

Northern Virginia's availability dips in response to robust year of leasing demand

Overall availability in Northern Virginia ended the quarter at 19.9%, the first dip below 20.0% since 2013. This drop reflects a 30-basis-point decline over the quarter and a 190-basis-point decrease over the year. Stronger demand is a key factor in market tightening. Quarterly leasing totaled 2.9 million square feet (msf), bringing the year-to-date total to 12.0 msf leased, the largest annual volume seen in the last six years. Arlington's rebound is particularly noteworthy, with availability declining 260 basis points over the year to 19.4%, its lowest since the effects of BRAC and sequestration sky-rocketed availability across the county.

Asking rents rise as the market tightens, still effective rents remain tenant-favorable

As the market begins to see options contract, overall asking rents rose to \$35.03 per square foot (psf) during the fourth quarter, a 7.1% increase year over year. Class A asking rents increased at a similar pace, rising 7.8% over the year to close at \$37.05 psf. Top-of-market rents can be found in Tysons Corner and along the Rosslyn-Ballston Corridor where owners seek upwards of \$50.00 psf for Class A space. Still, even as asking rents push higher, owners continue to offer generous concession packages to entice tenants to their properties, which has kept tenant effective rents in check.

Renewals make up half of leasing activity, Fairfax County submarkets garner the bulk of deals

Leasing activity for the quarter was primarily made up of renewals which accounted for 50.0% of space leased. This was heavily influenced by the government sector, which was the most active tenant type of the quarter (signing 0.7 msf of renewals). In the largest transaction of the quarter, the GSA renewed 334,103 square feet (sf) for the Social Security Administration at 5107 Leesburg Pike. Demand was strongest in Fairfax County submarkets, where seven of the 10 largest leases of the quarter were signed. Notably, ICF International will be moving its headquarters within Fairfax to the new trophy development at 1902 Reston Metro Plaza, with a full building lease for 207,000 sf. This relocation within the county exemplifies tenant preference to upgrade both space and amenities, when the opportunity is available.

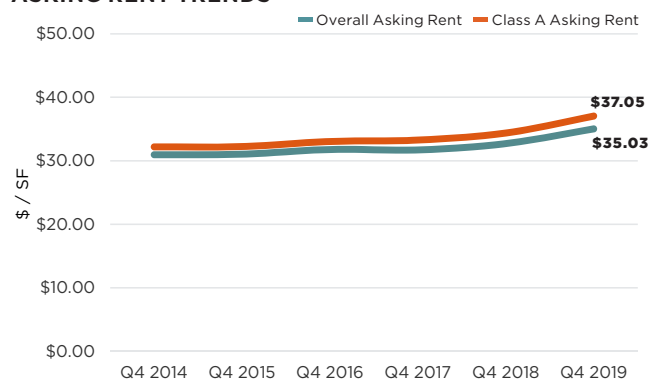
Outlook

- Even with a decline in Northern Virginia's availability, the market is not expected to shift away from tenant-friendly conditions as there are still over 30.0 msf of options available
- Generous concession packages keep tenant effective rents in check, even as asking rents continue to escalate throughout the market
- Tenants are renewing, and upgrading their space when possible, to secure the current market's favorable terms

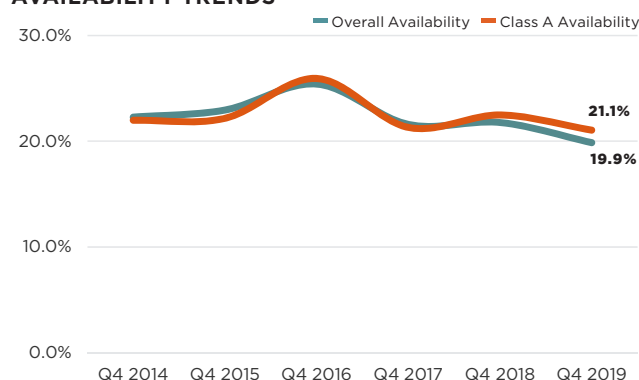
KEY STATISTICS

	Q4 2018	Q4 2019	y-o-y Change
Inventory	152.2 MSF	153.9 MSF	▲
Availability Rate	21.8%	19.9%	▼
Asking Rental Rate	\$32.71	\$35.03	▲
Class A Asking Rental Rate	\$34.37	\$37.05	▲
Quarterly Leasing Activity	3.4 MSF	2.9 MSF	▼

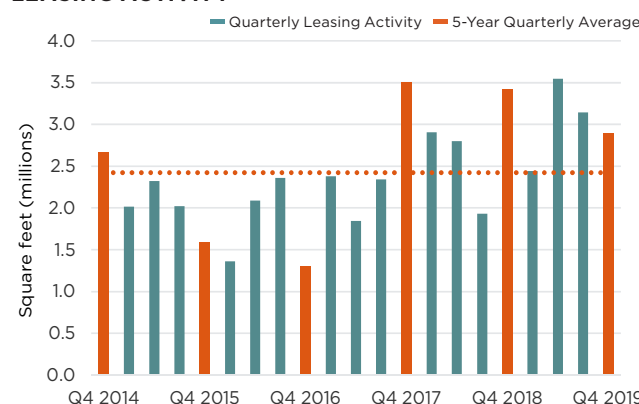
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

63.0%

of major transactions were **renewals**

80.0%

of large transactions occurred in **Fairfax County** submarkets

48.4%

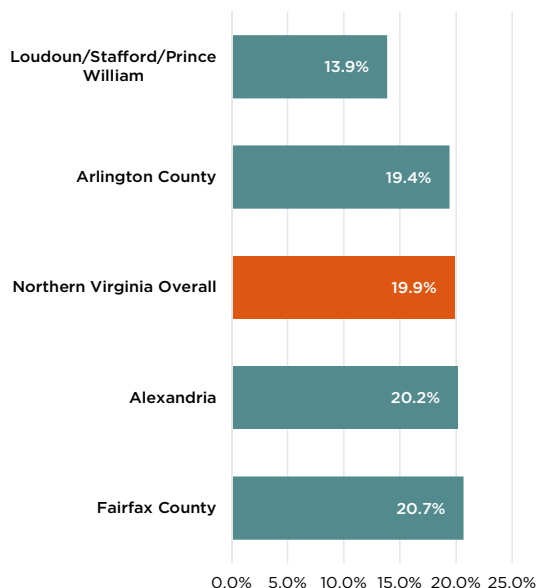
Government tenants represented 48.4% of major transactions

Tenant	Square feet	Address	Transaction type	Submarket	Industry
GSA - Social Security Administration	334,103	5107 Leesburg Pike	Renewal	Fairfax County	Government
ICF International, Inc	207,000	1902 Reston Metro Plaza	Relocation	Fairfax County	TAMI
CACI International	97,449	1100 N Glebe Road	Renewal	Arlington County	Professional Services
GSA - Defense Health Agency	97,301	5109 Leesburg Pike	Renewal	Fairfax County	Government
Facebook	75,000	1818 Library Street	New Location	Fairfax County	TAMI
Virginia Cancer Center	65,797	8613 Lee Highway	Relocation	Fairfax County	Healthcare
FourthWall Media	63,000	45925 Horseshoe Drive	Renewal	Loudoun/Stafford/Prince William	TAMI
Deloitte	59,528	1919 N Lynn Street	Expansion	Arlington County	Professional Services
GSA - Bureau of Diplomatic Security Services	55,948	2216 Gallows Road	Renewal	Fairfax County	Government
GSA - Bureau of Diplomatic Security Services	45,360	2222 Gallows Road	Renewal	Fairfax County	Government

Source Savills Research

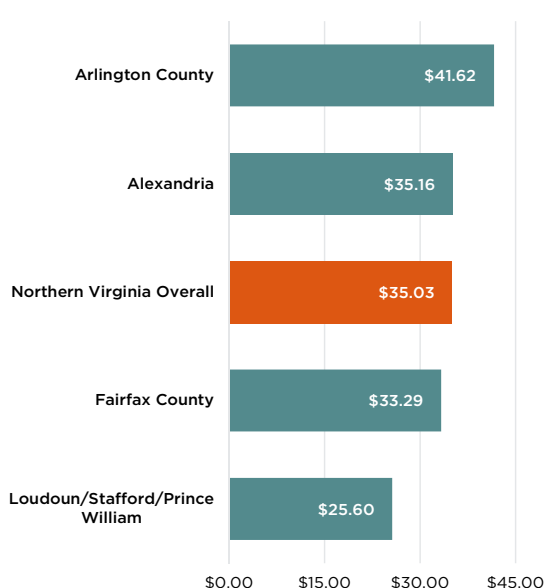
AVAILABILITY RATE COMPARISON

Northern Virginia Submarkets



RENTAL RATE COMPARISON (\$/SF)

Northern Virginia Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot (psf). Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills research.

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