

	YoY Chg	12-Mo. Forecast
7.9% Vacancy Rate	▲	▼
-54K Net Absorption, SF	▲	▲
\$20.82 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2023

	YoY Chg	12-Mo. Forecast
712.2K Richmond MSA Employment	▲	▲
3.1% Richmond MSA Unemployment Rate	▼	▲
3.6% U.S. Unemployment Rate	■	▲

Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW: A Region In Growth Mode

After a landmark year in terms of capital investment and job creation, the Richmond region hit the mid-year mark with the growth mindset intact. Companies relocating and expanding to Richmond have brought residents with them. The area's population growth rate is estimated to be more than triple that of Virginia's five largest metros as published by the Weldon Cooper Center for Public Service. The Richmond International Airport (RIC) earned the award for North America's Most Efficient Airport from the Air Transport Research Society (ATRS), a nod to RIC's progressive vision following consecutive record-setting months for passenger travel that has resulted in plans to expand international flight offerings. Activation Capital, an innovation ecosystem development organization, announced plans to develop the 102,000-square-foot (sf) Innovation Center in Richmond's Bio+Tech Park, a life sciences hub home to more than 70 companies, research institutes, and state/federal laboratories.

SUPPLY AND DEMAND: Vacancy Rates Stable

The second quarter closed with overall vacancy essentially flat quarter-over-quarter (QOQ) and up just 30 basis points (bps) year-over-year (YOY). Direct vacancy has increased 70 bps YOY while sublease vacancy is down 40 bps YOY as new sublease offerings have stabilized. Leasing activity topped 1.0 million square feet (msf) since the start of the year, with deal volume comparable to that of the past three years and up 17% over mid-year 2022 numbers. The larger suburban office parks have seen an uptick in interest, and since mid-year 2020, vacancy in the Glenside/Broad area has dropped 110 bps. The Central Business District (CBD) has seen a 110 bps drop in vacancy YOY, and after an active second quarter, net absorption numbers in the submarket topped 64,000 sf since the start of the year. Despite negative net absorption numbers, the Innsbrook submarket led the charge in year-to-date leasing activity with 34.5% of the total square footage leased and submarket vacancy up only 10 bps YOY. Innsbrook was also home to the largest deal of the quarter with more than 100,000 sf leased to the Virginia Department of Social Services.

PRICING: Rent Growth Rates Stabilize

Overall rates continue to trend upward, increasing 3.0% YOY, while sublease rates have jumped 11.6% YOY – more than five times the increase in direct rates – as the sublease supply continues to stabilize. Rates are forecast to increase through the remainder of the year at growth rates more in line with historical levels. The average deal size has decreased 12.6% over the last four quarters when compared to the prior period as tenants continue to focus on effective utilization of space, a trend that is forecast to continue in the near term. The construction pipeline remains limited, and current projects stand to add less than 1% to the total inventory. Sales volume slowed in the second quarter, with individual building investment sales and medical office trades topping the list.

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	10,967,100	61,598	890,778	8.7%	78,165	64,320	121,518	0	\$22.03	\$24.01
East End	499,251	0	38,034	7.6%	0	82,352	6,172	20,000	\$10.00	-
Far West End	820,788	30,000	133,965	20.0%	0	-6,375	0	0	\$21.56	-
Glenside/Broad St	4,918,538	59,596	411,660	9.6%	-30,913	-83,885	132,348	0	\$21.34	\$17.95
Hull Street Corridor	1,273,379	0	56,688	4.5%	1,975	5,686	2,875	0	\$15.95	-
I-95 N/Ashland	444,008	0	8,382	1.9%	-630	-1,824	521	0	\$21.50	-
I-95 N/Chamberlayne	242,392	0	2,454	1.0%	7,328	11,214	7,652	0	\$14.00	-
Innsbrook	7,860,291	146,931	798,256	12.0%	-249,567	-284,518	350,406	0	\$22.63	\$22.90
Iron Bridge Corridor	1,544,449	0	251,422	16.3%	61,231	54,753	36,339	0	\$17.49	\$16.19
Lakeside	100,152	0	10,227	10.2%	2,499	2,499	0	0	\$16.00	-
Manchester	1,279,290	0	26,948	2.1%	8,817	29,718	15,218	0	\$21.00	-
Mechanicsville	1,085,779	0	32,049	3.0%	2,257	-3,283	14,340	16,000	\$16.09	-
Midlothian Corridor	3,950,224	0	430,847	10.9%	13,577	-13,055	91,255	0	\$17.53	\$18.04
Monroe Ward	1,956,158	0	133,569	6.8%	-8,861	32,857	1,137	0	\$21.57	\$23.50
Near West End	1,673,084	0	54,006	3.2%	24,104	10,795	37,876	0	\$24.69	-
North Broad	3,223,222	29,576	94,373	3.8%	24,569	3,758	25,069	0	\$15.00	-
Northside	172,184	0	15,209	8.8%	0	0	0	0	-	-
Parham East	2,588,446	0	73,738	2.8%	8,470	14,040	47,665	0	\$17.95	-
Parham South	906,561	7,547	98,532	11.7%	-7,262	-4,956	19,837	0	\$16.61	-
Rt 288 Corridor	1,482,235	2,241	65,812	4.6%	605	10,902	7,866	18,100	\$23.14	\$21.85
Shockoe Bottom	1,817,065	18,219	79,806	5.4%	2,292	-13,032	4,019	0	\$20.32	\$26.50
Stony Point/Huguenot	1,177,908	10,603	92,747	8.8%	291	-16,870	43,341	0	\$20.87	\$21.88
West Creek	2,366,096	0	13,144	0.6%	4,614	4,614	0	80,052	-	-
West End	3,537,898	63,747	182,504	7.0%	2,435	-27,724	50,966	11,000	\$15.22	-
RICHMOND, VA TOTALS	55,886,498	430,058	3,995,150	7.9%	-54,004	-128,014	1,016,420	145,152	\$20.82	\$22.76

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

KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
5600 Cox Road	Innsbrook	Virginia Department of Social Services	100,010	New
919 E Main Street (Truist Place)	CBD	Sands Anderson PC	39,683	New
3351 Moore St (HandCraft)	Near West End	Brandito	12,972	New
6800 Paragon Place (One Paragon)	Glenside/Broad St	Wiley & Wilson Inc.	12,746	New

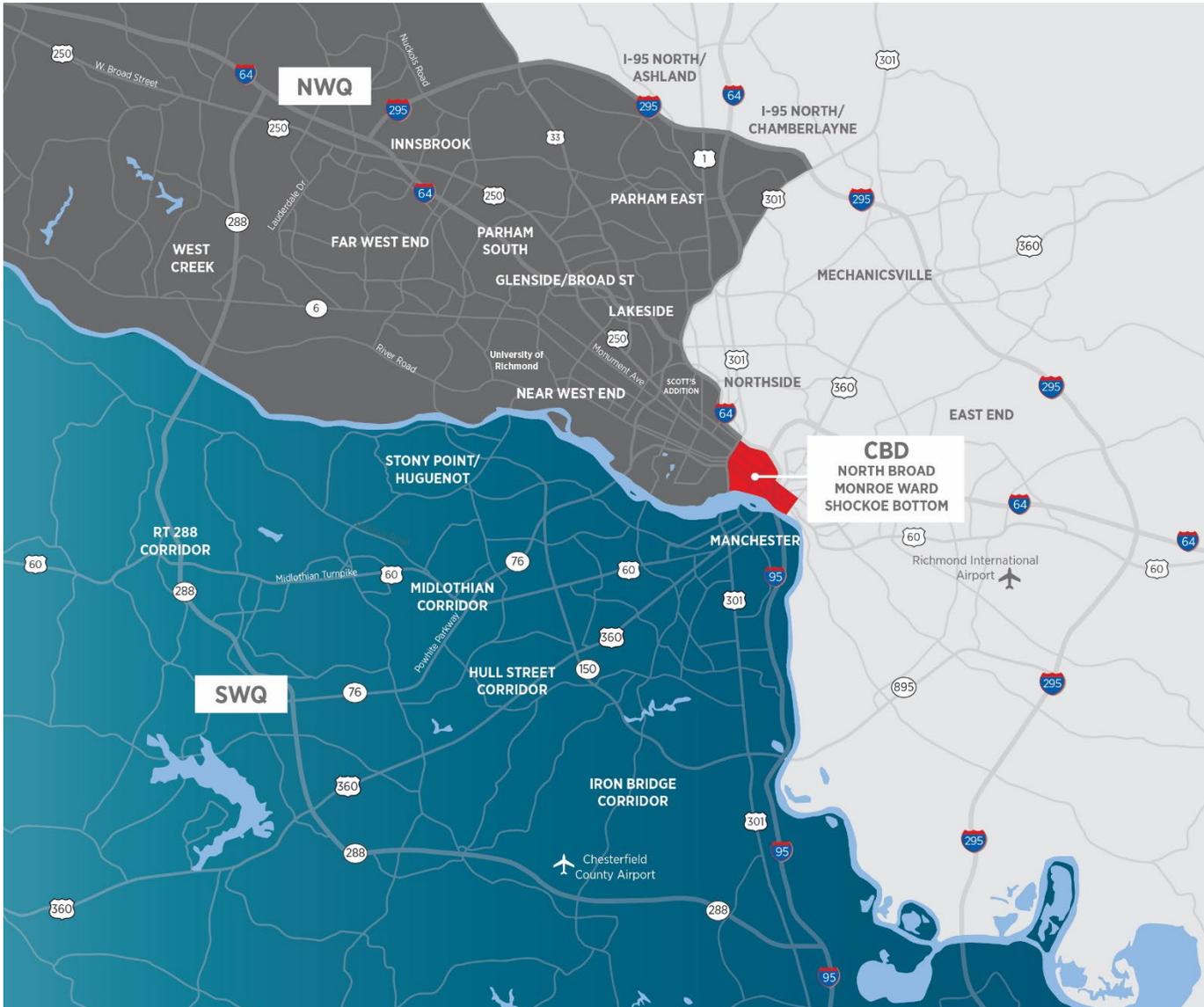
KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1604 Ownby Lane	Near West End	Joyce Holdings LLC / Vision Pettigrew LLC	12,800	\$3.5M/\$273
1651 N Parham Road	Parham South	Fargo Associates / Macay LLC	6,322	\$1.5M/\$237
508 Libbie Avenue	West End	Falls Investments LLC / Bowles & Bowles Ventures LLC	3,600	\$2.05M/\$569

RICHMOND, VA

Office Q2 2023

OFFICE SUBMARKETS



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