MARKETBEAT

Northern Virginia

Office Q2 2022

CUSHMAN & WAKEFIELD

	YoY Chg	12-Mo. Forecast
20.2% Vacancy Rate	▲	▲
-61K Net Absorption, SF	▲	▼
$34.04 Asking Rent, PSF	▬	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
3.3 M D.C. Metro Employment	▲	▲
3.5% D.C. Metro Unemployment Rate	▼	▼
3.6% U.S. Unemployment Rate	▼	▼

Source: BLS

Gross Leasing & Demand

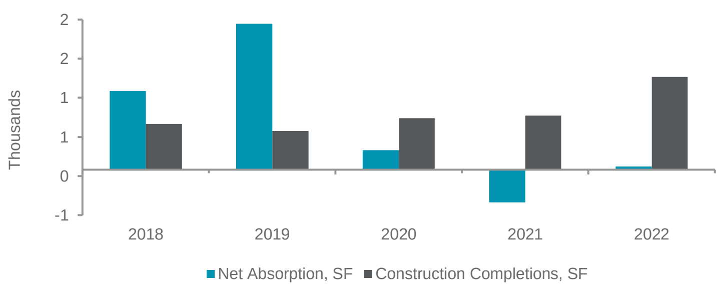
For the second straight quarter, Northern Virginia has dropped below one million square feet (msf) of new leasing activity. Northern Virginia registered 929,054 sf of new deals and 783,984 sf of renewals in Q2 2022, bringing new leasing to 1,574,961 sf and renewals to 2,079,021 sf year-to-date (YTD). The Reston/Herndon submarket led Northern Virginia with 402,343 sf of new leasing, followed by Tysons Corner with 191,846 sf. Route 28 South/Chantilly led renewal activity with 344,037 sf in Q2 2022 while Reston/Herndon registered 184,350 sf of renewal activity.

While total square footage leased continues to register below the 7-year average, there was an increase in large footprint new tenants, with five new deals over 30,000 sf completed in Q2. Most notably, T-Mobile signed the largest deal of the quarter for 220,750 sf at 2340 Dulles Corner Boulevard in Herndon. Across the street, Maxar Technologies signed a new lease for 99,659 sf at 2325 Dulles Corner. In Tysons, In-Q-Tel signed a new lease for 79,716 sf at 1800 Tysons and International Justice Mission took 40,874 sf at 671 North Glebe Rd in Ballston. The largest renewal of the quarter came from Peraton, re-signing for 142,477 sf at 15050 Conference Center Drive in the Route 28 South/Chantilly submarket.

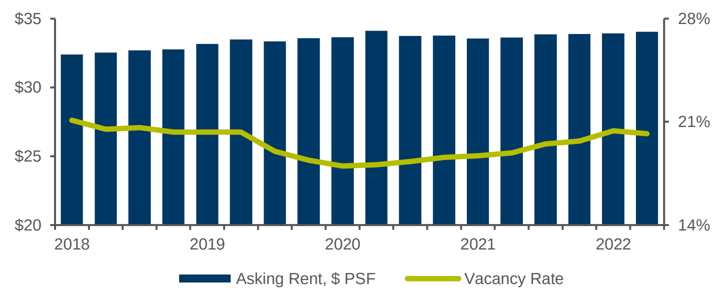
Large government contracting and tech companies reupped in space across the market. Notable renewals for this sector included Leidos staying at 14668 Lee Road in Route 28 South/Chantilly, General Dynamics renewing for 125,941 sf at 11111 Sunset Hills Road in Reston and Accenture remaining in 120,067 sf at 800 North Glebe Road in Ballston. Class A product saw the bulk of renewal activity with 711,352 sf registered while Class B product saw 72,632 sf renewed in the second quarter.

Both Raytheon and Boeing announced this quarter that they will be moving their headquarters to Arlington. While neither will be requiring immediate space, the news emphasizes the appeal that Northern Virginia's proximity to the Federal Government has to Aerospace & Defense companies.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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Market Segments

After registering over 100,000 sf of positive absorption in the first quarter, Northern Virginia registered negative 60,885 sf of absorption in the second quarter, bringing the YTD absorption to positive 50,082 sf. Class A and B product effectively offset one another by registering just over 100,000 sf of positive and negative absorption each. The second quarter saw fewer large absorption trades, like the Q1 delivery of 2000 Opportunity Way or the EPA move out but did have many medium to small space movements.

The DEA had the largest move out of the quarter, vacating 73,000 sf in Crystal City and will be consolidating into their recently redeveloped headquarters at Lincoln Place. Loudoun saw Raytheon give back just under 50,000 sf while Iron Bow moved out of 45,000 sf in Herndon and ID.me vacated their 20,000 sf in Tysons. Loudoun also saw one of the largest move in's with Techwish taking 55,000 sf at 21000 Atlantic Boulevard. In Tysons, Guidehouse continued its move into 1676 International Drive while Northeastern University moved into 30,000 sf at 1300 N 17th Street in Rosslyn. Peraton moved into 23,000 sf at 13825 Sunrise Valley Drive in Herndon and Research Innovations took 25,000 sf at 6363 Walker Lane in Springfield.

Vacancy and Rental Rates Up

Overall average vacancy rates rose 130 basis points (bps) year-over-year (YOY) to 20.2%, up 10 bps from Q1 2022. Class A vacancy rose 150 bps YOY to 18.8% while Class B vacancy rose 140 bps YOY to 24.6% in Q2 2022. The Springfield and I-395 submarkets saw the largest drops in vacancy due to converted inventory. In Springfield, 7951 and 7961 Loisdale Road were purchased by Amazon and are slated for conversion to data center use. In I-395 Corridor, 5201 and 5203 Leesburg have been approved for conversion to live/work units.

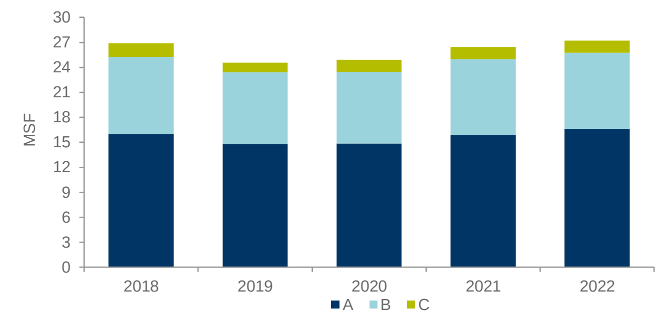
Overall average asking rates rose $0.41 YOY to $34.04 per square foot (psf) on a full-service basis in Q2 2022; a $0.12 increase from last quarter. The Courthouse/Clarendon/Virginia Square submarket had the highest overall average asking rate of all the Northern Virginia submarkets, closing the quarter at $44.77 psf. Class A rates rose $0.13 YOY to $36.32 psf in Q2 while Class B rose $0.50 YOY to $31.87 psf.

Development Pipeline & Outlook

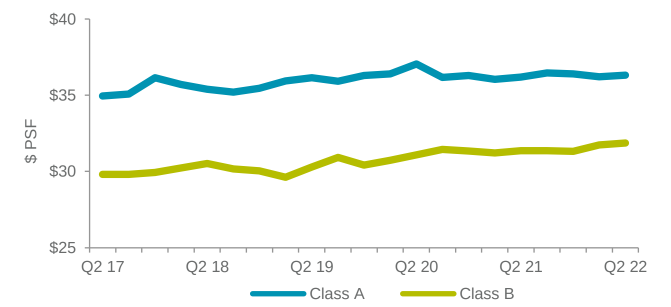
There were no new deliveries in the second quarter, but Northern Virginia currently has three buildings under construction for a total of 740,272 square feet, with no pre-leasing.

In Reston, Comstock's Reston Row development has two buildings in the works, 1845 & 1875 Reston Row Plaza which will deliver 328,380 sf and 210,487 sf respectively in 2024. In Ballston, Skanska has 201,405 square feet under construction at 3901 Fairfax Drive – set to deliver in Q4 2023.

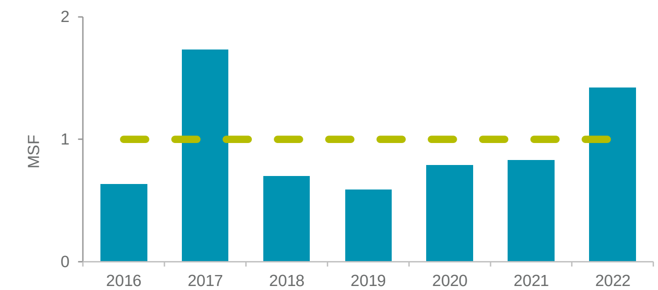
VACANT SPACE BY CLASS



ASKING RENT COMPARISON



NEW SUPPLY



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CUSHMAN & WAKEFIELD

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	98,569	1,686,098	19.7%	568	-17,045	66,962	-	$40.74	$41.49
Courthouse/Clarendon/VA Square	5,792,811	94,328	1,224,074	22.8%	18,106	-122,787	43,164	-	$44.77	$45.39
Ballston	7,255,036	52,834	1,915,609	27.1%	24,559	17,711	193,052	201,405	$41.16	$41.55
Crystal City/Pentagon City	11,162,668	39,535	2,784,491	25.3%	-28,796	-331,883	52,310	-	$38.39	$40.91
Arlington County	**33,268,682**	**285,266**	**7,610,272**	**23.7%**	**14,437**	**-454,004**	**355,488**	**201,405**	**$41.12**	**$42.19**
Old Town	7,825,706	88,328	911,677	12.8%	-18,401	-47,683	42,151	-	$36.07	$39.80
I-395	4,621,505	28,544	1,212,269	26.8%	4,310	21,930	60,354	-	$30.46	$32.55
Huntington/Eisenhower	2,861,709	10,239	1,141,884	40.3%	11,729	18,001	11,730	-	$35.91	$37.45
City of Alexandria	**15,308,920**	**127,111**	**3,265,830**	**22.2%**	**-2,362**	**-7,752**	**114,235**	**-**	**$34.07**	**$37.19**
Inside the Beltway	**48,577,602**	**412,377**	**10,876,102**	**23.2%**	**12,075**	**-461,756**	**469,723**	**201,405**	**$38.21**	**$39.88**
Annandale/Baileys	1,204,881	0	220,858	18.3%	-28,436	-29,243	5,908	-	$26.08	$31.50
Merrifield/Route 50	6,821,558	91,189	995,169	15.9%	41,744	90,116	84,571	-	$30.94	$32.63
Fairfax/Oakton/Vienna	9,426,974	65,001	2,151,307	23.5%	36,710	82,365	72,090	-	$28.10	$30.20
Tysons Corner	22,754,675	166,951	4,525,071	20.6%	-71,571	-183,353	361,844	-	$35.97	$39.90
Reston/Herndon	27,016,432	144,209	4,885,617	18.6%	-36,259	590,214	474,462	538,867	$33.15	$35.54
Route 28 South/Chantilly	9,734,794	55,938	1,222,218	13.1%	-19,566	-21,776	35,448	-	$27.16	$28.27
Springfield	3,568,868	3,000	573,750	16.2%	-1,654	20,798	55,501	-	$29.53	$36.12
Fairfax County	**80,528,182**	**526,288**	**14,573,990**	**18.8%**	**-79,032**	**549,121**	**1,089,824**	**538,867**	**$32.25**	**$35.04**
Loudoun County	**5,844,167**	**56,964**	**787,617**	**14.5%**	**6,072**	**-37,283**	**116,414**	**-**	**$27.85**	**$30.46**
Outside the Beltway	**86,372,379**	**583,252**	**15,361,607**	**18.5%**	**-72,960**	**511,838**	**1,206,238**	**538,867**	**$29.85**	**$33.08**
Northern Virginia Totals	**134,949,951**	**995,629**	**26,237,709**	**20.2%**	**-60,855**	**50,082**	**1,675,961**	**740,272**	**$34.04**	**$36.32**

**Rental rates reflect full service asking*

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2340 Dulles Corner Boulevard	Herndon	T-Mobile	220,750	New Lease
15050 Conference Center Drive	Route 28 South/Chantilly	Peraton	142,477	Renewal*
11111 Sunset Hills Road	Reston	GDIT	125,941	Renewal*
800 N Glebe Road	Ballston	Accenture	120,067	Renewal*

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/$ PSF
3020 Hamaker Ct	Merrifield/Route 50	Global Medical REIT Inc. / Rimsi Corp	92,347	$21,000,000/ $227.40
10560 Arrowhead Drive	Fairfax/Oakton/Vienna	KBS / Network Realty Partners	99,927	$9,853,280 / $99.23

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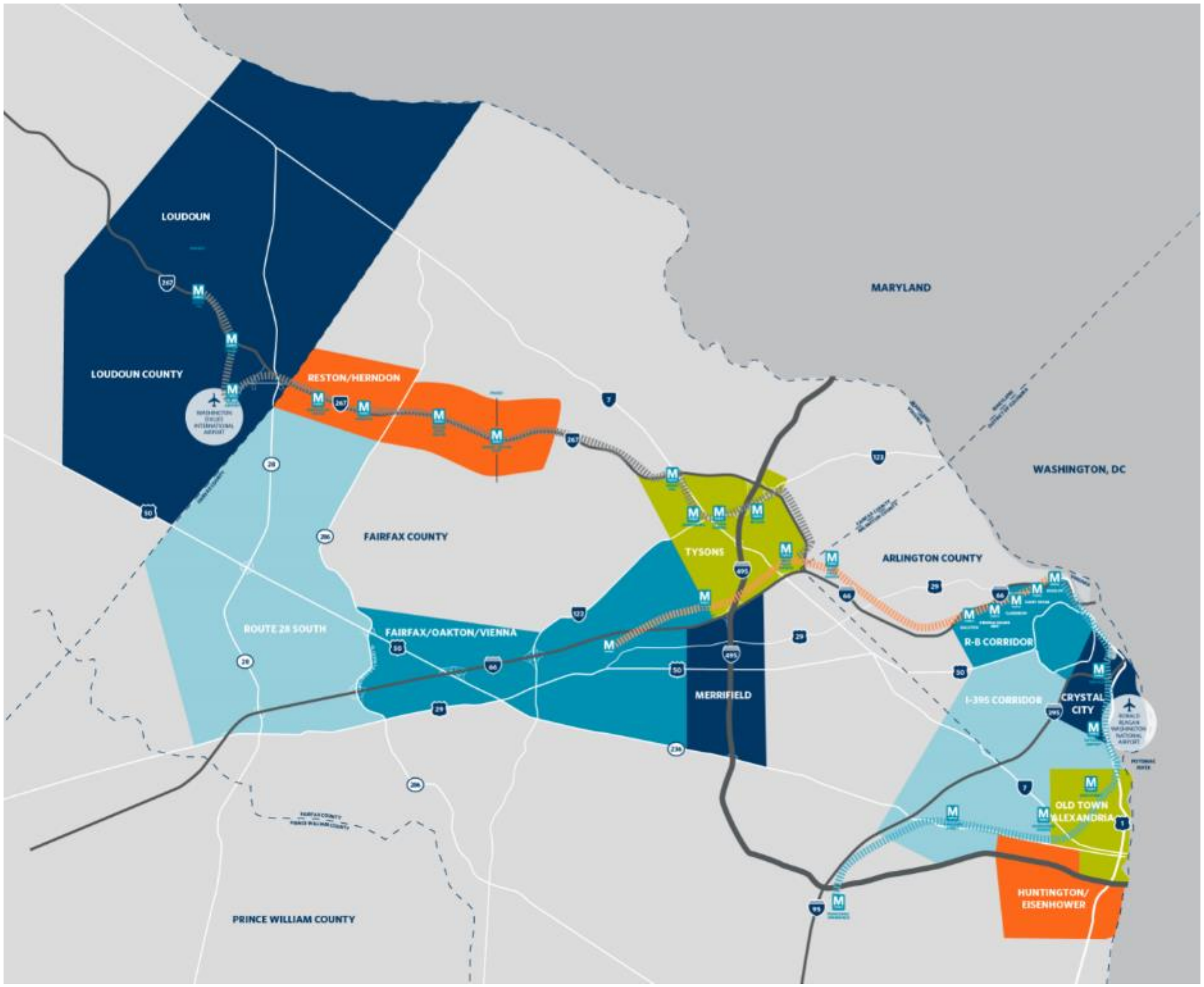
OFFICE SUBMARKETS



Michael Borda
Research Analyst
+1 202 495 7001/ michael.borda1@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

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