



Northern Virginia office market report

Q3 2024

**AVISON
YOUNG**

Northern Virginia Office Market Trends

12.1%

Concessions as a % of overall lease value

After a spike in lease concessions in late 2021, they are now stabilizing relative to rent prices.

This stability benefits the leasing market by helping prospective tenants gauge appropriate concessions and enabling landlords to forecast and budget more accurately.

10.42%

Percentage of Leases Signed by Tech Companies

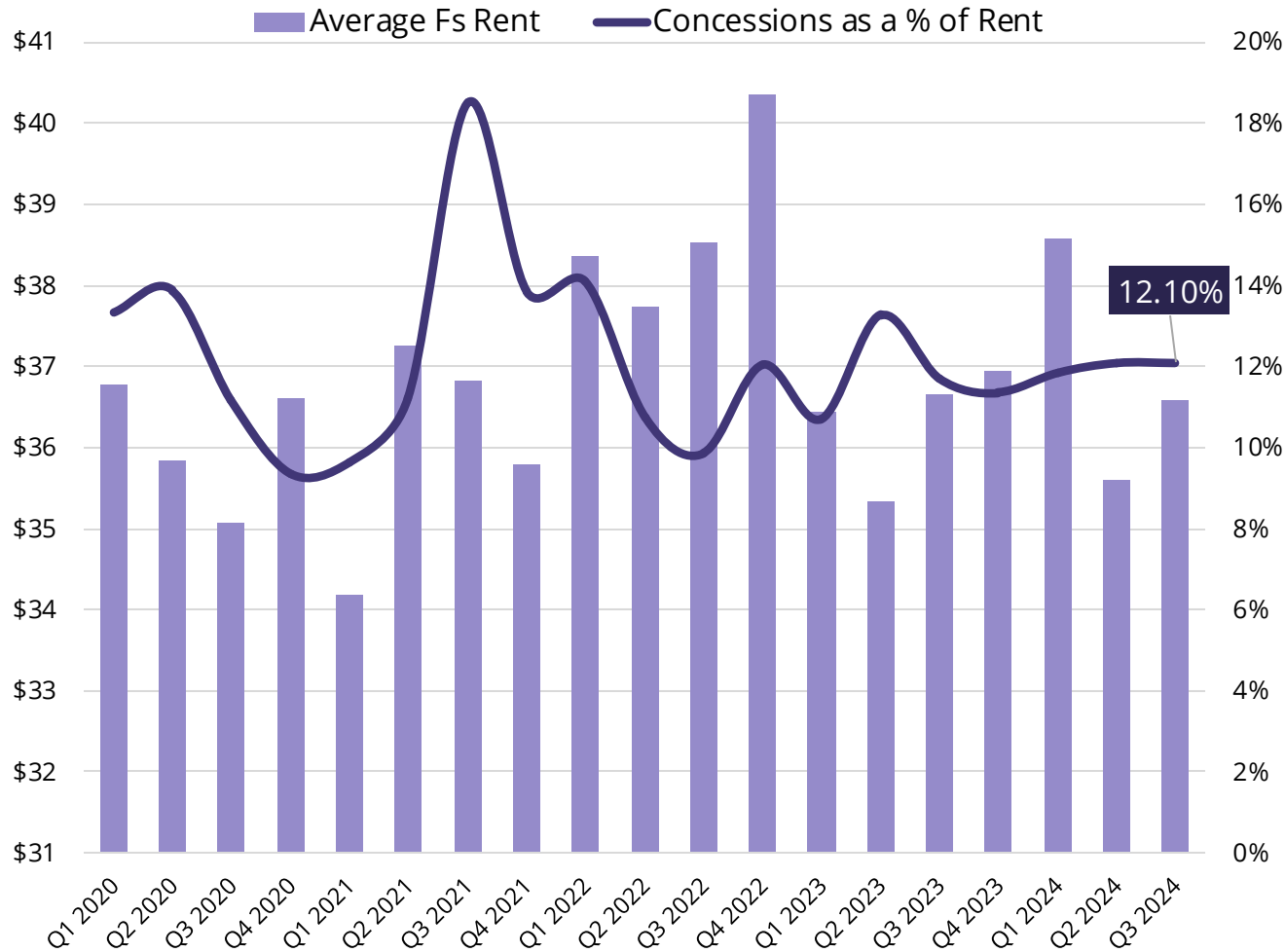
Tech companies have been large drivers of the Northern Virginia office market for some time, but with tech companies largely adopting hybrid or remote working models, the share of total leasing attributable to tech in Q3 was the lowest it has been since before 2019.

\$806mm

YTD Sales Volume

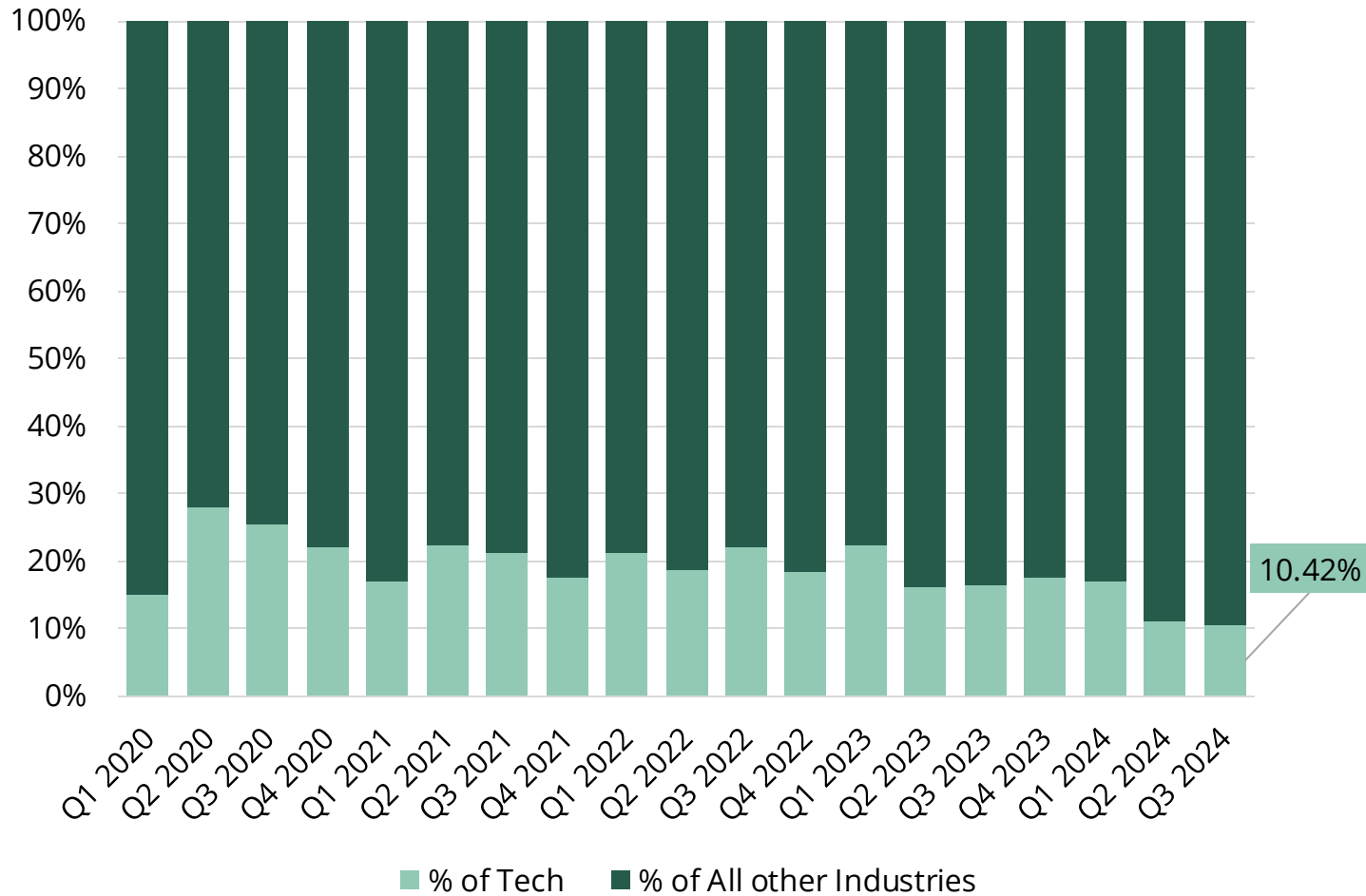
Office investments in the area saw an uptick in volume compared to last quarter. As the value of office properties continues to decline, investors are seeing more opportunities to buy buildings at a price point that can make sense for them financially. Note, this figure includes user sales, which have become somewhat of a common theme in Northern Virginia.

The Stabilization of Lease Concessions



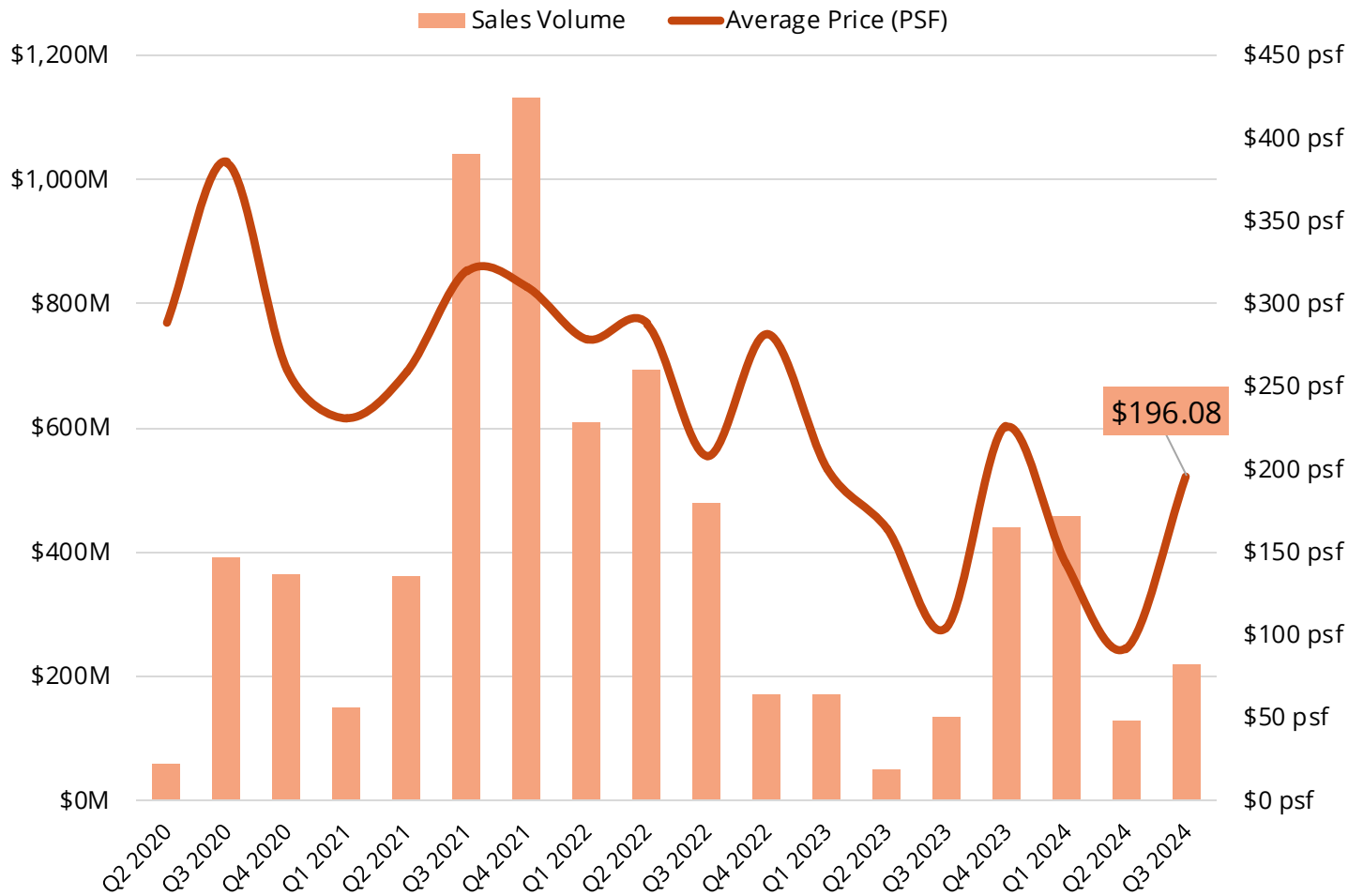
After seeing lease concessions spike in the latter half of 2021, concessions are starting to stabilize in respect to rent pricings. This holds well for the leasing market because the consistency will allow prospective tenants to get a better idea of what concessions package they should get, and landlords to properly forecast and account these pricings into their budgets.

Leasing Velocity Decreases in Tech Sector



Northern Virginia has experienced a slowdown in leasing activity among tech industry tenants since Q2. This aligns with a 20.11% drop in tech job postings compared to last quarter. While this trend is understandable, it's still surprising given the region's historically strong presence of tech tenants.

An Uptick in Investment Sales Volume



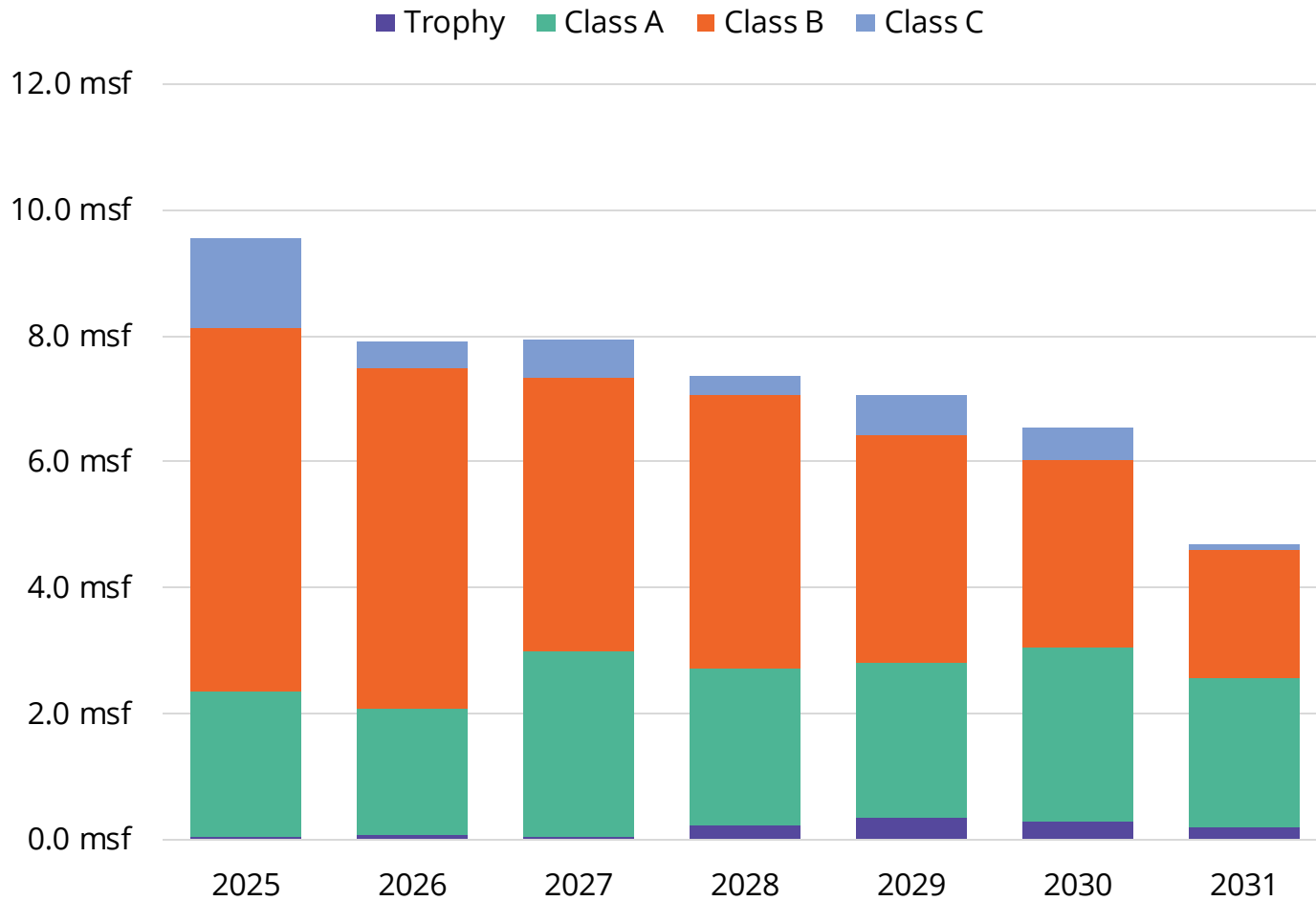
Sales volume in Northern Virginia has shown glimpses of rebounding after a lackluster 2023. Investors are seemingly approaching the marketplace with more conviction and buying assets with solid in place cashflow vs. adaptive reuse. Somewhat of a theme in Northern Virginia is user sales, with major occupiers such as CoStar and Venture Global taking advantage of market conditions to purchase their space.

Occupier trends

Let's examine more prevailing office trends

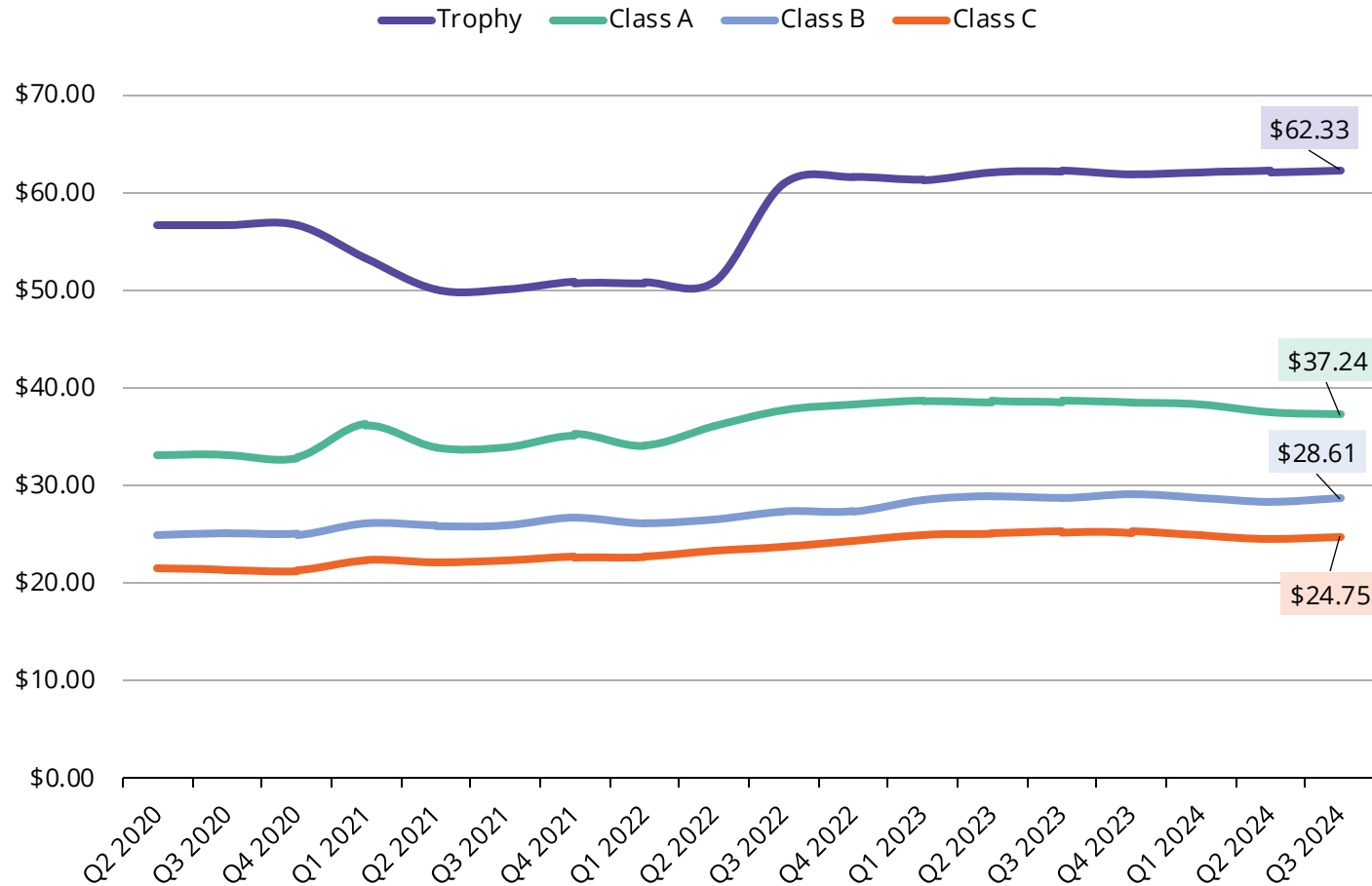


Yearly Lease Expirations by Property Class



From 2025 to 2031, Northern Virginia will see at least 5 million square feet of expiring leases each year. In the next three years, the majority of lease expirations will be Class B buildings, while Class A buildings will dominate in 2030 and 2031.

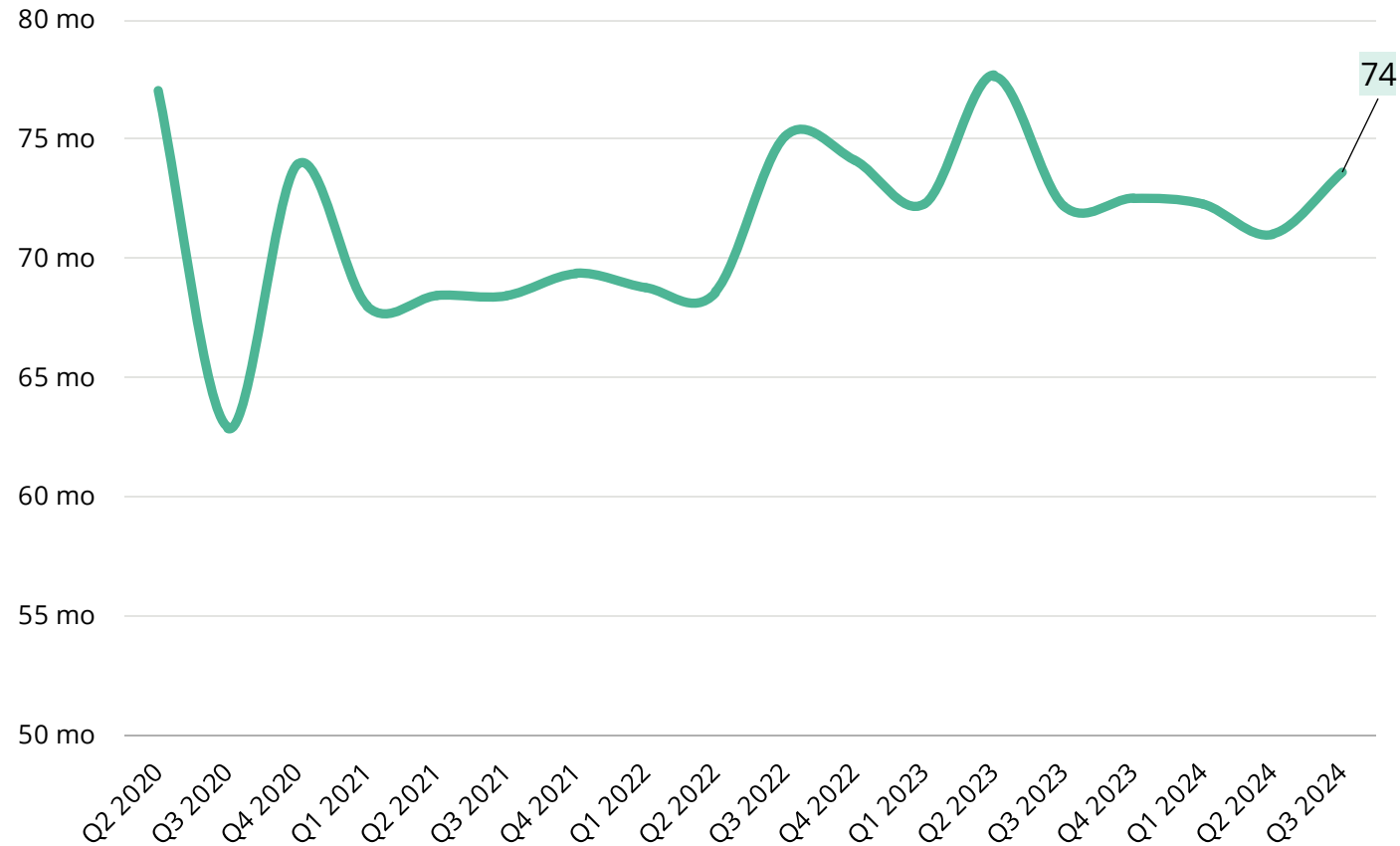
Full Service Asking Rents by Property Class



After a period of growth for Trophy rents, asking rents across the board have stagnated since Q3 2022 for the Northern Virginia office landscape. Alongside these consistent rents, rent concessions are also starting to top out as well.

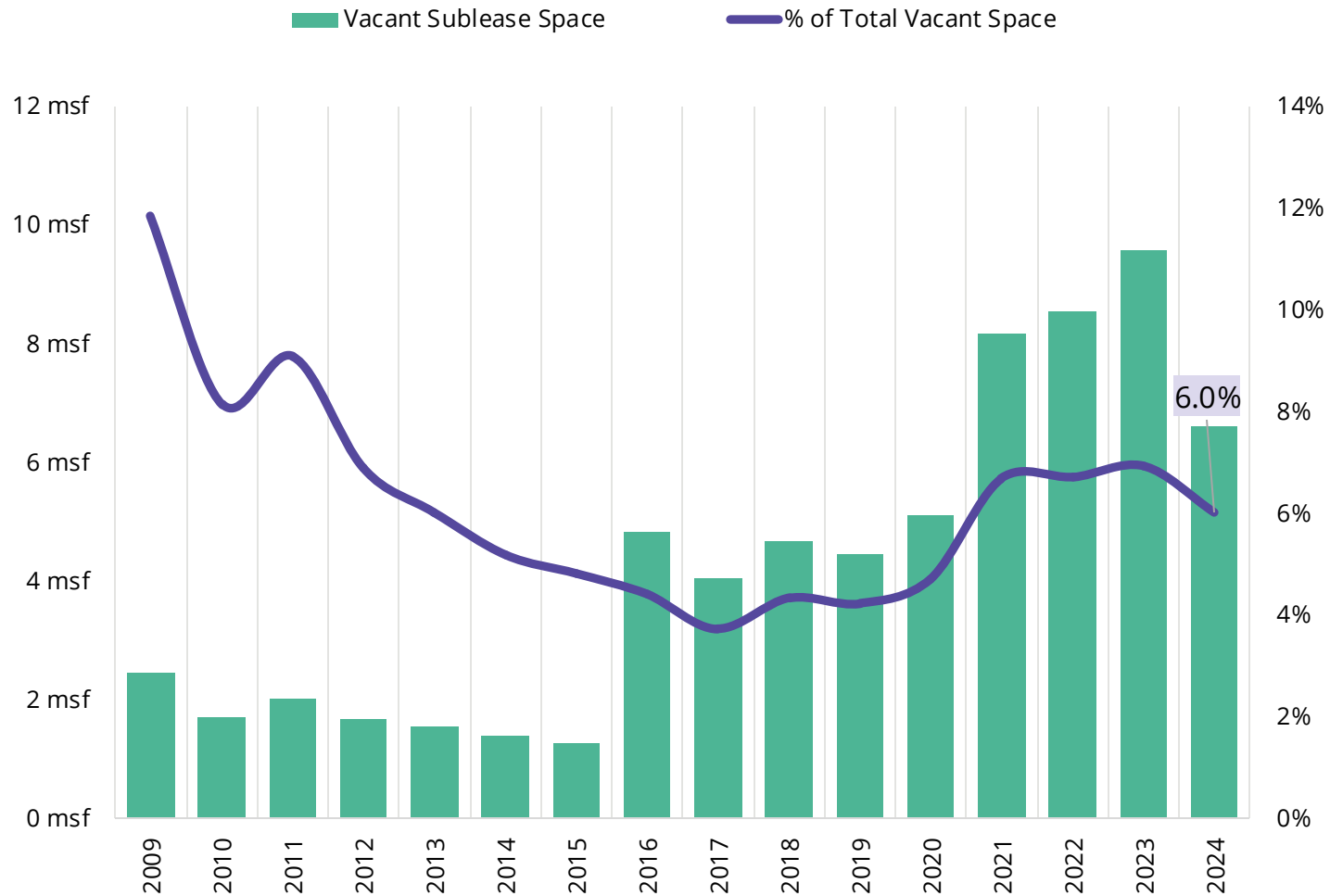
Term Length in the Office Market

Lease term (months)



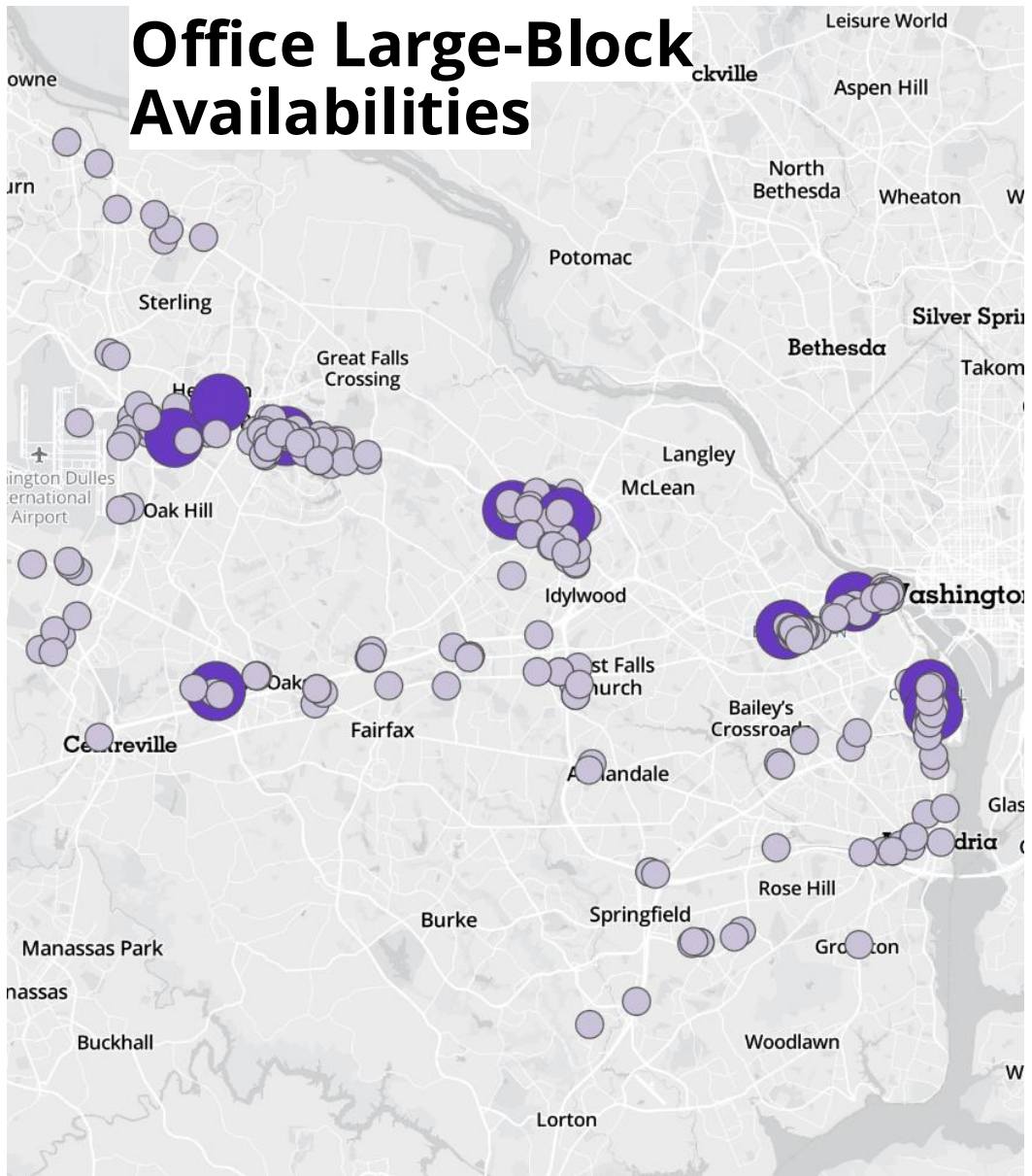
The average term length in the Northern Virginia office market is starting to rise this quarter, following a period of stability or decline. In Trophy properties, term lengths have increased by 59% since the beginning of 2024.

Sublease Space



The amount of sublease space remains significantly higher than pre-COVID levels, but it has been decreasing as a percentage of total inventory over the past few quarters. Fairfax Center experienced the largest drop in vacant sublease square footage compared to the previous quarter.

Office Large-Block Availabilities

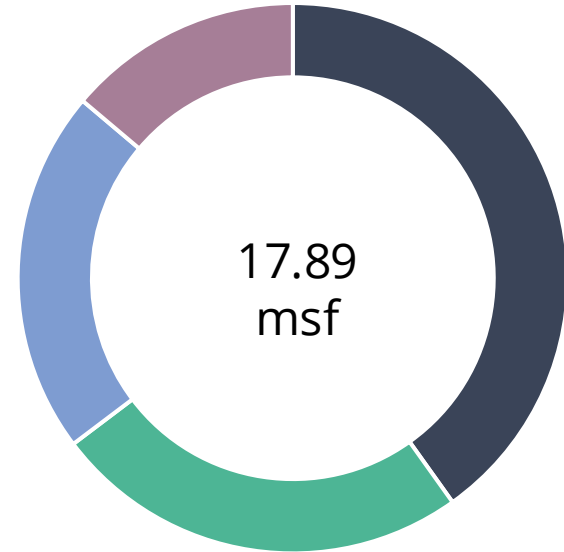


Large-block space size ranges:

50K sf - 100k sf:
21%
62 blocks

>100k sf: 14%
40 blocks

20K sf - 30K sf: 40%
116 blocks



30K sf - 50K sf: 25%
71 blocks

Office Development Pipeline

4 properties

proposed, under construction

1.05 msf

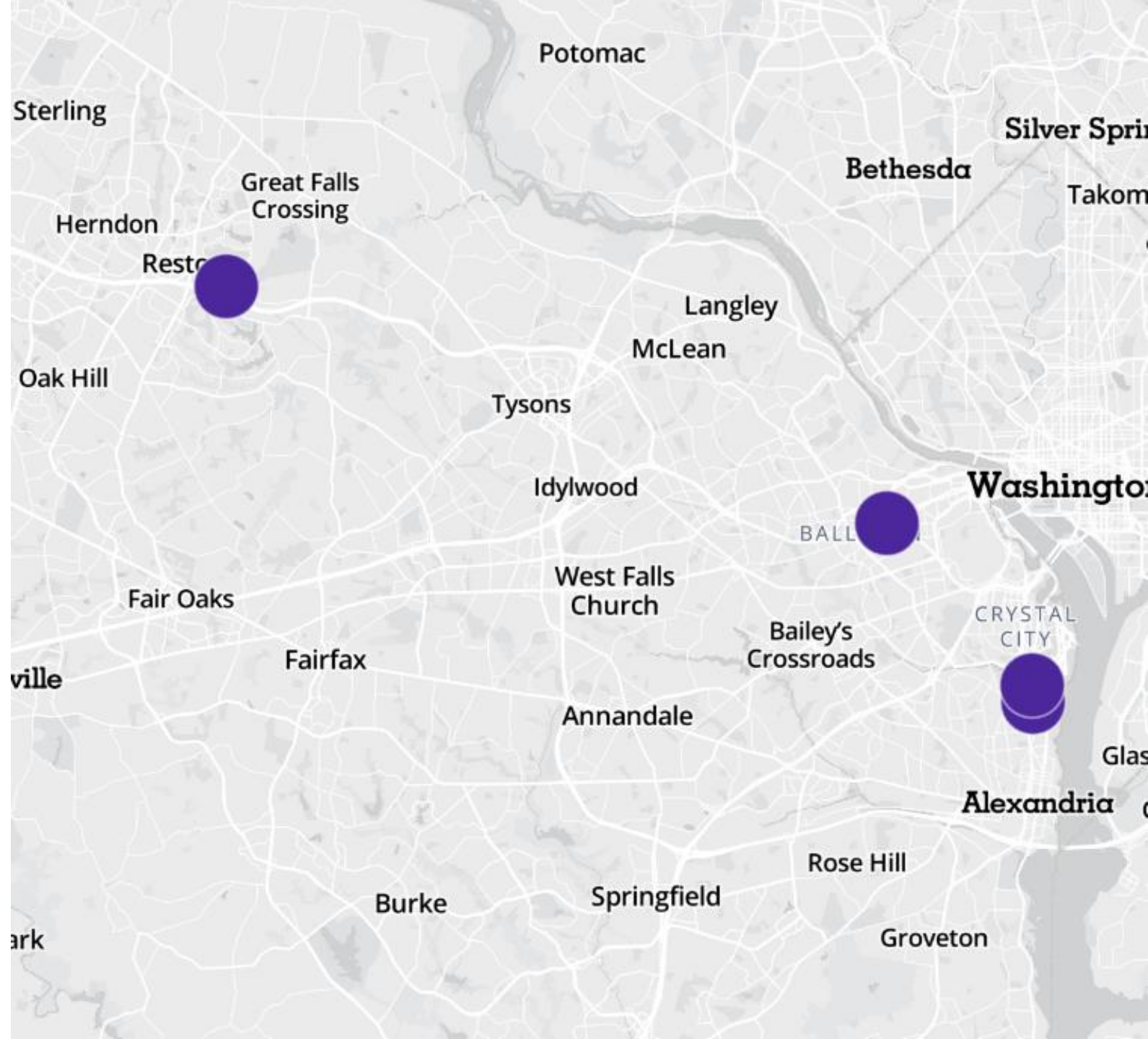
proposed, under construction

.42%

share of office inventory

1990

average delivery date of Northern Virginia offices

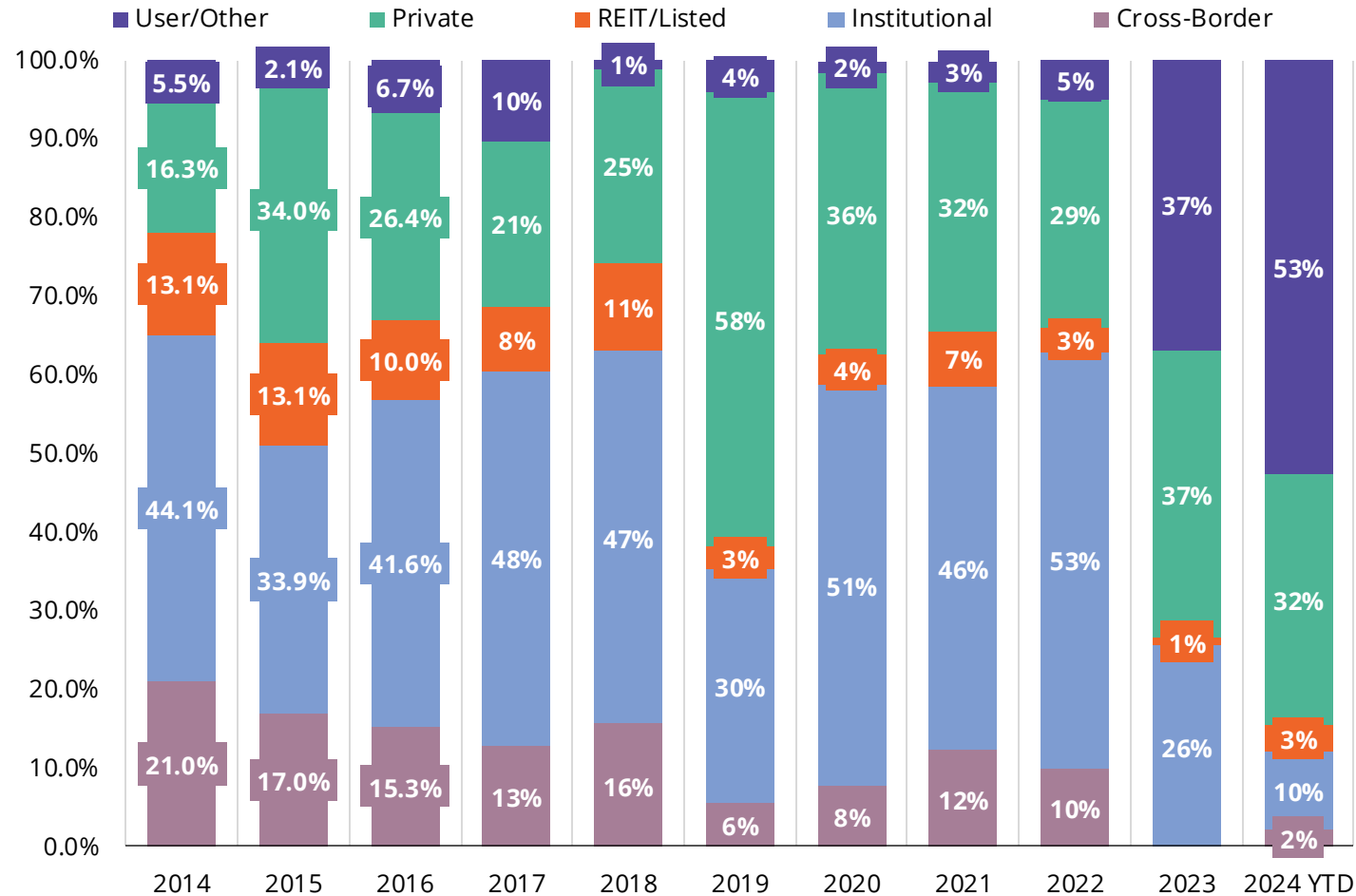


Capital Markets trends

Let's examine more
prevailing office trends

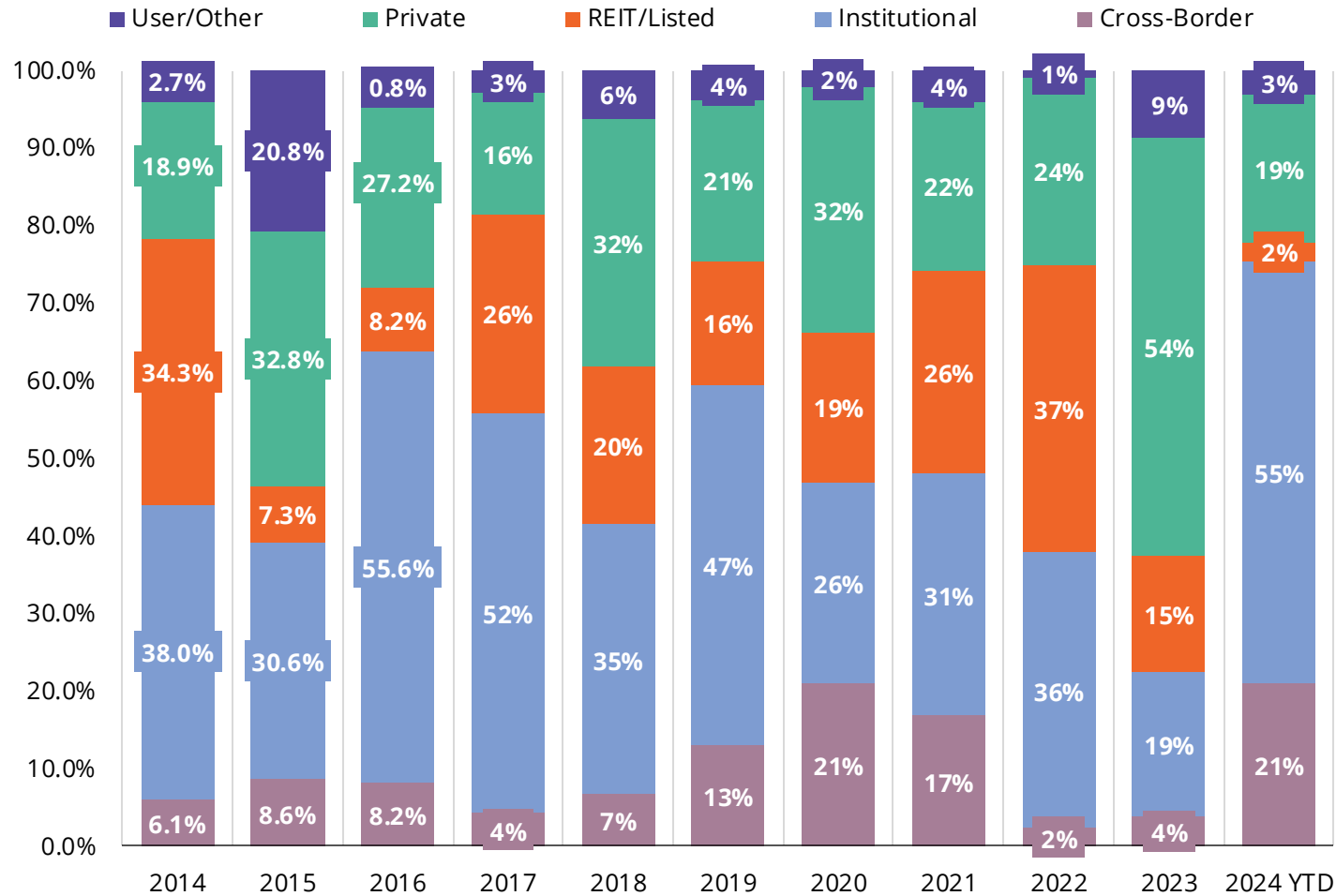


Buyer Profiles



In the first three quarters of 2024, there was again a very high-share percentage of user-buyers in the Northern Virginia office market. In that subdivision, the sale of 1201 Wilson Blvd to CoStar is of high significance.

Seller Profiles

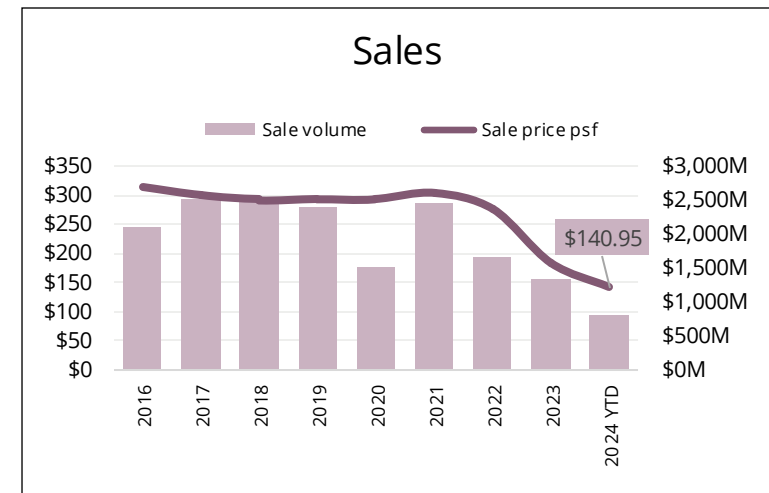
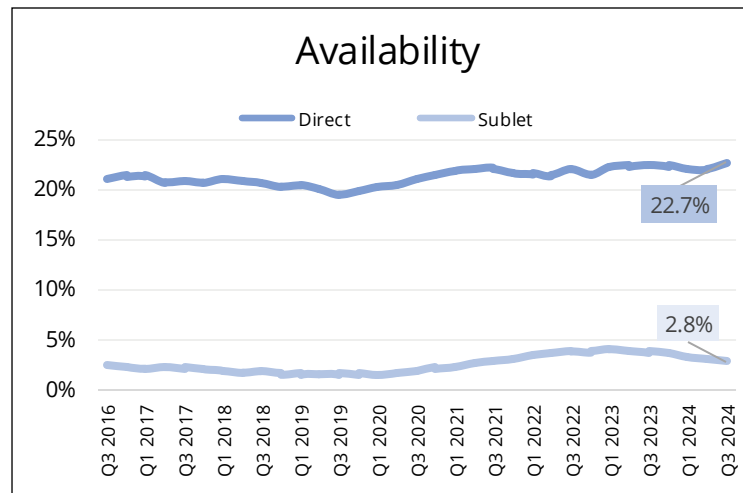
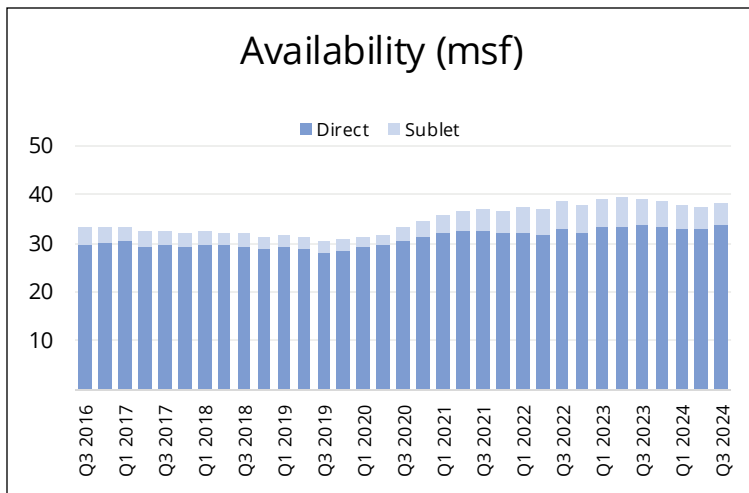
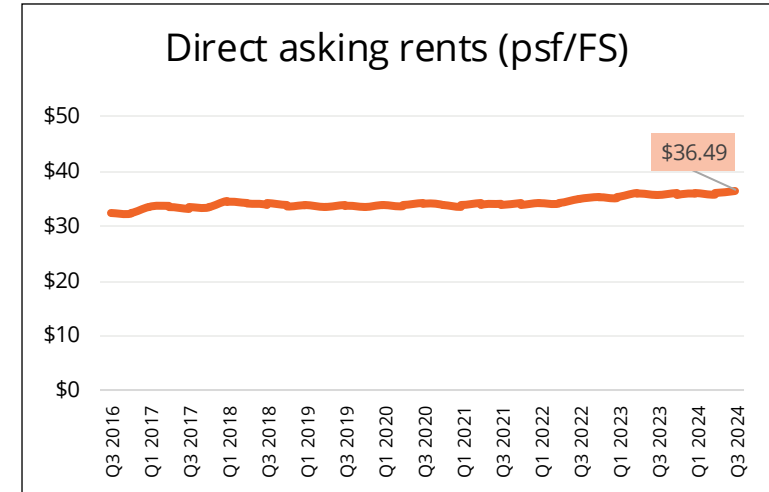
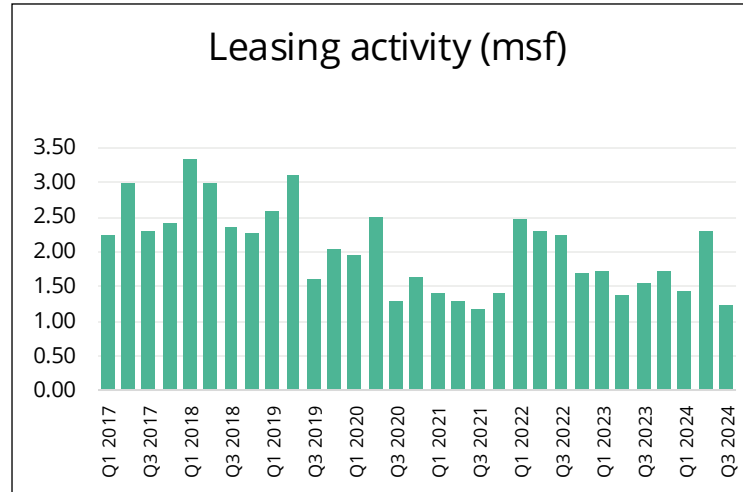
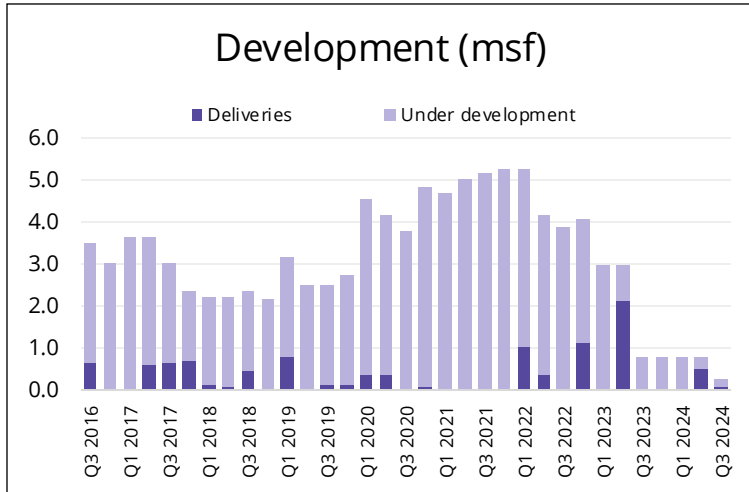


Institutional investors have accounted for most seller profiles in the three quarters of 2024. In this span, sellers such as PGIM and TIAA have disposed nearly \$350M of assets.

Appendix



Northern Virginia Office Market Indicators



Northern Virginia Office Market Activity

Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Peraton	15052 Conference Center Dr	Route 28 South	August 2024	140,635	Renewal	Direct
Cvent	1765 Greensboro Station Pl	Tysons	August 2024	128,757	Renewal	Direct
Alarm.com	8281 Greensboro Dr	Tysons	September 2024	242,000	Renewal/Expansion	Direct

Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
Venture Global LNG	1001 N 19 th St	August 2024	241,710	\$143M	\$591.62	Brookfield Properties
Finmarc Management	5860-5885 Trinity Pky	August 2024	500,038	\$39.4M	\$78.71	Spear Street Capital, Partners Group AG
Dr. Vineet Mehan	2745 Hartland Rd	July 2024	23,694	\$4.8M	\$203.85	Don Larue

Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
3401 Fairfax Dr	Virginia Square	November 2024	360,500	0%	Edgemoor Investment Advisors
1880 Reston Row Plz	Reston	June 2025	252,110	0%	Comstock Developers
3625 Potomac Ave	Potomac Yard	October 2024	300,000	100%	JBG Smith

Northern Virginia Office Market Stats

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
Annandale	1,234,088			17.1%	0.7%	17.8%	13,247	1.07%	\$23.79
Ballston	6,785,685	200,576		29.5%	3.5%	33.0%	6,733	0.10%	\$42.93
Carlyle	3,204,215			33.1%	2.6%	35.6%	(216,030)	-6.74%	\$37.70
Centreville	602,108			34.4%	7.6%	42.0%	(16,035)	-2.66%	\$32.80
Clarendon/Courthouse	4,910,856			31.1%	6.6%	37.7%	(39,149)	-0.80%	\$43.14
Columbia Pike	492,547			0.1%	0.0%	0.1%	0	0.00%	
Crystal City	9,043,631			25.4%	3.1%	28.5%	(272,818)	-3.02%	\$38.78
Del Ray	178,301			0.0%	0.0%	0.0%	0	0.00%	
Eisenhower Ave Corridor	507,413			34.8%	5.0%	39.7%	(18,647)	-3.67%	\$28.47
Fairfax Center	6,167,191			27.9%	3.0%	30.9%	114,611	1.86%	\$29.42
Fairfax City	2,888,134			12.8%	0.2%	13.0%	(4,548)	-0.16%	\$27.84
Falls Church	1,000,849			17.1%	0.8%	18.0%	30,592	3.06%	\$27.20
Haymarket	1,488,339			5.2%	0.1%	5.3%	5,413	0.36%	\$26.37
Market total	149,318,706	606,187	252,106	22.7%	2.8%	25.5%	(1,106,464)	-0.74%	\$ 36.49

Northern Virginia Office Market Stats

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Herndon	11,131,658			30.0%	3.4%	33.4%	(136,336)	-1.22%	\$34.04
Huntington	456,411			31.9%	0.8%	32.7%	14,426	3.16%	\$25.09
I-395 Corridor	2,763,517			11.7%	0.9%	12.6%	21,957	0.79%	\$33.55
Leesburg/West Loudoun	1,493,761			3.2%	2.4%	5.6%	20,355	1.36%	\$29.36
Manassas	962,935			6.9%	0.0%	6.9%	(24,317)	-2.53%	\$28.27
McLean	618,378			13.2%	1.0%	14.3%	(44,432)	-7.19%	\$34.65
Merrifield	5,931,391			20.1%	0.8%	21.0%	(28,527)	-0.48%	\$32.55
North Arlington	289,562			0.0%	0.0%	0.0%	0	0.00%	
Oakton	1,465,059			15.7%	0.5%	16.3%	38,591	2.63%	\$21.78
Old Town	5,554,330			19.6%	3.2%	22.7%	(56,904)	-1.02%	\$37.26
Pentagon City	2,269,089			2.3%	0.0%	2.3%	0	0.00%	
Market total	149,318,706	606,187	252,106	22.7%	2.8%	25.5%	(1,106,464)	-0.74%	\$ 36.49

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Potomac Yard	172,718			24.5%	0.0%	24.5%	0	0.00%	\$47.00
Reston	18,743,148	405,611	252,106	26.4%	3.5%	29.8%	123,311	0.66%	\$36.80
Rosslyn	8,255,897			21.7%	6.7%	28.4%	(318,529)	-3.86%	\$41.52
Route 28 North	6,538,647			11.0%	0.7%	11.8%	9,835	0.15%	\$27.02
Route 28 South	10,331,452			17.5%	2.6%	19.8%	74,979	0.73%	\$29.32
Route 7 Corridor	2,034,000			10.0%	0.7%	10.7%	131,625	6.47%	\$31.87
Springfield	4,492,630			23.6%	0.6%	24.1%	46,106	1.03%	\$33.25
Tysons	24,508,431			25.1%	3.1%	28.2%	(601,584)	-2.45%	\$39.79
Vienna	922,670			51.3%	0.9%	52.2%	(9,757)	-1.06%	\$23.00
Virginia Square	782,510			26.6%	4.9%	31.5%	16,411	2.10%	\$43.71
Woodbridge	1,097,155			5.6%	0.2%	5.8%	12,957	1.18%	\$27.39
Market total	149,318,706	606,187	252,106	22.7%	2.8%	25.5%	(1,106,464)	-0.74%	\$ 36.49

Northern Virginia Office Market Stats by Class

	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability	Net absorption sf (YTD)	Net absorption % of inventory (YTD)	Annual direct asking rent psf FS
Trophy	4,683,482	200,576		10.8%	9.6%	20.4%	(185,240)	-3.96%	\$62.97
Class A	40,735,975	405,611	252,106	25.1%	3.3%	28.3%	(307,963)	-0.76%	\$42.17
Class B	81,895,694			22.9%	2.8%	25.7%	(564,540)	-0.69%	\$35.42
Class C	21,953,555			20.1%	0.8%	20.8%	(47,721)	-0.22%	\$28.38
Market total	149,318,706	606,187	252,106	22.7%	2.9%	25.5%	(1,106,464)	-0.74%	\$36.49

Office insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Office rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as full service (FS)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as full service (FS)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an office suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

Capital markets

- **Investment volume:** office sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and information visit **avisonyoung.com**

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