



Q3 2024 Office Market Report  
Northern Virginia

# Q3 2024 Market Overview

## Quarterly Key Performance Indicators

Net Absorption  
**(1,559,248) SF**

Direct Asking Rent  
**\$35.46/SF**

Vacancy  
**22.92%**

Despite solid overall leasing activity, the Northern Virginia office market continues to face significant challenges in 2024, with net absorption over negative 1.5M square feet in the third quarter alone. Following negative 2.9M square feet of absorption in 2023, the Northern Virginia market is on track to exceed the previous year with negative net absorption of 2.86M square feet through the third quarter of 2024. Lack of organic tenant demand and entrenched hybrid work policies continue to hamper the leasing market, contributing to ongoing issues in occupancy rates.

Overall rental rates across the market have increased slightly to \$35.46/SF, representing a 0.31% increase from the previous quarter and a 1.75% increase over the last year. However, rental rates in Class B buildings are sitting well below the overall average rate in Northern Virginia at \$29.54/SF. As a possible correlation to the lower rates, Class B properties have fared better from an occupancy standpoint, with the asset type's vacancy rate at 14.99%, making up a 7.22% difference compared to the broader market.

Notable transactions during the third quarter highlight a mix of leasing and sales activity, particularly in lease renewals. In one of the largest deals of the quarter which also represented an expansion of 33K square feet, Bechtel Corporation extended their lease at 12011 Sunset Hills Road, bringing their total occupancy to just under 290K square feet. Meanwhile, Alarm.com expanded and renewed its lease for 250K square feet at 8281 Greensboro Drive representing nearly one-third increase over the firm's prior office footprint, which came into effect at the end of August of this year.



### Notable Regional Trends

Data Center market maintains explosive growth; accounts for approx. half of the capacity growth in last four years nationwide

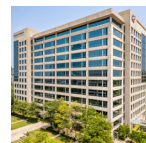
GSA continuing significant reduction of overall footprint in NoVa

Amazon announces major RTO policy effective January 2025

### Full Service Rents by Class

Asset Class	Full Service Rent/ SF	Q-Q % Change	YTD % Change
Class A	\$38.04	0.14%	-0.38%
Class B	\$29.54	-0.70%	-0.69%
<b>Overall</b>	<b>\$35.46</b>	<b>0.31%</b>	<b>-1.61%</b>

### Recent Lease Transactions



12011 Sunset Hills Road  
Reston  
**Bechtel Corporation**  
**289,380 SF**

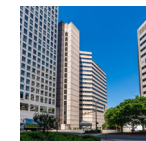


8281 Greensboro Drive  
Tysons  
**Alarm.com**  
**246,411 SF**

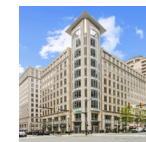


14370 Newbrook Drive  
Route 28 South  
**CACI**  
**160,021 SF**

### Recent Sale Transactions



1001 N 19th Street  
Rosslyn  
**Buyer: Venture Global**  
**241,710 SF \$143M (\$591.62/SF)**



4075 Wilson Boulevard  
Ballston  
**Buyer: Farmview Ventures**  
**187,996 SF \$27.6M (\$146.81/SF)**

# Q3 2024

## Market Data

### Occupancy Trends

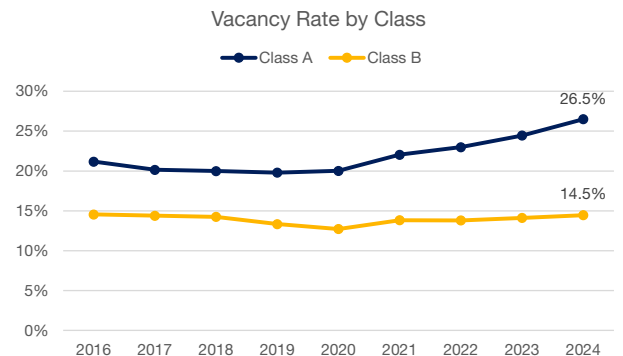
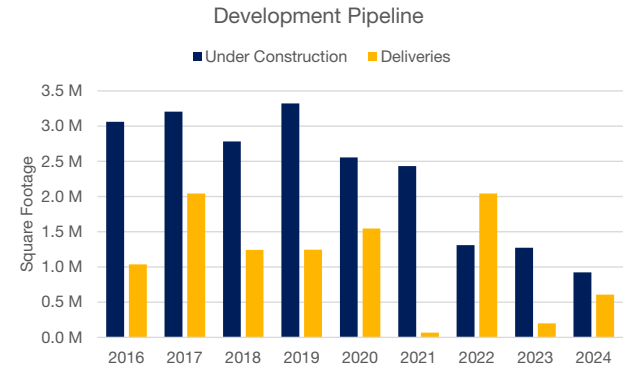
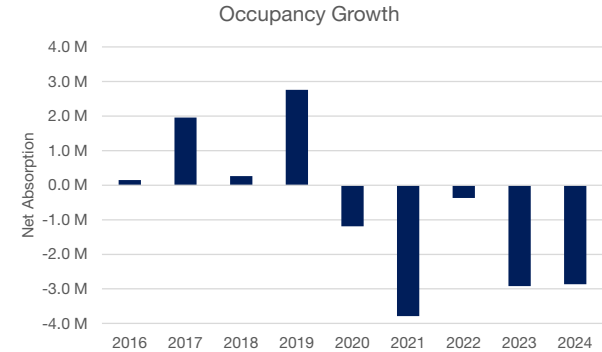
The Northern Virginia office market saw a few notable deliveries in 2024. In May, Skanska completed a 100,000-square-foot Class A building at 3901 N Fairfax Drive in the Ballston submarket. The Reston submarket also welcomed significant additions, including a 330,000-square-foot Class A office building at 1800 Reston Road Plaza. Despite these new deliveries, net absorption remained deeply negative in Q3 2024, with a total of -1.55 million square feet, primarily driven by nearly -1.6 million square feet of negative absorption in direct space. However, the sublease market showed some improvement, posting 40,000 square feet of positive absorption. Year-to-date, net absorption stands at -2.86 million square feet, highlighting the persistent challenges in tenant demand. Class A properties have been hit hardest, contributing -1.36 million square feet of negative absorption during the third quarter of 2024.

### Construction Snapshot

Following nearly a decade of active development, the Northern Virginia office market's development pipeline has sharply leveled off. This slowdown can be attributed to unpredictable tenant demand, rising construction costs, and broader economic challenges. With the continued "flight-to-quality" trend in the commercial real estate market, the limited number of new Class A projects could trigger a ripple effect, potentially tightening up this segment of the market for tenants looking to relocate. In Q3 2024, only 77,231 square feet of new office space was delivered, with approximately 765,000 square feet still under development—a dramatic decline from the 2019 peak, when over 3.3 million square feet was under construction.

### Market Vacancy

The Northern Virginia office market is seeing a clear divide in performance between Class A and Class B properties. As of 2024, Class B buildings maintain a lower average vacancy rate of 14.5%, while Class A properties are struggling with significantly higher vacancies at 26.5%. This disparity has been amplified by recent deliveries in key submarkets like Ballston and Reston, which have added substantial un-leased inventory to the market. A prime example is the newly delivered 328,380-square-foot Class A office building at 1800 Reston Row Plaza, which remains 82.8% vacant following its June 2024 completion. Similarly, the 200,576-square-foot Class A office building at 3901 N Fairfax delivered in the third quarter of 2024 and remains 100% vacant following its completion in May 2024. These new additions are contributing significantly to the elevated vacancy rates in Class A spaces, as landlords face the challenge of leasing premium office space in a market where tenant demand remains uncertain.



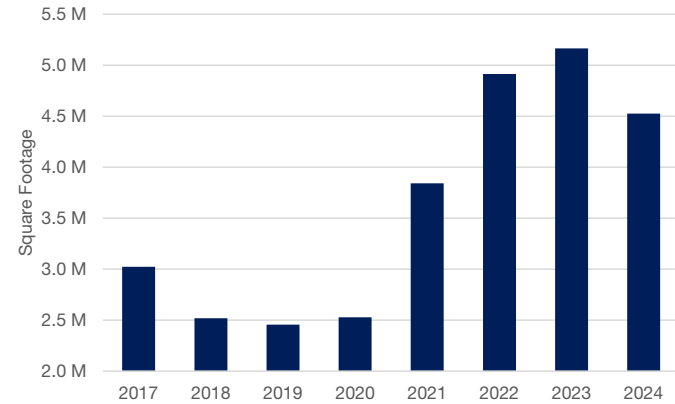
# Q3 2024 Sublease Report

The sublease market in Northern Virginia continues to play a significant role in the overall office market landscape. There are approximately 336 sublease spaces available in Northern Virginia, consisting of 4.5 million square feet as of the third quarter of 2024. Roughly 70% of the available subleases range between 5,000 and 30,000 square feet, offering a diverse range of options for tenants seeking flexibility in their space requirements. The Tysons Corner, R-B Corridor, and Reston/Herndon submarkets dominate the sublease market, accounting for 71% of the total available sublease space.

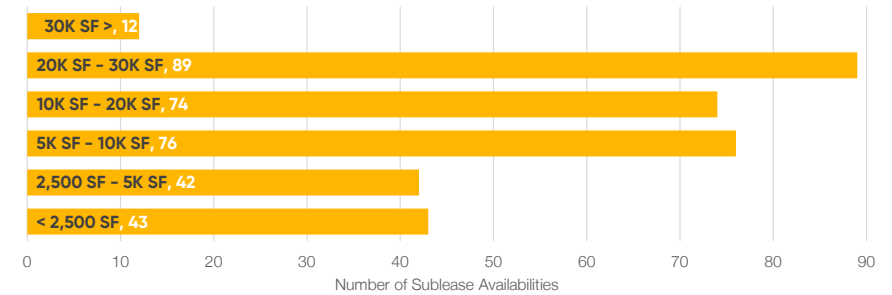
Pricing for sublease spaces varies, with 51% of the current offerings asking between \$15.00 and \$35.00 per square foot. The majority of subleases in the market are priced at a significant discount compared to direct spaces, putting further pressure on landlords as they compete for tenants in the market.

Significant activity occurred in the National Landing submarket, where JLL added two new sublease spaces in September, totaling over 50,000 square feet from the Presidential Building. Overall, the sublease market saw an addition of approximately 410,000 square feet in the third quarter, though 170,000 square feet of sublease was removed.

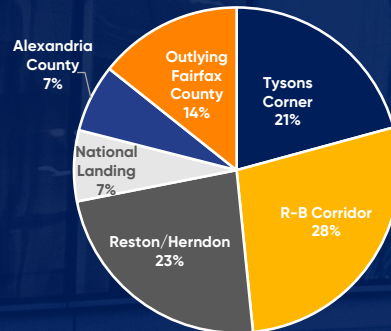
Change in Sublease Availability by Year



Distribution of Sublease Availabilities by SF



Sublease Inventory  
by Submarket



84.2%

Increase in Sublease Availability by SF since 2019

19.3

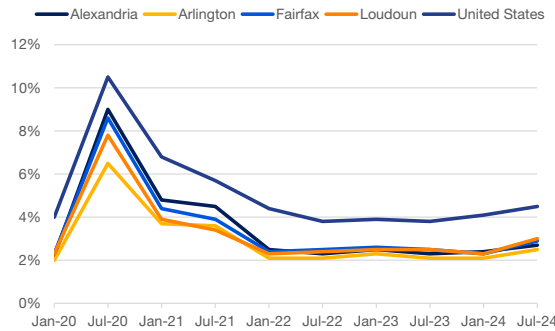
Average Months on Market

# Q3 2024 Economic Outlook

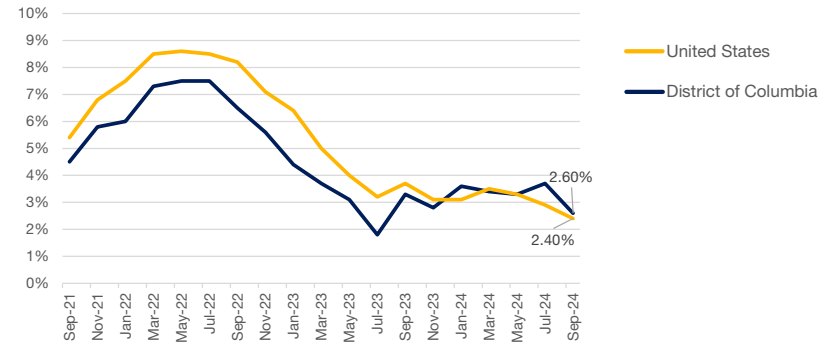
The Northern Virginia office market, which includes Alexandria, Arlington, Fairfax, and Loudoun County, recorded unemployment rates between 2.5% and 3% through the third quarter of 2024. These figures align closely with pre-pandemic levels, reflecting a robust recovery in the local labor market.

On a national scale, the U.S. unemployment rate stands at 4.2%, slightly below the 10-year average of 4.7%, indicating overall economic stability. However, inflation remains a persistent concern, with the Washington, DC metro area experiencing a 12-month CPI increase of 2.6%. As the cost of goods continues to rise, compounded by elevated labor and construction costs, companies are becoming more cost-conscious in their real estate decisions. This cautious approach is impacting leasing activity, as firms prioritize efficiency and value in their office space commitments amid these economic pressures.

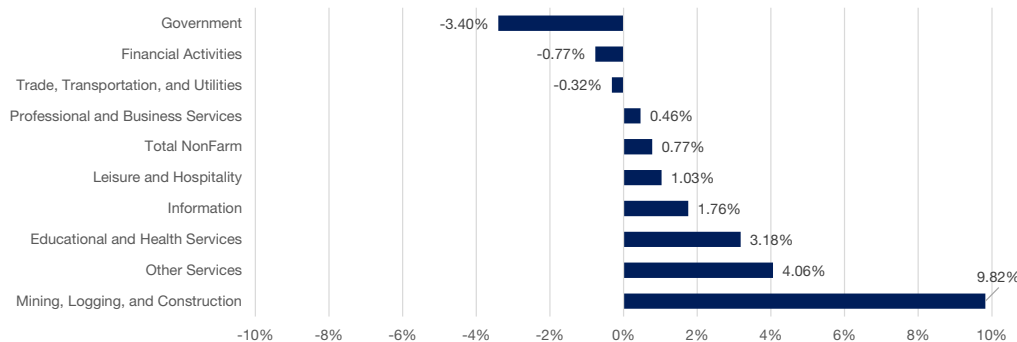
## Unemployment Rate



## Consumer Price Index, 12-Month % Change



## Employment Growth by Industry, 12-Month % Change, July 2024



Over the past year, sectors such as Mining, Logging, and Construction, Other Services, and Education and Health Services have demonstrated substantial job growth, contributing to an overall nonfarm employment increase of 0.77% in the region. Conversely, office-occupying industries— including Government, Financial Activities, and Trade, Transportation, and Utilities— have experienced job losses, reflecting the ongoing shifts in the labor market.

# Q3 2024

## Submarket Statistics - All Classes

Submarket	Total Bldgs	Inventory (SF)	Sublet Available (SF)	Total Available (SF)	Direct Vacancy Rate	Overall Vacancy Rate	Net Absorption Current (SF)	Under Construction	Deliveries YTD (SF)	Avg Asking Rental Rate (FSG)
Eisenhower/Huntington	50	5,825,245	93,625	1,824,746	26.50%	27.30%	(777,572)	-	-	\$32.78
I-395	54	5,805,494	25,074	1,347,406	34.80%	35.20%	(18,439)	-	-	\$32.28
Old Town	119	7,255,911	186,298	1,683,303	18.10%	19.70%	(74,217)	-	-	\$37.31
Ballston	36	7,886,166	254,523	2,386,446	25.60%	27.40%	(58,981)	-	200,576	\$42.85
Courthouse/Clarendon	31	5,225,406	357,967	2,023,318	29.00%	32.60%	(31,581)	-	-	\$44.06
Falls Church	42	1,817,859	24,081	318,799	12.40%	13.40%	(31,582)	-	-	\$28.03
National Landing	43	13,769,531	348,000	3,310,639	26.30%	28.10%	(52,883)	-	-	\$47.33
Rosslyn	32	8,715,012	545,328	2,546,563	22.90%	27.00%	6,458	-	-	\$45.55
Virginia Square	11	939,184	35,993	390,944	26.20%	28.30%	19,188	345,000	-	\$42.00
Annandale	40	1,750,528	6,500	247,774	10.40%	10.80%	(14,035)	-	-	\$25.84
Fairfax Center	51	6,306,392	168,811	1,733,332	18.70%	20.10%	63,297	-	-	\$29.31
Fairfax City	97	3,356,459	5,148	415,048	10.30%	10.50%	(3,782)	-	-	\$26.20
Herndon	106	11,383,856	370,874	3,742,349	24.30%	25.80%	(87,026)	-	-	\$33.80
Mclean	43	1,158,311	10,396	165,787	11.90%	13.90%	(10,487)	-	-	\$32.31
Merrifield	90	8,384,814	75,060	1,729,363	15.60%	16.10%	50,798	-	-	\$31.75
Oakton	15	1,470,321	7,565	247,324	32.70%	32.70%	1,831	-	-	\$27.30
Reston	154	19,308,586	653,583	5,697,061	24.80%	26.20%	72,821	210,000	405,611	\$33.69
Route 28 Corridor South	137	12,899,668	309,951	2,449,521	16.30%	16.70%	(143,996)	-	-	\$30.50
Springfield/Burke	107	5,853,545	25,114	1,159,701	17.20%	17.60%	7,752	-	-	\$32.96
Tysons Corner	131	22,730,353	949,132	7,428,991	26.30%	27.90%	(386,154)	-	-	\$39.32
Vienna	24	1,219,587	8,469	516,458	41.60%	41.60%	(6,929)	-	-	\$34.69

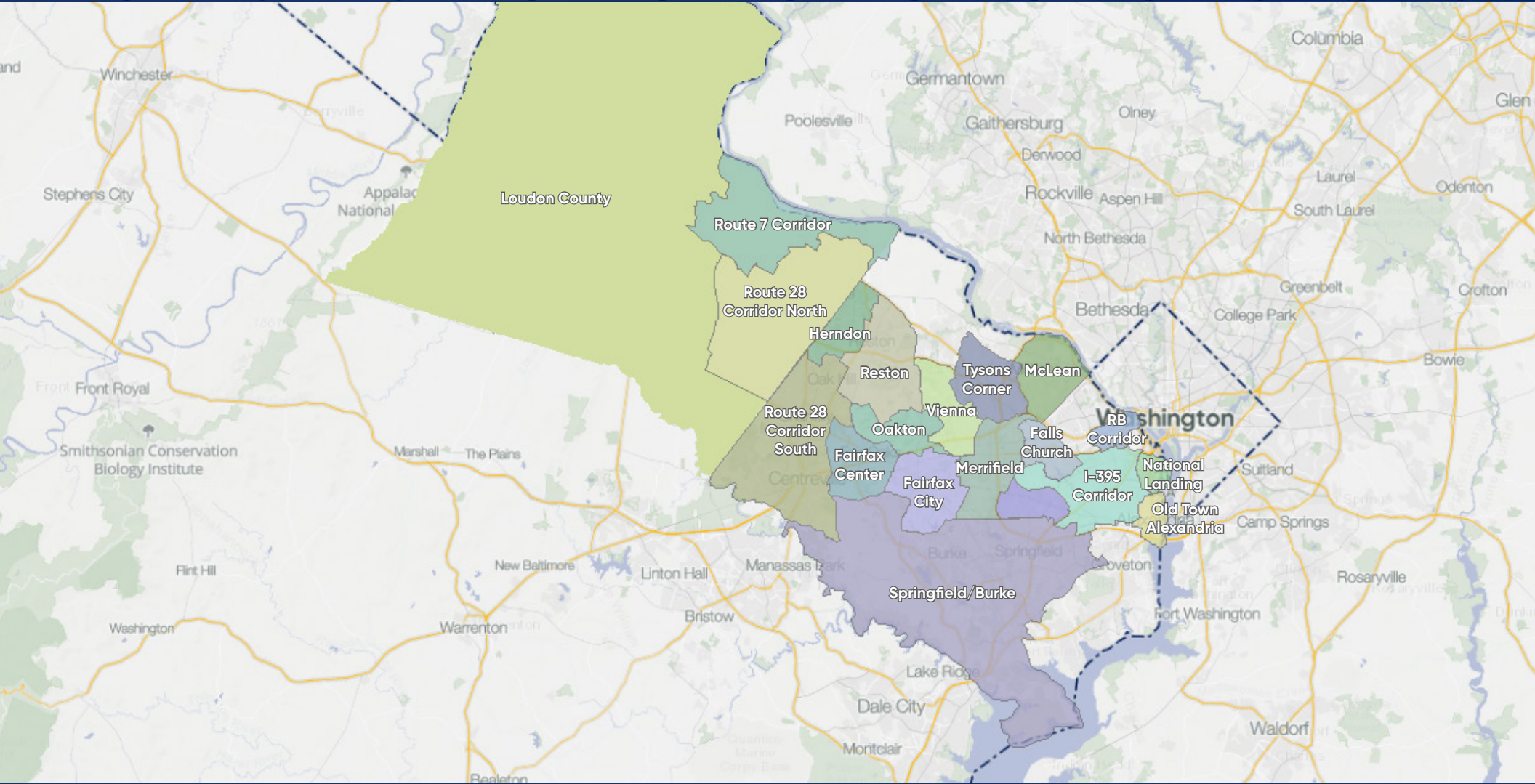
# Q3 2024

## Submarket Statistics - All Classes

Submarket	Total Bldgs	Inventory (SF)	Sublet Available (SF)	Total Available (SF)	Direct Vacancy Rate	Overall Vacancy Rate	Net Absorption Current (SF)	Under Construction	Deliveries YTD (SF)	Avg Asking Rental Rate (FSG)
Leesburg/West Loudoun	72	2,338,787	35,571	225,516	5.10%	5.10%	44,645	-	-	\$33.25
Route 28 Corridor North	118	8,158,598	56,684	1,178,179	14.40%	14.90%	(78,775)	-	-	\$26.20
Route 7 Corridor	54	2,816,210	15,088	294,528	7.80%	8.30%	21,227	-	-	\$30.67
Manassas	39	1,111,754	-	88,898	4.10%	4.10%	304	-	-	\$24.37
Route 29/I-66 Corridor	67	2,580,817	1,740	156,516	7.70%	7.70%	(67,493)	-	-	\$22.72
Woodbridge	84	2,240,855	15,407	156,854	8.10%	8.80%	(3,637)	-	-	\$31.69

## Market Statistics by Class

Submarket	Total Bldgs	Inventory (SF)	Sublet Available (SF)	Total Available (SF)	Direct Vacancy Rate	Overall Vacancy Rate	Net Absorption Current (SF)	Under Construction	Deliveries YTD (SF)	Avg Asking Rental Rate (FSG)
Class A	602	110,378,063	3,954,190	33,403,212	25.32%	26.99%	(1,364,831)	555,000	606,187	\$38.04
Class B	1245	61,931,186	631,792	10,062,152	14.99%	15.70%	(194,417)	-	-	\$29.54
Northern Virginia Total	1847	172,309,249	4,585,982	43,465,364	21.60%	22.92%	(1,559,248)	555,000	606,187	\$35.46



Contact us for more information.



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