Improved Fundamentals Drive Gradual Recovery of Northern Virginia Office Market

▼21.3%	▲379,938	▶0	▶35,000	▲$37.75
Vacancy Rate	SF Net Absorption	SF Construction Delivered	SF Under Construction	FSG/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

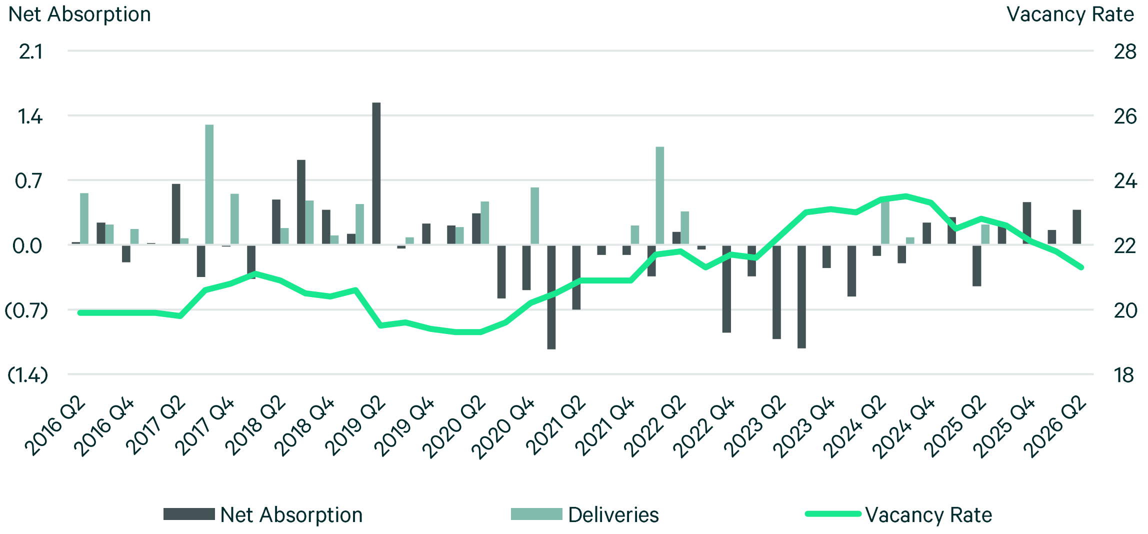
Market Overview

The Northern Virginia office market continued to improve in the second quarter of 2026, posting 380,000 sq. ft. of positive net absorption, bringing the year-to-date total to 535,000 sq. ft. of occupancy gain. This marks the sixth positive quarter in the past seven, helping drive the vacancy rate down 50 basis points (bps) to 21.3%, its lowest level since 2021.

The current improvement in market fundamentals followed several years of sustained weakness. From 2021 to 2023 the market consistently posted large negative net absorption, pushing vacancy to a high of 23.5% in Q3 2024. However, since the start of 2025 the market has gained over one million sq. ft. of occupancy. This demand recovery coincided with a sharp contraction in new supply: the construction pipeline peaked at roughly 3.3 million sq. ft. in 2016 but is just 35,000 sq. ft. in Q2 2026, with no deliveries so far in 2026.

Leasing activity picked up in Q2 with over 3 million sq. ft. leased, significantly exceeding the recent historic average of 2.3 million sq. ft. Further, 14 transactions larger than 50,000 sq. ft. have been signed so far in 2026, which outpaces prior years.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

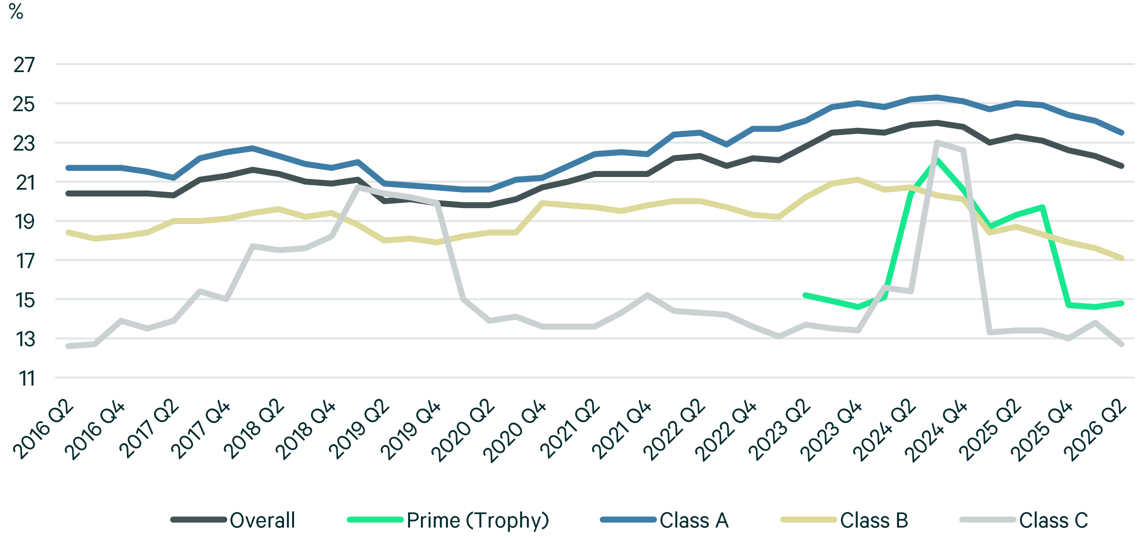
Vacancy

In Q2 2026, the overall vacancy rate decreased by 50 bps to 21.3%. Vacancy rates have decreased in all building classes year-over-year. Class A vacancy registered 23.0%, down 60 bps quarter-over-quarter and 150 bps year-over-year. The broad tightening was driven mainly by reductions in direct vacancy across each building class, with sublease vacancy playing a smaller role in the quarterly shifts.

In Northern Virginia's core submarkets, Class A vacancy ranged from 14.5% in Rosslyn to 28.0% in Tysons, with Reston nestled between at 23.9%. Tysons has roughly 4.9 million sq. ft. of Class A vacancy, versus about 3.5 million sq. ft. in Reston, so elevated availability in these two hubs accounts for much of core-area vacancy, while Rosslyn's lower rate corresponds to a smaller pool of both direct and sublease space relative to its peers.

Although the prime (trophy) vacancy rate has decreased 450 bps year-over-year, it increased slightly from last quarter to 14.3%, mostly due to Deloitte's renewal and 72,000 sq. ft. contraction at 7900 Tysons One Place. This pushed the Tysons prime (trophy) vacancy rate up 250 bps to 24.7%, which is the highest prime (trophy) vacancy rate in the overall market. This elevated rate is largely due to the full-building vacancy at 1750 Tysons Central Street, which delivered in 2022.

Figure 2: Vacancy Rates by Class



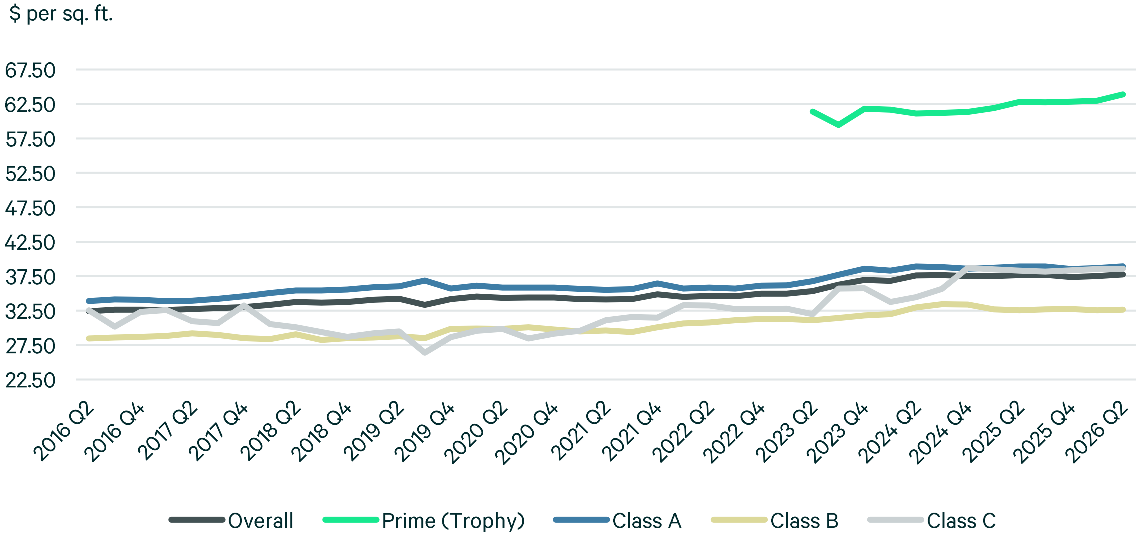
Source: CBRE Research, Q2 2026

Asking Rent

The overall average direct asking rate in Q2 2026 was $37.75 per sq. ft., a slight increase from the prior quarter and year-over-year but remains stable. Prime (trophy) product commanded $63.89 per sq. ft. on average, with rents increasing 1.5% from Q1 and 1.8% year-over-year, widening the spread between standard Class A space. This pattern pointed to pricing resilience at the very top of the quality spectrum, while the broader Class A segment moved only incrementally even as vacancy remained high.

Among key Northern Virginia submarkets, Rosslyn posted one of the highest average asking rates in Q2 2026 at $46.56 per sq. ft., with prime (trophy) space there averaging $70.00 per sq. ft. Overall asking rates in Tysons averaged $40.09 per sq. ft. versus $66.55 per sq. ft. for prime space. Overall asking rates in Reston stood lower at $38.03 per sq. ft. and with very little prime (trophy) availability remaining in the submarket, asking rents in that class averaged $59.74 per sq. ft. These differentials across locations and classes illustrate a distinctly tiered rent structure, with the highest-quality assets and addresses achieving the greatest pricing premium.

Figure 3: Average Direct Asking Rate by Class



Source: CBRE Research, Q2 2026

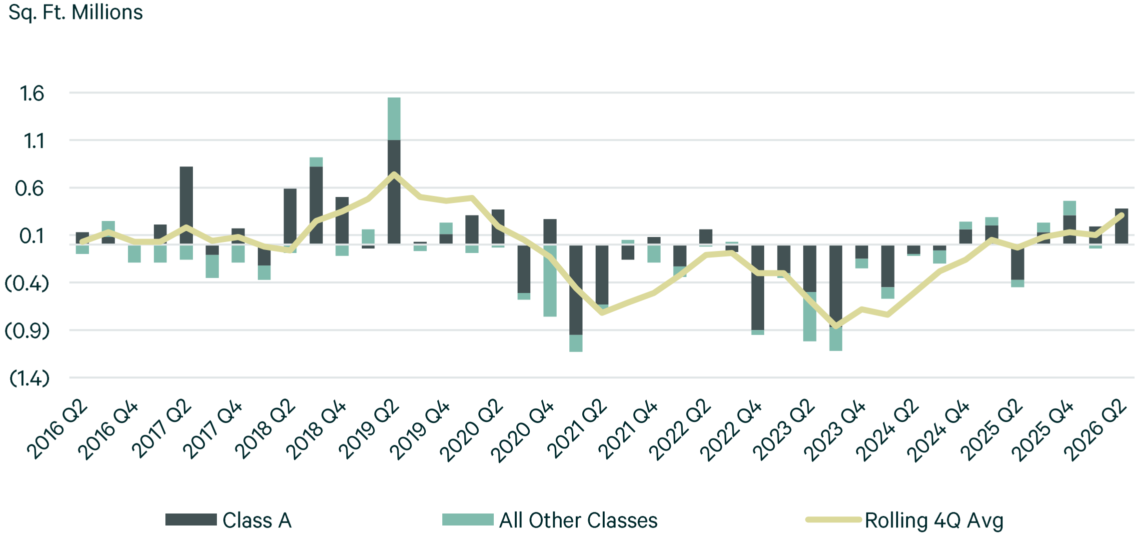
Net Absorption

Office tenants recorded 380,000 sq. ft. of positive absorption during the second quarter, continuing the recent trend and marking the sixth of the past seven quarters with positive net absorption. After posting positive annual net absorption in 2025 for the first time since 2019 and a strong first half of 2026, the market seems to be moving out of the past cycle.

The Toll Road recorded its fourth consecutive quarter with positive net absorption. In Herndon, Peraton leased 285,000 sq. ft. at Woodland Pointe and 55,384 sq. ft. at 2250 Corporate Park Drive. The two separate deals represented net new growth. Additionally, Booz Allen Hamilton leased an additional floor at its new headquarters, 1800 Reston Row Plaza.

Rosslyn was also a strong driver of positive net absorption in Q2 2026, posting 84,000 sq. ft. of occupancy gain. ICA Language Services leased 25,000 sq. ft. of net new space at 1200 Wilson Boulevard, resulting in growth for the submarket. Additionally, Alphataraxia Management leased 21,000 sq. ft. at 1000 Wilson Boulevard, increasing its footprint by nearly 18,000 sq. ft.

Figure 4: Net Absorption Trend



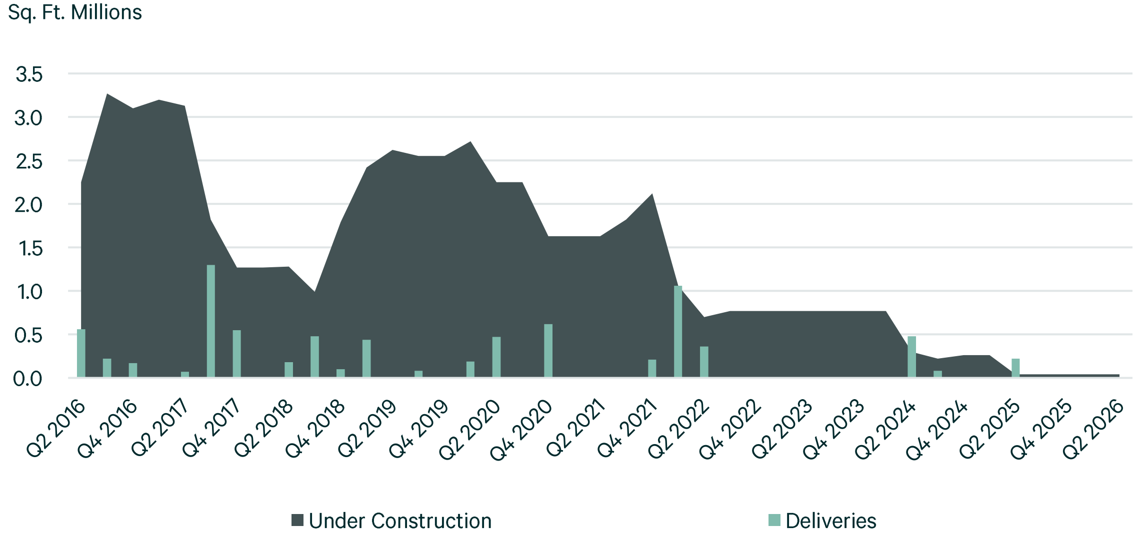
Source: CBRE Research, Q2 2026

Construction Activity

In Q2 2026, 35,000 sq. ft. was under construction and no new product delivered, leaving the pipeline unchanged quarter-over-quarter and year-over-year. Deliveries have slowed sharply from 552,000 sq. ft. completed in 2024 to 205,000 sq. ft. in 2025, with zero sq. ft. delivered so far in 2026.

2 Exchange Street in the Route 7 submarket – 35,000 sq. ft. and 0% pre-leased – is the sole development currently underway.

Figure 5: Construction Activity



Source: CBRE Research, Q2 2026

Leasing Activity

Total leasing volume in Q2 2026 reached 3.2 million sq. ft., up 63% quarter-over-quarter and 81% year-over-year. The step-up from Q1 2026 was consistent with a shift toward larger commitments from the sectors outlined below, as those categories captured a greater share of industry-coded demand than earlier in the year.

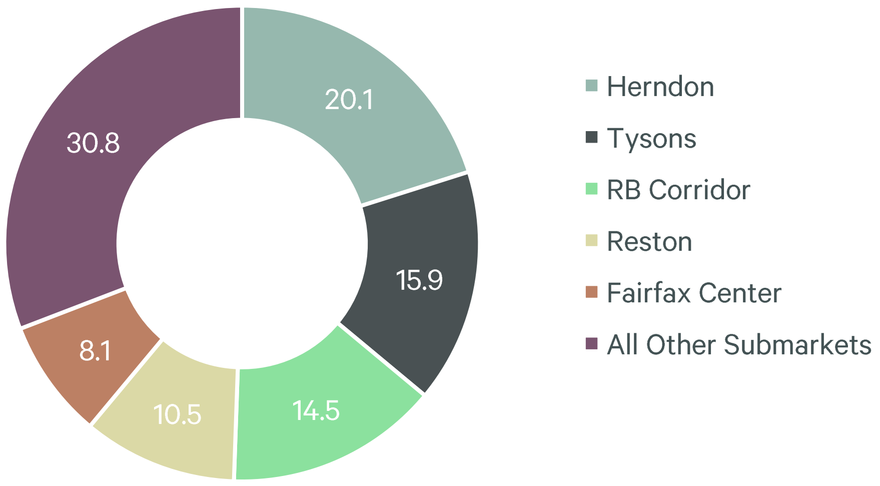
By industry, the largest volumes in Q2 2026 came from aerospace & defense and technology tenants, which leased 741,000 sq. ft. and 733,000 sq. ft., respectively. Business services, financial services, government, and nonprofit users provided additional but smaller contributions.

The top eight leases of the quarter were signed in six different submarkets, representing healthy demand across the market. Submarket activity was most concentrated in Herndon and Tysons, where broader Class A leasing reached 612,000 sq. ft. and 458,000 sq. ft., respectively. Class A space represented 91% of all square footage leased, with Class B comprising the balance.

Figure 6: Leasing Activity Trend

Source: CBRE Research, Q2 2026

Figure 7: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q2 2026

Figure 8: Select Notable Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Peraton	285,000	New Lease	2200 Woodland Pointe Ave	Herndon
Lockheed Martin	176,000	Renewal	2121 Crystal Dr	Crystal City
CGI Federal	146,000	Renewal	12601 Fair Lakes Cir	Fairfax Center
Strategy	142,000	Renewal/Contraction	1850 Towers Crescent Plz	Tysons
General Dynamics Information Technology	85,000	Renewal	14700 Lee Rd	Route 28 South
Fairfax County Government	74,000	Renewal	12015 Lee Jackson Memorial Hwy	Fairfax Center
Innovative Defense Technologies	70,000	New Lease	4250 N Fairfax Dr	Ballston
Serco	59,000	Renewal/Contraction	4250 N Fairfax Dr	Ballston

Source: CBRE Research, Q2 2026

Market Statistics

Figure 9: Market Statistics by Class

	Net Rentable Area (MSF)	Total Vacant (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	106.16	23.0	27.8	25.8	2.0	38.93	382,000	576,000	-	35,000
Prime (Trophy)	7.20	14.3	17.0	14.3	2.7	63.89	(17,000)	(7,000)	-	-
Other Class A	98.96	23.6	28.6	26.6	2.0	37.92	399,000	583,000	-	35,000
Class B	33.94	16.6	19.8	19.0	0.8	32.63	(1,000)	(26,000)	-	-
Class C	2.48	12.2	14.3	14.1	0.2	40.48	(1,000)	(15,000)	-	-
Total	**142.58**	**21.3**	**25.7**	**24.0**	**1.7**	**37.75**	**380,000**	**535,000**	**-**	**35,000**

Source: CBRE Research, Q2 2026

Market Statistics by Submarket

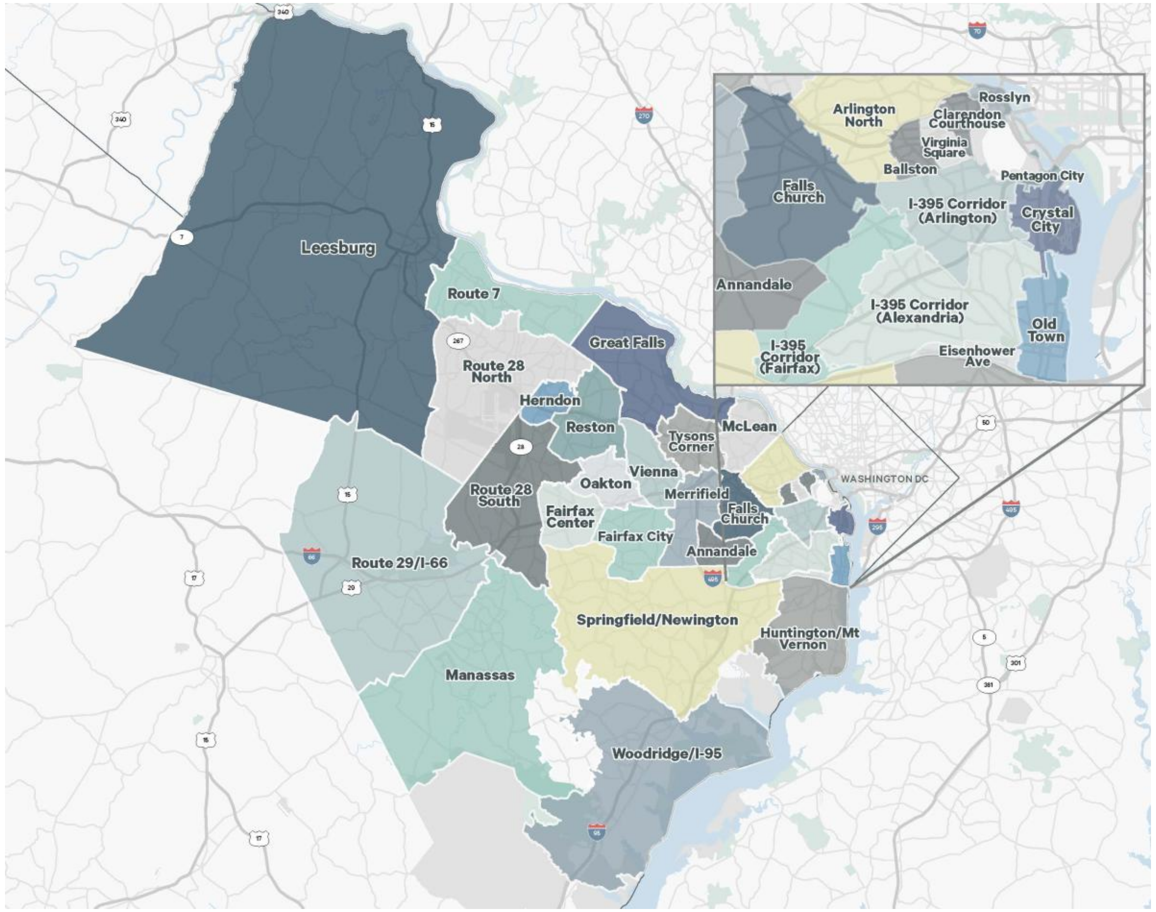
Figure 10

Submarket	Net Rentable Area (MSF)	Total Vacant (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Annandale	1.05	15.7	19.4	19.3	0.1	28.55	13,000	24,000	-	-
Arlington North	0.05	-	-	-	-	-	-	-	-	-
Ballston	7.29	20.7	28.0	25.8	2.2	43.88	(5,000)	2,000	-	-
Clarendon/Courthouse	4.56	26.7	33.9	30.8	3.0	43.24	7,000	33,000	-	-
Crystal City	9.67	29.3	34.4	30.7	3.7	43.75	61,000	44,000	-	-
Eisenhower Ave	5.61	24.4	27.0	26.4	0.6	38.84	(6,000)	(36,000)	-	-
Fairfax Center	5.17	29.9	35.8	33.7	2.0	30.89	(61,000)	(76,000)	-	-
Fairfax City	3.13	8.4	12.3	11.8	0.5	26.47	2,000	(9,000)	-	-
Falls Church	1.27	10.3	14.5	13.0	1.4	28.32	2,000	5,000	-	-
Herndon	10.34	26.5	30.3	28.5	1.8	34.14	154,000	160,000	-	-
Huntington/Mt Vernon	0.52	28.1	28.7	28.7	-	24.62	(5,000)	(3,000)	-	-
I-395 Corridor (Alexandria)	1.93	15.6	19.9	19.1	0.8	29.31	7,000	(9,000)	-	-
I-395 Corridor (Arlington)	1.01	30.4	34.9	33.9	1.0	29.94	(16,000)	(14,000)	-	-
I-395 Corridor (Fairfax)	2.87	35.1	35.8	35.8	0.0	30.38	35,000	49,000	-	-
Leesburg	0.63	2.7	6.2	6.1	0.1	28.34	2,000	7,000	-	-
Manassas	0.99	4.3	4.7	3.6	1.1	28.74	(8,000)	(9,000)	-	-
McLean	0.78	7.7	9.6	8.4	1.2	40.39	(2,000)	5,000	-	-
Merrifield	6.49	16.7	20.8	18.8	2.0	33.79	2,000	(19,000)	-	-
Oakton	0.48	31.5	35.2	34.8	0.4	30.92	(13,000)	(4,000)	-	-

Submarket	Net Rentable Area (MSF)	Total Vacant (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Old Town	4.99	17.4	24.2	21.6	2.6	36.67	10,000	12,000	-	-
Pentagon City	0.51	-	-	-	-	-	-	-	-	-
RB Corridor	21.33	21.9	27.1	25.2	1.9	45.00	105,000	136,000	-	-
Reston	16.67	22.9	26.4	24.6	1.7	38.03	36,000	61,000	-	-
Rosslyn	8.38	19.6	22.4	21.5	0.8	46.56	84,000	97,000	-	-
Route 28 North	4.65	9.3	11.2	10.7	0.6	28.49	(17,000)	(17,000)	-	-
Route 28 South	11.04	13.6	18.0	17.0	0.9	30.95	75,000	21,000	-	-
Route 29/I-66	1.66	3.6	5.1	5.0	0.1	23.39	3,000	-	-	-
Route 7	2.31	10.7	16.2	14.8	1.3	30.21	52,000	78,000	-	35,000
Springfield/Newington	4.07	15.9	17.4	16.9	0.5	35.43	39,000	102,000	-	-
Toll Road	27.02	24.3	27.9	26.1	1.8	36.39	190,000	220,000	-	-
Tysons Corner	21.89	26.4	33.0	30.8	2.2	40.09	(93,000)	9,000	-	-
Vienna	0.49	4.6	4.6	4.6	-	24.57	3,000	3,000	-	-
Virginia Square	1.10	28.3	29.7	26.2	3.5	51.23	18,000	3,000	-	-
Woodridge/I-95	0.96	8.7	10.3	8.6	1.8	28.00	(1,000)	16,000	-	-
Total	**142.58**	**21.3**	**25.7**	**24.0**	**1.7**	**37.75**	**380,000**	**535,000**	**-**	**35,000**

Source: CBRE Research, Q2 2026

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the "drip line" of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: In Mid-Atlantic markets, the change in leased sq. ft. from one period to the next. Net absorption includes both the occupancy gained in the building a tenant will move into, and the occupancy lost in the building the tenant will vacate, counted when the lease is signed. Net Lease Rate: Rent excludes one or more of the "net" costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: In Mid-Atlantic markets, space in a building that is not occupied, or space where vacancy is confirmed to be upcoming because an existing tenant has committed to another location. Prime: An office building in a core submarket that has consistently secured taking rents within the top 10% of all office properties in their submarket. CBRE determines this ranking by analyzing building rents as a weighted average over the past five years. Core Submarkets: The submarkets or clusters of submarkets across Northern Virginia that represent more urban centers of business. This includes Tysons, RB Corridor (Rosslyn, Clarendon/Courthouse, Virginia Square, Ballston), and the Toll Road (Reston and Herndon).

Survey Criteria

CBRE's market report analyzes office buildings that total 20,000+ sq. ft., excluding owner-occupied buildings, that are located within the submarket boundaries shown on the accompanying map.

Contacts

Stephanie Jennings
Research Director
stephanie.jennings@cbre.com

Erin Janacek
Research Manager
erin.janacek@cbre.com

Jack Hallisey
Research Analyst
jack.hallisey@cbre.com