

## NORTHERN VIRGINIA OFFICE

### Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
D.C. Metro Employment	3.3M	3.3M	▲
D.C. Metro Unemployment	3.7%	3.3%	■
U.S. Unemployment	4.1%	3.8%	▼

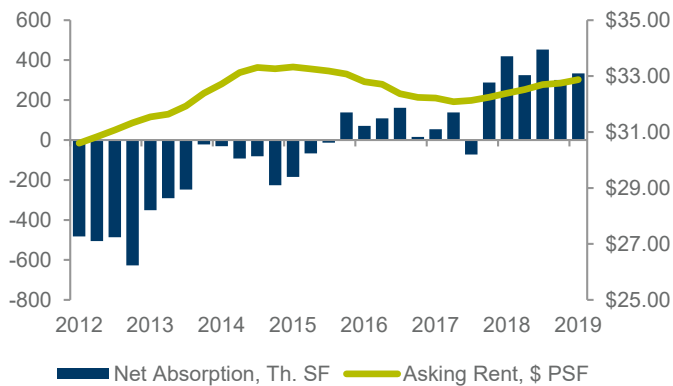
### Market Indicators (Overall, All Classes)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	21.1%	20.3%	▼
YTD Net Absorption (sf)	360k	492k	■
Under Construction (sf)	2.5M	1.9M	▲
Average Asking Rent*	\$32.63	\$33.15	▲

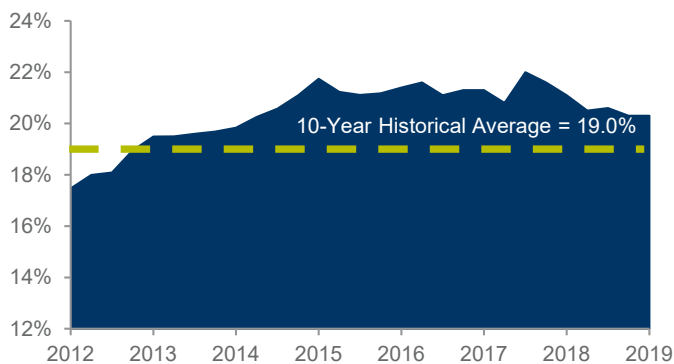
\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### 4-QTR TRAILING AVERAGE



### Overall Vacancy



### Economy

Job growth across the Washington D.C. metropolitan region got off to a decent start in 2019, with 8,100 net new jobs added in January and February. Industry sectors that led in job creation were Leisure and Hospitality with 6,900 jobs and Professional and Business Services with 3,100 jobs. The unemployment rate continues to be incredibly tight and has hovered at 3.3% since October 2017 – the lowest rate since April 2008.

### Market Overview

The Northern Virginia office market kicked off the year with strong positive absorption, registering 492,368 square feet (sf) of net move-ins. While slightly above average, this figure is a 37.0% increase from the first quarter of 2018. Several notable move-ins contributed to this level of absorption. WeWork's expanded its footprint in the NoVA market, taking 83,000 sf at 1201 Wilson Boulevard (i.e., Central Place) and Deloitte expanded its presence in Rosslyn by subleasing 65,000 sf at 1777 N. Kent Street. In Tysons Corner, the Air Line Pilots Association moved in to its new 103,000-sf space at Valo Park, having relocated from owned space in Herndon. Positive absorption during each quarter since the beginning of 2018 helped vacancy decline 80 basis points (bps) year-over-year (YOY) to end the first quarter of 2019 at 20.3%. While Tysons Corner saw delivery of new construction, and Merrifield a full building renovation, vacancy rates remained flat quarter-over-quarter.

New leasing activity during the first quarter of 2019 totaled a healthy 1.5 million square feet (msf), driven primarily by tech activity in key submarkets. Reston/Herndon and Tysons Corner accounted for nearly half of new leasing activity during the quarter. Notable tech leases included Google taking 90,000 sf at Reston Station (1900 Reston Metro Plaza), Blackboard taking 45,000 sf at Plaza America and Yext taking 42,500 sf at 1101 Wilson Boulevard. While Amazon has yet to officially sign a lease for its new headquarters in Crystal City, the submarket scored the largest lease of the quarter with PBS agreeing to stay in Crystal City and relocate to 120,000 sf at 1225 S. Clark Street. Large blocks of quality space continue to lease up in key submarkets, with three of the four new deals over 45,000 sf having signed in Reston/Herndon.

Boro Tower—a 446,000-sf building that delivered 75.0% leased in the first quarter of 2019—was the first new speculative office building in nearly three years to deliver in Tysons Corner anchored by KPMG, Hogan Lovells, and Tegna. A smaller, 140,000-sf building—The Loft—is on track to deliver in the third quarter of this year with strong interest but no leasing fully executed. In Reston, construction on both Leidos' and Fannie Mae's new headquarters is underway, as is the second office building at Comstock's Reston Station at 1906 Reston Metro Plaza. The 180,000-sf building is rumored to be seeing a significant amount of activity with the first office tower having signed Google and being at lease with additional tenants. As demand for quality large blocks in these key markets continues to outpace supply, proposed developments could soon secure the necessary preleasing to kick off construction. Other development news include Marcus Partners delivering a full building renovation at 3180 Fairview Park—the latest example of landlords amenitizing and upgrading outdated product in non-metro served markets to attract tenants and compete with metro-accessible product. Direct asking rents continue to tick upward, an increase of \$0.40 YOY to \$33.40 per square foot on a full-service basis.

### Outlook

Flight to quality continues to drive occupier preferences in Northern Virginia as technology and co-working firms expand throughout the region. New construction should continue to outperform while increased vacancy should be concentrated in commodity product. In addition, there's some initial indications that tightening and rising rents in core submarkets like Tysons, Reston and Herndon, are resulting in secondary markets like Merrifield seeing increased activity.

# MARKETBEAT

## Northern Virginia

Office Q1 2019



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)**	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
Rosslyn	9,009,982	238,783	1,932,194	24.1%	145,422	145,422	65,731	0	\$43.19	\$46.07
Courthouse/Clarendon/VA Square	5,692,747	34,371	824,230	15.1%	-20,677	-20,677	39,160	0	\$41.44	\$42.08
Ballston	7,095,248	125,678	1,667,306	25.3%	46,356	46,356	123,481	187,425	\$39.26	\$38.97
Crystal City/Pentagon City	10,776,069	18,371	1,996,126	18.7%	-55,706	-55,706	206,561	0	\$38.41	\$39.84
<b>Arlington County</b>	<b>32,574,046</b>	<b>417,203</b>	<b>6,419,856</b>	<b>21.0%</b>	<b>115,395</b>	<b>115,395</b>	<b>434,933</b>	<b>187,425</b>	<b>\$40.30</b>	<b>\$41.22</b>
Old Town	7,991,666	62,872	695,526	9.5%	29,869	29,869	14,338	0	\$35.00	\$37.49
I-395 Corridor	5,936,851	3,430	2,166,231	36.5%	19,226	19,226	57,230	0	\$29.74	\$32.53
Huntington/Eisenhower	2,861,709	28,925	1,059,931	38.0%	9,104	9,104	1,486	0	\$37.16	\$42.10
<b>City of Alexandria</b>	<b>16,790,226</b>	<b>95,227</b>	<b>3,921,688</b>	<b>23.9%</b>	<b>58,199</b>	<b>58,199</b>	<b>73,054</b>	<b>0</b>	<b>\$33.29</b>	<b>\$36.79</b>
<b>Inside the Beltway</b>	<b>49,364,272</b>	<b>512,430</b>	<b>10,341,544</b>	<b>22.0%</b>	<b>173,594</b>	<b>173,594</b>	<b>507,987</b>	<b>187,425</b>	<b>\$37.92</b>	<b>\$39.71</b>
Annandale/Baileys	1,204,881	12,584	249,087	21.7%	4,014	4,014	8,757	0	\$25.92	\$29.72
Merrifield/Route 50	6,852,558	87,604	1,321,417	20.6%	-22,504	-22,504	97,801	0	\$28.29	\$31.27
Fairfax/Oakton/Vienna	9,661,974	100,727	2,340,770	25.3%	41,708	41,708	60,328	0	\$26.55	\$29.39
Tysons Corner	23,022,630	274,012	4,392,228	20.3%	209,688	209,688	268,974	143,606	\$34.10	\$39.91
Reston/Herndon	25,334,737	343,962	3,910,303	16.8%	74,184	74,184	406,369	1,460,000	\$31.24	\$32.99
Route 28 South/Chantilly	9,117,298	62,592	1,208,310	13.9%	391	391	81,843	125,000	\$26.33	\$27.79
Springfield	3,187,808	6,355	896,350	28.3%	15,005	15,005	35,008	0	\$33.25	\$37.50
<b>Fairfax County</b>	<b>78,381,886</b>	<b>887,836</b>	<b>14,318,465</b>	<b>19.4%</b>	<b>322,486</b>	<b>322,486</b>	<b>959,080</b>	<b>1,728,606</b>	<b>\$30.67</b>	<b>\$33.92</b>
<b>Loudoun County</b>	<b>5,842,195</b>	<b>14,491</b>	<b>1,083,889</b>	<b>18.8%</b>	<b>-3,712</b>	<b>-3,712</b>	<b>49,453</b>	<b>0</b>	<b>\$26.13</b>	<b>\$28.26</b>
<b>Outside the Beltway</b>	<b>84,224,081</b>	<b>902,327</b>	<b>15,402,354</b>	<b>19.4%</b>	<b>318,774</b>	<b>318,774</b>	<b>1,008,533</b>	<b>1,728,606</b>	<b>\$30.36</b>	<b>\$33.53</b>
<b>Northern Virginia Totals</b>	<b>133,588,353</b>	<b>1,414,757</b>	<b>25,743,898</b>	<b>20.3%</b>	<b>492,368</b>	<b>492,368</b>	<b>1,516,520</b>	<b>1,916,031</b>	<b>\$33.15</b>	<b>\$35.95</b>

\*Rental rates reflect gross asking \$psf/year \*\*Does not include Renewals

### Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1225 S Clark Street	120,328	PBS	New Lease	Crystal City/Pentagon City
7770 Backlick Road	109,600	General Dynamics Information Technology, Inc.	Renewal	Springfield
1900 Reston Metro Plaza	90,000	Google	New Lease	Reston/Herndon
1550 Crystal Drive	84,000	Booz Allen Hamilton	Renewal	Crystal City/Pentagon City

### Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
Commerce Executive III, IV & V	418,000	JBG Smith / Comstock	\$115,000,000 / \$275	Reston/Herndon
12902 Federal Systems Park Drive	210,993	LNR Partners / Douglas Development	\$8,200,000 / \$39	Fairfax/Oakton/Vienna
2000 Duke Street	156,123	Pacific Office Property Trust / JP Morgan	\$57,750,000 / \$370	Old Town

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