

Northern Virginia

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Year-end leasing activity declines following a sluggish 2023 in overall space demand

The Northern Virginia office market experienced a noticeable downturn in leasing activity over the past year, marking a significant shift from the previous year's trend. Leasing activity ended Q4 2023 with a total of 1.4 million square feet (msf) signed, a significant drop of 58.3% from the same period last year. This conclusion brought the year's total leasing activity to 6.7 msf, nearly equivalent to what was leased in just the latter half of 2019 (6.1 msf), just before the onset of the COVID-19 pandemic. The TAMI (technology, advertising, media, and information) sector, which has lagged as the primary driver of occupancy growth in NVA in recent years, reclaimed its top position in Q4. This resurgence was largely due to Amazon securing the two largest lease agreements of the quarter. The two short term renewals totaled 348,000 square feet (sf) in the National Landing submarket at 1770 Crystal Drive and 241 18th Street S.

Availability rate remains elevated despite slight decrease in sublease space on the market

The rise of remote work and the consequent reduction in demand for office space has kept the availability rate inflated in Northern Virginia ending Q4 at 25.3%. While this was a slight decrease from the previous quarter of just 10 basis points (bps), the rate is still 70 bps higher than the same period last year of 24.6%. This reduction from last quarter can be attributed to another decrease in the overall amount of sublease available on the market, which now sits at 5.4 msf.

Average rental rates drop as landlords attempt to entice occupiers

As businesses reassess their space needs, particularly in the wake of the pandemic-induced shift towards remote work, the demand for traditional office spaces has softened and with it the average rental rates landlords are able to achieve. The average rental rate decreased in Q4 to \$35.28 per square foot (psf) down from \$35.35 psf one year ago. Rental rates for Class A properties have also experienced a modest decrease over the past year, declining by just 0.2%, and concluded the year at \$36.36 psf. As the market continues to be volatile and landlords look to attract best in class tenants to their buildings, expect rents and the market in general to remain tenant friendly.

Key Statistics

	Q4 2022	Q4 2023	Y-0-Y
Inventory	151.6 msf	149.8 msf	-1.8 msf
Availability Rate	24.6%	25.3%	+70 bps
Asking Rental Rate	\$35.35	\$35.28	-0.2%
Class A Asking Rental Rate	\$36.45	\$36.36	-0.2%
Quarterly Leasing Activity	3.5 msf	1.5 msf	-2.0 msf
Available Sublease Space	5.5 msf	5.4 msf	-0.1 msf

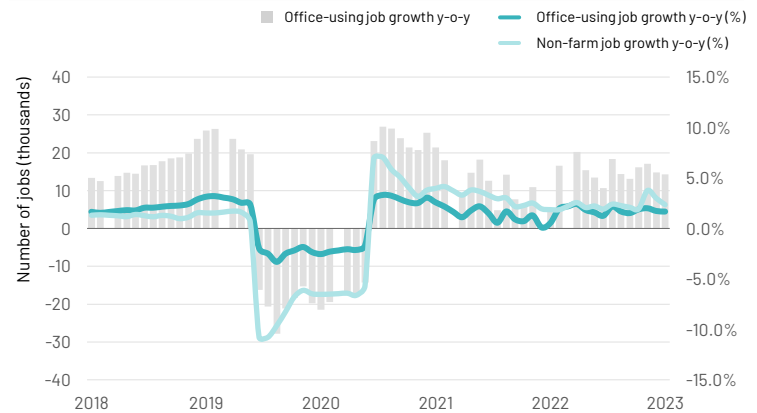
Outlook

01 The policy and planning for returning to the office remains a primary consideration in occupiers' decision-making processes and will continue to influence the market throughout 2024

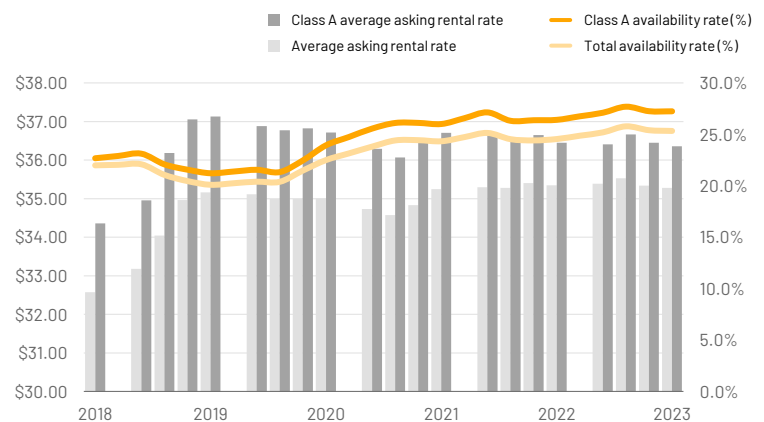
02 Market conditions remain favorable for tenants, providing them with a wide array of direct and sublet choices to select from

03 Expect rental rates to continue to decline in the near future and with financial woes affecting many landlords, watch for a decrease in overall concession packages as a result

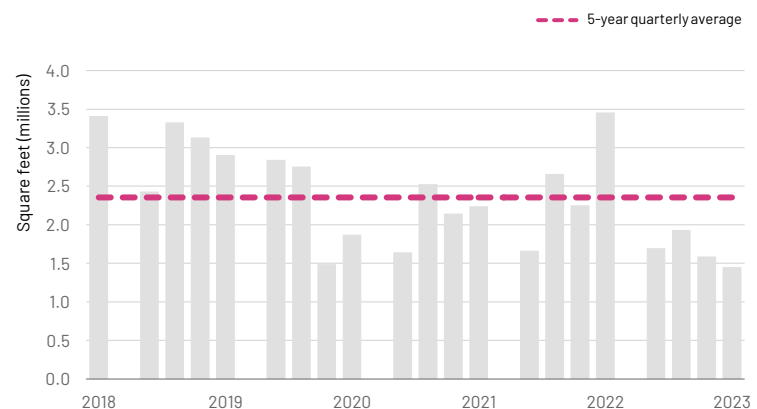
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



Top Transactions

*Trophy Building

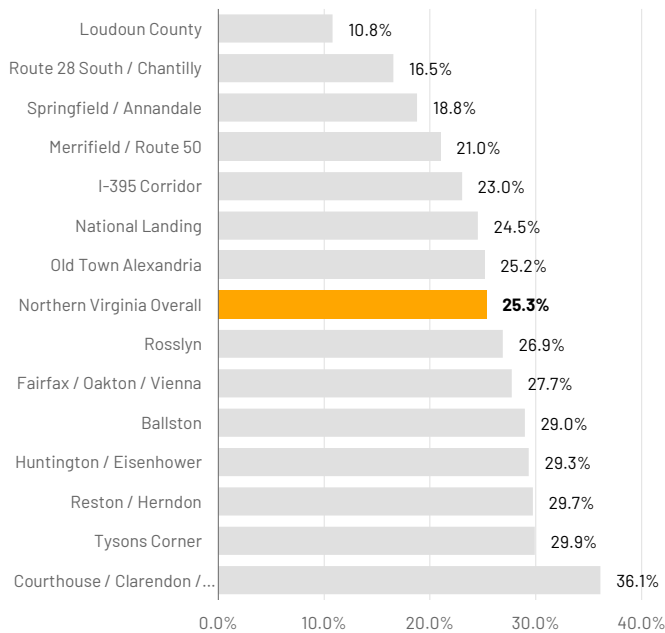
**Sublease

Source: Savills Research

TENANT	INDUSTRY	SUBMARKET	ADDRESS	SIZE (SF)	TRANSACTION TYPE
Amazon	TAMI	National Landing	1770 Crystal Drive	260,000	Renewal
Amazon	TAMI	National Landing	241 18th Street S	88,000	Renewal
Washington University of Science and Technology	Education	Huntington / Eisenhower	2900 Eisenhower Avenue	59,778	New Location
Cambridge Associates	Financial Services & Insurance	Ballston	950 N Glebe Road	48,181	New Location
The Cadmus Group	Business, Professional and Consulting Services	Ballston	800 N Glebe Road	45,000	New Location
Baker Tilly	Legal Services	Tysons Corner	8270 Greensboro Drive	44,316	New Location
GSA - IRS	Government	Tysons Corner	1953 Gallows Road	33,347	New Location
Pillsbury	Legal Services	Tysons Corner	7900 Tysons One Place	28,553	Relocation**
Digital Management	TAMI	Tysons Corner	1600 International Drive	24,038	New Location
Bohler Engineering VA	Architecture, Engineering & Construction	Reston / Herndon	12825 Worldgate Drive	21,525	New Location

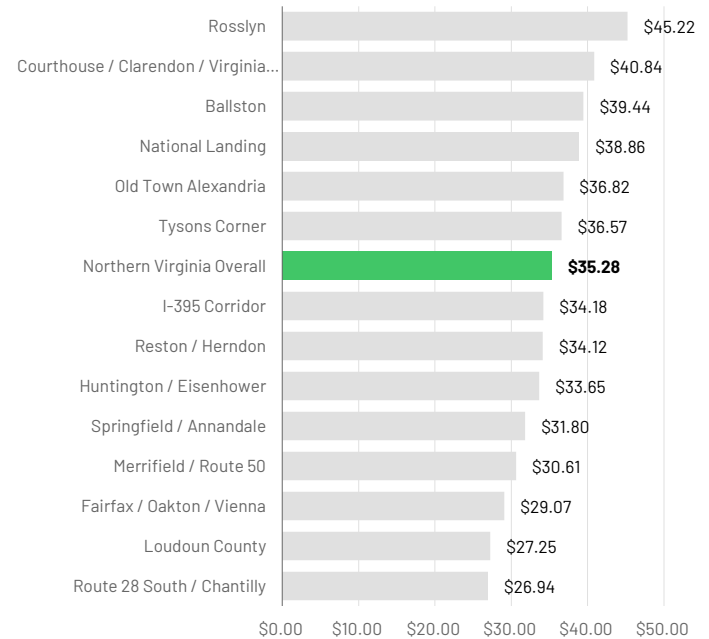
Availability Rate Comparison (%)

NORTHERN VIRGINIA SUBMARKETS



Rental Rate Comparison (\$/sf)

NORTHERN VIRGINIA SUBMARKETS



Northern Virginia Q4 2023 - 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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