

YoY Chg 12-Mo. Forecast

5.8%

Vacancy Rate



106K

Net Absorption, SF



\$20.17

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2020

YoY Chg 12-Mo. Forecast

621.8k

Richmond MSA Employment



10.7%

Richmond MSA Unemployment Rate



13.0%

U.S. Unemployment Rate



Source: BLS, Moody's Analytics

ECONOMY: Uncertainty Remains

With widespread business disruptions, Richmond's unemployment rate reached 10.7% and surpassed the previous peak set during the Great Recession of 8.7%. The impact has varied across industries. For coworking, Gather and Venture X have stayed open to provide space for essential workers, while The Broad is the first provider to permanently close. Phlow, a pharmaceutical startup, was awarded a four-year \$354 million contract to scale and develop a domestic supply of drug ingredients. The company plans to hire 350 employees and build a facility in Petersburg. The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

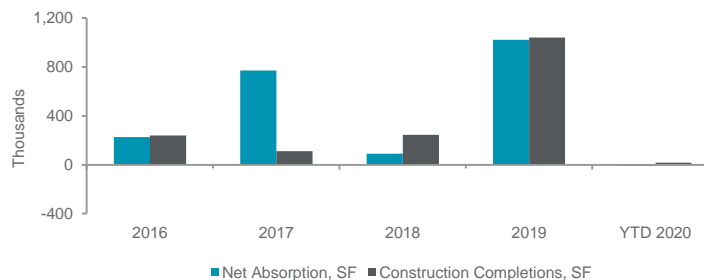
SUPPLY and DEMAND: Sublease Availabilities Increase

Companies are continuing to adapt their workplace needs and return to work. The shift to remote work and impacts of the pandemic on business are causing tenants to reevaluate their space needs. As a result, approximately 6.6% more square feet (sf) of sublease space has come available in Richmond. This trend is expected to continue for the remainder of the year and introduce more options for companies looking to relocate or expand their presence in the region. The region is positioned well for companies looking to relocate from larger metropolitan areas or open satellite offices in the wake of the pandemic. In 2019 alone, Virginia's Gateway Region reported that 11 companies announced plans to relocate or open offices in the region, resulting in over 1,400 new jobs and \$430 million in capital investment. Construction activity also continues on over 500,000 sf of office space, highlighted by The Current, Kinsale Capital's headquarter building, and Westhampton Commons (which announced Spider Management as its first office tenant).

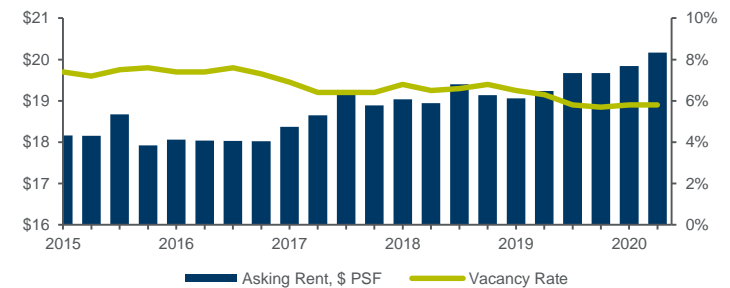
PRICING: Rent Growth Continues

Space availabilities remain limited and landlords have held firm on asking rents. The overall asking rent reached \$20.17 per square foot (psf), a 2.1% increase from the first quarter and a 5.3% increase from the same time last year. Suburban submarkets fueled rent growth, after increasing 2.4% from the first quarter to \$19.07 psf. Rent growth is expected to slow in the second half of the year as occupiers and landlords continue to evaluate the impacts from pandemic. Despite steady rent growth, investment sale activity slowed and recorded the lowest quarterly total volume of sales since Q4 2012 with many deals put on hold or canceled due to the pandemic. While uncertainty remains, tenants and investors continue to be interested in the Richmond market and will seek well-positioned properties as 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	10,519,682	48,666	628,817	6.4%	7,592	33,041	86,518	0	\$23.30	\$26.08
East End	367,743	0	27,161	7.4%	1,900	-9,111	0	49,532	N/A	N/A
Far West End	858,083	0	38,440	4.5%	-3,605	-746	2,731	0	\$22.42	\$23.00
Glenside/Broad St	5,012,772	28,908	268,428	5.9%	28,807	84,496	84,291	0	\$20.22	\$19.48
Hull Street Corridor	1,260,537	0	49,466	3.9%	-1,823	-3,549	2,600	0	\$14.58	N/A
I-95 N/Ashland	456,924	0	27,896	6.1%	-1,622	-1,233	389	0	\$12.63	N/A
I-95 N/Chamberlayne	231,876	0	25,669	11.1%	-3,424	-5,556	2,638	0	\$14.78	N/A
Innsbrook	7,773,121	68,413	584,813	8.4%	8,744	-39,836	102,743	0	\$21.50	\$21.41
Iron Bridge Corridor	1,525,466	0	139,432	9.1%	-16,331	-26,147	9,494	0	\$16.27	\$16.25
Lakeside	124,239	0	1,405	1.1%	0	0	0	0	\$16.00	N/A
Manchester	1,155,551	0	50,763	4.4%	0	-37,534	754	71,095	\$19.15	N/A
Mechanicsville	951,616	7,675	79,987	9.2%	2,002	16	10,070	95,000	\$13.23	N/A
Midlothian Corridor	3,896,003	2,311	296,273	7.7%	19,619	17,244	98,305	23,000	\$17.09	\$18.37
Monroe Ward	1,924,157	0	118,006	6.1%	-52,183	-51,342	12,603	0	\$19.98	N/A
Near West End	1,197,350	0	14,712	1.2%	37,180	30,945	34,693	0	\$26.78	N/A
North Broad	3,175,862	0	52,795	1.7%	1,555	1,555	0	0	\$17.50	N/A
Northside	207,933	0	0	0.0%	36,145	36,145	36,145	0	N/A	N/A
Parham East	2,604,734	0	88,698	3.4%	3,589	-31,321	42,588	0	\$17.27	N/A
Parham South	893,091	0	135,331	15.2%	-2,413	5,624	10,313	36,200	\$15.68	N/A
Rt 288 Corridor	1,401,702	3,616	68,247	5.1%	7,012	286	7,415	40,000	\$19.89	\$21.03
Shockoe Bottom	1,555,352	4,480	37,072	2.7%	-13,270	-33,979	7,355	0	\$22.63	N/A
Stony Point/Huguenot	1,128,611	16,221	55,247	6.3%	13,723	14,335	63,093	0	\$20.69	\$21.93
West Creek	1,801,383	0	5,202	0.3%	0	0	0	228,005	N/A	N/A
West End	3,106,745	0	110,401	3.6%	33,198	8,034	131,857	0	\$16.33	\$18.50
RICHMOND, VA TOTALS	53,130,533	180,290	2,904,261	5.8%	106,395	-8,633	746,595	542,832	\$20.17	\$22.51

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

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1601 Willow Lawn Dr	West End	SimpliSafe	58,500	New
2134 W Laburnum Ave	West End	City of Richmond	38,400	New
Hillcrest Building	Glenside/Broad	The Brinks Co.	36,814	Renewal/Expansion
7414 Carousel Ln	Parham East	United Way of Greater Richmond	16,711	New

KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
Apex Systems Portfolio	Innsbrook	Apex Systems / Runnymede Corp	71,151	\$6.2 M / \$146
Tyler Building	Glenside/Broad	KeyBank / Big T Properties	29,775	\$1.55 M / \$52
11237 Nuckols Rd	Innsbrook	HHHunt Homes / Impact Investments Group	19,500	\$3.2 M / \$164

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