

	YoY Chg	12-Mo. Forecast
7.8% Vacancy Rate	▼	▼
-185K Net Absorption, SF	▼	▲
\$20.07 Asking Rent, PSF	▼	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS Q2 2022

	YoY Chg	12-Mo. Forecast
675.6K Richmond MSA Employment	▲	▲
3.2% Richmond MSA Unemployment Rate	▼	▼
3.6% U.S. Unemployment Rate	▼	▼

Source: BLS, Moody's Analytics

ECONOMIC OVERVIEW: Employment Numbers Rise

Richmond's employment numbers continue to trend upward with metro-area unemployment still below the national average with job recovery at 98% of pre-pandemic levels. Greater Richmond is now home to the headquarters of a total of eight Fortune 500 companies with convenience store operator ARKO joining the list this year, with the area's educated workforce cited as a key factor in the company's growth. The talent base has also led education firm EAB to expand its local operation with a planned \$6 million investment and the addition of 200 new jobs over the next five years. Hamilton Insurance announced plans to create a U.S. subsidiary in Henrico County, creating 70 new jobs, and the LEGO Group has selected Chesterfield County as the site of its first U.S. operation, bringing 1,760 new jobs to the area with an investment of more than \$1 billion.

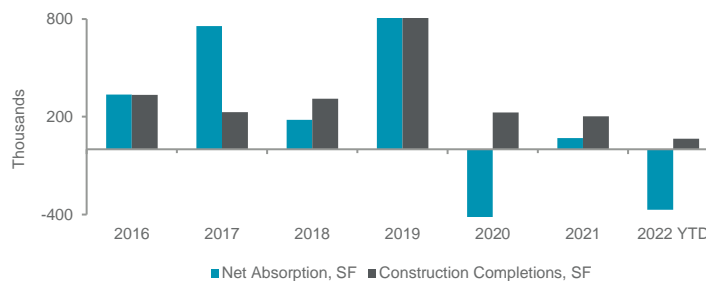
SUPPLY AND DEMAND: The Office Return

The quarter ended following a significant increase in activity with more than 350,000 square feet (sf) leased. Year-to-date net absorption numbers, while negative, have increased 17% year-over-year (YOY). According to Placer.ai data sets for sample Class A buildings, office use is nearing and, in some cases, exceeding pre-pandemic levels, signaling the return to in-office and hybrid work schedules. Additional sublease space has been added to the vacancy in suburban class A buildings, accounting for 17% of the total vacancy. Limited projects in the construction pipeline and limited deliveries in recent years have held the overall inventory growth to only 2.6% since 2019. Absorption is forecast to increase as employers increase in-person operations. In addition to EAB's consolidation into 71,108 sf in the SunTrust Building in western Henrico, engineering firm Kimley-Horn leased 29,465 sf in the Kinsale Building in Henrico County to expand its metro area footprint, and pharmaceutical company Kaleo renewed its lease of 29,156 sf in the Turning Basin building in Richmond's downtown.

PRICING: Upward Momentum

Real estate data giant, the CoStar Group, closed on the purchase of the former SunTrust (now Truist) office building in the Manchester district south of downtown for \$20 million. CoStar will relocate a portion of its existing workforce to the 5-story 117,448 sf building at 901 Semmes Avenue, which is located directly across the river from its 750,000 sf planned complex. The quarter closed with average sale pricing in the range of \$170 per square foot (psf), up 27% from average pricing at the start of 2020. The medical office building at 8007 Discovery Drive in Henrico County was the high mark for the quarter, selling to investor Flagship Healthcare Properties for \$428 psf.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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	10,513,264	107,180	969,249	10.2%	-4,025	-259,251	33,183	120,000	\$22.01	\$24.05
East End	388,369	0	27,983	7.2%	0	6,264	0	0	-	-
Far West End	831,601	30,000	135,636	19.9%	0	-9,923	4,333	0	\$21.46	\$23.00
Glenside/Broad St	4,858,696	42,671	293,068	6.9%	1,184	127,013	121,470	15,000	\$19.52	\$19.75
Hull Street Corridor	1,273,379	0	60,063	4.7%	-38,809	-44,113	10,873	35,000	\$15.57	-
I-95 N/Ashland	444,108	0	20,277	4.6%	-8,577	-13,984	0	0	-	-
I-95 N/Chamberlayne	231,896	0	20,286	8.7%	2,300	13,320	0	0	\$15.00	-
Innsbrook	7,812,252	345,479	558,513	11.6%	-226,071	-262,210	75,021	0	\$22.00	\$22.39
Iron Bridge Corridor	1,627,539	0	177,460	10.9%	-43,408	111,011	16,005	0	\$15.87	\$16.22
Lakeside	124,239	0	10,166	8.2%	0	-1,962	0	0	-	-
Manchester	1,267,963	0	60,869	4.8%	11,366	-79,393	19,422	0	\$20.89	-
Mechanicsville	1,074,570	0	52,858	4.9%	5,681	814	8,839	0	\$16.67	-
Midlothian Corridor	3,891,001	23,985	487,076	13.1%	-3,593	-53,889	120,620	0	\$17.37	\$18.42
Monroe Ward	1,919,777	0	115,963	6.0%	4,286	-19,049	7,375	0	\$20.63	-
Near West End	1,589,746	0	27,853	1.8%	-423	-5,654	23,649	0	\$22.30	-
North Broad	3,251,862	53,860	74,597	4.0%	0	0	0	0	\$15.00	-
Northside	218,310	0	0	0.0%	11,750	13,150	13,150	0	\$16.76	-
Parham East	2,598,108	2,650	44,337	1.8%	5,895	23,003	8,398	0	\$17.91	-
Parham South	905,059	0	110,821	12.2%	18,501	21,870	27,726	0	\$16.58	-
Rt 288 Corridor	1,482,235	7,996	54,741	4.2%	-20,830	-18,793	13,453	0	\$15.94	\$16.18
Shockoe Bottom	1,773,291	18,219	65,959	4.7%	14,602	12,161	11,734	0	\$20.34	\$26.50
Stony Point/Huguenot	1,184,711	44,498	57,256	8.6%	33,150	13,837	17,181	0	\$18.37	\$18.26
West Creek	1,813,765	4,614	11,144	0.9%	0	0	0	78,000	-	-
West End	3,366,761	34,497	108,090	4.2%	51,434	55,471	107,951	55,000	\$13.49	-
RICHMOND, VA TOTALS	54,442,502	715,649	3,544,265	7.8%	-185,587	-370,307	640,383	303,000	\$20.07	\$22.28

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

*Renewals included in leasing statistics.

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
11011 W Broad Street	Innsbrook	EAB	71,108	New
2035 Maywill Street	West End	Kimley-Horn	29,465	New
111 Virginia Street	CBD	Kaleo Inc.	29,156	Renewal*

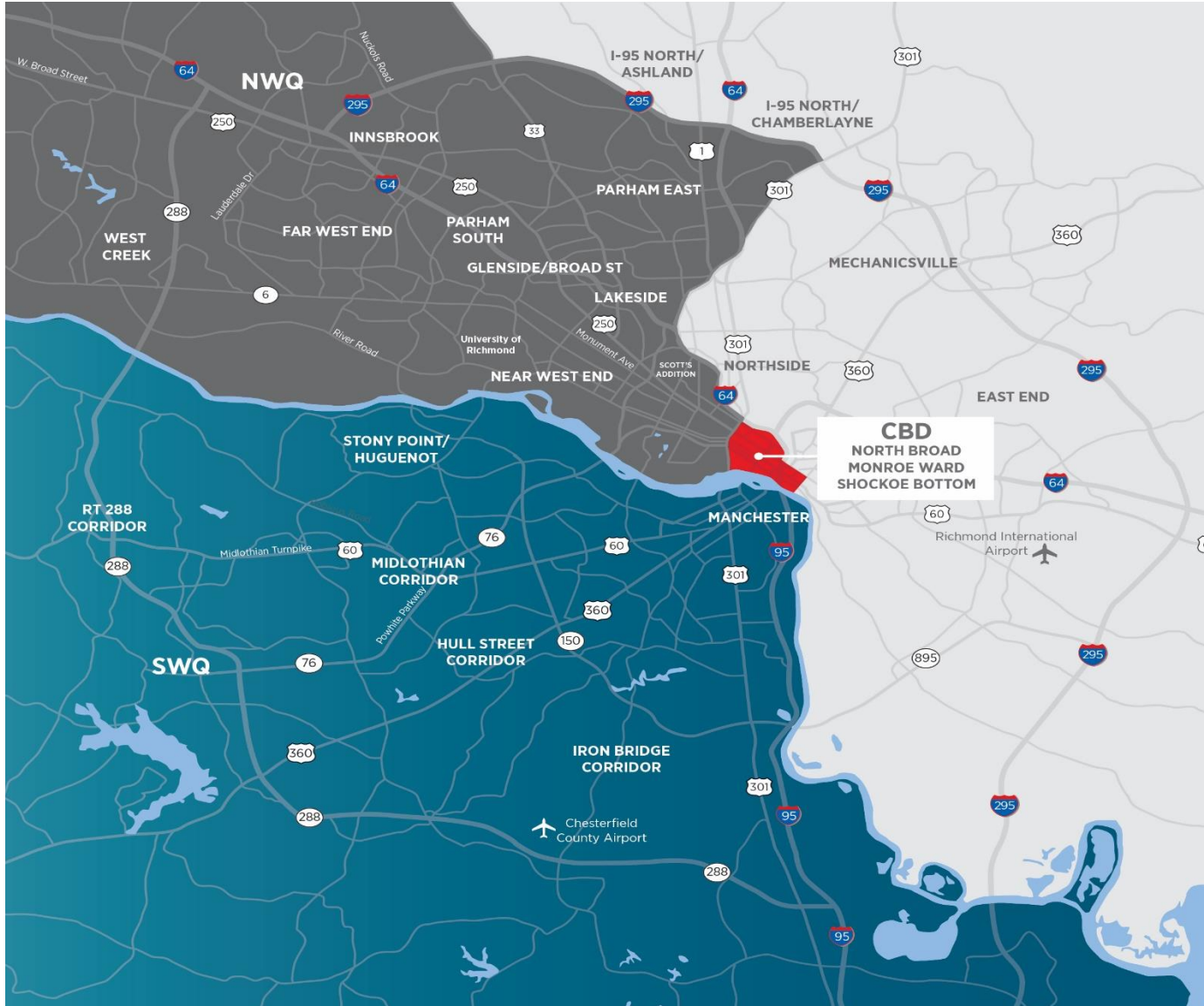
KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
901 Semmes Avenue	Manchester	Truist Bank / CoStar Group	117,445	\$20M/\$170
8006 Discovery Drive	Glenside/Broad St	Truist Bank / Seven Hills Group LLC	58,898	\$5.25M/\$89
8007 Discovery Drive	Glenside/Broad St	Blair Building MOB LLC / Flagship Healthcare Properties	35,000	\$15M/\$429

RICHMOND, VA

Office Q2 2022

OFFICE SUBMARKETS



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