

Northern Virginia

Office Q4 2019

YoY Chg 12-Mo. Forecast

18.4%
Vacancy Rate

▼ ▲

875K
Net Absorption, SF

▲ ▲

\$33.57
Asking Rent, PSF

▲ ▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2019

YoY Chg 12-Mo. Forecast

3.3M
D.C. Metro Employment

▲ ▲

3.0%
D.C. Metro Unemployment Rate

▼ ▲

3.6%
U.S. Unemployment Rate

▼ ▲

Source: BLS

SUPPLY: The Boro Delivered in Q4

The Meridian Group's second development at The Boro, The Loft (1640 Boro Place) – a 143,606 square foot (sf) office building, delivered in the fourth quarter of 2019. Spaces, a coworking firm, leased 51,422 sf between the fourth and fifth floor leaving half the building available for lease. Overall vacancy in the Northern Virginia (NoVA) submarket is 18.4%- down 190 basis points (bps) year-over-year (YOY)- largely driven by the Ballston, Rosslyn and Crystal City submarkets. Currently, there is almost 2.7 million sf (msf) of Class A product under construction in the market with a majority of the pipeline in Tysons Corner and along the Reston/Herndon Toll Road. As new Class A product delivers, leasing activity is expected to remain strong.

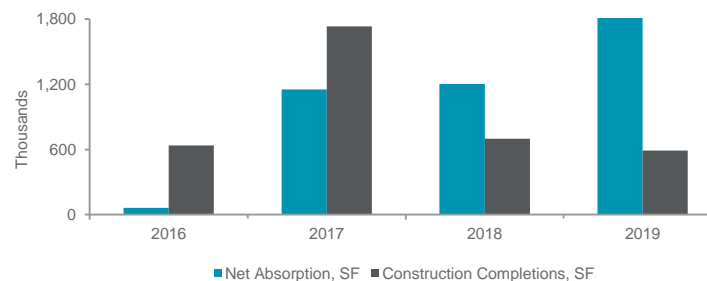
DEMAND: Leasing Activity

The largest lease of the quarter was a renewal signed by GSA for 334,103 sf at 5107 Leesburg Pike in the I-395 submarket. ICF signed the largest new lease of the quarter for 208,000 sf at Reston Station (1902 Reston Metro Plaza) and will relocate from Vienna in the first quarter of 2022. Another significant new lease signed this quarter was by Neustar at Reston Station (1906 Reston Metro Plaza) for 100,000 sf and will move in second quarter of 2020 upon the building's delivery. Tenants signing large leases and relocating to the Reston/Herndon submarket shows high-demand to be on the Toll Road where companies can get high quality space and upgraded amenities while having more transit options compared to other NoVA submarkets. Furthermore, the vacancy rate for this quarter in Reston/Herndon is 15.9%- down 130 bps YOY.

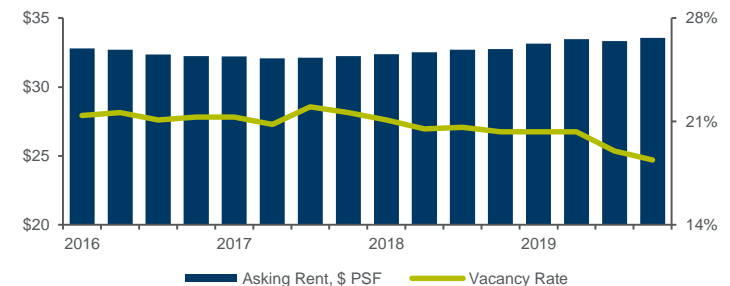
PRICING: Class A Rents Remain Strong

Class A gross asking rents rose \$0.83 YOY to close the fourth quarter at \$36.29 per-square-foot (psf). Similarly, Class A asking rents increased \$0.37 from the third quarter of 2019. Class A vacancy has dropped 170 bps YOY to close 2019 at 17.4% vacancy, continuing to allow landlords to push for higher asking rates. As a result, the NoVA submarket is a landlord-favored market. Further, tenants are demanding for more high-quality product and amenities, so space will continue to become more competitive.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

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 AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Rosslyn	9,009,982	158,357	1,485,848	18.2%	205,003	708,825	387,338	0	\$41.50	\$47.54
Courthouse/Clarendon/VA Square	5,692,747	36,688	969,125	17.7%	-39,776	-142,170	174,119	0	\$43.07	\$44.93
Ballston	7,095,248	136,445	1,384,120	21.4%	201,008	397,211	389,687	187,425	\$40.48	\$41.25
Crystal City/Pentagon City	10,776,069	28,788	1,460,433	13.8%	420,098	325,155	1,046,630	0	\$37.71	\$40.08
Arlington	32,574,046	360,278	5,299,526	17.4%	786,333	1,289,021	1,997,774	187,425	\$40.54	\$43.07
Old Town	7,991,666	184,195	683,377	10.9%	-169,144	-107,595	355,744	0	\$34.88	\$37.75
I-395 Corridor	5,936,851	6,366	1,979,105	33.4%	6,965	-355,605	181,613	0	\$30.21	\$32.58
Huntington/Eisenhower	2,861,709	17,356	1,076,565	38.2%	-49,365	-14,030	45,371	0	\$38.26	\$42.06
City of Alexandria	16,790,226	207,917	3,739,047	23.5%	-211,544	-477,230	582,728	0	\$33.92	\$37.02
Inside the Beltway	49,364,272	568,195	9,038,573	19.5%	574,787	811,791	2,580,502	187,425	\$38.29	\$41.01
Annandale/Baileys	1,204,881	2,205	265,380	22.2%	-18,179	-1,900	36,095	0	\$27.18	\$31.50
Merrifield/Route 50	6,852,558	45,367	1,243,258	18.8%	-34,613	97,175	442,315	0	\$30.59	\$33.41
Fairfax/Oakton/Vienna	9,661,974	91,146	2,427,995	26.1%	-211,952	-73,133	300,547	0	\$27.43	\$29.82
Tysons Corner	23,166,236	172,529	4,116,515	18.5%	44,422	682,315	1,537,120	0	\$35.83	\$40.91
Reston/Herndon	25,267,485	248,719	3,771,924	15.9%	462,869	340,587	1,938,120	1,720,000	\$32.17	\$34.07
Route 28 South/Chantilly	9,117,298	26,015	997,290	11.2%	30,226	205,736	572,990	125,000	\$26.57	\$28.18
Springfield	3,187,808	0	819,101	25.7%	46,379	98,609	121,247	622,812	\$32.34	\$37.44
Fairfax	78,458,240	585,981	13,641,463	18.1%	319,152	1,349,389	4,941,222	2,467,812	\$31.72	\$34.75
Loudoun County	5,842,195	22,173	727,948	12.8%	-18,463	72,931	348,624	0	\$26.73	\$29.01
Outside the Beltway	84,300,435	608,154	14,369,411	17.8%	300,689	1,422,320	5,289,846	2,467,812	\$31.37	\$34.35
Northern Virginia Totals	133,664,707	1,176,349	23,407,984	18.4%	875,478	2,234,111	7,552,410	2,655,237	\$33.57	\$36.29

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5107 Leesburg Pike	I-395 Corridor	GSA	334,103	*Renewal
1902 Reston Metro Plaza	Reston/Herndon	ICF	207,000	New Lease
1906 Reston Metro Plaza	Reston/Herndon	Neustar	100,000	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
13600 EADS Drive	Route 28 South	Perspecta/Amazon.com Services	400,000	\$54M/\$135
1655 N Fort Myer Drive	Rosslyn	Tishman Speyer/Altus Realty Partners-GreenOak Real Estate Advisors	178,064	\$66.5M/\$373
1550 Westbranch Drive	Tysons Corner	Rubenstein Partners-Griffith Properties/Northridge Capital-KAMCO	151,949	\$80.5M/\$530

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