

NORTHERN VIRGINIA OFFICE

Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
D.C. Metro Employment	3.31M	3.34M	▲
D.C. Metro Unemployment	3.2%	3.2%	■
U.S. Unemployment	3.8%	3.7%	▲

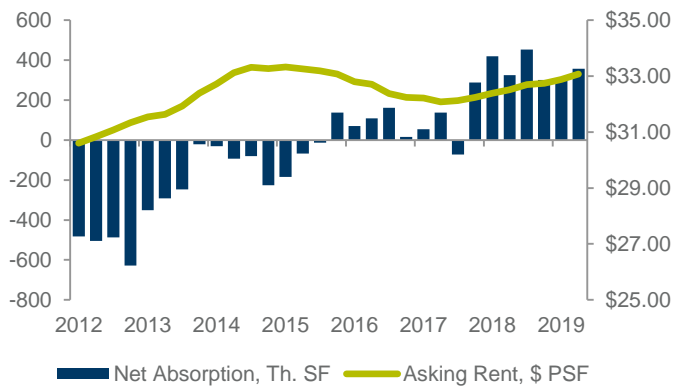
Market Indicators (Overall, All Classes)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	20.6%	19.0%	▼
YTD Net Absorption (sf)	798k	1.3M	■
Under Construction (sf)	1.9M	2.8M	▲
Average Asking Rent*	\$32.79	\$33.34	▲

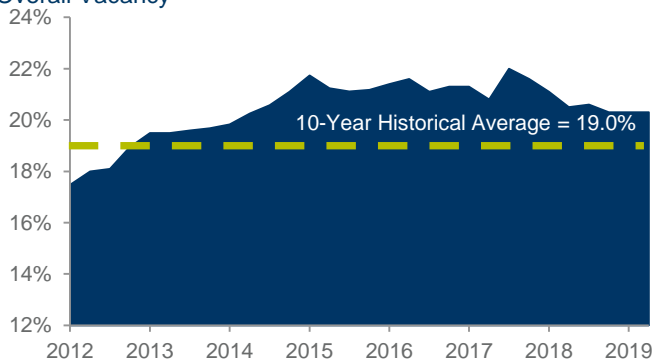
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

Northern Virginia (NoVA) added 9,100 net new nonfarm payroll jobs in the third quarter of 2018. However, the unemployment rate increased in the third quarter from 2.4%, to 2.5% year-over-year. Since employment numbers are going up, unemployment rate is expected to decrease.

Market Overview

The Northern Virginia (NoVA) office market closed the third quarter of 2019 with 445,730 square feet (sf) of positive absorption, bringing the year-to-date (YTD) total to 1,358,633 sf. A major contributor to this figure was Amazon who moved into 87,600 sf at Crystal Square 4 (241 18th St S). The large absorption YTD has brought the vacancy down 160 basis points (bps) year-over-year (YOY), ending the third quarter at 19.0%.

Robust leasing in NoVA continued during the third quarter of 2019, totaling 2,529,481 sf of new leases signed, well above the historical average of 1.4 million square feet (msf). YTD leasing totaled 9.2 msf- almost 3 msf above the total last year. The Reston/Herndon submarket accounted for 39.4% of all Northern Virginia's new leasing activity in the quarter- leading the way with a leasing total of 1,019,414 sf, as the government took large blocks of space. GSA signed the largest lease of the quarter, a renewal, taking 742,283 sf across two buildings- 399 Grove Street and 499 Grove Street. The government continues to expand in the region adding 816,748 sf in various submarkets. The Chantilly submarket also saw a few large deals this quarter highlighted by Perspecta taking 166,432 sf at 14295 Park Meadow Drive.

The demand for large block space in Tysons Corner remains high while the availability remains low, though no new construction has broken ground as developers wait for pre-leasing activity to offset the rising construction costs. In Tysons Corner, The Loft at Meridian's Boro development delivered in this quarter with 75,000 sf of office space, 50,000 of which is leased to coworking provider, Spaces. In Reston/Herndon, the third office building of Comstock's Reston Station development, 1902 Reston Metro Plaza, broke ground and will contribute an additional 260,000 sf. Even with the third building under construction, no leasing activity has been seen, although deals are expected to close by the end of the year. At Comstock's other building, 1906 Reston Metro Plaza, Neustar signed an 87,070 sf lease to move their headquarter from Sterling. Rents have continued to rise as demand remains strong. The average overall direct asking rent in NoVA at the close of the third quarter of 2019 was \$33.56 per square foot (psf) on a full-service basis, up \$0.48 YOY. For Class A space, the overall direct asking rent was up \$1.04 YOY to \$36.31 psf, while Class B were up \$0.48 YOY to \$31.02 psf.

Outlook

Rents are continuing to rise while large block availabilities are becoming tighter in core submarkets such as Tysons, Reston and Herndon resulting in tenants being pushed out to secondary markets like Fairfax and Merrifield. Northern Virginia continues to remain a high-demand region for co-working and technology firms. In addition, new construction will continue to outperform with strong demand for quality space in non-CBD markets.

MARKETBEAT

Northern Virginia

Office Q3 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	233,090	1,681,719	21.3%	13,354	503,822	236,588	0	\$41.99	\$45.79
Courthouse/Clarendon/VA Square	5,692,747	32,798	933,239	17.0%	-73,956	-102,394	137,253	0	\$41.53	\$42.85
Ballston	7,095,248	124,411	1,535,008	23.4%	21,716	196,203	334,242	187,425	\$40.11	\$40.70
Crystal City/Pentagon City	10,776,069	15,050	2,006,101	18.8%	-57,345	-94,943	918,021	0	\$36.43	\$40.24
Arlington County	32,574,046	405,349	6,156,067	20.1%	-96,231	502,688	1,626,104	187,425	\$39.87	\$42.27
Old Town	7,991,666	67,996	630,432	8.7%	-74	61,549	314,472	0	\$34.03	\$37.64
I-395 Corridor	5,936,851	6,366	1,986,070	33.6%	85,460	-362,570	171,610	0	\$30.31	\$32.60
Huntington/Eisenhower	2,861,709	29,910	1,017,646	36.5%	18,529	35,335	26,463	0	\$37.97	\$42.29
City of Alexandria	16,790,226	101,272	3,634,148	22.2%	103,915	-265,686	512,545	0	\$33.52	\$36.85
Inside the Beltway	49,364,272	506,621	9,790,215	20.9%	7,684	237,002	2,138,649	187,425	\$37.71	\$40.43
Annandale/Baileys	1,204,881	2,205	247,201	20.7%	-1,598	16,279	24,399	0	\$27.19	\$31.50
Merrifield/Route 50	6,852,558	60,733	1,193,279	18.3%	166,796	131,788	252,440	0	\$29.63	\$32.65
Fairfax/Oakton/Vienna	9,661,974	90,016	2,254,370	24.3%	17,498	138,819	242,687	0	\$26.73	\$29.13
Tysons Corner	23,022,630	157,242	4,086,938	18.4%	39,236	637,893	1,070,919	143,606	\$35.18	\$39.83
Reston/Herndon	25,334,737	304,592	4,072,183	17.3%	165,338	-122,282	1,309,099	1,720,000	\$31.34	\$33.09
Route 28 South/Chantilly	9,117,298	38,233	1,015,298	11.6%	25,450	175,510	527,540	125,000	\$27.16	\$28.23
Springfield	3,187,808	0	865,480	27.1%	-26,488	52,230	81,812	622,812	\$31.11	\$37.89
Fairfax County	78,381,886	653,021	13,734,749	18.4%	386,232	1,030,237	3,508,896	2,611,418	\$31.17	\$34.14
Loudoun County	5,842,195	18,336	713,322	12.5%	51,814	91,394	311,849	0	\$26.39	\$28.47
Outside the Beltway	84,224,081	671,357	14,448,071	17.9%	438,046	1,121,631	3,820,745	2,611,418	\$30.84	\$33.75
Northern Virginia Totals	133,588,353	1,177,978	24,238,286	19.0%	445,730	1,358,633	5,959,394	2,798,843	\$33.34	\$35.92

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

Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
499 Grove Street / 399 Grove Street	742,283	GSA	Renewal	Reston/Herndon
14295 Park Meadow Drive	166,432	Perspecta	New Lease	Route 28 South/Chantilly
2070 Chain Bridge Road	63,773	GSA	New Lease	Tysons Corner
15040 Conference Center Drive	60,233	Technology Management Associates	Renewal	Route 28 South/Chantilly

Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
1735 N Lynn St	289,277	The Meridian Group / Altus Realty Partners	\$129,400,000 / \$447	Rosslyn
1900 Gallows Rd	210,632	Brandywine Realty Trust / Foulger-Pratt	\$37,000,000 / \$176	Fairfax/Oakton/Vienna
2000 N 15th St	190,459	Carr Properties / Rockwood Capital	\$57,500,000 / \$302	Clarendon/Courthouse

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