



# Q1 2023 OFFICE MARKET REPORT

# Office Market - Key Trends Snapshot

## Office Market

The office market in Virginia continues to show signs of contracting, as uncertainty in the economy is giving pause to business expansion decisions. In addition, while the prevalence of remote work has receded, most workplaces are adopting a hybrid approach, where workers come into the office a few days a week, a model that in many cases requires less office space overall.

Virginia has fully recovered net jobs lost during the pandemic, and the job base has grown by nearly 42,000 jobs statewide since January of 2020. Office-supporting job sectors for the most part have been resilient, though many of these office jobs transitioned to remote during this time. As of Feb. 2023, nearly all office-supporting job sectors are shedding jobs with the exception of Federal Government jobs. This is a recent development, and could reflect higher lending rates, which impacts how much businesses grow.

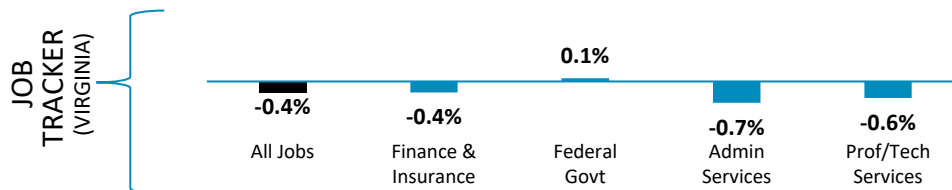
Absorption in the office market is off to a slower start than last year in Virginia. Office net absorption is down statewide for the third time in the last four quarters. The sharpest drop in net absorption was in the Northern Virginia market. Seven metro areas around Virginia had negative office net absorption this quarter.

Office vacancy continues to climb around Virginia. At 12.5%, the statewide office vacancy rate in Q1-2023 was the highest it has been in more than five years. Northern Virginia and Richmond had the most office vacancy this quarter at 16.4% and 8.2%, respectively.

Despite more vacant space, office rents are climbing, but at a slower pace than previous years. Class B/C office rents are up 2.8% from the first quarter of last year, while Class A office rents rose 1.1% during this same time period. The largest increase in office rent was in the Blacksburg and Harrisonburg markets this quarter.

In Q1-2023, just a little over 160,000 square feet of office space was delivered statewide, way down from a year ago (-91.3%). Most of the completed office space this quarter was in the Richmond market. New construction of office space is up by about 450,000 square feet from last year and most of this new construction is in Northern Virginia.

### Office-Supporting Job Sectors (% Chg Jan-23 to Feb-23 (seasonally adj.))



## VIRGINIA (Statewide)



### Market Indicator Dashboard

	YoY Chg	Q1-2023	Indicator
% chg	0.1%	410,079,305	Total Inventory (sq. ft)
sq. ft	-1,732,769	-686,702	Net Absorption (sq. ft)
pct point	0.5%	12.5%	Vacancy Rate (%)
\$ per sq. ft	\$0.53	\$31.02	Gross Rent (\$ per sq. ft)
sq. ft	-1,699,233	162,143	New Supply Delivered (sq. ft)
sq. ft	450,835	4,875,040	Under Construction (sq. ft)



### Economic Indicator Dashboard

	MoM Chg	Feb-23	Indicator
% chg	-0.4%	4.1	Total Jobs (in millions, seasonally adjusted)
% chg	-0.5%	1.1	Office-Supporting Jobs (in millions, seasonally adjusted)
pct point	0	3.2%	Unemployment Rate (% seasonally adjusted)
pct point	QoQ Chg -0.6%	Q4-2022 2.6	Gross Domestic Product (% chg from prior year)

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## Virginia Office Market

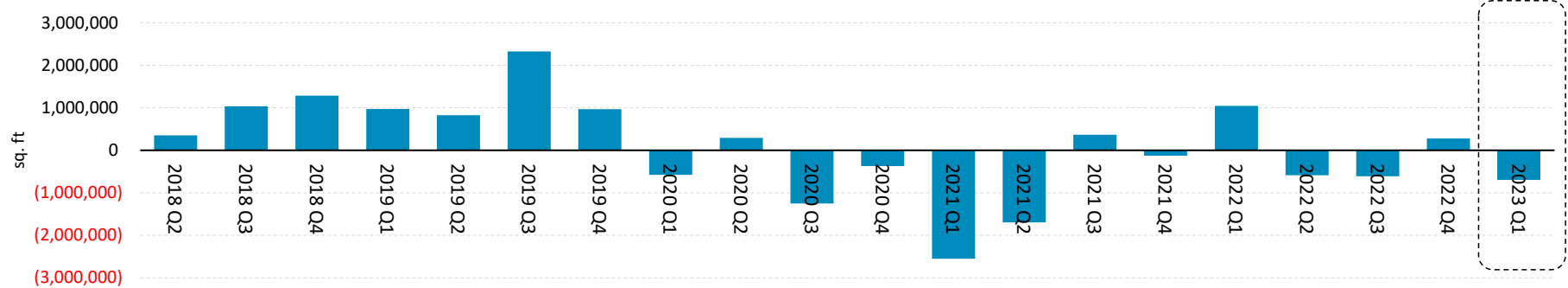
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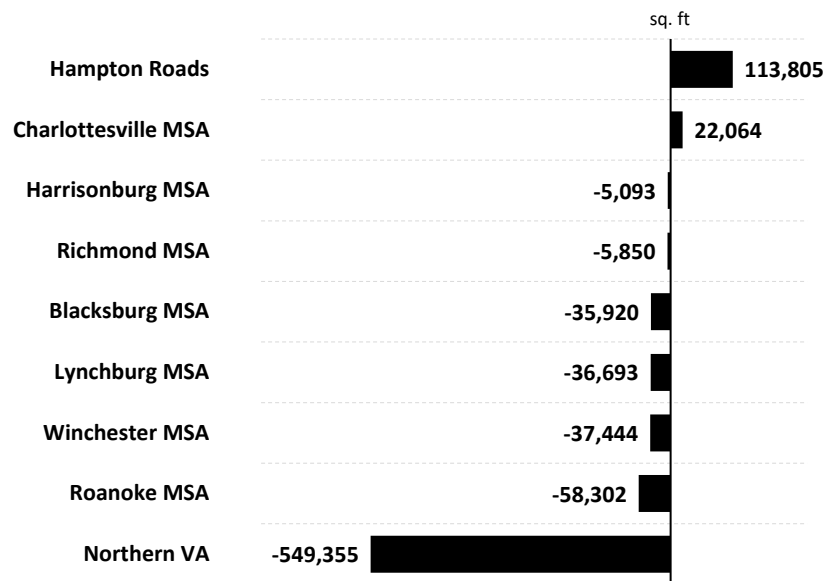
# Office Market - Absorption & Construction Trends

## VIRGINIA (Statewide)

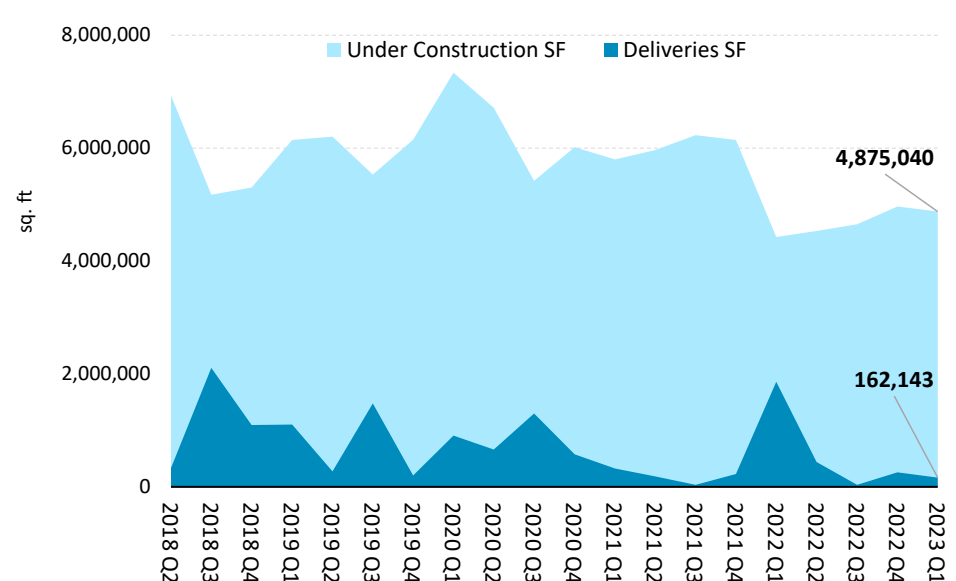
Net Absorption (sq. ft)



Q1-2023 Net Absorption by Metro Area (sq ft)

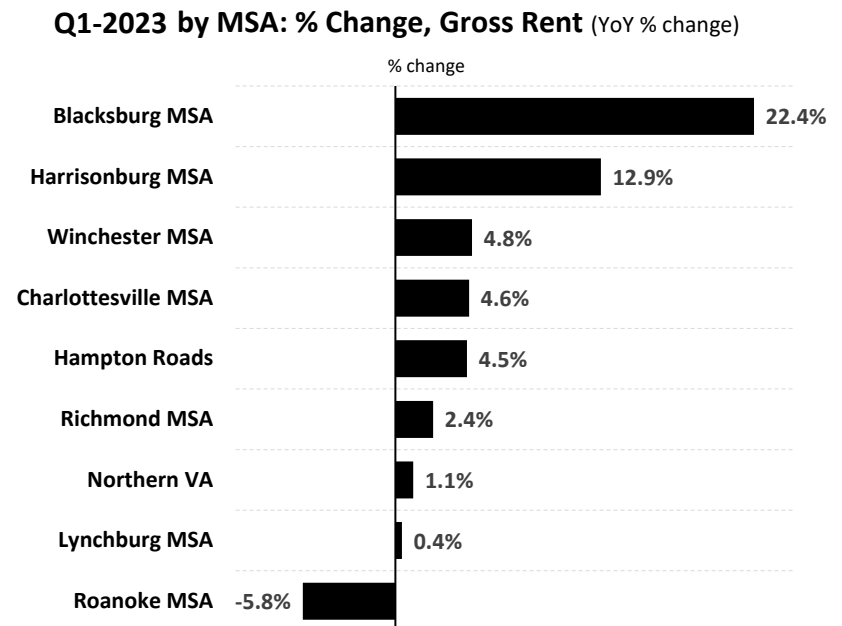
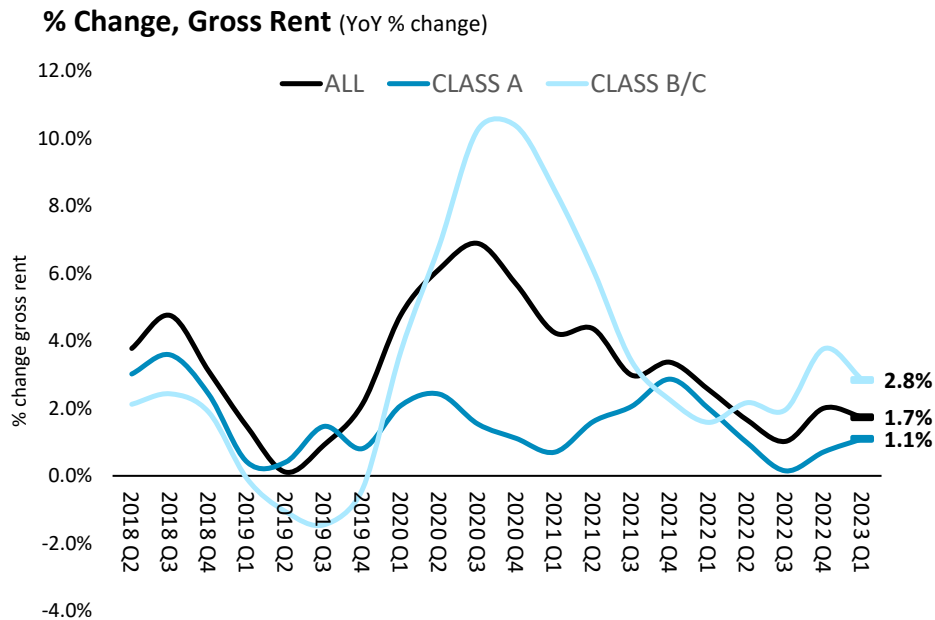
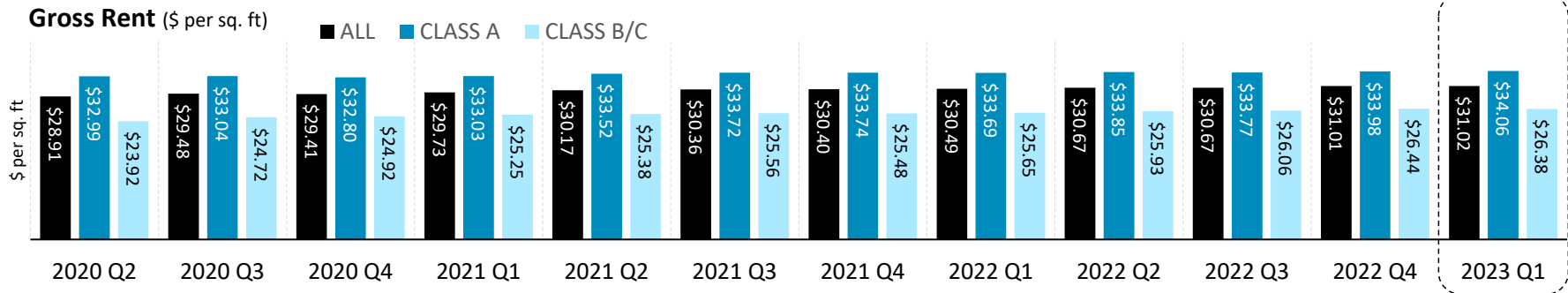


Under Construction & Net Deliveries (sq. ft)



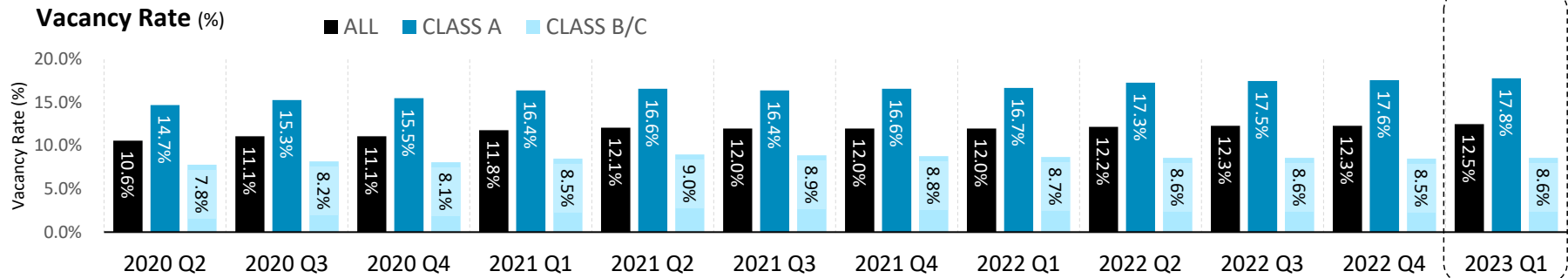
# Office Market - Rent Trends

## VIRGINIA (Statewide)

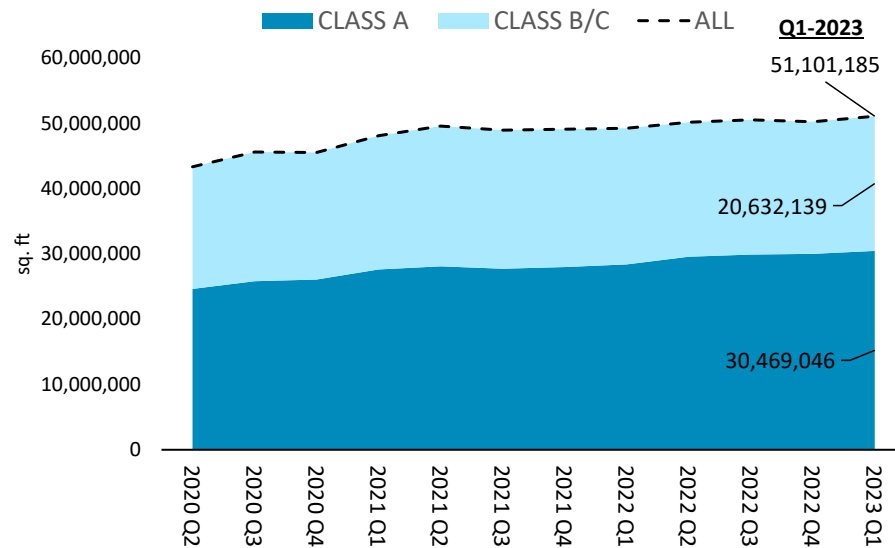


# Office Market - Vacancy Trends

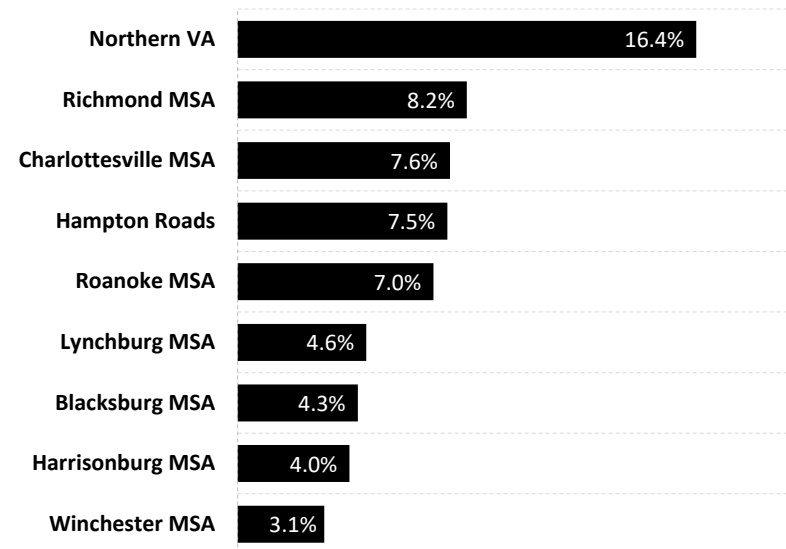
## VIRGINIA (Statewide)



## Vacant Inventory (sq. ft)



## Q1-2023 Office Vacancy Rate by MSA



# MSA TRENDS

METROPOLITAN STATISTICAL AREA

Q1  
2023

Virginia  
REALTORS'  
OFFICE  
Market Report



*Snapshot of Office Market Conditions Around Virginia*

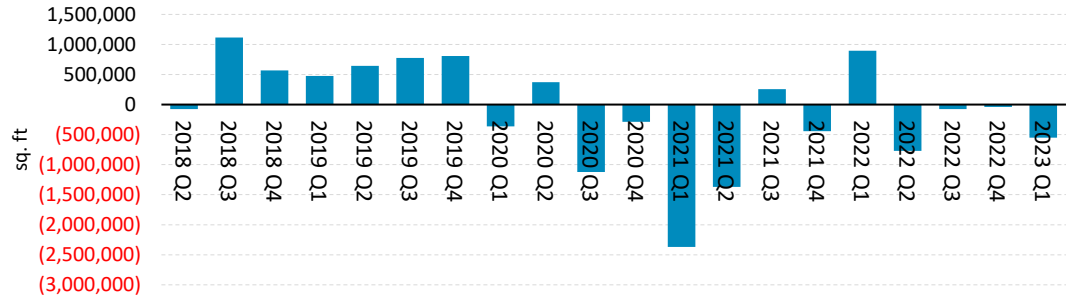
# Office Market - MSA Trends

## NORTHERN VIRGINIA

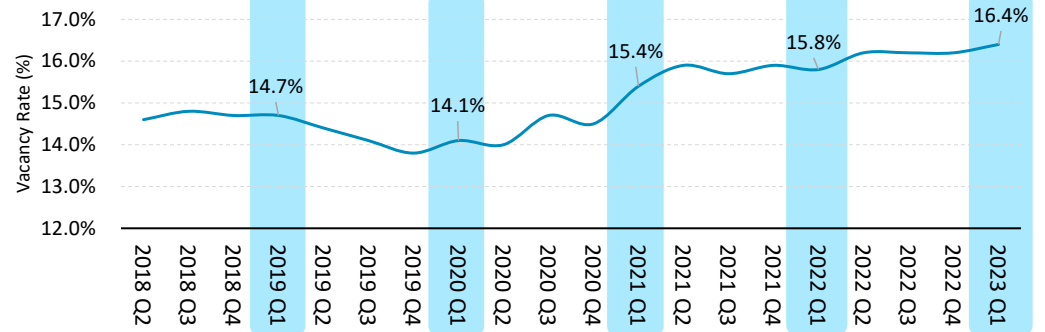
### Local Market Indicator Dashboard

	Q1-2023	YoY Chg	
Total Inventory (sq. ft, millions)	231.9	0.0%	% chg
Vacancy Rate (%)	16.4%	0.6%	pct points
Net Absorption (sq. ft)	(549,355)	-1,445,904	sq. ft
Avg Gross Rent (\$ per sq. ft)	\$33.33	\$0.37	\$ per sq. ft
Deliveries (sq. ft)	20,000	-1,411,987	sq. ft
Under Construction (sq. ft)	4,491,489	322,303	sq. ft

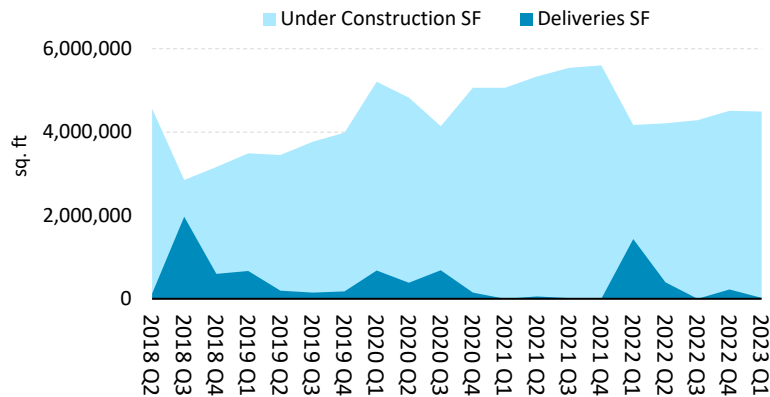
### Net Absorption (sq. ft)



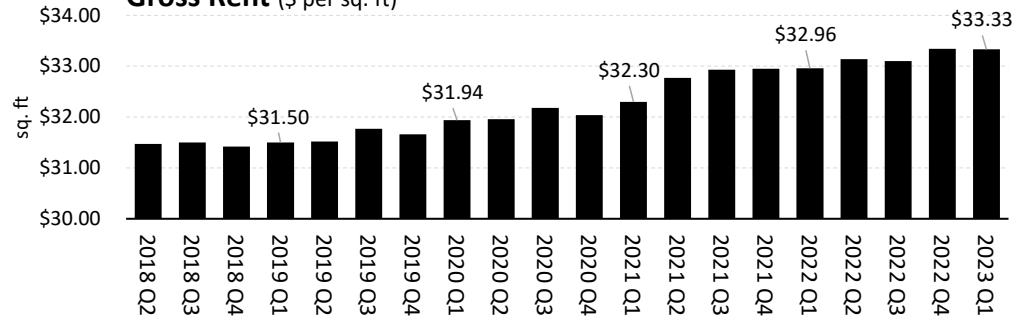
### Vacancy Rate (%)



### Under Construction & Net Deliveries (sq. ft)



### Gross Rent (\$ per sq. ft)





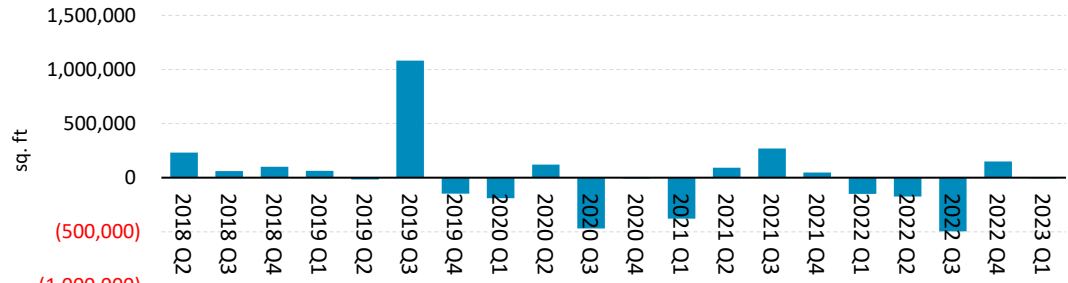
# Office Market - MSA Trends

## RICHMOND MSA

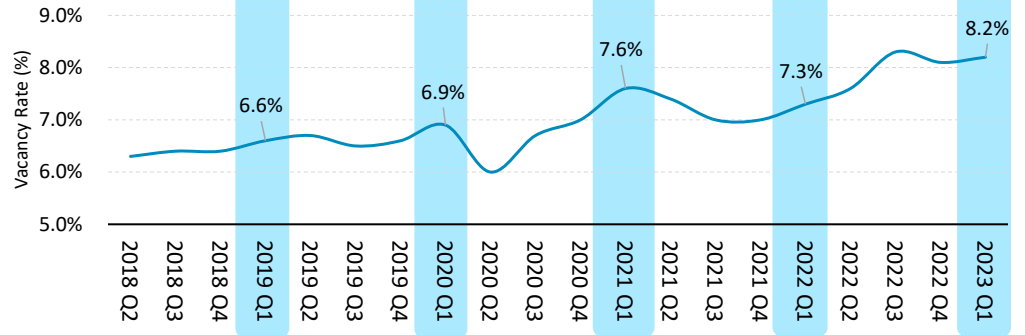
### Local Market Indicator Dashboard

	Q1-2023	YoY Chg
Total Inventory (sq. ft, millions)	<b>67.6</b>	<b>0.1%</b> % chg
Vacancy Rate (%)	<b>8.2%</b>	<b>0.9%</b> pct points
Net Absorption (sq. ft)	<b>(5,850)</b>	<b>144,138</b> sq. ft
Avg Gross Rent (\$ per sq. ft)	<b>\$20.39</b>	<b>\$0.47</b> \$ per sq. ft
Deliveries (sq. ft)	<b>103,453</b>	<b>37,634</b> sq. ft
Under Construction (sq. ft)	<b>177,652</b>	<b>96,221</b> sq. ft

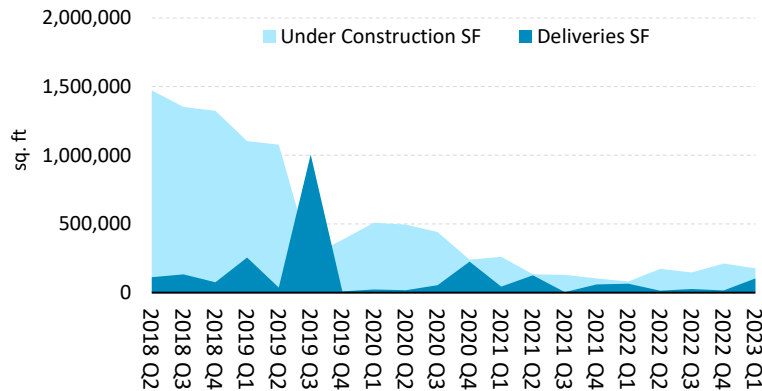
### Net Absorption (sq. ft)



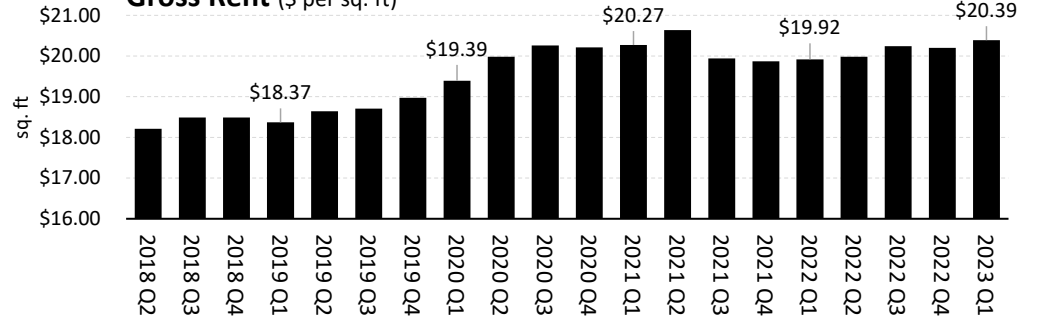
### Vacancy Rate (%)



### Under Construction & Net Deliveries (sq. ft)



### Gross Rent (\$ per sq. ft)



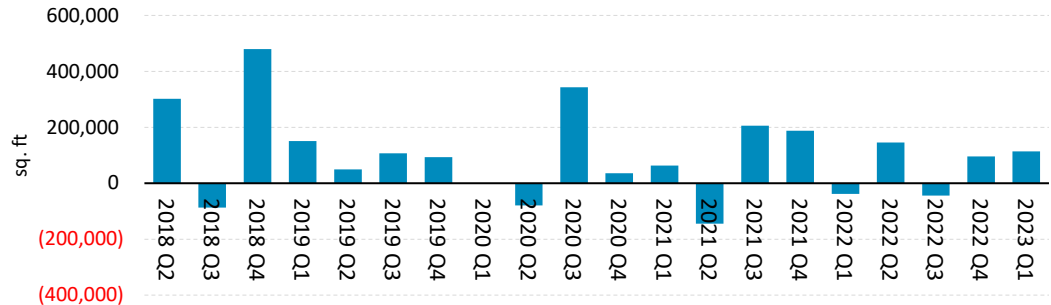
# Office Market - MSA Trends

## HAMPTON ROADS

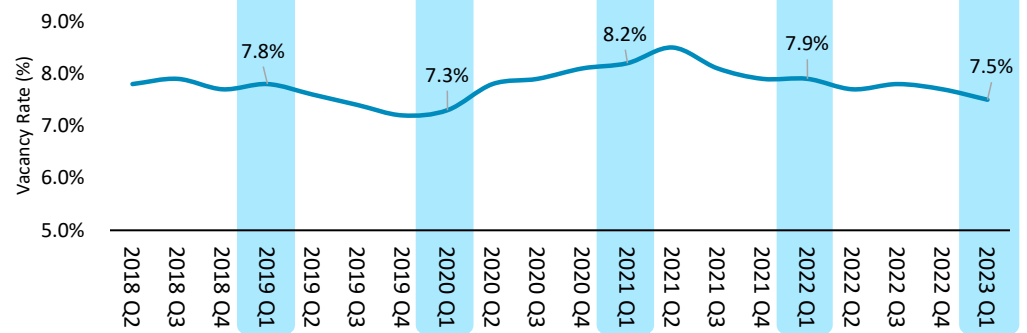
### Local Market Indicator Dashboard

	Q1-2023	YoY Chg	
Total Inventory (sq. ft, millions)	56.1	0.1%	% chg
Vacancy Rate (%)	7.5%	-0.4%	pct points
Net Absorption (sq. ft)	113,805	151,512	sq. ft
Avg Gross Rent (\$ per sq. ft)	\$21.66	\$0.93	\$ per sq. ft
Deliveries (sq. ft)	25,000	5,780	sq. ft
Under Construction (sq. ft)	120,000	33,101	sq. ft

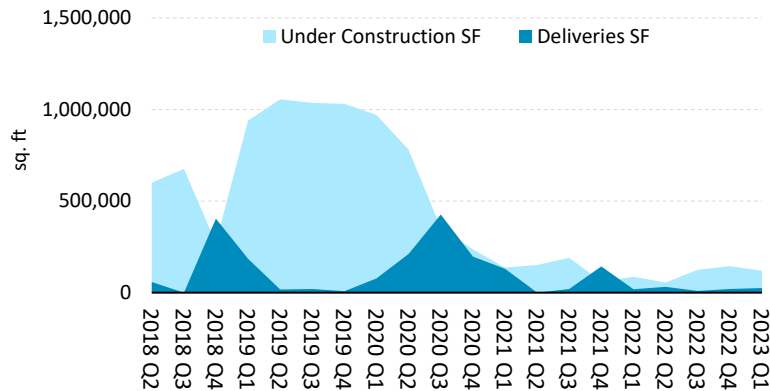
### Net Absorption (sq. ft)



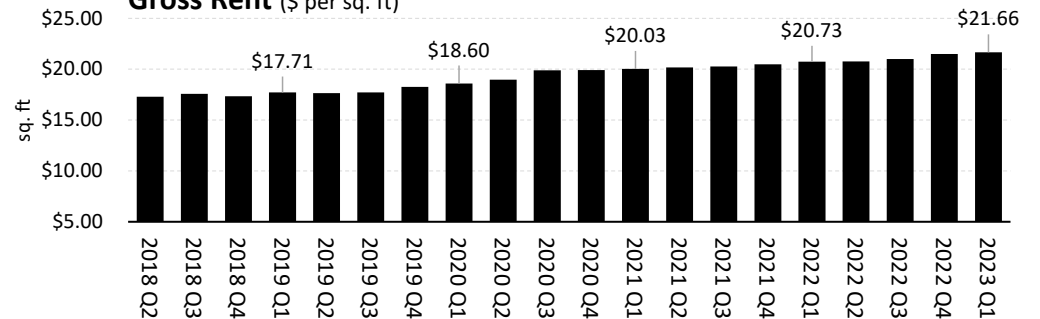
### Vacancy Rate (%)



### Under Construction & Net Deliveries (sq. ft)



### Gross Rent (\$ per sq. ft)



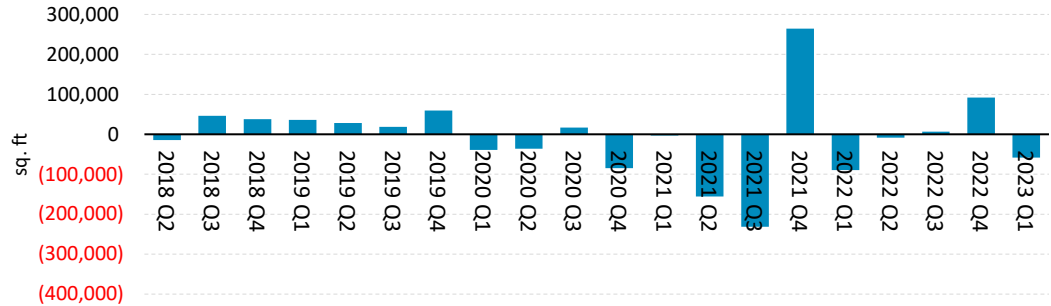
# Office Market - MSA Trends

## ROANOKE MSA

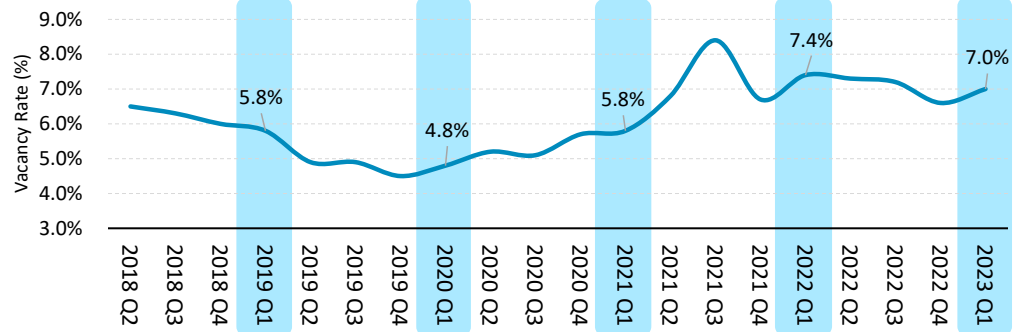
### Local Market Indicator Dashboard

	Q1-2023	YoY Chg	
Total Inventory (sq. ft, millions)	15.2	-0.3%	% chg
Vacancy Rate (%)	7.0%	-0.4%	pct points
Net Absorption (sq. ft)	(58,302)	31,137	sq. ft
Avg Gross Rent (\$ per sq. ft)	\$18.54	-\$1.14	\$ per sq. ft
Deliveries (sq. ft)	0	-21,150	sq. ft
Under Construction (sq. ft)	0	0	sq. ft

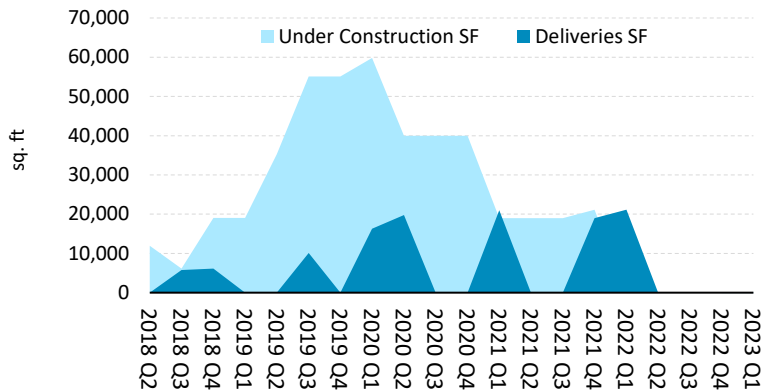
### Net Absorption (sq. ft)



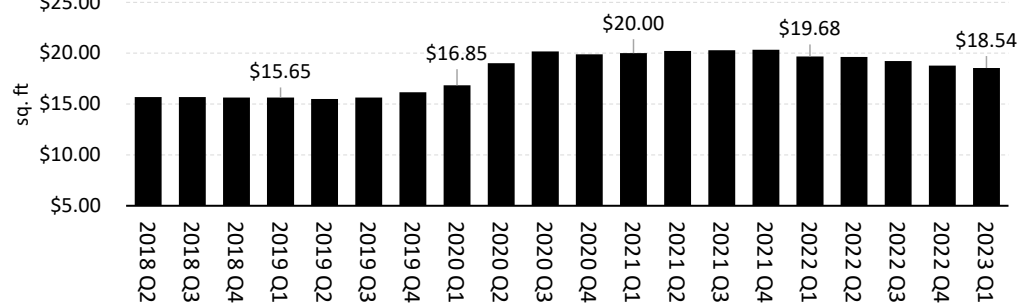
### Vacancy Rate (%)



### Under Construction & Net Deliveries (sq. ft)



### Gross Rent (\$ per sq. ft)



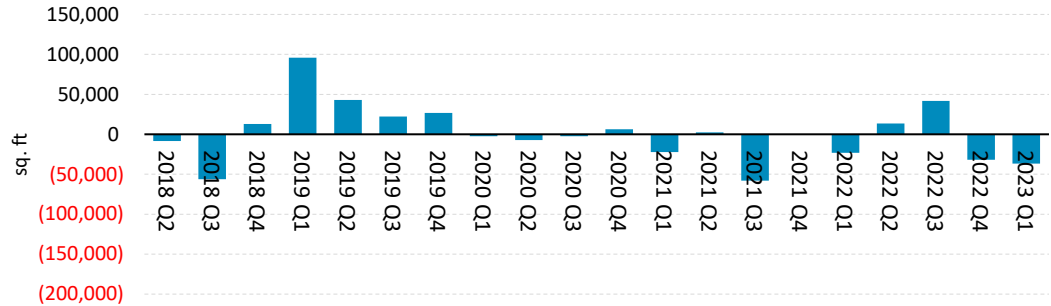
# Office Market - MSA Trends

## LYNCHBURG MSA

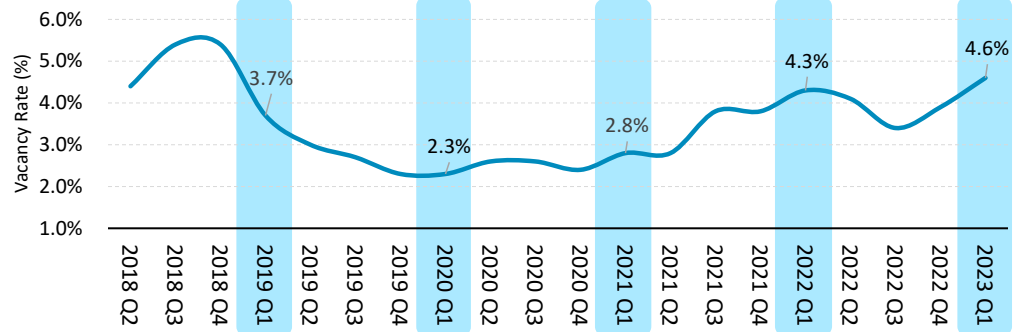
### Local Market Indicator Dashboard

	Q1-2023	YoY Chg	
Total Inventory (sq. ft, millions)	<b>5.8</b>	<b>0</b>	% chg
Vacancy Rate (%)	<b>4.6%</b>	<b>0.3%</b>	pct points
Net Absorption (sq. ft)	<b>(36,693)</b>	<b>-13,458</b>	sq. ft
Avg Gross Rent (\$ per sq. ft)	<b>\$19.33</b>	<b>\$0.08</b>	\$ per sq. ft
Deliveries (sq. ft)	<b>0</b>	<b>-7,200</b>	sq. ft
Under Construction (sq. ft)	<b>0</b>	<b>0</b>	sq. ft

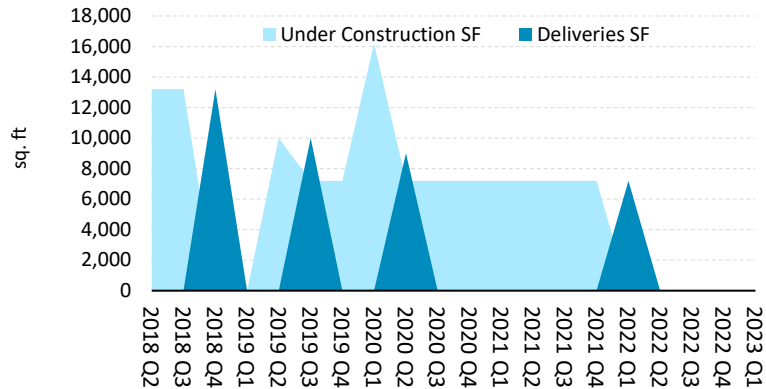
### Net Absorption (sq. ft)



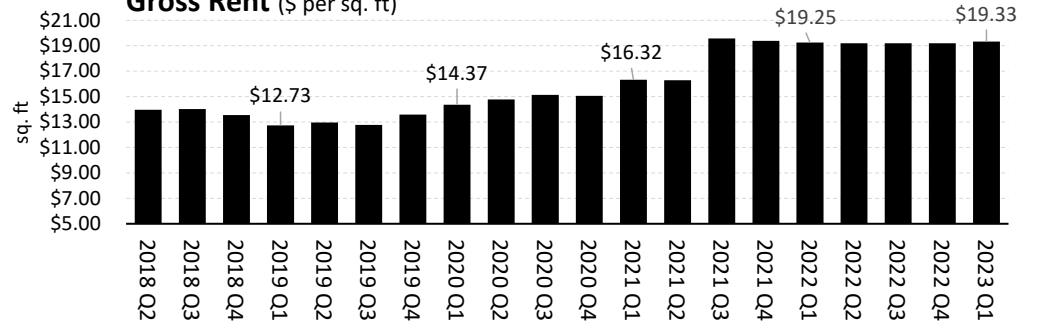
### Vacancy Rate (%)



### Under Construction & Net Deliveries (sq. ft)



### Gross Rent (\$ per sq. ft)



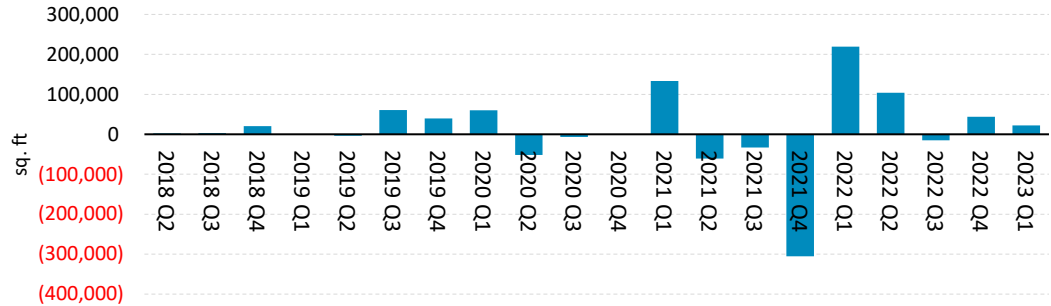
# Office Market - MSA Trends

## CHARLOTTESVILLE MSA

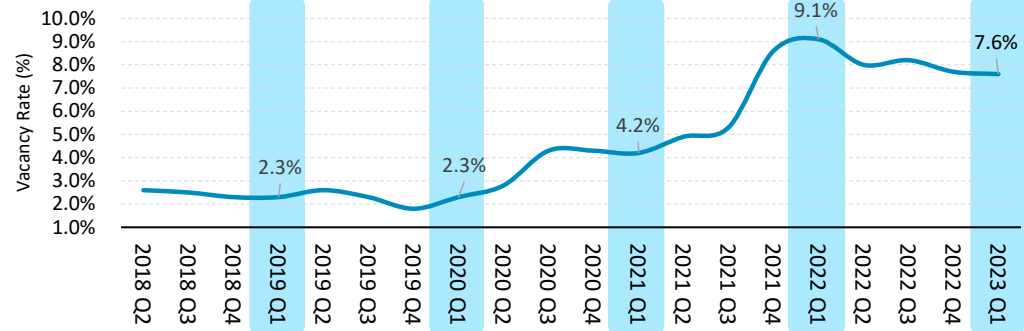
### Local Market Indicator Dashboard

	Q1-2023	YoY Chg	
Total Inventory (sq. ft, millions)	9.5	0.1%	% chg
Vacancy Rate (%)	7.6%	-1.5%	pct points
Net Absorption (sq. ft)	22,064	-197,455	sq. ft
Avg Gross Rent (\$ per sq. ft)	\$29.06	\$1.28	\$ per sq. ft
Deliveries (sq. ft)	13,690	-283,310	sq. ft
Under Construction (sq. ft)	73,499	-7,190	sq. ft

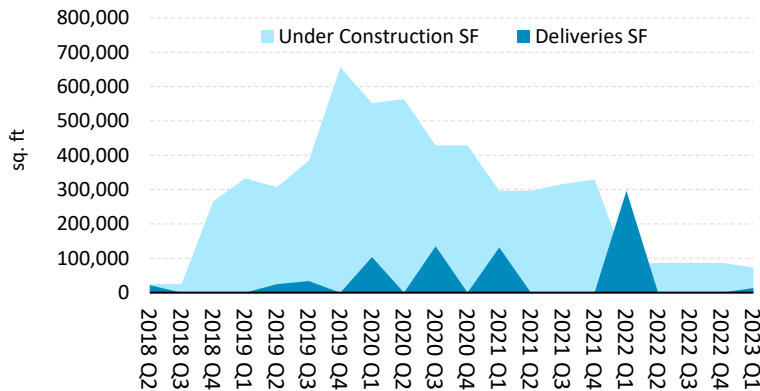
### Net Absorption (sq. ft)



### Vacancy Rate (%)



### Under Construction & Net Deliveries (sq. ft)



### Gross Rent (\$ per sq. ft)



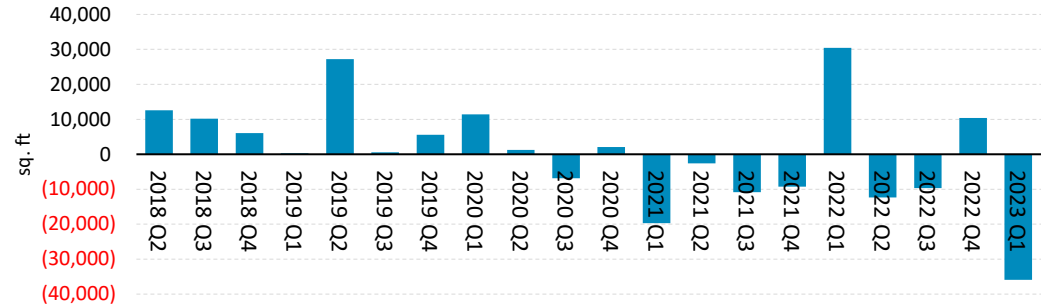
# Office Market - MSA Trends

## BLACKSBURG MSA

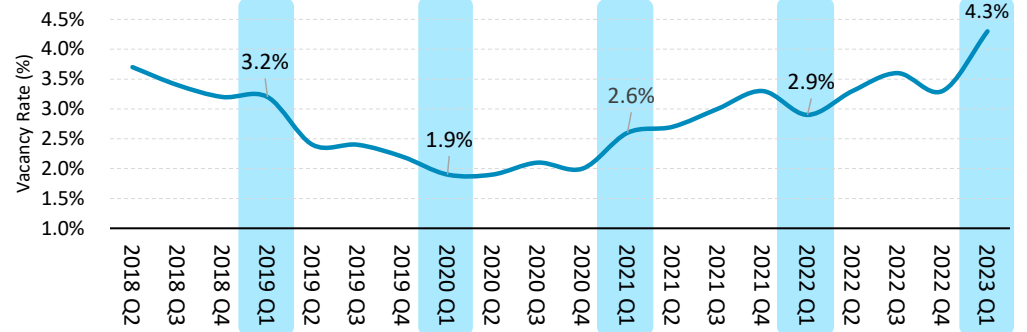
### Local Market Indicator Dashboard

	Q1-2023	YoY Chg	
Total Inventory (sq. ft, millions)	<b>3.4</b>	<b>0</b>	% chg
Vacancy Rate (%)	<b>4.3%</b>	<b>1.4%</b>	pct points
Net Absorption (sq. ft)	<b>(35,920)</b>	<b>-66,367</b>	sq. ft
Avg Gross Rent (\$ per sq. ft)	<b>\$19.15</b>	<b>\$3.51</b>	\$ per sq. ft
Deliveries (sq. ft)	<b>0</b>	<b>-19,000</b>	sq. ft
Under Construction (sq. ft)	<b>0</b>	<b>0</b>	sq. ft

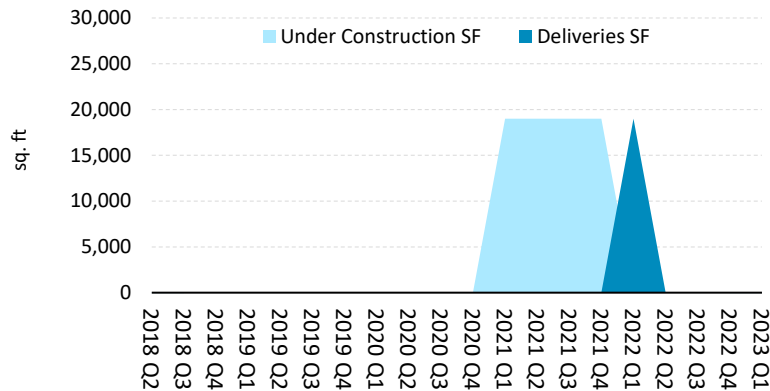
### Net Absorption (sq. ft)



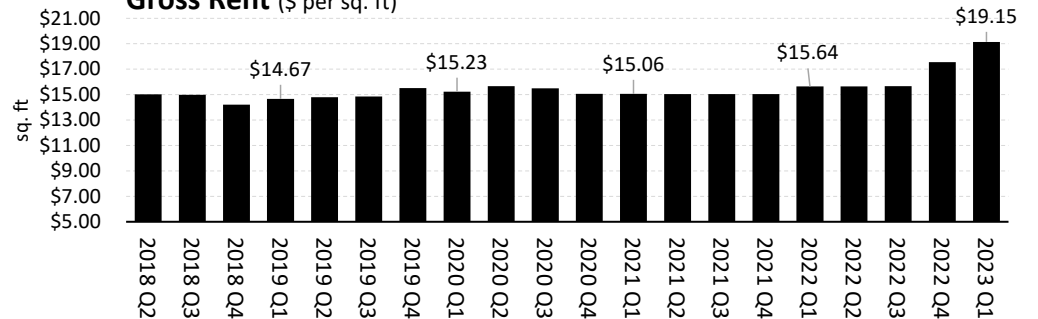
### Vacancy Rate (%)



### Under Construction & Net Deliveries (sq. ft)



### Gross Rent (\$ per sq. ft)



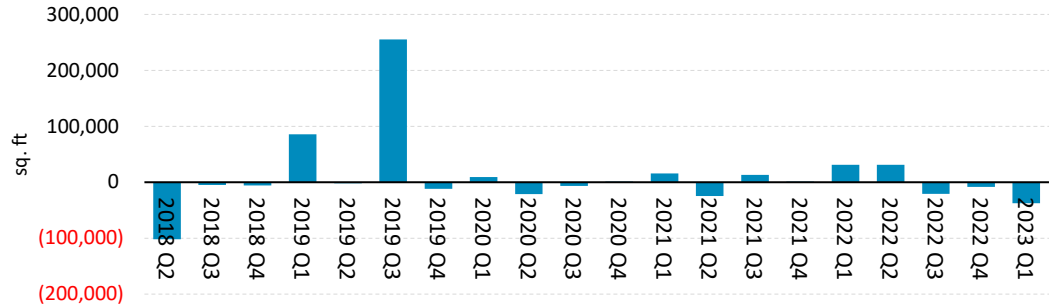
# Office Market - MSA Trends

## WINCHESTER MSA

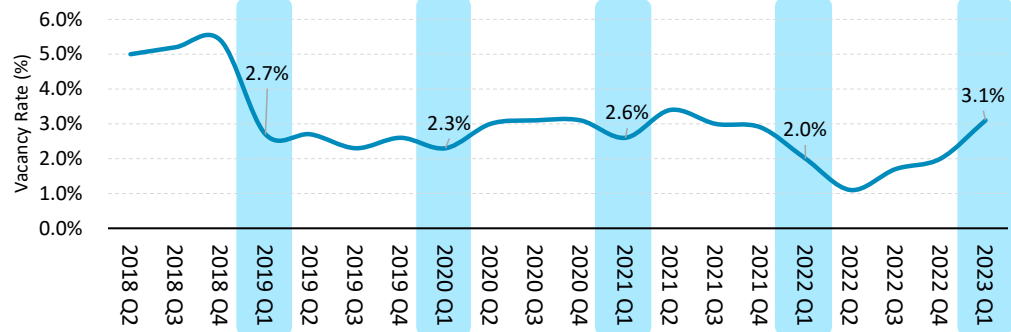
### Local Market Indicator Dashboard

	Q1-2023	YoY Chg	
Total Inventory (sq. ft, millions)	3.5	0	% chg
Vacancy Rate (%)	3.1%	1.1%	pct points
Net Absorption (sq. ft)	(37,444)	-68,492	sq. ft
Avg Gross Rent (\$ per sq. ft)	\$21.85	\$1.00	\$ per sq. ft
Deliveries (sq. ft)	0	0	sq. ft
Under Construction (sq. ft)	0	0	sq. ft

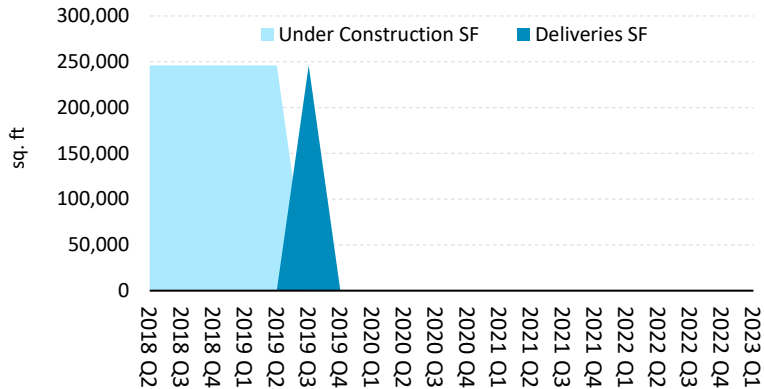
### Net Absorption (sq. ft)



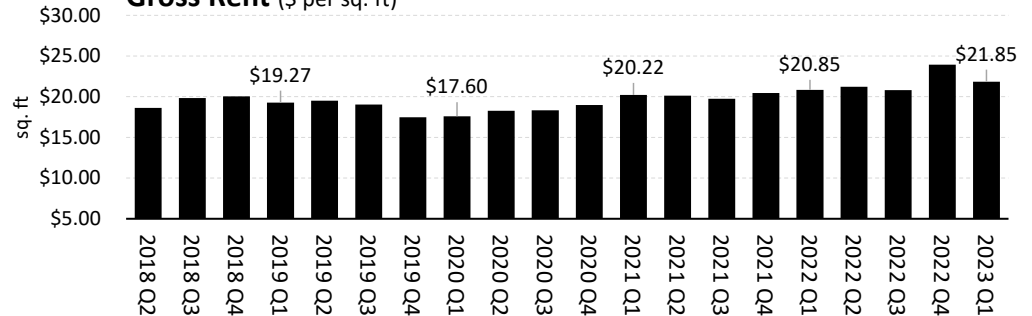
### Vacancy Rate (%)



### Under Construction & Net Deliveries (sq. ft)



### Gross Rent (\$ per sq. ft)



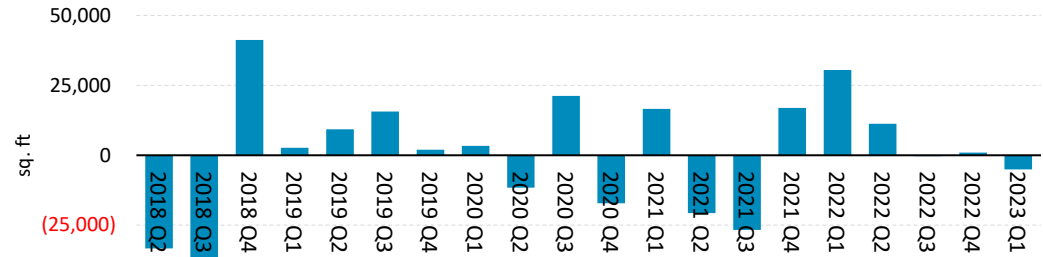
# Office Market - MSA Trends

## HARRISONBURG MSA

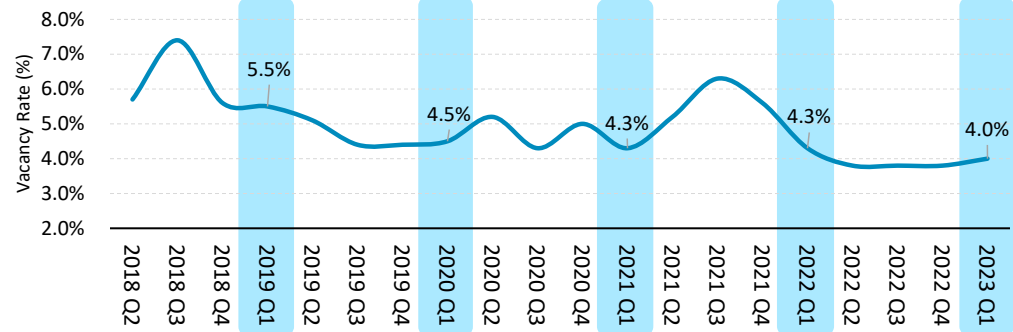
### Local Market Indicator Dashboard

	Q1-2023	YoY Chg	
Total Inventory (sq. ft, millions)	2.3	0	% chg
Vacancy Rate (%)	4.0%	-0.3%	pct points
Net Absorption (sq. ft)	(5,093)	-35,630	sq. ft
Avg Gross Rent (\$ per sq. ft)	\$17.64	\$2.01	\$ per sq. ft
Deliveries (sq. ft)	0	0	sq. ft
Under Construction (sq. ft)	12,400	6,400	sq. ft

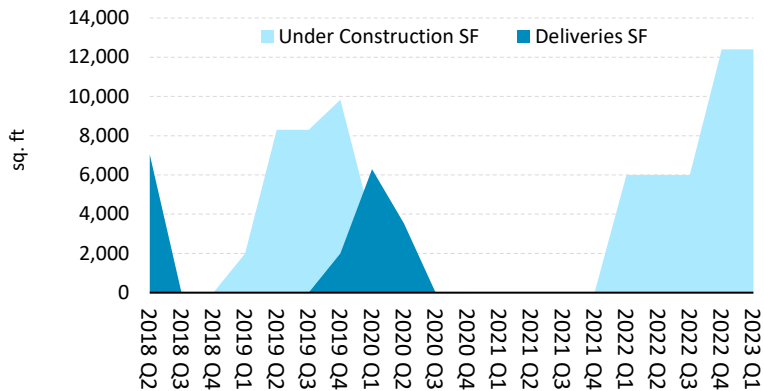
### Net Absorption (sq. ft)



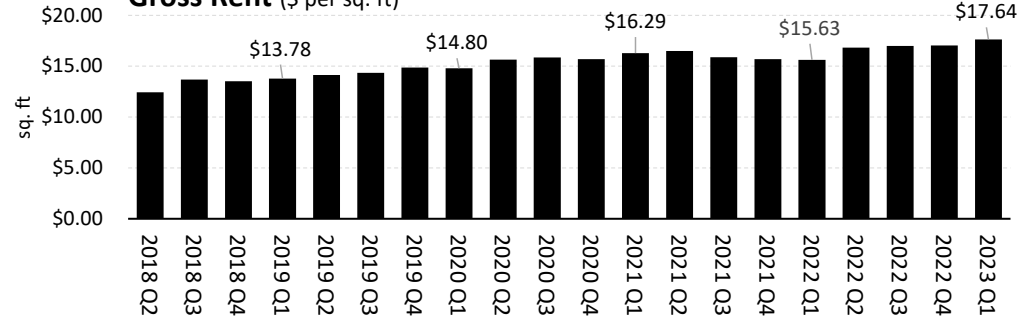
### Vacancy Rate (%)



### Under Construction & Net Deliveries (sq. ft)



### Gross Rent (\$ per sq. ft)





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Data and analysis provided by Virginia REALTORS® Chief Economist.

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