



Northern Virginia affirms reputation for resiliency with strong demand through Q2

The months-long shutdown in Northern Virginia caused by the COVID-19 pandemic has begun to reverse course with a phased economic and business reopening. During the second quarter, many markets watched businesses put real estate decisions on a “pandemic pause,” effectively halting office leasing activity. Northern Virginia, however, lived up to its reputation for resiliency and leasing volume not only sustained at 2.8 million square feet (msf) in the second quarter but was above the market’s five-year quarterly average of 2.5 msf. Transaction velocity remained robust due to the technology, advertising, marketing and information (TAMI) sector which made up 34.3% of leasing, followed by the professional services sector – which is largely made up of government contractors (25.8%) and the government sector (18.0%).

Technology industry offers a bright spot amongst pandemic-induced uncertainty

The top lease of the second quarter was Microsoft Corporation’s commitment to 396,740 square feet (sf) at 11955 Freedom Dr at Reston Town Center – signed at the height of the pandemic despite uncertainty caused by the public health crisis. Amazon’s selection of National Landing for its second headquarters location effectively provided the region with the tech giant’s stamp of approval. Following Amazon’s lead, technology companies nation-wide have taken notice of the region’s well-educated workforce and abundant amenities, which had been historically overlooked. Amazon’s decision has been a catalyst to incentivize numerous technology companies to grow their presence within the market and Microsoft’s new lease is the latest demonstration of this trend gaining traction.

Asking rents and availability remain flat over the quarter, withstanding COVID-19 disruption

After three years of gradually increasing rents and a tightening of availability in Northern Virginia, the pandemic has stunted the slowly changing market fundamentals, keeping them firmly within the tenant’s favor. Overall asking rent in Q2 averaged \$34.99 per square foot (psf) which was a nominal 0.4% decrease quarter over quarter. Similarly, Class A asking rents saw a minimal 0.3% decline to \$36.77 psf. Availability appeared unaffected by the current economic downturn holding at 20.4% over the quarter for all classes. Northern Virginia’s unshaken market dynamics have not pressured landlords to decrease asking rents at this point, instead they have shown a preference to offer increasingly generous concessions and flexible terms to secure new leases.

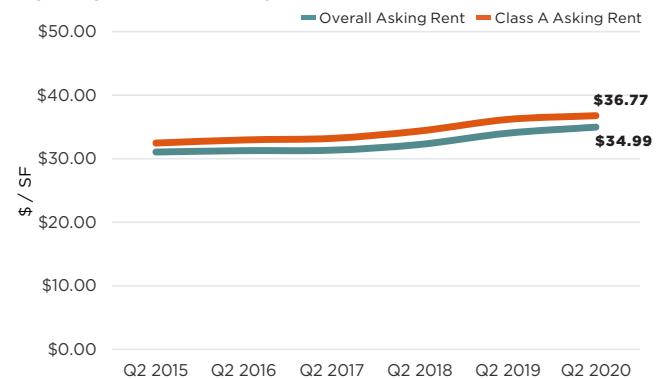
Outlook

- Northern Virginia is well-positioned for growth within the tech sector which would provide more balance among a tenant base made up primarily of the government and related sectors
- New health guidelines and the associated de-densification of space may somewhat offset increased levels of remote work – preventing a dramatic drop in office footprint; many tenants will be hyper-focused on their bottom lines, and real estate obligations
- COVID-19 has kept the market in the tenant’s favor and as landlords accept the longevity of the current crisis they will likely offer increasingly generous terms to tenants

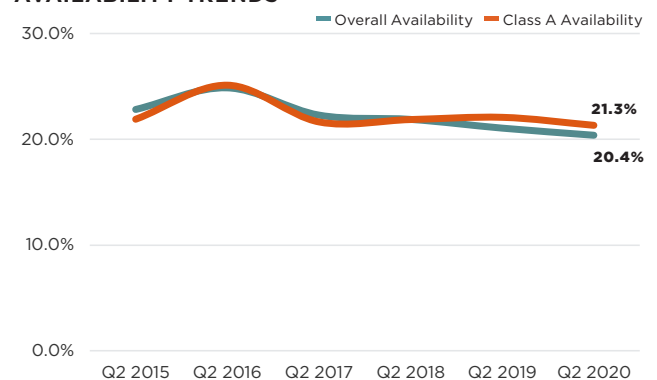
KEY STATISTICS

	Q2 2019	Q2 2020	y-o-y Change
Inventory	150.2 MSF	151.2 MSF	▲
Availability Rate	21.1%	20.4%	▼
Asking Rental Rate	\$34.04	\$34.99	▲
Class A Asking Rental Rate	\$36.19	\$36.77	▲
Quarterly Leasing Activity	3.3 MSF	2.8 MSF	▼

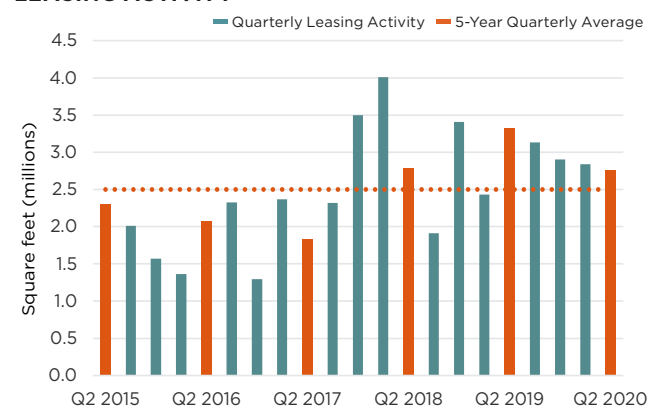
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

56.0%

of major transactions were **new locations** by square footage

44.3%

of large transactions occurred in the **Reston / Herndon** submarket by square footage

32.6%

TAMI sector tenants represented 32.6% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Microsoft Corporation	396,740	11955 Freedom Drive	New Location	Reston / Herndon	TAMI
City of Alexandria	215,806	4850 Mark Center Drive	New Location	I-395 Corridor	Government
Walmart	162,357	2245 Monroe Street	New Location	Reston / Herndon	Retail
Science Applications International Corporation (SAIC)	158,919	14672 Lee Road	Renewal	Route 28 South / Chantilly	Professional Services
Perspecta	140,635	15052 Conference Center Drive	Renewal	Route 28 South / Chantilly	Professional Services
Convene	75,000	1676 International Drive	New Location	Tysons Corner	Coworking
Fairfax County Board of Supervisors	61,563	10777 Main Street	Renewal	Fairfax / Oakton / Vienna	Government
GSA - Immigration and Customs Enforcement	61,256	2451 Crystal Drive	Renewal	National Landing	Government
GSA - Department of Homeland Security	56,475	1401 S Clark Street	Renewal	National Landing	Government
Ligado Networks	54,104	10800-10802 Parkridge Boulevard	Renewal	Reston / Herndon	TAMI

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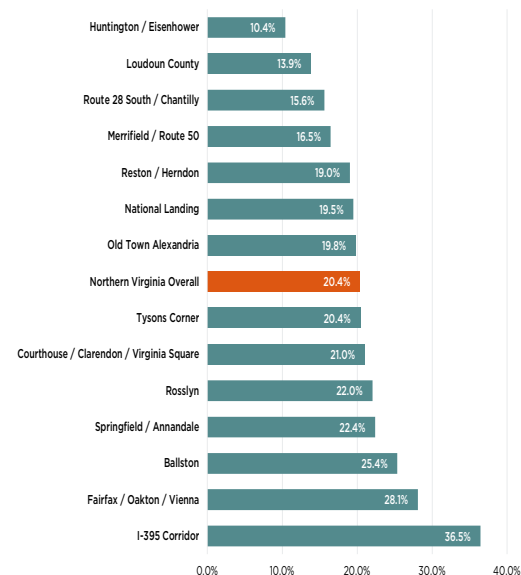
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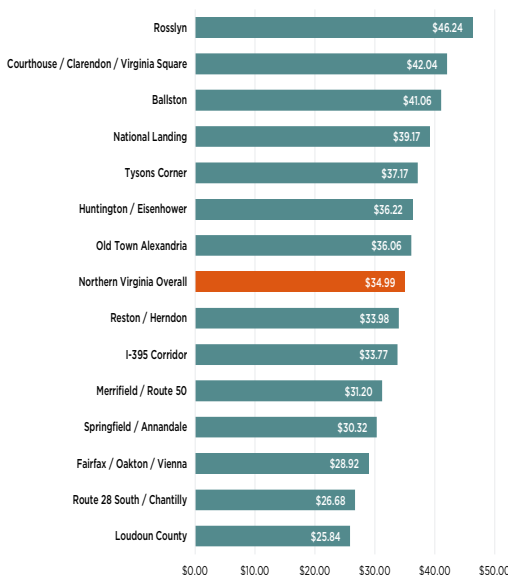
AVAILABILITY RATE COMPARISON

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.

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