

# Office Snapshot Q1 2016

RICHMOND, VA

## RICHMOND OFFICE

### Economic Indicators

	Q1 15	Q1 16	12-Month Forecast
Richmond Employment	644k	667k	▲
Richmond Unemployment	5.1%	4.4%	▼
U.S. Unemployment	5.6%	4.9%	▼

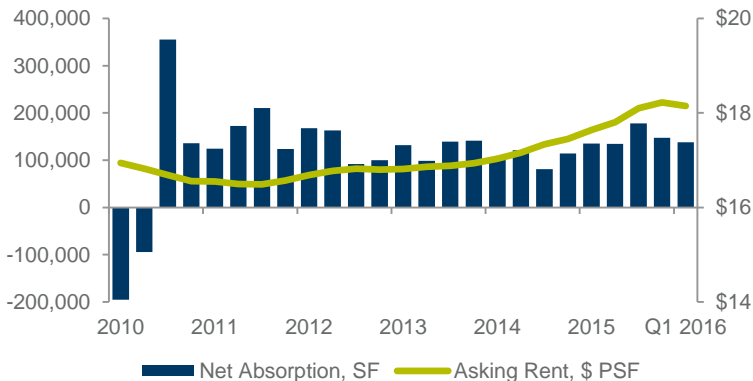
### Market Indicators (Overall, All Classes)

	Q1 15	Q1 16	12-Month Forecast
Overall Vacancy	9.6%	9.3%	▼
Net Absorption	66k	28k	▲
Under Construction	575k	458k	■
Average Asking Rent*	\$18.16	\$17.86	▲

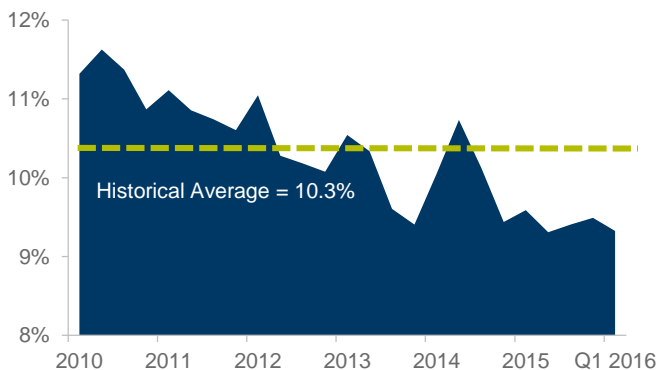
\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption/Asking Rent

#### 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

Economic expansion continues despite volatility in equity, oil, and international markets. Real GDP increased 2.5% in 2015, and the national economy added 644,000 jobs in March 2016 compared to a year ago. Of the jobs added, 532,000 were in the private sector. Richmond extended its streak of year-over-year job growth to 69 consecutive months and, as of March, added 28,400 more jobs compared to a year ago. Professional and Business Services and Financial Activities added 9,300 and 1,700 jobs, respectively, from March 2015 to March 2016. Jobs in office-using employment sectors increased by 6% year-over-year which places Richmond in the top tiers among U.S. metros.

## Market Overview

SunTrust made the most significant announcements in Q1 2016. The bank will anchor a 21-story office and multifamily tower to be built Downtown. SunTrust will occupy 53,000 square feet (sf) of the 137,000 sf of commercial space in the tower which will also house 187 luxury apartments. In addition to its downtown relocation, SunTrust will consolidate 1,000 employees from three suburban locations into WestMark One which removes the largest block of suburban vacancy from the market. Other announcements include CarMax, which will revamp the Ladybird Hat Factory in the CBD, and Dominion Payroll Services, which will anchor a mixed use development in Scott's Addition, and the James Center which was taken over by the loan servicer.

Innsbrook's overall vacancy rate decreased by 199 basis points from Q4 15 to Q1 16 and is now 8.0%. And vacancy in the Glenside/Broad Street submarket decreased 20 basis points to 6.0%. Other suburban office parks, particularly Arboretum and Boulders Office Parks in the Midlothian Corridor, will benefit as availabilities tighten in the two largest suburban submarkets. Vacancy in the CBD remains elevated at 14.2%. CBD landlords are aggressively pursuing tenants with reduced asking rates and generous concessions.

## Outlook

Organic job growth within the market continues to support office fundamentals as existing and startup firms continue to expand payrolls. Vacancy will remain elevated in the CBD particularly as the new SunTrust anchored tower comes on-line. The CarMax and Dominion Payroll Service deals convey a national trend of tenants leasing non-traditional office spaces in in-fill locations. The burgeoning Scott's Addition neighborhood, which is overflowing with boozey suds, will capture office-users seeking locations that attract a younger workforce.

## MARKETBEAT

## Office Snapshot Q1 2016

RICHMOND, VA



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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	OVERALL AVERAGE ASKING RENT (CLASS A)*
CBD	10,994,651	16,403	1,546,425	14.2%	(45,728)	(45,728)	14,848	125,000	\$21.35	\$23.96
East End	351,429	0	8,350	2.4%	(1,500)	(1,500)	0	0	\$12.85	N/A
Far West End	691,744	0	4,042	0.6%	113,002	113,002	1,636	0	\$14.86	\$22.00
Glenside/Broad St	5,026,214	2,677	297,938	6.0%	29,865	29,865	55,865	0	\$17.74	\$20.83
Hull Street Corridor	2,356,294	0	62,148	2.6%	604	604	672	0	\$14.45	N/A
I-95 N/Ashland	458,563	7,000	37,272	9.7%	0	0	642	0	\$13.15	N/A
I-95 N/Chamberlayne	151,508	0	6,515	4.3%	0	0	0	0	\$12.45	N/A
Innsbrook	7,768,229	57,840	562,620	8.0%	(37,310)	(37,310)	24,168	0	\$18.79	\$18.94
Iron Bridge Corridor	1,522,608	0	167,306	11.0%	(4,290)	(4,290)	27,801	61,800	\$15.58	\$17.15
Lakeside	110,481	0	13,609	12.3%	(7,326)	(7,326)	0	0	\$14.27	N/A
Mechanicsville	953,889	0	119,861	12.6%	7,189	7,189	0	0	\$17.14	\$24.50
Midlothian Corridor	3,721,519	24,688	415,142	11.8%	(18,909)	(18,909)	24,766	0	\$16.32	\$17.25
Monroe Ward	1,486,969	0	66,483	4.5%	29,847	29,847	0	0	\$15.84	N/A
Near West End	1,111,224	0	178,448	16.1%	8,794	8,794	4,685	72,000	\$14.84	N/A
North Broad	2,785,867	0	98,928	3.6%	0	0	0	0	\$17.00	N/A
Northside	115,963	0	0	0	0	0	0	0	N/A	N/A
Parham East	2,372,170	2,388	393,242	16.6%	(54,412)	(54,412)	0	0	\$16.51	N/A
Parham South	861,623	0	148,433	17.5%	2,196	2,196	3,131	0	\$14.32	N/A
Rt 288 Corridor	1,166,515	3,745	121,897	10.8%	(7,181)	(7,181)	17,034	15,000	\$18.25	\$19.55
Shockoe Bottom	1,394,094	0	69,453	5.0%	7,797	7,797	3,713	63,200	\$16.63	\$23.00
Stony Point/Huguenot	956,474	5,219	38,836	4.6%	5,450	5,450	8,215	55,000	\$20.08	\$21.19
West Creek	1,788,413	0	41,059	2.3%	0	0	0	0	\$24.50	\$24.50
West End	3,125,689	1,500	262,545	8.4	22	22	9,661	66,378	\$16.03	\$17.44
<b>RICHMOND, VA TOTALS</b>	<b>51,272,130</b>	<b>121,460</b>	<b>4,660,552</b>	<b>9.3%</b>	<b>28,110</b>	<b>28,110</b>	<b>196,837</b>	<b>458,378</b>	<b>\$17.86</b>	<b>\$20.28</b>

Only includes properties 10,000 SF and larger

\*Rental rates reflect gross asking \$psf/year.

SUMMARY BY CLASS	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	VACANCY RATE	CURRENT NET ABSORPTION (SF)	YTD NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	AVERAGE ASKING RENT OVERALL*	AVERAGE ASKING RENT DIRECT*
Class A	20,974,339	109,983	1,511,034	7.7%	92,182	92,182	125,333	426,378	\$20.28	\$21.08
Class B	23,593,570	11,477	2,589,030	11.0%	(74,000)	(74,000)	41,679	32,000	\$16.52	\$16.50
Class C	6,704,221	0	560,488	8.4%	10,028	10,028	29,825	0	\$13.26	\$13.08

## Key Lease Transactions Q1 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
11011 W. Broad St.	211,689	SunTrust	Lease	Innsbrook
321 S 10 <sup>th</sup> Street	53,391	SunTrust	Lease	CBD
4820 Lakebrook Drive*	47,010	Berkley Insurance Company	Lease	Innsbrook
140 Virginia St.	26,838	CarMax	Lease	CBD
1814 Highpoint	20,000	Dominion Payroll Services	Lease	Near West End

\*Renewal/Expansion

## Key Sales Transactions Q1 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Bank Of America Plaza - 1111 E Main St	513,479	Cornerstone/Verris Capital	\$42,000,000 / \$83	CBD

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