MARKETBEAT
Northern Virginia
OFFICE Q4 2024

MARKET FUNDAMENTALS

	YOY Chg	Outlook
24.2% Vacancy Rate	▲	▲
-2.4 M YTD Net Absorption, SF	▼	▼
$35.65 Asking Rent, PSF	—	—

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.6M Northern VA Employment	▲	▲
2.8% Washington DC Metro Unemployment Rate	▲	▲
4.2% Country Unemployment Rate	▲	▲

Source:BLS

LEASING DEMAND

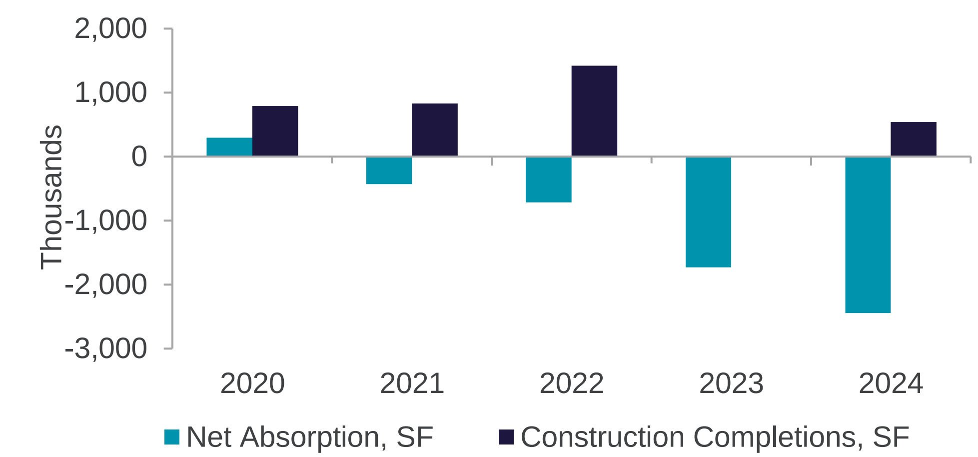
In Q4 2024, Northern Virginia recorded 573,000 square feet (sf) of new leasing and 957,500 sf of renewal activity. This brings year-to-date (YTD) new leasing to 2,993,000 sf and renewal activity to 4,378,000 sf. Gross leasing activity totaled 1,530,000 sf in Q4, which is up 3% year-over-year (YOY). In Q4, Fairfax County recorded 1,099,000 sf of gross leasing activity, 72% of Northern Virginia's total, followed by Arlington County with 371,000 sf, and Loudon County with 38,700 sf. Reston/Herndon led all Northern Virginia submarkets in new leasing with 138,500 sf recorded, 24% of new leasing activity, while Tysons recorded 125,600 sf in Q4. Route 28 South/Chantilly led in renewal activity with 278,000 sf inked, 29% of renewal activity. Class A product accounted for 68% of new leasing activity with 388,700 sf inked and 86% of renewals with 820,700 sf signed in Q4. Class B product accounted for 176,900 sf of new leasing, 31% of Q4 activity, and 125,000 sf of renewal activity, 13% of Q4 activity.

The fourth quarter recorded 17 deals over 20,000 sf - six new deals were completed while 11 renewals were inked. The largest new lease of the quarter came from Science Applications International Corporation (SAIC) renewing 241,000 sf at 4801 Stonecroft Blvd in Route 28 South/Chantilly. Zeta Associates renewed a combined 232,000 sf at 10302 & 10304 Eaton Pl in Fairfax. Gartner signed a new deal for 49,000 sf at 1201 Wilson Blvd after significantly contracting within the building. CoStar is expected to take occupancy of most of the building in early 2025. In Crystal City/Pentagon City, the International Association of Chiefs of Police (IACP) signed a 35,488-sf new deal at 3030 Potomac Ave. The nonprofit organization will be expanding from their 25,919 sf at 44 Canal Center Plz in Old Town in 2026. In Fairfax, Peterson Companies inked a 37,000-sf deal at 4100 Monument Dr. Peterson will be adding roughly 3,000 sf from their 34,000 sf at 12500 Fair Lakes Cir. Airline Tariff Publishing Company sublet 23,235 sf at 2340 Dulles Corner Blvd in Herndon from T-Mobile.

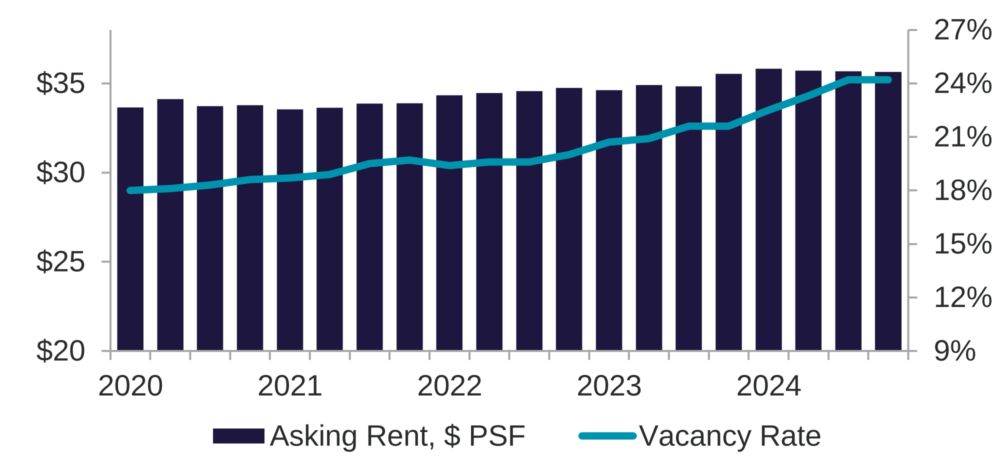
MARKET SEGMENTS

Northern Virginia recorded negative 145,000 sf of absorption in Q4, the least amount of negative absorption we have seen across all four quarters this year. This brings year end absorption to negative 2.4 msf. Alexandria submarkets totaled negative 954,000 sf YTD while Fairfax County recorded

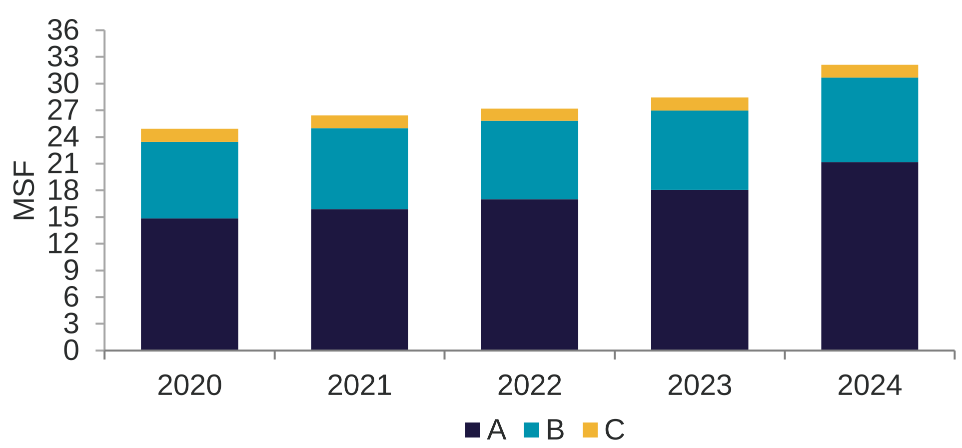
SPACE DEMAND / DELIVERIES



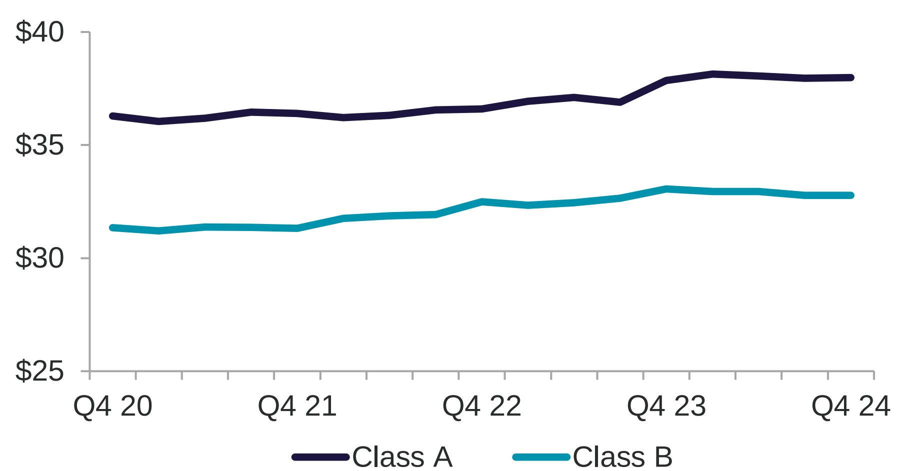
OVERALL VACANCY & ASKING RENT



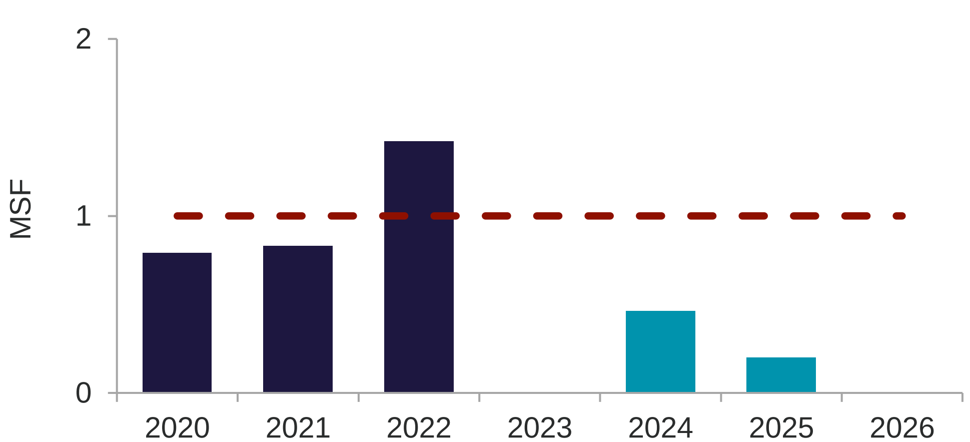
VACANT SPACE BY CLASS



ASKING RENT COMPARISON



NEW SUPPLY



negative 719,676 sf and Arlington registered negative 611,725 sf YTD. Rosslyn netted 66,800 sf of absorption in Q4, one of five submarkets to post positive absorption this quarter. Reston/Herndon yielded 37,200 sf and Merrifield/Route 50 posted 35,000 sf. Crystal City/Pentagon City helped drive absorption negative after recording negative 98,000 sf while Route 28 South/Chantilly registered negative 69,000 sf of absorption. In the fourth quarter, Class A recorded negative 95,000 sf while Class B posted negative 38,000 sf. This brings the YTD total to negative 2.0 msf in Class A and negative 446,000 sf in Class B.

In Reston/Herndon, Palo Alto Networks moved into 63,643 sf at 1950 Opportunity Way after leaving 19,920 sf at 12110 Sunset Hills Road. The National Association of Corporate Directors moved into 41,048 sf at 1100 Wilson Blvd in Rosslyn. In Fairfax, Riverside Research took 38,707 sf at 12601 Fair Lakes Cir, a large expansion from their previous 13,000 sf at 5870 Trinity Pkwy in Route 28 South. In Clarendon, Carr Workplaces took 26,331 sf at 3101 Wilson Blvd. The coworking company continues to add space to their portfolio across Northern Virginia submarkets.

Crystal City/Pentagon City saw the effects of large GSA move outs this quarter at 2121 Crystal Dr as the FBI vacated a floor and the Social Security Administration (SSA) vacated multiple suites for a combined give back of 115,000 sf. In Loudon County, Cofense vacated their 35,571-sf sublease space at 1602 Village Market Blvd SE. In Route 28 South/Chantilly, Redfin vacated 20,640 sf of space to move to the 1st floor of 14155 Newbrook Dr. In Fairfax/Oakton/Vienna, Edelman Financial Engines gave back 20,000 sf at 4000 Legato Rd.

VACANCY & RENTAL RATES

Overall average vacancy rates rose 210 basis points (bps) YOY to 24.2%, stable from Q3 2024. Class A vacancy rose 260 bps YOY to 23.8%, Class B rose 140 bps YOY to 27.3%, and Class C remained stable YOY at 16.3%.

Overall average asking rates remained stable at $35.65 per square foot (psf) on a full-service basis in Q4, a $0.02 decrease from last quarter. The Courthouse/Clarendon/Virginia Square submarket had the highest overall average asking rate of all the Northern Virginia submarkets, finishing the quarter at $42.92 psf, down $0.22 psf YOY. Arlington County averaged $40.89 psf, a $0.38 decrease YOY, while Fairfax County increased $0.20 psf YOY to $34.38 psf and Loudon County increased $0.77 psf YOY to $28.05 psf. Class A rates rose $0.11 YOY to $37.98 psf in Q4 while Class B dropped $0.29 YOY to $32.77 psf.

OUTLOOK

- Only one project remains in the development 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 interest rates on construction loans elevated, materials and labor pricing at near peak levels 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.
- Office-to-residential conversions are on the rise and have accounted for over 1.2 msf of office product being removed from Northern Virginia's total inventory. On top of the projects that have broken ground, conversions of more than 4.3 msf across 27 office properties have been planned or proposed by developers. There are currently four conversions under construction totaling 640,000 sf in Old Town and Rosslyn.

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	216,589	1,707,824	21.9%	66,832	24,149	261,009	0	$40.36	$43.77
Courthouse/Clarendon /VA Square	5,792,811	132,131	1,684,836	31.4%	-22,780	-227,120	141,990	0	$42.92	$43.30
Ballston	7,446,070	77,172	1,782,804	25.0%	-35,736	-51,902	204,097	0	$40.92	$42.84
Crystal City/Pentagon City	10,814,574	110,001	3,389,742	32.4%	-97,790	-356,852	229,685	0	$38.54	$38.27
Arlington County Totals	32,826,010	535,893	8,565,206	27.7%	-89,474	-611,725	836,781	0	$40.89	$42.04
Old Town	7,684,290	107,312	1,818,772	25.1%	-9,497	-840,563	117,649	0	$36.79	$39.03
I-395	3,753,879	0	843,667	22.5%	-14,084	-88,471	10,446	0	$32.21	$35.26
Huntington/Eisenhower	2,861,709	50,010	1,205,106	43.9%	8,325	-24,813	30,563	0	$35.35	$36.98
City of Alexandria Totals	14,299,878	157,322	3,867,545	28.1%	-15,256	-953,847	158,658	0	$34.98	$37.53
Inside the Beltway	**47,125,888**	**693,215**	**12,432,751**	**27.9%**	**-104,730**	**-1,565,572**	**995,439**	**0**	**$38.16**	**$39.92**
Annandale/Baileys	1,204,881	0	206,540	17.1%	-12,575	15,166	17,114	0	$26.08	$31.50
Merrifield/Route 50	6,821,558	5,089	1,079,472	15.9%	35,182	35,808	137,842	0	$31.10	$33.84
Fairfax/Oakton/Vienna	9,306,165	39,125	2,214,749	24.2%	-9,292	45,457	219,113	0	$28.38	$30.78
Tysons Corner	22,063,032	110,267	5,654,015	26.1%	13,752	-672,463	700,649	0	$39.12	$43.70
Reston/Herndon	26,833,323	315,290	6,266,807	24.5%	37,223	8,396	628,916	163,331	$33.96	$35.63
Route 28 South/Chantilly	9,984,794	29,588	1,477,956	15.1%	-68,691	-122,825	214,991	0	$29.59	$31.44
Springfield	3,568,868	3,075	725,909	20.4%	-1,510	-29,215	37,449	0	$35.82	$38.59
Fairfax County Totals	79,782,621	502,434	17,625,448	22.7%	-5,911	-719,676	1,956,074	163,331	$34.38	$37.29
Loudoun County Totals	5,662,421	64,591	814,158	15.5%	-34,357	-159,408	41,505	0	$28.05	$30.70
Outside the Beltway	**85,445,042**	**567,025**	**18,439,606**	**22.2%**	**-40,268**	**-879,084**	**1,997,579**	**163,331**	**$31.51**	**$34.52**
Northern Virginia Totals	**132,570,930**	**1,260,240**	**30,872,357**	**24.2%**	**-144,998**	**-2,444,656**	**2,993,018**	**163,331**	**$35.65**	**$37.98**

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
4801 Stonecroft Blvd	Route 28 South / Chantilly	Science Applications International Corp (SAIC)	241,000	Renewal*
10302 & 10304 Eaton Pl	Fairfax / Oakton/ Vienna	Zeta Associates	232,140	Renewal*
1310 N Courthouse Rd	Courthouse/Clarendon/VA Sq	GSA	71,027	Renewal*
13755 Sunrise Valley Dr	Reston / Herndon	ManTech Advanced Systems International	55,996	New Lease
1201 Wilson Blvd	Rosslyn	Gartner	49,130	New Lease

*Renewals not included in leasing statistics

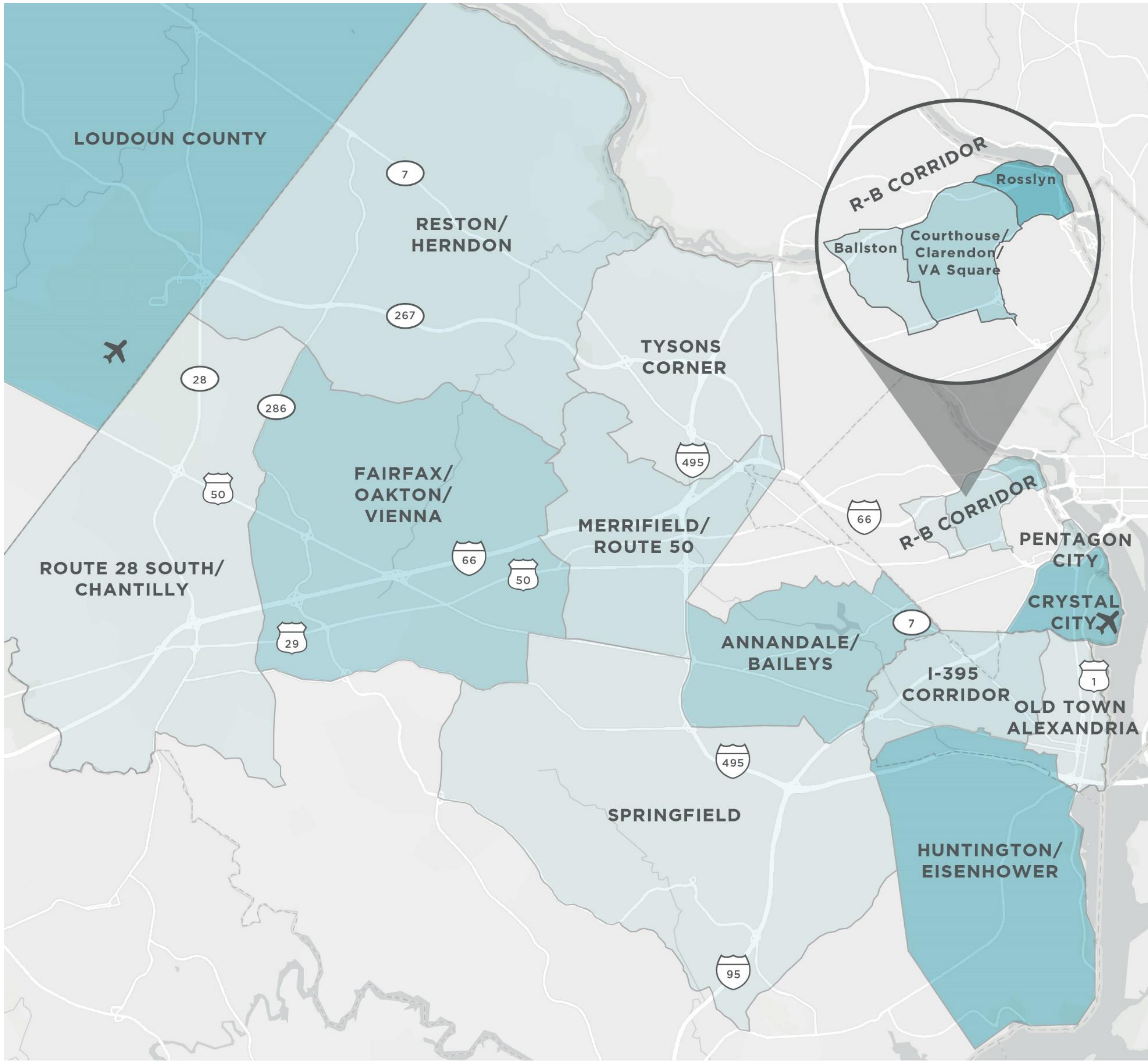
KEY SALES TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
13461 Sunrise Valley Dr, 13655 & 13665 Dulles Technology Dr	Reston / Herndon	Walton Street Capital JV MRP Realty / Nuveen	345,228	$59,042,336 / $171.02
4040 Wilson Blvd	Ballston	Brandywine Realty Trust / Shooshan	224,700	$37,885,854 / $337.21

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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