

# Northern Virginia

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## Second quarter leasing activity wanes after a robust start to 2024

Leasing activity in the Northern Virginia office market for Q2 2024 decreased on the quarter by 20.7% and totaled 1.8 million square feet (msf). However, with the exception of the same period last year, Q2 leasing volume outpaced every other quarter in 2023 in part due to a few large renewals in the market. As varied working trends within an uncertain economy continue to play a major role in office leasing activity, many companies are choosing to stay in place and extend their current leases with renewals accounting for over 63% of transaction volume. The largest transaction of the quarter was a renewal for Northrop Grumman for 309,757 square feet (sf) at 12900 Federal Systems Park Drive in Fairfax.

## Availability rate declines for second straight quarter after reaching record highs in 2023

In the second quarter of 2024, the overall availability rate in Northern Virginia declined 20 basis points (bps) from the prior period to 24.7%. The decline from Q1 is partly due to a reduction of space in the sublease market through either being leased or withdrawn. In Q2 2024, the total amount of sublease space sits at 4.5 msf, down from 4.7 msf in Q1. In total over the past year, approximately 1.3 msf of sublease space has been either leased or withdrawn from the market. However, a greater reduction is required in order to bring the availability rate down to pre-pandemic levels.

## Overall rental rates remain steady midway through 2024

The overall Q2 2024 rental rates in Northern Virginia saw a slight decrease of just 0.1% from the last quarter, essentially remaining stable, and closing at \$35.26 per square foot (psf). As rental rates remain relatively unchanged, landlords are offering favorable concessions to attract tenants to their buildings. This trend is expected to continue in the foreseeable future, as landlords aim to attract top-tier tenants within a tenant-friendly market.

### Key Statistics

	Q2 2023	Q2 2024	Y-0-Y
Inventory	150.0 msf	150.3 msf	+0.3 msf
Availability Rate	25.8%	24.7%	-110 bps
Asking Rental Rate	\$35.53	\$35.26	-0.8%
Class A Asking Rental Rate	\$36.72	\$36.28	-1.2%
Quarterly Leasing Activity	1.9 msf	1.8 msf	-0.1 msf
Available Sublease Space	5.8 msf	4.5 msf	-1.3 msf

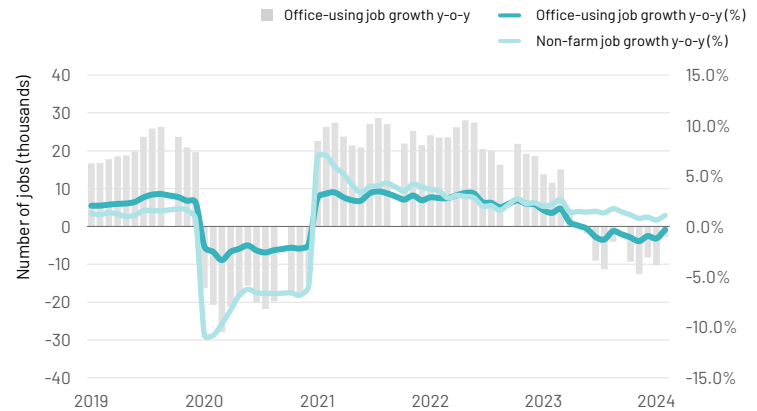
### Outlook

**01** High-end trophy-quality spaces are going to continue to be the most sought after by tenants, enabling landlords to achieve the highest rents for such premium properties

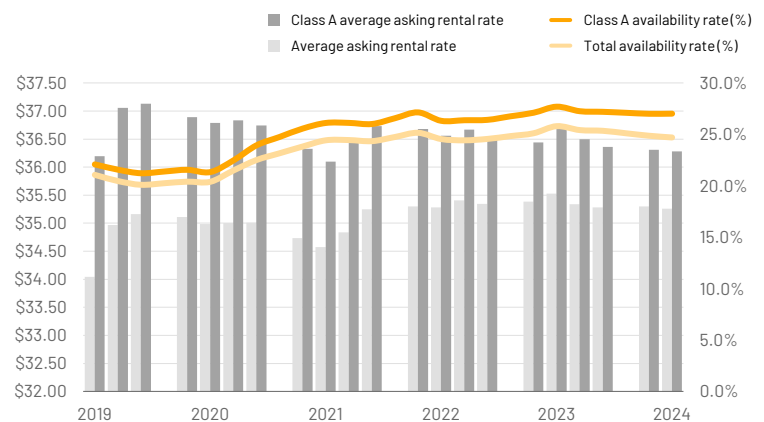
**02** The market continues to offer a broad selection of available spaces, including both direct and sublet options, allowing tenants a diverse range of choices to meet their specific needs

**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

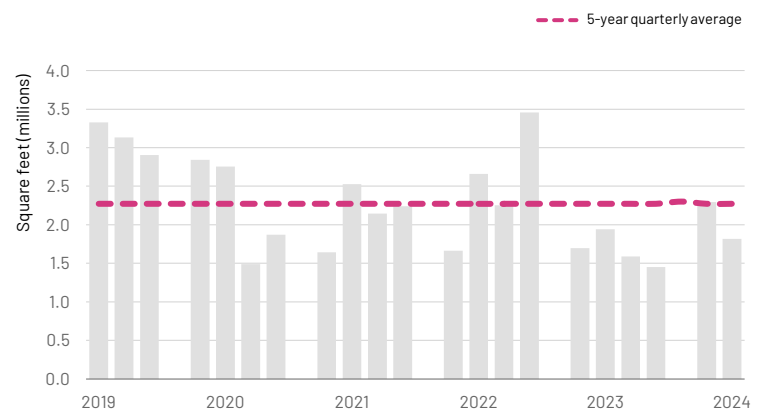
### Office-using Employment Growth



### Asking Rent and Availability



### Leasing Activity



# Top Transactions

\*Trophy Building

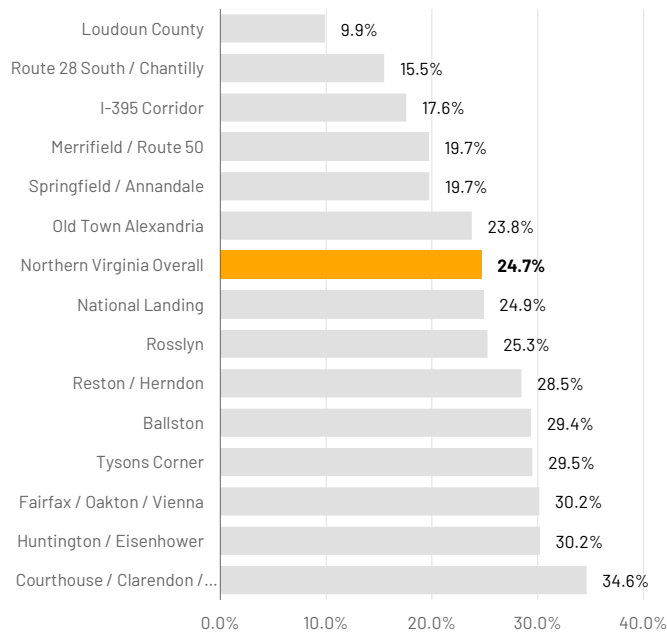
\*\*Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Northrop Grumman	Business, Professional and Consulting Services	Fairfax / Oakton / Vienna	12900 Federal Systems Park Drive	309,757	Renewal
KBR	Architecture, Engineering and Construction	Route 28 South / Chantilly	15020 Conference Center Drive	104,413	Renewal
AES	Energy & Utilities	Ballston	4300 Wilson Boulevard	75,722	Renewal
ManTech International Corporation	Business, Professional and Consulting Services	Route 28 South / Chantilly	14280 Park Meadow Drive	67,514	Renewal
GSA - DCMA	Government	Route 28 South / Chantilly	14501 George Carter Way	54,419	Renewal
IBM	TAMI	Reston / Herndon	10780-10790 Parkridge Boulevard	51,356	Renewal
Tetra Tech	Architecture, Engineering and Construction	Courthouse / Clarendon / Virginia Square	1515 N Courthouse Road	43,684	New Location**
GSA- Department of Defense	Government	Rosslyn	1700 N Moore Street	36,570	Renewal
Credence Management Solutions	Business, Professional and Consulting Services	Tysons Corner	1775 Tysons Boulevard	30,839	New Location**
Peraton Technology Services	TAMI	Springfield / Annandale	7770 Backlick Road	28,060	Renewal

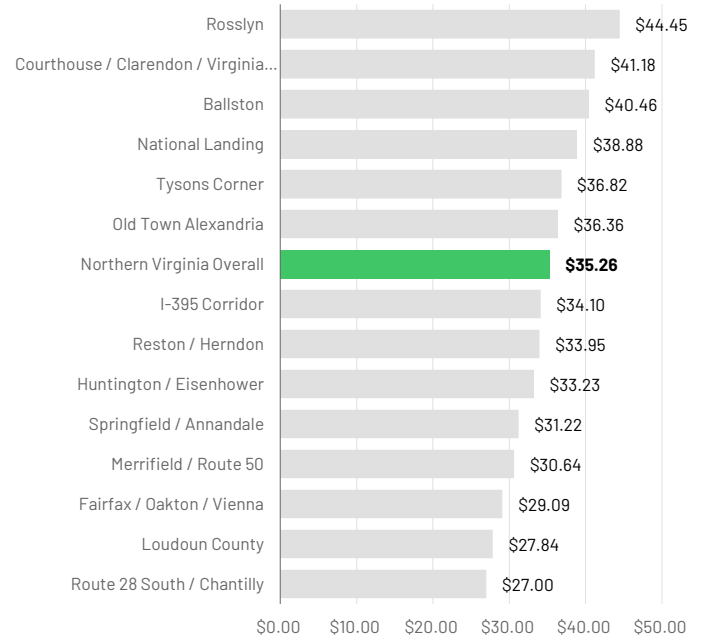
## Availability Rate Comparison (%)

NORTHERN VIRGINIA SUBMARKETS



## Rental Rate Comparison (\$/sf)

NORTHERN VIRGINIA SUBMARKETS



## Northern Virginia Q2 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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