



Partly Sunny... ...with a Slight Chance of Growth

**2009 Annual Arlington Real Estate
Review and Forecast**

There's A Lot of Storms Out There...



*"Ten Retailer Tips For weathering the
Economic Storm"*



*"Companies weathering the
economic storm"*



*"Weathering the economic
storm"*



*"Single Parents: Weathering the
economic storm"*



*"Weathering the Economic
Storm"*



*"You can weather the Economic
Storm"*



*"How Are Partners Weathering the Economic
Storm?"*



*"Weathering the Economic
Storm"*



*"Weathering the Economic
Storm"*

2007-2009 Credit Crisis and Recession

- Housing bubble and subprime lending
- U.S. consumer spending and debt
- High leverage (financial derivatives)

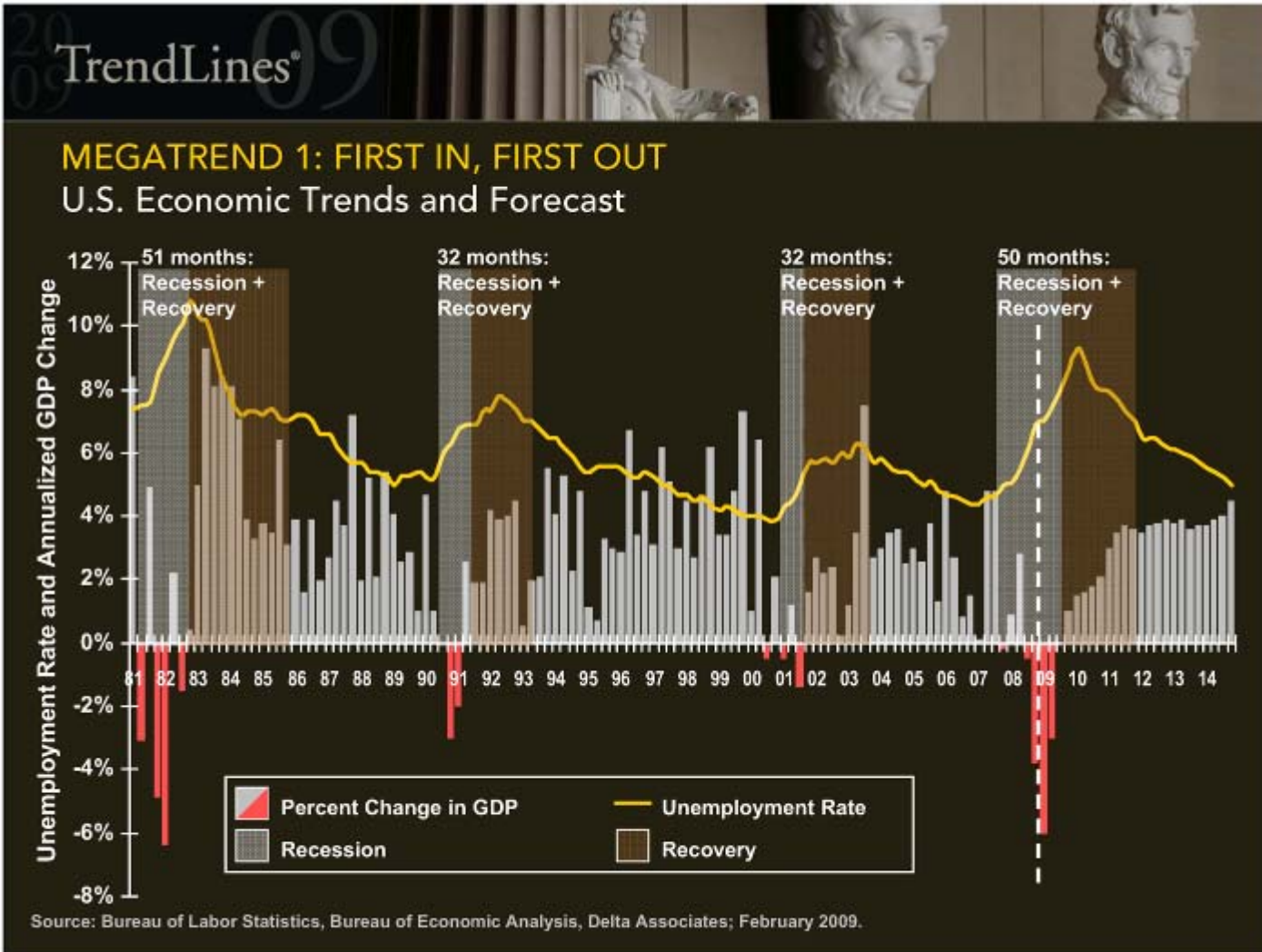


- Stock market decline
- Devaluation of assets and liquidity problem
- Overall tightening of credit
- Low consumer confidence
- Further implications on budget deficit, currency, inflation rates, etc.

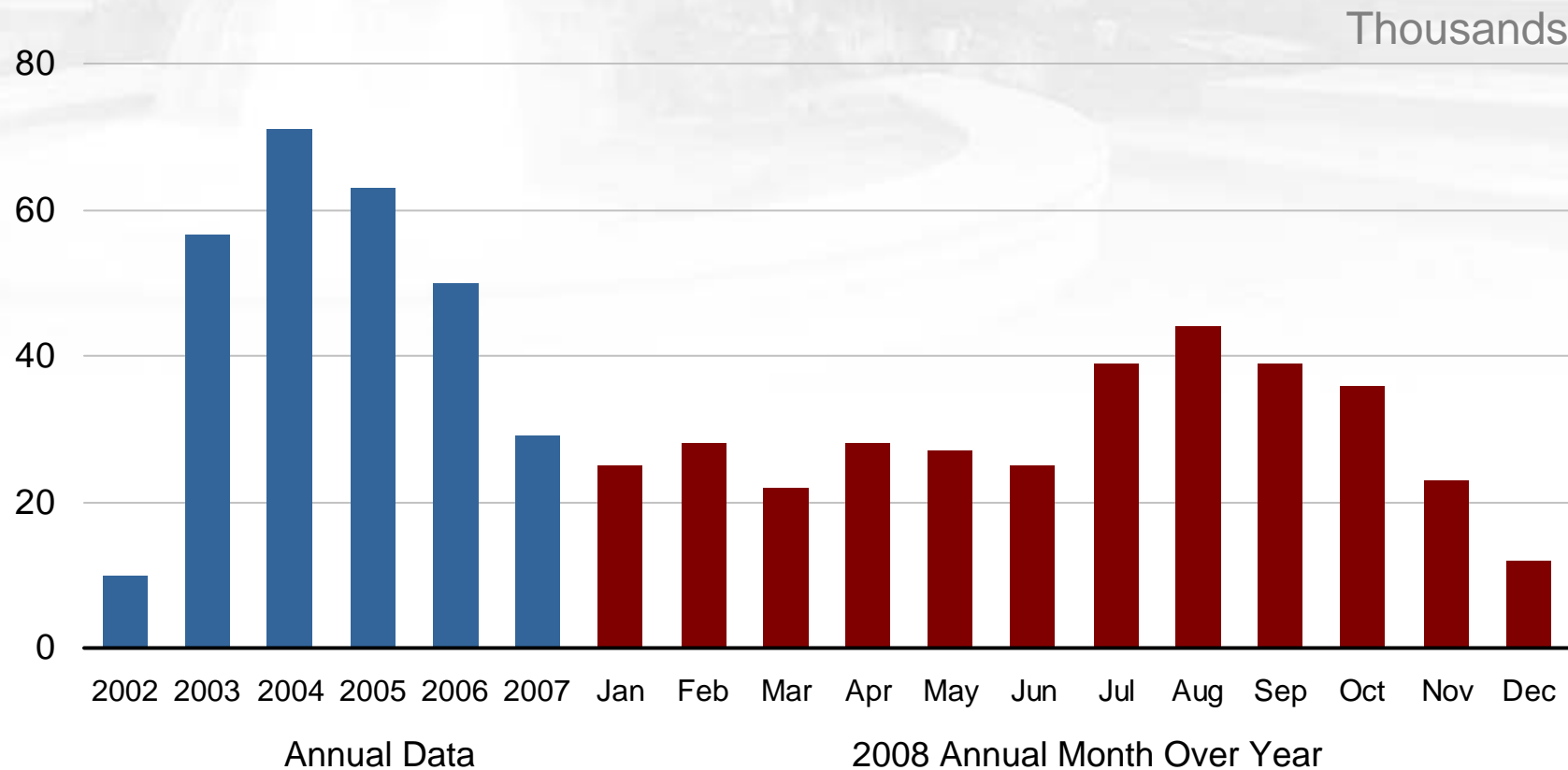
2009 Forecasts of Washington Metro Area Economists

	Virginia Unemployment	Job Growth	Inflation	Gross Regional Product Growth	Housing Permits	Office Vacancy
2008 Actual	4.8%	23,200	2.5%	2.2%	12,858	11.6%
James C. Dinegar	5.1%	23,500	3.3%	2.9%	10,100	8.0%
Robert M. Pinkard	5.5%	10,000	1.0%	1.0%	13,000	13.1%
W. Lyles Carr III	4.9%	23,000	2.4%	1.6%	14,000	13.2%
April Young	5.6%	35,000	2.3%	2.5%	10,000	15.1%
Stephen S. Fuller	6.7%	12,000	1.0%	1.2%	15,000	12.7%
Mark Vitner	6.4%	(46,000)	1.9%	-1.6%	7,400	11.0%
Jay McGonigle	6.0%	18,000	1.8%	1.0%	5,000	13.0%
Gregory H. Leisch	6.9%	5,000	0.0%	1.3%	10,000	13.0%
Steven Pearlstein	6.2%	(5,000)	1.9%	0.0%	12,000	12.8%

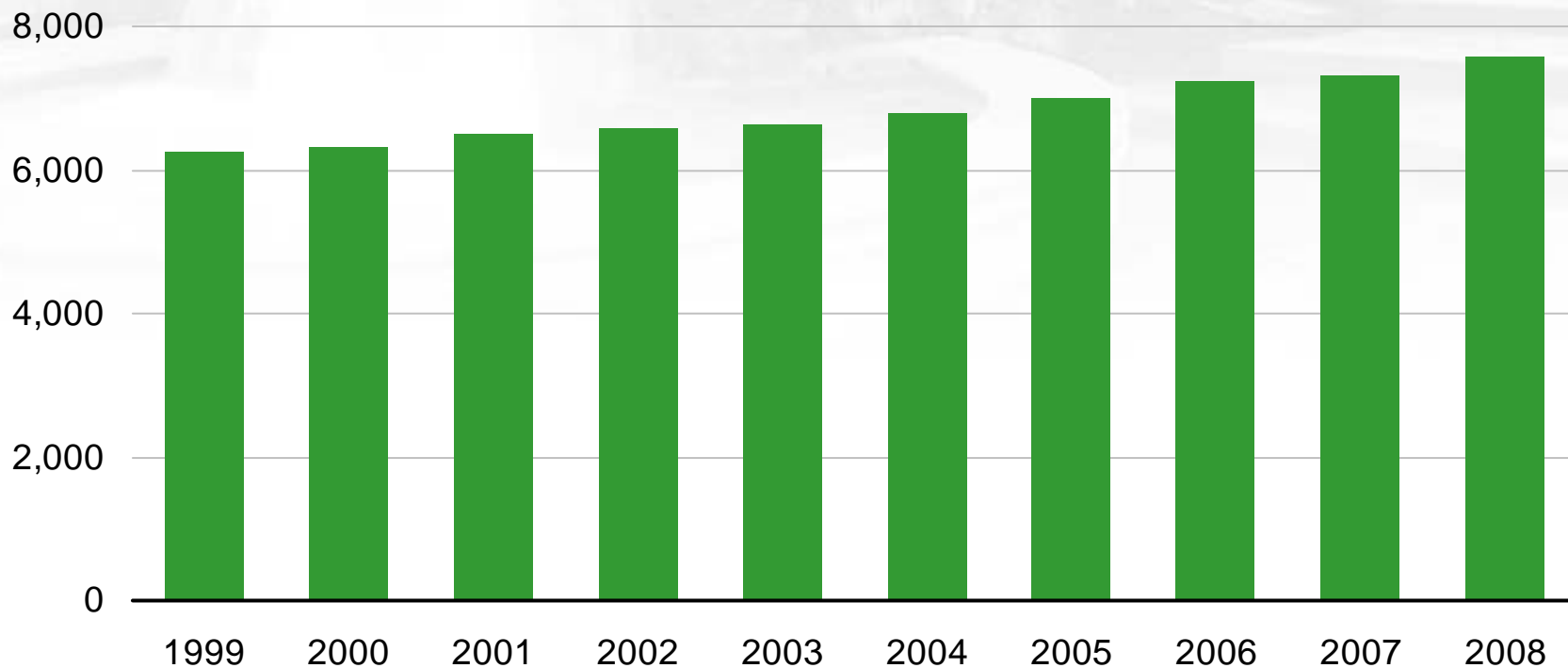
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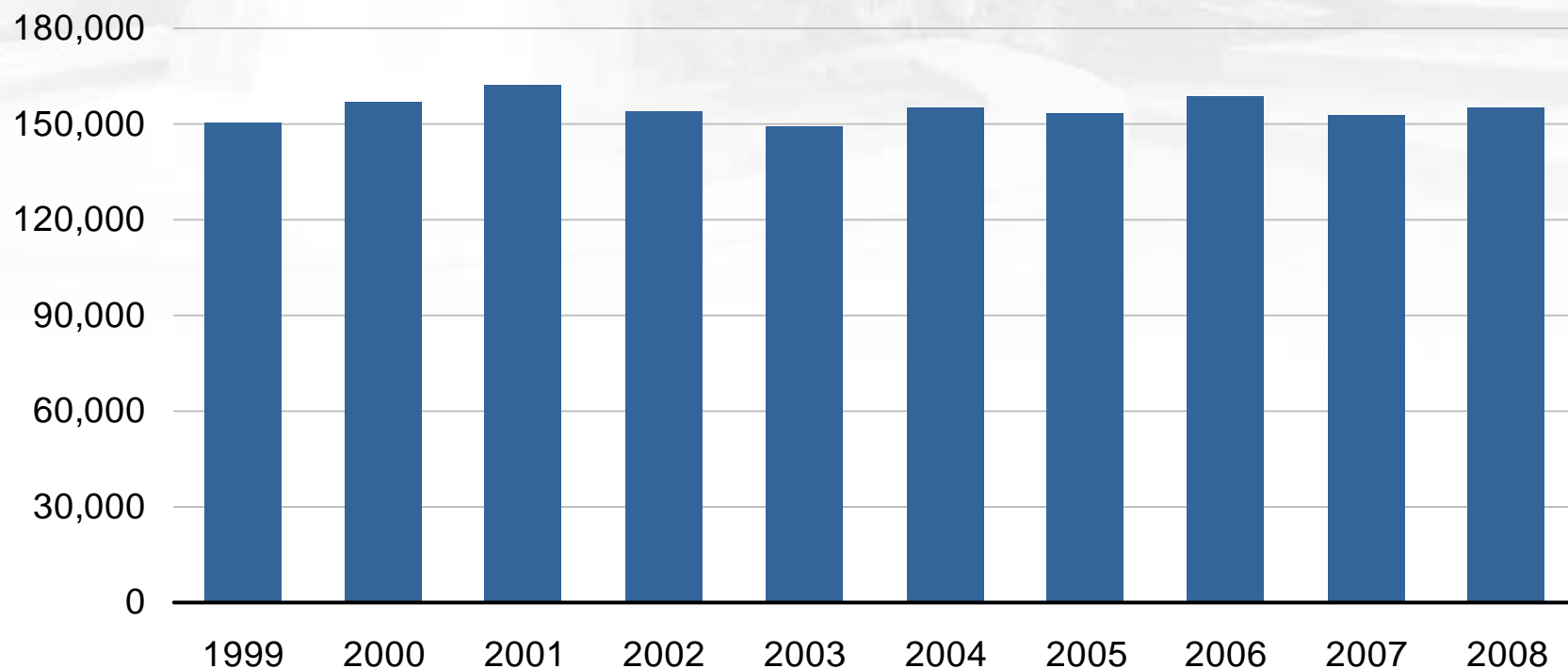
Annual Job Change Washington DC Metro Area



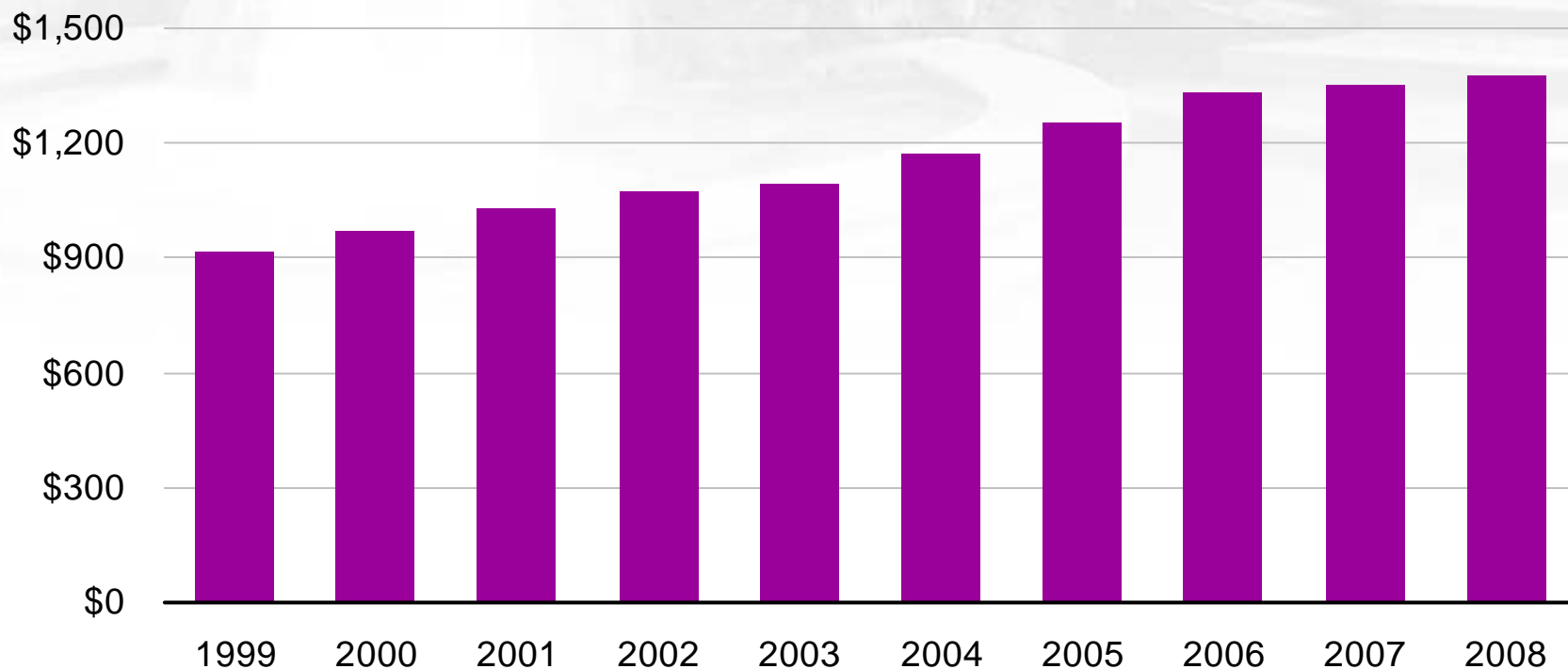
Business Establishments Arlington, VA



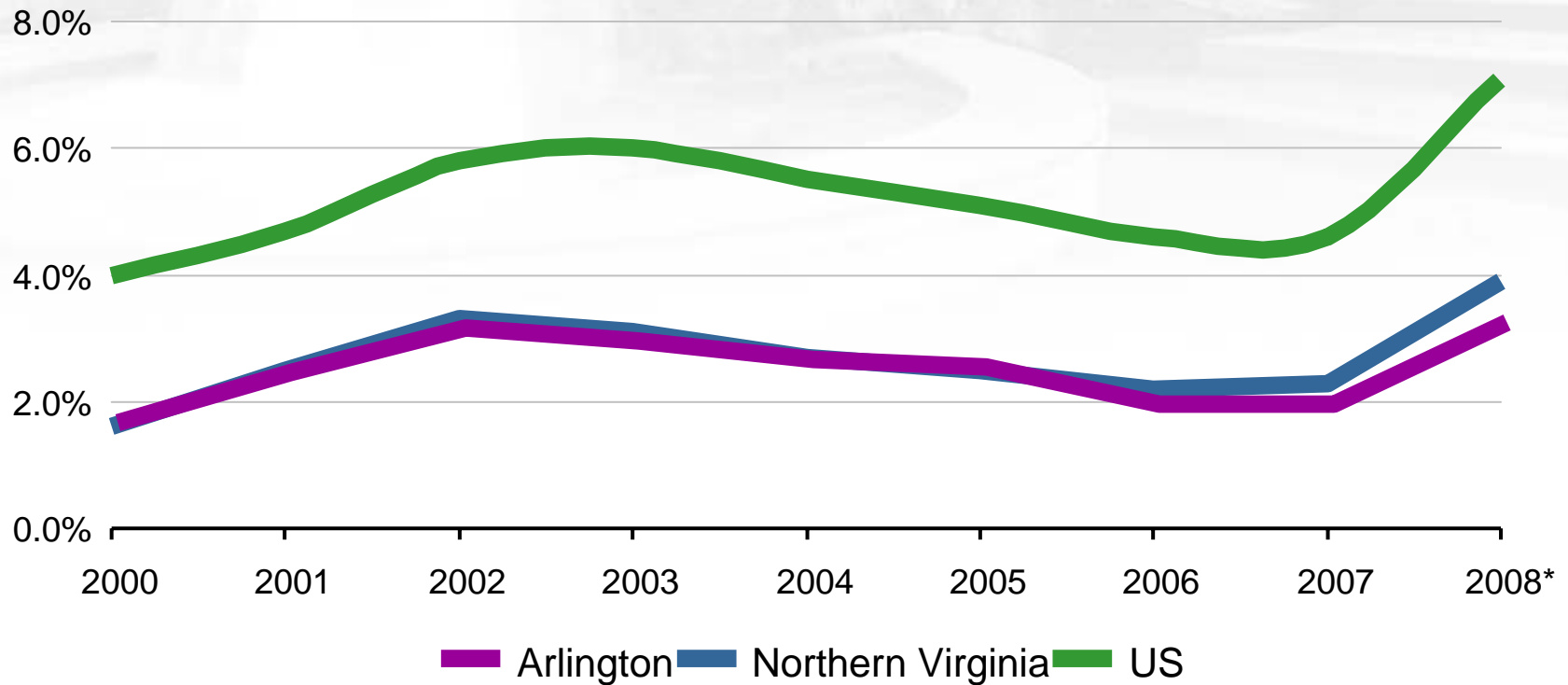
At Place Employment Arlington, VA



Average Weekly Wage Arlington, VA



Unemployment



2009 Annual Arlington Real Estate Review and Forecast

Principal Private Employers* Arlington, VA

Company Name	2009	2008	Company Name	2009	2008
Virginia Hospital Center	2,354	2,127	Bureau of National Affairs, Inc.	900	500
Corporate Executive Board	1,534	1,659	Verizon	790	995
US Airways	1,472	1,294	Marymount University	637	651
Lockheed Martin Corp	1,453	1,533	The Boeing Company	545	579
Marriott International, Inc.	1,450	1,720	Interstate Hotels & Resorts	501	N/A
BAE Systems	1,407	1,294	NRECA	500	500
Booz Allen Hamilton	1,384	1,203	Watson Wyatt	500	500
SRA International, Inc.	1,283	954	Macy's**	NA	550
SAIC	1,257	1,448	Nordstrom	472	593
CACI	1,198	1,246			

*Total corporate employment for all Arlington locations ** In transition and data unavailable
Source: Arlington Economic Development, February 2009

Selected 2008 Announcements Arlington, VA

Company	Industry	Submarket	SF Occupied	Estimated Employment
Virginia Tech	Education and Research	Ballston	100,000	300
MedStar Health, Inc.	Medical	Rosslyn	70,000	150
Counterpart International Inc.	Nonprofit	Crystal City	23,000	65
National Association of College Admission Councils	Association	Clarendon	15,000	50
Charles G. Koch Charitable Foundation	Nonprofit	Clarendon	21,593	45
US Committee for Refugees & Immigrants	Nonprofit	Crystal City	15,043	45
Association of Public Television	Association	Crystal City	7,500	20

Private Office Market Comparisons

Downtown Market	Total Office Inventory (SF)	Vacancy Rate	Average Asking Rate
Philadelphia	44,029,891	10.2%	\$27.99
Houston	41,732,669	9.0%	\$31.75
Seattle	38,461,558	9.2%	\$35.56
Washington, DC	37,443,580	7.6%	\$51.46
Boston	36,299,527	7.5%	\$56.05
Arlington County	35,965,781	9.0%	\$35.51
Los Angeles	31,070,666	13.1%	\$35.16
Dallas	27,672,812	26.6%	\$18.98
Denver	24,397,351	13.6%	\$28.06
Minneapolis	22,029,138	12.5%	\$12.15
Atlanta	17,965,732	18.5%	\$20.10

Office Availability by Regional Submarket

Selected Washington Area Submarkets

Submarket Cluster	Rentable Building Area (SF)	Total SF Available	Total Sublet SF Available	Percent Vacant*	Under Construction SF Available
Downtown DC	86,774,771	10,823,321	1,987,572	9.3%	1,330,791
Herndon/Reston	30,708,401	6,667,399	1,156,600	18.2%	0
Capitol Hill	29,441,040	3,927,955	171,080	8.6%	3,266,008
Tyson's Corner	27,937,224	5,093,132	1,044,865	13.0%	294,314
RB Corridor	22,943,064	3,108,315	753,319	9.6%	66,173
Crystal City/Pentagon City	12,776,406	2,315,396	246,655	12.9%	409,744
Bethesda/Chevy Chase	11,511,653	1,452,893	413,619	8.3%	43,840

*With Sublet

Source: CoStar, March 5, 2009

Office Availability by Submarket Arlington, VA

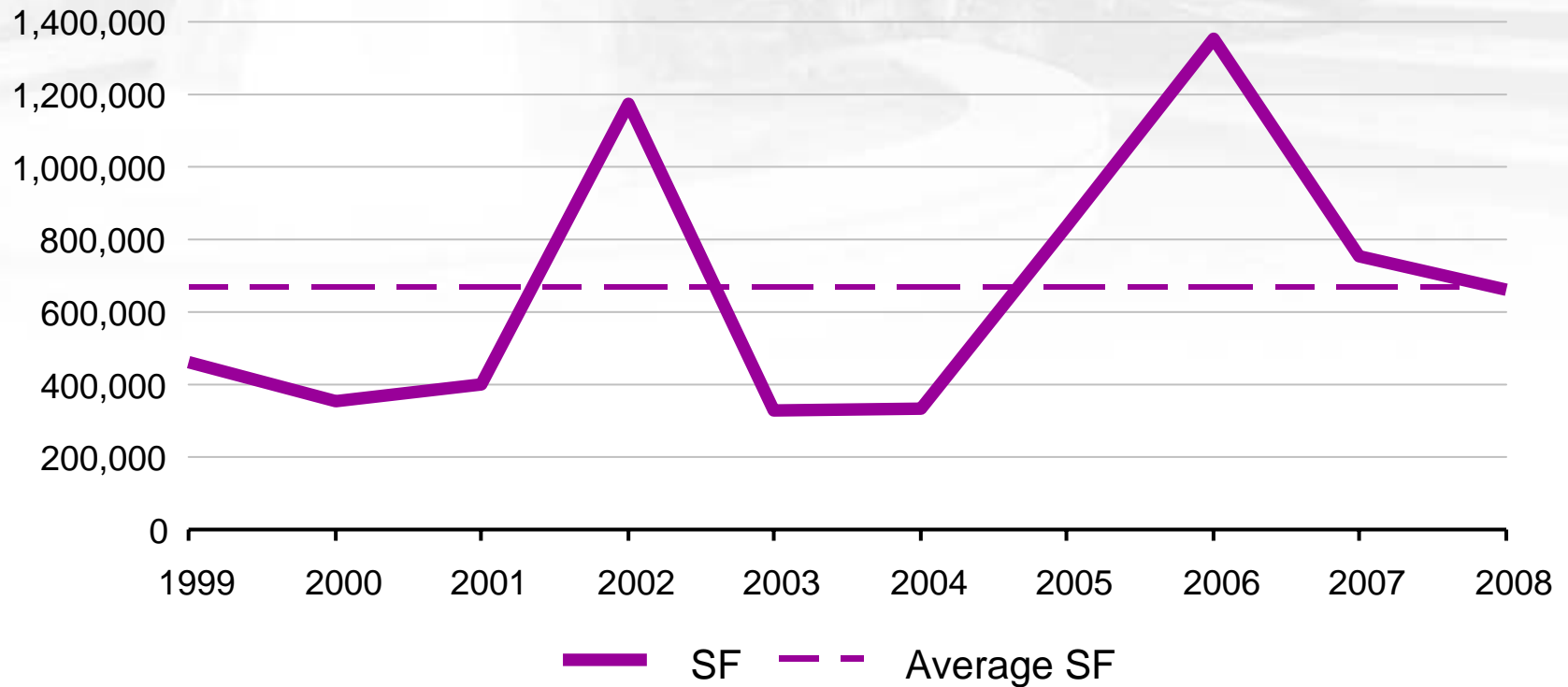
Submarket	Rentable Building Area (SF)	Total SF Available	Total Sublet SF Available	Percent Vacant*
Crystal City	11,308,090	1,936,209	246,655	13.8%
Rosslyn	8,803,564	1,130,358	467,378	9.4%
Ballston	7,048,871	490,020	131,245	5.8%
Clarendon/Courthouse	5,545,858	1,006,272	134,485	10.9%
Pentagon City	1,468,316	0	0	0.0%
Virginia Square	1,544,771	124,297	850	5.8%
Outside Metro Areas	2,320,418	487,301	15,710	NA
Total	38,039,888	5,174,457	996,323	10.6%

*With Sublet

Source: CoStar, March 5, 2009

2009 Annual Arlington Real Estate Review and Forecast

Office SF Completed Arlington, VA



2009 Annual Arlington Real Estate Review and Forecast

Major Office Projects Completed Arlington, VA

Project	Submarket	2005	2006	2007	2008
Arlington Gateway	Ballston	312,550			
Kettler Capitals Iceplex	Ballston		19,986		
One Liberty Center	Ballston	328,740			
Two Liberty Center	Ballston			175,314	
4401 Wilson Blvd	Ballston			248,401	
The Regent	Ballston			248,962	
Station Square	Clarendon		64,545		
The Phoenix	Clarendon			74,475	
Navy League	Courthouse	196,181			
One & Two Potomac Yard	Crystal City		641,069		
Waterview	Rosslyn				620,576
FDIC Phase 2 Office	Virginia Square		410,364		
GMU Foundation Office	Virginia Square		192,448		
Total		837,471	1,328,412	747,152	620,576

Long Term Annual Average = 660,060 SF

2009 Annual Arlington Real Estate Review and Forecast

Major Nonresidential Projects Under Construction, 2009 Arlington, VA

Project	Submarket	Office*	Retail*	Hotel**	Other*	Delivery
Clarendon Center (North)	Clarendon	97,860	23,047	0	0	4Q/10
Clarendon Center (South)	Clarendon	123,059	38,333	0	0	4Q/10
Residence Inn Arlington Courthouse	Courthouse	0	9,455	176	0	3Q/09
Marriott Renaissance Hotel & Residence Inn	Crystal City	0	10,000	625	0	4Q/10
National Gateway 1 & 2	Crystal City	374,379	71,418	0	0	4Q/09
Hilton Garden Inn	Shirlington	0	0	142	0	3Q/09
Randolph Square	Shirlington	195,000	16,472	0	0	1Q/09
George Mason University Phase II	Virginia Square	0	0	0	244,000	2Q/10
Total		790,298	168,725	943	244,000	

Delivery in 2009 = 666,724 SF; 318 hotel rooms

*Square Feet **Rooms

Source: Arlington Department of Community Planning, Housing and Development

Selected Approved Nonresidential Projects

Arlington, VA

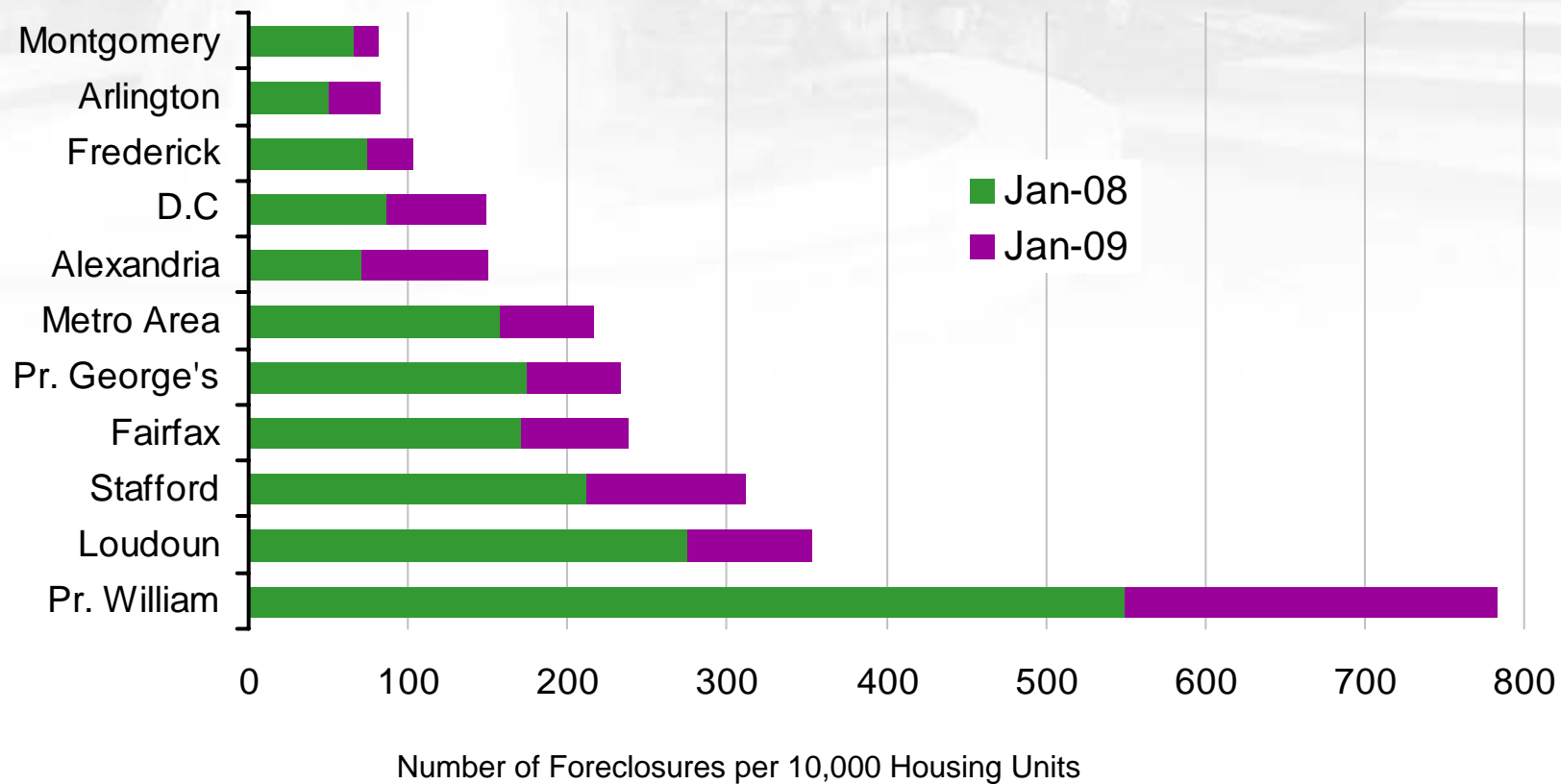
Project	Submarket	Office*	Retail*	Other*	Projected Start
800 N Glebe Rd	Ballston	282,989	26,292	0	2009
900 N Glebe Rd	Ballston	132,827	9,949	0	2009
Founder's Square	Ballston	660,190	26,900	0	2009
Demar Office Building	Courthouse	100,328	4,906	0	-
NSTA Office Site Plan	Courthouse	107,920	10,000	0	2009
Crystal City Retail, Phase II	Crystal City	92,920	84,034	0	-
Monument View	Crystal City	323,299	3,512	0	-
National Gateway 3-4-5-6	Crystal City	1,064,298	41,325	0	-
Pentagon Centre 4.1	Pentagon City	489,911	33,495	0	-
1812 N Moore St	Rosslyn	569,739	11,020	21,031	-
1716 Wilson Blvd (Contis)	Rosslyn	108,753	27,996	0	-
Central Place	Rosslyn	570,459	44,554	9,555	-
Total		4,503,633	323,983	30,586	

Projected 2009 Start = 1,257,067 SF

Net Office Absorption, 2008

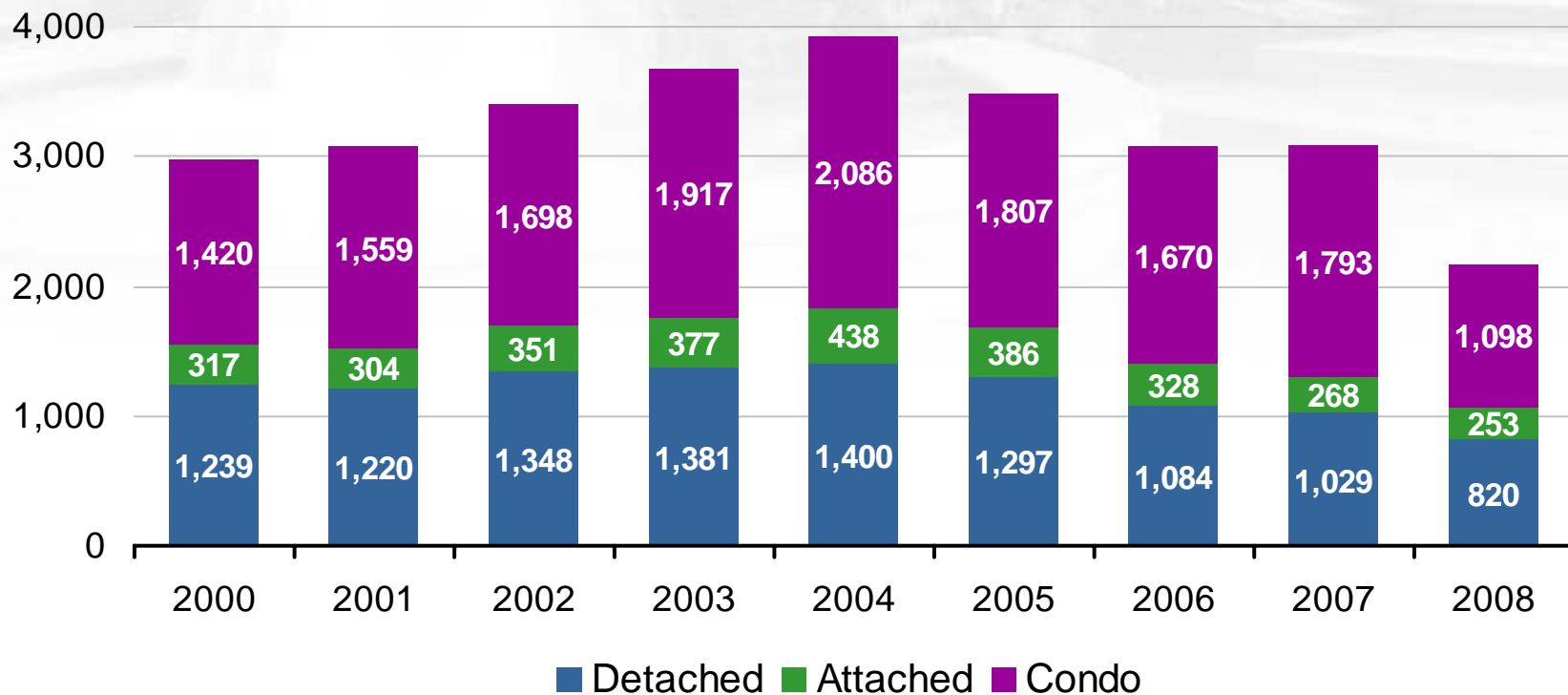
Firm	Northern Virginia	Arlington	Percent of NOVA
Cassidy & Pinkard	1,238,810	1,178,105	95.1%
CB Richard Ellis	1,160,000	1,200,000	103.4%
CoStar	363,482	517,520	142.4%
Cushman & Wakefield	1,619,082	1,137,127	70.2%
Delta (Transwestern)	2,333,000	1,576,000	67.6%
Grubb & Ellis	772,968	825,063	106.7%
Jones Lang LaSalle	1,054,776	802,732	76.1%

Mortgage Foreclosure Rates Washington Metro Jurisdictions

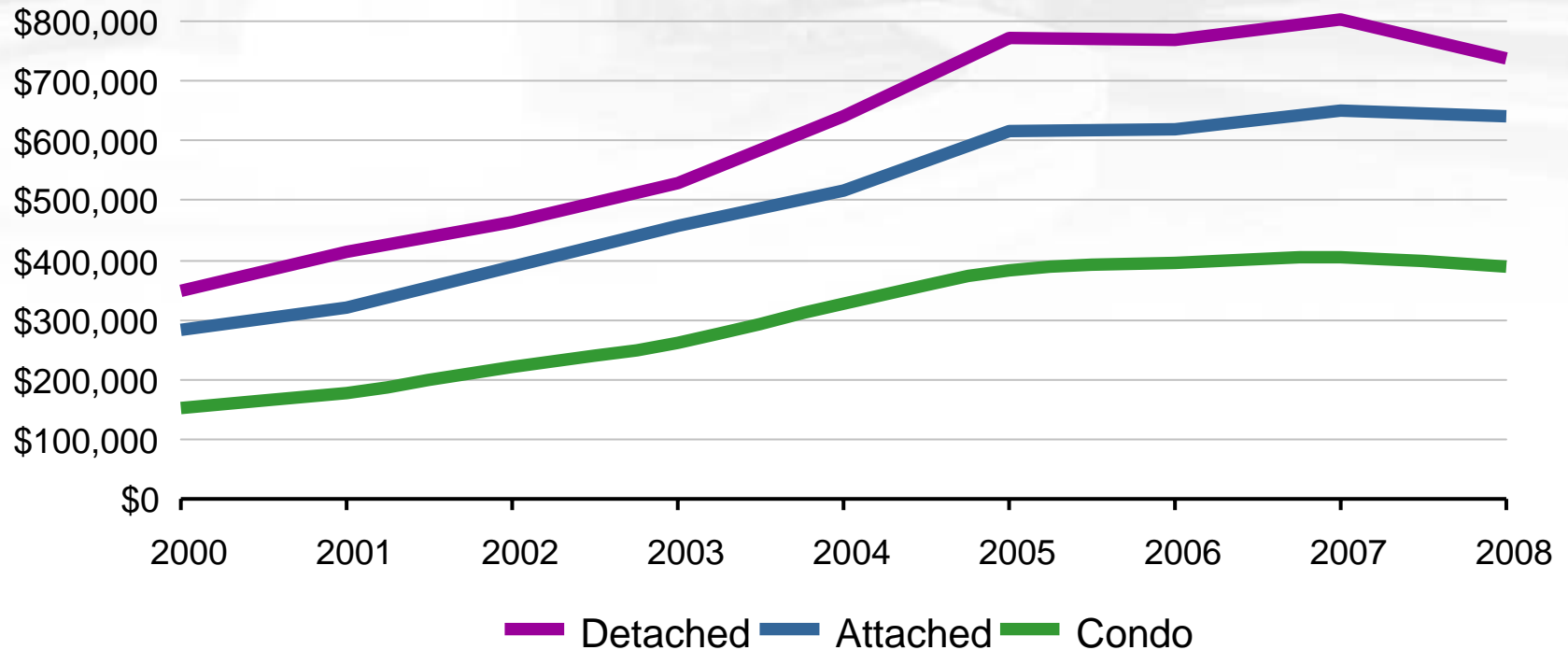


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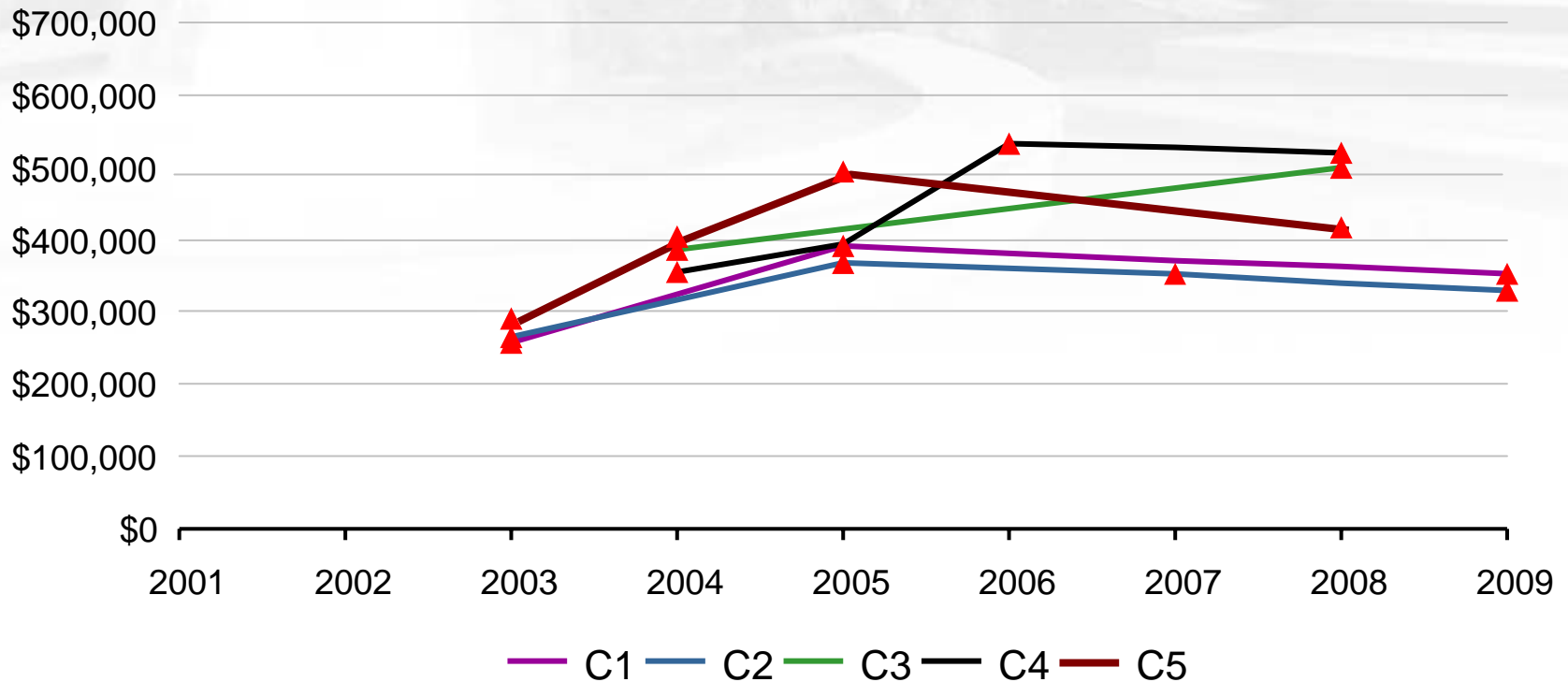
Home Sales Arlington, VA



Average Home Sales Prices Arlington, VA



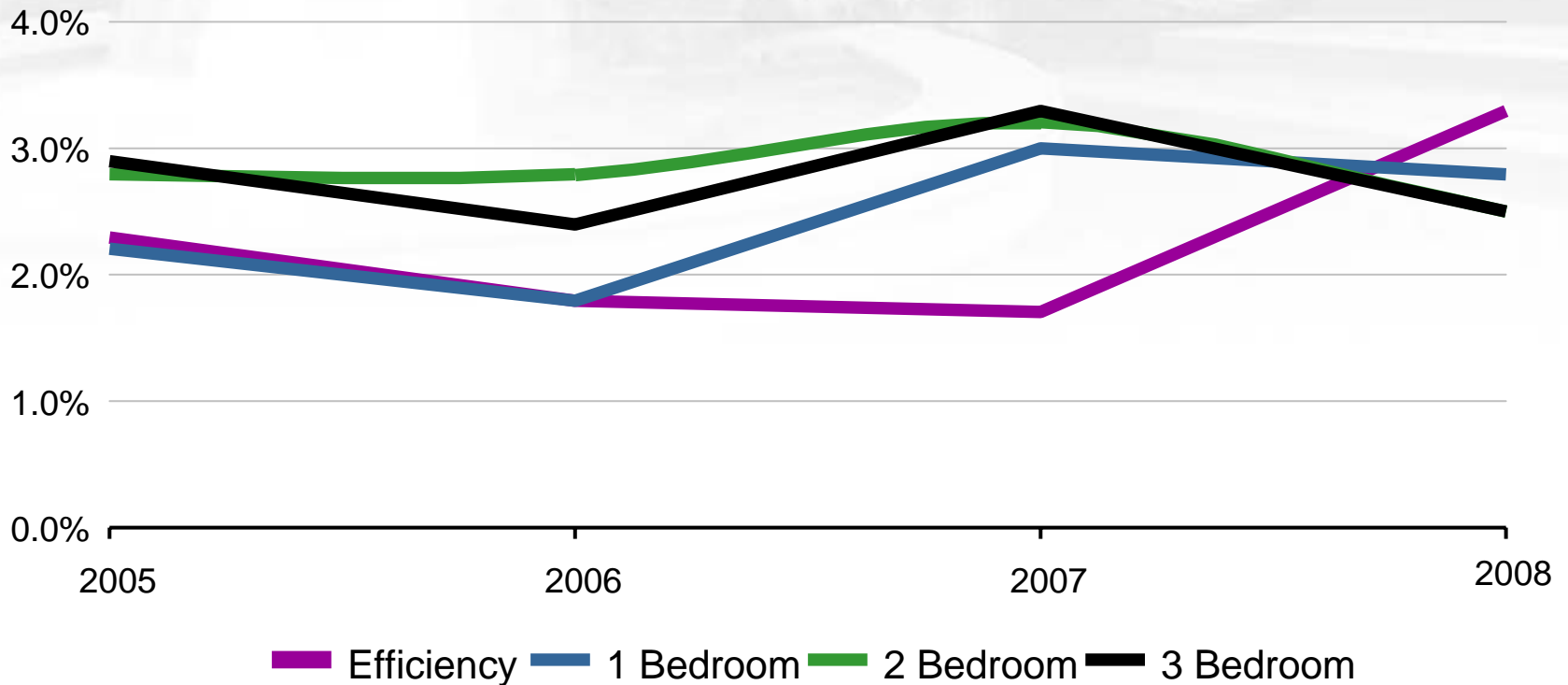
Sample Condo Sale Prices: The Continental Arlington, VA



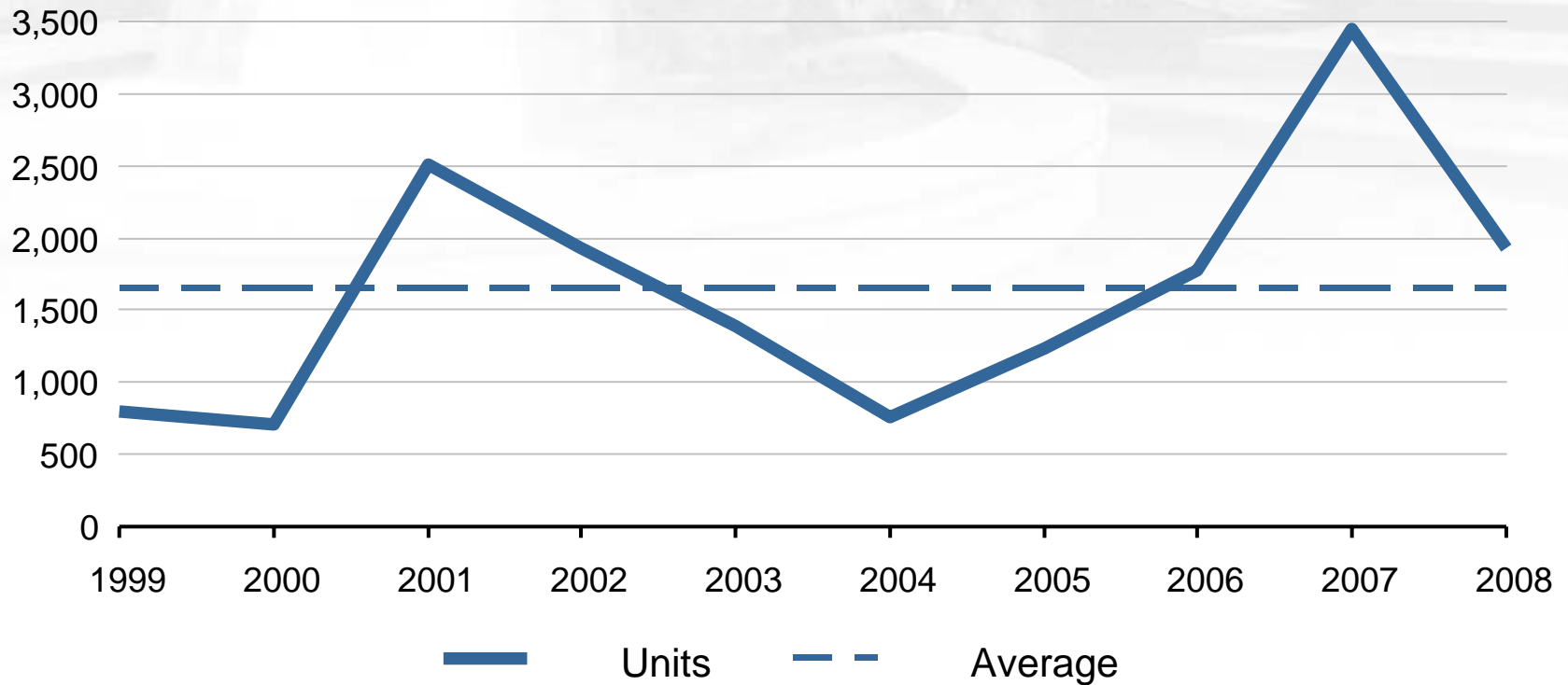
▲ = Condo Sale

Rental Apartment Vacancy Rates

Arlington, VA



Residential Units Completed Arlington, VA



Major Residential Projects Completed Arlington, VA

Project	Submarket	2007	2008	2009
Residences at Liberty Center I*	Ballston		234	
Residences at Liberty Center II	Ballston		235	
The Phoenix*	Clarendon	194		
Zoso	Clarendon		114	
Halstead Arlington	Columbia Pike		269	
The Palatine	Courthouse		274	
The Park at Courthouse*	Courthouse	207		
Vista on Courthouse	Courthouse		252	
Camden Potomac Yard	Crystal City	386		
The Concord	Crystal City	412		
The Eclipse on Center Park*	Crystal City	479		
The Shelton	Nauck			94
The Gramercy at Metropolitan Park	Pentagon City	399		
1800 Wilson Blvd*	Rosslyn	153		
Bennett Park Apartments	Rosslyn	224		
Parc Rosslyn	Rosslyn		238	
Waterview*	Rosslyn		185	
Delancey Apartments	Shirlington	187		
IO Piazza*	Shirlington	244		
The Hawthorn	Virginia Square	143		
Total		3,028	1,801	94

* Condominium

Source: Arlington Department of Community Planning, Housing and Development

Major Residential Projects Under Construction, 2009 Arlington, VA

Project	Submarket	Units	Retail SF	Projected Delivery
Clarendon Center (South)	Clarendon	244	0	4Q/10
55 Hundred	Columbia Pike	235	7,544	2Q/09
Siena Park	Columbia Pike	188	34,341	4Q/09
Rhodes Hill Square*	Courthouse	89	0	3Q/09
220 20th Street	Crystal City	266	1,563	2Q/09
The Aster at Crystal City	Crystal City	184	0	4Q/09
Crescent Apartments	E. Falls Church	205	6,630	2Q/10
Shirlington Crest*	Nauck	171	0	3Q/10
Alexan 24*	Outside Metro	217	0	3Q/10
Buckingham Village	Outside Metro	574	0	Var.
The Millennium	Pentagon City	300	8,119	4Q/09
Hilltop House 100*	Rosslyn	100	0	2Q/10
Turnberry Tower*	Rosslyn	337	4,400	2Q/09
Amelia Residential	Virginia Square	108	4,158	1Q/09
Total		3,218	66,755	

Projected 2009 completion = 1,707 Units; 60,125 SF Retail

* Condominium

Selected Approved Residential Projects Arlington, VA

Project	Submarket	Units	Retail SF	Projected Start
Founder's Square	Ballston	362	26,900	2010
The Jordan	Ballston	90	0	2009
The Fairmont*	Ballston	237	9,200	-
Garfield Park*	Clarendon	149	20,757	2009
The Waverly at Clarendon Station	Clarendon	155	18,299	2009
Penrose Square	Columbia Pike	299	97,044	2009
Arlington Mill Community Center	Columbia Pike	192	3,000	-
Washington View	Courthouse	141	34,685	2009
Airport Plaza IV	Crystal City	240	0	-
Crystal House Lofts	Crystal City	252	0	-
Brittany East	Crystal City	360	16,503	-
Brittany West	Crystal City	331	15,868	-
Monument View	Crystal City	352	0	-
2201 N. Pershing Dr.	Outside Metro	188	33,495	2009
Three Metropolitan Park	Pentagon City	411	16,345	2010
Central Place	Rosslyn	350	44,554	-
Rosslyn Commons	Rosslyn	479	12,635	2009
Club on Quincy*	Virginia Square	120	2,705	-
Total		4,708	351,990	

Projected 2009 Start: 1501Units; 216,915 SF Retail

* Condominium

Source: Arlington Department of Community Planning, Housing and Development

2009 Annual Arlington Real Estate Review and Forecast

Retail Sales Arlington, VA

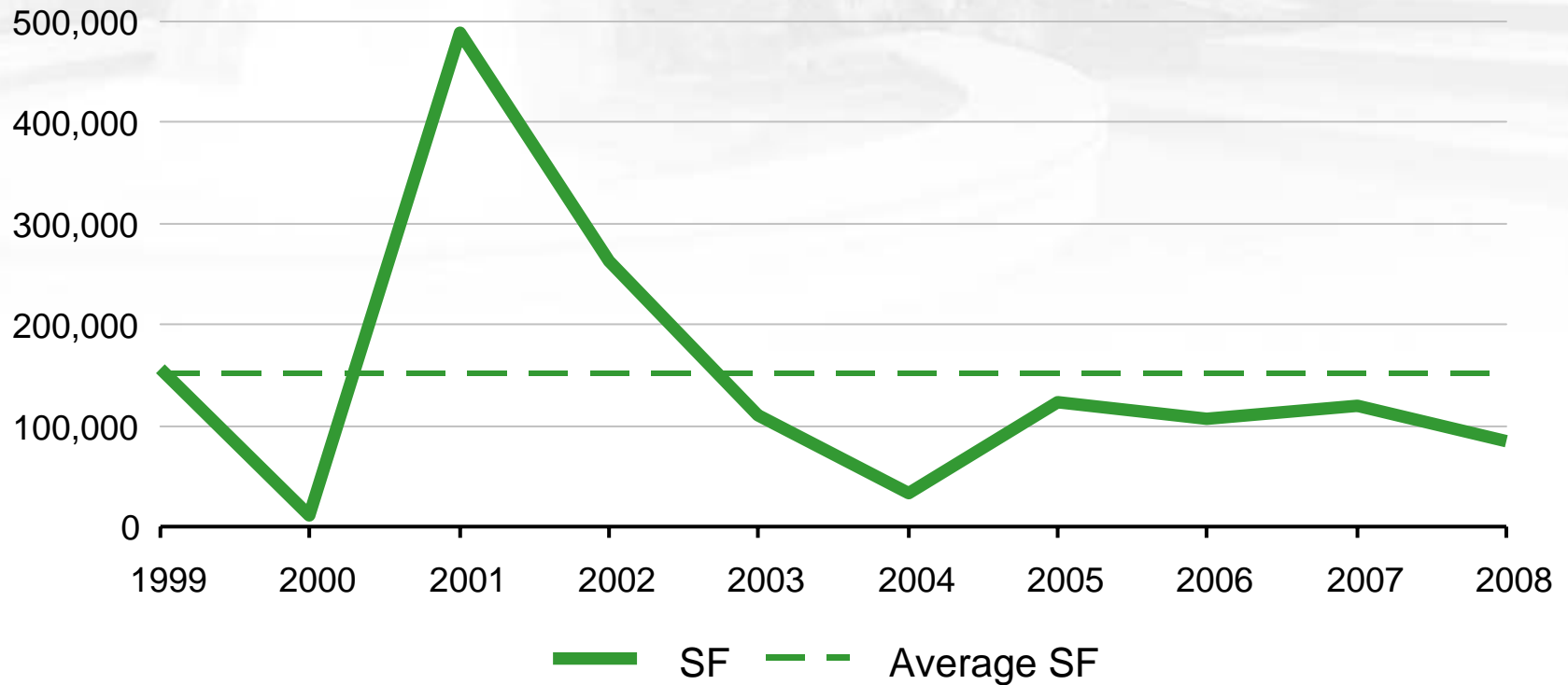
Year	Taxable Sales (\$M)	Annual Change
2008*	\$2,889	0.3%
2007	\$2,881	4.5%
2006	\$2,756	NA
2005	\$2,439	NA
2004	\$2,585	6.7%
2003	\$2,422	6.5%
2002	\$2,273	-0.4%
2001	\$2,283	-2.4%
2000	\$2,339	4.7%
1999	\$2,234	1.9%

Retail Space in Major New Projects Arlington, VA

Submarket	Under Construction	Approved
Ballston	0	72,341
Clarendon	61,380	39,056
Columbia Pike	41,885	100,044
Courthouse	9,455	49,591
Crystal City	82,981	162,242
East Falls Church	6,630	0
Nauck	2,500	0
Pentagon City	8,119	49,840
Rosslyn	4,400	96,205
Shirlington	16,472	0
Virginia Square	4,158	2,705
Total	237,980	572,024

2009 Annual Arlington Real Estate Review and Forecast

Retail SF Completed Arlington, VA



Washington National Airport

Year	Total Passengers	Annual Change
2008	18,028,287	(651,056)
2007	18,679,343	128,558
2006	18,550,785	702,898
2005	17,847,887	1,904,028
2004	15,943,859	1,720,736
2003	14,223,123	1,341,522
2002	12,881,601	(383,786)
2001	13,265,387	(2,622,812)
2000	15,888,199	702,851
1999	15,185,348	(784,652)

Characteristics of Selected Hotel Markets (October)

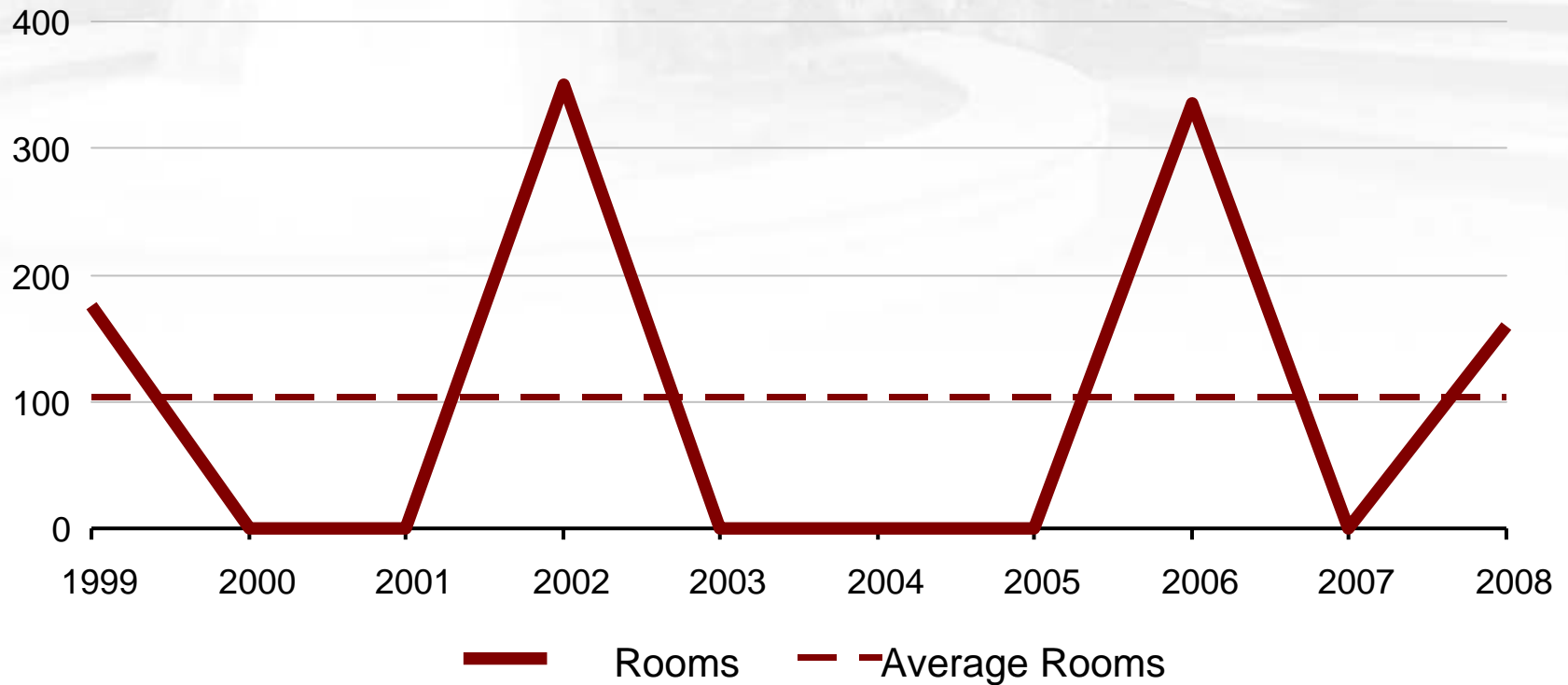
	Occupancy			Average Daily Rate			RevPAR		
	2008	2007	% Change	2008	2007	% Change	2008	2007	% Change
United States	62.1%	66.5%	-6.6%	\$107.62	\$108.19	-0.5%	\$66.84	\$71.92	-7.1%
South Atlantic	58.2%	63.4%	-8.2%	\$105.05	\$105.32	-0.3%	\$61.18	\$66.72	-8.3%
Washington, DC-MD-VA	73.7%	77.5%	-4.9%	\$171.72	\$172.39	-0.4%	\$126.48	\$133.58	-5.3%
Washington, DC (CBD)	82.4%	85.8%	-4.0%	\$248.33	\$252.45	-1.6%	\$204.53	\$216.54	-5.5%
Bethesda/College Park	71.6%	76.1%	-5.9%	\$146.83	\$148.87	-1.4%	\$105.07	\$113.28	-7.2%
Arlington , VA	83.2%	88.0%	-5.5%	\$188.91	\$182.65	3.4%	\$157.13	\$160.70	-2.2%
Suburban Virginia Area	62.6%	67.5%	-7.3%	\$102.11	\$105.35	-3.1%	\$63.87	\$71.07	-10.1%
Alexandria, VA	71.0%	75.8%	-6.3%	\$152.32	\$143.20	6.4%	\$108.16	\$108.61	-0.4%
Fairfax/Tysons Corner, VA	74.7%	77.5%	-3.6%	\$143.35	\$148.60	-3.5%	\$107.10	\$115.13	-7.0%
Dulles Airport Area	73.8%	77.5%	-4.8%	\$136.37	\$146.15	-6.7%	\$100.71	\$113.30	-11.1%

Hotel Rates and Occupancy

Arlington, VA

Year	Number of Rooms	Average Occupancy	Average Room Rate	Gross Revenue*
2008	9,903	73.1%	\$162.49	\$431
2007	9,773	74.8%	\$161.49	\$431
2006	9,282	73.1%	\$155.18	\$384
2005	9,853	74.5%	\$140.17	\$376
2004	9,856	73.1%	\$127.05	\$334
2003	9,930	68.0%	\$121.60	\$300
2002	9,715	67.7%	\$121.76	\$292
2001	9,295	69.3%	\$119.64	\$281

Hotel Rooms Completed Arlington, VA



AED's Outlook for 2009

- The economists agree (sort of), but fail to find the black cloud in the silver lining.
- We have seen some limited downsizing, but not the major losses of past years and certainly nothing like the dot.com bomb.
- The office market looks better than we might have expected, with new starts planned this year.
- There has not been much degradation in the housing market, with quite a few projects about to start. Sales may be soft, but prices look to remain relatively stable.

AED's Outlook for 2009

- Retail sales will probably decline somewhat, however unemployment will still be modest and incomes will remain high, keeping demand strong among the “Metro Renters.”
- The visitor industry may still have some stress ahead. Government and business austerity measures are likely to remain in place for some time, restricting travel. On the other hand, this is Washington at the start of the Obama administration and the region has not had this kind of interest in decades. Occupancy rates are relatively high and are likely to remain well above national levels.
- Most economists suggest that the recession will be “first in, first out,” but in Arlington’s case it is more likely to be “last in, first out.”

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