

MARKETBEAT

Northern Virginia

Industrial Q1 2019



NORTHERN VIRGINIA INDUSTRIAL

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
D.C. Metro Employment	3.30M	3.32M	▲
D.C. Metro Unemployment	3.6%	3.3%	▲
U.S. Unemployment	4.0%	3.8%	▼

*Numbers above are quarterly average

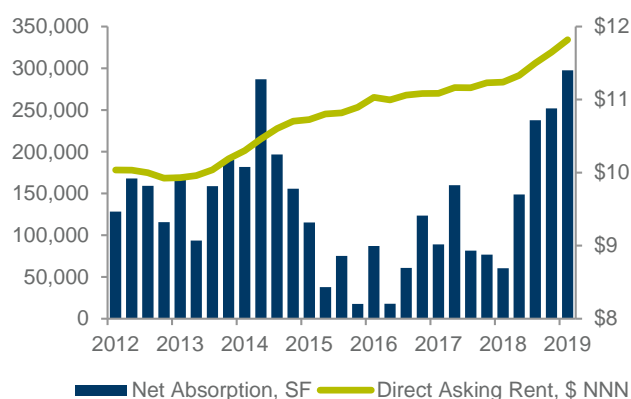
Market Indicators (Overall, All Property Types)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	10.1%	7.8%	▼
YTD Net Absorption (SF)	68k	251k	▲
Under Construction (SF)	168k	139k	▼
Average Asking Rent*	\$11.18	\$11.91	▲

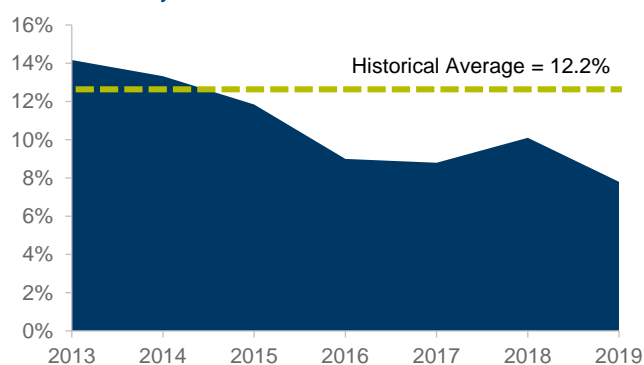
*Rental rates reflect net asking \$psf/year

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, the Northern Virginia industrial market experienced a healthy first quarter of 2019. The positive absorption trend continued for a record-setting sixth consecutive quarter with net absorption totaling 251,444 square feet (sf)—significantly above the 16,212 sf recorded during the first quarter of 2018 and above the historical quarterly average of 128,000 sf. The largest move-in of the quarter was Star International which took 32,402 sf at 22695 Commerce Center Court along Route 28 North. Demand remained strong in NoVA with overall vacancy in the first quarter registering at 7.8%—well below the market's historical average of 12.2%. Further, warehouse/distribution (W/D) and flex vacancy rates both declined since the end of 2018. The rate for W/D decreased from 7.0% in the fourth quarter of 2018 to 6.0% in the first quarter of 2019; the flex rate dropped from 10.9% to 10.4% over the same period.

New leasing activity slowed since the fourth quarter of 2018, totaling 249,338 sf in the first quarter of 2019. This figure is 76% lower than that registered in the first quarter of 2018 which posted leasing activity of 558,873 sf. The top three leases of the first quarter of this year were all renewals with the largest renewal being signed by V. Alexander & Co., Inc. which will occupy 49,257 sf at 22815 Glenn Drive in Route 28 North.

Overall industrial asking rental rates for the first quarter of 2019 stood at \$11.91 per square foot (psf) on a triple net basis, an increase of \$0.73 from the \$11.18 psf a year ago. Additionally, flex rates increased to \$14.58 psf NNN compared to \$13.29 psf NNN in the first quarter of 2018. Warehouse/distribution rates remained relatively steady at \$9.36 psf NNN from \$9.15 psf NNN in the first quarter of 2018. Due to such a high demand in NoVA, rental rates are rising while vacancy continues to decline.

Market Outlook

Demand for Northern Virginia's flex market is accelerating and accounted for approximately 77% of the 251,144 sf of absorption in the first quarter of 2019 and has flipped from negative absorption values in the first quarter of 2018. Warehouse vacancy rates declined to 6.0% in the first quarter of 2019—a 205-basis-point (bps) decrease from the 8.5% vacancy recorded in first quarter of 2018. Flex vacancy also decline significantly—from 12.4% in the first quarter of 2018 to 10.4% in the first quarter of 2019 and the significant decline in vacancy rates is another positive trend for the NoVA industrial market. With warehouse and flex rental rates rising, low vacancy and only 139,000 sf under construction, landlords are in a favorable position in the market. Assuming the economy remains strong, industrial rental rates are expected to continue to increase.

MARKETBEAT

Northern Virginia

Industrial Q4 2018



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	4,700	0	14.5%	12,355	0	\$16.25
Route 28 South Flex	132	7,012,426	26,476	0	13.0%	9,729	0	\$14.85
Route 28 North Flex	173	9,438,138	71,426	0	6.7%	130,631	0	\$11.65
Manassas Flex	69	2,673,256	22,331	0	6.2%	39,758	0	\$11.33
Flex Total	483	25,708,915	124,933	0	10.4%	192,473	0	\$14.72
Springfield/I-95 W/D	237	13,968,151	55,948	0	6.5%	81,027	0	\$9.54
Route 28 South W/D	63	4,364,160	35,122	0	6.1%	39,932	0	\$9.03
Route 28 North W/D	167	10,924,223	33,335	0	4.7%	-84,844	0	\$10.05
Manassas W/D	124	7,289,195	0	0	6.6%	22,556	139,000	\$8.53
Warehouse/Distribution Total	591	36,545,729	124,405	0	6.0%	58,671	139,000	\$9.35
NORTHERN VIRGINIA	1,074	62,254,644	249,338	0	7.8%	251,144	139,000	\$11.89

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

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
22815 Glenn Dr	49,257	V Alexander & Co Inc	Renewal	Route 28 Corridor North
13860-13986 Redskin Drive	40,382	A&A Transfer	Renewal	Route 28 Corridor South
6001 Farrington Avenue	33,000	Beacon Sales Acquisition	Renewal	Springfield/ I-95

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
10400 Furnace Rd	602,000	I-95 Business Park Management/ National Government Properties	\$142,000,000 / \$236	Springfield/ I-95
6608-6610 Electronic Dr	94,000	The Washington Post/ Fortified Property Group	\$8,100,000 / \$86	Springfield/ I-95

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