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# Commercial Real Estate Women Network 2011: A Companion Guide



CREW DC's Community Action Committee partners with eight local non-profits providing countless hours of support and pro-bono expertise as well as providing meaningful financial contributions. In 2011, CREW DC was a nominee for the prestigious Jefferson Awards, in recognition for contributions to the Washington, DC community.

## 2011 CREW NETWORK CONVENTION &amp; MARKETPLACE

## Research Shows Women Making Gains in Commercial Real Estate

### A Q&A with CREW Network's 2011 Leadership

**Q. Commercial Real Estate Women are gathering once again for the annual CREW Network Convention & Marketplace one year after releasing Women in Commercial Real Estate: 2010, the update to CREW Network's landmark study of women in the field. What were the key findings from one year ago?**

*English Dixon:* If we go back to 2005 when we first took an in depth and analytical look at women in commercial real estate, we learned that men were far outpacing women in terms of pay and advancement levels.

Flash forward to 2010 and we found that things had improved a bit since 2005. More women were entering the field and the pay gap had narrowed, but was and is still present and significant. More women are now in the \$100,000 to \$250,000 per year salary category, but still fewer than men at comparable tenure. In 2005, only 8% of women surveyed were at the \$250,000 level; by 2010 that number had increased to 11%, while the percentage of men in the same compensation category had decreased from 34% to 31%. The fact that each group changed by 3% is only a coincidence – we do not believe there was a tradeoff between the groups.

**Q. Has anything changed further over the last year?**

*Ayers:* That will be one of the areas that we explore when we revisit this topic in future studies. But the overall unemployment rate has confused the issue. When the recession



**Collete English Dixon**  
2011 CREW Network President  
Vice President, Transactions  
Prudential Real Estate Investors

first struck, there were some who called it a "man-cession" because layoffs seemed to be affecting primarily men. However, I don't think that was a catalyst for a shift toward diversity in the workplace, but time will tell as the industry recovers. Women represent a significant source of qualified talent in the all specialties and the pipeline is full of talented leaders. Over time, we are seeing and will continue to see, more women in commercial real estate at all levels, including the C-suite.

**Q. It seems like if women want to, they can pursue careers in commercial real estate. Do**



**Gail S. Ayers, Ph.D.**  
CREW Network CEO

**you agree?**

*English Dixon:* Absolutely! This is one of the key messages that we communicate to women and girls at the university and high school levels. Drive and ambition are key elements in pursuing any career. Something that is specific to commercial real estate is being comfortable with the idea of risk, and possibly commission-based compensation – but aspects of those can be managed. At CREW Network, we have never held the position that there is a force at work keeping women out of commercial real estate; rather, that women and members in the industry all need education on how to make

the field more welcoming and diverse.

**Q. Is that what is behind the mentoring program that CREW Network has announced with Cassidy Turley?**

*Ayers:* Yes, we are very excited about this new program and owe a great deal of thanks to Diane Paddison at Cassidy Turley for making this program a reality for us. We believe that active mentors and sponsors are critical to the success of women – and anyone actually – pursuing the highest levels of success in their career. Our program is pairing women who work at the uppermost reaches – the senior executive levels and C-suite—with mid-to-senior management level women who show promise and potential. Our hope is that these mentors will become sponsors—advocates inside the industry who actively advocate for the women they are mentoring to the companies that employ them to recognize their talent and look for opportunities that need their leadership.

Research has clearly demonstrated that sponsors are more effective than mentors for helping professionals ascend the organizational ladder, and that men more often have sponsors who look for career opportunities whereas women tend to have mentors who advise and teach but don't sponsor them for opportunities.

**Q. Do you believe the advancement of women into the upper leadership levels of the industry will change the industry's networks and lower the hurdles that women have faced in commercial real estate?**

*English Dixon:* Absolutely. Once women are engaged in the upper levels and C-suites of CREW firms in numbers more proportionate to their overall involvement in the industry, their engagement in the decision-making and influential leadership of the industry will naturally lead to changes on many levels. The more diverse the pool of talent in the industry, the better the industry will be and the more attractive it will be to the talent of the future.

## Timing the Economic Recovery with a Network and a Plan

By Jill Homan, Principal, Javelin 19 Investments

Launching a commercial real estate business amidst the sluggish recovery of a recession is a ridiculous feat to an outside observer. Leaving a comfortable position with career advancement opportunities and quality management during a time of 10 percent unemployment makes even the idea of entrepreneurship look ill-conceived. So, why would two Washington, D.C.-based young executives take the plunge in March 2011? The principals, Kevin Hill and I, sensed that the greater Washington, D.C. economy was beginning to rebound and, with our networks and experience, it was an opportunity we wanted to embrace.



**Homan**



**Hill**

Before launching our company, Hill and I researched the market. Like investors in other asset classes, commercial real estate investors try to time the market, delivering a new project into a recovery and selling a building at the peak of a business cycle. Unfortunately, these peaks and troughs of the market are too often observed in hindsight, which makes their timing all the more difficult to predict. That's not the case, however, for NAI Global Chief Economist Peter Linneman. He unequivocally declared in a talk in spring 2011 that the U.S. is actually in year two of a seven-year recovery.

"Growth is coming and will last," Linneman explains in an e-mail interview. With growth comes an expansion in the economy and buying opportunities for commercial real estate. While he agrees that investors should include these growth assumptions in their analyses when trying to acquire real estate, he cautions to "...remember another recession will occur 'out there' which you won't put in your proformas (but should)."

Looking at the Washington metropolitan region, Stephen S. Fuller, director of the Center for Regional Analysis at George Mason University, points out that the gross regional product or total value of a regional goods and services produced locally lost only one percent during the recession and then quickly recovered that percentage point a few months later.

Unfortunately for job seekers and landlords, the GRP turns around before jobs are produced. Therefore, the local turnaround did not occur until there was job creation in June 2010. While "real estate lags recoveries," Fuller adds optimistically, "the first good measure of a turnaround in the office market is that vacancy rates have been coming down, in large part because of the [lack of new development and the activity in leasing, in part, by the federal government]." In fact, after reaching bottom for the vast majority of the office submarkets in second quarter 2010, the office vacancy rates now stand at 14 percent, as reported by Jones Lang LaSalle Washington DC Outlook Q2 2011, and the metropolitan multifamily vacancy rates have shrunk to three percent as reported by Delta Associates' Washington/Baltimore Outlook Mid-Year 2011.

Recognizing the opportunity, we decided that the time was right to start a new investment platform, Javelin 19 Investments. Drawing upon our acquisitions and development experience, totaling over \$1 billion in total capitalization, we developed a business strategy to target office and multifamily value-add acquisitions.

"We have cultivated strong equity relationships over the past decade, both institutional and high-net worth and we are excited to be working with those partners as we pursue new investment opportunities that offer compelling risk-adjusted returns," Hill explains.

Hill and I honed in on the suburbs and exurbs of metropolitan Washington, D.C., areas which still benefit from the strong job creation factors in D.C., but where a buyer can price acquisitions with positive leverage and solid cash on cash returns from the onset.

"By focusing on deals in the \$5 million to \$25 million range," Hill adds, "we have found we compete with a narrower band of investment groups. On the low side, this amount typically is too great for individual investors and, on the high side, it is typically too small for many real estate investment trusts and opportunity funds."

In order to launch Javelin 19 Investments, we settled on the plan to raise equity in the form of working capital. Fortunately, we quickly identified a potential investor by utilizing relationships built through my involvement with Commercial Real Estate Women DC (CREW DC) and with one of Hill's former classmates.

One might say it was luck to connect with an investor on our first try. But we know that our efforts were a direct result of leveraging

our networks in organizations like CREW DC. I cannot emphasize enough how CREW DC and the relationships we have spent years and years developing were pivotal to starting our company.

Identifying the investor is one thing. Closing on that capital commitment on an extremely limited budget is altogether different. To make that happen, we reached out to a friend from CREW DC, Wendy White, who leads the Washington real estate practice at Pillsbury Winthrop Shaw Pittman.

White explains, "Often large firms are reluctant to work with small start-ups, particularly in the real estate industry which has seen such a shake-out in the past few years. But when I met with Jill and Kevin, I was eager to work with them and Pillsbury supported that judgment. They had a focused, well-defined business plan and a solid equity source, as well as great backgrounds with different companies and a good working relationship with each other."

Wendy [White] took a real chance on representing us. We remain grateful for her faith in our ability to make our company a success and for her support of fellow CREW DC members.

Identifying commercial real estate opportunities and timing the economic recovery remain significant challenges for commercial real estate investors. However, by developing the work experience and cultivating the network through organizations like CREW DC, one lays the groundwork for a successful entrepreneurial endeavor. Add in a tested business plan, and that, we hope, is the right recipe for success.

## 2011 CREW NETWORK CONVENTION & MARKETPLACE

# Mentoring: A Missing Link In The Advancement of Women in Commercial Real Estate

Commercial Real Estate Women (CREW) Network's research has demonstrated that while more women are entering the field of commercial real estate, they are not attaining senior pay and promotion levels, as often or as quickly as men.

So the questions that remain are: why not; and what can be done about it?

Many believe that mentoring is a key factor in the success of any career. That is why CREW Network, and commercial real estate services provider Cassidy Turley have teamed to create the CREW Network Executive Level Mentoring Program, which will pair executive

level women with women in commercial real estate who have both the potential and desire to reach the C-Suite. The goal of the program is to promote a culture of inclusion, opportunity and diversity within the commercial real estate industry by helping women successfully transition to the industry's top leadership positions.

CREW Network's studies have examined the potential causes for the disparities and they range from a reluctance of women to accept commission based compensation structures to a tendency for women to be risk-averse in the workplace.

"This program is a direct response to what

we have learned," said Collete English Dixon

Vice President, Transactions with Prudential Real Estate Investors and 2011 President of CREW Network. "When we create mentoring relationships within the industry, younger women will have a clear roadmap to senior level careers. That roadmap does not exist for many women, because there are so few at the most senior levels in the industry."

"We believe that this structured mentoring program, developed in response to what we have learned from CREW Network's landmark research, will lead to a more diverse industry," said Mark Burkhart, CEO, Cassidy Turley. "To

best serve our clients, and to succeed in the global economy, our industry's workforce must reflect the demographic diversity of the businesses it serves and provide a gender-neutral platform for career growth and success. Cassidy Turley and CREW are working to that end. It is a goal that our entire industry can embrace."

"We believe that mentoring will be a critical strategy to help develop women aspiring to senior levels of commercial real estate," said Diane Paddison Chief Strategy Officer, Cassidy Turley Commercial Real Estate Services. "Mentoring, plus, sponsorship has been proven by research as positive way to advance careers."

The nine-month program kicks off at the 2011 CREW Network Convention & Marketplace in Washington DC. Selected mentors are C-Suite level professionals and those being mentored are on leadership tracks with clear goals of reaching the C-Suite.

# Ten Reasons to Take a Fresh Look at NoMa

By Rachel L. Davis, Director of Marketing & Events, NoMa Business Improvement District

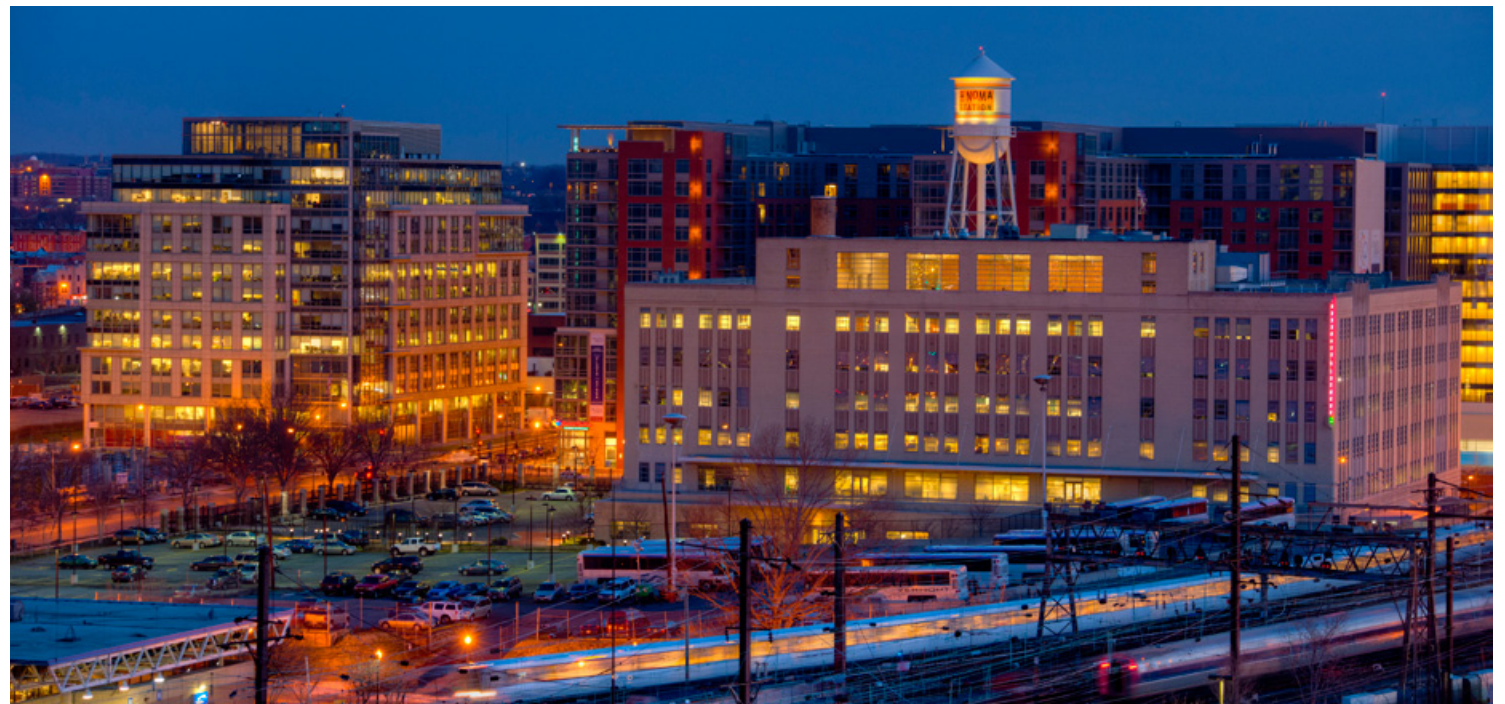
NoMa is already DC's fastest growing neighborhood and is now on track for another surge of new development. Here's our Top 10 list of why you should visit, invest or lease space in NoMa. The time is ripe to become part of the NoMa success story.

**1. Shiny New Buildings.** After 8 million square feet of transit-oriented development in the last five years, the cranes are back in NoMa for another wave of construction. More than 1,500 residential units are now rising from the ground thanks to Archstone, StonebridgeCarras, William C. Smith & Mill Creek Residential Trust; all will begin delivering by the end of 2012. In 2013, NPR moves into its gleaming new 330,000 square foot headquarters on North Capitol Street.

**2. Shovels in the Ground.** According to local sources, more than half a dozen additional NoMa projects may break ground in the next year. JBG's mixed-use Wal-Mart site at First and H Streets, NW will start in the first quarter. Their 180-room Hyatt Place hotel at 33 New York Avenue, NE will launch the Capitol Square development in the second quarter. Skanska plans to start the Capitol Plaza II office building at First and M Streets by mid-2012. The Cohen Companies expect to break ground soon on their Union Square II site of 500 apartment units. (You'll notice we left at least two developments a mystery; gather round the water cooler and guess which other NoMa buildings will start next!)

**3. Deals, Deals, Deals.** From 2008-2010, busy brokers inked 3 million square feet of office lease deals in NoMa. The neighborhood is on track to meet the million-per-year benchmark yet again in 2011, with 485,000 square feet already leased in the first half of the year to such organizations as Mathematica, IRS, CareFirst and the U.S. Department of Education. With all this activity, it's no surprise that NoMa's vacancy rate is plummeting, standing at 9% as of 2Q 2011. With several large move-ins slated for the second half of the year, the downward trend should continue. Residential performance has been equally impressive, with the Loree Grand stabilizing in just 14 months and Flats 130 averaging 34 leases each month since April!

**4. Space For All.** Besides stellar transportation options and a location four blocks from the Capitol, new tenants and residents are attracted to NoMa because of the variety of



spaces available. As one of the only remaining industrial warehouse districts in downtown Washington, NoMa offers a diverse mix of historic properties and sustainable new buildings. Prospective tenants can find large and small blocks of space, or may choose to purchase a floor in an office condominium building. Non-profits that relocate to NoMa may be eligible for a 10-year tax abatement!

**5. All Roads Lead to NoMa.** The public sector has responded to the development boom with several major investments. A full overhaul of the busy New York Avenue bridge is underway. Next year, DDOT will undertake a reconstruction of First Street, NE and adjacent public space from New York Avenue to K Street. Just to the south, Columbus Circle will receive a new traffic configuration and facelift. WMATA and DDOT are working together to design an expansion and renovation to the First Street exit to Union Station, the busiest station in the Metro system.

**6. Fun for Foodies.** To cater to over 40,000 hungry employees and residents, 17 retailers have opened in NoMa in the last three years, including DC's largest Harris Teeter. 2011 marked the debut of the NoMa Farmers Market, which runs June through October. NoMa now has two hotels open, the Courtyard by Marriott and the Hilton Garden Inn. Chef Todd Gray (of Equinox fame) debuted Watershed

Restaurant at the Hilton in April; he was named Chef of the Year in June by the Restaurant Association after 10 years of nominations. Coincidence? We think not.

**7. Ticket to Ride.** With 15 modes of transportation serving Union Station and six Capital Bikeshare docks in the area, NoMa offers a car-free lifestyle. Much of NoMa's northern development was catalyzed by the New York Avenue Metro, which opened in November 2004. Today, this station boasts the fastest growing ridership of all DC Metro stations, with nearly 30% growth from 2010-2011. Employees, residents, and their dogs, children and bikes also enjoy the adjacent Metropolitan Branch Trail, an 8-mile path that runs from the National Mall to downtown Silver Spring.

**8. Outdoor Entertainment.** The NoMa Business Improvement District (BID) organizes more than 100 free events each year. NoMa Summer Screen attracted 350 residents each week this summer and was named one of America's Top 10 'Best Outdoor Movie Theatres' by Travel & Leisure Magazine. Rhythm in NoMa brings 20 weeks of free lunchtime concerts to two locations. ZestFest, a two-week festival of arts, culture and music, takes place September 20-30 this year, in partnership with Pink Line Project.

**9. Here Comes the Color.** With thousands of residents and employees now taking owner-

ship in NoMa, the NoMa BID beautifies the public realm by planting trees (156 to date); installing and maintaining dozens of landscaping beds and planters; and planting 15,000 daffodil and tulip bulbs each year, among other projects. A colorful array of fence banners dresses up NoMa's many construction sites; street pole banners will follow next year.

**10. Students & Satellites.** Although the government has played a large role in leasing activity, there is a strong concentration in the communications and education fields. A growing media contingent here includes CQ-Roll Call, NPR, CNN and Sirius XM Radio. Eighteen schools serve the NoMa neighborhood, from pre-K to university. Two Rivers Public Charter School draws students from all eight wards. DC Public Schools operates its headquarters here, and the Community College of DC relocated to NoMa in 2010, bringing 2,700 students, faculty and staff to its flagship location on North Capitol Street each day. Gallaudet University and Gonzaga College High School flank the neighborhood, and Georgetown Law School anchors the southern end.

NoMa is truly becoming DC's most connected neighborhood, bringing together business and living, associations and media, dog-lovers and coffee aficionados. For an informative walking tour of NoMa or more information about the BID, visit [www.nomabid.org](http://www.nomabid.org).

## 2011 CREW NETWORK CONVENTION &amp; MARKETPLACE

# The New Normal in Commercial Real Estate

## Exploring the Post Recession Industry in Washington, DC

### The New Normal in Construction

By Elaine Gray, Director of Business Development Base Building and Institutional, HITT Contracting Inc.

After shedding over 30 percent of its workforce nationally since 2008, the construction industry actually posted job growth during the past year. You could almost hear a collective sigh of relief above the jack hammers as industry unemployment fell from 17.3 percent to 13.6 percent (July 2010 to July 2011). But as project backlogs expand, many are taking a step back to analyze and strategize what will be the "new normal" of construction.

In the near term, many predict that the Federal landscape will include fewer, if any, mega opportunities although the Veterans Administration and other medically focused agencies may be the exception.

"We can expect more Federal project acquisition through MAC, MATOC and IDIQ schedules as well as increased set-asides for small and disadvantaged businesses, including women-owned businesses," said Diane Hartley, vice president, Clark Construction Group. Hartley also contends that there will be an increased emphasis on high performance buildings, with the Federal government leading the way in many cases, spurred on by the push toward energy efficiency and 'net-zero energy' buildings.

As State and Federal entities seek energy retrofits and upgrades, alternative financing vehicles achieved through ESPC's - Energy Savings Performance Contracts - and P3's - Public-Private Partnerships - will become increasingly important as public funding diminishes.

Other public opportunities will include federal site disposals resulting from GSA space reductions, BRAC, and agency consolidations; and, increased re-purposing of existing buildings (such as the recent RFQ for the Old Post Office on Pennsylvania Avenue).

The private sector is slowly bouncing back as developers and corporate entities seek to take advantage of lower costs to build, renovate, and finance projects.

"Before the recession, cranes dotting the skyline marked a growing spec office market," said Kim Roy, vice president HITT Contracting. "Now they occupy the sites of a few corporate build-to-suits, and a growing number of multi-family, hotel, and transit-oriented mixed-use opportunities." The majority of these projects are located within dense, urban markets or emerging neighborhoods accessible to Metro. Roy also sees a resurgence of B and C Class building retrofits to meet increasingly higher LEED standards and incorporate new amenities.

Linda Rabbitt, chairman of the board and CEO of Rand Construction Corporation, sees a trend that is yielding more collaboration



Above: Nuclear Regulatory Commission Headquarters (designed by HOK)  
Left: National Cancer Institute Headquarters (designed by HOK)

among design and construction team members and greater value for clients.

"More landlords are choosing to contract the tenant work as turn-key with a cap," said Rabbitt. "This means that a contractor or construction manager is hired 'at risk' to deliver a tenant space on a design build basis beneath a fixed allowance." This type of contract allows for a more aggressive schedule, resulting in good value for scope under the cost cap. This vehicle is also becoming popular with local government and Institutional tenants.

According to Jessica Murray, senior director of communications at Skanska, healthcare opportunities continue to grow despite a tepid economy. "We're seeing growth in the renovation and expansion of the healthcare market, particularly hospitals and outpatient clinics. Private universities are starting to spend again, particularly health, science and research focused buildings," said Murray.

Profitability and pricing are major topics of interest in the aftermath of the recession. Many experts see construction pricing stabilizing, and also point to costs for certain materials rising due to international demand. "We haven't seen any big pricing jumps, but we do expect a continual increase in commodity pricing over the next year," said Roy.

"Pricing for materials - especially drywall and copper - is going up," said Kathy McCormick, principal/vice president business development, K3. Murray agrees, citing oil, asphalt, and metals among materials that could show signs of increasing costs.

"In the Interiors market, we expect costs to remain stable through 2011 with some gains (in the 5% range) during the first half of 2012 as the excess labor pool is reduced," said Rabbitt.

The emergence of technological advances has helped many general contractors increase productivity as well as profits. iPads and PC tablets are used more and more in the field, and 3-D and 4-D design and management tools such as BIM have increased collaboration and team efficiency. As these systems

become more commonplace, the disparity of training and acceptance among team players should disappear.

"Over the last several years, more and more RFPs, drawings, and specs are electronic," said McCormick. "Paper is almost gone as we've seen an increase in FTP sites to download plans, and on-screen takeoff technology to prepare bids."

Utilizing BIM applications also have fostered more lean practices including prefabrication. "BIM allows the project to be 'built' before you assemble it, allowing prefabrication to be confidently deployed more and more," said Murray.

Although some markets are expanding and construction companies are hiring again, there is concern about whether the U.S. economy will experience another double dip. "This is definitely the elephant in the room," said Hartley.

### Trends in D.C. Office Building Design for GSA

By Catherine Haley AIA, IIDA, LEED AP; Principal and Director of Interior Design, HOK

Much of the new construction activity in the local commercial real estate market is for government tenants and many of the larger scale projects are for GSA Lease Construct opportunities. One driving force is the agency's internal needs. Similar to the private sector, federal agencies are grappling with the changing demographics (and priorities) of their people, the impact of technology on collaboration and mobility, and mandates to foster innovation, efficiency, and sustainability.

The other driving force is external. Agencies must respond to their customers' evolving needs, ever-fluid legislative initiatives to save space costs and their responsibility to provide value to American taxpayers. They are also under tremendous pressure to compete with the private sector for the best people.

#### NEW WORKPLACE MODELS

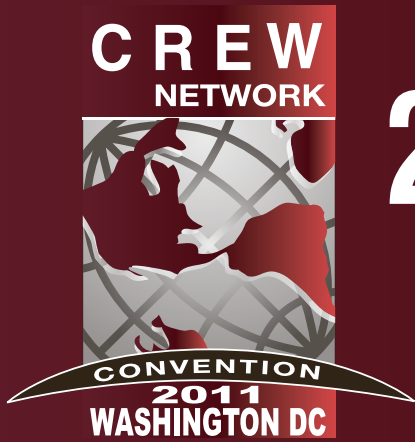
Today, as the nature of knowledge work continues to change, workplace environments are transitioning toward highly mobile, flexible models, while focusing on creating effective work areas for teams. Agencies are introducing alternative workplace models including telecommuting and hoteling. This decreases space requirements and costs — one agency reduced its usable square feet per person from 200 to 130 — instantly shrinking an entire organization's carbon footprint.

#### MAKE IT A GREAT PLACE

Across public and private sectors, employees are seeking a healthy work-life balance. Employers are now providing many workplace amenities that contribute to this balance. Federal agencies consolidating from multiple buildings into a single location have the opportunity to build amenity spaces such as cafeterias, daycare centers, fitness centers and training centers. For some, amenities like this are nothing new. What can be new, though, is a design approach that makes them feel less institutional. Our designers are finding inspiration in retail, hospitality and corporate models.

#### PLANNING FOR SUSTAINABILITY

Green design is now part of any good design — especially in D.C. Earlier this year, the GSA increased its minimum requirement for new construction and substantial renovation of federally owned facilities to Leadership in Energy and Environmental Design (LEED®) Gold certification. The District of Columbia already has more LEED certified space per capita than any other U.S. city.



# 2011 CREW Network CONVENTION & MARKETPLACE

September 14-17, 2011  
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## Leaders for CHANGE

CREW Network is proud to partner with these extraordinary industry **Leaders for Change** who share our commitment to the development of strong leaders and a diverse workforce that will lead to continued growth and enhancement of the commercial real estate industry

### Thank you

Together, we are working to influence the success of the commercial real estate industry by advancing the achievements of women.



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## 2011 CREW NETWORK CONVENTION & MARKETPLACE

Federal agencies embracing flatter organizational hierarchies and a more egalitarian approach to workplace layout are asking for fewer private offices and more open areas. An open floor plate gives designers exciting opportunities to plan work environments around daylight and views. Research confirms what common sense tells us: Optimal use of daylight creates more sustainable, better performing workplaces.

Designers in HOK's D.C. office teamed with engineers from Vanderweil on the winning design for Metropolis magazine's 2011 Next Generation Design Competition co-sponsored by the GSA. The team's net-zero energy retrofit of a 1965 federal building uses proven energy conservation and renewal strategies, creating a retrofit design process that can be replicated for all of GSA's existing buildings going forward.

### TANGIBLE VALUE

The federal government understands that providing employees with well-designed office space can enhance productivity and innovation, create new cost and work process efficiencies and attract the most talented people. By creating office buildings and environments that improve an organization's performance, architects can provide tangible value.

## The New Normal in Interiors

by Marlene Gardner, Senior Sales Team Member, WorkSpaces LLC

As a furniture dealership, we have the opportunity to see the office world from many vantage points. We are fortunate enough to see the vision that the Architect is trying to move the client towards and we also see the side of the client that is often driven by age old paradigms of "that's how we've always done it" or "we can't afford it". Moving into a new way of working and respecting the mindset of the client doesn't have to be mutually exclusive. Clients are often willing to make changes due to forces beyond their control such as newer technology, changing workforce demographics and a smaller overall footprint. We try to make that change as easy as possible.

One of our newest clients - Deltek fits the 'dream customer' profile - they are willing to take a hard look at themselves as an organization and examine how they work and what will vault them into the future. Not only as a technology leader but also as a great place to work with a facility that promotes creativity, collaboration and openness.

Deltek conducted an extensive search last fall for a partner that could help them develop a new open concept work environment. WorkSpaces, LLC was shortlisted and eventually won the 655 work station project. There are several factors that make this a unique project. All stations are designed exactly alike - 6 x 8 footprint. The only distinction for the EVP stations is that they have a double footprint of 12 x 8 with a 30" small meeting table. This open concept is a top down directive as even the CEO is in a workstation. The overall height is 51" thus letting as much light into the space as possible. The only walled areas are Conference Rooms and small huddle rooms for breakout.

Throughout each floor we've utilized the window wall for low files that have cushions and tables intermittently placed. There are also many tables interspersed within the workstations for impromptu meeting. The effort has been made to increase shared and collaborative spaces while decreasing the station footprint from the current size. Each floor also has several Hot desks for hoteling for the employees or contractors who need a desk once



The new, 130,000 SF Center for Strategic & International Studies headquarters, designed by Hickok Cole Architects, will include a 3-story conference center and atrium, and 50,000 SF of underground parking. HITT Contracting is the general contractor. The project was designed to achieve LEED GOLD.

or twice a week.

The most forward thinking companies realize that their employees are their greatest asset and attracting the best and brightest, and then retaining them is invaluable.

## The New Normal in Engineering

By Winona Leaman, LEED AP BD+C, Marketing/Business Development Manager, GPI/Greenman-Pederson, Inc.

Engineers design the mechanical, electrical, and plumbing infrastructure to integrate seamlessly with the Architect's concepts. An easy response to "What is the new normal?" would be "sustainable design"...but in many cases that is now required by local code jurisdictions or at the request of the owner. In today's enlightened environment, designing in a way to conserve energy and water, make occupants more comfortable, and reuse existing infrastructure when possible is nothing more than common sense. Technological changes in lighting have also advanced significantly to provide longer lamp life and less energy consumption which also have an added benefit of reducing HVAC loads. Engineers must design to meet the Energy Conservation Code with more stringent allowances for power density while still maintaining proper illumination levels to support the function of each type of space.

The unexpected "New Normal" is that engineering clients, whether end users, architects, brokers, or owners, are seeing the value of getting the input of the engineer early in the project. Early assessments of spaces during site selection can actually affect details of lease negotiations and total project construction costs. Typically 30 to 40% of total construction costs are related to engineering systems but often modifications to the engineer-

ing infrastructure are not addressed during site selection or lease negotiations. This could become an issue after the lease is signed regarding who will pay for these infrastructure modifications...the tenant or the landlord.

"Recently GPI was asked to walk a potential space for a new client prior to the lease being signed," said Lew Brode, PE, LEED AP BD+C, Principal of GPI/Greenman-Pederson, Inc. "We observed that the power infrastructure was not sufficient for the new tenant requirements and that there was not an adequate quantity of VAV boxes. We were able to get various mechanical and electrical upgrades incorporated into the lease before it was signed and while the tenant still had negotiating power. The cost of these upgrades which were paid for by another party exceeded our engineering fee by a factor of three times, meaning this initial step of getting the engineer to walk the space prior to lease signing ultimately paid for our fee and a large portion of the architect's fee."

## The New Normal in Project and Construction Management

By Colleen Scott, VP Development, The J Street Companies and Angela Poliskey, LEED AP, Sr. Project Mgr., Cassidy Turley

Recently, one of the largest trends in Project Management has been the need for increased efficiency. Architects and leasing agents will analyze space use per person and per organization to try to reduce company overhead costs, especially in today's challenging and uncertain economic climate. There are, however, additional ways to increase efficiency outside

of rentable square feet and all of them start with hiring a professional PM.

**1. Hire a Project Manager.** A project will be more efficient with the early involvement of an effective Project Manager (PM). The PM is hired as an owner's representative to provide technical expertise and management of the overall project and process from space planning and the development of the letter of intent through occupancy. The PM works with the owner to oversee the project design and construction team. Owners or tenants have their own day to day jobs to do and benefit by hiring a PM early on to help them coordinate all efforts, bring knowledge and personal working relationships to the table, and to control costs. By involving a PM earlier in the process, the PM can review the lease language as it relates to design and construction and work in conjunction with the brokers to allow greater flexibility later in the project.

**2. Sustainability / LEED.** Throughout the DC Metro area and other metropolitan areas, LEED existing buildings are becoming more of the norm. Tenants building their corporate offices or office spaces above 30,000 square feet are either seriously considering moving into and building out a LEED Certified space or moving forward with LEED tenant improvement projects. Occupying a LEED building will save money over time in increased energy efficiency and lower utilities bills.

**3. Turnkey Build Outs.** Another "trend" or sign of the times is an increased number of turn-key build outs versus tenant improvement allowance deals. A turn-key means that the space is constructed by a developer or owner and turned over to a tenant in a ready-to-use condition. This is a great way for clients to move into a space quickly but must have the involvement and control of the architect and project management team to ensure timely completion while controlling costs. For this to be successful, the PM must be involved with the budget and scheduling up front while the leasing team creates a well written work agreement that outlines what the turnkey will entail, selecting only readily available materials such

## 2011 CREW NETWORK CONVENTION & MARKETPLACE

as carpet, light fixtures and wallcovering. Another key to the success of a turn-key is that the architect should be willing to accept submittals from the general contractor for record only or agree to an expeditious submittal review time. The turnkey process is effective and works well for both the landlord and the tenant when a tenant is willing to accept a standard or vanilla type office with minimal design elements. Turn-key is not the preferred method when the tenant would like to have more design input or involvement in their space as they get charged additional plus a fee for everything over and above what was specified and agreed upon during the lease negotiations.

**4. Overall budget management plan.** By establishing budget goals up front and continuously benchmarking back to these, the PM can work to review the lease language with the broker. Many items, if negotiated up front, can be paid for from the TI funds such as the PM's fee, relocation expenses, furniture. The PM can track TI expenses closely and review any additional expenses. The largest typical sources of additional costs are change orders generated during construction. By engaging a PM early to review the plans and assist to ensure the program is translated and meets the client's needs, these surprises can be reduced greatly. The PM can also negotiate strongly on the owner's behalf.

**5. Leverage technology.** By using modern communication methods for meeting and sharing information, the PM can more effectively and efficiently manage the Project team's time and the flow of information. Many meetings with out of town owners can take place on line using tools like Sharepoint and Goto Meeting. Video conferencing can also be employed. Project management software such as Constructware can be used to manage all of the project information including drawings, RFIs, invoices. Drawings are stored on FTP sites for easy access and sharing and printing capabilities, internet and cloud based project management software allow easy access to project documents and information by the entire project team.

It is very important to study strategic growth for any organization to determine how much space is needed. In studying work flows and patterns, architects have confirmed that flexible workspaces with fewer square feet per person reduce a company's overhead costs and therefore can increase net revenue. Efficiency can be taken even further though. By engaging a skilled professional PM, the whole process of design and construction becomes more efficient. This saves the owner / tenant time and money as well as frustration. It gives the owner an expert to rely on for board presentations and information and it helps to ensure most importantly that the project meet the end goals esthetically while being completed on schedule and within budget.

### The New Normal in Lending

By Sadhvi Subramanian, Sr. Vice President/  
Relationship Mgr., Capital One Bank

The Washington DC metro area is the most desirable market for lenders today. The Federal government has kept unemployment relatively low and office leasing robust. Year to date 2011 has witnessed increasingly aggressive debt structures though recent financial events may slow down the tone of lending.

In 2007, competitive lending blurred the lines between strong sponsors and first time developers, infill and suburban location, 50% and 70% loan-to-values. The "See Through" buildings of the early 2000's were all but

forgotten. In 2008/2009 the turmoil in the economy brought commercial real estate lending to an abrupt halt. Relatively few new credit facilities were extended by banks and Commercial Mortgage Backed Securities (CMBS) had collapsed. Even stabilized properties with cash flow, existing debt service coverage and low loan-to-values were enhanced with guarantees.

Today, markets have settled down to a more normalized state of lending. Banks are giving credence to relationships, strong sponsors, location, leasing, equity and guarantees. Some of the more active Bank lenders in the Washington Metro area include Wells Fargo, Capital One, PNC, BB&T, TD Bank, M&T, RBS, US Bank and Eagle Bank. Life Companies are aggressive on properties that "Fit into their Box"- Prudential, Met-Life, Northwestern Mutual and ING are demonstrating their presence in the market. CMBS came back to life in 2011, however recently there seems to be volatility in this area with spreads getting wider in August.

The agencies (Fannie Mae and Freddie Mac) and FHA have always dominated the stabilized multifamily sector. Banks increased lending for multifamily construction projects in 2011. Projected growth in rents and occupancy for the DC metro area and the ability of sponsors to access equity also led to increased multifamily construction. Recently there has been some activity on the non-recourse construction side for strong sponsors with significant equity.

In the past, lenders had been comfortable lending on office properties that were leased to the government or government related tenants. With recent cuts in government spending, lenders are focusing on the fine print regarding lease terminations/appropriations. Banks are now financing office construction provided there is substantial preleasing and equity in the project. CMBS or Life Company executions have cornered the market for stabilized properties with strong tenants and limited lease roll. Less stabilized properties with some roll are financed by banks mitigating their risk through guarantees and cash traps. Financing of industrial buildings in the DC area, generally flex properties, are at a premium over office buildings.

Retail financing is driven by a number of criteria - location, type of property, tenants and sponsors. Infill locations are at a premium; grocery anchored or big box anchored centers (especially rated tenants) are also viewed favorably. Malls and large stabilized retail centers are mostly financed by the Life Companies and CMBS lenders as they are able to extend longer terms on these properties. Banks tend to finance retail construction, value add centers and smaller stabilized centers.

Hotel financing is still restrictive and is very conservatively structured. Hotels in the city are favored over those in the suburbs with full service hotels in premium locations securing the best financing. Mesa West and Wells Fargo are two of the more active lenders in this area. Trends today:

- Loan to Values are in the 60% to 65% range.
- Loan to Costs are in the 60% to 70% range.
- Guarantees are required for construction/reposition loans; stabilized properties with limited roll are financed on a non-recourse basis.
- Lenders are not trending rents in their underwriting.
- Experience and strength of the sponsors are critical.
- Location determines the underwriting criteria and terms.
- Pricing ranges from 175bps to 350bps for most product types; LIBOR floors are no longer prevalent.
- Large banks are willing to principal \$100MM to \$200MM, alleviating the syndication risk for the borrower.

- Construction to perm loans are being quoted as lenders compete for prime projects.
- CMBS lender and Life Companies are executing 15 to 20 year transactions. Bank terms tend to be closer to five years although Capital One, Wells Fargo and PNC are willing to go out 10 years.
- There is limited appetite for speculative development or projects with no cash flow.
- Interest rates on loans over three years are fixed or hedged.
- Lenders are being cautious when making any concessions relating to documentation.
- Club Deals are becoming more prevalent; large syndicated construction transactions have not made a comeback in the DC market.

The good news is that lenders are active in the Washington DC metro area and are willing to aggressively structure transactions to build strong relationships. On the other hand, there is limited financing available for marginal projects with low equity, inadequate leasing and less experienced sponsors.

### The New Normal in Leasing

By Leigh Jackson, Assistant Vice President,  
Leasing, Quadrangle Development Corp.

As I sat down to write this article I wanted to state there is no new normal in the leasing because "normal" would indicate some sort of regular, standard or repeating pattern. However, upon further reflection, it is the constant inconsistency and unpredictability that is the new normal.

Recent months, now turning into recent years, have brought such inconsistency and unpredictability that it is difficult to identify, much less take advantage of, any measurable trends that offers consistency in making long term projections. From a landlord's perspective this means that long term rental projections (set two, three, four years ago) are most

likely not being attained and from a tenant's perspective, job growth and space occupancy projections set in the same time period are sometimes completely irrelevant.

I think most everyone would agree that the following will continue to affect both owners' and tenants' long term decisions: sporadic leasing activity, stagnant rental rates, stagnant concession packages (from a landlord's perspective not a good sign since concessions (allowances and free rent) are higher than they have ever been yet security deposits for some landlords seems to be at an all-time low), increasing construction pricing, slowing job growth in the region, national debt downgrade and wild stock market swings.

However, there are opportunities to be had: most tenants (excluding large users) will continue to take advantage of today's real estate market as owners are anxious to conclude deals and for nimble owners who understand the current market fundamentals, lease transactions seem to be concluding at a much faster pace and those owners will be able to capture more of the limited number of tenants in the market.

### The New Normal in Tenant Rep Services

By Wendy Feldman Block, Corporate  
Managing Director, Studley

The combination of a faltering leasing market and the persistence of economic uncertainty at both the local and national levels create an environment that is very favorable for tenants. The D.C. commercial real estate market, while still one of the strongest in the nation, is currently experiencing lagging fundamentals particularly in the downtown area where the majority of private sector tenants are located. These conditions present a strong opportunity for tenants who are looking to take advantage of increasingly attractive rents and landlord concession packages at buildings throughout the District.

The Washington, D.C. office market has been among the top performers

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## 2011 CREW NETWORK CONVENTION &amp; MARKETPLACE



# Schedule of Events

2011 CREW Network Convention & Marketplace  
September 14-17, Gaylord National Resort & Convention Center

## Wednesday, Sept. 14

7:30 AM – 7:30 PM  
Registration Open

8:00 AM – 9:00 AM  
CREW Network Leadership Summit  
& Council Meeting

9:15 AM – 11:15 AM  
Leadership Development Workshop  
(Open to delegates & chapter leaders)

11:45 AM – 1:15 PM  
Networking Lunch  
(Council Meeting registrants only)

NOON – 5:00 PM  
D.C. Insider's Tour  
Pre-registration was required

1:00 PM – 2:00 PM  
CREW Network Career Outreach – Best  
Practices for Implementing Quality Programs  
*Sponsored by Perkins Coie*

1:30 PM – 3:00 PM  
Chapter President-Elect Session

2:00 PM – 4:00 PM  
CREW Network UCREW Session

2:30 PM – 3:30 PM  
First-Time Attendee Orientation  
*Sponsored by Wells Fargo*

5:00 PM – 7:30 PM  
Network Marketplace & Welcome Reception  
*Sponsored by Sims Recycling Solutions, Inc.*

7:00 PM – 10:00 PM  
Stepping Up & Stepping Out for  
CREW Foundation® Live Auction & Reception  
Bobby McKey's Dueling Piano Bar

## Thursday, Sept. 15

6:00 AM – 7:00 AM  
NetWalk

7:00 AM – 8:00 AM  
Networking Breakfast  
*Sponsored by Fidelity National Title Group*

7:00 AM – 5:00 PM  
Registration Open

8:00 AM – 9:30 AM  
*Opening Session*  
**Lessons from a Ground-breaking Leader**  
**Sheila C. Johnson, Entrepreneur, Co-founder,**  
**Black Entertainment Television, President,**  
**WNBA's Washington Mystics**  
*Sponsored by Fulbright & Jaworski L.L.P.*

10:00 AM – 11:30 AM  
*Concurrent Sessions*  
*Sponsored by HFF*

**Why Public/Private Partnerships  
Matter Today More Than Ever**  
Moderator: Genevieve Hanson, U.S. General  
Services Administration  
Speakers: Deborah Ratner Salzberg, Forest  
City Washington, Inc.; William B. Alsup, III,  
Hines Limited Partnership; Deputy Mayor  
Victor Hoskins, Government of the District of  
Columbia, Office of the Deputy Mayor for  
Planning & Economic Development

**Retail in the New Economy**  
Moderator: Wendelin A. White, Pillsbury  
Winthrop Shaw Pittman LLP  
Speakers: Dawn Becker, Federal Realty  
Investment Trust; Lizanne Kile, Starbucks  
Coffee Company; Michael Zacharia, CB  
Richard Ellis; Carole Baker, Walmart Realty

**The Multifamily Market Today**  
Moderator: Laura Franklin, Washington Real  
Estate Investment Trust  
Speakers: Susan Ansel, Gables Residential;  
Julie Smith, Bozzuto Management Company;  
Richard Campo, Camden Property Trust

**Health Care Reform and  
Its Impact on Real Estate**  
Moderator: Tama Duffy Day, MFA, FIIDA,  
FASID, LEED AP, Perkins + Will  
Speakers: Kelly Sweeney McShane,  
Community of Hope; Amy Harbaugh, Capital  
Link; Adam Schindler, Studley

11:45 AM – 1:45 PM  
*Networking Lunch & Program*  
**Diane Swonk, Chief Economist & Senior  
Managing Director, Mesirow Financial**

As one of the most sought-after economists in the world, Diane Swonk is called upon by policymakers and business leaders from Washington, D.C. to Tokyo. One of the most quoted economists in the financial press, she sits on several advisory committees to the Federal Reserve Board, its regional banks, and the Council of Economic Advisers for the White House. Most recently, she was appointed to serve on the Congressional Budget Office's panel of economic advisers. An expert on the U.S. economy, she speaks about trade issues, regulation, taxes, the effect of government policy on the domestic market, and many other issues affecting business. Join us as she cuts through the noise and helps us figure out just what's really going on with the U.S. economy and how it will impact the commercial real estate industry. *Sponsored by CREW Washington, D.C.*

2:00 PM – 3:00 PM  
**New Lease Accounting: Interpreting the Impact  
for Occupiers & Owners**  
Speakers: Courtney Naudo, Deloitte  
Consulting LLP; Janice Wildman, Deloitte  
Financial Advisory Services LLP  
What You Don't Know Can Hurt You: Red  
Flags in International Real Estate Transactions  
Speaker: Marsha Z. Gerber, Fulbright &  
Jaworski L.L.P.

2:00 PM – 3:30 PM  
**Capital Markets Update**  
Moderator: Sara Grootwassink Lewis, Lewis  
Corporate Advisors  
Speakers: Merrie Frankel, Moody's Investor  
Services; Paula Poskon, Robert W. Baird &  
Co.; Dale Taysom, Prudential

2:15 PM – 5:00 PM  
*Learning Excursions*

**Capitol Riverfront**  
Speakers: Frank Gambino, Lerner Enterprises;  
Susan Klumpp Williams, HOK; Eleanor  
Krause, The RKtects Studio, Inc.; Mark  
Lerner, Washington Nationals Baseball Club  
& Lerner Enterprises, Lerner Corporation;  
Gregory McCarthy, Washington Nationals  
Baseball Club; Alex Nyhan, Forest City  
Washington; Deborah Ratner Salzberg, Forest  
City Washington; Claire Schaefer, Capitol  
Riverfront Business Improvement District; and  
Michael Stevens, Capitol Riverfront Business  
Improvement District

**Transforming a Historic Asylum into Homeland  
Security Headquarters: Adaptive Reuse &  
Sustainability on a Massive Scale**  
Speakers: Holly Briggs, Perkins + Will; Harriet  
Tregoning, District of Columbia, DC Office of  
Planning; Diane Hartley, Clark Construction;  
Rebecca Miller, DC Preservation League;  
Bill Willis, General Services Administration,  
Office of Campus Development; and Shapour  
Ebadi, General Services Administration,  
Public Building Service

**National Harbor – Putting the Pieces Together**  
Speakers: Jon Peterson, Peterson Companies;  
Kwasi Holman, Holman Group & Past  
President of Prince George's County Economic  
Development Corporation; Charlotte Bryant,  
Gaylord Hotels

3:45 PM – 5:00 PM  
*Afternoon Sessions*  
*Sponsored by HFF*

**Women on Public Company Boards**  
Speakers: Wendelin A. White,  
Pillsbury Winthrop Shaw Pittman  
LLP; Sara Grootwassink Lewis, Lewis  
Corporate Advisors, LLC; Linda Rabbitt,  
rand\* construction corporation; Pauline  
Schneider, Orrick, Herrington & Sutcliffe LLP

**Excess Property: Put Your Portfolio on a Diet  
and Improve Your Figures**  
Moderator: Sonya Webster, Walmart Realty  
Speakers: Ann Elliott, Safeway, Inc.; Theresa  
McLaughlin, Akerman Senterfitt

6:00 PM – 7:30 PM  
CREW Foundation® Silent Auction &  
Reception

7:30 PM – 9:30 PM  
**Celebrating the Power of Women in  
Commercial Real Estate**  
**A Night of Outstanding Women!**  
*CREW Network Impact Awards sponsored by  
Holland & Knight LLP*  
Join us for this special dinner as we honor the

outstanding successes of women in commercial real estate and celebrate women who inspire us through their industry leadership. We are honored to have Linda Rabbitt, founder, chairman and CEO of rand\* construction corporation as our featured speaker. Following Linda's presentation, CREW Network will announce the winners of its 2011 Impact Awards and the overall winner of its Achievement of Excellence Award. The evening will conclude with a performance by the Capitol Steps.

## Friday, Sept. 16

6:00 AM – 7:00 AM  
NetWalk

7:00 AM – 8:00 AM  
Networking Breakfast  
*Sponsored by Eastdil Secured*

7:00 AM – 3:00 PM  
Registration Open

8:00 AM – 9:30 AM  
*Friday General Session*  
**Norah O'Donnell, Chief White House  
Correspondent for CBS News**  
The Future of U.S. Political Leadership: Women, Minorities and Global Comparisons  
The Obama administration has ushered in a new team reflective of America's diverse population after running a campaign against the first viable female presidential candidate in U.S. history. While the Executive Branch has achieved diversity, the U.S. Congress, governor seats and state legislatures fall woefully short of reflecting the electorate, which is 54 percent women and 12 percent African American. Globally, 12 other countries have had women heads of state. Known for her exceptional research and keen interviewing skills, O'Donnell delves into the lack of diversity in U.S. elected positions.

10:00 AM – 11:30 AM  
*Concurrent Sessions*  
*Sponsored by Butler Burgher Group*

**Hospitality Leaders – How to Survive and  
Move Forward in a Difficult Market**  
Moderator: Kimberly Wachen, Arent Fox LLP  
Speakers: Yoav Gery, Morgans Hotel Group.;  
Leslie Hale, RJ Development, LLC; Christopher  
Jordan, Wells Fargo Bank

**Trading for Cash: Reducing Operating Costs  
Through Wise Portfolio Management**  
Moderator: Cecelia Bonifay, Akerman  
Senterfitt  
Speakers: Nina Albert, Office of Green  
Economy, District of Columbia; Drury B.  
Crawley, Ph.D., Bentley Systems, Inc.; Sally  
Wilson, AIA, CB Richard Ellis

**The REIT Way of Owning, Operating and  
Financing Commercial Real Estate**  
Moderator: Bonnie Gottlieb, National  
Association of Real Estate Investment Trusts  
(NAREIT)  
Speakers: Debra A. Cafaro, Ventas, Inc.;  
Constance Moore, BRE Properties Inc.;  
Raymond Ritchie, Boston Properties Inc.

11:45 AM – 1:45 PM  
*Keynote Lunch Presentation*  
**The Politics of Too Big to Fail**  
**Andrew Ross Sorkin, New York Times Chief  
Mergers & Acquisitions Reporter & Columnist,**  
**author of the New York Times bestseller Too  
Big to Fail**  
Author of the New York Times bestseller Too

Big to Fail, Andrew Ross Sorkin goes behind the scenes in Washington and the ongoing debate over financial reform. What's being said inside the White House and the corridors of Congress? How is the SEC's crackdown on Wall Street going to impact the industry and the economy? Sorkin makes a persuasive case that the center of power on Wall Street has now moved to the Capitol. *Sponsored by Capital One Bank*

2:15 PM – 5:00 PM  
*Learning Excursions*

#### An Insider's View of the U.S. Capitol: What the Tourists Don't See

Speakers: Reema Gupta, AIA, LEED AP, Architect of the Capitol; Tom Fontana, Capitol Visitor Center

#### A Bird's Eye View of District Revitalization

Speakers: Elizabeth Price, NoMa BID; Rachel Davis, NoMa BID; Jamie Bratt, NoMa Bid; Jane Mahaffie, Stonebridge Associates, Inc.; Holly Lennihan, Hickok Cole Architects; Anne Corbett, Cultural Development Corporation

2:30 PM – 4:00 PM  
*Afternoon Sessions*  
*Sponsored by Butler Burgher Group*

#### Changing the Face of Investment Management - How to Launch Your Own Business

Moderator: Julie Rost, Franklin Templeton Real Estate Advisors  
Speakers: Susan Barlow, Fiduciary Capital; Jacqueline Brady, Canopy Investment Advisors LLP; Kathryn Sweeney, Great Point Investors LLC

#### Rising Stars – Developing and Retaining Talent

Moderator: Janis Schiff, Holland & Knight LLP  
Speakers: Phyllis Levinson, Life Coach; Judge Susan Edlein, State Court of Fulton County Georgia

#### Insurance for Real Estate: Crucial Knowledge for Today

Moderator: Marie Moore, Sher Garner Cahill Richter Klein & Hilbert L.L.C.  
Speakers: Marilyn Maloney, Liskow & Lewis, A PLC; Maggie McIntyre, Arthur J. Gallagher Risk Management Services, Inc.; Grace Tate, Butler, Snow O'Mara Stevens & Cannada PLLC

#### Closing Business with the Federal Government

Speakers: Ann Sullivan, Madison Services Group, WIPP Government Relations; Gloria Larkin, TargetGov

#### Optional Activities

7:00 PM – 11:00 PM

D.C. at Night Tour  
(Pre-registration required by August 17, 2011)

#### EVENING

Dine Arounds  
*Sponsored by MKAssociates, Inc.*

## Saturday, Sept. 17

#### Optional Activities

9:30 AM – 2:30 PM  
American History Museum Private Tour  
Pre-registration required by August 17, 2011

9:30 AM – 3:00 PM  
Library of Congress & U.S. Capitol Building  
Pre-registration required by August 17, 2011



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## 2011 CREW NETWORK CONVENTION & MARKETPLACE

nationally throughout the economic downturn. Demand has been buoyed primarily by the growing space needs of the federal government. The stable nature of the District's private sector companies meant the area experienced very few layoffs and relatively little downsizing during the downturn. Vacancy in the District did increase some during the recession until a large amount of government leasing activity in late 2010 and early 2011 brought availability down. However, vacancy has once again begun to increase in recent months as the level of federal leasing has pulled back dramatically. Despite rising vacancy in recent quarters, only New York and San Francisco have lower vacancy than D.C. Meanwhile, rents in D.C. have thus far remained largely stable and are currently at an historic high. For a short time, D.C. enjoyed the distinction of having the highest average rents in the United States, until recently when New York reclaimed the top spot.

Upon closer inspection, the spate of leasing activity in D.C. in 2010 was not distributed uniformly throughout the District's various submarkets. With a multitude of large leases, the federal government has led the way and drove a nascent recovery in the leasing market.

Given that the GSA is only permitted to sign leases at or under a rent cap of \$49.00 per square foot in the District, the options in Class A buildings in downtown submarkets like the CBD and East End are very limited. Instead, the GSA has focused much of their leasing on high quality buildings in "Non-Core" submarkets such as NoMa and Southwest. Recent examples of this include the Department of Veterans Affairs lease for 123,000 square feet at Tishman Speyer's recently completed 1100 First Street, NE in NoMa and the Office of the Comptroller of the Currency's new lease for 640,000 square feet at Constitution Center in Southwest. While buildings in these more peripheral submarkets have been the beneficiaries of a large number of new government leases, downtown submarkets have seen much more limited activity as a widespread recovery in the city's private sector has failed to take hold.

Downtown D.C. is traditionally home to the City's private sector, which is comprised largely of law firms, non-profits and associations, government relations offices, and other professional and business services firms. These companies pay a premium to locate downtown for its regional accessibility, amenity base, and the proximity to government decision makers and the amalgamation benefit of being near other similar companies. However, these firms have shown very little appetite for expansion over the last several years and many have actually shed space or are sitting on a large amount of "shadow space" as a result of staff reductions. Others that have moved have taken the opportunity to increase space efficiency per employee and have thus reduced their total square footage. This has translated to lackluster fundamentals in downtown's commercial real estate market. Vacancy, rental rates, and net absorption have been stagnant in the CBD, East End, and West End, while the fundamentals of the non-core markets have charged ahead thanks to activity from the government.

The majority of private sector deals in recent months in D.C. have been lease renewals that, for the most part, preserve the tenant's existing footprint. High profile examples of this include law firm Skadden, Arps, Slate, Meagher & Flom's renewal for 415,000 square feet at 1400 New York Avenue and 700 14th in the East End and King & Spalding LLP's renewal for a total of 190,000 square feet at 1700 and 1730 Pennsylvania Avenue. The market is also seeing more early renewals and lease extensions which could indicate that tenants are finding it to be a good time to take advantage of a propitious bargaining position and lock in economically advantageous lease terms with eager landlords. Recent examples of this

include Kelly Drye & Warren at 3050 K Street and Lerman Santer at 2000 K Street. Many firms are finding that it is in their best interest to start lease renegotiations early with existing landlords in order to gain leverage.

Only a small number of the largest deals in recent months have been new leases. Examples of these include law firm Holland & Knight's lease at 800 17th Street, Navigant Consulting's lease at 1200 19th Street and Cassidy & Associates lease at 700 13th Street. However, all three of these new leases represent a downsizing for the firms compared to their previous location.

Overall, the pullback in federal spending and dynamic environment on Capitol Hill poses a threat to the D.C. leasing market. An absence of federal leasing in the second quarter of 2011 has already led to a dramatic drop in total leasing activity. The elimination of future requirements, such as the 1.3 million square feet of the Department of Homeland Security, will take away what has been the key driver of the area's leasing market.

### The New Normal in Retail Development and Leasing

Janis B. Schiff, Esquire, Partner, Holland & Knight LLP

To quote Charles Dickens from the novel *The Tale of Two Cities*, "it is the best of times, it is the worst of times" as it relates to retail development and leasing in 2011. In densely populated urban and suburban markets where unemployment is relatively low and income growth is considerable, retailers are clamoring to lease space and expand their operations. In the outer suburbs and rust belt urban areas where unemployment rates are over 10%, residential growth is non-existent and same store sales are stagnant at best, retailers are closing stores, reducing the size of their operations and putting future expansion on hold.

If that was all of the story, we could conclude this article now. But, not so fast. There is a lot more going on in retail development and leasing. Even in markets where retail development and leasing are strong, the deals have evolved and retailers are creating a new competitive reality. Developers and owners are learning how to make the deal while preserving the value and marketability of their properties. Retailers are looking at non-traditional locations, and are requiring more-extensive assurances from the owner/developer about who their "co-tenants" in the project will be, they are looking for flexibility as to the size of their space and the types of goods they can sell and services they can offer, they want to restrict their direct competition from operating in the project and, most of all, they want certainty as to their occupancy costs over the term of their lease. This article discusses the various aspects of the new competitive reality for the tenants, lenders, owners and developers of retail properties in 2011 and beyond.

**1. Non-Traditional Locations.** Tenants are increasingly looking at mixed use projects in downtown locations as well as locations near sports and theater venues over traditional strip centers, regional malls and lifestyle centers for their new locations. These non-traditional retail locations provide an endless supply of built-in shoppers. Travelers at airports, concertgoers and sports fans, office workers, vacationers at resorts, and residential occupants all provide the guaranteed traffic that the retailers need and want. Forward thinking retailers prefer locations near public transportation and those locations with a built-in clientele are especially

desirable and attractive to retailers with unique concepts. Even retailers selling staples such as groceries and service providers such as dry cleaners and spas are all jockeying for the best non-traditional locations. Developers and owners are responding with unique locations and deal structures to balance the risk of an all retail development with residential and office components in locations where they can utilize public incentives and government guaranteed financing. It is a win-win for all.

**2. Co-Tenants.** Given the high vacancy rate at many shopping centers over the past few years, retailers are very sensitive about not being one of the only open stores in a project. Retailers generally want to have "co-tenants" in the project that will help draw shoppers to the center and their store and will create an exciting atmosphere to encourage cross-shopping. Clothing retailers want other clothing retailers at or around the same price point. Co-tenancy requirements have become more detailed and specific, and are typically requested by retailers as a condition of both a tenant's initial opening and its ongoing operation. Developers and owners struggle with these requirements but as a practical matter, they need multiple users to start a project and their challenge is to satisfy the key tenants while retaining the flexibility to replace a named co-tenant who vacates the project or never materializes at the outset. One compromise that is often acceptable to both owners and retailers is to require that a certain amount of overall square footage be leased and/or occupied by certain categories of possible retail uses in the project rather than by specific named tenants.

**3. Restriction of Competition.** While retailers do not want to be the only store open in a project, they increasingly want to control who will be in the project with them. They want to create the right synergy and also protect their sales from erosion by the competition. The retailer desired restrictions on use create a unique challenge for the owner/developer both in terms of control over its tenants and the ongoing operation of the project. With consolidation in the market, and use restrictions from the retailers, owners of retail projects are challenged to fill the project with the right users while not running afoul of the existing restrictions.

**4. Flexibility.** Retailers have learned the lessons of the past few lean years and negotiate hard on issues relating to what they can sell, how they operate, the size of their store, their signage and other similar use and operational issues. Developers and owners require flexibility as well in order to protect their rental stream and remain able to meet their obligations under the other project leases. The balancing act continues with both sides seeking the ability to address market conditions going forward.

**5. Certainty of Costs.** One of the most important issues for retailers is their need and desire to have certainty in their financial obligations for the term of the lease. The developers and owners share this desire but struggle with the desire to have some upside if the project is successful. Retailers want rent to increase at fixed percentages during the term including option periods. Retailers want their operating costs fixed during the first year of the lease term with caps on annual increases except for typical uncontrollable costs such as utilities, security insurance and snow removal in cold climates. This not only limits the upside for owners/developers if the market rent increases, it also may limit an owner/developer's ability to recover the actual costs of operating and maintaining its project if we experience inflation and operating costs escalate beyond the agreed upon caps.

For those of us working with retailers, developers and owners of retail properties, it is an exciting and dynamic period. The traditional negotiating positions have changed, and the new competitive reality requires a better understanding of the respective business needs of

the parties and the economic and operational challenges they face in order to complete a retail lease transaction.

### The New Normal: The Transactional Lawyer's Perspective

By Diane Shapiro Richer, Real Estate Partner, Pillsbury Winthrop Shaw Pittman LLP

The term "new normal," as it has come into popular usage, implies not merely change or trends, but change that is of a lasting nature – the new order, the new way of doing business going forward. The term implies that things are not going back to the way they were, at least not anytime soon. Yet, in our ever-changing economic climate, it is difficult to say which current trends will endure. Just recently, conventional wisdom held that historically low interest rates would soon be on their way out, yet by mid-August, the Federal Reserve had signaled its intent to keep rates near zero, at least until mid-2013. As you read this, predictions from mid-August have probably similarly been rewritten. In these times of unprecedented changes in the U.S. and world economies, who's to say which of today's trends in the commercial real estate market will endure?

With these realities in mind, this article identifies some of the trends that we are seeing in commercial real estate transactions, along with observations, where possible, as to the new normal.

**Workouts and Foreclosures that didn't Materialize.** As is now widely recognized, workouts and foreclosures did not materialize in this downturn on the scale that had been expected. The new normal of loan defaults is that lenders are not as eager to take back properties; more often we have seen lenders "extend and pretend" – the practice of extending loans to push the issue down the road a bit, rather than become reluctant property owners.

Particularly when the issue was lack of available capital to refinance maturing loans that are otherwise performing, lenders have allowed their borrowers to continue to own and operate their properties, sometimes requiring additional security or credit support, loan pay-downs and similar measures to make the loan more secure. This foreclosure avoidance, in turn, has led to fewer bargain properties landing on the market and the slower than expected recovery in sales activity, despite many eager players with cash to invest.

**Real Estate Secured Lending.** After the virtual collapse in 2008 of the capital markets, today, for borrowers with good credit and performing properties in decent markets, financing options abound, as the life insurance companies and banks compete earnestly to provide permanent financing. Construction lending, however, remains scarce.

The new normal in real estate lending includes more conservative underwriting, lower loan-to-value ratios and greater debt service coverage requirements. Non-recourse lending continues, but we are seeing broader non-recourse carve-outs or exceptions to the non-recourse nature of the loan, and more events that turn the loan fully recourse (and of these, not all are the usual "bad boy" acts). Lenders are requiring more pre-leasing and are more aggressively instituting holdbacks or escrows where properties are not fully stabilized.

**Acquisitions/Dispositions.** We continue to see many investors with cash chasing too few deals, leading to a new normal in which well-priced assets elicit more bidders (and, necessarily, more lost bids). Questions linger as to whether we've hit bottom, so some

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would-be buyers are waiting. Many who are eager to purchase complain that prices remain unrealistically high, and with fewer bargains, investors hold onto their cash and deal volume remains relatively low. The new normal involves a tempered view of future growth, as old assumptions about appreciation can no longer be relied upon. According to Peter Johnston, Senior Vice President and Regional Manager for real estate investment trust Boston Properties, in evaluating whether a property is worthy of acquisition "we look for differentiating factors, such as proximity to transit, amenities, and physical attributes of the property – it's all about the quality of an asset in terms of its current underwriting and its long-term leasing prospects."

The sector that is hot, if any sector can be described in such terms, is the apartment sector. According to Reis Inc., apartments are enjoying a mere 5.9% nationwide vacancy rate. Buoyed by low vacancy rates, and betting that apartment rents will rise as Americans, spooked by the housing market crisis, choose to rent, rather than own, buyers are investing heavily in residential apartment buildings.

Where sales opportunities exist, deals are closing more quickly than ever, with condensed feasibility periods and quick closings thereafter. Opportunistic buyers are paying with cash on hand or from lines of credit in order to close quickly, and then seeking permanent financing after acquiring the asset.

**Office Leasing – Changing Tenant Priorities.** The Washington, D.C. region's office market has weathered the recent economic storms better than other markets due to the significant presence of the federal government and the government contractors, lobbyists, trade associations, and lawyers whose work is fueled

by the federal government.

While local developers have avoided much of the distress suffered by property owners elsewhere, and vacancy levels are declining, there is growing concern about the effect the federal government's belt-tightening will have on the region's relative good fortune. Despite this, or perhaps because of this, landlords are requiring greater security in the form of guaranties and increased security deposits.

A significant change in recent years is the shift in tenant priorities. While expansion rights used to top a tenant's wish list, today's tenant is looking for flexibility above all else – to deal with a possible future contraction of its business, reduced staffing levels and diminished space needs. Tenants are renewing for less space, not more, want shorter lease terms, rights to give back space and early termination rights. Another tenant priority, according to Sandy Weiss, a tenant broker and Sr. Vice President with UGL Services, is cost containment. "We're seeing more modest build-outs; tenants are not going for the high end of the spectrum. Tenants are also paying more attention to a building's operating efficiency." And lease transactions are taking longer to complete, as tenants balance the desire to take advantage of current market opportunities with the need for a cautious approach to the difficult task of assessing future space needs.

**Title Insurance.** A key element of risk management in any real estate acquisition or financing is title insurance. Perhaps the most significant new normal in title insurance is the elimination since 2008 of so-called "creditor's rights coverage" – endorsements by which the title companies insured against the risk of a challenge to the conveyance under bankruptcy laws. The elimination of creditors' rights cover-

age "placed the risk of bankruptcy challenges back on the parties who should have borne this risk in the first place," says David Nelson, V.P. of Commonwealth Land Title Insurance Company and its sister company, Fidelity National Title Insurance Company. "Not having to conduct credit reviews allows the title companies to focus our energies on what we do best – title clearing matters."

Another new normal in the title industry that seems to be welcomed by all players is the overall acceptance of the ALTA 2006 form of title policies and endorsements, which has served to streamline title policy negotiations. An unwelcome, but not surprising, trend is the increased difficulty in obtaining affirmative mechanics' lien coverage in Virginia, where, without it, a Lender's mortgage is vulnerable to the super priority afforded later filed mechanics' liens under Virginia law.

**Which Bank Matters.** It used to be that little attention was paid to the particular banking institution at which security deposits, escrow deposits, cash collateral accounts and the like were held or through which letters of credit were issued. With 157 bank failures in 2010, following 140 such failures in 2009, we cannot ignore the possibility that large sums placed on deposit with a banking institution may be at risk.

Today, borrowers are not shy about asking where their mortgage lender will hold their holdback funds or cash collateral. In commercial real estate loans these sums often exceed the \$250,000 per account limit for FDIC insurance. The new normal here is that parties to these transactions may seek to control the selection of the depository institution (including the right to move the account to another institution if circumstances change), divide sums among

multiple institutions, use CDARS accounts maintained by smaller savings institutions, or place funds in low-risk securities accounts, which carry some investment risk, but avoid bank failure risk. Similar concerns, of course, affect those selecting a construction lender or lender for any loan that involves future disbursements.

**Role of the Real Estate Attorney.** As with the economic recovery in general, the uptick in transactional work since the depth of the recession has not been a steady climb, but, rather, has come in fits and starts. Deal volume has been down and clients send less work to outside counsel, as they seek to keep in-house counsel productively occupied and contain costs. In-house legal departments are stronger than ever, staffed with highly credentialed and experienced attorneys, many of whom now devote more time to running the deals versus supervising outside counsel.

Clients tend to turn to outside counsel when deal flow becomes more than they can handle in-house, or for more complex deals that require the broader resources of a law firm. Large firms with deep benches and resources in multiple markets are well-situated to respond nimbly to this client need. At the same time, clients are demanding greater efficiency from outside counsel, meaning leaner staffing, fewer lawyers per meeting, and precise staffing that matches the right level of professional to the work at hand.

**How did we do this before the Internet?** Any discussion of the new normal would be incomplete without mentioning the internet and technology explosion of the last decade and its impact on how we do business. Information travels at warp speed, we have nearly instant access to people and data, and anywhere on earth or in cyberspace can

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To be sure, all these advances have made us more efficient and have the potential to make us even more effective if used to their full advantage. "The internet age has stripped away the inefficiencies of the old real estate market. The 'new normal' requires nimble and sophisticated owners, lenders and advisors who can make use of the incredible wealth of information available online," says Christian Miles, Senior Managing Director, Principal with Cassidy Turley. All this is well and good, though few would argue the enduring value of the old-fashioned face to face meeting, where you don't need emoticons to tell you whether a comment was made in jest or to properly convey emotions or intent.

### The New Normal: Energy Rating and High Performance Buildings

By Eileen H. Nacev, LEED AP, Director of Sustainability, The JBG Companies

According to the 2011 Green Building Op-

portunity Index, produced by Betterbricks and Cushman & Wakefield, Washington, DC leads the top thirty CBD markets in the adoption of sustainable commercial office projects, as measured by green development variables including LEED and ENERGY STAR certifications as a percent of total building inventory. Through year end 2010, Washington, DC had over 45.43 million square feet of LEED certified buildings (all types) in 172 projects, in addition to 165 ENERGY STAR labeled buildings. With a critical mass of the commercial building stock now designated with green labels, the tipping point has been achieved with sustainable building. As a result, tenant space expectations and investor valuations have changed. So what comes after mainstream market adoption of basic green certification? The next sustainability wave will likely be competition between building owners to achieve best in class, continuous levels of proven energy efficiency. Transparency in energy reporting is moving front and center.

Clearly the high percentage of green labeled buildings in the local market area, as compared to other CBDs, is a result of a direct correlation with the strong levels of regional GSA leasing activity combined with the growing impact of federal mandates that drive space commitments to higher performance buildings. Federal Executive Order 13514, coupled with the strategic research done by GSA's Office of Federal High-Performance Green Buildings, have appreciably changed

developer building practices. Landlords are working harder to obtain third party rating designations to prove compliance with sustainable building expectations. The Executive Office released in February 2011 the Better Building Initiative, which set forth a goal of 20% energy savings by 2020. This federal effort is spurring greater private sector investment in energy upgrades. GSA's FY 2010-2015 Strategic Sustainability Plan is upping the ante with increasingly stringent policies for new federal facilities and leases to incorporate higher levels of sustainability and energy efficiency. The market was significantly impacted when GSA released requirement (RSL-2010-02) which implemented the ENERGY STAR label requirement for leases over 10,000 square feet after December 19, 2010. GSA is targeting that 15% of all leases will be compliant with the Guiding Principles for Federal Leadership in High Performance and Sustainable Buildings by 2015. This in effect means all new lease deals must deliver energy performance at least 30% below industry standards. Government policies are successfully driving Washington, DC landlords to incorporate green building practices in greater numbers than any other major city in the US.

An August 2, 2011 the Department of Energy's Office of Energy Efficiency and Renewable Energy, released "the Commercial Building Asset Rating Program", which will advance the complex effort to achieve national standardization of comparative building ener-

gy efficiency data. The DOE seeks to develop a complementary energy benchmarking tool to go beyond EPA's ENERGY STAR Portfolio Manager. DOE's pilot program is targeted to be in place by January 2012. At present, the building performance rating sector is turbulent waters to navigate with multiple organizations vying for market dominance with their latest and greatest energy asset rating system. ASHRAE is pushing their Building Energy Quotient ("Building EQ"), ASTM is refining work on the Building Energy Performance Assessment ("BEPA"), and USGBC is working on comments to its next generation 2012 rating system. DOE is seeking to supersede these efforts with its own asset rating system and to develop a lower cost national building energy standard that will more accurately evaluate energy-related building characteristics, both with historic performance as well as with the identification of future improvement opportunities. The goal is to increase cost-effective investment in energy efficiency. Lenders, ESCOs and owners all need more reliable energy performance data for their due diligence processes. Stay tuned as voluntary energy tracking segues into compulsory national energy efficiency reporting. Local jurisdictions, federal procurements and the financial community will surely adopt a national energy compliance reporting system to achieve transparent energy metrics, as the impending DOE Asset Rating Program takes over where LEED and ENERGY STAR left off.

## Impact of the Federal Government on the Washington Real Estate Market

By Jayne Shister, Sr. Managing Partner, Principal, Cassidy Turley and Laurie McMahon, Sr. Managing Partner, Principal, Cassidy Turley

The Federal government has a significant impact on the Washington DC region's economic health. It employs 330,000 people, about 14% of the region's workers. In Washington, DC, Federal employees represent 34.6% of the workforce. During the 2007-2009 recession, the Federal government added 16,000 jobs while the private sector shed over 73,000 jobs. In addition to employment, procurement by the Federal government accounts for about 16.5% of the area's real gross regional product; local procurement represents 11.3% of all US procurement spending. The Department of Defense accounts for about half of regional procurement spending. Employment and procurement are both significant factors contributing to the steady nature of the regional economy.

In terms of its impact on the regional real estate market, the Federal government is by far the largest tenant. The government also acts as a countercyclical influence when private sector leasing is weak, most recently demonstrated by increased leasing related to the Federal stimulus of the economy and increased regulation which grew out of the financial crisis. Actions of the government influence the development of the region: its willingness to locate in emerging locations has a "placemaking" effect. And finally, the government influences how buildings are built and operated.

The regional private office market is 349 million square feet. The General Services Administration (GSA) and other government agencies lease 55.5 million square feet of office space in Virginia, Maryland and the District of Columbia. Over the past ten years,

Federal tenants have occupied about 16% of the region's office buildings in the entire region: 14% in Virginia, 15% in Maryland and 19% in the District. Furthermore, the government often takes large blocks of space. In 2010, the government executed six of the top ten leases in the region.

In contrast with most other office tenants, the Federal government tends to expand when the economy is weak. In 2010, the government added 1.7 million square feet of leased space to its inventory. Some of this was directly related to "shovel ready" stimulus projects, such as the modernization of the Lafayette Building at 8111 Vermont Avenue, NW and GSA Headquarters at 1800 F Street, NW. These two modernization projects drove over 600,000 square feet net absorption for swing space in DC for occupants displaced to facilitate the construction. Increased regulation from the Dodd-Frank Act caused the Commodity Futures Trading Commission and the Securities and Exchange Commission to increase space occupancy by approximately 300,000 square feet. Other agencies, such as the Federal Housing Finance Authority, the Office of the Comptroller of the Currency, the Department of Treasury, and the Federal Reserve Board, all took additional space in the 2009-2010 timeframe. Recent large suburban projects that will drive the economy include the new headquarters for the National Cancer Institute to be located at the Shady Grove Life Sciences Center in Maryland and Boston Properties' redevelopment of its Patriot's Park complex in Virginia to meet federal requirements and DOD's anti-terrorism/force protections standards and house the Defense Intelligence Agency.

The Federal government also influences the real estate market by targeting the location of its offices and other facilities. With its

occupancy, the government has the ability to transform emerging locations in a short period of time. A recent example of this influence is the evolution of the NoMa area of DC, north of Union Station. Prior to 2005, the area was dominated by parking lots and warehouses, with some 5.9 million square feet of office space, much occupied by Federal agencies, clustered around Union Station, which had a red line Metro station. The next Metro stop to the north was two miles away, leaving a large amount of land too far from a Metro to be occupied by the Federal government. A coalition of the DC government and local property owners organized to get a new station built, and the Federal government matched the \$25 million contributed by local property owners. In addition, the Federal government agreed to build offices in the area. The first of these offices was the headquarters of the Bureau of Alcohol, Tobacco and Firearms, which brought 1,100 new workers to the area near the new Metro station. The station opened in 2004, and another 5.5 million square feet of office space has been delivered since 2005. 3.8 million square feet of this office space is leased to the Federal government. Moreover, the area has become a desirable residential area, with almost 1700 units delivered and another 1150 units under construction.

Much of the new office space in NoMa hit the market in the teeth of the recession. With 2.4 million square feet of new deliveries in 2009 and 2010, and weak private sector demand, the Federal government was able to take advantage of the market and obtain very favorable terms from landlords. In turn, the prospect of thousands of people in the buildings prompted the delivery of retail space, hotels, and apartments, all of which are contributing to transforming this area to a thriving neighborhood. In other markets without the

Federal government's presence, many of the office buildings would have remained empty and likely encountered financial distress.

The Federal government influences the commercial real estate market in another important way: as the champion of energy and environmental best practices. In 2008, GSA began to incorporate green lease solicitation provisions into its lease procurements. The policies include base building and interiors LEED requirements for leases over 10,000 square feet as well as operational practices such as green cleaning and low impact pest management. In addition, as provided for in the Energy Independence and Security Act of 2007, late last year lease solicitations began to require Federal agencies to lease space only in buildings that have earned the Energy Star label within the most recent year.

Because of this requirement, owners that target the government as a potential tenant have focused on improving energy efficiency in their buildings to the Energy Star label to remain competitive. As a result, in part, because of the LEED and Energy Star initiatives of the Federal government, the Washington area is one of the greenest metropolitan areas in the country. Region wide, the number of Energy Star labeled properties increased by over 120% between 2008 and 2010. In addition, the District of Columbia leads the nation, with 25 square feet of LEED-certified space per person in 2010.

If history is a guide, the Federal government will continue to be a strong financial driver in the DC regional economy. Federal outlays in the DC region are projected to reach almost \$150 billion in 2011 – a 50 percent increase over the past five years. Regional procurement is \$83 billion.

With the recent scrutiny of Federal expenditures and debt, the near term prospects for Federal spending and leasing are somewhat uncertain. But Federal outlays in the DC region have increased every single year for the past 30 years. Additionally, over 16 million square feet of Federal office leases will expire in the next five years. Regardless of what fiscal decisions are made by Congress and Federal agencies over the next few months, the long-term prospects for the DC real estate market appear stable.

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Camden NoMa is the perfect marriage of style and convenience. This high-rise apartment community is being developed just two blocks from New York Avenue Metro Station, four blocks from Union Station, and nine blocks north of the U.S. Capitol. Residents will have DC at their fingertips or may opt to stay in and enjoy the finer side of living with featured amenities like the rooftop pool deck, state-of-the-art fitness center, cyber café, resident lounge and billiards room. The community design was created to capitalize on amazing views of the nearby Capitol, Washington Monument, and the National Mall.



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## Real Estate Programs in the Washington, DC Area

By Holly Lenihan, RA, LEED AP; Associate, Hickock Cole Architects; Deborah Ford, Director, B.S. in Real Estate & Economic Development, Department of Finance & Economics, Merrick School of Business, University of Baltimore

A recent *Washington Business Journal* article described Washington DC as having "explosive growth." That description denotes an area with a dynamic real estate environment, making it a great place to study real estate. Not surprisingly then, the Washington DC area is home to superb real estate programs.

At the graduate level, American University, George Washington University, Georgetown University, Johns Hopkins University, George Mason University and the University of Maryland all offer Masters Degrees. The curriculum of these programs must encompass a broad range of subjects due to the interdisciplinary nature of real estate practice. Students are often working professionals who go to school part time and each program reports that diversity of professional and educational background contributes greatly to the strength of the student body. Each program has its own particular focus and, when asked, each Executive Director readily described what was unique about their programs.

Chuck Schilke, Director of Georgetown's Masters of Professional Studies in Real Estate, emphasizes that their students are exposed to one of the largest course selections in the country. For example the finance courses

range ones covering distressed real estate and workouts to ones that focus on community development financing. Schilke also points to the real estate program echoing Georgetown University's strength in international relations through the inclusion of courses on real estate in China, Latin America and Europe. Each student takes a core set of classes, chooses a specialty and then undertakes a self-selected thesis topic as a final requirement for completion of the degree.

Students at George Washington University graduate with an MBA, as real estate education is offered solely within the MBA program. Executive Director Robert Valero states that this is by design; he explains, "We've talked with many employers who think the versatility of an MBA is much more valuable to have than an MRE." In addition to the courses in finance, management, accounting and marketing, students can then take real estate courses. Another strength is a mentoring program open to select students. This is combined with access to internships and part-time employment opportunities that are excellent in preparing GW students to enter the job market.

American University's program is a hybrid: the Masters of Real Estate is a stand-alone program, but one which shares space with the Kogod School of Business. Students can choose a business track or a finance track, and these classes are taken at the business school as part of their core curriculum. As Dawn Eisenberg of American University states, "Given the extraordinary economic environment and the shifts in

real estate in the past few years, we have to teach the new normal." The students are made very aware of the current market conditions while being taught by very experienced faculty who provide them with the fundamentals of real estate economics.

Established in 1990, Johns Hopkins' real estate program is the oldest of the programs discussed here. Classes are given at both the Baltimore location as well as in Washington, DC. There are both full-time and part-time programs. The full-time program (12 month) is geared toward students who have less than three years experience and requires an internship of all students. The part-time program (24-36 months) offers four concentrations: Development, Institutional Investment Analysis, Appraisal and International Development explains Michael Anikeeff, Chair of the Edward St John Real Estate Department. The school has over 700 graduates, most of whom live in the Washington, DC area. Access to this network provides one of the main assets for students in this program.

The University of Maryland's program is the only one that includes design training as an element of the program. Director Margaret McFarland states that the curriculum is tailored to each student and that the students' academic and work experiences are taken into account to maximize the selection of electives. The courses cover finance and capital markets, law, public policy and also structure and site design, construction management, portfolio and asset management, marketing and commercial leasing. Her students participate in national, regional and local development competitions. University of Maryland was in the Final Four of the ULI Hines Competition (where over 130 teams compete from around the country), both in 2010 and 2011 - an impressive achievement.

George Mason University's program, while structured similarly to the others in this article, offers student access to the Center for Real Estate Entrepreneurship. Director John Crockett explains that the Center "acts as a catalyst between the Master of Science in Real Estate Development academic program and the real estate industry." The organizations and foundations listed as partners include the most prominent in the DC Real Estate Community.

All of those running real estate programs emphasize their efforts to connect their students with working practitioners, to encourage participation in local real estate organizations and emphasize the importance of the network of alumni that their students join upon graduation.

#### UNDERGRADUATE STUDIES

Unlike most graduate real estate students, undergraduates do not have industry experi-

ence. They may plan to major in business with a concentration in finance, economics, or marketing, but have only a vague interest in real estate. If courses are available, students will schedule them into their own curriculums, and frequently their interests lead them to internships in commercial real estate, as they consider future careers.

But real estate as a course of study for an undergraduate student requires searching for programs and courses, especially in the Washington-Baltimore region. Often real estate courses are offered in finance or economics curriculum. In Washington, American University's Kogod School of Business has a Real Estate concentration in its undergraduate business program that includes two courses in real estate and two in finance. No other four year institution offers real estate even as a concentration. Further north, the University of Pennsylvania's Wharton School offers a concentration in Real Estate with four required courses.

The University of Baltimore's B.S. in Real Estate and Economic Development is the only undergraduate degree in the region devoted to real estate. All undergraduate students spend their first two years of college taking general education courses. The real estate program, which is taken in the final two years of a four year degree, is offered through the Merrick School of Business. The program requires business skill courses, such as accounting, finance, and statistics. Students also are required to take six courses in real estate plus two additional electives.

But the topic of real estate covers more than simply the commercial industry. The public side of real estate leads to many careers in non-profit organizations and government, such as economic development, community revitalization, housing policy, or land use. Students at MSB are also encouraged to take electives in community development, urban government, and state legislative processes through the College of Public Affairs.

The general real estate education received by undergraduates prepares them for entry level positions in property management, mortgage lending, community development, and other real estate activities. Students may also progress to an MS in Real Estate after several years in the profession.

Real Estate has become an academic subject in its own right in the last few decades as valuation and financing mechanisms have become more complicated, and the market for property has become global.

Note: CREW DC currently offers scholarships to undergraduate students and offers a greatly discounted membership for students and looks forward to providing access to its network to these students.

## Congratulations!

to the CREW DC Convention Committee Chairs with many thanks for all your hard work making the Convention a great success:

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## 2011 CREW NETWORK CONVENTION & MARKETPLACE

# Monument Realty: Before and After the Downturn

By Russell Hines, President, Monument Realty

September 2008 seems like a distant memory for Monument Realty. Three years ago, Monument, Lehman Brothers' primary development partner in the Washington, DC region, found itself at the center of a financial storm by way of its connection to the 150 year old financial institution. Due to the sheer volume of work that Monument had underway at the time (and with its primary financial partner in bankruptcy), there was the appearance of a real estate company teetering on the brink.

However, Monument had other plans. Early signs of Lehman's financial troubles offered Monument an opportunity to make a series of operational adjustments, such that by early 2009, Monument was financially sound and ready for new business. Like most companies, Monument did reduce workforce, but it also made a conscious decision to maintain a full-service real estate team, including development



Monument View

and construction professionals, which proved a wise decision. Monument went to work establishing new financial relationships and was on the hunt for real estate investment opportunities. Of course there were lingering challenges associated with old real estate deals, but even there, Monument was able to create new opportunities. For example, Monument fostered relationships with a new group of lenders that had taken assignment of a number of Lehman's senior loans and parlayed those relationships into opportunities for fee development, brokerage and even new development deals.

By the summer of 2009, Monument began to announce a series of successes, including

signing major leases that brought 55 M Street, Monument's new office building near Nationals Park, to 85% leased, the sale of Monument Corporate Center to Kaiser Permanente and, most importantly, a number of new developments and investment partners, such as Atlas Capital Group, Square Mile Capital, Angelo, Gordon & Company, and Walton Street Capital. The new projects include: Gallery Square, an 80,000 square foot, office development site in Chinatown; Monument View, a 322,000 square foot build-to-suit for The Boeing Corporation; 2055 L Street, a 103,000 square foot office building renovation and repositioning; and Liberty View, an 879,000

square foot, multi-phased office development near the Franconia-Springfield Metro Station.

Plans are exciting, but ground up construction is the most demonstrative sign of progress in a real estate market. In that regard, Monument is on schedule to start construction of Monument View [Image above] in November. Upon completion in 2013, Boeing will purchase the property from Monument. The renovation of 2055 L Street is already underway and Monument has plans to start construction in the coming months on the next phase of its Half Street project, a 332-unit apartment building across from Nationals Park, as well as the first phase of Liberty View in 2012.

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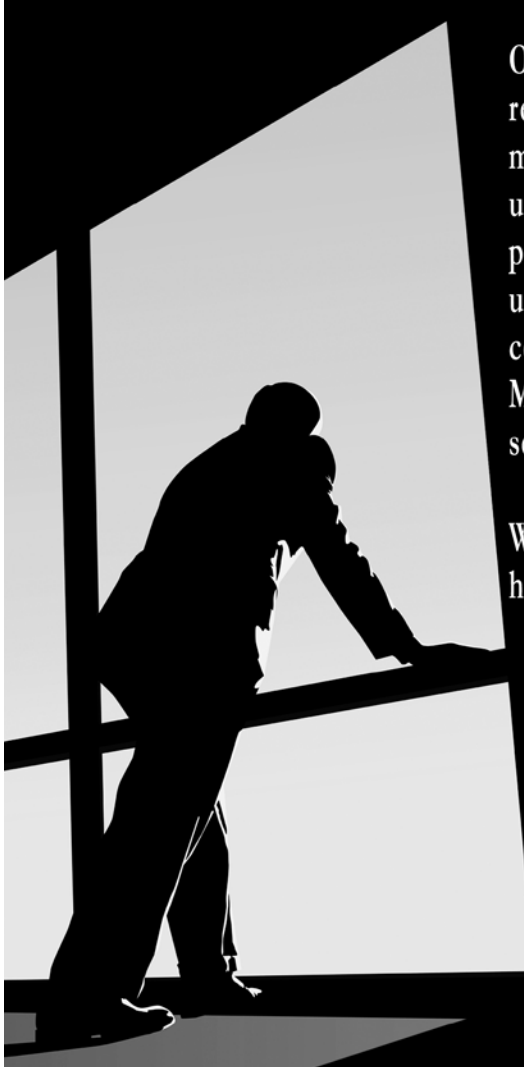


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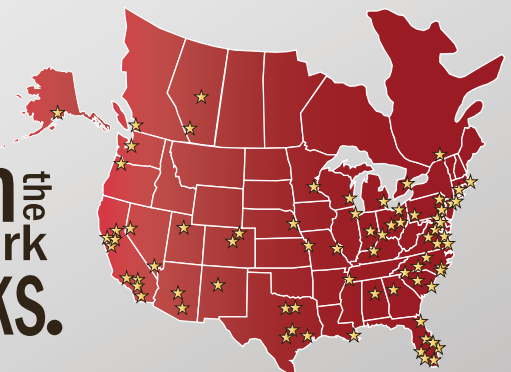


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