



# Q4 2023 OFFICE MARKET REPORT

# Office Market - Key Trends Snapshot

## Office Market

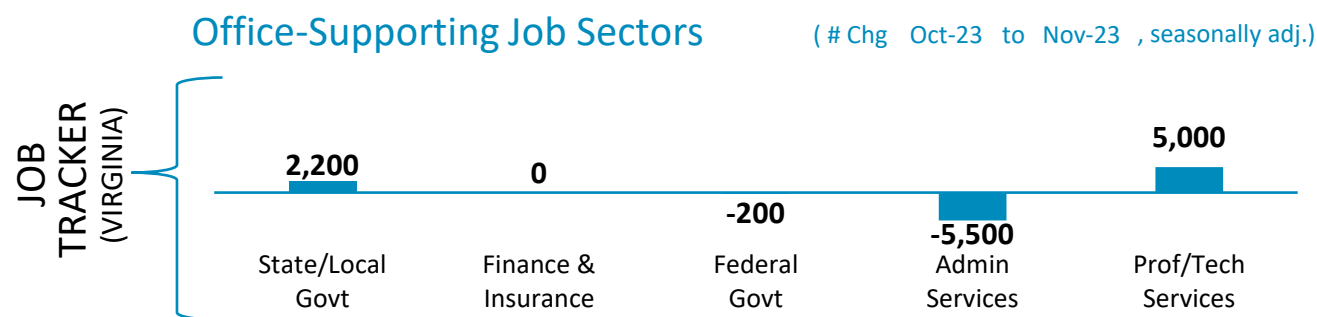
**Overview:** Virginia's office market remained sluggish to close out 2023. Vacancy rates are trending up as net absorption remains negative in most regions around the state. Even with a resilient job market, demand for office space is lower than it was pre-2020. Return-to-office mandates, while picking up, continue to trickle in and are often a hybrid schedule model. Nevertheless, rents held firm, rising slightly from this time last year across class types. Construction activity remains anemic, and deliveries are nearly at a standstill, with just under 150K sq ft of new office space delivered statewide in Q4.

**Absorption:** For the second quarter in a row, there was net negative absorption in the Virginia office market at about -411,000 sq ft statewide. Despite a strong labor market and return to office policies, remote work continues to dampen demand for office space overall. Northern Virginia was the metro area with the largest amount of negative absorption with both Class A (-267,000 sq ft) and Class B/C (-249,000 sq ft) buildings. Hampton Roads led all regions in the state in terms of positive net office absorption (+80,000 sq ft).

**Vacancy Rate:** The downturn in absorption of office space led to higher vacancy rates in Virginia this quarter. Vacancy rates went from 12.2% in Q4 last year to 12.7% in Q4 2023 with Class A buildings contributing the most to the rise at 18.4%. Two of the state's smaller metro markets Lynchburg (3.6%) and Winchester (4.1%) saw the lowest vacancy rates in Q4, while Northern Virginia (16.8%) and Richmond (8.5%) continue to have the highest office vacancy rates.

**Rent:** Statewide, office rent has continued to grow but at a slower pace with the price per square foot up 1.6% from the same time a year ago. Rent for Class A space rose by 0.88% while Class B/C buildings had a 1.65% increase in rent per square foot. The office markets with the sharpest rise in rental rate during Q4 were Blacksburg (+12.5%) and Roanoke (+9.9%). The largest dip in office rents was in Winchester (-7.4%).

**Supply+ Deliveries:** Office construction fell in Virginia going from 4.41 million sq ft in Q4 2022 to 2.57 million sq ft in Q4 2023, decreasing by 41.6%. After 1.36 million sq ft of office space was completed last year, deliveries declined by 89.1% in Q4. Most new office construction is in the Northern Virginia and Richmond markets, and nearly all of the newly completed space in Virginia this year was at Amazon HQ2 in Arlington.



## VIRGINIA (Statewide)



### Market Indicator Dashboard

	YoY Chg	Q4-2023	Indicator
% chg	0.4%	416.0	<b>Total Inventory</b> (sq. ft, in millions)
sq. ft millions	-1.6	-0.4	<b>Net Absorption</b> (sq. ft, in millions)
pct point	0.5%	12.7%	<b>Vacancy Rate</b> (%)
\$ per sq. ft	\$0.50	\$31.51	<b>Gross Rent</b> (\$ per sq. ft)
sq. ft millions	-1.2	0.1	<b>New Supply Delivered</b> (sq. ft, in millions)
sq. ft millions	-1.8	2.6	<b>Under Construction</b> (sq. ft, in millions)



### Economic Indicator Dashboard

	MoM Chg	Nov-23	Indicator
% chg	0.2%	4.2	<b>Total Jobs, Virginia</b> (in millions, seasonally adjusted)
% chg	0.1%	1.1	<b>Office-Supporting Jobs, Virginia</b> (in millions, seasonally adjusted)
pct point	0.2%	2.9%	<b>Unemployment Rate, Virginia</b> (% seasonally adjusted)
pct point	2.8%	4.9	<b>Gross Domestic Product, U.S.</b> (% chg from prior year)

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## Virginia Office Market

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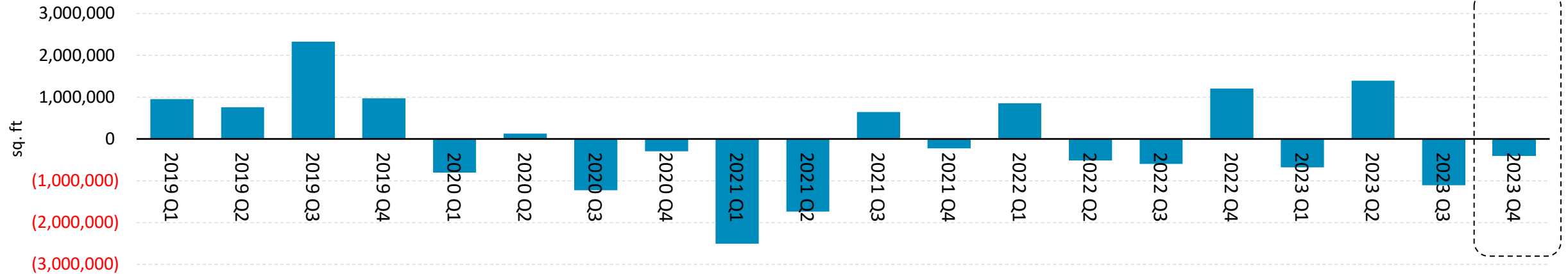
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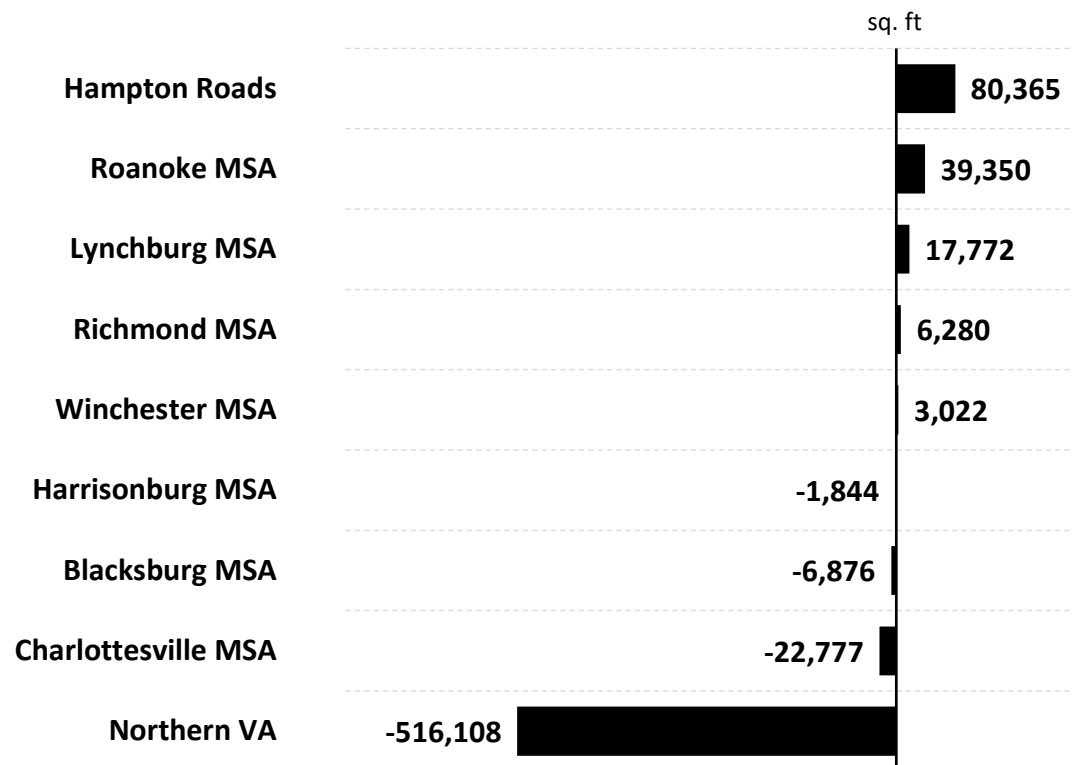
# Office Market - Absorption & Construction Trends

## VIRGINIA (Statewide)

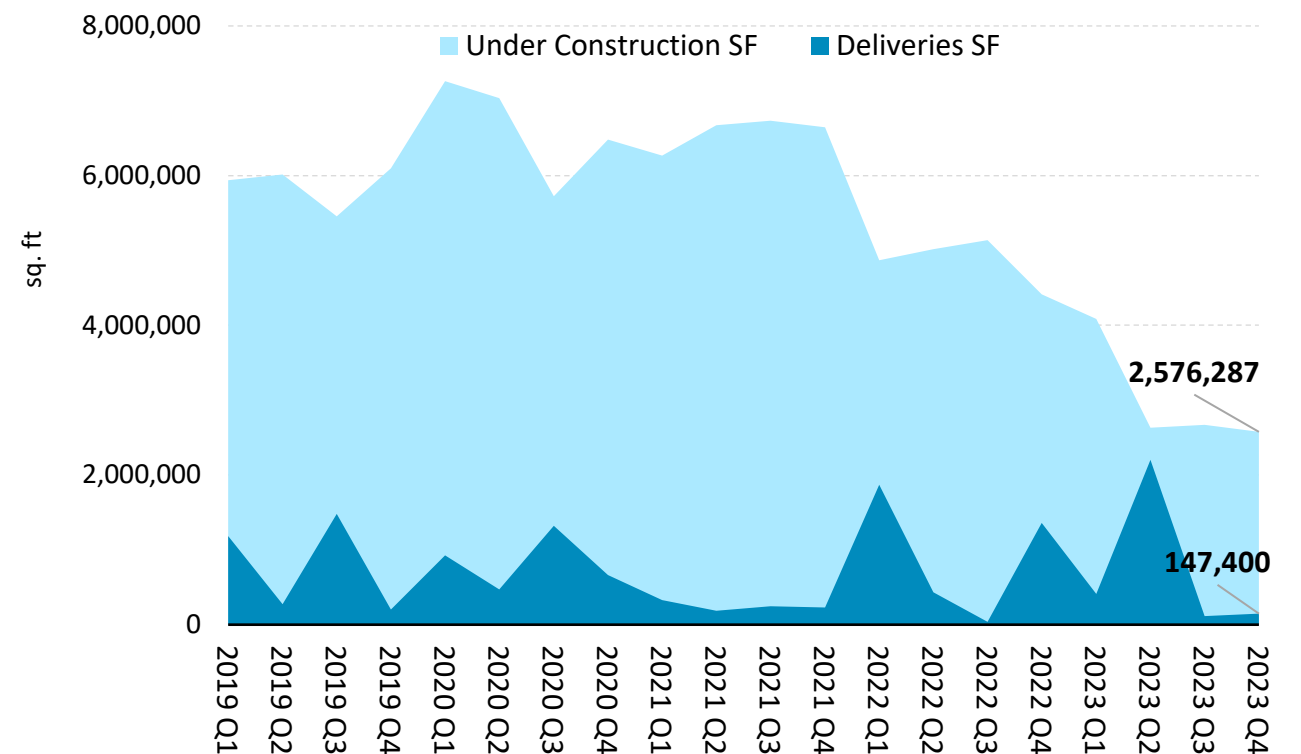
Net Absorption (sq. ft)



Q4-2023 Net Absorption by Metro Area (sq ft)

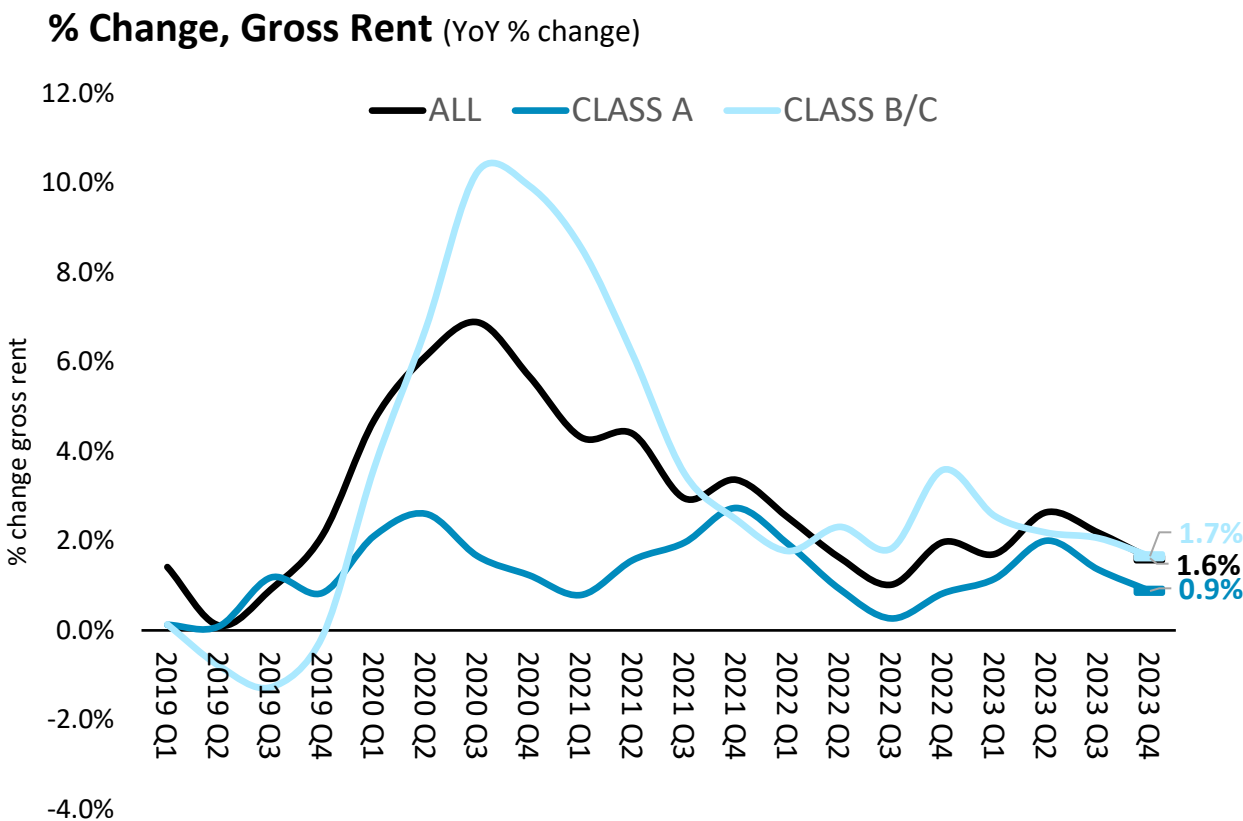
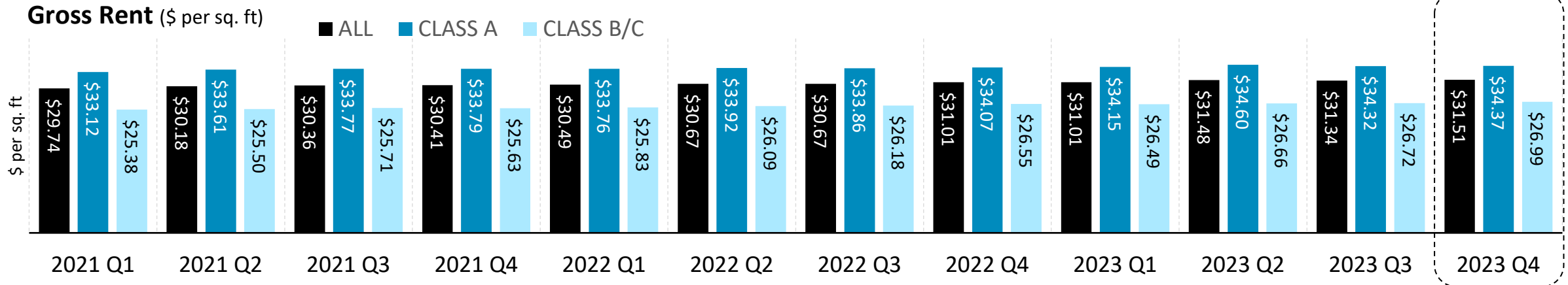


Under Construction & Net Deliveries (sq. ft)

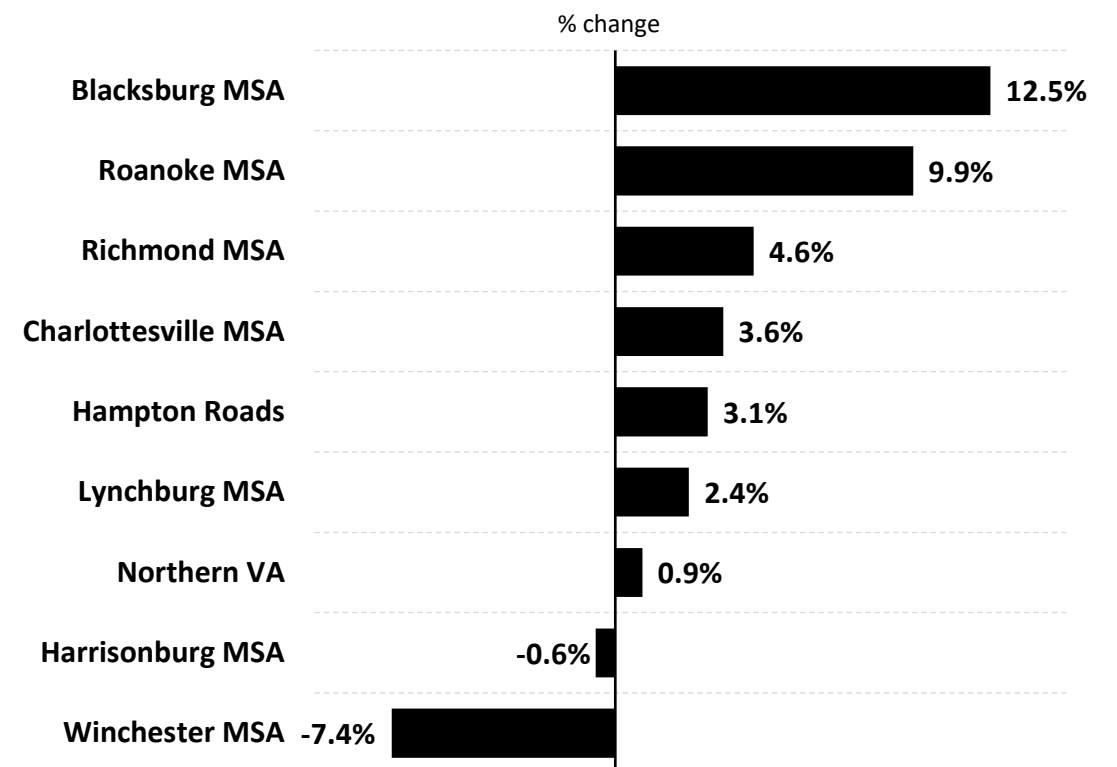


# Office Market - Rent Trends

## VIRGINIA (Statewide)

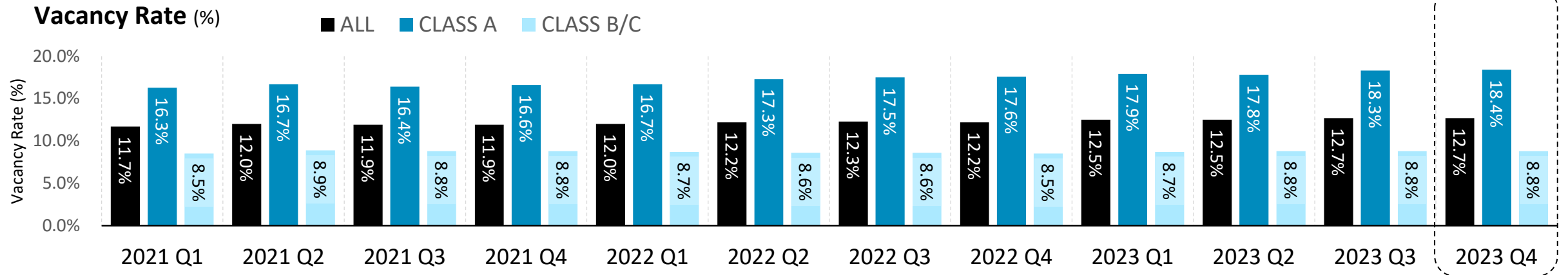


### Q4-2023 by MSA: % Change, Gross Rent (YoY % change)

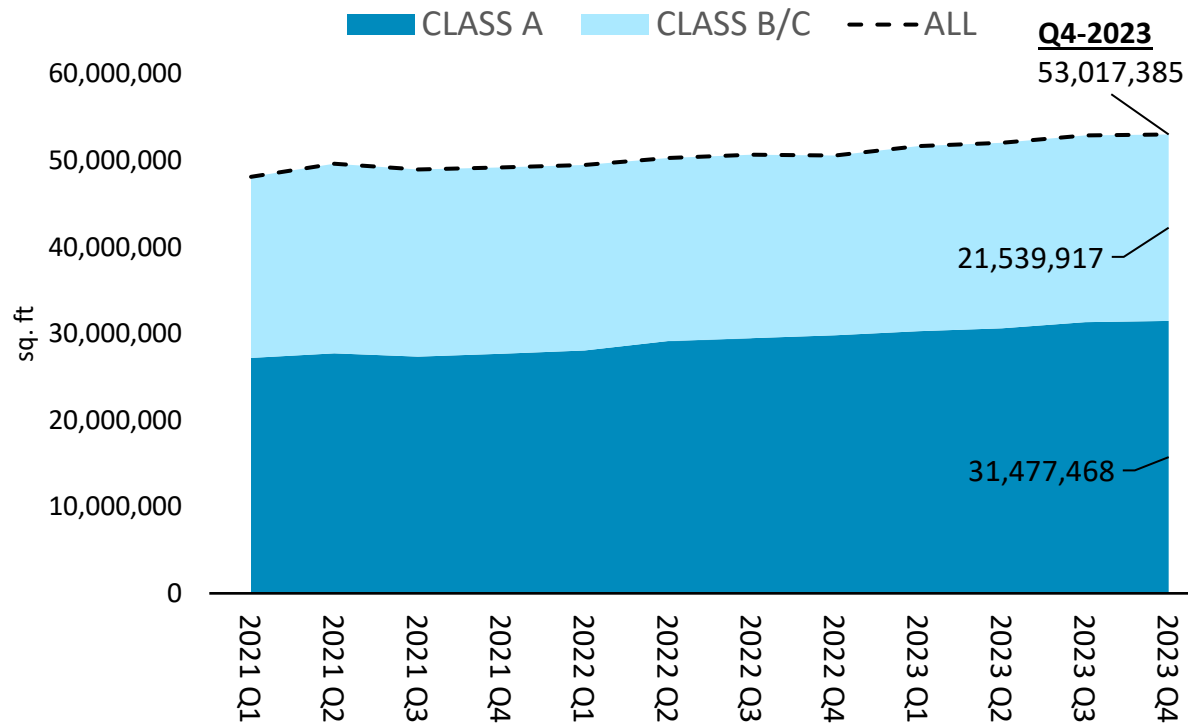


# Office Market - Vacancy Trends

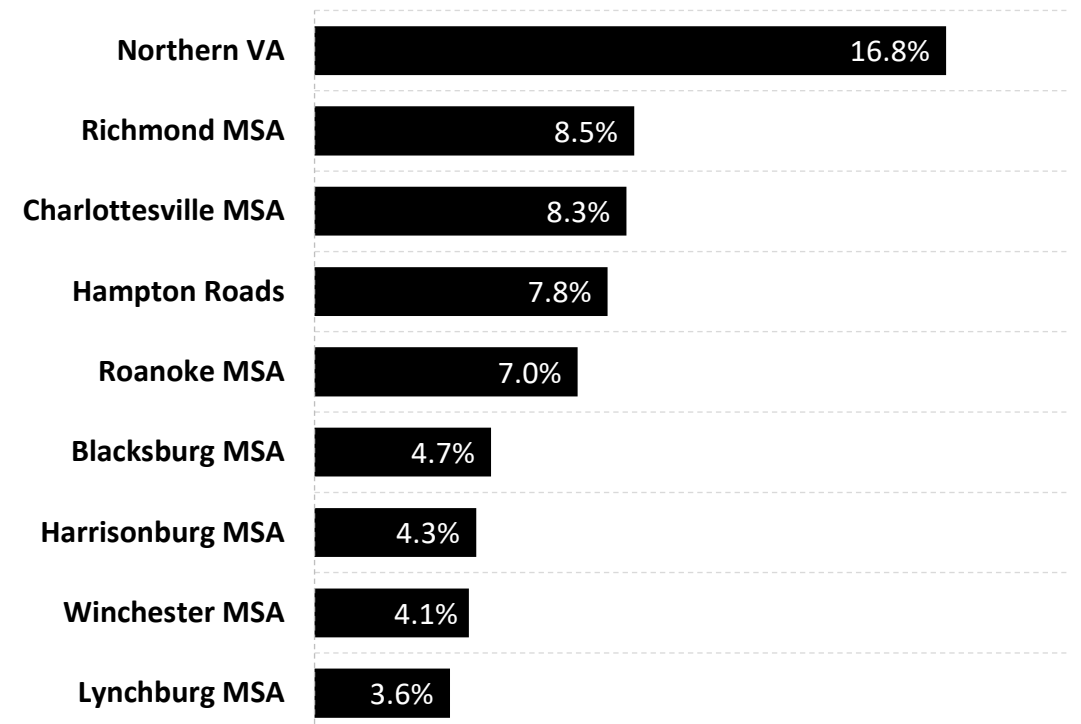
## VIRGINIA (Statewide)



## Vacant Inventory (sq. ft)



## Q4-2023 Office Vacancy Rate by MSA



# MSA TRENDS

METROPOLITAN STATISTICAL AREA

Q4



2023

OFFICE  
Market Report



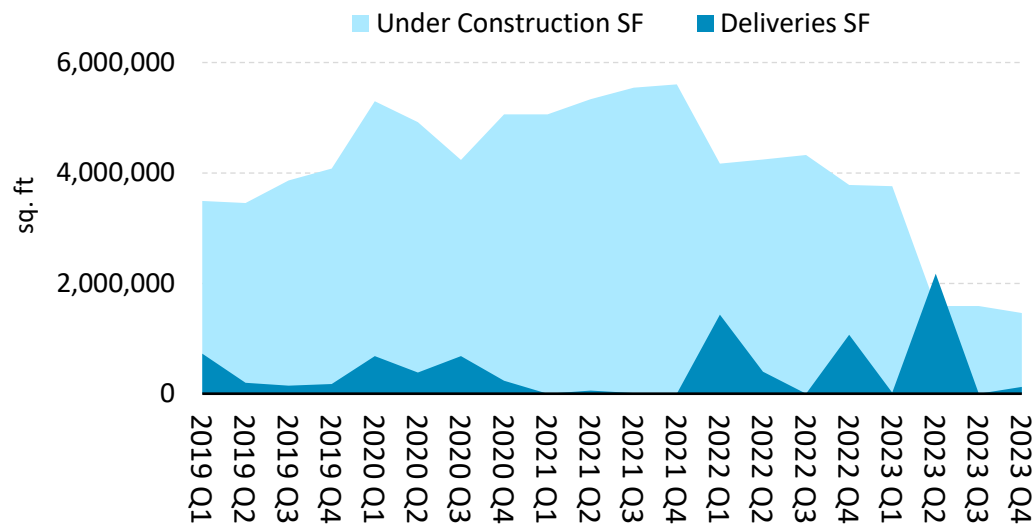
*Snapshot of Office Market Conditions Around Virginia*

## NORTHERN VIRGINIA

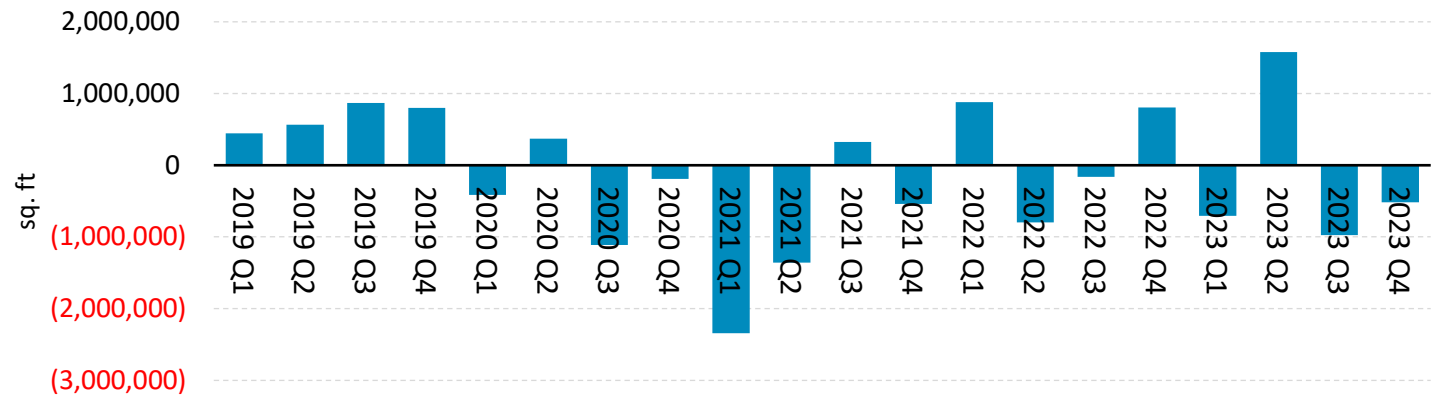
### Local Market Indicator Dashboard

	Q4-2023	YoY Chg
Total Inventory (sq. ft, millions)	<b>234.5</b>	<b>0.5%</b> % chg
Vacancy Rate (%)	<b>16.8%</b>	<b>0.7%</b> pct points
Net Absorption (sq. ft)	<b>(516,108)</b>	<b>-1,320,444</b> sq. ft
Avg Gross Rent (\$ per sq. ft)	<b>\$33.64</b>	<b>\$0.30</b> \$ per sq. ft
Deliveries (sq. ft)	<b>125,000</b>	<b>-946,000</b> sq. ft
Under Construction (sq. ft)	<b>1,461,187</b>	<b>-2,319,114</b> sq. ft

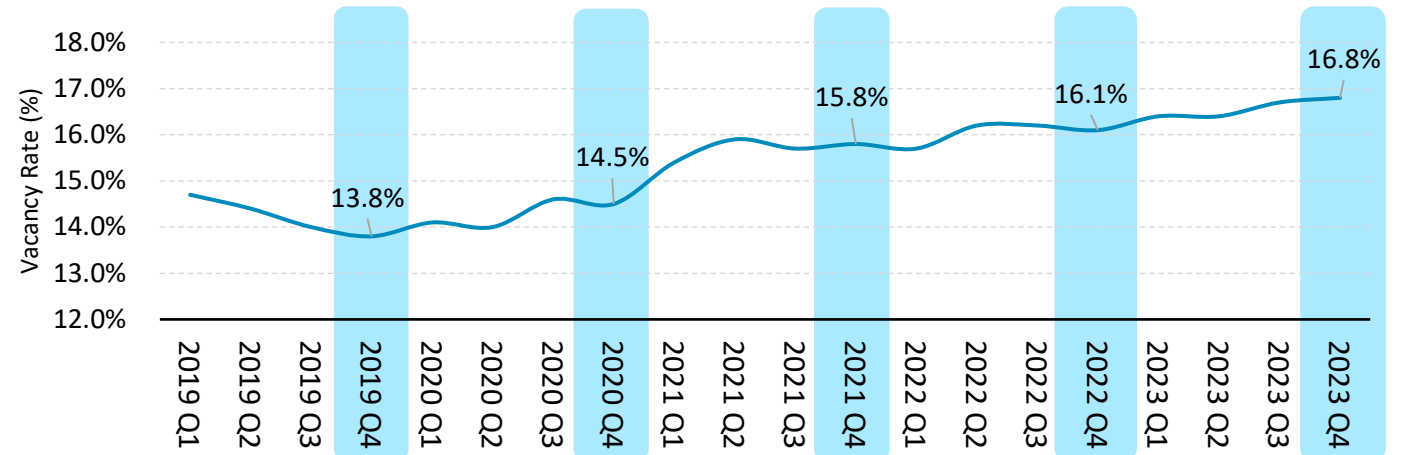
### Under Construction & Net Deliveries (sq. ft)



### Net Absorption (sq. ft)



### Vacancy Rate (%)



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





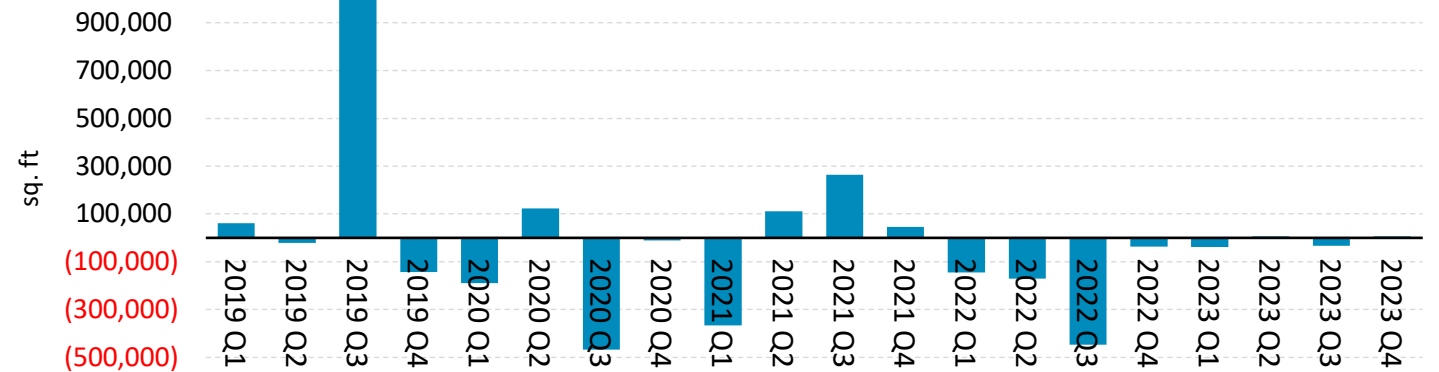
# Office Market - MSA Trends

## RICHMOND MSA

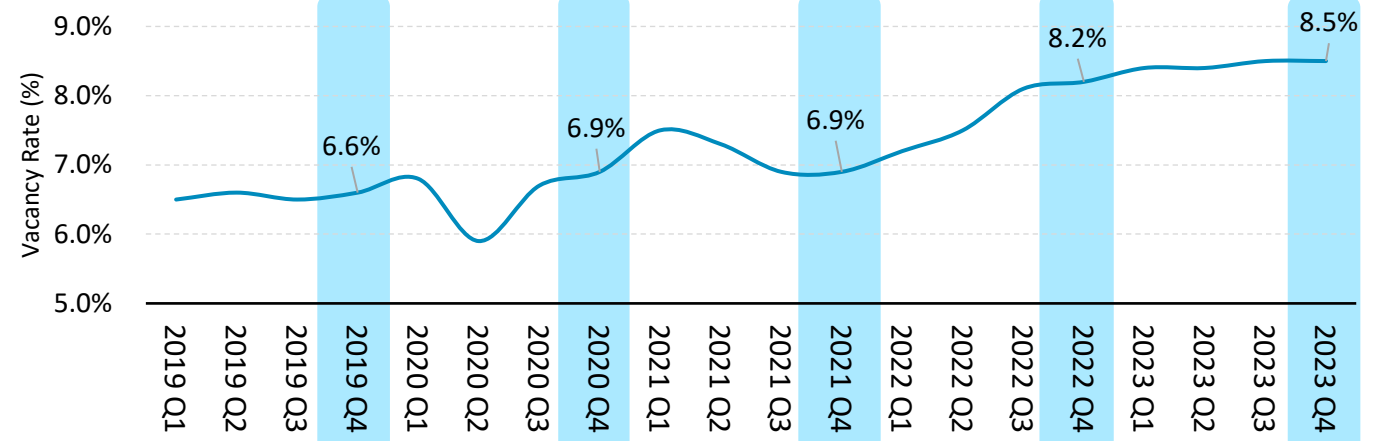
### Local Market Indicator Dashboard

	Q4-2023	YoY Chg
Total Inventory (sq. ft, millions)	<b>68.4</b>	<b>0.2%</b> % chg
Vacancy Rate (%)	<b>8.5%</b>	<b>0.3%</b> pct points
Net Absorption (sq. ft)	<b>6,280</b>	<b>42,121</b> sq. ft
Avg Gross Rent (\$ per sq. ft)	<b>\$21.13</b>	<b>\$0.93</b> \$ per sq. ft
Deliveries (sq. ft)	<b>6,000</b>	<b>-9,790</b> sq. ft
Under Construction (sq. ft)	<b>919,100</b>	<b>731,495</b> sq. ft

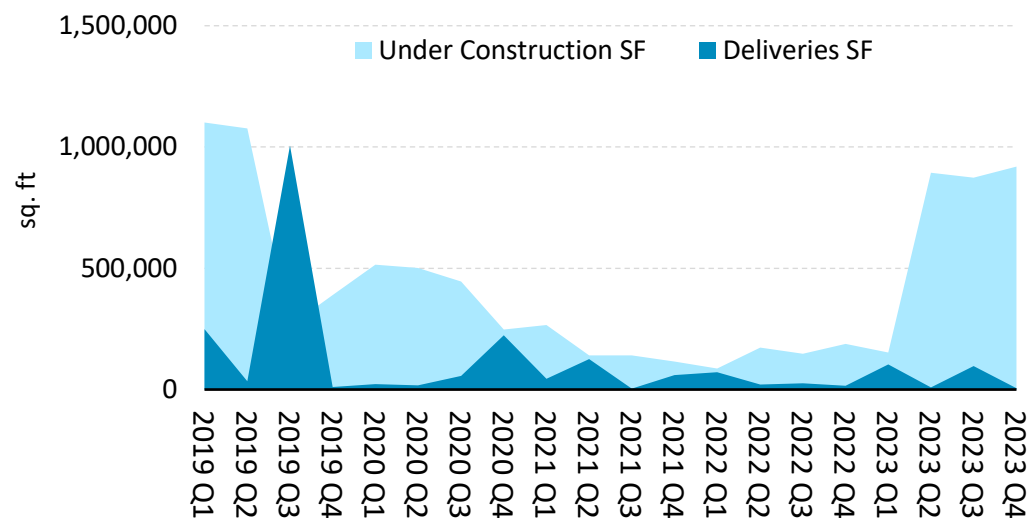
### Net Absorption (sq. ft)



### Vacancy Rate (%)



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



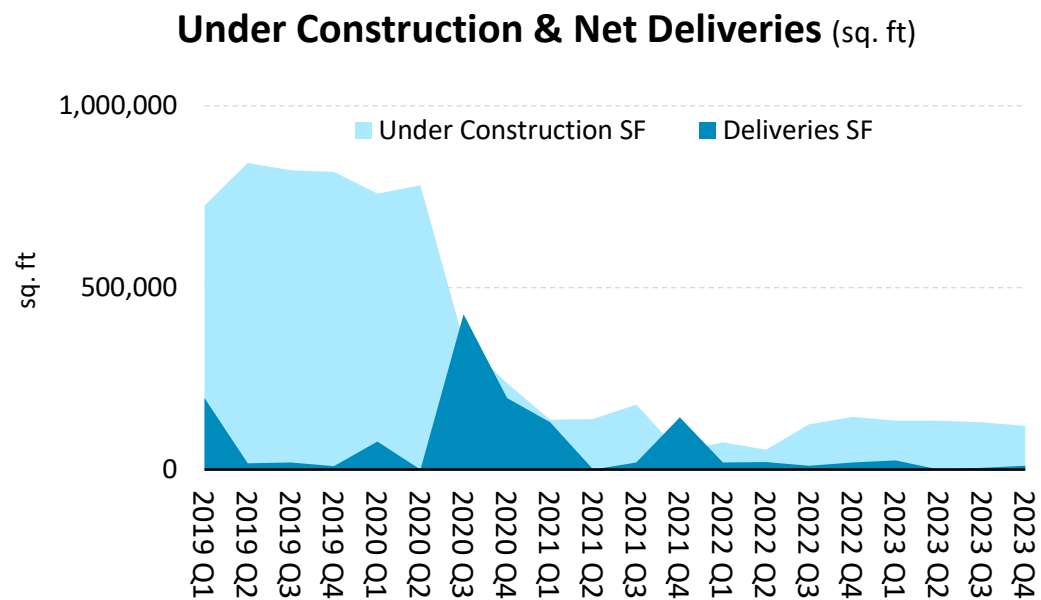
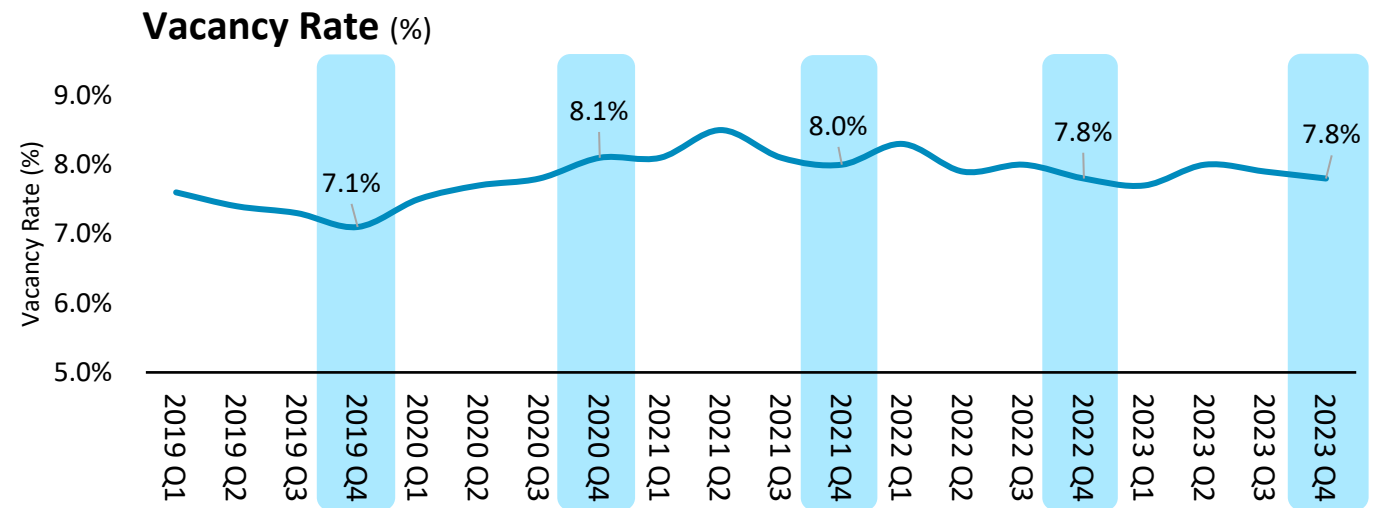
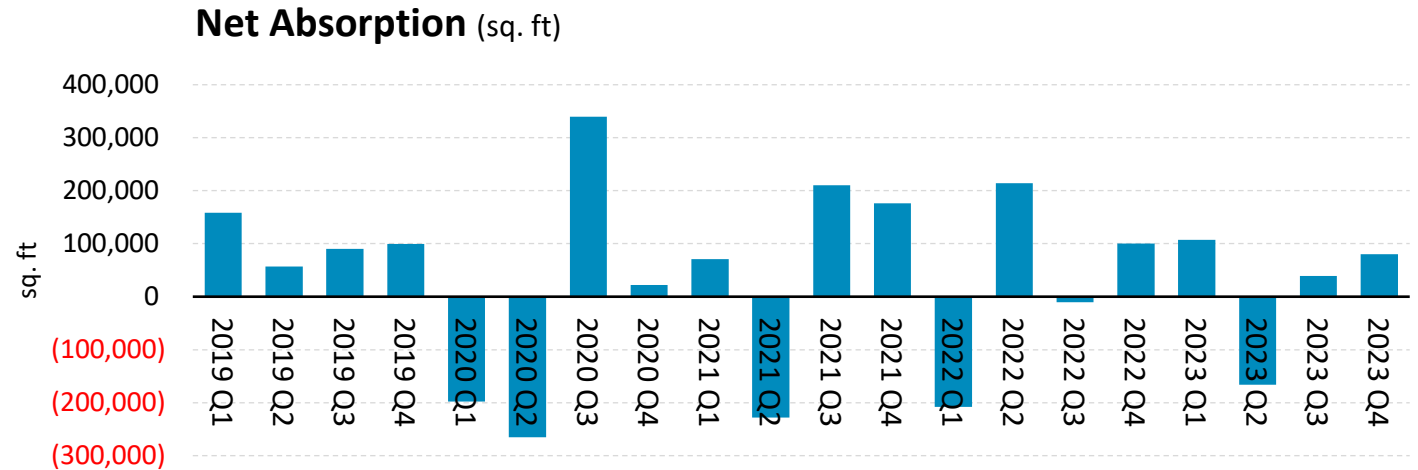
### Gross Rent (\$ per sq. ft)



## HAMPTON ROADS

### Local Market Indicator Dashboard

	Q4-2023	YoY Chg
Total Inventory (sq. ft, millions)	56.6	0.1% % chg
Vacancy Rate (%)	7.8%	0 pct points
Net Absorption (sq. ft)	80,365	-19,965 sq. ft
Avg Gross Rent (\$ per sq. ft)	\$22.17	\$0.66 \$ per sq. ft
Deliveries (sq. ft)	10,000	-9,833 sq. ft
Under Construction (sq. ft)	120,000	-25,000 sq. ft

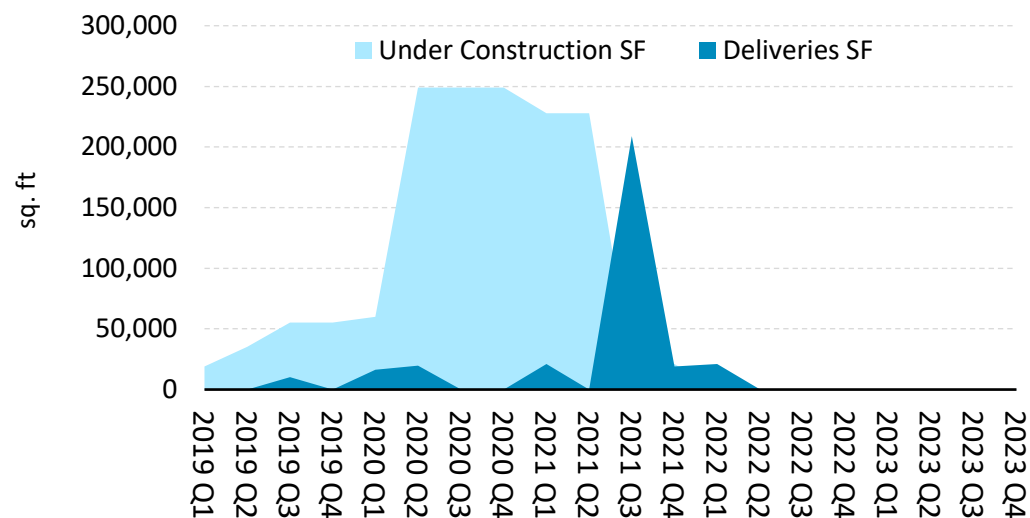


## ROANOKE MSA

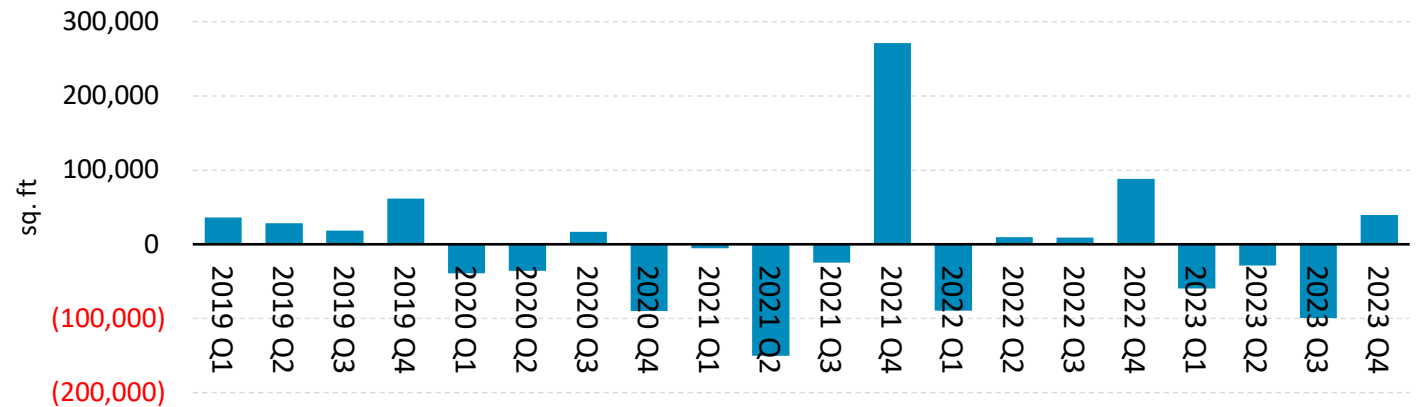
### Local Market Indicator Dashboard

	Q4-2023	YoY Chg	
Total Inventory (sq. ft, millions)	15.5	-0.3%	% chg
Vacancy Rate (%)	7.0%	0.7%	pct points
Net Absorption (sq. ft)	39,350	-49,052	sq. ft
Avg Gross Rent (\$ per sq. ft)	\$20.64	\$1.86	\$ per sq. ft
Deliveries (sq. ft)	0	0	sq. ft
Under Construction (sq. ft)	0	0	sq. ft

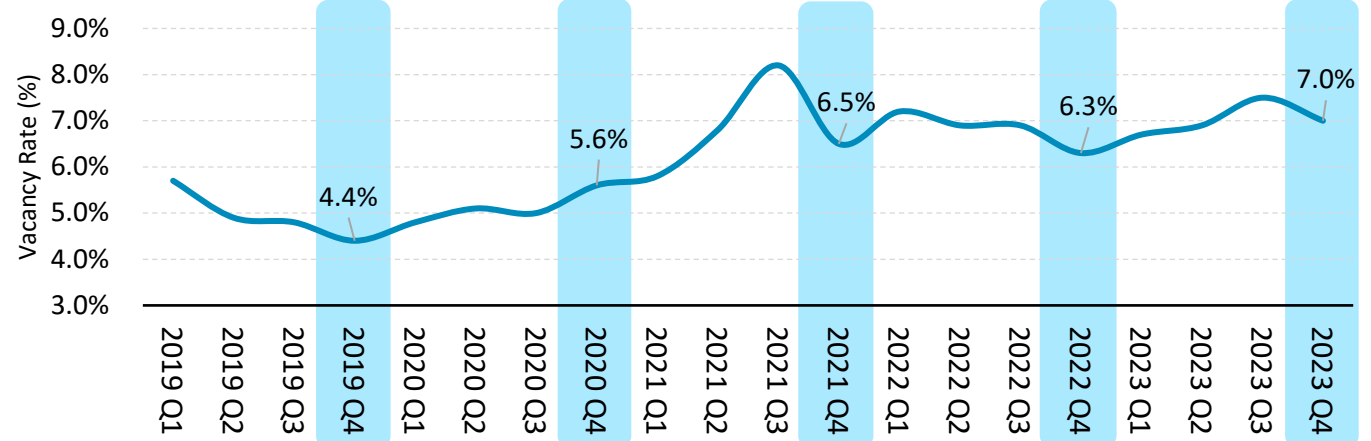
### Under Construction & Net Deliveries (sq. ft)



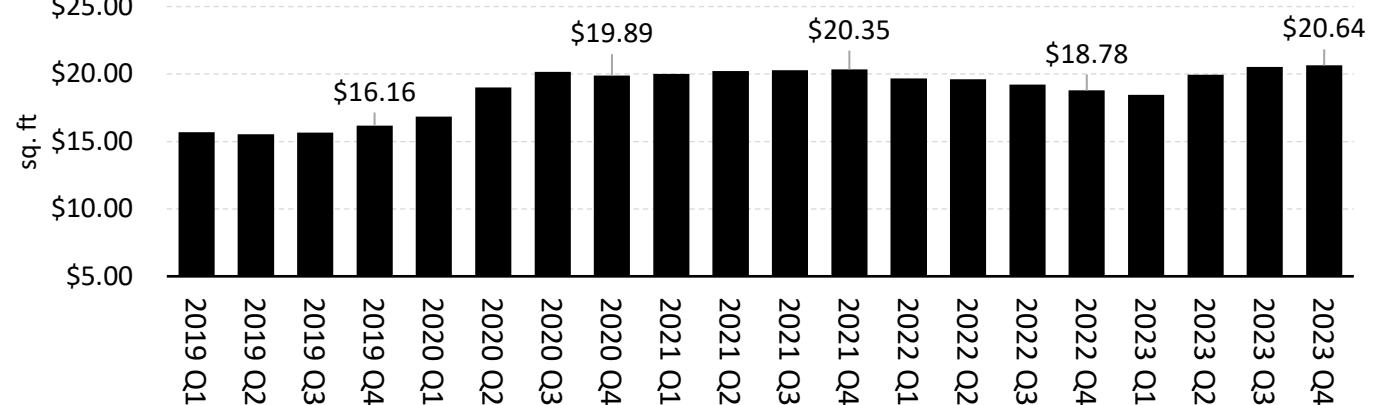
### Net Absorption (sq. ft)



### Vacancy Rate (%)



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

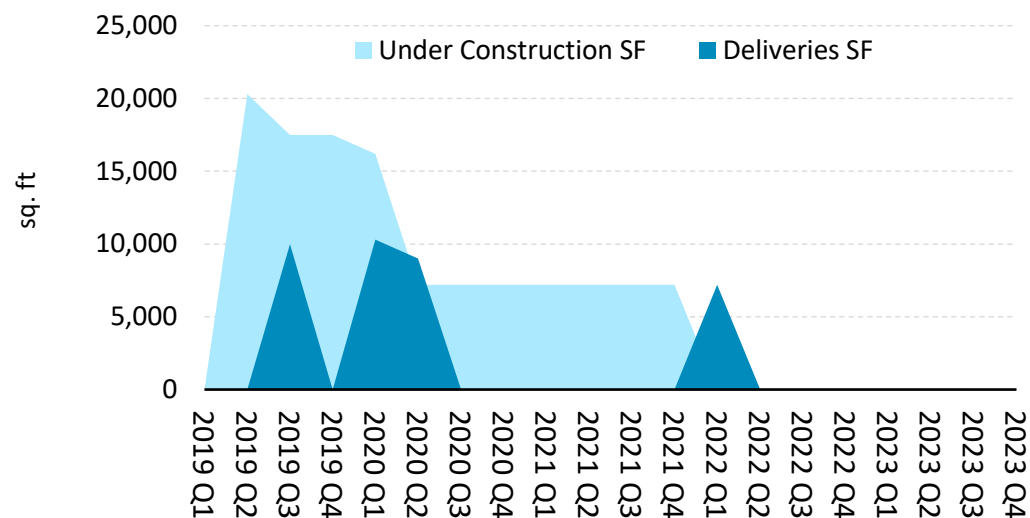


## LYNCHBURG MSA

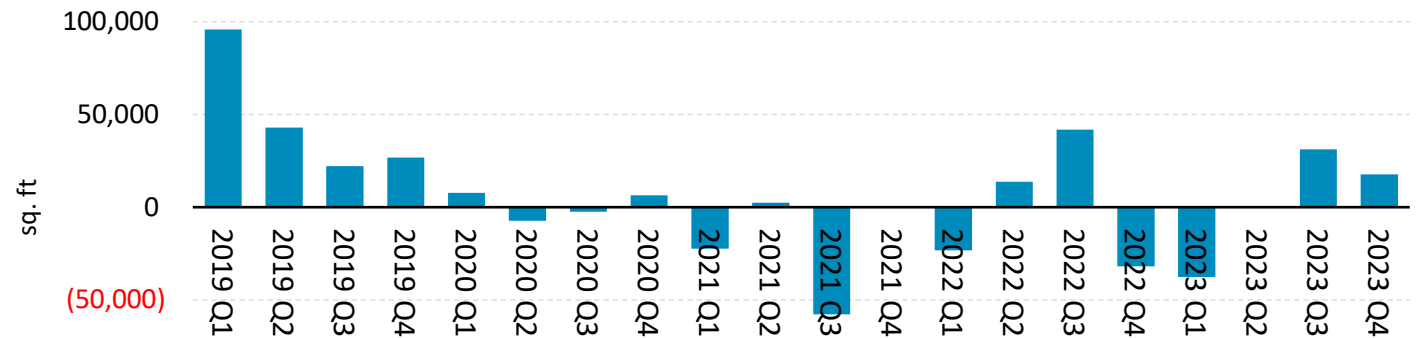
### Local Market Indicator Dashboard

	Q4-2023	YoY Chg	
Total Inventory (sq. ft, millions)	5.9	0	% chg
Vacancy Rate (%)	3.6%	-0.2%	pct points
Net Absorption (sq. ft)	17,772	49,709	sq. ft
Avg Gross Rent (\$ per sq. ft)	\$19.66	\$0.47	\$ per sq. ft
Deliveries (sq. ft)	0	0	sq. ft
Under Construction (sq. ft)	0	0	sq. ft

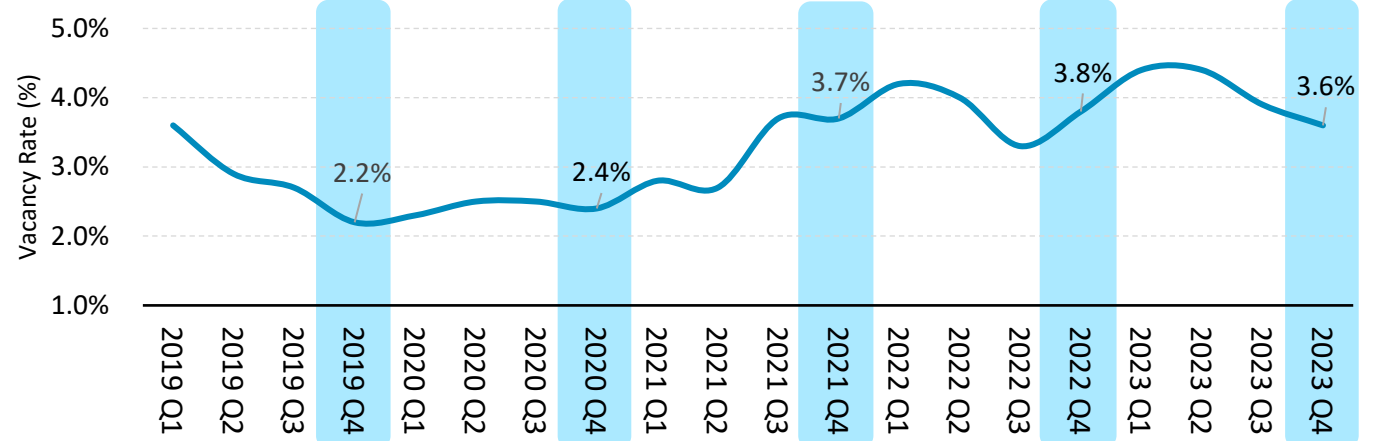
### Under Construction & Net Deliveries (sq. ft)



### Net Absorption (sq. ft)



### Vacancy Rate (%)



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

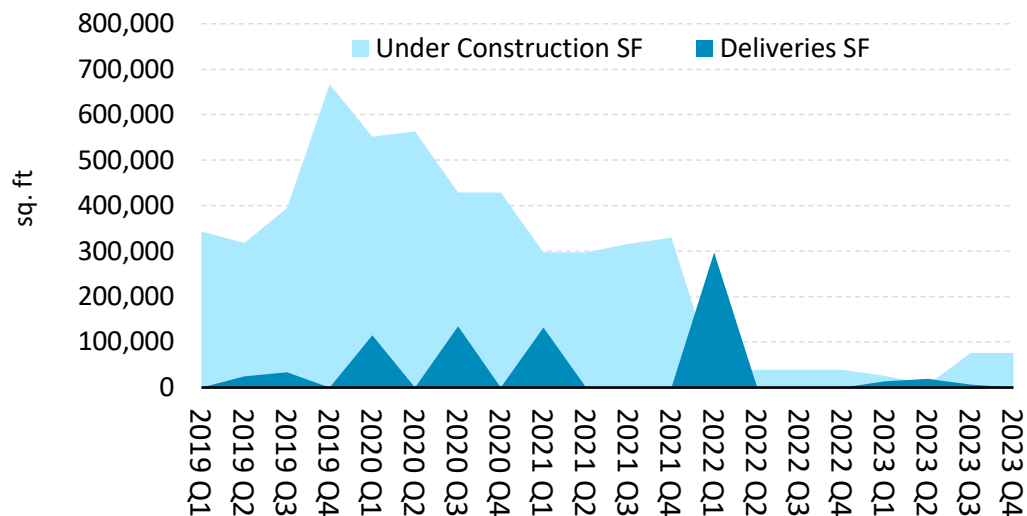


## CHARLOTTESVILLE MSA

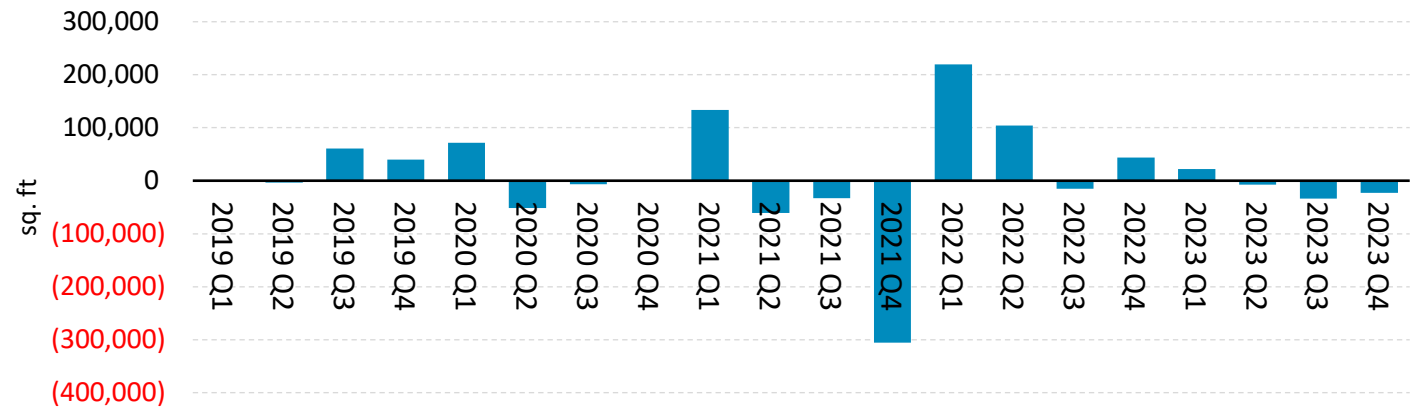
### Local Market Indicator Dashboard

	Q4-2023	YoY Chg
Total Inventory (sq. ft, millions)	<b>9.8</b>	<b>0.4%</b> % chg
Vacancy Rate (%)	<b>8.3%</b>	<b>0.8%</b> pct points
Net Absorption (sq. ft)	<b>(22,777)</b>	<b>-66,795</b> sq. ft
Avg Gross Rent (\$ per sq. ft)	<b>\$29.75</b>	<b>\$1.03</b> \$ per sq. ft
Deliveries (sq. ft)	<b>0</b>	<b>0</b> sq. ft
Under Construction (sq. ft)	<b>76,000</b>	<b>36,811</b> sq. ft

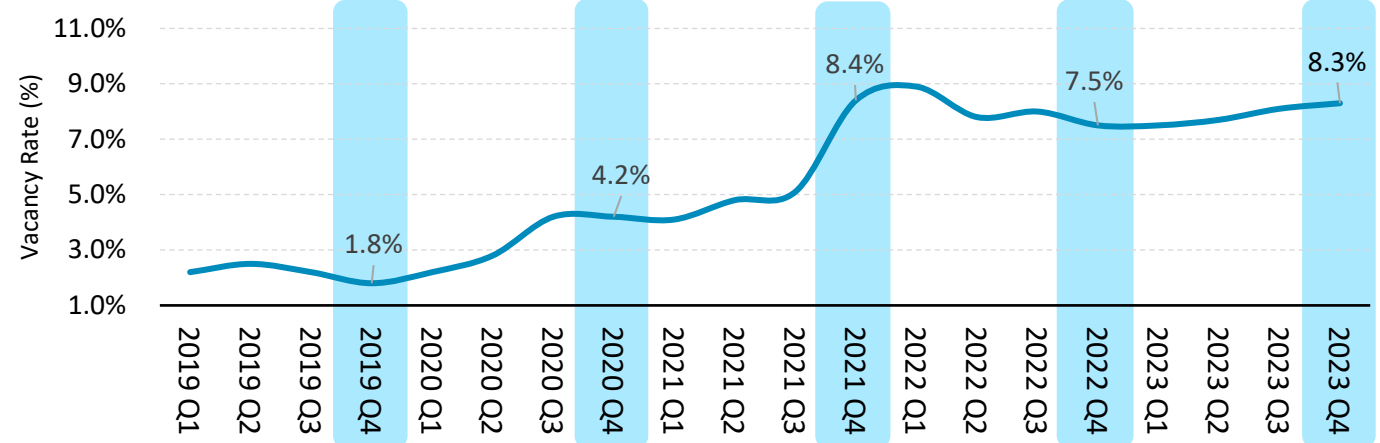
### Under Construction & Net Deliveries (sq. ft)



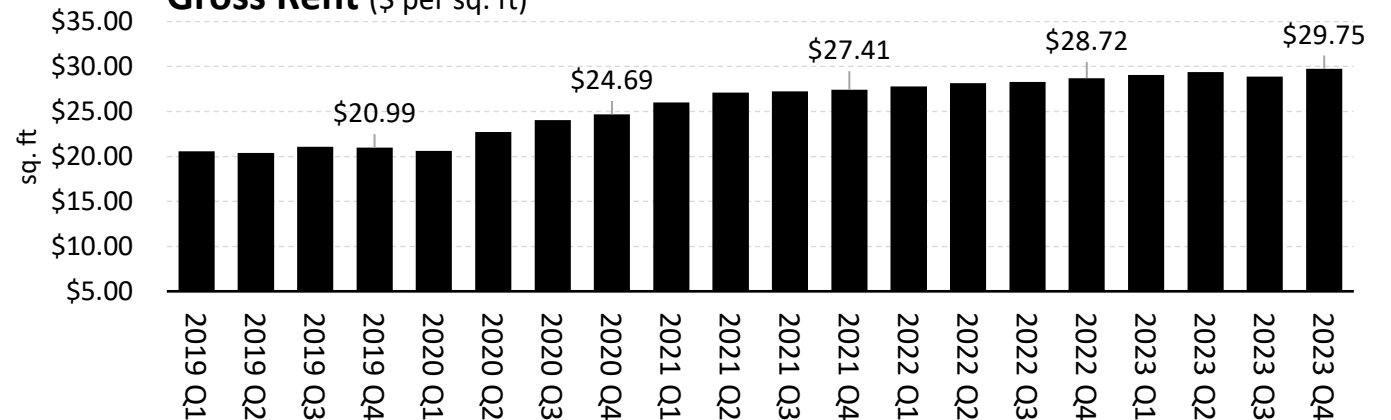
### Net Absorption (sq. ft)



### Vacancy Rate (%)



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

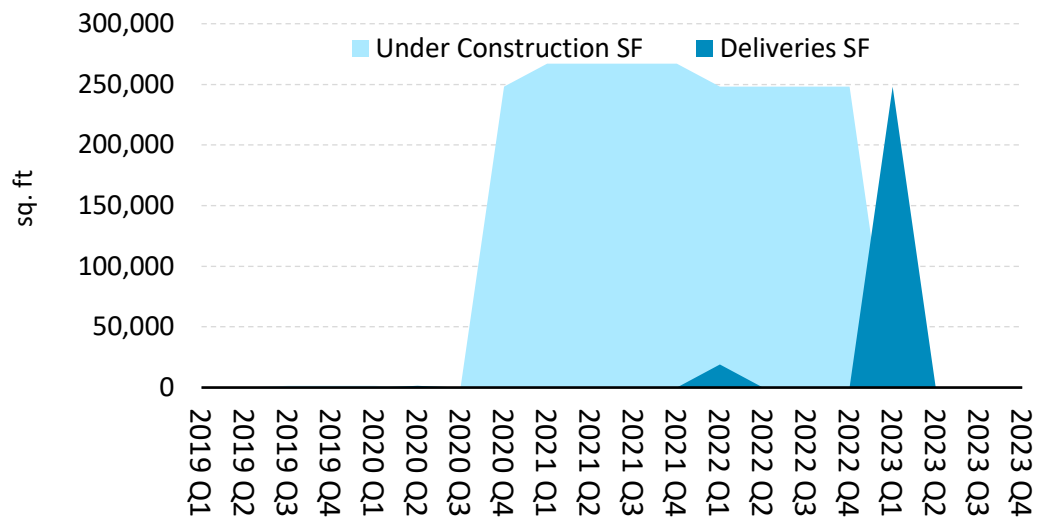


## BLACKSBURG MSA

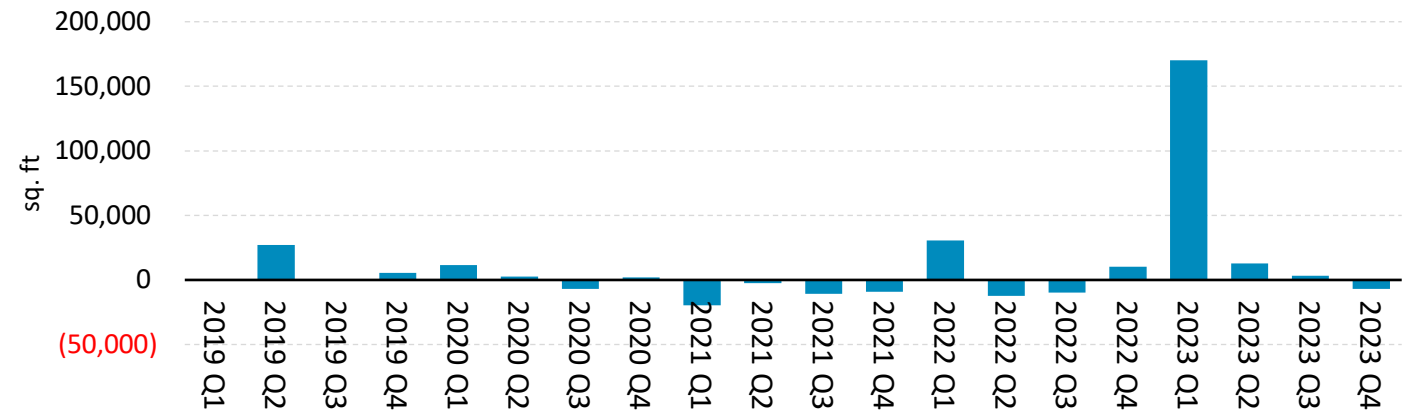
### Local Market Indicator Dashboard

	Q4-2023	YoY Chg
Total Inventory (sq. ft, millions)	3.8	7.0% <i>% chg</i>
Vacancy Rate (%)	4.7%	1.6% <i>pct points</i>
Net Absorption (sq. ft)	(6,876)	-17,244 <i>sq. ft</i>
Avg Gross Rent (\$ per sq. ft)	\$19.74	\$2.19 <i>\$ per sq. ft</i>
Deliveries (sq. ft)	0	0 <i>sq. ft</i>
Under Construction (sq. ft)	0	-248,075 <i>sq. ft</i>

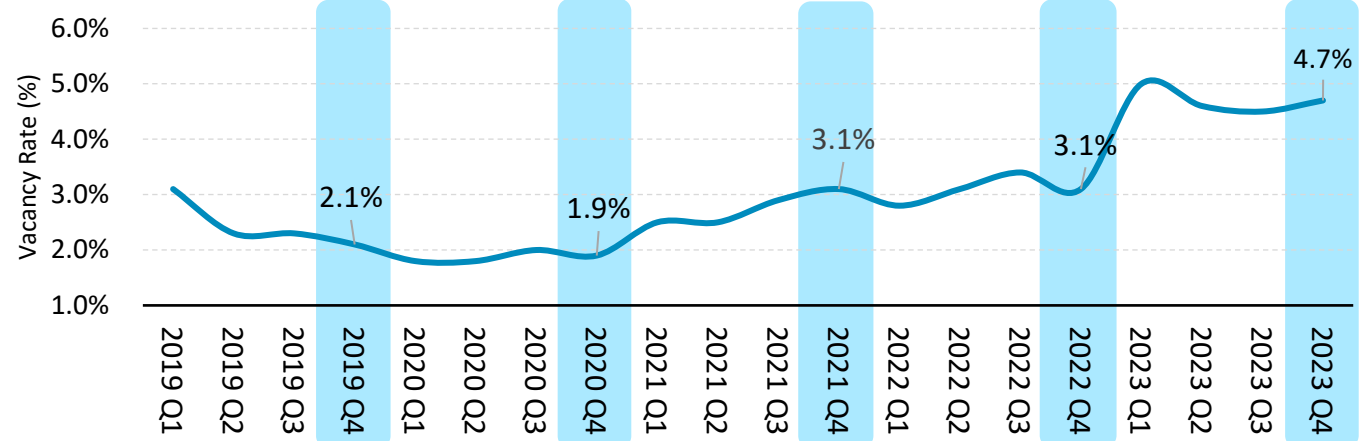
### Under Construction & Net Deliveries (sq. ft)



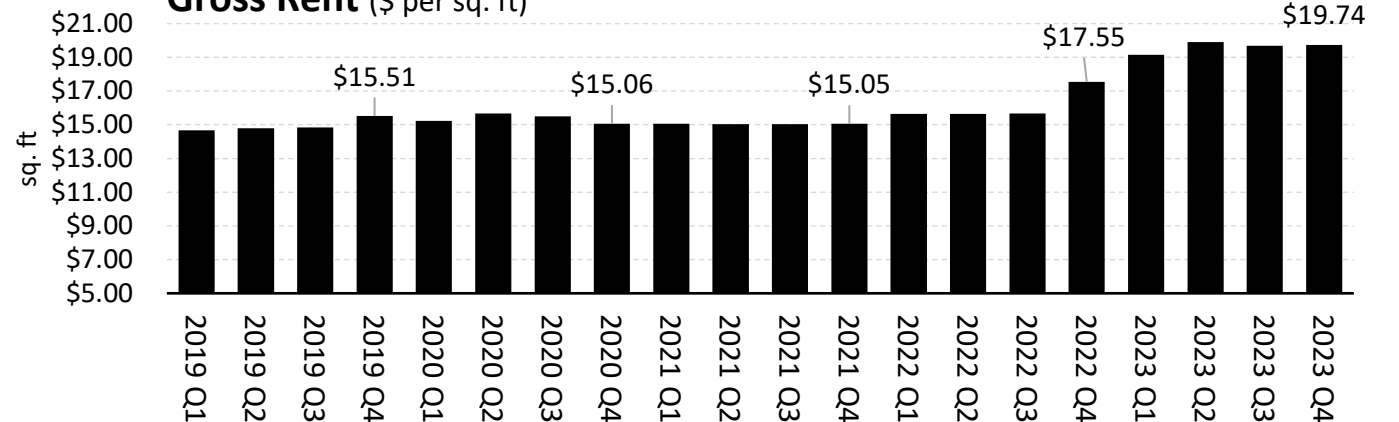
### Net Absorption (sq. ft)



### Vacancy Rate (%)



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

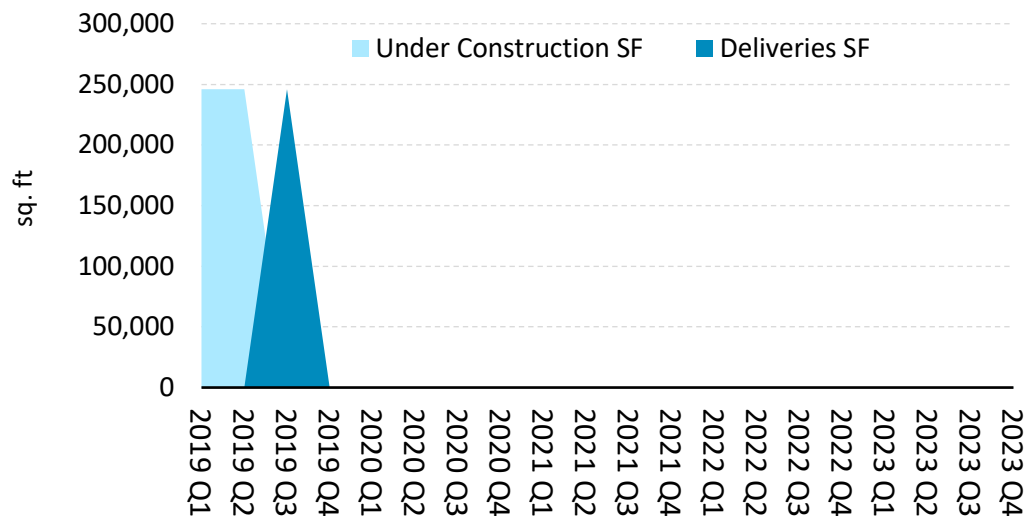


## WINCHESTER MSA

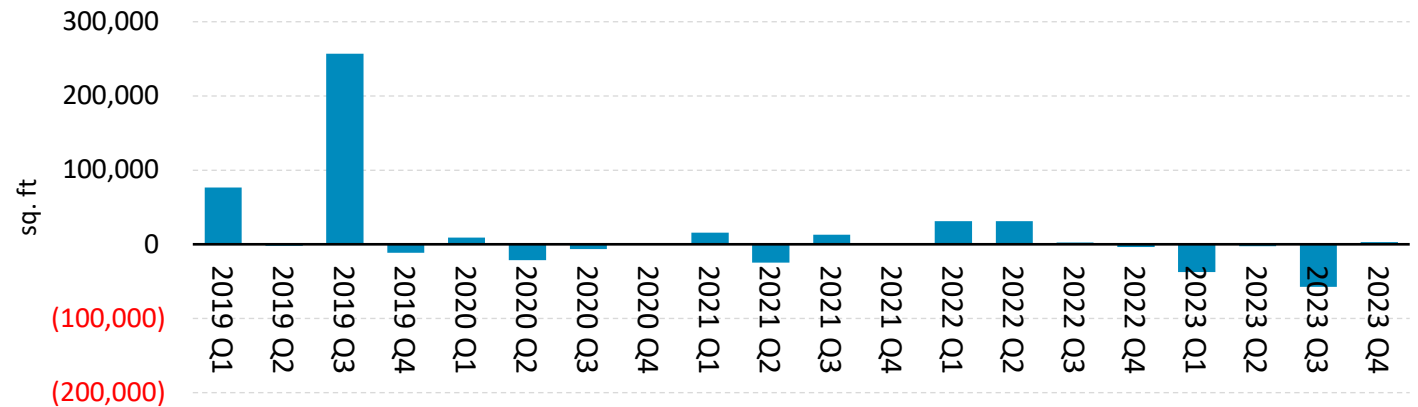
### Local Market Indicator Dashboard

	Q4-2023	YoY Chg	
Total Inventory (sq. ft, millions)	3.5	0	% chg
Vacancy Rate (%)	4.1%	2.7%	pct points
Net Absorption (sq. ft)	3,022	6,885	sq. ft
Avg Gross Rent (\$ per sq. ft)	\$22.16	-\$1.78	\$ per sq. ft
Deliveries (sq. ft)	0	0	sq. ft
Under Construction (sq. ft)	0	0	sq. ft

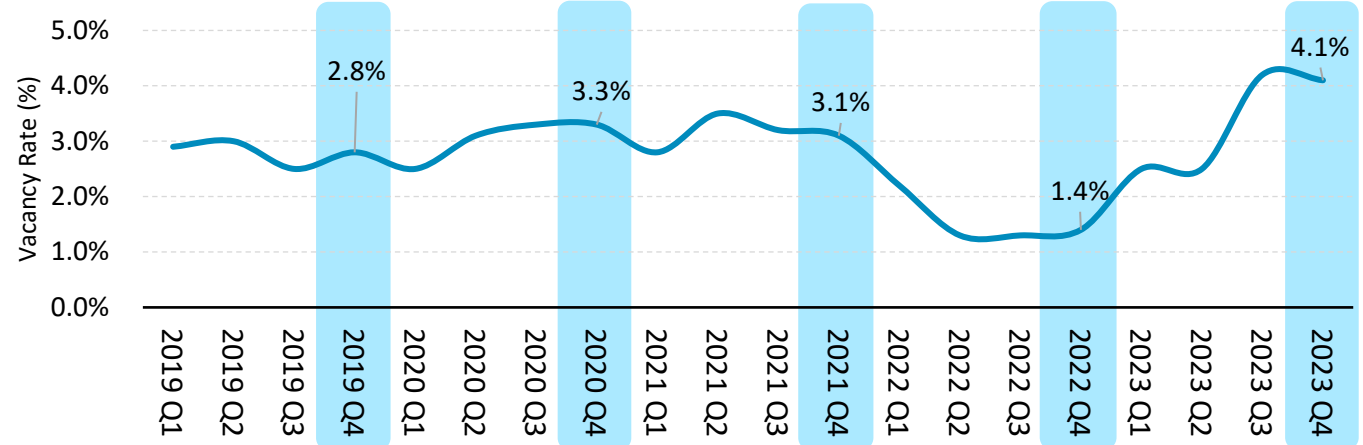
### Under Construction & Net Deliveries (sq. ft)



### Net Absorption (sq. ft)



### Vacancy Rate (%)



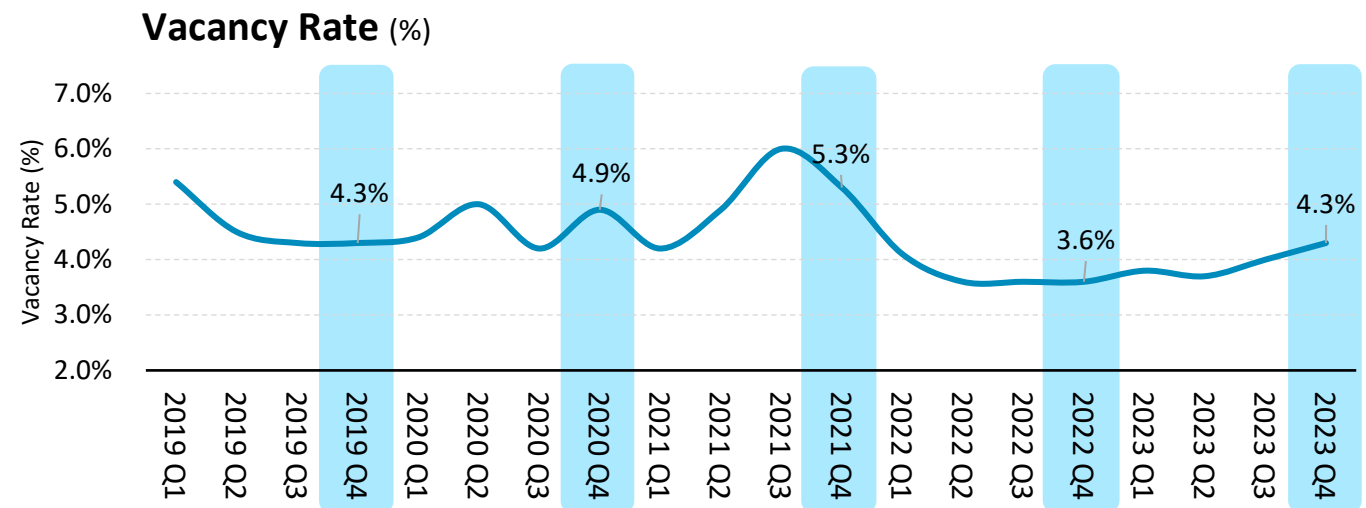
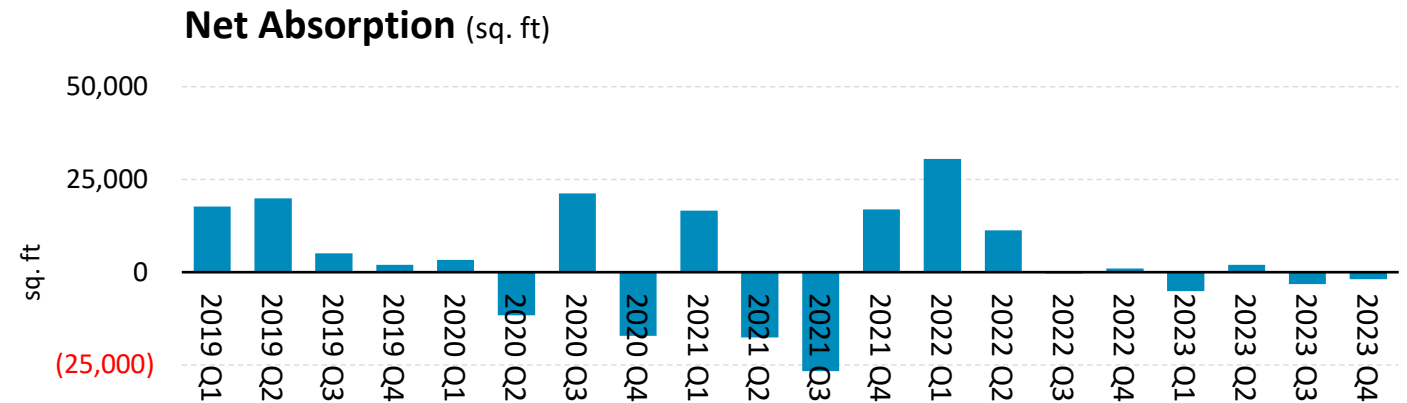
### Gross Rent (\$ per sq. ft)



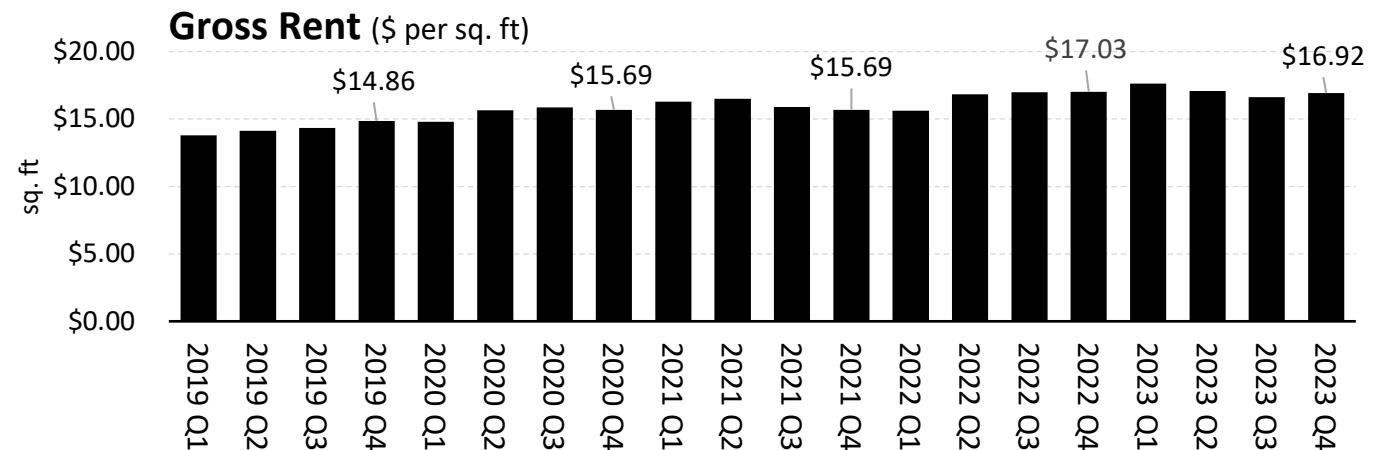
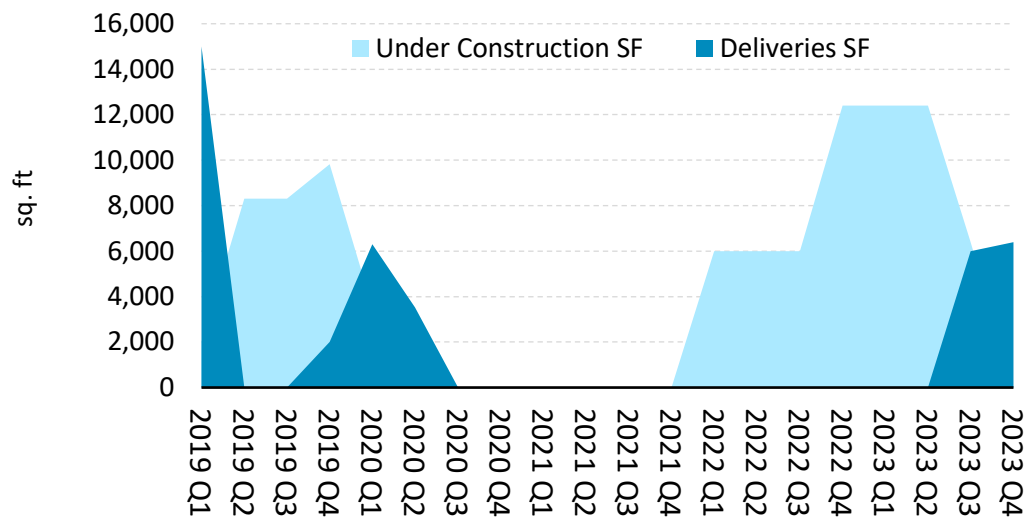
## HARRISONBURG MSA

### Local Market Indicator Dashboard

	Q4-2023	YoY Chg	
Total Inventory (sq. ft, millions)	2.4	0.4%	% chg
Vacancy Rate (%)	4.3%	0.7%	pct points
Net Absorption (sq. ft)	(1,844)	-2,822	sq. ft
Avg Gross Rent (\$ per sq. ft)	\$16.92	-\$0.11	\$ per sq. ft
Deliveries (sq. ft)	6,400	6,400	sq. ft
Under Construction (sq. ft)	0	-12,400	sq. ft



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





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Data and analysis provided by Virginia REALTORS® Chief Economist.

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