

Office Q3 2020

YoY Chg 12-Mo. Forecast

3.8%
Vacancy Rate



-7K
Net Absorption, SF



\$25.26
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2020

YoY Chg 12-Mo. Forecast

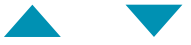
114.4k
Charlottesville MSA
Employment



7.4%
Charlottesville MSA
Unemployment Rate



8.8%
U.S.
Unemployment Rate



Source: BLS, Moody's Analytics

ECONOMY: Uncertain Recovery

Unemployment fell 210 basis points (bps) from the second quarter peak to 7.4% in Charlottesville, 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](#).

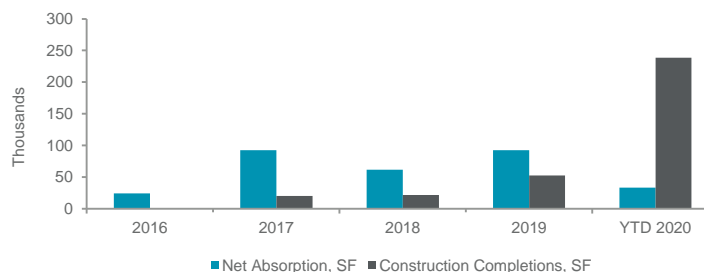
SUPPLY and DEMAND: Construction Completions Add Quality Space

Charlottesville has experienced office vacancy rates below 3.0% for the better part of three years. Office leasing activity has declined as companies continue to navigate how to return to the workplace, but demand is expected to accelerate as businesses return to the workplace. Over 200,000 square feet (sf) of office space has delivered in 2020, with nearly 700,000 sf of additional space currently under construction. The decline in activity coupled with available space in new deliveries contributed to vacancy rates rising to 3.8% overall. Approximately 18% of space buildings delivered in 2020 is available, offering high-quality Class A space to prospective tenants.

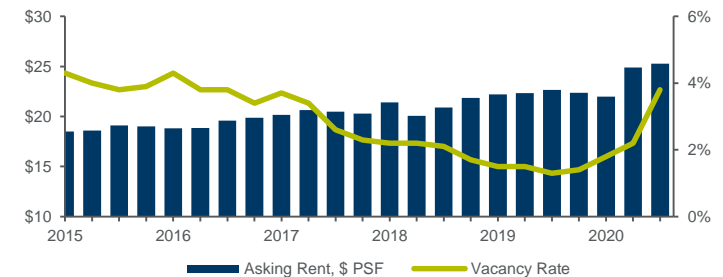
PRICING: Class A Space Driving Rental Rates

Rental rate growth slowed, as demand for office space is hindered by the pandemic. The introduction of Class A space drove the overall average asking rate over \$25.00 per square foot (psf). Class A rents are exceeding \$30.00 psf in new construction. These premium rents include numerous amenities that were previously unavailable in the Charlottesville market. Companies looking to relocate from larger metropolitan areas and capitalize on the region's quality of life will find desirable amenities in new construction in order to compete for Charlottesville's workforce talent.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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