



Northern Virginia Office Market Overview

4Q25

Market Observations



Economy

- As of September 2025, the most recently released data, the region's labor market remains tight, registering an unemployment rate of 4.1%, though more data from recent months will likely show growing unemployment in the region. The region's unemployment rate saw an increase of 110 basis points compared with the same period last year. Regional nonfarm job growth dipped negative, with a -0.1% over the same period.
- Office-using sectors saw job contraction over the last 12 months, with Information (-1.6%), Professional & Business Services (-1.5%) and Financial Activities (-0.3%) each losing jobs
- Office-using jobs in the region are currently 4.3% higher than five years ago, but only slightly higher than in March 2020, just before the pandemic began. Year-over-year office employment declined by 1.3%. Office employment in the region may stagnate in the near- to medium-term, as pullback from the federal government and a lack of a new stimulant have the potential to hamper growth.



Leasing Market Fundamentals

- Northern Virginia's office market posted 348,852 SF of positive net absorption in 2025 as large tenants began occupying committed space during the second half of the year. Vacancy declined to 21.3% as of year-end, down 90 basis points year-over-year, reflecting limited new supply and improving space utilization across select submarkets.
- The market was the beneficiary of several notable large leases signed during the fourth quarter of 2025, including The U.S. General Services Administration secured approximately 382,000 SF at the Randolph Building at 401 Dulany Street, and Booz Allen Hamilton taking 310,000 SF at Reston Station.
- In Northern Virginia, rents averaged \$36.93/SF at the end of 2025, an increase of 3.0% since the end of 2024.
- The market's development pipeline remains historically low, with only two properties totaling 89,750 SF under construction as of 4Q25.



Major Transactions

- A notable deal from the fourth quarter of 2025 was the sale of Ballston Station, located at 4301 North Fairfax Drive within the Ballston submarket. The 285,490-square-foot office property was sold by STRS Ohio CA Real Estate for \$28.0 million, or approximately \$98/SF, to Tavaco Properties.
- Office investment sales continue to lag in pricing per square foot as well as total transaction volume. The 12-month average per square foot of \$152 is down from the five-year peak of \$285/SF in the third quarter of 2020. 12-month transaction volume ending at the fourth quarter of 2025 registered approximately \$1.3 billion.



Outlook

- Supply-side reductions and selective demand drivers are expected to shape Northern Virginia's office market over the near to medium term. Proposed office-to-residential conversions total approximately 10.7 million square feet across close-in submarkets such as Alexandria, Arlington, and Tysons, contributing to a gradual tightening of available inventory.
- Leasing demand remains constrained by elongated decision-making tied to federal budget, procurement, and policy uncertainty, particularly among government contractors and professional services firms; however, improving visibility around funding levels and contract awards is beginning to ease tenant hesitation and support renewed market engagement.
- A sustained flight-to-quality dynamic continues to favor newer, well-located, and highly amenitized assets, allowing top-tier buildings to outperform broader market averages despite softer overall tenant demand.

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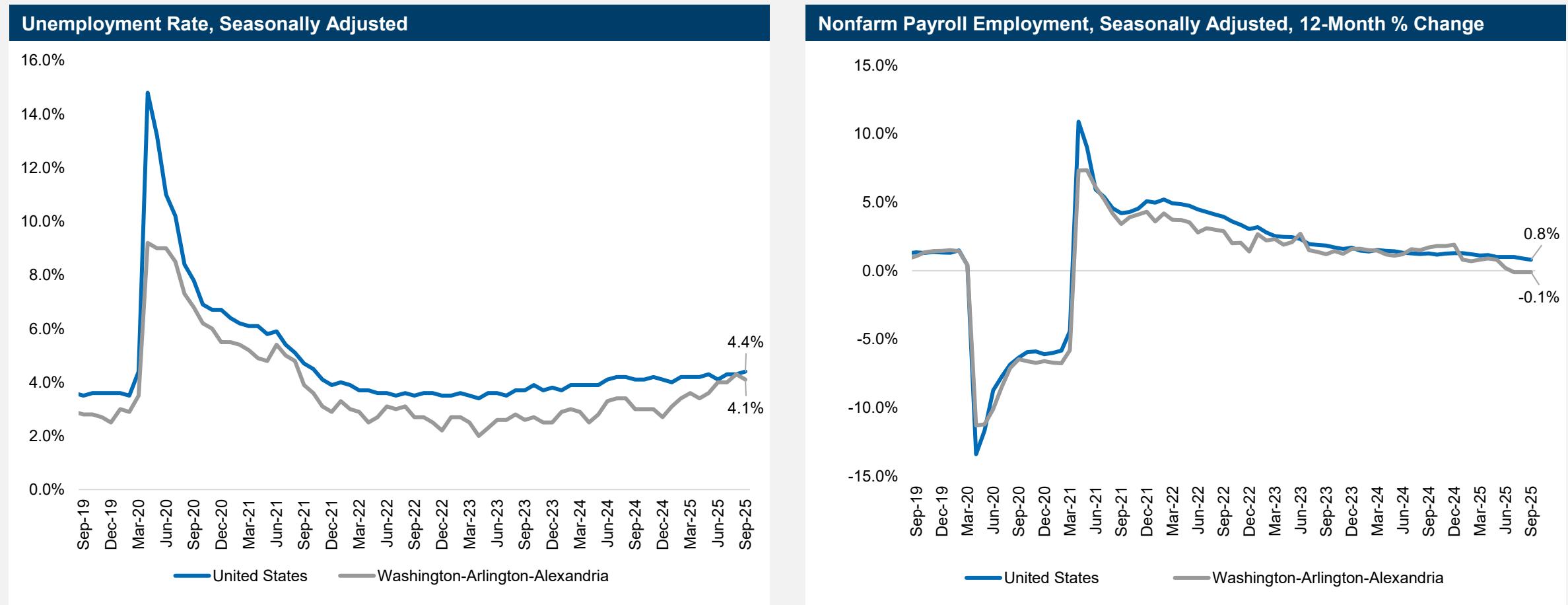
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Economy



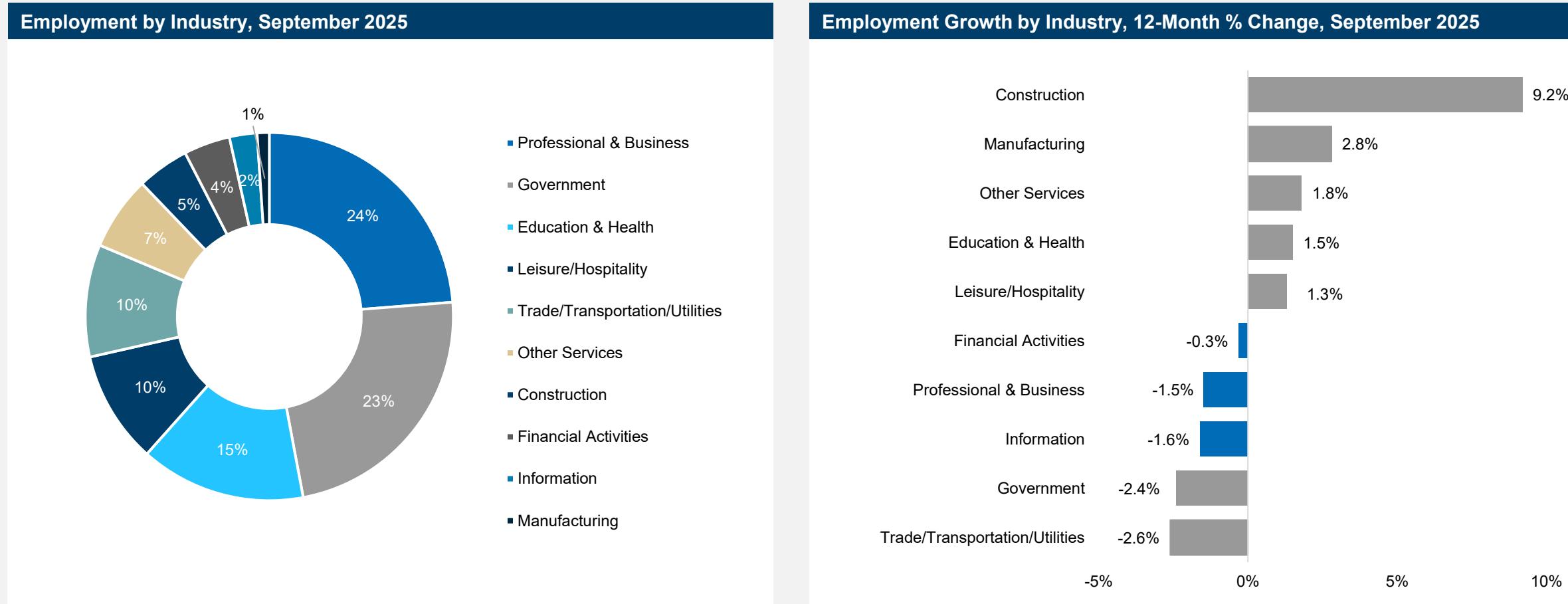
Delayed Local Unemployment Data Clouds Region's Employment Health

According to the most recently released data, the labor market remains tight, though more data from recent months will likely show growing unemployment in the Washington region. The fall's federal government shutdown, as well as deferred resignations, contributed to negative employment growth. The metro's unemployment rate decreased quarter-over-quarter but grew year-over-year, according to data available from before the shutdown. As of September 2025, the region's unemployment rate was 4.1%, an increase of 110 basis points compared with the same period last year. Regional nonfarm job growth dipped negative, declining by 0.1% over the same period.



Washington Metro Area Job Growth Driven by Construction and Manufacturing

The Construction and Manufacturing sectors propped up job growth in the region with a 9.2% 12-month increase and a 2.8% 12-month increase, respectively. The Other Services, Education & Health and Leisure/Hospitality sectors also experienced month 12-month growth. Office-using sectors saw job contraction over the last 12 months, with Information (-1.6%), Professional & Business Services (-1.5%) and Financial Activities (-0.3%) each losing jobs. According to the U.S. Bureau of Labor Statistics, federal government employment in the Washington, DC metro has decreased by approximately 72,000 jobs over the last year.



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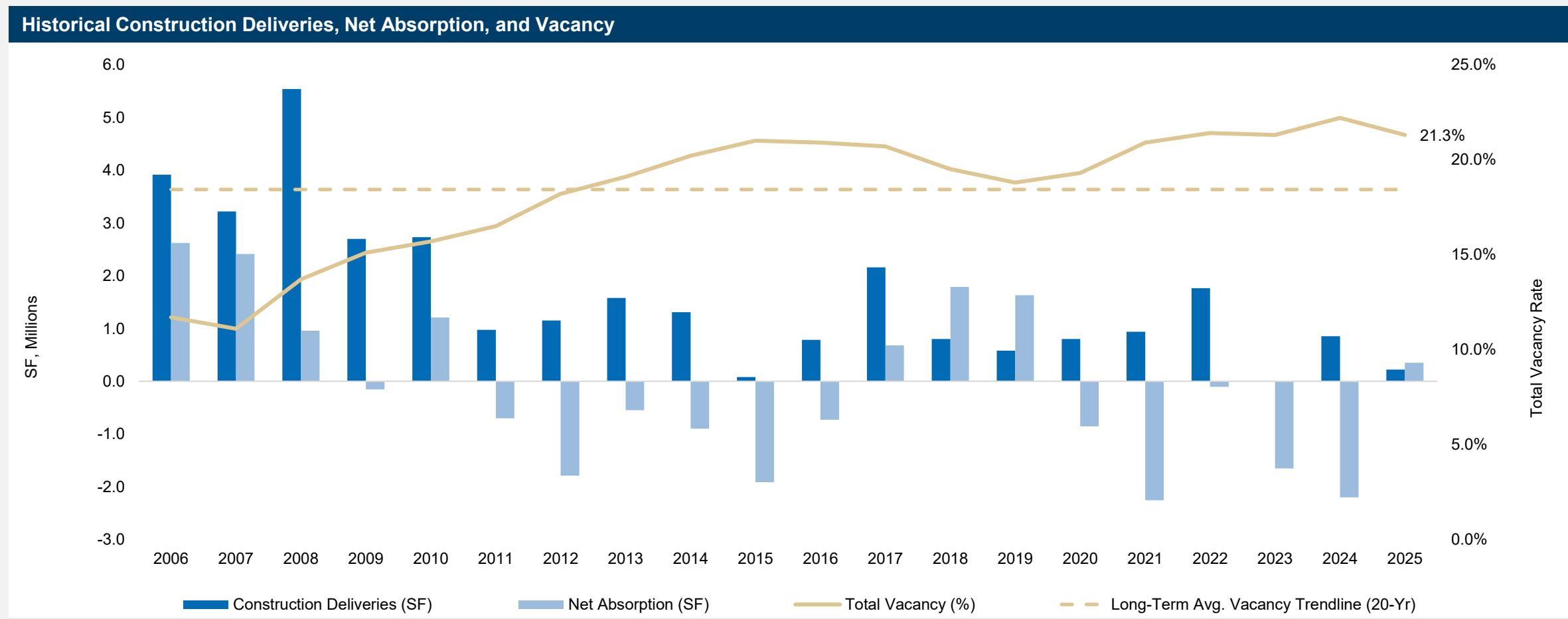
Leasing Market Fundamentals

4Q25



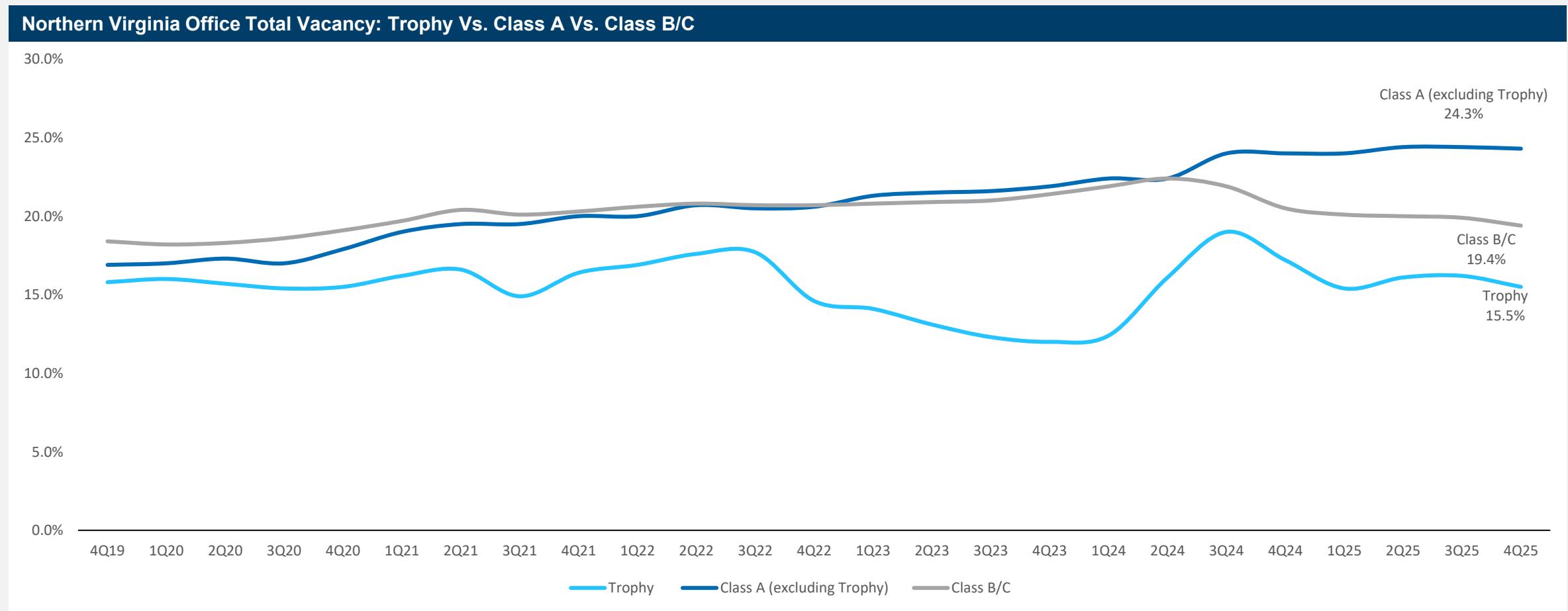
Market Exhibits Positive Momentum During Fourth Quarter

Northern Virginia's office market showed signs of stabilization in 2025, posting 348,852 SF of positive net absorption for the year, including 418,692 SF during the fourth quarter. As a result, the market's vacancy rate declined to 21.3%, down 90 basis points year-over-year and the lowest level since the fourth quarter of 2023. The development pipeline remains limited, with just 89,750 SF under construction in Northern Virginia, well below the long-term average. Limited speculative office construction, along with planned conversions, will continue to place downward pressure on vacancy and support a gradual rebalancing of supply and demand.



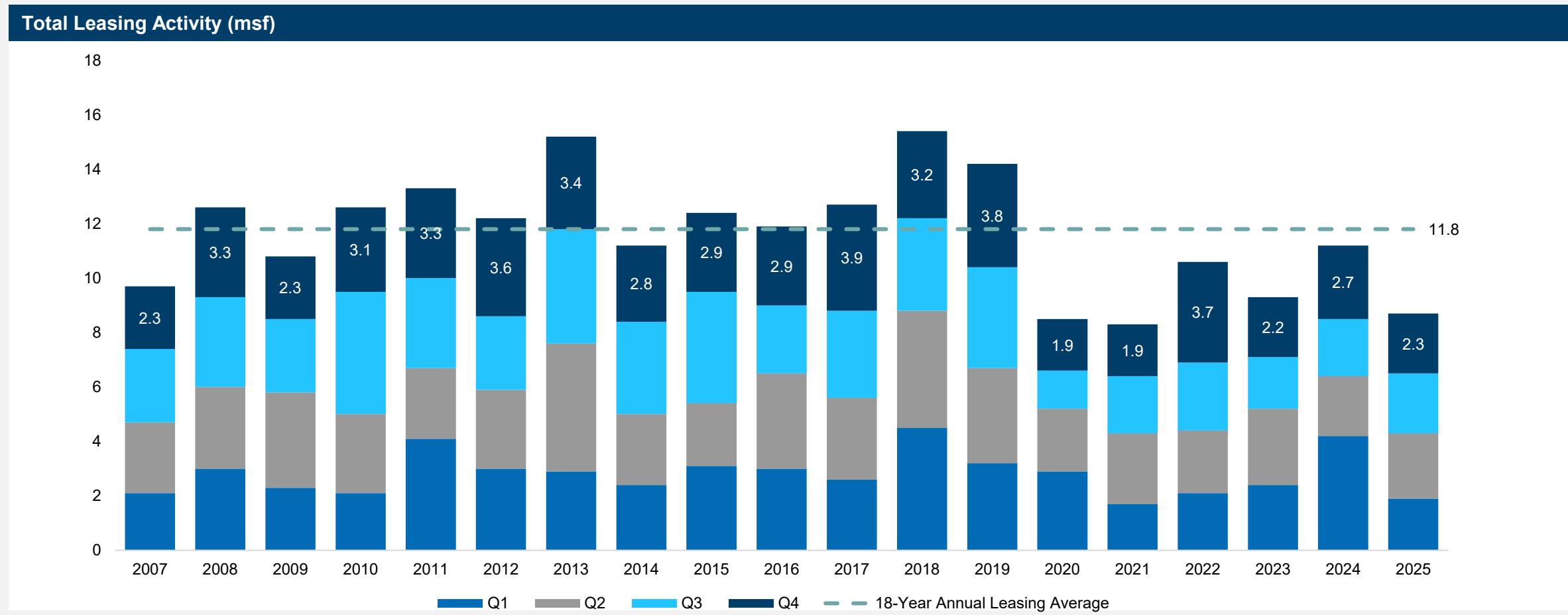
Northern Virginia Trophy Product Continues to Outperform

During the fourth quarter of 2025, overall trophy vacancy continued to tighten to 15.5%, down 170 basis points year-over-year, as flight-to-quality leasing persisted. Class A (excluding trophy product) vacancy ticked up modestly to 24.3% during the fourth quarter, a 30 basis point increase year-over-year. Class B/C vacancy measured 19.4% during the fourth quarter, the lowest level since the fourth quarter of 2020. Overall, trophy product has outperformed all other asset classes over the past five years.



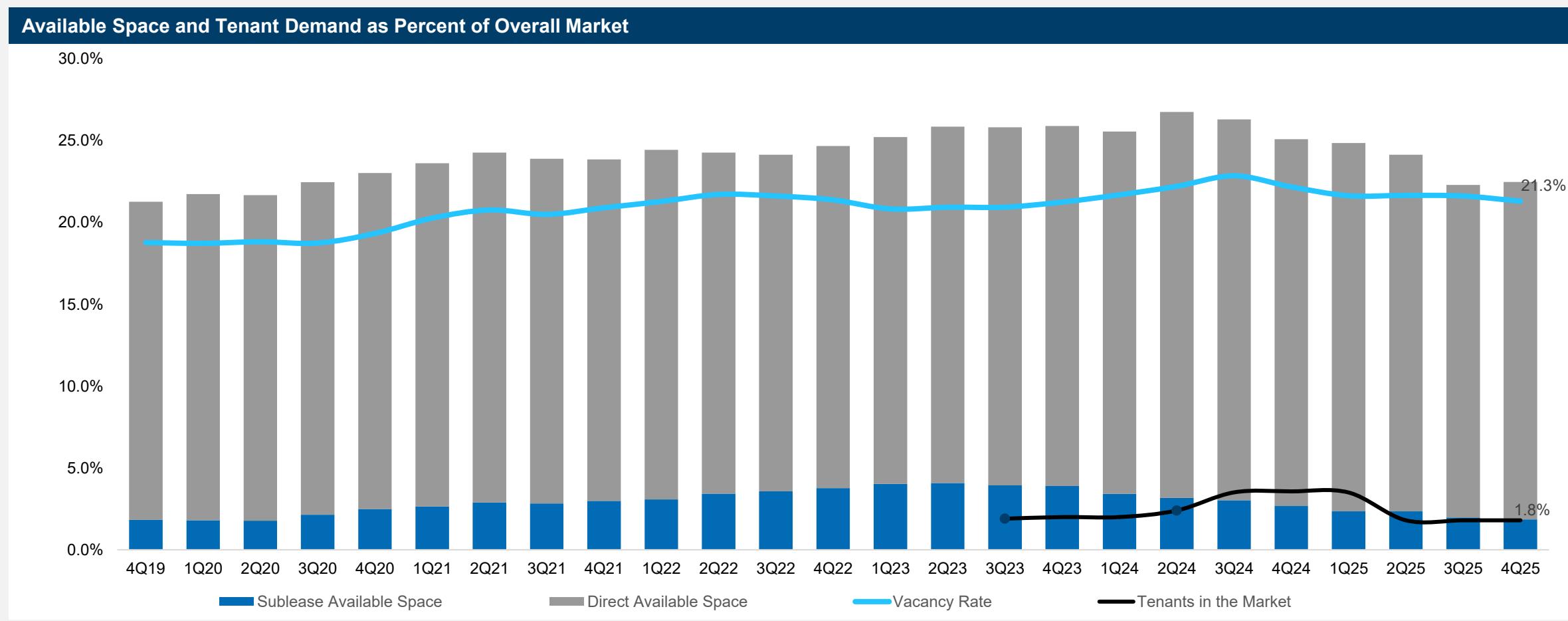
Year-To-Date Total Leasing Volume Behind Historical Average

Leasing activity in Northern Virginia during the fourth quarter of 2025 totaled 2.3 MSF, bringing the year-to-date total to 8.7 MSF. Volume remains below the pace of the previous five years (9.7 MSF annually) and well below the 10-year leasing average (11.1 MSF). Uncertainty surrounding federal budget negotiations, procurement timing, and agency-level policy shifts continued to weigh on leasing decisions throughout much of the year, particularly among government contractors and professional services firms that anchor Northern Virginia's office market. While these dynamics extended decision timelines, improved visibility around funding levels and contract awards late in the year has begun to ease tenant hesitation. As a result, several tenants that paused expansion or relocation plans earlier in 2025 are now re-engaging the market.



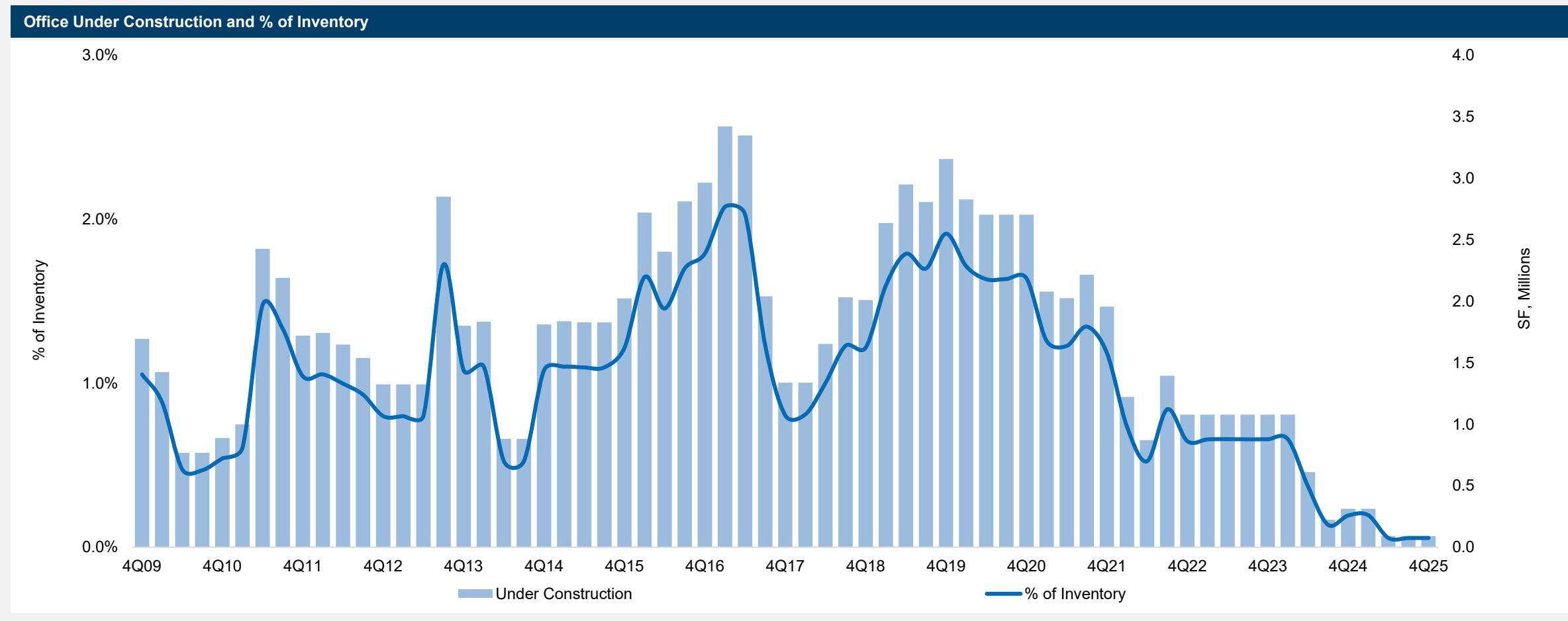
Vacancy Down While Sublease Availability Reaches Pre-Pandemic Levels

Sublease availability declined by 80 basis points year-over-year, ending the fourth quarter at 1.9%—its lowest level since the second quarter of 2020 and 100 basis points below the six-year average. Direct availability decreased by a notable 180 basis points year-over-year and now sits below the six-year average following a spike over the past year. The Northern Virginia office market ended the fourth quarter of 2025 with a vacancy rate of 21.3%, down 90 basis points from one year ago.



Limited New Supply Will Put Upward Pressure on Rents and Decrease Vacancy

There has been one office delivery in Northern Virginia since the third quarter of 2024—Comstock’s 1880 Reston Row Plaza—which delivered 222,674 vacant square feet during the second quarter of 2025. The market’s development pipeline remains historically low, with only two properties totaling 89,750 SF under construction as of the Fourth quarter of 2025. This limited new supply will continue to help ease vacancy. Separately, demand for spec suites remains elevated, particularly within highly amenitized, newly renovated, or recently constructed buildings.



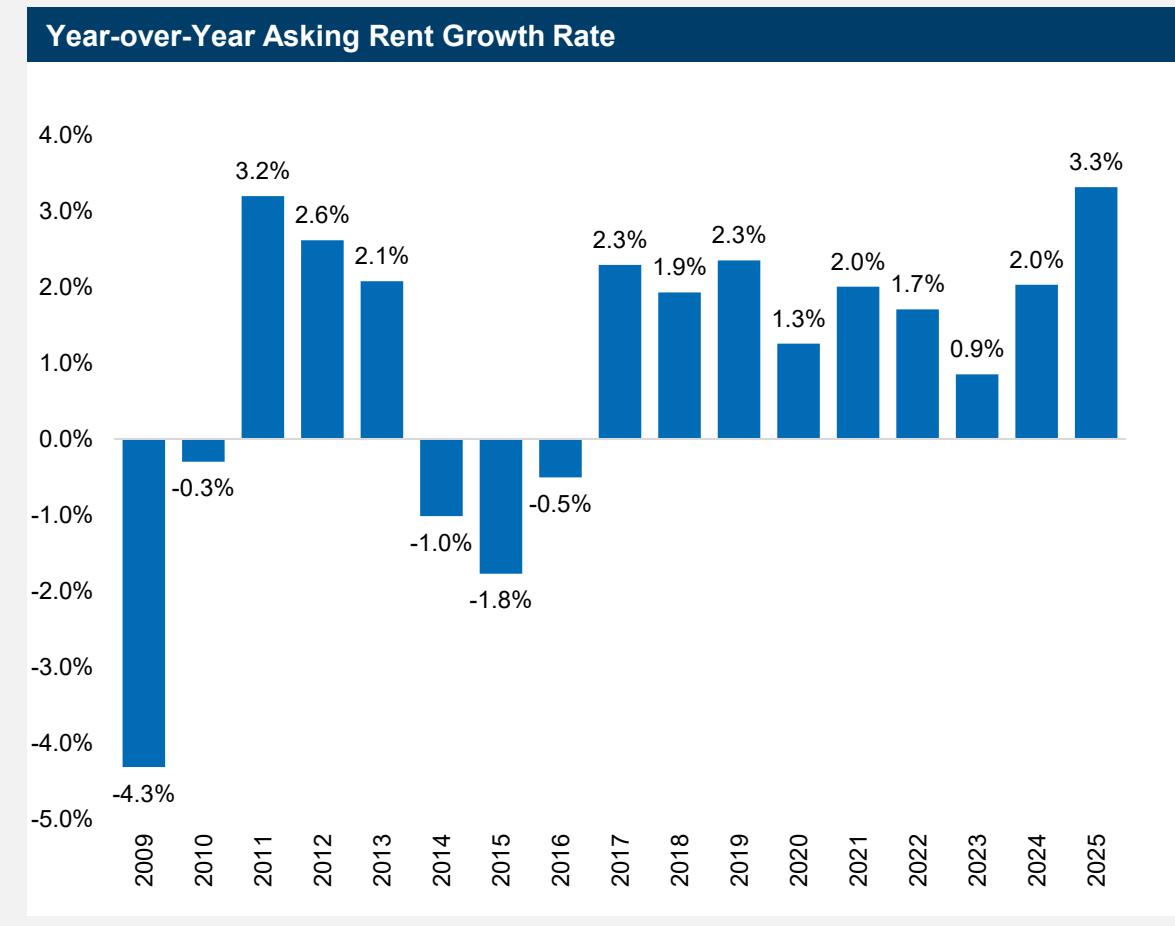
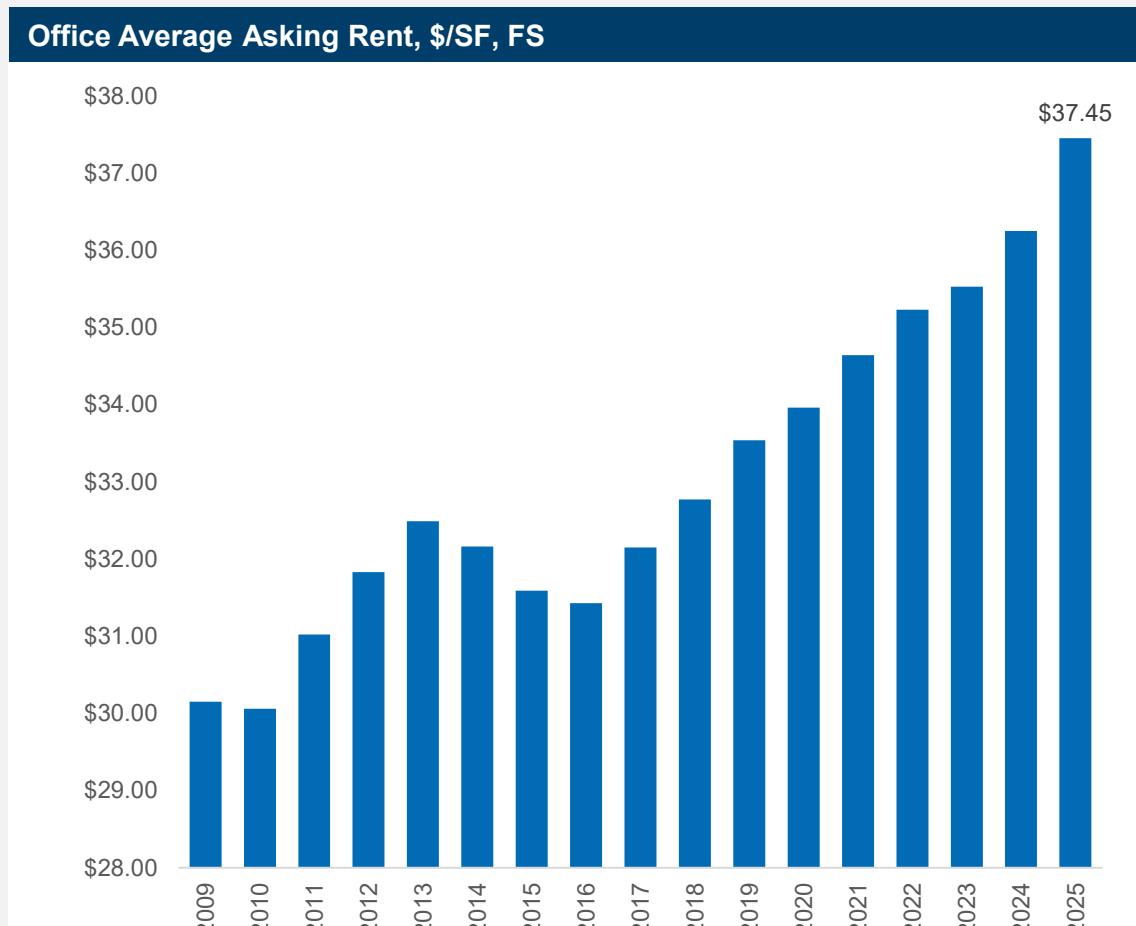
Proposed Office Conversion Activity Remains Strong in Northern Virginia

Since 2020, 2.6 million square feet of office space in Northern Virginia has been converted to other uses, with an additional 13.9 million square feet proposed for conversion. Nearly all converted space to date—approximately 2.5 million square feet—has shifted to residential use. Conversion activity varies by submarket, with close-in areas such as Alexandria, Arlington, and Tysons Corner seeing primarily residential conversions, while Western Fairfax and Eastern Loudoun counties are increasingly focused on office-to-data-center conversions. Proposed office-to-data-center conversions in these outer submarkets now total more than 2.3 million square feet.



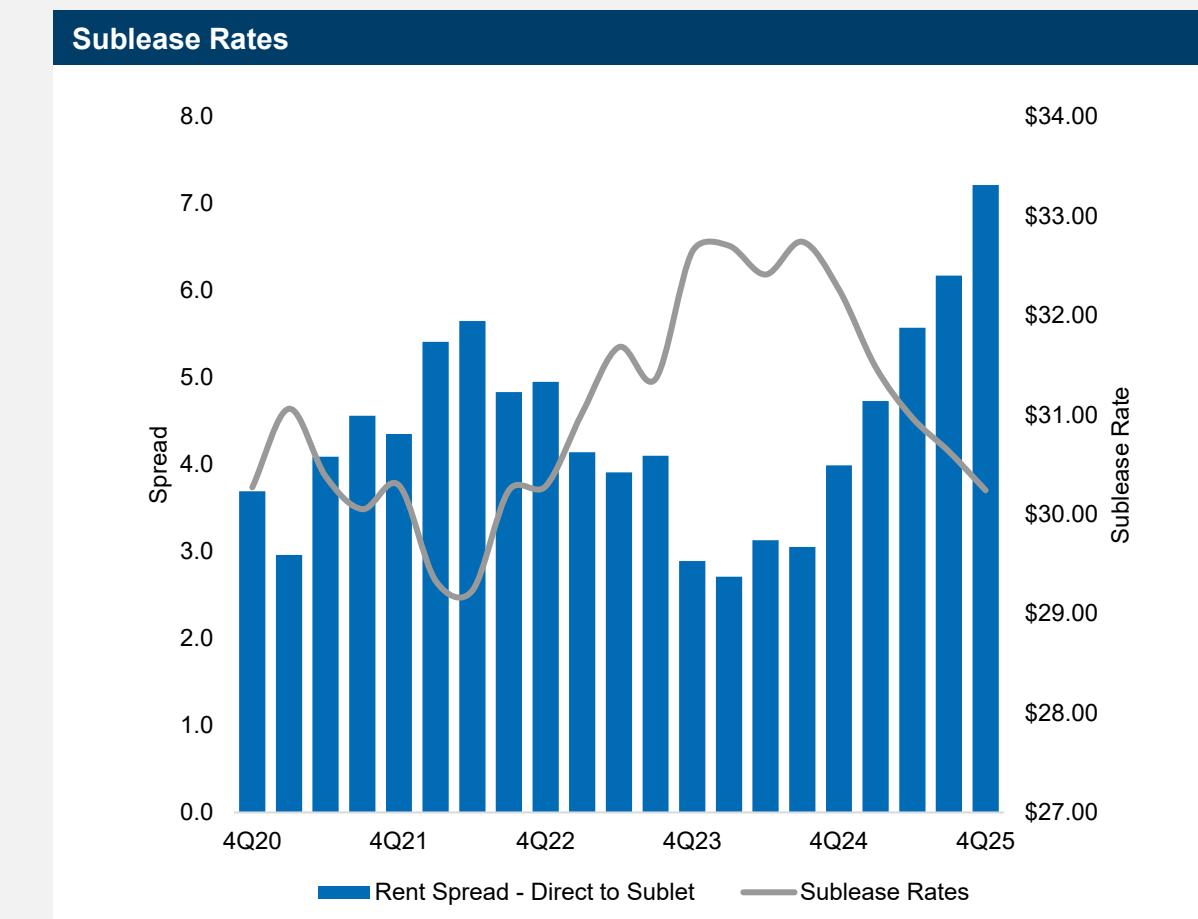
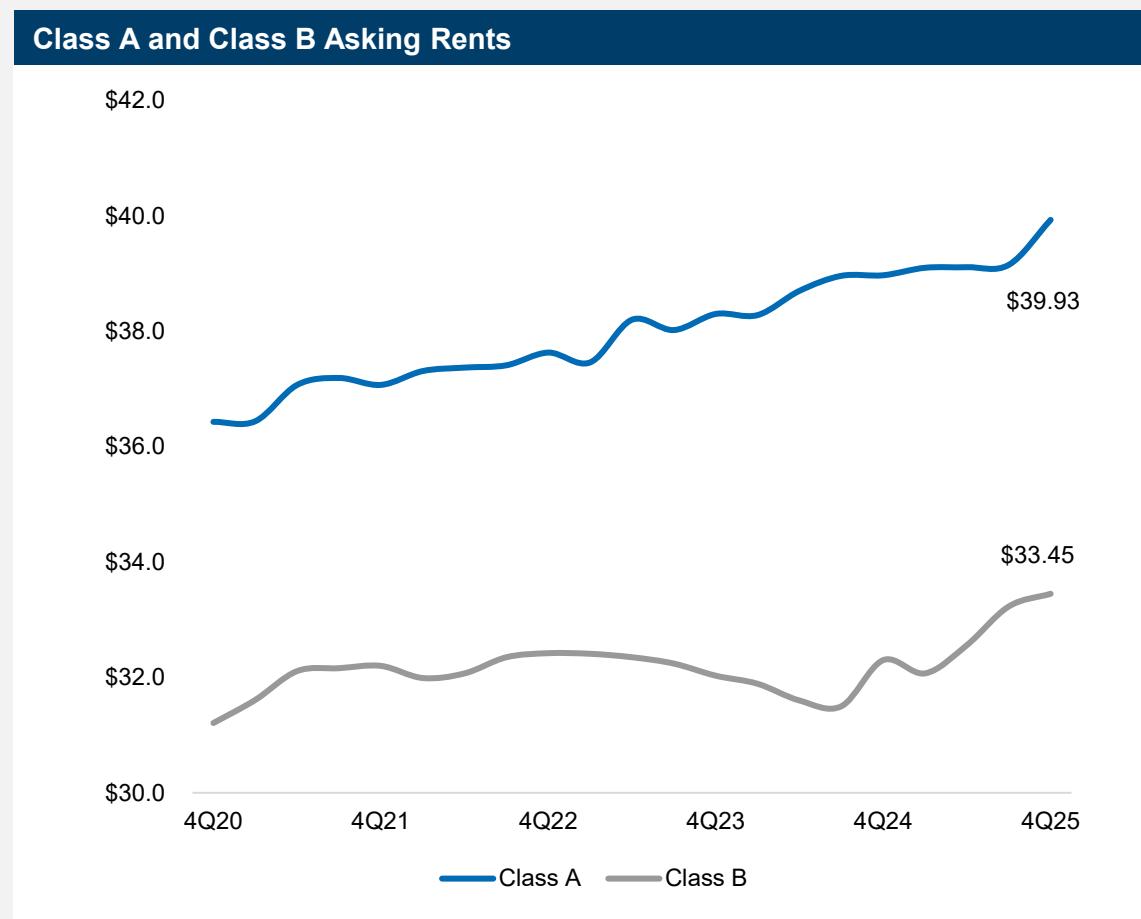
Asking Rents Remain Resilient Despite Softening Demand

Asking rents have increased each year since 2016, rising 19.2% overall during this period, or approximately 1.9% annually. In Northern Virginia, rents averaged \$37.45/SF as of the fourth quarter of 2025, an increase of 3.3% since the end of 2024. Despite softer tenant demand and elevated vacancy, rents have continued to trend upward, reflecting limited new supply and sustained pricing power in higher-quality buildings.



Class A and Class B Rent Spread Tightens While Direct to Sublet Rent Spread Expands

Class A rents during the Fourth quarter of 2025 were \$39.93/SF, an increase of 2.5% year-over-year while Class B rents have increased by 3.6% during the same period, ending the fourth quarter at \$33.45 PSF. Overall, Class A rates achieve a premium of approximately 19.4% over Class B rents in Northern Virginia. The spread between market and sublease rates increased in each of the past four quarters and reached a five-year high during the fourth quarter of 2025 as sublease rates declined by 7.2% year-over-year.



Several Headline Leases Drive Activity During Fourth Quarter

The Northern Virginia office market saw several notable large leases signed during the fourth quarter of 2025. The U.S. General Services Administration secured approximately 382,000 square feet at the Randolph Building at 401 Dulany Street in Alexandria to accommodate the National Science Foundation's Northern Virginia headquarters relocation, reflecting continued federal consolidation and long-term occupancy commitments within close-in submarkets. Additionally, Booz Allen Hamilton signed the largest private-sector lease of the year in the Washington metro area, committing to more than 310,000 square feet at Reston Station, as the firm relocates into newer, mixed-use, transit-oriented space to support in-office requirements, talent retention, and a more efficient footprint.

Notable 4Q 2025 Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
GSA - National Science Foundation	401 Dulany Street	Old Town Alexandria	New Lease	382,000
Booz Allen Hamilton	1800 - 1880 Reston Row Plaza	Reston	New Lease	310,000
The Rand Corporation	1200 S Hayes Street	Crystal City/Pentagon City	Renewal	126,636
SAP National Security Services	2355 Dulles Corner Boulevard	Herndon	Lease Renewal/Expansion	80,207
GSA	1525 Wilson Boulevard	Rosslyn	New lease	69,998

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Market Statistics

4Q25

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Market Statistics By Class

	Total Inventory (SF)	Overall Vacancy	Overall Availability	Quarterly Absorption (SF)	YTD Absorption (SF)	Quarterly Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Asking Rent (Price/SF)
Northern Virginia	159,856,350	21.3%	22.5%	418,692	348,852	0	222,674	89,750	\$37.45
Class A	101,200,126	22.4%	24.0%	177,934	-3,848	0	222,674	89,750	\$39.93
Class B	40,502,433	21.0%	21.5%	122,891	237,014	0	0	0	\$33.34
Class C	18,153,791	15.7%	16.4%	117,867	115,686	0	0	0	\$30.06

Submarket Statistics – All Classes

	Total Inventory (SF)	Overall Vacancy	Overall Availability	Quarterly Absorption (SF)	YTD Absorption (SF)	Quarterly Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Overall Asking Rent (Price/SF)
Ballston	7,839,035	28.5%	30.4%	15,645	-171,957	0	0	0	\$43.92
Clarendon/Courthouse	4,341,562	33.5%	39.5%	62,064	142,682	0	0	0	\$42.39
Crystal City/Pentagon City	11,623,359	28.1%	28.4%	23,570	-123,268	0	0	0	\$40.06
Eisenhower Avenue	706,407	6.3%	6.3%	-10,870	-12,826	0	0	0	\$25.00
Fairfax Center	9,579,311	22.6%	22.8%	33,969	-158,022	0	0	0	\$29.60
Gainesville	247,772	7.9%	8.4%	0	0	0	0	0	\$24.21
Herndon	10,405,367	28.3%	32.5%	13,422	-106,531	0	0	0	\$34.55
I-395 Corridor - Alexandria	1,784,916	16.1%	19.2%	-1,176	-10,776	0	0	0	\$33.37
I-395 Corridor - Arlington	1,595,158	10.2%	14.0%	1,299	-22,194	0	0	0	\$34.22
I-395 Corridor - Fairfax	3,605,120	26.9%	22.1%	-38,944	24,365	0	0	0	\$31.56

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Submarket Statistics – All Classes

	Total Inventory (SF)	Overall Vacancy	Overall Availability	Quarterly Absorption (SF)	YTD Absorption (SF)	Quarterly Deliveries (SF)	YTD Deliveries (SF)	Under Construction (SF)	Overall Asking Rent (Price/SF)
Manassas	2,800,572	4.2%	5.2%	44,252	95,668	0	0	0	\$24.04
Merrifield	7,907,032	16.8%	17.8%	-12,330	-71,977	0	0	0	\$32.69
Old Town Alexandria	10,710,908	24.6	23.9%	5,940	-1,981	0	0	0	\$39.02
Reston	18,441,501	23.2%	21.9%	6,245	-128,339	0	222,674	0	\$38.06
Rosslyn	8,485,502	20.8%	22.9%	40,957	290,752	0	0	0	\$48.12
Rt. 28 North	5,422,266	4.1%	4.4%	8,115	154,415	0	0	0	\$28.72
Rt. 28 South	12,814,652	13.1%	15.1%	5,614	63,933	0	0	0	\$31.28
Rt. 7 Corridor	5,068,976	11.4%	14.2%	-13,621	-32,911	0	0	89,750	\$29.48
Springfield	4,797,474	17.7%	19.9%	5,614	64,933	0	0	0	\$31.50
Stafford County	847,068	17.3%	14.3%	0	10,462	0	0	0	\$30.62
Tysons Corner	27,397,774	23.6%	26.5%	84,012	84,509	0	0	0	\$39.88
Virginia Square	1,343,486	34.2%	10.4%	0	109,470	0	0	0	\$41.90
Western Loudoun County	796,788	4.8%	9.0%	36,138	18,424	0	0	0	\$34.76
Woodbridge	1,294,344	9.1%	8.9%	11,595	-35,582	0	0	0	\$28.18

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