Northern Virginia

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Despite a few large deals in Q2, leasing activity remains subdued

While leasing activity for Northern Virginia increased slightly from the previous quarter to a total of 1.9 million square feet (msf), it was significantly down from the activity of one year ago where 2.6 msf was reported. Leases signed this quarter were dominated by the Business and Professional Services sector which includes government contractors and government-related services making up over 46% of leases signed. These leases continue to bolster the market while the TAMI (Technology, Advertising, Media and Information) sector which historically is Northern Virginia's highest source of net new leases flounders. The largest transaction of the quarter was a renewal for the GSA for 175,000 square feet (sf) at 15020 and 15030 Conference Center Drive in Chantilly.

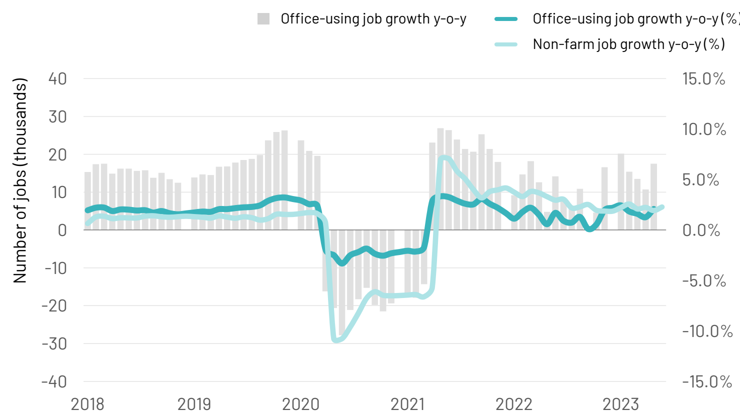
Rising availability continues in first half of 2023, sublease availability shows no signs of retreat

The availability rate rose again in the second quarter of 2023, ending at another market high of 25.8%. This jump of 60 basis points follows a similar pattern from last quarter after a relatively consistent year in 2022 where availability remained steady and even decreased some quarters. During the same period in 2022, the rate was 130 basis points lower at 24.5%. Sublease availability stayed the same quarter over quarter ending at a total of 5.8 msf, providing occupiers an abundance of vastly discounted space to chose from.

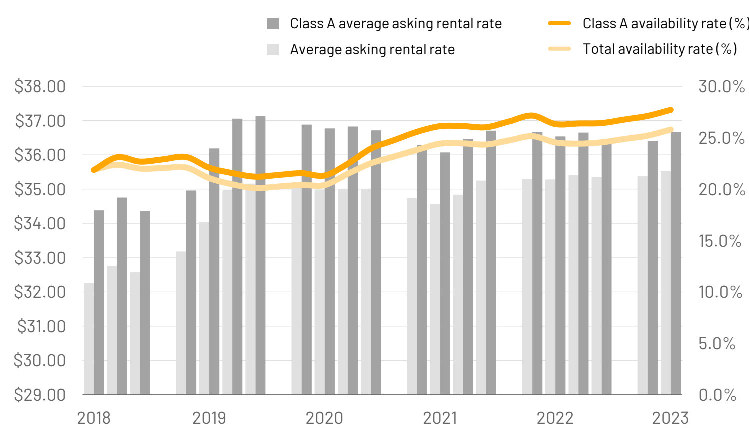
Flight to quality driving Class A rental rates to remain elevated

Class A rental rates in Northern Virginia marginally increased by 0.4% from one year ago ending the quarter at $36.67 per square foot (psf). While market demand has been limited due to economic concerns, occupiers continue to seek out the highest trophy and Class A spaces, providing landlords the opportunity to keep rents high and in some cases, increase their asking rents. While tenants are paying incrementally higher rents each quarter, concession packages have also been increasing and new long-term Class A leases now receive on average $121.00 psf in tenant improvement allowances and 21 months of free rent, totaling $196.00 psf in value.

Office-using Employment Growth



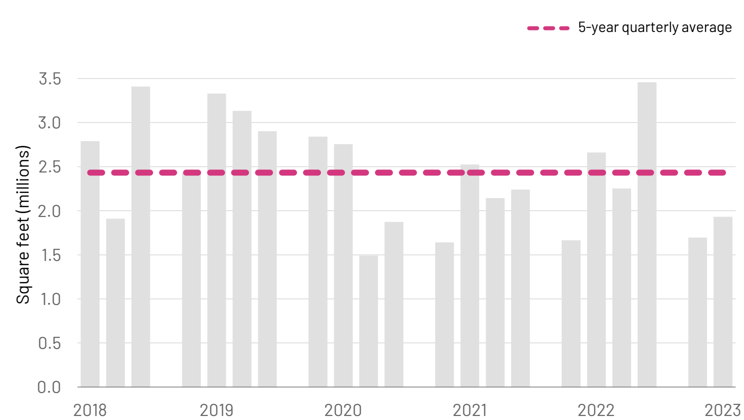
Asking Rent and Availability



Key Statistics

	Q2 2022	Q2 2023	Y-O-Y
Inventory	151.3 msf	149.8 msf	- 1.5 msf
Availability Rate	24.5%	25.8%	+130 bps
Asking Rental Rate	$35.28	$35.53	+0.7%
Class A Asking Rental Rate	$36.54	$36.67	+0.4%
Quarterly Leasing Activity	2.7 msf	1.9 msf	-0.8 msf
Available Sublease Space	5.3 msf	5.8 msf	+0.5 msf

Leasing Activity



Outlook

01 Return to-office policy and workforce planning will continue to drive decision-making as more companies look to alter their office footprint

02 Market conditions continue to be tenant-favorable and occupiers have ample direct and sublet options to choose from

03 Tenants needing to make real estate decisions are choosing the highest quality spaces leaving behind out-of-date buildings to idle vacant

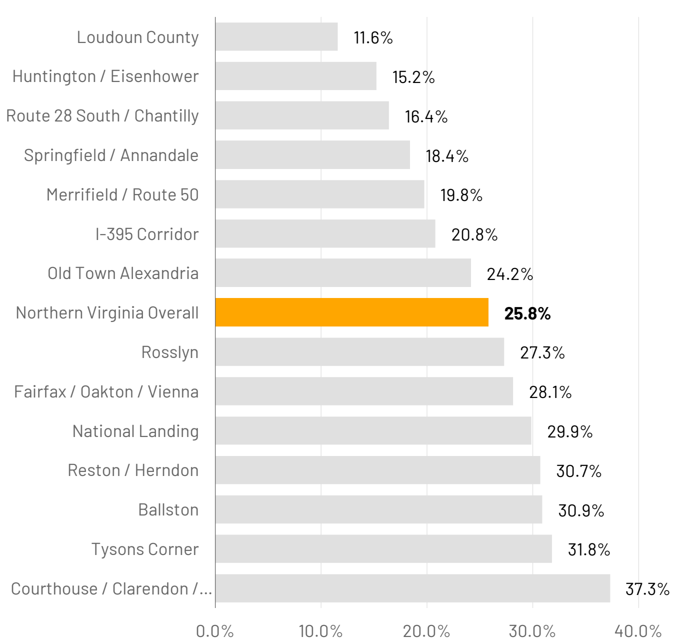
Top Transactions

*Trophy Building **Sublease Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
GSA - FBI	Government	Route 28 South / Chantilly	15020, 15030 Conference Center Drive	175,000	Renewal
Arcfield	Professional Services	Route 28 South / Chantilly	14295 Park Meadow Drive	124,400	Relocation**
ManTech Advanced Systems International Inc	Professional Services	Reston / Herndon	2251 Corporate Park Drive	118,678	Renewal
Parsons	TAMI	Route 28 South / Chantilly	5875, 5885 Trinity Parkway	109,559	Renewal
Peraton	Professional Services	Route 28 South / Chantilly	14291 Park Meadow Drive	77,749	New Lease
Southland Industries	Construction Services	Loudoun County	21000 Atlantic Boulevard	46,768	New Lease
Shield AI	TAMI	National Landing	2450 Crystal Drive	42,000	New Lease
ANSER	Non-Profit	Ballston	4040 Wilson Boulevard	40,205	New Lease
Ligado Networks	Professional Services	Reston / Herndon	10800-10802 Parkridge Boulevard	36,248	Renewal
Ensco	Professional Services	Merrifield / Route 50	2600 Park Tower Drive	32,067	New Lease

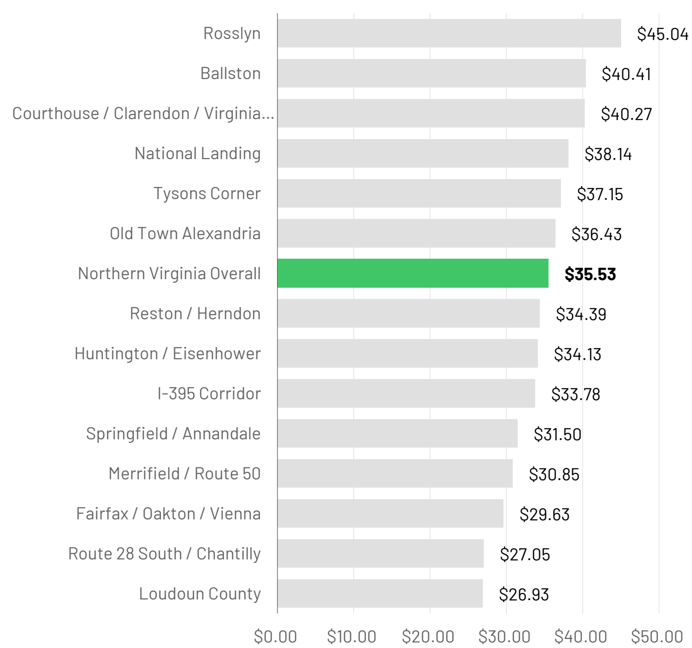
Availability Rate Comparison (%)

NORTHERN VIRGINIA SUBMARKETS



Rental Rate Comparison ($/sf)

NORTHERN VIRGINIA SUBMARKETS



Northern Virginia Q2 2023 - Office

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Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. 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.