

MARKETBEAT

Richmond, VA

Office Q1 2019



RICHMOND, VA OFFICE

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Richmond Employment	675.6k	681.9k	▲
Richmond Unemployment	3.6%	2.9%	■
U.S. Unemployment	4.1%	3.8%	▼

Numbers above are quarterly averages; Jan 2019 data used to represent Q1 2019

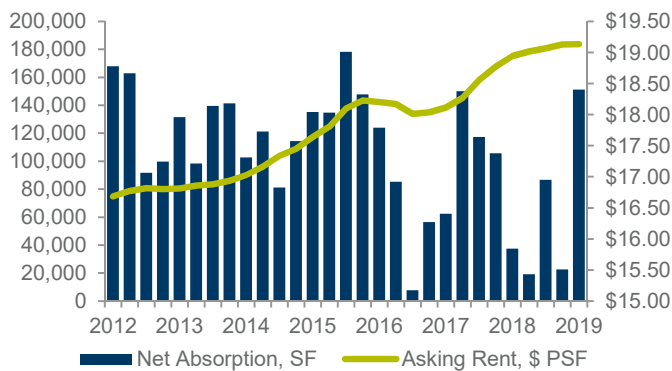
Market Indicators (Overall, All Classes)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	6.7%	6.5%	▼
Net Absorption (sf)	-277k	148k	▲
Under Construction (sf)	951k	1.3M	■
Average Asking Rent*	\$19.04	\$19.06	▲

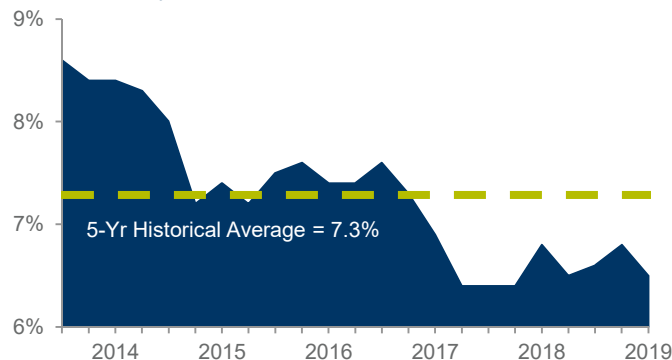
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Federal Reserve Bank announced plans to hold interest rates steady in 2019 over risk concerns tied to slowing economic momentum. Still, growth in manufacturing activity and construction spending provide optimism for continued expansion.

The Richmond area unemployment rate declined to 2.9% during the first quarter of 2019 as employers continued to hire workers. The regional economy added 6,300 jobs over the past twelve months with the largest gains in the construction, finance, and manufacturing sectors.

Market Overview

Richmond's office market fundamentals tightened to begin the year. Overall office net absorption accelerated in the first quarter with nearly 150,000 square feet (sf) absorbed and the overall office vacancy rate decreased to 6.5%. The Near West End submarket experienced the most absorption as tenants begin to move in to newly delivered and renovated properties. Construction was completed on The Spur in Scott's Addition, a 34,000-sf mixed-use building that is centered around an urban green space to blend office and retail opportunities. Glenside & Broad St remains one of the tightest submarkets in Richmond. Limited available supply continues to be sought after in this highly accessible area.

Quality space remains difficult to find in Richmond, which contributed to Class A rent growth. Overall Class A rents in the market experienced 2.3% annual growth. Considerable tenant interest downtown is further driving rent growth – CBD Class A rents increased 5.6% over the past twelve months. Coworking space provides an alternative option for tenants seeking quality space with flexible lease terms. Venture X is scheduled to open its 17,862-sf Scott's Addition location in April, while a new local coworking provider, Kumbaya Space, recently leased 10,600-sf in Rockett's Landing.

Outlook

Demand for office space is expected to continue in Richmond during 2019. Rents are anticipated to increase alongside tenant improvement allowances to offset rising construction costs that are cutting into owner profits, especially in Class B space. Tenants in the market will remain keen to find accessible, high quality locations to attract workers in a competitive job market. In addition to finding high quality locations they are looking to change their workplace, additional amenities for employees within their space and walkability continue to be important considerations for occupiers.

MARKETBEAT

Richmond, VA

Office Q1 2019



SUBMARKET	INVENTORY (SF)*	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	AVERAGE ASKING RENT (ALL CLASSES)**	OVERALL AVERAGE ASKING RENT (CLASS A)***
CBD	10,100,500	0	737,378	7.3%	84,736	84,736	59,088	960,000	\$22.68	\$25.73
East End	324,928	0	17,550	5.4%	-1,550	-1,550	0	0	N/A	N/A
Far West End	847,083	4,000	25,336	3.5%	16,512	16,512	1,966	11,154	\$22.29	\$24.35
Glenside/Broad St	5,205,733	8,294	298,839	5.9%	37,445	37,445	66,932	0	\$18.46	\$18.68
Hull Street Corridor	1,240,667	0	128,221	10.3%	9,405	9,405	21,080	0	\$12.03	N/A
I-95 N/Ashland	456,924	0	28,289	6.2%	2,485	2,485	1,151	0	\$13.87	N/A
I-95 N/Chamberlayne	215,141	0	26,151	12.2%	-2,688	-2,688	0	0	\$13.55	N/A
Innsbrook	7,747,353	82,110	534,458	8.0%	-123,051	-123,051	29,108	0	\$20.57	\$20.99
Iron Bridge Corridor	1,484,996	0	111,554	7.5%	-3,950	-3,950	502	0	\$16.76	\$17.00
Lakeside	124,239	0	6,039	4.9%	0	0	0	0	\$9.82	N/A
Manchester	1,143,601	0	13,225	1.2%	-773	-773	773	0	\$17.43	N/A
Mechanicsville	941,616	0	111,554	11.8%	1,980	1,980	0	0	\$13.54	\$24.50
Midlothian Corridor	5,131,917	17,657	322,853	6.6%	-21,336	-21,336	36,002	0	\$16.37	\$17.92
Monroe Ward	1,742,945	3,688	132,981	7.8%	-10,819	-10,819	9,627	0	\$15.07	N/A
Near West End	1,273,206	0	71,772	5.6%	119,110	119,110	0	43,095	\$17.96	N/A
North Broad	2,974,403	0	69,668	2.3%	0	0	0	154,000	\$17.50	\$22.00
Northside	161,807	0	36,145	22.3%	51,145	51,145	0	0	\$10.00	N/A
Parham East	2,604,843	0	90,618	3.5%	-23,537	-23,537	3,301	0	\$15.12	N/A
Parham South	890,585	0	150,870	16.9%	7,387	7,387	8,285	0	\$15.29	N/A
Rt 288 Corridor	1,399,967	110,660	65,649	12.6%	16,406	16,406	8,800	30,000	\$19.09	\$20.80
Shockoe Bottom	1,545,737	0	17,553	1.1%	-233	-233	0	0	\$21.56	\$23.17
Stony Point/Huguenot	1,125,321	0	115,220	10.2%	5,635	5,635	1,737	0	\$19.02	\$23.35
West Creek	1,801,383	0	5,202	0.3%	0	0	0	53,515	\$24.50	\$24.50
West End	3,215,380	0	158,847	4.9%	-16,333	-16,333	38,386	11,000	\$17.31	\$18.45
Richmond, VA Totals	53,700,275	226,409	3,275,972	6.5%	147,976	147,976	286,738	1,262,764	\$19.06	\$21.81

*Leasing activity includes renewals **Only includes properties 10,000 SF and larger***Rental rates reflect asking \$sf/year

SUMMARY BY CLASS	INVENTORY (SF)*	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	AVERAGE ASKING RENT (ALL CLASSES)**	DIRECT AVERAGE ASKING RENT (CLASS A)***
Class A	20,286,577	188,721	1,342,763	7.5%	-52,326	-52,326	110,586	1,197,515	\$21.81	\$21.91
Class B	27,033,334	37,688	1,642,281	6.2%	217,744	217,744	169,503	65,249	\$17.33	\$17.37
Class C	6,380,364	0	290,928	4.6%	-17,442	-17,442	6,649	0	\$14.30	\$14.30

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
One Holland Place	36,128	PPD Development	New	West End
The James Center	28,005	Baskervill	New	CBD
Westere III	25,905	Scott Insurance	New	Innsbrook
The James Center	17,096	Whiteford Taylor Preston	New	CBD

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
Deep Run III	355,449	RMR Group / Diversified Realty Ventures	\$56.0M / \$158	Innsbrook
Commonwealth Center	62,863	5309 Commonwealth LLC/ Anchor Financial	\$4.8M / \$76	Rt 288 Corridor
The Enterprise Building	30,708	Joyner Commercial / Steiner Business Solutions	\$3.1M / \$101	Parham South
The Clay Building	14,500	Fitzhugh 4116 LLC / Clay Suites LLC	\$1.3M / \$87	Near West End

Cushman & Wakefield | Thalhimer
11100 W. Broad St.
Glen Allen, VA 23060
thalhimer.com

For more information, contact:
Jonathan Koes
Research Manager
Tel: +1 804 697 3560
jonathan.koes@thalhimer.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.