

Tysons Corner Market Analysis

Task Force Presentation

April 23, 2007

Preliminary Findings – Subject to Change

Overview

- **Tysons has grown into one of the most dynamic and successful edge cities in US**
- **Dulles Corridor Metrorail = new market opportunities**
- **Many factors affect future market demand in Tysons**
 - Demographic, economic, real estate market trends
 - Competition with other current, future Metrorail-served job centers in County and region
 - Tysons' role in regional economy

Regional Job Trends

- **COG data for '01-'05 shows VA suburban job growth rate of 5.8% vs. region's 4.6%**
 - Fairfax County rate more moderate at 3.0%
- **GMU analysis shows regional employment grew 2.9% from '05-'06**
 - Growth in federal spending
 - Unemployment constant at 2.9%
 - Fastest growing sectors Services (3.5%), Wholesale & Retail Trade (3.1%)

Regional Future Job Growth

- **COG projects regional jobs '05-'30 will grow 56%, Fairfax County jobs will grow 51%**
 - Fairfax County's future share of regional jobs will decline slightly from 20.6% to 19.9%
 - Due to projected faster rate of growth in outer suburbs

- **COG projections show similar pattern in population growth '05-'30**
 - Fairfax County population grows 27.8%, but share of region drops from 21.0% to 20.1%

Tysons Corner Employment Profile

- **Mix of jobs in Tysons oriented towards leading edge, high wage sectors (2000 Census):**

- Professional, Scientific, Mgt & Admin

- Tysons - 38.5%

- County - 23.3%

- Information

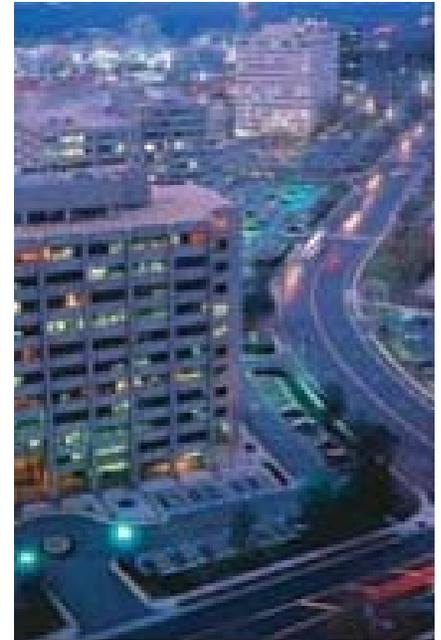
- Tysons - 13.4%

- County - 9.1%

- Finance/Ins/Real Estate

- Tysons - 12.9%

- County - 7.5%



- **High wage jobs paying >\$75,000 per year (2000 Census)**

- Tysons - 25.8% of jobs

- County - 17.8% of jobs

Jobs-Housing Ratio and Commute

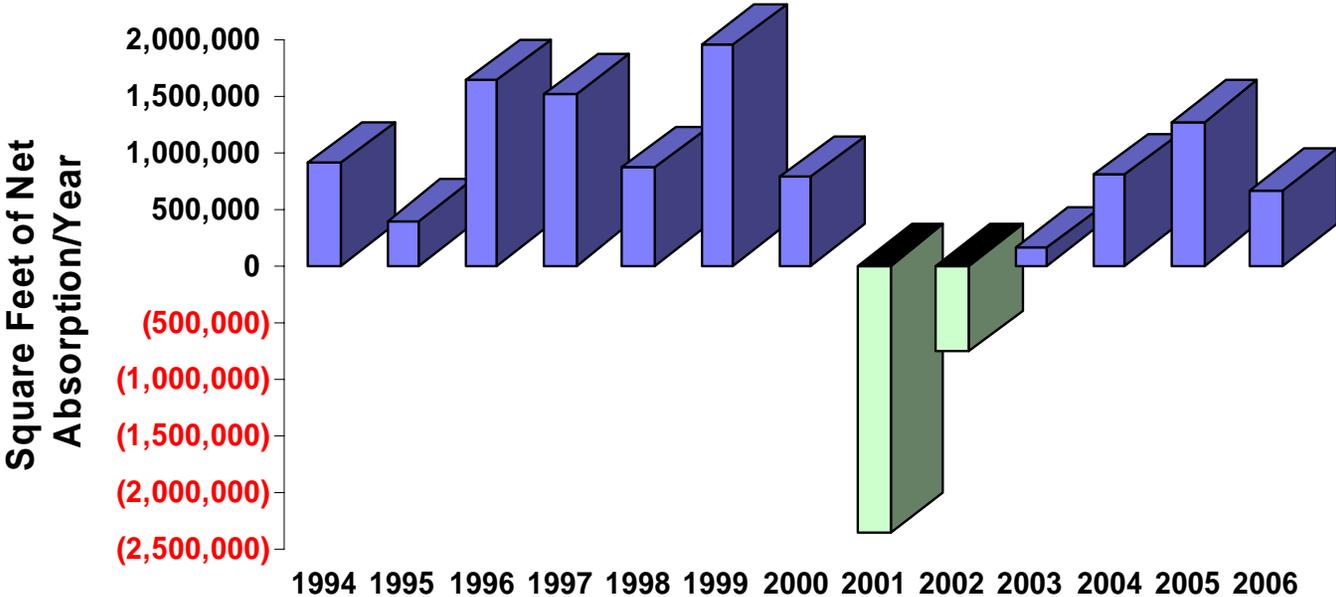
- **Very high jobs/housing ratio in Tysons Corner**
 - 7.4 jobs per household in 2000
 - 1.5 jobs per household for region (balanced system)
- **Only 23% of Tysons Corner residents worked in Tysons Corner in 2000**
- **Nearly all jobs in Tysons Corner held by in-commuters (96 %)**
 - About half of in-commuters live elsewhere in Fairfax County
 - About half of in-commuters live outside of Fairfax County

Current Office Market Trends

- **Tyson's office space grew in 1990's, but slowly since dot-com, telecom bust**
- **26.7 million sf of leaseable space**
 - Nearly 18 million sf in Class A buildings
- **Absorption varies, averaged 600,000 square feet per year from '94-'06**
 - Averaged 700,000 square feet per year since '03
- **Current vacancy rate = 10.5%**
 - Vacancy rate peaked at 20.9% in 2003
- **Average lease rate, while less than 2001 peak, has recovered considerably to \$27.73/sf**

Current Office Market Trends

Figure 1: Tysons Corner Office Absorption 1994 - 2006



Future Office Demand

- **Scenarios account for interplay between macro-, micro-economic, competitive factors, and public policies**
- **“Conservative Growth” uses COG projections for Tysons**
 - Outlying areas capture slightly more of region’s growth as they urbanize
- **“Moderate Growth” - Tysons captures 7% of office employment as the region grows (area’s current share of region)**
 - Tysons would continue as a large employment center relative to the region, growing as the region grows
- **“Strong Growth” - Tysons captures a *larger* share, up to 10% of all office jobs in region in 2030**
 - Tysons would increase its relative prominence as major job center within the region (growing faster than region overall)
- **“Substantial Growth” - Tysons share more than doubles to 15% of all office jobs in region in 2030**
 - Tysons would become very competitive, very prominent office job center in the region, overshadowing other similarly-sized job centers

Additional Office Demand 2005 - 2030

Tyson's Office Growth (Millions of Square Feet)

	Added 2005 - 2030	Total In 2030
Existing Office Space		26.7
Conservative Growth	16.7	43.4
Moderate Growth	17.4	44.1
Strong Growth	24.9	51.6
Substantial Growth	37.3	64.0

- **Substantial Growth Scenario would require absorption of new space to average 1.5 million square feet per year throughout period (average from 1994 – 2006 was 600,000 square feet per year)**
- **All scenarios assume overall regional office job growth same as COG projection (e.g., 711,360 new office jobs in 25 years)**
 - Note: Data in this presentation is preliminary, will be updated with recently released COG forecasts

Demand for Transit-Oriented Housing

- **Rosslyn-Ballston corridor shows how TOD creates demand**
 - High quality environments, distinct places at each stop, infrastructure investments, and interest of local workers
- **As major job center, Tysons is well-positioned to house workforce**
 - Rising transportation costs, changing household demographics support demand
 - Economics now allow development of high-density residential, unlike previous decades
 - Current residential projects, proposed projects
- **Land values mean nearly all new Tysons housing will be high-density**
 - Shift from 2000, when just 9% of Fairfax County's units were in complexes with 20+ units

Tysons Corner Residential Demand

■ Four scenarios to 2030

- “Conservative” - COG forecast
- Moderate, Strong, & Substantial Scenarios apply improved jobs/housing ratio (3 jobs per household) to new office demand to generate housing demand

	Total Units 2006	Added Units	Total Units 2030	Total Space 2030 Millions of Sq. Ft.
Conservative	9,621	4,133	13,754	16.5
Moderate	9,621	16,598	26,219	31.5
Strong	9,621	21,712	31,333	40.0
Substantial	9,621	35,568	45,189	54.2

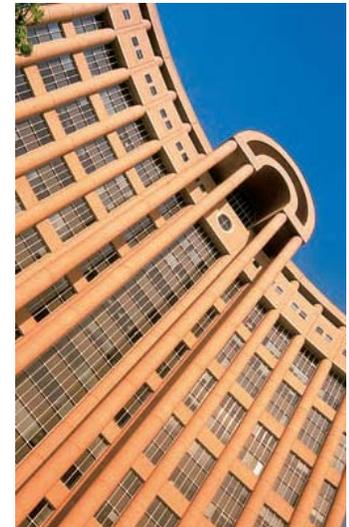
Note: Avg. Unit size - 1,200 sq. ft.

Tysons Corner Retail Demand

- **Demand estimate for local serving retail**
- **Based on office + residential demand estimates for the four scenarios**
 - Assume each new household supports 12 sf of new local serving retail
 - Assume each new job supports 1 sf of new local serving retail
- **Range of supportable additional local retail by 2030 of approximately 100,000 - 500,000 sf**
- **Anticipated additions/upgrades to regional retail supply**

Tysons Corner Lodging Demand

- **Tysons central location, highway access, business orientation favorable for lodging**
 - Tysons area contains 3,896 rooms
- **Average daily rates, occupancy have recovered, exceed pre-9/11, dotcom bust**
 - 2006 ADR \$162 per night, 74.3% occupancy
- **Demand estimate applies current ratio of hotel rooms to office + residential demand scenarios**
- **Yields supportable new lodging by 2030 of 1.3 million - 4.7 million sf**
 - Translates to 2,000 to more than 9,000 rooms, depending on room sizes and level of office & housing growth achieved



Summary of Demand

In Millions of Square Feet

	Conservative	Moderate	Strong	Substantial
Existing Office	26.7	26.7	26.7	26.7
New Office	16.7	17.4	24.9	37.3
Total Office 2030	43.4	44.1	51.6	64.0
Existing Residential	11.5	11.5	11.5	11.5
New Residential	5.0	19.9	28.5	42.7
Total Residential 2030	16.5	31.4	40.0	54.2
<i>Total Units</i>	<i>13,754</i>	<i>26,219</i>	<i>33,333</i>	<i>45,189</i>
Existing Retail (Regional + Local)	5.7	5.7	5.7	5.7
New Local-Only Retail	0.1	0.3	0.4	0.5
Total Retail 2030 (Regional + Local)	5.8	6.0	6.1	6.2
Existing Hotel	2.6	2.6	2.6	2.6
New Hotel	1.2	2.2	3.2	4.7
Total Hotel 2030	3.8	4.8	5.8	7.3
Institutional/ Governmental	0.1	0.2	0.3	0.3
Total Developed Square Feet 2030	69.6	86.5	103.8	132.0

Using the Market Analysis

- **Analysis identifies factors and range of potential outcomes to inform Scenarios' refinement**
 - Note: Data and estimates in this presentation are preliminary and subject to change as refined data is incorporated into the analysis

- **Analysis for time period from today to 2030**
 - Need to use time period to model impacts and incorporate market factors
 - Planning process may want to consider additional development beyond 2030 to accommodate “build-out” and allow for flexibility

