

An aerial photograph of a modern office complex in Northern Virginia. The image shows several multi-story buildings with large glass windows and brick accents. In the foreground, there is a lush green courtyard with trees and a paved walkway. The sky is blue with some light clouds.

Northern Virginia office market report

Q3 2022

**AVISON
YOUNG**

Office market trends

01

Summer is over, employees are trickling back into the office

As Labor Day has come and gone, we have seen an increase in our return to office vitality index, showing a peak 49.5% return on a Tuesday-to-Thursday office work week.

Our take on this trend...

While the statistics are showing a minor uptick in activity, there is no doubt that the commute to office has seen a major increase in density around the beltway. While the traffic may not entirely all be return to office, it's a shift in the right direction that people are in fact going places.

02

Occupied space is shrinking, but becoming more expensive

The trend of flight-to-quality continues to control the office market, as tenants aim to be in smaller spaces and are exercising their termination options. In 2022, Northern Virginia has seen 80% of leasing activity under 10k sf, with 38% of the leasing under 5k sf.

Our take on this trend...

With the increased office to multifamily development in the area, we will likely continue to see the demolition of "C" class buildings with the land use becoming multipurpose neighborhoods with a mix of multifamily, office, retail and entertainment to take the place of old office buildings that are almost entirely vacant.

03

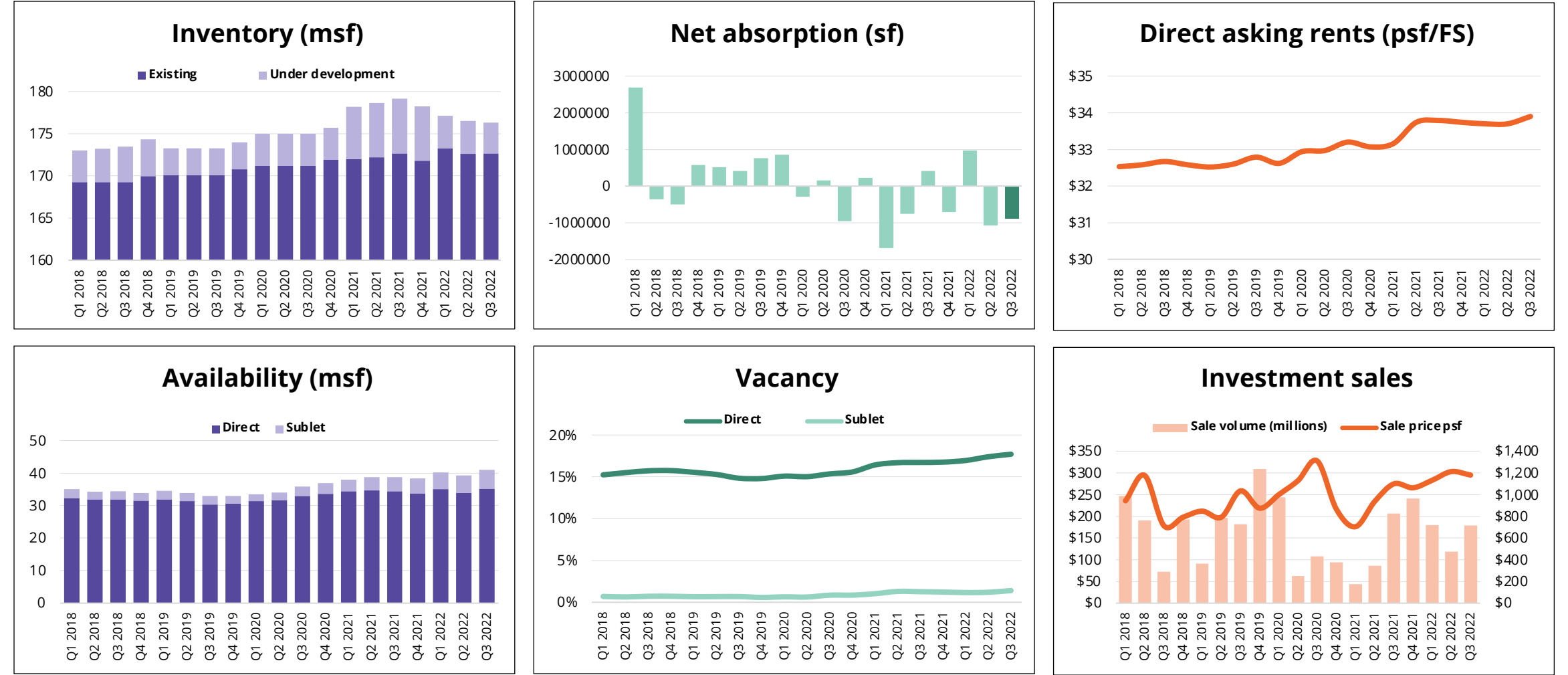
Office-to-residential is growing

Within the past two years, we have seen proposals being submitted for approximately 4.6M sf of office space to be converted to residential. Multifamily properties are an attractive market to be investing in due to rapid population growth in the area from the Amazon effect.

Our take on this trend...

The mixture of high inflation and the interest rates spiking in order to combat the inflation is chewing away at people's confidence to make any transactions in the office market. With so many multifamily conversions, it's possible that the market is overcorrecting for office, which could result in office shortage in the future as class C begins to disappear.

Office market indicators



Office market activity

Recent leasing activity

Tenant name	Address	Sign date	Size	Lease type	Transaction type
Hilton Hotels & Resorts	7930 Jones Branch Dr	Jul 2022	220,000	Renewal	Direct
Boeing	12701 Fair Lakes Cir	Jul 2022	118,780	Renewal	Direct
GSA Department of State	1700 N Moore St	Jul 2022	92,264	Renewal	Direct
Raytheon	1300 N 17th St	Jul 2022	43,520	Renewal	Direct
Five Guys	1940 Duke St	Jul 2022	41,340	New	Direct

Recent sales activity

Buyer	Address	Sale date	Sale price	Sale price psf	Seller
GI Partners	460 Herndon Pky	Aug 2022	\$67,400,000	\$329	Turnbridge / Fundamental Advisors
Blackstone	7925 Jones Branch Rd	Jul 2022	\$40,090,892	\$265	PS Business Parks
Boyd Watterson	15040 Conference Center Dr	Sep 2022	\$39,200,00	\$339	Tritower Financial Group

Large contiguous space availabilities

Owner	Address	Date available	Block size	Floors	Asking rent	Landlord Broker
Wheelock Street Capital	11600 American Dream Way	Vacant	404,145	1-9	\$40.00 FS	Cushman & Wakefield
Foulger Pratt	1750 Tysons Central St	Vacant	360,237	17-22	\$63.00 - \$65.00 FS	Avison Young
BlackRock	9302 Lee Hwy	Jan 2023	337,970	1-9	\$30.00 - \$35.00 FS	Cushman & Wakefield
JBG Smith	1201 Wilson Blvd	Vacant	314,708	13-30	\$45.00 - \$50.00 FS	CBRE

Office market stats by submarket

By Submarket	Inventory (sf)	Vacancy	Net Absorption		SF Under	Average Asking Rent		
		Total %	3Q22	YTD	Construction/Ren.	Trophy	Class A	Class B/C
Annandale	1,103,722	20.5%	-7,519	-19,492	0	-	\$25.62	\$24.50
Ballston	8,087,073	24.2%	-103,591	21,760	191,000	\$53.42	\$42.21	\$40.22
Carlyle	5,454,662	11.6%	28,161	22,150	0	-	\$42.52	\$36.71
Centreville	652,395	22.4%	-14,253	-24,524	0	-	\$33.45	\$31.49
Clarendon/Courthouse	6,077,093	22.7%	-11,348	-169,177	0	-	\$43.59	\$39.93
Columbia Pike	472,337	11.2%	-17,526	-9,003	0	-	-	-
Crystal City	11,211,988	20.8%	282,566	245,443	0	-	\$42.40	\$37.65
Del Ray	178,301	0.0%	0	0	0	-	-	-
Eisenhower Ave Corridor	607,430	28.3%	-35,765	-30,217	0	-	-	\$28.38
Fairfax Center	6,422,898	22.6%	-7,167	106,547	0	-	\$30.86	\$28.20
Fairfax City	2,846,459	9.9%	-19,957	945	0	-	-	\$24.29
Falls Church	979,822	15.1%	4,784	47,832	0	-	-	\$25.67
Haymarket	1,377,067	13.1%	-3,795	-6,794	0	-	-	\$25.95
Herndon	11,669,885	22.3%	-245,978	-501,510	0	-	\$30.92	\$29.55
Huntington	559,409	20.9%	-1,058	-29,671	0	-	-	\$23.46
I-395 Corridor	5,940,048	20.4%	-130,372	-321,234	56,964	-	-	\$30.43
Leesburg/West Loudoun	1,287,566	3.9%	-3,074	-5,318	0	-	-	\$27.69
Manassas	987,303	3.0%	-7,137	10,367	0	-	-	\$27.50
McLean	576,657	14.3%	2,862	-15,875	220,500	-	-	\$35.83

Office market stats by submarket

By Submarket	Inventory (sf)	Vacancy	Net Absorption		SF Under	Average Asking Rent		
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Merrifield	6,863,117	16.8%	-65,504	-42,090	0	-	\$33.51	\$29.94
North Arlington	114,517	1.4%	0	3,182	0	-	-	-
Oakton	1,461,615	27.5%	-15,508	-4,593	0	-	-	\$26.61
Old Town	6,048,403	17.9%	-7,144	12,572	0	-	\$35.21	\$34.40
Pentagon City	1,247,311	25.3%	0	0	2,100,000	-	-	\$42.01
Potomac Yard	552,453	7.7%	0	0	0	-	\$28.92	\$27.80
Reston	19,663,716	22.1%	-276,705	50,702	737,911	\$52.03	\$37.77	\$30.33
Rosslyn	9,648,029	20.3%	-112,353	7,645	0	\$59.10	\$49.97	\$41.52
Route 7 Corridor	3,198,101	6.0%	11,669	-44,205	0	-	\$35.08	\$26.63
Route 28 North	8,218,513	14.7%	-12,437	6,940	0	-	\$30.20	\$24.37
Route 28 South	12,621,991	16.9%	-20,729	-142,020	0	-	\$34.58	\$27.03
Springfield	5,225,075	18.7%	68,141	-1,549	0	-	\$37.35	\$28.26
Tysons	27,860,623	20.1%	-172,858	-435,594	0	\$52.74	\$34.02	\$33.46
Vienna	1,157,670	10.4%	0	-7,066	0	-	-	\$29.96
Virginia Square	1,307,196	22.8%	0	-2,152	360,500	-	-	\$38.90
Woodbridge	965,482	12.9%	5,800	29,024	0	-	-	\$25.25
Northern Virginia	172,645,927	19.1%	-887,795	-1,246,975	3,666,875	\$54.32	\$36.01	\$30.75

Office market stats by class

By Class	Inventory (sf)	Vacancy	3Q Absorption	YTD Absorption	SF Under Construction/Ren.	Available Sublease
Trophy	4,806,832	22.7%	5,882	900,386	451,000	523,518
Class A	45,664,551	18.4%	-278,200	-775,946	3,215,875	1,858,379
Class B	100,511,798	19.9%	-713,025	-1,358,785	0	3,051,272
Class C	21,662,746	16.0%	97,548	-12,630	0	376,708
Market Total	172,645,927	19.1%	-887,795	-1,246,975	3,666,875	5,809,877

For more market insights
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