

Northern Virginia

Average Asking Rent*



Vacancy Rate**



Historical Net Absorption



*All Classes, Direct Space, FS Rent;
**All Classes, Inclusive of Sublet Vacancy

Preleases Dominate New Delivery

With a new building delivering every quarter this year, the 166.5-msf Northern Virginia (NoVA) office market added 788,000 sf of new office space in 2019. Preleases dominated the new construction with an average of 82% preleased. Most leasing activity took place in Tysons (close to 1 msf) as the submarket registered the highest absorption rate in the DC Metro, not just in NoVA. The largest lease signed in Tysons this year was Freddie Mac with a 152,000-sf deal at 1550 Westbranch Drive. Absorption in National Landing (largely led by Amazon's HQ2) put the submarket at 580,000 sf of total net absorption in 2019. For the third straight year, absorption numbers in NoVA set a new 10-year record high at 3,544,000 sf of positive net absorption at the end of the fourth quarter, compared to 2,600,000 sf at year-end 2018. With such substantial leasing activity in Northern Virginia, the vacancy rate dropped 186 basis points to 14.91%, from 16.77% a year prior.

Four of the top ten deals signed in NoVA in 2019 were renewals signed by the GSA. The largest deal was inked by the GSA on behalf of the Social Security Administration for 334,000 sf – renewing their lease at

5107 Leesburg Pike in the I-395 Corridor (Fairfax) for 5 years. The second largest deal signed in NoVA was Amazon Web Services' 268,000-sf full-building lease at 13820 Sunrise Valley Drive in Herndon. The third largest lease was also by Amazon, but in National Landing for 258,000 sf at 1770 Crystal Drive. The second and third largest leases inked by the GSA this year were renewals for the Central Intelligence Agency at 499 and 399 Grove Street (Herndon), for 257,000 and 246,000 sf respectively. There was one prelease among the top ten deals this year, which was a full-building contract at 1902 Reston Metro Plaza in Reston. International consulting company ICF International signed an agreement for 207,000 sf for the coming 15 years at Reston Station (starting in the first quarter 2022). Another full-building lease was signed by Freddy Mac in NoVA's largest submarket (Tysons) for 152,000 sf at 1550 Westbranch Drive.

The latest building to break ground in 2019 was Foulger-Pratt and USAA's Tysons Central at 1750 Tysons Central street. The building will bring 384,000 sf of trophy space a few footsteps from the Greensboro Metrorail Station on the silver line.

Office Market Snapshot

Market Indicators

Year-to-date overall market indicators as compared to year-end 2018



Development

- Expected to deliver in the first quarter 2020 is Zumot Real Estate Management's 125,000-sf building at 14401 Penrose Place (Penrose Center II, pictured left).
- Foulger-Pratt and USAA's Tysons Central broke ground in the fourth quarter at 1750 Tysons Central Street for 384,000 sf of trophy space.

Northern Virginia by the Numbers

	Net Absorption		Vacancy			Avg. Advertised Rents		Construction Pipeline				
	4Q 2019	YTD	4Q 2019 Inventory	4Q 2019 Vacancy	4Q 2019 Vacancy (%)	YE 2018	4Q 2019	4Q 2019 Deliveries	YTD Deliveries	2019 Completions	2020 Completions	2021 Completions
Class A	-140,810	2,527,806	119,320,902	18,621,148	15.61%	\$35.62	\$35.00	160,000	787,777	787,777	1,909,441	430,025
Class B	290,620	929,519	44,946,958	6,062,034	13.49%	\$28.66	\$28.57	0	0	0	0	0
Class C	28,622	86,334	2,222,645	137,938	6.21%	\$30.65	\$24.91	0	0	0	0	0
Total	178,432	3,543,659	166,490,505	24,821,120	14.91%	\$33.24	\$33.14	160,000	787,777	787,777	1,909,441	430,025

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For more information, please contact:

Yamaan Safady
Research Analyst
703.752.4937
yamaan.safady@avisonyoung.com

8300 Greensboro Drive
Suite 275
Tysons, VA 22102
703.288.2700