



**NAIOP**

COMMERCIAL REAL ESTATE  
DEVELOPMENT ASSOCIATION

# FORECAST LUNCHEON

FEBRUARY 18, 2016

PRESENTED BY:  
BRAD FLICKINGER & REVATHI GREENWOOD

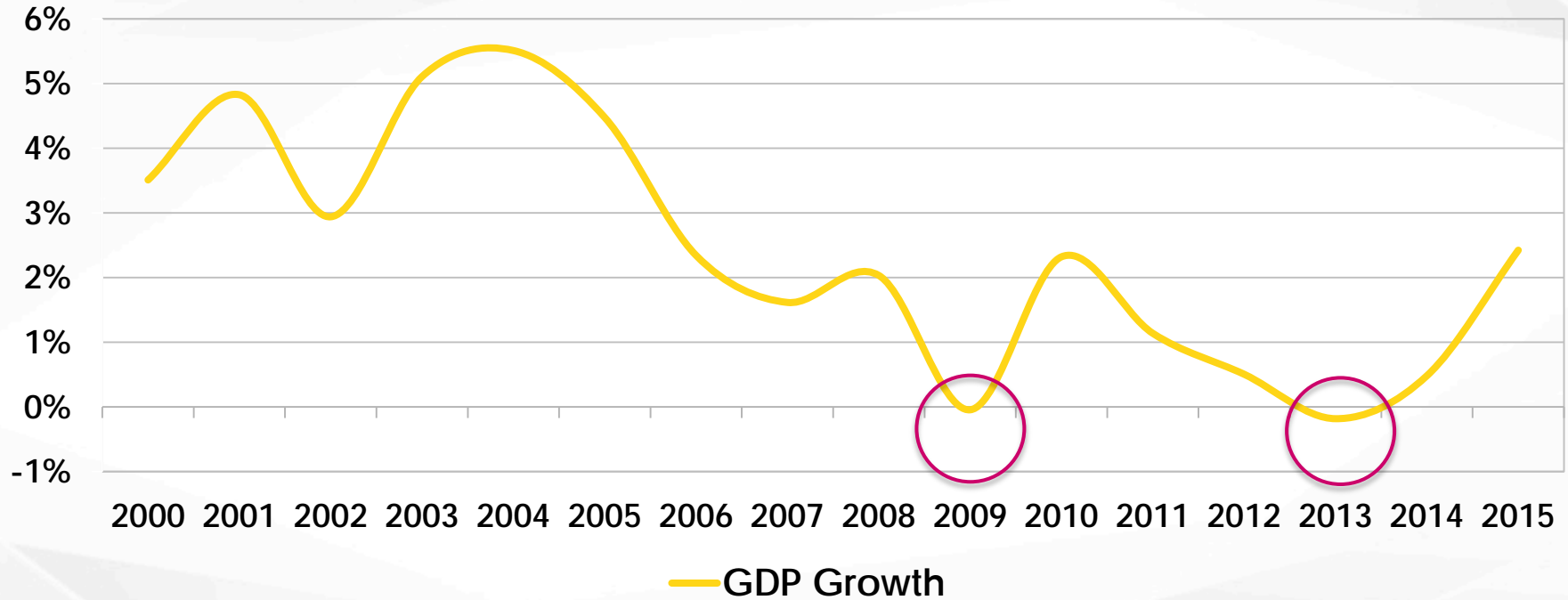
**CBRE**



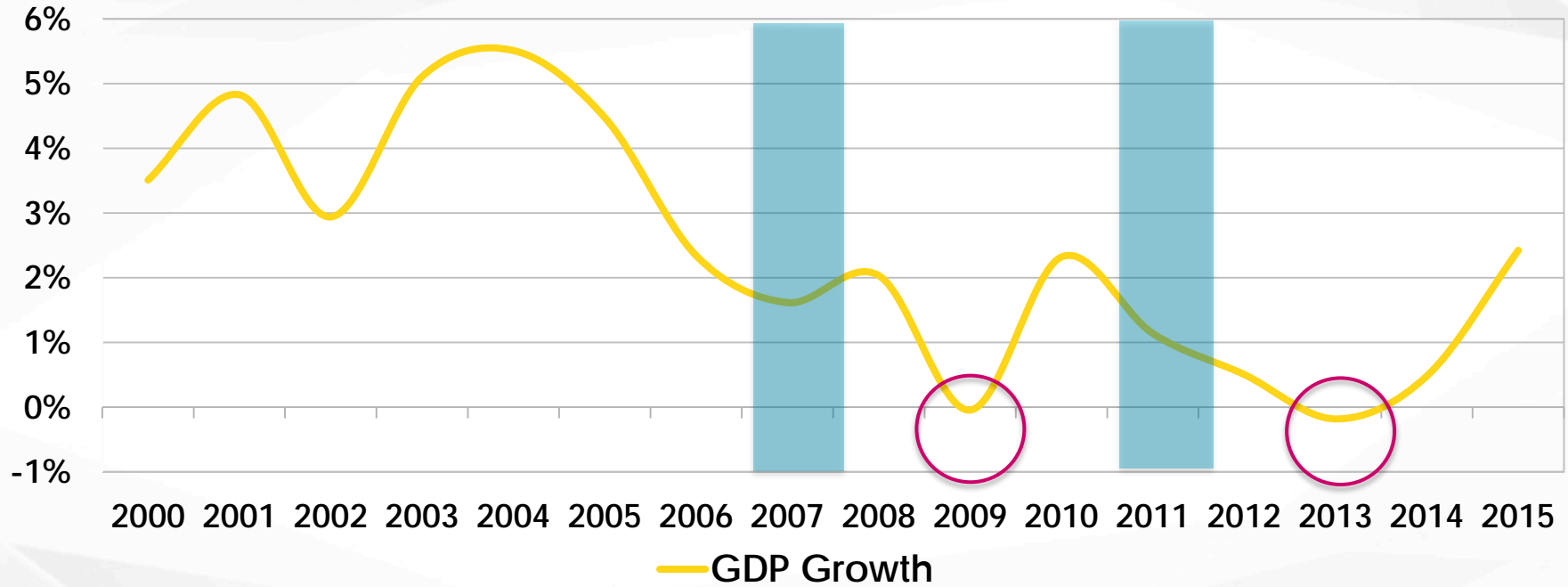
CAVEAT

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# GDP Growth In D.C. Metro



# GDP Growth In D.C. Metro





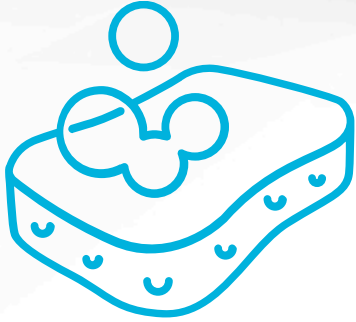


# A LOOK BACK

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# Market Snapshot

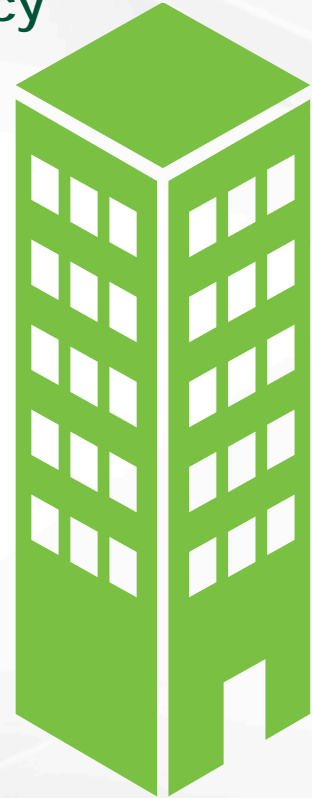
Net Absorption: 260,205 SF



Inventory: 183 MSF



Vacancy



18.2%



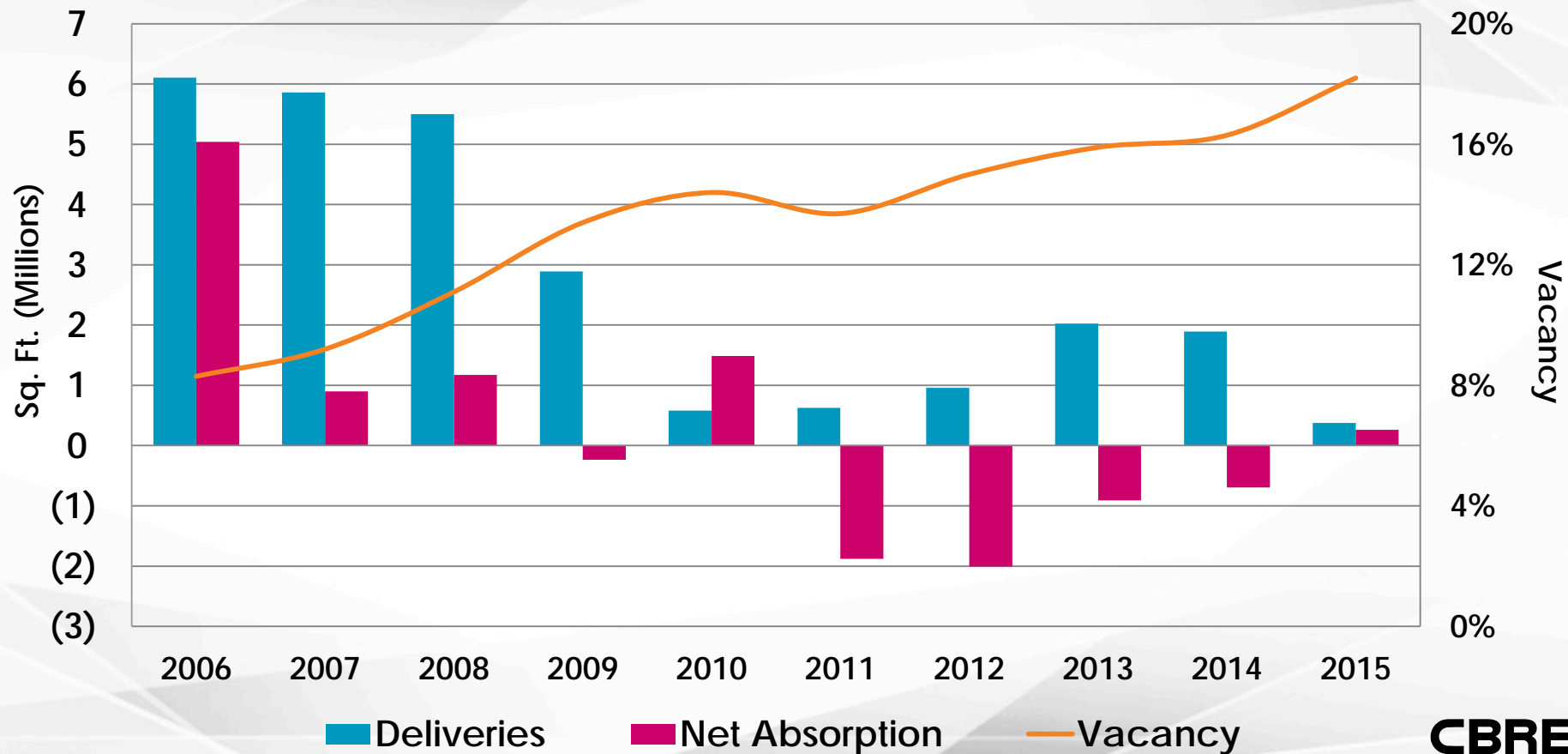
Rental Rate \$32.68



9,000 Office Jobs Added



# A New Challenge

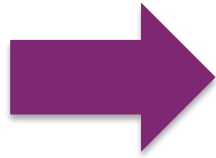


# A New Paradigm



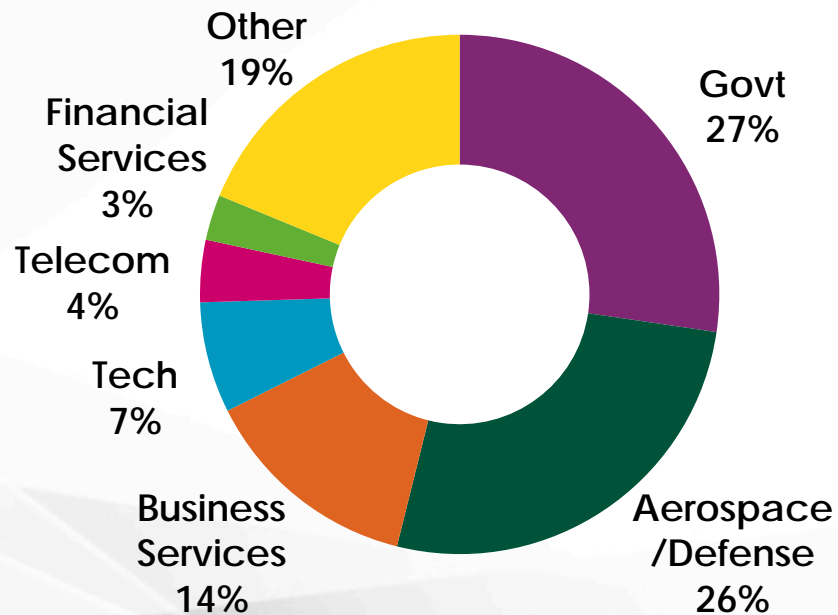


# Suburban vs. Urban

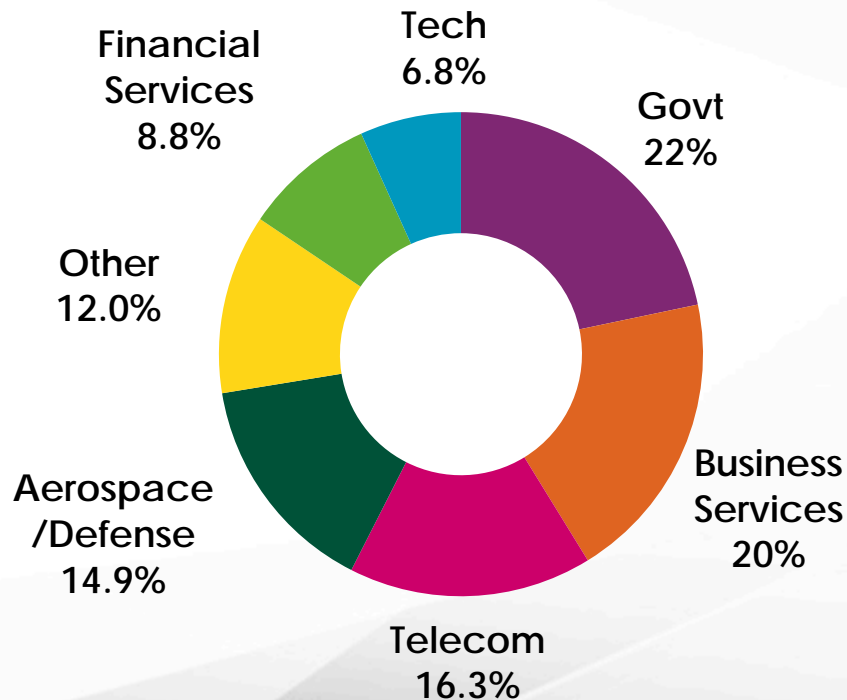


# Leasing Activity by Sector

2005

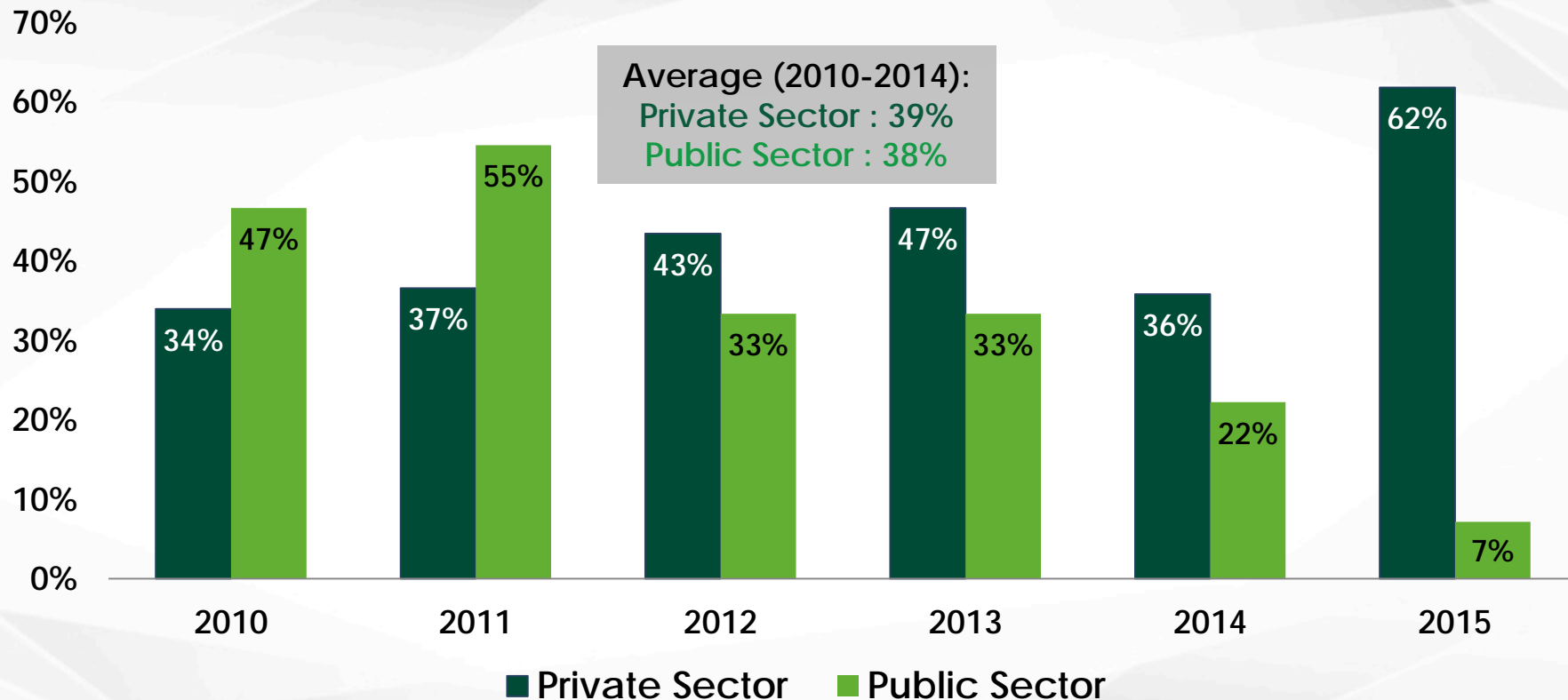


2015

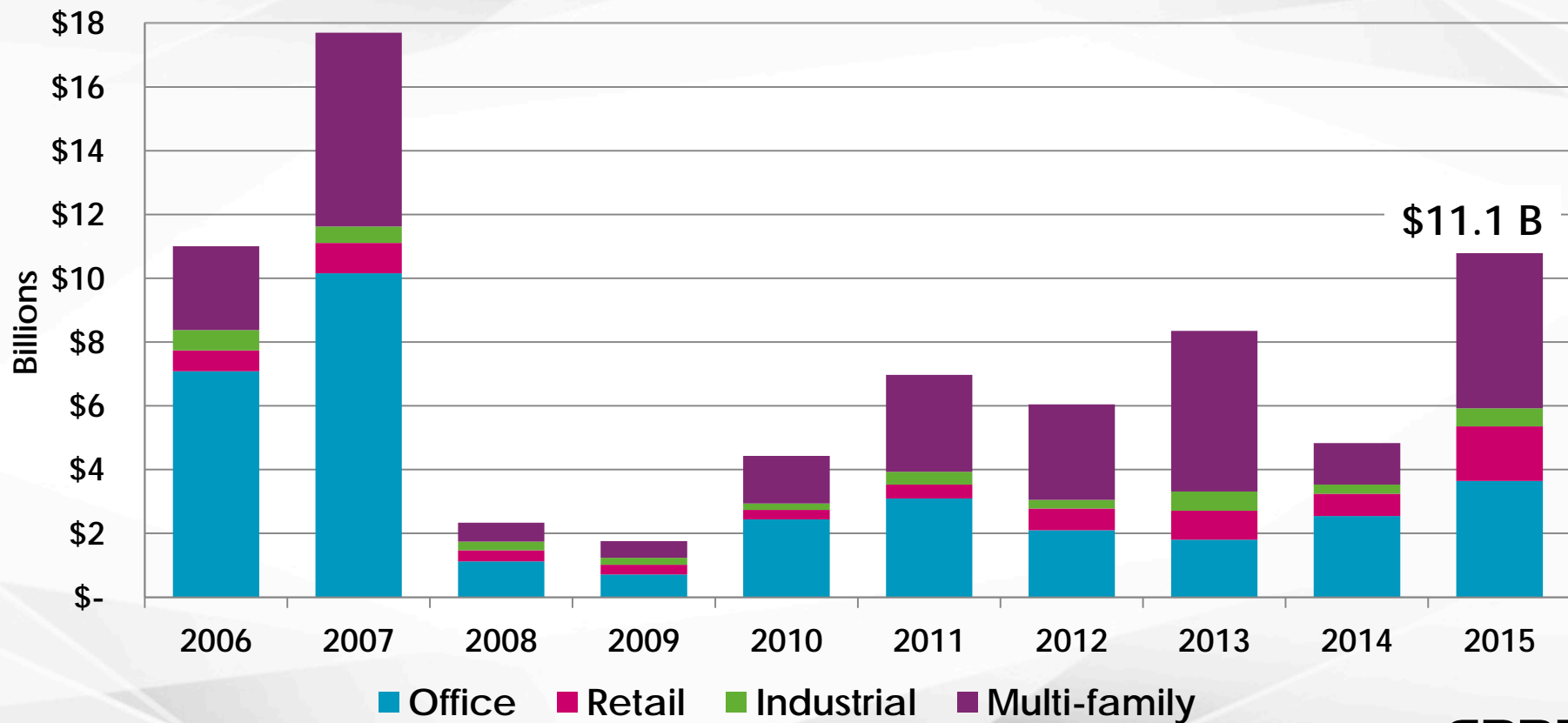


# Tenants on the move

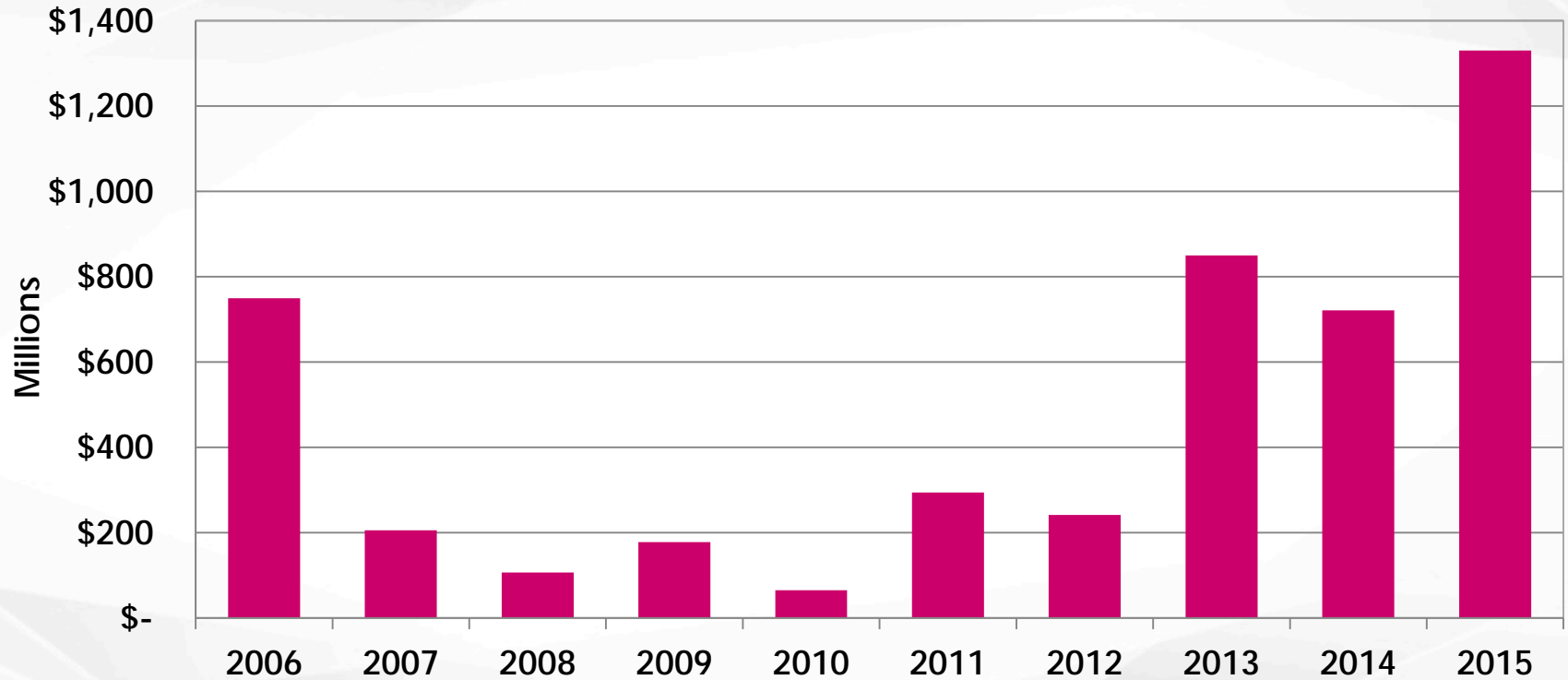
## Percent of Relocations in Total Leasing Activity By Number of Transactions



# Northern Virginia Sales Volume by Property Type

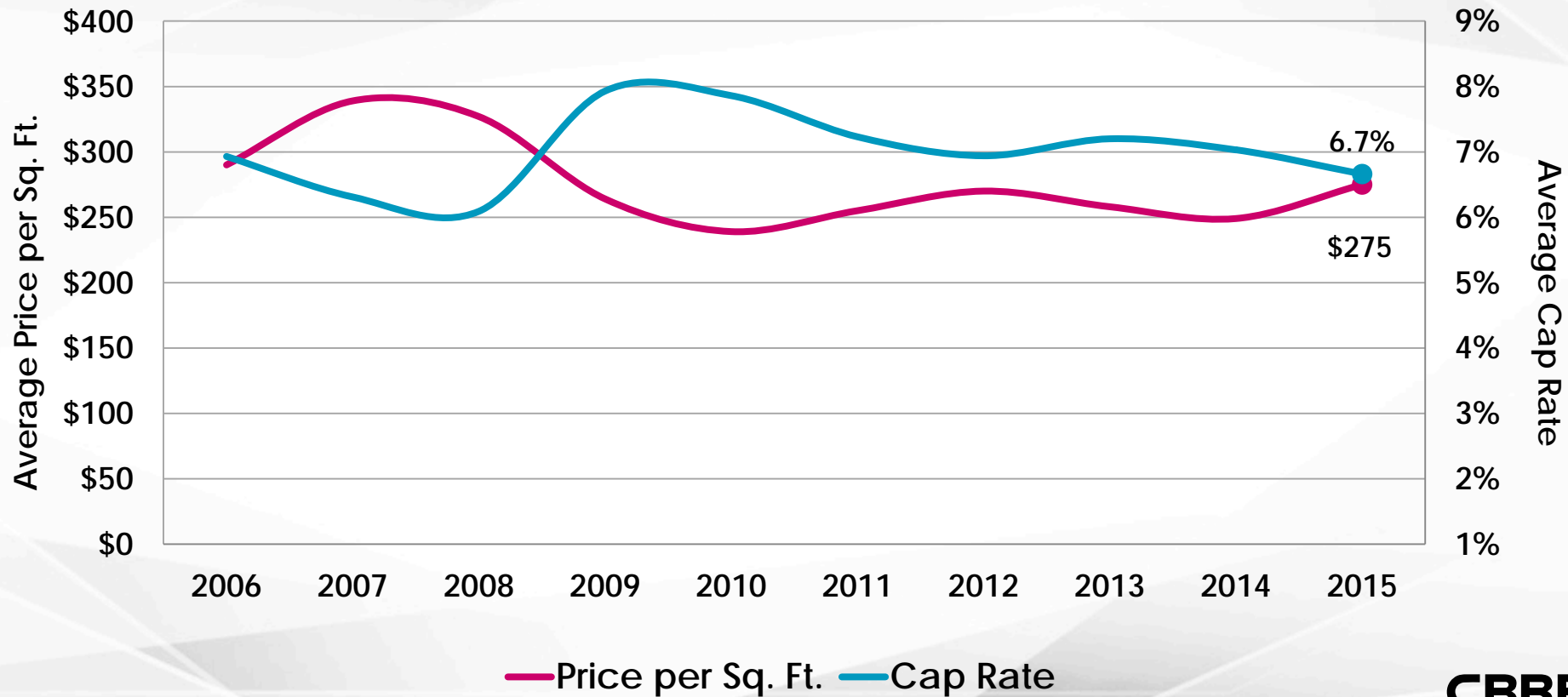


# Foreign Capital Investment Across All Product types





# Northern Virginia Office Sales

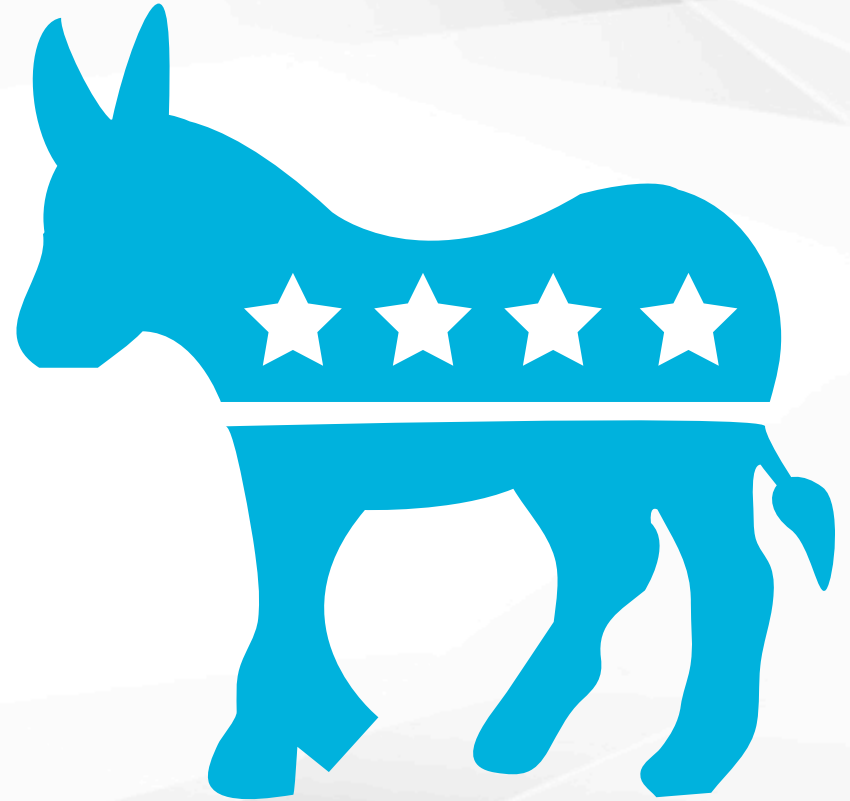
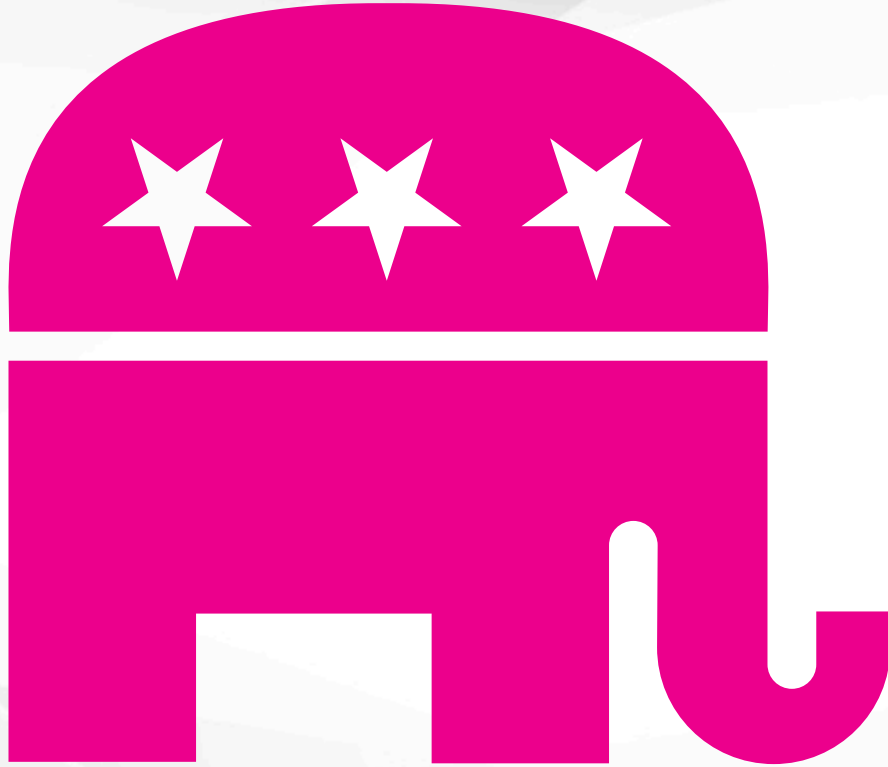


A nighttime photograph of a city skyline with illuminated skyscrapers and a bridge, reflected in a body of water. The right side of the image is covered by a semi-transparent pink overlay.

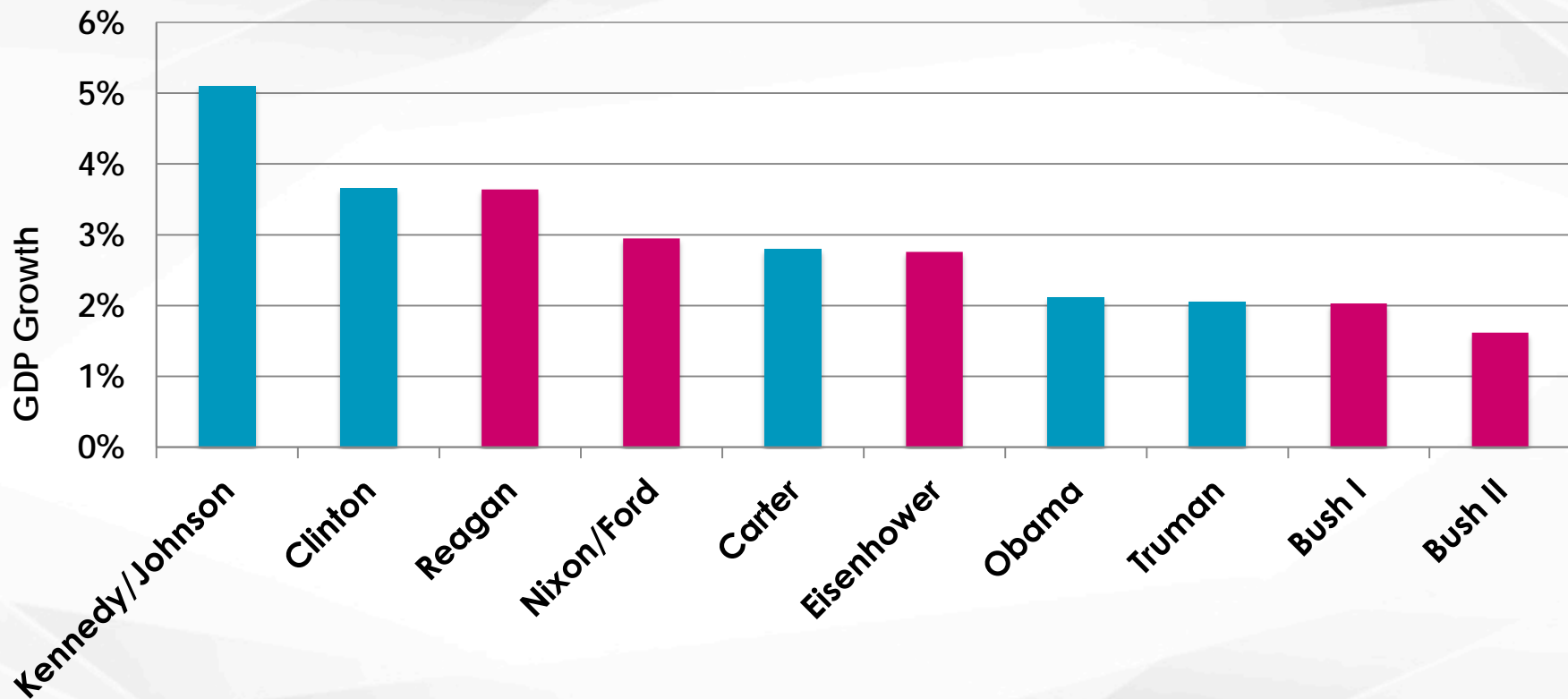
# THE BIG PICTURE

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## Do Elections Matter?

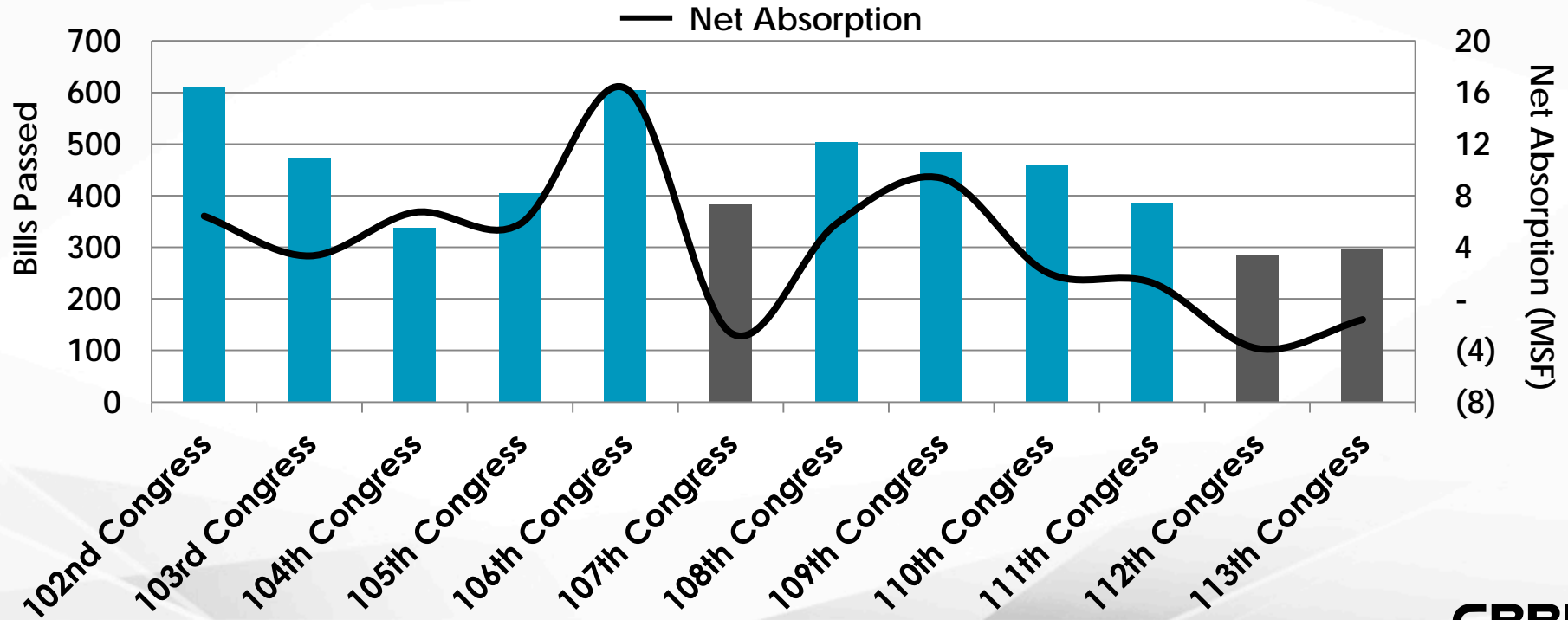


# Elections



# Divided We Fall

	Laws	Net Absorption
Divided	321	-2.7 MSF
Aligned	426	5.7 MSF

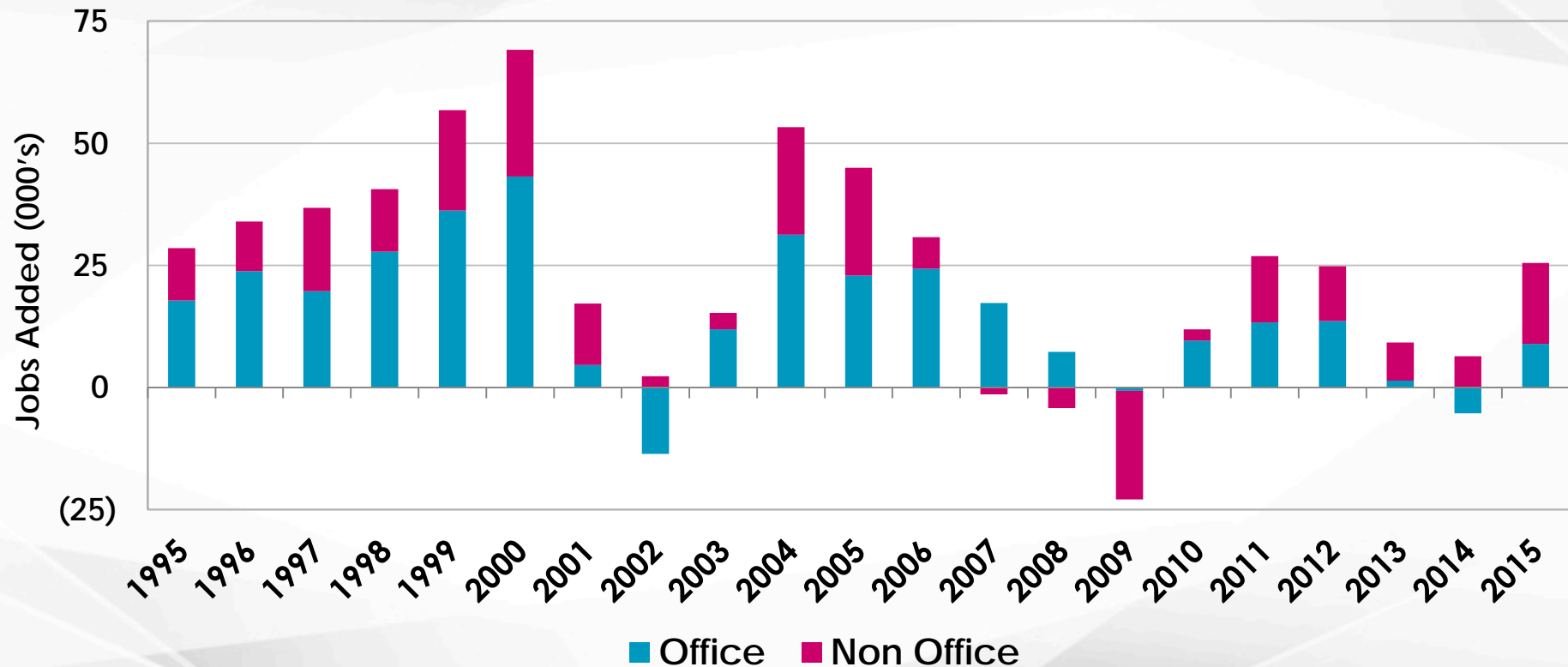




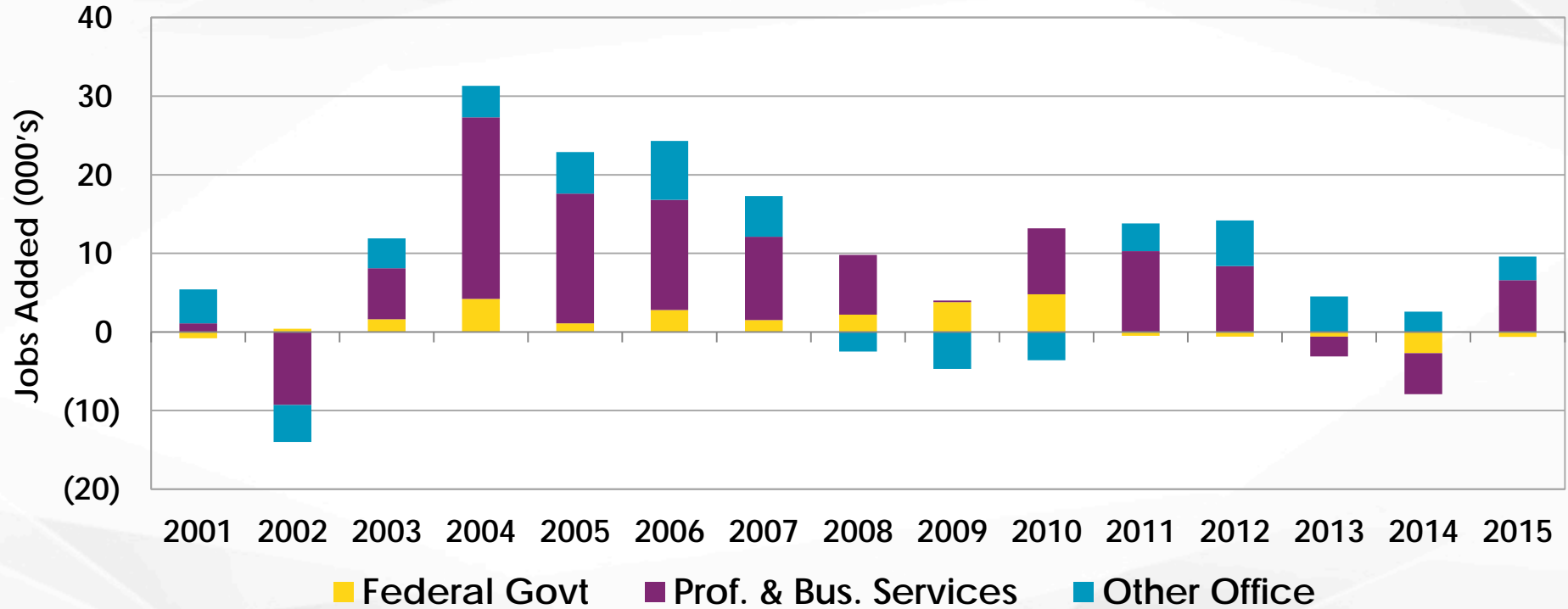
The image features a stylized representation of the Chinese flag. The background is a textured red. A horizontal purple band crosses the middle. In the upper left, five yellow stars are arranged in an arc. In the lower left, five grey stars are arranged in an arc, mirroring the yellow stars above. The word "CHINA" is written in white capital letters on the purple band.

CHINA

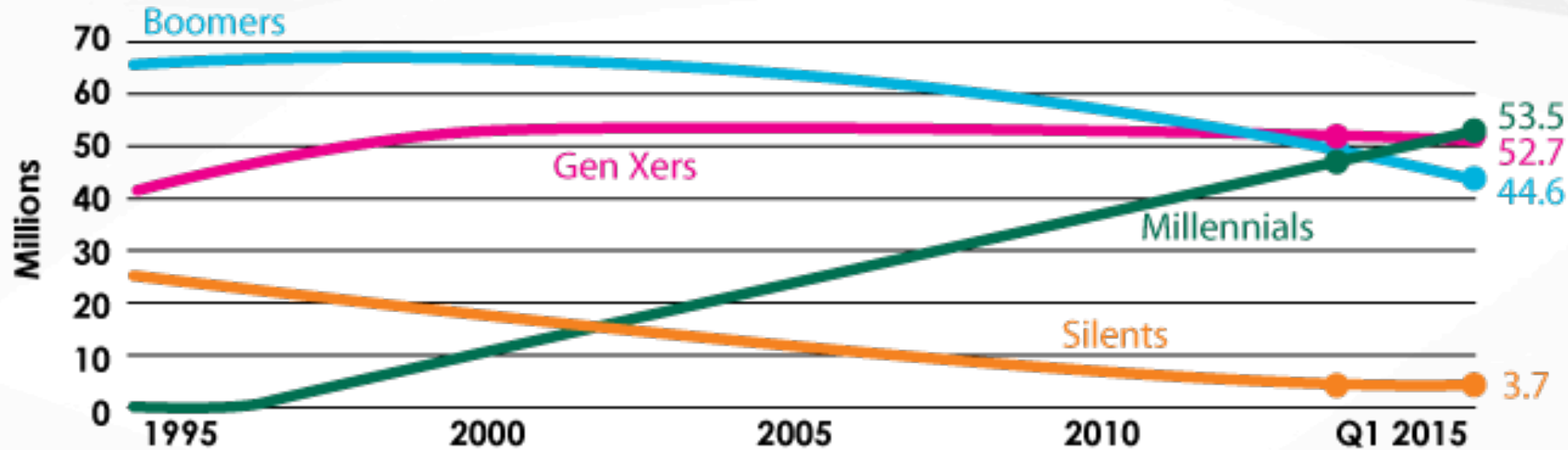
# Employment



# Employment

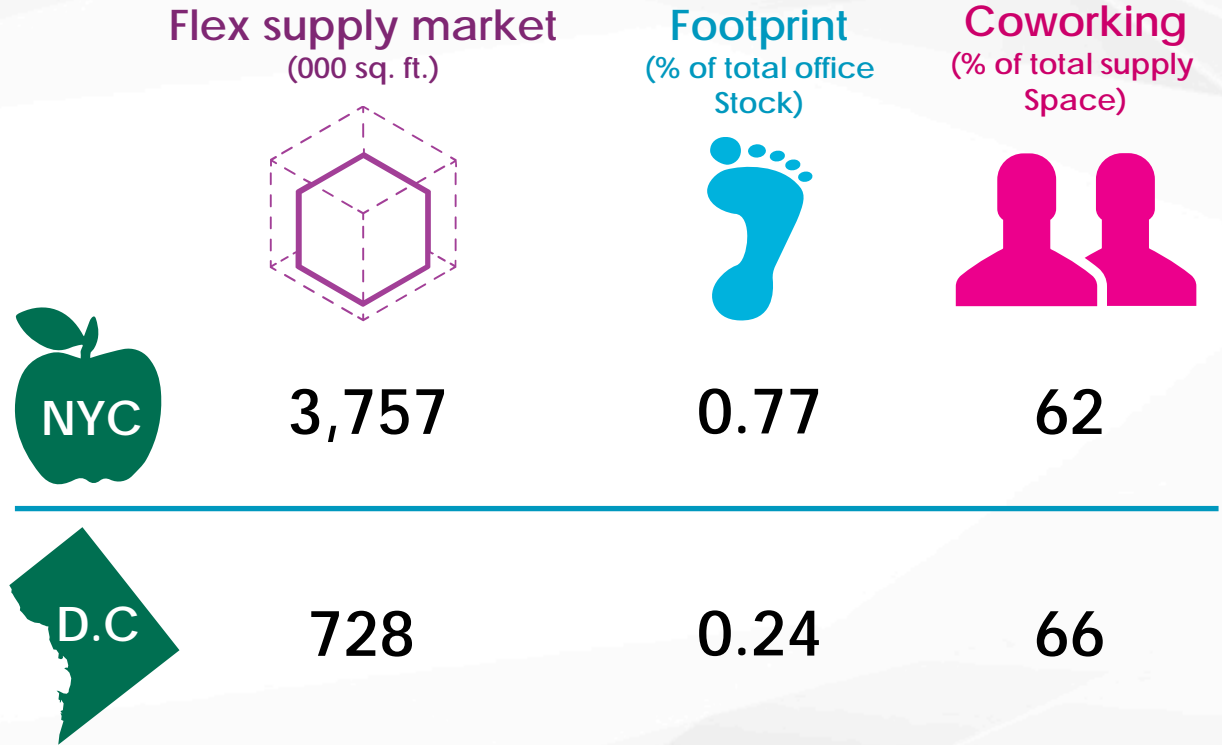


# Demographics



# Shared Workspaces

- 5-year CAGR: 21%
- Footprint <1% of total U.S. office stock.
- D.C. Metro - sector's footprint has doubled in the last 5 years



<sup>[1]</sup> InstantOffices, Q2 2015.





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# RISK FACTORS

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A dark, stormy night landscape with a road winding through the foreground. The sky is filled with dark, heavy clouds, and a bright lightning bolt is visible in the upper center. The road is illuminated by a few distant lights, and the overall atmosphere is dramatic and ominous.

# LIGHTNING ROUND



OIL

A black and white photograph of a stormy landscape. A bright, jagged lightning bolt strikes the ground in the distance, illuminating the dark, heavy clouds. The foreground is a flat, open field with sparse, low-lying vegetation. An orange diagonal banner is overlaid on the left side of the image, containing the title text in white.

# SPECULATIVE DEVELOPMENT IN NOVA

# INTEREST RATES

A dramatic, dark landscape under a stormy sky. A bright, jagged lightning bolt strikes the ground in the distance, illuminating the scene. The foreground is a flat, open field with sparse, low-lying vegetation. The sky is filled with heavy, dark clouds, and the overall atmosphere is ominous and powerful.



A dramatic black and white photograph of a stormy landscape. A bright, jagged lightning bolt strikes the ground in the distance, illuminating the dark, heavy clouds. The foreground shows a flat, open field with sparse vegetation. An orange geometric shape, resembling a parallelogram, is overlaid on the left side of the image, containing the text 'GSA LEASING' in white.

# GSA LEASING

# TRANSPORTATION



An aerial photograph of a coastline, likely the Gulf of Mexico, showing a large body of water with a prominent circular pattern of waves or a storm system. The land is visible on the left, and the water extends to the right. A diagonal purple overlay covers the right half of the image.

# ON THE RADAR

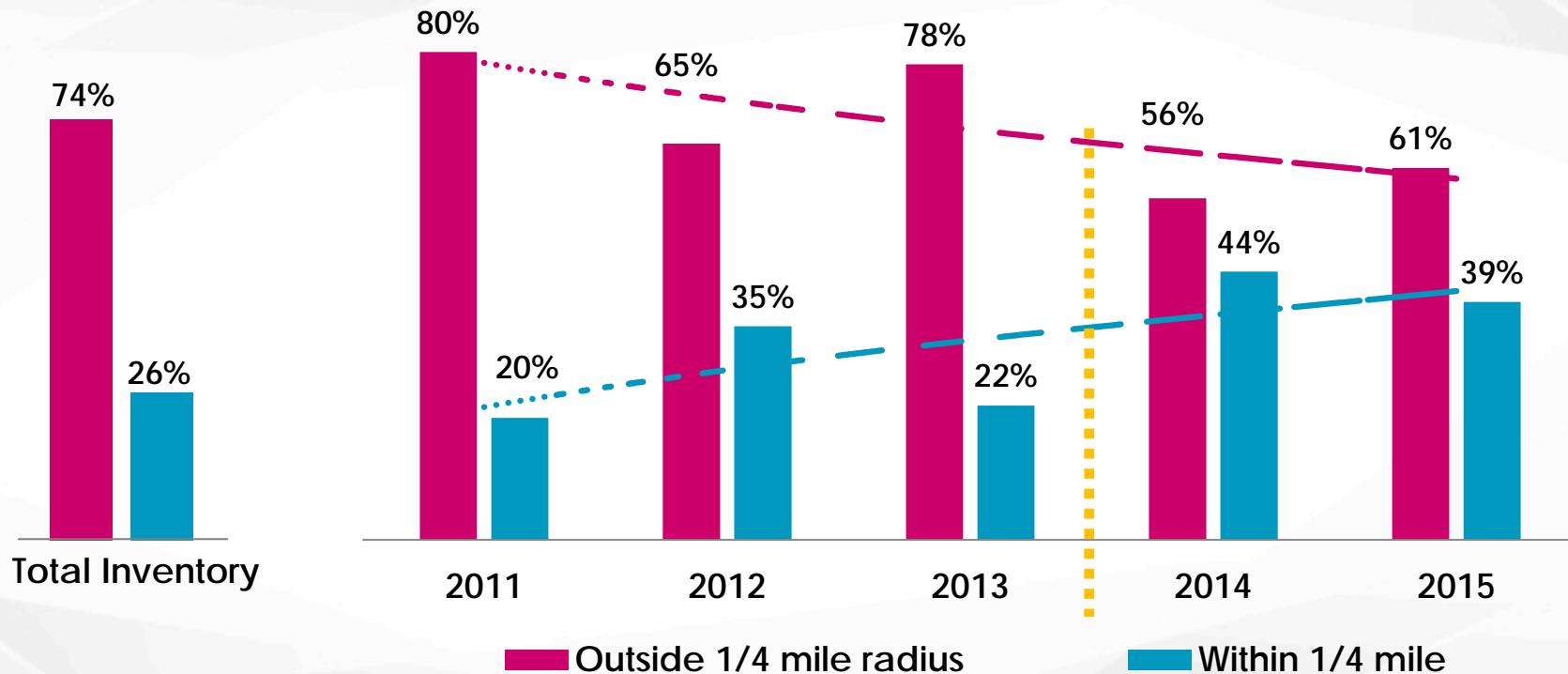
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# Transportation



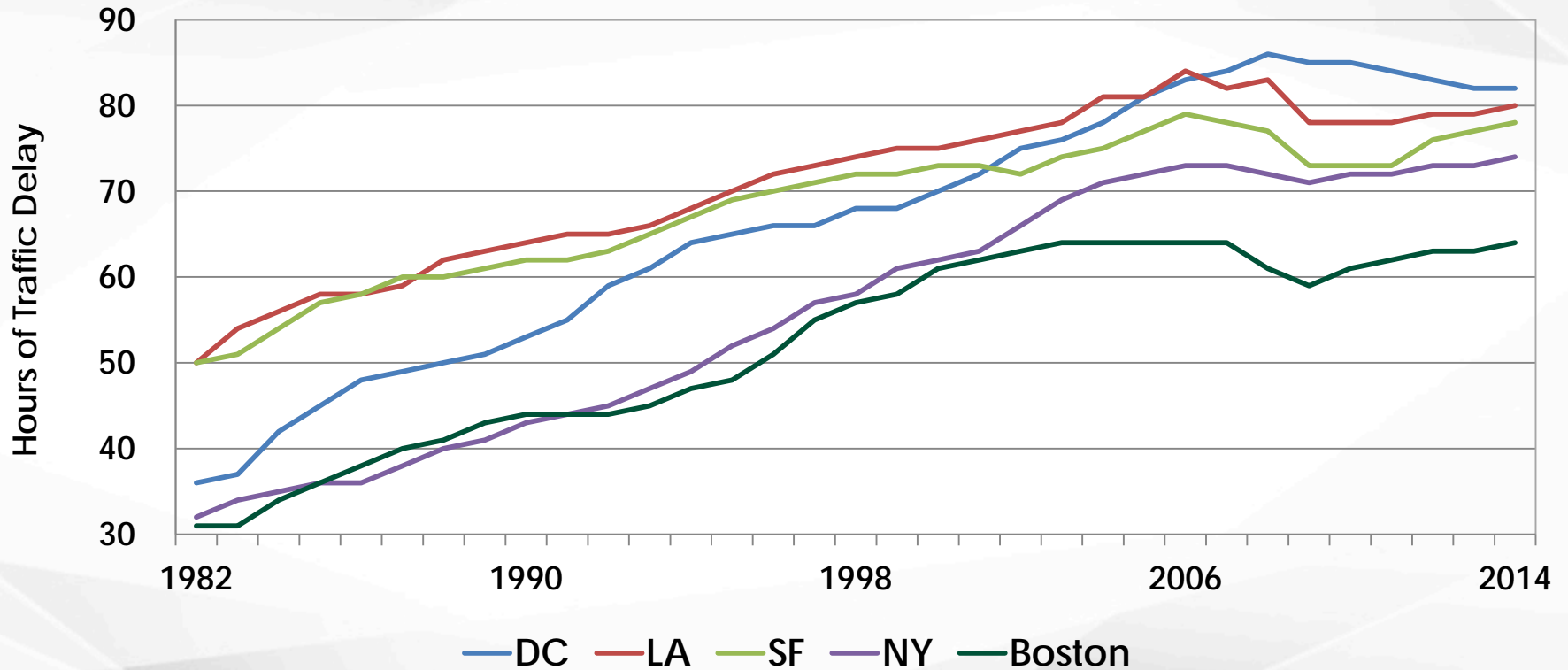
# Tyson's Metro Impact



\* Percentages by square footage

Source: CBRE Research, Q4 2015.

# We're #1



Office Parks  

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and the  
Holy Grail





# GSA Trends In NoVA



Freeze the Footprint/  
Do More with Less



Short Term  
Extensions/ Renewals

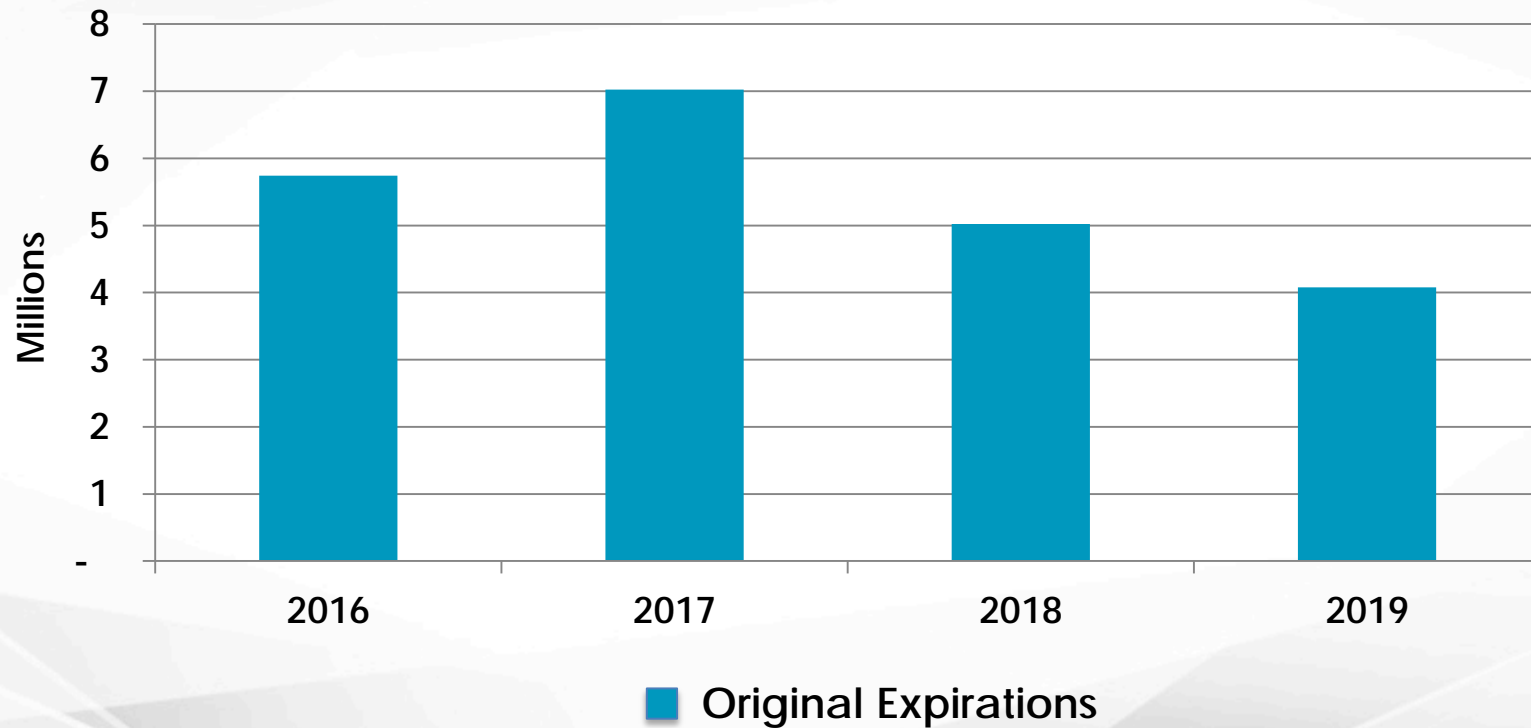


“BIG” Deal Market

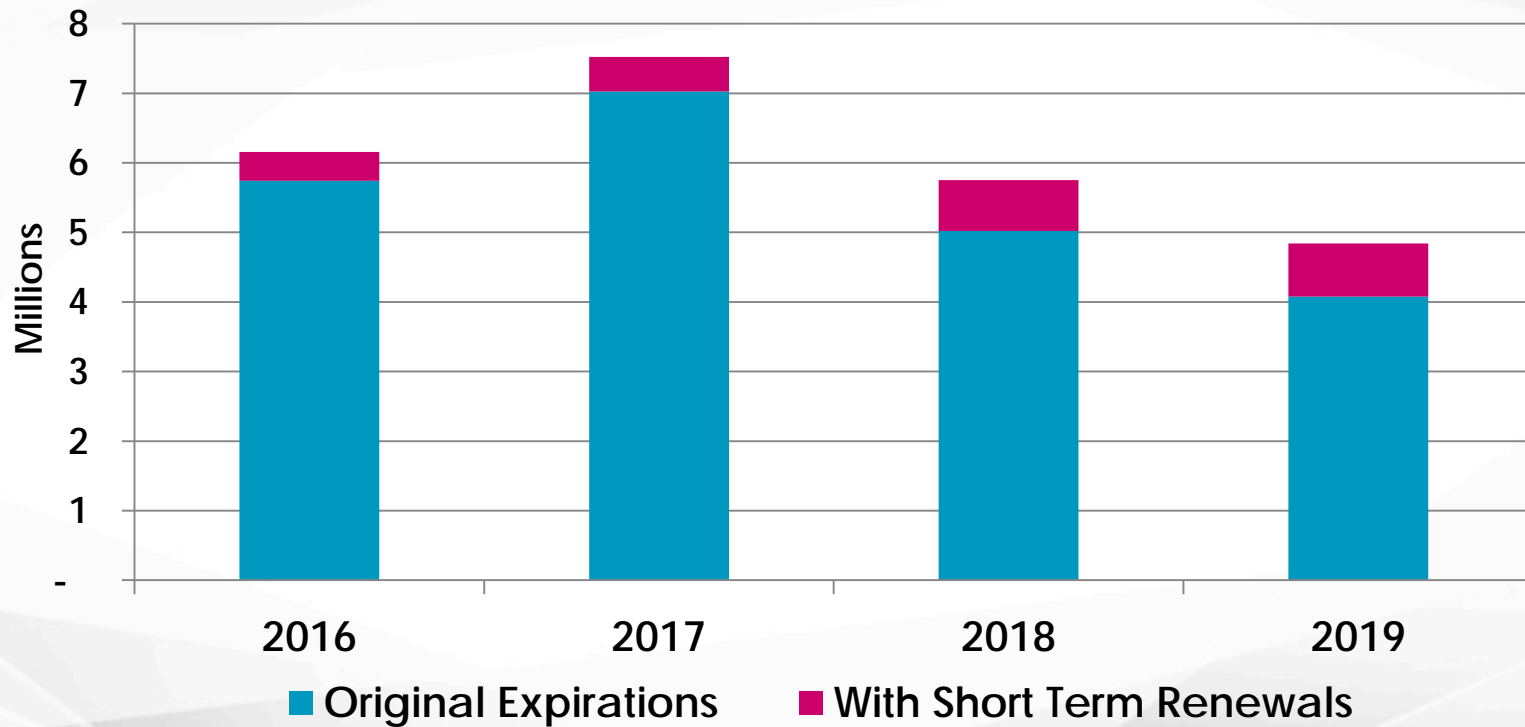
## GSA NoVA Big Deal Pipeline

TSA	625K SF
DEA	575K SF
CIS	575K SF
CIA	500K SF
NPPD	500K SF est.
CBP	400K SF est.
State DS	350K SF
State OBO	350K SF
USDA	180K SF
USPTO	150K SF est.

# Expiration Pipeline



# Expiration Pipeline



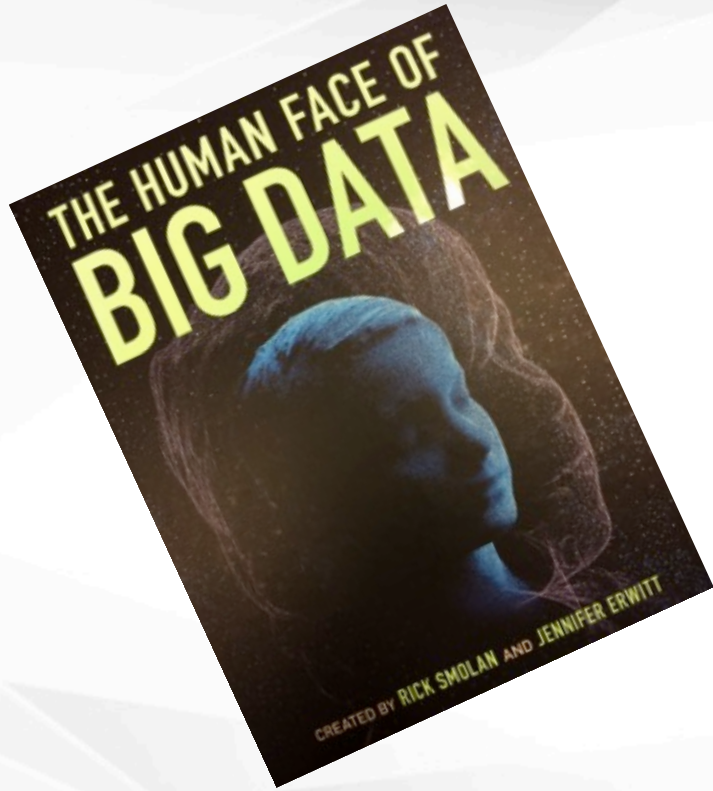


# Transportation Security Administration



# Data Centers





**// From the dawn of civilization until 2003, humankind generated 5 exabytes of data. Now we produce 5 exabytes every two days. //**

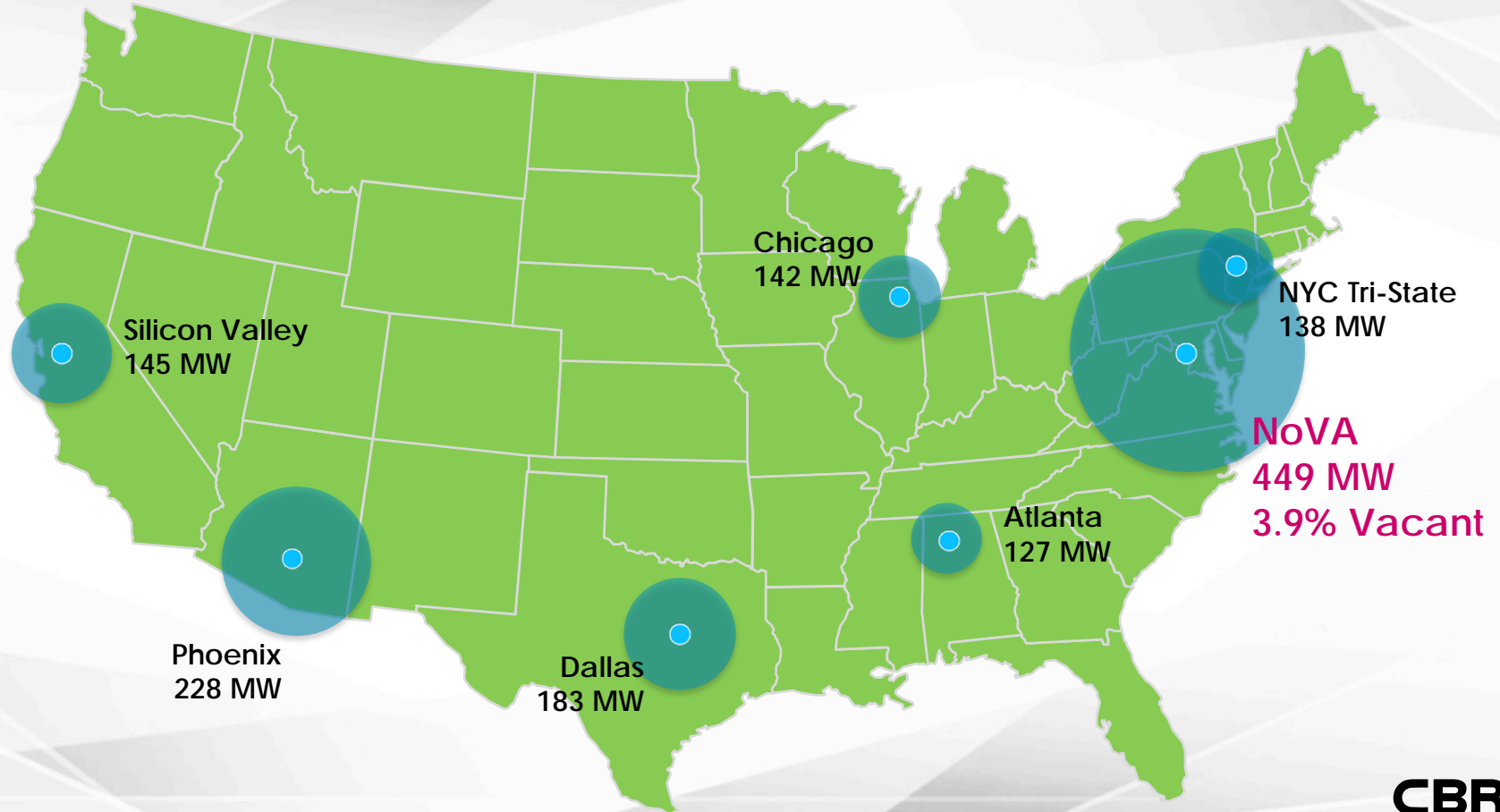
- Eric Schmidt

At the moment less than 0.5% of all data is ever analyzed and used, just imagine the potential here

- Forbes

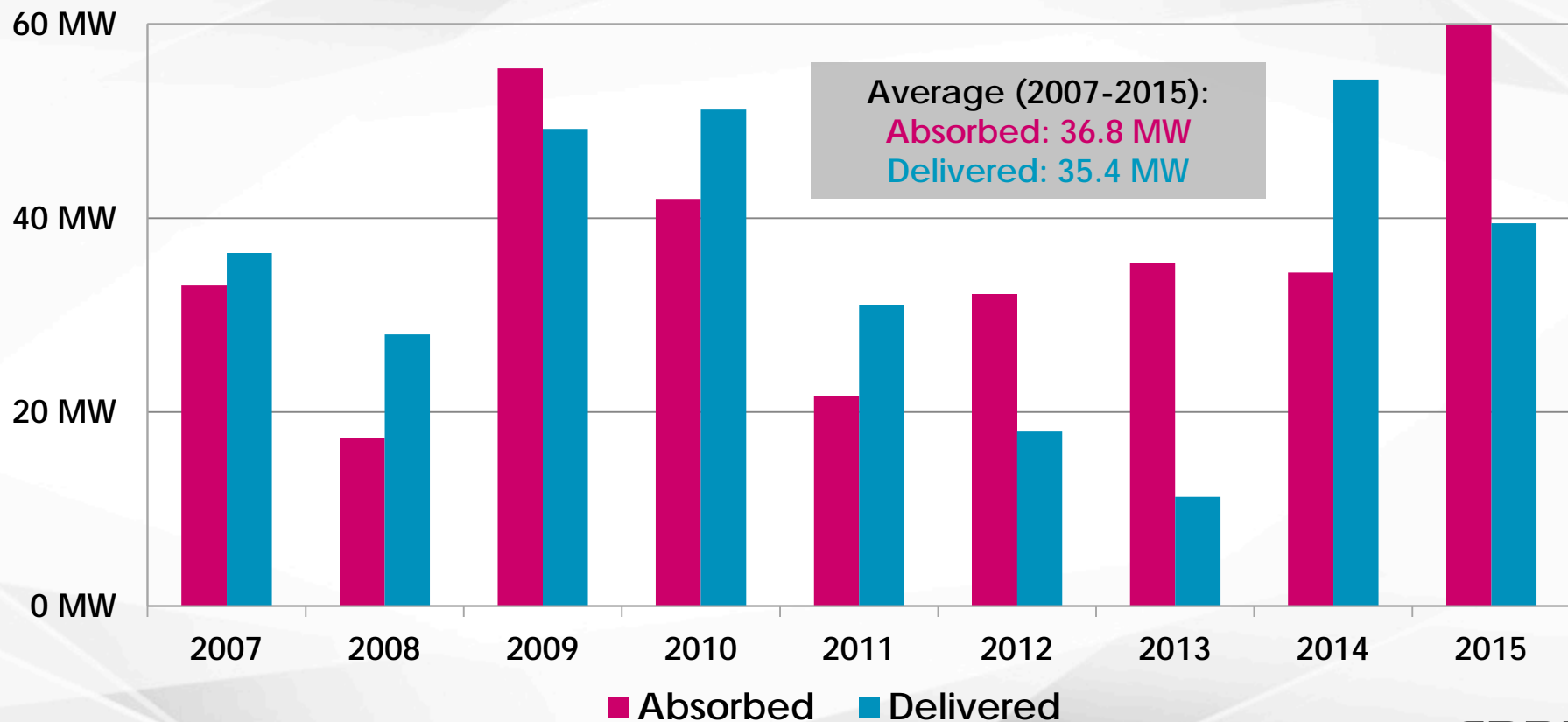


# Data Centers





# Data Centers



A close-up photograph of a hand holding a gold-colored pen, poised to check a box on a survey form. The form has several rows of checkboxes, with the first one in the visible row already checked with a blue ink 'X'. The background is slightly blurred, showing more of the form and the hand. A semi-transparent purple banner is overlaid on the left side of the image, containing the title text.

# WHAT DO LARGE TENANTS CARE ABOUT?

# What do Large Tenants Care About?

1. Workplace strategy
2. Employee engagement / wellness
3. Change management
4. Talent
5. Enterprise alignment and CRM
6. Portfolio and data analytics
7. Occupancy expense management
8. Capital planning and management

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# Top Markets for Education Attainment

(25+ Yrs, Bachelors Degree or Higher)

Location	Educational Attainment Rate (%)
Seattle, WA	57.4
Washington, D.C.	55.1
San Francisco, CA	52.4
Raleigh-Durham, NC	47.3
Atlanta, GA	46.8
Silicon Valley, CA	46.5
Minneapolis, MN	45.7
Austin, TX	45.6
Boston, MA	43.9
United States	28.8



# Cost of Commuting







# MILLENNIALS

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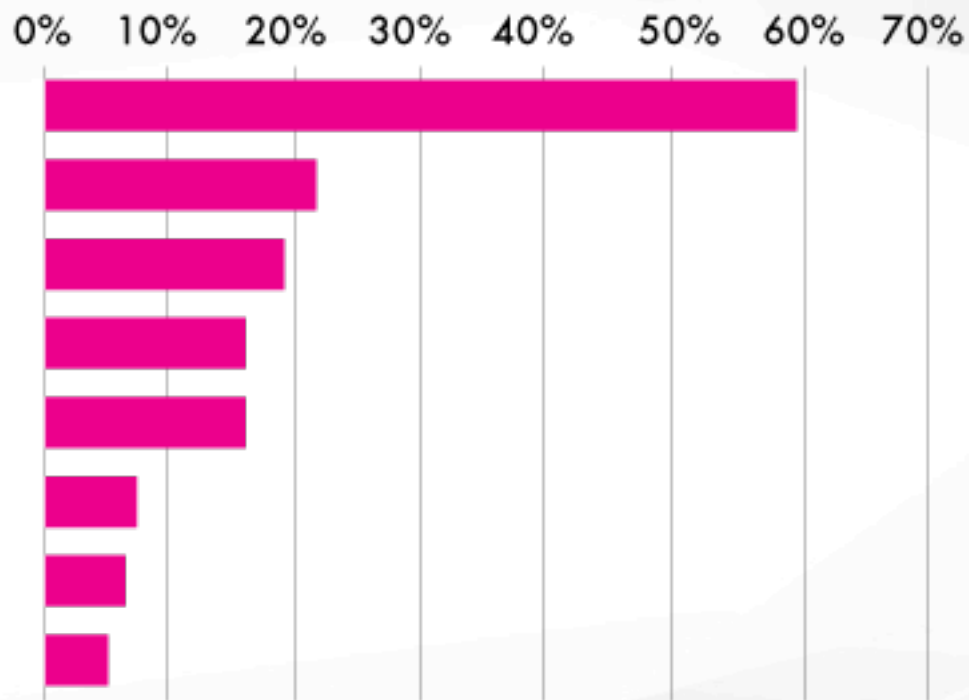


**MILLENNIAL**

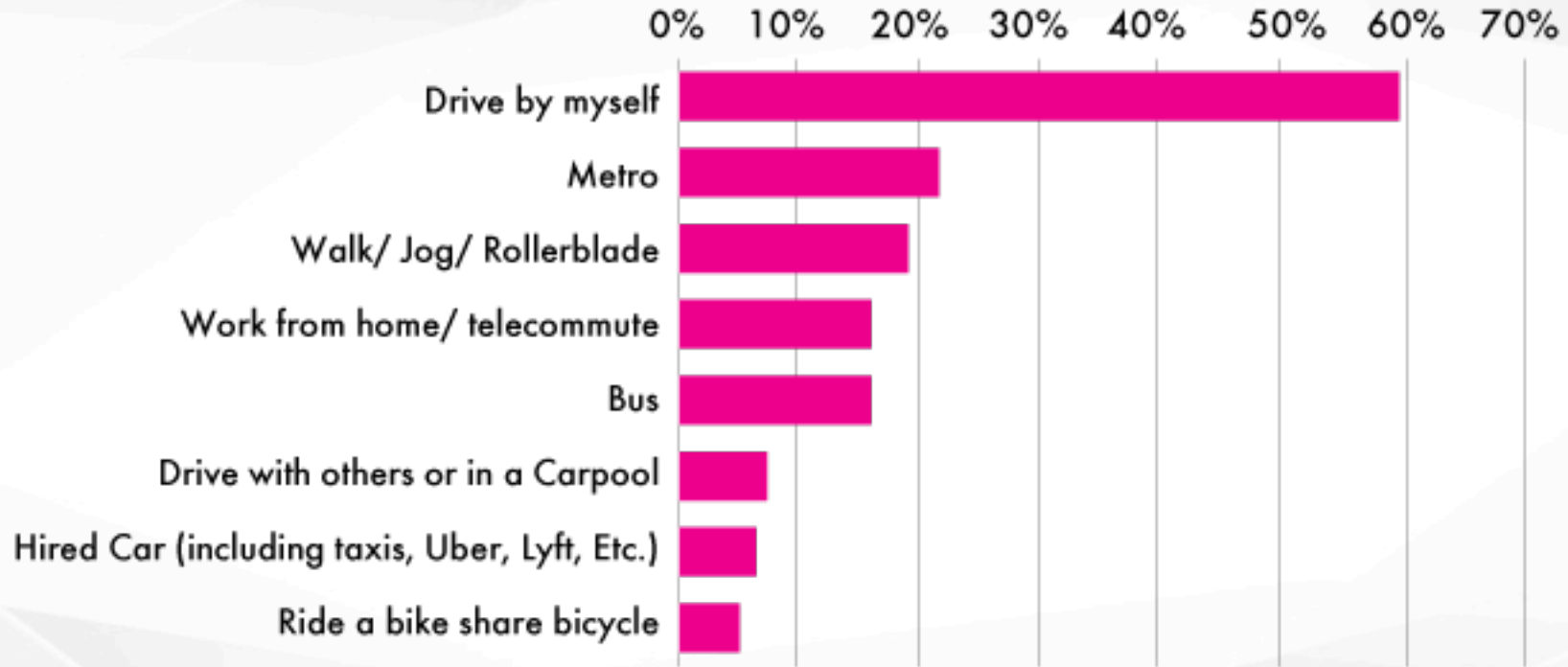
**ANTI-THEFT DEVICE**

**CBRE**

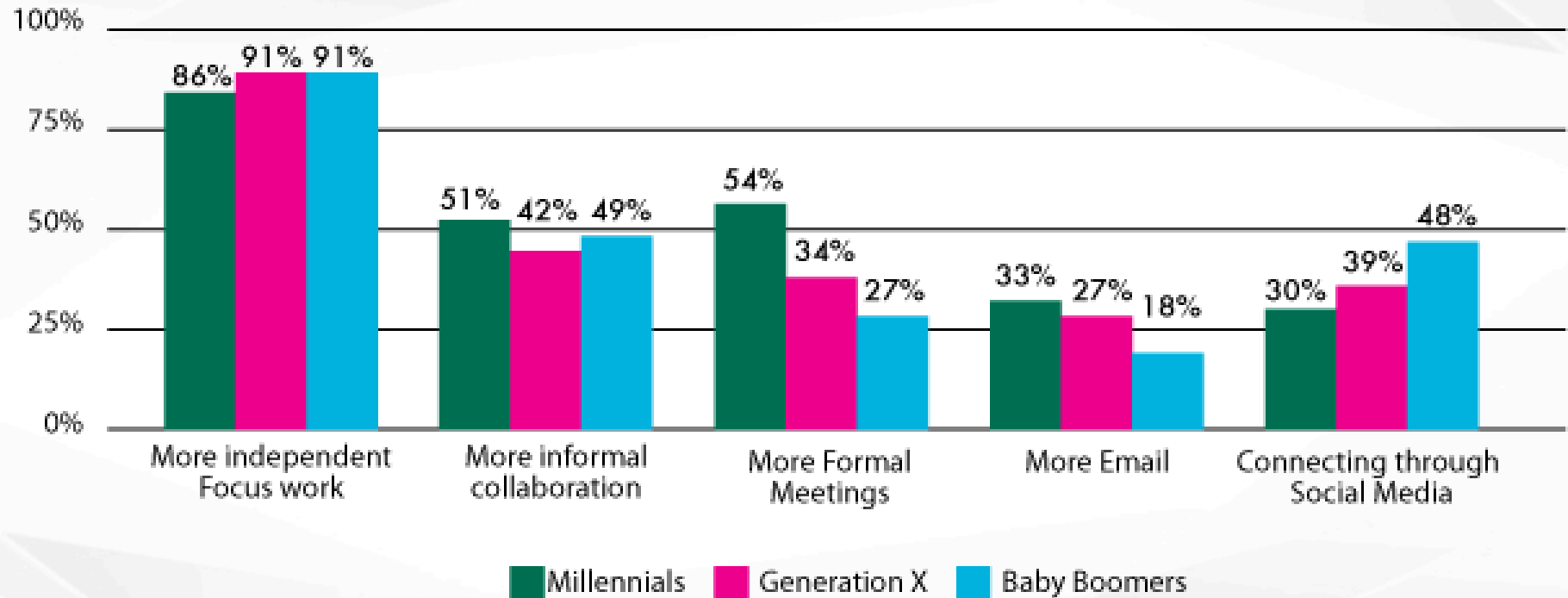
# How Millennials Commute to Work



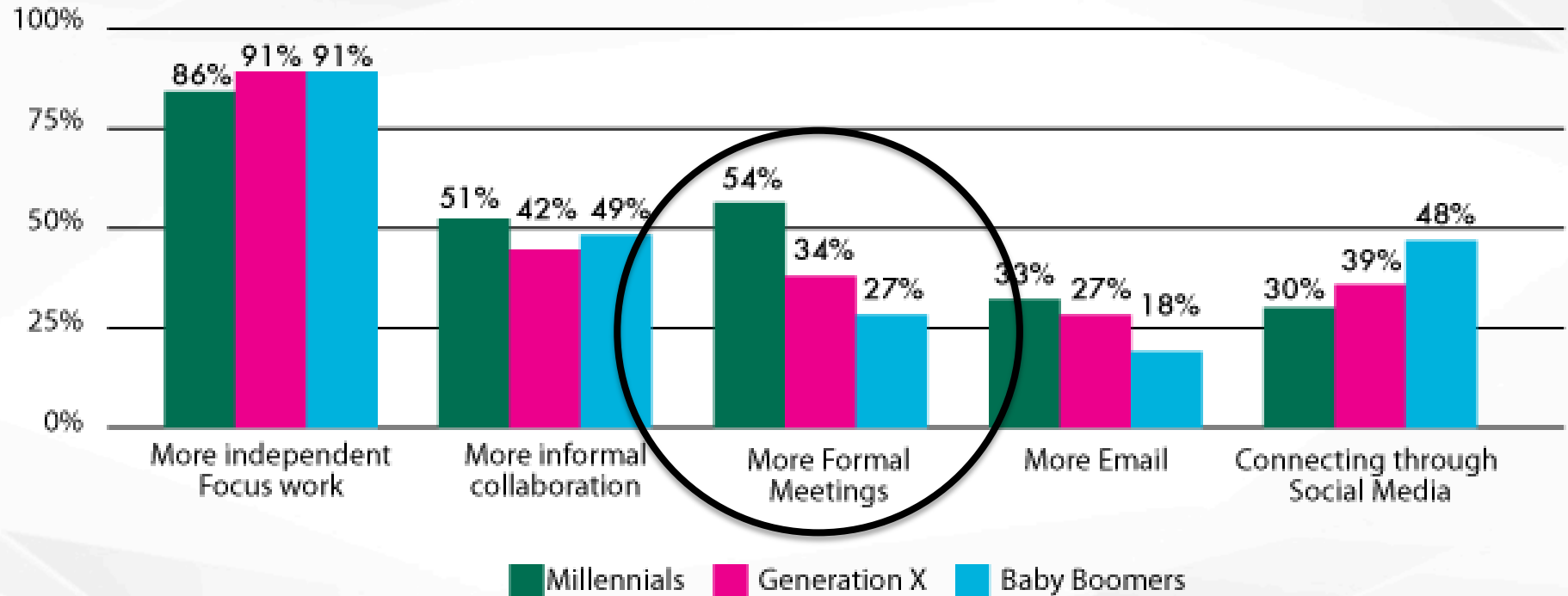
# How Millennials Commute to Work



# Millennials aren't that different?



# Millennials aren't that different?



**BLUE  
AND  
BLACK?**



**WHITE  
AND  
GOLD?**

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A person is sitting at a wooden table, working on a silver laptop. Their hands are on the keyboard, and they are wearing a black smartwatch on their left wrist. To the left of the laptop is a white cup of coffee with a heart-shaped latte art on top, sitting on a white saucer. The background is blurred, showing other people and what appears to be a cafe or office setting. An orange diagonal banner is overlaid on the image, containing the text "U.S. ECONOMIC FORECAST".

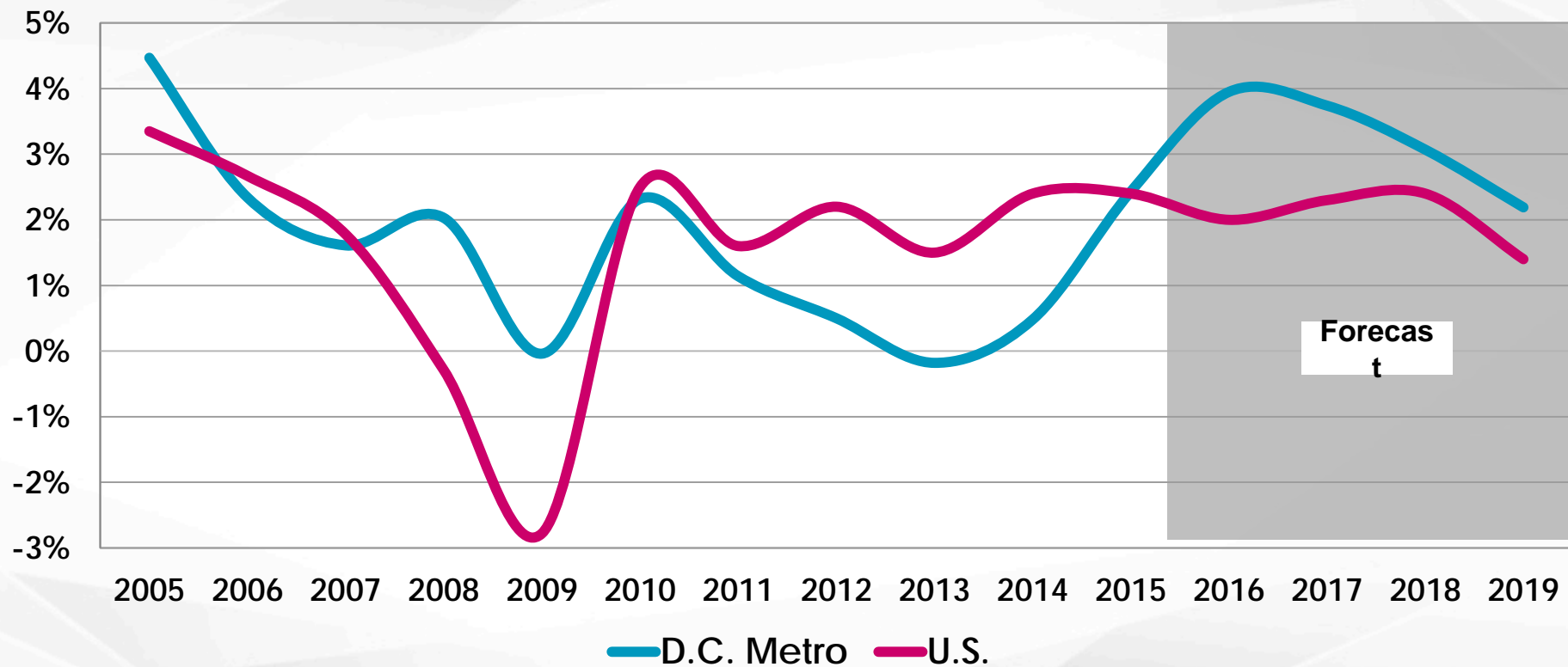
# U.S. ECONOMIC FORECAST



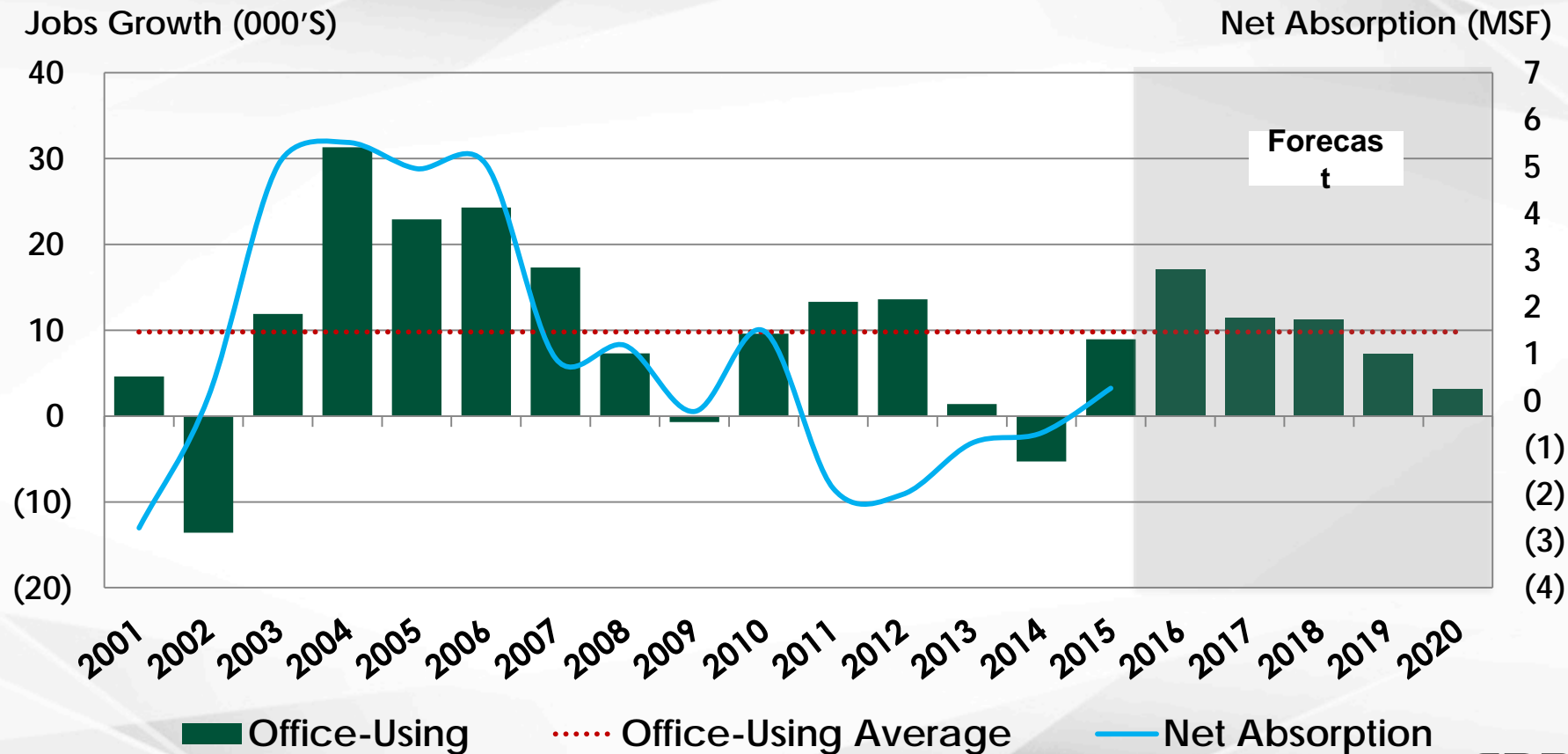


# JOBS FORECAST AND LOCAL ECONOMY

# GDP / GRP Growth



# Northern Virginia Office Job Growth



Airbnb

Alibaba

GAME CHANGERS

Uber

WeWork

Facebook





## Challenges





## Strengths



# Takeaways



Upside - with volatility

**THANK YOU FOR YOUR QUESTION,  
I'M GLAD YOU BROUGHT THAT UP**



**SO I CAN TALK ABOUT SOMETHING  
COMPLETELY DIFFERENT**