



## Leasing activity stable despite warnings of new Covid-19 variant

The Northern Virginia market closed out the year in Q4 2021 with leasing activity totaling 2.2 million square feet (msf), approaching the 5 year quarterly average of 2.5 msf for the third consecutive quarter in a row. The new Omicron variant of the Covid-19 virus did little to slow leasing activity as demand for space increased by 21.0% year over year. The top transaction of the quarter was the Koch Foundation relocating to 4201 Wilson Boulevard in Ballston for 175,000 square feet (sf). The technology, advertising, media and information (TAMI) sector has still been a primary source of new growth for the market jumping from 19% in Q3 to totaling 32.0% of new transactions this quarter just behind the lead sector Professional Services which is primarily made up of government contractors at 34.0%.

### Availability rate tapers off but remains elevated with record-high sublease inventory

Northern Virginia saw a minor decrease in overall availability rates in Q4 dropping by only 10 basis points (bps) from Q3 to 24.3%. However, current availability rate is a 180 bps increase from the same time last year, spurred by a major increase in sublease supply throughout the pandemic. With a total of 4.5 msf in Q4, the current amount of sublease space is highest this market has ever seen. Of this total, over 2.1 msf of sublease space has been added from the start of the pandemic to Q4, representing nearly a 90.0% increase. Driven in part by this surplus in sublease space, market dynamics continue to be tenant-favorable with an overabundance of options for occupiers to choose from.

### After a year of stagnation, rents bounce back above pre pandemic levels

Asking rents continue to climb upwards in the Northern Virginia market, rising above the pre-pandemic levels and ending the year at \$35.25 per square foot (psf). With most landlords refusing to reduce their asking rates by significant amounts throughout the downturn, the largest quarterly change represents only a 2% decrease. As such, the market rate was able to quickly return to and exceed previous highs. The quick recovery is achievable despite imminent threats of Omicron disrupting the market due to the significant concession packages offered. New, long-term Class A leases receive on average \$110.00 psf in tenant improvement allowances and 16 months of free rent, totaling \$171.00 psf in value.

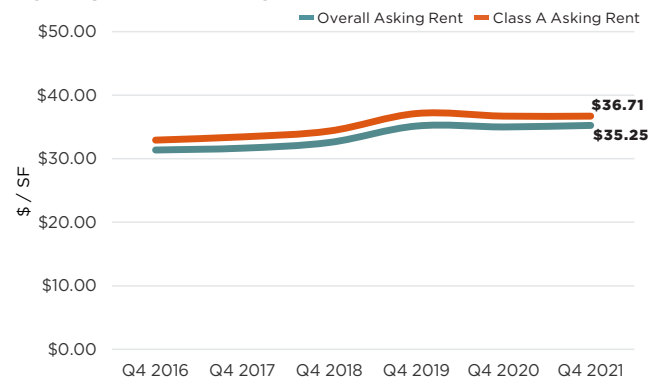
### Outlook

- Sublease supply reaching a new high for the market has added ample options for occupiers to take space at a discounted rate in the near term and has helped drive concessions on prime space as well. Yet, this elevated sublease supply may decline as companies re-evaluate their space needs in 2022
- While asking rents appear strong, increased concession packages will continue to bring average effective rents down. Until concession packages decline, true market recovery will not likely be seen
- The full impact of a mainstream hybrid workplace strategy has not yet been felt, but flexibility in regard to both lease terms and build-out, will be at the forefront of occupiers' minds as they evaluate their workplaces going forward

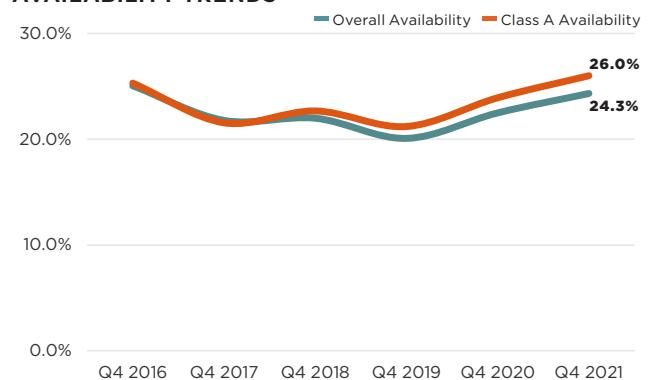
### KEY STATISTICS

	Q4 2020	Q4 2021	y-o-y Change
Inventory	151.1 MSF	<b>152.8 MSF</b>	▲
Availability Rate	22.5%	<b>24.3%</b>	▲
Asking Rental Rate	\$35.01	<b>\$35.25</b>	▲
Class A Asking Rental Rate	\$36.71	<b>\$36.71</b>	◀▶
Quarterly Leasing Activity	1.9 MSF	<b>2.2 MSF</b>	▲

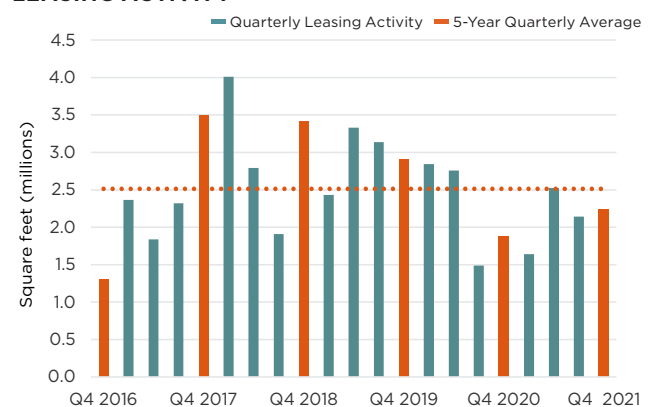
### ASKING RENT TRENDS



### AVAILABILITY TRENDS



### LEASING ACTIVITY



MAJOR TRANSACTIONS

**33.5%**

of major transactions were **renewals** by square footage

**26.8%**

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

**33.5%**

**Government** sector tenants represented 33.5% of major transactions by square footage

Tenant	Square feet	Address	Transaction type	Submarket	Industry
Koch Foundation	175,000	4201 Wilson Boulevard	Relocation	Ballston	Non-profit Organizations
Peraton	100,000	1875 Explorer Street	New Location	Reston / Herndon	Professional Services
GSA - Department of Defense	86,904	201 12th Street S	Renewal	National Landing	Government
Clarabridge	85,748	1906 Reston Metro Plaza	New Location	Reston / Herndon	TAMI
GSA - Department of Defense	72,799	251 18th Street S	Renewal	National Landing	Government
ID.Me	60,673	1775 Tysons Boulevard	New Location	Tysons Corner	Professional Services
Appian	58,000	7950 Jones Branch Drive	Expansion	Tysons Corner	TAMI
GSA - Department of Defense	54,964	1225 S Clark Street	Renewal	National Landing	Government
City of Alexandria	54,116	4850 Mark Center Drive	Expansion	I-395 Corridor	Government
Sierra Nevada Corporation	53,819	3076 Centreville Road	Renewal	Route 28 South / Chantilly	Professional Services

Source Savills Research

For more information, please contact us:

**Savills**  
7900 Tysons One Place  
Suite 420  
Tysons, VA 22102  
+1 703 442 9000

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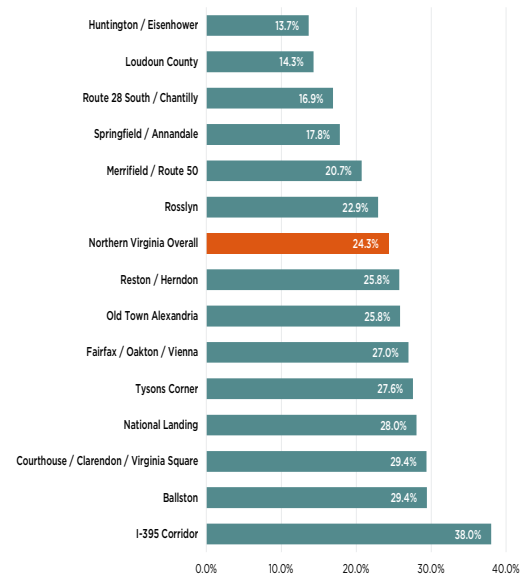
**Arty Maharajh**  
Research Director  
(202) 624 8545  
amaharajh@savills.us

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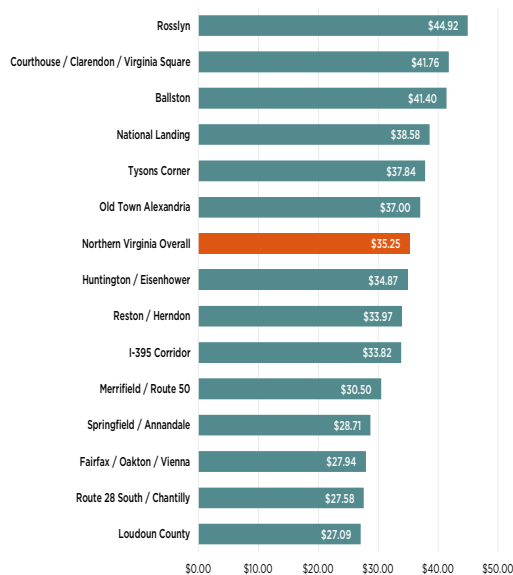
AVAILABILITY RATE COMPARISON

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.

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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