

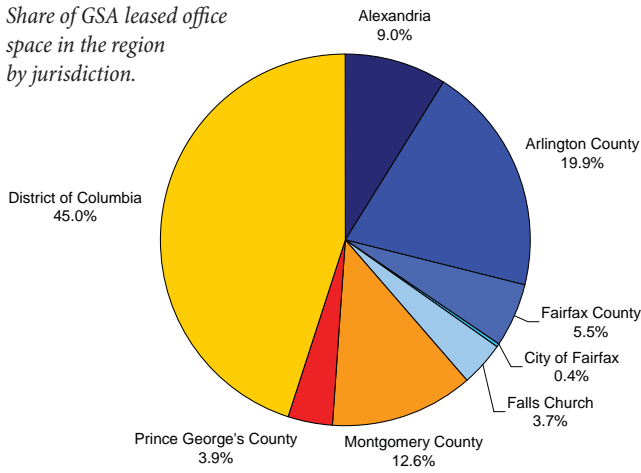


# National Center for Smart Growth Research and Education Report

*A Review of GSA Leasing in the Greater Washington Metropolitan Region*



Share of GSA leased office space in the region by jurisdiction.



the U.S. Census Bureau, more than one quarter of the region's federal workforce resides in Prince George's County (25.7 percent). By comparison, Arlington County is home to 7.1 percent of the region's federal workforce, and Alexandria houses only 4.2 percent of the federal workforce.

## NUMBER OF LEASES

The first and most basic comparison we have made is with respect to the raw number of GSA leases in each of the region's jurisdictions. This initial review indicates that Prince George's has a disproportionately limited share of GSA leases. Despite having 32.7 percent of the region's land area and 22.5 percent of the population, Prince George's County's 77 leases represent only 10.1 percent of the region's total number of GSA leases.

On a per capita basis across the entire region, there are 4,883 people per GSA lease. In Alexandria there is one lease for every 2,795 people, while Arlington County has one lease for every 1,350 residents. Northern Virginia collectively carries a relatively proportionate number of GSA leases per capita, with one lease for every 4,424 people. However, the corresponding number in Prince George's is 2.5 times larger, at 10,926 people per lease.

These differences in the number of leases become even more noteworthy when we look at the property uses or functions. Of the 765 GSA leases in the entire Washington metropolitan region, 655 or 85.6 percent were categorized as office space, 90 or 11.8 percent were warehouse, and 17 or 2.2 percent were identified as serving some other use. However, in Prince George's County, only 44.2 percent of the GSA leases were categorized as office leases, and 49.4 percent of the properties were categorized as warehouses. In this respect, Prince George's is distinguished as having an even lower share of GSA's leased offices, which garner higher rent and employ more people than warehouses.

In a snapshot of the region as a whole, despite having 10.1 percent of the region's overall GSA leases, Prince George's has 42.2 percent of the region's GSA leased warehouses and only 5.2 percent of the

region's GSA leased offices.

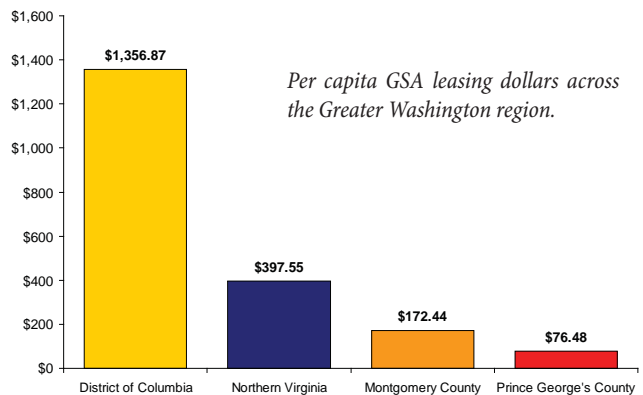
## SQUARE FOOTAGE RENTED BY GSA

The vast majority of GSA leases in the greater Washington region are less than 50,000 square feet. In fact, the median space size is 33,301 square feet, meaning that 50 percent of all GSA leases in the region are for 33,301 square feet or less. The average GSA rentable space in the region is 70,301 square feet. Leased GSA properties in Prince George's County tend to be smaller than those in the other jurisdictions across the greater Washington metropolitan region. In Prince George's, the median size is 27,366 square feet, which is 6,071 square feet smaller than the median lease size in the rest of the region. The average GSA lease size in Prince George's is 53,137 square feet, compared to 72,222 throughout the rest of the region. Once again, this discrepancy is further demonstrated by analyzing the rentable space by use. Among those leases categorized as office, the average GSA leased space in Prince George's is 59,544 or 21.1 percent less than the average rentable office space in the rest of the region (75,454 square feet).

The combination of fewer leases and smaller rentable spaces has the effect of further minimizing Prince George's share of GSA's overall rentable square feet in the region. Of the region's nearly 53.8 million square feet of GSA rentable space, Prince George's only has 4.1 million, or 7.6 percent. Meanwhile, Northern Virginia has 20.4 million rentable square feet, or 37.8 percent of the regional total.

Measured in square feet, only 3.9 percent of GSA's total leased office space in the region is located in Prince George's County. GSA leases 1.8 million square feet of office space in Prince George's County and nearly just as much in Falls Church (1.7 million square feet), despite Prince George's being 244 times larger than Falls Church in land area and 78 times larger in population. In further comparison to Prince George's County, GSA leases 2.3 times as much office space in Alexandria, 5.2 times as much in Arlington, and 3.3 times as much in Montgomery.

## TOTAL RENTS AND RENTAL RATES



*Prince George's county contains: 33% of the region's land area, 22.5% of the region's population, 4.1% of GSA's local leasing dollars. By comparison, Arlington county contains 5.3% of the region's population, 1.7% of the land area, 18.7% of the GSA's local leasing dollars.*

Although Prince George's makes up 33% of the region's land area and 22.5% of the region's population, Prince George's attracts only 5.2% of the region's GSA leased offices.

## INTRODUCTION AND CONTEXT

At the request of the Prince George's County Economic Development Corporation, the National Center for Smart Growth Research and Education and the University of Maryland's Real Estate Development Program have undertaken an analysis of the Federal Government's leased presence in the greater Washington metropolitan region.

## FEDERAL GOVERNMENT RELIANCE ON COMMERCIAL LEASING

The relatively limited Federal funds available for the construction of new buildings and the capital allocation process used by the Federal Government compels the reliance on leasing to satisfy emerging government space needs. The U.S. General Services Administration (GSA) serves as the landlord for the Federal Government, conducting the majority of federal office leasing. GSA has indicated commercial leases are used to meet the majority of new space requirements for traditional office space, and leasing represents an increasing portion of the Federal Government's real estate portfolio. GSA has seen an almost four-fold increase in its leasing portfolio over the last four decades. Based on these facts, the analysis that follows focuses on the distribution and value of leases administered through GSA in the greater Washington, D.C. metropolitan region, contrasting the federal leases in Prince George's County with federal leases in other local jurisdictions.

## BENEFITS OF FEDERAL GOVERNMENT COMMUNITY PRESENCE

The Federal Government's presence in a community brings with it a multitude of financial benefits including the employment of local residents, the cash value of the dollars spent by the federal workforce, and in the case of leased space, the value of property taxes paid to state and local governments. In addition to these benefits, because of the Federal Government's heavy reliance on contractors, the Federal Government's presence in a community brings with it substantial contracting and procurement dollars, as well as significant private sector employment. In 2006 alone, it was estimated that the federal procurement dollars spent in the region totaled \$53.6 billion.

There has been some quantification of the benefit the Federal Government's presence can bring to a community. The National Trust for Historic Preservation has estimated that the average visitor to a federal office spends \$18.58 while visiting the agency. That same study estimated that federal workers spend an average of \$5,041 annually on retail goods and services in the community in which they work. The value of the presence of the federal workforce is magnified in metropolitan Washington where Federal Government workers comprise 12.4 percent of the workforce as a whole, and the Federal Government serves as a very significant anchor and driver of the local economy. Hence, where in this region those leases are located has an outsized impact on the local economy.

## DATA ANALYSIS

In total, GSA leases 53,780,281 square feet of space in the region. This space is equivalent to 1,235 acres, 934 football fields, or alternatively, nearly two square miles of rented space. Moreover, it represents more than 30 percent of the total space leased through GSA in the entire country. The total rent paid for these Washington area leases is nearly \$1.6 billion, or 37 percent of the total paid on all GSA leases nationwide.

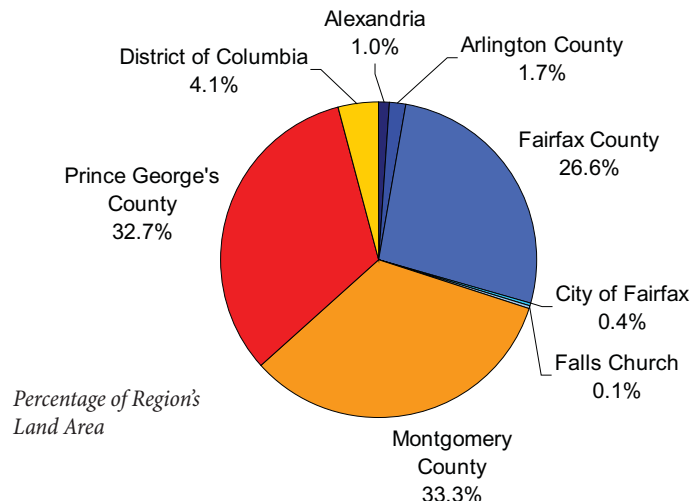
This report focuses on an analysis of these GSA leasing data for the greater Washington metropolitan region. It evaluates the distribution of GSA commercial leases across the region, comparing Prince George's County to other jurisdictions with regard to the number of leases, the amount of rented space, relative rent values, and commercial office space availability.

## KEY DEMOGRAPHIC INFORMATION

*Land Area.* The entire region consists of 1,487 square miles. Prince George's County (485 square miles) and Montgomery County (496 square miles) each make up approximately 33 percent of the region's land area. As a point of reference, Arlington County represents a far smaller land area with less than 2 percent (26 square miles) of the region's total. At 444 square miles, the entire Northern Virginia area represents 30 percent of the region's total, the vast majority of which is Fairfax County at 395 square miles or slightly less than 27 percent of the region's total.

*Population.* Another starting point for comparing the region's jurisdictions can be based on the distribution of the region's population. Estimates released by the U.S. Census Bureau in June 2007 indicate that more than 3.7 million people resided in the greater Washington region in 2006. Prince George's County's 841,315 people make it the third largest jurisdiction in the region, behind Fairfax (1,010,443) and Montgomery (932,131) Counties. Prince Georgians make up 22.5 percent of the region's total population.

*Federal Government Employees by Place-of-Residence.* According to



# In the Washington metropolitan region, the county that presents the lowest cost alternative, Prince George's county, retains the lowest percentage of GSA leasing dollars.

Total GSA rental expenditures in the greater Washington metropolitan region equal approximately \$1.563 billion. A little more than half of that, or \$789 million, is for leases in the seat of the U.S. Federal Government – the District of Columbia. Of the \$774 million invested in leases in the D.C. suburbs, 70.9 percent is in Northern Virginia, 20.8 percent is in Montgomery County, and only 8.3 percent is in Prince George's County. With respect to the region as a whole, Prince George's only sees a 4.1 percent share of the total GSA leasing dollars. By contrast, Arlington's share is 18.7 percent and Montgomery's share is 10.3 percent. Stated more simply, the Federal Government through GSA spends 4.6 times more leasing dollars in Arlington County and 2.5 times more leasing dollars in Montgomery County than it spends in Prince George's County. Of all the region's individual jurisdictions, the City of Falls Church has the largest proportional share of GSA rental expenditures, with nearly \$45 million in rent for just under two square miles (\$22.6 million per square mile). The city's share also corresponds to \$4,163 per resident. Prince George's County's GSA rental investment equates to \$132,545 per square mile and \$76.48 per county resident. By contrast, the total rents for GSA leases throughout the rest of the region equate to \$1.5 million per square mile (11.3 times that of Prince George's) and \$517.81 per person (6.8 times that of Prince George's).

When looking solely at GSA leases categorized as offices, rent paid out on leases in Prince George's totals \$45.4 million, which is only 3.0 percent of the total GSA office lease rents in the region. Meanwhile, in Arlington County, which only contains 5.3 percent of the region's population and 1.7 percent of the land area (compared to Prince George's 22.5 percent and 32.7 percent, respectively) leases categorized as offices total \$288.9 million in rent, or 19.1 percent of region's GSA office lease total. This is 6.4 times the corresponding amount in the larger and more populous Prince George's.

The total average rental rate per square foot (total rent divided by total rentable square feet) for the region is \$29.06. The Prince George's GSA paid rental rate of \$15.73 per square foot is nearly half the \$30.16 per square foot received outside the county.

## FEDERAL JOB LOCATIONS

Despite having 25.7 percent of the region's federal workforce residing in the county, only 8.1 percent of the region's Federal Government civilian jobs were located in Prince George's County in 2000 according to the U.S. Department of Commerce's Bureau of Economic Analysis (BEA). As would be expected, the District of Columbia hosted the greatest share of federal jobs, with 55.7 percent of the region's total. In comparison to other Washington suburbs, Arlington County had 10.0 percent and Montgomery County 13.1 percent of the region's federal jobs. Fairfax County, Fairfax City and Falls Church combined for 10.8 percent.

More recent data from the BEA suggest that Prince George's may even be losing some of its already small share of federal jobs. Between 2000 and 2005, the region saw a 5.9 percent growth in federal jobs, from 322,112 to 341,174. Prince George's County, however, did not keep pace with the

rest of the region. Over that same five year period, Prince George's gained only 209 federal jobs (0.8 percent increase) and saw its relative share of federal jobs fall from 8.1 percent in 2000 to only 7.7 percent in 2005.

## COMMERCIAL SPACE AVAILABILITY IN PRINCE GEORGE'S COUNTY

In connection with this study we also undertook a review of available commercial space in the region to determine if the lack of GSA office leasing in Prince George's could be linked to absence of supply. At 16.26 percent, the Prince George's vacancy rate is second highest in the region, behind only Falls Church at 24.13 percent. However at \$22.86, the average asking rent in Prince George's is lowest in the region (by contrast, the average asking rent in Alexandria is \$31.24 and in Arlington is \$34.52). The 2.9 million square feet of vacant or pipeline commercial space in Prince George's is equivalent to 71.1 percent of the space currently leased through GSA in the county. On their face, this data suggests there is sufficient opportunity for a growing federal presence in Prince George's and that a lack of available commercial office space is not a likely explanation for the Federal Government's currently limited presence in Prince George's County.

## CONCLUSIONS

GSA occupies 765 leases throughout the greater Washington metropolitan area. Generally, our analysis of that data has found that Prince George's County's share of these leases is not at par with the rest of the region. More specifically, we have shown that:

- Despite making up 32.7 percent of the land area in the region and 22.5 percent of the local population, the 34 GSA office leases in Prince George's County correspond to only 5.2 percent of the offices leased through the GSA.
- When measured in terms of the square footage of leased space occupied by GSA in the region, only 7.6 percent of the GSA's square footage is located in Prince George's County. The county's share of GSA leased office space is even lower at 3.9 percent.
- Prince George's County attracts only 4.1 percent of the federal leasing

## WASHINGTON, DC AREA COMMERCIAL LEASE SPACE AND RATE ANALYSIS

MARKET	AVERAGE ASKING RENT	VACANCY	SUPPLY	UNDER CONSTRUCTION
Alexandria	\$31.24 psf	5.92%	12,788,433 sf	348,000 sf
Arlington County	\$34.52 psf	9.46%	32,095,903 sf	1,012,280 sf
Fairfax County	\$29.00 psf	9.23%	82,524,782 sf	4,610,024 sf
Montgomery County	\$28.44 psf	8.55%	46,380,533 sf	1,192,358 sf
Washington, DC	\$47.31 psf	6.1%	101,740,728 sf	5,759,920 sf
<b>Prince George's County</b>	<b>\$22.10 psf</b>	<b>16.26%</b>	<b>13,489,663 sf</b>	<b>715,213 sf</b>

## GSA leases 2.3 times as much office space in Alexandria, 5.2 times as much in Arlington and 3.3 times as much in Montgomery County than it does in Prince George's County.

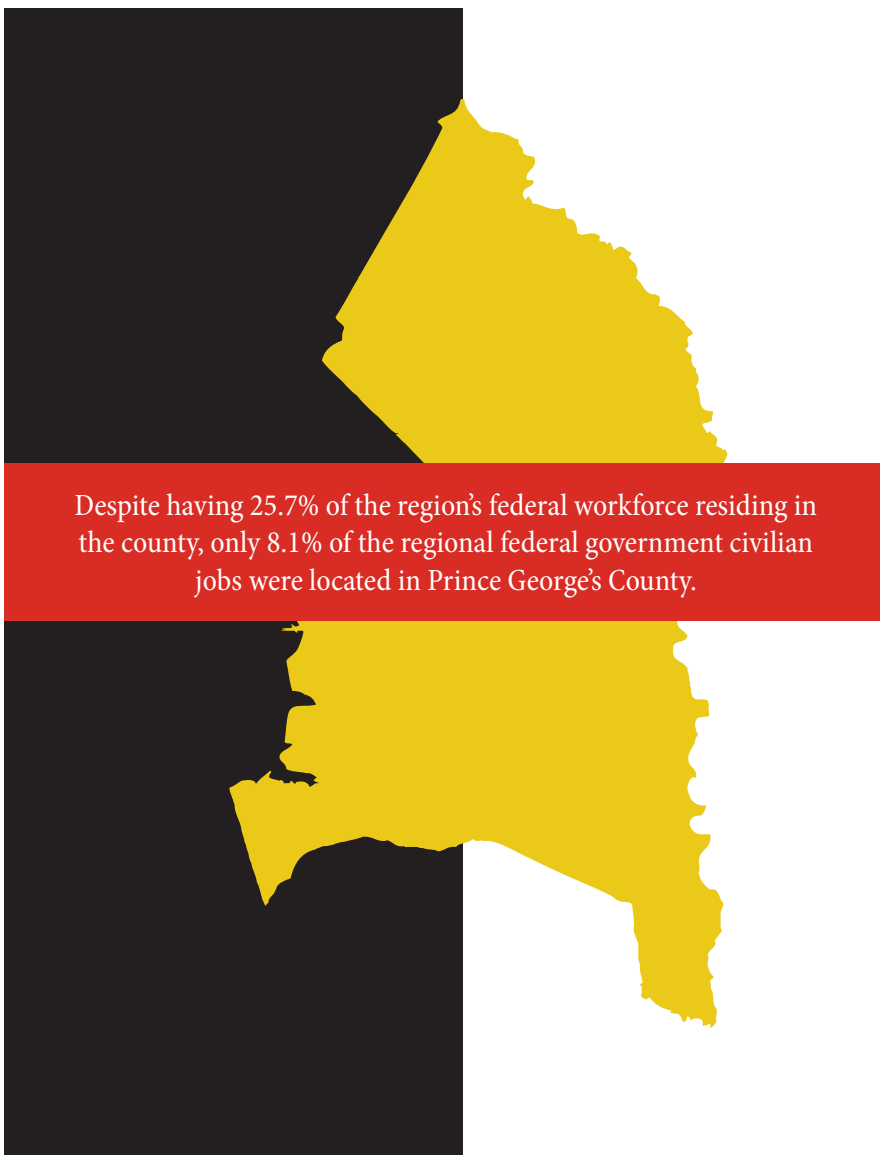
dollars spent in the greater Washington metropolitan region by GSA. By comparison, Arlington County, which only contains 5.3 percent of the region's population and 1.7 percent of the land area, attracts 18.7 percent of the GSA leasing dollars. Prince George's neighbor in Maryland, Montgomery County, is similar to Prince George's in land area and population, however the Federal Government spends 2.5 times more GSA leasing dollars in Montgomery than in Prince George's.

- Fully 49.4 percent of the GSA leases in Prince George's County are classified as warehouse leases, which command lower rents and employ far fewer people than traditional office space. These represent 42.2 percent of GSA's leased warehouses in the region.
- In keeping with the market, average GSA paid rental rates in Prince George's County are significantly lower in Prince George's than they are in the rest of the region. GSA pays an overall price per square foot of \$15.73 in Prince George's which is nearly half the \$30.16 spent throughout the rest of the region.
- Despite having 25.7 of the region's federal workforce residing in the county, only 8.1 percent of the region's Federal Government jobs were located in Prince George's County in 2000. By 2005, the percentage had fallen to 7.7 percent as the county's federal job growth (0.8 percent) did not keep pace with the region's growth in federal jobs (5.9 percent).
- A review of the commercial office space in the region revealed a relatively large amount of commercial office space in Prince George's County, along with significant development of commercially leased space in the pipeline.

While the lower rental rates in Prince George's County are an indicator of the lower federal investment in the county, they also present an opportunity to the Federal Government as the lowest cost alternative in the metropolitan Washington commercial leasing market. The relative affordability of acquiring commercial lease space makes the relative lack of federal leasing presence in Prince George's County all the more remarkable as the U.S. General Services Administration seeks to acquire leases on the most favorable basis for the government and must follow competitive procurement practices. Although GSA is directed in most cases to procure leased space at the best value to the government, Prince George's County is a remarkable anomaly as it attracts the lowest relative share of GSA leasing dollars in the

Washington metropolitan region despite being the region's lowest cost alternative.

From a "smart growth" perspective, the federal job location data and the current GSA leasing pattern demonstrate an imbalance between federal jobs and where federal employees reside. This imbalance places a burden on federal employees in terms of their commute. In making its siting decisions, the Federal Government can help reduce this burden and the corresponding costs (such as fuel consumption, air pollution and time lost in traffic congestion) to the region as a whole, by leasing more space in Prince George's County where more employees live.



In the region as a whole, 85.6% of GSA leases are classified as office space, and 11.8% are classified as warehouse space. In Prince George's County, only 44.2% of the GSA leases were categorized as office leases, and 49.4% of the properties were categorized as warehouses.

GSA in Washington DC Metro Area - Warehouse Leased Locations

