



TRANSWESTERN

NORTHERN VIRGINIA OFFICE MARKET

Q4 2024



TRENDLINES

	Q4 2024	Q4 2023	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.7	2.7	↔	3.3	↓
NET ABSORPTION (THOUSANDS SF)	22.0	(547.0)	↑	(237.8)	↔
DIRECT VACANCY RATE	17.6%	16.5%	↑	16.0%	↔
DIRECT VACANT SF (MSF)	34.9	32.8	↑	31.6	↔
UNDER CONSTRUCTION (MSF)	0.2	1.2	↓	3.1	↓
ASKING RENT, FULL SERVICE (PSF)	\$33.24	\$33.39	↓	\$33.40	↔
SALES VOLUME (MILLIONS)	\$203.3	\$144.7	↑	\$423.3	↓

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

OFFICE MARKET STABILIZES IN THE FOURTH QUARTER OF 2024

The office market stabilized in the fourth quarter with 22,000 SF of positive absorption. This was primarily due to a pre-leased delivery coming online. Controlled by a couple of demolitions, the direct vacancy rate remained unchanged at year-end, hovering at 17.6%. Asking rentals rates did not change during the quarter and remained \$33.24 PSF.

The Fed cut rates by another quarter point in December 2024 to keep the cooling economy stable. Two additional cuts are expected in 2025. Although hybrid is likely here to stay, private sector return to office mandates should move the average days in office slightly higher in 2025. The 2024 election produced an aligned government, which could encourage stricter policy to get the federal workforce back in the office over the next year. The office market remains in tenant favor for now, however, landlords with limited resources could struggle to lure tenants.

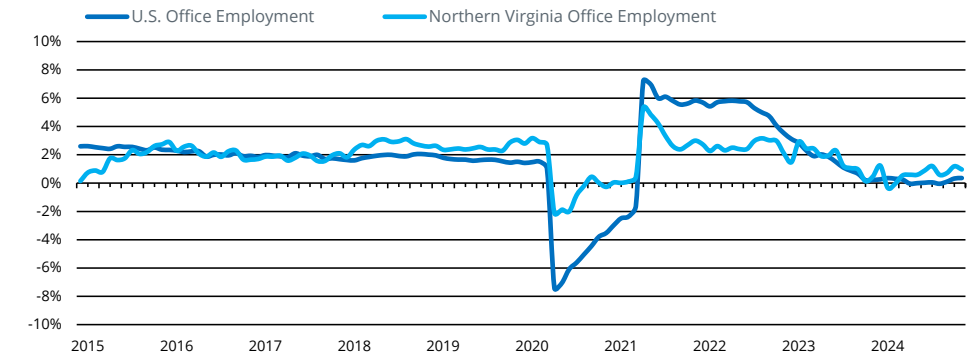


ECONOMY

Office-Using Job Growth Receives Bump

- 22,800 new jobs were added to the Northern Virginia economy during the 12-months ending in November 2024, this is just below the pre-COVID average of 27,100. The industry sector that experienced the largest growth was construction, which added 9,000 new jobs in that timespan. The food services sector dropped 1,900 jobs.
- Office-using jobs increased by 7,200 net jobs in the 12-months ending November 2024, below the pre-COVID average of 14,800. The professional and business services sector experienced the highest growth, adding 6,800 new jobs.
- The unemployment rate in Northern Virginia is 2.7% in November 2024 and averaged 2.7% over the past three months. Arlington County continues to have the lowest unemployment rate in Northern Virginia, at 2.3%.
- We expect office-using jobs to add just under 4,000 new jobs annually through the next five years. Most of this growth will occur within tech, financial services, and physician offices.

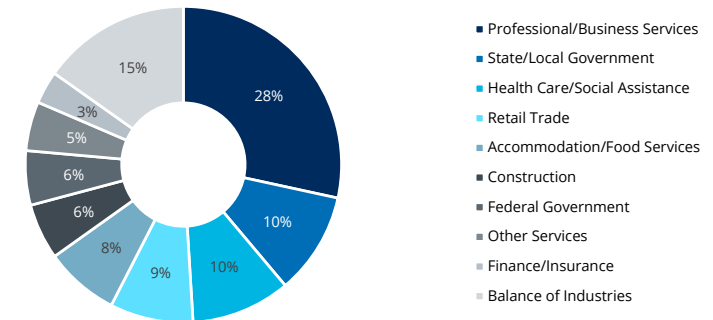
Y-O-Y CHANGE IN OFFICE JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

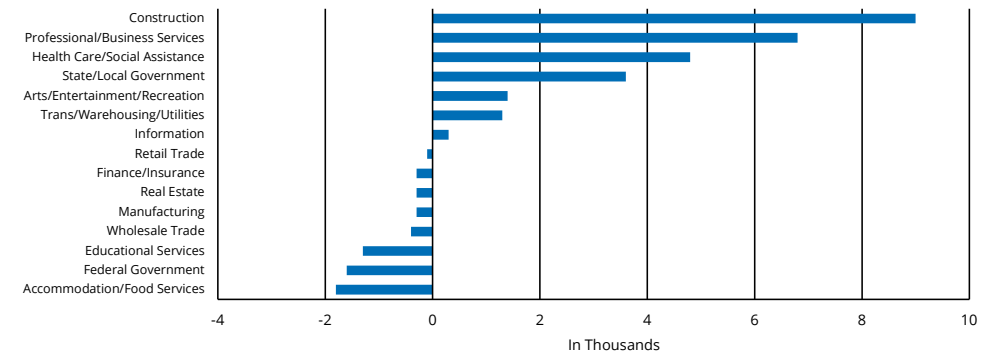
Northern Virginia | November 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Northern Virginia



Source: Bureau of Labor Statistics, Transwestern

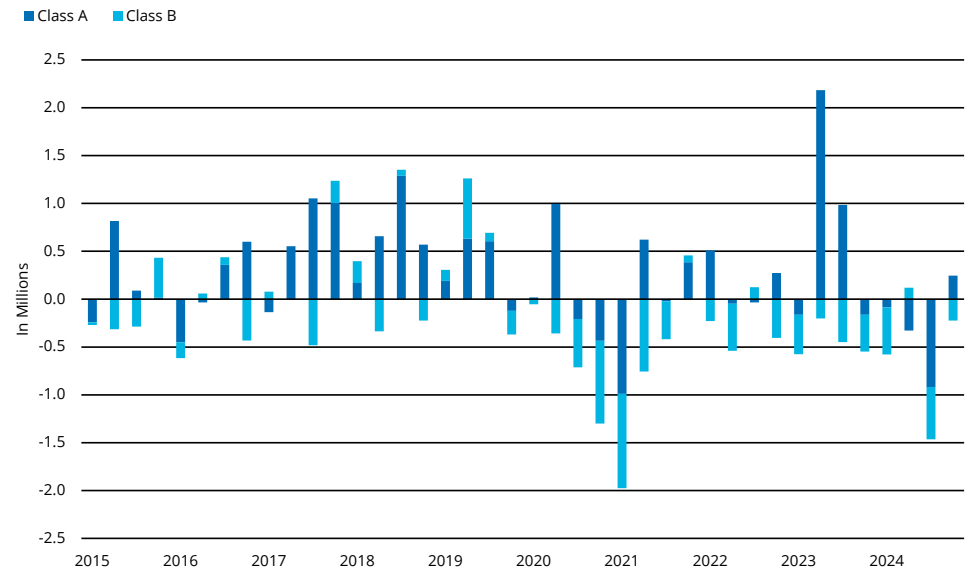


NET ABSORPTION

Office Market Stabilizes in Q4 2024

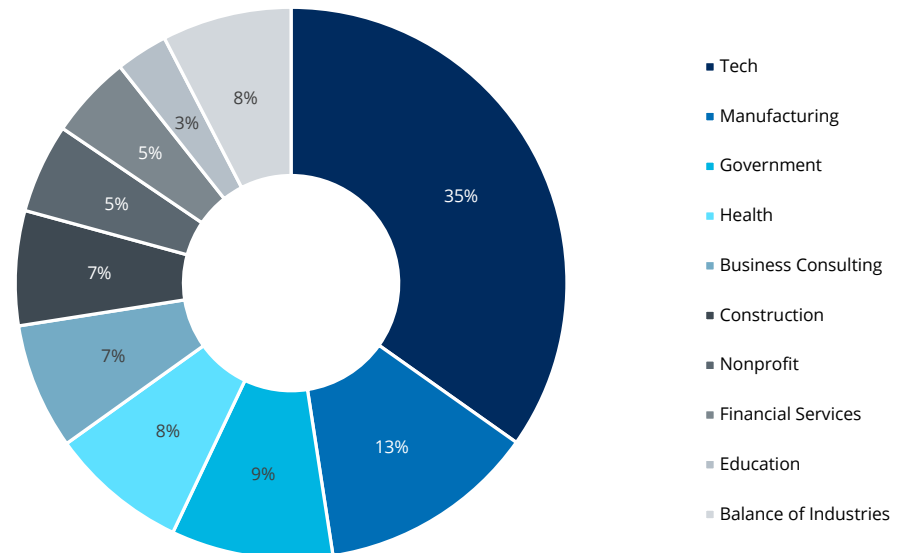
- Although mild, the Northern Virginia office market saw its first quarter of positive absorption, at 22,000 SF, in over a year during the fourth quarter of 2024. This was driven by the pre-leased delivery of Fuse at Mason Square in the RCB Corridor balancing out large move-outs.
- Notable move-outs include U.S. Social Security Administration (SSA) vacating 66,261 SF and the FBI vacating 46,689 SF, both at 2121 Crystal Drive in National Landing. Other notable moveouts include Northern Virginia Community College vacating 61,115 SF at 21335 Signal Hill Plaza, and Spok vacating 31,184 SF at 5911 Kingstowne Village Parkway.
- The most notable deal was Gartner giving back 11 floors at 1201 Wilson Boulevard which CoStar will be taking. Gartner paid an early termination fee of \$48 million to CoStar and they will be taking 49,130 SF on the 11th and 12th floors. This deal will allow CoStar to move their Headquarters into the building in early 2025 for 244,309 SF and also expand by 72,340 SF in July 2025 to occupy a total of 316,649 SF. CoStar purchased the 552,000 SF building in February 2024.
- Office demand will face challenges in 2025, as select tenants pause lease decisions or right size space. Demand will likely oscillate positive to negative as the market works itself out and tenants analyze their options carefully, especially as select landlords are under pressure financially.

NET ABSORPTION BY CLASS



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY INDUSTRY YTD 2024



Source: CoStar, Transwestern

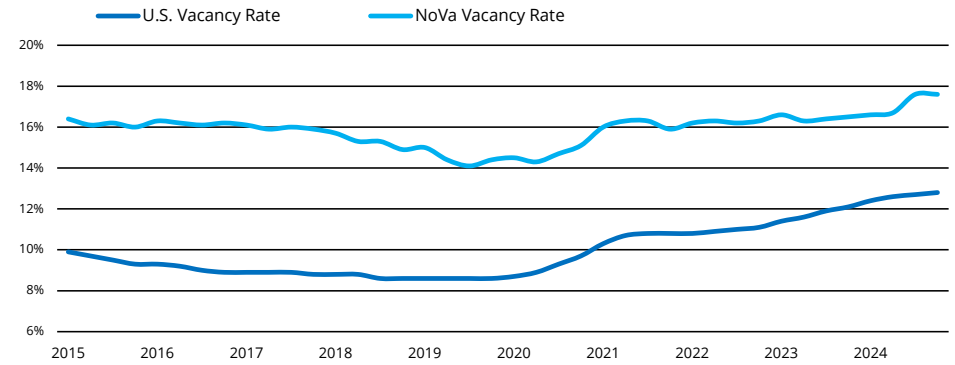


VACANCY

Vacancy Rate Unchanged during Q4

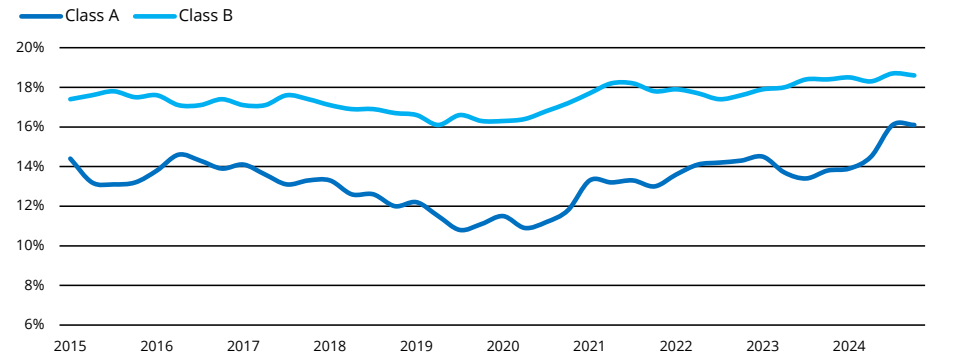
- The direct vacancy rate in Northern Virginia remained steady in the fourth quarter of 2024 at 17.6% but is up from 16.5% one year ago. This is the first quarter to have no change in the direct vacancy rate since the third quarter of 2021.
- Class A office product saw no change and remained at 16.1% while Class B/C experienced a 10-basis point decrease to 18.6%. This is the first quarter where Class A space has not risen in vacancy rate since the third quarter of 2023.
- Bailey's/Falls Church/Annandale had the largest decline in vacancy rate, decreasing 310-basis points to 17.4%. This was due to the demolition at 5113 Leesburg Pike, taking 264,651 SF off the office market inventory as it converts to multifamily. National Landing led all submarkets for the largest increase in vacancy rate, rising 90-basis points to 17.5%, due the aforementioned move-outs.
- The vacancy rate will be under pressure in 2025 as select tenants right size. The rate could somewhat be protected if obsolete office buildings get demolished in preparation for conversion to another product type.

DIRECT VACANCY RATE



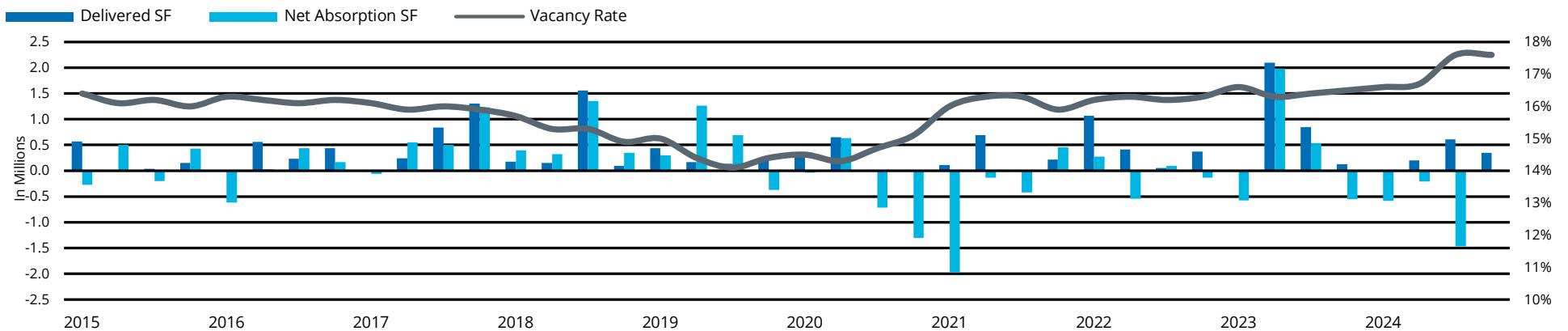
Source: CoStar, Transwestern

DIRECT VACANCY RATE BY CLASS



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

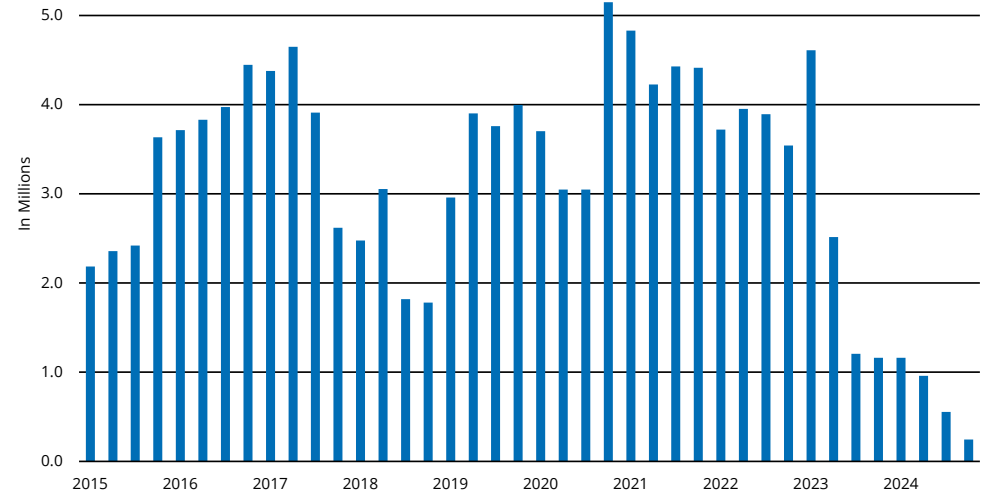


UNDER CONSTRUCTION

Construction Pipeline Stays at Two Projects with One Coming Online

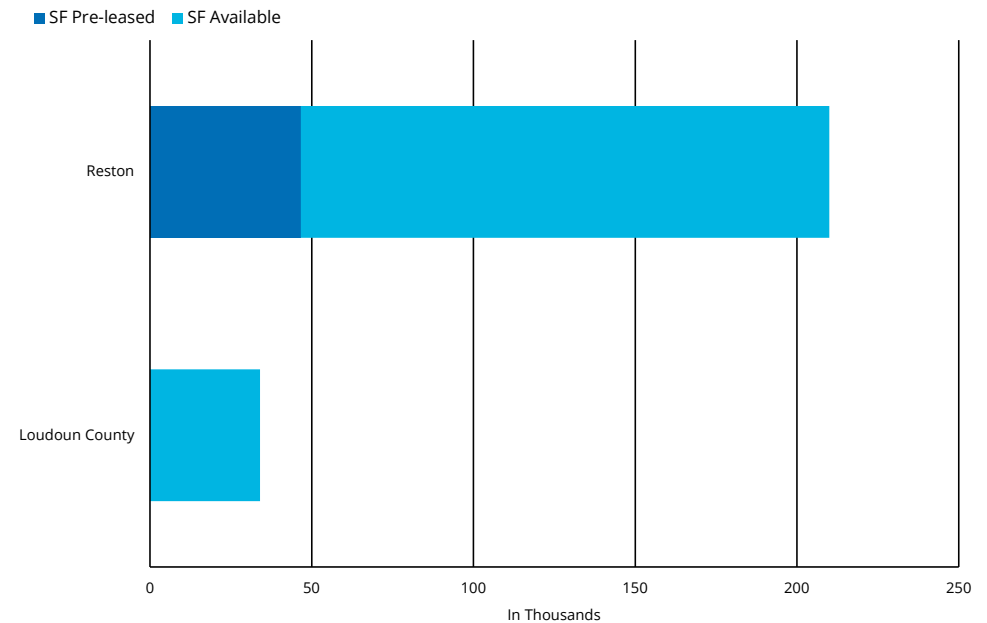
- There was one delivery in the fourth quarter of 2024. 3401 Fairfax Drive in the RCB Corridor came online with 345,000 SF at 64.9% pre-leased. Fuse at Mason Square, is the new George Mason University innovation campus with lab and office space for lease. There is now a total of two projects underway, totaling 244,000 SF at 19% pre-leased.
- One project is slated to deliver in the second quarter of 2025, 1880 Reston Row Plaza. This is the largest construction project in the pipeline, totaling 210,000 SF at 22.2% pre-leased. A construction project that broke ground this quarter was 1 Exchange Street at One Loudoun. This mixed-use project will deliver 34,000 SF of office space to the Northern Virginia market in the first quarter of 2026.
- We expect the construction pipeline to shrink over the next year as developers pause on any spec projects due tighter lending standards and weak demand for office product.

UNDER CONSTRUCTION



Source: CoStar, Transwestern

UNDER CONSTRUCTION BY SUBMARKET



Source: CoStar, Transwestern

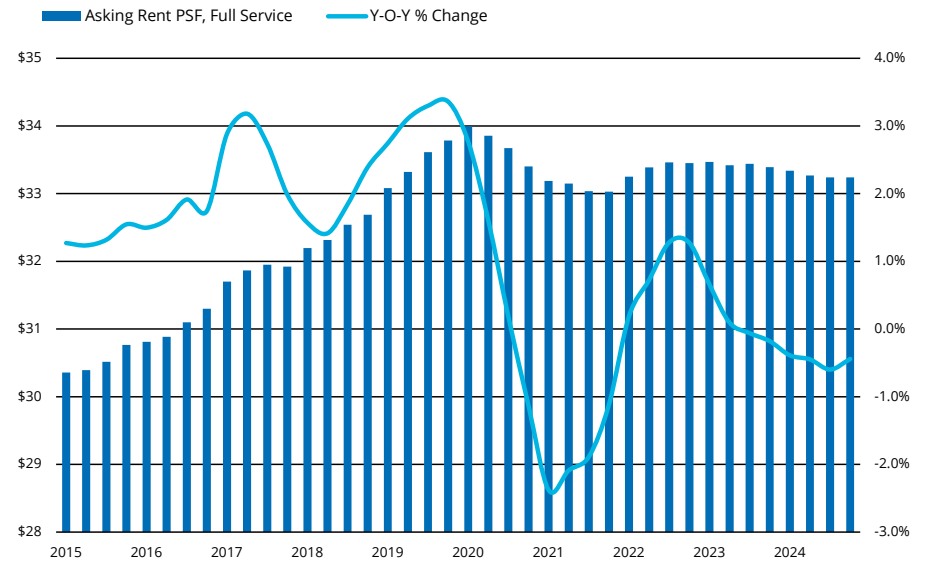


RENTAL RATES

Asking Rental Rates Steady in Q4

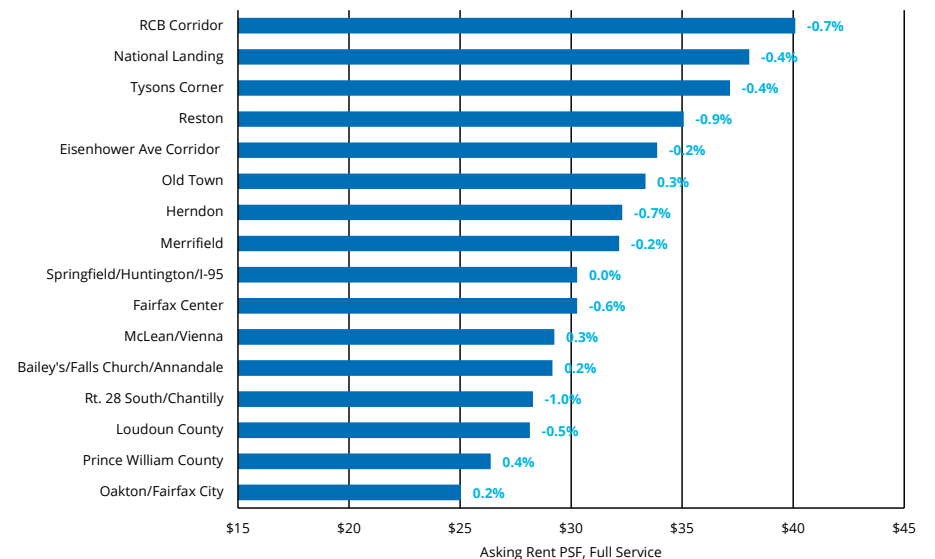
- Northern Virginia office asking rents remained the same in the fourth quarter at \$33.24 SF. This marks a year-over-year decrease of 40-basis points, when rents averaged \$33.39 PSF in the fourth quarter of 2023.
- Class A rents decreased 10-basis points to \$38.25 PSF, while Class B/C space increased 10-basis points to \$28.05 PSF.
- Concession packages should remain elevated but could stabilize if not tick down during 2025. For a typical ten-year or greater term for a new lease signed during the first nine months of 2024, tenant improvement allowances averaged approximately \$120 PSF with 12.4 months of free rent. This compares to \$115 PSF and 16 months during 2023.
- We anticipate limited asking rent growth during 2025. Landlords facing financial headwinds in offering generous concessions could lower the asking rent to compete. However, most landlords will try to hold asking rents.

ASKING RENT



Source: CoStar, Transwestern

ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH



Source: CoStar, Transwestern

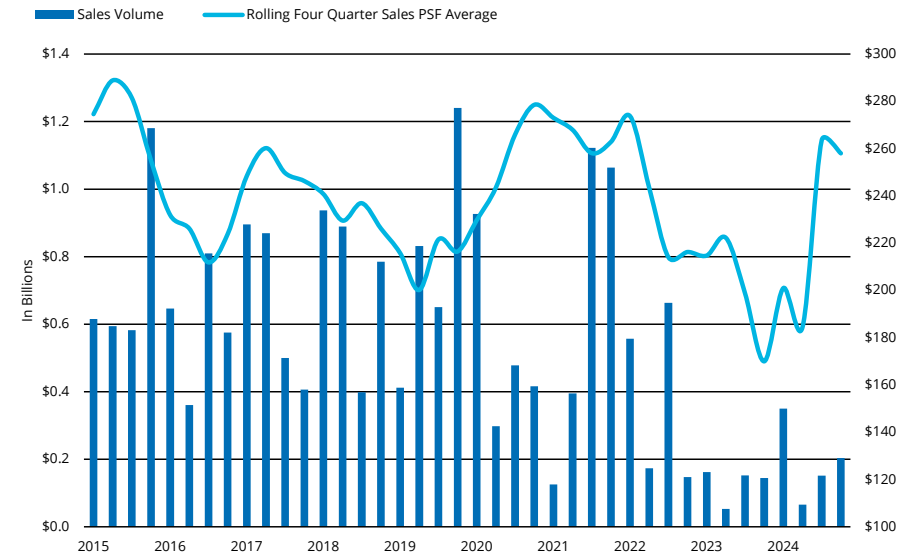


SALES

Investment Sales Active in Q4

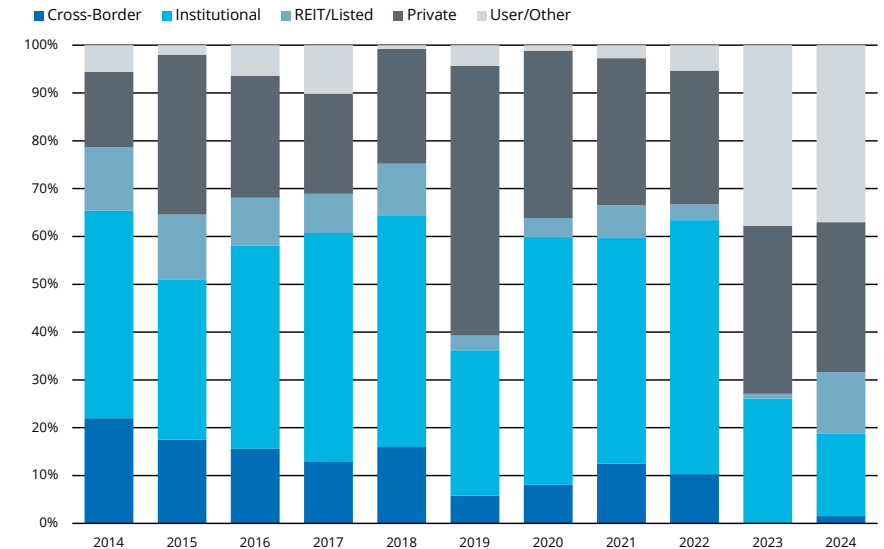
- Investment sales totaled \$203.3 million at \$121 PSF in the fourth quarter from 14 transactions. This is the second lowest total of 2024, with the second quarter totaling \$102.2 million being the lowest. However, the annual transaction volume number for 2024 increased 58.5% from the previous year to \$889.6 million.
- The largest sale was 8613 Lee Highway in Merrifield. New York Life Insurance Company purchased the asset from L&B Realty Advisors, LLP for \$35 million, or \$333 PSF. Another notable sale was Nuveen purchasing 13461 Sunrise Valley Drive in Herndon as a part of a three-property portfolio for \$34.7 million, or \$179 PSF.
- A soft office market will limit investment volume in the near-term. The office market largely remains in a period of price discovery. With office debt maturities still set to occur throughout 2025, opportunistic capital will be looking for distressed assets that they can purchase at a discounted rate.

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
ALARM.COM	8281 Greensboro Dr	Tysons Corner	Renewal	246,000
SAIC	4801 Stonecroft Blvd	Rt. 28 South/Chantilly	Renewal	241,284
ZETA ASSOCIATES	10302-10304 Eaton Pl	Oakton/Fairfax City	Renewal	210,190
GSA	11320 Random Hills Rd	Fairfax Center	Renewal	98,471
FAIRFAX COUNTY DEPARTMENT OF TRANSP.	4050 Legato Rd	Fairfax Center	Renewal	69,765
JOHNS HOPKINS UNIVERSITY	7171 Leesburg Pike	Merrifield	New Lease	67,500

Source: CoStar, CompStak, Transwestern

NOTABLE SALES

ADDRESS	SUBMARKET	SALE DATE	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
2001-2003 EDMUND HALLEY DR	Reston	Dec-24	\$37,250,000	334,142	\$112	Bernstein Management Corporation	Tishman Speyer Abu Dhabi Investment Authority
13461 SUNRISE VALLEY DR	Herndon	Dec-24	\$34,693,461	194,270	\$179	Nuveen	Walton Street Capital, LLC MRP Realty
13655-13665 DULLES TECHNOLOGY DR	Herndon	Dec-24	\$23,348,874	150,958	\$158	Nuveen	Walton Street Capital, LLC MRP Realty
8613 LEE HWY	Merrifield	Oct-24	\$35,000,000	105,000	\$333	New York Life Insurance Company	L&B Realty Advisors, LLP

Source: CoStar, Real Capital Analytics, Transwestern.

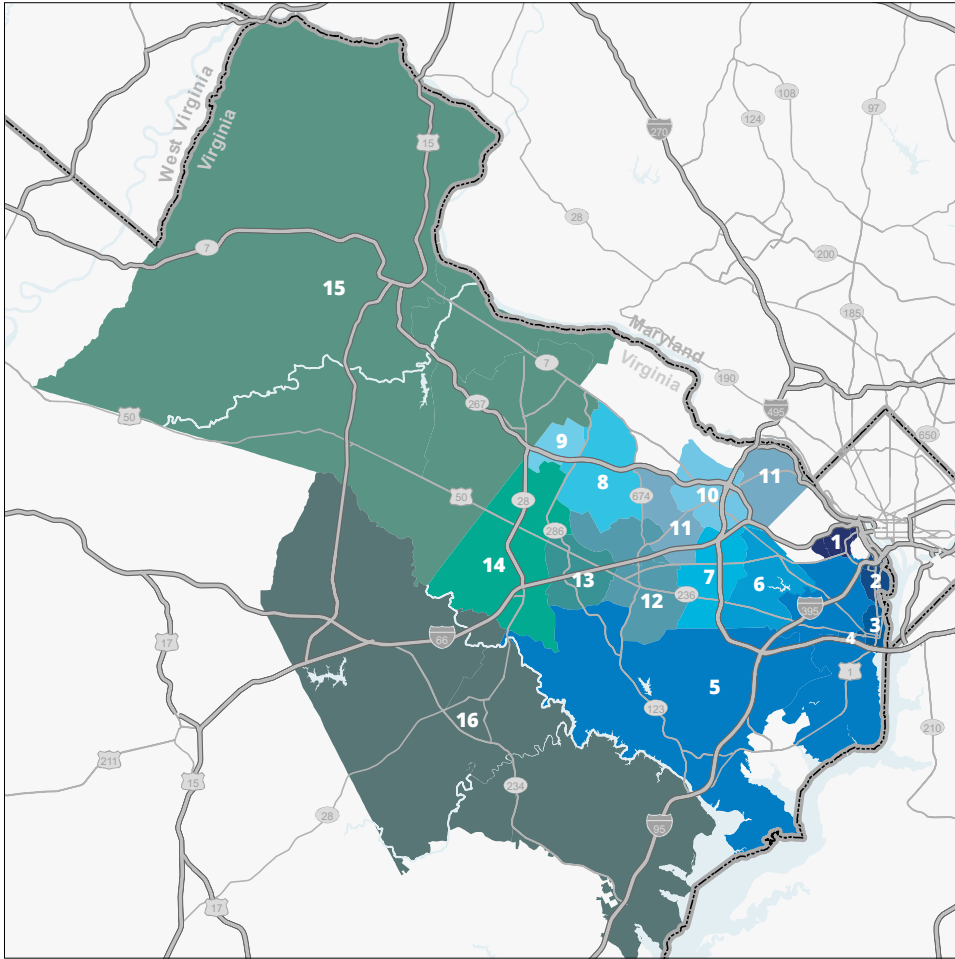


MARKET INDICATORS

All Classes of Space | Q4 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, FULL SERVICE
RCB CORRIDOR	25,204,493	5,242,535	20.8%	22.5%	0	166,000	1,000	\$40.10
NATIONAL LANDING	16,439,962	2,876,993	17.5%	19.0%	0	(145,000)	(243,000)	\$38.02
OLD TOWN	7,694,659	1,088,794	14.2%	15.9%	0	(9,000)	(107,000)	\$33.35
EISENHOWER AVE CORRIDOR	8,343,378	1,451,748	17.4%	17.9%	0	(8,000)	(834,000)	\$33.87
SPRINGFIELD/HUNTINGTON/I-95	8,329,354	1,902,424	22.8%	23.0%	0	(60,000)	(24,000)	\$30.27
BAILEY'S/FALLS CHURCH/ANNANDALE	6,078,044	1,048,463	17.3%	17.7%	0	(15,000)	(19,000)	\$29.16
MERRIFIELD	9,372,243	1,230,576	13.1%	14.2%	0	57,000	(57,000)	\$32.17
RESTON	21,182,838	3,588,373	16.9%	18.1%	210,000	(8,000)	110,000	\$35.07
HERNDON	11,947,084	2,960,487	24.8%	26.0%	0	26,000	(59,000)	\$32.31
TYSONS CORNER	30,878,977	4,372,463	14.2%	15.0%	0	120,000	(483,000)	\$37.16
MCLEAN/VIENNA	2,388,725	687,953	28.8%	29.0%	0	(7,000)	(55,000)	\$29.25
OAKTON/FAIRFAX CITY	5,725,889	1,047,838	18.3%	18.4%	0	(16,000)	42,000	\$25.05
FAIRFAX CENTER	7,254,955	1,480,011	20.4%	21.1%	0	40,000	67,000	\$30.27
RT. 28 SOUTH/CHANTILLY	14,492,593	2,115,919	14.6%	15.1%	0	0	(326,000)	\$28.28
LOUDOUN COUNTY	16,183,528	2,406,491	14.9%	15.2%	34,000	(92,000)	(203,000)	\$28.15
PRINCE WILLIAM COUNTY	6,694,183	1,399,084	20.9%	21.0%	0	(27,000)	(44,000)	\$26.38
TOTAL	198,210,905	34,900,151	17.6%	18.5%	244,000	22,000	(2,234,000)	\$33.24

Source: CoStar, Transwestern



NORTHERN VIRGINIA OFFICE SUBMARKETS

- 1 RCB Corridor
- 2 National Landing
- 3 Old Town
- 4 Eisenhower Avenue Corridor
- 5 Springfield/Huntington/Lorton
- 6 Baileys/Falls Church/Annandale
- 7 Merrifield
- 8 Reston
- 9 Herndon
- 10 Tysons Corner
- 11 McLean/Vienna
- 12 Oakton/Fairfax City
- 13 Fairfax Center
- 14 Route 28 South (Chantilly)
- 15 Loudoun County
- 16 Prince William County

RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on office properties located in the Northern Virginia. This report includes single tenant, multi-tenant and owner-user properties 15,000 SF and larger, excluding those 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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