

Office Q2 2023

	YoY Chg	12-Mo. Forecast
5.2% Vacancy Rate	▲	▼
(17.9K) Net Absorption, SF	▼	▲
\$29.39 Asking Rent, PSF	▲	▲

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

ECONOMIC INDICATORS Q2 2023

	YoY Chg	12-Mo. Forecast
124.6k Charlottesville MSA Employment	▲	▲
2.5% Charlottesville MSA Unemployment Rate	▼	▼
3.6% U.S. Unemployment Rate	▼	▲

Source: BLS, Moody's Analytics

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ECONOMY: Defense Industry Focus

Charlottesville's regional employment numbers continue to rise, and the second quarter closed with unemployment 110 basis points (bps) below the national average. Defense industry growth has become a focus for the area as Albemarle County announced plans to purchase 462 acres near Rivanna Station with plans to develop a 200-acre portion as the Intelligence Community Acceleration Campus. The U.S. Department of Defense also announced plans to expand in its Rivanna Station presence with a total investment of \$200 million, \$90 million of which will be used to expand the National Ground Intelligence Center. Regional impact from defense spending totaled \$1.2 billion in 2021, making it the second largest industry behind higher education.

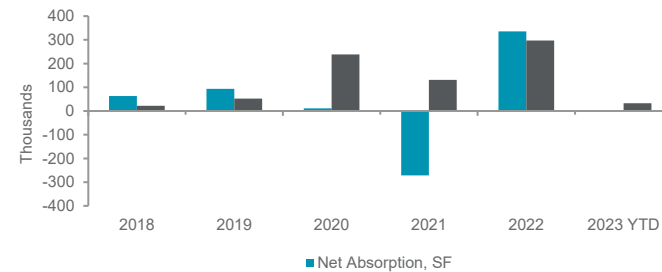
SUPPLY and DEMAND: Class A Vacancy Declines

Vacancy rates crept up at the mid-year mark, ending the quarter up 30 basis points (bps) since the start of the year and up 70 bps year-over-year (YOY). For reporting purposes, the 281,000-square-foot (sf) class B sublease vacancy in the former State Farm building has been excluded. Class A vacancy on the other hand has decreased significantly, down 170 bps year-to-date (YTD). Constraints remain on the supply side with no large speculative projects currently under construction, and YTD deliveries at just over 32,600 sf, adding less than 1% to the total inventory. Five buildings contain spaces with more than 15,000 sf of contiguous space, which combined accounts for 17.8% of the total vacancy.

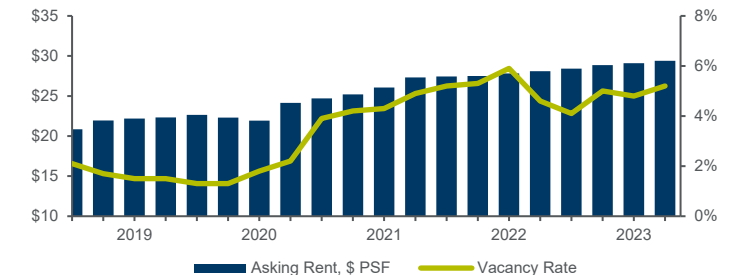
PRICING: Trending Upward

Overall lease rates continued to increase, ending the quarter up 4.6% year-over-year (YOY) and up nearly 33.8% since the start of 2020. Class A rates have followed a similar trendline, and upward pressure on pricing is forecasted to continue as the supply side remains compressed.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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