

	YoY Chg	12-Mo. Forecast
8.0% Vacancy Rate	▲	▼
-128K Net Absorption, SF	▼	▲
\$20.42 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2023

	YoY Chg	12-Mo. Forecast
711.8K Richmond MSA Employment	▲	▼
3.3% Richmond MSA Unemployment Rate	▼	—
3.5% U.S. Unemployment Rate	▼	▲

Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW: A Region In Growth Mode

Coming off one of the region's best years in more than two decades, Richmond is in growth mode. More than \$1.6 billion in capital investment and nearly 5,000 new jobs were announced in 2022, and the region has been ranked as the #4 hottest city for job growth by Gusto, a leader in human resources management software. Mixed-use development is on the rise with a focus on expanding Richmond's already varied and vibrant lifestyle amenities. Henrico County's Virginia Center Commons is slated for redevelopment with a mix of retail and residential housing as well as space for two large job centers included on its 90-acre campus. Construction began on Midlothian's Springline at District 60 development, replacing a former retail center with entertainment venues, apartment units, and office space on its 42 acres in Chesterfield County. Richmond's Stone Brewing facility will begin brewing Sapporo, expanding its facilities and doubling its workforce, and SanMar announced plans to establish a \$50 million distribution hub in Hanover County.

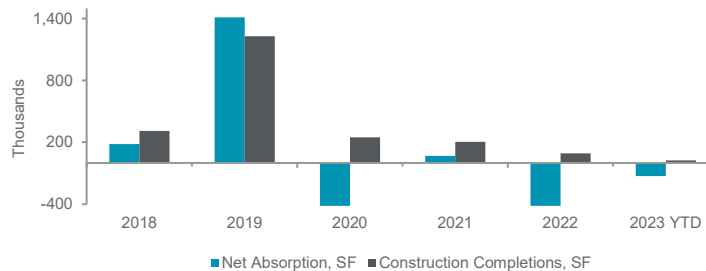
SUPPLY AND DEMAND: Prospect Activity Rebound

The first quarter saw a slight drop in overall office market vacancy despite negative net absorption numbers. Vacancy is down 40 basis points (bps) since the mid-year mark of 2022, and prospect activity is on the rise, with the number of requirements tracked internally at 65% above the 2019 pre-pandemic baseline. In-office utilization and occupancy levels are rising as companies like Capital One are updating their hybrid work policies with a focus on bringing the workforce back to the office. Sublease space remains in ample supply and accounts for 10.2% of the total available space, but additions to the sublease inventory have stabilized with a modest increase of 5.3% quarter-over-quarter (QOQ). Deal volume is up 10% year-over-year (YOY) in terms of the number of transactions, while average deal size has decreased slightly. The Innsbrook submarket led the charge in first quarter leasing activity with 32.7% of the total square footage leased, keeping its overall vacancy essentially flat YOY.

PRICING: Focus on Quality

Rates continue to trend upward for both direct and sublease space: direct rates climbed a modest 1.3% YOY while sublease rates have jumped 9.7% YOY, a further indication of the supply stabilization. Rates are forecast to increase through the remainder of the year as tenants focus on effective utilization of space and quality in term of finishes, location, and amenities. The construction pipeline remains limited, and current projects stand to add less than 1% to the total inventory. More than 55% of the new product is medical office located in the West Creek submarket with almost 80% preleased. Sales volume slowed in the first quarter, topping \$13.1 million following an active fourth quarter of portfolio trades. The three-building suburban complex formerly known as Parham Place sold to a local investor with rebranding and significant upgrades planned.

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	10,974,405	72,603	951,534	9.3%	-13,845	-13,845	32,815	0	\$22.06	\$24.09
East End	445,277	0	40,406	9.1%	28,378	28,378	3,800	20,000	\$10.00	-
Far West End	820,788	30,000	133,965	20.0%	-6,375	-6,375	0	0	\$21.56	-
Glenside/Broad St	4,890,254	50,255	400,954	9.6%	-52,972	-52,972	58,957	0	\$21.31	\$22.00
Hull Street Corridor	1,273,379	0	58,663	4.6%	3,711	3,711	900	0	\$15.59	-
I-95 N/Ashland	444,008	0	7,231	1.6%	-1,194	-1,194	521	0	\$21.00	-
I-95 N/Chamberlayne	253,392	0	11,700	4.6%	3,886	3,886	3,198	0	\$14.00	-
Innsbrook	7,836,448	92,137	625,533	9.2%	-34,951	-34,951	124,535	0	\$22.31	\$22.43
Iron Bridge Corridor	1,544,449	1,310	313,199	20.4%	-6,478	-6,478	2,607	0	\$17.23	\$16.19
Lakeside	100,152	0	12,726	12.7%	0	0	0	0	\$16.00	-
Manchester	1,293,272	11,240	31,787	3.3%	20,901	20,901	3,978	0	\$20.60	-
Mechanicsville	1,070,583	0	36,910	3.4%	-5,540	-5,540	8,500	16,000	\$16.09	-
Midlothian Corridor	3,895,799	0	469,174	12.0%	-26,632	-26,632	38,550	0	\$17.70	\$19.00
Monroe Ward	2,082,152	0	124,708	6.0%	41,718	41,718	0	0	\$21.57	\$23.50
Near West End	1,619,213	29,050	52,154	5.0%	-13,309	-13,309	6,589	0	\$24.17	-
North Broad	3,250,132	29,576	94,373	3.8%	-20,811	-20,811	24,569	0	\$15.00	-
Northside	172,184	0	15,209	8.8%	0	0	0	0	-	-
Parham East	2,588,446	5,300	82,985	3.4%	5,570	5,570	38,518	0	\$17.99	-
Parham South	906,561	7,547	99,616	11.8%	2,306	2,306	6,052	0	\$16.62	-
Rt 288 Corridor	1,482,235	3,546	67,310	4.8%	10,297	10,297	803	18,100	\$22.95	\$21.85
Shockoe Bottom	1,818,808	18,219	79,806	5.4%	-15,324	-15,324	4,019	0	\$19.73	\$26.50
Stony Point/Huguenot	1,192,404	38,440	92,021	10.9%	-17,161	-17,161	9,407	0	\$18.73	\$18.94
West Creek	2,256,782	4,614	13,144	0.8%	0	0	0	80,052	-	-
West End	3,535,152	63,747	200,323	7.5%	-30,159	-30,159	13,014	11,000	\$15.41	-
RICHMOND, VA TOTALS	55,746,275	457,584	4,015,431	8.0%	-127,984	-127,984	381,332	145,152	\$20.42	\$22.27

*Rental rates reflect full service asking. Buildings with minimum 10,000 square feet RBA.

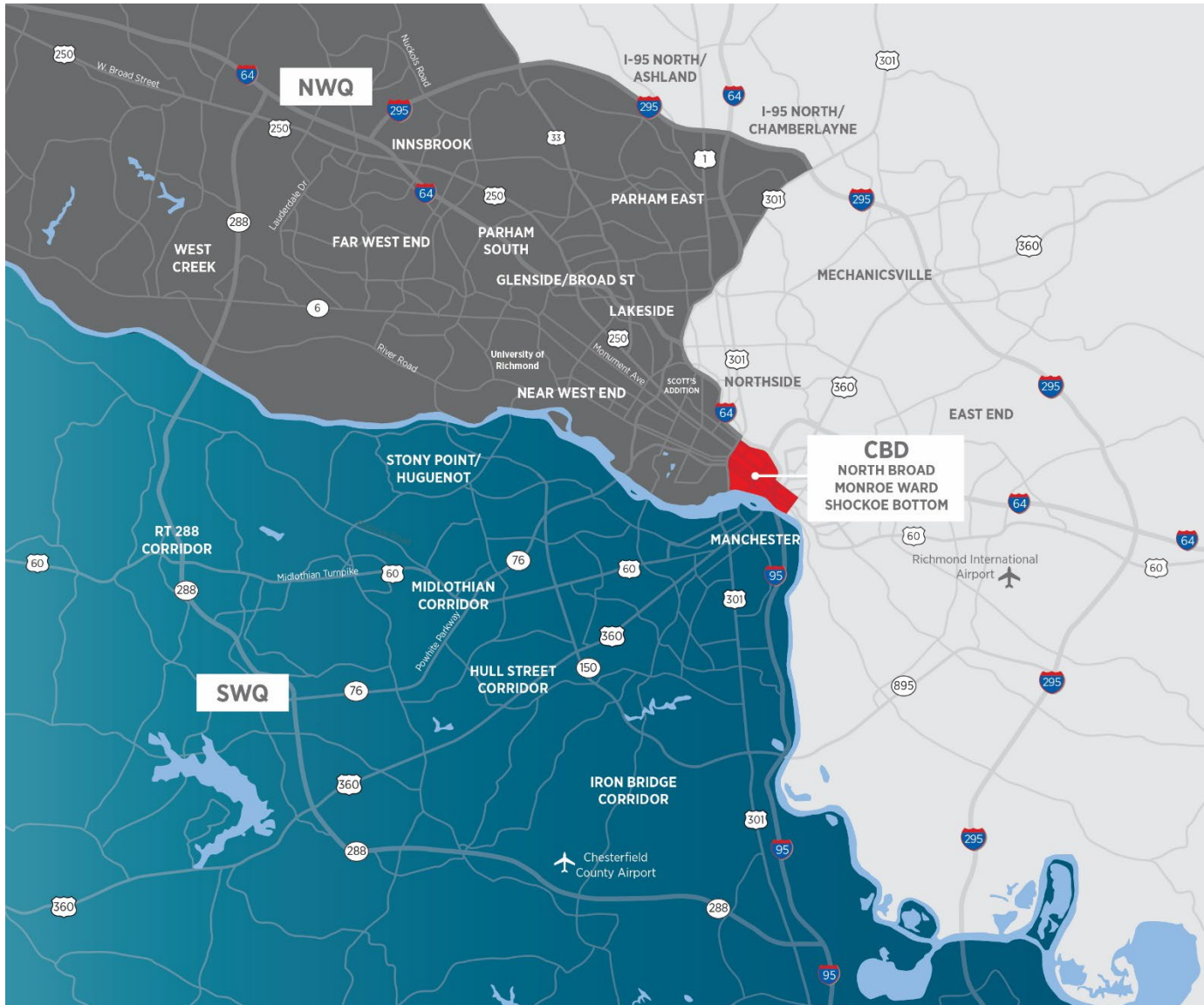
KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1920 E Parham Road (Marwaha I)	Parham East	ColonialWebb Contractors	33,900	New
8720 Stony Point Pkwy (Stony Point IV)	Stony Point/Huguenot	Keeping Current Matters Inc.	27,837	New
600 E Broad Street	North Broad	Richmond Redevelopment Housing Authority	24,569	New (Sublease)
4461 Cox Road (Cox Court)	Innsbrook	Retail Data	23,217	New

KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
2015 & 2103 Staples Mill Rd (3-Building Portfolio)	West End	Elevance Health Inc. / Kinsale Capital Group Inc.	581,875	\$76.2M/\$131
1910, 1920 & 1950 E Parham Road (3-Building Portfolio)	Parham East	Office Properties Income Trust / Marwaha Real Estate	88,890	\$5.35M/\$60
12201 Gayton Rd (Gayton Executive Center)	Far West End	Gayton Partners LLC / Wellfleet Properties LLC	17,156	\$1.62M / \$95

OFFICE SUBMARKETS



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