

**3.3%**

Vacancy Rate

YoY Chg



12-Mo. Forecast



**73K**

Net Absorption, SF



**\$7.60**

Asking Rent, PSF



Overall, Net Asking Rent

### ECONOMIC INDICATORS Q3 2023

**711.3K**

Richmond MSA Employment

YoY Chg



12-Mo. Forecast



**2.6%**

Richmond MSA Unemployment Rate



**3.7%**

U.S. Unemployment Rate



Source: BLS, Moody's Analytics

### ECONOMIC OVERVIEW: Maintaining Growth Mode

The third quarter closed with employment numbers continuing to climb, increasing 4.2% over the last four quarters, as the region maintains its growth mindset. Richmond was ranked in the top 50 on the 2023 list of America's Best Cities according to Resonance, a leading economic development advisor for communities nationwide. Richmond's affordability continues to improve, with the regional cost of living more than three points below the national average and down 0.5 points from 2022 numbers. After considering sites in Arizona and Ohio, Berkley Insurance Company announced its plan to invest \$6.1 million to expand its Henrico County operation, creating 72 new jobs. Virginia Commonwealth University (VCU) set a fiscal year record by reaching over \$464 million in sponsored research funding. Regional hotel tax revenue hit an historic high in the last year at \$35 million, an increase of 16.4% over the previous year. Service Center Metals completed a \$127 million expansion of their Prince George facility, adding 320,000 square feet (sf) and creating 125 new jobs.

### SUPPLY AND DEMAND: Prospect Activity Up

The third quarter closed with overall industrial vacancy up 50 basis points (bps) since the start of the year and up 80 bps quarter-over-quarter (QOQ). A number of facilities delivered in the third quarter, totaling over 1 million square feet (msf) and adding over 660,000 sf to the vacancy, accounting for 46.8% of the increase in vacancy. Also included in the vacancy is a 400,000-sf block of sublease space and a 242,000-sf second generation data center facility. One speculative project broke ground in the third quarter, and while construction starts have slowed from prior years, the current pipeline totals more than 4.6 msf with 83.7% of that product preleased, indicating a sustained appetite for Class A facilities. Leasing activity topped 1.0 msf for the quarter and is over 3.8 msf for the year, and with prospect activity increasing in the 50,000 to 150,000 sf range, year-end deal numbers are forecast to land within striking range of 2022 totals. Based on current interest, a strong fourth quarter is anticipated in terms of leasing and absorption.

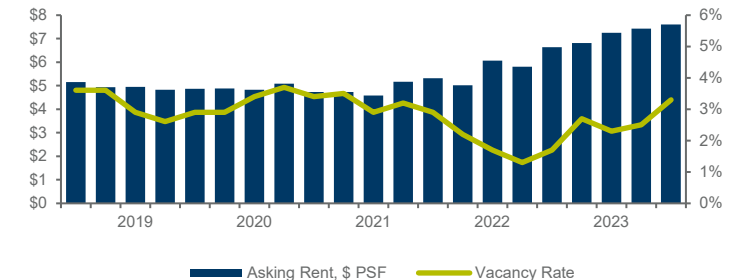
### PRICING: Upward Rent Pressure

Lease rates have continued to climb with rents up 11.6% overall since the start of the year and up 57.3% since the start of 2020. Upward rent pressure has also hit second generation space with new leases and renewals being signed in the mid to upper \$8 per square foot (psf) range, a result of both the limited supply and the dramatic rise of industrial pricing in the post-COVID era. The manufacturing sector has yielded the greatest upward pressure on pricing, with rates up 53.4% since the start of 2022. Sales activity remains constrained by the limited supply, though with the sustained interest in industrial product from investors and owner/occupants, average sale pricing is up 13% compared to 2021 averages. Prologis sold the last buildings remaining in its Richmond area portfolio, trading fourteen buildings totaling almost 2.4 msf to LBA Realty for \$250 million, and pushing sales volume to more than \$505 million for the year.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



**MARKET STATISTICS**

SUBMARKET/QUADRANT	TOTAL BUILDINGS	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (WD)
Downtown	4	135,326	0	0.0%	0	0	0	-	-	-
Northeast	174	14,928,825	390,811	2.6%	-32,021	2,521	1,142,764	-	-	\$11.00
Northwest	329	23,020,332	817,140	3.5%	735,193	1,854,354	867,587	\$7.61	\$12.50	\$10.44
Southeast	161	23,898,267	337,242	1.4%	-10,492	123,863	1,690,000	-	\$8.85	\$6.43
Southwest	455	47,580,852	2,035,109	4.3%	-619,316	-258,951	946,178	\$7.05	\$12.50	\$6.85
<b>RICHMOND, VA TOTALS</b>	<b>1,123</b>	<b>109,563,602</b>	<b>3,580,302</b>	<b>3.3%</b>	<b>73,364</b>	<b>1,721,787</b>	<b>4,646,529</b>	<b>\$7.54</b>	<b>\$12.42</b>	<b>\$7.46</b>

Data includes industrial facilities with a minimum 20,000 square feet total.

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

**KEY LEASE TRANSACTIONS Q3 2023**

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1660 Ashton Park Dr (Ashton Logistics Park)	I-95 S/I-295 S/Rt 10	Trademango/Article.com	437,657	New
8800 Wells Station Rd (CrossPointe Logistics Center)	Prince George	PGT Windows	291,689	New
8750 Park Central Dr	I-95 N/Mechanicsville	Hajoca	60,000	New
6601 S Laburnum Ave (Airport Distribution Center)	Airport	Restaurant Technologies Inc.	25,267	New
8951 Whitepine Rd	Rt 288 Corridor	Super Radiator Coils	25,050	New

**KEY SALES TRANSACTIONS Q3 2023**

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
Richmond Distribution Center & Woodlands (14-Building Portfolio)	Laburnum/Rte 360 & Airport	Prologis Inc. / LBA Realty	2,399,404	\$250M/\$104
Northlake & Atlee Commerce Portfolio (2-Building Portfolio)	I-95 N/Mechanicsville & I-95 N/Ashland	Brookwood Capital / NorthBridge Partners	337,364	\$42.9M/\$127
13167 Telcourt Rd	I-95 N/Mechanicsville	Produce Source Partners / Gourmet Foods International	124,350	\$10.5M/\$84
8790 Park Central Dr	I-95 N/Mechanicsville	Fathom Realty / Worth Higgins & Associates Inc.	27,800	\$3.4M/\$122

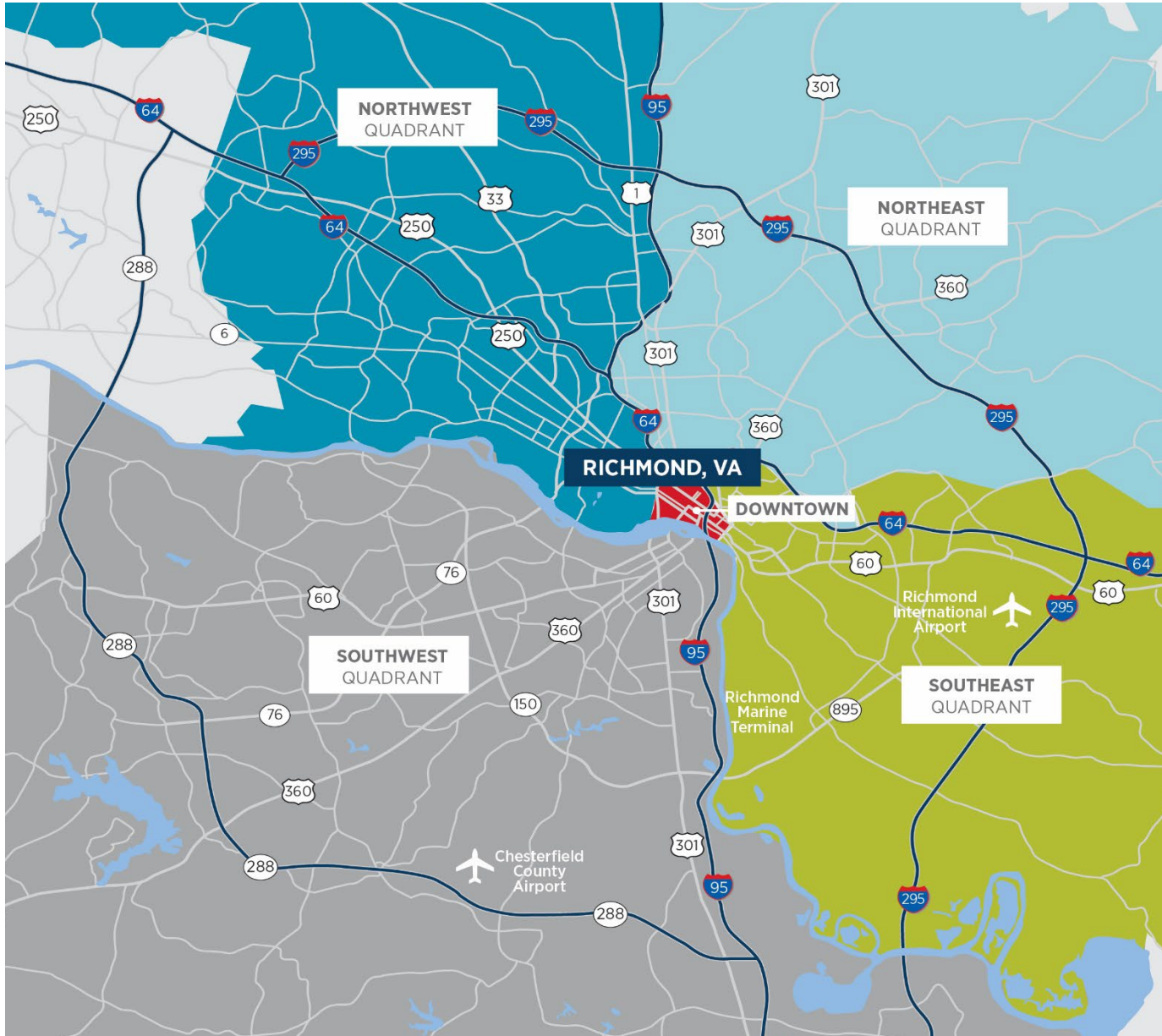
**KEY CONSTRUCTION PIPELINE 2023**

PROPERTY	SUBMARKET	STATUS	MAJOR TENANT	SF	OWNER/DEVELOPER
Meadowville Technology Park	I-95 S/I-295/Rt 10	Under Construction	LEGO Group	1,700,000	LEGO Group
Lewistown 95 Logistics Center	I-95 North/Ashland	Under Construction	GenPak	552,587	Jim Pattison Group
Ashton Logistics Park	I-95 S/I-295 S/Rt 10	Under Construction	Trademango/Article.com	437,657	Lingerfelt
Carmel Church Business Center	Caroline County	Under Construction	(Spec)	325,500	Lingerfelt
North Richmond Industrial Park (Bldg 2)	I-95 North/Ashland	Under Construction	(Spec)	315,000	MacKenzie
Ashton Creek Distribution Center	I-95 S/I-295 S/Rt 10	Under Construction	(Spec)	173,800	Lingerfelt
Ashton Logistics Park (II)	I-95 S/I-295 S/Rt 10	Under Construction	(Spec)	84,721	Lingerfelt

# RICHMOND, VA

Industrial Q3 2023

## INDUSTRIAL SUBMARKETS



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