

PRESENTATION OF

METRO WASHINGTON OFFICE MARKET





Doug Olson

2006 GWCAR President



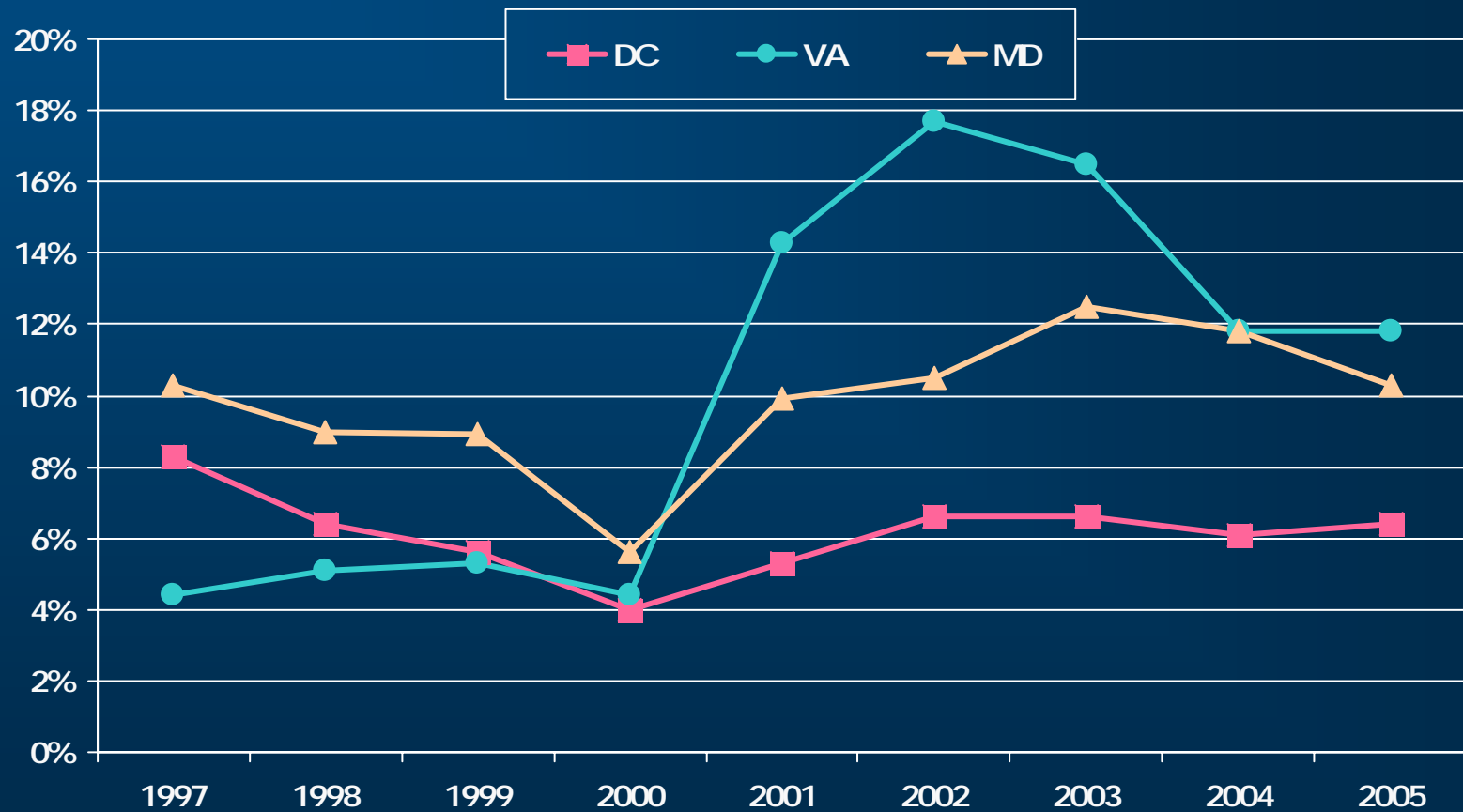
METRO WASHINGTON OFFICE MARKET: YEAR-END 2005



- ◆ Unemployment: 3.5%
- ◆ Inventory/Vacancy:
 - DC – 107 M/6.43%
 - VA – 141 M/11.8%
 - MD – 67 M/10.3%
- ◆ DC Net Absorption expected to total more than 3 M SF by year-end 2005
- ◆ DC delivering over 3.8 M SF in 2005

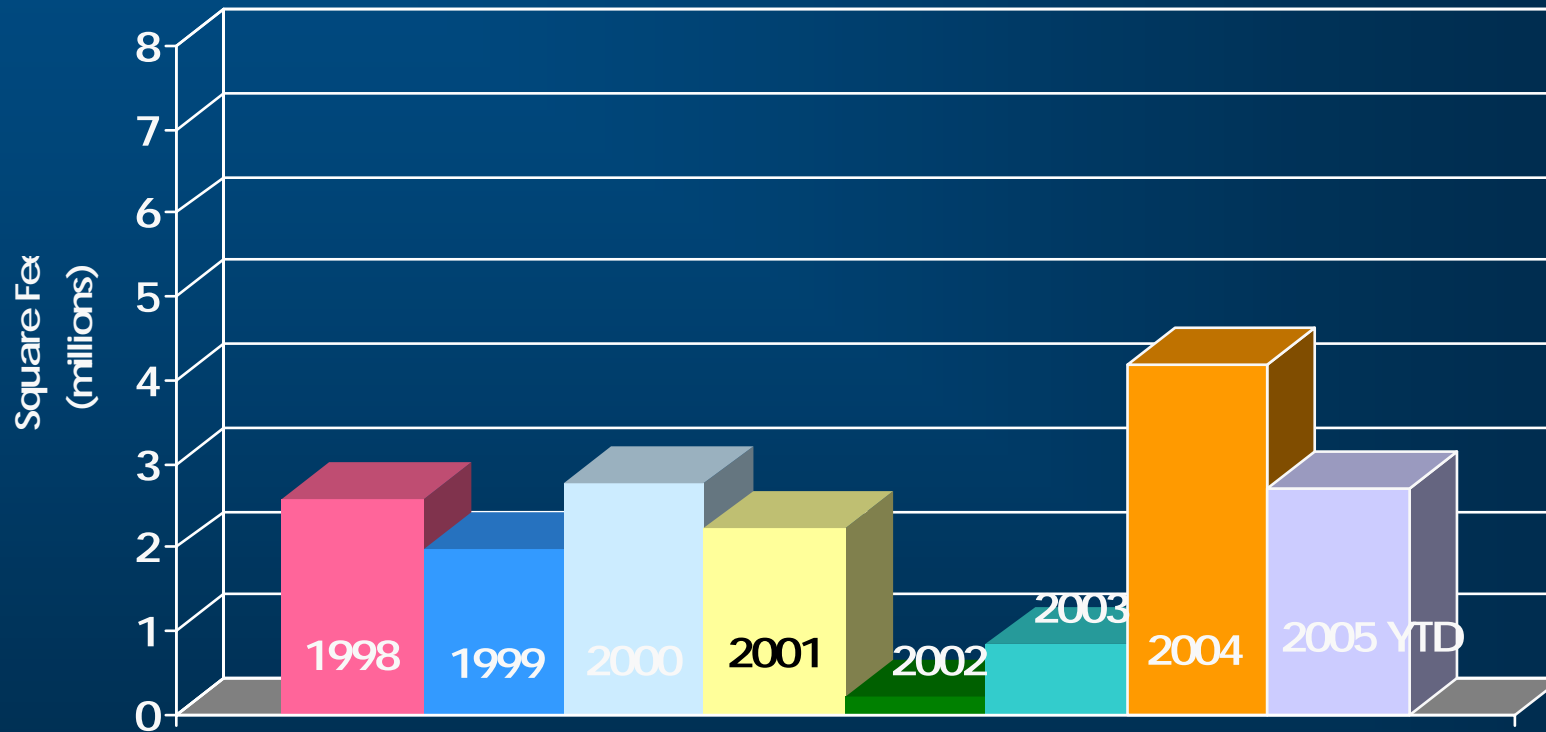
Washington Area Office Markets

Historical Vacancy Rates



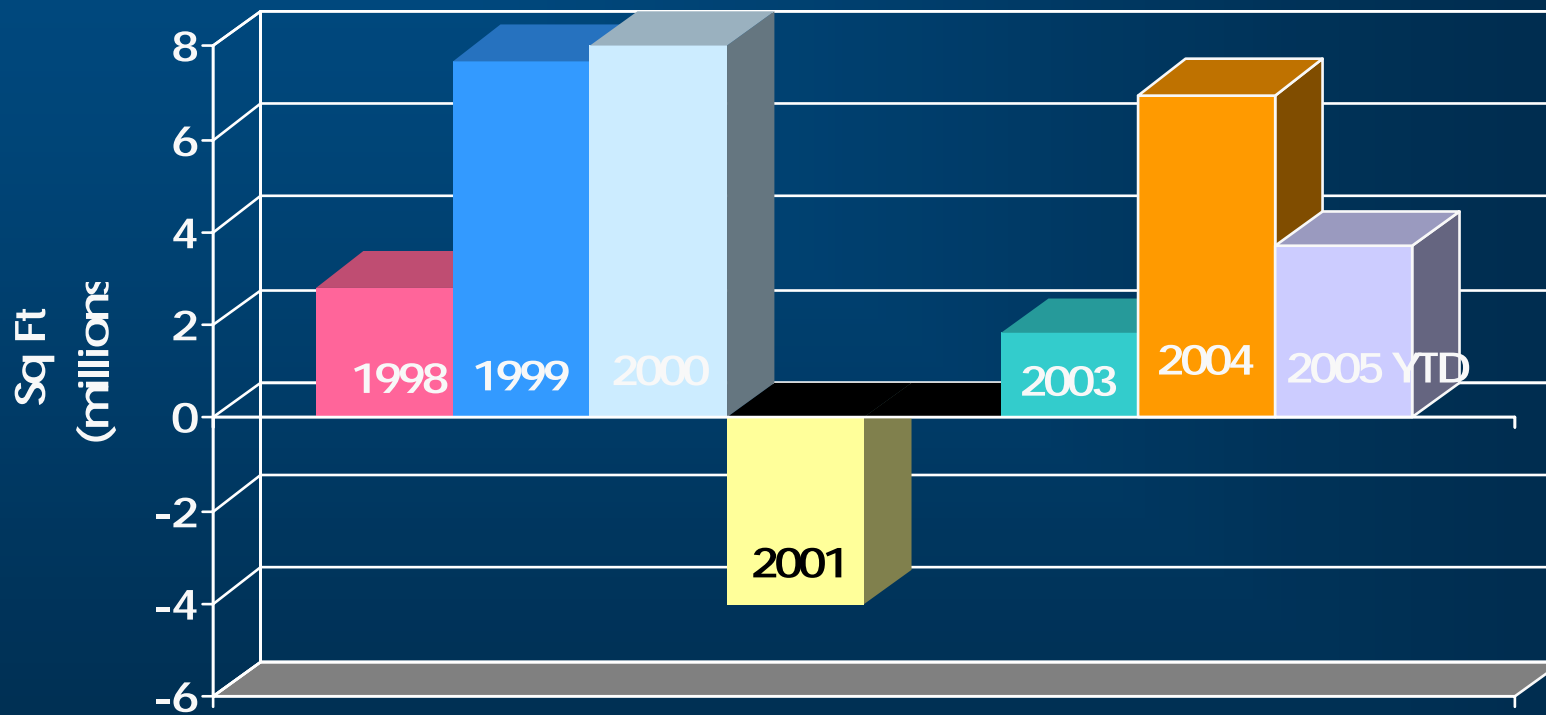
Washington DC Office Market

Absorption 1998-2005



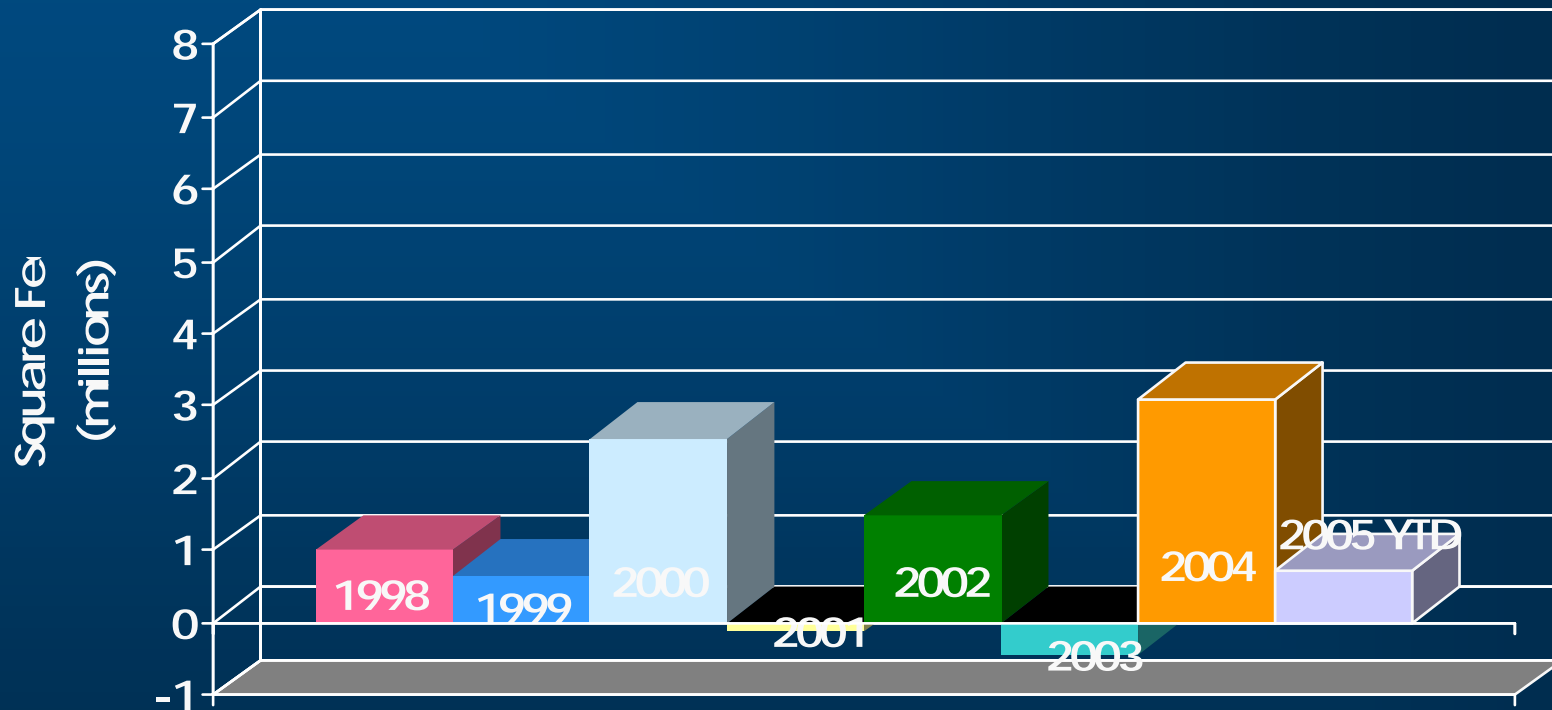
Northern Virginia Office Market

Absorption 1998-2005



Suburban Maryland Office Markets

Absorption 1998-2005



Washington, DC

Trends & Projections

- Although large blocks of space are to deliver in 2005 & 2006, pre-leasing has been strong
- New space absorption still driven by federal government and law firm demand
- Tenants with large space requirements have to begin their space hunt up to 3 years in advance of when they hope to commence
- Redevelopment opportunities in NoMa and Southeast submarkets continue to attract the developers
- 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 2005
- Demand from federal agencies and contractors is here and expected to increase in 2005-06
- 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 has arrived in Route 28 and will continue this coming year

HOW WE STACK UP



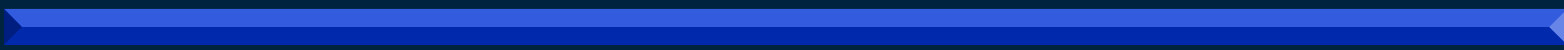
“In this year’s third quarter, Washington’s availability rate, both direct and sublease, was the tightest of 15 large US markets.”

(Source: Wall Street Journal/Studley, December 2005)



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 7, 2006
 - Visit www.GWCAR.org
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