For the NAIOP Annual Forecast 2008
February 7, 2008

Office Market Overview: 2007 to 2009

The United States
Washington, D.C. Metropolitan Area
Northern Virginia

Bruce E. Mosler *President and Chief Executive Officer*
Audrey Z. Cramer *Vice Chairman*
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United States
Office Market
Overview
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U.S. Office Market Overview

2007 Summary

- ✓ Fundamentals in the U.S. office market remain sound
- ✓ The U.S .national vacancy rate is at a six-year low: 9.7% for Central Business Districts (CBD) and 14.3% in non-CBD markets
- ✓ The average asking rent hit a new high: $36.26 psf for the CBD, and $24.25 psf in suburban markets
- ✓ The U.S. is still under built compared with the last down cycle

2008 Outlook

- ✓ Rent will continue to rise in core markets, but this will be driven more by a lack of supply than demand
- ✓ Demand will be moderate-to-flat in 2008, as the U.S. economy sorts through the effects of the credit crunch and a slowing economy
- ✓ The market is undersupplied and leasing by tenants over the past five years has been conservative, suggesting that unless a prolonged recession ensues tenants will not give back as much space as the last downturn and landlords will retain a slight advantage

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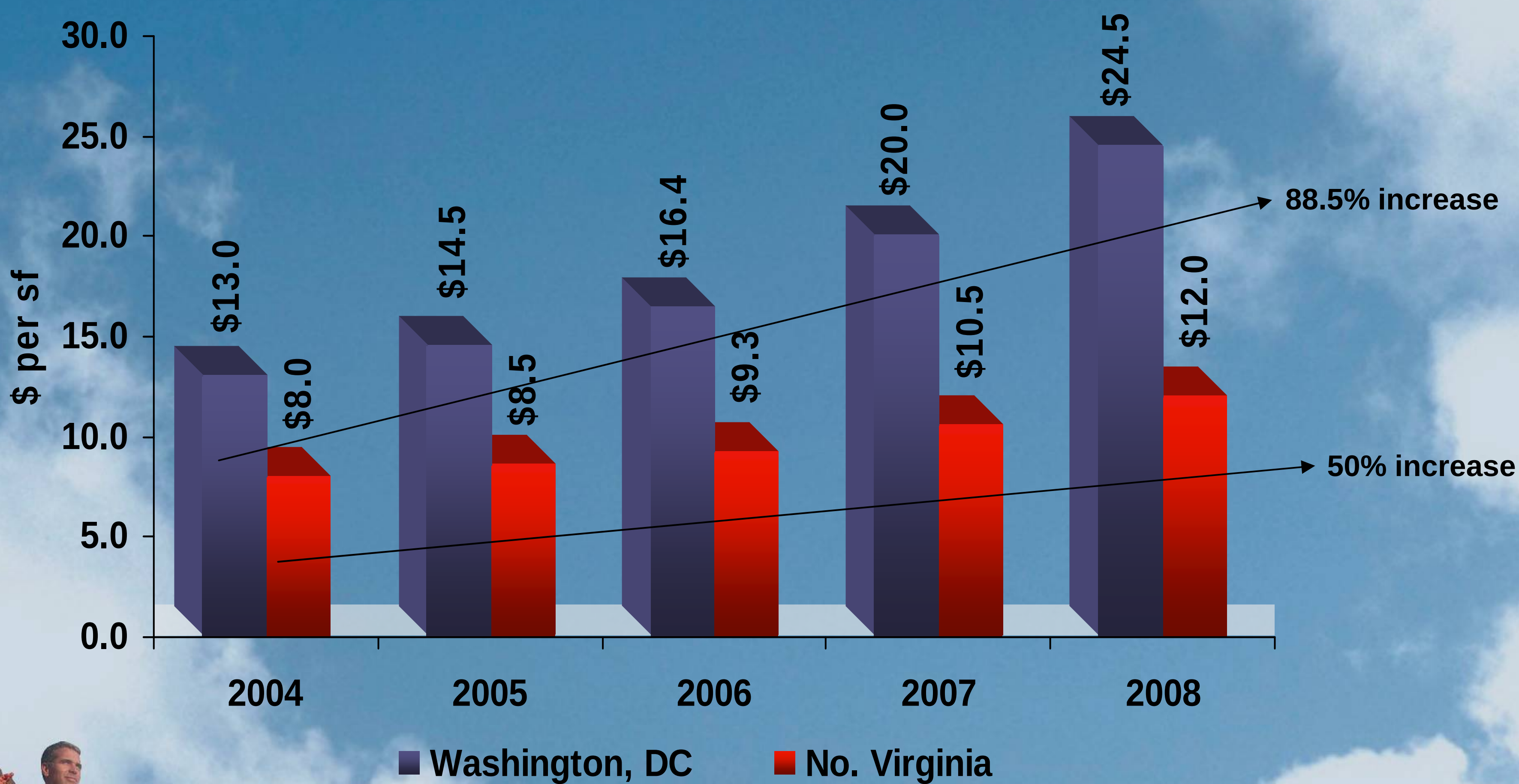
Operating Expenses and Real Estate Taxes Washington, DC vs. Northern Virginia



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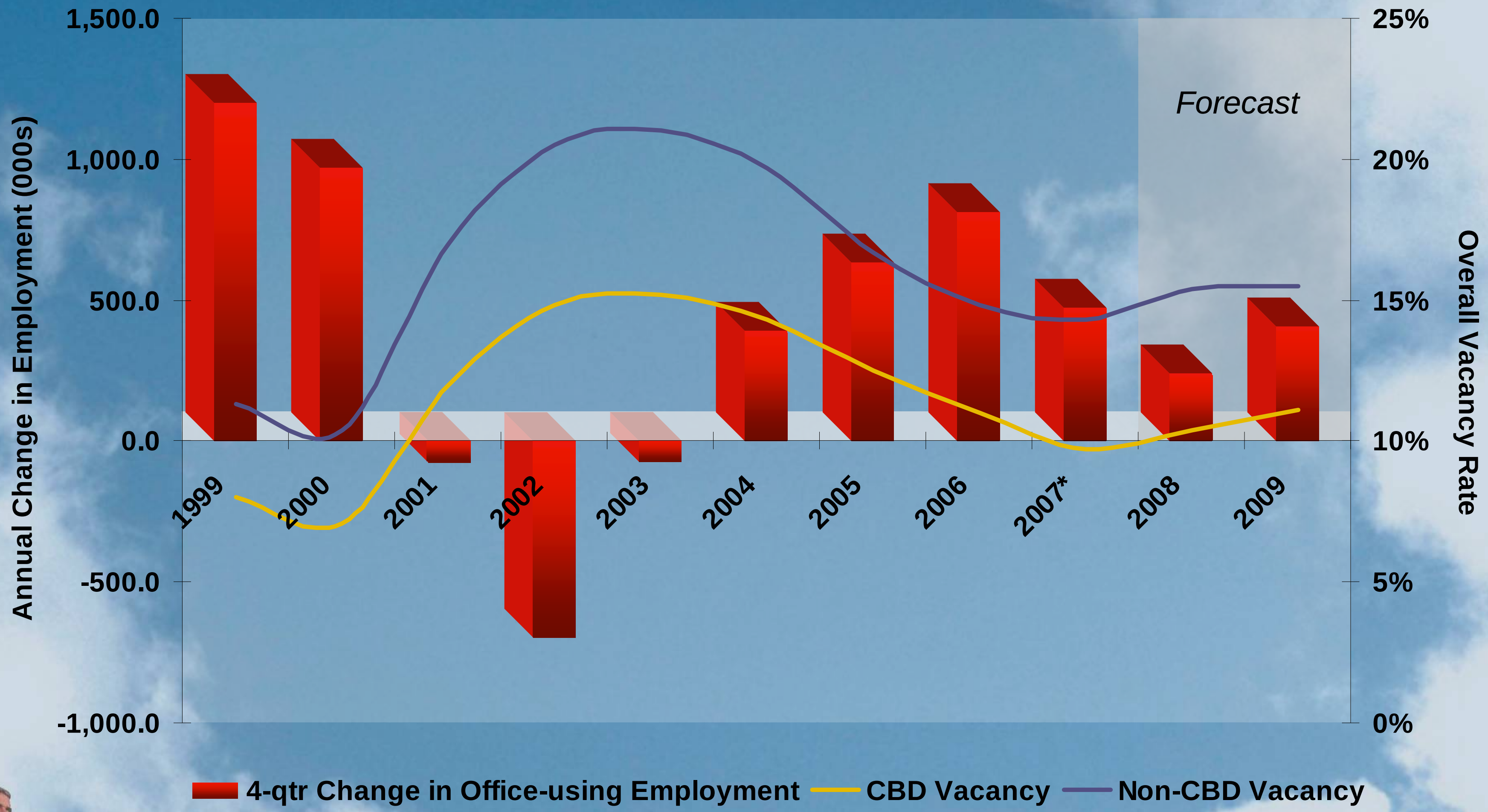
U.S. Growth in Office-using Employment vs. Vacancy Rates 1999 to 2009



** Data as of Fourth Quarter 2007*

Source: Moody's/Economy.com, Cushman & Wakefield Research

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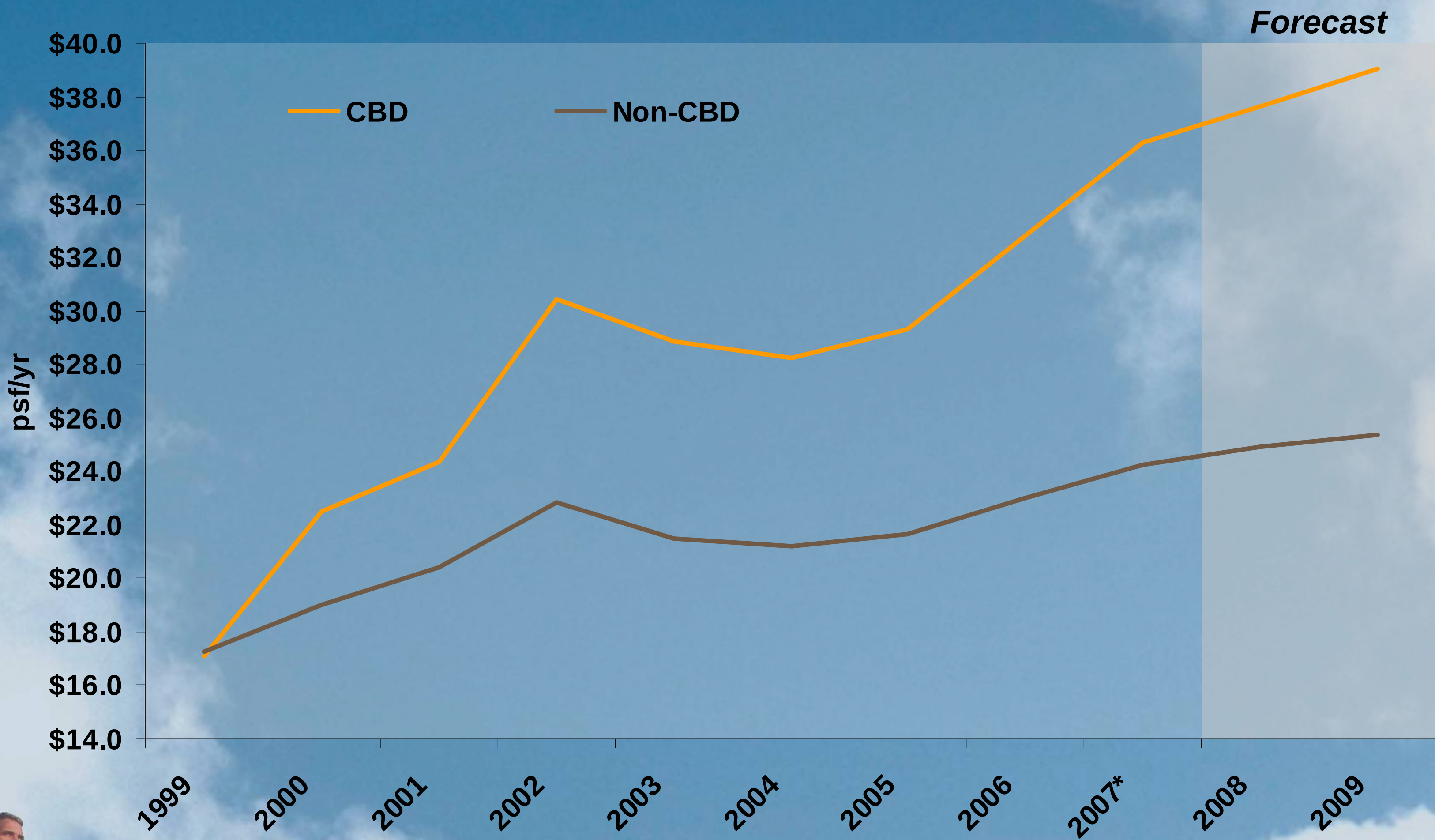
U.S. Average Asking Rental Rate 1999 to 2009



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Source: Moody's/Economy.com, Cushman & Wakefield Research

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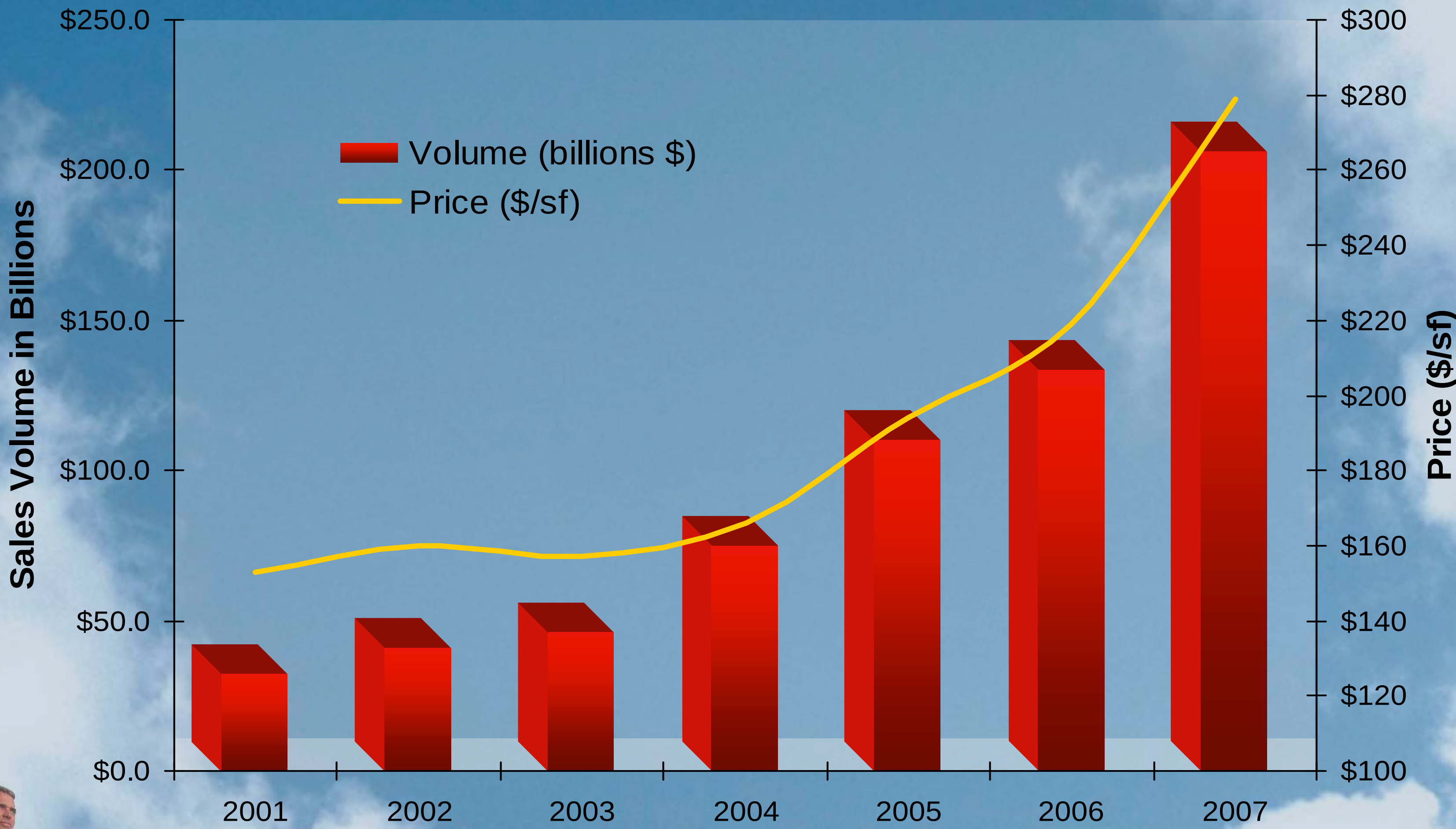
Office Sales Trends



** Data as of December 2007*

Source: Real Capital Analytics, Cushman & Wakefield Research

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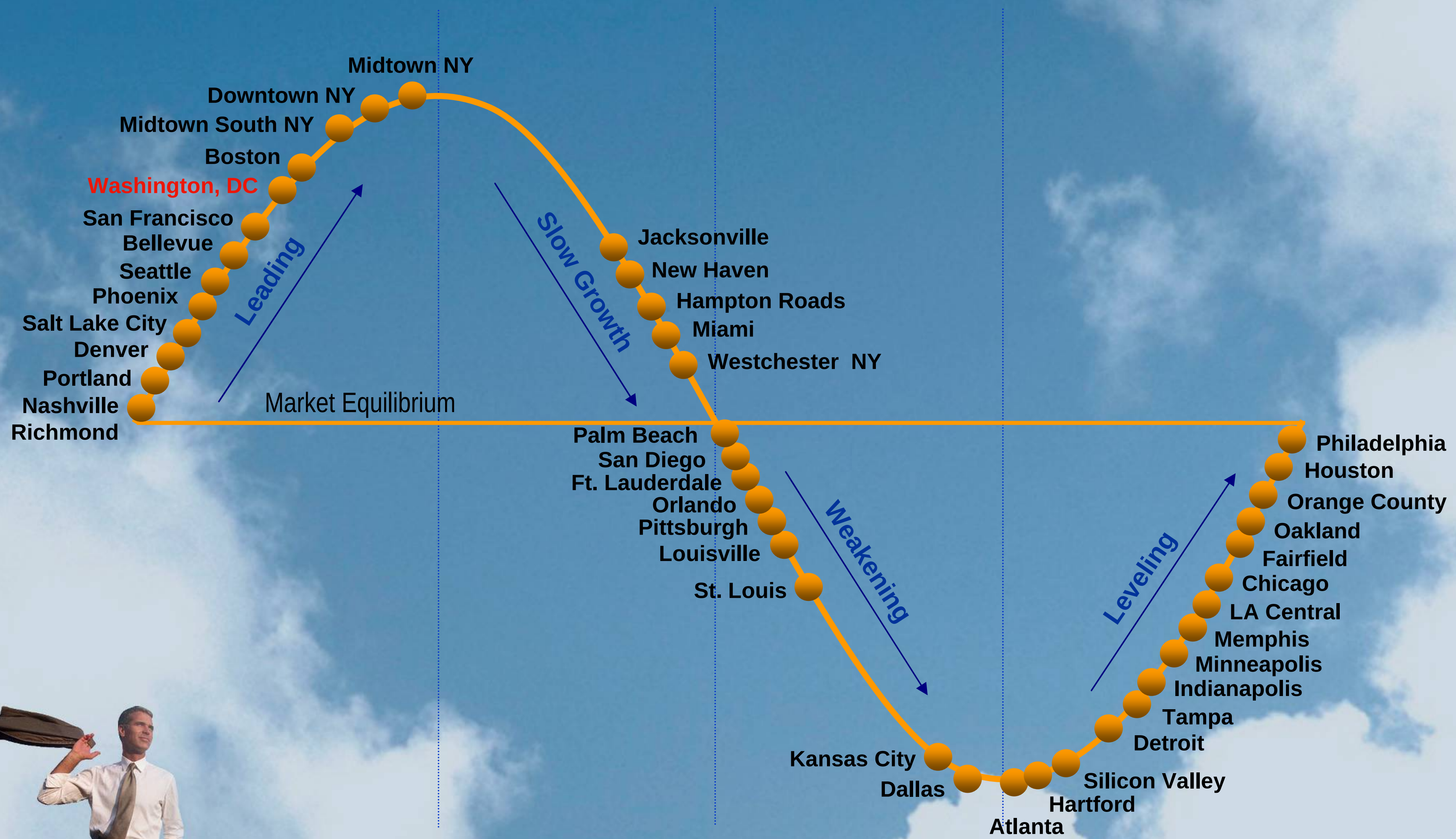
CBD Office Market Cycle



** Data as of Fourth Quarter 2007*

Source: Cushman & Wakefield Research

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Non-CBD Office Market Cycle

** Data as of Fourth Quarter 2007*

Source: Cushman & Wakefield Research

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Washington, D.C.
Metropolitan Area
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Washington, DC Metro Area
Fourth Quarter 2007 Market Snapshot

	Washington, DC	Northern VA	Suburban MD
Total Inventory	**95,107,781 sf**	**121,859,513 sf**	**57,376,154 sf**
Direct Asking Rental Rate	**$49.00 per sf**	**$31.81 per sf**	**$28.05 per sf**
Direct Vacancy Rate	**6.0 %**	**9.9 %**	**9.9 %**
Overall Vacancy Rate	**7.1 %**	**11.0 %**	**11.9 %**
YTD Overall Absorption	**1,218,595 sf**	**1,808,181 sf**	**(326,173) sf**
YTD Construction Completions	**1,963,434 sf**	**3,516,002 sf**	**1,021,743 sf**
Under Construction/Renovation	**7,973,575 sf**	**4,960,498 sf**	**2,365,389 sf**

** Inventory does not include owner-occupied buildings, RBA = to or > 25,000 sf for Washington, DC and Northern VA, RBA = to or > 10,000 sf for Suburban MD*

Top 10 Markets
Size of Market Inventory

CBD (32 Markets)

1.	Midtown, NY	237.4 msf
2.	Chicago, IL	119.2 msf
3.	Washington, DC	95.1 msf
4.	Downtown, NY	88.8 msf
5.	Midtown South, NY	64.2 msf
6.	Boston, MA	58.9 msf
7.	San Francisco, CA	47.0 msf
8.	Philadelphia, PA	41.6 msf
9.	Seattle, WA	37.2 msf
10.	Houston, TX	35.8 msf

Non-CBD (42 Markets)

1.	Dallas, TX	142.1 msf
2.	Northern VA	121.8 msf
3.	Houston, TX	119.6 msf
4.	Atlanta, GA	116.2 msf
5.	Boston, MA	116.2 msf
6.	Northern NJ	104.4 msf
7.	Chicago, IL	94.9 msf
8.	Philadelphia, PA	86.2 msf
9.	Central NJ	71.3 msf
10.	Denver, CO	68.3 msf

Source: Cushman & Wakefield Research

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Top 10 Markets
Lowest Vacancy Rates

CBD (32 Markets)

1.	Midtown South, NY	4.7%
2.	Bellevue, WA	5.1%
3.	Midtown, NY	5.8%
4.	Downtown, NY	6.2%
5.	Washington, DC	7.1%
6.	Boston, MA	7.5%
7.	San Francisco, CA	8.0%
8.	New Haven, CT	8.5%
9.	Denver, CO	8.6%
10.	Seattle, WA	8.8%

Non-CBD (42 Markets)

1.	Los Angeles-Tri-Cities, CA	7.6%
2.	Los Angeles, CA	8.0%
3.	Los Angeles-West, CA	8.4%
4.	San Francisco Peninsula, CA	9.9%
5.	Miami, FL	10.2%
6.	San Francisco, CA	10.4%
7.	Bellevue, WA	10.8%
8.	Los Angeles-North, CA	10.8%
9.	Long Island, NY	10.9%
10.	Northern VA	11.0%
15.	Suburban MD	11.9%

Source: Cushman & Wakefield Research

Top 10 Markets
Highest Overall Asking Rental Rates

CBD (32 Markets)

1.	Midtown, NY	$76.26
2.	Washington, DC	$48.13
3.	Downtown, NY	$47.47
4.	Midtown South, NY	$46.89
5.	Boston, MA	$46.30
6.	San Francisco, CA	$45.33
7.	Fairfield County, CT	$39.67
8.	Palm Beach, FL	$38.86
9.	Bellevue, WA	$36.27
10.	Orange County, CA	$35.07

Non-CBD (42 Markets)

1.	Los Angeles-West, CA	$47.51
2.	San Francisco Peninsula, CA	$39.32
3.	Los Angeles-Tri-Cities, CA	$35.49
4.	San Francisco, CA	$31.91
5.	Fairfield County, CT	$31.91
6.	Silicon Valley, CA	$31.89
7.	Long Island, NY	$31.77
8.	Northern VA	$31.23
9.	Westchester County, NY	$30.51
10.	Orange County, CA	$29.80
14.	Suburban MD	$27.31

Source: Cushman & Wakefield Research

Top 10 Markets
Highest Class A Direct Asking Rental Rates

CBD (32 Markets)	
1. Midtown NY	$84.98
2. Boston, MA	$66.84
3. Midtown South NY	$62.48
4. Downtown NY	$56.03
5. Washington, DC	$52.48
6. San Francisco, CA	$48.28
7. Palm Beach, FL	$43.34
8. Fairfield County CT	$42.18
9. Miami, FL	$40.16
10. Seattle, WA	$38.51

Non-CBD (42 Markets)	
1. Los Angeles West CA	$50.68
2. SF Peninsula, CA	$42.86
3. Los Angeles Tri-Cities CA	$37.60
4. San Francisco, CA	$36.89
5. Silicon Valley, CA	$36.30
6. Orange County CA	$36.28
7. Long Island NY	$36.24
8. Miami, FL	$35.46
9. Oakland, CA	$35.40
10. Fairfield County CT	$34.45
11. Northern VA	$34.34
15. Suburban MD	$31.26

Source: Cushman & Wakefield Research

Top 10 Markets
Highest Construction Completions

CBD (32 Markets)

1.	Orange County CA	2,209,898
2.	Washington, DC	1,963,434
3.	Midtown NY	1,500,000
4.	Philadelphia, PA	1,229,223
5.	Dallas, TX	864,200
6.	Bellevue, WA5	39,000
7.	Atlanta, GA	453,795
8.	Orlando, FL	421,472
9.	Seattle, WA	277,000
10.	Ft. Lauderdale, FL	251,844

Non-CBD (42 Markets)

1.	Phoenix, AZ	4,003,356
2.	Northern VA	3,200,870
3.	Dallas, TX	2,666,286
4.	Philadelphia, PA	1,744,403
5.	Baltimore, MD	1,532,643
6.	Atlanta, GA	1,427,266
7.	Los Angeles-West CA	1,422,949
8.	Houston, TX	1,329,231
9.	Orlando, FL	1,057,094
10.	Suburban MD	1,021,743

** Data as of Fourth Quarter 2007*

Source: Cushman & Wakefield Research

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Top 10 Markets
New Construction

CBD (32 Markets)		Non-CBD (42 Markets)	
1. Washington, DC	6,130,387	1. Dallas, TX	5,591,784
2. Downtown, NY	4,600,000	2. Atlanta, GA	4,601,815
3. Chicago, IL	3,893,346	3. Northern VA	4,580,307
4. Midtown, NY	3,450,000	4. Phoenix, AZ	3,990,751
5. Miami, FL	2,014,208	5. Houston, TX	3,650,110
6. Seattle, WA	1,960,139	6. Silicon Valley, CA	2,714,294
7. Bellevue, WA	1,704,698	7. Baltimore, MD	2,611,880
8. Denver, CO	1,074,897	8. Suburban MD	2,273,789
9. Phoenix, AZ	1,005,000	9. Boston, MA	1,894,295
10. San Francisco, CA	868,545	10. Miami, FL	1,835,654

** Data as of Fourth Quarter 2007*

Source: Cushman & Wakefield Research


Forecast
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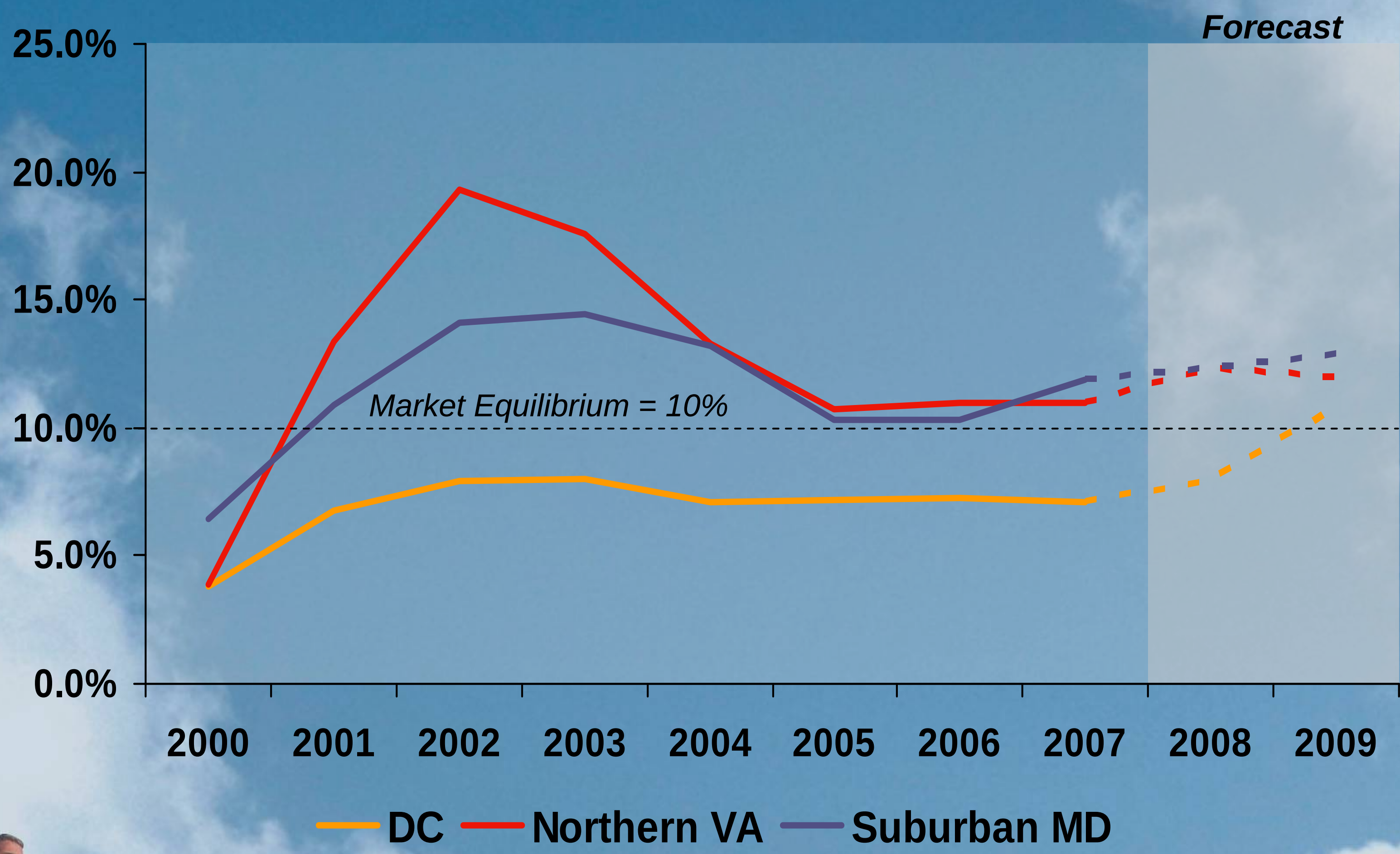
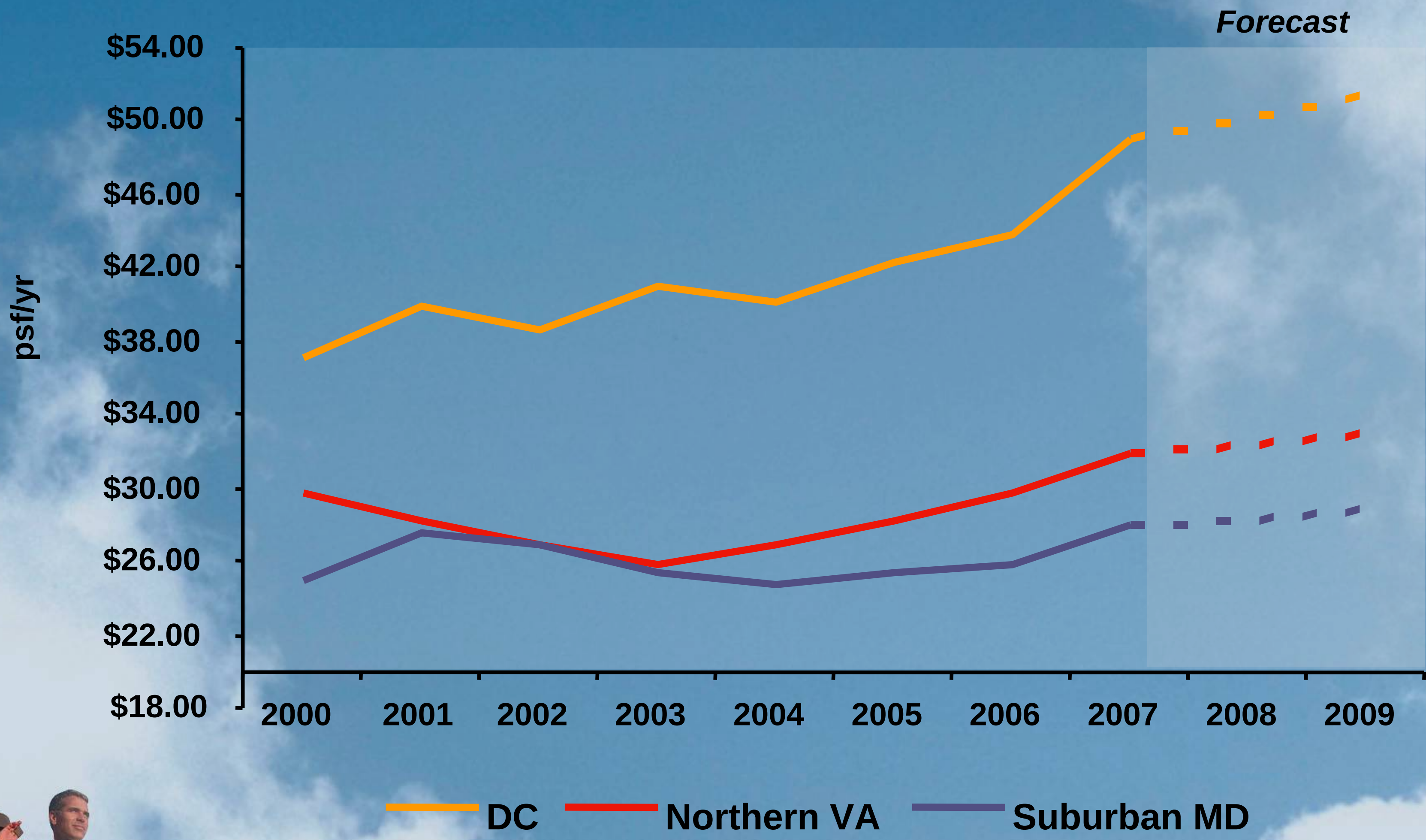
Washington, DC Metropolitan Area Overall Vacancy Rates



Washington, DC Metropolitan Area
Direct Asking Rental Rates



Note: Rental rates reflect $psf/year

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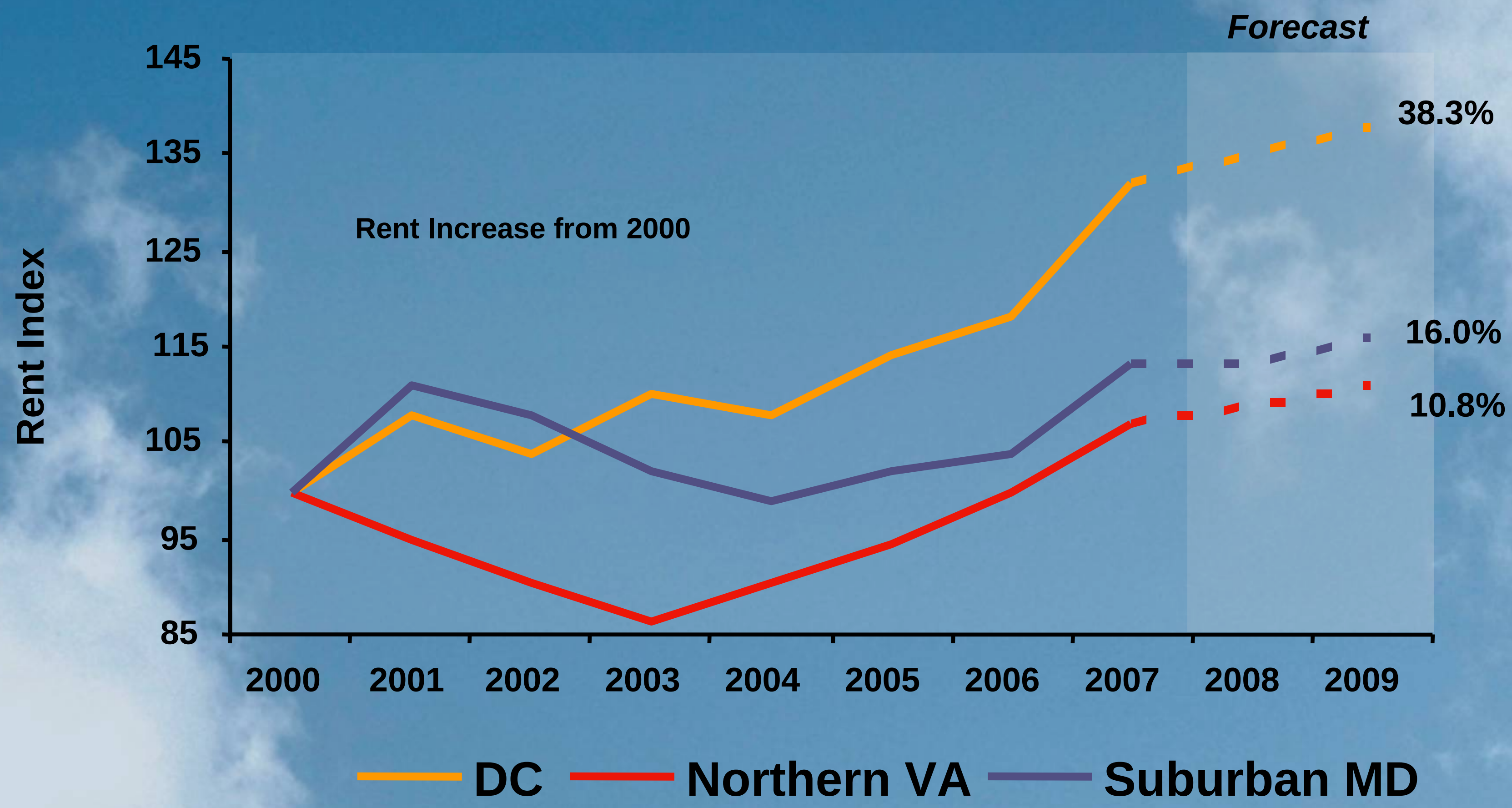
Washington, DC Metropolitan Area Rental Rate Index Increases



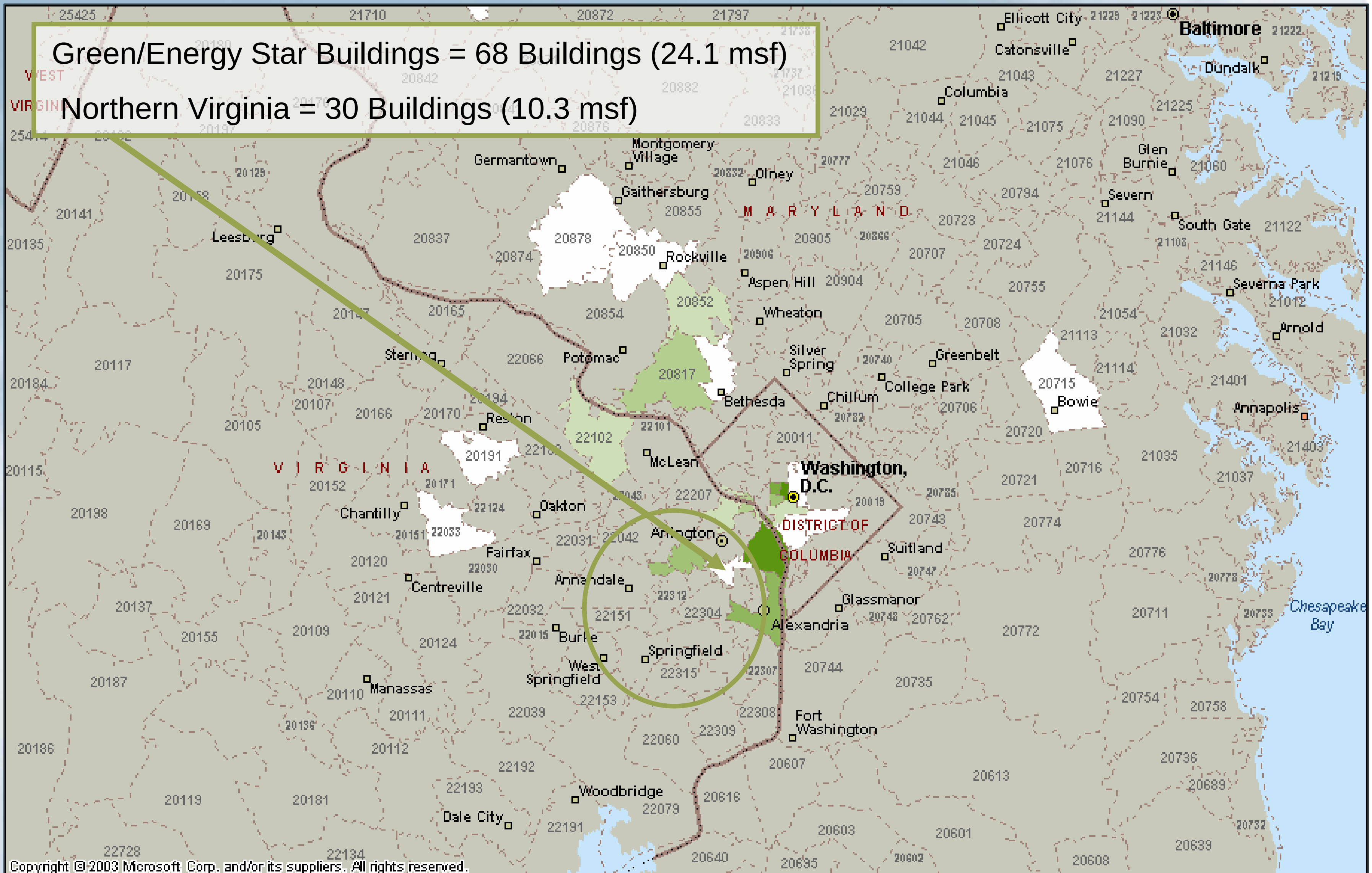
Note: Rental rates reflect $psf/year


Going Green!!!
The Future of Corporate America
CUSHMAN & WAKEFIELD

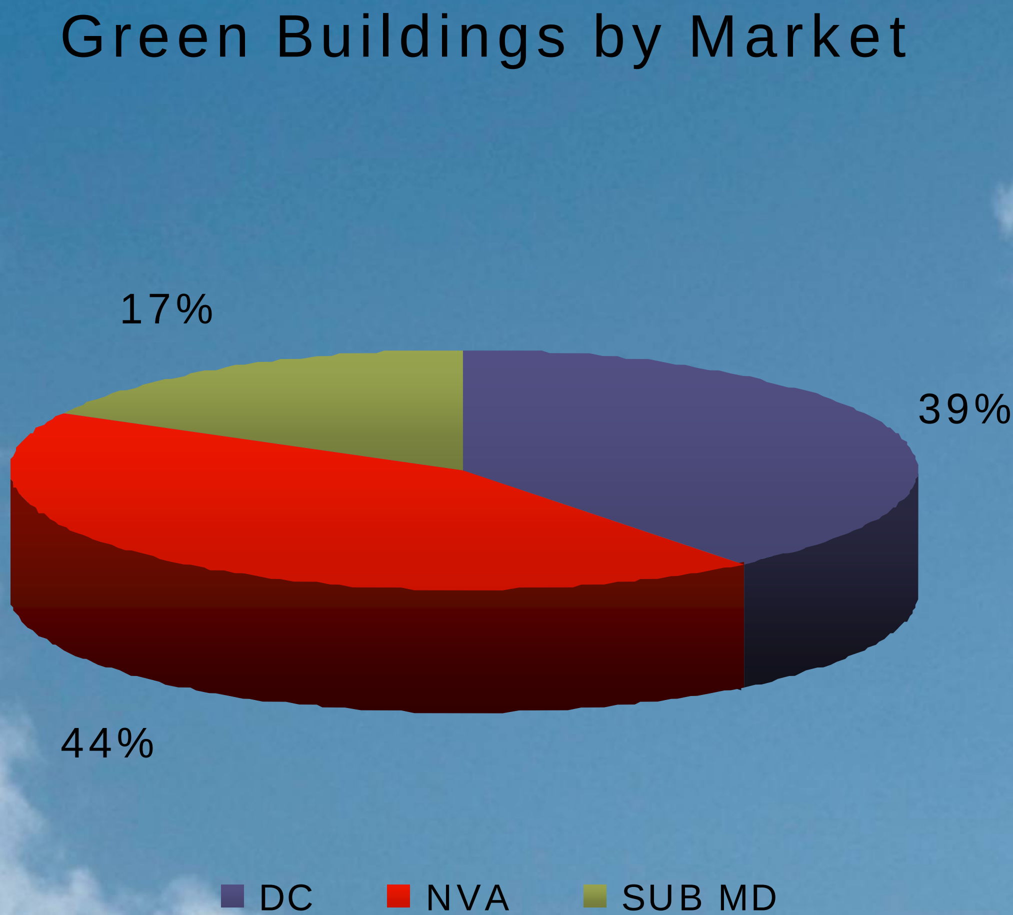
Local Legislation

- ✓ Maryland
  - Environmental Design Program
    - Provides information to get a green certification and the benefits that come with it.
- ✓ Virginia
  - Has adopted the U.S. Green Building Council's LEED rating system to help implement green practices.
- ✓ Washington, DC
  - All building permits issued beginning 2009 must meet minimum certification requirements to get approval.
  - Requires that all new commercial buildings, as of 2012, greater than 50,000 sf be LEED certified.
  - All indoor renovations/improvements after 2007 meet LEED certification.
  - Also launches a green building incentive program, a Green Building Fund and a Green Building Advisory Council.

Green Projects > 100,000 SF in the Metro Area

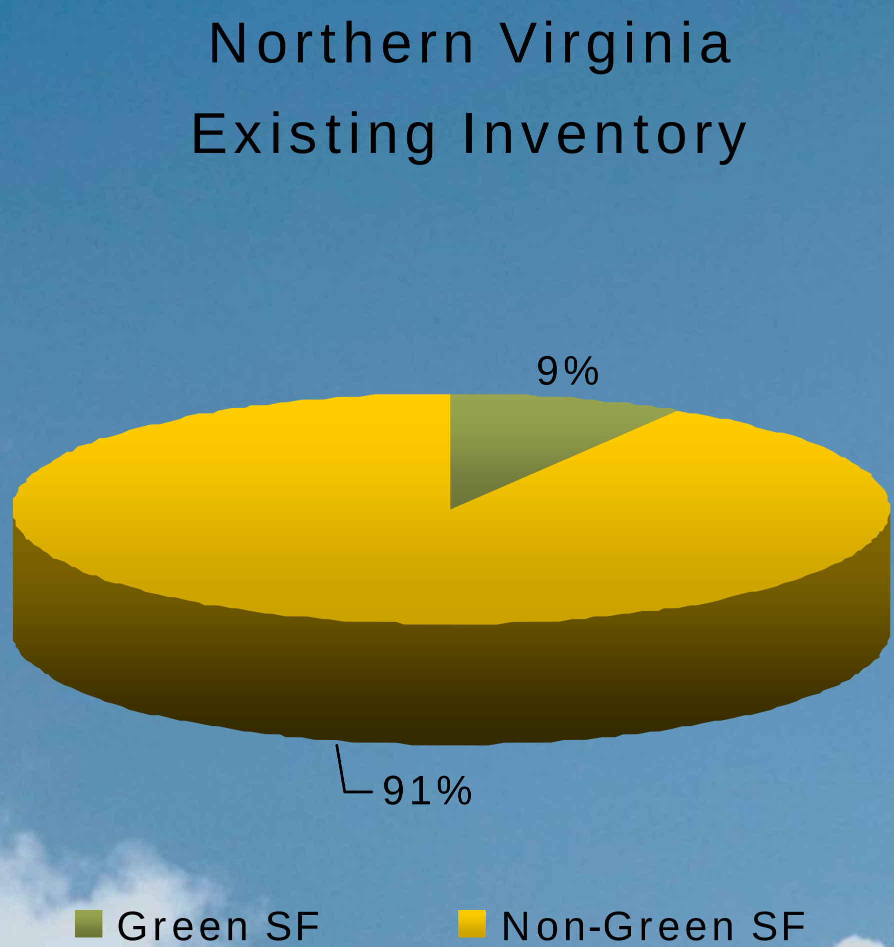


Metro Green Projects > 100,000 sf



Slowly but surely, Northern Virginia is going Green!!!

Metro Green Projects > 100,000 sf



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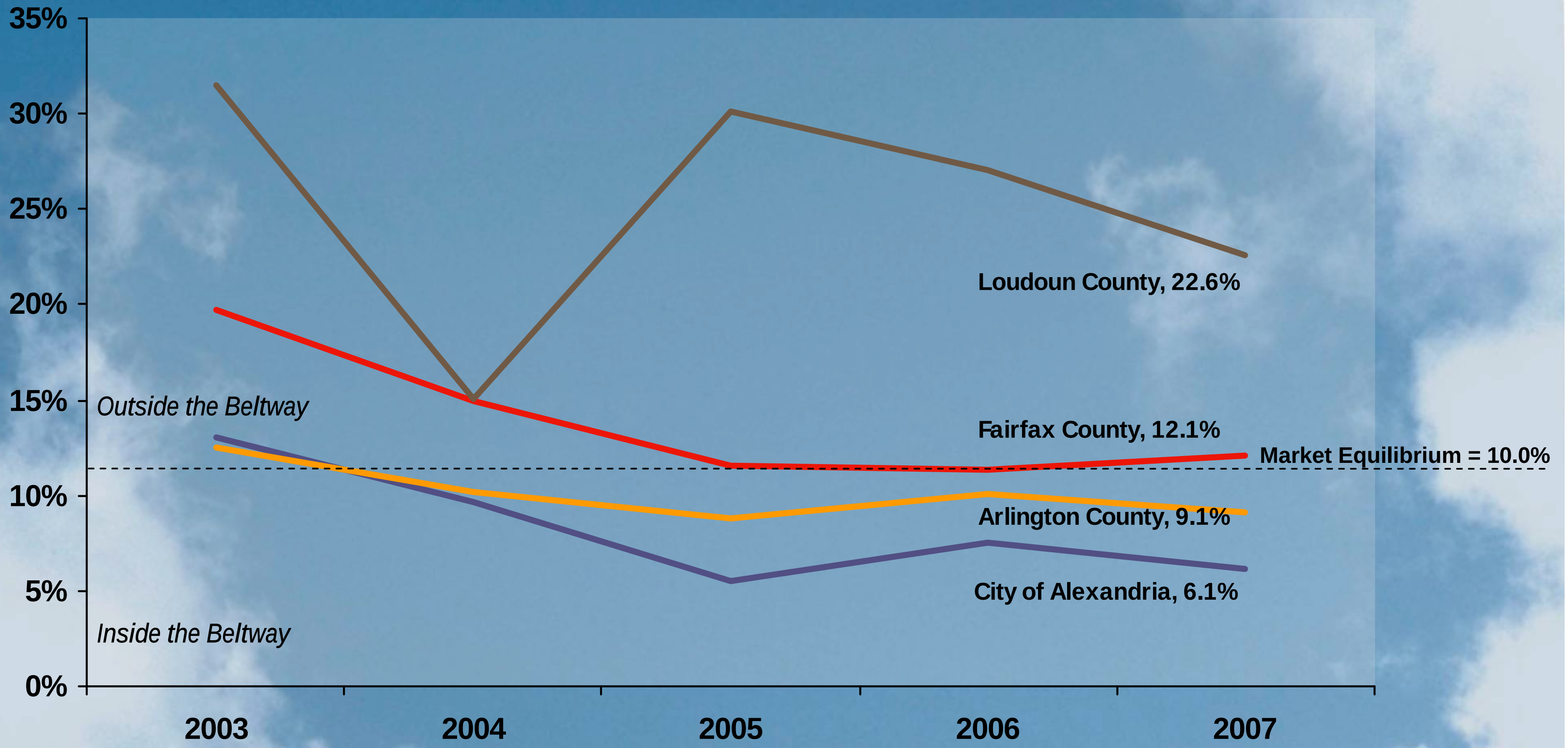
Northern Virginia Office Market Overview

Northern Virginia
Office Market Highlights

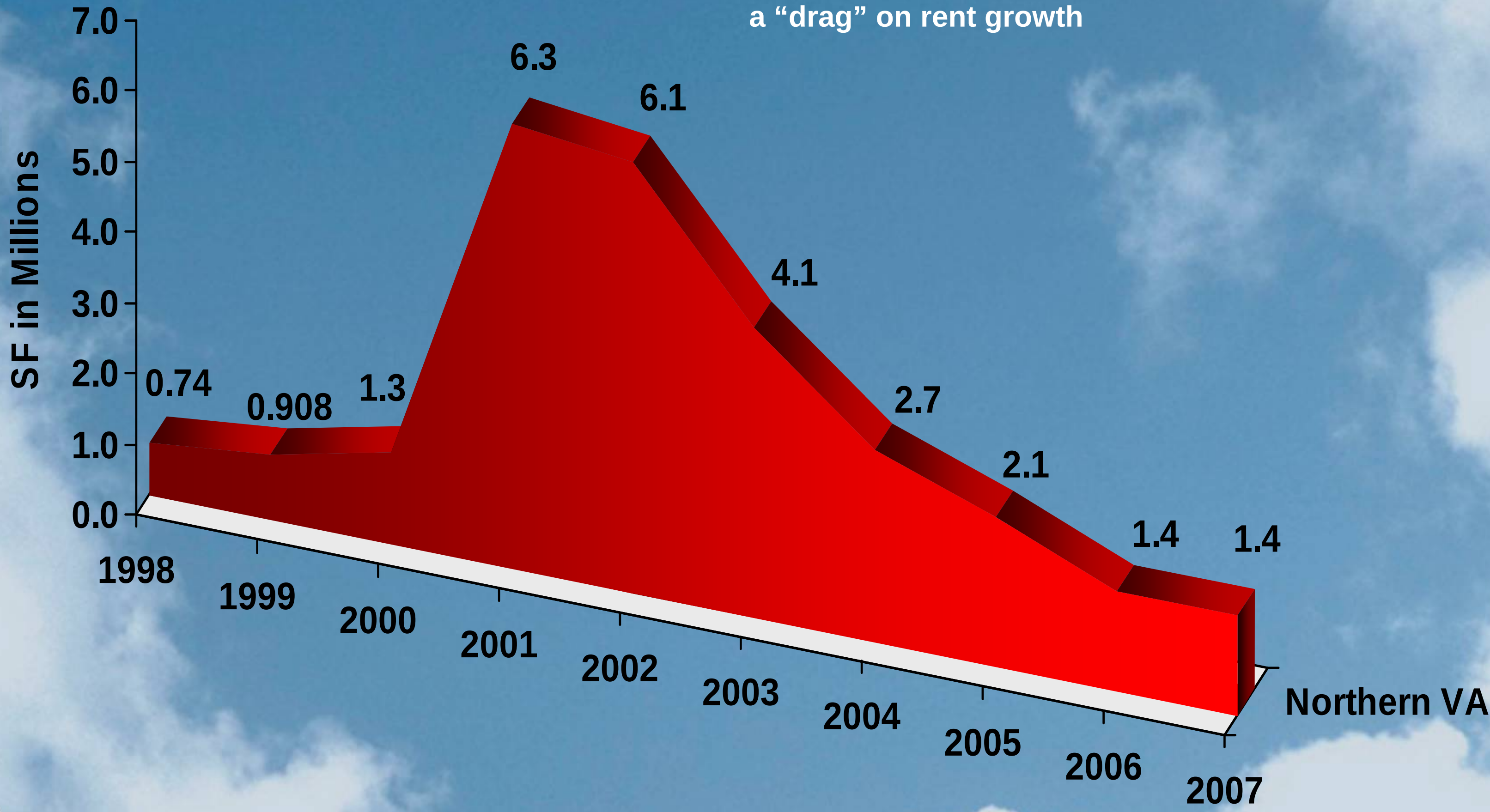
- ✓ Dichotomy (inside/outside the Beltway) has become more pronounced because of supply issues
- ✓ Resilient because of a tenant base largely comprised of government contractors and professional service firms
- ✓ Strong job creation with the unemployment rate of 2.3%
- ✓ Benefitting from steep rents in Washington, DC
- ✓ Transportation issues, housing costs and available labor are key to future growth

Northern Virginia
Overall Vacancy Rates

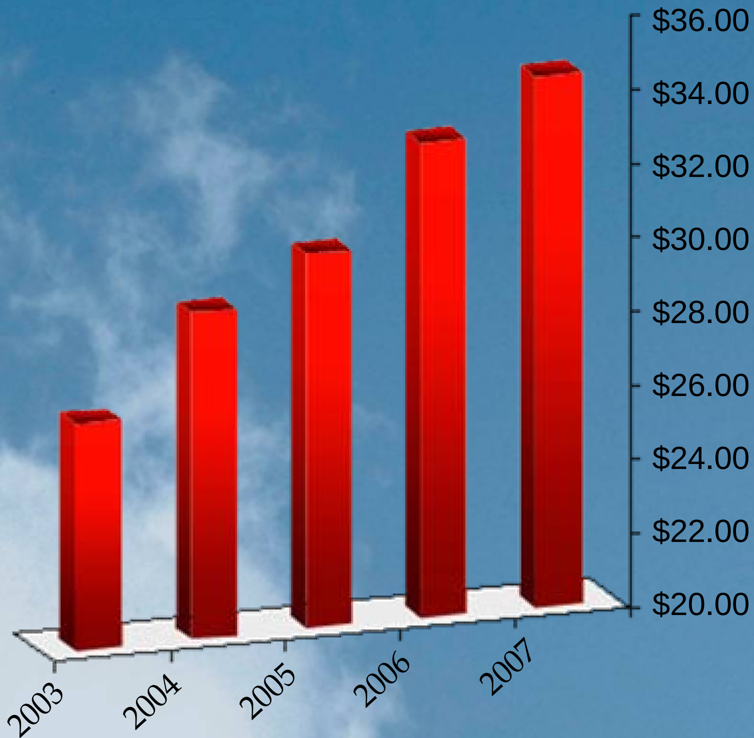


Northern Virginia Sublease Availabilities

Current sublease inventory is not a “drag” on rent growth



Northern Virginia
Class A Direct Rental Rates (Asking Rents)



Rent Increase from 2003 +31%

County	Existing	Under Construction	Proposed
Arlington	**$38.15**	**$39.50 - $48.00**	**$48.00 - $68.00**
Alexandria	**$36.22**	**$35.00 - $46.00**	**$45.00 - $47.00**
Fairfax	**$33.40**	**$38.50 - $52.00**	**$38.00 - $55.00**
Loudoun	**$28.08**	**$30.00 - $36.00**	**$30.00 - $38.00**

Note: Rental rates reflect $psf/year

Inside the Beltway Snapshot
New leases at 1300 Wilson Boulevard

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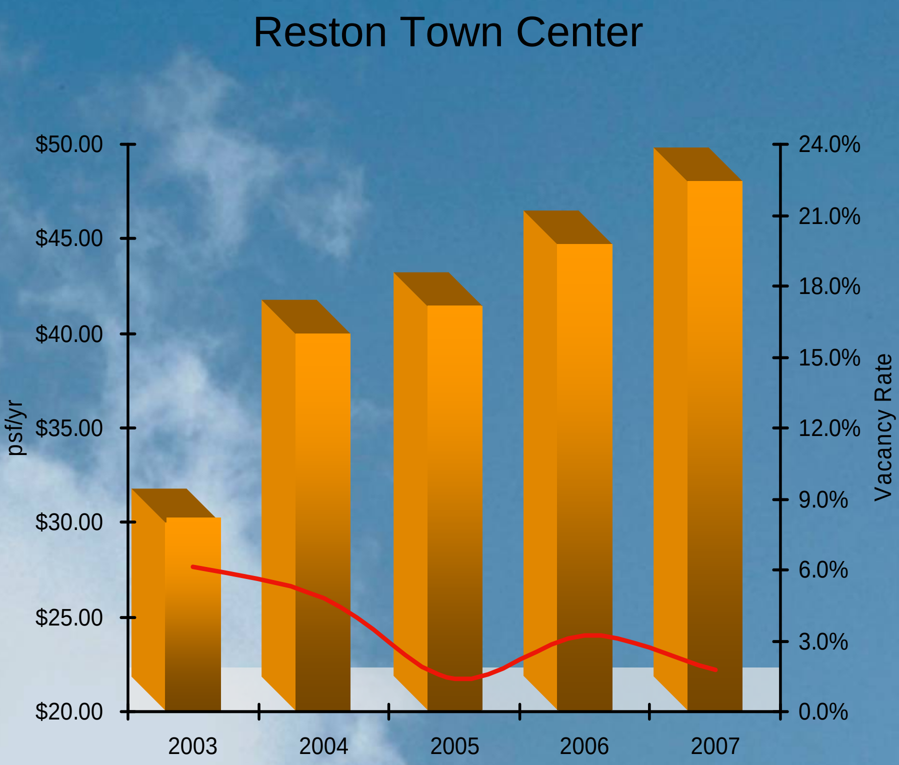
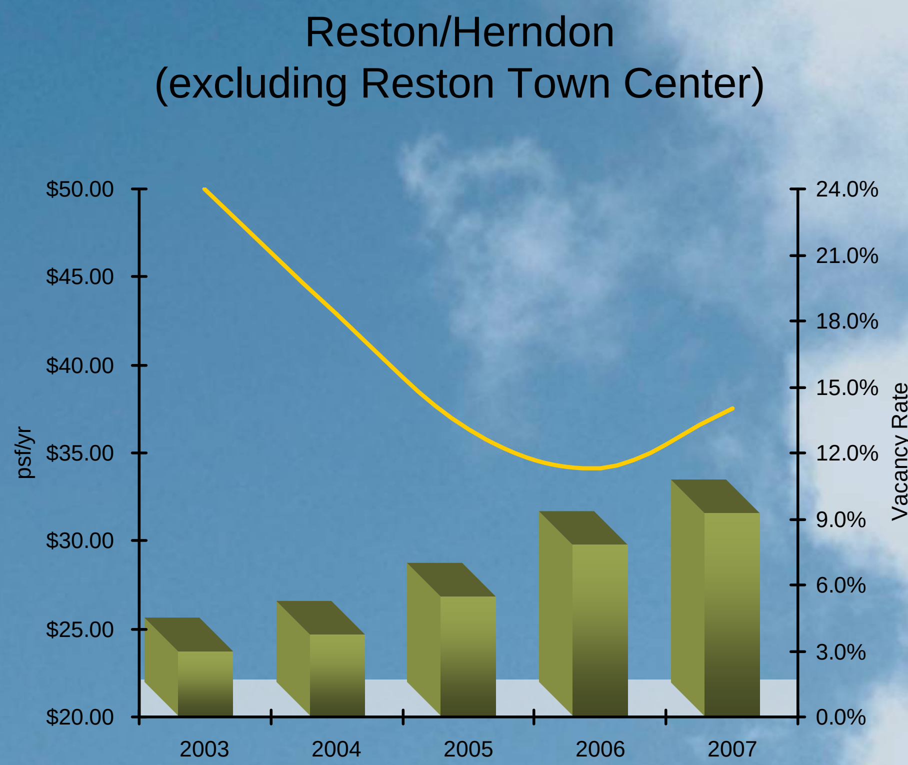
Outside the Beltway Snapshot
Direct Asking Rents and Vacancy Rates





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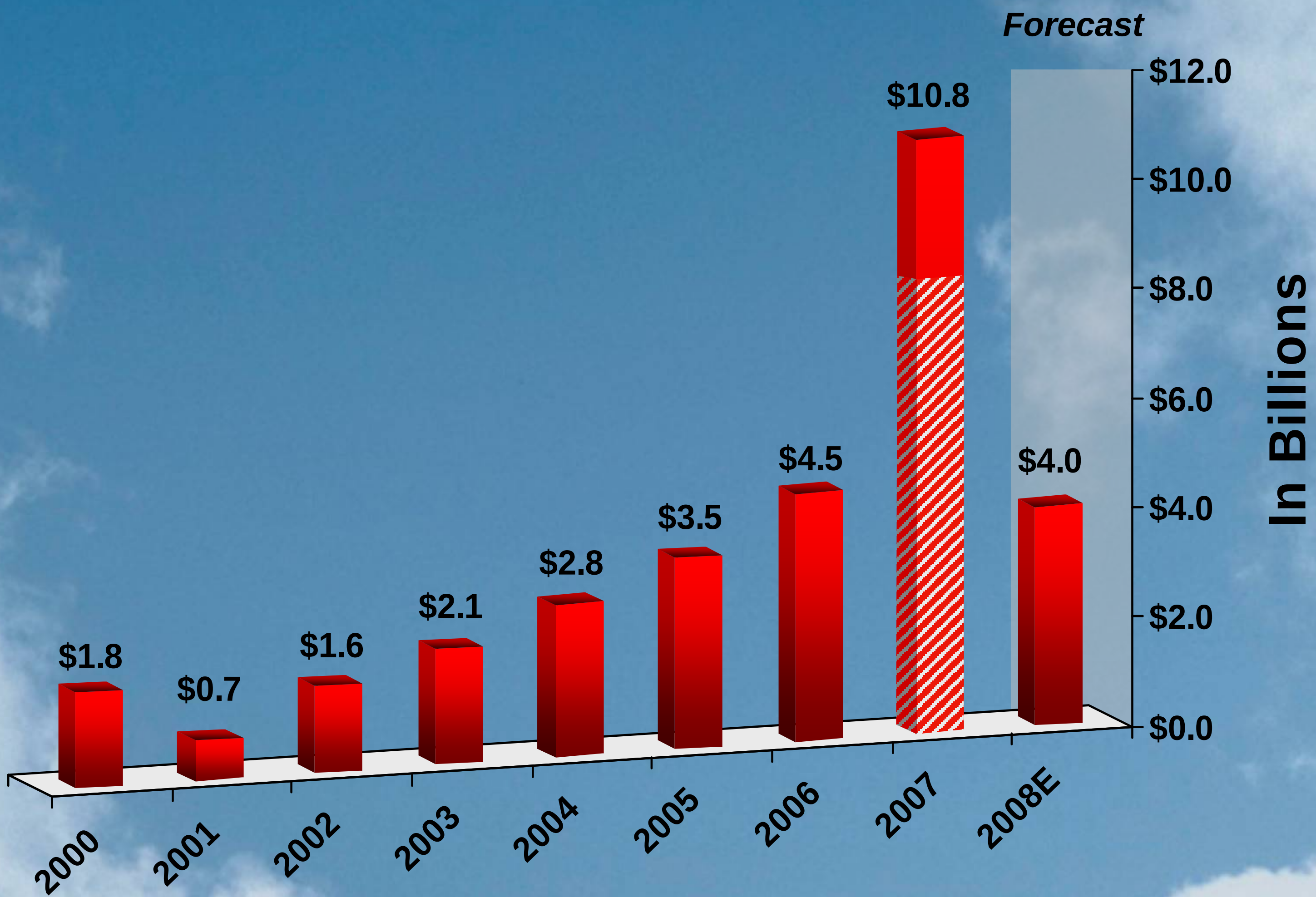
Northern Virginia Sales Volume



*Transactions totaling $8.3 million were completed in the **first half of 2007***

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Northern Virginia
2007 Major Portfolio Transactions

BUYER	SELLER	SF	PURCHASE PRICE*
Blackstone	EOP	3.4 msf	$1.1 B
Beacon	Blackstone	3.4 msf	$1.4 B
Broadway Partners	Beacon	3.0 msf	$1.4 B
Monday Properties	Broadway Partners	2.4 msf	$1.1 B
Liberty Property Trust	Republic Property Trust	2.0 msf	$743 M
Tishman Speyer	CarrAmerica	2.0 msf	$659 M

** Purchase price estimated based on price per SF for entire portfolio, which may include properties outside of Northern VA*

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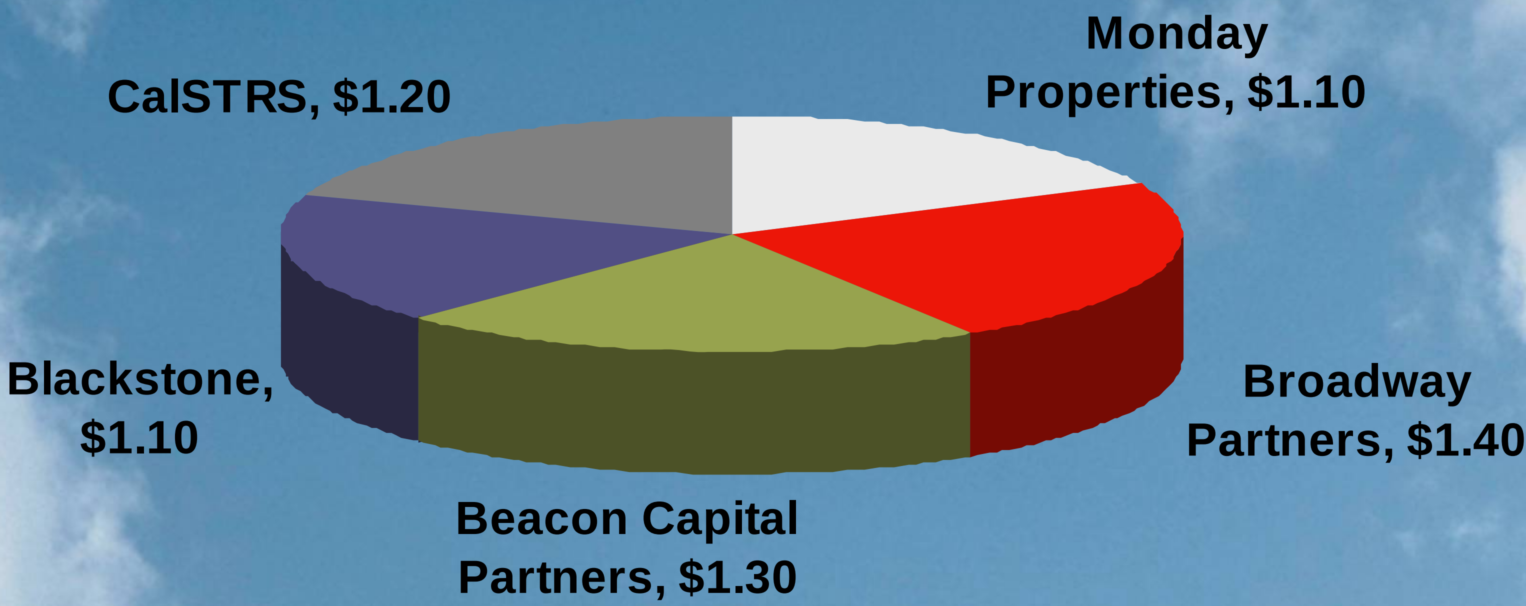
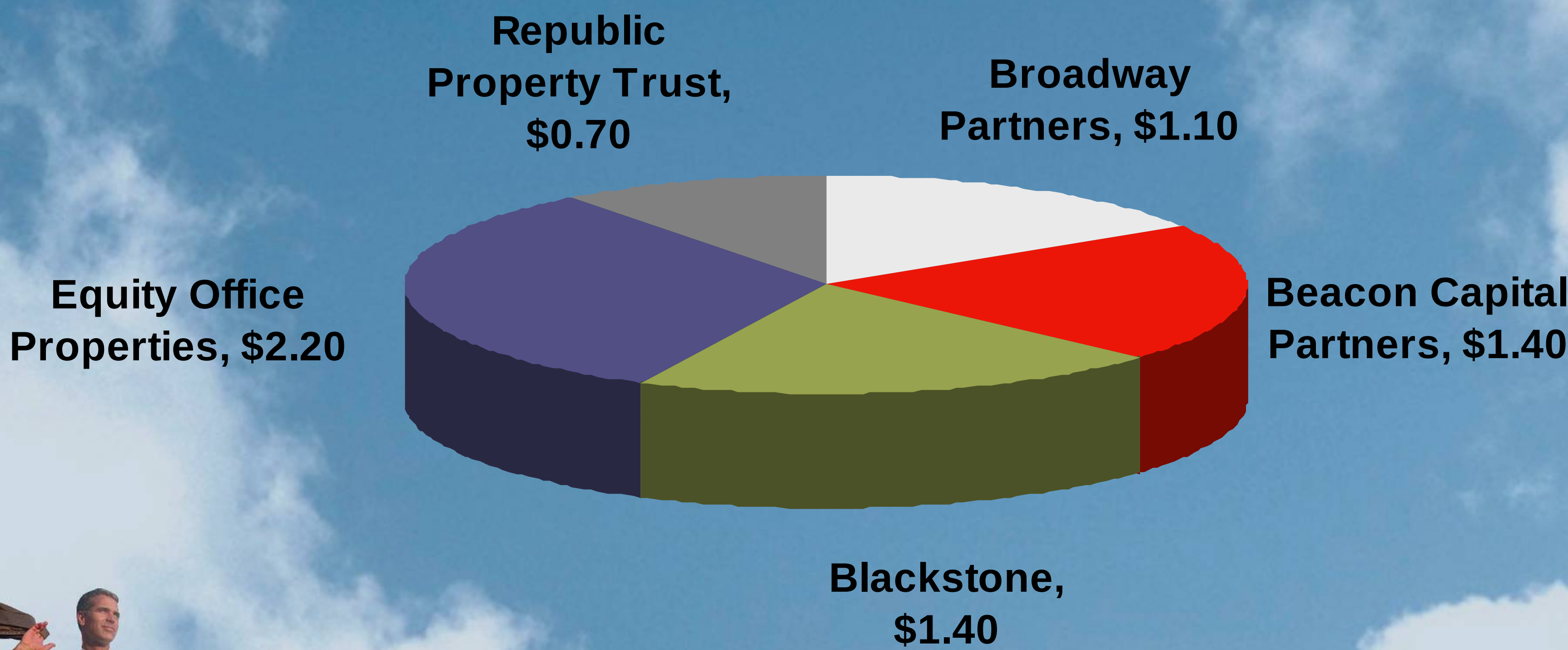
2007 Major Buyer Activity by Sales Value
Northern Virginia

In Billion $



2007 Major Seller Activity by Sales Value
Northern Virginia

In Billion $



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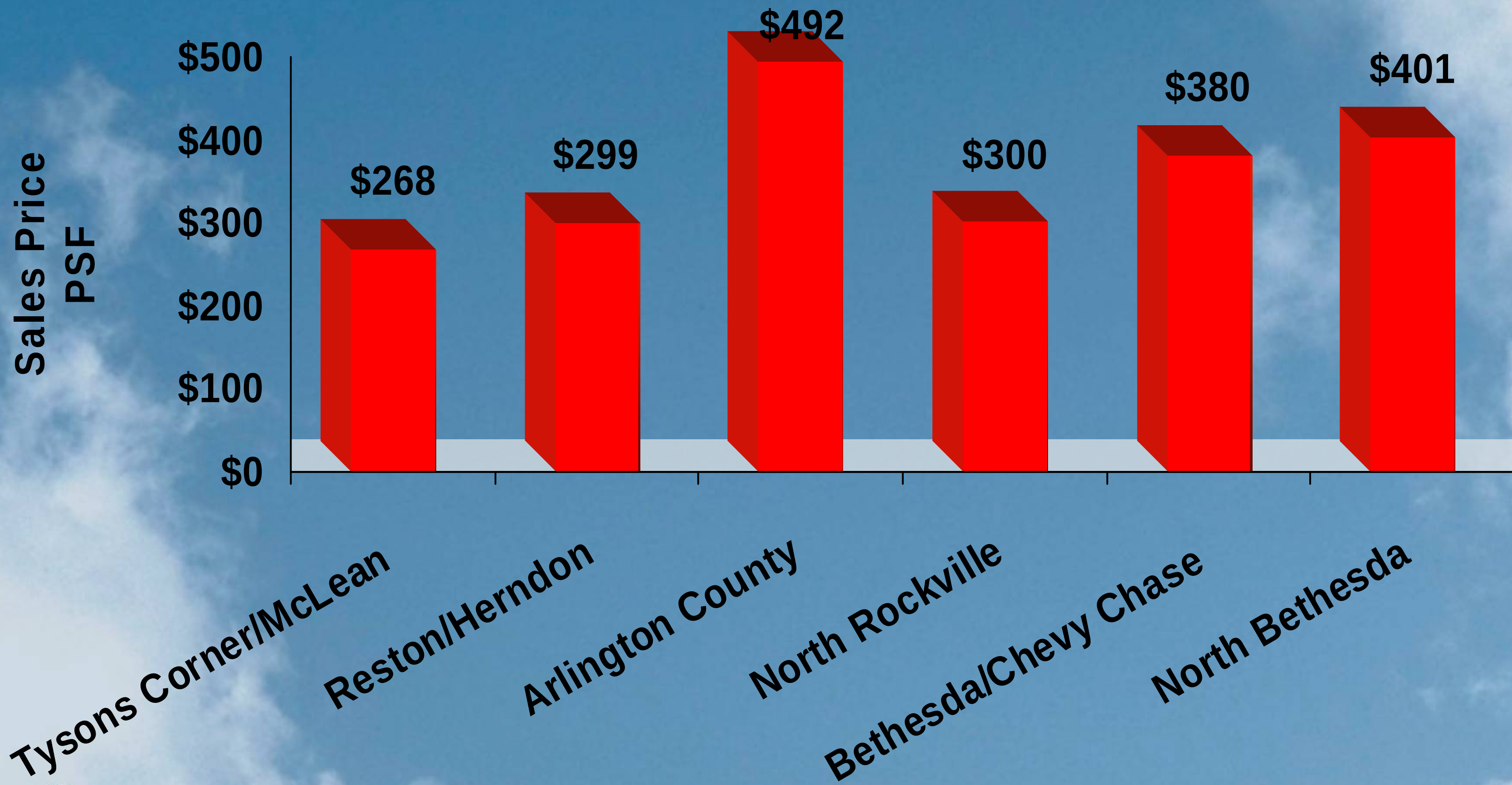
Suburban DC Major Submarkets
Price Per SF - All Building Classes



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Northern Virginia
2007 Investment Sales Top 10 Deals (Price PSF)

ADDRESS	DATE SOLD	BUYER	SALE PRICE	PRICE PSF
N Lynn ST at N 19th St	5/30/2007	Paramount Group	$412,973,046	$651.47
2000 & 1940 Duke Street	6/25/2007	TIAA-CREF	$210,000,000	$573.58
1725 Duke Street	7/30/2007	TIAA-CREF	$80,540,000	$541.96
4501 North Fairfax Drive	1/19/2007	Jamestown	$96,100,000	$493.83
12950 Worldgate Drive	3/1/2007	WRIT	$78,200,000	$381.64
2000 N 15th St	9/24/2007	Carr Properties	$71,500,000	$369.21
1735 North Lynn Street	1/19./2007	Beacon Capital	$99,000,000	$353.02
2500 Wilson Boulevard	12/27/2007	TIAA	$33,650,000	$337.29
3101 Park Center Dr	9/18/2007	Northwestern Mutual Life Insurance	$73,000,000	$333.54
4035 Ridge Top Rd	6/8/2007	Colony Capital	$62,300,00	$325.77

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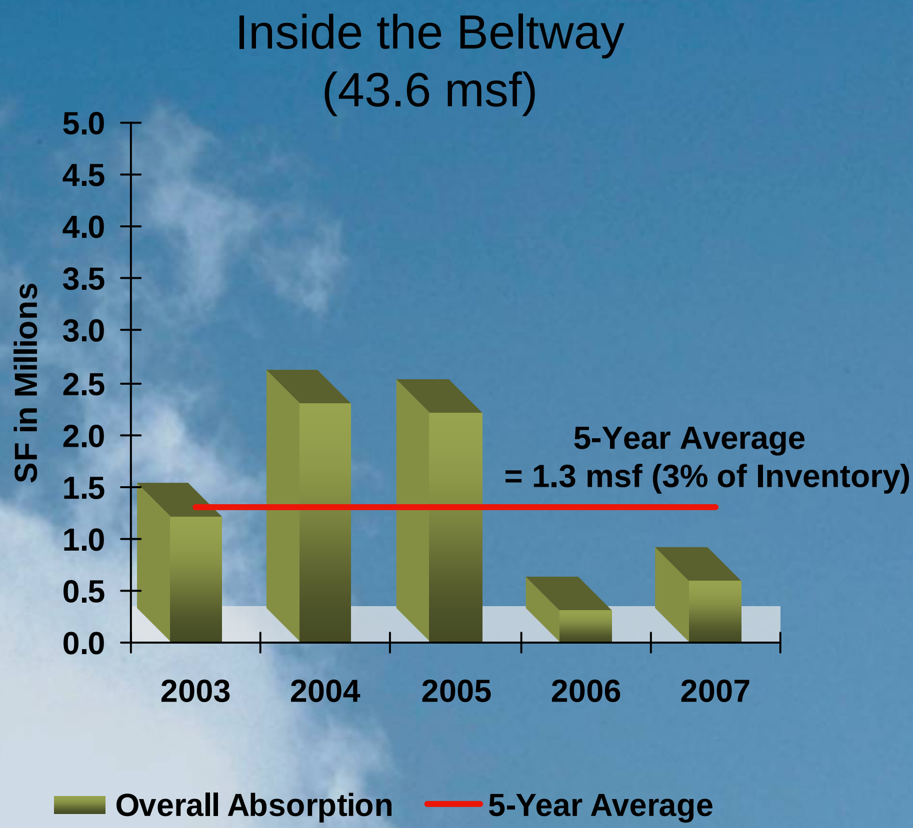
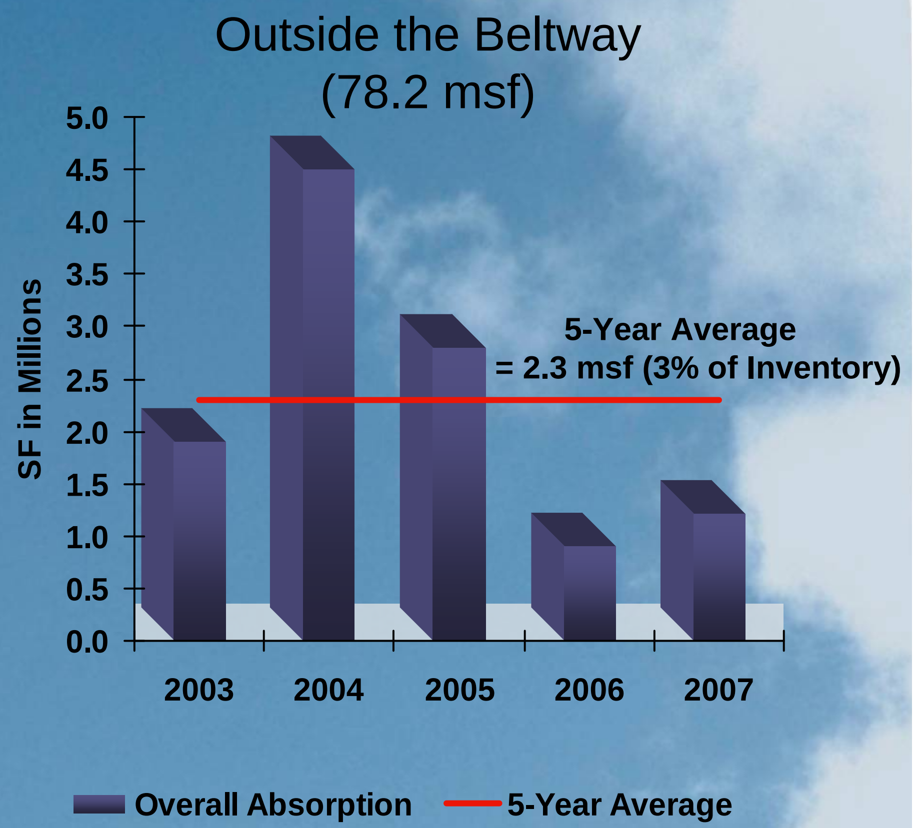
Northern Virginia Overall Absorption





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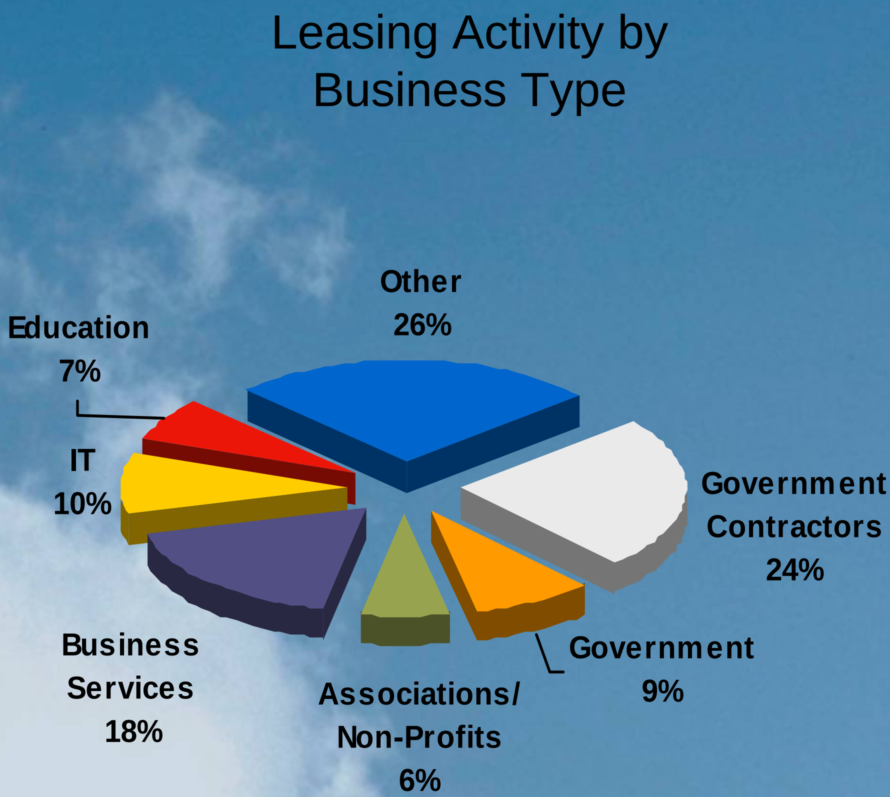
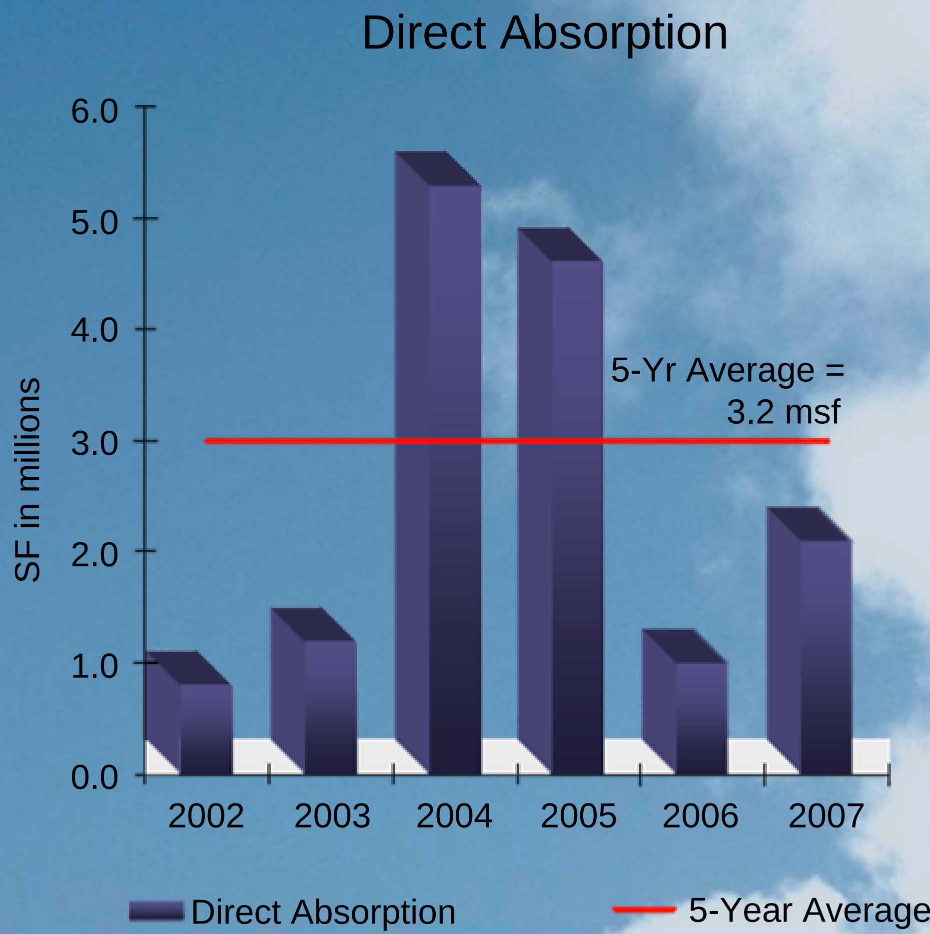
Northern Virginia
Absorption and Leasing Activity





Northern Virginia
2007 Top 5 Office Leases

	Building Address	New Submarket	Old Submarket	Tenant	SF
	2260 Woodland Pointe Drive	Reston	Detroit	Volkswagen	184,737
	South of Market – Block 15	Reston Town Center	Reston Town Center	College Board	180,000
	1320 Braddock Place	Alexandria	Alexandria	MPRI	126,529
	13865 Sunrise Valley Drive	Herndon	Herndon	XO Holdings	104,883
	2553 Dulles View Drive	Herndon	Chantilly	GTSI	104,243
	1818 Library Street	Reston Town Center	Merrifield	GTSI	90,062

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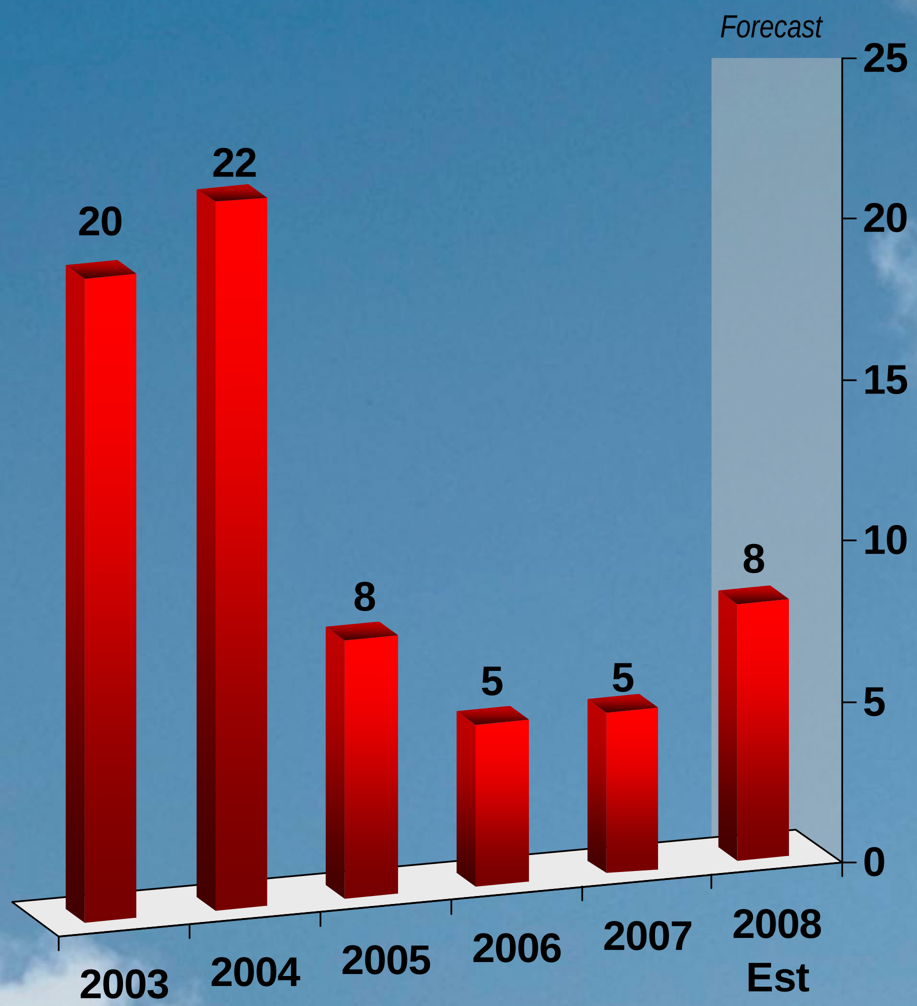
Number of Signed Leases Greater than 100,000 SF



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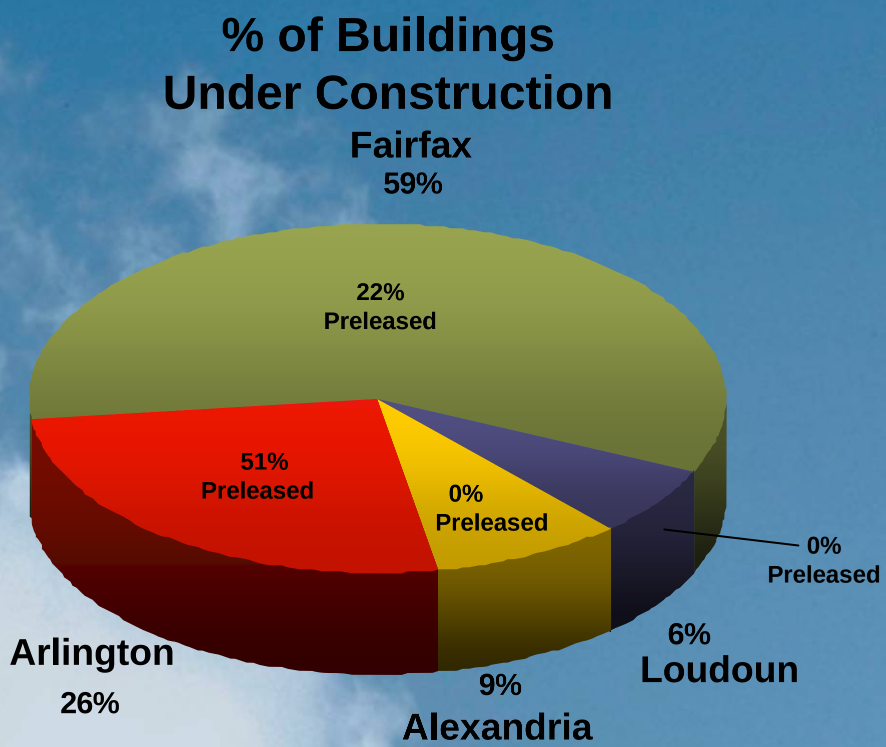
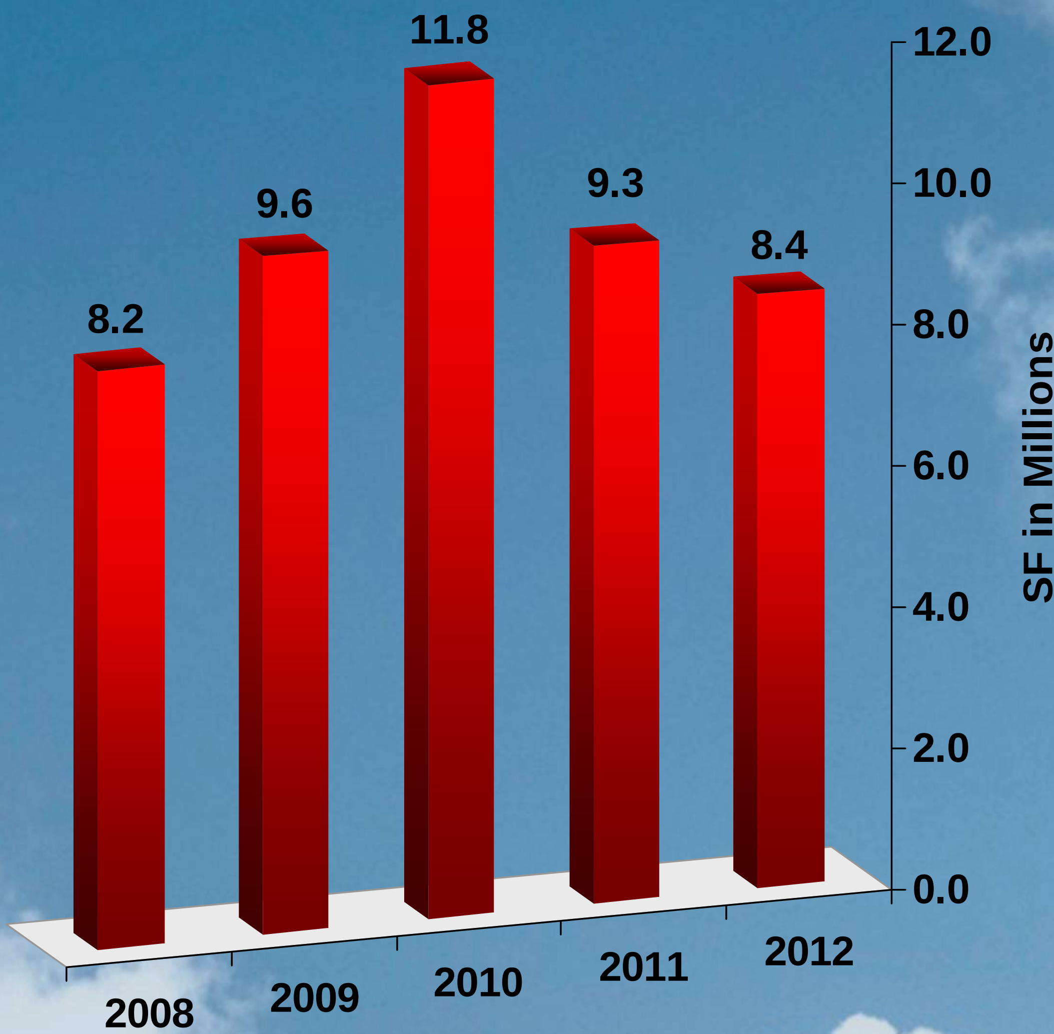
Northern Virginia
Projects Under Construction by County



Northern Virginia	4,580,307 sf
Fairfax	2,702,867 sf
Arlington	1,182,438 sf
Loudoun	413,474 sf
Alexandria	281,528 sf


Forecast

Northern Virginia Lease Expirations



Source: CoStar

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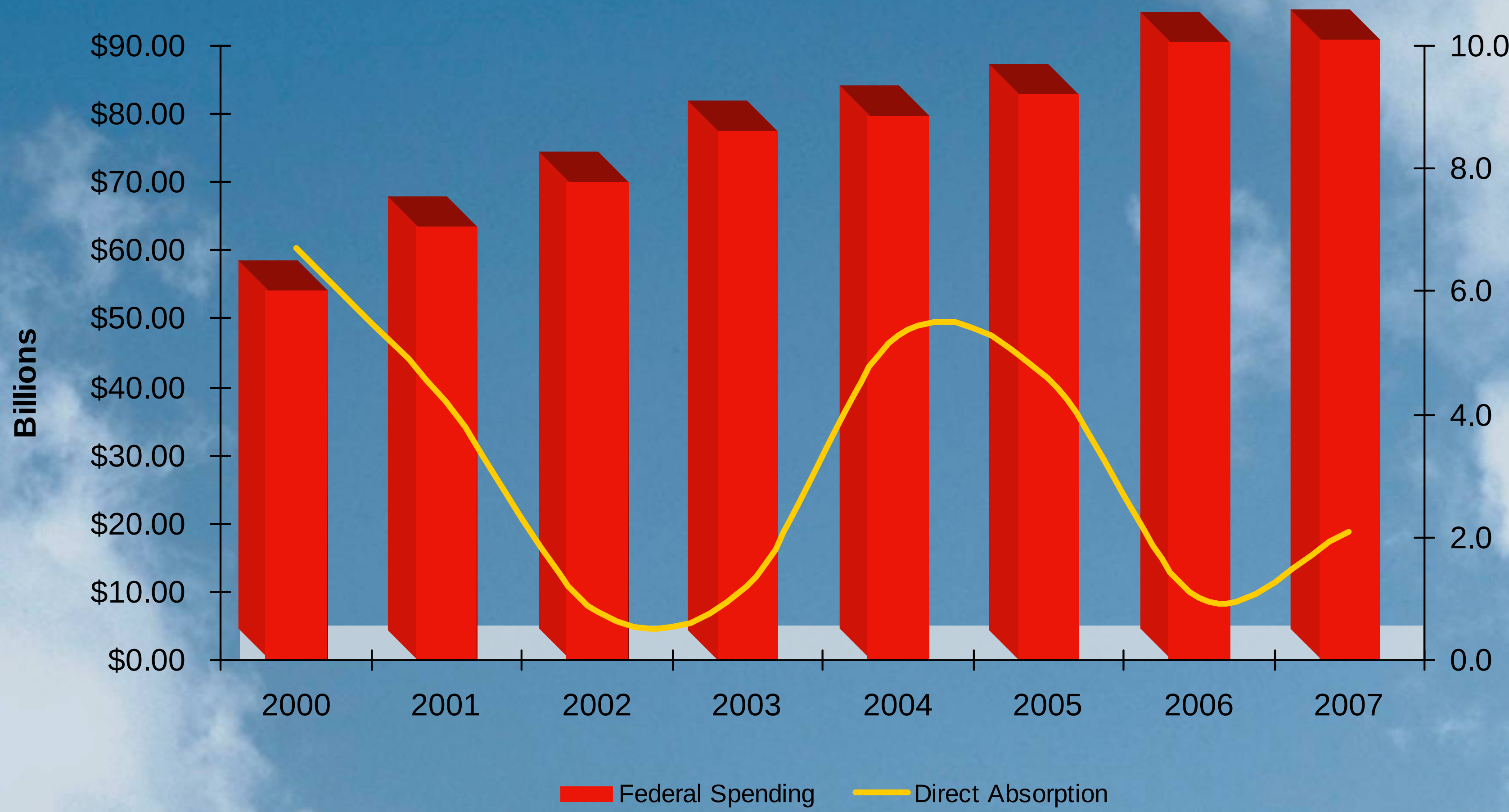
Federal Spending vs. Direct Absorption



Source: Federal Spending.org

Northern Virginia
Outlook for 2008 to 2009

	INSIDE THE BELTWAY	OUTSIDE THE BELTWAY
Vacancy Rate	**Flat to Decreasing**	**Increasing**
Absorption	**Moderate to Flat**	**Moderate to Flat**
Deliveries	**Decreasing**	**Increasing**
Rental Rate	**Increasing**	**Flat rates and higher concessions except for premium locations**
Investment Sales	**Prime assets will continue to trade**	**Prime assets will continue to trade – "Stressed" assets at a discount**

Transportation Projects in Northern Virginia

- ✓ "Mixing Bowl" at the Springfield Interchange traffic
- ✓ Wilson Bridge traffic
- ✓ HOT LANES
- ✓ Metrorail Extension
- ✓ Water Taxi-National Harbor, Old Town, Prince George's County, New Stadium

Transportation Projects in Northern Virginia

- ✓ $676 million of improvement
- ✓ 8 Years of construction
- ✓ Accommodate 500,000 vehicles
- ✓ Economic Development to Area
- ✓ Springfield interchange project finalized in the summer of 2007
- ✓ HOT Lane construction is scheduled to start in spring of 2008 on sections of :
  - I-495 Beltway
  - I-95
  - Springfield interchange
- ✓ No completion date set!

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Transportation Projects in Northern Virginia

Wilson Bridge Construction Underway!!!

Construction cost is $2.4 billion for:

1. **Twelve-lane, twin-span of dual divided beltway**
2. **70 feet of vertical navigational clearance that will reduce draws by two-thirds**
3. **2nd phase 6-lane will open in the summer of 2008**

Source: Wisonbridgeproject.com

Transportation Projects in Northern Virginia

H - High **O – Occupancy** **T – Toll**

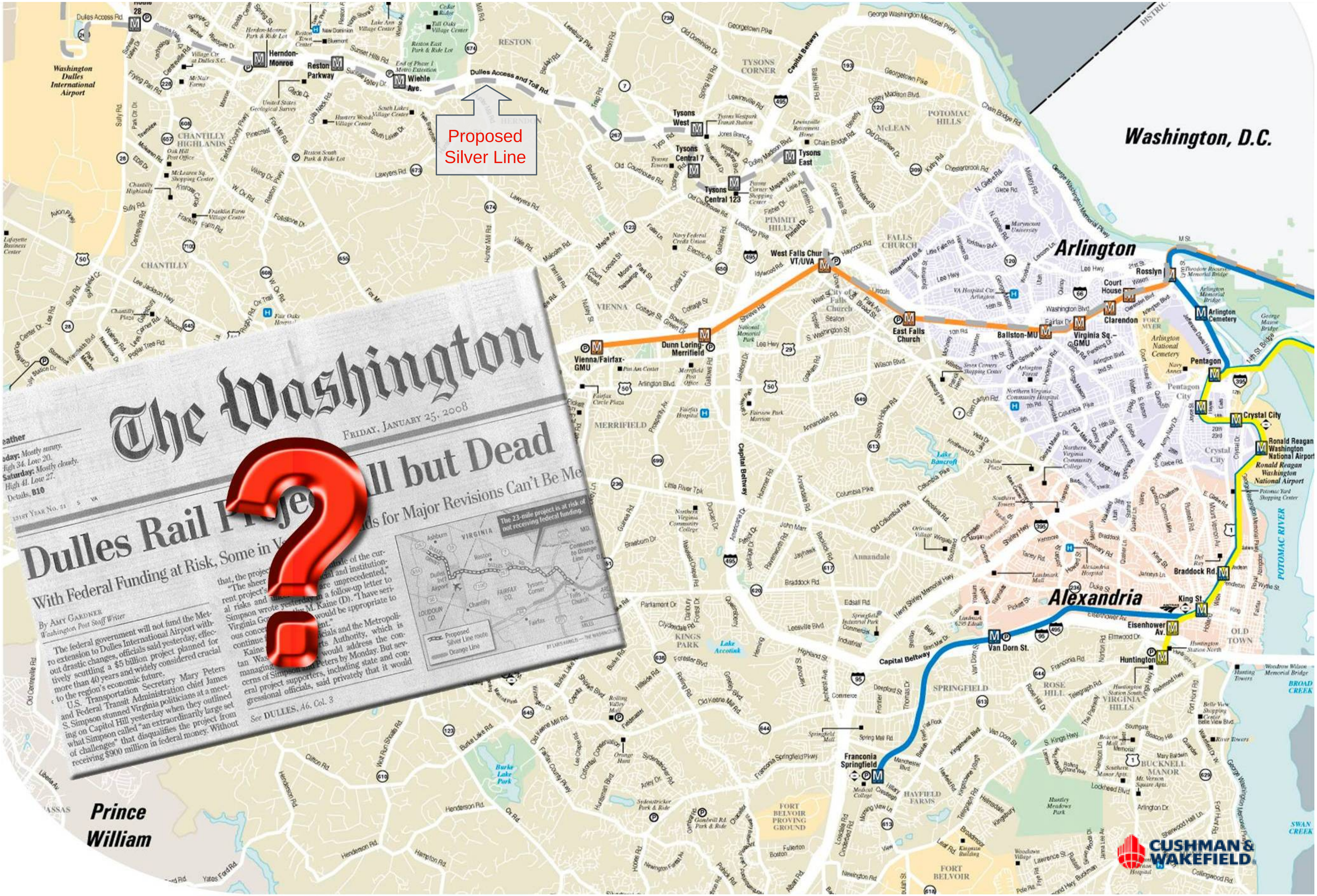
"HOT" Lanes along sections of I-95, I-495 and Springfield Interchange will start in spring of 2008

1. **HOT Lanes will have four new lanes - Capital Beltway from the Springfield Interchange to just north of the Dulles Toll Road**
2. **Convert the existing, reversible High Occupancy Vehicle (HOV) system on I-95/395 into HOT lanes**
3. **Expand two lanes to three lanes and extend two of the lanes 28 miles south into Spotsylvania County**
4. **HOT Lanes will create a 70-mile, congestion-free network**

   Carpools
   Buses
   Motorist

CUSHMAN & WAKEFIELD.

Dulles Metro Rail Project – Delayed or Derailed?



Transportation Projects in Northern Virginia

Water Taxi Between National Harbor, Old-Town, Prince George's County and Washington Nationals' Stadium

- ✓ Service scheduled to begin in April 2008
- ✓ Will link Georgetown; Mount Vernon; Old Town, Alexandria; Prince George's County; and the National's stadium
- ✓ 50 daily trips at 30 minutes intervals
- ✓ Fares will range from $12.00 for a round-trip travel
- ✓ Daily service from 10:00 a.m. to 10:00 p.m.

Northern Virginia Outlook