

FIGURES | NORTHERN VIRGINIA INDUSTRIAL | Q4 2023

Annual Absorption Levels Increase 65% Year-Over-Year

▲ 4.8%

Vacancy Rate

▼ 17,960

SF Net Absorption

▼ 524,092

SF Under Construction

▲ \$15.96

Average NNN Asking Rate

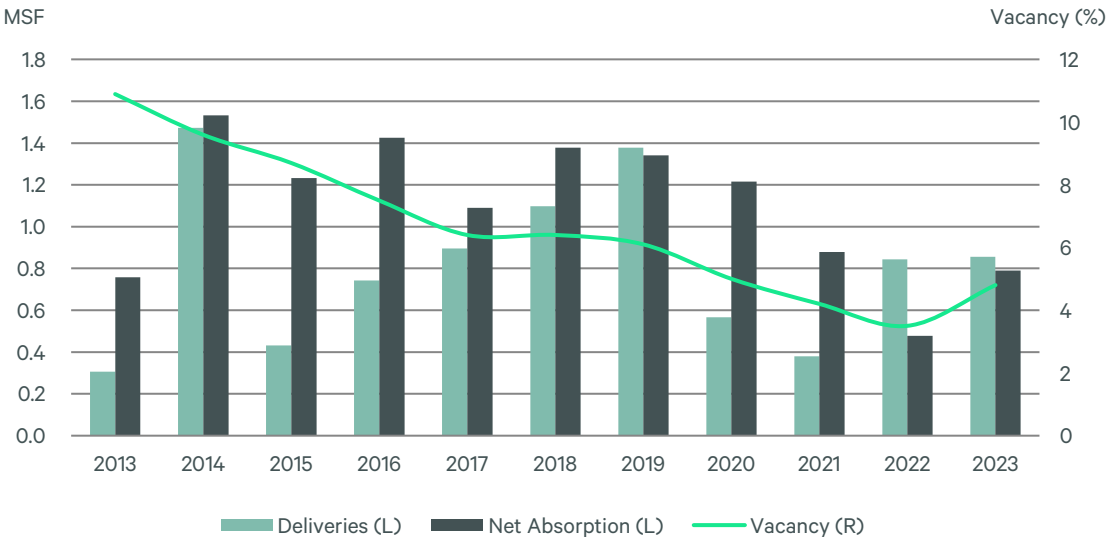
Note: Arrows indicate change from previous quarter.

Industrial activity across the Mid-Atlantic fell during the fourth quarter, with both leasing activity and absorption normalizing from peak levels recorded in 2020 and 2021. Market fundamentals in Northern Virginia remain strong, despite this slow-down and broader economic uncertainty.

The Northern Virginia industrial and logistics market posted nearly 18,000 sq. ft. of occupancy gain during the fourth quarter. Year-end positive absorption totaled 790,000 sq. ft., which is a 65% increase over 2022 levels. Despite the positive absorption in Q4, vacancy increased 50 basis points (bps) to 4.8%, due to a handful of vacant deliveries.

With overall vacancy below 5%, asking rates continue to push upward, particularly as new space comes online. Gross leasing totaled 524,000 sq. ft. during the fourth quarter, consistent with levels recorded during the previous two quarters. Altogether, tenants leased 2.1 million sq. ft. in Northern Virginia this year.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

Sector Snapshot

During the fourth quarter, 18 tenants signed leases in Northern Virginia. Renewals accounted for 55% of transactions as supply constraints in the bulk sector have incentivized tenants to remain in place. Route 28/Dulles North was the most active submarket, capturing 39% of leases signed during the quarter.

General Wholesale and Retail

General Wholesale & Retail tenants were the most active tenant group in Northern Virginia during 2023, accounting for 23% of all leasing activity. During the fourth quarter, Cosmos Granite & Marble signed a 47,255 sq. ft. renewal 3900 Stonecroft Boulevard.

Business Services

In the largest relocation lease signed during the fourth quarter, The Prolift Rigging Company committed to the remaining 49,000 sq. ft. available at recently constructed 10245 Golf Academy Drive in Manassas.

Government

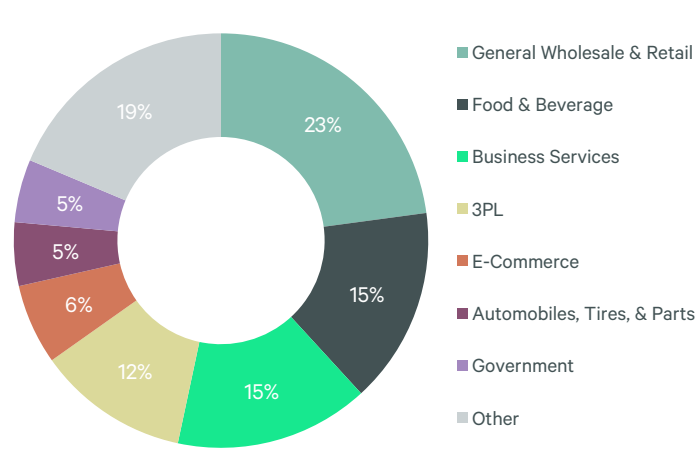
The General Services Administration signed two leases accounting for 14% of total leasing activity during the fourth quarter. The Federal Emergency Management Agency (FEMA) and Customs and Border Patrol (CBP) will both stay in place, at 405 Glenn Drive and 8424-8462 Terminal Road, respectively.

FIGURE 2: Select Q4 2023 Lease Transactions

Tenant	Industry	Address	Submarket	Lease Type	SF
McCarthy Tire Service of VA	Automobiles	9061-9073 Euclid Ave	Manassas	Renewal	85,848
The Prolift Rigging Company	Business Services	10245 Golf Academy Dr	Manassas	New Lease	49,396
Cosmos Granite & Marble	General Wholesale	3900 Stonecroft Blvd	Route 28/Dulles South	Renewal	47,255
Laboratory Corporation of America	Medical	14280 Sullyfield Cir	Route 28/Dulles South	New Lease	44,689
GSA – Federal Emergency Management Agency	Government	405 Glenn Dr	Route 28/Dulles North	Renewal	44,095
GSA – Customs & Border Patrol	Government	8424-8462 Terminal Rd	Newington	Renewal	41,129
Total Truck Transport	3PL	45080 Old Ox Rd	Route 28/Dulles North	Renewal	30,485
Furniture for Less	General Wholesale	15041-15047 Farm Creek Dr	Woodbridge/I-95	New Lease	26,073

Source: CBRE

FIGURE 3: 2023 Gross Leasing by Transaction Type (Share by SF)



Source: CBRE

FIGURE 4: 2023 Typical Logistics Costs P&L Line Items



* Includes rent. ** Includes payroll.

Source: CBRE

Development Activity

Four properties delivered in Northern Virginia during the fourth quarter.

- Matan’s Redstone Industrial development delivered two new properties at 11501 University Boulevard in Manassas, 50% leased overall.
- Commerce Place on Oaklawn Drive delivered two new properties, both fully available for lease.

Four properties totaling 524,000 sq. ft. remain under construction, all scheduled to deliver by the end of 2024. A large majority (83%) of the new construction is in the Route 28/Dulles North submarket.

Pricing

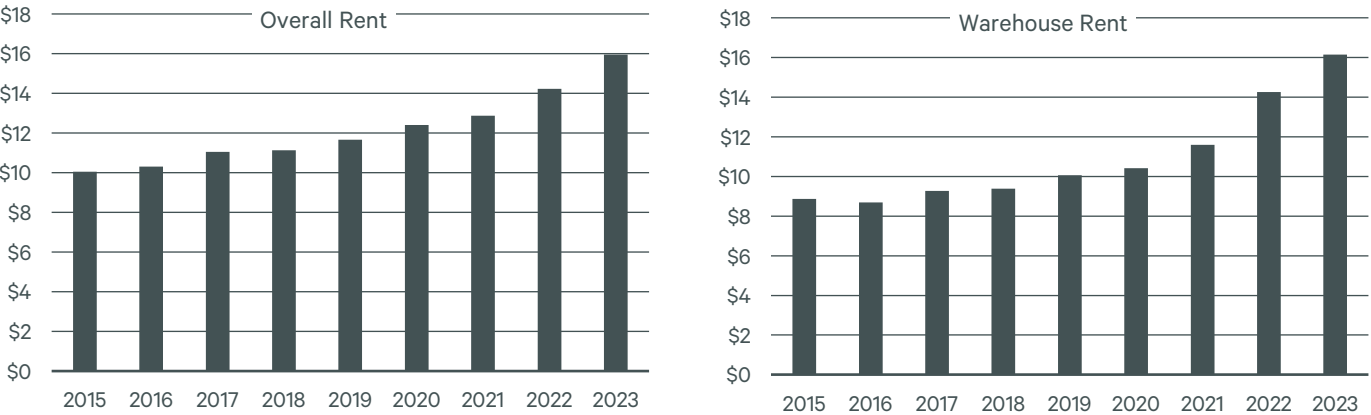
Asking rates continue to rise across Northern Virginia. Overall asking rates increased to \$15.96 per sq. ft. per annum on a triple-net basis, a 1% increase quarter-over-quarter. Average warehouse rents are \$16.14 per sq. ft. per annum on a triple-net basis to end the year.

FIGURE 5: Select Notable Development Projects

Address	Submarket	SF	Expected Delivery	Developer(s)
43035 John Mosby Hwy	Rt 28/Dulles North	232,500	Q2 2024	Elion Partners
25435 Pleasant Valley Rd	Rt 28/Dulles North	130,020	Q3 2024	Brookfield Properties
8233 Buckeye Timber Dr	Rt 29/I-66	91,172	Q1 2024	Cabot Properties, Inc.
44080 John Mosby Hwy	Rt 28/Dulles North	70,400	Q3 2024	Becca, LLC

Source: CBRE

FIGURE 6: Historical Asking Rents



Source: CBRE

Economic Outlook

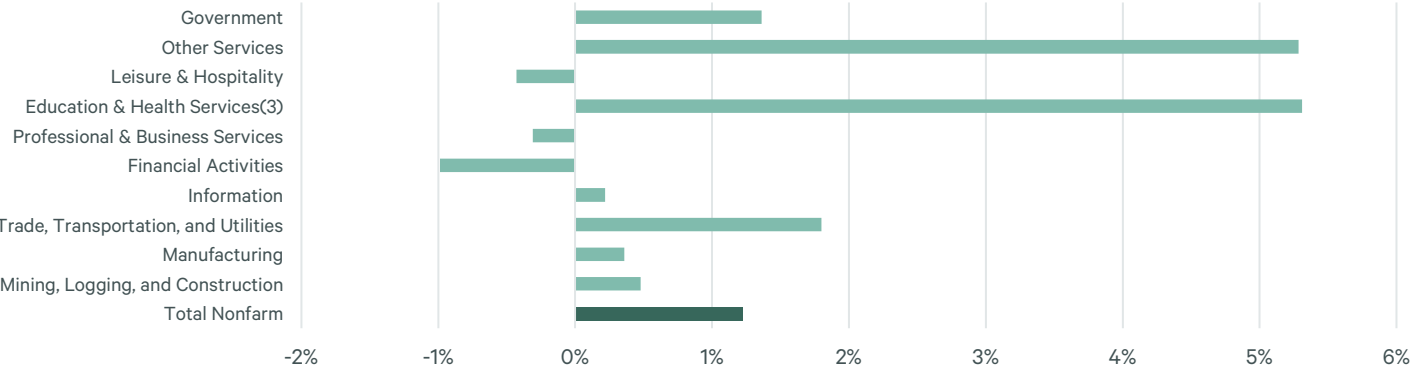
The combination of continued economic momentum with a likelihood that the Fed’s dramatic tightening cycle is now complete makes a ‘soft landing’ appear more likely for early 2024 but the pace of growth will be more modest than in recent quarters.

Foremost, lower and middle-income households no longer have the luxury of excess savings and the pace of wage growth, while remaining elevated, is slowing. This nuance with wage growth is important. Higher wages are helping to maintain higher, albeit decelerating, core inflation.

This backdrop will likely translate into the Fed only slowly lowering its target rate in 2024 (CBRE expects 75 to 100 basis points worth of rate cuts in 2024). This outlook may deter some spending, but it does help illuminate a pathway forward for real estate capital markets.

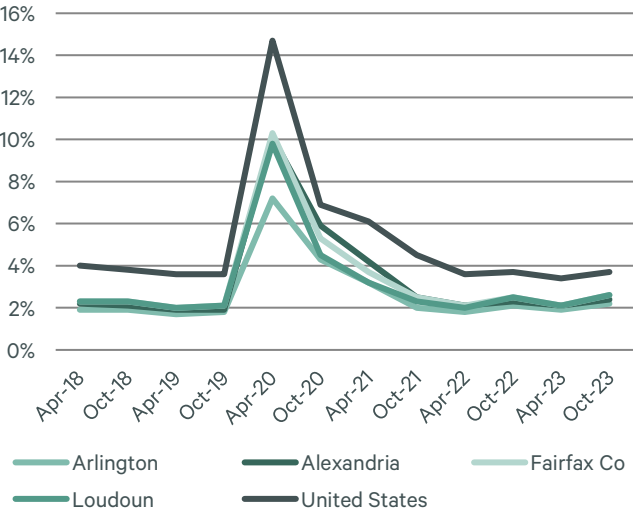
Indeed, the combination of healthy fundamentals for many sectors and thawing credit markets could provide some welcome upside surprises for real estate performance in 2024.

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



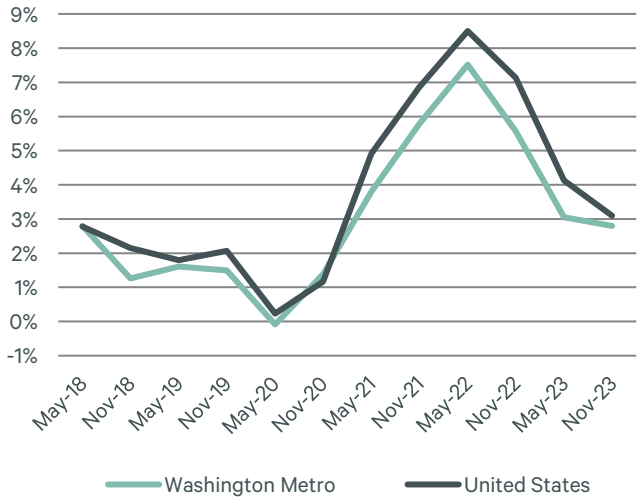
Source: BLS *includes Arlington, Clarke, Fairfax, Fauquier, Loudoun, Prince William, Spotsylvania, Stafford, and Warren Counties and Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas, and Manassas Park Cities in Virginia.

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 (%)	Q4 2023 Net Absorption (SF)	2023 YTD Net Absorption	NNN Asking Rent/Class A (\$/SF)	Under Construction (SF)
Overall Industrial	City of Alexandria	3,805,108	5.5%	7,372	(21,204)	15.38	-
	Arlington County	670,131	-	3,195	-	-	-
	Fairfax County	34,029,236	5.8%	(175,187)	184,948	15.76	-
	Loudoun County	19,982,114	3.3%	18,940	378,788	16.62	432,920
	Prince William County	18,040,248	4.4%	163,640	247,064	16.27	91,172
	Total	76,526,837	4.8%	17,960	789,596	15.96 / 20.29	524,092
Warehouse	City of Alexandria	3,178,925	5.9%	3,978	(18,047)	15.40	-
	Arlington County	531,322	-	-	-	-	-
	Fairfax County	19,950,883	4.5%	(130,074)	(39,618)	15.60	-
	Loudoun County	13,221,993	2.1%	(29,370)	529,293	18.25	432,920
	Prince William County	13,507,840	4.7%	138,409	265,141	16.03	91,172
	Total	50,390,963	4.0%	(17,057)	736,769	16.14	524,092
Flex	City of Alexandria	626,183	3.3%	3,394	(3,157)	15.27	-
	Arlington County	138,809	-	3,195	-	-	-
	Fairfax County	14,078,353	7.7%	(45,113)	224,566	15.85	-
	Loudoun County	6,760,121	5.8%	48,310	(150,505)	14.84	-
	Prince William County	4,532,408	3.6%	25,231	(18,077)	16.80	-
	Total	26,135,874	6.3%	35,017	52,827	15.79	-

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

Chad Robbins

Research Analyst
chad.robbins1@cbre.com

Erin Janacek

Research Manager
erin.janacek@cbre.com

Stephanie Jennings

Research Director
stephanie.jennings@cbre.com

© Copyright 2023. All rights reserved. The views and opinions in these articles belong to the author and do not necessarily represent the views and opinions of CBRE. Our employees are obliged not to make any defamatory clauses, infringe or authorize infringement of any legal rights. Therefore, the company will not be responsible for or be liable for any damages or other liabilities arising from such statements included in the articles.

MARKET AREA OVERVIEW

