

Demand Remains Stable as Sublease Availability Persists in Tech Sector

2.0 MSF

15.5%

YTD Space Leased

YTD Leasing Market Share

Note: 2023 data as of November

The D.C. metro region is a top U.S. market for tech talent, ranking fourth in CBRE’s 2023 Tech Talent Report. Greater Washington has a large concentration of young tech professionals, a notably high percentage of women in tech, and offers some of the most competitive salaries in the nation for the industry, while successfully maintaining a strong level of overall diversity within its workforce.

Northern Virginia remains the stronghold for tech tenants, capturing 80% of technology leases signed across the region in 2023. Despite leasing levels on pace with 2022 activity—currently at 2 million sq. ft.—activity resulted in 620,000 sq. ft. of occupancy loss as large tenants contract. Additionally, technology tenants remain one of the largest contributors to sublease availability, driving negative absorption across the region.

Technology tenants have added more than 820,000 sq. ft. to the sublease market in 2023 and currently account for nearly 25% of all available sublease space. While overall sublease availability is elevated 75% across the D.C. metro, it is less severe than other top tech markets like Seattle and San Francisco where availability is elevated 218% and 101% from pre-pandemic levels, respectively.

FIGURE 1: YTD Tech Leasing by Market (% by SF)

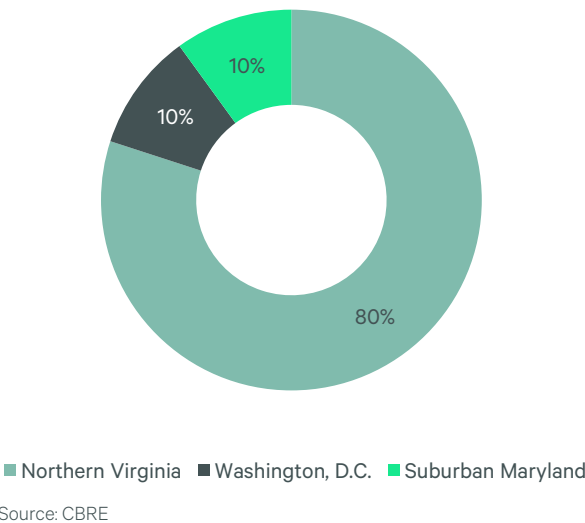
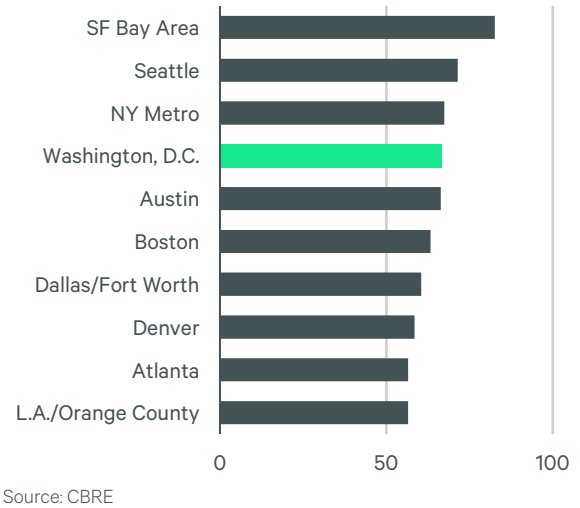


Figure 2: CBRE Tech Talent Scores: Top 10 U.S. Markets



By *Ethan Tull*, Research Analyst
ethan.tull@cbre.com

Erin Janacek, Research Manager
erin.janacek@cbre.com

Stephanie Jennings, Research Director
stephanie.jennings@cbre.com

Amazon HQ2 Update

In May 2023, Amazon opened Metropolitan Park, the first phase of its HQ2 located in National Landing. Met Park is made up of 2.1 million sq. ft. across two office buildings which can accommodate up to 14,000 employees. Approximately 8,000 employees are currently assigned to HQ2, but Amazon remains committed to hiring 25,000 HQ2 employees by 2030. This spring, Amazon doubled-down with a new return-to-office policy, requiring employees to work in-person three days per week. After a temporary pause in construction following the delivery of Phase I, the tech giant announced plans to begin pre-construction on Phase II in 2024.

Currently, Amazon has vacated around 300,000 sq. ft. of the roughly 1 million sq. ft. of office space it leased in National Landing while awaiting Met Park’s delivery. However, the ecommerce giant renewed two of the leases for a combined 348,000 sq. ft. in November 2023. The rest of the company’s leased space in National Landing is scheduled to expire between 2024 and 2028.

Looking Ahead

The technology sector is expected to remain a major driver of office market fundamentals across the D.C. metro region. With more than 13,000 technology graduates, the opening of Amazon’s HQ2, and Virginia Tech’s new Innovation Campus, the region should remain a top market for talent for years to come. Given Washington, D.C.’s status as the nation’s capital, it will likely capture increased demand from Artificial Intelligence companies that are looking for a lobbying foothold, or to capture new government contracts.

FIGURE 3: Select Notable YTD Lease Transactions

Tenant	Address	Submarket	Lease Type	SF	Market Effect
Amazon	1770 Crystal Dr & 241 18 th St S	Crystal City	Renewal	348,000	Flat
GDIT	13857 McLearen Rd	Route 28 South	Extension	200,242	Flat
ManTech	2251 Corporate Park Dr	Herndon	Renewal	118,678	Flat
iDirect Technologies	13861 Sunrise Valley Dr	Herndon	Renewal	103,110	Growth
GDIT	14700 Lee Rd	Route 28 South	Renewal	84,652	Flat
Havlik Corp.	7601 Ora Glen Dr	Greenbelt	New Lease	79,648	Growth
Arete	3130 Fairview Park Dr	Merrifield	New Lease	64,295	Growth
ASRC	1600 Wilson Blvd	Rosslyn	Extension	37,241	Flat

Source: CBRE

FIGURE 4: Select Notable Sublease Availabilities

Sublessor	Address	Submarket	SF	Term Through	Mos. on Market
Gartner	1201 Wilson Blvd	Rosslyn	314,526	12/31/2032	23
Walmart Labs	2245 Monroe St	Reston	162,357	4/30/2032	30
Meta	575 7 th St NW	East End	122,446	12/31/2030	8
Neustar, Inc.	1906 Reston Metro Plz	Reston	96,723	1/31/2032	10
MicroStrategy	1850 Towers Crescent Plz	Tysons	95,024	12/31/2030	22
Unisys	11720 Plaza America Dr	Reston	78,824	7/30/2025	26
FiscalNote	1201 Pennsylvania Ave NW	East End	65,325	5/31/2031	1
Rally Health	3000 K St NW	Georgetown	43,424	1/31/2026	35

Source: CBRE

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