

Northern Virginia



Q1 2021 Market Report

Key Performance Indicators



Vacancy
18.6%



Average Rent
\$33.38/SF



Net Absorption
-677,170 SF



Deliveries
634,000 SF

* Y-O-Y Comparison

Tenant's Perspective

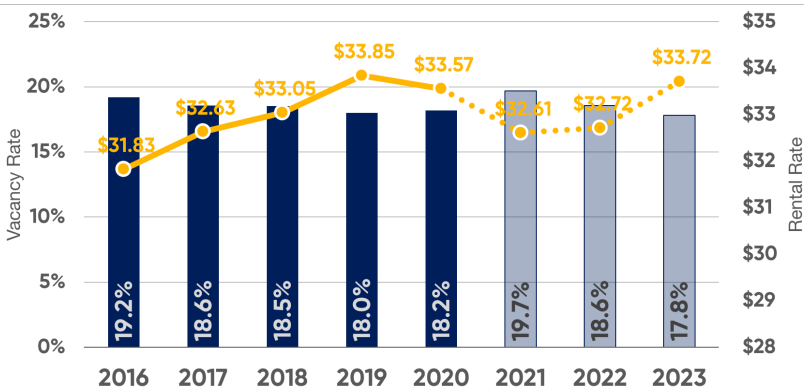
Market softening continued for Northern Virginia's office market in the first quarter. Vacancy has risen 180 basis points year-over-year, as Landlord's grapple with low demand and a heavy influx of sublease space. Its expected rental rates will continue to drop, and concession packages will increase until the market experiences a turnaround in overall activity.

Washington Region **21.2%**
Return to Office Barometer:

*Kastle Systems, Return to the Office Barometer

Market Overview

Northern Virginia continued to struggle in its recovery from COVID-19's impact in the first quarter of 2021, totaling -1,367,002 in net absorption. Activity and demand have yet to rebound across all building classes, with the I-395 Corridor being the lone submarket to post positive absorption for the quarter. Average direct rental rates have dropped \$.60/SF year-over-year, a strong change of direction for a market that had seen rates increase each year since 2014. The first quarter saw the TSA's 634,000 SF HQ in Springfield get delivered, providing a boost for the overall market. Overall, the development pipeline in Northern Virginia remains strong, with over 3.4 million SF of space under construction. After having trended in a positive direction for several years before COVID-19, Northern Virginia is well-positioned to bounce back as vaccination levels increase and uncertainty fades in the coming months. Completion of Phase 2 of the Silver Line, which is now slated to open in early 2022, is another encouraging sign for Northern Virginia as its economy opens back up.



Vacancy Change: **1.8%**
Since COVID



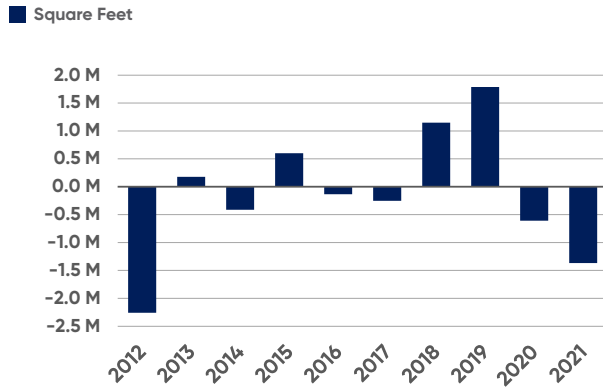
Average Rent Change: **\$1.13/SF**
Since COVID



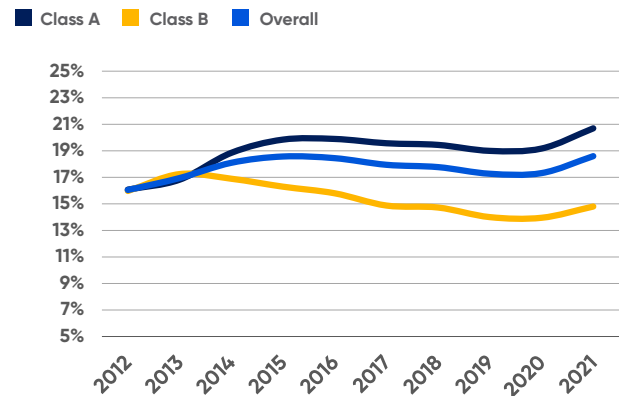
2,155,478 SF
Lost Occupancy since COVID

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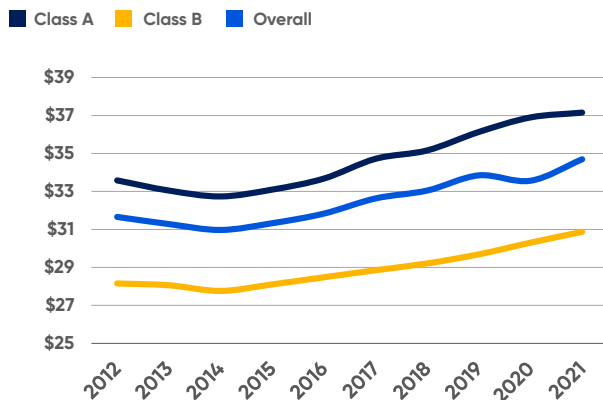
Net Absorption Occupancy Growth



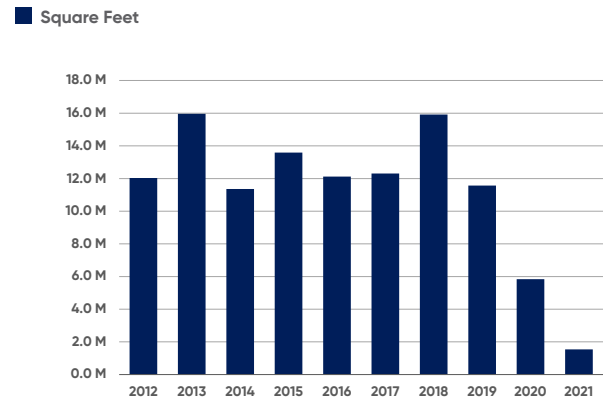
Direct Vacancy Rate



Asking Rents



Leasing Activity



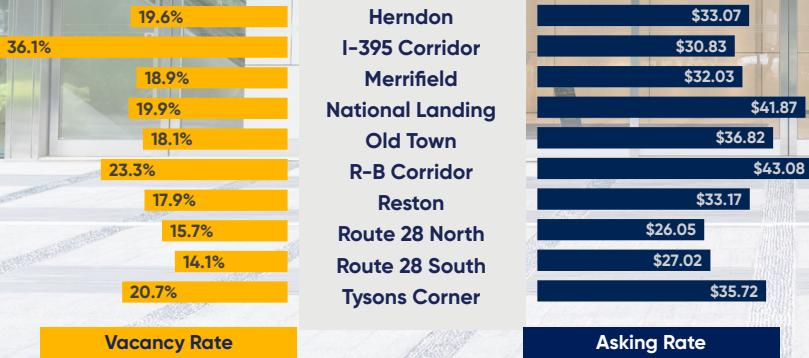
Market Fundamentals Lack, but Potential Remains

A snapshot of Northern Virginia's market statistics paints a bleak picture. Vacancy increased to 110 basis points to 19.7% in the first quarter; rental rates have fallen after years of run-up; and net absorption levels have bottomed out, matching 20-year lows. However, the potential for the Northern Virginia office market remains strong. The market has shown a consistent ability to land high-profile tenants, with Microsoft's 180,000 SF deal in Rosslyn this quarter providing another example. Further construction of Phase 2 of the Silver Line will deliver a strong boost to surrounding submarkets, opening new opportunities for tenant demand and future construction projects. The region's robust contracting base is another bright spot for the market, with federal contract spending reaching its highest levels in history. One of Northern Virginia's strongest attributes comes through its data centers, with Loudoun County experiencing exponential growth in this sector in recent years. Home to nearly 70% of the world's internet traffic, several major corporations have entered the market to address their growing data infrastructure needs. The region will need time to fully recover from the pandemic, but there are reasons to be optimistic about the Northern Virginia office market.

Northern Virginia



Submarket Comparison



Sublease Market

Recessionary Connection

Following past economic shocks, sublease listings recorded varying increases as firms reacted to the market uncertainty by listing unused and unnecessary space.

Current Availability

Sublease availability continues to grow, increasing 49.3% since the beginning of COVID. This growth is exceeding all previous economic shock-event market crashes. Following previous shock events, availability expansion continued for two years.

Submarket Statistics

Submarket	Total Bldgs	Inventory	Sublet Available	Total Available	Total Vacant	Vacancy Rate	Net Absorption Q1	Net Absorption (YTD)	Class A Rent	Class B Rent	Total Direct Rent	Under Construction	SF Delivered YTD	Net New SF Delivered
Tysons Corner	142	23,516,383	852,433	6,483,860	4,879,402	20.7% ▲	(265,286)	(265,286)	\$38.87	\$29.57	\$35.72 ▼	383,628	-	-
Merrifield	89	7,935,889	172,476	1,706,223	1,500,088	18.9% ▼	(52,473)	(52,473)	\$32.97	\$28.64	\$32.03 ▲	-	-	-
Fairfax Center	64	7,147,751	140,494	2,032,321	1,806,476	25.3% ▲	(16,545)	(16,545)	\$29.99	\$24.00	\$28.37 ▼	-	-	-
Fairfax City	103	3,636,179	7,954	485,595	441,616	12.1% ◆	(8,063)	(8,063)	\$27.60	\$25.00	\$24.84 ▼	-	-	-
Reston	158	18,279,747	459,013	4,447,024	3,270,478	17.9% ▲	(39,036)	(39,036)	\$35.21	\$27.00	\$33.17 ▼	1,644,000	-	-
Herndon	126	11,953,902	184,565	3,456,700	2,343,853	19.6% ▲	(219,574)	(219,574)	\$36.26	\$25.63	\$33.07 ▼	-	-	-
Route 28 S	145	12,833,803	218,534	2,170,163	1,815,530	14.1% ▲	(27,176)	(27,176)	\$28.97	\$23.59	\$27.02 ▲	-	-	-
Springfield/Burke	117	5,882,649	141,639	1,626,515	1,253,126	21.3% ▲	(57,383)	(57,383)	\$35.94	\$23.70	\$29.82 ▼	-	634,000	634,000
Fairfax County	944	91,186,303	2,177,108	22,408,401	17,310,569	19.0% ▲	(685,536)	(685,536)	\$34.52	\$26.47	\$32.35 ▼	2,027,628	634,000	634,000
Route 28 N	124	8,920,680	71,109	1,456,458	1,397,365	15.7% ▼	(39,420)	(39,420)	\$27.35	\$22.95	\$26.05 ▲	510,926	-	-
Route 7	58	3,018,175	69,538	444,377	338,787	11.2% ▼	(26,889)	(26,889)	\$28.88	\$23.60	\$27.95 ▼	-	-	-
Leesburg	77	2,450,022	7,483	313,606	225,541	9.2% ▲	(10,503)	(10,503)	\$31.60	\$23.38	\$27.38 ▲	-	-	-
Loudoun County	259	14,388,877	148,130	2,214,441	1,961,693	13.6% ▼	(76,812)	(76,812)	\$28.72	\$23.16	\$26.62 ▲	510,926	-	-
Rosslyn	37	9,133,155	179,864	2,090,308	1,869,411	20.5% ▲	(51,129)	(51,129)	\$47.98	\$39.85	\$44.31 ▼	-	-	-
Ballston	35	8,246,128	269,334	2,671,910	2,163,048	26.2% ▲	(41,817)	(41,817)	\$42.95	\$37.45	\$42.30 ▼	-	-	-
Clarendon/Courthouse	31	5,277,588	154,930	1,620,018	1,282,883	24.3% ▲	(109,359)	(109,359)	\$43.62	\$42.80	\$43.00 ▼	158,994	-	-
Virginia Square	12	1,129,008	9,528	276,111	236,171	20.9% ▲	(3,743)	(3,743)	\$43.41	\$38.23	\$41.77 ▲	-	-	-
RB Corridor	115	23,785,879	613,656	6,658,347	5,551,513	23.3% ▲	(206,048)	(206,048)	\$46.01	\$40.20	\$43.08 ▼	158,994	-	-
National Landing	45	12,389,350	322,746	3,434,931	2,468,154	19.9% ▲	(312,570)	(312,570)	\$43.97	\$41.04	\$41.87 ▼	694,395	-	-
Arlington County	160	36,175,229	936,402	10,093,278	8,019,667	22.2% ▲	(518,618)	(518,618)	\$45.54	\$40.65	\$42.67 ▼	853,389	-	-
Old Town Alexandria	128	7,904,617	209,254	1,969,674	1,434,024	18.1% ▲	(108,682)	(108,682)	\$40.55	\$30.12	\$36.82 ▼	-	-	-
Eisenhower Avenue Corridor	24	4,632,469	64,253	650,572	564,175	12.2% ▲	(29,247)	(29,247)	\$37.42	\$24.93	\$28.44 ▼	-	-	-
I-395 Corridor	60	6,550,420	49,197	2,638,954	2,361,653	36.1% ▼	51,893	51,893	\$31.76	\$28.55	\$30.83 ▲	58,460	-	-
Alexandria City	212	19,087,506	322,704	5,259,200	4,359,852	22.8% ▲	(86,036)	(86,036)	\$37.35	\$29.12	\$32.78 ▲	58,460	-	-
Total	1,750	168,170,659	3,650,530	41,754,000	33,103,280	19.7% ▲	(1,367,002)	(1,367,002)	\$37.16	\$30.87	\$33.69 ▼	3,450,403	634,000	634,000