Clarkes Gap PARTNERS

ASPECT: 2025 Market Forecast

CASH IS KING

Dulles West Investment Sales Report

MACRO AND MARKET SUMMARY

MACRO

The remnants of President Biden's stimulative fiscal policies, coupled with stated Trump Administration policy goals, are likely to support inflation levels above 2.5% in 2025. An accompanying and persistent higher interest rate environment will continue, placing continued pressure on those looking to refinance real estate investments.

MARKET

The regional economy rebounded from Covid but more challenges are on the horizon. CRE defaults are surfacing in Western Fairfax and Eastern Loudoun, Federal jobs are at risk, land pricing remains high, and community banks remain prudent, restricting access to commercial real estate capital. The "bid-ask" gap will continue. New equity will be required to stabilize many investments in 2025.

Sales Price: Down

While sales prices inched up during the second half of 2024, prices for the year remained below the trailing four year trend. As noted below, the emergence of distressed assets is pushing the weighted average price lower, particularly for office. Relative to institutions, private investors continue to look at smaller, value add opportunities and 1031 Exchange deals, paying more than other buyer types. Owner-User buyers - in some instances accessing more available and less expensive debt - also have been willing to close at a higher price point.

Sales and Transaction Volume: Mixed

After falling since 2022, sales volumes (total sales dollars) were positive to trend a 10.17% positive variance. Unfortunately, a major reason for the increase has been the aggregate value of defaults by institutional owners on office projects located along Route 28, in Herndon, Chantilly, and Centerville. Absent these transactions, sales volumes would be significantly below trend. In the aggregate, transaction volumes (executed transactions) in 2024 were 10.4% below the four year trend; however, industrial and retail performance was marginally positive.

Capitalization Rates: Stable

2024 capitalization rates remained higher than Pre-Covid averages across all asset classes. Capitalization rates on office product - particularly in Fairfax and Loudoun - continued to be modeled at levels 300 bps higher than in 2019. Mirroring structural increases to the costs of debt and equity across all investment vehicles, CGP forecasts that 2025 will continue this trend. Variability in geography, size, asset age, use, and product type make Dulles West valuations more nuanced; and acquisitions by Owner-Users, 1031 Exchanges and NNN transactions by private investors argue against making general statements. Regardless, a demand for higher returns on invested equity acts to push prices lower.

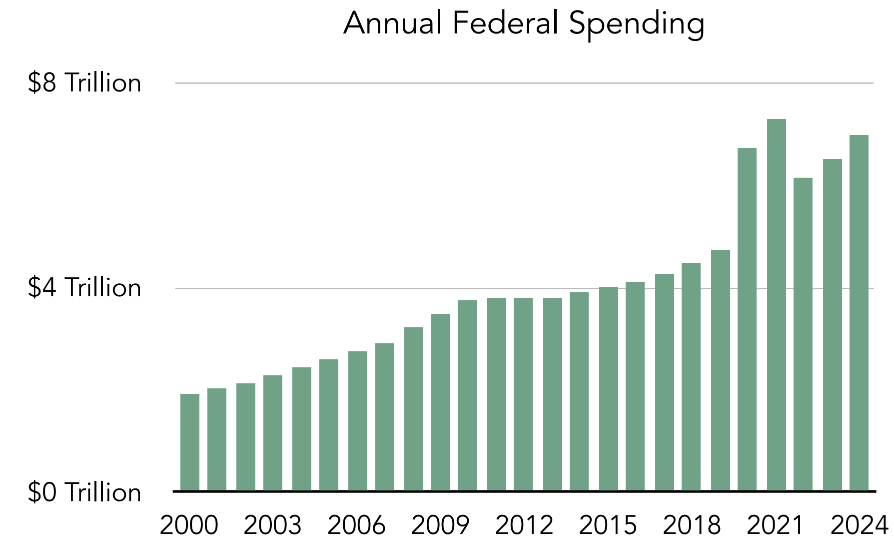
MACRO: INFLATION AND INTEREST RATE DIRECTION

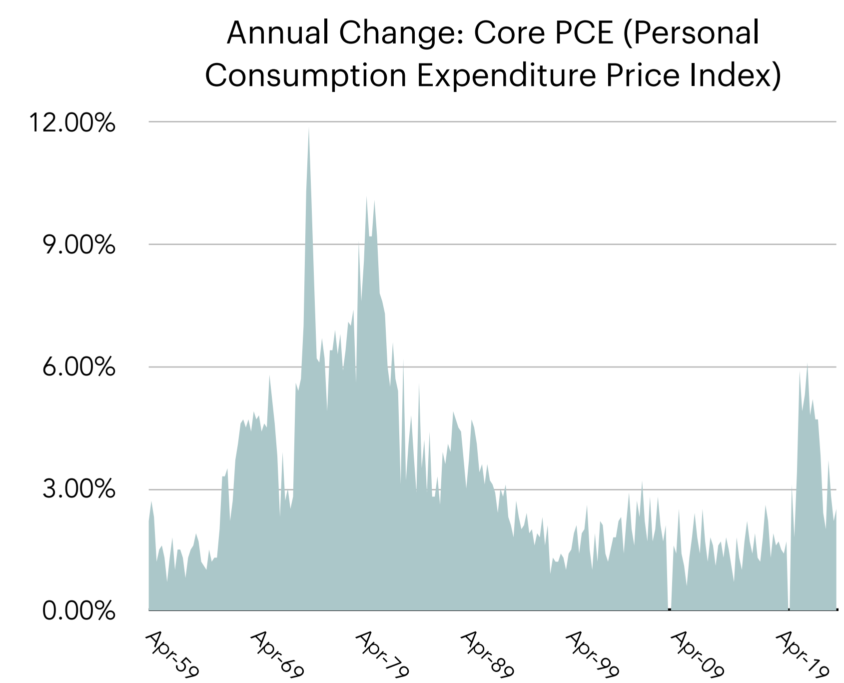
Risk is sitting on the X Axis. The question asked is "When will interest rates return to the levels experienced from 2010 to 2020. Our answer? "Not soon enough to save many borrowers." Both the Fed and Wall Street remain cautious as they chart the future path of inflation and how Trump Administration policy initiatives are expressed. In turn, borrowers, lenders, and operating companies will face challenges as loans mature and many search for additional capital. For the next 24 months "*Cash Will Be King*".

THE IMPACTS OF COVID RELATED FISCAL STIMULUS

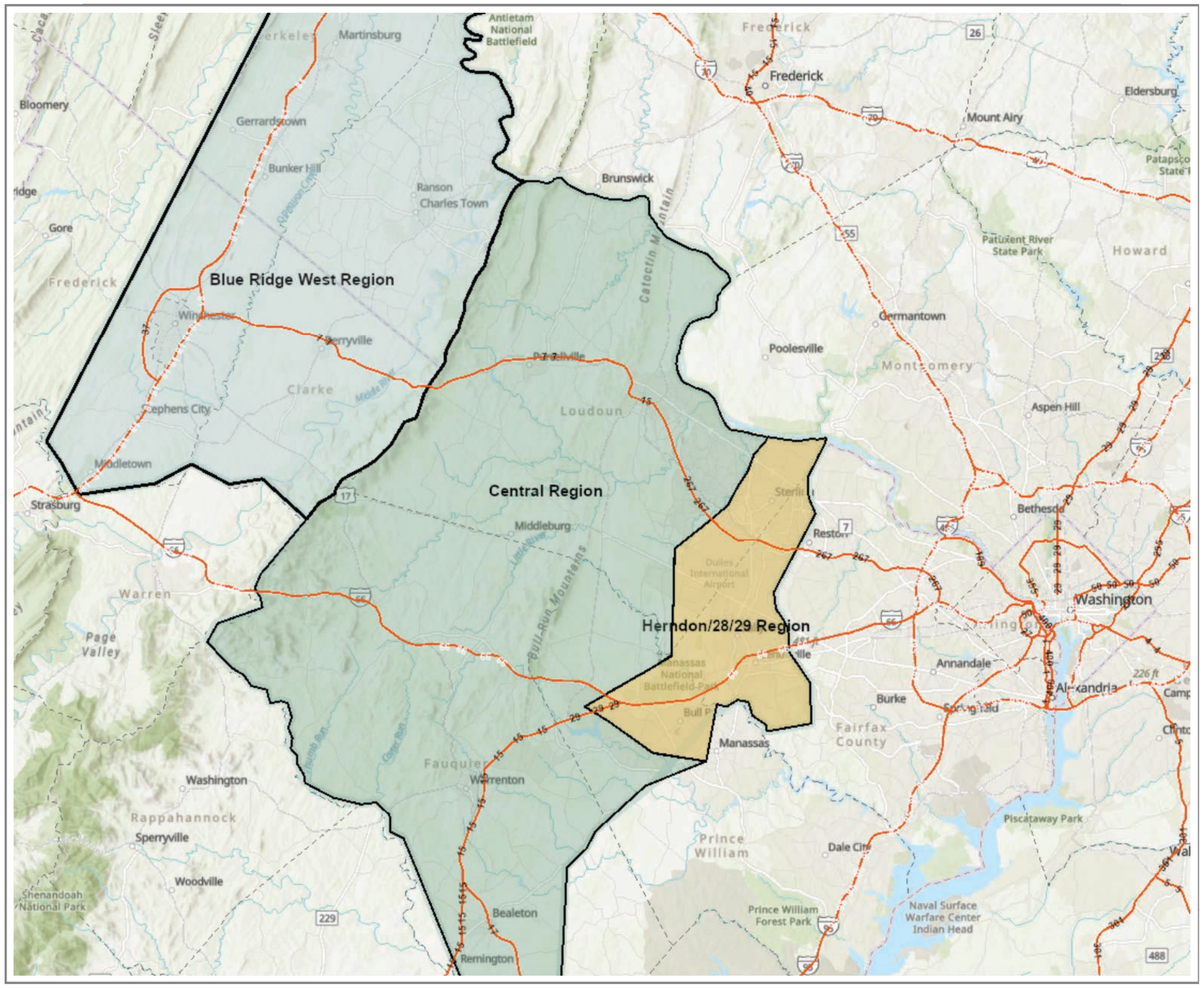
Between 2010 and 2020 the average annual U.S. Federal spending equaled $4.0 trillion. Then America went home for Covid and average expenditures between 2000 and 2024 increased by 65%. During that period the U.S. spent $11 trillion more than it recovered in tax revenues and other payments.. This massive and necessary stimulus energized the economy, sparking inflation as demand exceeded supply. In turn, the Fed raised interest rates faster than at any time in history creating a gap between pre-2022 costs of capital and today's rates.

While inflation has fallen to levels below those experienced during 2023 and 2024, there is a lack of clarity on its direction. In the Fall of 2024 the Fed indicated that it would begin to ease monetary policy. However, concerns about tax legislation, tariff threats, and potential labor shortages slowed the expected decline in rates.

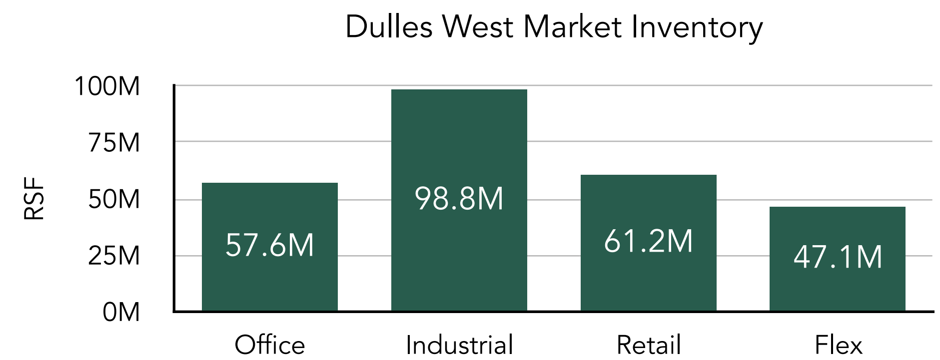




MARKET 2024 : DULLES WEST MARKET



Dulles West Market



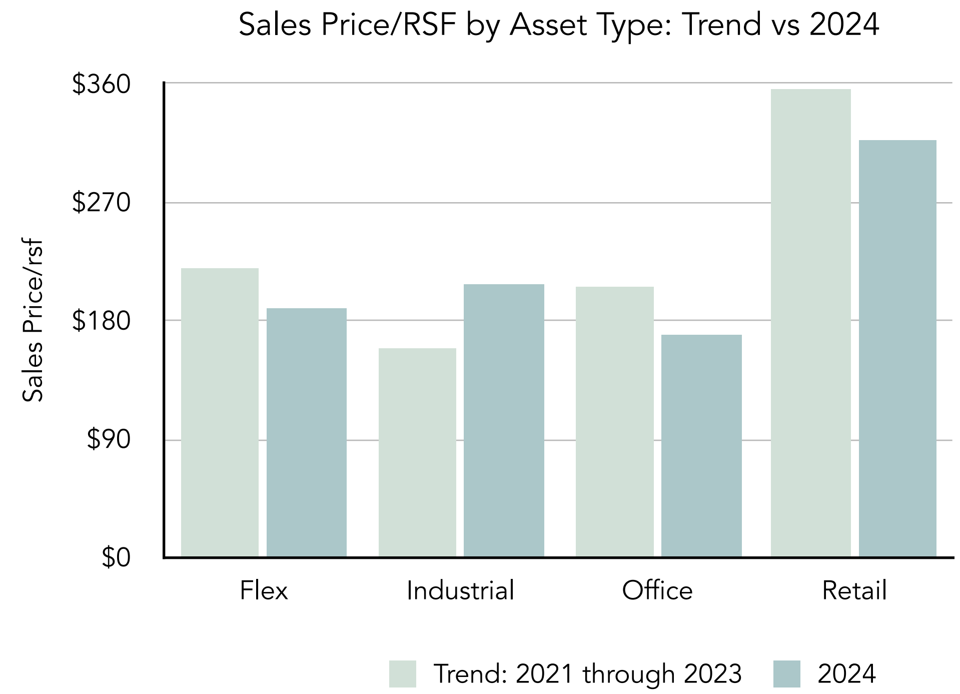
Dulles West is a distinct commercial real estate market in Northern Virginia and the West Virginia Panhandle. The market connects Metropolitan Washington's economic generator, Fairfax County, on the east to the growing I-81 Corridor on the west. The investment real estate market is defined by 240 million square feet of office, flex, retail and industrial buildings (including the largest concentration of data-centers in the world). Reflecting the area's dynamic residential expansion, the inventory of commercial real estate has increased by 38% since 2000.

In 2024 the population of the market area exceeded 1.1 million which would make it the 47th larges U.S. MSA, comparable to Sarasota, FL; Hartford, CT; New Orleans, LA; and Tulsa, OK. . Compared to more the mature submarkets in Fairfax and Arlington, the Dulles West Market is generally defined by less density, smaller properties, and numerous historic buildings dating back to the pre-Civil War era located in towns like Leesburg, Winchester, Charles Town and Purcellville.

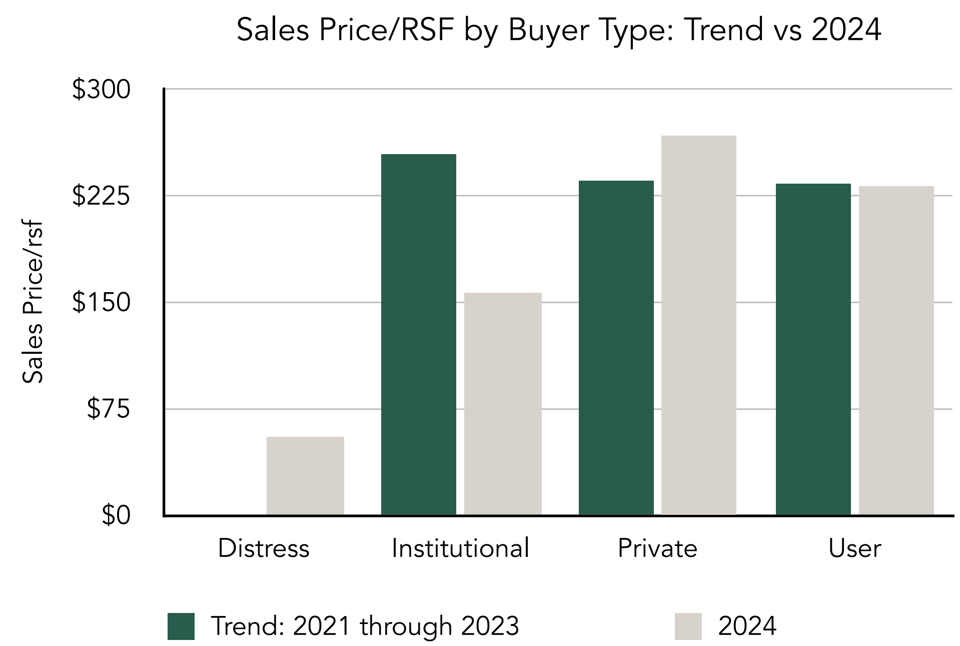
MARKET 2024: SUMMARY

2024 TRENDS

- Sales Price/rsf declined in all property types except industrial.
- 70% of the largest ten (10) transactions were executed by national and international investors.
- Distressed sales of office space emerged during the last two quarters.
- Many projects continue to sell for their underlying land value and future data center development potential. Contract land pricing now exceeds $4M/acre.
- Sales volumes turned positive after a three (3) year decline, suggesting that - considering the simultaneous fall in price levels - sellers are beginning to meet the market.
- Debt remained available but under more restrictive terms. Alternative lenders entered the market.



Lakeside @ Loudoun Tech II and III: Distress Sale to Gordon Street ($56.49/rsf)



Clarkes Gap PARTNERS

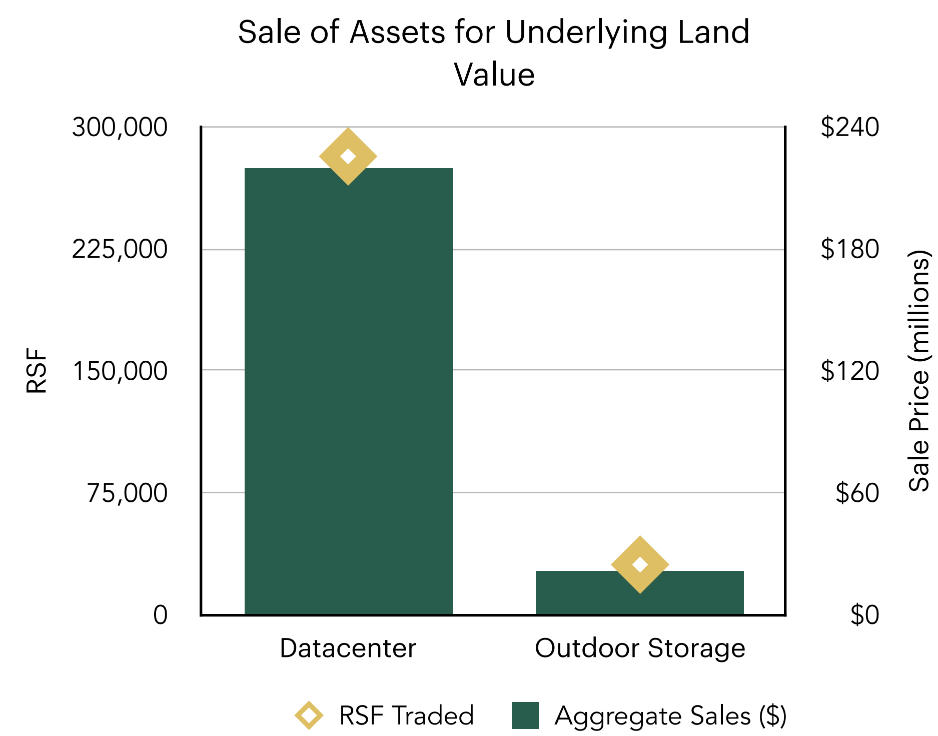
MARKET 2024: LARGEST INVESTMENT SALES

Property Address	City	Property Type	RSF	Sale Price	Price Per SF	Sale Date	Buyer	Comment
14225 Newbrook Dr	Chantilly	Flex	248,186	$80,500,000	$324	October 15, 2024	New Mountain Capital	Value created by long term lease to Quest Diagnostics
11400 University Blvd (Multiple Properties)	Manassas	Industrial	241,373	$68,818,000	$285	October 31, 2024	Dogwood Industrial Properties	Buyer is a logistics, infill, value-add operating company based in Atlanta and funded by TPG
20200 Sycolin Rd	Leesburg	Industrial	198,300	$64,500,000	$325	December 12, 2024	Eaton Vance Real Estate Investment Group	Boston-based core investor. Value created by long term lease with FedEx.
5860 Trinity Pky (Multiple Properties)	Centreville	Office	500,038	$39,360,000	$79	August 9, 2024	Finmarc Management	Distress Sale
13900 Lincoln Park Dr	Herndon	Office	204,087	$35,775,000	$175	September 20, 2024	Sagard Real Estate	European investment entity that acquired Denver-based EverWest to acquire U.S. real estate
8422 Wellington Road	Manassas	Industrial	119,942	$27,500,000	$229	December 30, 2024	Zippy Shell	Storage and moving service firm providing portable storage units
2350 Corporate Park (Multiple Properties)	Herndon	Office	489,691	$27,000,000	$55	April 1, 2024	Zumot Real Estate Management, Inc.	Distress Sale
14500 Avion Pky (Multiple Properties)	Chantilly	Office	111,360	$21,000,000	$189	October 18, 2024	Starwood Capital Group	Starwood has also acquired other assets in the Avion business park
310 Tyson Dr	Winchester	Industrial	230,283	$20,775,000	$90	December 13, 2024	Buligo Capital	Bulge is a global real estate investment firm headquartered in Israel.
22900 Indian Creek Dr	Sterling	Industrial	76,275	$20,000,000	$262	March 19, 2024	JK Moving Services	Location of acquisition in a business park actively being assembled for future data center development.

MARKET 2024: ASSET ACQUISITIONS FOR LAND VALUE

SALES FOR UNDERLYING LAND VALUE

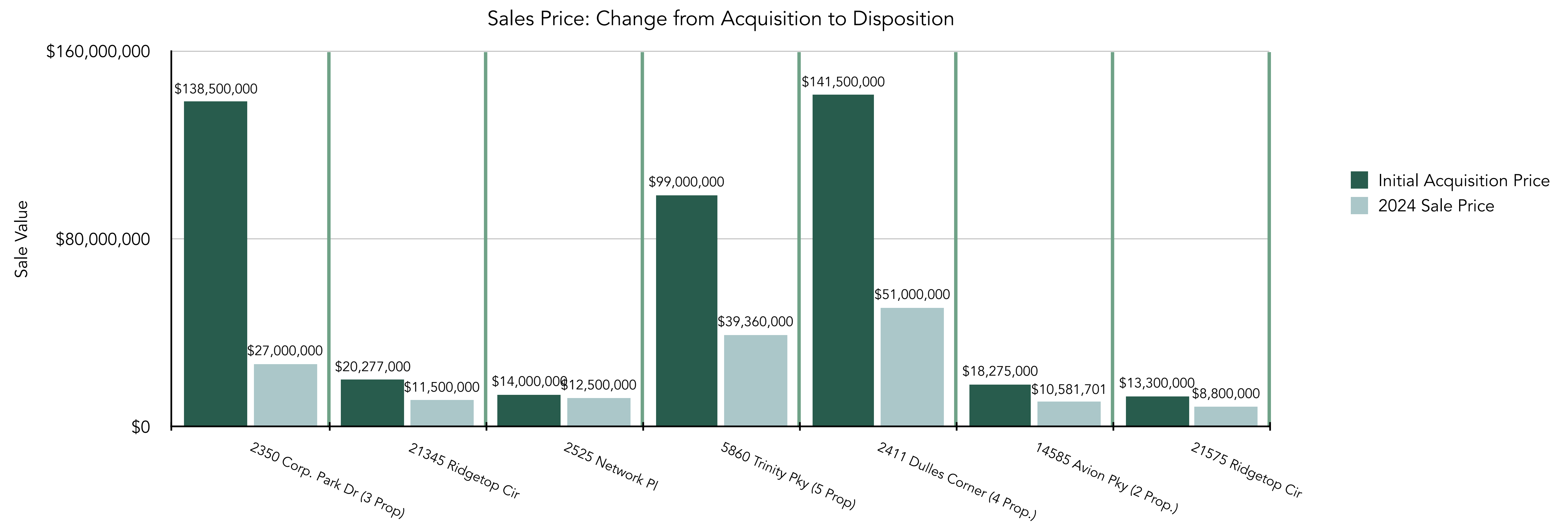
- Demand for existing buildings to demolish reflects the high price of raw land in eastern Loudoun and Western Prince William Counties.
- The inventory of Class B and Class C industrial and flex buildings is falling, rents are increasing and businesses are being displaced as structures are torn down.
- 394,000 square feet were sold for the value of the land.
- Trade value equaled $280.3 million: $710/rsf and $1.88M/acre.
- 149 acres were acquired in these deals.
- Two (2) of the transactions were related to the outdoor storage business. These transactions accounted for 35.5 acres in 2024. The average price per acre was $577,054.
- Assemblage activity in Manassas accelerated in 2024.
- Chuck Kuhn/JK Moving was involved in 42% of the transactions and 22% of total sales value.



11144 Industrial Road, Manassas, VA Acquired by JK Moving/C.Kuhn ($811/rsf & $2.2M/Acre)

MARKET 2024: DISTRESSED SALES

Property Address	Building SF	Sale Price	Price Per SF	Loss from Acquisition	% Loss	Buyer	Seller
2350 Corporate Park Dr (Multiple Properties)	489,691	$27,000,000	55.14	-$111,500,000	-80.51%	Zumot Real Estate Management, Inc.	AEW Capital Management/ACP
21345 Ridgetop Cir (Multiple Properties)	203,574	$11,500,000	56.49	-$8,777,000	-43.29%	Gordon Road Capital	AEW Capital Mngmt/ Buchanan
2525 Network Pl	210,684	$12,500,000	59.33	-$1,500,000	-10.71%	Lender with Abod Associates as Receiver	Cannon Hill Capital Partners
5860 Trinity Pky (Multiple Properties)	500,038	$39,360,000	78.71	-$59,640,000	-60.24%	Finmarc Management	Spear Street Capital/ Partners Group AG
2411 Dulles Corner Park (Multiple Properties)	614,261	$51,000,000	83.03	-$90,500,000	-63.96%	Finmarc Management	Rockpoint
14585 Avion Pky (Multiple Properties)	116,489	$10,581,701	90.84	-$7,693,299	-42.10%	Casareale & Partners	Ritz Banc/Lincoln Properties
21575 Ridgetop Cir	91,755	$8,800,000	90.85	-$4,500,000	-33.83%	Nuveen with Koll Development	Fairbridge



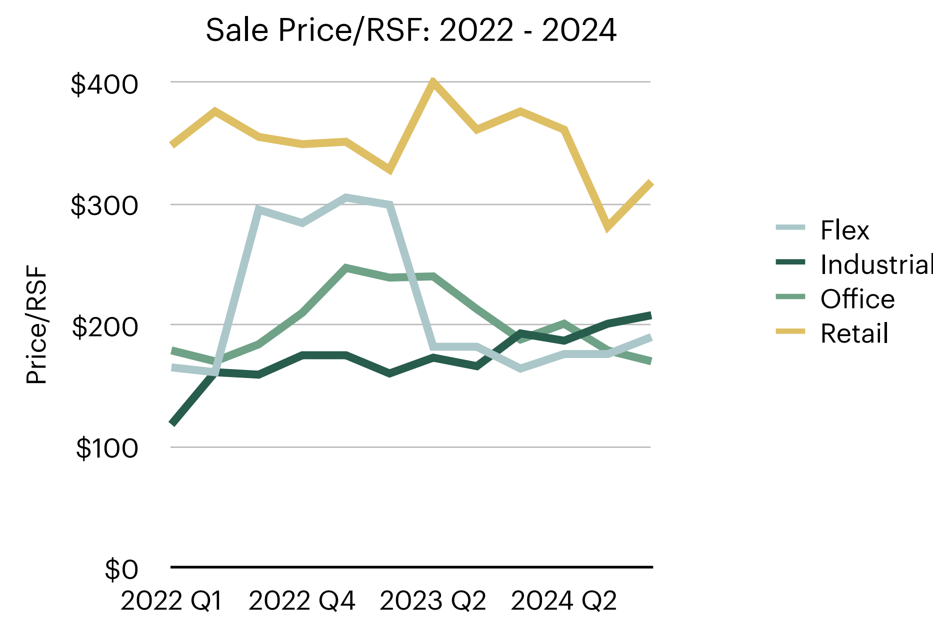
MARKET 2024: PERFORMANCE BY ASSET CLASS

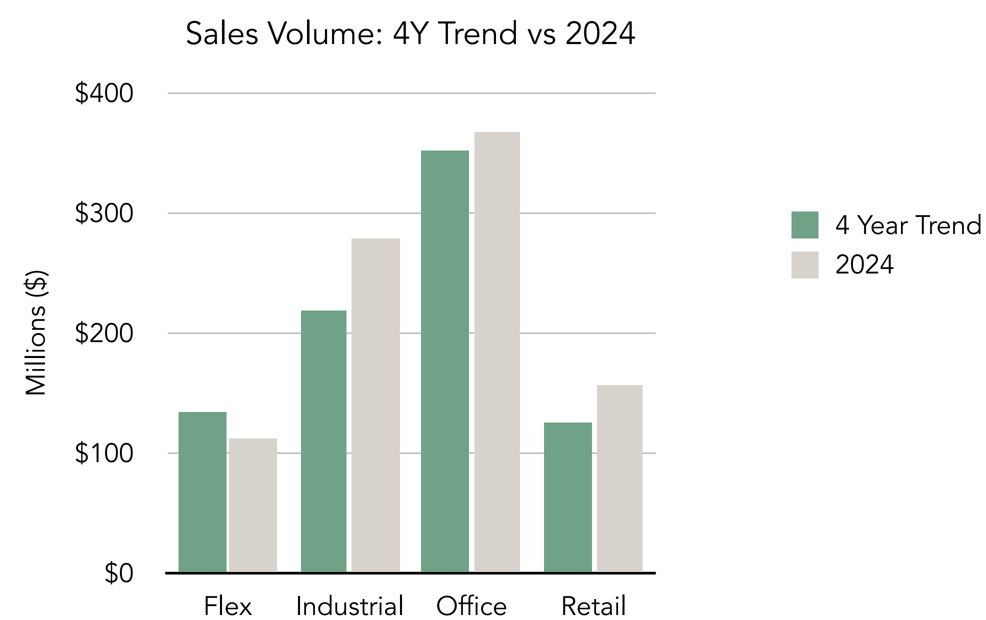
- Office: While Q4 provided some hope for sellers, 2024 witnessed the continuing fall in office values. Unsurprisingly, the trend reflects sub $100/rsf sales prices for distress. Sales volumes rose as more dollars changed hands and more deals were executed. Distress buyers accounted for 44.57% of the activity, followed by institutions at 33.41%. Unsurprisingly these transactions occurred in the eastern submarkets. It is noteworthy that smaller office transactions continued to be executed across the market by both users and private investors.

- Retail: Retail assets were acquired by private investors at a brisk pace. 60.48% the total value of retail deals and 67% of transactions were completed by private groups. Effectively private investors have been the main players in retail sales in 2023 and 2024. The highest percentage of retail transactions (54.76%) and retail sale value (41.95%) occurred west of the Blue Ridge. Retail sales prices also increased to trend and YOY. A note of caution is prudent: retail sales prices in 2024 were negative to the four (4) year trend by 7.93%.

- Industrial: Industrial sales continued to perform better than other asset classes. The aggregate value of trades was 27% higher than the four year trend and transaction volume was marginally positive. Specifically, both sales volumes and transaction volumes increased in the Blue Ridge West and Central Regions and the sales price/rsf increased in the Central and Herndon/28/29 Regions. The upward trend in pricing is likely to continue as more industrial assets are demolished for their underlying land value. Pricing for acquisitions made by institutions and users topped $215/rsf.

- Flex: 2024 performance was positive. The average price/rsf paid rose marginally. Aggregate sales volume also improved relative to 2023. However trade volumes were negative to trend, indicating that while the market is better than 2023 it still has room to grow. Institutions focused on flex acquisitions in the Herndon/28/29 Region exclusively. However, Private buyers and Users were active in all of the regions, in part, because the average sales prices are less as one looks west. Average flex sales pricing increased in 2024 by 12% over 2023 performance





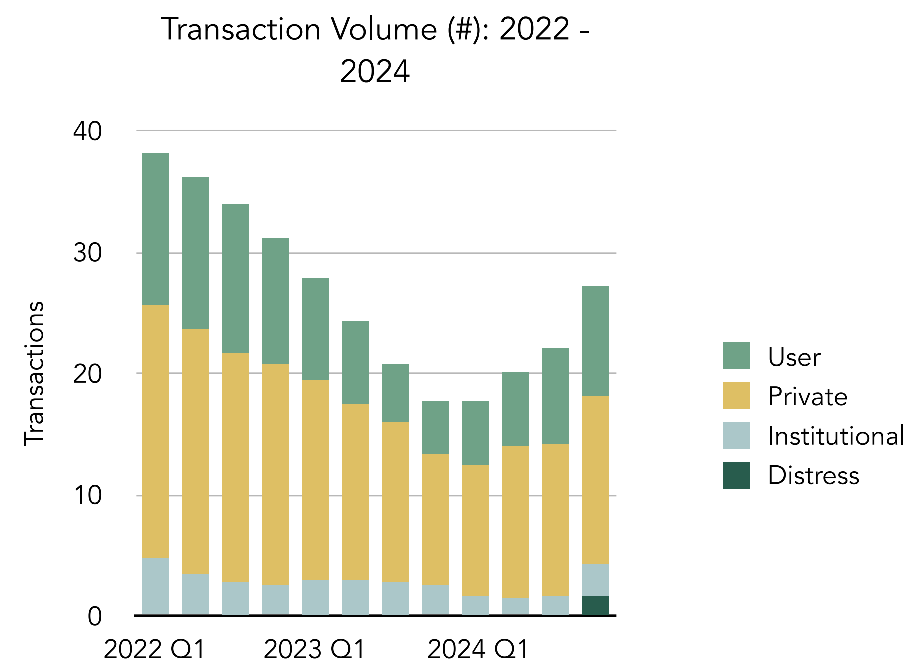
MARKET 2024: PERFORMANCE BY BUYER TYPE

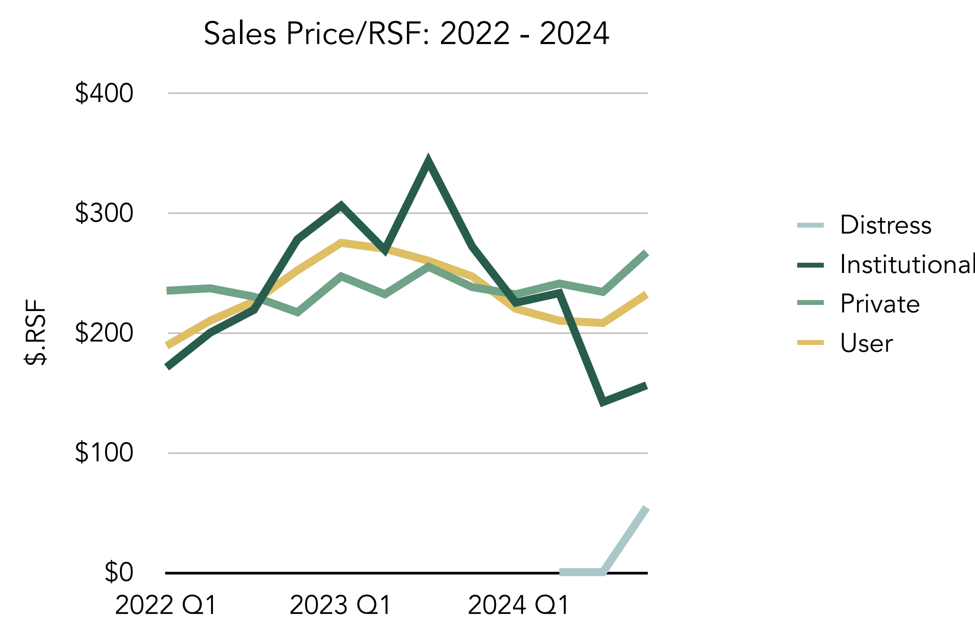
- Distress: Buyers of distress accounted for $105M in activity in the second half of 2024, all in the office asset class and all of it in the Herndon/28/29 Region. These buyers included firms located in the Metro DC region as well as national entities. The average price paid was $71.60 per foot

- Users: Users' 2024 acquisitions were evenly spread between industrial, office and retail asset classes; however Users spent 46% of their dollars on industrial assets and paid more for industrial assets than they paid for other asset classes. Users closed deals in each geographic region evenly.

- Private Investors: Private investors were willing to pay more on a square foot basis for retail ($357/rsf) than the other asset classes. Many of these were 1031 Exchange and NNN deals. Geographically, they demonstrated a preference (number of deals) in the Blue Ridge West Region; 50 % of the deals they executed were completed west of the Blue Ridge. However 52% of the dollars spent were in the Herndon/28/29 Regional.

- Institutions: While Institutions spent the highest amount of aggregate dollars focusing on the eastern region of the Dulles West Market, Users and Private Investors executed significantly more transactions, accounting for 84% of all deals

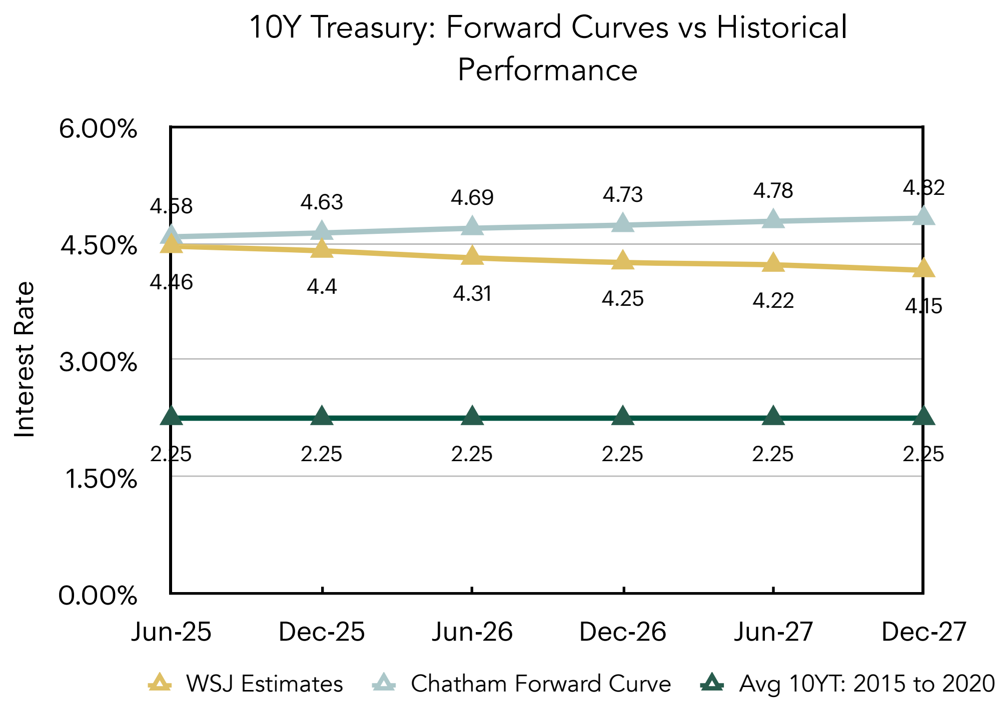


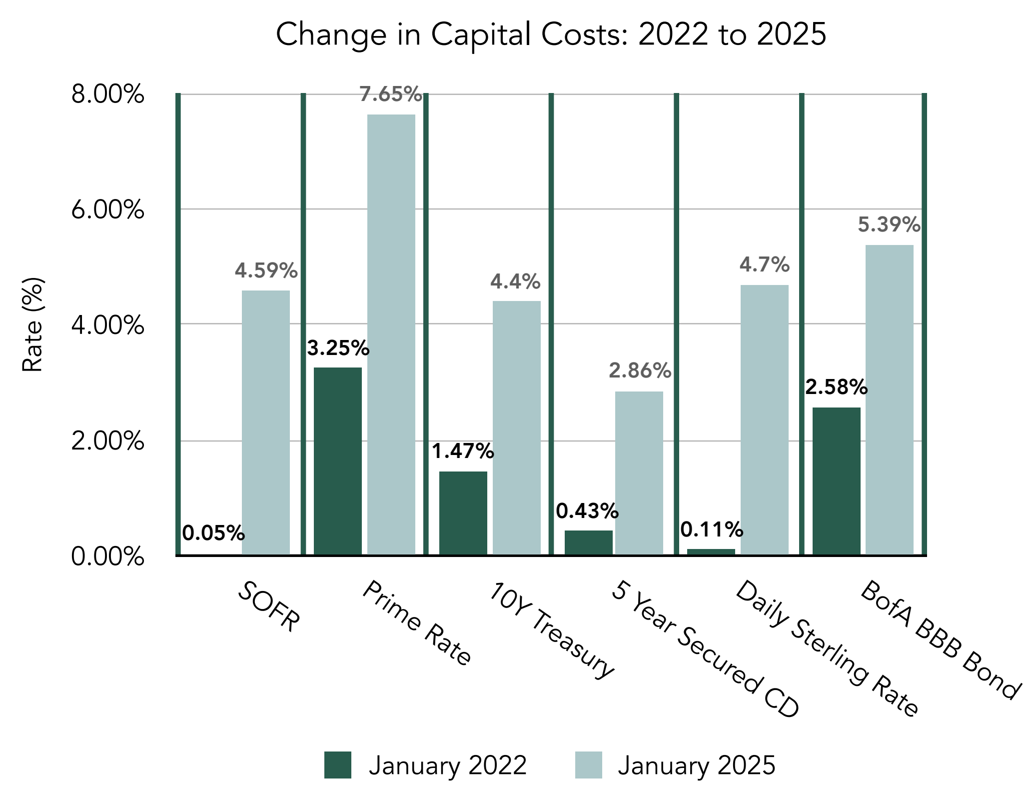


INTEREST RATES REMAIN ELEVATED

Without greater clarity on the implications of the Trump Administration's tariff, immigration and tax policies, rates will remain elevated well above levels experienced between 2015 and 2020 and between 2020 and 2023. This 200 bps "gap" is already causing dislocation in the markets, particularly at loan maturity. The chart to the right highlights the views of more than fifty (50) economists surveyed by the Wall Street Journal as well as the forward curve modeled by Chatham Financial regarding the likely track of the Ten Year Treasury through 2027. Note that their forecasts project a continuing +/- 200 bps spread to the average Ten Year Treasury Rate experienced between 2015 and 2020.

To date, borrowers and lenders have attempted to push out maturities, anticipating a reprise of the success of the "Extend and Pretend" strategies executed in 2010/2011 following the Global Financial Crisis (GFC). However, the Fed lacks the flexibility to drop rates materially. Simply, in 2025 this persistent 200 bps difference - amplified by lower leverage and lower values - will require many borrowers to access additional capital to rebalance their debt structures.



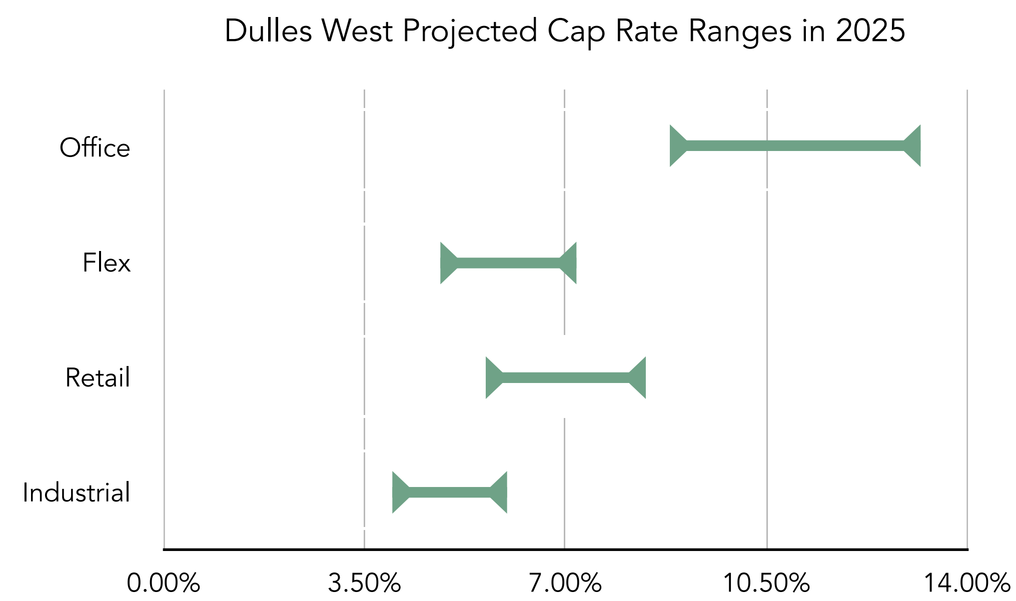


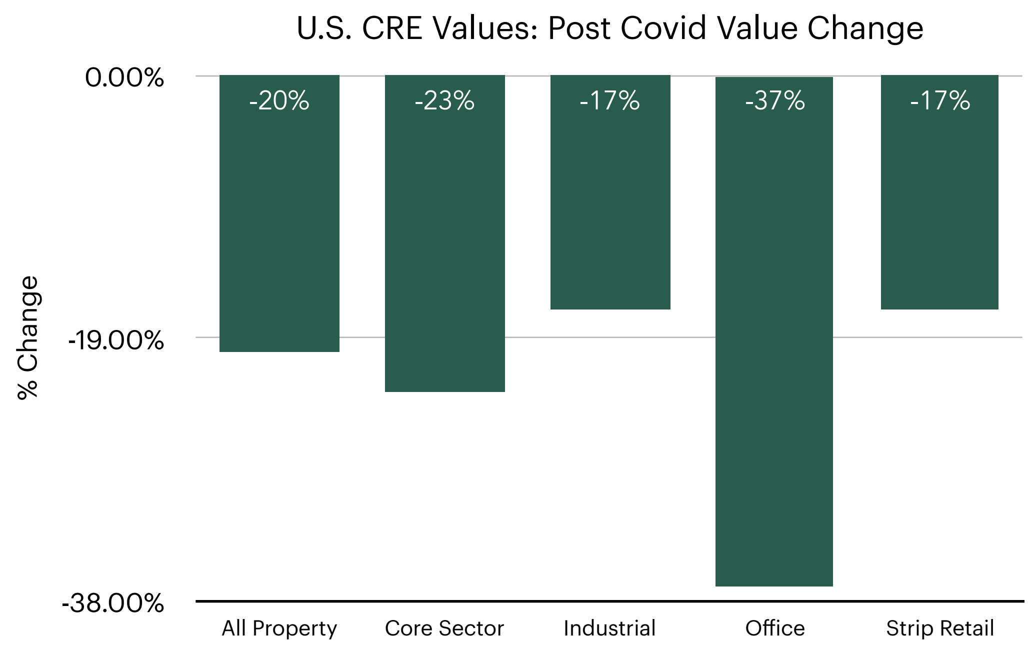
OUTLOOK 2025

VALUE DECLINE

2025 capitalization rates will also reflect the higher rate environment. In general - and recognizing differences in asset class and location - cap rates are +/-200 bps higher than those reported prior to 2020. . For example, specific office properties in Eastern Loudoun and Western Fairfax - with lease revenue generated by high-credit tenants - are being appraised by applying a 10% cap. Lower the credit profile of the rent roll and the cap rate increases by 100 bps. At the same time, small retail properties acquired by private investors in Winchester trade at a 4% capitalization rate. The brute truth is that - while Dulles West demonstrates the anomalies that accompany inefficient markets - investors and lenders are requiring a higher return on their capital. That requirement is not changing in the next twelve (12) months and will continue to put upward pressure on cap rates and downward pressure on values.

It is also important to note that many smaller deals in Dulles West are executed without any discussion regarding a cap rate. Each period many transactions involve entities that occupy and use the real estate. The primary goal of the buyer is not solely creating a mechanism to generate returns on invested equity.. Other transactions are defined by a 1031 Exchange structure with the attendant tax treatment. Finally, the ability to finance real estate using a C&I loan often impacts the trade price. In 2025 the market will include these types of acquisition strategies, creating trade values that are higher than those available by capitalizing in-place NOI.





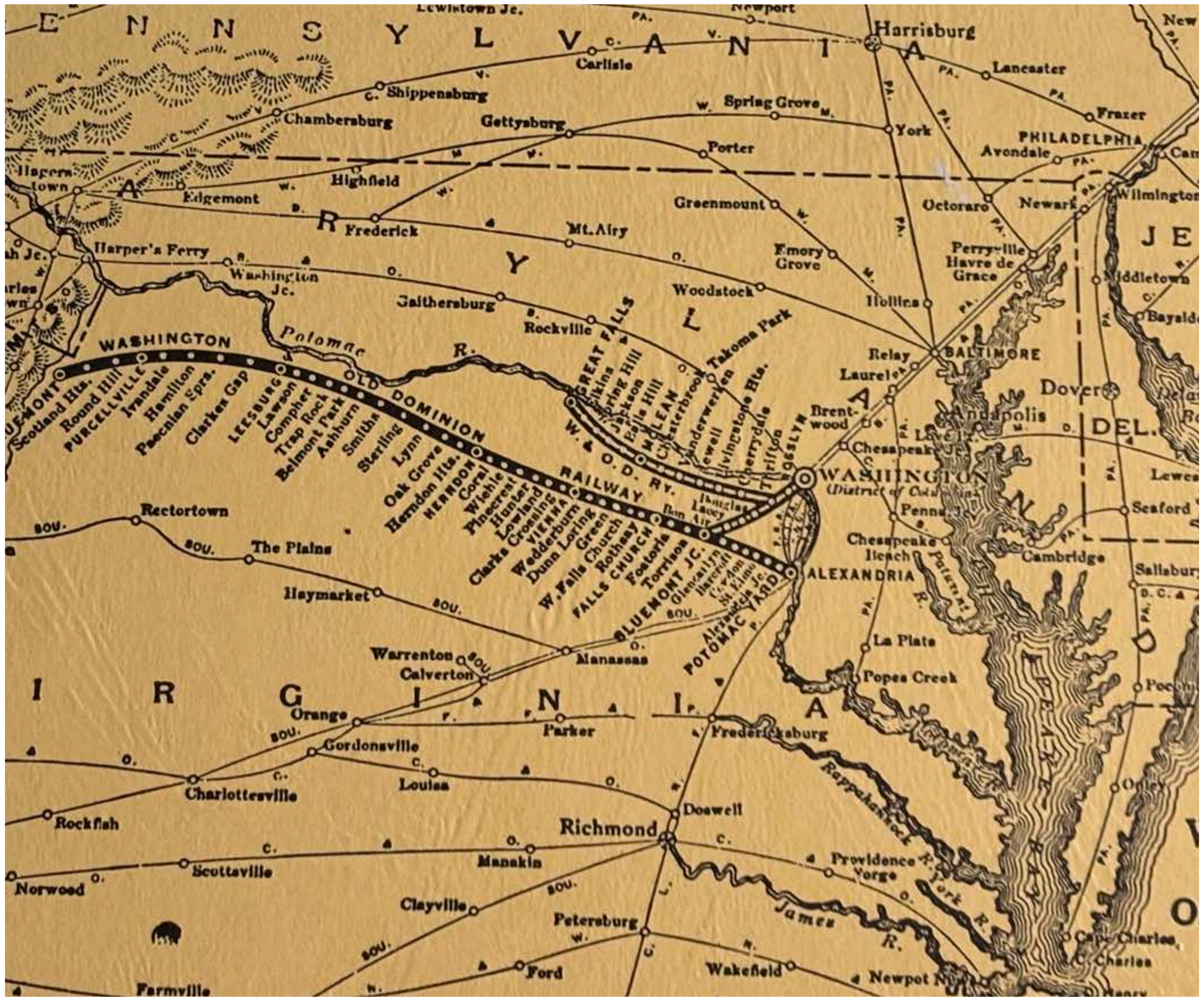
Source: MSCI/Greenstreet, BMO

OUTLOOK 2025: IMPACTS OF PROLONGED HIGHER RATE ENVIRONMENT

	Commentary
OWNER	In general, owned assets are worth less today than three (3) years ago. High interest rates and high cap rates act to pull liquidity from the market by reducing transaction volumes. Cap rates - or the relative return demanded by real estate investors - will not fall back to pre-Covid levels in 2025. Many owners who need to refinance or sell will be challenged. However, Owner-Users and owners with high occupancy investments, long term credit tenancy and/or no imminent loan maturity still have flexibility. All owners should analyze the relationship between expected return and date of disposition.
LENDER	The higher rate environment is already requiring lenders to work longer and harder to coordinate with and provide support to their customers, particularly those with near term loan maturities and/or challenged NOI. At maturity, additional equity is often required to rebalance loans, equity that is not always easy to access. CGP's Fall 2024 study of stress in Dulles West indicated that no fewer than 361 properties (12.4 million rsf valued at $1.8 Billion) have already lost 25 % of the value assumed at loan origination. We concluded that, at a 60% LTV on devalued asset, the average available loan amount is 19.45% less than the original loan amount.
BUYER	Higher rates will act to keep the "bid-ask" spread in place during the first half of 2025 even as more sellers capitulate on pricing. Buyers will see more opportunities (higher deal volume and lower sales price/rsf) in the second half of 2025. The higher rate environment (as noted above) will result in the "forced" sale of assets as well an increased number of foreclosures. We do not predict a return to the sale volume levels experienced in either the GFC or the S&L crisis. However, opportunities to buy REO from lenders and "broken" deals from sponsors will emerge. Having equity to invest quickly and quietly will be a differentiator.
INVESTOR	Investors - with capital to invest as debt and/or equity - will seize opportunities to participate in deals at rates above 10%. Owners who elect to hold their assets may require additional capital, including capital to pay TI allowances, Capex, releasing commissions, higher financing costs). That capital may arrive as equity, debt, or a combination of both. The challenge for "out of town" investors will be underwriting the relative risk.

OUTLOOK 2025 BY ASSET CLASS

ASSET CLASS	2025 OUTLOOK
Office	• Increase in distress emerges in Herndon/28/29 Region, clouding values for the impacted submarkets over the next three (3) years. • Refinancing remains problematic because of lenders' continuing caution. • Trump cuts to Federal workforce and contraction of leased space increases general vacancy levels.
Retail	• Value supported by robust population and household growth, particularly in the Blue Ridge West Region. • Stagflation risk - impacting consumers' decisions to cut back on spending - will inform investment decisions in this asset class. • NNN acquisitions by private investors (some National) increase in Blue Ridge West because of growth dynamics.
Industrial	• Land pricing - because of data center demand - inhibits construction of new spec industrial east of the Blue Ridge Mountains, increasing relative value of existing product. • Until impacts of Trump tariff policies become clear investors may delay acquisition strategies along I-66 and I-81 until the second half of the year. • Small industrial continues to be removed from inventory as zoned land is repurposed for outdoor storage and data centers.
Flex	• Similar to forces reshaping industrial values in the Herndon/28/29 Region (above), flex development is a non-starter unless the existing land basis well below today's market rates. • Value will continue to increase east of the Blue Ridge Mountains as more tenants - including Owner-Users - are forced out of Sterling, Chantilly, and Manassas. • Because this product provides a location for retail, service and entertainment businesses, (often, at the lower end of the rent range/credit quality) its NOI can be injured quickly in an economic downturn. Stagflation will present buying opportunities.



Washington & Old Dominion Railway and Clarkes Gap (elevation 643 feet)

Clarkes Gap is a 643 foot pass through Catoctin Mountain immediately west of Leesburg, VA. Today, a trail has replaced the railway that was financed and engineered to bring bituminous coal and massive profit to the Port of Alexandria. Since the 19th Century, Clarkes Gap has linked capital and entrepreneurial vision to emerging financial opportunities.

CLARKES GAP PARTNERS AND CGP ADVISORS

Levering granular analysis, institutional perspective and local relationships, Clarkes Gap Partners was founded to assist select partners and clients to maximize the value of their real estate interests. Our experience and focus create research-based solutions and investment strategies necessary to outperform the market.

Acting as both principals and intermediaries we have acquired, managed and disposed of more than 77 million square feet of assets valued at more than $12 billion. Critically, we have successfully created value in multiple East Coast markets during three (3) down cycles in U.S. real estate.

Clarkes Gap conducts two related business strategies:

1. Clarkes Gap Partners - is focused on sourcing, underwriting and structuring real estate transactions located in the target area; and
2. CGP Advisors - was formed to provide advisory and brokerage services to a select group of clients on a fee or commissioned basis.

We deliberately concentrate on the investment real estate business located in the Dulles West Market, an area bounded by Northern Virginia's Route 28 Corridor and the Interstate 81 between Winchester, VA and Martinsburg, WV. To that end - and building on more than 30 years of institutional real estate experience - we spent twenty four months developing the most comprehensive research capability in the marketplace.

CLARKES GAP PARTNERS

DAVID W. PARKER

Mr. Parker has provided asset management and real estate advisory services to corporate and institutional clients for more than 35 years. Additionally, he has overseen the expansion and strategic direction of three real estate companies, increasing revenue and profit in each instance.

Most recently Parker was a partner with the PMRG, a Houston-based, national real estate investment firm, where he oversaw all business activities for a 35 million square foot portfolio on the East Coast, and Market Leader for the Washington DC Metro Area at Colliers International. Parker has acquired, repositioned, sold, and managed more than 52 million square feet with a value in excess of $5 billion.

He is a former Chairman of the Loudoun County Economic Development Commission and President of the Dulles Area Transportation Association. He has served as a commissioner on the Loudoun IDA/EDA, and on the boards of the Loudoun Chamber of Commerce, Loudoun Cares and the Loudoun Impact Fee Task Force.

Parker received a BA from Williams College where was a two (2) sport athlete (football and track and field) earning ten (10) varsity letters and captaining the outdoor track and field team. He was a Congressional Budget Analyst in the U.S. House of Representatives and studied economics at Columbia University. He and his wife, Mary, have lived in Loudoun County for more than 30 years.

CLARKES GAP PARTNERS

WILLIAM E. KAYE

With more than 40 years of commercial real estate brokerage, Mr. Kaye has participated in the sale of over 25 million square feet of commercial real estate product with an aggregate value in excess of $7 billion. He enjoys long standing relationships with both private and institutional investors. He has been involved in transactions throughout the Mid-Atlantic region, with his primary focus being the Washington, DC Metropolitan Area.

Mr. Kaye led the Colliers International capital markets group for 10 years. Additionally, Bill worked at the Trammell Crow Company (and with CBRE post-acquisition). He began his career at Barnes, Morris and Pardoe, a premier real estate services firm based in Washington, DC.

A native of Middleburg, Bill holds a BA from the University of Virginia and is a member of the Greater Washington Commercial Association of Realtors. He was recognized nationally as Trammell Crow Company's Brokerage Top Producer from 1999 to 2006 and awarded the GWCAR's Northern Virginia Sale of the Year in 2002.

Bill and his wife, Ann, live in Middleburg and have two sons.