

NORTHERN VIRGINIA INDUSTRIAL MARKET

Q3 2024



TRENDLINES

	Q3 2024	Q3 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.9	2.5	↑	3.3	↓
NET ABSORPTION (THOUSANDS SF)	73.0	221.0	↓	349.8	↑
DIRECT VACANCY RATE	3.8%	3.8%	↔	4.2%	↓
DIRECT VACANT SF (MSF)	3.5	3.4	↑	3.8	↓
UNDER CONSTRUCTION (MSF)	0.7	1.1	↓	1.1	↑
ASKING RENT, NNN (PSF)	\$18.44	\$17.71	↑	\$15.74	↑
SALES VOLUME (MILLIONS)	\$106.6	\$35.7	↑	\$141.4	↑

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

INDUSTRIAL MARKET LEVELS OFF IN Q3 2024

The Northern Virginia industrial market continued its trend of stability in the third quarter with 19,000 SF of positive absorption. This was aided by a balance of both leases and moveouts counteracting one another. The direct vacancy rate rose 30-basis points to 3.8%. Given the low vacancy rate, asking rents increased by 120-basis points to \$18.44 PSF. There were also four construction deliveries for the third quarter, delivering 231,729 SF of space.

Industrial fundamentals remain strong, but demand will likely oscillate over the next several quarters, as the market normalizes. The Fed cut rates by 50 basis points at the most recent meeting with intention to keep the economy humming. This could pave a positive path for the industrial market. The vacancy rate should remain low enough during the balance of 2024 to push rents up, albeit at a decelerating pace.

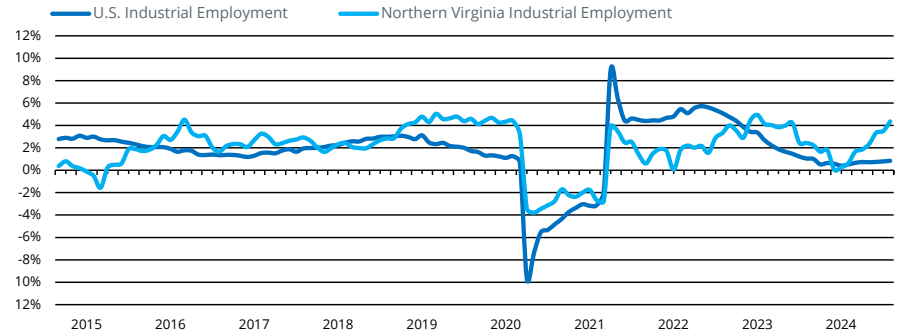


ECONOMY

Industrial-Using Jobs Spike Over the Past Year

- 8,000 new jobs were added to the Northern Virginia economy during the 12-months ending in August 2024, this is below the pre-COVID average of 27,100. The industry sector that experienced the largest growth was the construction industry, which added 8,100 new jobs in that timespan. The government sector shed 8,000 jobs.
- Industrial-using jobs gained 8,600 jobs in the 12-months ending in August 2024, well above the pre-COVID average of 2,700. The construction sector saw the biggest gain with 8,100 net new jobs, while the manufacturing sector was relatively flat.
- The unemployment rate in Northern Virginia is 3.0% in July 2024 and averaged 2.9% over the past three months. Arlington County continues to have the lowest unemployment rate in Northern Virginia, at 2.5%.
- We expect industrial-using jobs in Northern Virginia to grow at a steady pace during the remainder of 2024. The construction and warehousing/storage industries should fuel this growth.

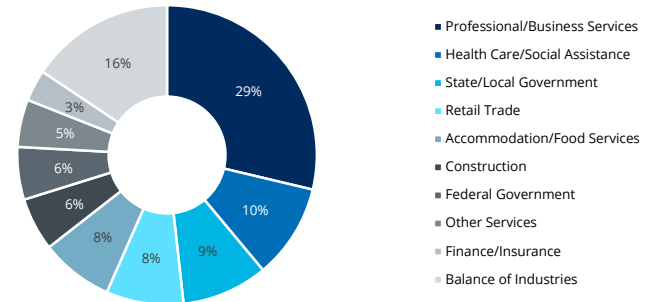
Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

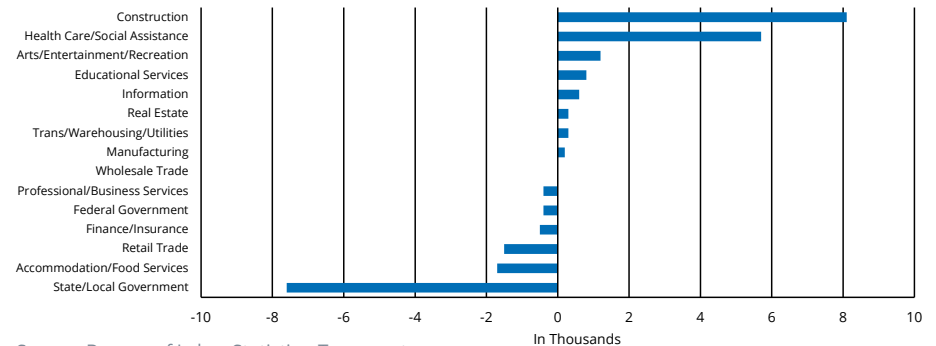
Northern Virginia | August 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Northern Virginia



Source: Bureau of Labor Statistics, Transwestern

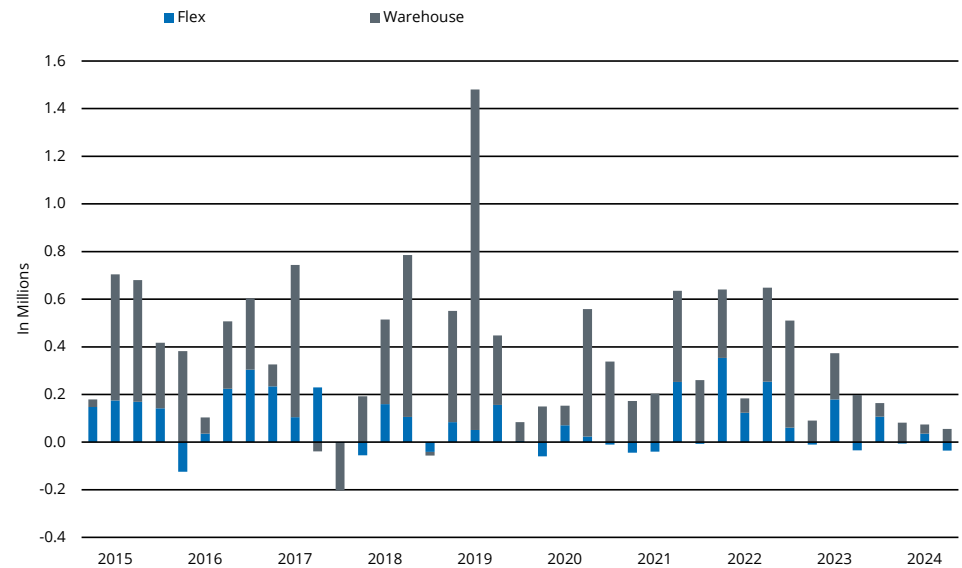


NET ABSORPTION

Industrial Demand Constrained

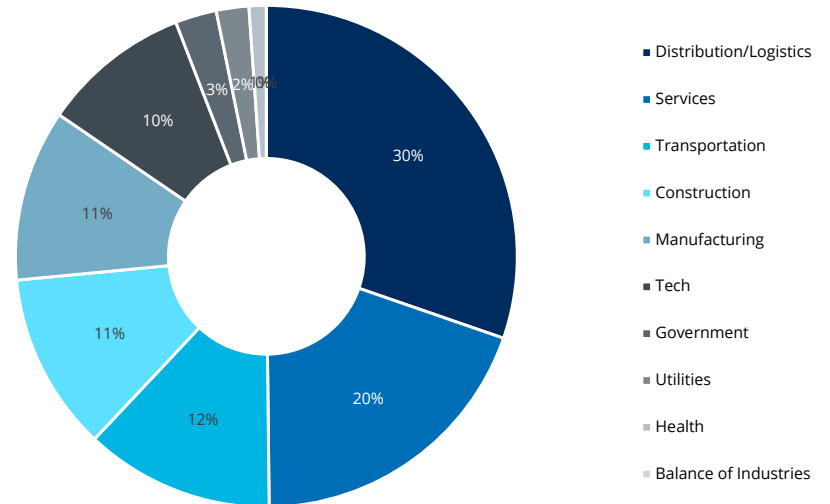
- The industrial market continued to flatten in the quarter totaling a low 19,000 SF of positive absorption, which much like last quarter, marks the lowest amount of absorption growth since the fourth quarter of 2018.
- Notable transactions included LKQ signing a 42,577 SF at 8233 Buckeye Timber Drive in Manassas/Gainesville and Citidoors signing for 18,650 SF at 6021-6027 Farrington Avenue in Springfield. The pre-leased delivery at 6833 Hill Park Drive, a 45,000 SF warehouse occupied by the Capital Area Food Bank, also boosted absorption.
- A couple of notable moveouts that occurred in Northern Virginia, particularly in the Dulles Corridor, happened at 22815 Glenn Drive by California Closets, who vacated 27,044 SF, and GSA vacating 25,933 SF at 1165 Herndon Parkway.
- We anticipate net absorption to remain positive in the coming quarters. However, with limited options for tenants, the level of absorption could be restrained.

NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY INDUSTRY YTD 2024



Source: CoStar, Transwestern

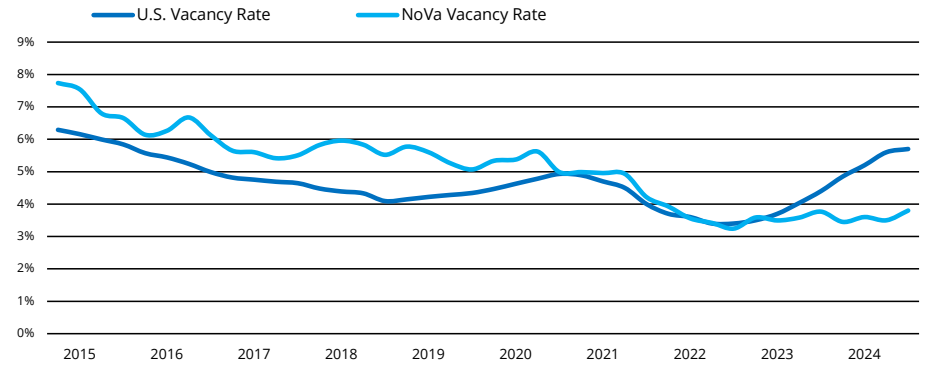


VACANCY

Vacancy Rate Trends Upward

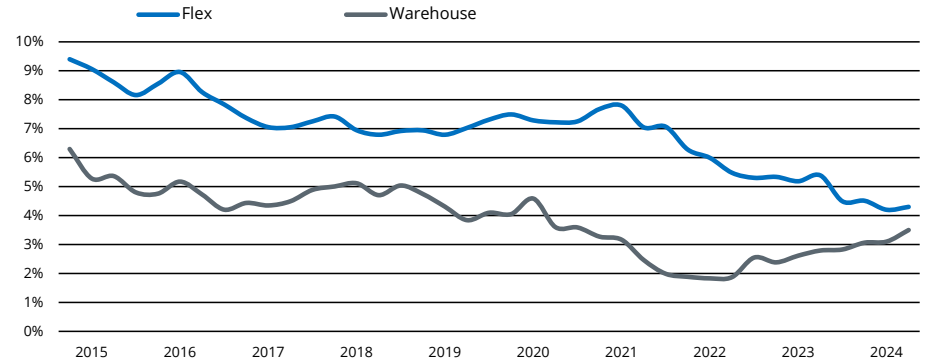
- The industrial direct vacancy rate increased by 30-basis points to 3.8% in the quarter. This marks the fourth quarter since the start of 2023 to have the vacancy rate trend upward.
- The vacancy rate for flex properties increased 10-basis points and held a vacancy rate of 4.3%. The vacancy rate for warehouse properties increased 40-basis points to 3.5%, primarily due to the four deliveries that came online with no tenants in place.
- The vacancy rate is likely to stay low in the remainder of 2024. We expect demand for industrial product to remain healthy with recently delivered vacant product filled in short order.

DIRECT VACANCY RATE



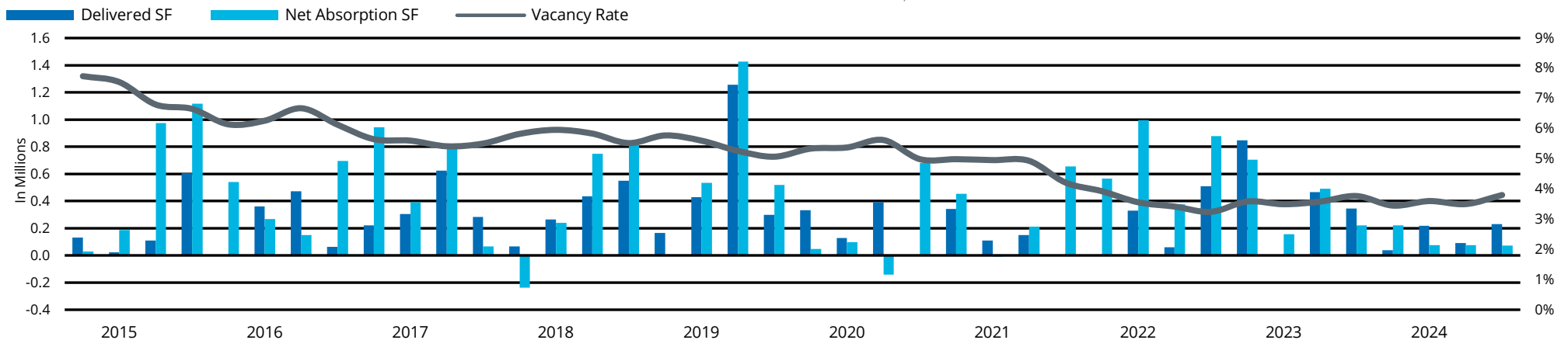
Source: CoStar, Transwestern

DIRECT VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

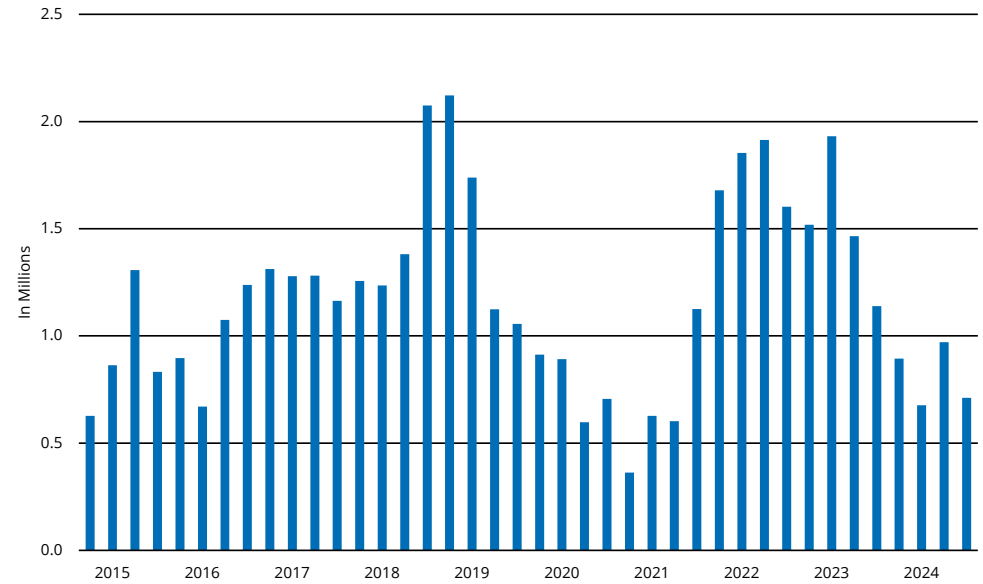


UNDER CONSTRUCTION

Four Projects Deliver in Q3

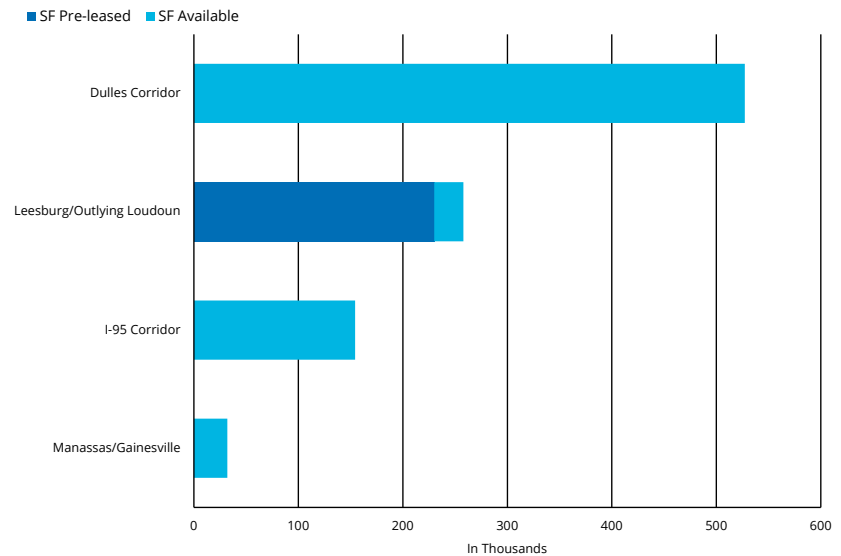
- Four projects delivered in the third quarter. Most notable was a 130,020 SF warehouse at 25435 Pleasant Valley Road in the Dulles Corridor, which delivered vacant. Other notable projects included 45,000 SF at 6833 Hill Park Drive in the I-95 Corridor at 100% pre-leased, and in the Dulles Corridor at 22810 Quicksilver Drive which added 28,709 SF of 0% pre-leased space.
- The current pipeline has 711,802 SF under construction with 28.0% pre-leased across seven projects. The largest project underway is 43035 John Mosby Highway in the Dulles Corridor, totaling 232,500 SF and is anticipated to deliver by the end of this year.
- We expect the construction pipeline to remain stable in the coming quarters as planned projects could begin to break ground due to industrial demand. However, elevated interest rates could deter select developers.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

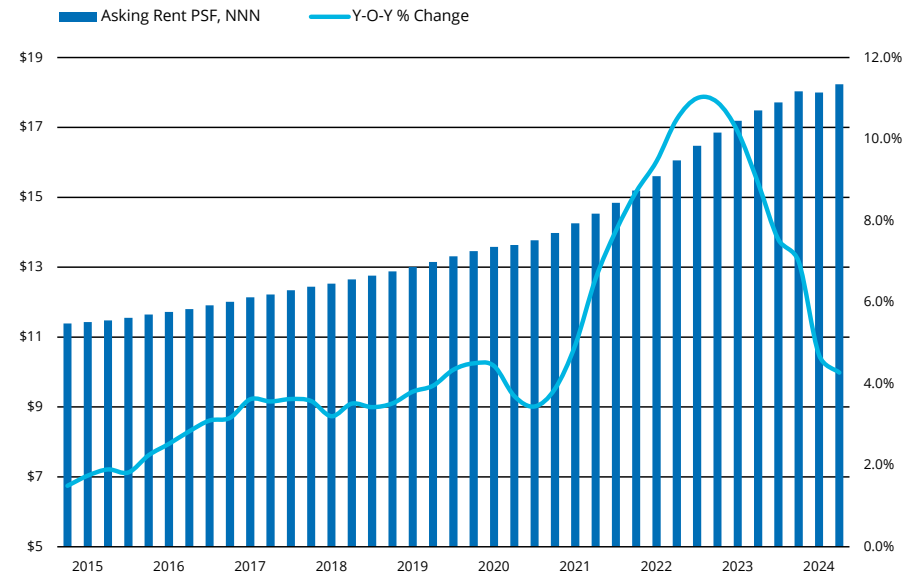


RENTAL RATES

Asking Rents Heighten During Q3 2024

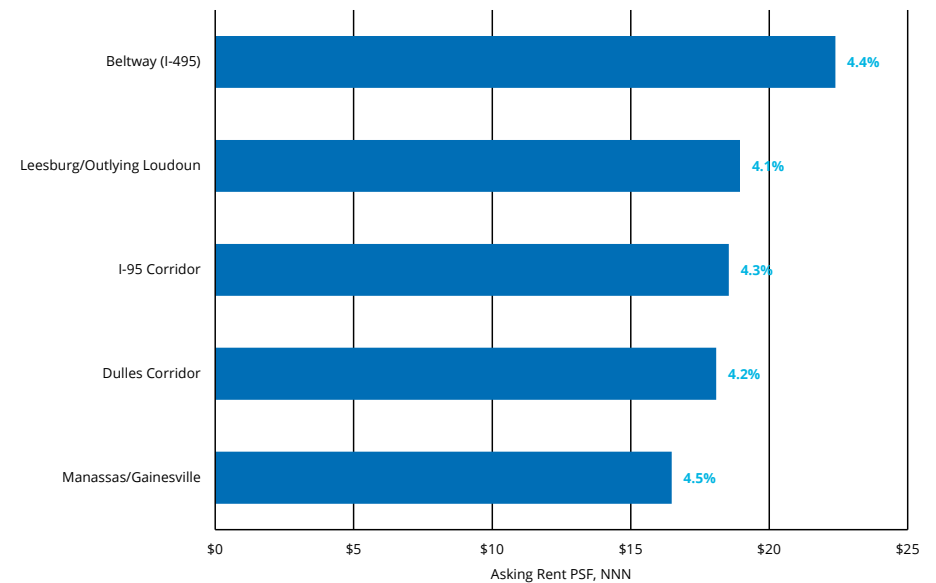
- Asking rents vaulted 120-basis points in the quarter to \$18.44 PSF. Warehouse product rose 120-basis points in the quarter, averaging \$18.04 PSF compared to the \$17.84 PSF from last quarter. Flex product rates also increased by 110-basis points to \$18.86 PSF up from \$18.64 PSF last quarter.
- After rising 110-basis points, the Beltway (I-495) submarket has the highest asking rent at \$22.64 PSF. There was not much difference in the growth of rental rates between the submarkets, with Manassas/Gainesville, the Dulles Corridor, and Leesburg/Outlying Loudoun County each having a quarterly rate growth of 1.2%. The I-95 Corridor tied the Beltway (I-495) submarket with increases of 110-basis points, which is the middle average in the market.
- We expect continued growth through 2024 as the vacancy rate is low enough to justify rent gains. Growth will remain strongest in the close to the core submarkets. However, rent growth has likely reached its peak and growth, although strong, will likely decelerate slightly.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

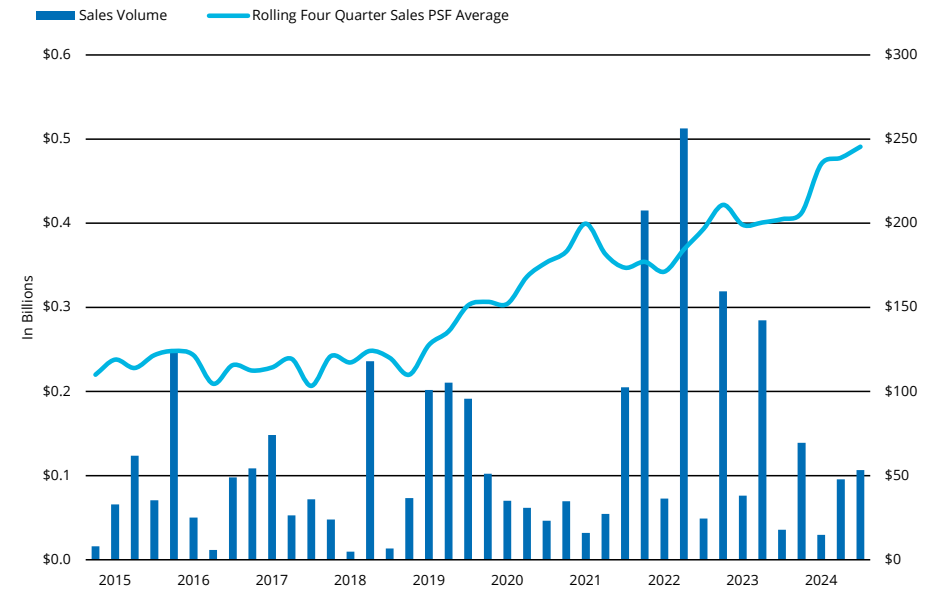


SALES

Industrial Investment Sales Modest in Q3

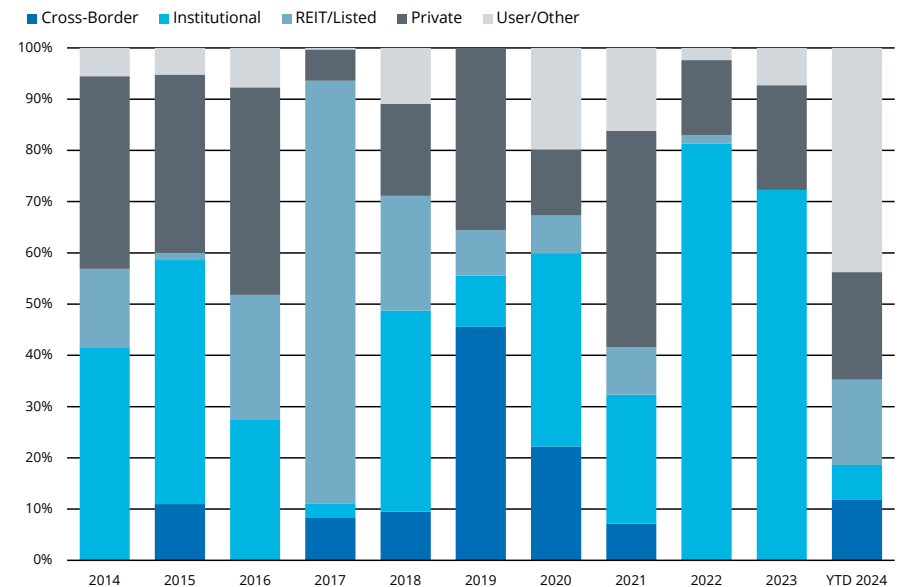
- Industrial investment sales volume was less active in the third quarter with four transactions. The sales volume totaled \$106.6 million, or \$264 PSF. Sales volume YTD totaled \$304.4 million, or \$246 PSF. This YTD sales volume number is 23.2% lower when compared to the same figure in 2023, but the price per square foot is 26.8% higher year-over-year.
- The largest sale was an individual flex property at 19886 Ashburn Road in the Dulles Corridor. JK Moving Services purchased the asset for \$60 million, or \$311 PSF. This was one of two investments that JK Moving Services made in the Northern Virginia industrial market this quarter.
- Another significant investment sale in the quarter happened at 110 Terminal Drive in the Dulles Corridor. TA Realty purchased the two warehouse properties at the site for \$24.3 million, or \$242 PSF, and \$10.7 million, or \$210 PSF.
- We expect investment sales volume to remain steady but limited through 2024 as investors remain cautious about the economy.

SALES VOLUME



Source: CoStar, Real Capital Analytics, Transwestern

BUYER CAPITAL COMPOSITION



Source: CoStar, Real Capital Analytics, Transwestern



NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
EAST WEST MARBLE COMPANY	3920 Stonecroft Blvd	Dulles Corridor	Renewal	72,569
FURNACE RECORD PRESSING	6315 Bren Mar Dr	I-95 Corridor	Renewal	49,194
EURO STONE CRAFT	3900 Stonecroft Blvd	Dulles Corridor	Sublease	78,857
CVC DISTRIBUTION	3931 Avion Park Ct	Dulles Corridor	New Lease	34,567
PROLIFT RIGGING CO	10225 Golf Academy Dr	Manassas/Gainesville	Sublease	91,257
MCM	17001 Interstate Dr	I-95 Corridor	New Lease	31,124

TI = Transwestern deal
 Source: CoStar, CompStak, Transwestern.

NOTABLE SALES

ADDRESS	SUBMARKET	SALE DATE	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
7398 WARD PARK LN	I-95 Corridor	Aug-24	\$7,200,000	43,552	\$165	DH Property Holdings	Michael F. Jennings
19886 ASHBURN RD	Dulles Corridor	Aug-24	\$60,000,000	192,775	\$311	JK Moving Services	Finmarc Management, Inc.
110 TERMINAL DR	Dulles Corridor	Jul-24	\$24,262,298	100,224	\$242	TA Realty	Victory Van Corporation
110 TERMINAL DR	Dulles Corridor	Jul-24	\$10,737,702	51,200	\$210	TA Realty	Victory Van Corporation
409-413 BROWNING CT	Leesburg/Outlying Loudoun	Jul-24	\$4,400,000	16,608	\$265	JK Moving Services	Geostructures, Inc.

Source: CoStar, CompStak, Transwestern.

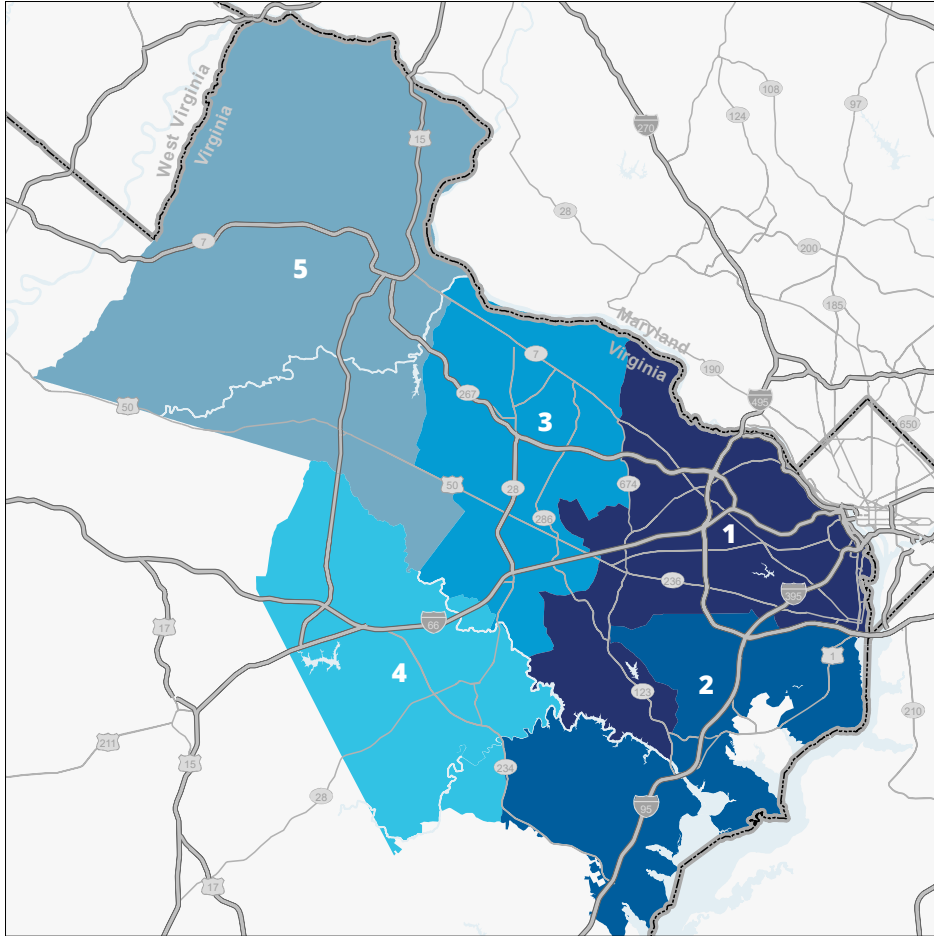


MARKET INDICATORS

All Property Types | Q3 2024

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, NNN
FLEX	2,621,739	152,321	5.8%	5.8%	0	(11,000)	(79,000)	\$23.06
WAREHOUSE	5,484,787	232,731	4.2%	4.5%	0	(22,000)	(25,000)	\$22.43
BELTWAY (I-495)	8,106,526	385,052	4.7%	4.9%	0	(33,000)	(104,000)	\$22.64
FLEX	8,394,838	515,279	6.1%	6.3%	0	(1,000)	143,000	\$19.81
WAREHOUSE	16,050,873	755,809	4.7%	4.8%	109,200	34,000	82,000	\$18.15
I-95 CORRIDOR	24,445,711	1,271,088	5.2%	5.3%	109,200	33,000	225,000	\$18.75
FLEX	16,683,895	731,788	4.4%	4.6%	30,000	(63,000)	(50,000)	\$18.71
WAREHOUSE	21,600,336	654,251	3.0%	3.7%	338,500	(37,000)	(217,000)	\$17.60
DULLES CORRIDOR	38,284,231	1,386,039	3.6%	4.1%	368,500	(100,000)	(267,000)	\$18.30
FLEX	1,084,739	3,713	0.3%	0.3%	0	36,000	36,000	\$19.50
WAREHOUSE	415,604	0	0.0%	0.0%	202,000	92,000	92,000	\$18.30
LEESBURG/OUTLYING LOUDOUN	1,500,343	3,713	0.2%	0.2%	202,000	128,000	128,000	\$19.18
FLEX	5,387,373	76,658	1.4%	1.6%	0	3,000	50,000	\$16.59
WAREHOUSE	14,052,103	366,208	2.6%	3.2%	32,102	(12,000)	301,000	\$16.71
MANASSAS/GAINESVILLE	19,439,476	442,866	2.3%	2.8%	32,102	(9,000)	351,000	\$16.67
FLEX	34,172,584	1,445,128	4.2%	4.4%	30,000	35,000	98,000	\$18.86
WAREHOUSE	57,603,703	1,804,613	3.1%	3.5%	941,531	39,000	377,000	\$18.04
NORTHERN VIRGINIA TOTAL	91,776,287	3,249,741	3.5%	4.1%	971,531	74,000	475,000	\$18.44

Source: CoStar, Transwestern



Northern Virginia Industrial Submarkets

- 1** Beltway (I-495)
- 2** I-95 Corridor
- 3** Dulles Corridor
- 4** Manassas/Gainesville
- 5** Leesburg/Outlying Loudoun

RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on flex and industrial properties located in the Northern Virginia. This report includes single tenant, multi-tenant and owner-user properties 15,000 SF and larger, excluding data centers, biotech, and properties owned by a government agency.

ABOUT TRANSWESTERN

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at transwestern.com and [@Transwestern](https://twitter.com/Transwestern).

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