

	YoY Chg	12-Mo. Forecast
<b>2.8%</b> Vacancy Rate	▲	▲
<b>1.8M</b> Net Absorption, SF	▼	▲
<b>\$6.64</b> Asking Rent, PSF <i>Overall, Net Asking Rent</i>	▲	▲

**ECONOMIC INDICATORS Q4 2022**

	YoY Chg	12-Mo. Forecast
<b>682.8K</b> Richmond MSA Employment	▲	▼
<b>2.9%</b> Richmond MSA Unemployment Rate	▼	▲
<b>3.7%</b> U.S. Unemployment Rate	▼	▲

Source: BLS, Moody's Analytics

**ECONOMIC OVERVIEW: Job Recovery Nears 100%**

The Richmond metro area closed the year posting rising employment numbers close to pre-pandemic levels and boasting the addition of 4,300 jobs. Facebook parent company Meta purchased an additional 475 acres in eastern Henrico's White Oak Technology Park to expand its sprawling data center footprint, taking advantage of the county's infrastructure that hosts 18% of the East Coast's internet traffic. On a statewide level, Virginia earned the top ranking from Site Selection as the best state business climate, beating Georgia, the winner for the past eight consecutive years. The Greater Richmond Partnership reports an additional seven megaprojects in its active pipeline, requirements on a scale comparable to LEGO's investment and each bringing a minimum of 1,000 jobs.

**SUPPLY AND DEMAND: Absorption Matches New Construction**

The industrial vacancy rate has increased 100 basis points (bps) quarter-over-quarter and 60 bps year-over-year (YOY) with more than 3.1 million square feet (msf) delivered in the fourth quarter. This included 1.1 msf in Hanover County's East Coast Commerce Center, which accounts for 35% of the newly built product. Although leasing activity was down 36% YOY, net absorption kept pace with new construction, and the lower deal velocity was more likely attributed to the scarcity of existing product than to a lack of active prospects. Net absorption and delivery numbers have both hit historic highs with increases YOY of 165% and 285% respectively. An additional 8.2 msf is currently under construction with more than 75% of that product preleased or built-to-suit, a further indication of the market's strong appetite for industrial product. The current construction pipeline notwithstanding, the lack of development-ready land sites remains the biggest barrier to new development moving forward.

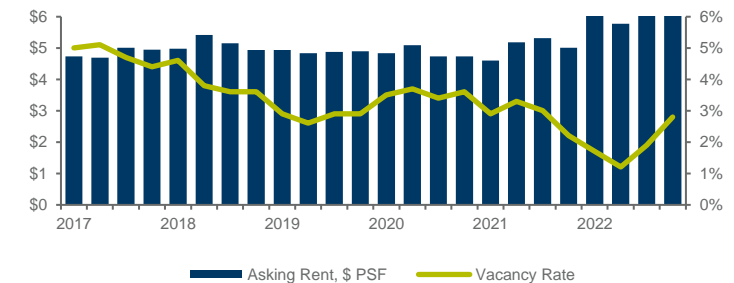
**PRICING: Growth Rates Stabilize**

Overall rent growth climbed slightly at year-end, up 1.4% from the end of the third quarter, following a more dramatic increase of 37% since the start of 2020. While rent growth decelerated in the fourth quarter, the moderated growth is less a sign of a slowdown than evidence of a new market equilibrium more consistent with pre-pandemic rent growth. The year closed with sales volume above \$750 million overall, an increase of 112% YOY. Two major sales accounted for 35% of the total volume for the year: the 1 msf Eastport Industrial Park to Equus Capital Partners in the first quarter for \$139 million, and the 1.2 msf facility in the Deepwater Industrial Park leased to Lowe's in the fourth quarter for \$128 million. Industrial sale offerings remain in high demand, and limited inventory has caused significant upward pressure on pricing with the average sale price per square foot jumping 27% YOY.

**SPACE DEMAND / DELIVERIES**



**OVERALL VACANCY & ASKING RENT**



**MARKET STATISTICS**

SUBMARKET/QUADRANT	TOTAL BUILDINGS	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Downtown	4	134,617	0	0.0%	0	0	0	-	-	-
Northeast	173	12,327,269	323,871	2.6%	-8,383	294,933	3,735,514	-	-	\$8.48
Northwest	321	21,889,143	1,563,981	7.1%	378,594	1,065,320	1,078,893	\$7.02	\$12.45	\$6.97
Southeast	160	23,599,723	179,520	0.8%	1,455,751	2,493,360	1,819,319	-	\$8.85	\$5.43
Southwest	447	46,500,824	886,400	1.9%	2,871	2,220,118	1,562,911	\$7.78	\$9.91	\$5.37
<b>RICHMOND, VA TOTALS</b>	<b>1,105</b>	<b>104,451,576</b>	<b>2,953,772</b>	<b>2.8%</b>	<b>1,828,833</b>	<b>6,073,731</b>	<b>8,196,637</b>	<b>\$7.06</b>	<b>\$11.83</b>	<b>\$6.06</b>

Data includes industrial facilities with a minimum 20,000 square feet total. Rental rates reflect weighted net asking \$psf/year.

FX = Flex MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

**KEY LEASE TRANSACTIONS Q4 2022**

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
6162 Quality Way	Prince George	Worldwide Retail Solutions	194,880	New
2601 Maury Street	Jeff Davis Corridor	Strategic Telecom Supply & Solutions	126,670	New
12043 Harley Club Drive (Northlake II)	I-95 North/Ashland	Chadwell Supply	119,242	New
7400 Impala Drive	Staples Mill/Parham	Sunrise Construction Co.	111,198	New
3001 Commerce Road (Deepwater Industrial Park)	Jeff Davis Corridor	Lowe's	101,197	New
309 Quarles Road	I-95 North/Ashland	JES Construction	81,500	New

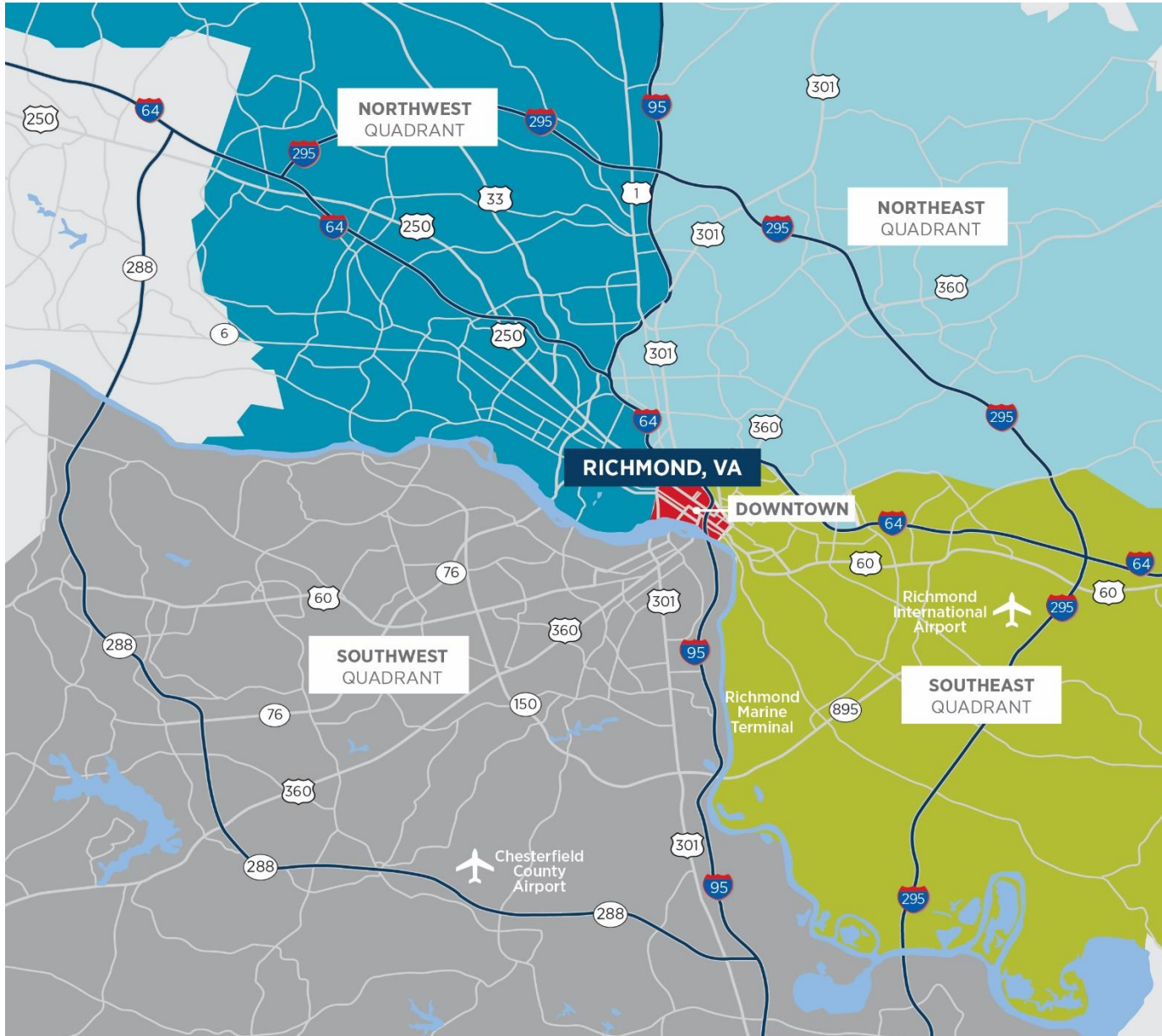
**KEY SALES TRANSACTIONS Q4 2022**

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
2703 Commerce Road (Deepwater Industrial Park)	Jeff Davis Corridor	Deepwater HD CRG LLC / Realty Income Corporation	1,200,540	\$127.74M/\$106
914 E Randolph Road	TriCities	Evonik Corporation / Kensing Solutions	51,000	\$7.59M/\$149

**KEY CONSTRUCTION PIPELINE 2022**

PROPERTY	SUBMARKET	STATUS	MAJOR TENANT	SF	OWNER/DEVELOPER
5901 Richmond Henrico Turnpike	Laburnum/Rte 360	Delivered Q4 2022	Amazon	2,600,000	Hillwood Development
Meadowville Technology Park	I-95 S/I-295/Rt 10	Under Construction	LEGO Group	1,700,000	LEGO Group
Deepwater Industrial Park	Jeff Davis Corridor	Delivered Q3 2022	Lowe's	1,200,000	Hourigan
East Coast Commerce Center	I-95 North/Ashland	Delivered Q4 2022	(Spec)	1,112,000	Equity Investments/Raith
Sauer Industrial Center (Building 1)	Airport	Delivered Q3 2022	Mondelez International	446,692	Becknell Industrial
Washington Hwy Distribution Center	I-95 North/Ashland	Under Construction	(Spec)	405,000 Total (2 Buildings)	Samet Corporation
Distribution Center at Meadowville	I-95 S/I-295/Rt 10	Delivered Q3 2022	Coca-Cola Consolidated	353,044	Red Rock Development
Cardinal Commerce Center / Cardinal North	I-95 North/Ashland	Under Construction	Performance Food Group	325,000	Scannell Properties

INDUSTRIAL SUBMARKETS



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