

# Northern Virginia

cresa

## Q3 2020 Market Report

### Key Performance Indicators



**Vacancy**  
18.5%



**Average Rent**  
\$33.22/SF



**Net Absorption**  
-591,318 SF

## Market Overview

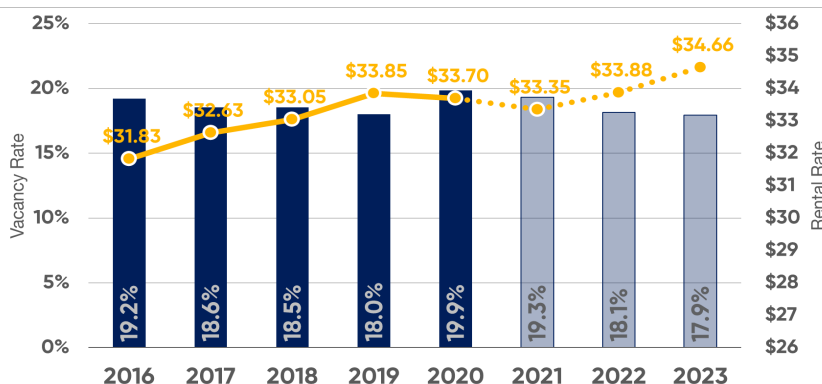
The effects of COVID-19, though not as significant last quarter, considerably accelerated during the third quarter of 2020. Leasing activity continued to slow, with total leased square feet dropping nearly 70% from year-ago levels. Activity and demand fell across all office classes, a trend that is expected to continue through the end of 2020 and well into 2021. No Northern Virginia buildings were delivered in the third quarter, though construction for larger projects, such as Amazon's HQ2, continue on schedule. Building construction does continue, although developers have more trepidation with the uncertainty in the market, pushing back construction delivery dates and repositioning proposed projects. Much of Northern Virginia's office market continues to remain structurally oversupplied, evidenced by the region's high vacancy rate. Average direct rental rates fell \$0.15/SF from Q2 to Q3. The widespread decline of asking rents in a significant number of submarkets suggests landlords are conscious of the slow-down in demand and are proposing very aggressive concession packages of free rent, improvement allowances, and taking over existing lease obligations.

## Tenant's Perspective

Northern Virginia's office market is expected to remain soft due to slow demand and a structurally oversupplied market with high vacancy. Landlord competition began to show in the third quarter as asking rates decreased across the board in office inventory. Landlords have begun to compete more aggressively as the market softens, dropping the building asking rates and are offering larger concession packages.

**Washington Region  
Office Occupancy: 24.0%**

\*Kastle Systems, Return to the Office Barometer



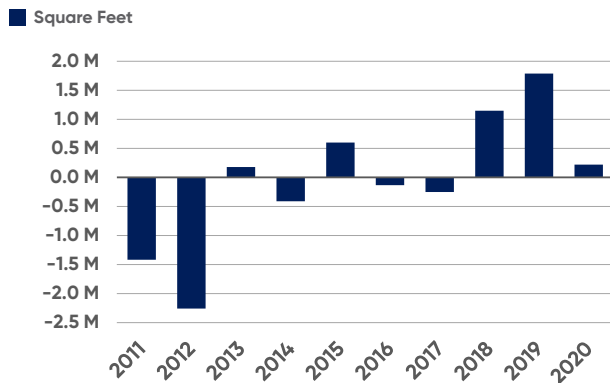
**Vacancy Change: 0.6%**  
Since COVID

**Average Rent Change: \$0.54/SF**  
Since COVID

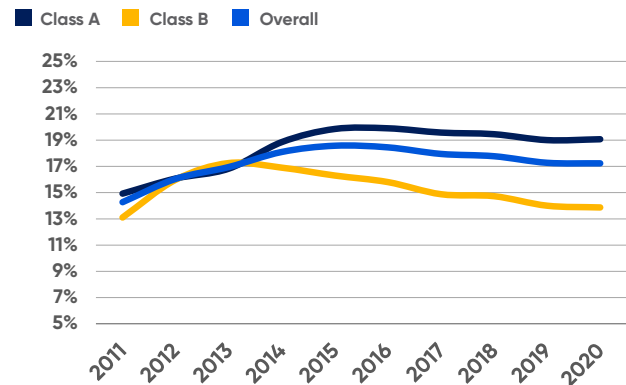
**923,022 SF**  
Absorbed since COVID

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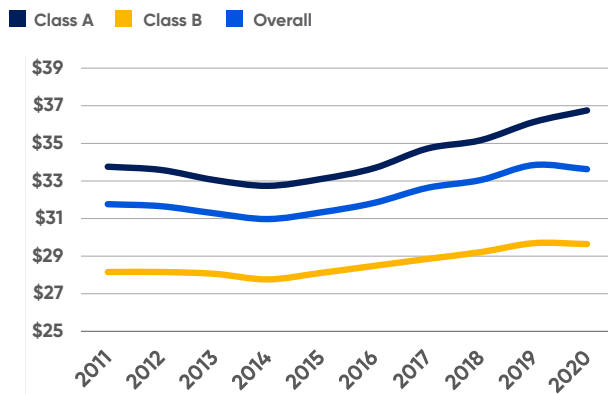
### Net Absorption Occupancy Growth



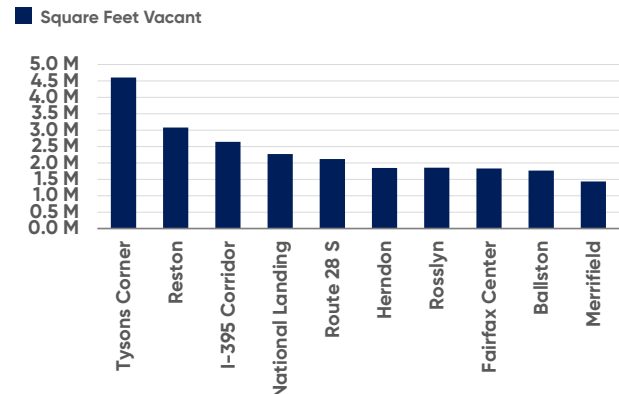
### Direct Vacancy Rate



### Asking Rent



### Top 10 Submarkets for Vacancy



## Government Leasing Boosts Office Region

Northern Virginia's office market faced a significant shock in the third quarter of 2020. As anticipated, many businesses have been unable to occupy their offices to conduct "normal" business activities. Government and government contractor renewals led quarterly leasing activity. The United States Postal Service, Customs and Border Patrol, and Immigration and Customs Enforcement were three of the quarter's top five leases, signing approximately 115,000 SF, 92,000 SF, and 67,000 SF, respectively. The two government contractors, Aerospace Corporation and General Dynamics signed for 88,000 SF and 84,000 SF, respectively. As COVID-19 will continue to affect the region, federal funding through government support will encourage government agency and contractor leasing.

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### Q3 Top Leases

Tenant	Submarket	Address	Size	Type
United States Postal Service	Rosslyn	1735 N Lynn St	115,747	Renewal
Customs and Border Patrol	I-395	1801 N Beauregard St	92,807	Renewal
Aerospace Corporation	Route 28 S	4851 Stonecroft Blvd	88,094	Renewal
General Dynamics	Route 28 S	14700 Lee Rd	84,652	Renewal
Immigration and Customs Enforcement	Tysons	1953 Gallows Rd	67,549	New Lease

## 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 has increased by 34.4% since the beginning of COVID. This growth is on-par with or exceeding the post-2001 and 2008 market crashes. Following those shocks, availability expansion continued for two years.

## 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	145	23,736,940	770,340	5,868,316	4,601,066	19.4% ▲	(94,490)	(28,063)	\$40.58	\$30.50	\$36.56 ▲	383,628	-	-
Merrifield	87	7,888,816	87,675	1,511,450	1,433,301	18.2% ▲	47,413	156,663	\$32.74	\$27.28	\$31.50 ▲	-	-	-
Fairfax Center	64	7,139,533	140,578	2,085,248	1,831,866	25.7% ▲	(53,575)	(214,933)	\$30.31	\$25.21	\$28.66 ▲	-	-	-
Fairfax City	103	3,636,367	6,439	499,386	443,848	12.2% ▼	(5,174)	7,797	\$27.60	\$24.05	\$24.63 ▼	-	-	-
Reston	157	18,083,011	379,265	4,116,880	3,080,043	17.0% ▲	(91,362)	395,017	\$35.59	\$26.92	\$33.53 ▲	1,999,987	276,000	276,000
Herndon	126	11,911,472	125,408	3,375,075	1,846,156	15.5% ▼	46,503	133,536	\$35.61	\$25.20	\$32.78 ▲	-	-	-
Route 28 S	146	13,129,539	191,394	2,431,995	2,116,723	16.1% ▲	(147,606)	(246,364)	\$28.73	\$23.64	\$27.23 ▲	-	125,000	125,000
Springfield/Burke	116	5,810,229	118,455	1,446,563	1,200,276	20.7% ▲	(14,555)	95,175	\$37.25	\$23.83	\$30.24 ▲	634,000	-	-
Fairfax County	944	91,335,907	1,819,554	21,334,913	16,553,279	18.1% ▲	(312,846)	298,828	\$35.14	\$26.71	\$32.48 ▲	3,017,615	401,000	401,000
Route 28 N	124	8,912,623	30,839	1,448,528	1,462,082	16.4% ▼	(21,648)	195,943	\$27.27	\$22.18	\$25.97 ▲	510,926	56,025	56,025
Route 7	57	2,964,175	58,756	454,691	293,204	9.9% ▼	(14,631)	5,910	\$29.79	\$23.52	\$27.66 ▼	-	-	-
Leesburg	77	2,533,039	11,814	272,854	208,010	8.2% ▼	(28,990)	(199)	\$31.71	\$24.13	\$27.02 ▲	-	-	-
Loudoun County	258	14,409,837	101,409	2,176,073	1,963,296	13.6% ▼	(65,269)	201,654	\$28.76	\$22.88	\$26.45 ▲	510,926	56,025	56,025
Rosslyn	38	9,472,800	192,376	2,194,462	1,855,603	19.6% ▼	(48,441)	(41,620)	\$50.92	\$43.08	\$46.51 ▼	-	-	-
Ballston	34	7,741,401	228,659	2,280,531	1,768,462	22.8% ▼	(2,344)	85,480	\$43.38	\$37.43	\$42.46 ▼	-	240,000	240,000
Clarendon/Courthouse	30	5,199,048	161,953	1,423,399	1,062,734	20.4% ▲	(25,498)	27,507	\$46.15	\$42.05	\$44.21 ▼	158,994	-	-
Virginia Square	11	1,029,436	7,180	240,643	232,770	22.6% ▲	(5,497)	(4,541)	\$42.00	\$37.00	\$40.79 ▼	-	-	-
RB Corridor	113	23,442,685	590,168	6,139,035	4,919,569	21.0% ▼	(81,780)	66,826	\$48.43	\$41.95	\$44.25 ▼	158,994	240,000	240,000
National Landing	44	12,263,732	298,863	3,436,797	2,269,370	18.5% ▲	(94,691)	(231,122)	\$45.76	\$39.74	\$42.10 ▼	965,967	-	-
Arlington County	157	35,706,417	889,031	9,575,832	7,188,939	20.1% ▲	(176,471)	(164,296)	\$47.79	\$40.65	\$43.48 ▼	1,124,961	240,000	240,000
Old Town Alexandria	128	7,950,918	259,442	1,679,192	1,041,357	13.1% ▼	(50,413)	(27,009)	\$40.48	\$31.26	\$37.92 ▲	-	-	-
Eisenhower Avenue Corridor	24	4,622,755	22,519	564,617	514,896	11.1% ▲	(30,555)	(31,171)	\$32.55	\$26.04	\$29.42 ▼	-	-	-
I-395 Corridor	62	7,253,662	14,457	2,922,648	2,643,057	36.4% ▲	44,236	(12,860)	\$31.52	\$24.94	\$29.46 ▼	58,460	-	-
Alexandria City	214	19,827,335	296,418	5,166,457	4,199,310	21.2% ▲	(36,732)	(71,040)	\$35.23	\$27.58	\$32.21 ▼	58,460	-	-
Total	1,754	168,827,211	3,164,121	40,128,238	31,240,699	18.5% ▲	(591,318)	152,594	\$37.31	\$30.83	\$33.22 ▲	4,711,962	697,025	697,025