Northern Virginia

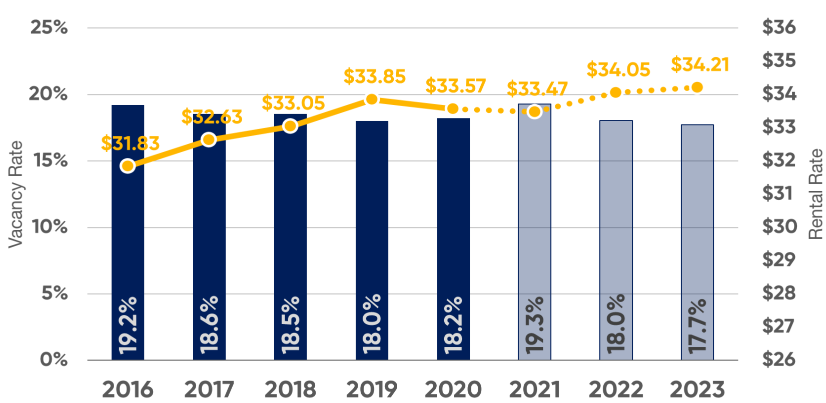
Q4 2020 Market Report

Key Performance Indicators

Vacancy	Average Rent	Net Absorption
18.6%	$33.38/SF	-677,170 SF

Market Overview

Pandemic-induced uncertainty continued to affect the Northern Virginia market fundamentals of the final quarter of 2020, registering -677,170 SF in occupancy losses. Though leasing increased from third-quarter activity, total leasing activity remains down 45% from year-ago levels as activity and demand continue to fall across all building classes. Though the fourth quarter delivered no new buildings, Northern Virginia's development pipeline remains robust, as Reston and National Landing developments continue on schedule. The lack of deliveries follows a similar trend to other national markets, as construction has slowed due to pandemic-related effects in markets. Average direct rental rates fell $0.77/SF from year-ago levels, marking the first yearly decrease in average asking rates since 2014. Effective rental rate (factoring in concessions) declines have continued throughout primary submarkets in Northern Virginia. However, several submarkets are expected to quickly rebound after pandemic-induced uncertainty begins to fade.



Tenant's Perspective

Northern Virginia's office market continued to remain soft in the fourth quarter and is expected to remain so due to slow demand and the structurally oversupplied market with high vacancy. Landlords continue to remain competitive, dropping rents and offering large concession packages to compete as the market continues to soften.

Washington Region Office Occupancy: 19.6%

*Kastle Systems, Return to the Office Barometer

Vacancy Change: 0.7%
Since COVID

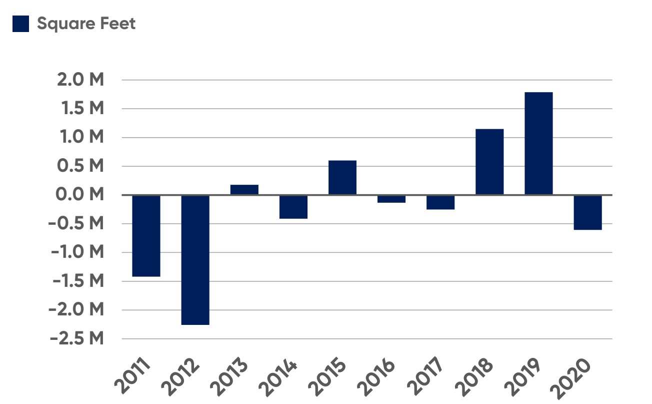
Average Rent Change: $0.49/SF
Since COVID

788,476 SF
Absorbed since COVID

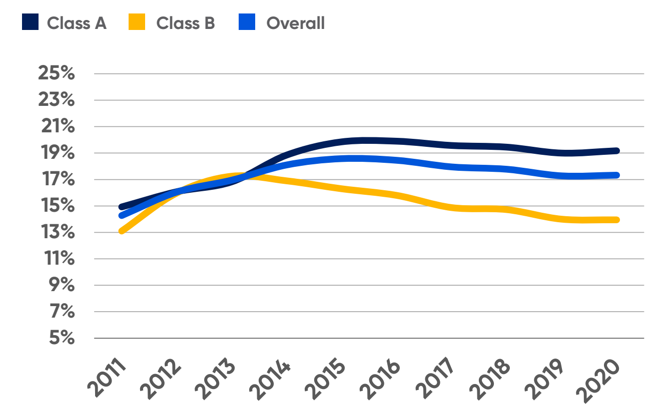
Northern Virginia

Q4 2020 Market Report

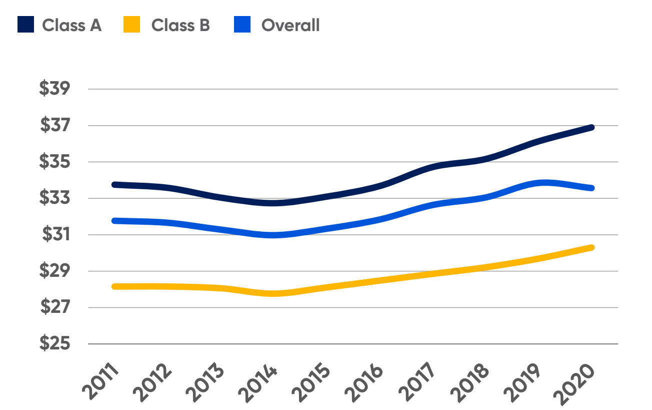
Net Absorption Occupancy Growth



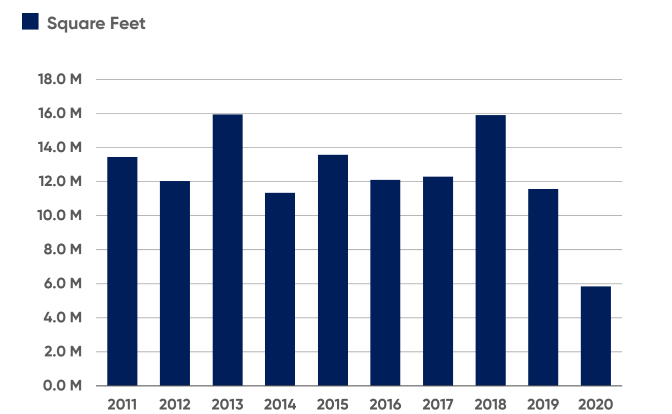
Average Vacancy Rate



Average Asking Rent



Leasing Activity



Region's Metro Expansion Promises Growth, Reston Leading the Way

Though the pandemic has caused much uncertainty in the market, Northern Virginia has begun to show future rebounding signs in suburban centric markets. The region's planned 2021 opening of the Silver Line Phase II is expected to unlock several markets, opening areas to higher tenant demand through mass transit. Near the new Reston Town Center Metro site, Volkswagen Group signed a 196,000 SF prelease at Reston Gateway, the second major occupier to announce at Reston Gateway following Fannie Mae. Reston Gateway will deliver 2022 along with additional developments set to deliver 2021, already preleased to major occupiers such as ICF International at 1902 Reston Metro Plaza, and Neustar at 1906 Reston Metro Plaza. As the pandemic continues to affect the region, insulated submarkets such as Reston promise upcoming growth and stability.

Northern Virginia

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Q4 2020 Market Report

Q4 Top Leases

Tenant	Submarket	Address	Size	Type
GSA - Department of State	Rosslyn	1800 N Kent Street	246,771	Renewal
Volkswagen	Reston	Reston Gateway, Sunset Hills Road	196,000	New Lease
Microsoft	Reston	12012 Sunset Hills Road	185,966	Renewal
Raytheon	Rosslyn	1100 Wilson Boulevard	115,668	Renewal
GSA - Department of Defense	Merrifield	8111 Gatehouse Road	70,056	Renewal

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, increase 45.7% 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 Q4	Net Absorption (YTD)	Class A Rent	Class B Rent	Total Direct Rent	Under Construction	SF Delivered YTD	Net New SF Delivered
Tysons Corner	144	23,733,852	931,321	6,259,774	4,805,466	20.2% ▲	(204,056)	(232,119)	$41.18	$31.54	$38.26 ▼	383,628	-	-
Merrifield	88	7,923,973	88,102	1,579,528	1,359,830	17.2% ▼	73,471	230,134	$32.71	$28.80	$31.81 ▲	-	-	-
Fairfax Center	64	7,144,461	153,260	2,086,862	1,839,229	25.7% ▲	(9,149)	(224,082)	$29.57	$25.21	$28.33 ▼	-	-	-
Fairfax City	103	3,626,227	6,439	484,099	433,553	12.0% ▼	10,295	18,092	$27.60	$25.19	$25.01 ▲	-	-	-
Reston	157	18,068,266	418,572	4,219,067	3,201,442	17.7% ▲	(121,399)	273,618	$36.82	$27.27	$35.19 ▼	1,644,000	631,987	631,987
Herndon	126	11,927,617	167,962	3,442,913	2,014,770	16.9% ▲	(168,614)	(35,078)	$35.66	$25.21	$32.64 ▼	-	-	-
Route 28 S	147	13,127,839	184,029	2,378,857	1,994,914	15.2% ▲	36,700	(209,664)	$28.71	$23.60	$26.99 ▼	-	125,000	125,000
Springfield/ Burke	116	5,823,714	57,124	1,346,943	1,165,621	20.0% ▲	(23,741)	71,434	$37.12	$23.58	$30.10 ▲	634,000	-	-
Fairfax County	945	91,375,949	2,006,809	21,798,043	16,814,825	18.4% ▲	(406,493)	(107,665)	$35.30	$27.16	$33.33 ▼	2,661,628	756,987	756,987
Route 28 N	124	8,920,680	30,839	1,399,121	1,254,557	14.1% ▼	24,734	133,772	$27.29	$22.38	$25.90 ▲	510,926	56,025	56,025
Route 7	57	2,964,175	45,538	438,718	279,062	9.4% ▲	3,342	9,252	$27.07	$23.56	$25.85 ▼	-	-	-
Leesburg	77	2,448,230	11,814	279,975	215,038	8.8% ▲	(7,028)	(7,227)	$31.85	$24.13	$27.23 ▲	-	-	-
Loudoun County	258	14,333,085	88,191	2,117,814	1,748,657	12.2% ▼	21,048	135,797	$28.28	$23.02	$26.07 ▼	510,926	56,025	56,025
Rosslyn	38	9,473,155	174,640	2,205,345	1,853,155	19.6% ▲	2,448	(39,172)	$50.83	$42.46	$47.26 ▼	-	-	-
Ballston	34	7,668,777	291,332	2,443,418	1,915,312	25.0% ▲	(68,286)	17,194	$43.30	$37.35	$42.42 ▼	-	240,000	240,000
Clarendon/ Courthouse	30	5,200,412	164,662	1,476,594	1,167,595	22.5% ▲	(50,106)	(22,599)	$43.91	$42.77	$43.12 ▼	158,994	-	-
Virginia Square	12	1,129,008	9,528	272,368	232,428	20.6% ▲	342	(4,199)	$42.00	$37.00	$41.15 ▼	-	-	-
RB Corridor	114	23,471,352	640,162	6,397,725	5,168,490	22.0% ▲	(115,602)	(48,776)	$47.81	$41.76	$44.20 ▼	158,994	240,000	240,000
National Landing	45	12,389,313	315,626	3,391,683	2,051,862	16.6% ▲	(73,223)	(304,345)	$44.01	$39.64	$41.54 ▼	694,395	271,572	-
Arlington County	159	35,860,665	955,788	9,789,408	7,220,352	20.1% ▲	(188,825)	(353,121)	$46.93	$40.58	$43.28 ▼	853,389	511,572	240,000
Old Town Alexandria	128	7,960,633	264,195	1,710,148	1,066,835	13.4% ▼	(50,743)	(77,752)	$40.53	$30.74	$37.30 ▲	-	-	-
Eisenhower Avenue Corridor	24	4,622,755	73,880	639,072	534,928	11.6% ▲	(20,032)	(51,203)	$37.62	$25.48	$33.50 ▼	-	-	-
I-395 Corridor	60	6,549,340	24,524	2,761,762	2,469,346	37.7% ▲	(32,125)	(44,985)	$31.78	$24.96	$29.93 ▼	58,460	-	-
Alexandria City	212	19,132,728	362,599	5,110,982	4,071,109	21.3% ▲	(102,900)	(173,940)	$36.87	$27.99	$32.84 ▼	58,460	-	-
Total	1,752	168,113,192	3,477,146	40,731,679	31,239,294	18.6% ▲	(677,170)	(607,754)	$37.36	$32.28	$33.38 ▼	4,084,403	1,324,584	1,053,012