

PRESENTATION OF

METRO WASHINGTON OFFICE MARKET



Generously prepared by



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**ROBERT C.
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2005 GWCAR
President

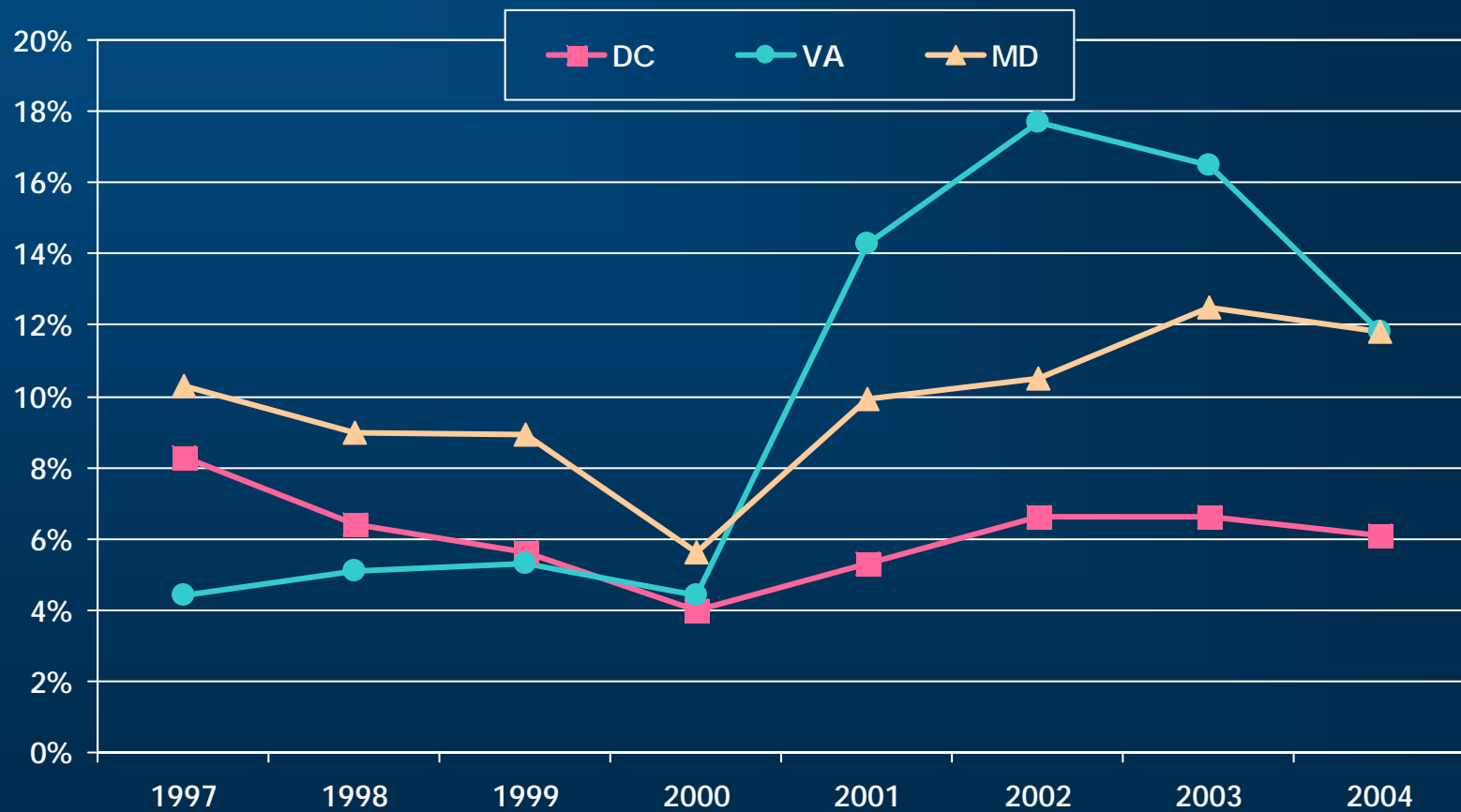
METRO WASHINGTON OFFICE MARKET: YEAR-END 2004



- ◆ Unemployment: 3.1%
- ◆ Inventory/Vacancy:
 - DC – 104 M/6.01%
 - VA – 143 M/11.8%
 - MD – 68 M/10.8%
- ◆ DC Net Absorption expected to total more than 2.5M SF by year-end 2004
- ◆ DC delivering over 2.6 M SF in 2004

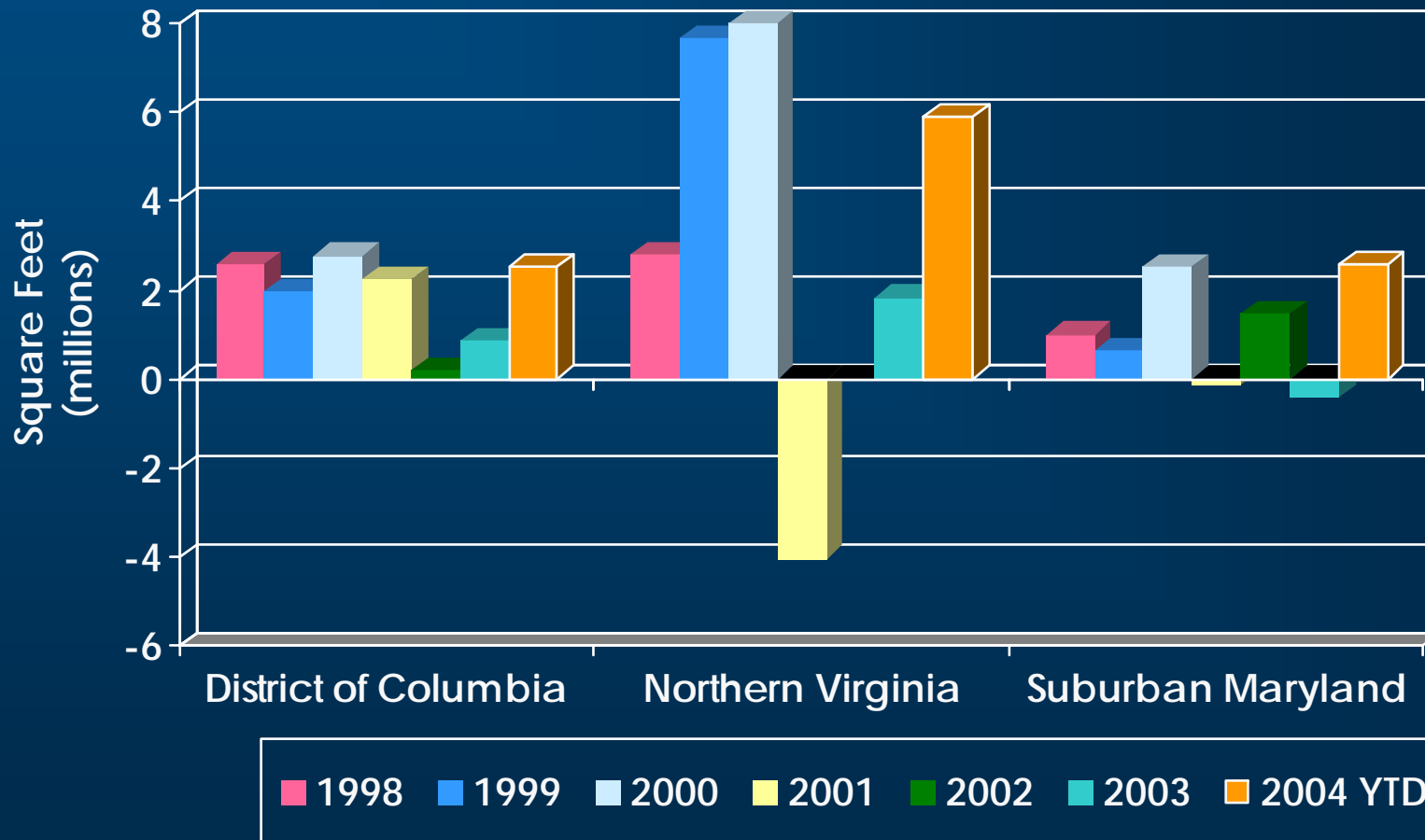
Washington Area Office Markets

Historical Vacancy Rates



Washington Area Office Markets

Absorption 1998-2004



Washington, DC

Trends & Projections

- q Although large blocks of space are to deliver in 2004 & 2005, pre-leasing has been strong
- q New space absorption still driven by federal government and law firm demand
- q Tenants with large space requirements have to begin their space hunt up to 3 years in advance of when they hope to commence
- q Redevelopment opportunities in NoMa and Southeast submarkets continue to attract the developers
- q Rents continue to keep pace with inflation

Suburban Maryland

Trends & Projections

- Market activity on the rise!
- Rental rates remain under pressure
- Development and growth will start to move in the direction of Prince George's County
- Growth in the biotechnology and health sectors will be modest in the next couple of years as the National Institutes of Health funding has slowed to 3–6 percent increases per year
- Heavy residential expansion north of Shady Grove
- Traffic congestion worsens
- "Northern" I-270 office sub-markets grow

Northern Virginia

Trends & Projections

- Vacancy rates dropping – Recovery clearly underway
- Absorption is positive in 2004
- Demand from federal agencies and contractors is here and expected to increase in 2004-05
- As economy improves, smaller tenants return to market
- Strong demand in the residential market will drive
- Development in the market for apartment-to-condo conversions or redevelopment of existing office buildings into residential
- Speculative construction will return to Reston/Herndon and Tyson's Corner within the next two quarters

HOW WE STACK UP

- DC metro area named #1 U.S. market for retail investment property for third consecutive year

(Source: NAR/Wall Street Journal, May 2004)

- Lowest vacancy rates in the U.S.

1. Washington, DC:	5.2%
2. New York City:	8.5%
3. Atlanta:	10.6%
National average:	15% (downtown)
	17.3% (suburban)

(Source: NAR, May 2004)


FOR MORE INFORMATION...



- **MARKET OVERVIEW** is sent to you quarterly from GWCAR
- Look for your invitation coming soon to GWCAR's annual **STATE OF THE MARKET** event—February 8, 2005 at the Capital Hilton

KEYNOTE SPEAKERS:

Jerry Speyer, Executive V.P. of Tishman Speyer Properties
Jeff Sussman, President of Louis Dreyfus Property Group



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