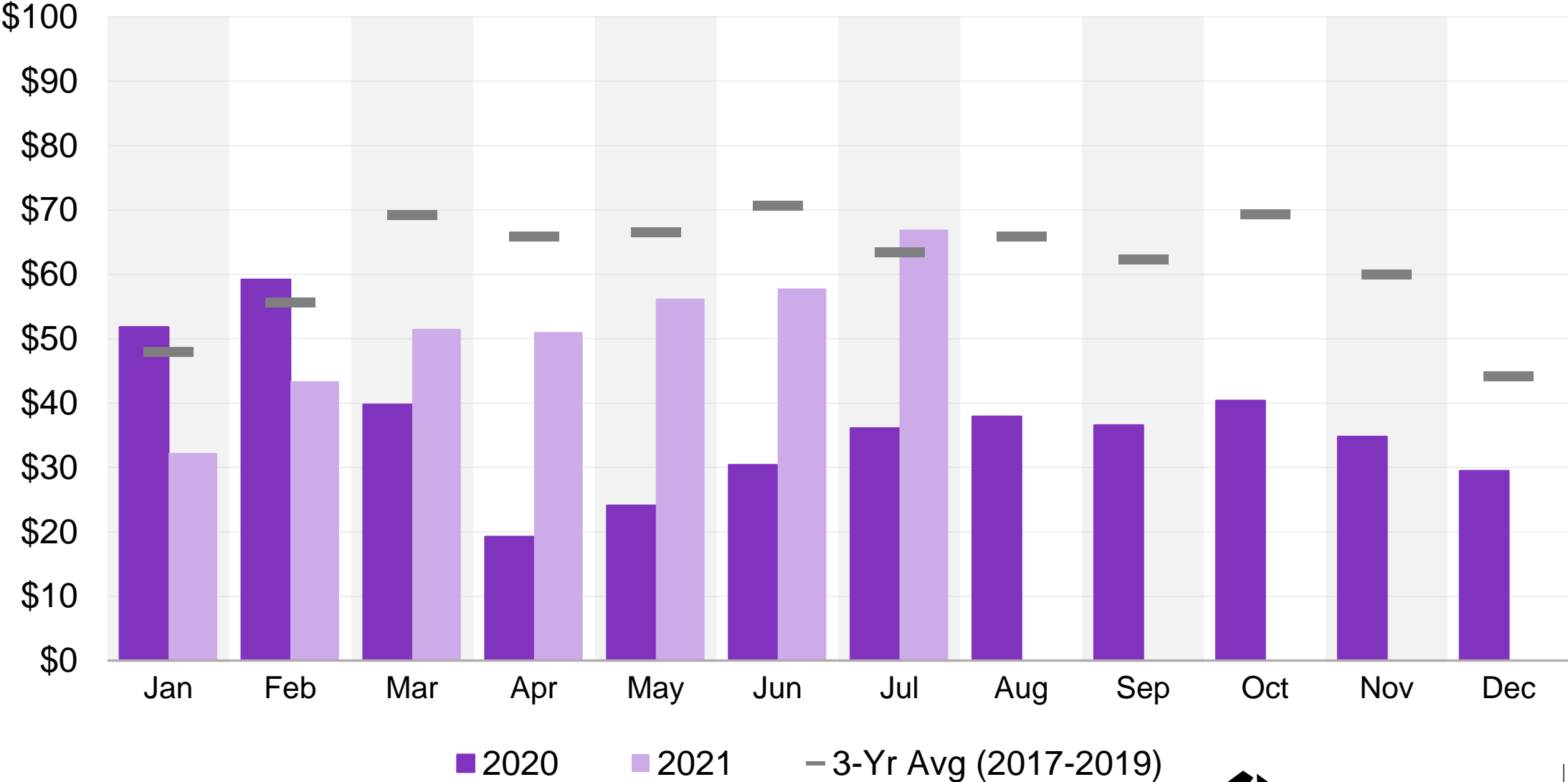
Indexed to end of 2019
 Source: Tourism Economics, an Oxford Economics Company

Richmond Hotel Occupancy

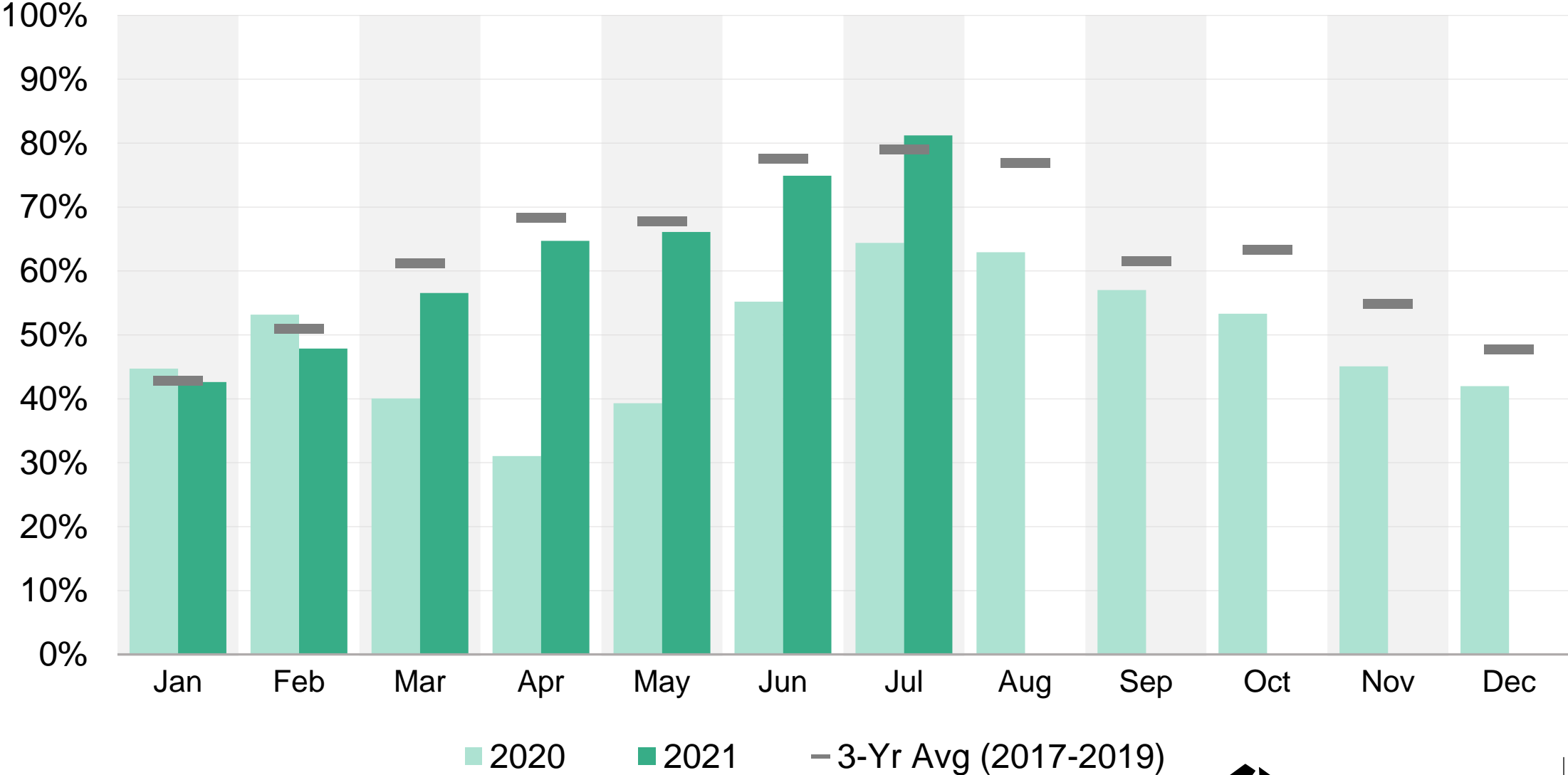


■ 2020 ■ 2021 — 3-Yr Avg (2017-2019)

Richmond RevPAR

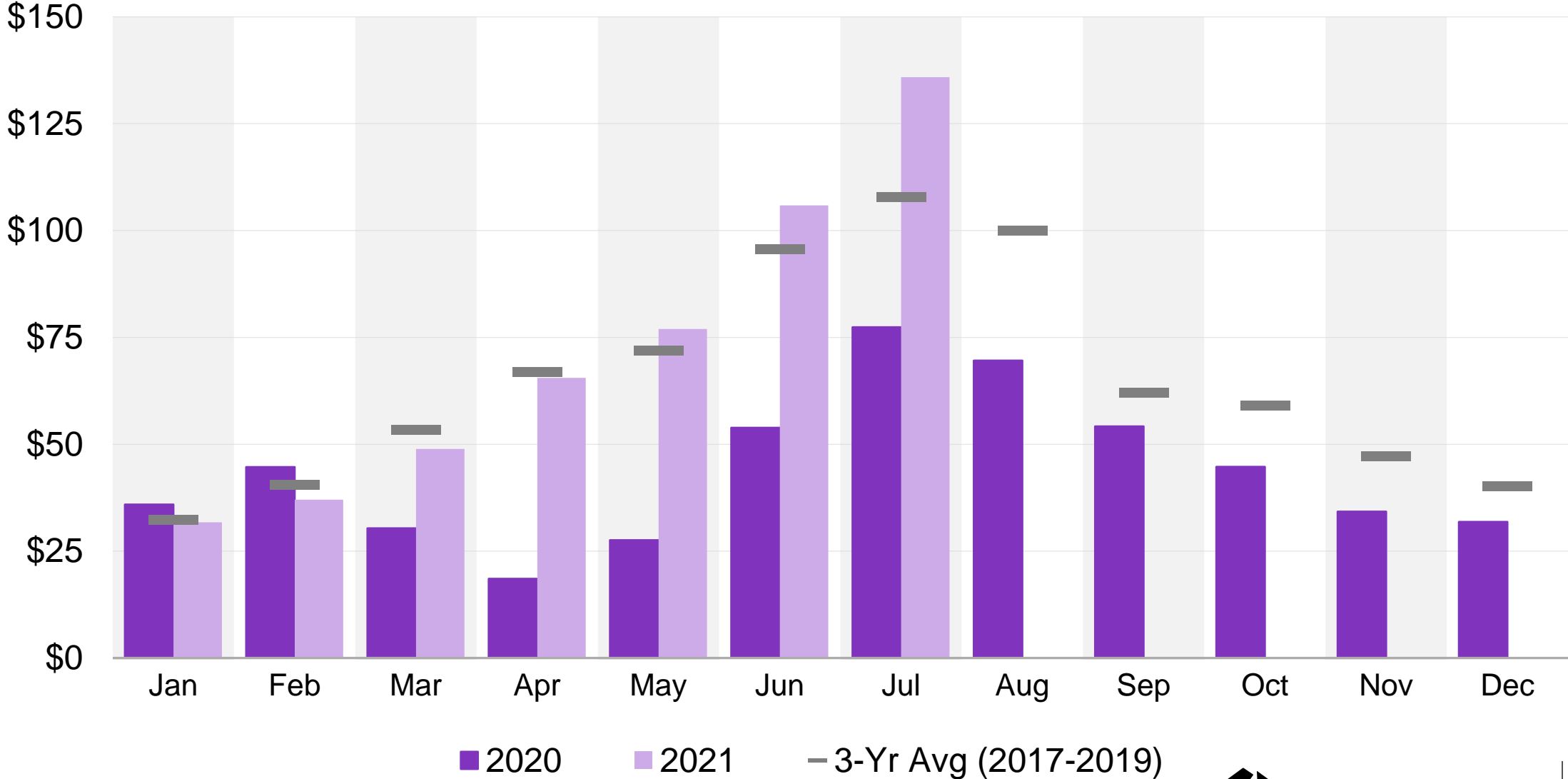


Hampton Roads Hotel Occupancy

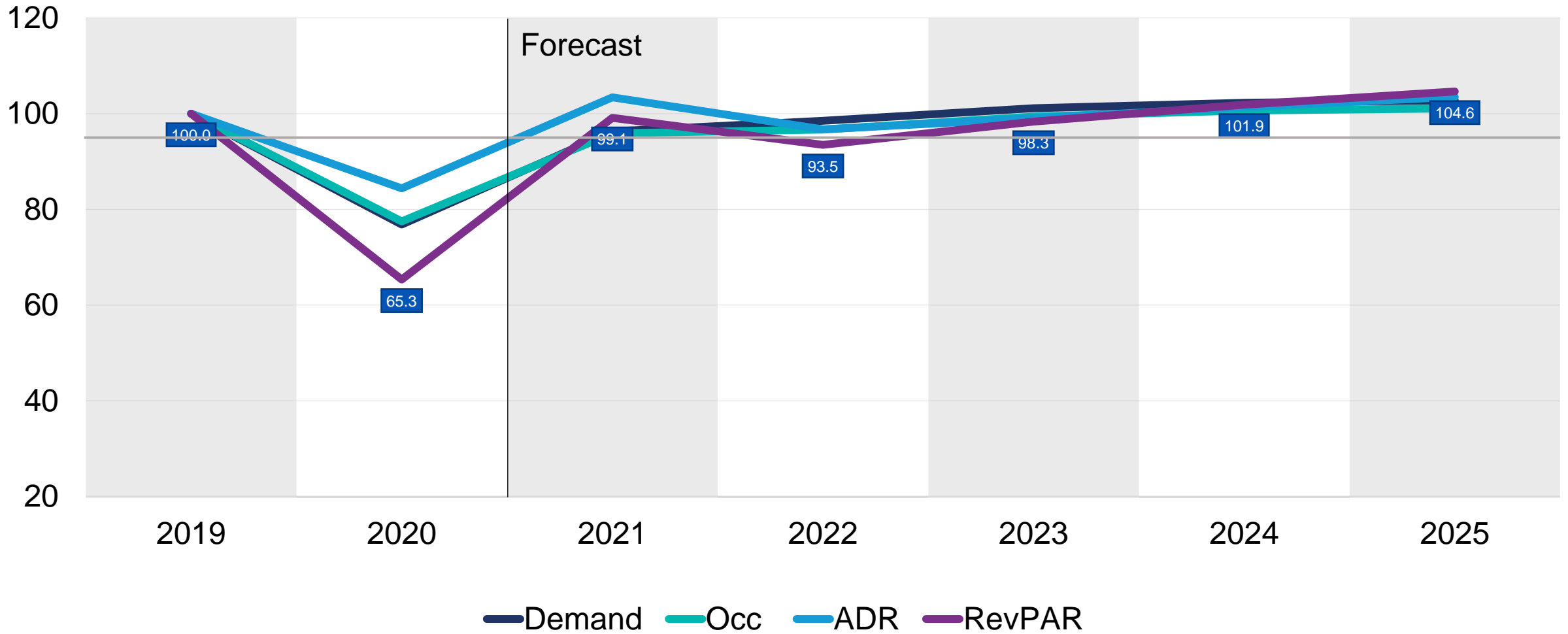


2020 2021 - 3-Yr Avg (2017-2019)

Hampton Roads RevPAR



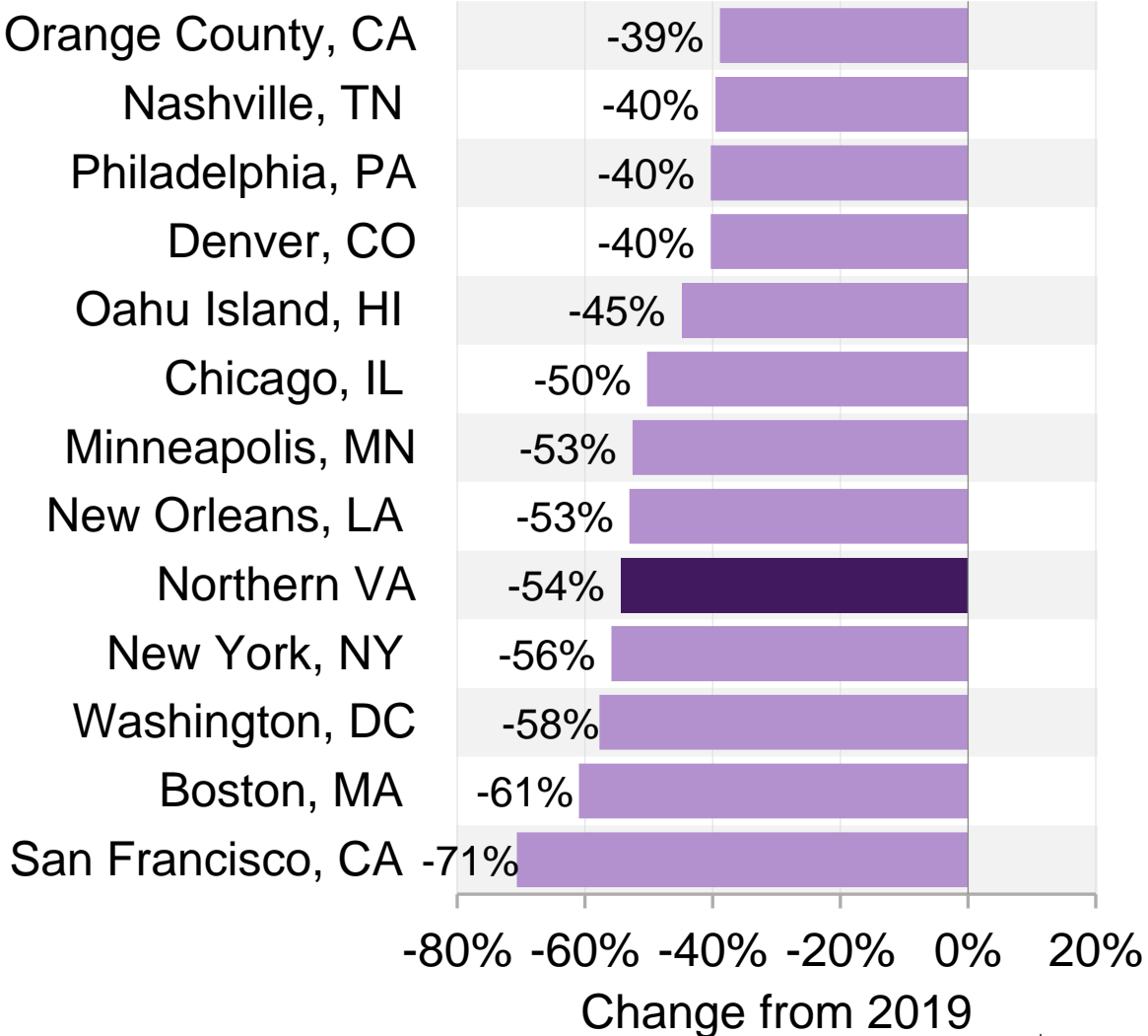
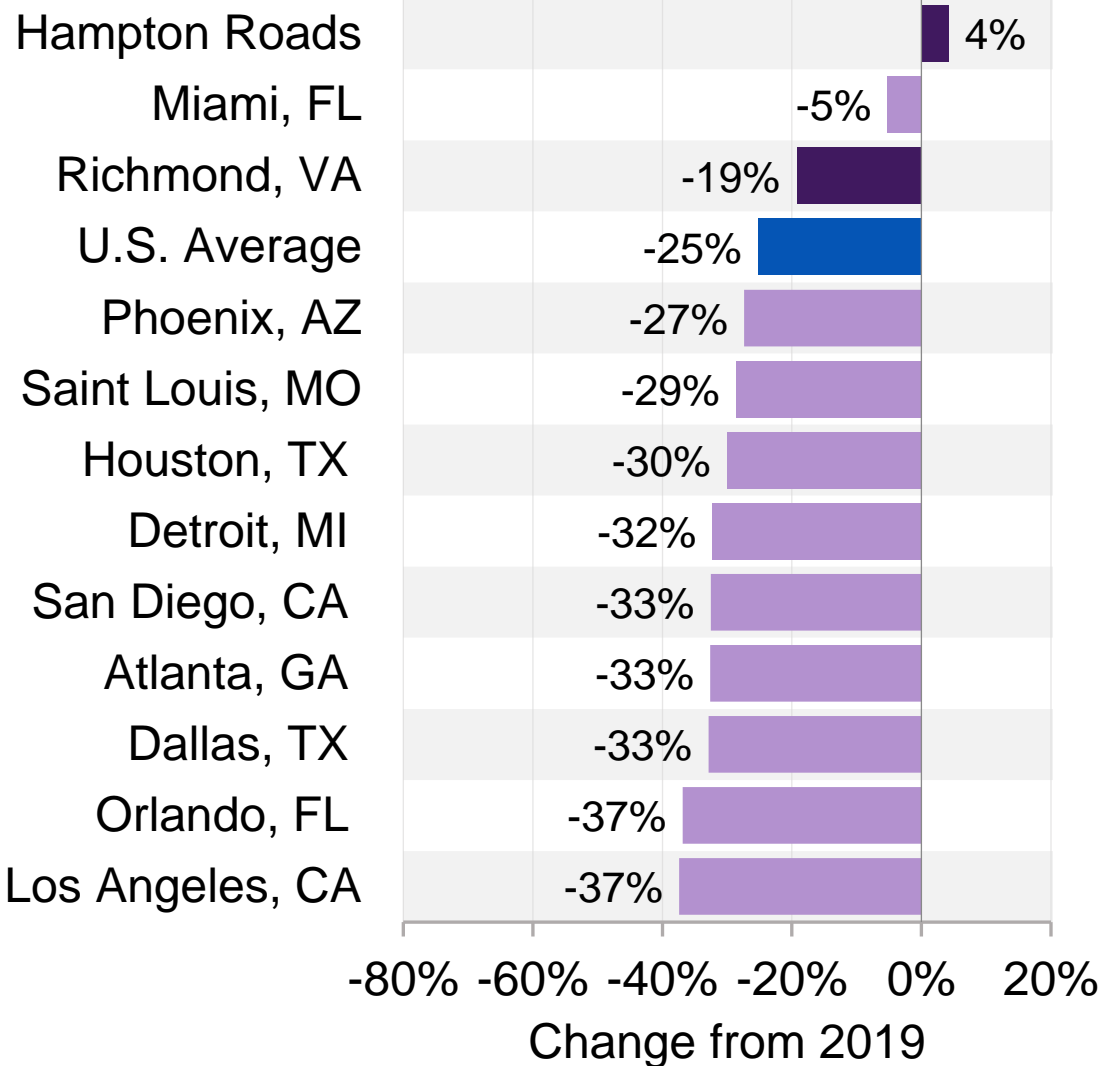
Tidewater Region Recovery Forecast



Indexed to end of 2019

Source: Tourism Economics, an Oxford Economics Company

RevPAR Percent Change in Other U.S. Markets

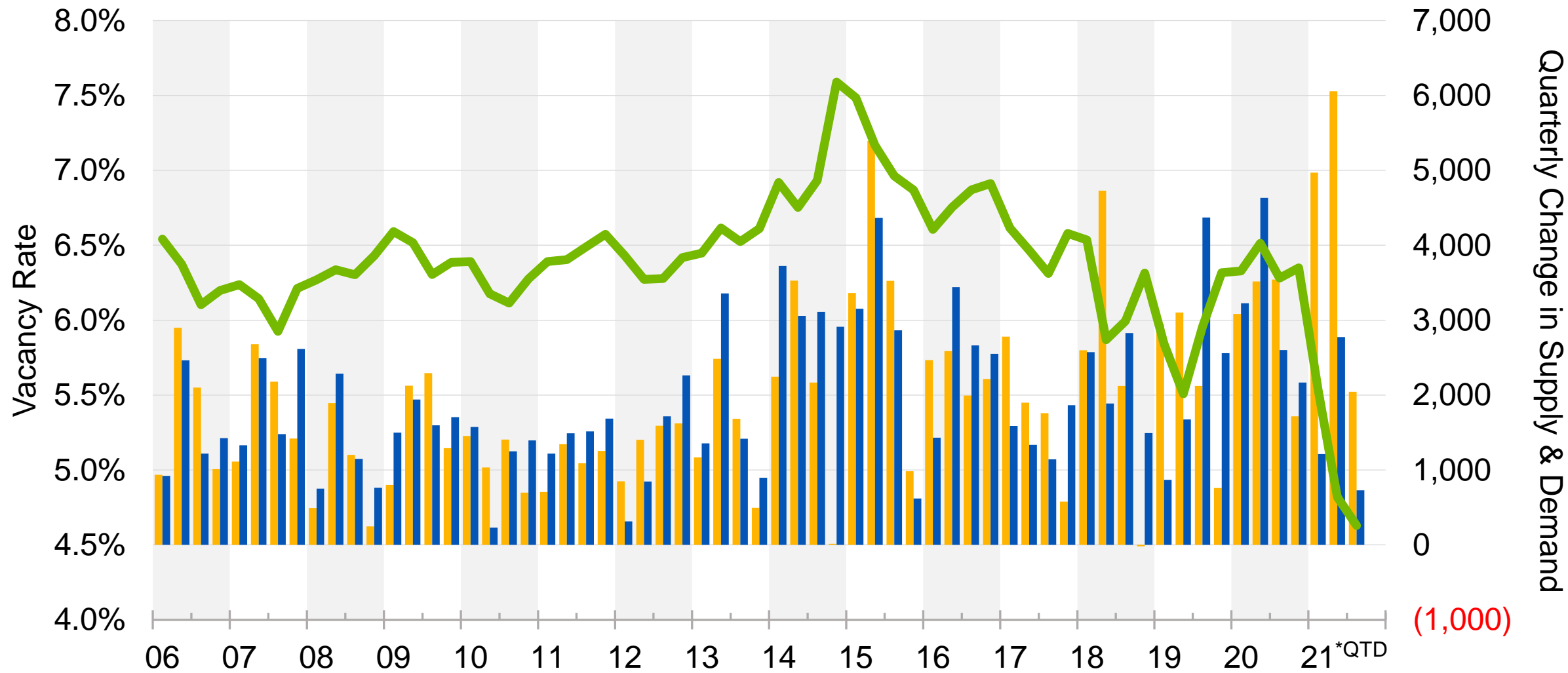


■ YTD Jul-21

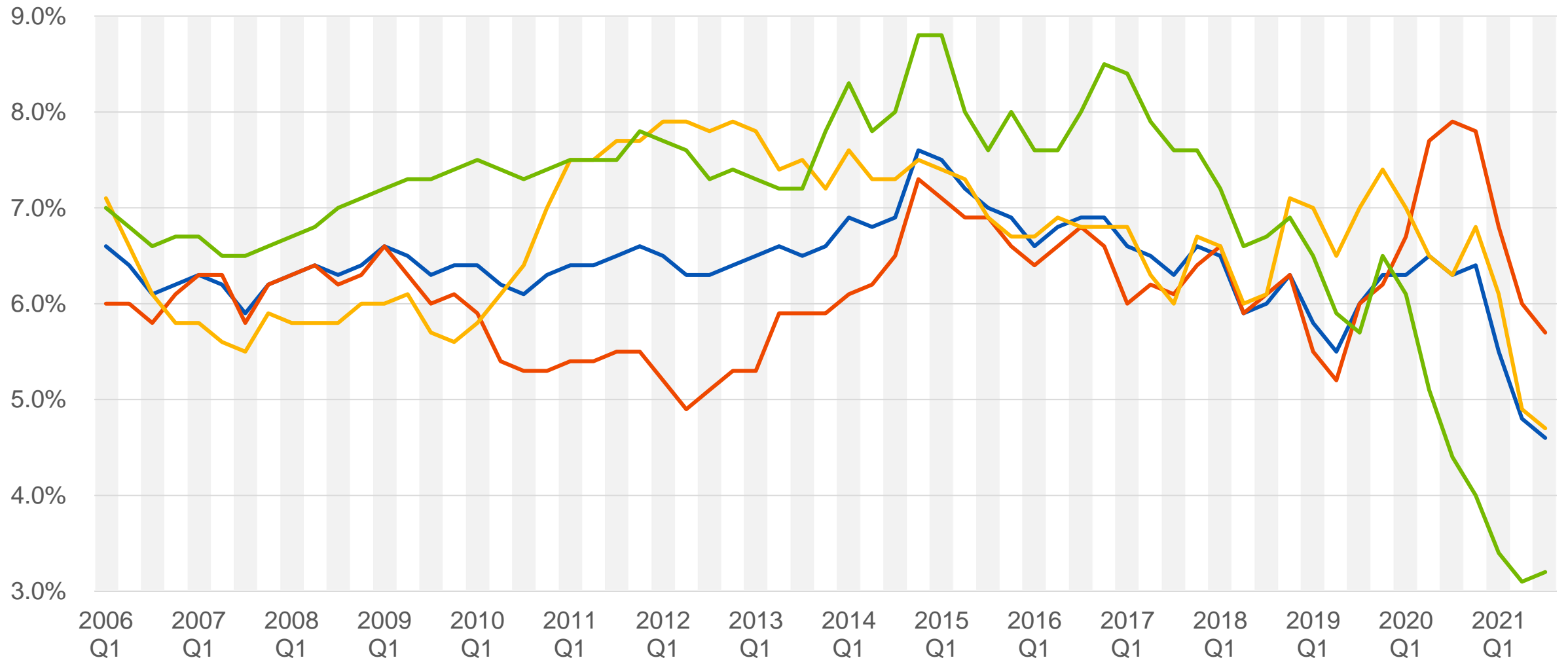
Multifamily Trends

- Recovery is well underway across Virginia...and the country
- Renters returning to urban neighborhoods, still prefer suburbs
- Construction concentrated to growth neighborhoods
- Rents now more expensive than pre-pandemic

Virginia Multifamily Fundamentals



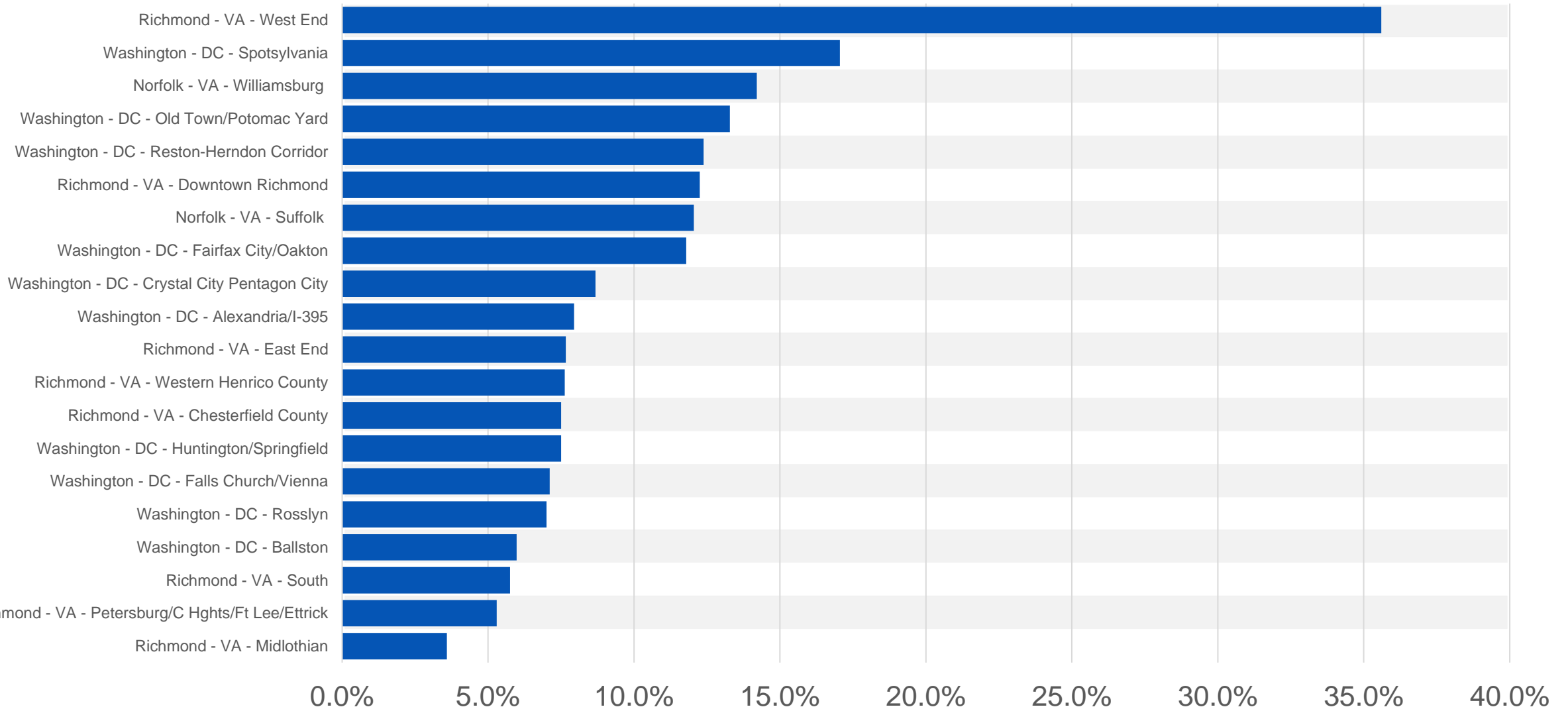
COVID-19's Impact on Urban NoVA



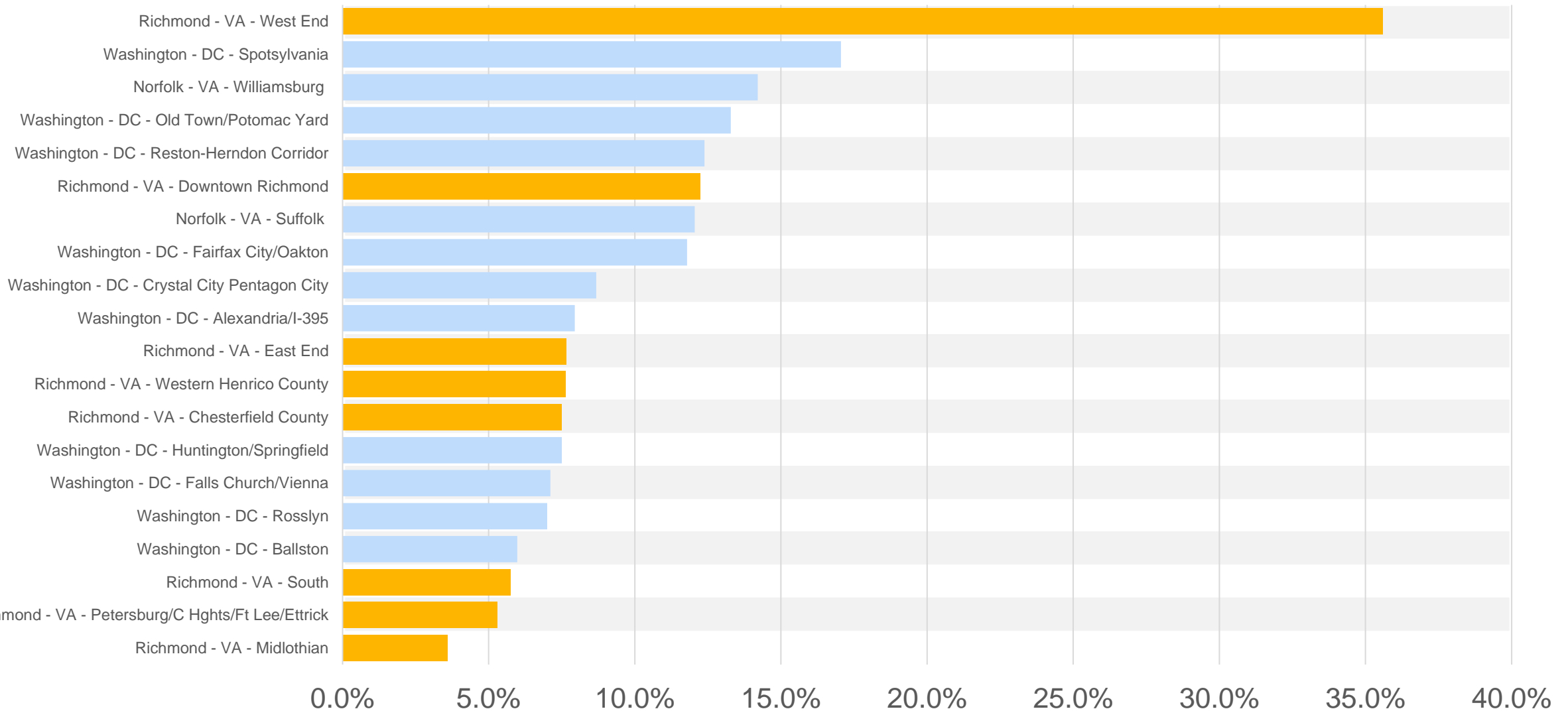
— Virginia — NoVA — Richmond — Norfolk

Vacancy Rate by Market

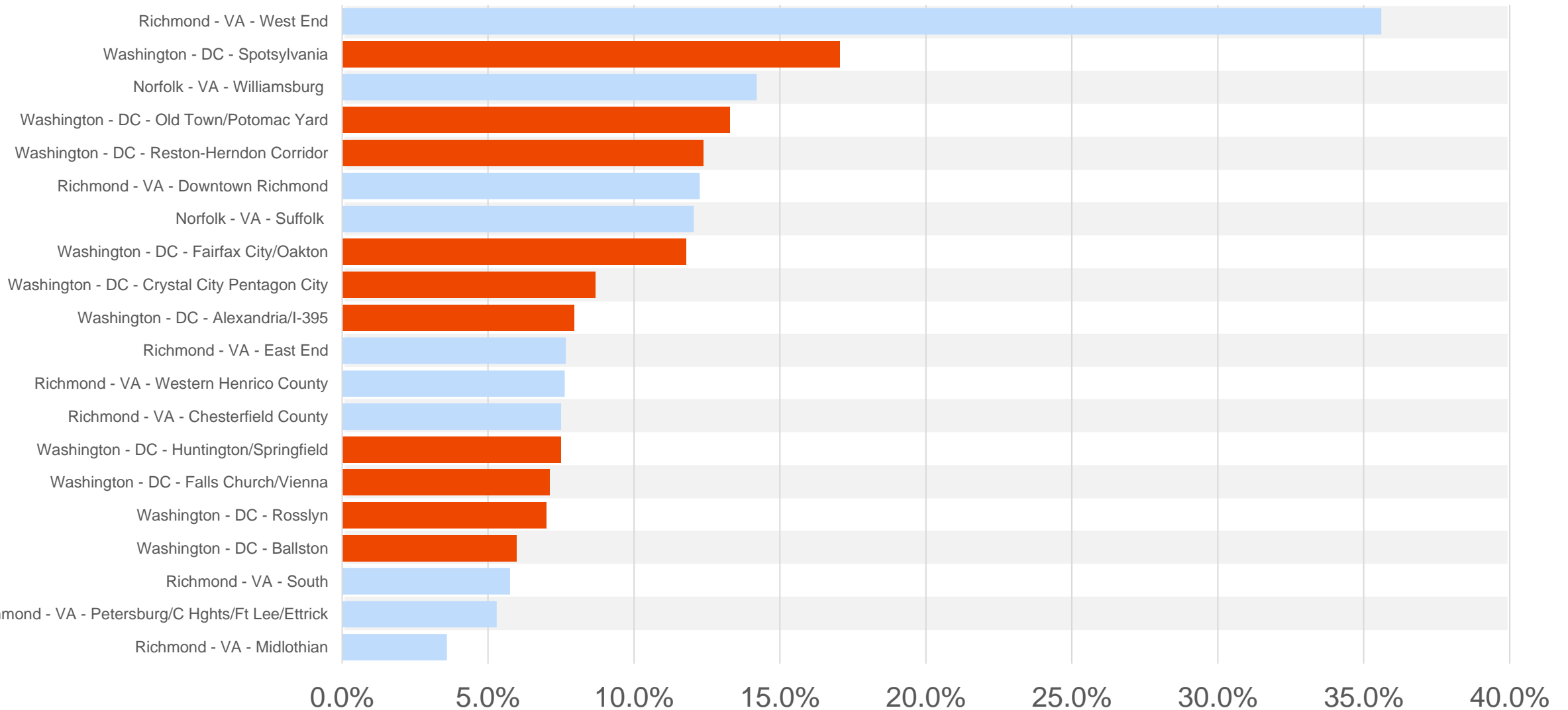
Construction Concentrated to Emerging Neighborhoods



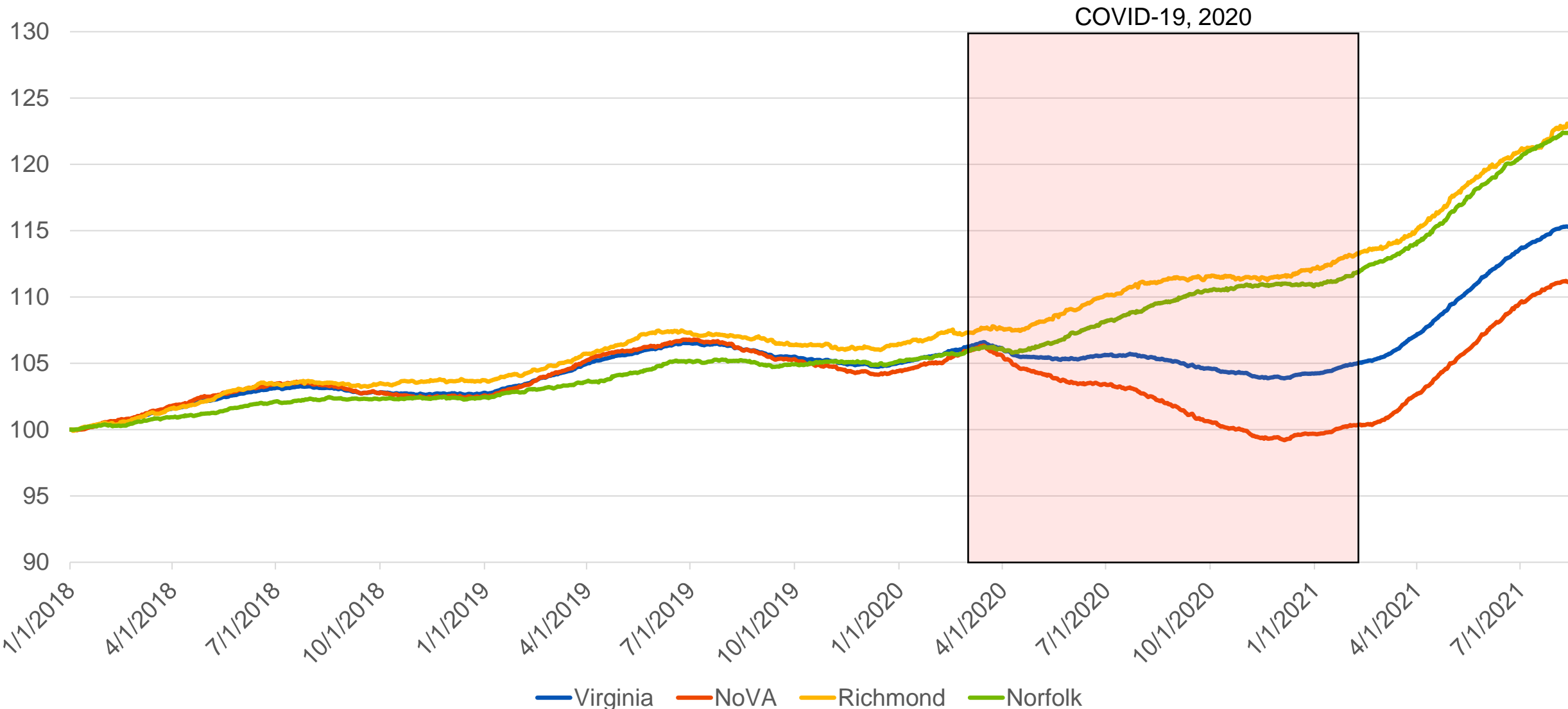
Under Construction Relative to Stock



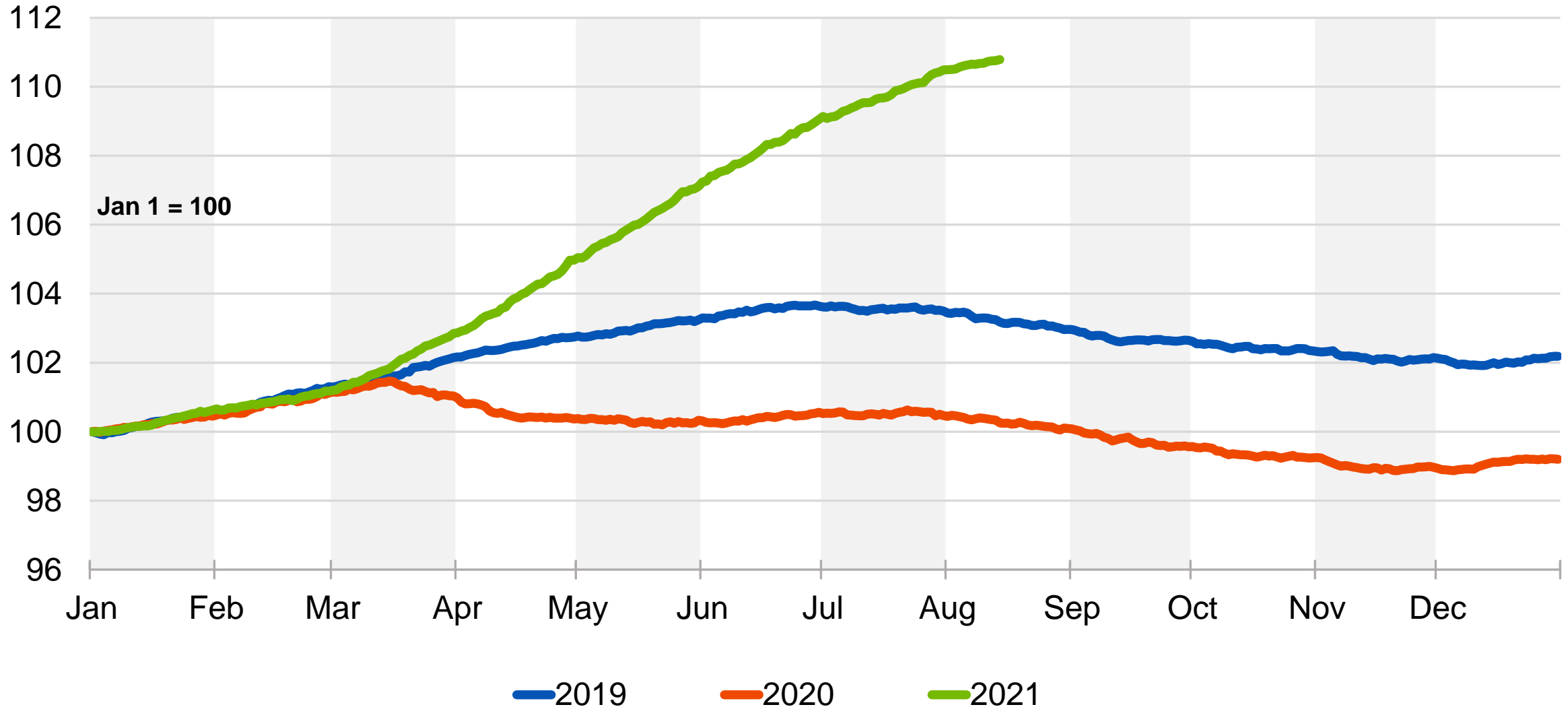
Suburban Development in NoVA



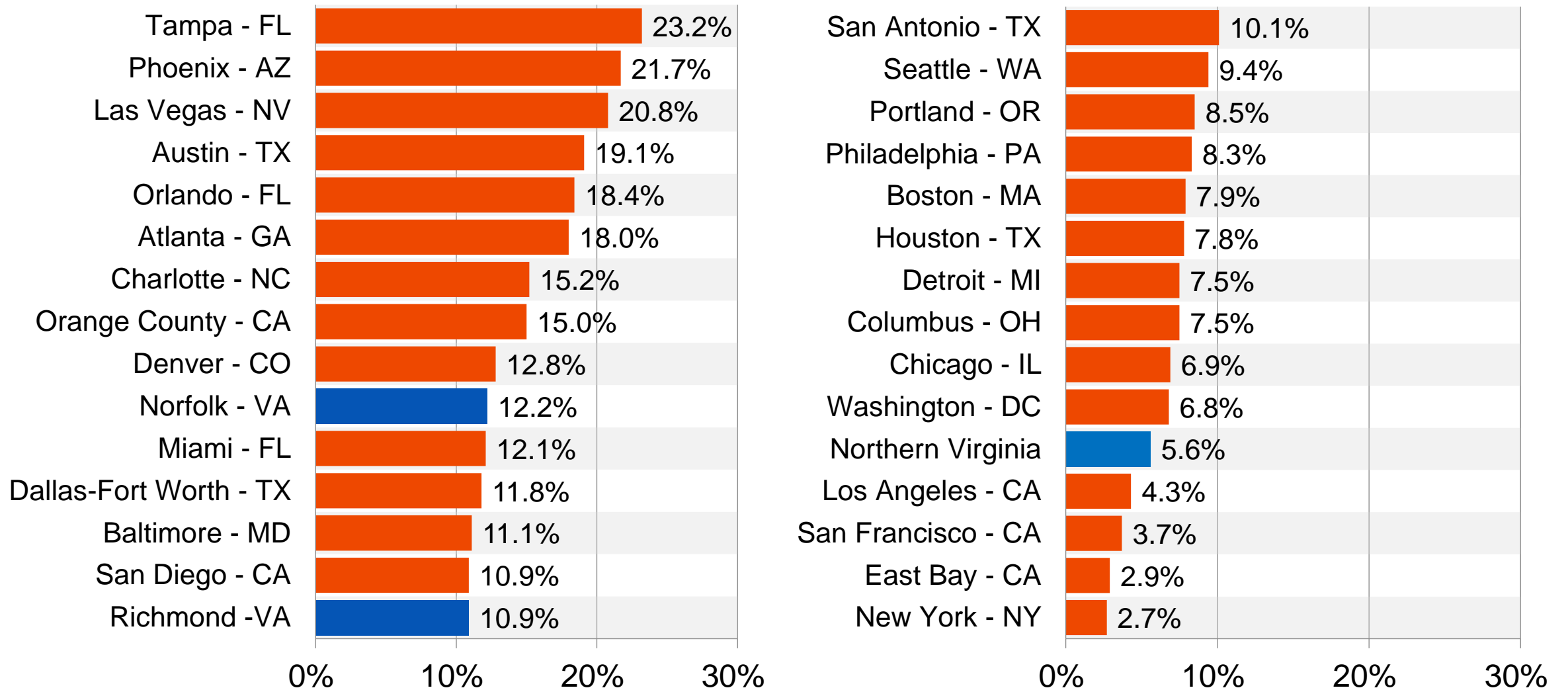
Rents Rebounding Across Virginia



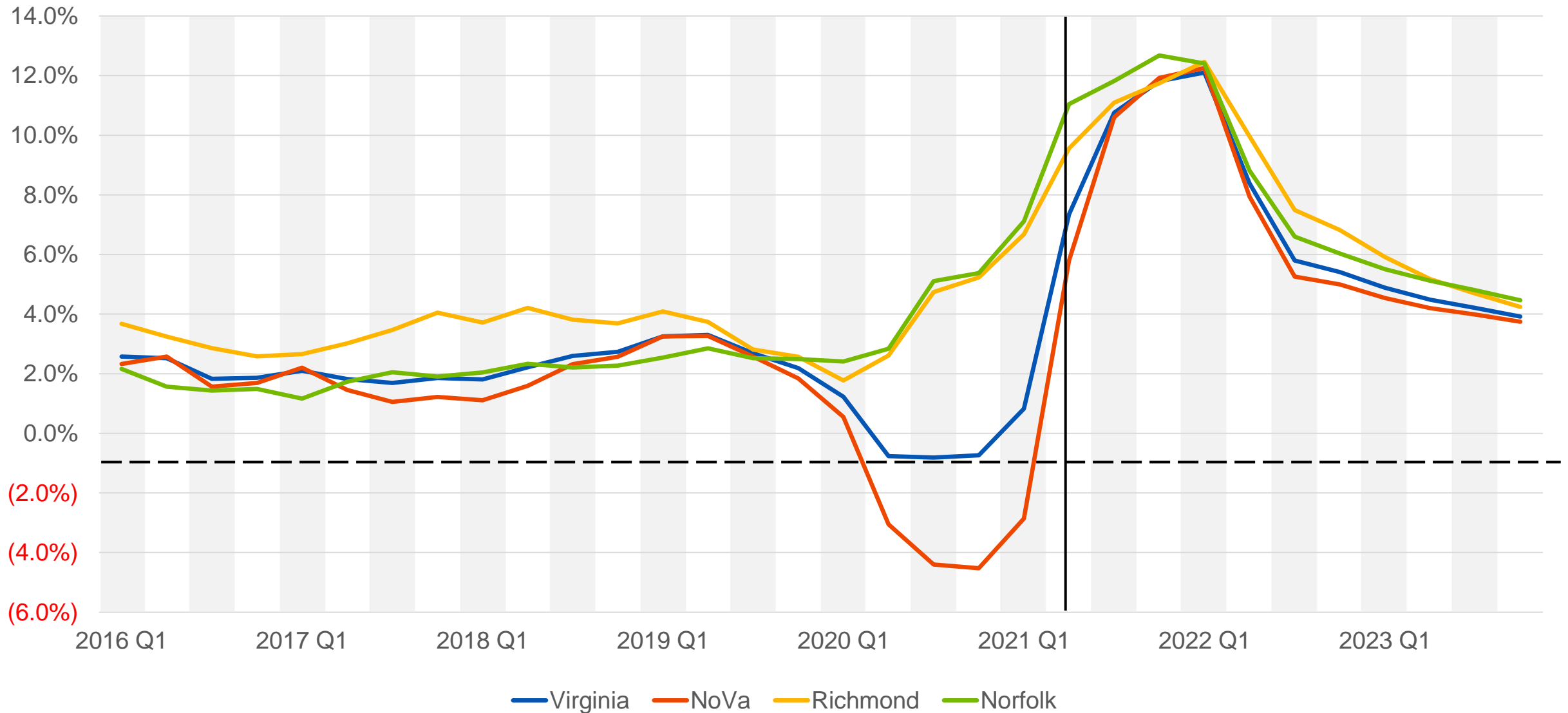
A Tale of Two Years



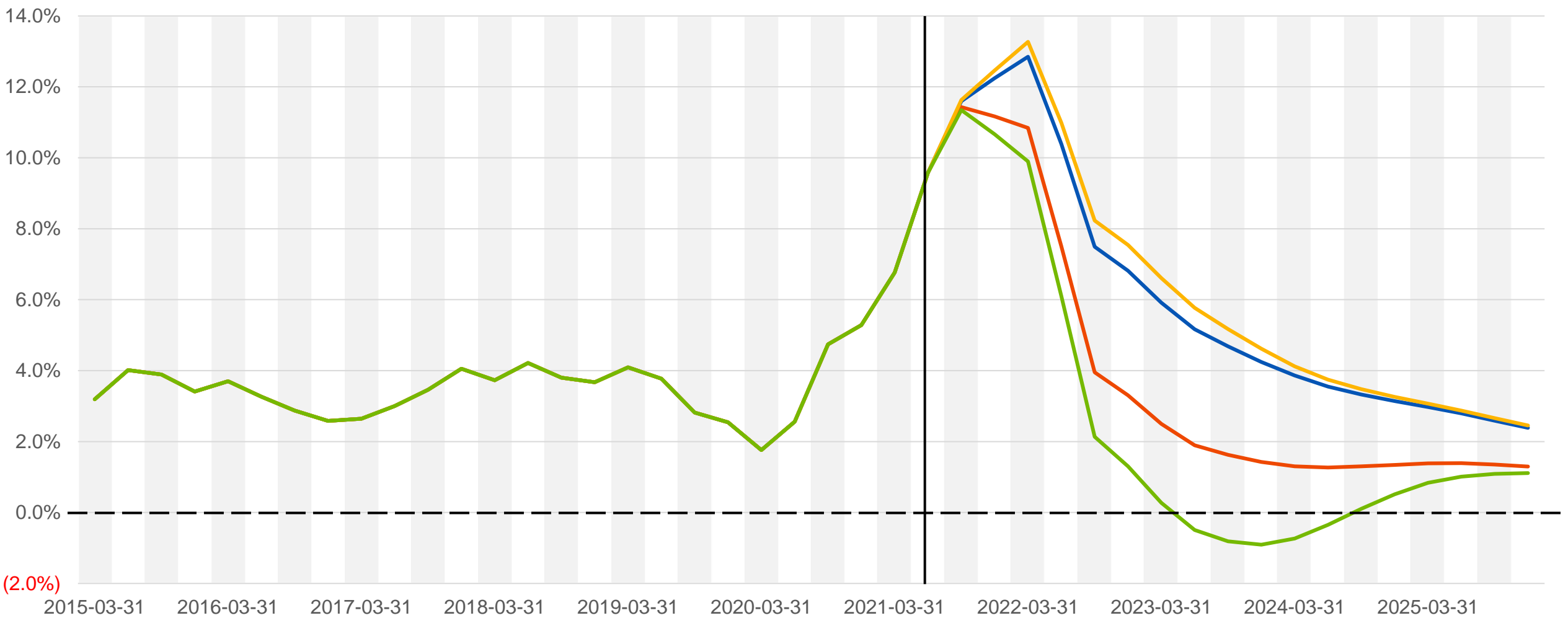
Nationwide Rebound in Rents



Rent Momentum Could Continue



Richmond Multifamily Rent Growth Scenarios



— Oxford Economics Baseline

— Oxford Economics Moderate Downside

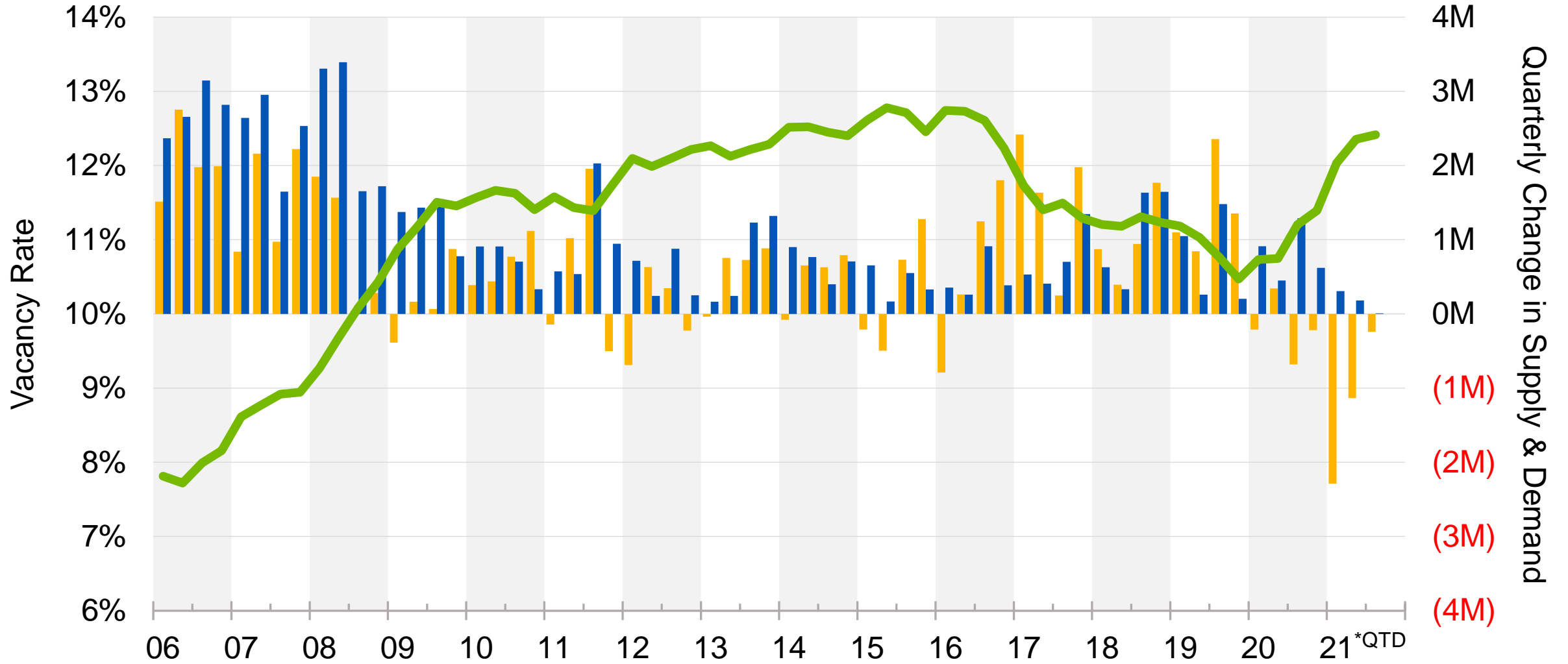
— Oxford Economics Moderate Upside

— Oxford Economics Severe Downside

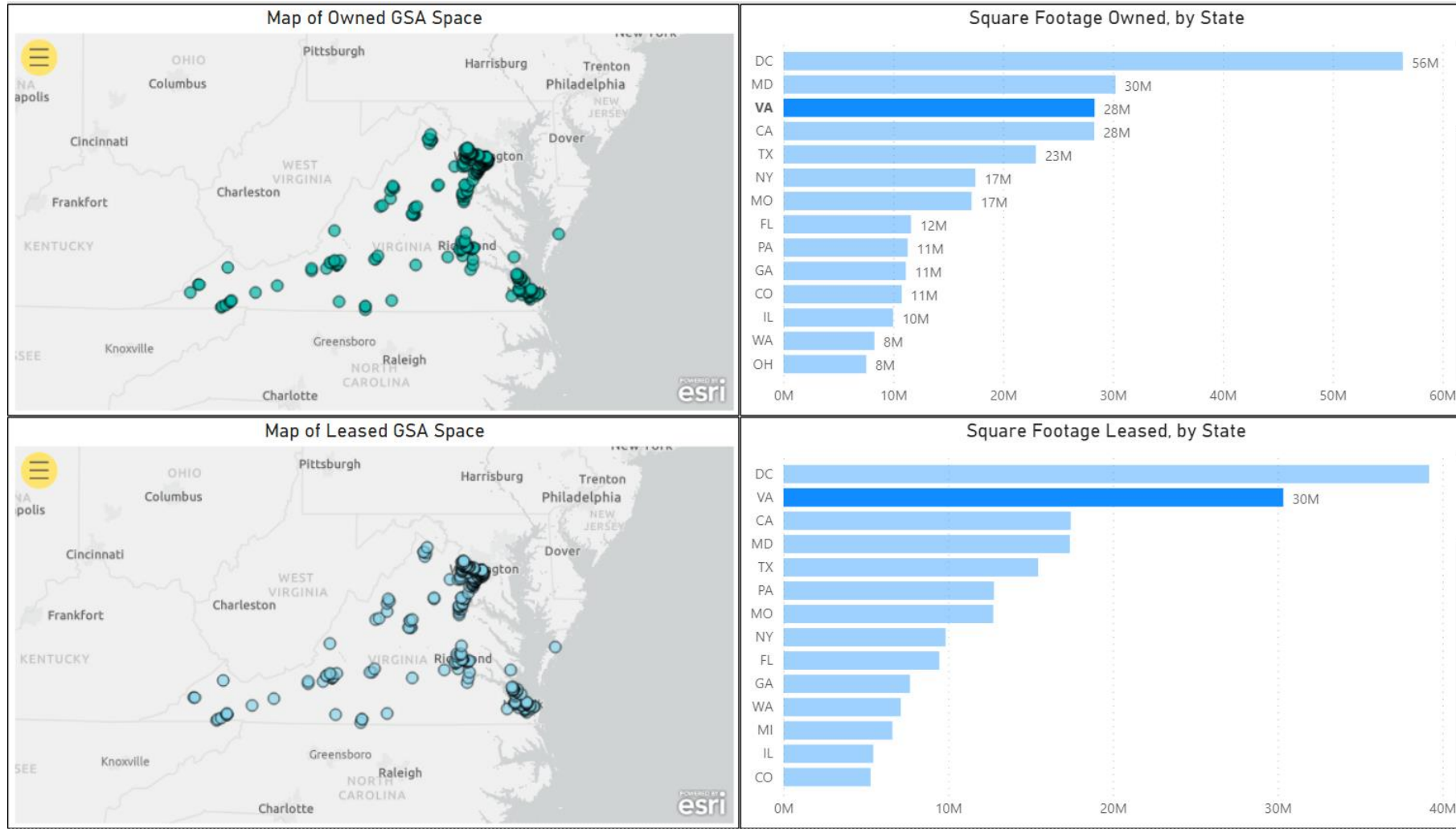
Office Trends

- Future Of Office Is Still Uncertain At This Point
- Supply Wave Continues, But Concentrated
- Leasing Activity Improving, Sublet Availability Moderating
- Negative Absorption Weighing on Rent Growth

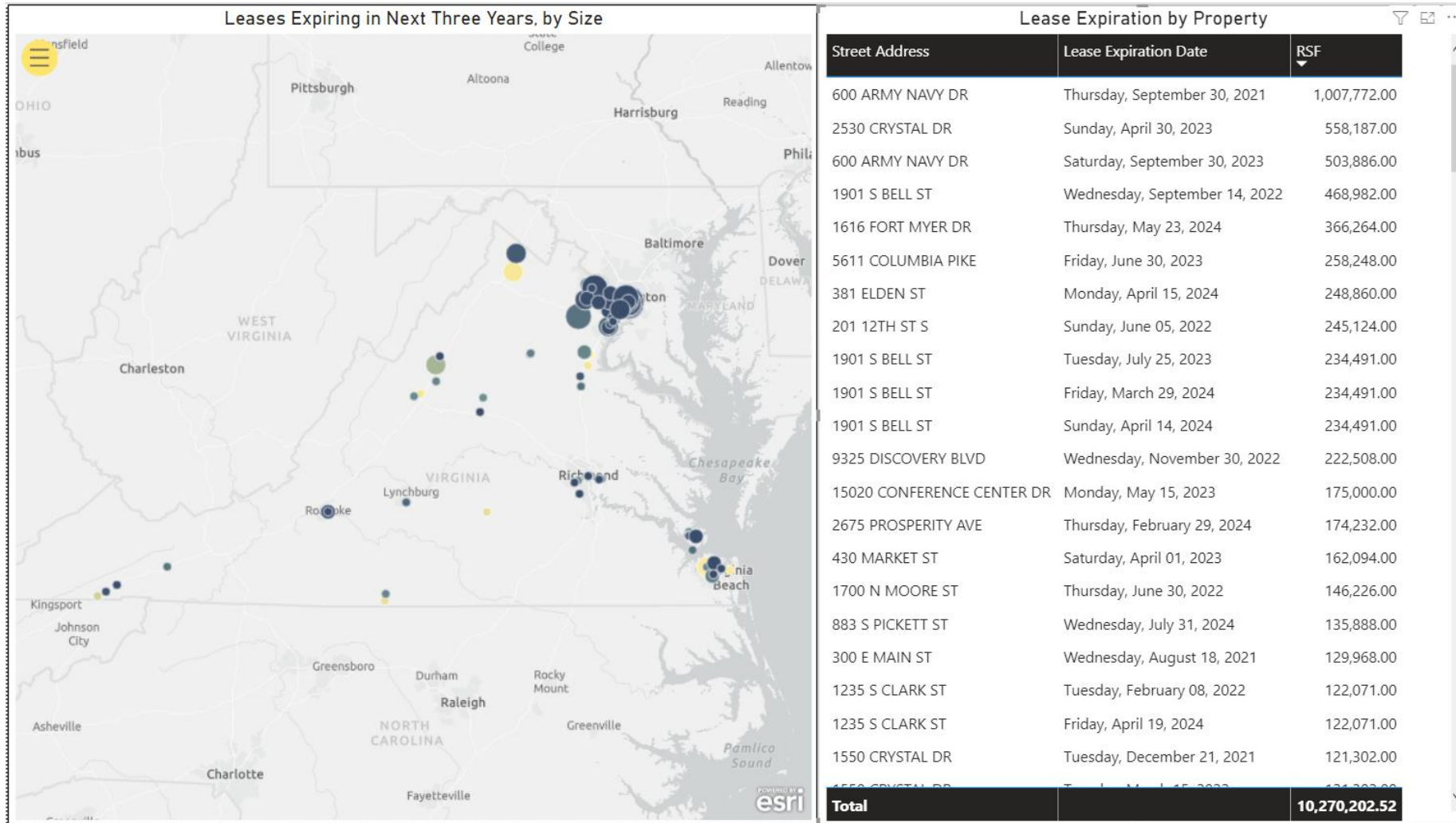
Virginia Office Fundamentals



GSA impact on Virginia: More Owned Space

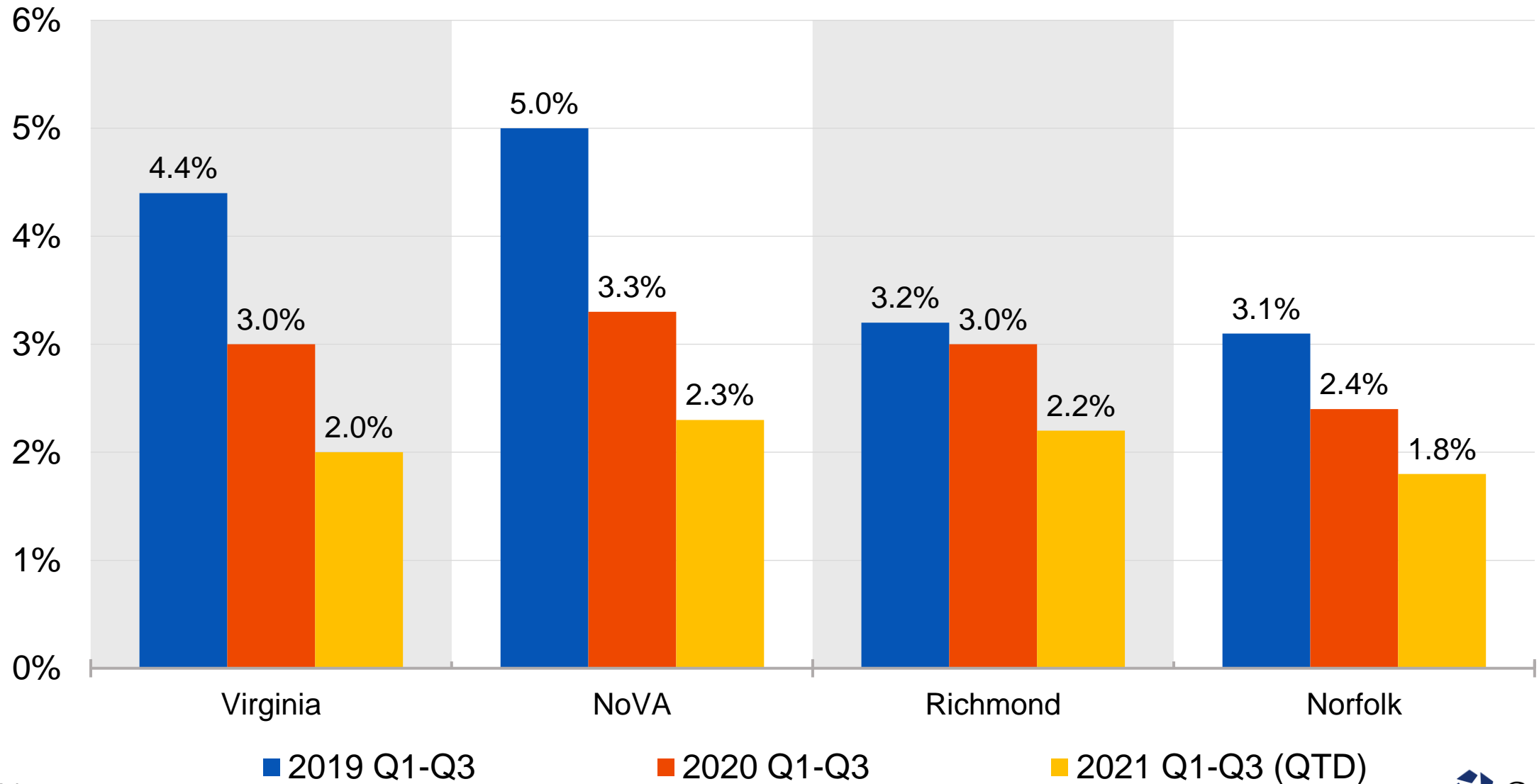


GSA leases expiring in next three years

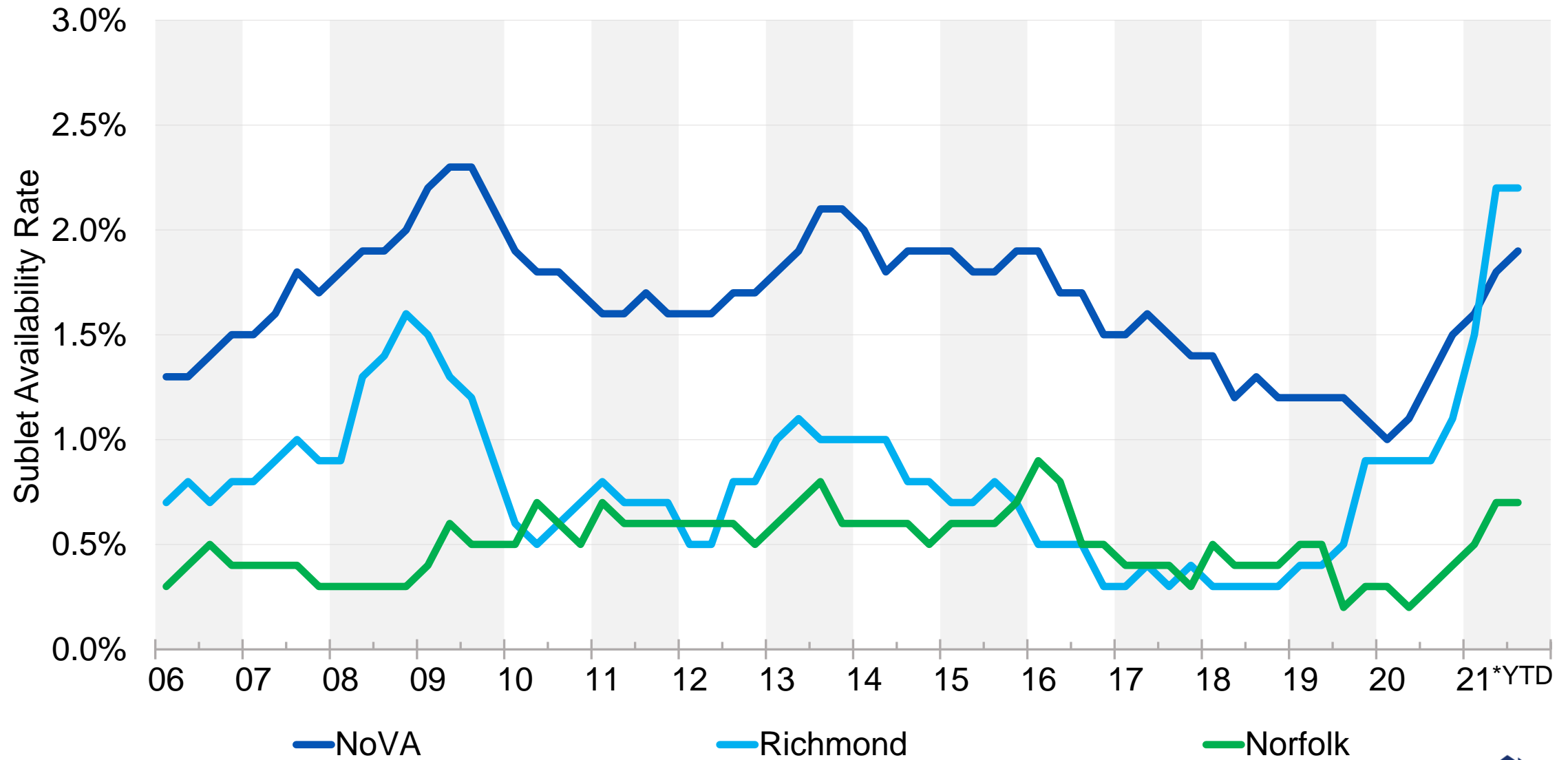


Map shows properties with leases set to expire in next three years in Virginia
 Lighter the color, the nearest the expiration date
 Size of the bubble represents size of lease

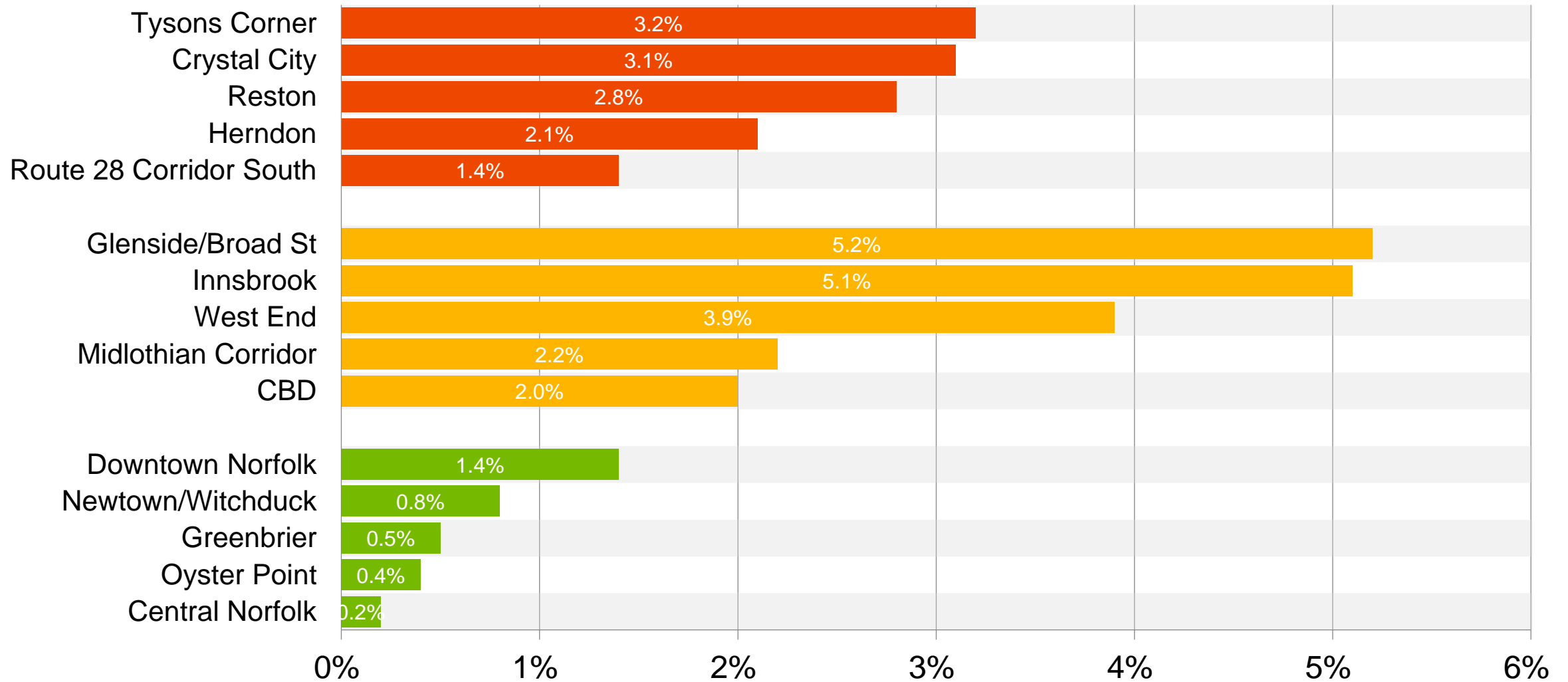
Office Leasing Down Across Virginia



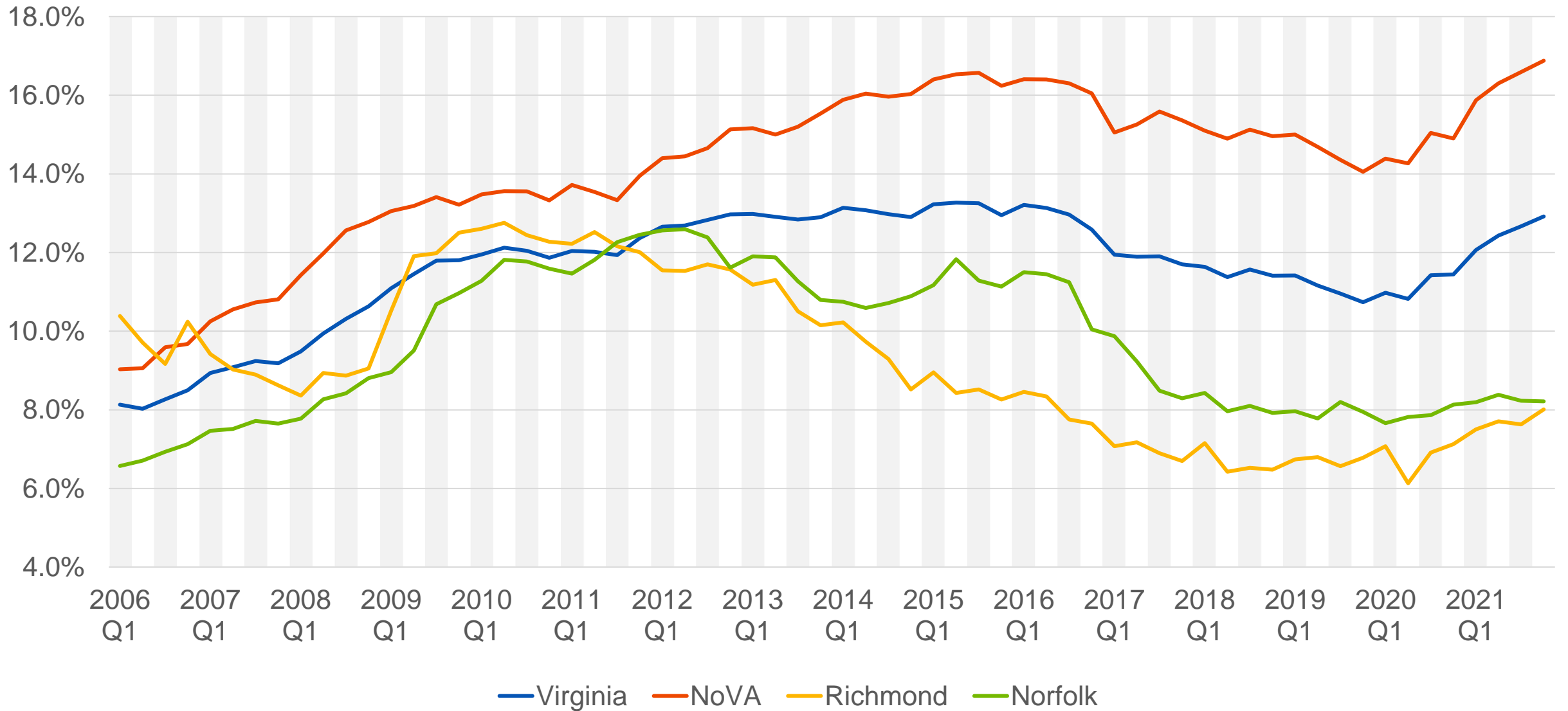
COVID-19 Caused a Spike in Sublet Space



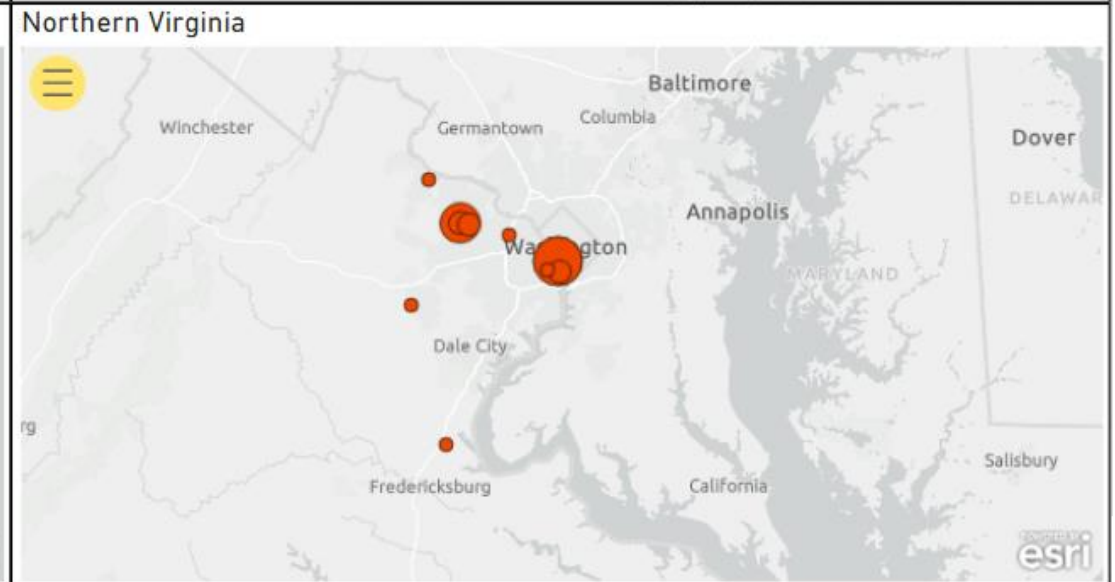
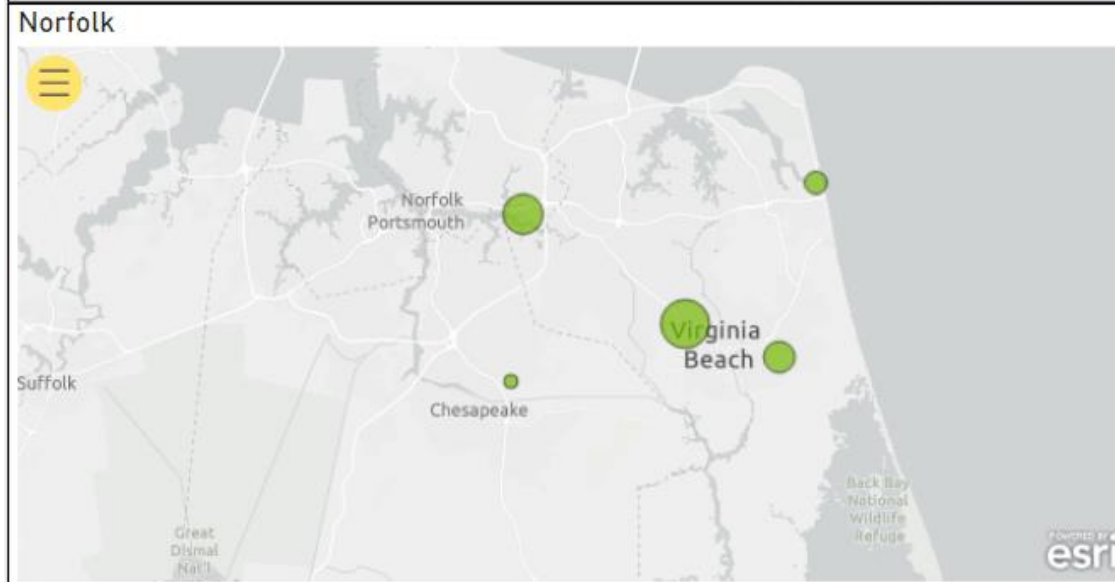
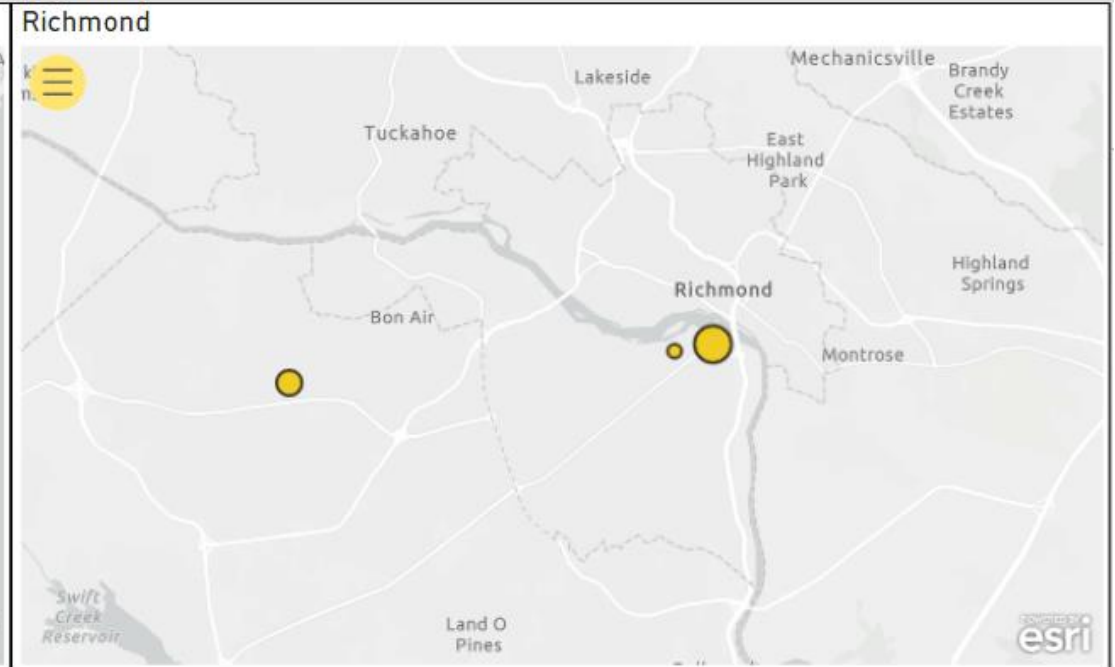
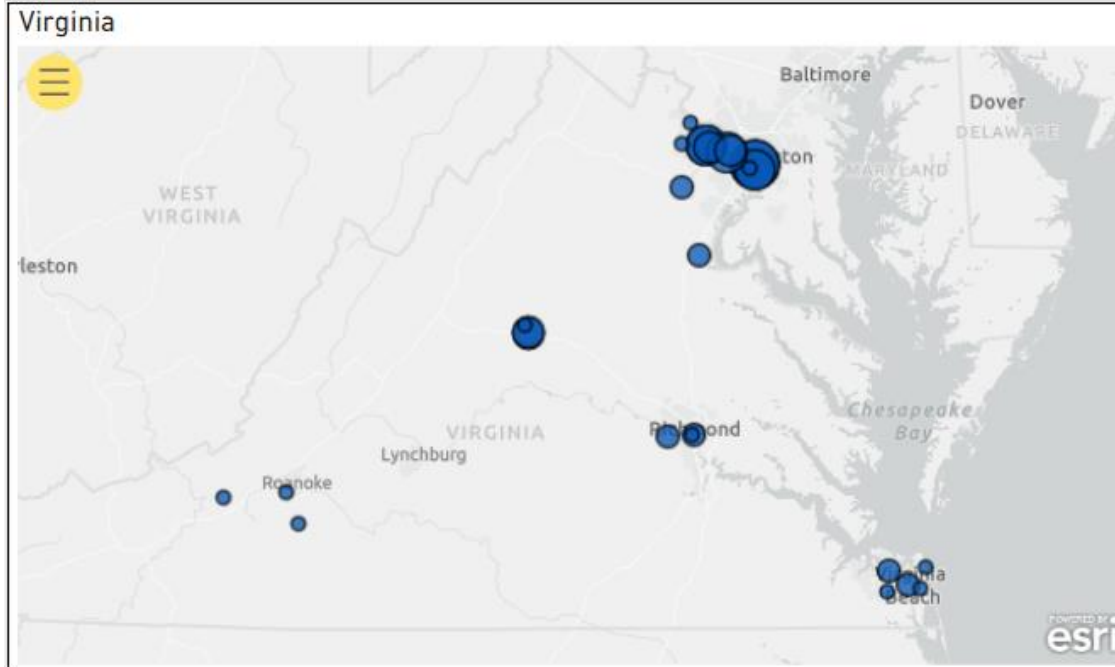
Sublet Availability as Percent of Inventory



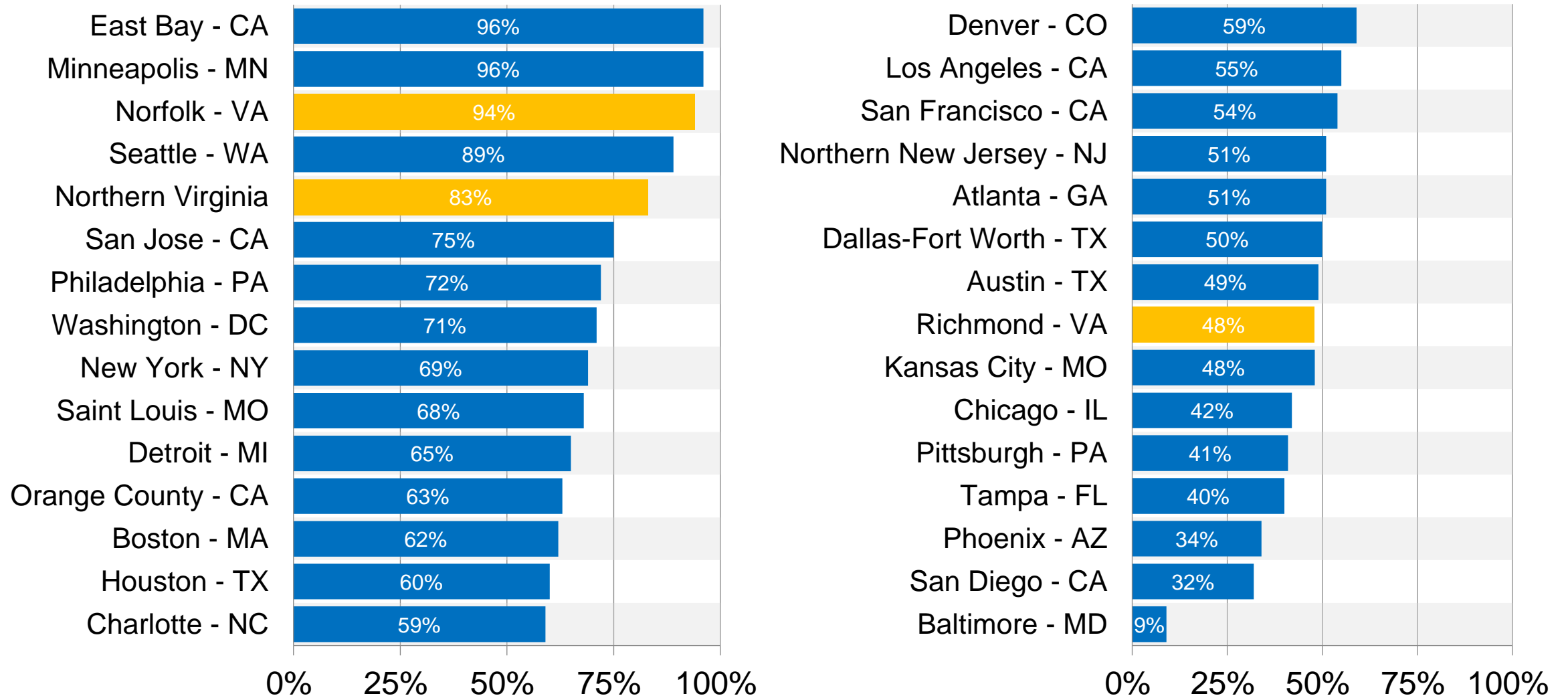
NoVA Structurally High Vacancies



Properties Underway

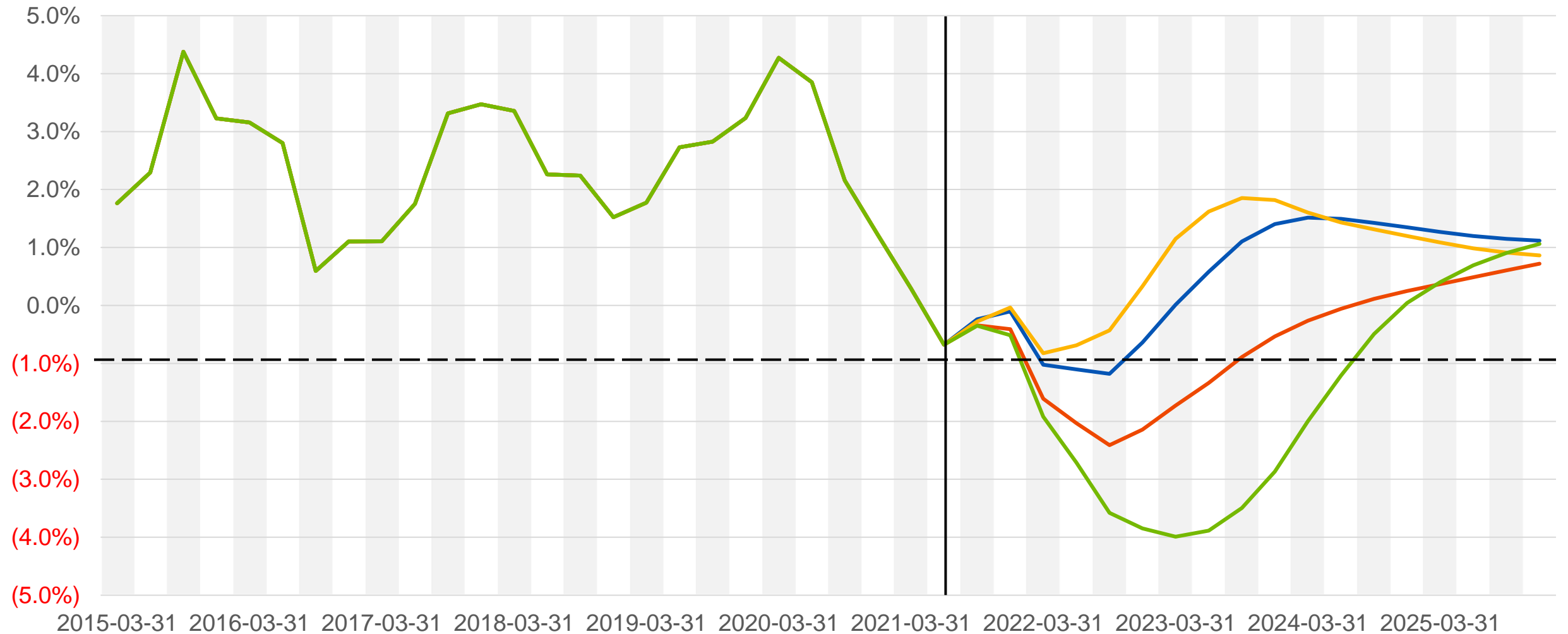


Developers Building Into Demand



Percentage of Office Space Underway Pre-Leased

Richmond Office Rent Growth Scenarios



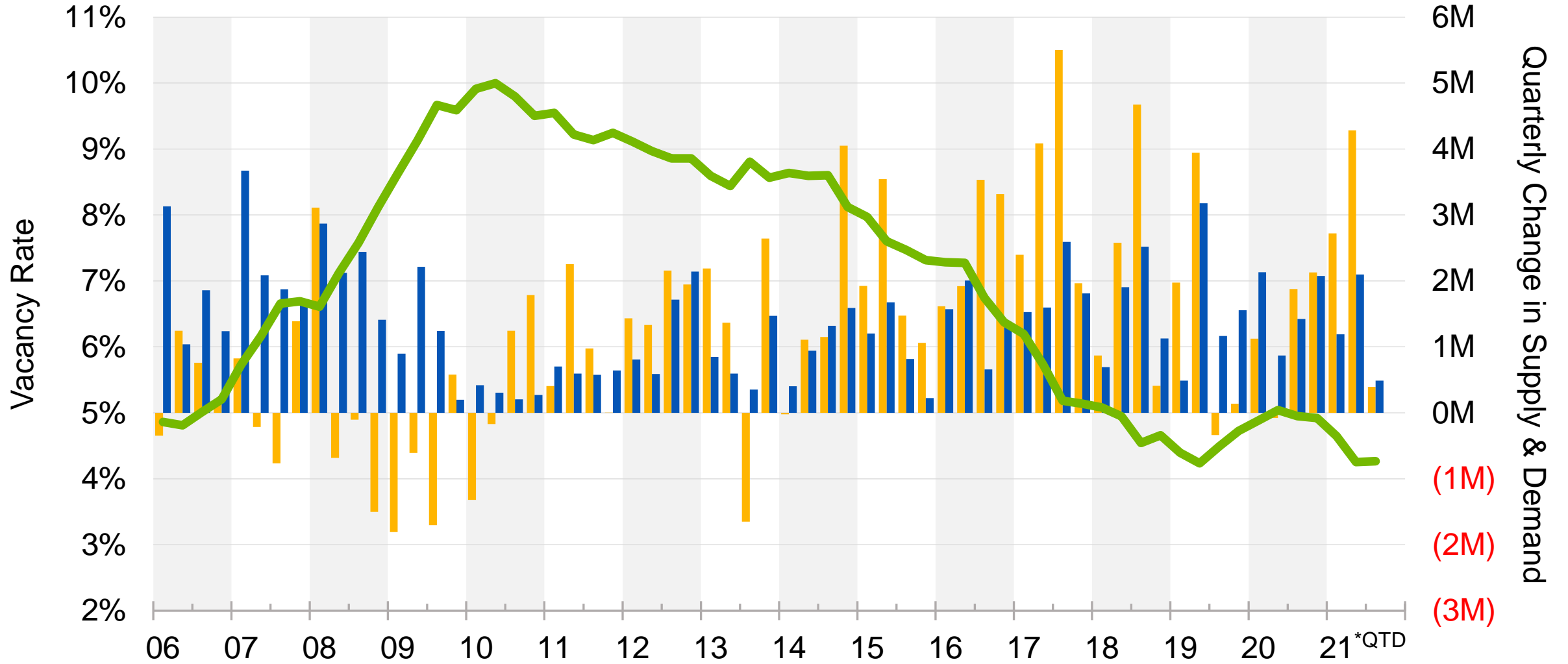
— Oxford Economics Baseline
 — Oxford Economics Moderate Upside

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 — Oxford Economics Severe Downside

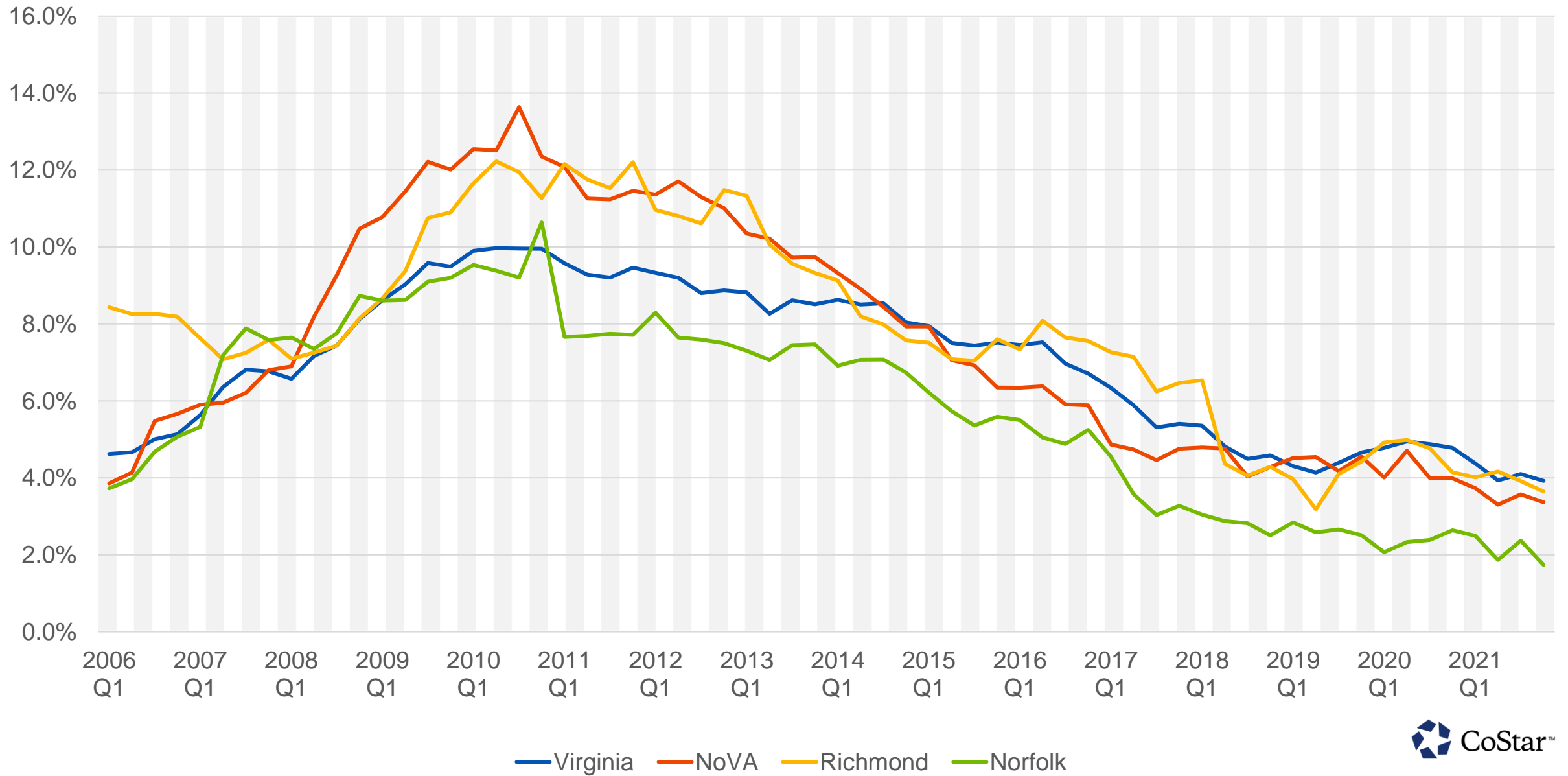
Industrial Trends

- Structural advantages, e-commerce boom buoying sector
- Heavy Construction Continues in Hot Spots
- Rent gains expected to continue, but where's the ceiling

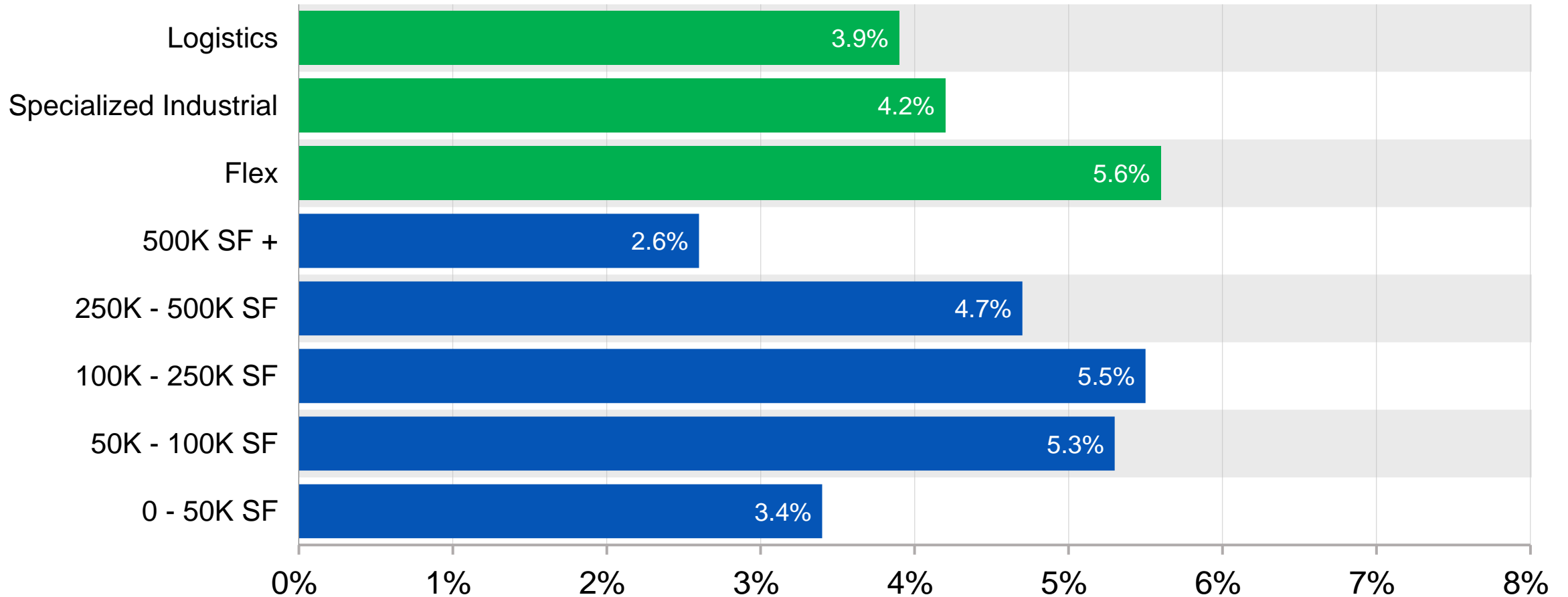
Virginia Industrial Fundamentals



Vacancy for each market

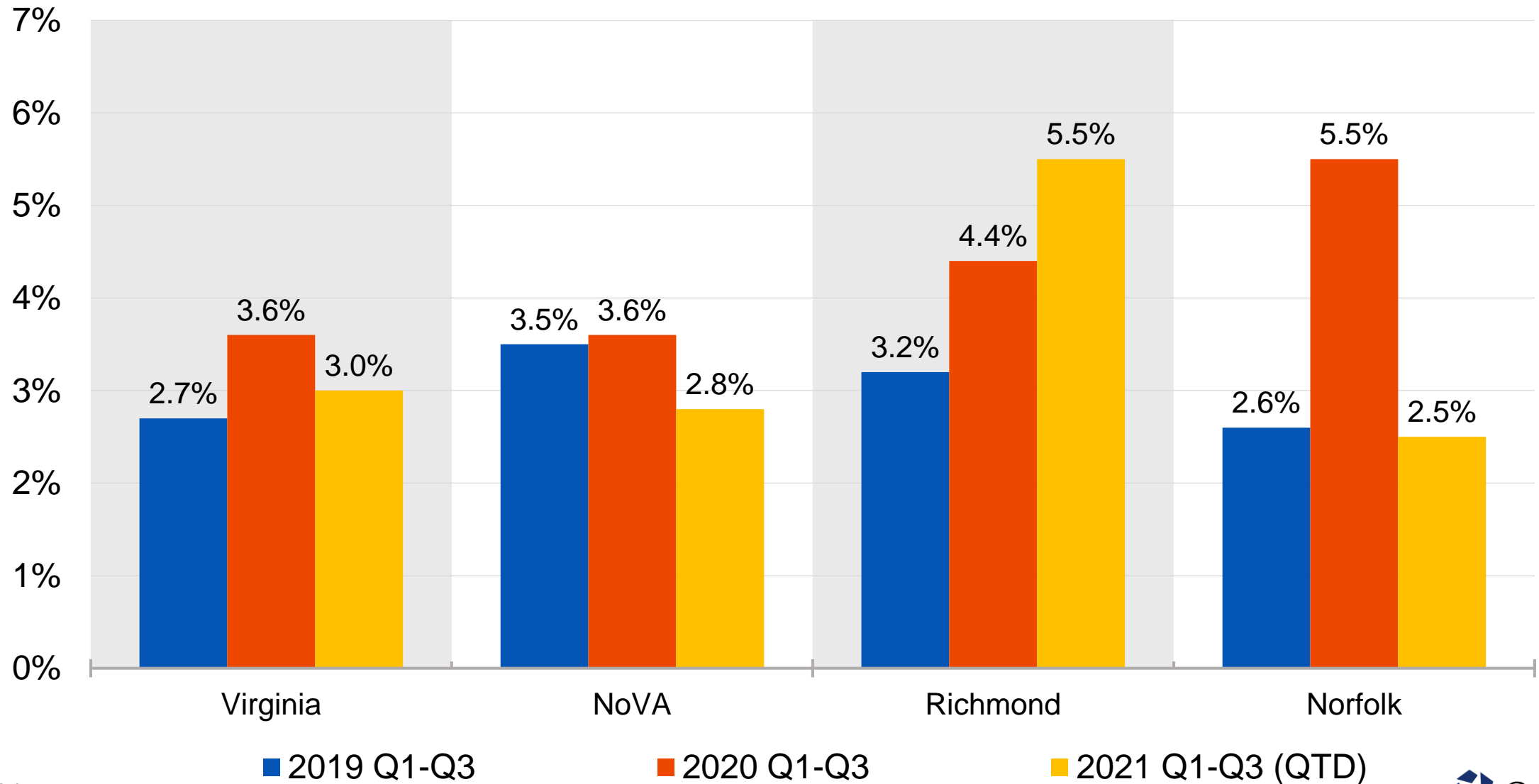


Industrial Vacancy by Building Cohort and Size

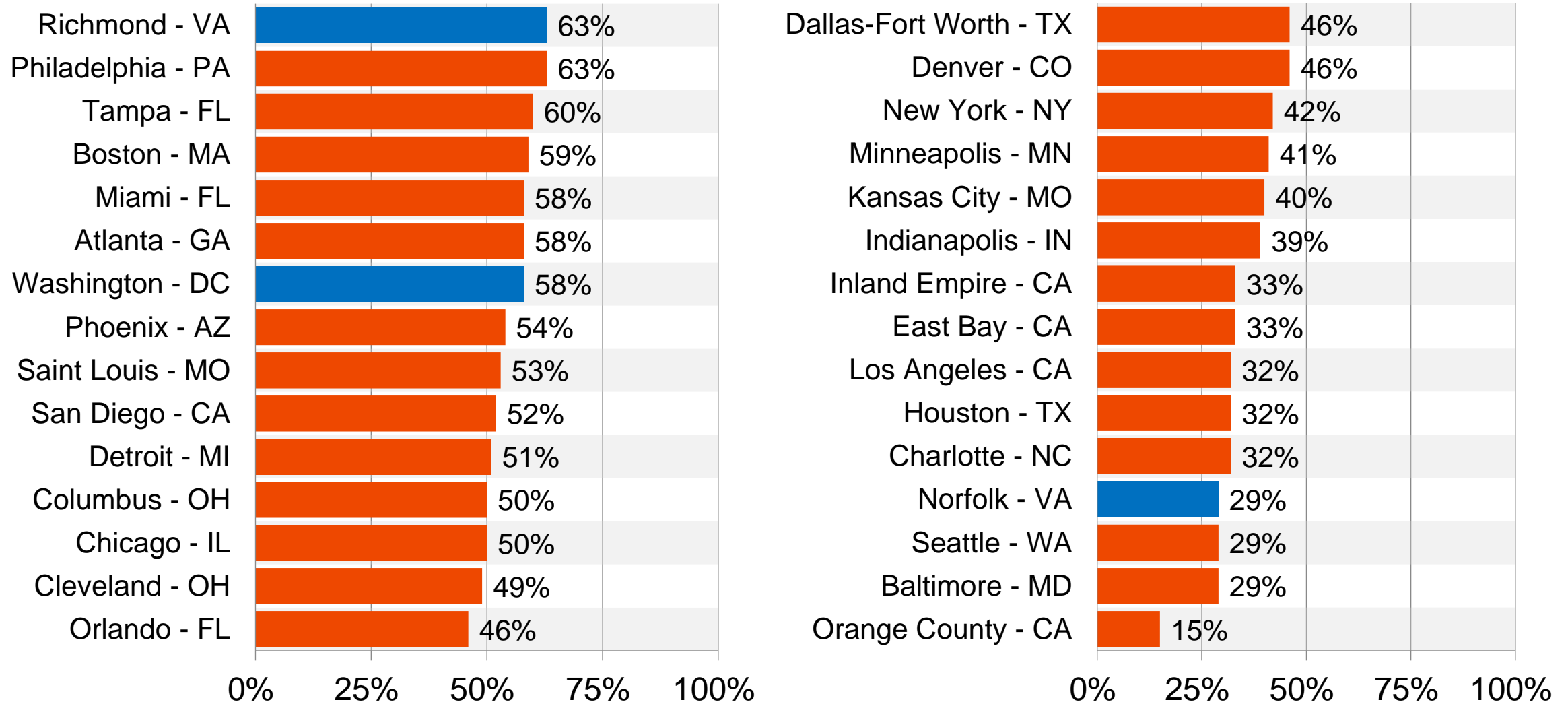


Industrial Vacancy by Building Size
Only Includes Existing Buildings, All Subtypes

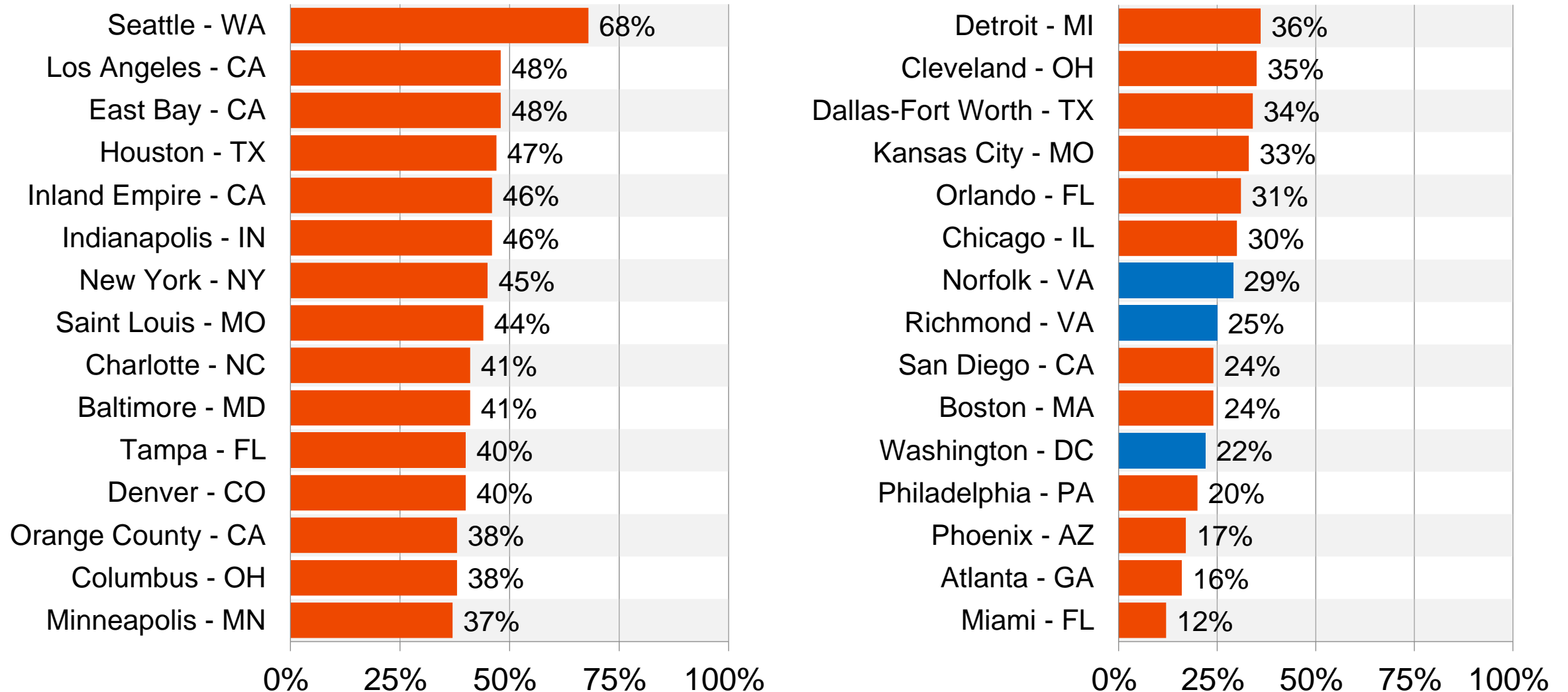
Industrial Leasing Activity by Year



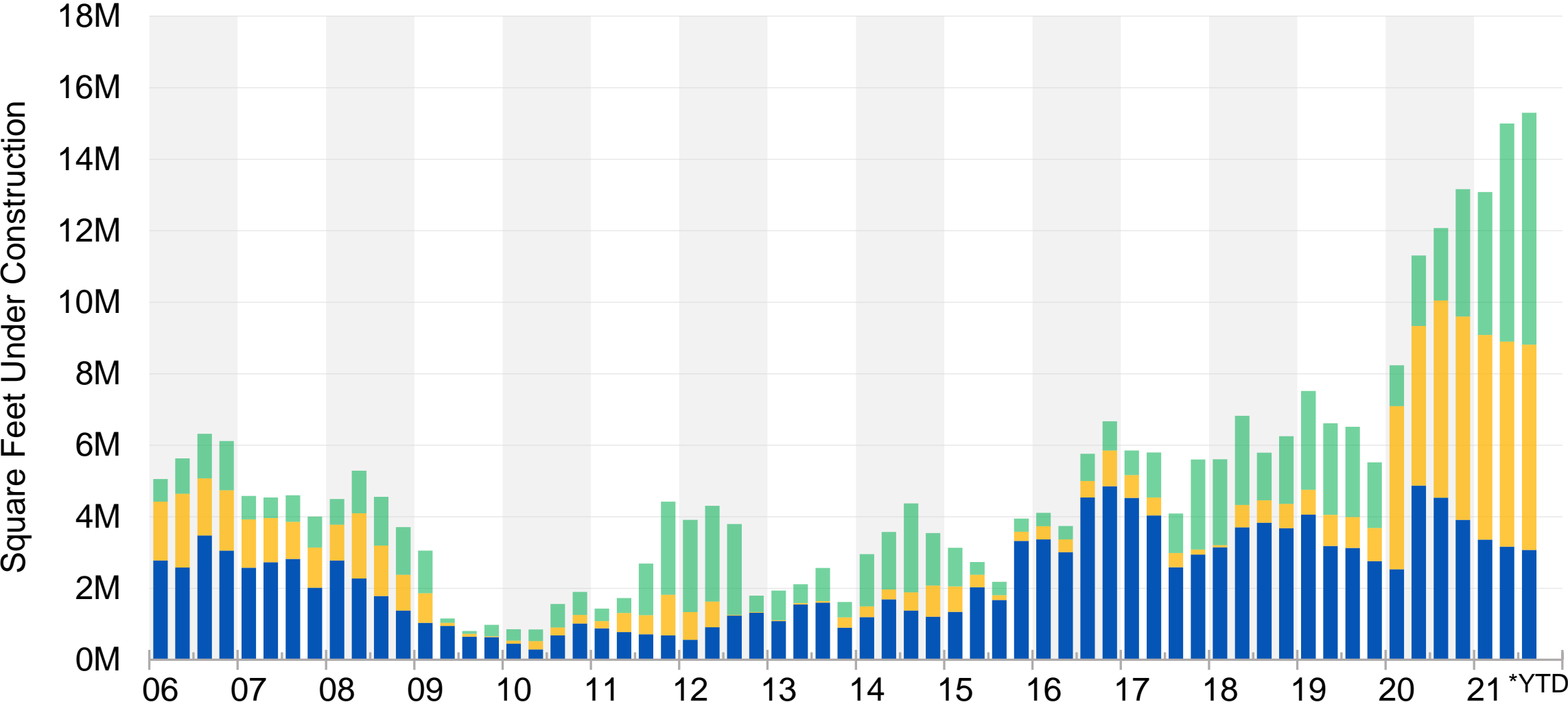
Percentage of Industrial Rent Changes, Positive



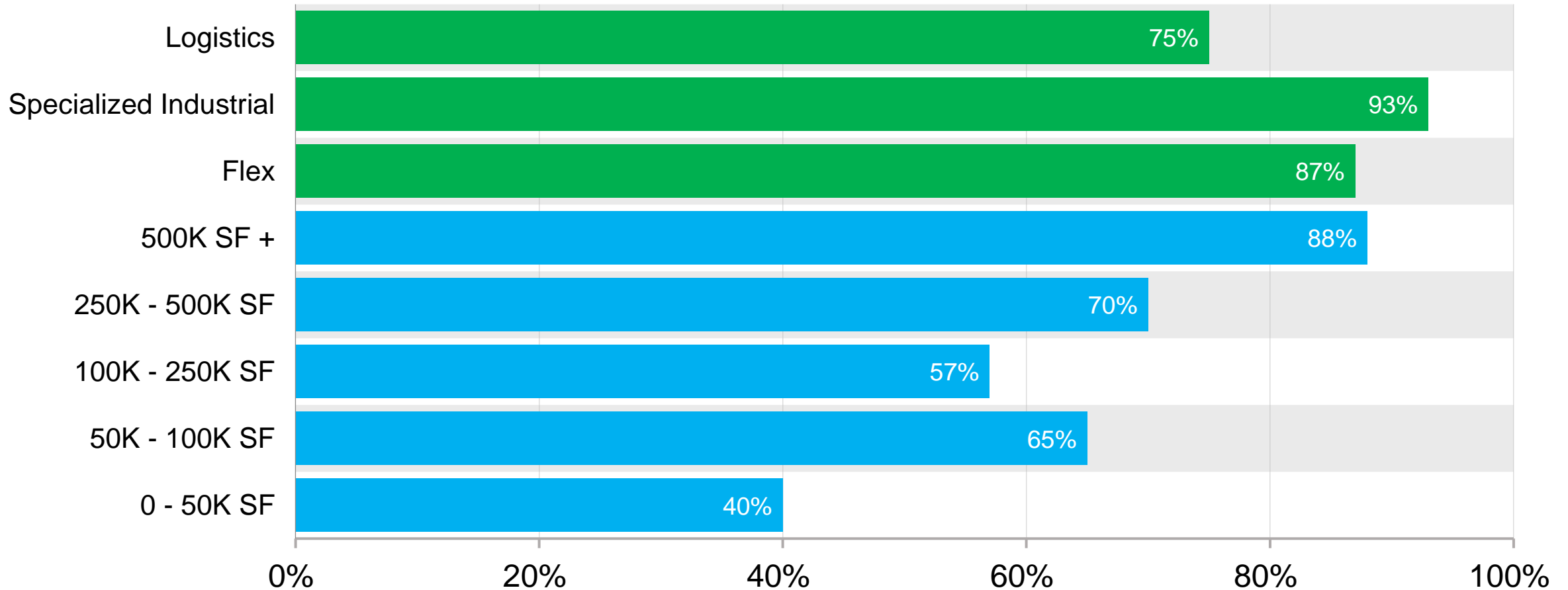
Percentage of Industrial Rent Changes, Negative



Development Driven By Southern Virginia



Industrial Pre-Leasing by Building Cohort and Size

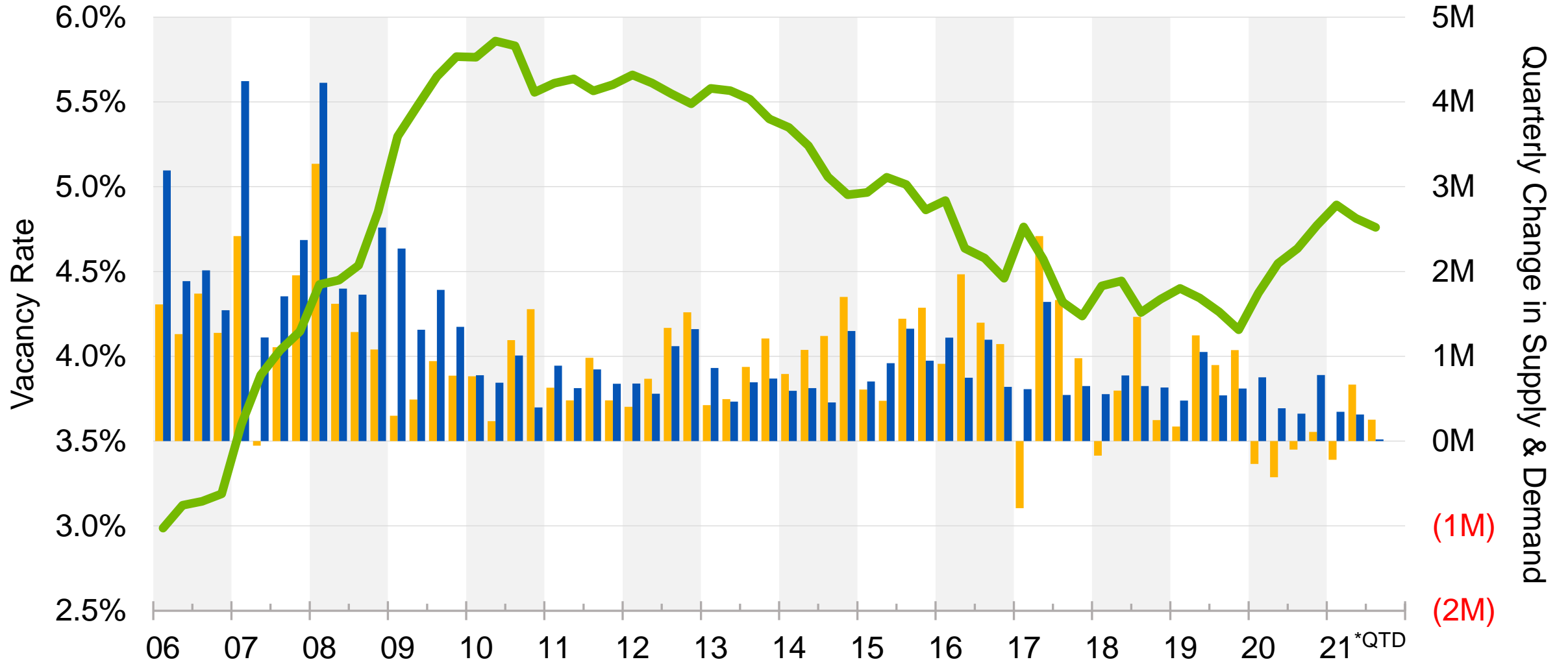


Industrial Vacancy by Building Size
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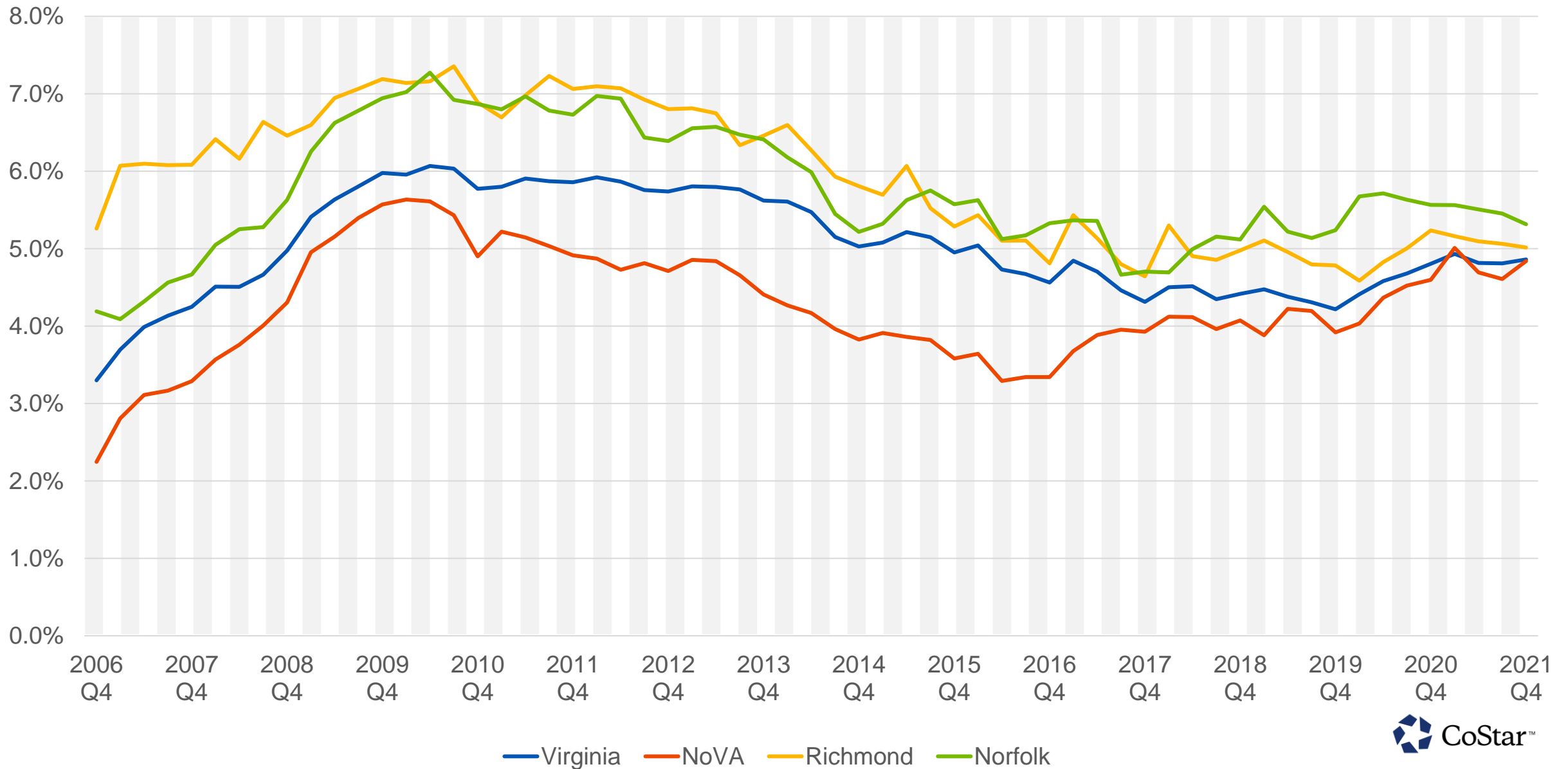
Retail Trends

- Signs Of Positivity Have Emerged
- Store Closure Frequency Has Declined
- Negative Absorption Has Been Dwindling
- Rent Growth Could Soon Return In Some Form

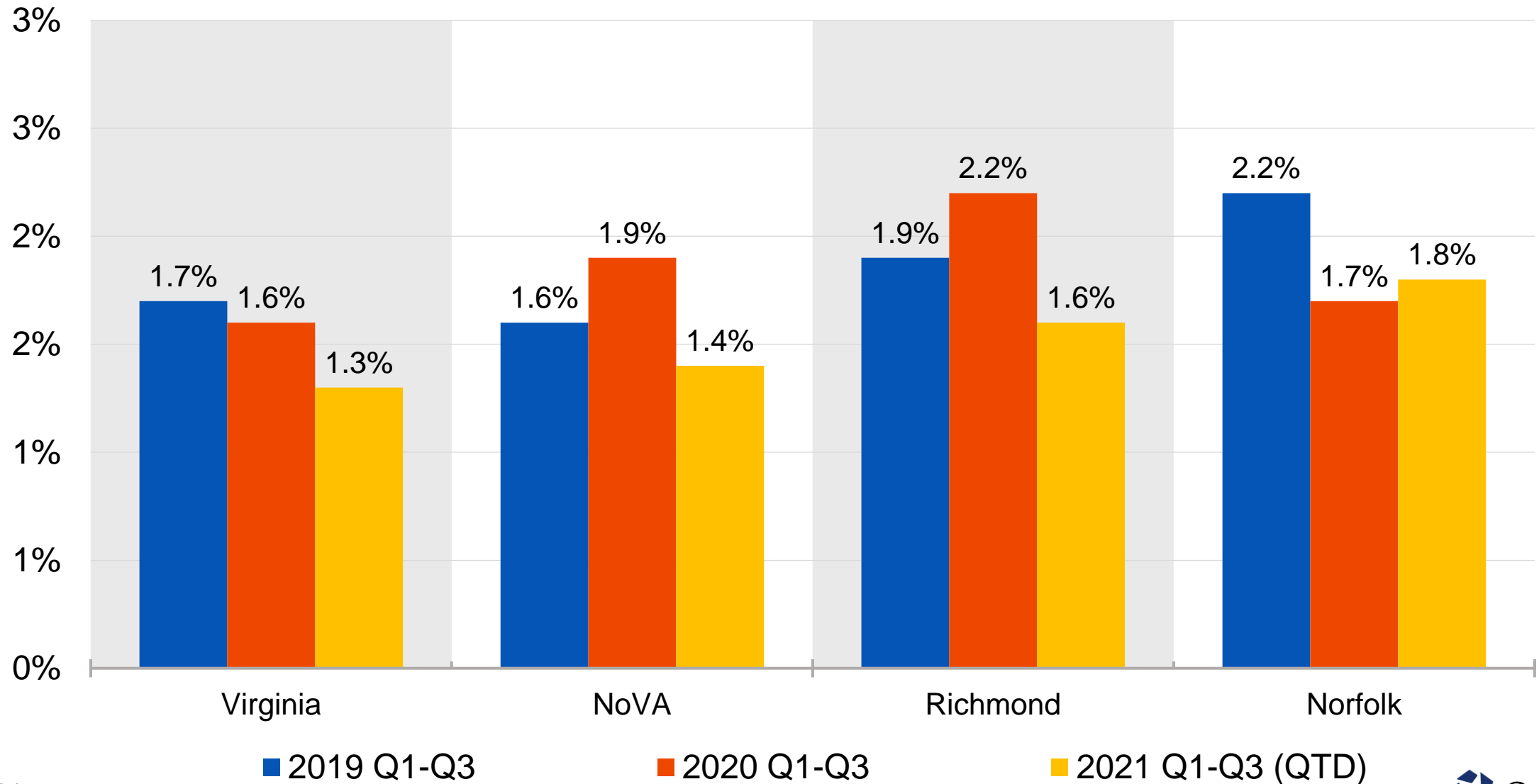
Virginia Retail Fundamentals



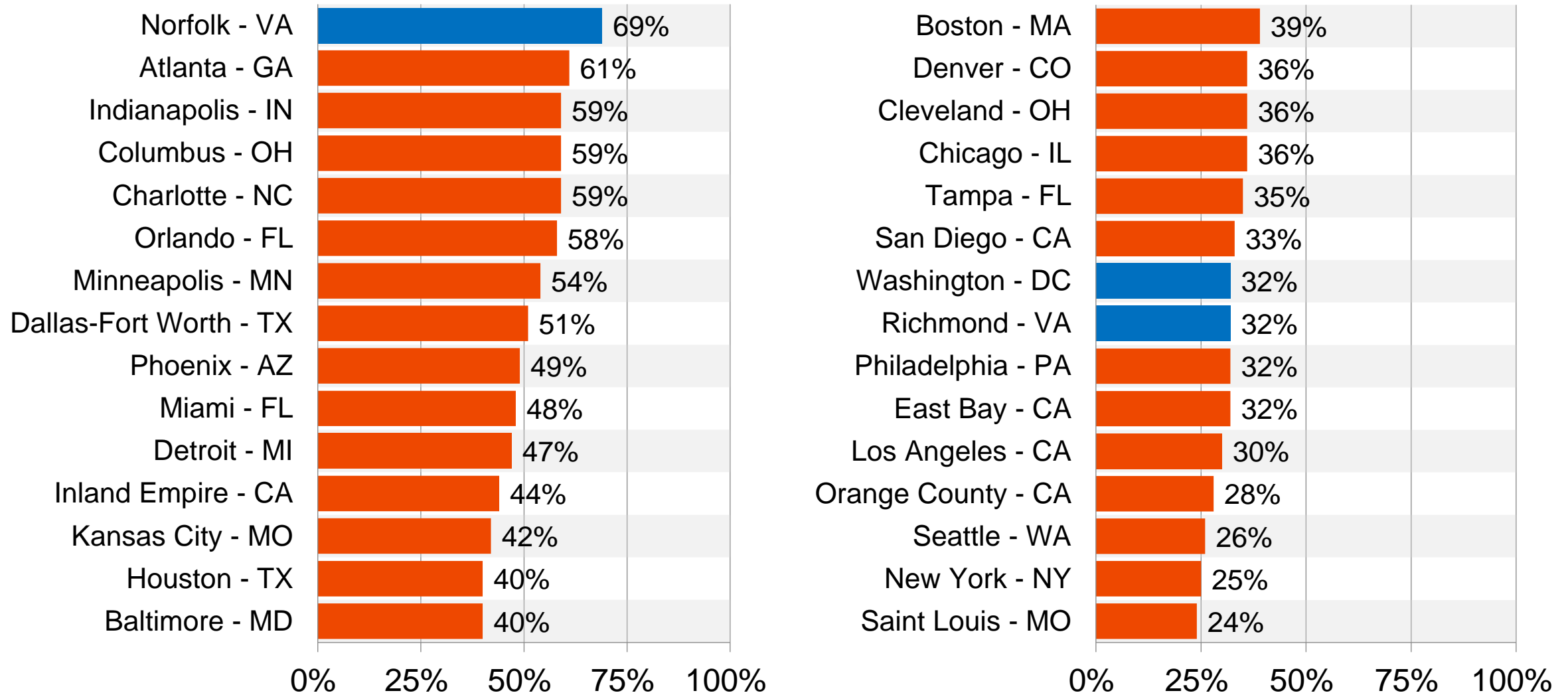
Vacancy for each market



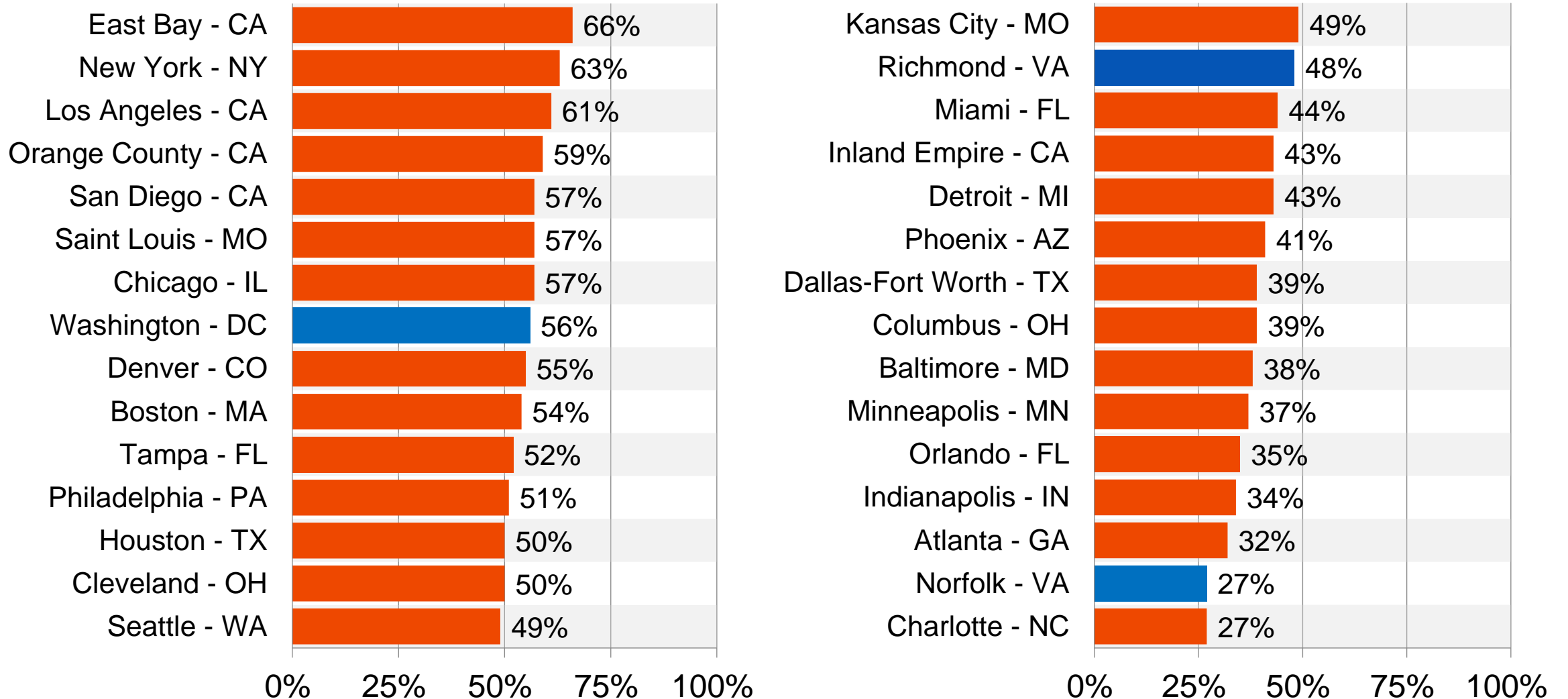
Retail Leasing Activity by Year



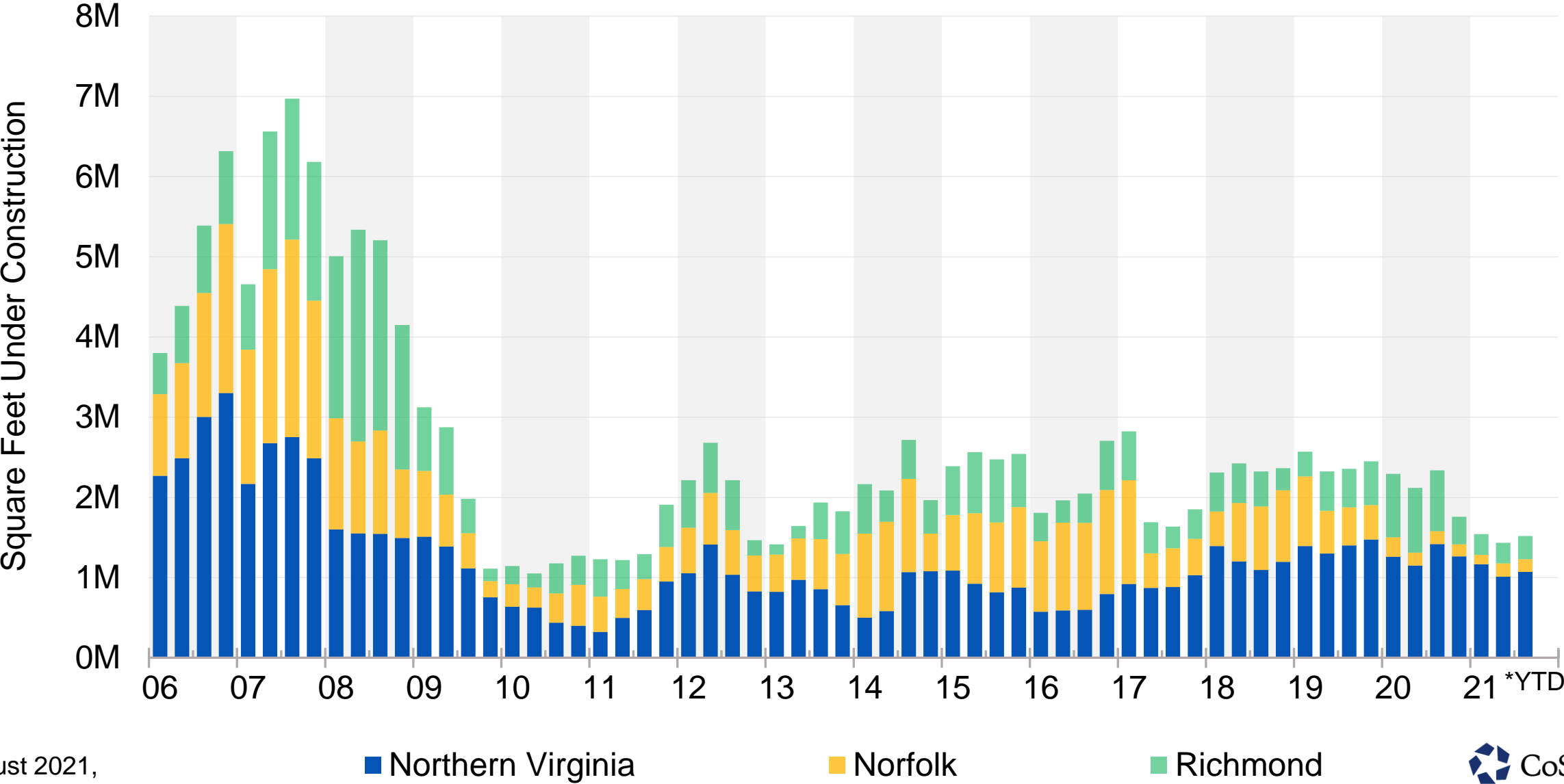
Percentage of Retail Rent Changes, Positive



Percentage of Retail Rent Changes, Negative



Retail Development Remains Muted



QUESTIONS & FEEDBACK



Anne Purcell
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