

Mid-Year Market Report

Charlottesville, VA

2019



ECONOMIC INDICATORS

National

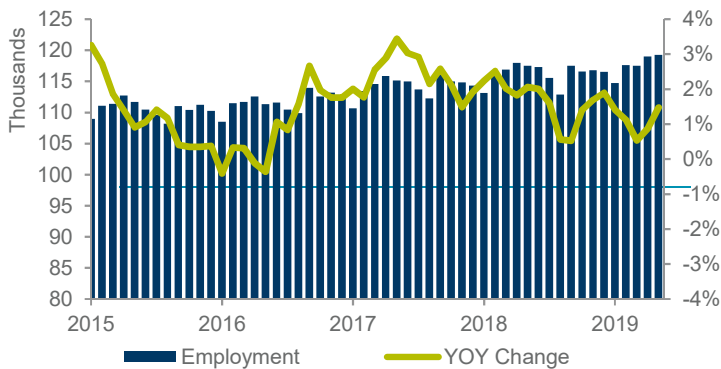
	Q2 18	Q2 19*	12-Month Forecast
GDP Growth	2.9%	2.6%	▼
CPI Growth	2.7%	1.8%	▲
Consumer Spending Growth	4.7%	4.5%	▼
Retail Sales Growth	5.6%	3.3%	▼

Regional

	Q2 18	Q2 19*	12-Month Forecast
Charlottesville Employment	117.9k	119.2k	▲
Charlottesville Unemployment	2.5%	2.7%	■
Median Household Income	\$68,290	\$69,201	▲
Population Growth	235.5k	237k	▲

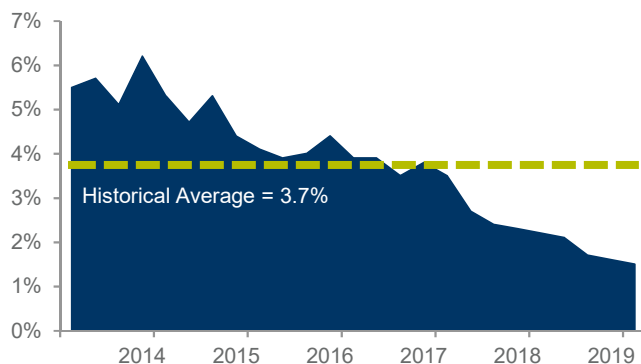
*2019 Q2 data are based on latest available data. Growth rates are year-over-year.
Source: BLS, BOC, Moody's Analytics

Charlottesville Total Employment



Source: Bureau of Labor Statistics

Overall Office Vacancy



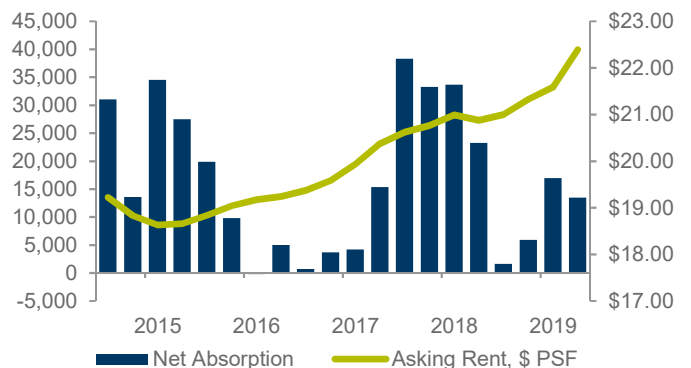
Economy

Central Virginia maintained strong economic performance during the first half of 2019. The unemployment rate has remained below 3%, marking the lowest recorded levels since April 2008. The U.S. Bureau of Labor Statistics current estimates show a May unemployment rate of 2.7%. Total employment increased 1.5% year-over-year, adding 1,700 jobs. With the presence of a world class university and the state's top hospital, Charlottesville's economy is supported by a strong medical and education backbone. The area continues to draw accolades for its quality of living, accessibility, and educated population. These factors have contributed to a number of startups and regional firms locating in the area. The city landed five companies on the 2018 Inc. 5000 list of fastest growing companies and has become a hub for technology and renewable energy firms.

Office Market

Office space availabilities are difficult to find, especially downtown. More than 75,000 square feet (sf) of office leasing activity occurred in the first half of 2019, lower than that of 2018 simply due to lack of space. As occupancy rates have settled at 98% in the overall market, a significant portion of the leasing activity occurred in properties soon to be developed. Rental rates are rising with limited availability, especially for high end space. Downtown office rents have fetched near \$28-33/sf. Non-downtown Class A space has also experienced rising rents, typically \$26-27/sf full-service depending on the location. The market is ripe for office development and several projects are currently under construction. As developments come to fruition, they will surely be quickly leased, if not pre-leased, prior to their completion with companies continuing to seek space near the downtown mall. 3Twenty3, the Monticello Dairy, and CODE developments will bring 375,000 sf of new Class A space to the market and rents are anticipated to reach \$35-40/sf full-service.

Overall Office Net Absorption/Overall Asking Rent 4-QTR TRAILING AVERAGE



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Retail Market

Charlottesville’s retail market has witnessed a number of new tenants enter or expand in the market. Strong economic fundamentals and demographics are attracting local and national interest in the area. Sephora and UNTUCKit signed leases in the Shops at Stonefield, Starr Hill Brewery signed on to anchor the Dairy Central development, The Standard recently signed a lease with Moe’s Southwest Grill, and Wawa is in the process of opening 2-4 new sites in the market.

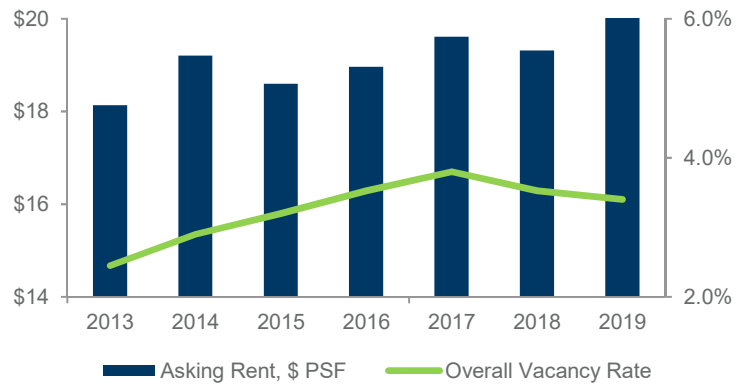
The median household income increased \$911 from the prior year to \$69,201 and retail sales saw year-over-year growth of 2.7%, while disposable income increased 2.7% in the Charlottesville MSA. Total retail inventory has increased 6.3% in the past three years and has been quickly absorbed. Vacancy rates stood at 3.4% in the second quarter and have only exceeded 4.0% in a quarter one time in the past ten years. Charlottesville’s retail market is buoyed by demand from University of Virginia students and employees, but remains a retail destination for shoppers in surrounding markets.

The vacancies of big box retailers in Charlottesville are opening the door for redevelopment opportunities to repurpose the existing retail space. Plans to redevelop the K-Mart big box include several amenity improvements for the 110,000 sf retail space. Experiential retail is also making an appearance in Charlottesville. Developers are under construction on Dairy Central, which should be finished in early 2020 and will repurpose the Monticello Dairy Building into a modern food hall. The market will feature local eateries and breweries such as Starr Hill. Dairy Central adds to the Preston Avenue Corridor’s ongoing revitalization and future plans will add approximately 180 apartment units to the site.

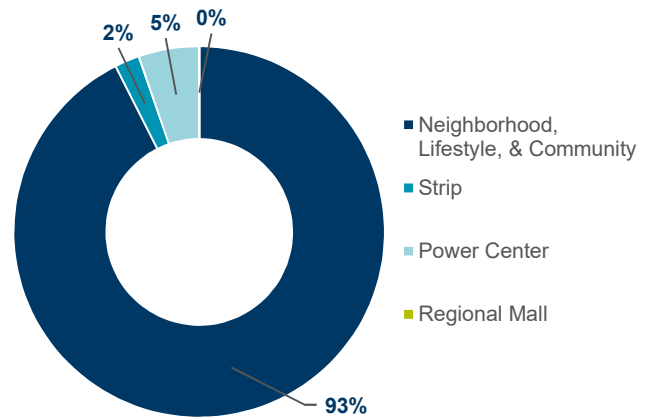
Outlook

With healthy market fundamentals for office and retail space, Charlottesville’s robust development pipeline is highlighted by several iconic projects in the downtown corridor. Since the city amended the zoning code to allow for higher density buildings on the West Main corridor, approximately 1,500 beds in student housing and two hotels have been developed. Significant demand for office space has also added to the development pipeline closer to the downtown mall. Almost 400,000 sf of office projects are under construction and others are proposed, such as the city’s first mass timber structure at 100 Garrett St.

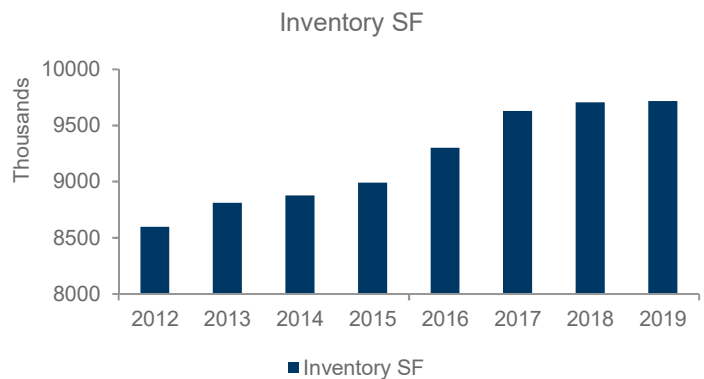
Retail Rental Rate vs. Overall Vacancy



Available Retail Space by Type



New Retail Inventory



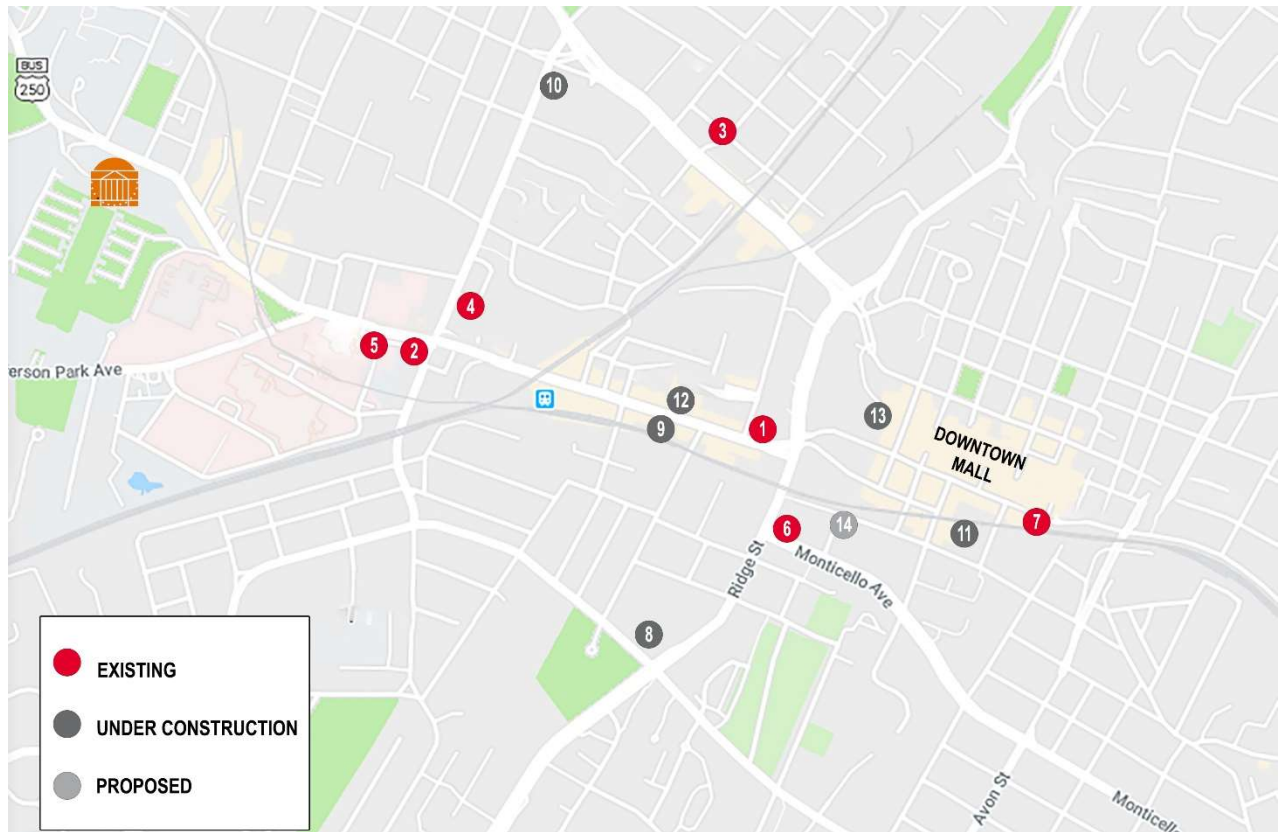
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Downtown Development Activity



- EXISTING
- UNDER CONSTRUCTION
- PROPOSED

#	Building Name	Address	Property Type	Building Size (SF/Units)	Status	Year Built/ Est. Completion
1	Residence Inn by Marriott Charlottesville	315 W Main St	Hospitality	118,694	Existing	2016
2	Lark on Main	1000 W Main St	Multi-Family	162 Units	Existing	2016
3	805 Preston Ave	805 Preston Ave	General Retail	12,000	Existing	2017
4	The Standard at Charlottesville	108 10th St NW	Multi-Family	192 Units	Existing	2018
5	The Draftsman	1106 W Main St	Hospitality	50,000	Existing	2018
6	Home2 Suites	201 Monticello Ave	Hospitality	40,000	Existing	2018
7	550 E Water St	550 E Water St	Office	24,742	Existing	2018
8	Fairfield Inn & Suites	529 Ridge St	Hospitality	100,000	Under Construction	2018
9	600 West Main	600 W Main St	Multi-Family	57 Units	Under Construction	2019
10	Dairy Central	946 Grady Ave	Retail/Office	95,000	Under Construction	2020
11	3Twenty3	323 2nd St SE	Office	120,000	Under Construction	2020
12	Quirk Hotel	425-503 W Main St	Hospitality	45,000	Under Construction	2020
13	CODE Building	230 W Main St	Office	160,000	Under Construction	2020
14	Apex Building	Garrett St	Office	130,000	Proposed	2021

Cushman & Wakefield | Thalhimer
 11100 W. Broad St.
 Glen Allen, VA 23060
thalhimer.com

For more information, contact:
 Jonathan Koes
 Research Manager
 Tel: +1 804 697 3560
jonathan.koes@thalhimer.com

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