



**The Impact of Associations and Non-Profits  
on the Washington Area  
Commercial Real Estate Market**

**October 29, 2009**



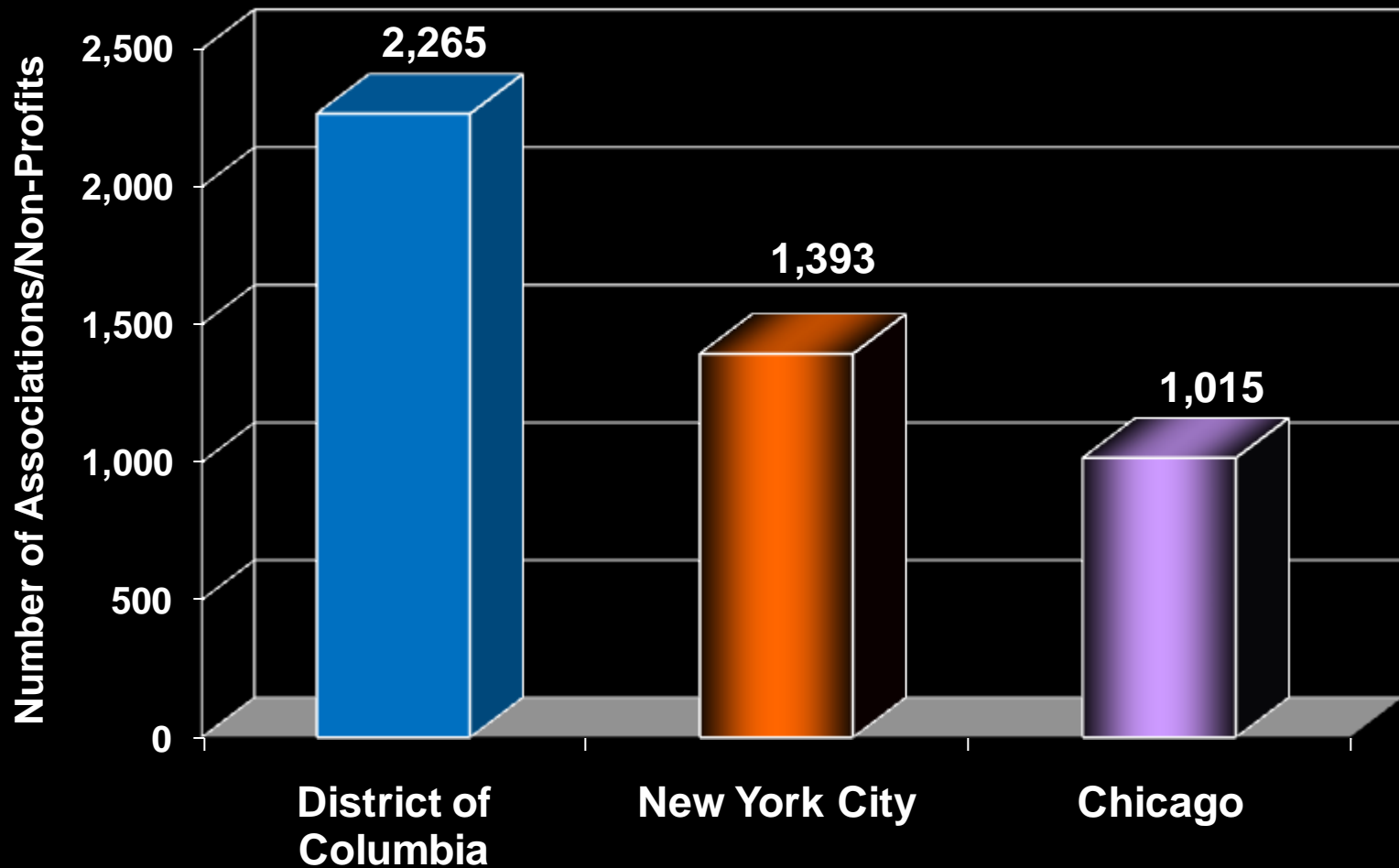


**The Size of the Association  
and Non-Profit Community**

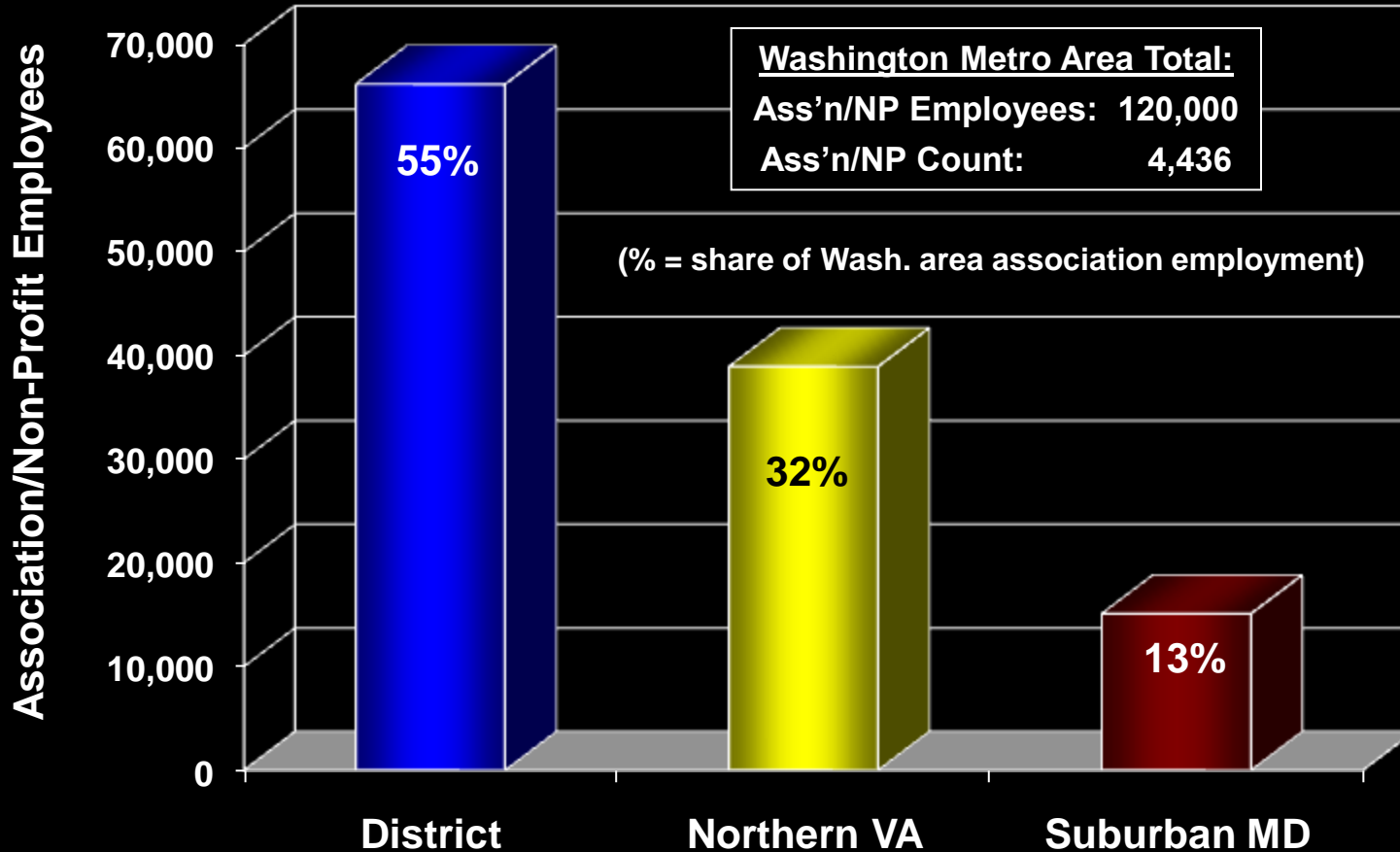




## Comparison: U.S. Cities with Largest Association/Non-Profit Presence April 2009



# Association and Non-Profit Presence and Employment by Substate Area Washington Metropolitan Area April 2009



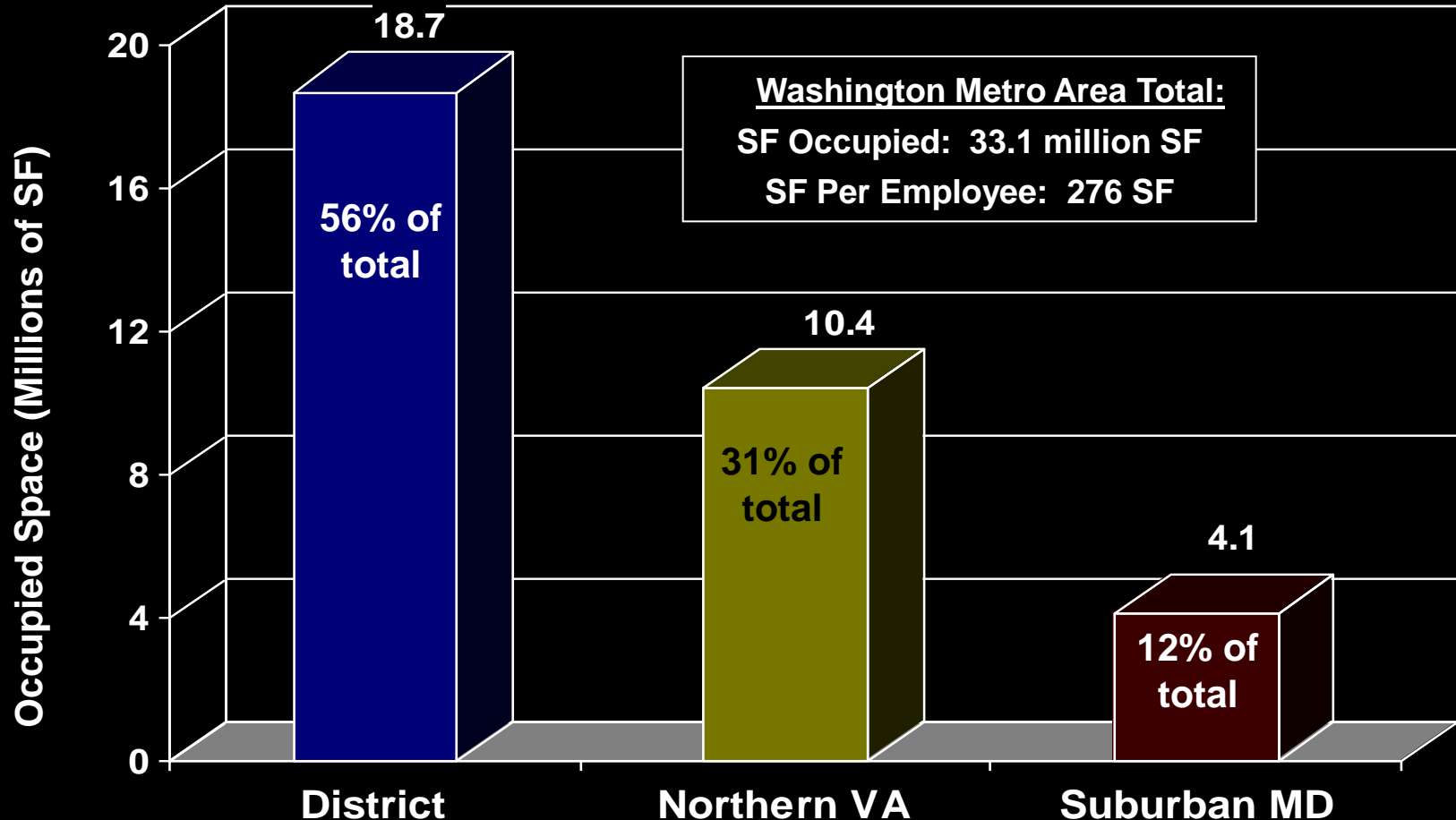
# of Ass'ns/NPs:	District	Northern VA	Suburban MD
	2,265	1,505	666



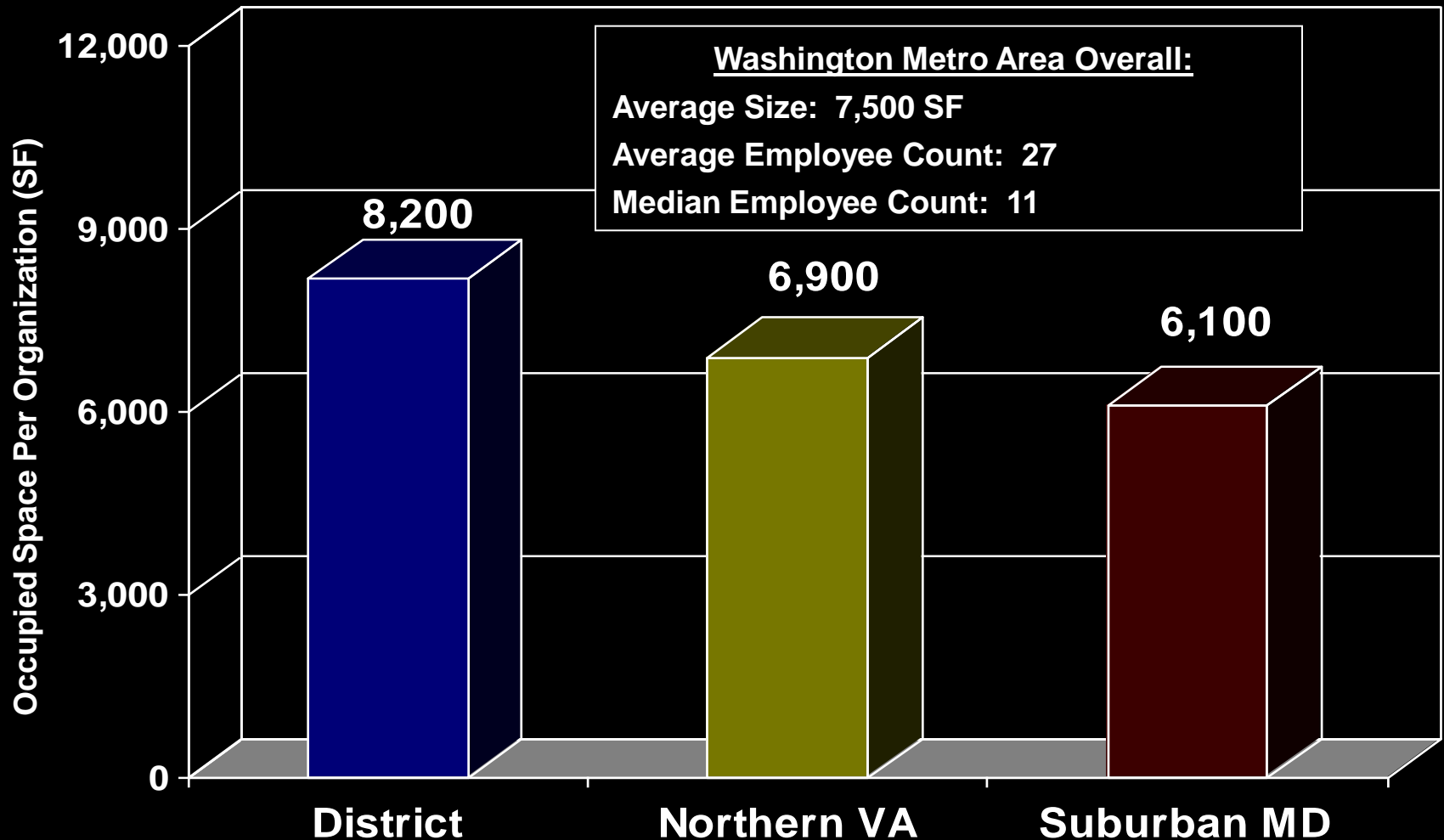
## Top Associations Ranked by Budget Washington Metropolitan Area 2007 Budget

<u>Rank</u>	<u>Association Name</u>	<u>Budget (in millions)</u>
1.	AARP (East End)	\$800
2.	American Chemical Society (CBD)	\$476
3.	National Education Association (CBD)	\$350
4.	American Diabetes Association (Old Town Alex)	\$322
5.	<u>National Rifle Association (Fairfax Center)</u>	<u>\$196</u>
	Total – Top Five	\$2,144
	Total – Top 25	\$3,607

# Total Office Space Occupied by Associations and Non-Profits Washington Metropolitan Area April 2009



# Average Association and Non-Profit Office Space Washington Metropolitan Area April 2009

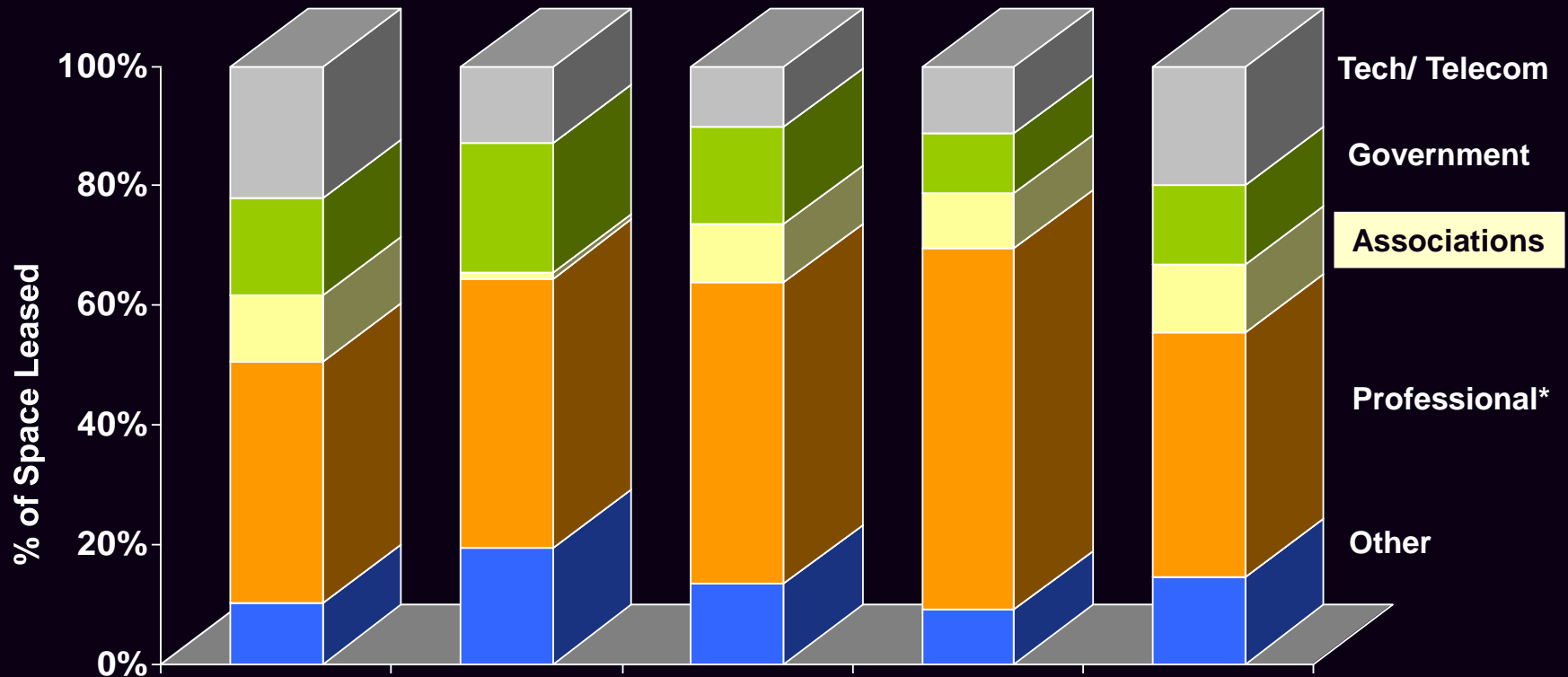




**Trends in Association and Non-Profit  
Demand for Office Space**



# Office Leasing Activity by Sector Washington Metropolitan Area 2004 – 2008



Gross Leasing  
Activity (SF)

**2004**  
38.1 M

**2005**  
35.6 M

**2006**  
30.4 M

**2007**  
27.2 M

**2008**  
24.5 M

Associations'  
Share:

11%

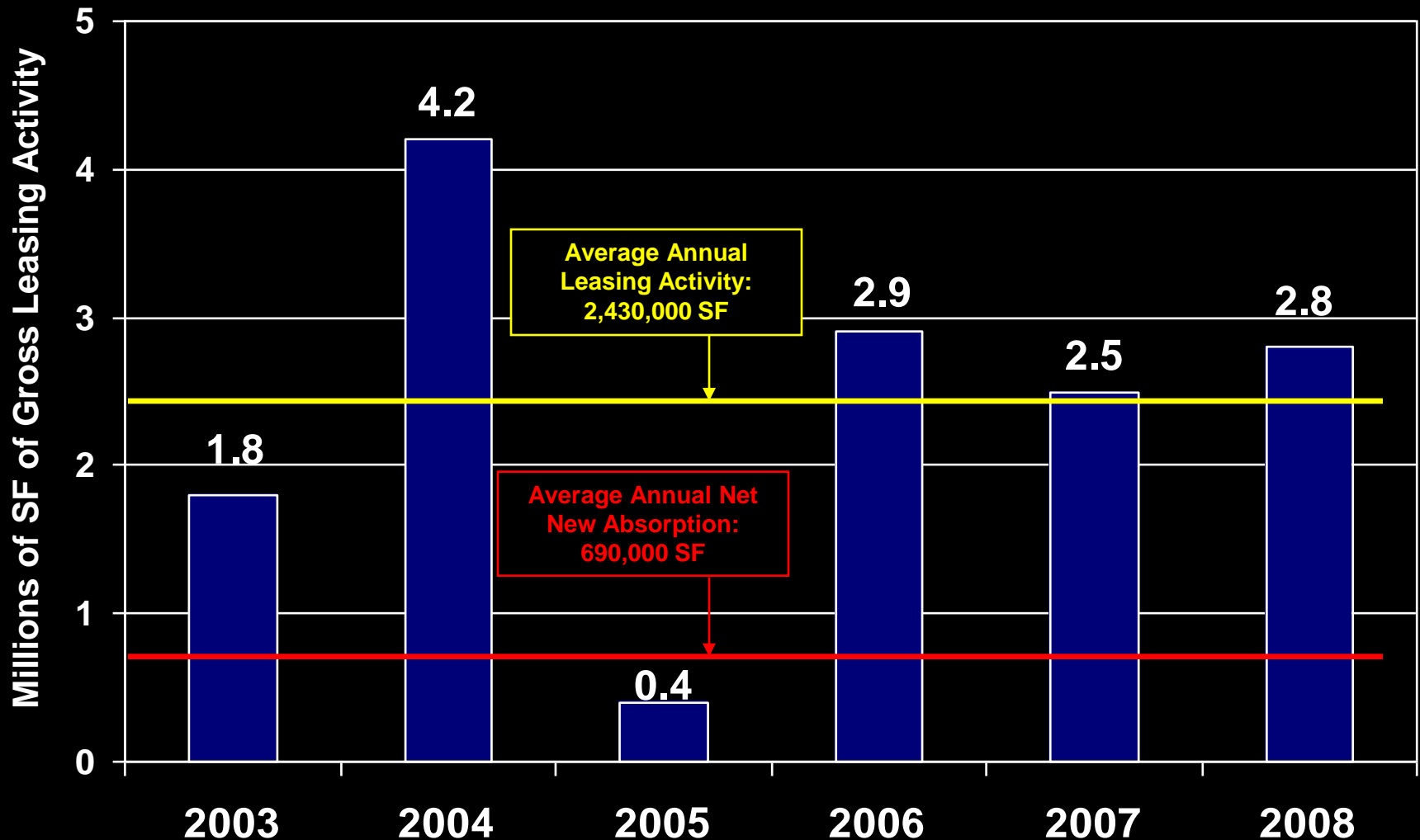
1%

10%

9%

11%

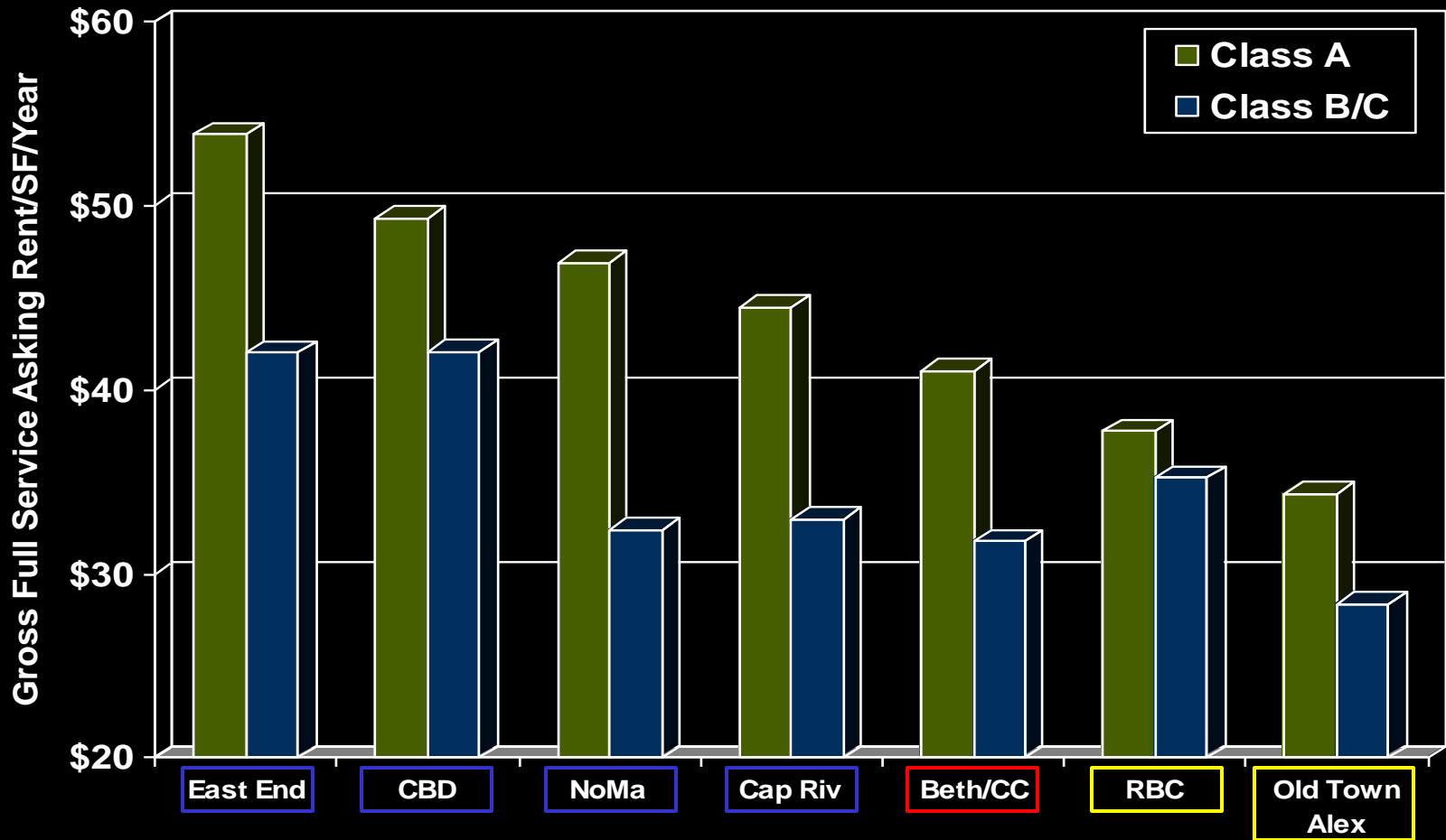
# Association and Non-Profit Leasing Activity and Net Absorption Washington Metropolitan Area 2003 – 2008



# Comparative Office Rents

## Selected Washington Metro Area Submarkets

### September 2009

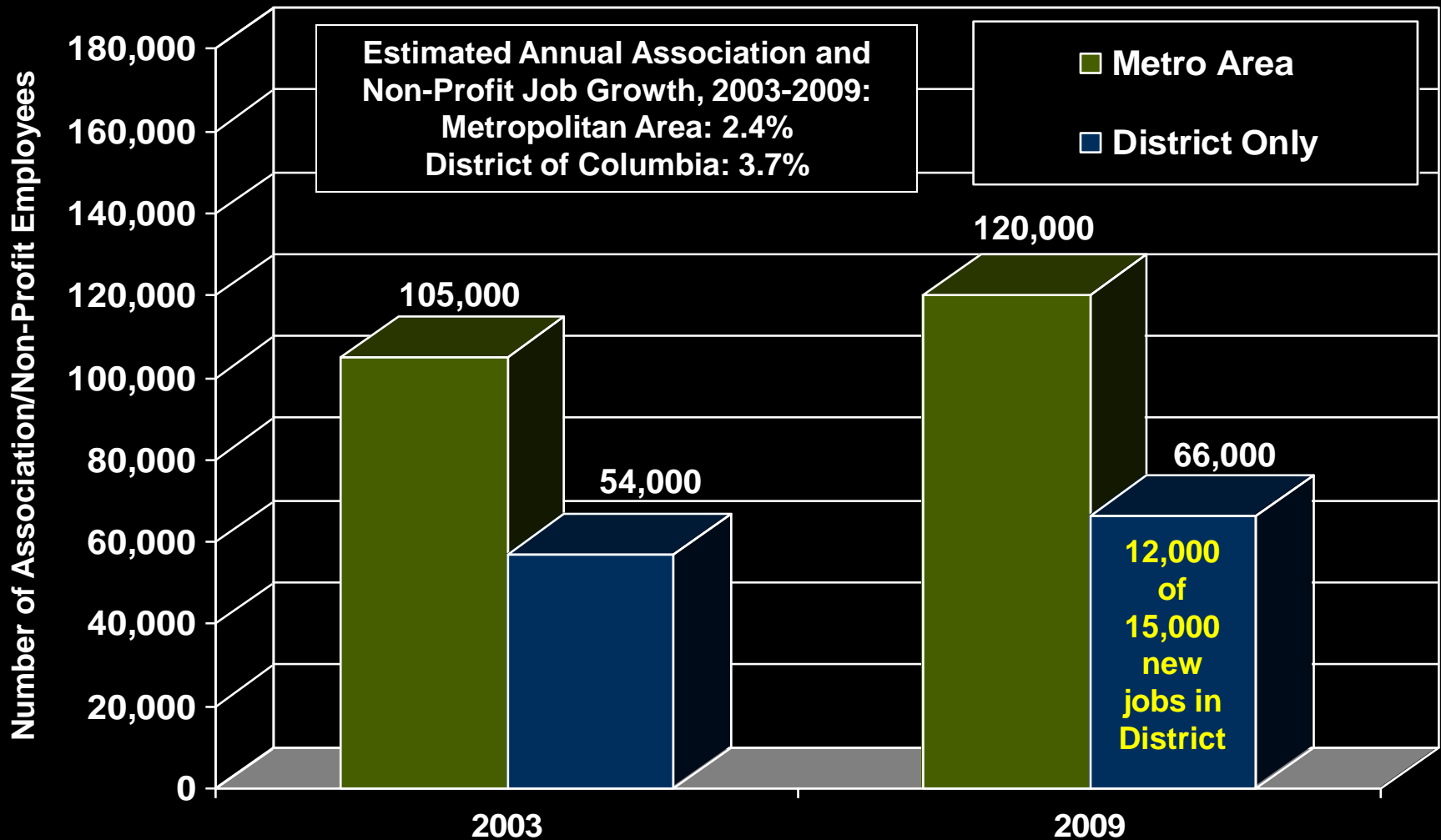




**Forecast of Association and Non-Profit  
Demand for Office Space**



# Growth in Association and Non-Profit Employment Washington Metropolitan Area and the District 2003 – 2009






# Projected Association and Non-Profit Office Demand Washington Metropolitan Area 2009 - 2011

<b>Office Space Occupied by Ass'ns/NPs, April 2009:</b>		<b>33.1 million SF</b>
<b>Projected Ass'n/NP Job Growth, 2009-2011:</b>	<b>x</b>	<b>2.0% per annum</b>
<hr/>		
<b>Projected Ass'n/NP Office Net New Absorption Per Annum, 2009-2011:</b>		<b>670,000 SF</b>
<hr/> <hr/>		



## The “Lease vs. Own” Decision





# Profile of Associations and Non-Profit Organizations Leasing vs. Owning Washington Metropolitan Area 2003

Measure	Space Scenario	
	<u>Leased Space</u>	<u>Owner-Occupied</u>
<b>Tenure of Organizations:</b>	<b>86%</b>	<b>14%</b>
<b>Average Space Occupied Per Organization:</b>	<b>8,900 SF</b>	<b>28,000 SF</b>
<b>Median Space Occupied Per Organization:</b>	<b>4,400 SF</b>	<b>16,100 SF</b>
<b>Average Employees Per Organization:</b>	<b>26</b>	<b>82</b>



# Considerations for Associations and Non-Profits in Leasing vs. Owning

**Prestige:** Necessity, luxury, or unwanted?

**Space Needs:** Flexibility to grow vs. ability to leave

**Cost:** Value of cost certainty in budgeting

**Location:** Proximity to supporting institutions

**Use of the property as an investment vehicle:** Pitfalls of ownership

**Tax issues:** Unrelated business income tax

**Financing arrangements:** Industrial revenue bonds



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