

MARKETBEAT OFFICE SNAPSHOT

RICHMOND, VA

A Cushman & Wakefield Research Publication



ECONOMIC OVERVIEW

The Bureau of Labor Statistics reports that the U.S. economy added roughly 192,000 nonfarm jobs in March, an approximate 10% increase over February. However, although overall employment increased, the jobless rate remained flat at 6.7%

indicating that more people have joined the labor force. The industries that had the largest gains include: Professional and Business Services (57,000 jobs), Healthcare (19,000), and Mining & Logging (7,000). Federal government jobs declined by 9,000 in March for a total 85,000 federal government jobs lost over the past 12 months.

Compared to the national economy, Richmond seems to be following positive trends as the jobless rate sat at 5.5% in February (most recent statistic available), a decline of 60 basis points from 12 months prior. Additionally, the labor force increased 3.3% over the same time period, indicating that not only are more people joining the labor force but employers are also responding by providing more jobs.

RICHMOND OFFICE MARKET

When compared to 2013, the office market in Richmond is off to slow start in the first quarter of 2014 with 294,827 square feet (sf) of leasing activity and 272,958 sf of negative net absorption – in 2013 the market had 532,368 sf of leasing activity and 137,069 sf of positive net absorption. Direct vacancy remains unchanged at 9.6% while overall vacancy is half a percentage point lower in comparison to a year ago. Despite the slow start, there are plenty of positive vibes in the air as landlords expect a strong tenant demand this year. Asking rents have increased by roughly 2% over the past twelve months to sit at \$17.39 for all classes and \$21.09 for Class-A spaces.

NEW CONSTRUCTION

New construction seems to be picking up as total square feet under construction is at its highest level since 2009. Approximately 476,000 sf is under construction for this year. The largest of the projects is the 321,500 sf high-rise office tower in the CBD, Gateway Plaza, which broke ground mid-September of last year and is expected to deliver in 2015. Additionally, the 112,000 sf Biotech 8 expansion, leased by Health Diagnostic Laboratory, Inc. (HDL), is expected to deliver in early April. Upon delivery, HDL will become the largest employer within Biotechnology Research Park, adding approximately 1,000 new jobs. Lastly, two small office buildings totaling 43,000 sf along the Iron Bridge Corridor are expected to deliver in late 2014.

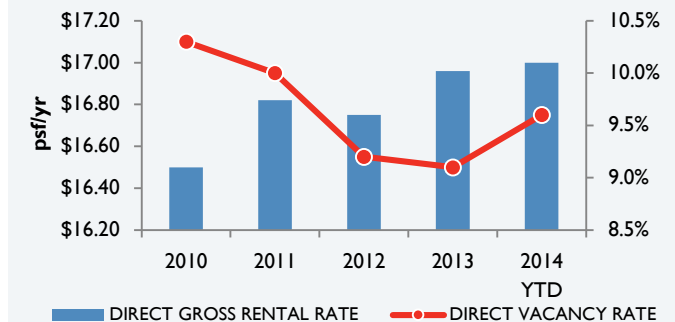
OUTLOOK

The Richmond Office Market should continue its positive performance as it swings away from a tenant's market which area tenants have enjoyed for the past 5 years. Of considerable significance is the shortage of large blocks of space. Large users seeking more than 100,000 sf of space have very few choices. In the ever popular Innsbrook area, only three properties can accommodate large users: The Banks Brothers Building, WestMark One, and Deep Run Three are the only choices. All three properties are currently at play so the situation is likely to tighten even more next quarter. So far there are no signs of pure speculative construction. Most office building underway or contemplated have significant preleasing in hand.

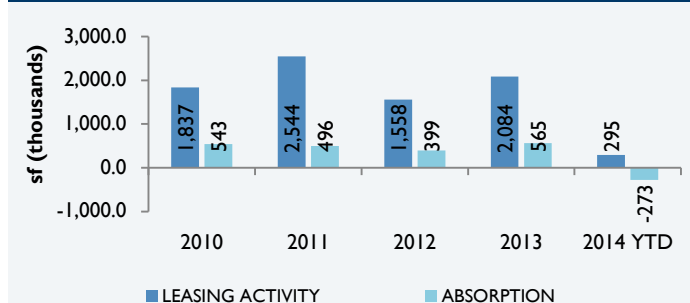
STATS ON THE GO

	Q1 2013	Q1 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	10.5%	10.0%	-0.5pp	▼
Direct Asking Rents (psf/yr)	\$17.00	\$17.50	2.9%	◄
YTD Leasing Activity (sf)	532,368	294,827	-44.6%	▲

DIRECT RENTAL VS. VACANCY RATES



OVERALL ACTIVITY VS. ABSORPTION



RICHMOND, VA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
CBD	10,702,050	13.0%	12.5%	57,702	321,500	0	(165,028)	(134,517)	\$20.41	\$25.50
East End	351,429	4.4%	4.4%	0	0	0	(8,500)	(8,500)	\$15.02	N/A
Far West End	580,215	4.2%	4.2%	280	0	0	(1,686)	(1,686)	\$16.29	\$22.00
Glenside/Broad St	4,607,010	9.4%	8.0%	50,547	0	0	(19,952)	(48,118)	\$17.48	\$19.64
Hull Street Corridor	2,343,588	4.7%	4.7%	5,445	0	0	(143)	(143)	\$14.82	N/A
I-95 N/Ashland	431,846	9.3%	9.3%	2,849	0	0	19,790	19,790	\$13.34	N/A
I-95 N/Chamberlayne	151,116	18.4%	18.4%	0	0	0	0	0	\$12.83	N/A
Innsbrook	7,724,824	9.8%	9.8%	40,908	0	0	1,618	(42,592)	\$17.50	\$18.60
Iron Bridge Corridor	1,513,013	10.3%	10.3%	0	43,000	15,000	(5,048)	(5,048)	\$14.97	\$17.21
Lakeside	125,193	19.3%	19.3%	0	0	0	0	0	\$10.84	N/A
Mechanicsville	888,560	14.7%	14.7%	5,026	0	0	3,620	4,920	\$17.35	N/A
Midlothian Corridor	3,714,842	15.5%	15.5%	50,288	0	0	(27,963)	(29,752)	\$16.33	\$17.65
Monroe Ward	2,216,518	6.0%	6.0%	13,395	0	0	(4,305)	(4,305)	\$15.83	N/A
Near West End	1,290,235	11.7%	11.7%	0	0	0	4,516	4,516	\$11.32	N/A
North Broad	2,665,451	4.2%	4.2%	1,862	112,000	0	1,862	1,862	\$16.40	N/A
Northside	101,581	0.0%	0.0%	0	0	0	0	0	N/A	N/A
Parham East	2,393,238	14.9%	14.9%	11,518	0	0	7,360	7,360	\$15.81	N/A
Parham South	854,427	19.5%	19.5%	34,533	0	0	21,760	21,760	\$13.45	N/A
Rt 288 Corridor	1,100,982	12.2%	11.7%	3,891	0	0	(56,606)	(58,499)	\$17.74	\$19.44
Shockoe Bottom	1,454,215	3.0%	3.0%	1,447	0	0	15,185	15,185	\$18.69	\$20.50
Stony Point/Huguenot	957,607	8.8%	3.0%	6,533	0	0	(12,262)	(12,262)	\$17.76	\$19.28
West Creek	1,735,413	0.0%	0.0%	0	0	0	0	0	\$18.50	N/A
West End	3,112,536	8.3%	8.3%	8,603	0	0	8,983	(2,929)	\$14.36	\$20.34
TOTALS	51,015,889	10.0%	9.6%	294,827	476,500	15,000	(216,799)	(272,958)	\$17.39	\$21.09

* TOTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q1 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
2805 N. Parham Road	Parham South	Teleperformance	B	50,101
Arboretum IX	Midlothian Corridor	Philip Morris	A	26,000
4900 Augusta Avenue	West End	Girl Scout Commonwealth Chapter of VA, Inc.	B	12,348
681 Hioaks Road	Midlothian Corridor	DVA Healthcare Renal Care, Inc.	B	6,274
SIGNIFICANT Q1 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
3 Building Office Package: One Holland Place (82,200 sf) Vistas I & II (72,500 sf)	West End Glenside/Broad St	REVA Management Advisors	\$13,100,000 / \$85	153,700
Cloverleaf Office Park	Hull Street Corridor	Hamilton Real Estate Fund, LLC	\$2,100,000 / \$31	68,000
9800 Jeb Stuart Parkway	I-95 North/Ashland	Schnabel Real Estate Holdings LLC	\$2,800,000 / \$117	23,842
SIGNIFICANT Q1 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
NA				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Gateway Plaza	CBD	McGuireWoods LLP	Q1 2015	321,500 (75.2%)
Biotech 8 – Phase II/III	North Broad	NA	Q2 2014	106,662 (100.0%)
10901-I1001 Iron Bridge Road	Iron Bridge Corridor	NA	Q4 2014	43,000 (0.0%)