

YoY Chg 12-Mo. Forecast

**8.2%**

Vacancy Rate



**94K**

Net Absorption, SF



**\$20.34**

Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q4 2022

YoY Chg 12-Mo. Forecast

**682.8K**

Richmond MSA Employment



**2.9%**

Richmond MSA Unemployment Rate



**3.7%**

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. BHE GT&S, a subsidiary of Berkshire Hathaway Energy, became the latest regional company to announce expansion plans with the purchase of a two-building complex in Innsbrook – Henrico County's office hub – from Capital One. 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.

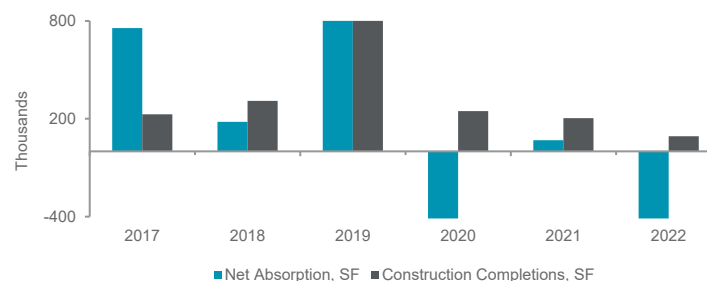
## SUPPLY AND DEMAND: Large Block Sublease Activity

The year ended with positive net absorption due primarily to the large block of sublease space leased to Genworth Financial. While negative net absorption on direct space totaled more than 880,000 square feet (sf) for the year, net absorption of sublease offerings was positive, reaching approximately 300,000 sf. Deal volume is down 7% year-over-year (YOY), and overall leasing activity is down 9.5% YOY in terms of total square footage. The sublease inventory has decreased 35% since the third quarter and now accounts for just under 10% of the total vacancy, a decrease of 190 basis points (bps) YOY. While vacancy remains above pre-pandemic levels, the overall vacancy rate did drop 30 bps from the third quarter with the largest blocks of direct vacant space located in the Central Business District (CBD) and Innsbrook at 23% and 19% respectively.

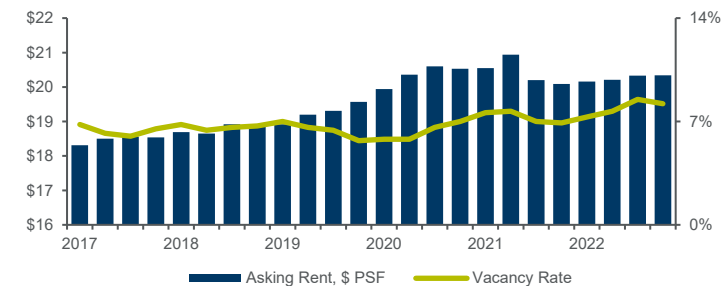
## PRICING: Consistent Gains

Direct lease rates continue to trend upward modestly as sublease rates have steadily declined with the influx of sublease inventory over the past ten quarters. Direct rents climbed 2% YOY and have increased by 5% since the start of 2020, due in part to rising construction costs, while sublease rents have decreased by 22% in the same timeframe. Year-end office sales volume topped \$556 million, and while that number is down from the 2021 total, median pricing has increased by 16% YOY. Two major multi-building portfolio sales closed in the fourth quarter along with the \$22 million purchase by Berkshire Hathaway Energy for its new corporate headquarters location. New construction remains limited with the majority of activity in the West Creek submarket focused on medical office product that will not impact overall market pricing.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD	10,684,777	75,054	963,306	9.7%	5,265	-195,153	121,758	0	\$21.97	\$24.09
East End	408,369	0	40,406	9.9%	-801	-9,537	3,378	20,000	-	-
Far West End	820,788	30,000	127,593	19.2%	6,460	-1,880	11,769	0	\$21.21	\$23.00
Glenside/Broad St	4,883,924	32,309	360,989	8.1%	-39,228	111,727	210,661	0	\$20.40	\$20.67
Hull Street Corridor	1,273,379	0	61,435	4.8%	-5,885	-52,421	31,706	0	\$15.59	-
I-95 N/Ashland	444,008	0	1,460	0.3%	-4,261	-265	5,098	0	\$21.00	-
I-95 N/Chamberlayne	241,896	0	15,586	6.4%	0	18,020	988	0	\$15.00	-
Innsbrook	7,841,018	77,715	772,741	10.8%	140,574	-380,746	681,670	0	\$22.15	\$22.57
Iron Bridge Corridor	1,616,231	0	304,465	18.8%	0	-15,812	52,146	0	\$17.09	\$16.20
Lakeside	100,152	0	12,726	12.7%	-2,417	-6,106	2,167	0	\$16.00	-
Manchester	1,279,372	11,999	35,991	3.8%	129,034	63,256	53,137	0	\$20.40	-
Mechanicsville	1,070,583	0	32,570	3.0%	4,386	17,102	31,695	0	\$16.09	-
Midlothian Corridor	3,895,799	0	446,804	11.5%	10,329	5,289	380,190	0	\$17.58	\$18.19
Monroe Ward	2,061,887	0	150,937	7.3%	-12,927	-48,023	22,708	0	\$21.51	\$23.50
Near West End	1,619,213	20,713	48,285	4.3%	-15,055	-31,833	52,900	0	\$23.64	-
North Broad	3,250,132	53,860	73,847	3.9%	0	750	750	0	\$15.00	-
Northside	172,184	0	15,209	8.8%	-15,209	-2,059	13,150	0	\$16.76	-
Parham East	2,571,954	2,650	125,525	5.0%	-89,440	-58,185	35,251	0	\$18.15	-
Parham South	905,501	0	115,916	12.8%	2,344	28,923	44,354	0	\$16.66	-
Rt 288 Corridor	1,482,235	5,881	75,272	5.5%	-8,231	-46,908	54,139	0	\$21.50	\$17.72
Shockoe Bottom	1,768,281	18,219	65,959	4.8%	-815	17,264	15,166	0	\$20.27	\$26.50
Stony Point/Huguenot	1,184,711	44,498	74,260	10.0%	-17,585	-4,972	33,769	0	\$19.15	\$19.41
West Creek	2,307,063	4,614	13,144	0.8%	0	10,000	6,000	106,000	-	-
West End	3,343,952	63,747	167,933	6.9%	7,587	-2,996	133,216	55,000	\$13.75	-
<b>RICHMOND, VA TOTALS</b>	<b>55,227,409</b>	<b>441,259</b>	<b>4,102,359</b>	<b>8.2%</b>	<b>94,125</b>	<b>-584,565</b>	<b>1,997,766</b>	<b>181,000</b>	<b>\$20.34</b>	<b>\$22.35</b>

\*Rental rates reflect full service asking. Buildings with minimum 10,000 square feet RBA. Renewals not included in leasing statistics.

## KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
11011-11013 West Broad Street/SunTrust One	Innsbrook	Genworth Financial	174,378	New (Sublease)
6802 Paragon Place (Two Paragon Place)	Glenside/Broad St	The Hilb Group	21,478	New (Sublease)
1300 Semmes Avenue	Manchester	Senior Connections	19,916	New

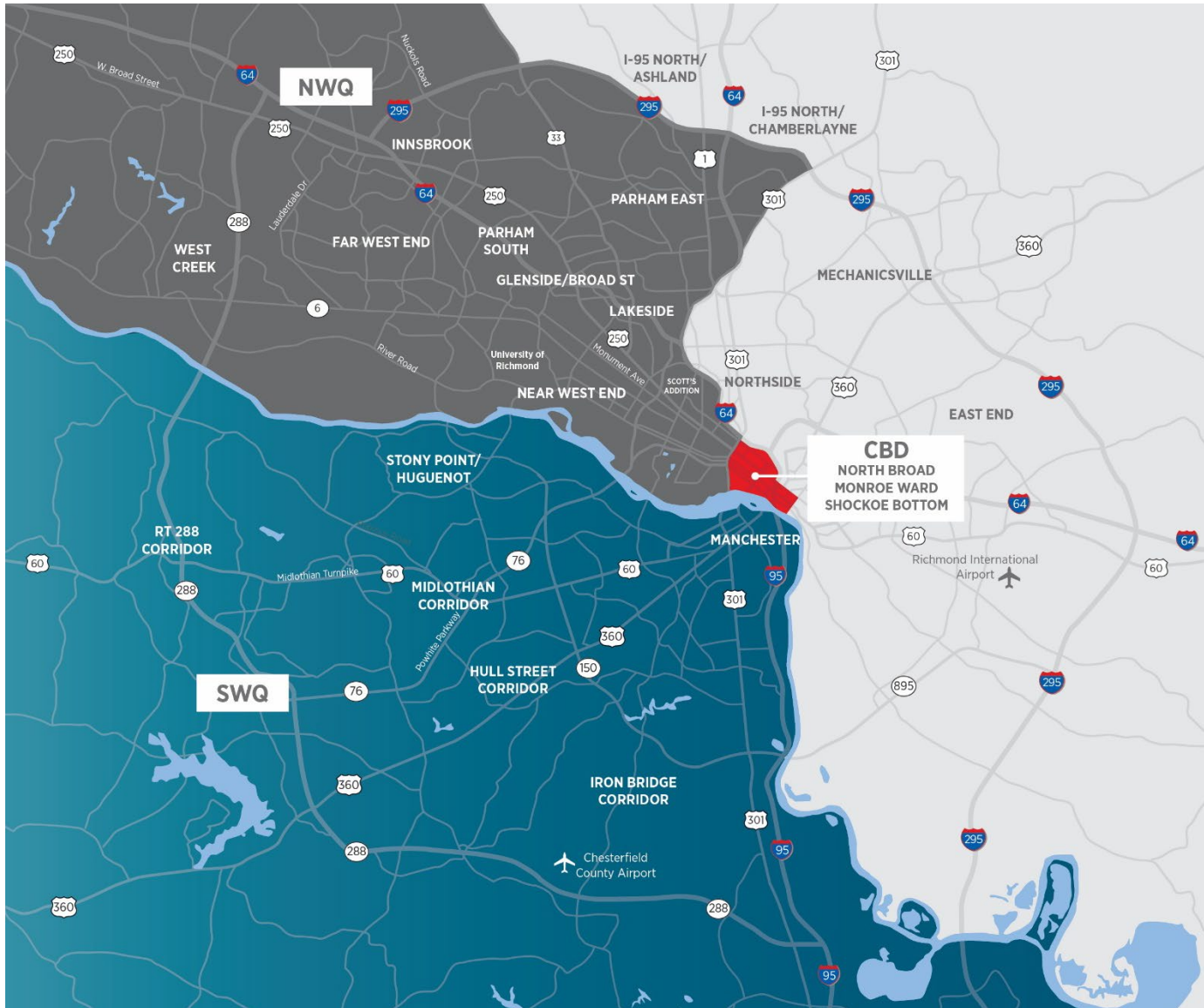
## KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
4198, 4510, 4801 & 4880 Cox Road (11-Building Portfolio)	Innsbrook	Lingerfelt Commonwealth Partners / Seminole Trail Management LLC	723,000	\$118.95M/\$164
2015 & 2103 Staples Mill Road (3-Building Portfolio)	West End	Elevance Health Inc. / Kinsale Capital Group Inc.	581,875	\$76.2M/\$131
10700 & 10750 Wheat First Drive	Innsbrook	Capital One Financial Corp / Berkshire Hathaway Energy (BHE GT&S)	192,187	\$20.75M/\$108

# RICHMOND, VA

Office Q4 2022

## OFFICE SUBMARKETS



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