MARKETBEAT
NORTHERN VIRGINIA
OFFICE Q3 2024

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
24.1% Vacancy Rate	▲	▲
-2.2M YTD Net Absorption, SF	▲	▼
$35.63 Asking Rent, PSF	▲	—

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
3.4M Washington DC Metro Employment	▲	▲
2.9% Washington, DC Metro Unemployment Rate	▲	▲
4.2% Country Unemployment Rate	▲	▼

Source:BLS

DEMAND: GROSS LEASING DOWN YOY

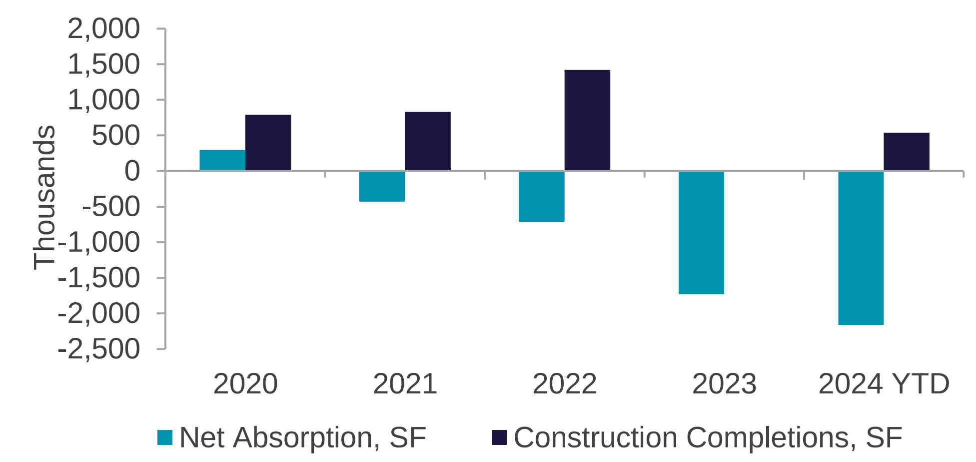
Northern Virginia recorded 403,000 square feet (sf) of new leasing and just over 698,000 sf of renewal activity. This brings new leasing to over 2.1 million square feet (msf) and renewals to 3.1 msf year-to-date (YTD). Both new leasing and renewal activity decreased by 58% from the second quarter of 2024 and 36% YOY. Tysons led new leasing activity with 111,000 sf inked, 27% of overall new leasing, while Reston/Herndon recorded 70,000 sf, 17% of overall new leasing. Route 28 South/Chantilly led renewal activity with 282,000 sf inked, 40% of Q3 renewal activity. Fairfax County recorded 930,000 sf of gross leasing activity in Q3, making up 84% of Northern Virginia's total, followed by Arlington County with 143,000 sf and Alexandria with 24,000 sf. Class A accounted for 301,000 sf, or 75% of new leasing activity, and 665,000 sf, or 95% of renewal activity. Software and computer related tenants took nearly 500,000 sf of gross leasing in Q3. Consulting service tenants leased just over 86,000 sf of gross leasing.

The third quarter registered 13 deals over 20,000 sf— four new deals were inked while nine renewals were recorded. Sublet leasing activity registered 34,800 sf signed in the second quarter with one deal over 10,000 sf signed by Sightline Media, an engineering consultant company, which took 17,745 sf at 1100 North Glebe Road. For deals over 20,000 sf, computer/software tenants signed for just over 400,000 sf while consulting services inked 104,000 sf and a coworking tenant took nearly 50,000 sf. In this category, new leasing totaled 116,000 sf, or 20% of leasing, and renewal activity netted 461,000 sf, or 80% of leasing activity over 20,000 sf.

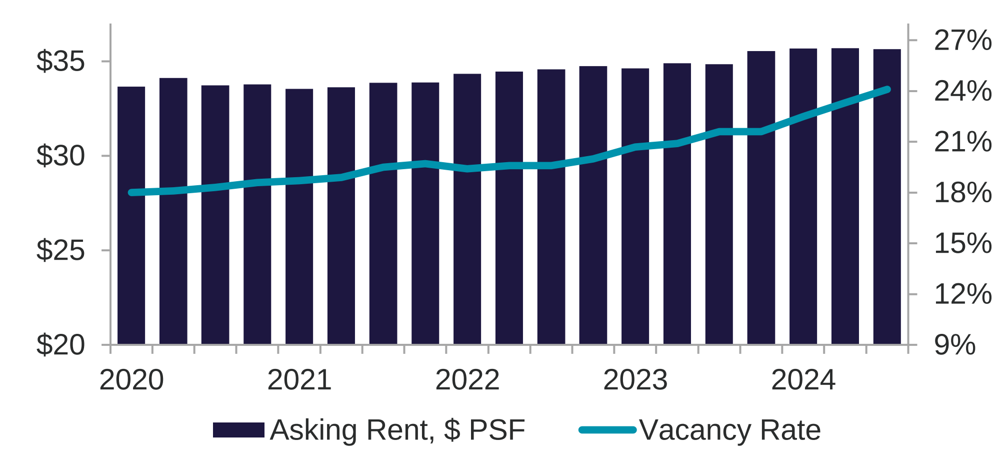
MARKET SEGMENTS

Northern Virginia recorded negative 1.1 msf of absorption in Q3, which brings overall absorption to just under negative 2.2 msf YTD. Alexandria recorded negative 810,000 sf after the U.S. Patent and Trademark Office vacated 773,000 sf of space at 400 & 401 Dulany Street in Old Town.

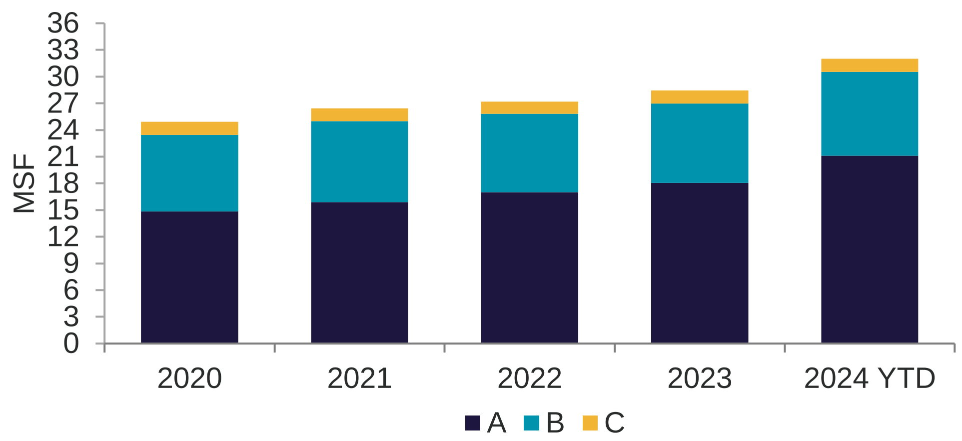
SPACE DEMAND / DELIVERIES



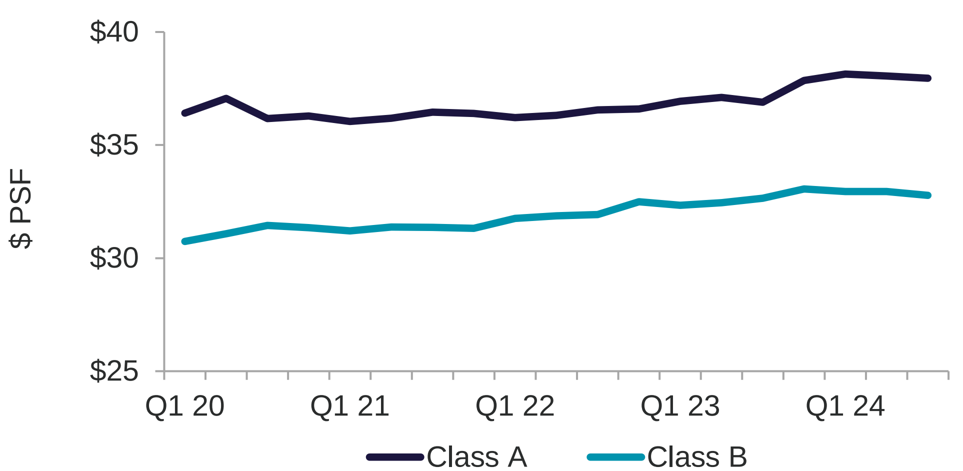
OVERALL VACANCY & ASKING RENT



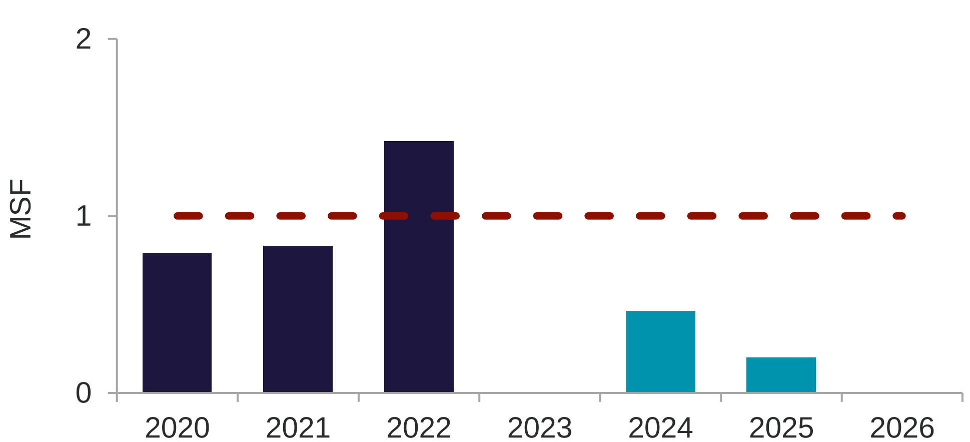
VACANT SPACE BY CLASS



ASKING RENT COMPARISON



NEW SUPPLY



Courthouse/ Clarendon/Virginia Square further drove absorption down after posting negative 146,000 sf while Crystal City/Pentagon City yielded negative 95,000 sf. Arlington County registered negative 180,000 sf and Loudon posted negative 92,500 sf while Fairfax County accounted for 22,850 sf of absorption in Q3. In the third quarter, Class A totaled negative 1.1 msf sf of absorption while Class B posted negative 6,000 sf of absorption. In Tysons Corner, WeWork gave back 61,500 sf of space at 1775 Tysons Boulevard. In Loudon, three floors of multiple tenants, including George Mason and Kennedy Spine & Sport vacated 61,000 sf at 21335 Signal Hill Plaza. Areté Associates vacated 40,000 sf at 1550 Crystal Drive and 17,307 sf at 14425 Penrose Place to move into 3130 Fairview Park Drive along with Chemtech for a combined 89,000 sf. In-Q-Tel's 20,000 sf move out from of 2107 Wilson Boulevard along with multiple smaller tenants created just under 60,000 sf of available vacancies in the building. CRC Advisors moved out of 19,000 sf at 2850 Eisenhower Avenue and expanded into 38,750 sf at 950 North Glebe Road in Ballston.

SUPPLY: VACANCY RISES

Overall average vacancy rates rose by 200 basis points (bps) year-over-year (YOY) to 24.1%, an 80-bps increase from Q2. Class A vacancy increased 210 bps and Class B rose 250 bps, while Class C increased 10 bps YOY. Fairfax County increased 120 bps YOY to 22.7% as Tysons jumped 300 bps YOY to 26.0% and Reston/Herndon increased 120 bps YOY to 24.9%. Alexandria rose 740 bps as Old Town increased 1,170 bps to 24.9% following the consolidation by the U.S. PTO. Arlington County increased 170 bps YOY to 27.2% as Rosslyn increased 90 bps YOY to 22.5% and Crystal City/Pentagon City increased 280 bps YOY to 31.1% while Ballston decreased 150 bps YOY to 24.9%.

PRICING: RENTAL RATES UP

In an indication that higher priced assets are coming back onto the market, overall average asking rates rose by $0.87 YOY to $35.63 per square foot (psf), down $0.06 from Q2 2024. Fairfax County experienced a notable increase in asking rates, up $1.26 psf YOY to $34.42 psf. Alexandria finished the quarter at $34.93 psf, up $0.20 psf YOY and down $0.06 psf from Q2. Arlington closed the quarter at $40.90 psf, down $0.10 psf YOY and up $0.04 psf from Q2. Courthouse/Clarendon/ Virginia Square continues to hold the highest overall average asking rate of all the Northern Virginia submarkets, finishing the third quarter at $43.04, up $0.26 YOY. Tysons Corner asking rents climbed $2.78 psf YOY to $39.20 psf while Springfield had the highest jump at $6.35 psf YOY to $36.06 psf.

OUTLOOK

- Only one project remains in the one project remains in the pipeline – Comstock's 1880 Reston Row Plaza is expected to deliver 163,331 of space in Q2 of 2025 and will complete Reston Row. With construction loans elevated and long-term uncertainty in the market, we are seeing a much slower construction pipeline. Additionally, developers needing debt to construct office are now facing much higher preleasing requirements from users before breaking ground, which is even harder due to the reduced demand market wide.
- Capital markets remain relatively slow in the third quarter. High vacancies and loan distress are two of the driving forces behind the activity we did see this quarter in Northern Virginia. With the Federal Reserve slashing its benchmark interest rate by 50 bps, and another 50-bps drop expected in the future, many CRE owners with long-term loans may soon have the chance to refinance at a lower rate. This could lead us to see a shift towards higher deal flow and reinvestment into more desirable office spaces.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Rosslyn	8,772,555	201,510	1,773,207	22.5%	7,512	-32,067	201,953	0	$40.48	$43.72
Courthouse/Clarendon /VA Square	5,792,811	92,108	1,657,014	30.2%	-146,184	-159,275	105,633	0	$43.04	$43.57
Ballston	7,446,070	43,311	1,785,411	24.6%	53,086	-16,166	160,904	0	$40.68	$42.59
Crystal City/Pentagon City	10,814,574	90,026	3,272,802	31.1%	-94,769	-243,281	133,203	0	$38.58	$38.33
Arlington County Totals	32,826,010	426,955	8,488,434	27.2%	-180,355	-450,789	601,693	0	$40.90	$42.05
Old Town	7,684,290	114,749	1,800,029	24.9%	-781,934	-826,971	107,654	0	$36.72	$39.02
I-395	3,753,879	0	829,583	22.1%	-4,189	-74,387	7,331	0	$32.34	$35.12
Huntington/Eisenhower	2,861,709	50,010	1,213,431	44.1%	-24,079	-33,138	22,920	0	$35.22	$36.90
City of Alexandria Totals	14,299,878	164,759	3,843,043	28.0%	-810,202	-934,496	137,905	0	$34.93	$37.45
Inside the Beltway	**47,125,888**	**591,714**	**12,331,477**	**27.4%**	**-990,557**	**-1,385,285**	**739,598**	**0**	**$38.15**	**$39.89**
Annandale/Baileys	1,204,881	0	193,965	16.1%	3,733	27,741	17,11	0	$26.19	$31.50
Merrifield/Route 50	6,821,558	12,766	1,077,586	16.0%	75,612	2,049	128,239	0	$31.00	$33.94
Fairfax/Oakton/Vienna	9,306,165	27,123	2,262,992	24.6%	8,812	42,919	158,151	0	$28.39	$30.77
Tysons Corner	22,063,032	75,806	5,651,214	26.0%	-47,741	-642,555	456,591	0	$39.20	$43.90
Reston/Herndon	26,833,323	364,332	6,327,184	24.9%	-5,602	-28,185	467,062	163,331	$33.85	$35.61
Route 28 South/Chantilly	9,984,794	29,588	1,395,063	14.3%	-34,857	-39,932	134,959	0	$30.02	$31.60
Springfield	3,568,868	0	700,997	19.6%	22,894	-1,228	33,772	0	$36.06	$38.81
Fairfax County Totals	79,782,621	509,615	17,609,001	22.7%	22,851	-639,191	1,395,888	163,331	$34.42	$37.33
Loudoun County Totals	5,755,735	38,522	909,592	16.5%	-92,576	-137,606	35,483	0	$27.79	$30.14
Outside the Beltway	**85,538,356**	**548,137**	**18,518,593**	**22.3%**	**-69,725**	**-776,797**	**1,431,371**	**163,331**	**$31.56**	**$34.53**
Northern Virginia Totals	**132,664,244**	**1,139,851**	**30,850,070**	**24.1%**	**-1,060,282**	**-2,162,082**	**2,170,969**	**163,331**	**$35.63**	**$37.95**

**Rental rates reflect full service asking*

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
14370 Newbrook Drive	Route 28 South/Chantilly	CACI	160,021	Renewal*
1765 Greensboro Station Place	Tysons Corner	Cvent	128,757	Renewal*
4050 Legato Road	Fairfax/Oakton/Vienna	Fairfax County Board of Supervisors	69,765	Renewal*, Expansion
15040 Conference Center Drive	Route 28 South/Chantilly	Technology Management Associates	60,233	Renewal*
15036 Conference Center Drive	Route 28 South/Chantilly	General Dynamics Mission Systems	45,093	New Lease

**Renewals not included in leasing statistics*

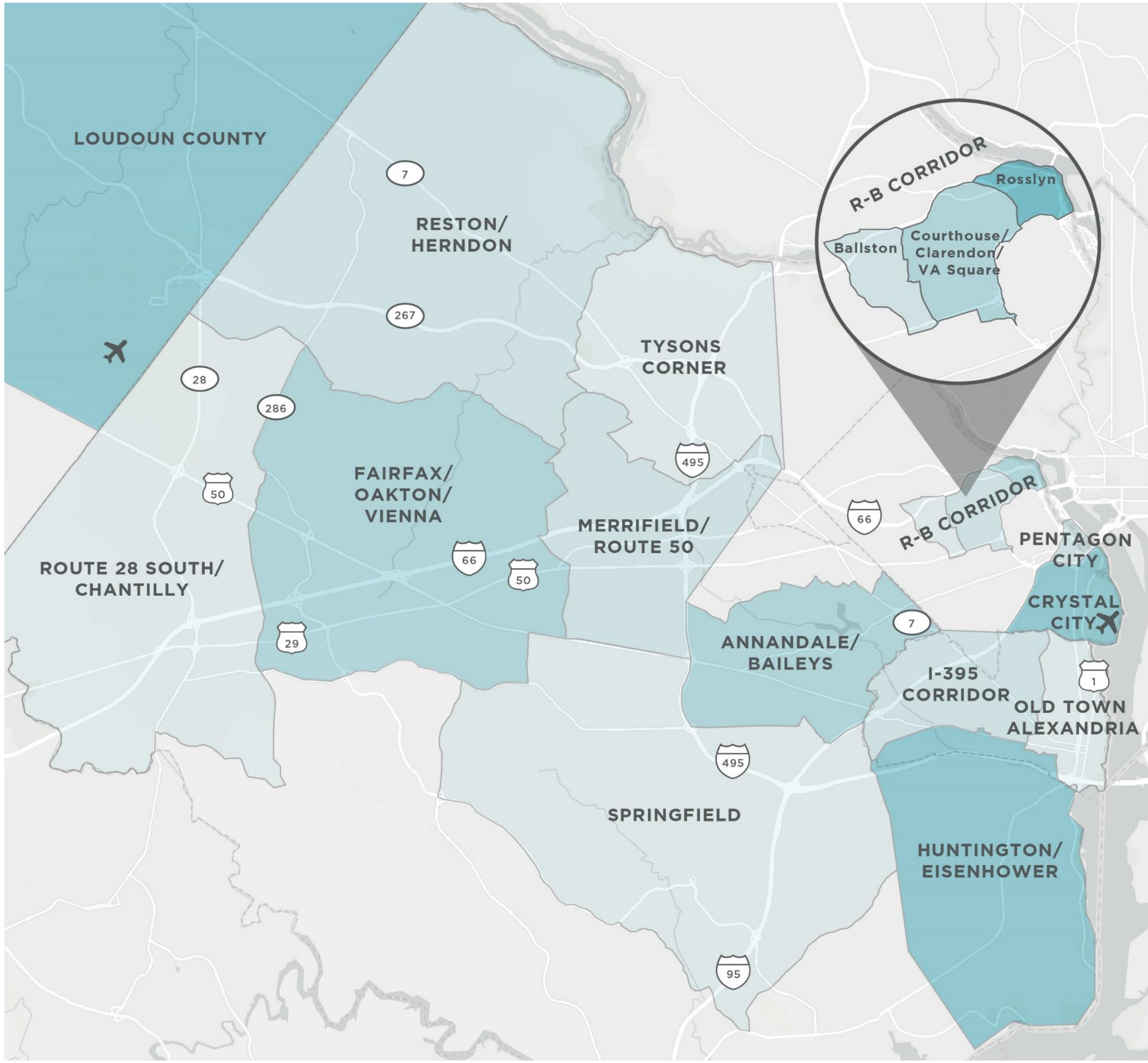
KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
1001 N 19th Street	Rosslyn	Brookfield / Venture Global	241,710	$143,000,000 / $591.62
4075 Wilson Boulevard	Ballston	Hines JV Brookfield / FarmView Ventures JV Rithm Capital JV GreenBarn Investment	187,996	$27,600,000 / $146.81

KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
1800 Reston Row Plaza	Reston / Herndon	-	271,806	Comstock Companies
12050 Inspiration Street	Reston / Herndon	-	77,231	Boston Properties

OFFICE SUBMARKETS



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