Fundamentals Remain Strong Amid Supply Constraints

▶ 3.7%	▼ 39,393	▼ 0	▶ 812,634	▲ $16.88
Vacancy Rate	SF Net Absorption	SF Construction Delivered	SF Under Construction	NNN/YR Direct Lease Rate

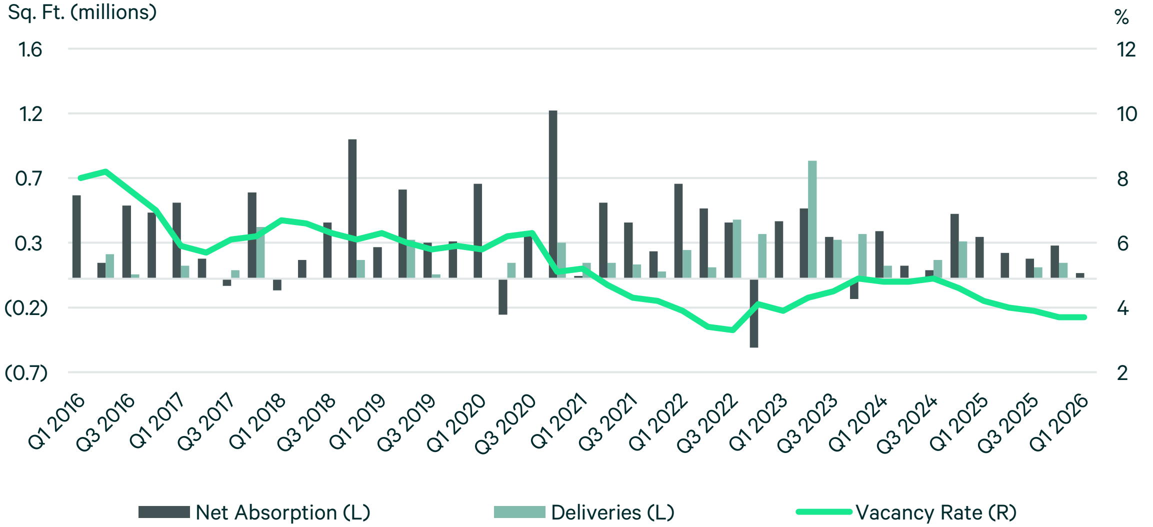
Note: Arrows indicate change from previous quarter.

Market Overview

To open the new year, Northern Virginia's industrial market recorded net absorption of 39,000 sq. ft., down from 226,000 sq. ft. in Q4 2025. Year-over-year, net absorption is down about 86% as tight market conditions dictate activity. Vacancy was just 3.7%, unchanged quarter-over-quarter and 50 basis points below the 4.2% rate a year earlier. The market's vacancy rate has trended downward since Q4 of 2023.

On the supply side, no new projects delivered during the quarter, and the construction pipeline stood at 813,000 sq. ft., the same level as Q4 2025 and up from 510,000 sq. ft. year-over-year. That said, multiple projects are expected to deliver next quarter. The average asking rate was $16.88, an increase of $0.17 year-over-year.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

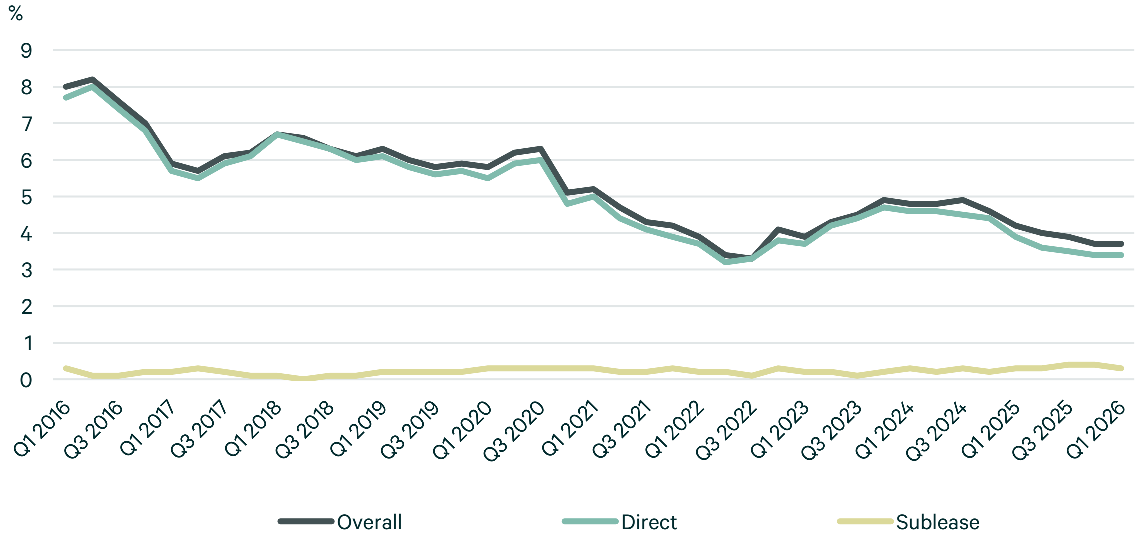
Vacancy Rate

The market vacancy rate finished Q1 2026 at 3.7%, unchanged from Q4 2025. Northern Virginia recorded a historic low vacancy of 3.3% in the third quarter of 2022, and the vacancy rate has hovered near this historic low over the past three quarters.

In Q1 2026, the Route 28/Dulles North submarket posted a vacancy rate of 1.7%, the lowest vacancy recorded since 2014. Looking at just warehouse properties, the submarket vacancy rate is even lower at 1.4%. The submarket has multiple speculative properties under construction that are expected to deliver later this year and are fully available for lease.

Sublet space slightly decreased quarter-over-quarter, with the sublease vacancy rate edging down in Q1 2026 to 0.3%.

Figure 2: Vacancy Rates



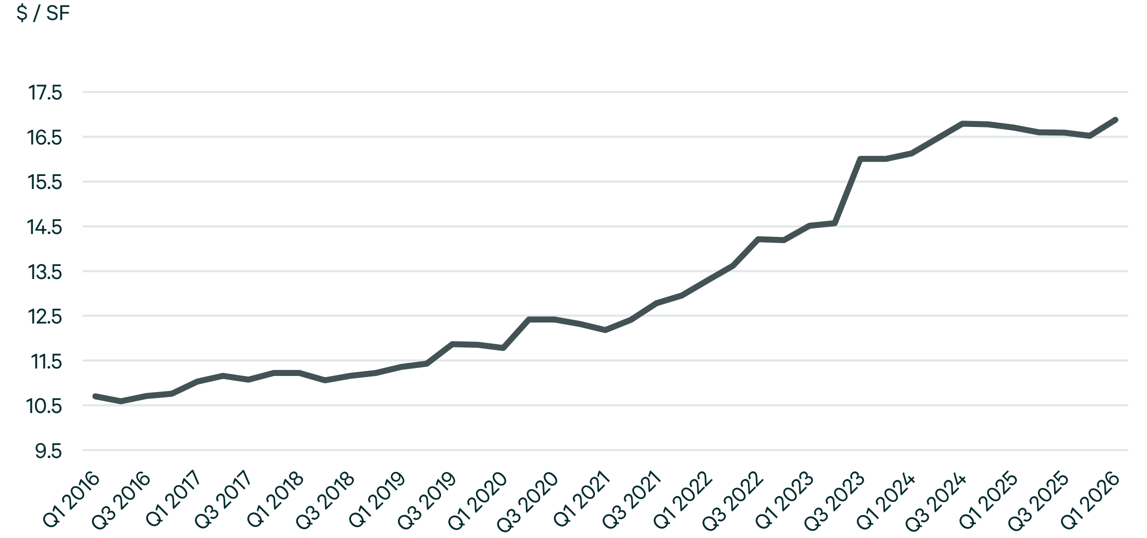
Source: CBRE Research, Q1 2026

Asking Rent

In Q1 2026, the market's average asking rent was $16.88 per sq. ft. per annum on a triple-net basis (NNN). This represented a 2.2% increase from Q4 2025. Over the past three years, average rents have grown by 16.3%, underscoring the strong rental growth seen across the market. Warehouse rents averaged to $17.10 per sq. ft. NNN.

At the submarket level, Route 28/Dulles North saw a 10.5% increase quarter-over-quarter to $19.25 per sq. ft. due to a handful of new class A availabilities. With the submarket having little vacant space, landlords have more leverage when listing rates. Across the Northern Virginia metro, asking rates continue to show growth despite the national trend showing declining rates.

Figure 3: Average Direct Asking Rate



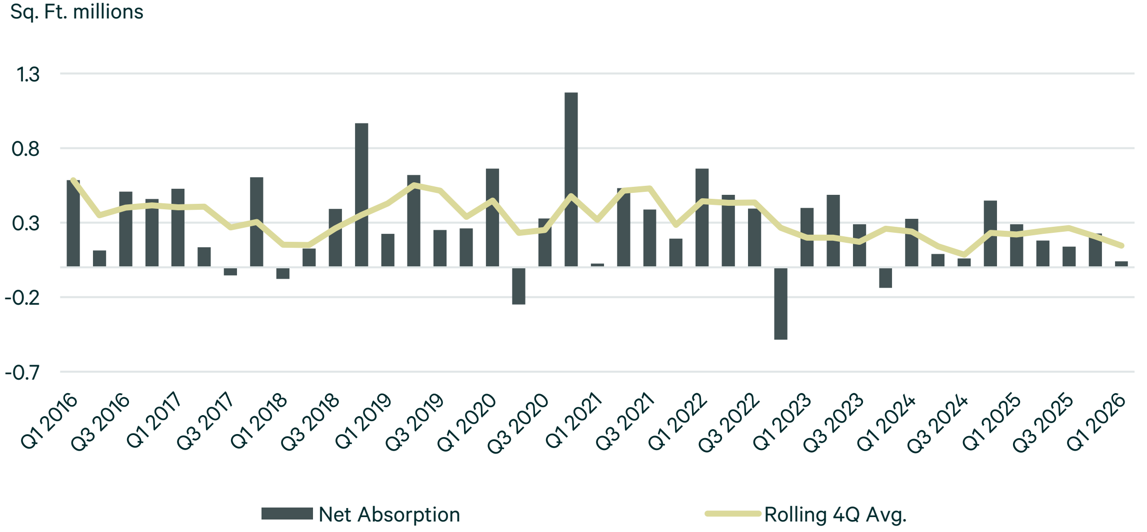
Source: CBRE Research, Q1 2026

Net Absorption

The market posted 39,000 sq. ft. of occupancy gain in Q1 2026, below the 288,000 sq. ft. recorded in Q1 2025 and down from 226,000 sq. ft. in Q4 2025. Over the last year, net absorption totaled 584,000 sq. ft., and over the last three years it reached 2.4 million sq. ft. Overall, the first quarter of 2026 saw minimal movement in or out of space from tenants in Northern Virginia. There were only a few needle moving occupancy changes, with the most notable being Pronto Tech purchasing and occupying the recently delivered 10671 University Boulevard.

Positive net absorption for Q1 2026 was concentrated primarily in the Route 28/Dulles North submarket with 76,000 sq. ft. for the quarter, and the Route 29/I-66 submarket with 69,000 sq. ft. Most recorded space changes were under 10,000 sq. ft. in space, with warehouse moves for the quarter averaging just 4,900 sq. ft.

Figure 4: Net Absorption Trend



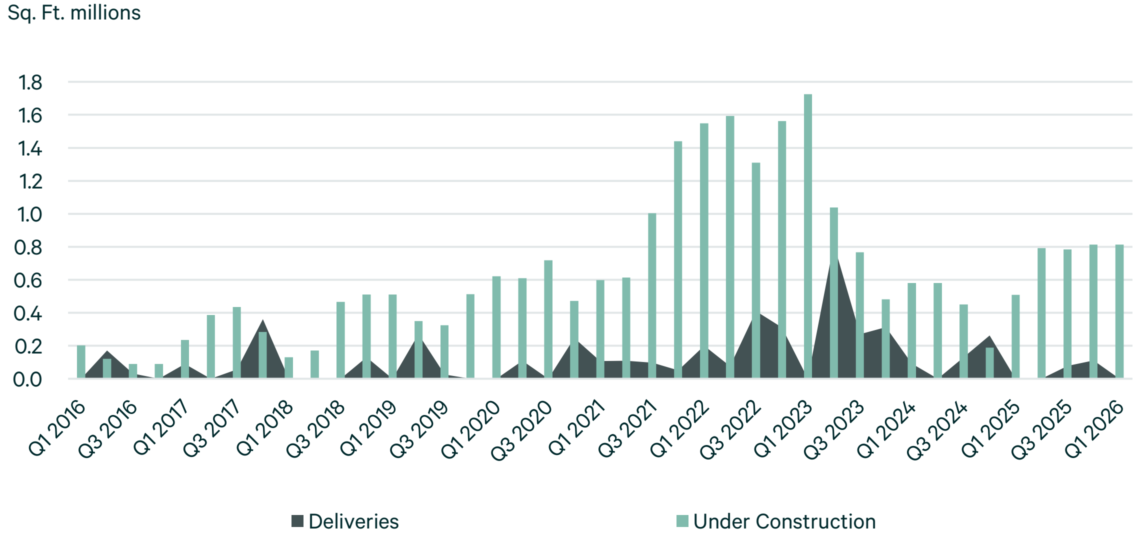
Source: CBRE Research, Q1 2026

Construction Activity

In Q1 2026, the market had 813,000 sq. ft. under construction across eight properties with no new space delivered. The construction pipeline was flat quarter-over-quarter, holding at 813,000 sq. ft., but increased by 303,000 sq. ft. from Q1 2025. All under construction properties are expected to deliver through the third quarter of 2026.

Construction is concentrated in Manassas, which accounts for 321,000 sq. ft. across two buildings at the Manassas Logistics Center, both slated for Q2 2026 completion. Route 28/Dulles North follows with 170,000 sq. ft. underway with Prologis Dulles Logistics (100,000 sq. ft., 0.0% pre-leased, Q2 2026 delivery) and Becca Square Warehouse (70,000 sq. ft., 100.0% pre-leased, Q2 2026). Woodbridge/I-95 adds 139,000 sq. ft. at I-95 Commerce Center, which is fully available and expected to deliver in Q3 2026.

Figure 5: Construction Activity



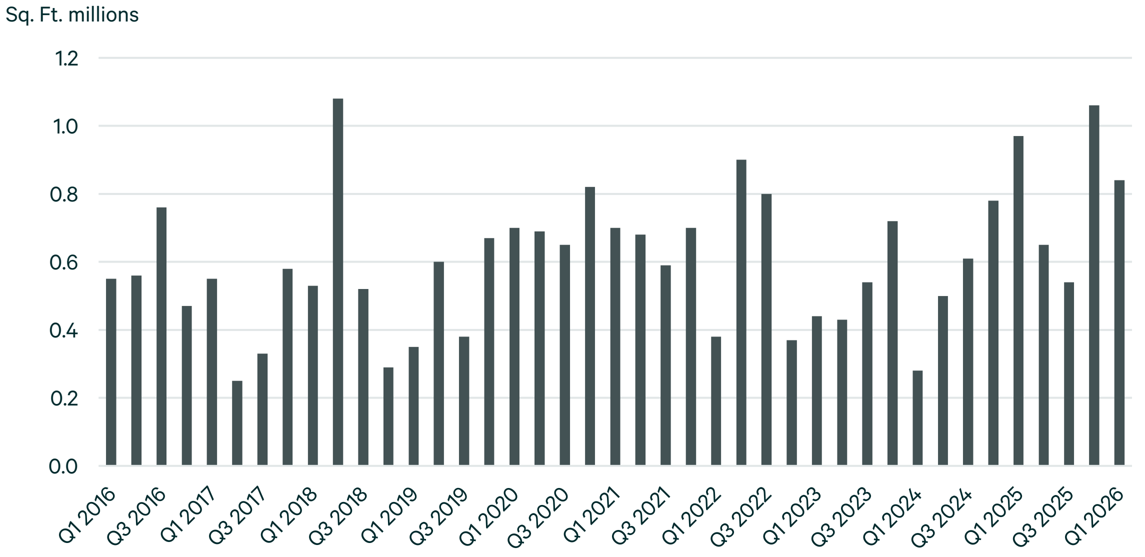
Source: CBRE Research, Q1 2026

Leasing Activity

At the close of Q1 2026, leasing totaled a moderate 797,000 sq. ft., down 28% quarter-over-quarter and 13% year-over-year. However, over the past five years, first quarters average only 560,000 sq. ft. This quarter saw six deals exceed 50,000 sq. ft., down from seven in the fourth quarter of 2025. Cumulative leasing over the last 3 years reached 7.1 million sq. ft.

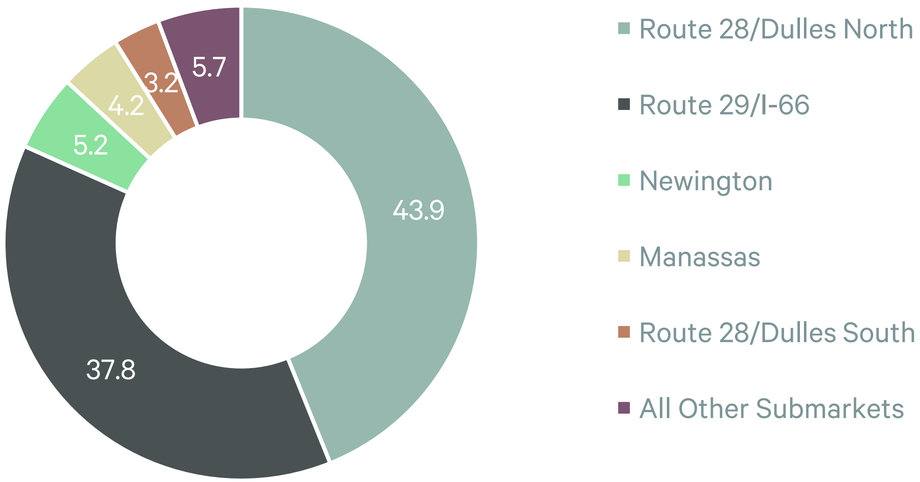
By submarket, Route 29/I-66 recorded the highest leased area at 310,000 sq. ft., followed by Route 28/Dulles North at 226,000 sq. ft. Both submarkets recorded moderate decreases in vacancy rate. In the Route 29/I-66 submarket, leasing was driven by multiple renewals in the Gainesville Business Park, including Atlantic Coast Cotton. Conversely, the Route 28/Dulles North submarket was dominated by new leases, with the only renewals being signed by Keuhne + Nagel and GE Aviation Systems.

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q1 2026

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



Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Atlantic Coast Cotton	144,000	Renewal	14251 John Marshall Hwy	Route 29/I-66
Badger Daylighting	99,000	New Lease	5451 Wellington Rd	Route 29/I-66
Kuehne + Nagel	74,000	Renewal	22920 Ladbrook Dr	Route 28/Dulles North
Confidential Tenant	73,000	New Lease	23750 Pebble Run Pl	Route 28/Dulles North
Confidential Tenant	65,000	New Lease	23000 Ladbrook Dr	Route 28/Dulles North
WP Company	59,000	New Lease	22630 Lockridge Rd	Route 28/Dulles North
GE Aviation Systems	38,000	Renewal	114 Powers Ct	Route 28/Dulles North
All American Martial Arts Supply	21,000	New Lease	3900 Stonecroft Blvd	Route 28/Dulles South

Source: CBRE Research, Q1 2026

Market Statistics by Submarket

Figure 9

Submarket	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Chantilly/Fairfax	0.42	5.0	5.0	5.0	-	14.77	1,000	1,000	-	-
Crystal City	0.07	-	-	-	-	-	-	-	-	-
Eisenhower Avenue Corridor	0.83	1.6	4.6	4.6	-	19.71	5,000	5,000	-	-
Falls Church/Bailey's Crossroads	0.27	-	-	-	-	-	-	-	-	-
Herndon	0.70	6.1	8.3	8.3	-	16.66	(4,000)	(4,000)	-	-
I-395 Corridor (Alexandria)	2.33	4.2	8.6	8.6	-	18.57	(6,000)	(6,000)	-	-
I-395 Corridor (Arlington)	0.38	2.4	2.4	2.4	-	24.00	-	-	-	-
I-395 Corridor (Fairfax)	0.05	31.0	31.0	31.0	-	12.29	2,000	2,000	-	-
Leesburg	0.72	11.0	11.0	11.0	-	17.69	(7,000)	(7,000)	-	-
Manassas	5.12	3.1	4.1	2.3	1.8	11.88	1,000	1,000	-	321,000
Merrifield	1.67	6.4	8.0	6.6	1.4	15.12	(7,000)	(7,000)	-	-
Newington	10.31	6.0	9.2	7.7	1.5	16.70	(59,000)	(59,000)	-	-
Oakton/Vienna	0.26	3.1	4.5	4.5	-	27.62	(8,000)	(8,000)	-	-
Old Town	0.54	-	-	-	-	-	-	-	-	-
Outer Arlington County	0.07	-	-	-	-	-	-	-	-	-
Outlying Loudoun	0.10	-	-	-	-	-	-	-	-	-
Reston	0.08	-	-	-	-	-	-	-	-	-
Route 28/Dulles North	18.00	1.7	5.9	4.8	1.1	19.55	76,000	76,000	-	353,000
Route 28/Dulles South	10.06	4.5	6.6	6.3	0.3	16.41	(40,000)	(40,000)	-	-

Submarket	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Route 29/I-66	9.41	1.9	4.6	3.7	0.9	15.83	69,000	69,000	-	-
Springfield	8.26	6.0	11.3	9.9	1.4	16.47	24,000	24,000	-	-
Tysons Corner/McLean	0.46	-	2.9	2.9	-	-	-	-	-	-
Woodbridge/I-95	3.43	3.5	9.6	5.3	4.3	15.46	(8,000)	(8,000)	-	139,000
Total	**73.51**	**3.7**	**7.0**	**5.9**	**1.2**	**16.88**	**39,000**	**39,000**	**-**	**813,000**

Source: CBRE Research, Q1 2026

Market Statistics by Size

Figure 10

Size Range	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Under 100,000 sq. ft.	47.86	3.9	7.3	5.9	1.4	16.77	(30,000)	(30,000)	-	353,000
100,000-199,999 sq. ft.	17.92	3.6	7.9	6.9	1.0	16.67	65,000	65,000	-	459,000
200,000-299,999 sq. ft.	4.15	0.9	0.9	0.9	-	19.87	5,000	5,000	-	-
300,000-499,999 sq. ft.	1.98	-	1.4	1.4	-	-	-	-	-	-
500,000-749,999 sq. ft.	0.50	37.5	37.5	37.5	-	18.50	-	-	-	-
750,000 sq. ft.	1.10	-	-	-	-	-	-	-	-	-
Total	**73.51**	**3.7**	**7.0**	**5.9**	**1.2**	**16.88**	**39,000**	**39,000**	**-**	**813,000**

Source: CBRE Research, Q1 2026

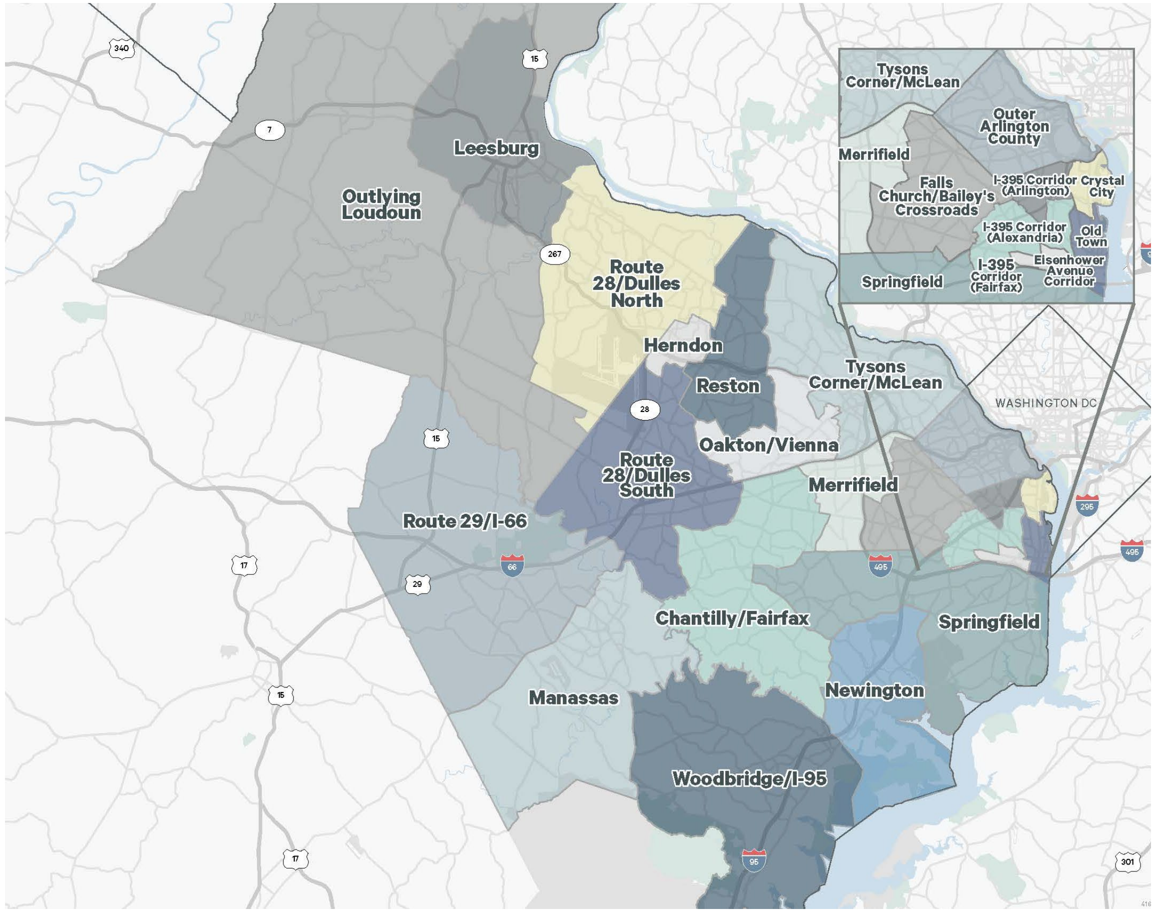
Market Statistics by Product Type

Figure 11

Product Type	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Distribution/Logistics	48.85	3.0	7.1	5.6	1.5	17.10	112,000	112,000	-	813,000
R&D/Flex	24.67	5.2	6.9	6.5	0.4	16.56	(73,000)	(73,000)	-	-
Total	**73.51**	**3.7**	**7.0**	**5.9**	**1.2**	**16.88**	**39,000**	**39,000**	**-**	**813,000**

Source: CBRE Research, Q1 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: The change in Occupied Sq. Ft. from one period to the next. 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.: Space that can be occupied within 30 days. Class A industrial are buildings built after 2000, with 32' or greater clear height and ESFR sprinklers.

Survey Criteria

CBRE's market report analyzes all classes of competitive single and multi-tenant industrial buildings that total 10,000+ sq. ft., including owner-occupied buildings, that are located within the submarket boundaries shown on the accompanying map.

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