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Will local economic recovery stall?

By Bryant Ruiz Switzky

The first half of the year gave observers of the Washington-area economy many reasons to smile. Unemployment trended downward, housing prices stabilized, and after employment dipped to a five-year low in February, the area gained 44,000 jobs.

The period brought news of major hiring at companies like Booz Allen Hamilton Inc. and Accenture PLC, and local executives were upbeat about the future. In a May CEO survey by the Washington Business Journal and Shugoll Research, 56 percent of respondents said they

believed the economy was in recovery, up from 45 percent in December.

But a barrage of national and international bad news in the past couple of months has made the markets and many economists more pessimistic about the entire country's economic fortunes for the next 12 months.

Since late April, the S&P 500 stock index has lost some 15 percent of its value, federal agencies have released disappointing job and home sales numbers, the debt crisis in Europe has worsened, and the Gulf of Mexico oil spill continues to cause problems.

"All these things have conspired to ratchet down confidence in the near-term economic

recovery," said Anirban Basu, chairman and CEO of Baltimore-based economic research firm Sage Policy Group Inc.

He argues that much of the momentum in the economy appears to have been short-lived and fueled by government spending. As such, the economy is likely to be weaker in the next 12 months than it has been in the first half of this year.

Basu puts the chances for a double-dip recession at about 50 percent.

"Whether or not we officially go back into recession is just a technical point," he said.

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The murky business of Web scraping

As more companies unleash webbots to automatically "scrape" content from others' websites, accusations of theft are becoming more common. How can you protect your data?

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Avison Young buys McLean's Appian Realty

By Sarah Krouse

D.C. real estate newcomer Avison Young is making its first big push to expand in the region, buying McLean-based Appian Realty Advisors LLC in a deal to be announced July 9.

The Toronto-based commercial real estate services company, which opened its D.C. office last November, will acquire Appian's 14 employees and three Northern Virginia offices, with managing partners Daniel Gonzalez and Thomas Sandlin becoming principals of Avison Young. Terms were not disclosed.

Avison has been in growth mode since Chairman and CEO Mark Rose took the reins in June 2008, growing its 300-person staff to over 600 people and opening U.S. offices in D.C., Chicago, Atlanta and Houston in the last 24 months.

Run like many law firms, Avison Young is owned by principals that raised capital for the expansion of the company. Avison Young also gave general employees the opportunity to buy in at the beginning of the year after a backlash from the workers upset that they were not included in the original expansion fundraising.

Keith Lipton, managing director of the D.C. office, said he hopes to eventually open offices in suburban Maryland. Lipton was running Grubb & Ellis Inc.'s local office before being

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News

D.C. broadens DC-NET for Microsoft conference

By Michael Neibauer

The District is using its internal fiber-optic network to link the Walter E. Washington Convention Center with three major downtown hotels in an effort to expand the event venue's reach, taking DC-NET from the public to the private sector for the first time.

DC-NET, D.C.'s private voice, data and video telecommunications network, connects all government buildings – including schools and rec centers – over a secure fiber-optic platform. Its mission, according to its site, is to “provide and maintain a ubiquitous, reliable, and secure computing environment for the government as well as residents, businesses and visitors.” But that

same description notes that DC-NET is a “network entering only government facilities and transporting only government communications.”

The 1-gigabyte-per-second connection between the convention center and the Verizon Center, Renaissance Washington, Grand Hyatt and Washington Marriott takes DC-NET outside the government realm for the first time.

The job, done ahead of the Microsoft Worldwide Partner Conference, which will bring 10,000 delegates to D.C. July 11-15, cost about \$5,000 and required a “minimal fiber build-out,” said Tegene Baharu, DC-NET director.

“We’re able to provide high-quality, low-cost service in terms of connection for con-

vention-goers,” said D.C. Chief Technology Officer Bryan Sivak.

With the connection, the District has established a private network for conference goers that spans numerous D.C. locations. A Microsoft delegate on a laptop at the Renaissance, for example, can now view or participate in an event at the Verizon Center. The network provides massive bandwidth for thousands of attendees who will certainly be live blogging and tweeting the event.

But expansion of DC-NET raises a question: Is the District invading the private sector's role as telecommunications provider? D.C. law does not explicitly allow DC-NET to be connected to entities outside the city government, and numerous D.C. Council members have long questioned whether the gov-

ernment should be running what amounts to a phone and data company.

Comcast, the leading fiber-optic provider in the District, is not worried.

“Comcast has a strong relationship with the District of Columbia government and we share a common objective to provide access to broadband Internet services in the city,” Alisha Martin, spokeswoman, said in a statement.

Sivak said the hotel connection will remain once the Microsoft delegates go home.

The technology office also introduced free wireless hotspots throughout the Chinatown and Penn Quarter neighborhoods ahead of the Microsoft event.

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Jobs added, but unemployment rate doubled from 2007

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Peter Morici, professor of business and public policy at the University of Maryland's Robert H. Smith School of Business, also expects the pessimism in the markets to cause the recovery to slow over the next six months, though not as much in Washington as elsewhere.

“There's no question it will be more difficult than it has been over the past nine months,” he said.

John McClain, an economist with the center, is more optimistic than Basu. “We see the recovery continuing in Washington,” he said.

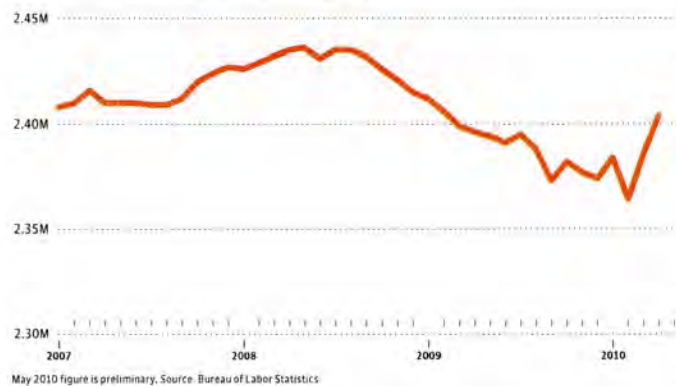
He points to continued job growth and strong housing prices in the area, though he acknowledges there is always the chance of something happening to make the economy slide back.

In a June report, the Center for Regional Analysis at George Mason University predicted the area's gross regional product would rise about 3.5 percent in 2010, compared to a contraction of less than 1 percent in 2009.

CEOs in the Southern U.S., which includes the Washington area, also expect the recovery to slow a bit, according to the Vantage

Jobs on the upswing

The Washington area posted a net increase of about 44,000 jobs since dipping to a five-year low in February, according to preliminary seasonally adjusted May employment numbers for the Washington metro area. That puts the number of local jobs back to where it was at the beginning of 2007. The trouble is, the workforce has grown by about twice that much since 2007, keeping the unemployment rate at double what it was three years ago.



CEO Confidence Index for the second quarter. While 48 percent of CEOs said they felt economic conditions had improved from a year ago, just 34 percent expect it to improve over the coming year. But still, 66 percent were optimistic that their own revenues would grow over the next year.

The commercial real estate community had some good news in the second quarter. Tenant demand exceeded new supply for the first time since the end of 2006, according to Jones Lang LaSalle Inc. And all three local jurisdictions – D.C., Maryland and Virginia – posted positive net absorption in the quarter, meaning more space was leased than vacated.

Much of that has come from government demand, but President Barack Obama recently ordered government agencies to reduce their spending, part of the global effort to reduce debt.

Federal spending and procurement account for a third of the local economy, according to the Center for Regional Analysis, and strong government spending has been the elixir that has given the Washington area the lowest unemployment rate in the nation at 6 percent.

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Appian principals were aiming to grow internationally

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tapped to lead Avison Young here.

“The goal is to build the region with the right people and we obviously want to do that quickly, but we have to get the right people,” Lipton said.

Having the “right people” has been a bit of a mantra for Lipton and the Avison Young team. After being introduced to Gonzalez and Sandlin in February, Lipton spent three months getting to know them – courting them, so to speak – before deciding the firm was a good fit for an acquisition.

After working at the Staubach Co., now merged with Jones Lang LaSalle Inc., Gonzalez and Sandlin formed their own firm in 2001 and renamed it Appian Realty Advi-

sors in 2007. Gonzalez said he and Sandlin had been considering several options for Appian's future as its business picked up over the last year and a half, despite a down market. They considered bringing in investors, growing organically, forming joint ventures with non-real estate organizations or trying to be acquired. The two decided on the latter and watched with interest as Avison grew into the U.S.

Neither Lipton nor Gonzalez can articulate exactly why their teams meshed, beyond comparing their business platforms with groups such as Jones Lang LaSalle, but said

their interest in one another ultimately came down to personality.

“Getting acquired is a lot like getting married. It has to really fit,” Gonzalez said, with a laugh. “Everyone can do deals, but for us, what was really important was the vibe. If there's not chemistry, it's never going to work. In an industry that deals with very static objects, it's really strange that you have this nebulous element surrounding something so concrete – literally.”

Appian currently has three offices at 7901 Jones Branch Drive in McLean, 10432 Balls Ford Road in Manassas and 927 Maple Grove in Fredericksburg. The firm formed a capital division for mid-Atlantic deals in February.

“They weren't necessarily looking to be bought, but they wanted to be part of something bigger and to be an international firm as opposed to regional,” Lipton said of Appian.

Rose started the local Avison office with Lipton, Margaret Donkerbrook, vice president of U.S. research, and Sarah Peyton, regional operations manager – all of whom worked with him at Grubb & Ellis.

Lipton said Avison's principal-broker structure makes its business strategy different from the 800-pound gorillas in the industry.

“We don't have business silos. We don't have profit and loss and income statements from business lines and geographic areas. You are not focused on just your area or your discipline, you're focused on the company's success,” he said, recalling a phone call between an Avison executive in Atlanta and the Appian leadership.

“With our chairman and CEO, if I ever use the word ‘boss’ he corrects me and says, ‘partner.’ Our interests are aligned with our client and our people,” he said.

During its U.S. office openings Avison either establishes an office director who then grows a team or sends in heavy hitters on the brokerage side of business to get the firm's name out in the marketplace.

Avison is also eyeing other major metropolitan markets, including Boston and Los Angeles, for future locations.

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Lipton