

Northern Virginia

Office Q1 2022



YoY Chg 12-Mo. Forecast

20.4%

Vacancy Rate



102K

Net Absorption, SF



\$33.92

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2022

YoY Chg 12-Mo. Forecast

3.3 M

D.C. Metro Employment



4.3%

D.C. Metro Unemployment Rate



3.6%

U.S. Unemployment Rate



Source: BLS

Gross Leasing & Demand

After five straight quarters of new leasing activity above one million square feet (msf), Northern Virginia registered slightly above 680,000 square feet (sf) in Q1 2022 while renewal activity, which dipped slightly in Q4 2021, registered 1.1 msf. Two years after the start of the pandemic has shown that while there has been, at times, a lag in leasing activity, it is more likely due to protracted negotiations and users considering long term post-COVID-19 workplace decisions.

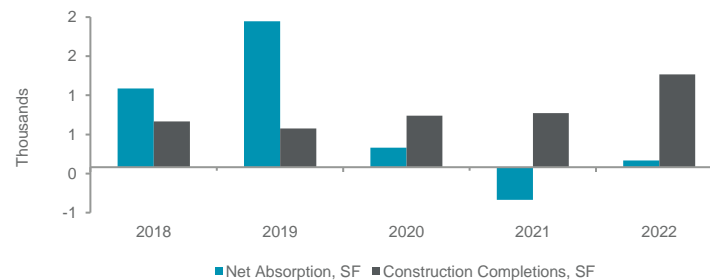
The first quarter of 2022 saw fewer large footprint new leases than Q4 2021 with only one relocation or new-to-market deals signed over 30,000 sf. In-Q-Tel signed the largest new lease of Q1 with 79,716 sf at 1800 Tysons Boulevard in the Tysons submarket. In the Ballston submarket, Recorded Future signed the next largest new lease with 29,120 sf at 800 N Glebe Rd. In terms of renewals, the Department of Defense renewed 558,187 sf at 2530 Crystal Drive in Crystal City. In Herndon, Boeing expanded & extended to take a total of 204,617 sf at 460 Herndon Parkway. Leidos also renewed for 170,000 sf at 14668 Lee Road in Route 28 South/Chantilly.

Spec suite offerings continue to increase in popularity and capture most of the small tenant demand as users with compressed timelines look to get back into quality, built-out space. Spec suite listings in the core submarkets have grown since the end of 2019 as the market has been more competitive, with many owners looking to set their spaces apart of way of amenities, size, tenant experience and price in order to break up large blocks and tackle more readily available smaller user demand.

Market Segments

In 2021, Northern Virginia registered a yearly total of negative overall absorption for the first time since 2014. After three consecutive quarters of negative absorption from Q2-Q4 2021, Northern Virginia registered positive 101,854 sf of overall absorption in the first quarter of 2022.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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This was led by the Reston/Herndon submarket with just over 630,000 sf of positive absorption. The largest factors were Fannie Mae’s move into 2000 Opportunity Way and Iron Bow Technologies move into 2121 Cooperative Way. In Tysons, Guidehouse and Attain moved into 42,000 & 21,000 sf respectively. These leveled the negative absorption that came from large move outs and consolidations like the EPA’s move out of 317,000 sf in Crystal City, Oracle’s move out of 106,000 sf in Reston, and MedStar’s move out of 88,000 sf in Courthouse/Clarendon.

Vacancy and Rental Rates Up

Overall average vacancy rates rose 270 basis points (bps) year-over-year (YOY) to 20.4%, up 70 bps from Q4 2021. Class A vacancy rose 180 bps YOY to 19.1% while Class B vacancy rose 220 bps YOY to 24.9% in Q1 2022. Crystal City saw the largest increase from Q4 2021, increasing 270 bps to 25.0% in Q1 2022.

Overall average asking rates rose \$0.38 YOY to \$33.92 per square foot (psf) on a full-service basis in Q1 2022; a \$0.04 increase from last quarter. The Courthouse/Clarendon/Virginia Square submarket had the highest overall average asking rate of all the Northern Virginia submarkets, closing the quarter at \$44.38 psf. Class A rates rose \$0.17 YOY to \$36.22 psf in Q1 while Class B rose \$0.54 YOY to \$31.75 psf.

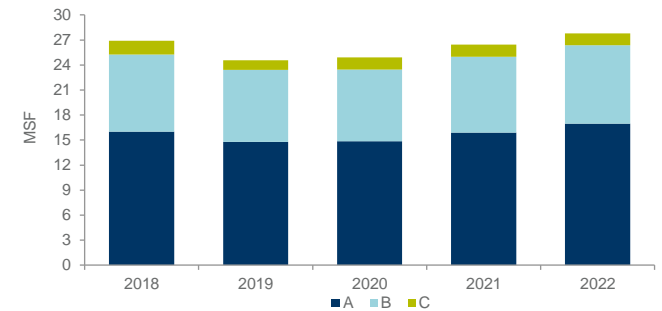
Development Pipeline & Outlook

Northern Virginia delivered a total of 1.4 msf of new construction in Q1 2022. Boston Properties delivered two buildings in the Reston/Herndon submarket; RTC Next Tower A (644,000 sf) which was fully pre-leased by Fannie Mae, and Tower B (418,000 sf) partially pre-leased by Volkswagen & Gainwell. In the Tysons Corner submarket, Foulger-Pratt delivered 1950 Tysons Central (360,237 sf) on a spec basis.

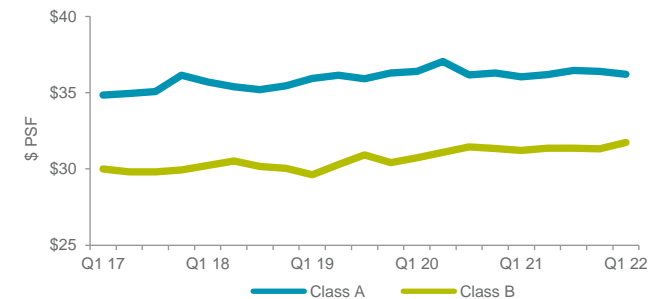
Northern Virginia currently has 549,405 sf under construction consisting of Skanska’s development at 3901 Fairfax Drive in Ballston which is scheduled to deliver 201,405 sf in Q3 2023 and has not seen any pre-leasing to date. COPT is expected to deliver a 348,000 sf development, leased to a defense/IT tenant, in the Route 28 South/Chantilly submarket in Q2 2022.

There are a number of speculative projects- 1725 Tysons Boulevard, 1760 Reston Parkway and 795 John Carlyle Street- that could bring another 1 msf to the market around 2025 if ground break happens in the near future. The proposed buildings on Wiehle Avenue at Reston Stations would bring an additional 1.3 msf.

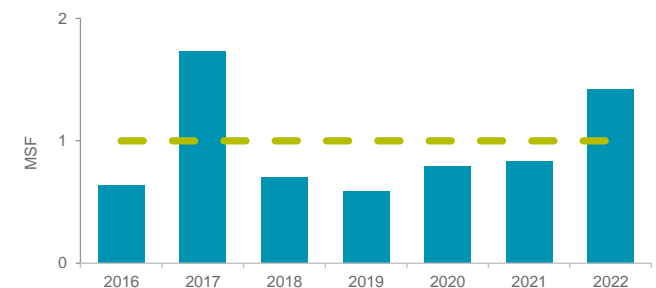
VACANT SPACE BY CLASS



ASKING RENT COMPARISON



NEW SUPPLY



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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	9,058,167	117,630	1,667,605	19.7%	-17,613	-17,613	32,978	0	\$40.24	\$41.07
Courthouse/Clarendon/VA Square	5,792,811	121,286	1,215,222	23.1%	-140,893	-140,893	23,465	0	\$44.38	\$45.33
Ballston	7,255,036	69,700	1,923,302	27.5%	-6,848	-6,848	119,719	201,405	\$40.61	\$40.99
Crystal City/Pentagon City	11,162,668	39,535	2,755,695	25.0%	-303,087	-303,087	26,731	0	\$38.04	\$41.04
Arlington County	33,268,682	348,151	7,561,824	23.8%	-468,441	-468,441	202,893	201,405	\$40.64	\$41.94
Old Town	7,825,706	83,152	901,466	12.6%	-29,282	-29,282	5,641	0	\$35.99	\$39.82
I-395	5,125,700	28,544	1,596,451	31.7%	17,355	17,355	12,708	0	\$30.73	\$32.55
Huntington/Eisenhower	2,861,709	6,315	1,157,537	40.7%	6,272	6,272	6,315	0	\$35.70	\$37.45
City of Alexandria	15,813,115	118,011	3,655,454	23.9%	-5,655	-5,655	24,664	0	\$33.68	\$37.20
Inside the Beltway	49,081,797	466,162	11,217,278	23.8%	-474,096	-474,096	227,557	201,405	\$37.95	\$39.75
Annandale/Baileys	1,204,881	0	195,301	16.2%	-3,686	-3,686	0	0	\$26.14	\$31.50
Merrifield/Route 50	6,852,558	104,725	1,027,424	16.5%	37,093	37,093	67,711	0	\$30.85	\$32.58
Fairfax/Oakton/Vienna	9,426,974	90,434	2,166,148	23.9%	45,655	45,655	23,448	0	\$28.12	\$30.21
Tysons Corner	22,992,256	166,879	4,465,256	20.1%	-114,678	-114,678	204,680	0	\$36.22	\$40.27
Reston/Herndon	27,016,432	220,155	4,774,994	18.5%	634,636	634,636	86,236	0	\$32.88	\$34.93
Route 28 South/Chantilly	9,734,794	57,799	1,202,018	12.9%	-2,167	-2,167	5,737	348,000	\$27.08	\$27.99
Springfield	3,811,340	3,000	795,052	20.9%	22,452	22,452	36,705	0	\$30.42	\$35.93
Fairfax County	81,039,235	642,992	14,626,193	18.8%	619,305	619,305	424,517	348,000	\$32.24	\$34.86
Loudoun County	5,844,167	54,688	795,965	14.6%	-43,355	-43,355	30,058	0	\$28.02	\$30.62
Outside the Beltway	86,883,402	697,680	15,422,158	18.6%	575,950	575,950	454,575	348,000	\$29.97	\$33.00
Northern Virginia Totals	135,965,199	1,163,842	26,639,436	20.4%	101,854	101,854	682,132	549,405	\$33.92	\$36.22

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2530 Crystal Drive	Crystal City/Pentagon City	GSA-Dept. of Defense	558,187	Renewal*
460 Herndon Parkway	Reston/Herndon	Boeing	204,617	Renewal*
14668 Lee Road	Route 28 South/Chantilly	Leidos	170,000	Renewal*
1800 Tysons Boulevard	Tysons Corner	In-Q-Tel, Inc.	79,716	New Lease

*Renewals not included in leasing statistics

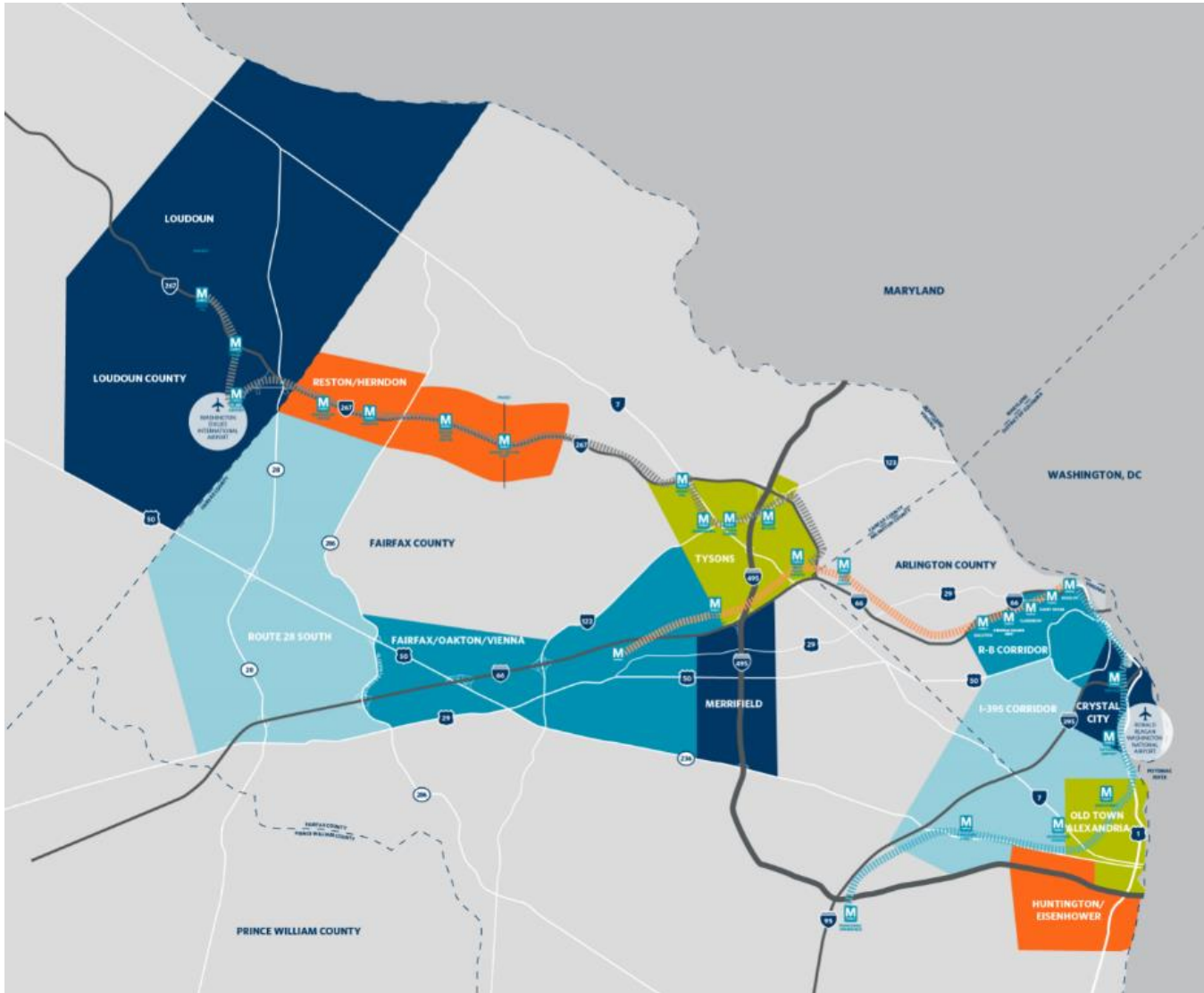
KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1300 Wilson Boulevard	Rosslyn	Tishman Speyer / Divco West Services	363,112	\$245,000,000 / \$674.72
2235 & 2245 Monroe Street	Reston/Herndon	Barings / Mori Trust Co. LTD	323,716	\$142,000,000 / \$438.66

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