

12.5%

Vacancy Rate

YoY
Chg12-Mo.
Forecast
-170.7K

Net Absorption, SF


\$21.47

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2024

720.0K
Richmond MSA
EmploymentYoY
Chg12-Mo.
Forecast
3.2%
Richmond MSA
Unemployment Rate
3.8%
U.S.
Unemployment Rate

Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW: HQ Expansion + Population Growth

Population growth and local expansion led the headlines at the start of 2024 along with new accolades for the Richmond region. Site Selection named Richmond among the top 10 best US cities for headquarters projects as well as among the top 10 US cities for projects per capita, a result of more than 40 new or expanding projects announced in 2023. Genworth's new corporate headquarters location in western Henrico County is scheduled for occupancy early in the second quarter of 2024 and will bring more than 400 employees back to the newly redesigned office. Fueling local expansion, the University of Virginia's Weldon Cooper Center for Public Service, recognized for its applied research services, continues to report population growth in the Richmond region with a significant influx of residents from Northern Virginia and the Washington DC region. Located on the outer edges of the Richmond metro area, New Kent, Goochland, and Louisa counties led the state in population growth between 2020 and 2023 with increases of 11.9%, 7.7% and 7.5%, respectively.

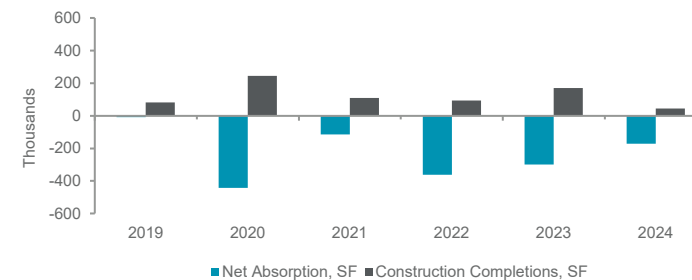
SUPPLY AND DEMAND: Leasing Activity Moderate

Overall vacancy closed the quarter up a modest 30 basis points (bps) quarter-over-quarter (QOQ) as increases in direct space have moderated. Sublease vacancy has declined, down 40 bps QOQ overall and down 60 bps QOQ in the Central Business District (CBD). Vacancy remains highest among class A CBD product at 15.9% when compared to overall CBD numbers and to suburban office, but that market segment has also seen the steepest decline, down 340 bps year-over-year (YOY). Class A suburban office ended the first quarter with vacancy at 15.3%, an increase of 280 bps YOY. While first quarter leasing activity slowed compared to prior years, 2023 leasing totals topped 2.2 million square feet (msf), landing within striking range of typical annual averages for the region. Average deal size remains compressed as tenants focus on effective utilization of space and quality finishes. Active prospects remain in ample supply with a mix of new-to-market and expanding tenants in the market for space, and sustained leasing activity is forecast through the remainder of the year.

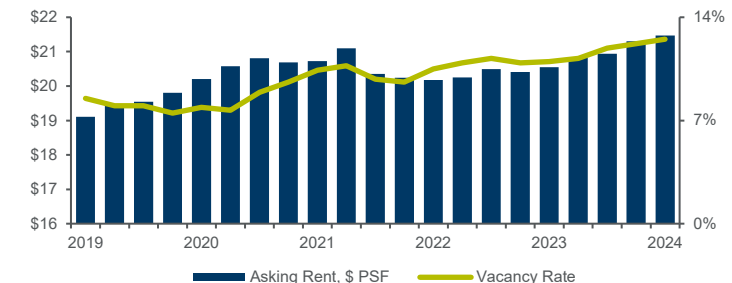
PRICING: Rent Growth Sustained

Lease rates ended the first quarter up 4.5% YOY overall while sublease rates have jumped 12.0% YOY, as the number of offerings have declined, many of which include furniture and fixtures. Suburban office saw the largest growth with lease rates up 5.7% YOY. Sales volume topped \$31.5 million in the first quarter, an increase of 60.7% compared to the same period last year though still down compared to historic averages. The transfer of the 160,000-square-foot (sf) office in Atlee Station Business Park from Owens & Minor to the Commonwealth of Virginia was the largest of the quarter, trading at \$33.5 million. A pair of Main Street buildings near the CBD traded in separate transactions, both multi-tenant buildings that sold to investors for \$2.9 million and \$1.35 million, respectively.

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	6,269,682	52,351	860,374	14.6%	4,623	4,623	52,375	0	\$22.38	\$24.01
East End	401,568	0	49,990	12.4%	0	0	10,901	0	-	-
Far West End	647,928	30,000	114,941	22.4%	-1,966	-1,966	2,950	20,000	\$21.98	-
Glenside/Broad St	3,963,432	134,136	527,251	16.7%	-70,990	-70,990	65,091	0	\$21.25	\$15.00
Hull Street Corridor	385,840	0	20,612	5.3%	-704	-704	2,410	0	\$17.26	-
I-95 N/Ashland	351,809	0	16,496	4.7%	-7,037	-7,037	0	0	\$21.50	-
I-95 N/Chamberlayne	210,372	0	2,600	1.2%	-1,300	-1,300	1,154	0	\$14.55	-
Innsbrook	6,345,631	48,194	937,709	15.5%	23,899	23,899	171,530	0	\$22.76	\$23.81
Iron Bridge Corridor	1,153,911	9,892	106,327	10.1%	-16,531	-16,531	2,211	0	\$18.67	\$16.41
Lakeside	85,152	0	7,105	8.3%	-1,400	-1,400	0	0	\$16.00	-
Manchester	583,562	0	33,796	5.8%	13,116	13,116	0	0	-	-
Mechanicsville	838,421	0	41,963	5.0%	41,800	41,800	400	281,425	\$16.46	-
Midlothian Corridor	3,372,169	7,438	598,909	18.0%	-73,520	-73,520	17,613	61,218	\$18.16	\$18.28
Monroe Ward	1,095,067	0	134,414	12.3%	2,397	2,397	1,491	0	\$18.14	-
Near West End	1,408,246	0	76,306	5.4%	-26,549	-26,549	7,485	53,000	\$23.66	-
North Broad	1,503,200	29,576	113,376	9.5%	460	460	13,462	0	\$15.00	-
Northside	103,383	0	0	0.0%	0	0	0	0	-	-
Parham East	2,214,919	0	65,864	3.0%	21,441	21,441	0	0	\$21.15	\$23.00
Parham South	818,126	7,547	100,812	13.2%	-20,044	-20,044	2,307	0	\$16.97	-
Rt 288 Corridor	767,316	14,241	60,060	9.7%	-14,225	-14,225	2,387	95,100	\$22.67	\$20.11
Shockoe Bottom	877,505	0	126,874	14.5%	-6,480	-6,480	0	0	\$23.74	\$26.50
Stony Point/Huguenot	1,108,416	9,324	104,773	10.3%	-16,326	-16,326	1,164	0	\$22.91	\$24.69
West Creek	788,026	0	25,623	3.3%	0	0	0	0	-	-
West End	2,868,403	39,112	248,526	10.0%	-21,397	-21,397	37,396	51,000	\$19.59	\$22.50
RICHMOND, VA TOTALS	38,162,084	381,811	4,374,701	12.5%	-170,733	-170,733	392,327	561,743	\$21.47	\$23.93

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

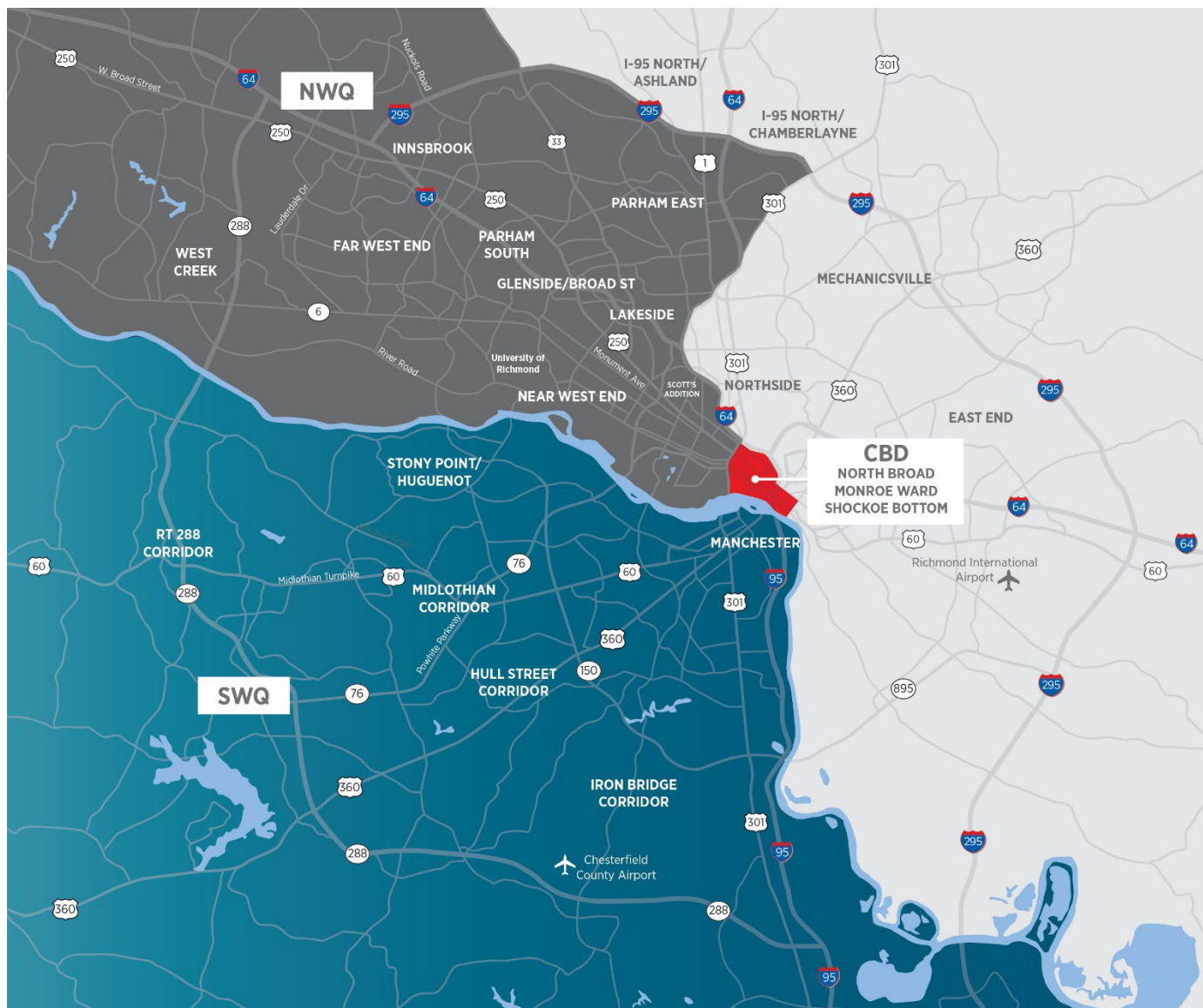
KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
9954 Mayland Dr (Deep Run 3)	Innsbrook	TForce Freight Inc.	46,722	New
5640 Cox Rd	Innsbrook	ChemTreat	44,908	Expansion
5600 Cox Rd	Innsbrook	Virginia Department of Social Services	23,922	Expansion

KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
9120 Lockwood Blvd	Mechanicsville	Owens & Minor Inc. / Commonwealth of Virginia	160,000	\$33.5M/\$209
2025 E Main St (21 Professional Center)	Shockoe Bottom	Butler Realty Inc / Max CRE LLC & Cameron Creek Capital LLC	37,743	\$2.9M/\$77
3311 W Broad St	Near West End	Commonwealth Law Group / James Pickren	11,643	\$2.3M/\$193
1015 E Main St (Branch Building)	CBD	Hem + Spire / 313 Virginia Holdings LLC	12,259	\$1.4M/\$110

OFFICE SUBMARKETS



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