

Northern Virginia

Office Q3 2021

	YoY Chg	12-Mo. Forecast
19.5% Vacancy Rate	▲	▲
-224K Net Absorption, SF	▼	▲
\$33.86 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
3.2M D.C. Metro Employment	▲	▲
5.2% D.C. Metro Unemployment Rate	▼	▼
5.2% U.S. Unemployment Rate	▼	▼

Source: BLS

SUPPLY: Delivery this Quarter, Nearly 2 MSF Under Construction

The TSA HQ, located at 6595 Springfield Center Drive, delivered 622,812 square feet (sf) in the Springfield submarket this quarter. Comstock's 1902 Reston Metro Plaza, pre-leased by ICF, is expected to deliver 260,000 sf in Q4 2021. There is an additional 1.9 million square feet (msf) under construction in Northern Virginia with one msf at Reston Gateway, to be occupied by Fannie Mae and Volkswagen, scheduled to deliver in Q1 2022. Another 730,000 sf is set to deliver in Q2 2022, including Foulger-Pratt's 384,000 sf at 1750 Tysons Central. Skanska's spec development at 3901 Fairfax Dr broke ground this quarter and is scheduled to deliver 201,000 sf at the end of 2023. Overall absorption in Northern Virginia registered negative 224,742 sf in Q3 2021 driven by negative 328,339 sf of absorption in Class B buildings. This brings year-to-date (YTD) absorption to negative 642,203 sf, with negative 54,172 sf in Class A buildings and negative 536,594 sf in Class B buildings.

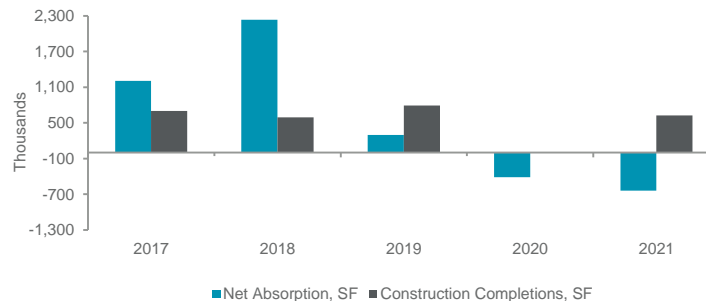
DEMAND: Renewals Consistent with Q2

Northern Virginia registered 1,099,914 sf of new leasing activity and 1,572,196 sf of renewals in Q3 2021, bringing new leasing to 3,899,938 sf and renewals to 3,713,866 sf YTD. Reston/Herndon led the Northern Virginia submarkets with 353,240 sf of new leasing followed by Ballston with 255,185 sf of new leasing. Loudoun County registered 422,808 sf of renewals which came from Raytheon renewing at 22110, 22260 and 22270 Pacific Blvd, the largest renewal of the quarter. Fairfax County saw 606,039 sf of renewals, driven by Fairfax/Oakton/Vienna with 409,160 sf of renewals. In Arlington County, Crystal City/Pentagon City registered 357,425 sf of renewals, which came mostly from the GSA-EPA at 2777 Crystal Dr, the second largest renewal of the quarter.

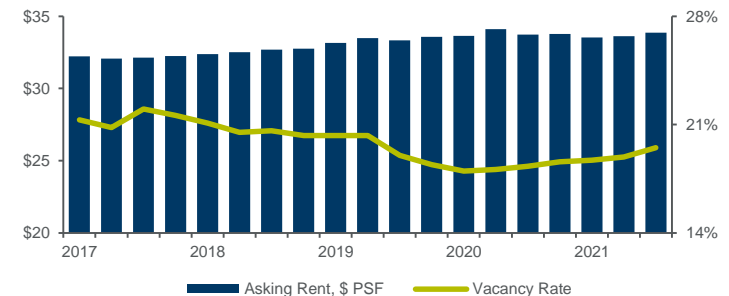
PRICING: Rental Rates Up Slightly

Overall average vacancy rates in Northern Virginia rose 120 basis points (bps) year-over-year (YOY) to 19.5%, up 60 bps from Q2 2021. Overall average rental rates rose \$0.13 YOY in Q3 2021 to \$33.86 per square foot (psf) on a full-service basis and increased \$0.23 from Q2 2021. Courthouse/Clarendon registered the highest overall average rental rate of all the Northern Virginia markets, closing the quarter at \$42.94 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	126,946	1,587,456	19.1%	-67,892	84,825	542,306	0	\$41.20	\$43.54
Courthouse/Clarendon/VA Square	5,847,741	52,399	1,182,405	21.1%	46,235	-77,613	111,354	0	\$42.94	\$44.75
Ballston	7,300,036	57,255	1,907,679	26.9%	-122,727	-165,231	410,612	201,405	\$40.79	\$41.34
Crystal City/Pentagon City	11,162,668	38,746	2,191,476	20.0%	-330,162	-219,811	214,158	0	\$37.89	\$40.77
Arlington	33,979,075	275,346	6,869,016	21.5%	-474,546	-377,830	1,278,430	201,405	\$40.60	\$42.29
Old Town	7,991,666	136,356	955,063	13.7%	-6,841	-108,378	132,568	0	\$34.75	\$39.54
I-395	5,125,700	28,544	1,619,921	32.2%	38,836	34,125	88,023	0	\$30.56	\$32.50
Huntington/Eisenhower	2,861,709	13,552	1,151,360	40.7%	-18,452	-24,969	14,124	0	\$35.77	\$37.45
City of Alexandria	15,979,075	178,452	3,726,344	24.4%	13,543	-99,222	234,715	0	\$33.35	\$37.16
Inside the Beltway	49,247,757	453,798	10,595,360	22.4%	-461,003	-477,052	1,513,145	201,405	\$37.70	\$39.99
Annandale/Baileys	1,204,881	0	183,294	15.2%	11,481	71,834	111,166	0	\$26.14	\$31.50
Merrifield/Route 50	6,852,558	52,236	1,127,259	17.2%	24,477	67,287	164,457	0	\$31.36	\$33.27
Fairfax/Oakton/Vienna	9,720,129	87,203	2,477,067	26.4%	-17,346	-64,542	132,541	0	\$28.32	\$30.65
Tysons Corner	22,632,019	202,101	3,963,711	18.4%	-130,909	-228,826	672,056	383,628	\$36.21	\$40.87
Reston/Herndon	25,747,432	288,899	4,043,620	16.8%	-156,795	-483,265	697,249	1,260,000	\$32.85	\$34.78
Route 28 South/Chantilly	9,734,794	50,415	1,200,160	12.8%	-38,776	-123,950	256,753	348,000	\$27.24	\$28.15
Springfield	3,811,340	3,000	803,603	21.2%	563,507	588,562	97,223	0	\$30.60	\$35.97
Fairfax	79,703,153	683,854	13,798,714	18.2%	255,639	-172,900	2,131,445	1,991,628	\$32.24	\$35.08
Loudoun County	5,844,167	8,976	708,105	12.3%	-19,378	7,749	136,106	0	\$27.70	\$30.75
Outside the Beltway	85,547,320	692,830	14,506,819	17.8%	236,261	-165,151	2,267,551	1,991,628	\$30.05	\$33.24
Northern Virginia Totals	134,795,077	1,146,628	25,102,179	19.5%	-224,742	-642,203	3,780,696**	2,193,033	\$33.86	\$36.46

*Rental rates reflect full service asking

**Not reflective of U.S. Office Tables

KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
22260 & 22110 & 22270 Pacific Blvd	Loudoun	Raytheon	422,808	Renewal*
2777 Crystal Drive	Crystal City/Pentagon City	GSA-EPA	326,057	Renewal*
2550 Wasser Terrace	Reston/Herndon	Airbus Americas, Inc.	119,242	Renewal*
10304 Eaton Place	Fairfax/Oakton/Vienna	Zeta Associates	67,338	Renewal*

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Sequoia Plaza (2100, 2110 & 2120 Washington Blvd)	Courthouse/Clarendon/Virginia Square	PRP Real Estate/Boyd Watterson	369,215	\$204,411,401 / \$553.64
12730 Fair Lakes Cir	Fairfax	C-III Asset Management/Levy Affiliated	150,000	\$28,200,000 / \$188.00

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