

Washington, DC Metro

**MARKET
OVERVIEW**



Gary Cook



2011 President

**Greater Washington
Commercial Association
of REALTORS®**

**Managing Director,
Vornado/Charles E. Smith**

Metro Washington Office Market Third Quarter 2010

Center of the Universe

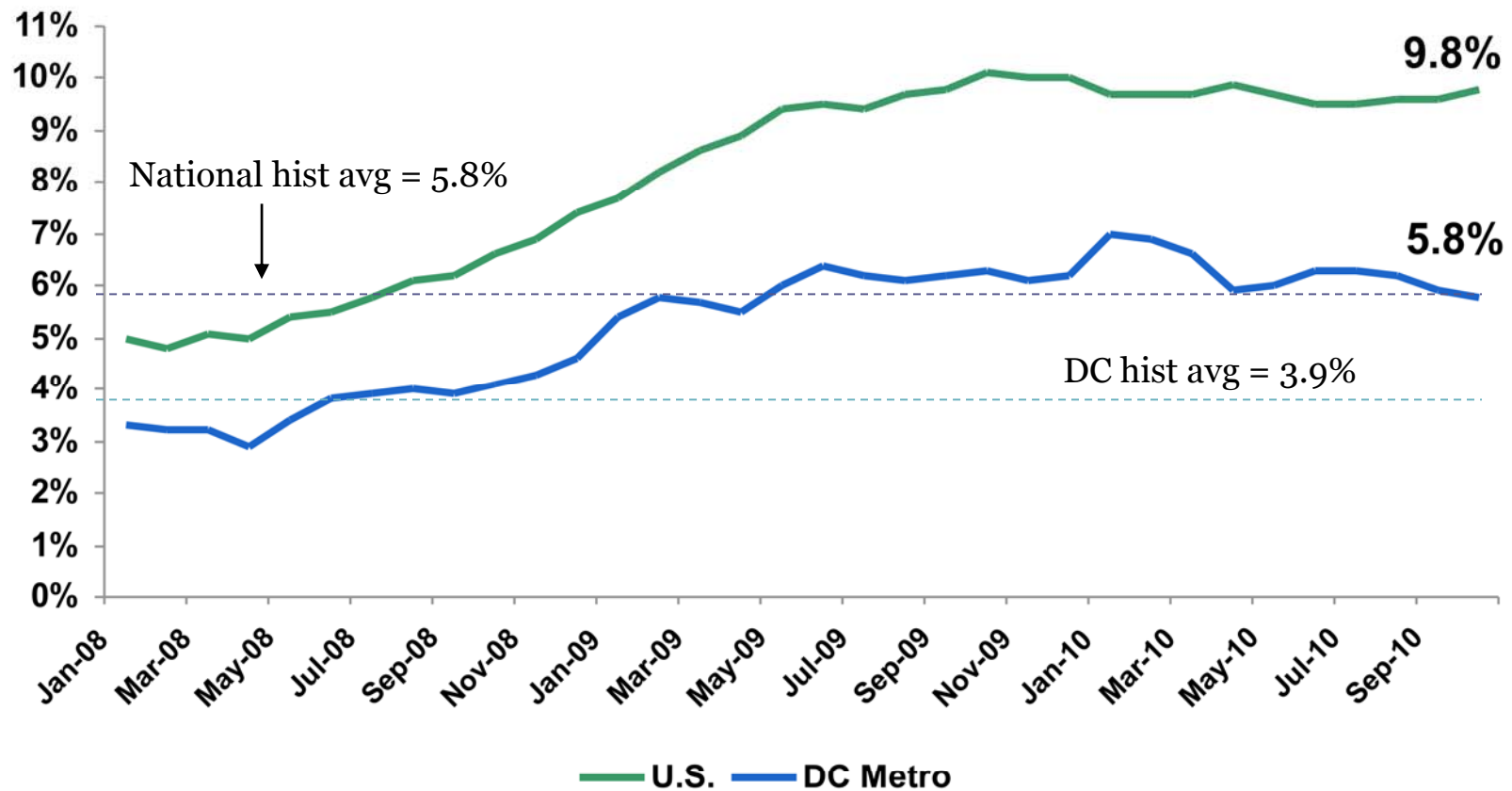
- Total SF: 302,554,851*
- Overall Vacancy: 15.0%
- Year To Date Net Absorption: 3.8 Million SF
- Under Construction: 3.4 Million SF
- Preleased: 1.9 Million SF
- Average Asking Rental Rates
 - Class A: \$39.66 PSF FS
 - Class B: \$31.00 PSF FS



**Source: Grub & Ellis Research Does Not Include Owner-Occupied Buildings*

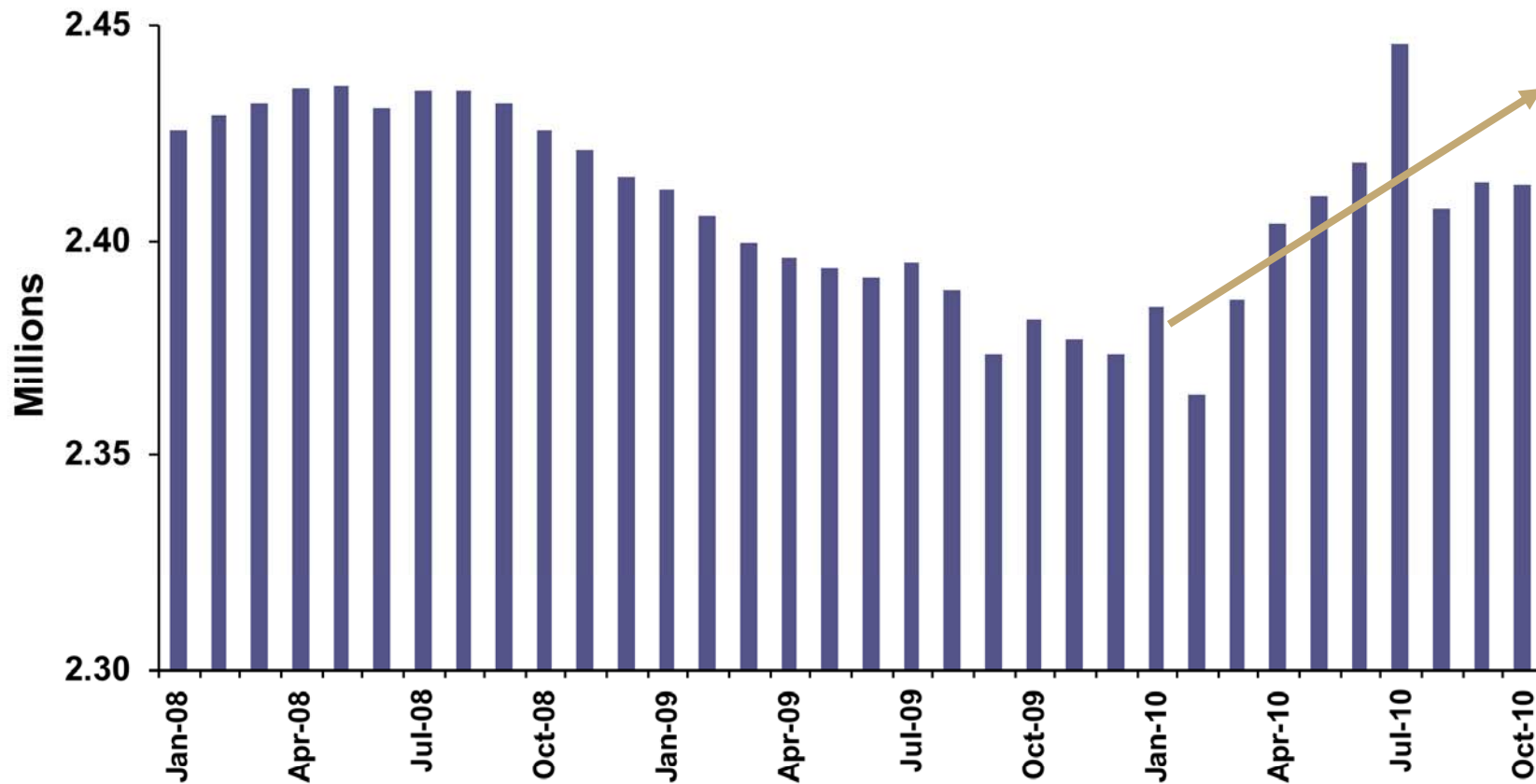
National & Local Unemployment

DC Unemployment Lowest in the Nation



DC Metro Experiences Job Growth

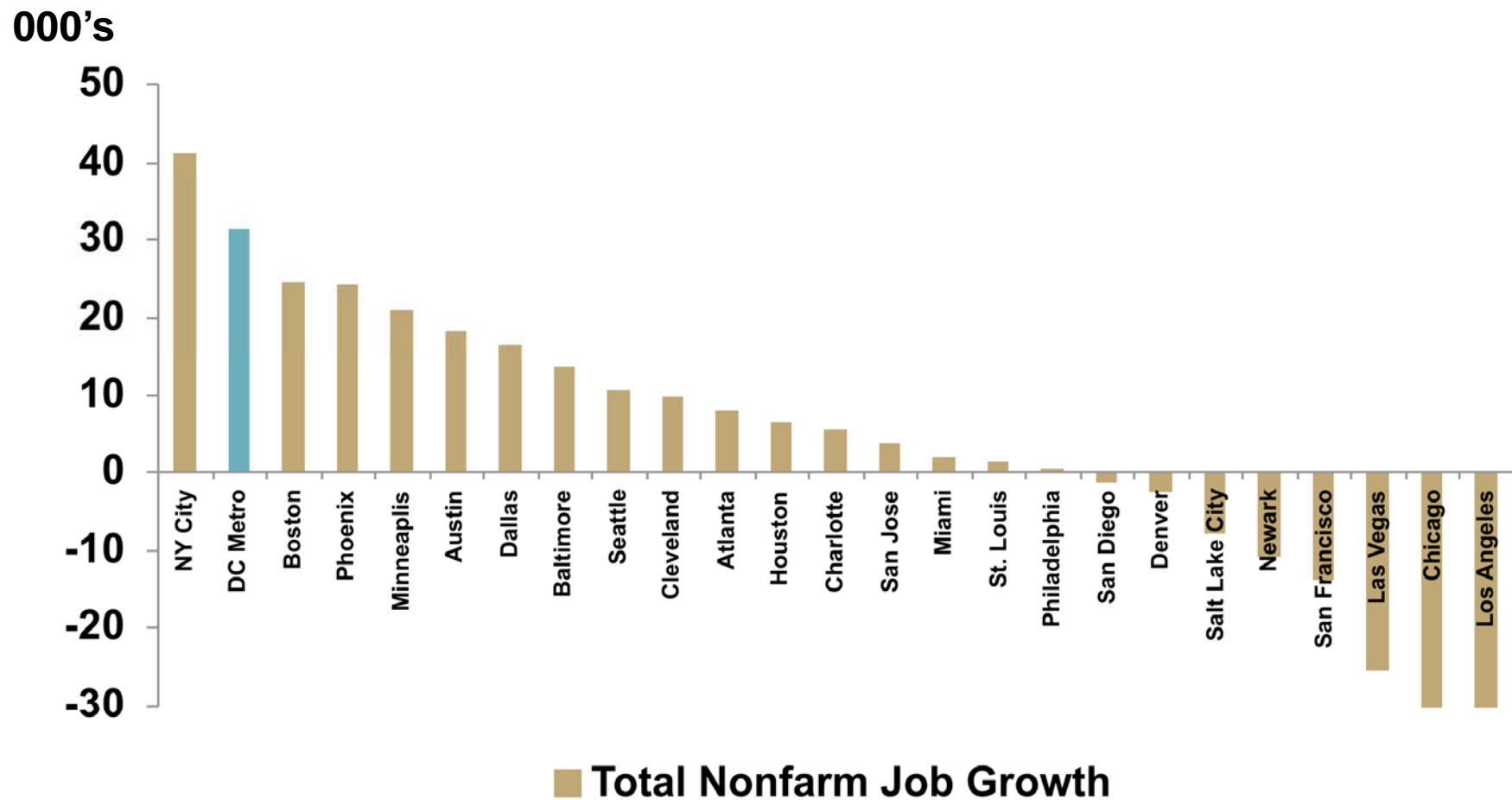
DC Metro, Total Non-farm Employment, SA



Source: Bureau of Labor Statistics

DC 2nd Highest Job Growth in Nation

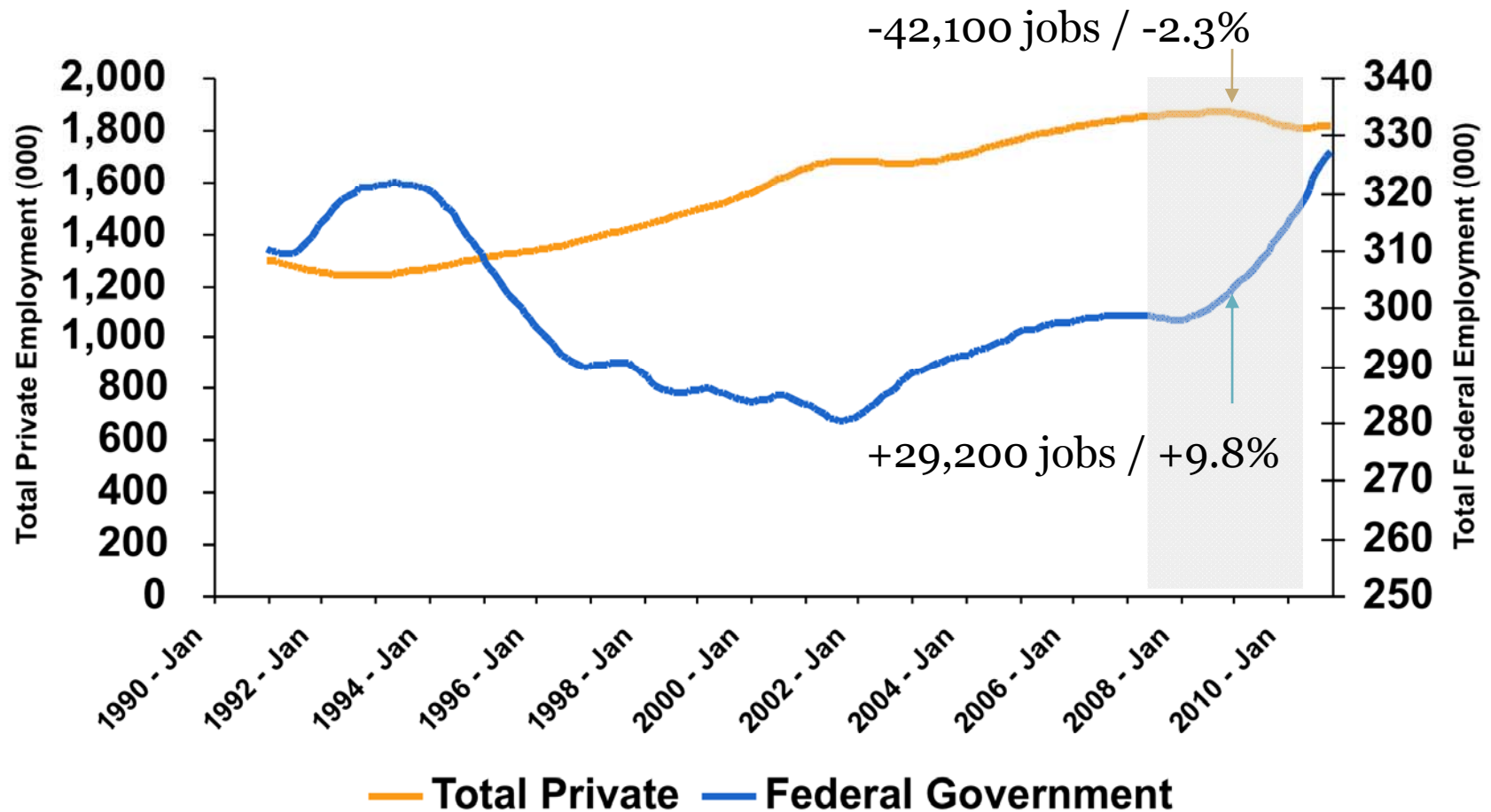
Employment Gains/Losses: Year-over-Year, Oct. 2010, SA



Source: BLS

Feds Drive DC Through Recession

Employment: Rolling 12 month average (NSA)

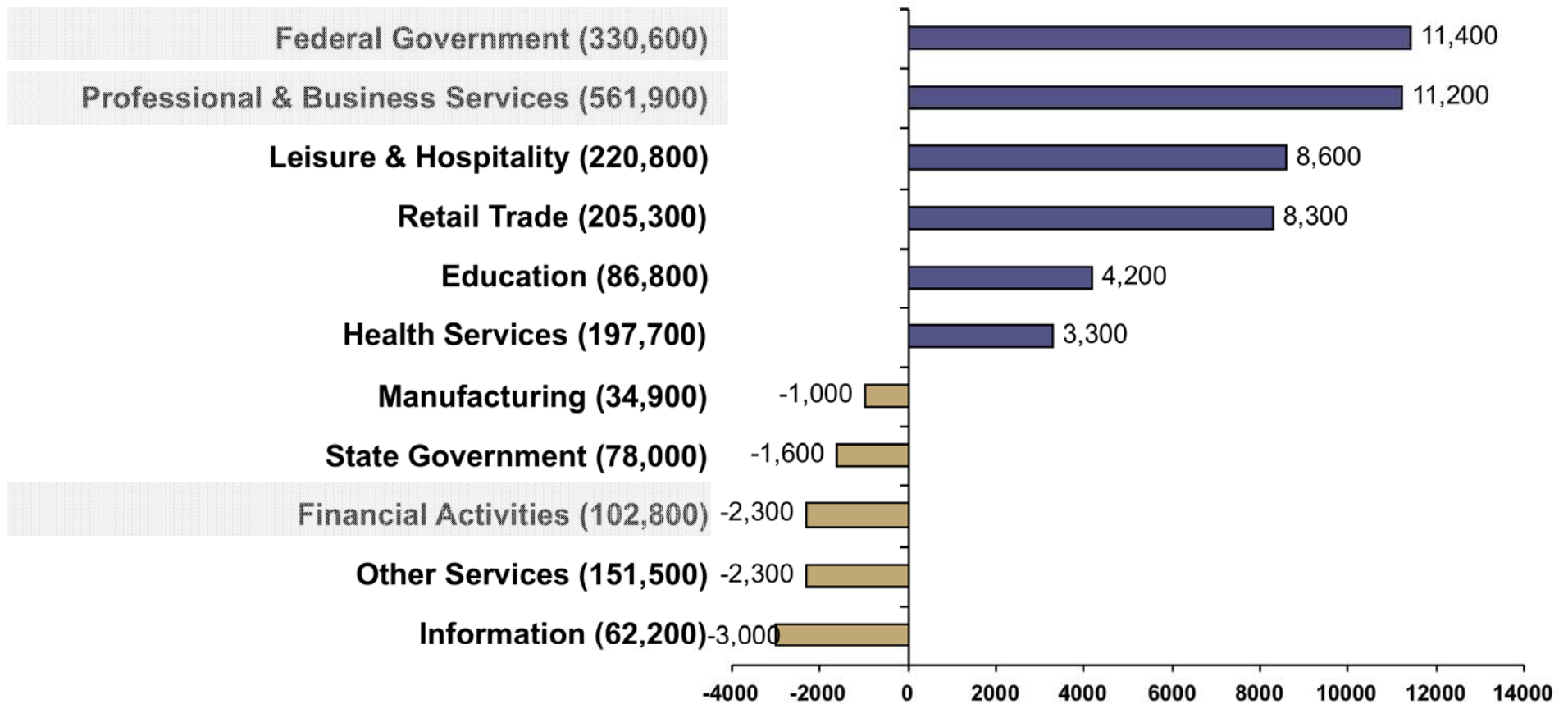


Source: Bureau of Labor Statistics

Employment Growth/Decline by Industry

DC Metro: Year-over-Year, October 2010, NSA

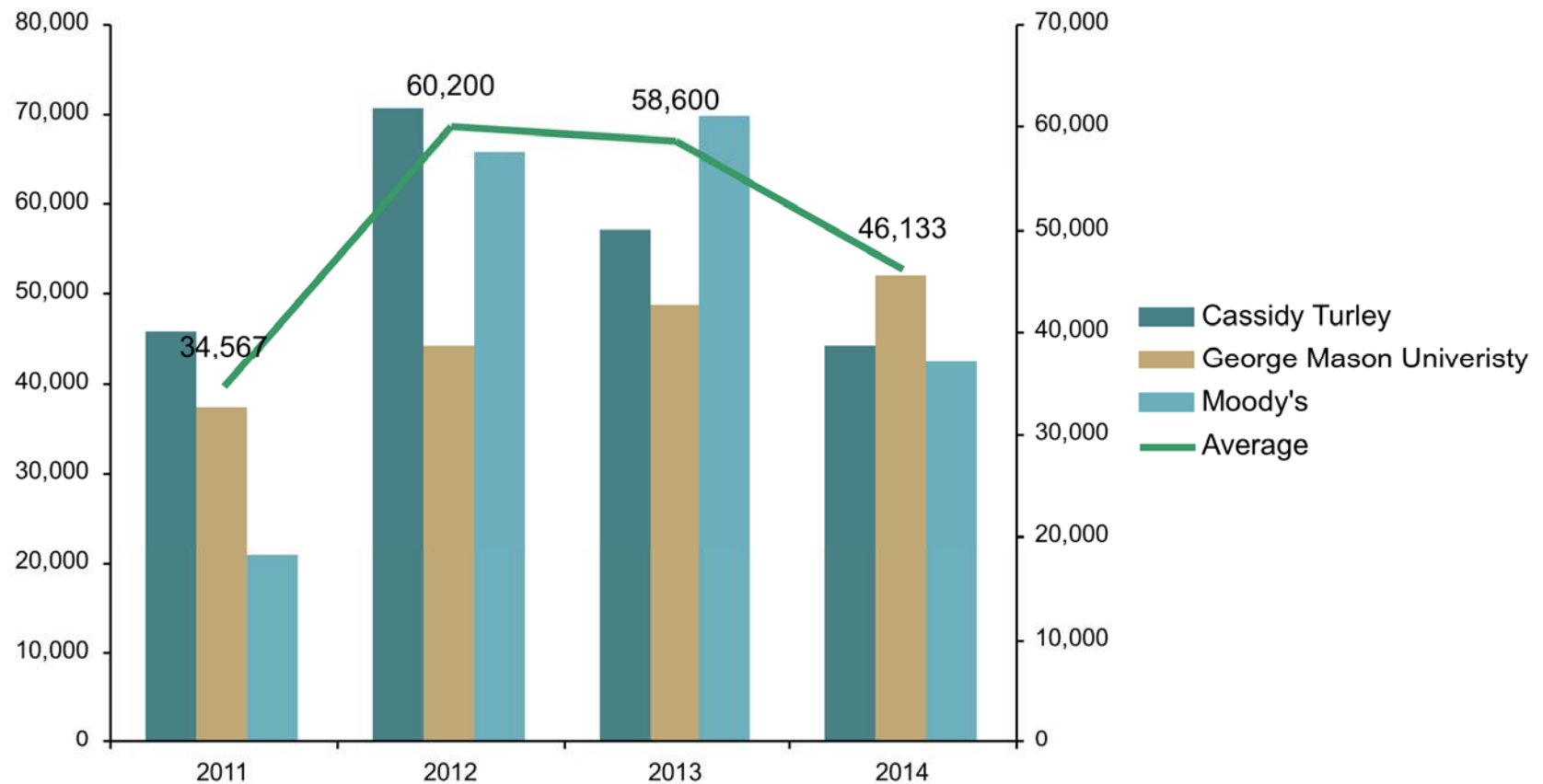
(Industry Total Employment Level)



Source: Bureau of Labor Statistics

Forecast Comparison: 2011 to 2014

DC Metro Annual Job Growth



Sources: Bureau of Labor Statistics, George Mason University, Moody's, Cassidy Turley

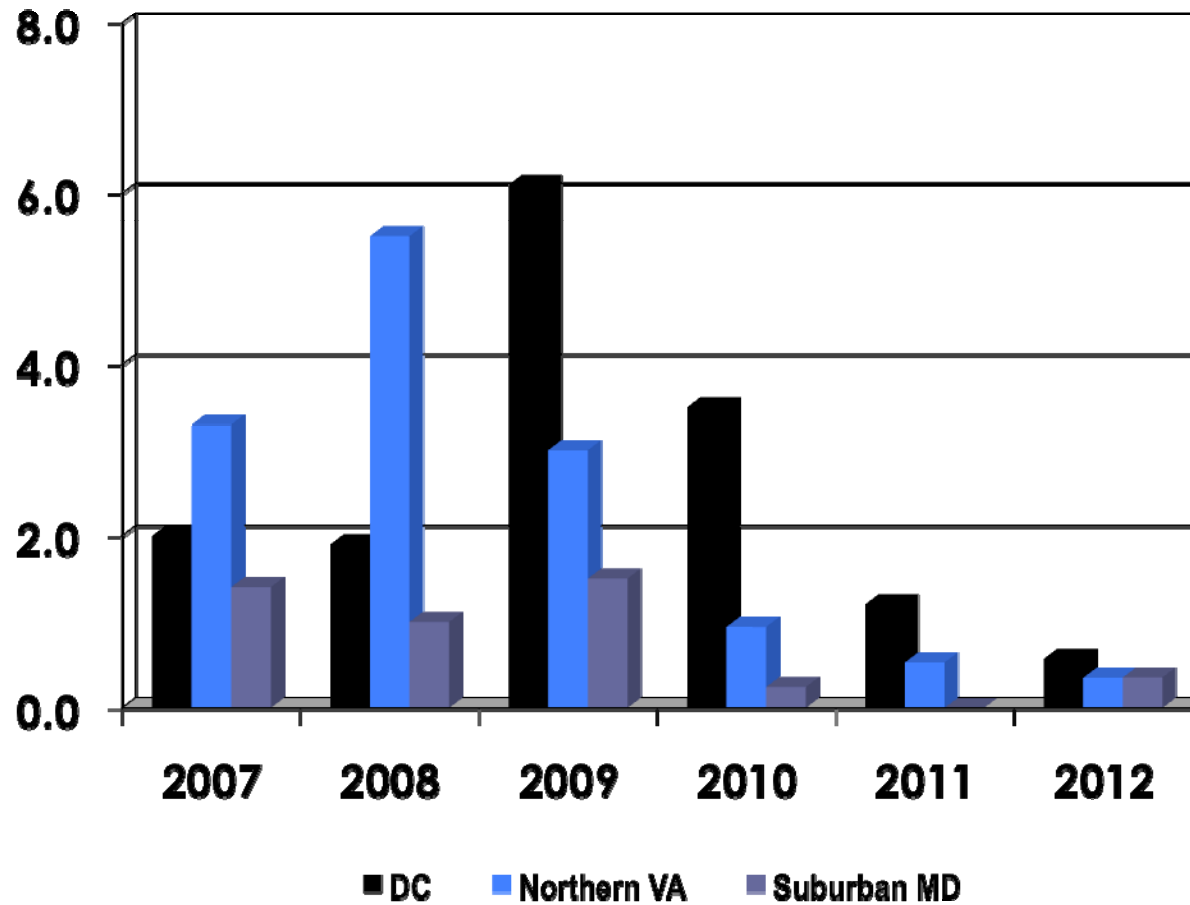


Addition of Jobs  Positive Absorption

But there's more to it...

Metro DC Office Deliveries by Market

Square Feet (in Millions)



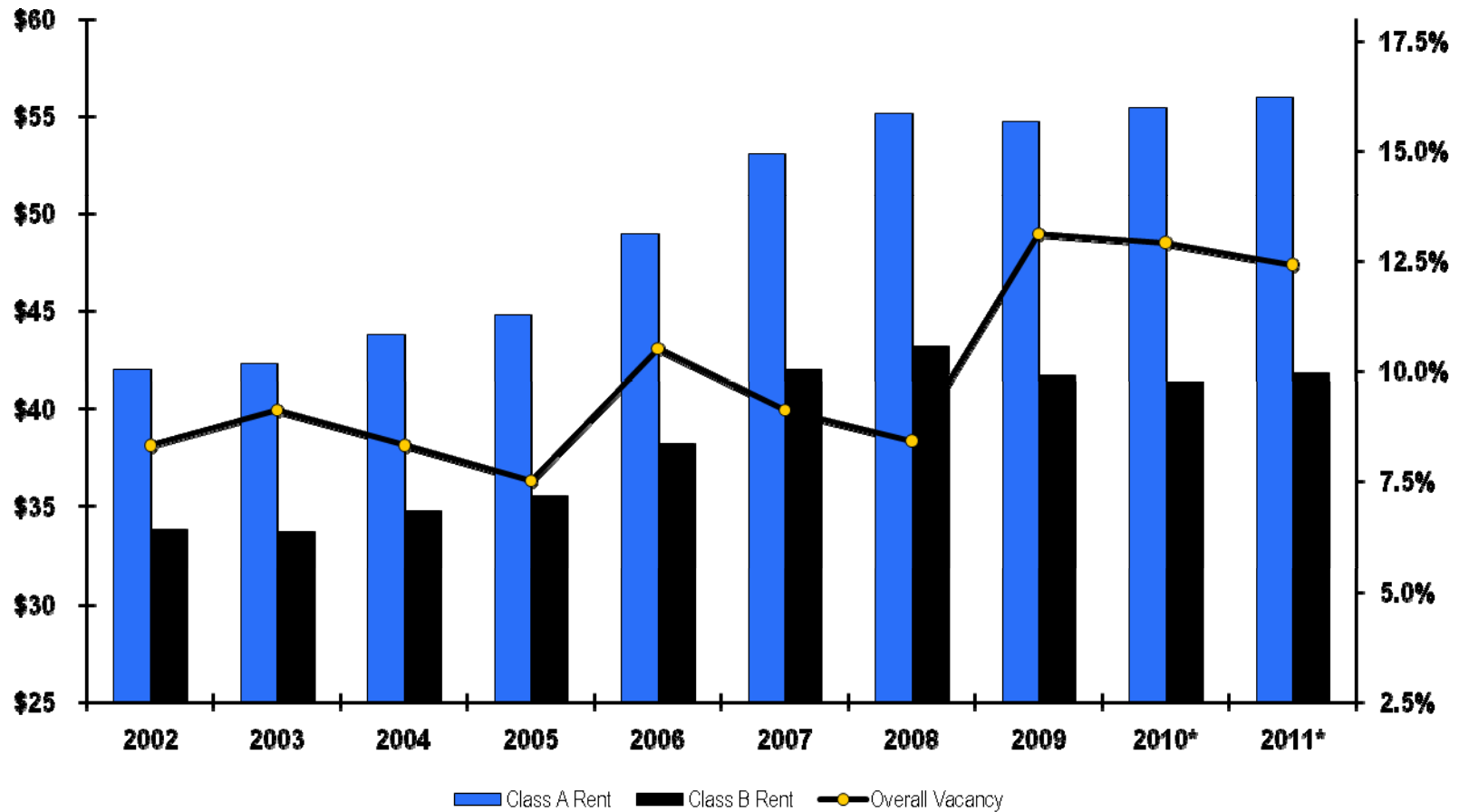
Source: Grubb & Ellis Research

DC Office Market

Vacancy and Average Asking Rental Rates

Dollars per Square Foot (FS)

Vacancy Rate



*Projection

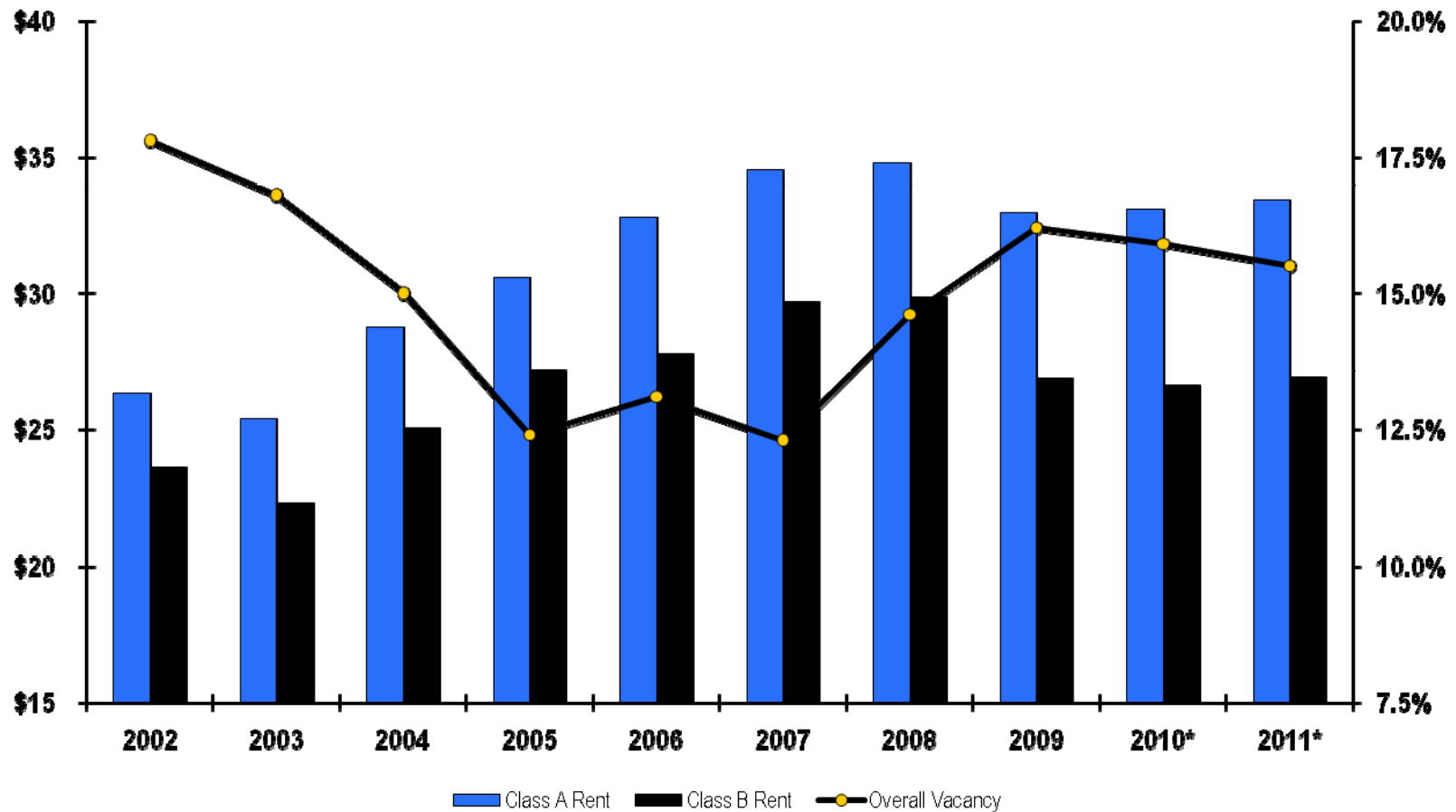
Source: Grubb & Ellis Research

Northern VA Office Market

Vacancy and Average Asking Rental Rates

Dollars per Square Foot (FS)

Vacancy Rate

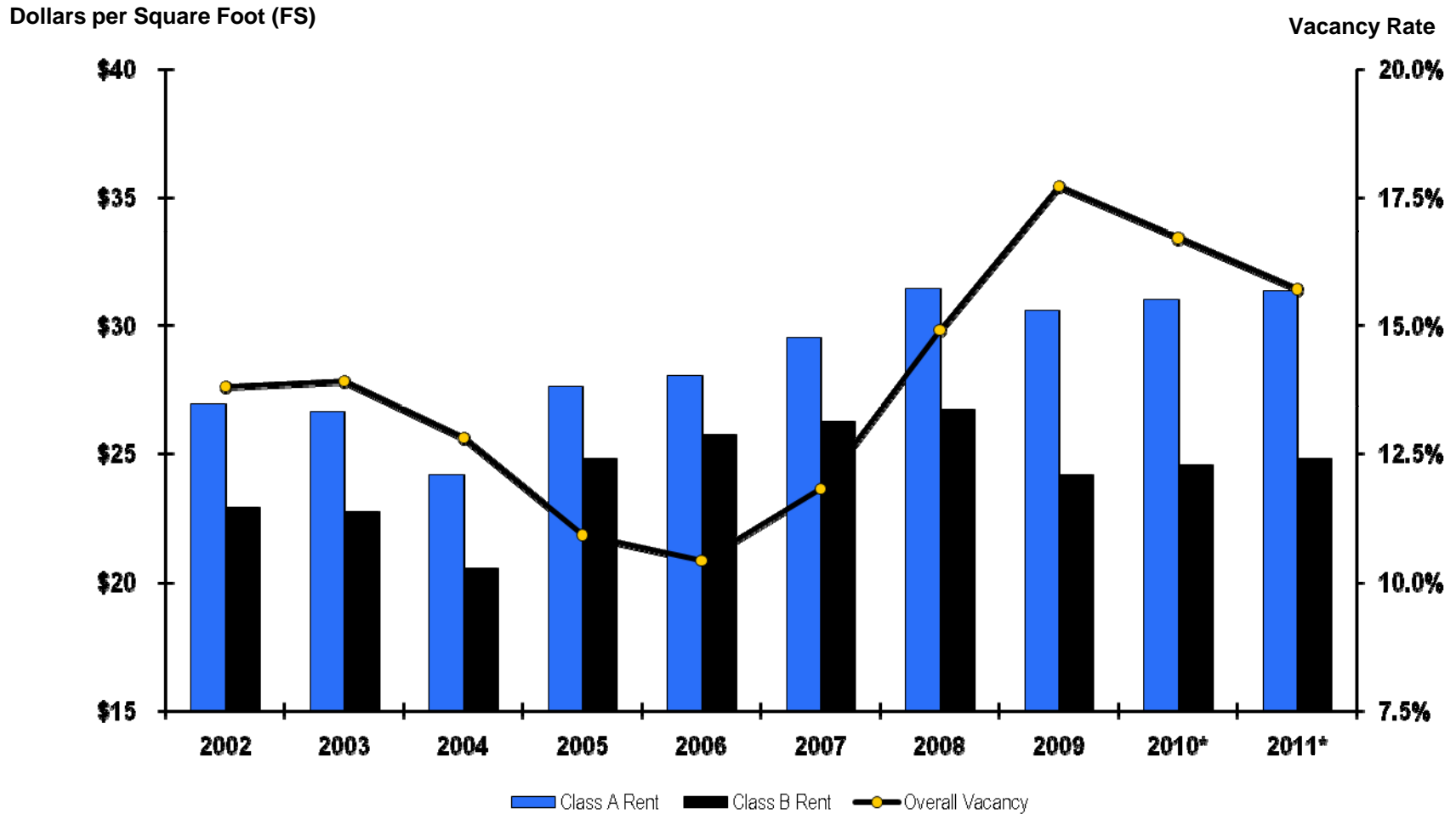


*Projection

Source: Grubb & Ellis Research

Suburban MD Office Market

Vacancy and Average Asking Rental Rates



*Projection

Source: Grubb & Ellis Research

2010 at a Glance in Metro Washington

1st Quarter

- Overall Vacancy: **15.7%**
- Net Absorption: **342,521 SF**
- Average Asking Rental Rates
 - Class A: **\$40.06 PSF FS**
 - Class B: **\$30.51 PSF FS**

2nd Quarter

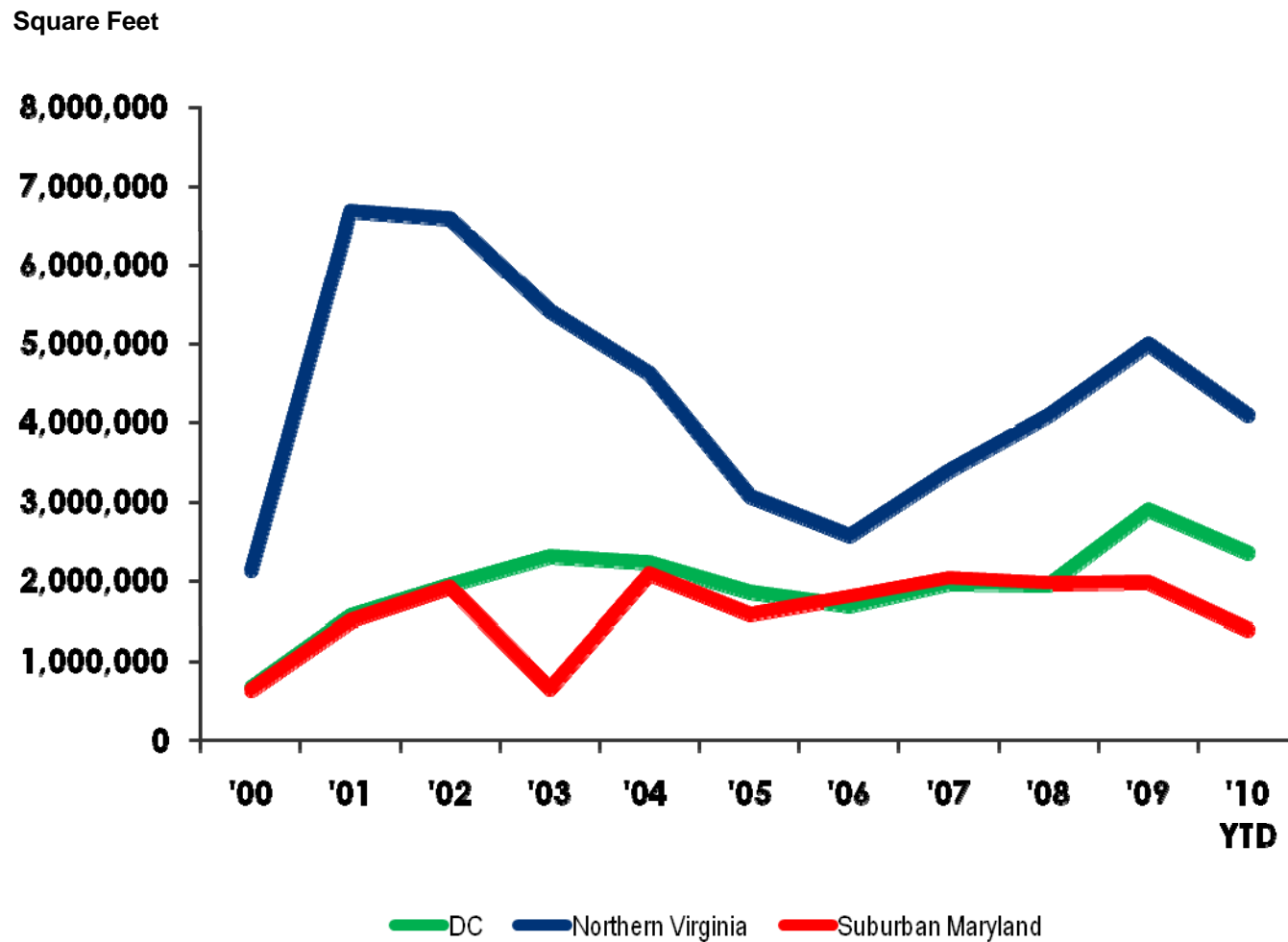
- Overall Vacancy: **15.2%**
- Net Absorption: **2,538,473 SF**
- Average Asking Rental Rates
 - Class A: **\$40.05 PSF FS**
 - Class B: **\$30.74 PSF FS**

3rd Quarter

- Overall Vacancy: **15.0%**
- Net Absorption: **906,996 SF**
- Average Asking Rental Rates
 - Class A: **\$39.66 PSF FS**
 - Class B: **\$31.00 PSF FS**

Available Sublease Space

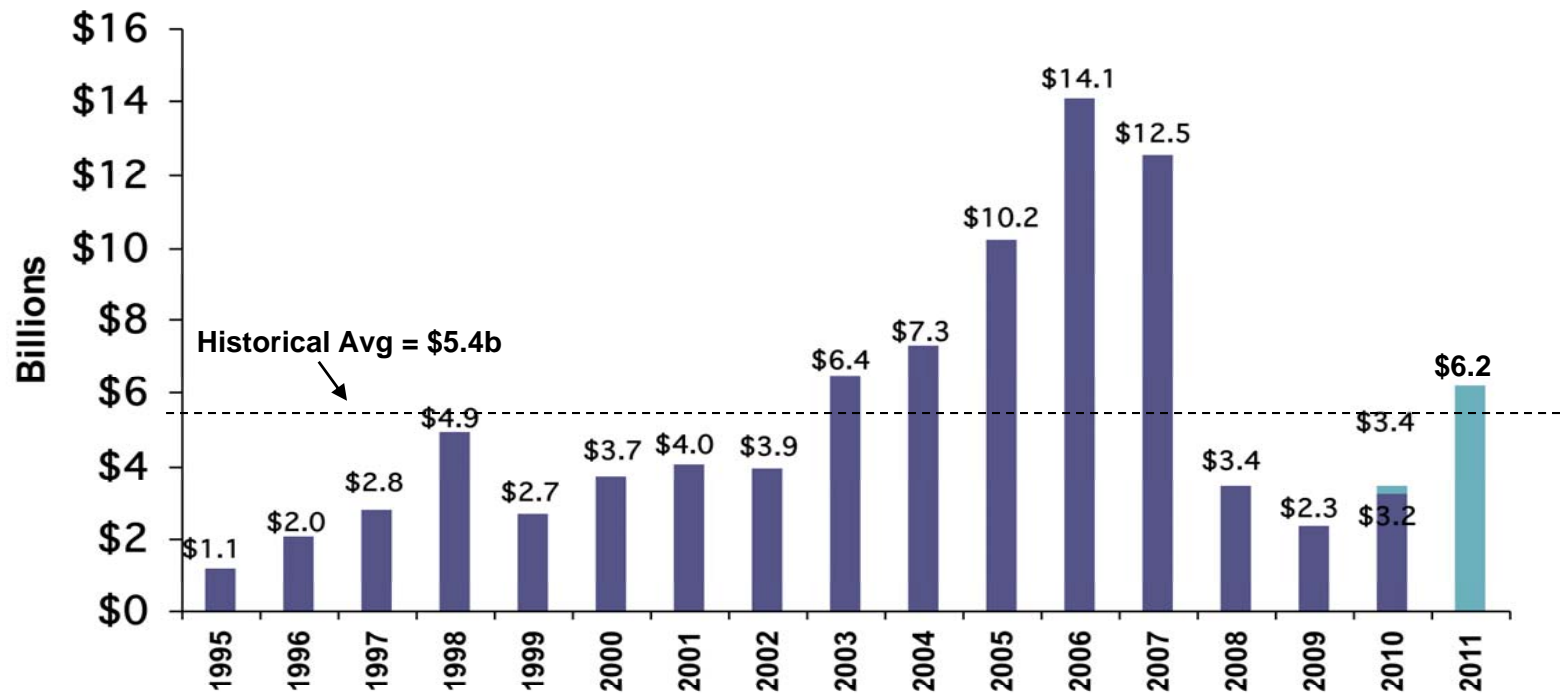
Decreasing steadily since mid 2009



Source: Grubb & Ellis Research

Office Sales

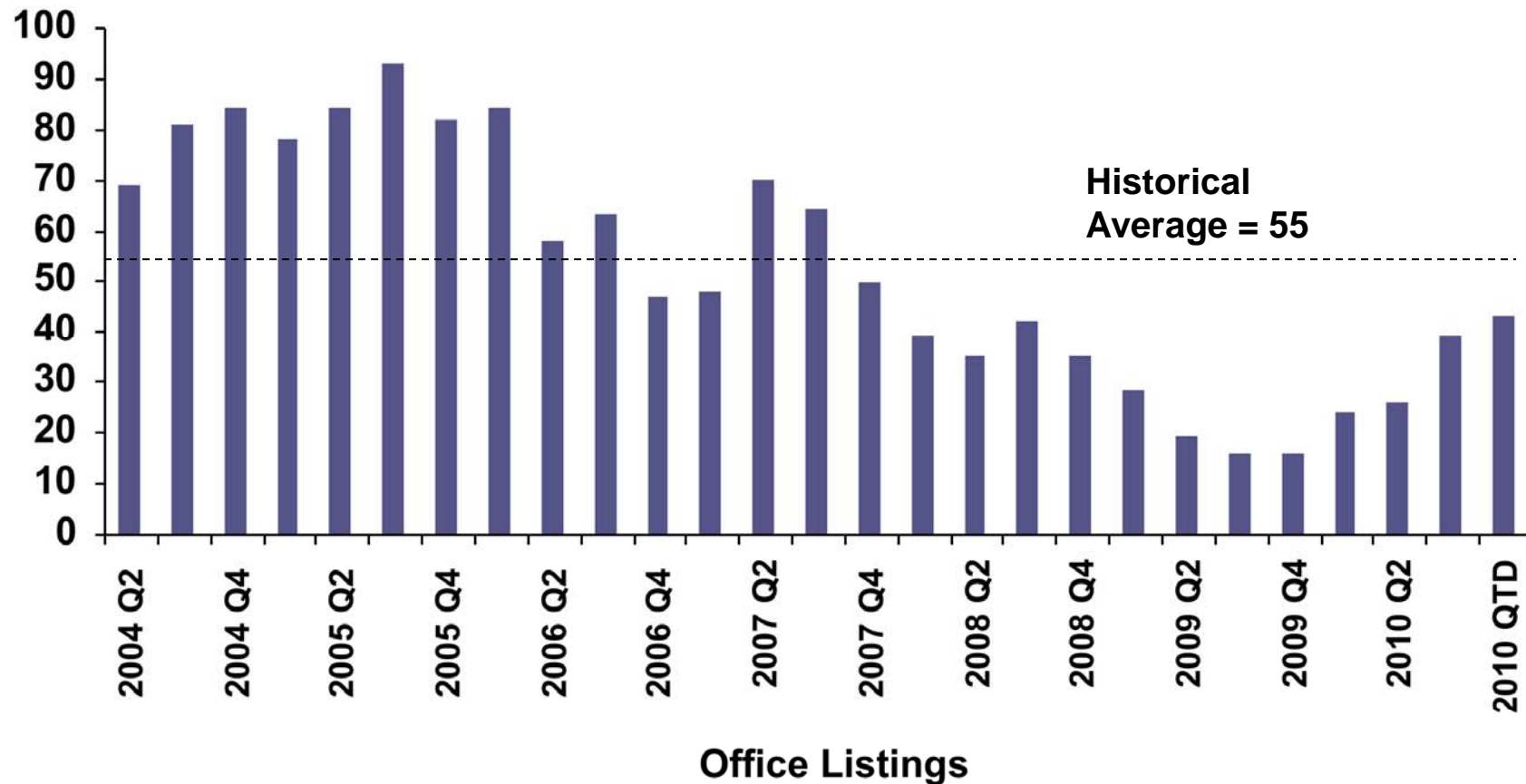
Washington, DC Metro Area



Source: Cassidy Turley

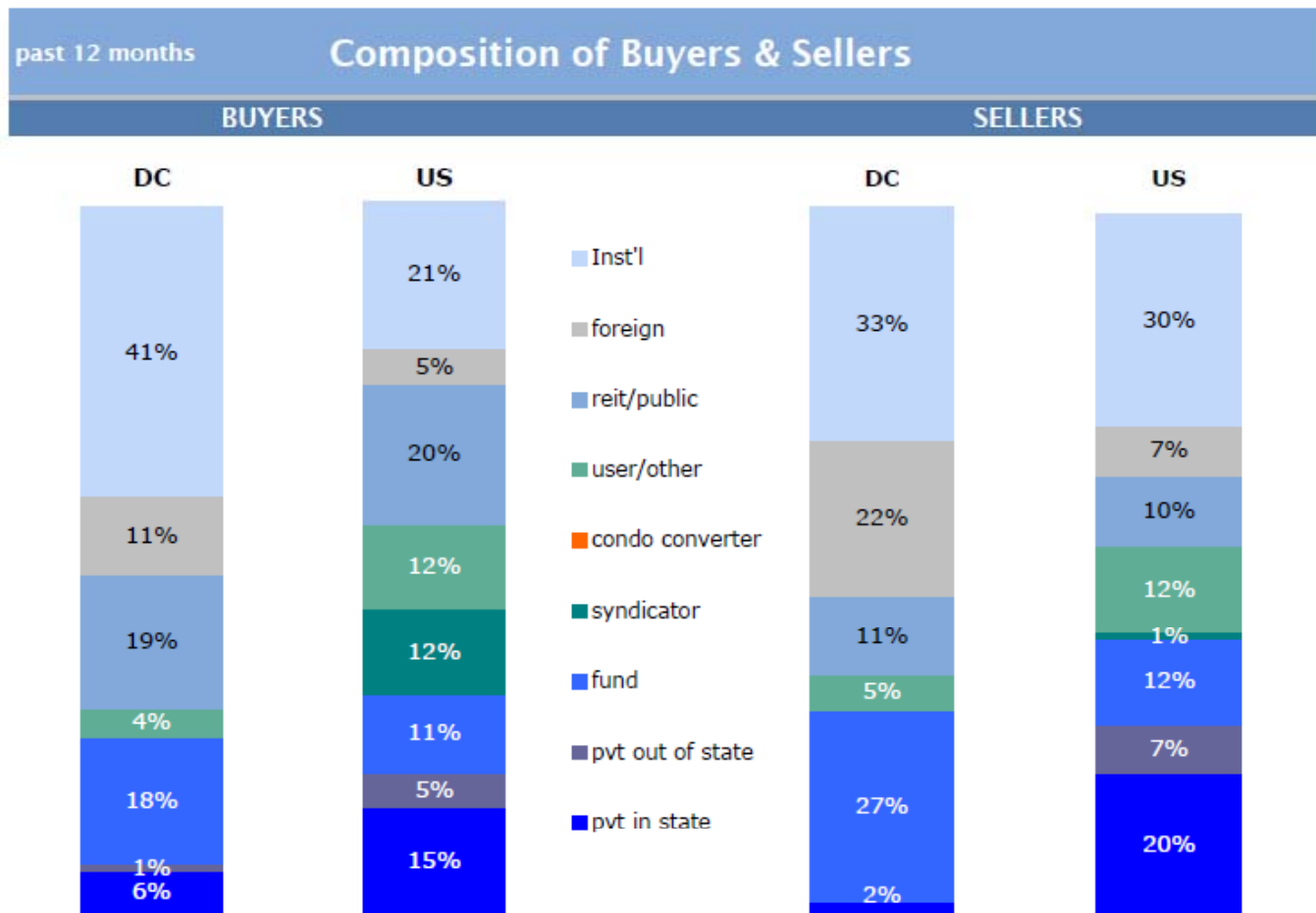
Sellers "want in" Given Healthy Pricing

Washington, DC Metro Area



Composition of Office Buyers & Sellers

DC - 3Q 2010, Last 12 Months

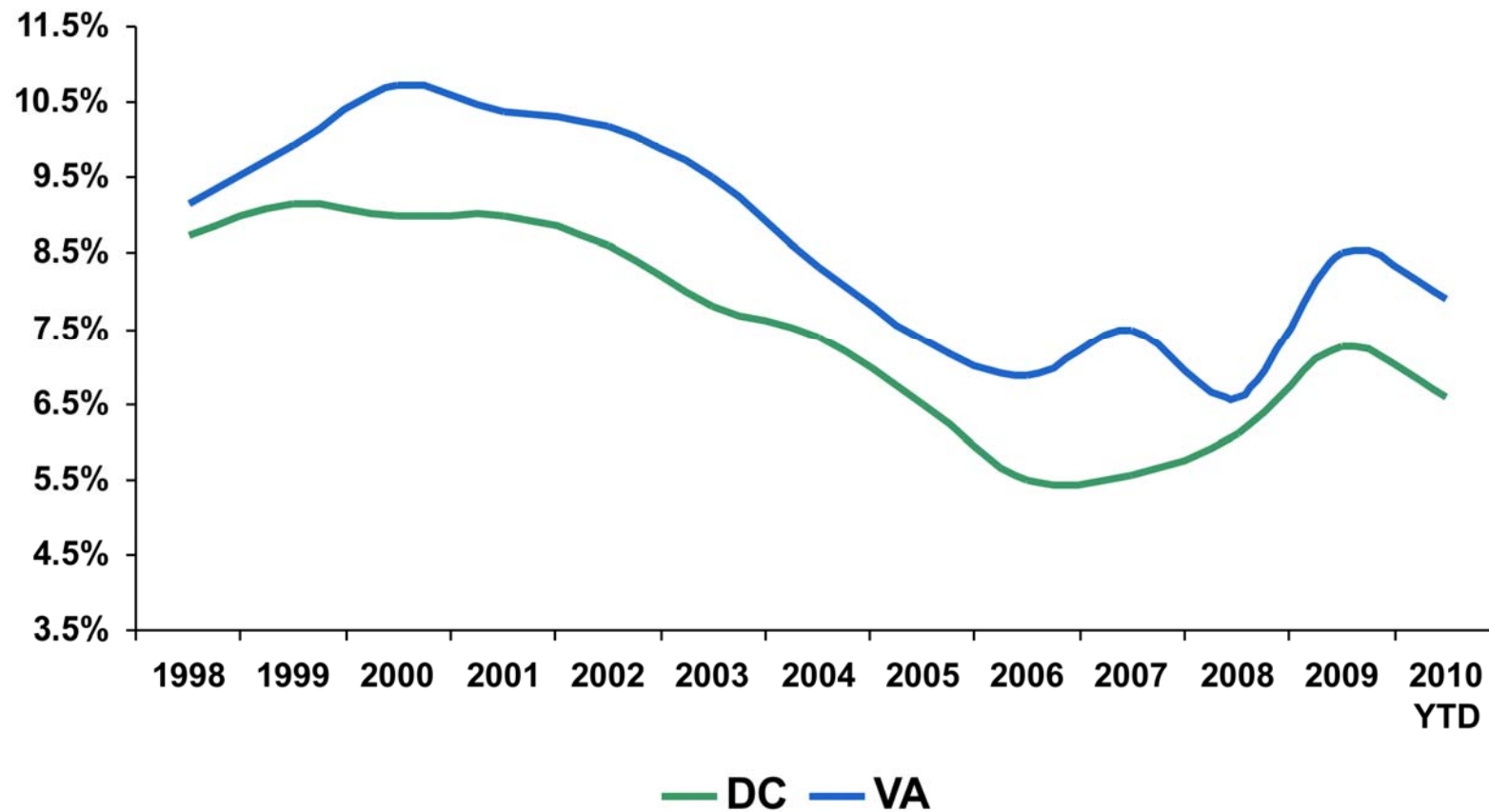


rounded figures
may not sum to 100%

Source: Real Capital Analytics

Office Cap Rates Stabilizing

Washington, DC Metro Area



Sources: Real Capital Analytics, Cassidy Turley

Outlook 2011

- Net job growth projected for 2011, resulting in net absorption
- Rental Rates – relatively flat – but major concessions to contract
- Office investment expected to target value-add properties
- Government leasing to continue but at a slower rate
- Tenants on the sidelines begin to act
- Market tightens steadily in 2011 and more significantly in 2012

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