

	YoY Chg	12-Mo. Forecast
7.3% Vacancy Rate	▲	▼
-142K Net Absorption, SF	▼	▲
\$20.39 Asking Rent, PSF	▲	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2020

	YoY Chg	12-Mo. Forecast
658.6k Richmond MSA Employment	▼	▲
5.5% Richmond MSA Unemployment Rate	▲	▼
6.7% U.S. Unemployment Rate	▲	▼

Source: BLS, Moody's Analytics

ECONOMY: Pandemic Recovery Continues

The Richmond region continues to recover from the impacts of the COVID-19 pandemic. In the fourth quarter, the unemployment rate fell 30 basis points (bps) to 5.5% as the region regained approximately 14,400 jobs since the third quarter. However, employment levels remain below the same period last year. The recent virus surge led to holiday business restrictions and slowed the pace of recovery. Total employment has mended nearly 60% of the initial job losses caused by the pandemic and the introduction of a vaccine provides optimism that the recovery will accelerate throughout 2021.

During the quarter, Henrico officials and GreenCity LLC announced plans for GreenCity in the county. The \$2.3 billion mixed-use redevelopment of the former Best Products headquarters would include 2.2 million square feet of office space, 280,000 square feet (sf) of retail, up to 2,400 residential units, two hotels, and a 17,000-seat arena.

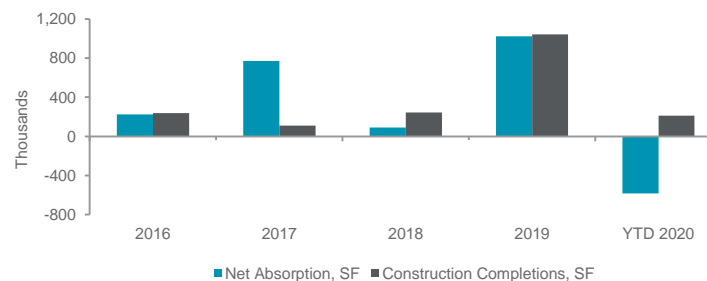
SUPPLY and DEMAND: Stalled Demand

Overall annual office absorption in Richmond recorded its first negative 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. After Berkshire Hathaway moved into 79,386 sf during the quarter, 144,845 sf of space is still available for sublease in the building. Overall sublease space available has not experienced a dramatic rise due to the pandemic as seen in peer cities like Nashville, Raleigh and Charlotte. New construction and stalled demand saw the overall office vacancy rate increase to 7.3%, above the metro's five-year historic average of 6.6%. The Kinsale Building delivered during the quarter, and the insurance company occupied 88,395 sf of the 147,325-sf Class A building. The remaining 58,930 sf of space is still available. Construction on The Current continues in Manchester with a scheduled Q1 2021 delivery. The 65,819-sf office building remains fully available and will be accompanied by a recently announced ground floor food hall to serve as an amenity for office tenants and surrounding apartments in the mixed-use development.

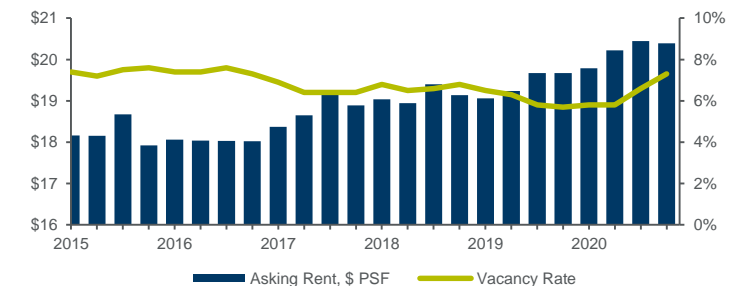
PRICING: Rental Rates Stay Steady

Rental rate growth stalled during the fourth quarter, marking the first quarter without a quarterly rent increase since Q2 2017. Still, overall rents increased 4.8% year-over-year and the Class A CBD rental rate increased 5.5% from the previous year. Total office investment sales activity in 2020 declined 53.1% from 2019 and recorded the lowest total since 2012. Suburban properties accounted for 96% of all office transactions, showing uncertainty of demand for urban office space after the pandemic.

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	10,427,227	114,848	689,679	7.7%	-131,429	-125,401	267,745	0	\$23.65	\$25.97
East End	417,199	0	27,161	6.5%	0	-9,111	0	0	N/A	N/A
Far West End	815,430	0	129,917	15.9%	-14,840	-111,263	19,265	0	\$22.25	\$23.00
Glenside/Broad St	4,638,440	196,378	333,369	11.4%	12,106	-137,362	311,430	0	\$20.22	\$19.59
Hull Street Corridor	1,268,229	0	64,807	5.1%	-8,523	-17,478	50,848	35,000	\$14.24	N/A
I-95 N/Ashland	456,924	0	28,314	6.2%	-1,375	-1,651	778	0	\$12.26	N/A
I-95 N/Chamberlayne	231,876	0	17,851	7.7%	-2,149	2,262	3,638	0	\$14.33	N/A
Innsbrook	7,778,995	79,258	619,485	9.0%	3,072	-101,080	287,462	0	\$21.54	\$20.94
Iron Bridge Corridor	1,517,625	0	129,665	8.5%	1,946	-16,955	22,108	0	\$15.76	\$16.23
Lakeside	124,239	0	5,745	4.6%	-4,340	-4,340	0	0	\$16.00	N/A
Manchester	1,175,771	0	41,109	3.5%	-920	-27,180	754	71,095	\$19.87	N/A
Mechanicsville	951,616	7,675	58,329	6.9%	12,081	13,956	47,953	95,000	\$15.14	N/A
Midlothian Corridor	3,934,267	14,822	356,014	9.4%	-31,908	-33,676	223,531	0	\$17.71	\$18.41
Monroe Ward	1,912,140	0	121,849	6.4%	-4,559	-51,747	16,119	0	\$20.14	N/A
Near West End	1,341,547	6,731	28,607	2.6%	-13,045	23,946	68,274	0	\$22.34	N/A
North Broad	3,237,226	53,860	48,000	3.1%	-50,620	-47,510	777	0	\$15.00	N/A
Northside	207,933	0	0	0.0%	36,145	72,290	36,145	0	N/A	N/A
Parham East	2,666,634	0	62,690	2.4%	1,160	8,459	49,683	0	\$18.10	N/A
Parham South	892,626	0	139,332	15.6%	-13,873	-6,243	35,414	36,200	\$15.61	N/A
Rt 288 Corridor	1,426,702	3,616	111,348	8.1%	21,558	-20,119	12,976	10,000	\$19.80	\$20.67
Shockoe Bottom	1,615,282	4,480	82,091	5.4%	-12,649	-80,017	31,772	0	\$20.28	N/A
Stony Point/Huguenot	1,128,611	16,661	65,069	7.2%	8,920	4,073	73,427	0	\$19.04	\$20.46
West Creek	1,801,383	0	5,202	0.3%	0	0	5,800	0	N/A	N/A
West End	3,244,566	24,635	177,393	6.2%	50,807	82,072	240,138	23,700	\$17.64	\$20.00
RICHMOND, VA TOTALS	53,212,488	522,964	3,343,026	7.3%	-142,435	-584,075	1,806,037	270,995	\$20.39	\$22.47

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

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
6603 W Broad St	Glenside/Broad St	Berkshire Hathaway Energy	79,386	Sublease
Boulders Center	Midlothian Corridor	Maximus	43,782	Renewal
Westhampton Commons	West End	Raymond James	22,703	New
Two James Center	CBD	Kaufman & Canoles	12,138	Renewal

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
One Holland Place/The Vistas Portfolio	Multiple	REVA / Douglas Management and Realty	155,159	\$19.2M / \$124
Richmond Medical Park	West End	Premier Mgmt Services / Feldman Bergin	106,004	\$12.0M / \$113
1501 Roseneath Rd	Near West End	1601 Roseneath Llc / GS Roseneath Owner LLC	94,242	\$8.6M / \$91
8090 Villa Park Dr	Parham East	Boy Scouts of America / Boost Promotional Branding	26,290	\$2.9M / \$110

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