

# Q2 2025 Office Market Report Northern Virginia



# Q2 2025

## Market Overview

The Northern Virginia office market continued to face significant challenges through the first half of 2025. Following negative net absorption of 286,510 square feet in Q1, the market experienced 279,119 square feet of negative net absorption in Q2, bringing the yearly total to negative 565,629 square feet. This has contributed to continued softening in leasing activity and occupancy rates.

Overall rental rates declined slightly to \$36.34/SF, representing a 0.7% decrease quarter-over-quarter but still a 2.7% increase year-over-year. Class A rental rates rose to \$39.69/SF, marking a notable 5.1% increase from the previous quarter. Additionally, Class B rents declined to \$29.51/SF, reflecting a 1.8% decrease quarter-to-quarter. Vacancy rates remain elevated at 23.1% overall, with Class A vacancy at 27.3%. Class B buildings continue to perform better from an occupancy standpoint, with the asset type's vacancy rate at 14.5%, an 8.5% difference compared to the broader market and 12.8% when compared to Class A.

One of the largest transactions in Q2 was the Department of Homeland Security's extension at 4601 N Fairfax Drive in the Ballston, with the agency occupying 76,987 square feet. On the sales side, Peterson Companies sold the 434,000-square-foot Class A office building at 13870 Air and Space Museum Parkway, built in 2010, to the Department of Homeland Security for \$246.4 million (\$317.78/SF). Additionally, a joint venture formed between Foulger-Pratt and Affinius Capital sold a 388,206-square-foot Class A office building to The Meridian Group for a \$104.8 million (\$269.85/SF) located at 1750 Tysons Central Street.

### Quarterly Key Performance Indicators

Net Absorption  
**(279,119) SF**

Direct Asking Rent  
**\$36.34/SF**

Vacancy  
**23.05%**



### Notable Regional Trends

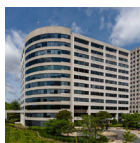
Northern Virginia saw a dip in net occupancy this quarter, driven by major move-outs and aging office stock – though George Mason University's 184,940 SF lease at The Fuse helped soften the impact.

Aerospace & Defense firms continue to anchor demand, making up 25% of leasing activity this quarter, supported by steady contract awards and an expected boost to the Defense budget.

### Full Service Rents by Class

Asset Class	Full Service Rent/ SF	Q-Q % Change	YTD % Change
Class A	\$39.69	5.1%	4.8%
Class B	\$29.51	-1.8%	3.7%
<b>Overall</b>	<b>\$36.34</b>	<b>-0.7%</b>	<b>2.7%</b>

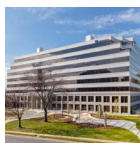
### Recent Lease Transactions



4601 N Fairfax Drive  
Ballston  
**GSA - Dept. of Homeland Security**  
**76,987 SF**



1676 International Drive  
Tysons Corner  
**Iridium Satellite Communications**  
**55,221 SF**



1900 Gallows Road  
Tysons Corner  
**Rees Broome**  
**42,427 SF**

### Recent Sale Transactions



13870 Air and Space Museum Parkway  
Route 28 Corridor **Buyer: GSA - Dept. of Homeland Security**  
**434,000 SF \$246.4M (\$567.74/SF)**



1750 Tysons Central Street  
Tysons Corner  
**Buyer: The Meridian Group**  
**388,206 SF \$104.75M (\$269.85/SF)**



Tysons Pointe (8300 Greensboro Drive & 1600 International Drive, Ballston)  
**Buyer: Real Capital Solutions JV Silverline Equities**  
**148,166 SF \$57M (\$152.90/SF)**

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## Market Data

### Occupancy Trends

Occupancy challenges continue to hamper the Northern Virginia office market, placing sustained downward pressure on the development pipeline. Net absorption in Q2 2025 totaled negative 279,119 square feet, bringing the year-to-date total to negative 565,629 square feet. Class A properties remain the primary source of occupancy losses, contributing 229,150 square feet of negative absorption in Q2—approximately 82% of the quarterly decline—and totaling more than 511,000 square feet in losses year-to-date. Class B product also softened, recording nearly 50,000 square feet of negative absorption this quarter. Although the overall trend remains negative, submarket performance was mixed. Fairfax Center and the I-395 Corridor each posted over 200,000 square feet of negative absorption, reflecting persistent demand weakness. In contrast, Courthouse/Clarendon, Reston, and the Route 28 Corridor South recorded more than 100,000 square feet of positive absorption, signaling localized tenant interest and leasing momentum. Notably, 1880 Reston Row Plaza, a 210,000-square-foot Class A office building developed by Comstock Companies, delivered in April 2025. While this marks a significant addition to the Reston submarket, it was the only major delivery in the first half of the year.

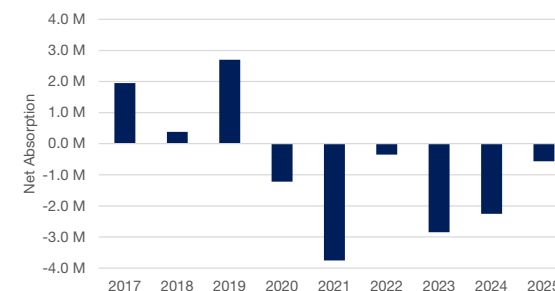
### Construction Snapshot

Following nearly a decade of active development, the Northern Virginia office market's development pipeline has sharply leveled off. This slowdown is primarily driven by unpredictable tenant demand, rising construction costs, new tariffs, and broader economic challenges. Amid the ongoing “flight-to-quality” trend in the commercial real estate market, the limited number of new Class A projects could create a ripple effect, potentially tightening this segment of the market for tenants seeking higher-quality spaces. As of Q2 2025, a total of 486,992 square feet is under construction, which stems from Class A office developments in the I-395 Corridor, Merrifield, and Route 7 Corridor submarkets. This marks a significant decline compared to the 2019 peak, when over 3.3 million square feet was under construction. Notably, one of the larger projects underway is 7125 W Falls Station Boulevard, a 270,000-square-foot Class A building in the Merrifield submarket.

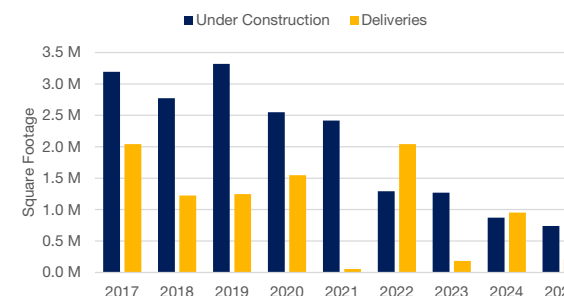
### Market Vacancy

The Northern Virginia office market continues to see a clear divide in performance between Class A and Class B properties. As of Q2 2025, Class B buildings maintain a lower average vacancy rate of 14.5%, while Class A properties are facing significantly higher vacancy at 27.3%. In the Ballston submarket, Class A buildings along North Fairfax Drive—ten properties in total—are collectively 46.2% vacant. A notable contributor is the 200,576-square-foot Class A office building at 3901 N Fairfax Drive, delivered in 2024, which remains 82.7% vacant. These large blocks of unleased space are contributing significantly to elevated vacancy rates in the Class A segment, where landlords continue to face challenges securing tenants amid ongoing uncertainty in demand.

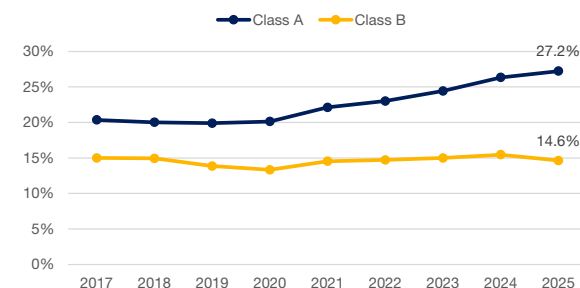
Occupancy Growth



Development Pipeline



Vacancy Rate by Class





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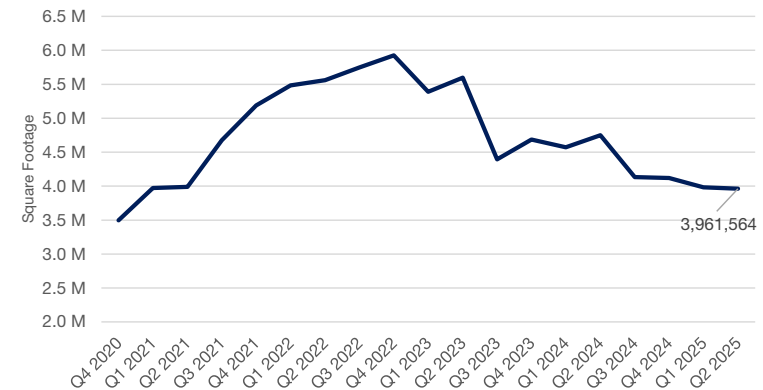
## Sublease Report

The sublease market in Northern Virginia continues to play a significant role in the overall office landscape. As of Q2 2025, there are approximately 310 sublease spaces available across the region, totaling around 4 million square feet of office space. Roughly 66% of these available subleases fall between 5,000 and 30,000 square feet, offering a range of flexible options for tenants. The Tysons Corner, R-B Corridor, and Reston/Herndon submarkets continue to dominate the sublease market, collectively accounting for 77% of the region's total sublease inventory.

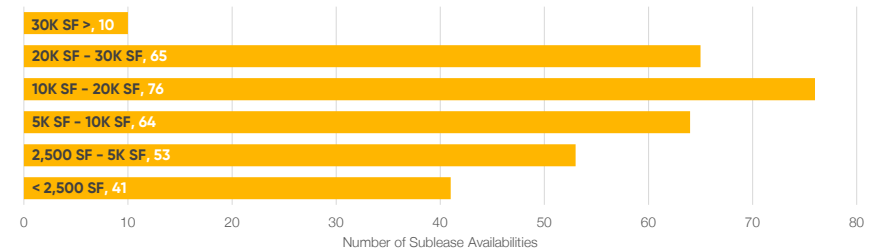
Sublease pricing remains competitive, with 44% of current offerings asking between \$15.00 and \$35.00 per square foot. Most sublease listings continue to be priced below direct market rates, placing additional pressure on landlords competing for tenants.

Significant activity occurred in the Tysons submarket, where ten new sublease spaces totaling approximately 60,000 square feet were added. The Rosslyn submarket also saw increased activity, with five new sublease spaces totaling approximately 70,000 square feet added to the market in the second quarter. The sublease market continues to tighten following a noticeable decline in inventory over the past year.

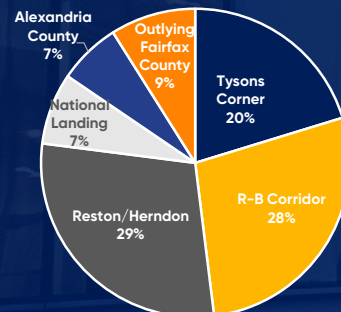
### Quarterly Change in Sublease Availability



### Distribution of Sublease Availabilities by SF



### Sublease Inventory by Submarket



# 33.2%

Increase in Sublease Availability by SF since 2022

# 19.5

Average Months on Market

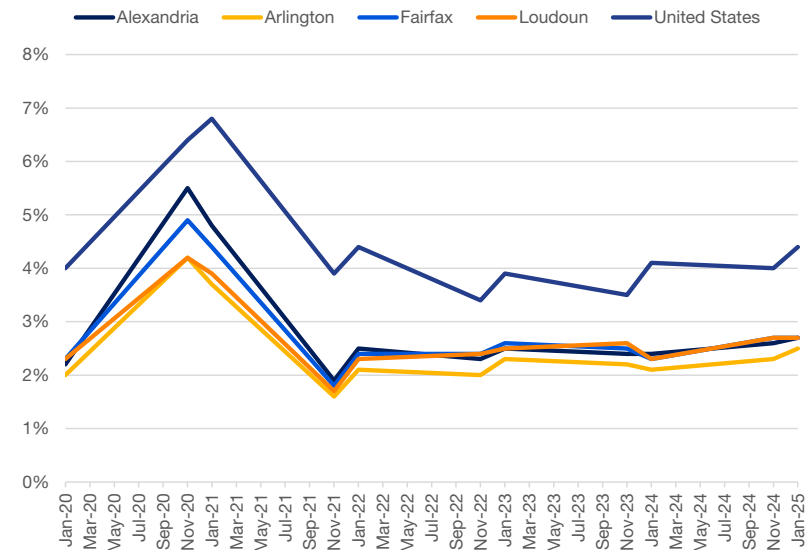
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## Economic Outlook

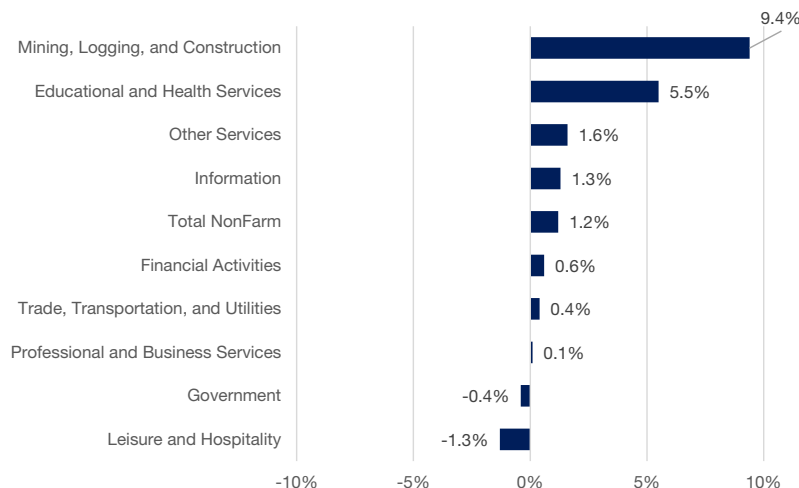
The Northern Virginia office market, which includes Alexandria, Arlington, Fairfax, and Loudoun County, recorded unemployment rates between 2.5% and 2.7% through the second quarter of 2025. These figures align closely with pre-pandemic levels, reflecting a robust recovery in the local labor market.

On a national scale, the U.S. unemployment rate stands at 4.4%, slightly below the 10-year average of 4.7%, indicating overall economic stability. However, inflation remains a persistent concern, with the Washington, DC metro area experiencing a 12-month CPI increase of 1.9%. As the cost of goods continues to rise, compounded by elevated labor and construction costs, companies are becoming more cost-conscious in their real estate decisions. This cautious approach is impacting leasing activity, as firms prioritize efficiency and value in their office space commitments amid these economic pressures.

### Unemployment Rate by Selected Counties



### Employment Growth by Industry 12-Month % Change May 2025



Over the past year, the region has seen overall nonfarm employment grow by 1.2%, driven by notable job gains in several sectors. Mining, Logging, and Construction led the way with a significant 9.4% increase, followed by Educational and Health Services at 5.5% and Other Services at 1.6%. However, not all industries experienced growth—Leisure and Hospitality saw a moderate decline of 1.3%, while Government saw a slight decline of 0.4%, reflecting ongoing adjustments in the labor market.

A significant driver of employment growth in Virginia's mining, logging, and construction sector has been the heightened demand for labor, primarily fueled by infrastructure projects designed to support Northern Virginia's burgeoning data center industry. Several Fortune 100 companies, such as Microsoft, Amazon, and Meta, continue to invest heavily in data center infrastructure in Northern Virginia to meet growing energy needs for the scale of artificial intelligence capabilities.



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## Submarket Statistics - All Classes

Submarket	Total Bldgs	Inventory (SF)	Sublet Available (SF)	Total Available (SF)	Direct Vacancy Rate	Overall Vacancy Rate	Net Absorption Current (SF)	Under Construction	Deliveries YTD (SF)	Avg Asking Rental Rate (FSG)
Annandale	22	1,288,655	-	251,150	14.6%	14.6%	3,792	-	-	\$28.83
Ballston	35	7,699,080	320,483	2,531,423	28.4%	30.4%	(35,377)	-	-	\$42.91
Courthouse/Clarendon	29	5,660,634	347,509	1,970,573	27.0%	29.4%	107,482	-	-	\$44.63
Eisenhower/Huntington	32	5,510,259	64,661	1,784,595	28.4%	28.9%	(32,196)	-	-	\$35.85
Fairfax Center	49	6,249,243	133,771	1,449,563	22.6%	23.9%	(237,454)	-	-	\$30.20
Fairfax City	60	2,874,575	6,165	364,138	10.4%	10.6%	(832)	-	-	\$26.01
Falls Church	27	1,550,129	25,281	263,932	13.1%	14.2%	(9,288)	-	-	\$28.53
Herndon	90	11,083,742	292,764	3,507,431	25.2%	26.3%	(57,428)	-	-	\$33.53
I-395	42	5,708,162	14,710	1,354,851	37.2%	37.5%	(201,504)	120,000	-	\$31.24
Leesburg/West Loudoun	41	1,902,935	57,089	203,581	5.4%	8.4%	(27,004)	-	-	\$33.95
Manassas	24	850,615	-	37,370	4.4%	4.4%	(1,899)	-	-	\$25.35
Mclean	17	779,776	5,545	106,218	11.2%	11.9%	11,670	-	-	\$32.47
Merrifield	75	8,067,443	133,287	1,467,464	14.9%	15.6%	13,605	270,000	-	\$32.15
National Landing	42	12,836,072	301,557	3,257,830	29.7%	31.8%	7,562	-	-	\$45.00
Oakton	12	1,426,124	7,565	243,567	33.0%	33.0%	4,312	-	-	\$27.25
Old Town	91	6,857,749	153,349	1,644,587	19.6%	21.0%	(4,458)	-	-	\$37.20
Reston	138	18,933,761	580,947	5,383,211	24.7%	25.7%	104,154	-	210,000	\$36.01
Rosslyn	31	8,613,747	263,785	2,155,472	20.1%	21.6%	(25,247)	-	-	\$45.43
Route 28 Corridor North	93	7,617,425	51,394	798,886	11.8%	12.5%	(6,740)	-	-	\$28.60
Route 28 Corridor South	118	12,577,096	89,731	1,874,765	13.4%	14.1%	156,192	-	-	\$31.27
Route 29/I-66 Corridor	45	2,264,795	1,740	108,799	3.8%	3.9%	14,375	-	-	\$26.39

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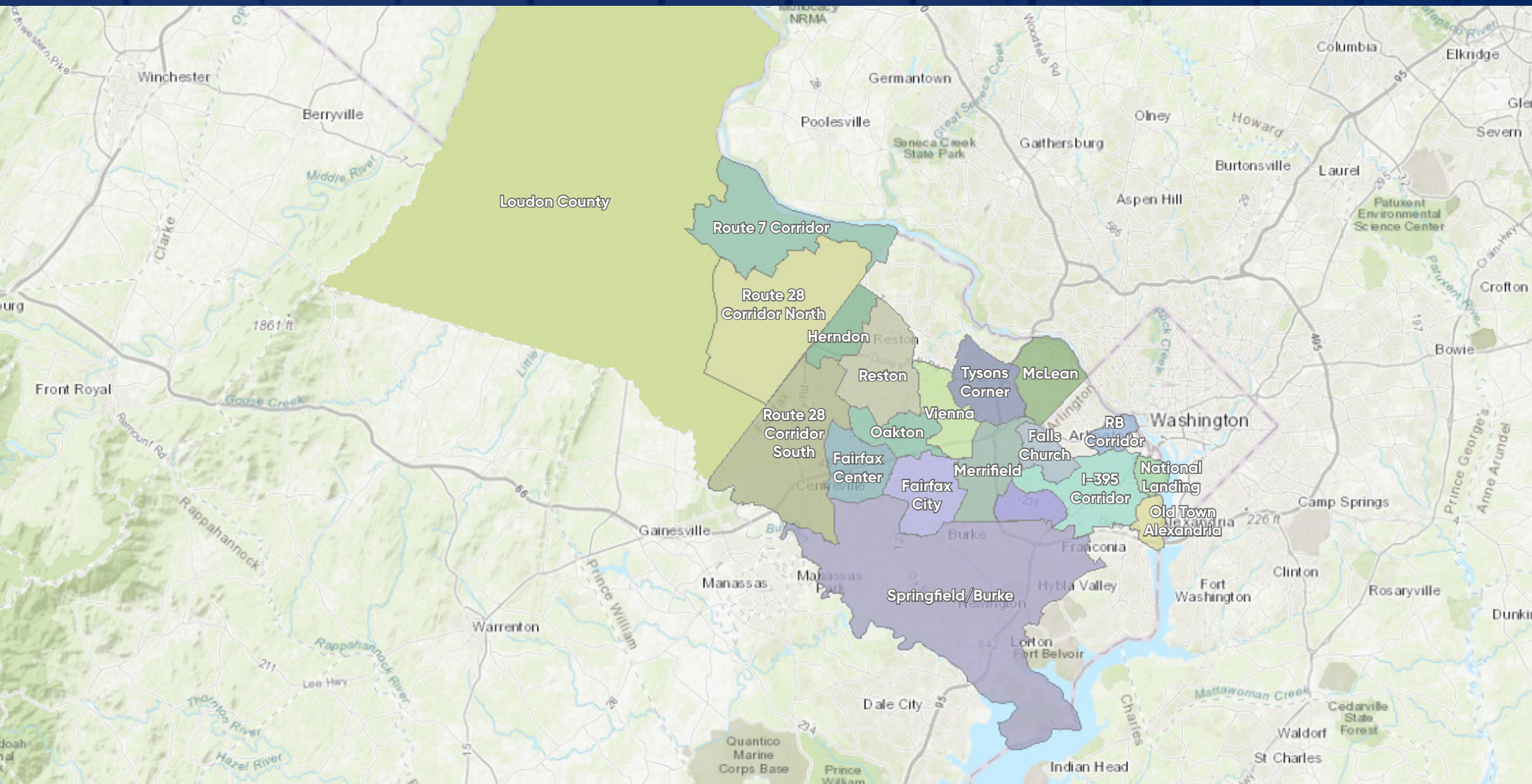
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Route 7 Corridor	43	2,630,451	11,955	284,012	8.3%	8.7%	87	96,992	-	\$33.50
Springfield/Burke	72	5,330,864	17,901	1,009,438	17.9%	18.1%	(8,221)	-	-	\$33.55
Tysons Corner	126	22,277,359	864,680	7,295,673	26.0%	26.9%	(64,052)	-	-	\$41.25
Vienna	13	1,047,973	-	393,733	37.5%	37.5%	(1,633)	-	-	\$28.37
Virginia Square	12	1,280,020	33,396	280,194	18.4%	19.7%	9,477	-	-	\$42.54
Woodbridge	43	1,638,941	11,462	134,376	10.0%	10.1%	1,506	-	-	\$29.47

## Market Statistics by Class

Class	Total Bldgs	Inventory (SF)	Sublet Available (SF)	Total Available (SF)	Direct Vacancy Rate	Overall Vacancy Rate	Net Absorption Current (SF)	Under Construction	Deliveries YTD (SF)	Avg Asking Rental Rate (FSG)
Class A	596	109,981,767	3,254,448	31,667,575	26.1%	27.3%	(229,150)	486,992	210,000	\$39.69
Class B	826	54,575,858	536,279	8,489,257	13.7%	14.5%	(49,969)	-	-	\$29.51
Northern Virginia Totals	1,422	164,557,625	3,790,727	40,156,832	22.0%	23.1%	(279,119)	486,992	210,000	\$36.34





Contact us for more information.



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