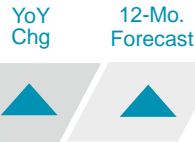


Northern Virginia

Office Q4 2022



20.3%
Vacancy Rate



-351K
Net Absorption, SF



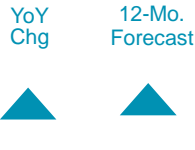
\$34.59
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2022

3.3 M
D.C. Metro Employment



3.4%
D.C. Metro Unemployment Rate



3.7%
U.S. Unemployment Rate



Source: BLS

Gross Leasing & Demand

Northern Virginia (NoVA) reported its lowest leasing activity since Q1 2022 with 699,672 square feet (sf) in new deals; however, renewal activity improved in the fourth quarter with 2,063,348 sf signed. This brings new leasing activity to 3,586,659 sf year-to-date (YTD) and renewals to 5,271,615 sf YTD. Fairfax County led with 476,661 sf inked in the fourth quarter- 68% of all leasing activity in NoVA. Overall, Class A product continues to dominate demand, recording 528,577 sf or 76% of activity, while Class B registered 162,472 sf of new leasing in Q4.

The fourth quarter registered 40 deals over 10,000 sf- 25 new or extensions were completed while 15 renewals were recorded. NoVA logged 18 deals over 20,000 sf in Q4- 10 new deals or extension and 8 renewals recorded at the end of the fourth quarter. Reston/Herndon recorded the highest leasing activity of all the submarkets with 339,395 sf signed in Q4- 91% in Class A product. Major new leases in the Reston/Herndon submarket include Yahoo subletting 54,948 sf as well as Internet Tool & Die subletting 27,474 sf at Democracy Tower, Google expanding 54,114 sf at 1900 Reston Metro Plaza, Revature signing for 25,637 sf at 11700 Plaza America Dr and BAE Systems and SmartRoof each taking 25,000 sf at 11091 Sunset Hills Rd. Arlington County registered 179,117 sf of new leasing in Q4 with 123,423 sf in Class A product as Guidehouse sublet 38,204 sf at 1000 Wilson Blvd and The Gardner School inked 17,582 sf at 1776 Wilson Blvd, both in Rosslyn.

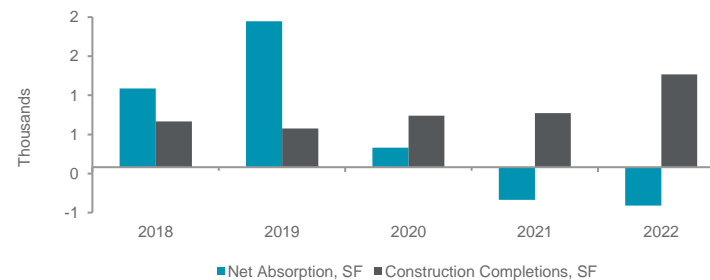
Old Town made up 80% of renewal activity in Q4 after the United States Patent and Trademark Office renewed 1.6 million square feet (msf) across three buildings. While it may be the largest lease of the year, the USPTO will be shedding 800,000 sf of their original 2.4 msf. Fairfax County recorded 332,710 sf of renewal activity- Reston/Herndon registered 187,371 sf which was driven by ST Engineering iDirect staying in 103,110 st at 13861 Sunrise Valley Dr in Herndon. Arlington County logged 87,870 sf of renewals as Institute for Justice remained in 58,285 sf at 901 N Glebe Rd in Ballston.

Market Segments

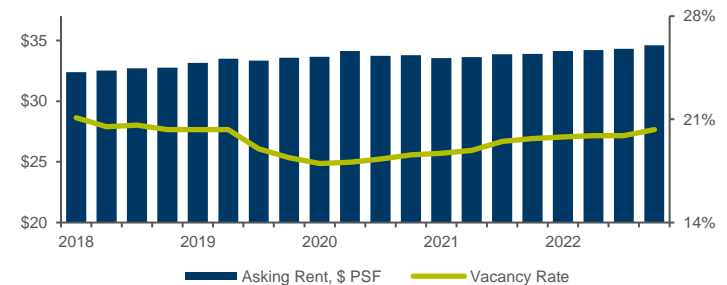
Northern Virginia has recorded seven consecutive quarters of negative absorption, finishing the quarter with negative 350,899 sf and bringing YTD absorption to negative 589,734 sf. Class A product recorded negative 164,731 sf in Q4, finishing the year with negative 229,992 sf while Class B registered 154,093 sf and Class C ended the quarter at 32,075 sf of negative absorption, bringing YTD totals to negative 334,579 sf and 25,163 sf, respectively.

In the largest move of the fourth quarter, Peraton occupied 99,855 sf in their new headquarters at 1875 Explorer Street in Reston Town Center. Peraton moves to RTC from 12975 Worldgate Drive in Herndon, which had served as the company's headquarters since 2017. In Crystal City, Raytheon moved into 30,352 sf in a secondary location at 2461 S Clark Street. Rosslyn welcomed Ashoka and Guidehouse into 50,000 sf at 1000 Wilson Blvd.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT





Northern Virginia

Office Q4 2022

In Reston/Herndon, the former Whitney, Bradley, & Brown vacated over 67,000 sf at 11790 Sunrise Valley Drive after being acquired by Serco in 2021 while Volkswagen shed 32,496 sf at 2003 Edmund Halley Drive. Volkswagen’s move comes in preparation of their move to the new American headquarters, 1950 Opportunity Way, next fall. Walmart Global Tech (formerly Walmart Labs) has listed 162,357 sf for sublease at 2245 Monroe Street in Herndon. Walmart leased the now vacant space in 2020, and the lease continues until 2032. In Loudoun, Electronic Transaction Systems Corp moved out of nearly 31,000 sf at 20135 Lakeview Center Plz. Tysons recorded Primantics out of 30,000 sf at 8401 Greensboro Dr while Frontpoint gave back a floor at 1595 Spring Hill Rd.

Vacancy Stagnant & Rental Rates Up

Overall average vacancy rates rose 60 basis points (bps) year-over-year (YOY) to 20.3% and increased 30 bps from Q3 2022. Class A vacancy rose 100 bps YOY to 19.2%, Class B rose 10 bps YOY to 24.1%, and Class C dropped 60 bps YOY to 15.1%. Over 500,000 sf has been removed from inventory by demolition or conversion in Q4. Most notably, the former RCA building at 1901 N Moore Street in Rosslyn is being prepared for demolition. The 143,000-sf office building was acquired by Jefferson Apartment Group in November and a 423 unit complex has been approved in its place. In Reston, 11410 and 11440 N Isaac Newton Sq took nearly 150,000 sf combined out of inventory and will be redeveloped into a mix of office, residential and retail. In Oakton, 10530 Rosehaven St took 127,000 sf out of inventory and plans filed show apartments along with townhouses and “two-over-two” units.

Overall average asking rates rose \$0.71 YOY to \$34.59 per square foot (psf) on a full-service basis in Q4 2022, which is a \$0.23 psf 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 year at \$43.75 psf. Arlington County averaged \$41.26 psf, a \$0.90 psf increase YOY while Fairfax County increased \$0.80 psf YOY to \$32.87 psf and Alexandria increased \$0.83 psf YOY to \$34.46 psf. Class A rates rose \$0.20 YOY to \$36.60 psf in Q4 while Class B rose \$1.17 YOY to \$32.49 psf.

Development Pipeline & Outlook

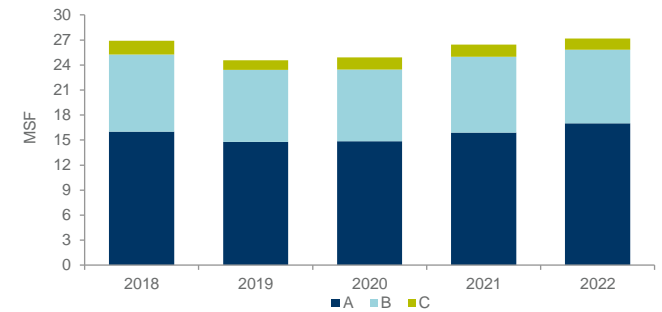
There were no new deliveries in the fourth quarter, but Northern Virginia currently has four buildings under construction for a total of 814,872 sf, with only 56,000 sf currently pre-leased. In Reston, Comstock’s Reston Row development has two buildings in the works, 1845 & 1875 Reston Row Plaza which will deliver 328,380 sf and 210,487 sf respectively in 2024. VIDA Fitness will take the first three floors of OB4. In Ballston, Skanska has 201,405 sf under construction at 3901 Fairfax Drive – set to deliver in Q4 2023. Boston Properties’ 12050 Inspiration Street – a 74,600 sf boutique office building in Reston Town Center- broke ground in Q3 and will deliver in early 2024.

There is an additional 2.3 msf in the proposed pipeline- predominately in Fairfax County with 2.2 msf. The bulk of this is in Reston/Herndon with 1.7 msf spread across Comstock’s Wiehle Ave/Reston Station project and Tysons with Lerner’s 491,000 sf project at 1725 Tysons Blvd. None of these proposed buildings have reported any pre-leasing.

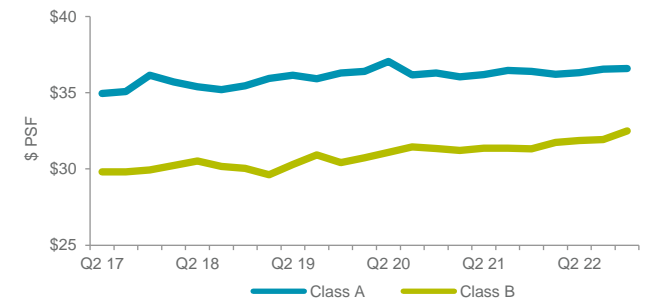
Investment Sales

The largest office sale of the quarter came in Rosslyn with 1776 Wilson selling for \$59,450,000 or \$416.70 psf. Lincoln Property Company and Oaktree Capital Management jointly ventured on the acquisition from Invesco Advisors. The Gardner School signed a new lease shortly after purchase. In Herndon, Dulles Station West sold for \$51,500,000 or \$288.85 psf and is currently occupied by IBM and the National Student Clearinghouse. TA Realty, represented by Cushman & Wakefield, sold the property to Spear Street Capital, a San Francisco based investor.

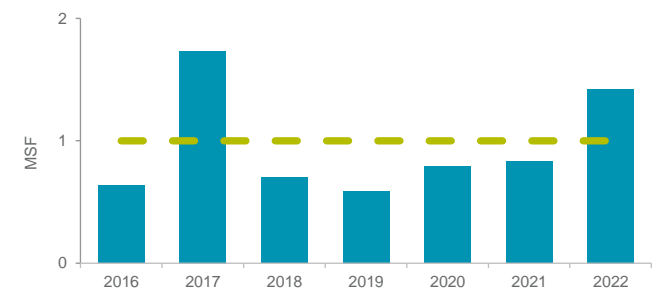
VACANT SPACE BY CLASS



ASKING RENT COMPARISON



NEW SUPPLY



Northern Virginia

Office Q4 2022

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	8,936,753	48,499	1,649,843	19.0%	-19,910	-31,675	310,093	0	\$40.39	\$42.00
Courthouse/Clarendon/VA Square	5,792,811	48,247	1,312,035	23.5%	-13,155	-169,981	83,662	0	\$43.75	\$43.87
Ballston	7,255,036	64,582	1,853,636	26.4%	1,942	67,936	336,574	201,405	\$41.33	\$41.64
Crystal City/Pentagon City	11,162,668	21,346	2,751,053	24.8%	83,430	-280,256	187,974	0	\$39.58	\$40.30
Arlington County	33,147,268	182,674	7,566,567	23.4%	52,307	-413,976	918,303	201,405	\$41.26	\$41.86
Old Town	7,825,706	73,624	918,851	12.7%	8,394	-56,402	146,209	0	\$35.99	\$39.12
I-395	4,421,505	11,145	1,021,630	23.4%	2,267	19,882	71,304	0	\$29.54	\$33.26
Huntington/Eisenhower	2,861,709	35,594	1,158,716	41.7%	-8,218	-24,186	11,730	0	\$35.96	\$37.41
City of Alexandria	15,108,920	120,363	3,099,197	21.3%	2,443	-60,706	229,243	0	\$34.46	\$37.59
Inside the Beltway	48,256,188	303,037	10,665,764	22.7%	54,750	-474,682	1,147,546	201,405	\$38.08	\$39.66
Annandale/Baileys	1,204,881	0	215,766	17.9%	10,965	-24,151	12,246	0	\$26.10	\$31.50
Merrifield/Route 50	6,821,558	40,572	1,016,251	15.5%	23,550	112,611	229,432	0	\$31.69	\$33.82
Fairfax/Oakton/Vienna	9,299,891	51,771	1,989,967	22.0%	-23,445	113,196	171,098	0	\$28.52	\$30.61
Tysons Corner	22,558,798	153,080	4,483,850	20.6%	-131,352	-248,180	654,996	0	\$36.06	\$39.42
Reston/Herndon	26,776,886	318,961	5,243,784	20.8%	-201,225	12,873	918,567	613,467	\$34.26	\$35.78
Route 28 South/Chantilly	9,734,794	42,897	1,266,084	13.4%	486	-60,189	244,986	0	\$27.39	\$28.71
Springfield	3,568,868	3,000	508,455	14.3%	-36,554	42,606	62,354	0	\$31.41	\$38.45
Fairfax County	79,965,676	610,281	14,724,157	19.2%	-357,575	-51,234	2,293,679	613,467	\$32.87	\$35.41
Loudoun County	5,755,735	47,988	823,128	15.1%	-48,074	-63,818	145,434	0	\$28.35	\$30.62
Outside the Beltway	85,721,411	658,269	15,547,285	18.9%	-405,649	-115,052	2,439,113	613,467	\$30.47	\$33.61
Northern Virginia Totals	133,977,599	961,306	26,213,049	20.3%	-350,899	-589,734	3,586,659	814,872	\$34.59	\$36.60

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
500, 501 & 600 Dulany Street	Old Town	US Patent and Trademark Office	1,600,000	Renewal*
13861 Sunrise Valley Drive	Reston/Herndon	ST Engineering iDirect	103,110	Renewal*
901 N Glebe Road	Ballston	Institute for Justice	58,285	Renewal*
11955 Democracy Drive	Reston/Herndon	Yahoo	54948	New Lease, Sublease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2022

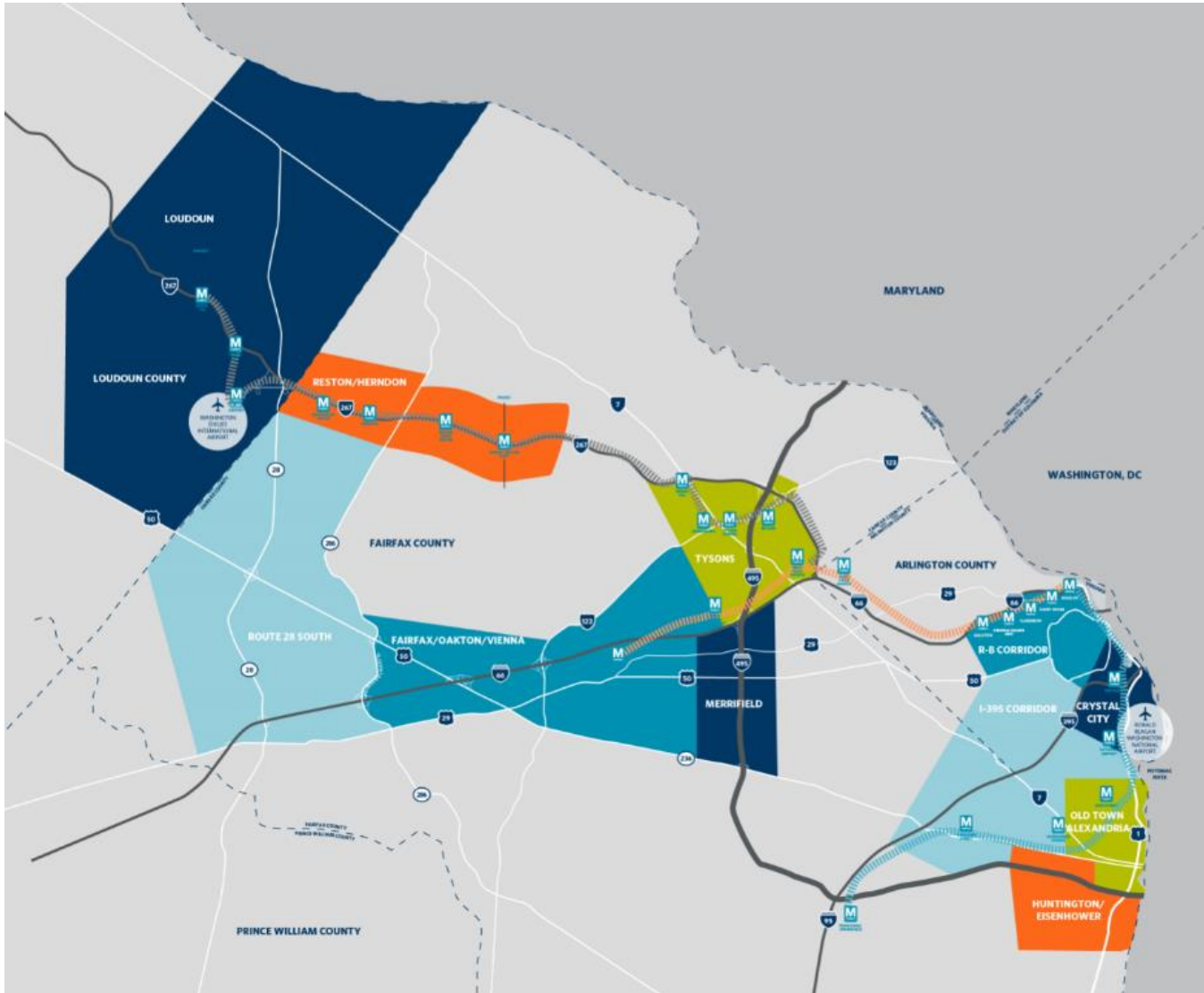
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1776 Wilson Boulevard	Rosslyn	Invesco Advisors / Oaktree Capital JV Lincoln Property Company	142,667	\$59,450,000 / \$416.70
1901 N Moore St	Rosslyn	Weissberg Investment Corp / Jefferson Apartment Group JV Mitsui Fudosan	143,848	\$55,500,000 / \$385.82

Northern Virginia

Office Q4 2022



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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