



# Northern Virginia office market report

Q1 2024

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**AVISON  
YOUNG**

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# Northern Virginia Office Market Trends

32.9%

## Percent of leases attributed to aerospace & defense tenants

Aerospace & defense companies had a high leasing volume in the first quarter of 2024.

Most of these deals were renewals of previously signed leases, but it shows the importance of staying in a market with proximity to numerous government entities with which they work.

\$391mm

## Total investment volume

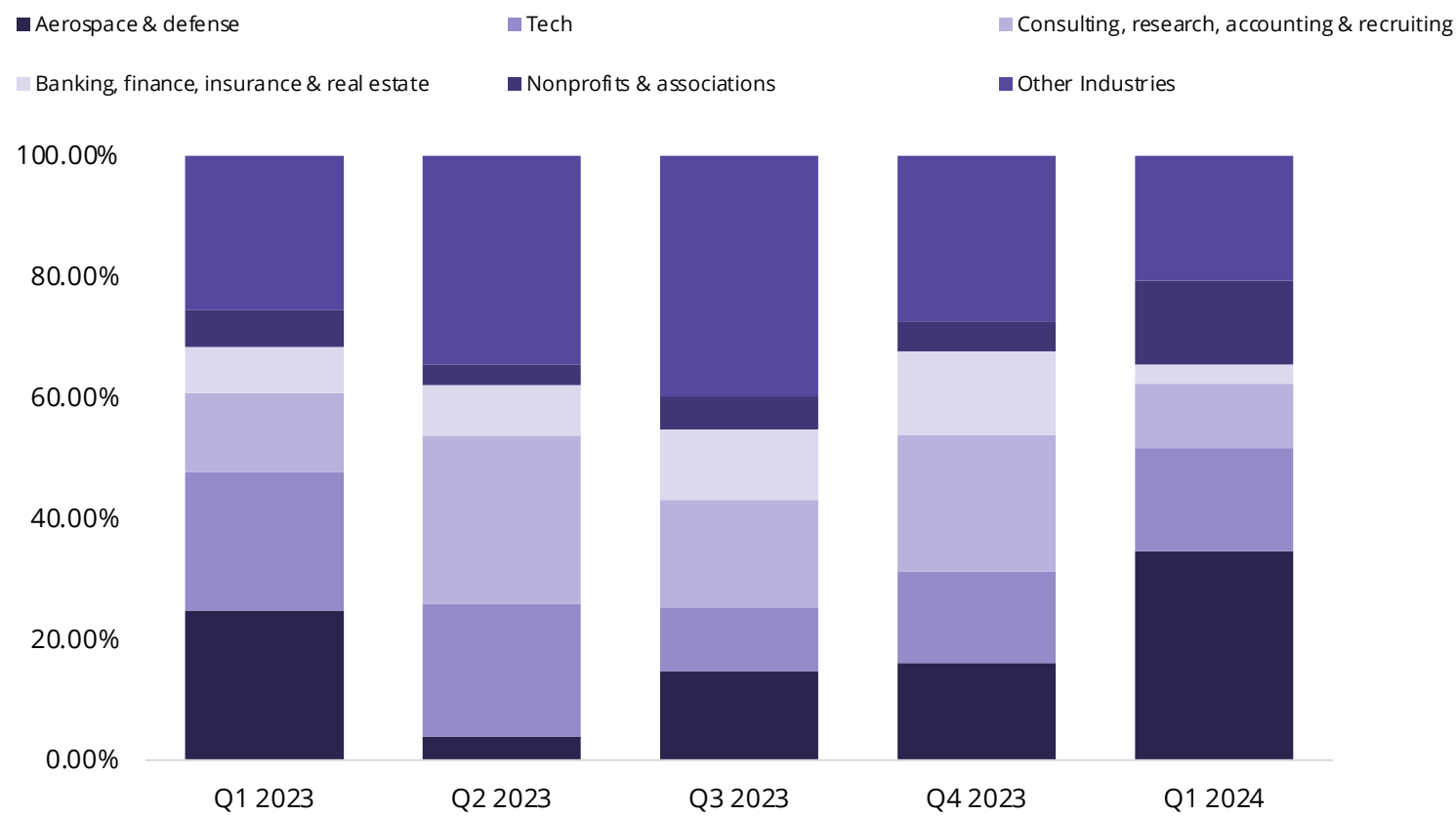
Office investments in the area saw an uptick in volume compared with previous quarters. As the value of office properties continues to decline, investors are seeing more opportunities to buy buildings at a price point that can make sense for them financially.

\$5.7mm

## Venture capital funds raised

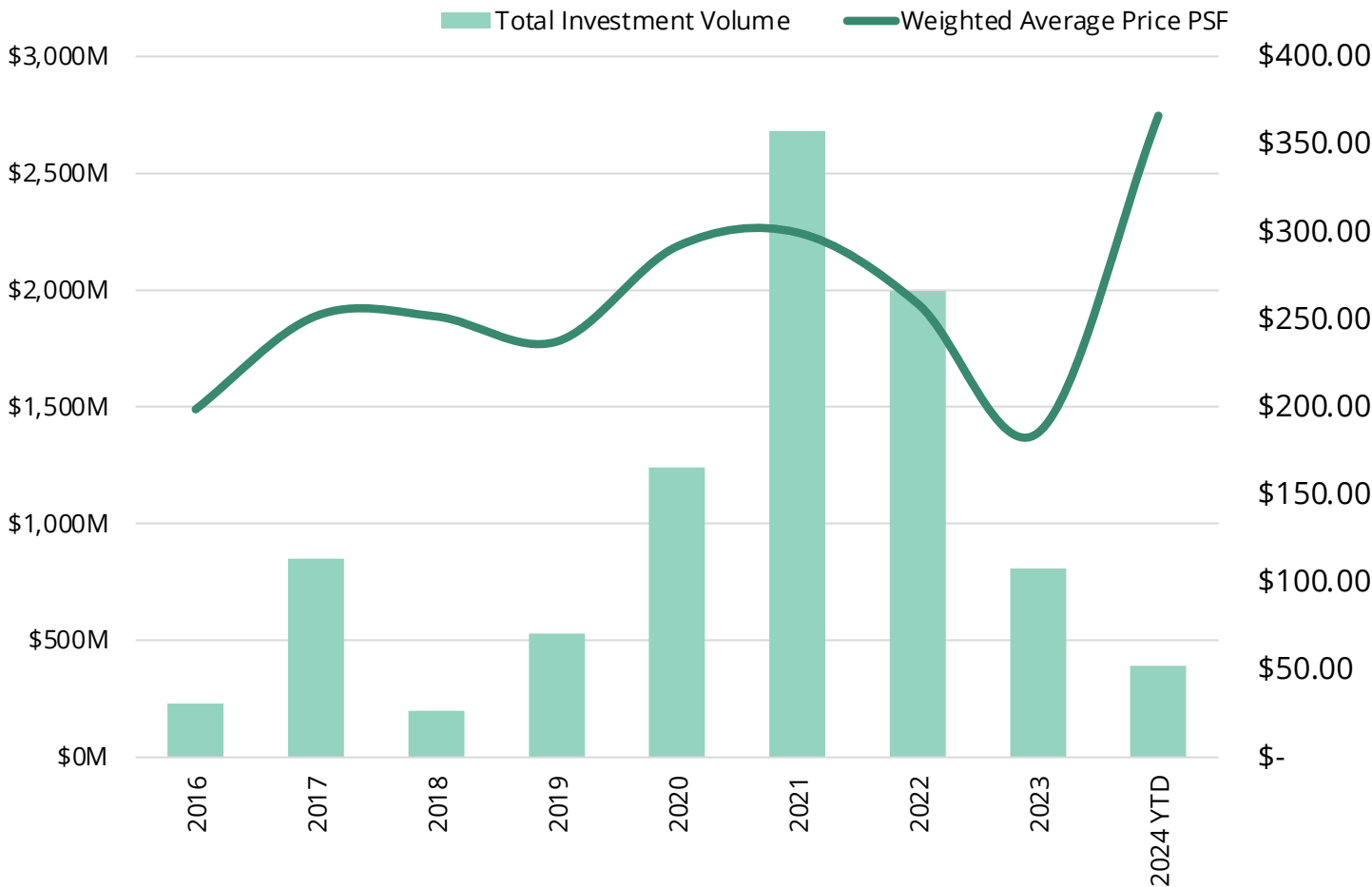
More venture capital was raised this quarter alone in comparison to each of the last three years in Northern Virginia. Industries such as tech, hospitality and finance led the way in a massive quarter for funding.

# High Leasing Activity for Aerospace & Defense



Aerospace & defense companies had a stellar quarter for leasing. With nearly 300k sf signed, it was double the volume of the second highest tenant industry. Tenants such as General Dynamics, Lockheed Martin and Ball Aerospace renewed their leases, showing confidence that being in the Northern Virginia market is beneficial to themselves and their industry.

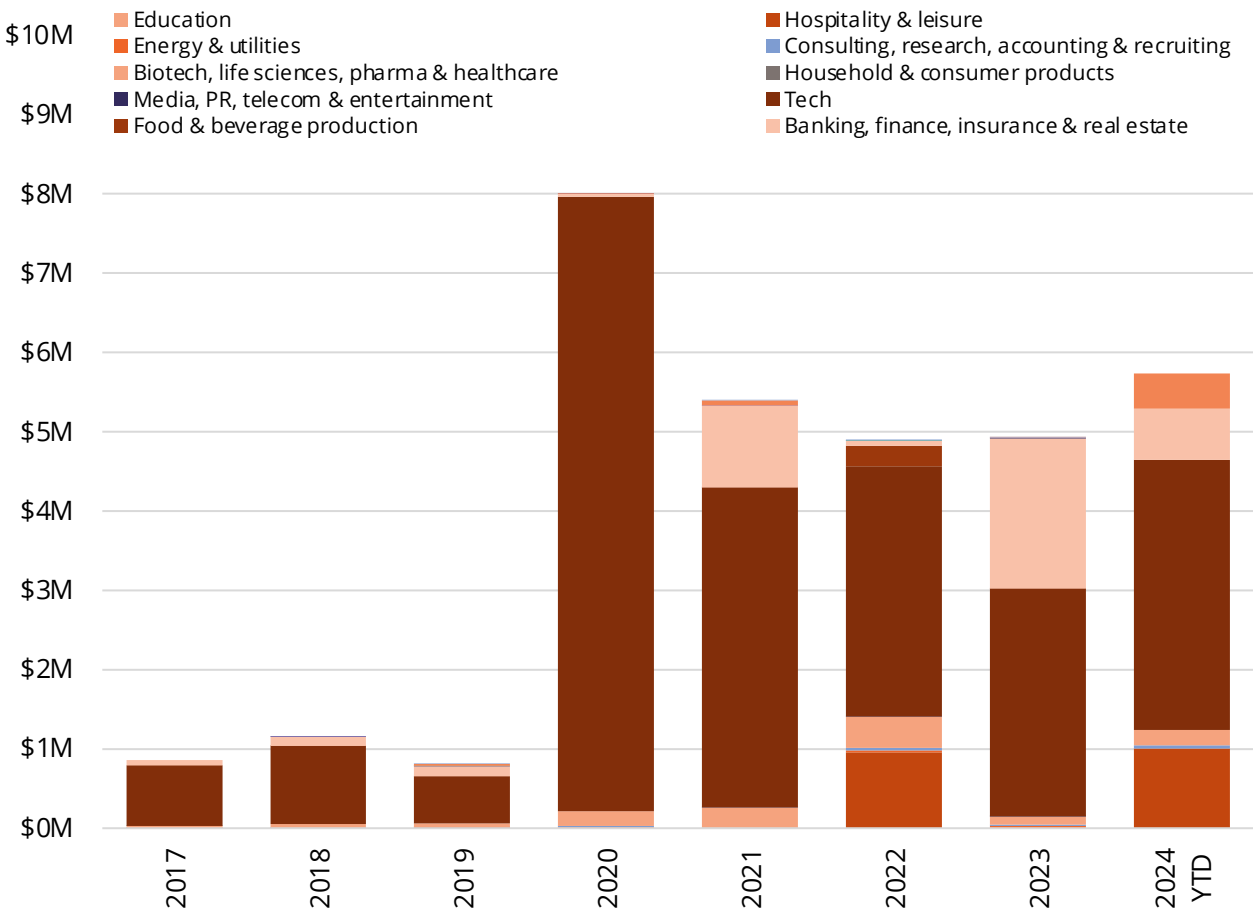
# An Upward Trend for Investment Sales



After a significant decrease in investment sales in 2023, Q1 2024 provided a promising start to the year. Headlined by the sale of 1201 Wilson Blvd to CoStar, Northern Virginia’s office market is starting to see an uptick in sales, alongside an increase in price per square foot. With office valuations decreasing due to loan maturations and a slower leasing market, office sales could become more financially feasible to prospective investors.



# Strong Q1 for Venture Capital Funding



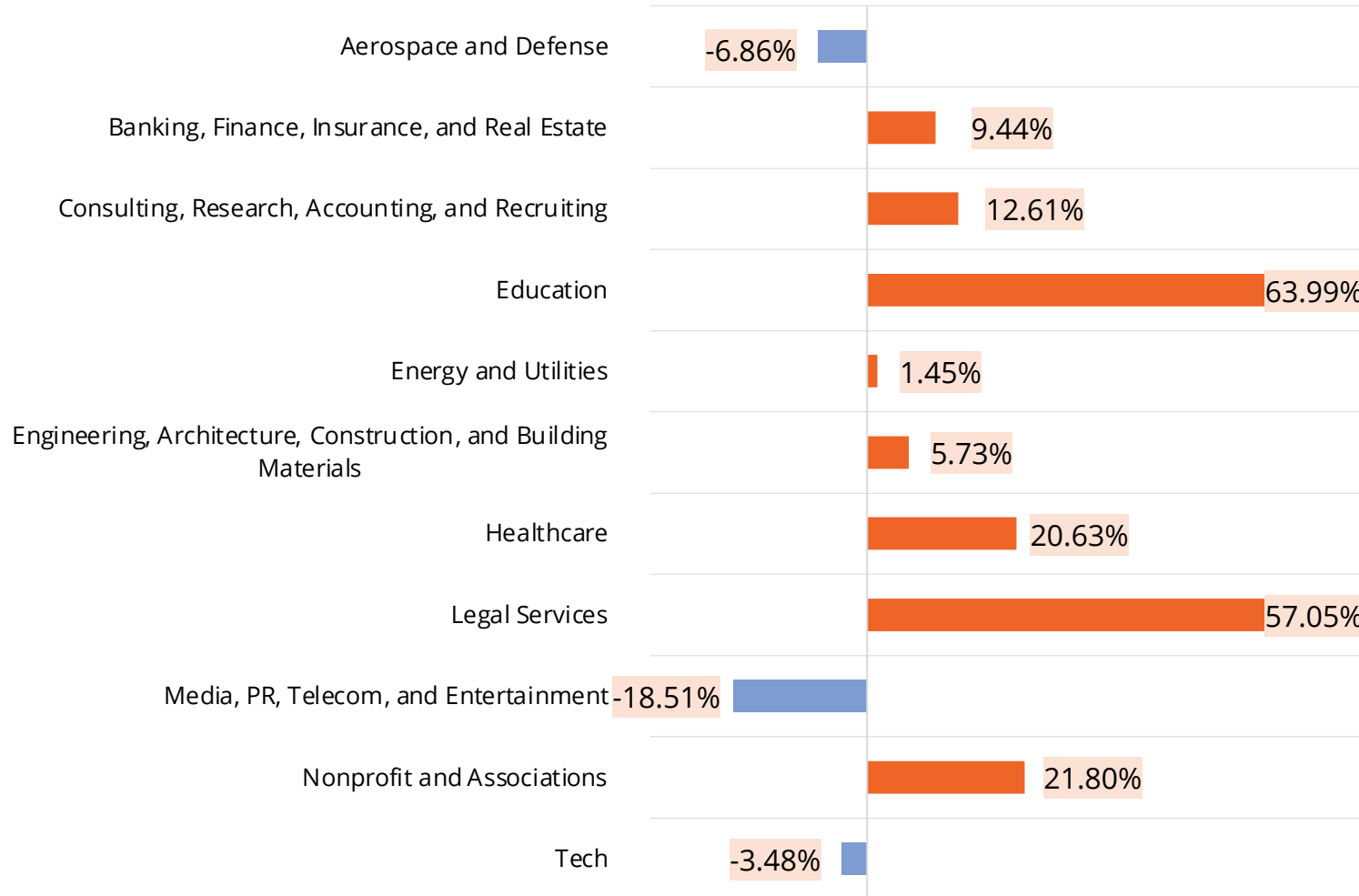
This quarter saw a boom in venture capital funding in Northern Virginia. Already, more money was raised in Q1 2024 than in all of 2023. Leading the way, in terms of funding, are Northrop Grumman (\$2.5 billion) and Hilton Worldwide (\$1 billion), both for post IPO debt.

# Occupier trends

Let's examine more  
prevailing office trends.



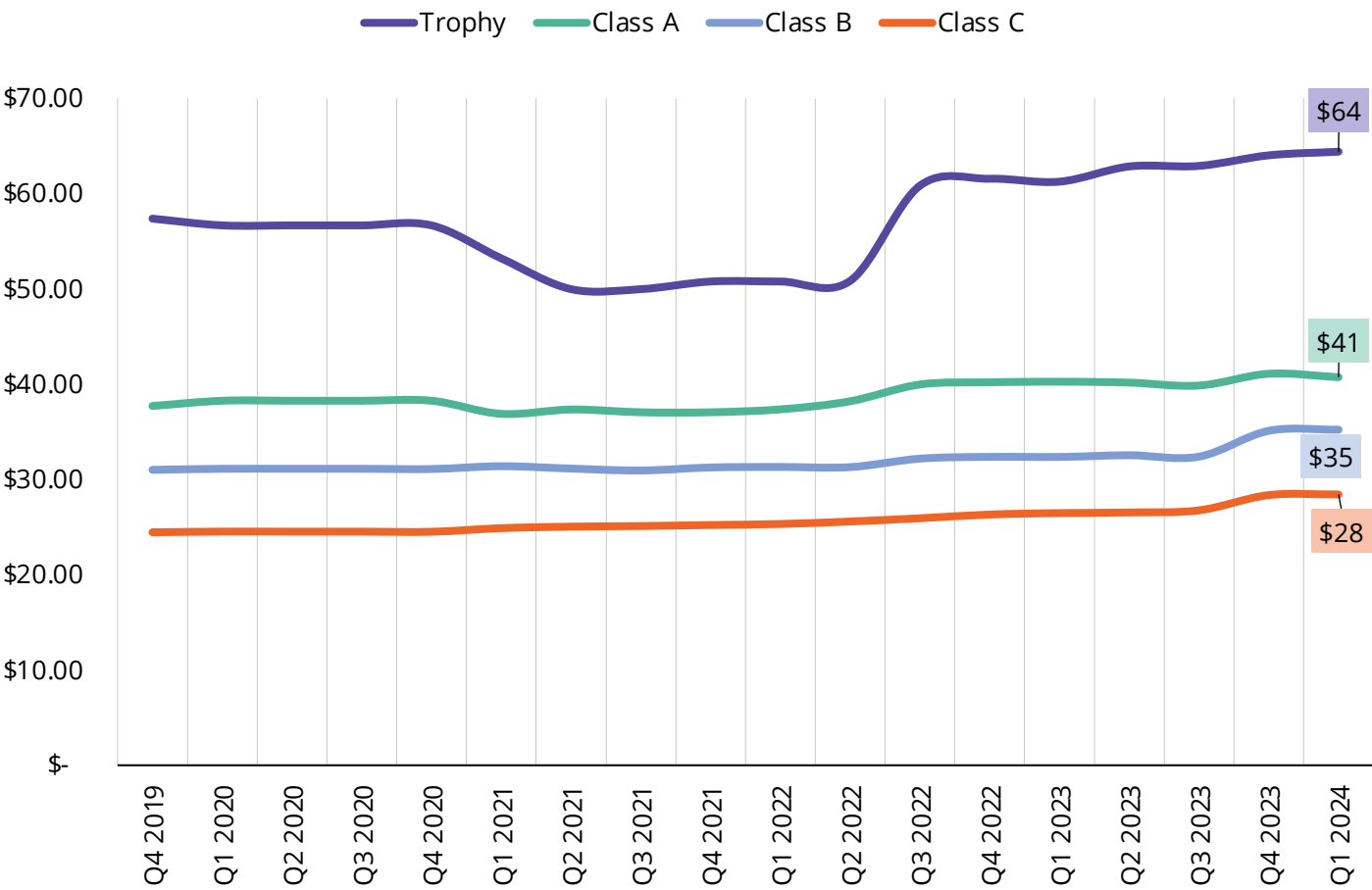
# Job Growth in Northern Virginia



Overall, job postings were up in Northern Virginia compared to the previous quarter.

Consulting saw the highest number of job postings, while education and legal services saw the highest increase.

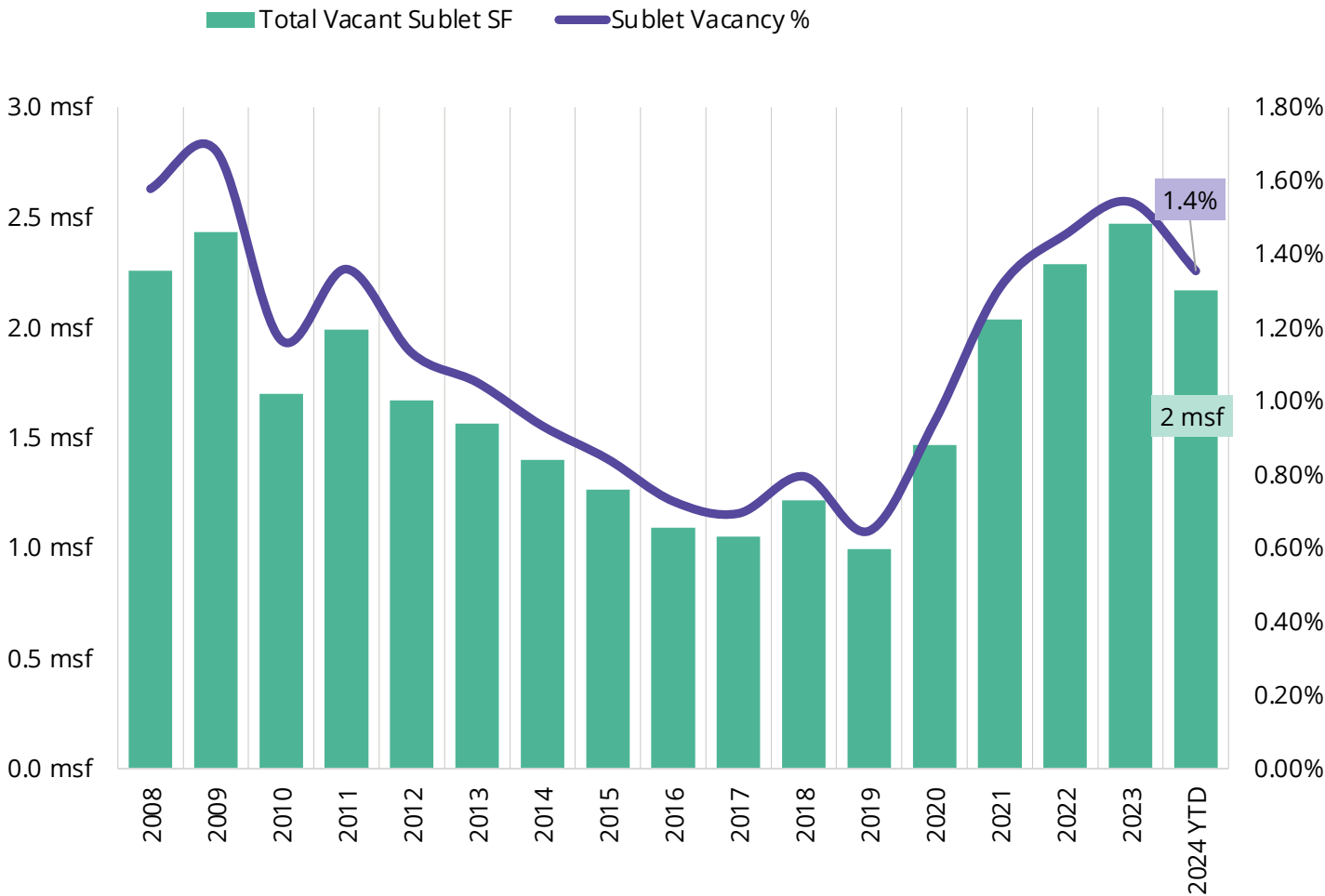
# Asking Rents FS by Property Class



After a period of growth for Trophy rents, rates across the board have remained relatively flat for the past several quarters.



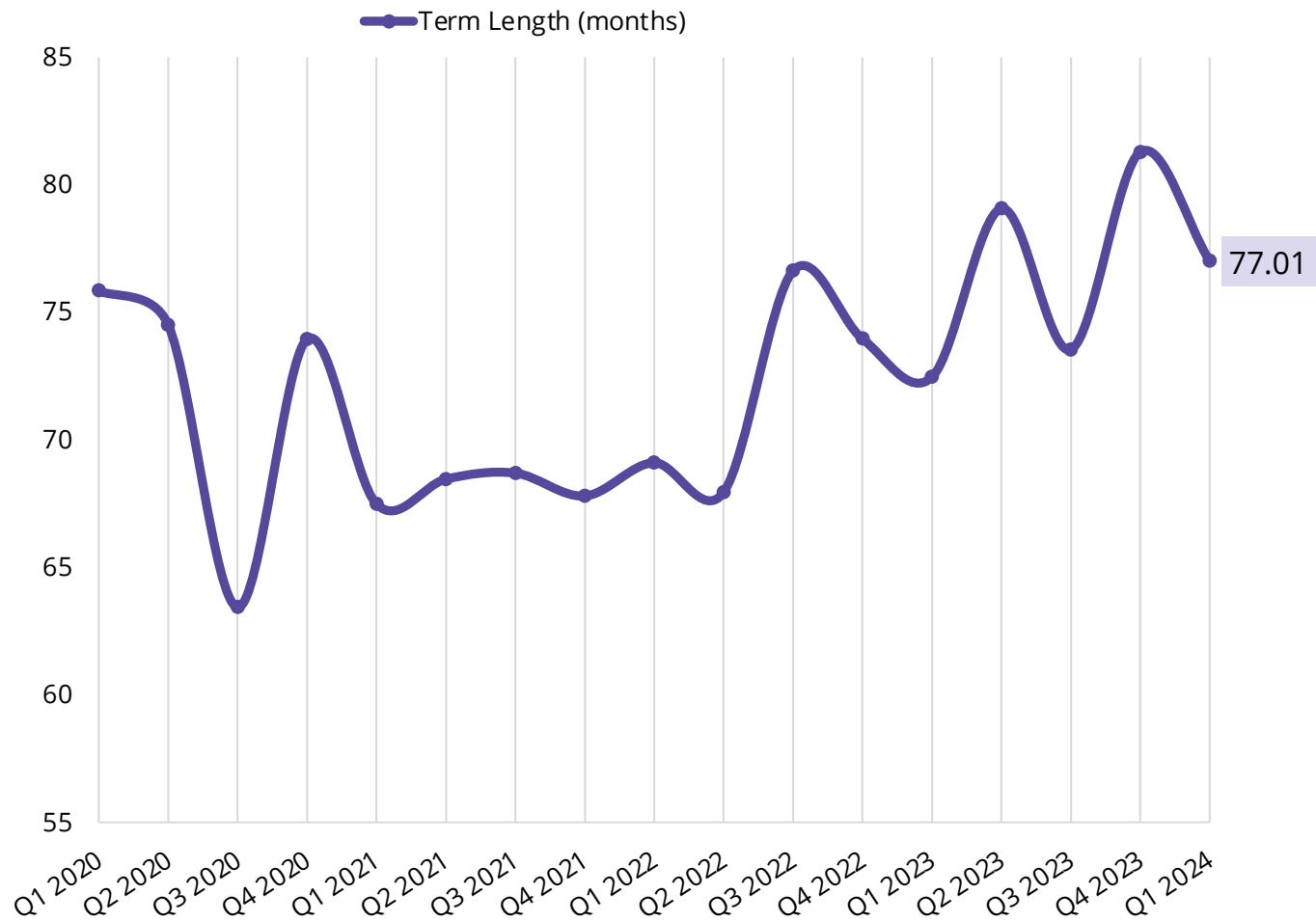
# Sublease Space



With rising inflation and less people in the office, tenants have placed portions of their space onto the sublease market.

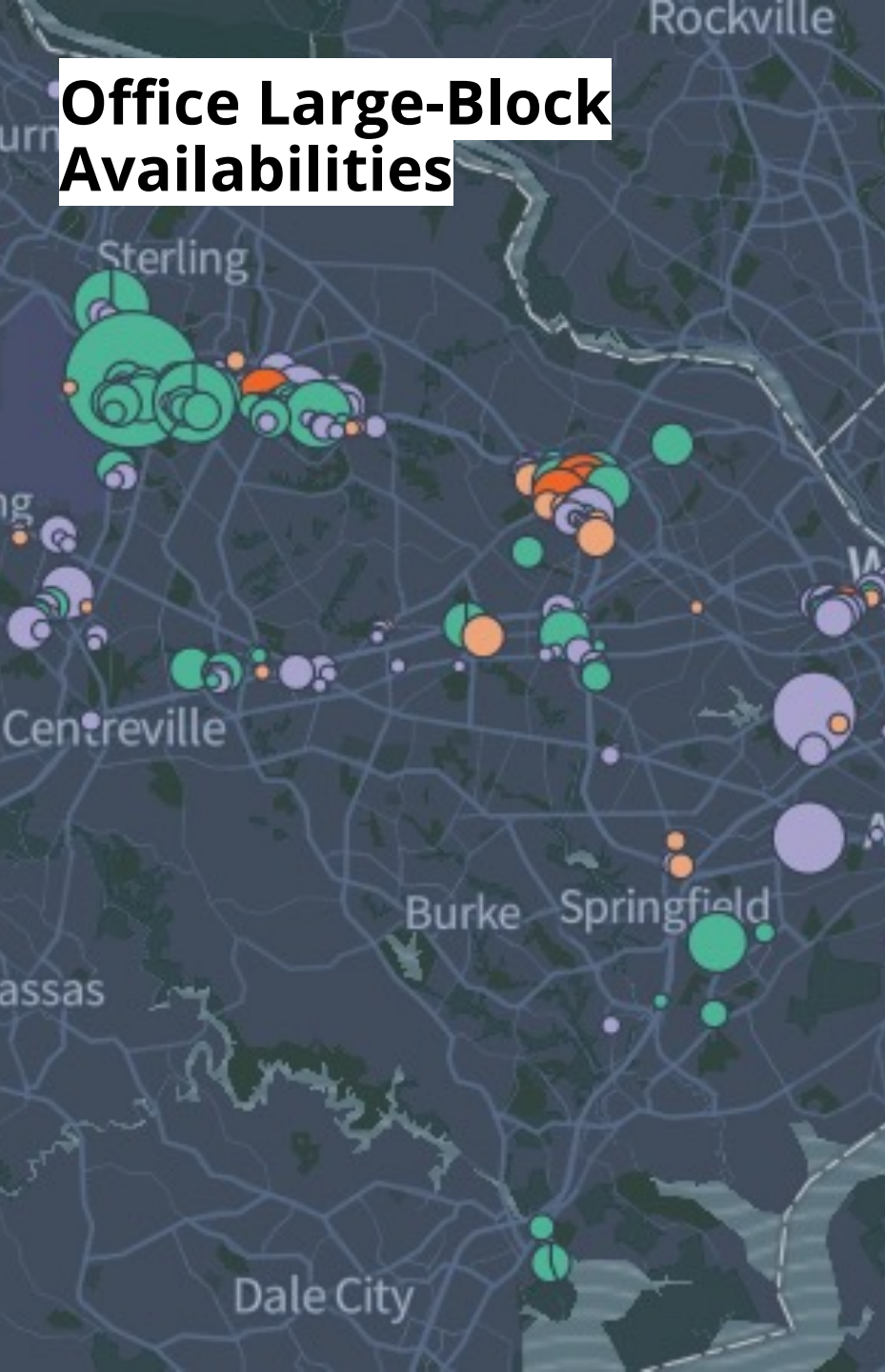
The first quarter of 2024 saw a decrease in vacant sublet space compared to previous quarters.

# Term Length in the Office Market

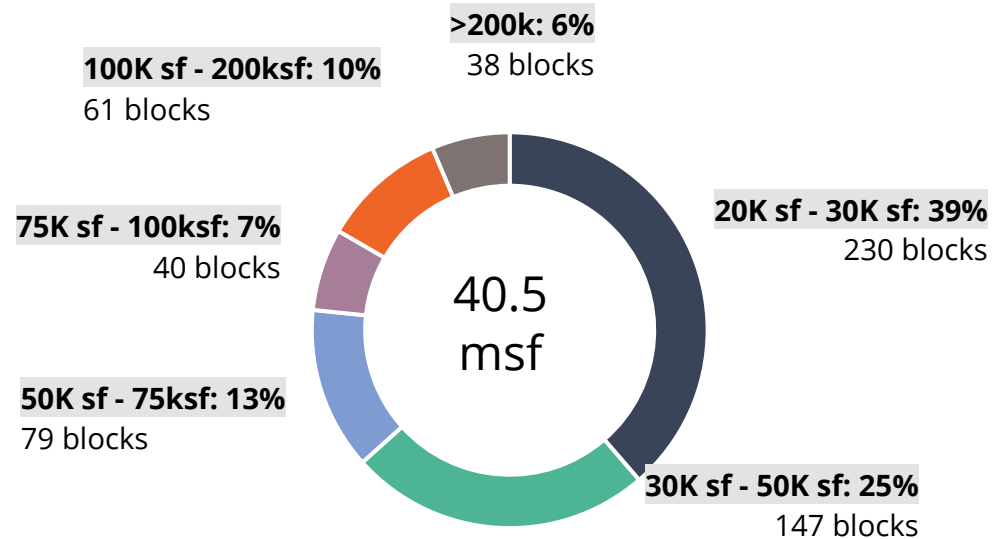


After a quarter where tenants in the Northern Virginia office market signed for the longest average term length post-COVID, the average term length dipped again in Q1 2024.

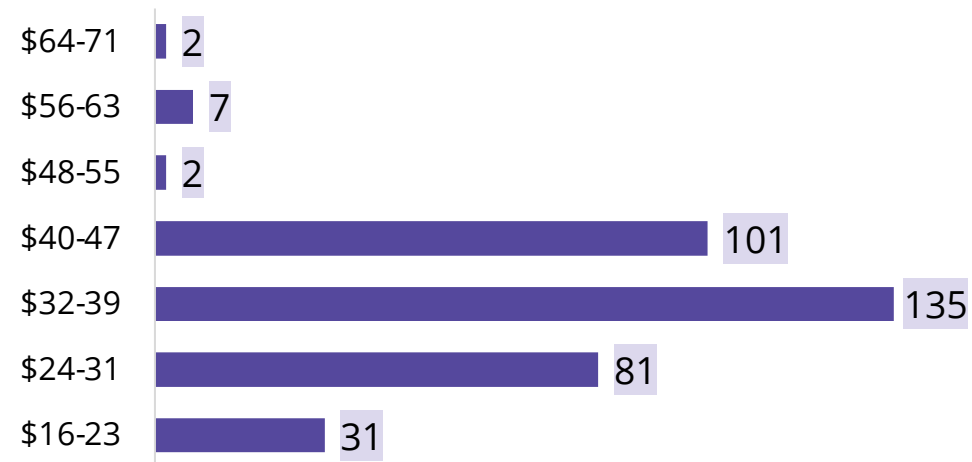
# Office Large-Block Availabilities



## Large-block space size ranges



## Large blocks available by asking rent psf



# Office Development Pipeline

**5 properties**

under construction

**1.2 msf**

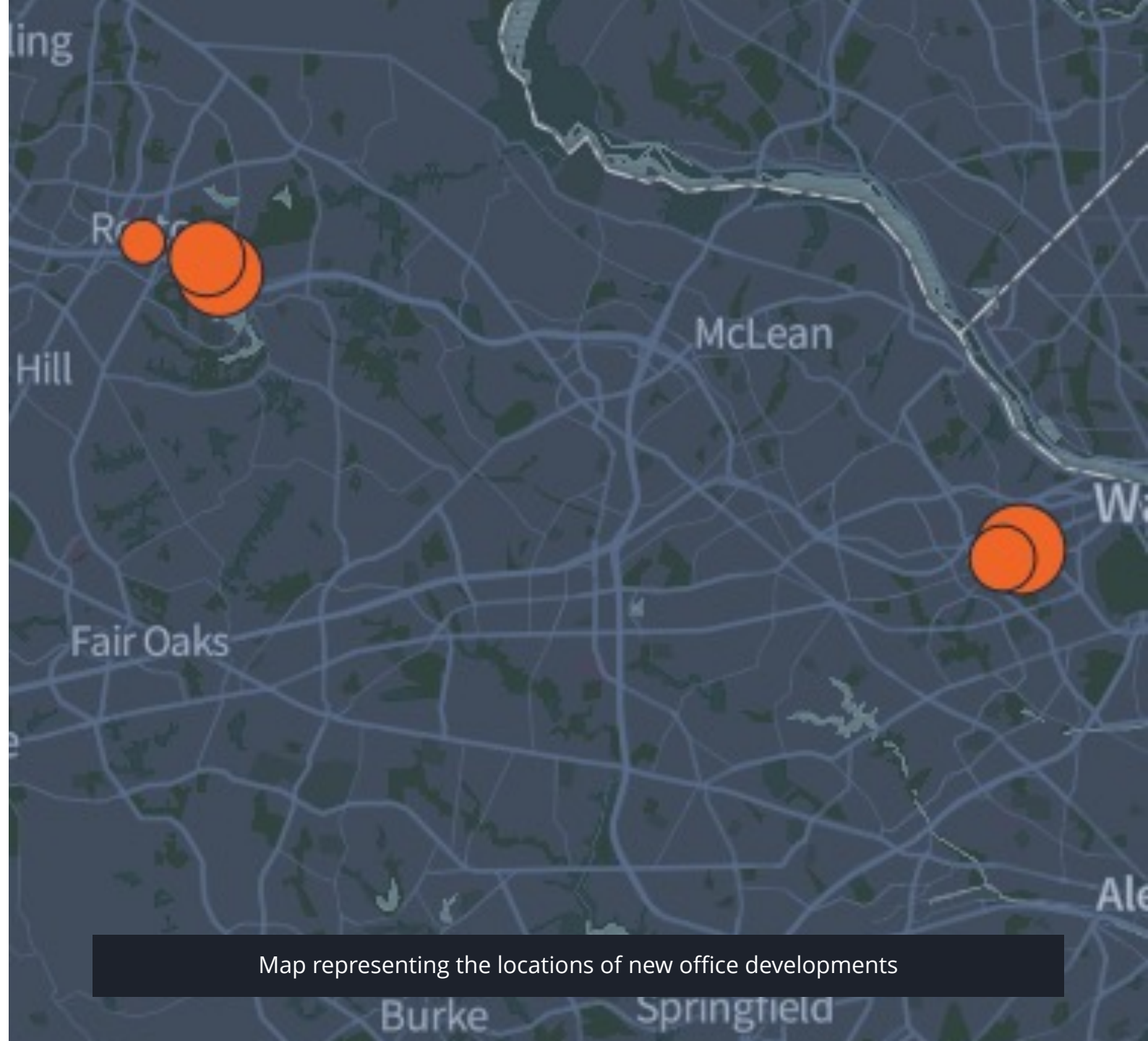
under construction

**0.76%**

share of office inventory

**1994**

average delivery date of Northern Virginia offices



Map representing the locations of new office developments

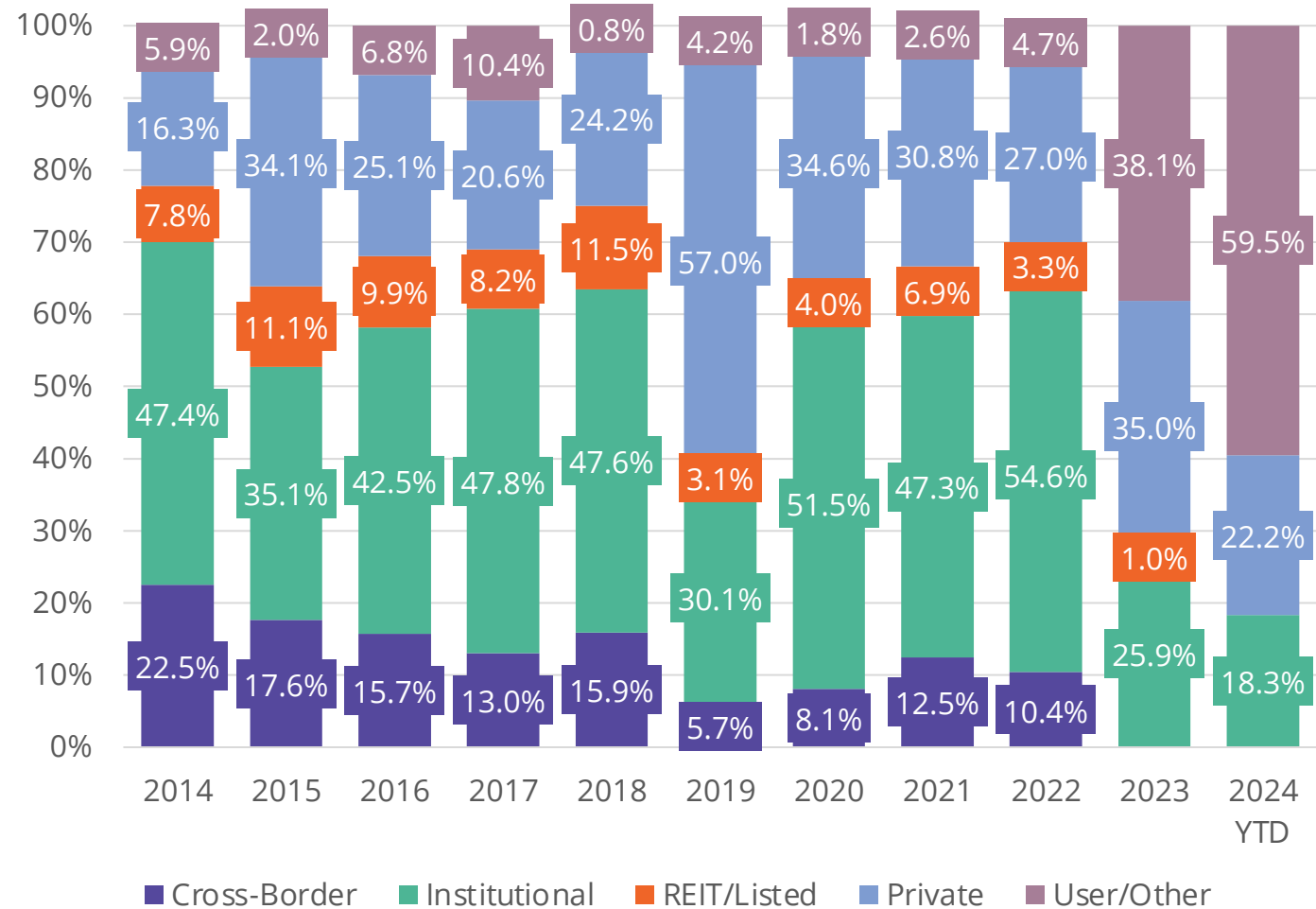


# Capital Markets trends

Let's examine more prevailing office trends.

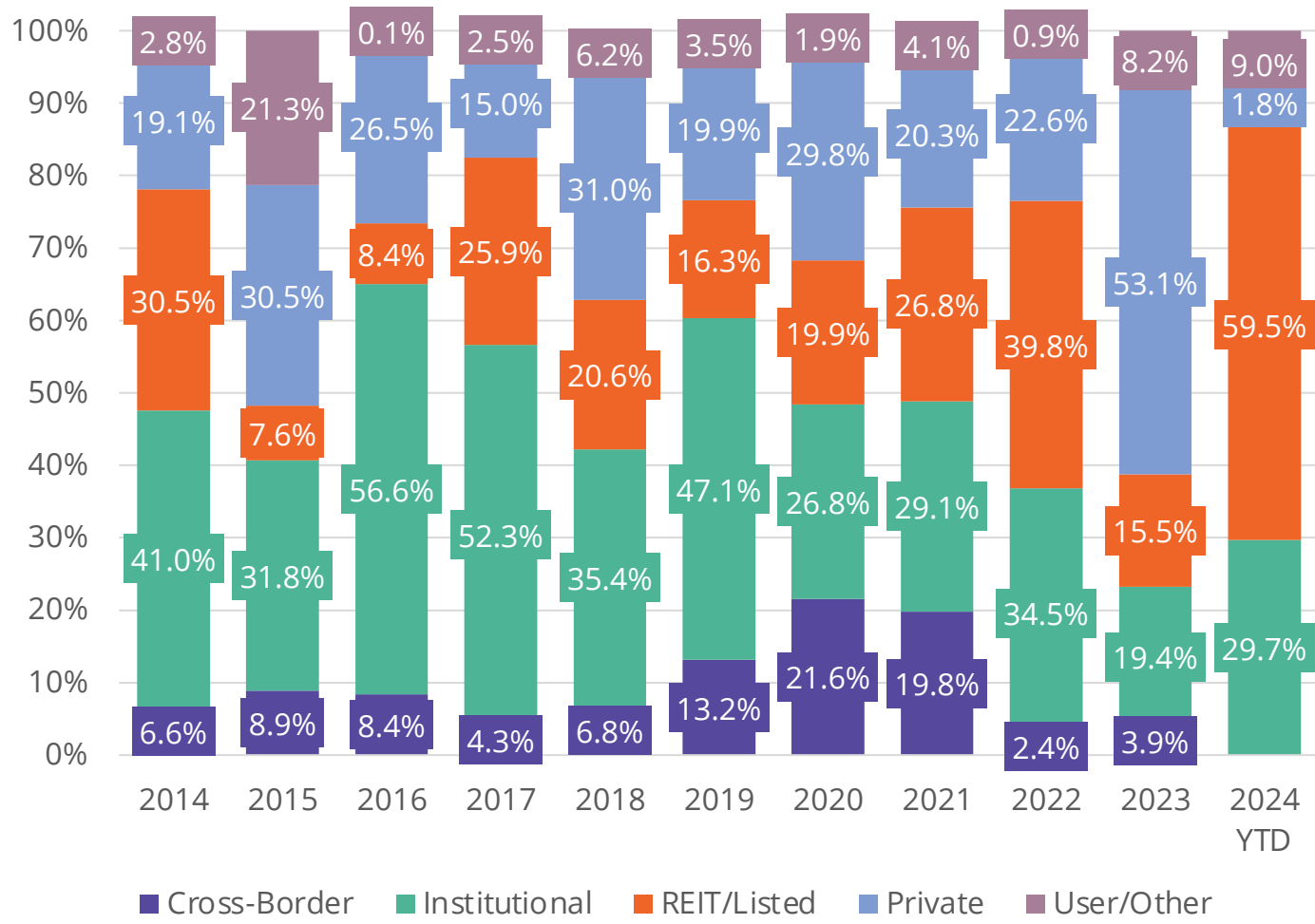


# Buyer Profiles



In the first quarter 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



REITs in the private sector accounted for a large portion of seller profiles for the first quarter of 2024. JBG Smith (REIT) and TIAA (Institutional) highlight the largest sellers within this timeframe.

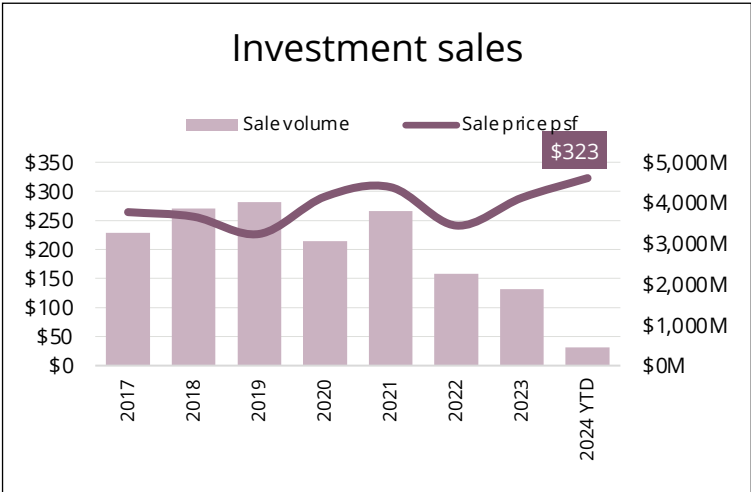
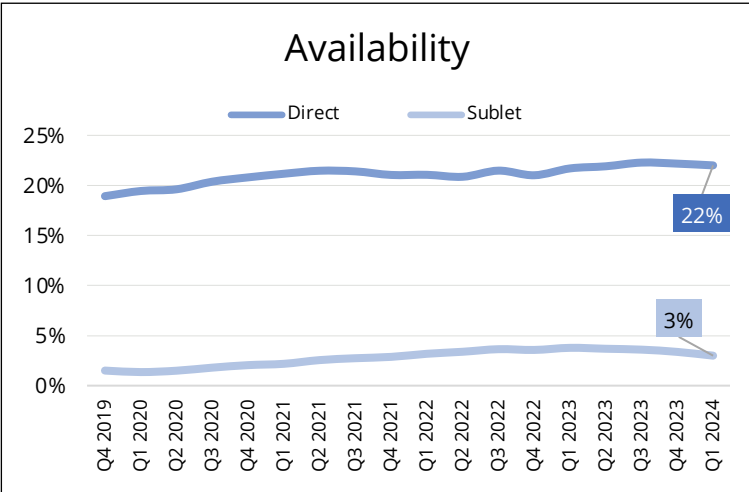
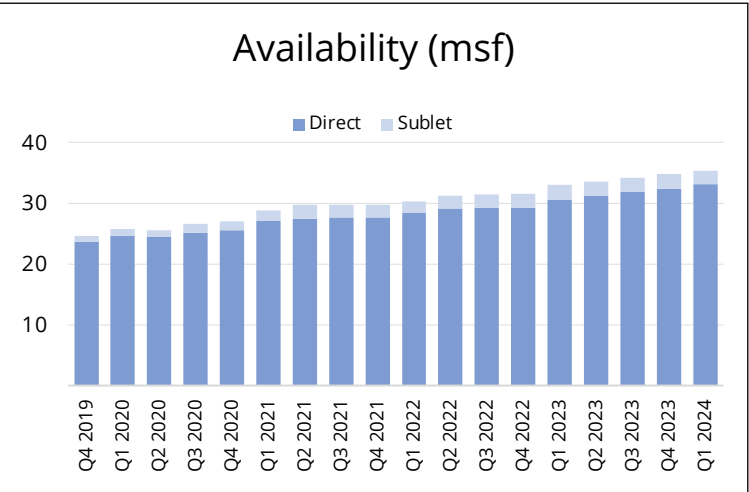
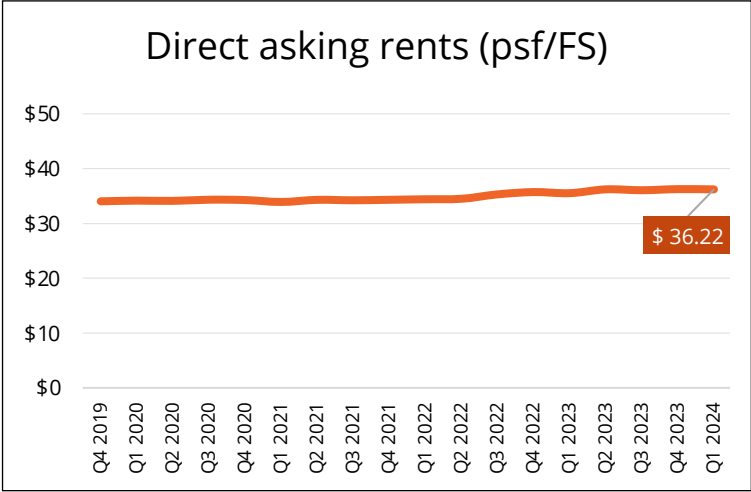
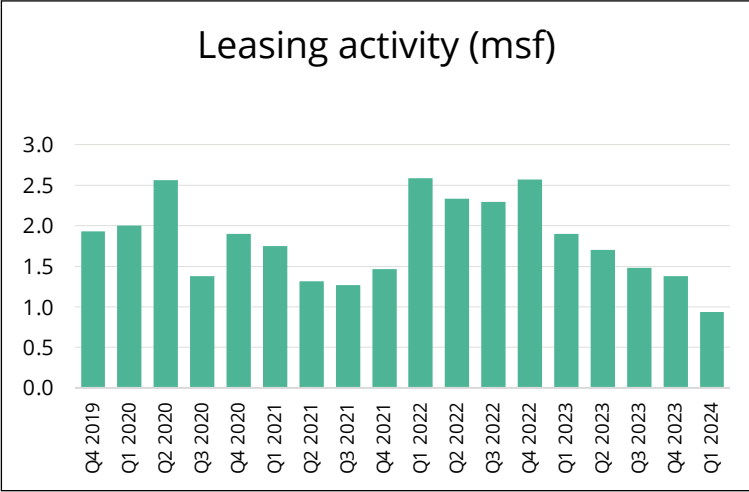
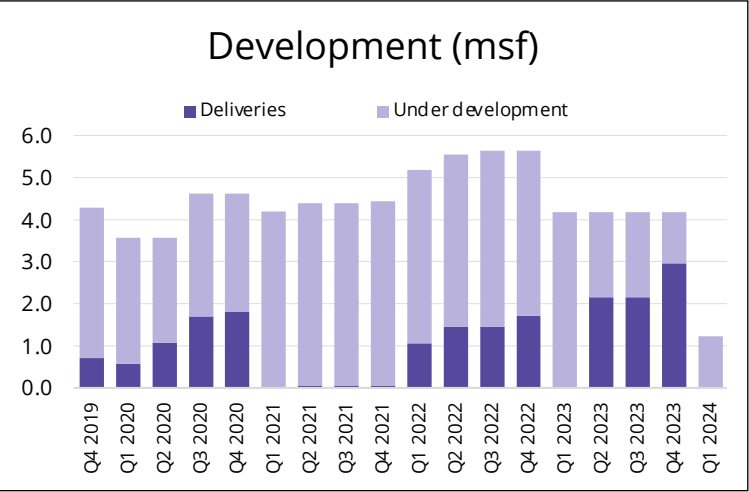


# Appendix





# Northern Virginia Office Market Indicators



# Northern Virginia Office Market Activity

## Recent leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
General Dynamics	7770 Backlick Rd	Springfield	Feb 2024	115,000	Renewal	Direct
WeWork	1201 Wilson Blvd	Rosslyn	Feb 2024	65,000	Renewal	Direct
Palo Alto Networks	1950 Opportunity Way	Reston	Jan 2024	58,000	New	Direct

## Recent sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
CoStar	1201 Wilson Blvd	Feb 2024	551,758	\$325mm	\$589	JBG Smith, Prudential
Fortress Investment Group	1725 Duke St	Feb 2024	156,904	\$25mm	\$159	Equus Capital
Dreyfuss Management	1616 N Fort Myer Dr	Jan 2024	294,730	\$25mm	\$85	Nuveen

## Top projects under development

Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
1800 Reston Row Plz	Reston	Q2 2024	328,380	17%	Comstock
3901 Fairfax Dr	Ballston	Q2 2024	191,000	0%	Skanska
3401 Fairfax Dr	Virginia Square	Q3 2024	360,500	65%	Edgemoor Investment Advisors

# Northern Virginia Office Submarket 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	1,103,722	-	-	18.1%	1.8%	19.9%	19,782	1.79%	\$23.80
Ballston	7,944,676	-	191,000	25.7%	4.1%	29.8%	-50,627	-0.64%	\$40.95
Carlyle	5,373,983	-	-	31.2%	1.7%	32.9%	-16,602	-0.31%	\$38.74
Centreville	607,395	-	-	22.1%	8.6%	30.7%	16,281	2.68%	\$34.41
Clarendon/Courthouse	5,420,093	-	-	29.3%	6.5%	35.8%	-32,472	-0.60%	\$41.94
Columbia Pike	472,337	-	-	12.3%	0.0%	12.3%	-	-	-
Crystal City	10,727,771	-	-	25.3%	2.8%	28.1%	-171,904	-1.60%	\$38.57
Del Ray	178,301	-	-	23.7%	0.0%	23.7%	-	-	-
Eisenhower Ave Corridor	479,430	-	-	37.0%	5.3%	42.3%	-	-	\$27.19
Fairfax Center	6,291,598	-	-	28.7%	2.7%	31.5%	-47,453	-0.75%	\$29.14
Fairfax City	2,661,406	-	-	11.7%	0.2%	11.9%	-9,239	-0.35%	\$25.87
Falls Church	943,954	-	-	17.9%	1.0%	19.0%	6,687	0.71%	\$26.89
Haymarket	1,377,067	-	-	9.8%	0.1%	9.9%	-7,104	-0.52%	\$26.58
<b>Market total</b>	<b>160,134,028</b>	<b>-</b>	<b>1,221,986</b>	<b>22.0%</b>	<b>3.0%</b>	<b>24.9%</b>	<b>-502,951</b>	<b>-0.31%</b>	<b>\$36.22</b>

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	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
Herndon	11,502,939	-	-	27.7%	2.8%	30.6%	-12,371	-0.11%	\$33.85
Huntington	400,409	-	-	38.9%	0.0%	38.9%	-1,825	-0.46%	\$25.09
I-395 Corridor	4,059,123	-	-	13.3%	0.8%	14.0%	-1,453	-0.04%	\$32.87
Leesburg/West Loudoun	1,190,256	-	-	4.6%	3.0%	7.6%	1,626	0.14%	\$30.29
Manassas	908,907	-	-	4.4%	0.0%	4.4%	-5,656	-0.62%	\$25.38
McLean	576,657	-	-	11.5%	5.1%	16.6%	-12,918	-2.24%	\$32.66
Merrifield	6,612,952	-	-	18.7%	2.6%	20.2%	-100,833	-1.52%	\$32.31
North Arlington	93,584	-	-	0.0%	0.0%	0.0%	-	-	-
Oakton	1,461,615	-	-	19.7%	0.6%	20.4%	24,893	1.70%	\$21.54
Old Town	5,491,852	-	-	19.0%	2.7%	21.7%	36,047	0.66%	\$37.05
Pentagon City	3,082,810	-	-	1.7%	0.0%	1.7%	-	-	-
Potomac Yard	104,453	-	-	40.6%	0.0%	40.6%	-	-	\$47.00
Reston	19,021,811	-	670,486	24.0%	3.9%	27.9%	57,448	0.30%	\$37.21
<b>Market total</b>	<b>160,134,028</b>	<b>-</b>	<b>1,221,986</b>	<b>22.0%</b>	<b>3.0%</b>	<b>24.9%</b>	<b>-502,951</b>	<b>-0.31%</b>	<b>\$36.22</b>



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	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
Rosslyn	9,260,633	-	-	21.9%	6.2%	28.1%	-90,056	-0.97%	\$43.87
Route 28 North	6,498,967	-	-	11.1%	1.8%	12.8%	-3,848	-0.06%	\$27.12
Route 28 South	11,662,554	-	-	16.5%	1.8%	18.1%	33,109	0.28%	\$28.07
Route 7 Corridor	1,955,004	-	-	15.4%	0.9%	16.3%	28,121	1.44%	\$31.61
Springfield	4,925,252	-	-	21.1%	2.1%	23.2%	-12,531	-0.25%	\$32.97
Tysons	24,922,167	-	-	24.2%	3.6%	27.7%	-178,179	-0.71%	\$38.99
Vienna	922,670	-	-	52.9%	0.9%	53.8%	-11,808	-1.28%	\$25.00
Virginia Square	932,198	-	360,500	28.2%	3.0%	31.1%	14,007	1.50%	\$43.36
Woodbridge	965,482	-	-	3.7%	0.0%	3.7%	25,927	2.69%	\$27.57
Market total	160,134,028	-	1,221,986	22.0%	3.0%	24.9%	-502,951	-0.31%	\$36.22

# 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	4,826,832	-	191,000	19.0%	9.6%	28.7%	44,093	0.91%	\$64.41
Class A	42,738,755	-	1,030,986	21.9%	3.8%	25.6%	-23,789	-0.06%	\$40.74
Class B	89,707,388	-	-	22.6%	2.7%	25.3%	-487,761	-0.54%	\$35.23
Class C	22,861,053	-	-	20.4%	1.1%	21.4%	-35,494	-0.16%	\$28.43
Market total	160,134,028	-	1,221,986	22.0%	3.0%	24.9%	-502,951	-0.31%	\$36.22



# 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  
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**Alex Ern**

Mid-Atlantic Lead  
Market Intelligence  
Alex.ern@avisonyoung.com

**Jessica Mistrik**

Senior Analyst  
Market Intelligence  
Jessica.mistrik@avisonyoung.com

**Will Dunkel**

Analyst  
Market Intelligence  
Will.dunkel@avisonyoung.com

**Henry Murphy**

Analyst  
Market Intelligence  
Henry.murphy@avisonyoung.com