

# Washington, DC

Tenant's Guide ■ North American Markets ■ Second Quarter 2010

## Overview

Since first quarter 2010, federal government activity through the GSA in the DC market has been greater than that of the private sector and the overall US economy. The Consumer Confidence Index Report dropped to 52.9 in June from 62.7 in May. There is uncertainty in the private sector about future growth in the labor market and overall economic stability. Despite some improvement in the Washington DC market, the US economy is still in recession.

## Market Trends

- GSA absorbed 482,148 SF, reducing DC's oversupply of inventory throughout the second quarter.
- Tenants over 20K SF are experiencing a tighter market, while smaller tenants have many options with larger incentive packages from landlords.

## Tenant's Perspective

### Washington, DC

Washington DC experienced over one million SF of net absorption in second quarter 2010, including GSA deals. Rental rates averaged \$51/SF full service for class A buildings in direct space, unchanged from last quarter. Though CMBS delinquency remains high across the country, locally troubled portfolios like Tishman Speyers' were able to restructure their debt with new capital through deals that might have been difficult a few quarters ago.

### Maryland

Vacancy fell .9% this quarter from last quarter, but the overall market conditions in Maryland remain soft as big blocks of space vacated in the first quarter have yet to be filled. Rental rates continue to decrease as landlords attempt to appeal to the declining tenant market in the area. Maryland suffers from an oversupply of speculative inventory that can be seen in business parks in the suburbs that are actively trying to lease large blocks of space.

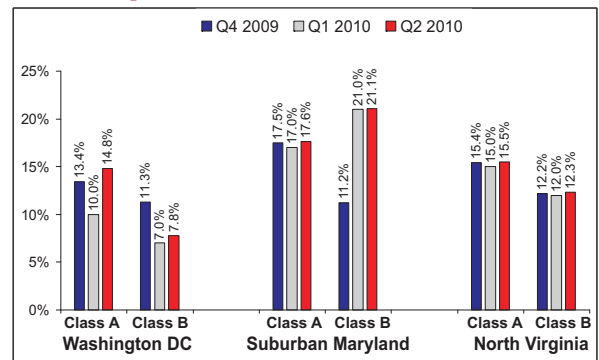
### Virginia

This quarter, Northrop Grumman announced Northern Virginia as their new headquarters site, largely due to the state's cash and incentive program that presented a more compelling offer than Maryland or Washington DC. The Arlington market is one of the tightest in the country, as rents along the RB Corridor averaged \$40/SF full service in class A direct space - a two dollar increase from the second quarter 2009. Tysons Corner, with its plans to become a world-class transit-oriented center in the next three to five years, is experiencing a pick-up in activity. Reports show a positive net absorption for this quarter totaling 64,978 SF, an improvement from the 142,847 SF negative absorption last quarter.

## Major Transactions

Tenant/Buyer	Size	Type	State
US Dept. of Veteran Affairs	285,434	Prelease	DC
SEC	201,998	New	DC
DC Dept. of Health	149,915	Relet	DC
Carlyle Investment Mgmt.	129,174	Renewal	DC
J. Craig Venter Ins.	124,000	New	MD
FiberTek, Inc.	49,300	Relocation	VA
EMC Corporation	38,726	Renegotiation	MD
Sage Software	27,578	Relocation	VA
Fortigent, Inc.	21,817	Renewal	MD
Hillcrest Comm.	21,244	Renewal	MD

## Vacancy Rate



## Average Rental Rates

### Washington DC

	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$51.25	\$50.87	\$51.20
Class B Office	\$40.90	\$38.88	\$38.45

### Suburban Maryland

	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$33.55	\$29.65	\$29.85
Class B Office	\$24.10	\$22.33	\$22.74

### Northern Virginia

	Q4 2009	Q1 2010	Q2 2010
Class A Office	\$31.30	\$31.70	\$31.70
Class B Office	\$25.80	\$25.43	\$25.43

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