



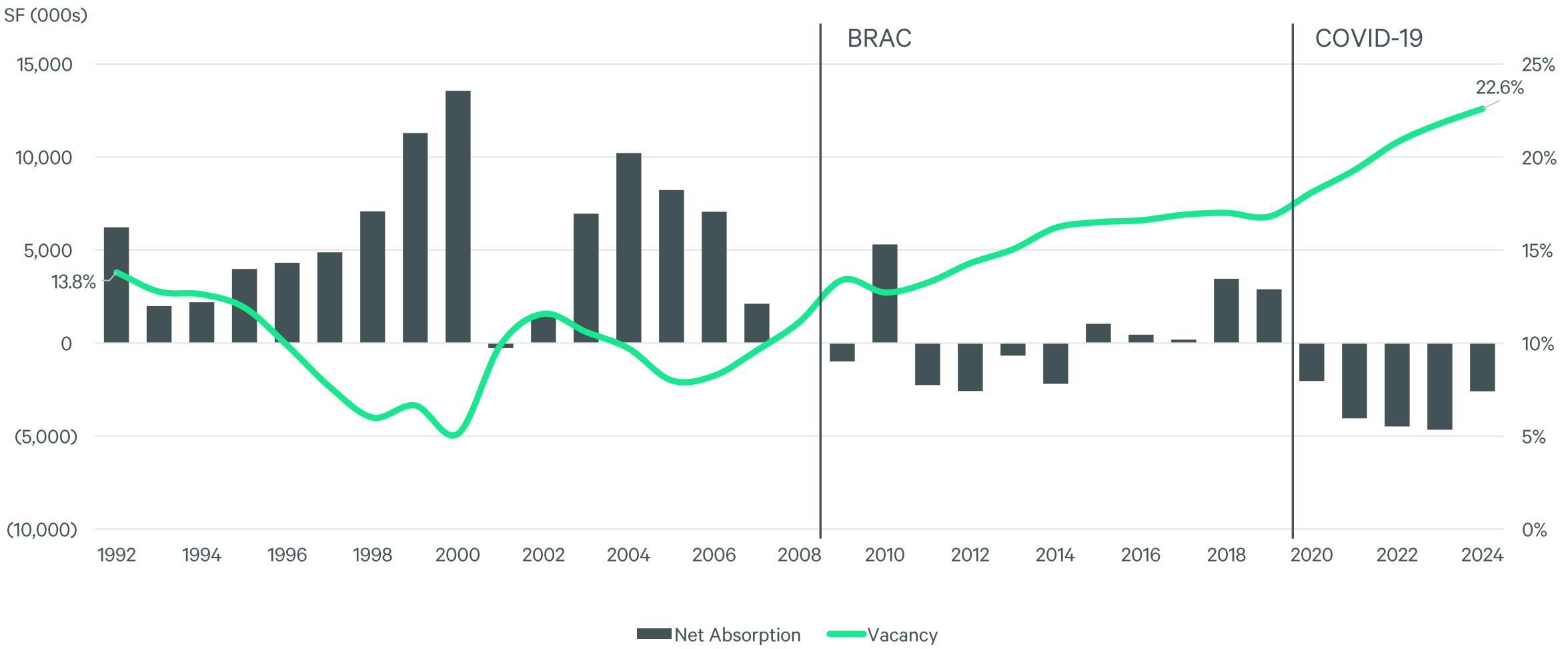
Market Overview

Washington, D.C. Metro



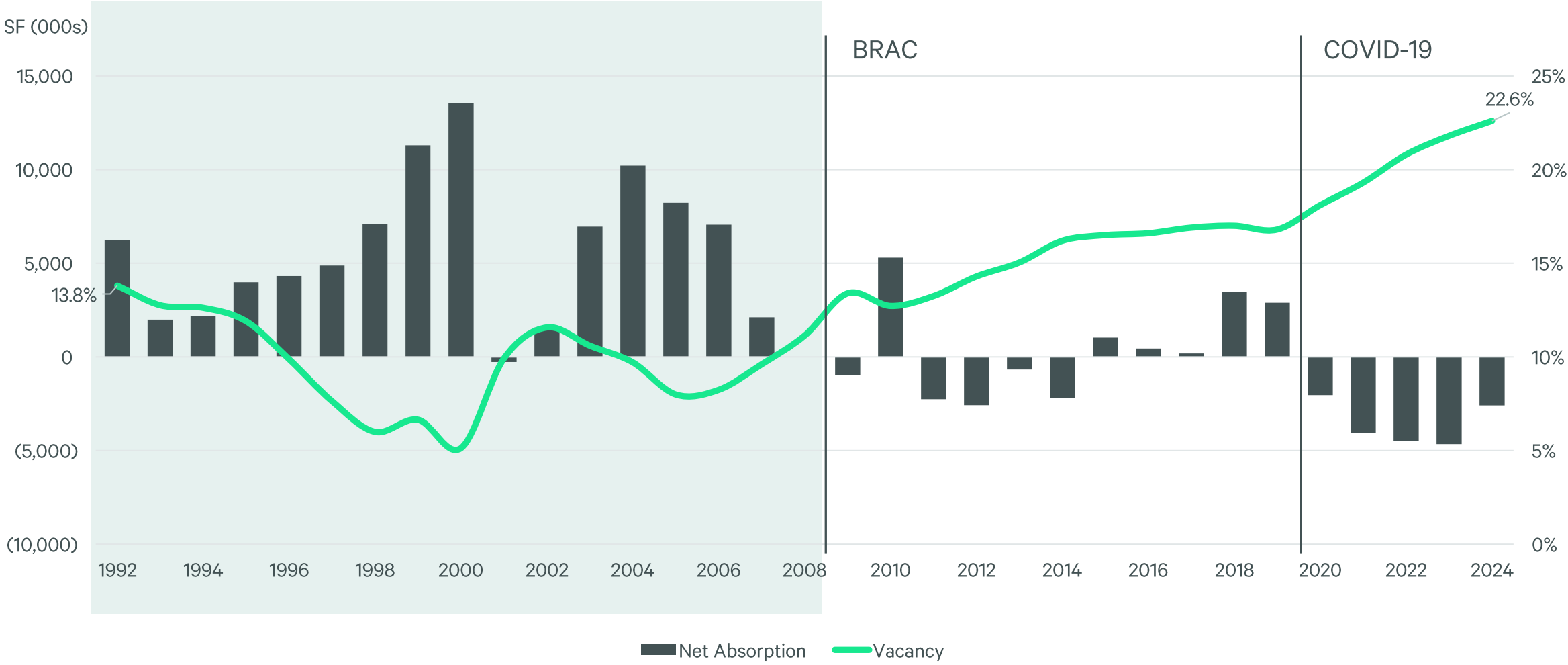
February 2025

Historical Supply & Demand Dynamics – *D.C. Metro*



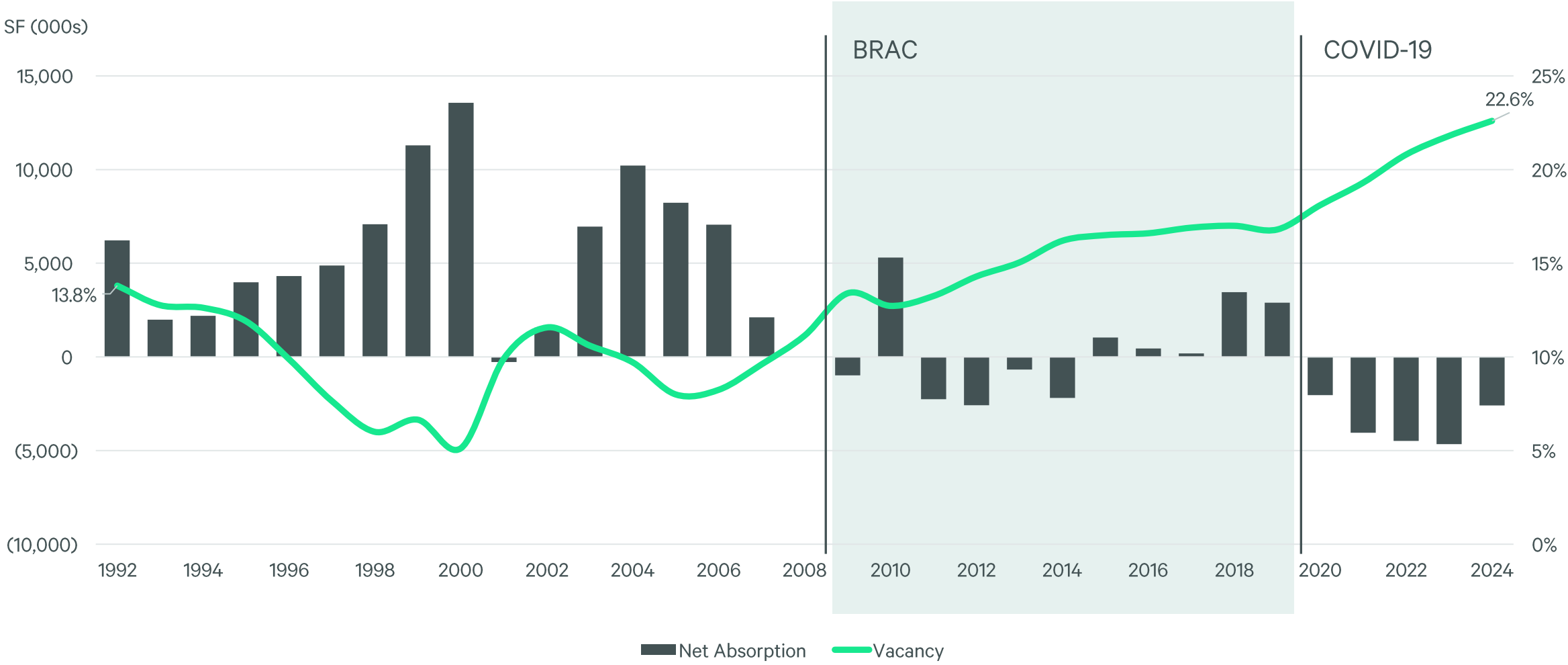
Source: CBRE Research

Historical Supply & Demand Dynamics – *D.C. Metro*



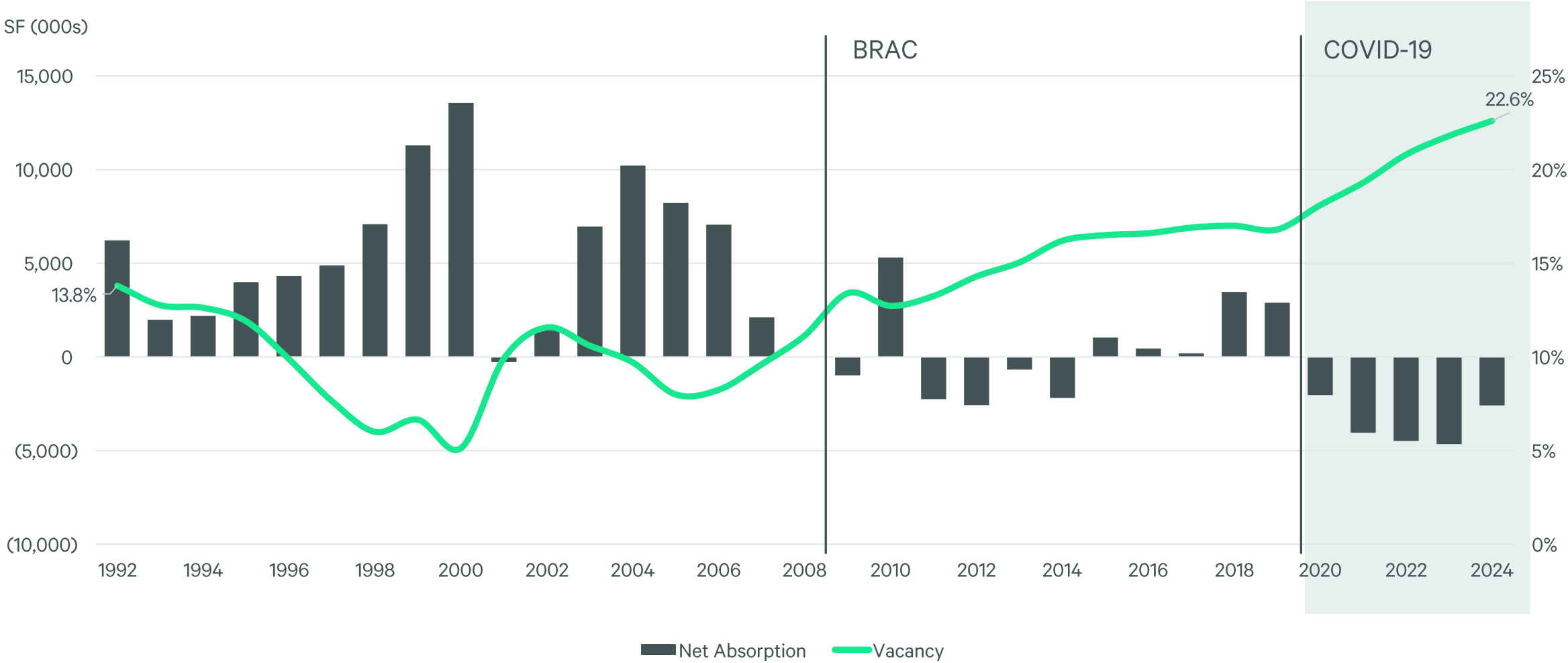
Source: CBRE Research

Historical Supply & Demand Dynamics – *D.C. Metro*



Source: CBRE Research

Historical Supply & Demand Dynamics – *D.C. Metro*



Source: CBRE Research

What to Expect in 2025

“Interest rates will be higher for longer.”

“Retail demand will grow in suburban locations.”

“Economic growth and firming real estate fundamentals will drive a moderate recovery in investment activity.”

“Industrial leasing activity will return to pre-pandemic levels.”

“US economy is poised for growth in 2025.”

“Vacancy will recede in 2025.”

“AI will drive data center growth.”

“Multifamily vacancy will notch downward.”

What to Expect in 2025

January 2025

SUN

MON

TUES

WED

THUR

FRI

SAT

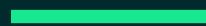
1

2

3

4

1



Office Market





Audience Survey *Office Market*

Survey the audience by show of hands:

Who thinks the office market will be

- Better than 2024
- The same as 2024
- Worse than 2024

Well Educated Workforce



Comparison of Top Educated Markets

25+ years old with Bachelor's Degree or higher.

51.7%

San Francisco

51.4%

Washington, D.C.

49.3%

Boston

48.6%

Madison, WI

47.4%

Raleigh-Durham

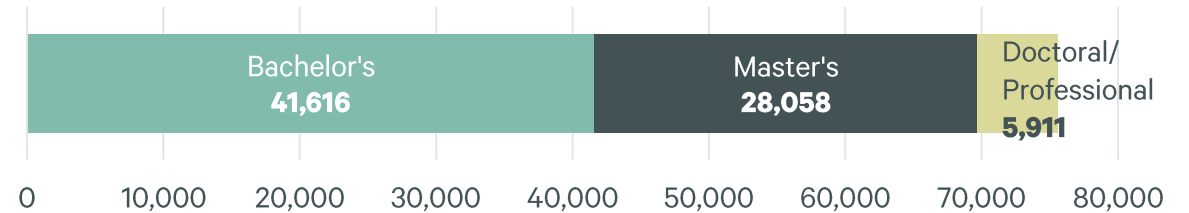
46.2%

Austin

75,585

Bachelor's and Graduate Degrees awarded
in the D.C. Region in 2019-2020

Degrees Awarded in D.C. Region, 2019-2020



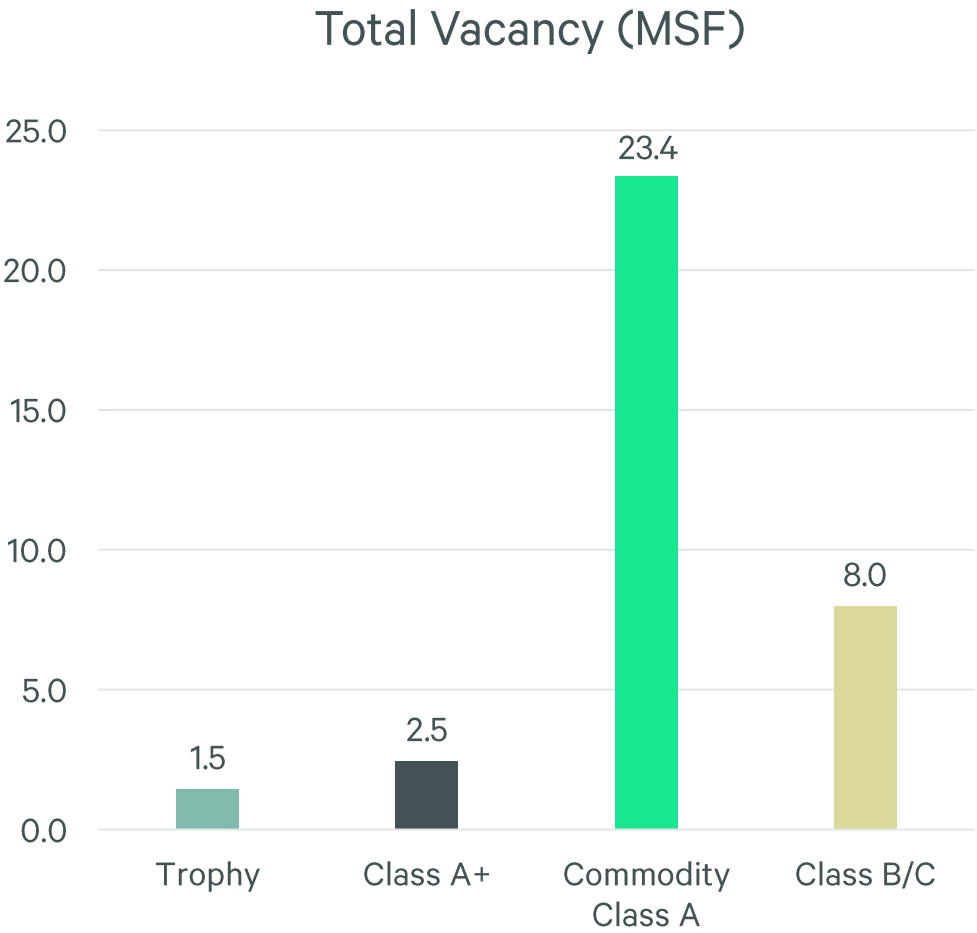
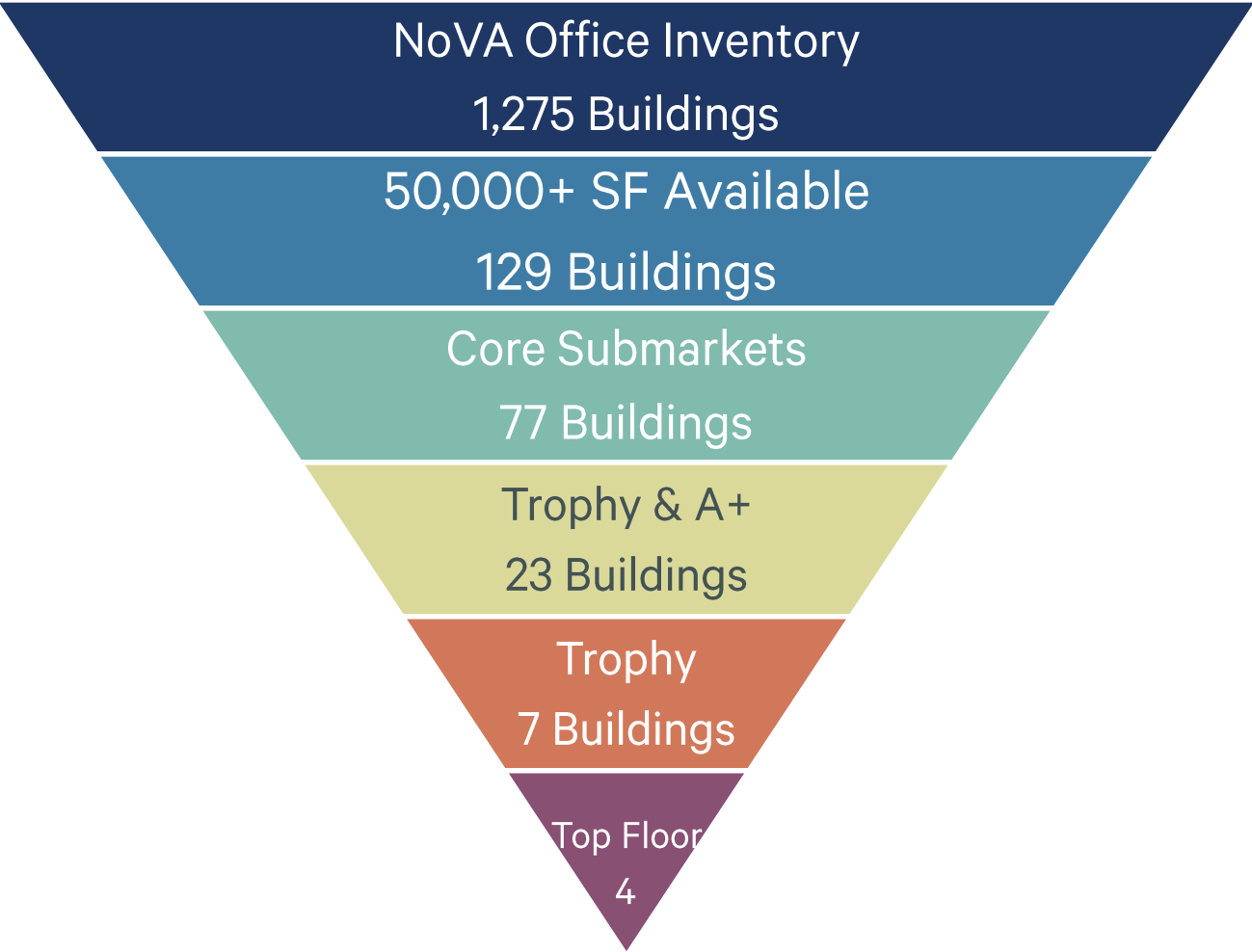
Source: U.S. National Center for Education Statistics

We are the third most educated workforce in the country with more than half of adults holding a college degree. Our global and millennial workforce also enjoys access to top institutions of higher learning.



The D.C. region ranks **second** in educational attainment among large cities

Flight-to-Quality



Flight-to-Quality

Trophy

Building achieving
\$50 NNN rents



17xM

1700 M Street NW

Class A+

Building in the top 25%
of taking rents

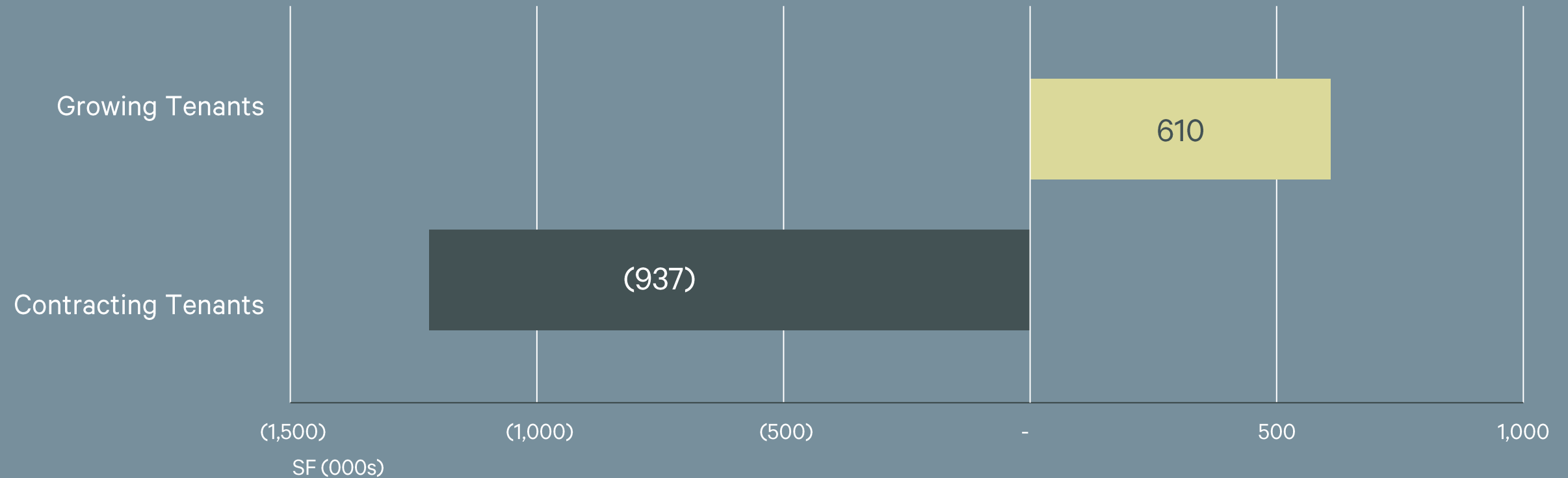


The Warner Building

1299 Pennsylvania Avenue NW

Contraction Trends

Net Absorption



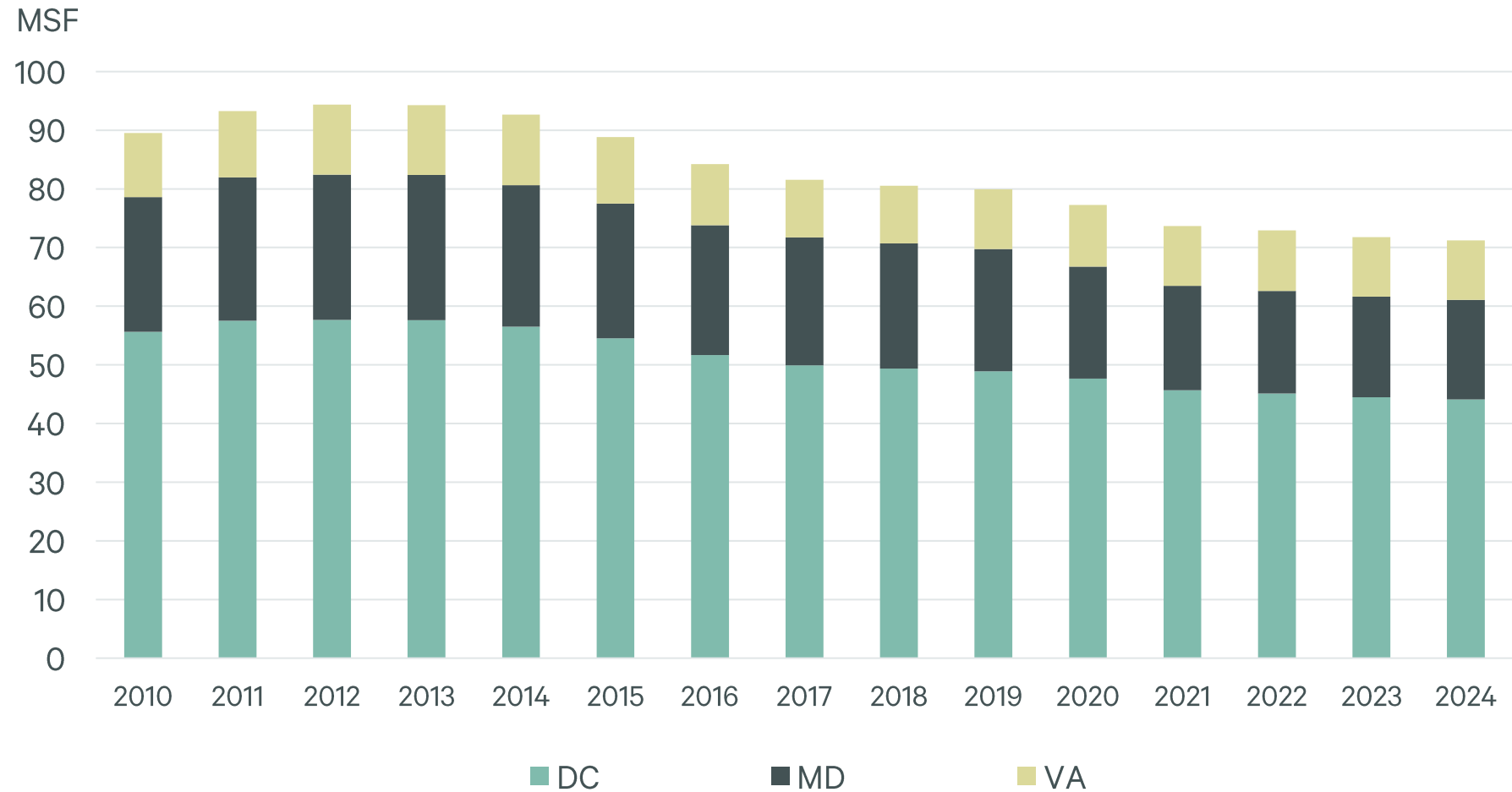
Based on private sector relocation leases +20,000 SF signed between 7/1/2020 - 9/30/2024

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Source: CBRE Research

Federal Government Reduces Its Footprint

GSA Leased Footprint in the DC Metro

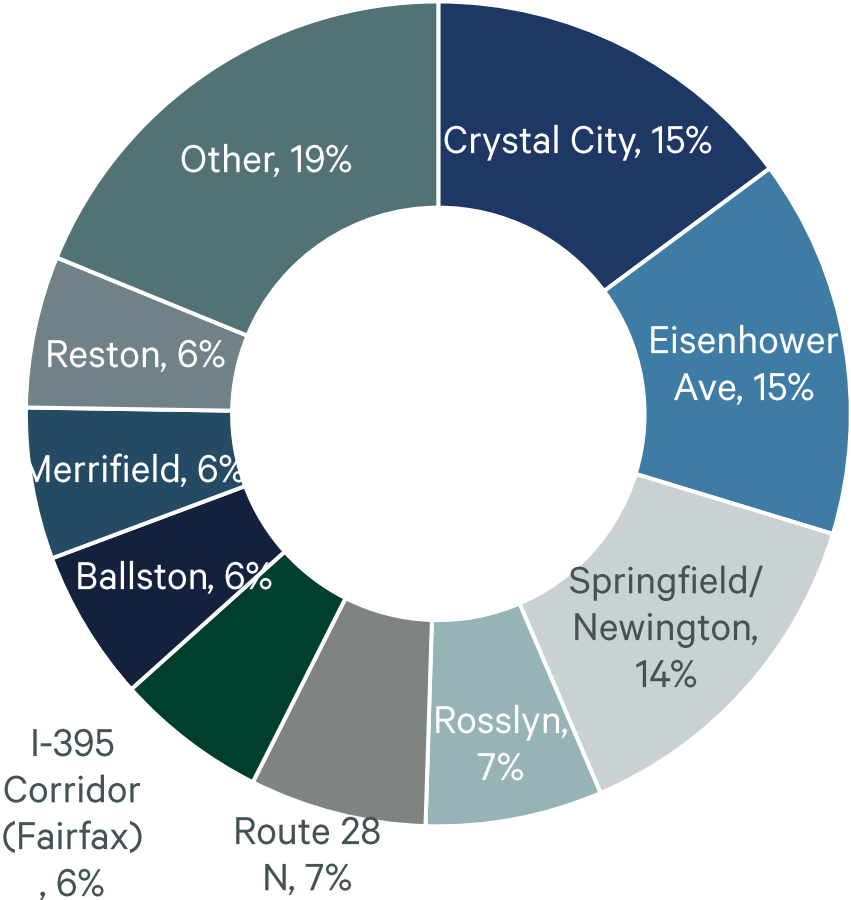
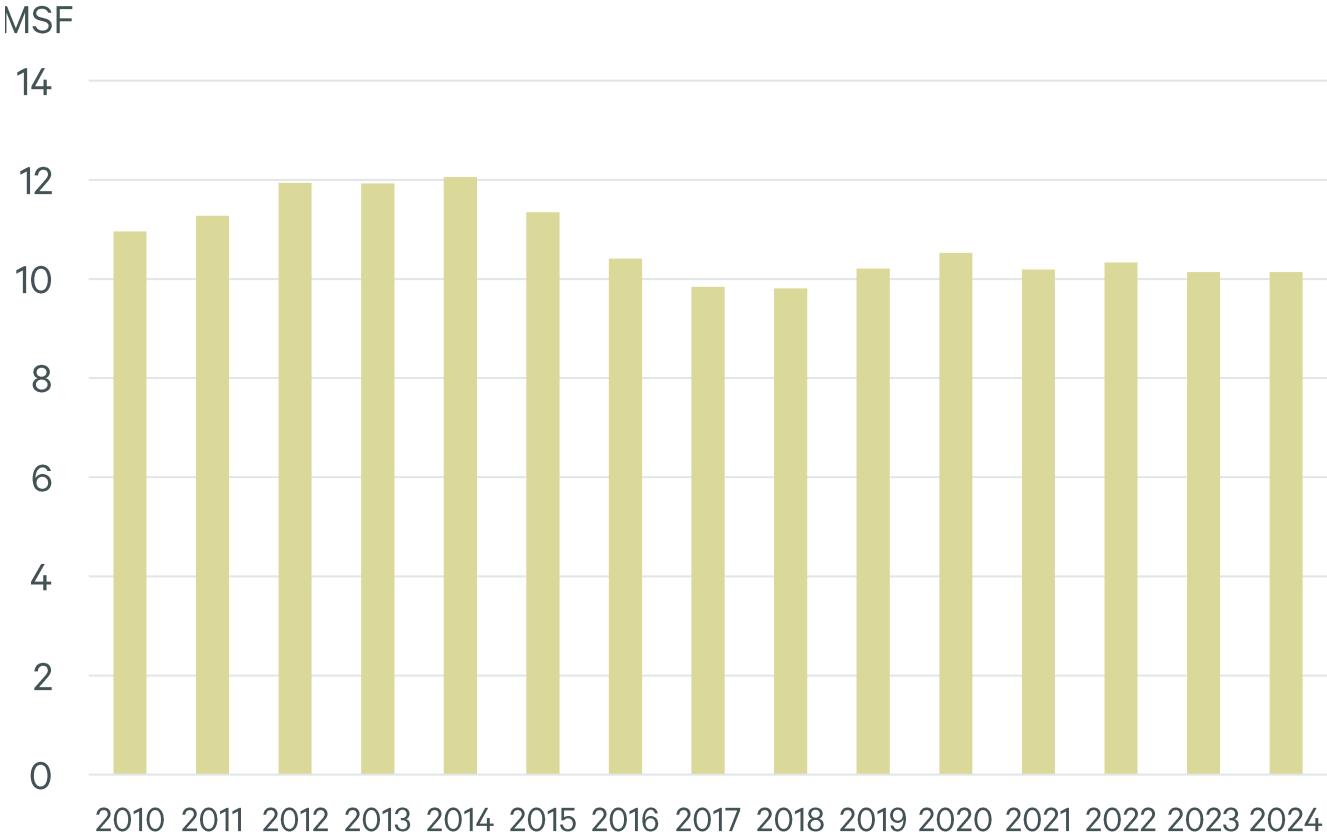


Source: CBRE Research, GSA



Federal Government Reduces Its Footprint

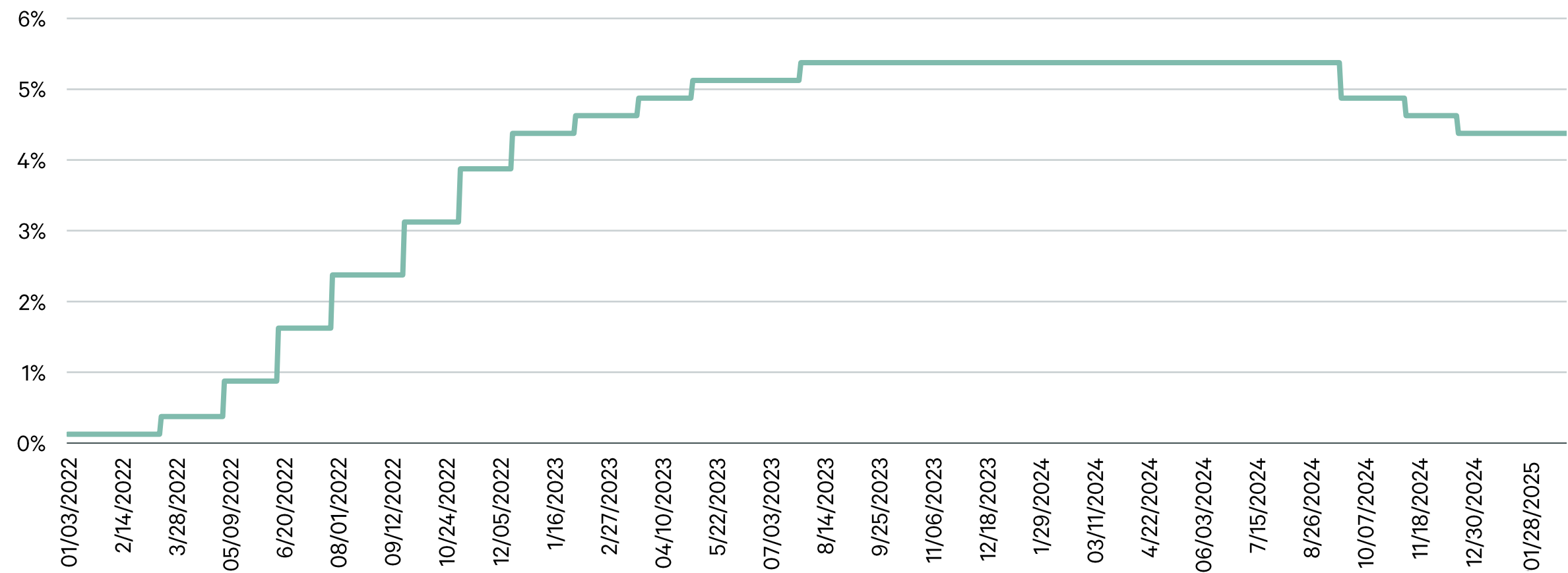
GSA Leased Footprint in Northern Virginia



Source: CBRE Research, GSA

Fed Funds Rate Higher For Longer

Fed Funds Rate Forecasts, %(Mid-Point)



Source: National Sources, CBRE December House View

Office Distress – *Northern Virginia*

-52%

Average drop in value
among 2024 foreclosures

46.4%

Average vacancy rate at
the time of foreclosure

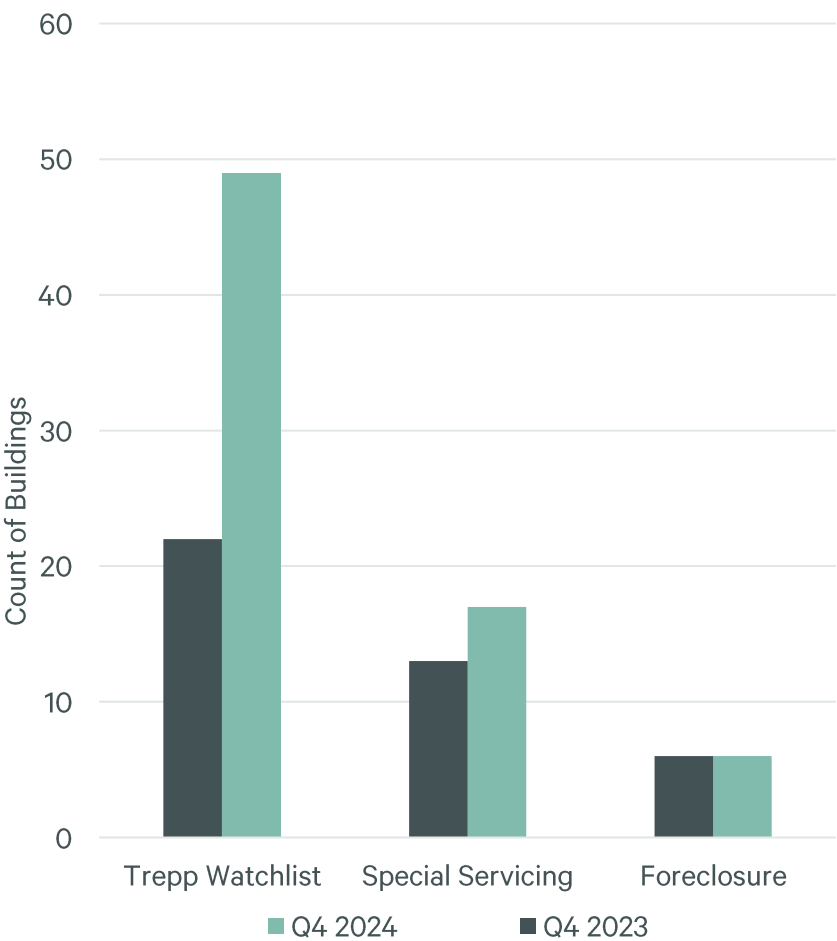
1992

Average building age

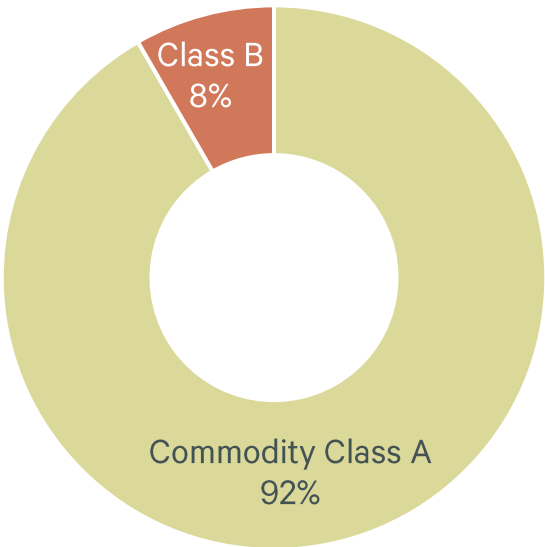
42%

In a core submarket

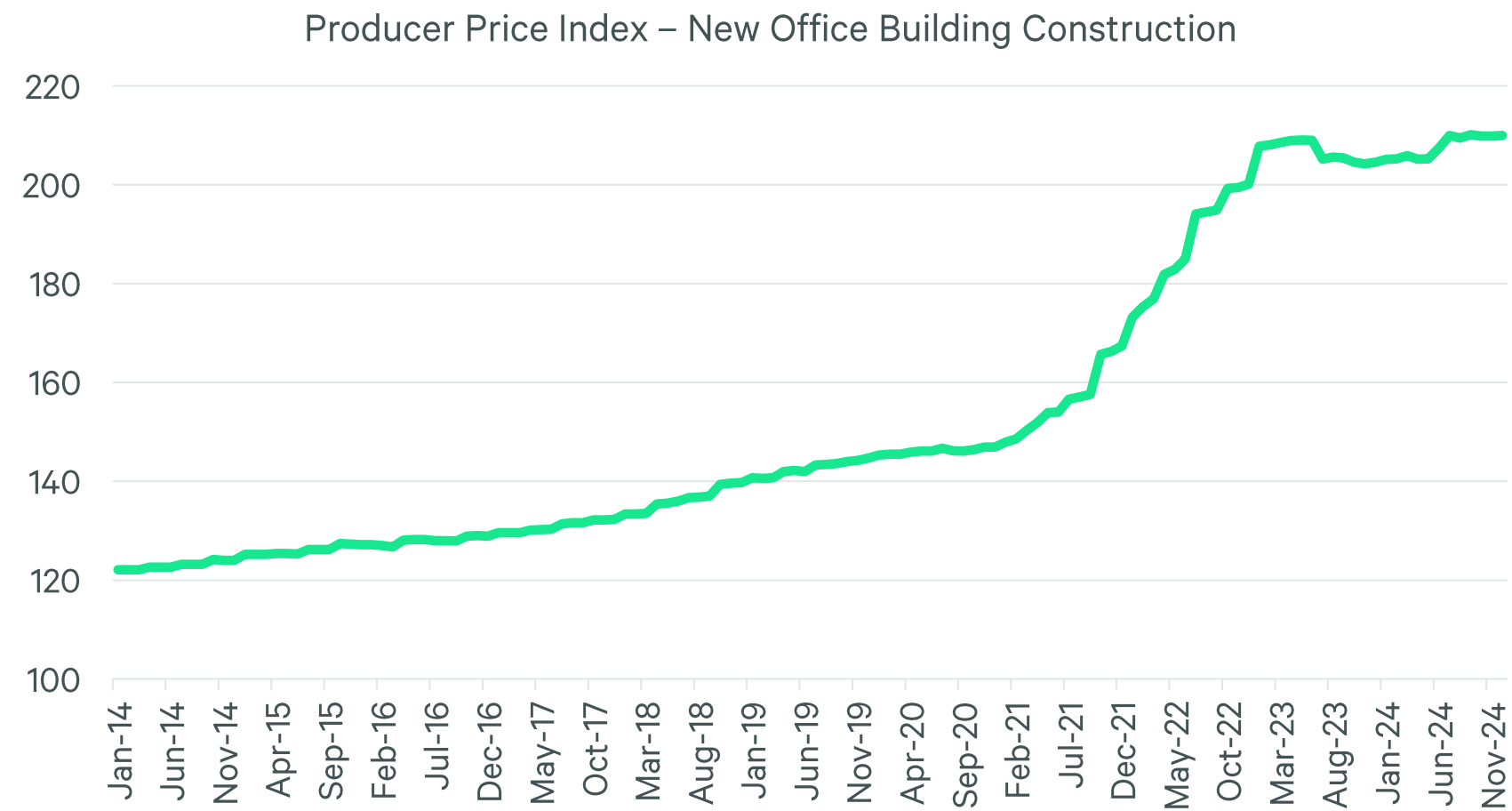
Distress Year-over-Year



Foreclosures by Building Class



Construction Costs Remain High U.S.

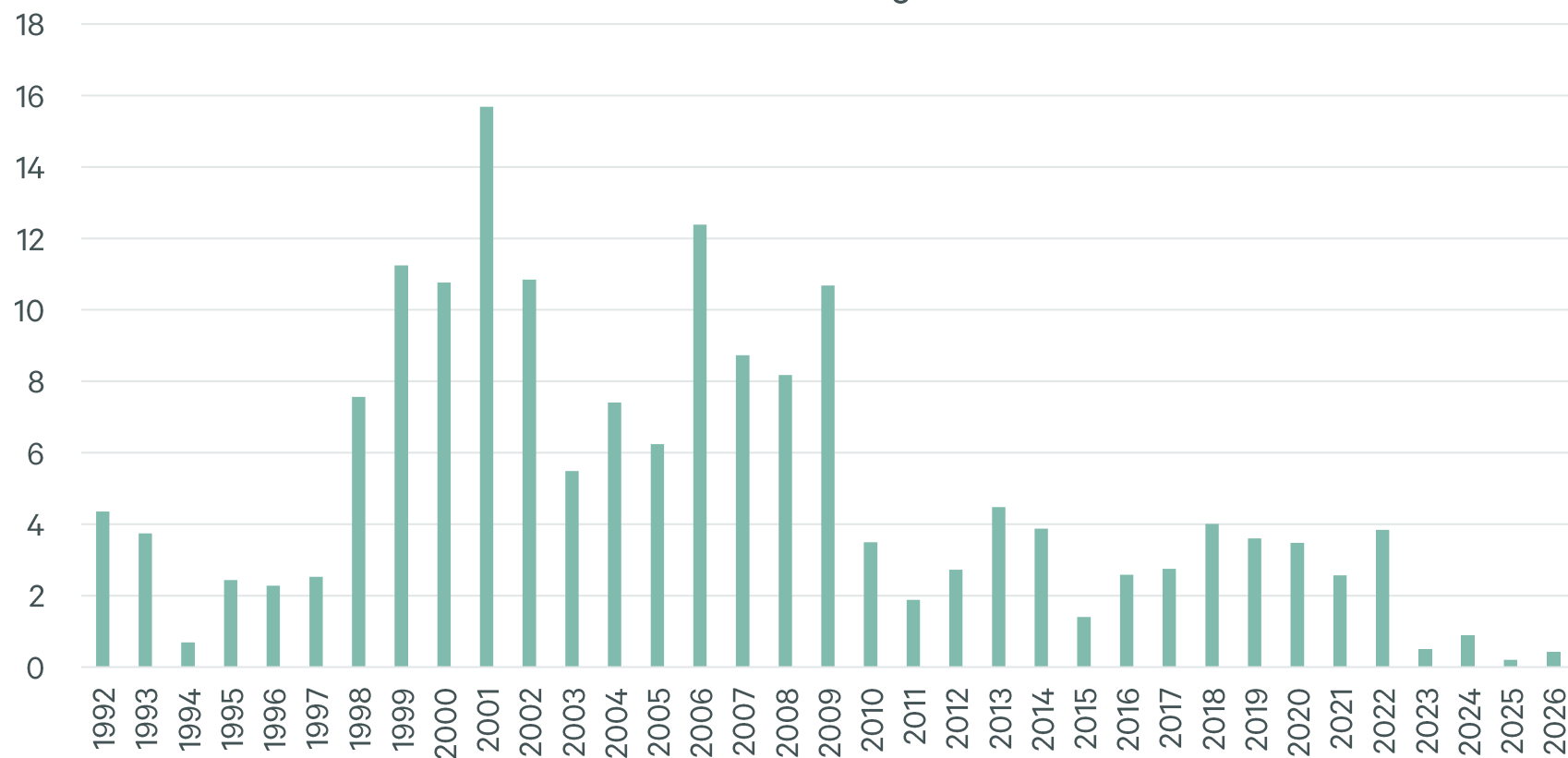


Source: CBRE Research, BLS

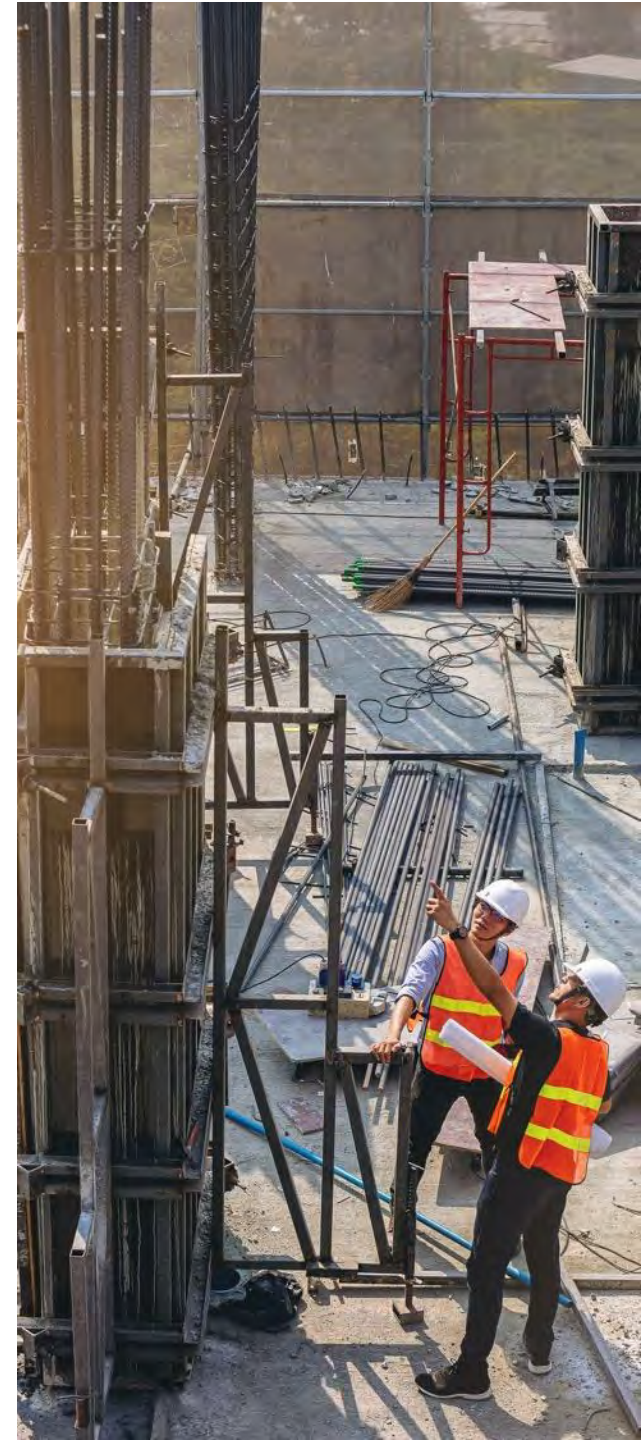


Limited New Construction

Historical Construction Pipeline
Greater Washington



Sources: CBRE Research



Hybrid Work

U.S. Occupied Office Space Per Worker



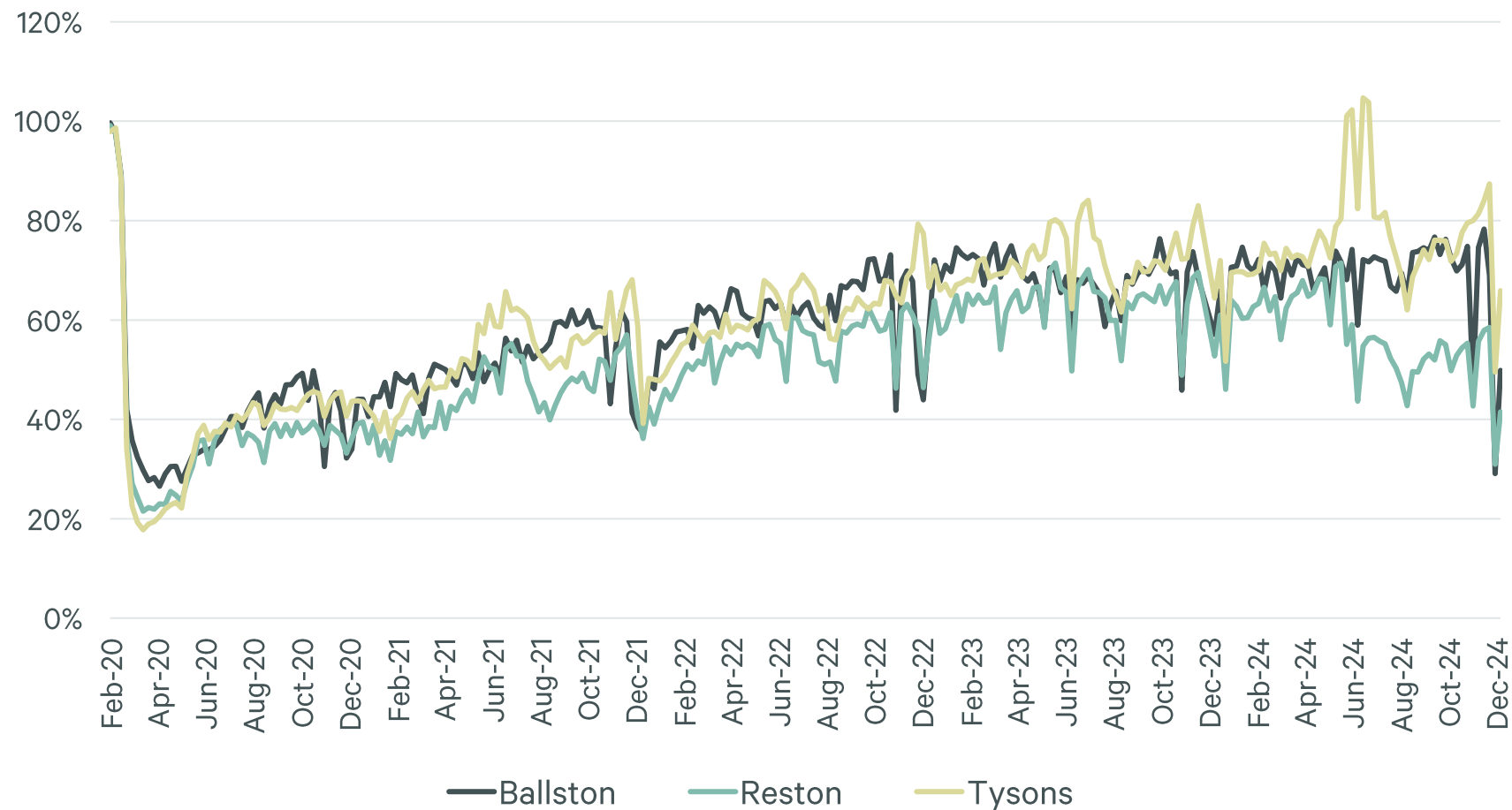
Note: Office-using employment includes jobs designated by the Bureau of Labor Statistics as Professional & Business Services and Financial Activities

Source: CBRE Research, CBRE Econometric Advisors, BLS



Return to Office Trends Stabilize

Northern Virginia

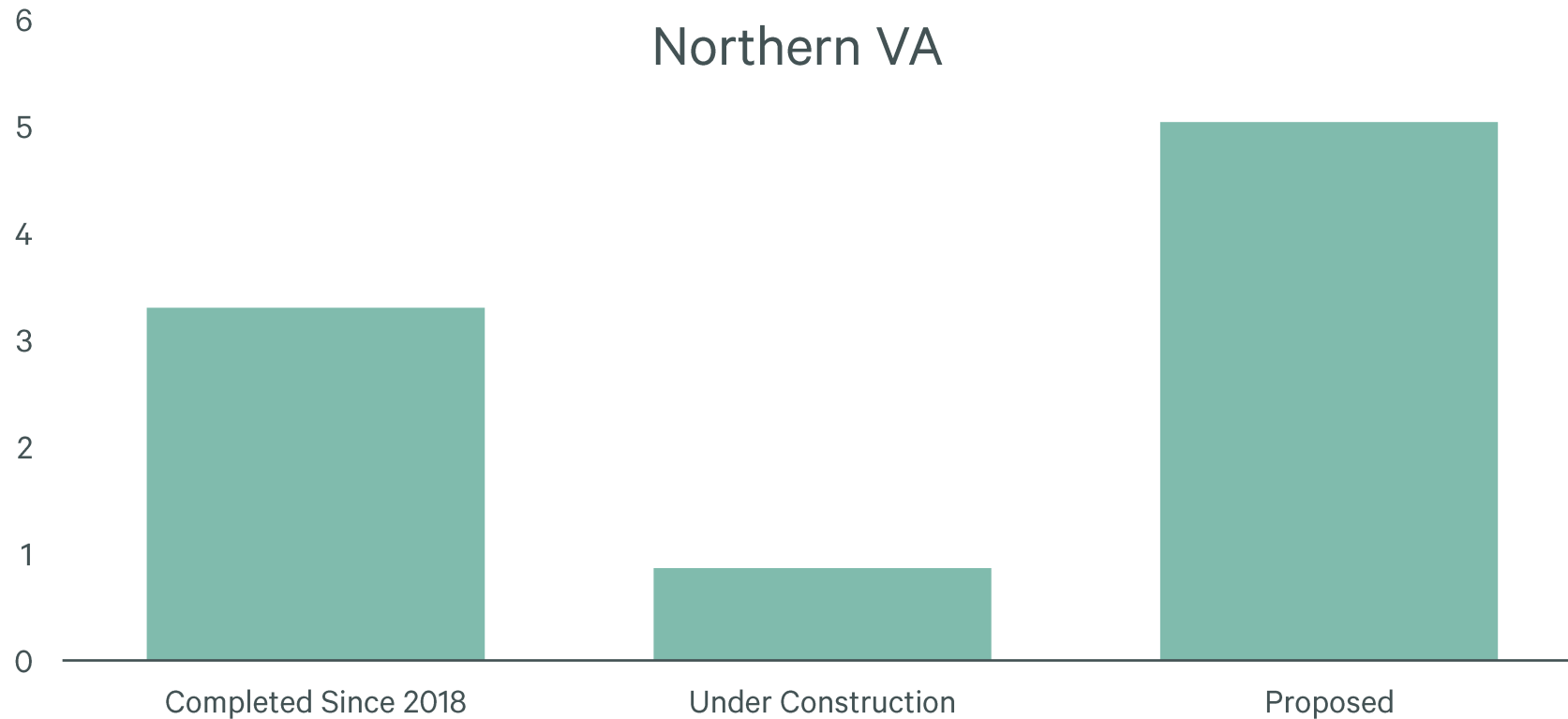


Sources: Placer.ai, CBRE Research



Conversion Activity Increases

Office-to-Residential Conversion Activity

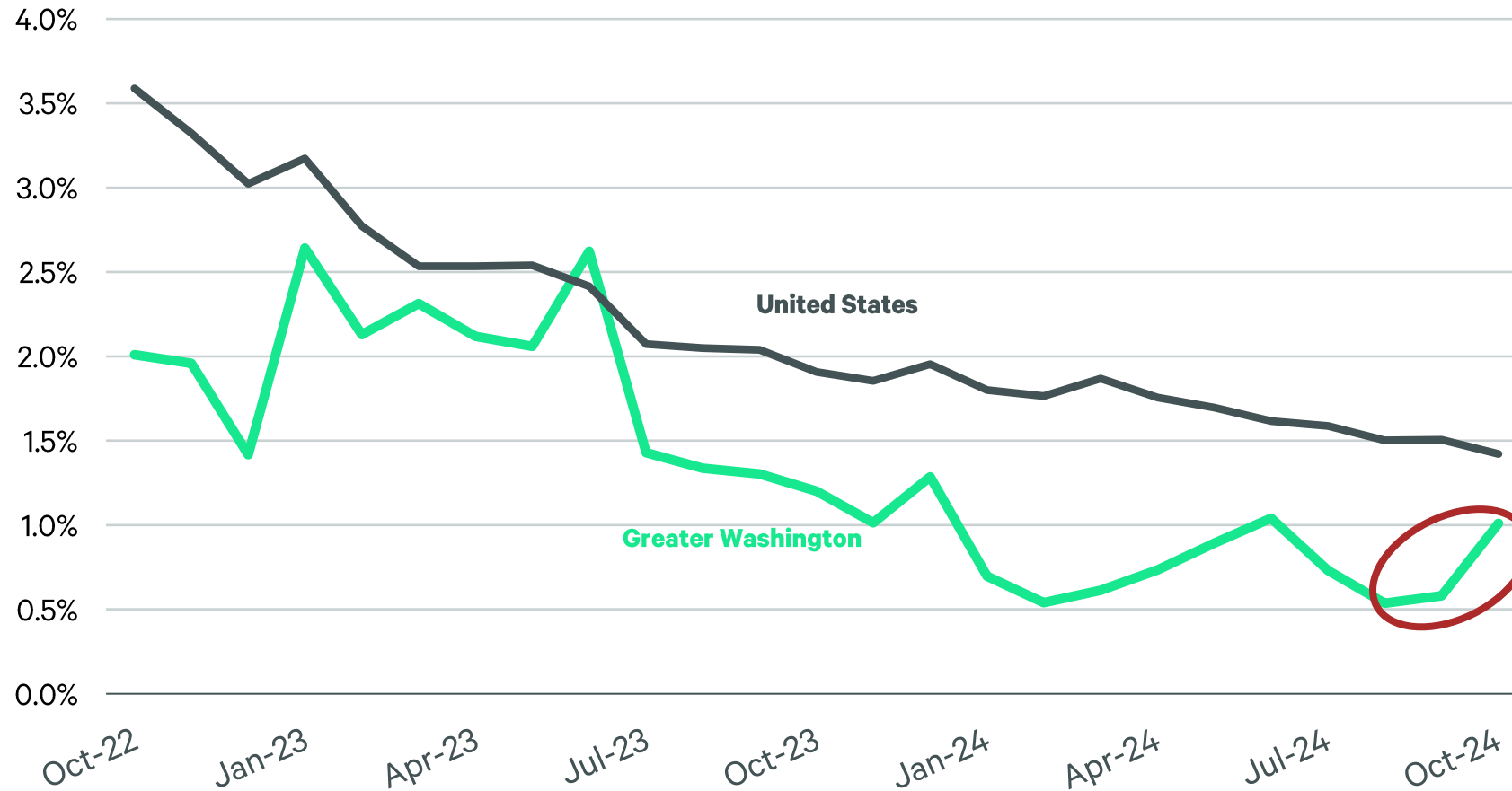


Sources: CBRE Research



Job Market Gaining Momentum

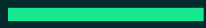
Annual Change in Employment



Sources: CBRE Research, BLS



2



Industrial Market





Audience Survey

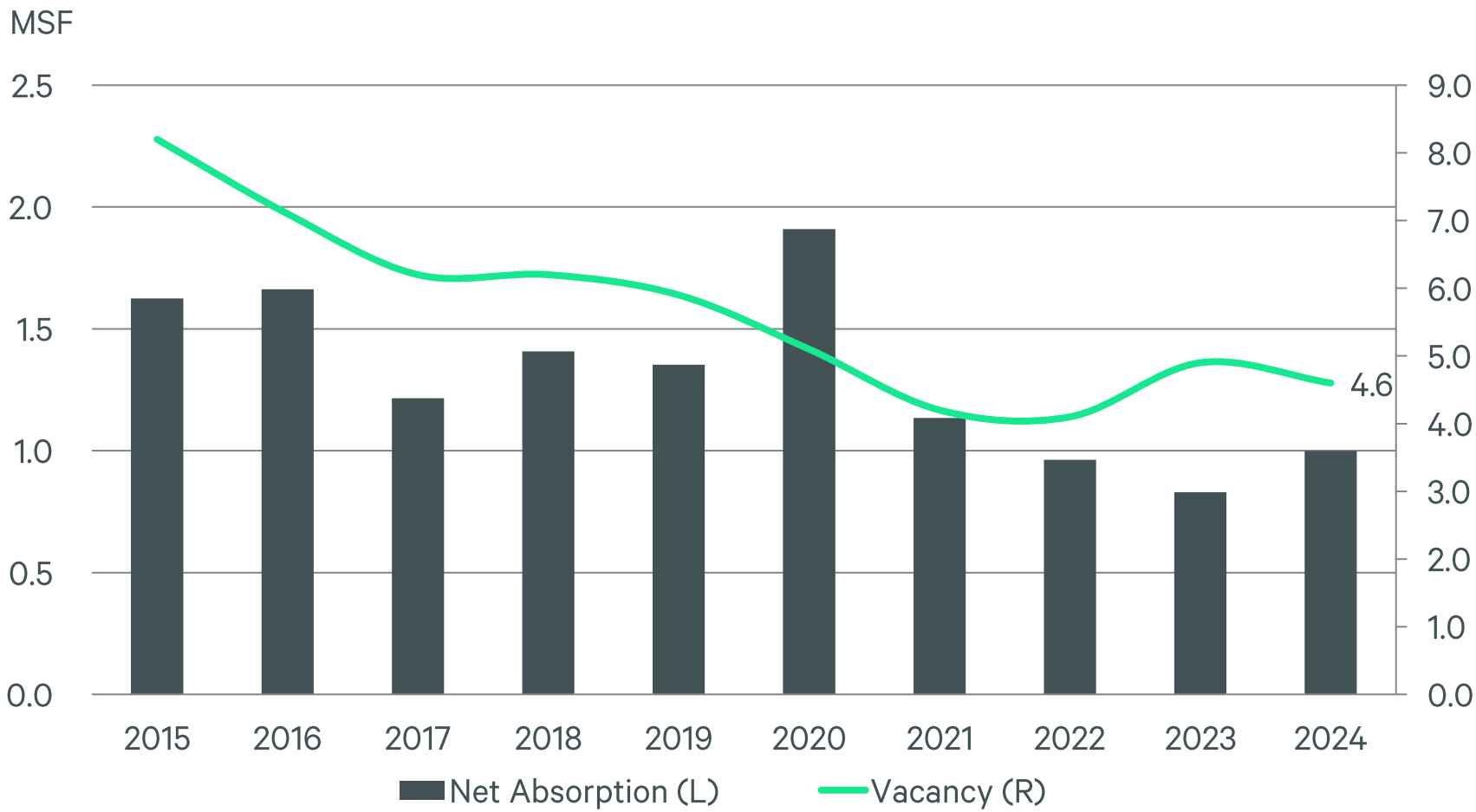
Industrial Market

Survey the audience by show of hands:

Who thinks the office market will be

- Better than 2024
- The same as 2024
- Worse than 2024

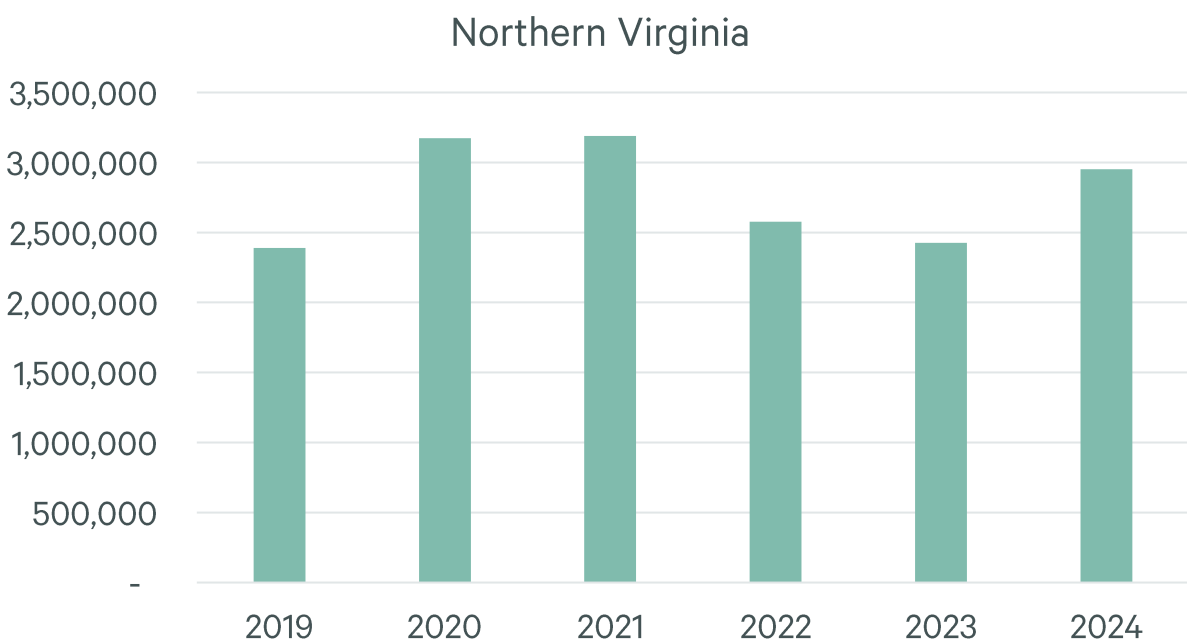
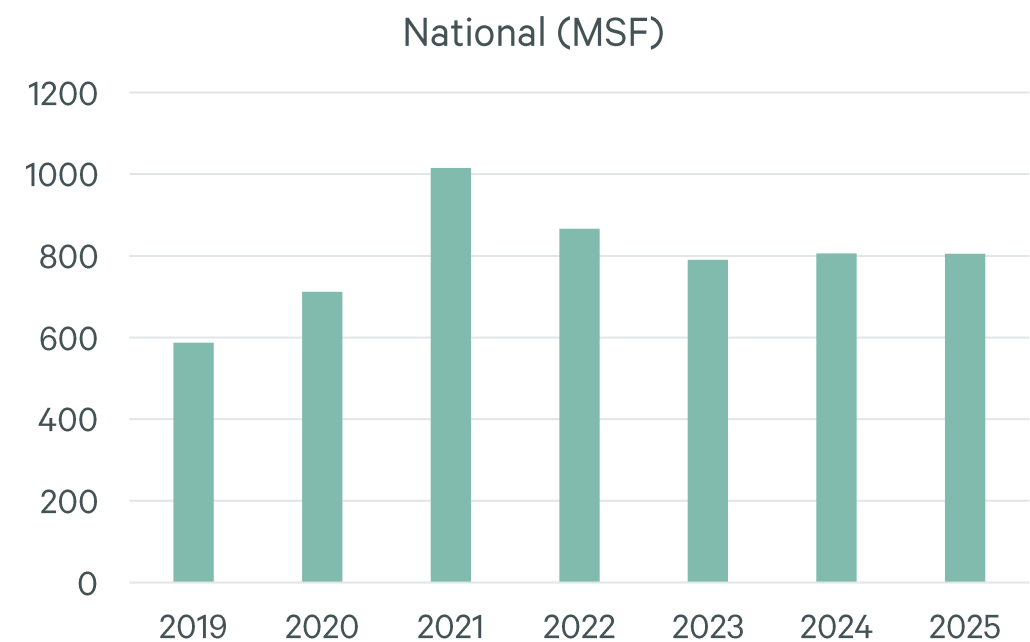
Market Remains Tight



Sources: CBRE Research



Strong Leasing Activity



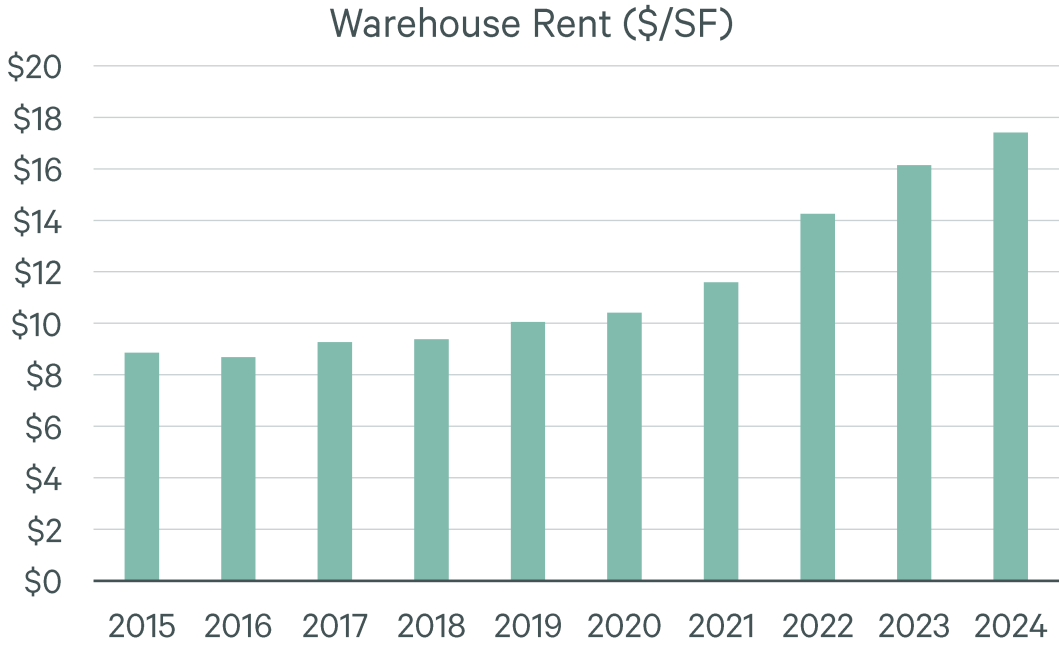
Sources: CBRE Research



Flight-to-Quality



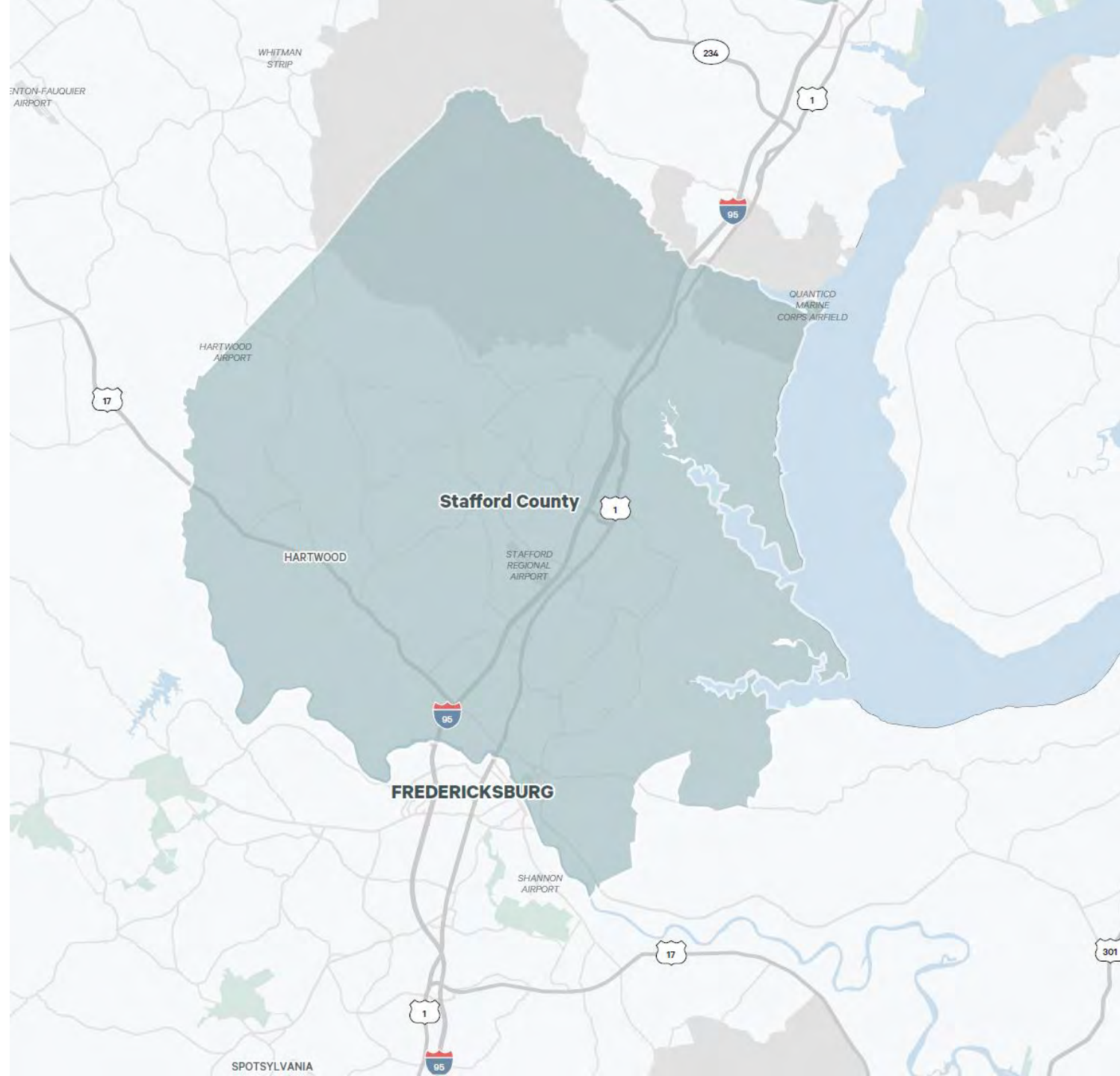
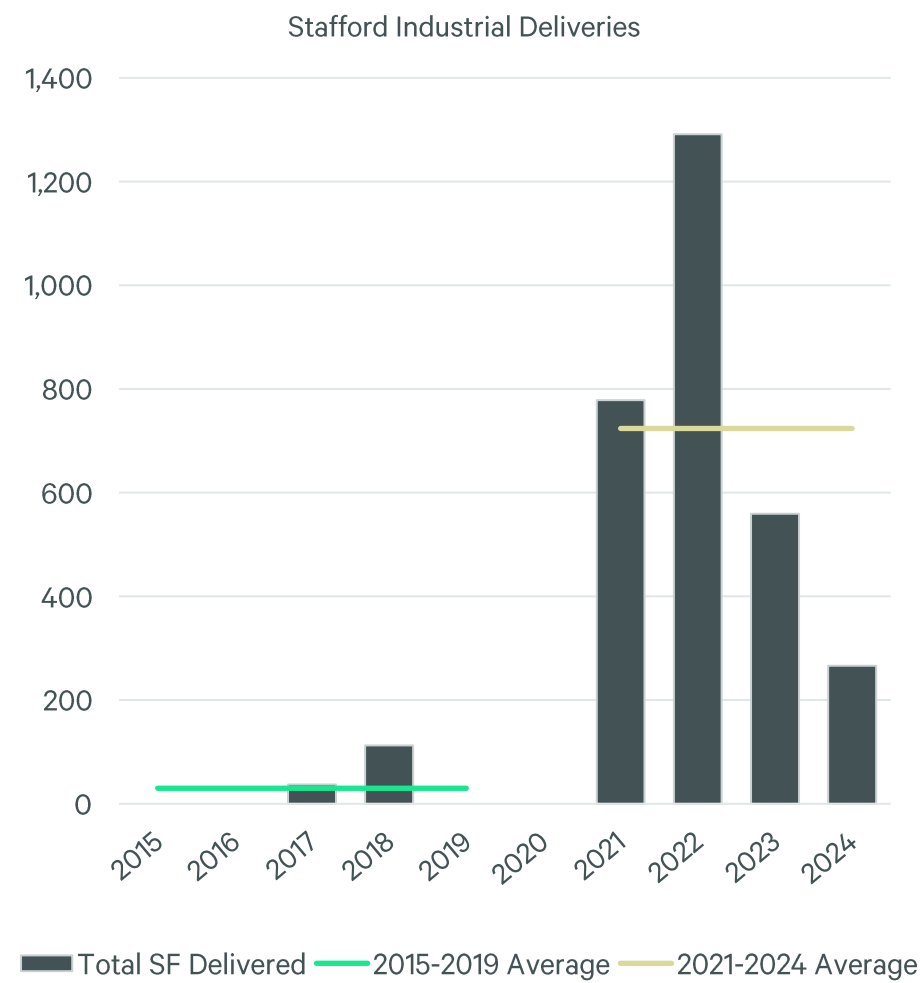
Rental Rate Growth



Sources: CBRE Research

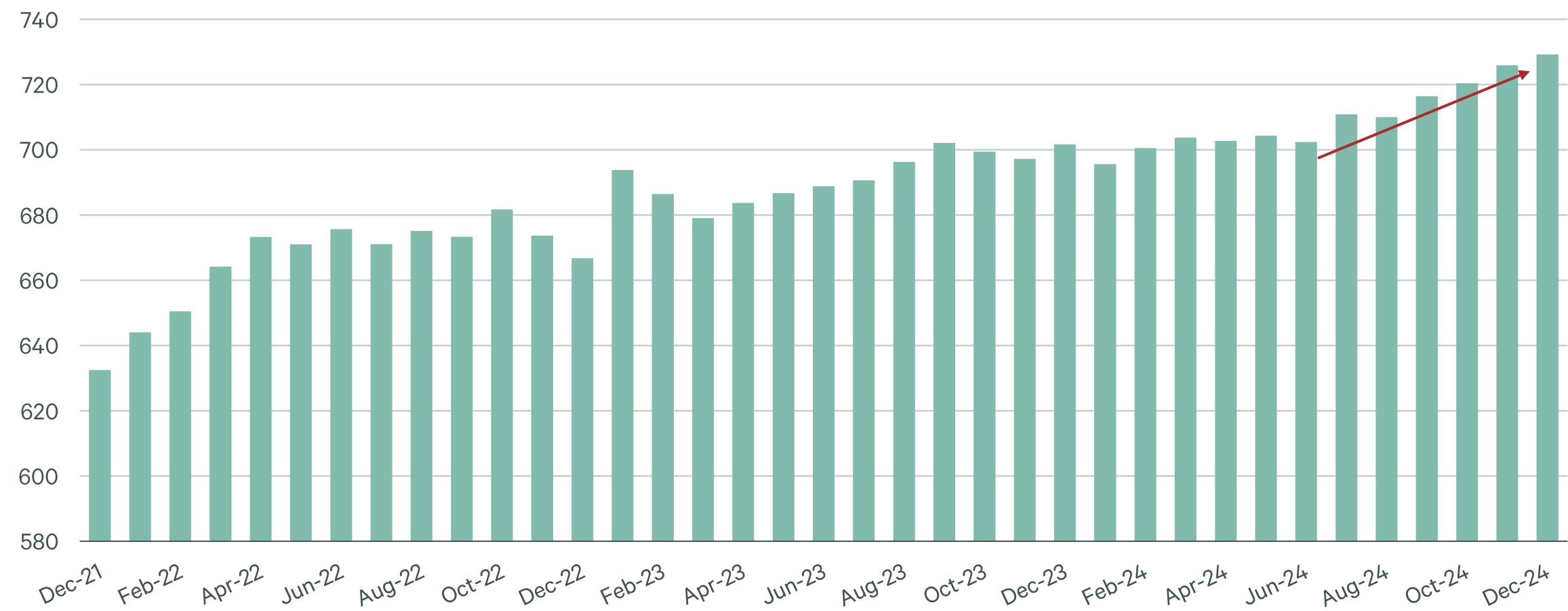


Where To Go Next



U.S. Retail and Food Services Sale Accelerate

Advance Estimates of U.S. Retail and Food Services Sales (\$, Billions)



Source: U.S. Census Bureau, January 2025.

Inflation

Core CPI, Quarterly, YoY, %



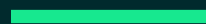
Source: National Sources, November 2024



Reshoring



3



Retail Market





Audience Survey

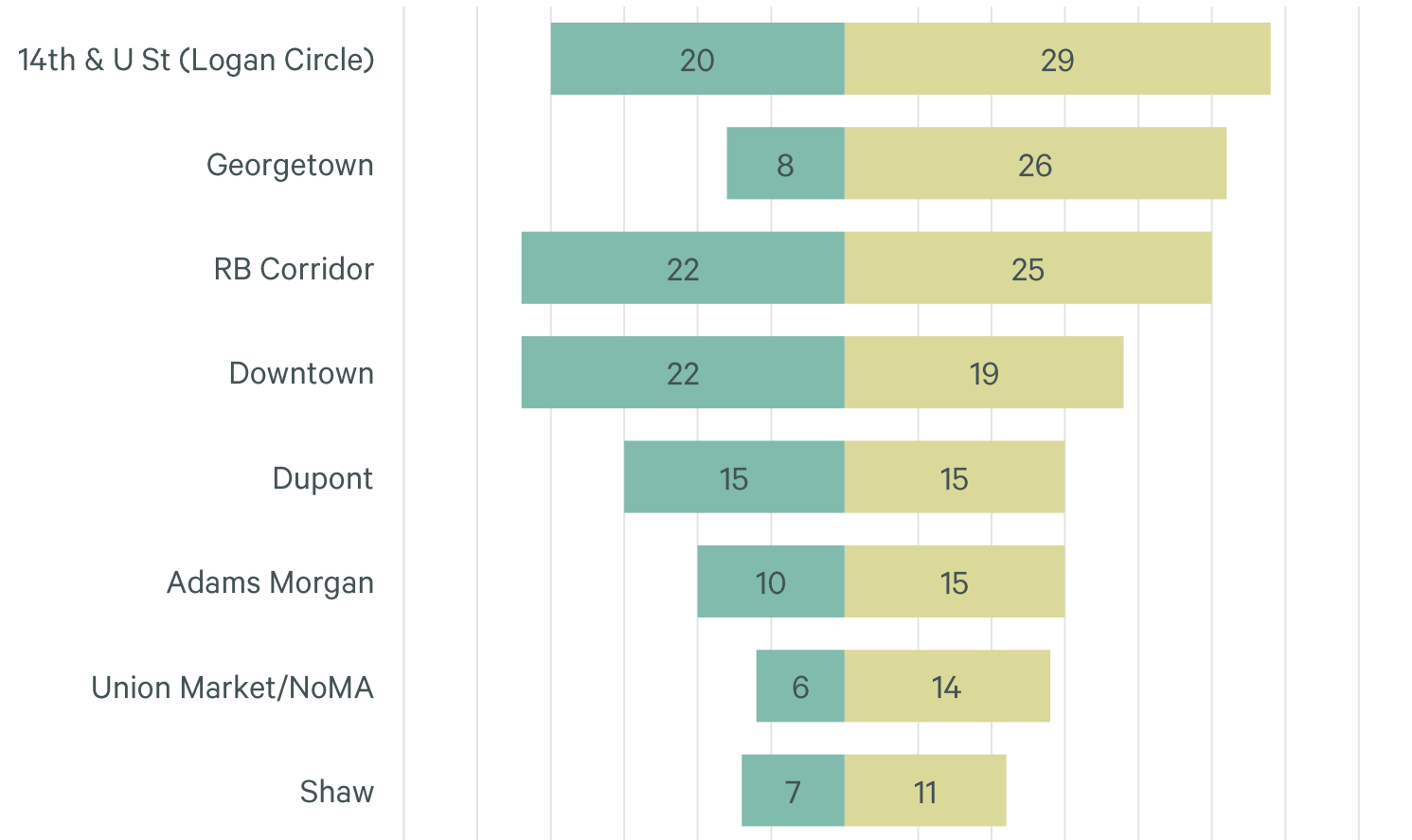
Retail Market

Survey the audience by show of hands:

Who thinks the retail market will be

- Better than 2024
- The same as 2024
- Worse than 2024

Retail Openings Outpace Closures



Sources: CBRE Research



U.S. Retail and Food Services Sale Accelerate in H2 2024

Advance Estimates of U.S. Retail and Food Services Sales (\$, Billions)



Source: U.S. Census Bureau, January 2025.

Experimental Retail





What to Watch

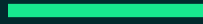


Inflation



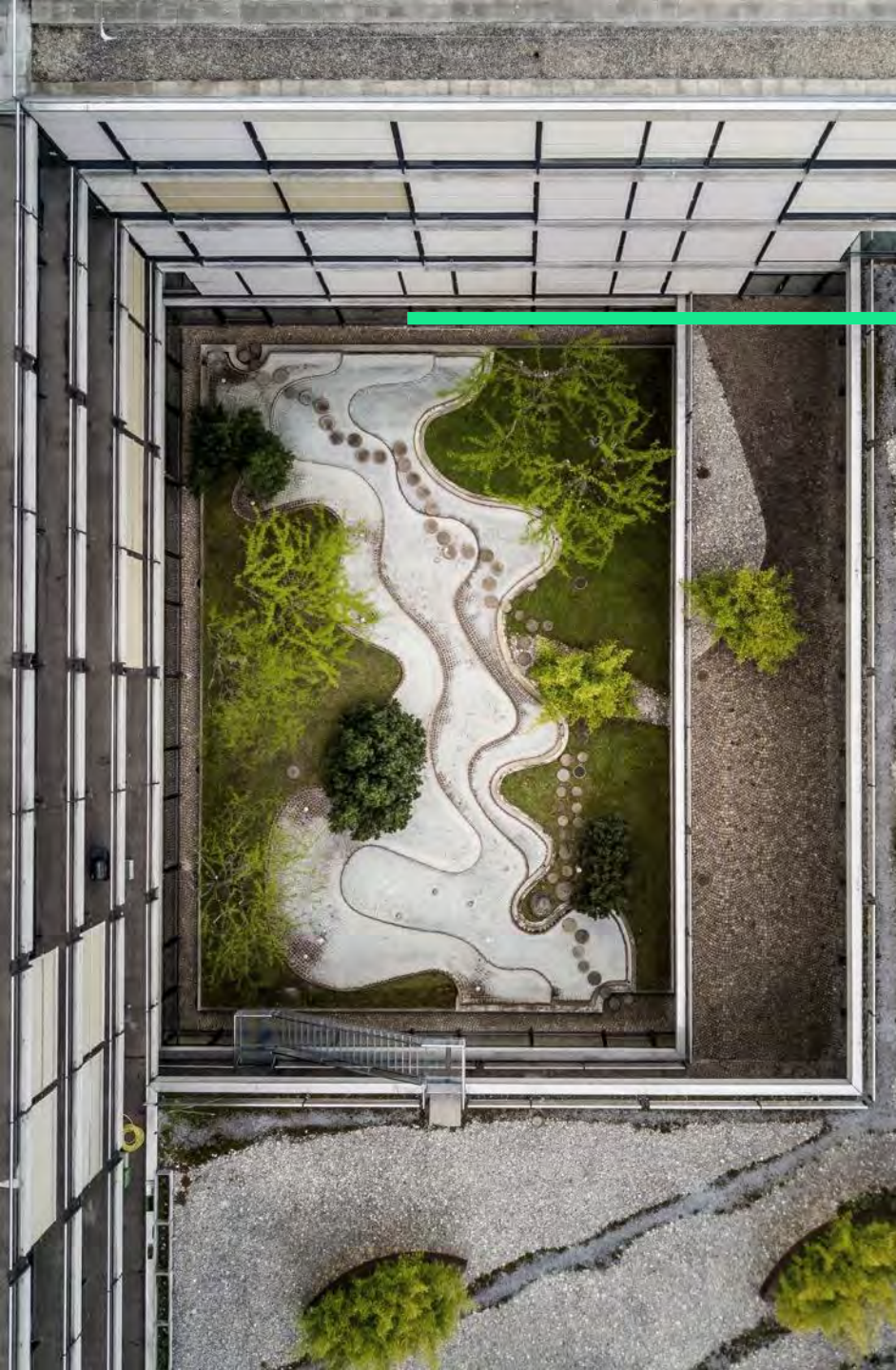
Consumer
Spending

4



Multifamily Housing Market





Audience Survey

Multifamily Housing Market

Survey the audience by show of hands:

Who thinks the multifamily housing market will be

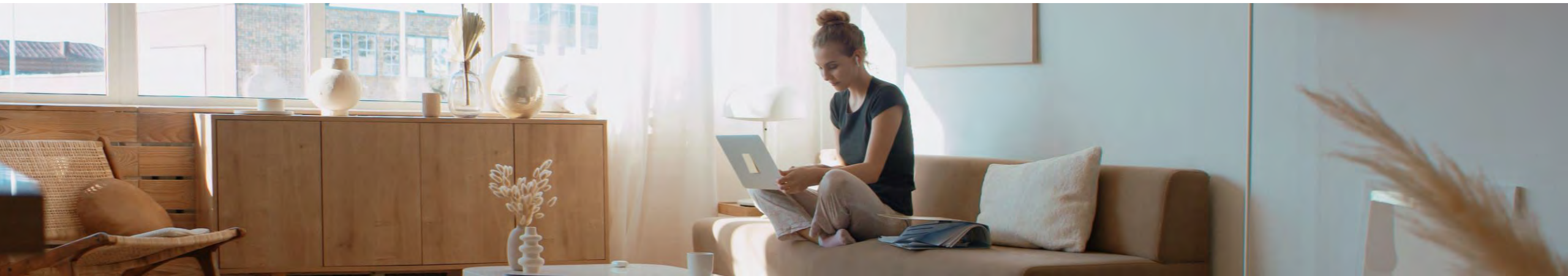
- Better than 2024
- The same as 2024
- Worse than 2024

Cost of Homeownership Pushes to Renting

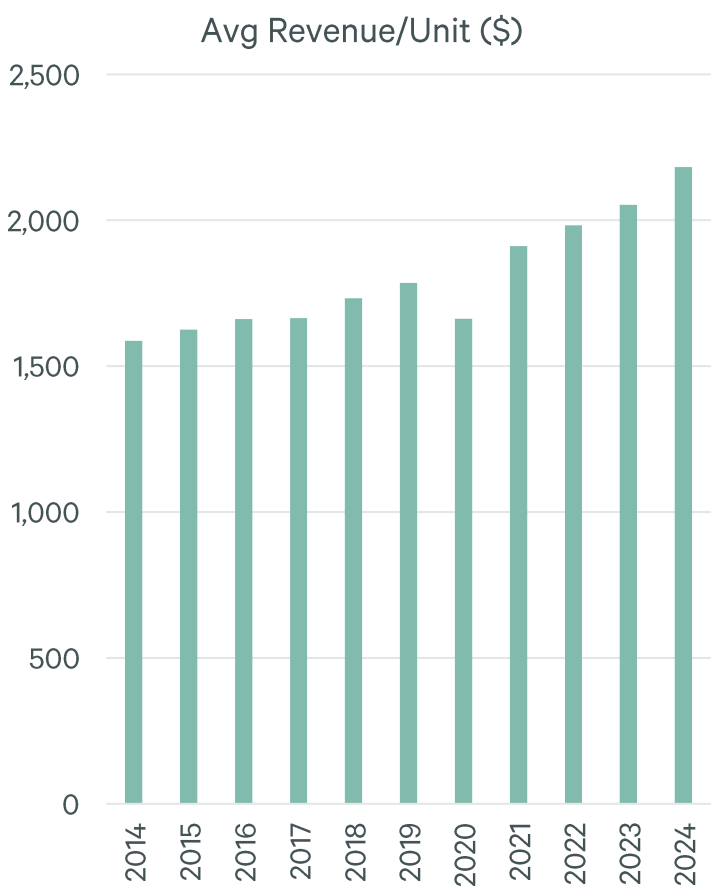
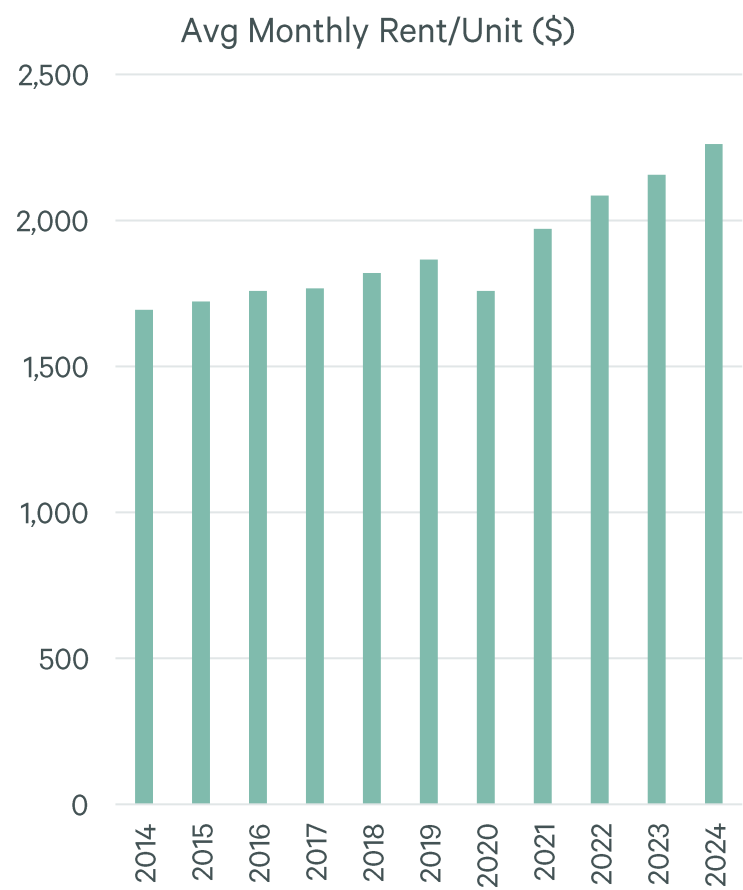
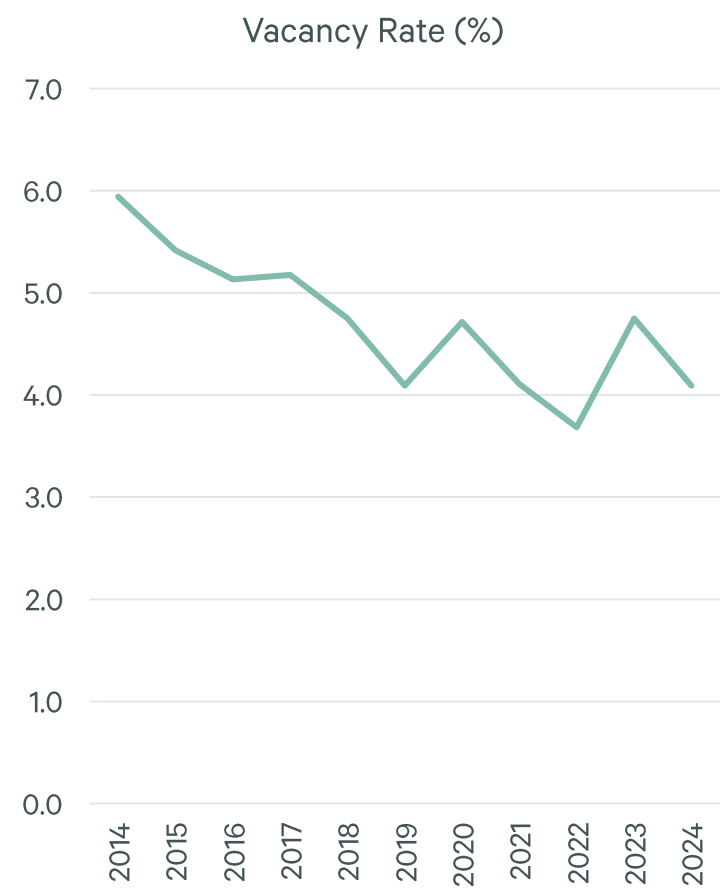
Average Monthly Multifamily Rent vs. New Home Mortgage Payment Forecast



Sources: CBRE Research

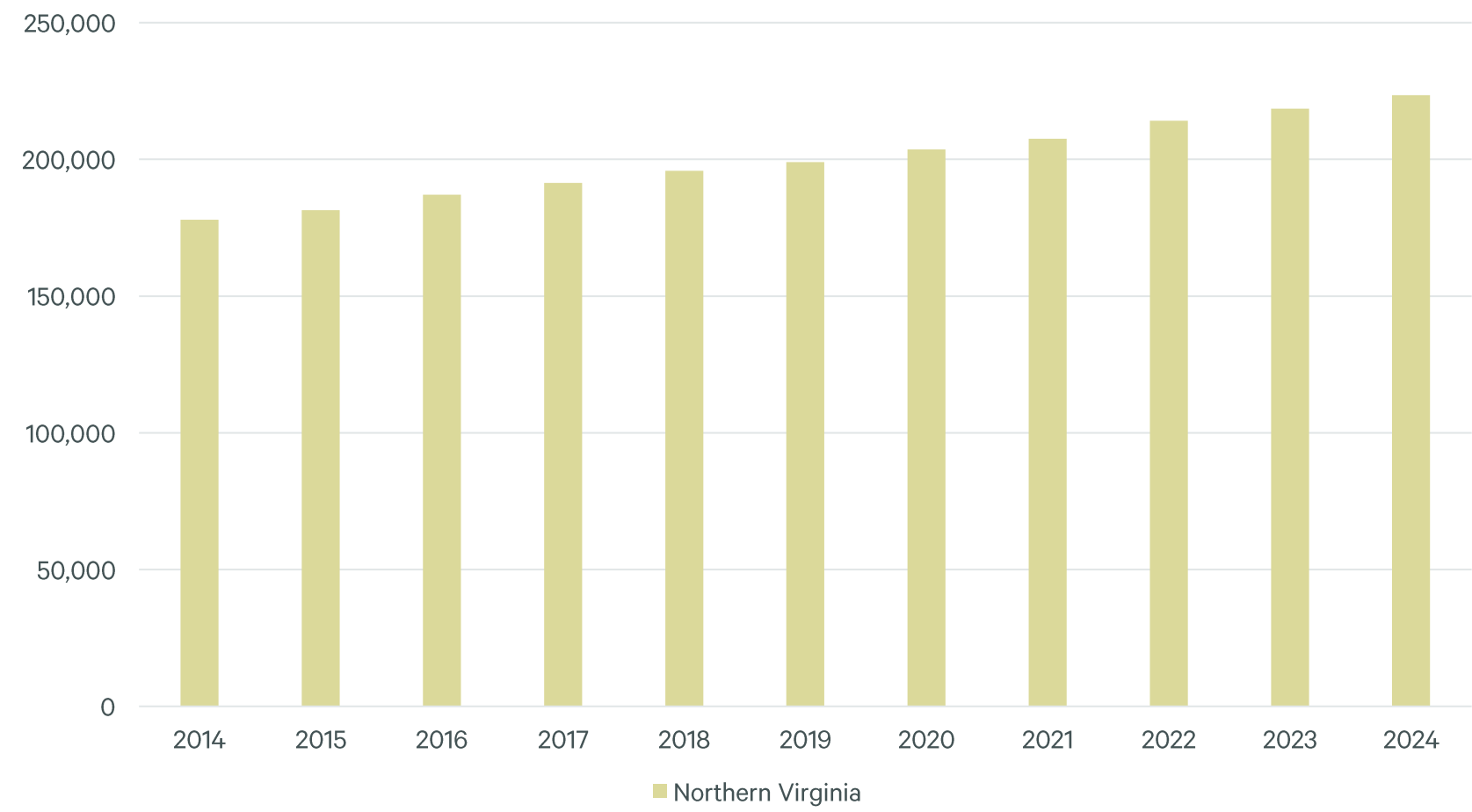


Strong Fundamentals



Source: CBRE Research, Econometric Advisors

Inventory Climbs



Source: CBRE Research, Econometric Advisors

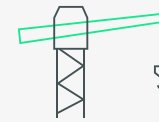




What to Watch

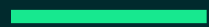


Employment



Cost of
Construction

5



Data Center Market





Audience Survey

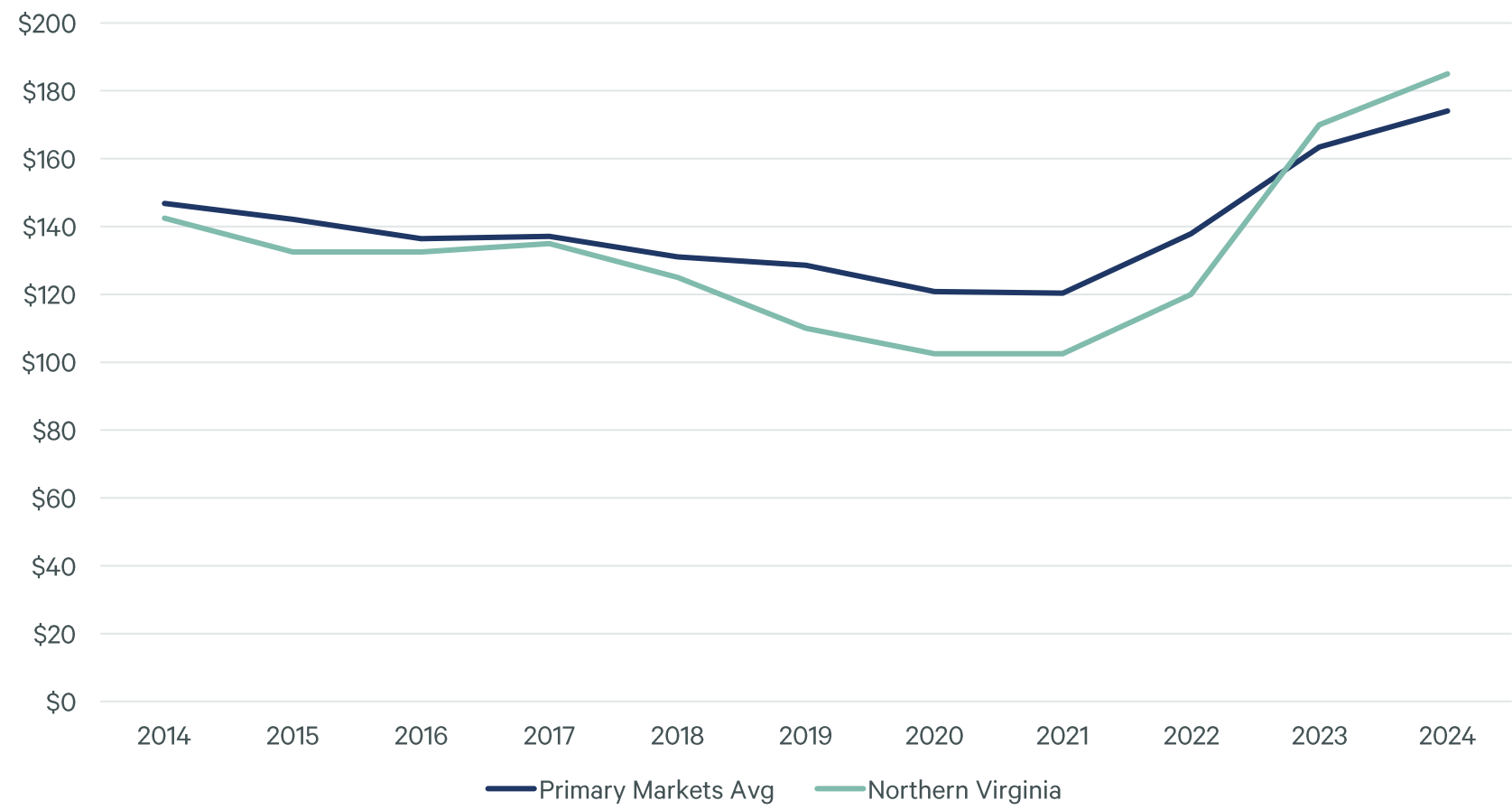
Data Center

Survey the audience by show of hands:

Who thinks the data center will be

- Better than 2024
- The same as 2024
- Worse than 2024

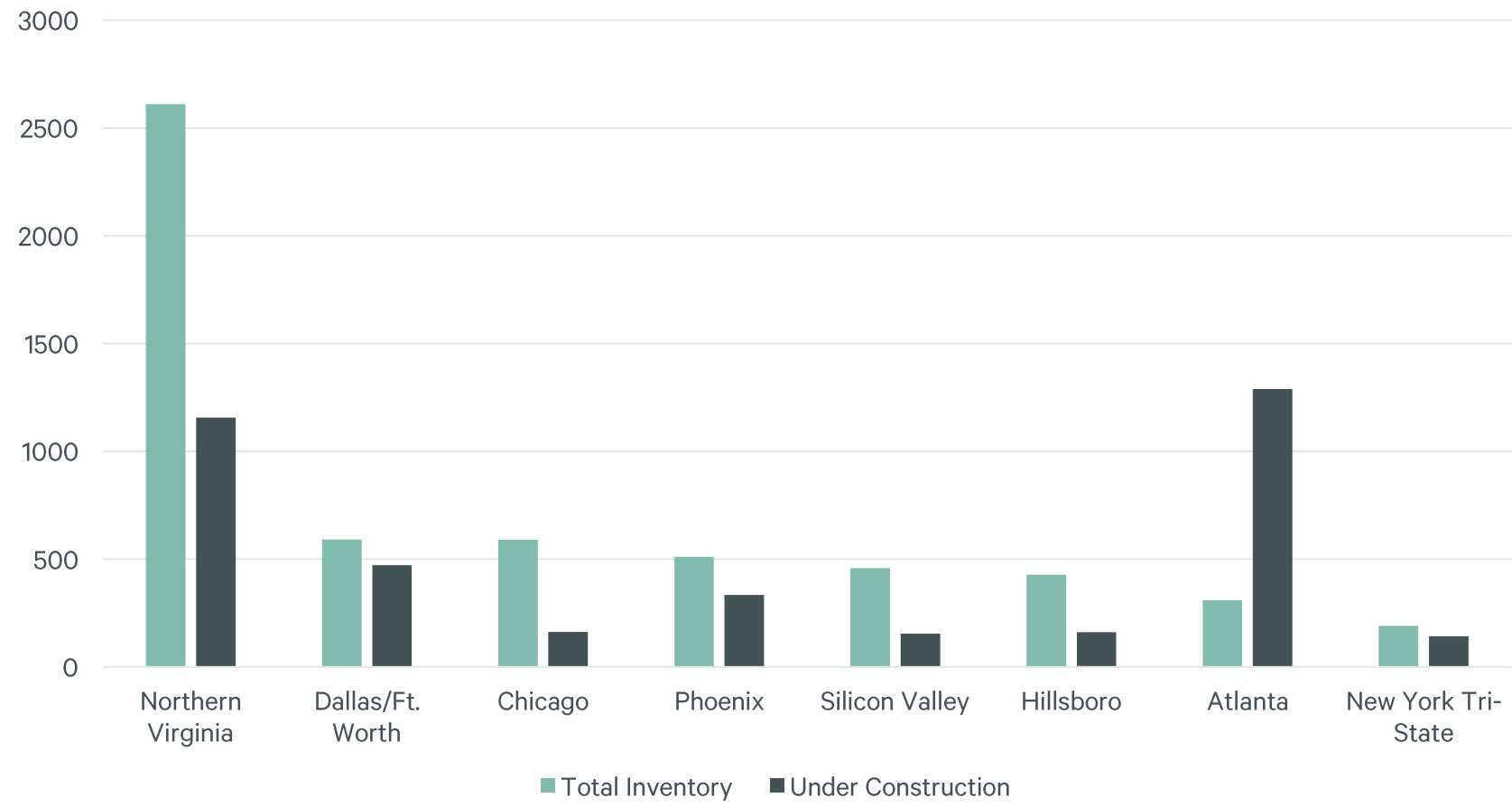
Pricing Continues to Improve



Source: CBRE Research, CBRE Data Center Solutions, H1 2024



Largest Global Data Center Market



Source: CBRE Research, CBRE Data Center Solutions, H1 2024





What to Watch



Competition with
other markets



Power Sources



Potential for
federal investment

6 — Conclusion



What to Expect in 2025

The Trends

Constants



Strong labor pool



Flight-to-quality



Commercial real estate distress

What to Watch



Return to Office



Employment



Inflation and consumer spending

CBRE

Thank You

