



VIRGINIA SUBMARKET - FAIRFAX

MARKET REPORT

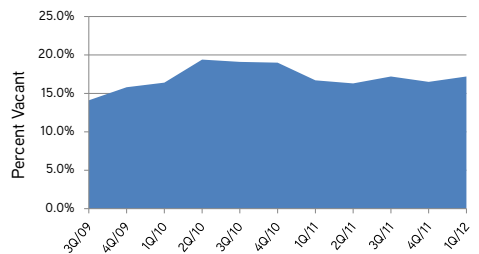
MARKET INDICATIONS

	Q1 2012	Q2 2012 (p)
VACANCY	↑	—
NET ABSORPTION	↓	—
CONSTRUCTION	↑	↓
RENTAL RATE	↑	↑

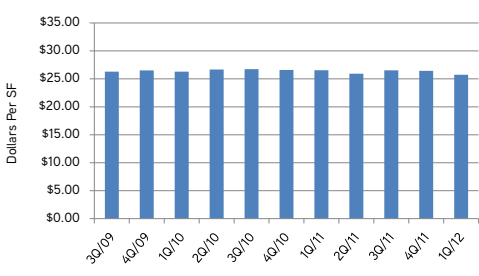
UPDATED SUMMARY STATISTICS

	Q1 2011	Q1 2012
VACANCY RATE:	14.8%	15.4%
ABSORPTION YTD:	(624,972) SF	(543,589) SF
DELIVERIES YTD:	265,495 SF	330,198 SF
UNDER CONSTRUCTION:	1,281,005 SF	2,290,708 SF
ASKING RENTS/SF:	\$29.63	\$30.47

VACANCY



RENTAL RATES



First Quarter

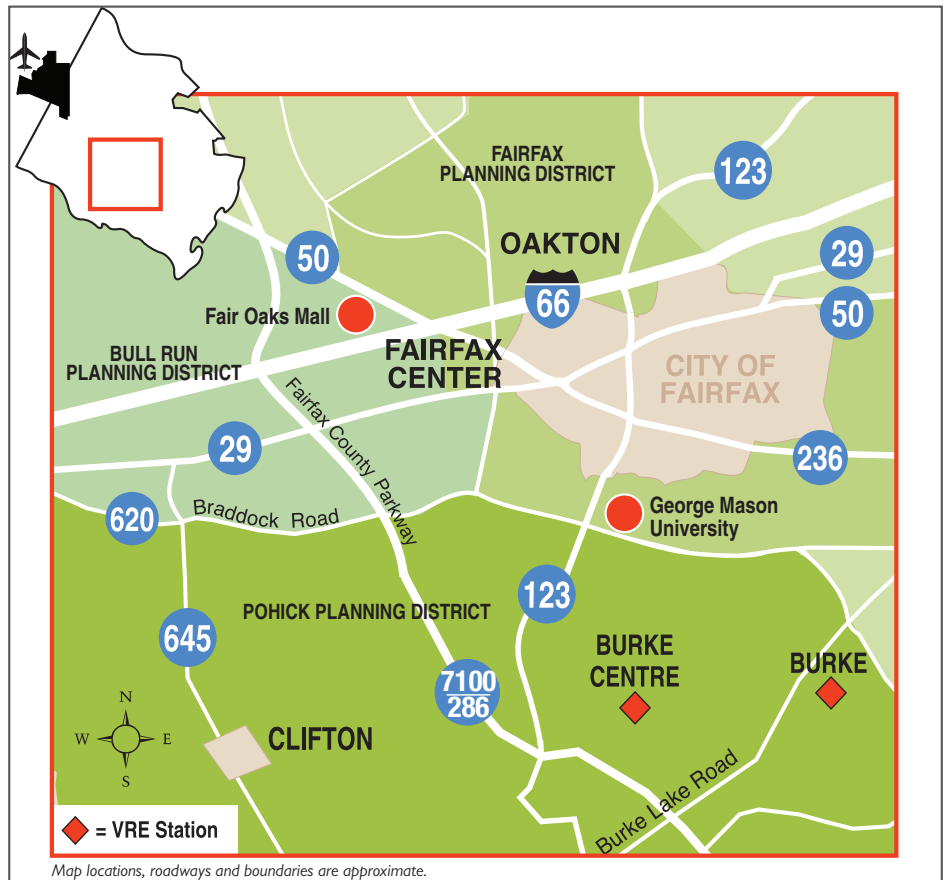
FAIRFAX CENTER

The Fairfax Center submarket is centrally located in Fairfax County and straddles Interstate 66 from Chain Bridge Road (Route 123) west to Stringfellow Road. Commercial development is concentrated in three nodes along I-66 at Chain Bridge Road, U.S. Route 50 and the Fairfax County Parkway.

The Fairfax Center area is the result of a comprehensive planning process initiated by Fairfax County in 1980 to accommodate not only westward growth, but also in anticipation of the relocation of the Fairfax County Government Center to this area from the City of Fairfax.

This submarket is comprised with over 7 million square feet of office development, most of which is located in Fair Lakes. The Fair Lakes development is a 650-acre mixed-use project containing office, retail and residential uses in a wooded setting. In general, office development in the submarket is a mix of low-, mid-, and high-rise structures with primarily surface parking.

*Courtesy Fairfax County Economic Development Authority

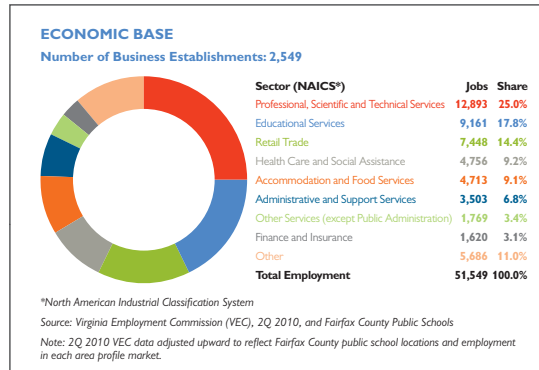


HIGH END RETAIL AND EXECUTIVE HOUSING

Fairfax Center also contains one of the largest concentrations of retail development in the county with almost 5.8 million square feet. It is home to Fair Oaks Mall, a 1.6 million-square-foot mall, Fair Lakes Center, an 850,000 square-foot center, and Fairfax Corner, a "Main Street" mixed-use project. The area also is home to 10 hotels with more than 1,600 rooms.

MAJOR OFFICE TENANTS

Major employers include AT&T, CGI, Fairfax County Government, General Dynamics, ManTech, the National Rifle Association, Northrop Grumman and SRA International.



OFFICE METRICS

The Fairfax Center submarket continued to languish in the first quarter. Tenant activity remained concentrated in renewals under 10,000 square feet and shifts within the market. Additionally, three mid-sized tenants vacated space, which helped stymie growth.

Boeing renewed 8,991 square feet at 12701 Fair Lakes Circle and BC Consultants renewed at 12600 Fair Lakes Circle for 6,271 square feet during the first quarter.

Persistently high vacancy in Fairfax Center is, in some measure, the result of the lingering large

block of space at 12902 Federal Systems Park Drive, which has had 220,045 square feet available since August 2010 when its sole tenant, IBM, vacated the property. This block accounted for a large percentage of the Class A vacancy within the submarket.

RENTS

Despite high levels of vacancy across both Class A and B inventory, rental rates have decreased marginally since 2011. Some of this stagnation can be attributed to an overall weakened leasing environment among both defense contractors and financial firms, two of the major sectors within this submarket.

Over the first quarter of 2012, Class A leases were signed in the upper \$20 per square foot range. Class B leases were executed in the low to mid \$20's. Class A rental rates are likely to remain stable in 2012, considering the 10.0 to 15.0 percent discount they offer over similar inventory in nearby submarkets of Merrifield, Tysons Corner and Reston-Herndon.

LOOKING AHEAD

The lack of demand from contractors and the federal government is likely to keep the vacancy rate in Fairfax Center high, especially for Class B space. Despite a recent uptick in small-block tour volume and requirements, there is not enough net new demand in the market to push rental rates significantly higher. In addition, the forthcoming elections, the harbinger of unpredictable economic conditions, will most likely mitigate asking rents and keep lease demand low.

However, there are several promising leases on the horizon for 2012. An influx of mortgage companies, including Potomac, Presidential and George Mason Mortgage, has helped drive activity in recent quarters. Northern Virginia Community College is expected to take 88,000 square feet, offering a boost to future net absorption. Other large tenants, such as Chadwick Washington and Allstate, have also expressed interest in leasing space upwards of 20,000 square feet. These large tenants represent the possibility shift in the Fairfax Center tenant base in late 2012.

LARGEST EMPLOYERS*

- ArgonST
- ASM Research
- AT&T
- Avaya Government Solutions
- CACI
- CGI
- Datatel
- Fairfax County Government
- GardaWorld
- General Dynamics
- Inova Fair Oaks Hospital
- Kaiser Permanente/Fair Oaks Medical Facility
- ManTech International Corp.
- National Rifle Association of America
- Northrop Grumman
- Ovations Food Services
- Republic Services
- Shapiro & Burson
- SRA International
- USIS
- Virginia Department of Transportation
- Virginia State Police

Community, Retail and Hospitality Services

- Cheesecake Factory
- Costco
- Fairfax County Public Schools
- Flint Hill School
- George Mason University
- Giant
- J.C. Penney
- Macy's
- Target
- Wal-Mart
- Wegmans
- Whole Foods

*200 or more employees

Source: VEC; Fairfax County Public Schools

**Northern Virginia Market Stats
First Quarter 2012**



Submarket/ Class	EXISTING PROPERTIES		VACANCY				ACTIVITY	ABSORPTION		RENTS
	Bldgs	RBA	Direct ² Vacancy Rate	Sublease Vacancy Rate	Total ³ Vacancy Rate	Total Vacancy Rate Prior Qtr	Leasing Activity SF	Net ⁴ Absorption Current Qtr SF	Net Absorption YTD	Weighted ⁵ Avg Asking Lease Rate
FAIRFAX CENTER										
A	22	3,615,833	9.9%	4.4%	14.3%	13.3%	28,976	(34,872)	(34,872)	\$26.84
B	34	3,014,043	22.0%	0.6%	22.6%	22.4%	16,586	(8,220)	(8,220)	\$24.63
C	13	401,195	2.3%	0.0%	2.3%	1.8%	1,854	(2,111)	(2,111)	\$22.69
Subtotal	69	7,031,071	14.6%	2.5%	17.2%	16.5%	47,416	(45,203)	(45,203)	\$25.74

DEFINITIONS OF KEY TERMS FOUND IN THIS REPORT

Deliveries:

Buildings that complete construction during a specified period of time. In order for space to be considered delivered, a certificate of occupancy must have been issued for the property.

Direct Space:

Space that is being offered for lease directly from the landlord or owner of a building, as opposed to space being offered in a building by another tenant (or broker of tenant) trying to sublet a space that has already been leased.

Existing Inventory:

The square footage of buildings that have received a certificate of occupancy and are able to be occupied by tenants. It does not include space in buildings that are either planned, under construction or under renovation.

Leasing Activity:

The volume of square footage that is committed to and signed under a lease obligation for a specific building or market in a given period of time. It includes direct leases, subleases and renewals of existing leases. It also includes any pre-leasing activity in planned, under construction, or under renovation buildings.

Net Absorption:

The net change in occupied space over a given period of time. Unless otherwise noted, Net Absorption includes direct and sublease space.

Weighted Average Asking Rental Rates:

Weighted by the total square feet available for direct lease. Data is based on Full Service Gross rents, and includes all costs associated with occupying the space, including taxes, insurance, maintenance, janitorial service and utilities. Reports on an annual per square foot basis.

Rentable Building Area (RBA):

The total square footage of a building that can be occupied by, or assigned to a tenant for the purpose of determining a tenant's rental obligation. This report tracks buildings with 10,000 square feet or more of speculative space. Includes competitive space in Class A, B and C single and multitenant buildings. Excludes buildings that were built with the intent to house only medical users and government owner-occupied buildings.

Sublease Space:

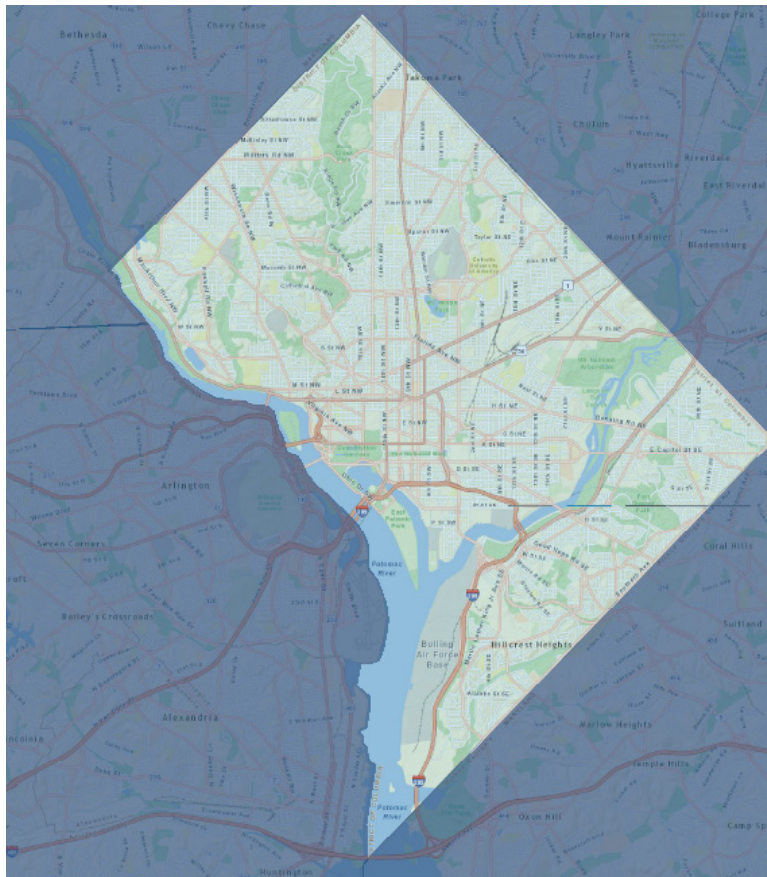
Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation. Sublease space is sometimes referred to as sublet space.

Vacant Space:

Space that is not currently occupied by a tenant, regardless of any lease obligation that may be on the space.

Inventory:

Includes all existing multi- or single-tenant leased and owner-occupied office properties greater than or equal to 10,000 square feet (net rentable area). Does not include medical or government buildings.



512 offices in
61 countries on
6 continents

United States: 135
Canada: 39
Latin America: 17
Asia Pacific: 194
EMEA: 95

- \$1.5 billion in annual revenue
- 978.6 million square feet under management
- Over 12,000 professionals

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