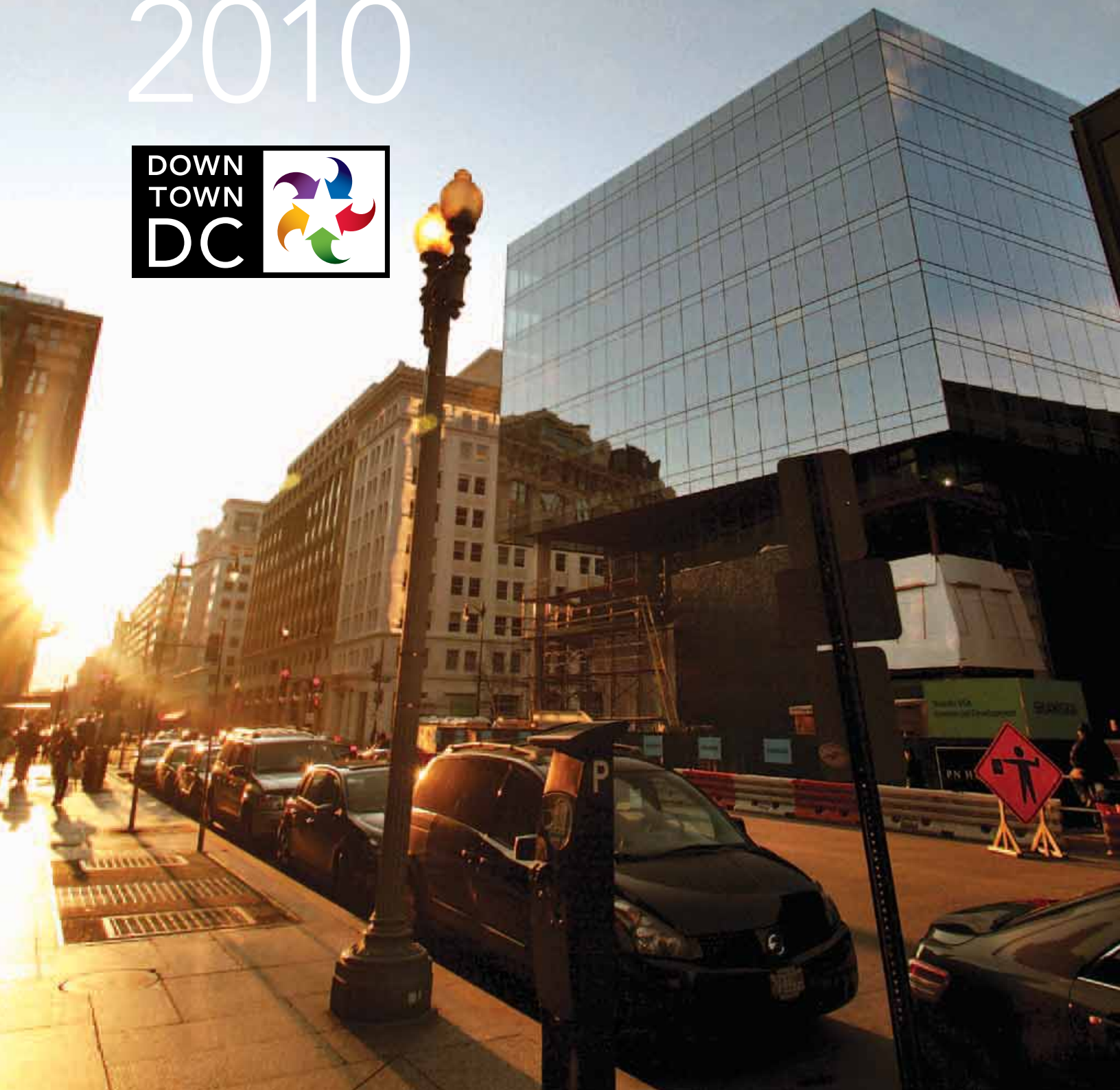


DowntownDC Business Improvement District

State of Downtown 2010



The DowntownDC Business Improvement District (BID) area had the following impact on the region at the end of 2010:

- 0.1% of land area
- 0.2% of population
- 2% of retail space
- 6% of jobs
- 9% of hotel rooms
- 9% of museums
- 10% of theater companies
- 10% of Zagat-rated restaurants
- 18% of total private and government office space
- 22% of 2005–2010 office building development and renovation square footage
- 22% of morning Metrorail exits (YTD FY 2011)
- 50% of professional sports teams

The DowntownDC BID area represents the following percentages within DC at the end of 2010:

- 1.4% of population
- 2% of land area
- 7% of retail space
- 15% of local tax and other revenues
- 17% of museums
- 23% of theater seats
- 25% of Zagat-rated restaurants
- 25% of jobs
- 31% of morning Metrorail exits (YTD FY 2011)
- 34% of total private and government office space
- 34% of hotel rooms
- 38% of 2005–2010 building development and renovation investment square footage



The DowntownDC BID area is the center of the regional and Washington, DC, economies.





ON THE COVER

Skanska USA Commercial Development's project at 733 10th Street, NW.

ABOVE

CoStar Group moved to 1331 L Street, NW, from Bethesda, MD, in 2010.

Purpose of the State of Downtown

The State of Downtown report presents the facts about the Downtown economy in order to better inform decisions for many stakeholders: DowntownDC BID members (the General Services Administration, private property owners and tenants), investors, developers, retailers, brokers, theaters, museums, non-GSA federal government officials and the DC government's elected officials and staff.

The State of Downtown report collects historic data to highlight trends and compare DC to our regional and national competitors. Comparisons are important to gauge competitive threats and opportunities for improvement.

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Year in Review



LivingSocial is a rapidly growing company in Downtown that has raised \$575 million in venture capital funding between December 2010 and April 2011.

For Downtown, 2010 started off very slowly and ended with a bang as the Downtown economy kicked into high gear — generating job growth, increased office and retail occupancy, strong hotel results, increased property values and a larger contribution to DC's budget.

A few distinct events signaled improvement in the Downtown economy in 2010:

- Federal government hiring continued in, and private sector employment growth returned to, the DowntownDC BID area and all of DC.
- In March, Skanska USA Commercial Development restarted construction on the stalled \$85 million mixed use project at 733 10th Street, NW, which includes office space and a church sanctuary. It was the only DowntownDC BID area office project to break ground over the two years ending March 2011.
- In April, Equity Residential bought 401 and 425 Massachusetts Avenue out of foreclosure for \$180 million (\$332,000 per unit) and immediately began leasing apartments at \$3.50+ per square foot (SF).
- In the spring and summer, office building sales picked up steam, and then took off in the last three months of the year. DC 2010 office sales volume almost tripled over 2009 to \$3 billion, with the pricing up 15% to 20%.
- In October, litigation over the 1,175-room, \$520 million Marriott Marquis convention center headquarters hotel was resolved, and a November groundbreaking followed.
- In October, Hines and Archstone announced they secured financing for the \$700 million CityCenterDC project and would break ground in April 2011 (and it did).

The General Services Administration (GSA) continued to be very active in 2010, as it was in 2009. In addition to investing \$1.1 billion in DowntownDC BID area projects, the GSA has another \$4.2 billion they are investing in major DC projects, including the Department of Homeland Security's \$3.4 billion headquarters project at St. Elizabeths, the nation's largest construction project.

The DC government, though constrained by very tight fiscal times, continued to invest in Downtown by supporting the \$520 million Marriott Marquis convention center headquarters hotel with \$159 million of project specific financing. In return, the city expects 1,000 permanent jobs, \$15 million to \$20 million per year in new tax revenue, and more conventions and meetings.

Private office space occupancy increased in the DowntownDC BID area by approximately 400,000 SF, enough to accommodate more than 1,600 office jobs, or 17% of DC's 2010 job growth. Five new restaurants opened and five closed. Carmine's, a legendary NYC Italian restaurant, opened its first DC restaurant on 7th Street and enjoyed immediate success. It has created 220 jobs and is estimated to generate \$1.5 million in annual taxes for DC.

Downtown was as much about quality as quantity in 2010. Office rents were second in the US only to Manhattan and office property values were the highest in the nation. DC hotels invested hundreds of millions of dollars in renovation investment. During the National Cherry Blossom Festival, DowntownDC BID area hotels outperformed those in Midtown Manhattan. Downtown's restaurants are nationally recognized, and the BID area and city theaters are also nationally known, with many operating in new, state-of-the-art facilities.

2010 ASSOCIATION OF FOREIGN INVESTORS IN REAL ESTATE RANKINGS

Top Five US Cities	2010	2009	2008	2007	2006	2005	2004	2003	2002
New York City	1	2	2	1	1	2	2	2	2
Washington DC	2	1	1	2	2	1	1	1	1
Boston	3	4	-	-	-	-	-	-	-
San Francisco	4	3	3	4	4	4	4	4	5
Los Angeles	5	5	4	3	3	3	3	3	3
Houston	-	-	5	-	-	-	-	-	-
Seattle	-	-	-	5	5	-	-	-	-
San Diego	-	-	-	-	-	5	-	-	-
Chicago	-	-	-	-	-	-	5	5	4
Miami/Ft Lauderdale	-	-	-	-	-	-	5	-	-

Top Five Global Cities	2010	2009	2008	2007	2006	2005	2004	2003	2002
New York City	1	3	3	1	2	3	4	4	4
Washington DC	2	2	1	2	4	2	1	1	1
London	3	1	2	2	1	1	2	2	2
Paris	4	4	-	4	3	4	5	3	3
Shanghai	5	-	5	5	-	-	-	-	-
Tokyo	-	5	4	-	5	5	3	-	-
Los Angeles	-	-	-	-	-	-	-	5	-
Milan	-	-	-	-	-	-	-	-	5

Foreign investors are attracted to DC's strong and steady job growth as well as its supply-constrained office market (due to the city's height limit and limited land mass). DC's office market has reached new rental highs in 12 of the last 15 years.

DC DEVELOPMENT OVERVIEW: PAST, PRESENT AND FUTURE, APRIL 2011

	Completed Projects 1997-2010		Under Construction at 12/31/10		Future Development at 12/31/10	
	Billions	Share of DC	Billions	Share of DC	Billions	Share of DC
DowntownDC BID	\$10.6	35%	\$1.1	21%	\$4.1	9%
Rest of Center City	12.9	40%	3.2	63%	18.7	43%
Adjacent to Center City ⁽¹⁾	2.4	9%	0.2	4%	1.3	3%
Rest of DC	4.6	16%	0.6	12%	19.6	45%
Total DC	\$30.4	100%	\$5.1	100%	\$43.7	100%
Share of All Development	39%		6%		55%	

Source: DowntownDC BID and Washington, DC Economic Partnership (1) Includes Dupont Circle, Adams Morgan, Columbia Heights, Shaw, Logan Circle and LeDroit Park.

With only a handful of development sites remaining in the DowntownDC BID area, DC development will move to other parts of the Center City, neighborhood commercial corridors and large development sites such as St. Elizabeths East Campus, McMillan Reservoir, Hill East, Walter Reed, and Poplar Point over the next few years.

Fiscal Impact

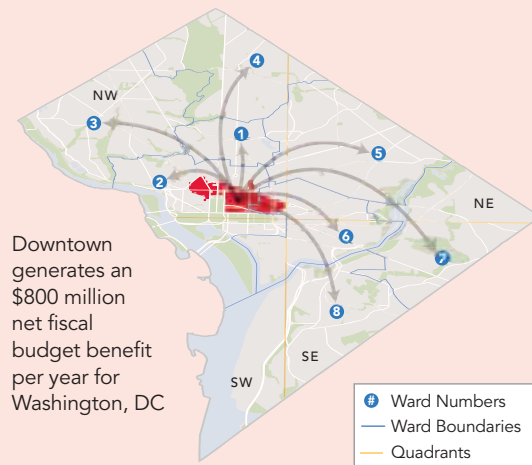
Over the past 15 years, the DowntownDC BID area has become the economic and fiscal engine of the city. It has 182,000 jobs, and when combined with the Golden Triangle BID area and the West End, the total is 360,000, or 52% of the city's employment. This same geography generates 23% of the city's tax and other revenue, while receiving 7% of city expenditures (including much of the city's Metrorail subsidy). Thus, this larger Downtown geography provides \$800 million of net fiscal benefit to the city — roughly the size of the budget for the DC public school system.

DC's recent FY 2012 revenue projection increase of \$105 million is substantially attributable to the \$163 million increase in commercial property tax revenues (which, in turn, is due to a 16% increase in city-wide commercial property assessments). It is important to note that an assessment increase that is not offset by a tax rate decrease is a de facto tax increase. Downtown office building owners will be paying \$1 to \$2 per SF more in property taxes next year. Hopefully, this increase in SF costs will not cause tenants to move out of DC.

By tending to Downtown's job creation potential and the ability of Downtown's significant net fiscal impact to help fund the city's progressive social agenda, DC can move closer to Mayor Vincent Gray's goal of "One City."



DOWNTOWN IS THE FISCAL ENGINE OF DC



DOWNTOWN'S NET FISCAL IMPACT, FY 2010

DowntownDC BID Area	In Millions
DC Local Tax and Other Revenues	\$829
Estimated Fiscal Costs	–321
Net Fiscal Impact	\$508

Golden Triangle BID Area

DC Local Tax and Other Revenues	\$408
Estimated Fiscal Costs	–119
Net Fiscal Impact	\$289

Total Downtown Area

DC Local Tax and Other Revenues	\$1,238
Estimated Fiscal Costs	–441
Net Fiscal Impact	\$797

Downtown Revenue Share of Total DC Gross Local Revenue of \$5.48 billion in FY 2010 **23%**

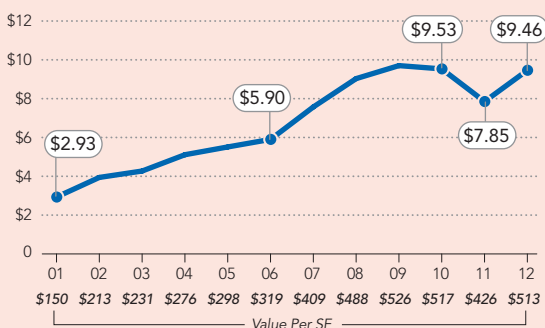
Source: Economics Research Associates, based on the FY 2011 DC Proposed Budget and Financial Plan and proportionate values from 2009 analysis

With new retailers opening on F Street, DC's oldest retail corridor is regaining its vibrant foot traffic.

Regional Competition

Downtown, the Center City and DC face enormous competition from the region, and the region faces significant national and international competition. As DC is built out over the next 15 to 20 years, the city must be acutely aware of this competition if it wants to bring another 100,000 jobs, 50,000 residents and \$700 million to \$1 billion in new annual taxes to the city as the region's residents, businesses and organizations have many viable and attractive options where they can live or locate. Until recently, the suburbs have successfully competed against DC with lower rents, better schools and certain industry clusters (such as biotechnology in Montgomery County and defense and other federal contractors in Northern Virginia), but have lacked the many urban amenities that DC provides. But now, the suburbs are investing in urban amenities, including walkable town centers, outdoor cafes, interesting public spaces, cultural and entertainment venues, bicycle lanes, Metrorail, light rail and streetcars to the tune of several billion dollars. If DC is to continue to grow and fund its ambitious social agenda, it will need to meet this increased competition with thoughtful economic development and infrastructure investments (even in these difficult fiscal times).

DOWNTOWNDC BID AREA AVERAGE REAL^{(1) (2)} PROPERTY TAXES PER SF, FOR TAX YEARS 2001–2012



(1) Based on assessments of a sample of office properties in the DowntownDC BID; sample sized increased from 31 to 41 for years 2007–2012.

(2) In order to calculate the impact of the 1.65% tax on the first \$3 million of value, a building size of 200,000 SF is assumed (this lowers the taxes \$0.03 per SF).

Sources: DowntownDC BID

DC's high commercial property tax rates result in average property taxes that can be \$3 to \$5 per SF higher than in Northern Virginia or Suburban Maryland, putting DC office buildings at a competitive disadvantage.

Immediate Competitive Threat

- **Crystal City** — The Department of Defense's 2005 Base Closure and Realignment Commission's (BRAC) plan will create up to 5 million SF of vacant office space in Crystal City by requiring many defense agencies to move to more secure buildings elsewhere in Northern Virginia.
- **Montgomery County** — The new \$2.6 billion, 18-mile Intercounty Connector Highway will provide additional access to the county's I-270 employment corridor.
- **Tyson's Corner** — Four new Metrorail stations will open in December 2013 with an investment of \$2.8 billion, partially funded by a supplemental commercial property tax. This will potentially open up more than 100 million SF of new development.
- **Prince George's County** — National Harbor continues to grow, and the New Carrollton Metrorail station area will be co-developed by the Washington Metropolitan Area Transit Authority (WMATA), Maryland Department of Transportation and a group led by Forest City, a national development firm.

Current Development



Fairfield Inn & Suites and many other Downtown hotels have spent millions of dollars on renovations.

After two years of little development activity in Downtown or elsewhere in DC, 2010 saw the development market spring back to life. It started slowly in the year but by year's end many exciting projects were being launched in Downtown and across the city:

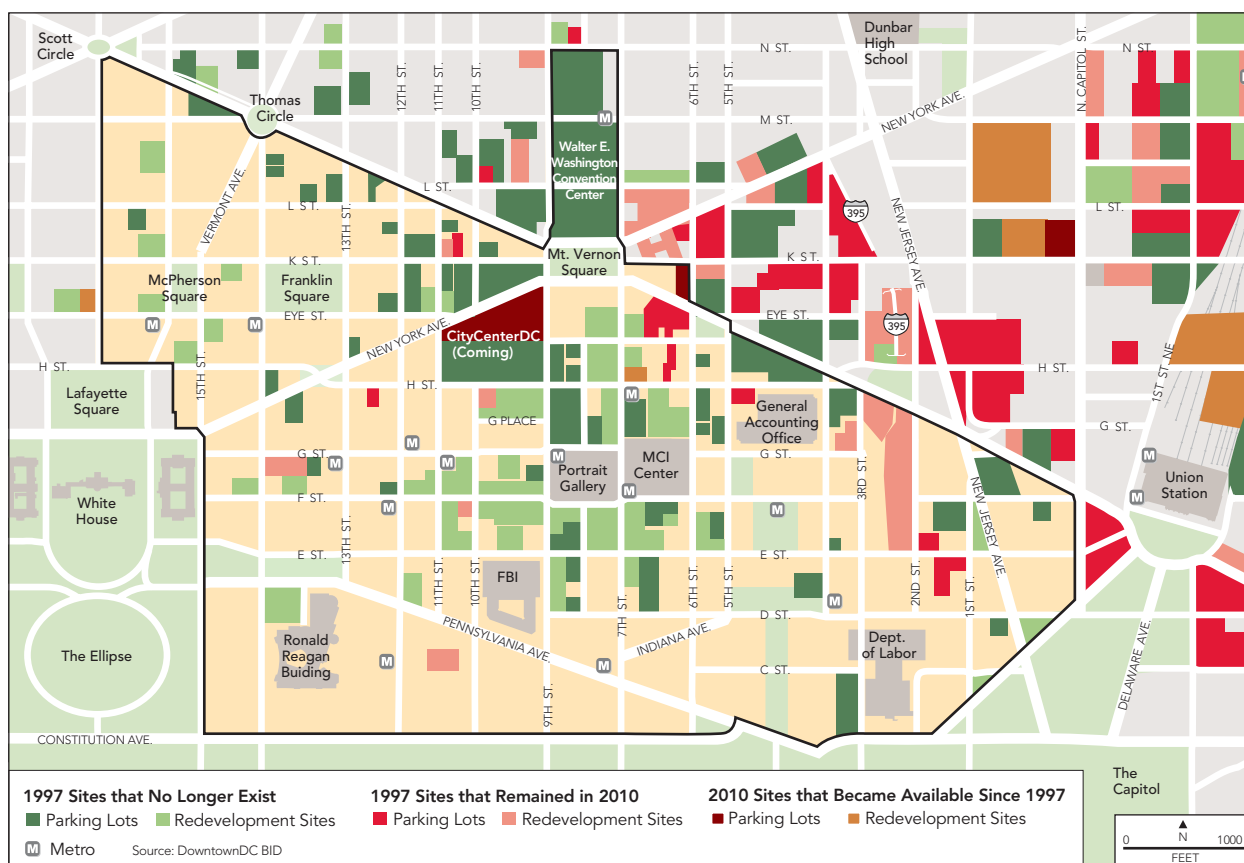
- March — Skanska USA Commercial Development's restart of the stalled 733 10th Street project snapped Downtown out of a development drought (see cover photo). There had not been an office building groundbreaking in the DowntownDC BID area in eight quarters, the longest such period since 1998. This mixed-use project includes a 24,000 SF church at the street level, a 165,000 SF office building above the church, and 4,000 SF of retail, and will bring additional life and vitality to the intersection of 10th and G Streets.
- April — Equity Residential's purchase of, and immediate leasing success with, 425 and 401 Massachusetts Avenue (the foreclosed 567-unit DuMont Condominium) showed that the apartment leasing market was on the upswing.
- August — GSA began the \$226 million, multi-year renovation of the Lafayette Building, home of the US Department of Veteran Affairs.
- October — Credit markets loosened significantly, leading to new project financing as well as increased financing for existing building sales (especially office building sales), which reestablished property values and confidence in DC and other strong large city markets.
- October — The Hines and Archstone team developing the Old Convention Center site into the exciting CityCenterDC project announced that it secured financing to proceed with Phase I of the \$700 million project, and would break ground in April 2011 (and it did).
- November — The unique 1,175-room, \$520 million Marriott Marquis convention center headquarters hotel broke ground after a lengthy lawsuit was settled in October and a complicated bond offering was completed. A 2014 completion date is expected.
- Early 2011 — Several development sites resolved their foreclosure and/or financing issues, enabling them to move forward with new owners/developers or new funding, or both.
- March 2011 — GSA issued a Request for Proposal (RFP) to redevelop the Old Post Office Pavilion at 12th Street and Pennsylvania Avenue. One possible use for this building is as a hotel (the old Tariff Building was converted to the Hotel Monaco in 2002), which would enliven a "quiet" south side of Pennsylvania Avenue with an outdoor café and morning and evening activity.

Thus, the spring of 2011 is a very different development market than the spring of 2010. Downtown is back on the development trajectory of 1997–2007. With only 4 million SF of potential development left in the DowntownDC BID area, the area will most likely be built out in four to six years.



Skanska USA
Commercial
Development's
project at 733
10th Street, NW.

DOWNTOWNDC BID AREA SURFACE PARKING LOTS AND REDEVELOPMENT SITES, 1997 AND APRIL 2010

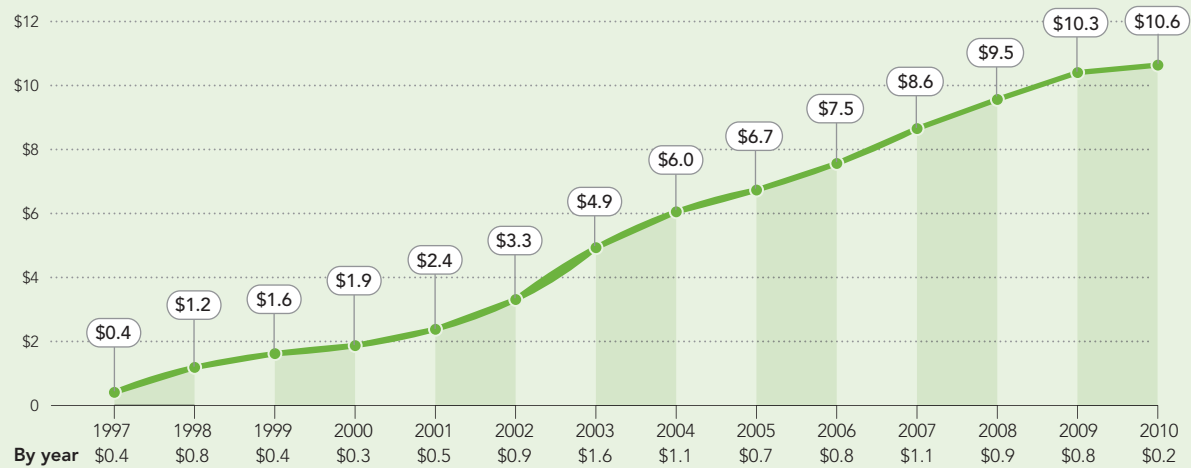


Since 1997, of the 105 DowntownDC BID area sites available for development, 90, or 86%, have been developed. Fifty-three surface parking lots and 37 redevelopment sites (see the green in map) have disappeared. With the addition of three new redevelopment sites to the remaining 15 sites, Downtown now has nine surface parking lots and nine redevelopment sites remaining, all of which will most likely be under development by 2015.

Development in Downtown has regained the robust trajectory of 1997–2007.

TOTAL VALUE OF DOWNTOWNDC BID AREA PROJECTS COMPLETED, 1997–2010

(Billions of \$)



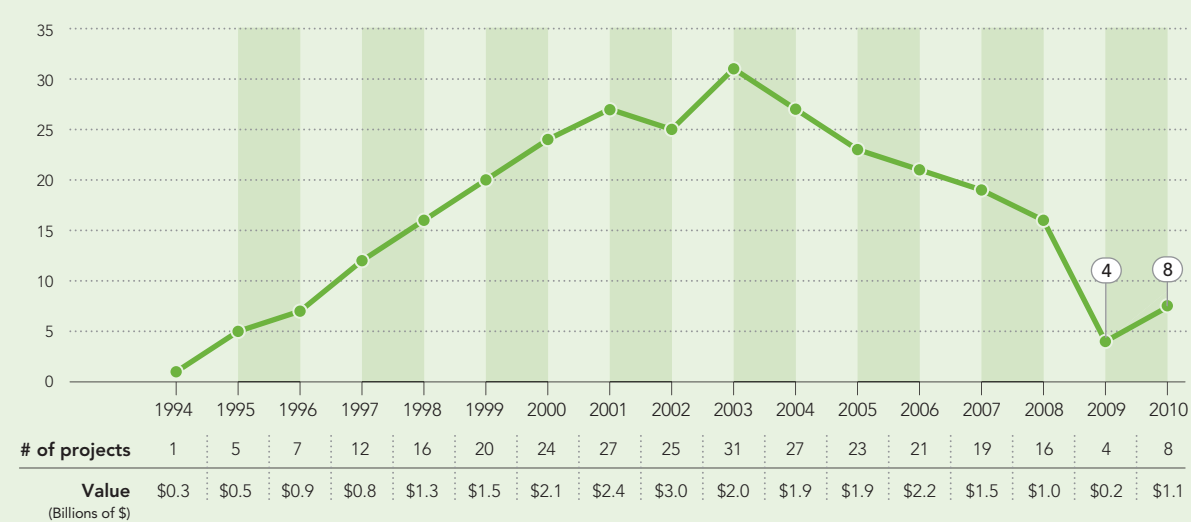
NUMBER OF PROJECTS COMPLETED

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total	6	9	18	25	35	51	64	82	98	110	124	138	153	157
By year	6	3	9	7	10	16	13	18	16	12	14	14	15	4

Source: DowntownDC BID

As of December 31, 2010, only \$3 billion worth of projects remain before Downtown is “built out,” (includes Phase 1 of the \$700 million CityCenterDC project).

TOTAL NUMBER OF DOWNTOWNDC BID AREA PROJECTS UNDER CONSTRUCTION, 1994–2010 ⁽¹⁾



Source: DowntownDC BID (1) Includes the Marriott Marquis Convention Center Headquarters Hotel

The end of 2009 represented the lowest level of construction activity since 1994, when the MCI (now Verizon) Center began construction.



New York University is building a satellite office at 1307 L Street, NW.

In addition to more ground up development, Downtown is seeing renovations to upgrade current buildings. From GSA to the DC Courts to hotels, many property owners are improving the quality of their buildings and growing Downtown's reputation as a premier US and global city center. In particular, many of the DowntownDC BID area's 27 hotels have invested significantly to upgrade their facilities in the past few years, resulting in improved room rates and creating a demand for lower price-point hotels elsewhere in the city.

DEVELOPMENT USE OVERVIEW FOR DOWNTOWNDC BID AREA, 1997–2016

	Completed 1997–2010		Under Construction at 12/31/10 ⁽¹⁾		Planned	
	#	% of SF By Use	#	% of SF By Use	#	% of SF By Use
Total Development						
Number of projects	157 projects	–	8 projects	–	25 projects	–
Dollar Value	\$10.6 billion	–	\$1.1 billion	–	\$4.1 billion	–
Square Feet	33.8 mil SF	100%	1,977,000 SF	100%	8.8 mil SF	100%
Private Office Space – New	11.6 mil SF	34%	211,000 SF	11%	3.3 mil SF	38%
Private Office Space – Renovated	3.7 mil SF	11%	0 SF	0%	396,000 SF	4%
Residential Units – New	3,506 units	11%	0 units	0%	824 units	11%
Residential Units – Renovated	40 units	0%	0 units	0%	0 units	0%
Hotel Rooms – New	992 rooms	2%	1,175 rooms	43%	400 rooms	3%
Hotel Rooms – Renovated	2,888 rooms	6%	0 rooms	0%	0 rooms	0%
Convention Center	2.3 mil SF ⁽²⁾	7%	0 SF	0%	0 SF	0%
Arts, Entertainment and Museums – New	567,000 SF	2%	0 SF	0%	0 SF	0%
Theaters	1,549 seats	–	0 new seats	–	0 new seats	–
Cinemas	23 screens	–	0 new screens	–	0 new screens	–
Arts, Entertainment and Museums – Renovated	334,000 SF	1%	0 SF	0%	0 SF	0%
Retail	1.6 mil SF	5%	53,000 SF	3%	496,000 SF	6%
Federal and City Court Buildings – New	3.2 mil SF	9%	0 SF	0%	210,000 SF	2%
Federal and City Court Buildings – Renovated	2.4 mil SF	7%	656,000 SF	33%	2.6 mil SF	29%
To Be Determined	0 SF	0%	0 SF	0%	413,000 SF	5%
Other	1.9 mil SF	5%	215,000 SF	11%	185,000 SF	2%

(1) Includes the Convention Center Headquarters Hotel.

Source: DowntownDC BID

(2) Including 703,000 SF exhibit space; 150,000 SF meeting space; 40,000 SF registration space; 2,650 SF of office and a 52,000 SF ballroom.

DowntownDC BID area development from 1997 to 2010 will generate an estimated \$390 million in total annual taxes in FY 2012.

The federal government is an indispensable part of Downtown and DC's overall economy. GSA was responsible for \$300 million, or 28%, of the dollars invested in Downtown at the end of 2010. Through stimulus and other long-planned projects, GSA is spending \$1 billion to renovate the Commerce and Veterans Affairs buildings in the DowntownDC BID area, and \$5.3 billion total for major projects in DC. This includes St. Elizabeths, a \$3.5 billion project that has the potential to transform the city's Ward 8 economy.

GSA STIMULUS PROJECTS IN DC, APRIL 2011

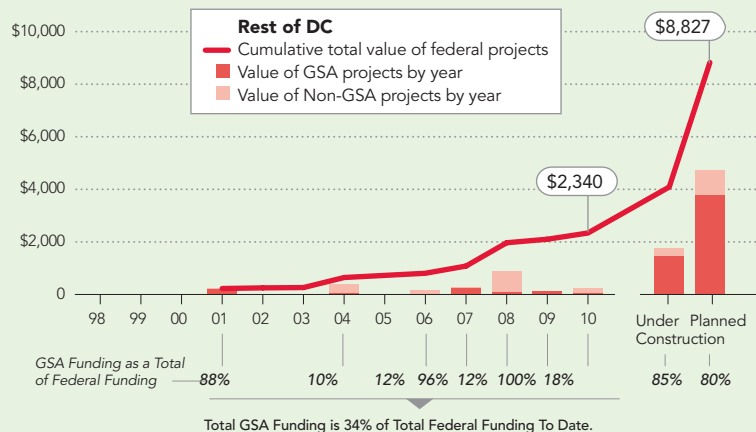
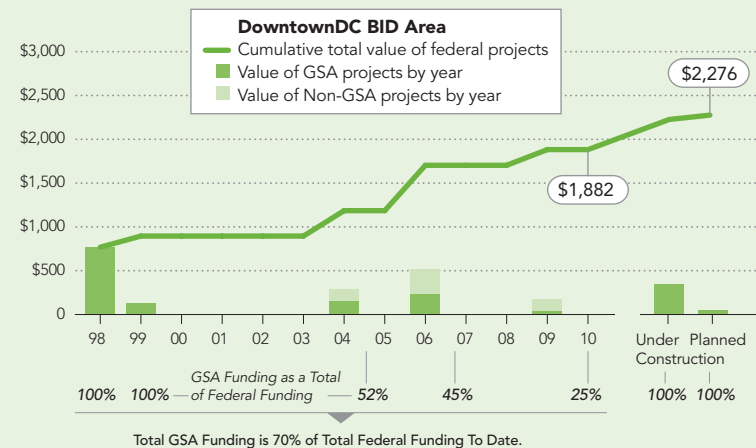
DowntownDC BID Area Projects Highlighted		
Major Projects	Stimulus Amount Allotted ⁽¹⁾ (Millions of \$)	Total Project Cost (Millions of \$)
1. DHS Headquarters at St. Elizabeths	\$450	\$3,500
2. Herbert Hoover Building (Dept. of Commerce)	185	837
3. 1800 F Street Building (GSA Headquarters)	161	339
4. Lafayette Building (Veterans Affairs)	122	226
5. Mary Switzer Building	66	132
6. Department of Interior Building	62	129
7. Truman Building (State Dept.)	15	141
Major Projects Subtotal	\$1,061	\$5,304
Seventeen Limited Scope Projects ⁽²⁾	93	
Total for All Projects	\$1,154	

(1) Dollars currently allotted to each project.

(2) Of the 17 limited scope projects, 10 are located in the DowntownDC BID area and total \$40 million. There are also two limited scope projects in Northern Virginia, totalling \$4.8 million, and one in Suburban Maryland worth \$1.9 million.

Source: GSA

FEDERAL PROJECTS IN DOWNTOWNDC BID AREA AND DC, 1998–2020 ⁽¹⁾ (Millions of \$)



(1) Includes GSA, Smithsonian, National Park Service, Architect of the Capitol and Supreme Court.

Sources: WDCEP, DowntownDC BID

Employment

The DowntownDC BID area and DC returned to employment growth in 2010, led by the federal government, particularly in the area of financial regulation. Although the Office of Thrift Supervision is being absorbed by the Controller of the Currency, the overall sector is expanding due to the Consumer Financial Protection Bureau's creation and staff increases at the Securities and Exchange Commission, US Treasury, Commodity Futures Trading Commission, and Federal Reserve. This job growth increased the federal government share of DC employment from 27% to 30% from 2007 to 2010. DowntownDC BID area private employment rose primarily in the leisure and hospitality sectors, while it fell in legal services and information and publishing. Although 65% to 70% of DC jobs are held by Maryland, Virginia or West Virginia residents (455,000 to 470,000 jobs), 26% of employed DC residents work outside of the city (77,000 jobs).

Both the DowntownDC BID area and DC experienced job growth over the three years from 2008 to 2010, while Suburban Maryland and Northern Virginia lost jobs.

For the first time in eight years, more office tenants moved into the city than moved out. Federal government tenants as well as a few non-profits/associations in the DowntownDC BID area continued to move to NoMa and Capitol Riverfront as leases ran \$10 to \$15 per SF cheaper in those submarkets. In 2010, the DC government continued to focus on job retention and attraction. Furthermore, the Gray Administration is committed to adding more personnel to this important function, particularly as DC faces increasing competition from regional neighbors.

25% of all DC jobs are in the DowntownDC BID area.

DOWNTOWNDC BID AREA EMPLOYMENT ^{(1) (2)}

HISTORY

1996	119,800
2001	137,400
2003	163,900
2006	175,600
2008	179,500
2010	182,000

PROJECTIONS

2011	183,000
2012	185,000
2013	187,000
2014	189,000

(1) Figures are for the 4th quarter of each year.

(2) Data is based on former BID boundaries which included an area ceded to NoMa in 2008.

Sources: Center for Regional Analysis at George Mason University for 1996, 2001, 2003, 2006 and 2008. DowntownDC BID for 2011–2014.



The law firm of Arnold & Porter, located at 555 12th Street, NW, is one of DC's oldest and largest. Approximately half of DC's largest 100 law firms are located in the DowntownDC BID area.



Internet service companies are attracted to the amenities of Downtown and their employees are more likely to live in DC.

EMPLOYMENT BY SECTOR AND LOCATION, 2010

	DowntownDC BID Area			Greater Downtown			Center City			DC		
	Employees	Share of Area	DC	Employees	Share of Area	DC	Employees	Share of Area	DC	Employees	Share of Area	DC
Government	76,400	43%	31%	112,500	30%	46%	192,500	42%	78%	245,700	35%	100%
Legal Services	19,400	11	60	28,400	7	87	29,100	6	90	32,500	5	100
Other Professional & Business Services	29,500	16	26	84,700	22	74	80,900	18	71	114,200	16	100
Associations & Other Services	14,500	8	22	43,900	12	68	41,000	9	63	64,600	9	100
Leisure & Hospitality	11,900	6	23	30,000	8	57	31,400	7	60	52,400	7	100
Information & Publishing	8,500	5	46	16,600	4	89	16,700	4	90	18,600	3	100
Retail Trade	3,100	2	17	7,700	2	42	7,500	2	41	18,200	3	100
Financial Services	2,900	2	18	13,600	4	82	12,900	3	78	16,500	2	100
Health Services	2,800	2	5	16,800	4	28	14,900	3	25	60,000	8	100
Construction	1,800	1	17	2,900	1	28	6,100	1	58	10,500	1	100
Real Estate Services	1,500	1	15	7,200	2	72	7,500	2	75	10,000	1	100
Education Services	1,400	1	3	5,800	2	12	5,800	1	12	48,400	7	100
Other	5,600	2	29	8,800	2	46	12,000	2	62	19,300	3	100
Total	179,300	100%	25%	378,900	100%	53%	458,300	100%	64%	710,900	100%	100%

Sources: US Bureau of Labor Statistics, InfoUSA, Center for Regional Analysis at George Mason University

EMPLOYMENT CHANGE IN DOWNTOWN AND DC, NOVEMBER 2008 TO NOVEMBER 2010

	DowntownDC BID Area		Downtown		DC	
	Job Change	% Change	Job Change	% Change	Job Change	% Change
Government	3,800	5.2%	7,800	6.9%	11,100	4.7%
Legal Services	-1,100	-5.4	-3,200	-11.3	-3,700	-10.2
Other Professional & Business Services	200	1.3	900	1.7	500	0.7
Associations & Other Services	100	0.7	-400	-0.9	900	-1.4
Leisure & Hospitality	1,000	8.4	1,300	4	1,300	2.2
Information & Publishing	-1,100	-11.5	-2,100	-12.7	-2,100	-10.1
Retail Trade	0	0	0	0	-300	-1.6
Financial Services	0	0	-200	-1.5	-300	-1.8
Health Services	100	3.7	1,100	6.5	4,200	7.5
Construction	-400	-18.2	-700	-24.1	-2,200	-17.3
Real Estate Services	-200	-11.8	-900	-12.5	-1,500	-13
Education Services	100	7.7	300	5.2	2,000	4.3
Other	-300	NA	-1,200	NA	-2,900	NA
Total	2,200	1.2%	2,700	0.7%	7,000	1.0%

Sources: US Bureau of Labor Statistics, InfoUSA, Center for Regional Analysis at George Mason University

EMPLOYMENT IN THE DOWNTOWNDC BID AREA, DC AND THE REGION, 1996–2010 ^{(1) (2)}

	Employment (Thousands)						2008–2010 Change		1996–2010 Change	
	2010	2008	2006	2003	2001	1996	Thousands	% Change	Thousands	% Change
DowntownDC BID Area ⁽³⁾	182	180	176	164	137	120	3	1%	62	52%
Rest of Downtown	197	193	190	191	204	188	4	2	9	5
Downtown Total	379	373	366	355	342	308	6	2	71	23
Rest of DC	331	331	322	310	312	315	0.4	0.1	16	5
DC Total	710	704	688	666	654	623	6	1%	87	14%
Suburban Maryland	938	969	968	939	924	814	-31	-3	125	15
Northern Virginia	1,301	1,315	1,295	1,167	1,162	948	-14	-1	353	37
Region Total	2,949	2,987	2,950	2,771	2,740	2,384	-38	-1%	565	24%

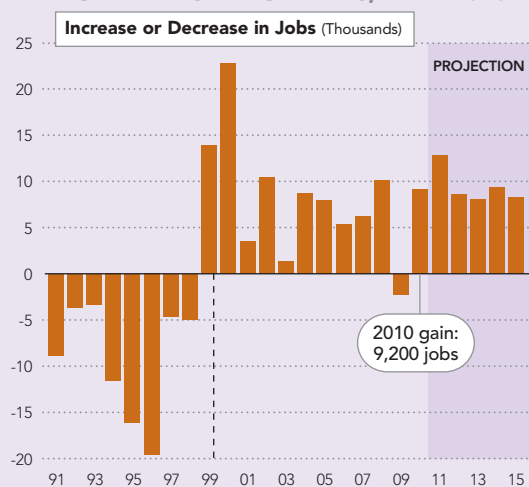
(1) Employment figures are for the 4th quarter of each year.

(2) This data is produced every two years.

(3) Data is based on former BID boundaries which included an area ceded to NoMa in 2008.

Sources: InfoUSA Data (DowntownDC BID area and total Downtown), Bureau of Labor Statistics (DC, Md. and Va.), Center for Regional Analysis at George Mason University

EMPLOYMENT CHANGE IN DC, 1991–2015 ⁽¹⁾



(1) Annual average; not seasonally adjusted.

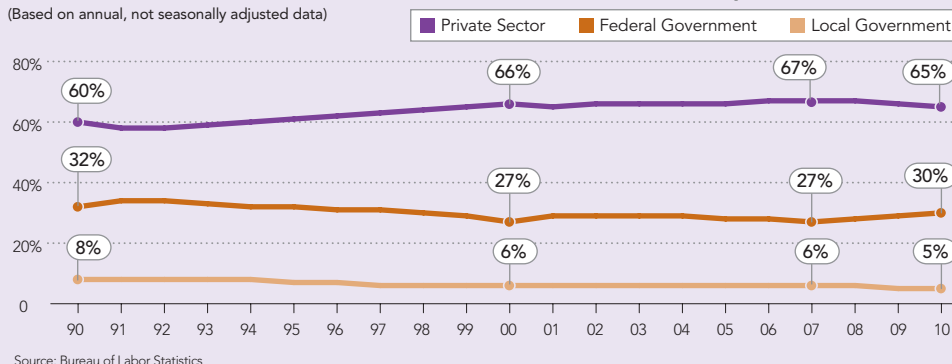
Sources: Bureau of Labor Statistics (historical); Center for Regional Analysis at George Mason University (projection)



In the fast-paced world of Internet startups, Blackboard, with 2010 sales of more than \$400 million, is an important private sector company in the DowntownDC BID area.

EMPLOYMENT IN DC — PRIVATE AND GOVERNMENT SHARES, 1999–2010

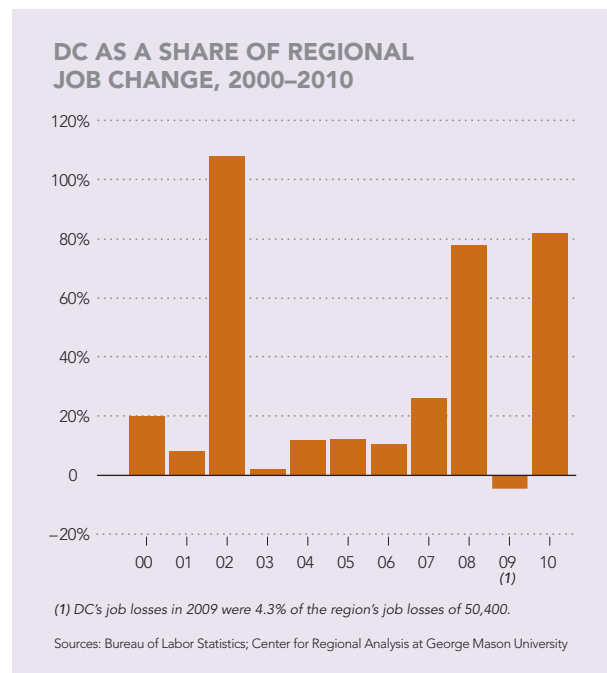
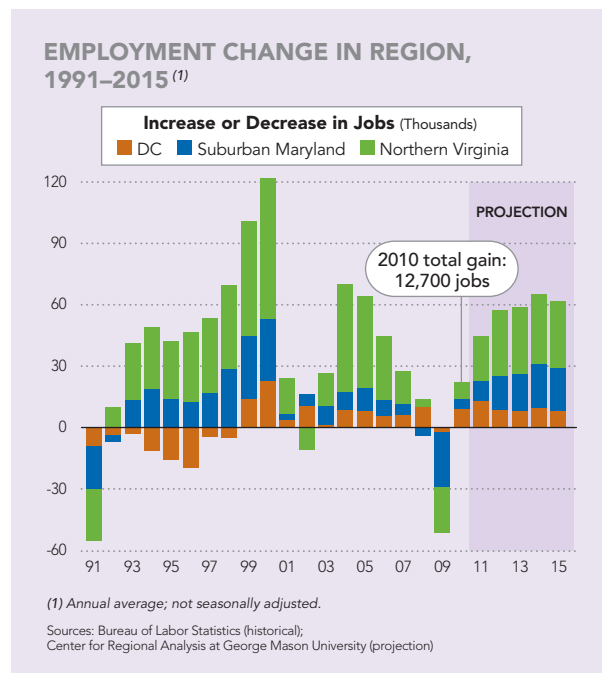
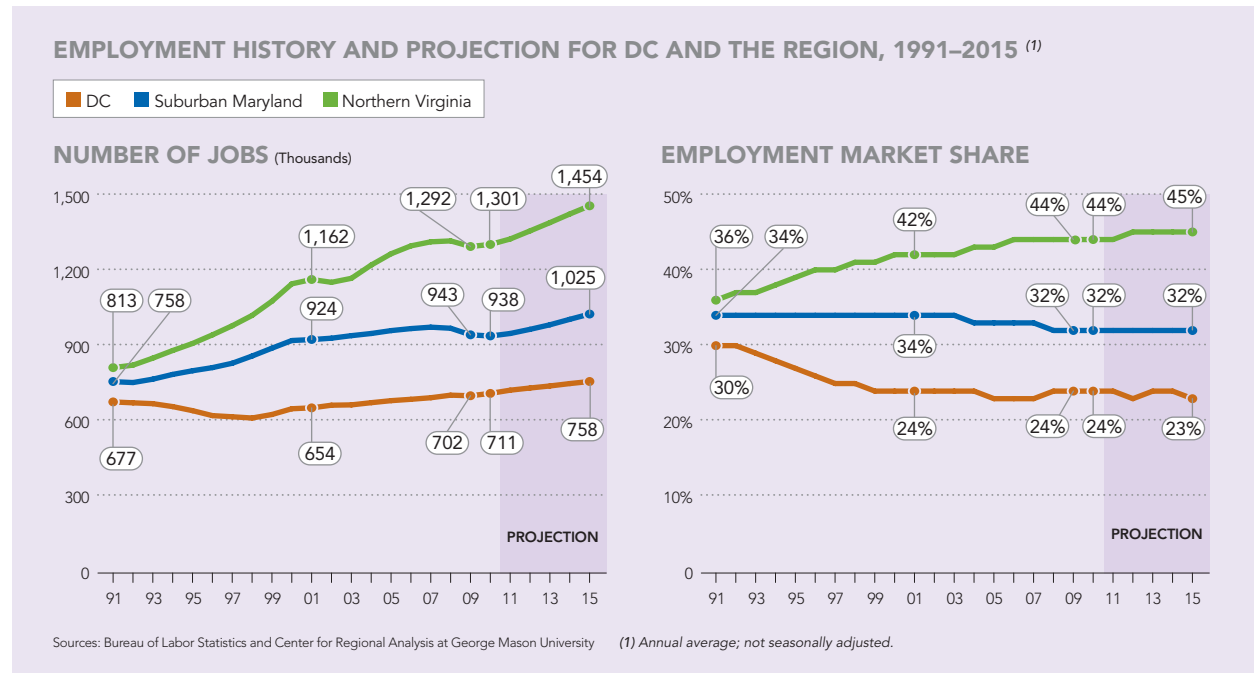
(Based on annual, not seasonally adjusted data)



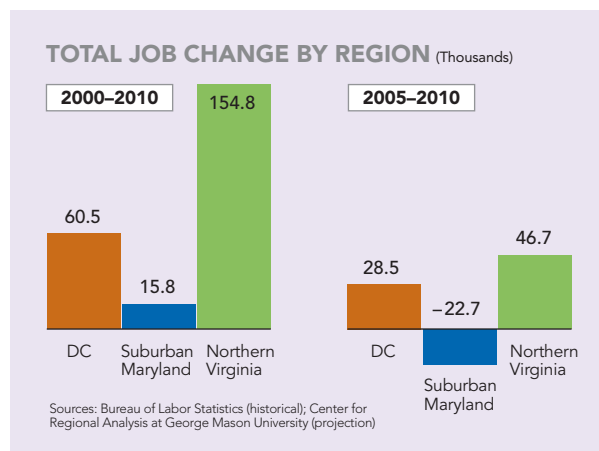
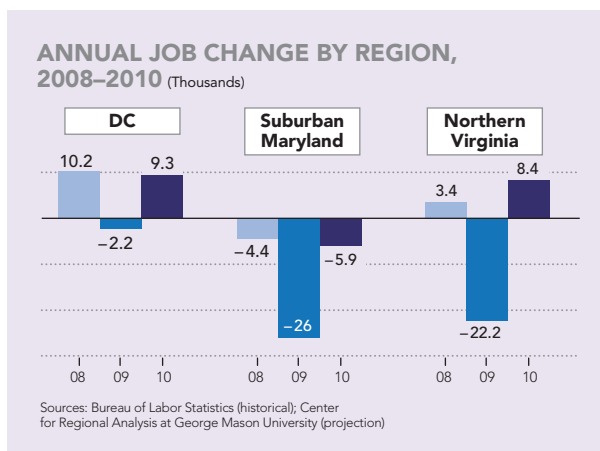
The DowntownDC BID area and DC's economic strength and stability are anchored by the federal government.

DC has stabilized its share of regional jobs at 24% over the past few years. The city's business environment, though expensive for both large and small organizations, has four important competitive advantages that compensate for higher expenses:

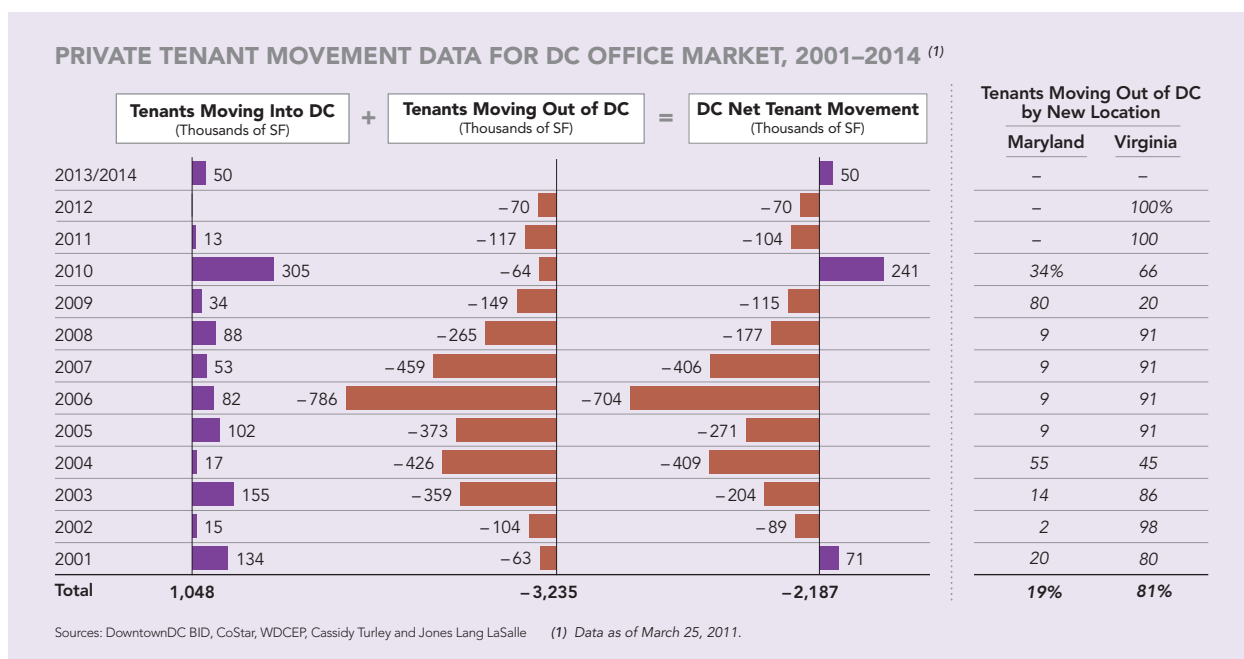
- Proximity to the federal government
- Access to mass transit
- Access to the region's labor force
- Quality amenity base of hotels, restaurants, cultural venues, entertainment and housing options



The DowntownDC BID area and DC have outperformed suburban Maryland and Northern Virginia since 2008.



Although 2010 was the first year in eight that more regional tenants moved into DC than moved out, the next few years will see more tenants leaving DC.



CoStar Group, a recognized world leader in office building market information, moved to DC in 2010 from Bethesda, MD, bringing several hundred employees and hiring additional staff. CoStar received a \$6 million tax abatement over 10 years, but with the recent sale of the CoStar Building for \$100 million, the 2.9% deed recordation and transfer taxes of \$2.9 million offset almost half of the tax abatements even before taking into consideration the CoStar employees who moved to DC and now pay city income taxes. The other large tenant to move into DC in 2010 was the American Chemistry Council, which moved to NoMa from Arlington.

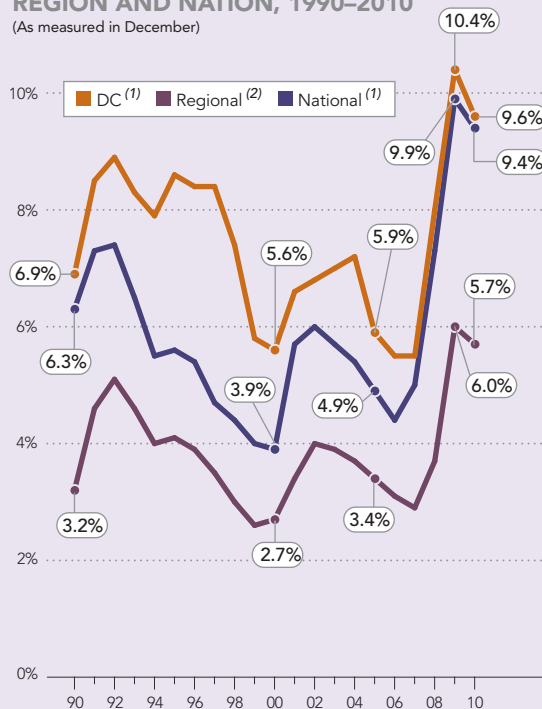
Recent good news included the Association of American Medical Colleges' decision to stay in DC and move from the West End into a new 300,000 SF building in the Mount Vernon Triangle.

Looking forward, the negative outflow of tenants from DC to Virginia and Maryland will pick up in 2011 and 2012:

- KPMG will move 117,000 SF from 20th and M Streets to Tyson's Corner.
- Saudi Arabian Cultural Mission will move 50,000 SF to Fairfax.
- The Carlyle Group will take 70,000 SF in Rosslyn.

UNEMPLOYMENT RATE FOR DC, REGION AND NATION, 1990-2010

(As measured in December)



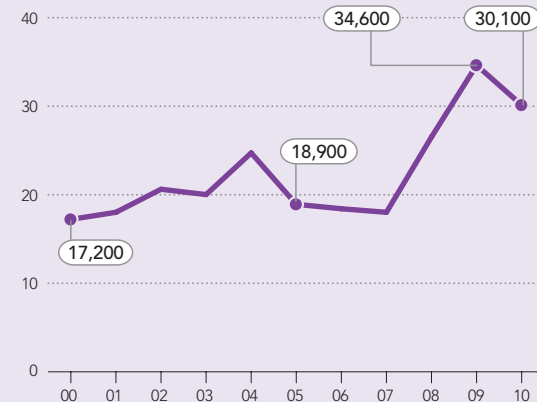
	2007	2008	2009	2010
DC	5.5%	8.0%	10.4%	9.6%
Region	2.9%	3.7%	6.0%	5.7%
Nation	5.0%	7.3%	9.9%	9.4%
DC as % of nation	110%	110%	105%	102%
DC as % of region	190%	216%	173%	168%
Region as % of nation	58%	51%	61%	61%

(1) Seasonally adjusted.

(2) Not seasonally adjusted. 2010 regional unemployment rate uses the preliminary December data.

Source: Bureau of Labor Statistics

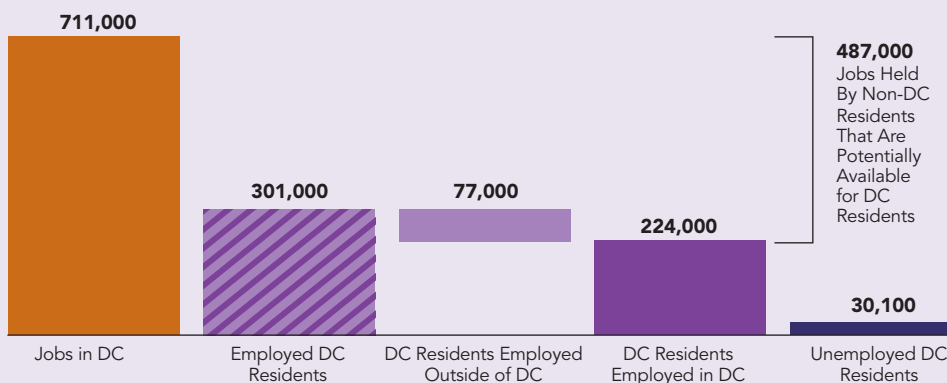
NUMBER OF UNEMPLOYED DC RESIDENTS, 2000-2010



Source: Bureau of Labor Statistics

Although DC's unemployment rate and number of unemployed residents dropped significantly in 2010, the unemployment rate is still far above the 5.5% unemployment rate and the 17,000 unemployed DC residents recorded at the end of 2007. DC has 487,000 jobs potentially available to the city's unemployed residents, including many service jobs that do not require a college education. Both sustained job training and DC's new community college are needed to address this problem. In addition, increased residential development will create potential employment in grocery and other retail stores and service jobs for unemployed DC residents.

DC JOBS AVAILABLE TO DC RESIDENTS, 2010



Sources: Bureau of Labor Statistics, US Census Bureau and DowntownDC BID

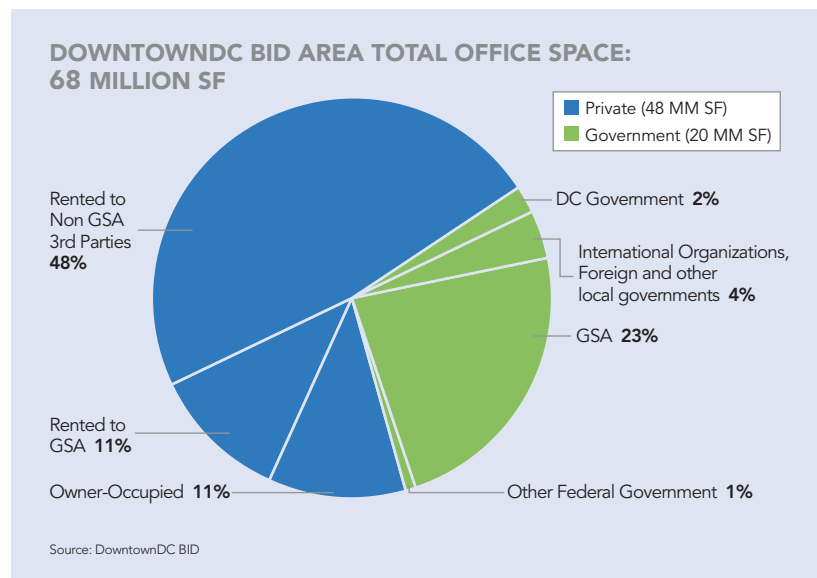
Office Market

The highlight of the year was strong office space absorption in both the DowntownDC BID area (350,000 SF) and all of DC, which had record absorption of 4.3 million SF. Vacancy rates dropped as well — more in DC than in the BID area. Office building sales prices and volume rose significantly in the second half of the year, culminating with the \$615 million sale of Market Square (701 and 801 Pennsylvania Avenue) for a DC record price of \$904 per SF in March 2011. This single transaction raised \$17.8 million for the DC treasury from the city's deed tax, of which 15%, or \$2.7 million, is designated for the Housing Production Trust Fund. This is all great news.

On the negative side, Class A asking rents dropped in the DowntownDC BID area by 2% and in DC by 4% — for the third such drop in 15 years, although concessions declined. Some of the absorption was because of GSA leased “swing space” for employees while renovating buildings. Vacancy rates are still higher than the 7% to 8% vacancy rates of 1998 through 2008; they are at 10.4% for the DowntownDC BID area and 12.6% for all of DC. These vacancy rates discourage lenders from financing new office projects. When vacancy rates drop to 8% or 9%, speculative office development will start again. This will require 2,500 new office jobs in the DowntownDC BID area, and 16,000 new office jobs citywide.

The federal rental presence in the DowntownDC BID area may have declined as the Justice Department moved more than 2,000 employees into NoMa, and the Department of Veterans Affairs moved 1,000-plus employees to other areas while its BID-based headquarters undergoes a multi-year renovation. Some of the Justice Department space has been backfilled by other Justice employees.

Only two office projects are under construction as of April 15, 2011: 733 10th Street (165,000 SF) and CityCenterDC Phase I (520,000 SF at the northeast corner of 11th and H Streets).



Approximately 70% of the DowntownDC BID area and DC office space is privately owned.



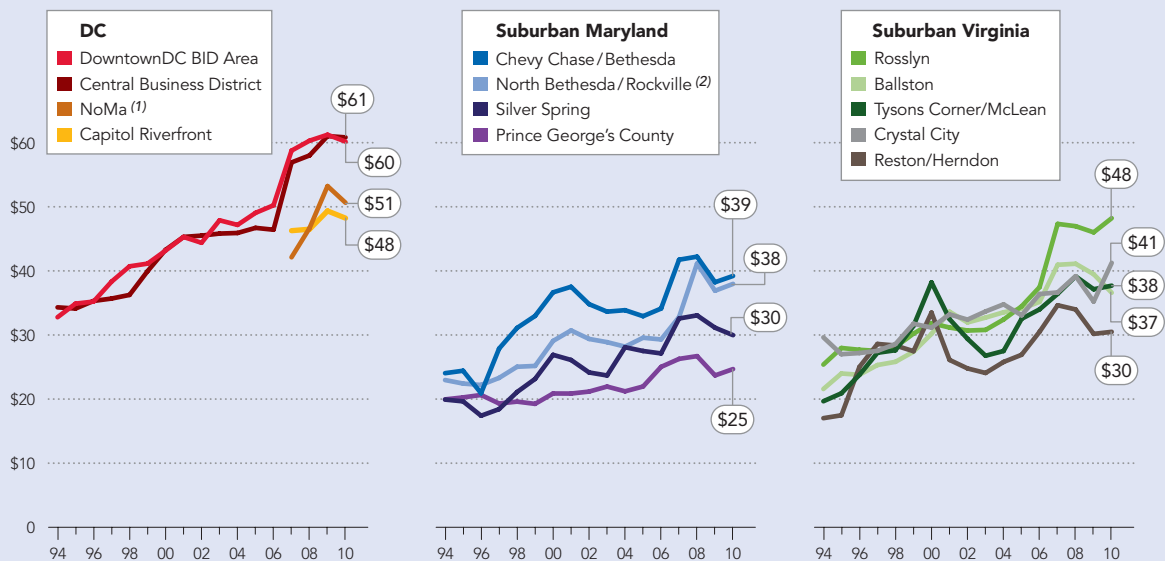
The National Education Association is located 1201 16th Street, NW. Associations represent 9% of all workers employed in DC.

DC OFFICE MARKET OVERVIEW

		DowntownDC BID		Rest of DC		DC Total	
		Millions of SF	Share of Total	Millions of SF	Share of Total	Millions of SF	Share of Total
TOTAL SPACE INVENTORY		67.7	100%	128	100%	195	100%
PRIVATE	Rented to GSA	7.6	11%	14	11%	22	11%
	Rented to Non GSA 3rd Parties	32.8	48	70	55	103	53
	Owner-Occupied	7.5	11	5	4	12	6
	Total private space	47.9	71	89	70	137	70
GOVERNMENT	GSA	15.4	23%	18	14%	33	17%
	Other Federal Government	0.6	1	9	7	10	5
	Foreign Government	1.9	3	2	2	4	2
	International Organizations	0.2	<1	6	5	6	3
	DC Government	1.3	2	4	3	5	3
	Other Local Government	0.4	1	–	0	0	0
	Total government space	19.8	29	39	31	58	30

Source:
DowntownDC BID

REGIONAL CLASS A OFFICE ASKING RENT PER SF COMPARISON, 1994–2010 (at year-end)



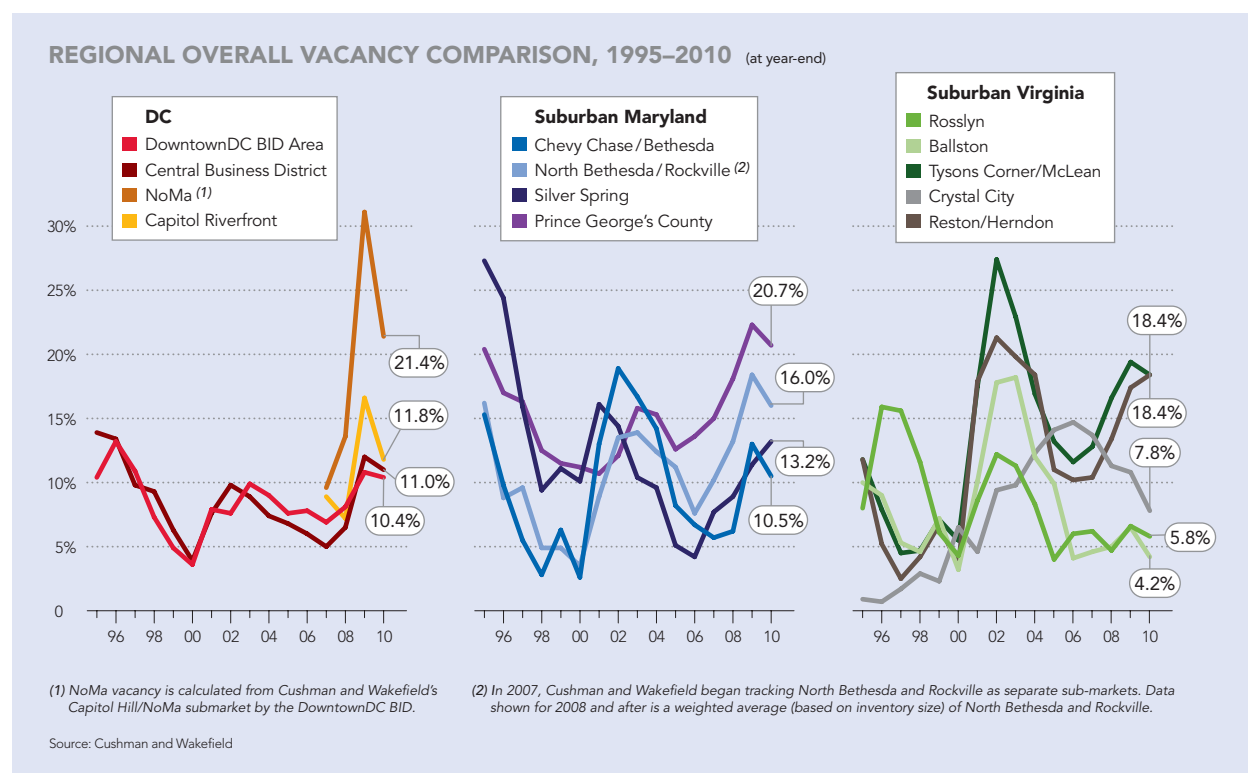
(1) NoMa is the Capitol Hill/NoMa Market, minus 3 dollars per SF.

(2) In 2007, Cushman and Wakefield began tracking North Bethesda and Rockville as separate sub-markets. Data shown for 2008 and after is a weighted average (based on inventory size) of North Bethesda and Rockville.

Source: Cushman and Wakefield

DowntownDC BID area office rents are \$15–\$30 per SF higher than competitive suburban sub-markets. The cost disadvantage is offset by superior amenities, in addition to proximity to the federal government. However, this offset will be diminished as suburbs improve amenities.

In general, the Class A asking rent differential declined between the DowntownDC BID area and most regional submarkets as DowntownDC BID area asking rents fell slightly and the regional submarkets rose slightly. Rosslyn, in particular, has had low vacancies in recent years, and increasing rents. However, the Class B asking rent differential between the DowntownDC BID area and DC and regional submarkets rose by \$1 to \$2 per SF.

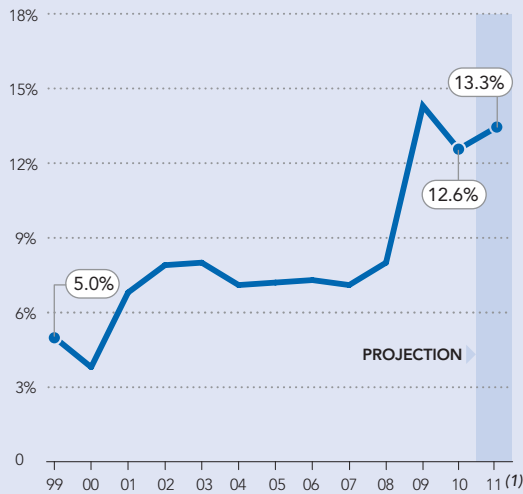


In 2010, the federal government was a significant lessee of the 4.3 million SF of office absorption in DC. In addition to the financial regulatory bodies that signed new leases and occupied new office space (the new Consumer Financial Protection Bureau, Federal Reserve, Treasury, Securities and Exchange Commission and the Commodity and Futures Trading Commission), several significant GSA building renovations created demand for temporary, or "swing," office space for federal agencies.



101 Constitution Avenue's five largest tenants are the local gas company, two associations, a corporate government relations office and an employee union.

DC OVERALL VACANCY RATE HISTORY AND ANALYSIS, 1999–2011



(1) Assumes that 50% of the 2.2 million SF under construction or renovation at end of 4Q 2010 is leased by 2011.

Sources: Cushman and Wakefield and DowntownDC BID

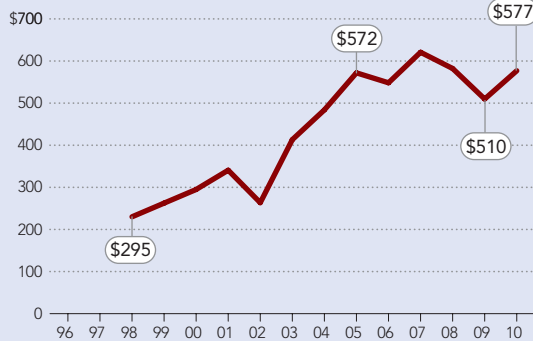


In order to restart substantial office development in DC, the city needs to generate 15,000 to 20,000 office jobs to bring the projected December 2011 vacancy rate of 13.3% down to 9%, the point at which investors and lenders have been historically willing to finance speculative office development.

The Government Accounting Office's 535 G Street headquarters building occupies almost an entire city block, with 615,000 SF, and is home to an estimated 2,000 employees.

DOWNTOWNDC BID AREA AND DC OFFICE SALES PER SF HISTORY, 1996–2010 (Average price per square foot)

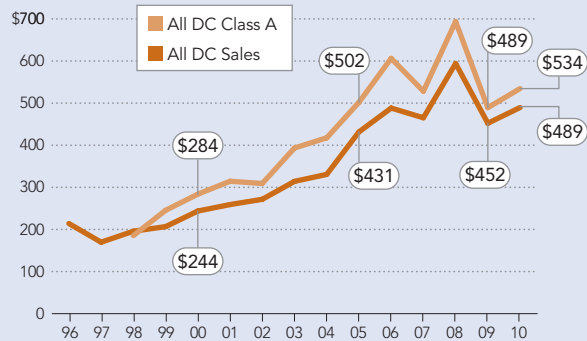
DowntownDC BID Area Class A ⁽¹⁾



(1) DowntownDC BID uses Cushman & Wakefield's East End office market as the DowntownDC BID office market. Sales data was not broken down by class from 1995 to 1997.

Source: Cushman and Wakefield

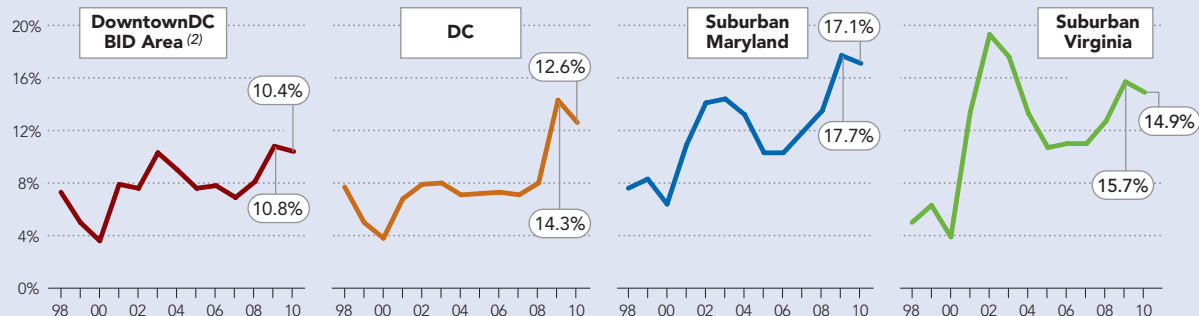
All DC



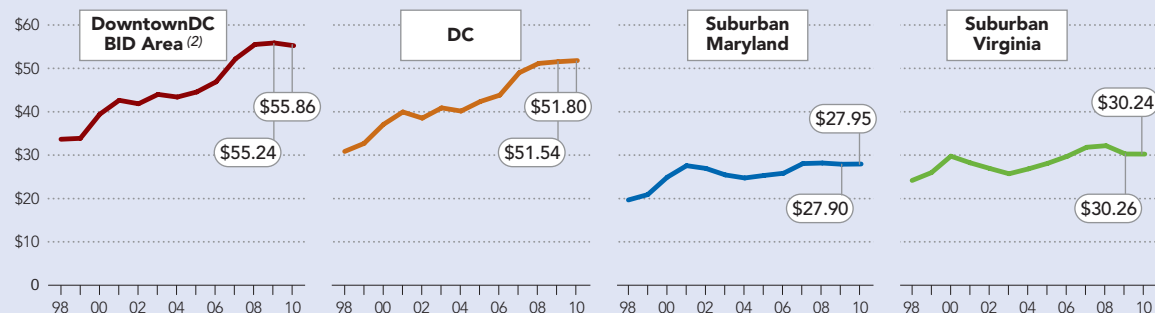
It is good news that DowntownDC BID area and DC office buildings are worth more, and bad news that the 10–20% increase in office building assessments was not offset by a lower tax rate. Thus, office building tenants and owners will be paying \$1 to \$2 per SF more in property taxes in 2012.

REGIONAL OVERALL OFFICE MARKET COMPARISON, 1998–2010⁽¹⁾

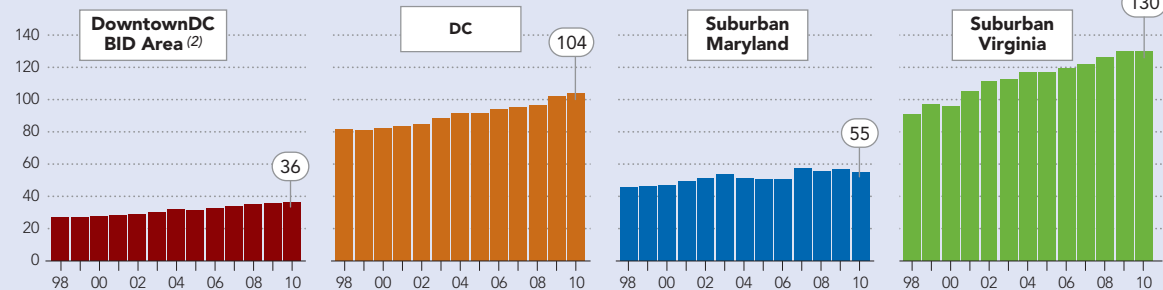
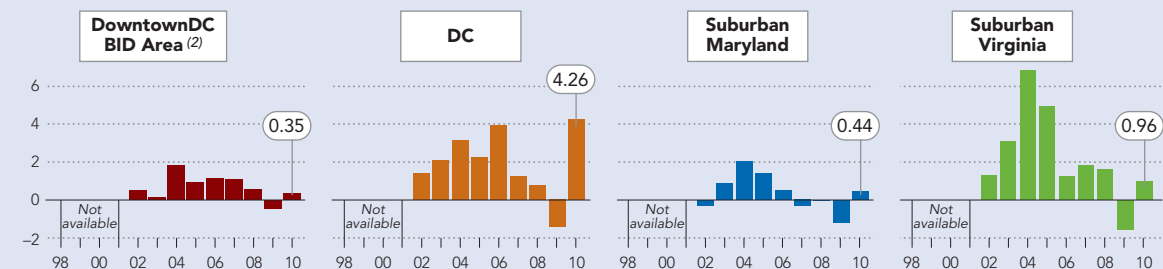
VACANCY RATES



RENTAL RATES (Per SF, weighted average of both full service and triple net rents)



PRIVATE OFFICE SPACE INVENTORY (Millions of SF)

OVERALL ABSORPTION⁽³⁾ (Millions of SF)

(1) Data does not include owner-occupied buildings, one-story buildings, or buildings less than 25,000 SF.

(2) DowntownDC BID uses Cushman & Wakefield's East End office market as the DowntownDC BID office market.

Source: Cushman and Wakefield

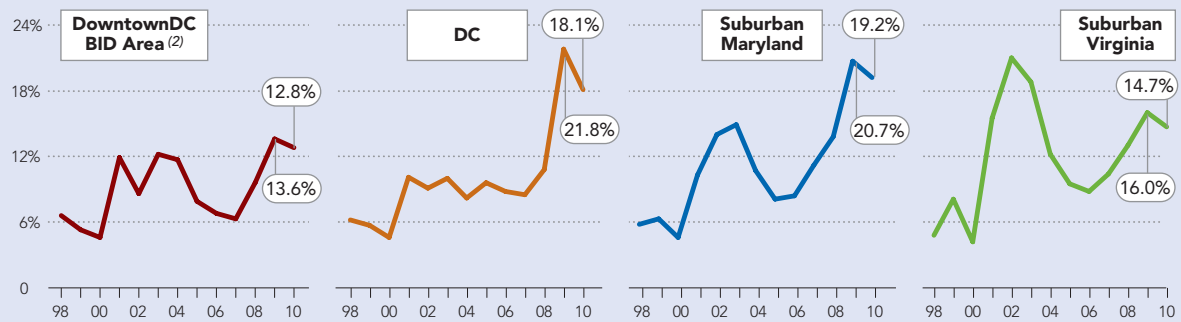
Due to strong job growth, both the DowntownDC BID area and DC have been gaining market share in the regional office market.



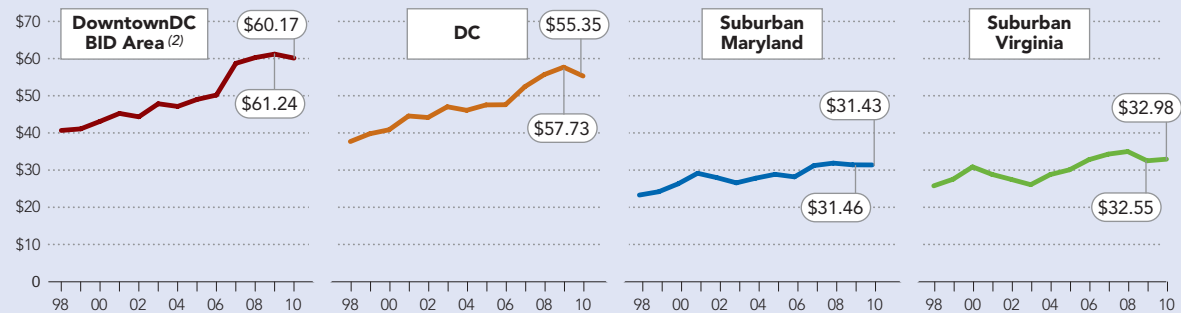
The US Chamber of Commerce at 1615 H Street, NW is one of many advocacy organizations located in Downtown.

REGIONAL CLASS A OFFICE MARKET COMPARISON, 1998–2010 ⁽¹⁾

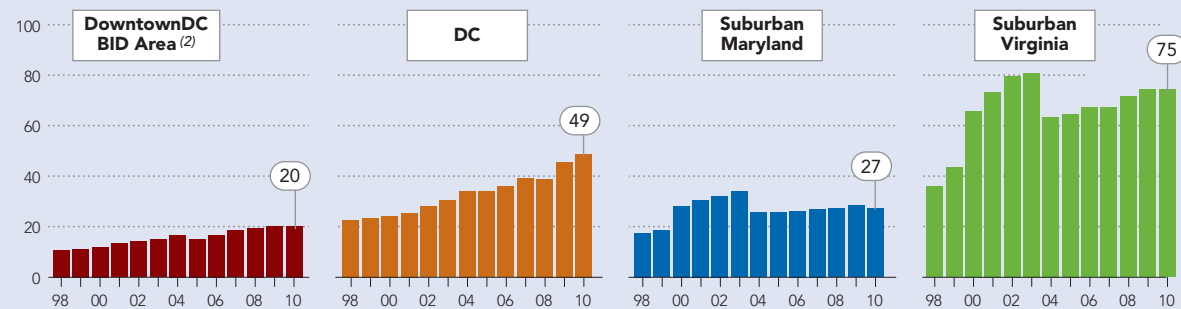
VACANCY RATES



RENTAL RATES (Per SF, weighted average of both full service and triple net asking rents)



PRIVATE OFFICE SPACE INVENTORY (Millions of SF)



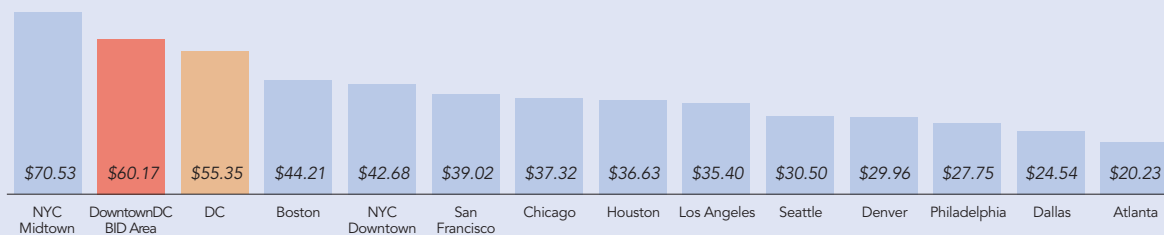
(1) Data does not include owner-occupied buildings, one-story buildings, or buildings less than 25,000 SF.

(2) DowntownDC BID uses Cushman & Wakefield's East End office market as the DowntownDC BID office market.

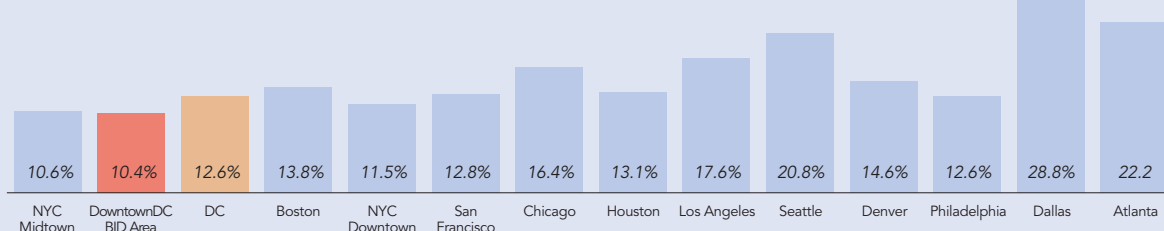
Source: Cushman and Wakefield

LARGE CITY OFFICE MARKET COMPARISON, 2010 ⁽¹⁾

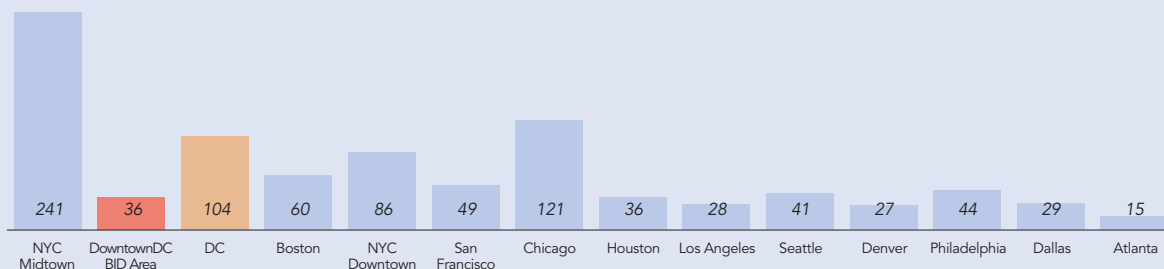
CLASS A ASKING RENTS



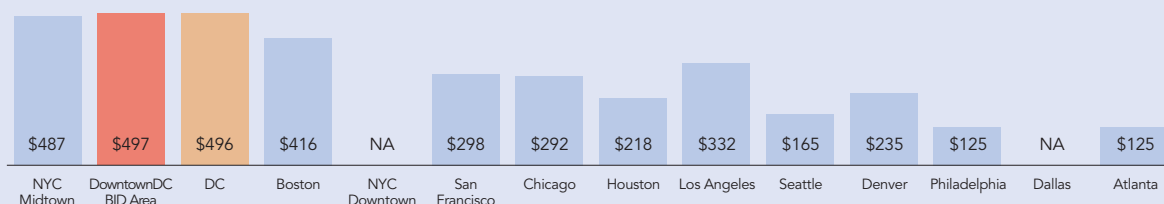
VACANCY RATES



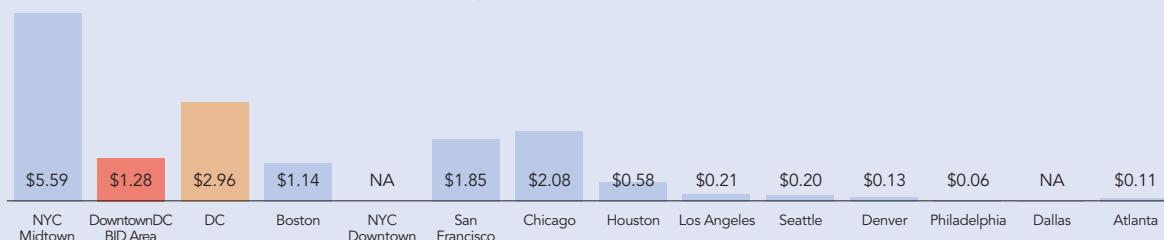
OFFICE SPACE INVENTORY (Millions of SF)



OFFICE SALES, PRICE PER SF



OFFICE SALES DOLLAR VOLUME (Billions of \$)

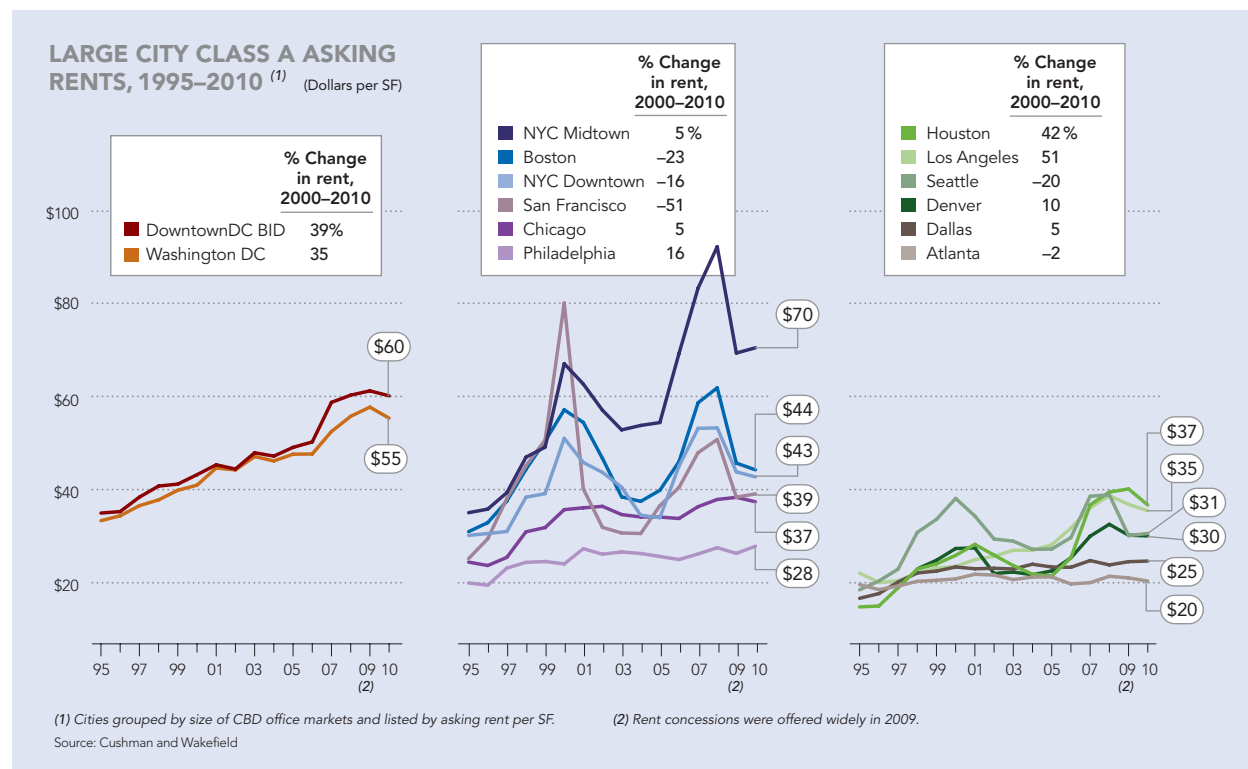


Sources: Cushman and Wakefield, Real Capital Analytics

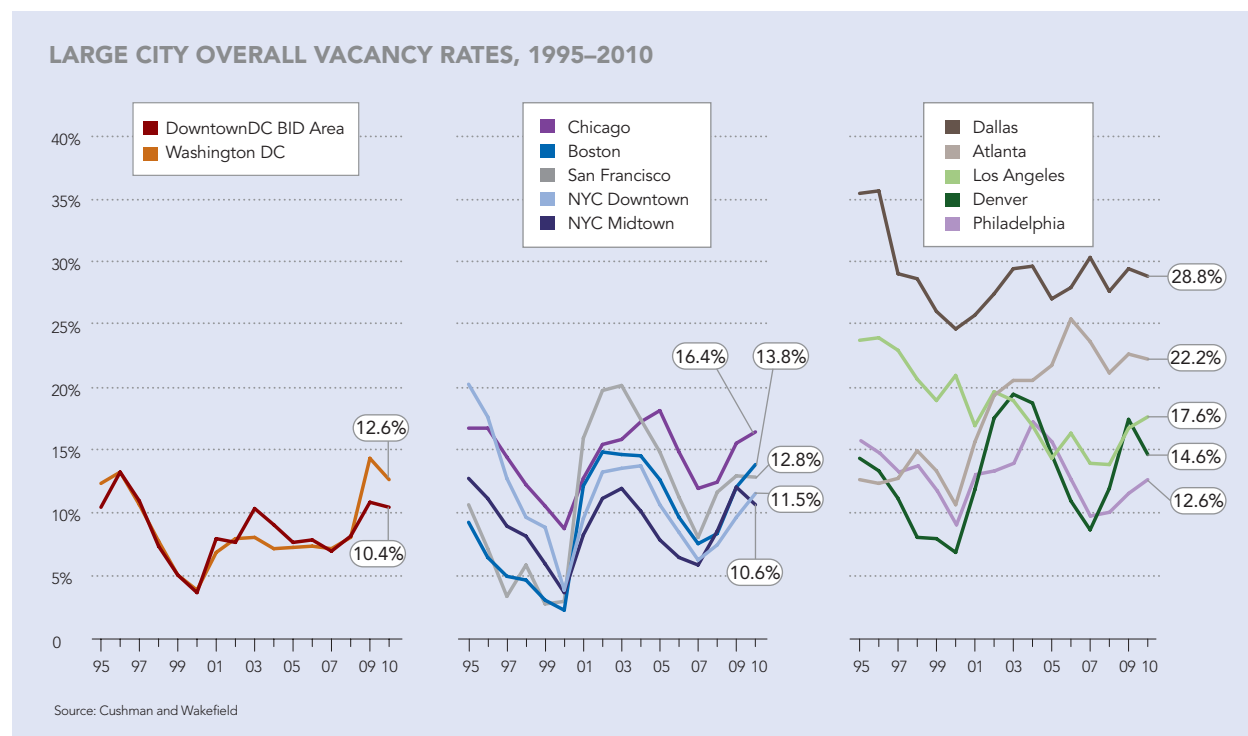
(1) DowntownDC BID uses Cushman & Wakefield's East End office market as the DowntownDC BID office market.

On nearly every metric, DC and New York City are the top two office markets in the nation.

In many respects, the DowntownDC BID office market was the best performing office market in the nation in 2010.



DC has enjoyed new Class A asking rent highs in 12 of the last 15 years; the next closest large cities are Houston and Los Angeles, which have had new asking rent highs in 9 of the last 15 years.



OFFICE SALES IN TOP 10 DOWNTOWN MARKETS, 2003–2010 ⁽¹⁾ (Ranked by 2010 price per SF)

	Price Per Square Foot											Dollar Sales Volume (Billions)			
	2010	2009	2008	2007	2006	2005	2004	2003	% Change in 2010 from			2010	2009	2008	Average 2003–2010
									2009	2008	2003				
DC	\$496	\$440	\$565	\$474	\$459	\$429	\$358	\$306	13%	–12%	62%	\$2.96	\$1.12	\$2.32	\$3.50
Manhattan	487	380	806	768	622	471	329	344	28	–40	42	5.59	1.29	12.32	11.64
Boston	416	421	374	418	455	342	332	231	–1	11	80	1.14	0.66	0.83	3.22
Los Angeles	332	–	285	382	300	243	185	136		17	144	0.21	–	0.38	1.53
San Francisco	298	349	419	496	365	319	310	179	–15	–29	66	1.85	0.27	0.87	2.93
Chicago	292	311	244	236	218	194	207	198	–6	20	47	2.08	0.23	1.43	3.36
Denver	235	201	226	240	199	170	134	164	17	4	43	0.20	0.13	0.43	0.66
Houston	218	–	215	183	95	167	138	64		1	239	0.58	0.12	0.13	1.10
Seattle	165	133	253	381	285	233	275	265	24	–35	–38	0.06	0.12	0.03	1.04
Dallas	–	110	256	131	116	121	74	135				–	0.02	0.45	0.76

Source: Real Capital Analytics

⁽¹⁾ Includes sales larger than \$20 million.

For the second year in a row, DC had the highest average office sale prices on a per SF basis — \$496 per SF in 2010 and \$440 per SF in 2009 (an increase of 13%).

OFFICE SALES DATA BY YEAR, 2003–2010 ⁽¹⁾

	DC				National			
	Properties (#)	Total SF (Millions)	Volume (Billions)	Amount per SF ⁽²⁾	Properties (#)	Total SF (Millions)	Volume (Billions)	Amount per SF ⁽²⁾
2003	61	12.8	\$3.9	\$301	1,831	304.5	\$47.7	\$161
2004	51	10.2	3.5	346	2,746	457.4	75.7	175
2005	63	11.7	4.9	413	3,059	550.6	103.4	195
2006	75	14.8	5.5	450	3,767	621.7	136.8	222
2007	65	10.8	4.4	473	4,625	748.9	209.4	272
2008	34	4.4	2.4	560	1,719	225.6	54.2	259
2009	16	2.7	1.2	439	637	88.5	16.0	185
2010	34	6.4	3.1	485	1,201	202.1	41.1	211

Sources: Real Capital Analytics

⁽¹⁾ Includes sales larger than \$5 million.⁽²⁾ Amount per SF analysis does not include estimated prices.

Although DC's 2010 office sales volume was only 55% to 65% of the dollar sales volume of 2005–2007, the dollar sales volume was 160% above that of 2009.

OFFICE SALES DATA BY QUARTER, 2007–2010 ⁽¹⁾

	DC				National			
	Properties (#)	Total SF (Millions)	Volume (Billions)	Amount per SF ⁽²⁾	Properties (#)	Total SF (Millions)	Volume (Billions)	Amount per SF ⁽²⁾
2007 1Q	22	4.0	\$1.3	\$440	1,544	256.3	\$73.9	\$269
2Q	19	3.0	1.5	530	1,091	198.5	60.3	295
3Q	10	1.3	0.7	569	1,079	176.0	46.2	254
4Q	14	2.4	1.0	398	911	118.2	29.0	265
2008 1Q	11	1.5	0.7	494	575	71.9	15.5	240
2Q	8	1.1	0.7	680	435	62.3	16.8	286
3Q	5	0.8	0.5	618	384	55.1	14.3	276
4Q	10	1.0	0.4	471	325	36.3	7.7	213
2009 1Q	3	0.6	0.2	448	135	15.3	3.7	263
2Q	4	0.3	0.1	351	158	21.3	2.9	137
3Q	7	1.3	0.6	419	147	24.6	4.8	192
4Q	2	0.4	0.2	553	197	27.3	4.6	176
2010 1Q	3	0.2	0.1	269	156	26.7	4.1	144
2Q	10	2.4	1.2	495	244	40.3	8.0	204
3Q	7	1.4	0.7	534	336	50.6	10.0	217
4Q	14	2.4	1.1	468	465	84.5	18.9	231

Sources: Real Capital Analytics

⁽¹⁾ Includes sales larger than \$5 million.⁽²⁾ Amount per SF analysis does not include estimated prices.

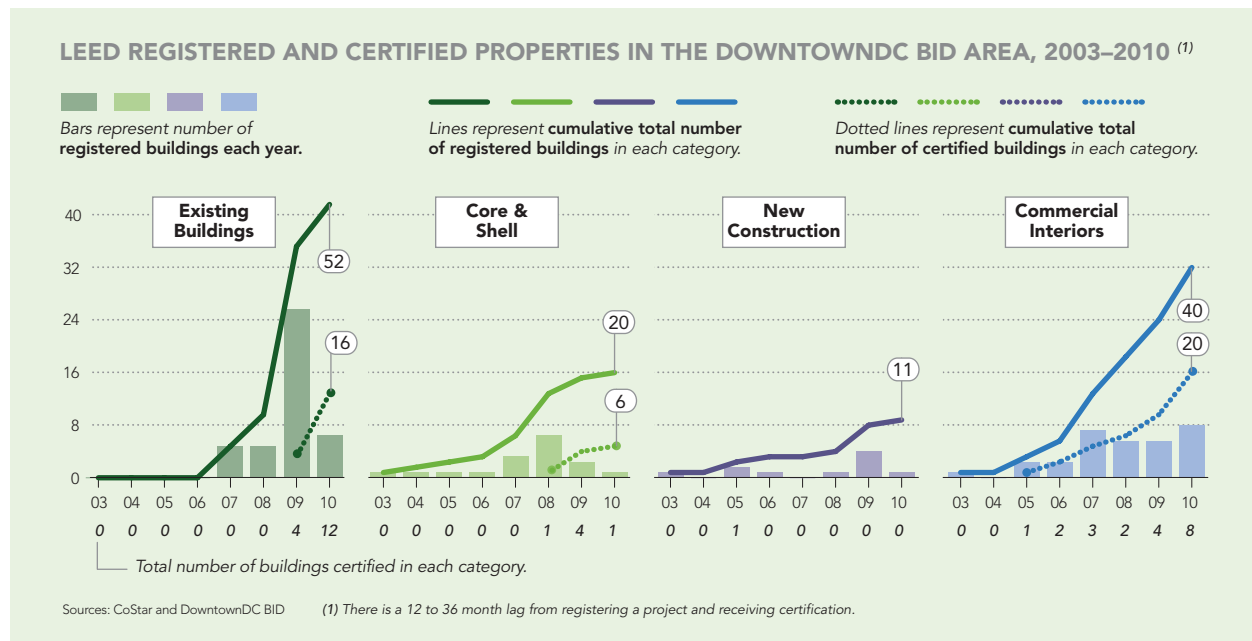
DC office sales averaged \$1 billion in the last three quarters of 2010. This upward trend continued in the first quarter of 2010, with \$1.6 billion in office sales (\$615 million from the sale of Market Square East and West).

Green Buildings



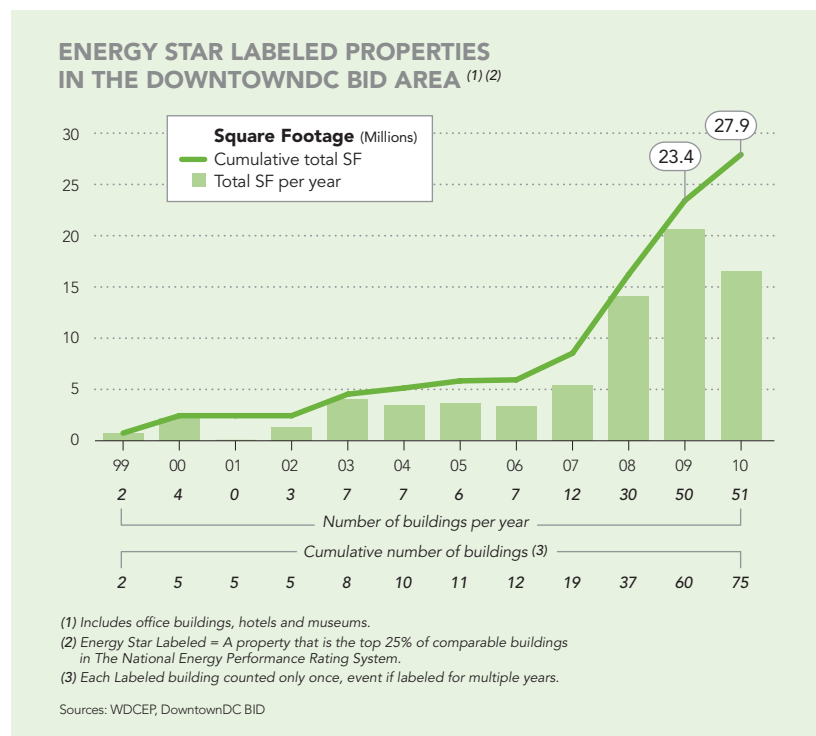
1425 K Street, NW, had the first green roof in DC in 2004 (3,500 SF).

The federal government, DC government and private sector are all working to build greener buildings that use less energy, water and other resources, and provide a better quality working environment for workers. The federal government is building to Leadership in Energy and Environmental Design (LEED) Gold standards in the new and renovated buildings that it owns. In addition, the federal government requires an Energy Star label and prefers LEED Gold in buildings for new GSA leases. The DC government is currently finalizing its disclosure requirements for all buildings larger than 200,000 SF, and will include smaller buildings over the next few years. The private sector has an extraordinary opportunity to partner with the federal and DC governments to accelerate the research and development that can improve the environmental impact of office buildings in the DowntownDC BID area and the rest of DC.



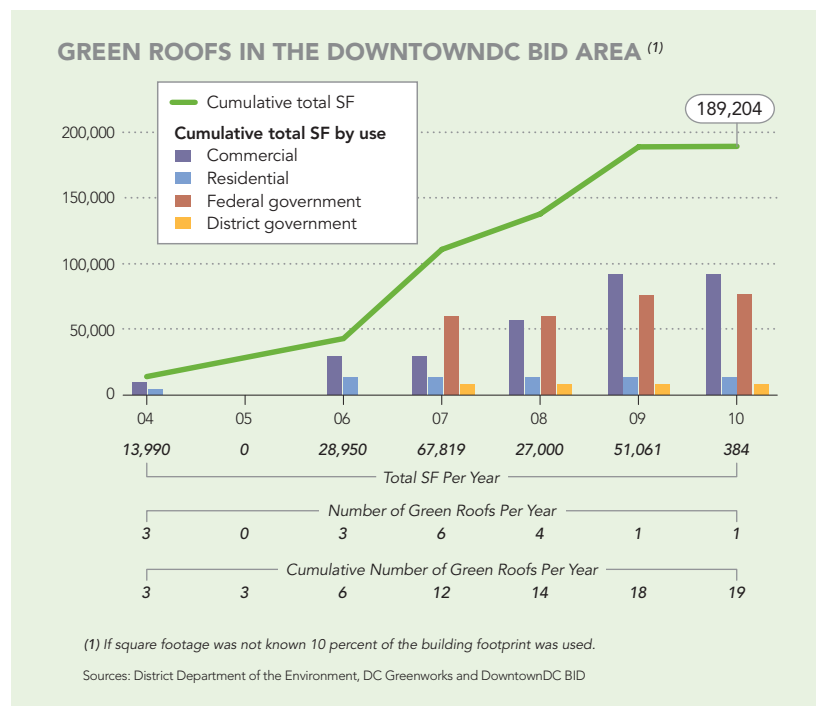
LEED certifications increased 175% (from 12 to 33) in 2010 compared to 2009 as more LEED-registered buildings received certification.

The number of Energy Star Labeled properties in DC continues to grow.



The DC government actively improves the energy efficiency of DC office buildings through (1) the Green Building Act of 2006, (2) the Clean and Affordable Energy Act of 2008, and (3) the Energy Efficiency Act of 2010. These legislative acts create guidelines and resources to achieve high-performance buildings.

DC has one of the greenest office markets in the US.



700 Sixth Street, NW, also has a green roof (13,000 SF).

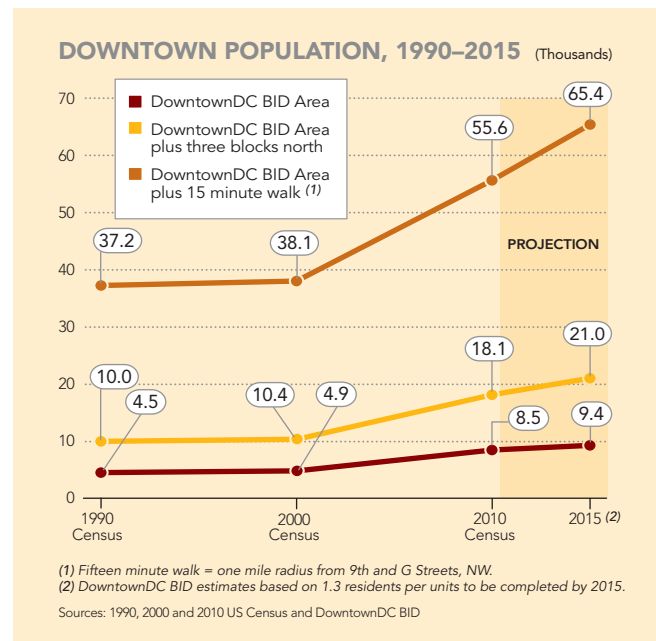
More than half of the green roofs and green roof SF in DC are installed in privately owned buildings.

Population & Housing

The April 2010 US Census confirmed the recent population growth estimates and projections for DC. The city's population rose to 601,723 residents from 572,059 in 2000 — an increase of 29,664 residents, or 5.2%. The DowntownDC BID area is home to 3,600 of these new residents, or 12% of the DC gain. In April 2011, the CityCenterDC project broke ground on 216 condominiums and 458 apartments (with an estimated 150 affordable units valued at approximately \$45 million). Although no new multifamily housing projects opened in the DowntownDC BID area in 2010 — the first such occurrence in nine years — more than 1,100 apartments began leasing within a few blocks of the BID area's northern and eastern boundaries. Approximately 2,000 apartment units have begun construction over the past 12 months in and around the Center City, and another 650 are scheduled to break ground by October 2011. The increase in residents will drive demand for businesses such as supermarkets and other retailers, which also will provide jobs for DC residents. Equity Residential's purchase of 425 and 401 Massachusetts Avenue (formerly the DuMont Condominiums) in April 2010 and its immediate leasing success with rental rates at or above \$3.50 per SF demonstrated the strong demand for apartment housing in Downtown and the Center City. This demand is strong for traditional reasons. People want to be close to jobs to avoid "wasting" time commuting, particularly sitting in traffic. This demand also showed that the recession had ended and that the momentum of a "living downtown" had resumed, powered by the DowntownDC BID area's attractive retail, restaurant, entertainment and cultural amenities.



56,000 people live within a 25-minute walk of Gallery Place.



The population growth of the DowntownDC BID area and nearby neighborhoods has been significant since 2000 and is projected to continue.

Demographics

DOWNTOWNDC BID AREA DEMOGRAPHIC PROFILE, 2011 ⁽¹⁾

		0–0.5 mi	0–1 mi ⁽²⁾	0–3 mi ⁽³⁾
POPULATION	Total number	10,978	37,640	302,308
	Male	50.4%	52.3%	49.7%
	Female	49.6%	47.7%	50.3%
	Bachelor's Degree or higher (25 years or older)	39.9%	43.7%	54.4%
HOUSEHOLDS	Total Number	6,289	18,922	138,682
	Average Household Size	1.7	2.0	2.0
	Owner Occupied	17.3%	21.5%	35.2%
	Median Home Value	\$424,793	\$385,007	\$399,964
	Average Home Value	\$566,140	\$489,653	\$522,341
INCOME	Average Household Income	\$62,275	\$59,668	\$76,055
	Median Household Income	\$44,271	\$43,763	\$51,397
	Median Household Disposable	\$31,149	\$31,339	\$38,471

(1) From 7th and H Streets, NW.

(2) 1 mile radius includes the area from Union Station on the East, the Southwest Freeway on the south, 18th Street on the West and Q Street NW on the North.

(3) A 3 mile radius includes the area from Stadium Armory on the East, Buzzards Point on the South, Georgetown University on the West and Georgia Ave/Petworth on the North.

Source: ESRI forecasts for 2010.

Downtown Neighborhood Survey 2011

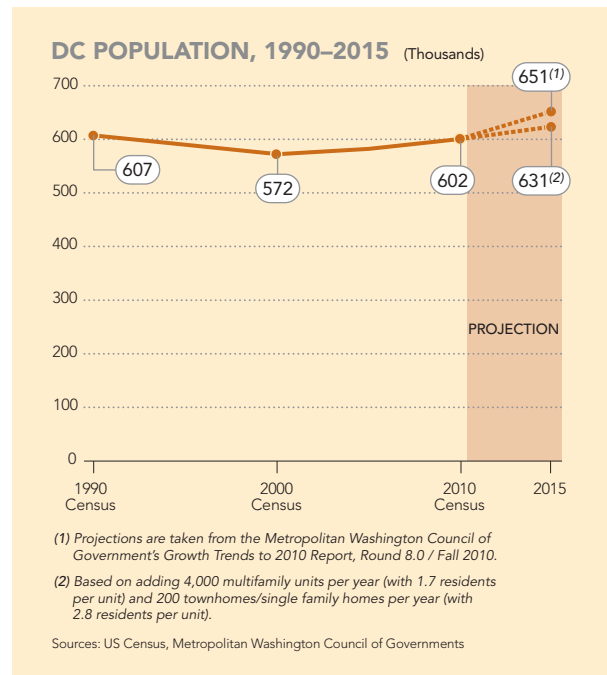
In Winter 2011, the DowntownDC BID, the Downtown Neighborhood Association and the Penn Quarter Neighborhood Association sponsored the fourth annual Downtown Neighborhood Survey. Three hundred and twenty-five unique resident responses were received. As with the previous years, the survey showed Downtown residents are young, well-educated and earn high household incomes.

- 25- to 34-year-olds continue to be the largest resident demographic, representing 46% of the 2011 respondents, with a four-year average of 44% for the 2007, 2008, 2009–2010 and 2011 surveys.
- 95% percent of the respondents have college degrees, with 58% also holding graduate degrees. These levels also have been consistent, with four-year averages of 96% and 58%, respectively.
- 72% of Downtown respondents reported having household incomes of more than \$100,000, increasing from 63% reported in the 2009–2010 survey, with a four-year average of 58%.

Since the Safeway at City Vista (5th and L Streets, NW) opened in 2008, residents who shop for groceries in the Downtown area have increased from 10% in 2007 to 68% in 2010. However, the percent of shoppers goods purchases in Downtown has not had the same increase. The percentage of those who report usually purchasing non-auto shoppers' goods in the Downtown area was 35% in 2011, up slightly from the previous three surveys, with 47% shopping most frequently in Virginia or Maryland and 18% elsewhere in DC.

Though DC is almost back to its 1990 residential population level, the city's makeup has changed to look more like the rest of the United States: more white and Hispanic residents and more wealthy residents. White residents increased from 30% in 1990 to 32% in 2000 and to 39% in 2010. The numbers for Hispanic residents are 5%, 8% and 9%, respectively. The numbers for Black residents declined from 66% in 1990 to 61% in 2000 and to 51% in 2010. The number of DC tax filers with incomes greater than \$100,000 per year, has increased substantially over the past 10 years. Although this group of tax filers declined by 3,620 from FY 2009 to FY 2010, it has increased from 3,700 tax filers with incomes more than \$100,000 in 1985 to 16,300 in 1995; 26,000 in 2000; 31,000 in 2005 and 42,000 in 2010.

Although growing in absolute number of residents, DC is slowly and steadily losing population market share in the region. The city is keeping pace with regional housing unit growth, but has a smaller household size than the rest of the region.



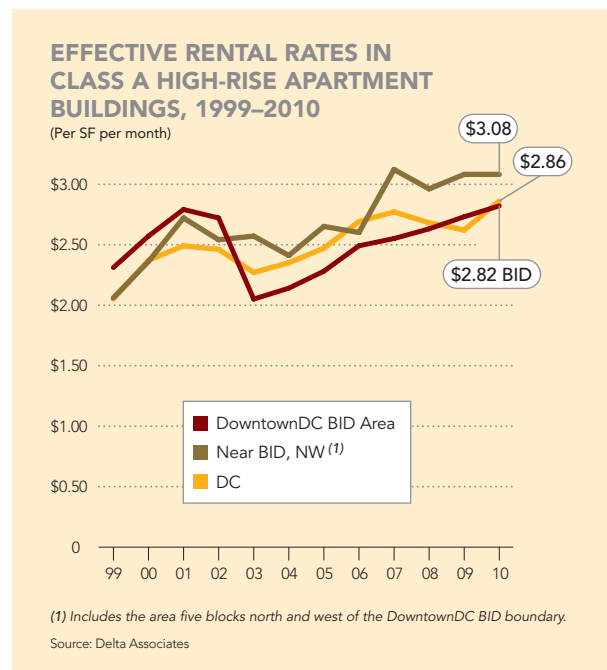
REGIONAL POPULATION, 1990–2010	Population (Thousands)			Change, 2000–2010		Change, 1990–2010	
	2010	2000	1990	Thousands	%	Thousands	%
DC	602	572	607	30	5%	–5	–1%
Suburban Maryland	2,304	2,065	1,789	239	12	515	29
Northern Virginia	2,623	2,117	1,691	506	24	932	55
Total	5,529	4,796	4,123	732	15%	1,406	34%

Sources: US Census and Center for Regional Analysis at George Mason University

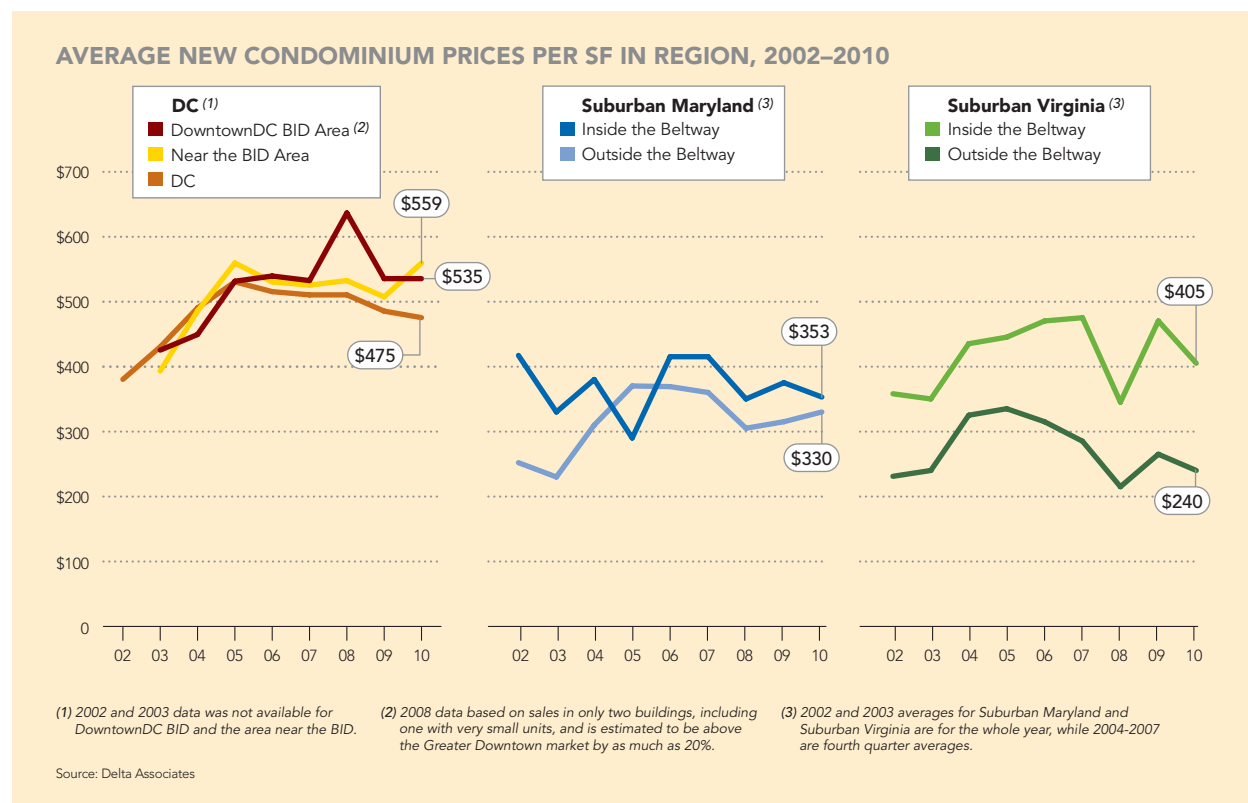
REGIONAL COMPARISON OF CLASS A HIGH-RISE APARTMENT BUILDINGS, 2010

	Rental Rates (\$)	Vacancy Rates (%)
DowntownDC BID Area	\$2.82	3.6%
Near BID NW ⁽¹⁾	\$2.86	2.8%
Near BID NoMa/NE ⁽²⁾	\$3.08	3.9%
DC	\$2.76	3.8%
Bethesda	\$2.74	3.0%
Alexandria	\$2.06	5.1%
Crystal City/Pentagon City	\$2.50	6.5%
Rosslyn-Ballston Corridor	\$2.53	4.0%

(1) Outside the DowntownDC BID, to the Northwest.
 (2) Outside the DowntownDC BID, to the Northeast.
 Source: Delta Associates



DC and the DowntownDC BID area lead the region in apartment rents and condominium prices. However, within DC, the DowntownDC BID area slightly lags other sub-markets in multi-family housing performance.



NEW CONDOMINIUM PRICES PER SF IN THE WASHINGTON METRO AREA, YEAR-END 2010 ⁽¹⁾

Average Effective Contract Price Per SF

(2) Central DC	\$640	
Upper Northwest DC	\$580	
(3) Northeast DC	\$415	
Arlington/Alexandria	\$400	
(4) East and South DC	\$400	
Montgomery County	\$355	
Fairfax County and Falls Church	\$310	
Prince George's County	\$245	
Loudoun and Prince William Counties	\$185	

(1) Reflects prices of condo projects currently selling, so averages should not be compared from quarter to quarter since locations of projects change each quarter.

(2) Central DC is bound by Constitution Avenue, Rock Creek Park, Connecticut Av/T St/16th St/ S St/11th St/N St, and New Jersey Avenue in Northwest DC.

(3) East of Rock Creek and north of S St/N St/Florida Ave.

(4) NoMa, Ward Six east of New Jersey Ave, and Wards Seven and Eight east of the Anacostia River.

Source: Delta Associates

CENTRAL DC NEW MARKET RATE MULTI-FAMILY HOUSING DEVELOPMENT, 2000–2013

	Completed 2000–12/2009	Completed in 2010	Under Construction at 12/2010	Planned at 12/2010	Total New Units Projected
(1) Near Downtown to North	4,828	0	685	3,615	4,300
DowntownDC BID	3,497	0	0	674	674
Mount Vernon Triangle	1,973	0	600	1,841	2,441
Adams Morgan and Columbia Heights	1,746	56	60	238	298
Capitol Riverfront	1,801	0	136	5,210	5,346
West End	1,460	0	333	622	955
NoMa	476	652	684	7,132	7,816
Capitol Hill	478	0	9	271	280
Southwest Waterfront	395	0	0	2,000	2,000
TOTAL	16,654	708	2,507	21,753	24,260

Source: Capitol Riverfront BID, NoMa BID, and DowntownDC BID

(1) Includes Shaw, Logan Circle, Dupont Circle, 14th Street, U Street and LeDroit Park areas.



Avalon at Gallery Place,
770 5th Street, NW.





*If you lived here
you would be
home by now...*

*Morning in
Downtown DC.*

Residential development took off in DC's Center City in the second half of 2010 and early 2011. Most occurred outside of the DowntownDC BID area after Equity Residential's leasing success at 401 and 425 Massachusetts Avenue (at the foreclosed DuMont condominium project which it purchased and renamed).

The following projects are under construction as of April 15, 2011:

- Archstone broke ground on a 469-unit apartment project at 1160 First Street, NE, in NoMa in the summer of 2010.
- UDR Inc. broke ground on 255 apartments at 2400 14th Street, NW, in the fall of 2010.
- Steuart Investments and Paradigm Development broke ground on 390 apartments at 425 L Street, NW, in Mount Vernon Triangle in the late fall of 2010.
- JBG broke ground on 14W's 231 apartments at 1325 W Street, NW, in the winter of 2011. This project includes a new Anthony Bowen YMCA facility.
- JBG broke ground on the 125-unit District Condos project at 14th and S Streets, NW, in March 2011.
- Mill Creek Residential Trust broke ground on 603 apartments in the NoMa West project just north of the intersection of Florida and New York Avenues, NE, in the spring of 2011.

The following projects are expected to break ground by October 2011:

- Stonebridge Carras and Walton Street's Constitution Square Phase II residential building consisting of 203 apartments in NoMa at 150 M Street, NE.
- Steuart Investment's 215 apartments in the 360° H Street project located at 360 H Street, NE, includes a 40,000 SF Giant Supermarket.
- Douglas Development and Kettler's 250-unit apartment project at 450 K Street, NW, in the Mount Vernon Triangle.

Hotels, Tourism & Conventions

The big news in 2010 was the November groundbreaking for the Marriott Marquis convention center headquarters hotel adjacent to the Walter E. Washington Convention Center. The hotel will offer a grand ballroom and two junior ballrooms, enabling the convention center to reach its full potential by allowing multiple conventions or shows to use its space simultaneously. In March and April, DC hotels outperformed New York City's Midtown hotels when DC hosted the National Cherry Blossom Festival. DC's hotels are full each year with a combination of business travelers, conventioners and tourists. The tourists come to enjoy the National Mall and the city's impressive free and ticketed museums, as well as visit its restaurants, performing and visual arts, professional sports teams and retail establishments. Out-of-town visitors numbered 16.3 million in 2009, of whom 1.5 million were international visitors. The DowntownDC BID area and DC with 27 and 134 hotels, respectively, do not serve all these visitors. The region's 514 non-DC hotels have capacity to handle up to 27.8 million visitors per year. There were 7–10 million unique visitors to the National Mall in 2010 (based on individual attendance at museums, memorials and monuments).



Destination DC estimates that DC's hospitality industry generates \$5.3 billion in visitor spending, 66,000 jobs and \$2.6 billion in wages.

VISITORS TO WASHINGTON, DC (Millions)

	Visitors			Occupied Hotel Nights
	Domestic	International	Total	
2010	NA	NA	NA	7.4
2009	14.8	1.5	16.3	7.2
2008	15.2	1.5	16.7	7.1
2007	14.8	1.2	16.0	7.1
2006	13.9	1.1	15.0	6.9
2005	14.1	1.2	15.3	7.1

Source: Destination DC

OVERSEAS VISITORS TO TOP 10 CITIES IN THE UNITED STATES, 2005–2009 ^{(1) (2)}

(Ranked by market share)

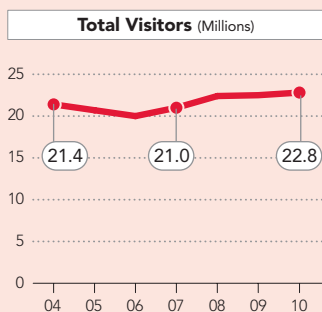
	Visitors (Thousands)					2009 Market Share	% Change in Visitors from 2005–2009
	2009	2008	2007	2006	2005		
New York City	7,792	8,211	7,646	6,219	5,810	32.8%	34.1%
Miami	2,661	2,585	2,341	1,972	2,081	11.2%	27.9%
Los Angeles	2,518	2,788	2,652	2,514	2,580	10.6%	–2.4%
Orlando	2,399	2,433	2,055	1,993	2,016	10.1%	19.0%
San Francisco	2,233	2,610	2,270	1,993	2,124	9.4%	5.1%
Las Vegas	1,853	2,027	1,720	1,647	1,778	7.8%	4.2%
Washington, DC	1,544	1,470	1,195	1,062	1,106	6.5%	39.6%
Honolulu	1,497	1,495	1,553	1,733	1,821	6.3%	–17.8%
Boston	1,140	1,115	1,075	997	802	4.8%	42.1%
Chicago	1,117	1,368	1,147	1,062	1,084	4.7%	3.0%

Sources: US Department of Commerce, ITA and Office of Travel and Tourism Industries

(1) Report is issued in June of each year for the preceding year. (2) Excludes Canada and Mexico.

MEMORIAL/MONUMENT VISITORS TO THE NATIONAL MALL, 2006–2010 ⁽¹⁾

(Ranked by highest attendance in 2010)



Visitors at Each Site (Millions)	2010	2009	2008	2007	2006
Lincoln Memorial	6.0	5.3	4.7	4.2	3.8
Vietnam Veterans Memorial	4.6	4.4	4.2	3.6	3.6
World War II Memorial	4.0	4.1	4.2	4.1	3.9
Korean War Veterans Memorial	3.1	3.1	3.7	3.4	3.2
Thomas Jefferson Memorial	2.3	2.3	2.4	2.3	2.2
Franklin D. Roosevelt Memorial	2.2	2.6	2.6	2.8	2.7
Washington Monument ⁽²⁾	⁽³⁾ 0.6	⁽³⁾ 0.7	0.7	0.6	0.6
Total Visitors	22.8	22.5	22.4	21.0	20.0

(1) Figures are not unique visitors to the National Mall as some visitors go to multiple memorials/monuments during one or more trips to the mall per year.

(2) The number of visitors inside the Washington Monument is limited to 80 people at one time.

(3) Visitor hours extended to 10 p.m. during July and August.

Source: National Park Service

MUSEUM VISITORS TO THE NATIONAL MALL, 2006–2010 ⁽¹⁾

(Ranked by highest attendance in 2010)

	2010	2009	2008	2007	2006
National Air and Space Museum	8,300,000	7,000,000	7,000,000	6,000,000	5,000,000
National Museum of Natural History	6,800,000	7,400,000	7,000,000	7,100,000	5,800,000
National Gallery of Art	4,800,000	4,606,000	4,964,000	4,518,000	4,690,000
National Museum of American History ⁽²⁾	4,200,000	4,400,000	480,000	Closed	2,400,000
Smithsonian Castle	1,800,000	1,900,000	1,700,000	1,600,000	1,300,000
Holocaust Museum	1,674,186	1,748,000	1,700,000	1,600,000	1,570,000
National Museum of the American Indian	1,300,000	1,400,000	1,500,000	1,800,000	1,600,000
Hirshhorn Museum and Sculpture Garden	621,000	668,000	670,000	740,000	757,000
Arts and Industries Building ⁽³⁾	Closed	Closed	Closed	Closed	Closed
All Visitors	29,495,000	29,122,000	25,014,000	23,358,000	23,117,000
% Change in Attendance from Previous Year	1%	16%	7%	1%	-8%

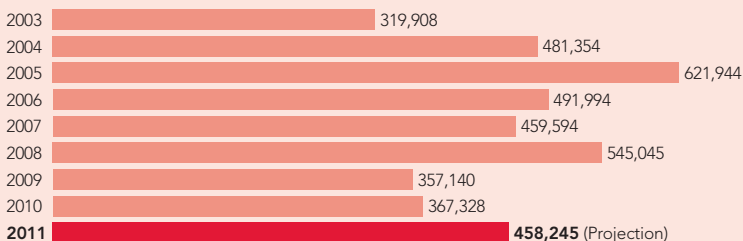
(1) Figures are not unique visitors to the National Mall as some visitors go to multiple museums during one or more trips to the mall per year.

(2) Closed for renovations from September 2006 until November 2008.

(3) Closed indefinitely in 2004 for extensive repairs and decision on future use.

Sources: Smithsonian Institution, Holocaust Museum, National Gallery of Art

ROOM NIGHTS GENERATED FOR THE WALTER E. WASHINGTON CONVENTION CENTER BY DESTINATION DC, 2003–2011 ⁽¹⁾

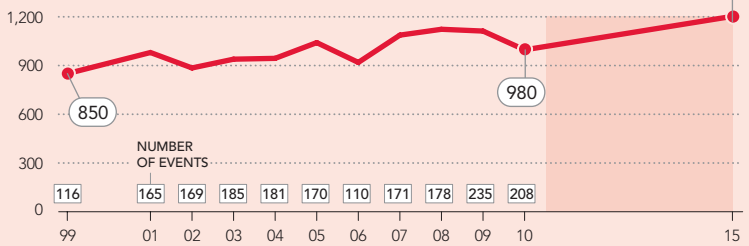


Source: Destination DC

(1) The Walter E. Washington Convention Center opened in March 2003.

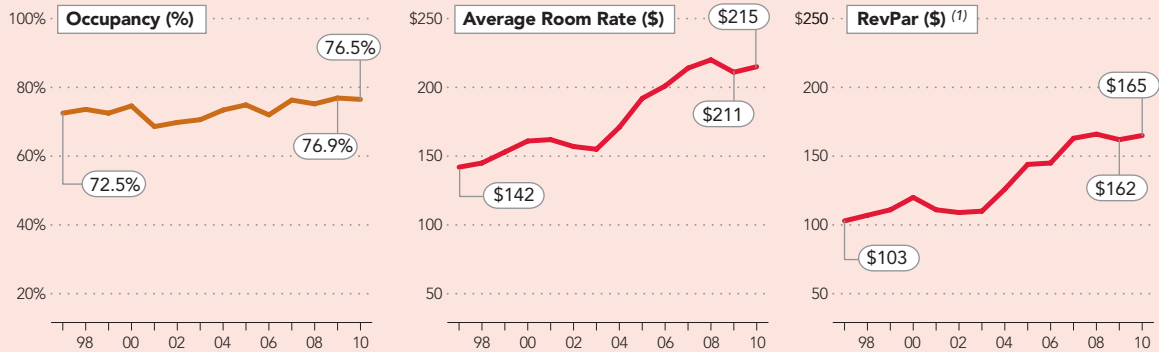
The Walter E. Washington Convention Center helps fill between 15% and 25% of the DowntownDC BID area's occupied hotel rooms, which aids substantially in maintaining DC's high hotel rates.

WALTER E. WASHINGTON CONVENTION CENTER ATTENDANCE, 1999-2010 (Thousands)



Sources: Washington Convention Center Authority and DowntownDC BID

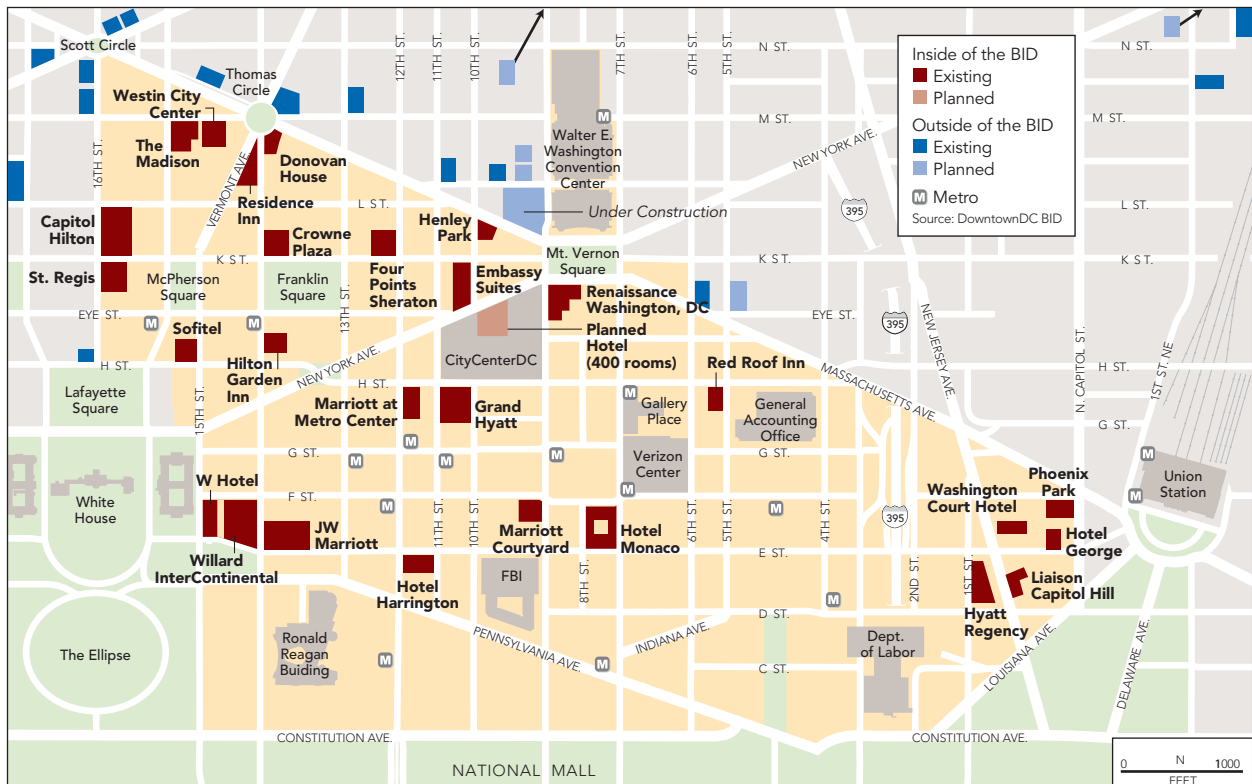
DOWNTOWNDC BID AREA HOTEL PERFORMANCE, 1997-2010



Source: Smith Travel Research

(1) RevPAR = Revenue per Available Room = Occupancy x Average room rate

DOWNTOWNDC BID AREA HOTELS, APRIL 2011



DC's hotel performance is very strong due to the powerful combination of business travel, conventions and tourism.

DOWNTOWNDC BID AREA HOTEL ROOM REVENUES AND COMPARISON TO OTHER DC HOTELS, 1999–2010

	BID Area Average Hotel Rooms for the Year	BID Area Average Hotel Rooms as % of All DC	BID Area Hotel Room Revenues as % of Total DC Hotel Room Revenues	BID Area Hotels' RevPAR as % of Other DC Hotels' RevPAR
1999	8,244	33%	37%	118%
2000	8,773	35	39	116
2001	8,904	35	38	116
2002	9,113	36	38	112
2003	9,083	35	38	113
2004	9,316	36	39	113
2005	9,268	35	38	113
2006	9,026	34	36	111
2007	8,863	33	36	113
2008	8,842	34	36	112
2009	9,053	34	38	120
2010	9,211	34	37	116

Source: Smith Travel Research

The DowntownDC BID area's 9,200 hotel rooms (in 27 hotels) outperform DC's other 19,000 hotel rooms (in 108 hotels) by 10% to 20%.

DC HOTEL SALES, 2006–2011

		DowntownDC BID Area Hotels Highlighted		
	Hotel	Total Price (Millions)	Rooms (#)	Price per Room (Thousands)
2006 January	Westin Embassy Row	\$36	206	\$173
March	Four Seasons	169	211	800
March	Melrose Hotel	76	240	317
March	Hay Adams	56	145	386
May	Hotel Washington	120	344	349
October	Hotel Washington ⁽¹⁾	150	344	436
2007 January	Capitol Hill Suites	39	152	257
January	Homewood Suites	50	175	286
February	Renaissance Mayflower Hotel	260	657	395
April	Marriott Washington	118	417	283
May	Hilton Washington ⁽²⁾	290	1,119	259
September	St. Regis ⁽³⁾	170	178	955
2008 February	Latham Hotel Georgetown	33	142	233
February	Renaissance M Street Hotel	141	355	398
2010 February	Sofitel Lafayette Square	95	237	401
May	Watergate Hotel	45	251	179
June	Red Roof Inn Downtown ⁽⁴⁾	40	195	200
July	Homewood Suites	57	175	325
September	Hampton Inn	73	228	320
September	Hotel Monaco	74	183	404
2011 January	Madison Hotel ⁽⁵⁾	94	353	265
March	Capitol Hill Suites	48	152	312

(1) Plans to invest \$60 million to convert the hotel into a W Hotel which brings the per room investment from \$436,000 to \$610,000.

(2) Plans to invest \$100 million to renovate the hotel which brings the per room investment from \$259,000 to \$349,000.

(3) Sales data is not available for the September 2007 sale of the St. Regis. Total price and price per room are DowntownDC BID estimates.

(4) Plans to renovate and rebrand the hotel as Fairfield Inn & Suites.

(5) Plans to invest \$20 million to renovate the hotel which brings the per room investment from \$265,000 to \$322,000.

Source: HVS International

MARRIOTT MARQUIS CONVENTION CENTER HEADQUARTERS HOTEL OVERVIEW

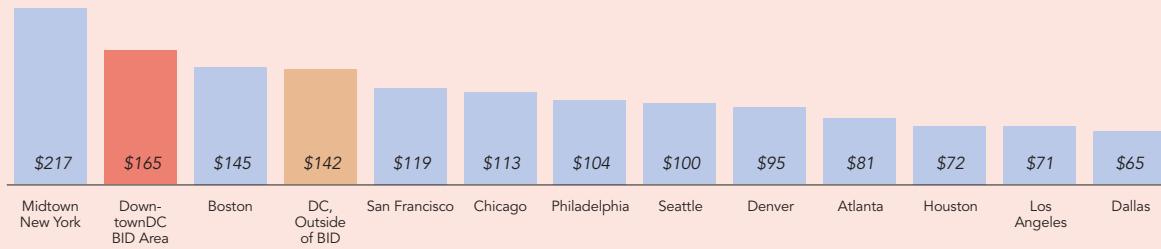
- 1,175 rooms
- 128,000 SF Ballroom/Meeting Space
- Six restaurants/bars
 - 779 seats total
- 31,000 SF of retail
- 400 parking spaces
- Start date: November 10, 2010
- Projected completion date: 2014
- Other
 - 1.3 million gross SF
 - 83,000 SF parcel of land
 - Underground walkway to convention center
 - 14 floors



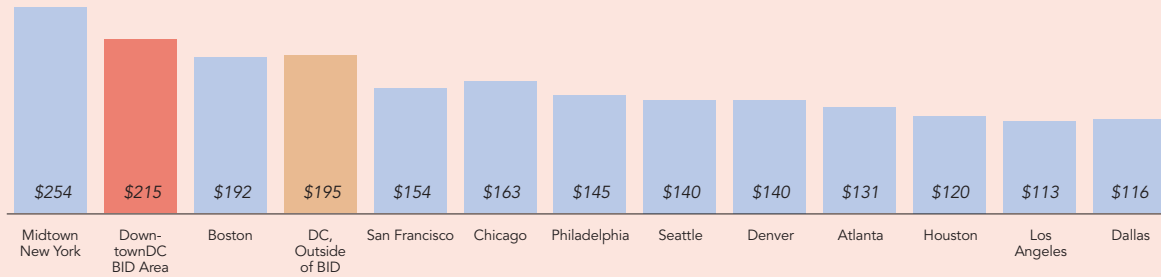
Marriott Marquis Convention Center Headquarters Hotel construction site.

LARGE CITY HOTEL COMPARISON, 2010 ⁽¹⁾

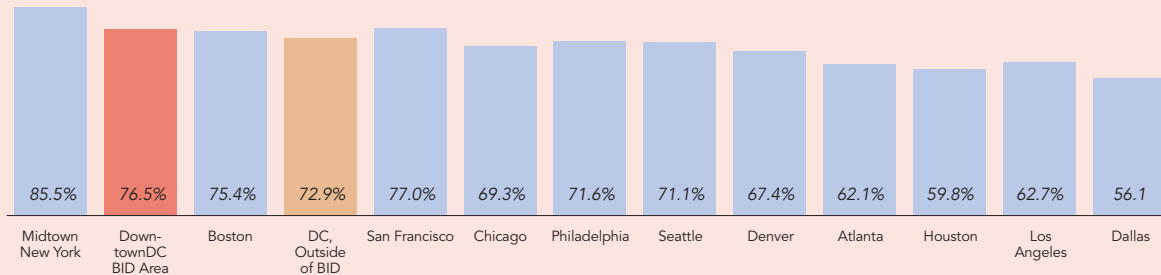
REVENUE PER AVAILABLE ROOM (\$)



AVERAGE ROOM RATE (\$)



OCCUPANCY RATE (%)

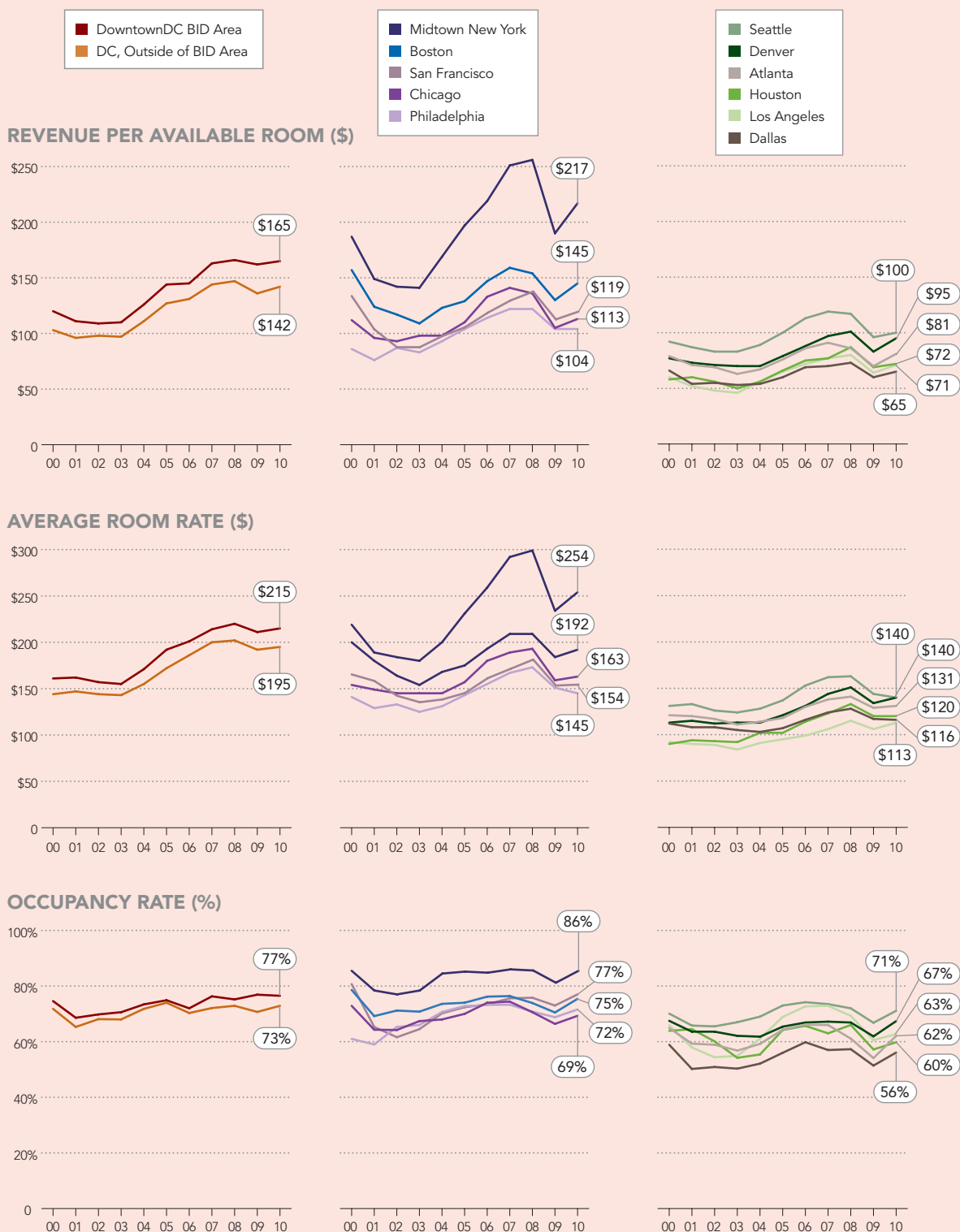


Source: Smith Travel Research

(1) Downtown geographies used in all cases.



The W Hotel lobby was part of a \$60 million renovation in 2009. Downtown hotels have invested hundreds of millions of dollars on renovations over the past ten years.

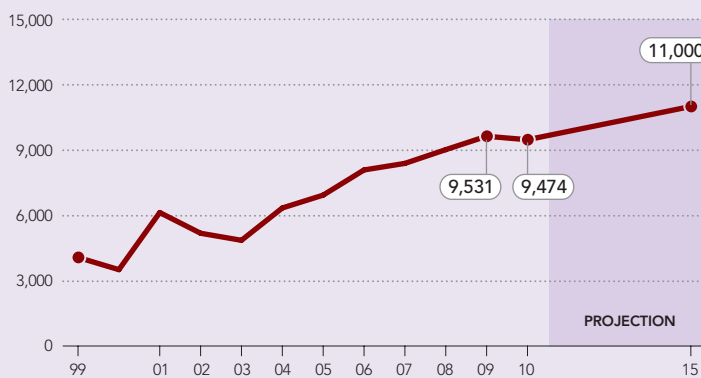
LARGE CITY HOTEL COMPARISON, 2000–2010 ⁽¹⁾

Source: Smith Travel Research

(1) Downtown geographies used in all cases.

Culture & Entertainment

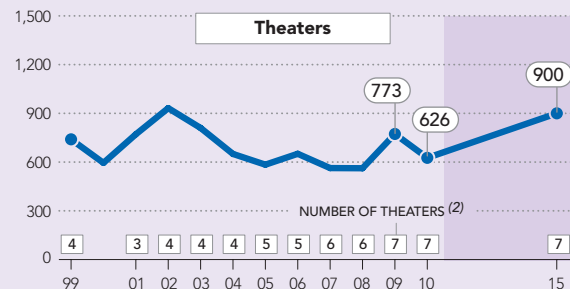
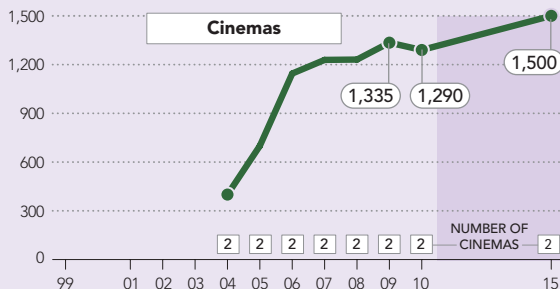
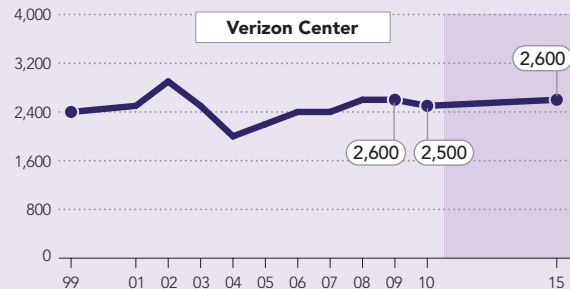
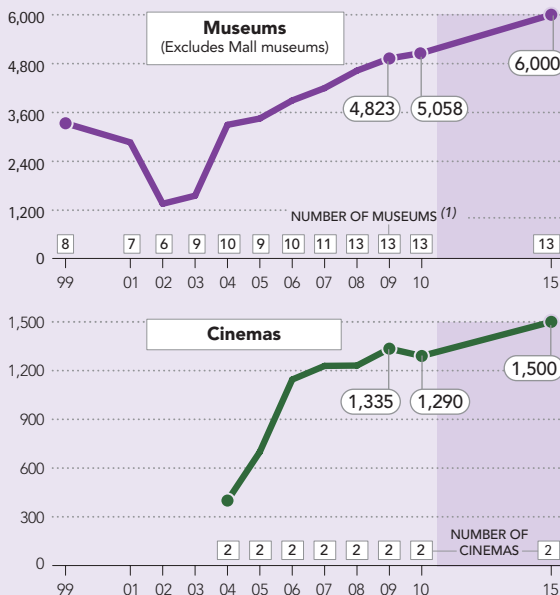
VISITORS IN THE DOWNTOWNDC BID AREA, 1999–2015
(Thousands)



Source: DowntownDC BID

DC is the cultural and entertainment center of the region, and the DowntownDC BID area is a major contributor to DC's offerings, with 13 museums, six live theatres, two movie theaters with 22 screens, and the 19,000-seat Verizon Center (home to the NHL Capitals, NBA Wizards, WNBA Mystics and Georgetown Hoyas men's basketball team). In 2010, museum attendance was up 5%, while theater attendance was down 19%. On the horizon is the Riot Act, a new comedy club, which is expected to open in late Spring 2011 on the northwest corner of 8th and E Streets, NW.

VISITORS IN THE DOWNTOWNDC BID AREA BY MAJOR SECTOR, 1999–2015 (Thousands)



Source: DowntownDC BID

(1) Between 2001 and 2005, one or more museums were closed for renovation. In 2007, one museum did not report attendance. In 2008, 2009 and 2010, two museums did not report attendance.
(2) Between 2001 and 2008, one or more theaters were closed for renovation.



The National Cherry Blossom Festival Family Day at the National Building Museum allows area families to experience Japanese culture.

MUSEUM ATTENDANCE IN DOWNTOWNDC BID AREA, 2007–2010

(Ranked from highest to lowest in 2009)

	2010	2009	2008	2007
National Archives ⁽¹⁾	1,058,671	1,003,491	1,015,374	1,075,129
National Portrait Gallery and Smithsonian American Art Museum ⁽²⁾	1,100,000	1,000,000	1,000,000	786,000
Newseum	712,000	714,000 ⁽³⁾	714,000 ⁽³⁾	Opened in April 2008
International Spy Museum	650,000	650,000	700,000	719,823
Ford's Theatre National Historical Site ⁽⁴⁾	599,841	557,652	335,865	732,521
National Building Museum ⁽¹⁾	475,867	436,315	406,796	414,517
Old Post Office Pavillion Tower	262,030	256,874	239,785	226,908
National Museum of Women in the Arts	68,000	85,000	96,674	116,022
The Naval Heritage Center	75,000	60,000	60,000	60,000
National Law Enforcement Memorial — Visitors Center	30,494	31,583	27,598	29,589
Marian Koshland Science Museum	26,200	27,703	28,316	24,064
National Museum of Crime and Punishment	Data Unavailable	Data Unavailable	Opened in May 2008	
Madame Tussauds	Data Unavailable	Data Unavailable	Opened in October 2007	
Total Museum Attendance	5,058,103	4,822,618	4,624,408	4,184,573
% Change in Attendance from Previous Year	5%	4%	11%	8%

⁽¹⁾ The National Archives tracks visitors by the federal fiscal year (October 1–September 30).

⁽²⁾ The National Portrait Gallery and Smithsonian American Art Museum closed for renovations in 2000 and re-opened in July 2006.

⁽³⁾ The Newseum figures are April to April for 2008 and 2009.

⁽⁴⁾ Ford's Theatre and Ford's Theatre Museum closed for renovations in June 2007. The Theatre reopened in February 2009 and the Museum reopened in July 2009. The Petersen House was open throughout.

Sources: Museums

Downtown's for-profit museums attracted approximately 1.5 million visitors. Assuming a conservative ticket price of \$10 per person and a 6% sales tax, \$900,000 is generated per year in tax revenue for DC.

The National Portrait Gallery's Norman Rockwell exhibit and the controversial "Hide & Seek" show helped it increase visitation by 100,000 visitors, to 1.1 million in 2010.

DOWNTOWNDC BID AREA THEATER ATTENDANCE, 1999–2010

(Ranked by highest attendance in 2010)

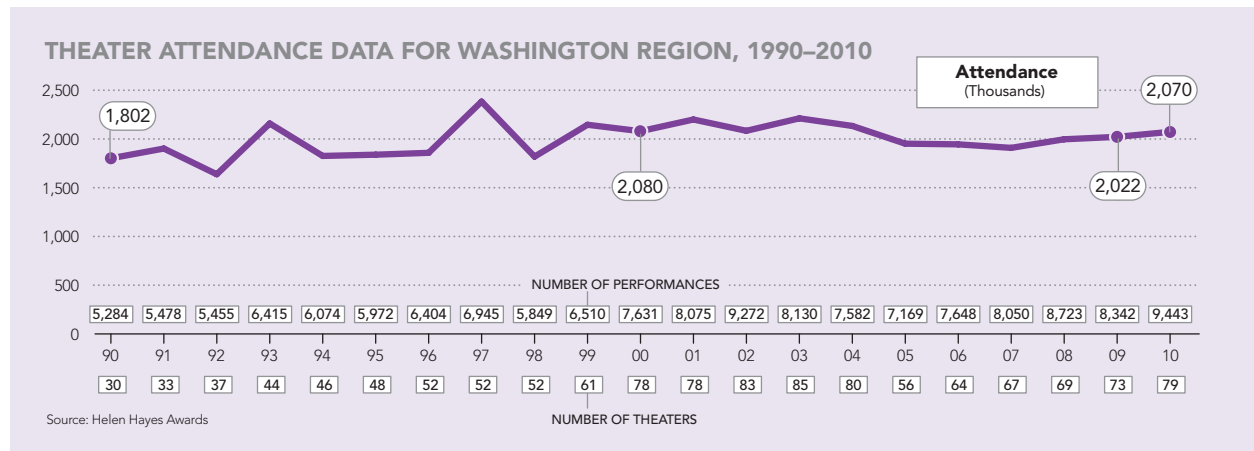
	2010	2009	2008 ⁽¹⁾	2007	2004	1999
Warner Theatre	179,000	190,000	208,000	215,000	274,000	281,000
Sidney Harman Hall, Shakespeare Theatre Company	150,000	142,000	130,000	50,000	Opened October 1, 2007	
Lansburgh Theatre, Shakespeare Theatre Company	96,000	90,000	93,000	123,000	146,000	138,000
Ford's Theatre	92,000	85,000	Closed	50,000	98,000	98,000
National Theatre	64,000 ⁽²⁾	222,000	89,000	85,000	132,000	223,000
Woolly Mammoth Theatre	45,000	45,000	44,000	40,000	Opened May 12, 2005	
Total Theater Attendance	626,000	773,000	562,000	563,000	650,000	740,000
% Change in Attendance from Previous Year	-19%	37%	0%	-13%	-20%	-10%

(1) Ford's Theater closed for an 18-month renovation on 6/1/2007 and reopened on 2/3/2009.

(2) Only 2 shows ran during 2010.

Sources: Theaters

The DowntownDC BID area's museums, performing arts facilities, movie theaters, and the Verizon Center bring more than 9 million people Downtown.



With 6 theaters offering live productions, Downtown is responsible for 30% of the region's theater attendance.

Woolly Mammoth's highly acclaimed production of *Clybourne Park* in 2010 attracted 8,100 patrons and received eight 2011 Helen Hayes Award nominations.

LARGEST PUBLIC PERFORMING ARTS SPACES IN DC, APRIL 2011

DowntownDC BID Area Theaters Highlighted	Seats
The Kennedy Center for the Performing Arts	6,679
Concert Hall	2,442
Opera House	2,300
Eisenhower Theater	1,100
Terrace Theater	513
Family Theater	324
DAR Constitution Hall	3,702
Warner Theatre	1,847
National Theatre	1,676
Cramton Auditorium, Howard University	1,500
The Lisner Auditorium, The George Washington University	1,490
Arena Stage	1,411
The Fichandler Stage	683
Kreeger Theater	514
Kogod Cradle	214
Lincoln Theater	1,250
Harman Center for the Arts, Shakespeare Theatre Company	1,226
Sidney Harman Hall	775
Lansburgh Theatre	451
Studio Theatre	700
Mead Theatre	200
Milton Theatre	200
Metheny Theatre	200
Stage Four	100
Ford's Theatre	658
Atlas Performing Arts Center	526
Atlas Fixed Seat Theatre	276
Atlas Flexible Seat Theatre	250
Hartke Theatre, Catholic University	516
Town Hall Education Arts & Recreation (THEARC)	365
Tivoli Theatre, GALA Hispanic Theatre	270
Woolly Mammoth Theatre	265
Folger Theatre	250
Jewish Community Center (Theatre J)	238
Warehouse Theater	120
H Street Playhouse	150
Source Theatre	150
Washington Stage Guild at Undercroft Theatre	148
Church Street Theater	115
Flashpoint Theatre	75
Total Current Seats	25,327
% of Seats in Downtown BID Area	23%
Future Seats	
Howard Theatre Renovation (600 block of T Street, NW)	600

Source: DowntownDC BID



The 2007 opening of Harman Hall at the Shakespeare Theatre significantly strengthened the cultural offerings in Downtown.

The Shakespeare Theatre Company had a record year, with 246,000 patrons. In addition to presenting many classical works, the theater hosted a very successful run of *Avenue Q*. Free performances during its late summer "Free For All" production of *Twelfth Night* attracted 17,000 patrons to the DowntownDC BID area with 23 performances on 17 days.

ECONOMIC IMPACT OF NON-PROFIT ARTS AND CULTURE ORGANIZATIONS IN DC, FY 2005⁽¹⁾

Economic Activity	Arts and Culture		Total Expenditures
	Organizations ⁽²⁾	Audiences ⁽³⁾	
Total Industry Expenditures	\$628 million	\$119 million	\$747 million
Economic Impact of Expenditures			
Full-Time Equivalent Jobs Supported	11,205 jobs	778 jobs	11,983 jobs
Household Income Paid to Residents	\$355 million	\$15 million	\$370 million
Revenue Generated to Local Government	\$62 million	\$4 million	\$66 million

(1) Due to its large size, the Smithsonian Institution has been excluded from this economic impact analysis.

(2) Spending by non-profit arts and culture organizations includes labor, payments to local and non-local artists, operations, materials, facilities and asset acquisition.

(3) Event-related spending by non-profit arts and culture audiences, excluding the cost of admission.

Source: Americans for the Arts

DC arts organizations directly create 2% of DC's non-federal jobs.

Downtown's cultural and entertainment venues help retain and attract businesses and residents by continuing to present interesting and unique shows and events.

Retail & Restaurants

Destination clothing and high-end shopping is the sole low-performing sector of the Downtown economy remaining since Downtown's renaissance began in 1997. However, the April 4, 2011, groundbreaking of Phase I of Hines and Archstone's CityCenterDC project sets the stage for Downtown to become a regional destination shopping district. When CityCenterDC's 185,000 SF of destination retail is added to the DowntownDC BID area's existing 600,000 SF of destination retail, the result will establish the Downtown Shopping District as a regional shopping district with retail across a wide range of price points. Phases II and III of CityCenterDC will bring another 150,000 SF of destination retail to the center of the DowntownDC BID area.

Although it was a mixed year for Downtown retail in 2010, the overall retail vacancy rate declined to 7% from 11%. Borders and West Elm closed, as did the ESPN Zone and another four restaurants. Five new restaurants opened, keeping Downtown's overall destination restaurant count at 133. Forever 21 opened in West Elm's 40,000 SF space and added another 25,000 SF. Clyde's Restaurant Group will open a new restaurant concept in the Borders space, and it is rumored the restaurant will be open 24 hours a day. Clyde's Restaurant Group also runs the Old Ebbitt Grill and Clyde's Gallery Place in the DowntownDC BID area. Dress Barn opened on the 1300 block of F Street in the National Place building. Finally, Carmine's, the New York City family-style Italian restaurant, opened in the Penn Quarter neighborhood with 770 seats (the city's largest restaurant) and 220 employees.

The outlook for the DowntownDC BID area's restaurant economy is impressive with expected net growth of 10 new restaurants in 2011, bringing the destination restaurant total to 143.

Downtown's growing retail and restaurant markets make the city more attractive to new residents, workers and visitors, and generate millions of sales tax dollars for the city.

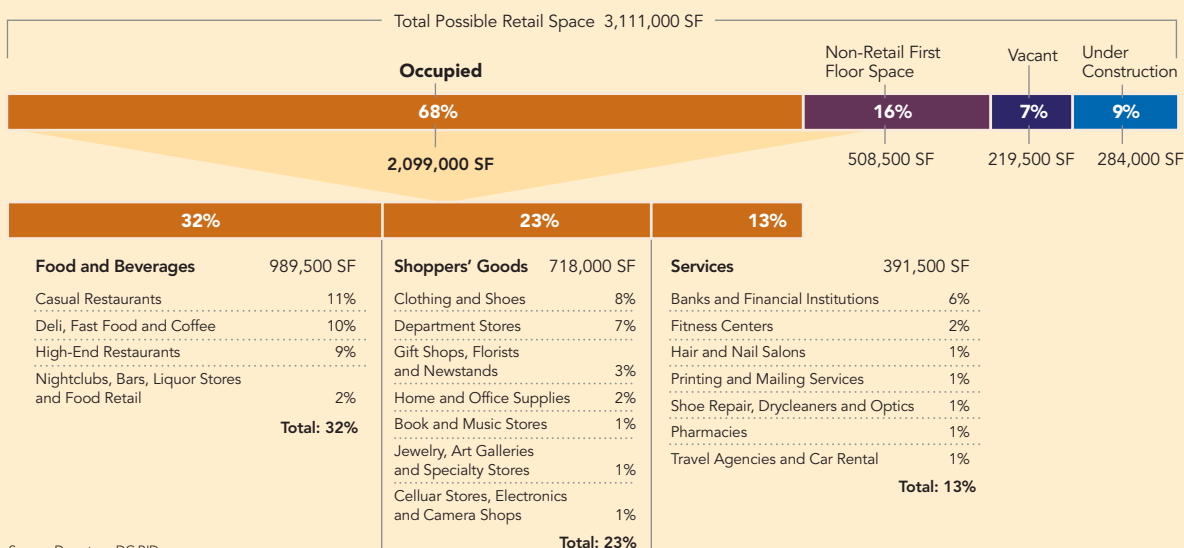
The retail and restaurant triple threat: (1) improving quality of life that attracts employers and residents, (2) creating significant tax revenues for the city and (3) growing jobs for DC residents of all skill levels.



Lunchtime at Pret A Manger at 1155 F Street, NW, which opened in 2010.

RETAIL SPACE OVERVIEW FOR DOWNTOWNDC BID AREA, MARCH 2010

(As percentage of existing and possible space. Percentages and square footage numbers are rounded)



Vacant space in Downtown declined from 11% to 7% between November 2009 and March 2011 (from 312,000 SF to 220,000 SF).

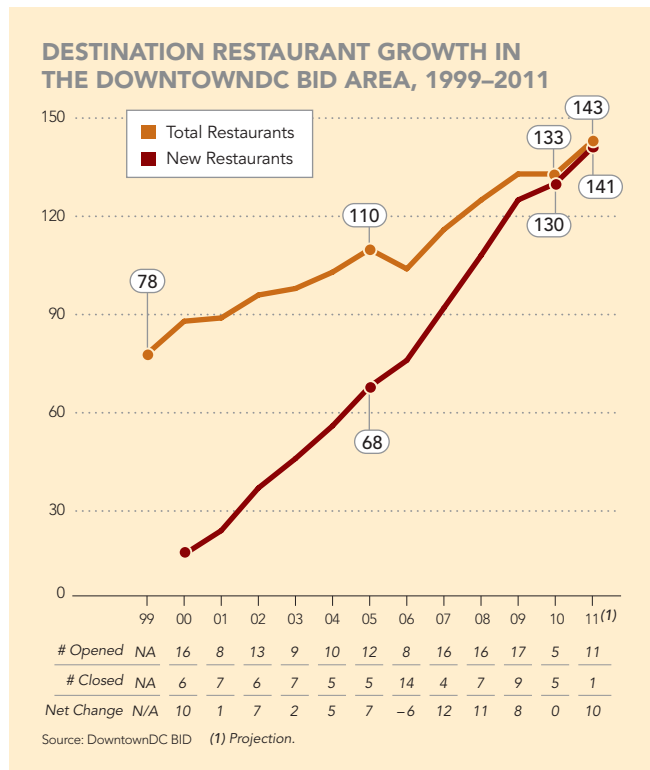
With the city expected to lose an estimated \$1 billion in retail sales to the suburbs, the city government is focused on bringing more retail to DC and specifically required the Old Convention Center site redevelopment to have substantial retail.

CITYCENTERDC PROJECT SUMMARY

Use	Phase One	Phase Two	Phase Three	Total
Investment	\$700 million	\$140 million	\$200 million	1,040 million
Office	520,000 SF	–	560,000 SF	1,080,000 SF
Hotel	–	350 Rooms	–	350 Rooms
Retail	185,000 SF	110,000 SF	40,000 SF	335,000 SF
Apartment	458 Units	–	–	458 Units
Condominium	216 Units	–	–	216 Units
Parking	1,570 Spaces	200 Spaces	330 Spaces	2,100 Spaces
Groundbreaking Date	April 4, 2011	Not Established	Not Established	NA
Completion Date	3rd & 4th Q 2013	Not Established	Not Established	NA

Source: DowntownDC BID

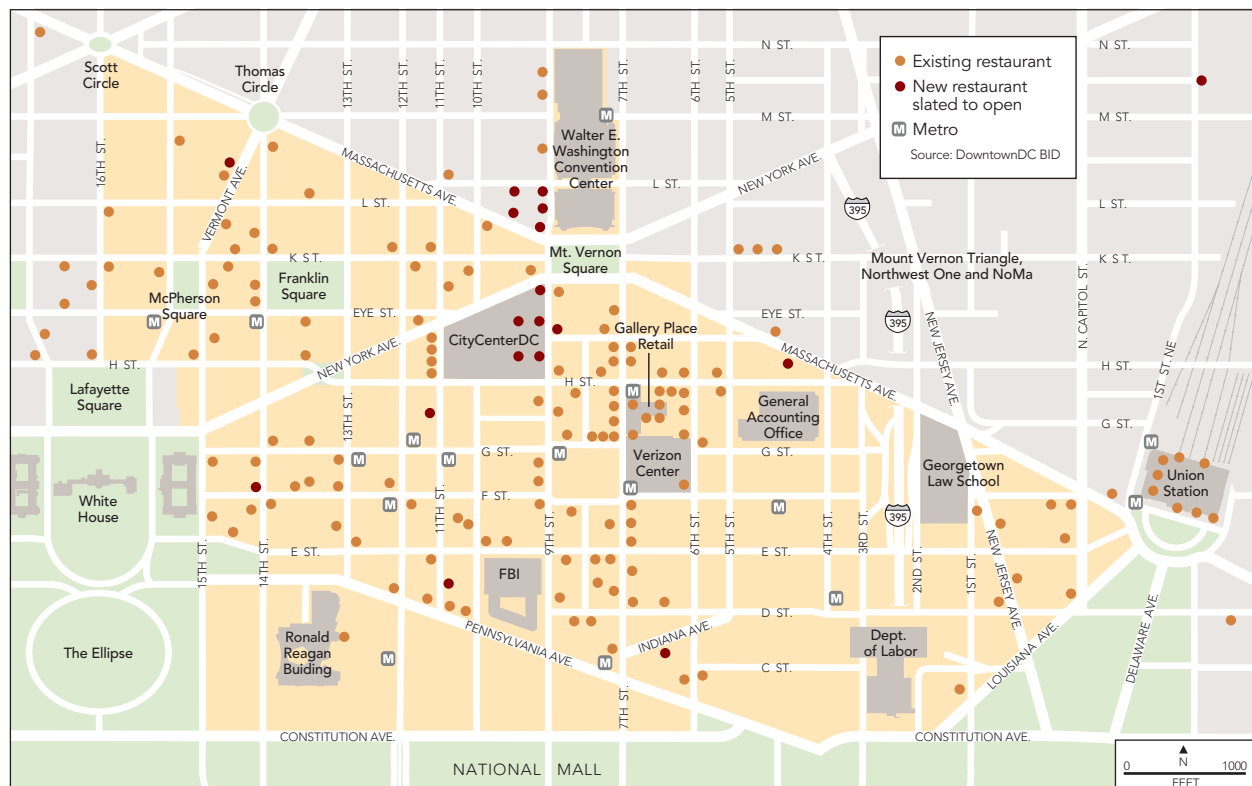
CityCenterDC retail will change Downtown shopping from a local shopping destination to a regional one, and will draw weekend travelers while serving DC residents and providing them with job opportunities.



Carmine's Restaurant
on Seventh Street.

Carmine's opened in 2010 and quickly became a favorite Downtown destination restaurant. With more than 700 seats in about 21,000 SF, it is the largest sit-down/waiter-served restaurant in the city. Carmine's has created 220 jobs and will generate sales taxes estimated at \$1.5 million per year.

DOWNTOWNDC BID AREA DESTINATION RESTAURANTS, APRIL 2011



DOWNTOWNDC BID AREA DESTINATION RETAILERS, 2010

	Square Feet
Large Retailers	
Macy's	227,000
Forever21	65,000
Filene's Basement	56,000
Bed Bath and Beyond	48,000
Dress Barn	31,000
H&M	27,000
Barnes & Noble	23,000
City Sports	16,000
Urban Outfitters	15,000
Zara	14,000
Anthropologie (announced)	12,000
Museum Gift Shops (8)	10,000
Large Retailers Subtotal	544,000
Other Retailers	
Ann Taylor Loft	5,700
Guess	5,000
Banana Republic	4,200
Peruvian Connection	3,600
Jos A Bank	3,300
Payless Shoe Source	2,800
Bandolino	2,400
Ann Taylor	2,400
American Apparel	2,100
Nine West	1,500
Alden Shoes	1,400
Comfort One	1,300
Ecco	1,300
Shoes By Lara	1,300
Geoffrey Lewis	1,300
lou lou boutique	1,200
Johnston & Murphy	1,000
Georges DeParis	800
Coup de Foudre	800
Andrew's Ties	500
Electronics (7)	9,100
Jewelry Stores (11)	8,900
Art Galleries (2)	2,600
Other Retailers Subtotal	64,500
Total Destination Retail Space	608,500

Source: CoStar, Brokers and DowntownDC BID

AVAILABLE DOWNTOWNDC BID AREA DESTINATION RETAIL SPACE, 2010

Project	Square Feet
401 9th Street	26,500
700 6th Street	17,000
1155 F Street (11th Street)	15,000
777 6th Street	10,000
709-711 D Street	8,000
1100 13th Street	8,000
705-707 6th Street	6,000
1018 Vermont Avenue	5,000
Carroll Square (975 F Street)	5,000
Total Available Today ⁽¹⁾	100,500

(1) The Old Convention Center Site will bring 345,000 SF of retail space by 2015.

Source: CoStar, Brokers and DowntownDC BID



lou lou boutique is a 2010 addition to F Street's retail establishments.

MAJOR CONNECTICUT AVENUE RETAIL

- Benetton
- Betsy Fisher
- Brooks Brothers
- Burberry
- Filene's Basement
- Gap
- Men's Warehouse
- Nine West
- Proper Topper
- Rizik Brothers
- Talbots
- Thomas Pink
- Tiny Jewel Box
- Victoria's Secret

MAJOR UNION STATION RETAIL

- Appalachian Spring
- Ann Taylor
- Chico's
- Express
- Jos. A. Bank
- L'Occitane
- shoeWoo
- The Body Shop
- Victoria's Secret
- White House/Black Market

Legend:

- Existing Destination Retail (Red)
- Future Destination Retail Space (Orange)
- Grocery Stores (G)
- Metro (M)

Source: DowntownDC BID

2010 STATE OF DOWNTOWN



Nine West on
the 1300 block
of F Street, NW.

There will be shoppers' goods demand for another 600,000 SF of retail even after CityCenterDC is completed.

DOWNTOWNDC RETAIL OPPORTUNITY FOR SHOPPERS' GOODS, APRIL 2010 (FROM 9TH AND G STREETS, NW)

		2010	2015 (Projected)	Change 2010–2015 (Projected)
INPUTS FOR RETAIL DEMAND PROJECTIONS				
Office Worker Market	Office Space Within 5 Blocks	41 million SF	44 million SF	3 million SF
	Office Space Within 15 Blocks	124 million SF	135 million SF	11 million SF
	Office Workers Within 5 Blocks	117,000	129,000	12,000
	Office Workers Within 15 Blocks	420,000	466,000	46,000
Non-Office Worker Market	Non-Office Workers Within 5 Blocks	11,000	15,000	4,000
	Non-Office Workers Within 15 Blocks	30,000	36,000	6,000
Residential Market	Population Within 5 Blocks	6,300	7,100	800
	Population Within 15 Blocks	55,600	65,400	9,800
Visitor Market	Hotel Rooms Within 5 Blocks	3,300	4,900	1,600
	Hotel Rooms Within 15 Blocks	16,900	20,300	3,400
	Hotel Rooms Citywide	27,400	31,400	4,000
	Hotel Room Nights Within 5 Blocks	0.9 million	1.4 million	0.5 million
	Hotel Room Nights Within 15 Blocks	4.5 million	5.4 million	0.8 million
	Hotel Room Nights Citywide	7.3 million	8.4 million	1.0 million
INPUTS FOR RETAIL SUPPLY PROJECTIONS				
SF of Shopper's Goods Retail Within 15 Blocks		0.7 million	1.0 million	0.3 million
RETAIL SALES OPPORTUNITY ANALYSIS — 15 BLOCKS				
Dollars of Retail Demand	Office Worker Market	\$504 million	\$605 million	\$101 million
	Residential Market	271 million	332 million	61 million
	Overnight Hotel Visitor Market ⁽¹⁾	91 million	108 million	17 million
	Total	\$866 million	\$1,045 million	\$179 million
Dollars of Retail Supply ⁽²⁾		\$279 million	\$392 million	\$113 million
Retail Opportunity (Current DowntownDC BID Area Retail Demand Less DowntownDC BID Area Retail Supply)		\$587 million in annual sales	\$653 million in annual sales	\$66 million

(1) Overnight visitor market retail demand is calculated from hotel guests within 15 blocks of the 9th and G Streets.

(2) Retail supply for 2009 assumes sales of \$250/SF for department stores; \$350/SF for bookstores and electronics, and \$400/SF for all other shoppers' goods.

Source: CoStar Group (office space data); 2000 Census and DowntownDC BID (residential market data); Smith Travel Research (visitor market data)

Transportation

Transportation access is Downtown's second most important competitive advantage after proximity to the federal government. Public transit and the car account for 37% and 54%, respectively, of DC workers' trips to work, and 37% and 43%, respectively, of DC residents trips to work. However, biking and walking are becoming more popular. The DC government's investments to create a more walkable and bikeable environment have supported and enabled this increase in the number of people walking and biking throughout the city and Downtown.

WORKERS AND RESIDENTS TAKING PUBLIC TRANSPORTATION BY CITY, 2009

	Workers Taking Transit to Work			City Residents Taking Transit to Work		
	Public Transit	Bike	Walk	Public Transit	Bike	Walk
New York City	56%	0.5%	8.9%	55%	0.6%	10.3%
Boston	38%	1.6%	8.4%	35%	2.1%	14.1%
Washington, DC	37%	1.2%	4.4%	37%	2.2%	11.1%
San Francisco	36%	2.2%	7.6%	32%	3.0%	10.3%
Chicago	31%	1.0%	5.2%	27%	1.1%	5.9%
Philadelphia	26%	1.9%	7.2%	25%	2.2%	8.7%

Source: American Community Survey 2009, One Year Estimate

The more transportation options Downtown offers, the more successful Downtown will be.



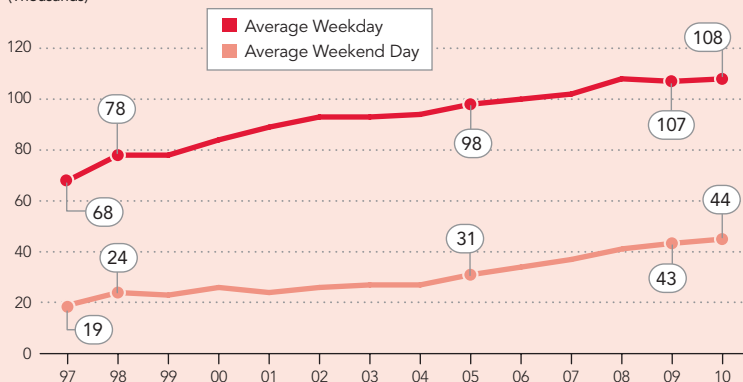
Bicycle lanes on Pennsylvania Avenue are a new transportation option for Downtown.

Metrorail

The DC region's Metrorail system, run by the Washington Metropolitan Area Transit Authority (WMATA), brings 108,000 riders to seven DowntownDC BID area metro stations each morning (compared with approximately 200,000 Downtown workers within six blocks of those stations).

DAILY METRO RIDERSHIP EXITS IN DOWNTOWNDC BID AREA, 1997–2010 ^{(1) (2)}

(Thousands)



(1) Exit numbers for Metro stations in DowntownDC BID Area (McPherson Square, Metro Center, Gallery Place-Chinatown, Archives-Navy Memorial-Penn Quarter, Federal Triangle, Mt. Vernon Square and Judiciary Square.

(2) The MCI (now Verizon) Center opened in December 1997 at the Gallery Place station.

Source: WMATA

In addition to \$200 million in stimulus funding for WMATA, the federal government and DC, Maryland and Virginia made their first \$300 million payment to the transit system in 2010 for a 10-year, \$3 billion capital plan for improvements and repairs. Federal workers are major Metrorail users, so this support is essential. The FY 2011 federal budget includes \$150 million for the second payment to WMATA.

AVERAGE WEEKDAY METRORAIL RIDERSHIP, 2010 ^{(1) (2)}

(Figures represent exit numbers only)

	Metro Center	Gallery Place	McPherson Square	Federal Triangle	Judiciary Square	Archives-Navy Memorial-Penn Quarter	Mt. Vernon Square	TOTAL
2010	29,187	27,289	17,646	10,520	10,217	9,307	3,663	107,829
2009	30,019	26,868	17,826	10,944	10,448	6,910	3,871	106,886
Change	-832	421	-180	-424	-231	2397	-208	943
% Change	-3%	2%	-1%	-4%	-2%	35%	-5%	1%
1997	23,638	7,286	14,443	6,396	9,422	5,543	1,689	68,416
Change	5,549	20,003	3,203	4,124	795	3,764	1,974	39,412
% Change	23%	275%	22%	64%	8%	68%	117%	58%
Metrorail Lines								

(1) Exit numbers for Metro stations in DowntownDC BID Area (McPherson Square, Metro Center, Gallery Place-Chinatown, Archives-Navy Memorial-Penn Quarter, Federal Triangle, Mt. Vernon Square and Judiciary Square.

(2) The MCI (now Verizon) Center opened in December 1997 at Gallery Place.

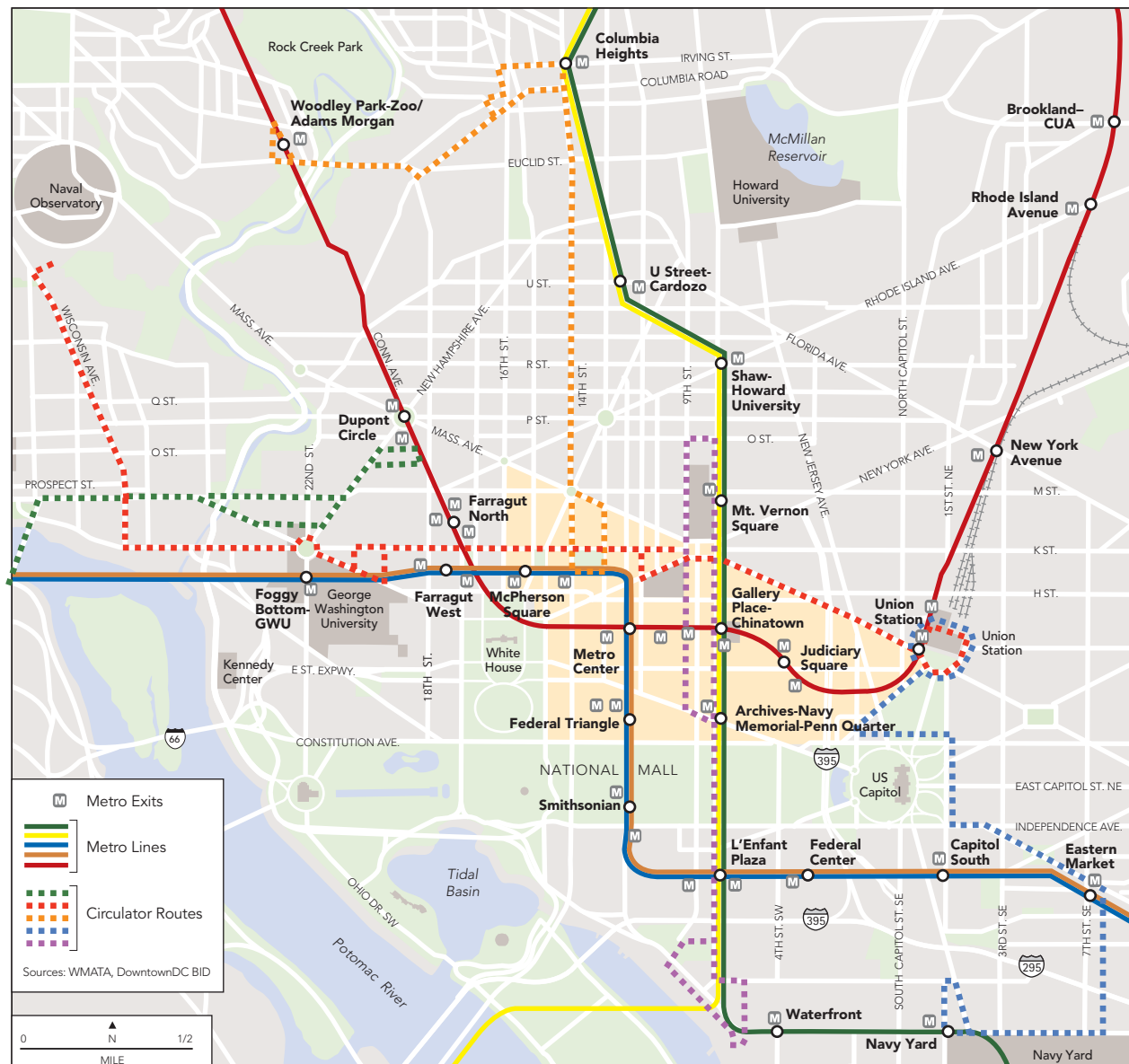
Source: WMATA

Metrorail entrance at Chinatown. Metrorail celebrates its 35th birthday in 2011.



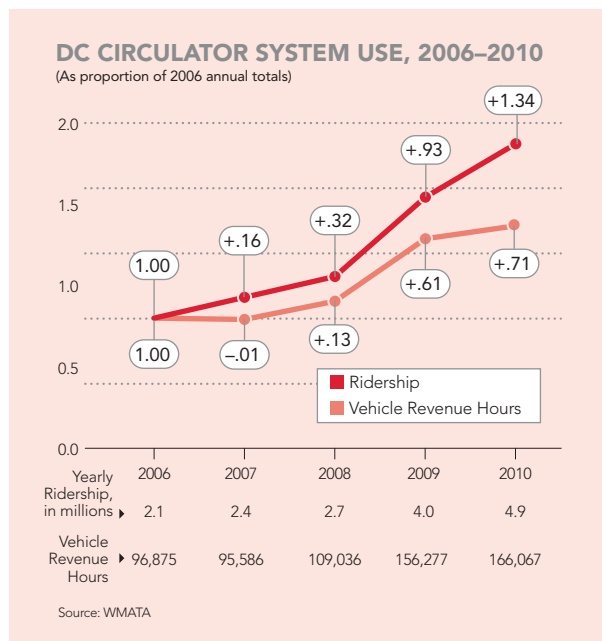
Saturday, October 30, 2010, set a record for highest Saturday ridership with 825,437 riders when DC hosted the Jon Stewart/Stephen Colbert "Rally to Restore Sanity and/or Fear" on the National Mall. The previous record had stood for 19 years at 786,358 when the city hosted the 1991 Desert Storm rally.

DOWNTOWNDC BID AND CENTRAL DC METRORAIL AND CIRCULATOR BUS LINES, APRIL 2010



DC Circulator

DC supplements its traditional bus service and subway system with five DC Circulator bus routes, which carry 4 million riders a year.



DC Circulator bus on Seventh Street between Gallery Place and Chinatown.

Walking and Biking

Capital Bikeshare, the largest regional bike sharing program in the US, was introduced to the DC region in October 2010, and provides convenient and cost effective point-to-point bike rentals. Membership has grown to 5,000 members as of March 31, 2011.

In 2010, Downtown added its first cycle track, an innovative series of dedicated bike lanes protected from traffic along Pennsylvania Avenue, NW. As a result, bicycle traffic on the avenue increased 41% as measured during peak periods (from 90 riders to 127 riders), according to the District Department of Transportation (DDOT). The number of cyclists in the city increased by 109% to 1,400 from 2004 to 2010.



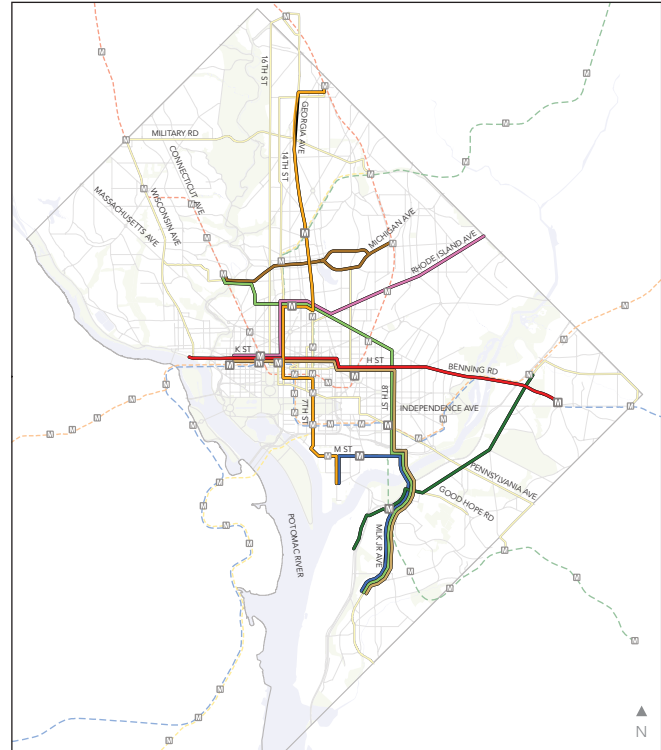
The Capital Bikeshare station at 8th and H Streets, NW is one of 110 such stations providing over 1,100 bicycles.

Streetcar

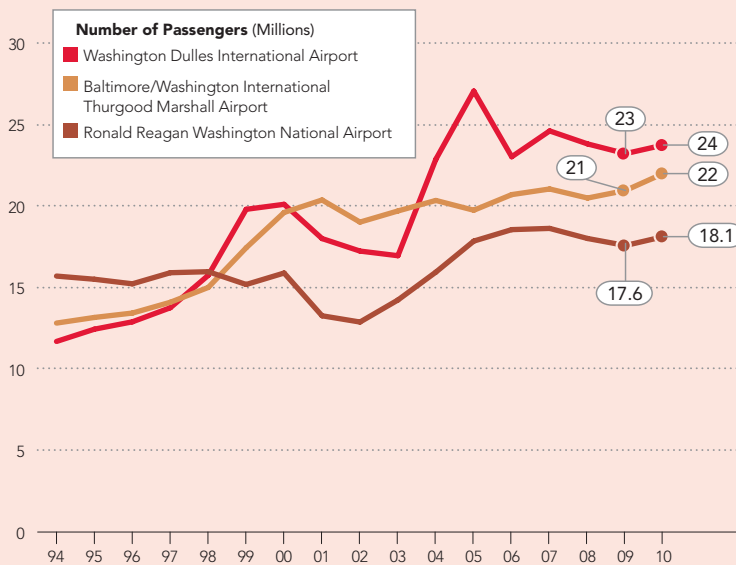
Two streetcar planning efforts were completed in 2010. DDOT presented the Streetcar System Plan at public meetings in all eight wards of the city. In addition, the Office of Planning completed the first phase of the three-phase Streetcar Master Land Use plan for the entire proposed 37-mile system.

The DC Council unanimously approved landmark legislation that cleared a statutory roadblock to developing a modern streetcar system in DC. The Transportation Infrastructure Amendment Act of 2010 authorizes using overhead wires to power streetcars on the H Street-Benning Road streetcar line, which is under construction and scheduled to begin operating by April 2012. It also establishes a process by which DDOT may seek DC Council approval for the authority to use overhead wires to power future streetcar lines outside the wire-free zones along the National Mall and Pennsylvania Avenue between the US Capitol and White House.

PROPOSED ROUTES FOR DC'S STREETCAR SYSTEM



WASHINGTON AREA AIRPORT PASSENGERS, 1994–2010



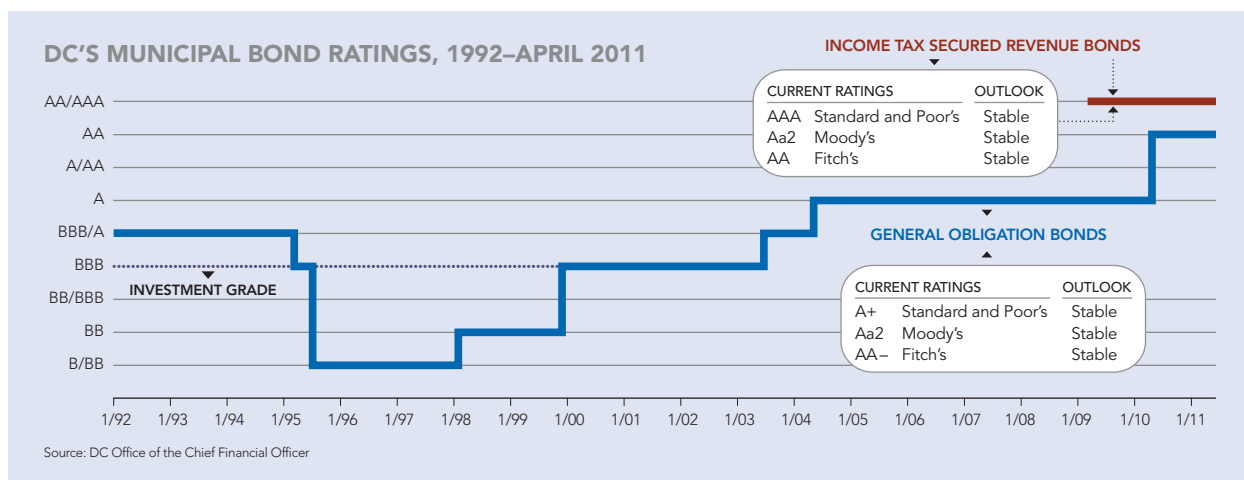
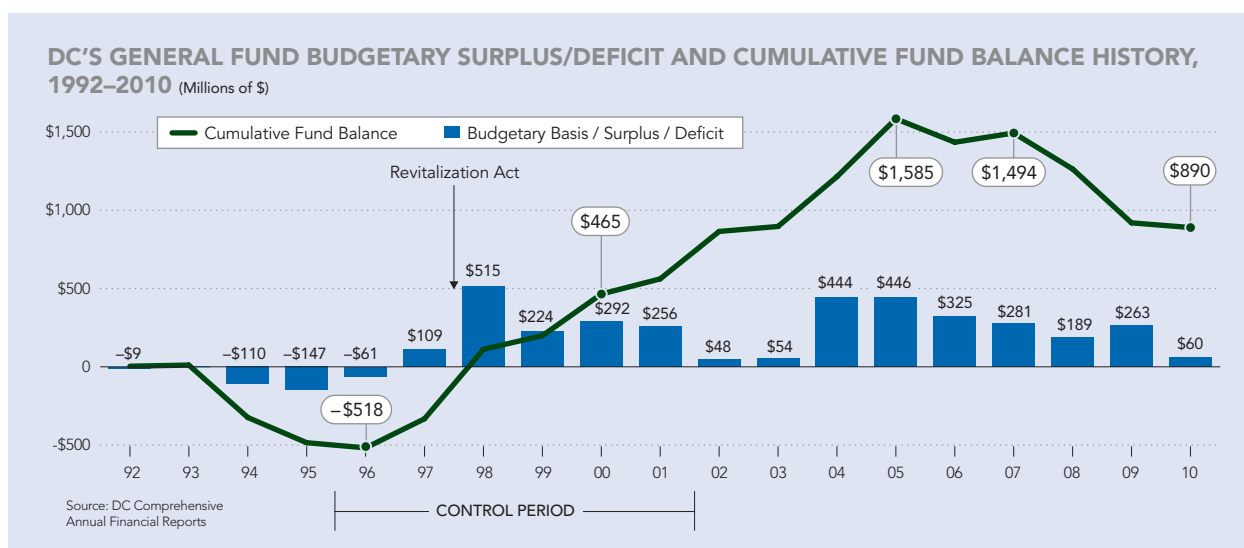
Sources: Metropolitan Washington Airports Authority; Baltimore/Washington International Thurgood Marshall Airport

Airports

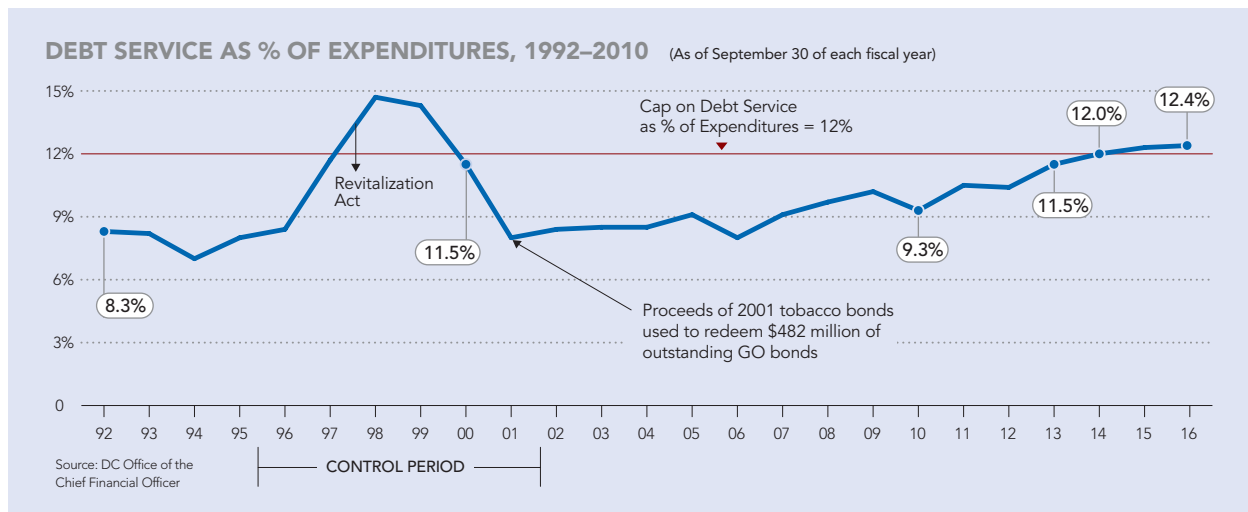
DC is fortunate to have three large airports that travelers can reach within an hour of Downtown.

DC Financial Overview

The DC government recorded its 14th consecutive budget surplus in the fiscal year ending September 30, 2010. However, with flat revenues forecasted for FY 2011, the DC government has taken action on expenses, including several furlough days for DC employees. The DC government continues to prudently manage its finances, which is reflected in its strong and stable bond ratings.



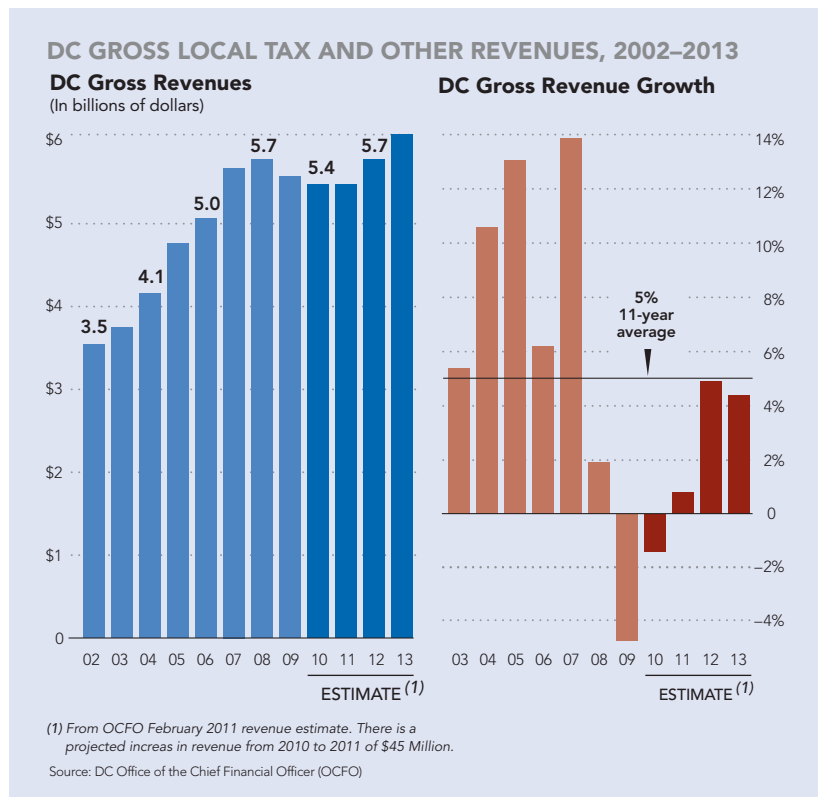
The city continues to use Income Tax Secured Revenue Bonds to refinance General Obligation Bonds and raise new funds.



Current projections show DC exceeding its 12% cap on debt service as a percentage of General Fund expenditures and transfers in 2014/2015. This projection includes issuing millions of dollars of previously reserved economic development-related debt. Thus, the city will be able to continue to fund important economic development and infrastructure projects, but, most likely, at a slower pace than in the past.

DC'S RETIREE PENSION AND MEDICAL OBLIGATIONS

- DC's Teachers and Police and Firefighters Pension Plans were 110% funded as of October 1, 2010.
- DC's Other Post Employment Benefits (OPEB) had an estimated unfunded actuarial accrued liability of \$202 million as of September 30, 2010. DC has funded 68% of its actuarial accrued liability of \$631 million and plans to fund the rest over the next four years.



DC's strong financial management has served the city well over the last 15 years.

The Gallery Place cinema and retail complex is a common gathering place for DC residents and generates millions of dollars in tax revenue for the city.



The coverage ratio on the city's Gallery Place and Mandarin Oriental Hotel Tax Increment Financing (TIF) bonds has been strong:

2007 — 1.28X

2008 — 1.10X

2009 — 1.54X

2010 — 1.23X

A coverage ratio of greater than one means that the TIF is generating more cash than is needed for debt services.

SELECTED DC TAX RATE HISTORY, FISCAL YEARS 1996–2011

	Individual Income Tax		Commercial Income Tax	Office Real Property Tax	Residential Real Property Tax ⁽¹⁾		Deed Recordation and Transfer Tax	Sales Tax		
	Lowest	Highest			Multi-family	Single		General	Restaurant	Hotel
1996	6%	9.5%	9.975%	2.15%	1.54%	0.96%	2.20%	5.75%	10%	13.0%
1997	6	9.5	9.975	2.15	1.54	0.96	2.20	5.75	10	13.0
1998	6	9.5	9.975	2.15	1.54	0.96	2.20	5.75	10	13.0
1999	6	9.5	9.975	2.15	1.54	0.96	2.20	5.75	10	14.5
2000	5 ⁽²⁾	9.5	9.975	2.05 ⁽²⁾	1.34	0.96	2.20	5.75	10	14.5
2001	5	9.3 ⁽²⁾	9.975	1.95 ⁽²⁾	1.15	0.96	2.20	5.75	10	14.5
2002	5	9.3	9.975	1.85 ⁽²⁾	0.96	0.96	2.60	5.75	10	14.5
2003	5	9.3	9.975	1.85	0.96	0.96	3.00 ⁽⁴⁾	5.75	10	14.5
2004	5	9.3	9.975	1.85	0.96	0.96	3.00 ⁽⁴⁾	5.75	10	14.5
2005	5	9.0 ⁽²⁾	9.975	1.85	0.96	0.96	2.20	5.75	10	14.5
2006	5 ⁽²⁾	8.7 ⁽²⁾	9.975	1.85	0.92	0.92	2.20	5.75	10	14.5
2007	4 ⁽²⁾	8.5 ⁽²⁾	9.975	1.85	0.88	0.88	2.90 ⁽⁵⁾	5.75	10	14.5
2008	4	8.5	9.975	1.85	0.85	0.85	2.90 ⁽⁵⁾	5.75	10	14.5
2009	4	8.5	9.975	1.85 ⁽³⁾	0.85	0.85	2.90 ⁽⁵⁾	5.75	10	14.5
2010	4	8.5	9.975	1.85 ⁽³⁾	0.85	0.85	2.90 ⁽⁵⁾	6.00	10	14.5
2011	4	8.5	9.975	1.85 ⁽³⁾	0.85	0.85	2.90 ⁽⁵⁾	6.00	10	14.5
2012	4	8.9 ⁽⁶⁾	9.975	1.85 ⁽³⁾	0.85	0.85	2.90 ⁽⁵⁾	6.00	10	14.5

(1) Residential property taxes are currently impacted by the following:

a) The property's taxable assessment increase is limited by a cap of 10%.

b) Residential revenue increases are limited to 8%. Any projected increase due to this amount is used to reduce the residential tax rate (as happened in 2006–2009).

c) All property is subject to a minimum taxable assessment equal to 40% of market assessments by the DC government.

(2) These rates were reduced by the Tax Parity Act passed in 1998, which allowed for reduced rates if the national and DC economies were growing and DC tax revenues were growing.

(3) The tax rate on the first \$3 million of assessed value is 1.65%.

(4) Deed and recordation tax for non-owner occupied property is 3.0%; for owner occupied property sold under \$250,000 is 2.6%.

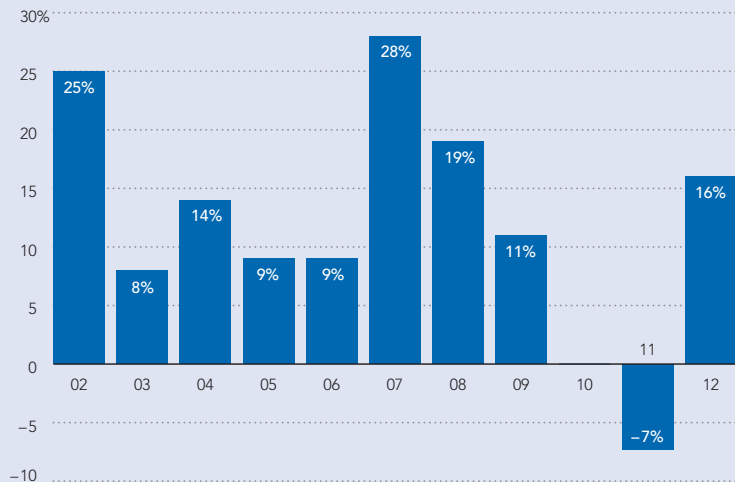
(5) Deed and recordation tax for property sold for \$400,000 and above is 2.9%; for properties sold under \$400,000 is 2.2%.

(6) In Mayor's proposed FY 2012 budget.

Source: DC Office of the Chief Financial Officer

A typical Downtown sit-down restaurant has sales of \$4 million per year, with some grossing more than \$15 million. Three new restaurant openings a year will bring the city \$12 million in sales, 210 jobs and \$1.2 million in sales tax revenue.

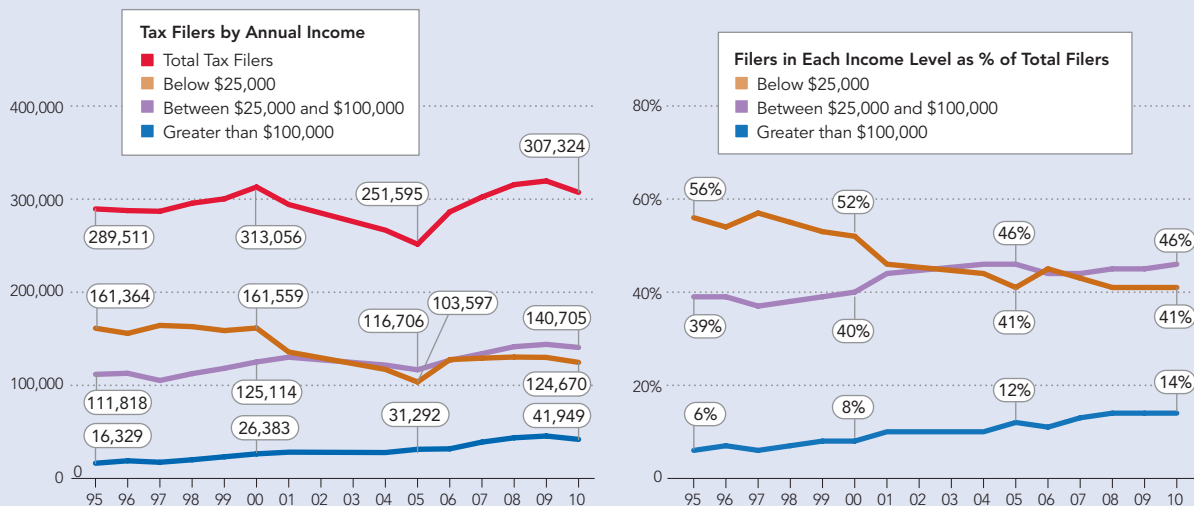
HISTORICAL COMMERCIAL PROPERTY ASSESSMENT, ANNUAL PERCENT CHANGE, FISCAL YEARS 2002–2012



Sources: Comprehensive Annual Financial Reports (FY02–FY10), The Washington Post (FY11), DC Office of Tax and Revenue (FY12)

DC's commercial property tax assessment changes are volatile. Stabilizing commercial property taxes by lowering the tax rate when assessments rise by more than 5%, and increasing tax rates when assessments fall by more than 5%, would benefit both the city and commercial property owners by providing a more predictable stream of revenue and expense. Properties with assessments of less than \$3 million could receive double the tax rate decrease and one half the tax rate increase. All tax rates could be subject to a floor above that of DC's regional competitors.

DC RESIDENT INCOME ANALYSIS, 1995–2010



Source: DC Office of the Chief Financial Officer

The increase in income tax filers with incomes above \$100,000 has helped DC's individual income tax revenues grow to a projected \$1.3 billion in FY 2012 from \$860 million in FY 1998.

Downtown Fiscal Impact

Downtown's net fiscal impact has grown to \$797 million dollars in FY 2010 from \$624 million dollars in FY 2007. Downtown DC is similar to many large city Downtown's — containing the city and region's highest building density and a low number of schools and low social service costs (other than homeless services). The high density of commercial and residential properties generates significant city revenue from commercial property taxes, sales taxes (largely from restaurants and hotels), business income taxes and an increasing amount of individual income taxes. Downtown's positive net fiscal impact and job growth provides funding and employment opportunities for the city's neighborhoods. It is NOT Downtown OR the neighborhoods, but Downtown AND the neighborhoods.

Downtown accounts for a significant portion of recent and future increases in DC's local revenues:

- 31% of the city's growth in local revenue, or \$530 million of \$1.721 billion in local tax revenue growth, from FY 2001 through FY 2012.
- \$118 million, or 42% of the projected \$283 million increase in the city's local revenue in FY 2012, and \$87 million, or 35% of the projected \$241 million increase in FY 2013.

DOWNTOWN'S NET FISCAL IMPACT, FY 2010

DowntownDC BID Area	In Millions
DC Local Tax and Other Revenues	\$829
Estimated Fiscal Costs	–321
Net Fiscal Impact	\$508

Golden Triangle BID Area

DC Local Tax and Other Revenues	\$408
Estimated Fiscal Costs	–119
Net Fiscal Impact	\$289

Total Downtown Area

DC Local Tax and Other Revenues	\$1,238
Estimated Fiscal Costs	–441
Net Fiscal Impact	\$797

Downtown Revenue Share of Total DC Gross Local Revenue of \$5.48 billion in FY 2010 **23%**

Source: Economics Research Associates, based on the FY 2011 DC Proposed Budget and Financial Plan and proportionate values from 2009 analysis

To maximize Downtown's fiscal and employment impact, the city has invested \$505 million in economic development and infrastructure projects since 1994 — from the Verizon Center (formerly the MCI Center) to the Marriott Marquis convention center headquarters hotel. In return, the city has received \$11.5 billion of private and federal investment; a 1997–2010 net present value of \$2.6 billion in tax revenues; 2010 annual taxes of \$477 million; and 58,000 jobs.

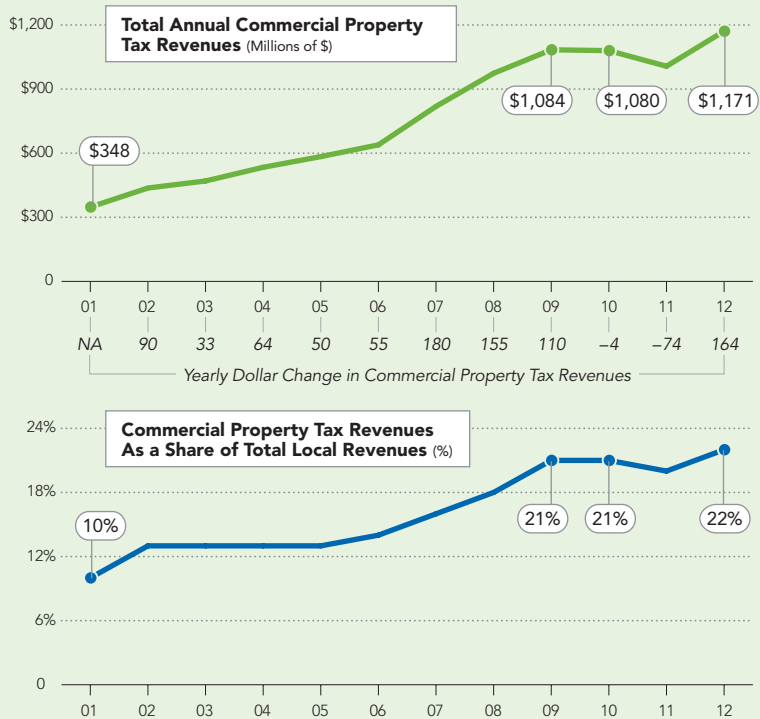


The new Marriott Marquis convention center headquarters hotel will bring 1,000 permanent jobs and \$15–20 million in new taxes.

Over the past 11 years, commercial property taxes have grown from 10% of DC local revenues to 22%, accounting for \$823 million, or 48%, of the \$1.72 billion growth in DC local revenues. As the DowntownDC BID area accounts for more than 30% of DC's commercial assessments, its commercial property accounts for 6.6% of DC local revenues and \$247 million, or 14%, of growth in DC local revenues over the past 11 years.

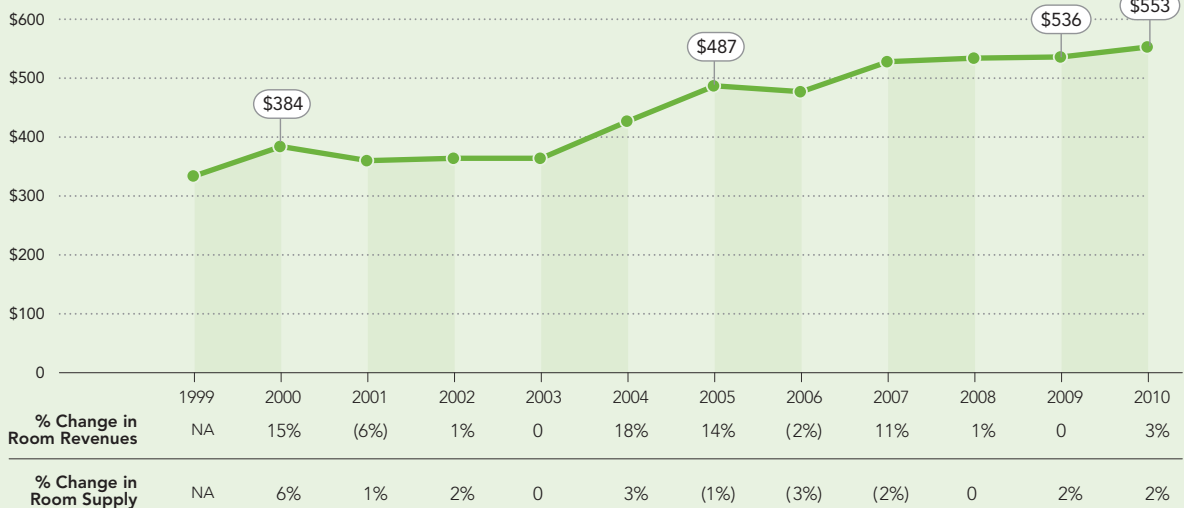
Downtown accounts for 48% of the city's commercial property value and is responsible for \$395 million, or 23%, of the city's \$1.721 billion in revenue growth from 2001 through 2012.

COMMERCIAL PROPERTY TAX REVENUE GROWTH, 2001–2012 ⁽¹⁾



Source: DowntownDC BID (1) Estimated from increases in assessment amounts.

DOWNTOWNDC BID AREA HOTEL ROOM REVENUES, 1999–2010 (Millions)



Source: Smith Travel Research

From 2001 through 2010, Downtown hotel revenues increased \$170 million, generating an additional \$25 million in tax revenue for the city, or 1.5% of the increase in city revenue over that time period.

Between 2001 and the end of 2011, the number of Downtown destination restaurants is projected to increase by 54 (from 89 to 143), resulting in another \$25 million in annual taxes for the city, or 1.5% of the increase in city revenue.

Each new restaurant brings, on average, \$3 million to \$5 million in annual sales, or \$300,000–\$500,000 in 10% sales taxes per year.

COST TO DC OF TENANTS THAT HAVE MOVED OUT OF DC

■ 2.2 MM SF of Office Space Has Left	Share of Employees Moving Homes Out of DC to Follow Job	
	50%	100%
■ "Lost" Tax Revenue Estimates		
Property Taxes ⁽¹⁾	\$18.4 million	\$18.4 million
Sales Taxes from Employees ⁽²⁾	1.7	1.7
Individual Income Taxes ⁽³⁾	6.6	13.2
	\$26.7 million	\$33.3 million

(1) 2.2 million SF * \$450 per SF * 1.85%

(2) 2.2 million SF / 250 SF per employee (= 8,800 employees) *

a. (210 work days less 20 days off) * 80% employees eat out * \$8 per person * 10% tax rate

b. Each employee spends \$300 per year on shoppers goods * 6% tax rate

c. Each employee goes out to dinner in DC ten times a year * \$30 per dinner * 10% tax rate

(3) 2.2 million SF / 250 SF per employee * 30% of employees live in DC (2,640 DC residents)

a. 50% of employees move: 2,640 * 50% * \$5,000 in income taxes per year

b. 100% of employees move: 2,640 * 100% * \$5,000 in income taxes per year

Sources: Bureau of Labor Statistics, Center for Regional Analysis at George Mason University

While losing some office tenants is inevitable, the cost to DC of having a net loss of office tenants over the last 10 years is between \$27 million and \$33 million annual property taxes, sales taxes and individual income taxes.

Downtown's Net Fiscal Benefit pays for city services such as public schools and neighborhood parks.

Returns on DC's Economic Development Investments

The investments made by the DC government following the city's Comprehensive Plan, the 1980's Living Downtown Plan, the 2000 Downtown Action Agenda, and the 2008 Center City Action Agenda, have had a very positive impact on the city's finances and employment. These successful financial planning and development strategies were supplemented with smart underwriting of public/private partnerships. The overall city investment has been 3%–5% of that of the private and federal sectors that followed, which is a relatively inexpensive insurance policy toward capturing a portion of the region's growth. The city's net investment in any public/private partnership was between 2% and 33% of the total project size.

DC GOVERNMENT ECONOMIC DEVELOPMENT AND INFRASTRUCTURE INVESTMENTS AND RETURNS SUMMARY

		Investment			Taxes Generated		Jobs Created
		DC Gov't (Millions)	Private and Federal Sectors (Millions)	DC Gov't as % of Private and Federal	NPV of Cumulative Taxes ⁽¹⁾ (Millions)	Annual Taxes in 2010 (Millions)	
1995–2014	DowntownDC BID	\$505	\$11,500	4.4%	\$2,600	\$477	62,000
1995–2014	Center City ⁽²⁾	1,271	24,267	5.2	4,550	942	134,000
2014–2019	Center City ⁽²⁾	500	20,280	2.5	NA	610 – 660	70,000

Source: DowntownDC BID (1) At a 5% discount rate for 1995–2014. (2) Includes the DowntownDC BID area.

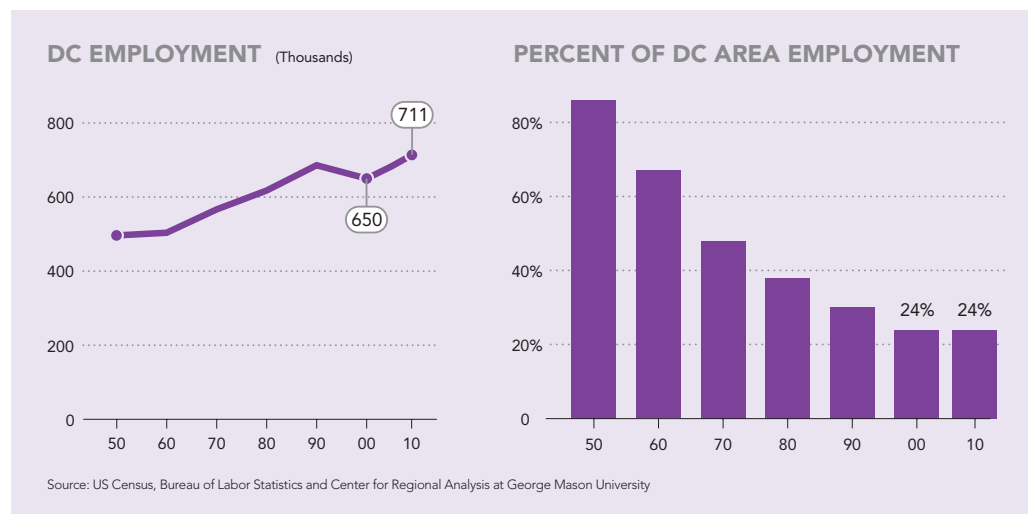
Regional Competition

Washington, DC's economy competes in regional, national and global markets, and is performing well. It has many competitive advantages that it uses to offset several competitive disadvantages. As previously stated in this report, DC's competitive advantages are that it has:

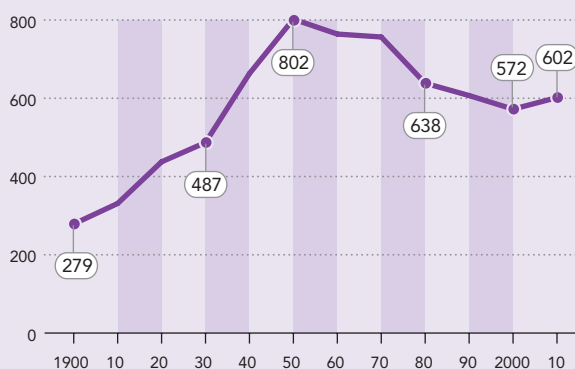
- The federal government based here
- Access to mass transit
- The best access to the region's labor force
- A high quality amenity base of office space, hotels, restaurants, culture, entertainment, nightlife and, more recently, multifamily housing

The city's main competitive disadvantage is its higher cost of doing business, particularly its higher commercial property and income tax rates. As proof that action speaks louder than words, private tenants occupying 1.6 million SF of office space and federal government tenants occupying 600,000 SF of office space moved out of DC between 2001 and 2013. Although this loss of space is not fatal, actions could have been taken to decrease the number of tenants leaving, which, in turn, would have increased tax revenues. Looking forward, the million dollar question is, "Can it get worse?" The management of this balance of amenities versus costs needs the constant attention of the private sector and the DC government.

Over the long term, the city has lost regional market share in both employment and population as the city is only 61 square miles in size. However, given its current estimated development capacity of 100 million SF, DC should set a goal to maintain its market share for the next 10 years as the city becomes fully built out.

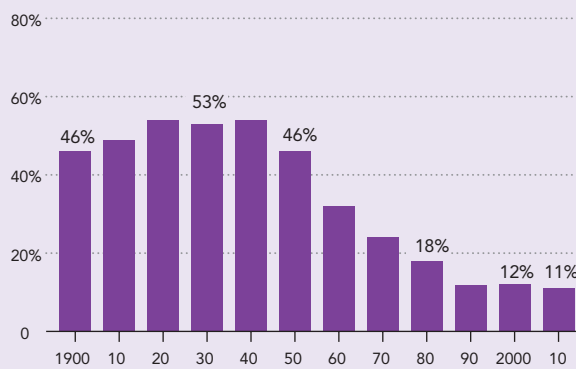


DC POPULATION (Thousands)



Source: US Census, Bureau of Labor Statistics and Center for Regional Analysis at George Mason University

PERCENT OF DC AREA POPULATION



COMPETITIVE IMPACT OF DC'S HIGHER OFFICE PROPERTY TAX RATE, APRIL 2011

	DowntownDC BID	Virginia				Maryland	
		Alexandria	Arlington Crystal City	Rosslyn	Reston	Bethesda	Silver Spring
Tax Rate on First \$3 million of Assessed Value	1.650%	0.903%	0.875%	0.875%	1.050%	1.027%	1.027%
Tax Rate on Assessed Value Over \$3 Million	1.850%	0.903%	0.875%	0.875%	1.050%	1.027%	1.027%
Business Improvement Taxes	0.030%	—	0.050%	0.080%	—	0.040%	0.040%
Transportation Tax	—	— (1)	0.125%	0.125%	0.115%	—	—
Silver Line Special Assessment	—	—	—	—	0.220%	—	—
Total	1.870%	0.903%	1.050%	1.080%	1.385%	1.067%	1.067%
150,000 SF Building Examples							
1. \$400 per SF Assessed Building							
■ Tax Rate	1.840%	0.903%	1.050%	1.080%	1.385%	1.067%	1.067%
■ Taxes Per SF	\$7.360	\$3.612	\$4.200	\$4.320	\$5.540	\$4.268	\$4.268
DC Taxes Per SF Competitive Disadvantage	NA	\$3.748	\$3.160	\$3.040	\$1.820	\$3.092	\$3.092
2. Class A Building							
■ Value in Submarket	\$650	\$400	\$400	\$450	\$350	\$400	\$275
■ Tax Rate	1.843%	0.903%	1.050%	1.080%	1.385%	1.067%	1.067%
■ Taxes Per SF	\$11.980	\$3.612	\$4.200	\$4.860	\$4.848	\$4.268	\$2.934
DC Taxes Per SF Competitive Disadvantage	NA	\$8.368	\$7.780	\$7.120	\$7.132	\$7.712	\$9.045
■ Due to Tax Rate	NA	3.760	3.172	3.434	1.603	3.104	2.134
— % of Difference	NA	45%	41%	48%	22%	40%	24%
■ Due to Higher Value	NA	4.608	4.608	3.686	5.529	4.608	6.911
— % of Difference	NA	55%	59%	52%	78%	60%	76%

(1) Considering a 0.125% transportation tax.

Source: DowntownDC BID

High office property taxes and commercial income taxes are significant competitive disadvantages. A developer in Rosslyn is currently highlighting "Rosslyn's lower real estate taxes" in full page ads in the *Washington Business Journal*.

Today, DC's regional neighbors are competing with the city on more than cost by investing in the urban amenities that DC enjoys, such as Metrorail, light rail, streetcar, urban street grid and parks and cultural and entertainment venues. These investments create many of the competitive threats facing the DowntownDC BID area and DC today.

Short-term competition (2011–2013/14)

- Crystal City will soon have 5 million SF of office vacancy resulting from the Department of Defense's BRAC plan to move workers to more secure Northern Virginia facilities; military contractors are likely to follow.
- The InterCounty Connector 18-mile highway in Montgomery and Prince George's counties partially opened in February 2011 and is expected to be fully open by late fall 2011 or early 2012. This \$2.6 billion highway will make it more attractive for businesses to locate and people to live outside the Beltway in Maryland.
- National Harbor has the capacity to develop an additional 3 million SF, and will become more appealing when the National Children's Museum opens its new 150,000 SF museum in 2013 and if Disney proceeds to develop 10 acres on which it has a purchase option.
- Tyson's Corner's four Metrorail stations and Reston Town Center's one station will open in the fourth quarter of 2013 or the first quarter of 2014, an investment of \$2.8 billion that was partially financed by a supplemental property tax of 0.22%. The development capacity around these Metrorail stations is more than 100 million SF, and several projects have already announced 2011 groundbreakings. Lastly, Tyson's can now attract GSA clients because it will have mass transit.
- Rockville Pike is turning its strip malls and big box retail into walkable urban communities around Metrorail Stations. Several Rockville Pike plans envision a combined development capacity of 5 million SF of office and residential space.
- New Carrollton's Metrorail/MARC/Amtrak Station area's 39 acres will be jointly developed by the Washington Metropolitan Area Transit Authority (WMATA), the Maryland Department of Transportation and a development team led by Forest City.

The Sakura Matsuri Japanese (Cherry Blossom) Street Festival is an annual event that makes DC unique.



Medium- and Long-Term Competition (2013/14–2020)

- Metrorail will reach Dulles Airport and beyond by 2016/2017 with six new stations at a cost of \$3.8 billion. This extension will have a development capacity in the tens of millions of SF. A supplemental property tax of 0.21% is being used to partially finance the project.
- Potomac Yards plans to open a new \$240 million Metrorail station by the end of 2016 with 12 million SF of new development capacity. Funding will come from developer contributions of \$74 million, a special property tax assessment of 0.20% on commercial property and a Tax Increment Financing (TIF).
- Crystal City has just approved a plan to spend \$230 million over the next 20 years, starting with a streetcar line, and including new parks and building new streets to establish an urban street grid. The plan's increased density has created 15 million SF of additional development capacity. A TIF district has been established to assist in funding the plan, with 33% of the TIF dedicated to this plan.
- Maryland is proceeding with a 16-mile Purple Line light rail project from New Carrollton to Bethesda at an estimated cost of \$1.6 billion. No funding plan has been announced.
- Montgomery County is planning a Science City off I-270 that may be connected by light rail to the last Metrorail Red Line stop at Shady Grove.
- Prince George's County is planning transit oriented development (totaling 20 million SF to 40 million SF of development potential) at several of its 15 Metrorail stations.

The consequences of this significant competition could be low growth in employment and tax revenue for DC.



The Chinatown Arch is at the center of Downtown's entertainment and restaurant activity.

Credits

AECOM

Americans for the Arts

Bureau of Labor Statistics

Center for Regional Analysis,
George Mason University

CoStar Group, Inc.

Cushman & Wakefield

DC BID Council

DC Greenworks

DC Office of Planning
State Data Center

DC Office of the Chief
Financial Officer

Delta Associates

Destination DC

District Department of the
Environment

District Department of
Transportation

ESRI

Ford's Theatre

General Services
Administration

Helen Hayes Awards

Holocaust Museum

HVS International

InfoUSA

International Spy Museum

Landmark Theatres

Lodging Econometrics

Marian Koshland
Science Museum

Metropolitan Washington
Council of Governments

National Archives

National Building Museum

National Gallery of Art

National Law Enforcement
Memorial

National Museum of Women
in the Arts

National Park Service

National Theatre

Naval Heritage Center

Newseum

Real Capital Analytics

Regal Entertainment Group

REIS

Shakespeare Theatre

Smith Travel Research

Smithsonian Institution

US Census Bureau

US Department of
Commerce, Office of Travel
and Tourism Industries

US Green Buildings Council

Warner Theatre

Washington Convention
Center Authority

Washington Metropolitan
Airports Authority

Washington Metropolitan
Area Transit Authority

Washington, DC Economic
Partnership

Woolly Mammoth Theatre

Research

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Data and Graphics

Farhana Hossain

Photography

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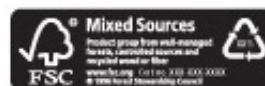
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About the DowntownDC BID

The DowntownDC Business Improvement District (BID) is a private non-profit organization that provides capital improvements, resources and research to help diversify the economy and enhance the Downtown experience for all. This special district, where property owners have agreed to tax themselves to fund services, encompasses a 138-block area of approximately 825 properties from Massachusetts Avenue on the north to Constitution Avenue on the south, and from Louisiana Avenue on the east to 16th Street on the west. As a catalyst, facilitator and thought leader, the DowntownDC BID promotes public/private partnerships to create a remarkable urban environment. For more information, visit www.DowntownDC.org.