



Q1 2024 OFFICE MARKET REPORT



Office Market - Key Trends Snapshot

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.



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	-1.5%	3.4% Gross Domestic Product, U.S. (seasonally adjusted annual rate)

Virginia Office Market

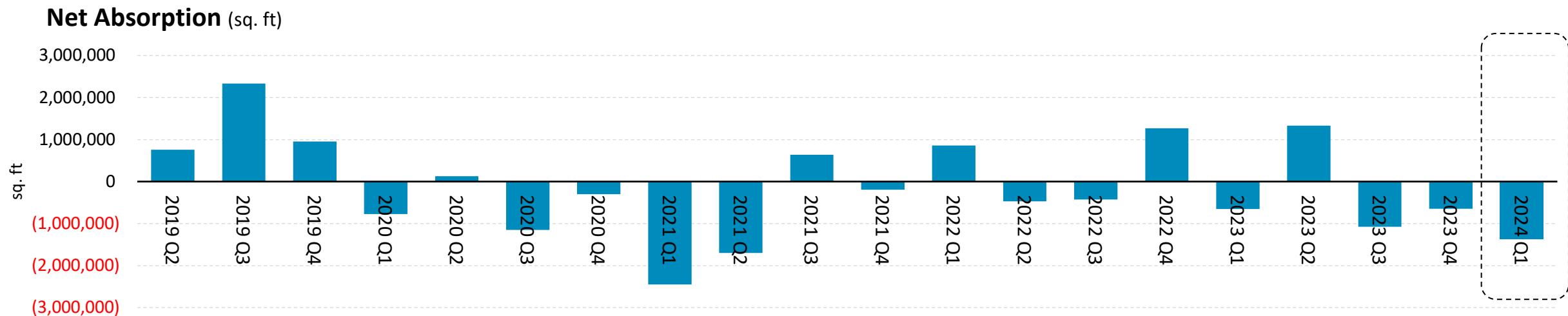
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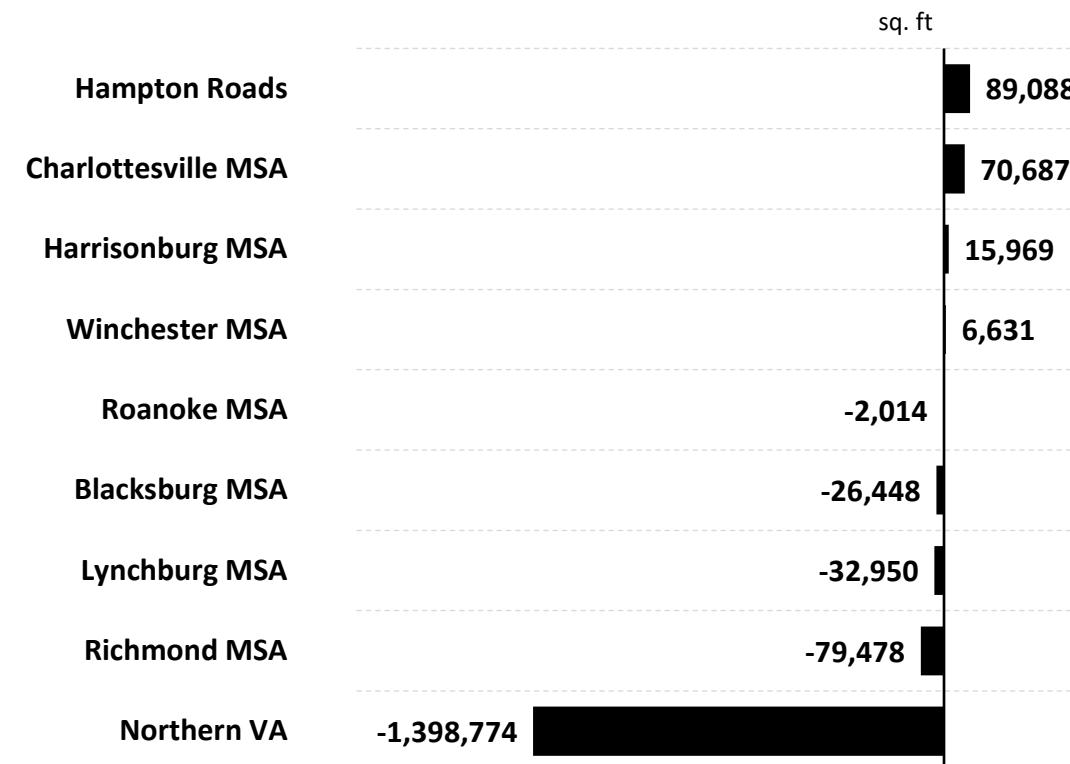
Office Market - Absorption & Construction Trends

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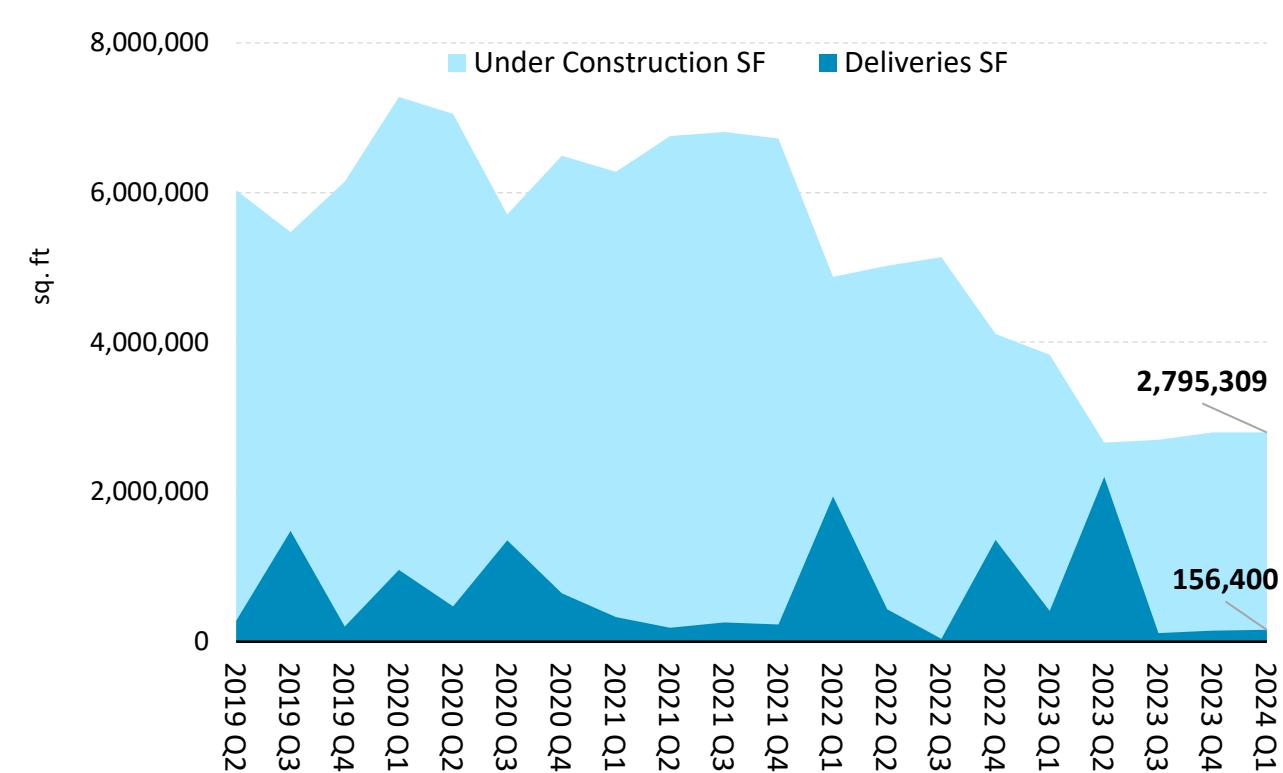
VIRGINIA (Statewide)



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



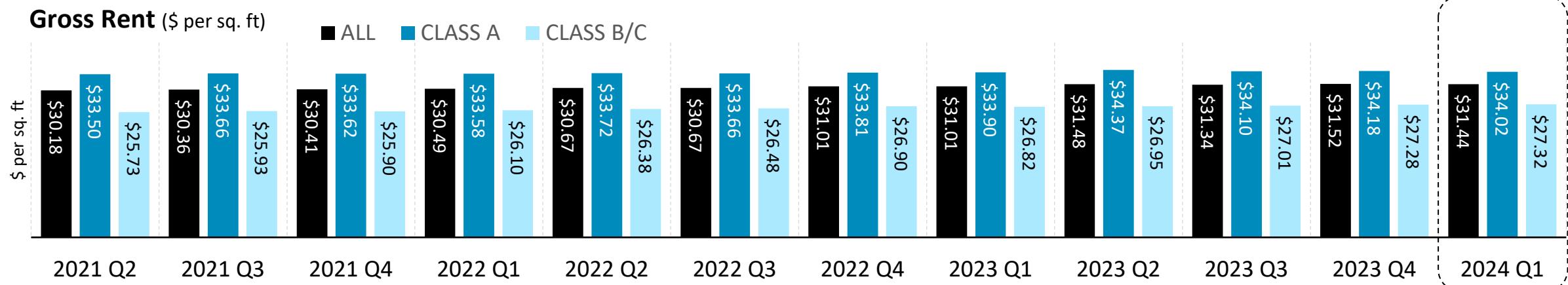
Under Construction & Net Deliveries (sq. ft)



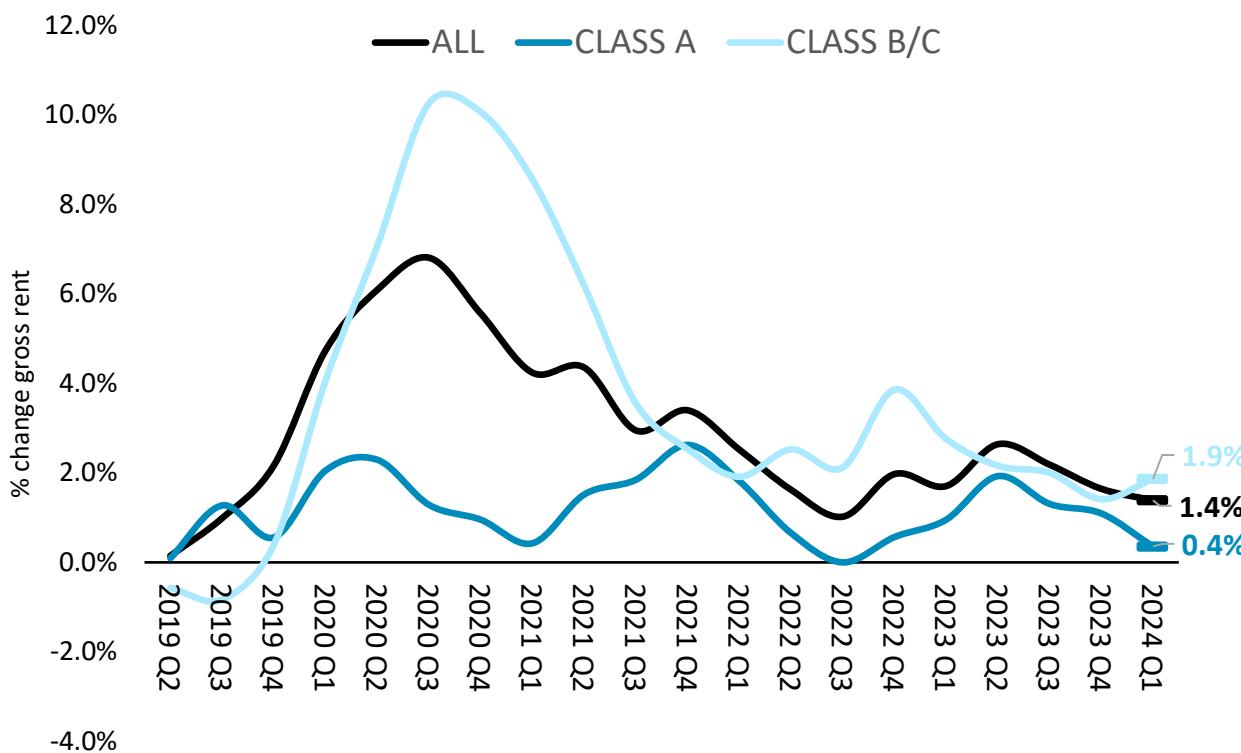
Office Market - Rent Trends

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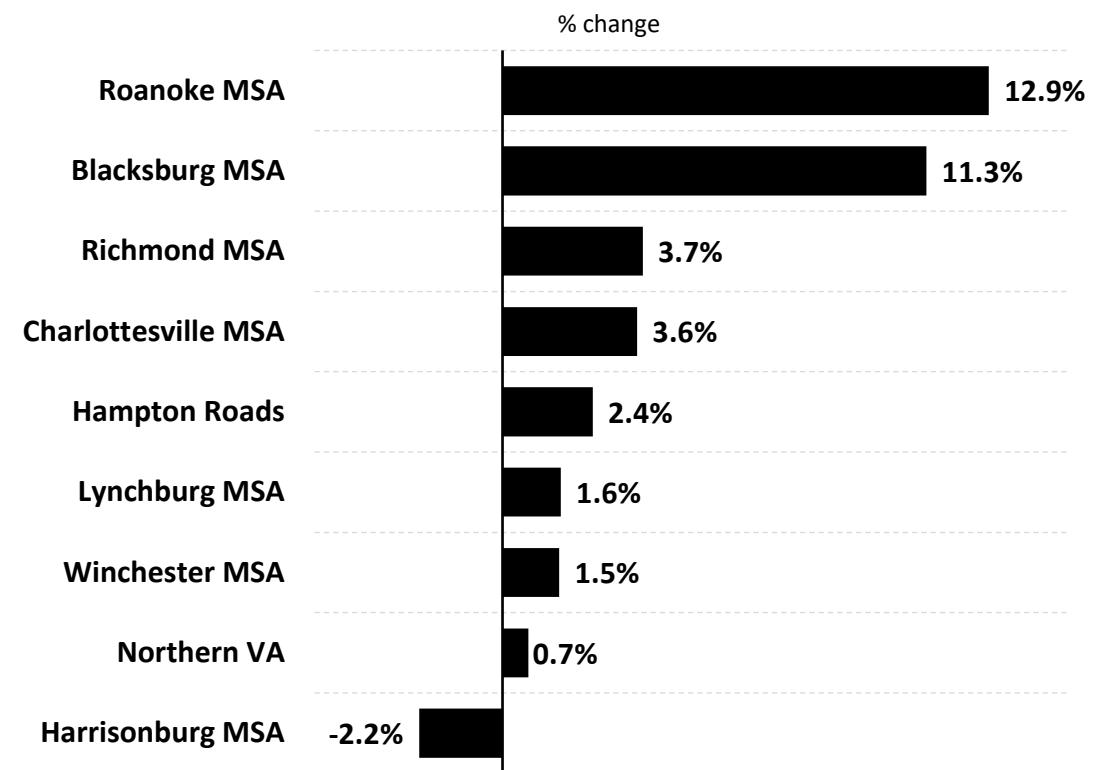
VIRGINIA (Statewide)



% Change, Gross Rent (YoY % change)



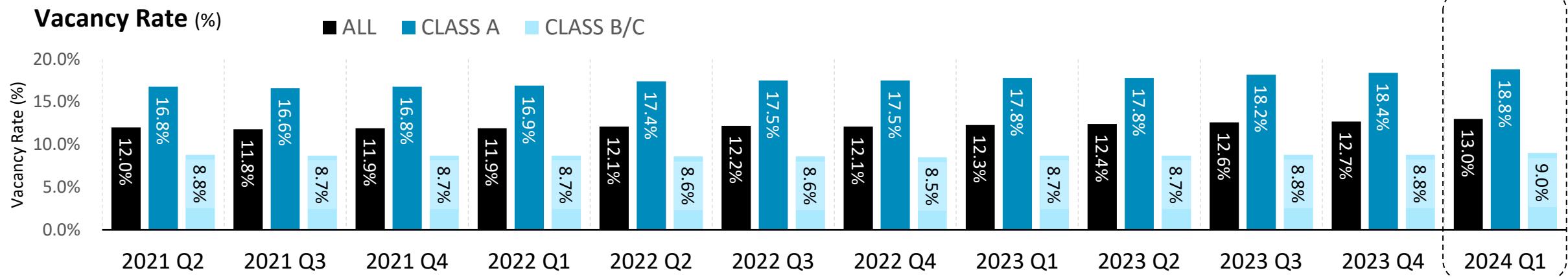
Q1-2024 by MSA: % Change, Gross Rent (YoY % change)



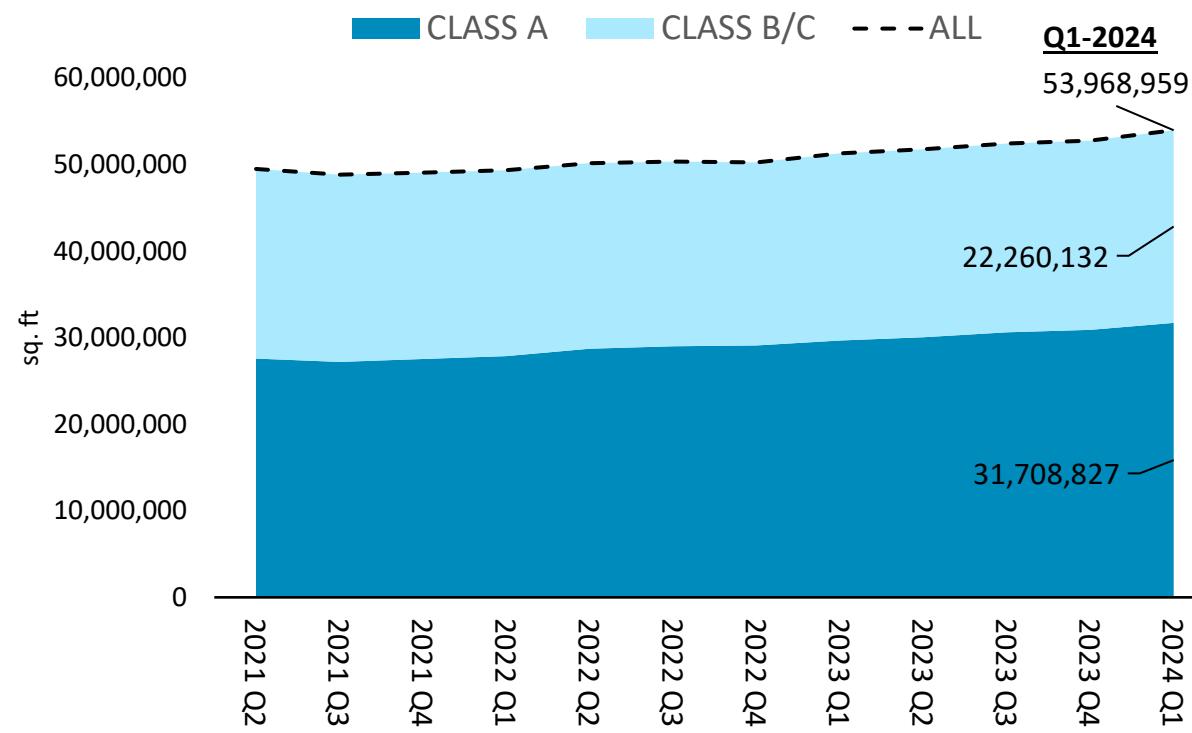
Office Market - Vacancy Trends

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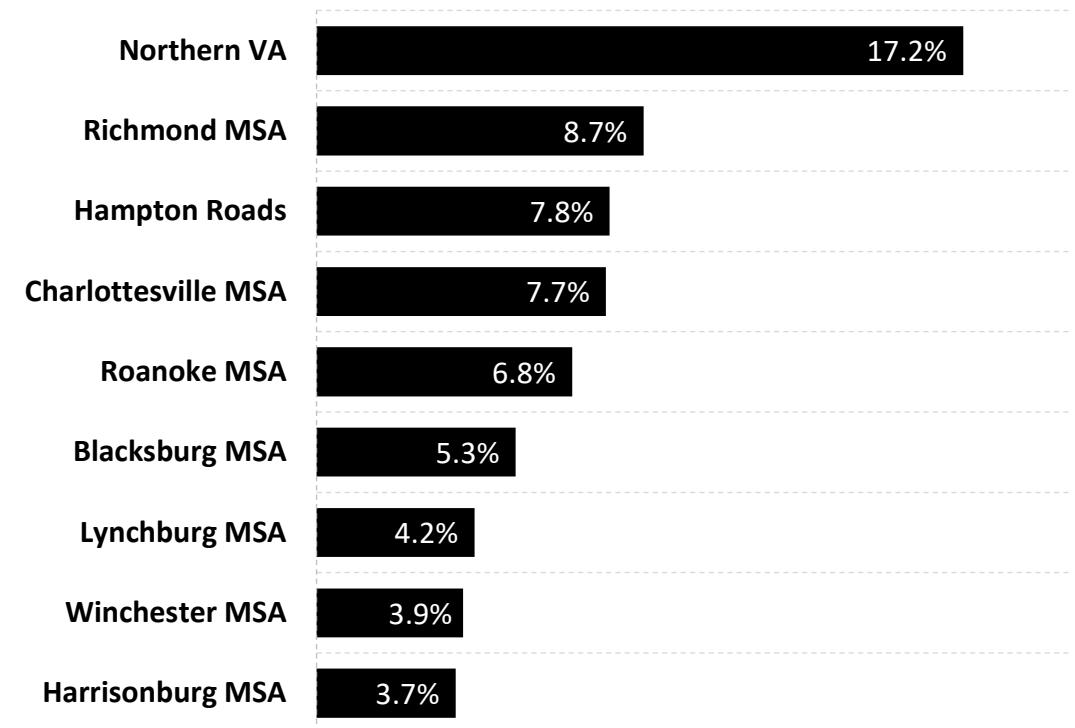
VIRGINIA (Statewide)



Vacant Inventory (sq. ft)



Q1-2024 Office Vacancy Rate by MSA



MSA TRENDS

METROPOLITAN STATISTICAL AREA

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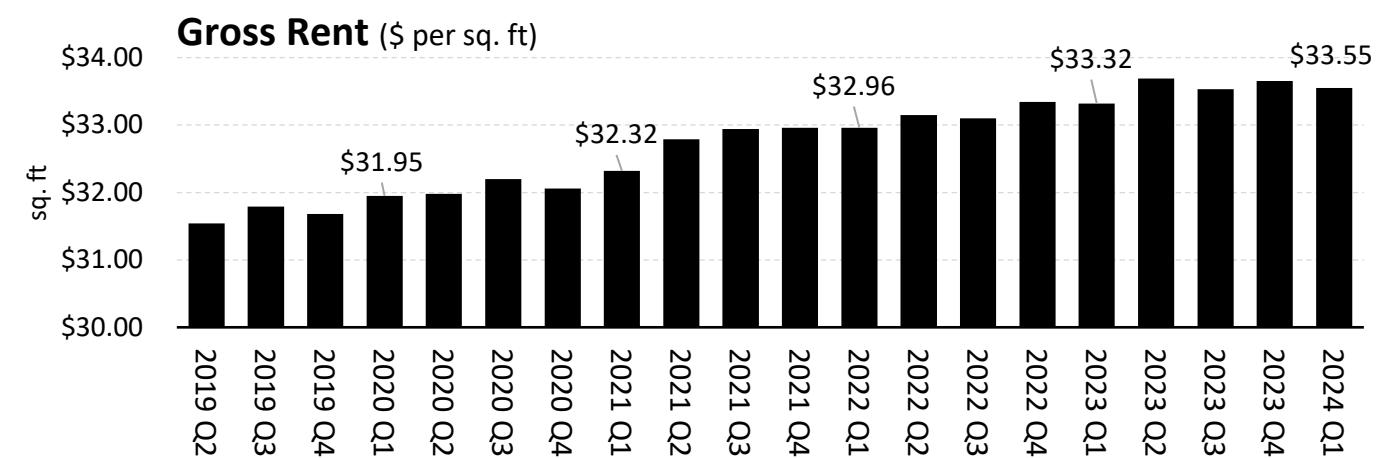
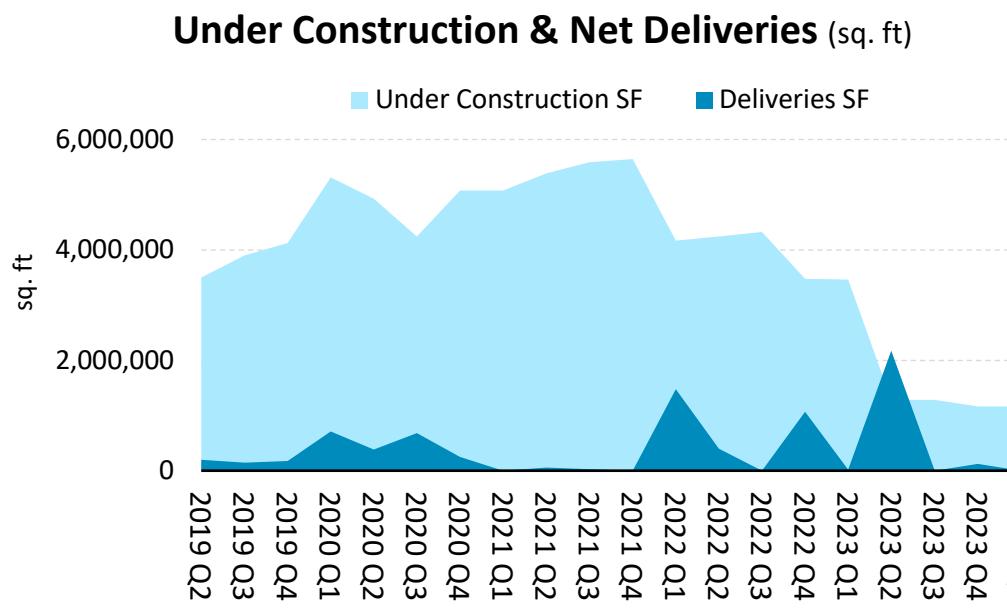
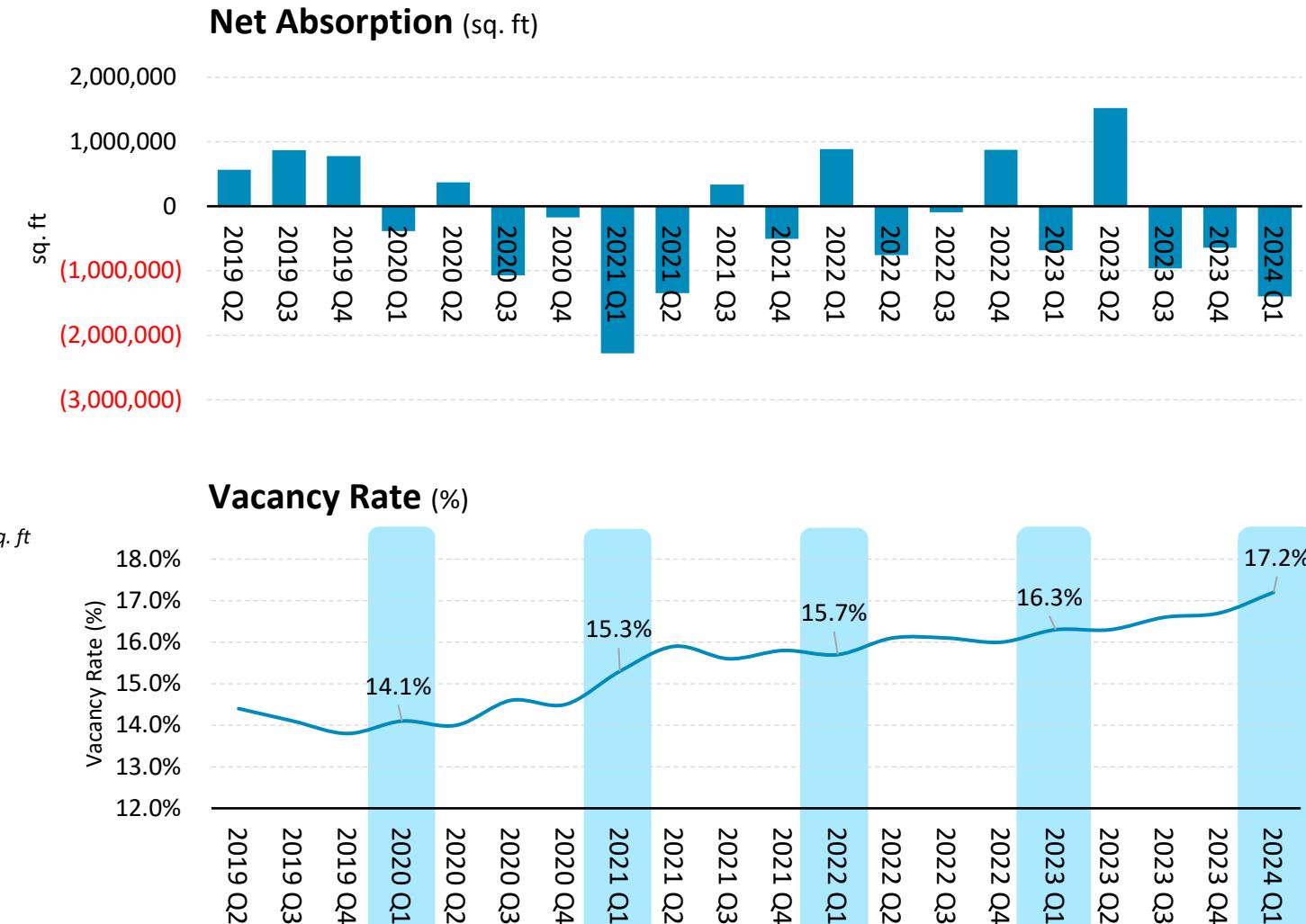
Snapshot of Office Market Conditions Around Virginia

Office Market - MSA Trends

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



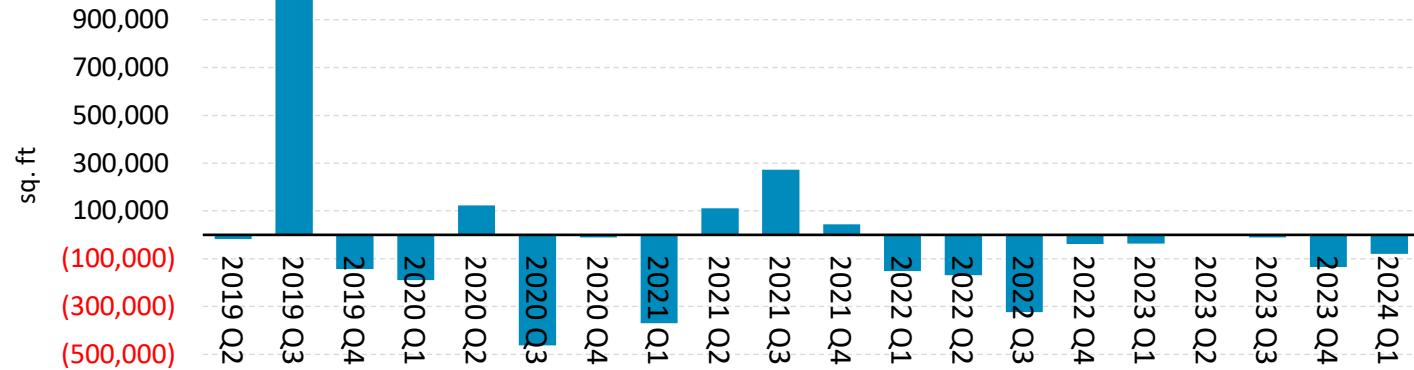
Office Market - MSA Trends

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

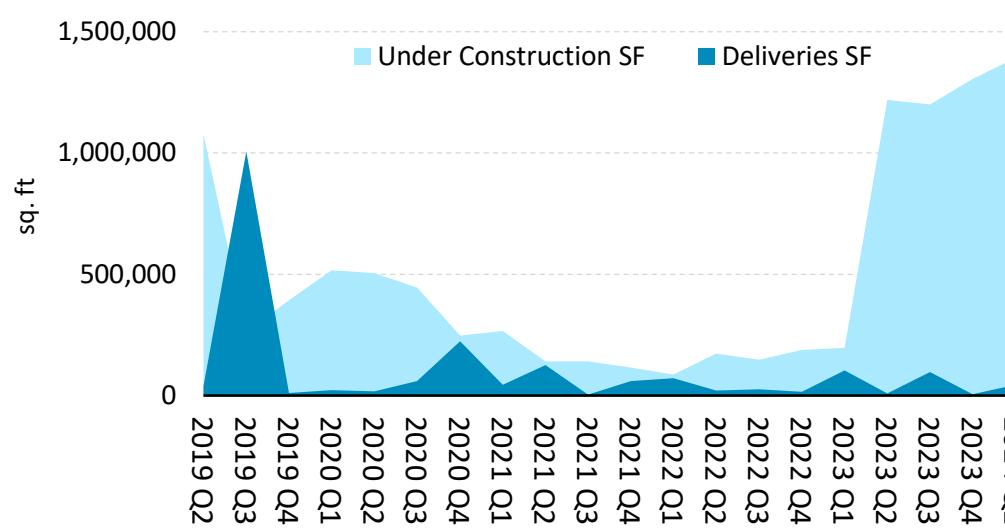
Net Absorption (sq. ft)



Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



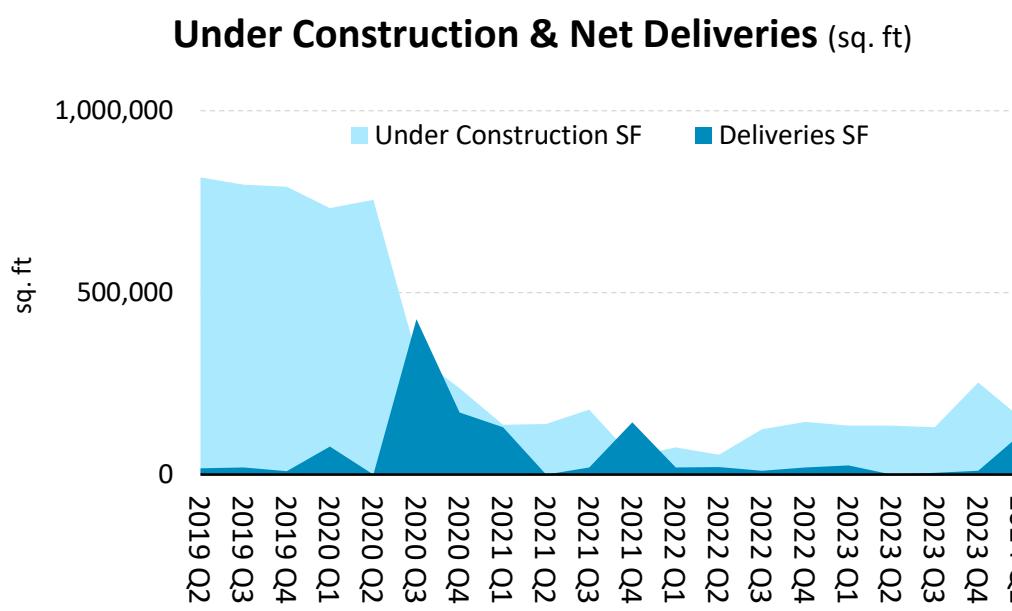
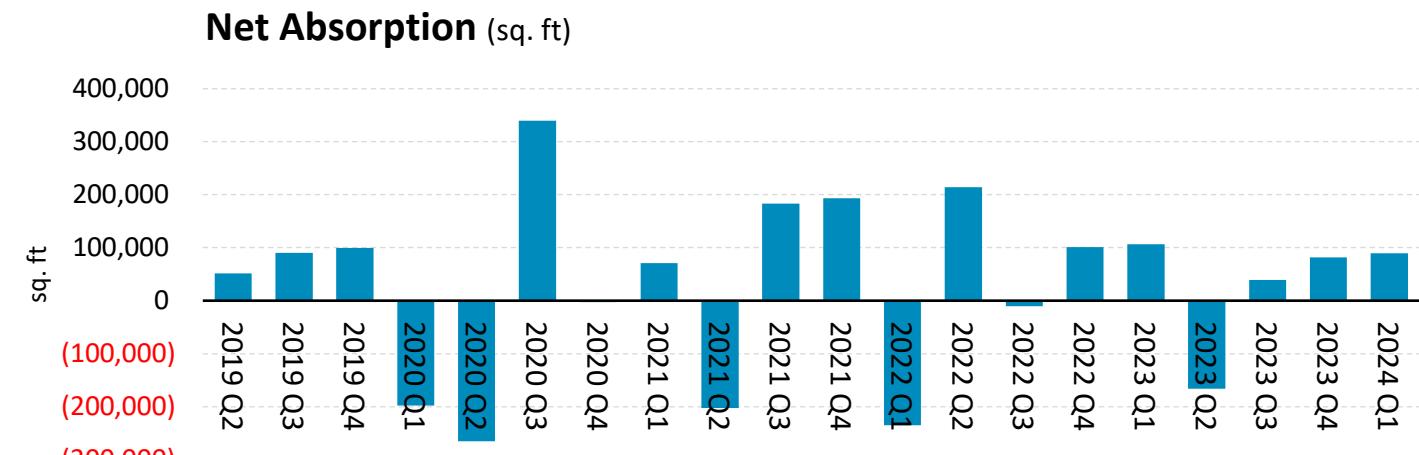
Gross Rent (\$ per sq. ft)



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

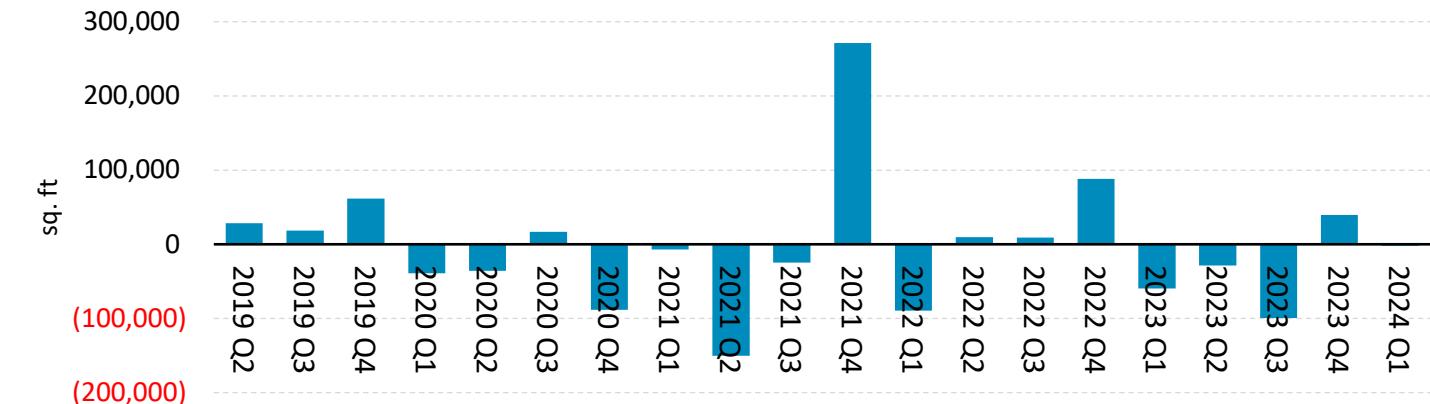


ROANOKE MSA

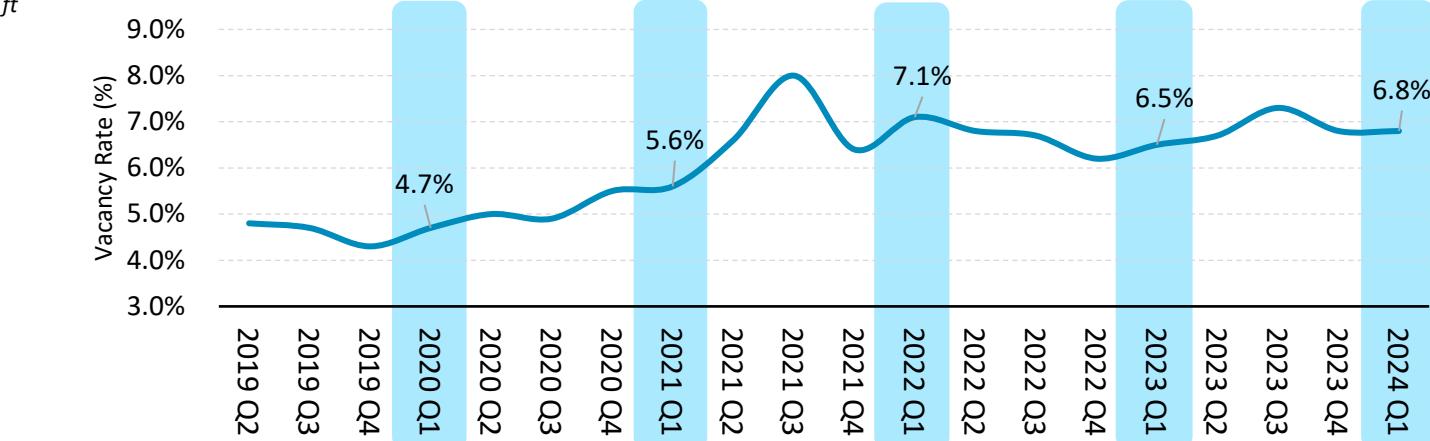
Local Market Indicator Dashboard

	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

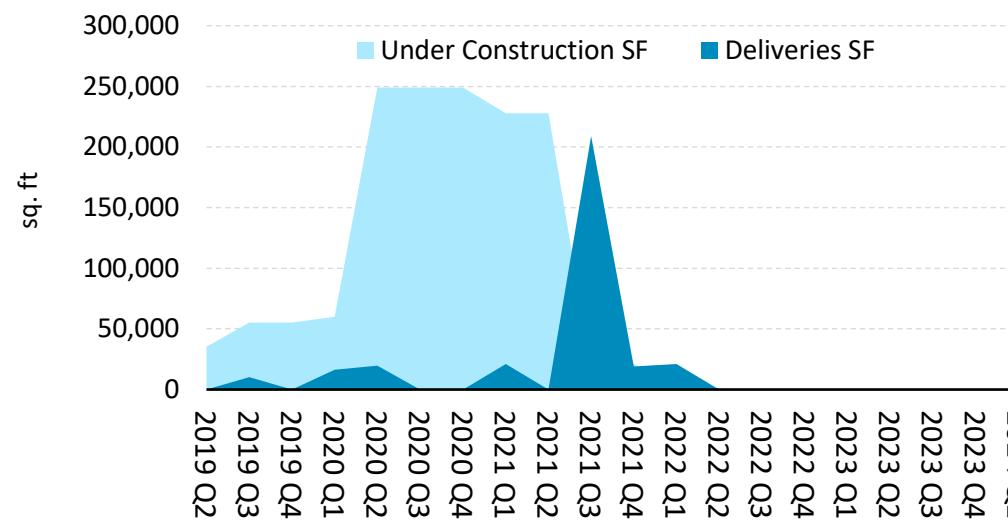
Net Absorption (sq. ft)



Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



Gross Rent (\$ per sq. ft)

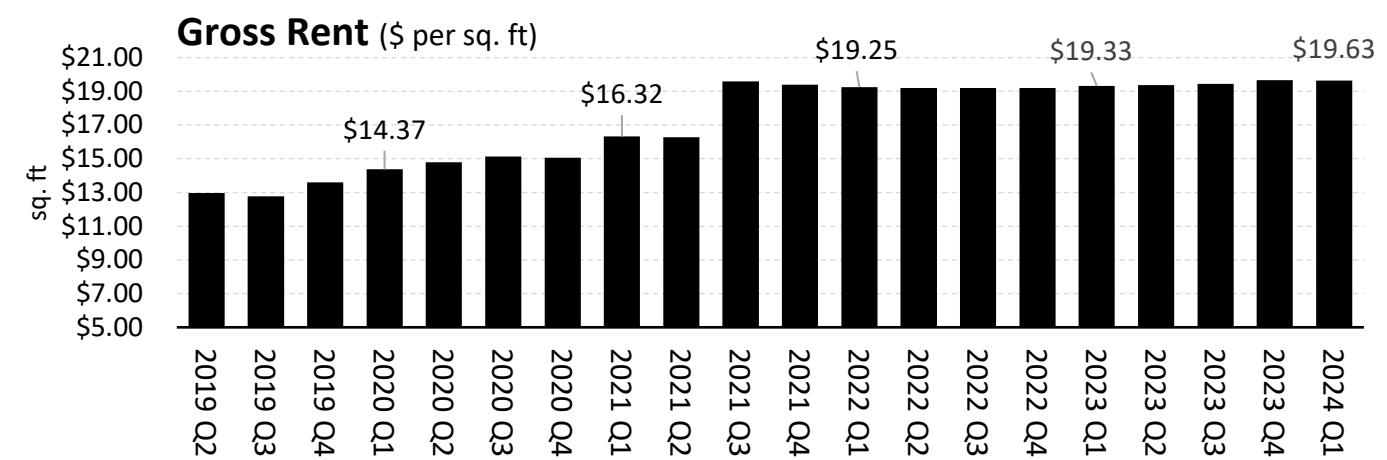
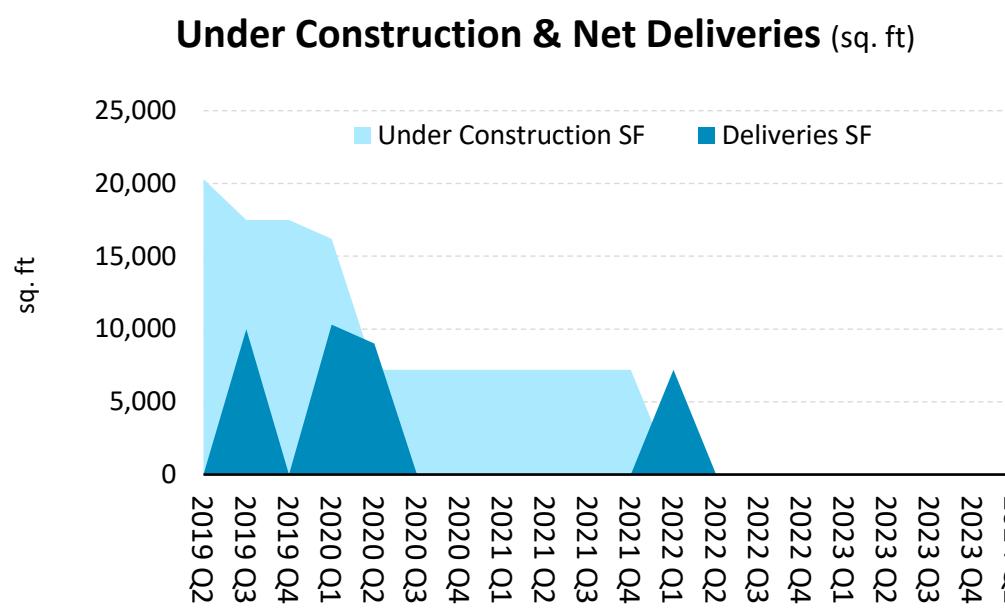
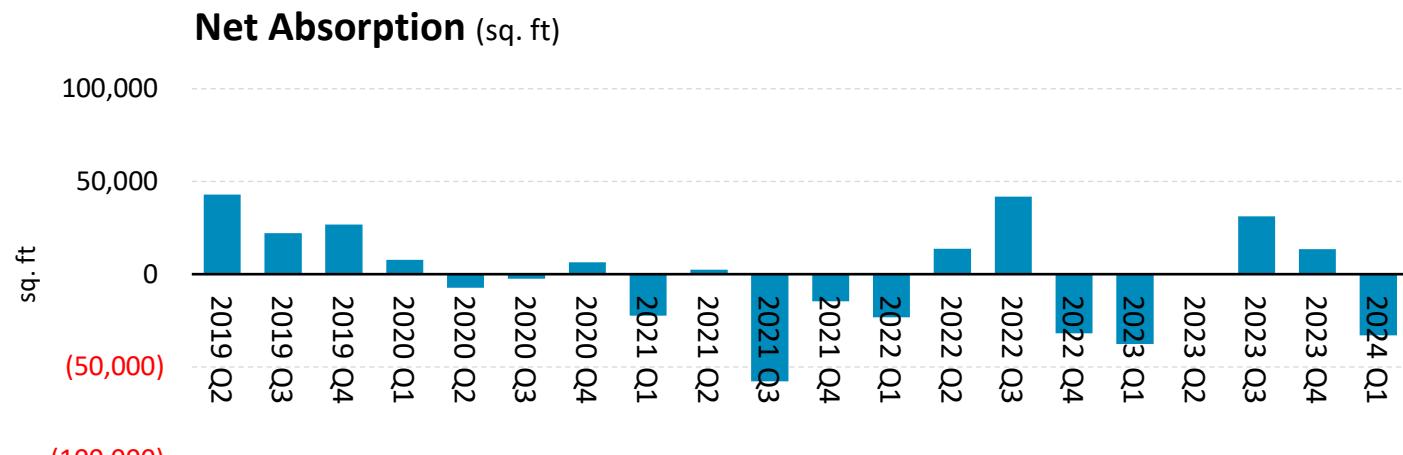


Office Market - MSA Trends

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



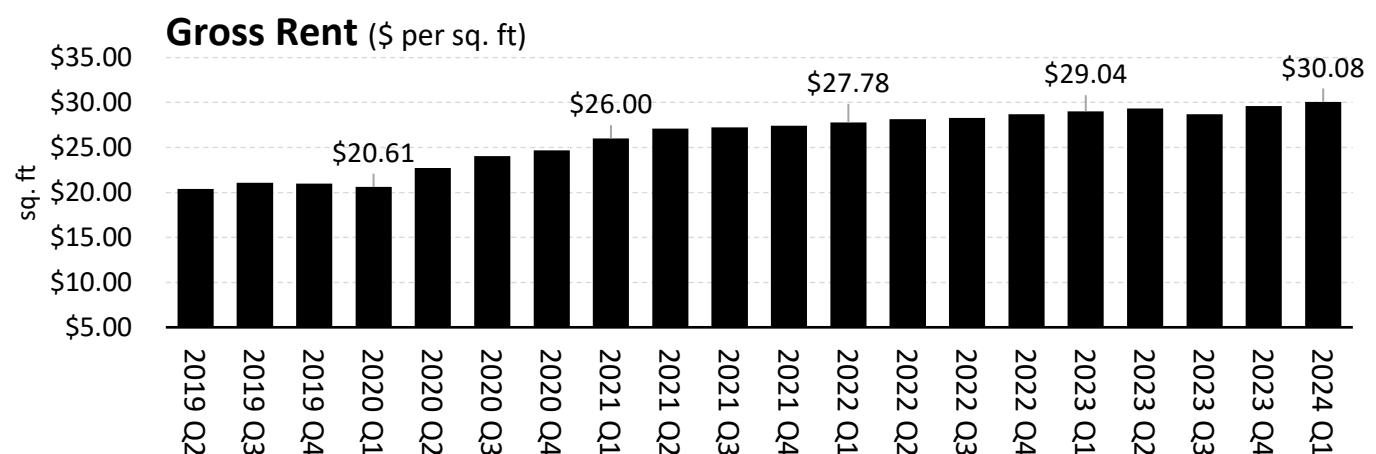
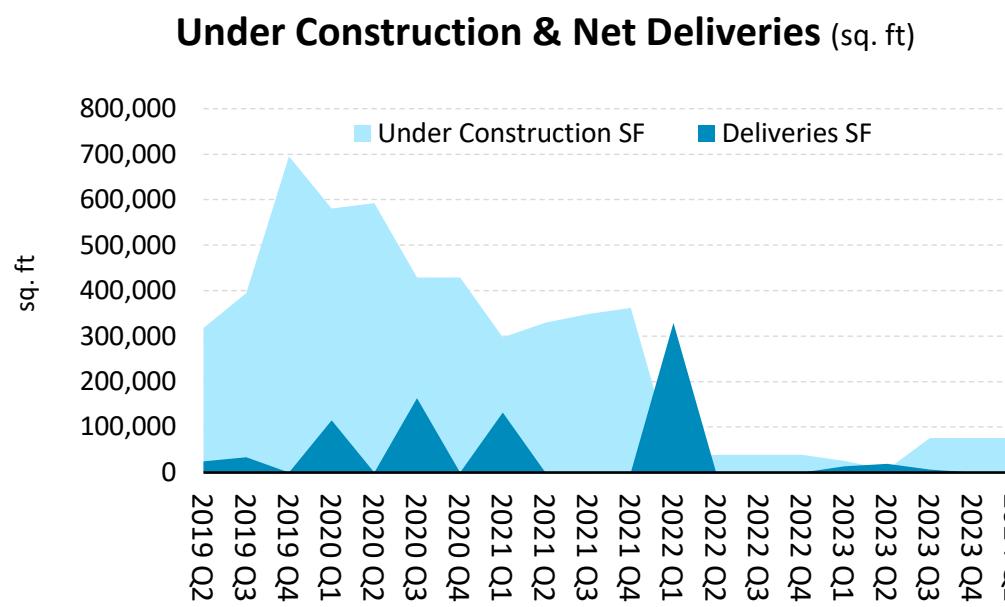
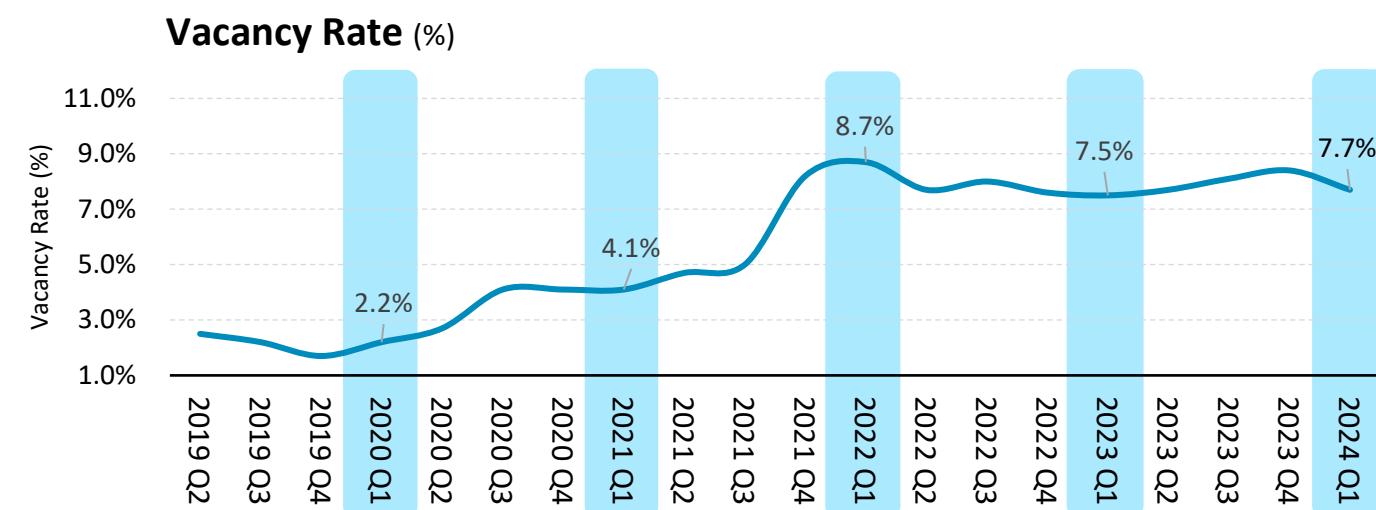
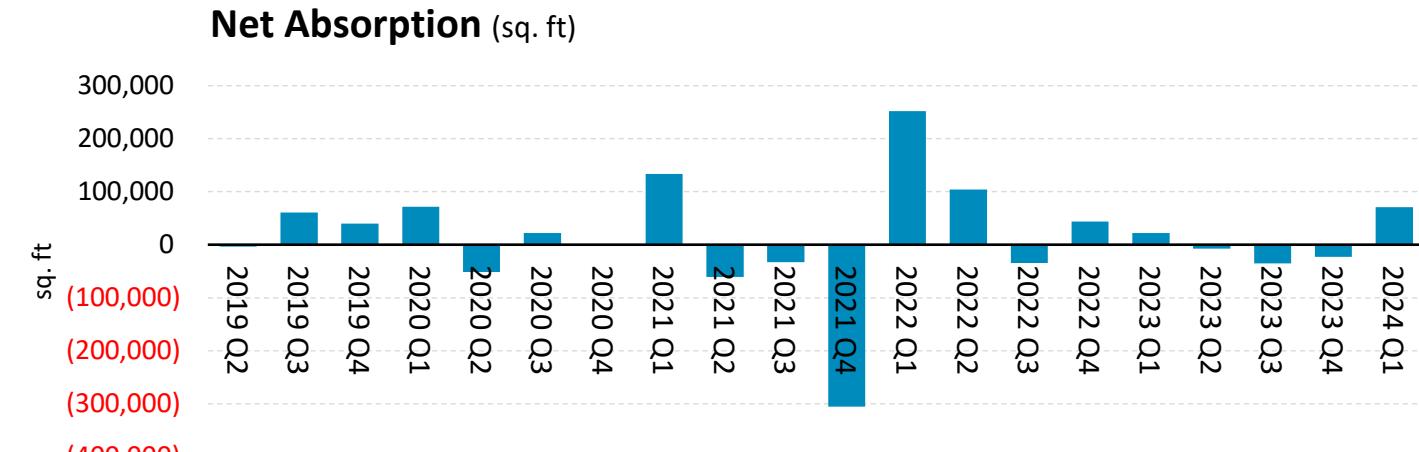
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CHARLOTTESVILLE MSA

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

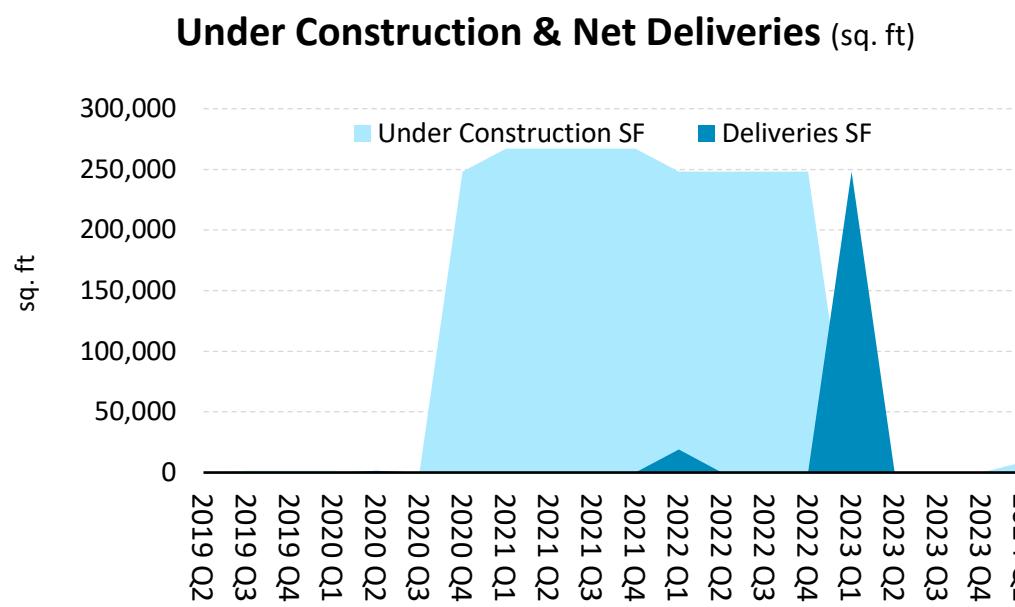
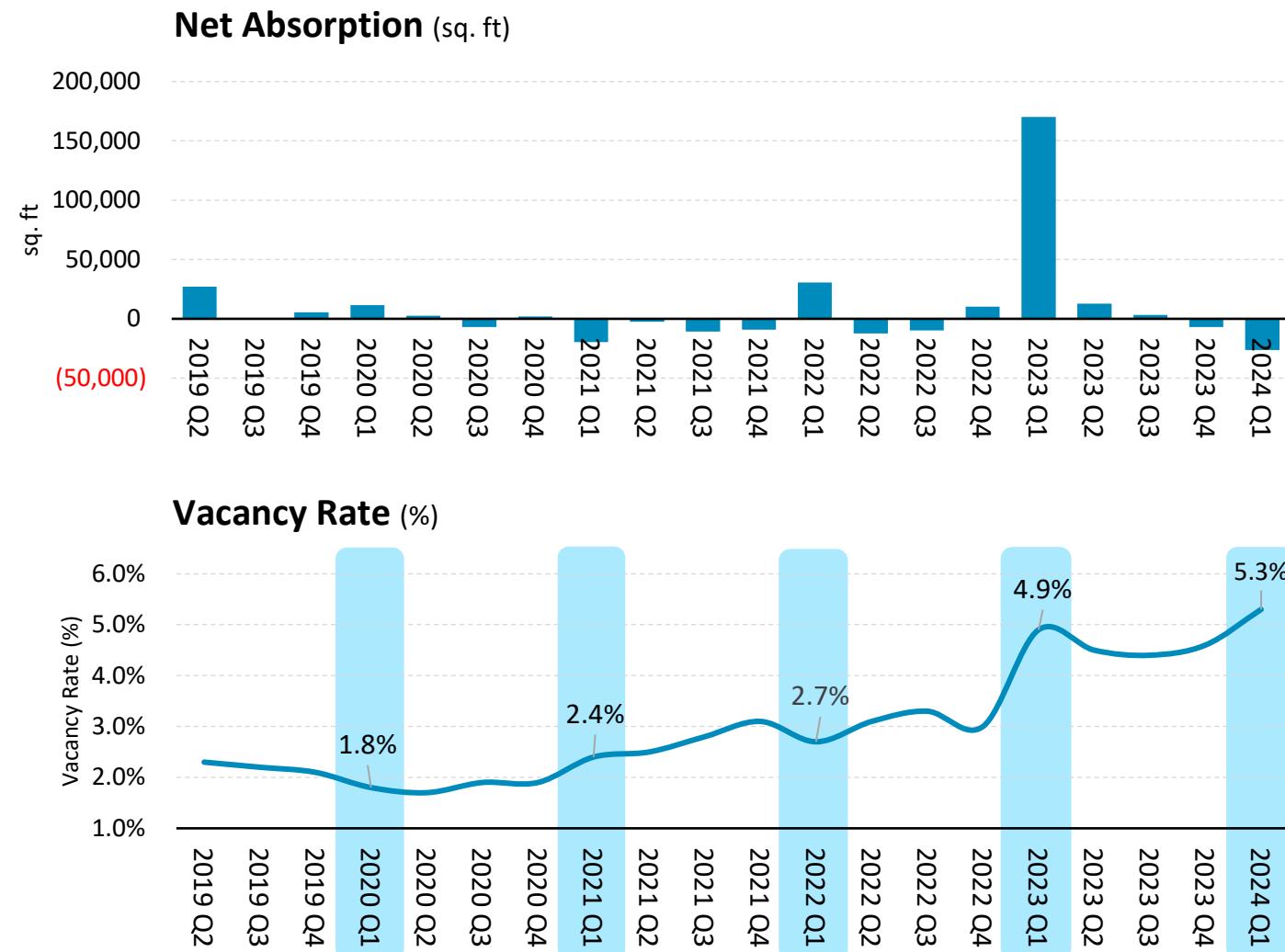


Office Market - MSA Trends

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



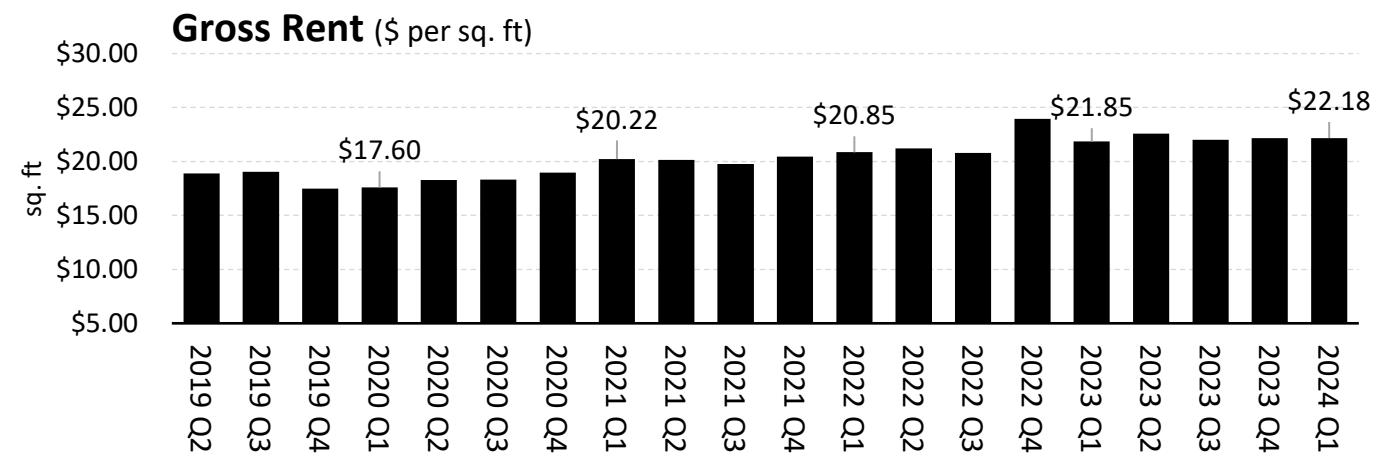
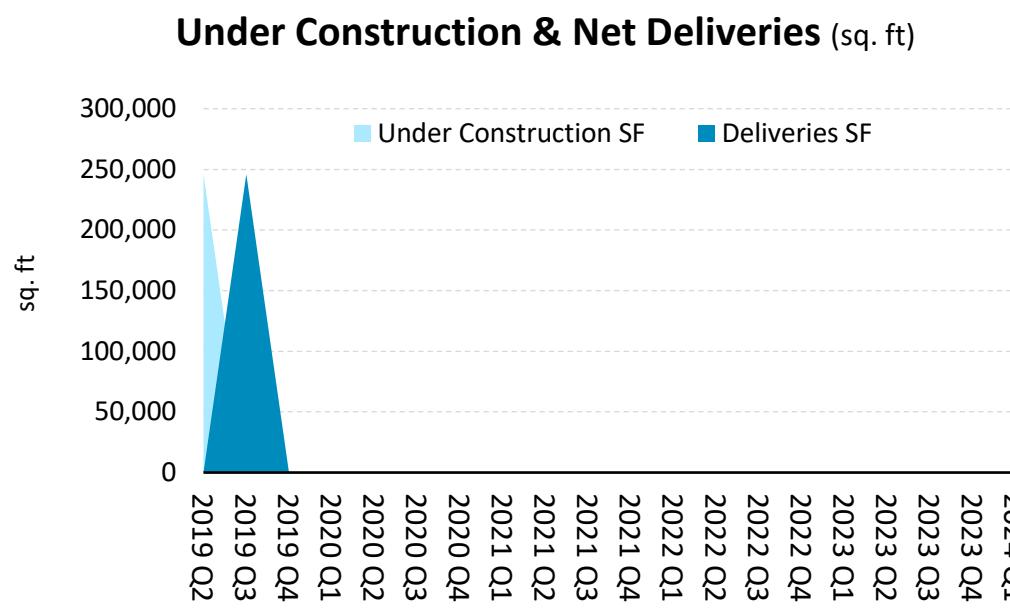
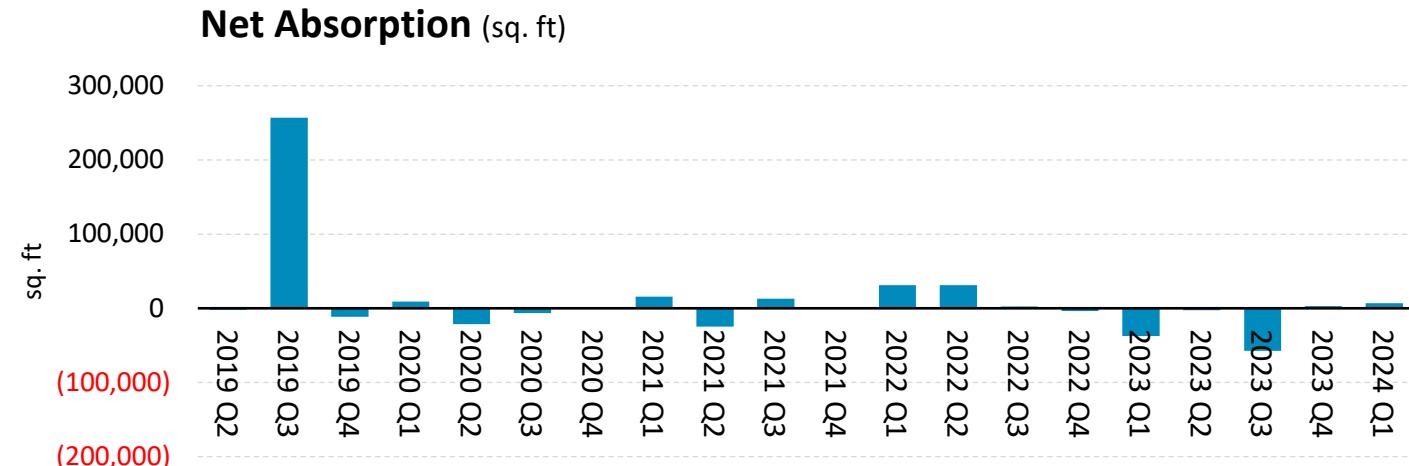
Office Market - MSA Trends

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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



Office Market - MSA Trends

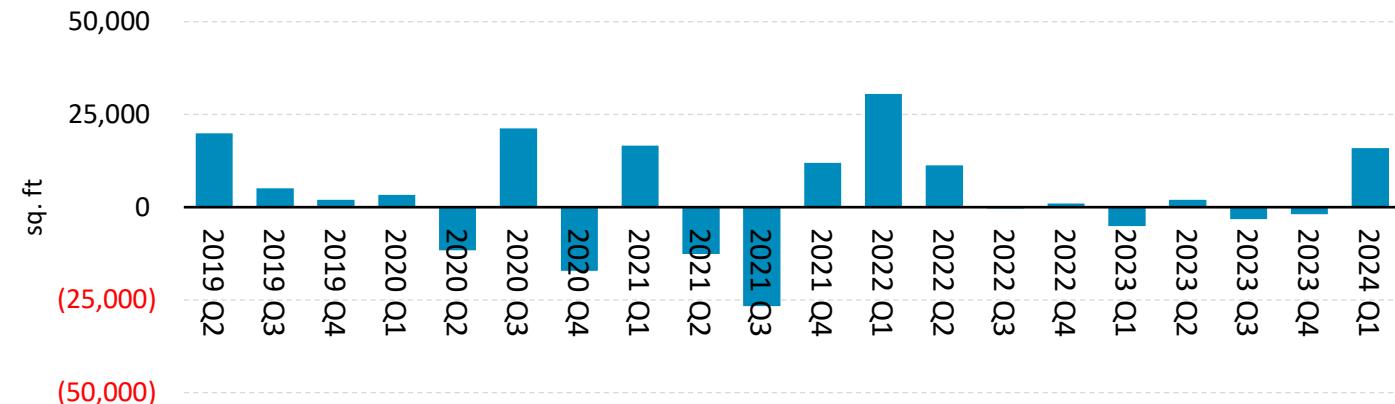
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HARRISONBURG MSA

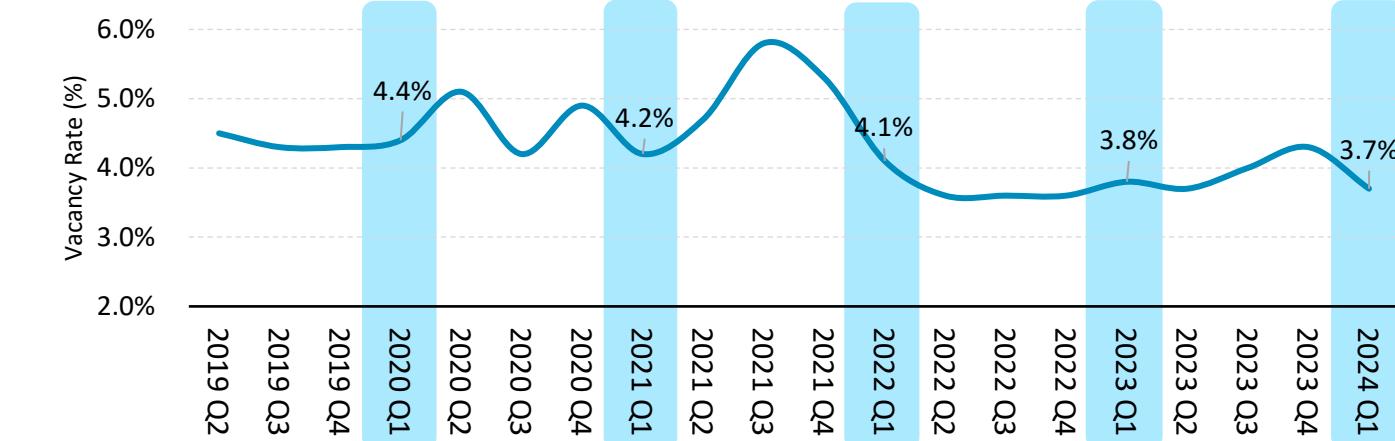
Local Market Indicator Dashboard

	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

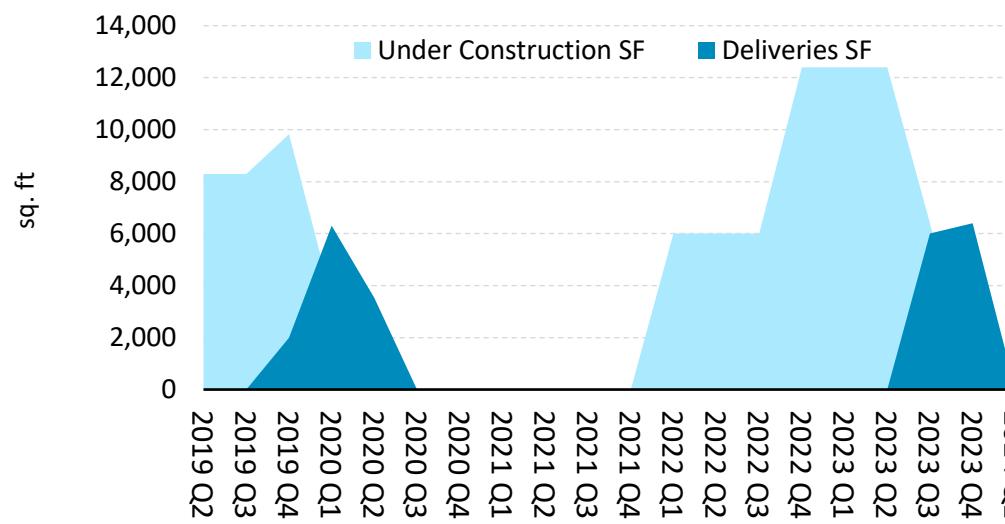
Net Absorption (sq. ft)



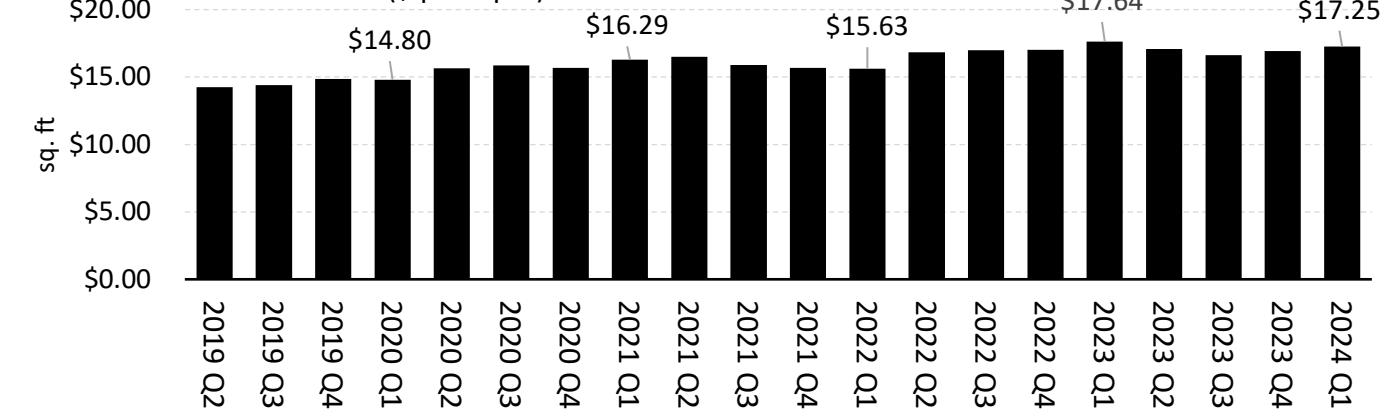
Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



Gross Rent (\$ per sq. ft)



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Data and analysis provided by Virginia REALTORS® Chief Economist.

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