

YoY Chg 12-Mo. Forecast

8.4%
Vacancy Rate



-15.6K
Net Absorption, SF



\$20.90
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2023

YoY Chg 12-Mo. Forecast

711.3K
Richmond MSA Employment



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.

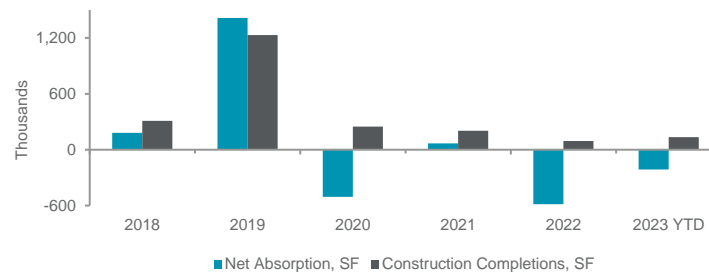
SUPPLY AND DEMAND: Vacancy Increases Offset

The third quarter closed with overall vacancy essentially flat year-over-year (YOY) and up 40 basis points (bps) quarter-over-quarter (QOQ). Direct vacancy has increased 30 bps YOY while sublease vacancy is down 20 bps YOY with sublease offerings accounting for 11.6% of the total vacant space. Leasing activity topped 1.4 million square feet (msf) since the start of the year, with deal volume comparable to activity through the third quarter of 2022. While Richmond's office market vacancy continues to trend upward, sustained market interest has held the net absorption to near even, and vacancy rates are far below those of peer cities. Raleigh, Nashville, and Charlotte reported third quarter vacancy rates near or well above 20% overall, and office vacancy in Columbus hit 26.0% overall. Richmond has historically been insulated from the more drastic market shifts observed nationwide due to a well-established business base whose expansion and relocation needs make up a significant percentage of leasing activity. Class A vacancy has decreased 70 bps YOY to 9.8% overall with 75.3% of third quarter Class A leasing activity in suburban office locations.

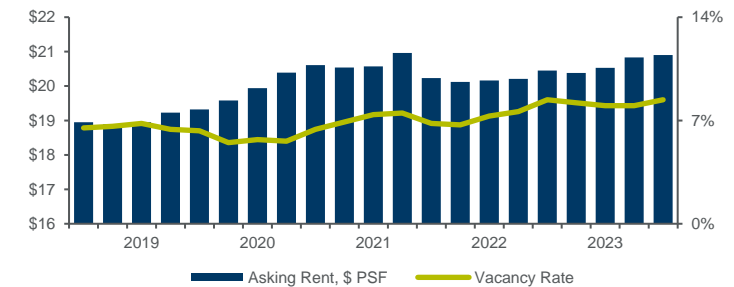
PRICING: Rates Trending Upward

Rental rates continue to trend upward, increasing 2.5% YOY, while sublease rates have jumped 11.0% YOY with an ample supply of sublease offerings, many of which include furniture and fixtures. Growth rates are in line with historical averages, increasing 4.8% overall since the start of 2020 compared to an increase of 6.7% during the previous four-year period, and recently impacted by the steep increase in construction costs. The average year-to-date (YTD) deal size has decreased 8.4% when compared to the same period in 2022, consistent with the trendline of the last several years as tenants become more deliberate about space utilization. The majority of new construction remains limited to primarily medical office and preleased suites with the available space in active construction projects equal to 1.0% of the current vacancy.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Criteria: Minimum 10,000 SF RBA, All Property Classes

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	11,063,777	88,357	781,956	7.9%	97,442	161,538	161,344	750,000	\$21.94	\$24.03
East End	512,946	0	50,326	9.8%	-12,625	82,102	11,319	0	\$10.00	-
Far West End	820,788	30,000	122,426	18.6%	763	-5,612	11,491	0	\$21.56	-
Glenside/Broad St	4,951,350	160,616	425,563	11.8%	-81,398	-164,949	177,181	0	\$21.31	\$17.95
Hull Street Corridor	1,273,379	0	23,099	1.8%	73,350	39,275	3,874	0	\$16.54	-
I-95 N/Ashland	444,008	0	8,382	1.9%	0	-1,824	3,521	0	\$21.50	-
I-95 N/Chamberlayne	242,392	0	2,454	1.0%	1,918	13,132	8,932	0	\$14.00	-
Innsbrook	7,867,987	133,444	871,742	12.8%	-40,114	-324,923	450,065	0	\$22.66	\$23.16
Iron Bridge Corridor	1,544,449	0	246,693	16.0%	2,149	51,848	49,559	0	\$17.77	\$16.19
Lakeside	100,152	0	5,705	5.7%	4,522	7,021	0	0	\$16.00	-
Manchester	1,279,290	0	50,264	3.9%	-12,076	17,642	19,918	0	\$21.00	-
Mechanicsville	1,101,779	0	33,757	3.1%	15,071	11,788	18,490	0	\$16.01	-
Midlothian Corridor	3,947,110	5,047	503,046	12.9%	10,571	-61,471	149,680	0	\$17.48	\$18.53
Monroe Ward	1,961,963	0	149,688	7.6%	-16,119	16,738	2,537	0	\$21.64	\$23.50
Near West End	1,644,239	0	52,594	3.2%	1,412	20,781	37,876	0	\$23.98	-
North Broad	3,353,977	29,576	126,838	4.7%	-32,465	-28,707	25,069	0	\$15.00	-
Northside	172,184	0	0	0.0%	15,209	15,209	0	0	-	-
Parham East	2,588,402	0	57,792	2.2%	27,543	41,583	78,242	0	\$19.50	\$23.00
Parham South	906,561	7,547	110,921	13.1%	-3,555	-6,435	41,665	0	\$16.29	-
Rt 288 Corridor	1,447,801	2,241	89,252	6.3%	-32,122	-17,979	19,655	18,100	\$23.05	\$21.85
Shockoe Bottom	1,810,375	18,219	110,068	7.1%	-30,262	-43,294	6,146	0	\$20.32	\$26.50
Stony Point/Huguenot	1,177,908	10,603	109,280	10.2%	11,728	-5,142	53,483	0	\$21.05	\$21.88
West Creek	2,406,148	0	13,144	0.5%	40,052	44,666	0	40,000	-	-
West End	3,535,658	63,747	222,244	8.1%	-56,597	-75,681	79,486	11,000	\$17.47	\$22.50
RICHMOND, VA TOTALS	56,154,623	549,397	4,167,234	8.4%	-15,603	-212,694	1,409,533	819,100	\$20.90	\$22.88

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

**YTD Leasing figures are not reflective of U.S. MarketBeat

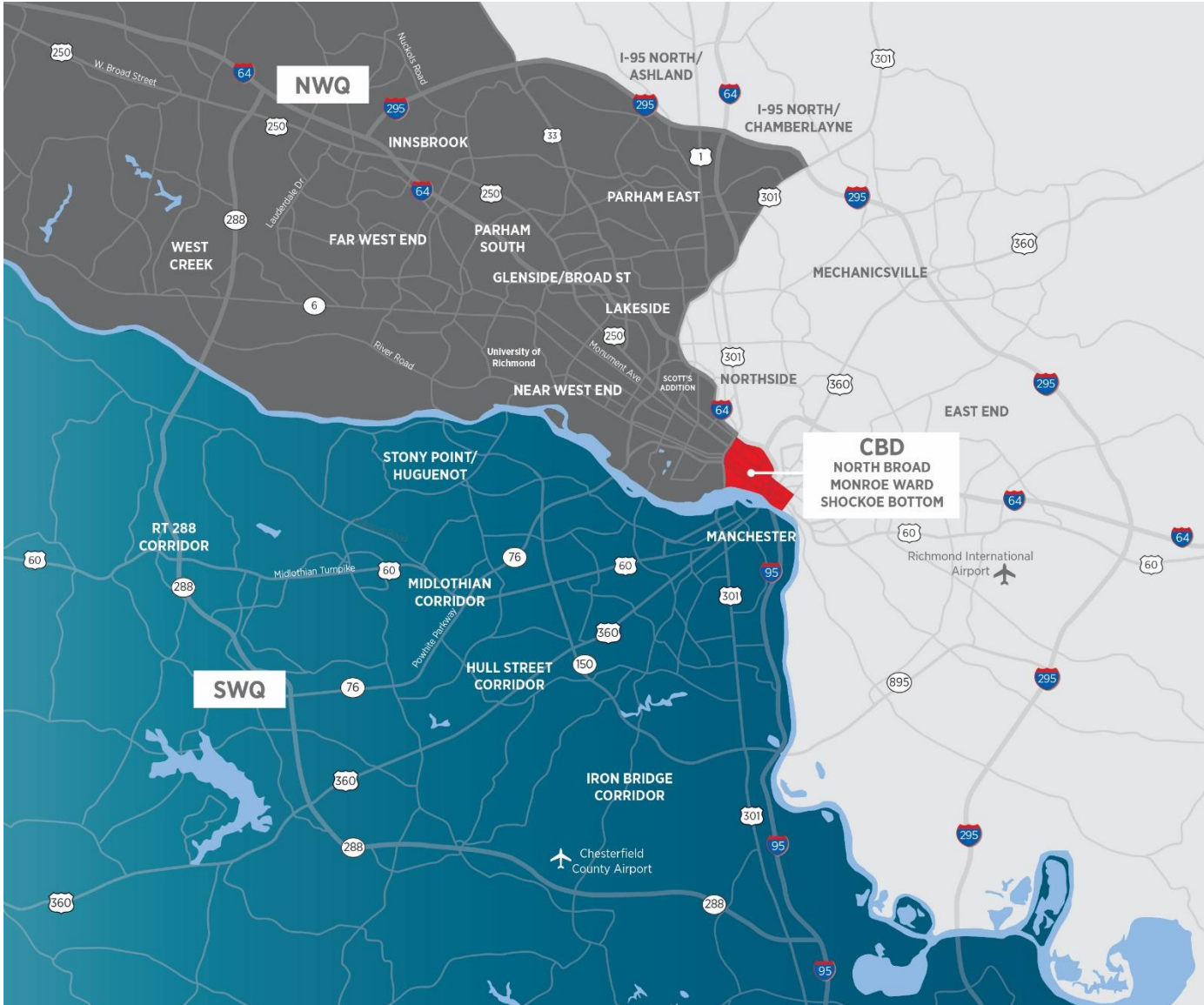
KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1910 E Parham Rd (Marwaha II)	Parham East	Henrico County School Board	28,800	New
4880 Cox Rd	Innsbrook	Branch Builds	17,991	New
4501 Cox Rd (Rowe Plaza)	Innsbrook	Atlantic Casualty Insurance Co	14,537	New
919 E Main St (Truist Tower)	CBD	Gannet Fleming	6,161	New

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
2103 Staples Mill Road	West End	Kinsale Capital Group Inc. / SALUS Government Properties LLC	308,878	\$63M/\$216
1604 Ownby Lane	Near West End	Joyce Holdings LLC / Vision Opportunity Fund LLC	12,800	\$3.5M/\$273
1651 N Parham Road	Parham South	Neurosurgical Associates PC / Midlothian Kids Academy	7,184	\$1.5M/\$209

OFFICE SUBMARKETS



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