



Doors opening on the Silver Line

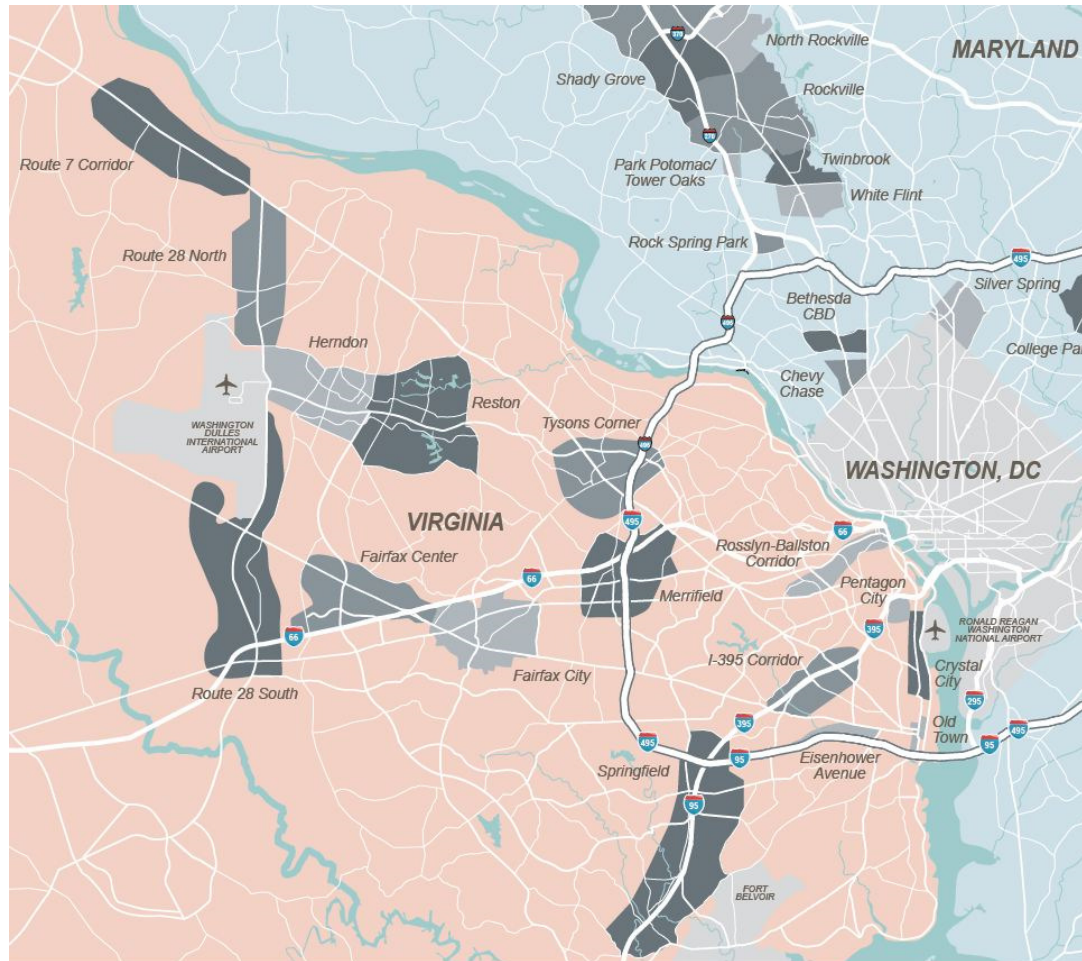
July 24, 2014 – 10:00 a.m.



*Regional economic
and market trends*

Scott Homa

Regional market highlights



2nd largest office market in the U.S.
(behind New York)

7th largest regional population in the U.S.
(5.9 million residents)

2nd highest population growth from 2010-13
(behind North Dakota)

1st in educational attainment
(nearly 60% possess a college degree)

Highest average household income
(\$109,892 per year)

Low unemployment rate
(5.0% vs. U.S. average of 6.1%)

3 major airports located within 30 miles

Excellent public transit system

Source: JLL, Census Bureau

Challenges and opportunities lie ahead

Sequestration and government austerity

Lame duck political environment

Drive to achieve greater space efficiency

Record concessions and flat rents

Corporate profits climbing to all-time highs

Budget deficit narrowing

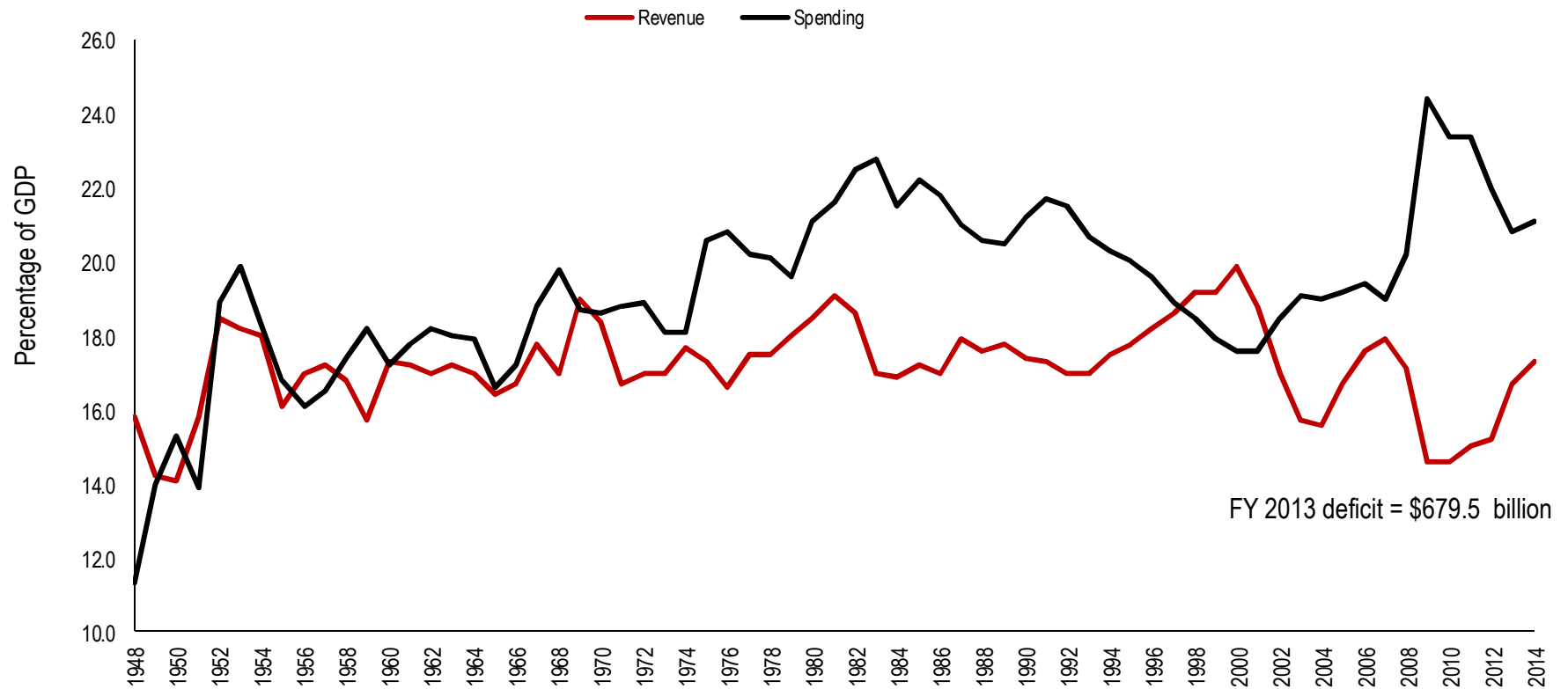
End of rightsizing wave approaching

Bottom is near in emotional places



Source: JLL Research

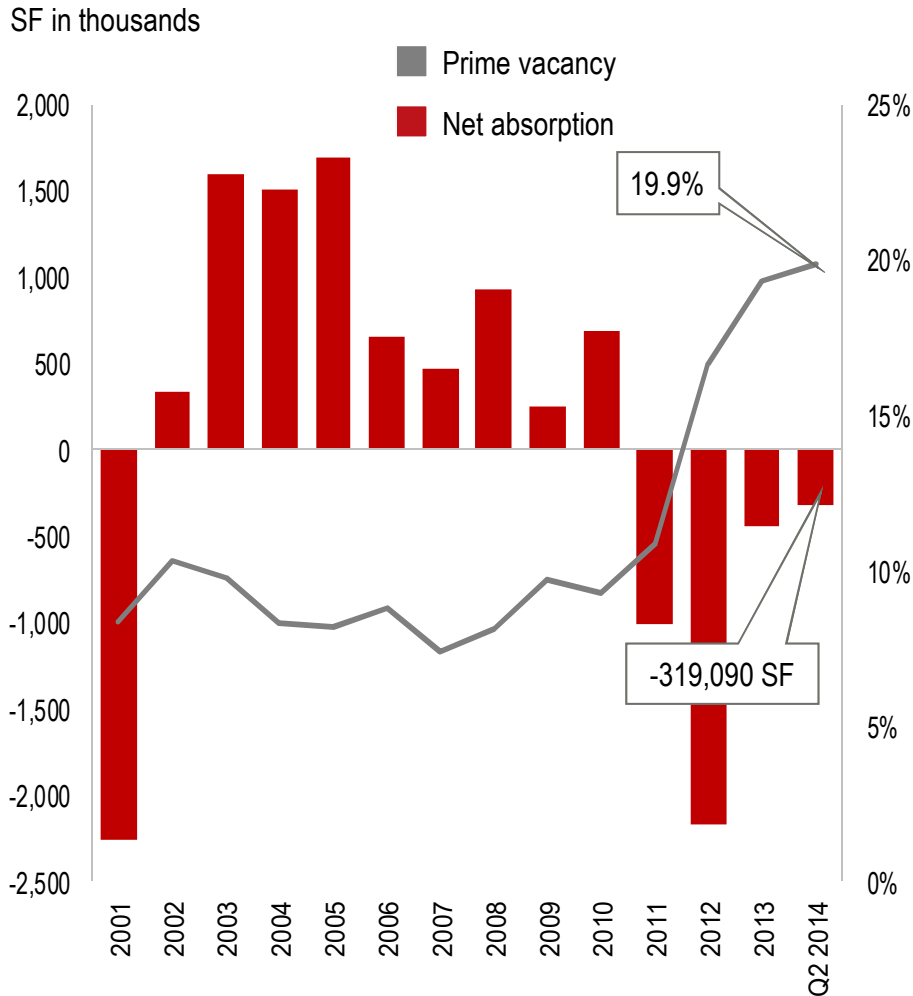
A look at today's federal budget environment; gap between revenue and spending reached an all-time high in 2009, but is trending in the right direction



Source: JLL, Office of Management and Budget



Inside the Beltway Virginia dynamics



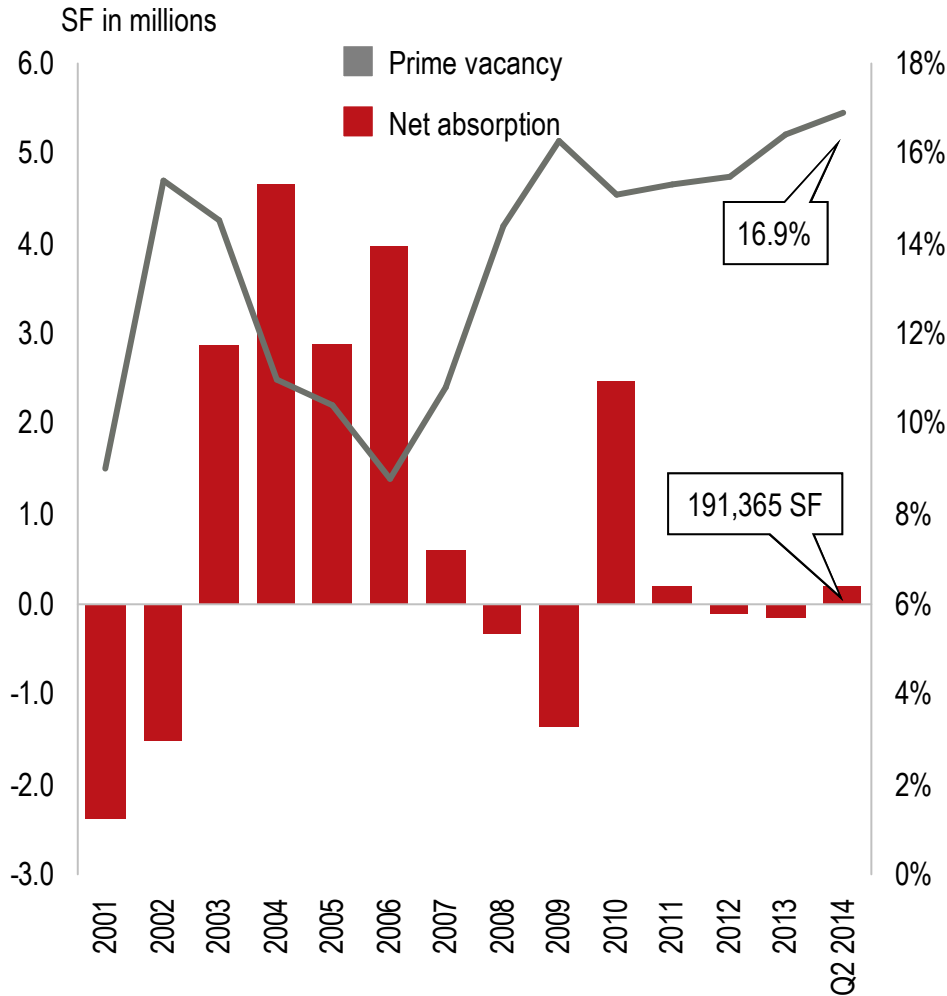
Market statistics

- 48.3 MSF market (286 buildings)
- 19.9% prime vacancy rate
- 20.1% total vacancy rate
- Class A: 18.1% prime; \$43.28 PSF
- Class B: 25.0% prime; \$36.05 PSF
- Construction: 1,048,626 SF (68.7% preleased)

Market trends

- BRAC relocations have caused 2.5 MSF of occupancy losses in Arlington County, severely impacting Crystal City & Rosslyn
- Government contractors are still seeing soft demand amid DoD budget cuts, yet some innovative sectors are offsetting that decline
- Asking rents dropped this year, driven by 15% cuts in Vornado's Crystal City portfolio

Outside the Beltway Virginia market dynamics



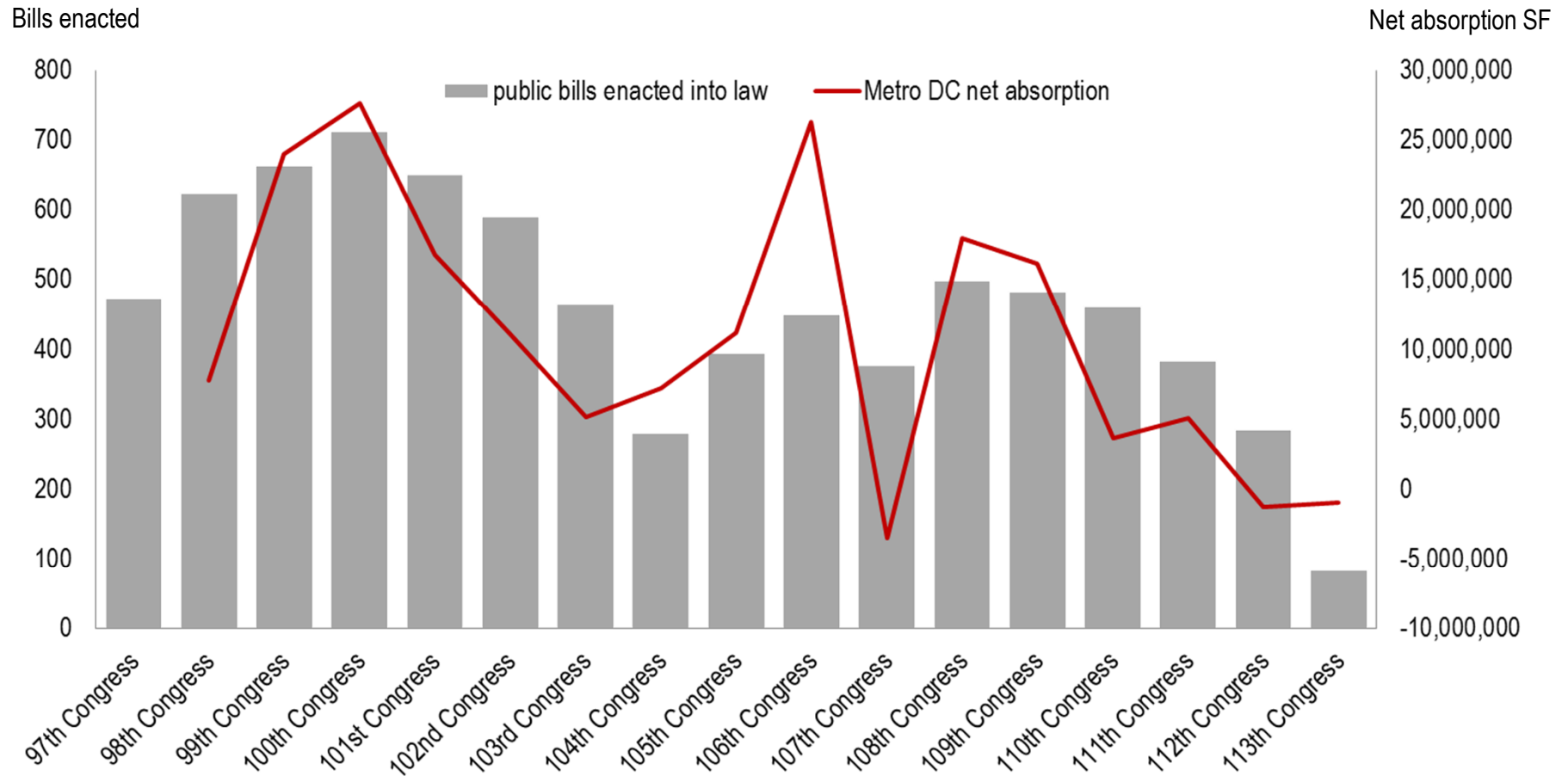
Market statistics

- 101.2 MSF market
- 16.9% prime vacancy rate
- 18.1% total vacancy rate
- Class A: 16.0% prime; \$34.16 PSF
- Class B: 19.5% prime; \$27.83 PSF
- Construction: 1,166,577 SF (42.9% preleased)

Market trends

- Reston Town Center continuing to vastly outperform the market, with move-ins by Bechtel and Leidos helping boost net absorption
- Future leasing demand likely to flatten outside the Beltway (aside from Reston Town Center and future Metro-served locations) due to changing workforce preferences that favor mixed-use, transit-oriented locations

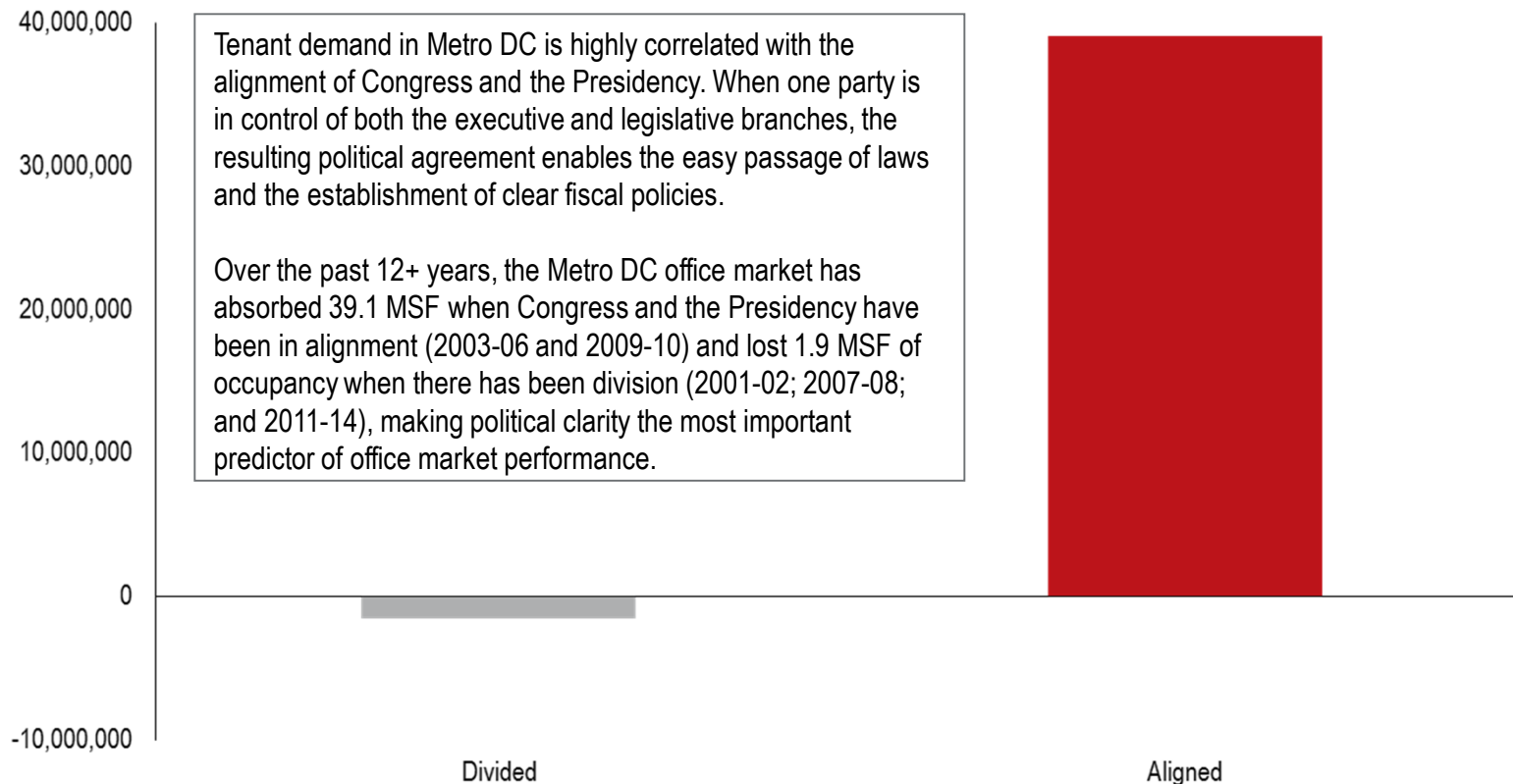
Policy-driven market: Metro DC office net absorption trends with number of bills enacted into law



Source: JLL, U.S. Senate, data as of May 2014

Political alignment drives Metro DC office demand, while government gridlock stalls growth

Aggregate net absorption (SF)



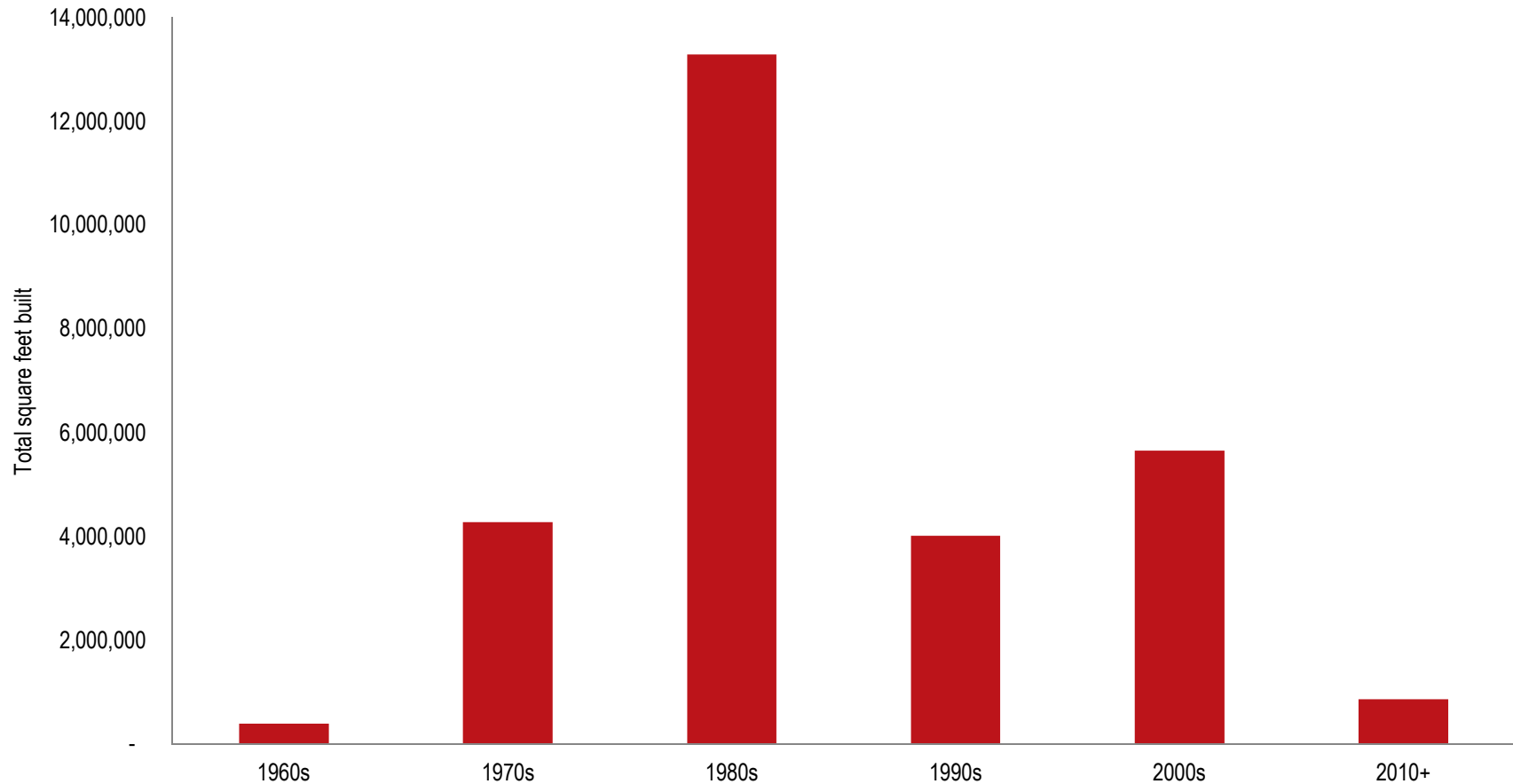
Source: JLL

Tyson's past success

- Driven by vehicular accessibility, pro-business governance and excellent public services
- Proximity to a retail hub – Tysons Corner Center – the largest shopping mall in the Mid-Atlantic



Office construction in Tysons peaked in the 1980s, when 13.3 million square feet delivered



Source: Jones Lang LaSalle

Tyson's current challenges

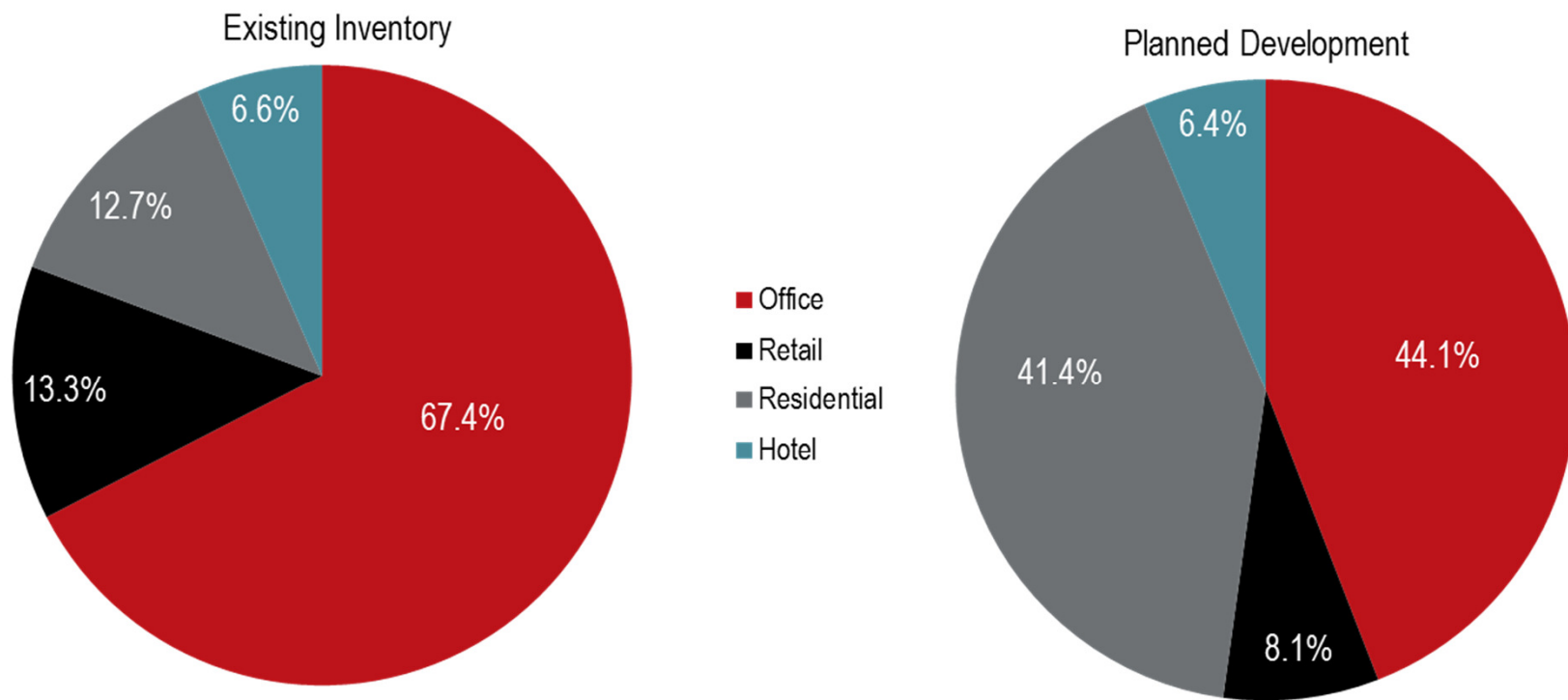
- Traffic
- Walkability
- Relative lack of modern, efficient space
- Perception/cool factor



Image source: washingtonpost.com

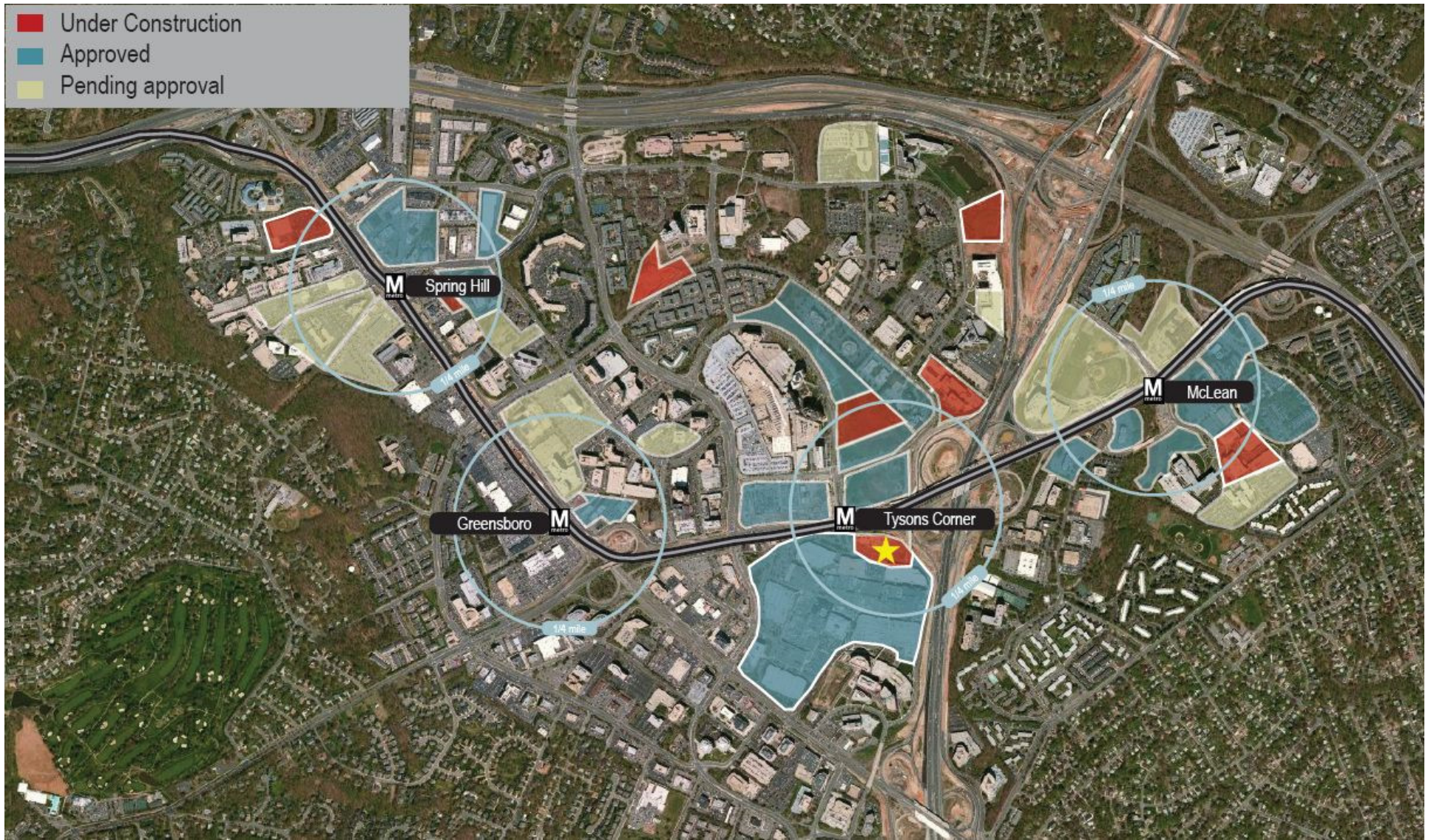
Image source: vithayaphotography

Future development will help reshape Tysons into more of a 24/7, mixed-use, live-work-play environment



Source: Jones Lang LaSalle

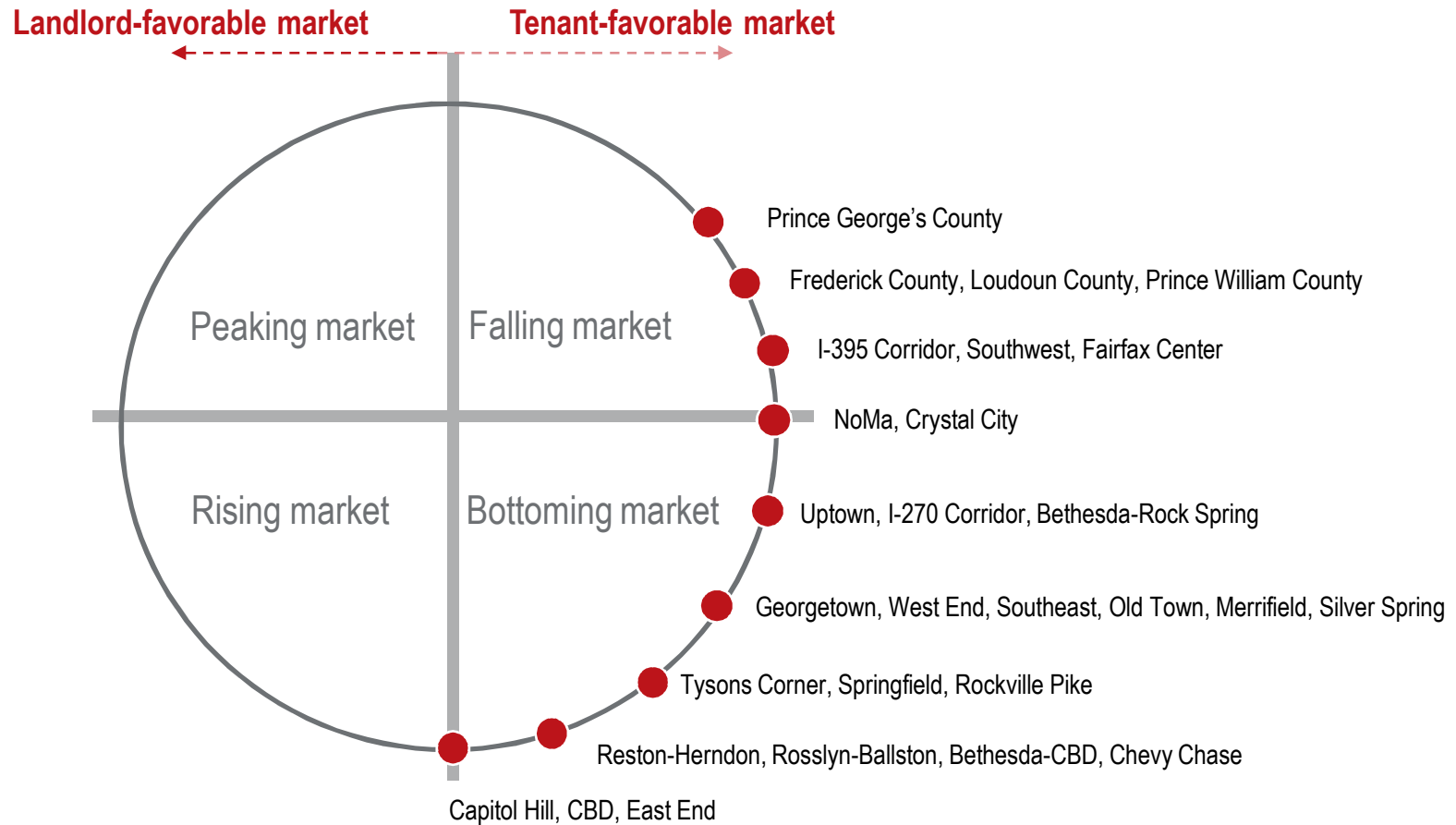
The four future “City Centers” of Tysons



Regional demographics and retail expenditures

	Median household income	Median age	Annual retail expenditures	Have a college degree	Walk Score
Tysons	\$107,704	39.4	\$39,685	80.1%	66
Bethesda	\$102,717	39.5	\$40,889	83.1%	98
Chevy Chase	\$111,489	47.8	\$45,550	86.4%	78
Reston/Herndon	\$96,077	35.3	\$35,734	66.8%	36 (82 in Town Center)
R-B Corridor	\$103,570	31.7	\$35,803	85.5%	94
City Center	\$66,055	33.3	\$33,612	72.7%	94
Dupont	\$95,327	33.3	\$38,890	88.8%	98
U Street	\$81,699	32.8	\$33,947	70.1%	91
Capitol Hill	\$113,799	35.7	\$44,693	87.5%	91

Metro Washington, DC Office Clock Q2 2014





*Landlord
perspective—
new vs. legacy
properties*

Yorke Allen

Landlord perspective

Tysons Historical Drivers

- CBD of Northern Virginia
- Centrally located in Fairfax County 13 miles from Dulles International Airport and 11 miles from DC

Transportation

- Companies can pull employees from Maryland, Virginia and Washington, DC.
- Access to major transportation arteries including the Beltway, Dulles Toll Road, I-66 and Route 7.
- Many employees benefit from reverse commute

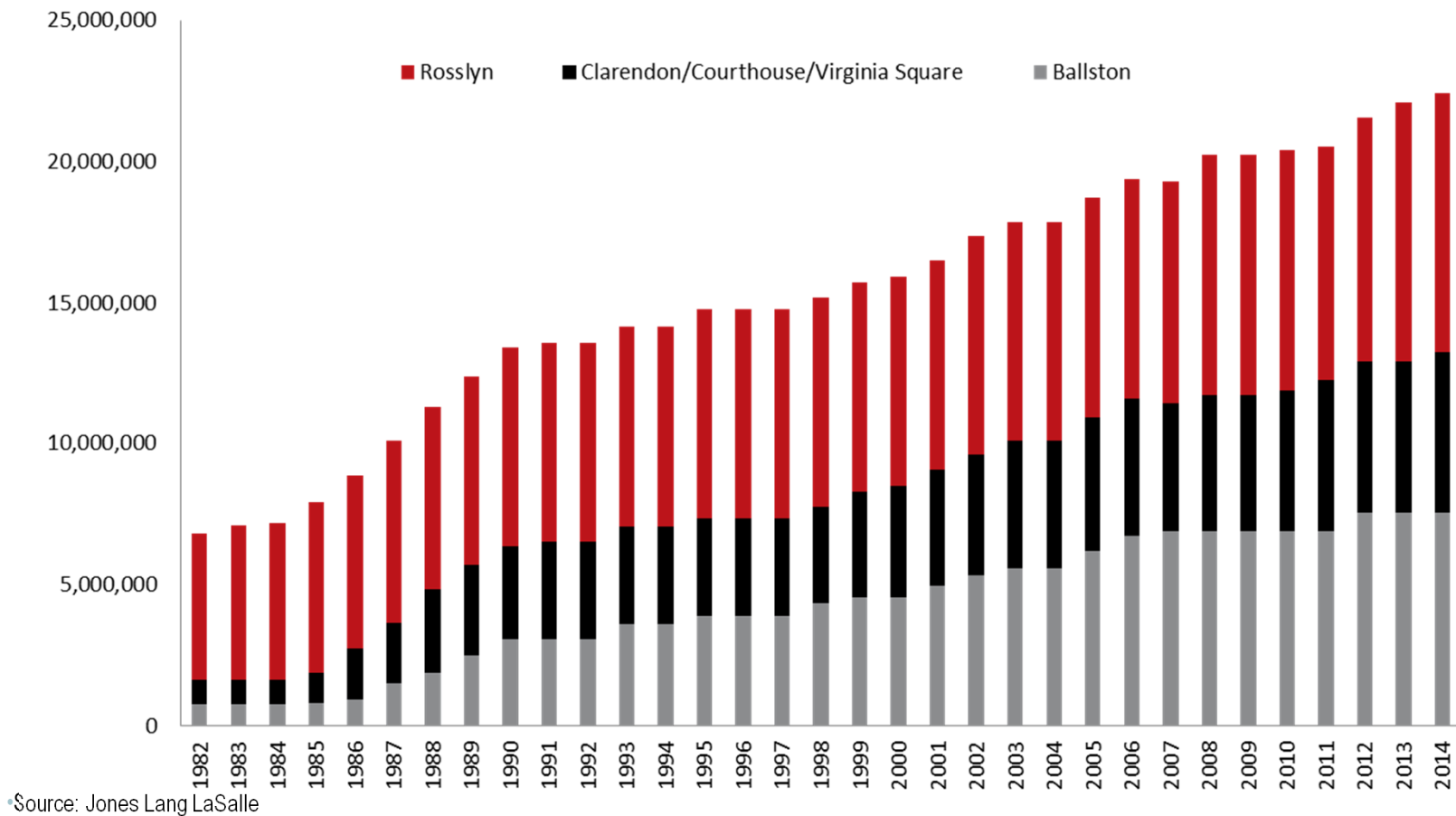
Opportunities

- Low cost alternative to closer in submarkets including RB Corridor, Crystal City, Old Town and DC

Who are the winners and losers when Metro opens on July 26?

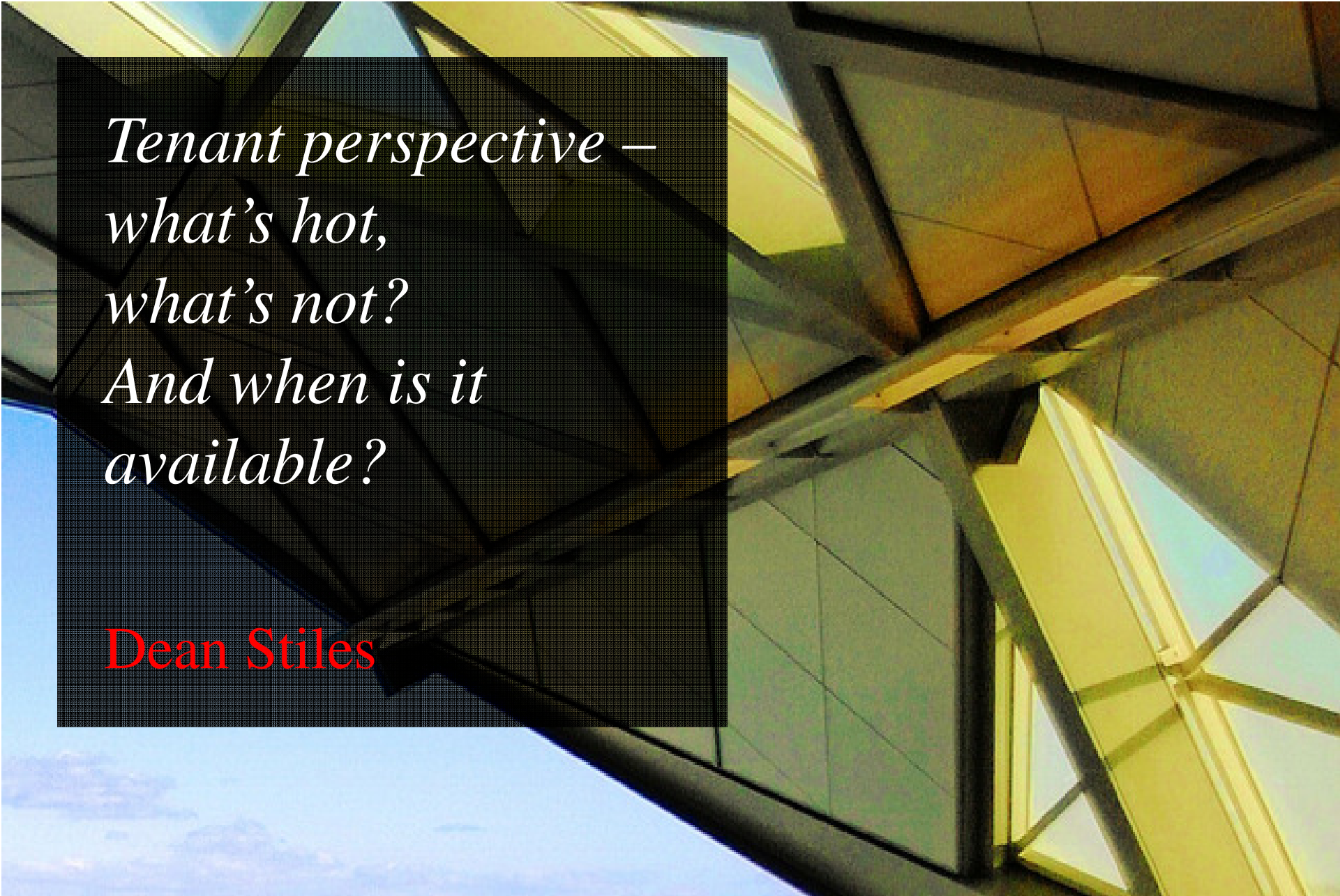
- No immediate impact on pricing
- Need more office job growth and tenant demand
- Metro will give Tysons a bigger pool of tenants. Will be able to attract from DC, MD, Inside the Beltway. Opens up Tysons to federal agencies that need to be located within half a mile of a metro stop
- When the Silver Line opens only building located within 400 yards of the stations will be considered walkable while further away offices will use shuttles.
- Won't be walkable until more retail and residential projects deliver

It will take years to fully build out Tysons just as supply has tripled in the 35 years after metro opened five stops in the Rosslyn Ballston Corridor.



Positive takeaways for Metro


- Shovels in the ground on the first wave of development
- Macerich delivered office building, nearing completion on hotel and apartment buildings
- Lerner resumed construction on 1775 Tysons Boulevard
- Greystar's Ascent delivered in April and has leased over 100 units. They are going to begin construction on another 400-unit apartment
- Cityline Partners' Arbor Row under construction
- New product within ¼ mile of metro is leasing as seen by Tysons Tower delivering 61.4 percent preleased



*Tenant perspective –
what's hot,
what's not?
And when is it
available?*

Dean Stiles

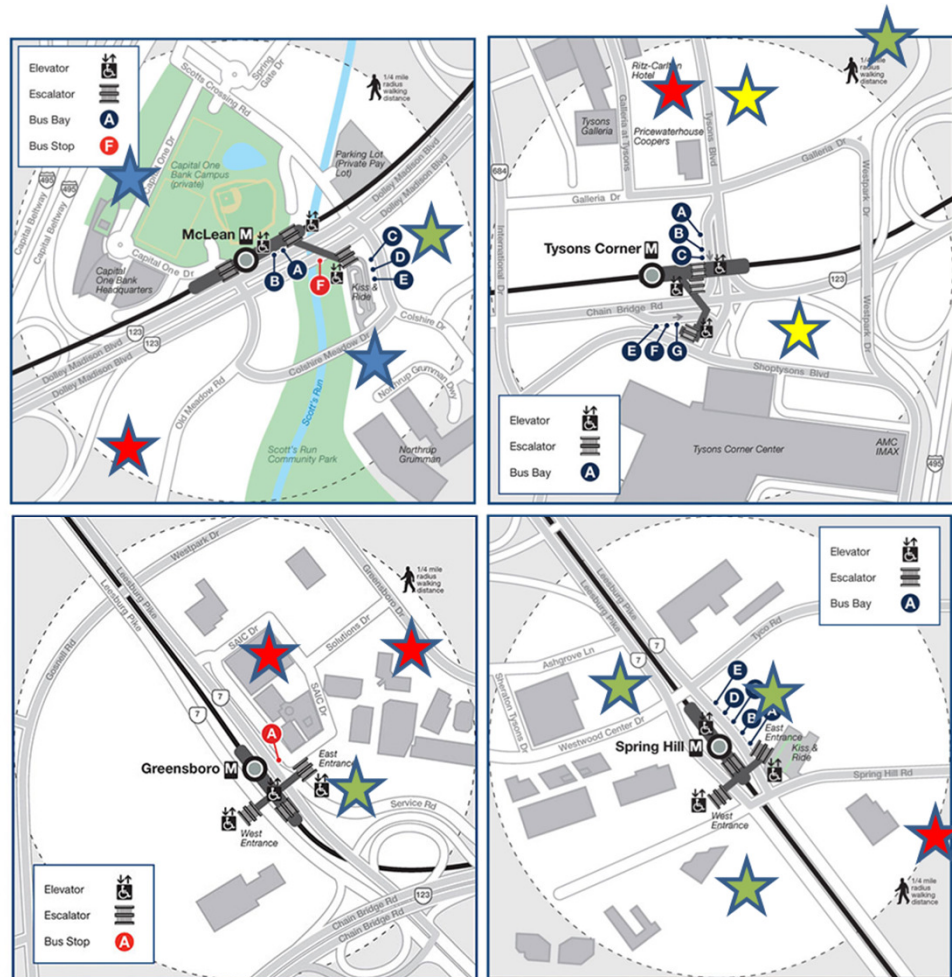
20,000 sf of Office Availability within ¼ mile?

 EXISTING

 NEW
2016

 NEW
2017

 NEW
2020?



Maps taken from SilverlineMetro.com

McLean Station future development

Office SF

7,674,047

Residential Units

7,030

Retail SF

310,876

Hotel Keys

960

Sampling of projects...



Capital One Expansion
Capital One
26.21 acre site which will include 4.9 MSF of total development in 12 buildings



MITRE IV Johnson Site
MITRE
19.61 acre site which will include one 334,047 SF office building.



Scotts Run
Cityline Partners
28.05 acre site including 6.4 MSF of mixed-use development including 3.5 MSF of office and 2.6 MSF of multi-family



The Commons
LCOR Inc.
20.1 acre site which will include 2.5 MSF of residential development. This is the largest residential project in Tysons with over 2,500 dwelling units.

Source: JLL

Tysons Corner Station future development *Sampling of projects...*

Office SF

6,080,000

Residential Units

3,099

Retail SF

334,000

Hotel Keys

940



Corporate Office Center at Tysons II
Lerner Enterprises
32.04 acre site which will contain 3.4 MSF in seven office buildings with one which can be flipped to hotel. There will also be one 540-unit residential tower



Tysons Corner Center
Macerich
78.66 acre site with 3.5 MSF of additional development in four phases. There will be four office buildings, four residential buildings, one hotel, and an additional 275,000 SF of retail



Arbor Row
Cityline Partners, AMT, Hannover Companies, and Home Properties
19.4 acre site with 2.57 MSF of development including 1.1 MSF of office, 1.2 MSF of residential, one 162,000 SF hotel and 59,000 SF of retail.



7900 Westpark Drive
Washington Realty Investment Trust
8.0 acre site undergoing \$35M renovation of buildings consisting of completely renovated atrium and expanded main lobby. Planning one residential tower and retail

Greensboro Station future development

Office SF

3,673,070

Residential Units

3,335

Retail SF

221,000

Hotel Keys

600



Sampling of projects...

Greensboro Station
The Meridian Group
Includes 2.6 MSF of office, a
380,000 SF hotel, 1.9 MSF of
residential and 38,000 SF of retail.

Tysons Central 7
NV Commercial/Clyde's Real
Estate Group
5.79 acre site which will include
1.62 MSF of mixed use
development in six buildings
including three offices, two
residential buildings and one hotel.

Greensboro Park Place
Beacon Capital Partners
6.9 acre site which will include two
residential buildings containing 520
units.

Park Crest
Northwestern Mutual
300 unit apartment building which
delivered in February 2014

Spring Hill Station future development

Office SF

5,648,170

Residential Units

6,424

Retail SF

721,600

Hotel Keys

750

Source: Jones Lang LaSalle

Sampling of projects...



Tysons West
JBG Rosenfeld
Phase I includes a Walmart that opened in 2013. Will have 1.3 MSF at total build out



Dominion Square West
Capital Automotive
7.62 acre site which will have 2.2 MSF at total build out including three office buildings and three residential towers



Perseus Realty and Sunburst
Hospitality Corporation
7.6 acres which will include a mix of development.



Dominion Square East
Capital Automotive
11.96 acre site which will include three office buildings, two residential towers and one hotel



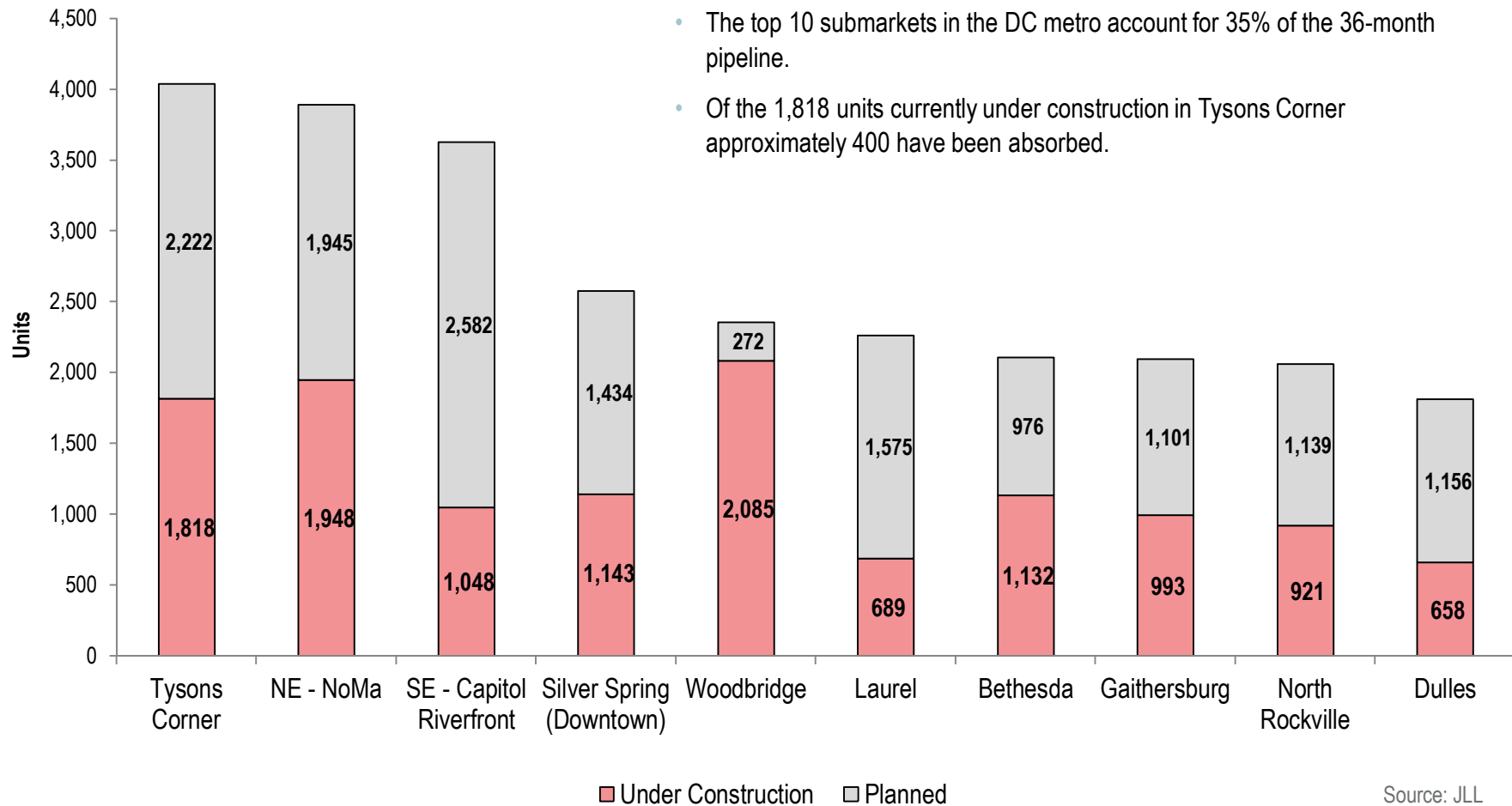
Spring Hill Station
Georgelas Group
31.62 acre site which will include 7.4 MSF of future development



*Capital Markets –
Multifamily and
office*

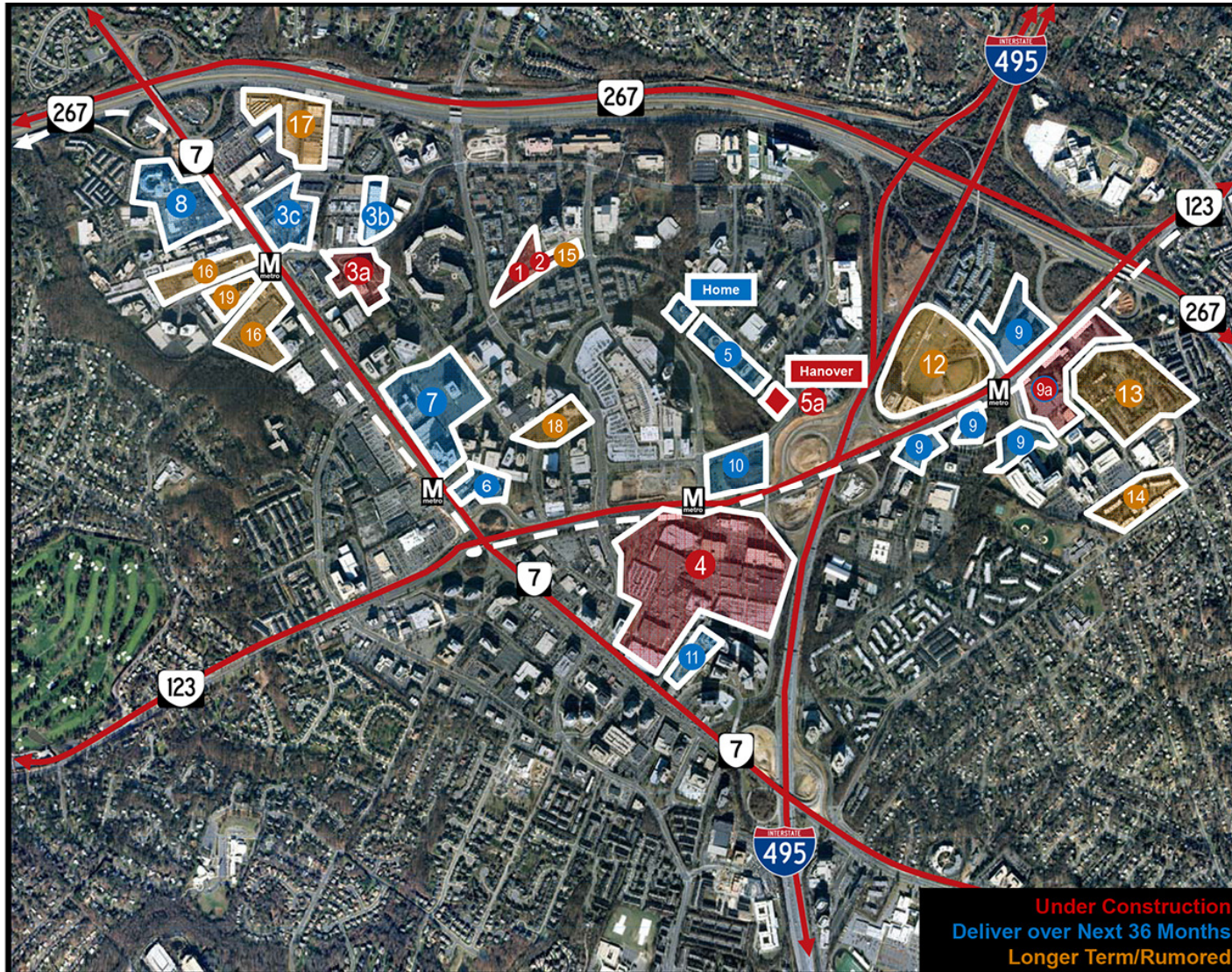
**Scott Melnick
Wes Boatwright
Bill Prutting**

Tysons Corner leads the metro area in multifamily development activity

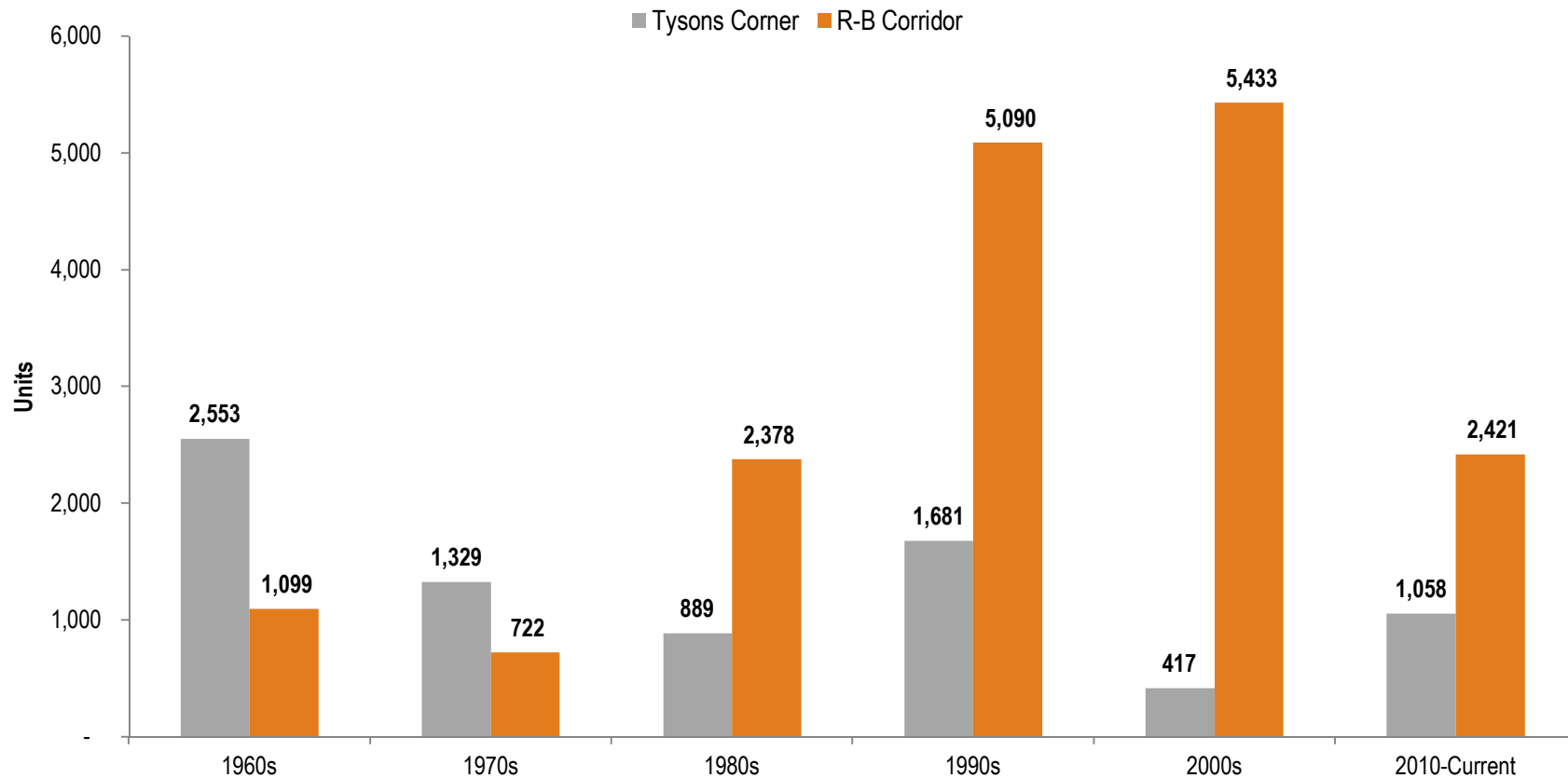


- The top 10 submarkets in the DC metro account for 35% of the 36-month pipeline.
- Of the 1,818 units currently under construction in Tysons Corner approximately 400 have been absorbed.

Multifamily development centered on Silver Line stations

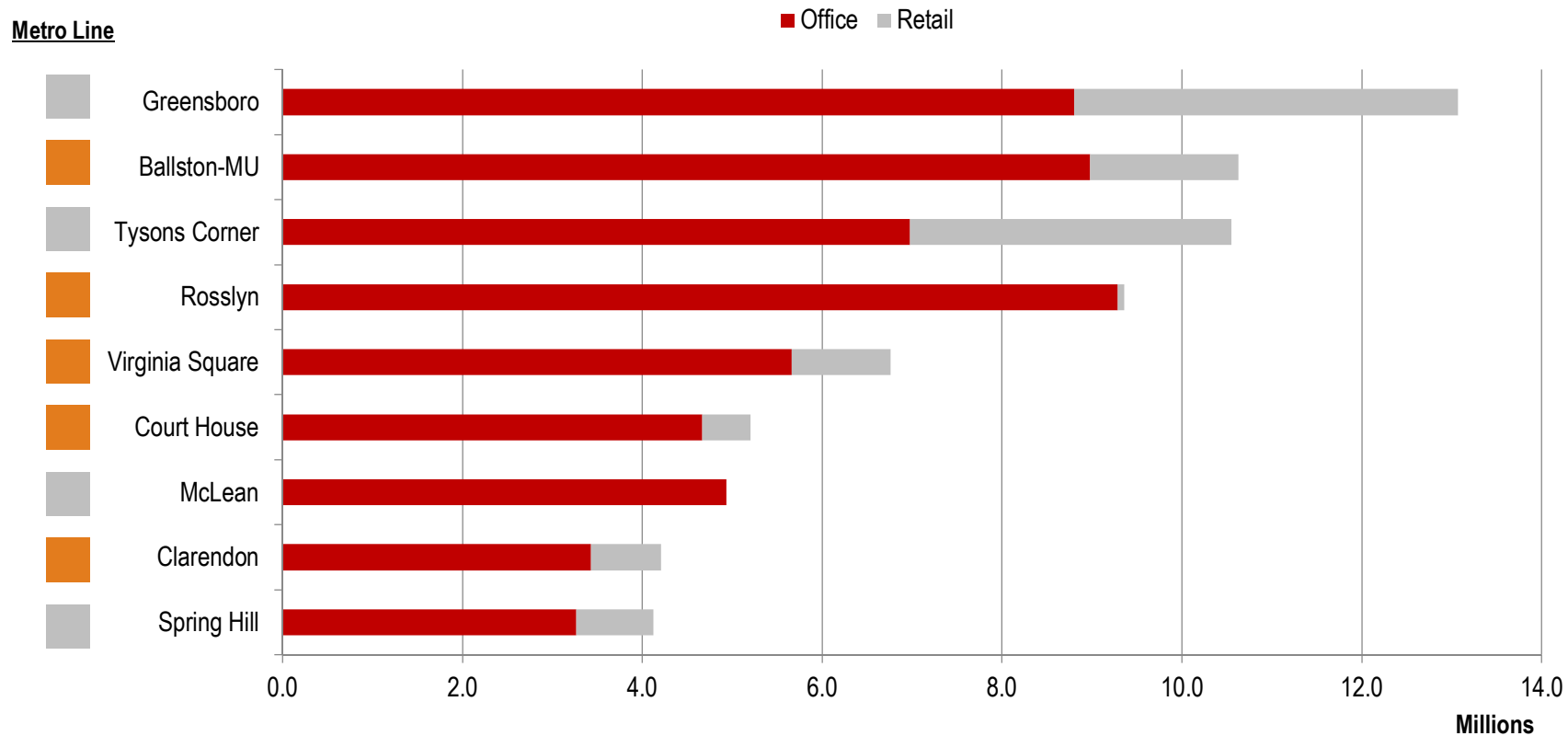


Despite an uptick in new construction, Tysons remains historically undersupplied, especially compared to other Metro served submarkets such as the R-B Corridor



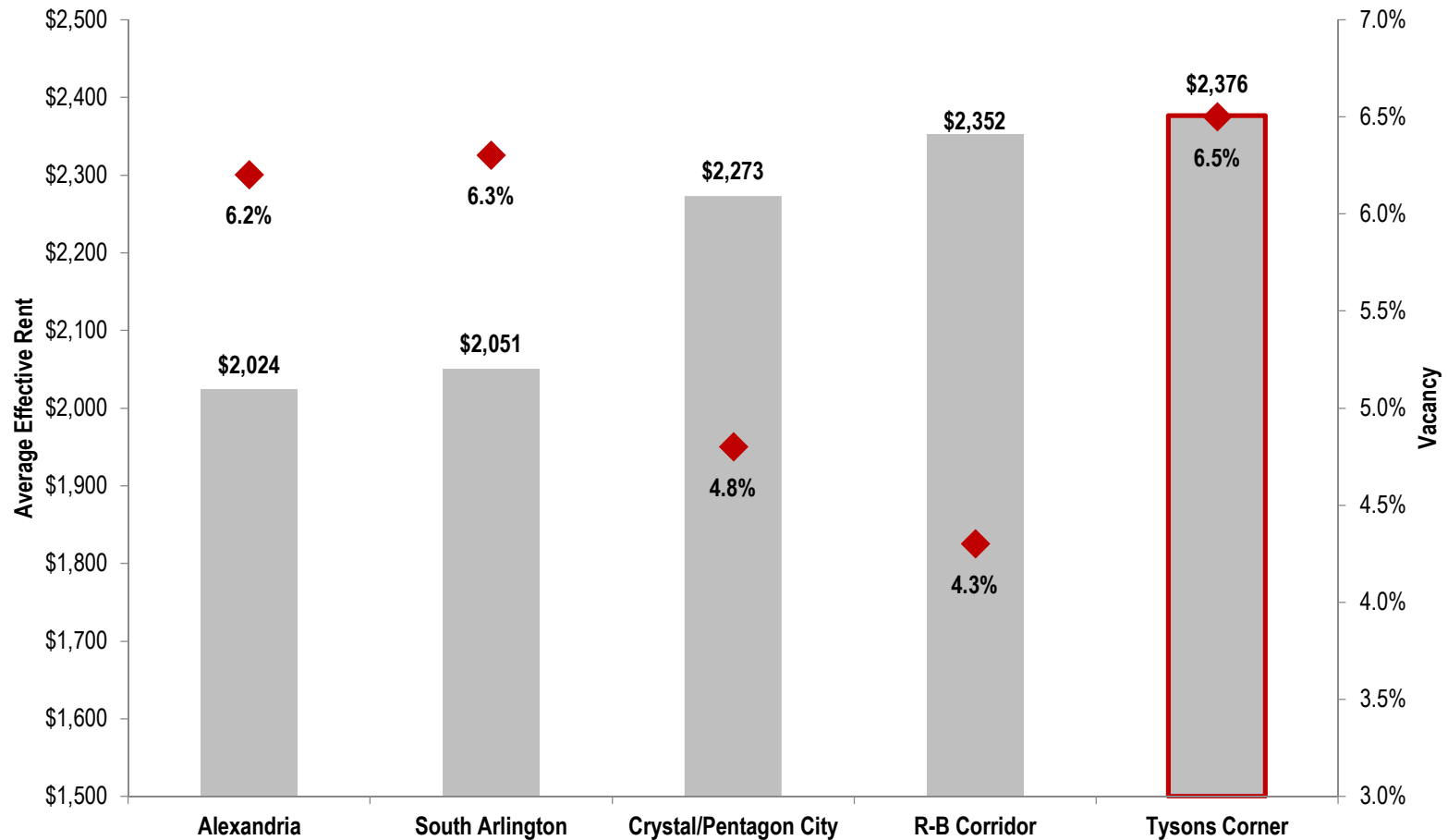
Source: JLL

The abundance of retail and office space within a 0.5 mile radius of the new Silver Line Metro stations has set the stage for desirable walkable communities



Source: JLL

Class A residential rents in Tysons in line with R-B Corridor but vacancy remains slightly elevated



Source: JLL

Areas around Silver Line metro stations primed for multifamily development

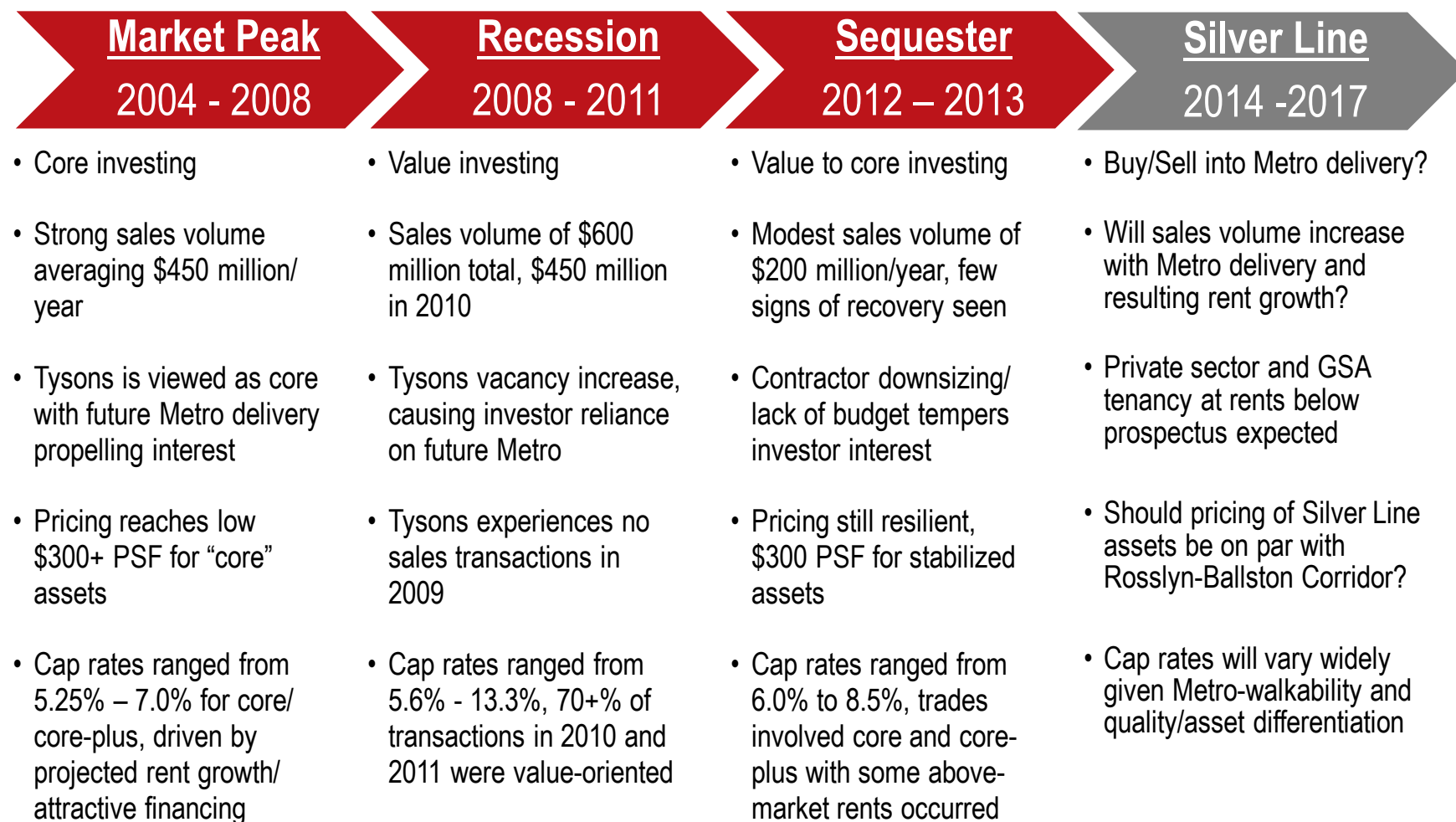
Metro Station	Walk Score	Office SF	Retail SF	Existing Units	Units U/C	Units Proposed	Population
Tysons Corner	69	6,974,649	3,575,283	1,181	835	894	1,212
Wiehle-Reston East	52	4,059,790	14,346	0	450	380	1,285
McLean	54	4,935,292	0	624	440	2,600	3,029
Greensboro	62	8,801,079	4,270,761	571	0	520	1,711
Spring Hill	57	3,265,677	858,659	678	0	350	3,157
Clarendon	91	3,429,778	777,091	3,224	737	126	11,632

- All five Silver Line Metro stations rank among the top ten Metro stations when comparing the ratio of total office square footage to existing multifamily units
- The Greensboro, Tysons Corner and Spring Hill stations rank in the top ten when applying the same ratio to total retail square footage

Note: Statistics reflect the ½ mile radius surrounding each of the Silver Line Metro stations

Office Capital Markets: Silver Line/Tyson's Perspective

What Metro opening means to Tyson's and Wiehle station assets and how to capitalize on Phase II sites





Thank you