

# 2007 Northern Virginia Forecast

Presented To:

The National Association of Industrial &  
Office Properties (NAIOP)

February 15, 2007

Presented  
By

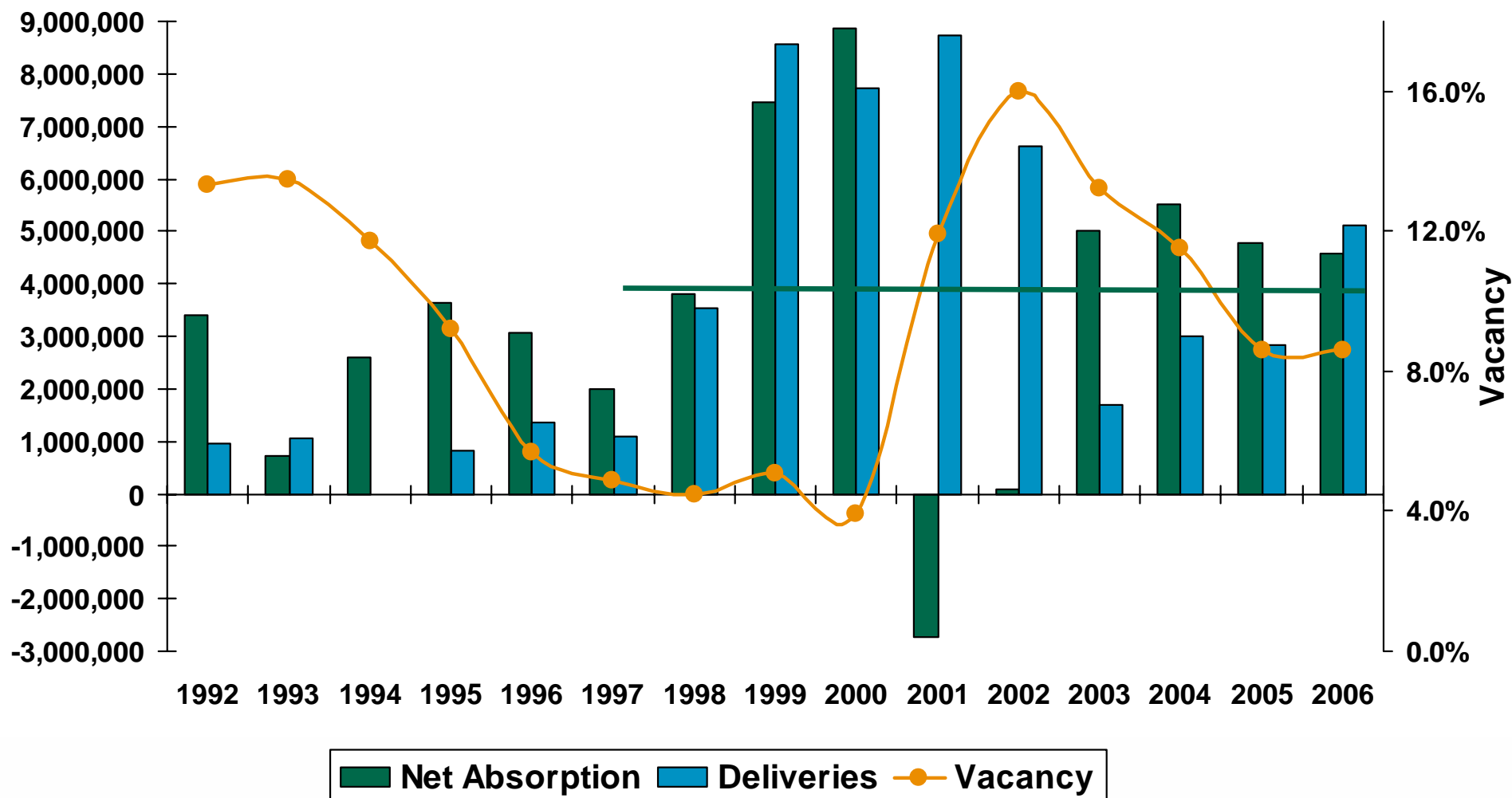
**CBRE**  
CB RICHARD ELLIOTT

# Northern Virginia

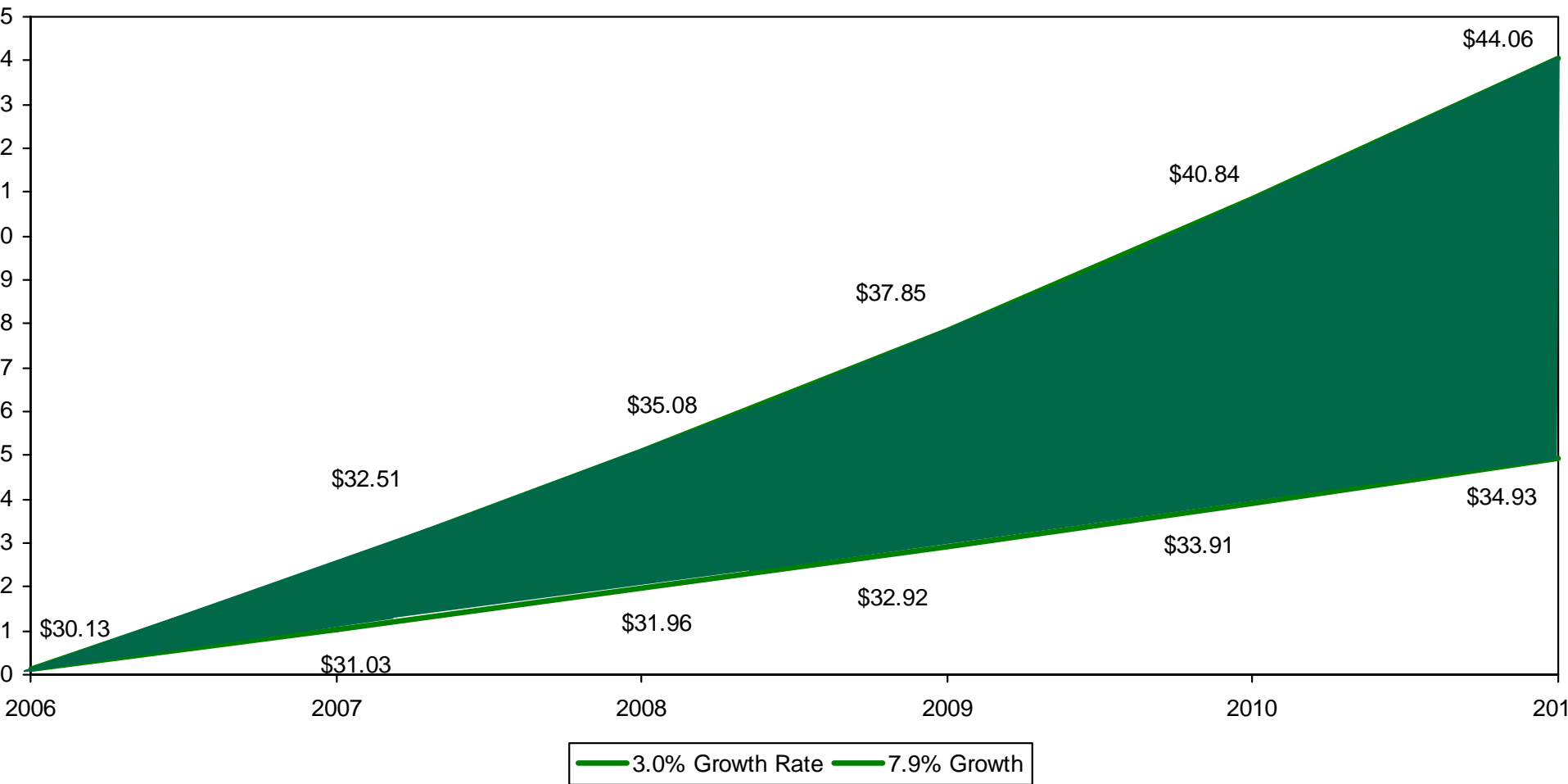
■ <b>Total Inventory</b>	<b>165,409,607 SF</b>
■ <b>Vacancy Rate</b>	<b>8.61%</b>
■ <b>2006 Net Absorption</b>	<b>4,588,720 SF</b>
■ <b>2006 Deliveries</b>	<b>5,125,646 SF</b>

\*All buildings included in the inventory are at least 5,000 square feet

# Northern Virginia



# Northern Virginia All Classes

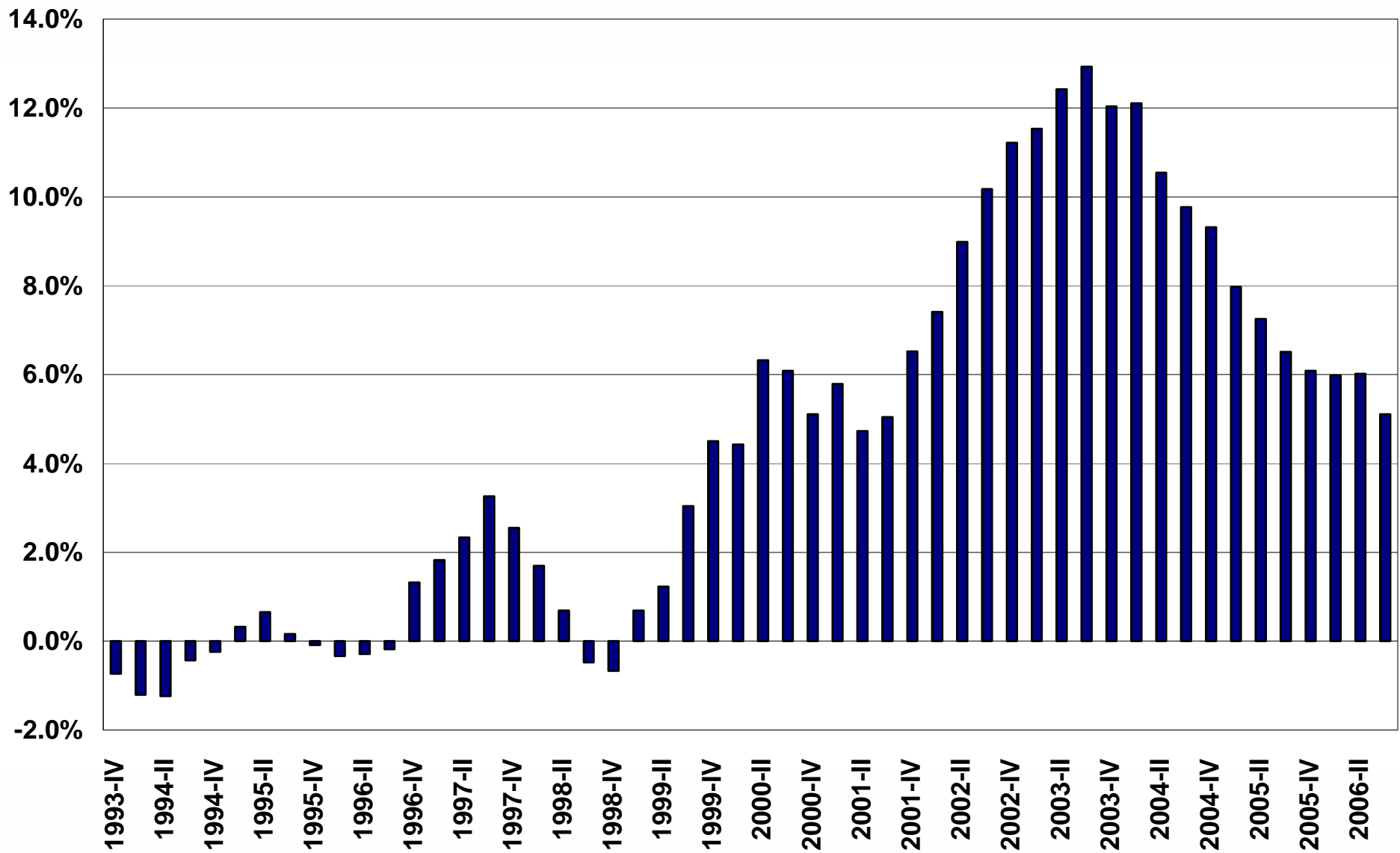


*\*7.9% growth rate is based on 2-year rental rate growth.*

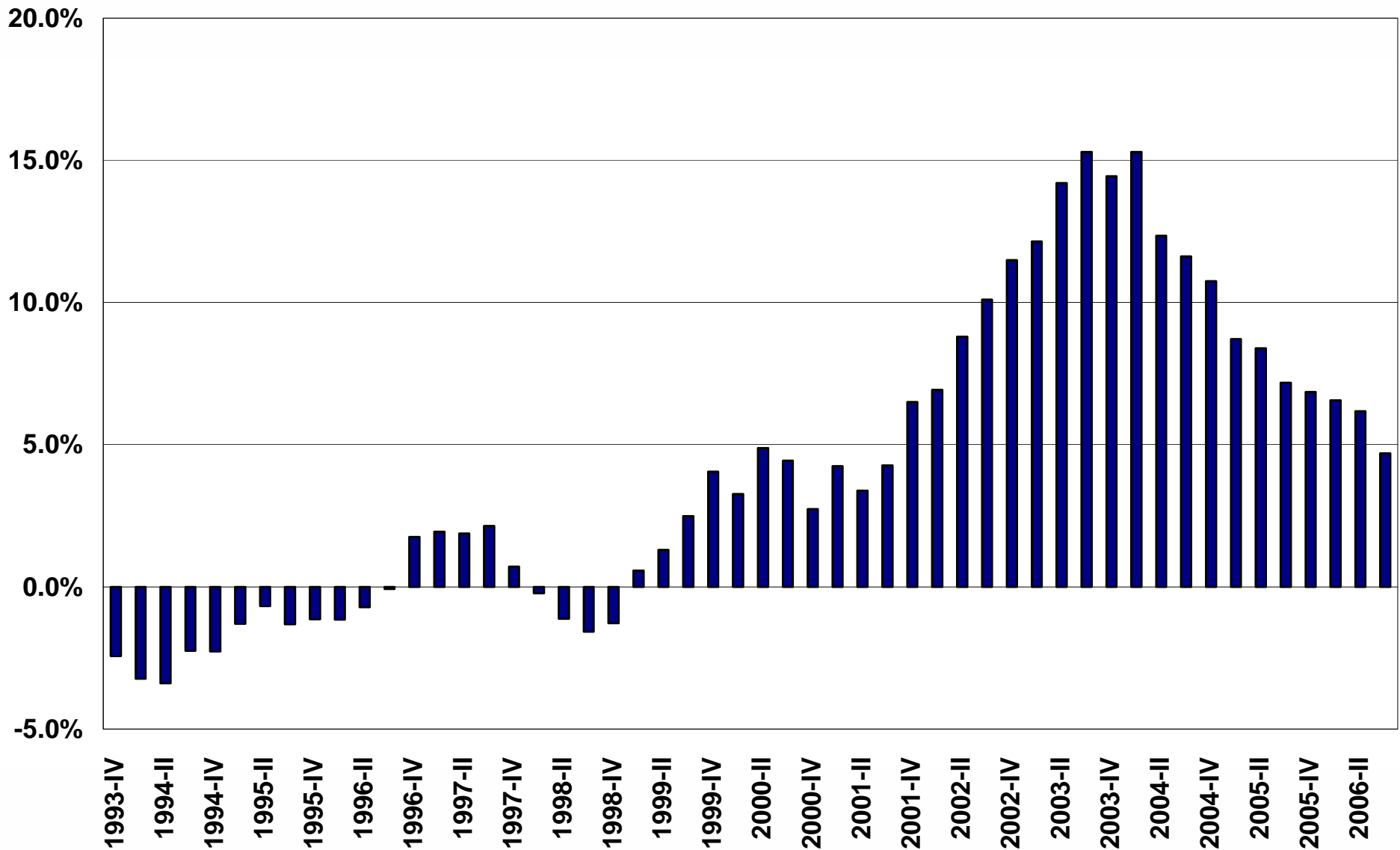
# ***CB Richard Ellis' Top 10 List of Things to Watch in 2007***

# ***10. Government Spending Continues to Slow***

# Federal Government Consumption

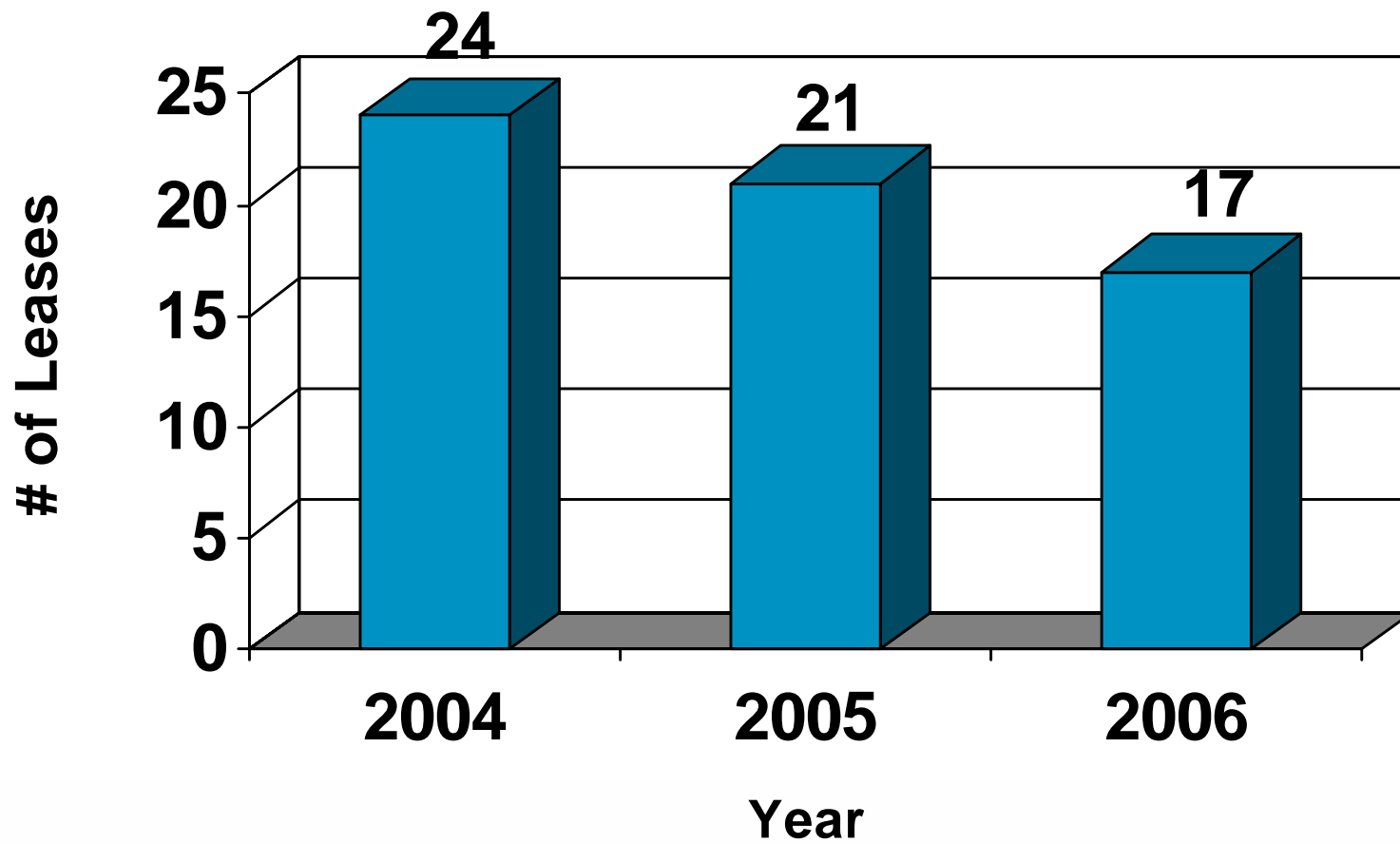


# Defense Consumption





## Leases Over 50,000 SF in NoVa: Government and Government Contractors



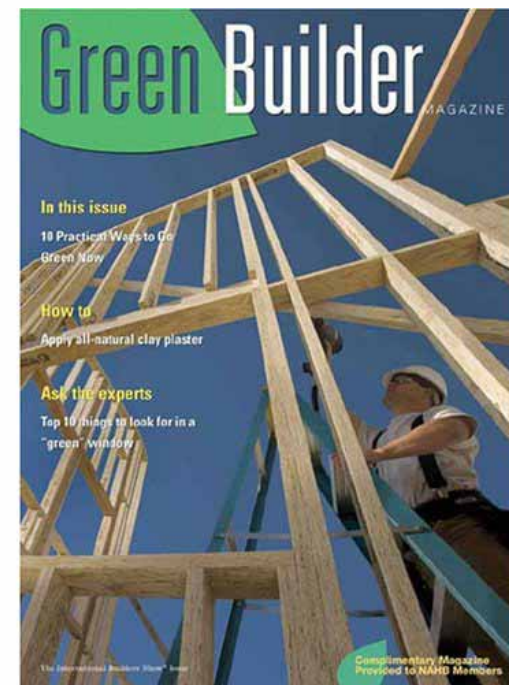
## ***9. Buildings Are Changing***



**Shopping Centers Today  
February 2007**



**Green Source  
February 2007**



**Green Builder  
February 2007**

**Washington DC** —————→ **DC Green Building Act of 2006**

- All buildings 50,000 SF and greater built after 1/1/2012 must comply with green building standards

• **Arlington County** —————→ **Green Building Incentive Program**

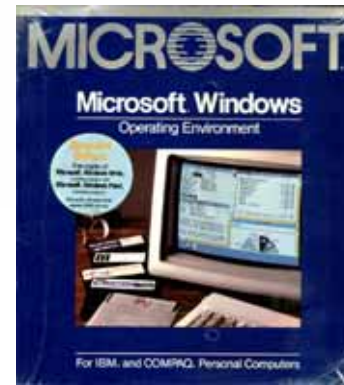
- Updated and expanded in 2003
- Offers varying density bonuses to projects that meet specific LEED certifications

**Federal Government** —————→ **High-Performance Green Building Act  
2006**

- Will establish an Office of Green Building Performance within the General Services Administration (GSA) to develop and implement a consistent green building standard for use by federal agencies



1956 – The Bridgers-Paxton Office Building in Albuquerque is the first solar powered office building in the world



1985 – Windows 1.0 is released by Microsoft

2006 – Frank Lloyd Wright'sarkin Building is the first office building designed specifically for the use of A/C

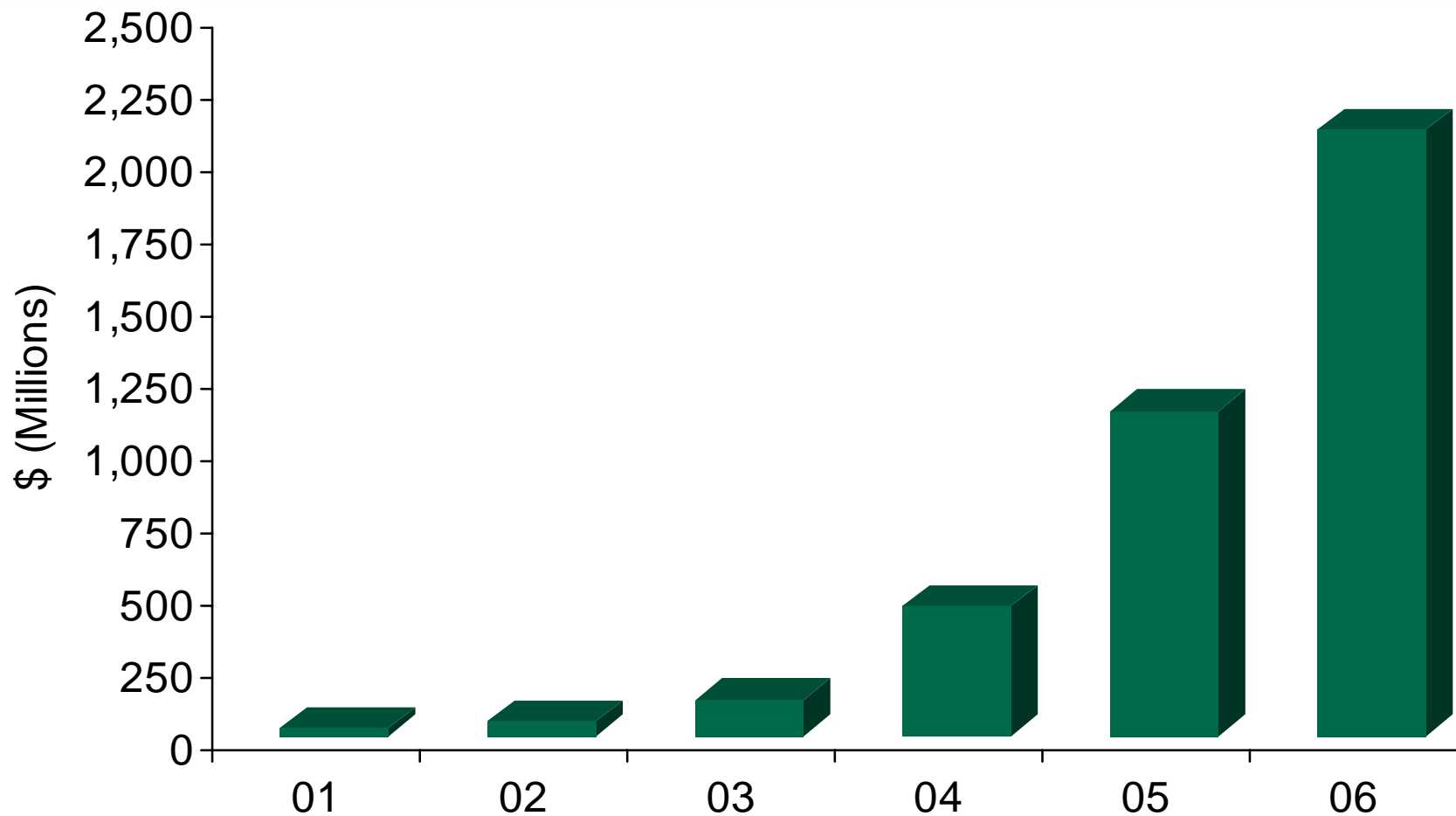


Early 1980's – Keyless entry access cards using RFID technology become commonplace for use in office buildings

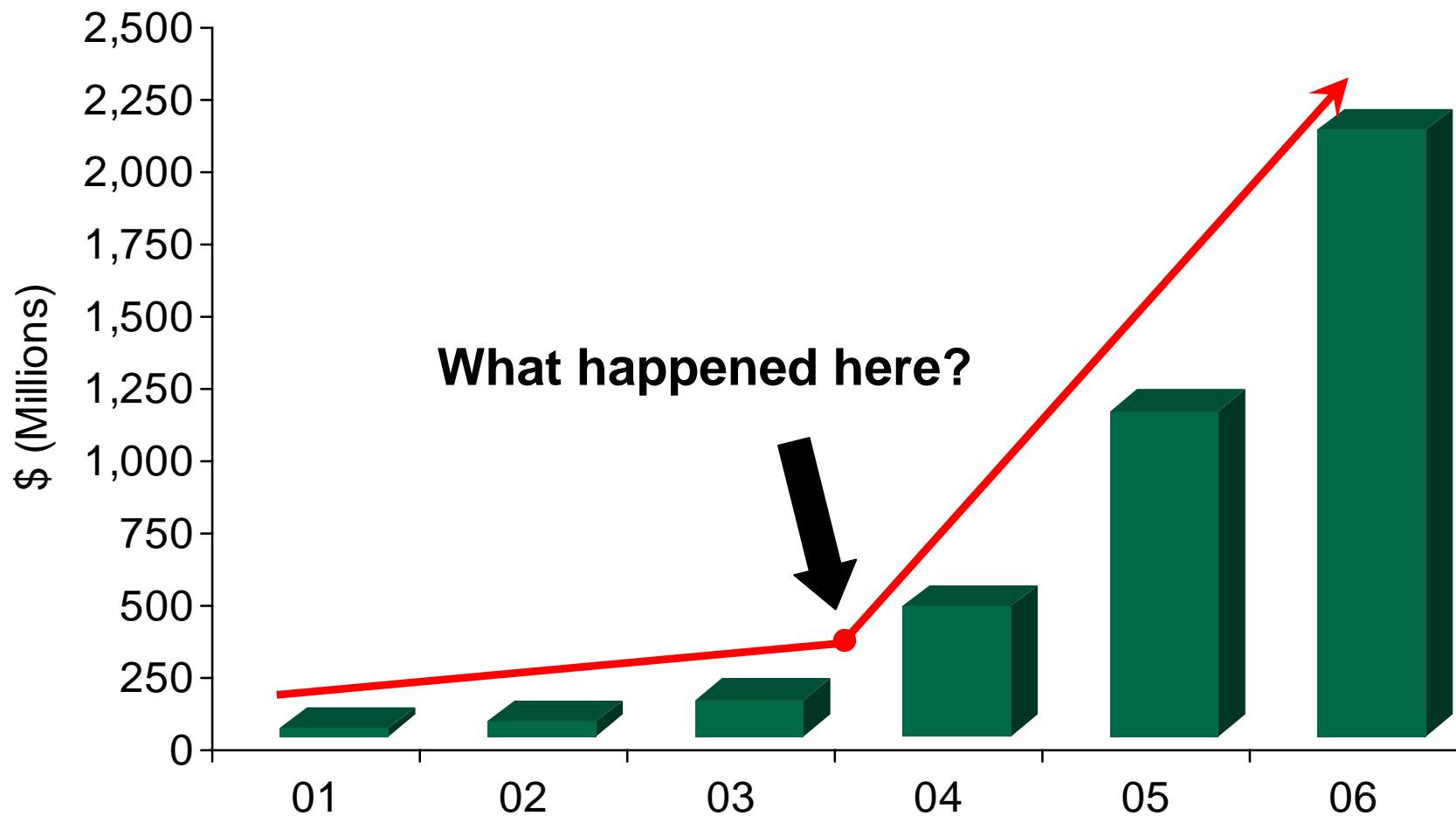


2000 and Beyond – Wireless Internet, Fingerprint Analysis, Retinal Scanning, Geothermal Heating Systems, Energy Efficient Lighting Systems

# Worldwide Digital Music Sales



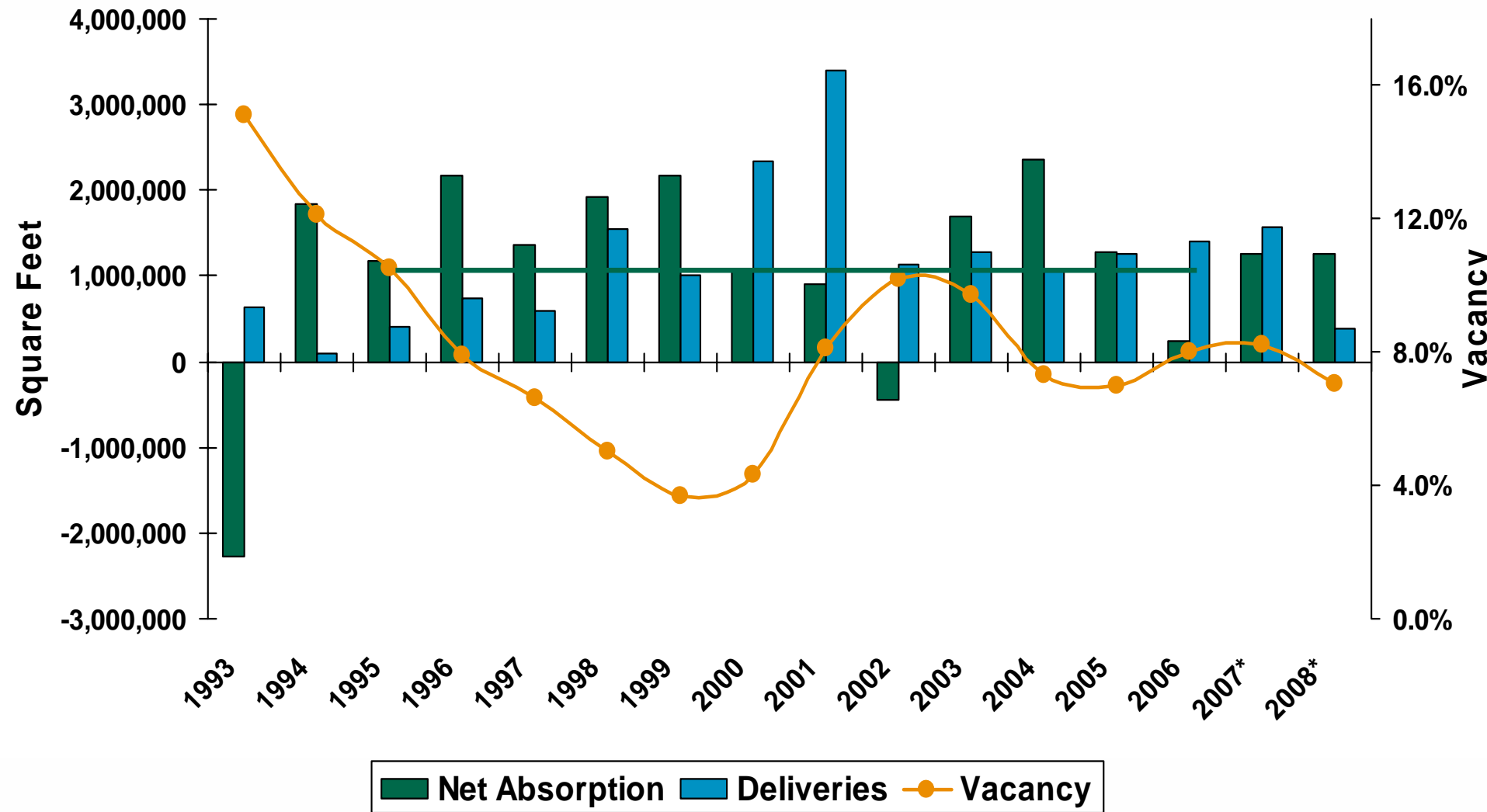
# Worldwide Digital Music Sales



## ***8. Industrial Space Goes Where the Land Is***



# NoVa Net Absorption, Deliveries, and Vacancy



Projected

10 Year Average Net Absorption: 1,254,295 SF

# What Drives the NoVa Industrial Market?

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- GSA Demand
- Residential Growth



- **Service Sector Market**
  - not manufacturing,  
not bulk distribution

- Rising Interest Rates
- High Land Prices



- **More Leasing, Less  
Condo Sales**

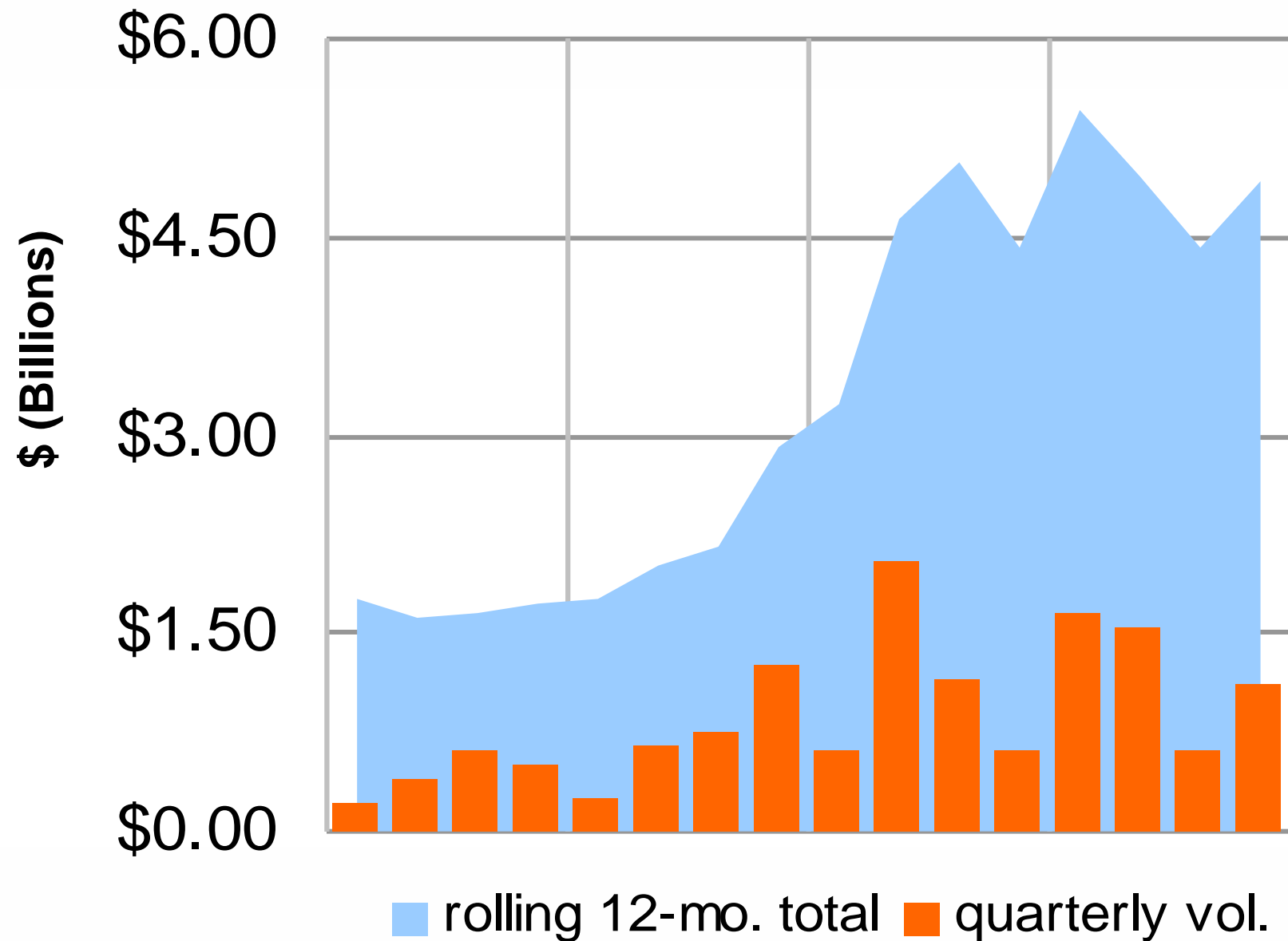
- Cheaper Land
- GSA Security Requirements
- Airport



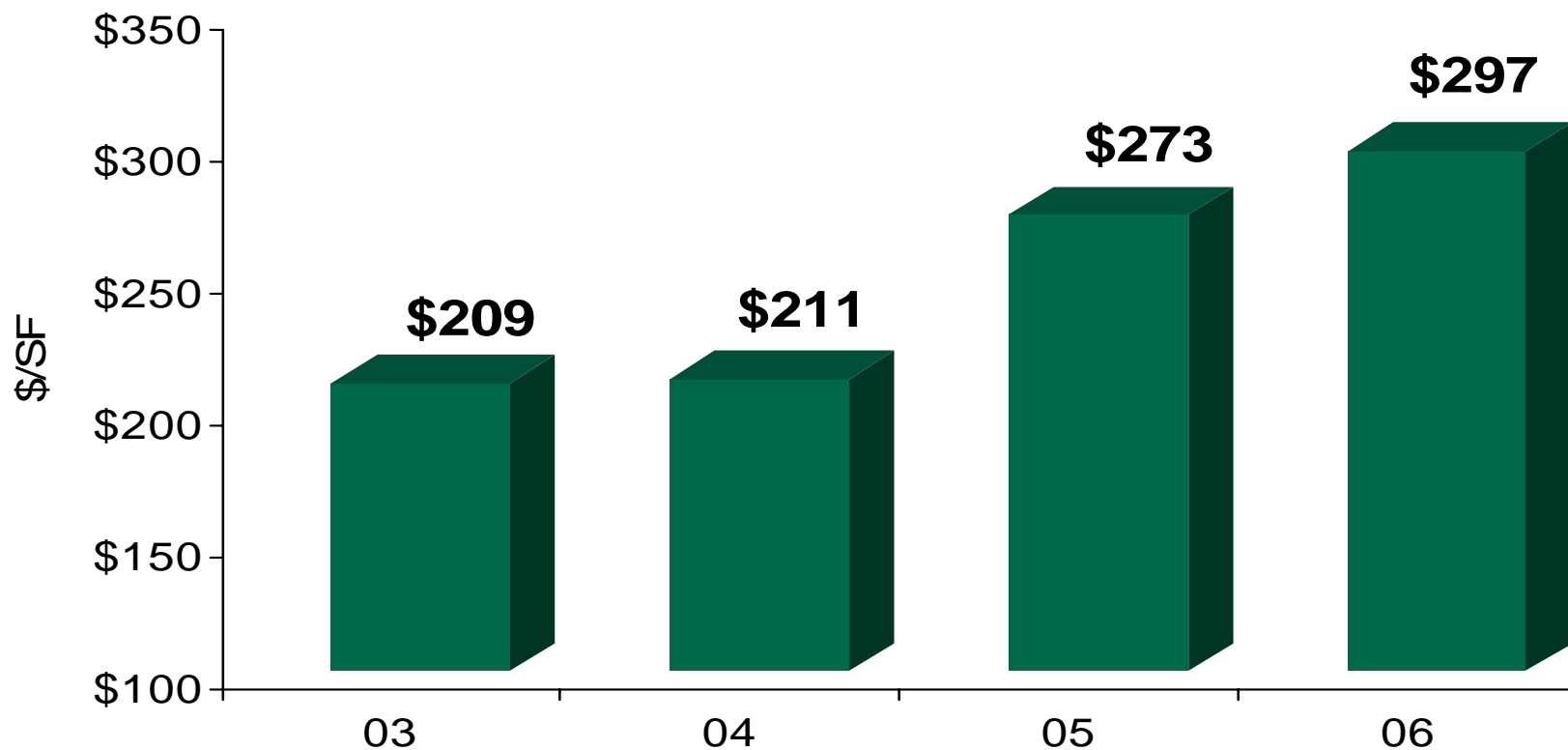
- **Development West**
  - **Winchester,  
Manassas, Loudoun**

# ***7. Buy Low, Sell High? Or Buy High, Sell Higher?***

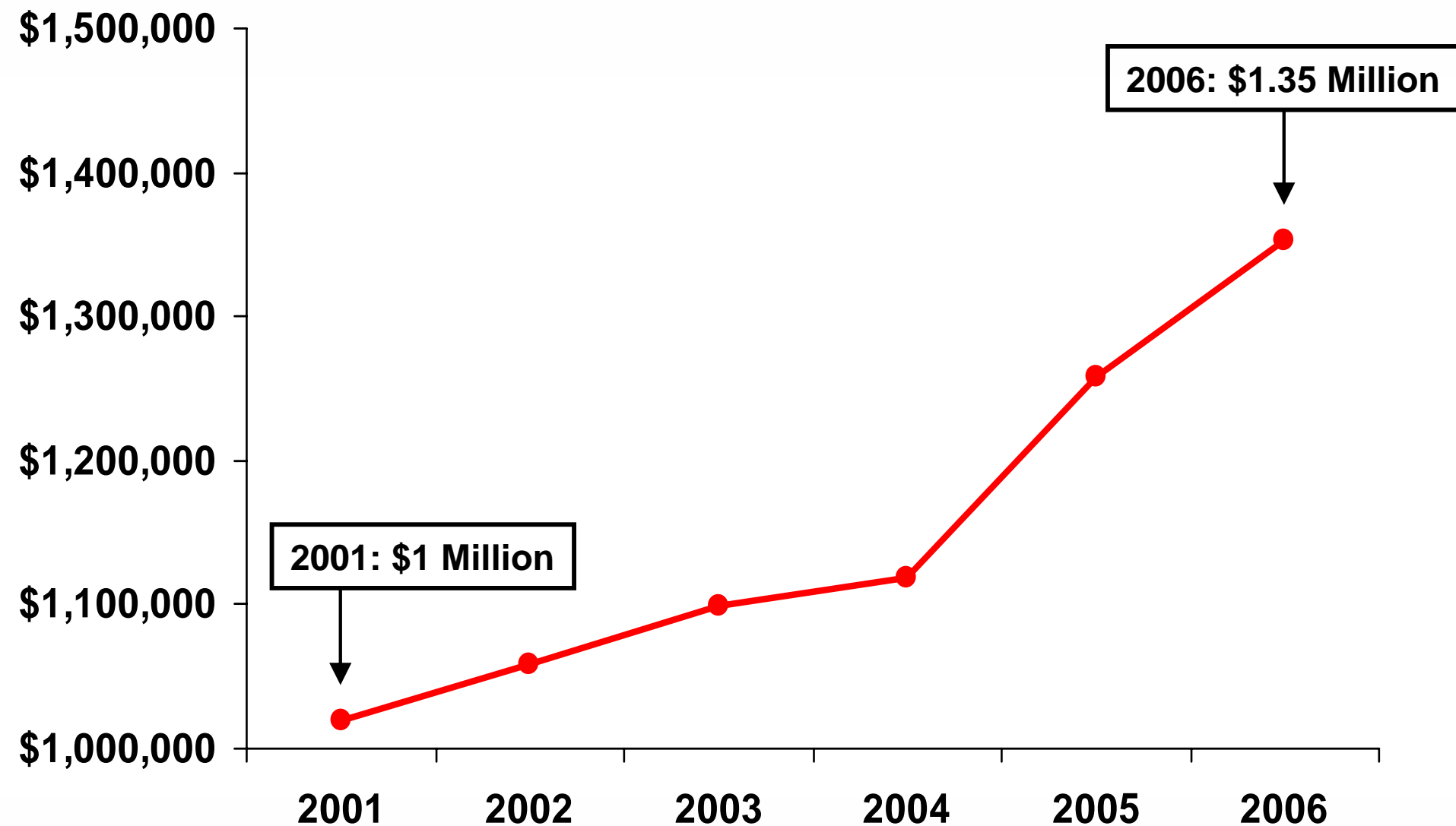
# NoVa Total Office Building Sales Volume



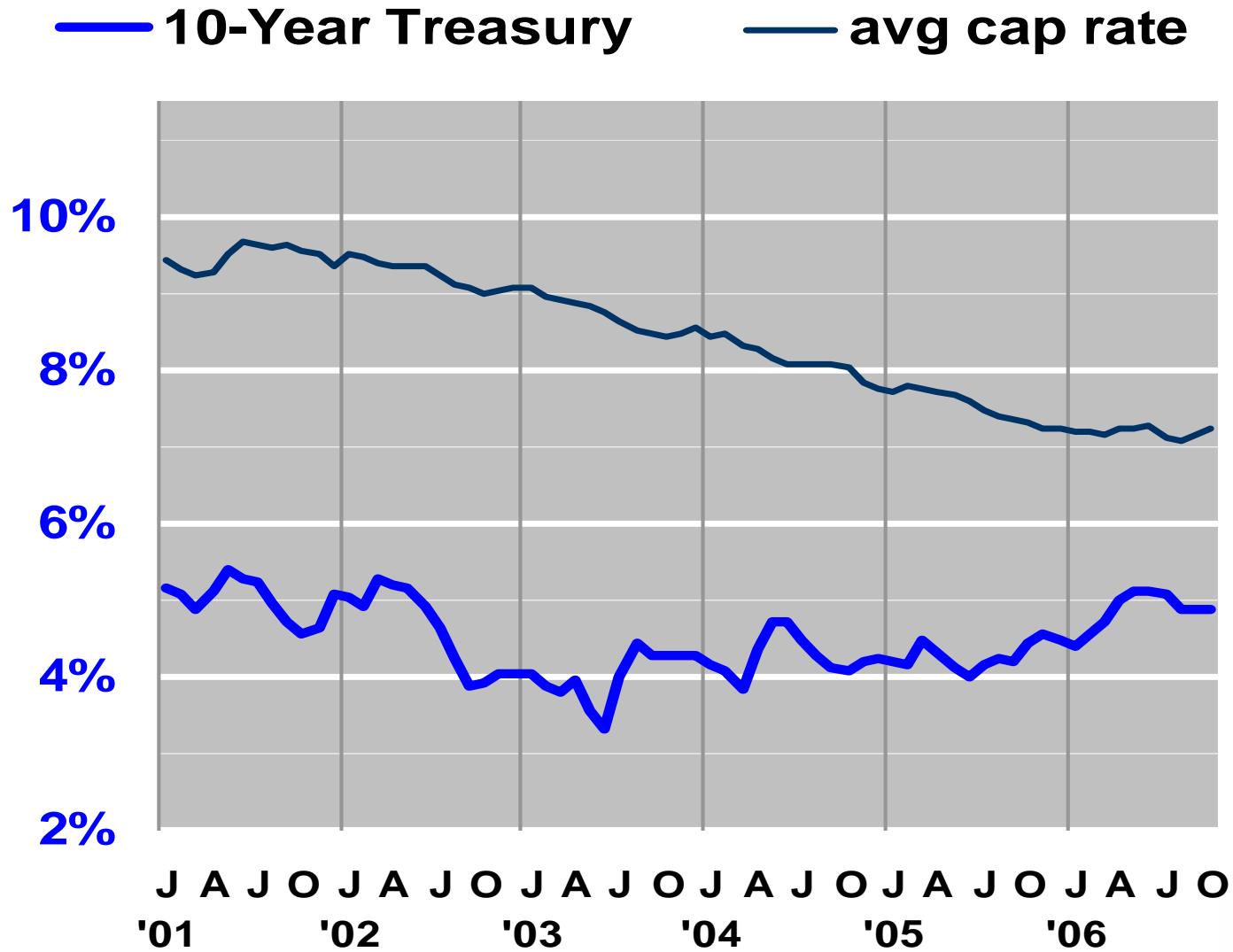
# NOVA Annual Average Sales Price per Square Foot



# Washington DC Construction Cost Impact on a \$1,000,000 Project



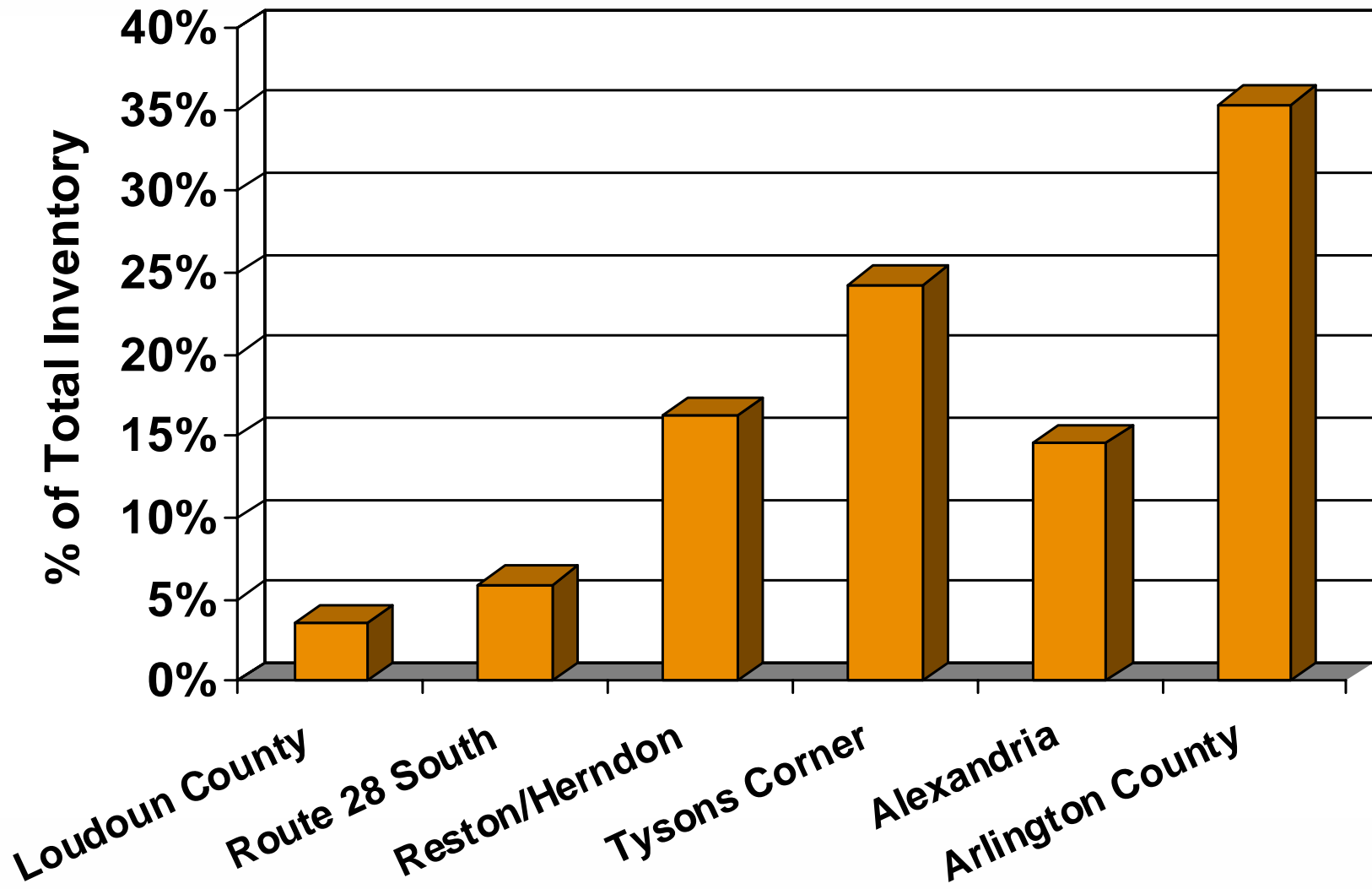
## Suburban Office



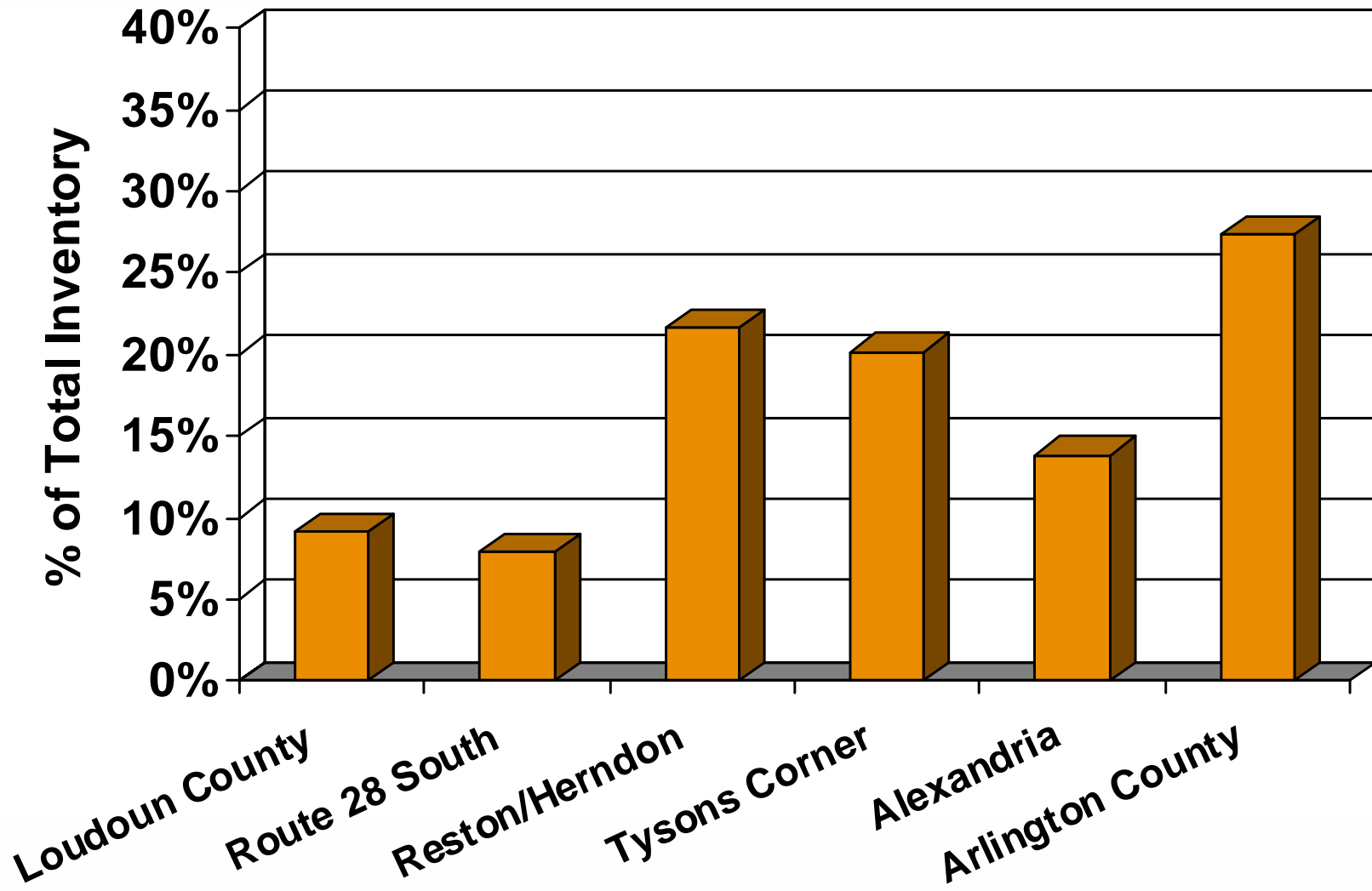
## ***6. Westward Ho!***



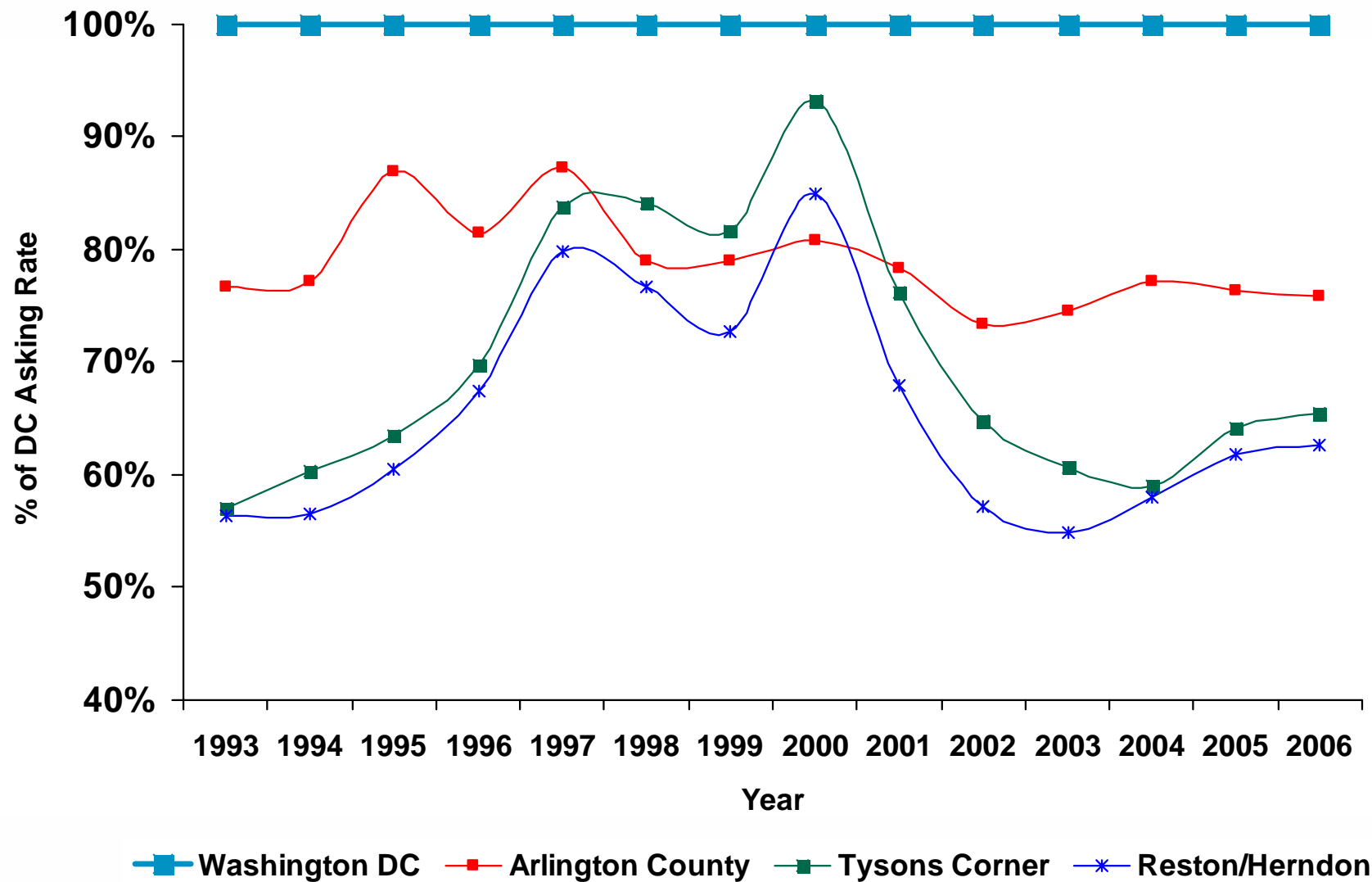
# 1992 Office Inventory



## 2006 Office Inventory



# Historical Asking Rates - % of DC Asking Rate



## ***5. Consolidation - Globalization is Here***

# Accounting: The Big Eight Become the Big Four

1989 – 1998

- Arthur Young



**ERNST & YOUNG**

- Ernst and Whinney

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- Deloitte Haskins and Sells



**Deloitte  
& Touche**

- Touche Ross

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- Price Waterhouse



**PRICEWATERHOUSECOOPERS**

- Coopers and Lybrand

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**KPMG**



**KPMG**

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**ARTHUR ANDERSEN**



# Banking

1998 – 2004

- Citicorp
- Travelers Group



- 
- JP Morgan & Co.
  - Chase Manhattan Corp.



- 
- Bank of America
  - FleetBoston Financial



Bank of America



- 
- Wachovia
  - First Union



WACHOVIA

## Owners/Investors

<b>Seller</b>	<b>Buyer</b>	<b>Price</b>
<b>CarrAmerica</b>	<b>Blackstone</b>	<b>\$5.6 Billion</b>
<b>Blackstone (CarrAmerica DC Portfolio)</b>	<b>Tishman Speyer</b>	<b>\$2.8 Billion</b>
<b>Mark Winkler Co.</b>	<b>Duke Realty Corp.</b>	<b>\$855 Million</b>
<b>Trizec Properties</b>	<b>Brookfield/Blackstone</b>	<b>\$8.9 Billion</b>
<b>Prentiss Properties</b>	<b>Brandywine</b>	<b>\$3.3 Billion</b>
<b>Equity Office Properties</b>	<b>Blackstone</b>	<b>\$39 Billion (Pending)</b>
<b>Blackstone (EOP DC/Seattle Portfolio)</b>	<b>Beacon Capital</b>	<b>\$6.5 Billion (Pending)</b>

# Commercial Real Estate Service Providers

- Jones Lang Wootton

- LaSalle Partners

- Spaulding & Slye



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- Insignia

- Trammell Crow

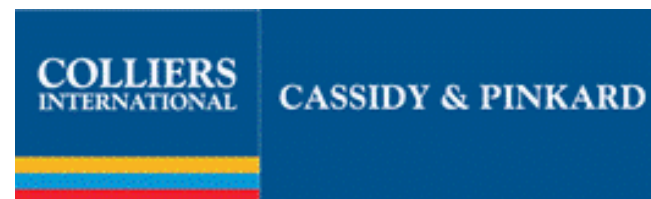
- CBRE



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- Cassidy & Pinkard

- Colliers International



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- Cushman & Wakefield

- Grubb & Ellis

- Staubach

- Studley

- Transwestern

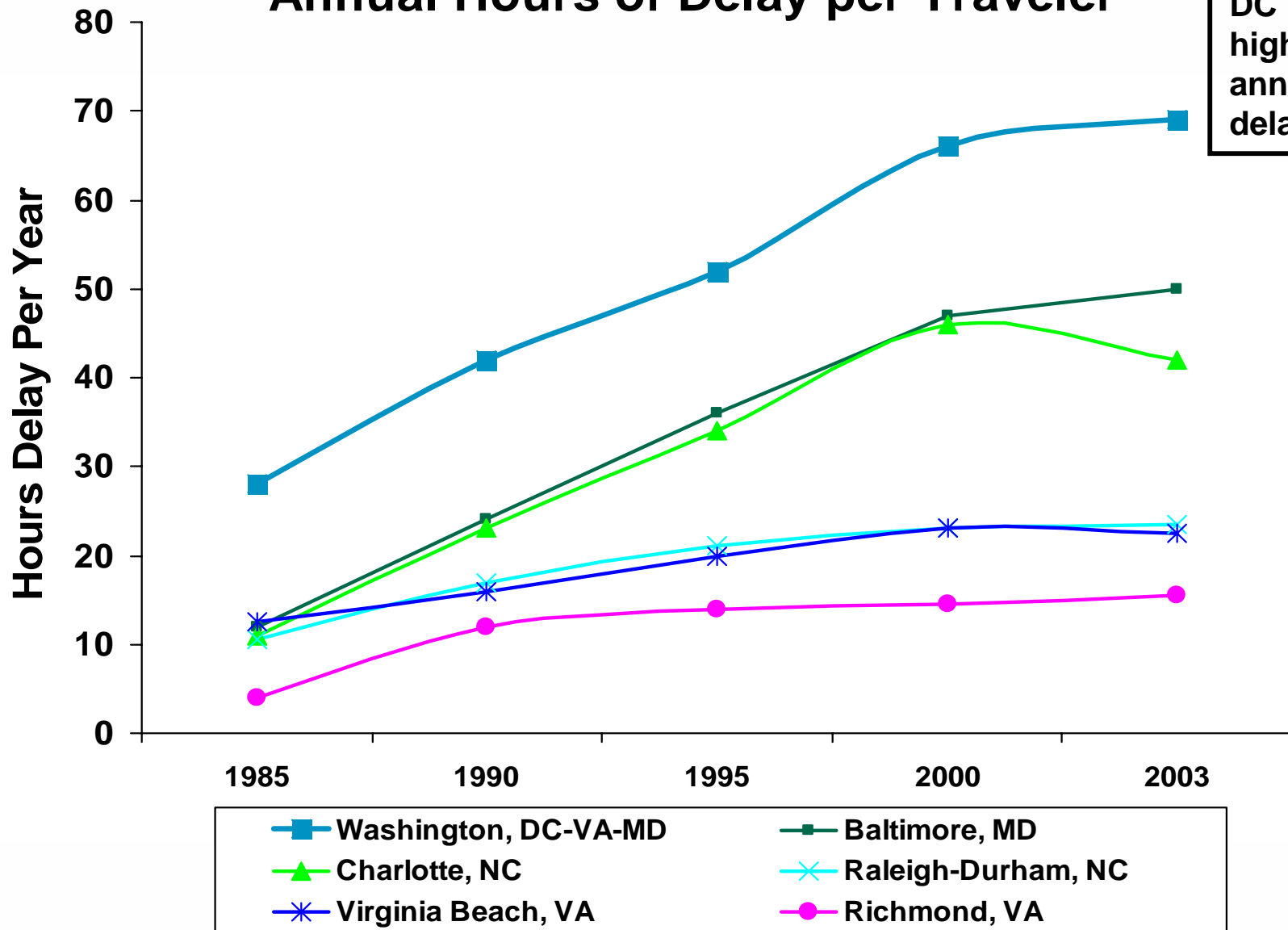


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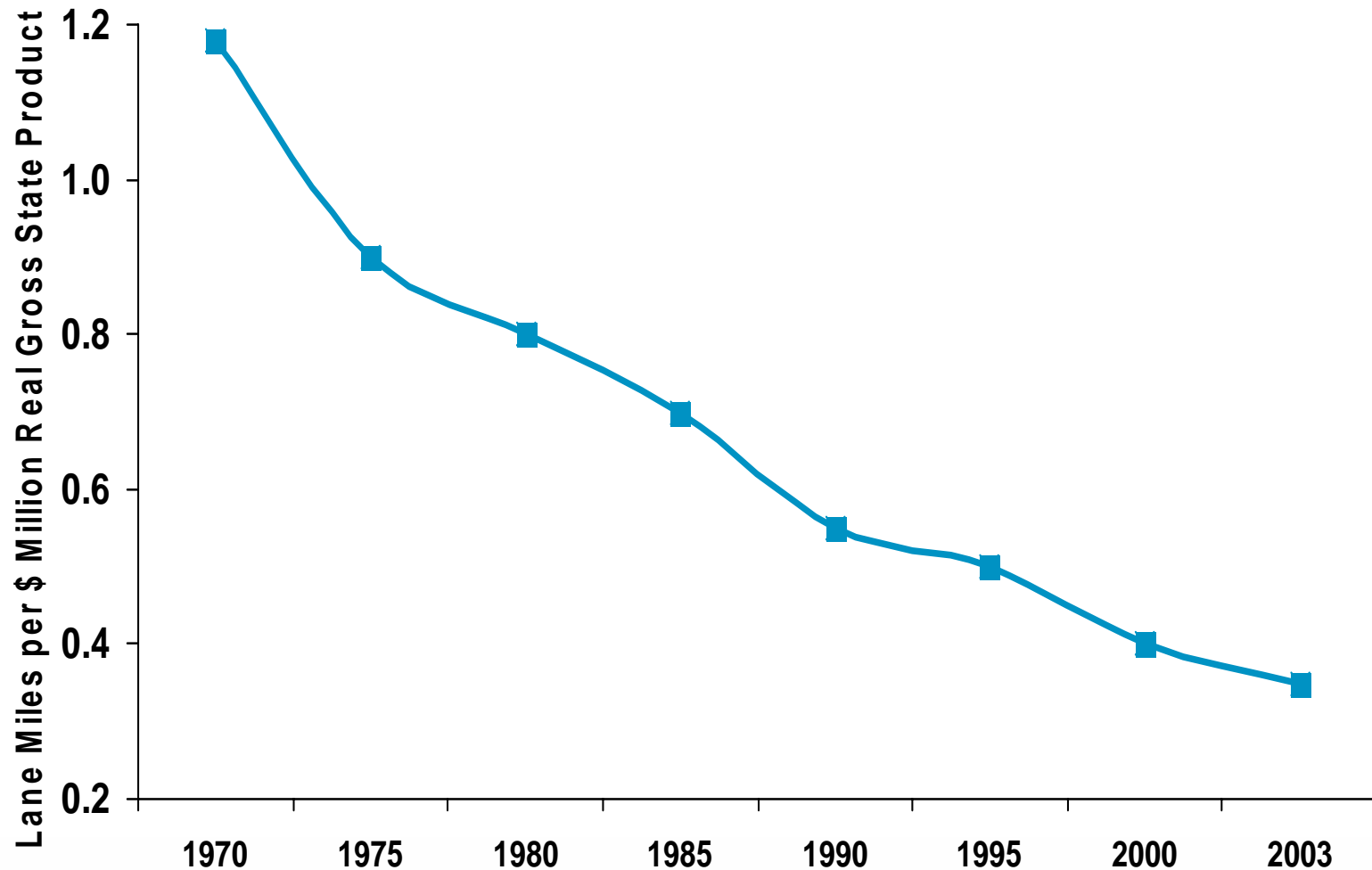


## ***4. Traffic – Really? In Virginia?***

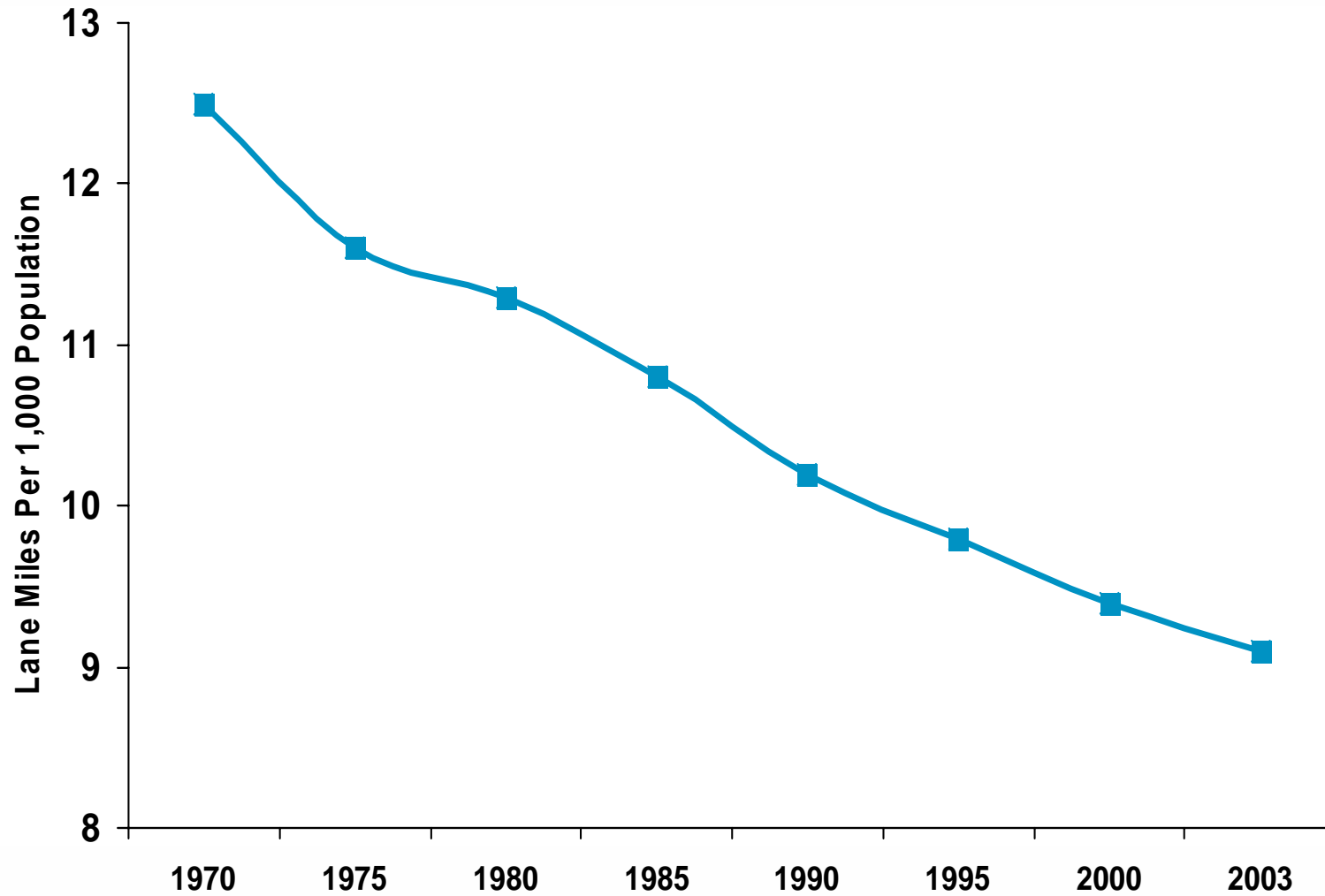
# Annual Hours of Delay per Traveler



# Lane Miles and Virginia Economic Activity



# Lane Miles Per Thousand Virginians



• **Mixing Bowl**

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• **Wilson Bridge**

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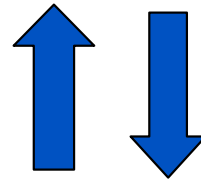
• **Route 28 Interchanges**

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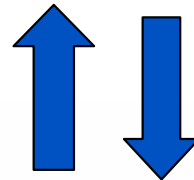


• **Metro to Dulles**

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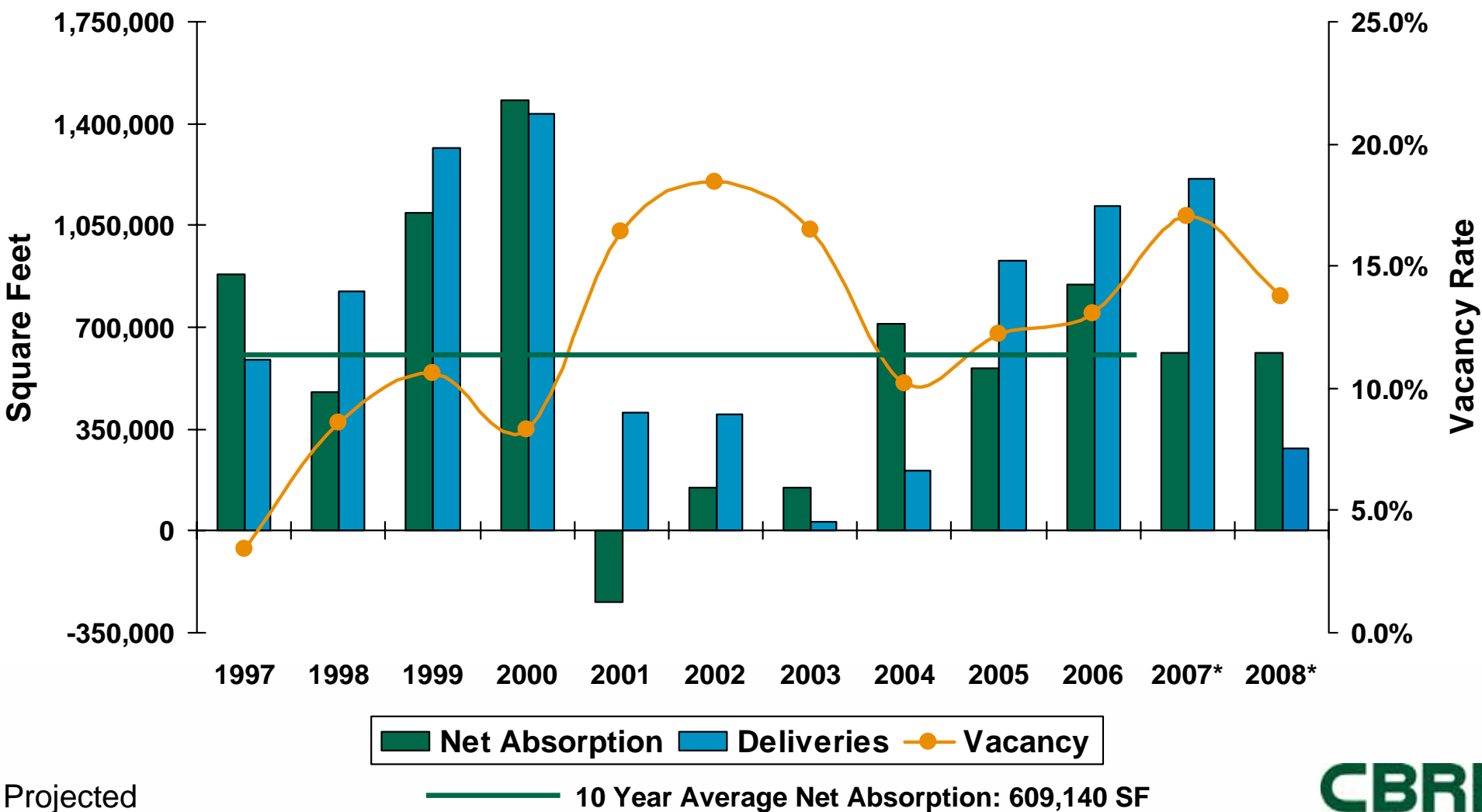
• **Transportation Funding**



### ***3. Spec Development in the West***

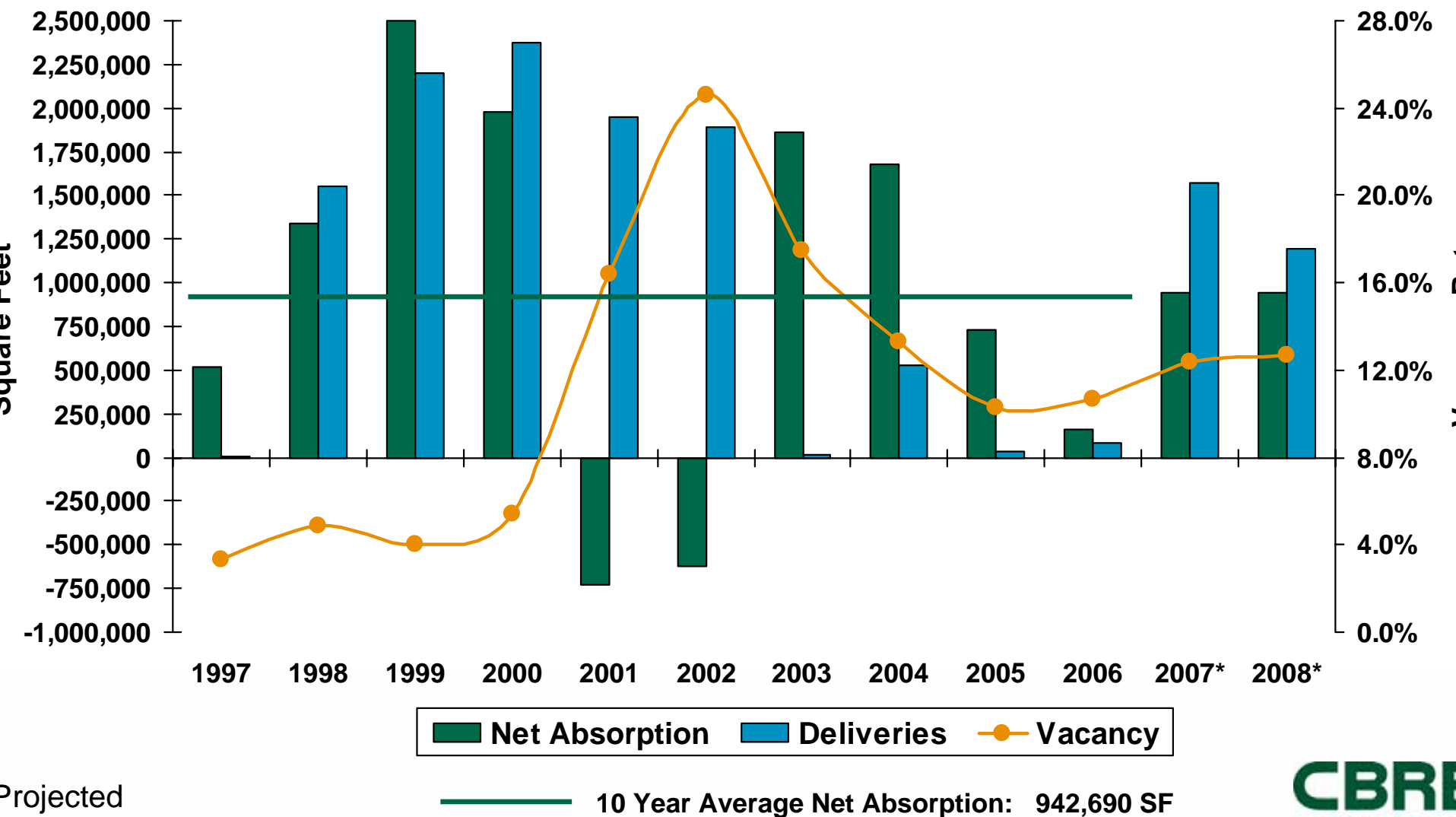
## Route 28 South:

- There are currently 9 office buildings under construction in the Route 28 South Submarket, totaling over 1.5 million square feet. As of February 1<sup>st</sup>, these projects were 16% preleased.



## Reston/Herndon:

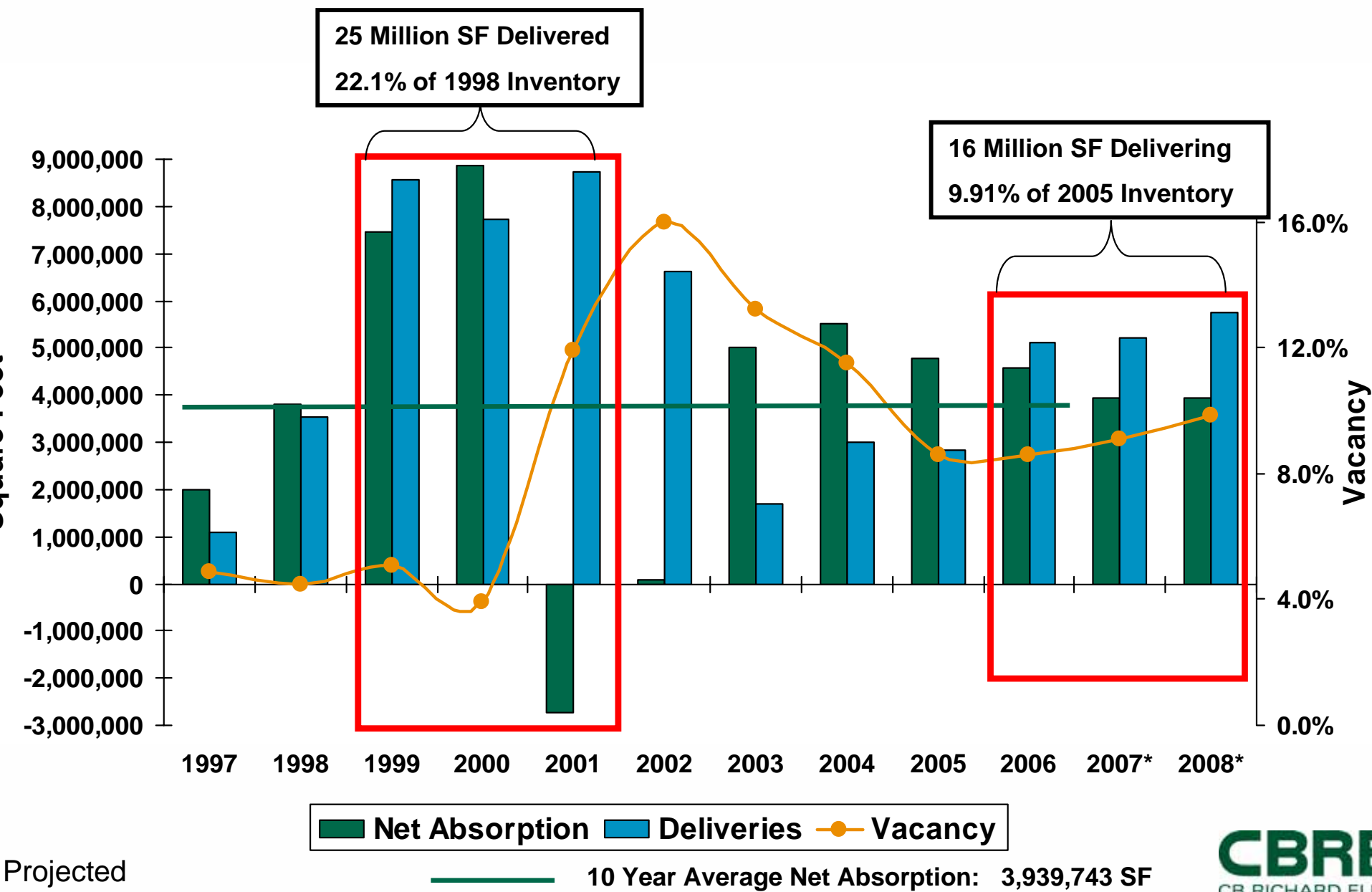
- There are currently 14 office buildings under construction in the Dulles Toll Road Corridor, totaling over 2.7 million square feet. As of February 1<sup>st</sup>, these projects were 9% preleased.



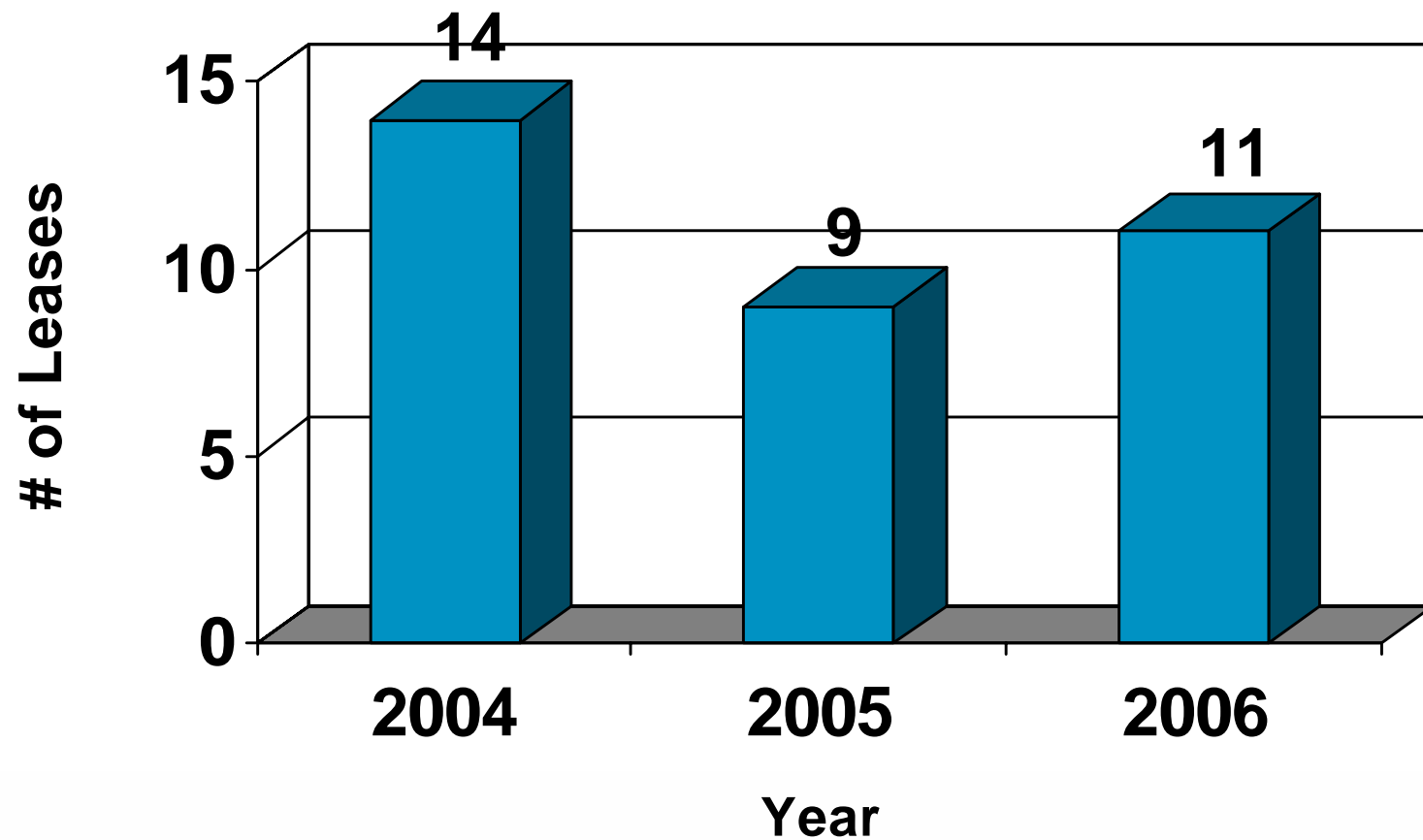


## ***2. Who Blinks?***

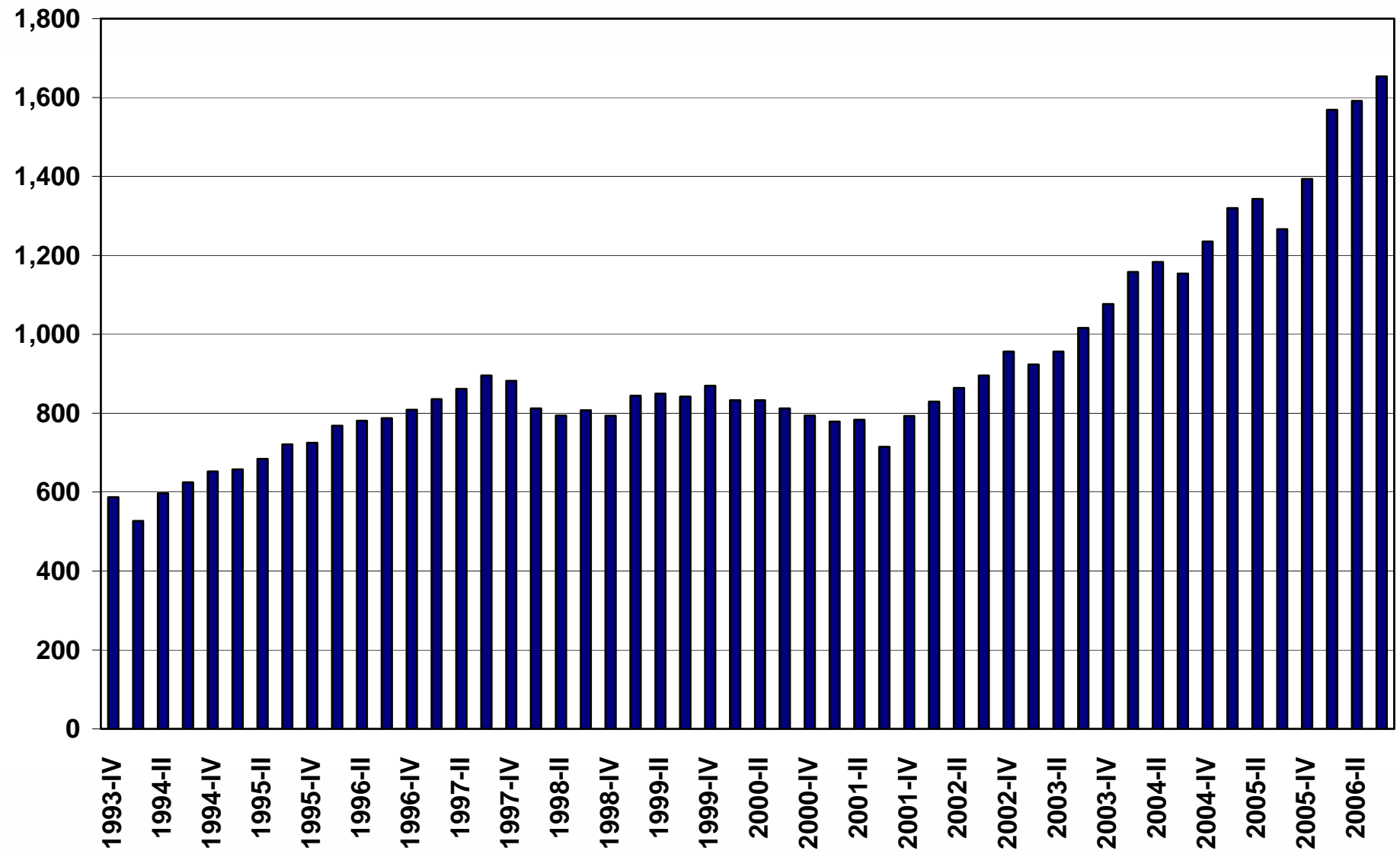
# NOVA Net Absorption, Vacancy and Deliveries



## Leases Over 50,000 SF in NoVa: Non-Government

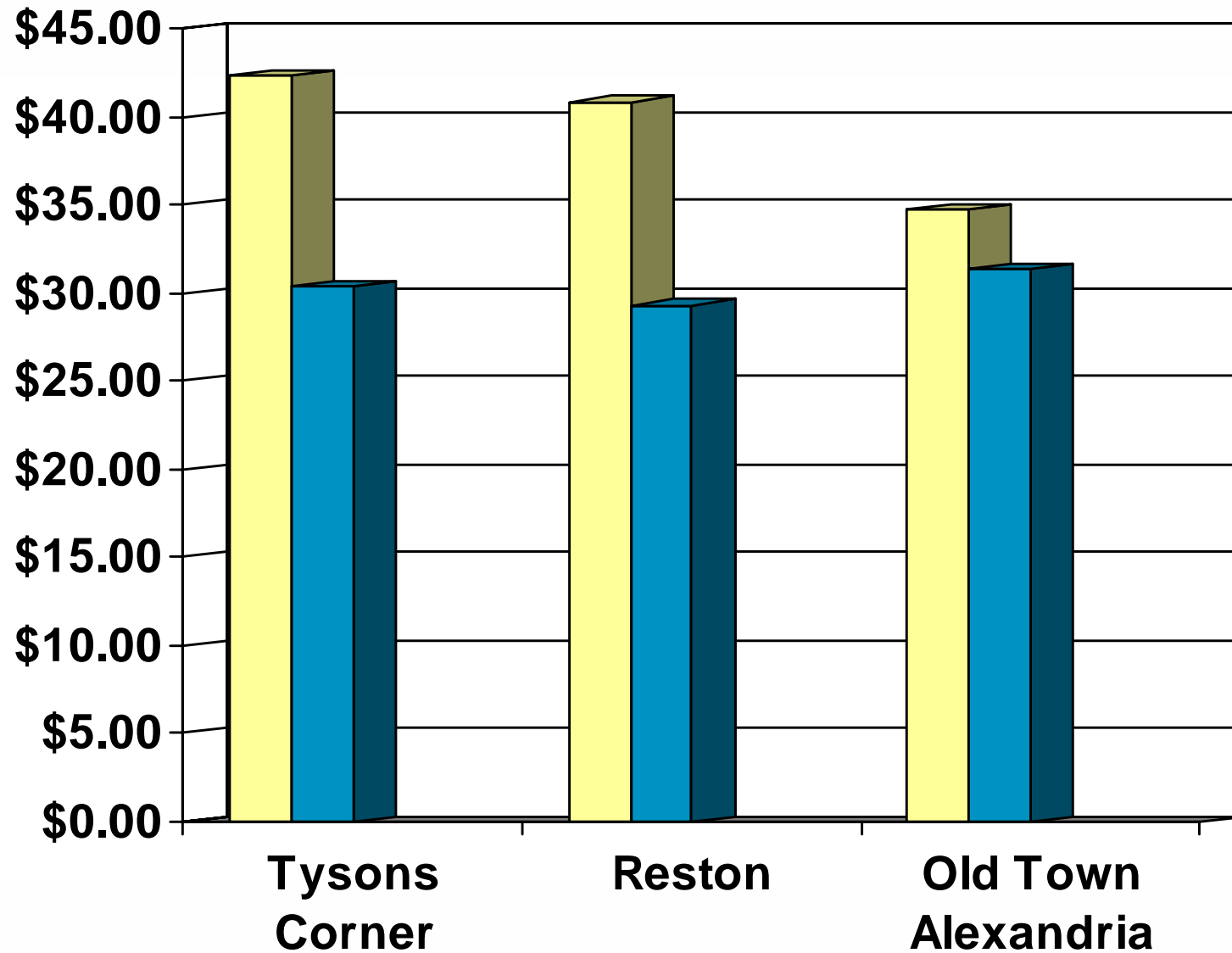


# Corporate Profits

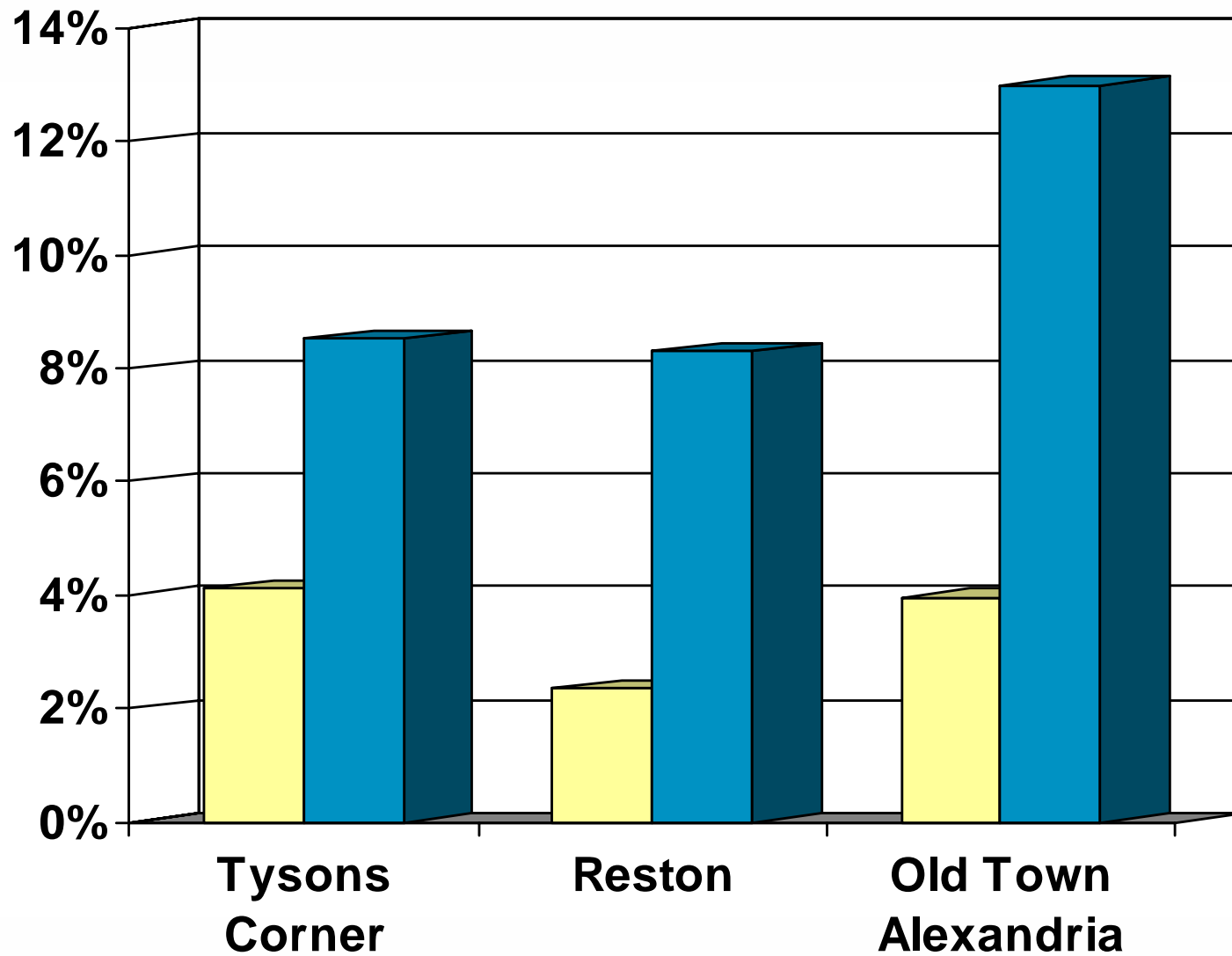


# ***1. Live, Work, Play...***

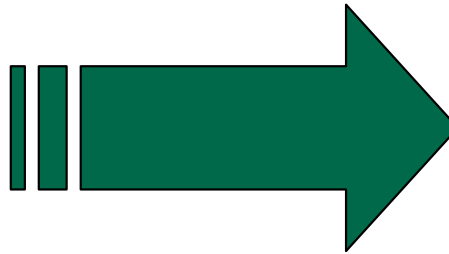
## 4<sup>th</sup> Quarter 2006 Asking Rate



## 4<sup>th</sup> Quarter 2006 Vacancy



- **Traffic**
- **Unemployment**
- **Cost of Housing**
- **Commuting/Fuel Costs**



**Growth of  
Amenity-Rich  
Mixed Use  
Projects**



- 10. Government Spending Continues to Slow**
- 9. Buildings Are Changing**
- 8. Industrial Space Goes Where the Land Is**
- 7. Buy Low, Sell High? Or Buy High, Sell Higher?**
- 6. Westward Ho!**
- 5. Consolidation – Globalization is Here**
- 4. Traffic – Really? In Virginia?**
- 3. Spec Development in the West**
- 2. Who Blinks?**
- 1. Live, Work, Play...**



- **Market continues to be healthy – Job growth continues**
- **Balance of tenant demand is shifting from government to corporate**
- **Modest vacancy increases**
- **Employee retention is key – unemployment, traffic, cost of housing**
- **More consolidation is coming**
- **There's no place better to be**