MARKETBEAT

Northern Virginia

Industrial Q2 2023

	YoY Chg	12-Mo. Forecast
3.8% Vacancy Rate		
547K Net Absorption, SF		
$15.89 Asking Rent, PSF		

Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2023

	YoY Chg	12-Mo. Forecast
3.3M D.C. Metro Employment		
3.0% D.C. Metro Unemployment Rate		
3.6% U.S. Unemployment Rate		

Source: BLS

Supply: Manassas Adding to Pipeline

Northern Virginia's industrial deliveries picked back up in Q2 with two new properties in Manassas delivering for a total of 330,833 square feet (sf). In May, 10225 Golf Academy Drive delivered for 209,193 sf fully leased by PODS Enterprises and in June, 12875 Randolph Ridge Ln delivered for 121,640 sf fully leased by GXO Logistics. NoVA's current construction pipeline grew in the second quarter with 665,347 sf under construction between six projects in Manassas and three in the Route 28 Corridor North submarket. Contrary to the region's office market, industrial leasing success has given developers the assurance to break ground on speculative projects before an anchor tenant is signed. NoVA registered 547,055 sf of positive absorption in the second quarter, bringing the total to 440,250 sf year-to-date (YTD.) The Warehouse/Distribution (W/D) sector was responsible for 425,088 sf of the movement, mostly due to the aforementioned deliveries in Manassas. The Office Service (OS) sector posted 121,967 sf of quarterly net gains; the largest move coming in Route 28 Corridor South with Inova Health System moving into 75,932 sf at 3901 Stonecroft Boulevard.

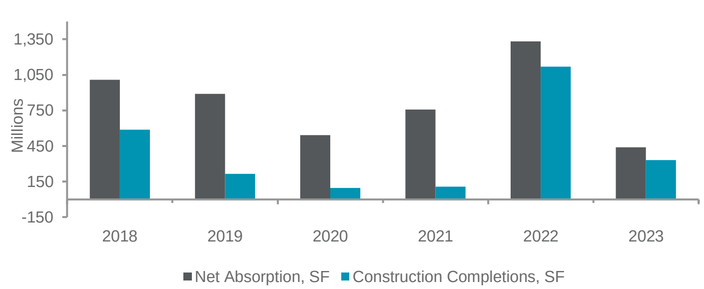
Demand: Leasing Activity Drops in Q2

NoVA recorded 90,749 sf of new leasing and 63,410 sf of renewal activity in the second quarter, but total activity dropped 86% from Q2 2022. The decline in leasing was due to the lack of available large blocks on the market. The OS sector registered 59,866 sf of new leasing while the W/D sector registered 30,883 sf of new leasing and 63,410 sf of renewals. The largest lease of the quarter was a renewal signed by Arnold Sales Company for 22,135 sf at 6636-6672 Fleet Drive in Springfield/I-95. The largest new lease came from HawkEye 360, Inc. for 20,698 sf at 485 Spring Park Place in the Route 28 Corridor South submarket.

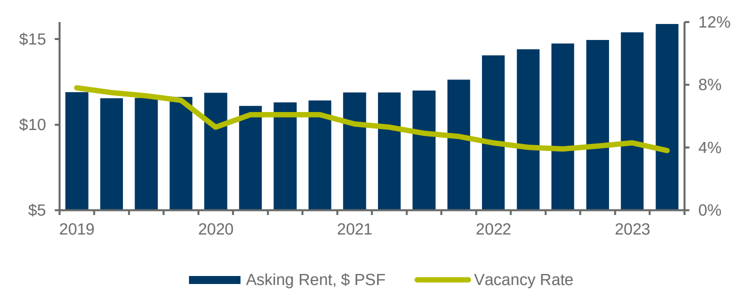
Vacancy: Rents Reach Record Highs

The overall vacancy rate in the NoVA market fell slightly from Q1, down 50 bps to 3.8%. The OS sector ended Q2 with a vacancy rate at 6.2%, and the W/D sector posted a vacancy rate at 2.5%. Continuous rate increases have been facilitated by the limited availability of industrial land and the relative resilience of data center suppliers (the region's primary target segment) against significant rent hikes. The overall asking rental rate finished the quarter at $15.89 per square foot (psf), up $1.47 psf year-over-year (YOY). The overall asking rental rates in the OS sector finished Q2 at $16.61 psf, while W/D space ended the quarter at $13.88 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT
Springfield/I-95	13,572,065	443,424	3.3%	103,982	90,597	0	0	$13.40
Route 28 Corridor South	4,320,336	61,265	1.4%	-1,176	2,704	0	0	$14.95
Route 28 Corridor North	12,753,621	74,372	0.6%	-2,588	-254	234,114	0	$14.31
Manassas	8,298,983	392,734	4.7%	324,870	328,580	395,372	330,833	$15.20
Warehouse/Distribution Totals	**38,945,005**	**971,795**	**2.5%**	**425,088**	**421,627**	**629,486**	**330,833**	**$13.88**
Springfield/I-95	6,140,467	634,679	10.3%	4,469	-85,113	0	0	$18.92
Route 28 Corridor South	6,989,260	431,828	6.2%	123,549	106,994	0	0	$14.73
Route 28 Corridor North	6,927,166	243,169	3.5%	-16,470	-6,734	35,861	0	$13.95
Manassas	2,667,323	90,560	3.4%	10,419	3,476	0	0	$14.63
Office Service/Flex Totals	**22,724,216**	**1,400,236**	**6.2%**	**121,967**	**18,623**	**35,861**	**0**	**$16.61**
Northern Virginia Totals	**61,669,221**	**2,372,031**	**3.8%**	**547,055**	**440,250**	**665,347**	**330,833**	**$15.89**

**Rental rates reflect weighted net asking $psf/year*

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
6636-6672 Fleet Drive	Springfield/I-95	Arnold Sales Company	22,135	Renewal*
485 Spring Park Place	Rt 28 Corridor South	HawkEye 360	20,698	New Lease
7401 Fullerton Road	Springfield/I-95	Pepperidge Farm	14,373	Renewal*
6602-6634 Fleet Drive	Springfield/I-95	Jet Creations	12,750	Renewal*

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/$ PSF
13832 Redskin Drive	Rt 28 Corridor South	Word of Grace Christian Church / Starwood Capital	26,699	$25,000,000 / $936.36
7001 Loisdale Rd	Springfield / I-95	Blair, Inc / Mikoff Development Corporation	113,224	$21,000,000 / $185.47

KEY UNDER CONSTRUCTION Q2 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
11501 University Boulevard	Manassas	Speculative	138,500	Matan
44080 John Mosby Highway	Route 28 North	Speculative	70,400	Commercial Group Realty
11982 Wilton Meadows Court	Manassas	Speculative	31,200	N to N Fiber, Inc.

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