



# The Road to Recovery

**HIGHLIGHTS OF 2010**

**MARKET INSIGHT**

**DRIVERS FOR RECOVERY**

# The Road to Recovery

- Government leasing
- Flight to quality
- Resurgence of capital markets
- Close-in markets dominate
- Rental rates stabilizing







# Government Leasing

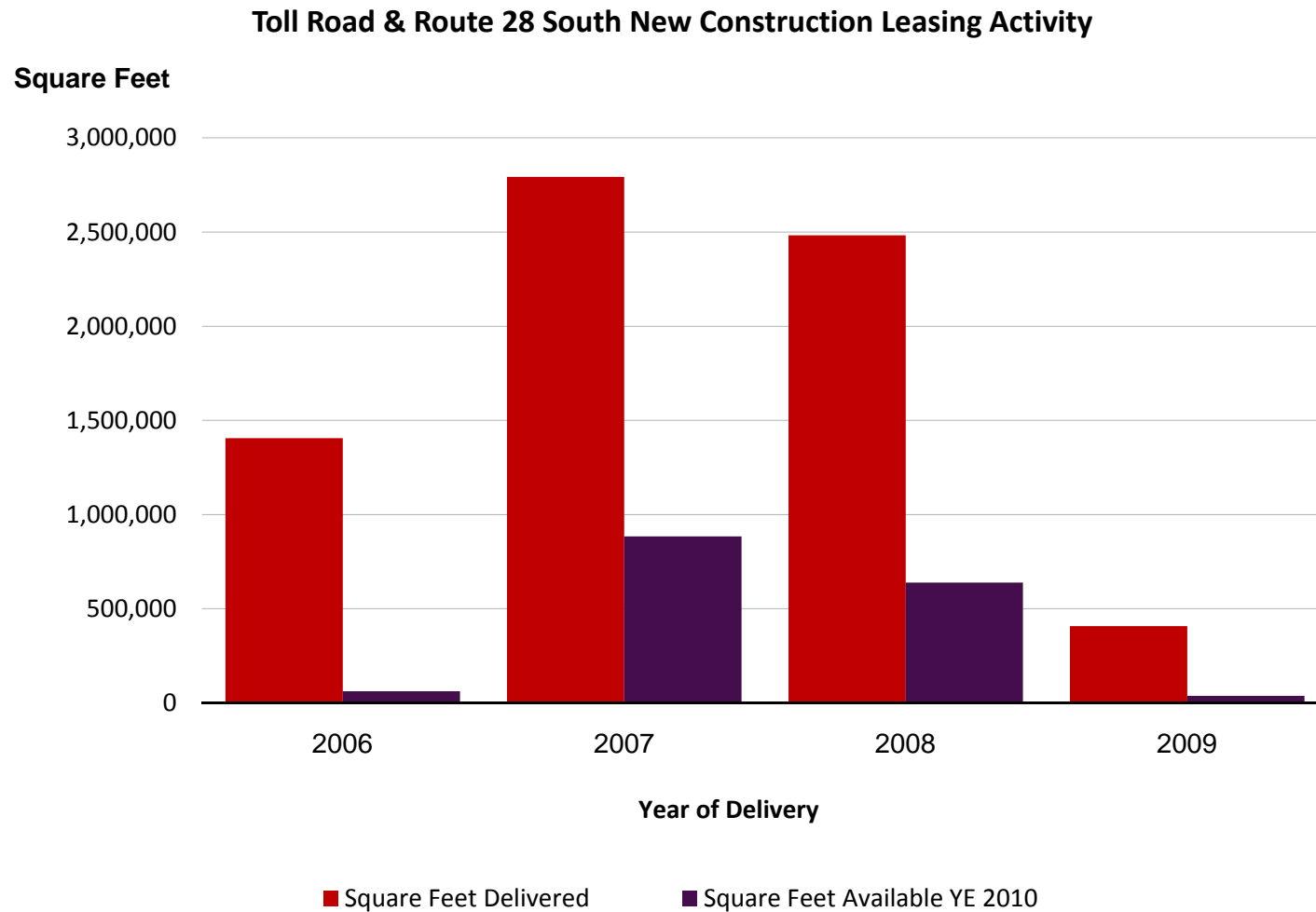
**2010**

<b>SEC</b>	<b>900,000 sf</b>	<b>Washington DC</b>
<b>DIA</b>	<b>525,000 sf</b>	<b>Reston</b>
<b>Medical Command</b>	<b>700,000 sf</b>	<b>Merrifield</b>

**Will it continue?**

<b>NASA</b>	<b>600,000 sf</b>	<b>Washington, DC</b>
<b>HHS</b>	<b>1,000,000 sf</b>	<b>Maryland</b>
<b>DHS</b>	<b>1,000,000 sf</b>	<b>Metro</b>
<b>National Science Foundation</b>	<b>700,000 sf</b>	<b>Virginia</b>
<b>NOAA</b>	<b>1,000, 000 sf</b>	<b>Maryland</b>

# Flight to Quality



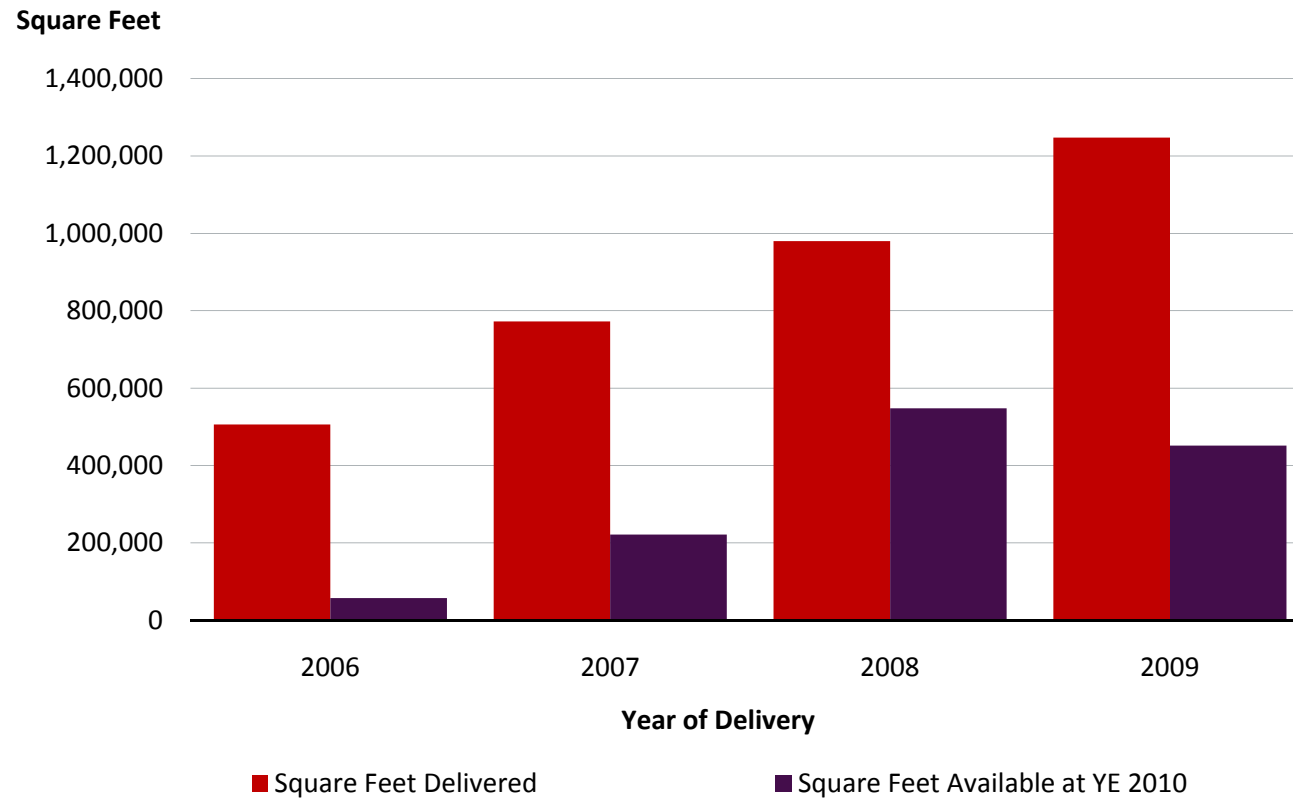
Total Deliveries 2006 – 2009\*: 7,088,328 SF

Total Square Feet Available YE 2010: 1,618,947 SF

\*There were no deliveries in 2010.

# Flight to Quality

**I-270 Corridor & Bethesda/Chevy Chase Construction Leasing Activity**



Total Deliveries 2006 – 2009\*: 3,506,458 SF

Total Square Feet Available YE 2010: 1,278,598 SF

\*There were no deliveries in 2010.

# Capital Markets





# Capital Markets

<b>2007</b>	<b><i>Number of Sales</i></b>	<b><i>Total Value</i></b>	<b><i>Average PPSF</i></b>
<i>District of Columbia</i>	66	\$5,925,604,286	\$461
<i>Northern Virginia</i>	117	\$8,617,403,537	\$355
<i>Maryland</i>	23	\$1,204,585,942	\$295
<b>TOTAL</b>	<b>206</b>	<b>\$15,747,593,766</b>	<b>\$382</b>

<b>2008</b>	<b><i>Number of Sales</i></b>	<b><i>Total Value</i></b>	<b><i>Average PPSF</i></b>
<i>District of Columbia</i>	22	\$2,085,244,601	\$514
<i>Northern Virginia</i>	14	\$942,641,481	\$31 3
<i>Maryland</i>	7	\$350,450,482	\$242
<b>TOTAL</b>	<b>43</b>	<b>\$3,378,336,564</b>	<b>\$404</b>

<b>2009</b>	<b><i>Number of Sales</i></b>	<b><i>Total Value</i></b>	<b><i>Average PPSF</i></b>
<i>District of Columbia</i>	8	\$852,467,354	\$435
<i>Northern Virginia</i>	7	\$474,973,600	\$266
<i>Maryland</i>	8	\$364,604,000	\$205
<b>TOTAL</b>	<b>23</b>	<b>\$1,692,044,954</b>	<b>\$328</b>

<b>2010</b>	<b><i>Number of Sales</i></b>	<b><i>Total Value</i></b>	<b><i>Average PPSF</i></b>
<i>District of Columbia</i>	20	\$2,311,200,000	\$489
<i>Northern Virginia</i>	26	\$2,082,470,565	\$224
<i>Maryland</i>	5	\$182,800,000	\$148
<b>TOTAL</b>	<b>51</b>	<b>\$4,576,470,565</b>	<b>\$309</b>





# Capital Markets

2008	DC	NOVA	SUBMD
Trophy	5.0%	5.5%	5.5%
Class A	6.0%	6.5%	6.5%
Class B	7.0%	8.0%	8.0%

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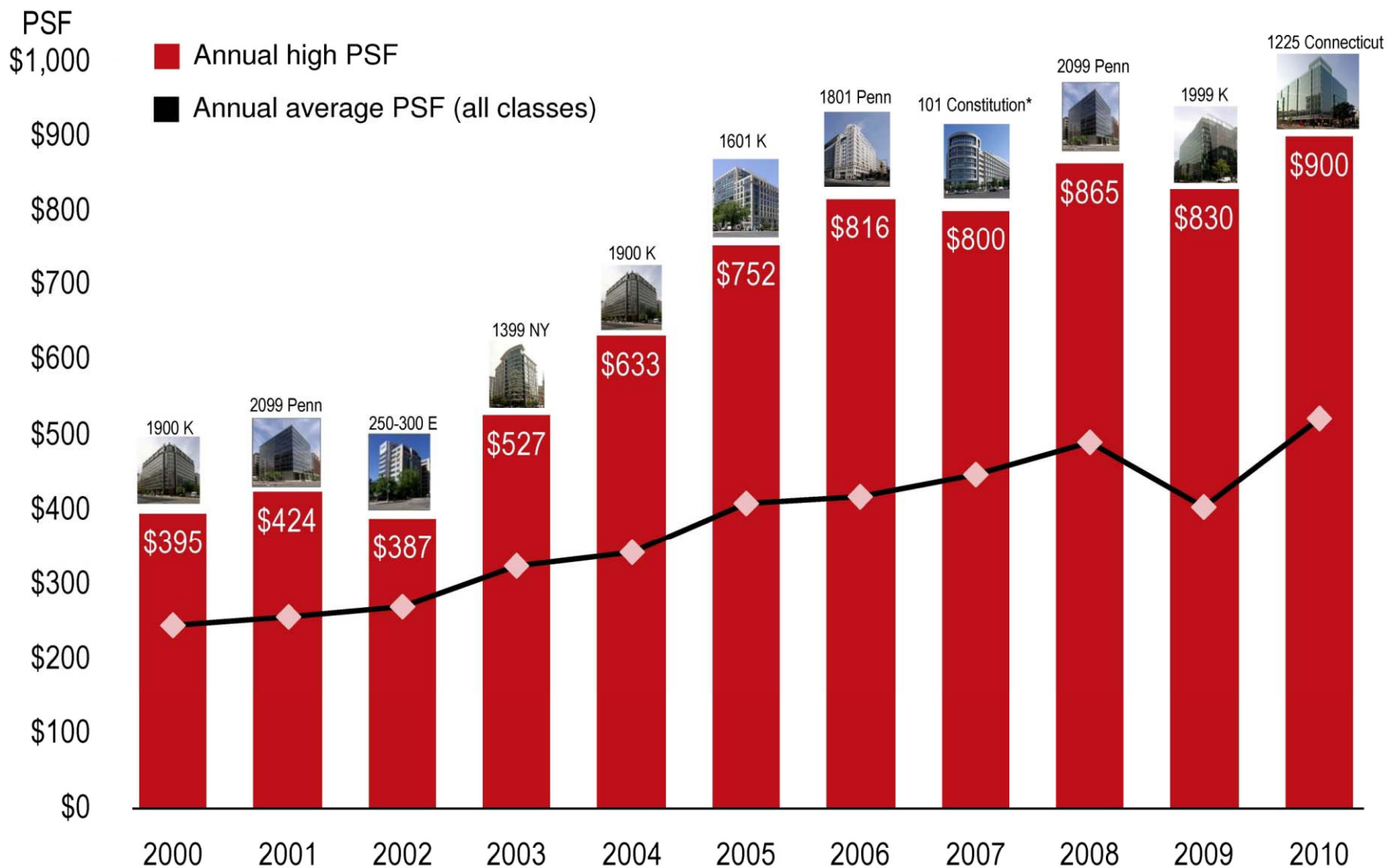
2009	DC	NOVA	SUBMD
Trophy	6.4%	8.0%	8.0%
Class A	7.0%	9.0%	9.0%
Class B	8.5%	10.0%	10.0%

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2010	DC	NOVA	SUBMD
Trophy	5.5%	6.0%	6.0%
Class A	6.0%	7.0%	7.0%
Class B	7.0%	8.5%	8.5%

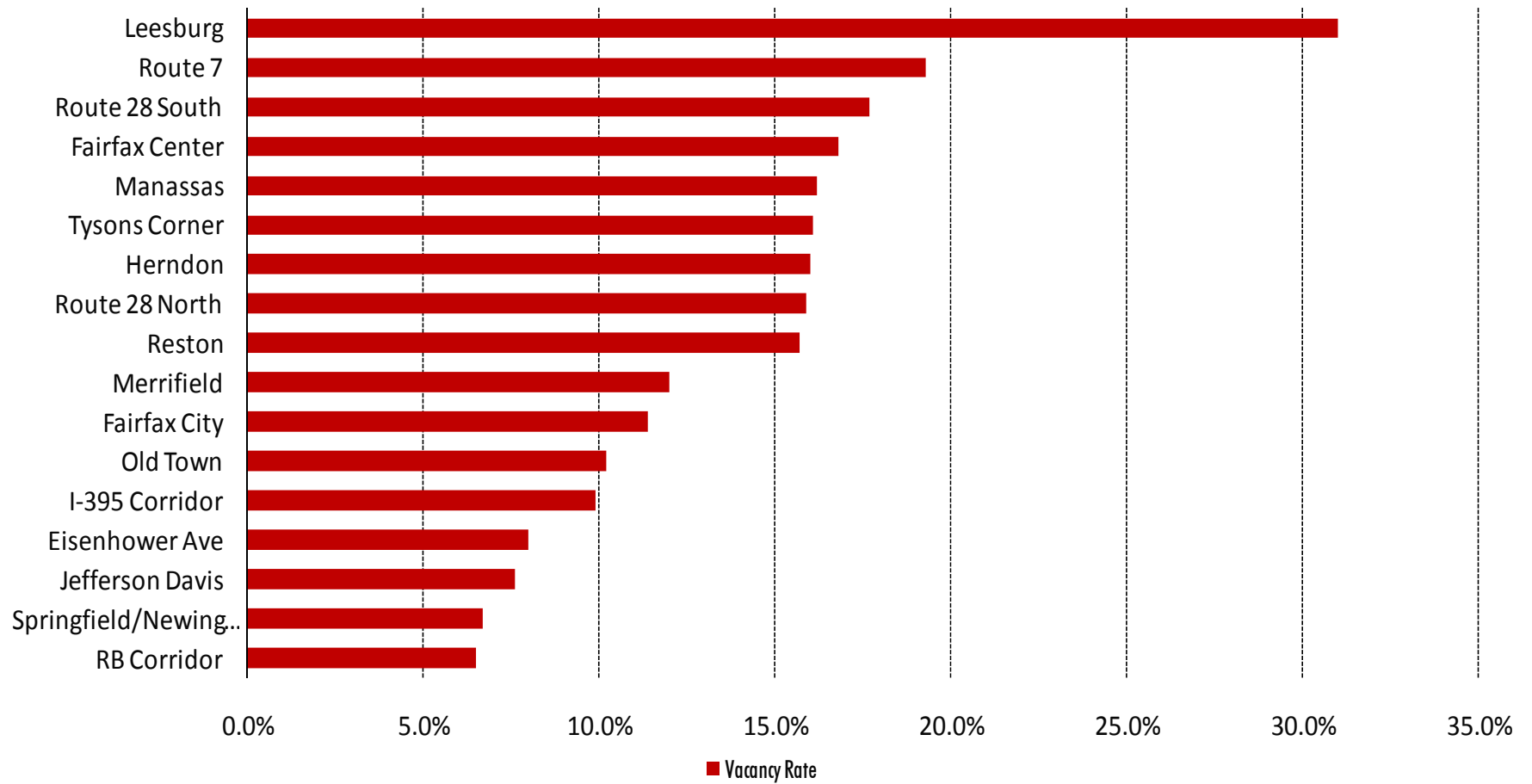
# Capital Markets

## DC Trophy Assets



# Close-in Markets Dominate

## NOVA Vacancy



# Submarket Conditions

SUBMARKET	2010	2011	2012	2013	2014
Core DC	Neutral	Neutral	Landlord Positive	Landlord Positive	Landlord Positive
DC Emerging Markets	Neutral	Neutral	Landlord Positive	Landlord Positive	Landlord Positive
Alexandria	Tenant Positive	Neutral	Landlord Positive	Landlord Positive	Landlord Positive
Crystal City	Neutral	Tenant Positive	Tenant Positive	Neutral	Landlord Positive
Rosslyn Ballston Corridor	Landlord Positive	Landlord Positive	Landlord Positive	Landlord Positive	Landlord Positive
Tysons Corner	Tenant Positive	Tenant Positive	Tenant Positive	Neutral	Landlord Positive
Toll Road	Tenant Positive	Tenant Positive	Neutral	Landlord Positive	Landlord Positive
Rt. 28 North & South	Tenant Positive	Tenant Positive	Tenant Positive	Tenant Positive	Neutral
Bethesda - Chevy Chase	Neutral	Landlord Positive	Landlord Positive	Landlord Positive	Landlord Positive
I -270 Corridor	Tenant Positive	Tenant Positive	Tenant Positive	Neutral	Landlord Positive

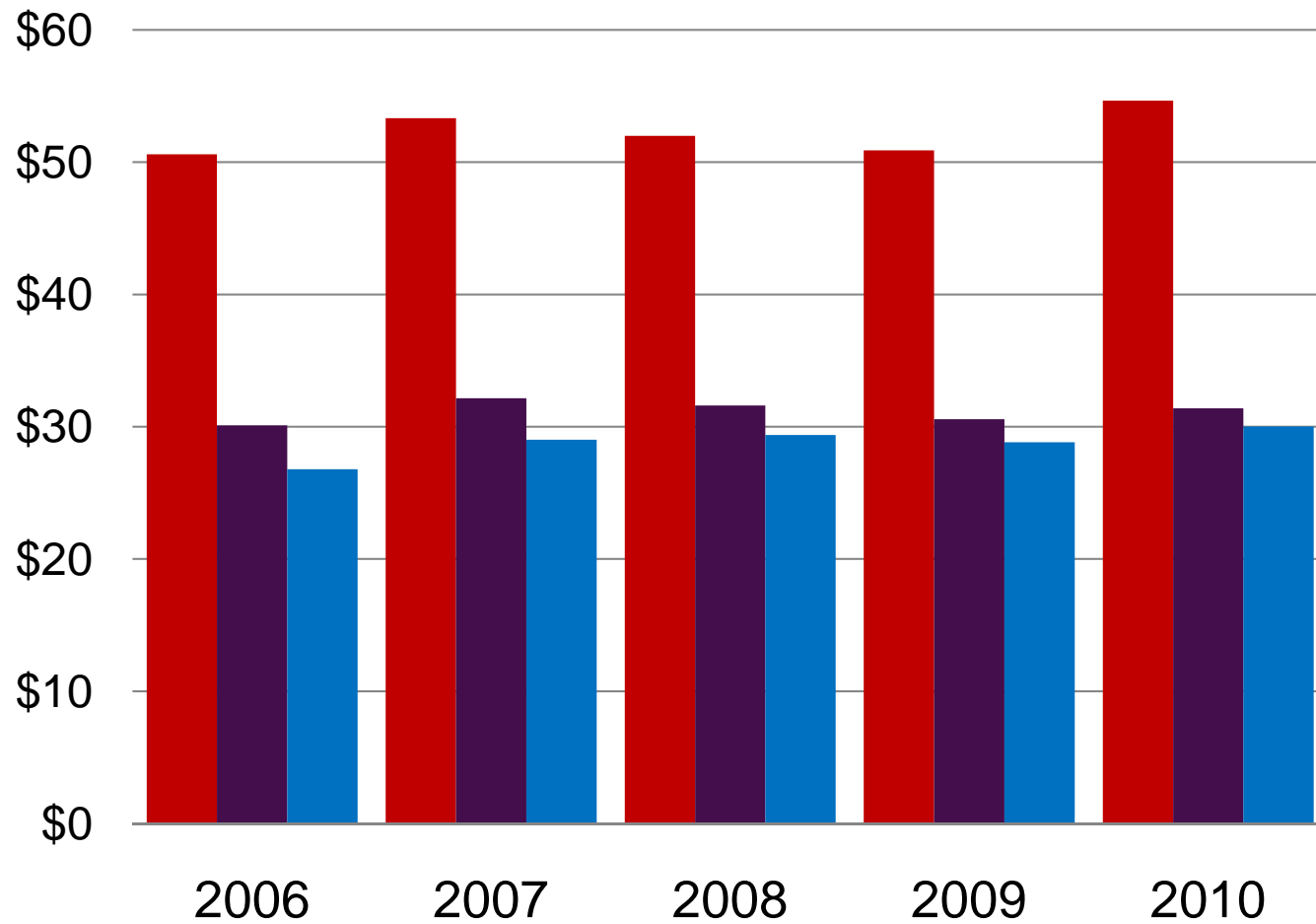
 Landlord Positive

 Neutral

 Tenant Positive

# Class A Market Rents

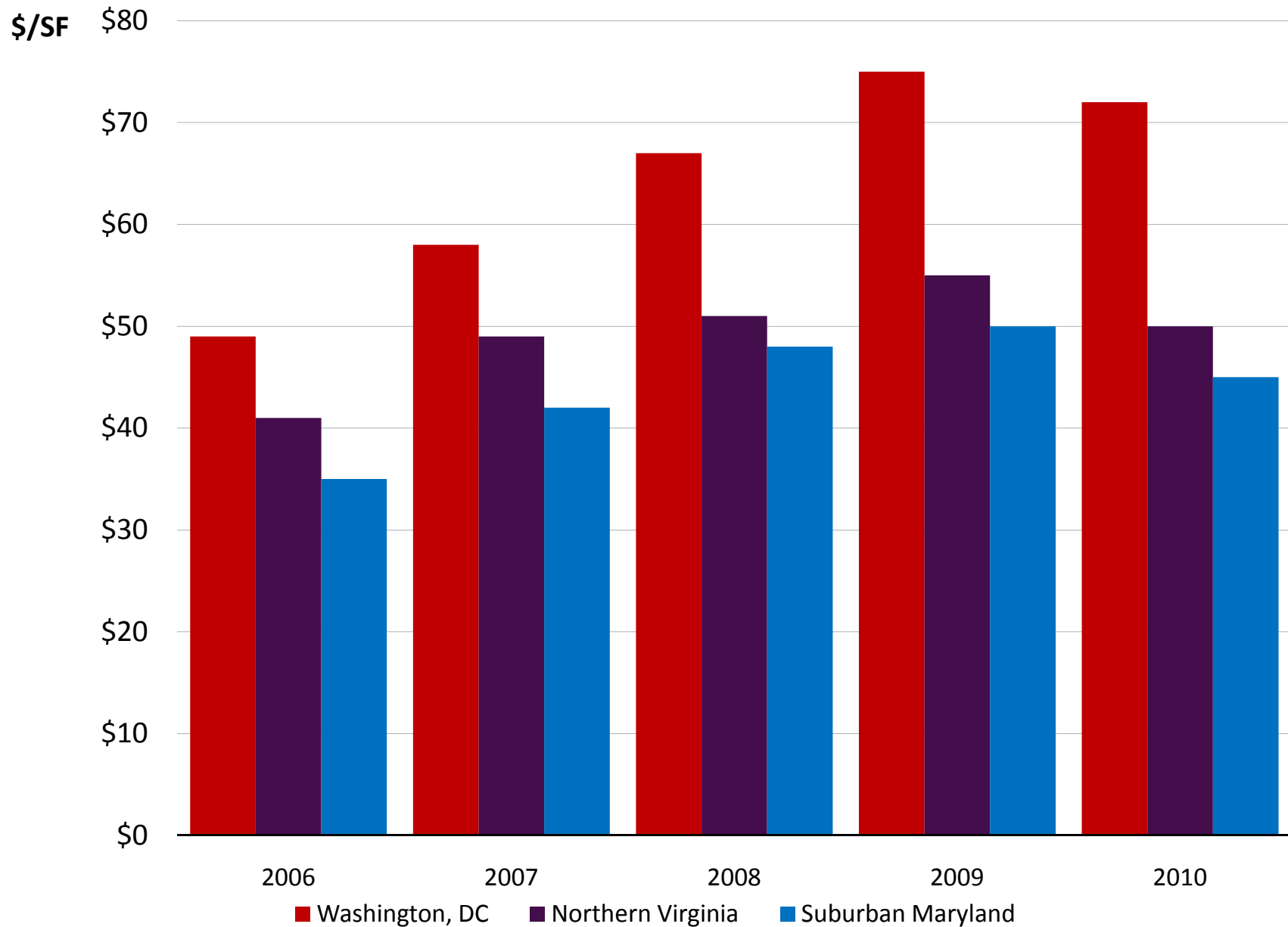
**\$/SF**



■ Washington, DC   ■ Northern Virginia   ■ Suburban Maryland

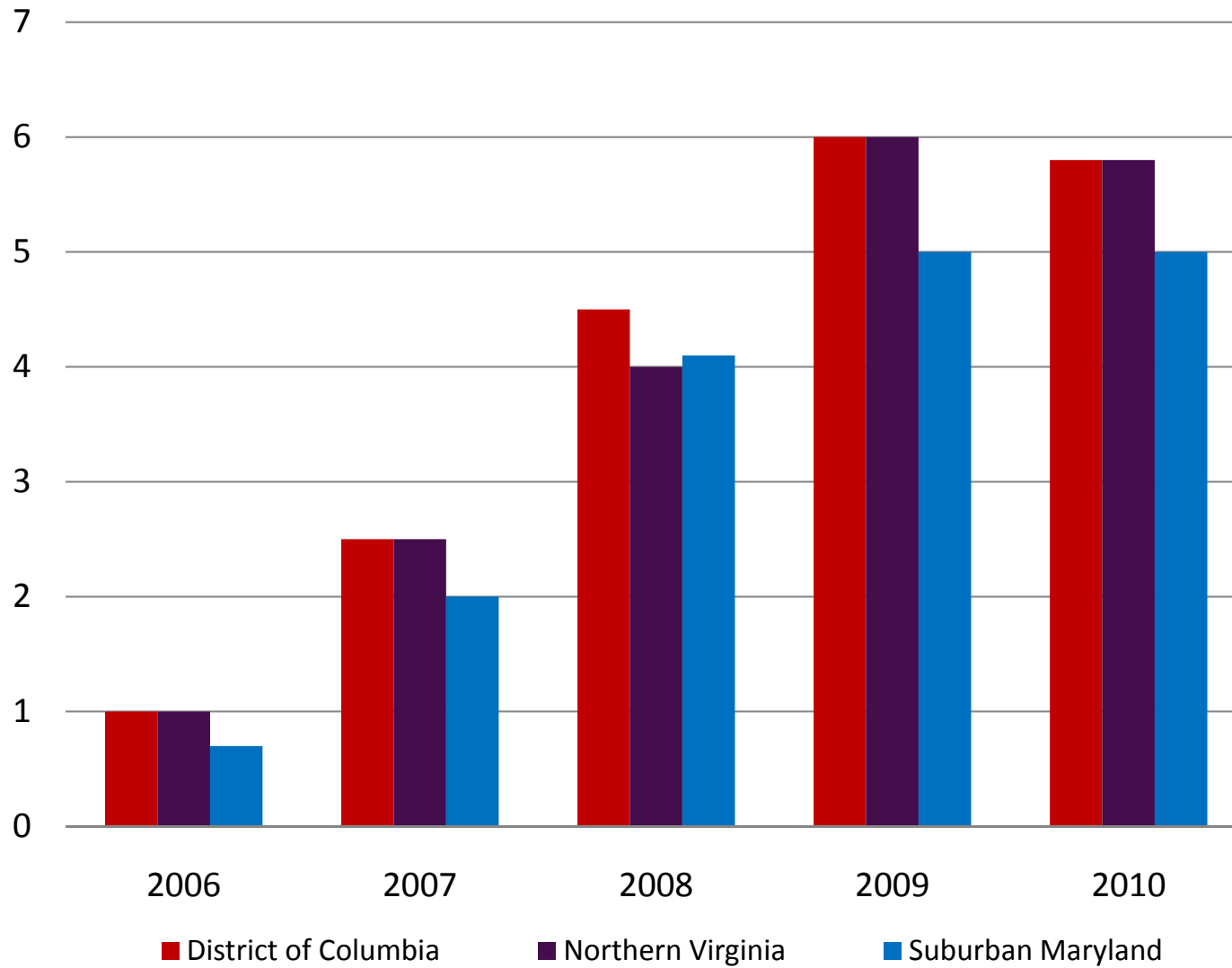


# Class A Tenant Improvement Allowance



# Class A Free Rent

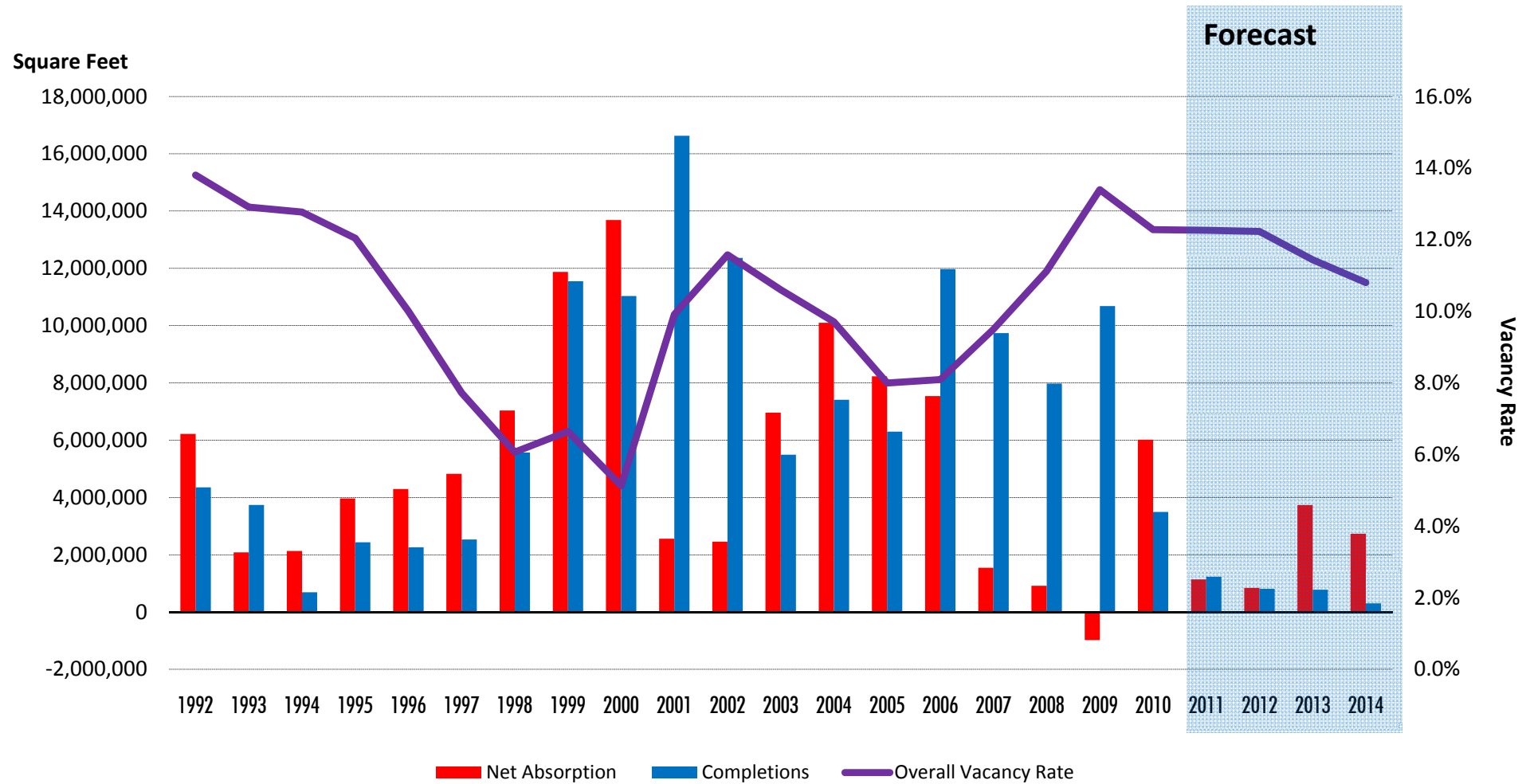
Months



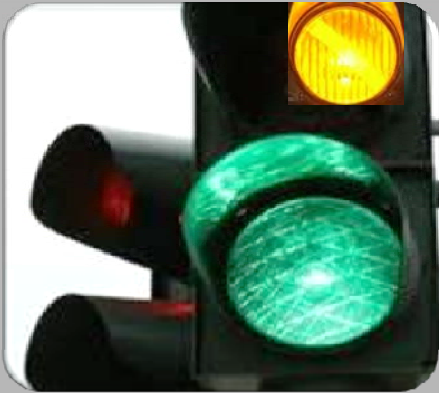
# Market Insight and Forecast

	<u>Washington DC</u>	<u>Northern Virginia</u>	<u>Suburban Maryland</u>	
Inventory	124,059,173	179,654,234	79,538,981	↑
Absorption	4,307,7674 SF	1,495,498 SF	226,042 SF	↓
Vacancy	9.7%	13.2%	14.1%	↓
Construction	\$1,410,112	313,236	629,684	↓
Class A Rate	\$52.48	\$31.39	\$30.02	↑
Average Asking Rate	\$51.19	\$29.65	\$27.28	→

# Washington Metro Project



# New Construction



**805 10<sup>th</sup> St, NW**

**805 Conn. Ave**

**1700 NY Ave**

**1776 Wilson**



**Founders Square**

**800 N. Glebe**

**1812 N. Moore**

**King Centre**

**Patriots Ridge**



**Tyson Corner**

**Maryland**



# Recovery Drivers

- HQ's moving to region
- Stabilized rental rates
- Disappearance of sublet space/large blocks of space
- Capital markets healthy – favorable lending environment
- Speculative development
- Positive absorption
- Positive job growth
- Government leasing



