

FIGURES | NORTHERN VIRGINIA INDUSTRIAL | Q1 2024

# Strong Fundamentals Persist Despite Muted Activity

▼ 4.6%

Vacancy Rate

▲ 163,613

SF Net Absorption

▲ 633,292

SF Under Construction

▲ \$16.13

Average NNN Asking Rate

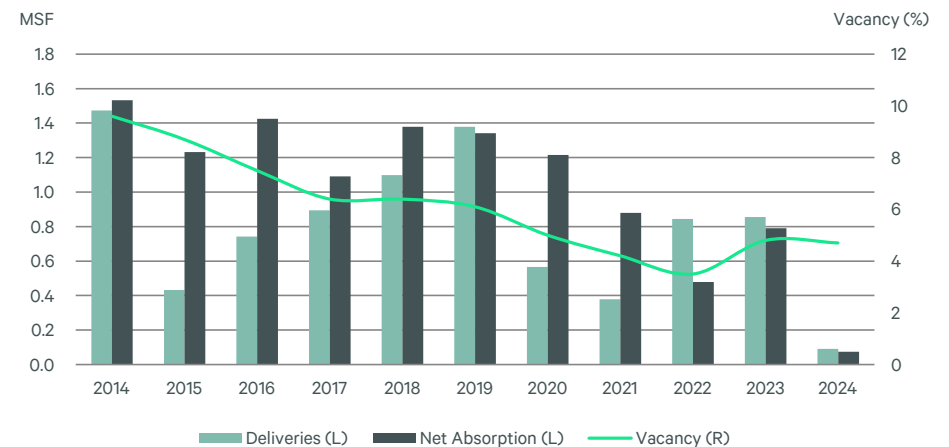
Note: Arrows indicate change from previous quarter.

Industrial activity across the Mid-Atlantic was muted to start 2024 as uncertainty surrounding the economy has led to some pause among tenants. However, resiliency continues to be a defining characteristic of the Northern Virginia industrial market.

Northern Virginia posted occupancy gains to start the year, recording 163,000 sq. ft. of positive absorption. Consequently, vacancy decreased 10 basis points (bps) quarter-over-quarter to 4.6%. The low vacancy rate has resulted in continued rental rate increases, with asking rates now averaging \$16.13 per sq. ft. per annum on a triple-net basis. The development pipeline in Northern Virginia has increased, with 633,292 sq. ft. under construction for delivery through early 2025, following 800,000 sq. ft. of space delivered in both 2022 and 2023.

Overall, Northern Virginia industrial market fundamentals remain strong in light of economic headwinds. Occupancy gains have led to decreased vacancy, and rental rates continue to rise handily where other markets have seen deceleration.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

Sector Snapshot

Industrial tenants leased a total of 381,000 sq. ft. during the first quarter of 2024, with a large majority of deals being relocations.

Wholesale & Retail

In the largest relocation of the quarter, natural stone supplier Stone Basyx signed a 52,937 sq. ft. lease at 14801 Willard Drive. In the Route 28/Dulles North submarket, SCP Pools renewed its 29,426 sq. ft. lease and CA Closets leased 27,044 sq. ft. of space at 22815 Glenn Drive. Wholesale & retail tenants accounted for 41% of all leasing during Q1.

Business Services

Business services accounted for the third-highest share of gross leasing, making up 28% of all leasing activity during the quarter. SSRC Business Solutions headlined the sector, recommitting to its 45,727 sq. ft. space at 7701 Southern Drive in Springfield.

Building Materials & Construction

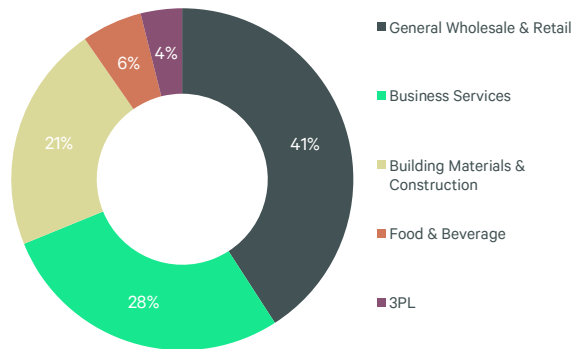
Dynalectric signed a new lease at 3900 Stone Croft Boulevard, committing to 34,268 sq. ft. of space. Building materials and construction tenants accounted for 21% of total activity.

FIGURE 2: Select Q1 2024 Lease Transactions

Tenant	Industry	Address	Submarket	Lease Type	SF
Stone Basyx	Wholesale	14801 Willard Dr	Route 28/Dulles South	New Lease	52,937
SSRC Business Solutions	Business Services	7701 Southern Dr	Springfield	Renewal	45,727
Dynalectric	Construction	3900 Stonecroft Blvd	Route 28/Dulles North	New Lease	34,268
SCP Pools	Wholesale	23700 Pebble Run Pl	Route 28/Dulles North	Renewal	29,426
CA Closets	Wholesale	22815 Glenn Dr	Route 28/Dulles North	New Lease	27,044
NOVUS	Food/Bev	14960-14970 Farm Creek Dr	Woodbridge/I-95	New Lease	17,387
Sure Power	Wholesale	45095 Old Ox Rd	Route 28/Dulles North	Renewal	14,545
Active Security Consulting	Business Services	23011 Ladbroke Dr	Route 28/Dulles North	New Lease	12,663

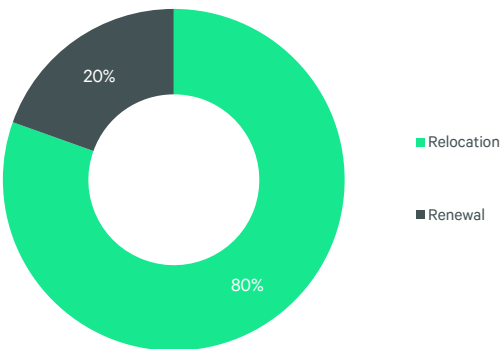
Source: CBRE

FIGURE 3: Q1 2024 Gross Leasing by Sector (Share by SF)



Source: CBRE

FIGURE 4: Q1 2024 Gross Leasing by Transaction Type (Share by SF)



Source: CBRE

### Development Activity

No properties delivered in the first quarter of 2024; however, Buchanan Partners broke ground on a 109,200 sq. ft. warehouse at 13700 Dabney Road.

Five properties totaling 633,292 sq. ft. are under construction, all scheduled to deliver through Q1 of 2025. Of the total space under construction, 68% is in the Route 28/Dulles North submarket.

### Pricing

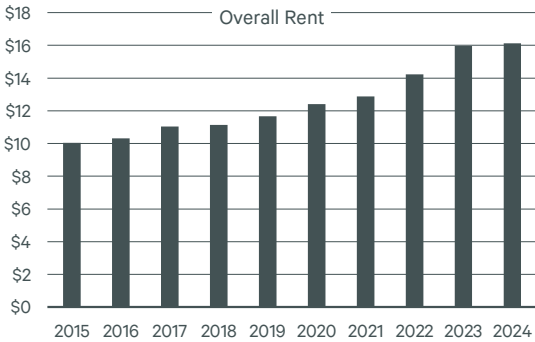
Asking rates continue to rise across Northern Virginia. Overall asking rates increased to \$16.13 per sq. ft. per annum on a triple-net basis, a 1.1% increase quarter-over-quarter. Average warehouse rents are \$16.46 per sq. ft. per annum on a triple-net basis to start the year.

FIGURE 5: Select Notable Development Projects

Address	Submarket	SF	Expected Delivery	Developer(s)
43035 John Mosby Hwy	Rt 28/Dulles North	232,500	Q3 2024	Elion Partners
25435 Pleasant Valley Rd	Rt 28/Dulles North	130,020	Q3 2024	Brookfield Properties
13700 Dabney Rd	Woodbridge	109,200	Q1 2025	Buchanan Partners
8233 Buckeye Timber Dr	Rt 29/I-66	91,172	Q3 2024	Cabot Properties
44080 Little River Turnpike	Rt 28/Dulles North	70,400	Q4 2024	Becca, LLC

Source: CBRE

FIGURE 6: Historical Asking Rents



Source: CBRE



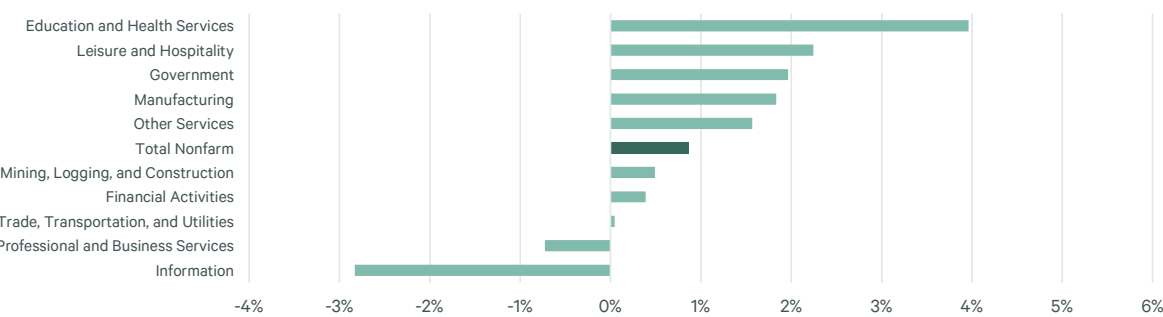
Economic Outlook

Continued economic growth paired with the Fed signaling more accommodative policy all suggests the U.S. economy is heading toward a ‘soft landing’. GDP growth should be less than half 2023’s pace when growth topped 3%. Reasons for the slowdown include a more prudent consumer and much weaker hiring. This latter issue is most acute within interest rate sensitive sectors, such as tech start-ups and goods manufacturing. Notable exceptions include investment in EV and microchip production capacity.

More caution from businesses means a good chunk of recent hiring came from publicly funded sectors (e.g., education, healthcare, state & local governments). A key exception is leisure & hospitality, driven by continued demand for discretionary services. With many private firms on the sidelines the job openings rate declining to 5.5% from its peak of 7.8% in 2022. This has also meant the pace of wage growth has cooled, but not enough to see inflation fall quickly to 2%. With unemployment remaining below 4% and high-capacity utilization, CPI is unlikely to return to target until 2025.

The Fed will likely make three, 25 basis point cuts this year. This outlook is putting downward pressure on longer-term rate expectations, providing some optimism for real estate capital markets, but the recovery will only begin after the first cut is actually delivered. Better than expected growth over the last 18 months has been helpful in holding real estate vacancy down, notably in the industrial, retail and multifamily sectors.

FIGURE 7: Employment Growth by Industry, 12-Month Percent Change



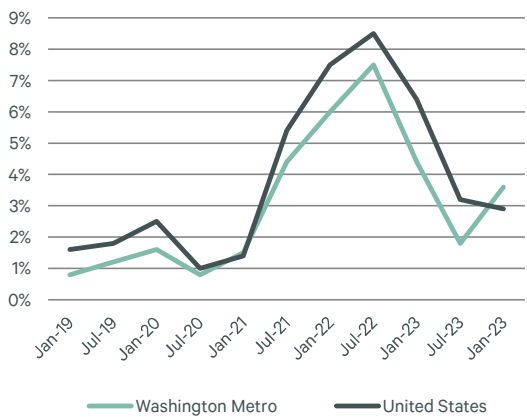
Source: BLS \*includes Arlington, Clarke, Fairfax, Fauquier, Loudoun, Prince William, Spotsylvania, Stafford, and Warren Counties and Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas, and Manassas Park Cities in Virginia.

FIGURE 8: Unemployment Rate for Selected Counties



Source: BLS

FIGURE 9: Consumer Price Index, 12-Month Percent Change



Source: BLS

FIGURE 10: Key Market Statistics

Overall	Number of Buildings	Inventory (SF)	Overall Vacancy Rate (%)	Q1 2024 Net Absorption (SF)	NNN Asking Rent/Class A (\$/SF)	Under Construction (SF)
Overall Industrial	City of Alexandria	3,721,126	7.2%	(60,013)	15.31	-
	Arlington County	512,693	-	-	-	-
	Fairfax County	33,197,463	6.2%	(30,637)	15.98	200,372
	Loudoun County	20,002,729	2.9%	74,852	16.87	432,920
	Prince William County	18,233,106	3.3%	179,411	16.01	-
	Total	75,677,117	4.6%	163,613	16.13 / 20.63	633,292
Warehouse	City of Alexandria	3,180,114	7.7%	(55,998)	15.28	-
	Arlington County	400,784	-	-	-	-
	Fairfax County	19,388,980	5.7%	(54,955)	16.27	200,372
	Loudoun County	13,155,733	1.6%	55,760	17.92	432,920
	Prince William County	13,760,105	3.4%	171,952	15.78	-
	Total	49,885,716	3.9%	116,759	16.49	633,292
Flex	City of Alexandria	551,012	4.5%	(4,015)	15.46	-
	Arlington County	111,909	-	-	-	-
	Fairfax County	13,808,483	7.5%	24,318	15.70	-
	Loudoun County	6,846,996	5.4%	19,092	15.23	-
	Prince William County	4,473,001	2.8%	7,459	16.67	-
	Total	25,791,401	6.0%	46,854	15.68	-

Survey Criteria:

Includes all classes of competitive single and multi-tenant, non-owner-occupied industrial buildings 10,000 sq. ft. and greater in Northern Virginia

Source: CBRE

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MARKET AREA OVERVIEW

