



Q4 2023 OFFICE MARKET REPORT

Office Market - Key Trends Snapshot

Office Market

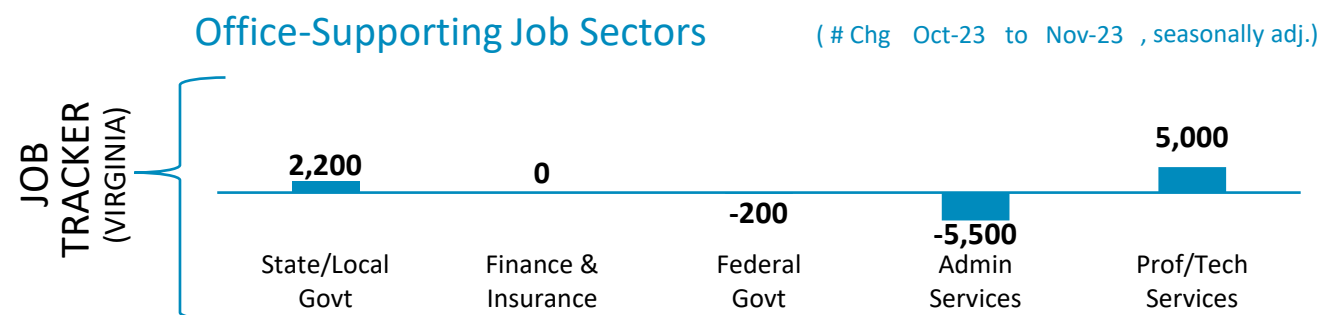
Overview: Virginia's office market remained sluggish to close out 2023. Vacancy rates are trending up as net absorption remains negative in most regions around the state. Even with a resilient job market, demand for office space is lower than it was pre-2020. Return-to-office mandates, while picking 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	Total Inventory (sq. ft, in millions)
sq. ft millions	-1.6	-0.4	Net Absorption (sq. ft, in millions)
pct point	0.5%	12.7%	Vacancy Rate (%)
\$ per sq. ft	\$0.50	\$31.51	Gross Rent (\$ per sq. ft)
sq. ft millions	-1.2	0.1	New Supply Delivered (sq. ft, in millions)
sq. ft millions	-1.8	2.6	Under Construction (sq. ft, in millions)



Economic Indicator Dashboard

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

Report Index

Virginia Office Market

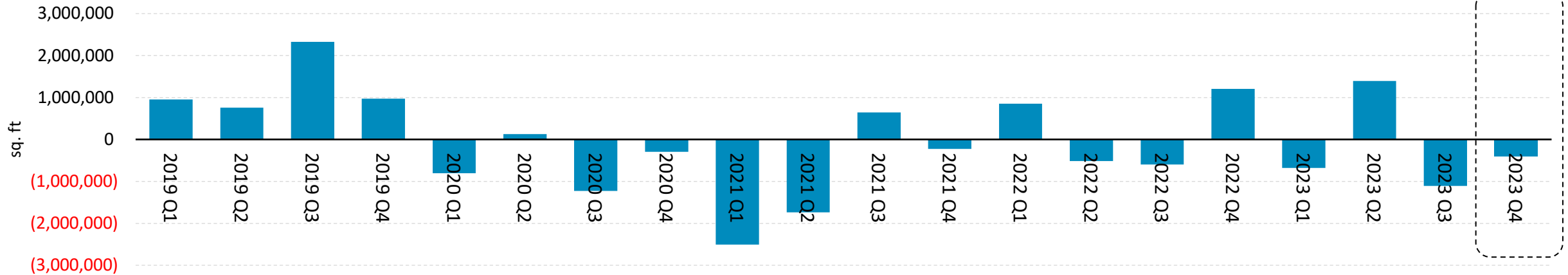
Absorption & Construction Trends	4
Rent Trends	5
Vacancy Trends	6
MSA-Level Trends	7
Northern Virginia	8
Richmond MSA	9
Hampton Roads	10
Roanoke MSA	11
Lynchburg MSA	12
Charlottesville MSA	13
Blacksburg MSA	14
Winchester MSA	15
Harrisonburg MSA	16



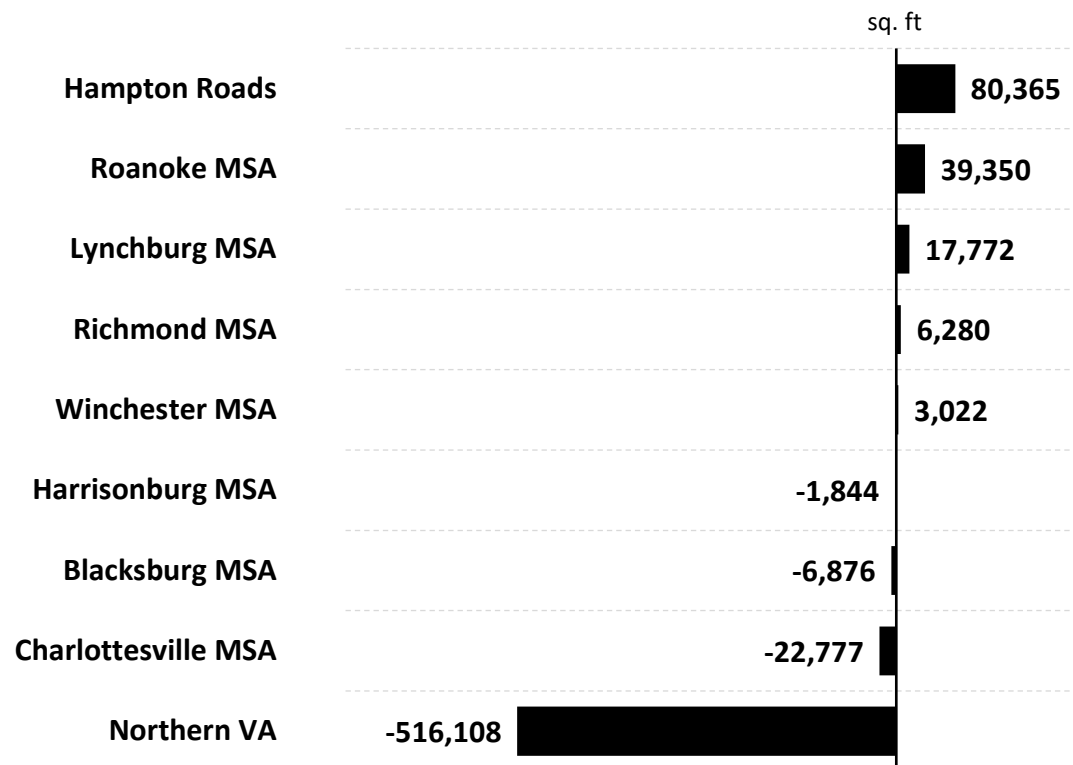
Office Market - Absorption & Construction Trends

VIRGINIA (Statewide)

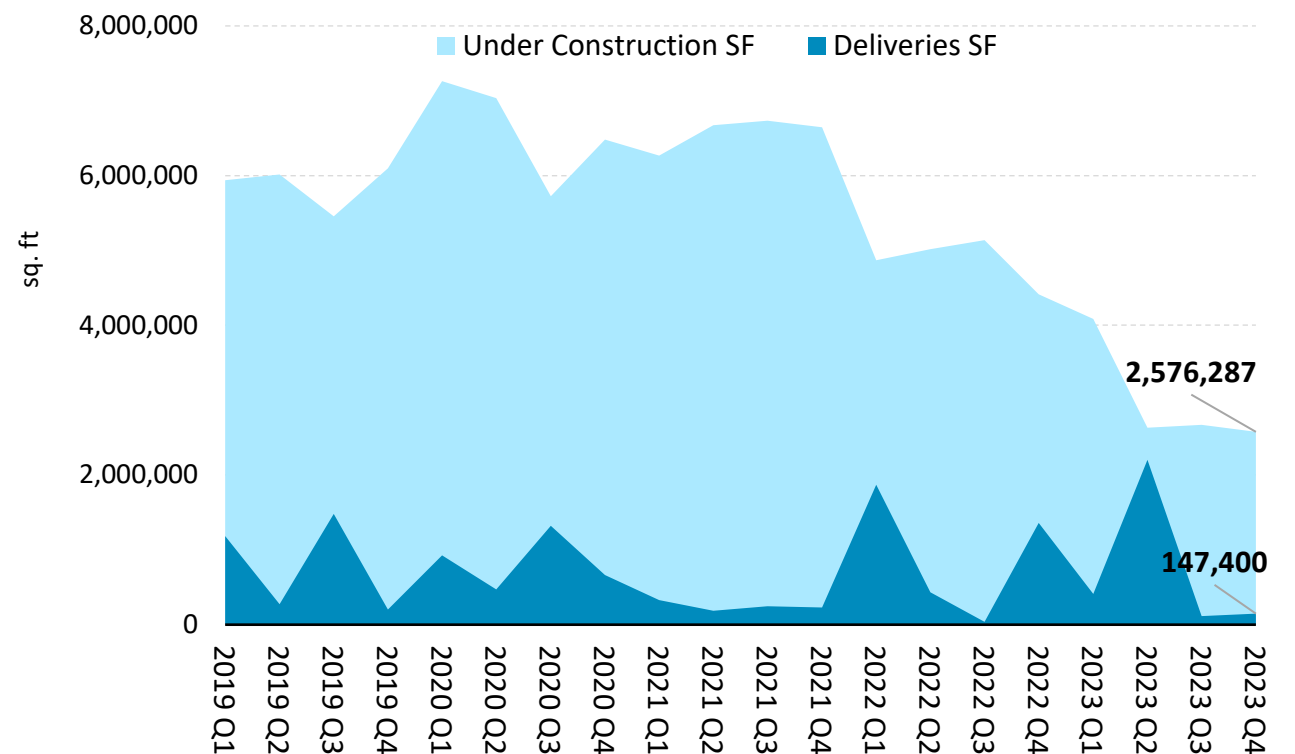
Net Absorption (sq. ft)



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

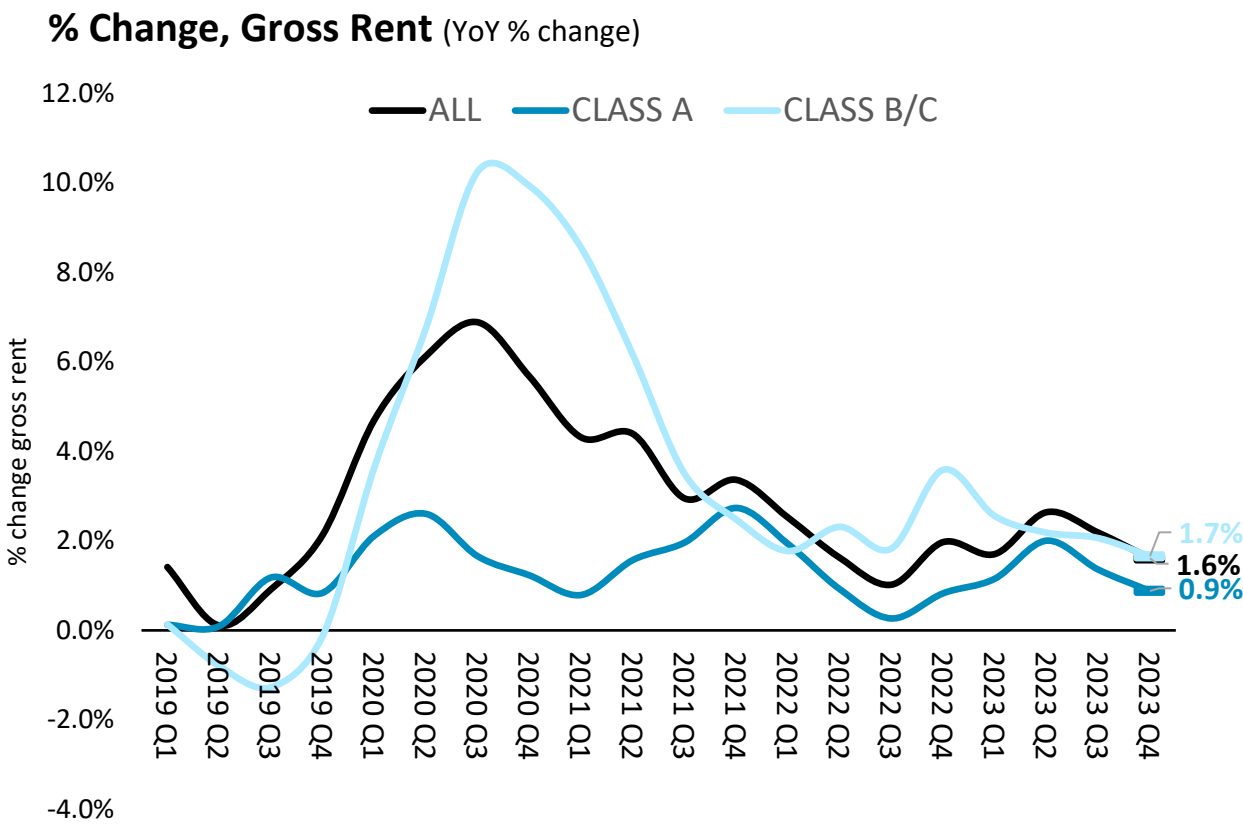
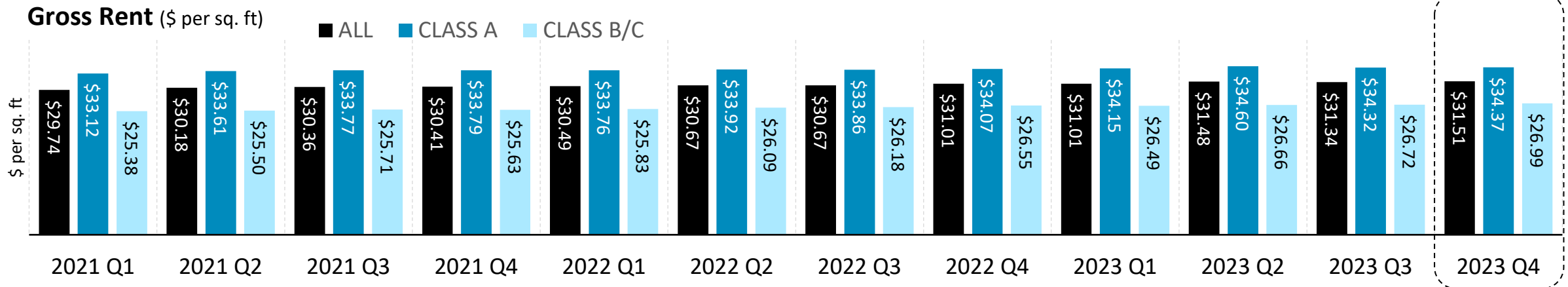


Under Construction & Net Deliveries (sq. ft)

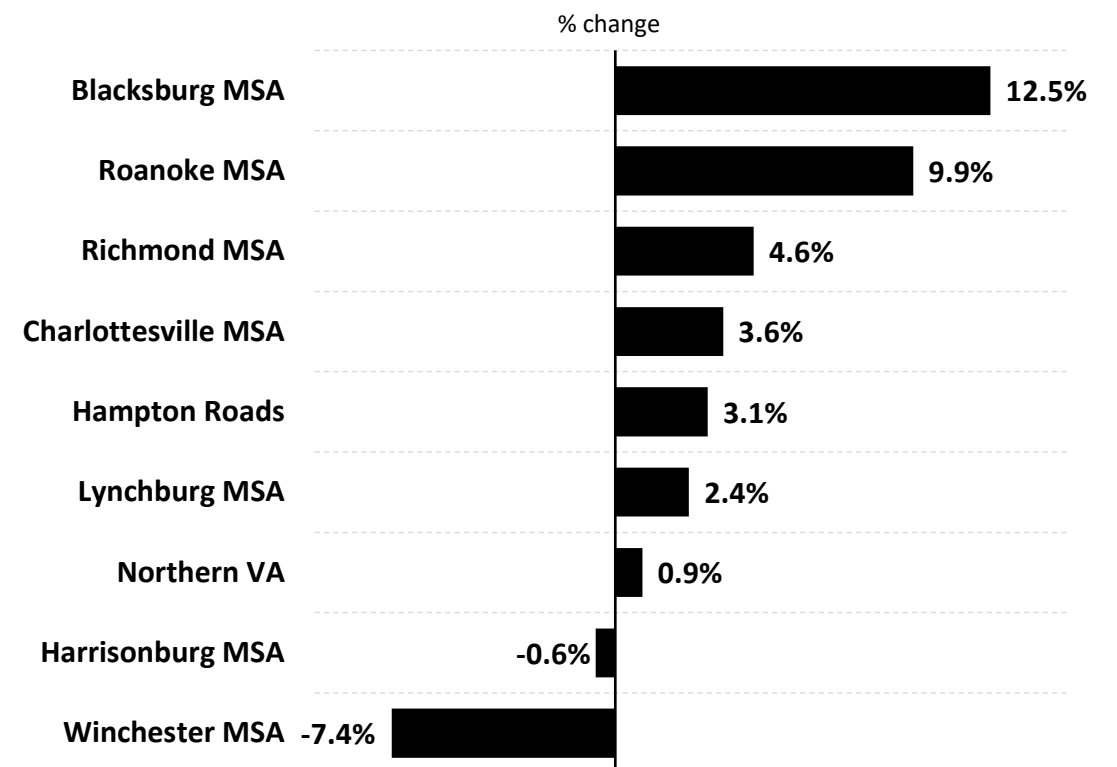


Office Market - Rent Trends

VIRGINIA (Statewide)

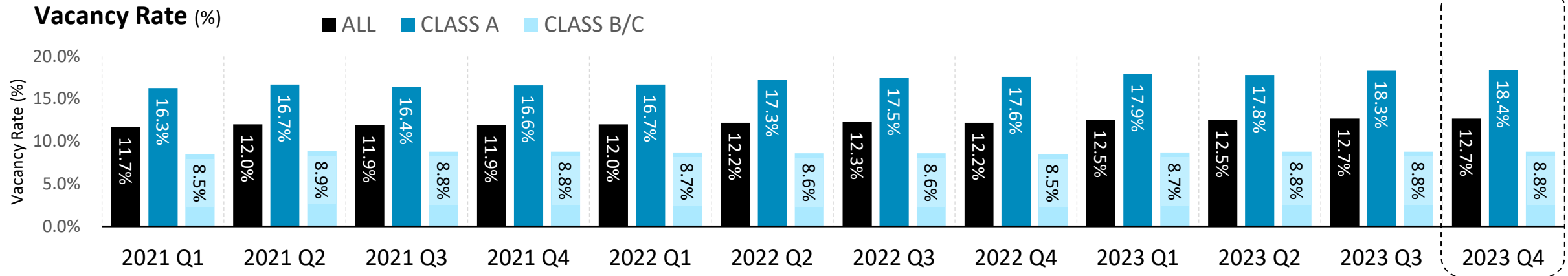


Q4-2023 by MSA: % Change, Gross Rent (YoY % change)

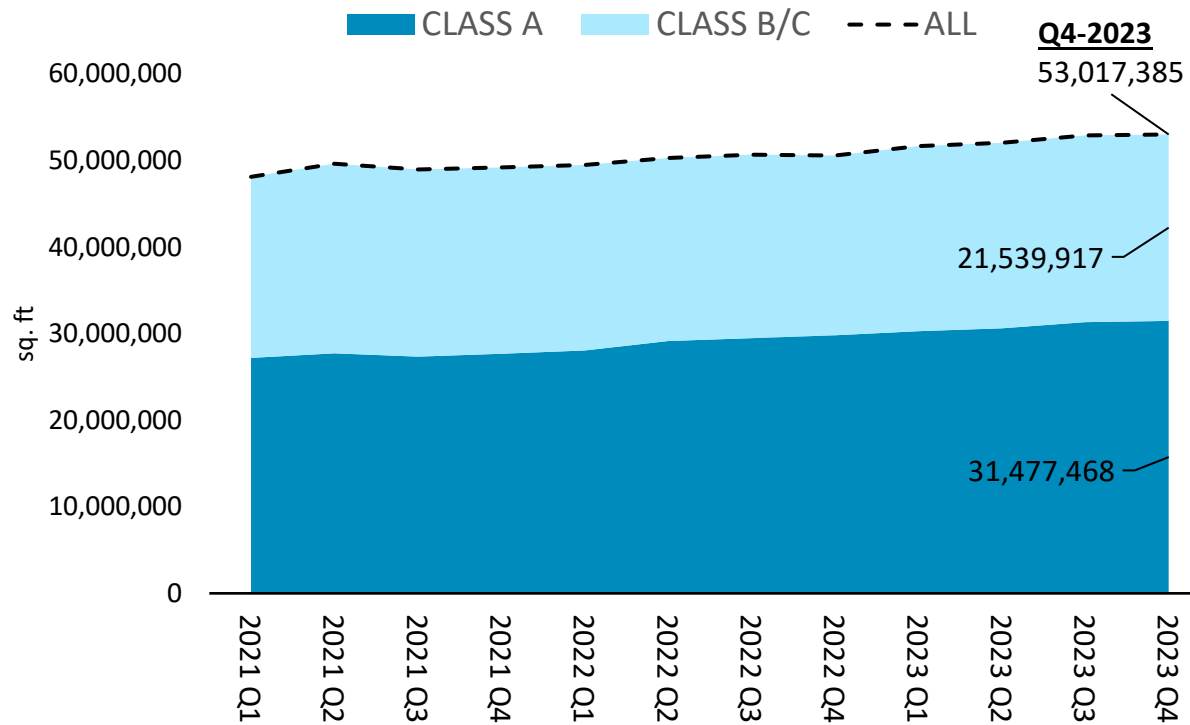


Office Market - Vacancy Trends

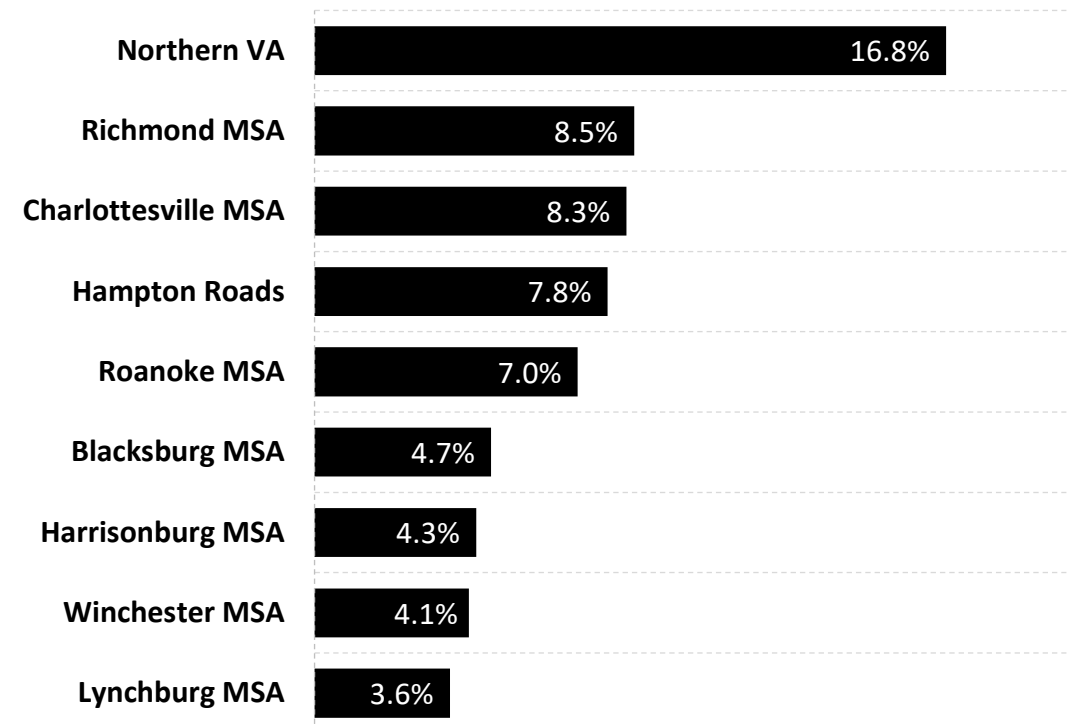
VIRGINIA (Statewide)



Vacant Inventory (sq. ft)



Q4-2023 Office Vacancy Rate by MSA



MSA TRENDS

METROPOLITAN STATISTICAL AREA

Q4



2023

OFFICE
Market Report



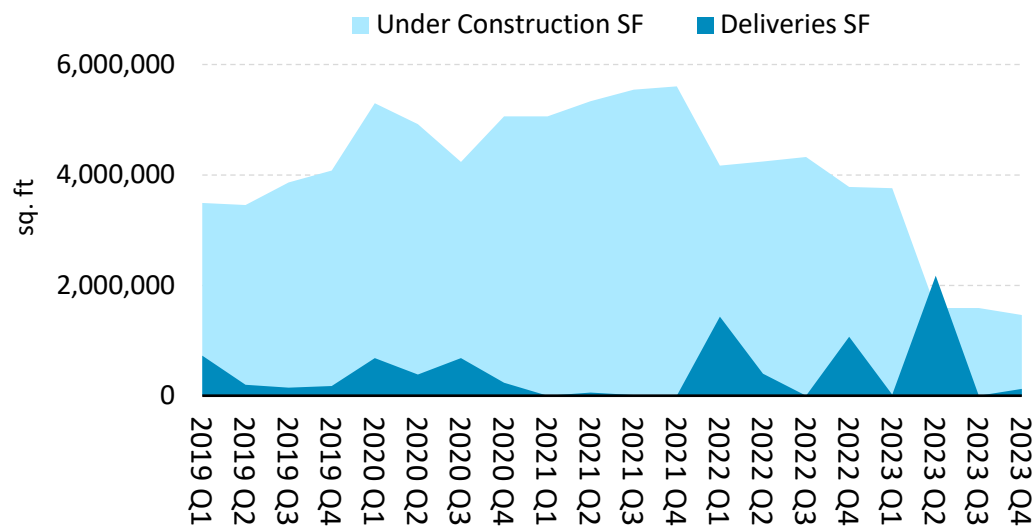
Snapshot of Office Market Conditions Around Virginia

NORTHERN VIRGINIA

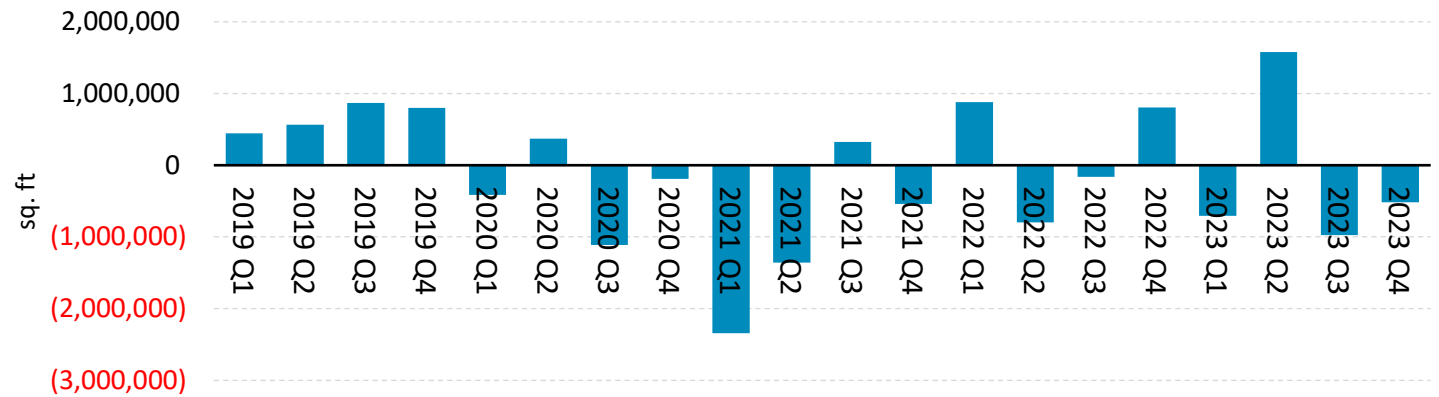
Local Market Indicator Dashboard

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

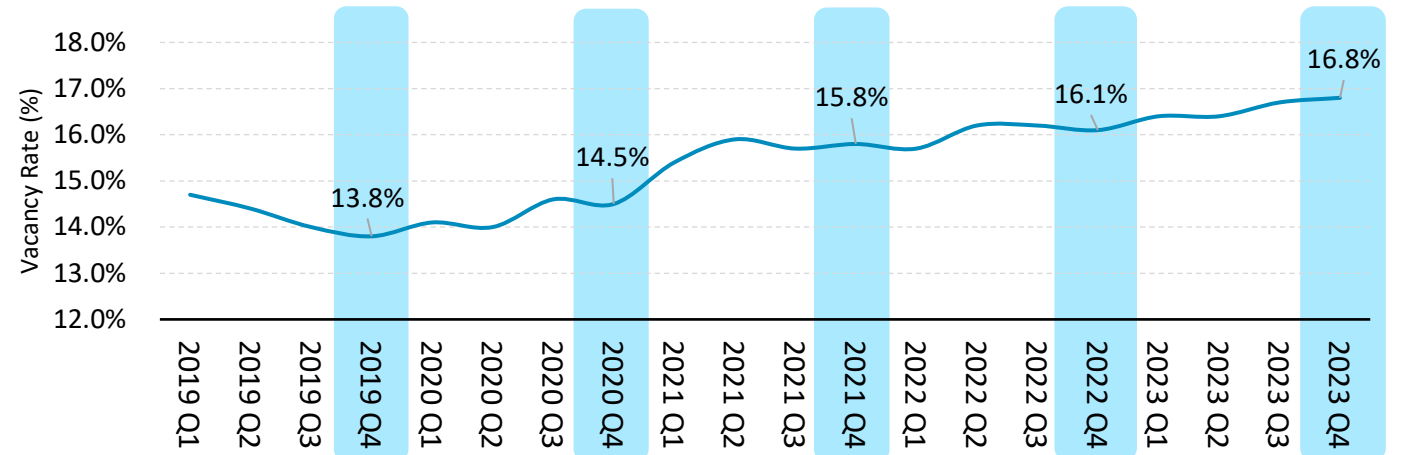
Under Construction & Net Deliveries (sq. ft)



Net Absorption (sq. ft)



Vacancy Rate (%)



Gross Rent (\$ per sq. ft)



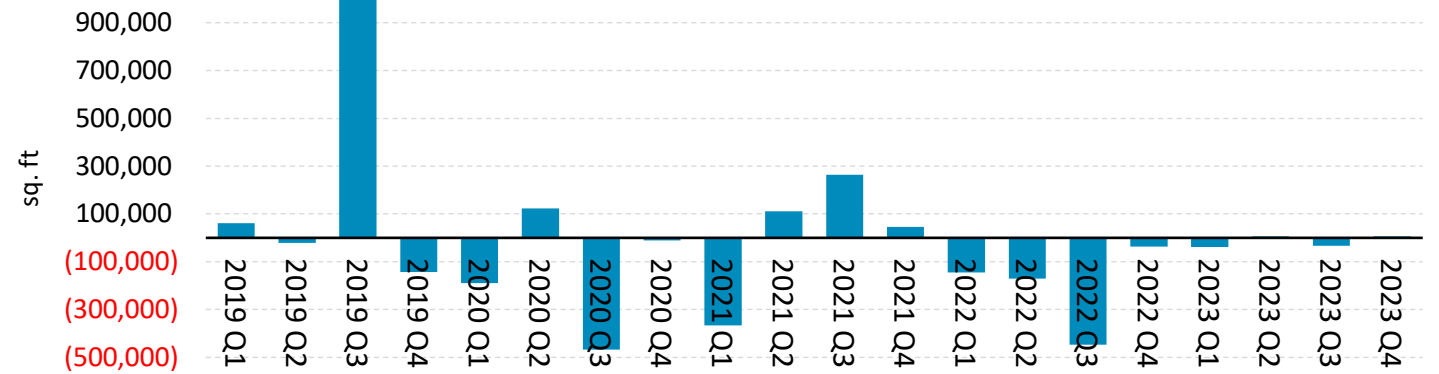
Office Market - MSA Trends

RICHMOND MSA

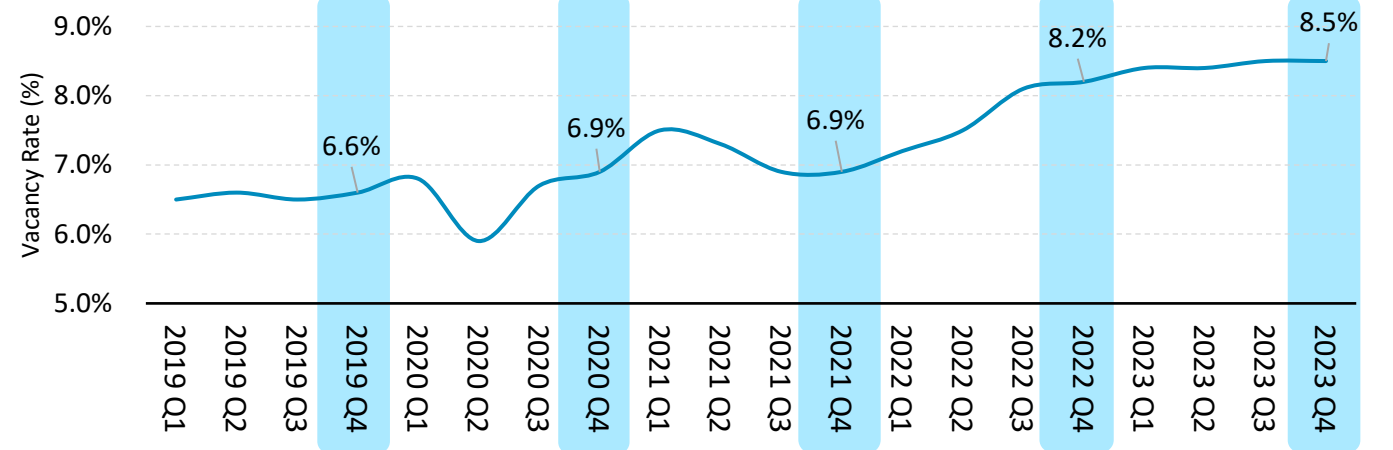
Local Market Indicator Dashboard

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

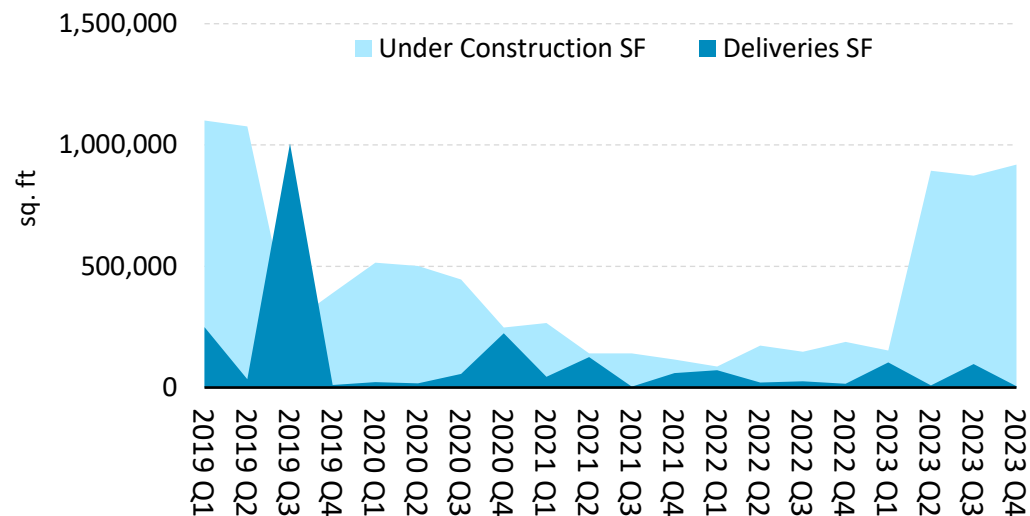
Net Absorption (sq. ft)



Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



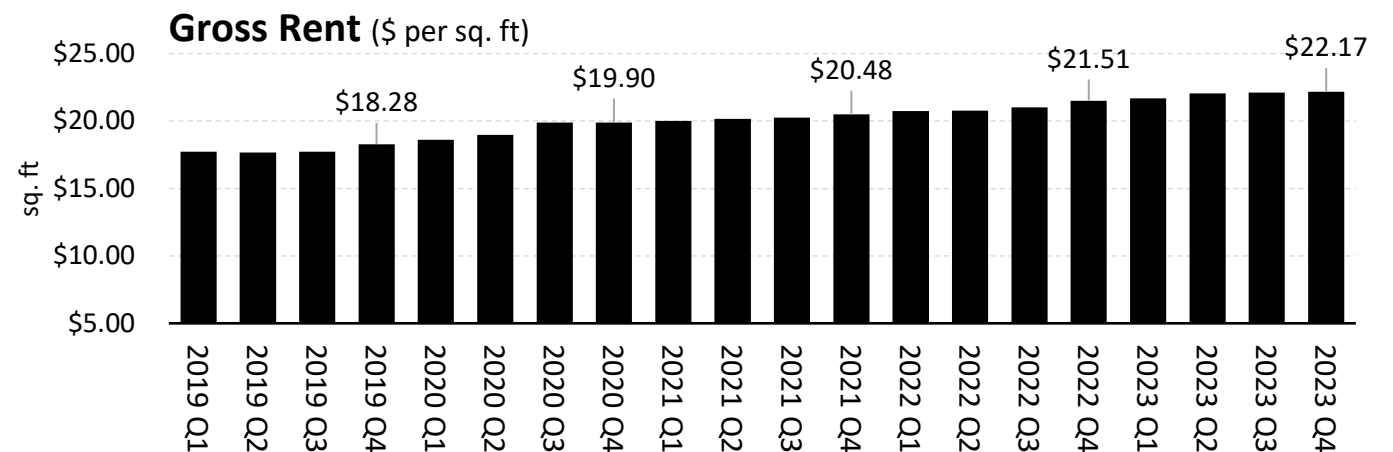
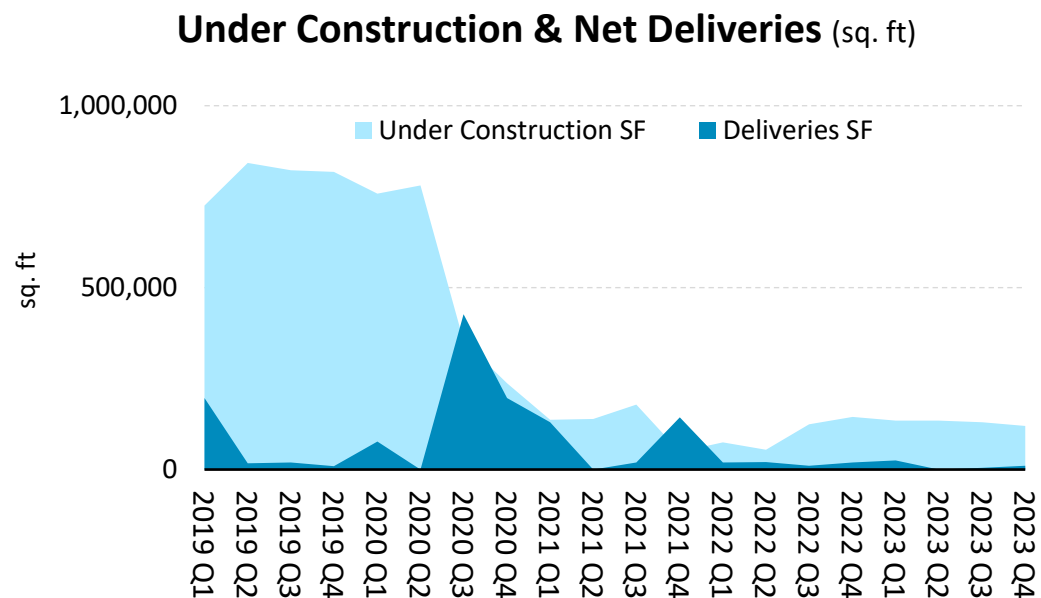
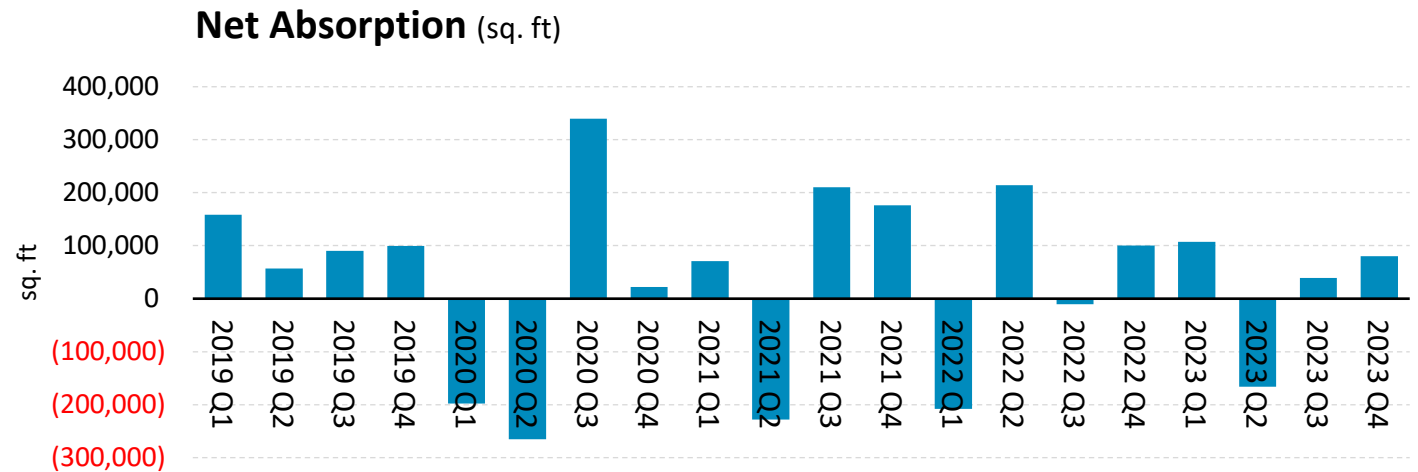
Gross Rent (\$ per sq. ft)



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

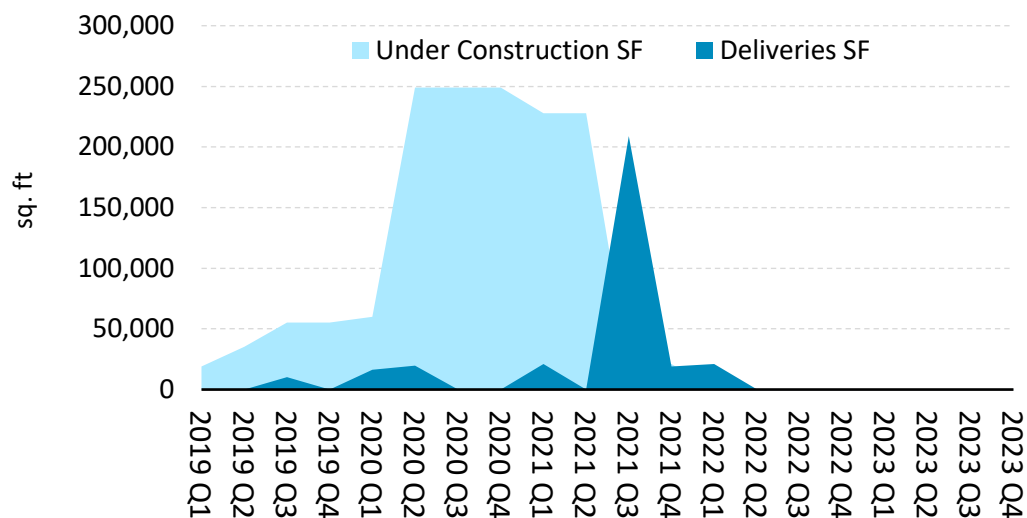


ROANOKE MSA

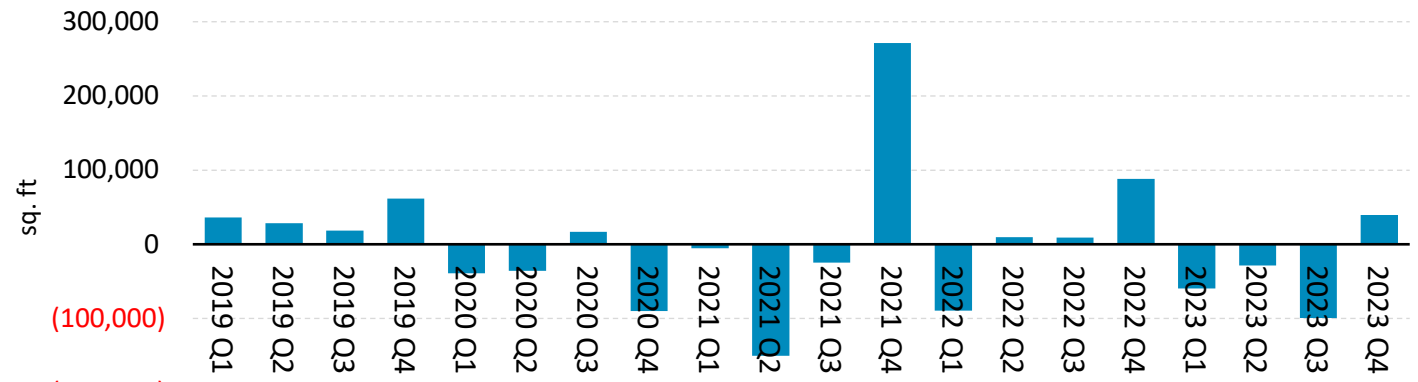
Local Market Indicator Dashboard

	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

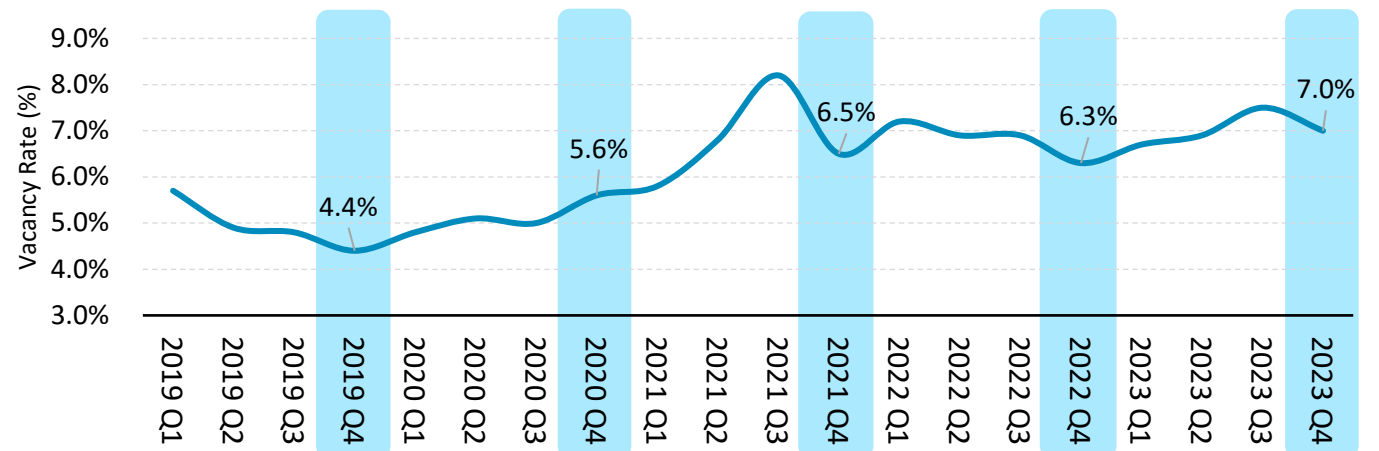
Under Construction & Net Deliveries (sq. ft)



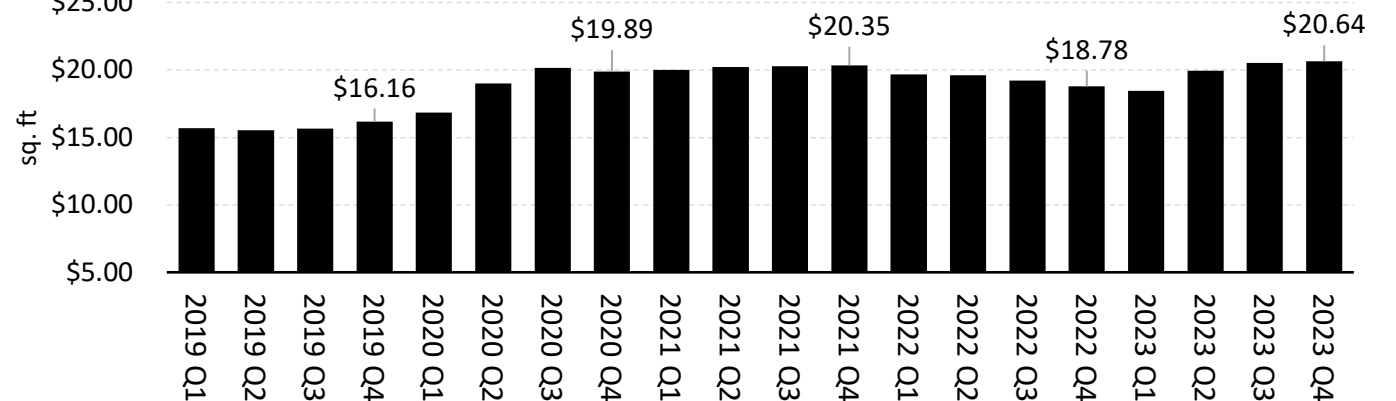
Net Absorption (sq. ft)



Vacancy Rate (%)



Gross Rent (\$ per sq. ft)

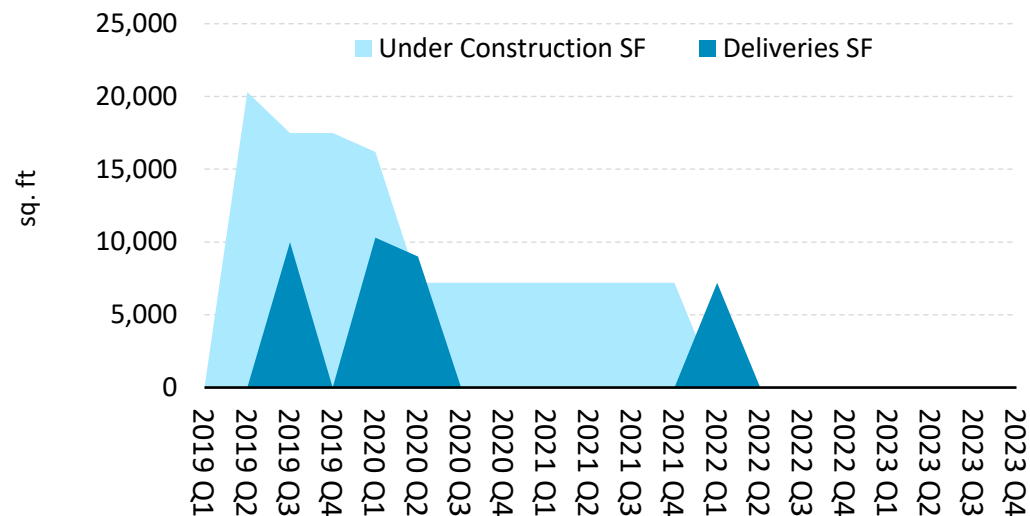


LYNCHBURG MSA

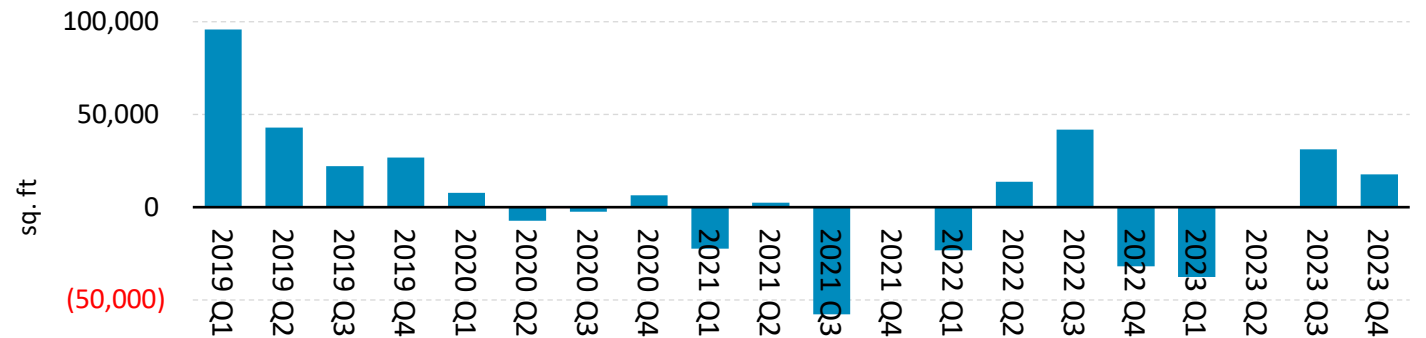
Local Market Indicator Dashboard

	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

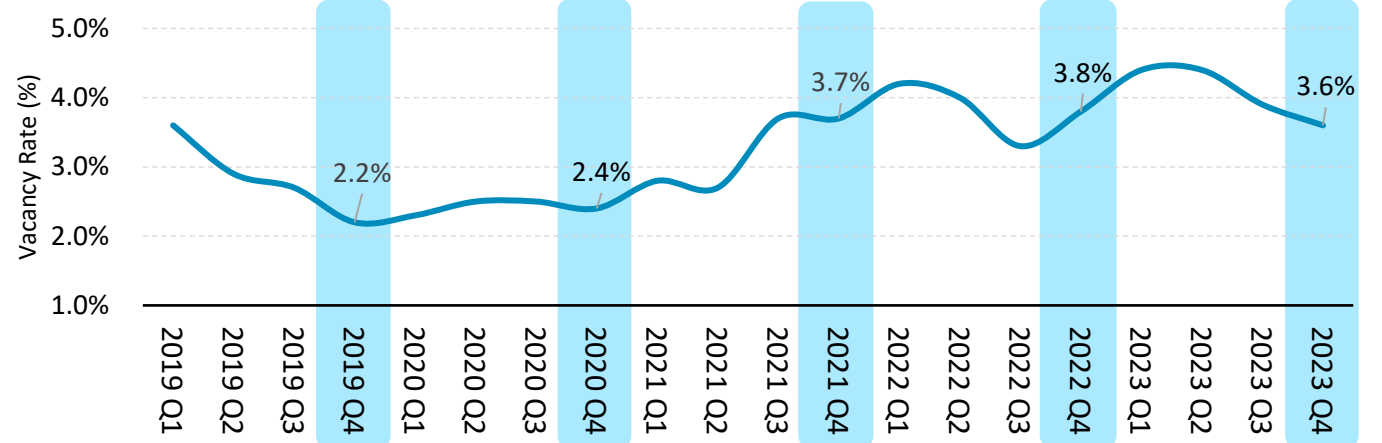
Under Construction & Net Deliveries (sq. ft)



Net Absorption (sq. ft)



Vacancy Rate (%)



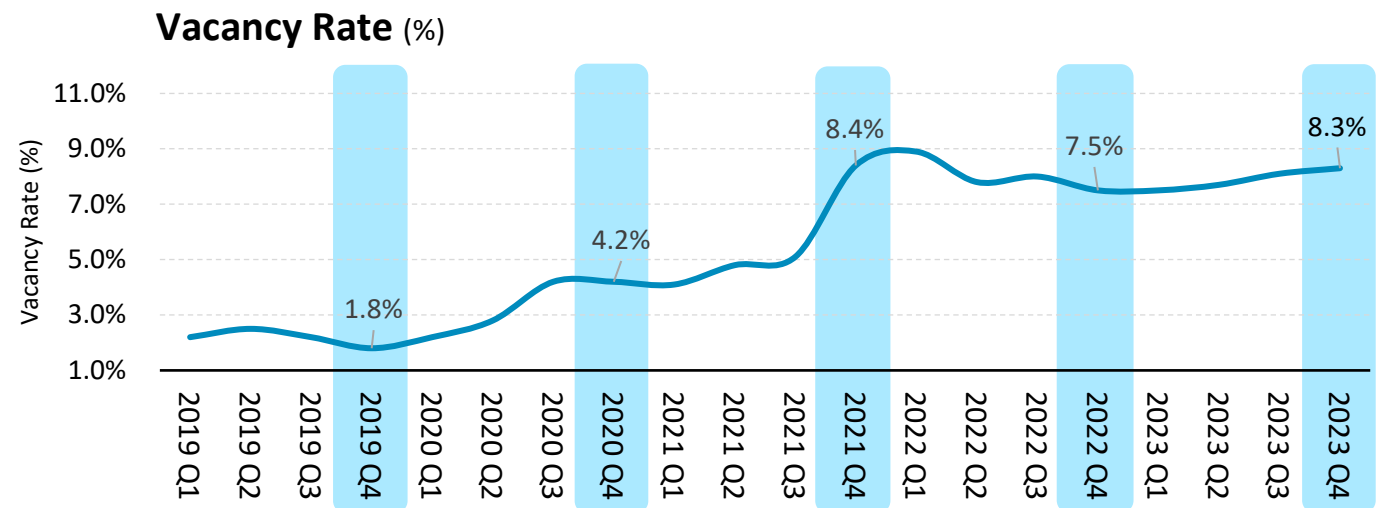
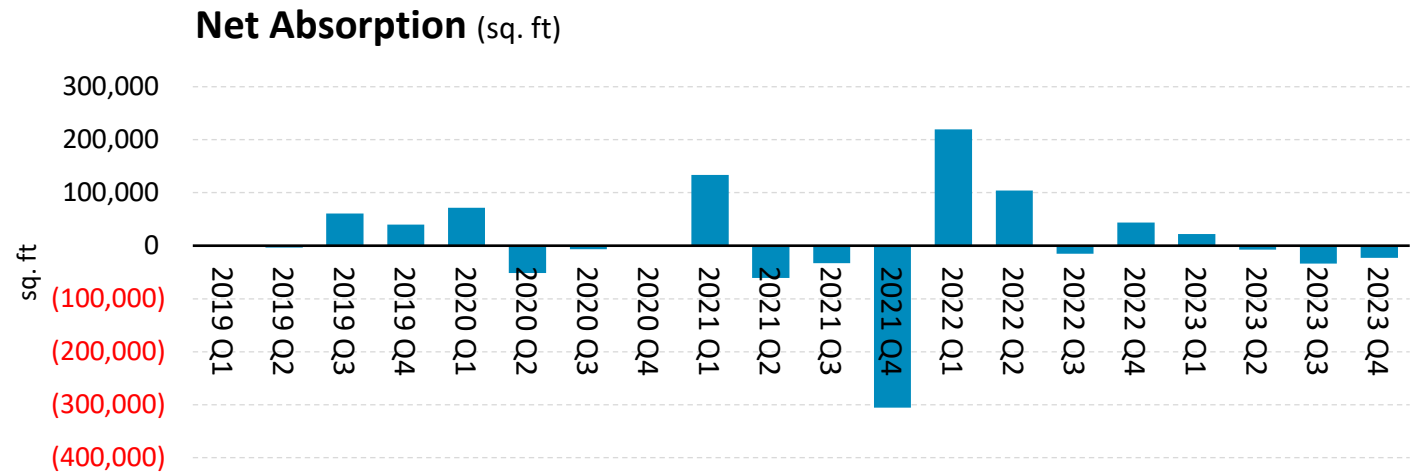
Gross Rent (\$ per sq. ft)



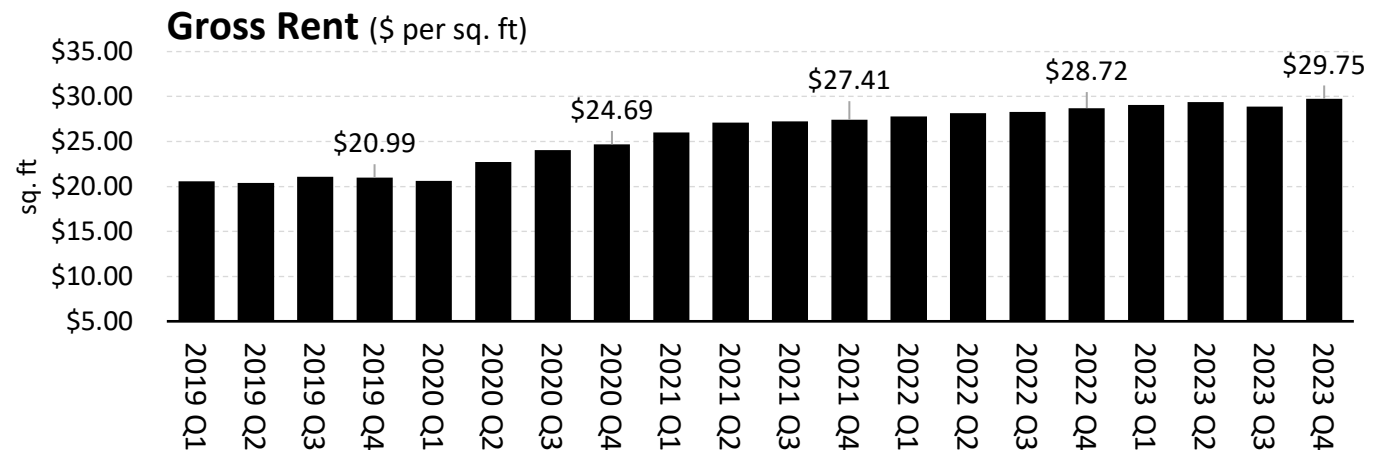
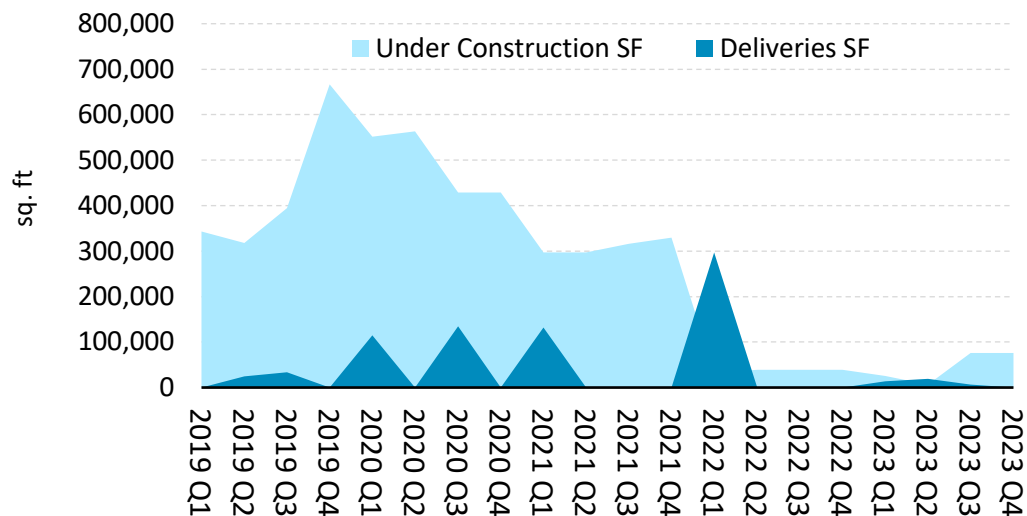
CHARLOTTESVILLE MSA

Local Market Indicator Dashboard

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



Under Construction & Net Deliveries (sq. ft)

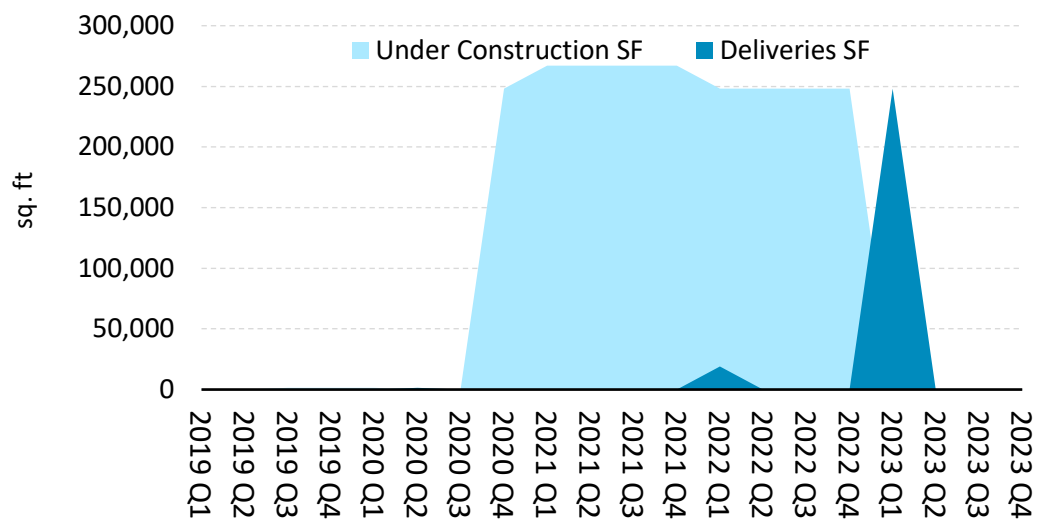


BLACKSBURG MSA

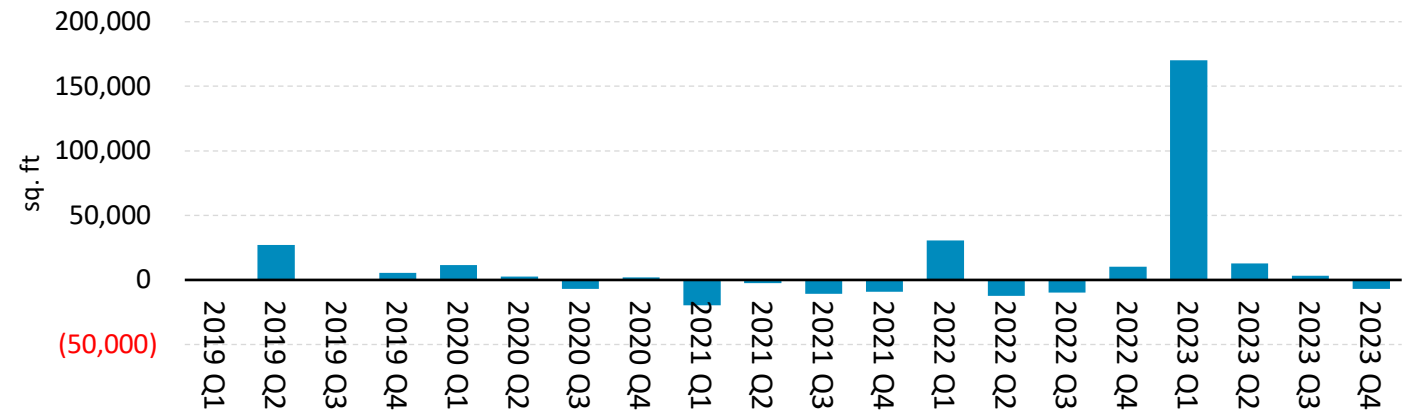
Local Market Indicator Dashboard

	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>

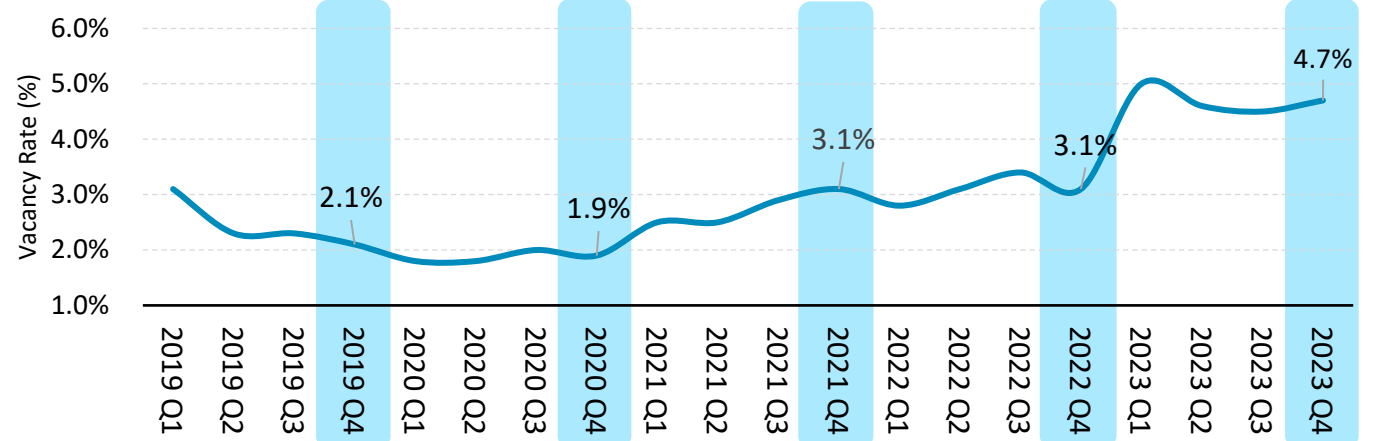
Under Construction & Net Deliveries (sq. ft)



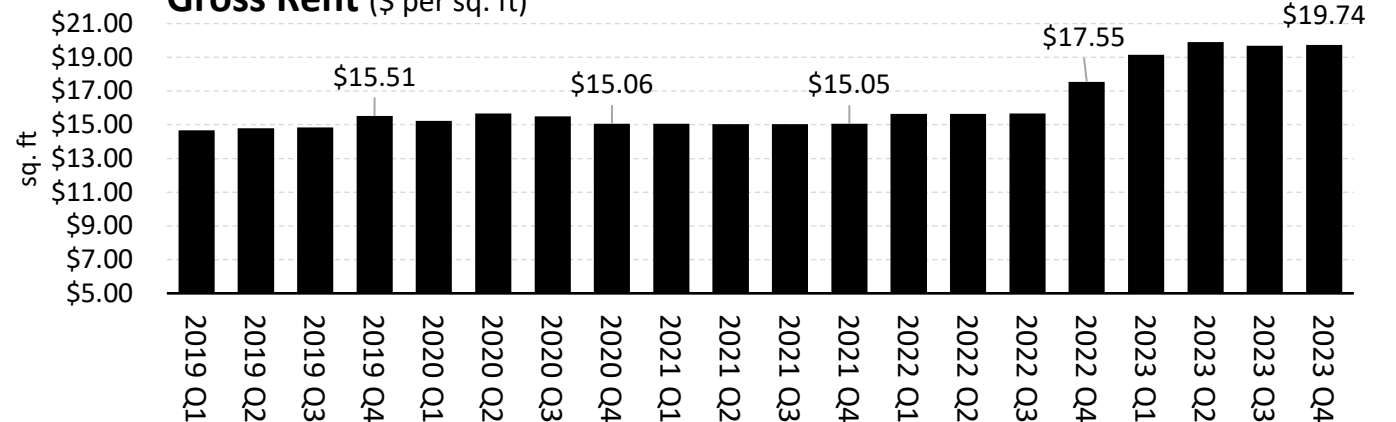
Net Absorption (sq. ft)



Vacancy Rate (%)



Gross Rent (\$ per sq. ft)

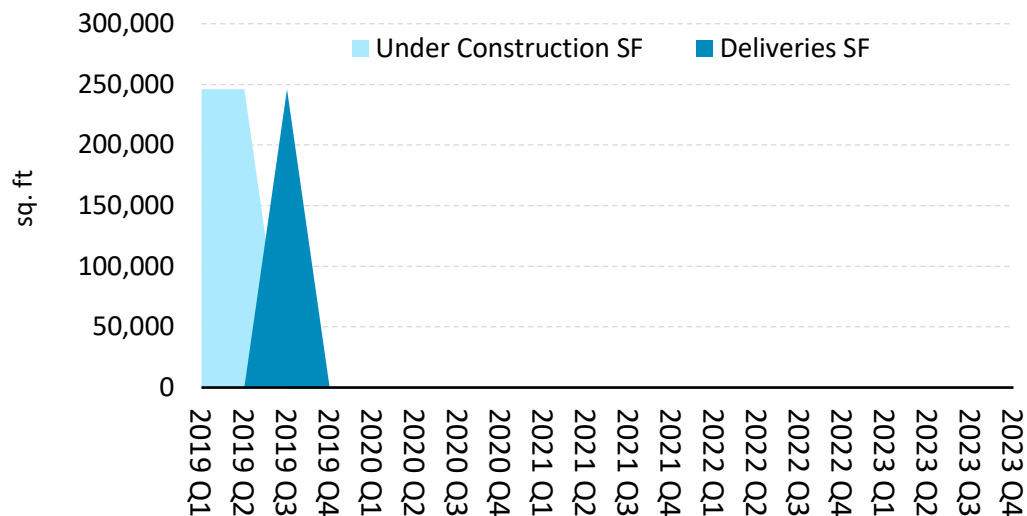


WINCHESTER MSA

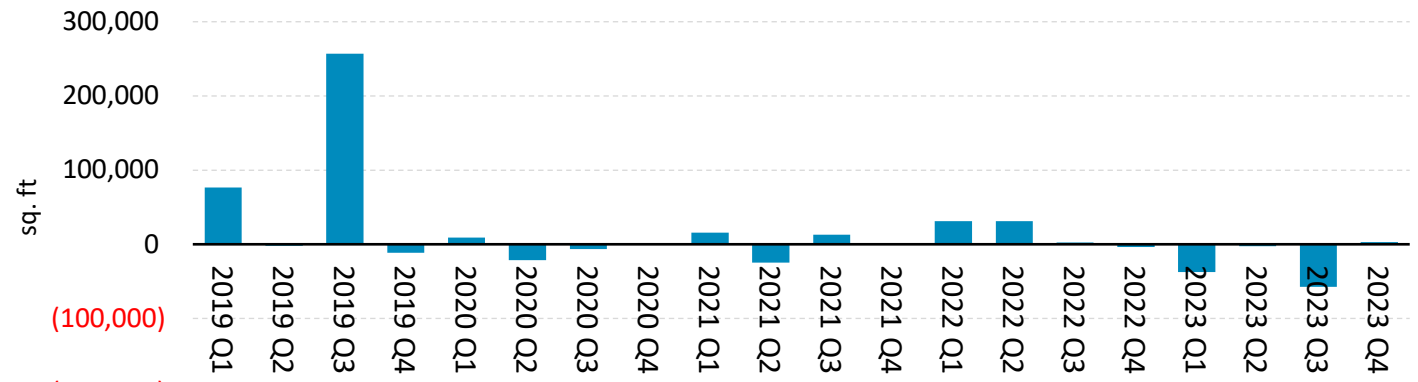
Local Market Indicator Dashboard

	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

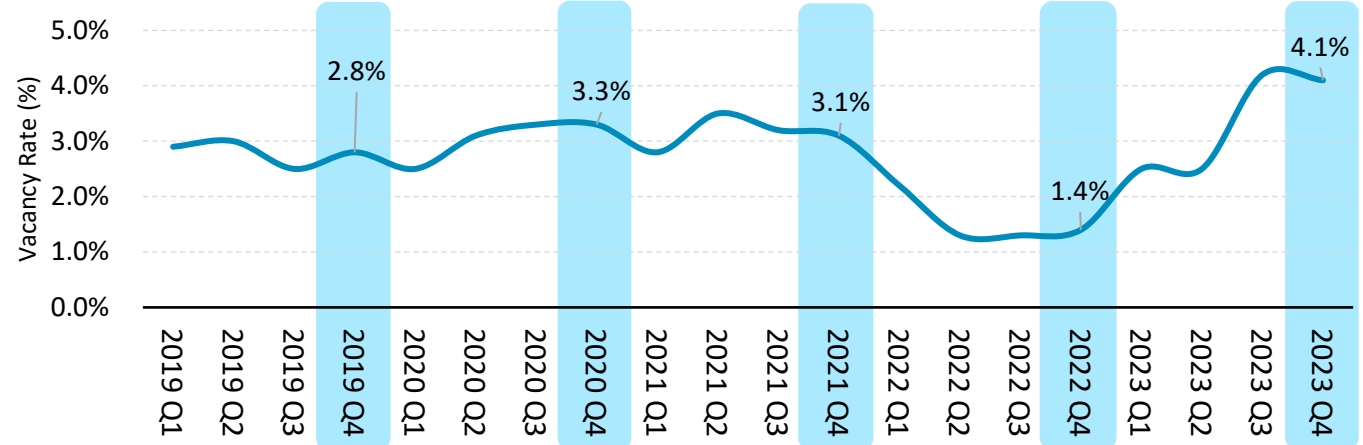
Under Construction & Net Deliveries (sq. ft)



Net Absorption (sq. ft)



Vacancy Rate (%)



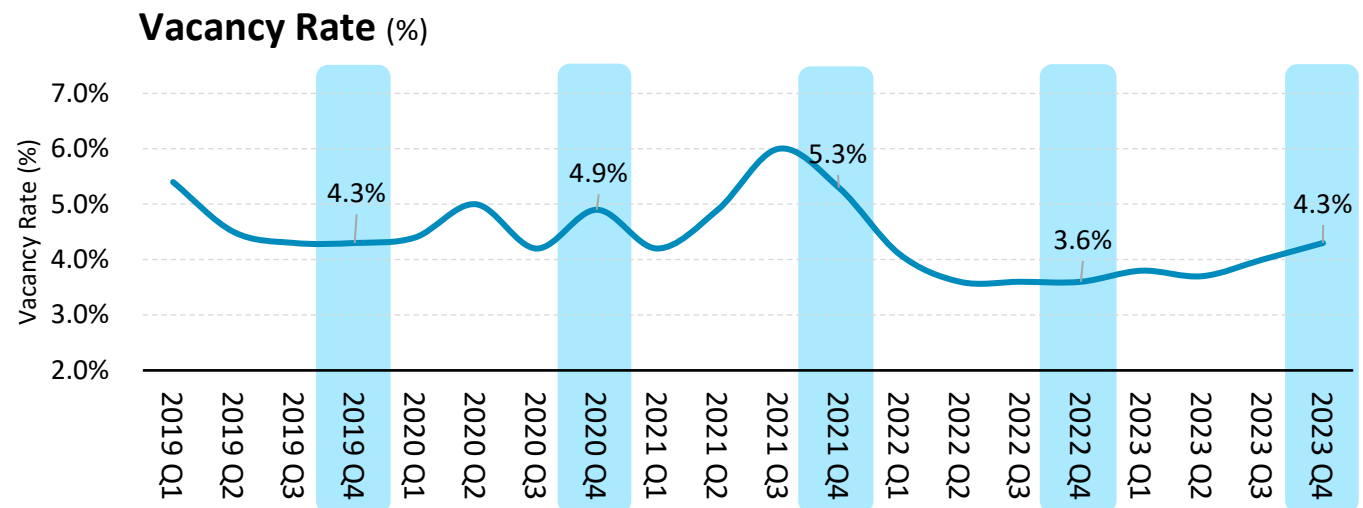
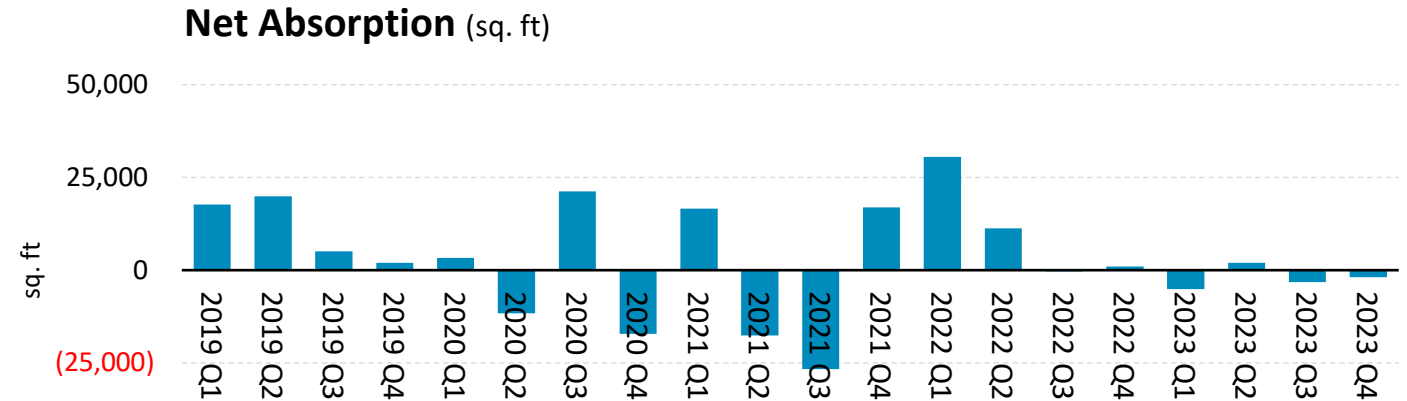
Gross Rent (\$ per sq. ft)



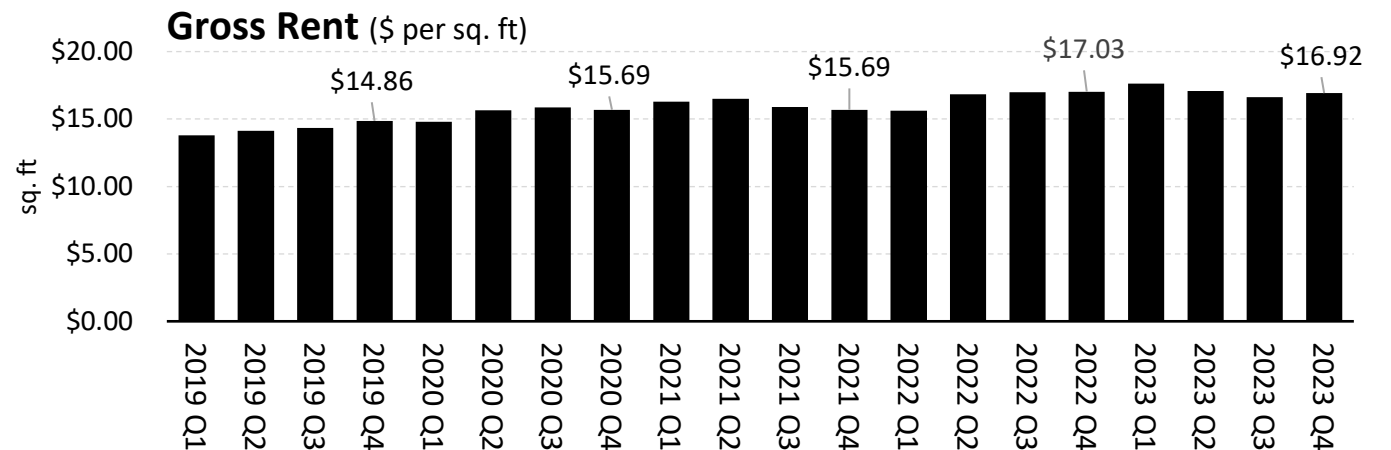
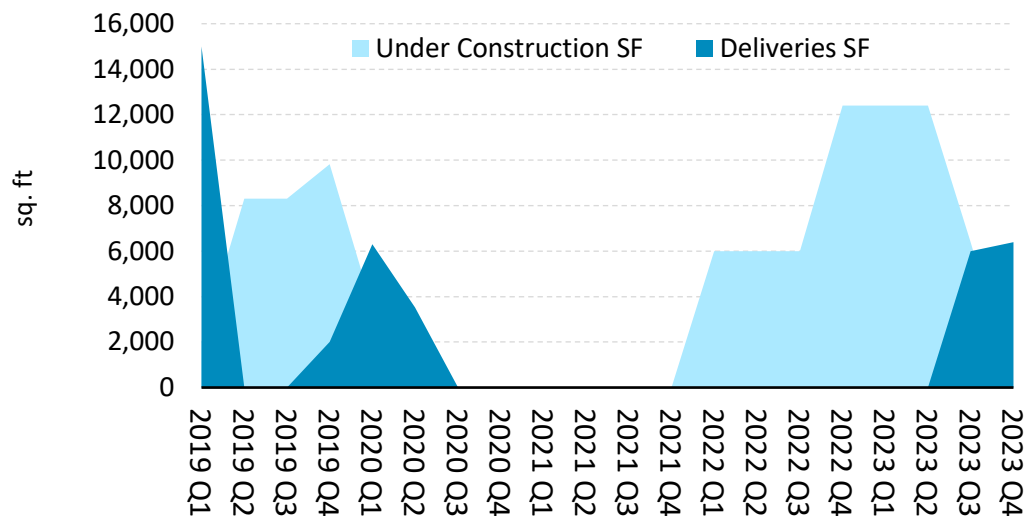
HARRISONBURG MSA

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)



The Virginia REALTORS® association is the largest professional trade association in Virginia, representing 38,000 REALTORS® engaged in the residential and commercial real estate business. The Virginia REALTORS® association serves as the advocate for homeownership and private property rights and represents the interests of real estate professionals and property owners in the Commonwealth of Virginia.

NOTE: The term REALTOR® is a registered collective membership mark that identifies a real estate professional who is a member of the National Association of REALTORS® and subscribes to its strict code of ethics.

All inquiries regarding this report may be directed to:

Robin Spensieri

Virginia REALTORS® Vice President of Communications and Media Relations
rspensieri@virginiarealtors.org
404-433-6015

Data and analysis provided by Virginia REALTORS® Chief Economist.

The numbers reported here are based on data from CoStar.

Cover Photo: @avmedved/Adobe Stock
TOC Graphic: @aomarch/Adobe Stock

