

Fairfax County Office Market

Economic Initiatives Committee

July 23, 2024

Rebecca Moudry, Director, Department of Economic Initiatives

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The Fairfax County Pulse

July 2024

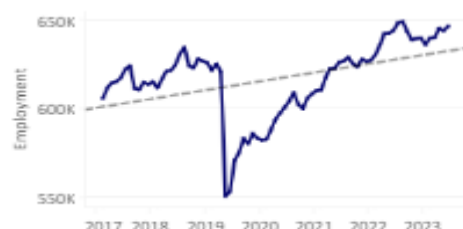
[Insights >>](#)

Workforce

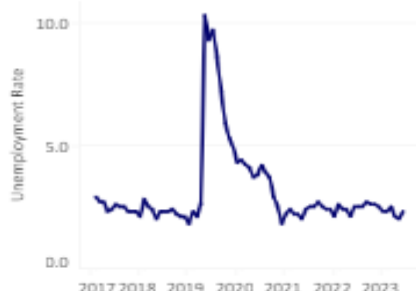
Labor Force
661,073 (P)
+0.7%/+0.2%
May 2024



Employment
645,896 (P)
+0.4%/+0.4%
May 2024



Unemployment
15,177 (P)
2.3(p) Rate
May 2024



Current Job Postings
47K+

(Data Pulled 7/16/2024)

Computer/Mathematical *Management *Business/Financial
*Healthcare *Sales

Business & Industry

Employer Establishments
38,499 (P) 1Q2024

Capital Investment | 2023YE

\$1.6B

106 Deals

Year End 2023



Category	Value
Later	1,019,690,000
Growth/Expansion	273,150,000
Early	170,120,000
Seed	111,920,000
Accelerator/Incubator	800,000
Angel	780,000
Equity Crowd Funding	50,000

\$4.3B Taxable Sales

2024 1Q | +0.7%

8.8K+ Vendors | +0.5%

(%chg. over 1Q2023)

Real Estate

[More Details >>](#)

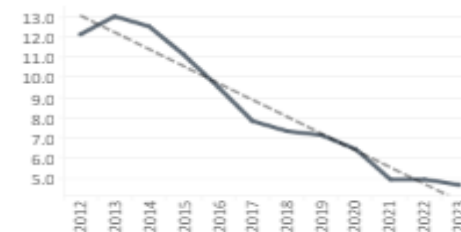
Office
Vacancy
Rate
17.2%

Year End 2023



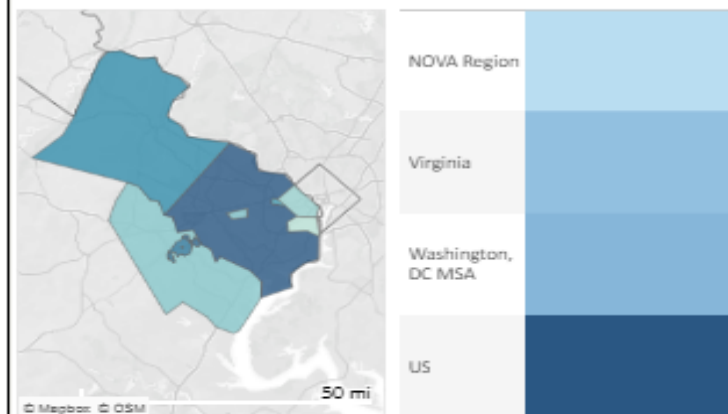
Industrial
Vacancy Rate
4.6%

Year End 2023



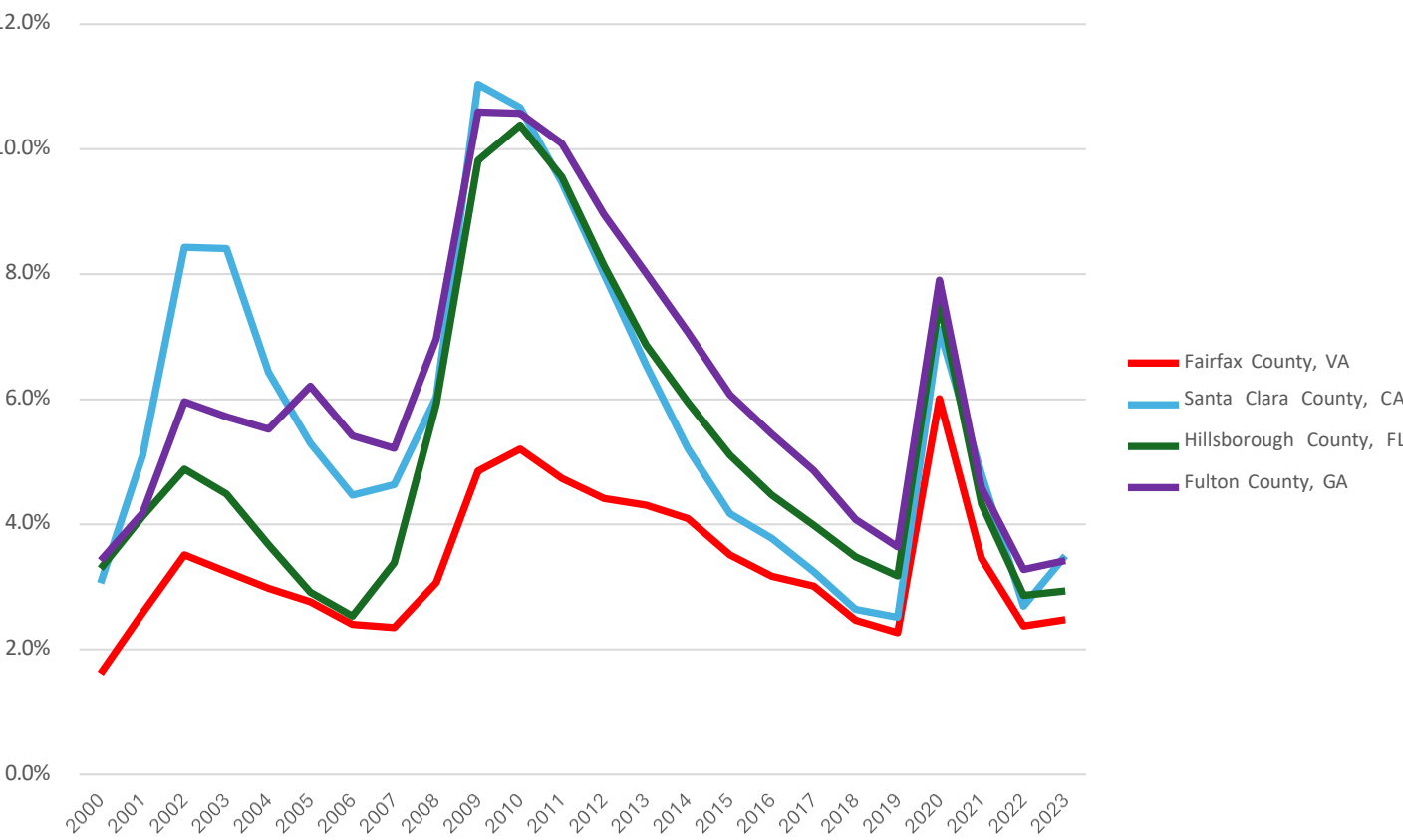
NOVA Region | Comparative Statistics

(roll over map or colored box in table to see stats)



Economic Stability

Comparative County Unemployment Rates 2000-2023



Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics

TOP STATES FOR BUSINESS

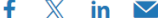
Virginia is America’s Top State for Business in 2024, with the nation’s best schools and solid infrastructure

PUBLISHED THU, JUL 11 2024 8:10 AM EDT | UPDATED THU, JUL 11 2024 9:41 AM EDT



Scott Cohn
@SCOTTCOHN TV

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KEY POINTS

- Virginia notches an unparalleled sixth win in CNBC’s annual state competitiveness rankings, and its third victory in five years, just barely besting last year’s No. 1 North Carolina in the closest finish ever.

DC is now the 2nd most popular destination for college grads, survey finds

Jimmy Alexander | jimmy.alexander@wtop.com
May 13, 2024, 10:20 PM



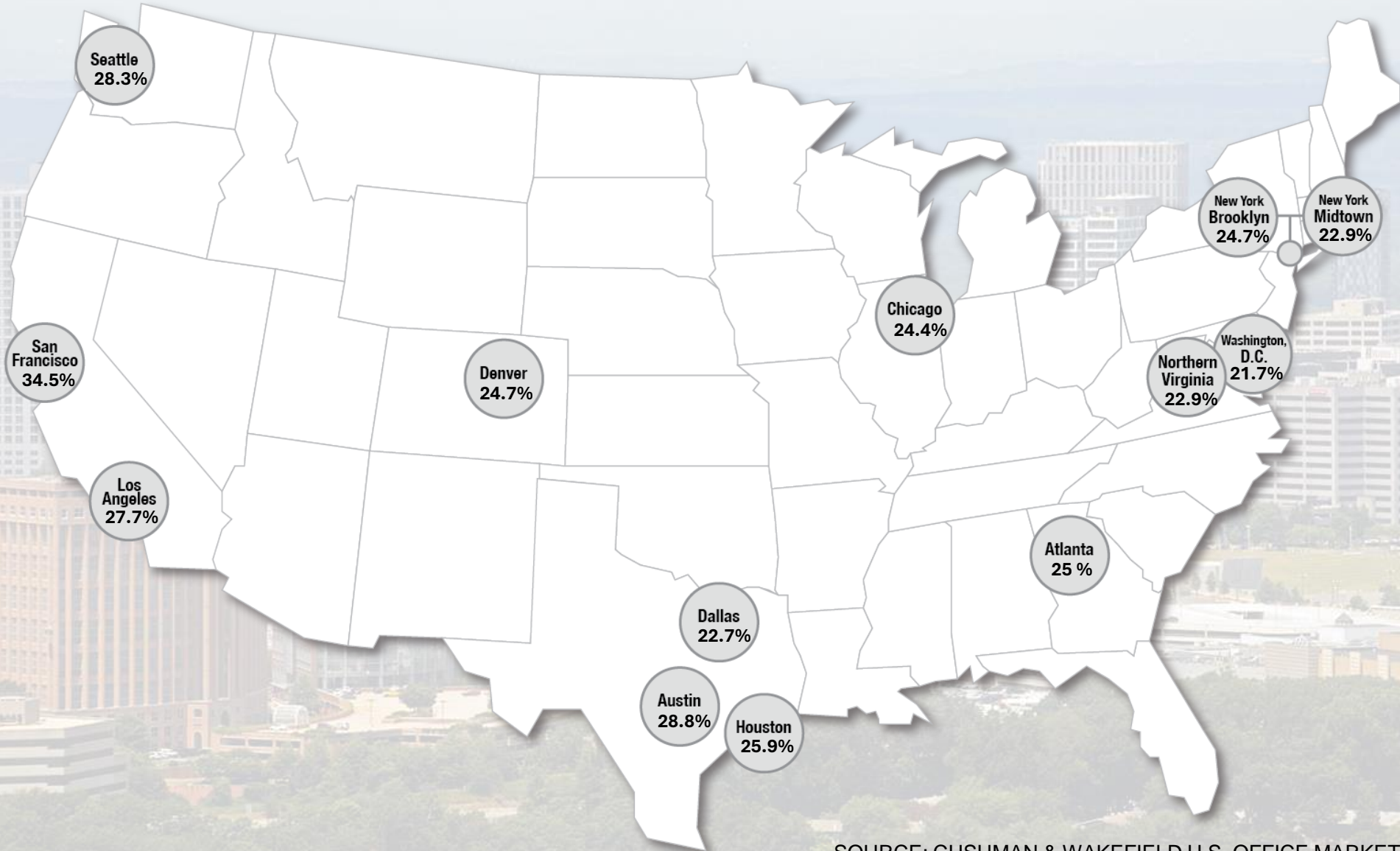
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More college graduates are hoping to land a job working for Uncle Sam. A new survey from campus recruitment website Handshake found D.C. has become a hot spot for recent grads.

According to the survey, the District is the second most popular destination, behind only New York City. The cities with the biggest drop in interest with the class of 2024 are Dallas and Seattle.

This year’s graduates are looking for more security with tech jobs in the government instead of gigs with big tech companies. Handshake said 7.5% of job applications on its site from the class of 2024 have been submitted to government agencies, compared to 5.5% with those that graduated last year.

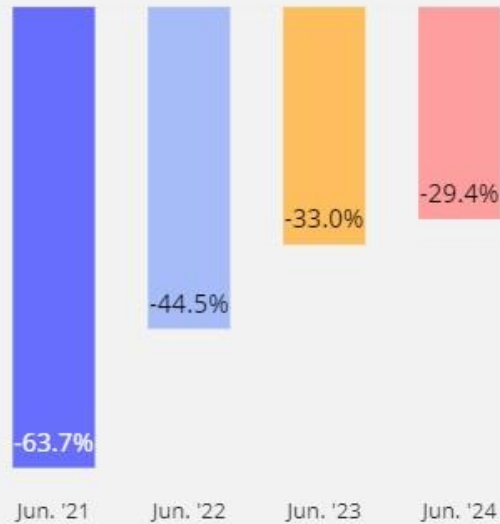
OFFICE VACANCY RATES



Office Occupancy Measures

June 2024 Office Visits Set a New Post-Pandemic Record

Monthly Visits, Compared to June '19



Monthly Visits, Compared to a June '19 Baseline

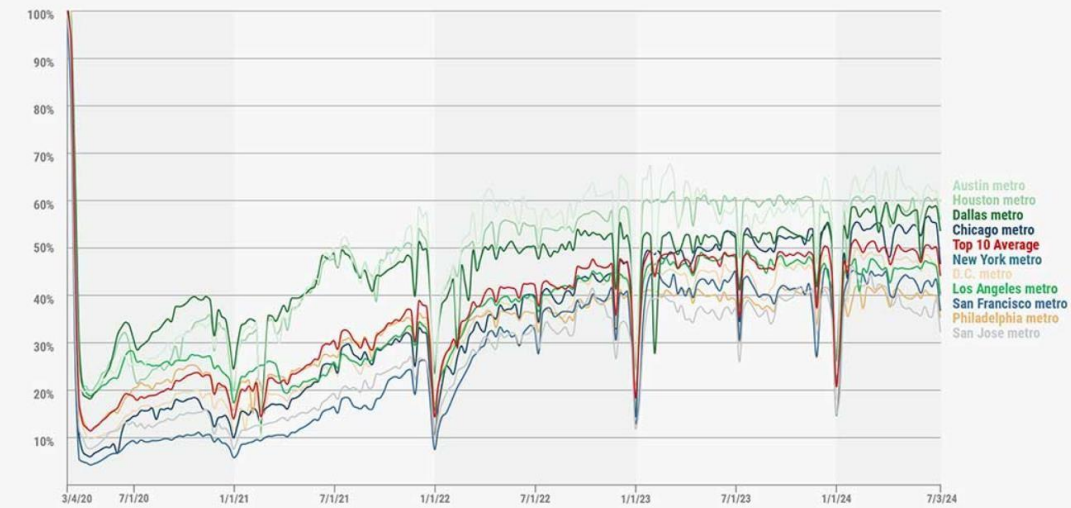


KASTLE BACK TO WORK BAROMETER

Weekly Occupancy Report from Kastle Access Control System Data

7.8.24

OCCUPANCY OVER TIME - MARCH 4, 2020 TO JULY 3, 2024



*On March 22, 2021, Kastle moved from daily to weekly data reporting to provide a more robust and comprehensive picture of office occupancy. We have also recalculated data back to the start of the time series for consistency. This has only a marginal impact on most cities and the national average.

Dissecting Office Vacancy Rate

- Q1 2018 – Fannie Mae signs lease (~850k sf) to anchor RTC Next
- Q4 2019 – ICF signs lease to occupy Reston Station, relocating from Vienna
- YE 2019 – Office vacancy rate is 13.9%
- Q1 2020 – Construction begins on speculative Tysons Central office building (~360k sf)
- Q4 2020 – Volkswagen Group of America signs lease to move HQ to RTC Next
- Q3 2021 – Comstock begins construction on speculative office building (~220k sf)
- Q4 2022 – Capital One delivers newest office building on owned HQ campus (~850k sf)

YE 2019 Direct Office Vacancy Rate	+	Consolidation Vacancy	+	New Construction Vacancy	=	Total Vacancy
13.90%		1.8%		0.3%		16%

YE 2023 Direct Office Vacancy Rate	-	Total Vacancy	=	Remaining Vacancy Increase ('20-'24)
17.20%		16%		1.2%

Local Office Market Stability

Corporate retreat: Big Tech has slashed its office presence in San Francisco by half

The same companies that fueled the city's last real estate boom are also the ones contributing to its latest bust



By the end of 2019, the 20 biggest tech employers had leased more than 16 million square feet of space, nearly a quarter of the city's total office stock. Now, those same companies are holding onto only 8.3 million square feet, according to data from real estate firm CBRE. - The San Francisco Standard

Source: The San Francisco Standard

Commercial Real Estate

Many N. Va. office tenants not shrinking their space, report says



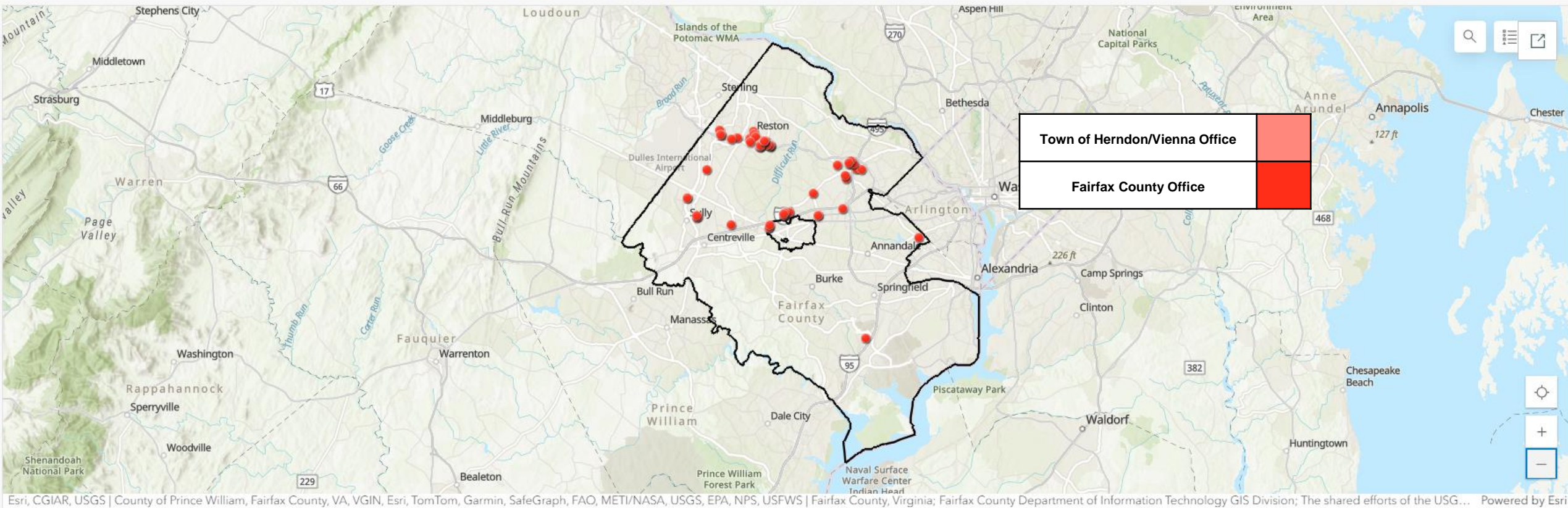
<https://www.bizjournals.com/washington/news/2024/07/05/northern-virginia-office-vacancy-cbre.html>

1/3

Fully three-quarters of transactions larger than 10,000 square feet signed during the second quarter had a “positive or neutral impact” on absorption, according to a July 1 analysis from [CBRE](#). That continues the trend from the first quarter, when the brokerage giant reported that 84% of transactions had a positive or no impact on absorption.

Source: Washington Business Journal

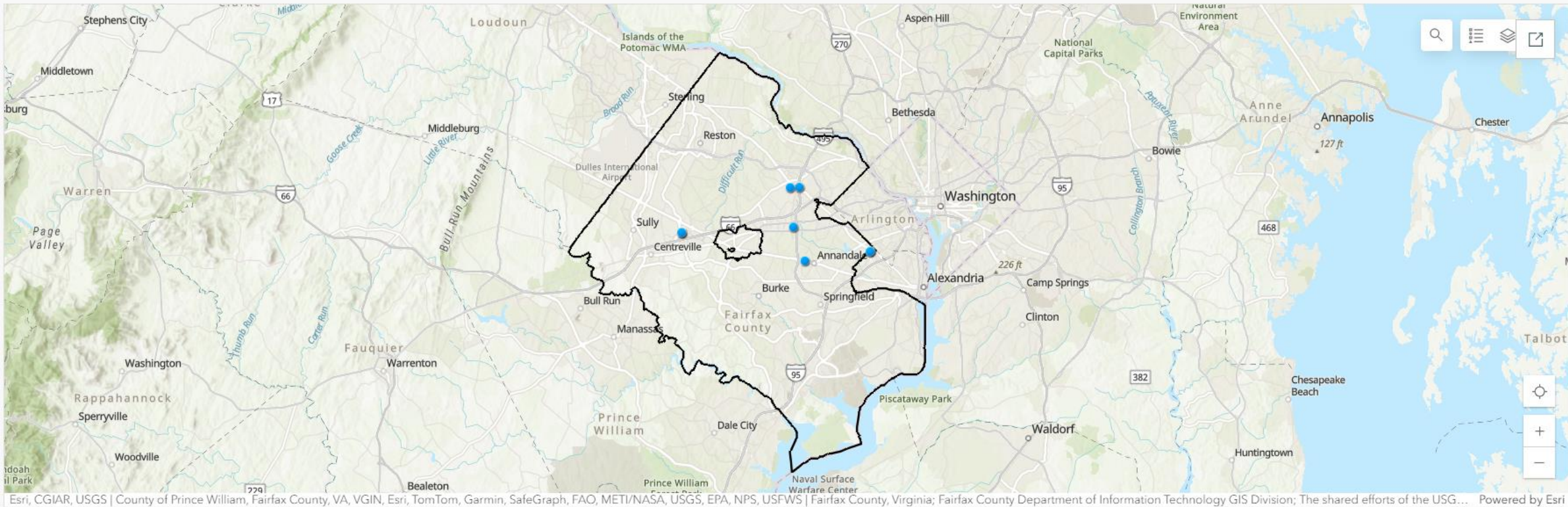
Proposed Office Demolition



Total SF
7.1M

Building Count
70

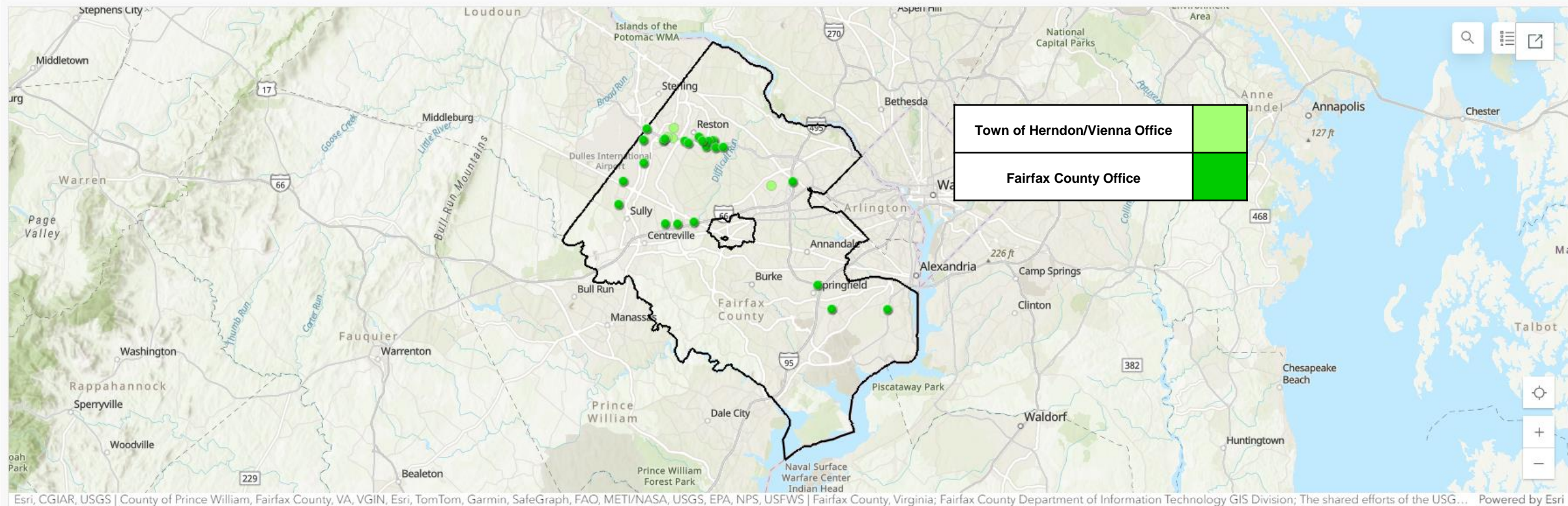
Proposed Office Adaptive Reuse



Total SF
1.6M

Building Count
8

High Vacancy Office Buildings

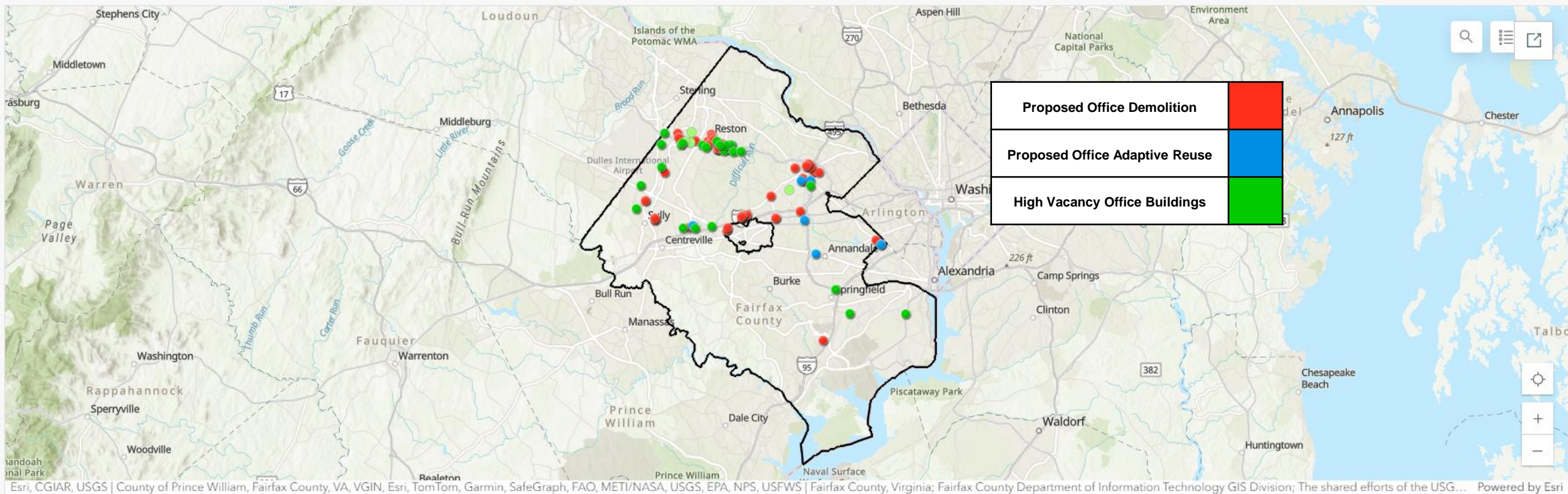


Total SF
3.7M

Building Count
28

Note: Office buildings >50,000 s.f. and <33% leased

Actionable Office Totals



Total SF
12M

Total Inventory
119.5M

Northern Virginia CRE Outlook

- Flight-to-Quality

- *Future leasing activity projected to occur predominantly in mixed-use submarkets along the demand corridor (Rosslyn-Ballston Corridor, National Landing, Tysons and the Toll Road). – JLL, Q2 2024*

- Hybrid Work Impact

- *With the widespread adoption of hybrid work models, expect to see a growing number of tenants leveraging these policies to influence their leasing decisions– Savills, Q2 2024*

- Federal Government Spending

- *The defense budget, already at all-time highs, is projected to further increase in FY2025, bringing continued steady demand to the contractor-heavy tenant base. –JLL, Q2 2024*

- Rightsizing

- *Inventory will continue to decline as a large volume of planned redevelopment projects begin to kick off. Such rightsizing, coupled with a low construction pipeline, should help bring more stability to the market. – JLL, Q2 2024*

- Increased Capital

- *Venture capital raised for debt funding in Northern Virginia has surged in the last quarter, which should significantly benefit office leasing. With this influx, tenants and landlords can adjust their financial strategies, sign leases, and improve lease packages for prospective tenants in the market. – Avison Young, Q2 2024*

- Inflation

- *Elevated inflation and interest rates will fuel economic uncertainty for most of 2024. This will cause select tenants to limit inking new deals and most lease transactions will right size. – Transwestern, Q2 2024*

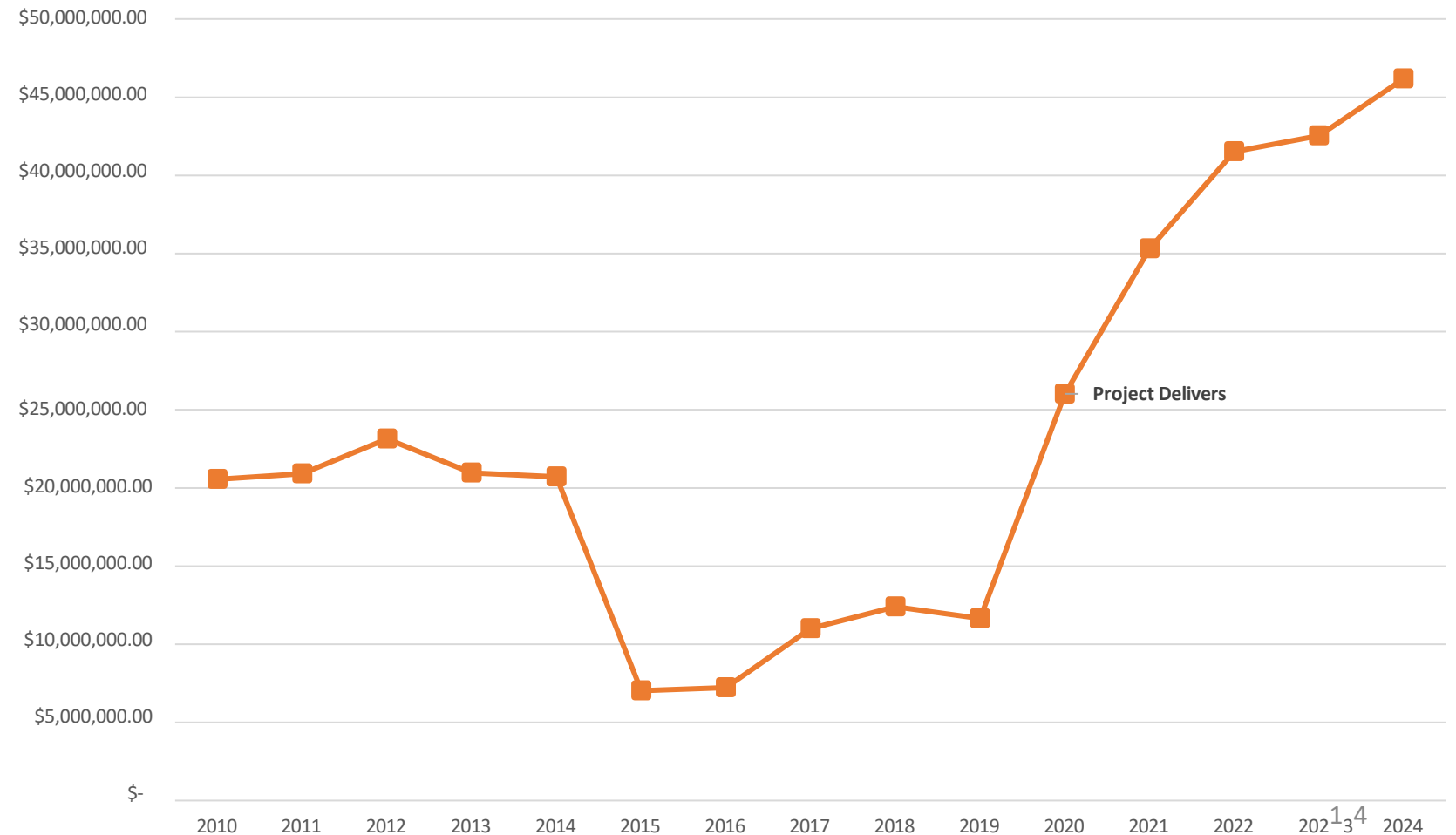
FCEDA Actions to Combat Rising Vacancy

Current Actions

- Continue to pursue companies in high-growth industries
 - Artificial Intelligence
 - Space Commercialization – Potential Space Commercialization Conference 2025
 - Quantum Computing – Quantum World Congress 2024
- Encourage alternative use space with high tax revenue replacement value

OFFICE TO MULTI-FAMILY – RIGHT OPPORTUNITY

ASSESSED VALUE OF 5600 COLUMBIA PIKE (ADAPTIVE REUSE TO LIVE/WORK UNITS)



Source: Fairfax DTA

SECTOR DIVERSIFICATION

Growing Innovation and New Business Development



**FAIRFAX
FOUNDERS
FUND**

 **ACCELERATE**

BREAKFAST SERIES



Blueprint for the Future:
Cluster Competitiveness Analysis

Council for Economic Opportunity:
Tackling pressing opportunities & challenges

FLEXIBLE LAND USE

Comprehensive Plan Supports Commercial Conversions via Policy Plan

- Adopted 2018 & 2019
- Flexibility
- Process Efficiency

Office Building Repurposing White Paper

- Trends
- Activity
- Success Factors and Challenges

Zoning Ordinance Modernization

- “Bucketed” uses
- New uses
- Special Events
- Parking Reimagined



OFFICE BUILDING REPURPOSING

A Fairfax County Department of Planning and Development White Paper
July 2023



REPURPOSING HAS INCREASED HOUSING OPTIONS

Zoning and Planning Activity

- 2,194 units approved
- 1,144 possible units via SSPA nominations

Skyline

- 1,230 units in five buildings
- 7-8 months to BOS approval
- Economic Incentive Program

Madison Live/Work Lofts

- 250 units in one building
- 12 months to BOS approval
- Extensive County and VDOT coordination



CONSIDERATIONS & NEXT STEPS

Next Step: Comprehensive Plan Policy Plan Amendment

- Expand criteria for repurposing to also include additional uses, such as hotel repurposing
- New criteria for retaining and planning for office

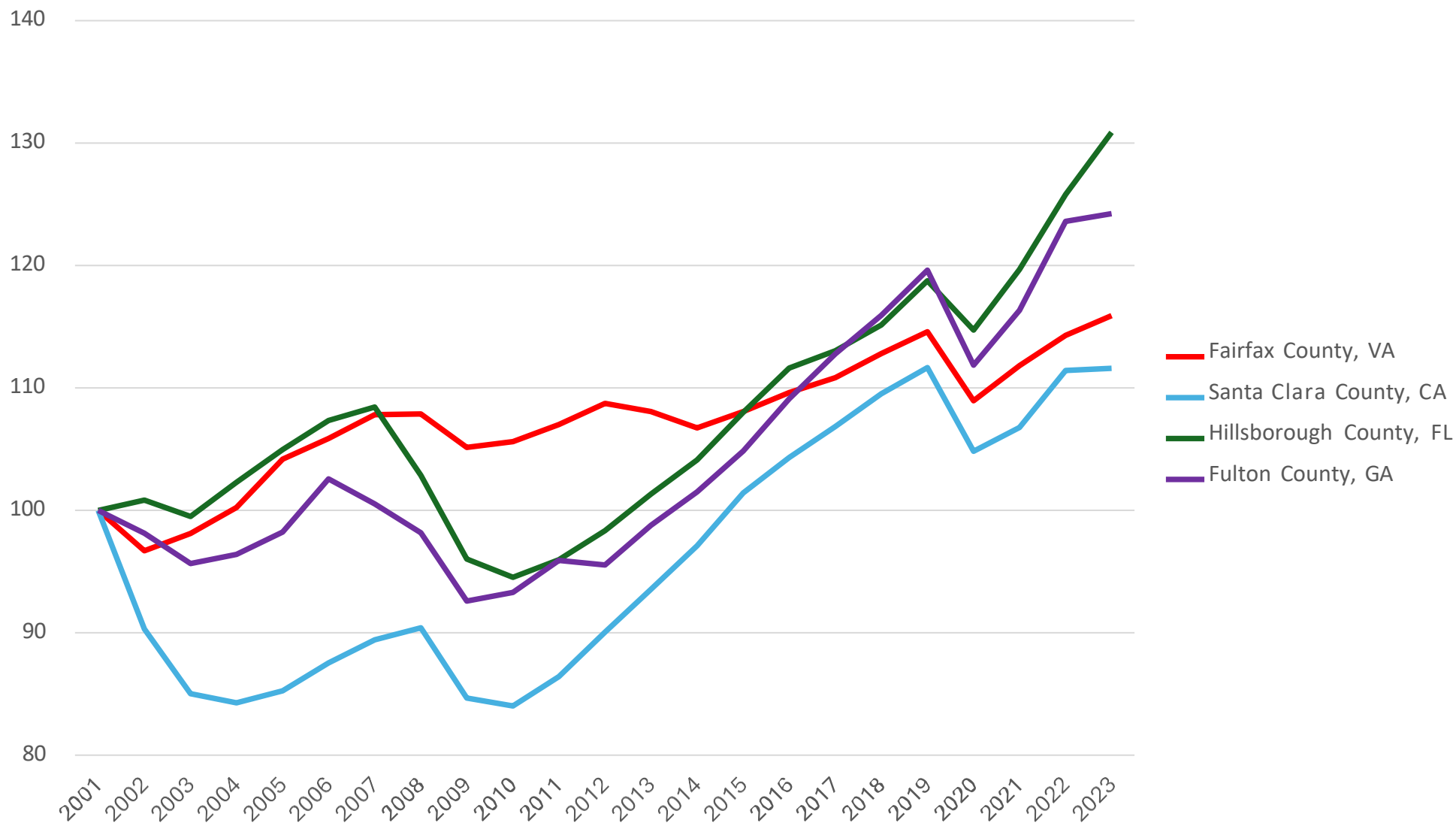
To Consider: Analysis to Understand Repurposing Challenges & Opportunities

- Analysis on tools or policies to remove barriers, stimulate or support
- Study on office inventory for conversion opportunities

Appendix

Annual Employment 2001 – 2023

Indexed 2001 = 100



Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages

Work From Home - Other Jurisdictions

Rank	Jurisdiction	% Worked From Home
1	Arlington County, VA	35.8
2	Forsyth County, GA	33.9
3	District of Columbia	33.8
4	Marin County, CA	32.7
5	San Francisco County, CA	32.5
6	Boulder County, CO	32
7	Travis County, TX	31.4
8	Douglas County, CO	30.9
9	Alexandria City, VA	30.9
10	King County, WA	30.5
12	Loudoun County, VA	30
16	Montgomery County, MD	28.1
19	Fairfax County	27.9

Source: 2022 US Census Bureau American Community Survey