

FIGURES | NORTHERN VIRGINIA INDUSTRIAL | Q2 2025

Moderate Activity Despite Macroeconomic Headwinds



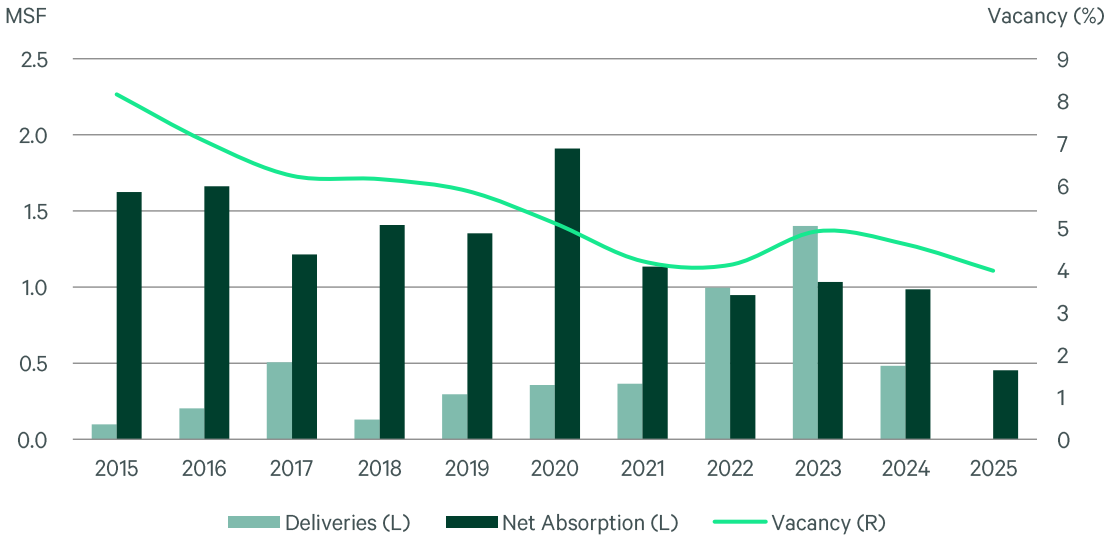
Note: Arrows indicate change from previous quarter.

Across the Mid-Atlantic, industrial activity picked up to close 2024, but the momentum was stalled by economic uncertainty coming into 2025. Despite the unstable economic conditions, Northern Virginia’s industrial market continues to perform well, maintaining positive fundamentals through the first half of 2025.

The market recorded 165,000 sq. ft. of positive absorption in the second quarter, about half of the occupancy gains seen in the first quarter. This caused the vacancy rate to drop to 4.0%, the lowest mark since the first quarter of 2023. Asking rates saw a marginal decrease to \$16.61 per sq. ft. per annum on a triple-net basis (NNN), signaling the blistering rent growth recorded in prior quarters has seemingly stabilized. As the supply of quality space declines due to leasing, availability within product with lower rates is impacting average asking rates.

Development activity saw some changes quarter-over-quarter, with no buildings delivering but four breaking ground. More than 792,000 sq. ft. is under construction, all scheduled to deliver by the first half of 2026.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

Leasing Snapshot

Industrial leasing totaled 858,000 sq. ft., on par with levels seen in the past two quarters. Activity was concentrated in the Route 28/Dulles North and Route 29/I-66 submarkets, together accounting for 59% of gross leasing. Activity was less diverse this quarter with only five sectors seeing activity.

Building Materials & Construction

The largest transaction by a building materials & construction tenant was signed by Perlectric, who fully preleased 14650 Willard Road, which is expected to break ground next quarter. Additionally, VarcoMac, LLC leased 55% of 25435 Pleasant Valley Road, which delivered vacant just a year ago. Rosendin Electric, another electrical contractor, leased the remaining available space at 22725 Dulles Summit Court. The latter two deals contributed to the falling vacancy rate in the Route 28/Dulles North submarket, which decreased by 50 basis points in two consecutive quarters and now sits at just 3.6%.

Wholesale & Retail

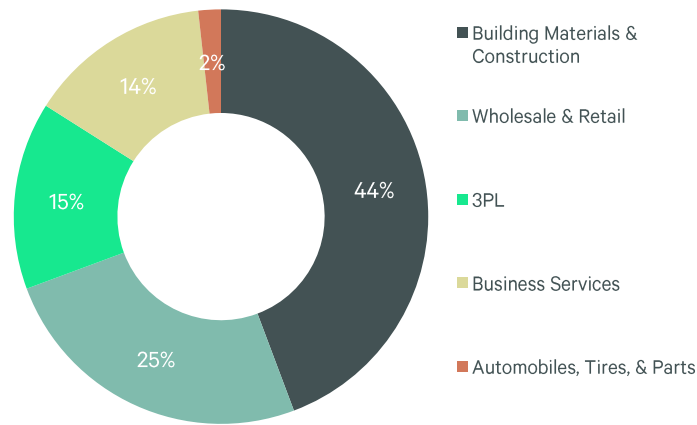
In one of the largest transactions of the quarter, Costco Wholesale leased nearly 82,000 sq. ft. at 7315 Groveton Road. The class A property delivered in Q2 2023 and has been partially leased since last year. Additionally, Ferguson Enterprises signed the largest renewal of the quarter, recommitting to 69,000 sq. ft. at 7780 Doane Drive. The wholesaler has occupied the warehouse since 2017.

FIGURE 2: Select Notable Q2 2025 Lease Transactions

Tenant	Industry	Address	Submarket	Lease Type	SF
Costco Wholesale	Wholesale & Retail	7315 Groveton Rd	Route 29/I-66	New Lease	81,688
Meta	Business Services	44211 Mercure Cir	Route 28/Dulles North	New Lease	76,020
Perlectric	Building Materials & Construction	14650 Willard Rd	Route 28/Dulles South	New Lease	73,540
VarcoMac, LLC	Building Materials & Construction	25435 Pleasant Valley Rd	Route 28/Dulles North	New Lease	71,221
Ferguson Enterprises	Wholesale & Retail	7780 Doane Dr	Route 29/I-66	Renewal	69,262
FedEx	3PL	6602-6634 Fleet Dr	Springfield	Renewal	66,000
Rosendin Electric	Building Materials & Construction	22725 Dulles Summit Ct	Route 28/Dulles North	New Lease	52,715
Dynalectric	Building Materials & Construction	22930 Shaw Rd	Route 28/Dulles North	Renewal	32,616

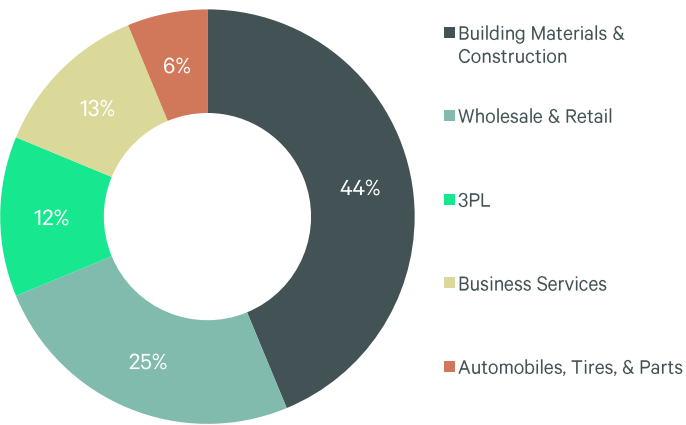
Source: CBRE

FIGURE 3: Q2 2025 Gross Leasing by Sector (Share by SF)



Source: CBRE

FIGURE 4: Q2 2025 Gross Leasing by Sector (Share by Total Leases)



Source: CBRE

Development Activity

Four industrial properties broke ground during the second quarter; Prologis started construction on the Dulles Logistics Center, totaling 282,000 sq. ft. of class A space in the Route 28/Dulles North submarket. With no deliveries, 792,000 sq. ft. of space remains in the pipeline across eight warehouses. Due to moderate occupancy gains in three consecutive quarters, speculative properties are expected to generate strong tenant interest.

Industrial construction in Northern Virginia has seen a slowdown following the two-year high seen in 2022 and 2023. Through the end of 2025, Northern Virginia is projected to see the lowest level of deliveries since 2018. Competition with data center development and a lack of suitable, industrial-zoned land has impeded new industrial projects from starting.

Address	Submarket	SF	Expected Delivery	Developer(s)
10420 Golf Academy Dr	Manassas	184,800	Q1 2026	Clarion
10341 Golf Academy Dr	Manassas	133,200	Q1 2026	Clarion
13700 Dabney Rd	Woodbridge	110,935	Q4 2025	IDI Group
22494 Lockridge Rd	Rt 28/Dulles North	99,840	Q2 2026	Prologis
10671 University Blvd	Rt 29/I-66	77,948	Q3 2025	Buchanan Partners
22504 Lockridge Rd	Rt 28/Dulles North	66,650	Q2 2026	Prologis
22630 Lockridge Rd	Rt 28/Dulles North	58,240	Q2 2026	Prologis
22620 Lockridge Rd	Rt 28/Dulles North	58,240	Q2 2026	Prologis

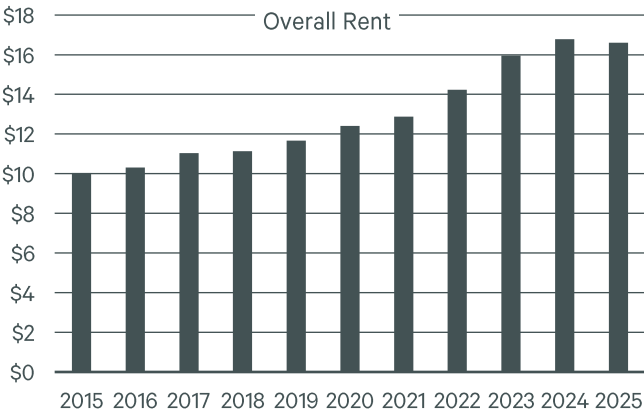
Source: CBRE

Pricing

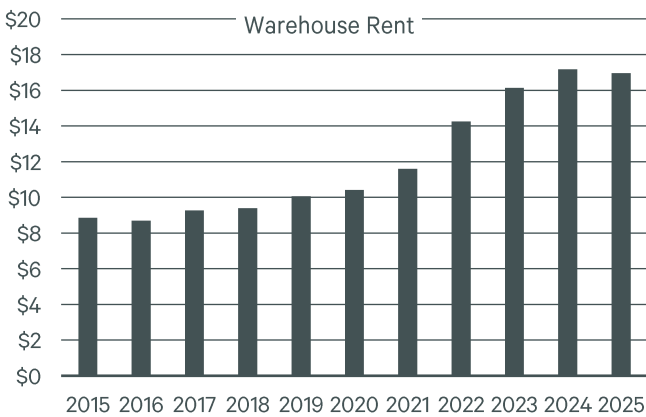
Overall asking rates saw little movement quarter-over-quarter, dropping to \$16.61 NNN. Warehouse asking rents also saw a slight decrease, hitting \$16.96 NNN. Despite two consecutive quarters of rate drops, both overall and warehouse asking rents hover near historic highs reached in 2024. Top quality space is sparsely available, and such spaces command premium rates.

In line with other Mid-Atlantic industrial markets, asking rate growth has plateaued. Recently delivered speculative properties that had been sitting vacant are now coming out of the lease-up phase. New speculative deliveries in the next few quarters should contribute to asking rate growth.

FIGURE 6: Historical Asking Rents



Source: CBRE

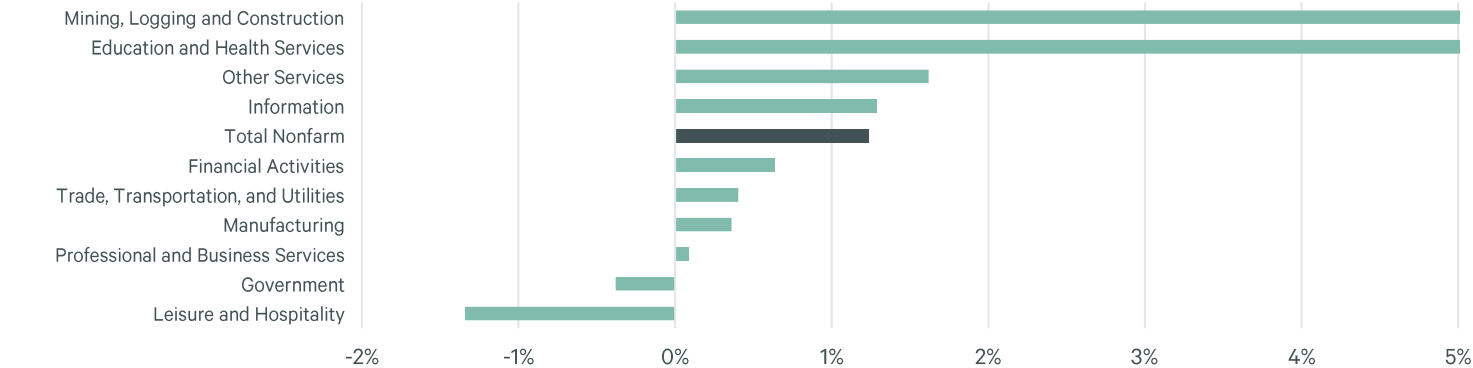


Economic Outlook

Policy announcements and the news cycle—not economic fundamentals—are driving sentiment today. Q2 2025 began with the Liberation Day tariffs and subsequent escalation that caused growth expectations to plummet. But by the top of Q3 2025, both the trade war rhetoric and effective tariff rate have softened. While consumer and business sentiment surveys remain weak, the hard economic data (e.g., jobless claims, CPI, orders) points to a more steady economy. To be sure, it could take time for the costs associated with higher tariffs and global uncertainty to filter through, but in the meantime CBRE has increased its 2025 GDP growth outlook to 1.3% for 2025. Barring further disruptions this provides upside risk for hiring in coming quarters.

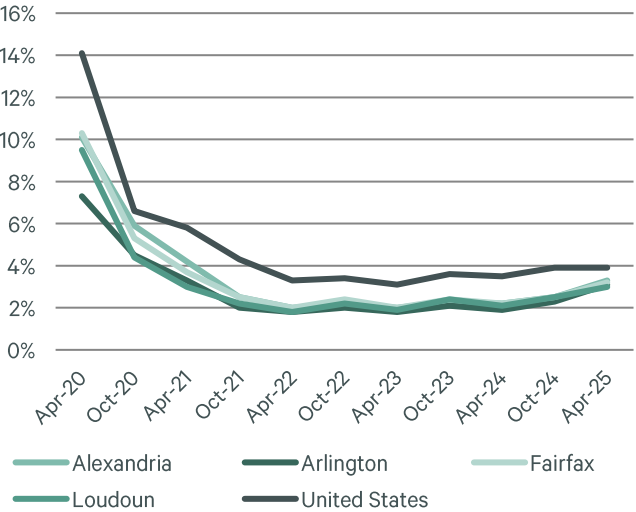
Commercial real estate markets are taking these changes in stride. On the occupier side, continued growth translates into positive absorption for many sectors and markets, including offices. Regarding capital markets, investment volume is on track to exceed 2023 and 2024 levels. This is supported by credit issuance making a turnaround and credit spreads falling back to pre-April 2 levels.

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



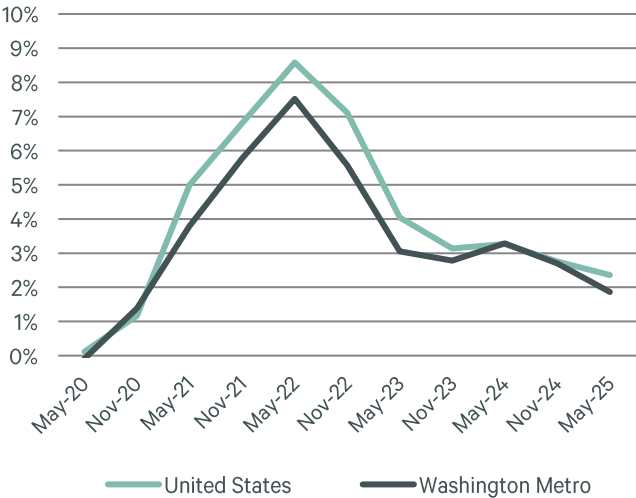
Source: BLS *includes Arlington, Clarke, Fairfax, Fauquier, Loudoun, Prince William, Spotsylvania, Stafford, and Warren Counties and Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas, and Manassas Park Cities in Virginia.

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 (%)	Q2 2025 Net Absorption (SF)	2025 YTD Net Absorption	NNN Asking Rent/Class A (\$/SF)	Under Construction (SF)
Overall Industrial	City of Alexandria	3,830,970	4.7	2,884	2,884	18.44	-
	Arlington County	512,693	1.8	0	(2,000)	24.00	-
	Fairfax County	32,566,724	4.9	49,228	52,554	16.22	-
	Loudoun County	19,979,142	3.8	97,274	209,515	17.97	282,880
	Prince William County	17,919,471	2.4	15,904	190,457	15.11	509,637
	Total	74,809,000	4.0	165,290	453,410	16.60 / 20.07	792,517
Warehouse	City of Alexandria	3,295,083	4.7	2,884	2,884	18.44	-
	Arlington County	400,784	2.3	-	(2,000)	24.00	-
	Fairfax County	19,085,938	3.3	44,583	78,117	16.30	-
	Loudoun County	13,497,114	4.3	103,971	194,937	18.56	282,880
	Prince William County	13,537,062	2.7	18,504	191,057	15.08	509,637
	Total	49,815,981	3.5	169,942	464,995	16.96	792,517
Flex	City of Alexandria	535,887	4.7	-	-	-	-
	Arlington County	111,909	-	-	-	-	-
	Fairfax County	13,480,786	7.3	4,645	(25,563)	16.14	-
	Loudoun County	6,482,028	2.7	(6,697)	14,578	15.96	-
	Prince William County	4,382,409	1.5	(2,600)	(600)	15.26	-
	Total	24,993,019	5.0	(4,652)	(11,585)	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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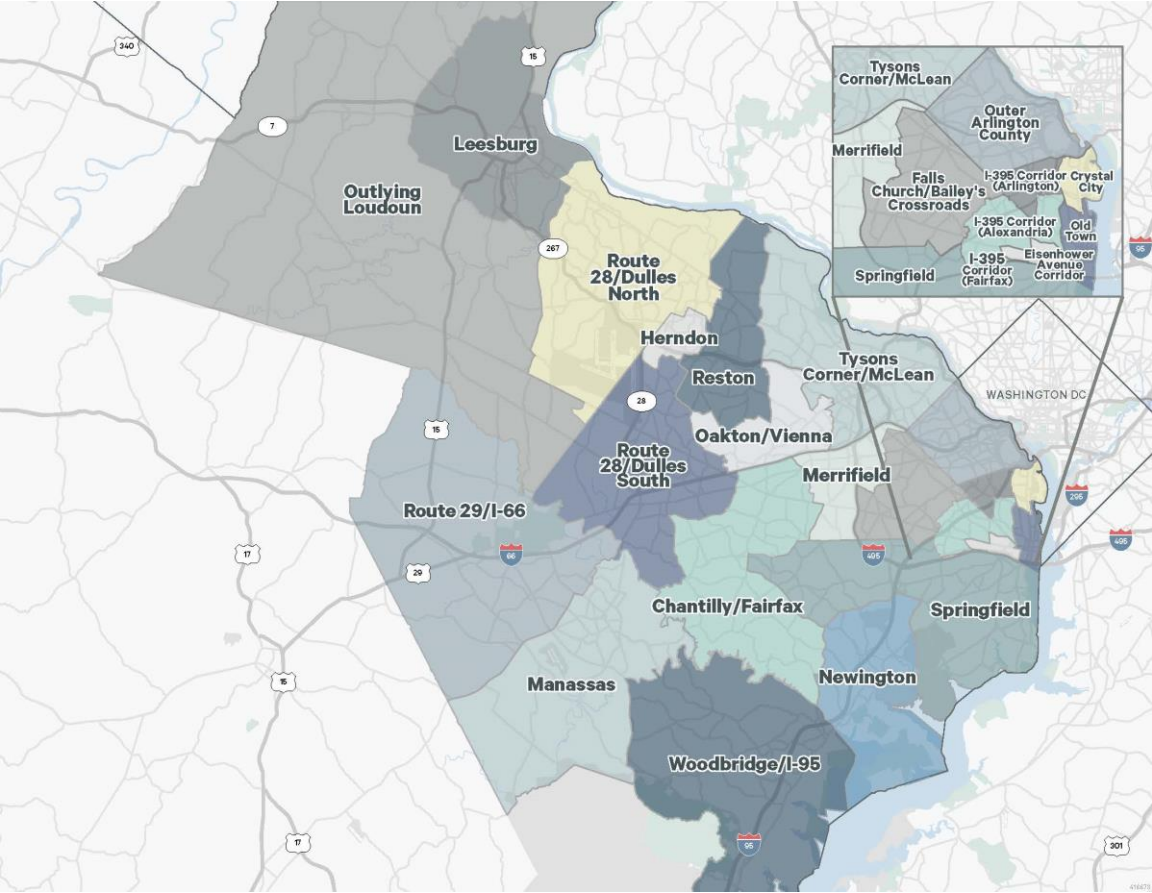
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MARKET AREA OVERVIEW



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.