

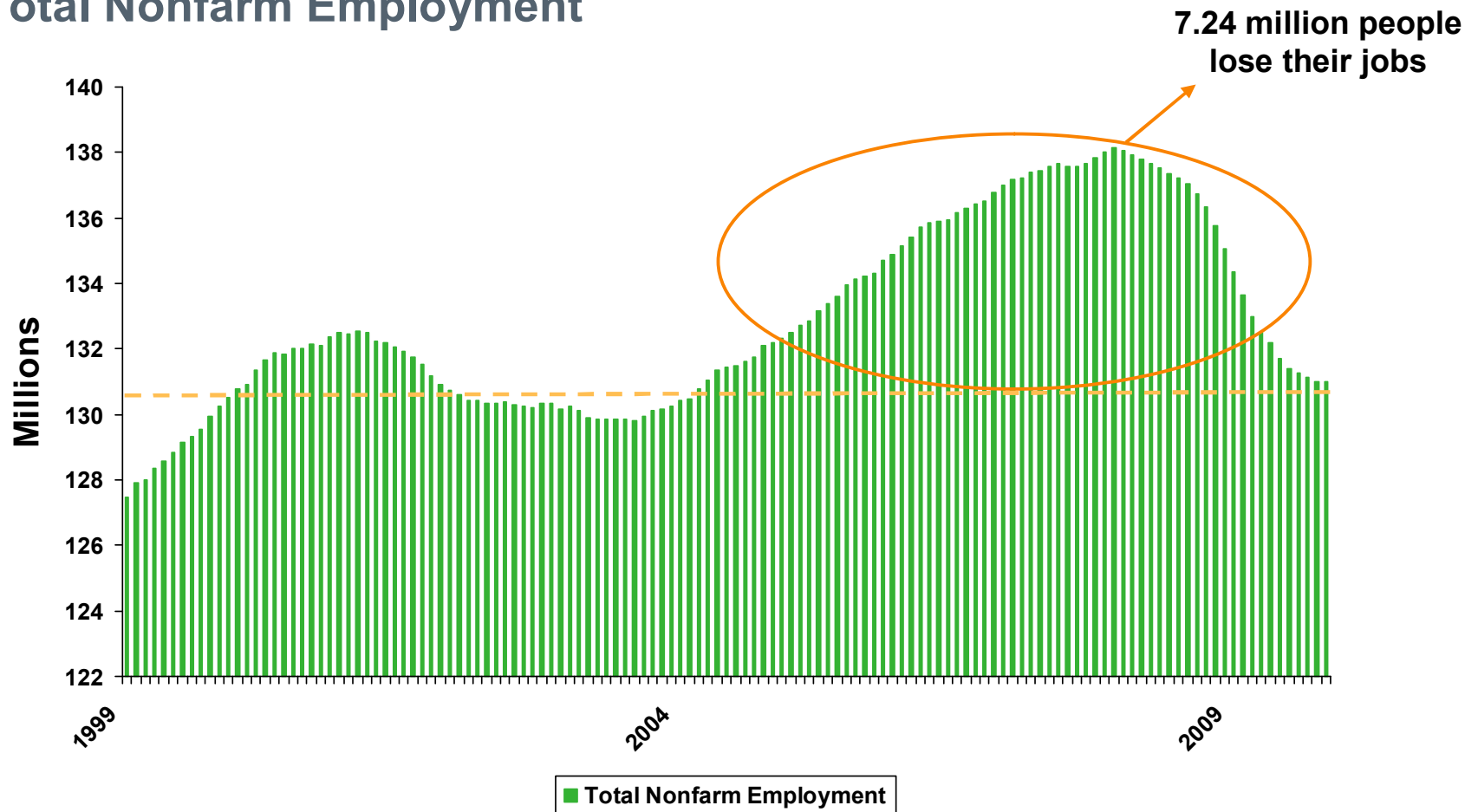
Cassidy
Turley / Commercial
Real Estate Services

Washington, DC Region Overview & Forecast

NAIOP | February 4, 2010

U.S Economy: A Decade of Jobs Wiped Away

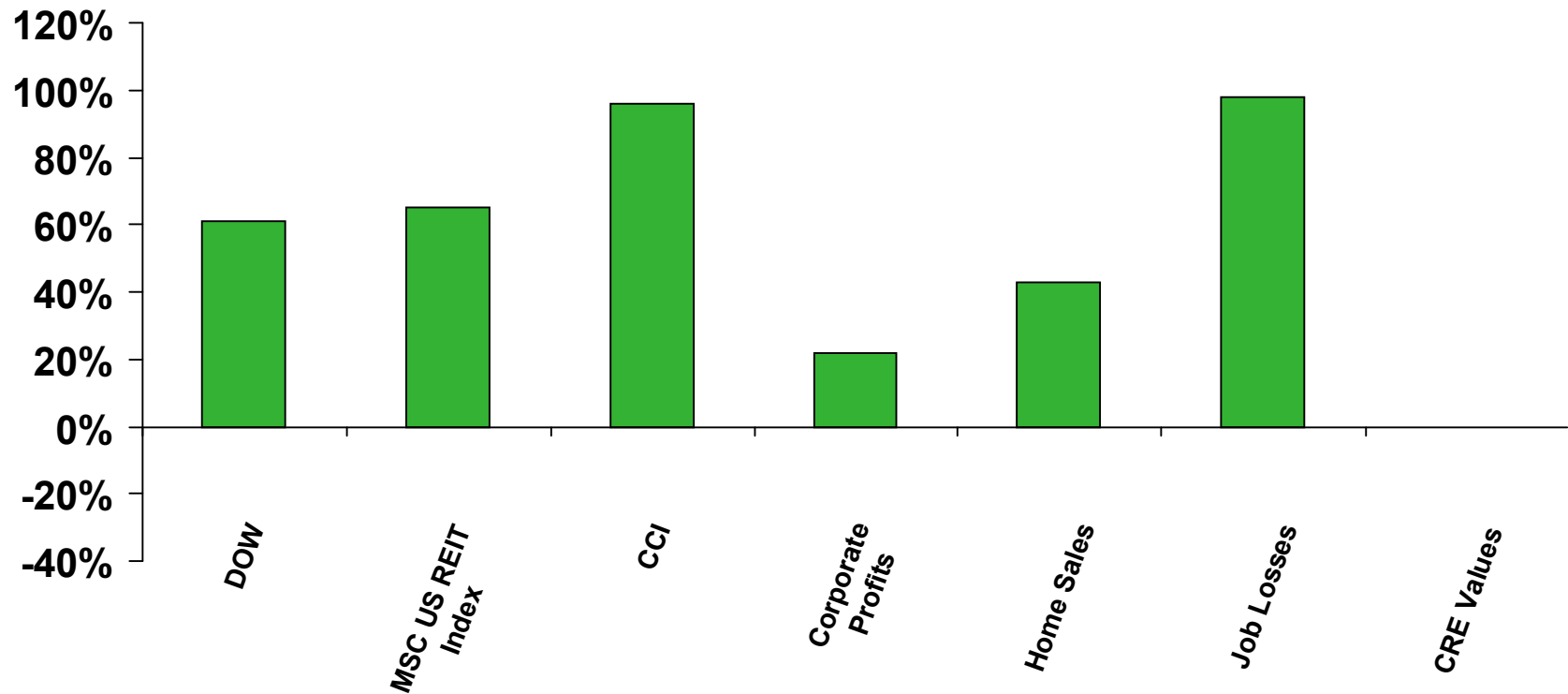
Total Nonfarm Employment



Source: Bureau of Labor Statistics

Turning the corner

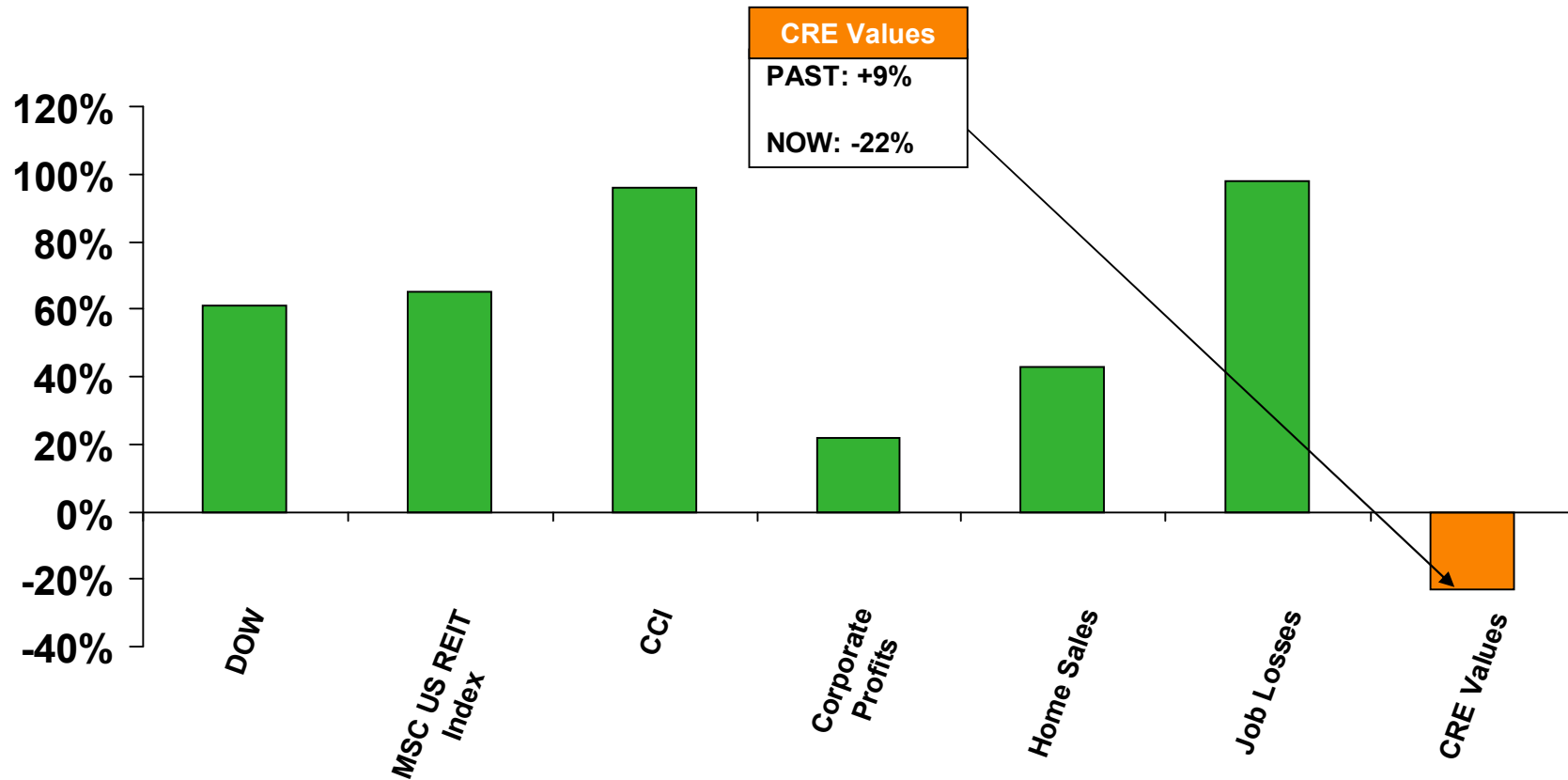
Percent change since March 2009



Source: Conference Board, BEA, Morgan Stanley, NAR, BLS, NCREIF

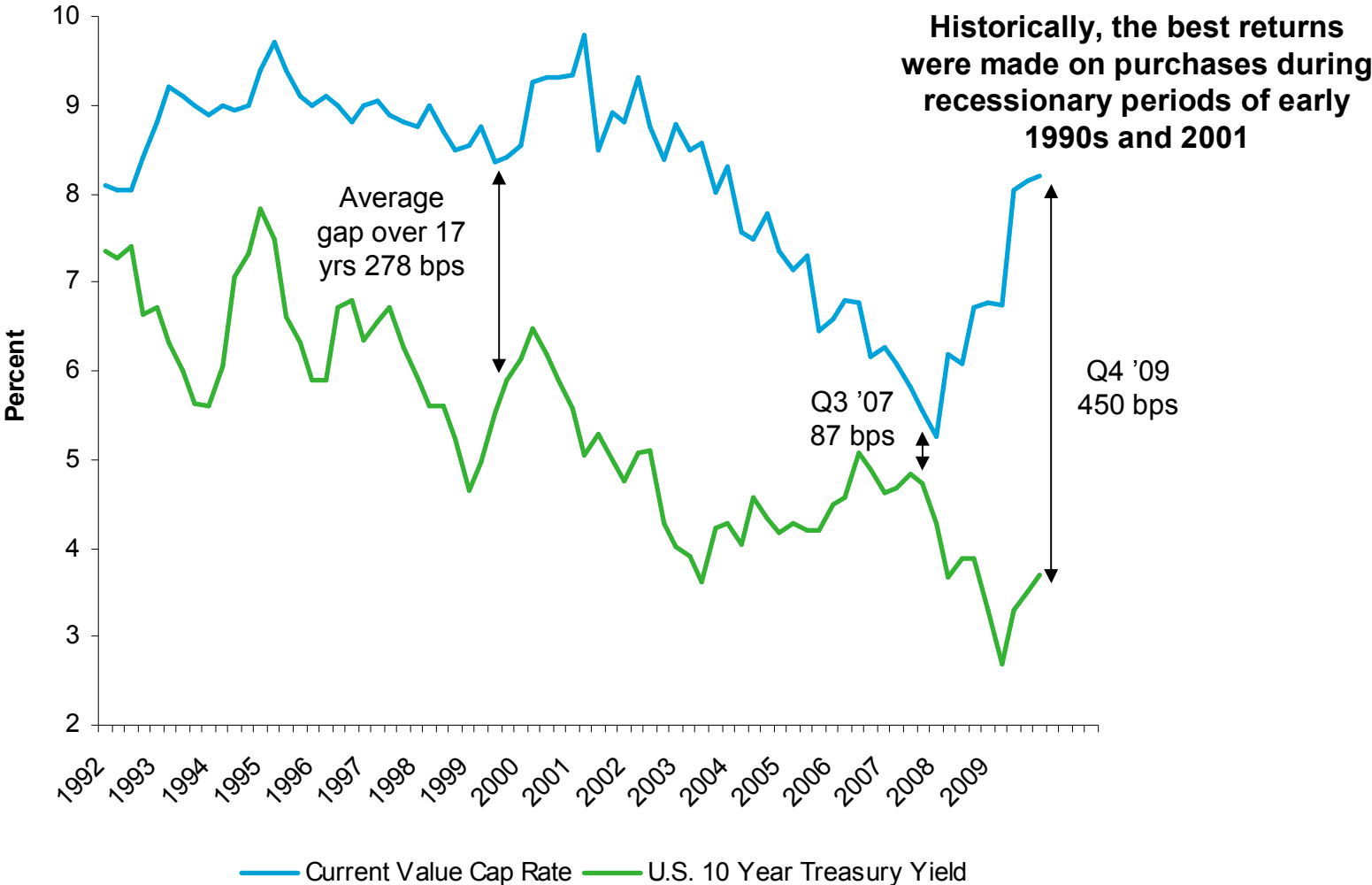
Turning the corner

Percent change since March 2009



Source: Conference Board, BEA, Morgan Stanley, NAR, BLS, NCREIF

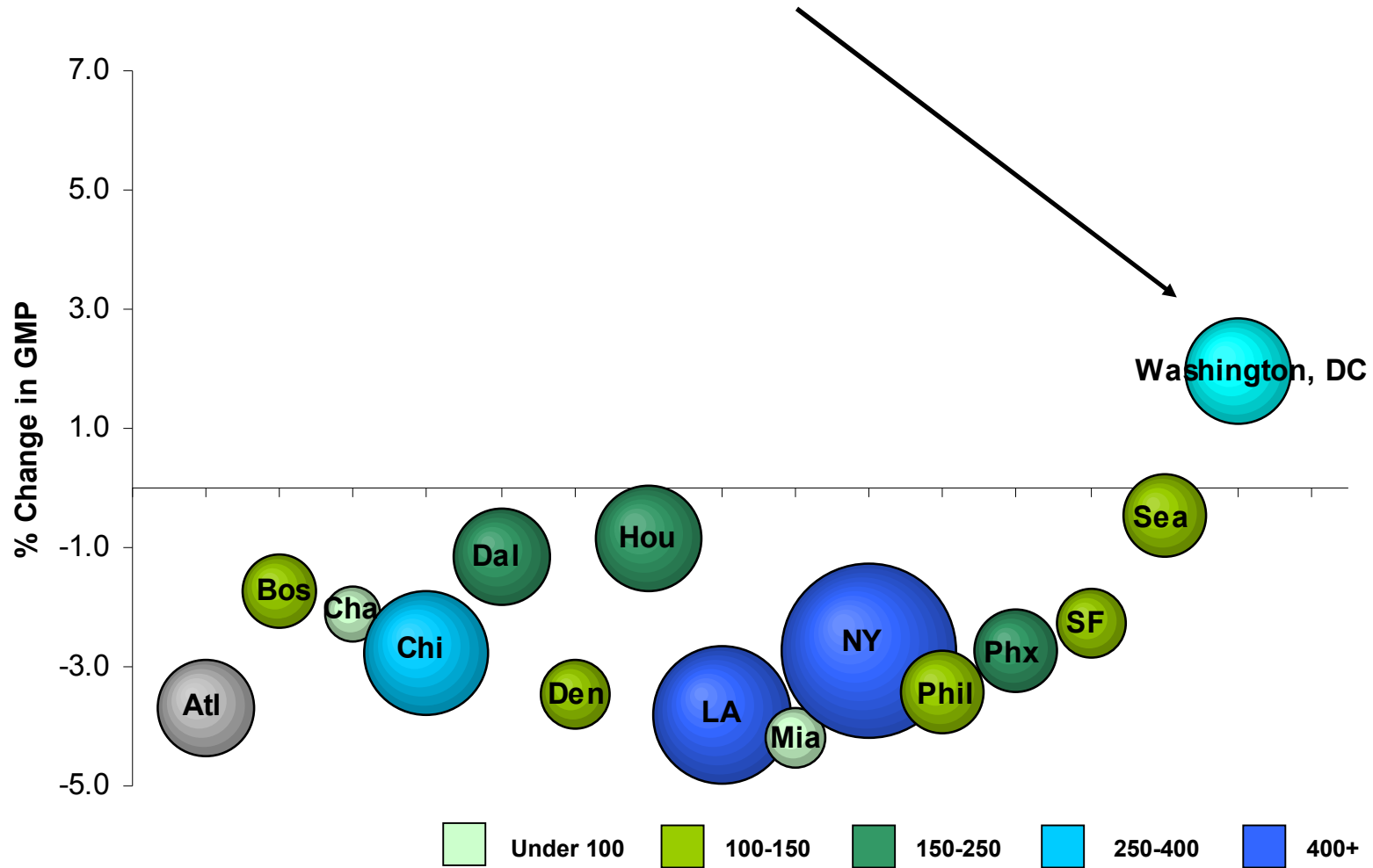
U.S. Core Cap rates looking attractive?



Source: Federal Reserve Board, Real Capital Analytics

DC Region

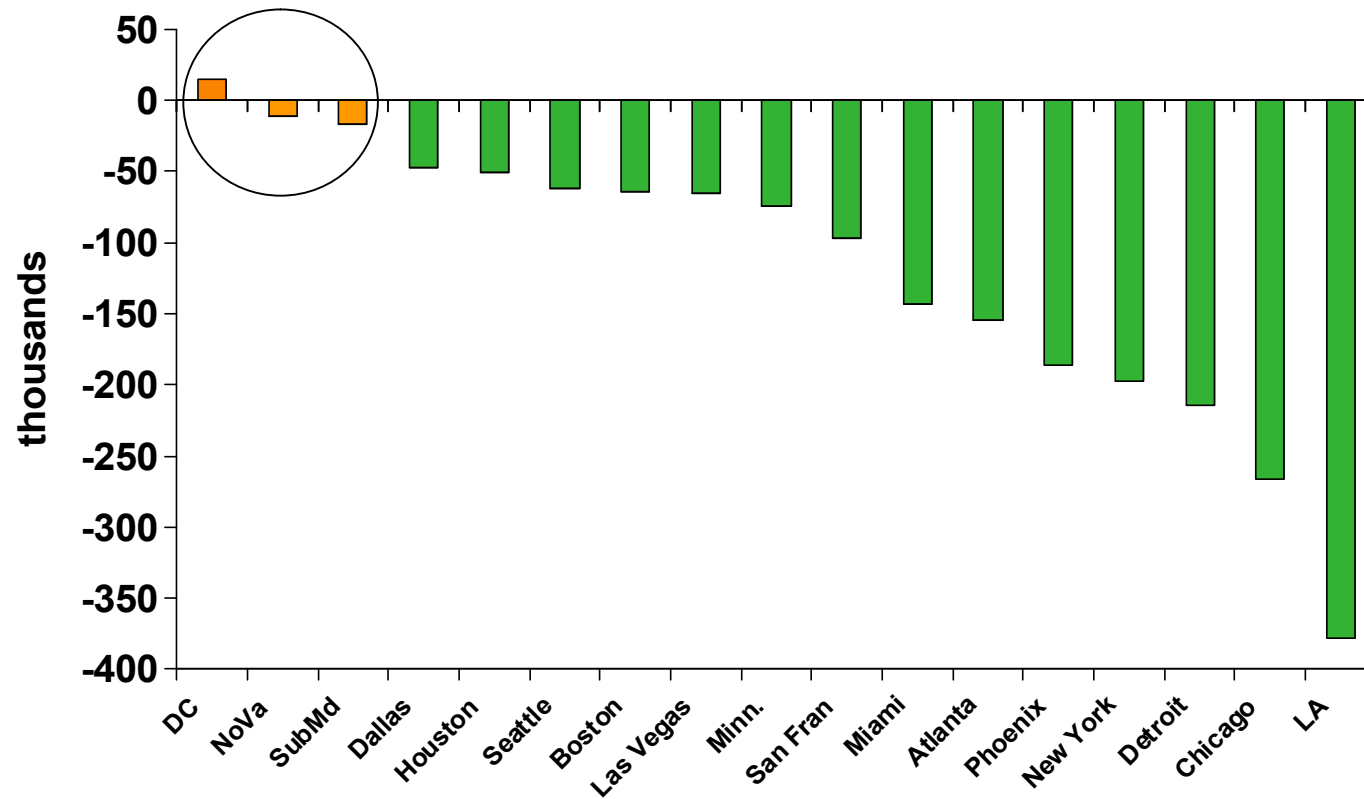
Gross Metro Product (GMP): 2009



Source: Moody's Economy.com, Sept 2009

The DC region is different

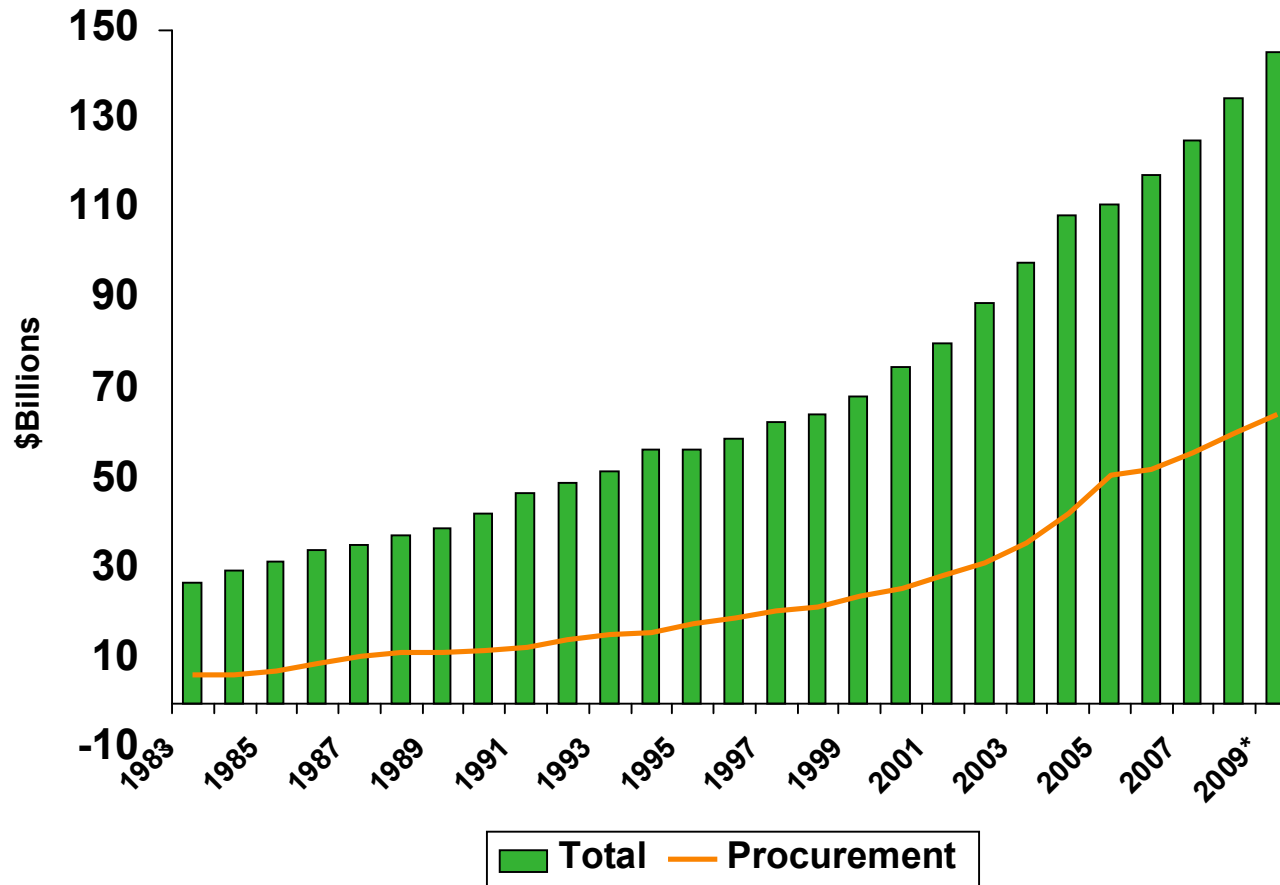
Job losses since recession began in Dec 2007



Source: Bureau of Labor Statistics

Federal Spending in the DC Metro area

Accounts for one-third of DC Metro's economy

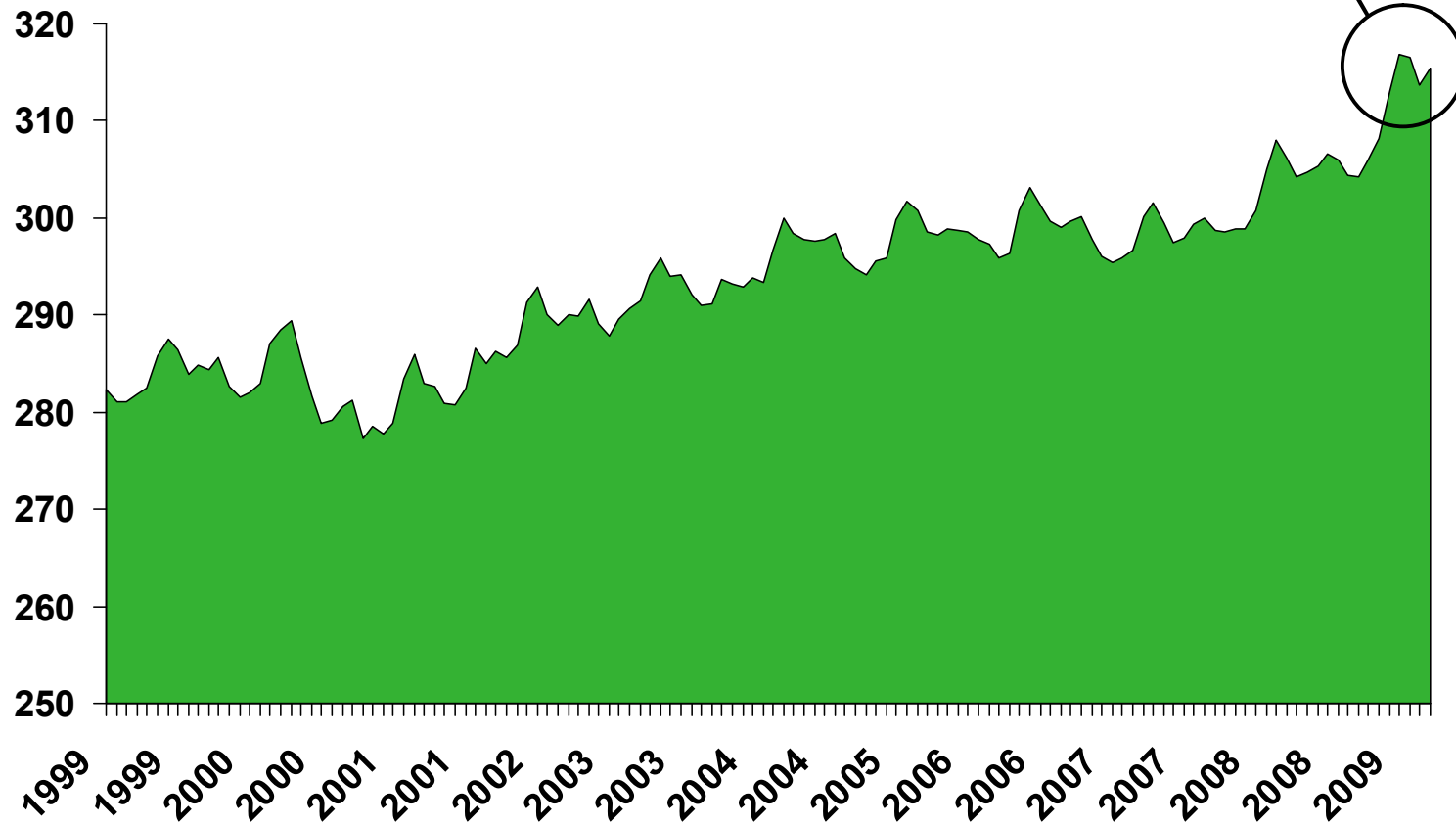


Source: GMU Center for Regional Analysis
*Cassidy Turley Forecast

Unprecedented Federal Hiring in the DC metro

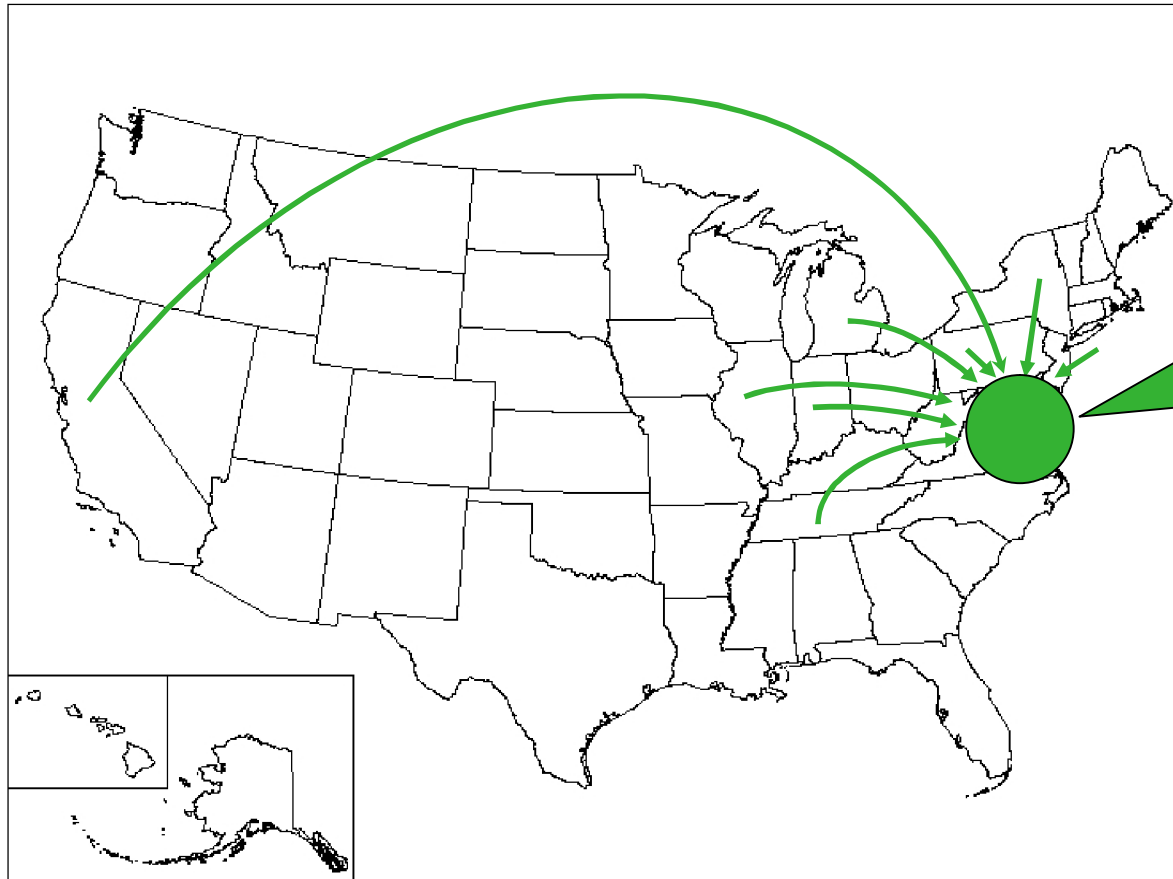
Federal Employees

Federal government hired 11,800 people in the DC metro in 2009



Source: Bureau of Labor Statistics

People follow the jobs...



The Census projects that population in the South Atlantic region will grow by 31% by 2030 – nearly double the national rate

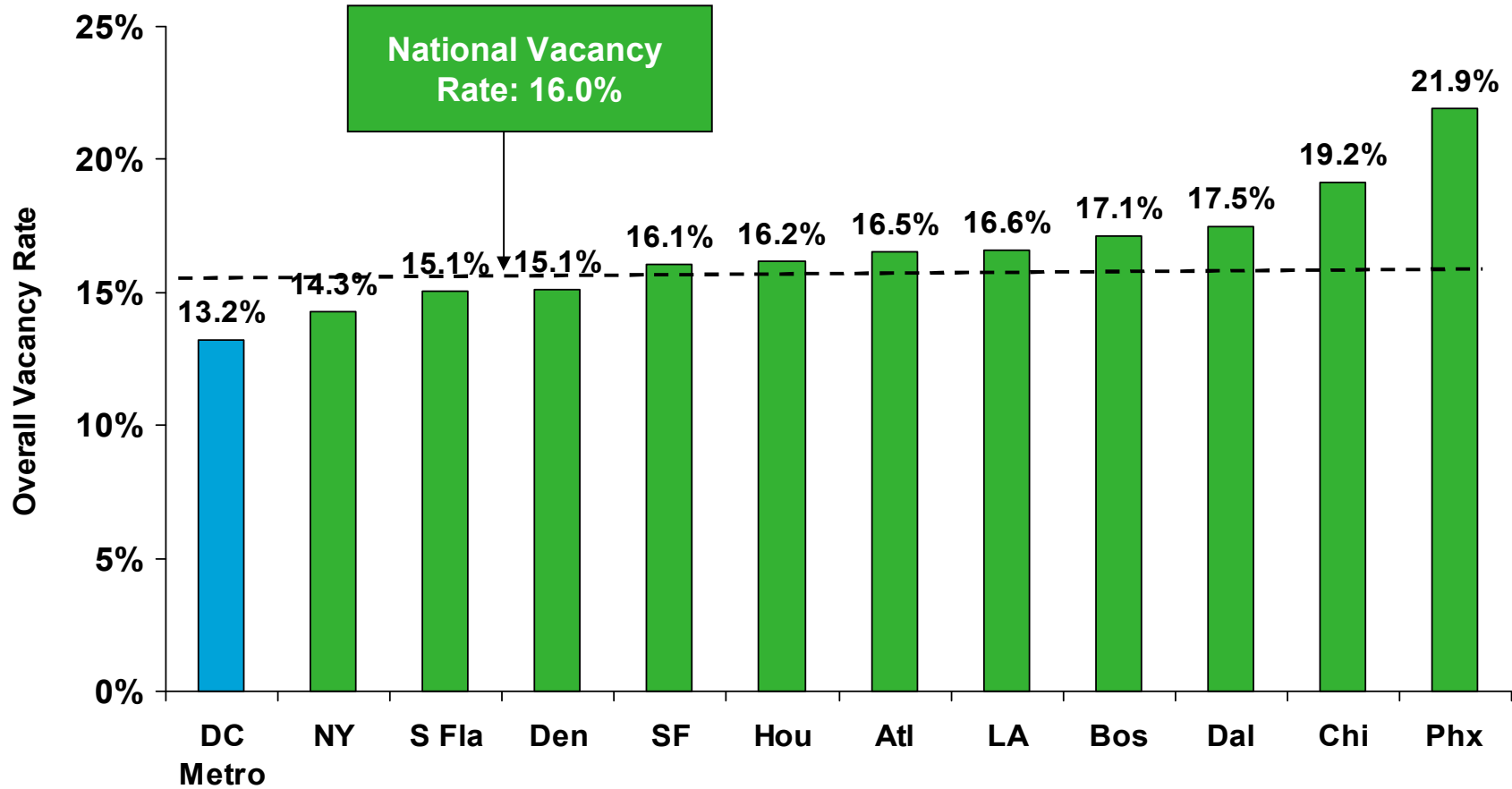
Source: Census Bureau

DC Region

Commercial Real Estate

Office Vacancy Rates

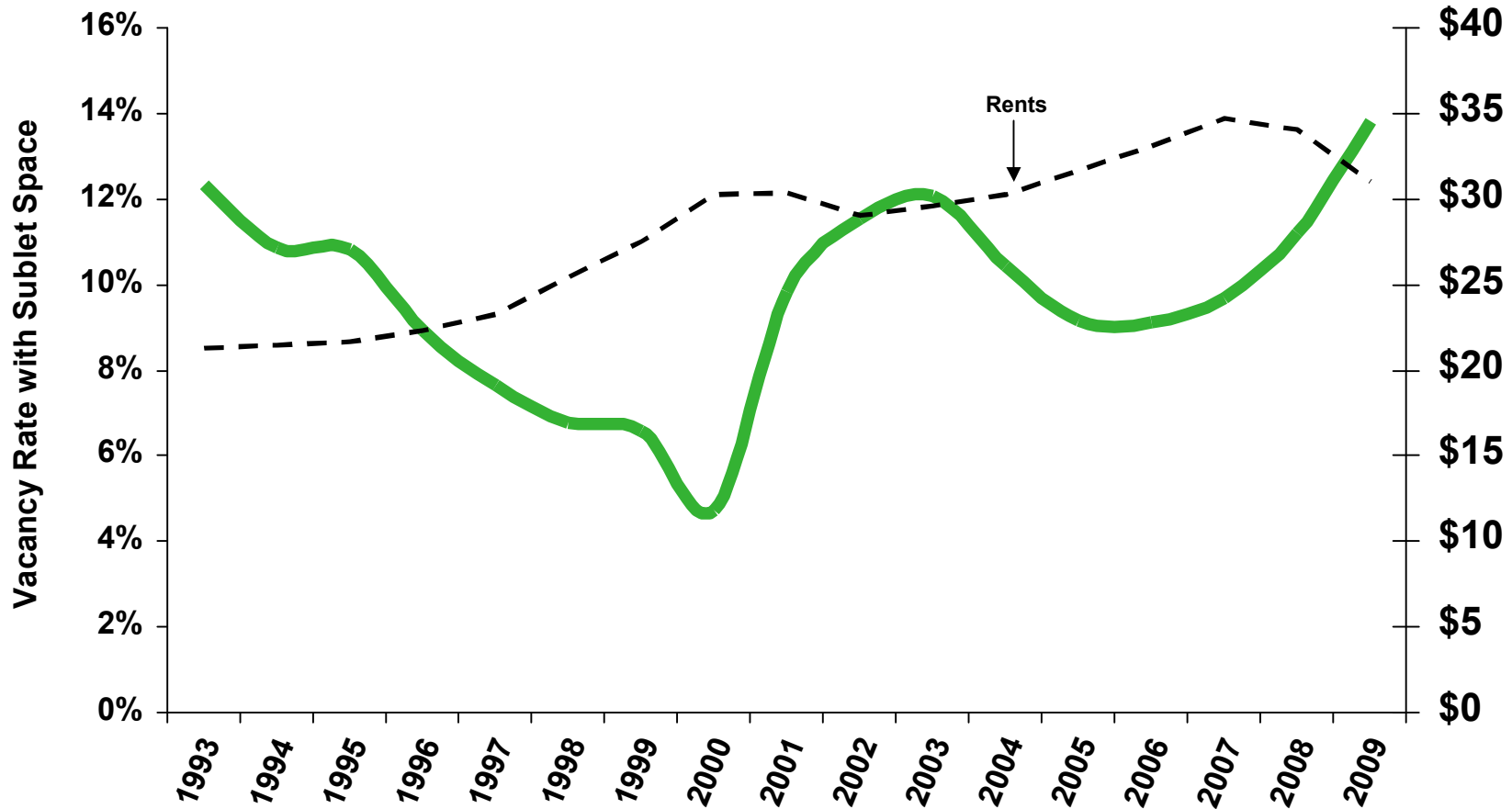
Selected Metro Areas, Jan-Sept 2009



Source: Cassidy Turley

Effective Rents

DC Metro

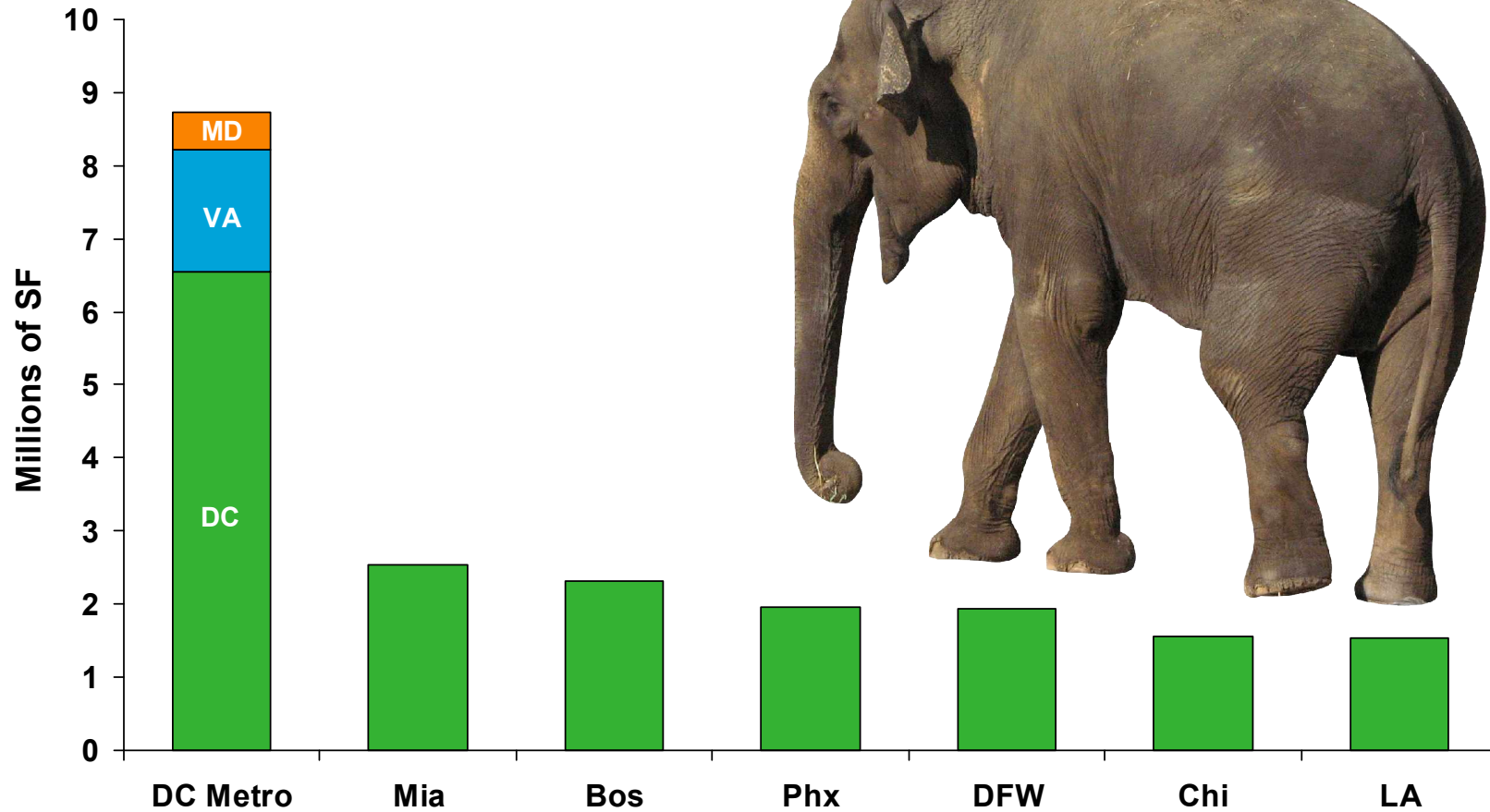


Source: Cassidy Turley



Under Construction

Selected Metro Areas, September 2009

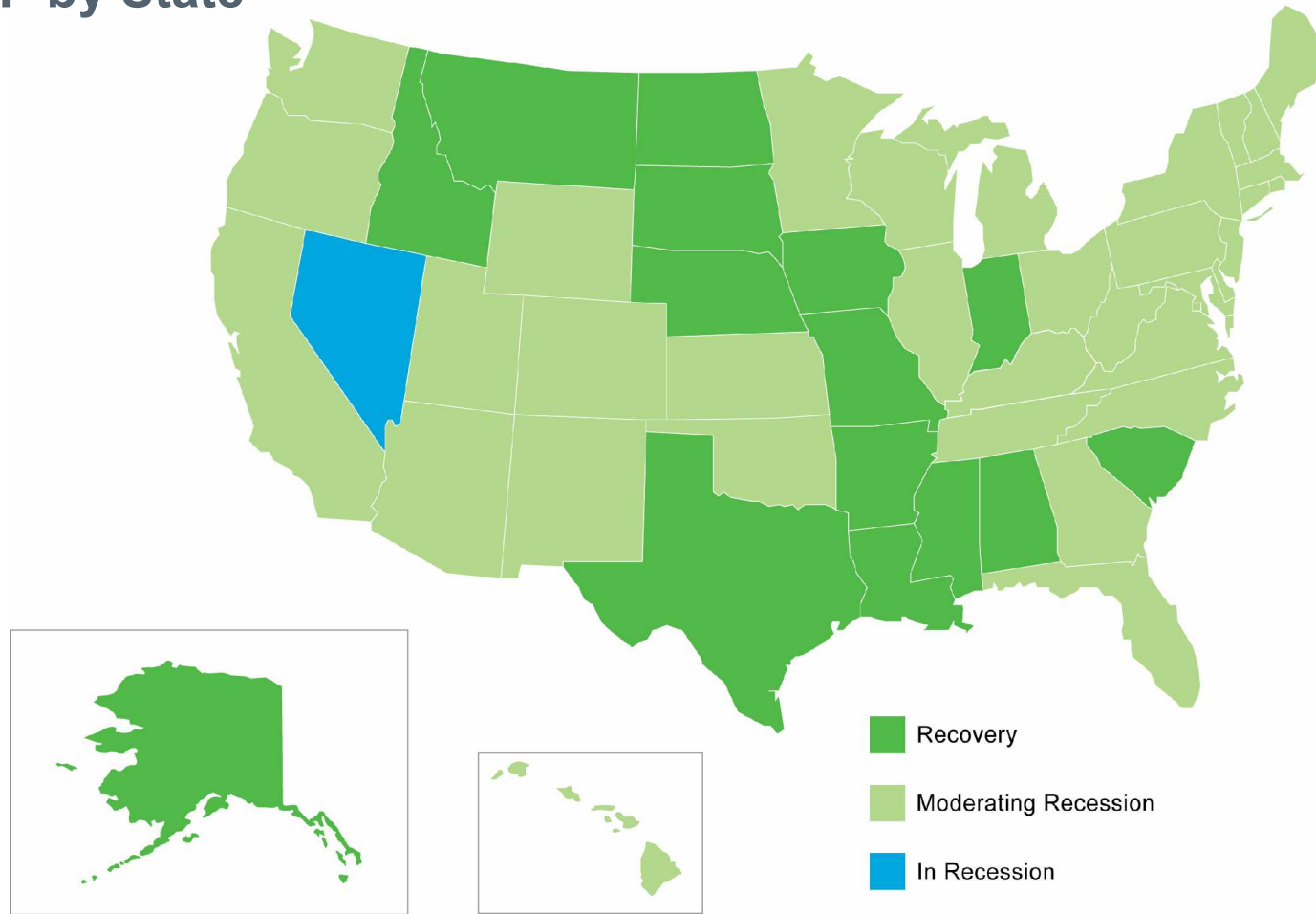


Source: Cassidy Turley

Outlook

Momentum going into 2010

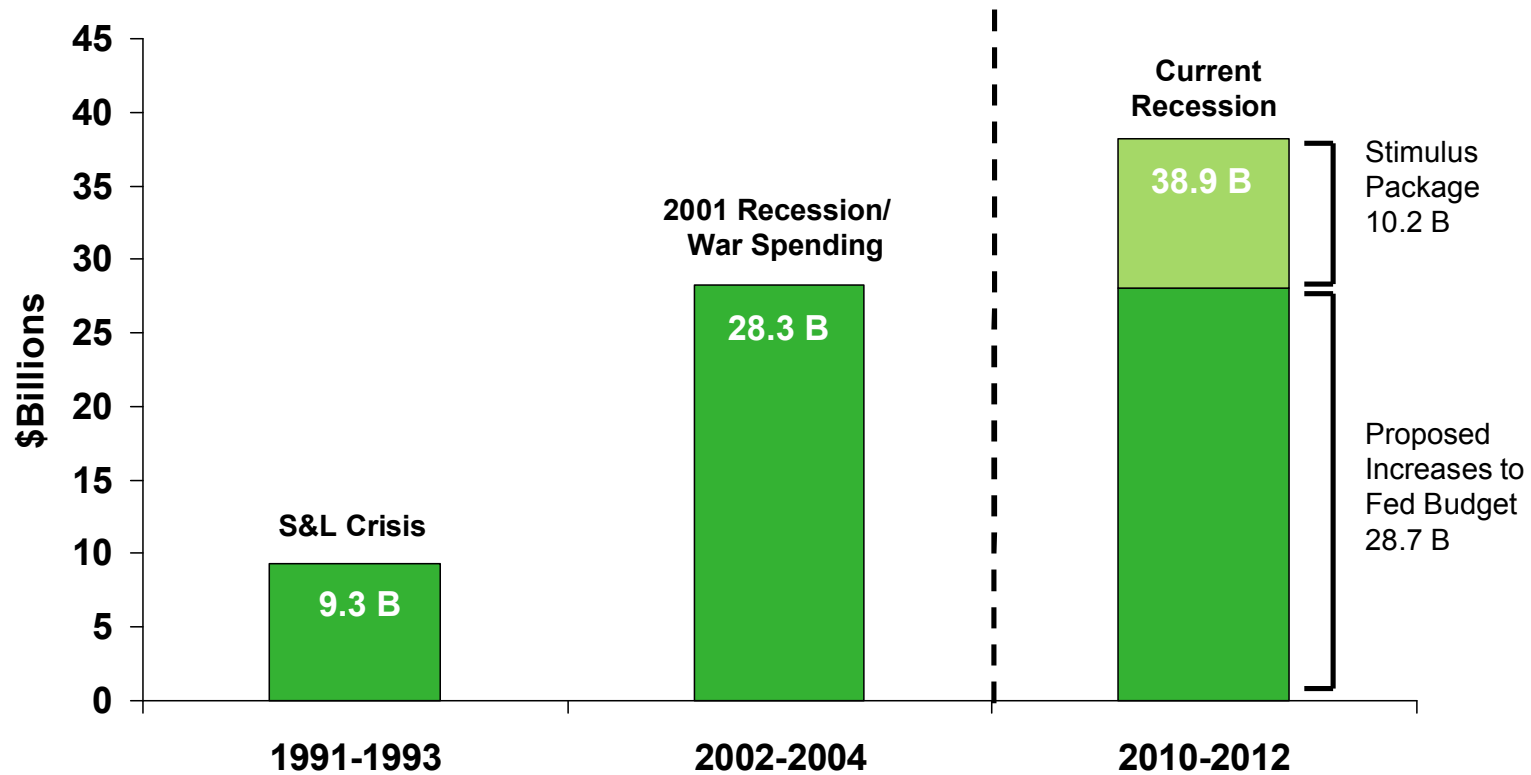
GDP by State



Source: Moody's Economy.com

Federal Spending in Past Recessions

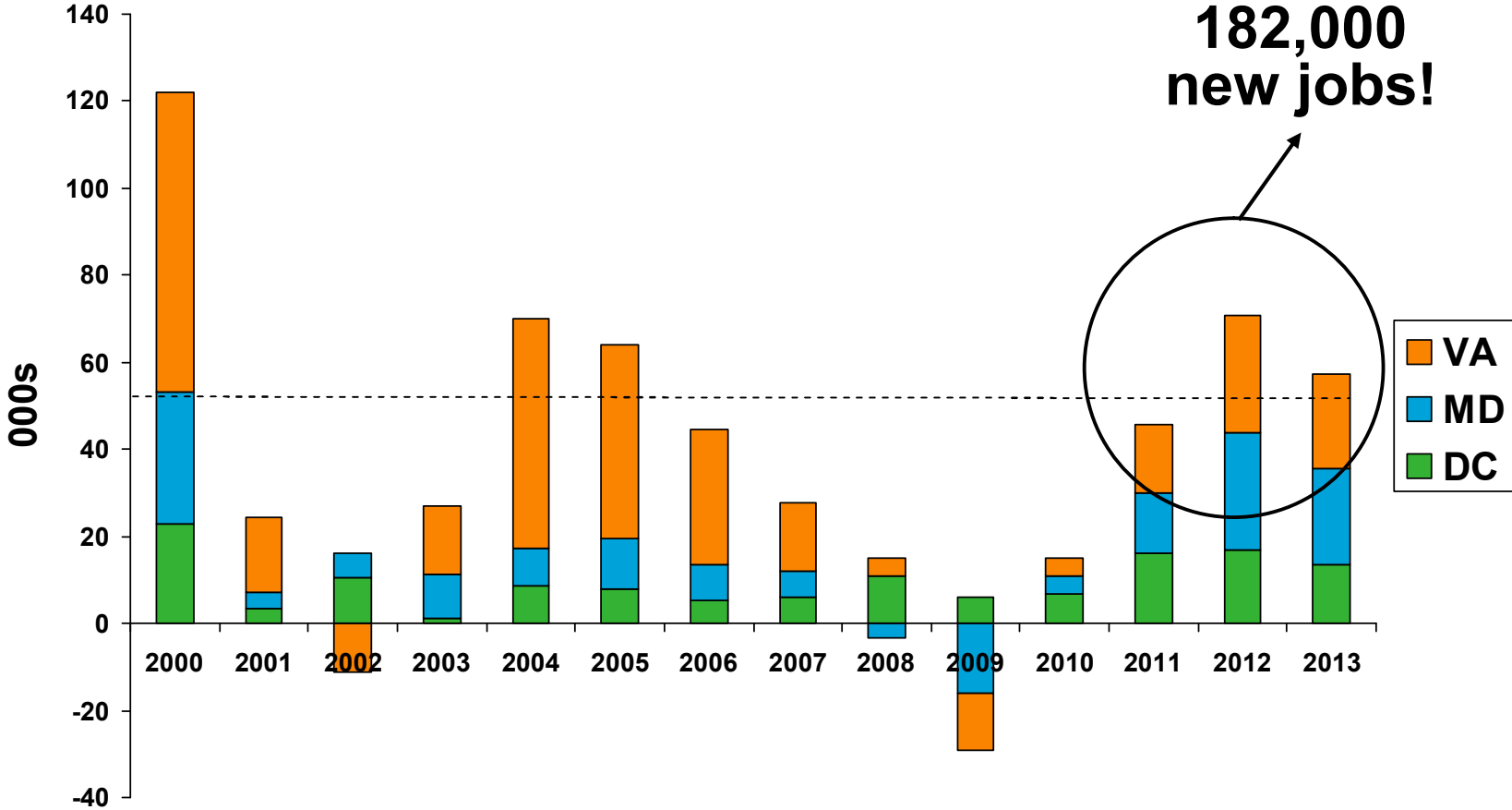
Washington Metro Area



Source: Cassidy Turley Forecast, GMU Center for Regional Analysis

DC Metro Job Growth

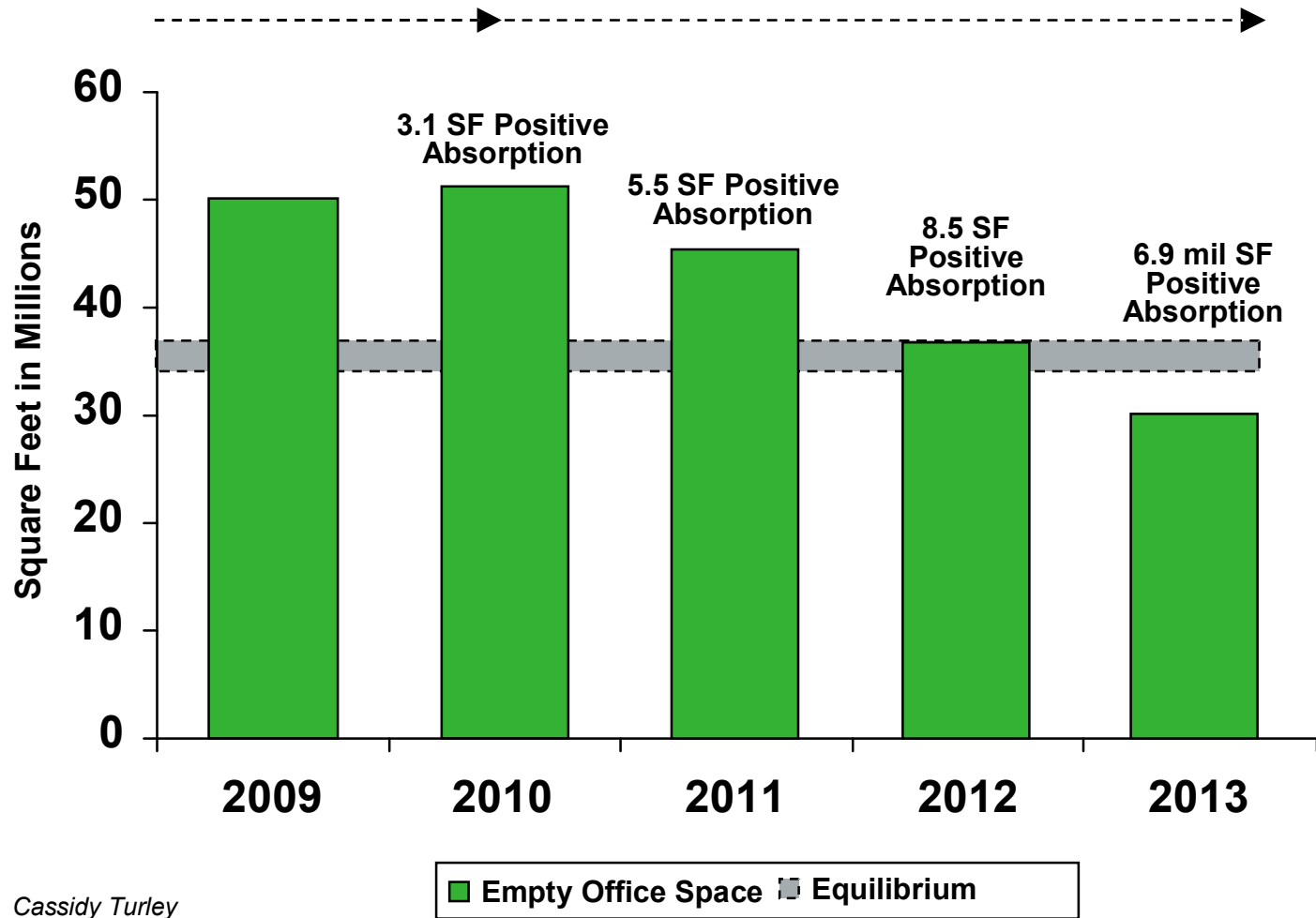
Total Nonfarm Employment



Source: Bureau of Labor Statistics, Cassidy Turley

Vacant Office Supply

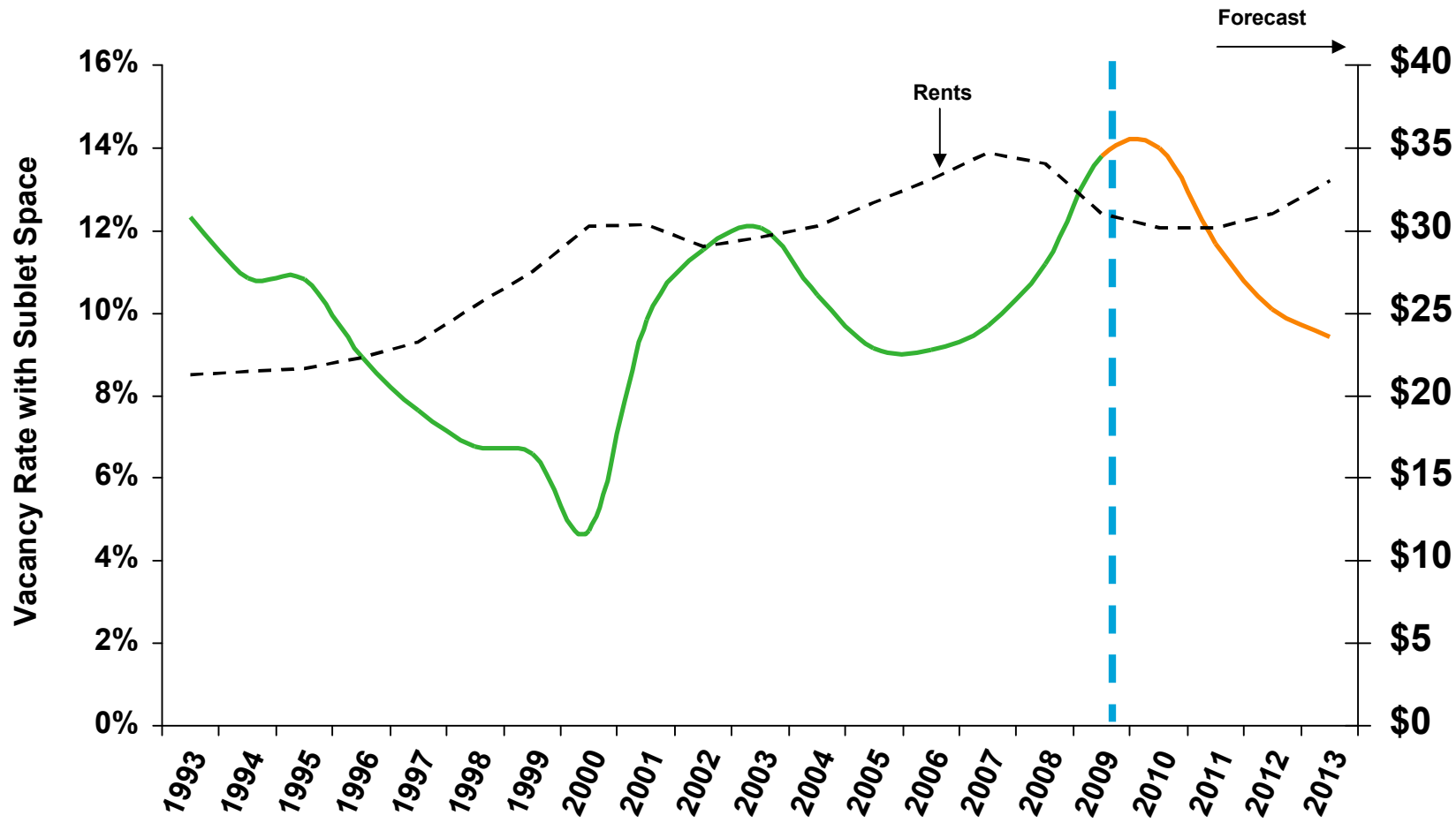
Absorption vs. Available Space



Source: Cassidy Turley

Rent Forecast

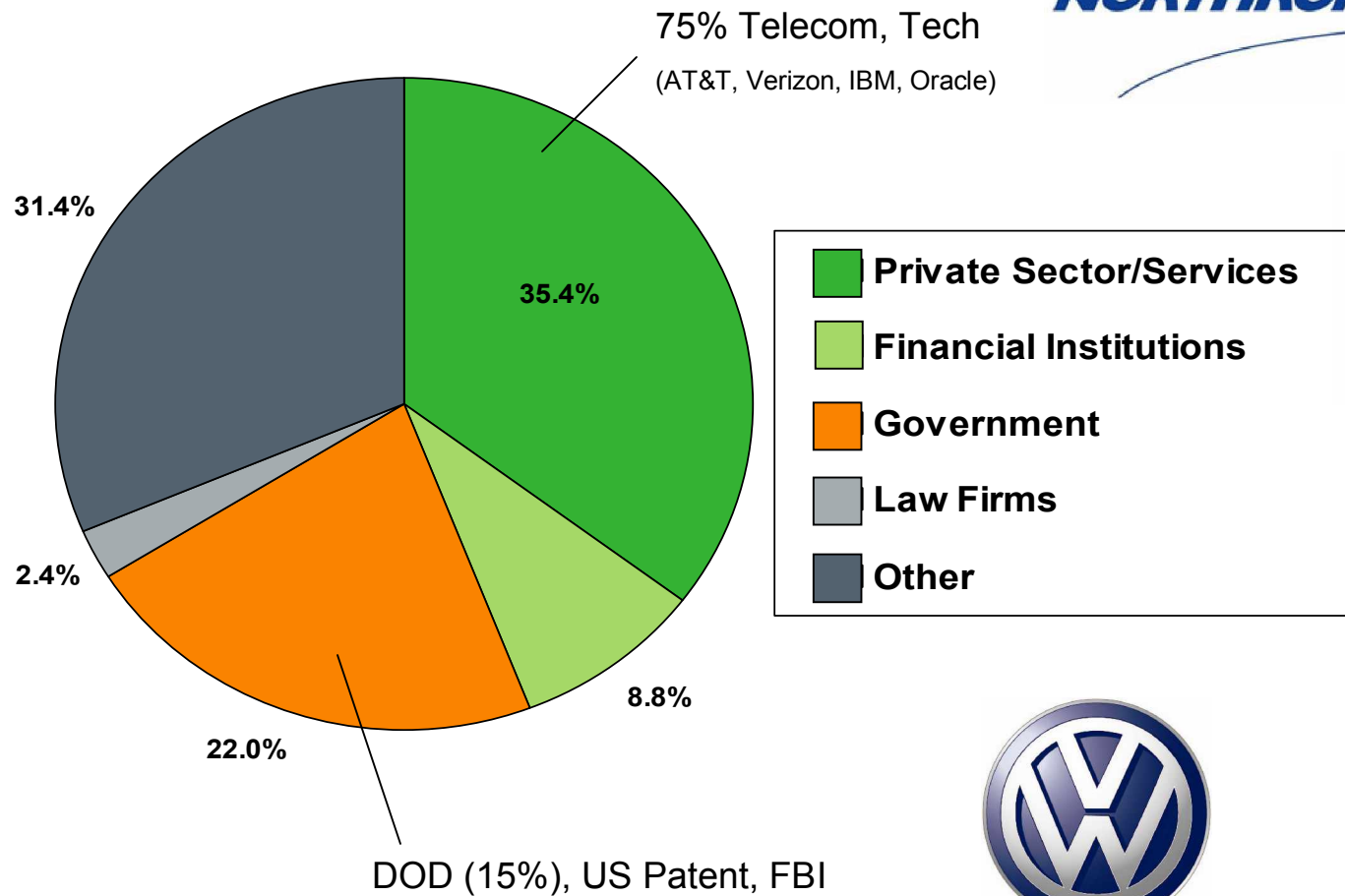
DC Metro



Source: Cassidy Turley



What will drive demand in VA?



NORTHROP GRUMMAN

SAIC[®]
From Science to Solutions


Hilton

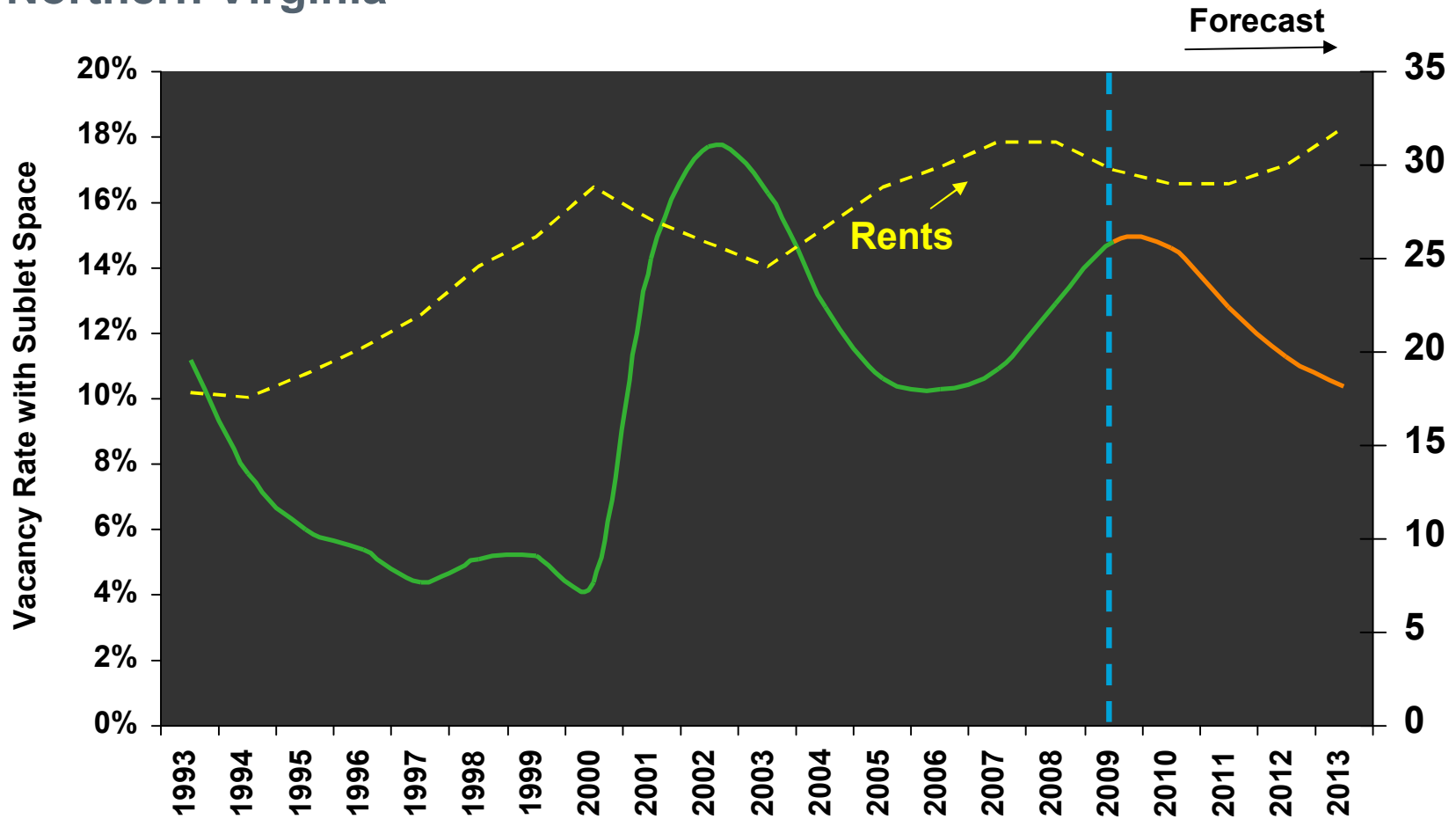


Source: Cassidy Turley

Cassidy
Turley

Office Vacancy Rates

Northern Virginia



Threats

- Double-dip...can't rule it out
- Monetary policy & stimulus wind down
- Slow Confidence Recovery
- High unemployment
- Housing retrenchment
- Consumer retrenchment
- Oil spike
- Chronic Budget Deficits

DC Metro Forecast

DC Region: Economic & Office Market Forecast

	Actual			Forecast	
	2007	2008	2009	2010	2011
D.C. Region Economy					
Real GMP (%)	3.2	2.5	1.1	3.0	5.5
Employment Annual (000s)	42.5	23.0	-25.3	15.0	41.7
Unemployment Rate (%)	3.1	3.9	6.2	6.4	5.1
Federal Spending (\$billions)	\$125.5	\$134.8	\$145.4	\$164.0	\$173.7
U.S. 10-Year Treasuries	4.6%	3.7%	3.2%	3.8%	5.5%
Personal Income Growth	5.1	4.0	1.6	1.9	4.0
Existing Home Price (\$000s)	427.8	342.5	302.0	298.3	309.0
Housing Permits (000s)	17.7	11.6	9.9	10.5	16.6
U.S. Consumer Confidence	103	58	45	64	80
CPI Inflation (%)	2.9	4.4	-0.4	1.5	3.0
D.C. Region Office Sector					
Vacancy (%)	9.7	11.2	13.9	14.2	11.9
Net Absorption	4,162,000	1,094,000	-2,284,000	3,100,000	5,500,000
Effective Rents	\$34.7	\$34.0	\$31.0	\$30.2	\$30.0
New Space Deliveries	7,870,000	7,630,000	9,890,000	4,205,000	433,000
Investment Sales					
Sales Volume (\$billions)	\$12.1	\$3.4	\$2.0	\$2.2	\$5.8
Year-ago %chg	-14.2%	-71.9%	-55.9%	10.0%	163.6%

Cassidy
Turley / Commercial
Real Estate Services