

	YoY Chg	12-Mo. Forecast
<b>6.3%</b> Vacancy Rate	▲	▲
<b>-365K</b> Net Absorption, SF	▼	▲
<b>\$20.47</b> Asking Rent, PSF	▲	▼

(Overall, All Property Classes)

## ECONOMIC INDICATORS Q3 2020

	YoY Chg	12-Mo. Forecast
<b>644.2k</b> Richmond MSA Employment	▼	▲
<b>7.7%</b> Richmond MSA Unemployment Rate	▲	▼
<b>8.8%</b> U.S. Unemployment Rate	▲	▼

Source: BLS, Moody's Analytics

## ECONOMY: Early Stage Recovery

Unemployment fell 190 basis points (bps) from the second quarter to 7.7% in Richmond, below the national rate of 8.8%. Many businesses were able to reopen, re-hire, and return to the workplace following pandemic forced closures. The economic recovery is in its early stages as the federal government debates additional stimulus funding and the long-term impacts unfold.

Upon the arrival of COVID-19 in the U.S., the economy entered a recession in March 2020, recording the worst decline in post-war history in Q2 2020. Mounting evidence indicates that the recovery began in May or June with Q3 2020 data likely reflecting that. But, until there is a public health resolution to the pandemic, the recovery is likely to remain uncertain and gradual. Only then can households and businesses become more confident. Access the most recent research on CRE and the state of economy [here](#)

## SUPPLY and DEMAND: Corporate Activity Accelerates

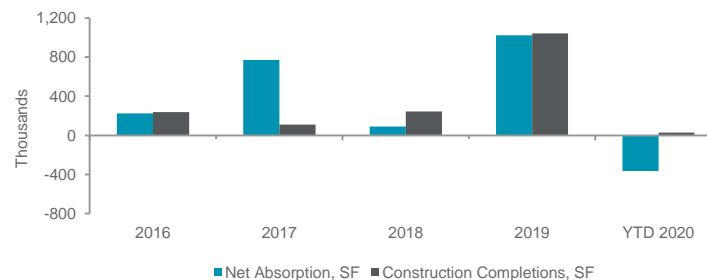
As businesses navigate how to return to the workplace, Richmond continues to be a target market for company Headquarters and relocations. Kroger Mid-Atlantic announced that it will relocate its division office from Roanoke to Richmond by early 2021 after leasing 26,610 square feet (sf) in Innsbrook at East Shore III. The move will bring over 70 jobs to the Richmond area. The Brink's Co. and Kaleo renewed their Headquarters leases in the Hillcrest building and Turning Basin building, respectively. CapCenter also acquired Cox Court, a 72,771-sf building near its Headquarters in Innsbrook to secure space for a potential expansion.

Overall office absorption in Richmond is on pace for its first negative annual total since 2009. Much of the negative absorption can be attributed to Altria vacating its office at 6603 W Broad St, which has been available for sublease since Q4 2019. With minimal new deliveries, the overall office vacancy rate remains at 6.3%, below the metro's five-year historic average of 6.6%.

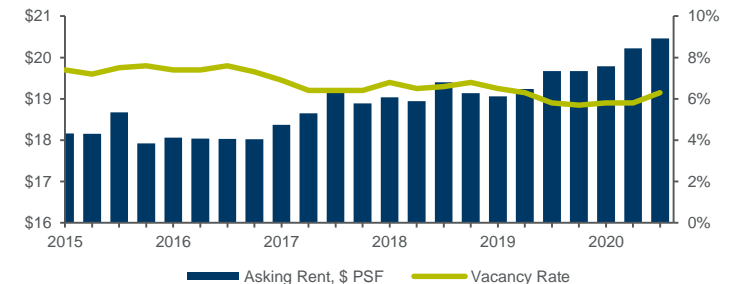
## PRICING: Steady Rent Growth

Rental rate growth continued as vacancy rates stayed below 7.0% for the 15<sup>th</sup> consecutive quarter. The overall office rent increased 6.1% from the same time last year and 1.2% from the second quarter. The overall CBD rental rate increased 6.6% and the Class A CBD rental rate increased 5.4% from the previous year. Pandemic uncertainty has limited investment sale activity, which considerably lags past years, despite steady rent growth. Data from Real Capital Analytics shows year-to-date office investment sales activity totals \$72 million, while this figure was over \$170 million in 2019 and exceeded \$300 million each year from 2015 to 2018.

## 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	10,393,686	14,391	603,115	5.9%	5,245	38,286	223,207	0	\$23.61	\$26.09
East End	367,743	0	27,161	7.4%	N/A	-9,111	0	0	N/A	N/A
Far West End	826,430	0	40,342	4.9%	-1,489	-4,671	6,887	0	\$22.25	\$23.00
Glenside/Broad St	4,638,440	285,329	228,658	11.1%	-226,730	-139,959	178,066	0	\$20.22	\$19.48
Hull Street Corridor	1,267,834	0	56,284	4.4%	-50,679	-54,228	47,873	0	\$14.23	N/A
I-95 N/Ashland	456,924	0	26,939	5.9%	568	-665	778	0	\$12.35	N/A
I-95 N/Chamberlayne	231,876	0	4,186	1.8%	20,983	15,927	3,638	0	\$14.12	N/A
Innsbrook	7,796,897	76,795	614,104	8.9%	-72,721	-110,955	212,265	0	\$21.54	\$21.27
Iron Bridge Corridor	1,517,625	0	131,679	8.7%	5,076	-20,452	18,741	0	\$15.79	\$16.25
Lakeside	124,239	0	1,405	1.1%	N/A	0	0	0	\$16.00	N/A
Manchester	1,155,551	0	36,989	3.2%	13,774	-23,760	754	71,095	\$19.87	N/A
Mechanicsville	951,616	7,675	79,078	9.1%	-2,591	-1,625	28,765	95,000	\$15.14	N/A
Midlothian Corridor	3,923,338	14,853	297,434	8.0%	-1,493	6,970	190,834	10,000	\$17.80	\$18.50
Monroe Ward	1,912,140	0	118,806	6.2%	6,154	-45,188	12,603	0	\$20.09	N/A
Near West End	1,291,592	3,200	10,178	1.0%	2,232	33,177	41,653	0	\$22.11	N/A
North Broad	3,237,226	0	51,240	1.6%	1,555	3,110	777	0	N/A	N/A
Northside	207,933	0	0	0.0%	N/A	36,145	36,145	0	N/A	N/A
Parham East	2,604,634	0	90,297	3.5%	13,868	-17,253	47,036	0	\$17.50	N/A
Parham South	892,626	0	123,382	13.8%	7,665	13,699	24,718	36,200	\$15.61	N/A
Rt 288 Corridor	1,401,702	3,616	108,750	8.0%	-32,057	-39,517	9,972	40,000	\$19.45	\$20.67
Shockoe Bottom	1,555,352	4,480	65,212	4.5%	-27,750	-61,729	7,883	0	\$23.38	N/A
Stony Point/Huguenot	1,128,611	17,176	70,173	7.7%	-18,742	-4,847	72,912	0	\$19.36	\$20.46
West Creek	1,801,383	0	5,202	0.3%	N/A	0	0	171,025	N/A	N/A
West End	3,106,745	0	115,752	3.7%	11,496	21,623	187,018	0	\$16.80	\$19.50
<b>RICHMOND, VA TOTALS</b>	<b>52,792,143</b>	<b>427,515</b>	<b>2,906,366</b>	<b>6.3%</b>	<b>-345,636</b>	<b>-365,023</b>	<b>1,352,525</b>	<b>423,320</b>	<b>\$20.46</b>	<b>\$22.52</b>

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

## KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Gladstone Plaza	Hull Street Corridor	Conduent	42,213	Renewal
One James Center	CBD	Christian & Barton	32,856	New
East Shore III	Innsbrook	Kroger	26,610	New
4880 Cox Rd	Innsbrook	Suez	25,417	New

## KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
Cox Court	Innsbrook	Banks Bros. Realty / CapCenter	72,771	\$5.9M / \$80
Manchester Medical Center	Manchester	Bon Secours / Capital Area Health Network	36,983	\$2.8M / \$74

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