



# Washington, DC

Tenant's Guide ■ North American Markets ■ Third Quarter 2012

## Overview

Business uncertainty, as it relates to the Federal Government's ability to purchase goods and services, has put numerous organizations' business plans in question. Under the Budget Control Act of 2011, federal spending is to be reduced by nearly \$1.0 trillion from 2012 levels over the next ten years. When the super committee failed to create a focused, bi-partisan strategy for implementing deficit reduction, broad-based cuts to Defense and non-defense agencies became the law of the land. Known as Sequestration, the cuts are scheduled to be implemented in January of 2013. Since no clear guidance was given as to which programs will be cut, companies reliant on the Federal Government and governmental agencies are left to guess which aspects of their operations will be impacted and what level of staffing will be needed in the future. This effectively dried up demand for office space around the Metropolitan Area. While there is some hope that Congress will be able to address Sequestration during its lame duck session this year, in all likelihood Sequestration will be implemented, and the individual departments, agencies and contractors will be left to figure out where to cut their budgets.

## Market Trends

- Overall demand for office space has shrunk during 2012 with nearly 1.5 million square feet of space being returned to the market. A large portion of the returned space was from the Department of Defense in Northern Virginia, as it implemented the required relocation of its employees from leased space onto military bases under the Base Realignment and Closure (BRAC) Act of 2005.
- During the third quarter, the amount of space under construction decreased for the first time in a year, as developers have become more cautious before commencing new projects.
- Companies continue to shed jobs and real estate obligations as they position themselves to weather 2013. This has kept the available stock of office product at sufficient levels to force landlords to compete hard to attract and retain tenants.

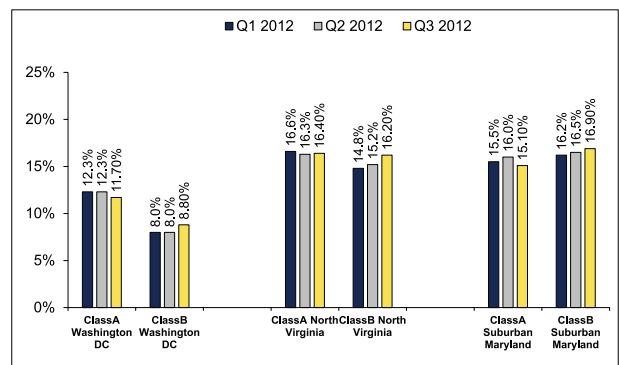
## Tenant's Perspective

All the uncertainty associated with Sequestration and the current state of the economy has created excellent leasing conditions in almost all submarkets and blocks of space. Tenants are taking advantage of the situation to lock in favorable leasing terms with historically high concessions.

## Major Transactions

Tenant/Buyer	Size	Type	Submarket
General Services Admin.	358,000	Assump.	Southwest
National Institutes of Health	356,000	Renewal	North Bethesda
Transaction Network Serv.	120,000	Relocation	Reston
Raytheon Company	115,000	Renewal	Rosslyn
Inovalon, Inc.	104,000	Renewal	Bowie
U.S. Food and Drug Admin.	100,522	Renewal	Rockville
Georgetown University	91,255	New	East End
Anser	87,557	Relocation	I-395 Corridor
United Nations Foundation	83,996	Relocation	CBD
Navy Federal Credit Union	83,188	Renewal	Herndon

## Vacancy Rate



## Average Rental Rates

Washington DC	Q1 2012	Q2 2012	Q3 2012
Class A Office	\$55.01	\$54.74	\$55.35
Class B Office	\$42.74	\$43.19	\$43.23
Northern VA	Q1 2012	Q2 2012	Q3 2012
Class A Office	\$34.49	\$33.93	\$35.09
Class B Office	\$28.99	\$27.88	\$27.84
Suburban MD	Q1 2012	Q2 2012	Q3 2012
Class A Office	\$29.41	\$29.70	\$29.99
Class B Office	\$21.61	\$21.44	\$21.15

