

WASHINGTON, DC REGION

ECONOMIC OUTLOOK

Cassidy & Pinkard Colliers | 2009 Q3



Agenda

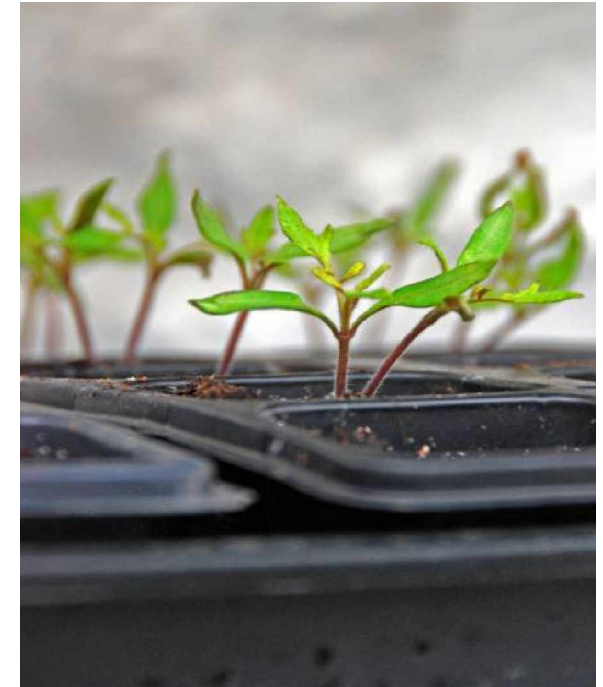
**Current
Conditions**

**Government
Intervention**

Outlook

Green Shoots or Irrational Exuberance?

	WAS	IS	FEELS GOOD AT:
NATIONAL INDICATORS			
Confidence	25.3	54.1	97.6
Job Market	-741k	-216k	+2 million
DJIA	6,547	9,497	11,000
TED Spread	430	30	30
Existing Home Sales	4.5 mil	5.2 mil	6.5 mil
Jobless Claims	650k	571k	350k
MSCI US REIT Index	486	662	1,000
ISM Manufacturing Index	32.9	52.9	Over 50



DC METRO

**Current
Conditions**

**Government
Intervention**

Outlook

DC Metro outperforming national average

Market Snapshot, 2009 YTD

Economic Fundamentals

Real GDP

Nation

-3.70%

DC Metro

0.8%

Employment

-6,920,000

-22,000

Office Jobs

-1,200,000

-6,000

Unemployment

9.7%

6.3%

Mortgages Past Due

9.8%

7.2%

Confidence Index

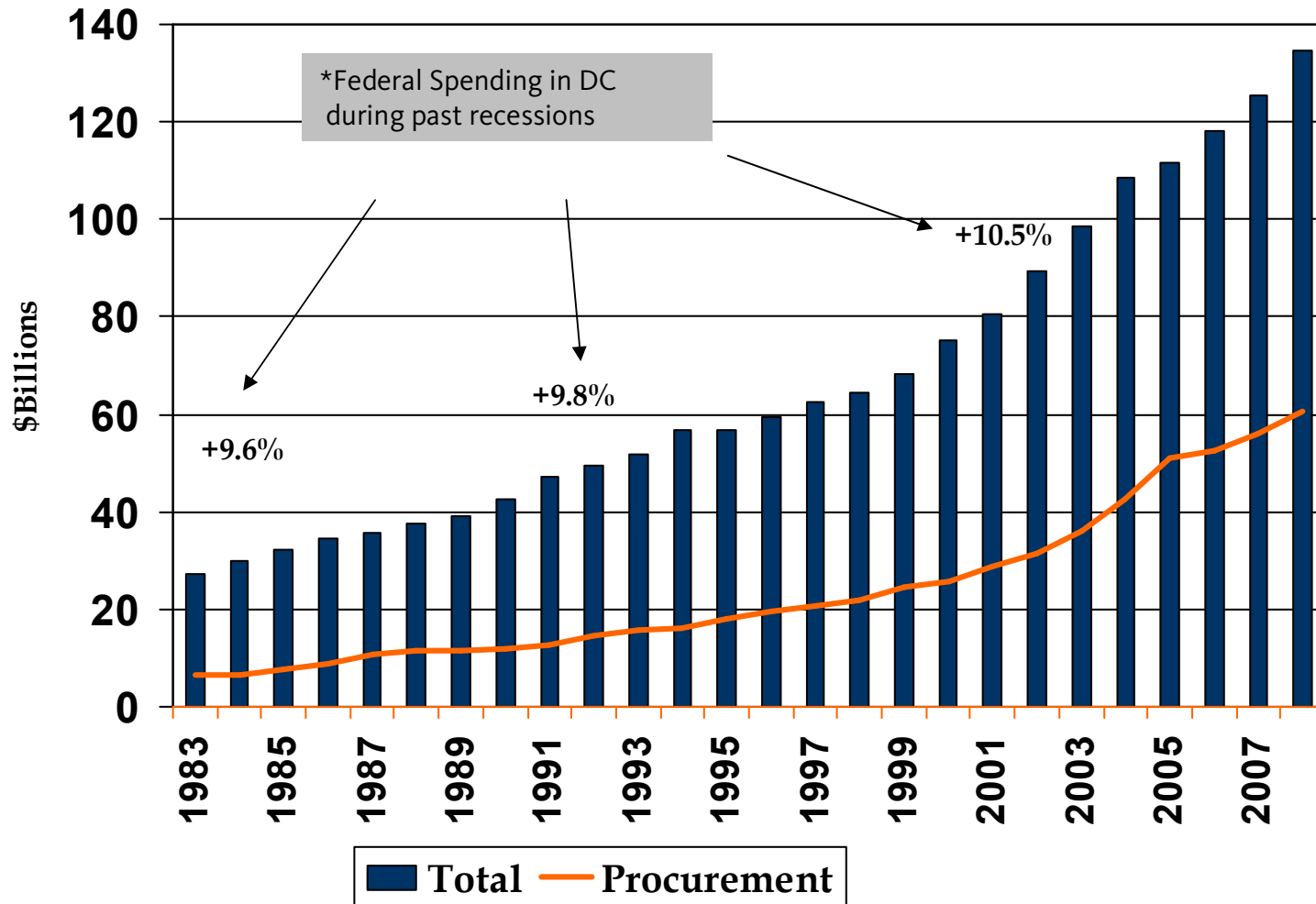
49.3

56.0

Source: BLS, Bureau of Census, NAR, Moody's Economy.com

Federal spending in the DC Metro area

Accounts for one-third of DC Metro's economy



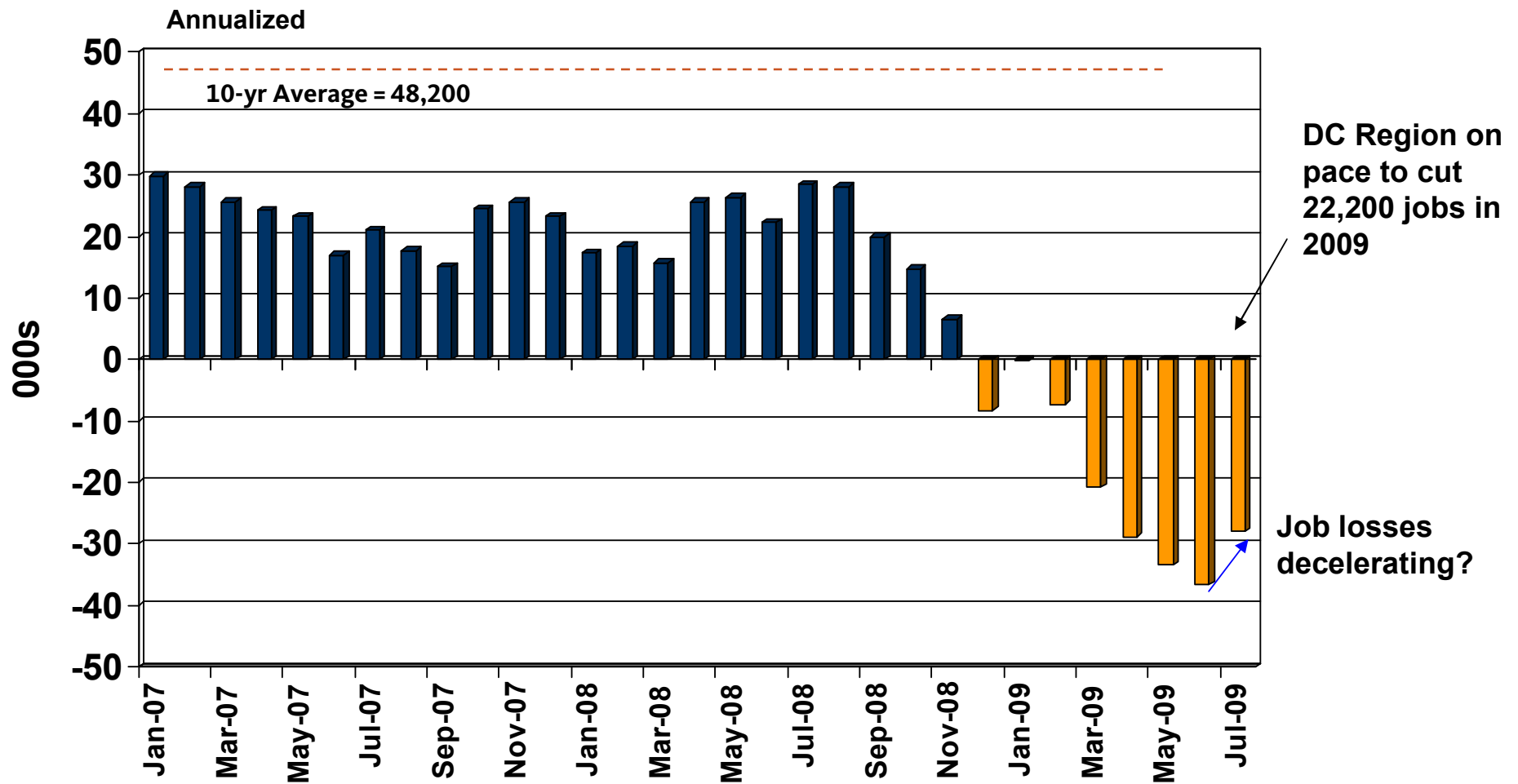
Source: GMU Center for Regional Analysis

*Reflects average spending increases, 1983-1985, 1990-1991, 2002-2004



8 Straight Months of Job Losses

Washington, DC Metro Area



Source: Bureau of Labor Statistics



Job Gains/Losses by Sector

Washington, DC-VA-MD MSA - Employment			
Sector	Aug-2009	Aug-2008	Difference
Government	579,600	564,300	15,300
Professional & Business Services	562,500	564,900	-2,400
Educational & Health Services	264,800	258,500	6,300
Other Services	152,200	156,000	-3,800
Leisure & Hospitality	228,800	225,200	-3,600
Financial Activities	105,700	111,500	-5,800
Trade, Transportation, and Utilities	309,100	318,900	-9,800
Information	68,300	75,100	-6,800
Construction/ Manufacturing	159,300	175,900	-16,600
TOTAL	2,422,300	2,450,300	-28,000

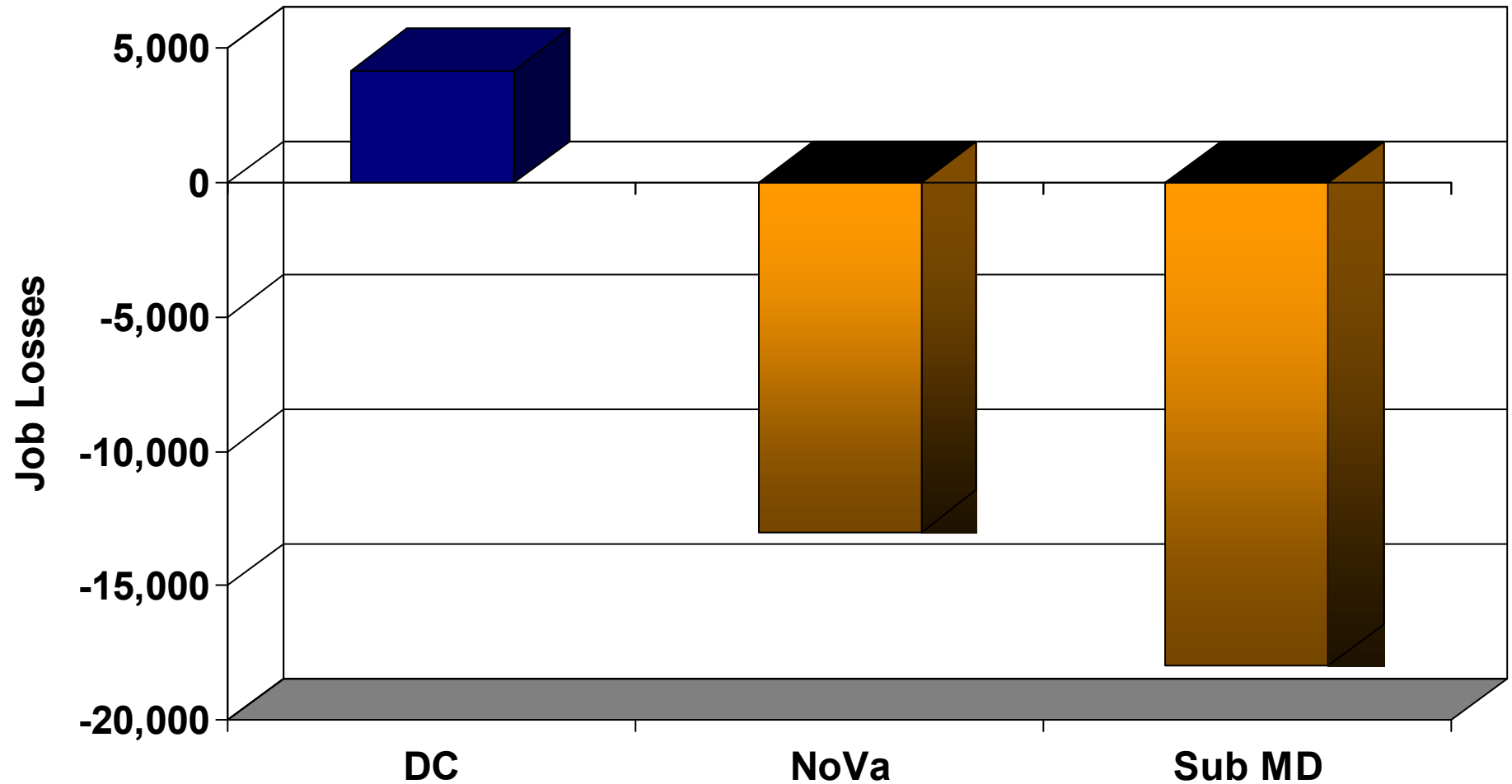
Gov't & Health Care only two sectors adding jobs

Source: Bureau of Labor Statistics



DC still adding jobs, VA & MD are cutting

Average pace of hiring, Jan-July 2009

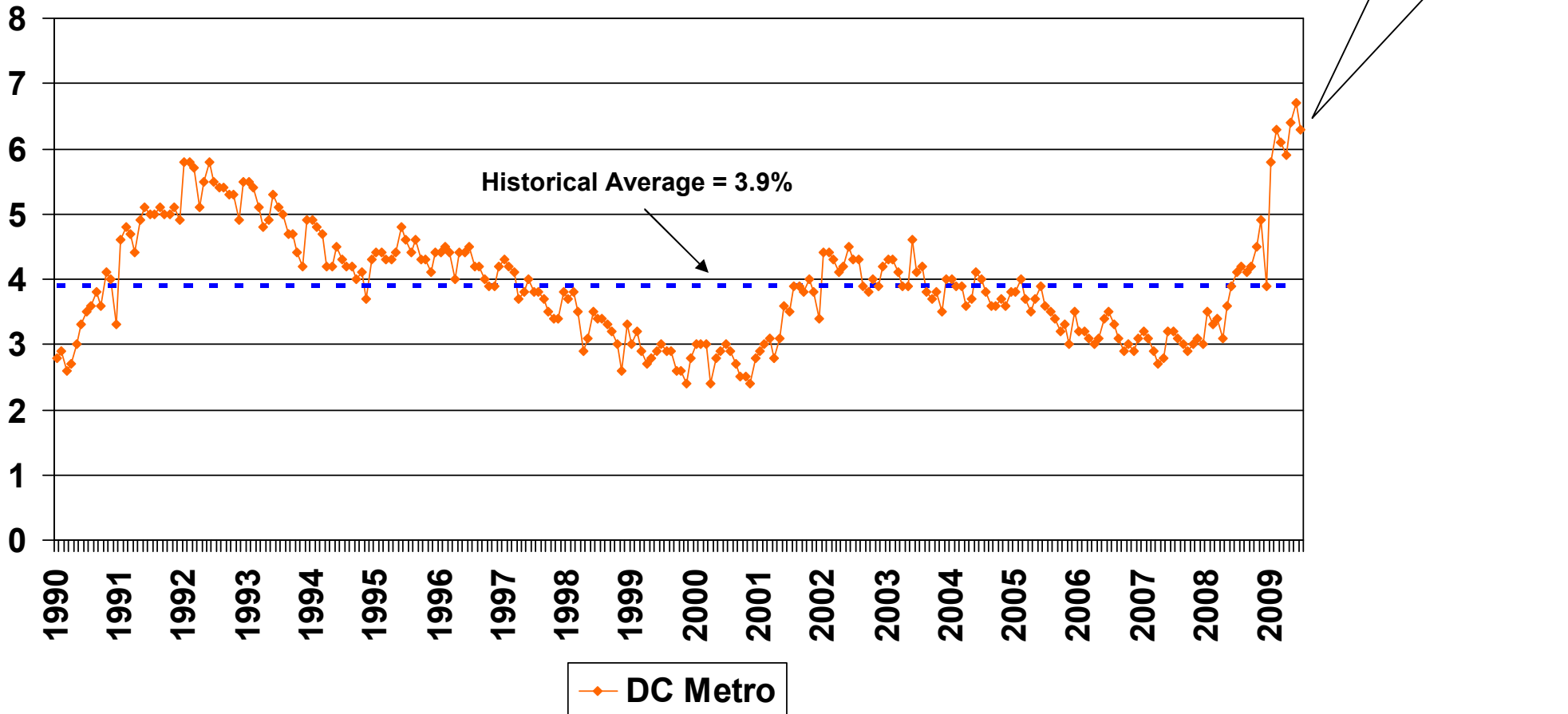


Source: Bureau of Labor Statistics



Unemployment highest on record back to 1990

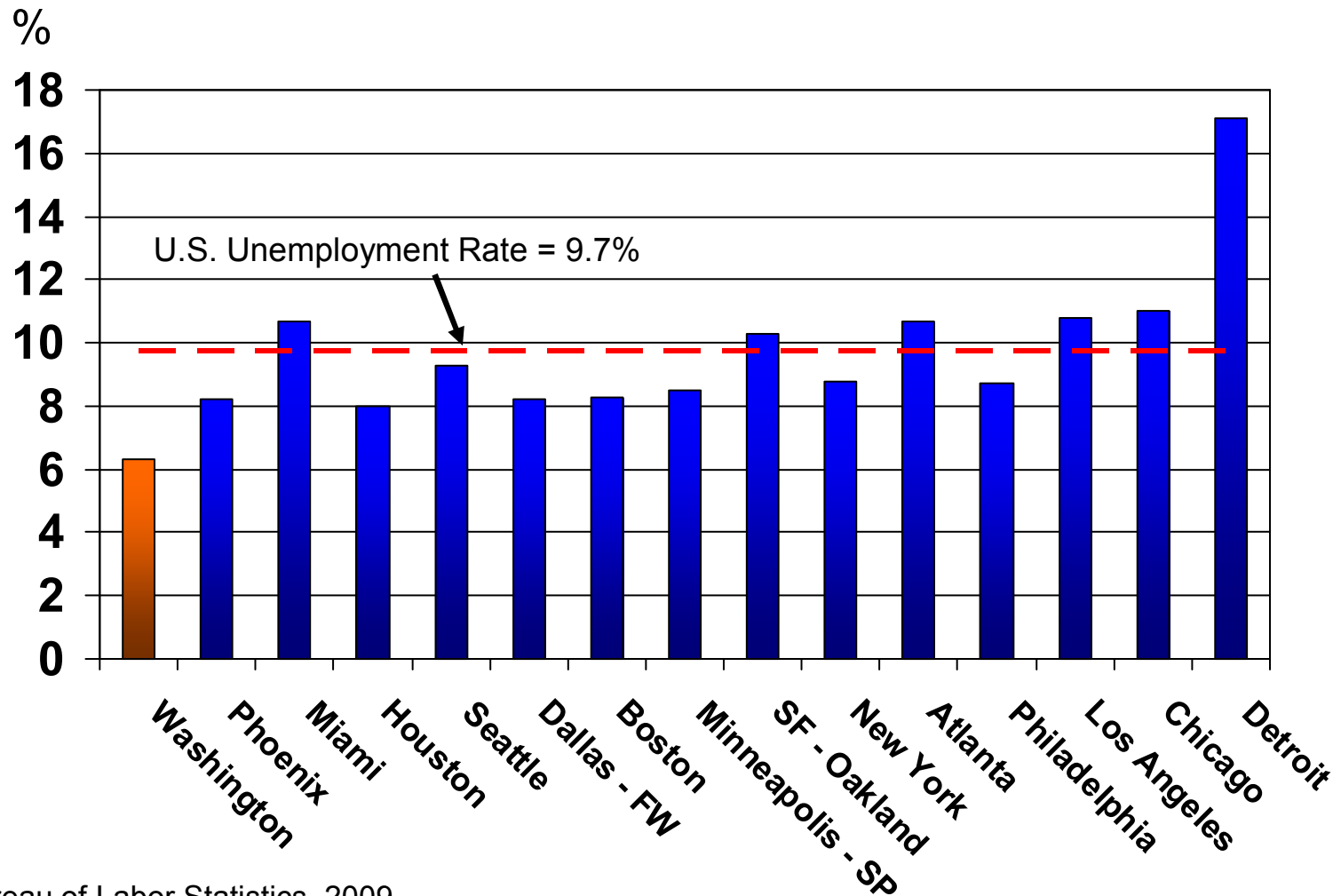
DC-VA-MD-WV Metropolitan Division



Source: Bureau of Labor Statistics



Unemployment 2nd lowest of all major metros

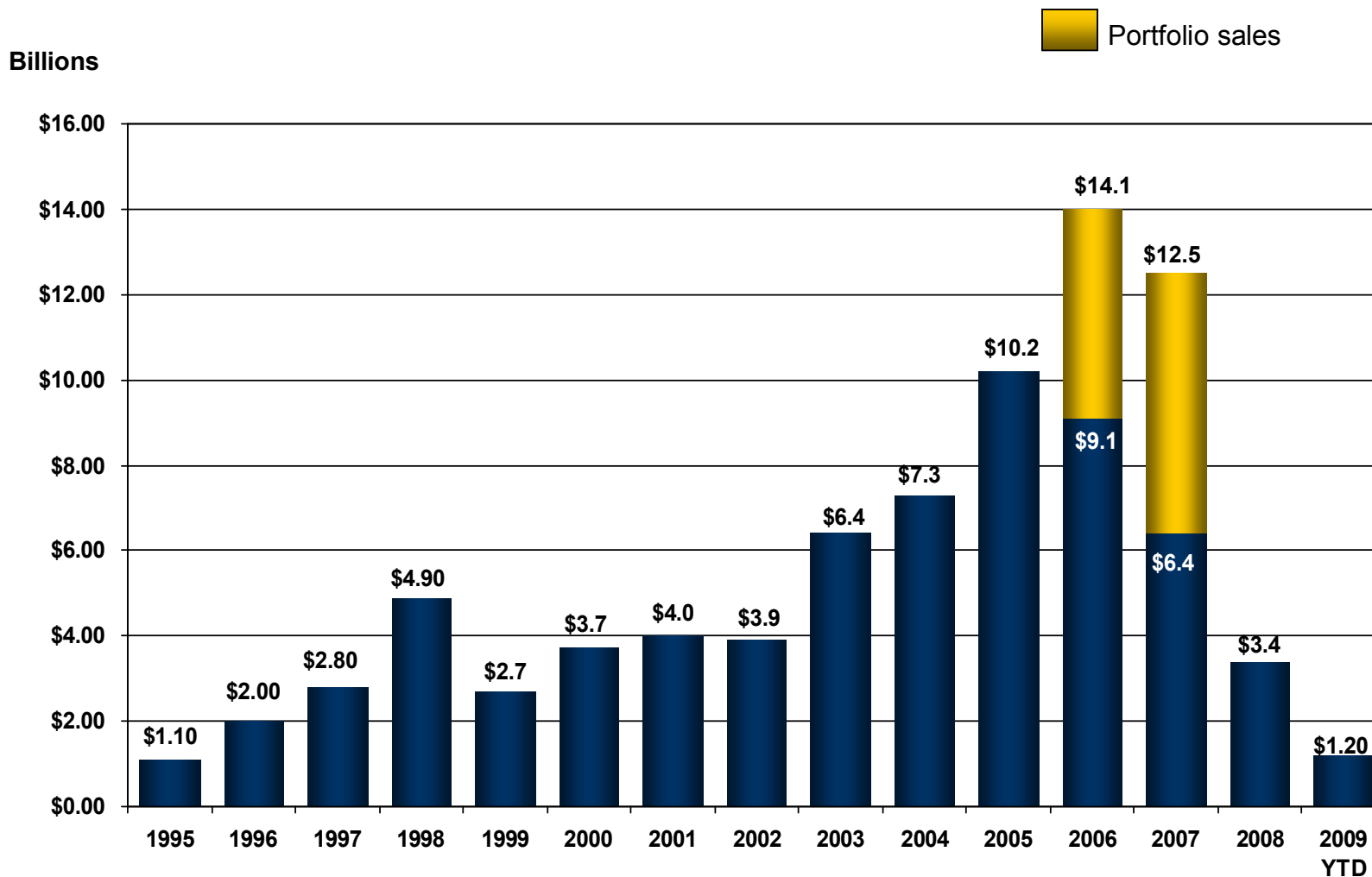


Bureau of Labor Statistics, 2009
Data not seasonally adjusted



Office sales – fewest deals since 1995

Dollar Volume

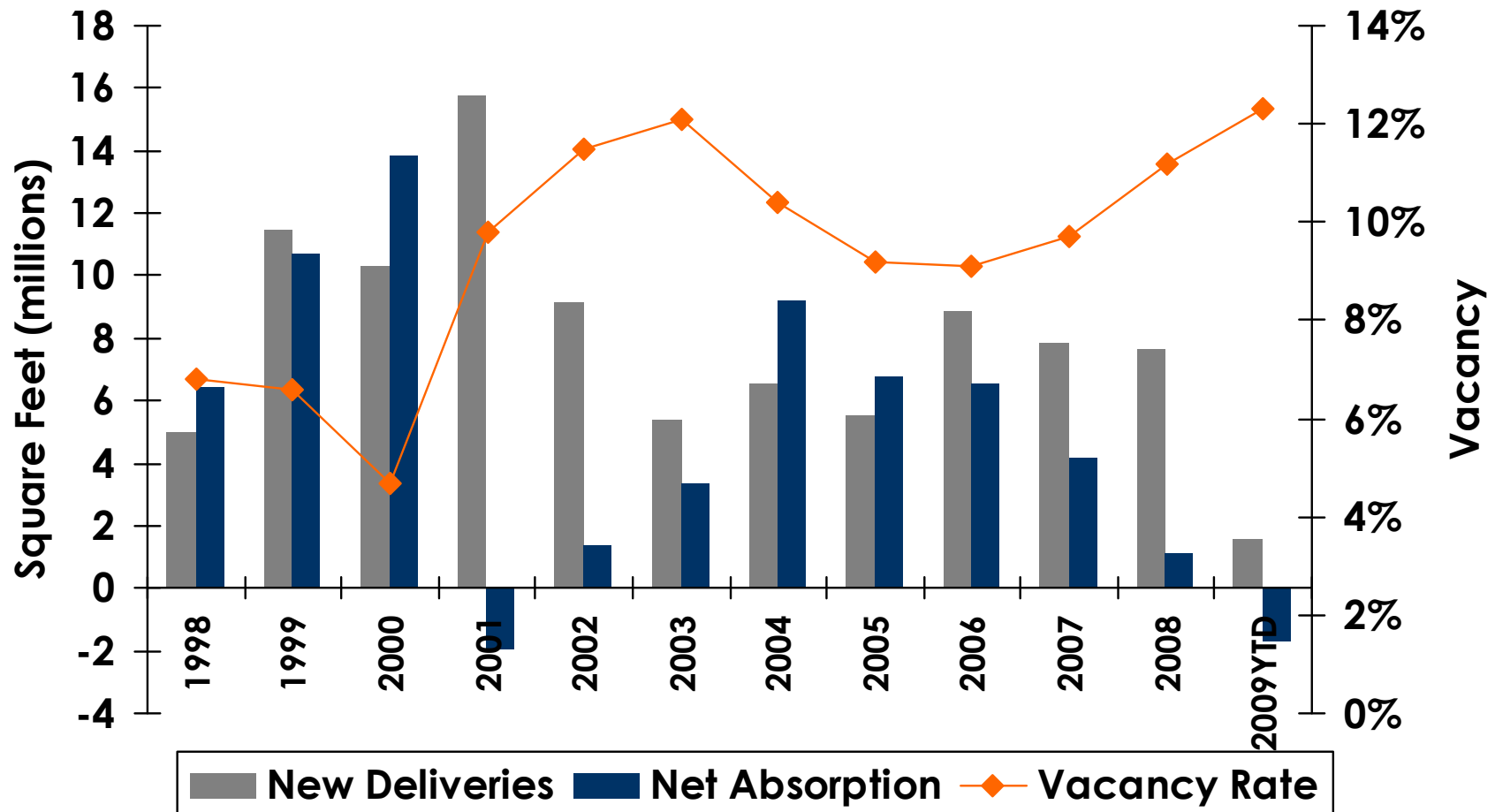


Source: Cassidy & Pinkard Colliers



Office vacancy up, demand down

DC Metro: vacancy, absorption, supply



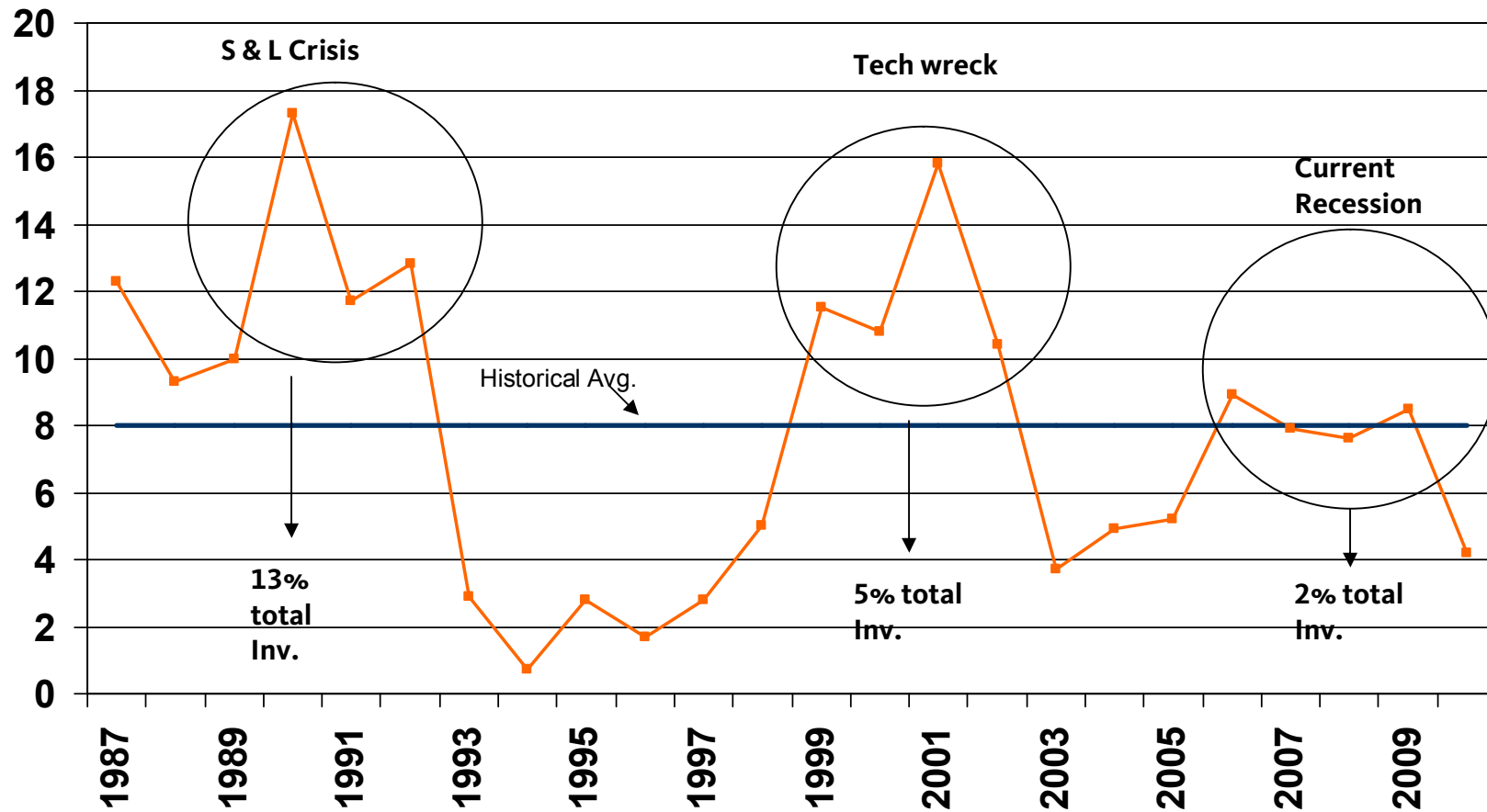
Source: Cassidy & Pinkard Colliers Research



Supply situation is better than past recessions

DC Metro, new office supply

Square Feet, Millions

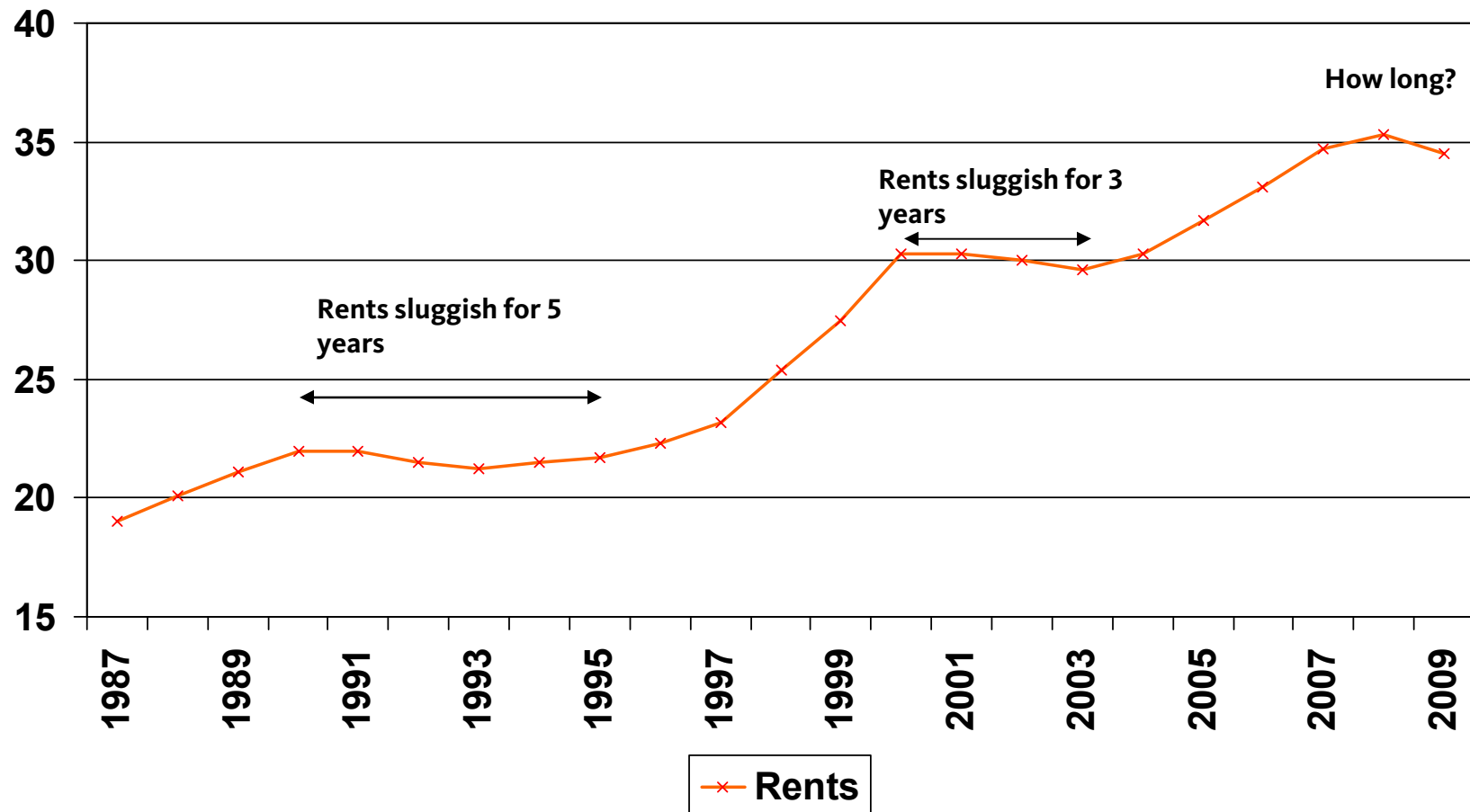


Source: Cassidy & Pinkard Colliers Research



How long will rents fall?

DC Metro, Asking Rents

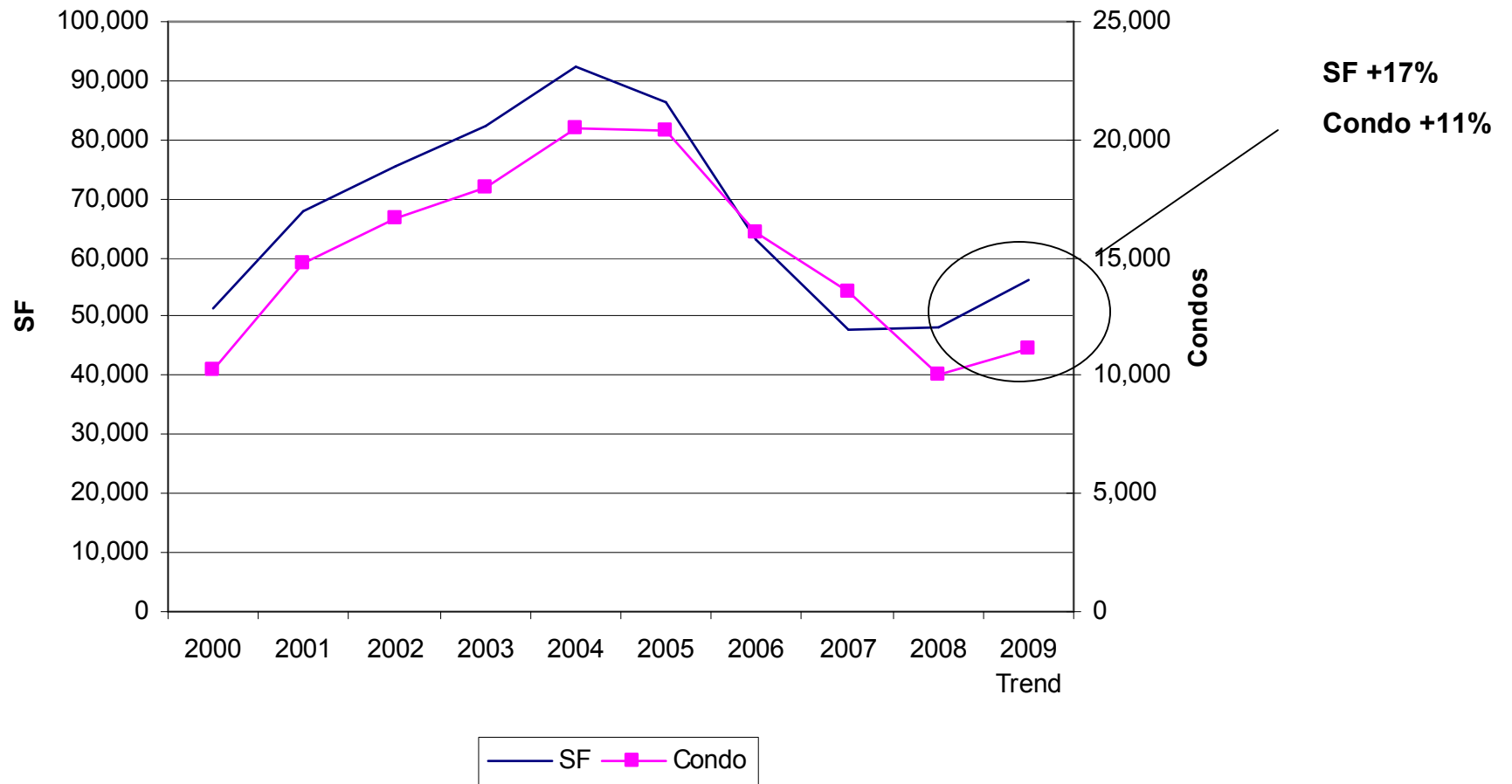


Source: Cassidy & Pinkard Colliers Research



Home sales are rising

DC Metro



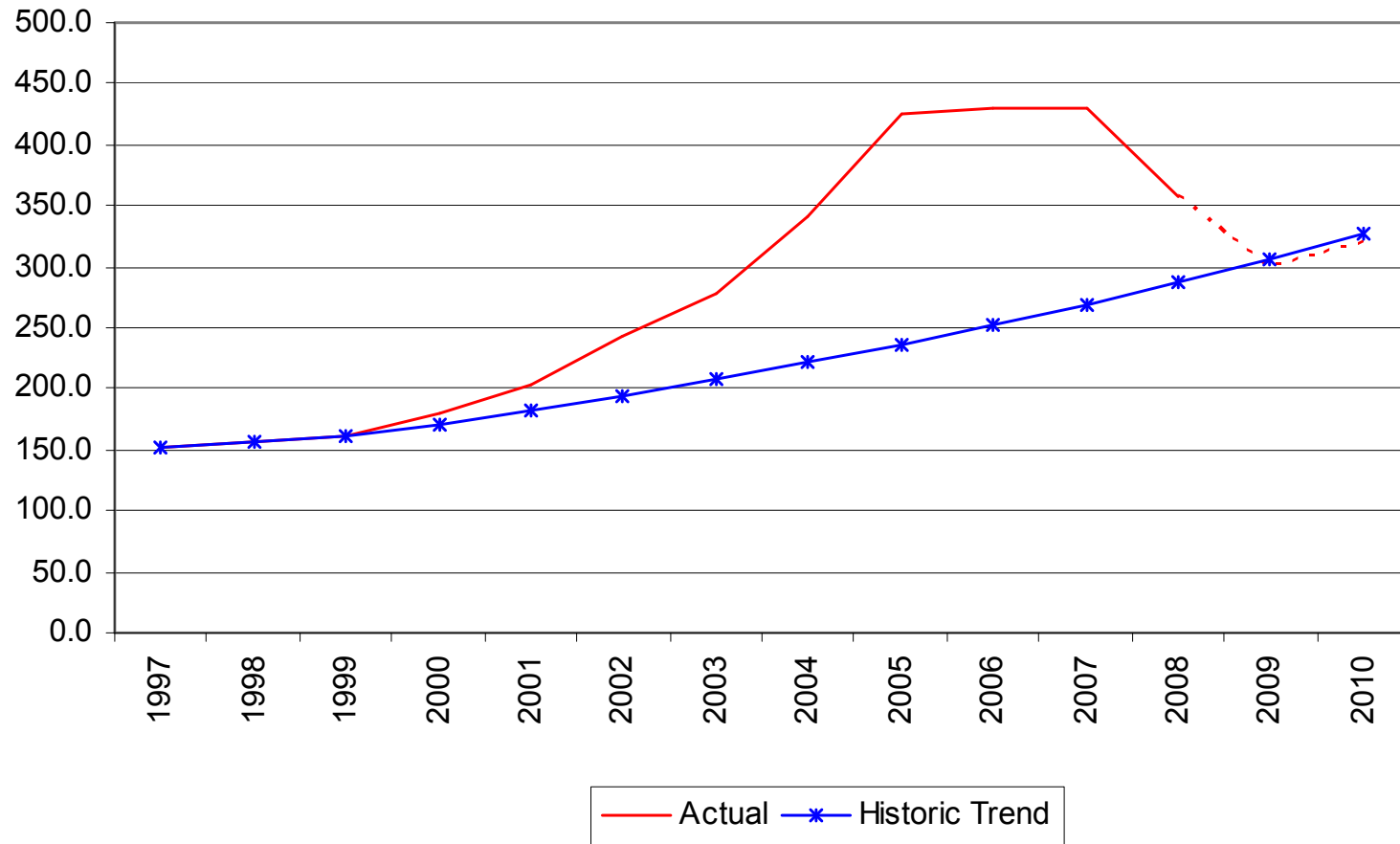
Source: NAR



Home Price Analysis

DC Metro, Median Price of SF Home

Washington DC Metro



Source: NAR



GOVERNMENT INTERVENTION

**Current
Conditions**

**Government
Intervention**

Outlook

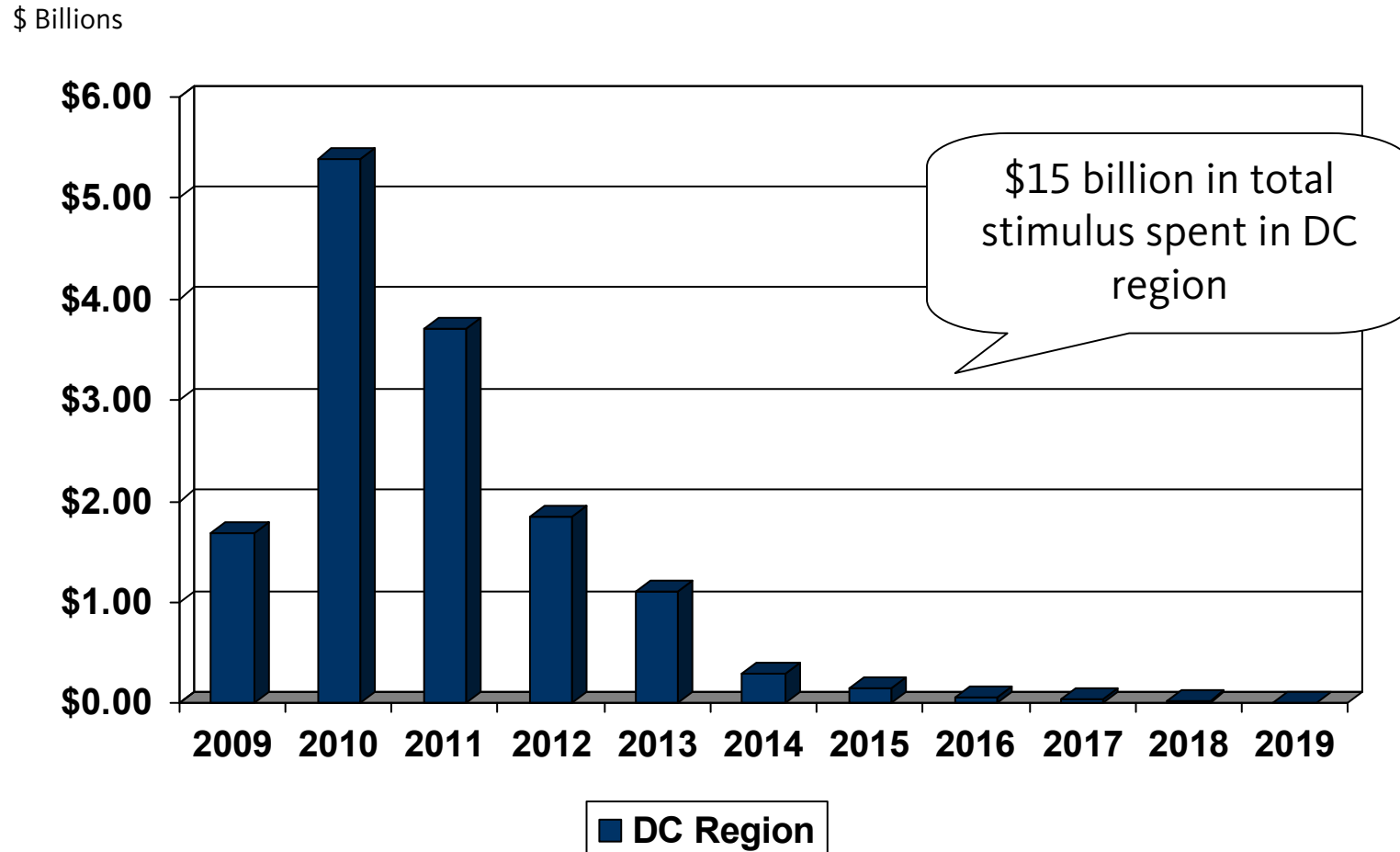
Major events that are impacting DC Metro area

- Fiscal Stimulus Bill
- Federal Budget Increases
- Financial Rescue (e.g. TARP, TALF, PPIF)



\$787 Fiscal Stimulus Plan

Historically, 4 – 5% spent directly in the DC Metro



Source: Congressional Budget Office



GSA Stimulus List \$1.2 B

Modernization of buildings

DC

- Department of Homeland Security, St. Elizabeth's: \$450 million
- Depart of Commerce, 14th & Constitution: \$225.6 million
- GSA Headquarters, 1800 F St. N: \$161.3 million
- Lafayette Building, 811 Vermont Ave. NW, \$128.8 million
- Mary Switzer Building, 330 C St. SW, \$68.2 million
- Dept of Interior Building, 19th & C st. NW, \$63.5 million
- Dept of State Truman Building, 2201 C St. NW, \$14.7 million

VA

- Alexandria Martin V.B. Courthouse, \$1.7 million
- Reston Advanced Systems Center: \$690,000
- Franconia Warehouse: \$9.5 million

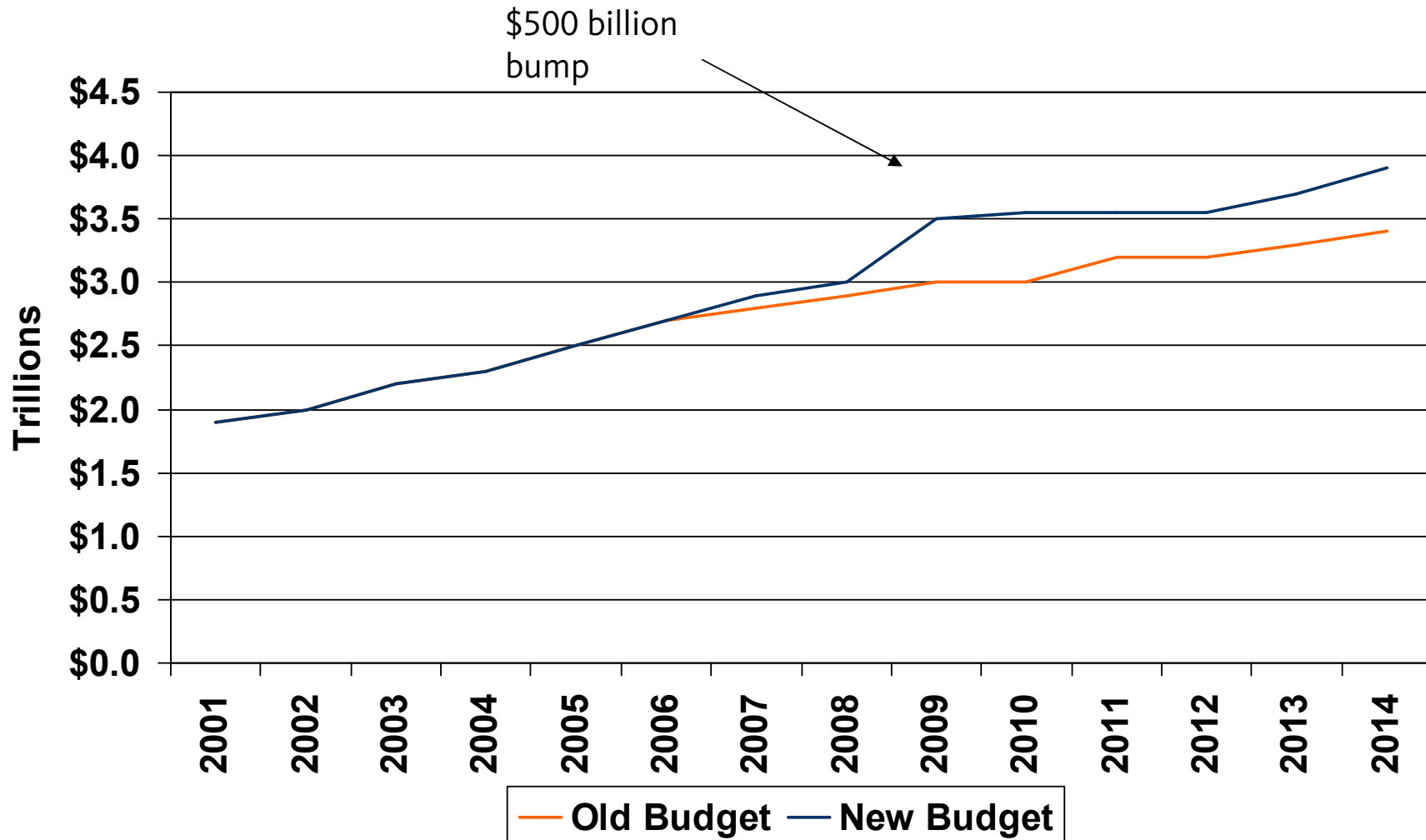
MD

- Lanham New Carrollton Fed Building: \$1.6 million



U.S. Fiscal Budget – 2010 and beyond

Historically, 4 – 5% spent directly in the DC Metro

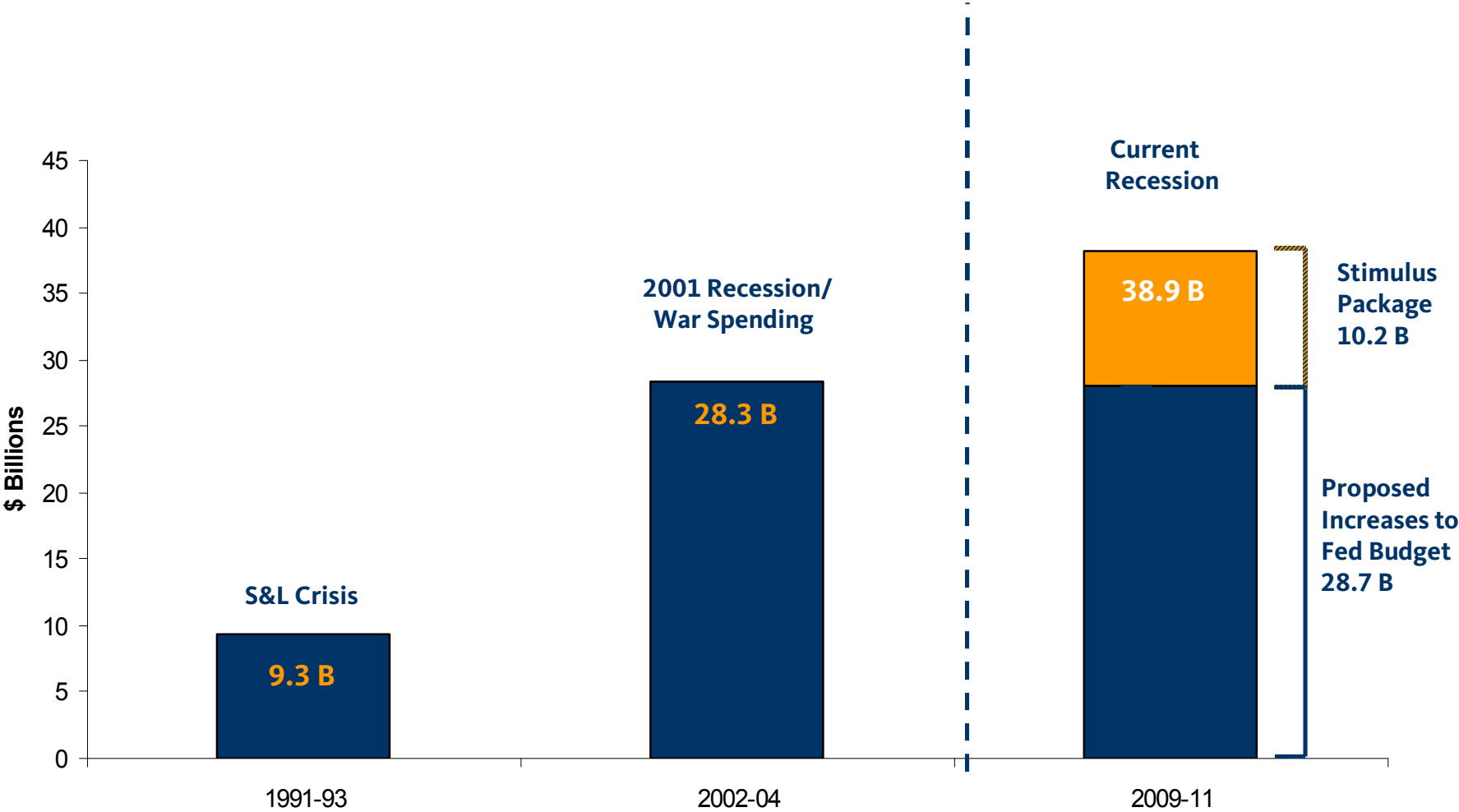


Source: US House of Representatives, 2010 Budget Resolution



Federal spending increases in past recessions

Washington, DC Metro Area



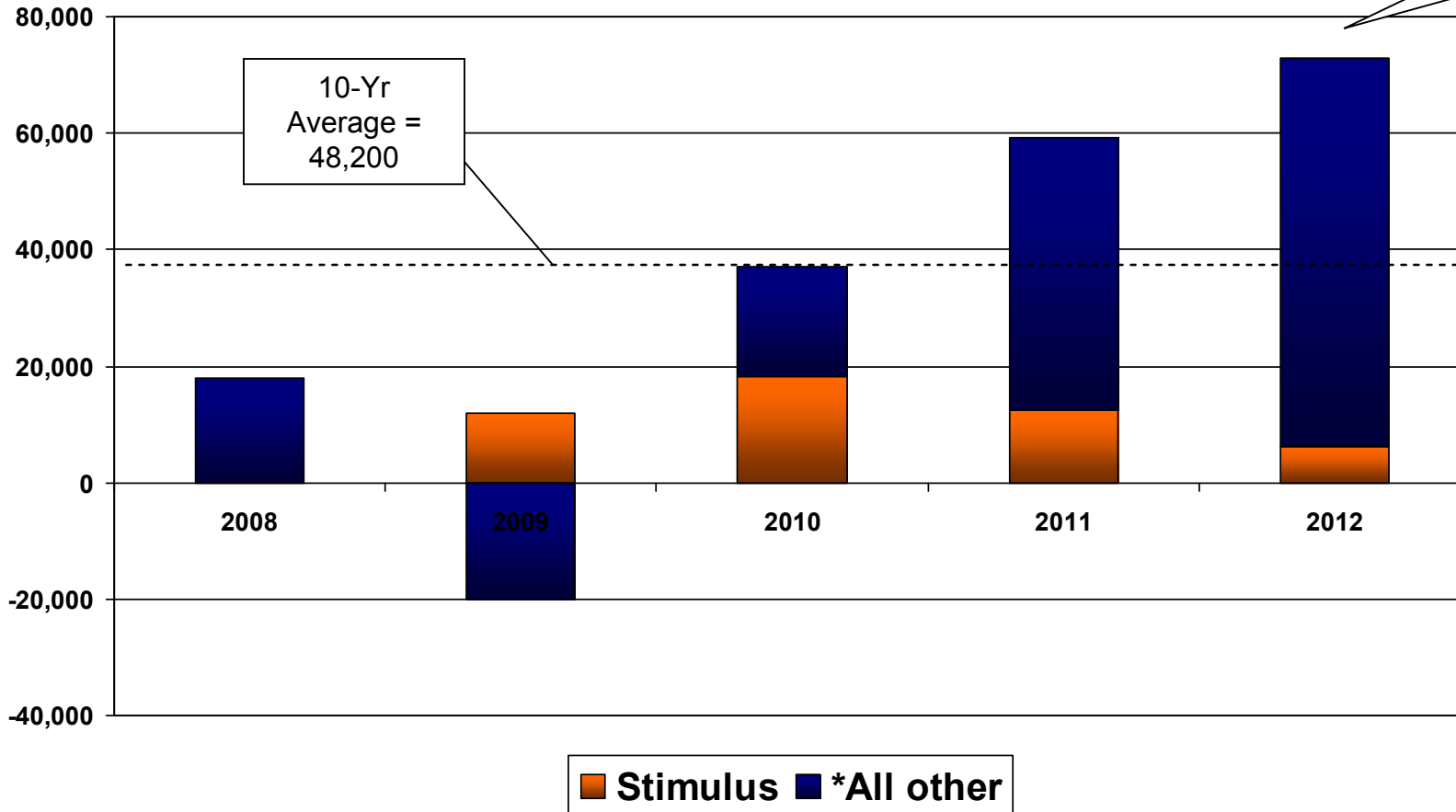
Source: Cassidy & Pinkard Colliers Research Forecast, GMU Center for Regional Analysis 2009-2011 capture fiscal year cycles



Job Growth Projections

For every \$1b in procurement spending, 7,000 jobs are created

177,000 new jobs created between now & 2012; nearly 50,000 from stimulus



Source: BLS, Cassidy & Pinkard Colliers Research

*All other includes latest proposed budget increases & private sector growth

OUTLOOK

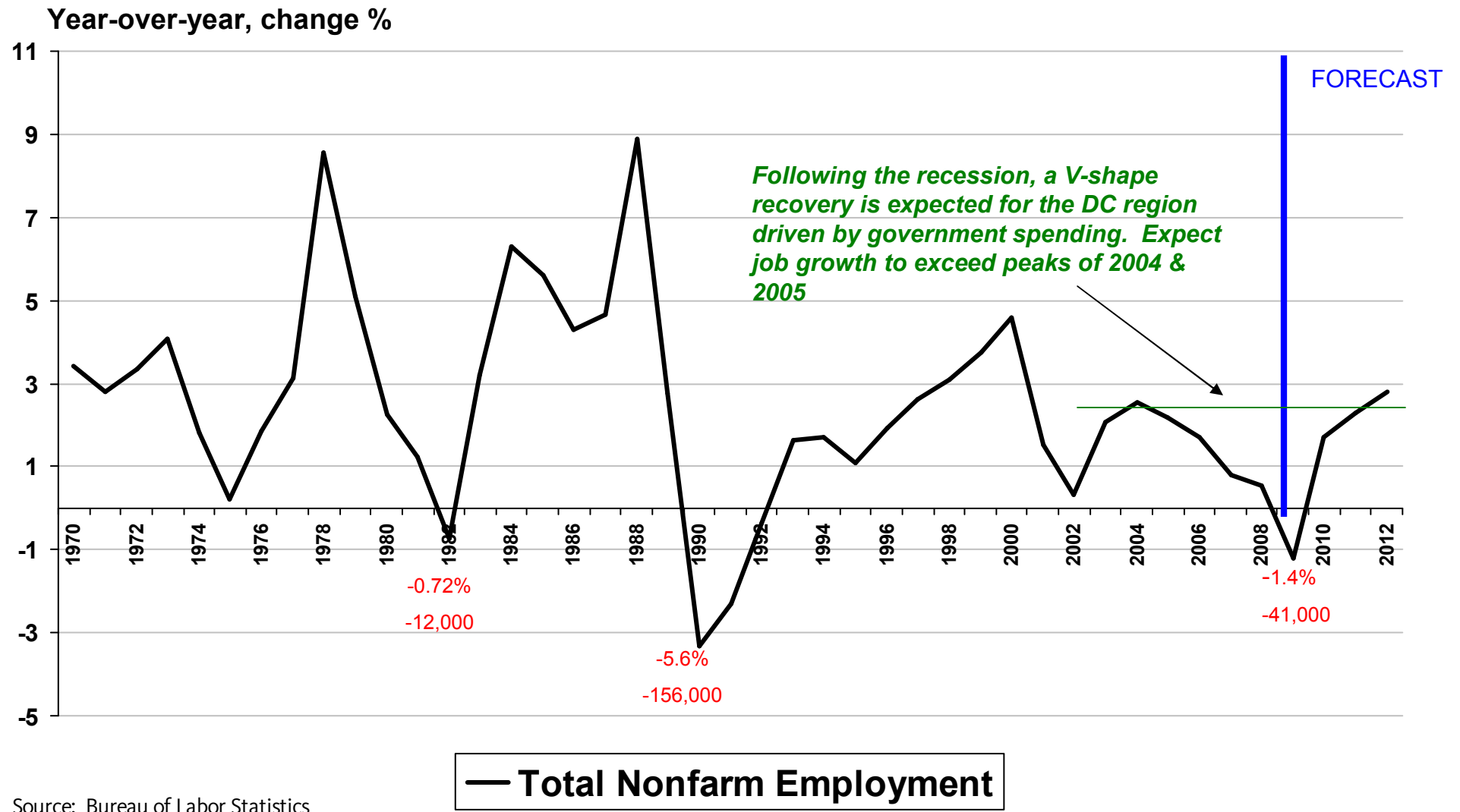
**Current
Conditions**

**Government
Intervention**

Outlook

Job Growth Outlook

Washington, DC Metro Area



Source: Bureau of Labor Statistics



DC Metro Forecast

	Actual		Forecast		
	2007	2008	2009	2010	2011
D.C. Region Economy					
Real GRP (%)	3.2	2.5	1.1	2.8	3.8
Employment Annual (000s)	23.0	18.0	-9.0	37.0	59.1
Unemployment Rate (%)	3.1	3.9	6.9	6.3	4.9
Federal Spending (\$billions)	\$125.5	\$134.8	\$145.4	\$169.9	\$173.7
Population (000s)	4,146.4	4,200.1	4,234.5	4,290.3	4,345.7
Personal Income Growth	5.1	4.0	1.8	2.3	4.8
Existing Home Price (\$000s)	430.8	343.4	300.0	305.3	318.8
Housing Permits (000s)	17.7	11.5	10.8	12.7	15.6
U.S. Consumer Confidence	103	59	54	75	82
CPI Inflation (%)	2.9	4.4	-0.5	1.0	3.5
D.C. Region Office Sector					
Vacancy (%)	9.7	11.7	13.5	13.4	11.7
Net Absorption	4,160,000	1,094,000	-286,000	3,764,000	5,870,000
Asking Rents	\$34.7	\$35.3	\$33.2	\$31.9	\$31.5
New Space Deliveries	7,870,000	7,630,000	8,470,000	4,210,000	430,000
Investment Sales					
Sales Volume (\$billions)	\$12.1	\$3.4	\$1.5	\$3.5	\$4.8
Year-ago %chg	25.0%	-71.9%	-55.9%	133.3%	37.1%

Source: Cassidy & Pinkard Colliers, Moody's Economy.com



CASSIDY & PINKARD

Real Results in Real Estate®

**COLLIERS
INTERNATIONAL**

