

1Q25

Richmond Industrial Market Overview

NEWMARK

Market Observations

Economy

- The region’s labor market remained historically strong amid shifting macroeconomic conditions. The unemployment rate ended February 2025 at 3.1%, significantly lower than the national average of 4.1%. Furthermore, the Richmond Metro continues to experience elevated population growth, with the resident population growing 1.2% in 2024, higher than the national population growth rate of 0.9%. Richmond has been the fastest-growing large metro in Virginia over recent years.
- Richmond maintains a diversified economy, with its top four industries each containing in between 15-18% of all employees leading to an overall total of 66% of the regional workforce. With the industrial market being a primary economic driver in the region, Trade/Transportation/Utilities is the leading industry in the region, encompassing 18% of the regional workforce.
- Trade/transportation/utilities employment has stabilized, surpassing pre-pandemic highs, and continues to grow as evidenced by a 12-month growth rate of 2.1%.

Major Transactions

- New leases were the theme of leasing activity during Q1 2025, as the five largest leases signed during the quarter were new deals totaling over 900,000 SF. These new deals provide optimism that the market will continue seeing positive absorption in the short term as new tenants enter the market and current tenants expand in the market.
- The largest sale of the quarter was the sale of Sauer Industrial Center, located at 943 S Airport Drive in the Airport submarket. Becknell Industrial sold the 279,319-square-foot distribution facility, which was built in 2022, to JLL Income Property Trust, for \$40.7 M, or \$145.71 PSF. The property was fully occupied by two tenants with a weighted average lease term (WALT) of 8.4 years at the time of sale.

Leasing Market Fundamentals

- During Q1 2025, Richmond experienced over 800,000 SF of positive net absorption. This positive net absorption was largely due to the Northeast quadrant, which saw over 800,000 of positive net absorption due to the delivery of an 800,000-square-foot AutoZone Distribution Center. Also contributing to the positive net absorption was Amazon occupying 188,000 SF of space at 1701 Bermuda Hundred Road within the Southeast region. The market remained tight, ending the quarter at a 5.0% vacancy rate, tighter than the historical average of 5.9% and the national average of 6.7%. Although vacancy expanded 10 bps during Q1 2025, this expansion was solely due to deliveries outpacing absorption.
- Average asking rents ended Q1 2025 at \$9.52 PSF, an increase of 3.5% year-over-year. Overall, the market has seen a 56.3% increase in rents since the beginning of 2020.
- The market’s development remains strong, ending 2024 with almost 4.7 MSF of deliveries, much higher than the decade’s annual average of 3.0 MSF. Development continued strong to begin 2025, ending Q1 2025 with 1.0 MSF of deliveries. User demand is keeping the pipeline steady looking forward into 2025 and 2026.

Outlook

- The Richmond Industrial market is expected to continue to perform well with user demand generally in line with new supply. With over 5.7 MSF under construction, including much of the space pre-leased or owner-occupied, the market will see consistent occupied space delivered, helping to maintain a healthy market equilibrium and space availability for continued market growth.
- While supply remains limited, rent growth will continue increasing at elevated levels, although likely at a more modest rate than the last few years. This will vary on a submarket, size range, and asset-type basis.

1. Economy
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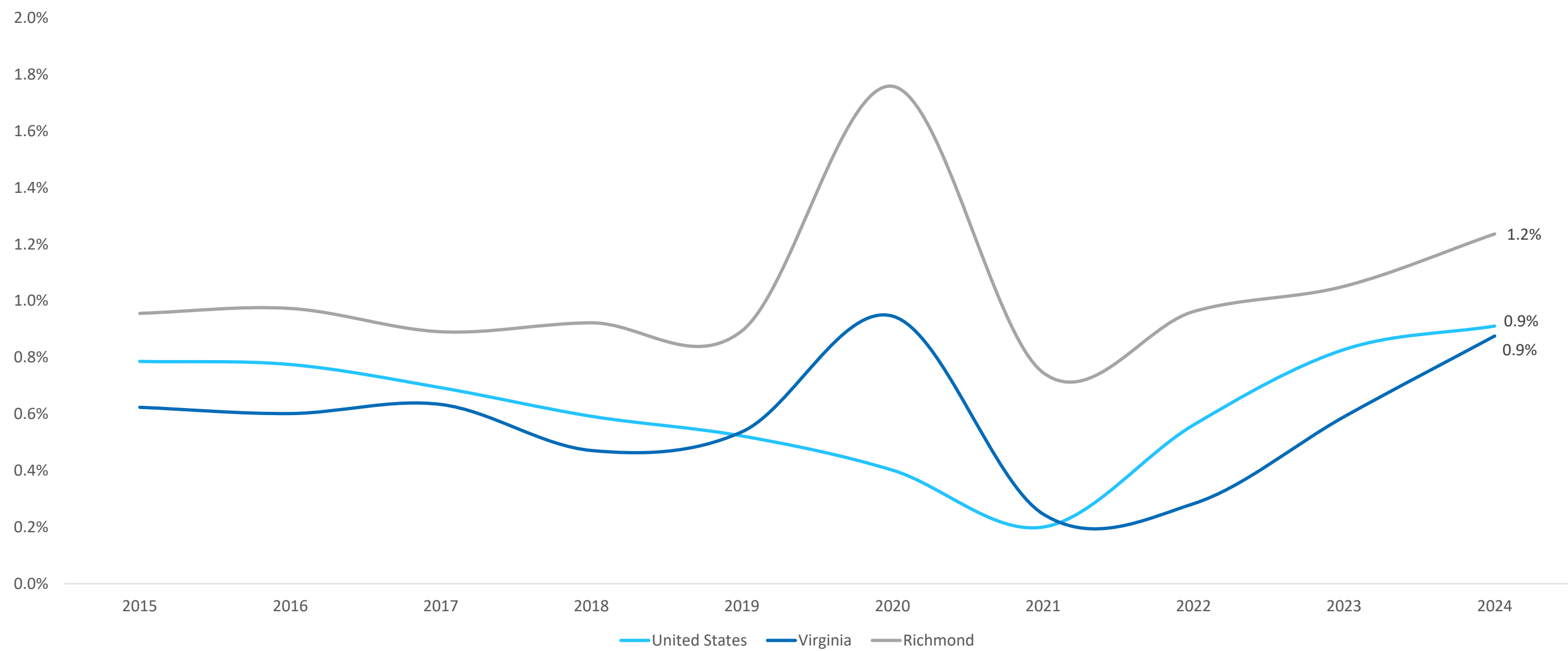
Economy



Richmond Continues Experiencing Elevated Population Growth

The Richmond Metro continues to experience elevated population growth, with the resident population growing 1.2% in 2024. Richmond’s population has grown at an elevated rate relative to the United States and Virginia, with both seeing 0.9% of population growth in 2024. Furthermore, Richmond has been the fastest-growing large metro in Virginia over recent years.

Resident Population Growth (Annual % Change): United States Vs. Virginia Vs. Richmond

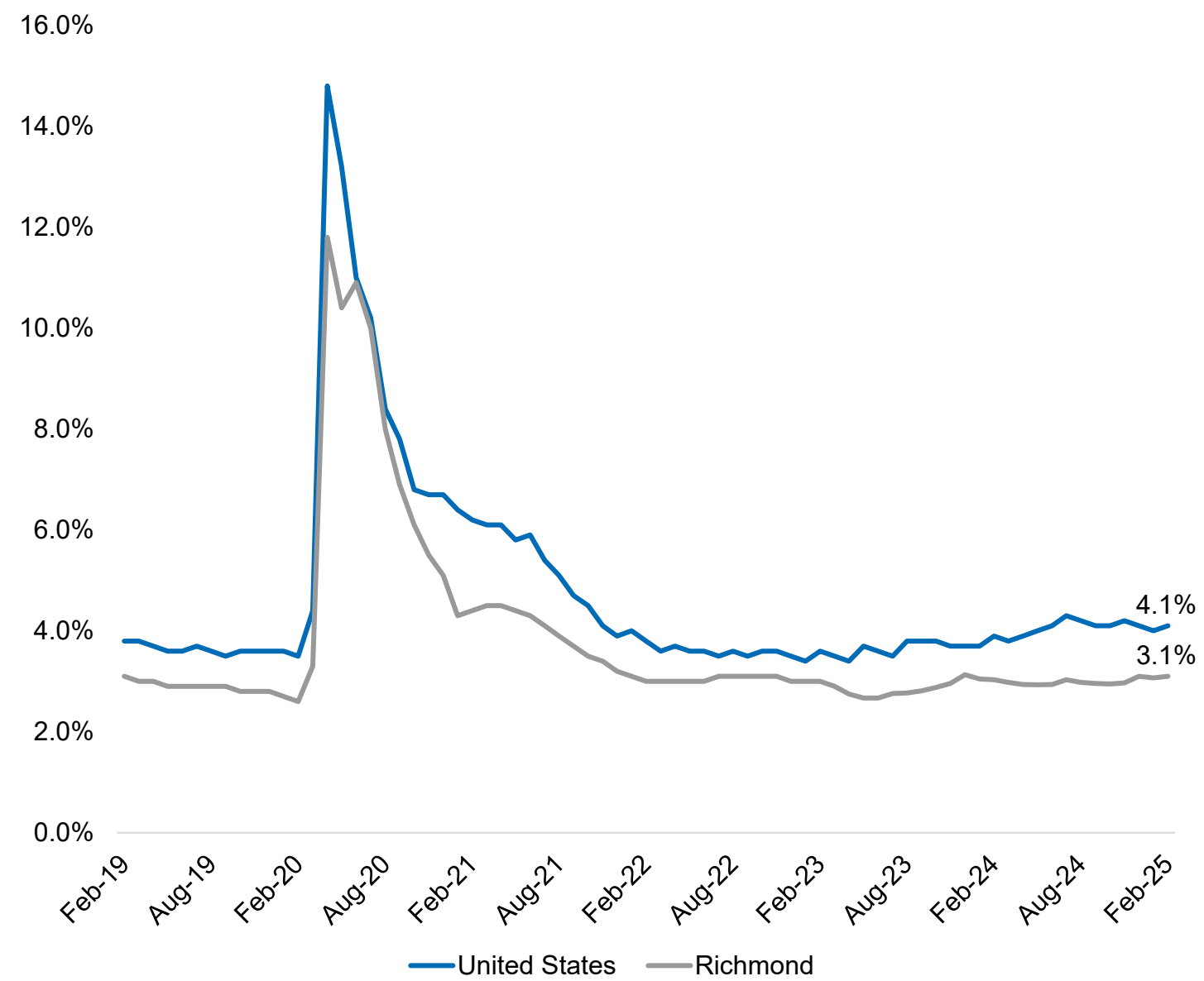


Source: U.S. Census Bureau

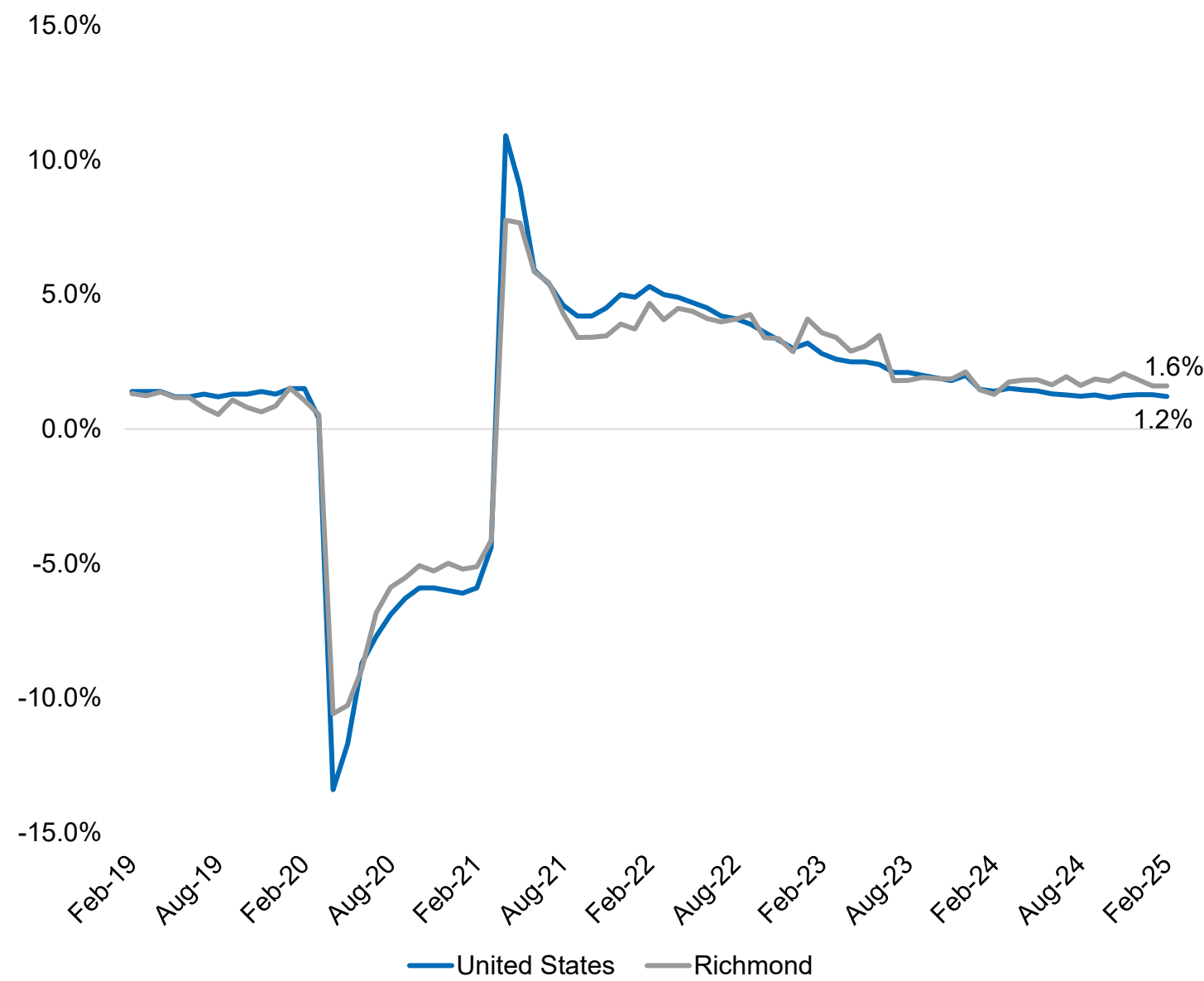
Richmond's Unemployment Rate Outperforms National Average

Richmond's unemployment rate continues to outperform the national average, measuring 3.1% in February 2025. This is 10 bps higher year-over-year but 100 bps lower than the national average. Richmond's nonfarm payroll employment saw a 12-month increase of 1.6%, higher than the national average of 1.2%.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change



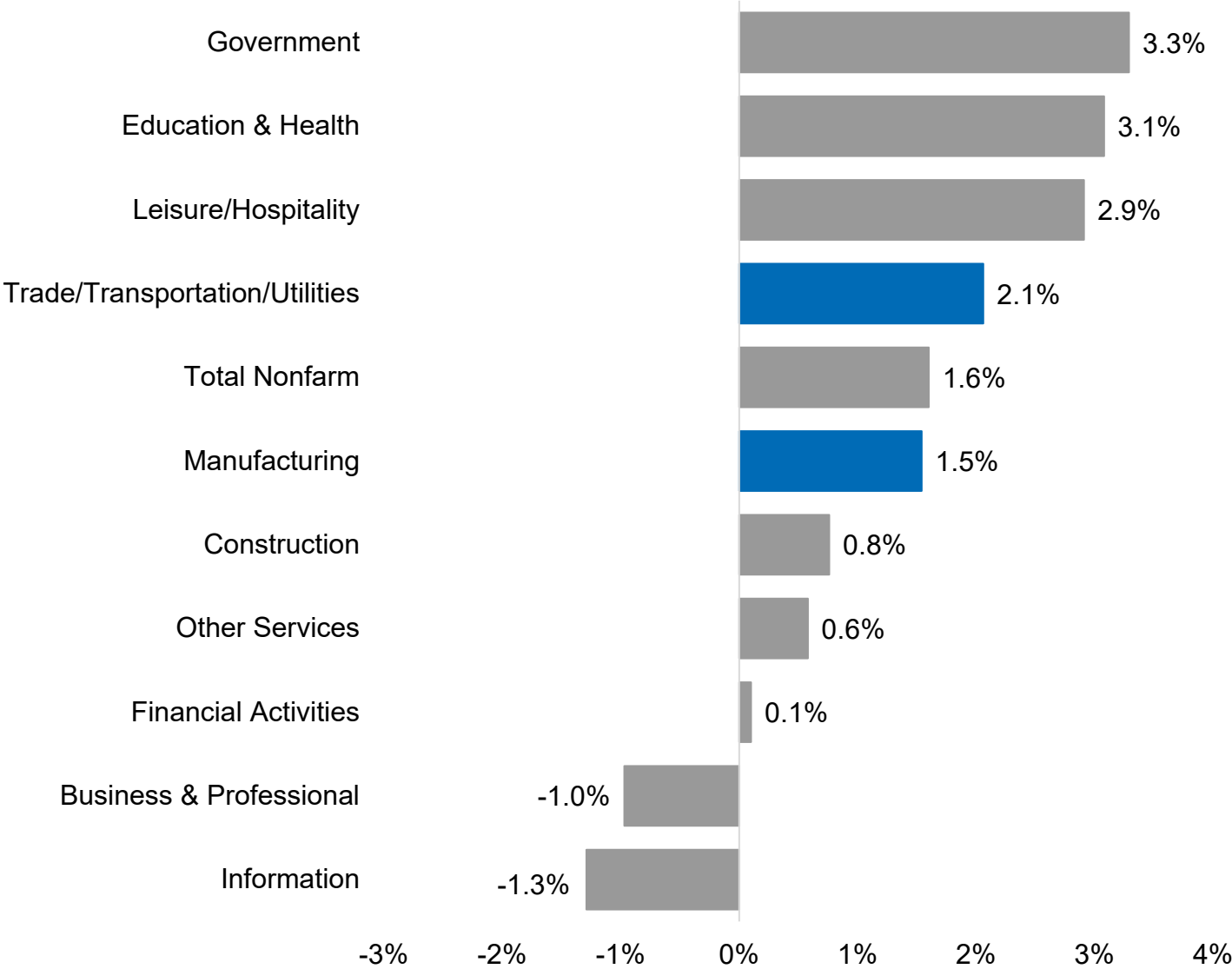
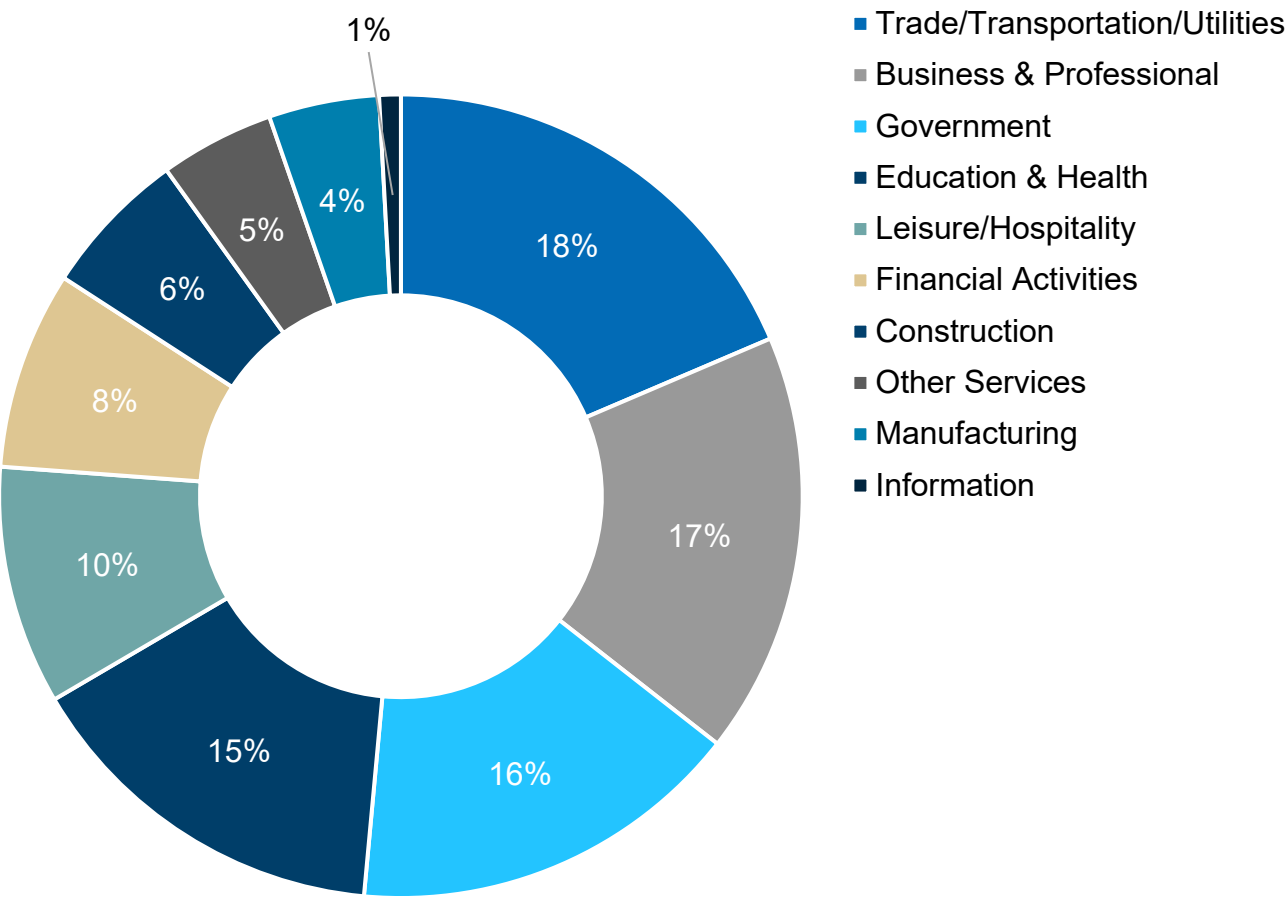
Source: U.S. Bureau of Labor Statistics, Richmond

Trade/Transportation/Utilities Continues Growth as the Leading Regional Industry

Trade/Transportation/Utilities remains the largest industry in the region, constituting 18% of the regional workforce. Furthermore, Trade/Transportation/Utilities continues to see positive growth, seeing 12-month growth of 2.1%. Manufacturing also saw positive growth, seeing 12-month growth of 1.5%.

Employment by Industry, February 2025

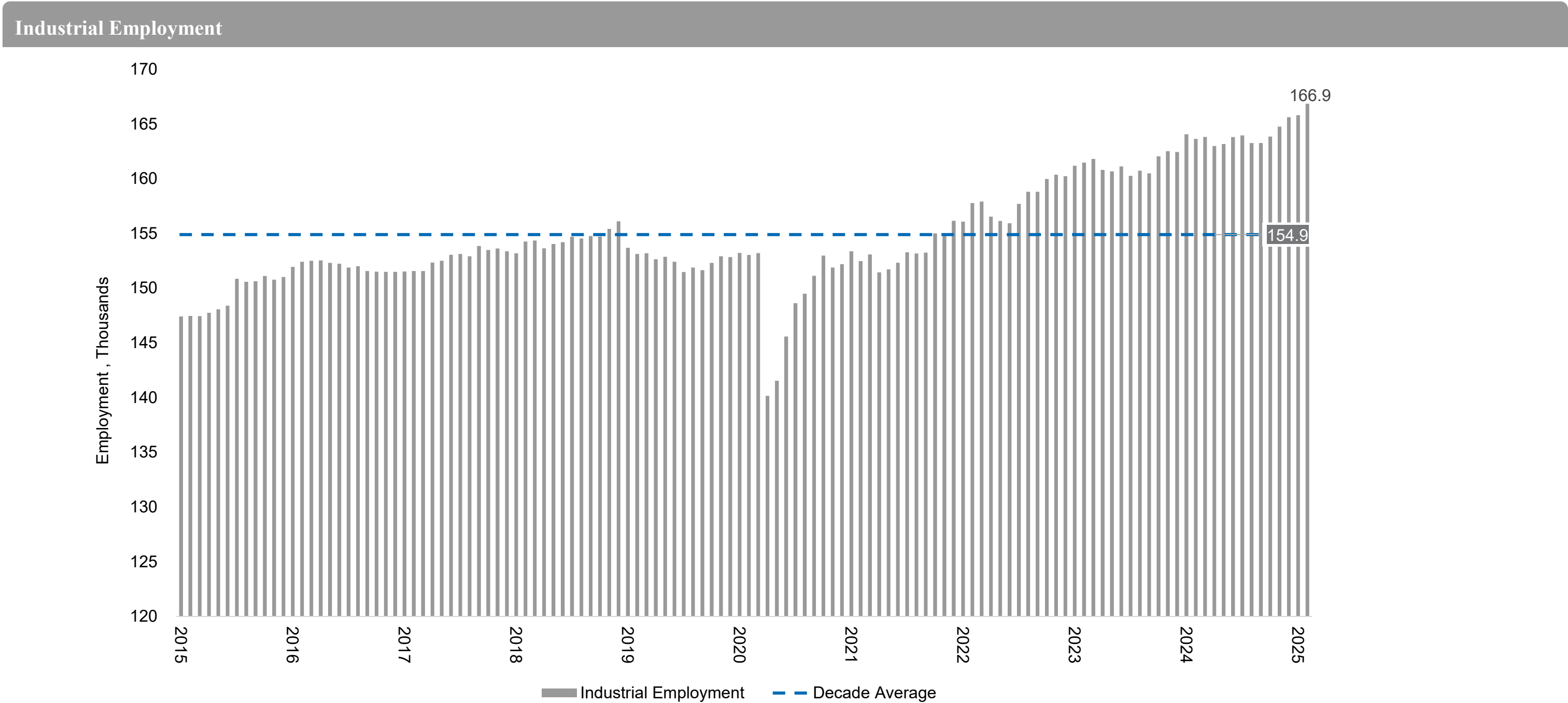
Employment Growth by Industry, 12-Month % Change, February 2025



Source: U.S. Bureau of Labor Statistics, Richmond

Industrial Employment Sits at Historical High

The number of industrial jobs has rebounded and now sits above pre-pandemic levels. Employment ended February 2025 at a historic high of 166,900 employees, 7.7% higher than the decade average and an increase of 19.0% since the market reached a pandemic-related low in April of 2020.



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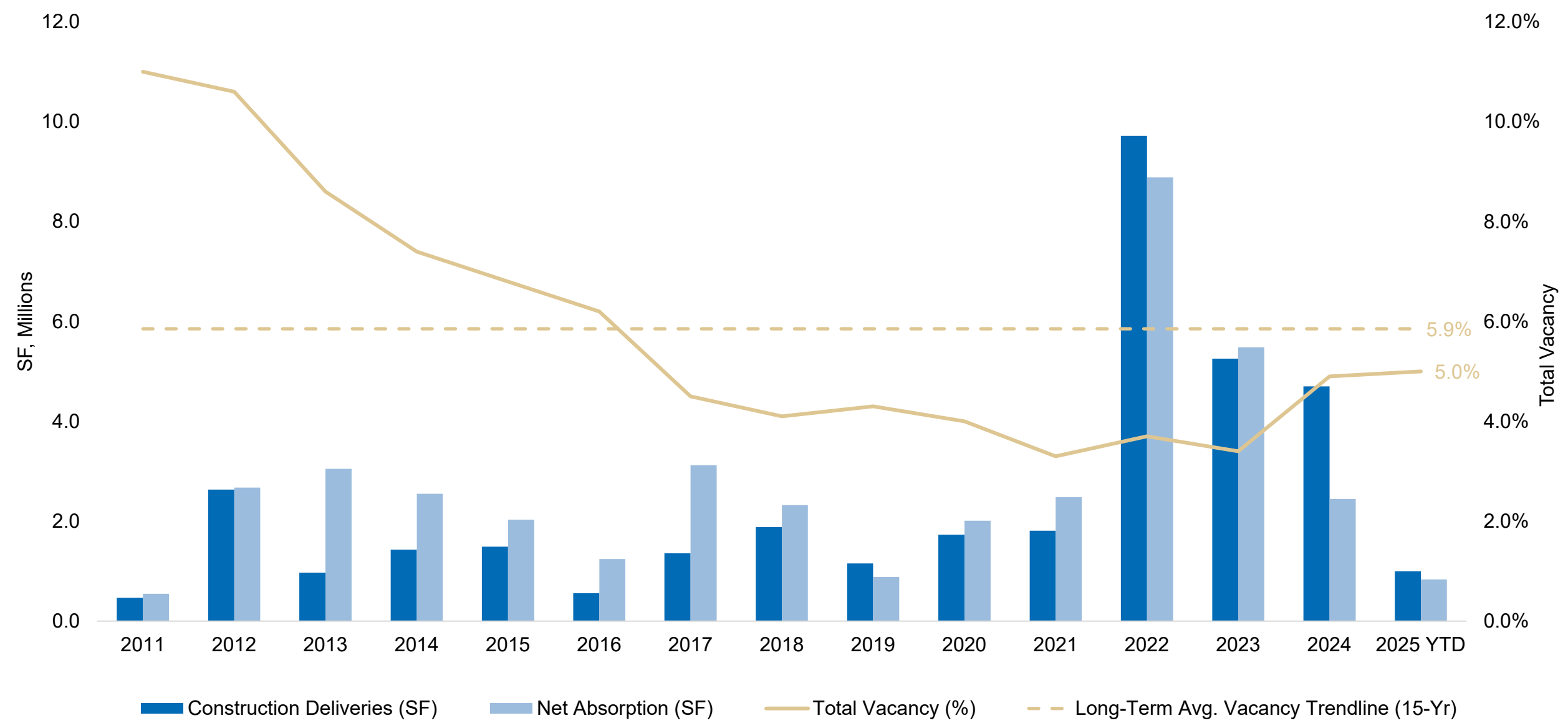
Leasing Market Fundamentals



Fundamentals Remain Healthy to Begin 2025

The Richmond Industrial market continues to perform exceptionally well, as evidenced by its fundamentals. During Q1 2025, Richmond experienced 1.0 MSF of deliveries while seeing over 800,000 SF of positive net absorption. This positive net absorption was largely due to the Northeast quadrant, which saw over 800,000 of positive net absorption due to the delivery of an 800,000-square-foot AutoZone Distribution Center. The market remains historically tight, ending Q1 2025 at a 5.0% vacancy rate, tighter than the historical average of 5.9%. Although vacancy expanded 10 bps during Q1 2025, this expansion was solely due to deliveries outpacing absorption.

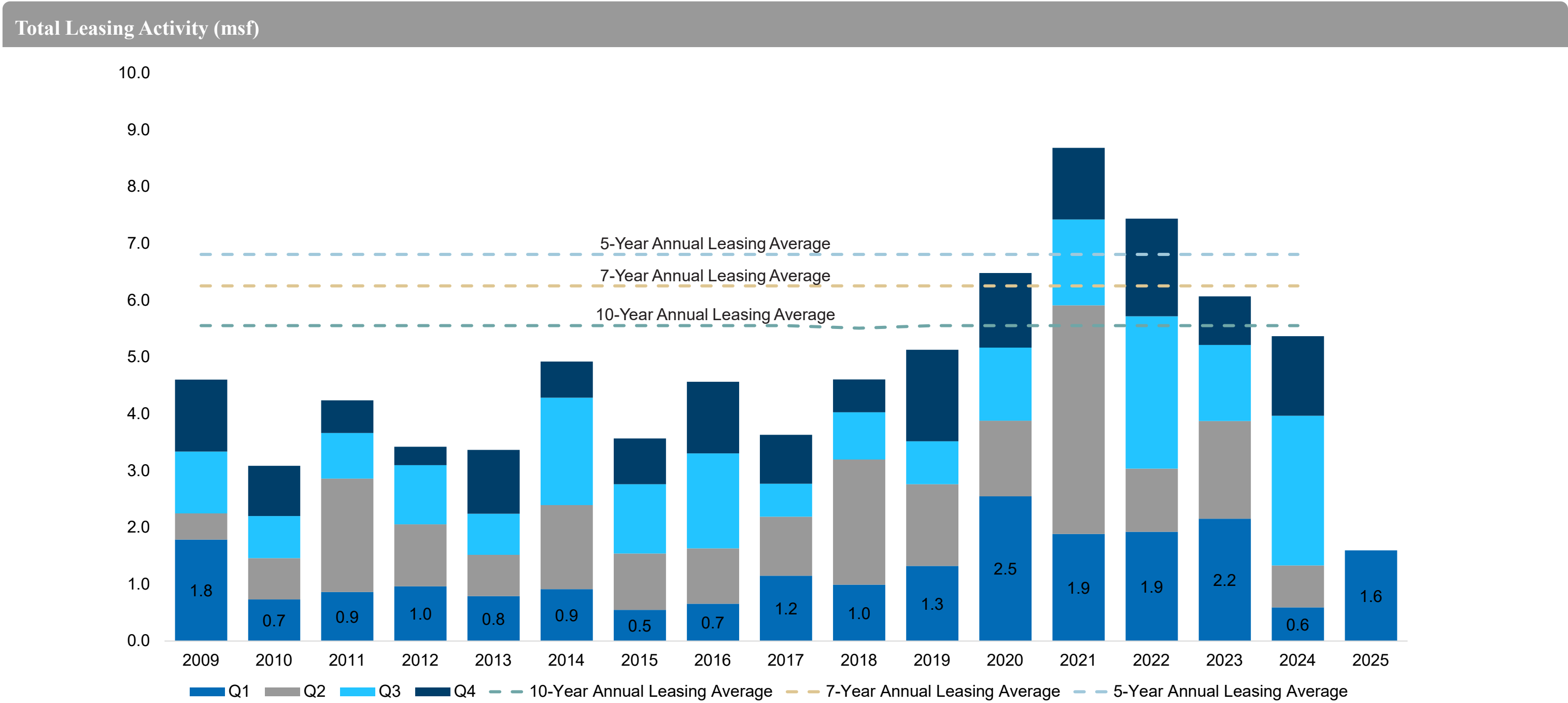
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Industrial Leasing Activity Above Historical Levels to Begin 2025

Leasing activity accelerated during Q1 2025, with the market seeing 1.6 MSF of activity. Despite the market decelerating each year since seeing record-high leasing activity of 8.7 MSF during 2021, the market is still seeing leasing activity in line with the historical ten-year leasing average. When removing the outlier years of 2021-2022, the market averaged 4.5 MSF of annual leasing activity, further highlighting the currently elevated levels of leasing activity.

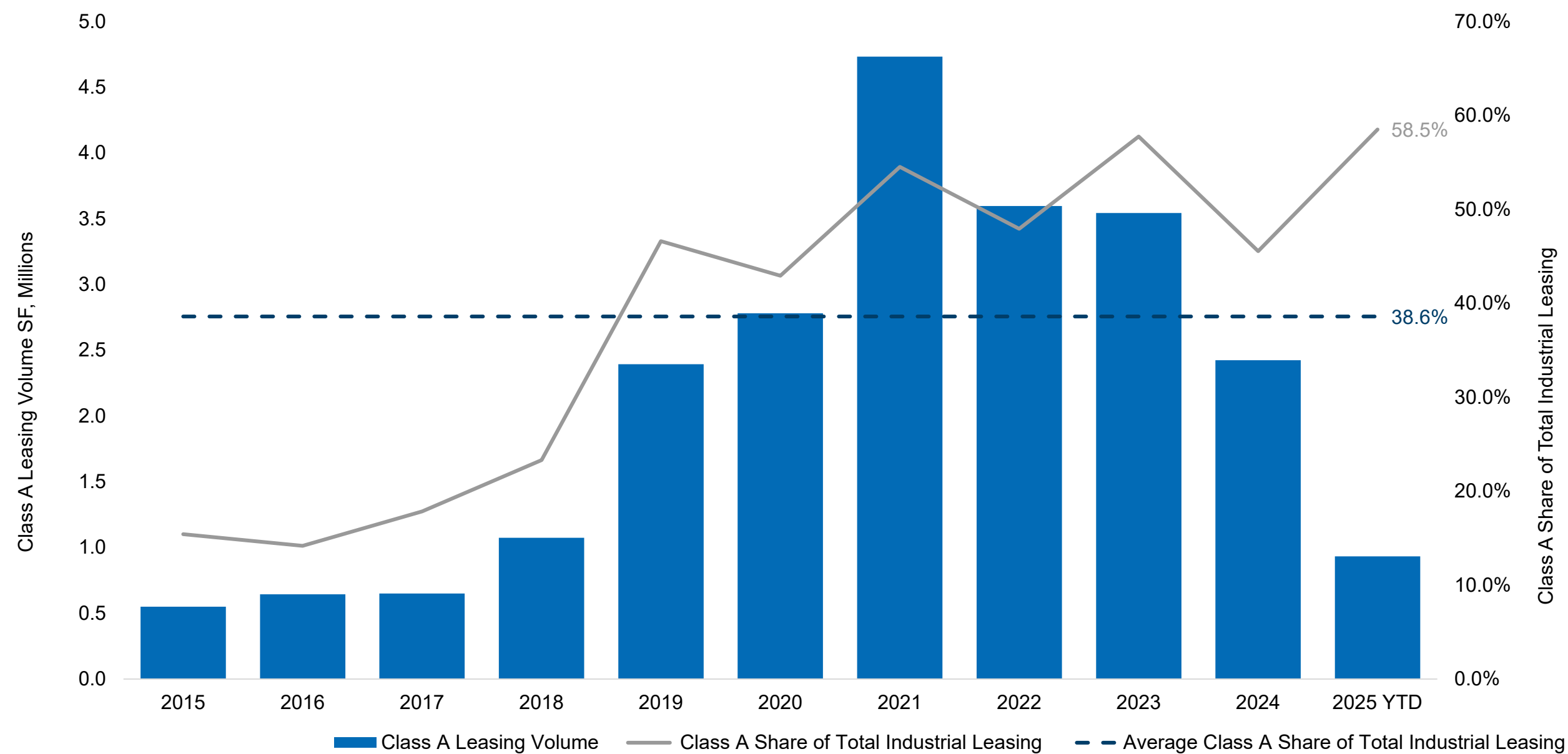


Source: Newmark Research, CoStar

Class A Industrial Leasing Remains Elevated

Class A product has seen historically high levels of leasing activity during the past few years with a peak of leasing volume in 2021. Since 2021 the market has seen elevated levels of Class A leasing activity, albeit at decelerating volumes. During Q1 2025, the Richmond market saw over 900,000 SF of Class A leasing volume. This was 58.5% of overall leasing activity during the period, much higher than the decade average of 38.6%, highlighting continued interest in quality Class A space by occupiers.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

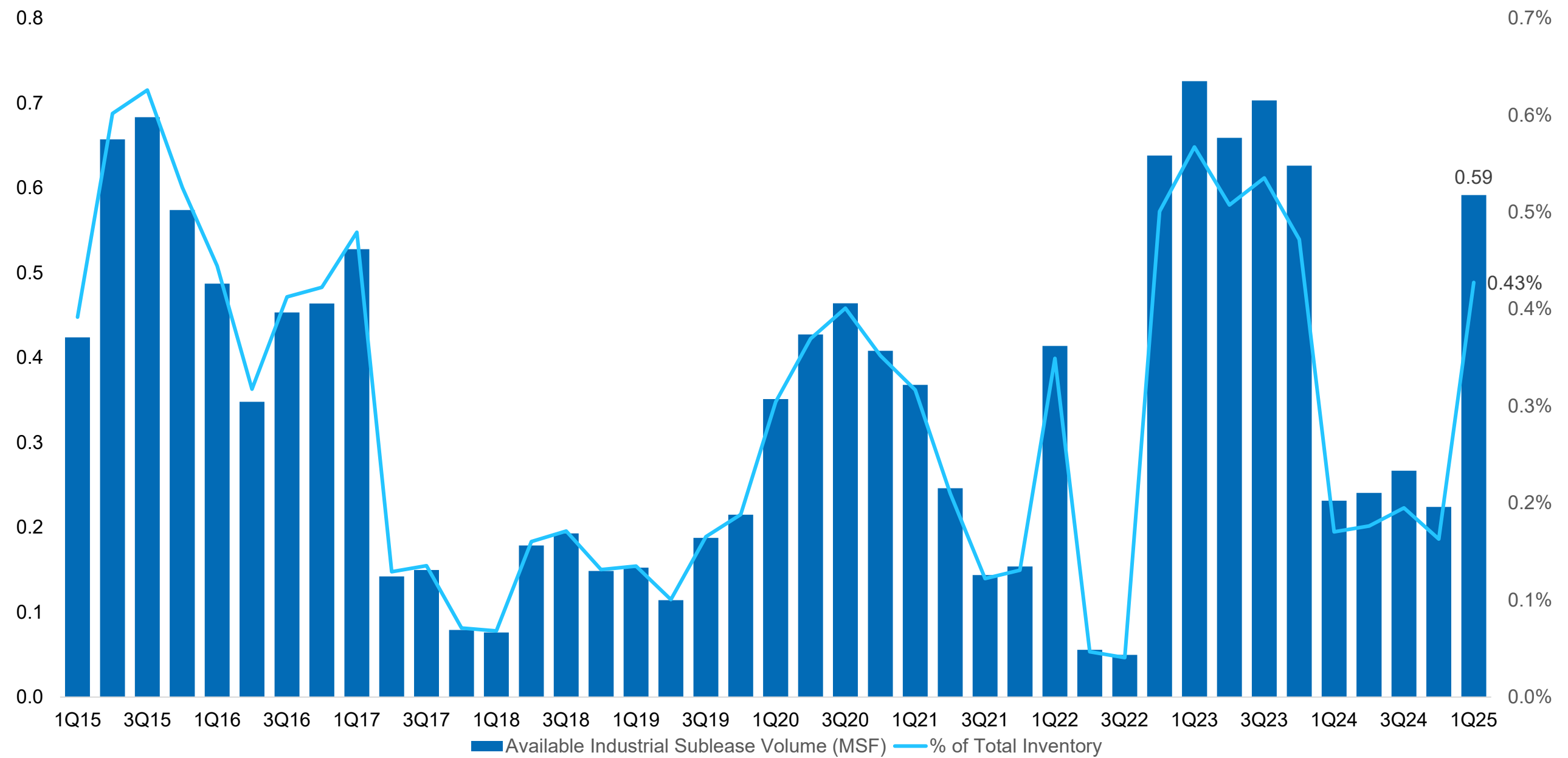


Source: Newmark Research, CoStar

Market Sees An Uptick of Sublease Available Space to Begin 2025

The market ended Q1 2025 with 590,000 SF of sublease space available, which is higher than the historical average of 350,000 SF of available sublease space. The increase in sublease space during the quarter is largely due to over 290,000 SF of sublet space becoming available at CrossPointe Logistics Center after Triple Diamond Glass vacated their space. Regardless, only 0.4% of the market’s total inventory is currently listed as available sublease space, highlighting the market’s current tightness.

Available Industrial Sublease Volume (MSF) and % of Total Inventory



Source: Newmark Research, CoStar

Construction Supply Remains Elevated

Industrial development has exploded in the Richmond region during recent years, ending Q1 2025 with 16 properties under construction totaling over 5.7 MSF. After the market averaged 1.5 MSF under construction from 2014 to 2020, development began accelerating in 2021 and reached a peak of 12.6 MSF under construction in Q2 2022. Since then, the market has maintained an elevated level of construction much higher than historical averages.

Industrial Under Construction and % of Inventory

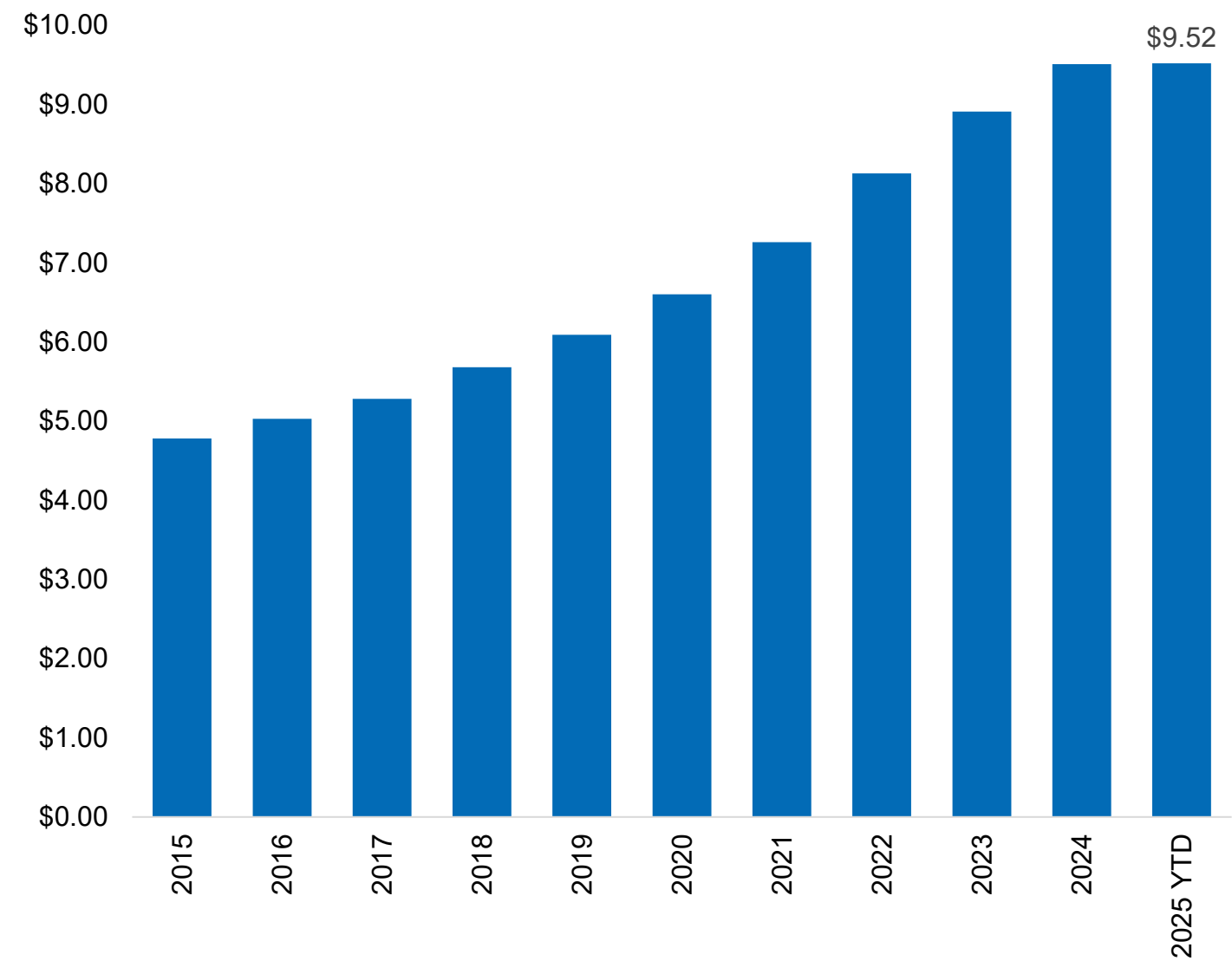


Source: Newmark Research, CoStar

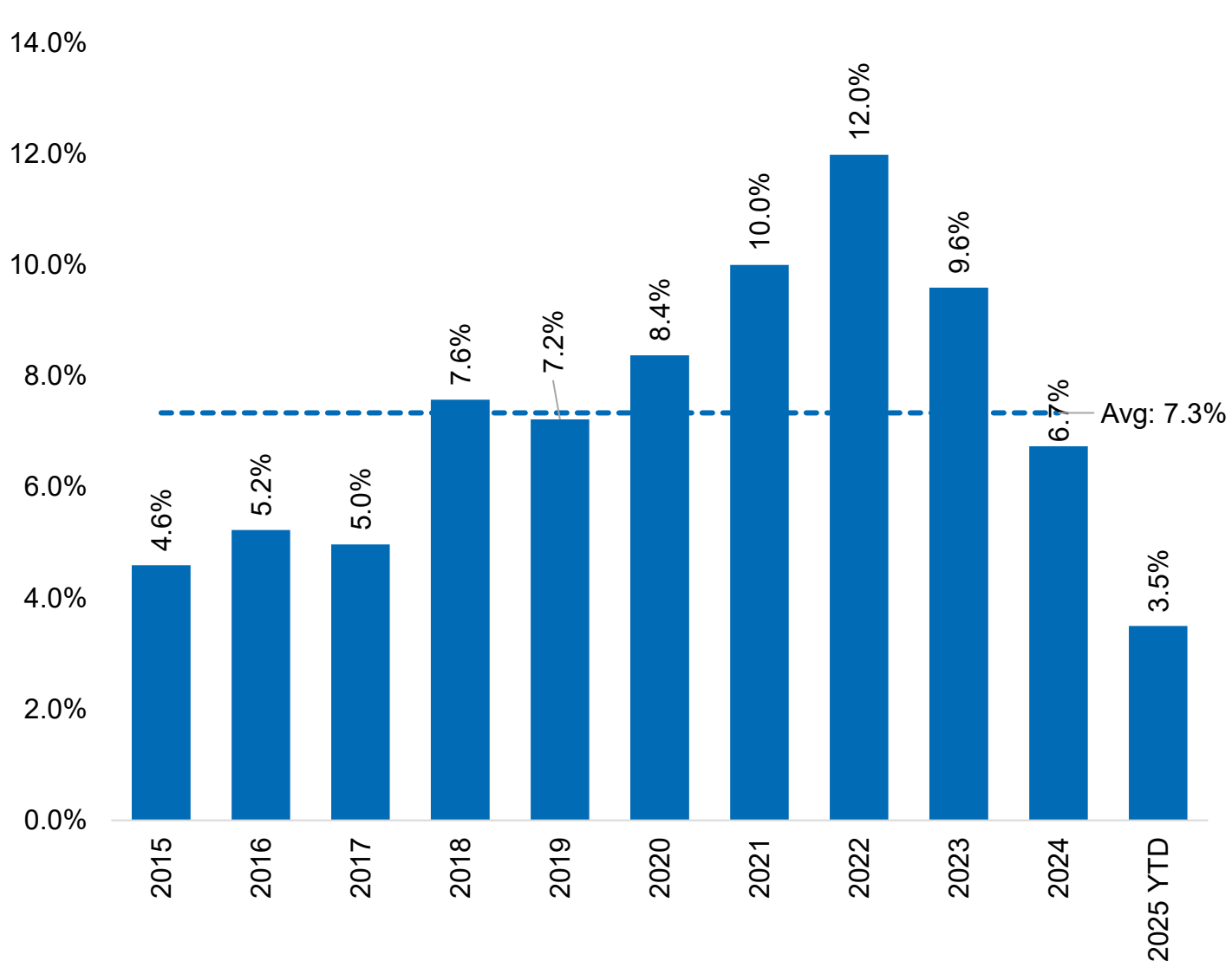
Asking Rents Remain at Healthy Levels

Average asking rents ended Q1 2025 at \$9.52 PSF, an increase of 3.5% year-over-year. Although rent growth has decelerated since 2022, when the market experienced 12.0% rent growth, the market is still seeing healthy rent growth. Overall, the market has seen an impressive 56.3% increase in rents since the beginning of 2020.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable Lease Transactions

New leases were the theme of leasing activity during Q1 2025, as the five largest leases signed during the quarter were new deals. The largest deal of the quarter was Hill Phoenix signing for over 500,000 SF at 16401 Walthall Industrial Parkway, with occupancy in April. 16401 Walthall Industrial Parkway, also known as Gateway 95, is a brand-new development, having delivered in December. These new deals provide optimism that the market will continue seeing positive absorption in the short term as new tenants enter the market and current tenants expand in the market.

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
Hill Phoenix	16401 Walthall Industrial Parkway	I-95 S / I-295 S / Rt 10	New Lease	505,068
Amazon	1701 Bermuda Hundred Road	I-95 S / I-295 S / Rt 10	New Lease	187,980
Chewning + Wilmer	13721 Route 1	I-95 S / I-295 S / Rt 10	New Lease	100,000
MC Dean	11093 Washington Highway	I-95 N / Ashland	New Lease	100,000
Cameron Ashley Building Products	12015 N Lakeridge Parkway	I-95 N / Ashland	New Lease	53,680

Source: Newmark Research, CoStar

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Market Statistics





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