

MARKET FUNDAMENTALS

	YOY Chg	Outlook
13.1% Vacancy Rate	▲	▼
-435.9K YTD Net Absorption, SF	▼	▲
\$22.44 Asking Rent, PSF <small>(Overall, All Property Classes)</small>	▲	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
729.2K Richmond MSA Employment	▲	▲
3.3% Richmond MSA Unemployment Rate	▲	▲
4.2% U.S. Unemployment Rate <small>Source:BLS</small>	▲	▲

ECONOMY: DEVELOPMENT NEWS DOMINATES

Major development announcements dominated the headlines during the second quarter, beginning with The LEGO Group announcing plans to build a 2 million square foot (msf) distribution facility in Prince George at a planned investment of \$366 million. Amazon also announced plans to build its fourth robotics facility in the state: a 3.1 msf multi-story building in Goochland County that will create 1,000 jobs. Ten graduate programs from Virginia Commonwealth University (VCU) ranked in the top 50 in their fields by US News & World Report, and VCU Health broke ground on its new \$90 million surgical center and medical office complex in Chesterfield County.

SUPPLY AND DEMAND: VACANCY RATES STABLE

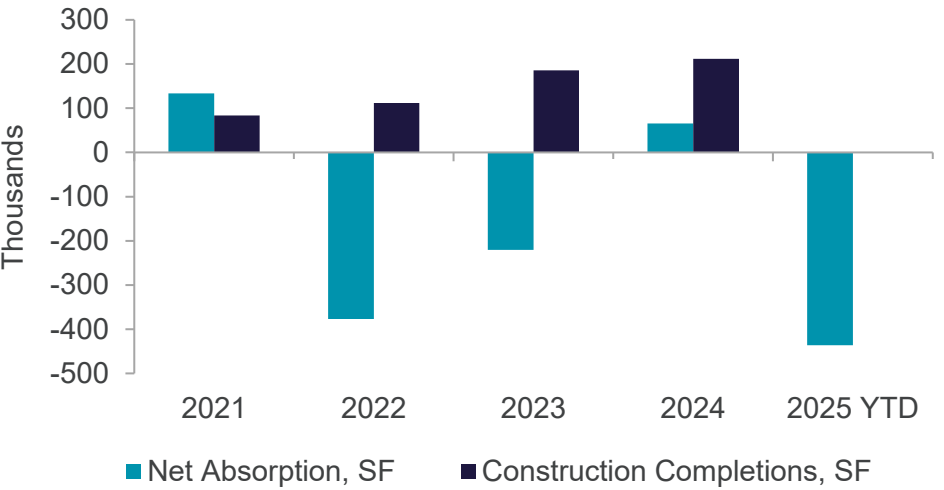
Overall vacancy increased 140 basis points (bps) year-over-year (YOY) and 40 bps since the end of the quarter to 13.1% at the mid-year mark. Sublease offerings have continued to climb, increasing 20.1% YOY compared to an increase of 5.5% YOY in direct lease space. Class A sublease offerings in suburban submarkets have seen the largest jump, increasing 30.2% YOY, primarily attributable to a 60,000-sf block of sublet space added in Innsbrook. Below-market sublease rates continue to impact average quoted pricing in several submarkets, pushing class A numbers below overall rental rates. Speculative construction remains limited with just two projects in development, including the newest building in the West End’s Westhampton Commons which is fully preleased.

Leasing activity has topped 885,000 square feet (sf) since the start of the year as deal velocity has slowed compared to the same time period last year. The Innsbrook submarket led the charge in terms of year-to-date (YTD) leasing activity, followed by the Midlothian Corridor, where Bryant & Stratton took more than 56,000 sf of space in a deal signed in the second quarter.

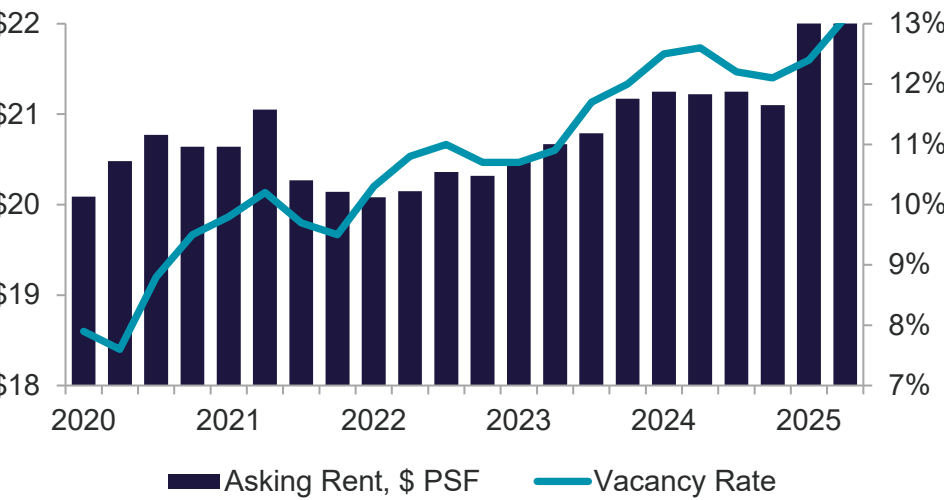
PRICING: RENT GROWTH STABLE

Overall quoted lease rates increased 5.7% YOY and remained effectively flat quarter-over-quarter (QOQ). Rates for suburban Class A product have increased 6.5% YOY, impacted by newly published rates for first generation medical office space, while CBD Class A space has seen rates rise 13.4% YOY. Sales volume topped \$103 million since the start of the year with an average of \$60.5 million in quarterly sales since the start of 2023. Dominion Energy purchased Knolls 3 in Innsbrook from Capital One for \$14.6 million, after the utility sold its CBD tower in late 2024 for a planned multifamily conversion.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
CBD	6,449,143	867,351	61,333	14.4%	44,421	7,477	157,026	-	\$21.95	\$27.20
East End	511,065	9,203	0	1.8%	0	3,200	3,200	-	-	-
Far West End	668,071	129,757	0	19.4%	0	8,310	4,082	-	\$20.46	-
Glenside/Broad St	4,034,355	764,724	184,029	23.5%	-184,286	-187,940	136,464	-	\$21.06	\$15.51
Hull Street Corridor	372,132	31,640	1,975	9.0%	-30,575	-30,768	4,469	-	\$22.77	-
I-95 N/Ashland	325,092	2,677	0	0.8%	0	0	3,794	-	\$16.89	-
I-95 N/Chamberlayne	180,061	1,640	0	0.9%	-640	3,760	5,400	-	\$16.64	-
Innsbrook	6,099,223	829,506	131,298	15.8%	-24,518	-309,735	175,878	-	\$22.80	\$23.26
Iron Bridge Corridor	1,002,541	112,893	6,318	11.9%	738	-3,737	8,854	-	\$21.41	\$21.00
Lakeside	85,152	17,286	0	20.3%	-7,914	-8,637	0	-	\$18.41	-
Manchester	541,674	29,766	0	5.5%	3,000	3,824	3,000	-	\$23.74	\$25.22
Mechanicsville	890,792	83,718	2,640	9.7%	-7,527	-19,750	4,200	-	\$20.92	-
Midlothian Corridor	3,332,340	507,862	4,725	15.4%	53,525	29,733	159,151	-	\$21.47	\$21.88
Monroe Ward	947,381	94,017	4,927	10.4%	2,834	-24,718	12,536	-	\$19.91	-
Near West End	1,175,716	74,385	41,685	9.9%	-29,485	9,061	27,361	-	\$29.47	\$25.00
North Broad	1,217,589	95,402	9,000	8.6%	0	-2,552	0	-	\$26.41	\$26.41
Northside	117,706	0	0	0.0%	0	0	0	-	-	-
Parham East	2,007,432	62,494	0	3.1%	1,300	-3,892	20,123	-	\$19.12	\$20.75
Parham South	758,695	176,340	0	23.2%	2,418	-1,207	35,448	-	\$18.92	\$17.75
Rt 288 Corridor	906,496	65,078	0	7.2%	-1,054	2,180	28,096	107,171	\$26.87	\$26.86
Shockoe Bottom	884,042	107,038	0	12.1%	2,617	2,668	2,122	-	\$24.50	\$26.50
Stony Point/Huguenot	1,148,383	83,758	17,134	8.8%	244	57,514	79,850	-	\$26.02	\$24.95
West Creek	788,027	30,124	0	3.8%	12,149	13,499	2,000	-	\$42.19	\$45.46
West End	2,762,684	227,517	3,147	8.3%	22,774	15,760	30,356	51,000	\$18.33	\$22.50
RICHMOND TOTALS	37,205,792	4,404,176	468,211	13.1%	-139,979	-435,950	903,410	158,171	\$22.44	\$24.08

\*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2025

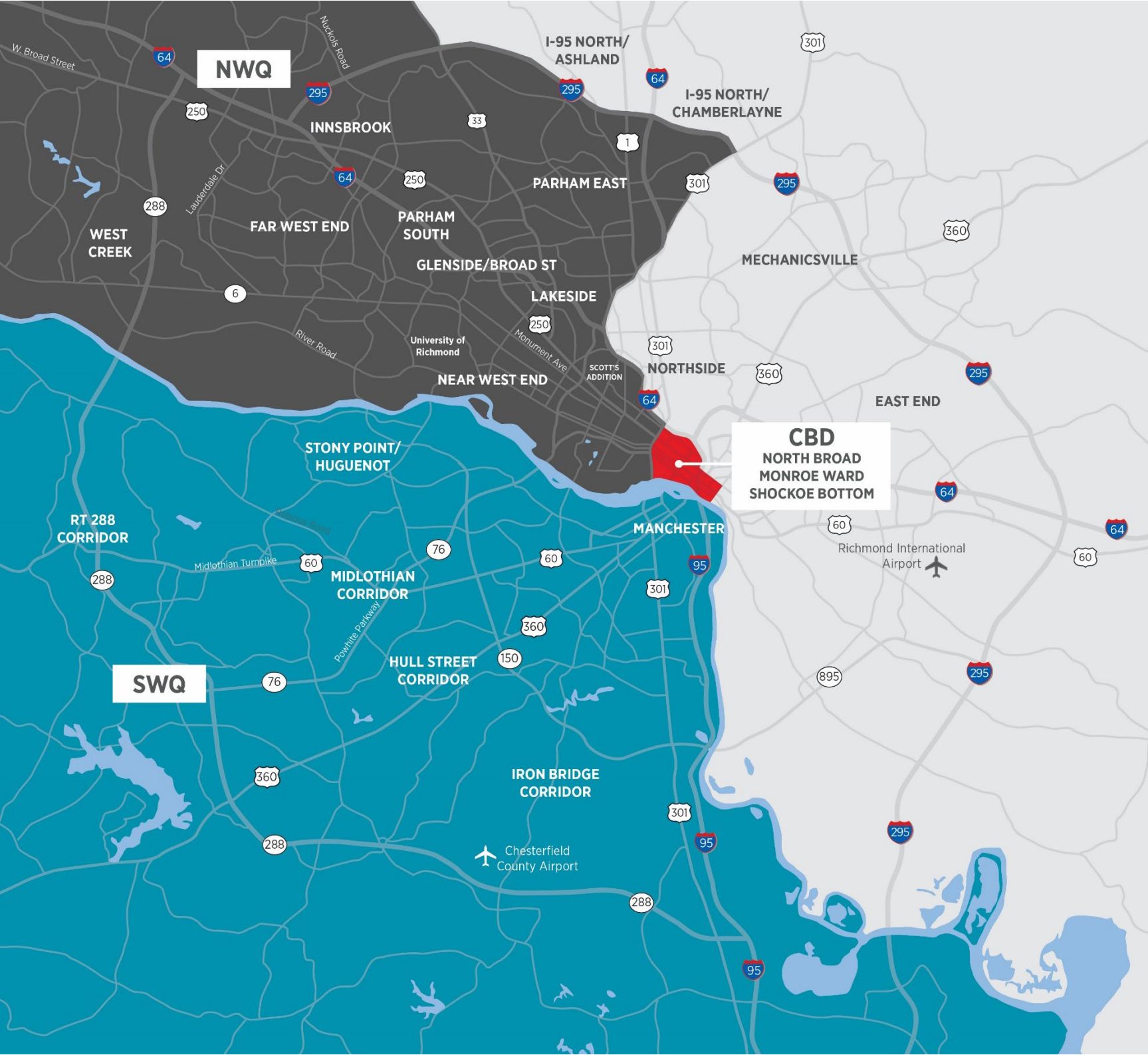
PROPERTY	SUBMARKET	TENANT	SF	TYPE
One James Center (901 E Cary St)	CBD	Virginia Economic Development Partnership	101,768	Expansion
101 Gateway Centre Pkwy	Midlothian Corridor	Bryant & Stratton College	56,489	New
Forest Medical Plaza (7611 Forest Ave)	Glenside/Broad St	Virginia Institute of Plastic Surgery	18,861	Expansion
6605 W Broad Street	Glenside/Broad St	Mosaic Group	10,198	New
Highwoods One (10900 Nuckols Rd)	Innsbrook	Kaleo Inc.	5,833	New

KEY SALE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
Knolls 3 (4851 Cox Rd)	Innsbrook	Capital One Services LLC / Dominion Energy	153,572	\$14.6M / \$95
8006 Discovery Dr	Glenside/Broad St	8006 Discovery LLC / Elliott Bay Medical Properties LLC	58,589	\$20M / \$341
11601 Robious Road	Stony Point/Huguenot	Capitol Pediatrics / RBF I LLC	23,785	\$4.7M / \$196



OFFICE SUBMARKETS



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