

# The Weekly Take

## Movin' On Up: Strategies driving Northern Virginia's growth

11.11.24

### **Spencer Levy**

The place we're about to visit is a case study in public private partnerships and vision that crosses city limits, state lines and even national boundaries. Northern Virginia touches our nation's capital and connects to Southern Maryland as well. And on the strength of demographic growth, strong infrastructure and huge data center capacity, not to mention an abundance of young talent, it's been attracting businesses from around the world. On this episode, we explore this developing story of regional real estate development with a leader who shepherded this vision and a dealmaker who's had a hand in its emergence.

### **Victor Hoskins**

Our companies are growing. That's really why we are filling space. That's why we're recovering.

### **Spencer Levy**

That's Victor Hoskins, President and CEO of the Fairfax County Economic Development Authority, an entity in Northern Virginia that's overseen by a board of directors, primarily from private businesses and from the public sector, too. Its simple mandate is to help businesses grow across the region and along the way. It has earned numerous best of accolades, including a recent number one ranking, its third in the last five years on CNBC's list of top states for business.

### **Cathy Delcoco**

You look around Northern Virginia, and there have been developers that have taken the risk to build office property without a tenant. That's very unusual, especially in this environment.

### **Spencer Levy**

And that's Cathy Delcoco, a Vice Chairman and CBRE's Advisory and Transaction Services Group. Cathy co-leads a team representing global corporate clients in the Washington metropolitan area and in the region. She joined CBRE in 1989, and in the last decade alone, her team has closed more than 1100 transactions, with a total value exceeding \$3.3 billion. Coming up, Northern Virginia. From the perspectives of a pair of insiders who have lived this regional growth story. I'm Spencer Levy and that's right now on The Weekly Take.

### **Spencer Levy**

Welcome to The Weekly Take, and I am delighted to be here in Northern Virginia with Victor Hoskins. Victor, great to see you.

### **Victor Hoskins**

Glad to be here, Spencer. Glad to be here.

**Spencer Levy**

Been too long since we've been together. Great to – we're finally getting the show on the road huh.

**Victor Hoskins**

Took a couple of years, didn't it?

**Spencer Levy**

We made it. We're here.

**Victor Hoskins**

Yes, yes.

**Spencer Levy**

And then my good friend and colleague, Cathy Delcoco, Vice Chair, CBRE. Thanks for coming out, Cathy.

**Cathy Delcoco**

Thanks for including me, Spencer.

**Spencer Levy**

We're excited to have you here, Cathy. So, let's just start, very big picture. Northern Virginia – people one, they don't know the region, will often say, oh, this is greater Washington, DC, but it's its own separate place. How would you describe Northern Virginia, Victor?

**Victor Hoskins**

I would describe it as ten jurisdictions, bordering roughly the Potomac River in the northern part of Virginia. It has a GDP of about 276 billion. So, if it were a country, it'd be the 40th largest country in the world.

**Spencer Levy**

And that's Northern Virginia alone.

**Victor Hoskins**

That's Northern Virginia alone. It's a pretty powerful economy – very diverse. Roughly a third, a third, a third. A third tech companies, a third defense, solid. And then a third other related, maybe hospitality or you know, defense contractors that do specific things like space, that isn't necessarily government but commercialized.

**Spencer Levy**

Cathy, how would you describe Northern Virginia from a real estate perspective as distinct from Washington, D.C.?

**Cathy Delcoco**

First of all, it's really the engine that runs the region. When new companies come and they look throughout the region and say, gee, should we locate to which jurisdiction, nine times out of ten, if not more than that – Northern Virginia is where they land and they land here due to a lot of factors which Victor can get into. But it's labor, it's education, it's transportation. It's a business friendly community. So, I would say Northern Virginia as a

whole is a great place to live, work and play. Also, our mix of businesses, as Victor said, were diverse. And if you look at Washington DC, you look at the tenancy there. You see a lot of nonprofits, you see a lot of law firms. Whereas here again, in Northern Virginia, we've got a wide variety of tech companies, defense contractors in general. If you look at what we call the Dulles Toll Road that leads into Dulles Airport, look at the number of companies that are headquartered there. And that changed their headquarters over the past five to ten years from other jurisdictions to come to Northern Virginia. Again, for a lot of the reasons I said, as well as being close to the government, so that they're lobbying here very closely.

### **Spencer Levy**

Government is having an issue with people returning to work. And Northern Virginia, while it does have a significant government presence, it's a very small piece of the market. So, is that part of the reason why we're seeing Northern Virginia recover, perhaps faster than the district?

### **Victor Hoskins**

Yeah, that is one of the reasons, a lot of our technology companies continue to grow through Covid. Back in 2020, there were about 15,000 openings in Fairfax County, about 45,000 in Northern Virginia. There are now 90,000 openings in Northern Virginia and over 50,000 openings in Fairfax County. So, our companies are growing. That's really why we are filling space. That's why we're recovering. Our vacancy rate did not rise like, a lot of our nearby areas like Washington, D.C. and others, certainly not like San Francisco, which is now in the mid 30s. You know, we were right on 17%. That's a contrast. We continue to grow. We continue to have difficulty finding talent. Actually, talent is our biggest problem right now is not finding tenants because our tenants really have prospered at this time. We have the second highest number of AI openings in the country, second only to Silicon Valley and I think part of that is because of the infrastructure that we have here. We have, what, six times the data center capacity of Silicon Valley. We have three times that of our nearest competitor, which is Singapore. So, the infrastructure, the fact that our companies are a lot of tech companies that are constantly growing, we don't have a lot of problems that other areas in a country have been suffering from. As a matter of fact, we target them for their talent.

### **Spencer Levy**

Cathy, you have a national practice, and if you were to compare and contrast Northern Virginia to some of the other markets that you work in, how would you compare it positively or negatively?

### **Cathy Delcoco**

I think Fairfax County has invested a lot and the developers have invested a lot in live-work-play environment. Again in this era where people are saying, geez, I want – if I'm going to have an office space, I want my employees to come in – they want them to be surrounded by amenities. And you look around Northern Virginia and there have been developers that have taken the risk to build office property without a tenant. That's very unusual, especially in this environment that you see. Buildings coming up and amenity rich environments that don't have tenants. The developers are taking the risk to build these buildings. And in fact, they are leasing, a lot of them are leasing before they ever deliver. So, I think that's one of the big differences, is people are willing to invest in the infrastructure and the community to make it attractive. And we don't see that in a lot of the other cities, a lot of the other cities, we're not seeing the investment.

## **Spencer Levy**

But we did talk in the office earlier today, Cathy. There are challenges here in Northern Virginia. There is more vacancy today than there was before. Tell us about some of those.

## **Cathy Delcoco**

Well, I would say one of the biggest challenges – and one of the things I said to Spencer today is that I, you know, two of my clients I was on the phone with earlier that are dealing with one in another city – that we're dealing with the lease the tenants signed six weeks ago, and the landlord hasn't signed it because the building's going back to the lender. That's in another city. And in Fairfax County, I've got a tenant very close to here that the landlord's not paying the tenant improvement allowance because they're in default. And, so my tenant is going to be paying the tenant improvement allowance. We protected them in that they can abate the rent, but that's over a period of time, they have to have the cash upfront to pay the contractor. We're seeing that on a national basis, and Fairfax County is not immune to that. As a broker, I have to look at what buildings can and cannot do transactions. What I will say is, if you look on a national basis in 2024, over \$900 billion of commercial loans became due. That's one fifth of the commercial loans in existence. And what's happening is there used to be this thing of you extend the loan, the bank extends the loan and pretends that the building is worth that value. Today, people know the buildings are not worth in general, the loans that are on them, due to the high interest rates, due to the vacancy rate. So, I would say one of the biggest challenges that we're seeing is, and especially in office product, is the ability to consummate transactions. And one of the things I would ask Victor is, you know, if these loans get reduced, the value of the property goes down. And, you know, as we know, and when a lot of people don't realize is that you get your amenities, taxes are paid for by commercial real estate. It affects the whole economy. So, I don't know what you think, Victor, but I think there's going to be a trickle down effect when it comes to, you know, tax assessments in the future.

## **Victor Hoskins**

Yeah, actually that is probably for municipalities, for counties, for jurisdictions. That's a real serious issue. And it's already showing up, in lower tax revenues. That's definitely an issue. The key in our market in Fairfax market, and actually in a lot of our neighbors market, is the age of the buildings. Because that older product is what's not leasing. The newer product is leasing. So, it's kind of a flight to quality. And in that flight to quality, the Class B minus product, C suffers tremendously. And those in our jurisdiction are really being attacked for redevelopment. Actually some of these, office parks are under redevelopment right now. They're being cleared. And turn into data centers, for example. Some buildings are coming down and what they're building is residential. So, it's a process. I view it more as a transitional process for really the entire commercial real estate market of our country. If you look in New York right now, they have a wave of residential going on, a huge wave of residential. I mean, they're building, 500,000 units at a time, and they're doing really innovative things. They're taking on buildings, they're cutting out parts of the core and taking that FAR, and using that to add additional stories to the building and enhances the performance. So, I think that what's going on right now is really a transition. It's not a comfortable one, but real estate transitions have never been comfortable. I mean, does anybody remember in 2005, 6, 7, 8, 9, remember? And that hurt us until 11 and we didn't start coming out of that. That's what this is. And since I've been on both sides of the table, on both the public and private side, I view it from both directions. It causes the public sector to tighten up and to try to reduce costs as much as possible. It causes the private sector to think more innovative. And also some of these banks to just go ahead and bite the bullet, take the building down and let somebody else buy it. That's really what we're going through right now and that's not an easy transition ever.

**Cathy Delcoco**

Yeah, I know I agree. A lot of the banks are saying, you know, let's just put it up for sale and write it down and take pennies on the dollar. You know, let's sell.

**Victor Hoskins**

Some are doing that. Yes.

**Cathy Delcoco**

Yeah. And we have some in Fairfax County, some developers that have cash that say, let me buy it at a lower basis, and I'm going to do some renovation and I'll lease it out at attractive rates. And it's working.

**Victor Hoskins**

Yeah, I toured a project that was an adaptive reuse just about four or five weeks ago, and it was a purchase that a bank just went, okay, we're done, we got to let this thing go. It had been vacant for quite a while, was three buildings, they sold them all at a bargain. They've been redeveloped. The first phase was done. I think it's about 350 units. When the developer told me what its cost was all in and what he was leasing for, those numbers will work every day of the week. So, once it goes through that pain, you can get on the other side for performing real estate. But prior to that, some of these commercial buildings have to go through the pain. That's just a reality.

**Spencer Levy**

Right now there are lots of national, state level and local incentives. Say, okay, we got a problem, this is what we're going to do to help you. And some of these incentives have to do with tax credits. I'm not aware of direct tax transfers – Victor, but what are you doing to give incentives to people to build here in Fairfax County, taxes or otherwise?

**Victor Hoskins**

I will start with the conversion part, because that's something that we were talking about. And really actually just development of residential because we need that, actually we need residential probably more than anything else right now. What the county is doing is they actually have designated certain areas for a ten year tax rebate, and it's worked. If you go down to some of these revitalization areas along the Route 1 Corridor, you see more multifamily than you've seen in a very long time. And some of those buildings were incented through this program and some just took advantage of the market. So, you have that program. For us in terms of the county, we work very closely with the state and there are a series of – I would call them incentives for companies to locate here and to expand here. And probably the one that people hear about a lot is called the Commonwealth Development Opportunity Fund – the COF they call it, the COF fund. And the requirement for this is 50 new jobs. It could be an existing company or a new company, and it has to be at least a \$5 million capital investment. And it has to perform over the three year period. And that basically can range from anywhere from \$1 million to \$5 million. The last deal we did was around \$5 million with the state. And what we do from the county side is we actually provide an infrastructure match, that's our part of the deal. Another one is the Virginia Economic Development Incentive Grant, VEDIG they call it. This one again, existing company or new company. This is 300 to 400 employees, capital investment of \$5 million and it can be up to \$6,500 per job – they do 1000 jobs at \$6,000,005. That's a very significant incentive for a company. And then there's the Major Eligible Employer Grant program – they call it MEE. And then there's the Virginia Jobs Investment Program, and this is VJIP, and this is essentially for training because the barriers so low – 25 employees,

that's all, just 25 employees. The MEE is a thousand employees or more. This one is for, like smaller employers and it's on a per employee basis. And the company gets to design the training program and they identify the employees and the money is provided as reimbursable.

### **Cathy Delcoco**

I've been privileged to work with some large corporations that have looked at multiple jurisdictions, and typically when you're negotiating for incentives, you are looking at multiple jurisdictions. I will say in an area like this, it's different if you're doing a back office in a rural area, but in areas like Fairfax County that are competing with other jurisdictions, corporations in general are not making the decision based on incentives. It's one of the factors, but it's not the primary decision making. But, what they do, do is say, how are they treating me? How much do they want me here? How much are they giving me and showing me that they want me as a corporation in their jurisdiction versus, frankly, other jurisdictions that are not far from here, that it's hard to get responses from them. Or if you're looking somewhere else across the country, you want to know that this is a very business friendly environment and your tenancy is going to be welcome here. So, I think that's the importance of incentives.

### **Victor Hoskins**

In terms of the redevelopment of these buildings or the development of buildings, that's a whole nother category. When you're in a city like Washington DC for example, they have tax increment financing that they can put almost anywhere. Particularly if they own the land. It is really a powerful tool that they can use. We don't really have that for counties in the state of Virginia only cities can do that. So, this is what the city of Alexandria can do. It's in Northern Virginia, but they can do that. We can't do that as a county. I think they're only – I think like maybe two tax increment financing in the history of Fairfax County. I know there are only two in Arlington County because they're so difficult to do and there's so many things that you have to do in order to prove that, that particular project. It's much more facile in cities in the state.

### **Spencer Levy**

Cathy, one of the things I hear more often today than I did pre-COVID is flight to quality. And flight to quality has another connotation to me, which is price insensitivity. And what does that mean? It means that a lot of tenants are willing to pay up to get the best space in the best submarkets in the best buildings. So, first of all, are you seeing that trend here in Northern Virginia? And second, how do you handle this flight to quality issue?

### **Cathy Delcoco**

I think flight to quality – it's very important today, again, for the return to work. All of our tenants, no matter where they're looking, whether they're looking here in Fairfax County or in other jurisdictions in the United States, they all want amenities. Everybody wants amenities. One of the reasons they're willing to pay up for the buildings that have the amenities is that when you do a move even before Covid, typically when you do a move, you're going to save on 15% of the usable space that you occupy because you're redesigning according to your needs today. You're going to be more efficient. With Covid, many more people are doing hybrid work, so they're downsizing even more. So really, the dollars and cents to move to that Class A trophy building, you might be moving from a \$35 per square foot building to a \$50, \$60 square foot building. If you are downsizing by x percentage, you can afford that. So what we're seeing is because of the downsizing, people are willing to pay more per square foot to be in the amenity-rich environment. But, Spencer, you're absolutely right. Everybody wants to be in the flight to quality buildings.

And as Victor said earlier, the B and C buildings are the ones without amenities. And I will say one of the challenges again, is because buildings are not occupied, you have smaller strip centers that were built to service some of these buildings, you drive through the smaller strip centers and because the buildings are vacated, you do not see them occupied. So, the strip center that was built to support this office building, unless it's in our market, a Reston Town Center, the amenities are not there that were originally designed to be there. The classic example is the former VW building. There's a strip center very close to there that unfortunately has a lot of vacancy – so it's a chicken and egg situation. The developers trying to lease the VW building but tenants that are looking at that are going, well, wait a minute, the amenities aren't filled, so it's a chicken and egg. You got to lease the building first before the amenities will come.

**Victor Hoskins**

And we haven't talked about one thing here yet and we should really talk about it: Interest rates. Because interest rates are really part of this slowdown also, and that is extreme. Construction is nowhere near the level it was pre-COVID, just nowhere near. That is a big problem and that's not just commercial office, but that's also residential. And, also, that affects long term financing. It affects take out financing. It affects construction financing. That's why a lot of the city is at a standstill now because people want to make decisions but the numbers don't work.

**Spencer Levy**

So, culture. We just came out with a report recently that we call Shaping Tomorrow's Cities. And I'll just tell you what the Washington DC region is called, okay. We're lumping you in with Washington DC again. And by the way, mostly for good because I think it's actually it's – even though –

**Victor Hoskins**

We're not Washington, DC

**Spencer Levy**

It's a wonderful thing to have Washington DC right here. And –

**Cathy Delcoco**

I live in DC. We love DC

**Victor Hoskins**

So do I.

**Spencer Levy**

So, this is not Northern Virginia versus DC. I have to make that clear.

**Victor Hoskins**

Right, right.

**Spencer Levy**

And, so, in any event, the way the report classified the Washington, DC region as a quote, mixed major and a mixed major are markets that are defined by their large size, economic dynamism and cultural brand that kind of defines Washington, DC. But is there a distinct culture for the region? Maybe DC and Northern Virginia? And does Northern Virginia have its own distinct culture, or is it all part of one whole?

**Victor Hoskins**

I think that Northern Virginia has a culture and it is different from DC central. I live in DC like Cathy does, and I lived there primarily because my wife walks to work. Let's get clear and that's why I've not moved. It is a much more dynamic younger feel in Washington DC, in downtown areas. You got Georgetown. You have the Wharf. I mean, God, I wish we had a wharf here and in Fairfax County. It's an amazing amenity. I was fortunate to be part of that development. I love it, that's why I live near it. I mean, this is what you do. Northern Virginia is a little bit more, I would say, laid back. I think the probably the youngest part is right in the Arlington Alexandria area, and as you move west, it gets more and more settled. You know people, they have kids, they buy townhouses, they buy homes, they have backyards. And then by the time you get out to Loudon County, it's pretty much homes and single family. But I think that culture has a couple of elements. One, incredible respect for education. K-through-12 in our region is amazing. It's one of the some of the best schools in the country. Actually the kid that's on the cover of Time Magazine, the teen of the year, it went to Woodrow Wilson here in Fairfax County. And I'm not trying to boast about Fairfax County, because that's how all the schools are here. When I worked in Arlington, it was the same way there. And it is an important part of how we attract companies, because education is part of our culture. And I don't just mean education for the kids, but also the parents. Once you have a degree, you know, reskilling, upskilling, learning, it's a learning environment. The second thing is, it's a very safe one. And I know these things don't sound cultural, but they are. A focus on education and a focus on safety are very important. Fairfax County is the jurisdiction that's the safest that has a million or more population in the country. It is the safest. That is no accident. We invest in that. And I think that you invest in what you believe in. And I think that the pace is slower here than in D.C., it feels much slower. I also vacation in Maryland. Actually, my church is in Baltimore City, so all of us are regionalists. We have, you know, multiple domiciles, and we live and work everywhere. But, it is a whole 'nother pace from DC. All of these places have a fabric that's different. They don't call it Charm City for nothing. I mean, it's a charming place to live. But it's different, again, fundamentally different in Northern Virginia. You feel it, even in how people drive.

**Cathy Delcoco**

Yeah.

**Spencer Levy**

My in-laws have been in Baltimore for generations, and they shop at Tysons Corner because Tysons Corner has the best shopping in the region. But I remember going to Tysons Corner because I moved to this region about 25 years ago, and there was nothing around it, literally farmland 25 years ago. And now they have different train lines. They have all these office buildings, but this region has completely transformed itself in 25 years. Is that a fair statement, Cathy?

**Cathy Delcoco**

It's a very fair statement. And by the way, I drive my 16 year old out to Tysons Corner to go shopping also and last weekend I was in Arlington for the carnival, driving the teenagers there. So again, it is a cross cultural area. The DMV –

**Victor Hoskins**

And it runs all the way from Baltimore to Northern Virginia through DC. I mean, it really is.

**Spencer Levy**



And candidly, I mean, again, that here comes my Baltimore hat for a second. I certainly would love to see more cross collaboration between Baltimore and Washington, DC. I drove here today – takes a long time. Normally I take the train, but the train's inconsistent. So, it's one piece of infrastructure that I think this region needs. Though I do believe this region has some of the best airports anywhere, with three major airports, almost walkable to Washington Reagan. Is that going to become walkable?

### **Victor Hoskins**

Yes, it's going to become walkable. They're building a bridge to it. You know, it was part of a deal that happened. Yeah, yeah, they're building a bridge to it. This complicated thing was actually going over federal land. That's always going to make things complicated, but apparently they got through that. They have a great design for it and I think it'll make a big difference. Our airport, the Dulles Airport, 59 international flights, nonstop. That is an amazing amenity. I mean, we have offices overseas. We have offices in UK. We have one in Berlin, we have one in Bangalore, Mumbai, Seoul and in the foreign country of California and that allows us to fly out there very easily. I flew to New York, you know, a day before yesterday. I flew back last night to Reagan. It's so easy, these airports, it's just amazing access. And, then, we have BWI as a third factor. You can get a Southwest Airlines almost anywhere from BWI. So all of this – the region really functions more closely than most people think.

### **Spencer Levy**

I think you just mentioned a moment ago, offices for Fairfax in five or six different countries. And I think that people who are listening here today – because we have conversations with economic development authorities often as we should – don't understand just how deliberate this process – this is not an accident that you have relationships and international companies coming here, you have offices in those countries. Why don't you tell us about that?

### **Victor Hoskins**

Yeah. So, what – many years ago, this is prior to me coming here, about almost 20 years ago now, they started setting up offices in markets where we saw industries that match our industry. I think one of the first offices was Seoul. We've had the Seoul office now for 19 years, and right now aerospace, artificial intelligence, data science, chip production – all of it, it just totally matches what we do. And, then, because it's a ally, you have a real easy connection to the Defense Department and defense contracting, and we have about 80 companies now from Korea. And just to give you an idea of what it can be like, I spent five days there last year, I saw 325 companies. Yes, I was exhausted. That is the answer. When we were re-signing the Volkswagen deal, we have a person in Germany who was working that side of the fence and as we worked this side with the executives here in North America. They were thinking about going to – just outside of Detroit. They were thinking of South Carolina. They were thinking of other states and we were a little concerned because they'd been with us for, you know, 20 years. And this was a re-sign for 15 years, 15 years at least these days, as Cathy knows, with a company like that is pretty amazing. So, we managed to close the deal. And, yes, there were some things involved that incented them to be here, but nothing of significance. It was really more the welcome mat and also the ability to talk to them in their language with someone that knows them, with someone who's been in that market. And, so, what I did is after they signed, I went to visit. I toured their factory. By the way, I did not know this. It's the largest factory in the world under-roof, and it is so large that the country of Monaco can fit under it.

### **Cathy Delcoco**

Oh my goodness.

**Spencer Levy**

Wow.

**Victor Hoskins**

Yeah, that's what I said. So, so those kind of, you know – look, we respect what they do, but that was an oh wow moment for me. But I also saw the manufacturing process. They make a car like, every 27 seconds. That's just crazy. I mean, the UK and Germany, are the two biggest foreign investors in Northern Virginia. They're the two biggest. And I think Canada's third or fourth. And, so, you go where your money's coming from, you go where you can build the relationships. And, then, Bangalore or Mumbai, we have a large Indian population in Northern Virginia. And Bangalore Mumbai are the tech markets. We have people there on the ground right now. It's really one of those growing markets. I think we might have 20, 35, Indian companies right now. But, when this all started 20 years ago, I think there were 40 international companies. Now, there's about 450. Like you said, with purpose, thinking about it, and what we provide, these companies are soft landing services so they can come in and they don't have to invest a lot of money. We introduce them to the people who run our co-working spaces. We try to help them get through permits. And that, by the way, that's one of the things that we do help our developers and our companies with our permits. So, these things are all very important. But this is all part of our welcome mat, this – and these services are all free. And then we provide talent services. We started that four, five years ago when we were working on a big deal that helped the whole region. Everybody realized, wow, some things really take us all working together. And that's where that talent thing came from.

**Spencer Levy**

Cathy, let's talk about how that impacts your practice here. How many of your clients are international and what is the diversity of industry, and how has that changed over time?

**Cathy Delcoco**

So, if I think about how many of my companies are, you know, the decision makers are international. I would say it's a small portion, but it's growing. And when you look at the decision makers coming in, the other thing I'd say is there's diversity. You look at these defense contractors and you look at a lot of the leaders there, they're women today. When I first start in the business, even if you looked at ten years ago, you know, the defense industry was predominantly male. And it's still, but the leadership now is changing more and more. So, I would say we're seeing a lot of change, both in our tenant base and our diversity.

**Spencer Levy**

Northern Virginia, incredible growth story. But there are challenges going forward. And one of the challenges I've heard is a limitation on the amount of electricity that is going to be able to service the data center. Limitations on other natural resources – water, labor. How are these playing into decisions today? And what do you think you need to continue your ability to grow in the future?

**Victor Hoskins**

Yeah, well, energy is huge. It's absolutely huge. I mentioned how large the data center consolidation is in Northern Virginia, and a lot of that has to do with how the whole industry started with the Arpanet, and with AOL and all of that. But it is at a point where energy has become a problem for some of the local jurisdictions in terms of delivery time. So, it's not

that there's no energy available. It's the delivery time that's changing. But that is probably going to be something that becomes even more extreme as time goes on. So what's been going on is that the state has moved to help diversify the energy supply. A lot of people do not know this, but we have a wind farm under construction off the coast in Virginia, on the east coast of Virginia. People don't know that. And by the way, they just got a second permit, for a huge wind farm. We have one of the largest solar farms – that I won't name the company, but it is working very closely with the airport and others to build a major solar farm to supply an alternative supply to their corporate headquarters. But this is both happening from the public side and the private side. What we really need to do is we really need to step it up. Because with artificial intelligence, the amount of energy that's consumed by the chips that are used for artificial intelligence can be three to four times that of the normal chips. And actually the algorithm running, I mean, it just burns more energy. So, figuring out how to keep up with that because that is the challenge. These hyperscale facilities that they're building now, you know, 500,000 square feet to 1,000,000 square feet, they have now kind of changed the requirement that they need once they turn on. That is a huge challenge. But that is something that the state, the local jurisdictions and the companies are all really kind of pitching in on. What we need, though, is a federal step into this process, because that is really what's going to help us with the grid, because dealing with the grid itself is very expensive.

### **Spencer Levy**

So without nailing you down to an actual time frame, I have heard at conferences, on data centers and on AI that in some jurisdictions it takes six seven years, years before you can get stubbed to some form of electricity. Is that a fair time frame here, or do you obviously try to do it faster than that?

### **Victor Hoskins**

It's shorter than that. Dominion delivers in a shorter timeline depending on where it is. The reality is this, data centers are starting to look afar for facilities there. There's one that's going to go down in Danville. Now, who would ever thought a data center would go in in Danville? Danville loves it because it's going to produce revenue, and they're going to use that for their schools and other services. The data center company loves it because there's less power demands down there and land is cheaper. And this is happening all over the country. This is not just happening here in Virginia. That's something that's going to work its way out. But we're not at the point where it's six years that's other jurisdictions.

### **Spencer Levy**

Let's look to the future. Let's look at the crystal ball. What's going to continue Northern Virginia on its path today? What might get in the way? Starting with you, Cathy.

### **Cathy Delcoco**

I would say what's going to propel Northern Virginia is the existing companies that are already here, large corporations. You look at the Boeings. People have put a foothold here, and this is where their corporate headquarters are. The existing companies are going to continue to grow here. They're going to continue to hire here. And what happens when these big corporations come and put a foothold other smaller corporations want to locate here also. It's the old retail story. You put a Walmart on one corner and Lowe's wants to go on the other corner. So what you find is the base is going to continue to grow. Also our diversity is going to continue. When Victor talks about AI, if we're the number two area for hiring and employing AI workers that's only going to continue with our high education level. So, I think in fact we will continue to grow and also people will continue to add more amenities to the base. Now, what's going to harm us is affordable housing. You

have people that are from West Virginia that come into Fairfax County to work. I mean, our affordable housing needs, as we continue to grow, housing and residential need to be met. We want to make sure that people want to live and work here. We want to continue that. So I would say it's mostly, in my opinion, the affordable housing and it's labor that we really need to work on for our region.

**Spencer Levy**

Victor, crystal ball all time. What's going to propel Northern Virginia forward? What might get in its way?

**Victor Hoskins**

The mixed-use. Mixed-use is going to be something that is going to play directly into who we are. There are already developers that have set up – that had permits for office buildings that are now converting the residential. I mean, that's happening quite a bit. And if we can get more of the workers near the jobs, you reduce the whole commute idea. And frankly, you make the idea of hybrid even better, because even though you're closer to work, you don't have to go as many times, and you get to execute on all your amenities as you were saying earlier. One of the other things that is going to continue to propel us is our education. We have 60 universities in the greater region. They have 400,000 enrolled and they graduate 90,000 degrees a year. We just need to keep more of those kids and connecting them directly to jobs, internships, apprenticeships, fellowships – getting them connected to the companies as much as possible.

**Spencer Levy**

So, on behalf of The Weekly Take, what a pleasure, Victor, to have you here today. Victor and I, for people who are listening, have been trying to get this episode on the air for three years and doggone it, we did it. Victor Hoskins, President and CEO of Fairfax County Economic Development Authority. Victor, thank you so much for coming out.

**Victor Hoskins**

Thank you, Spencer, really appreciate it.

**Spencer Levy**

And then my friend and colleague, Cathy Delcoco, Vice Chair at CBRE. Terrific job, Cathy, thanks for doing this.

**Cathy Delcoco**

Thanks for having me.

**Spencer Levy**

From the region of our nation's capital, we head to another stop on our Urban Futures tour and more in the weeks to come. For now, please visit our website to learn more. Find related content and follow the show. That's [CBRE.com/TheWeeklyTake](https://www.cbre.com/TheWeeklyTake). And don't forget to drop us a line using the Talk to Us button right there on the home page. You can also subscribe, rate and review us wherever you listen and look for updates on LinkedIn as well. Thanks for joining us. I'm Spencer Levy. Be smart. Be safe. Be well.