



Metropolitan Washington  
**Council of Governments**

# Attracting business and talent to DC: The real estate perspective

Revathi Greenwood, Americas Head  
of Research

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# Agenda

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➤ **What do occupiers want?**

➤ **DC Metro office market**

➤ **Key differentiators**





What do occupiers want?



# The war for talent

Cost remains key focus for 70% of firms

#1 CEO CHALLENGE

**TALENT**



#1 CRE DRIVER

**COST**

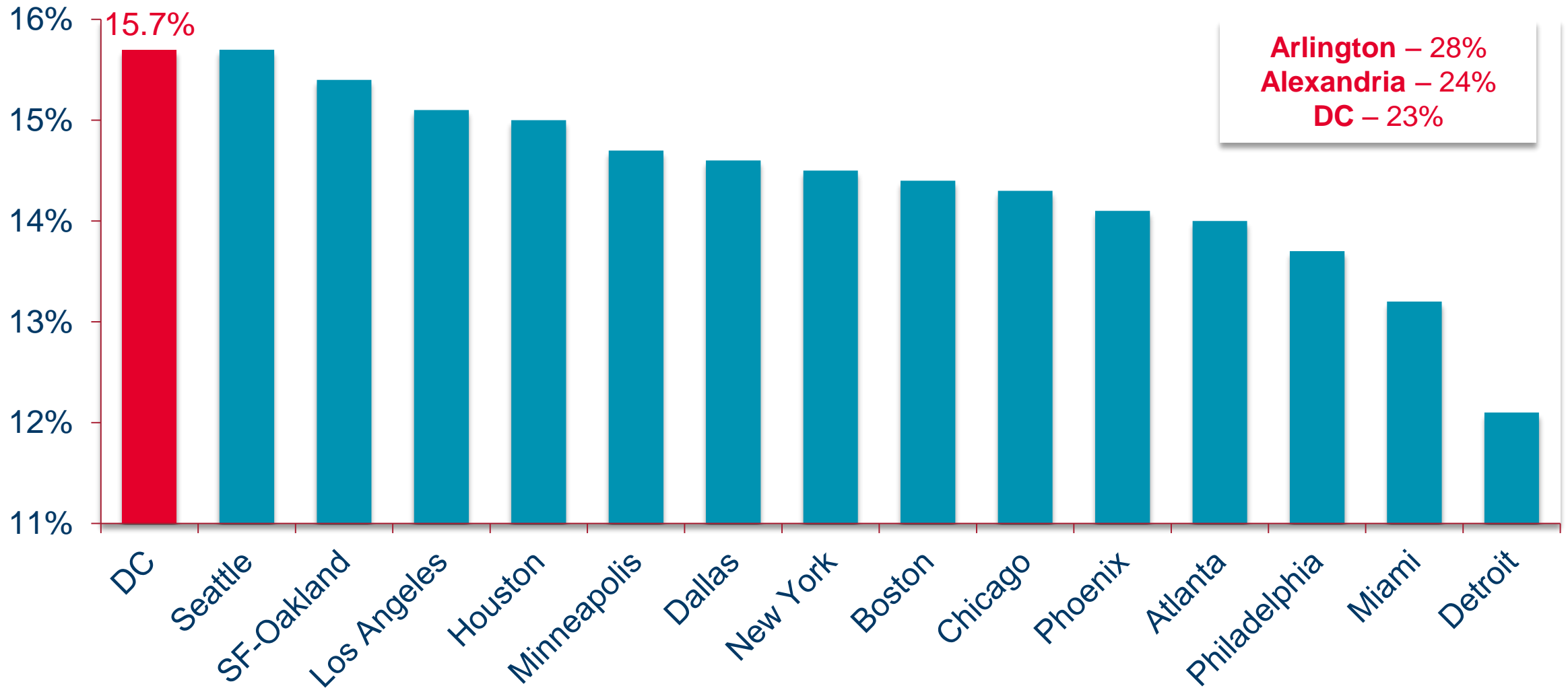


**58%**  HAVE COST SAVING TARGETS

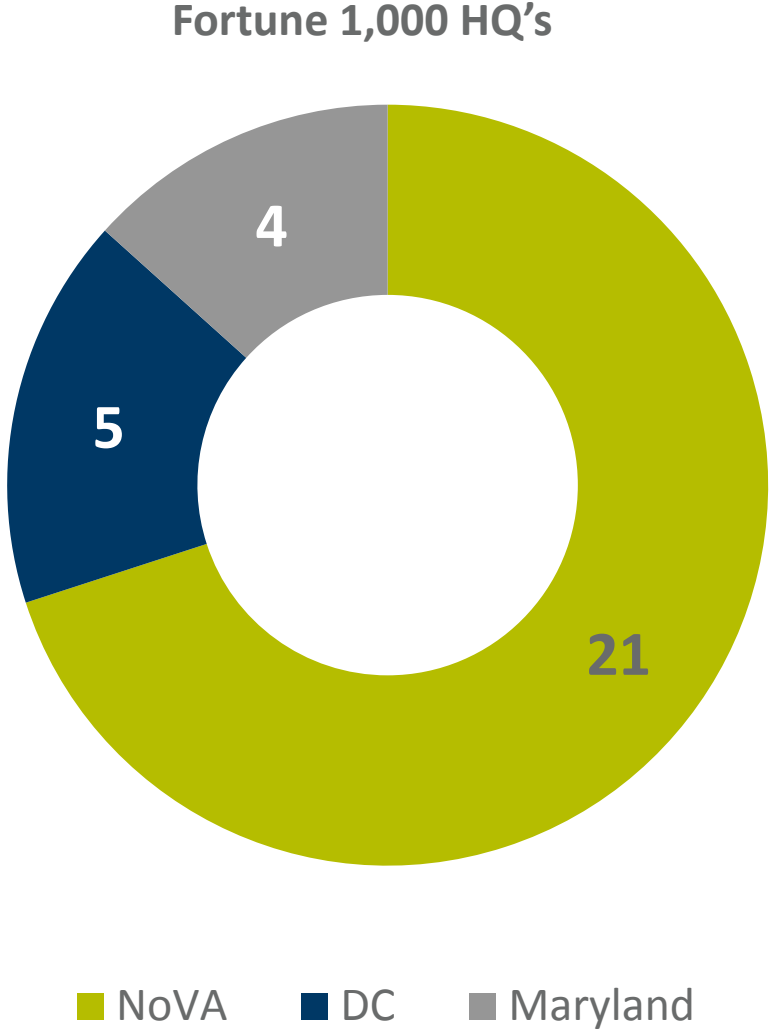
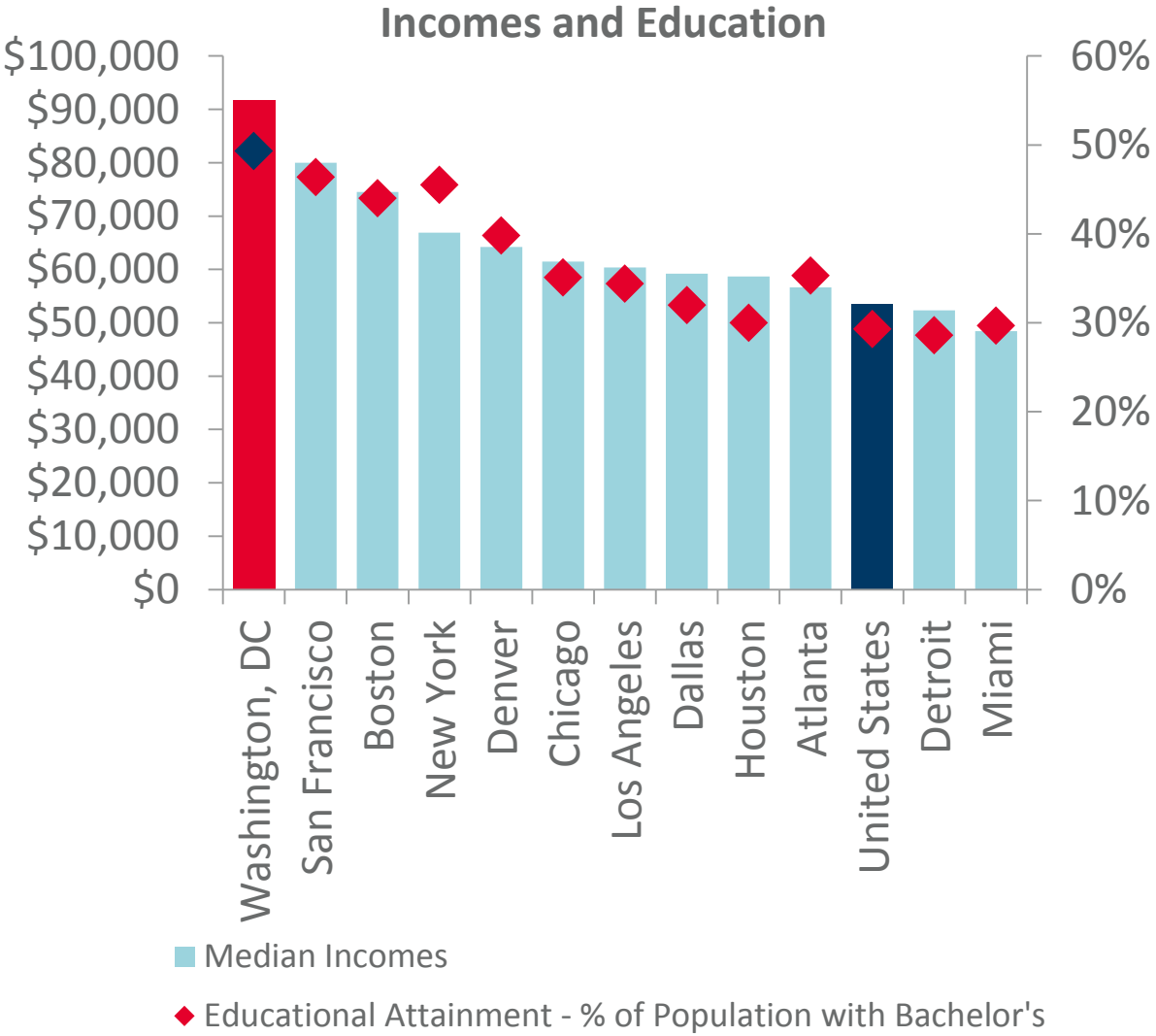
**69%**  ADOPT AGILE WORKPLACE

 **Public transport**

# Young talent pool



# Educated and rich to boot!



Sources: BLS

# We Can Do It!

It's all about the jobs!



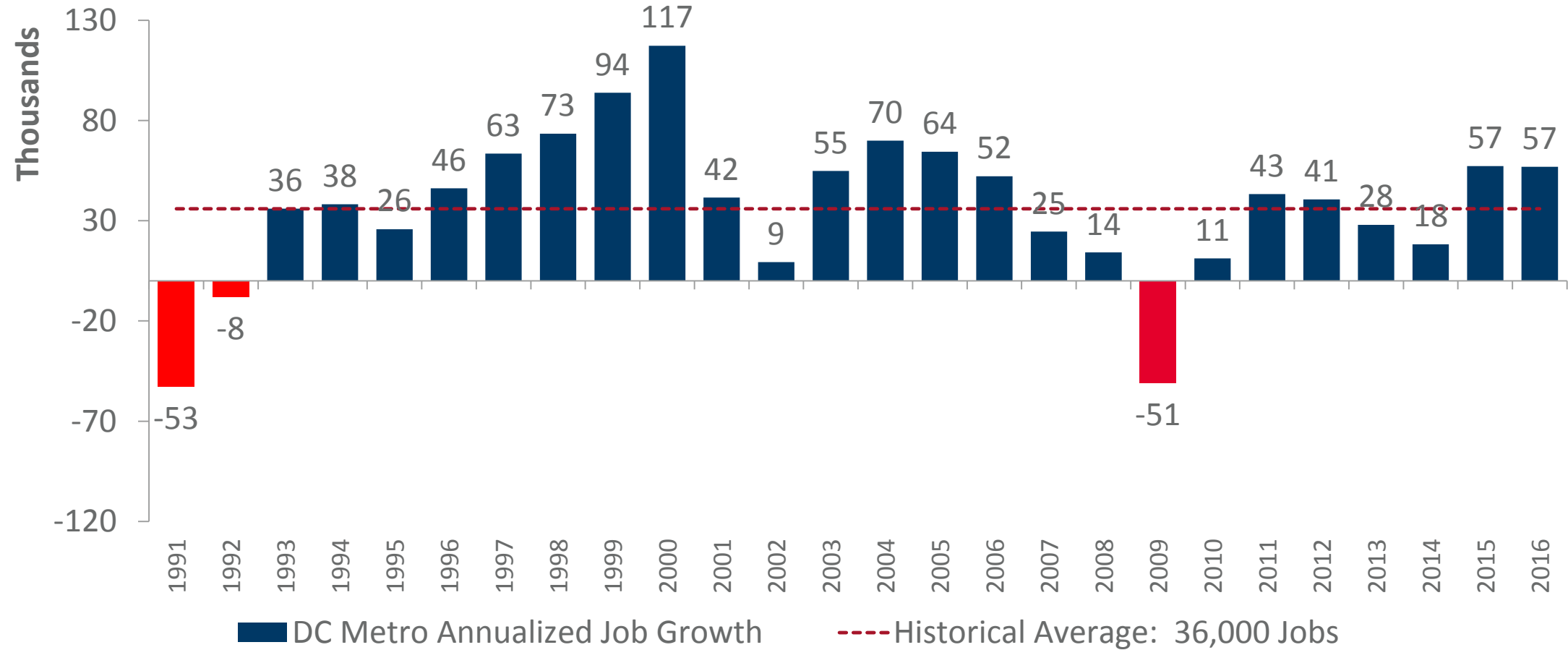
“for every new innovation job in a city, five additional non-innovation jobs are created”

Enrico Moretti, *New Geography of Jobs*, 2012

# Job Growth Back On Track

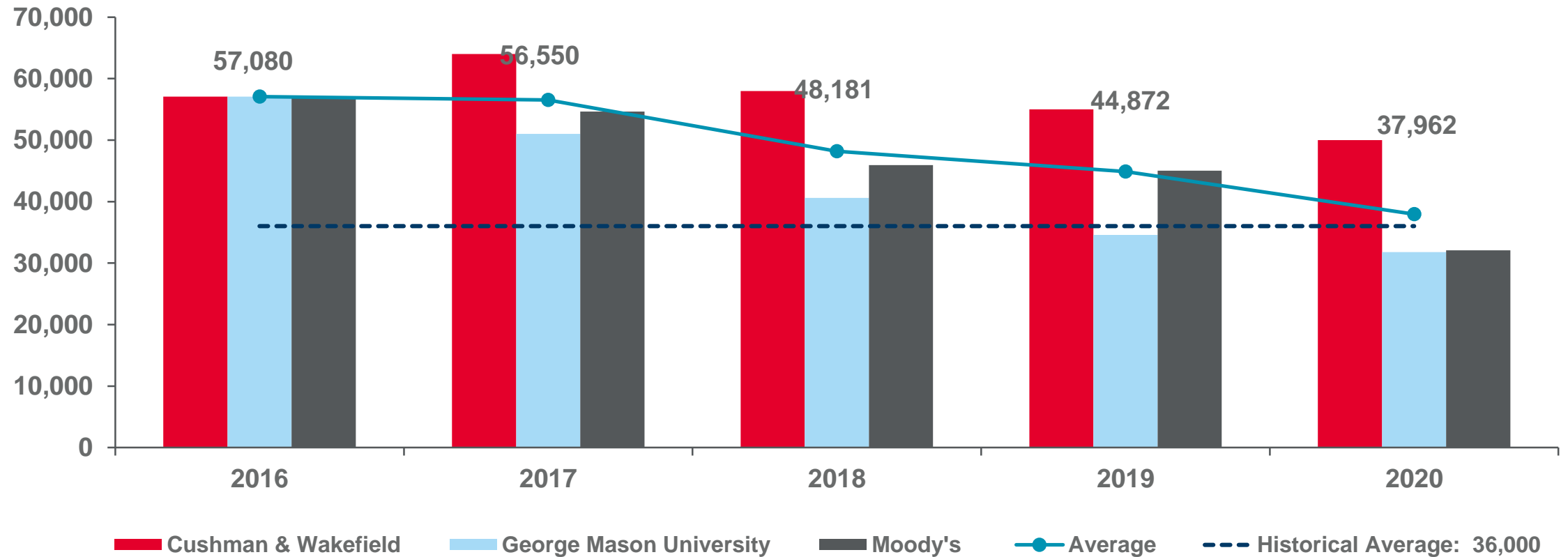
## DC Metro Annualized Job Growth

DC – 13,250 (8,500 Typical)  
NoVA – 31,600 (19,300 Typical)  
SMD – 15,000 (4,500 Typical)





# And Forecast To Stay That Way

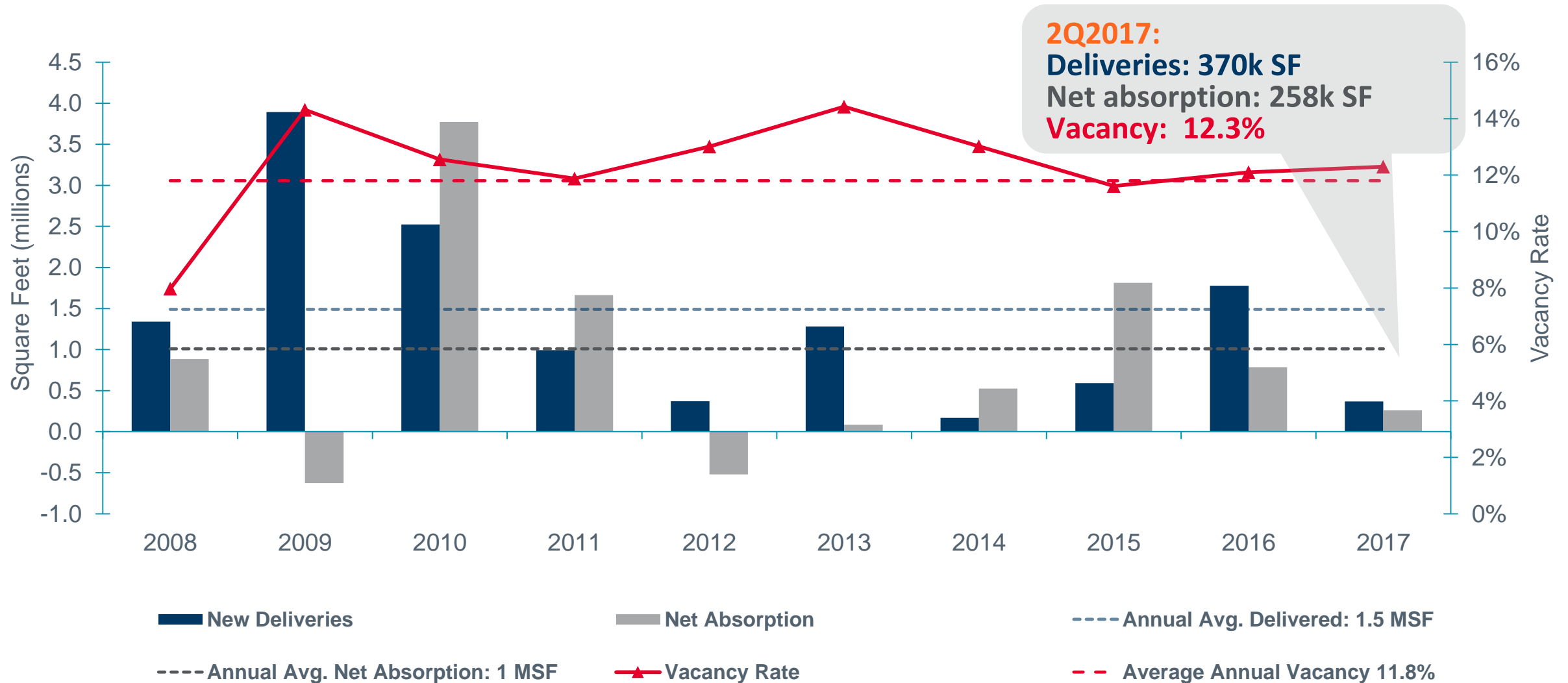


A low-angle, upward-looking photograph of several modern skyscrapers with glass facades. The buildings are set against a clear, bright blue sky. The perspective creates a sense of height and architectural scale. A large, solid red triangle is overlaid on the right side of the image, pointing towards the center.

# DC Metro Office Market

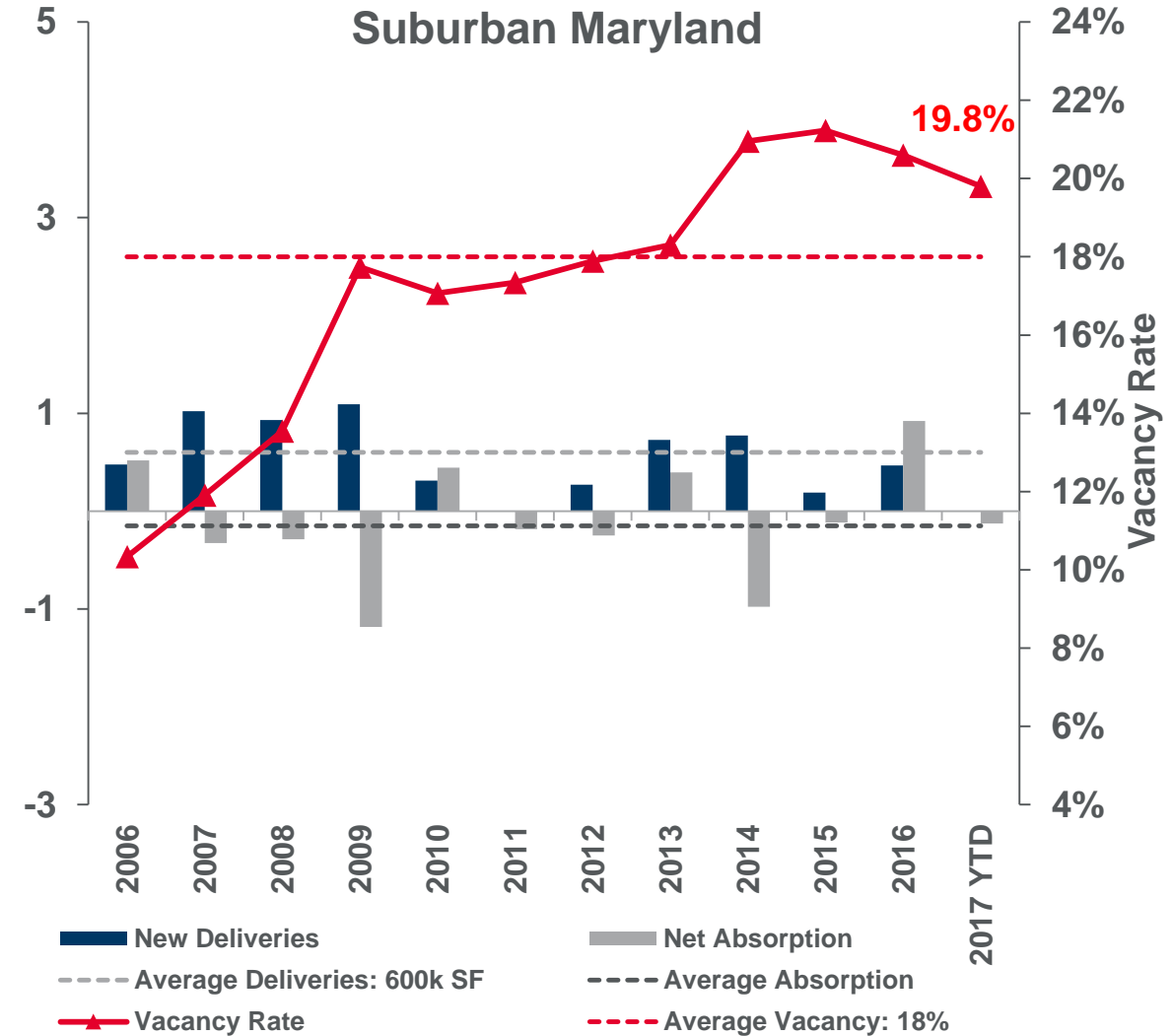
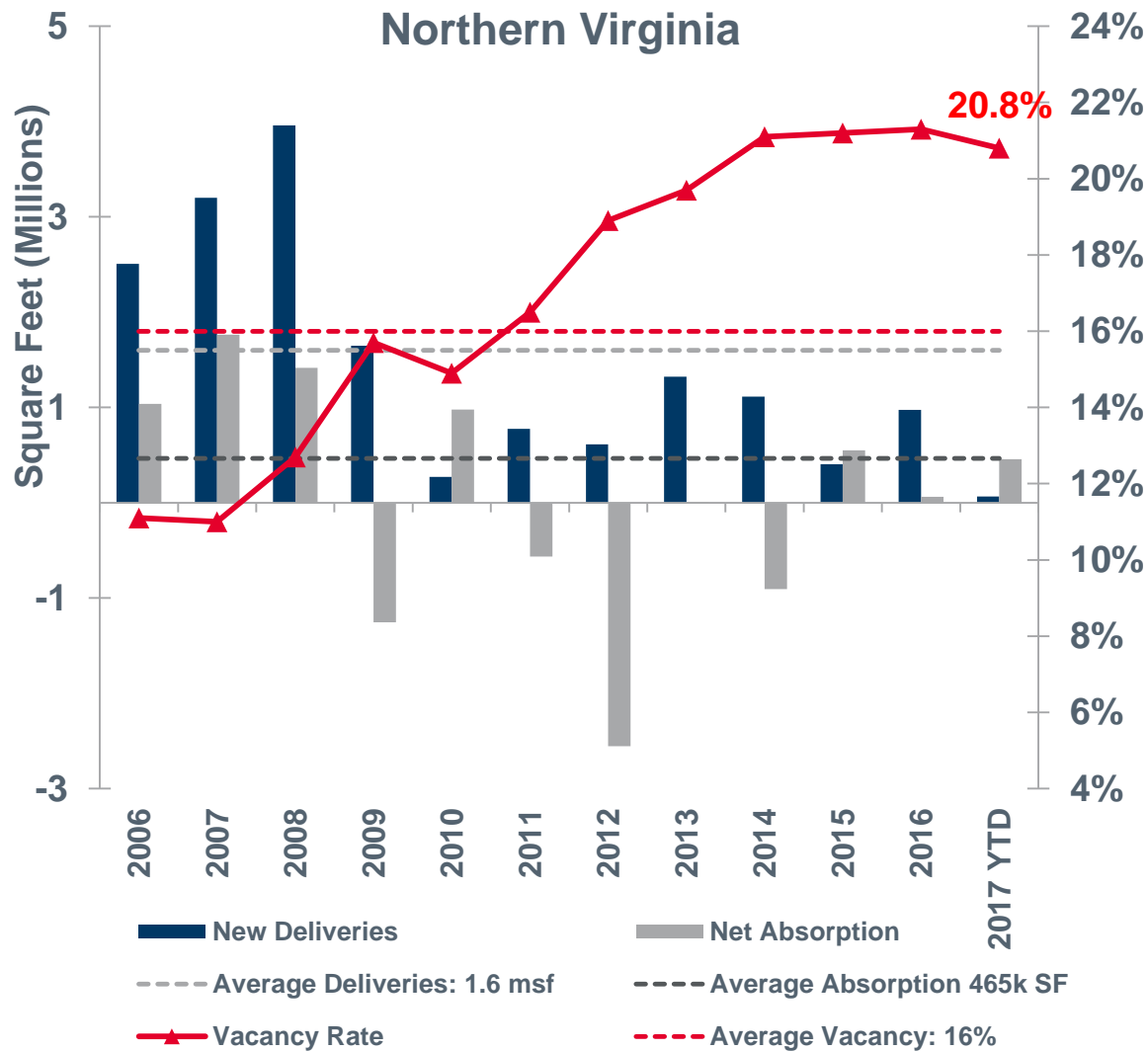


# Washington, DC Gross Leasing Activity

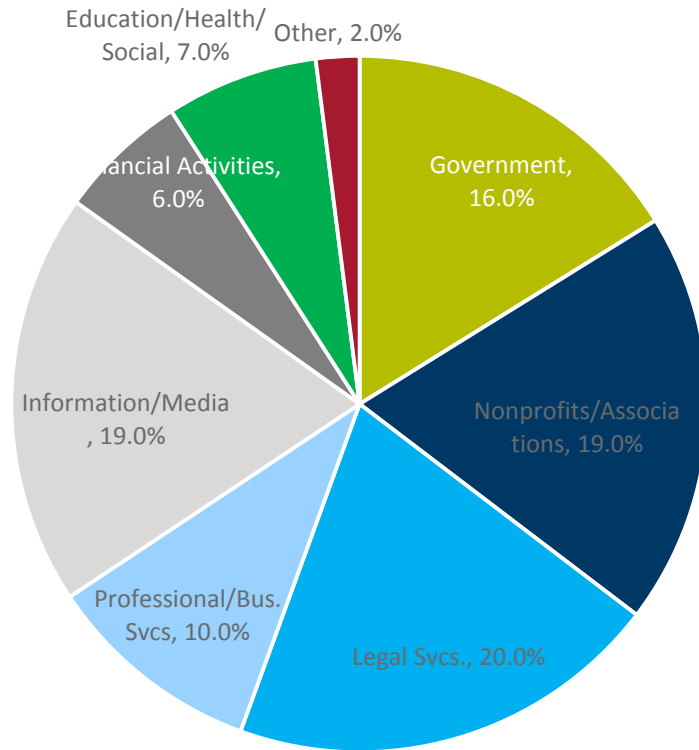




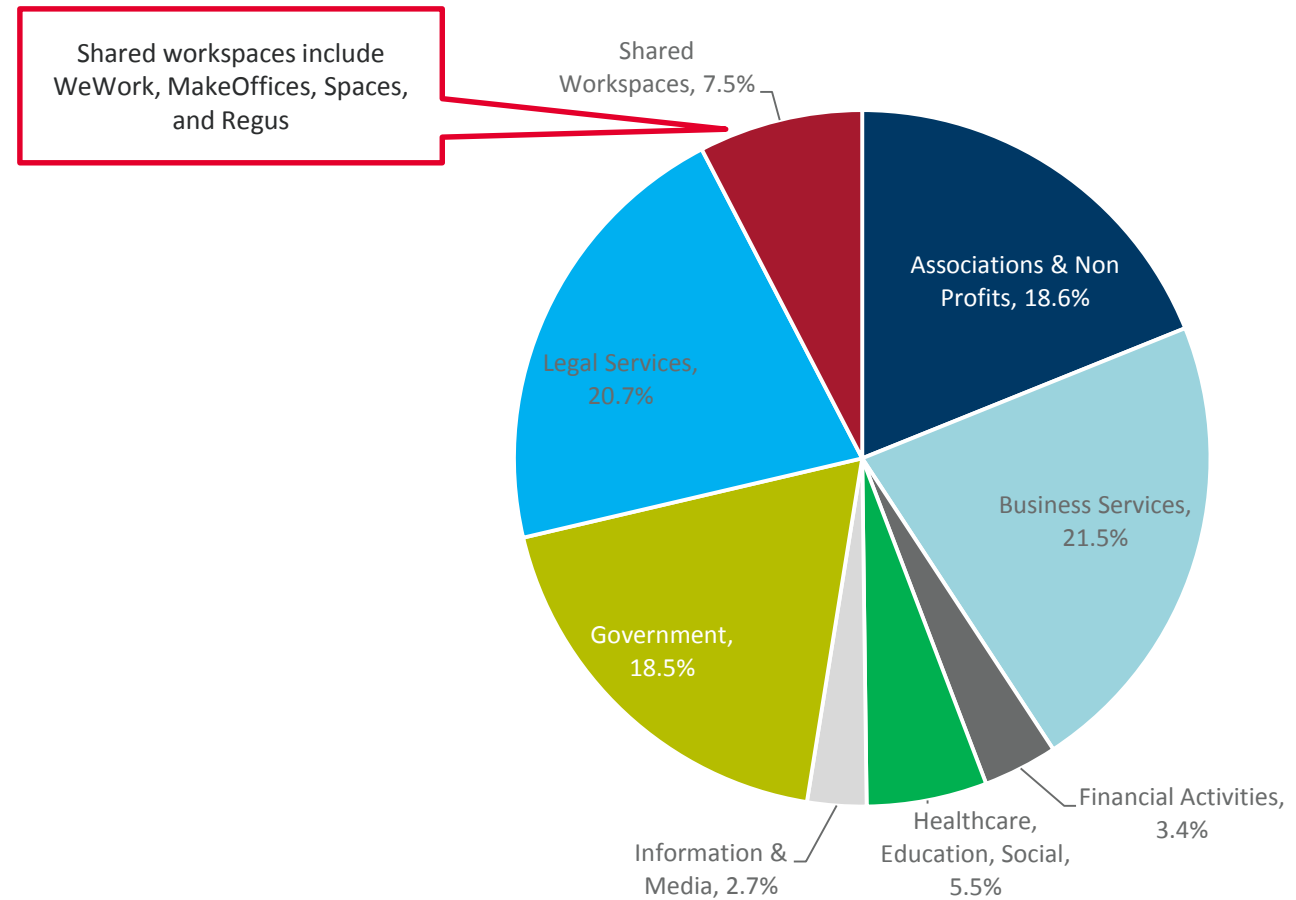
# Suburbs Bounce off the Bottom



# Diversifying tenant base



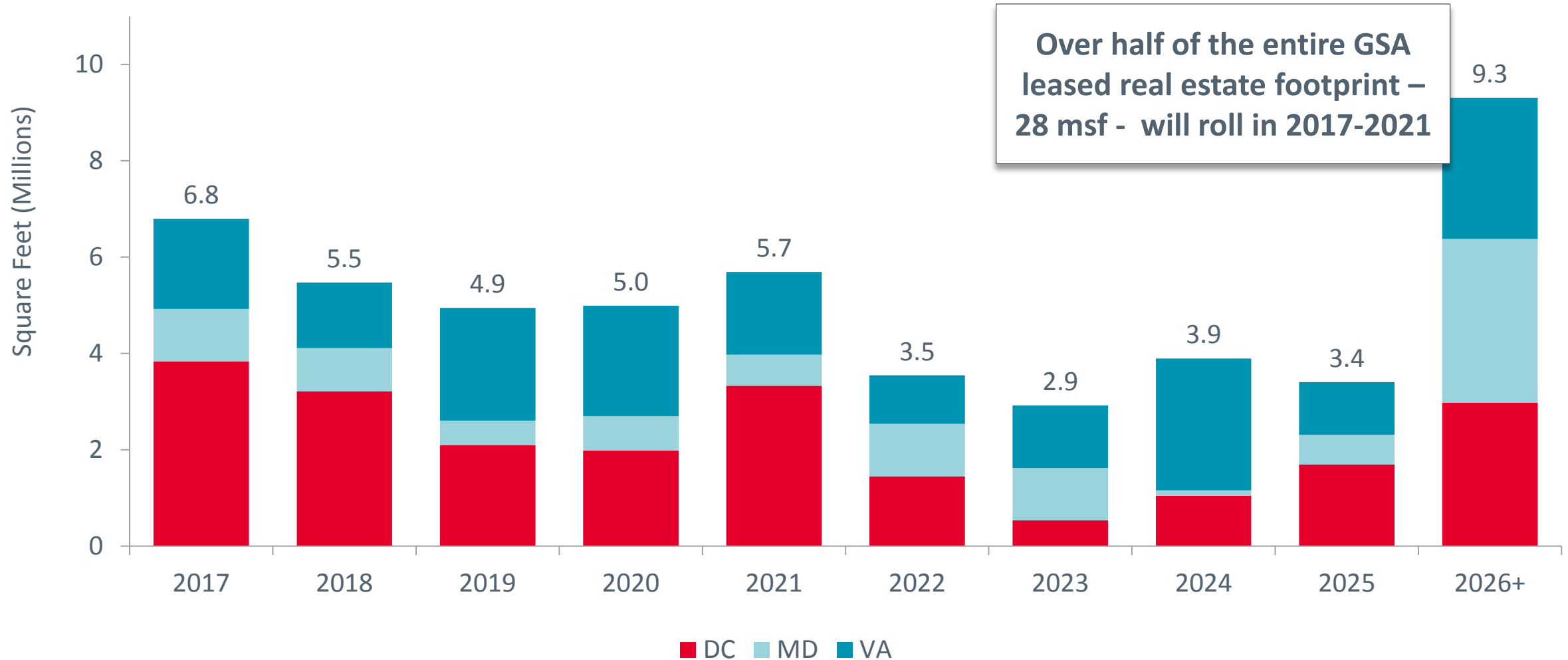
2014



2016

# GSA Lease Expirations

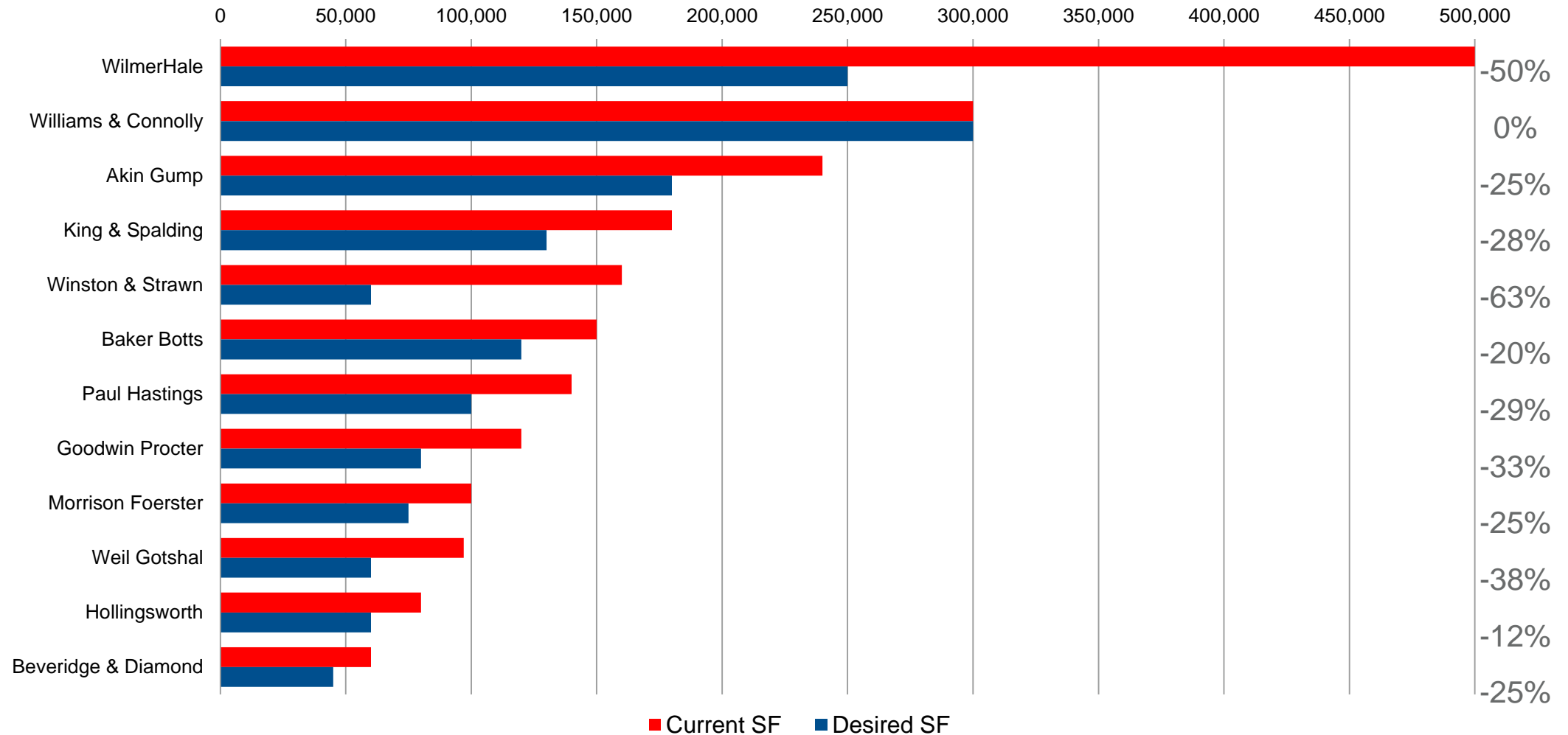
DC Metro





# Legal market

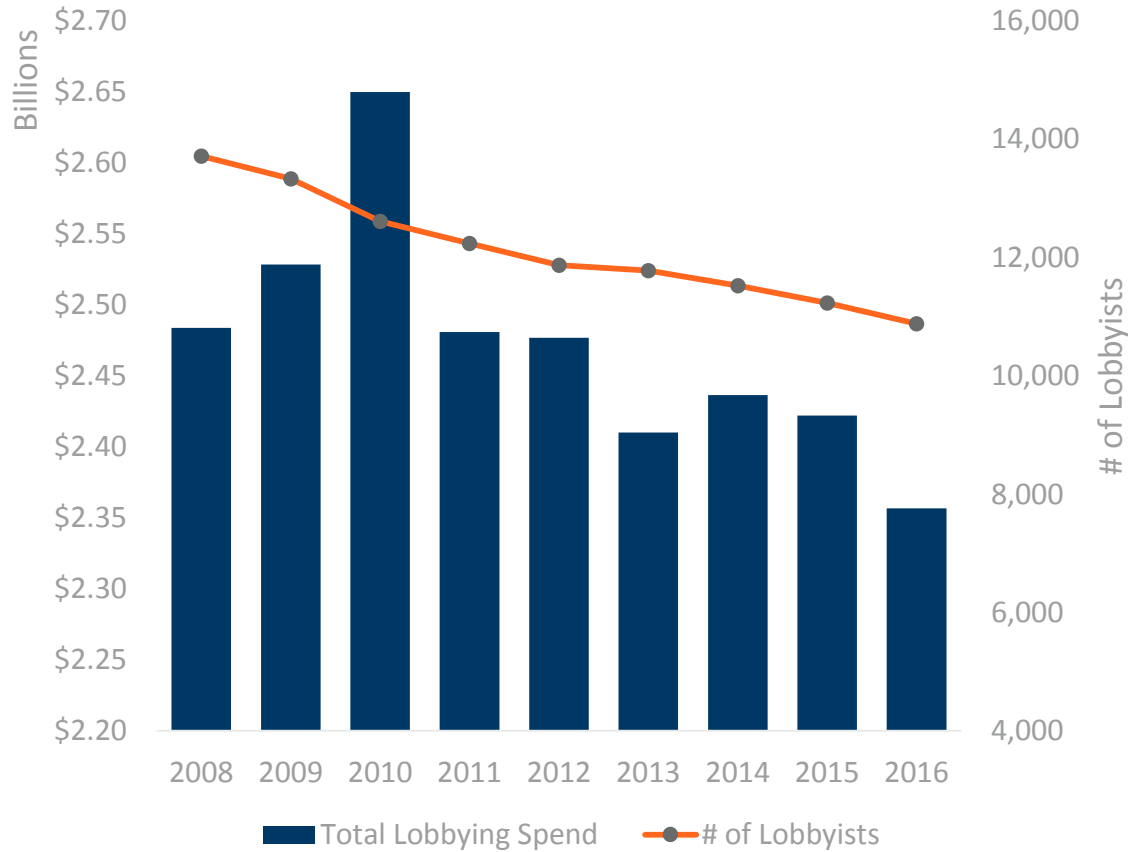
Law Firms Currently in the Market



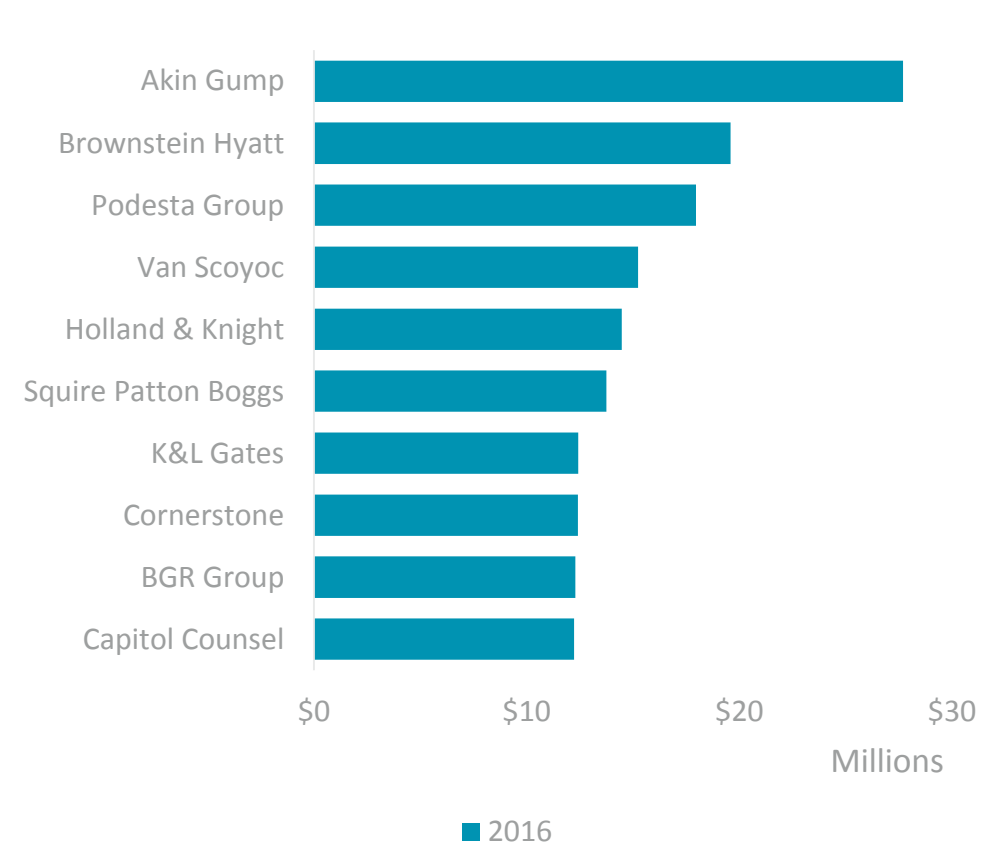
# Lobbying

DC is down 2,800 Lobbyists/\$300 Million in Spending from Peak Levels

### Lobbyists and Total Spend

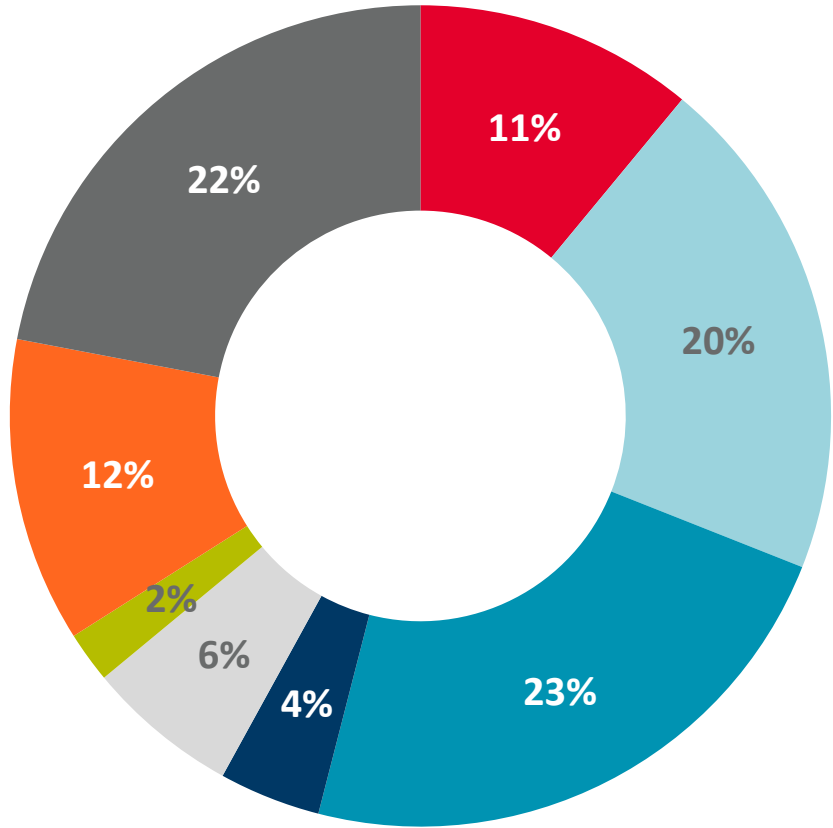


### Top Lobbying Firms - 2016



# CoWorking

11% of all New Leasing, 60% of Net Absorption



- CoWorking
- Associations/NFP
- Business Services
- Financials
- Healthcare/Education
- Info/Media
- Government
- Legal

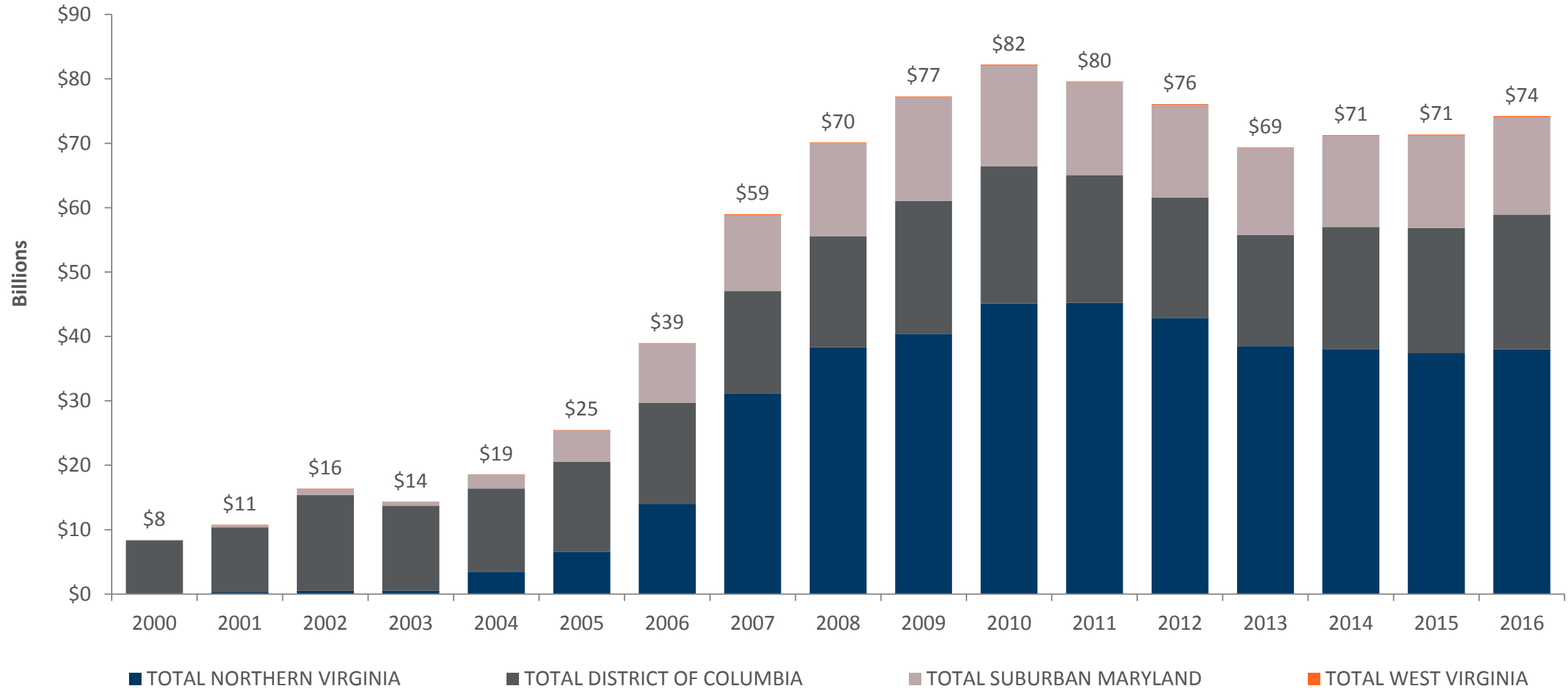
Source: Cushman & Wakefield

| Tenant Name | Address             | Market Name       | Leased SF |
|-------------|---------------------|-------------------|-----------|
| WeWork      | 655 15th Street NW  | East End          | 117,000   |
| WeWork      | 1875 Connecticut NW | Uptown            | 35,000    |
| WeWork      | 80 M Street, SE     | CapitolRiverFront | 68,673    |
| The Yard    | 700 Penn SE         | Capitol Hill      | 31,500    |
| Spaces      | 1140 3rd Street NE  | NoMa              | 44,302    |
| Regus       | 1101 Penn NW        | East End          | 20,475    |
| MakeOffices | 1015 15th Street NW | East End          | 35,496    |
| MakeOffices | 2201 Wisconsin NW   | Uptown            | 45,043    |
| MakeOffices | 800 Maine Ave SW    | Southwest         | 43,880    |
| AdvantEdge  | 2101 L Street, NW   | CBD               | 23,312    |
|             |                     |                   |           |
|             |                     |                   | 464,681   |



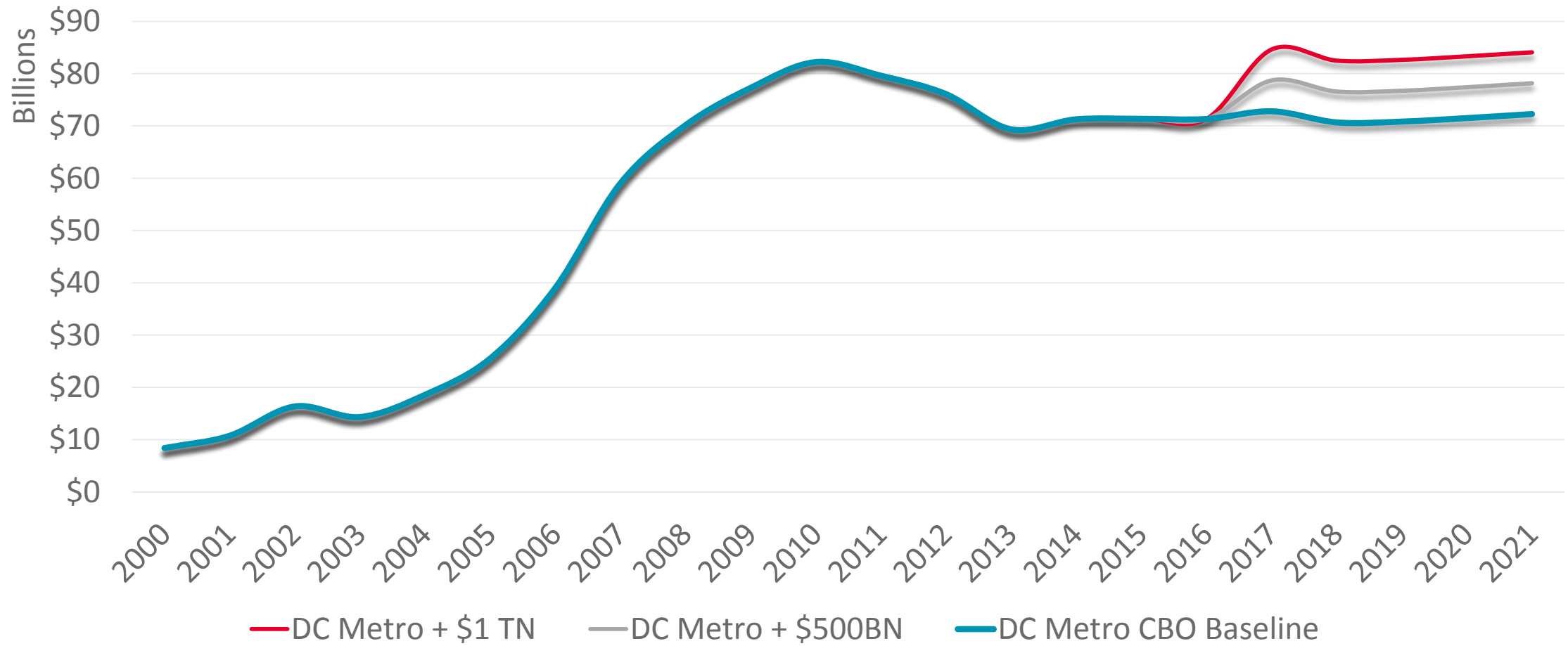
# Federal Procurement in the DC Metro

By Market, \$Billions



# Contracting Opportunities Could Surge With Trump

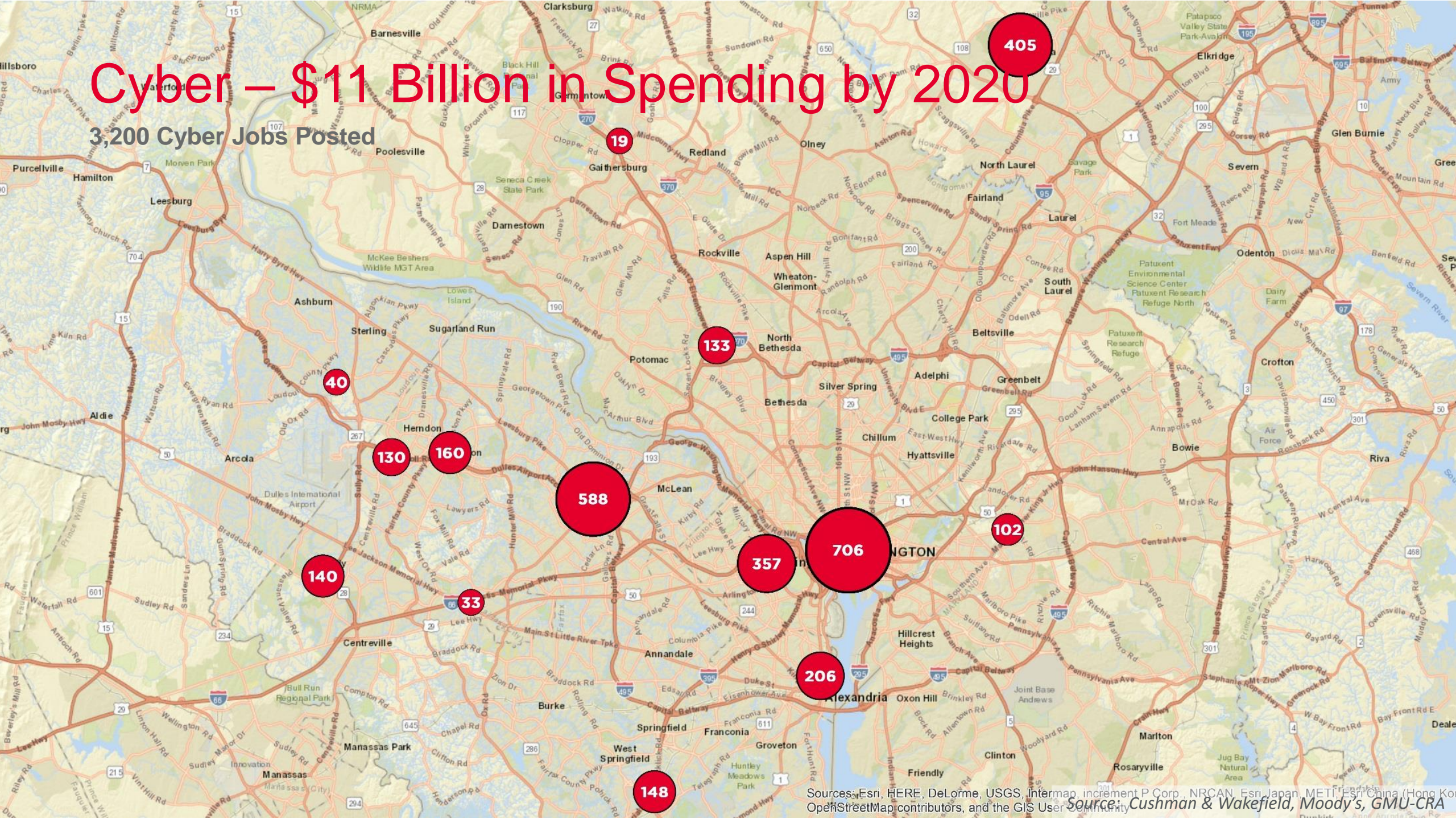
DC Metro Procurement with Trump Proposed Defense Spending Increases





# Cyber – \$11 Billion in Spending by 2020

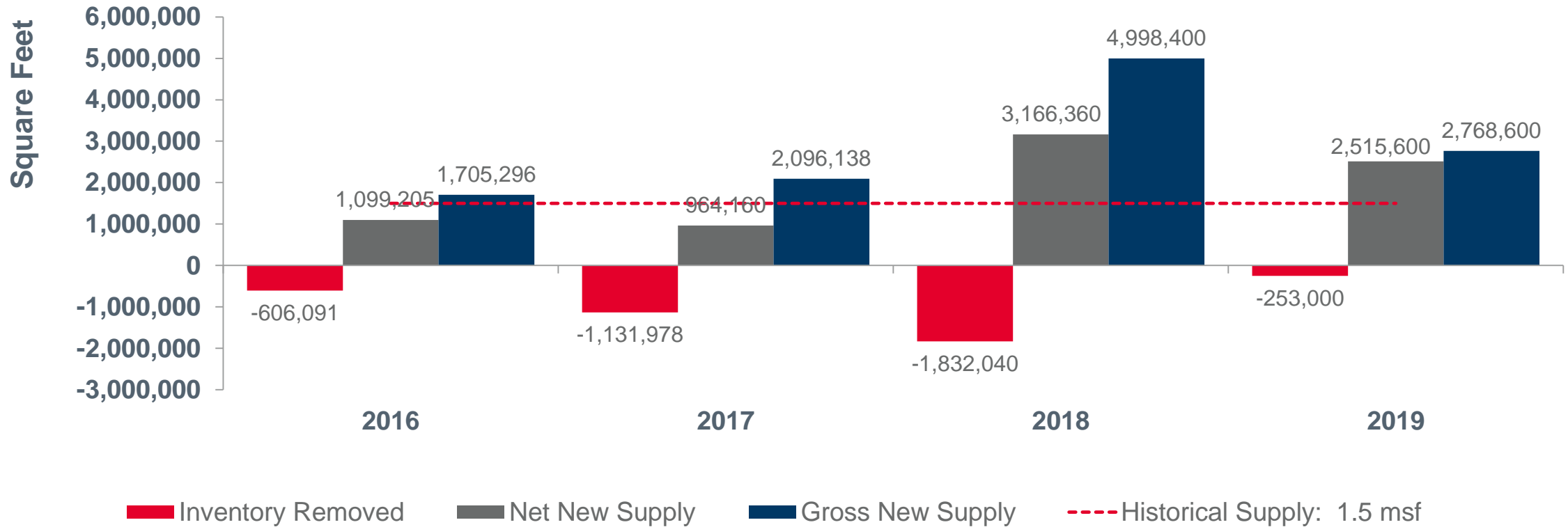
3,200 Cyber Jobs Posted



Sources: Esri, HERE, DeLorme, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Swatch, Bing, OpenStreetMap contributors, and the GIS User Community  
Source: Cushman & Wakefield, Moody's, GMU-CRA

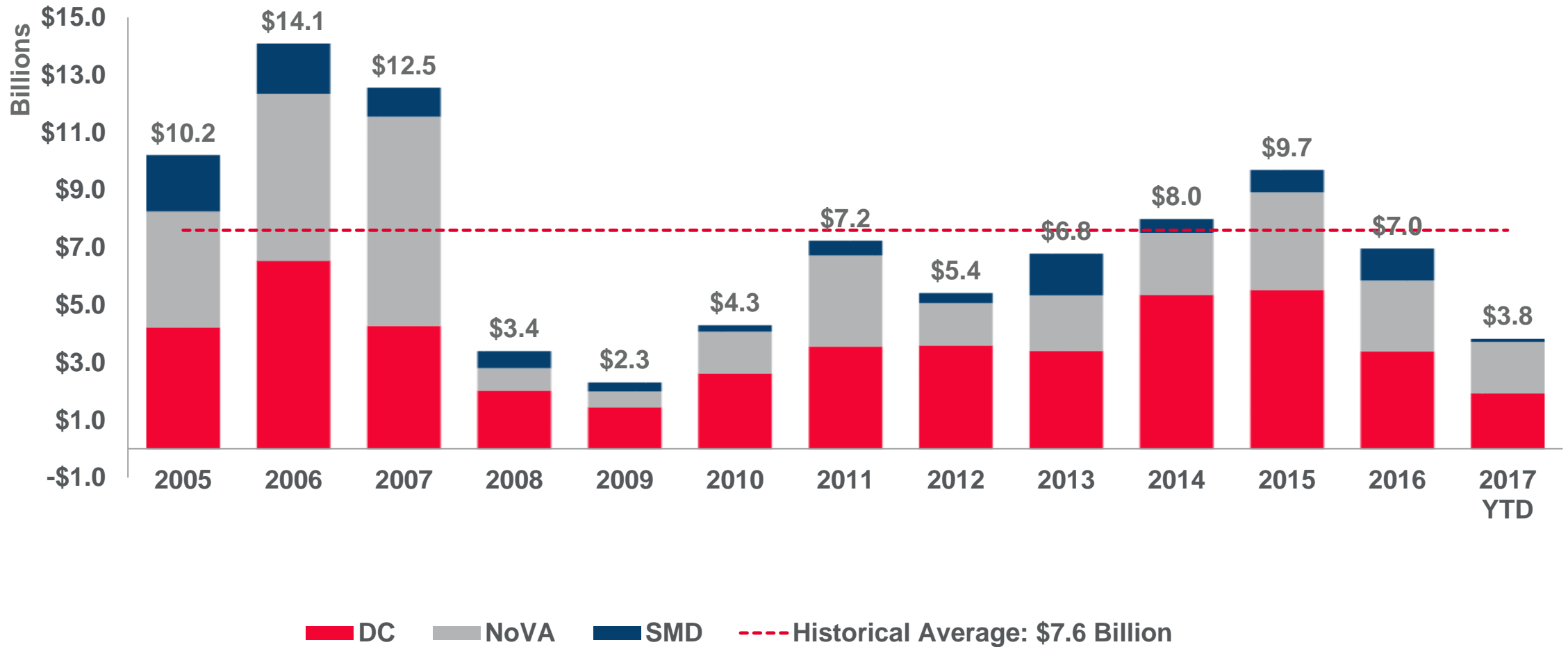


# District Net Supply



# Office Investment Sales Volume

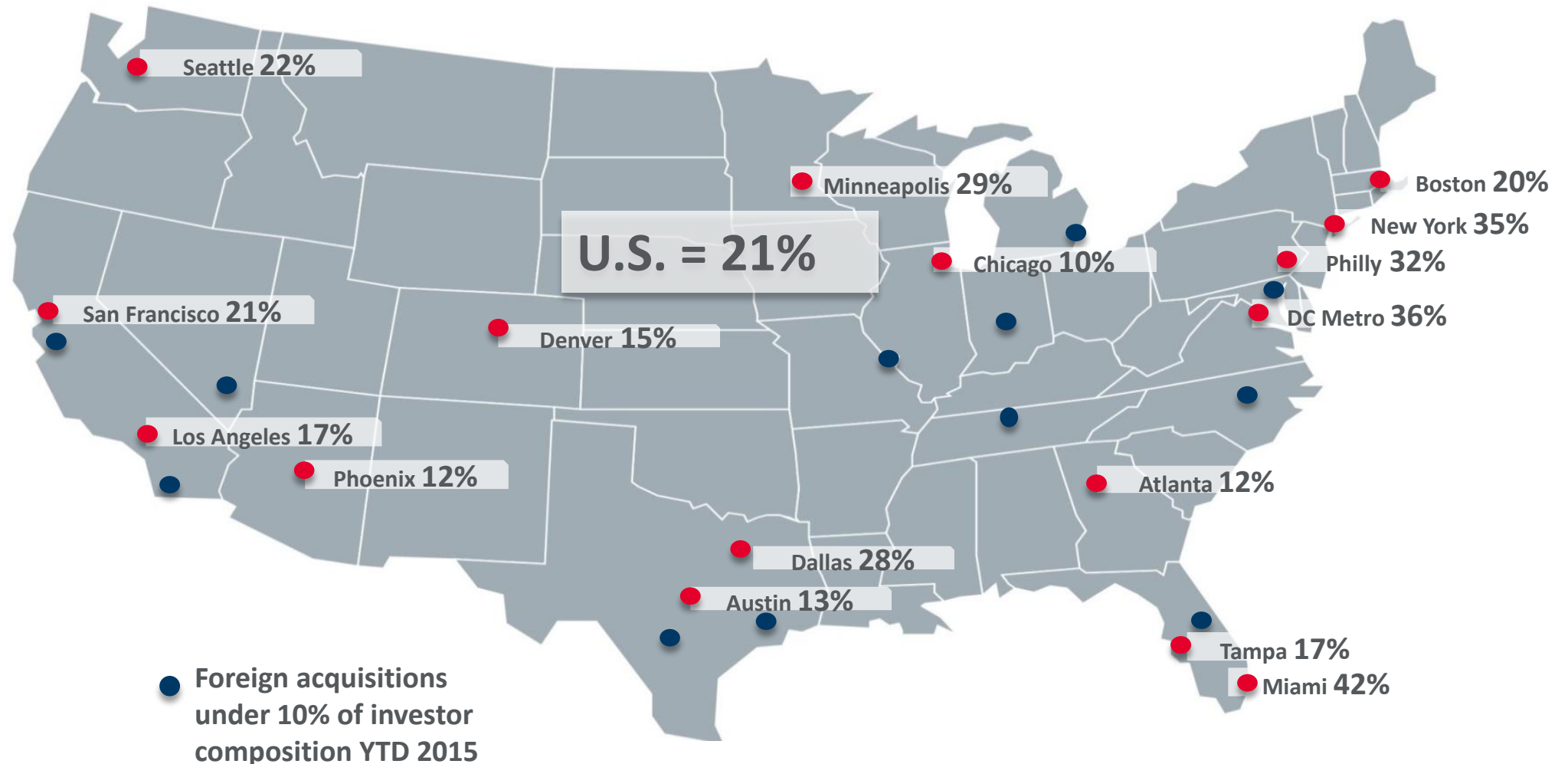
Washington DC Metro





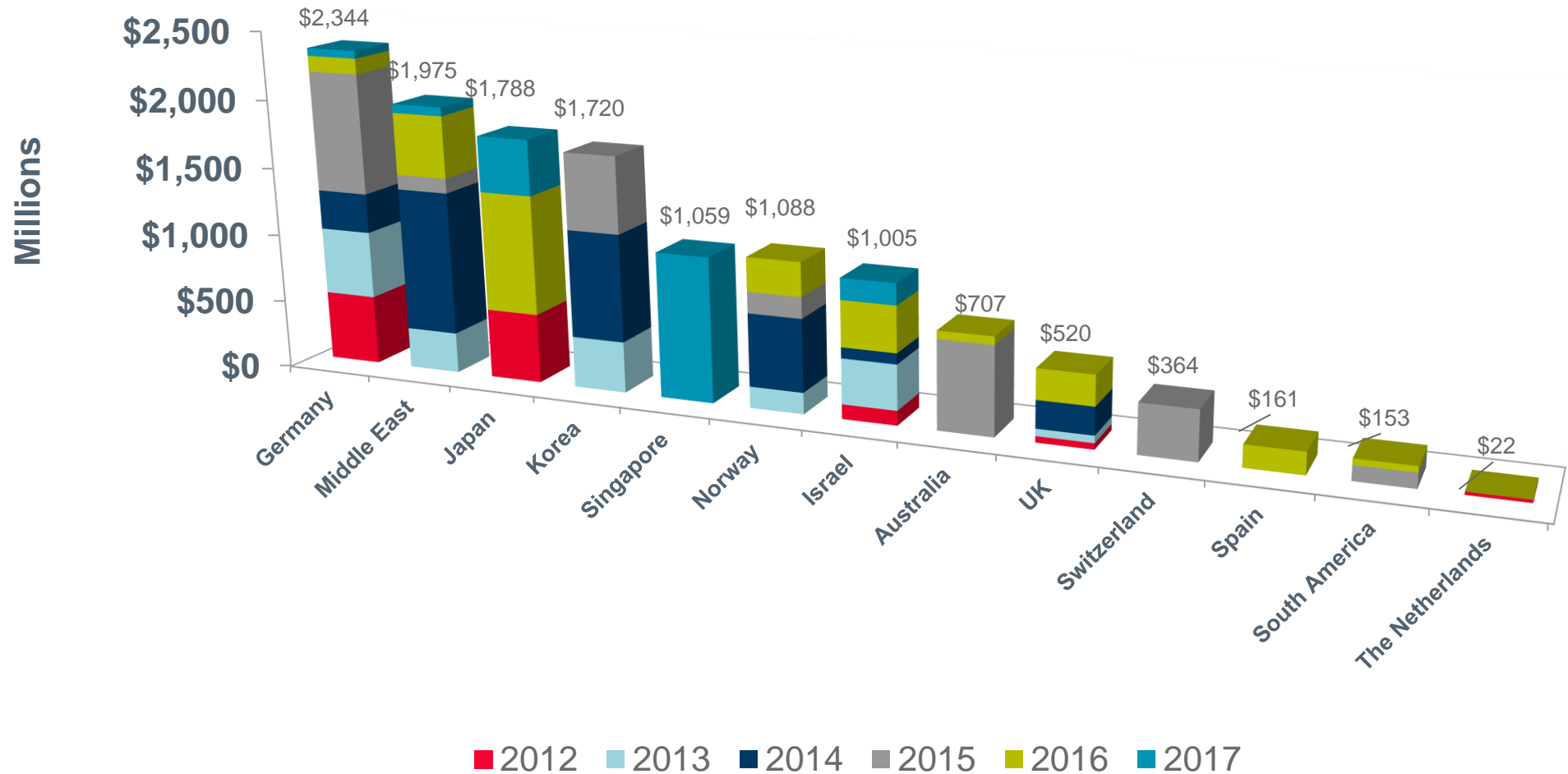
# Where Foreign Buyers Are Most Active

Cross-border office sales as % of total sales volume – 2016



# Foreign Investment in DC Metro Office

By Country, DC Metro 2012-2017







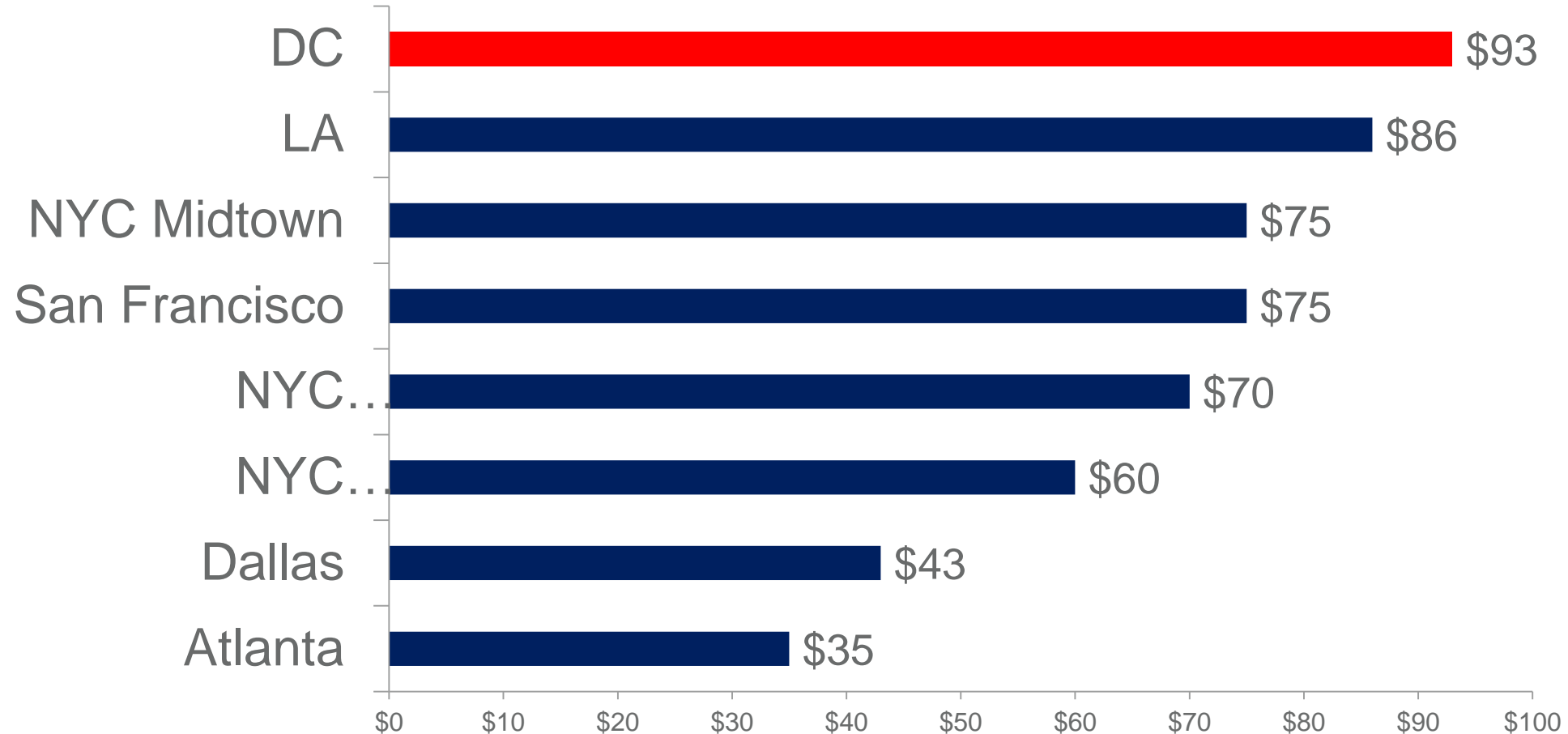
# Key differentiators

# Cost: Rental rates staying high

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| Market                | Rental Rate |
|-----------------------|-------------|
| New York - Midtown NY | \$81.80     |
| San Francisco, CA     | \$71.76     |
| Boston, MA            | \$56.73     |
| Fairfield County CT   | \$54.63     |
| Oakland/East Bay CA   | \$54.14     |
| Washington, DC        | \$53.85     |

# But concessions are rising





# Incentive packages

## VIRGINIA

- The Commonwealth's Opportunity Fund is a "deal closing fund" incentive available to the Governor.
- The Virginia Investment Partnership Grant must invest at least \$25 million.
- The Major Eligible Employer Grant and Virginia Economic Development Incentive Grant.
- Major Business Facility Job Tax Credit



## MARYLAND

- The Economic Development Opportunities Fund
- The Job Creation Tax Credit
- The One Maryland Tax Credit

## DISTRICT OF COLUMBIA

- The Qualified High Technology Company
- Other D.C. tax benefits:
  - » Exemption from sales tax for sales by QHTCs of intangible property or services
  - » Partial exemption from personal property tax
  - » Exemption from DC corporate franchise tax
  - » Reduction of corporate franchise tax rate
  - » Deduction for Internal Revenue Code expenses
  - » Reduction in real property tax for qualified leasehold improvements
  - » Rollover (deferral) of certain capital gains.

VA

| COMPANY NAME                      | DESTINATION   | SECTOR   | ACTIVITY          | CAPITAL INVESTMENT | JOBS CREATED | INCENTIVE VALUE |
|-----------------------------------|---------------|----------|-------------------|--------------------|--------------|-----------------|
| Ernst & Young<br><i>July 2016</i> | Tysons Corner | Services | Business Services | \$12.0 M           | 462          | \$1.3 M         |

DC

| COMPANY NAME                           | DESTINATION    | SECTOR   | ACTIVITY     | CAPITAL INVESTMENT | JOBS CREATED | INCENTIVE VALUE |
|--|----------------|----------|--------------|--------------------|--------------|-----------------|
| Blackboard, Inc.<br><i>August 2016</i> | Washington, DC | Services | Headquarters | \$11.7 M           | 502          | \$5.0 M         |

MD

| COMPANY NAME                                 | DESTINATION | SECTOR | ACTIVITY          | CAPITAL INVESTMENT | JOBS CREATED               | INCENTIVE VALUE |
|--|-------------|--------|-------------------|--------------------|----------------------------|-----------------|
| Tenable Network Security<br><i>June 2015</i> | Columbia    | ITT    | Business Services | \$7.5 M            | 350<br><i>230 retained</i> | \$1.0 M         |

# High profile deals

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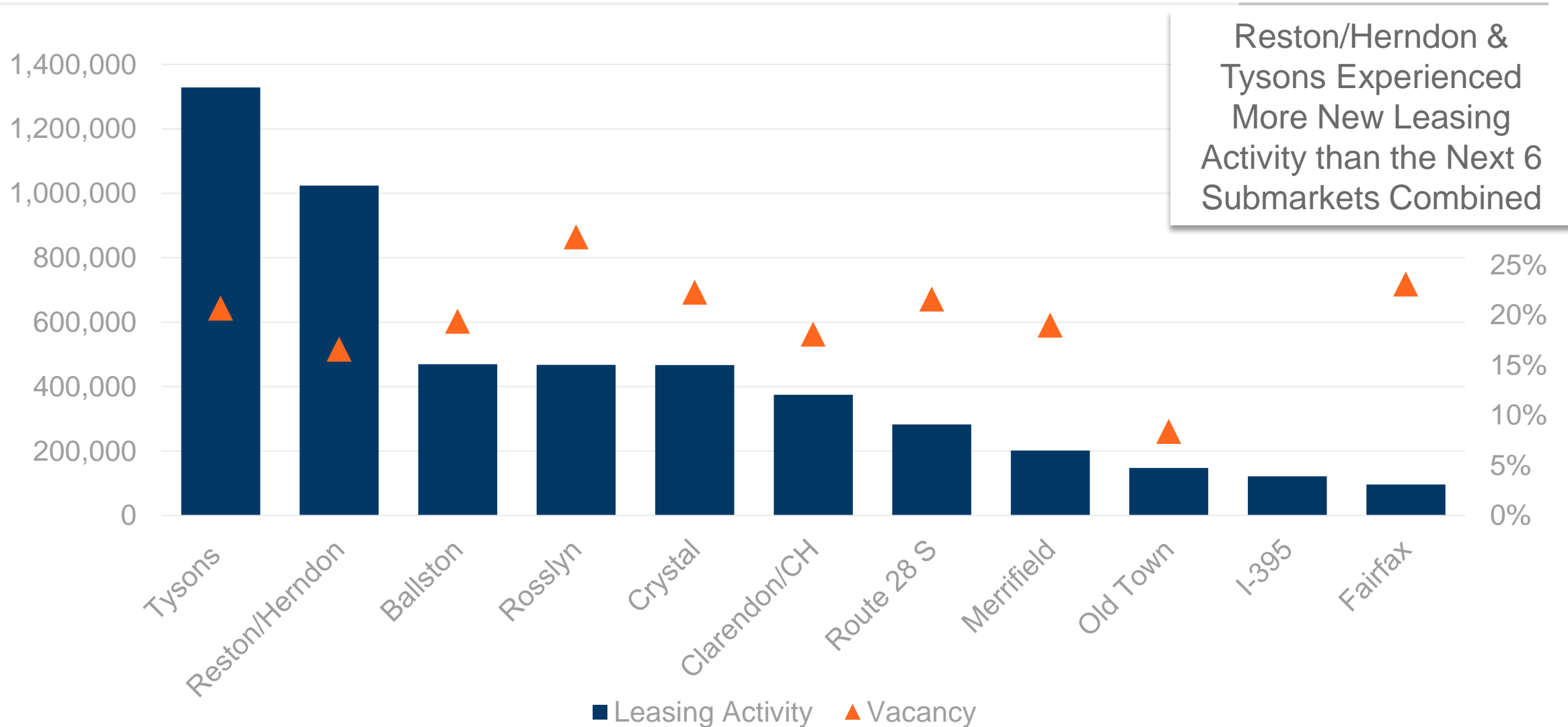
## Nestle: 748 jobs

- \$16 million - state and county subsidies.
- \$6 million grant from Commonwealth Opportunity Fund
- \$4 million grant from Arlington and extensive relocation assistance
- Commitment to \$2 million in Arlington spending on infrastructure

## Marriott: Maintain at least 3,500 employees and invest \$600 million in the new HQ

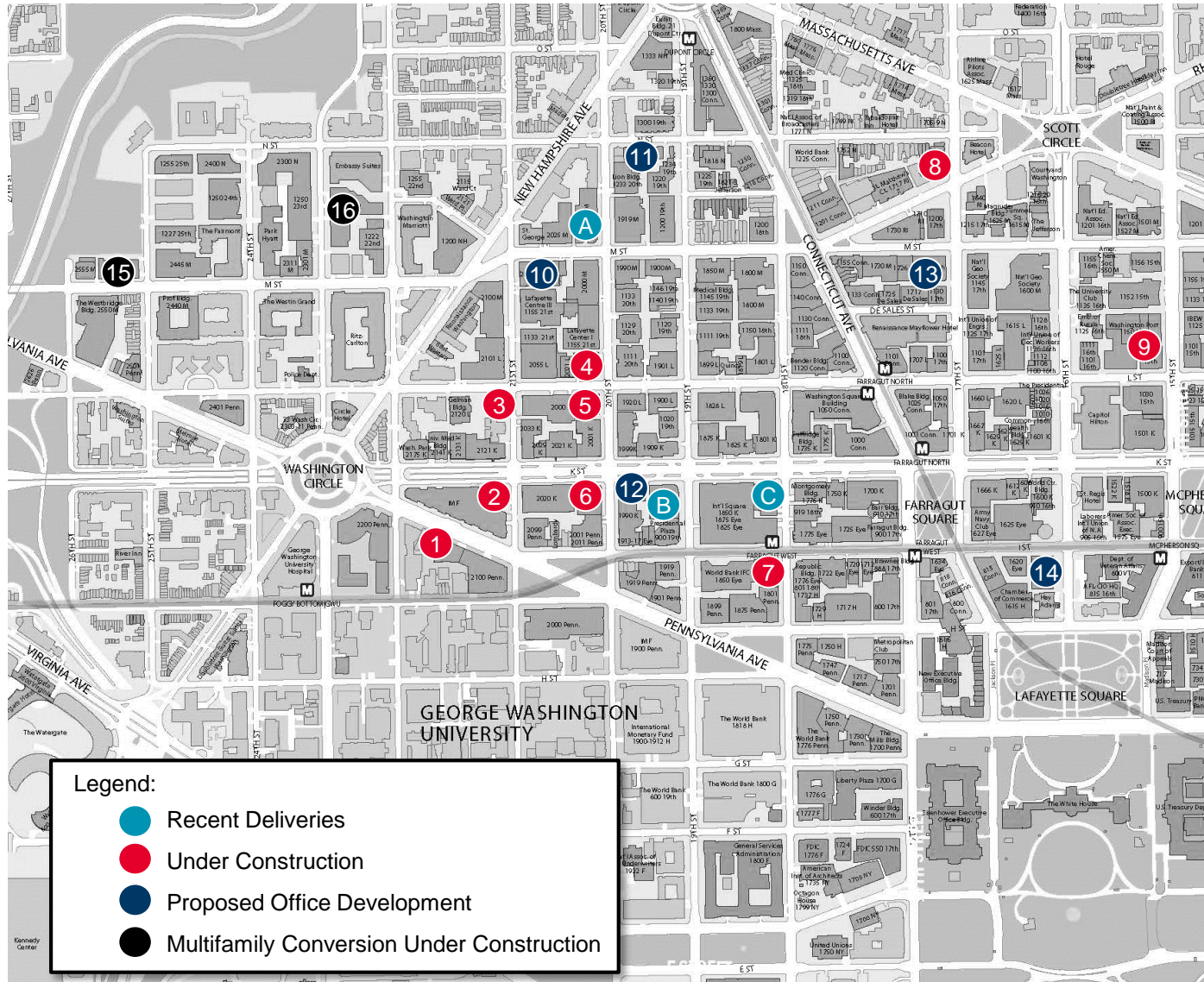
- \$20 million from Maryland's sunny day fund
- \$2 million from the Maryland Economic Development Fund
- \$22 million from county
- \$15 million and \$18 million in state and county tax credits

# Public transport: Impact of Silver Line



# Amenitizing DC

## Redevelopment Sites in the West End & CBD Submarkets



### Recent Deliveries:

- A** 2001 M Street NW – Brookfield – 284,000 sf (Delivered Q1 2016)
- B** 900 19<sup>th</sup> Street NW – Tishman Speyer – 115,338 sf (Delivered Q1 2017)
- C** 1800 K Street NW – Deutsche Asset & Wealth Management – 217,070 sf (Delivered Q3 2016)

### 1 Under Construction:

- 2** 2112 Pennsylvania Avenue NW – Skanska – 250,000 sf (2018 Delivery)
- 3** 2100 K Street NW – Blake Real Estate – 154,000 sf (2019-2020 Delivery)
- 4** 2100 L Street NW – Akridge – 186,470 sf (2019 Delivery)
- 5** 1901 L Street NW – The Meridian Group --- approx. 181,000 sf (2020+ Delivery)
- 6** 2000 L Street NW – Rockrose Development – 600,000 sf (2018 Delivery)
- 7** 2000 K Street NW – Tishman Speyer – 222,119 sf (Q4 2019 Delivery)
- 8** 1800 Eye Street NW – Arizona State University – 25,690 sf (Q3 2017 Delivery)
- 9** 1701 Rhode Island Avenue NW – Akridge – 101,848 sf (Q1 2019 Delivery)  
1100 15<sup>th</sup> Street NW – Carr Properties – 868,721 sf (Q2 2018 Delivery)

### 10 Proposed Office:

- 11** 2050 M Street NW – Tishman Speyer – 364,000 sf (2019-2020 Delivery)
- 12** 1900 N Street NW – JBG – 265,000 sf (2020 Delivery)
- 13** 1990 K Street NW – Bernstein Companies – 270,000 sf (2025+ Delivery)
- 14** 1700 M Street NW – Vornado – 336,289 sf (2018-2019 Delivery)  
888 16<sup>th</sup> Street NW – MRP Realty/Rockpoint – 130,000 sf (2020+ Delivery)

### 15 Residential Conversions Under Construction:

- 16** 2501 M Street NW – Perseus Realty – 60 units (Q2 2017 Delivery)  
1255 22<sup>nd</sup> Street NW – Tasea – 80 units (Q1 2018 Delivery)

# Conclusions: Integrated approach

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**Talent and Innovation top of CEO agenda**



**Cost key CRE driver**



**Diversifying tenant base**



**Amenities and workplace**



**Infrastructure**



# CONTACT INFORMATION

Revathi Greenwood

Americas Head of Research

202-407-8122

[Revathi.greenwood@cushwake.com](mailto:Revathi.greenwood@cushwake.com)

[Twitter: @RevuGreenwood](https://twitter.com/RevuGreenwood)

