

Office Q3 2022

YoY Chg 12-Mo. Forecast

4.1%

Vacancy Rate



-12.9K

Net Absorption, SF



\$28.42

Asking Rent, PSF



(Overall, All Property Classes, Min 10,000 SF RBA)
*Vacancy Rate Excludes Large Block Sublease Space

ECONOMIC INDICATORS Q3 2022

YoY Chg 12-Mo. Forecast

114.2k

Charlottesville MSA
Employment



3.0%

Charlottesville MSA
Unemployment Rate



3.6%

U.S.
Unemployment Rate



Source: BLS, Moody's Analytics

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ECONOMY: Positive Gains

Still well below the national average, Charlottesville unemployment has dropped to 3.0%, down 50 basis points (bps) year-over-year (YOY) and down 370 bps from two years ago. Employment in leisure and hospitality saw the biggest gains with an increase of more than 10% YOY. The region's talent base is only expected to grow as recent projections from the University of Virginia predict the metropolitan area's population will increase 25% between 2030 and 2050.

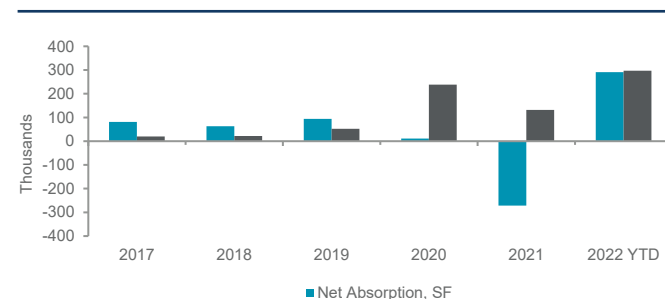
SUPPLY and DEMAND: Large Sublease Blocks

Leasing activity remains strong with 17% more deals completed year-to-date (YTD) than during the first three quarters of last year. Although the quarter closed with negative net absorption numbers, YTD net absorption is up 85% YOY. Sublease space now comprises 50% of the total office vacancy compared to 4% YOY, and of that amount, 91% is confined to one building: the former State Farm regional office. The Class B suburban building came on the market in the second quarter of 2021, and while a lease was signed for a 48,000- square-foot (sf) space earlier in the year, the balance of the complex remains vacant though it has been excluded from the overall vacancy rate shown. Large blocks of office space are in limited supply, with existing options of over 20,000 contiguous sf available in only three locations, two of which are sublease offerings. While the average deal size has decreased 16% YOY, vacancy numbers are forecast to continue to fall as deal volume is projected to grow.

PRICING: Trending Upward

Lease rates are continuing to trend upward with overall market rents increasing more than 25% since the start of 2020. Full-service rates for new Class A product range between \$35 and \$43 per square foot (psf), and upward pressure on pricing is expected to continue as the supply of high-quality class A product continues to shrink. Sales activity slowed in the third quarter with limited transfers for facilities larger than 10,000 sf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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