

# PANDEMIC POLICIES & REMOTE WORK

## SUBLET MARKET GROWS ALONG WITH OPPORTUNITIES FOR SPACE

Since the second quarter of 2020 when the COVID pandemic began, there has been an increase in office space available for sublease as businesses moved to remote working and hybrid structures. According to national data compiled by Cushman & Wakefield, sublet space is up 76% year over year (YoY) and up 99% since Q1 2020. Despite this trend, sublets still only make up less than 1% of vacant space in Virginia and total vacancy has been trending down in most Virginia markets. While some large single tenant occupiers temporarily moving to remote work has had an outsized impact on smaller markets, the result has provided other companies with the opportunity to fill available office space and expand operations amid an otherwise tight availability market. The below summaries provide a clearer picture of the impacts and major drivers of sublet space in Virginia's major markets outside of the D.C. beltway.

### RICHMOND, VA

#### MAJOR TENANTS ADAPTING AND CHANGING

15%

CURRENT AMOUNT OF  
SUBLET SPACE AVAILABLE  
AS A PORTION OF TOTAL  
VACANCY

Truist, along with Anthem Healthcare, together listed more than 440,000 SF of suburban space at Suntrust Centers I and II and Holland Tower respectively, which makes up more than 26% of total available sublet space in the entire market. The sublet market in Richmond is also providing opportunities for expansion. The largest lease transaction in 2021 was the sublease of 158,400 SF by tech solutions company, Maximus in the James River Center II. The space was formerly occupied by Capital One.

5%

AVERAGE 2010 - 2019

12%

AVERAGE 2020 - YTD

### HAMPTON ROADS, VA

#### MILITARY STRONGHOLD

5%

CURRENT AMOUNT OF  
SUBLET SPACE AVAILABLE  
AS A PORTION OF TOTAL  
VACANCY

With nearly a third of all employees linked to military employment, Hampton Roads was one of the few regions in Virginia that did not see a significant increase in sublease percentage of total space available. One of the largest lease transactions in the past two years was a sublease completed by Movement Mortgage, taking more than 30,000 SF in the Greenbrier submarket from former tenant Crescent Bank & Trust.

3%

AVERAGE 2010 - 2019

4%

AVERAGE 2020 - YTD

### ROANOKE, VA

#### ADVANCE AUTO PARTS GOES REMOTE

24%

CURRENT AMOUNT OF  
SUBLET SPACE AVAILABLE  
AS A PORTION OF TOTAL  
VACANCY

After moving its main HQ from the Crossroads Office in Roanoke to Raleigh, NC in 2018, Advance Auto Parts continued to maintain more than 270,00 SF of space in Roanoke for administrative staff, legal and customer support. In Q2 2020 however, citing the decision to provide more remote work for employees, Advance Auto cut their office space to 7,000 SF. This alone makes up for 83% of the sublet space available in Roanoke.

1%

AVERAGE 2010 - 2019

8%

AVERAGE 2020 - YTD

### FREDERICKSBURG, VA

#### STEADY BUT NOT UNAFFECTED

11%

CURRENT AMOUNT OF  
SUBLET SPACE AVAILABLE  
AS A PORTION OF TOTAL  
VACANCY

The historically tight office market of Fredericksburg has avoided any large single tenants vacating at once and drastically impacting their market. While the pandemic average of sublet space available is 7% higher than in a typical year, more than 77% of that available space was listed prior to March 2020.

1%

AVERAGE 2010 - 2019

8%

AVERAGE 2020 - YTD

### CHARLOTTESVILLE, VA

#### STATE FARM CLOSES 12 OFFICES NATIONALLY

43%

CURRENT AMOUNT OF  
SUBLET SPACE AVAILABLE  
AS A PORTION OF TOTAL  
VACANCY

In November 2020, State Farm closed 12 regional offices across the country, including a Charlottesville location. State Farm specifically cited the permanent continuation of remote work as the reason for the closure. At more than 365,000 SF, the property's sudden vacancy had an oversized effect on overall sublet vacancy in this small market. However, the closure came with zero layoffs, and 36,000 SF of the space at the former State Farm property has already been sublet to food ingredient manufacturer, Bonumose. Bonumose intends on making the space their headquarters, retrofitting the property for additional R&D use, and will add 64 jobs to the local economy.

3%

AVERAGE 2010 - 2019

7%

AVERAGE 2020 - YTD