

Northern Virginia

Office Q2 2021

YoY Chg 12-Mo. Forecast

18.9%
Vacancy Rate ▲ ▲

-355K
Net Absorption, SF ▼ ▲

\$33.63
Asking Rent, PSF ▲ ▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2021

YoY Chg 12-Mo. Forecast

3.2M
D.C. Metro Employment ▼ ▲

5.5%
D.C. Metro Unemployment Rate ▲ ▼

5.9%
U.S. Unemployment Rate ▲ ▼

Source: BLS

SUPPLY: Delivery this Quarter, Space Under Construction

In the Crystal City/Pentagon City submarket, 3030 Potomac Avenue delivered 104,490 square feet (sf) of space occupied mostly by the owner, American Physical Therapy Association (APTA). Two buildings are scheduled to deliver in Q3 2021 with 6595 Springfield Center Drive, the TSA HQ, delivering 622,812 sf and 1902 Reston Metro Plaza, pre-leased by ICF, delivering 260,000 sf. There is an additional 1.7 million sf (msf) under construction in Northern Virginia with 1.4 msf scheduled to deliver in Q1 2022 and another 348,000 sf in Q2 2022. Overall absorption in Northern Virginia registered negative 355,275 sf in Q2 2021 driven by negative 225,944 sf of absorption in Class B buildings. This brings year-to-date (YTD) absorption to negative 413,104 sf, driven by negative 175,097 sf in Class A buildings and negative 203,898 sf in Class B buildings.

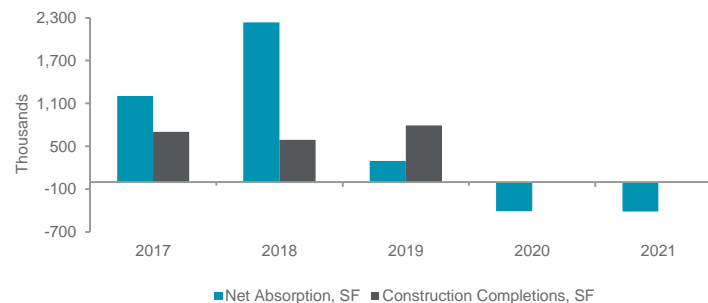
DEMAND: Renewals Up from Q1

Northern Virginia registered 1,184,871 sf of new leasing activity and 1,310,275 sf of renewals in Q2 2021, bringing new leasing to 2,592,310 sf and renewals to 1,814,818 sf YTD. Tysons Corner led the Northern Virginia submarkets with 267,567 sf of new leasing followed by Rosslyn with 213,458 sf of new leasing. Loudoun County registered 539,148 sf of renewals, making up nearly half of the renewal deals in the market in Q2. Fairfax County saw 543,465 sf of renewals, led by Reston/Herndon with 171,600 sf. The largest lease of the quarter was signed by L3Harris Technologies renewing 161,359 sf at 2235 Monroe St in the Reston/Herndon submarket. Another noteworthy renewal was the GSA-Department of State taking 108,296 sf at 1400 Wilson Blvd in the Rosslyn submarket.

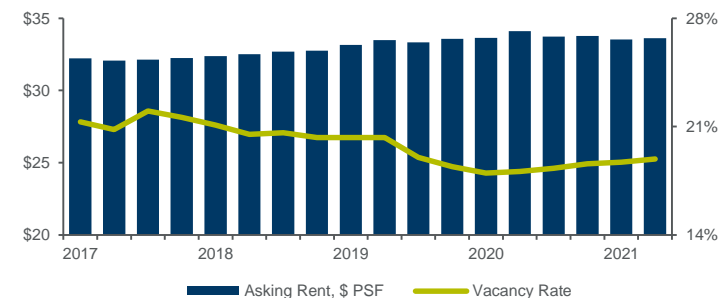
PRICING: Rental Rates Drop Slightly

Overall average vacancy rates in Northern Virginia rose 80 basis points (bps) year-over-year (YOY) to 18.9%, up 20 bps from Q1 2021. Overall average rental rates dropped \$0.48 YOY in Q2 2021 to \$33.63 per square foot (psf) on a full-service basis but increased \$0.09 from Q1 2021. Courthouse/Clarendon registered the highest overall average rental rate of all the Northern Virginia markets, closing the quarter at \$42.47 psf.

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	126,898	1,519,612	18.4%	25,973	152,717	465,000	0	\$41.42	\$43.53
Courthouse/Clarendon/VA Square	5,847,741	54,972	1,226,067	21.9%	-96,321	-123,848	56,088	0	\$42.47	\$45.25
Ballston	7,300,036	116,389	1,725,818	25.2%	-17,451	-42,504	140,864	0	\$39.75	\$39.45
Crystal City/Pentagon City	11,152,089	45,615	1,861,314	17.1%	-48,511	110,351	188,092	0	\$37.89	\$40.77
Arlington	33,258,103	343,874	6,332,811	20.1%	-136,310	96,716	850,044	0	\$40.33	\$41.85
Old Town	7,991,666	140,313	944,265	13.6%	-113,874	-101,537	90,137	0	\$34.54	\$39.32
I-395	5,841,751	29,735	1,850,156	32.2%	-17,777	-4,711	98,051	0	\$30.67	\$32.54
Huntington/Eisenhower	2,861,709	16,865	1,129,595	40.1%	11,065	-6,517	10,359	0	\$35.57	\$37.45
City of Alexandria	16,695,126	186,913	3,924,016	24.6%	-120,586	-112,765	198,547	0	\$33.10	\$37.05
Inside the Beltway	49,953,229	530,787	10,256,827	21.6%	-256,896	-16,049	1,048,591	0	\$37.92	\$40.25
Annandale/Baileys	1,204,881	0	194,775	16.2%	19,706	60,353	96,377	0	\$26.47	\$31.50
Merrifield/Route 50	6,852,558	55,236	1,148,736	17.6%	58,169	42,810	90,651	0	\$30.88	\$32.22
Fairfax/Oakton/Vienna	9,720,129	128,092	2,418,832	26.2%	-37,213	-47,196	89,420	0	\$28.15	\$30.51
Tysons Corner	22,919,321	263,926	3,766,620	17.6%	72,480	-93,560	510,062	383,628	\$36.40	\$41.59
Reston/Herndon	25,737,176	268,344	3,907,380	16.2%	-269,943	-326,470	295,331	1,260,000	\$32.32	\$34.30
Route 28 South/Chantilly	9,734,794	38,528	1,173,271	12.4%	-60,003	-85,174	247,712	348,000	\$27.23	\$28.17
Springfield	3,188,528	3,000	744,298	23.4%	38,036	25,055	87,737	622,812	\$30.94	\$36.02
Fairfax	79,357,387	757,126	13,353,912	17.8%	-178,768	-424,182	1,417,290	2,614,440	\$32.02	\$34.83
Loudoun County	5,844,167	17,234	680,469	11.9%	80,389	27,127	126,429	0	\$27.23	\$30.43
Outside the Beltway	85,201,554	774,360	14,034,381	17.4%	-98,379	-397,055	1,543,719	2,614,440	\$31.69	\$34.53
Northern Virginia Totals	135,154,783	1,305,147	24,291,208	18.9%	-355,275	-413,104	2,592,310	2,614,440	\$33.63	\$36.19

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2235 Monroe Street	Reston/Herndon	Harris Corporation	161,359	Renewal
1400 Wilson Boulevard	Rosslyn	GSA – Dept. of State	108,296	Renewal
1676 International Drive	Tysons Corner	Guidehouse	74,532	New Lease
3030 Potomac Avenue	Crystal City/Pentagon City	American Physical Therapy Association	70,806	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
13530-13560 Dulles Technology Drive	Reston/Herndon	Columbia Property Trust/Innovatus Capital Partners	384,336	\$113,500,000/\$295.32
13561 McLearn Road	Route 28 South/Chantilly	Lexington Realty Trust/Boyd Watterson	159,664	\$48,000,000/\$300.63

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