

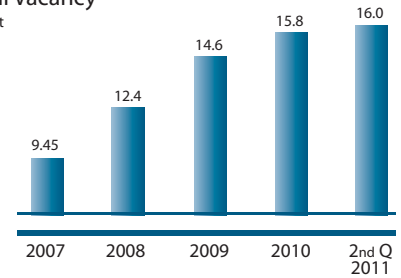
# Tyson's Corner Office Market Overview | Second Quarter, 2011

## STATISTICS

Market Size (SF)	28,326,374
Vacant (SF)	4,534,823
Vacancy Rate	16%
YTD Net Absorption (SF)	(74,985)
Gross Direct Rental Rate (Per SF)	\$29.79
Construction Completions (SF)	0
Under Construction (SF)	0

Source: Costar

Overall Vacancy  
in percent



Trends  
Vacancy Rate



## MARKET OVERVIEW

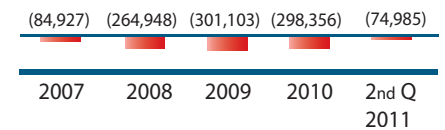
During the Second Quarter, 2011, the Tysons Corner Office Market continued its climb out of the recession. Increased leasing activity, continued acquisitions and the announcement of a new development in the area helped fuel optimism in the Tysons Corner Market.

The year to date leasing activity continues to strengthen. As of the end of the second quarter, over 1.2 million square feet was leased. However, there was a negative net absorption of 74,985 square feet. Several large tenants either downsized or left the market which negated the positive absorption that occurred during the First Quarter of the year. Due to the negative absorption, occupancy decreased to 84 percent. The average rental rate remains stable at \$29.79 per square foot for a full service lease; virtually unchanged from Year End, 2010.

As mentioned before, the leasing activity was stronger during the second quarter and was enhanced with the announcement of major lease transactions.

- Dixon Hughes Goodman signed a lease for 49,181 SF at 1410 Spring Hill Road.
- Paetec Communications signed a twelve year lease at 1764 Old Meadow Road for 60,000 SF. The building will be used for office and data center space.
- KLNb concluded a transaction at 1934 Old Gallows Road. The Tenant, A-T Solutions, continues to expand in the building and signed a seven year lease for 20,360 SF.
- CB Richard Ellis committed to 29,947 square feet at 1861 International Drive. According to our sources there are two major tenants that will be leaving 8000 and 8020 Towers Crescent Drive and moving to 1861 International Drive.

Net Absorption  
in sf



Net Absorption



Construction



Asking Rents



Investors continue to look favorably on the future potential of Tysons Corner. Several buildings had sold or are under contract to be sold.

- 7700 Leesburg Pike: The 146,609 square foot building was taken back in receivership and now is under contract to sell. The buyer is a Washington, D.C. group and the settlement is scheduled for July.
- In June, 7990 Science Applications Court, totaling 280,000 square feet, sold as a sale-lease back. SAIC was the seller and now tenant. Meridian Group purchased the property for \$225.00 per square foot.
- REITs continued to stay active in the Tysons Corner Market. PS Business Parks purchased the 139,883 square foot office building at 8000 Westpark Drive. The price was \$194.45 per square foot and sold in June at a reported cap rate of 7.5%.
- 7598 Colshire Road is under contract to purchase by Mitre, a non-profit, information technology company. The site has a potential development of 340,000 square feet which Mitre will most likely consolidate their operations into the future building.

Macerich Company announced plans to construct a high end office building, a 400 unit apartment tower and a four star hotel adjacent to Tysons Corner Center. Anticipated rental rates for office space are above \$55.00 per square foot.

## MARKET OUTLOOK

Activity early in the year led us to believe that there was a reversal in the downward trend that had occurred in the market during the prior four years. Although there was slight negative absorption in the Second Quarter, our belief continues that the Tysons Corner Office Market is a vibrant and improving market. We believe that the optimism shown by major tenants, by investors and by developers will continue. Currently, there is no construction of additional office space. The continued strength of leasing will help absorb the 4.5 million square feet of vacant space. It will be a slow recovery and it is still a Tenant's market.

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