

| | YoY Chg | 12-Mo. Forecast |
|------------------------------------|---------|-----------------|
| 7.8% Vacancy Rate | ▲ | ▼ |
| -344K Net Absorption, SF | ▼ | ▲ |
| \$20.42 Asking Rent, PSF | ▲ | ▬ |

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2021

| | YoY Chg | 12-Mo. Forecast |
|--|---------|-----------------|
| 651.9k Richmond MSA Employment | ▼ | ▲ |
| 5.8% Richmond MSA Unemployment Rate | ▲ | ▼ |
| 6.0% U.S. Unemployment Rate | ▲ | ▼ |

Source: BLS, Moody's Analytics

ECONOMY: Pandemic Recovery Continues

The regional unemployment rate continues to stay below the national average after a slight increase from the fourth quarter to 5.8%. Following the governor's announcement that all Virginians will be eligible for the COVID-19 vaccine in April, optimism remains for a strong economic rebound for the remainder of the year. The opportunity for employees to relocate during the pandemic has benefitted the Richmond region. Analysis by LinkedIn's Economic Graph shows Richmond is one of the nation's top destinations for new residents during the pandemic. Richmond's proximity to major metro areas, employment opportunities, and quality of life led to the region having the third largest gains in net arrivals to the area according to the analysis. Meanwhile, Vytal Studios announced it would relocate its corporate headquarters to the City of Richmond and create 155 new jobs.

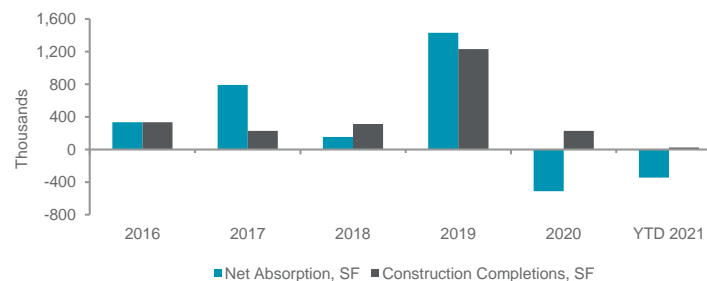
SUPPLY and DEMAND: Return to the Office

Leasing activity picked up in the first quarter, following a sluggish end to 2020 and subsequent dip in asking rent prices. Several notable downtown leases may be signaling the return to the office for Richmond companies following the pandemic. Matrix Capital Markets Group moved its headquarters into 7,000 square feet (sf) in Gateway Plaza, Piper Sandler leased 6,000 sf of space in SunTrust Center, and Costar Group took over 51,000 sf in the largest sublease space available in the CBD at Riverfront Plaza. Meanwhile, The Current in Manchester landed its first major office tenant after West Creek Financial leased nearly half of the available 70,000 sf office space in the development. CarLotz will move and expand its headquarters to Scott's Addition after taking over a 20,713-sf sublease in the Handcraft building. Despite increased activity, the overall vacancy rate remains up year-over-year and increased 70 basis points (bps) since the fourth quarter to 7.9%. Companies seeking a return to the office may be able to find savings or additional concessions after several new sublease spaces hit the market during the quarter.

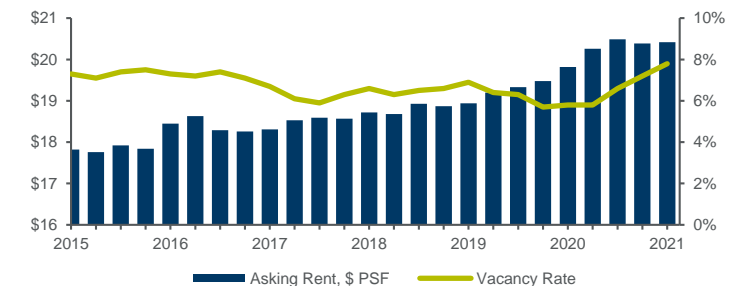
PRICING: Investment Activity Heats Up

Mapletree Industrial Trust purchased Bank of America's campus at 8011 Villa Park Drive. The five-building complex, which includes office and data center space, sold for \$208 million. Downtown, the 140,5753-sf Edgeworth Building in Shockoe Bottom sold for \$29.5 million to a family office investor and Costar added to its CBD holdings after purchasing its headquarters at 501 S. 5th St. The 310,950-sf property sold for \$130 million. Quarterly rent growth also returned to begin the year, increasing 3.0% year-over-year after declining to end 2020. Rental rate growth is expected to be modest, but a sharp increase in demand from companies returning to the office may spark an acceleration in the back half of the year.

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 | 10,444,658 | 78,435 | 718,768 | 7.6% | -28,981 | -28,981 | 53,528 | 0 | \$23.65 | \$25.96 |
| East End | 417,199 | 0 | 29,218 | 7.0% | -2,057 | -2,057 | 0 | 25,000 | N/A | N/A |
| Far West End | 741,770 | 20,000 | 133,305 | 20.7% | -23,388 | -23,388 | 1,201 | 0 | \$22.25 | \$23.00 |
| Glenside/Broad St | 4,638,314 | 232,805 | 335,827 | 12.3% | -47,032 | -47,032 | 73,485 | 0 | \$20.22 | \$19.59 |
| Hull Street Corridor | 1,271,637 | 0 | 59,288 | 4.7% | 4,229 | 4,229 | 708 | 35,000 | \$14.43 | N/A |
| I-95 N/Ashland | 444,108 | 0 | 44,037 | 9.9% | -15,723 | -15,723 | 0 | 0 | \$12.26 | N/A |
| I-95 N/Chamberlayne | 231,876 | 0 | 16,586 | 7.2% | 1,265 | 1,265 | 0 | 0 | \$14.33 | N/A |
| Innsbrook | 7,782,477 | 106,849 | 626,540 | 9.4% | -79 | -79 | 109,030 | 0 | \$21.40 | \$21.11 |
| Iron Bridge Corridor | 1,609,239 | 158,400 | 131,572 | 18.0% | -165,180 | -165,180 | 0 | 0 | \$15.66 | \$16.19 |
| Lakeside | 124,239 | 0 | 10,045 | 8.1% | -4,300 | -4,300 | 0 | 0 | \$16.00 | N/A |
| Manchester | 1,204,271 | 0 | 41,109 | 3.4% | 0 | 0 | 38,648 | 65,819 | \$19.87 | N/A |
| Mechanicsville | 976,029 | 7,675 | 56,829 | 6.6% | 1,674 | 1,674 | 1,500 | 95,000 | \$15.17 | N/A |
| Midlothian Corridor | 3,934,267 | 13,662 | 337,317 | 8.9% | -3,595 | -3,595 | 16,558 | 0 | \$17.59 | \$18.30 |
| Monroe Ward | 1,914,026 | 0 | 127,137 | 6.6% | -1,979 | -1,979 | 7,400 | 0 | \$20.14 | N/A |
| Near West End | 1,320,575 | 3,531 | 17,867 | 1.6% | 2,526 | 2,526 | 43,408 | 0 | \$22.67 | N/A |
| North Broad | 3,237,226 | 53,860 | 48,750 | 3.2% | -750 | -750 | 0 | 0 | \$15.00 | N/A |
| Northside | 207,933 | 0 | 0 | N/A | 0 | 0 | 0 | 0 | N/A | N/A |
| Parham East | 2,510,894 | 2,650 | 54,569 | 2.3% | -20,819 | -20,819 | 1,799 | 0 | \$17.34 | N/A |
| Parham South | 892,626 | 0 | 145,945 | 16.4% | -13,816 | -13,816 | 8,400 | 36,200 | \$16.02 | N/A |
| Rt 288 Corridor | 1,425,773 | 8,192 | 103,276 | 7.8% | -4,610 | -4,610 | 8,106 | 0 | \$20.04 | \$20.73 |
| Shockoe Bottom | 1,616,855 | 4,480 | 84,492 | 5.5% | 3,413 | 3,413 | 4,818 | 0 | \$19.59 | N/A |
| Stony Point/Huguenot | 1,134,893 | 19,108 | 59,591 | 6.9% | 6,031 | 6,031 | 1,200 | 60,000 | \$20.13 | \$21.38 |
| West Creek | 1,802,621 | 0 | 5,202 | 0.3% | 0 | 0 | 0 | 0 | N/A | N/A |
| West End | 3,228,994 | 24,635 | 233,118 | 8.0% | -31,047 | -31,047 | 4,123 | 0 | \$17.10 | \$20.00 |
| RICHMOND, VA TOTALS | 53,112,500 | 734,282 | 3,420,388 | 7.8% | -344,218 | -344,218 | 373,912 | 317,019 | \$20.42 | \$22.51 |

*Rental rates reflect full service asking. Leasing statistics include renewals.

KEY LEASE TRANSACTIONS Q1 2021

| PROPERTY | SUBMARKET | TENANT | SF | TYPE |
|-----------------------------|---------------|----------------------|--------|----------|
| Thalhimer Center | Far West End | Undisclosed | 52,020 | New |
| Riverfront Plaza East Tower | CBD | CoStar Group | 51,471 | Sublease |
| The Current | Manchester | West Creek Financial | 34,781 | New |
| The HandCraft Building | Near West End | CarLotz | 20,713 | Sublease |

KEY SALES TRANSACTIONS Q1 2021

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE / \$ PSF |
|--------------------------|----------------|--|---------|------------------|
| 8007-8011 Villa Park Dr | Parham East | Homeward Angel LLC / Mapletree Industrial Trust | 701,000 | \$208M / \$296 |
| 501 S 5 th St | CBD | Office Properties Income Trust / CoStar Group | 310,950 | \$130.0M / \$418 |
| Edgeworth Building | Shockoe Bottom | Brookfield Asset Management / Cary2100 LLC | 140,573 | \$29.5M / \$210 |
| 3400 Haydenpark Ln | Far West End | Markel Corporation / Montecito Medical Real Estate | 45,391 | \$18.0M / \$396 |

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