Q1 2024 OFFICE MARKET REPORT

Virginia
REALTORS®

Office Market - Key Trends Snapshot

Q1 2024 Virginia REALTORS® OFFICE Market Report

Office Market

Overview: It has been a slow start to the year in Virginia's office market. Vacancy continues to climb and absorption was negative statewide, though some regional markets had an uptick in absorption. Job growth continues in office-supporting sectors, particularly Professional/Technical Services, but the job gains are not translating into more leased office space. New office construction is slow and the few projects underway are concentrated in Northern Virginia and Richmond.

Absorption: The demand for office space continued to decline in Q1 2024 with -1.37 million sq ft of office space absorbed. Class A (-829,923 sq ft) and Class B/C buildings (-546,405 sq ft) experienced negative net absorption this quarter. The largest amount of positive net absorption in the first quarter was in Hampton Roads with 89,088 sq ft and Charlottesville with 70,687 sq ft of net positive absorption.

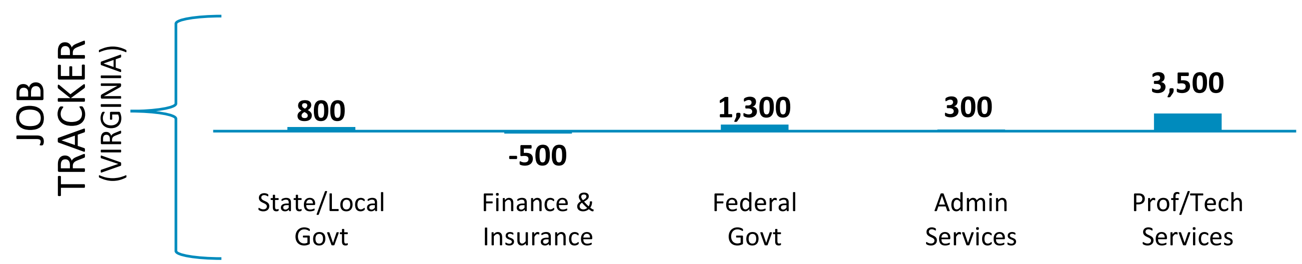
Vacancy Rate: Office vacancy rates reached 13.0% this quarter, the highest vacancy rate the state has seen in 13 years. The office market in Northern Virginia saw vacancy rates climb to 17.2% with Class A building vacancies peaking at 20.8%. Harrisonburg had the lowest office vacancy rate in the state at 3.7%.

Rent: Rent for office space grew 1.4% in Q1 bringing the cost per square foot to $31.44. Class B/C buildings saw the sharpest increase in rent going up 1.9% from a year ago. Roanoke saw office rents rise from $18.47 to $20.86 in the first quarter of 2024, a 12.9% gain and the sharpest jump statewide. In Harrisonburg office rent fell -2.2% from the year before.

Supply/Deliveries: In the first quarter of 2024, there was 2.79 million sq ft of office space under construction, down 27.0% from last year. Most of the new office space being built was Class A buildings at 2.62 million sq ft. Deliveries dipped from 410,218 sq ft in Q1 2023 to 156,400 sq ft in Q1 2024.

Office-Supporting Job Sectors

(# Chg Jan-24 to Feb-24 , seasonally adj.)



VIRGINIA *(Statewide)*

Market Indicator Dashboard

	YoY Chg	Q1-2024	Indicator
% chg	0.2%	416.3	**Total Inventory** (sq. ft, in millions)
sq. ft millions	-0.7	-1.4	**Net Absorption** (sq. ft, in millions)
pct point	0.7%	13.0%	**Vacancy Rate** (%)
$ per sq. ft	$0.43	$31.44	**Gross Rent** ($ per sq. ft)
sq. ft millions	-0.3	0.2	**New Supply Delivered** (sq. ft, in millions)
sq. ft millions	-1.0	2.8	**Under Construction** (sq. ft, in millions)

Economic Indicator Dashboard

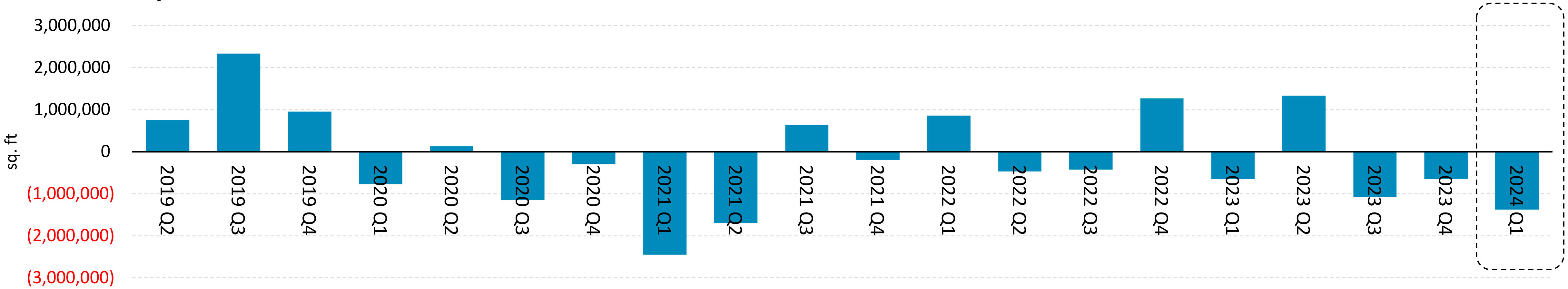
	MoM Chg	Feb-24	Indicator
% chg	0.3%	4.2	**Total Jobs, Virginia** (in millions, seasonally adjusted)
% chg	0.3%	1.1	**Office-Supporting Jobs, Virginia** (in millions, seasonally adjusted)
pct point	0	3.0%	**Unemployment Rate, Virginia** (% seasonally adjusted)
	QoQ Chg	**Q4-2023**	
pct point	-1.5%	3.4%	**Gross Domestic Product, U.S.** (seasonally adjusted annual rate)

Report Index

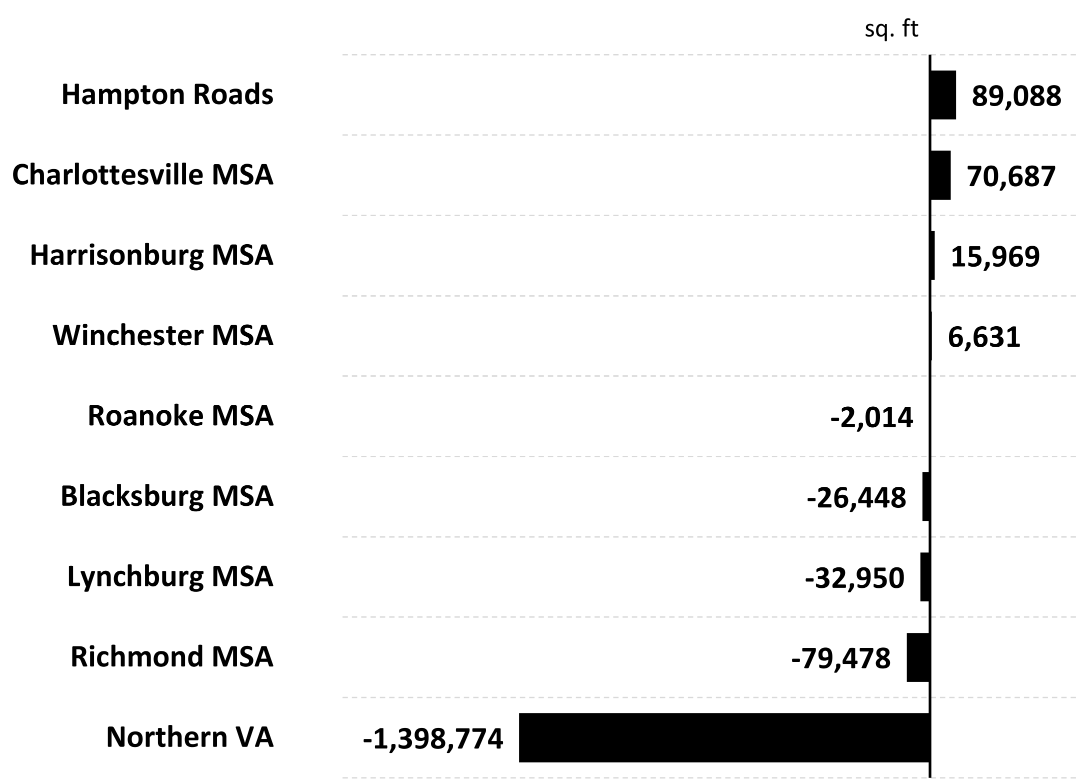
Virginia Office Market

VIRGINIA *(Statewide)*

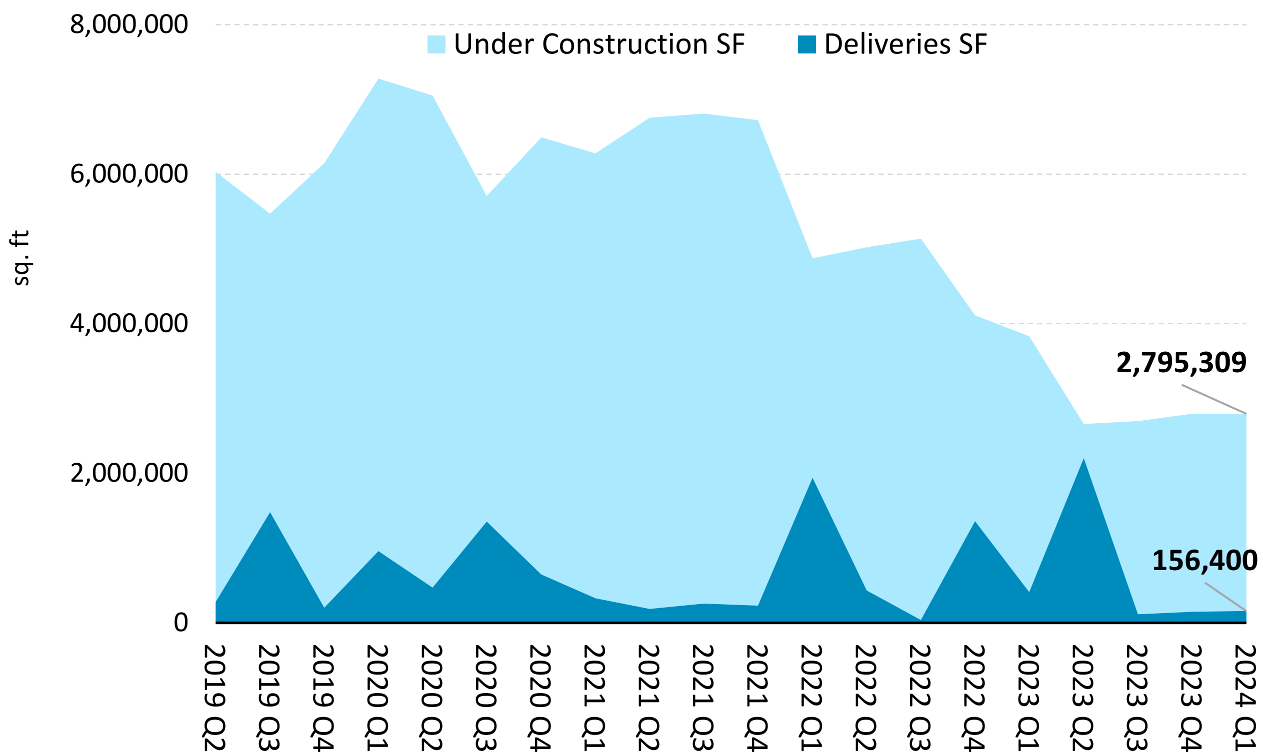
Net Absorption (sq. ft)



Q1-2024 Net Absorption by Metro Area (sq ft)



Under Construction & Net Deliveries (sq. ft)

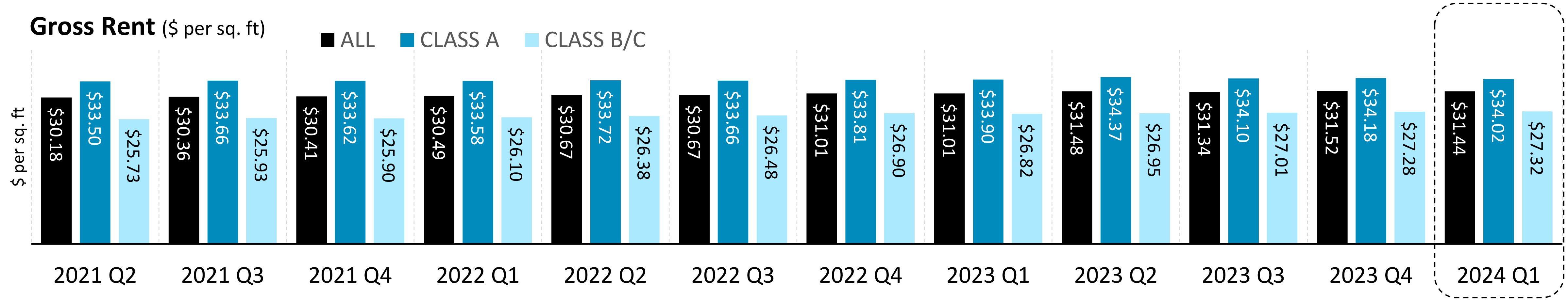


Office Market - Rent Trends

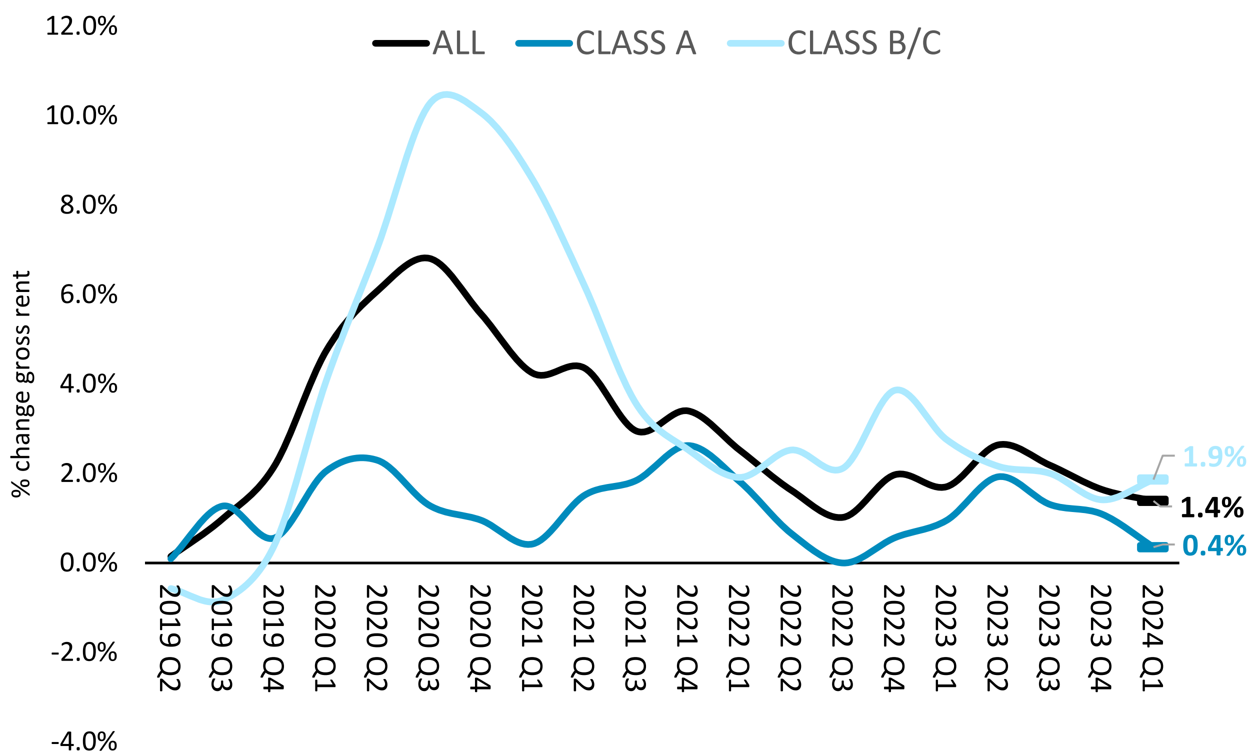
Q1 2024 Virginia REALTORS® OFFICE Market Report

VIRGINIA *(Statewide)*

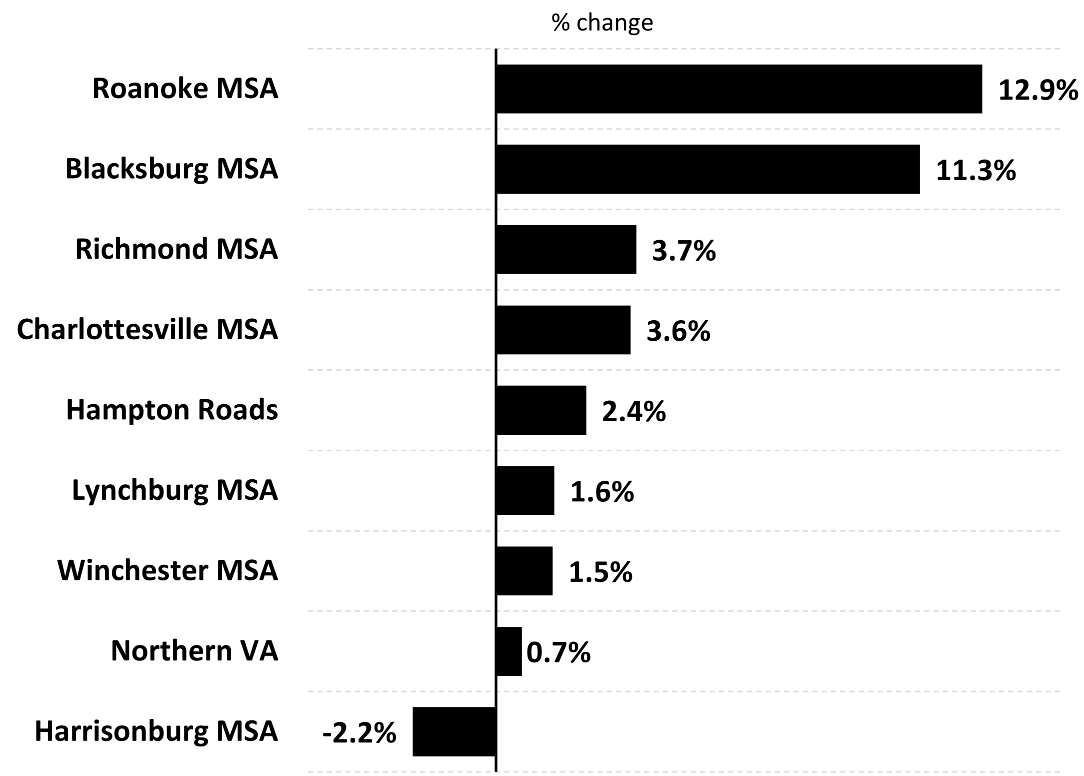
Gross Rent ($ per sq. ft)



% Change, Gross Rent (YoY % change)

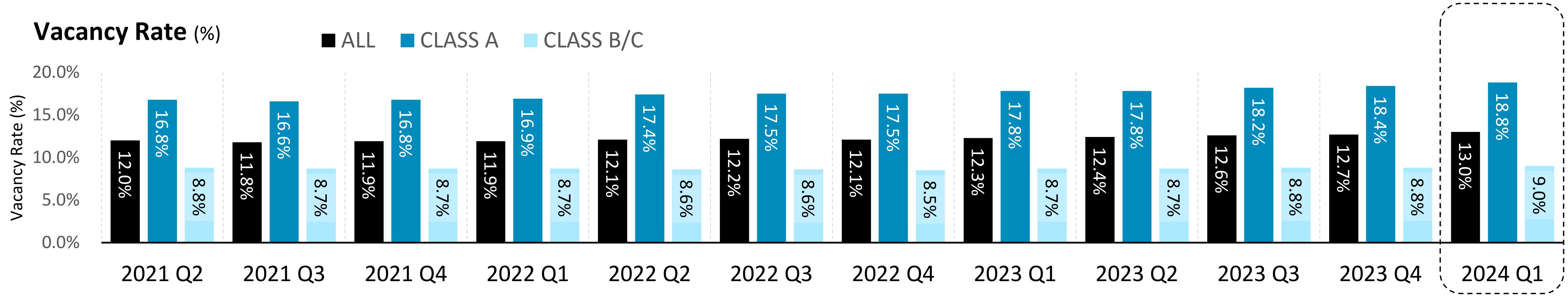


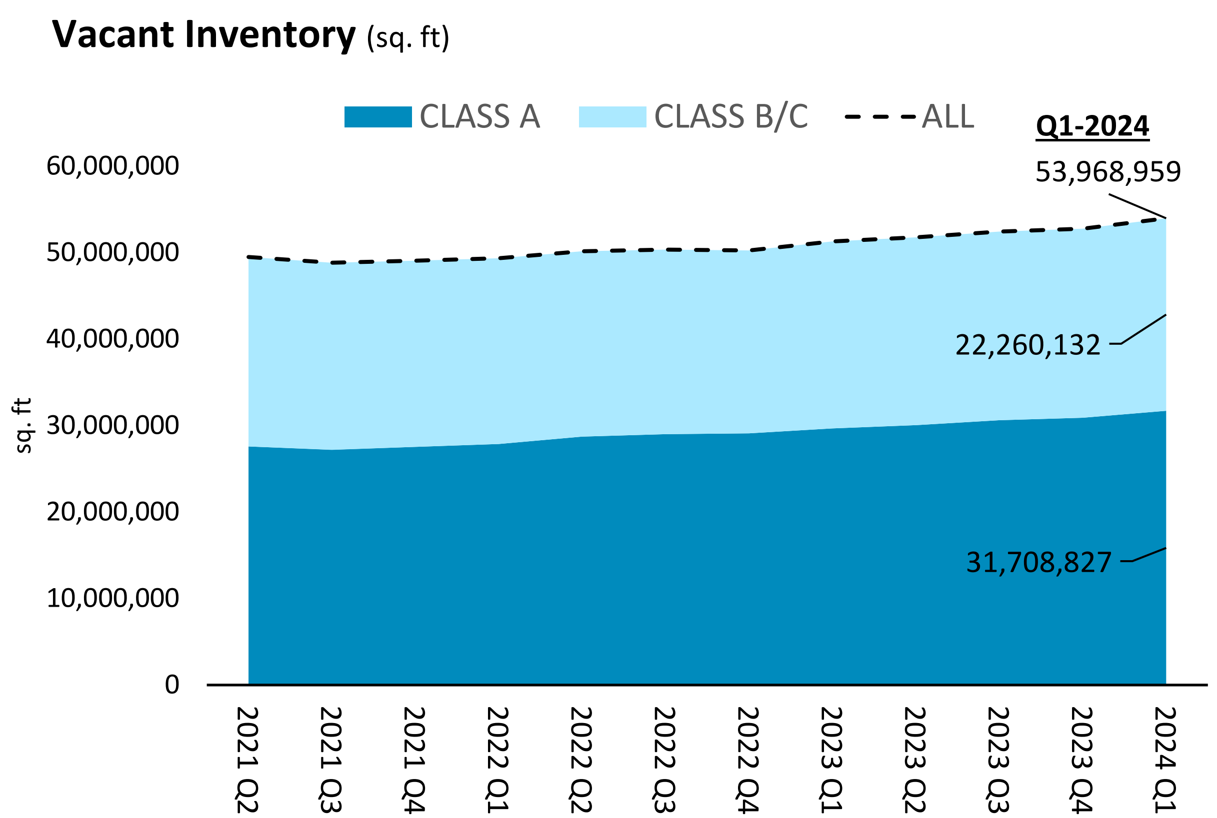
Q1-2024 by MSA: % Change, Gross Rent (YoY % change)

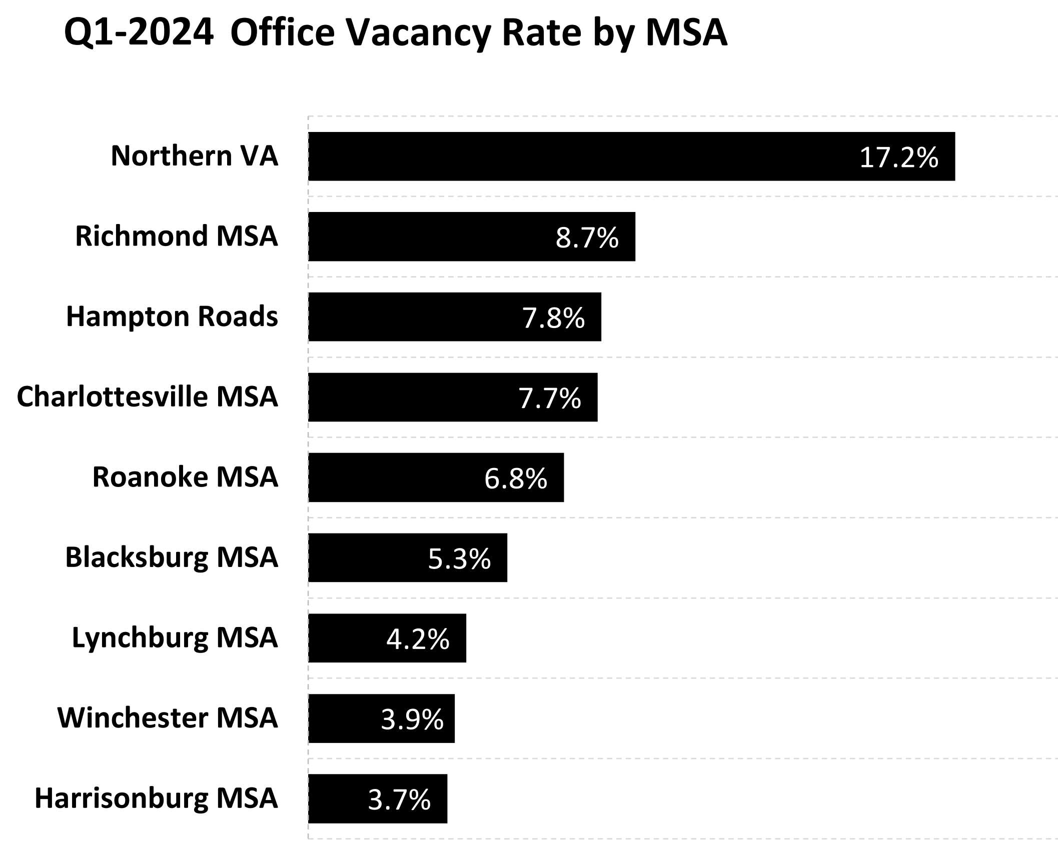


Office Market - Vacancy Trends

VIRGINIA *(Statewide)*







Q1 2024 | Virginia REALTORS® OFFICE Market Report

MSA TRENDS

METROPOLITAN STATISTICAL AREA

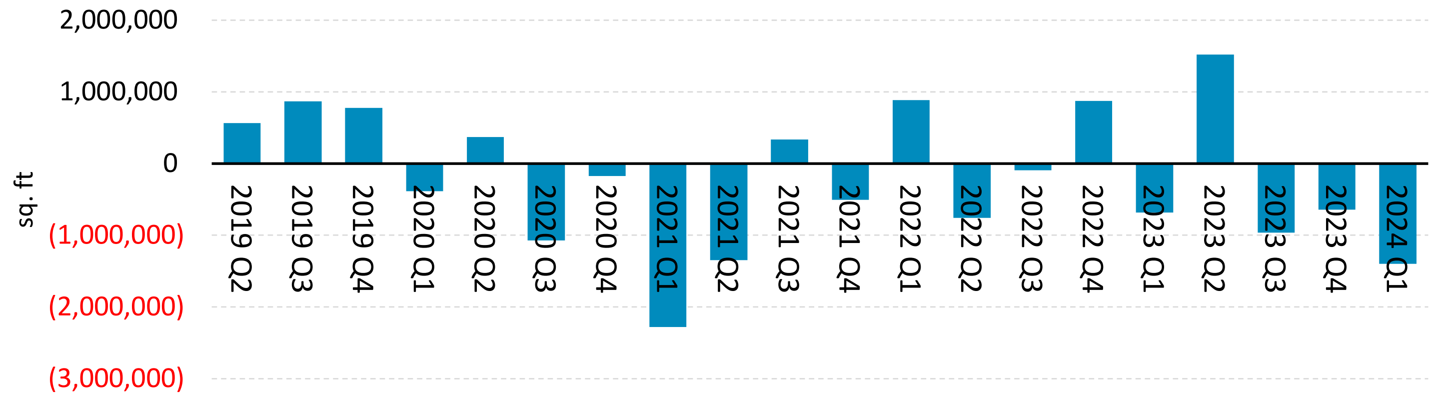
Snapshot of Office Market Conditions Around Virginia

NORTHERN VIRGINIA

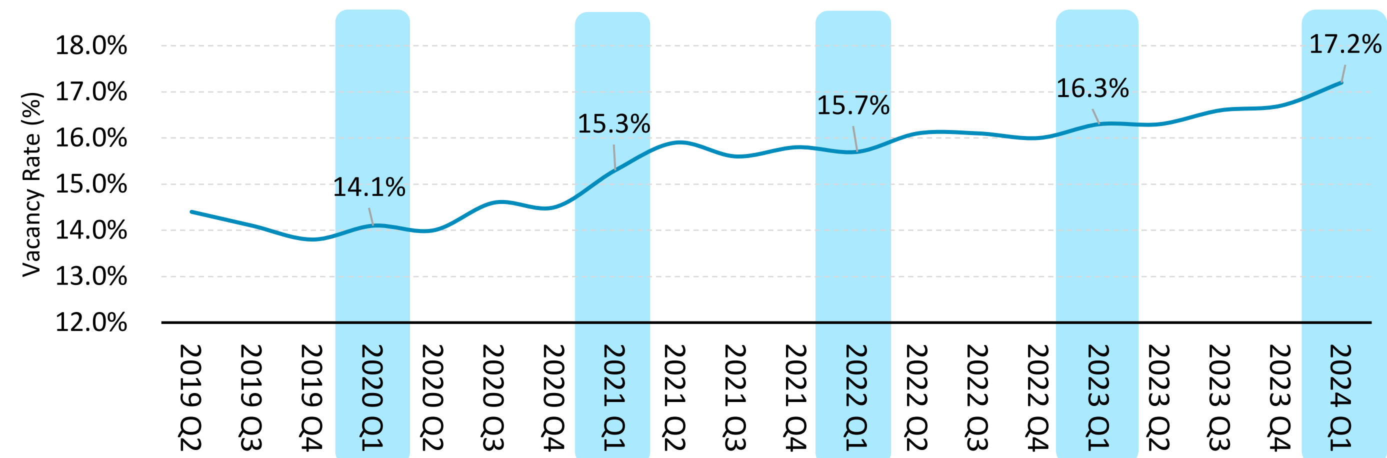
Local Market Indicator Dashboard

	Q1-2024	YoY Chg	
Total Inventory (sq. ft, millions)	233.8	0.3%	% chg
Vacancy Rate (%)	17.2%	0.9%	pct points
Net Absorption (sq. ft)	(1,398,774)	-718,101	sq. ft
Avg Gross Rent ($ per sq. ft)	$33.55	$0.23	$ per sq. ft
Deliveries (sq. ft)	0	-20,000	sq. ft
Under Construction (sq. ft)	1,163,595	-2,296,706	sq. ft

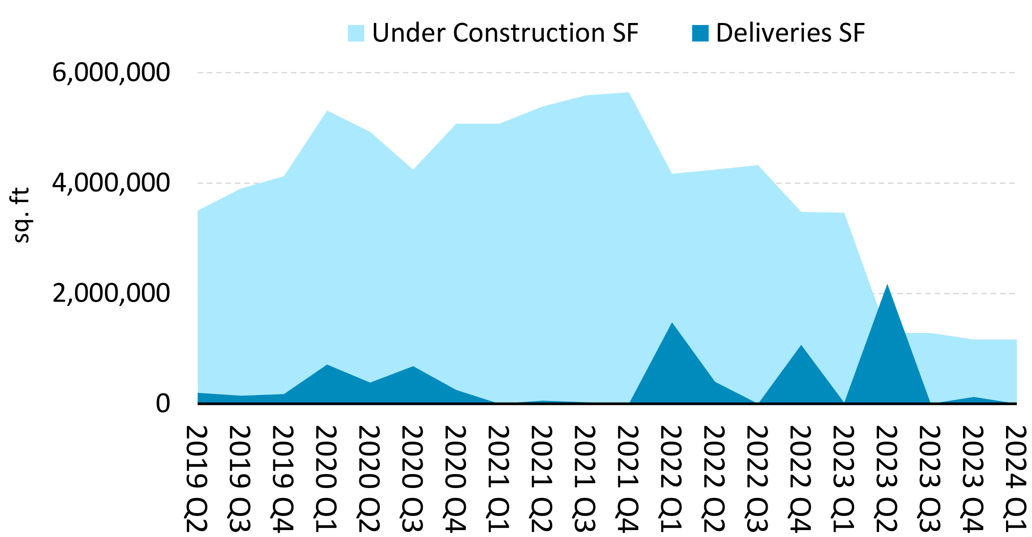
Net Absorption (sq. ft)



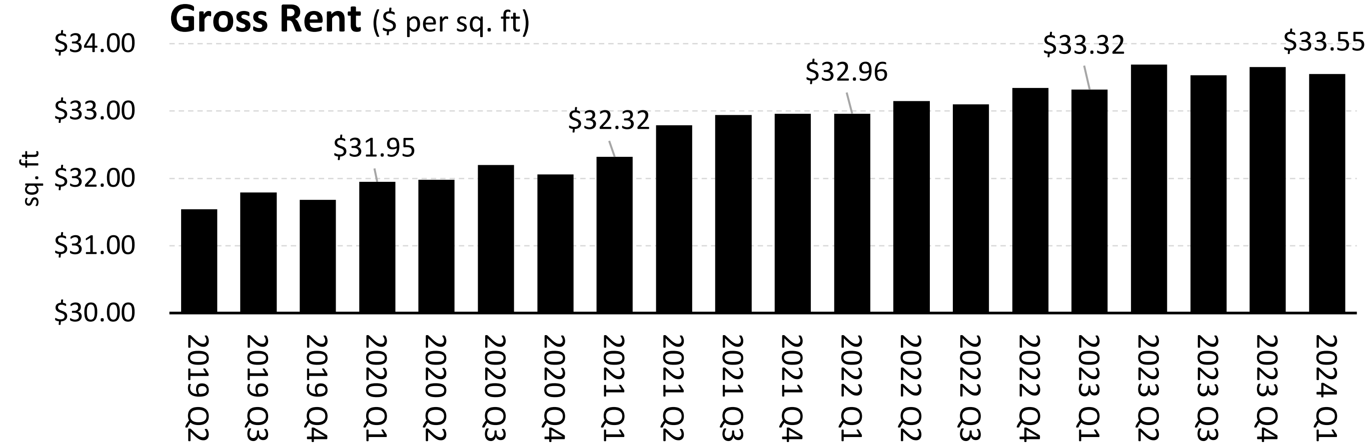
Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



Gross Rent ($ per sq. ft)

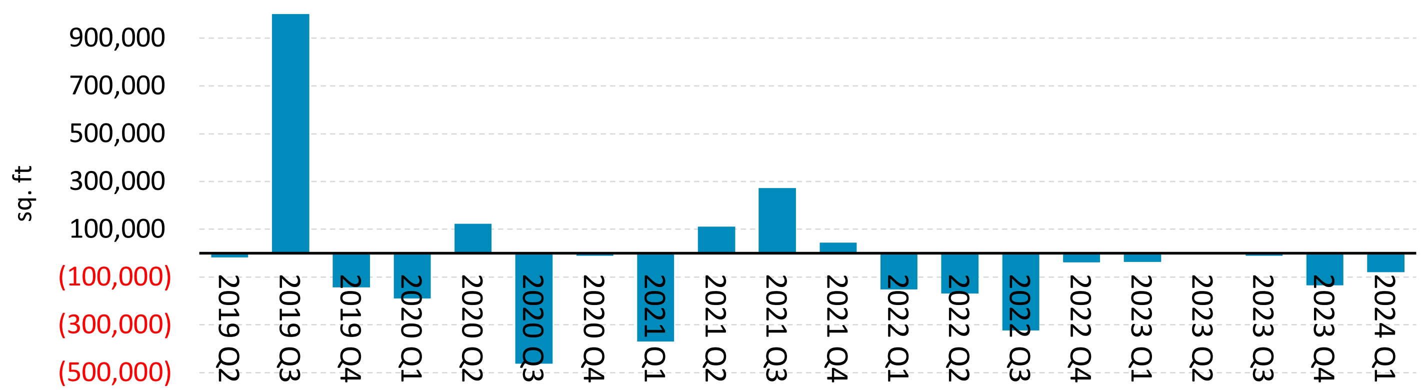


RICHMOND MSA

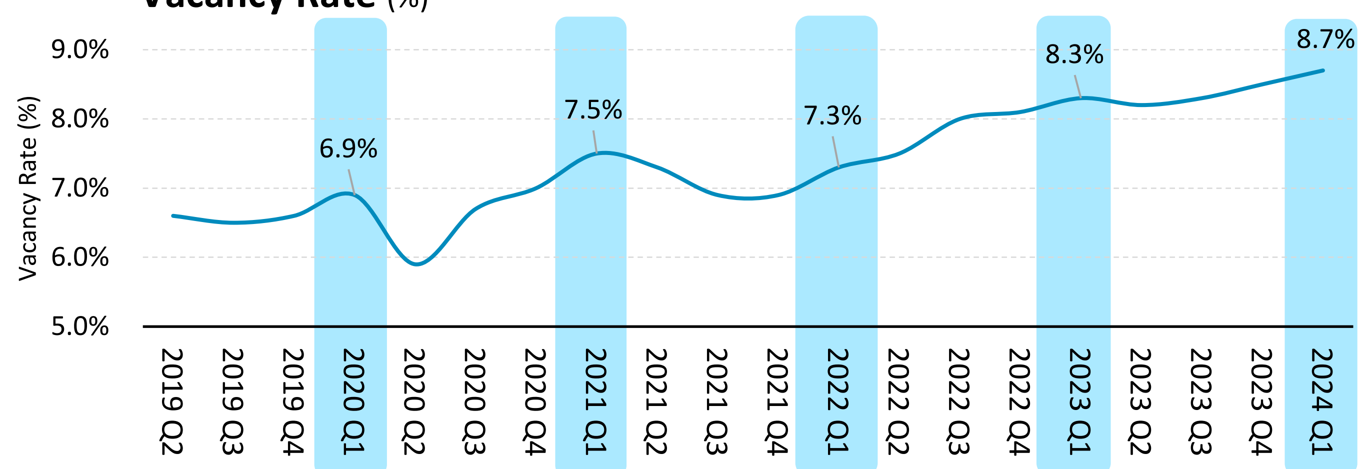
Local Market Indicator Dashboard

	Q1-2024	YoY Chg	
Total Inventory (sq. ft, millions)	68.3	0.1%	% chg
Vacancy Rate (%)	8.7%	0.4%	pct points
Net Absorption (sq. ft)	(79,478)	-43,307	sq. ft
Avg Gross Rent ($ per sq. ft)	$21.14	$0.76	$ per sq. ft
Deliveries (sq. ft)	44,000	-59,453	sq. ft
Under Construction (sq. ft)	1,391,914	1,194,762	sq. ft

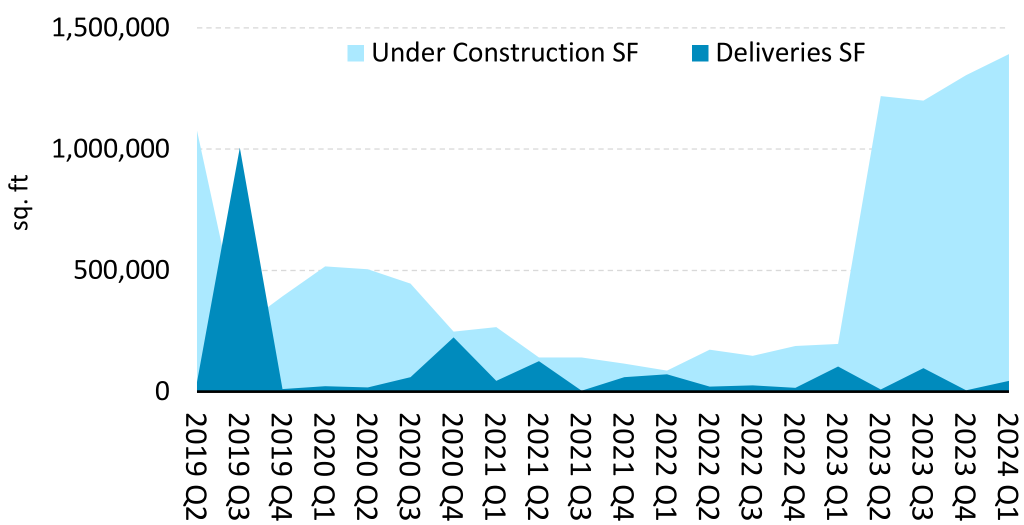
Net Absorption (sq. ft)



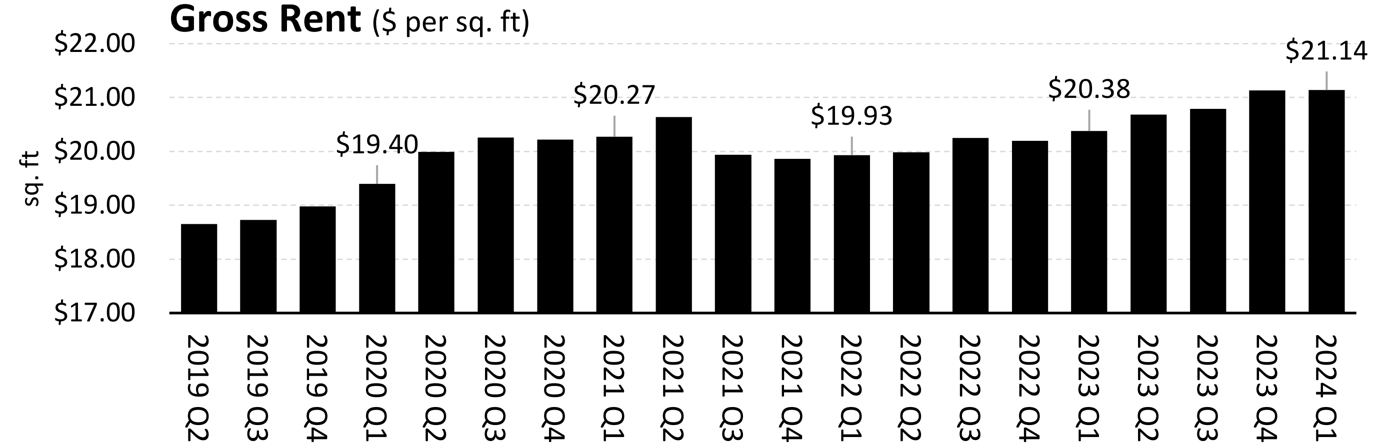
Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



Gross Rent ($ per sq. ft)



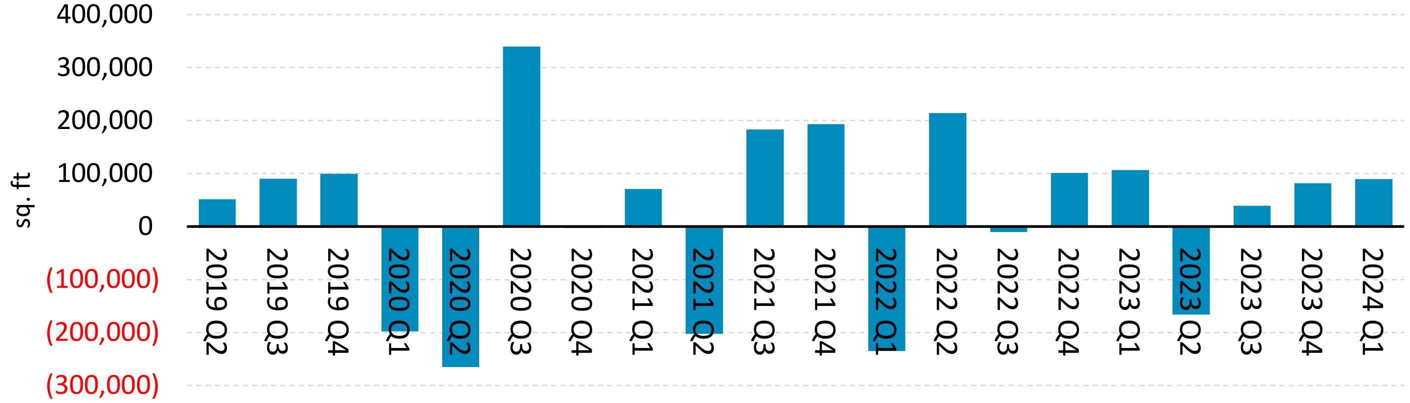
Office Market - MSA Trends

HAMPTON ROADS

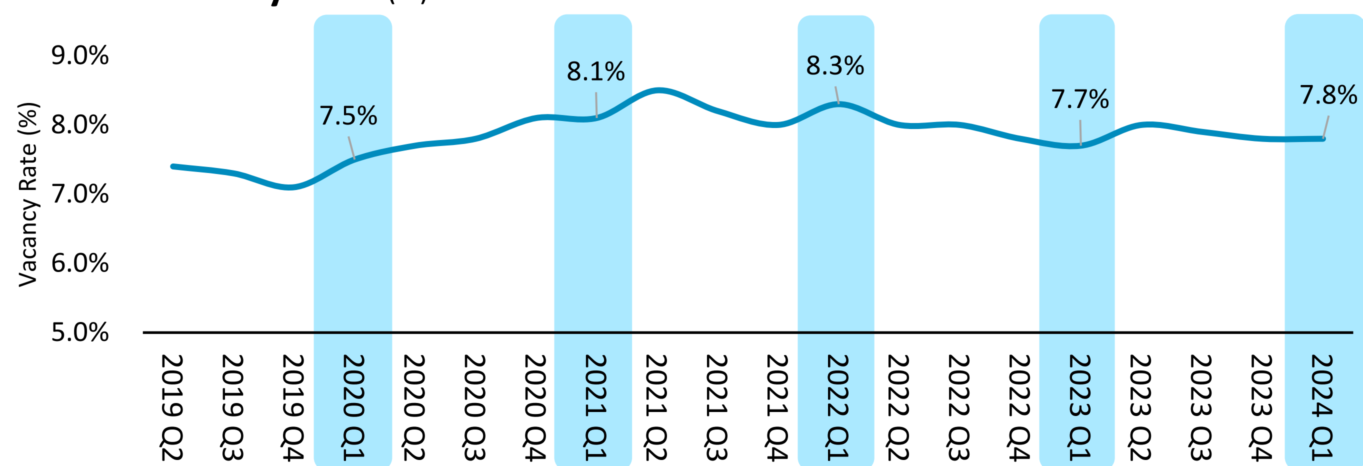
Local Market Indicator Dashboard

	Q1-2024	YoY Chg	
Total Inventory (sq. ft, millions)	56.6	0.2%	% chg
Vacancy Rate (%)	7.8%	0.1%	pct points
Net Absorption (sq. ft)	89,088	-17,558	sq. ft
Avg Gross Rent ($ per sq. ft)	$22.19	$0.52	$ per sq. ft
Deliveries (sq. ft)	112,400	87,400	sq. ft
Under Construction (sq. ft)	155,000	20,200	sq. ft

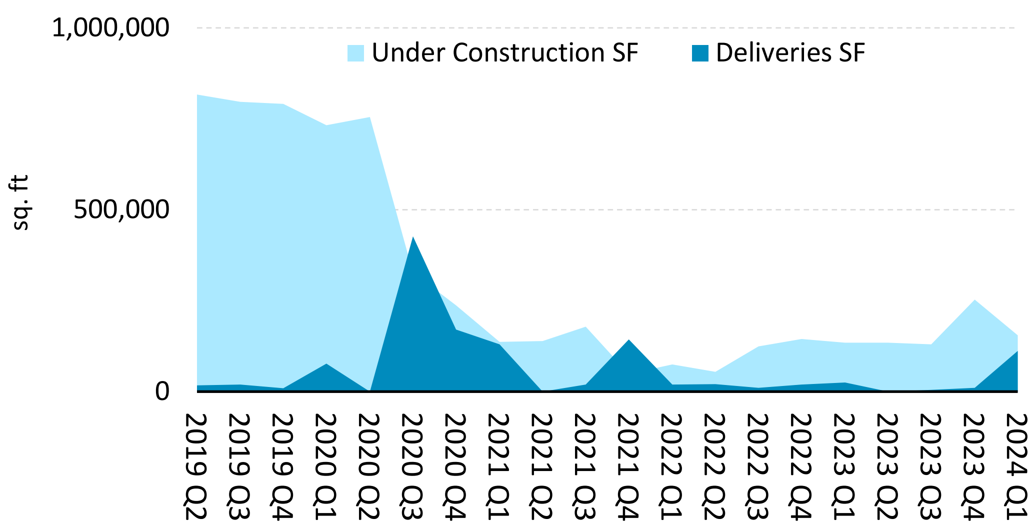
Net Absorption (sq. ft)



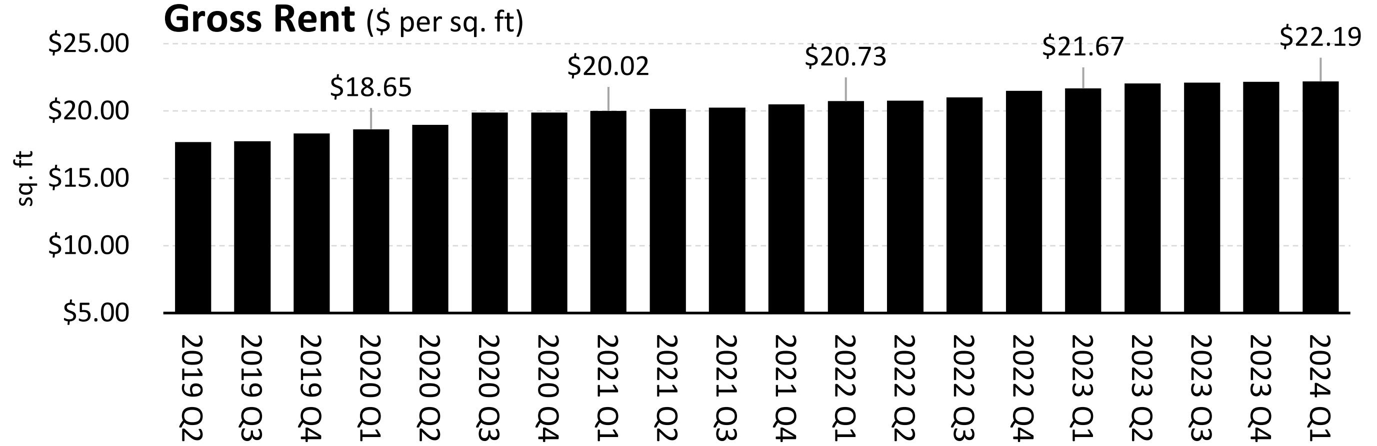
Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



Gross Rent ($ per sq. ft)



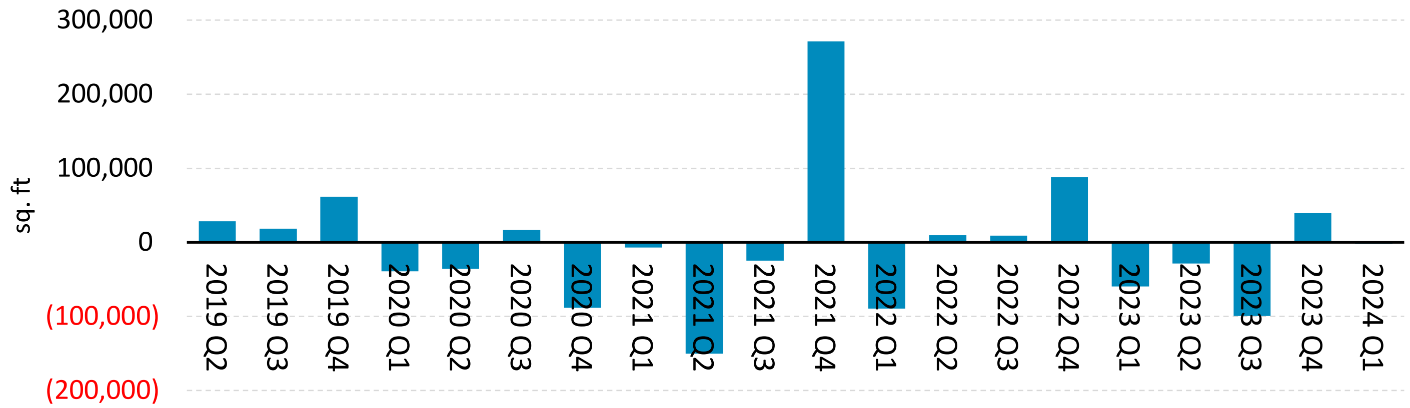
Source: CoStar (data accessed April 5, 2024), Virginia REALTORS®

ROANOKE MSA

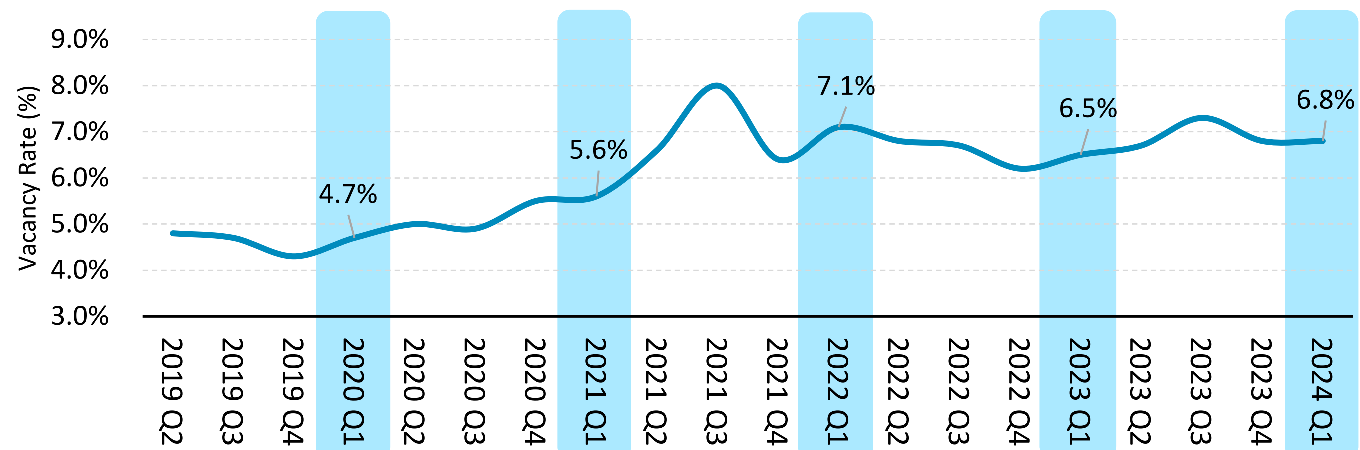
Local Market Indicator Dashboard

	Q1-2024	YoY Chg	
Total Inventory (sq. ft, millions)	15.8	-0.3%	% chg
Vacancy Rate (%)	6.8%	0.3%	pct points
Net Absorption (sq. ft)	(2,014)	57,459	sq. ft
Avg Gross Rent ($ per sq. ft)	$20.86	$2.39	$ per sq. ft
Deliveries (sq. ft)	0	0	sq. ft
Under Construction (sq. ft)	0	0	sq. ft

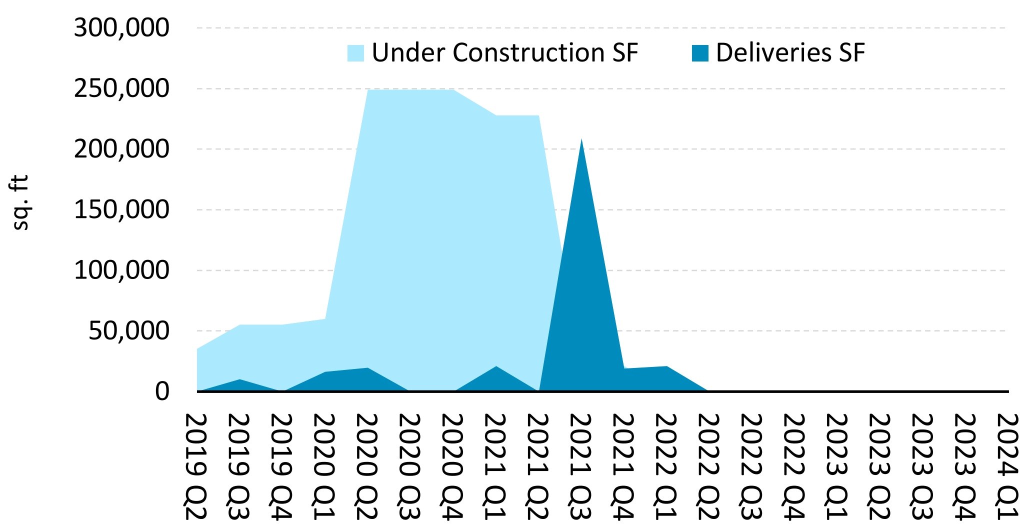
Net Absorption (sq. ft)



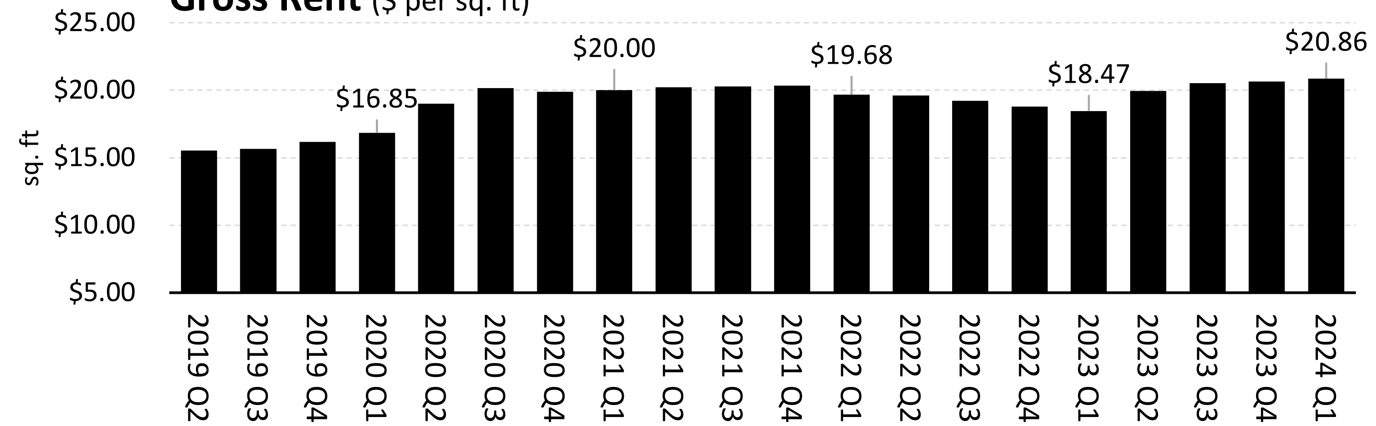
Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



Gross Rent ($ per sq. ft)

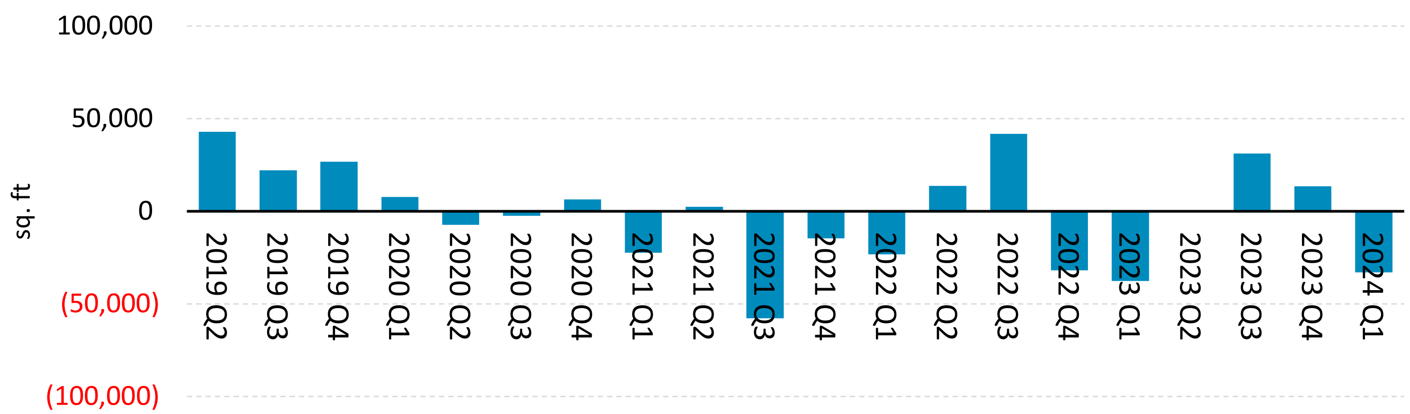


LYNCHBURG MSA

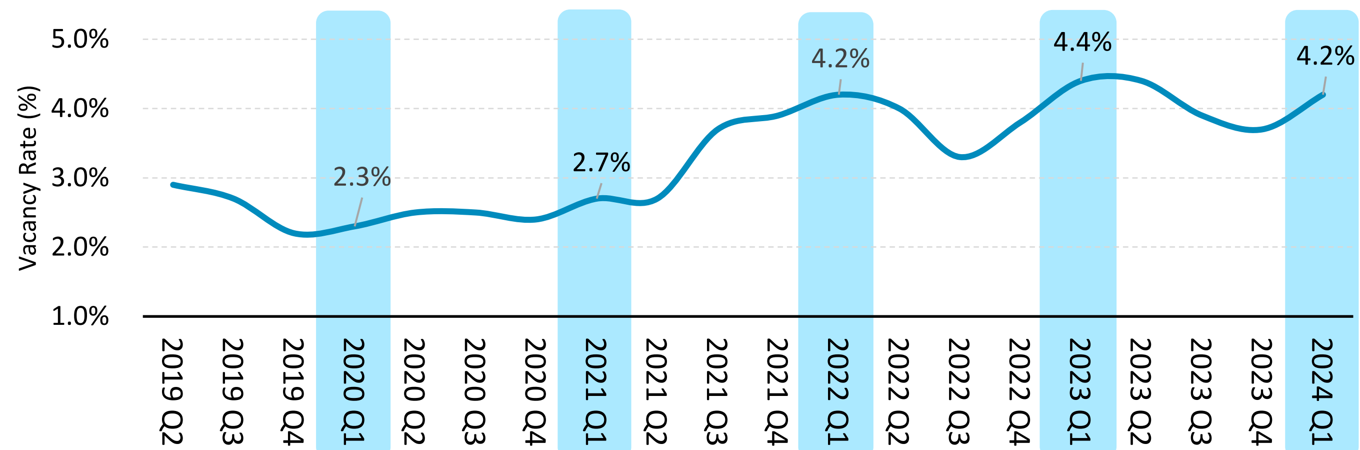
Local Market Indicator Dashboard

	Q1-2024	YoY Chg	
Total Inventory (sq. ft, millions)	**6.0**	0	*% chg*
Vacancy Rate (%)	**4.2%**	-0.2%	*pct points*
Net Absorption (sq. ft)	**(32,950)**	4,643	*sq. ft*
Avg Gross Rent ($ per sq. ft)	**$19.63**	$0.30	*$ per sq. ft*
Deliveries (sq. ft)	**0**	0	*sq. ft*
Under Construction (sq. ft)	**0**	0	*sq. ft*

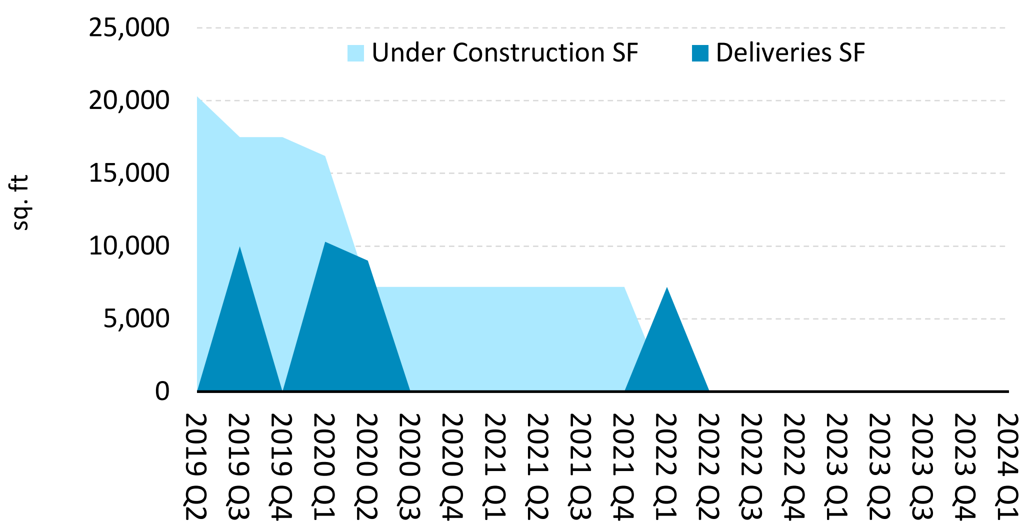
Net Absorption (sq. ft)



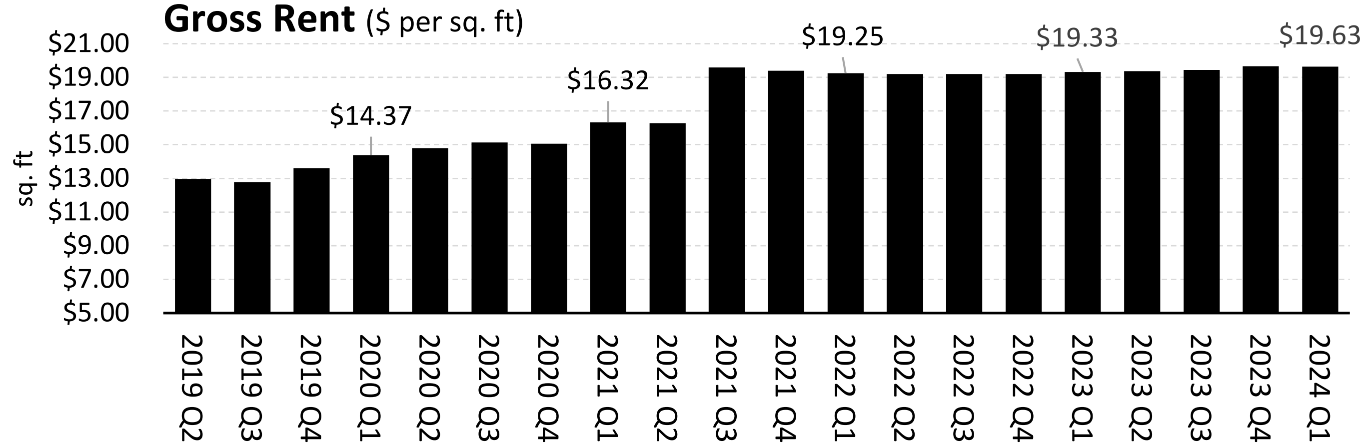
Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



Gross Rent ($ per sq. ft)



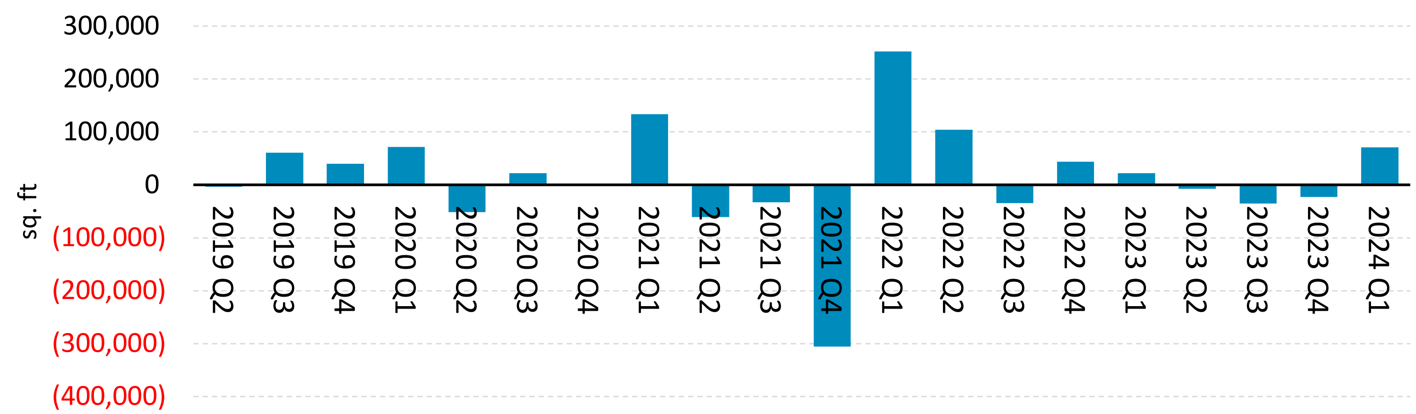
Office Market - MSA Trends

CHARLOTTESVILLE MSA

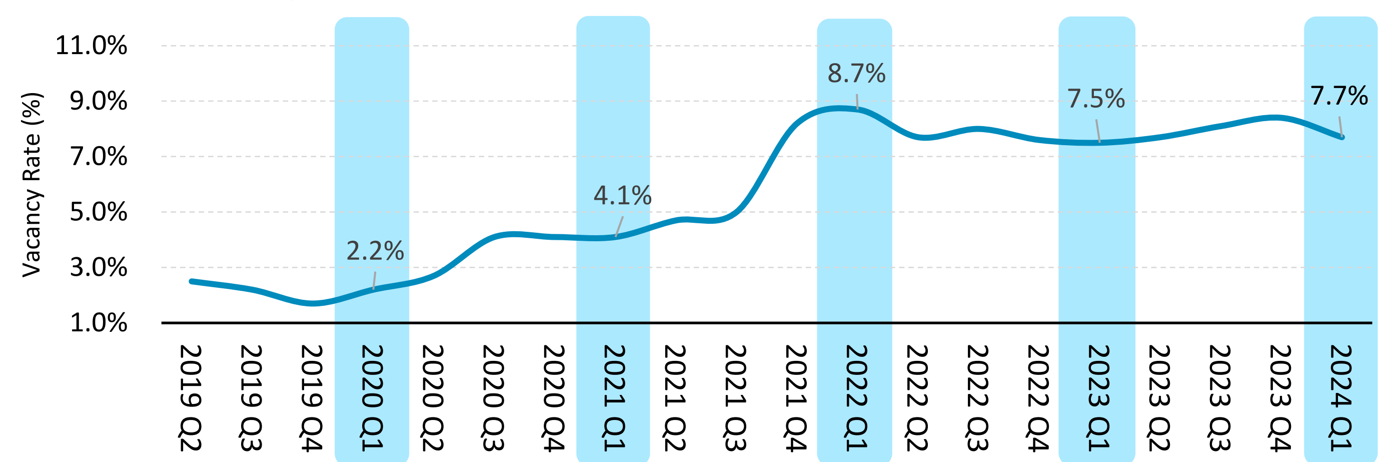
Local Market Indicator Dashboard

	Q1-2024	YoY Chg	
Total Inventory (sq. ft, millions)	**10.0**	0.3%	*% chg*
Vacancy Rate (%)	**7.7%**	0.2%	*pct points*
Net Absorption (sq. ft)	**70,687**	48,623	*sq. ft*
Avg Gross Rent ($ per sq. ft)	**$30.08**	$1.04	*$ per sq. ft*
Deliveries (sq. ft)	**0**	-13,690	*sq. ft*
Under Construction (sq. ft)	**76,000**	50,501	*sq. ft*

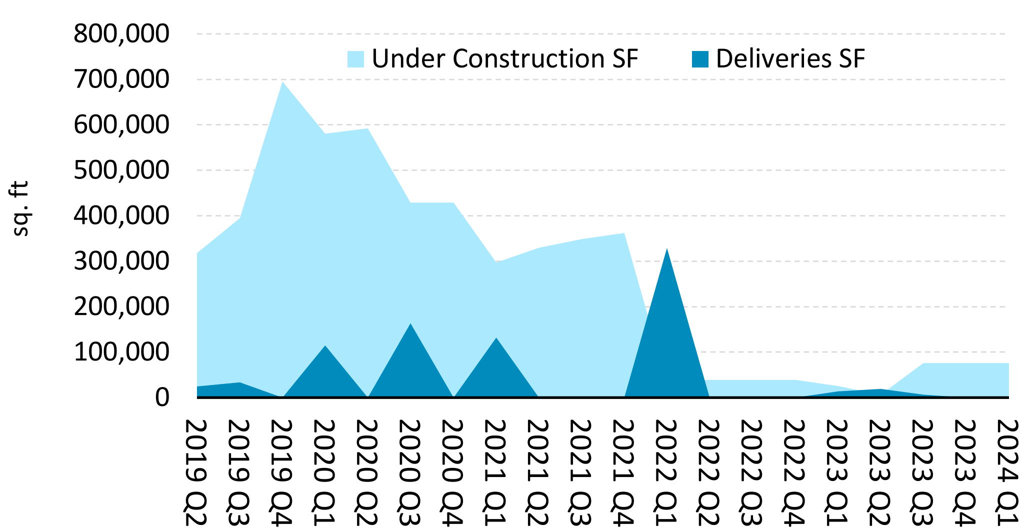
Net Absorption (sq. ft)



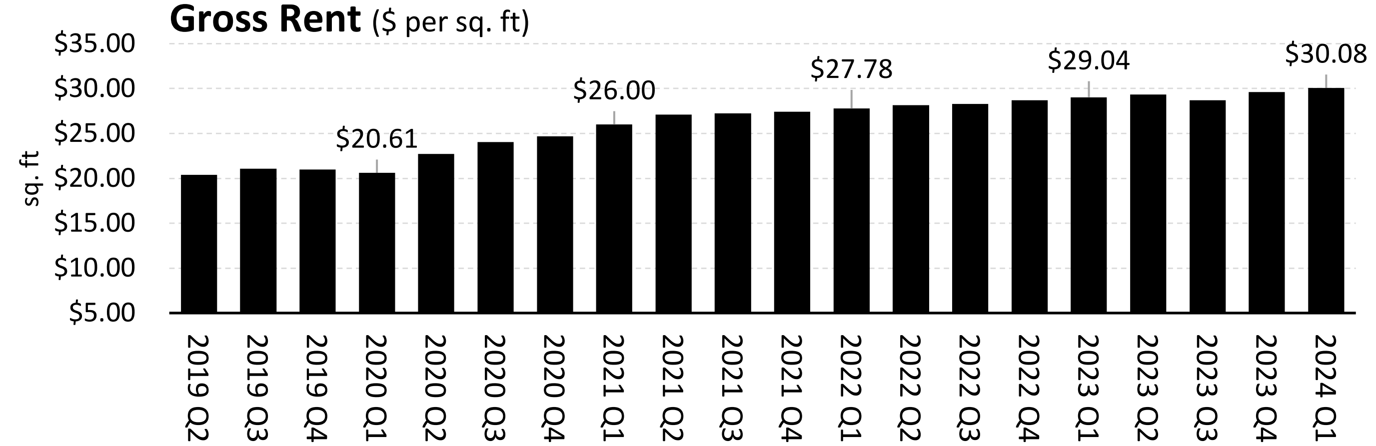
Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



Gross Rent ($ per sq. ft)



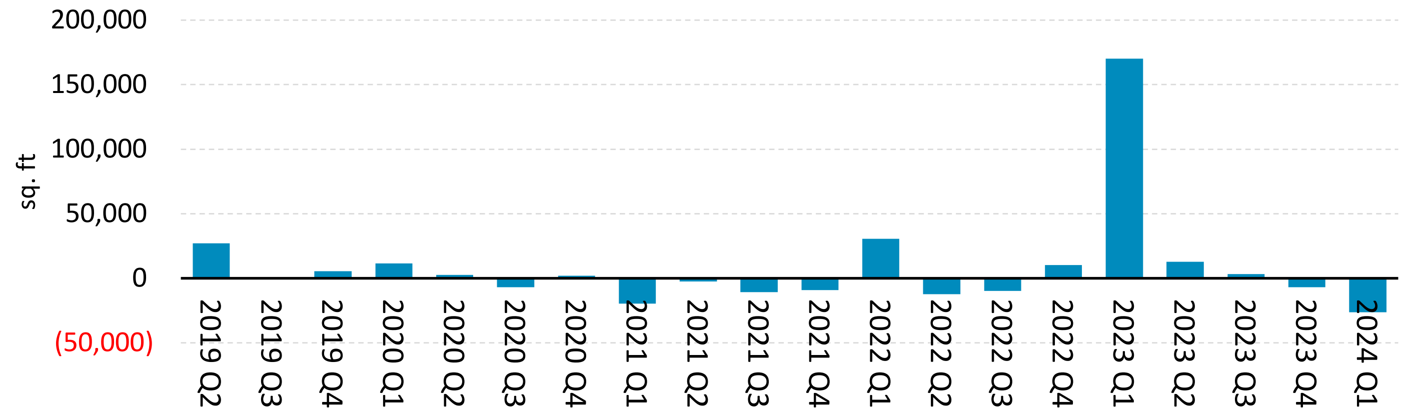
Source: CoStar (data accessed April 5, 2024), Virginia REALTORS®

BLACKSBURG MSA

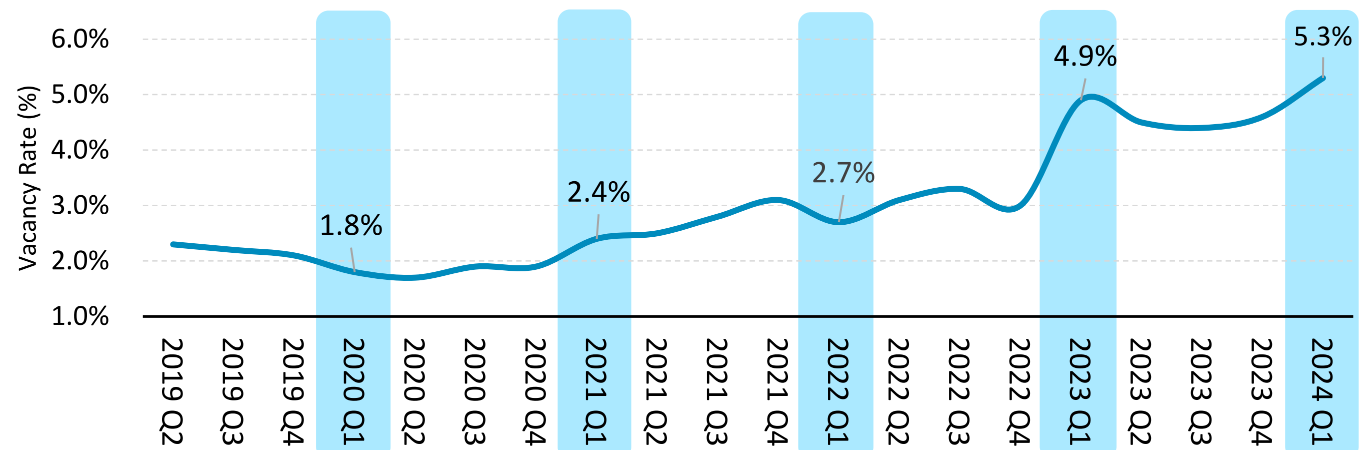
Local Market Indicator Dashboard

	Q1-2024	YoY Chg	
Total Inventory (sq. ft, millions)	3.9	0	% chg
Vacancy Rate (%)	5.3%	0.4%	pct points
Net Absorption (sq. ft)	(26,448)	-196,624	sq. ft
Avg Gross Rent ($ per sq. ft)	$21.31	$2.16	$ per sq. ft
Deliveries (sq. ft)	0	-248,075	sq. ft
Under Construction (sq. ft)	8,800	8,800	sq. ft

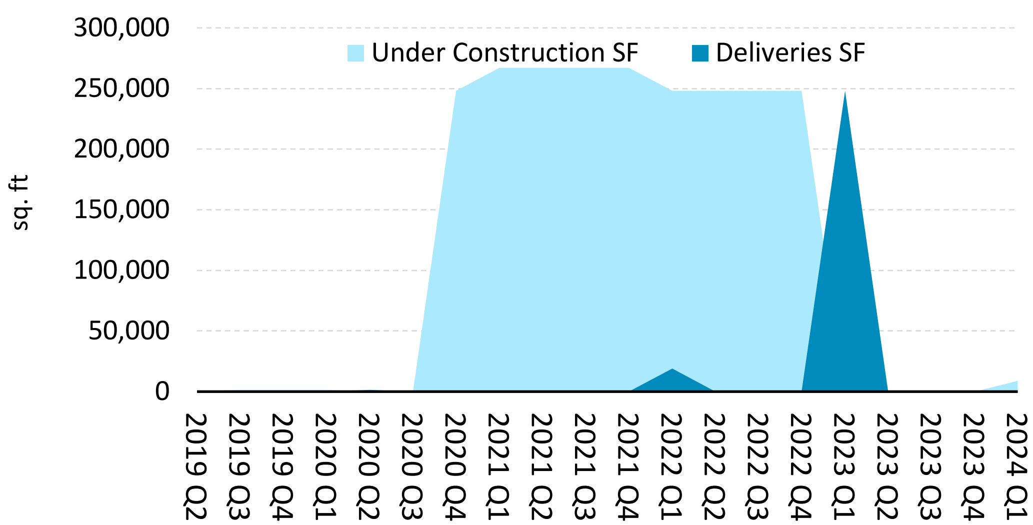
Net Absorption (sq. ft)



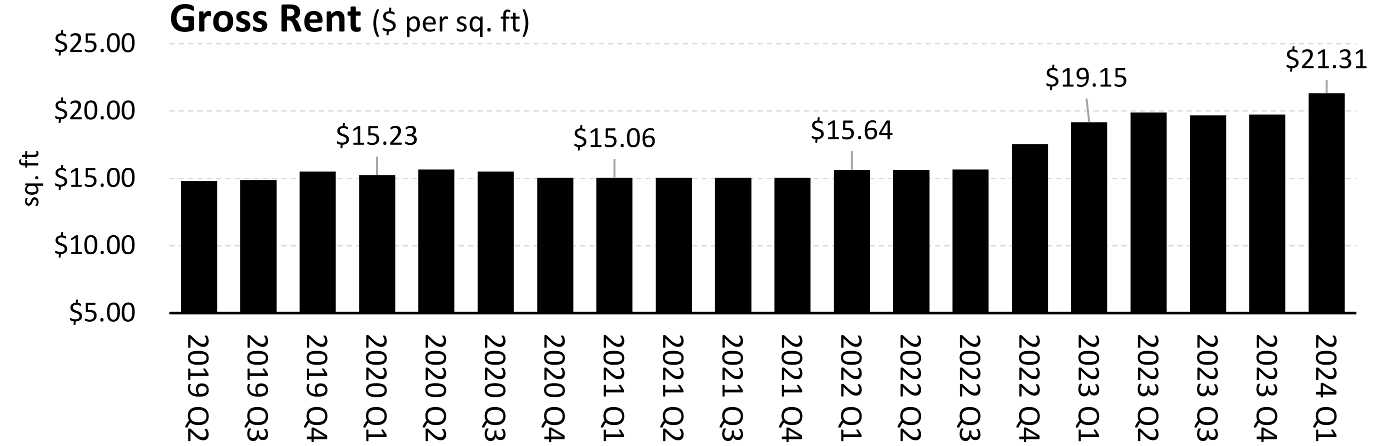
Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



Gross Rent ($ per sq. ft)

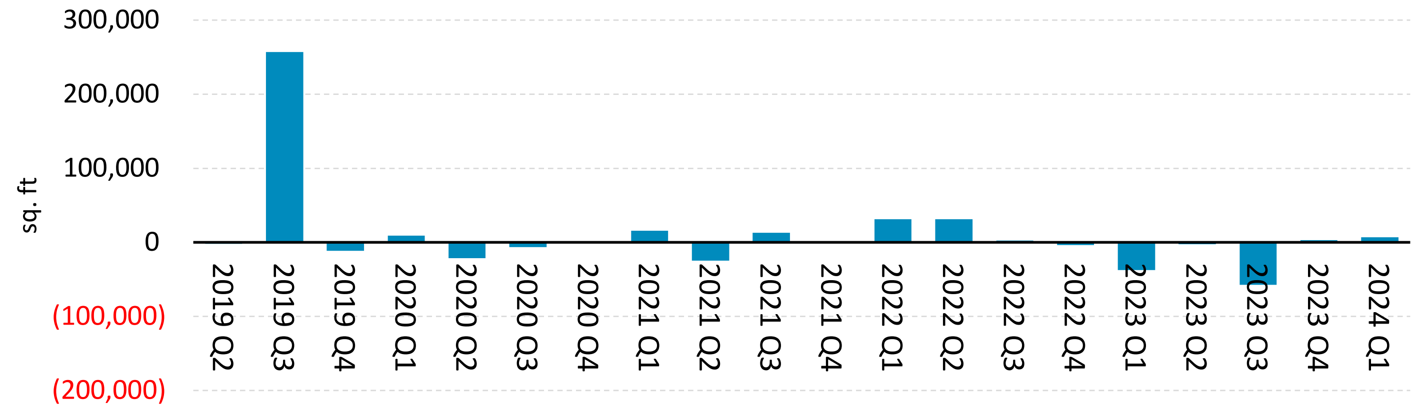


WINCHESTER MSA

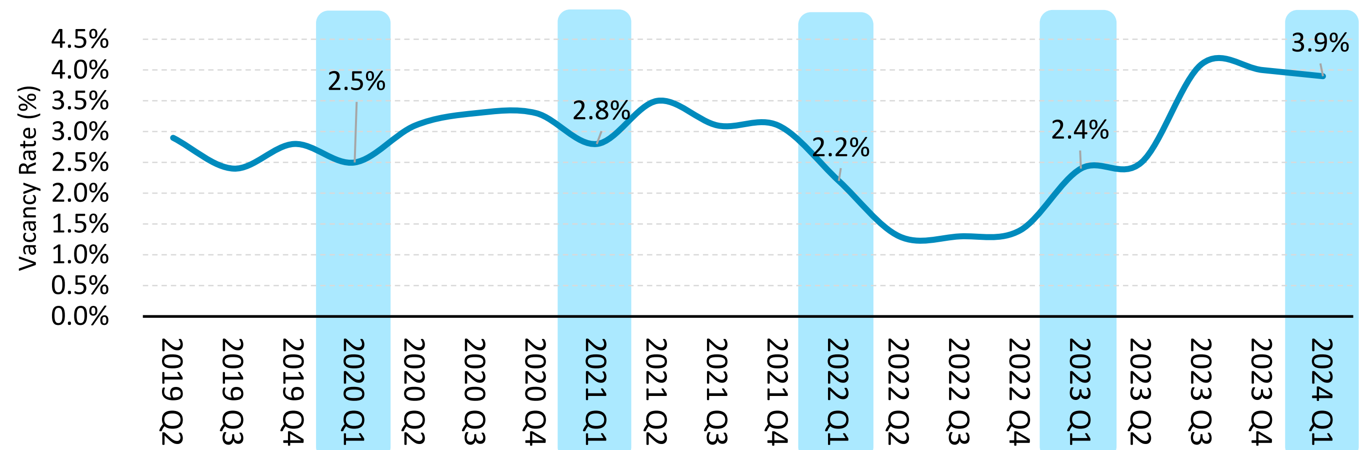
Local Market Indicator Dashboard

	Q1-2024	YoY Chg	
Total Inventory (sq. ft, millions)	3.5	0	% chg
Vacancy Rate (%)	3.9%	1.5%	pct points
Net Absorption (sq. ft)	6,631	44,075	sq. ft
Avg Gross Rent ($ per sq. ft)	$22.18	$0.33	$ per sq. ft
Deliveries (sq. ft)	0	0	sq. ft
Under Construction (sq. ft)	0	0	sq. ft

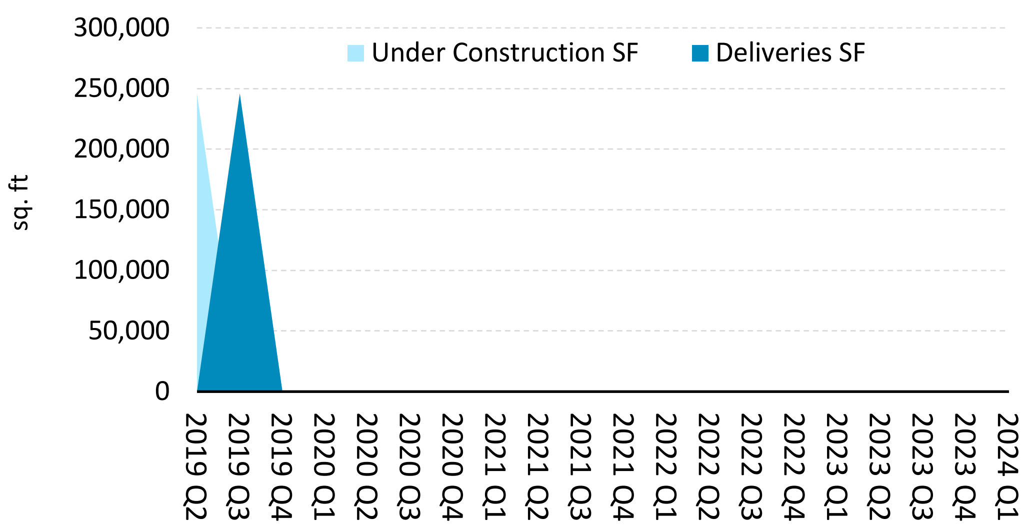
Net Absorption (sq. ft)



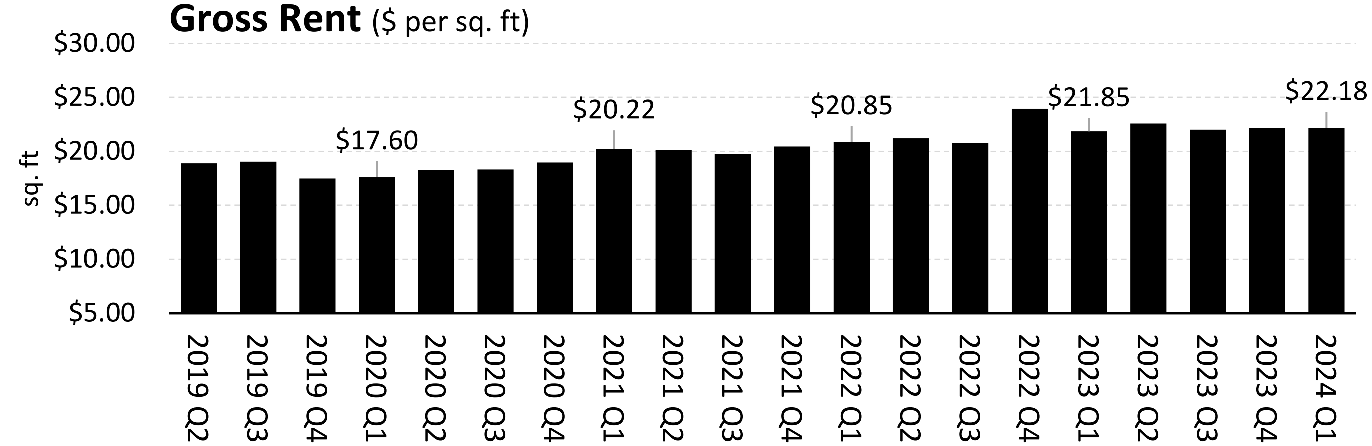
Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



Gross Rent ($ per sq. ft)

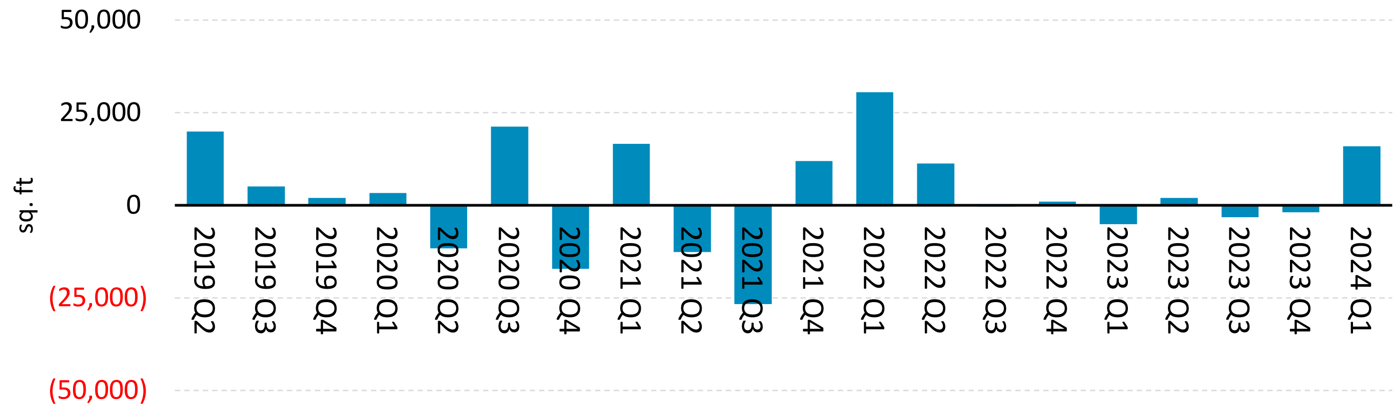


HARRISONBURG MSA

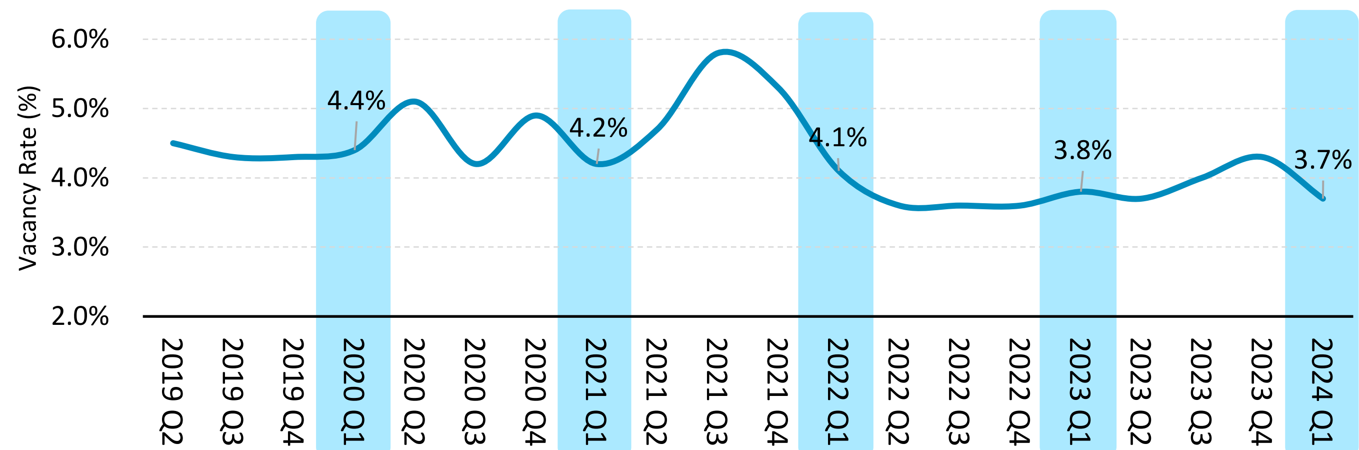
Local Market Indicator Dashboard

	Q1-2024	YoY Chg	
Total Inventory (sq. ft, millions)	2.4	0.4%	% chg
Vacancy Rate (%)	3.7%	-0.1%	pct points
Net Absorption (sq. ft)	15,969	21,080	sq. ft
Avg Gross Rent ($ per sq. ft)	$17.25	-$0.39	$ per sq. ft
Deliveries (sq. ft)	0	0	sq. ft
Under Construction (sq. ft)	0	-12,400	sq. ft

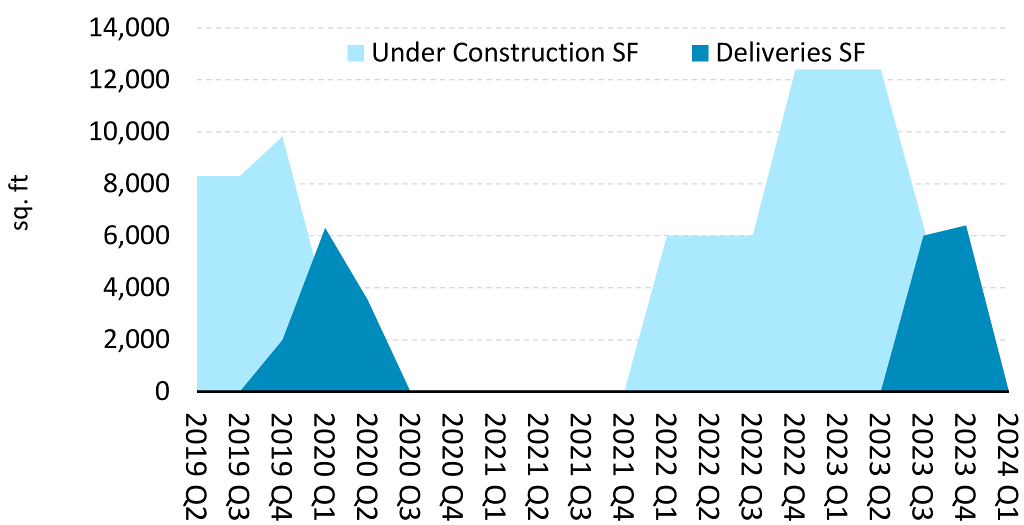
Net Absorption (sq. ft)



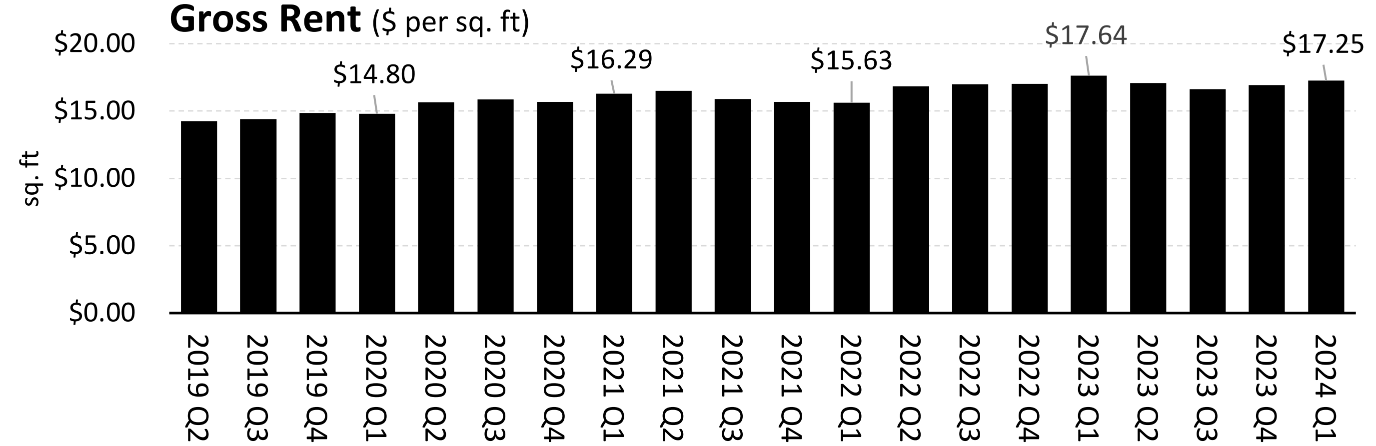
Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



Gross Rent ($ per 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:

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Data and analysis provided by Virginia REALTORS® Chief Economist.
The numbers reported here are based on data from CoStar.

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