

1Q25

Richmond Office Market Overview

NEWMARK

Market Observations

Economy

- The region's labor market remained historically strong amid shifting macroeconomic conditions. The unemployment rate ended February at 3.1%, significantly lower than the national average of 4.1%.
- Richmond maintains a diversified economy, with its top four industries each containing between 15-18% of all employees leading to an overall total of 66% of the regional workforce. Trade/Transportation/Utilities leads the way in the region, encompassing 18% of the regional workforce. It is followed closely by Business and Professional Services Education/Health, and Government, containing 17%, 16%, and 15% of the regional workforce, respectively.
- Three out of five office-related industries saw 12-month employment growth, including the Education & Health, Government, and Financial Activities sectors. The Business & Professional and Information sectors were the only industries to experience employment losses. The Richmond market was #3 in job growth nationally from 2023-2024, highlighting the recent strong performance of the market.

Sales Activity

- The largest transaction of the quarter was the sale of 801 East Main Street, a 253,547-square-foot office building in the CBD. Vakos Companies sold the building to RPC Realty Capital LLC for \$22 million, or \$86.77. The overall deal included an adjacent parking lot and parking garage, selling for a total of \$26.15 million. The eighteen-story office building has been vacant for approximately one year, and the buyer plans to convert the building into a 302-unit apartment building with 8,500 SF of retail space.

Leasing Market Fundamentals

- The Richmond office market experienced 64,000 square feet of negative net absorption during Q1 2025 and ended the quarter at a 15.0% vacancy rate, an increase of 60 bps quarter-over-quarter. The Northwest and Downtown regions were the drivers of the market's negative net absorption, experiencing 115,000 SF and 65,000 SF of negative net absorption, respectively. Overall, however, the Richmond market continues to perform impressively relative to other major markets.
- Rents remained stable to begin 2025, ending the first quarter at \$22.62 PSF, flat quarter-over-quarter and an increase of 0.8% year-over-year.
- There was one delivery totaling 150,000 SF during the quarter. This delivery, located at 7053 Celebration Park Avenue, brought 150,000 square feet of fully occupied space to the Southwest region. The development was a build-to-suit for Chesterfield County and Timmons Engineering. There remains one property, totaling 51,000 SF, under construction to end the quarter.

Outlook

- With minimal supply-side pressure, the Richmond market will likely continue to perform better than national occupancy averages despite vacancies likely expanding in the short term as companies determine long-term office strategies.
- Fueled by a diverse economy, strong economic tailwinds, and exceptional job growth, Richmond will likely continue to see stable leasing volumes, evidenced by the market's leasing activity remaining stable during the recent economic downturn. This will be especially prevalent in the suburban markets, specifically the well-performing Northwest region.
- Although rents will likely stay relatively flat throughout the market, with a continued increase in concessions, the lack of supply-side pressure may allow positive rent performance relative to other major office markets.

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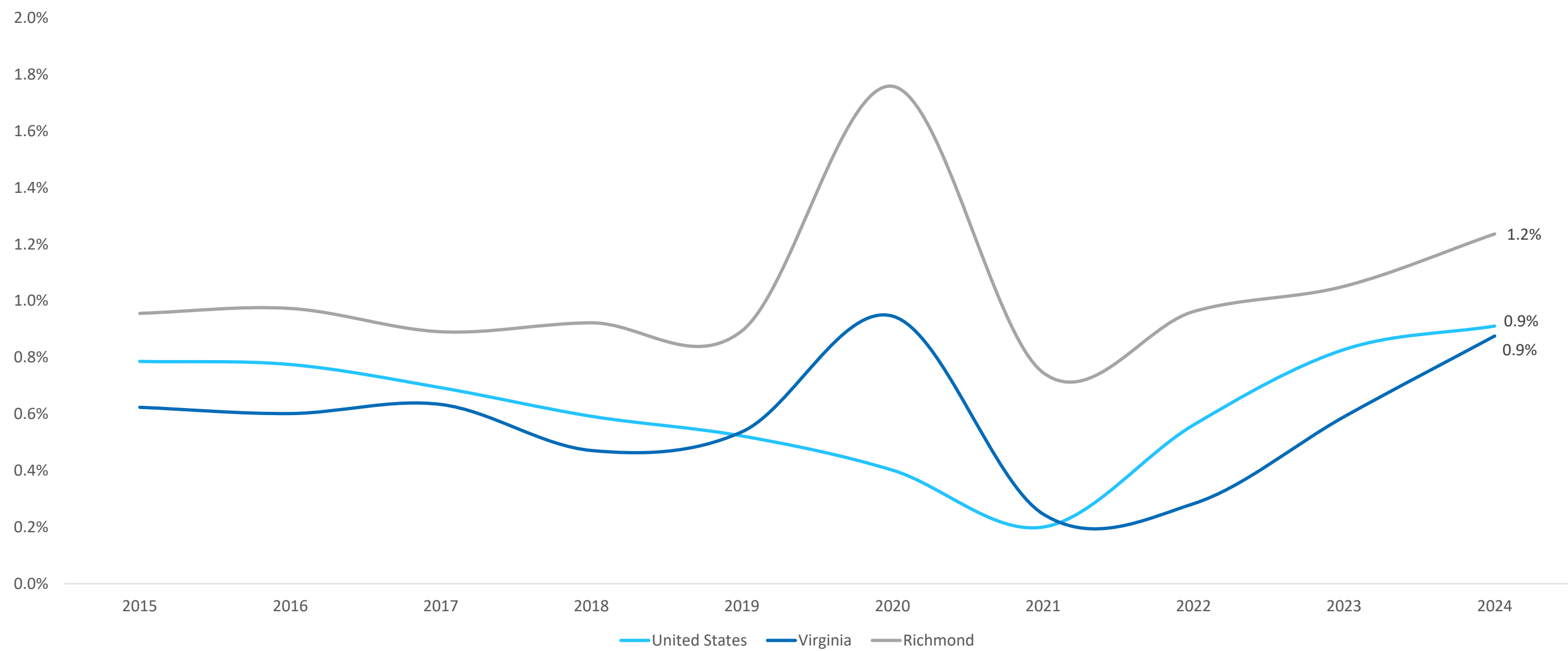
Economy



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

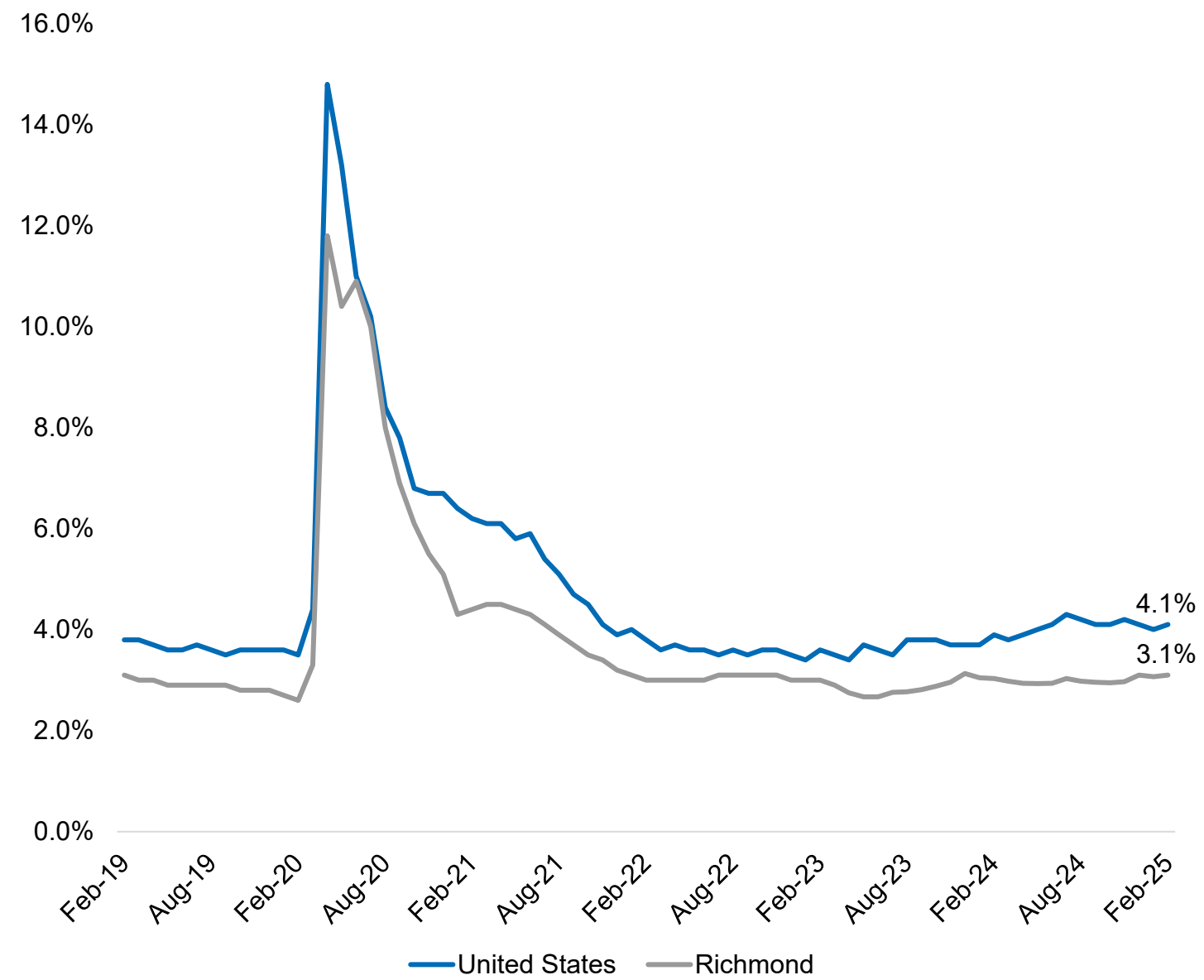


Source: U.S. Census Bureau

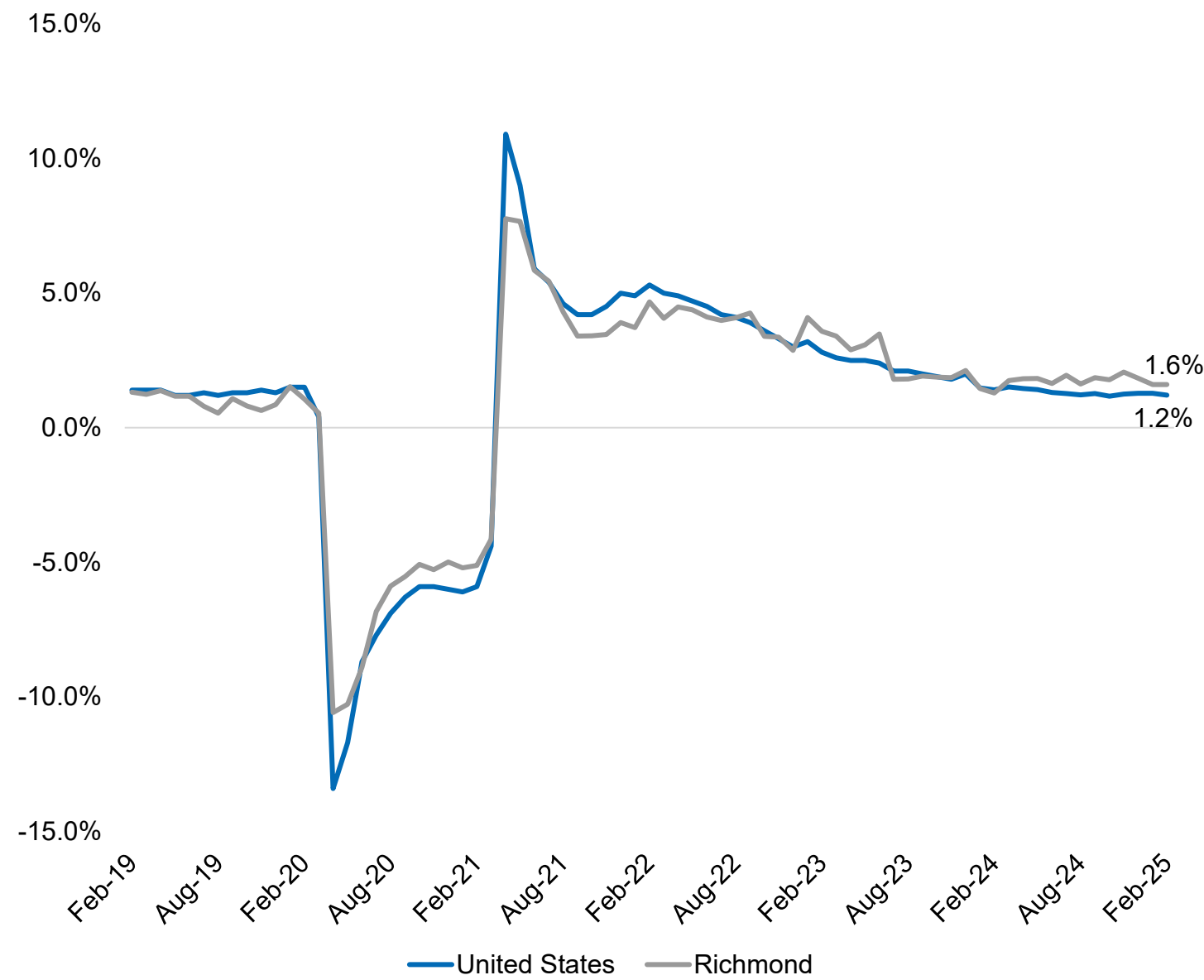
Richmond's Unemployment Rate Outperforms National Average

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.

Unemployment Rate, Seasonally Adjusted



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

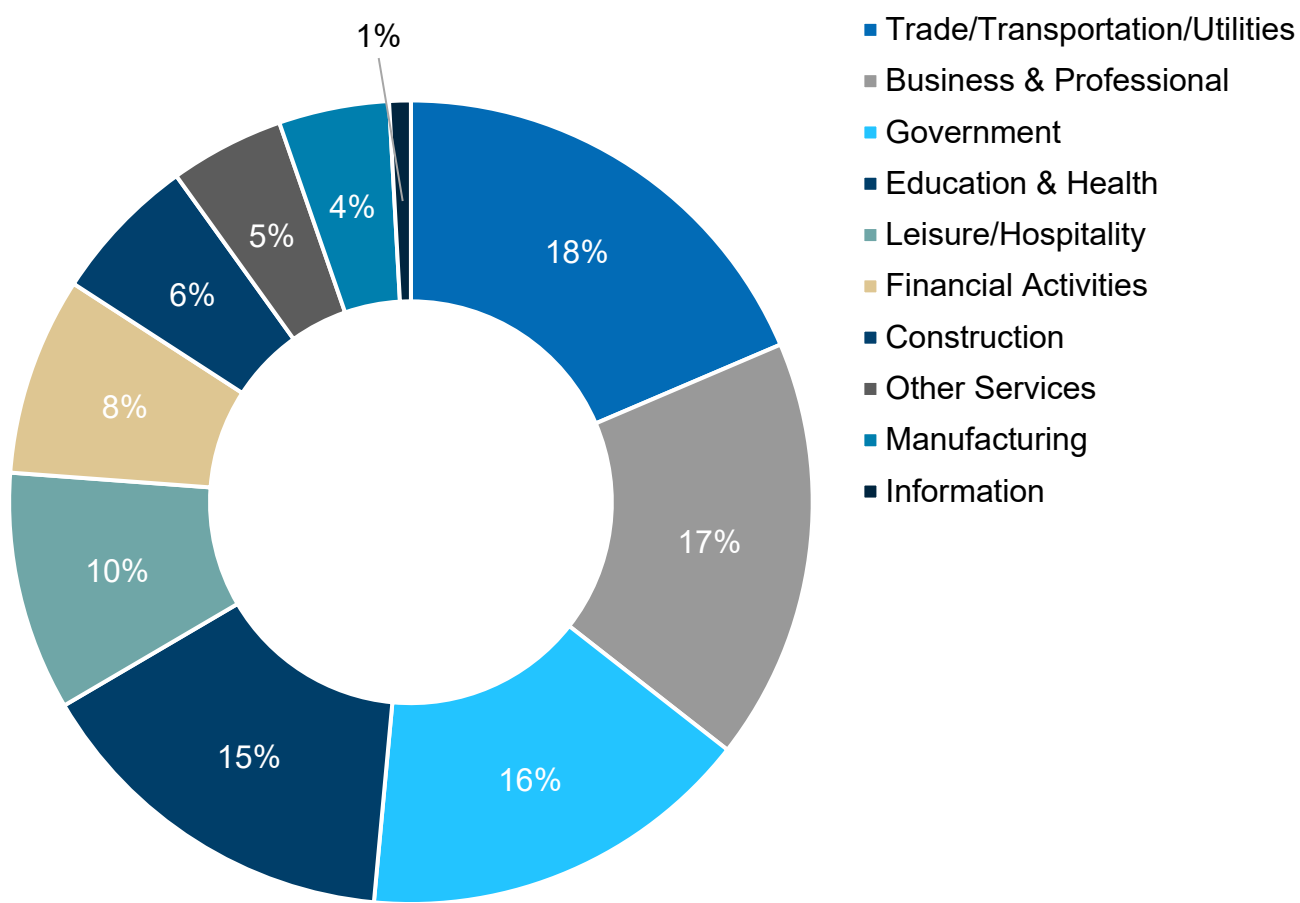


Source: U.S. Bureau of Labor Statistics, Richmond

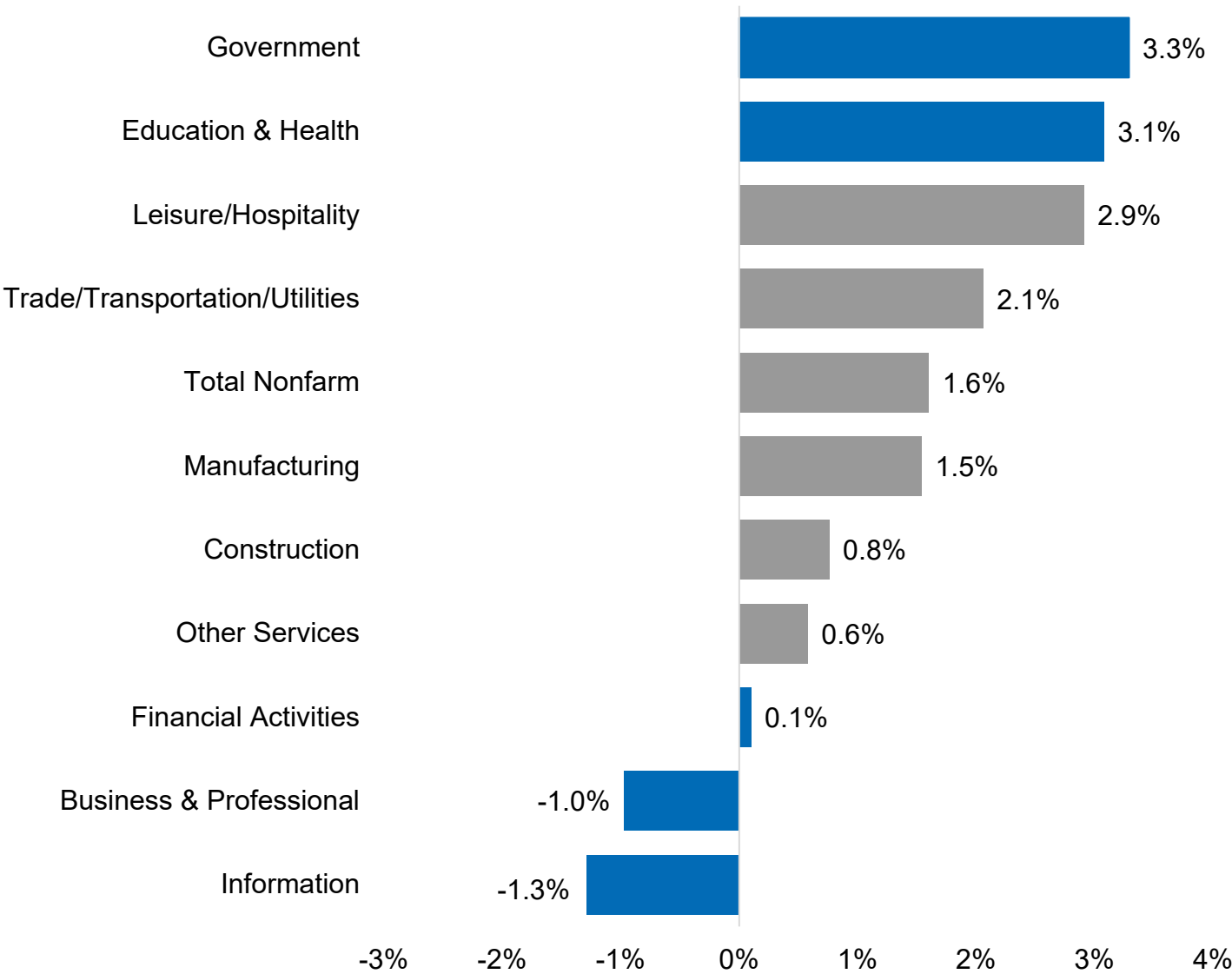
Government and Education & Health See Growth as Leading Regional Industries

Government and Education & Health saw the highest growth over the past 12 months, seeing 3.3% and 3.1% growth, respectively. Conversely, the Business & Professional sector and Information sector saw employment decline, with a 12-month decline of 1.0% and 1.3%, respectively.

Employment by Industry, February 2025



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

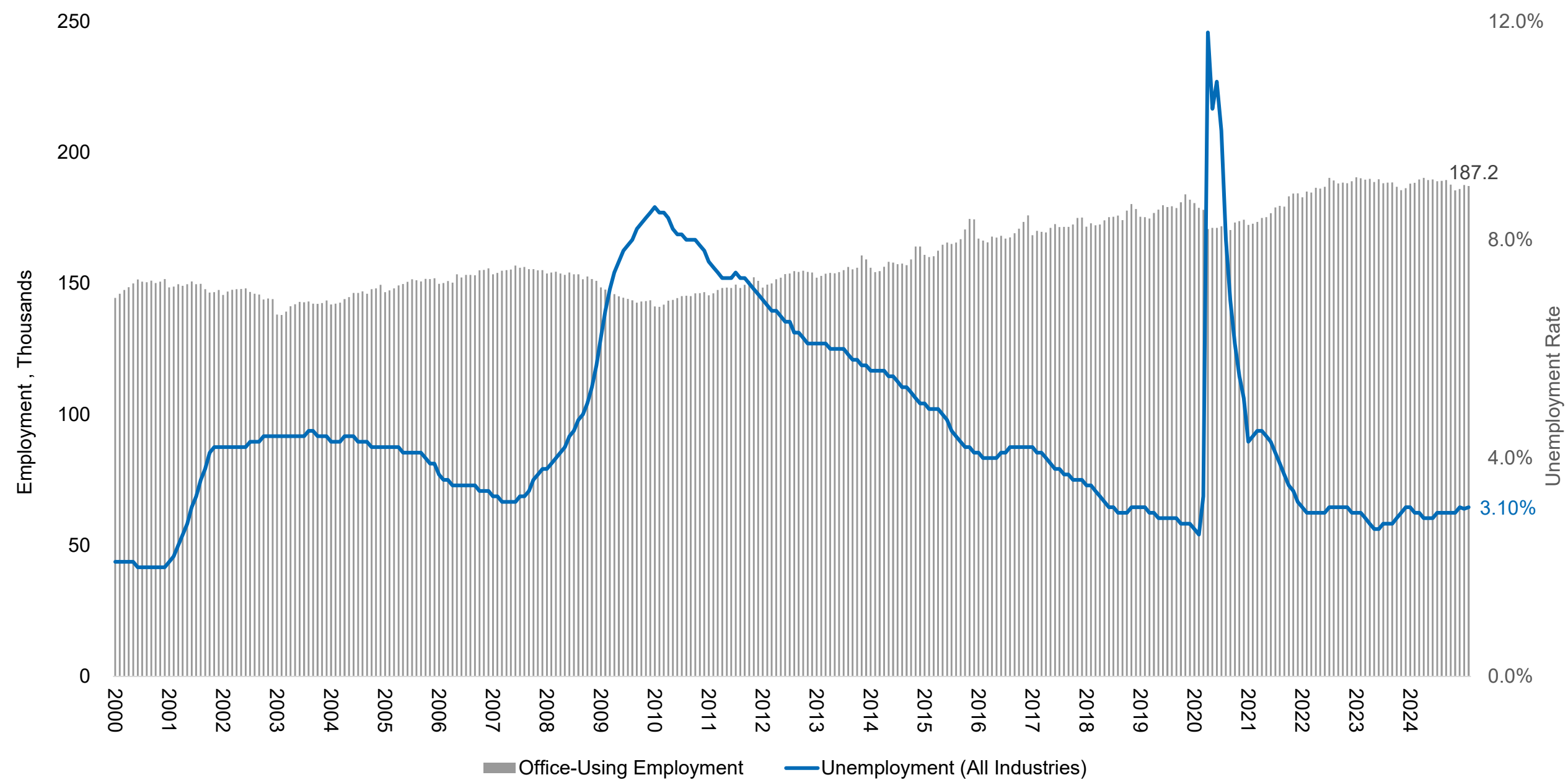


Source: U.S. Bureau of Labor Statistics, Richmond

Overall Office-Using Employment Has Rebounded

The number of office jobs has rebounded and now sits above pre-pandemic levels. Employment ended February 2025 at 187,200 employees, 1.7% higher than the pre-pandemic high in November 2019 and an increase of 9.9% since the market reached a pandemic-related low in September of 2020.

Office-Using Employment* and Unemployment Across All Industries



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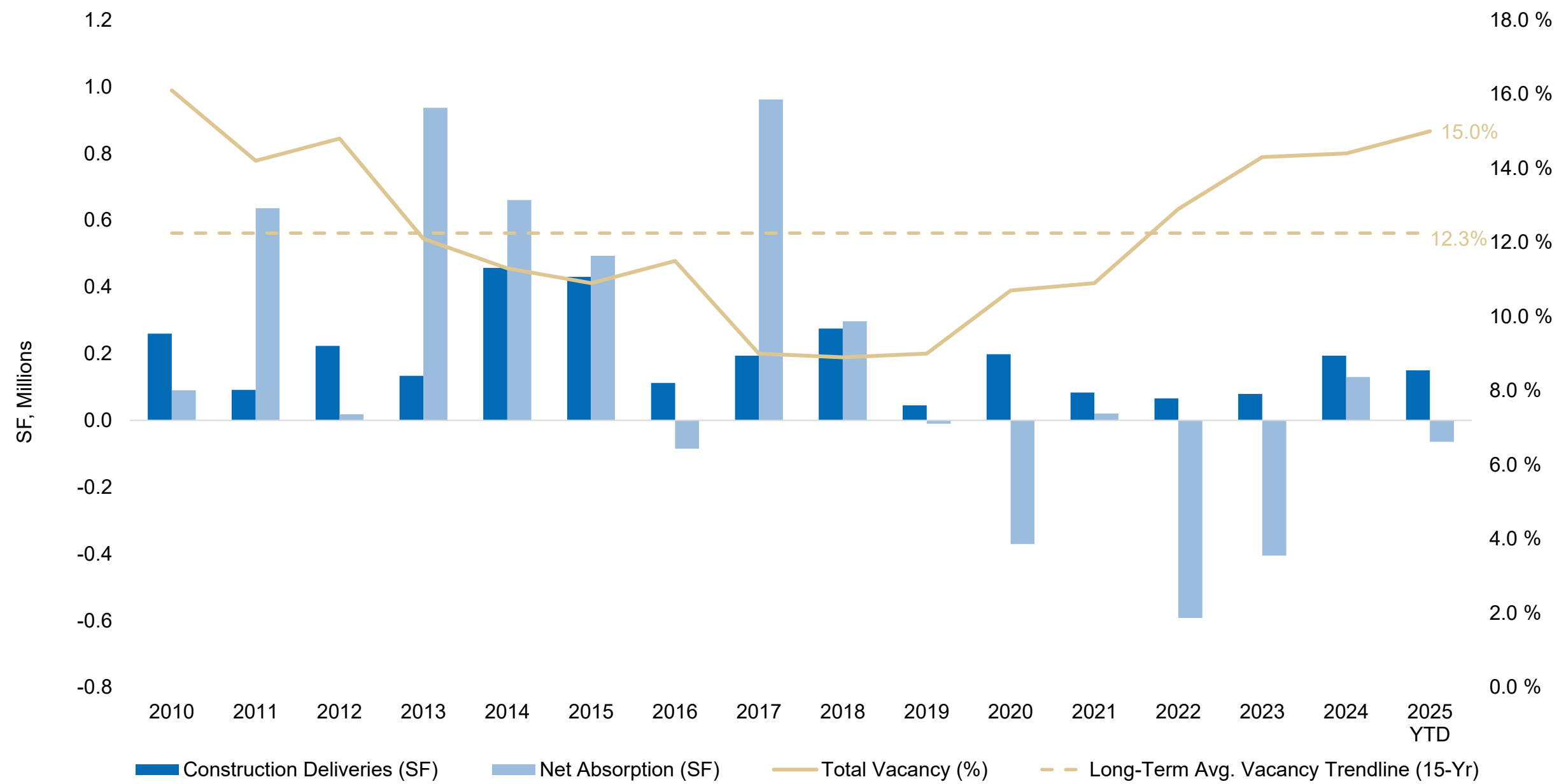
Leasing Market Fundamentals



Richmond Begins 2025 With Stable Fundamentals

The Richmond office market experienced 64,000 SF of negative net absorption during Q1 2025, ending the quarter at a 15.0% vacancy rate, an expansion of 60 bps quarter-over-quarter. Much of this negative net absorption occurred due to over 60,000 SF of space being vacated at Westmark, a 243,000-square-foot, five-story office building located at 11013 W Broad Street in the Innsbrook submarket within the Northwest region. There was one delivery totaling 150,000 SF during the quarter. Although market fundamentals have been softening since the beginning of the pandemic, the Richmond market continues to perform impressively relative to other major markets.

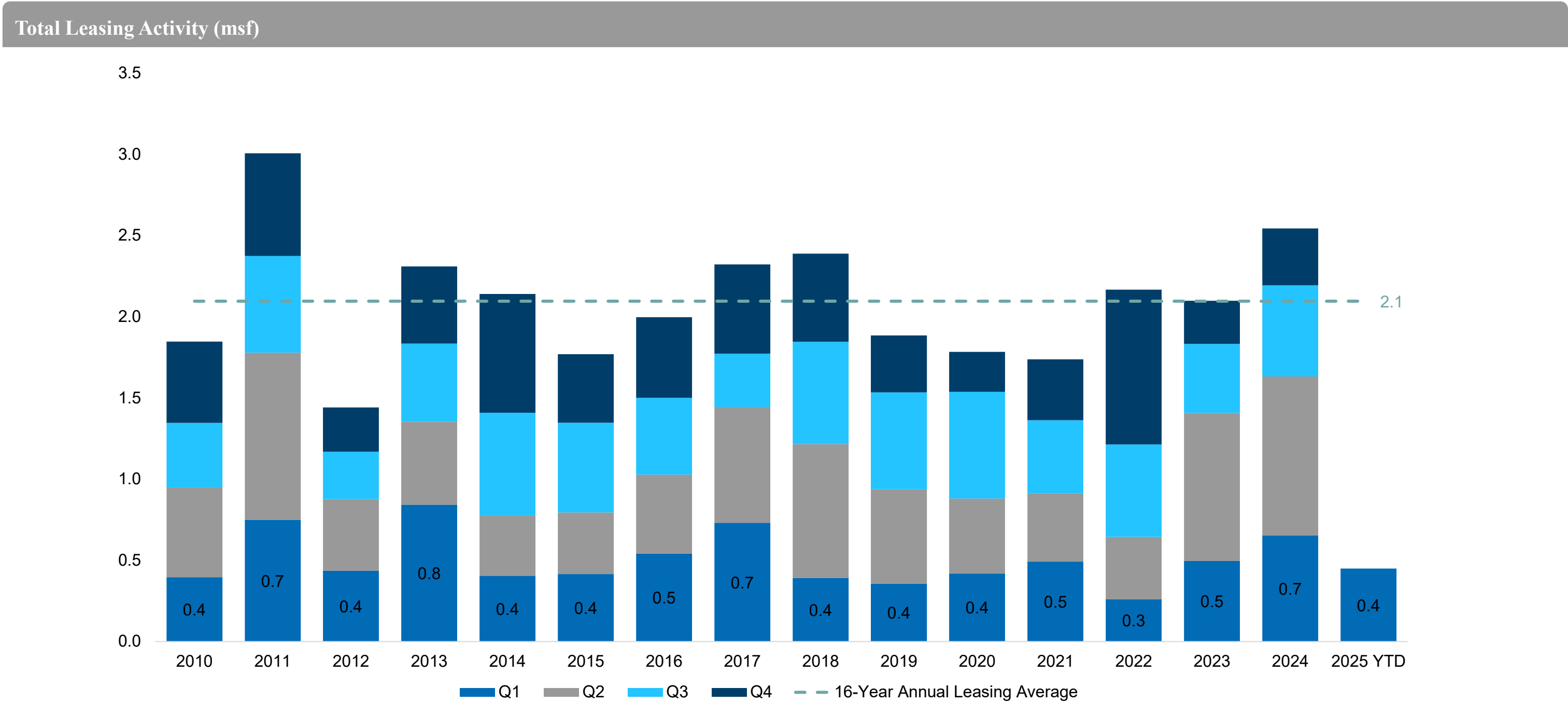
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Leasing Activity Reaches a Decade-High

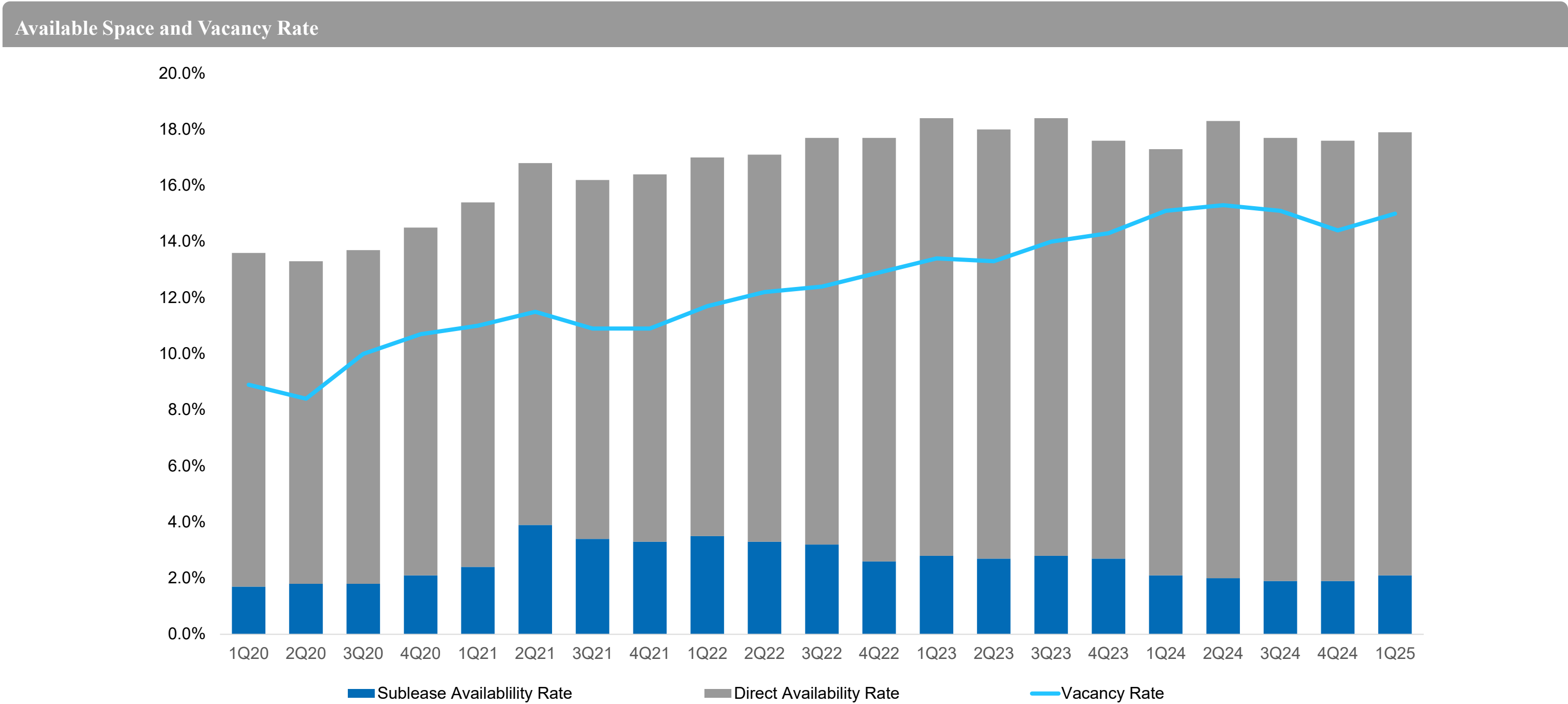
The Richmond market experienced 0.4 MSF of leasing activity during Q1 2025. The market’s leasing activity has been impressively stable during recent years, seeing between 1.7 MSF and 2.2 MSF of leasing activity each year from 2019-2023 before seeing a decade-high of 2.5 MSF of leasing activity in 2024, highlighting the market’s resilience during economic downturns.



Source: Newmark Research, CoStar

Availability and Vacancy Expand Slightly During Q1 2025

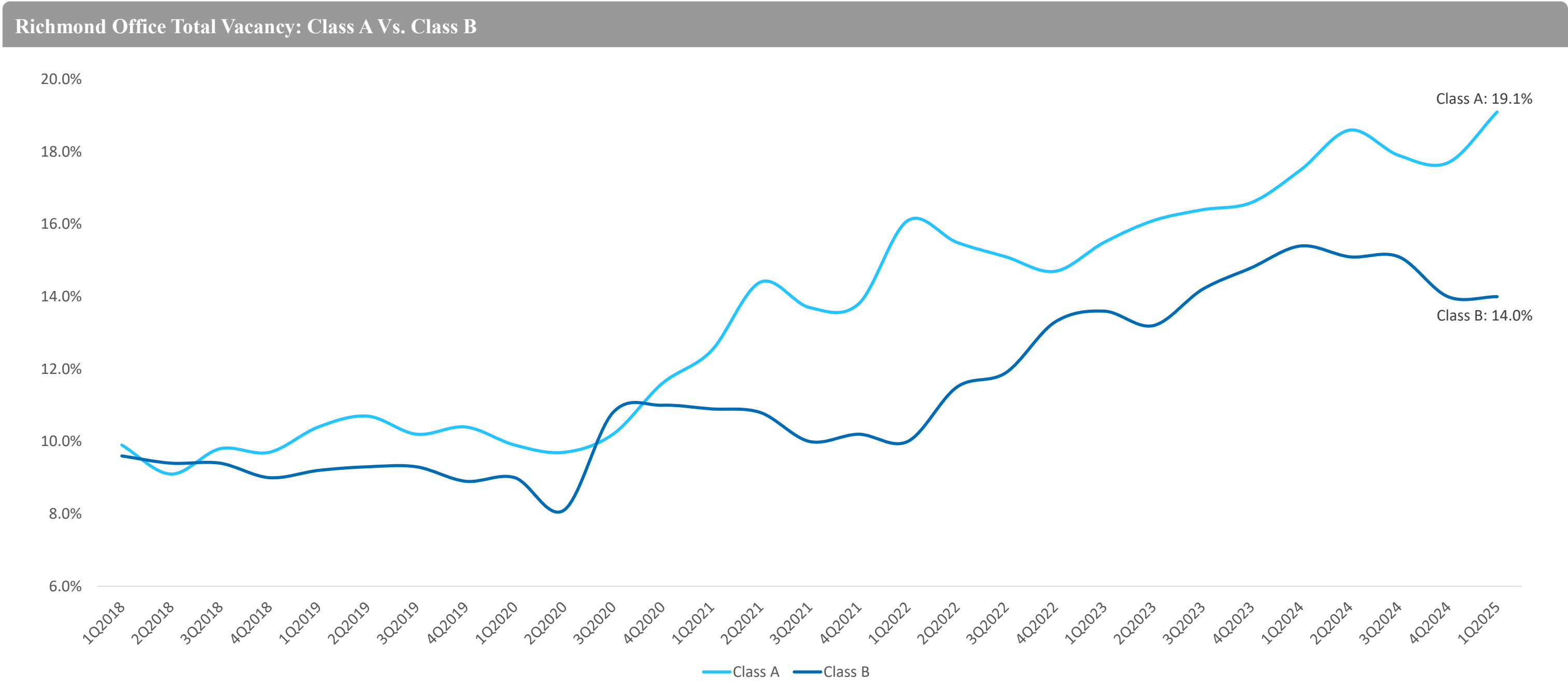
Availability ended Q1 2025 at 17.9%, expanding 30 bps quarter-over-quarter and 60 bps year-over-year. Direct available space ended Q1 2025 at 15.8%, expanding 10 bps quarter-over-quarter, while sublease available space expanded 20 bps quarter-over-quarter, ending Q1 2025 at 2.1%. After sublease available space saw a peak of 3.9% in Q2 2021, the sublease available market has been consistently tightening. Vacancy ended Q1 2025 at 15.0%, expanding 60 bps quarter-over-quarter while tightening 10 bps year-over-year.



Source: Newmark Research, CoStar

Richmond Market Seeing Relatively Tight Vacancies in Class A and Class B Product

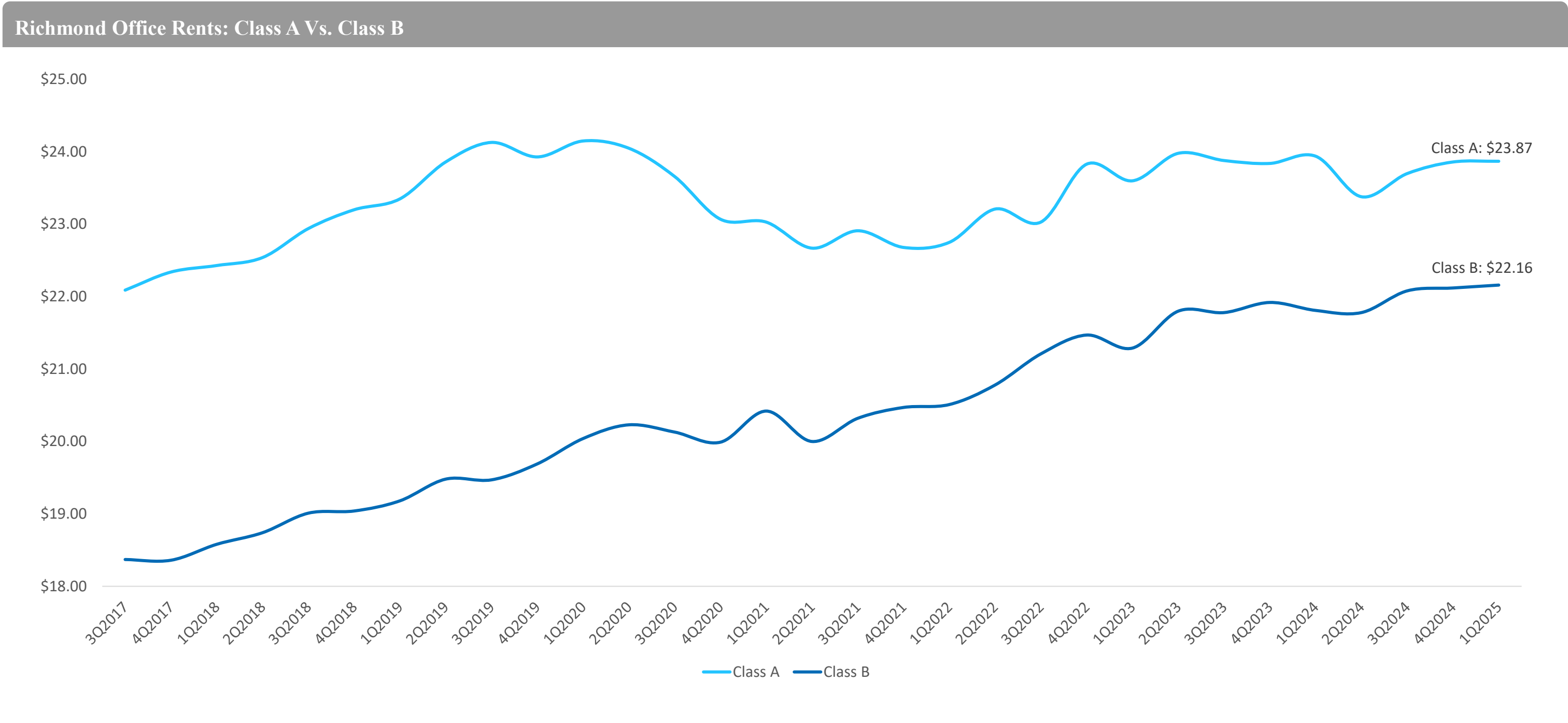
The Richmond market ended Q1 2025 with Class A product seeing 19.1% vacancies and Class B product seeing 14.0% vacancies. Class A product saw quarter-over-quarter expansion of 140 bps while Class B product was flat. This expansion in the Class A vacancy was largely due to over 60,000 SF being vacated at 11013 W Broad Street within the Northwest region. Regardless, Richmond is performing extremely well relative to other major office markets, many of which are seeing vacancies above 20%.



Source: Newmark Research, CoStar

Rents Have Stabilized in the Richmond Market

The Richmond market has seen rents stabilize over the past couple years. This stabilization is especially notable in Class A product, which was most affected by the pandemic, with rents dropping 6.1% from the beginning of 2020 to the middle of 2021. Since that initial pandemic-related dip, Class A rents have increased 5.3% and are now in-line with pre-covid numbers. Class B rents have performed even better, ending Q1 2025 10.8% higher than the pandemic-related dip, and 12.5% higher than pre-covid numbers.

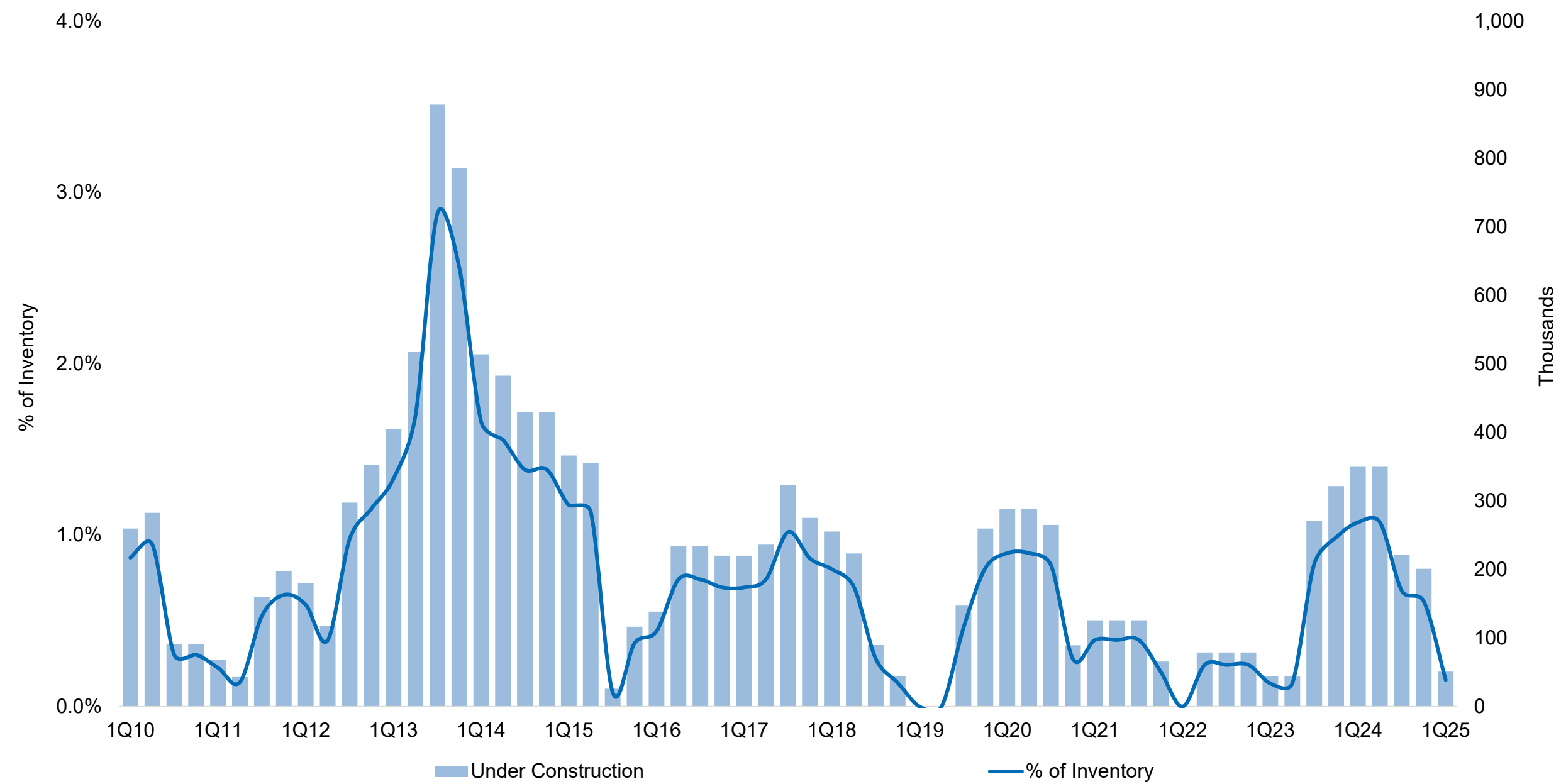


Source: Newmark Research, CoStar

Construction Remains Below Historic Average

There is one property totaling 51,000 square feet currently under construction, much lower than the market’s decade average of 176,000 square feet under construction. The development will be a medical office building owned by Bon Secours and will bring 51,000 square feet of multi-tenant space to the West End submarket with an expected delivery of Q2 2025.

Office Under Construction and % of Inventory



Source: Newmark Research, CoStar

Leasing Activity Driven by New Deals and Innsbrook

New deals drove the leasing market in Q1 2025, evidenced by the top five transactions all being new deals. Furthermore, the Innsbrook submarket, located in the Northwest region of Richmond, continued as one of the most active submarkets, containing the largest lease transaction of the quarter, with the Commonwealth of Virginia signing for 45,000 SF at 5620 Cox Road.

Notable Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Commonwealth of Virginia	5620 Cox Road	Innsbrook	New Lease	45,000
CoStar Group	951 E Byrd Street	CBD	New Lease	28,504
Alere eScreen	9201 Arboretum Parkway	Midlothian Corridor	New Lease	25,679
Laboratory Management Services LLC	9211 Arboretum Parkway	Midlothian Corridor	New Lease	15,180
Branch Builds	4880 Cox Road	Innsbrook	New Lease	9,515

Source: Newmark Research, CoStar

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Market Statistics





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