

# MARKETBEAT

# Richmond, VA

Office Q2 2019



## RICHMOND, VA OFFICE

### Economic Indicators

|                       | Q2 18  | Q2 19  | 12-Month Forecast |
|-----------------------|--------|--------|-------------------|
| Richmond Employment   | 676.5k | 682.8k | ▲                 |
| Richmond Unemployment | 3.2%   | 3.1%   | ▲                 |
| U.S. Unemployment     | 3.9%   | 3.6%   | ▼                 |

Source: BLS, Moody's Analytics. 2019 Q2 data are based on latest available data.

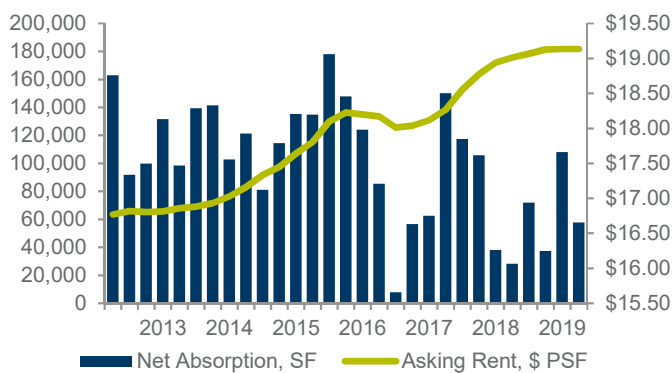
### Market Indicators (Overall, All Classes)

|                         | Q2 18   | Q2 19   | 12-Month Forecast |
|-------------------------|---------|---------|-------------------|
| Vacancy                 | 6.7%    | 6.3%    | ▼                 |
| Net Absorption (sf)     | 230k    | 71k     | ▲                 |
| Under Construction (sf) | 897k    | 1.3M    | ▼                 |
| Average Asking Rent*    | \$18.94 | \$19.24 | ▲                 |

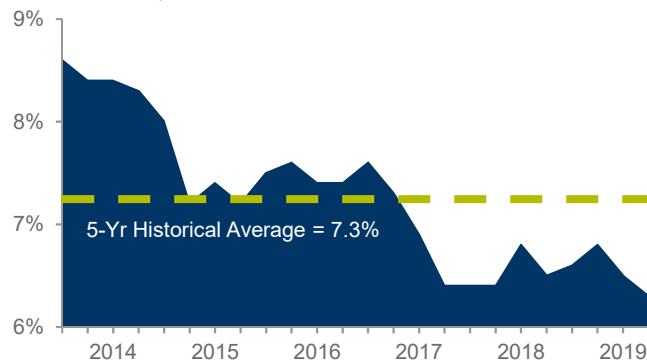
\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### 4-QTR TRAILING AVERAGE



### Overall Vacancy



## Economy

The U.S. economic expansion continued and is expected to become the longest in history. GDP growth improved from the end of 2018 with an annual growth rate of 3.1% reported for the first quarter of 2019. The Federal Reserve Bank held interest rates steady and signaled the potential for rate cuts if growth hinders in the near term.

The Richmond area unemployment rate continues to sit near cycle lows, declining to 3.1% from the prior year. The regional economy continues to experience positive job growth, adding 6,300 jobs over the past twelve months.

## Market Overview

Steady absorption helped lower Richmond's overall office vacancy rate to 6.3%, marking the tenth consecutive quarter that the overall vacancy rate was below 7.0%. Activity in the second quarter primarily occurred outside of the CBD. Suburban office space was responsible for 71,288 square feet (sf) of absorption. Overall office asking rents increased to \$19.24 per square foot (psf), led by 3.6% annual growth in Class A space.

The Westhampton School redevelopment broke ground during the quarter. The mixed-use development will consist of more than 250,000-sf of office and retail space, as well as 129 apartments, to revitalize the West End landmark. Developed in partnership with VCU Health and Bon Secours, the site will also include a separate 55,000-sf outpatient pediatric facility. Startup credit card company, Petal, announced plans to create 80 jobs in Chesterfield county and leased 9,024 sf in Moorefield Commons to open its first location outside of New York City. The Virginia Employment Commission recorded the largest lease during the quarter after signing on for 79,254 sf in Brookfield Place. General Cigar Co. leased 16,153 sf in the Edgeworth Building to become the newest addition to Tobacco Row in Shockoe Bottom. Local coworking providers continue to open more space in the Richmond area. Perch at Pocoshock expanded coworking services into Chesterfield County after opening its location at 7617 Pocoshock Way.

## Outlook

With little speculative construction underway, high-quality space will continue to be difficult to find in Richmond. Tenants in the market will remain keen to find premium locations within walking distance to a robust amenity base in order to attract and retain talent in a highly competitive job market. Additionally, corporate occupiers will continue to modify and improve their workplace to gain efficiencies and further enhance their employees' experience.

# MARKETBEAT

## Richmond, VA

Office Q2 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                        | 10,081,191        | 15,536             | 732,977            | 7.4%                 | -7,049                              | -18,956                         | 130,921                    | 960,000          | \$22.43                             | \$25.68                                  |
| East End                   | 324,928           | 0                  | 17,550             | 5.4%                 | 0                                   | -1,550                          | 0                          | 0                | N/A                                 | N/A                                      |
| Far West End               | 847,083           | 4,000              | 41,707             | 5.4%                 | -15,039                             | 141                             | 3,235                      | 11,154           | \$21.08                             | \$24.35                                  |
| Glenside/Broad St          | 5,210,381         | 37,508             | 274,833            | 6.0%                 | -28,641                             | -6,179                          | 169,270                    | 0                | \$19.46                             | \$20.35                                  |
| Hull Street Corridor       | 1,240,667         | 0                  | 117,318            | 9.5%                 | 2,240                               | 11,245                          | 27,125                     | 0                | \$13.81                             | N/A                                      |
| I-95 N/Ashland             | 456,924           | 0                  | 31,589             | 6.9%                 | -3,300                              | -815                            | 2,665                      | 0                | \$13.41                             | N/A                                      |
| I-95 N/Chamberlayne        | 226,644           | 0                  | 23,463             | 10.4%                | 2,688                               | 0                               | 1,900                      | 0                | \$13.55                             | N/A                                      |
| Innsbrook                  | 7,747,517         | 44,870             | 629,495            | 8.7%                 | -2,958                              | -96,974                         | 134,155                    | 0                | \$21.03                             | \$21.07                                  |
| Iron Bridge Corridor       | 1,484,996         | 0                  | 111,554            | 7.5%                 | -3,950                              | -4,601                          | 4,095                      | 0                | \$16.76                             | \$17.00                                  |
| Lakeside                   | 124,239           | 0                  | 3,904              | 3.1%                 | 0                                   | 0                               | 2,135                      | 0                | \$9.82                              | N/A                                      |
| Manchester                 | 1,143,601         | 0                  | 13,225             | 1.2%                 | 0                                   | 0                               | 7,147                      | 0                | \$17.43                             | N/A                                      |
| Mechanicsville             | 941,616           | 7,675              | 84,229             | 9.8%                 | -7,675                              | -4,328                          | 2,958                      | 10,000           | \$14.70                             | \$24.50                                  |
| Midlothian Corridor        | 5,150,289         | 0                  | 336,389            | 6.5%                 | 800                                 | -29,795                         | 109,375                    | 0                | \$16.35                             | \$17.86                                  |
| Monroe Ward                | 1,750,070         | 3,688              | 52,245             | 3.2%                 | 1,992                               | -8,827                          | 19,592                     | 25,000           | \$14.44                             | N/A                                      |
| Near West End              | 1,306,712         | 0                  | 67,463             | 5.2%                 | 35,394                              | 157,314                         | 32,362                     | 17,000           | \$23.88                             | N/A                                      |
| North Broad                | 3,021,862         | 0                  | 72,778             | 2.4%                 | -3,110                              | -3,110                          | 0                          | 154,000          | \$21.32                             | \$22.00                                  |
| Northside                  | 161,807           | 0                  | 72,290             | 44.7%                | 0                                   | 15,000                          | 0                          | 0                | \$10.35                             | N/A                                      |
| Parham East                | 2,604,843         | 0                  | 94,334             | 3.6%                 | -3,716                              | -23,952                         | 4,871                      | 0                | \$15.02                             | N/A                                      |
| Parham South               | 893,091           | 0                  | 170,734            | 19.1%                | -19,412                             | -11,825                         | 14,400                     | 0                | \$14.82                             | N/A                                      |
| Rt 288 Corridor            | 1,399,967         | 7,386              | 60,686             | 4.9%                 | 108,237                             | 124,643                         | 7,920                      | 30,000           | \$18.04                             | \$19.86                                  |
| Shockoe Bottom             | 1,545,737         | 0                  | 0                  | 0.0%                 | 1,400                               | 1,167                           | 16,153                     | 0                | \$21.56                             | \$23.17                                  |
| Stony Point/Huguenot       | 1,125,321         | 24,768             | 107,846            | 11.8%                | 4,546                               | -14,587                         | 6,799                      | 0                | \$20.05                             | \$20.70                                  |
| West Creek                 | 1,801,383         | 0                  | 5,202              | 0.3%                 | 0                                   | 0                               | 0                          | 53,515           | \$24.50                             | \$24.50                                  |
| West End                   | 3,344,980         | 0                  | 123,112            | 3.7%                 | -571                                | -12,122                         | 82,654                     | 0                | \$16.95                             | \$18.41                                  |
| <b>Richmond, VA Totals</b> | <b>53,935,849</b> | <b>145,431</b>     | <b>3,246,510</b>   | <b>6.3%</b>          | <b>64,239</b>                       | <b>70,953</b>                   | <b>776,139</b>             | <b>1,260,669</b> | <b>\$19.24</b>                      | <b>\$21.90</b>                           |

\*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          | 20,428,572      | 122,168            | 1,354,103          | 7.2%                 | 55,210                              | -54,922                         | 425,315                    | 1,197,515        | \$21.90                             | \$22.07                                 |
| Class B          | 27,135,818      | 23,263             | 1,640,345          | 6.1%                 | -12,131                             | 122,736                         | 319,437                    | 65,249           | \$17.47                             | \$17.47                                 |
| Class C          | 6,371,459       | 0                  | 252,062            | 4.0%                 | 21,160                              | 3,139                           | 31,387                     | 0                | \$16.13                             | \$16.13                                 |

### Key Lease Transactions Q2 2019

| PROPERTY           | SF     | TENANT                         | TRANSACTION TYPE | SUBMARKET           |
|--------------------|--------|--------------------------------|------------------|---------------------|
| Brookfield Place   | 79,254 | Virginia Employment Commission | New              | Glenside/Broad St   |
| Moorefield Commons | 25,000 | VDEM                           | New              | Midlothian Corridor |
| Arboretum III      | 17,657 | Total Quality Logistics        | New              | Midlothian Corridor |
| Edgeworth Building | 16,153 | General Cigar Co.              | New              | Shockoe Bottom      |

### Key Sales Transactions Q2 2019

| PROPERTY                   | SF      | SELLER / BUYER                             | PRICE / \$PSF   | SUBMARKET       |
|----------------------------|---------|--|-----------------|-----------------|
| SunTrust Operations Center | 234,234 | SunTrust / VCU Health System               | \$4.65M / \$20  | Parham East     |
| New York Life Building     | 65,810  | Lawco Real Estate / Priam Capital          | \$11.2M / \$170 | Innsbrook       |
| Parham 64 Building         | 57,600  | Henry Briggs & Associates / DeGratia Group | \$1.7M / \$30   | Parham South    |
| Waterford One              | 46,929  | National Life Group / Sugaroak Holdings    | \$3.6M / \$77   | Rt 288 Corridor |

Cushman & Wakefield | Thalhimer  
11100 W. Broad St.  
Glen Allen, VA 23060  
[thalhimer.com](http://thalhimer.com)

For more information, contact:  
Jonathan Koes  
Research Manager  
Tel: +1 804 697 3560  
[jonathan.koes@thalhimer.com](mailto: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](http://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.