MARKETBEAT

Northern Virginia

OFFICE Q3 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
24.2% Vacancy Rate	▲	▲
-570K YTD Net Absorption, SF	▼	–
$35.71 Asking Rent, PSF	–	–

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.6M Northern VA Employment	▲	▲
3.4% Northern VA Unemployment Rate	▲	▲
4.3% Country Unemployment Rate	▲	▲

Source:BLS

MARKET OUTLOOK

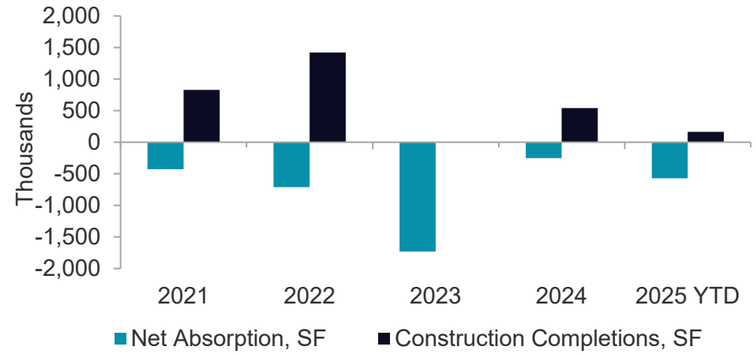
The second half of 2025 began on stronger footing as Northern Virginia's office market recorded a meaningful pickup in leasing velocity. New leasing surged to 1.86 million square feet (msf) in Q3, nearly double Q2's 986,000 sf, pushing year-to-date (YTD) activity to 3.9 msf. Renewal volume remained subdued, with just 373,000 sf transacted in Q3, and 1.8 msf YTD, as tenants increasingly favored relocation and upgrade strategies over short-term extensions. At the same time, overall net absorption continued to improve, registering negative 54,500 sf, the smallest quarterly loss in five years and a clear sign of stabilizing occupancy trends. Absorption now stands at negative 570,000 sf YTD, marking a steady recovery from the deeper move-outs seen earlier in the cycle. After several years of heavy contraction, the region appears to be transitioning toward a more balanced phase, characterized by measured givebacks, selective expansion, limited new supply and growing confidence among large occupiers.

SUPPLY & DEMAND

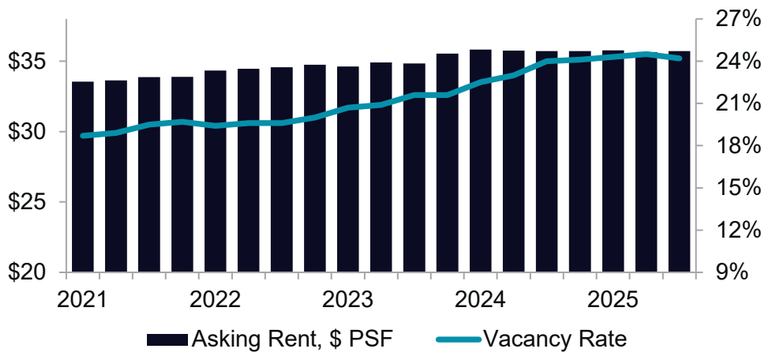
Northern Virginia recorded 1.86 msf of new leasing and 374,000 sf of renewal activity in the third quarter. Gross leasing totaled 2.2 msf, marking a 21% increase from last quarter's total and a 41% decline year-over-year (YOY). Year to date, new leasing has reached 3.9 msf, while renewals stand at 1.8 msf, reflecting an ongoing shift in tenant behavior as occupiers pursue relocations, consolidations, and upgrades over short-term extensions. Class A accounts for 80% of YTD new leasing and 57% of YTD renewals. The uptick in overall activity suggests a gradually improving appetite for space, particularly high-quality product, even as overall volumes remain below pre-pandemic norms.

In the third quarter, Fairfax County and Arlington County each captured 48% of Northern Virginia's new leasing activity, recording 897,000 sf and 893,000 sf, respectively. Loudoun County (45,000 sf) and the City of Alexandria (25,000 sf) combined for the remaining 4%, reflecting limited large-block movement outside the region's core corridors. Rosslyn led all submarkets activity with 751,000 sf signed, followed by Tysons Corner with 354,000 sf and Reston/Herndon with 324,000 sf, defining sustained demand in highly amenitized, Metro-served markets. Reston/Herndon led renewals with 188,000 sf inked, while Tysons Corner followed with 80,000 sf. Class A product dominated demand, accounting

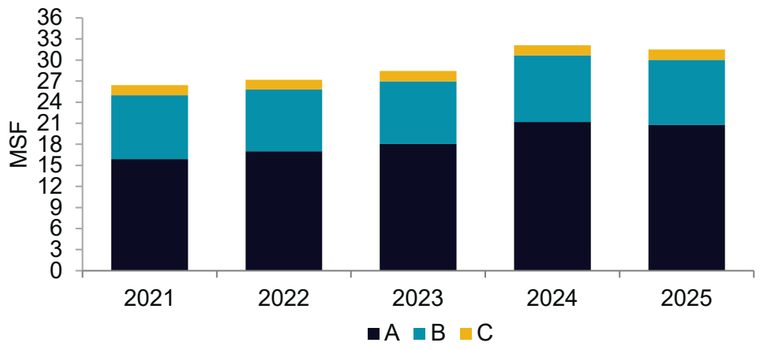
SPACE DEMAND / DELIVERIES



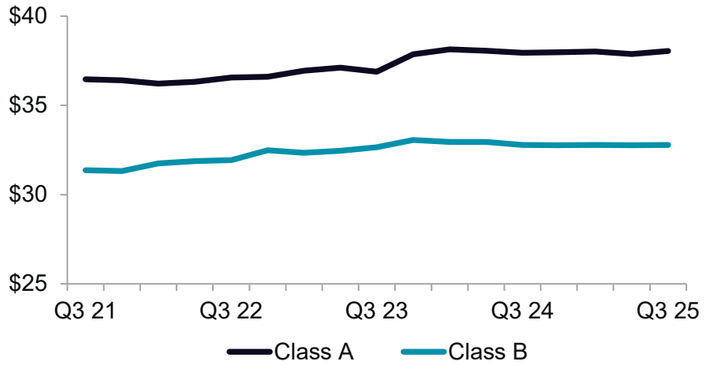
OVERALL VACANCY & ASKING RENT



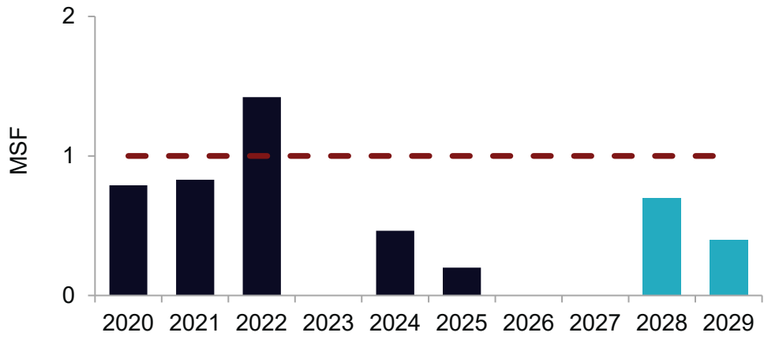
VACANT SPACE BY CLASS



ASKING RENT COMPARISON



NEW SUPPLY



for 85% of new leasing and 74% of renewals in Q3. Class B represented just 14% of new leasing and 26% of renewals, as older buildings without meaningful upgrades struggled to compete for activity.

Northern Virginia recorded -54,526 sf of absorption in Q3, the smallest quarterly loss in five years. Class A posted negative 121,000 sf, while Class B netted 80,000 sf and Class C yielded negative 13,000 sf. Fairfax led declines with negative 64,000 sf, followed by Arlington at negative 18,000 sf, while Alexandria (23,000 sf) and Loudoun (5,000 sf) saw modest gains. Key move-ins included Salus Worldwide taking 36,425 sf at 1500 Wilson Blvd in Rosslyn, the IRS occupying 34,347 sf at 1953 Gallows Rd in Tysons Corner, and K. Hovnanian Homes moving into 23,738 sf at 13241 Woodland Park Rd in Reston/Herndon. Offsetting these were DEA vacating 70,368 sf at 2675 Prosperity Ave in Merrifield/Route 50, Micropact leaving 40,254 sf at 12901 Worldgate Dr in Reston/Herndon, and GSA giving back 37,065 sf at 381 Elden St in Reston/Herndon. Overall, new move-ins largely offset targeted consolidations, marking a step toward market equilibrium.

VACANCY & RENTAL RATES

Overall average vacancy rates rose 110 basis points (bps) YOY to 24.2%. Class A vacancies rose 150 bps YOY to 23.9%, Class B increased 10 bps YOY to 27.0%, and Class C rose 50 bps YOY to 16.2%.

Overall average asking rates increased $0.08 YOY to $35.71 per square foot (psf) on a full-service basis in Q3, up $0.06 psf from last quarter. The Courthouse/Clarendon/ Virginia Sq submarket had the highest overall average asking rate of all the submarkets, finishing the quarter at $42.93 psf, down $0.12 psf YOY. Arlington County averaged $41.04 psf, a $0.13 psf increase YOY, while Fairfax County dropped $0.24 psf YOY to $34.18 psf and Loudon County increased $0.17 psf YOY to $27.96 psf. Class A rates rose $0.10 psf YOY to $38.05 psf while Class C Increased $0.59 psf YOY to $27.43 psf, Class B recorded no change.

Even as vacancy remains elevated across the region, large-block availability has become increasingly scarce, particularly within the top-tier assets that anchor Tysons, Reston/Herndon, and the RB Corridor. Only 12 suitable blocks above 100,000 square feet are currently on the market, while more than 30 tenants exceeding 100,000 square feet face lease expirations in these submarkets over the next five years. This widening imbalance between expiring demand and limited supply is expected to fuel faster lease-ups and greater landlord leverage heading into 2026.

OUTLOOK

- New construction remains at a near standstill, with Comstock's 1880 Reston Row Plaza delivering 163,000 square feet in Q3, the only office delivery of 2025, completing the broader Reston Row development. Beyond this project, no new groundbreakings are anticipated, as elevated construction loan rates, peak-level material and labor costs, and higher preleasing requirements continue to suppress speculative starts. With developers facing tighter lending conditions and demand still below pre-pandemic norms, the office pipeline is expected to stay muted well into 2026.

- Office-to-residential conversions are on the rise and have accounted for over 1.9 msf of office product being removed from inventory. On top of the projects that have broken ground, conversions of more than 7.2 msf across 37 office properties have been planned or proposed by developers. There are currently four conversions under construction totaling over 550,000 sf in Old Town, Rosslyn, and Reston/Herndon.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET 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	1,686,175	61,232	19.9%	18,356	189,571	890,581	0	$41.26	$44.63
Courthouse/Clarendon /VA Square	5,792,811	1,667,347	164,643	31.6%	-8,907	-1,612	166,520	0	$42.93	$43.35
Ballston	7,446,070	1,922,853	114,364	24.7%	6,883	-144,913	209,463	0	$41.09	$42.78
Crystal City/Pentagon City	10,263,753	3,492,908	114,822	35.2%	-35,263	-227,521	111,944	0	$38.29	$37.93
Arlington County Totals	32,275,189	8,769,283	455,061	28.6%	-18,931	-184,475	1,378,508	0	$41.04	$42.12
Old Town	7,684,290	1,815,359	89,497	24.8%	2,056	13,567	118,404	0	$36.95	$39.30
I-395	3,753,879	792,246	0	21.1%	21,193	50,470	19,967	0	$32.54	$35.31
Huntington/Eisenhower	2,236,709	588,849	50,010	28.6%	0	-6,179	7,385	0	$36.53	$41.33
City of Alexandria Totals	13,674,878	3,196,454	139,507	24.4%	23,249	57,858	145,756	0	$35.32	$39.60
Inside the Beltway	**45,950,067**	**11,965,737**	**594,568**	**27.3%**	**4,318**	**-126,617**	**1,524,264**	**0**	**$38.51**	**$40.66**
Annandale/Baileys	1,204,881	185,346	0	15.4%	-3,577	19,194	17,442	0	$26.36	$31.50
Merrifield/Route 50	6,821,558	1,140,435	32,424	17.2%	-77,157	-71,288	153,786	0	$31.17	$33.74
Fairfax/Oakton/Vienna	8,898,476	2,400,217	63,258	27.7%	37,906	-197,288	283,113	0	$28.19	$29.91
Tysons Corner	22,063,032	5,659,717	162,413	26.4%	3,860	-45,369	906,088	0	$38.71	$43.43
Reston/Herndon	26,141,174	5,876,607	353,682	23.8%	-44,243	-165,598	752,375	0	$34.08	$35.57
Route 28 South/Chantilly	9,984,794	1,384,859	35,332	14.2%	18,577	41,324	169,608	0	$29.58	$31.57
Springfield	3,568,868	746,357	14,093	21.3%	-16	-27,032	68,765	0	$34.99	$38.25
Fairfax County Totals	78,682,783	17,393,538	661,202	22.9%	-64,650	-446,057	2,351,177	0	$34.18	$36.89
Loudoun County Totals	5,662,421	787,981	84,842	15.4%	5,806	2,826	77,252	0	$27.96	$30.62
Outside the Beltway	**84,345,204**	**18,181,519**	**746,044**	**22.4%**	**-58,844**	**-443,231**	**2,428,429**	**0**	**$31.38**	**$34.32**
Northern Virginia Totals	**130,295,271**	**30,147,256**	**1,340,612**	**24.2%**	**-54,526**	**-569,848**	**3,952,693**	**0**	**$35.71**	**$38.05**

**Rental rates reflect full service asking*

KEY LEASE TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
11487 Sunset Hills Rd	Reston/Herndon	CACI	133,806	New Lease
7950 Jones Branch Dr	Tysons	Financial Industry Regulatory Authority	77,916	Sublease
1910 Oracle Way	Reston/Herndon	NVR	68,000	New Lease
1881 Campus Commons Dr	Reston/Herndon	SOS International	51,574	Renewal*
1818 Library St	Reston/Herndon	Workday, Inc.	51,204	New Lease

**Renewals not included in leasing statistics*

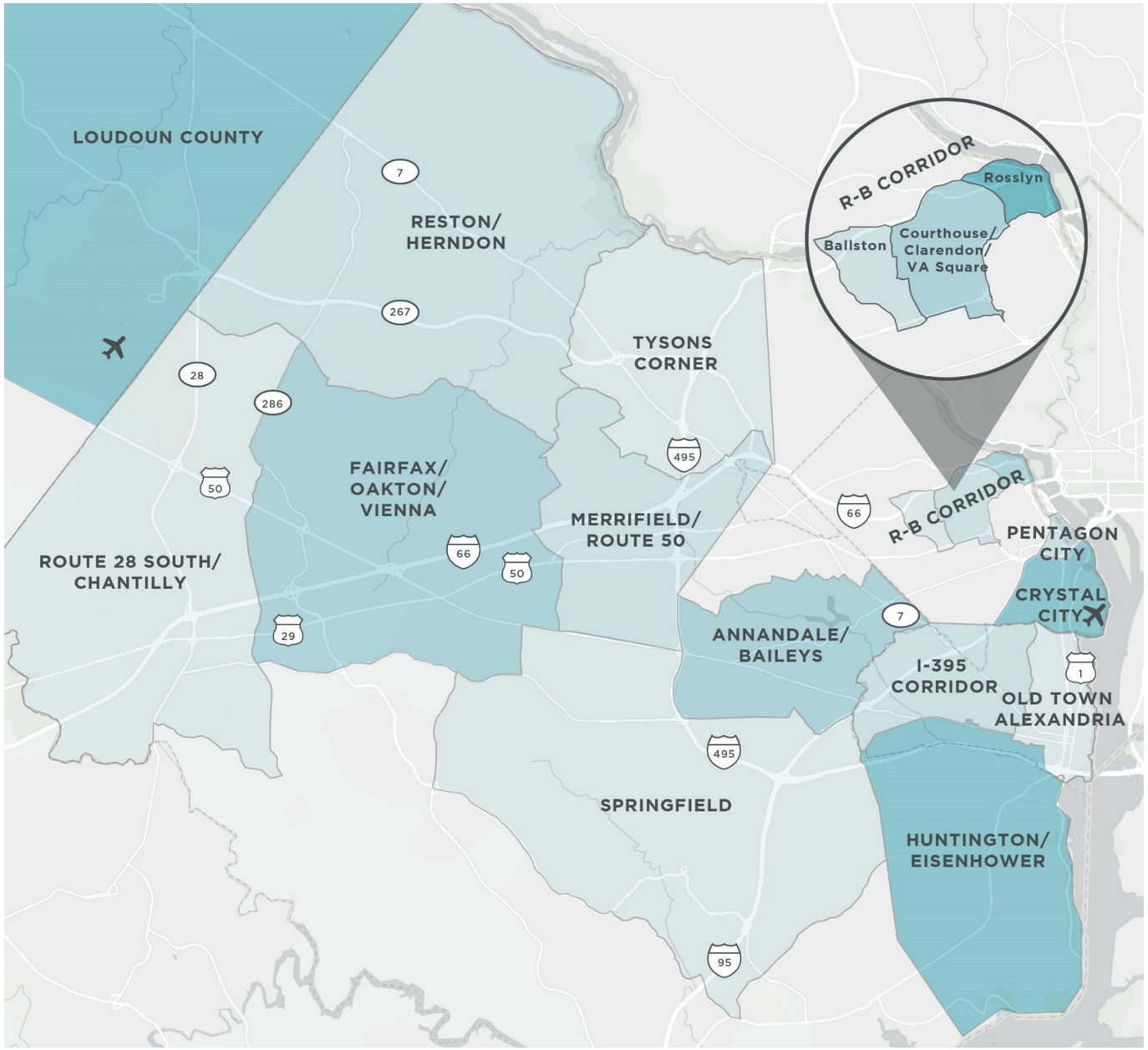
KEY SALE TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
8260 & 8280 Willow Oaks Corporate Dr	Merrifield	Bridge Investment Group / Stockdale Capital Partners	407,233	$70.0 M / $171.89 psf
12000 & 12018 Sunrise Valley Dr	Reston/Herndon	Brookfield / CrossHarbor Capital Partners	371,000	$53.24 M / $143.50 psf

KEY CONSTRUCTION COMPLETIONS

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
1880 Reston Row Plaza	Reston / Herndon	-	163,331	Comstock

OFFICE SUBMARKETS



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