



Q3 2023 OFFICE MARKET REPORT

Office Market - Key Trends Snapshot

Office Market

Overview: It was a slow quarter in Virginia's office market. Most metro areas in the state had negative absorption this quarter compared to a year ago, signaling softening office demand around the state. Consequently, office vacancy rates are climbing from last year in most parts of Virginia. As demand cooled, office rents dipped overall between the second and third quarter, though this was driven by a decline in Class A rent. Class B/C rent inched up from last quarter. From a year-over-year perspective, office rents are up across Class types from the third quarter of 2022. Office construction continues to slow down in Virginia. The pipeline of office space currently under construction in Virginia is at the lowest level seen since the late 1990s.

Absorption: Virginia office absorption was negative this quarter with about -590,000 sq ft of space absorbed, most of which came from Class A buildings. Of all metro areas, Northern Virginia saw the biggest decline in absorption with a net decrease of about 527,000 sq ft. Hampton Roads was one of the few markets to have positive absorption with a net of about 40,000 sq ft of office space absorbed in the third quarter of 2023.

Vacancy Rate: Statewide, the office market had a vacancy rate of 12.6%, increasing 0.3 percentage points from the year prior. Office vacancies were the highest in Northern Virginia at 16.5% with Class A building vacancies jumping to 19.7%. The office market with the smallest vacancy rate this quarter was Lynchburg at 3.9%.

Rent: Office rent inched higher in Q3 2023, going up 2.2% from the previous year. Class B/C buildings saw rent rise the most this quarter at 2.1% while rent for Class A buildings grew by 1.4%. Harrisonburg was the only metro market that had a drop in office rents, down 2.2% from the third quarter last year, while office rent in Blacksburg increased 25.6% from a year ago, the strongest in the state this quarter.

Supply + Deliveries: Office construction continues to be much slower than last year in Virginia with 2.65 million sq ft of office space under construction in the third quarter, a 48.0% drop-off compared to the same time a year ago. Net deliveries rose this quarter with about 118,000 sq ft of additional office space delivered, most of it coming from the Richmond area.

VIRGINIA (Statewide)



Market Indicator Dashboard

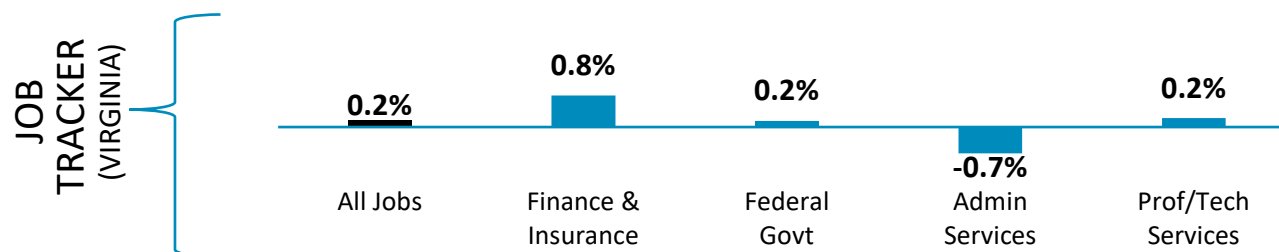
	YoY Chg	Q3-2023	Indicator
% chg	0.8%	414.4	Total Inventory (sq. ft, in millions)
sq. ft millions	-0.1	-0.6	Net Absorption (sq. ft, in millions)
pct point	0.3%	12.6%	Vacancy Rate (%)
\$ per sq. ft	\$0.68	\$31.35	Gross Rent (\$ per sq. ft)
sq. ft millions	0.1	0.1	New Supply Delivered (sq. ft, in millions)
sq. ft millions	-2.5	2.7	Under Construction (sq. ft, in millions)



Economic Indicator Dashboard

	MoM Chg	Aug-23	Indicator
% chg	0.2%	4.2	Total Jobs (in millions, seasonally adjusted)
% chg	0.1%	1.1	Office-Supporting Jobs (in millions, seasonally adjusted)
pct point	0	2.5%	Unemployment Rate (% seasonally adjusted)
pct point	QoQ Chg -0.1%	Q2-2023 2.1	Gross Domestic Product (% chg from prior year)

Office-Supporting Job Sectors (% Chg Jul-23 to Aug-23, seasonally adj.)



Report Index

Virginia Office Market

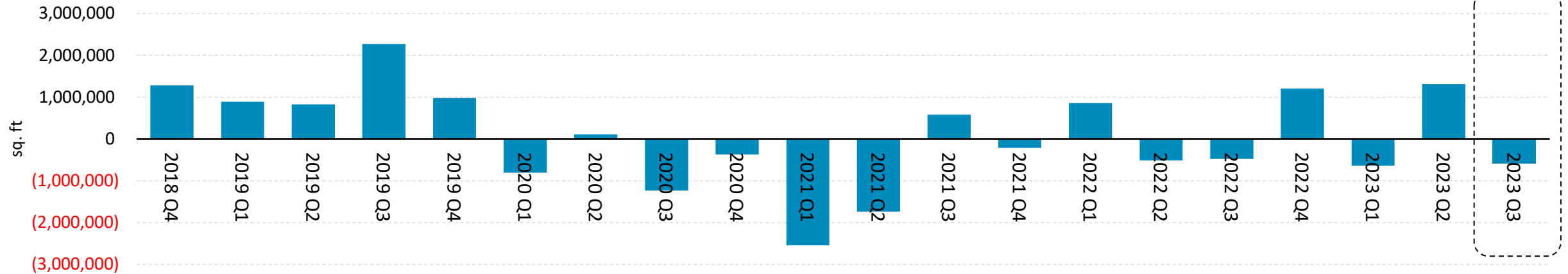
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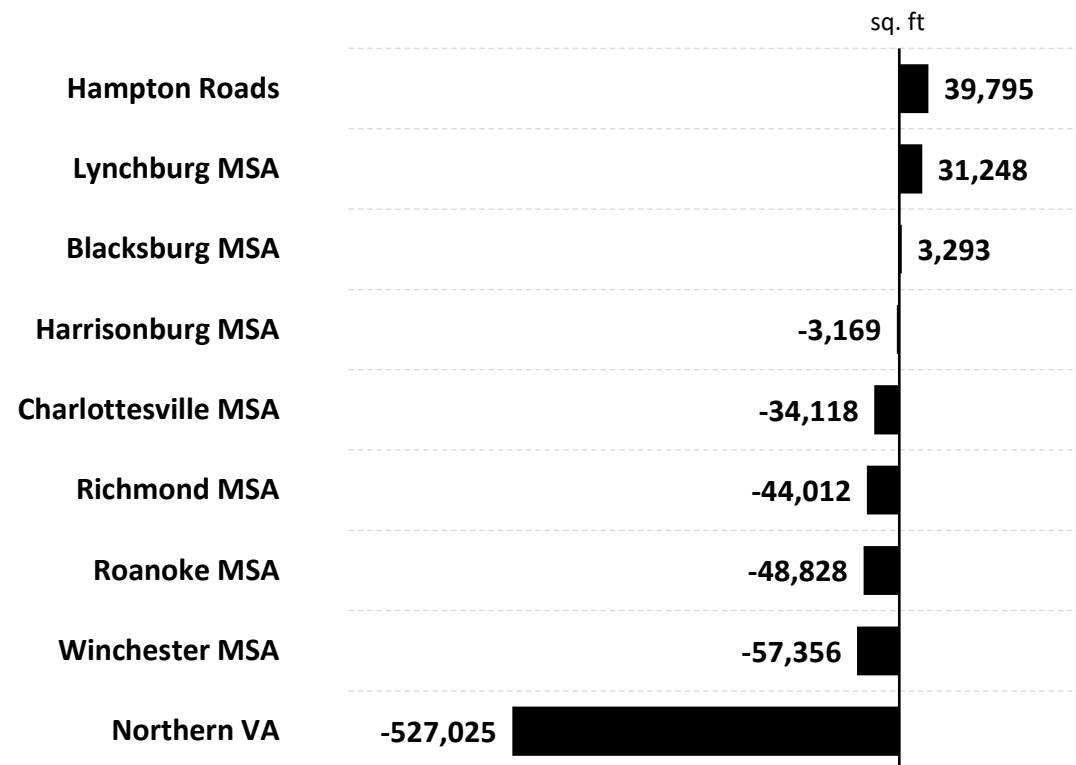
Office Market - Absorption & Construction Trends

VIRGINIA (Statewide)

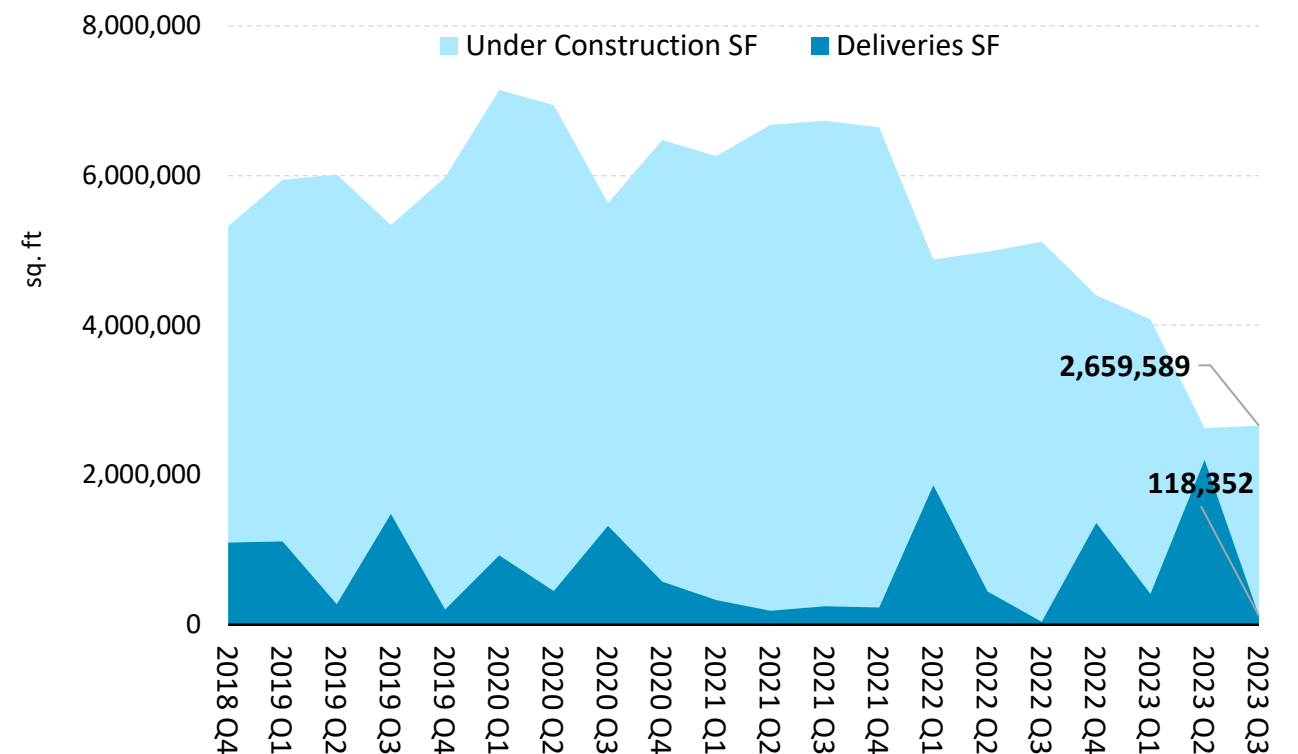
Net Absorption (sq. ft)



Q3-2023 Net Absorption by Metro Area (sq ft)



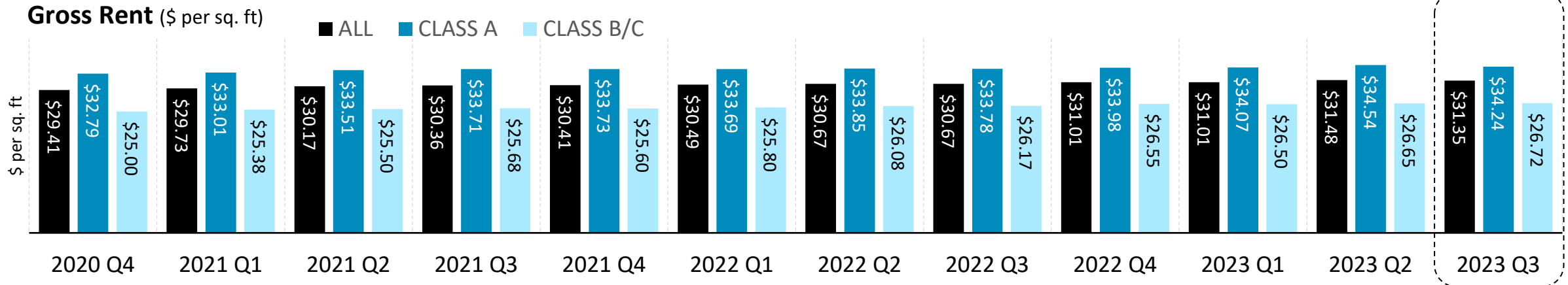
Under Construction & Net Deliveries (sq. ft)



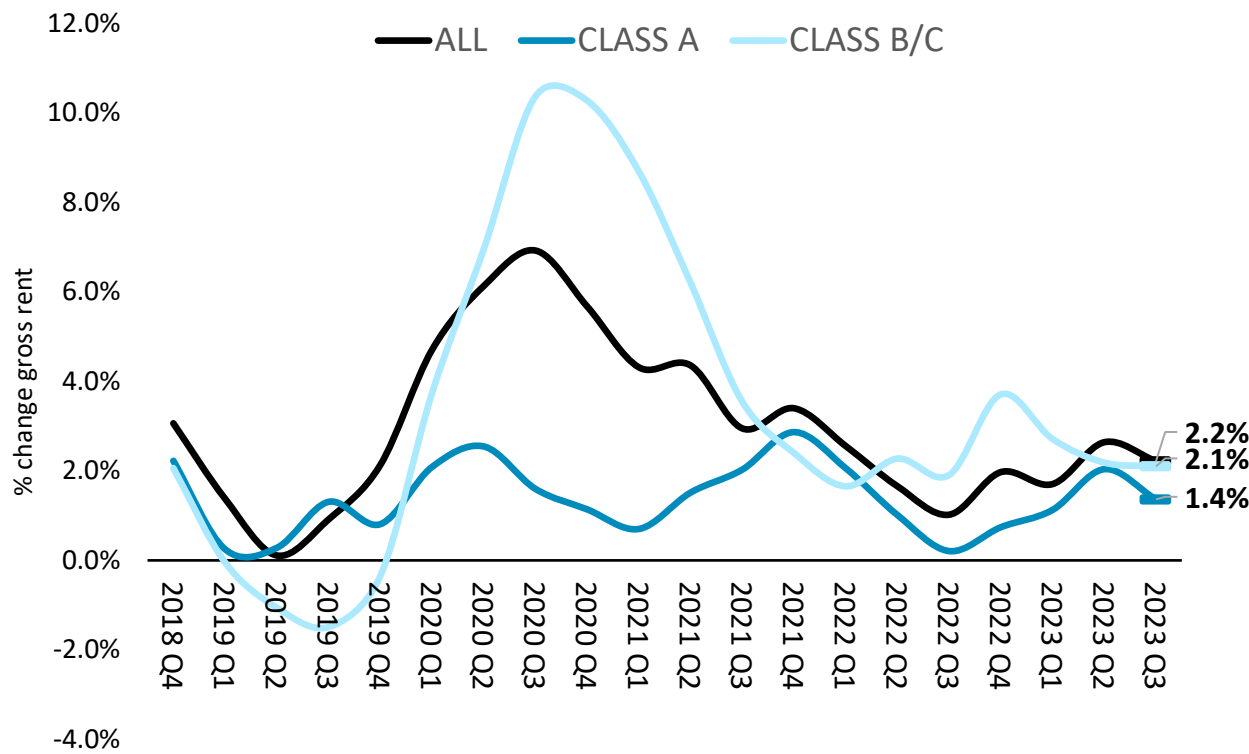
Office Market - Rent Trends

VIRGINIA (Statewide)

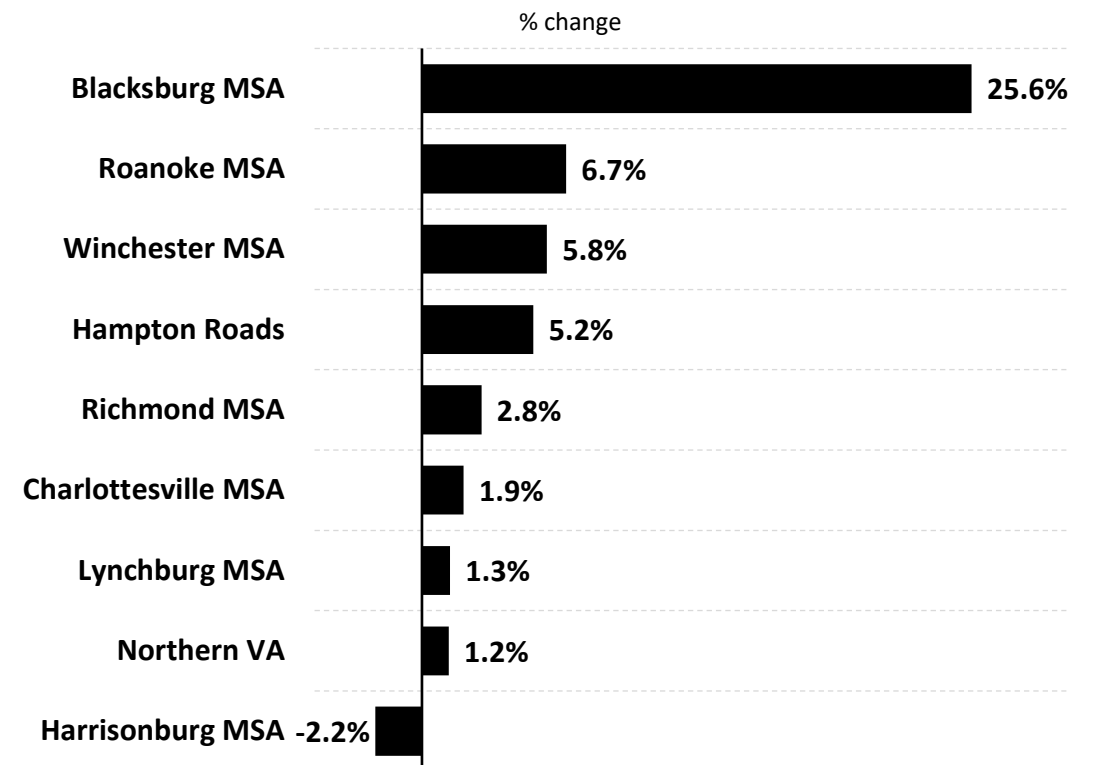
Gross Rent (\$ per sq. ft.)



% Change, Gross Rent (YoY % change)

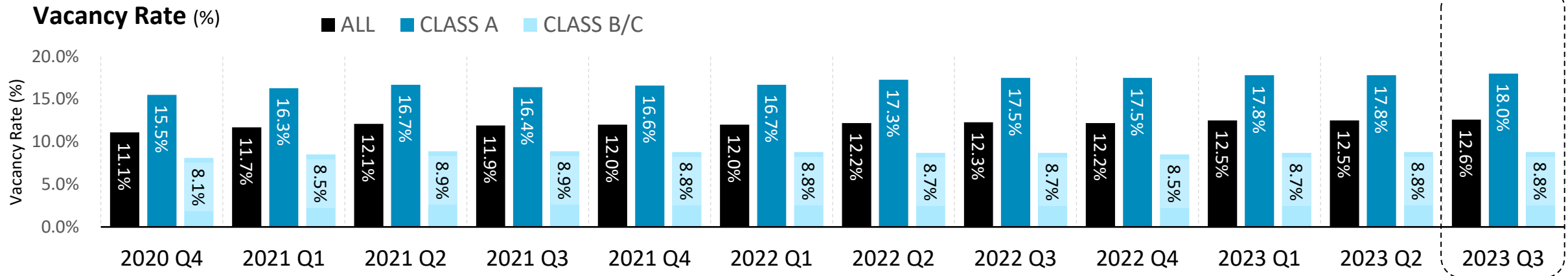


Q3-2023 by MSA: % Change, Gross Rent (YoY % change)

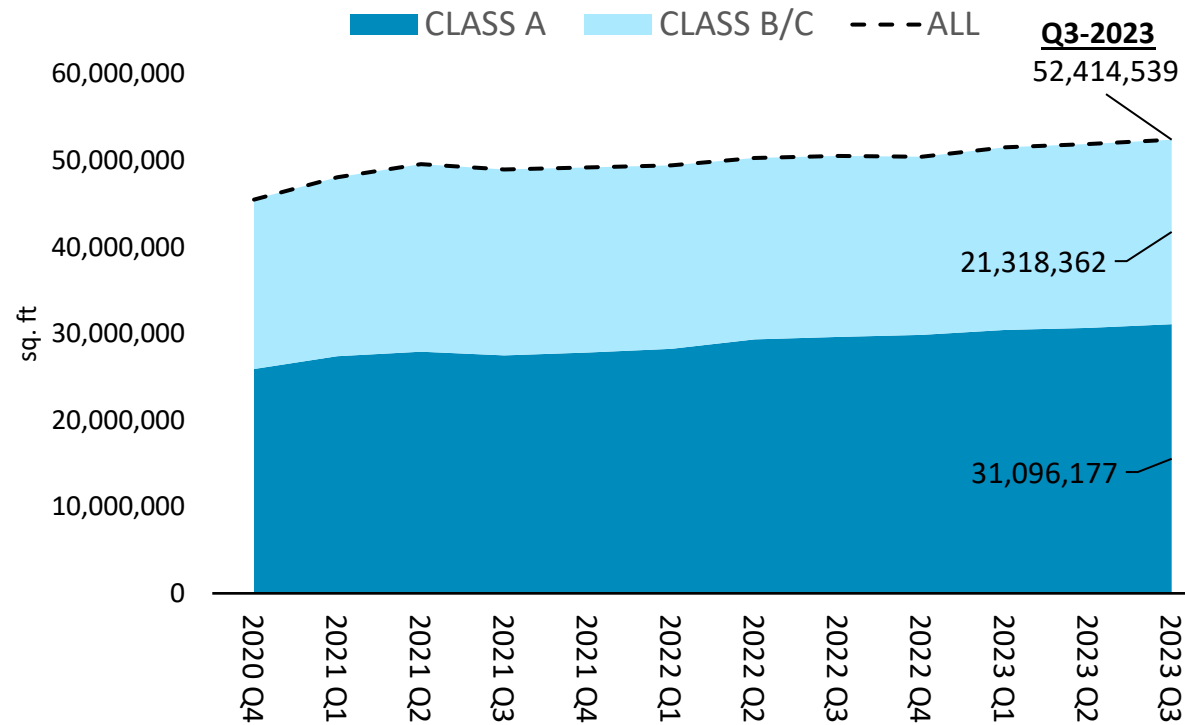


Office Market - Vacancy Trends

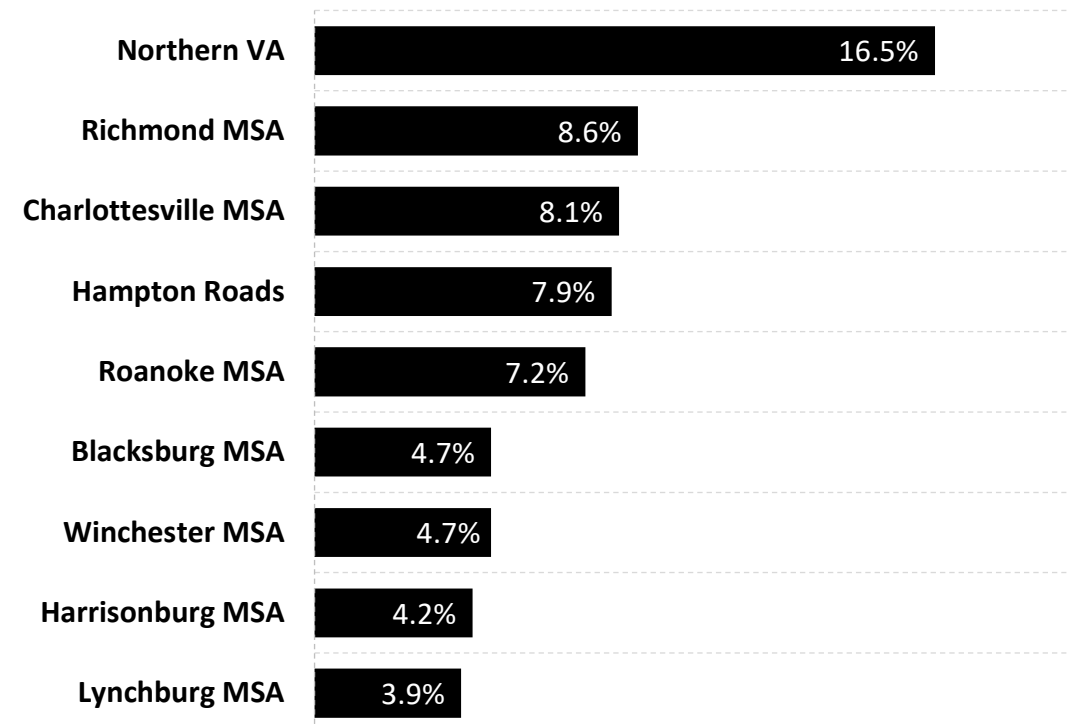
VIRGINIA (Statewide)



Vacant Inventory (sq. ft)



Q3-2023 Office Vacancy Rate by MSA



MSA TRENDS

METROPOLITAN STATISTICAL AREA

Q3



2023

OFFICE
Market Report



Snapshot of Office Market Conditions Around Virginia

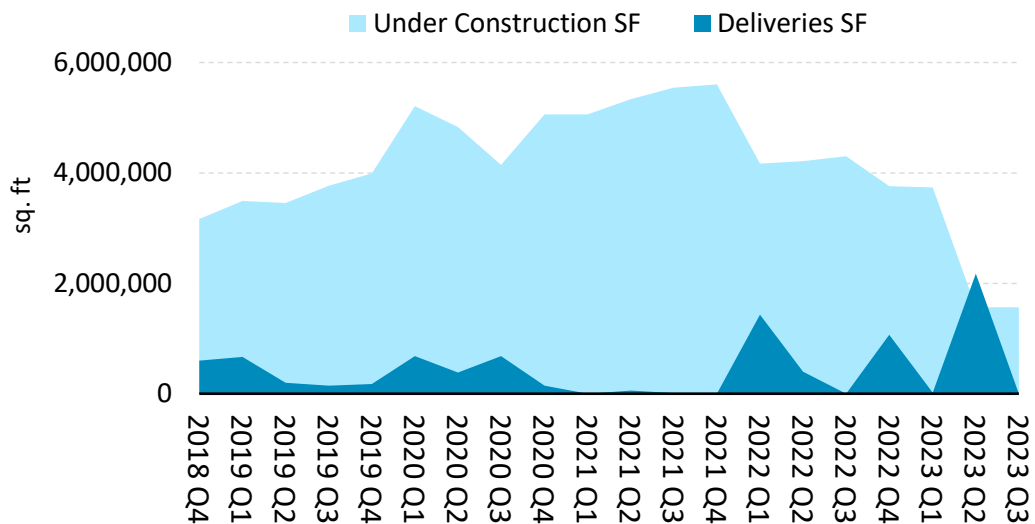
Office Market - MSA Trends

NORTHERN VIRGINIA

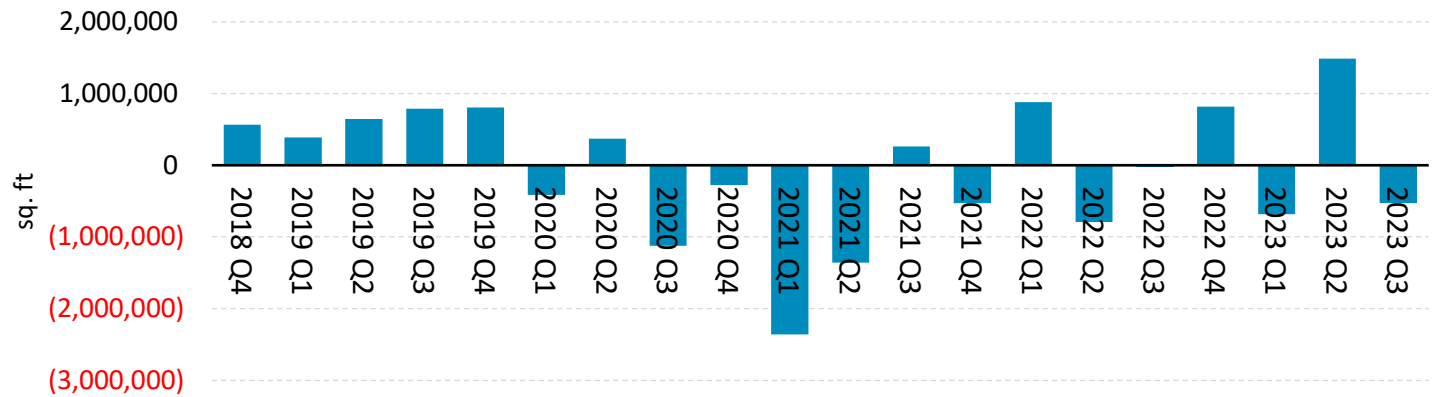
Local Market Indicator Dashboard

	Q3-2023	YoY Chg
Total Inventory (sq. ft, millions)	234.0	1.0% % chg
Vacancy Rate (%)	16.5%	0.3% pct points
Net Absorption (sq. ft)	(527,025)	-502,026 sq. ft
Avg Gross Rent (\$ per sq. ft)	\$33.51	\$0.41 \$ per sq. ft
Deliveries (sq. ft)	0	0 sq. ft
Under Construction (sq. ft)	1,564,597	-2,735,114 sq. ft

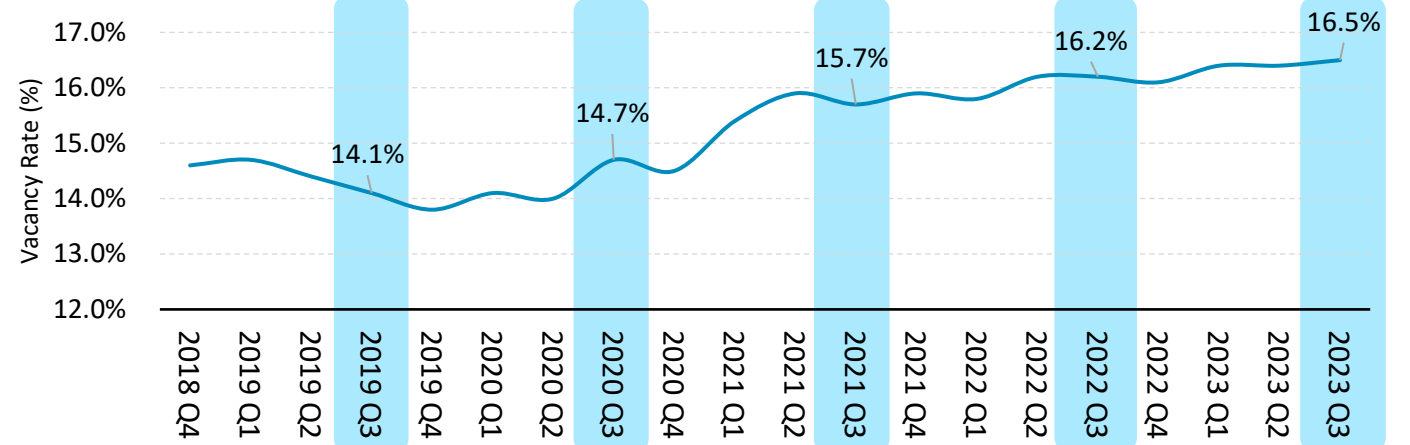
Under Construction & Net Deliveries (sq. ft)



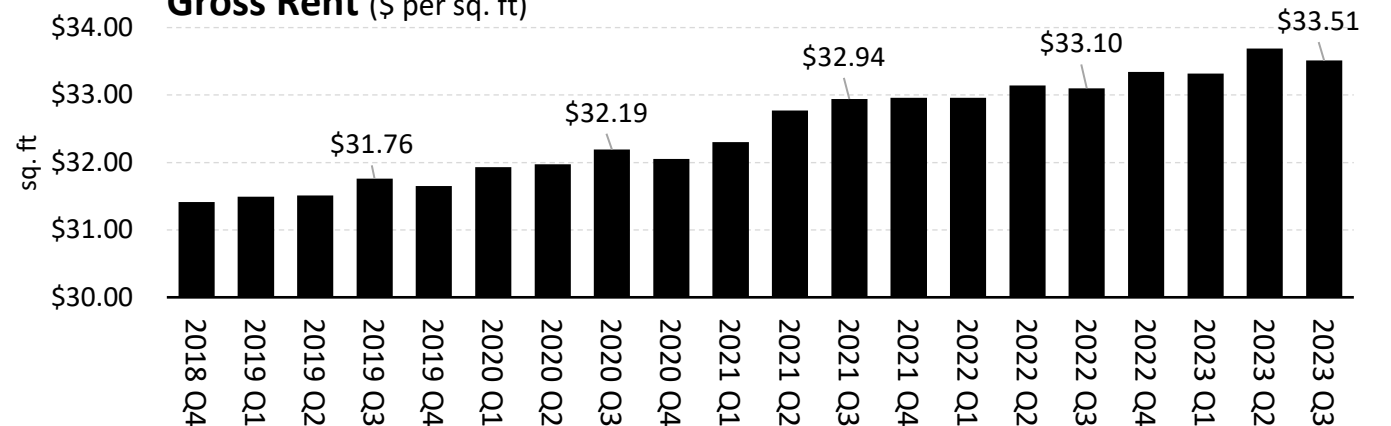
Net Absorption (sq. ft)



Vacancy Rate (%)



Gross Rent (\$ per sq. ft)



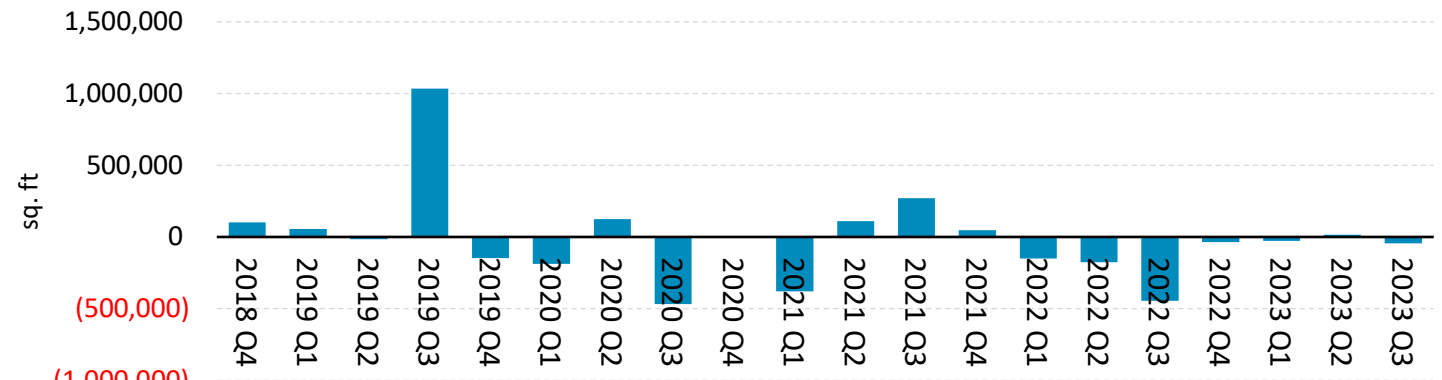
Office Market - MSA Trends

RICHMOND MSA

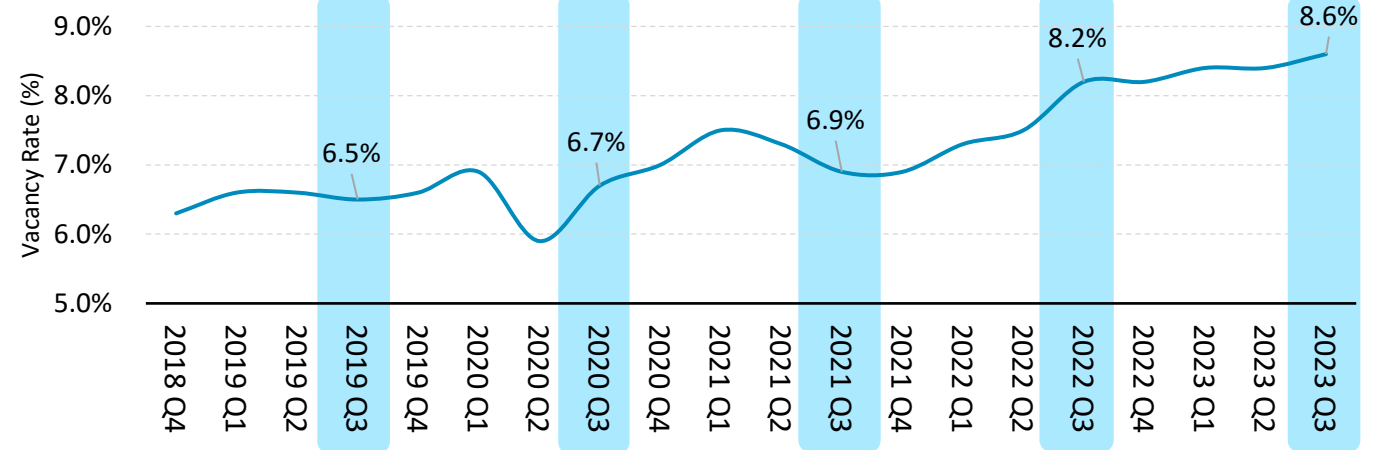
Local Market Indicator Dashboard

	Q3-2023	YoY Chg
Total Inventory (sq. ft, millions)	68.1	0.3% % chg
Vacancy Rate (%)	8.6%	0.4% pct points
Net Absorption (sq. ft)	(44,012)	402,149 sq. ft
Avg Gross Rent (\$ per sq. ft)	\$20.80	\$0.56 \$ per sq. ft
Deliveries (sq. ft)	101,052	74,552 sq. ft
Under Construction (sq. ft)	882,592	736,087 sq. ft

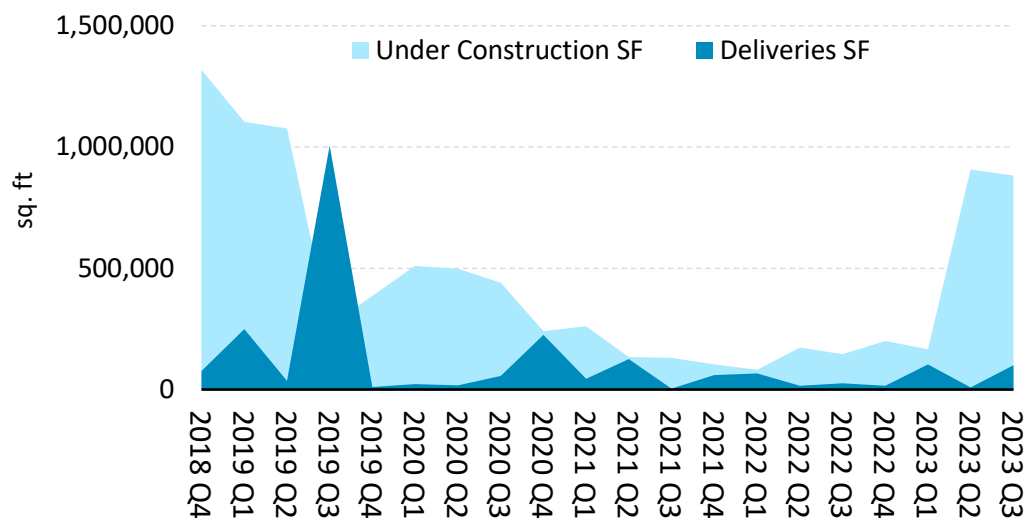
Net Absorption (sq. ft)



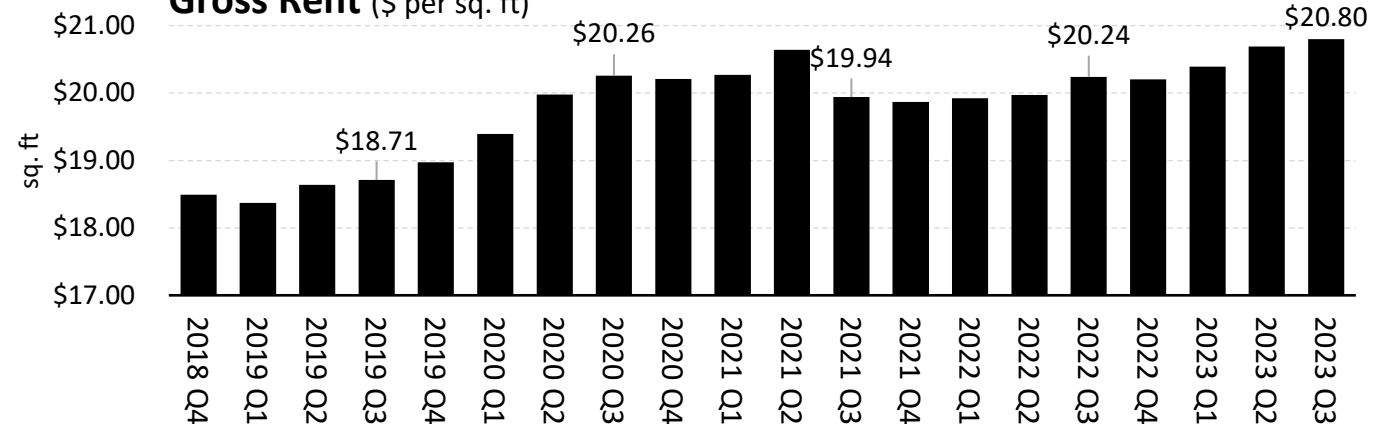
Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



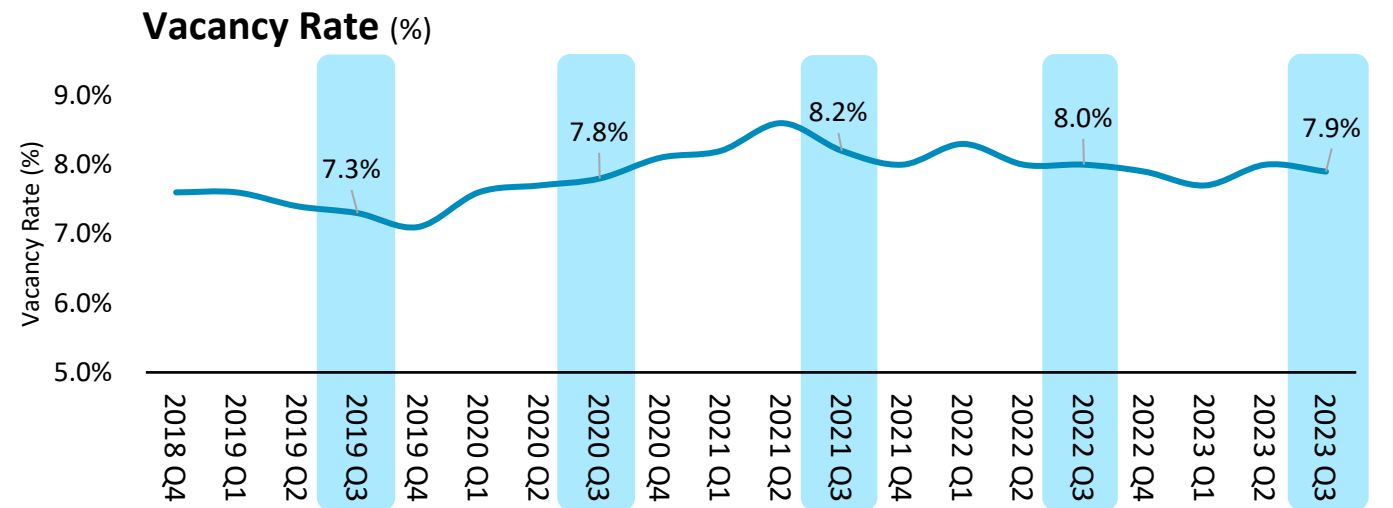
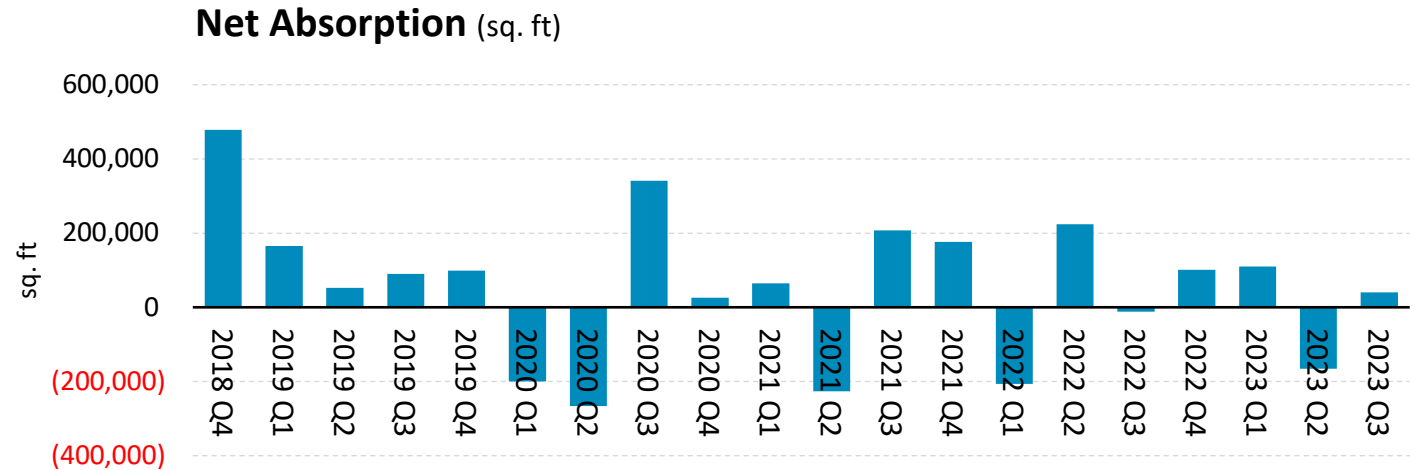
Gross Rent (\$ per sq. ft)



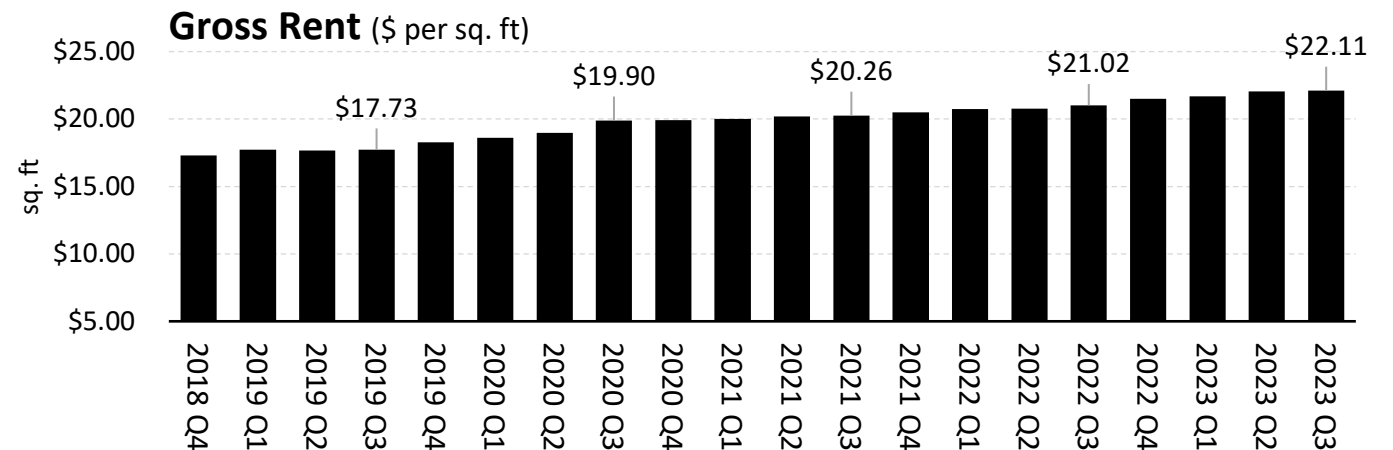
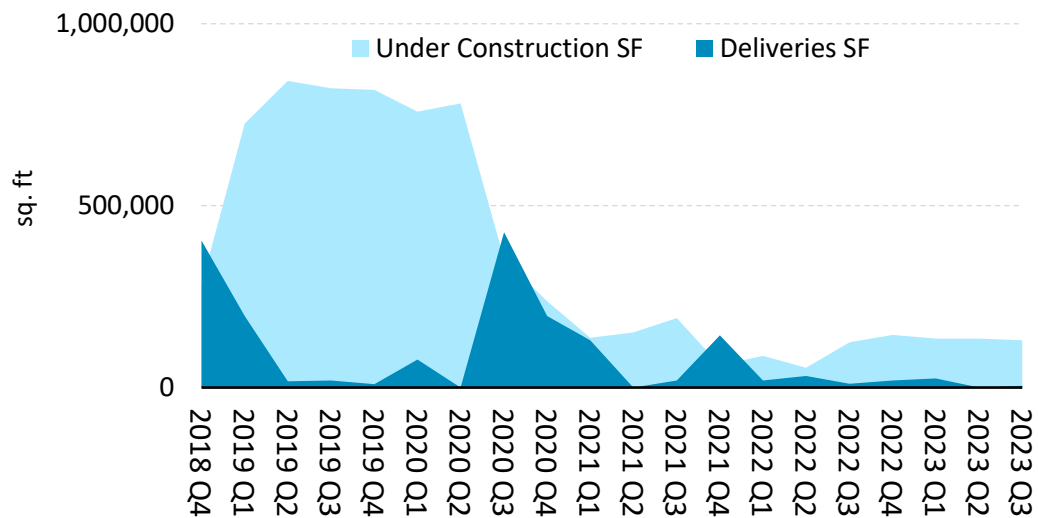
HAMPTON ROADS

Local Market Indicator Dashboard

	Q3-2023	YoY Chg
Total Inventory (sq. ft, millions)	56.4	0.1% % chg
Vacancy Rate (%)	7.9%	-0.1% pct points
Net Absorption (sq. ft)	39,795	51,180 sq. ft
Avg Gross Rent (\$ per sq. ft)	\$22.11	\$1.09 \$ per sq. ft
Deliveries (sq. ft)	4,800	-5,200 sq. ft
Under Construction (sq. ft)	130,000	5,167 sq. ft



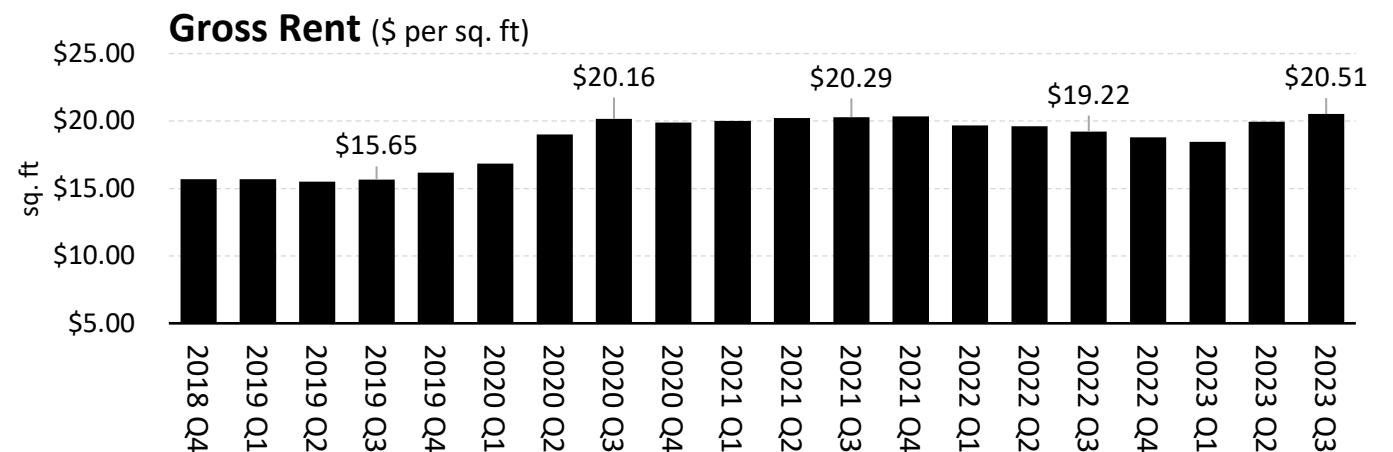
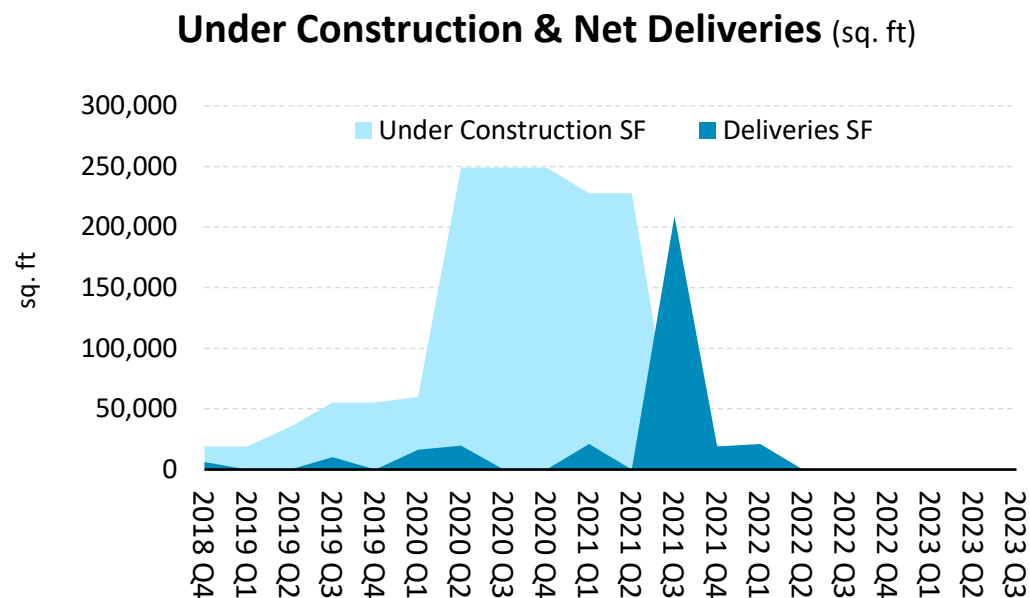
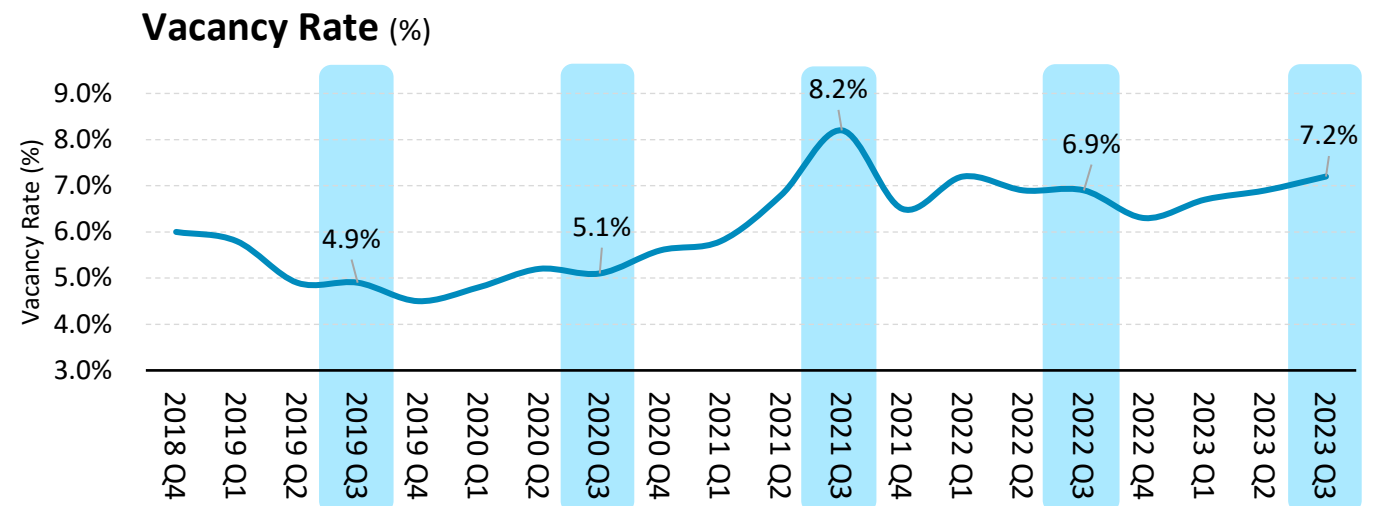
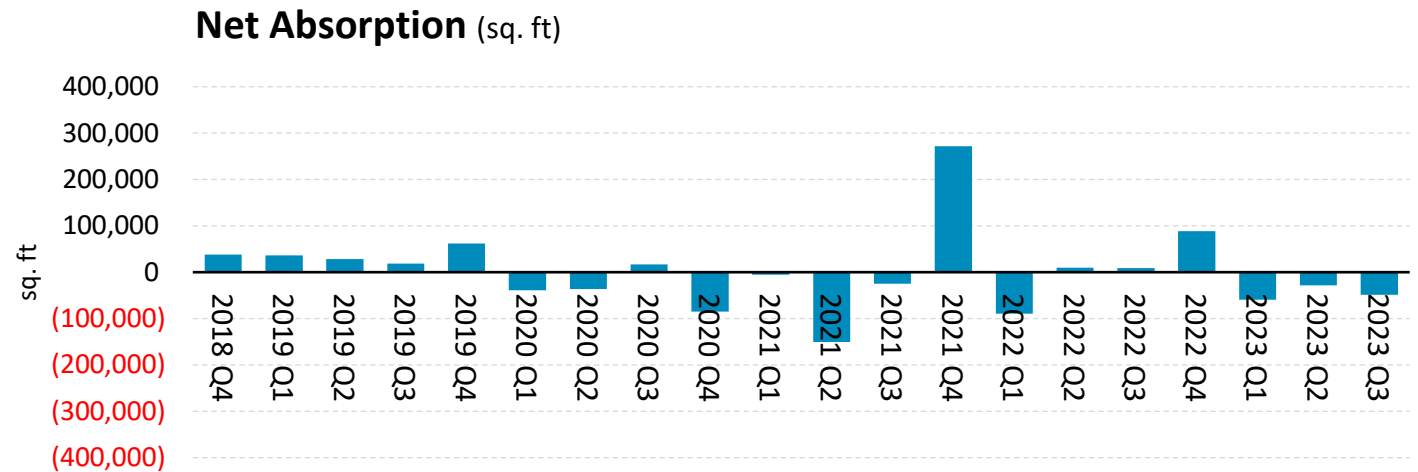
Under Construction & Net Deliveries (sq. ft)



ROANOKE MSA

Local Market Indicator Dashboard

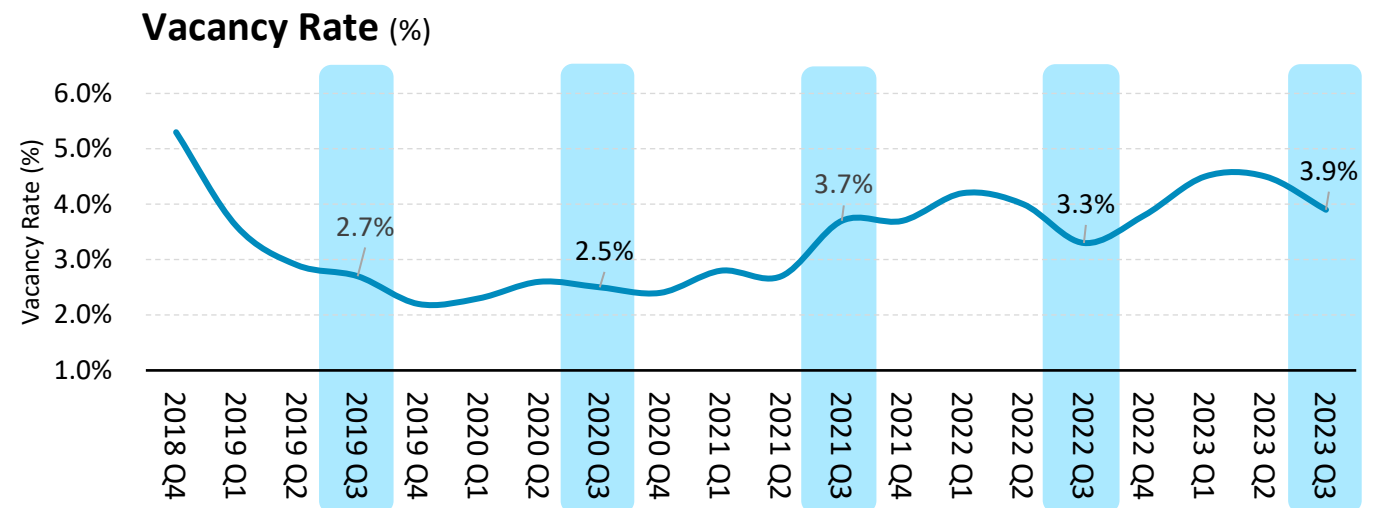
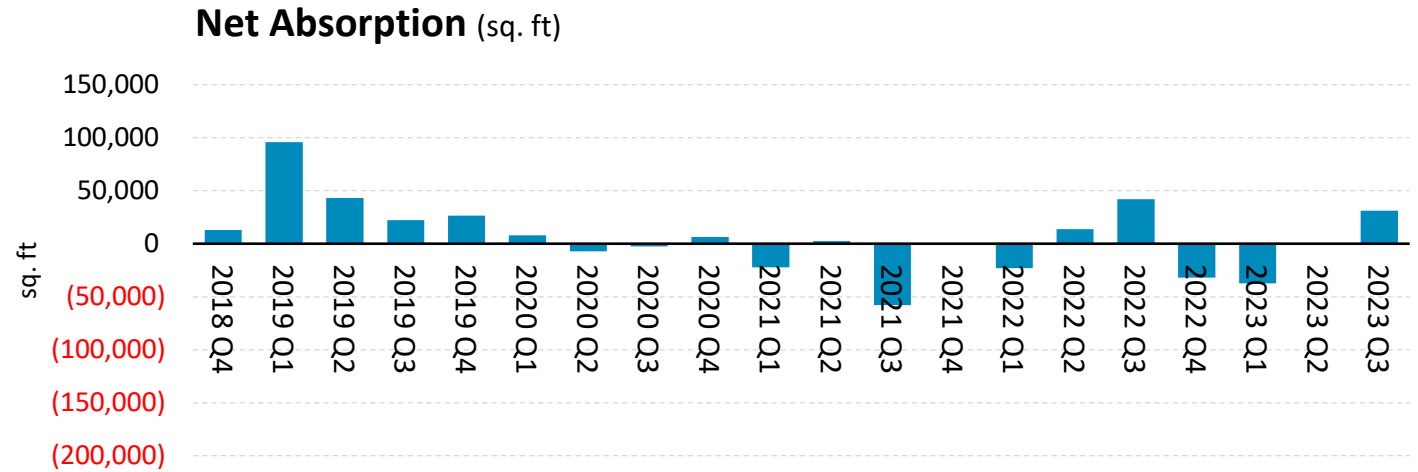
	Q3-2023	YoY Chg	
Total Inventory (sq. ft, millions)	15.5	0	% chg
Vacancy Rate (%)	7.2%	0.3%	pct points
Net Absorption (sq. ft)	(48,828)	-57,884	sq. ft
Avg Gross Rent (\$ per sq. ft)	\$20.51	\$1.29	\$ per sq. ft
Deliveries (sq. ft)	0	0	sq. ft
Under Construction (sq. ft)	0	0	sq. ft



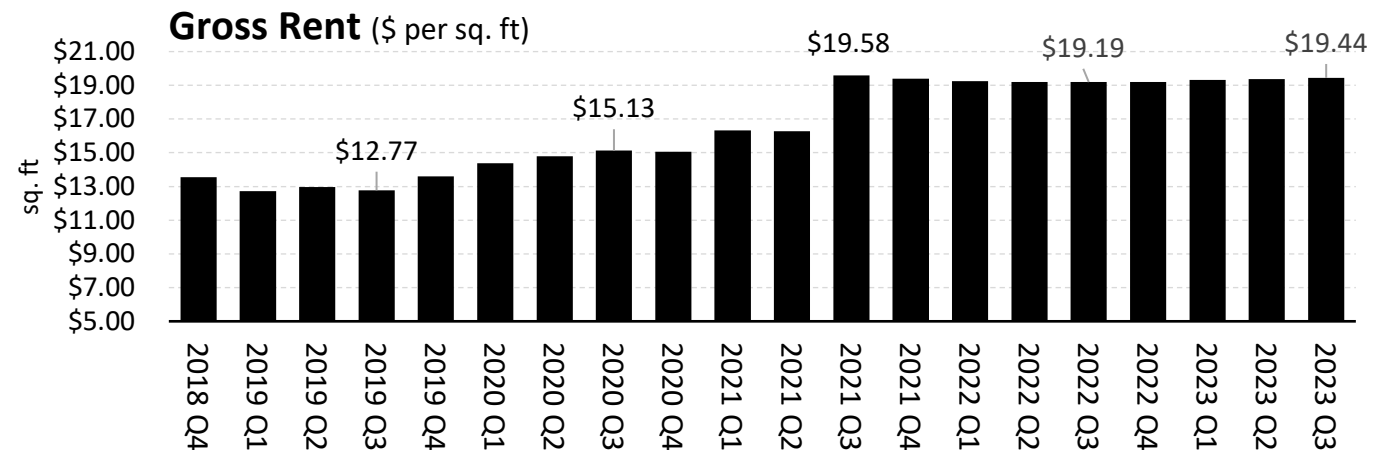
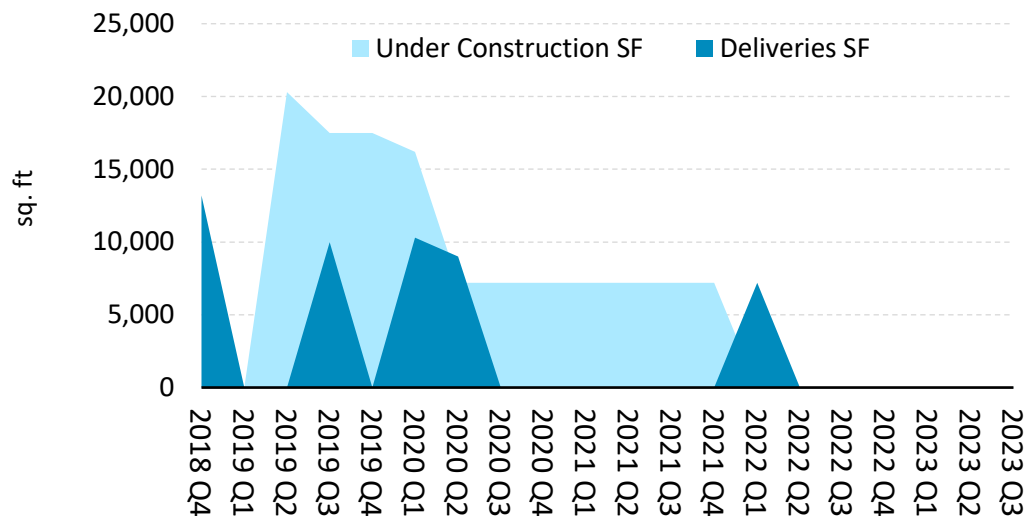
LYNCHBURG MSA

Local Market Indicator Dashboard

	Q3-2023	YoY Chg	
Total Inventory (sq. ft, millions)	5.9	0	% chg
Vacancy Rate (%)	3.9%	0.6%	pct points
Net Absorption (sq. ft)	31,248	-10,624	sq. ft
Avg Gross Rent (\$ per sq. ft)	\$19.44	\$0.25	\$ per sq. ft
Deliveries (sq. ft)	0	0	sq. ft
Under Construction (sq. ft)	0	0	sq. ft



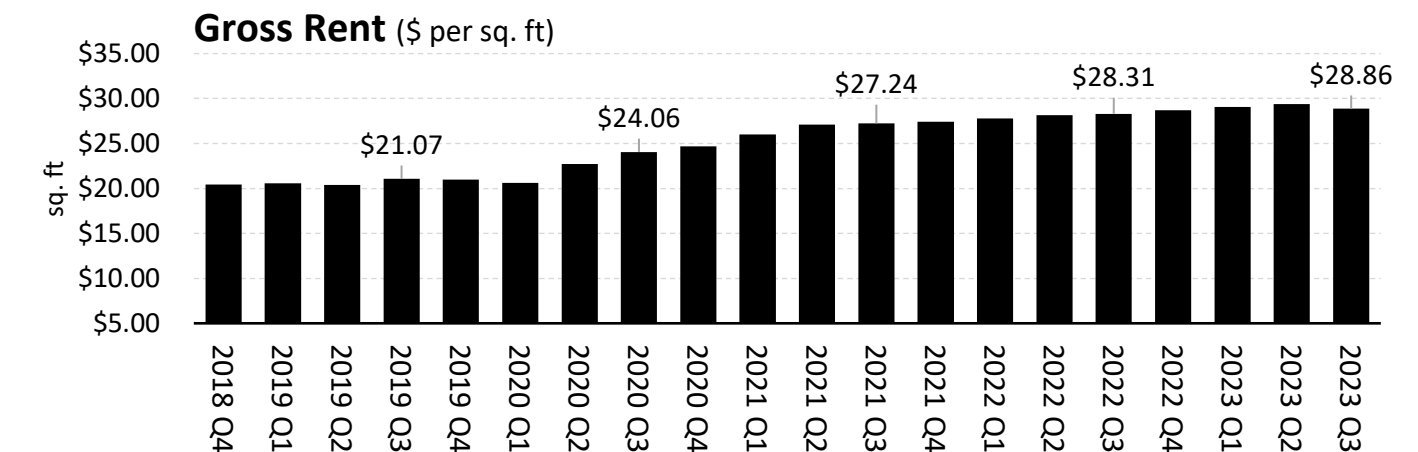
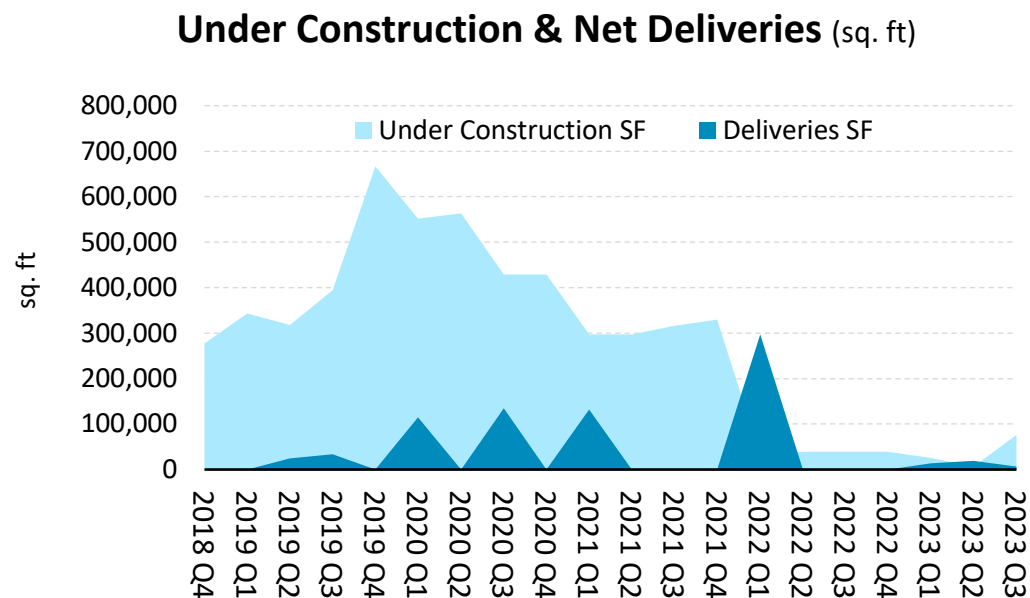
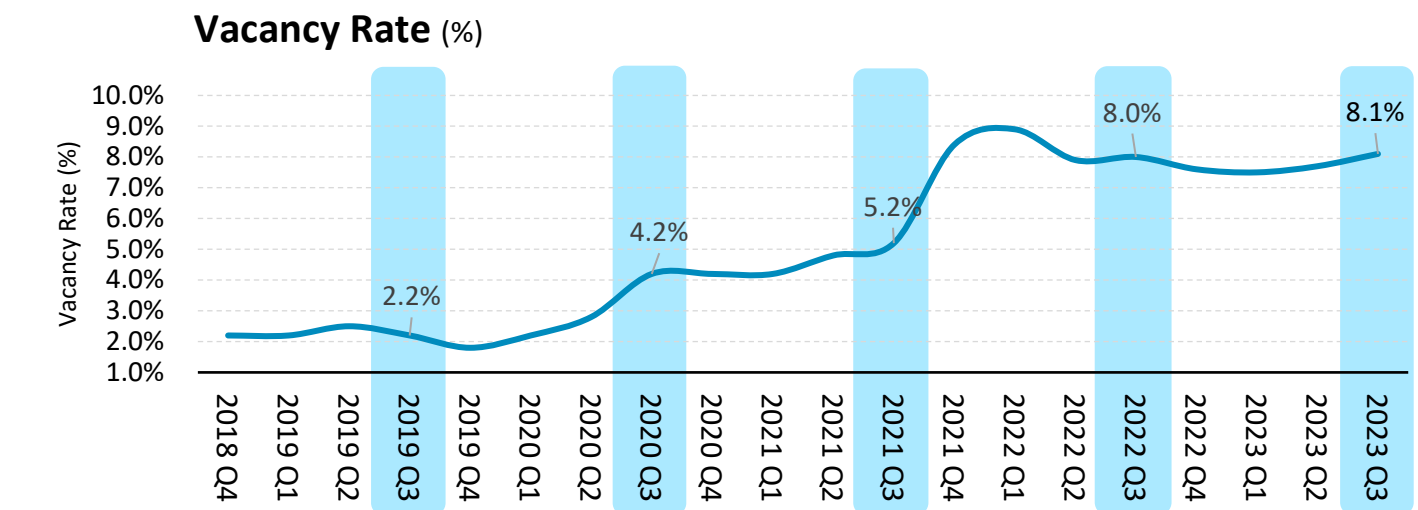
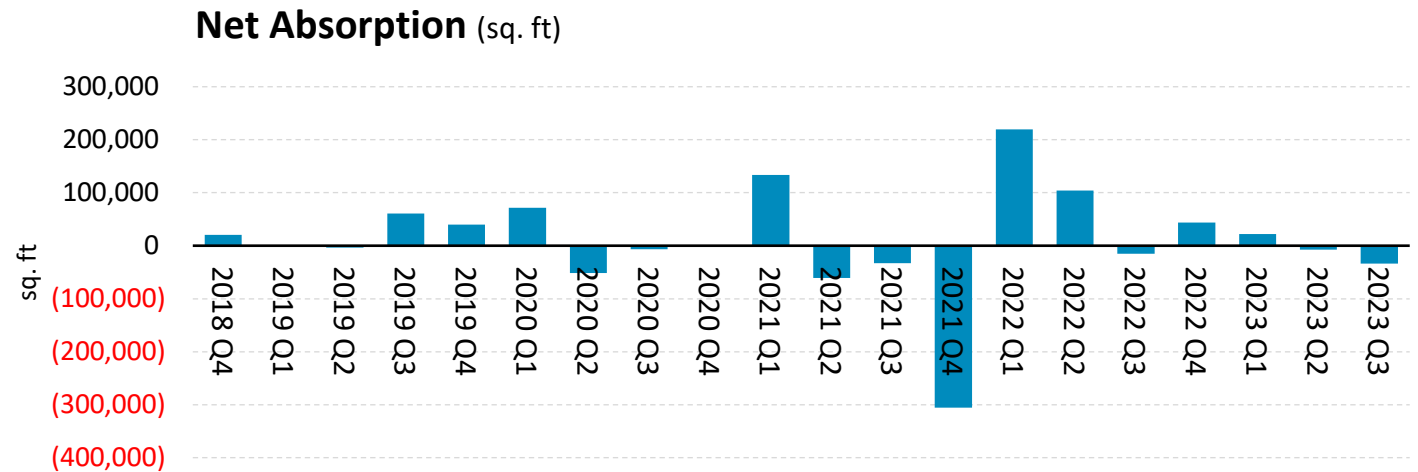
Under Construction & Net Deliveries (sq. ft)



CHARLOTTESVILLE MSA

Local Market Indicator Dashboard

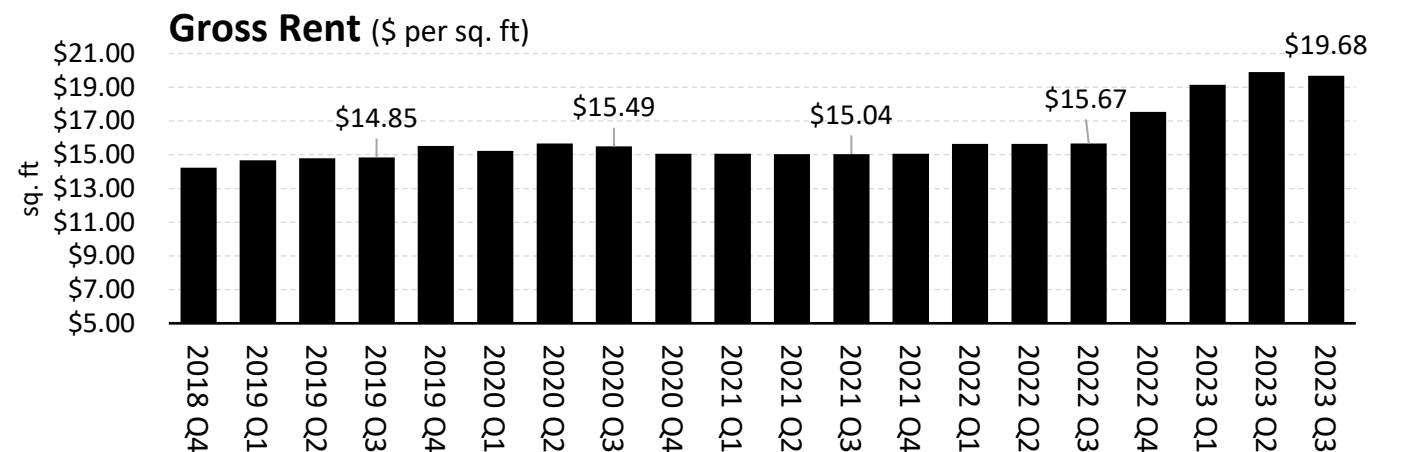
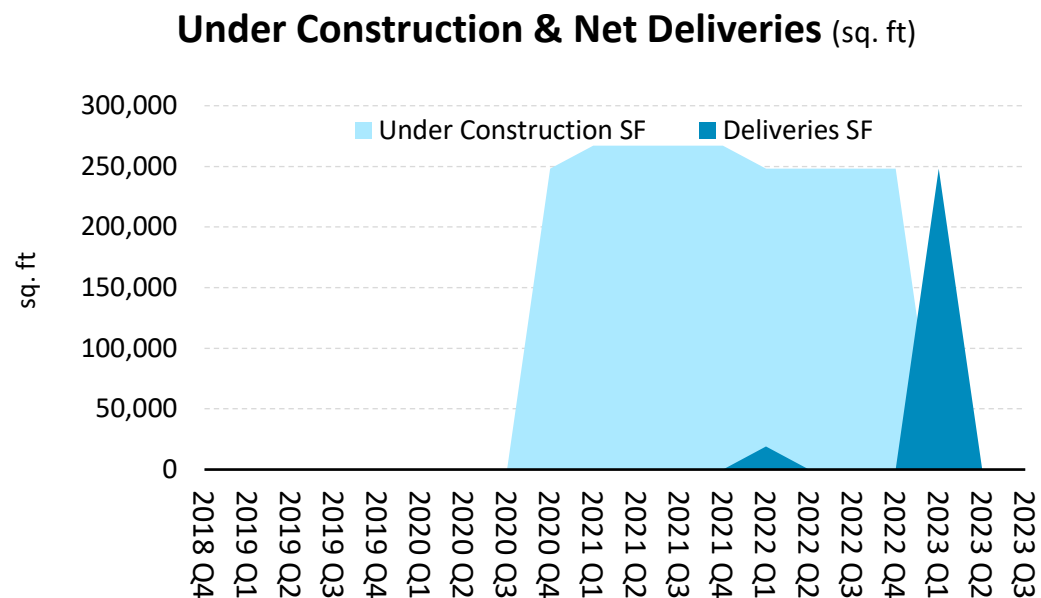
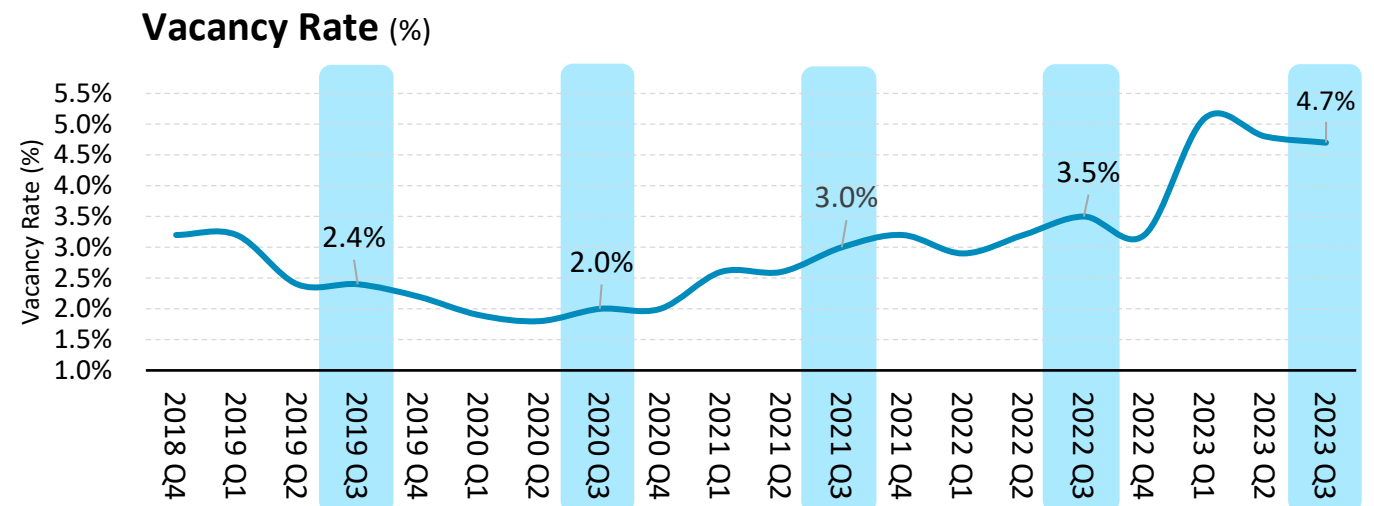
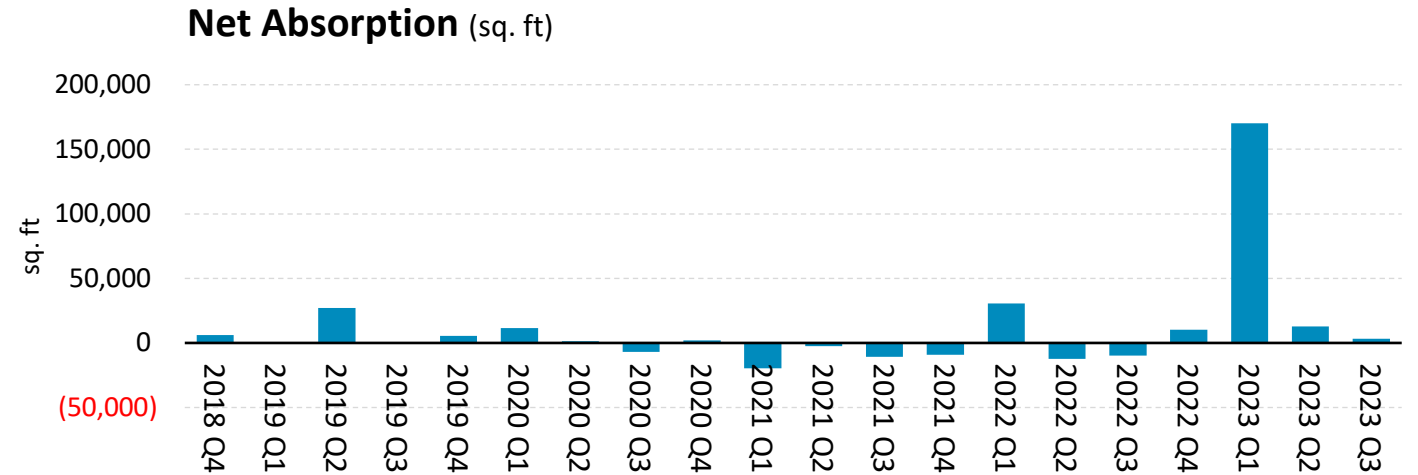
	Q3-2023	YoY Chg
Total Inventory (sq. ft, millions)	9.7	0.4% % chg
Vacancy Rate (%)	8.1%	0.1% pct points
Net Absorption (sq. ft)	(34,118)	-18,814 sq. ft
Avg Gross Rent (\$ per sq. ft)	\$28.86	\$0.55 \$ per sq. ft
Deliveries (sq. ft)	6,500	6,500 sq. ft
Under Construction (sq. ft)	76,000	36,811 sq. ft



BLACKSBURG MSA

Local Market Indicator Dashboard

	Q3-2023	YoY Chg	
Total Inventory (sq. ft, millions)	3.7	7.3%	% chg
Vacancy Rate (%)	4.7%	1.2%	pct points
Net Absorption (sq. ft)	3,293	12,985	sq. ft
Avg Gross Rent (\$ per sq. ft)	\$19.68	\$4.01	\$ per sq. ft
Deliveries (sq. ft)	0	0	sq. ft
Under Construction (sq. ft)	0	-248,075	sq. ft

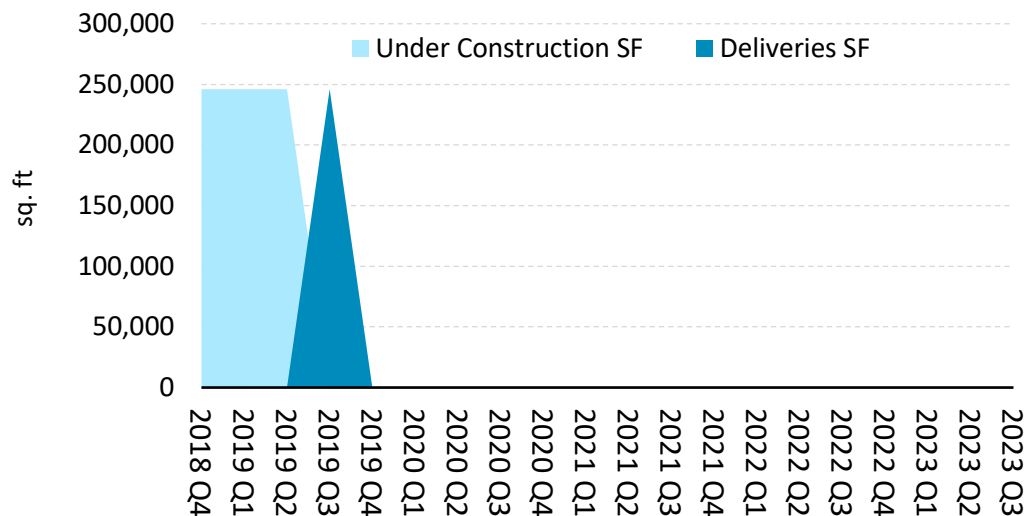


WINCHESTER MSA

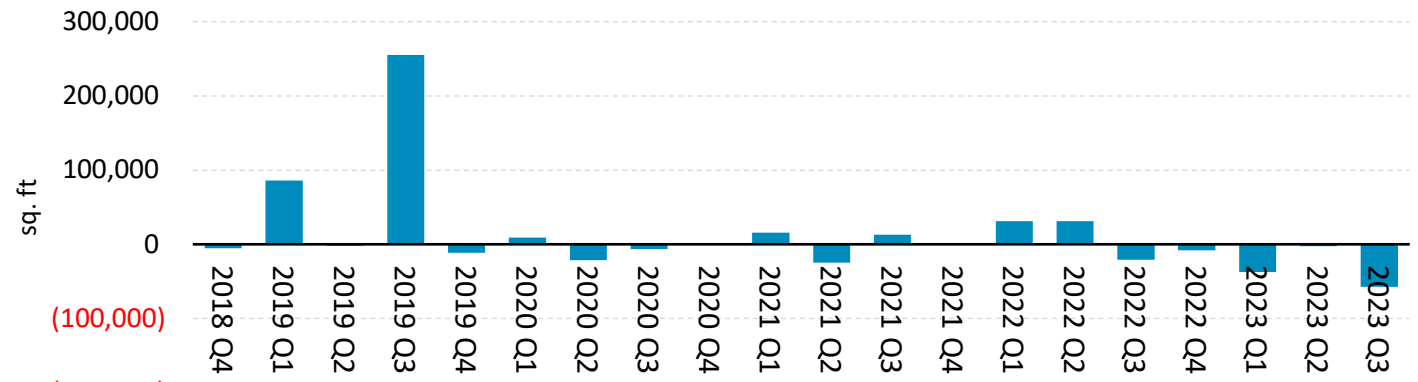
Local Market Indicator Dashboard

	Q3-2023	YoY Chg	
Total Inventory (sq. ft, millions)	3.5	0	% chg
Vacancy Rate (%)	4.7%	3.0%	pct points
Net Absorption (sq. ft)	(57,356)	-36,640	sq. ft
Avg Gross Rent (\$ per sq. ft)	\$22.02	\$1.21	\$ per sq. ft
Deliveries (sq. ft)	0	0	sq. ft
Under Construction (sq. ft)	0	0	sq. ft

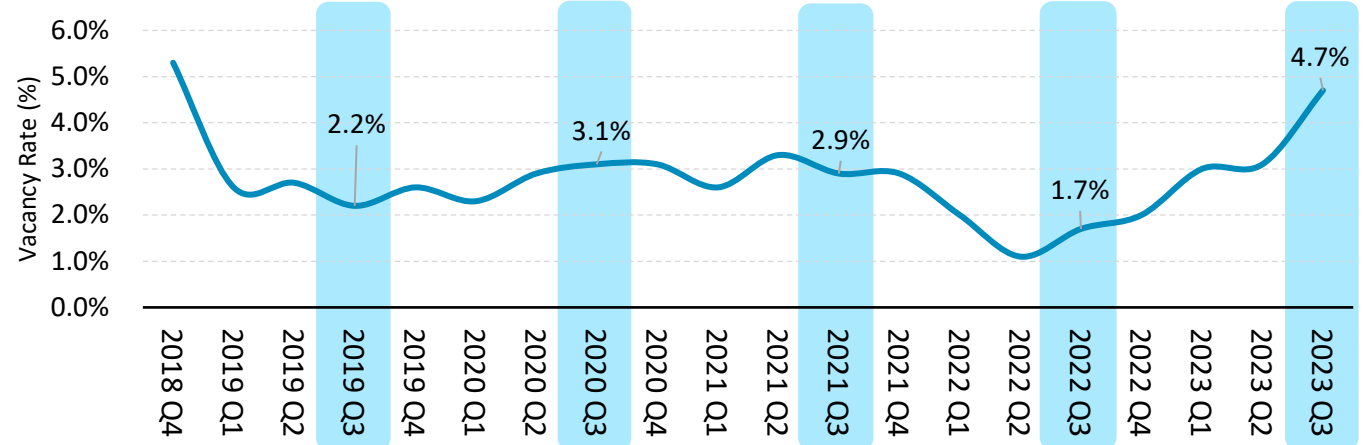
Under Construction & Net Deliveries (sq. ft)



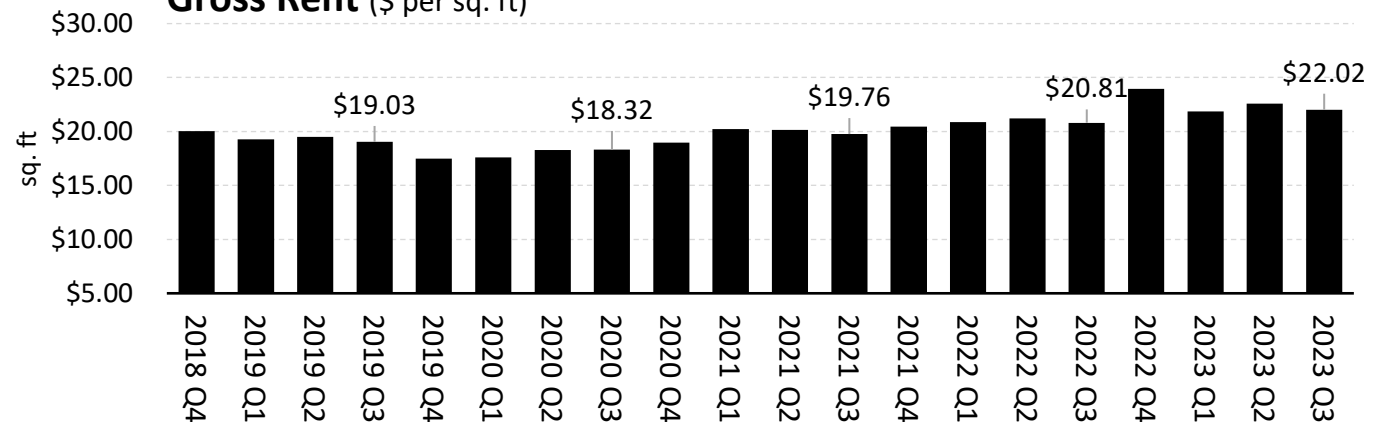
Net Absorption (sq. ft)



Vacancy Rate (%)



Gross Rent (\$ per sq. ft)

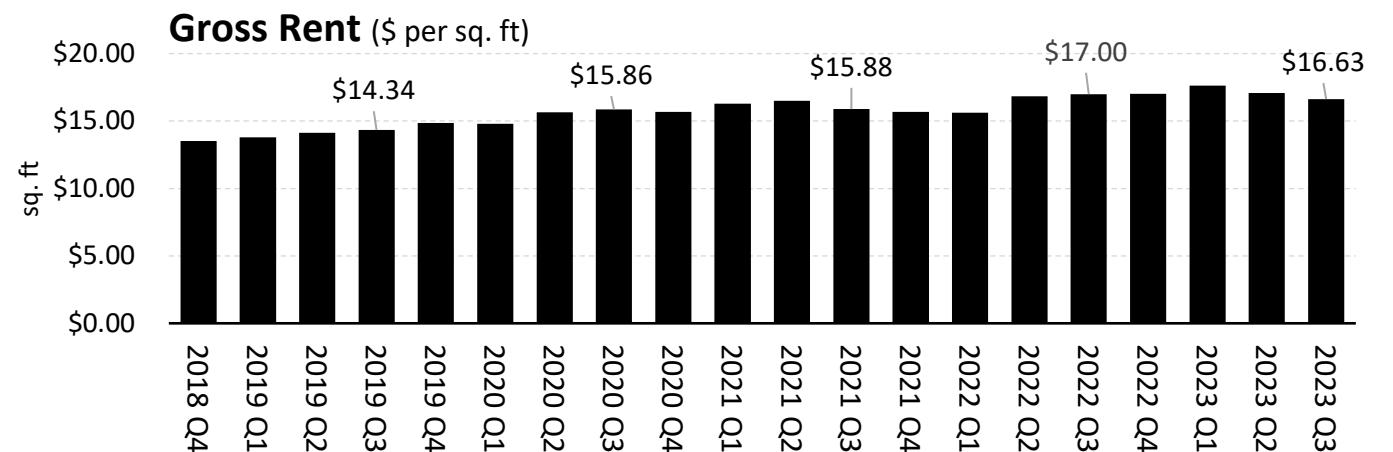
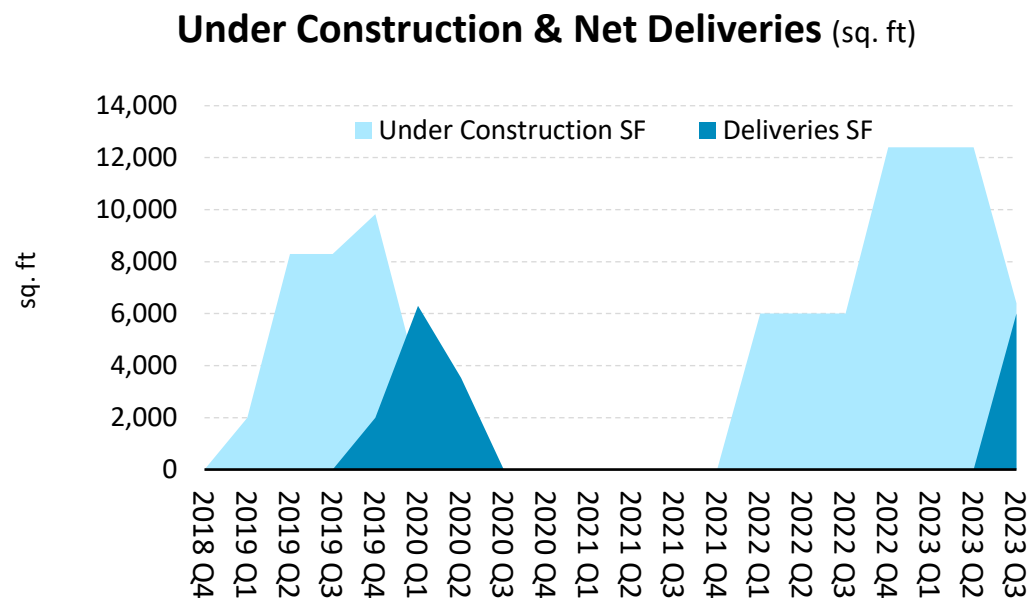
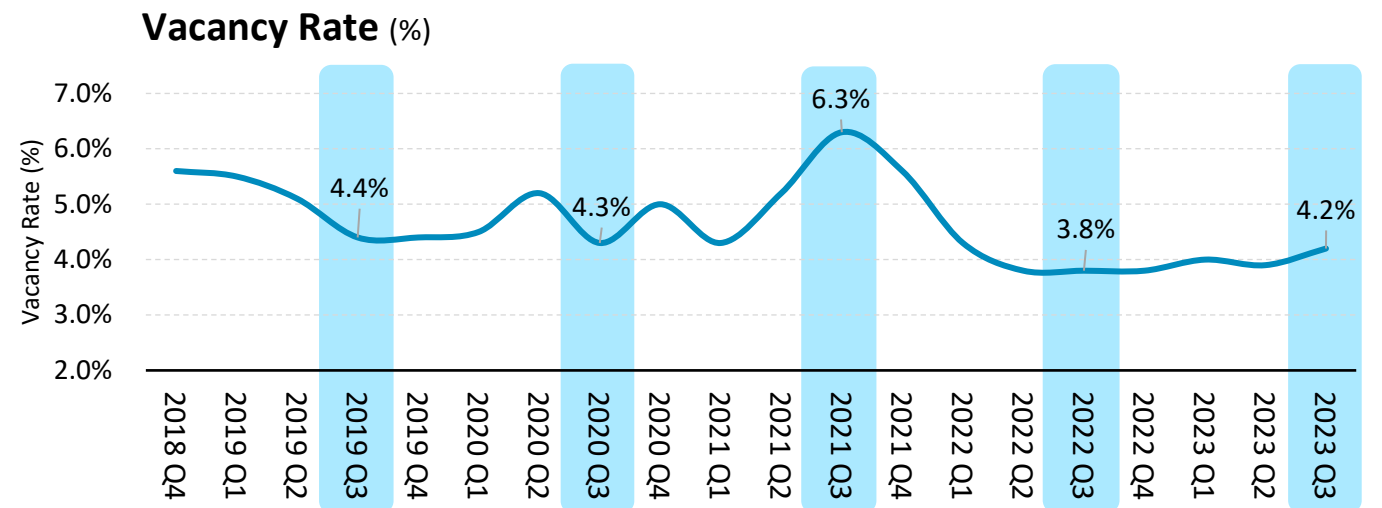
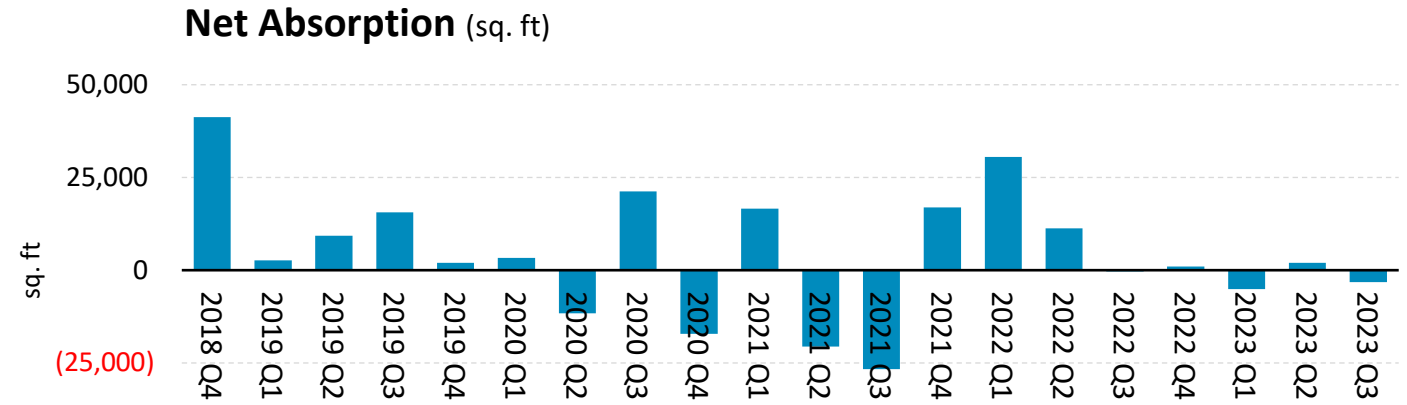


Office Market - MSA Trends

HARRISONBURG MSA

Local Market Indicator Dashboard

	Q3-2023	YoY Chg
Total Inventory (sq. ft, millions)	2.4	0.2% % chg
Vacancy Rate (%)	4.2%	0.4% pct points
Net Absorption (sq. ft)	(3,169)	-2,844 sq. ft
Avg Gross Rent (\$ per sq. ft)	\$16.63	-\$0.37 \$ per sq. ft
Deliveries (sq. ft)	6,000	6,000 sq. ft
Under Construction (sq. ft)	6,400	400 sq. ft



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Data and analysis provided by Virginia REALTORS® Chief Economist.

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