

MARKETBEAT

Northern Virginia

Industrial Q3 2019



Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
D.C. Metro Employment	3.3M	3.33M	▲
D.C. Metro Unemployment	3.2%	3.2%	▲
U.S. Unemployment	3.8%	3.7%	▲

*Numbers above are quarterly average

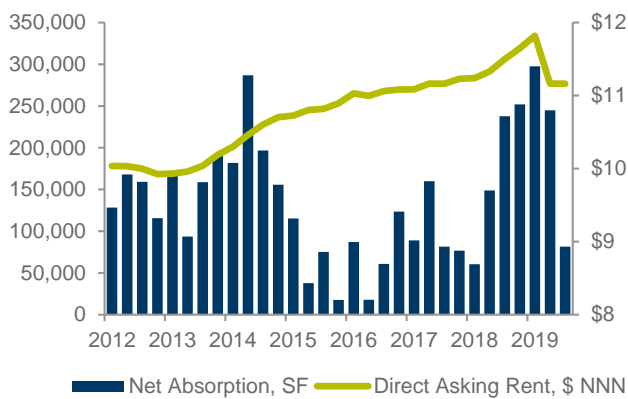
Market Indicators (Overall, All Property Types)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	8.6%	7.3%	▼
YTD Net Absorption (SF)	887k	685k	▼
Under Construction (SF)	343k	139k	▼
Average Asking Rent*	\$11.80	\$11.57	▼

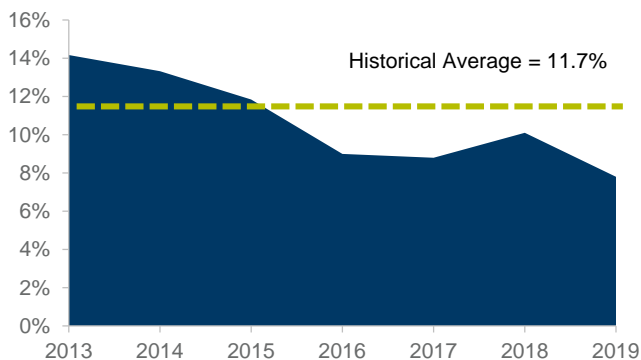
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Northern Virginia (NoVA) added 1,497 net new nonfarm payroll jobs in the first two months of 2019, 7% of which (105) were them in construction. This level of job creation represents a slight increase compared to January-February 2018 during which 1480 jobs were added, an increase of 1% year-over-year (YOY). As a result, the unemployment rate declined to 3.3%, down from 3.6% a year ago. The unemployment rate in the first quarter of 2019 was unchanged from year-end 2018 and is currently below the national average of 3.8%. This signals another strong start in NoVA economy this year.

Market Overview

Overall, NoVA industrial market experienced a decent third quarter of 2019. The positive absorption trend continued with net absorption totaling 133,026 square feet (sf) for the quarter—just above the historical quarterly average of 128,000 sf. The largest move-in of the quarter was that of Able Moving and Storage which occupied 30,394 sf at 7425 Merritt Park Drive in Manassas. Demand remained strong in Northern Virginia, with overall vacancy in the third quarter registering 7.5%, down 130 basis points (bps) YOY and well below the historical average of 11.7%. Both warehouse/distribution and flex vacancy rates declined YOY. The rate for warehouse/distribution decreased 150 bps to 5.5% in the third quarter of 2019; the flex rate decreased 80 bps to 10% over the same period.

New leasing activity slowed from the second quarter of 2019, totaling 167,102 sf in the third quarter. Seventy-six percent of the leasing activity in the third quarter was for warehouse space. The largest new lease of the quarter was signed by Worldpac, Inc. for 20,405 sf at 45075 Old Ox Rd in the Route 28 North Corridor. The largest renewal was signed by KLAS Telecom at 450 Spring Park Place for 12,405 sf in the Route 28 South Corridor.

Overall industrial asking rental rates for the third quarter of 2019 averaged \$11.58 per square foot (psf) on a triple net basis (NNN), down \$0.22 YOY but up \$0.03 quarter-over-quarter. Similarly, flex rates decreased to \$14.32 psf NNN compared to \$14.39 psf NNN in the third quarter of 2018. Warehouse/Distribution rates decreased to \$9.01 psf NNN from \$9.10 psf NNN in the third quarter of 2018.

Market Outlook

Demand for Northern Virginia's warehouse/distribution market is accelerating and accounted for approximately 76% of the leasing activity in the third quarter of 2019. Both warehouse/distribution and flex vacancy rates declined dramatically, evidence of another positive trend for the NoVA industrial market. While the warehouse and office space rental rates declined on a YOY basis, rents for both spaces increased from the second quarter of 2019. With vacancy continuing to decrease, rental rates rising and 139,000 sf under construction, landlords are in a favorable position in the market. Rental rates are expected to increase as demand remains high for the NoVA industrial market.

MARKETBEAT

Northern Virginia

Industrial Q3 2019



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)**	YTD USER SALES ACTIVITY (SF)	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	DIRECT WEIGHTED AVG. NET RENT*
Springfield/I-95 Flex	109	6,585,095	113,681	0	14.2%	(86,013)	*0	\$15.68
Route 28 South Flex	132	7,012,426	59,042	0	12.3%	52,784	0	\$14.73
Route 28 North Flex	173	9,438,138	60,410	0	6.0%	205,596	0	\$11.02
Manassas Flex	69	2,673,256	35,681	0	7.1%	16,104	0	\$11.47
Flex Total	483	25,708,915	268,814	0	10.0%	188,450	0	\$14.32
Springfield/I-95 W/D	237	13,968,151	260,760	0	6.5%	85,694	*0	\$8.94
Route 28 South W/D	63	4,364,160	68,598	0	6.0%	46,616	0	\$8.38
Route 28 North W/D	168	11,112,018	317,573	0	4.2%	186,802	0	\$9.70
Manassas W/D	124	7,289,195	21,996	0	5.5%	177,251	139,000	\$8.96
Warehouse/Distribution Total	592	36,733,524	668,927	0	5.5%	496,363	139,000	\$9.01
NORTHERN VIRGINIA	1,075	62,442,439	937,741	0	7.3%	684,813	139,000	\$11.57

*Rental rates reflect net asking \$psf/year **Leasing activity does not include renewals

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
45075 Old Ox Road	20,405	Woldpac, Inc.	New Lease	Route 28 Corridor North
450 Spring Park Place	12,163	KLAS Telecom	Renewal	Route 28 Corridor South

Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
450 Spring Park Place	125,942	PREEF America / Penzance	\$22,296,118 / \$177	Route 28 Corridor South
380 Herndon Parkway	69,000	PREEF America / Penzance	\$7,125,458 / \$103	Route 28 Corridor South

Cushman & Wakefield
1800 Tysons Boulevard
Tysons, VA 22102
cushmanwakefield.com

For more information, contact:
Mia Gentry, Research Analyst
Tel: +1 703 847 2741
Mia.Gentry@cushwake.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.