

Q2 2017

CUSHMAN & WAKEFIELD | THALHIMER

RESEARCH SPOTLIGHT



CUSHMAN &
WAKEFIELD

THALHIMER

Picking Richmond

Richmond, Virginia has become one of the most attractive metro areas in the Mid-Atlantic and Southeast for doing business, as evidenced by companies both large and small flocking to and expanding in the region. Not only are companies like Owens & Minor choosing to expand their existing presence in the market, picking Richmond for their client engagement center over 60 other cities, but companies like CoStar and ICMA-RC are relocating from nearby major metropolitan cities. But why are so many companies picking Richmond?

- Richmond is a hotbed for the millennial talent that companies are striving harder and harder to recruit. With great universities in the metro area like Virginia Union, Virginia Commonwealth, and University of Richmond and even more nearby like Virginia Tech, University of Virginia, Christopher Newport, Old Dominion, and James Madison, there is no shortage of well-educated young employees.
- Sales and use taxes are not only low compared to nearby competitive metros, but are the fifth lowest in the nation coming in at 5.3%
- More importantly, rental rates are also substantially lower than nearby metros, as evidenced in the chart to the right. Both CoStar and ICMA-RC have existing presences in DC, and loved that they could expand in Richmond for far less expensive rental rates, while maintaining proximity to DC. ICMA-RC mentioned they were able to find Class A space in Richmond for a third of what they were paying in downtown DC.
- Cost of living in Richmond is 5% below the national average and housing costs are 11% below the national average, so not only do companies get to save money, their employees do as well (GRP).
- Forbes ranks the cost of doing business in Richmond as 109th lowest in the nation, better than Nashville, Baltimore, & DC at 115, 176, and 195 respectively.

SALE & USE TAX



RENTAL RATES





JAMES RIVER LOOKING TOWARDS
DOWNTOWN RICHMOND

RICHMOND ACCOLADES

NO. 24

TOP 100 BEST PLACES TO LIVE IN THE USA

- U.S. NEWS & WORLD REPORT, 2017

TOP 10

TRENDIEST U.S. CITIES THAT YOU CAN STILL AFFORD TO BUY IN

- REALTOR.COM, MARCH 2016

TOP 10

BEST CITIES FOR FOOD, ACCORDING TO REAL CHEFS

- CONDE NAST TRAVELER, JULY 2015

NO. 10

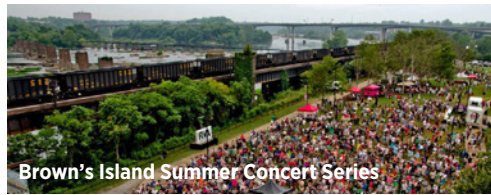
READERS' CHOICE BEST AMERICAN RIVERFRONT

- USA TODAY, OCTOBER 2015

NO. 1

THE MOST ARTISTIC MID-SIZED CITY IN AMERICA

- GOGOBOT, NOVEMBER 2015



Brown's Island Summer Concert Series



Flying Squirrels Baseball



Little River Winery



Strangeways Brewery



Footbridge

QUALITY OF LIFE

Richmond isn't only attractive for its low rental rates and costs for business, but people love living in Richmond for the extremely high quality of life. Happy employees make for a more successful culture and as a result, more successful business.

- In 2014, Richmond was voted the "Happiest City in the Country" by the National Bureau of Economic Research
- Just last year, National Geographic Travel rated Richmond the number one destination in *the world* for food travel. Couple the extraordinary cuisine with an exploding brewery and distillery culture, and there's no shortage of culinary delights.
- Richmond is also perfectly positioned to enjoy all that nature has to offer. Not only is Richmond almost equidistant from both the mountains and the beach, but Richmonders can enjoy miles of hiking trails, a paddle or a swim in the river, or a run through a beautiful and historic city.
- Apartment rent is also considerably lower in Richmond than nearby metros.
- Richmond is also spared much of the horrific congestion that plagues DC, As CoStar CEO Andrew Florance put it, "It's half the cost and 1/20th the traffic congestion!"

MAJOR CITIES:

One Bedroom Rental Rates & Percentage Extra Travel Time Due To Traffic

CITY	RENT	AVG. TRAVEL TIME ² (PER TRIP)
Washington DC	\$2,221	29%
Nashville	\$1,410	23%
Baltimore	\$1,336	19%
Charlotte	\$1,303	17%
Raleigh	\$1,080	18%
Richmond	\$972	11%

¹ http://www.richmond.com/business/local/article_f361b40f-1f21-5292-82b6-85a148d7baa8.html

² Source: Tomtom Traffic Index



JAMES RIVER FOOTBRIDGE

Who's Coming?

COMPANIES BOTH LARGE...

- ICMA moved into 55,000 SF at Riverfront Plaza.
- Allianz has reported an unnamed “high tech fortune 100 company” has selected their building in the west end for a call center and is taking the entirety of the third floor. They reportedly picked Richmond over sites in Georgia and the Carolinas.
- Owens & Minor is taking 90,000 SF at Riverfront Plaza for a Client Engagement Center. They picked Richmond over 60 other cities.
- VCU Health is taking 135,000 SF in Innsbrook for a managed care insurance organization.
- CoStar picked Richmond for its operations and research headquarters after a national search. They are occupying 100,000 SF at 501 S. 5th Street.

COMPANIES EXPANDING & COMING TO RICHMOND



VCU Medical Center
Every Day, A New Discovery.™



...AND SMALL

- Despite these massive tenants, CoStar would suggest that the average lease signed for office space in Richmond in 2016 was only just over 3,500 SF.
- First Vice President Mac Wilson comments, “While it’s the large users taking space that gets the press, the real sign of a healthy market is an active pool of smaller users.”

RICHMOND ACCOLADES

NO. 3

VEIL BREWING CO. NAMED
BEST NEW BREWERY IN THE
WORLD

- RATEBEER.COM, JANUARY 2017

TOP 10

BEST CITY FOR GLOBAL
TRADE IN THE UNITED
STATES

- GLOBAL TRADE MAGAZINE, SEPTEMBER 2016

NO. 11

20 BEST PLACES IN AMERICA
TO START A BUSINESS

- CNBC.COM, AUGUST 2016

NO. 28

AMERICA'S 50 BEST
RUNNING CITIES

- RUNNER'S WORLD, AUGUST 2016

TOP 10

TOP DESTINATION FOR
FOOD TRAVEL IN THE
WORLD

- NATIONAL GEOGRAPHIC, JANUARY 2016

THE VEIL BREWING CO

16.75 OZ
\$4/6

CRUCIAL TAUNT
DOUBLE IPA/PILSNER ALE 6.5 ABV \$4/6

65
SLEEPING FOREVER 65
IMPERIAL STOUT 10.0 ABV



THE VEIL BREWING COMPANY
SCOTTS ADDITION



Casa Del Barco



Hardywood Park Craft Brewery



Postbellum

What Does It Mean for Richmond?

INFLUX OF NEW JOBS

Newcomers and expansions in the office marketplace have led to over 1,400 new jobs since the beginning of 2016, headlined by CoStar contributing over 700 new jobs, Owens & Minor with 300 and ICMA-RC at 200.

MARKET STABILITY

Consistent growth has led to stability in the job market. Richmond's unemployment rate has stayed below 5% since February 2015 and is currently at 4.3%, below the national average of 4.8%.

CAPITAL INVESTMENT

Richmond isn't only a great business climate for big companies, but big companies are providing benefits for Richmond too. Owens & Minor plans to invest \$15 million into their Riverfront space, Minacs invested \$2.5 million into the Allianz building to attract their new unnamed tenant, CoStar is investing over \$70 million, ICMA-RC plans to spend over \$10 million in capital investment and many more. These are investments that smaller tenants cannot afford to make and such large infusions of capital into the market help the metro area as a whole.

MAJOR DESTINATION FOR COMPANIES IN THE SOUTHEAST

Eight Fortune 500 companies are currently headquartered in Richmond. With so many in such a comparably small metro area, Richmond is beginning to evolve from the up-and-coming city that Forbes recognized it as in 2013, and is growing into one of the major destinations for companies both large and small in the Mid-Atlantic and the Southeast.

FORTUNE 500 COMPANIES WITH RICHMOND AREA HEADQUARTERS



FOR MORE INFORMATION, PLEASE CONTACT:

Tim Morris
Research Coordinator
804 344 7161
tim.morris@thalhimer.com



Thalhimer Center
1100 W. Broad Street | Glen Allen, VA 23060
p: 804 648 5881 | f: 804 697 3479 | www.thalhimer.com