

CUSHMAN & WAKEFIELD

2009 YEAR IN REVIEW



Northern Virginia 2009 Market Snapshot

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Overview

2009 Largest U.S. Non-CBD Markets

Market	Inventory (sf)	Overall Vacancy
Dallas, TX	150,334,237	23.3%
Northern Virginia	129,949,678	15.7%
Houston, TX	129,044,550	16.9%
Atlanta, GA	125,050,417	19.9%
Boston, MA	120,139,736	21.7%
Northern New Jersey	106,476,993	16.9%
Chicago, IL	93,949,685	24.2%
Philadelphia, PA	87,003,211	16.9%
Central New Jersey	74,100,535	21.0%
Denver, CO	73,351,968	19.5%

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Vital Signs

	<u>SF</u>	<u>Overall Vacancy</u>	<u>Overall Absorption</u>
Arlington	32.0 M	9.0%	367,000
Alexandria	14.0 M	14.6%	(502,000)
Fairfax	78.8 M	17.8%	(1,711,000)
Loudoun	5.1 M	28.9%	296,000
NOVA	130.0 M	15.7%	(1,549,000)

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Leasing Activity in NOVA

2008

- 11.3 M SF in total
- 31 % Renewals

2009

- 11.7 M SF in total
- 42% Renewals



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Other Leasing Activity in 2009

District of Columbia

- 6.8 M SF in total
- 33% Renewals

Suburban Maryland

- 5.0 M SF in total
- 48 % Renewals

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NORTHERN VIRGINIA *Inside* the Beltway

Top Ten 2009 Leases

Tenant	Address	SF Leased
DARPA	675 North Randolph Street	352,000
Drug Enforcement Agency*	600 Army Navy Drive	250,000
Drug Enforcement Agency*	700 Army Navy Drive	250,000
National Guard Bureau*	1411 Jefferson Davis Highway	232,787
Boeing*	1215 Clark Street	230,000
Defense Intelligence Agency*	3100 Clarendon Boulevard	221,084
Deloitte	1919 N Lynn Street	171,591
SAIC*	4001 N Fairfax Drive	154,518
County Board of Arlington	2100 Washington Boulevard	144,740
Department of Defense	5611 Columbia Pike	113,000

*Renewal

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NORTHERN VIRGINIA *Outside* the Beltway

Top Ten 2009 Leases

Tenant	Address	SF Leased
Raytheon	Pacific Corporate Park	523,790
Freddie Mac*	8000 Jones Branch Drive	203,000
BAE Systems*	2525 Network Place	142,646
General Dynamics	13857 McLearen Drive	132,401
GSA*	381 Elden Street	124,548
QinetiQ North America	11091 Sunset Hills Road	121,157
Hilton Worldwide	7930 Jones Branch Drive	118,231
Booz Allen Hamilton	575 Herndon Parkway	110,000
AT&T Government Solutions*	1900 Gallows Road	106,993
Fairfax County Public Schools	3877 Fairfax Ridge Road	105,903

*Renewal

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NOVA Office Investment Sales

	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ Volume	\$9.09 B	\$.81B	\$.54 B
SF	27.3 M	2.46 M	2.38 M
# Bldgs	171	19	14
Avg \$/SF	\$333	\$327	\$229

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1. How would you describe 2009?



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- *“As bad as I have ever seen it....1990 on steroids”*
- *“Terrible for all but tenants and brokers”*
- *“Companies around for a long time..wondered whether they would survive”*
- *“Will my development business be sustainable?”*
- *“Not much distressed selling....yet”*
- *“Only best..financed or sold”*
- *“Taking forever to get deals done”*
- *“Inside...generally good..some areas **very** good”*
- *“Stress outside, rising exponentially further out”*
- *“Slight uptick in leasing activity...last 60-90 days”*
- *“Investment market moving...moribund to hopeful”*

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2. What about *tenant demand* in NOVA?



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- *“GSA and contractors providing bulk of demand...rays of sunshine”*
- *“Pending DIA, Medical Commands, Homeland Security represent consolidation...”*
- *“Longer term leases...advantage of market”*
- *“Flexibility...lease cancellations”*
- *“Lack of ...defaults, reasonable tenant demand...downturn less difficult”*
- *“Tenants looking...give back space, lower rates, consolidate, move to higher quality”*
- *“Cause for optimism...Hilton, SAIC, Ignite, Northrop Grumman(?)”*

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3. What is the best submarket for *tenants*?



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- *“Go West, young man”*
- *“Tysons, Route 28 South, Herndon, Loudoun”*
- *“With distressed landlords, but...make certain they can fund TI’s”*
- *“Chantilly and Loudoun County”*
- *“All of NOVA heavily tilted towards tenants **except** for Springfield”*
- *“Commodity ‘B’ space in Reston”*

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4. How will *transportation infrastructure* improvements affect market demand and values ?



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“Short run...hurt activity in Tysons, long run..helps”
“...Frustration and diminished demand in affected areas”

Silver Line

- *“Will help Tysons compete for more GSA”*
- *“Shuttle buses to Metro stops in Tysons”*
- *“Not much impact outside the beltway because ridership not dense enough”*
- *“Great...if Tysons has effective comprehensive plan, urban core like RB Corridor”*

HOT Lanes

- *“Eliminate choke points to enter Tysons”*
- *“Jury’s out on impact of HOT Lanes, tolls etc.”*

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5. What about *construction* costs?



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- *“10 to 30 % decline from peak”*
- *“Prices leveling off in 2010”*
- *“Increases by 4th Qtr.”*
- *“Government work keeping largest contractors busy”*
- *“Expect mergers and consolidation in the industry”*
- *“Lower construction pricing has been offset by debt and capitalization requirements”*

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6. What about all the *capital* on the sideline?



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- *“Lots, but only for the right deals”*
- *“Well located, leased assets inundated with bids”*
- *“Core investors...act quickly...scarcity of quality product”*
- *“Non- buyers remorse..3101 Wilson, 4501 N Fairfax..”*
- *“How do you define stress in DC? ... values off 20 to 30% from peak?”*
- *“Opportunistic investors...patient...2010-2011”*
- *“Some distressed opportunities, but more likely recapitalization plays”*
- *“Investors are increasingly fearful of missing historic buying opportunity”*

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7. Where are the best areas for
investment right now?



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- *“Urban infill submarkets...24/7 environments”*
- *“RB Corridor for both multi-family & office”*
- *“Rosslyn...best capital investment opportunity”*
- *“Arlington, although not necessarily the best deals”*
- *“Rosslyn-Ballston Corridor is HOT”*
- *“Springfield...20 years to be an overnight success”*
- *“Investors will begin to focus on Tysons in 2010/2011”*
- *“Data centers in Loudoun County”*
- *“Tysons is one of the fastest markets to recover in every cycle”*

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8. A year from now what will we say
about *2010*?



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- *“Better than nation as a whole...because of GSA and corporate headquarters”*
- *“Some givebacks...may appear worse...”*
- *“Re-leasing and cap ex \$ may force landlords to give back...”*
- *“Different recovery...different submarkets”*
- *“Outside Beltway sales...clarity in pricing”*
- *“Increasing bank capital...stop ignoring”*
- *“Another tough year...light at the end of the tunnel”*
- *“Start to plan to build”*
- *“Multi-family residential will be the first to come back for development”*
- *“Exciting value-adding cycle will start in 2010”*

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