

Aerospace and Defense Remains Strong Point for the D.C. Metro Region

1.3 MSF

YTD Space Leased

10.0%

YTD Leasing Market Share

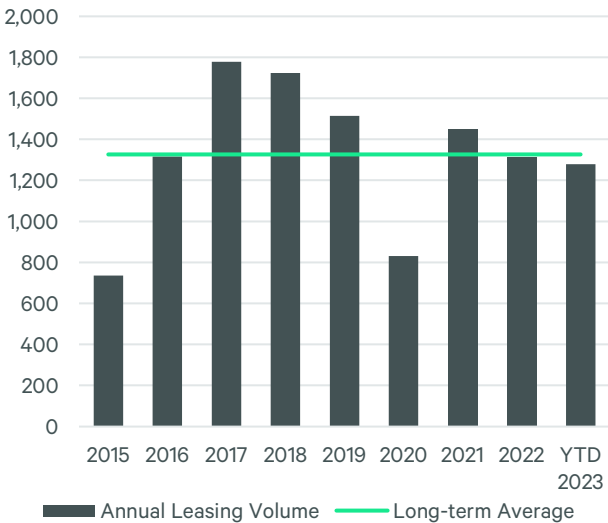
Note: 2023 data as of October

In FY 2022, the United States Department of Defense (DoD) deployed \$99.9 billion in defense spending (contracts, grants and payrolls) across the District of Columbia, Virginia, and Maryland. This represents 18% of all defense contract, grant and payroll spending across the U.S. and is an increase of 1% year-over-year.

Virginia is a key hub for the aerospace and defense (A&D) industry, ranking first in the nation for both defense dollars spent (\$62.7B) and defense spending as a percentage of GDP (9.7%). Maryland and D.C. also play important roles in the industry, with defense contracts accounting for 5.6% and 6.7% of GDP, respectively. Consequently, A&D tenants are a major office occupier across the region. Leasing by these tenants has remained steady through the pandemic, with leasing numbers returning to the pre-pandemic average after a dip in 2020. Year-to-date, A&D tenants have signed leases totaling 1.3 million sq. ft. across the region, near the long-term leasing average for the industry.

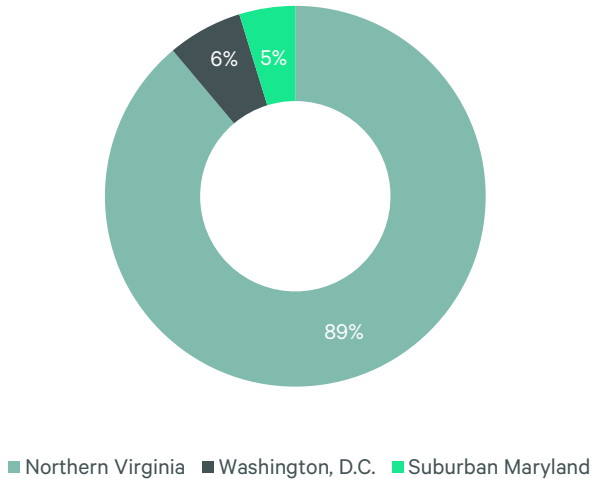
Northern Virginia captured the majority (89%) of A&D activity in 2023, with 18 tenants leasing 1.1 million sq. ft. year-to-date. Comparatively, just six transactions totaling 142,000 sq. ft. took place in Suburban Maryland and Washington, D.C.

FIGURE 1: D.C. Metro A&D Leasing by Year (SF, 000s)



Source: CBRE

FIGURE 2: YTD A&D Leasing by Market (% by SF)



Source: CBRE

Leasing Activity Defined by Institutional Occupiers

Institutional A&D companies have leased the most space in the D.C. region year-to-date, with activity from Northrop Grumman, Lockheed Martin, and Raytheon, among others. Large leases have dominated the market, with six tenants accounting for 74% of all A&D leasing. This activity included growth, footprints holding stable, and some densifications, yielding net loss in occupancy for the sector overall. While Raytheon expanded its Virginia presence by 62,000 sq. ft., Huntington Ingalls Industries and Lockheed Martin gave back space in the District and Suburban Maryland. In total, A&D tenants have posted 40,000 sq. ft. of negative absorption year-to-date.

Small and mid-size government contractors were also active in 2023. In Virginia, Shield AI grew by 26,000 sq. ft. and Ensco expanded by 14,000 sq. ft. Honeywell International, Inc. signed a flat renewal on its D.C. location, and Amentum gave back space in both the District and Suburban Maryland.

Looking Ahead

Pending passage by the U.S. Congress, the Fiscal Year 2024 National Defense Authorization Act would provide \$844 billion for the DoD, a 3% increase over FY 2023, or \$28 billion. Virginia’s attractiveness for defense contractors like Raytheon, Boeing, Northrop Grumman and SAIC, among others, recently saw Amentum relocate its headquarters to the state. The defense sector is likely to see continued growth due to emerging technologies and sub-sectors, digital transformation across the industry, and changing business models.

FIGURE 3: Select Notable YTD Lease Transactions

Tenant	Address	Submarket	Market	Lease Type	SF	Market Effect
Northrop Grumman	45101, 45201, 45301 Warp Dr	Route 28 North	VA	Renewal	337,228	Flat
Lockheed Martin	13560 Dulles Technology Dr	Herndon	VA	Renewal	189,764	Flat
Raytheon	22265 Pacific Blvd	Route 28 North	VA	Renewal	175,021	Growth
Arcfield (Analex)	14295 Park Meadow Dr	Route 28 South	VA	New Lease	124,400	Growth
Peraton	14291 Park Meadow Dr	Route 28 South	VA	New Lease	77,749	Flat
Shield AI	2450 Crystal Dr	Crystal City	VA	New Lease	42,872	Growth
Honeywell	101 Constitution Ave NW	Capitol Hill	DC	Renewal	35,614	Flat
ENSCO	2600 Park Tower Dr	Merrifield	VA	New Lease	32,067	Growth

Source: CBRE

FIGURE 4: Top 10 States by Defense Spending – Total Spending (\$, Billion)

State	Spending
Virginia	62.7
Texas	58.0
California	56.2
Florida	30.2
New York	28.1
Maryland	26.4
Connecticut	22.3
Pennsylvania	17.9
Massachusetts	15.2
Arizona	15.0

FIGURE 5: Top 10 States by Defense Spending – As Percentage of State GDP

State	Percentage
Virginia	9.7
Hawaii	8.9
Connecticut	6.9
District of Columbia	6.7
Alaska	6.3
Maryland	5.6
Kentucky	5.3
Alabama	5.0
Maine	4.3
Mississippi	4.1

FIGURE 6: Top 10 States by Defense Spending – Per Resident (\$)

State	Spending
District of Columbia	16,144
Virginia	7,223
Hawaii	6,081
Connecticut	6,150
Alaska	5,460
Maryland	4,289
Kentucky	3,084
Alabama	2,750
Maine	2,625
Colorado	2,215

Source: Department of Defense, Office of Local Defense Community Cooperation

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