



Colliers



Richmond, VA

Office

21Q3

“Richmond continues to see large block sublease opportunities available on the market as the emergence of the delta variant has delayed many companies targeted return to the office. **Leasing activity is improving with positive net absorption for the first time in the past year**, and as more companies do finally return to the office, the Richmond office market will continue to stabilize and strengthen heading into 2022.”

Megan Sullivan | Assistant Vice President

Accelerating success.



Richmond, VA

Office 21Q3



Key Takeaways

- Over 600,000 square feet of office space was leased, representing a 78% increase since the 2nd quarter.
- Total sublease space remains at near-record highs, posting 1.1 million square feet at the end of Q3. Two buildings contributing the most to this figure include the SunTrust Center (214,273 SF) and Riverfront Plaza West Tower (141,167 SF).
- Q3 posted nearly 76,000 square feet of net absorption, the first quarter to post positive net absorption since Q3 2020.
- The Richmond Public Safety building is scheduled for demolition with a proposed built to suit project to take its place. VCU Health will occupy 150,000 square feet of the 240,000 square foot building. 90,000 square feet of spec space will be available for lease.



High Levels of Sublease Space Paired with Increasing Leasing Activity

- Despite the Delta variant leading to another wave in Covid-19 cases, Q3 fundamental statistics hint towards an optimistic outlook for the remainder of the year. Net absorption increased for the first time since Q3 2020 closing at 75,606 square feet, with the largest contributor being CarMax occupying 117,000 square feet at the Putney Building.
- Total leased space continues to increase over the year, with over 600,000 square feet of office space being leased in Q3. This represents a 78% increase in square feet leased compared to Q2. The largest tenants included Maximus, subleasing over 158,000 square feet, and ChemTreat, renewing just under 50,000 square feet. Despite posting a 12.4% decrease in total available sublet space quarter over quarter, sublease space remains at a near all time high and is up 98.7% since the beginning of the pandemic.
- Average rental rates year over year have been holding steady with a 1.8% decrease finishing Q3 at \$21.38. The largest quarterly increases seen in the Moorefield and Arboretum submarkets at 1.3% and 1.1% respectively. Vacancy rates in the Richmond Metro area have increased quarter over quarter by 14 basis points to 11.06%.

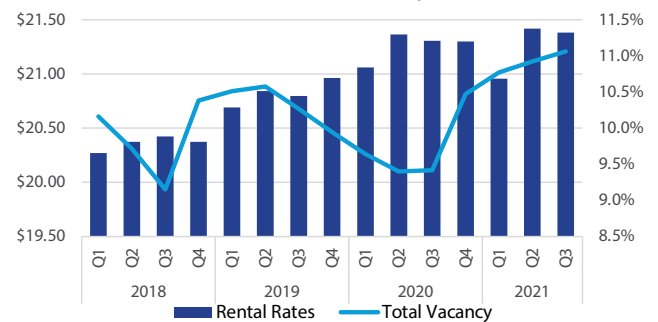
Market Indicators



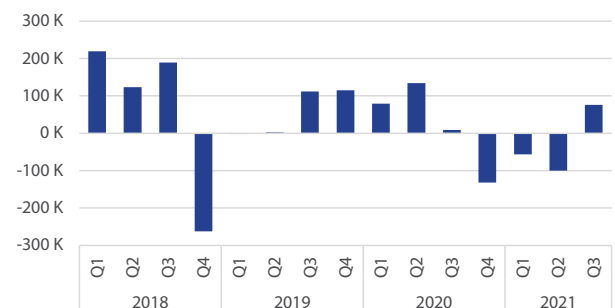
Historic Comparison

	20Q3	21Q2	21Q3
Total Inventory (Millions of SF)	25.77	25.80	25.85
New Supply (Thousands of SF)	13,000	0	117,625
Net Absorption (Thousands of SF)	8,742	-99,855	75,606
Overall Vacancy	9.42%	10.92%	11.06%
Under Construction (Thousands of SF)	370,520	225,520	167,895
Overall Asking Lease Rate (FS)	\$21.30	\$21.42	\$21.38

Market Graph



Direct Net Absorption



Economy

Despite reporting increasing figures since the onset of the COVID-19 pandemic, total office using employment in the Richmond Metro region has fallen 1.6% year over year, ending Q3 with a reported 247,800 jobs. The most negatively impacted sectors include Professional & Business Services and Government, with 2.9% and 1.5% decreases year-over-year in total jobs respectively.

Richmond Metro unemployment continued to decrease, with Q3 forecasting to post 4.1%. This represents a constant decrease in unemployment since the start of 2021. The unemployment rate for the Virginia ended at 3.8%, 30 basis points below the Richmond Metro rate of 4.1%.

Capital Markets

Richmond Office Investment sales for the 3rd quarter of 2021 experienced a decrease in volume when compared to the previous quarter. Sales decreased to \$52.2 million in total sales volume with the largest, and only, sale being the Virginia Urology HQ (90,000 SF) for \$52.2 million.

Development Pipeline

The Putney Building at the Sauer Center was delivered, with CarMax occupying all 117,000 square feet of office space. The Current, expected to deliver Q4 2021, is preleasing the remaining 24,000 square feet on the 2nd and 3rd floors. West Creek Financial will occupy the top three floors of the building. Belle Heights, a 35,000 square foot building, also remains under construction but is expected to deliver Q4 2021. Vytal Studios signed to occupy 24,000 square feet. The Richmond Public Safety Building is scheduled for demolition and a 240,000 square foot proposed built to suit project for VCU Health will be constructed in its place.



Top Sales



Sale

9101 Stony Point Dr
 \$598/SF

Top Leases



Lease

12730 N Kingston Ave
 Rt 288 corridor
 158K SF



Lease

6603 W Broad St
 Glenside/Broad St
 101k SF



Lease

5640 Cox Rd
 Innsbrook
 49k SF



Lease

1111 E Main St
 CBD
 42k SF



Lease

10900 Nuckols Rd
 Innsbrook
 35k SF



Lease

6606 W Broad St
 Glenside/Broad St
 25k SF

Property	Address	Submarket	RBA	Type	Status
Putney Building (Sauer Center)	2220 W Broad St	Midtown/Scott's Addition	117,625	Creative Office	Delivered
Belle Heights	1802 Semmes Ave	Jeff Davis Corridor	35,000	Creative Office	Under Construction
The Woodlands	1218 Koger Center Blvd	Stony Point	60,000	Ground-Up	Under Construction
The Current	400 Hull St	CBD	72,895	Ground-Up	Under Construction
2309 N Parham	2309 N Parham	Parham Road	36,200	Spec	Proposed
Navy Hill - Block D	500 N 10th St	CBD	240,000 (30,000 Spec)	Ground-Up	Proposed
Harp's Landing	2101 Libbie Lake W Ave	Midtown/Scott's Addition	142,535	Ground-Up	Proposed
South Falls	111 Hull St	Midtown/Scott's Addition	135,000	Ground-Up	Proposed
Icon at City View	4th & Bainbridge St	Manchester	122,500	Spec	Proposed
North Shore Commons III	4931 Lake Brook Dr	Innsbrook	99,675	Spec	Proposed
Alterra I at West Creek	West Creek Pky	Innsbrook	75,000	Spec	Proposed
Sauer Center- Phase 2	2222 W Broad St.	Midtown/Scott's Addition	53,000	Ground-Up	Proposed
GreenGate II	3401 Haydenpark Ln	Innsbrook	45,391	Ground-Up	Proposed
5491 International Trade	5491 International Trade	Airport/I-64	25,000	Ground-Up	Proposed

Q4 2021 Forecast

The effects of the pandemic are still being felt with many key statistics leveling out. Some large office users continue to postpone return to office deadlines or have opted against returning to the office entirely, resulting in higher-than-usual sublease space. With workplace strategies becoming clearer over time, we expect the office market to further stabilize throughout the end of 2021 and beginning of 2022.



Q3 2021 Snapshot

Submarket	Inventory (SF)	Vacant SF	Vacancy Rate (%)	Availability Rate (%)	FS Asking Rental Rate (\$)	Quarterly Net Absorption	12 Mo Net Absorption	Development Pipeline
Urban Market								
CBD	8,188,603	988,799	12.1	17.4	\$23.83	(44,843)	(127,121)	107,895
Midtown	2,232,186	134,042	6	18.2	\$22.09	120,213	184,287	0
Total	10,420,789	1,122,841	10.8	17.6	\$23.48	75,370	57,166	107,895
Class A	4,183,536	514,496	12.3	21.3	\$26.32	(16,649)	29,800	72,895
Class B	6,237,253	608,345	9.8	15.1	\$20.53	92,019	27,366	35,000
Suburban Northwest								
Ashland/I-95	280,157	39,469	14.1	12.1	\$18.75	(8,479)	3,070	0
Glenside/I-64	2,795,633	158,406	5.7	18.5	\$20.38	10,074	(29,757)	0
Innsbrook	6,105,989	664,199	10.9	24.8	\$21.63	40,716	(55,770)	0
Parham Road Area	1,808,196	261,545	14.5	18.7	\$15.95	(21,971)	(72,858)	0
Total	11,013,675	1,123,619	10.2	21.8	\$20.49	20,340	(131,615)	0
Class A	6,288,663	695,957	11.1	26.1	\$21.76	3,737	(129,081)	0
Class B	4,725,012	427,662	9.1	16.2	\$18.57	16,603	(2,534)	0
Suburban Southwest								
Arboretum	923,183	176,939	19.2	34.6	\$18.02	25,714	(89,603)	0
Boulders	984,765	197,554	20.1	32.8	\$19.55	(20,532)	(45,974)	0
Moorefield/Koger	950,318	88,021	9.3	17.8	\$17.57	(31,343)	(35,557)	0
Route 288 Corridor	843,293	108,900	12.9	17.5	\$17.52	9,944	31,536	0
Stony Point	701,823	41,903	6	17.9	\$21.78	(3,887)	1,219	60,000
Total	4,416,382	613,317	13.9	24.6	\$18.65	(20,104)	(138,379)	60,000
Class A	2,637,439	384,211	14.6	28.5	\$19.85	13,299	(96,539)	60,000
Class B	1,778,943	229,106	12.9	18.7	\$16.02	(33,403)	(41,840)	0
Suburban Market Total	15,430,057	1,736,936	11.3	22.6	\$19.87	236	(269,994)	60,000
Class A	8,926,102	1,080,168	12.1	26.8	\$21.06	17,036	(225,620)	60,000
Class B	6,503,955	656,768	10.1	16.8	\$17.83	(16,800)	(44,374)	0
Richmond Office Total	25,850,846	2,859,777	11.1	20.6	\$21.38	75,606	(212,828)	167,895
Class A	13,109,638	1,594,664	12.2	25	\$23.00	387	(195,820)	132,895
Class B	12,741,208	1,265,113	9.9	16	\$19.16	75,219	(17,008)	35,000



351 offices in 67 countries on 6 continents

United States: 115
Canada: 41
Latin America: 12
Asia Pacific: 33
EMEA: 78



\$3.3B
in revenue



2B
square feet under management



18,000 +
professionals and staff

About Colliers

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