

FIGURES | NORTHERN VIRGINIA INDUSTRIAL | Q1 2025

Strong Fundamentals Persist Despite Returning Economic Uncertainty



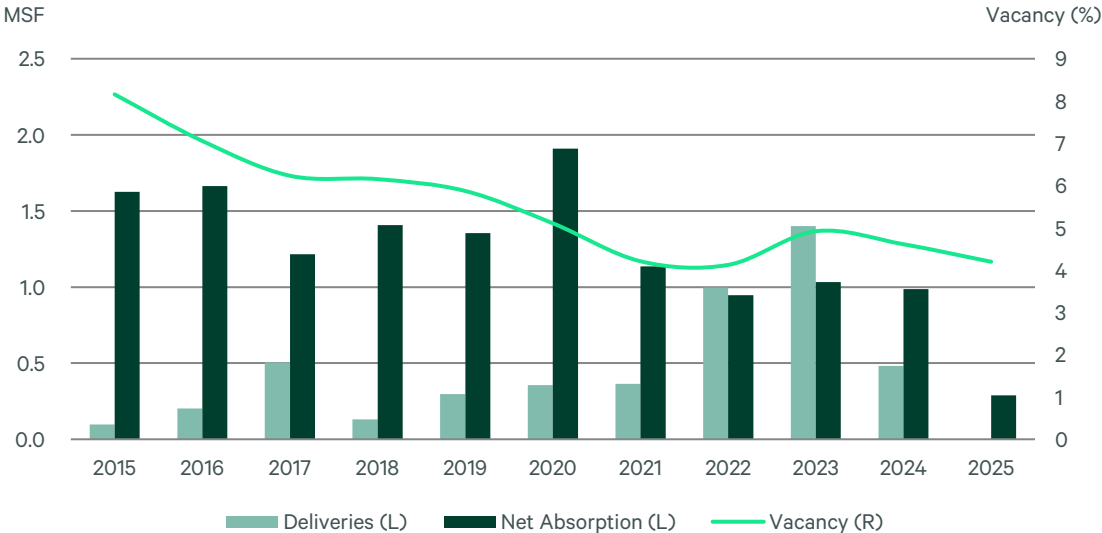
Note: Arrows indicate change from previous quarter.

Northern Virginia's industrial market has been a bright spot in the Mid-Atlantic, posting strong fundamentals throughout 2024 and particularly in the fourth quarter. Across the Mid-Atlantic, industrial activity picked up to close 2024, and the momentum was expected to carry into 2025. However, economic conditions have caused anxiety in the industrial sector, dampening activity. Despite this anxiety, Northern Virginia continues to see positive trends and developments.

The market recorded 288,000 sq. ft. of positive absorption in the first quarter, causing the vacancy rate to decrease 40 basis points (bps) quarter-over-quarter to 4.2%. Strong occupancy gains are expected in the coming quarters as well, with multiple large move-ins expected during the second half of the year. Asking rates held steady at \$16.71 per sq. ft. per annum on a triple-net basis (NNN). Northern Virginia maintained rental rate growth longer than other Mid-Atlantic markets but is now seeing stabilization.

More than 500,000 sq. ft. remains under construction, all scheduled to deliver by the first quarter of 2026. Deliveries for this year are projected to be below those of 2024.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

Leasing Snapshot

Industrial leasing totaled 801,000 sq. ft., consistent with Q4 2024 levels. Activity was concentrated in Dulles, with the Route 28/Dulles North & South submarkets accounting for 63% of gross leasing. Third-party logistics and business services tenants were the most active sectors, but total activity was spread across eight sectors.

Third-Party Logistics (3PLs)

Schenker signed the largest transaction of the quarter, a 232,500 sq. ft. lease for the entire warehouse at 43035 John Mosby Highway. The Class A property was briefly available after being completed last quarter. In total, 3PLs accounted for 33% of gross leasing, up from 27% quarter-over-quarter, driven mostly by Schenker.

Business Services

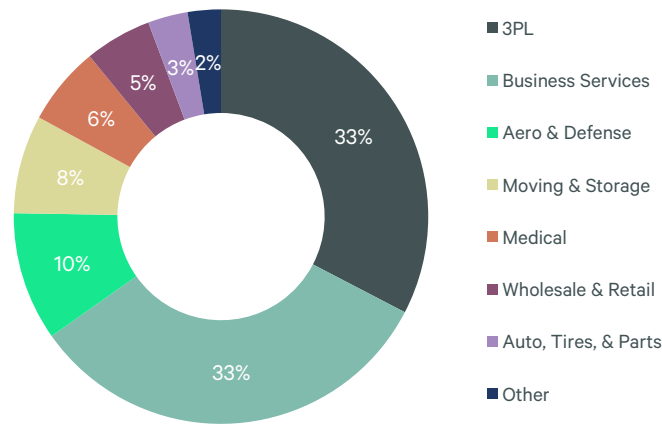
Two of the largest deals in the business services sector were both from Access Information Management. The tenant signed renewals at both 8485 Euclid Drive and 9101 Owens Drive, maintaining its 83,000 sq. ft. footprint in Manassas. Business services tenants were the second-most active tenant group behind 3PLs on a square-footage basis, accounting for 33% of gross leasing activity. However, business services tenants signed 38% of the total deals.

FIGURE 2: Select Q1 2025 Lease Transactions

Tenant	Industry	Address	Submarket	Lease Type	SF
Schenker	3PL	43035 John Mosby Hwy	Route 28/Dulles North	New Lease	232,500
My Guys Moving	Moving & Storage	42714 Trade West Dr	Route 28/Dulles North	New Lease	58,827
Access Information Management	Business Services	8485 Euclid Dr	Manassas	Renewal	43,047
Access Information Management	Business Services	9101 Owens Dr	Manassas	Renewal	40,018
Technoguard	Business Services	45055 Underwood Ln	Route 28/Dulles North	New Lease	26,487
Northrop Grumman	Aerospace & Defense	45065 Old Ox Rd	Route 28/Dulles North	Renewal	26,356
STC Management & Elite Auto Parts	Auto, Tires, & Parts	6304 Gravel Ave	Springfield	Renewal/Expansion	23,859
W. W. Grainger	Wholesale & Retail	101-107 International Dr	Route 28/Dulles North	Renewal	20,128

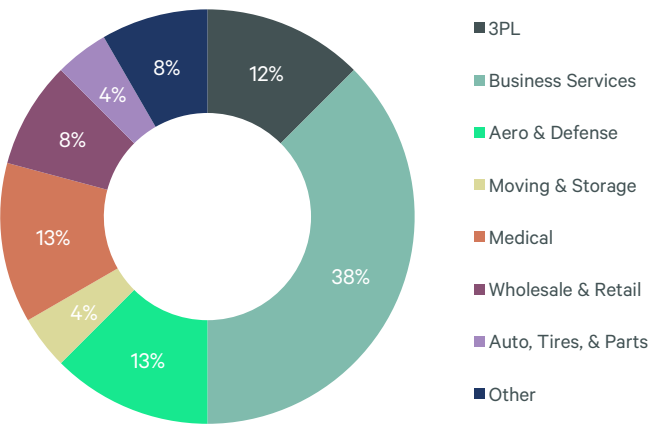
Source: CBRE

FIGURE 3: Q1 2025 Gross Leasing by Sector (Share by SF)



Source: CBRE

FIGURE 4: Q1 2025 Gross Leasing by Sector (Share by Total Leases)



Source: CBRE

Development Activity

No industrial properties delivered during the first quarter. Clarion broke ground on Buildings 3 and 4 of the Manassas Logistics Center during Q1:

- 10341 Golf Academy Drive is a 133,200 sq. ft. Class A warehouse, fully available for lease.
- 10420 Golf Academy Drive is a 184,800 sq. ft. Class A warehouse, fully available for lease

The speculative properties are expected to capture tenant interest as buildings 1 and 2 completed in 2023 and are both fully occupied.

Overall, the industrial pipeline is comprised of 506,000 sq. ft. across four warehouses. Industrial construction in Northern Virginia has seen a slowdown following the two-year high seen in 2022 & 2023. With the demand for data centers skyrocketing, the availability of suitable, industrial-zoned land has fallen.

Pricing

Overall asking rates saw little movement quarter-over-quarter, dropping to \$16.71 per sq. ft. per annum on a triple-net basis (NNN). Warehouse asking rents also saw a slight decrease, hitting \$17.07 NNN.

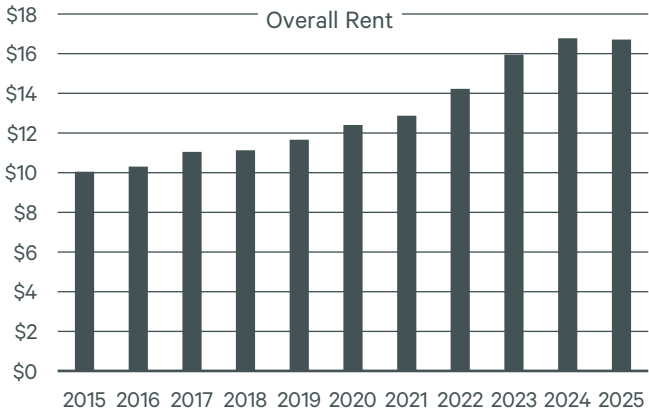
In line with other Mid-Atlantic industrial markets, asking rate growth has plateaued following years of blistering growth. In Northern Virginia, a handful of Class A spaces were leased and taken off the market during the first quarter, leading to decreased overall asking rates.

FIGURE 5: Select Notable Development Projects

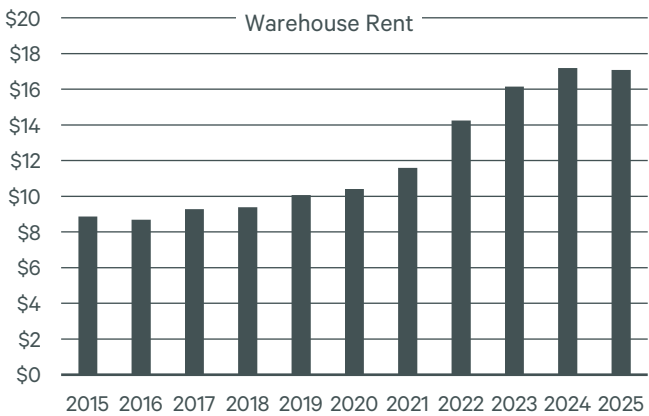
Address	Submarket	SF	Expected Delivery	Developer(s)
10420 Golf Academy Dr	Rt 28/Dulles North	184,800	Q1 2026	Clarion
10341 Golf Academy Dr	Rt 28/Dulles North	133,200	Q1 2026	Clarion
13700 Dabney Rd	Woodbridge	110,935	Q2 2025	IDI Group
10671 University Blvd	Rt 29/I-66	77,948	Q2 2025	Buchanan Partners

Source: CBRE

FIGURE 6: Historical Asking Rents



Source: CBRE

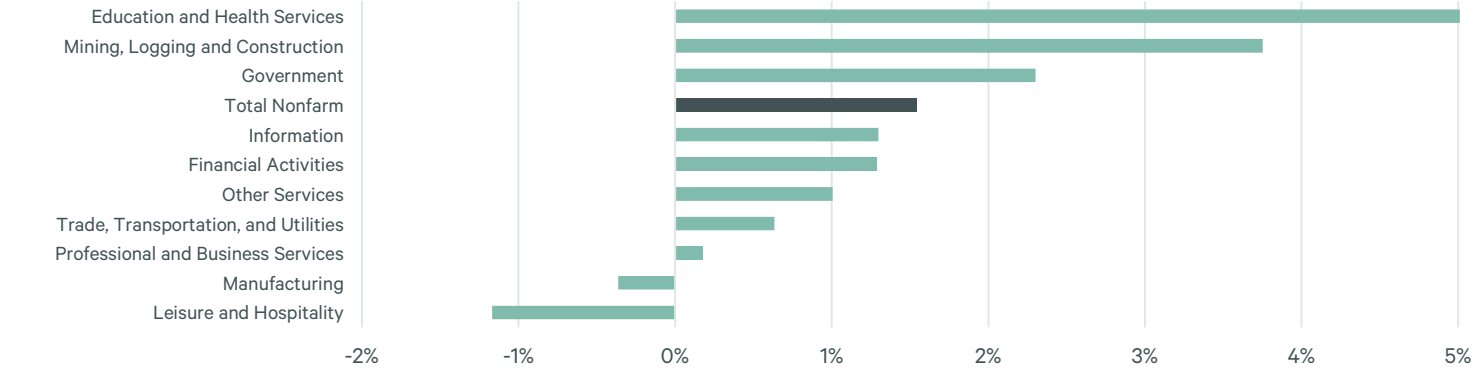


Economic Outlook

Policy speculation and announcements are now the key drivers of macro expectations and financial markets. The reality of material trade conflicts this year is now paired with realized softer economic data. Some of this could be due to firms taking a ‘wait-and-see’ approach as they digest changing trade policy. Consumer sentiment has declined noticeably, albeit much more than actual spending. Consequently, CBRE has revised its GDP growth outlook for this year down to just below 2%.

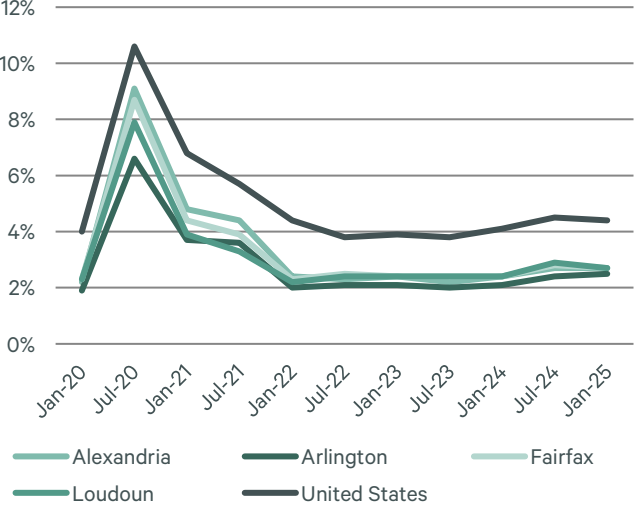
Despite policy uncertainty, credit markets are more accommodative, with tighter spreads and more issuance compared to a few quarters ago. More fluid credit markets have yet to translate into stronger sales volume, as many institutional owners and reams of dry powder capital remain on the sidelines. The continuation of accretive credit trends and eventual deployment of dry powder will depend on the impact of new policies. Should they prove more inflationary, this would erode recent capital markets progress. If not, and macro impacts are limited, this could give the Fed a green light for further cuts and help unlock monies waiting on the sidelines.

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



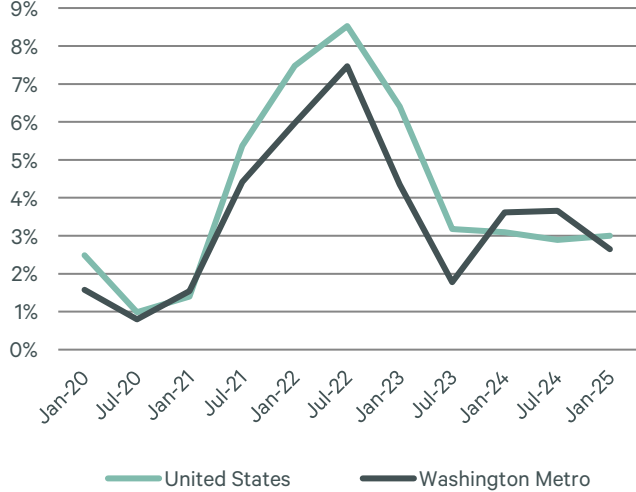
Source: BLS
*includes Arlington, Clarke, Fairfax, Fauquier, Loudoun, Prince William, Spotsylvania, Stafford, and Warren Counties and Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas, and Manassas Park Cities in Virginia.

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 2025 Net Absorption (SF)	NNN Asking Rent/Class A (\$/SF)	Under Construction (SF)
Overall Industrial	City of Alexandria	3,830,970	4.7	-	18.04	-
	Arlington County	512,693	1.8	(2,000)	24.00	-
	Fairfax County	32,566,724	5.1	3,326	16.08	-
	Loudoun County	19,979,142	4.3	112,241	18.17	-
	Prince William County	18,057,871	2.5	174,553	15.74	506,883
	Total	74,947,400	4.2	288,120	16.71 / 20.05	506,883
Warehouse	City of Alexandria	3,295,083	4.7	-	18.04	-
	Arlington County	400,784	2.3	(2,000)	24.00	-
	Fairfax County	19,085,938	3.5	33,534	16.03	-
	Loudoun County	13,497,114	5.1	90,966	18.67	-
	Prince William County	13,675,462	2.8	172,553	15.81	506,883
	Total	49,954,381	3.8	295,053	17.07	506,883
Flex	City of Alexandria	535,887	4.7	-	-	-
	Arlington County	111,909	-	-	-	-
	Fairfax County	13,480,786	7.3	(30,208)	16.13	-
	Loudoun County	6,482,028	2.6	21,275	15.76	-
	Prince William County	4,382,409	1.4	2,000	15.57	-
	Total	24,993,019	5.0	(6,933)	16.04	-

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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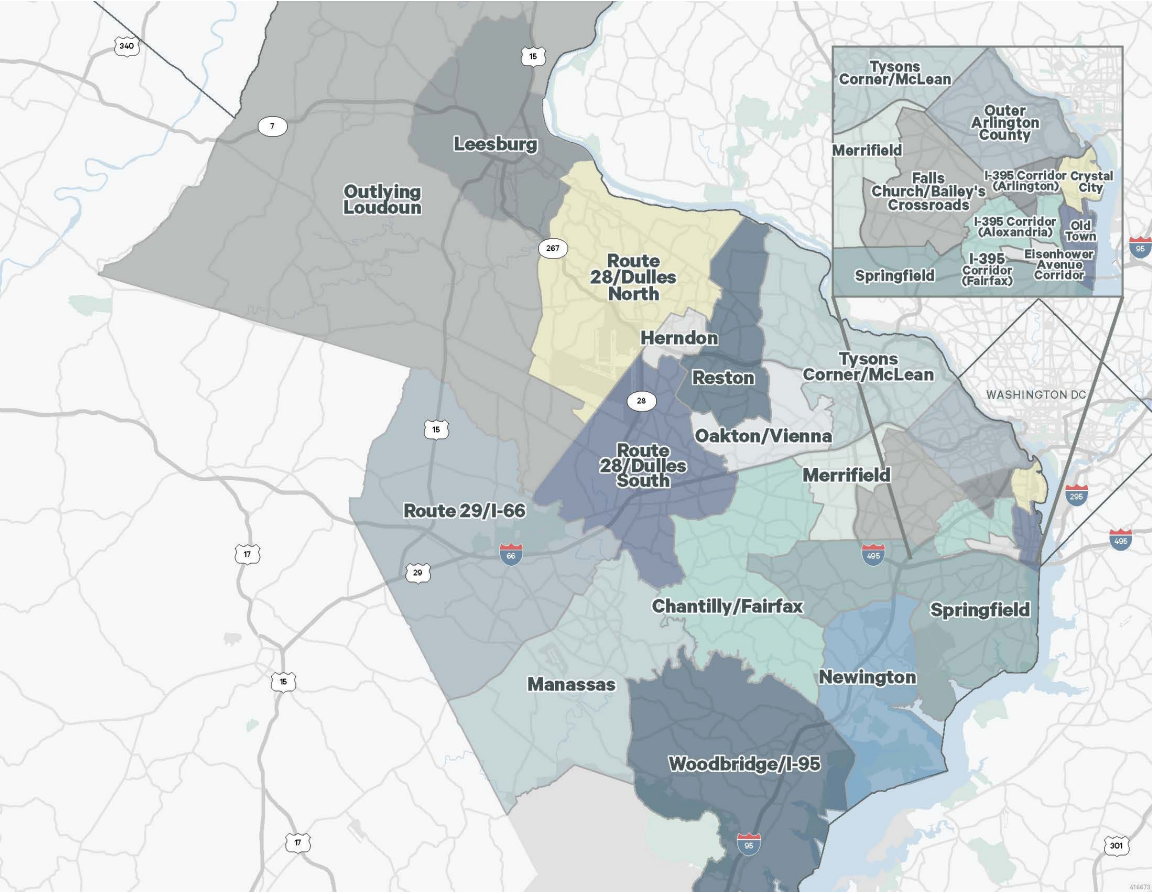
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MARKET AREA OVERVIEW



CBRE Mid-Atlantic Research began using a proprietary database for industrial properties in mid-2024. Beginning Q4 2024, statistics and trends reported in previous reports likely changed due to our revised data methodologies.