

# Northern Virginia

cresa

## Q2 2021 Market Report

### Key Performance Indicators



\* Y-O-Y Comparison

### Tenant's Perspective

Despite high overall vacancy in the market, rental rates have started returning to their pre-pandemic levels. While less significant than the prior quarter, net absorption levels and leasing activity still point to a lack of demand in Northern Virginia. The rate at which sublease spaces are being added to the market has dropped, but the sheer amount of available space will continue to put pressure on landlords to compete for tenants.

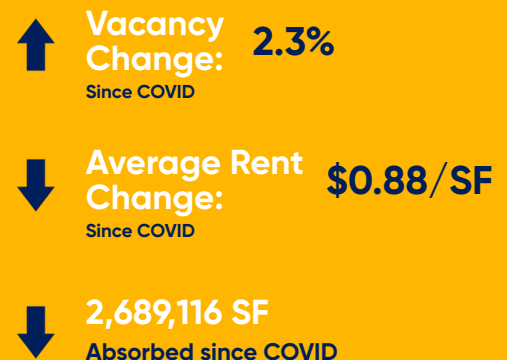
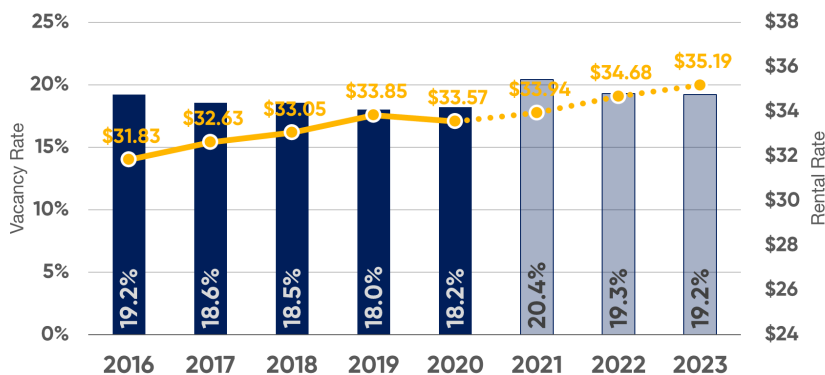
### Market Overview

The Northern Virginia office market experienced 535,250 SF of negative absorption in the second quarter of 2021. While this number is lower than the nearly 1.36 million SF of negative absorption from the prior quarter, only four of nineteen submarkets saw modest gains in absorption. In a positive sign for the market, average direct rental rates are returning to pre-pandemic levels, increasing \$.57/SF year-over-year to \$33.94/SF. Government contractors led the way in terms of top leases, highlighted by Raytheon's 521,366 SF renewal at Pacific Corporate Park in Dulles. Vacancy levels have risen to 20.2%, a 230-basis point increase compared to year-ago levels, as oversupplied sublease availability and slow leasing activity continue to hinder the market. A strong base of government contractors and a burgeoning tech landscape should help the market continue the upward trajectory it experienced before the impact of COVID-19. While recent deliveries have decreased the pipeline, 1.7 million SF of construction remains underway in the Northern Virginia market.

Washington Region  
Office Occupancy

27.4%

\*Kastle Systems, Return to the Office Barometer



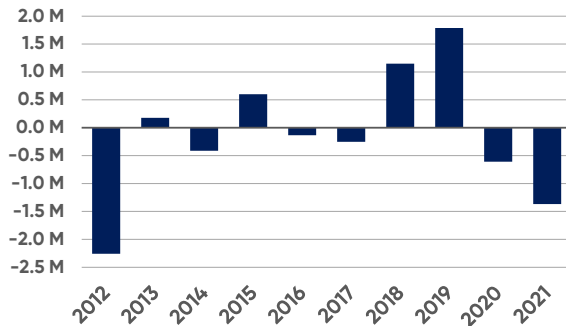
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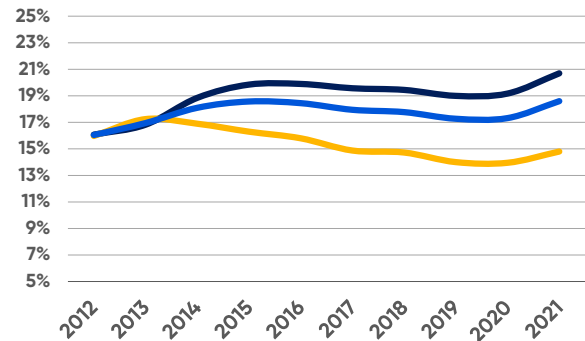
### Net Absorption Occupancy Growth

■ Square Feet



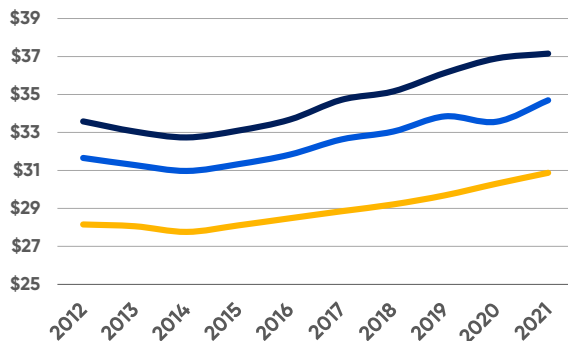
### Direct Vacancy Rate

■ Class A ■ Class B ■ Overall



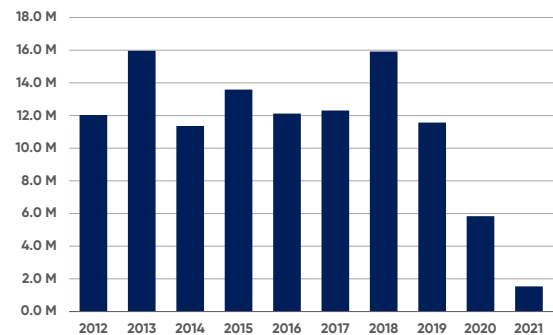
### Asking Rents

■ Class A ■ Class B ■ Overall



### Leasing Activity

■ Square Feet



## Attracting Talent and Investment

Buoyed by one of the strongest business environments in the country, Northern Virginia has shown the ability to attract both talent and investment. Large corporations such as Amazon and Microsoft have already made their presence known in the region, but another bright spot is seen through Guidehouse taking 74,532 SF at 1676 International Drive in Tysons for their new headquarters. The large government contracting base in Northern Virginia has benefitted from the expanding defense budget and continues to supply thousands of jobs to the region. Organic growth is happening too – Virginia companies received nearly \$603 million in venture capital funding in the second quarter alone. While vacancy rates remain high and the market is still experiencing negative absorption, Northern Virginia is positioned well for a post-COVID world.

### Q2 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 70.5% 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.

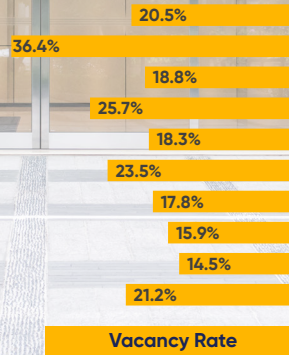
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## Q2 2021 Market Report

### Q2 Top Leases

Tenant	Submarket	Address	Size	Type
Raytheon	Route 28 North	22110, 22260, & 22270 Pacific Boulevard	521,366	Renewal
L3Harris Technologies	Reston	2235 Monroe Street	161,359	Renewal
GSA - DOS	Rosslyn	1400 Wilson Boulevard	108,296	Renewal
Boeing	Route 28 South	14660 Lee Road	80,339	Renewal
Guidehouse, Inc.	Tysons Corners	1676 International Drive	74,532	New Lease



### Submarket Comparison

Herndon	\$33.14
I-395 Corridor	\$31.09
Merrifield	\$32.35
National Landing	\$42.03
Old Town	\$36.60
R-B Corridor	\$43.27
Reston	\$32.82
Route 28 North	\$25.84
Route 28 South	\$26.72
Tysons Corner	\$36.62

Asking Rate

## Submarket Statistics

Submarket	Total Bldgs	Inventory	Sublet Available	Total Available	Total Vacant	Vacancy Rate	Net Absorption Q2	Net Absorption (YTD)	Class A Rent	Class B Rent	Total Direct Rent	Under Construction	SF Delivered YTD	Net New SF Delivered
Tysons Corner	142	23,538,166	990,723	7,012,054	4,996,332	21.2% ▲	(29,054)	(294,340)	\$39.71	\$29.69	\$36.62 ▼	360,237	-	-
Merrifield	87	7,820,773	239,641	1,714,129	1,495,061	18.8% ▲	10,613	(41,860)	\$33.03	\$28.49	\$32.35 ▲	-	-	-
Fairfax Center	64	7,157,798	104,160	2,046,969	1,770,940	24.7% ▼	9,472	(7,073)	\$30.14	\$24.26	\$28.50 ▲	-	-	-
Fairfax City	103	3,644,009	7,954	502,080	434,876	11.9% ▼	6,740	(1,323)	\$27.60	\$24.90	\$24.73 ▲	-	-	-
Reston	157	18,286,175	628,849	4,859,174	3,258,563	17.8% ▲	(136,227)	(175,263)	\$35.43	\$25.95	\$32.82 ▼	1,362,000	-	-
Herndon	126	11,856,234	258,529	3,533,749	2,425,788	20.5% ▲	(81,935)	(301,509)	\$36.30	\$25.49	\$33.14 ▼	-	-	-
Route 28 S	146	13,110,599	212,146	2,327,714	1,896,079	14.5% ▼	93,964	66,788	\$28.76	\$22.09	\$26.72 ▲	-	-	-
Springfield/Burke	117	6,424,149	146,560	1,647,195	1,311,748	20.4% ▲	(53,056)	(110,439)	\$36.12	\$24.12	\$30.03 ▲	-	634,000	634,000
Fairfax County	942	91,837,903	2,588,562	23,643,064	17,589,387	19.2% ▲	(179,483)	(865,019)	\$34.97	\$26.35	\$32.62 ▼	1,722,237	634,000	634,000
Route 28 N	124	8,920,679	79,784	1,477,375	1,415,886	15.9% ▼	(18,522)	(57,942)	\$27.17	\$22.50	\$25.84 ▲	-	-	-
Route 7	56	2,969,240	37,807	405,806	298,773	10.1% ▲	15,552	(11,337)	\$28.54	\$23.76	\$27.40 ▼	-	54,000	54,000
Leesburg	76	2,438,022	6,844	284,939	205,603	8.4% ▲	(6,577)	(17,080)	\$31.88	\$23.54	\$27.04 ▼	-	-	-
Loudoun County	256	14,327,941	124,435	2,168,120	1,920,262	13.4% ▲	(9,547)	(86,359)	\$28.56	\$22.96	\$26.29 ▲	-	54,000	54,000
Rosslyn	38	9,651,118	189,097	2,226,319	2,002,499	20.7% ▲	(31,071)	(82,200)	\$49.19	\$40.25	\$44.96 ▼	-	-	-
Ballston	35	8,230,673	244,462	2,643,475	2,194,730	26.7% ▲	(47,775)	(89,592)	\$42.91	\$37.77	\$42.25 ▼	-	-	-
Clarendon/Courthouse	31	5,244,284	172,091	1,565,364	1,239,908	23.6% ▲	(9,974)	(119,333)	\$43.66	\$42.93	\$43.21 ▼	-	-	-
Virginia Square	12	1,129,008	76,543	340,085	263,542	26.9% ▲	(67,015)	(70,758)	\$43.41	\$38.23	\$40.43 ▼	-	-	-
RB Corridor	116	24,255,083	682,193	6,775,243	5,700,679	23.5% ▲	(155,835)	(361,883)	\$46.47	\$40.55	\$43.27 ▼	-	-	-
National Landing	44	12,166,979	294,232	3,436,246	3,126,481	25.7% ▲	(104,325)	(416,895)	\$43.91	\$40.30	\$42.03 ▼	-	-	-
Arlington County	160	36,422,062	976,425	10,211,489	8,827,160	24.2% ▲	(260,160)	(778,778)	\$45.91	\$40.40	\$42.85 ▼	-	-	-
Old Town Alexandria	128	7,575,555	254,362	2,041,507	1,387,736	18.3% ▲	(50,441)	(159,123)	\$40.38	\$29.35	\$36.60 ▼	-	-	-
Eisenhower Avenue Corridor	24	4,632,469	79,993	671,837	578,793	12.5% ▲	(14,618)	(43,865)	\$37.25	\$25.16	\$35.18 ▲	-	-	-
I-395 Corridor	60	6,550,420	64,305	2,587,848	2,382,654	36.4% ▼	(21,001)	30,892	\$31.80	\$29.30	\$31.09 ▲	-	-	-
Alexandria City	212	18,758,444	398,660	5,301,192	4,349,183	23.2% ▲	(86,060)	(172,096)	\$37.49	\$28.92	\$33.73 ▲	-	-	-
Total	1,775	169,599,411	4,164,004	43,244,507	34,177,124	20.2% ▲	(535,250)	(1,902,252)	\$37.44	\$30.68	\$33.94 ▲	1,722,237	688,000	688,000