

Northern Virginia

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An increase in demand for the start of 2024 kicks off the year with elevated leasing activity

Following a year of subdued leasing momentum, the commencement of 2024 witnessed a significant surge in leasing volume, showing a 58.1% increase in leased square footage compared to the previous quarter. This notable uptick in activity is primarily fueled by several major lease renewals, including the quarter's five largest lease transactions. The quarter concluded with leasing transactions totaling 2.3 million square feet (msf), just under the five-year average of 2.4 msf. The quarter's most prominent deal was secured by Booz Allen, who renewed their lease at 8283 and 8285 Greensboro Drive in Tysons Corner, amassing 431,208 square feet (sf), committing to two additional years of term.

Availability declines once again as more sublease space is removed from the market

The overall availability rate in Northern Virginia declined in the first quarter of 2024 to 24.9%. This drop of 40 basis points (bps) is attributed in part to a reduction in sublease space on the market. The total amount of sublease space has finally dropped below 5.0 msf and ended the quarter at 4.7 msf. Much of the decline is a result of tenants taking their sublease space off the market as occupiers finally make decisions about their office utilization and the future of their workforce. That future generally includes some form of hybrid work. As such, expect the availability rate to remain elevated until landlords can find alternate solutions for excess space.

Minimal change to rental rates as landlords focus on concession package offerings to keep tenants in place in the near term

Overall, increased competition among landlords and a considerable inventory of available office spaces has put pressure on landlords to offer generous concession packages with tenant improvement allowances rising above \$115.00 per square foot (psf). In Northern Virginia, the average rental rate experienced a marginal uptick, rising just 0.1% from the previous quarter to reach \$35.30 psf. Given the ongoing market volatility and landlords' efforts to draw top-tier tenants to their properties, it is anticipated that rental conditions and the broader market will remain tenant-friendly for the foreseeable future.

Key Statistics

	Q1 2023	Q1 2024	Y-0-Y
Inventory	149.6 msf	150.1 msf	+0.5 msf
Availability Rate	25.2%	24.9%	-30 bps
Asking Rental Rate	\$35.39	\$35.30	-0.3%
Class A Asking Rental Rate	\$36.41	\$36.31	-0.3%
Quarterly Leasing Activity	1.7 msf	2.3 msf	+0.6 msf
Available Sublease Space	5.8 msf	4.7 msf	-1.1 msf

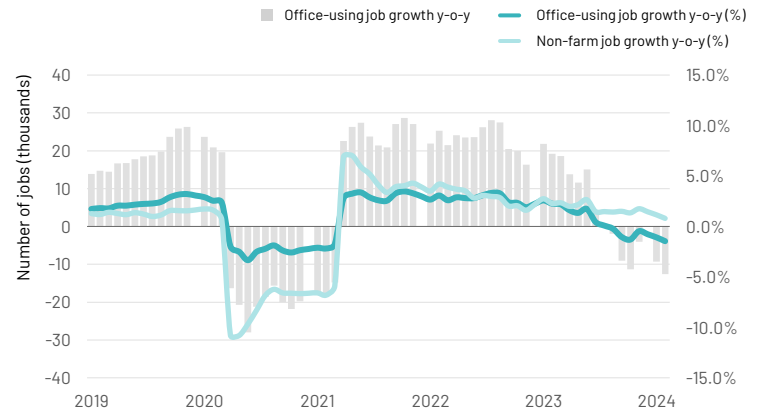
Outlook

01 Expect high-end trophy quality space to be the most desired among tenants looking to lease, and landlords able to achieve the highest rents for such space

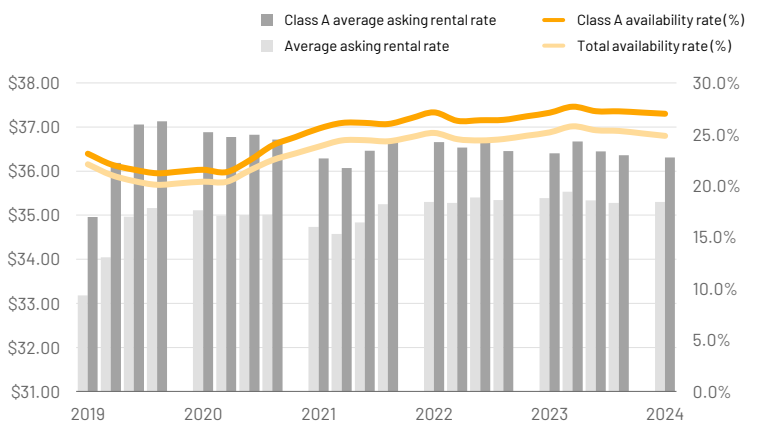
02 The market continues to offer tenants advantageous conditions, presenting a broad selection of both direct and sublet space options to choose from

03 With the widespread adoption of hybrid work models, expect to see a growing number of tenants leveraging these policies to influence their leasing decisions

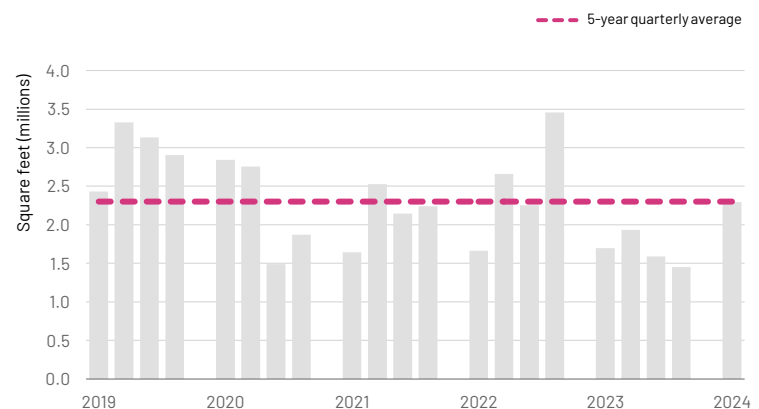
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

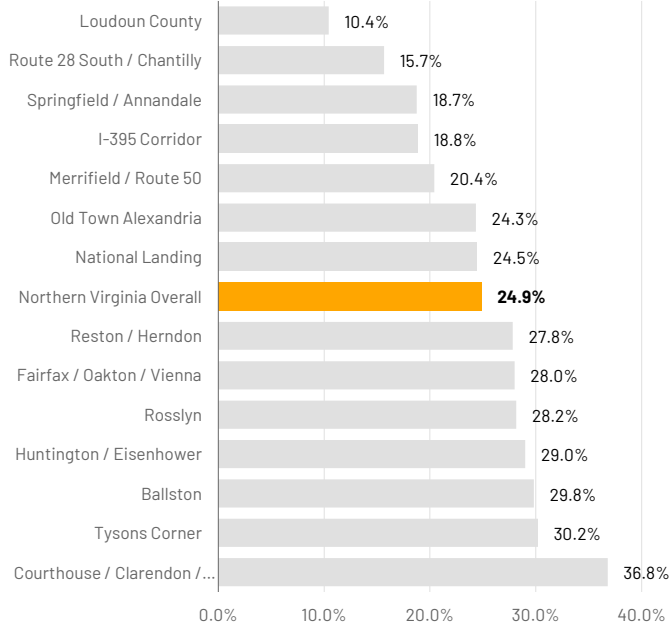
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Booz Allen	Business, Professional and Consulting Services	Tysons Corner	8283 & 8285 Greensboro Drive	431,208	Renewal
General Dynamics Information Technology, Inc	Business, Professional and Consulting Services	Springfield / Annandale	7770 Backlick Road	114,867	Renewal
Boeing	Manufacturing	Route 28 South / Chantilly	14660 Lee Road	80,339	Renewal
Accenture	Business, Professional and Consulting Services	Route 28 South / Chantilly	5155 Parkstone Drive	76,000	Renewal
WeWork	Coworking	Rosslyn	1201 Wilson Boulevard	64,728	Renewal
Palo Alto Networks	TAMI	Reston / Herndon	1950 Opportunity Way	58,004	New Location
Lockheed Martin	Manufacturing	Ballston	4301 N Fairfax Drive	56,261	Renewal
GSA - Department of Defense	Government	I-395 Corridor	4825 Mark Center Drive	45,843	New Location
National Association of Corporate Directors	Associations and Non-Profit Organizations	Rosslyn	1100 Wilson Boulevard	41,048	New Location
Riverside Research Institute	Associations and Non-Profit Organizations	Fairfax / Oakton / Vienna	12601 Fair Lakes Circle	38,000	New Location

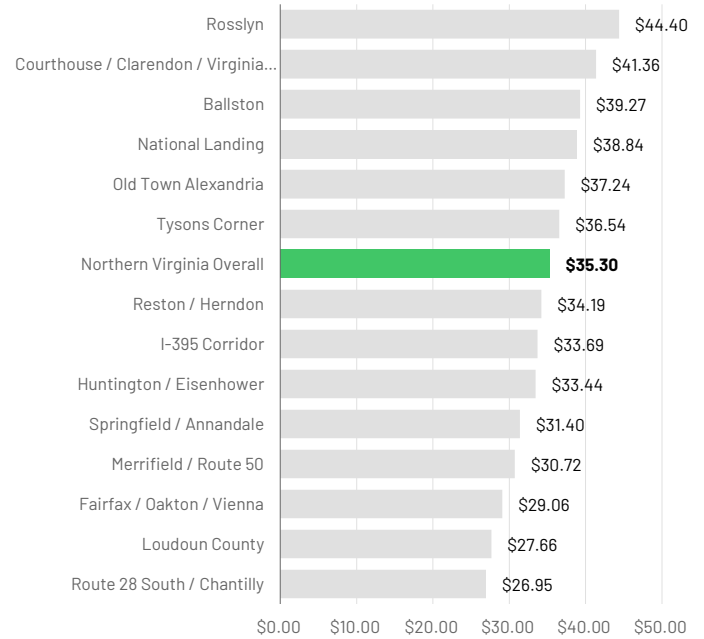
Availability Rate Comparison (%)

NORTHERN VIRGINIA SUBMARKETS



Rental Rate Comparison (\$/sf)

NORTHERN VIRGINIA SUBMARKETS



Northern Virginia Q1 2024 - Office

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Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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