MARKETBEAT

Northern Virginia

Office Q2 2024

CUSHMAN & WAKEFIELD

	YoY Chg	12-Mo. Forecast
22.9% Vacancy Rate	▲	▲
-480K Net Absorption, SF	▲	▼
$35.69 Asking Rent, PSF	▲	—

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2024

	YoY Chg	12-Mo. Forecast
3.4 M D.C. Metro Employment	▲	▲
2.9% D.C. Metro Unemployment Rate	▲	▲
4.1% U.S. Unemployment Rate	▲	▲

Source: BLS

Gross Leasing & Demand

In Q2 2024, Northern Virginia recorded 714,000 square feet (sf) of new leasing and just under 980,000 sf of renewal activity. This brings new leasing to nearly 1.5 million square feet (msf) year-to-date (YTD) and renewals to 1.7 msf YTD. New leasing activity decreased by 9% from the first quarter of 2024, while renewal activity increased 26%, resulting in an overall increase of 11% in total leasing activity compared to the previous quarter. The Reston/Herndon submarket led new leasing activity with 131,000 sf inked, 18% of Northern Virginia's total new leasing. Tysons Corner followed with 117,000 sf signed, 16% of overall new leasing. Fairfax/Oakton/Vienna sector led the renewals with 335,000 sf, 34% of Q2 renewal activity. Fairfax County recorded 1.2 msf of gross leasing activity, making up 72% of Northern Virginia's total, followed by Arlington County with 357,000 sf and Alexandria with 56,002 sf. Class A product accounted for 72%, or 511,000 sf, of new leasing and 92%, or 899,000 sf, of renewals while Class B product made up 24% of new leasing and 8% of renewals. Software and computer related tenants took just over 666,000 sf of gross leasing in Q2. Consulting service tenants leased 218,000 sf of gross leasing.

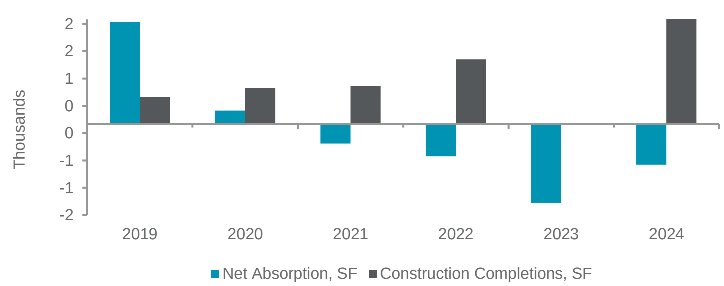
The second quarter registered 24 deals over 20,000 sf— 11 new deals were inked while 13 renewals were recorded. Subleases made up 3 of the 13 new deals. Sublet leasing activity registered 131,408 sf signed in the second quarter with five deals over 10,000 sf, Tetra Tech, an engineering consultant company, inked 43,684 sf at 1515 North Courthouse Road and Credence Management Solutions, a government technology firm, signed for 30,839 at 1775 Tysons Blvd. In Old Town, Michael Baker International, another consulting and engineering company, took 23,600 sf at 1925 Ballenger Ave. For deals over 20,000 sf, computer/software tenants signed for nearly 609,000 sf while consulting services inked 145,000 sf and GSA tenants signed just over 90,000 sf. In this category, new leasing totaled 240,000 sf, or 22% of leasing, and renewal activity netted 761,000 sf, or 69% of leasing activity over 20,000 sf.

Market Segments

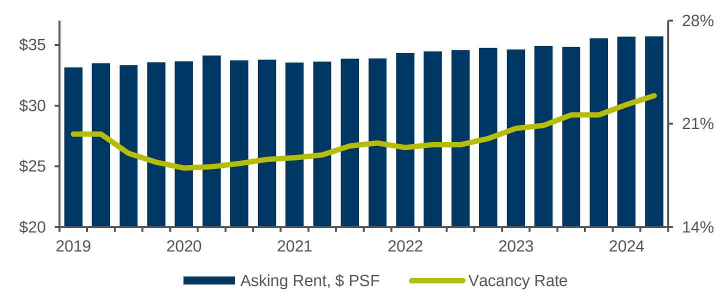
Northern Virginia recorded negative 480,350 sf of absorption in the second quarter, which brings overall absorption to negative 895,733 sf YTD. Tysons Corner drove absorption down after posting negative 277,499 sf while Crystal City/Pentagon City yielded negative 113,978 sf. Fairfax County registered negative 302,614 sf and Alexandria posted negative 128,513 sf while Loudon County accounted for positive 15,089 sf of absorption in Q2. In the second quarter, Class A totaled negative 357,261 sf of absorption while Class B posted negative 139,583 sf of absorption.

In Tysons Corner, Capital One left over 270,000 sf of space at 8020 and 8000 Towers Crescent Drive to consolidate into their own headquarters. ANSER left 79,772 sf at 5275 Leesburg Pike in the I-395 Corridor as the non-profit management company moved into

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



42,629 at 4040 Wilson Blvd in Ballston, nearly halving its space. Crystal City/Pentagon City had several spaces come back to the market after International Justice Mission downsized in their move out of 76,616 sf at 1235 S Clark Street into 40,974 sf in the Ballston Tower at 671 North Glebe Road. The American Legislative Exchange Council's lease expired at 2900 Crystal Drive which added nearly 15,000 sf and spec suites delivered 19,000 sf vacant at 2550 S Clark Street. Reston/Herndon recorded positive 38,979 sf of absorption in Q2 due to CACI taking 31,112 sf at 114400 Commerce Park Drive and Finch Computing moving into 20,415 sf at 11911 Freedom Drive.

Vacancy & Rental Rates

Overall average vacancy rates rose by 180 basis points (bps) year-over-year (YOY) to 22.9%, a 60-bps increase from Q1. Class A vacancy increased 160 bps and Class B rose 320 bps, while Class C dropped 50 bps YOY. Fairfax County increased 180 bps YOY to 22.2% as Tysons jumped 320 bps YOY to 24.7% and Reston/Herndon increased 190 bps YOY to 24.1%. Arlington County increased 200 bps YOY to 26.5% as Rosslyn increased 150 bps YOY to 22.6 % and Crystal City/Pentagon City increased 340 bps YOY to 30.2% while Ballston decreased 110 bps YOY to 24.9%. The City of Alexandria rose 230 bps to 19.9% YOY.

Overall average asking rates rose by $0.72 YOY to $35.69 per square foot (psf), down $0.10 from Q1 2024. Fairfax County experienced a notable increase in asking rates, up $1.13 psf YOY to $34.48 psf, and up $0.15 from Q1. The City of Alexandria finished the quarter at $34.99 psf, up $0.31 psf YOY and down $0.05 psf from Q1. Arlington closed the second quarter at $40.86 psf, down $0.16 psf YOY and down $0.52 psf from Q1. Courthouse/Clarendon/Virginia Square continues to hold the highest overall average asking rate of all the Northern Virginia submarkets, finishing the second quarter at $42.89, up $0.20 YOY. Tysons Corner asking rents climbed $2.61 psf YOY to $39.26 psf while I-395 Corridor jumped $2.46 psf YOY to $32.36 psf.

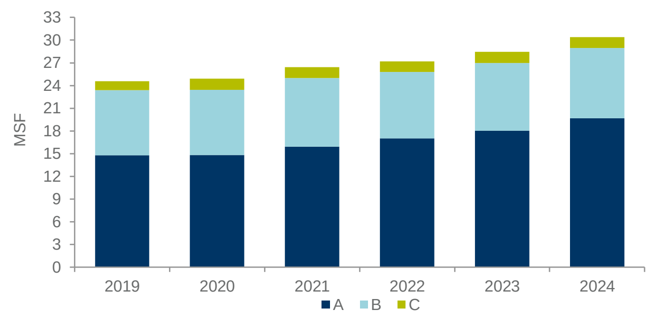
Development Pipeline & Outlook

Two buildings delivered in the second quarter adding 462,840 sf of Class A vacant space to the market. Comstock's 1800 Reston Row Plz/OB 4 delivered 271,806 sf of spec space in Reston and Skanska completed 3901 N Fairfax Drive, which added 191,034 sf in Ballston. Reston/Herndon makes up the rest of the pipeline with two additional projects under construction. Comstock's Reston Row will be completed in mid-2025 with the completion of 1880 Reston Row/OB5. Boston Properties' 12050 Inspiration Street- a 77,231-sf boutique office building in Reston Town Center- is expected to deliver in Q3 2024.

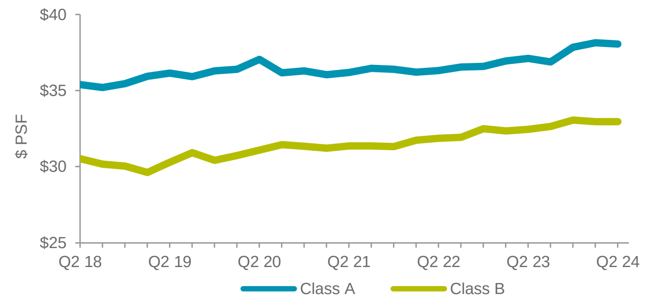
Capital Markets

Capital markets activity was muted in the second quarter. In Fairfax/Oakton/Vienna, a private individual purchased 11350 Random Hills Road from Novel Office for $27,800,000 ($151.24 psf). In Herndon, Zumot Real Estate Management purchased 2250, 2300 and 2350 Corporate Park Drive in a distress sale from a joint venture between American Real Estate Partners and AEW Capital Management for $27,000,000 ($55.14 psf). Zumot also recently purchased an office building in downtown Washington, DC. The recent sales show that declining property values have allowed high net worth investors the chance to boost their real estate portfolio at an attractive price. Furthermore, many transactions have been short sales due to lender's unwillingness to to extend loans and equity investor's reluctance to inject additional capital. As loans keep coming due, lenders continue to wrestle with the same ongoing dilemmas: offer an extension to the borrower in hopes of a market turnaround in the future or take back the asset and cut their losses with a lender led sale.

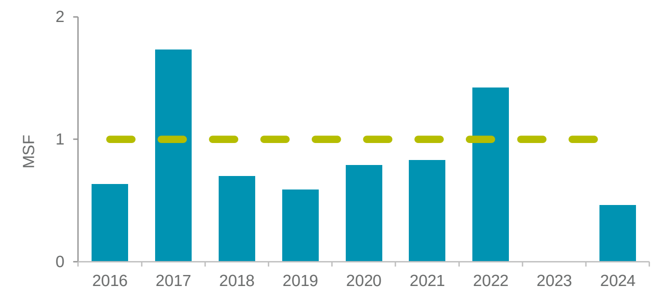
VACANT SPACE BY CLASS



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	8,772,555	208,432	1,773,797	22.6%	15,819	-39,579	166,125	0	$40.43	$43.56
Courthouse/Clarendon/VA Square	5,792,811	69,467	1,533,471	27.7%	-10,439	-13,091	95,009	0	$42.89	$43.44
Ballston	7,446,070	62,565	1,789,130	24.9%	44,286	-69,252	106,147	0	$40.19	$41.93
Crystal City/Pentagon City	10,814,574	0	3,266,082	30.2%	-113,978	-148,512	75,451	0	$39.43	$39.64
Arlington County	**32,826,010**	**340,464**	**8,362,480**	**26.5%**	**-64,312**	**-270,434**	**442,732**	**0**	**$40.86**	**$42.08**
Old Town	7,656,529	88,901	1,015,965	14.4%	-63,515	-45,037	52,355	0	$36.62	$39.04
I-395	3,753,879	0	825,394	22.0%	-71,344	-70,198	6,140	0	$32.36	$35.08
Huntington/Eisenhower	2,861,709	50,010	1,189,352	43.3%	6,346	-9,059	22,920	0	$35.41	$36.90
City of Alexandria	**14,272,117**	**138,911**	**3,030,711**	**22.2%**	**-128,513**	**-124,294**	**81,415**	**0**	**$34.99**	**$37.43**
Inside the Beltway	**47,098,127**	**479,375**	**11,393,191**	**25.5%**	**-192,825**	**-394,728**	**524,147**	**0**	**$38.19**	**$39.94**
Annandale/Baileys	1,204,881	0	192,308	16.0%	4,637	29,398	6,276	0	$26.31	$31.50
Merrifield/Route 50	6,821,558	18,376	1,141,819	17.0%	-70,631	-79,173	104,390	0	$31.01	$33.71
Fairfax/Oakton/Vienna	9,306,165	38,871	2,273,435	24.8%	31,205	34,107	107,608	0	$28.22	$30.54
Tysons Corner	22,063,032	75,419	5,377,842	24.7%	-277,499	-452,243	269,647	0	$39.26	$43.91
Reston/Herndon	26,756,092	198,372	6,254,543	24.1%	38,979	11,182	345,907	240,562	$34.09	$35.76
Route 28 South/Chantilly	9,984,794	27,838	1,359,872	13.9%	-6,409	1,688	82,210	0	$29.72	$31.49
Springfield	3,568,868	0	747,410	20.9%	-22,896	-28,190	23,610	0	$35.53	$38.82
Fairfax County	**79,705,390**	**358,876**	**17,347,229**	**22.2%**	**-302,614**	**-483,231**	**939,648**	**240,562**	**$34.48**	**$37.44**
Loudoun County	**5,755,735**	**18,436**	**809,846**	**14.4%**	**15,089**	**-17,774**	**29,217**	**0**	**$27.38**	**$30.20**
Outside the Beltway	**85,461,125**	**377,312**	**18,157,075**	**21.7%**	**-287,525**	**-501,005**	**968,865**	**240,562**	**$31.44**	**$34.49**
Northern Virginia Totals	**132,559,252**	**856,687**	**29,550,266**	**22.9%**	**-480,350**	**-895,733**	**1,493,012**	**240,562**	**$35.69**	**$38.06**

**Rental rates reflect full service asking*

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
12900 Federal Systems Park Drive	Fairfax/Oakton/Vienna	Northrop Grumman	309,757	Renewal*
15020 Conference Center Drive	Route 28 South/Chantilly	KBR	105,000	Renewal*
14280 Park Meadow Drive	Route 28 South/Chantilly	ManTech Advanced Systems International	67,514	Renewal*
14501 George Carter Way	Route 28 South/Chantilly	GSA	54,419	New Lease

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/$ PSF
11350 Random Hills Road	Fairfax/Oakton/Vienna	Novel Office / Private Individual	183,810	$27,800,000 / $151.24
2250, 2300, 2350 Corporate Park Drive	Herndon	American Real Estate Partners JV AEW Capital Mgmt / Zumot Real Estate	489,692	$27,000,000 / $55.14

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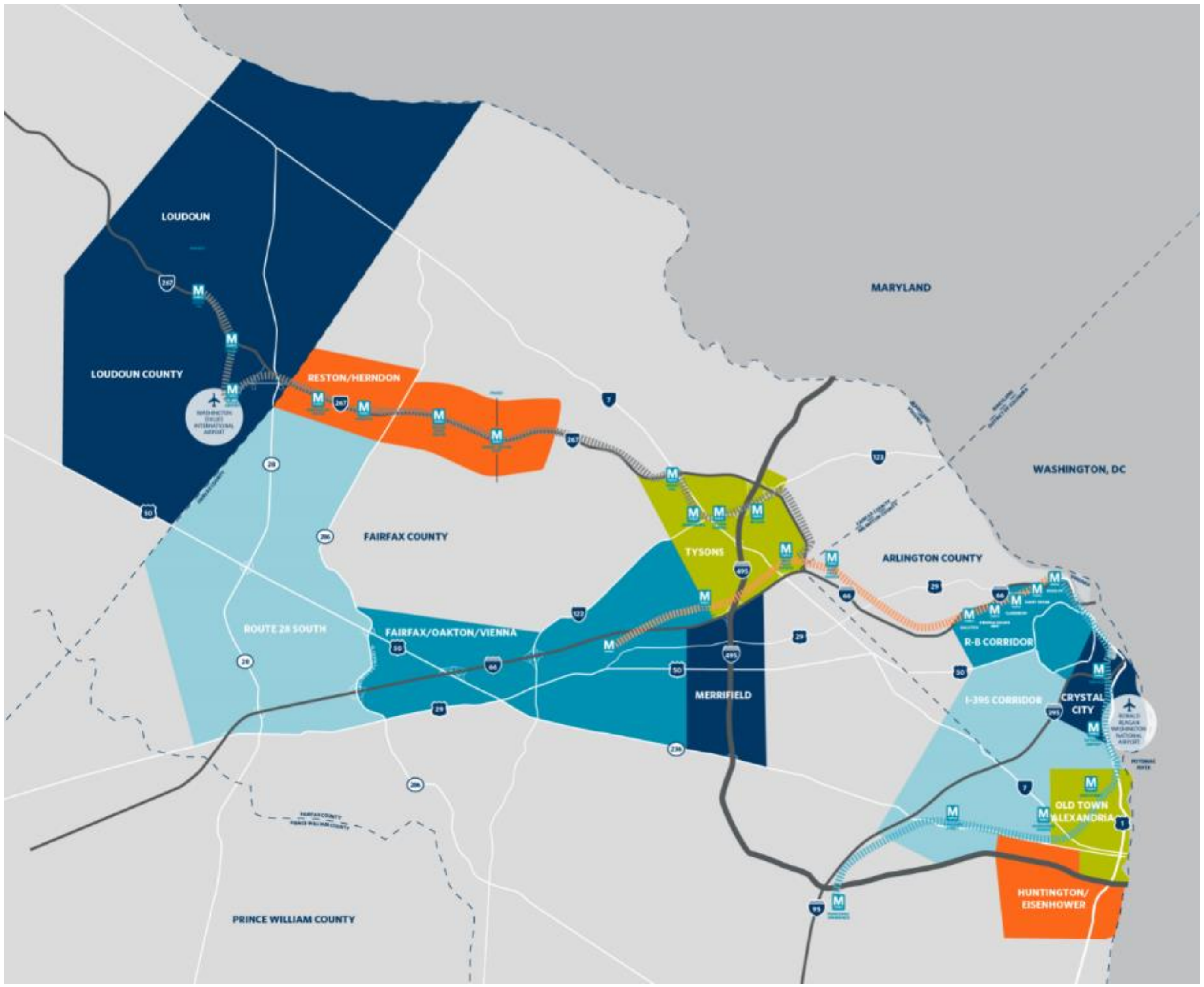
OFFICE SUBMARKETS



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