MARKET IN MINUTES
Savills Research

Q2 2022 - Office

Northern Virginia

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Leasing activity rebounds in second quarter after slow start to 2022

The Northern Virginia market showed a significant rise in leasing activity in Q2 ending the quarter at 2.7 million square feet (msf). This massive 59.9% increase in total office leasing quarter over quarter is the first time since the start of the pandemic that the leasing activity has surpassed the 5-year leasing average of 2.5 msf. This jump in leasing activity is due to a few key government agency renewals most notably the Department of Defense signing at 2530 Crystal Drive for a total of 558,187 sf. Along with this renewal, Government tenants continue to drive demand in the market and totaled 36.0% of all leases for the quarter. The driving industry for net new leases in the Northern Virginia market continues to be the technology, advertising, media and information (TAMI) sector. In Q2, the TAMI sector made up 52.0% of all net new leases spurring much needed growth to the market.

Record sublease availability remains despite a decrease in the overall rate

The overall availability rate for the Northern Virginia market slightly decreased from its record high last quarter to 24.5% This decrease of 60 basis points comes despite the sublease supply increasing once again surpassing the previous market high. Sublease supply increased by a significant 5.4% from the previous quarter ending at a total of 5.3 msf. As the record high sublease inventory continues to rise many occupiers are finding ample options to obtain space at a discounted rate.

Generous concessions continue to sustain rental rates at increased levels

The average full service rental rates in the Northern Virginia market continue to remain at elevated levels ending the quarter at $35.28 per square foot (psf). The rate remained relatively the same from last quarter but it is worth noting that it increased by 2.0% year over year. Overall average asking rents are bolstered by landlords continuing to achieve higher rental rates from trophy Class A space. Class A asking rents are likewise up from a year ago at $36.54 psf. Concessions remain the primary incentive offered to keep all rental rates amplified as new, long-term, Class A leases receive on average $106.00 psf in tenant improvement allowances and 15 months of free rent, totaling $157.00 psf in total value.

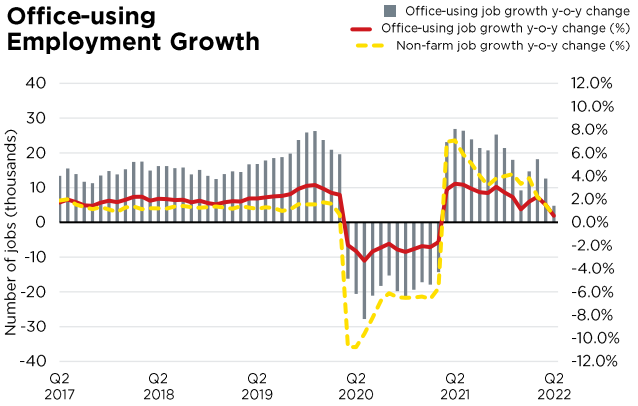
Outlook

- The full impact of a mainstream hybrid remote work policy is still evolving, but flexibility regarding both lease terms and build-out, will be at the forefront of occupiers' minds as they evaluate their workplaces
- While the total availability rate decreased this quarter the record-breaking amount of sublease space currently on the market has created ample opportunities for occupiers to find space that best serves their needs at a highly discounted rate
- Expect landlords to continue to offer generous concession packages to entice tenants to their buildings while keeping face rents high

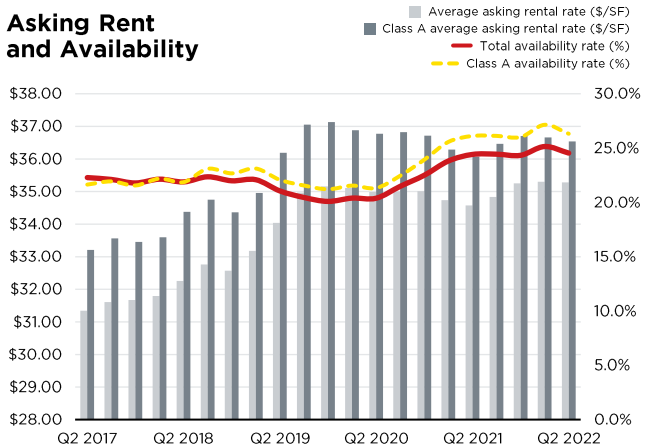
Key Statistics

	Q2 2021	Q2 2022	y-o-y Change
Inventory	151.1 MSF	151.3 MSF	▲
Availability Rate	24.4%	24.5%	▲
Asking Rental Rate	$34.57	$35.28	▲
Class A Asking Rental Rate	$36.07	$36.54	▲
Quarterly Leasing Activity	2.5 MSF	2.7 MSF	▲
Available Sublease Space	4.1 MSF	5.3 MSF	▲

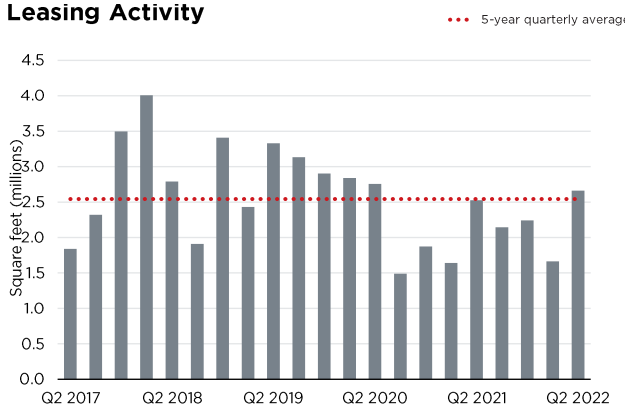
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

3.3%
Northern Virginia unemployment rate (as of May 2022)

0.6%
Office-using employment growth year-over-year (as of May 2022)

0.7 msf
Office space currently under construction

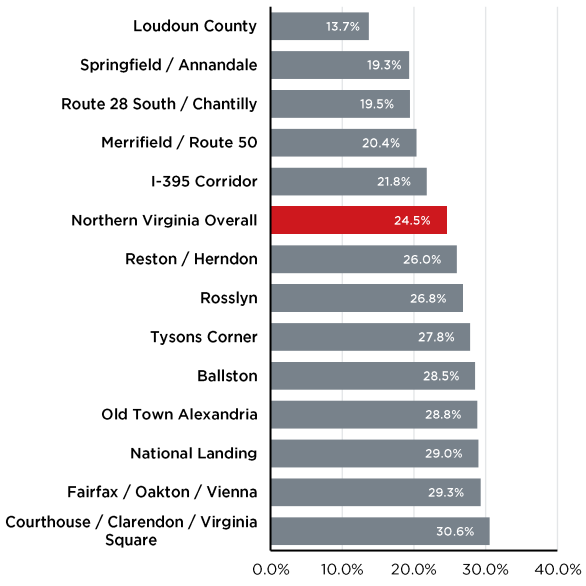
Top Transactions

Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
GSA - Department of Defense	558,187	2530 Crystal Drive	Renewal	Crystal City	Government
T-Mobile	220,750	2340 Dulles Corner Boulevard	New Location	Herndon	TAMI
Boeing	204,617	460 Herndon Parkway	Renewal and Expansion	Herndon	Manufacturing
GSA - FBI	189,000	801 Follin Lane	Renewal	Vienna	Government
Leidos	158,559	14668 Lee Road	Renewal	Route 28 Corridor South	Business Services
Peraton	142,477	15050 Conference Center Drive	Renewal	Route 28 Corridor South	Business Services
Accenture	120,687	800 N Glebe Road	Renewal	Ballston	Business Services
In-Q-Tel	79,716	1800 Tysons Boulevard	Relocation	Tysons Corner	Financial Services
TechWish	62,750	21000 Atlantic Boulevard	New Location	Route 28 Corridor North	TAMI
International Justice Mission	40,874	671 N Glebe Road	New Location	Ballston	Associations and Non-profits

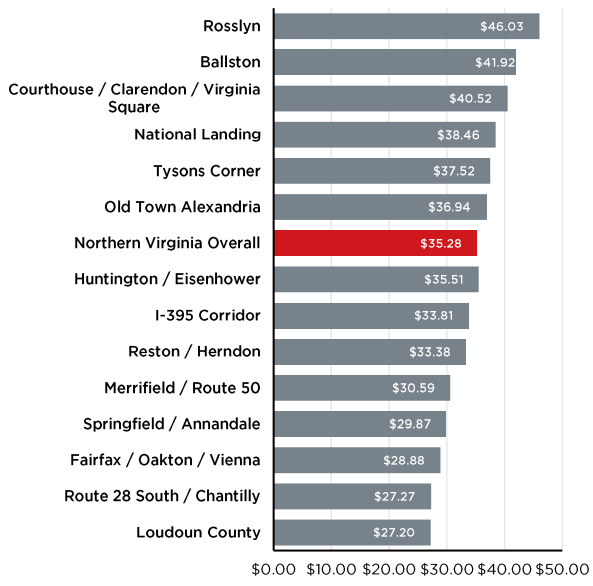
*Sublease

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. 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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