

Office Q4 2020

YoY Chg 12-Mo. Forecast

4.2%
Vacancy Rate



-9K
Net Absorption, SF



\$25.71
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2020

YoY Chg 12-Mo. Forecast

119.9k
Charlottesville MSA Employment



3.8%
Charlottesville MSA Unemployment Rate



6.7%
U.S. Unemployment Rate



Source: BLS, Moody's Analytics

ECONOMY: Uncertain Recovery

Charlottesville's unemployment rate declined to 3.8% in the fourth quarter after reaching 9.5% in the second quarter. The unemployment rate remains 160 basis points (bps) above the same period last year but is considerably lower than the national rate and surrounding cities. State restrictions on gatherings returned for the holiday season, but the regional economy has managed to regain approximately 75% of the initial job losses caused by the pandemic. The return of students to grounds at the University of Virginia after an extended winter break due to COVID-19 will provide some relief for local businesses, while the introduction of a vaccine provides optimism that the economic recovery will accelerate throughout 2021.

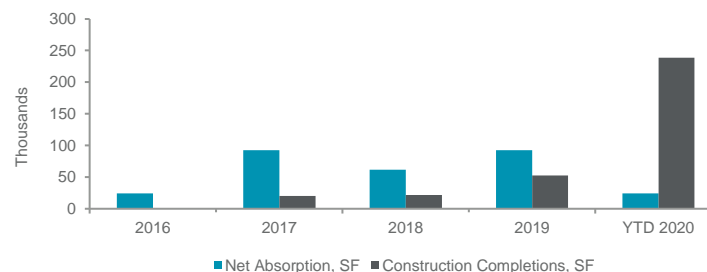
SUPPLY and DEMAND: Development Activity Continues

Development activity has resulted in over 750,000 square feet (sf) of office space being built or actively under construction in 2020. This includes Apex Clean Energy's new headquarters building, which will be Virginia's tallest mass timber office building. Vacancy rates increased to 4.2% in the fourth quarter, after falling below 2.0% prior to the pandemic. The impact of the pandemic has resulted in sluggish leasing activity and left occupiers unable to move-in to new construction. Still, demand is expected to increase in 2021 as companies return to the workplace and search for locations away from dense urban areas. Charlottesville offers high-quality space and commands higher rental rates than surrounding cities but remains attractive to occupiers for its well-educated workforce and access to the outdoors. The Charlottesville area was named the 2020 Top Adventure Town for a mid-sized town by Blue Ridge Outdoors, marking the first time the region has received the honor.

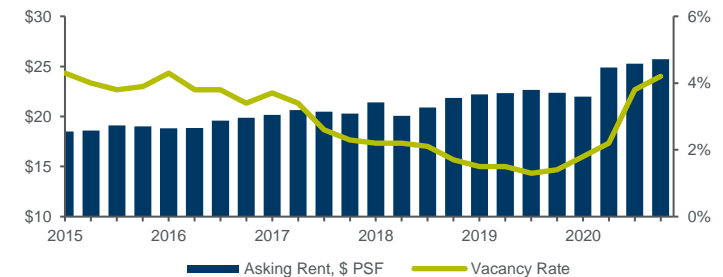
PRICING: Class A Space Driving Rental Rates

Rental rate growth slowed, as demand for office space remains hindered by the pandemic. Recent Class A deliveries drove the overall average asking rate to \$25.71 per square foot (psf), a 1.8% increase from the third quarter. Class A rents reached \$30.63 psf, a 7.7% increase from the same time last year. These premium rents in new construction 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 order to compete for Charlottesville's workforce talent.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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