

# Mid-Atlantic

MIKE SHERIDAN

Long thought to be insulated from the ups and downs of real estate cycles because of the strong influence of the federal government, the U.S. Mid-Atlantic region is experiencing a new phenomenon: decelerating development.

“For the first few years of the Great Recession, the Mid-Atlantic was probably the best large real estate market in the country,” says Henry L. Lucas, a founder and chief executive officer of Chantilly, Virginia-based ECS Group of Companies, which provides engineering, environmental consulting, and construction services. “However, over the last year or so, the real estate sector has slowed, proving once again that this market is not necessarily immune to economic trends.”

Comcast Corporation and Liberty Property Trust are jointly developing the Comcast Innovation and Technology Center on the 1800 block of Arch Street in Center City Philadelphia. The proposed \$1.2 billion 59-story, 1,121-foot (342 m) tower is near Comcast Corporation's global headquarters.



FOSTER + PARTNERS



FOSTER + PARTNERS

**The Comcast Innovation and Technology Center in Philadelphia is expected to become home to the company's growing workforce of technologists, engineers, and software architects. The structure was designed by Foster + Partners.**

For years, the federal government provided stability and growth for the region. When the public sector was not hiring, outsourcing to private contractors drove the economy and spurred real estate activity. Today, however, both the government and the professional and business services sectors are scaling back.

The Mid-Atlantic area, which includes Washington, D.C.; Virginia; Maryland; and Pennsylvania, is by no means a basket case. Real estate activity continues, but the extremely strong development performance of years past is a memory now, and many say the situation is only temporary.

"The Mid-Atlantic area, particularly Washington, D.C., will continue to attract

investor interest even as it copes with tepid job creation and significant levels of new supply, particularly multifamily," says Paul Briggs, vice president and head of U.S. research at real estate advisory firm Bentall Kennedy. "The Washington metropolitan area has been a long-term strong and stable performer, and its track record has encouraged many investors to overlook short-term risks."

### **Washington, D.C.**

Developers in the District of Columbia continue to remain active, with around 5 million square feet (464,500 sq m) of office space scheduled to be completed over the next two years and a massive

wave of more than 23,000 multifamily units expected to be delivered over the next 24 months, says Briggs.

"Employment is well above prerecession levels while the nation is still recovering, and unemployment is less than 5 percent," he adds. "Offsetting job losses in the government and professional and business services sectors has been relatively strong job growth in education and health care, financial activities, retail, and leisure and hospitality."

In fact, Devin H. Blum, president of Potomac Business Services at NASA Federal Credit Union's commercial real estate division, says that leisure and hospitality activity might offset sluggishness in the government sector. "We're seeing improvement in the last two years in hotel occupancy in the region, with some submarkets increasing 20 percent," he says. "D.C. is taking advantage of its expanded convention facilities, and that could have a secondary effect on some of the suburban hotel properties around here. We're feeling

fairly bullish that tourism and travel [activity] is going to take up some of the slack."

In addition, says Andy Stafford, director of commercial lending at the credit union, more financial players and investors are returning to real estate, positioning themselves for the future. "It's going to be very competitive for lenders," he notes.

That future is expected to be profitable. Over the long term, the District is expected to remain a job generator, predicts Debra Goldstein, vice president, capital markets and finance, at Combined Properties Inc. (CPI), a real estate services firm based in D.C. "This will attract a younger demographic, resulting in modifications in the sector. The changes in habits of the younger generations will fuel project redevelopments that are near mass transit and offer newer, in-demand amenities," she continues. "As the economy improves, 20-somethings still living with their parents will begin to move out. This will provide demand for multifamily

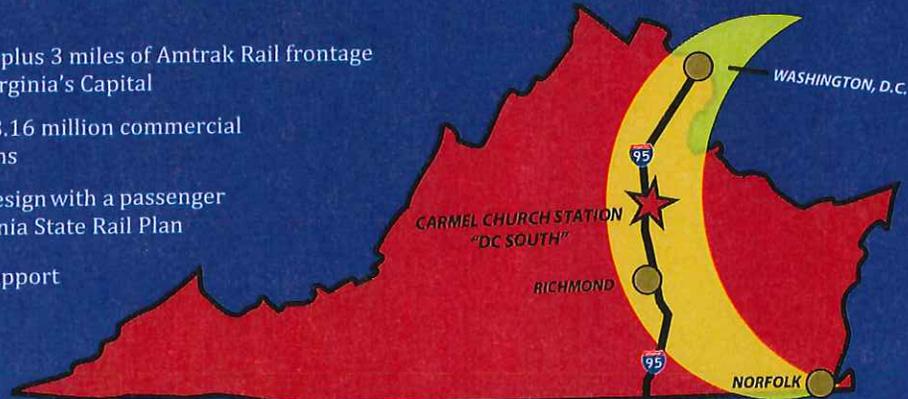
# Washington DC South

## AT CARMEL CHURCH STATION

### America's model for Smart Growth

#### 1,100 Acre World Class Transit-Oriented Development

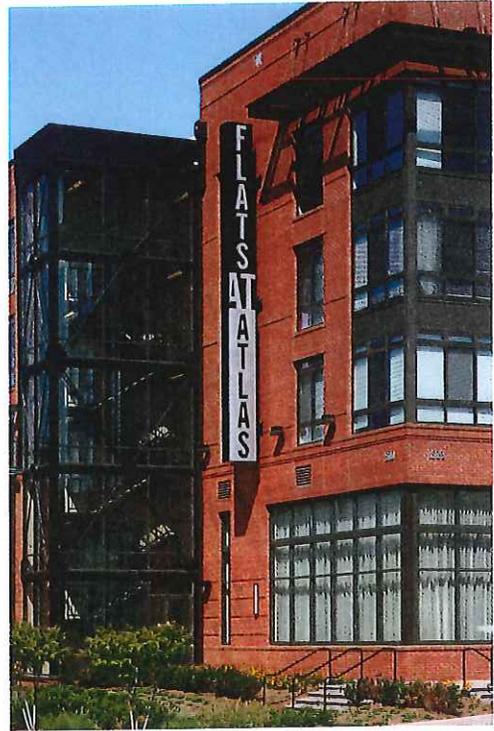
- ❖ 49,000 Jobs and \$22.7 billion in Economic Development for the Commonwealth of Virginia
- ❖ 4 miles of Interstate 95 frontage plus 3 miles of Amtrak Rail frontage linking our Nation's Capital to Virginia's Capital
- ❖ Zoned for 8,659 dwelling units, 3.16 million commercial square feet and 1,000 hotel rooms
- ❖ Walkable, Urban Town Center design with a passenger Rail Station included in the Virginia State Rail Plan
- ❖ Full County, State and Federal support



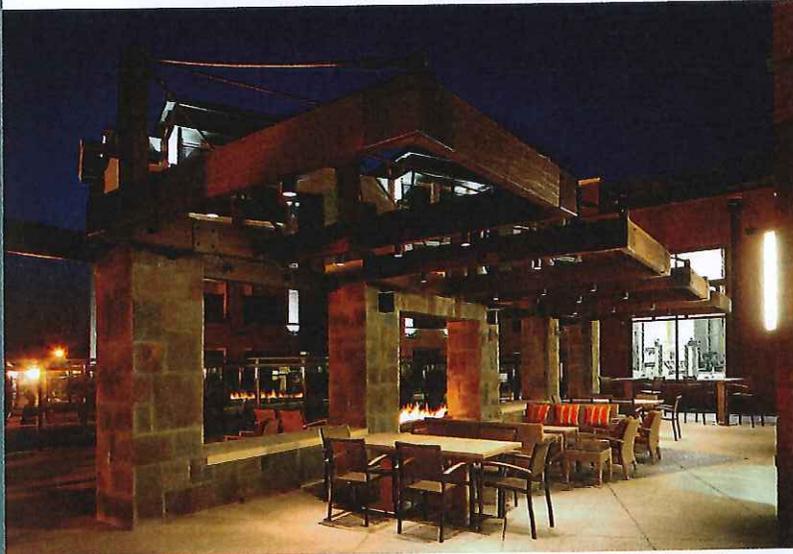
[www.WashingtonDCSouth.com](http://www.WashingtonDCSouth.com)



WHITNEY COX

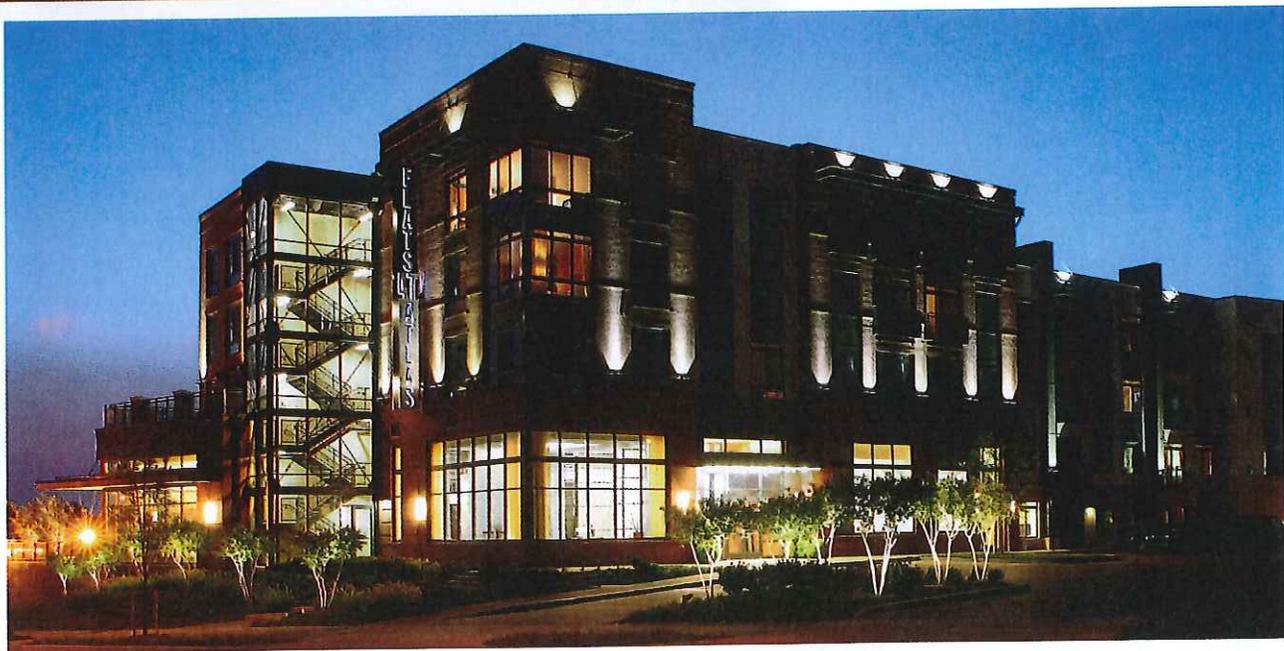


WHITNEY COX



WHITNEY COX

Clark Realty Capital completed the Flats at Atlas in Washington, D.C., in 2012. The 257-unit luxury multifamily development is in the Northeast quadrant of the city. The property features studio-style apartments as well as one- and two-bedroom floor plans and incorporates modern architectural styles consistent with the surrounding area.



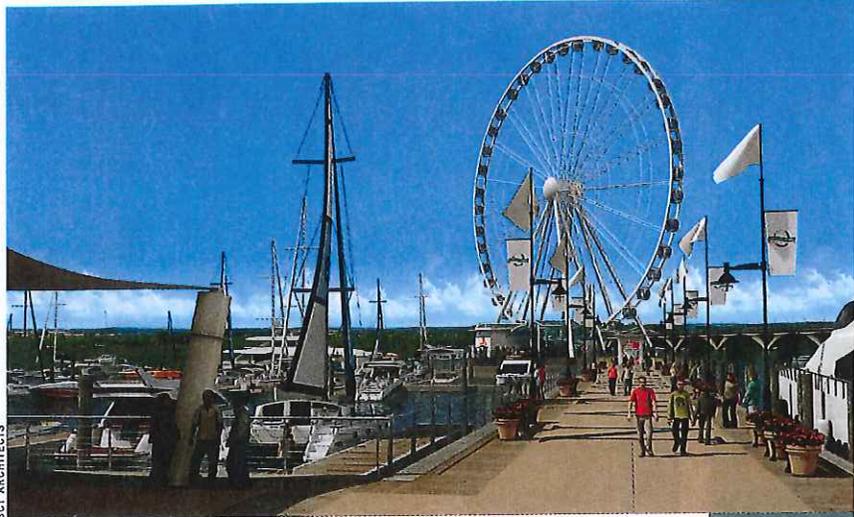
WHITNEY COX

**BCT Architects designed the installation of the Capital Wheel at National Harbor, a 175-foot-tall (53 m) observation wheel next to the Potomac River, for the Peterson Companies. Completed in May, the wheel has 42 closed, climate-controlled gondolas, each of which seats eight. The Capital Wheel is expected to operate year-round.**

projects. While there [is] a substantial amount of multifamily projects in the pipeline, we believe the supply will be absorbed over the next year or two.”

Companies and investors continue to express confidence in the Mid-Atlantic region over the long term, says Suzette Goldstein, senior vice president in the local office of the HOK Planning Group. “We are seeing increased activity in other areas, including education and health care,” she notes. “We are hopeful for more opportunities within the private commercial sector.”

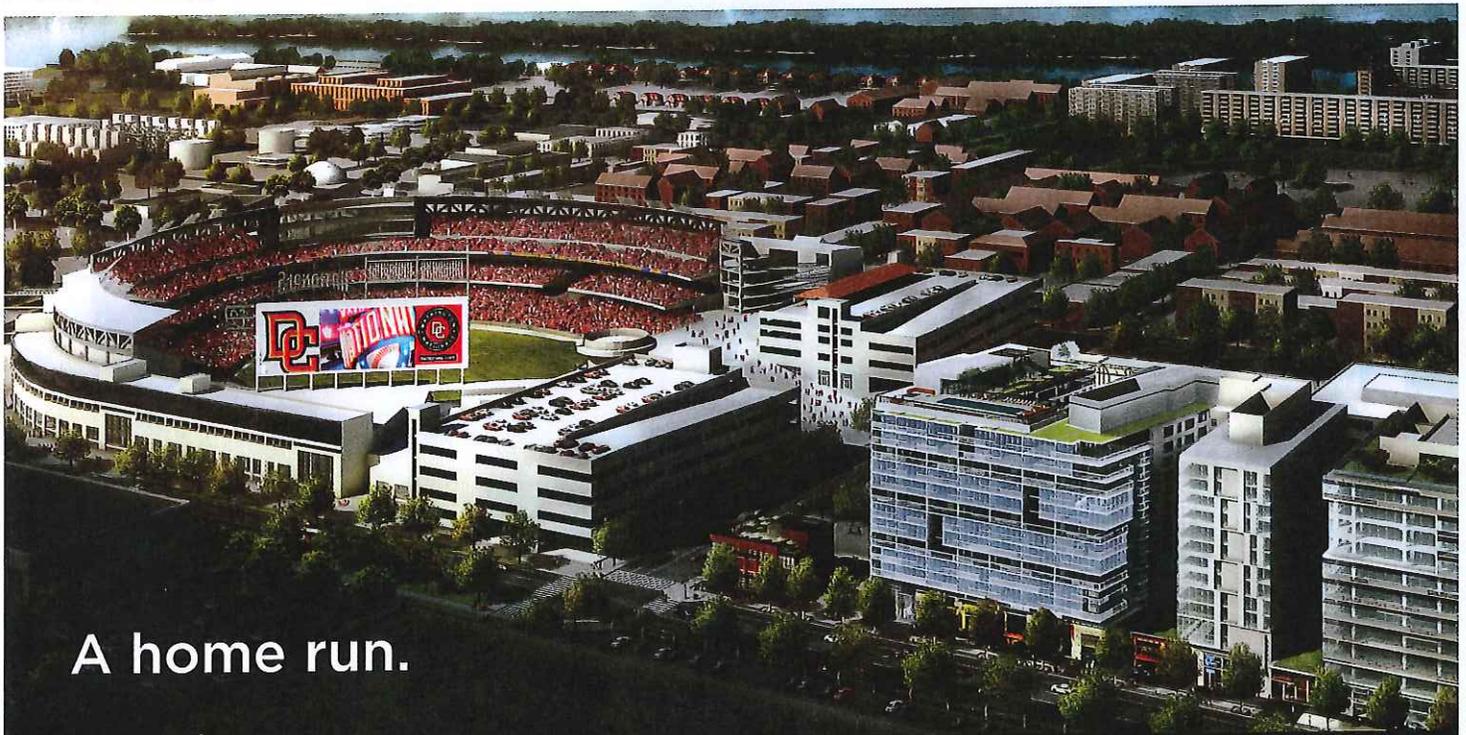
HOK is involved in a number of developments in the region, including the third phase of the University of Maryland at Baltimore’s Health Sciences Facility in Baltimore, the U.S. Coast Guard headquarters in the Anacostia neighborhood of D.C., and Prince George’s



BCT ARCHITECTS

Regional Medical Center for Dimensions in Maryland. “We work with a diverse client group, and we are seeing increased interest from most sectors,” Suzette Goldstein says.

Increased interest in sustainability also is being reported in the Mid-Atlantic region. “Green building is being encouraged by the District and the surrounding states,” says James Witkin, a



## A home run.

Ballpark Square is sure to knock it out of the park with a 292-unit residential building, a 180-key hotel and 23,500 sf of street level retail, developed by McCaffery Interests and Grosvenor Americas. Find out more at [hickokcole.com](http://hickokcole.com)





HOK is the architect for a mixed-use project designed for local developer Akridge at 25 M Street and 1201 Half Street near the Washington Nationals' Ballpark in southeast D.C. The development contains approximately 373,000 rentable square feet (35,000 sq m) of Class A office space and 32,000 rentable square feet (3,000 sq m) of retail. There is also a 277-unit residential component designed by Esocoff & Associates.

partner in the Bethesda, Maryland, law firm of Linowes and Blocher. "Maryland has enacted a new green building code requiring more sustainable development. The D.C. government wants new buildings to be as sustainable as possible and is becoming a leader in promoting green development."

For example, the District is requiring energy benchmarking for many office and multifamily developments. "Buildings over 50,000 square feet [4,650 sq m] must submit energy- and water-usage data in accordance with the city's energy benchmarking regulation, which applies to residential and nonresidential buildings as well as condominiums," he says. "The government can fine building owners \$100 per day for noncompliance."

### Virginia

Transit-oriented developments (TODs) and multifamily properties are two bright spots in neighboring Virginia. Combined Properties



Inc. (CPI) has received entitlements to redevelop Penn Daw Plaza in Fairfax County into a mixed-use development with 400 apartments, 41 for-sale townhouses, and 45,000 square feet (4,200 sq m) of ground-level retail space, including a medium-sized specialty grocer. Less than one mile (1.6 km) from the Huntington Metro Rail station, Penn Daw Plaza is expected to break ground in summer 2015.

CPI is also seeking entitlements to redevelop Fairfax Circle Plaza, located about a half mile (0.8 km) from the Vienna Metro Rail station. "The local jurisdictions are focus-



BONSTRA HARESIGN ARCHITECTS

ing on density near mass transit," says Debra Goldstein. "By creating lifestyle centers and areas that include residential and commercial, people can walk to the Metro and to convenient retail and entertainment. This also brings new life to mature markets."

In summer 2015, Clark Realty Capital is expected to begin construction of the 130-unit mixed-use 10th Street Flats development in the Clarendon neighborhood of Arlington, Virginia. Designed by Bonstra Haresign Architects to achieve LEED Gold certification, the building includes ground-floor retail space and live/work units targeting entrepreneurs and local retailers.

## Do you find the HUD Multifamily Application Process puzzling?



We can put the pieces together for you.



**CAPITAL FUNDING, LLC**

Mary Jo Taylor, *Director*  
 1422 Clarkview Road / Baltimore, MD  
 410-513-8775 / capfundinc.com



Combined Properties plans to redevelop Fairfax Circle Plaza, located about a half mile (0.8 km) from the Vienna Metro station. The gateway redevelopment of an existing shopping center will include 400 residential units, a 54,000-square-foot (5,000 sq m) grocery anchor, and 34,000 square feet (3,000 sq m) of retail and restaurant space.



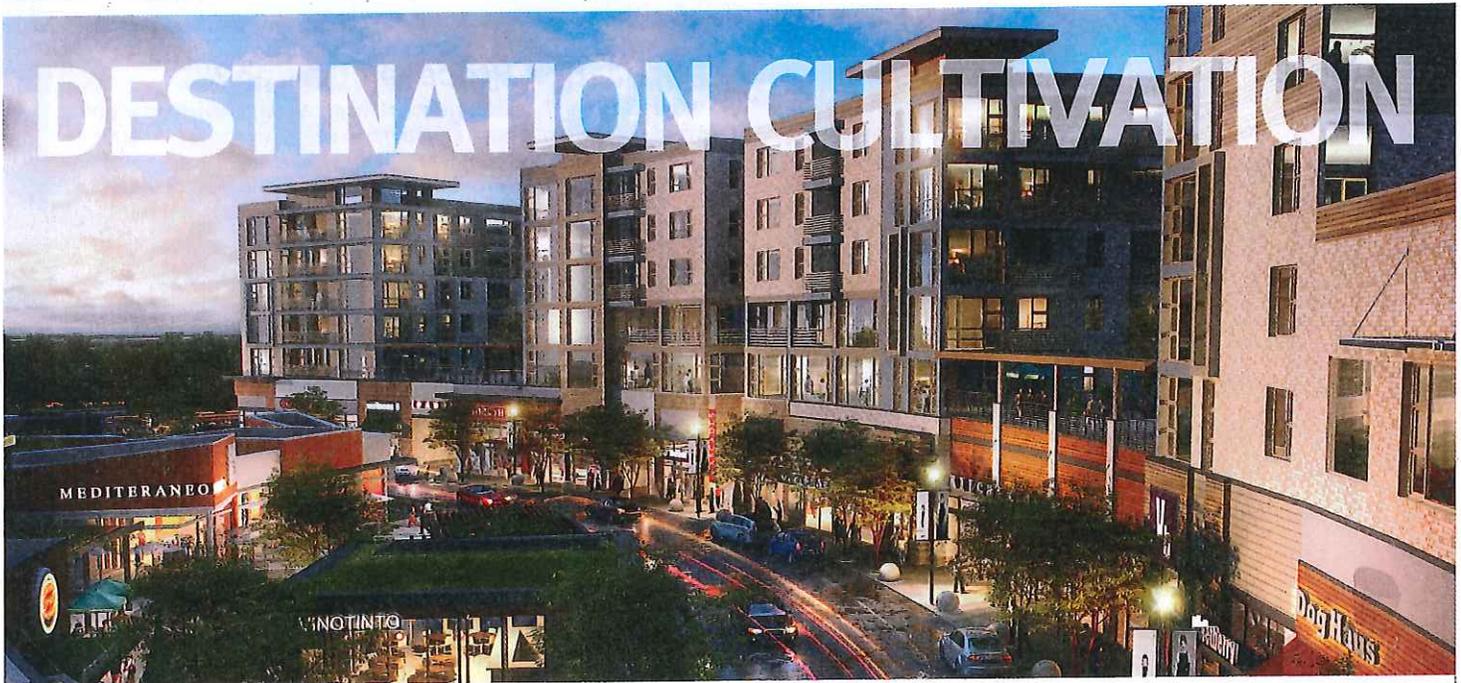
COMBINED PROPERTIES INC./KTGY

Transit-oriented development also figures into the plans of Arlington County, Virginia-based Clark Realty Capital, a national real estate group that is building a 1.45 million-square-foot (135,000 sq m) mixed-use project at the Vienna Metro station.

"The infrastructure investments taking place in the region—particularly the Silver Line [Metro Rail] extension to Tysons and Dulles [Internat-

tional Airport] and the continued diversification of the economy away from the federal government—are important for the future," says Bereket Selassie, director at Clark Realty Capital. "The region is positioning itself for continued long-term success to compete with other gateway regions as a magnet for young, creative talent."

Clark Realty is also developing three urban infill residential projects in the Clarendon



There is an art to creating great destinations that promote social interaction, incorporate sustainability, and celebrate authentic traits of a community. The foundation of a great destination begins with a compelling masterplan that balances imaginative design, a dynamic program, and stakeholder's interest.

Cultivate the foundation and you'll have a destination that is rich in its offerings, diverse in age, and promotes the socializing and sense of community that keeps people coming back.

[www.bctarchitects.com](http://www.bctarchitects.com)



# SK+I ARCHITECTURE

neighborhood of Arlington. "We are creating walkable communities and investing in places where [walkability] already exists," Selassie says. "The common denominator is mass transit. All our projects are less than five minutes' walk to the Metro."

Companies continue to need office space, and ECS Group and others are providing it. ECS has been involved in numerous developments in Virginia, including the Loudoun Tech Data Center in Loudoun County, on the fringes of the Washington metro area, and Oyster Point Tech Center in Newport News, in the state's southeastern coastal region. And the firm is exploring new markets. "Virginia is not usually thought of as an industrial market," says Lucas, "but we are seeing some robust growth in that segment as well as [in] retail. When you consider the number of retail outlets that have announced store closings, the growth in retail is probably spurred by the new residential construction."

Around the state's capital, Richmond, a number of redevelopment and infill projects are underway that are expected to stimulate the real estate sector. These include downtown Richmond and the area along the James River as well as the Staples Mill/Willow Lawn neighborhood of Henrico, says Lorna Parkins, vice president, transportation planning, in the Richmond office of Michael Baker International, which provides engineering and consulting services.

"The rebound of housing values seems to be spreading to more suburbs, which will help with residential sales and boost new home construction as the resale inventory returns to 'normal' levels," she adds. "Much of the active construction around the region is multifamily right now, particularly townhomes."

Michael Baker International is leading the bus rapid transit project in Richmond, which could result in more residential and mixed-use development. "It will offer a sense of permanence for high-quality transit along Broad Street, which



# SK+I QUORUM INTERIOR ARCHITECTURE



7735 OLD GEORGETOWN RD BETHESDA, MD 301.654.9300 WWW.SKIARCH.COM

Combined Properties has received entitlements to redevelop Penn Daw Plaza in Fairfax County, Virginia, into a mixed-use project with 400 apartments, 41 for-sale townhouses, and 45,000 square feet (4,000 sq m) of ground-level retail space, including a medium-sized specialty grocer. Penn Daw Plaza is expected to break ground in summer 2015.



COMBINED PROPERTIES INC./KATZ INDUSTRIES LLC

will appeal to people who either need to or choose to drive less, while greatly improving access to the high concentration of jobs in this corridor," Parkins says.

### Maryland

Despite the regional slowdown, real estate development continues in Maryland because the economy is relatively strong and is forecast to grow, says Bryce Turner, president and chief executive officer of the Baltimore-based architecture and design firm BCT.

"Maryland is blessed with incredible assets and advantages," Turner says, "including natural resources such as the Chesapeake Bay and the Blue Ridge Mountains—and one of the highest average incomes in the country."

Downtown Baltimore is reporting a healthy pipeline of new market-rate rental apartments and adaptive use apartment buildings, he notes. According to the Downtown Partnership of Baltimore, which oversees a one-mile (1.6 km) radius within downtown, some 4,000 residential units are in the pipeline, compared

Clark Realty Capital's MetroWest development in Fairfax, Virginia, is adjacent to the Vienna-Fairfax-GMU Metro Rail and bus station. The company has worked with Pulte Homes to develop the 55-acre (22 ha) site as a transit-oriented development. Clark's portion of MetroWest includes 900 residential units, 100,000 square feet (9,300 sq m) of retail space, and 300,000 square feet (28,000 sq m) of offices.



COLAB ARCHITECTURE

# INSPIRATION. FROM THE GROUND UP.

For more than 35 years, Kettler has delivered exceptional places to live by envisioning, developing and managing communities that make a positive impact. Ranked among the top multifamily developers in the nation, Kettler's award-winning communities are known for being pedestrian-friendly, sustainable, and architecturally distinctive.

Current projects include urban and transit-oriented developments, lifestyle retail centers as well as mixed-use and resort-styled planned communities. Kettler also manages apartment assets on their own behalf and for third-party owners.



## Multifamily Development Projects Under Construction

m.flats Mount Vernon Triangle  
Washington, D.C. - 233 units

The Metropolitan Downtown Columbia  
Columbia, MD - 380 units

VITA Tysons Corner  
McLean, VA - 429 units

The Acadia at Metropolitan Park  
Arlington, VA - 411 units



Multifamily Development | Master-Planned Communities  
Commercial, Retail and Mixed-Use | Land Development  
Third-Party Property Management

 **KETTLER.com**

703.641.9000 | 1751 Pinnacle Drive | Suite 700 | McLean, Virginia  
FHA/ADA Compliant Builder





BCT ARCHITECTS



CRATF

SK+I Architecture of Bethesda, Maryland, designed the 17-story multifamily Bainbridge Bethesda. Expected to be completed in July, the development by Bainbridge Companies includes 200 luxury multifamily units and 7,200 square feet (700 sq m) of retail.

BCT Architects is providing master planning and design for the 13.2-acre (5.3 ha) mixed-use Cascades Overlook development in Sterling, Virginia. The project, which includes retail, office, apartments, and structured parking, is expected to be completed in late 2015 by developer Meladon Group.

with an estimated demand of 5,800 units, says Turner. "Much of this development is infill and renovation of historic properties," he adds. "Baltimore's iconic 1929 skyscraper at Ten Light Street, most recently home to Bank of America, is being converted to 430 market-rate apartments. Metropolitan Partnership, from the D.C. area, is the developer, and BCT is the architect and interior designer for the renovation," says Turner.

As in the other states in the region, transit-oriented development continues to drive a large portion of real estate projects in Maryland. "Odenton Station, a TOD project, will provide new residential and retail in Anne Arundel County," says Turner. "The state has incentivized TOD projects through the increased availability of tax increment financing."

Mobility will continue to be a powerful force in area real estate activity, agrees Sami Kirkdill, founder and president of SK+I Architecture in Bethesda. "Transit-oriented development remains a major driver," he says. "Sites around Metro stations are becoming more active—even areas once thought undesirable or too far out are attractive for development. People



CARY EUBNER III

Ten Light Street, a skyscraper built in downtown Baltimore in 1929, is being converted into 430 market-rate apartments by Metropolitan Baltimore LLC, an affiliate of Metropolitan Partnership Ltd. BCT is the architect and interior designer for the renovation.

don't want to be dependent on automobiles. They want everything within five floors or five blocks; five miles [8 km] is too far."

Members of generation Y—also known as the millennials—are demanding amenity-rich multifamily environments. "Unit sizes are much smaller today, which makes providing community spaces with wi-fi, theater rooms, fitness centers, pet facilities, and outdoor entertaining areas essential," Kirkdill continues. "The more unique your amenity package, the more successful your multifamily project."

IT'S WHAT'S ON THE  
**INTERIOR**  
 THAT COUNTS



2013 ULI WAVEMAKER  
 AWARD WINNER

2013 INTERIOR DESIGN  
 MAGAZINE  
 HOSPITALITY GIANT

2013 DELTA MULTIFAMILY  
 AWARD WINNER

2013 IIDA GOLD AWARD  
 WINNER

2011 ULI TOP TEN AWARD:  
 THE AMERICAS



BALTIMORE | DC | WWW.RDJONES.COM | 410.637.3166 | BHOLNAIDER@RDJONES.COM

**RD · JONES**



Lot 31, which consists of the Darcy and the Flats, includes 88 condominiums, 162 multifamily units, and 42,500 square feet (4,000 sq m) of ground-floor retail. Expected to be completed in 2015, the project is a development of Stonebridge Carras/PN Hoffman. Lot 31 was designed by SK+I Architecture.

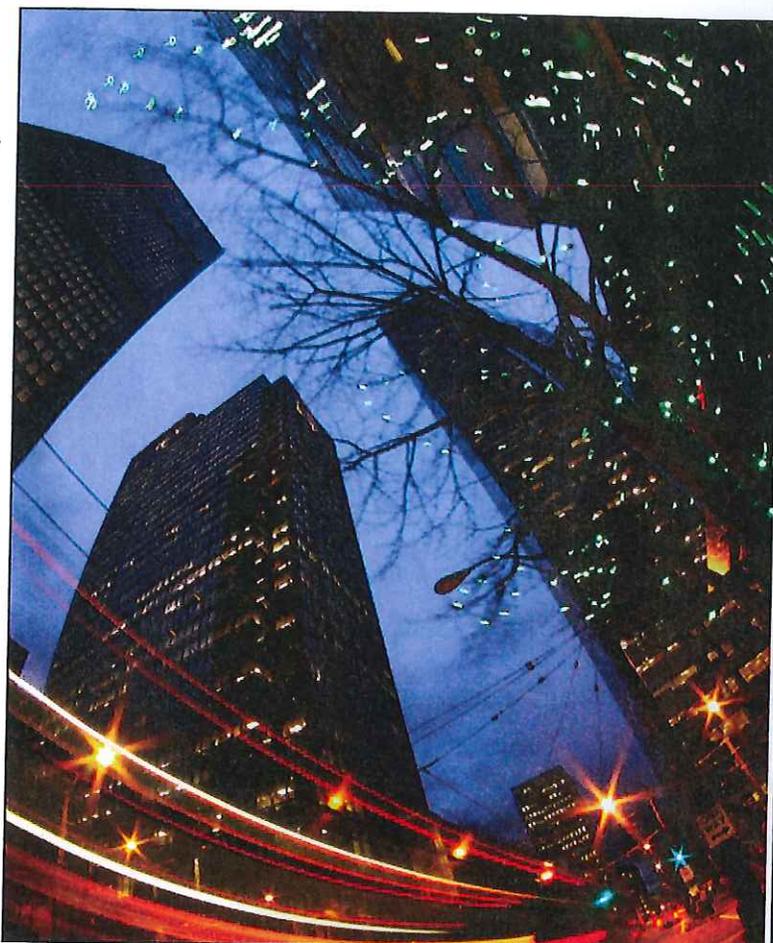
SK+I developments under construction in Maryland include Fenwick Station, a five-story, mixed-use development with 310 residential units in downtown Silver Spring; Bainbridge Bethesda, a 17-story residential tower with 200 multifamily units and 2,700 square feet (250 sq m) of first-floor retail space; and Lot 31, which includes the Darcy and the Flats—the final pieces of the Bethesda Row community with 88 condominiums, 162 multifamily units, and 42,500 square feet (3,950 sq m) of ground-floor retail in the neighborhood.

Insight Property Group's Fenwick Station, a five-story, mixed-use development with 310 residential units in downtown Silver Spring, Maryland, is expected to be completed in September. The project was designed by SK+I Architecture.

### Pennsylvania

Real estate activity in the Keystone State follows national trends, with activity in well-





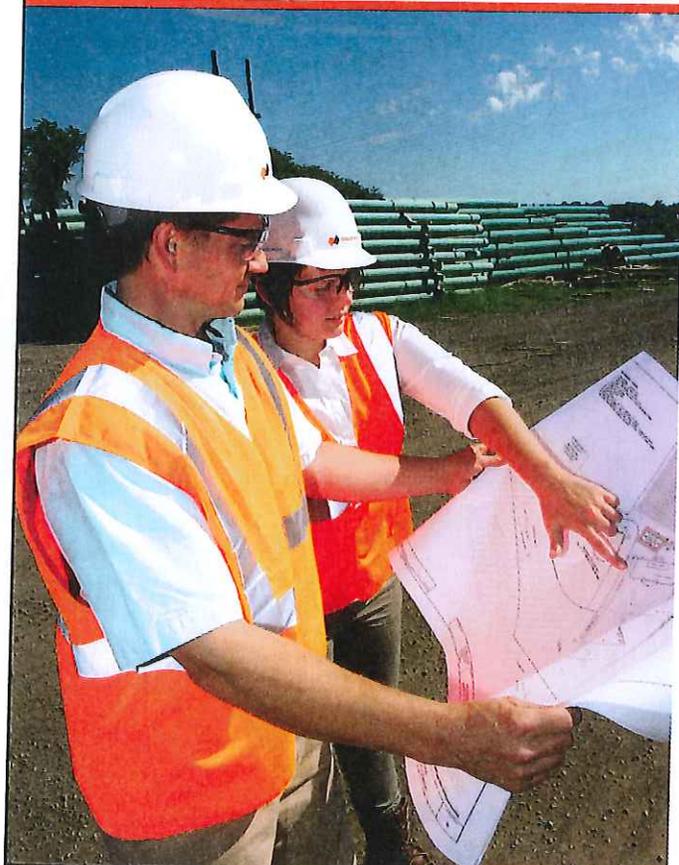
- Land Use/Zoning
- Real Estate
- Condo/HOA
- Environmental
- Business
- Tax
- Litigation
- Bankruptcy

**LINOWES** | **BLOCHER LLP**  
ATTORNEYS AT LAW

7200 WISCONSIN AVENUE ■ BETHESDA, MD ■ 20814 ■ 301.654.0504  
8 WEST THIRD STREET ■ FREDERICK, MD ■ 21701 ■ 301.620.1175  
ONE PARK PLACE ■ ANNAPOLIS, MD ■ 21401 ■ 410.268.0881

[WWW.LINOWES-LAW.COM](http://WWW.LINOWES-LAW.COM)

Better Business ■ Better Project ■ Better Solution



KU Resources, Inc. is committed to providing innovative solutions and outstanding support in brownfield redevelopment, environmental management, and site development engineering. We have technical and project management experience in the following areas:

- Property Redevelopment & Public Funding Support
- Site Development Engineering
- Environmental Planning, Permitting, & Compliance
- Environmental Site Assessments & Remediation
- Geotechnical Engineering
- Spent Battery & Universal Waste Management



**KU Resources, Inc.**

[www.kuresources.com](http://www.kuresources.com)

22 S. Linden St. | Duquesne, PA 15110 | 412.469.9331



BCT ARCHITECTS

Baltimore-based BCT Architects master planned and designed the first phase of the Shops at Canton Crossing, a project of 28 Walker Development and Chesapeake Real Estate Group. The brownfield redevelopment has 350,000 square feet (32,500 sq m) of retail, including a Harris Teeter supermarket, a Target store, apparel retailers, and local and national restaurants.



**EQUINOX**  
MANAGEMENT & CONSTRUCTION, LLC

**Fully Integrated Real Estate Development:**

- **Urban Redevelopment**
- **Sustainable Homes**
- **Historic Rehabilitation**
- **General Contracting**
- **Property Management**
- **Student Housing**
- **Senior Housing**

[EquinoxMC.com](http://EquinoxMC.com)  
[info@equinoxmc.com](mailto:info@equinoxmc.com)

**Balancing change  
with sustainability in the  
built environment.**





HOK

**HOK is involved in a number of developments in the Mid-Atlantic region, including the University of Maryland at Baltimore's Health Sciences Facility III. The new 435,000-square-foot (40,000 sq m) facility on the University of Maryland's downtown Baltimore campus is scheduled for completion in December 2017.**



HOK

located retail projects, the expansion of the rental and for-sale housing sectors, and an overall increase in commercial occupancy and development, says Edward D. Brown, senior vice president and managing director at NorthMarq Capital in Wayne, Pennsylvania, near Philadelphia. "We have seen a significant increase in institutional interest in the Philadelphia and Pittsburgh markets at levels

that were not present during the last growth cycle," Brown says.

Over the past year, the lending spigot for development has been cautiously opened for well-capitalized sponsors and appropriate projects. "Required equity levels remain at 30 percent or above for most new development," adds Brown. "The local and regional banks are still more focused on competing for stabilized multifamily and select commercial properties, so some projects struggle for funding unless significant equity is available. Sponsorship and experience [are] critical to approval."

NorthMarq has been involved in the acquisition and refinance of properties in the \$5 million to \$50 million range and works with Freddie Mac, Fannie Mae, and the U.S. Department of Housing and Urban Development. "We have also had strong volume with several of the resurgent conduit lenders and our life insurance company relationships," Brown says.

A number of real estate projects are already underway or planned in Philadelphia that bode well for the economy. Global media and technology company Comcast Corpo-

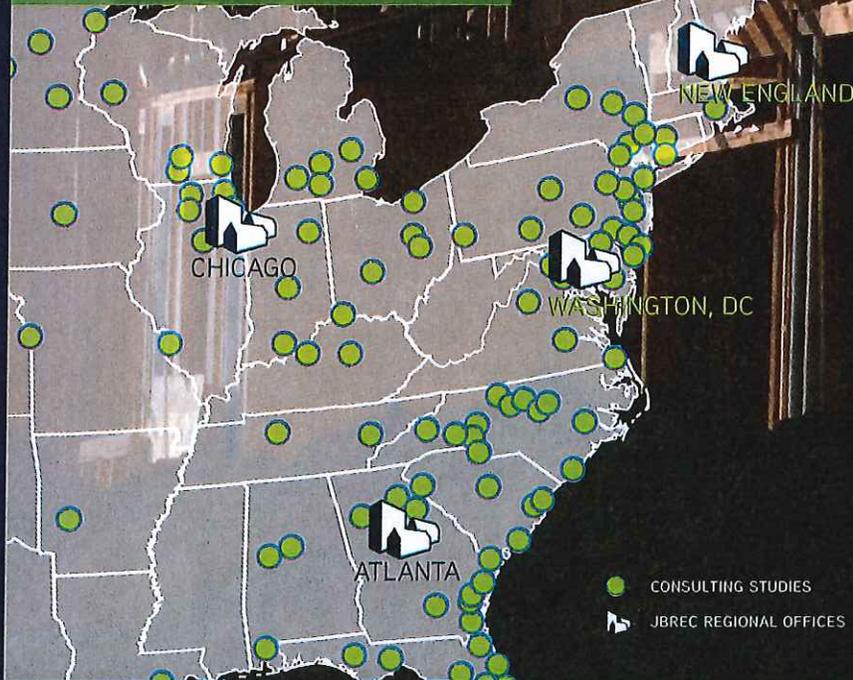
# TRUSTED ANALYSIS *for* EXECUTIVE DECISIONS

JOHN  BURNS  
REAL ESTATE CONSULTING

Proven Insight.  
Real-Time Research.  
Mid-Atlantic Market Experts.



**Dan Fulton**  
*Senior Vice President*  
*Mid-Atlantic Market Leader*



## MAKE SMART DECISIONS.

REALESTATECONSULTING.COM | 703-447-7171

ration's proposed \$1.2 billion office tower, scheduled to be completed in 2017, is expected to boost employment in nonresidential building construction with positive spillover to other parts of the local economy, says Adam Kamins, an economist at Moody's Analytics in West Chester, Pennsylvania. Designed by Foster + Partners, the 1.5 million-square-foot (140,000 sq m) glass and stainless-steel tower "adds to a lengthening list of nonresidential projects in Philadelphia," he says.

Helping to support increased building activity is an improving economic outlook. The mix of jobs in Philadelphia and its suburbs is expected to expand as mid- and high-paying industries hire more aggressively, says Kamins. "Business investment in nonresidential structures could add more to growth over the next few years," he adds.

Although the Mid-Atlantic real estate market has slowed, the region remains an enviable place in which to do business. **UL**

**MIKE SHERIDAN** is a freelance writer in Parsippany, New Jersey.