TRANSWESTERN

NORTHERN VIRGINIA INDUSTRIAL 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)	224.0	222.0	↑	335.8	↑
DIRECT VACANCY RATE	4.0%	3.5%	↑	4.2%	↓
DIRECT VACANT SF (MSF)	3.7	3.2	↑	3.7	↓
UNDER CONSTRUCTION (MSF)	0.4	0.9	↓	1.1	↑
ASKING RENT, NNN (PSF)	$18.60	$18.03	↑	$16.00	↑
SALES VOLUME (MILLIONS)	**$161.1**	**$139.1**	↑	**$139.9**	↑

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

INDUSTRIAL MARKET ACCELERATES IN Q4 2024

The Northern Virginia industrial market improved in the fourth quarter with 224,000 SF of positive absorption. This was aided by large-scale leases and a pre-leased delivery exceeding the total number of moveouts over the course of the quarter. The direct vacancy rate rose 20-basis points to 4.0%. Given the low vacancy rate, asking rents increased by 90-basis points to $18.60 PSF. There were also two construction deliveries for the fourth quarter, delivering 430,800 SF of space.

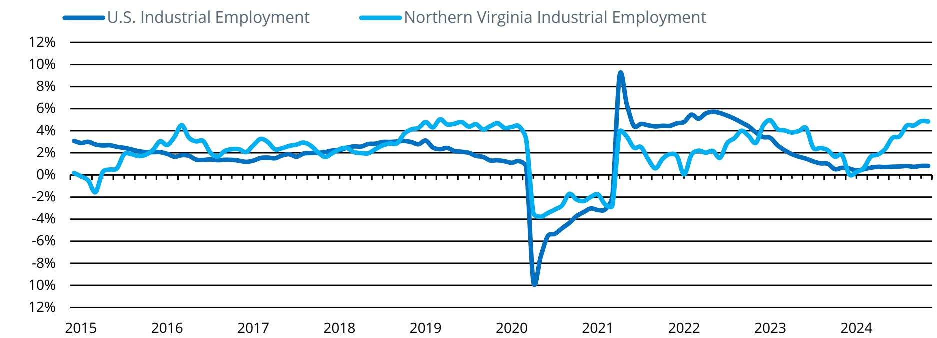
Industrial fundamentals remain strong, but demand will likely oscillate over the next several quarters, as the market normalizes. The Fed cut rates by another quarter point in December 2024 to keep the cooling economy stable. Two additional cuts are expected in 2025. This could pave a positive path for the industrial market. The vacancy rate should remain low enough during 2025 to push rents up, albeit at a decelerating pace.

ECONOMY

Industrial-Using Jobs Spike Over the Past Year

- 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.
- Industrial-using jobs gained 9,600 jobs in the 12-months ending in November 2024, well above the pre-COVID average of 2,700. The construction sector saw the biggest gain with 9,000 net new jobs, while the wholesale trade sector shed 400 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 industrial-using jobs in Northern Virginia to grow at a steady pace over the next five years. The construction and warehousing/ storage industries should fuel this growth.

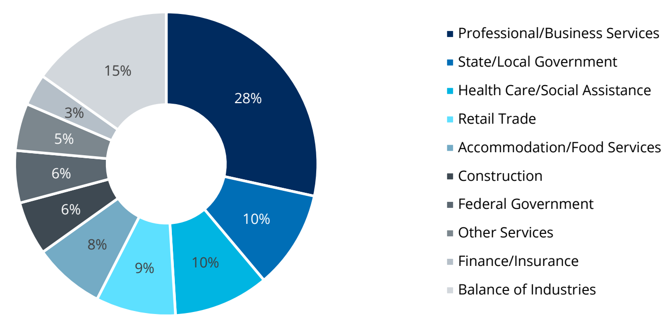
Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern

SHARE OF EMPLOYEES BY INDUSTRY

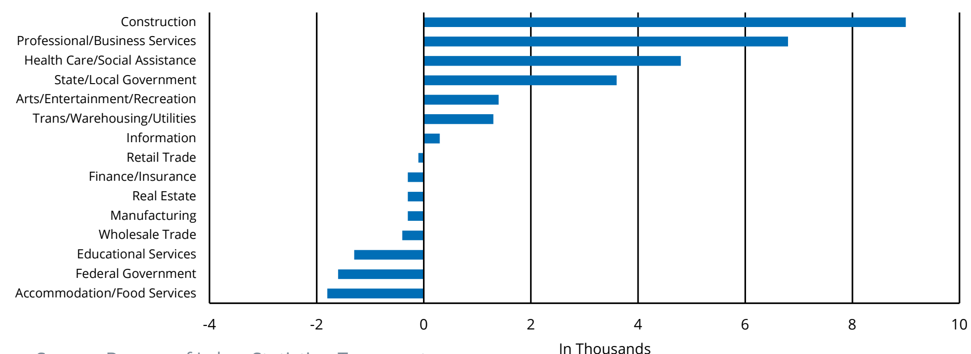
Northern Virginia | November 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN JOBS BY INDUSTRY

Northern Virginia



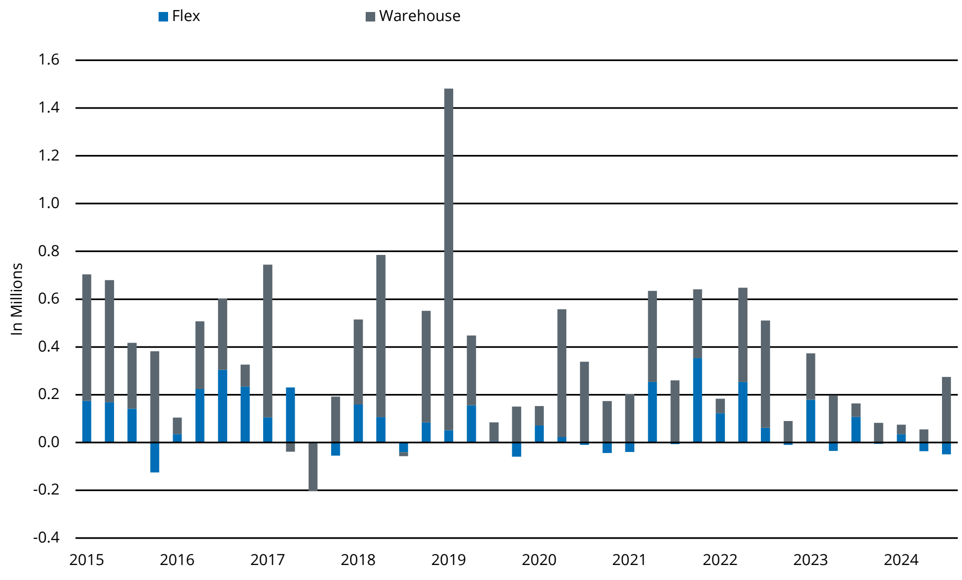
Source: Bureau of Labor Statistics, Transwestern

NET ABSORPTION

Industrial Demand Strengthens

- The industrial market saw a strong improvement in the quarter totaling 224,000 SF of positive absorption, which is the highest amount of absorption growth since the second quarter of 2023.
- Notable transactions included Ferguson signing a 127,416 SF lease at 7325 Groveton Road in Manassas/Gainesville and an undisclosed tenant signing for 35,000 SF at 831 Follin Lane Southeast in the Beltway (I-495) submarket. The pre-leased delivery at 20200 Sycolin Road, a 198,300 SF distribution center occupied by FedEx, also influenced the positive absorption number.
- Some of the notable moveouts that occurred in Northern Virginia happened in the Dulles Corridor at 22725 Dulles Summit Court by NJ Sullivan, who vacated 52,715 SF, and Curated Events DC vacating 51,782 SF at 44232 Mercure Circle. Another notable moveout occurred at 7520-7522 Fullerton Road, where International Gourmet Food vacated for 92,575 SF.
- We anticipate net absorption to remain positive in the coming quarters. However, with limited options for tenants, the level of absorption could be restrained.

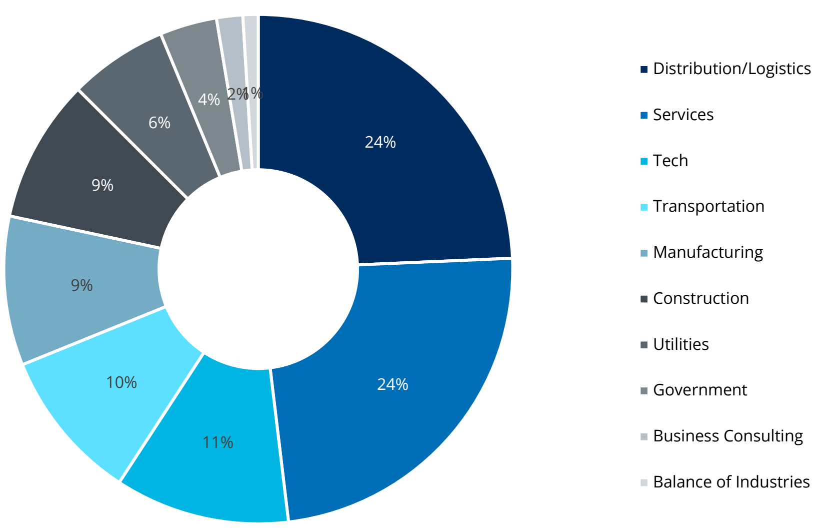
NET ABSORPTION BY PRODUCT TYPE



Source: CoStar, Transwestern

SHARE OF LEASING ACTIVITY BY INDUSTRY

YTD 2024



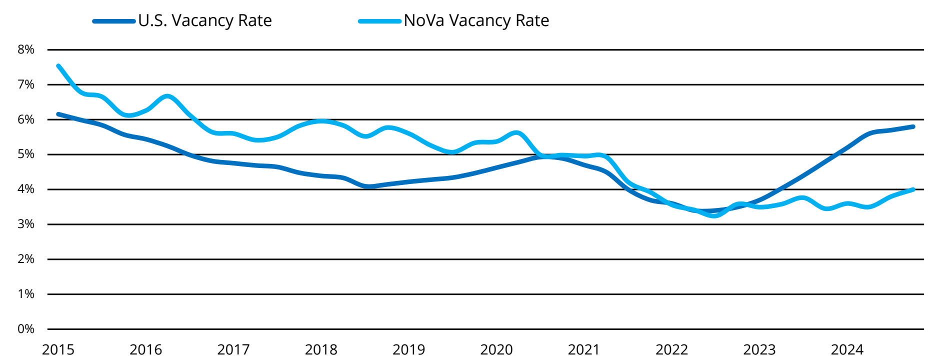
Source: CoStar, Transwestern

VACANCY

Vacancy Rate Continues Upward Trend

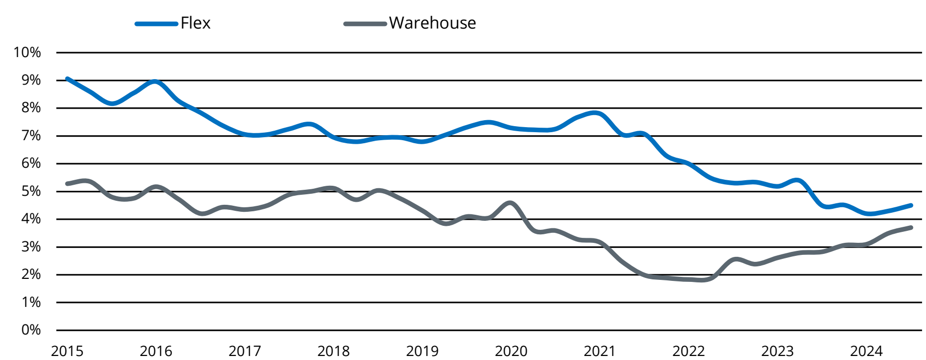
- The industrial direct vacancy rate increased by 20-basis points to 4.0% in the quarter and is up from 3.5% one year ago. This marks the fifth quarter since the start of 2023 to have the vacancy rate trend upward. Vacancy ticked up despite positive absorption due to another 232,500 SF delivery that came online fully vacant.
- The vacancy rate for flex properties increased 20-basis points and held a vacancy rate of 4.5%. The vacancy rate for warehouse properties increased 20-basis points to 3.7%.
- The vacancy rate is likely to stay low in 2025. We expect demand for industrial product to remain healthy with recently delivered vacant product filled in short order.

DIRECT VACANCY RATE



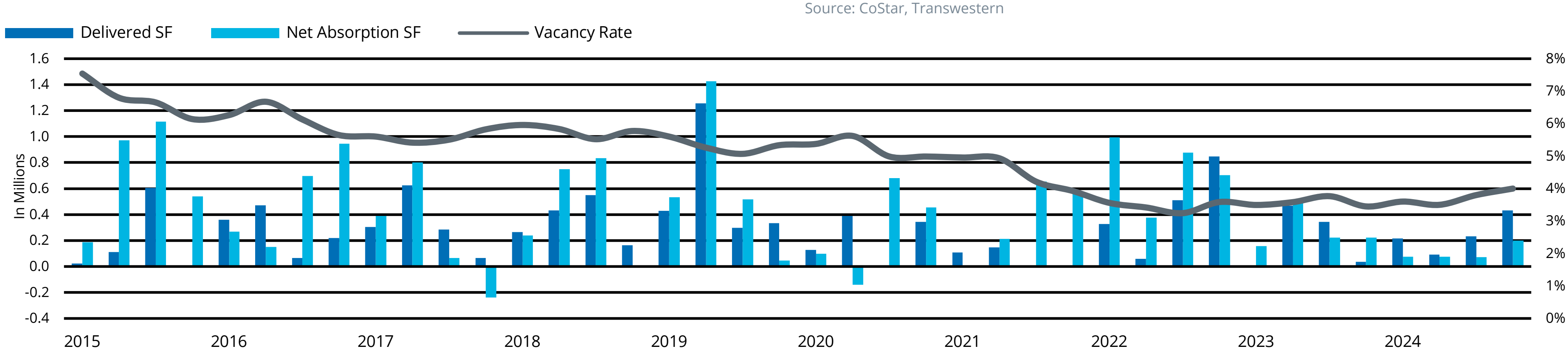
Source: CoStar, Transwestern

DIRECT VACANCY RATE BY PRODUCT TYPE



Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



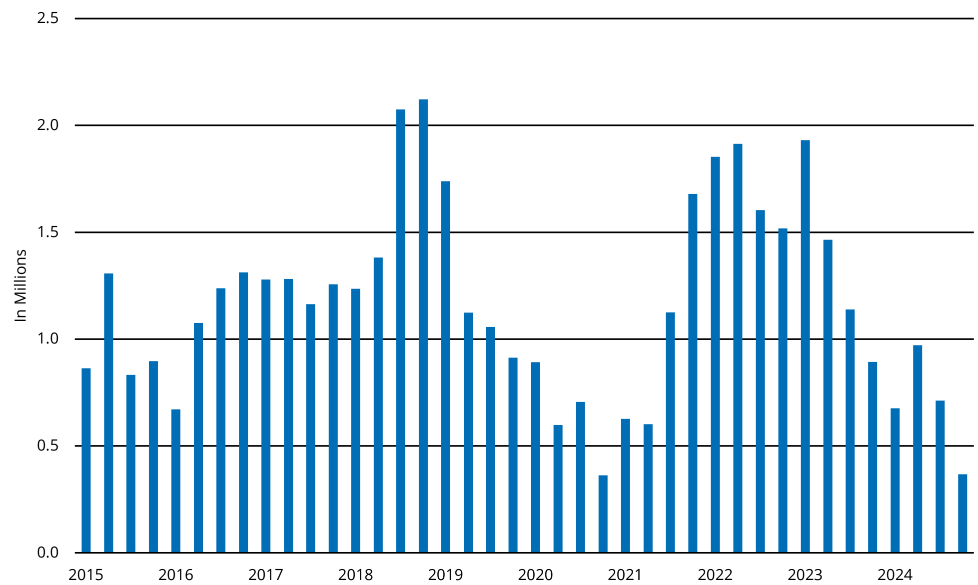
Source: CoStar, Transwestern

UNDER CONSTRUCTION

Two Projects Deliver in Q4

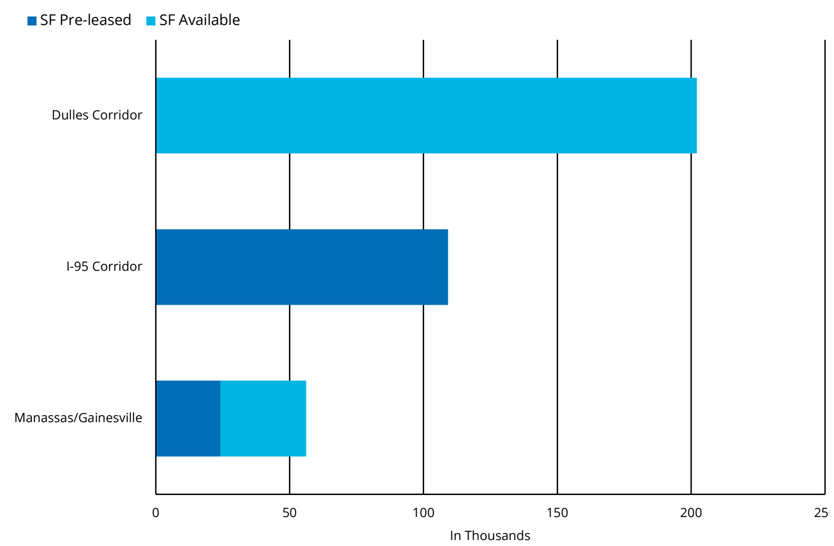
- Two projects delivered in the fourth quarter. Most notable was a 232,500 SF warehouse at 43035 John Mosby Highway in the Dulles Corridor, which delivered vacant. The other project that delivered was a 198,300 SF FedEx distribution center at 20200 Sycolin Road in Leesburg/Outlying Loudoun at 100% pre-leased.
- The current pipeline has 367,495 SF under construction with 7.0% pre-leased across eight projects. The largest project underway is 13700 Dabney Road in the I-95 Corridor, totaling 109,200 SF and is anticipated to deliver in the first half of 2025.
- 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



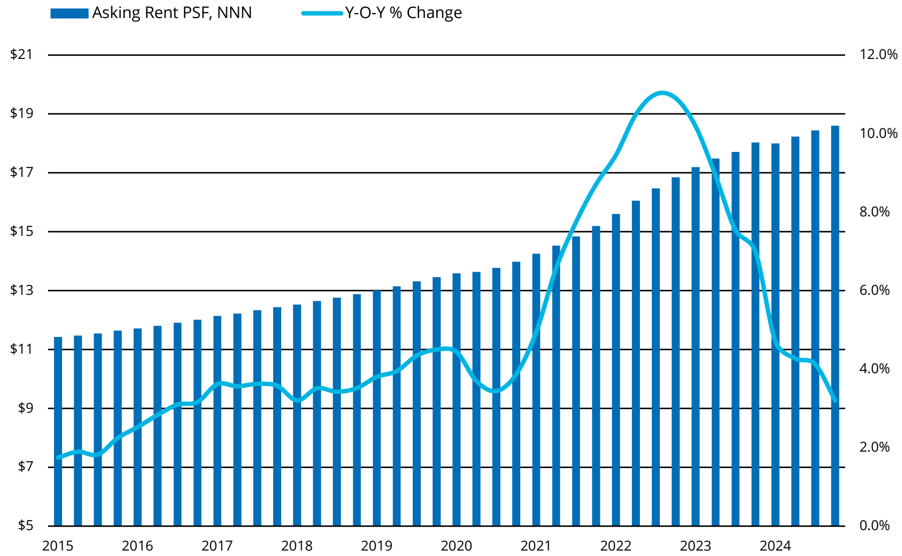
Source: CoStar, Transwestern

RENTAL RATES

Asking Rents Escalate During Q4 2024

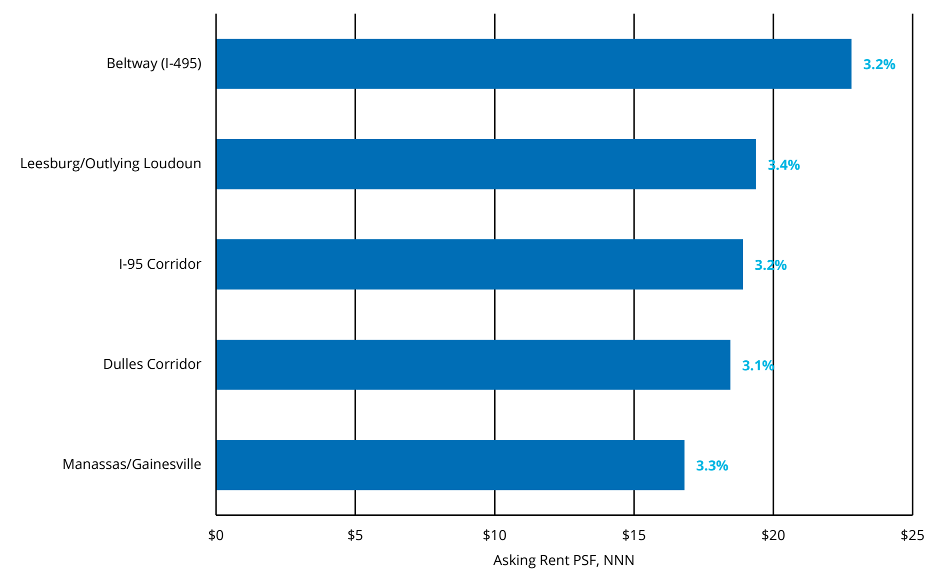
- Asking rents bumped 90-basis points in the quarter to $18.60 PSF. Warehouse product rose 70-basis points in the quarter, averaging $18.17 PSF compared to the $18.04 PSF from last quarter. Flex product rates also increased by 100-basis points to $19.05 PSF up from $18.86 PSF last quarter.
- After rising 80-basis points, the Beltway (I-495) submarket continues to have the highest asking rent at $22.81 PSF. Leesburg/ Outlying Loudoun County saw the greatest increase during the quarter, rising 100-basis points to $19.38 PSF. The Manassas/ Gainesville submarket, which has the lowest asking rent in the Northern Virginia industrial market, increased 80-basis points to $16.81 PSF.
- We expect continued growth through 2025 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



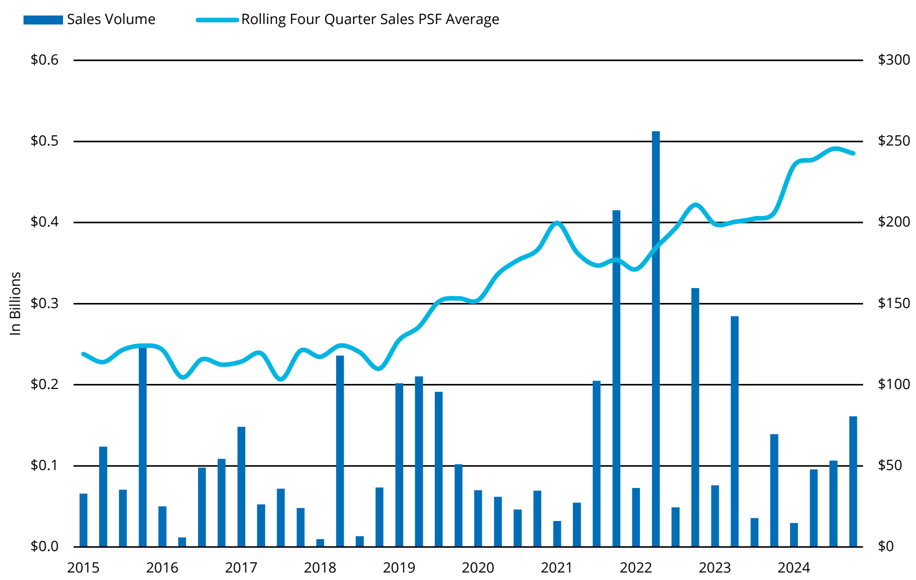
Source: CoStar, Transwestern

SALES

Industrial Investment Sales Moderate in Q4

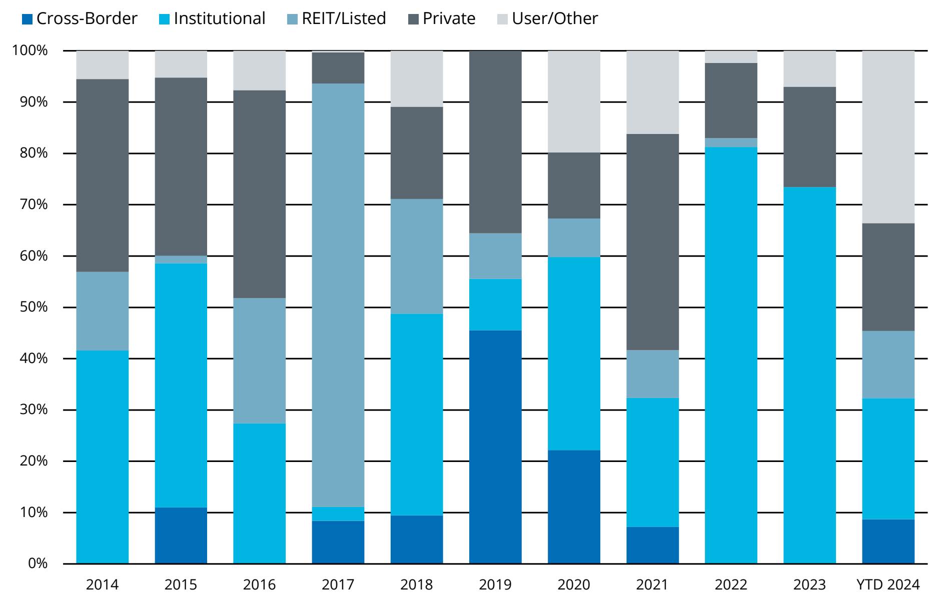
- Industrial investment sales volume was once again less active in the fourth quarter with five transactions. The sales volume totaled $161.1 million, or $251 PSF. The annual sales volume in 2024 totaled $473.4 million, or $258 PSF. This annual sales volume number is 11.6% lower when compared to the sales volume in 2023, but the price per square foot is 24.6% higher year-over-year.
- The largest sale was an individual flex property at 14225 Newbrook Drive in the Dulles Corridor. New Mountain Capital purchased the asset for $80.5 million, or $324 PSF. Quest Diagnostics is the sole tenant and occupies the whole property.
- Another significant investment sale in the quarter happened at 11400-11450 University Boulevard in Manassas/Gainesville. Dogwood Industrial Properties purchased the two warehouse properties at the site for a total of $68.8 million, or $285 PSF.
- We expect investment sales volume to remain steady but limited through 2025 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
FEDEX	20200 Sycolin Rd	Leesburg/Outlying Loudoun	New Lease	198,300
FERGUSON ENTERPRISES	7325 Groveton Rd	Manassas/Gainesville	New Lease	127,416
TEMPLEMORE GROUP	101-105 Oaklawn Dr	Leesburg/Outlying Loudoun	New Lease	71,722
ARS RESCUE ROOTER	9070 Euclid Ave	Manassas/Gainesville	Renewal	35,675
CARTER MACHINERY	13022 Hansen Farm Rd	Manassas/Gainesville	New Lease	31,200
JAS GOVERNMENT & DEFENSE	23700 Pebble Run Pl	Dulles Corridor	Renewal	27,392

Source: CoStar, CompStak, Transwestern.

NOTABLE SALES

ADDRESS	SUBMARKET	SALE DATE	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
7951 GAINSFORD CT	Manassas/Gainesville	Nov-24	$6,250,000	32,725	$191	Boundary Companies	Broadwater Development
9400-9414 CENTER POINT LN	Manassas/Gainesville	Nov-24	$5,571,315	32,735	$170	Boundary Companies	Broadwater Development
11400-11450 UNIVERSITY BLVD	Manassas/Gainesville	Oct-24	$68,818,000	241,373	$285	Dogwood Industrial Properties	Matan, Inc.
14225 NEWBROOK DR	Dulles Corridor	Oct-24	$80,500,000	248,186	$324	New Mountain Capital	Alexandria Real Estate Equities, Inc.
19886 ASHBURN RD	Dulles Corridor	Aug-24	$60,000,000	192,775	$311	JK Moving Services	Finmarc Management, Inc.

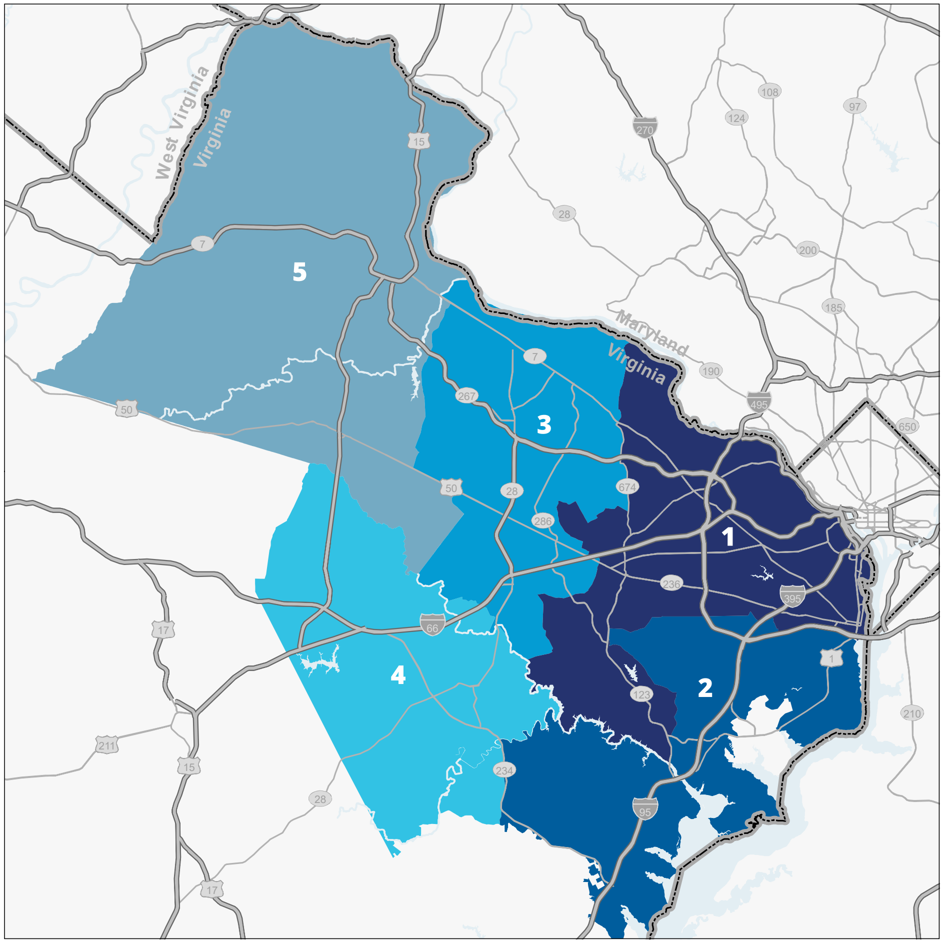
Source: CoStar, CompStak, Transwestern.

MARKET INDICATORS

All Property Types | 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, NNN
FLEX	2,621,739	159,482	6.1%	6.1%	0	(7,000)	(60,000)	$23.29
WAREHOUSE	5,484,787	232,903	4.2%	4.3%	0	(1,000)	(20,000)	$22.58
BELTWAY (I-495)	**8,106,526**	**392,385**	**4.8%**	**4.9%**	**0**	**(8,000)**	**(80,000)**	**$22.81**
FLEX	8,394,838	594,426	7.1%	7.4%	0	(79,000)	33,000	$20.02
WAREHOUSE	16,050,873	681,366	4.2%	4.7%	109,200	75,000	114,000	$18.28
I-95 CORRIDOR	**24,445,711**	**1,275,792**	**5.2%**	**5.6%**	**109,200**	**(4,000)**	**147,000**	**$19.91**
FLEX	16,683,895	724,474	4.3%	4.6%	30,000	**7,000**	**(124,000)**	$18.90
WAREHOUSE	21,832,836	934,499	4.3%	4.9%	338,500	**(48,000)**	(211,000)	$17.73
DULLES CORRIDOR	**38,516,731**	**1,658,973**	**4.3%**	**4.8%**	**368,500**	**(41,000)**	**(335,000)**	**$18.46**
FLEX	1,084,739	7,603	0.7%	0.7%	0	(4,000)	32,000	$19.71
WAREHOUSE	613,904	4,815	0.8%	0.8%	202,000	193,000	285,000	$18.46
LEESBURG/OUTLYING LOUDOUN	**1,698,643**	**12,418**	**0.7%**	**0.7%**	**202,000**	**189,000**	**317,000**	**$19.38**
FLEX	5,387,373	44,511	0.8%	1.1%	0	33,000	62,000	$16.77
WAREHOUSE	14,052,103	311,032	2.2%	2.9%	32,102	55,000	283,000	$16.83
MANASSAS/GAINESVILLE	**19,439,476**	**355,543**	**1.8%**	**2.4%**	**32,102**	**88,000**	**345,000**	**$16.81**
FLEX	34,172,584	1,530,496	4.2%	4.4%	30,000	(50,000)	(57,000)	$19.05
WAREHOUSE	58,034,503	2,164,615	3.1%	3.5%	941,531	274,000	451,000	$18.17
NORTHERN VIRGINIA TOTAL	**92,207,087**	**3,695,111**	**4.0%**	**4.4%**	**971,531**	**224,000**	**394,000**	**$18.60**

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.

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