



Demand is up 44% over the year, bolstered by government and tech leasing

In the third quarter, 2.1 million square feet (msf) were leased, a 44% increase in transaction volume compared to the same period last year, and nearly on par with the five-year quarterly average (2.5 msf). Leasing volume dropped some from last quarter, but remains stronger than pandemic low points. The largest transaction of the quarter was a renewal for the Environmental Protection Agency at 2777 Crystal Drive, totaling 315,231 square feet (sf). Government tenants continue to drive demand, accounting for 30.7% of activity, closely followed by the professional services sector – heavily made up of government contractors (26.0%). The technology, advertising, media and information (TAMI) sector saw leasing nearly double from last quarter, accounting for 18.6% of transactions by volume. Notably, Splunk leased 57,521 sf at 7900 Tysons One Place and Amazon expanded by another 55,571 sf in National Landing at 2345 Crystal Drive. The technology sector has invigorated the Northern Virginia market in recent quarters, bringing new companies to the area along with new growth.

After steadily climbing for a year, availability manages to hold flat over the quarter

Northern Virginia's surging availability came to a plateau in Q3, holding flat quarter over quarter for the first time in a year, now at 24.4%. The boost in demand, along with minimally changed sublease supply – which saw an increase of less than 50,000 square feet (sf) over the quarter – kept availability stable. At 4.2 million square feet (msf), sublease supply has nearly doubled from pre-pandemic levels. The current surplus of space on the market creates tenant favorable conditions and ample options for any occupiers actively looking to sign a lease.

Landlords bullish on rent, tenants cashing in on concessions

Northern Virginia's overall average asking rent ticked up 0.8% over the quarter to \$34.84 per square foot (psf), after a brief 1.3% dip the first half of the year. Class A asking rents increased by 1.0% from Q2 to \$36.46 psf. Landlords remain bullish on pricing despite many occupiers delaying the decision to fully return to the office due to Delta variant concerns. Although asking rents seem strong, the Northern Virginia market is weakened, and landlords are compensating with elevated concession packages. For Class A long-term, new leases, tenants now receive an average of \$112.00 psf in tenant improvement allowances and 15 months of free rent, totaling \$167.00 psf in total value.

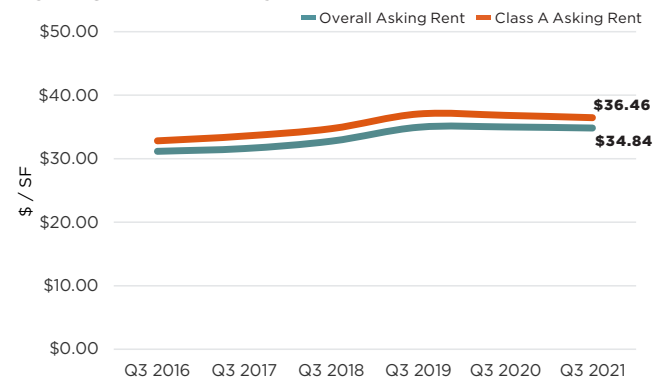
Outlook

- Demand should accelerate as more tenants re-occupy offices later this year and into early 2022, but it will take time and net new growth to chip away at the oversupply of space
- Northern Virginia's grown tech tenant base has helped to breathe life into the market throughout the pandemic and it will likely be key for long-term recovery
- With a surplus of options and generous concessions being offered, tenants interested in moving to prime space will be able to take advantage of current market dynamics to do so

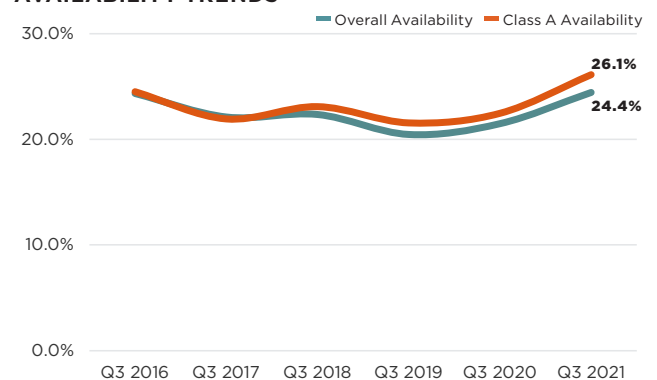
KEY STATISTICS

	Q3 2020	Q3 2021	y-o-y Change
Inventory	151.1 MSF	151.1 MSF	◀▶
Availability Rate	21.5%	24.4%	▲
Asking Rental Rate	\$35.00	\$34.84	▼
Class A Asking Rental Rate	\$36.82	\$36.46	▼
Quarterly Leasing Activity	1.5 MSF	2.1 MSF	▲

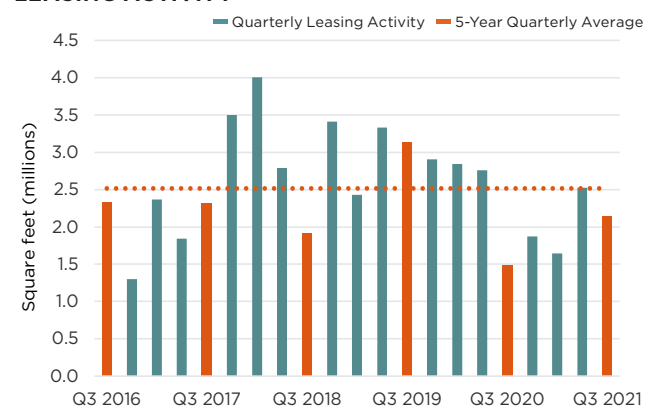
ASKING RENT TRENDS



AVAILABILITY TRENDS



LEASING ACTIVITY



MAJOR TRANSACTIONS

8 of 10

of major transactions were renewals

35.8%

of large transactions occurred in the National Landing submarket by square footage

47.9%

Government sector tenants represented 47.9% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
GSA - Environmental Protection Agency	315,231	2777 Crystal Drive	Renewal	National Landing	Government
Zeta Associates	210,190	10302 & 10304 Eaton Place	Renewal	Fairfax / Oakton / Vienna	Professional Services
Airbus Americas	119,242	2550 Wasser Terrace	Renewal	Reston / Herndon	Manufacturing
GSA - Department of Homeland Security	76,987	4601 N Fairfax Drive	Extension	Ballston	Government
Fairfax County Board of Supervisors	61,563	10777 Main Street	Renewal	Fairfax / Oakton / Vienna	Government
Splunk Inc.	57,521	7900 Tysons One Place	Renewal	Tysons Corner	TAMI
Amazon	55,571	2345 Crystal Drive	New Location	National Landing	TAMI
PAE Shield Acquisition Company	54,143	7799 Leesburg Pike	Renewal	Tysons Corner	Professional Services
CoxCom, LLC	42,700	13900 Lincoln Park Drive	Renewal	Route 28 South / Chantilly	TAMI
U.S. Postal Service	41,403	8111 Gatehouse Road	Renewal	Merrifield / Route 50	Government

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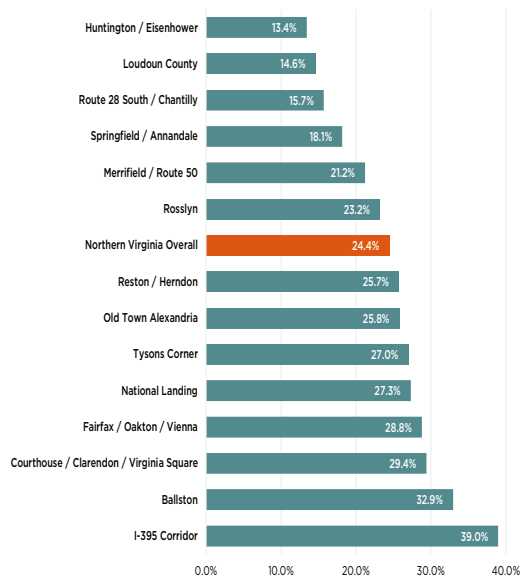
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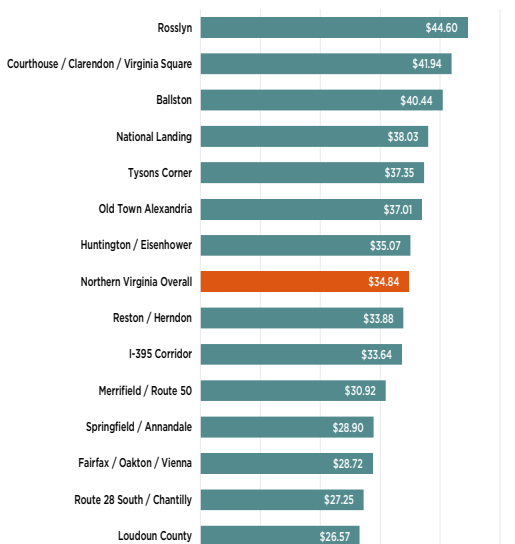
AVAILABILITY RATE COMPARISON

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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