

Washington, DC

Impact

Technology demand has stemmed from the U.S. federal government's defense and intelligence programs and the region's broad network of government contractors. Recently, companies such as Google and Facebook have emerged primarily for lobbying and government sales functions. DC's attractive and ever-expanding consumer base has led to a handful of social media and coupon sites emerging in recent years, which has generated new tenant demand in the region.

Overview

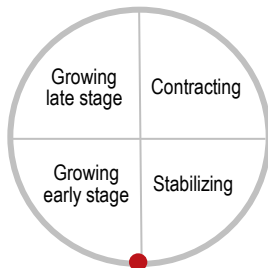
High-tech companies in the region have traditionally been drawn to the Dulles Toll Road in Northern Virginia, where large blocks of space and attractive infrastructure have attracted large users, including Microsoft, Google, and IBM. However, many start-up companies are electing to house operations in transit-oriented, high amenity locations such as Rosslyn-Ballston Corridor and Downtown DC which have a greater proximity to a younger workforce.

Outlook

Since most high-tech companies in the region rely on federal funding, government spending is critical to future growth. Given the importance of programs centered around cyber-security and other advanced defense and intelligence functions, it's unlikely that DC's core high-tech companies will face any spending cuts. In fact, a gradual shift of the dollars from traditional government contractors to the emerging high-tech realm will likely build demand among a more technologically advanced set of tenants in the market.

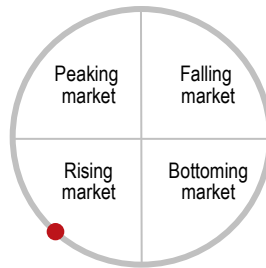
High-tech industry

Economic cycle clock



Office property

Market cycle clock



Players: top high-tech firms
By real estate footprint



SAIC, Inc.
Computer Sciences Corporation
IBM

Scorecard



Economic		rank
High-tech jobs / annual growth	22,902 / 4.8%	18/5
Percent of total jobs	5.1%	11
Number of firms	2,116	15
Venture capital funding (past 4 quarters)	\$70.7 M	18
Share of U.S. total	0.3%	
College education	47.1%	3
Diversity (non-white / foreign born)	64.2% / 12.5%	1/12
Office		
Cost (average asking rent)	\$35.39	4
Annual growth	3.4%	9
Supply (vacancy rate)	14.3%	4
Demand (net absorption sf / % (past 4 quarters))	5,430,841 sf / 1.7%	1 / 6
High-tech concentration (high-tech services vs. office jobs)	12.2%	9

Recent lease activity



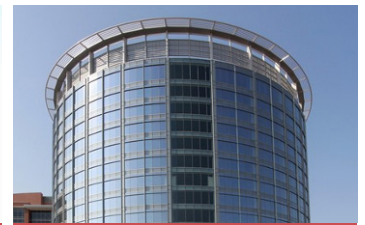
Computer Sciences Corp
8613 Lee Highway
83,000 sf



Opnet Technologies
7255 Woodmont Avenue
61,000 sf



LivingSocial
918 F Street, NW
28,000 sf



MicroStrategy Incorporated
1850 Towers Crescent Plaza
24,000 sf