



YoY
Chg

12-Mo.
Forecast

18.6%

Vacancy Rate

**-274K**

Net Absorption, SF

**\$33.77**

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2020

YoY
Chg

12-Mo.
Forecast

3.2MD.C. Metro
Employment**6.3%**D.C. Metro
Unemployment Rate**6.7%**U.S.
Unemployment Rate

Source: BLS

SUPPLY: No Deliveries this Quarter, but Space Under Construction

For the second consecutive quarter, no new office space delivered to the Northern Virginia submarket. The largest space currently under construction is Amazon HQ2 in Pentagon City, which is scheduled to deliver 1,050,000 square feet (sf) in Q1 2023. The JBG Smith project is already fully leased to Amazon. Though there was no new construction vacancy to negatively impact absorption, overall absorption in Northern Virginia was negative 274,243 sf in Q4 2020. This brings the year-to-date (YTD) total to a positive 296,335 sf. With 4.1 million square feet (msf) currently under construction in Northern Virginia, new leasing activity must intensify to keep vacancy in-check.

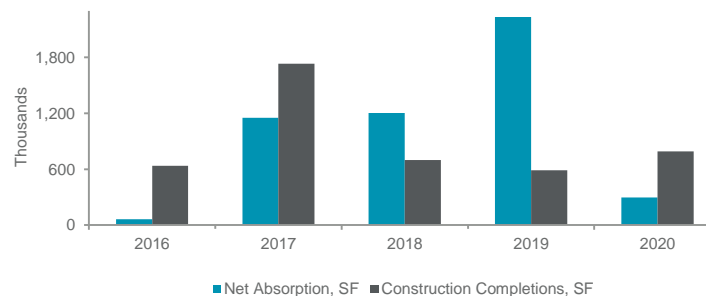
DEMAND: Improvement in New Leasing Activity

Northern Virginia saw 1,232,819 sf of new leasing activity in Q4 2020, bringing the YTD total to 5,157,876 sf. The Q4 2020 figure is substantially larger than that of Q3 2020, which was only 745,555 sf. The yearly total was a year-over-year (YOY) decrease of 34%, which is expected given current market conditions. The largest new lease of the quarter comes at Reston Gateway, where Volkswagen signed for 196,000 sf. The second largest new lease of the quarter was the Department of Defense taking 70,056 sf at 8111 Gatehouse Road. Raytheon signed the largest renewal at 1100 Wilson Boulevard for 116,000 sf.

PRICING: Rental Rates Rose

Overall average vacancy rates in Northern Virginia rose 30 basis points (bps) from Q3 2020 to Q4 2020, finishing the year at 18.6%, a YOY increase of 20 bps. Despite increasing vacancy and negative absorption in the fourth quarter, overall average rental rates rose \$0.04 in Q4 2020 to \$33.77 per square foot (psf) on a full-service basis. The increase in rental rates likely comes as a result of the uptick in leasing activity this quarter as owners feel more comfortable with tenant demand. Rosslyn had the highest overall average rental rates of all the Northern Virginia submarkets, closing Q4 2020 at \$43.31 psf. Rosslyn has also had the highest rates in Northern Virginia in each quarter of 2020.

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 | YTD OVERALL ABSORPTION (SF) | YTD LEASING ACTIVITY (SF) | UNDER CNSTR (SF) | OVERALL AVG ASKING RENT (ALL CLASSES)* | OVERALL AVG ASKING RENT (CLASS A)* |
|---------------------------------|--------------------|--------------------|--------------------|----------------------|------------------------------------|-----------------------------|---------------------------|------------------|--|------------------------------------|
| Rosslyn | 8,958,237 | 110,888 | 1,688,339 | 20.1% | -35,557 | -155,022 | 228,519 | 0 | \$43.31 | \$46.42 |
| Courthouse/Clarendon/VA Square | 5,847,741 | 63,224 | 1,093,967 | 19.8% | -86,248 | 3,616 | 189,692 | 0 | \$40.76 | \$41.94 |
| Ballston | 7,300,036 | 188,915 | 1,610,788 | 24.7% | -99,711 | -74,350 | 202,462 | 0 | \$39.64 | \$39.43 |
| Crystal City/Pentagon City | 10,779,266 | 60,837 | 1,688,110 | 16.2% | -23,900 | -259,726 | 526,143 | 0 | \$37.62 | \$39.08 |
| Arlington | 32,885,280 | 423,864 | 6,081,204 | 19.8% | -245,416 | -485,482 | 1,146,816 | 0 | \$40.29 | \$41.40 |
| Old Town | 7,991,666 | 200,708 | 782,333 | 12.3% | -7,573 | -115,469 | 178,388 | 0 | \$34.79 | \$39.66 |
| I-395 | 5,841,751 | 0 | 1,875,180 | 32.1% | -29,335 | 110,291 | 44,801 | 0 | \$30.63 | \$30.28 |
| Huntington/Eisenhower | 2,861,709 | 24,252 | 1,115,691 | 39.8% | -10,926 | -46,022 | 24,983 | 0 | \$36.05 | \$37.47 |
| City of Alexandria | 16,695,126 | 224,960 | 3,773,204 | 23.9% | -47,834 | -51,200 | 248,172 | 0 | \$33.21 | \$36.46 |
| Inside the Beltway | 49,580,406 | 648,824 | 9,854,408 | 21.2% | -293,250 | -536,682 | 1,394,988 | 0 | \$37.54 | \$39.18 |
| Annandale/Baileys | 1,204,881 | 0 | 255,128 | 21.2% | 5,303 | 12,457 | 15,433 | 0 | \$27.32 | \$31.50 |
| Merrifield/Route 50 | 6,852,558 | 53,019 | 1,193,763 | 18.2% | -25,398 | 41,843 | 236,281 | 0 | \$30.78 | \$32.38 |
| Fairfax/Oakton/Vienna | 9,720,129 | 171,661 | 2,328,067 | 25.7% | -48,344 | 75,373 | 202,969 | 0 | \$27.83 | \$29.72 |
| Tysons Corner | 22,919,321 | 230,919 | 3,706,067 | 17.2% | -45,513 | 352,058 | 910,846 | 383,628 | \$36.92 | \$41.36 |
| Reston/Herndon | 25,737,176 | 241,412 | 3,607,842 | 15.0% | 89,027 | 351,389 | 1,761,236 | 1,260,000 | \$30.89 | \$32.56 |
| Route 28 South/Chantilly | 9,249,234 | 42,903 | 1,083,722 | 12.2% | -14,147 | -72,142 | 300,722 | 348,000 | \$26.66 | \$27.87 |
| Springfield | 3,188,528 | 3,000 | 769,353 | 24.2% | 26,827 | 46,748 | 135,139 | 622,812 | \$30.60 | \$36.33 |
| Fairfax | 78,871,827 | 742,914 | 12,943,942 | 17.4% | -12,245 | 807,726 | 3,562,626 | 2,614,440 | \$31.82 | \$34.72 |
| Loudoun County | 5,844,167 | 11,908 | 712,922 | 12.4% | 31,252 | 25,291 | 200,262 | 0 | \$26.37 | \$29.41 |
| Outside the Beltway | 84,715,994 | 754,822 | 13,656,864 | 17.0% | 19,007 | 833,017 | 3,762,888 | 2,614,440 | \$29.67 | \$32.64 |
| Northern Virginia Totals | 134,296,400 | 1,403,646 | 23,511,272 | 18.6% | -274,243 | 296,335 | 5,157,876 | 2,614,440 | \$33.77 | \$36.29 |

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2020

| PROPERTY | SUBMARKET | TENANT | RSF | TYPE |
|-------------------------------|-----------|------------|---------|-----------|
| Reston Gateway | | Volkswagen | 196,000 | New Lease |
| 1100 Wilson Boulevard | | Raytheon | 116,000 | Renewal* |
| 8111 Gatehouse Road | | GSA- DOD | 70,056 | New Lease |
| 14900 Conference Center Drive | | Peraton | 52,698 | Renewal* |

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2020

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE/\$ PSF |
|--------------------------|----------------|---|---------|------------------|
| 3150 Fairview Park Drive | Merrifield | Clarion Partners / Apollo Global Management | 257,489 | \$90M / \$349.53 |
| 2900 S Quincy St | I-395 Corridor | Velocis / Monday Properties | 233,446 | \$76M / \$325.56 |

Chris Howe

Research Analyst

+1 202 266 1153 / chris.howe@cushwake.com

Lauren Kraemer

Associate Director

+1 202 266 1316 / lauren.kraemer@cushwake.com

Nathan Edwards

Senior Director

+1 202 266 1189 / nathan.edwards@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

©2021 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.

cushmanwakefield.com