

8.4%

Vacancy Rate

YoY Chg



12-Mo. Forecast



-22.1K

Net Absorption, SF



\$21.26

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2023

717.4K

Richmond MSA Employment

YoY Chg



12-Mo. Forecast



2.9%

Richmond MSA Unemployment Rate



3.7%

U.S. Unemployment Rate



Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW: Growth Mode Activated

The Richmond region closed another active year, and as it continues to rack up accolades for job growth and economic development, the region has also been named as one of the nation's tech hubs for its pharmaceutical manufacturing alliance. Mixed-used redevelopment of obsolete malls is on the rise with the opening of the \$50 million Henrico Sports & Events Center – already a hub for indoor court sports – and continued expansion at Regency, including a new pickleball venue. Construction is underway at the new Timmons headquarters at District 60 in Chesterfield County, and CoStar broke ground on its new 750,000-square-foot (sf) downtown office tower. Dramatic enhancements to regional transit are on the horizon as well. The US Department of Transportation has granted more than \$1.7 billion to speed and expand passenger rail service between Washington, Richmond, and Raleigh, North Carolina, and the associated track improvements will support the flow of people as well as goods within the state and along the entire East Coast.

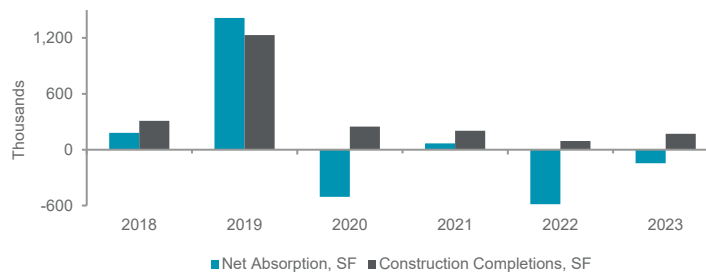
SUPPLY AND DEMAND: Prospect Interest Steady

The year ended with overall office vacancy up a modest 20 basis points (bps) year-over-year (YOY) as increases in vacancy for both direct and sublease space have moderated. Leasing activity slowed in the fourth quarter and topped 1.95 million square feet (msf) for the year, a drop from 2022 and prior year averages. The average deal size dropped significantly when compared to the high mark of 2022 but declined only 1.2% when compared to the 2019 average, suggesting that the impact of hybrid work on space utilization is only part of the story. Prospect interest for new and relocation space remains consistent with sustained demand for quality product. While speculative office construction has been limited, nearly 4.3 msf of space has been added to the inventory in the last decade with vacancy for that product closing the year at 4.0%, down 70 bps compared to 2022. The mixed-use Westhampton Commons project in the West End broke ground in the fourth quarter with the office component fully preleased prior to the start of construction. Kinsale Center, another mixed-use development planned in the West End, received county board approval in December and will include more than 350,000 sf of office space with multiple buildings planned.

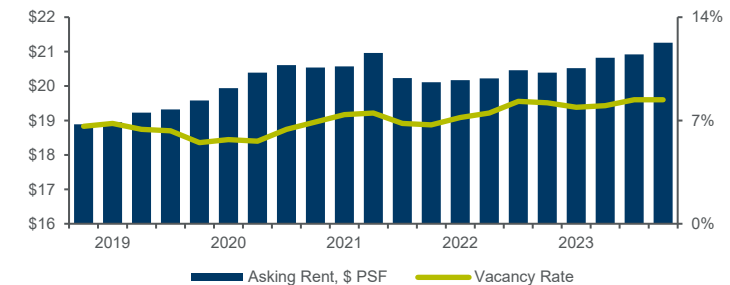
PRICING: Rent Growth Accelerates

Overall rates closed the year up 4.3% YOY, 290 bps above the prior year's increase and more in line with pre-pandemic averages. Rates for suburban Class A space jumped 5.0% YOY, the highest annual increase in the last five years by 280 bps. Sublease rates have climbed more steeply, up 10.2% YOY, as many offerings include furniture and fixtures. Sales volume topped \$170 million for the year despite the financing constraints and slowing capital. The year's largest deal was the \$63 million transfer of the Elevance Health building from Kinsale Capital to SALUS Government Properties, sold in the third quarter.

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	11,064,619	93,414	890,029	8.9%	-92,411	-42,396	183,923	750,000	\$21.92	\$23.97
East End	512,946	0	60,891	11.9%	-10,565	74,242	14,449	0	-	-
Far West End	820,788	30,000	119,054	18.2%	13,444	8,536	12,816	0	\$21.46	-
Glenside/Broad St	4,948,213	160,616	466,469	12.7%	-43,174	-206,409	224,461	0	\$21.10	\$15.00
Hull Street Corridor	1,273,379	0	20,908	1.6%	306	39,581	8,332	0	\$17.00	-
I-95 N/Ashland	444,008	0	8,382	1.9%	0	-1,824	120,663	0	\$21.50	-
I-95 N/Chamberlayne	242,392	0	2,454	1.0%	0	13,132	11,332	0	\$14.00	-
Innsbrook	7,868,873	136,365	884,518	13.0%	-29,685	-189,678	547,372	0	\$22.75	\$23.30
Iron Bridge Corridor	1,593,384	0	105,431	6.6%	145,063	199,195	52,964	0	\$17.74	\$16.18
Lakeside	100,152	0	5,705	5.7%	0	7,021	0	0	\$16.00	-
Manchester	1,279,290	0	46,912	3.7%	0	17,642	25,513	0	\$21.00	-
Mechanicsville	1,072,045	0	40,163	3.7%	-4,581	2,707	27,290	0	\$15.95	-
Midlothian Corridor	3,928,721	7,438	544,692	14.1%	-31,342	-105,273	177,411	0	\$17.81	\$17.38
Monroe Ward	1,941,863	0	148,875	7.7%	-3,053	13,685	10,259	0	\$23.01	\$23.50
Near West End	1,840,471	15,683	39,487	3.0%	-18,211	2,570	56,460	0	\$23.25	-
North Broad	3,353,977	29,576	127,298	4.7%	-460	-29,167	25,069	0	\$15.00	-
Northside	172,184	0	0	0.0%	0	15,209	0	0	-	-
Parham East	2,708,236	0	58,505	2.2%	-4,701	36,882	117,948	0	\$19.50	\$23.00
Parham South	906,746	7,547	82,280	9.9%	26,664	20,229	56,777	0	\$16.77	-
Rt 288 Corridor	1,455,708	2,241	84,836	6.0%	4,088	-12,691	104,322	95,100	\$23.66	\$21.50
Shockoe Bottom	1,809,910	0	114,747	6.3%	15,115	-35,401	22,202	0	\$23.53	\$26.50
Stony Point/Huguenot	1,177,908	9,324	89,247	8.4%	21,312	20,187	58,064	0	\$22.46	\$24.57
West Creek	2,446,149	0	25,623	1.0%	-2,954	72,187	0	0	-	-
West End	3,516,410	63,747	230,751	8.4%	-7,002	-65,030	101,053	62,000	\$17.72	\$22.50
RICHMOND, VA TOTALS	56,478,372	555,951	4,197,257	8.4%	-22,147	-144,864	1,958,680	907,100	\$21.26	\$23.11

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

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1407 Summit Ave	Near West End	Marketview Education Technology	15,635	New
5800 Patterson Ave (Westhampton Commons)	West End	Brockenbrough	13,000	New
1021 E Cary St (Two James Center)	CBD	Vanasse Hangen Brustlin Inc.	12,480	New
2727 Enterprise Pky	Parham South	Compass Counseling	10,321	New

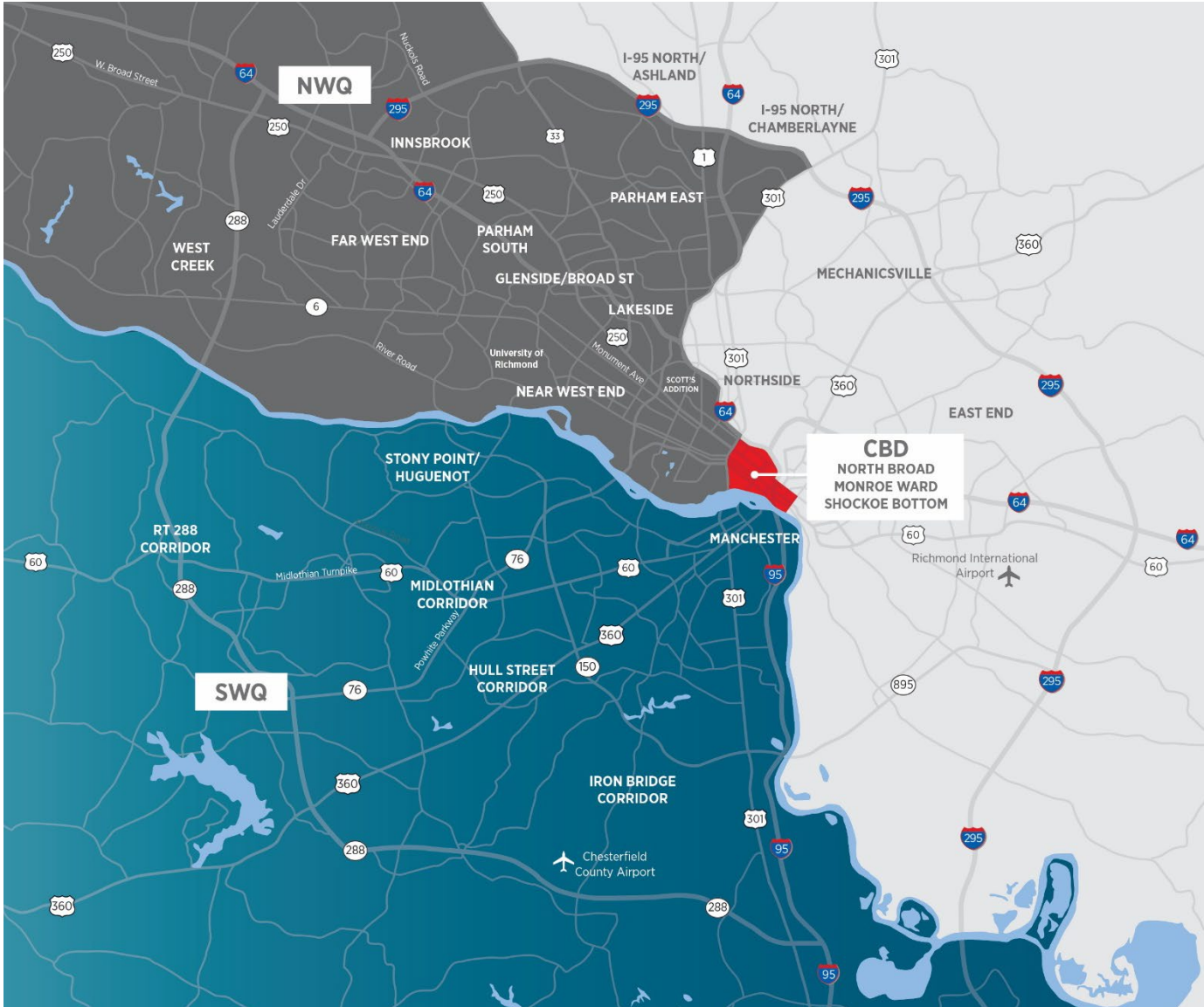
KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
3951 & 3957 Westerre Pky	Innsbrook	The Simpson Organization / Seminole Trail Maignement	163,290	\$25M/\$153
9211 Forest Hill Ave	Stony Point/Huguenot	Twinridge Partners LLC / Commonwealth Autism Service	12,672	\$2M/\$158
8900 Three Chopt Rd	Parham South	Clarity Property Management / Federated Properties of Virginia	6,000	\$1.1M/\$186

RICHMOND, VA

Office Q4 2023

OFFICE SUBMARKETS



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