



THE ANALYST

CAPITAL MARKETS OVERVIEW

south
DUVALL
COMMERCIAL REAL ESTATE INVESTMENTS

Q3 2020

Recent Local Sale Transactions



Sale Date: July 1, 2020

1 - 3 Irvington Centre 700 - 800 King Farm Boulevard, Rockville, MD

Sale Price: \$75,500,000 (\$141,56 PSF)

Leased at Sale: 72.5%

Cap Rate: N/A

Buyer: Banyan Street Capital

Seller: America's Capital Partners

Story: On July 1, 2020, Banyan Street Capital announced its investment in Irvington Centre at King Farm along with joint venture partners Utah Retirement Systems (URS). This was a recapitalization for URS, having previously owned the portfolio of office properties along with America's Capital Partners. Banyan Street Capital acquired a minority interest while URS retained the remaining interest in the assets.



Sale Date: September 3, 2020

Monument I @ Worldgate 12975 Worldgate Drive, Herndon, VA

Sale Price: \$39,841,072 (\$297.70 PSF)

Leased at Sale: 100%

Cap Rate: N/A

Buyer: Arch Street Capital Advisors LLC

Seller: VEREIT, Inc

Story: On September 3, 2020, Arch Street Capital Advisors acquired an 80% interest in the property at 12975 Worldgate Drive in Herndon, VA for \$39,841,072, or about \$298 per square foot. VEREIT, which has owned the asset for several years, announced a strategic partnership with Arch Street earlier this year



Sale Date: September 11, 2020

Children's National Regional Medical Center 2900 North Campus Way, Glenarden, MD

Sale Price: \$39,300,000 (\$655.00 PSF)

Leased at Sale: 100%

Cap Rate: N/A

Buyer: Children's National

Seller: Heritage Partners

Story: This transaction represents Children's National's acquisition of their newly completed 60,000 SF medical outpatient facility. It was reported that Municipal Acquisitions restructured the lease with Children's National, allowing the pediatric hospital to transition from a triple-net lease to operating as an owner/user. Children's announced the opening of the health care center back in July.

Life Science VC and Sale Transactions



Local VC Funding notable transactions

- i. **Adaptive Phage - Gaithersburg, MD**
Services: Gene Cell Therapy
Type: DOD Grant & Early Stage VC
Funding: **\$27,000,000**
- ii. **Gain Therapeutics - Bethesda, MD**
Services: Pharmaceutical Developer
Type: Early Stage VC, Series B
Funding: **\$9,300,000**
- iii. **Longevity - Hunt Valley, MD**
Services: Neurotechnology
Type: Later Stage VC
Funding: **\$5,460,000**



National VC notable transactions

- i. **Freenome - San Francisco, CA**
Services: Cancer Detection
Type: Later Stage VC, Series C
Funding: **\$270,000,000**
- ii. **Thrive Earlier Detection - Cambridge, MA**
Services: Cancer Detection
Type: Early Stage VC, Series B
Funding: **\$257,000,000**
- iii. **Kronos Bio - San Mateo, CA**
Services: Cancer Treatment
Type: Early Stage VC
Funding: **\$155,000,000**
- iii. **Imvax - Philadelphia, PA**
Services: Gene Cell Therapy
Type: Later Stage VC, Series C
Funding: **\$112,000,000**

(Source: Pitchbook)



Local Life Science Related Sales

- i. 9713-9717 Key West Ave - On August 20th, Cadre purchased the 3 building portfolio for \$90,000,000 (\$323.96 PSF). At the time of purchase, the 277,815 square foot portfolio is 81.8% leased, with Supernus Pharmaceuticals occupying 136,016 square feet. Existing ownership, Beckham - Gumbin Ventures is staying in the deal.



Macro Life Science Real Estate

- i. **Hewlett-Packard's Former Home Lands Tenant in One of South Bay's Largest Leases of the Year** - Cancer drug screening company Guardant Health signed a 249,549-square-foot lease at the Stanford Research Park, a popular hub for life science start-ups and tech giants alike. According to an SEC filing, the company signed the deal at 3000 Hanover St. with landlord Sand Hill Property Co. on July 31, and plans to move into the new space in October next year (CoStar).
- ii. **Life Sciences Developer Snaps Up 27-Acre Cambridge Property For \$125M** - IQHQ, led by a former BioMed executive and specializing in life sciences real estate development, has acquired Alewife Park in Cambridge for \$125M. GCP Applied Technologies, a construction products tech company, owns and occupies the 290K SF office and lab space on the 26.5-acre site. As part of the sale, GCP is leasing the space back for 18 months, rent-free, while it relocates (Bisnow).
- iii. **Alexandria Real Estate Acquires Mammoth Portfolio in North Carolina's Research Triangle Park for Blockbuster Price** - Alexandria, which is the country's largest REIT focused on life-science and biotech real estate, bought 19 properties in Parmer RTP, a research park within the broader, 7,000-acre Research Triangle Park, according to deeds filed with Durham County and CoStar research. Los Angeles-based Karlin Real Estate sold the properties, according to public records. The deal is valued at more than \$590.4 million based on the real estate excise taxes listed on the sales deeds (CoStar).

Macroeconomic

Interest Rate Forecasts

As of September 30th, the one year treasury stood at .12% - slightly down from .17% on June 30th, but down significantly from last year's 1.75%. The Fed has announced that they plan to maintain their target range of 0% - 0.25% through 2023. This bodes well for the market for home sales and will continue to prop up pricing on commercial real estate.

Stock Market / Bond Market

At close of market on September 30th, the S&P 500 stood at 3,363, up 8.48% from 3,100 at the end of Q2. The S&P 500 reached its all-time high on September 28th. The DJIA closed at 27,781.70 on September 30th, up 7.63% from 25,812.88 on June 30th. The DJIA has not reached the peak from February.

THE ANALYST'S Opinion

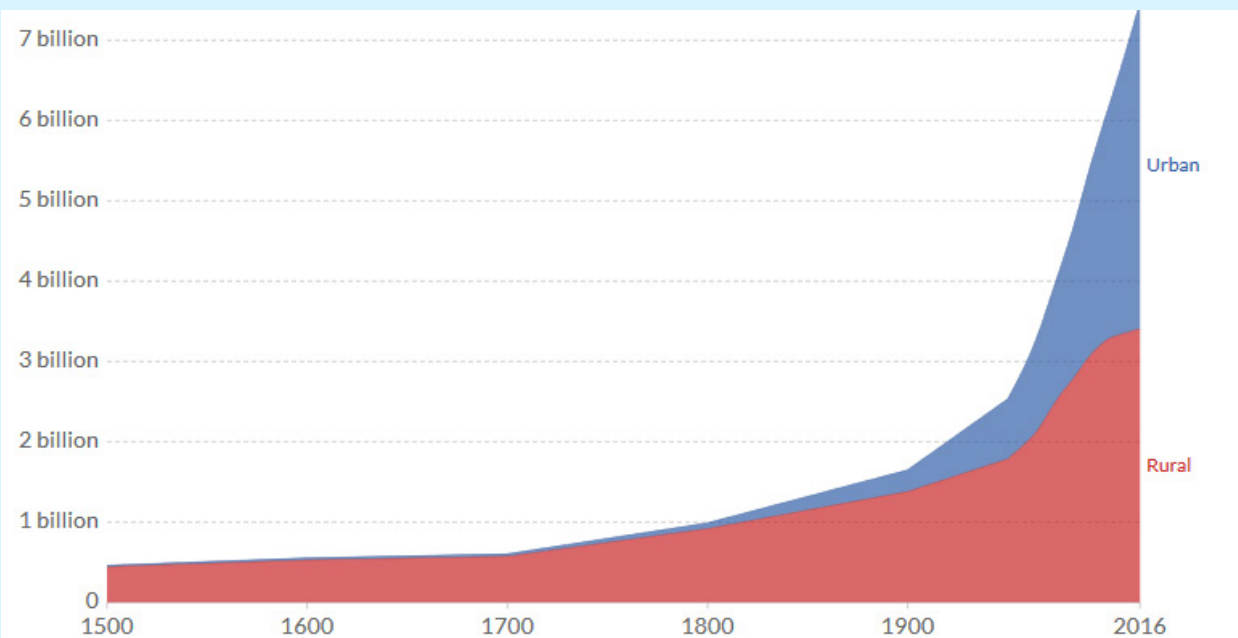
I have seen many articles talking about the death of cities due to COVID-19. People are realizing that they have no reason to pay extremely high rents only to live in tiny apartments. Yes there are perks, but people are going to begin re-evaluating what is important. Also, with the rise of remote work, people can work from anywhere - so why not live anywhere? I think the view that cities have peaked is extremely short sighted. See the below graph.

The world has been urbanizing consistently since the invention of cities. Almost all great innovations come from people meeting in person and collaborating. The idea that this will change because we can have a Zoom call, or take online classes, overstates their impact. I had the choice whether to do my MBA program online or in person. It was not even a thought. The relationships I made by connecting with classmates and professors, and the challenging discussions that resulted from hearing something you didn't agree with are the real reasons I went to business school in person.

Yes, some white collar employees will be able to move to more remote locations. But, if I am trying to learn, find employment, meet new friends, enjoy good restaurants and sports teams, go to world class museums and walk to get coffee, then I am going to choose to live in a city. I think more and more people will continue to do so for the foreseeable future.

Population Living in Urban and Rural Areas, World, 1500 - 2016

Total estimated population living in rural and urban areas



(Source: Our World in Data)

FOR ADDITIONAL CAPITAL MARKET INSIGHT, CONTACT:

Matt Brown, Director of Acquisitions
(240) 261-4544
mbrown@southduvall.com

South Duvall, LLC
15245 Shady Grove Road, Suite 210
Rockville, Maryland 20850