

Extensive Deliveries Cut into Construction Levels

- » Capital One delivered their new headquarters building in Tysons, adding 975,000 square feet to the inventory.
- » Recent move-outs in the Reston market open up opportunities near the Town Center.
- » Net new demand for the quarter totaled 781,497, led by Capital One's headquarters delivery.

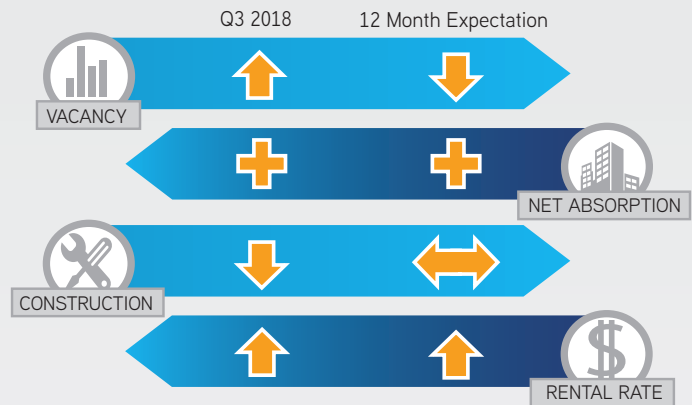
Market Overview

Leasing in the Northern Virginia office market was led by the Drug Enforcement Administration (DEA), which executed a renewal at 600-700 Army Navy Drive. The government agency signed a 15-year lease for 511,487 square feet at their Pentagon City location. Airline Pilots Association chose Valo Park, 7950 Jones Branch Drive in Tysons Corner, for their headquarters relocation. The association will occupy 103,711 square feet when they move from their Herndon location. Net absorption for the third quarter totaled 781,497 square feet. New supply outpaced net absorption for the quarter, resulting in the overall vacancy rate increasing from 17.2 to 17.4 percent.

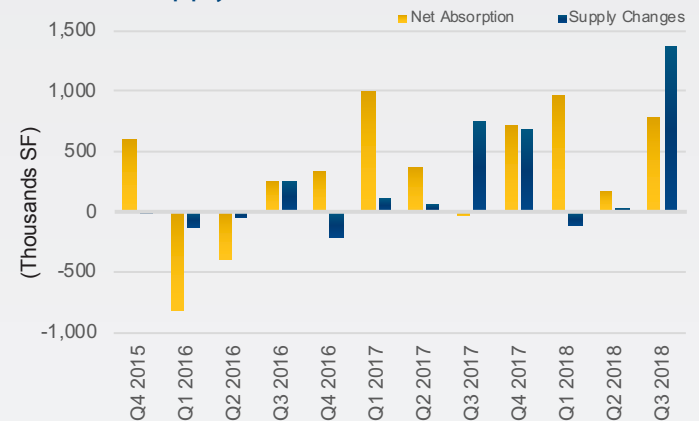
During the quarter, 1.46 million square feet of office product delivered. Capital One's new headquarters building at their Tysons Corner campus added 975,000 square feet of space to the market and represented net new demand in Northern Virginia. The 480,000-square-foot building at 3433 Historic Sully Way in the Route 28 Corridor South submarket, delivered leased entirely to a US Government agency. ComStock also commenced the construction of the second office building in their Reston Station project. The 215,210-square-foot building at 1906 Reston Metro Plaza commenced even with large blocks of vacancy in the first phase of the project and softening in both Plaza America and Reston Town Center.

Construction numbers in Northern Virginia dropped below two million square feet for the first time since 2010. Given demand for new product, it is expected that developers will break ground on a number of projects in the upcoming year. The market is seeing a bifurcation in Class A space where renovated buildings and newer construction with ample building and neighborhood amenities are drawing the attention of tenants. These buildings are commanding higher rental rates than the rest of the Class A market.

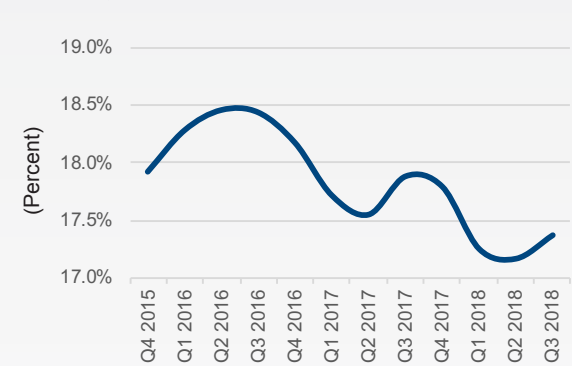
Market Indicators



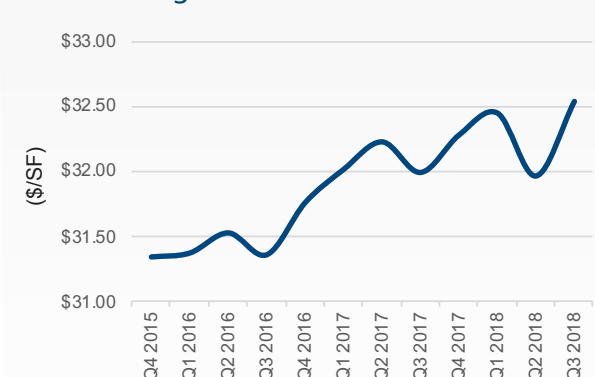
Demand/Supply



Vacancy Rate



Direct Asking Rate



Source: Colliers International, CoStar Group

Northern Virginia—Office Market—All Classes | Q3 2018

MARKET	EXISTING INVENTORY	NEW SUPPLY	YTD NEW SUPPLY	UNDER CONSTRUCTION	ABSORPTION	YTD ABSORPTION	OVERALL VACANCY RATE	DIRECT ASKING RATE
ALEXANDRIA CITY								
Carlyle/King St Metro	7,785,309	-	-	-	16,198	-31,349	12.0%	\$39.10
Eisenhower Ave Corridor	792,985	-	-	-	8,078	9,386	8.6%	\$29.89
I-395 Corridor*	8,550,121	-	-	-	-61,060	32,807	33.6%	\$29.72
Old Town	5,700,360	-	-	100,000	12,403	56,459	9.9%	\$33.31
Alexandria City Total	18,211,702	-	-	100,000	-12,966	82,426	16.9%	\$34.47
ARLINGTON COUNTY/FALLS CHURCH CITY								
Crystal City/Pentagon City	12,973,849	-	-	-	39,825	274,694	16.5%	\$37.08
Falls Church**	2,282,145	-	-	-	13,963	-24,309	13.4%	\$23.17
Rosslyn/Ballston Corridor	25,043,463	-	175,000	240,000	102,532	339,890	22.9%	\$42.64
Arlington County/Falls Church Total	40,496,128	-	175,000	240,000	133,345	596,920	20.0%	\$40.18
FAIRFAX COUNTY/FAIRFAX CITY								
Annandale	1,871,540	-	-	-	2,087	-41,680	15.2%	\$26.31
Fairfax/Oakton	13,581,416	-	-	-	65,369	49,207	19.2%	\$26.64
Herndon	12,144,186	-	-	-	-547,197	64,383	20.6%	\$31.48
McLean	1,558,716	-	-	-	-25,461	-10,664	9.5%	\$31.31
Merrifield	8,720,262	-	-	-	13,349	7,510	17.8%	\$30.02
Reston	18,789,648	-	-	525,609	-432,433	-504,261	15.2%	\$32.21
Route 28 Corridor South	14,960,067	480,000	480,000	-	485,108	361,767	16.0%	\$26.68
Springfield/Huntington	8,014,853	-	-	-	36,368	-13,200	20.1%	\$29.12
Tysons Corner	29,644,963	975,000	975,000	580,419	1,001,820	992,853	16.8%	\$33.56
Vienna	1,607,934	-	-	-	-1,351	4,936	11.4%	\$28.38
Fairfax Area Total	115,313,987	1,455,000	1,455,000	1,106,028	609,219	889,083	17.8%	\$30.24
LOUDOUN COUNTY								
Leesburg/West Loudoun	2,307,639	-	-	63,000	9,057	24,886	6.1%	\$25.35
Route 28 Corridor North	9,571,272	-	-	-	8,632	175,909	15.8%	\$25.31
Route 7 Corridor	4,408,767	-	-	-	44,626	44,605	6.9%	\$25.20
Loudoun County Total	16,287,678	-	-	63,000	62,315	245,400	12.0%	\$25.30
PRINCE WILLIAM COUNTY/MANASSAS CITY/MANASSAS PARK								
Manassas	1,974,355	-	16,000	-	1,941	57,353	7.1%	\$20.50
Route 29/I-66 Corridor	2,620,939	-	-	53,000	-471	11,586	6.4%	\$21.00
Woodbridge	2,571,451	-	-	30,294	-11,886	49,563	12.0%	\$25.32
Prince William Area Total	7,166,745	-	16,000	83,294	-10,416	118,502	8.6%	\$23.23
NORTHERN VIRGINIA TOTAL	197,476,240	1,455,000	1,646,000	1,592,322	781,497	1,932,331	17.4%	\$32.53

* I-395 is split between Arlington County, Fairfax County and Alexandria City

** Falls Church is split between Fairfax County and Falls Church City

THIRD QUARTER 2018

OVERALL QUICK STATS



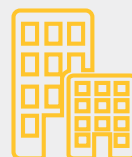
17.4%

Vacancy Rate



781,497

Absorption
(Square Feet)



1.46

New Deliveries
(Million Square Feet)



\$32.53

Direct Asking Rate
(\$/SF)

Northern Virginia—Office Market—Class A | Q3 2018

MARKET	EXISTING INVENTORY	NEW SUPPLY	YTD NEW SUPPLY	UNDER CONSTRUCTION	ABSORPTION	YTD ABSORPTION	OVERALL VACANCY RATE	DIRECT ASKING RATE
ALEXANDRIA CITY								
Carlyle/King St Metro	5,763,447	-	-	-	294	11,971	11.2%	\$40.92
Eisenhower Ave Corridor	128,000	-	-	-	-	-	0.0%	n/a
I-395 Corridor*	2,674,222	-	-	-	-4,259	5,531	39.1%	\$29.00
Old Town	745,672	-	-	100,000	-4,330	9,644	10.4%	\$35.79
Alexandria City Total	7,526,806	-	-	100,000	-4,036	31,405	18.4%	\$38.87
ARLINGTON COUNTY/FALLS CHURCH CITY								
Crystal City/Pentagon City	4,130,646	-	-	-	20,893	112,727	18.1%	\$40.09
Falls Church**	85,000	-	-	-	-	-	0.0%	n/a
Rosslyn/Ballston Corridor	15,442,800	-	175,000	240,000	96,312	266,513	23.3%	\$44.42
Arlington County/Falls Church Total	20,189,735	-	175,000	240,000	112,946	374,981	21.8%	\$43.21
FAIRFAX COUNTY/FAIRFAX CITY								
Annandale	200,000	-	-	-	-	-13,063	47.1%	\$31.50
Fairfax/Oakton	4,215,674	-	-	-	27,315	9,424	26.2%	\$30.98
Herndon	7,141,205	-	-	-	-457,613	4,846	23.3%	\$33.68
McLean	-	-	-	-	-	-	n/a	n/a
Merrifield	4,602,284	-	-	-	-26,552	-1,318	22.7%	\$32.68
Reston	11,080,421	-	-	525,609	-233,803	-288,116	14.3%	\$35.98
Route 28 Corridor South	9,490,397	480,000	480,000	-	488,298	308,717	11.7%	\$28.99
Springfield/Huntington	2,298,732	-	-	-	16,138	50,741	33.3%	\$37.07
Tysons Corner	15,518,400	975,000	975,000	580,419	955,061	1,020,280	13.2%	\$40.28
Vienna	451,324	-	-	-	-	-202	10.3%	n/a
Fairfax Area Total	56,251,683	1,455,000	1,455,000	1,106,028	768,844	1,091,309	17.4%	\$34.23
LOUDOUN COUNTY								
Leesburg/West Loudoun	470,939	-	-	-	-26	20,030	7.5%	\$30.00
Route 28 Corridor North	5,236,983	-	-	-	-1,982	160,486	16.6%	\$26.88
Route 7 Corridor	1,112,203	-	-	-	5,174	21,219	12.3%	\$27.09
Loudoun County Total	6,820,125	-	-	-	3,166	201,735	15.2%	\$26.91
PRINCE WILLIAM COUNTY/MANASSAS CITY/MANASSAS PARK								
Manassas	73,000	-	-	-	-530	5,495	11.9%	\$18.00
Route 29/I-66 Corridor	624,325	-	-	-	-	7,963	1.5%	\$24.85
Woodbridge	323,172	-	-	-	-11,355	26,114	26.1%	\$28.40
Prince William Area Total	1,020,497	-	-	-	-11,885	39,572	10.1%	\$27.46
NORTHERN VIRGINIA TOTAL	91,808,846	1,455,000	1,630,000	1,446,028	869,035	1,739,002	18.2%	\$36.32

* I-395 is split between Arlington County, Fairfax County and Alexandria City

** Falls Church is split between Fairfax County and Falls Church City

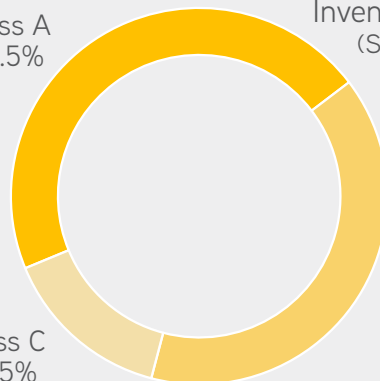


1.59

Under Construction
(Million Square Feet)

Class A
46.5%

Inventory by Class
(Square Feet)



Class B
39.0%

Class C
14.5%

Northern Virginia—Office Market—Class B & C | Q3 2018

MARKET	EXISTING INVENTORY	NEW SUPPLY	YTD NEW SUPPLY	UNDER CONSTRUCTION	ABSORPTION	YTD ABSORPTION	OVERALL VACANCY RATE	DIRECT ASKING RATE
ALEXANDRIA CITY								
Carlyle/King St Metro	2,021,862	-	-	-	15,904	-43,320	14.3%	\$34.89
Eisenhower Ave Corridor	664,985	-	-	-	8,078	9,386	10.3%	\$29.89
I-395 Corridor*	5,875,899	-	-	-	-56,801	27,276	31.0%	\$29.78
Old Town	4,954,688	-	-	-	16,733	46,815	9.8%	\$32.46
Alexandria City Total	10,684,896	-	-	-	-8,930	51,021	15.8%	\$31.95
ARLINGTON COUNTY/FALLS CHURCH CITY								
Crystal City/Pentagon City	8,843,203	-	-	-	18,932	161,967	15.8%	\$35.04
Falls Church**	2,197,145	-	-	-	13,963	-24,309	13.9%	\$23.17
Rosslyn/Ballston Corridor	9,600,663	-	-	-	6,220	73,377	22.1%	\$39.62
Arlington County/Falls Church Total	20,306,393	-	-	-	20,399	221,939	18.2%	\$36.73
FAIRFAX COUNTY/FAIRFAX CITY								
Annandale	1,671,540	-	-	-	2,087	-28,617	11.4%	\$23.16
Fairfax/Oakton	9,365,742	-	-	-	38,054	39,783	16.1%	\$24.46
Herndon	5,002,981	-	-	-	-89,584	59,537	16.9%	\$25.06
McLean	1,558,716	-	-	-	-25,461	-10,664	9.5%	\$31.31
Merrifield	4,117,978	-	-	-	39,901	8,828	12.4%	\$26.40
Reston	7,709,227	-	-	-	-198,630	-216,145	16.5%	\$28.52
Route 28 Corridor South	5,469,670	-	-	-	-3,190	53,050	23.4%	\$24.11
Springfield/Huntington	5,716,121	-	-	-	20,230	-63,941	14.8%	\$23.87
Tysons Corner	14,126,563	-	-	-	46,759	-27,427	20.6%	\$30.32
Vienna	1,156,610	-	-	-	-1,351	5,138	11.8%	\$28.38
Fairfax Area Total	59,062,304	-	-	-	-159,625	-202,226	18.2%	\$26.92
LOUDOUN COUNTY								
Leesburg/West Loudoun	1,836,700	-	-	63,000	9,083	4,856	5.8%	\$25.08
Route 28 Corridor North	4,334,289	-	-	-	10,614	15,423	14.9%	\$21.91
Route 7 Corridor	3,296,564	-	-	-	39,452	23,386	5.1%	\$24.36
Loudoun County Total	9,467,553	-	-	63,000	59,149	43,665	9.7%	\$22.87
PRINCE WILLIAM COUNTY/MANASSAS CITY/MANASSAS PARK								
Manassas	1,901,355	-	16,000	-	2,471	51,858	7.0%	\$20.67
Route 29/I-66 Corridor	1,996,614	-	-	53,000	-471	3,623	7.9%	\$20.34
Woodbridge	2,248,279	-	-	30,294	-531	23,449	10.0%	\$22.92
Prince William Area Total	6,146,248	-	16,000	83,294	1,469	78,930	8.4%	\$21.54
NORTHERN VIRGINIA TOTAL	105,667,394	-	16,000	146,294	-87,538	193,329	16.6%	\$29.18