

NEWMARK



Westfields has shown incredible resiliency during the COVID-19 pandemic. Since March 2020, the office vacancy rate within the Westfields Corporate Center (“Westfields”) has remained at approximately 18.2%. While the vacancy rate for the east side of the park has risen 300 bps to 17.3%, the west side has dropped 100 bps to 18.7%. The largest block of vacancy is in the Unicom Technology Center located at 15000 and 15010 Conference Center Drive. If you remove these two buildings from the inventory, Westfields would have a 13.3% vacancy rate. , Westfields has experienced three trends during the COVID-19 pandemic: large corporate renewals, increased interest in secured facilities by government contractors, and continued consolidation from large government contractors after mergers and acquisitions.

Since the onset of the pandemic, four government contractors renewed their leases, stabilizing the office market within the park. Those leases include SAIC for 165,000 square feet at 14668 Lee Road, Perspecta at 15052 Conference Center Drive, Aerospace Corporation at 4851 Stonecroft Boulevard, and General Dynamics at 14700 Lee Road. Also, , there are at least two other large lease expirations within the next 12 months.

Despite 103,303 square feet of negative absorption in Northern Virginia since the beginning of the year, Westfields absorption has been flat. However, there are a number of tenants in the market which could sign new leases in the fourth quarter. Many of these prospective leases are with mid-size government contractors. There are multiple requirements out in the market for Sensitive Compartmented Information Facilities (SCIFs). Since the cost to build out such secured spaces is high and there is limited availability of existing and certified SCIF space, rental rates in this micro-market have dramatically risen.

Finally, merger and acquisition activity in the government contractor industry continues to provide some uncertainty within the office market. General Dynamics is marketing 95,000 square feet of office space at 15036 Conference Center Drive on the sublease market, which is a result of excess space after the CSRA acquisition. On a positive note, SAIC will be moving back in to their space at 4803 Stonecroft, which had previously been on the sublease market earlier this year.

Looking forward, Newmark expects vacancy to continue to tighten within Westfields. Currently, there are only three (3) existing office buildings that can accommodate a requirement of 100,000 square feet or greater. While there are no speculative office buildings under construction within Westfields, Zumot Real Estate Management recently delivered Penrose II, a 125,000-square-foot office building north of the park, which is 73% leased.

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