

YoY Chg 12-Mo. Forecast

**5.8%**  
Vacancy Rate



**-215K**  
Net Absorption, SF



**\$19.84**  
Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q1 2020

YoY Chg 12-Mo. Forecast

**696.9k**  
Richmond MSA  
Employment



**2.8%**  
Richmond MSA  
Unemployment Rate



**3.6%**  
U.S.  
Unemployment Rate



Source: BLS, Moody's Analytics

## ECONOMY: COVID-19 Starts to Take Toll on Economy

After the longest expansion in U.S. history, the global pandemic caused by COVID-19 is causing many businesses to close and furlough or reduce payrolls. Retail, travel, and hospitality sectors are being hit the hardest after the government halted any non-essential businesses. Richmond may be well positioned to manage the 90% increase in unemployment claims that the Virginia Employment Commission reported for the last full week of the quarter when compared to last year. According to Oxford economics, the retail trade and leisure and hospitality sectors account for roughly 19% of all jobs in Richmond, below the U.S. average of 21% and nearby MSA's such as Norfolk, Baltimore, Philadelphia, Raleigh, and Charlotte when compared in a recent CoStar study.

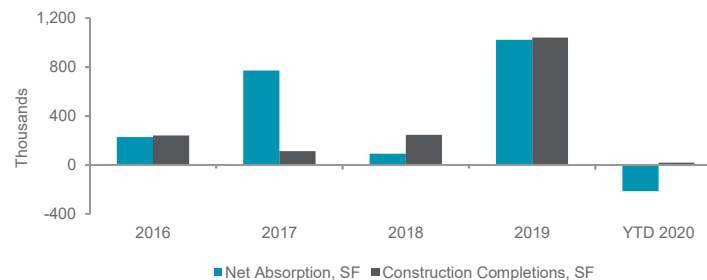
## SUPPLY and DEMAND: Vacancies Remain Near Cycle Lows

The effects of the global pandemic on office fundamentals will take time to play out. Despite many businesses working remotely for the time being, the overall office vacancy rate increased 20 basis points (bps) from the prior quarter to 5.8%. Construction continues on several projects throughout the Richmond region. The Current in Manchester is scheduled to deliver nearly 73,000 sf in the third quarter and Kinsale's 147,325 square feet (sf) headquarters building is scheduled to deliver this summer. Half of the building remains available for lease. Land adjacent to the office building at 2035 Maywill St sold during the first quarter, paving the way for more than 200 apartments as a second phase of the mixed-use development. Westhampton Commons, the former Westhampton school redevelopment, is scheduled to deliver approximately 55,000 sf of office space in Q2 2021 as a part of the greater mixed-use development. Dominion Energy also announced a May 30th demolition date for One James River Plaza, but plans for the downtown site remain undetermined. Other notable deals during the quarter included two new call centers with T-Mobile filing plans for a 91,000 sf office in a former Sam's Club and SimpliSafe announced that it will locate a 60,000 sf call center at 1601 Willow Lawn Drive.

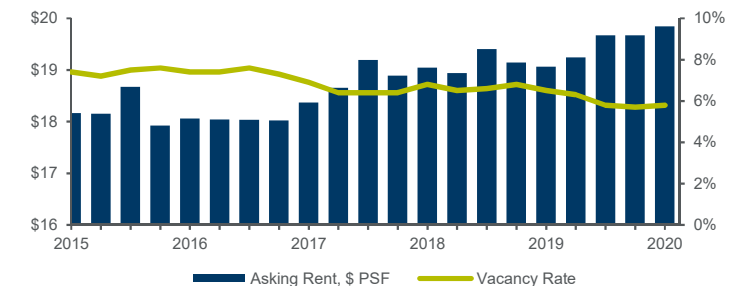
## PRICING: Asking Rents Increase Year-Over-Year

With vacancies near cycle lows, the overall office asking rent increased 5.0% over the past 12 months. Limited availabilities and rising rental rates has slowed leasing activity as occupiers evaluate their options. The trailing four quarter average of leasing activity marked its lowest rate in the past five years to begin 2020. Asking rents are expected to stay level in the near future as occupiers and landlords evaluate the impacts from today's global pandemic. While uncertainty remains, tenants remain keen on Richmond and will seek quality, affordable space when business resumes.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD	10,963,229	41,076	634,940	6.2%	32,364	32,364	42,009	0	\$23.29	\$25.92
East End	324,928	0	27,161	8.4%	-19,222	-19,222	0	49,532	N/A	N/A
Far West End	858,237	0	36,114	4.2%	5,718	5,718	0	0	\$19.80	\$23.00
Glenside/Broad St	5,002,546	42,913	272,057	6.3%	112,098	112,098	40,829	0	\$20.22	\$20.35
Hull Street Corridor	1,260,537	0	49,055	3.9%	-3,452	-3,452	1,188	0	\$12.62	N/A
I-95 N/Ashland	456,924	0	26,274	5.8%	778	778	389	0	\$12.20	N/A
I-95 N/Chamberlayne	231,876	0	22,245	9.6%	-4,264	-4,264	638	0	\$14.78	N/A
Innsbrook	7,773,315	38,188	555,043	7.6%	-100,440	-100,440	40,215	0	\$20.95	\$21.02
Iron Bridge Corridor	1,523,563	0	123,720	8.1%	-19,632	-19,632	0	0	\$16.23	\$16.17
Lakeside	124,239	0	1,405	1.1%	-	0	0	0	\$11.24	N/A
Manchester	1,155,551	0	50,763	4.4%	-75,068	-75,068	754	72,895	\$18.00	N/A
Mechanicsville	951,616	7,675	79,104	9.1%	-7,542	-7,542	9,120	0	\$13.43	N/A
Midlothian Corridor	3,877,214	0	295,835	7.6%	-4,750	-4,750	47,505	23,000	\$16.78	\$18.02
Monroe Ward	1,924,157	3,688	69,089	3.8%	1,682	1,682	0	0	\$15.67	N/A
Near West End	1,197,350	0	6,850	0.6%	15,750	15,750	25,339	0	\$26.32	N/A
North Broad	3,175,862	0	54,350	1.7%	-	0	0	0	\$17.50	N/A
Northside	207,933	0	72,290	34.8%	-	0	0	0	-	N/A
Parham East	2,604,734	0	76,177	2.9%	-69,820	-69,820	14,536	0	\$17.32	N/A
Parham South	893,091	0	132,918	14.9%	16,074	16,074	725	36,200	\$15.64	N/A
Rt 288 Corridor	1,401,702	3,616	75,959	5.7%	-13,452	-13,452	4,215	40,000	\$21.07	\$22.69
Shockoe Bottom	1,545,737	2,731	25,941	1.9%	-41,418	-41,418	465	0	\$24.51	N/A
Stony Point/Huguenot	1,131,546	24,768	60,360	7.5%	1,350	1,350	7,109	0	\$20.02	\$21.42
West Creek	1,801,383	0	5,202	0.3%	-	0	0	228,005	\$24.50	\$24.50
West End	3,122,121	0	179,596	5.8%	-41,426	-41,426	4,704	0	\$17.66	\$18.50
<b>RICHMOND, VA TOTALS</b>	<b>53,509,391</b>	<b>164,655</b>	<b>2,932,448</b>	<b>5.8%</b>	<b>-214,672</b>	<b>-214,672</b>	<b>239,740</b>	<b>449,632</b>	<b>\$19.84</b>	<b>\$22.22</b>

\*Rental rates reflect full service asking. Leasing statistics include renewals. Leasing activity does not reflect US MarketBeat tables.

## KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
SunTrust Center Two	Innsbrook	Home Care Delivered	26,141	Renewal
Boulders IV	Midlothian Corridor	Brown Greer, PLC	16,750	Sublease
East Shore II	Innsbrook	Network Building & Consulting LLC	15,772	New
Moorefield I	Midlothian Corridor	SummitMedia, LLC	14,639	Renewal

## KEY SALES TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
Glen Forest Drive Portfolio	Glenside/Broad St	Grander Capital Partners / Douglas Management Realty	116,395	\$15.0M / \$129
Dept. of Energy Management Services Building	Midlothian Corridor	Trade Road Associates LLC / Sanair Technologies Laboratory Inc.	31,825	\$2.7M / \$85
4180-4196 Innslake Dr	Innsbrook	Innslake LLC / Runnymede Corp	22,142	\$2.25M / \$102

## JONATHAN KOES

Research Manager

+1 804 697 3560 / [jonathan.koes@thalhimer.com](mailto:jonathan.koes@thalhimer.com)

[thalhimer.com](http://thalhimer.com)

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