MARKETBEAT

Northern Virginia

OFFICE Q2 2025

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

YOY Chg | Outlook

24.5%
Vacancy Rate

-419K
YTD Net Absorption, SF

$35.65
Asking Rent, PSF

(Overall, All Property Classes)

ECONOMIC INDICATORS

YOY Chg | Outlook

1.6M
Northern VA Employment

3.1%
Northern VA Unemployment Rate

4.2%
Country Unemployment Rate

Source:BLS

MARKET OUTLOOK

The first half of 2025 revealed a shifting dynamic in Northern Virginia's office market. While new leasing volume remained steady, ticking up slightly from 1.8 million square feet (msf) in the first half of 2024 to 1.9 msf this year, the broader story is one of reduced churn and stabilizing demand. Renewal activity saw a sharp pullback, dropping by more than 1.1 msf year-over-year, suggesting tenants are making firmer long-term decisions or rightsizing ahead of lease expirations. Yet despite the decline in renewals, overall net absorption largely improved: negative 419,000 sf compared to nearly 1.3 msf of occupancy losses in the first half of 2024. After several years of volatility, the region appears to be entering a more measured phase — with fewer space givebacks, more deliberate relocations, and signs of improving equilibrium across key submarkets.

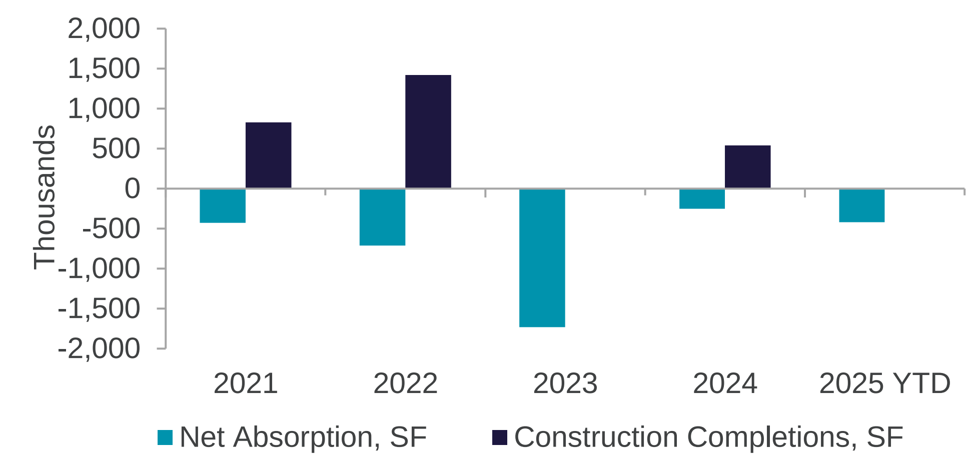
SUPPLY & DEMAND

Northern Virginia recorded 822,400 sf of new leasing and 822,500 sf of renewal activity in the second quarter. Gross leasing activity totaled 1.6 million square feet (msf) sf in Q2, a 28% increase from last quarter's 1.3 msf, and down 69% year over year (YOY). New leasing activity totaled 1.9 msf year to date (YTD) while renewals inked 1.4 msf YTD, signaling increased tenant movement and a potential shift away from the conservative, renewal heavy behavior that dominated 2024.

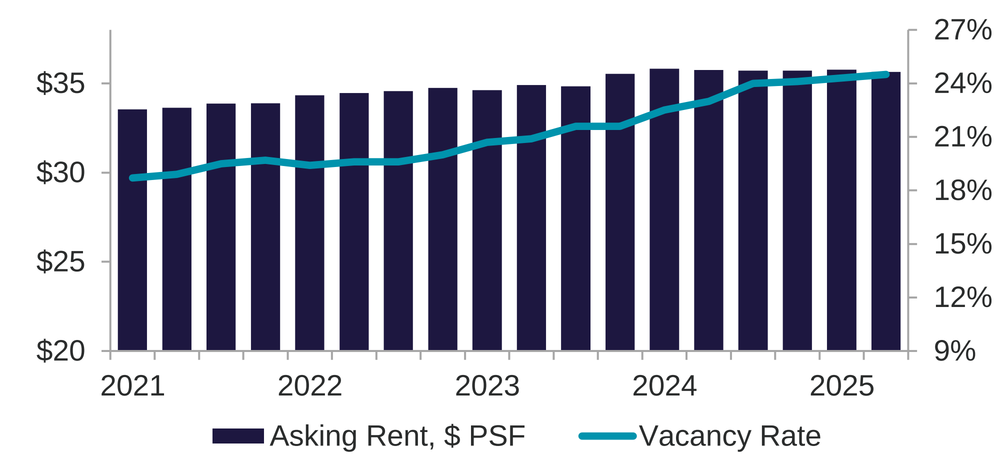
In the first quarter, Fairfax County recorded 587,000 sf of new leasing activity, 71% of Northern Virginia's total, followed by Arlington County with 152,700 sf, and the City of Alexandria with 55,400 sf. Tysons Corner led all submarkets in new leasing with 212,400 sf recorded, 26% of new leasing activity, while Reston/Herndon recorded the second most with 149,000 sf in Q2. Merrifield/Route 50 led renewal activity with 252,000 sf inked, 31% of renewal activity. Class A product continues to dominate demand, accounting for 68% of new leasing with 562,500 sf signed and 61% of renewals with 502,500 sf inked. Class B product accounted for 220,300 sf of new leasing, 27% of Q2 activity, and 34% of renewal activity with 282,900 sf signed.

Northern Virginia recorded negative 146,000 sf of absorption in Q2, which is the least amount of negative absorption documented over the past year.

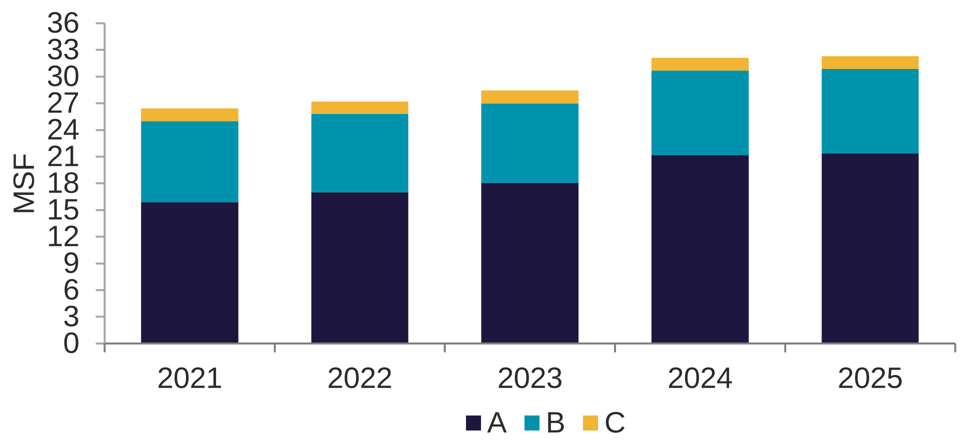
SPACE DEMAND / DELIVERIES



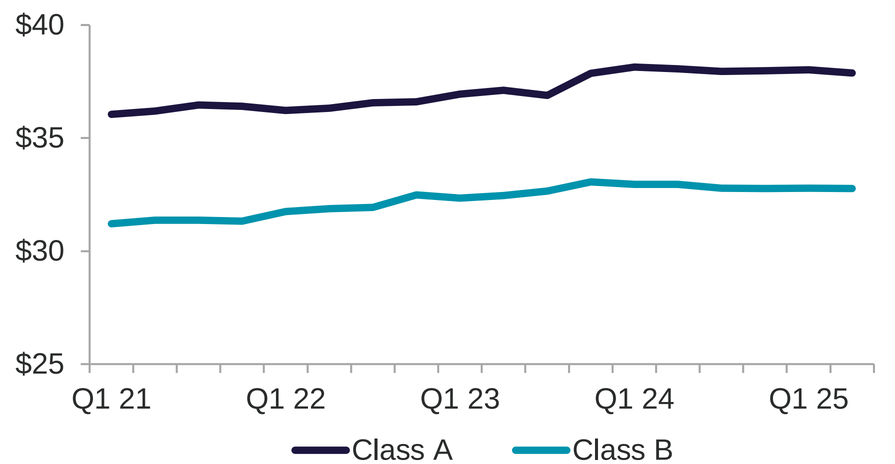
OVERALL VACANCY & ASKING RENT



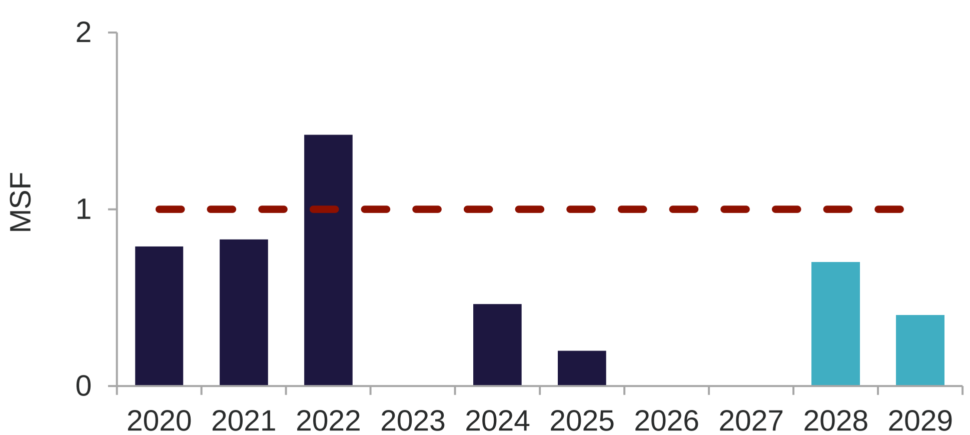
VACANT SPACE BY CLASS



ASKING RENT COMPARISON



NEW SUPPLY



Class A yielded negative 185,000 sf while Class B netted positive 52,000 sf and recorded negative 13,000 sf of absorption. Arlington County submarkets recorded 17,797 sf while Fairfax County registered negative 140,000 sf and Alexandria yielded negative 25,000 sf. Fairfax/Oakton/Vienna recorded negative 229,000 sf after General Dynamics vacated the entire building at 12450 Fair lakes Cir, totaling 188,000 sf, and CGI left 36,000 sf at 12701 Fair Lakes Cir. In Reston/Herndon, National Student Clearinghouse vacated 45,000 sf at 2300 Dulles Station Blvd.

The largest move-in of the quarter occurred at 4807 Stonecroft Blvd in Chantilly after AT&T took two floors totaling 56,500 sf. In Tysons Corner, Xcelerate Solutions moved into 23,000 sf at 8405 Greensboro Dr while G Squared Capital and Range Advisory took a combined 13,000 sf at 8270 Greensboro Dr and NTT Data gave back a floor for 26,600 sf at 1660 International Dr. Reston/Herndon posted 52,000 sf of absorption after Honeywell moved into 27,500 sf at 12950 Worldgate Dr and a government tenant took 27,000 sf at 11951 Freedom Dr. In Rosslyn, Graham Holdings moved into 24,000 sf at 1812 North Moore St. Synetics moved out of 28,000 sf across two floors at 1101 Wilson Blvd and F1 Consulting vacated 13,000 sf at 1500 Wilson Blvd.

VACANCY & RENTAL RATES

Overall average vacancy rates rose 150 basis points (bps) YOY to 24.5%, up 20 bps from Q1. Class A vacancies rose 210 bps YOY to 24.2%, Class B rose 20 bps YOY to 27.4%, and Class C increased 30 bps YOY to 16.2%.

Overall average asking rates decreased $0.10 YOY to $35.65 per square foot (psf) on a full-service basis in Q2, an $0.11 drop from last quarter. The Courthouse/Clarendon/Virginia Sq submarket had the highest overall average asking rate of all the submarkets, finishing the quarter at $43.00 psf, up $0.11 psf YOY. Arlington County averaged $41.21 psf, a $0.35 increase YOY, while Fairfax County dropped $0.36 psf YOY to $34.11 psf and Loudon County increased $0.77 psf YOY to $28.15 psf. Class A and B rates both dropped $0.18 YOY to $37.88 psf and $32.77 psf, respectively, in Q2 while Class C Increased $0.53 YOY to $27.29 psf.

As new construction slows and more space comes offline, trophy assets are poised to benefit. With only one major delivery expected in 2025 and limited pipeline activity beyond that, availability in top-tier buildings is tightening. Large blocks over 100,000 square feet are now limited to just eight buildings, and only one—1750 Tysons Central—offers more than 200,000 square feet, setting the stage for upward pressure on trophy rents as supply narrows.

OUTLOOK

- Comstock's 1880 Reston Row Plz is expected to deliver 163,331 of space in Q3 2025 and will complete Reston Row. With interest rates on construction loans elevated, materials and labor pricing at near peak levels and long-term uncertainty in the market, we are seeing a much slower construction pipeline. Additionally, developers needing debt to construct office are now facing much higher preleasing requirements from users before breaking ground, which is even harder due to the reduced demand market wide.

- Office-to-residential conversions are on the rise and have accounted for over 1.9 msf of office product being removed from inventory. On top of the projects that have broken ground, conversions of more than 6.6 msf across 33 office properties have been planned or proposed by developers. There are currently five conversions under construction totaling over 800,000 sf in Old Town and Rosslyn.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Rosslyn	8,772,555	1,700,295	65,468	20.1%	14,250	171,215	119,746	0	$41.52	$45.06
Courthouse/Clarendon /VA Square	5,792,811	1,695,399	140,681	31.7%	4,720	-1,112	94,074	0	$43.00	$43.51
Ballston	7,446,070	1,939,211	114,364	27.6%	8,846	-161,271	149,587	0	$41.09	$42.76
Crystal City/Pentagon City	10,814,574	3,517,411	131,939	33.7%	-10,019	-146,673	77,333	0	$38.47	$38.15
Arlington County Totals	32,826,010	8,852,316	452,452	28.3%	17,797	-137,841	440,740	0	$41.21	$42.39
Old Town	7,684,290	1,824,106	89,497	24.9%	-3,782	4,820	90,154	0	$36.92	$39.39
I-395	3,753,879	816,644	2,925	21.8%	-8,158	29,277	5,984	0	$32.35	$35.31
Huntington/Eisenhower	2,861,709	1,231,803	50,010	44.8%	-12,754	-8,502	3,418	0	$35.49	$37.13
City of Alexandria Totals	14,299,878	3,872,553	142,432	28.1%	-24,694	25,595	99,556	0	$35.09	$37.72
Inside the Beltway	**47,125,888**	**12,724,869**	**594,884**	**28.3%**	**-6,897**	**-112,246**	**540,296**	**0**	**$38.41**	**$40.19**
Annandale/Baileys	1,204,881	181,769	0	15.1%	8,214	22,771	12,066	0	$26.23	$31.50
Merrifield/Route 50	6,821,558	1,079,706	29,607	16.3%	-910	-7,742	115,333	0	$31.03	$33.75
Fairfax/Oakton/Vienna	8,898,476	2,448,450	59,849	28.2%	-229,256	-235,194	176,241	0	$28.26	$30.01
Tysons Corner	22,063,032	5,642,707	137,414	26.2%	13,048	-15,672	479,853	0	$38.73	$43.40
Reston/Herndon	26,348962	5,965,284	355,300	24.0%	51,683	-68,655	376,274	163,331	$34.04	$31.45
Route 28 South/Chantilly	9,984,794	1,416,617	35,332	14.5%	25,200	27,485	85,691	0	$29.47	$38.59
Springfield	3,568,868	746,341	14,093	21.3%	-8,356	-27,016	32,600	0	$35.30	$30.59
Fairfax County Totals	78,890,571	17,480,874	631,595	23.0%	-140,377	-304,023	1,278,058	163,331	$34.11	$36.86
Loudoun County Totals	5,662,421	821,043	57,586	15.5%	912	-2,980	32,041	0	$28.15	$30.59
Outside the Beltway	**84,552,992**	**18,301,917**	**689,181**	**22.5%**	**-139,465**	**-307,003**	**1,310,099**	**163,331**	**$31.40**	**$34.36**
Northern Virginia Totals	**131,678,880**	**31,026,786**	**1,284,065**	**24.5%**	**-146,362**	**-419,249**	**1,850,395**	**163,331**	**$35.65**	**$37.88**

**Rental rates reflect full service asking*

KEY LEASE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2941 Fairview Park Drive	Merrifield/Route 50	BAE Systems	166,421	Renewal*, Expansion
4601 North Fairfax Drive	Ballston	GSA- Department of Homeland Security	76,987	Renewal*
12050 Inspiration Street	Reston/Herndon	Noblis	74,681	New Lease
2700 Prosperity Avenue	Merrifield/Route 50	ECS Federal	66,380	Renewal*
1201 Wilson Boulevard	Rosslyn	WeWork	48,000	Renewal*

**Renewals not included in leasing statistics*

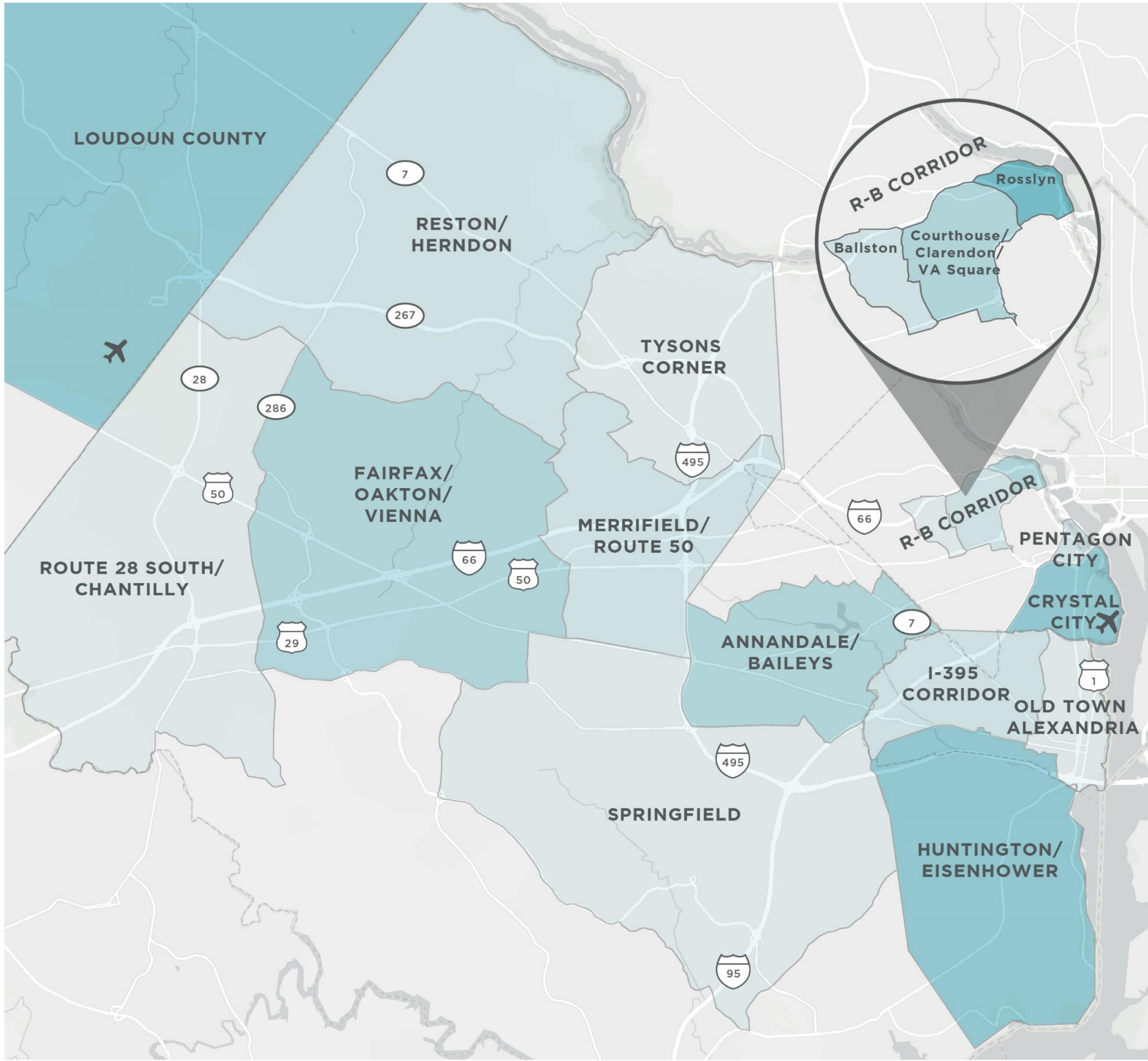
KEY SALE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
1750 Tysons Central Street	Tysons	Foulger-Pratt JV Affinius Capital / The Meridian Group	388,206	$104,758,246 / $269.85
Tysons Pointe (8300 Greensboro Drive & 1600 International Drive)	Tysons	Rockpoint / Real Capital Solutions JV Silverline Equities	373,617	$57,125,000 / $152.90

KEY UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
1880 Reston Row Plaza	Reston / Herndon	-	163,331	Comstock

OFFICE SUBMARKETS



DECLAN ICARD
Research Analyst
Tel: +1 703 770 3474
Declan.icard@cushwake.com

LAUREN KRAEMER
Associate Director
Tel: +1 202 266 1316
Lauren.kraemer@cushwake.com

NATHAN EDWARDS
Senior Director
Tel: +1 202 266 1189
Nathan.edwards@cushwake.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2024, the firm reported revenue of $9.4 billion across its core service lines of Services, Leasing, Capital markets, and Valuation and other. Built around the belief that Better never settles, the firm receives numerous industry and business accolades for its award-winning culture. For additional information, visit www.cushmanwakefield.com.