

YoY Chg 12-Mo. Forecast

5.7%
Vacancy Rate



-481K
Net Absorption, SF



\$19.67
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2019

YoY Chg 12-Mo. Forecast

687k
Richmond MSA Employment



2.8%
Richmond MSA Unemployment Rate



3.6%
U.S. Unemployment Rate



Source: BLS, Moody's Analytics

ECONOMY: Steady Employment Growth Throughout 2019

Richmond's economy added 8,000 jobs over the past twelve months, lowering the unemployment rate 20 basis points (bps) to 2.8% during that time. Office related employment, education and health services, and leisure and hospitality sectors contributed the largest employment gains. Buoyed by traditional strengths in government, finance and insurance and biotechnology, Richmond's tourism industry has surged in recent years. The city ranked 39th on the New York Times list of '52 Places to Go in 2020'.

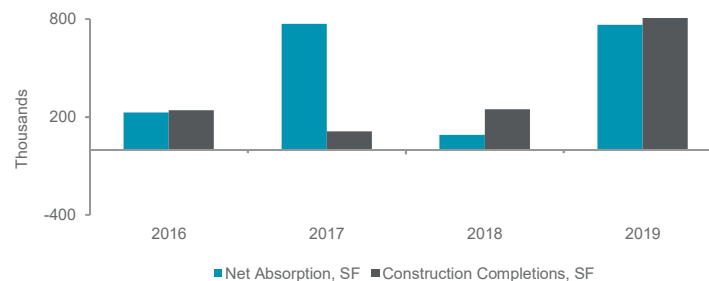
SUPPLY and DEMAND: Scarce Availabilities Limit Leasing Activity

Office market fundamentals continue to tighten with limited quality space available. Total leasing activity for 2019 marked the lowest annual total in seven years, despite the overall vacancy rate compressing to 5.7%, after a 40 basis point (bps) decline over the past twelve months. Year to date net absorption remains positive for 2019, despite negative absorption in the fourth quarter. Dominion Energy vacated 414,750 square feet (sf) at One James River Plaza in Q4 after occupying the recently completed 960,000-sf tower at 600 Canal Place in Q3. Large block availabilities – availabilities greater than 20,000 square feet (sf) – remain difficult to find throughout the market, especially for Class A space. Out of 32 total buildings in the market with large block availabilities, only six in the CBD are Class A office product. New deliveries in 2020 will be limited, with approximately 394,400 sf under construction. The largest active office development is Kinsale's new headquarters at 2035 Maywill St, where the insurance company will occupy the entire building. Lynx Ventures continues construction on The Current in Manchester, a mixed-use development that includes nearly 64,000-sf of speculative office space.

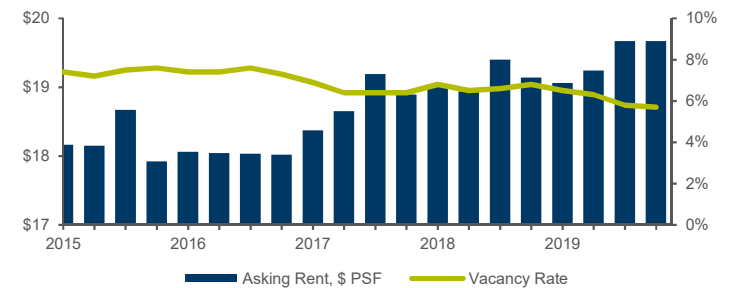
PRICING: Asking Rent Growth Accelerates

The overall asking rent increased 3.3% from the prior year, while the overall Class A rental rate increased 3.6%. Asking rent growth accelerated during the second half of 2019, marking the largest annual growth rate since 2017, and is expected to continue to increase in the near term. Limited supply and steady demand from office occupiers are providing landlords with confidence to increase rental rates. Dominion Energy plans to demolish One James River Plaza, a vacant 21-story office tower, in early 2020. Plans for the site are still to be determined after the recent delivery of 600 Canal Place. While these two towers will impact the downtown skyline, the city continues its due diligence as it evaluates the largest economic development project in Richmond's history with the proposed Navy Hill redevelopment. The existing proposal includes up to one million square feet of office and retail space to accompany a new arena that will replace the Richmond Coliseum.

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	10,954,783	38,162	665,827	6.4%	-442,066	480,417	270,113	0	\$23.19	\$24.61
East End	324,928	0	17,550	5.4%	0	-1,550	0	0	N/A	N/A
Far West End	858,237	0	32,973	3.8%	302	18,936	11,790	60,000	\$18.59	\$24.35
Glenside/Broad St	5,246,614	44,848	287,340	6.3%	-9,256	-73,448	246,383	0	\$20.22	\$20.35
Hull Street Corridor	1,275,667	0	47,329	3.7%	-25,946	7,884	45,902	0	\$14.65	N/A
I-95 N/Ashland	456,924	0	26,274	5.8%	411	4,500	9,781	0	\$12.77	N/A
I-95 N/Chamberlayne	213,211	0	20,113	9.4%	162	3,350	3,688	0	\$14.78	N/A
Innsbrook	7,746,091	40,370	529,134	7.4%	21,428	-31,279	355,961	0	\$20.81	\$21.03
Iron Bridge Corridor	1,578,784	0	113,904	7.2%	0	-4,700	1,502	0	\$16.40	\$16.17
Lakeside	124,239	0	1,405	1.1%	2,499	4,634	4,021	28,500	\$11.24	N/A
Manchester	1,155,551	754	12,475	1.1%	-4	-4	10,919	72,895	\$18.00	N/A
Mechanicsville	951,616	7,675	77,060	8.9%	-10,208	-4,722	21,969	0	\$16.00	\$24.50
Midlothian Corridor	5,162,387	0	351,750	6.8%	-4,599	-36,537	241,209	13,000	\$16.61	\$17.98
Monroe Ward	1,797,872	3,688	103,815	6.0%	-12,692	-53,452	28,605	0	\$15.67	N/A
Near West End	1,323,466	0	21,304	1.6%	9,252	181,137	99,281	17,000	\$23.63	N/A
North Broad	3,175,862	0	54,350	1.7%	8,578	169,318	21,668	0	\$21.32	\$22.00
Northside	207,933	0	87,290	42.0%	0	209	0	0	\$10.50	N/A
Parham East	2,604,734	0	82,193	3.2%	-12,404	-22,252	39,656	0	\$17.37	N/A
Parham South	893,091	0	122,909	13.8%	-1,585	14,260	62,000	0	\$16.38	N/A
Rt 288 Corridor	1,410,843	3,616	174,934	12.7%	-5,208	12,665	26,596	30,000	\$20.46	\$22.57
Shockoe Bottom	1,545,737	2,731	2,757	0.4%	-795	11,502	16,483	0	\$17.86	\$23.17
Stony Point/Huguenot	1,131,546	24,768	60,907	7.6%	-1,323	-18,138	10,368	0	\$21.16	\$23.54
West Creek	1,801,383	0	5,202	0.3%	0	0	0	173,005	\$24.50	\$24.50
West End	3,249,980	0	101,773	3.1%	2,249	101,017	120,632	0	\$17.94	\$18.50
RICHMOND, VA TOTALS	55,191,479	166,612	3,000,568	5.7%	-481,205	763,747	1,648,527	394,400	\$19.67	\$22.38

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

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
501 S 5 th St	CBD	CoStar	33,912	Expansion
East Shore III	Innsbrook	Sheltering Arms	26,610	Renewal
One James Center	CBD	Florence Gordon Brown	15,528	Renewal

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
8002 Discovery Dr	Glenside/Broad St	Grander Capital partners / Bauman & Co.	55,682	\$6.3M / \$113
4908 Monument Ave	West End	Hundley Law Offices / GH Holdings	11,145	\$1.4M / \$129
7240 Lee Davis Rd	Mechanicsville	HTR Commercial / Crozier Land Co.	8,448	\$1.2M / \$136

JONATHAN KOES

Research Manager

+1 804 697 3560 / jonathan.koes@thalhimers.com

thalhimers.com

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