The Washington Metro Area Office Market in 2010 and Beyond

Presented by Greg Leisch
January 15, 2010

LARGEST METRO OFFICE MARKETS

2010

Millions of Square Feet

Note: Excludes New York at approximately 1 billion SF.
OFFICE VACANCY RATES
SELECT METRO AREAS  YEAR-END 2009

10.7% 10.8%
12.1%
13.0%
13.4% 13.5%
14.6% 14.7% 15.0% 15.4%
16.7%
17.7%
21.4%

National Vacancy Rate: 14.2%


OFFICE VACANCY RATE
WASHINGTON METRO AREA  1980 – 2009

OFFICE NET ABSORPTION
SELECT METRO AREAS  2009

Was  DFW  Den  Hou  Phx  Bos  Chi  LA/OC


OFFICE NET ABSORPTION
WASHINGTON METRO AREA  2009

Northern Virginia  Suburban Maryland  District of Columbia

OFFICE LEASING ACTIVITY BY SECTOR
WASHINGTON METRO AREA   2005 – 2009

Gross Leasing Activity (SF) 29.9 M 27.8 M 24.9 M 29.1 M 24.5 M


OFFICE NET ABSORPTION
WASHINGTON METRO AREA   1981 – 2009

Long-Term Average = 7.9 MSF

OFFICE SPACE UNDER DEVELOPMENT
SELECT METRO AREAS  YEAR-END 2009

U.S.: 74 million SF at 44% pre-leased

LEASING ON RECENT DELIVERIES AND PROJECTS U/C OR U/R
WASHINGTON METRO AREA  2007 – 2012


Note: Figures for NY and U.S. are as of Q3 2009.
OFFICE SPACE DEMAND AND DELIVERIES
WASHINGTON METRO AREA  24 MONTHS ENDING DECEMBER 2011

Demand
= 7.7 million SF

Deliveries
- Planned and may deliver by 12/11: 1.2 million SF
- Under Construction: 5.7 million SF
Total = 6.9 million SF


OFFICE SPACE DEMAND AND DELIVERIES
WASHINGTON METRO AREA  DECEMBER 2009 – DECEMBER 2014

Demand
= 26.0 million SF

Deliveries
- Planned and may deliver by 12/14: 5.1 million SF
- U/C or U/R: 8.2 million SF
Total = 13.3 million SF

OFFICE VACANCY RATES
INSIDE THE BELTWAY 2001 – 2014

Rent Equilibrium Zone = 7.9% to 8.1%

OFFICE VACANCY RATES
OUTSIDE THE BELTWAY 2001 – 2014

Rent Equilibrium Zone = 10.2% to 10.4%

### OFFICE RENT GROWTH PER YEAR

**WASHINGTON METRO AREA  2000 – 2014**

<table>
<thead>
<tr>
<th>Year</th>
<th>Inside the Beltway</th>
<th>Outside the Beltway</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>14%</td>
<td>16%</td>
</tr>
<tr>
<td>2001</td>
<td>12%</td>
<td>10%</td>
</tr>
<tr>
<td>2002</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>2003</td>
<td>8%</td>
<td>6%</td>
</tr>
<tr>
<td>2004</td>
<td>6%</td>
<td>4%</td>
</tr>
<tr>
<td>2005</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>2006</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>2007</td>
<td>0%</td>
<td>-2%</td>
</tr>
<tr>
<td>2008</td>
<td>-2%</td>
<td>-4%</td>
</tr>
<tr>
<td>2009</td>
<td>-4%</td>
<td>-6%</td>
</tr>
<tr>
<td>2010</td>
<td>-6%</td>
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<tr>
<td>2011</td>
<td>-8%</td>
<td>-10%</td>
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<tr>
<td>2012</td>
<td>-10%</td>
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</tr>
<tr>
<td>2013</td>
<td>-12%</td>
<td>-14%</td>
</tr>
<tr>
<td>2014</td>
<td>-14%</td>
<td></td>
</tr>
</tbody>
</table>

**Average of Past 20 Years:** 3.8%


### PRE-CURSOR TO CONSTRUCTION: MARKET TRANSITION

**INSIDE THE BELTWAY vs. OUTSIDE THE BELTWAY**

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inside the Beltway</td>
<td>Red</td>
<td>Red</td>
<td>Red</td>
<td>Yellow</td>
<td>Green</td>
<td>Green</td>
</tr>
<tr>
<td>Outside the Beltway</td>
<td>Red</td>
<td>Red</td>
<td>Red</td>
<td>Red</td>
<td>Red</td>
<td>Red</td>
</tr>
</tbody>
</table>

= Tenant/Buyer Market  
= Market Transition  
= Landlord/Seller Market

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