

Commercial Real Estate in DC Metro Market

China-US Forum
TUMU Engineers Salon
August 27, 2016
Mini Forum
Walter E. Washington Convention Center



Mr. John P. Lin
CapStar Commercial Realty

Profile

Mr. John Lin

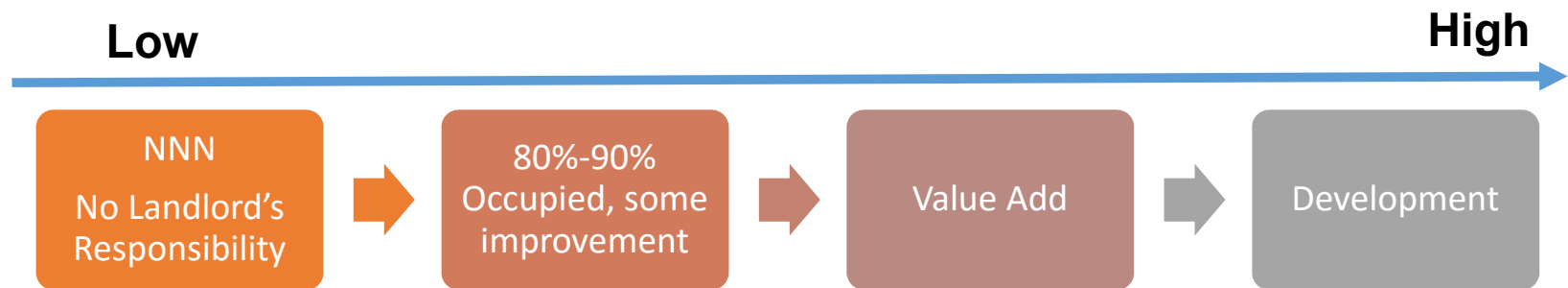


CapStar Commercial Realty – CEO & President
AREAA National Commercial Committee Chairman
University of Maryland Colvin Real Estate Master Program Advisor
Johns Hopkins University and Georgetown University Advisor
Nanjing University MBA Program Professor
2006 Top 100 Maryland Minority Entrepreneur Award
2008 Top DC Metro 100 Minority Entrepreneur Award
City of Rockville Asian Pacific American Task Force Chair
City of Gaithersburg Business and Economic Development Member

CapStar Commercial Realty, founded in 1994 by John Lin, is a full-service commercial real estate firm located in Rockville, MD. CapStar has expertise in commercial property leasing, tenant representation, property management, investment sales, business acquisition, business valuation, risk management, and market research and analysis. Go to www.capstarco.com for more information.



Investing by Risk in Commercial Real Estate



Maintenance	None	Some	Yes	Build from ground
Lease Term	Very Long	Long	Short – needs upgrade	Not Known
Tenant Quality	A	B	C	Not Known
Vacancy	0%	10% - 20%	40% - 50%	Not Known

Absolute NNN – No Landlord's Responsibility

Pros:

- Long Term Lease (30-50 years)
- Tenant pays all expenses (from roof to parking lot)
- No management necessary
- Credit tenant or corporate lease with track record
- Easy re-sale
- No building construction costs

Cons:

- Lower than market rent
- Low escalation (ex: 10% every 5 years)
- Assignment by Tenant



Solid Tenant – Low Vacancy – Good Condition

Pros:

Reasonable Term (5-10 years)

Tenant pays most expenses except the structure

Some management

Credit tenant with guaranty

Cons:

Some maintenance necessary

Need management service

Need leasing service

Need upgrade of tenant from time to time



High Vacancy, Repair needed, Shorter terms

Pros:

Possible to add value

Cons:

Need management services

Need upgrade

Need leasing services to fill the vacancy

Need to replace tenant

Need new and longer lease terms

Need financial guaranty



Development project – built from raw land

Pros:

High potential profit

Cons:

Zoning issue

Utilities easement or cost

Need market demand - timing

Need capital for land acquisition and construction

Access road

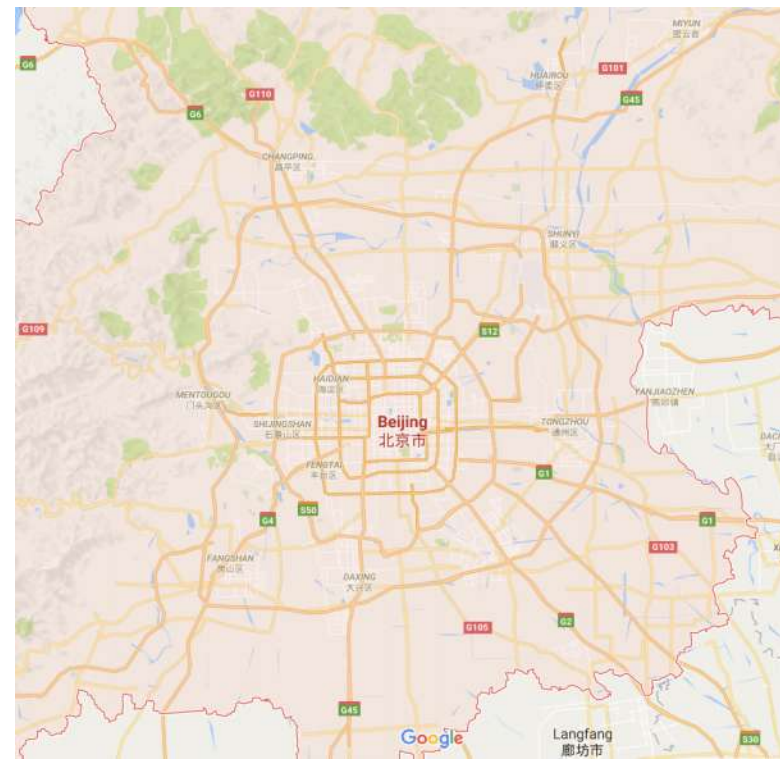
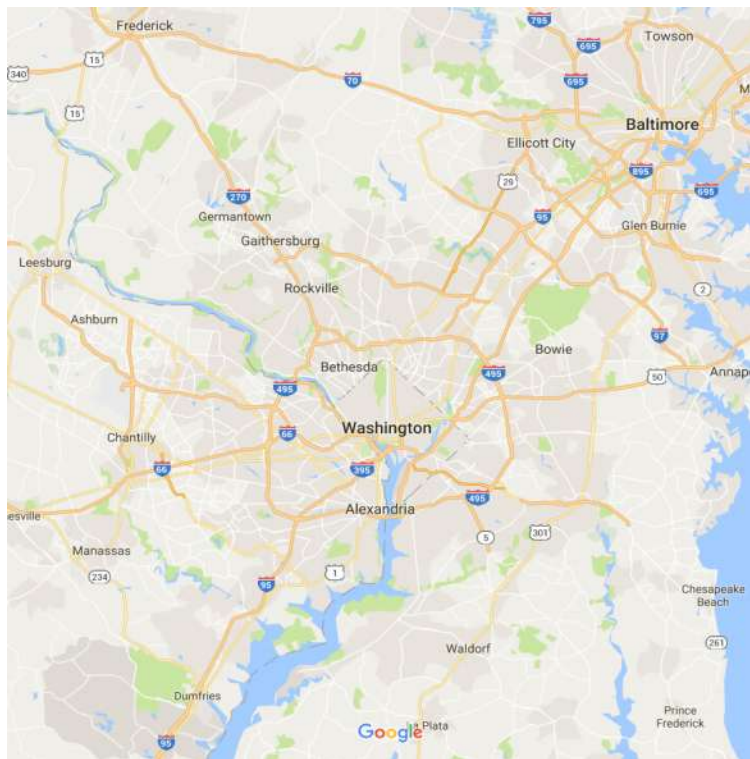
FAR, setbacks, TDR, etc.

Impact fee

Road improvement



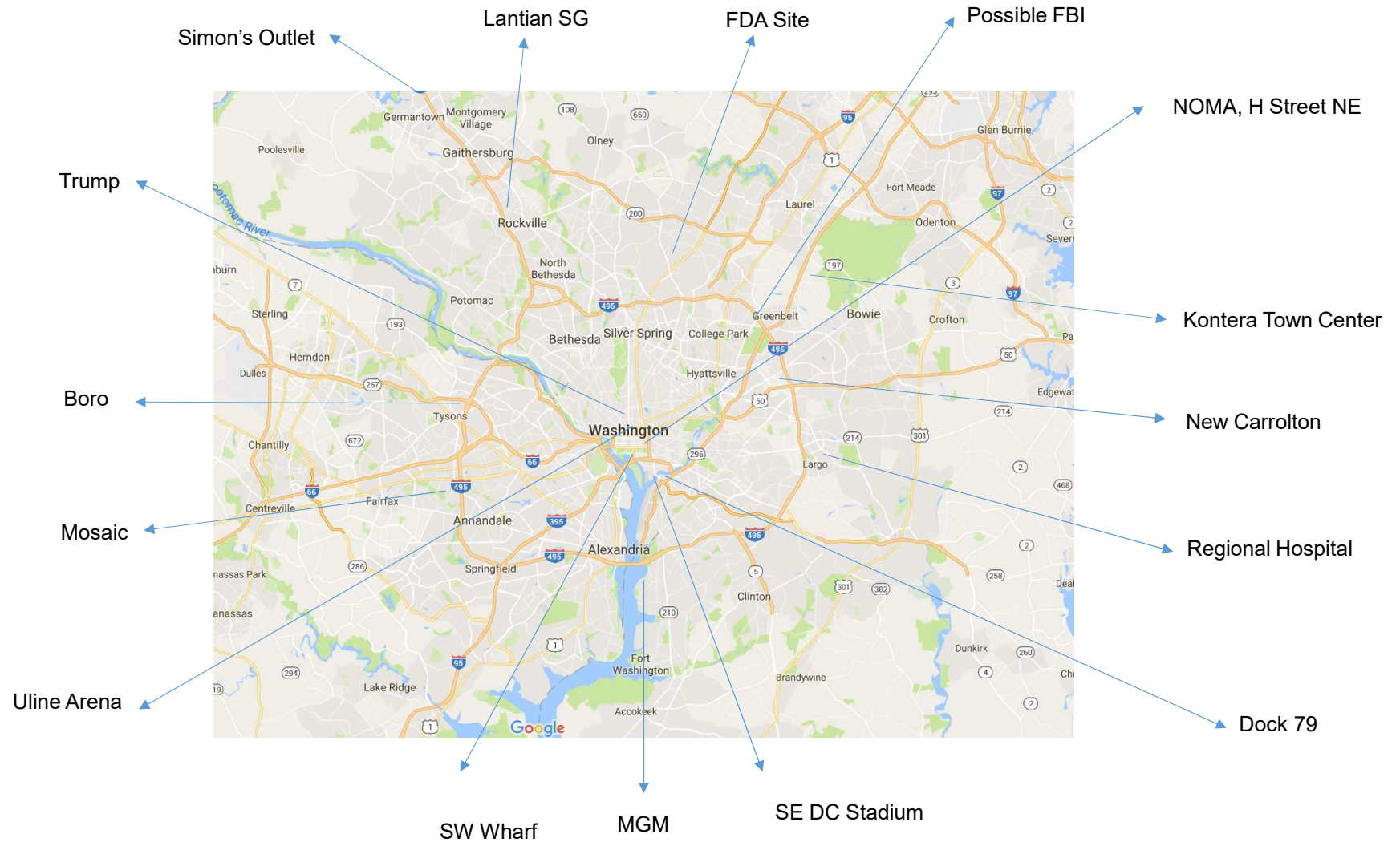
DC Metro Market vs. Beijing City



Washington DC & Baltimore Demographics

- Washington & Baltimore area - As of 2010-2014, the total population is about 11 million, including Washington DC, Baltimore, Fairfax, Arlington, Alexandria, Loudoun, Montgomery, Prince Georges, Howard counties. Area median household income is \$100,000
- 4th Largest Economic District in US – After New York, Chicago, Los Angeles, before San Francisco, Houston and Dallas
- Top counties in US with the best public schools - #1 Arlington, #2, Howard, #3 Montgomery, #7 Loudoun, #10 Fairfax
- Top counties in US with the highest median household income - #1, Loudoun, #2 Fairfax, #3, Howard, #6 Arlington, #8 Montgomery County
- #2 in US - most educated metro area

Overall Rank ↕	MSA ↕	Total Score ↕	'Educational Attainment' Rank ↕	'Quality of Education & Attainment Gap' Rank ↕
1	Ann Arbor, MI	94.89	1	1
2	Washington-Arlington-Alexandria, DC-VA-MD-WV	79.18	2	26
3	San Jose-Sunnyvale-Santa Clara, CA	77.39	3	3



MGM Resort at National Harbor

Project cost: \$1.3B
Expected opening: 2016
Details: 21-story hotel, 23-acre casino site, 4,000 jobs

Even though **Milt Peterson** didn't want a casino in National Harbor initially, he relented after the development looked like a money pit. Next summer, Milt thinks the new resort will be a smashing success, and the county is banking on it: it **approved the casino in 2014** because of an estimated \$40M or more per year in tax revenue. Logan Gaskill, VP of MGM National Harbor, is a panelist at our event next week.



Konterra Town Center

Project Cost: \$1.75B
Expected opening: 2018
Details: 3.8M SF of offices, 4,500 rental and condo units, 600 hotel rooms and 1.5M SF of retail

In terms of sheer size, Konterra is the biggest current development in the region. Covering 2,200 acres, parts of the town center are already built. The biggest component—and the one most relevant to residents of nearby Laurel—is Town Center East, the 1.5M SF retail hub. Offices and residential have already been built on the site, but it's the retail—which locals hope can **one day compete with Tysons**—that will cement the legacy of this project.



The FBI

Project cost: About \$2B
Expected award: Spring 2016, maybe
Details: Looking for a 2.1M SF site, Greenbelt and Landover in the county are finalists

The two sites in Prince George's County are thought to be favored for the FBI's new HQ (Springfield, VA, is the third finalist), and when the GSA awards the project—it's anyone's guess as to when, considering a **host of mitigating factors**—it will be like pouring rocket fuel on the development of the area surrounding it. The cost is estimated at \$2B, but a yet-to-be-released environmental study could raise it even more. All the while, the J. Edgar Hoover Building, where the FBI currently resides, is literally crumbling.



Gensler

New Carrollton

Project Cost: >\$200M (for now)
Expected opening: 2018 earliest
Details: \$165M in mixed-use from Berman Enterprises; 49 acres from an Urban Atlantic-Forest City JV to be developed over 15 years

Not much is known about the specifics of all of the activity happening around the New Carrollton transit station, but the big picture is **really big**. Berman landed the Maryland Department of Housing and Community Development HQ and is building 556 apartments over 61k SF of retail next to it. Groundbreaking could still happen this year. The JV's Phase 1 is expected to have a 260-unit mixed-use building, but in a decade and a half, it will ultimately build 2.7M SF: 1.1M SF of office, 1.3M SF of residential, and 150k SF each of retail and hotel space. Urban Atlantic's **Vicki Davis** tells *Bisnow* that she plans on "one component per year" until completion. "It's an aggressive schedule," she says. "It has the ability to really be transformative to the county."





Address

1140 3rd Street NE
Washington, DC 20002

Size & Use

244,000 Square Feet
Historic, Office, Retail, Under Development

Leasing Contacts

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Uline Arena is an exciting office/retail re-development in the burgeoning NoMa neighborhood of Washington, D.C. The 2.5 acre site is located at the intersections of Delaware Avenue NE, M Street NE and 3rd Street NE, with Congress Street NE dying into the property. The property is currently occupied by the Arena building (historic), the Ice House building (historic), and two other commercial buildings, most used as parking structures. The Arena building, best known for being the venue for the first American concert given by The Beatles, is also architecturally significant due to its concrete barrel vault roof and structural concrete arches. The Ice House building is the original ice manufacturing facility which provided ice for the skating rink within the Arena building. It was there where Mr. Uline created his patented equipment which became so successful that the Arena building became necessary.

The currently single-story Arena building will be converted to a single level of retail below three levels of office space. The Ice House building will have additional ground level retail space with a portion of the first level being dedicated to office. Above this will be two additional levels of office space. This will require additional space added to the Ice House building, which will occur in a sleek new glass structure extending above the original roof line of the Icehouse. Additionally, a new 168-space, 4-level parking garage will be constructed on the southeast corner of the site

Facts: 70,000 SF of retail with prime street frontage on three major streets

174,000 SF of office space, Built in 1945; Acquired in 2004, 167-space, 4-level parking garage, Metro Access: Adjacent to NoMa (Red Line)

Lantian – 1788 Development at the Shady Grove and I-270





Tysons Boro



LA New Chinatown



Ningbo New World Plaza



Shanghai

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