

Office Q4 2022

YoY Chg 12-Mo. Forecast

5.0%
Vacancy Rate



44.7K
Net Absorption, SF



\$28.85
Asking Rent, PSF



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

ECONOMIC INDICATORS Q4 2022

YoY Chg 12-Mo. Forecast

116.3k
Charlottesville MSA
Employment



2.8%
Charlottesville MSA
Unemployment Rate



3.7%
U.S.
Unemployment Rate



Source: BLS, Moody's Analytics

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ECONOMY: Employment Recovery Nears 100%

Employment numbers ended the year within striking range of pre-pandemic levels. Still well below the national average, Charlottesville unemployment has dropped to 2.8%, a decrease of 20 basis points (bps) from the prior quarter and down 30 bps since the start of the year. Hospitality occupancy is up 220 bps year-over-year (YOY), and lodging rates have increased 17% in the same timeframe. Always a popular area for walkers and bikers, SmartAsset has listed Charlottesville as #6 in the nation for fitness-friendly lifestyles.

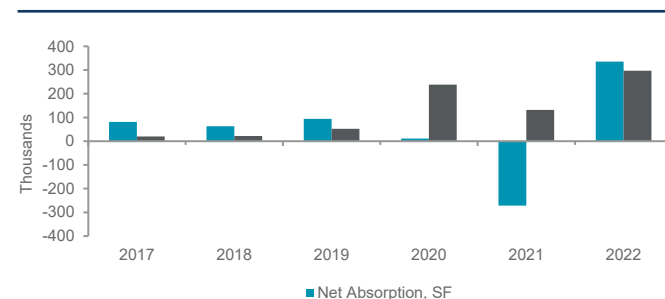
SUPPLY and DEMAND: Positive Absorption Caps Active Year

Year-end net absorption numbers topped 335,000 square feet (sf), a significant jump from the negative absorption posted in 2021. Leasing activity increased slightly YOY, up 3.5% in terms of square footage and up 19% in terms of the number of deals. While deal velocity increased in 2022, the average deal size fell 13%, a sign that office users are becoming more deliberate about space planning and utilization in addressing the new hybrid work model. Sublease space remained a major factor in the overall combined vacancy and comprised 45% of the overall total. Of the sublease vacancy, 92% is confined to one building: the former State Farm regional office, a class B suburban building that came on the market in the second quarter of 2021. For the purposes of this report, that sublease space has been excluded from the overall vacancy rate. While class A vacancy did increase YOY, 33% of the increase can be attributed to the remaining space available in the newly built Apex Plaza. Located in the popular downtown area, 89% of the total 187,000 sf has been leased less than a year since the building was delivered.

PRICING: Trending Upward

Overall lease rates continued to climb, ending the year up 3.7% overall and up nearly 32% since the start of 2020, and the trend for class A rates has followed suit with sustained interest from occupants. Year-end sales activity topped \$22.8 million for the year with a mix of investment and user transfers. Total deal volume has exceeded \$102 million since the start of 2020, and while average pricing per square foot dipped over the last twelve months, numbers are expected to climb with the limited supply of quality offerings.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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