

ECONOMIC DEVELOPMENT UPDATES

Arlington's "Way Forward" initiative to counter historically high office vacancy rates and increased pressure from competitive markets continues to make advancements. The initiative has introduced strategic and programmatic adaptations including new ways of marketing Arlington to national and international audiences, and business development efforts to diversify the commercial tax base and align with our highly skilled workforce. Since 2015, Arlington Economic Development (AED) has assisted on more than 5.3 million square feet of new or retained office space representing approximately 25,400 jobs.

- **Vacancy rate update** – The vacancy rate was down to 17.3 percent in the second quarter of 2017 following a steady recovery from an all-time high of 21.0 percent in the first quarter of 2015. Improvement in the first half of 2017 was driven by overall positive activity in the market and initial leasing by Nestle USA, which will eventually occupy 206,000 square feet at 1812 N. Moore Street. By the end of 4Q 2017, that momentum was reversed by the departure of the National Science Foundation resulting in an end-of-year vacancy rate of 19.4 percent. Throughout the region, the office market continues to be in a state of transition as tenants leave older buildings in search of newer spaces and more advantageous lease terms. On the positive side for Arlington, tenants are seeking locations with high concentrations of amenities and optimal Metro accessibility. However, certain headwinds persist due to office footprint reductions upon lease renewal and competitive submarkets along the Silver Line and in the District of Columbia. The Arlington office market also faces the impending departure of the Transportation Security Administration and uncertain future of the Drug Enforcement Administration lease (1 million square feet combined).
- **Selected business development accomplishments** – As of February 2018, AED had assisted with nearly 815,000 square feet of economic development successes in FY 2018. Collectively, these projects represent nearly 3,200 jobs in Arlington County. Notable projects include:
 - The retention and expansion of major employers in media, government and professional services including the BNA Bloomberg, Hobsons, APT, Strategic Analysis, and UVA Darden School of Business.
 - The continued attraction and expansion of fast growing tech companies like Phone2Action, Higher Logic, Mobile Posse, and Itech AG; and
 - The attraction of the American Institutes for Research, enhancing Arlington's reputation as a prime location for nonprofits and research organizations.
- **Incentive Program** – Arlington began using targeted, performance-based financial incentives in 2015 to help lower the office vacancy rate and diversify the economy. Since then, the County has incented projects that align with Arlington's economic development strategy, generate significant return on investment for the County in taxes, and in many cases leverage money from the Commonwealth of Virginia. Projects include the recruitment of Nestle USA, the retention and expansion of major employer Bloomberg BNA, and the attraction of fast-growing technology companies like StoryBlocks. Of the County's successful economic development deals since this program began, only 8 percent use incentives. The FY 2019 Proposed Budget includes \$1.5 million in ongoing funding and \$2.7 million in one-time funding to continue this program.
- **Marketing Arlington's Tech Ecosystem** - AED's Business Investment team attends key technology events and trade shows throughout the year to create and maintain relationships

with tech companies and enhance Arlington's profile as an attractive office location for the tech industry. Additionally, these engagements generate information for business development about what types of companies are poised for growth and may be seeking new office space. The events include:

- CES 2018: Arlington is proud to be the home of the Consumer Technology Association (CTA), the creators of the Consumer Electronics Show. CES draws an international audience of more than 170,000 attendees. AED hosted a "startup" lounge space in the Eureka Park exhibit area to showcase the benefits of opening or moving a business to Arlington. AED also invited a handful of standout Arlington startup companies to demo their products in the startup lounge, allowing for national and international exposure.
 - SXSW 2018: In March 2018, AED will host a panel discussion at the SXSW Interactive Festival, considered one of the largest festivals for technology companies in the world. "War Games: From Battlefield to Ballot Box" was selected for presentation at SXSW from more than 6,000 entries around the world and will showcase the innovation of cybersecurity companies located in Arlington.
 - Collision 2018: In May 2018, AED will attend Collision, a tech conference that brings together experts in a variety of tech fields and related topics such as autotech, robotics, startups, marketing, big data, and planettech.
- **Tourism report** — In the second year following the FY 2016 reinstatement of Arlington County's tourism-dedicated 0.25 percent transient occupancy tax, the Arlington Convention and Visitors Service (ACVS) is achieving record-setting results. With the reinstated funds, in FY 2017 ACVS invested more than \$1.1 million into marketing and promotion, resulting in a leading-edge StayArlington website; expanded advertising, digital marketing, and trade events; updated market research; new photography and video resources; and much more. Group hotel room nights booked by ACVS rose 13 percent to 26,400; advertising impressions to target audiences increased more than 15,000 percent, reaching nearly 250 million; and an additional 950 million new StayArlington ad impressions were generated in China. Even prior to the October 2017 launch of the new StayArlington website, FY 2017 web view sessions were up 161 percent over the prior year, and users were up 158 percent. The number of Arlington visitors served in person rose 36 percent, and more than 215,000 Arlington Visitors Guides, Meeting Planner Guides, Maps, and Rack Cards were distributed through the Mobile Visitors Center, by mail, and at Reagan National and Dulles International Airports. Through December 2017, Arlington's annual hotel Occupancy was 76.7 percent (down 0.6 percent from 2016); Average Daily Rate was \$167.42 (up 3.3 percent over 2016); and Revenue Per Available Room (RevPAR) was \$128.46 (up 2.7 percent over 2016).
 - **Ballston Quarter** — The Ballston Quarter redevelopment is still under construction and on track with an expected delivery in the fall of 2018. The tax increment financed bonds were issued and sold in November 2016, completing a two-year effort to implement the public-private partnership that was a critical component of the Ballston Quarter project. In FY 2018, Forest City has announced tenants for the space include Cookology, Nook, 5 Wits, and an 18-restaurant food hall.