NEWMARK

Richmond Office Market Overview

1Q26

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U.S. Market Observations

Economy

- The region's labor market remained historically strong amid shifting macroeconomic conditions. The unemployment rate ended December of 2025 at 3.6%, significantly lower than the national average of 4.4%.
- 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 66.0% of the regional workforce. Trade/Transportation/Utilities leads the way in the region, encompassing 18.0% of the regional workforce. It is followed closely by Business and Professional Services, Education/Health, and Government, containing 17.0%, 16.0%, and 15.0% of the regional workforce, respectively.
- The Richmond market saw 12-month job growth in the Education & Health, Financial Activities, and Business & Professional sectors. Conversely, the Information and Government sectors saw 12-month job declines.

Leasing Market Fundamentals

- The Richmond office market experienced 89,000 SF of negative net absorption during the first quarter of 2026, ending the quarter with a 12.8% vacancy rate, an expansion of 30 basis points quarter-over-quarter, however a tightening of 40 basis points year-over-year. This negative net absorption was concentrated in low-quality product, as Class C product saw 108,000 SF of negative net absorption. Class B product counteracted this with 27,000 SF of positive net absorption, while Class A product remained relatively flat during the quarter.
- Rents saw positive movement to begin 2026, ending the first quarter at $23.52/SF, an increase of 1.6% quarter-over-quarter and 2.9% year-over-year.
- Development remains muted, as there were no deliveries during the first quarter of 2026. There remain three properties, totaling 122,750 SF, under construction in the market.

Major Transactions

- The largest transaction of the quarter was the sale of the Cox Road Portfolio, a collection of three office buildings totaling 300,364 SF. Onward Investors sold the portfolio Easterly Government Properties in January for $44.5 million, or $148.15/SF. The Class A office portfolio, located within the Innsbrook submarket of the Northwest region, was fully leased at the time of sale and anchored by the Commonwealth of Virginia.
- A second notable deal during the quarter was the sale of the Stony Point Portfolio, a 357,251-square-foot, three-building portfolio in the Stony Point / Huguenot submarket of the Southwest region. Highwoods Properties sold the portfolio to OA Development in February for $42.3 million, or $118.33/SF. The portfolio was 92.0% occupied at the time of the sale with a weighted-average lease term (WALT) of 3.5 years. This was the buyer's first acquisition in the Richmond market. The buyer had been interested in entering the Richmond market for some time, due to Richmond's strong fundamentals, and decided to purchase this portfolio due to its best-in-class quality.

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, a low cost of business, 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 rent growth will likely stay tame throughout the market in the short term, 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

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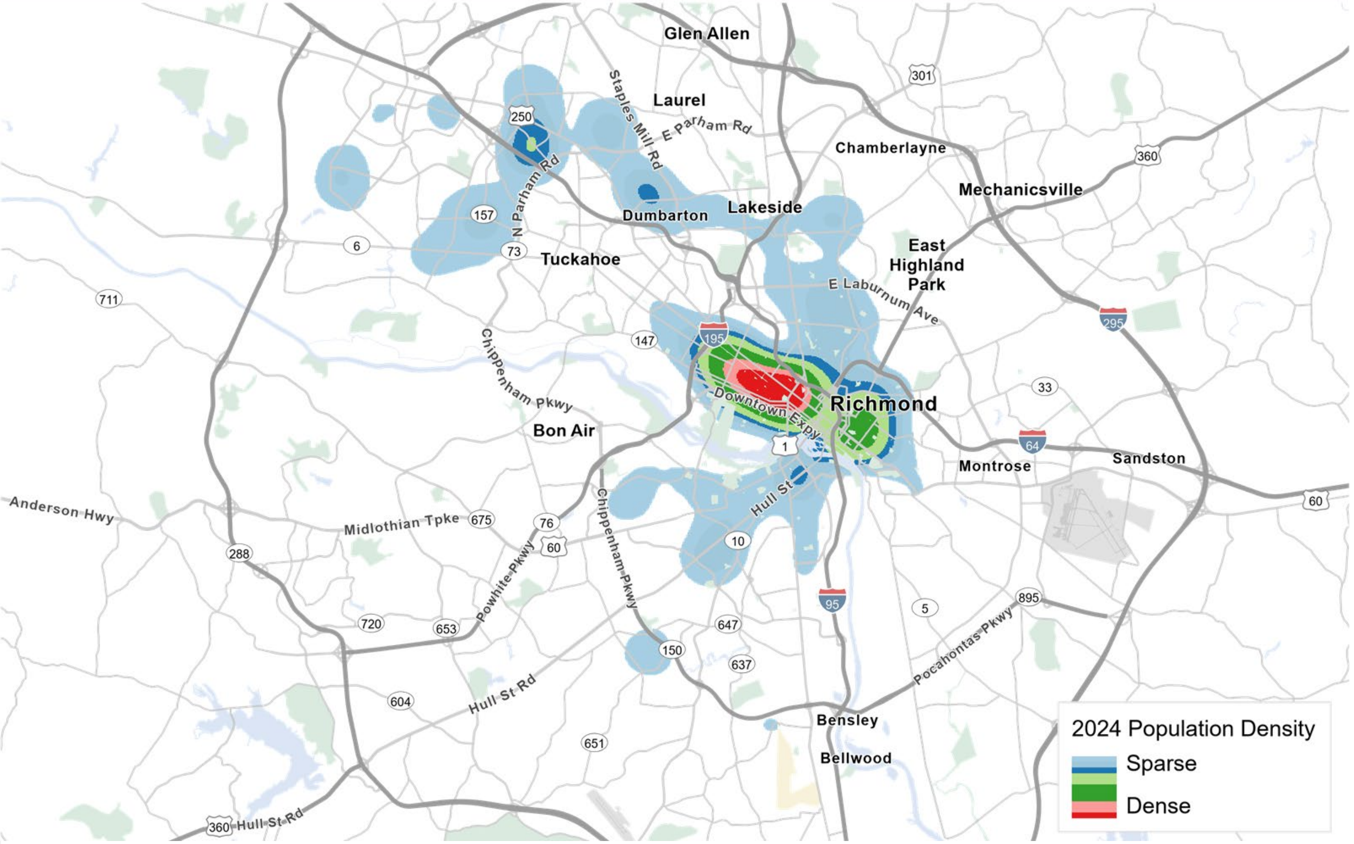
Richmond Continues to See Elevated Population Growth

The Richmond metropolitan area is the 44th largest in the nation with a population of roughly 1.4 million people. From 2019 to 2024, the Richmond metro added approximately 57,707 residents, reflecting a growth rate of 4.4%, much higher than the national rate of 3.0%. Looking forward, the region is expected to add 42,095 residents from 2025 to 2030, a projected growth rate of 3.1%.

Population (2024)



#44
Largest U.S. Metro by Population (2024)
Source: U.S. Census Bureau

1.4 M
Total Population (2024)
Source: Moody's Analytics

39.6
Median Age
Source: ESRI

3.1%
Projected Population Growth 2025-2030
Source: ESRI

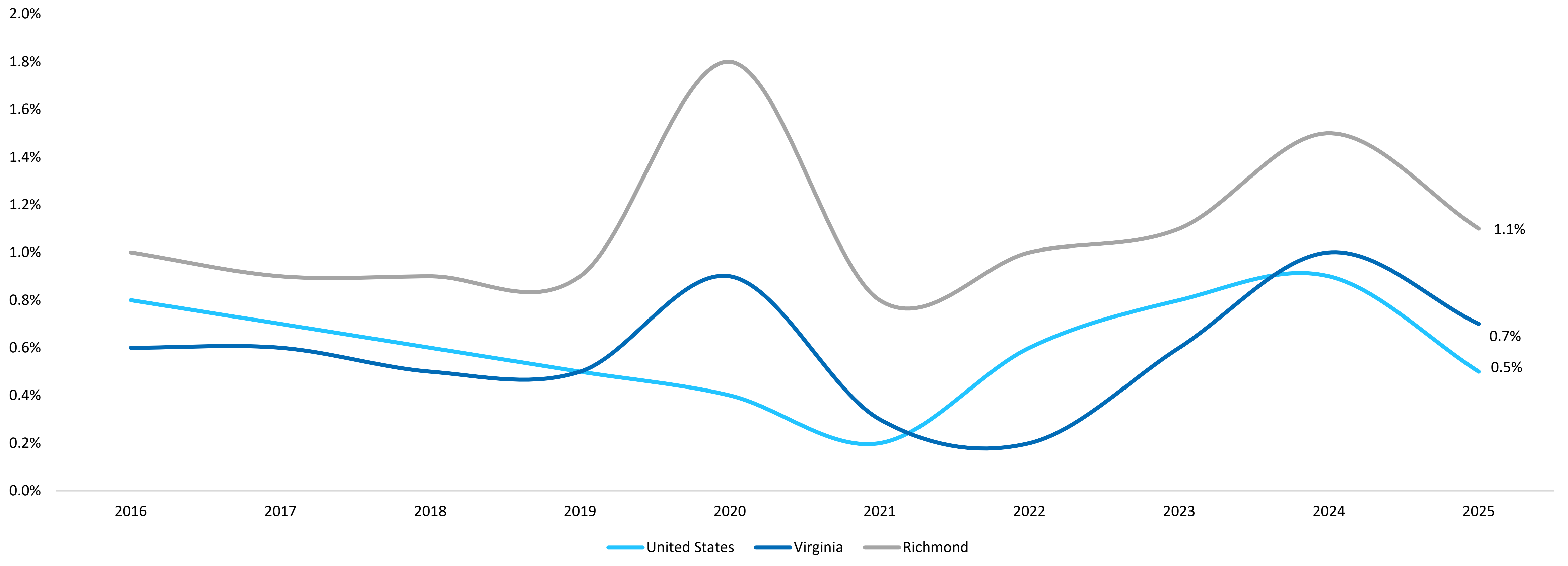
$88,190
Median Household Income
Source: ESRI

Source: Newmark Research, Moody's Analytics

Richmond Leads the Way as the Fastest-Growing Large Metro in Virginia

The Richmond Metro continues to experience elevated population growth, with the resident population growing 1.1% in 2025. Richmond's population has grown at an elevated rate relative to Virginia and the United States, seeing 0.7% and 0.5% of population growth in 2025, respectively. 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

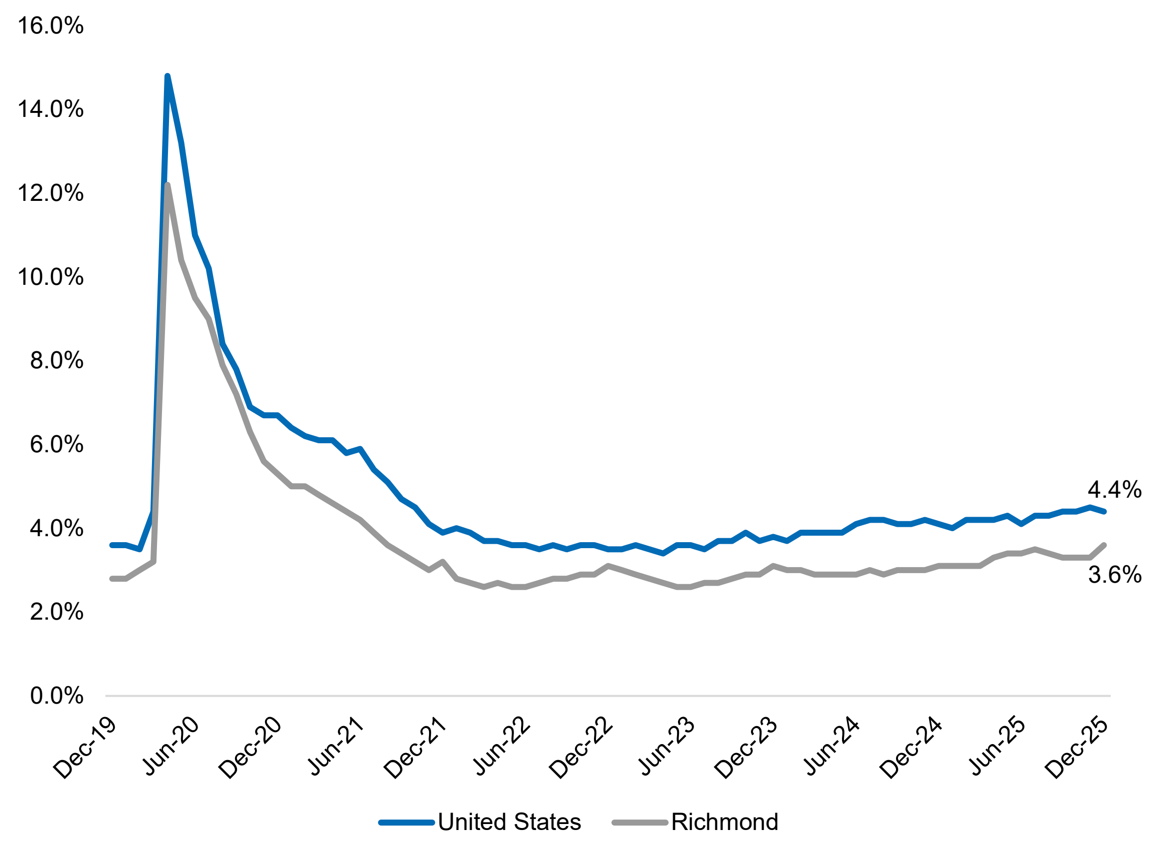


Source: Newmark Research, Moody's Analytics

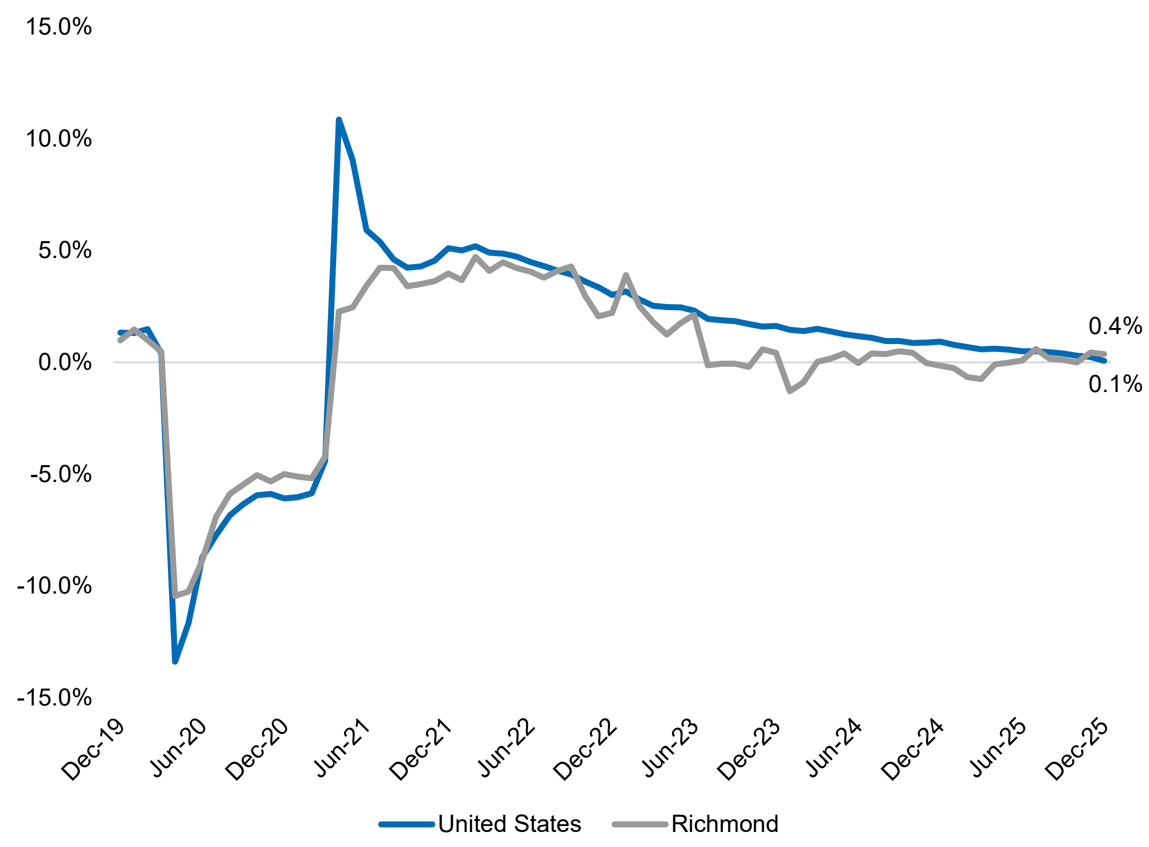
Richmond Outperforms National Averages

Richmond's unemployment rate continues to outperform the national average, measuring 3.6% as of December of 2025. This is 50 basis points higher year-over-year but 80 basis points lower than the national average. Richmond is also seeing an increase in nonfarm payroll employment, with a 12-month increase of 0.4%, four times the national average of 0.1%.

Unemployment Rate, Seasonally Adjusted



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

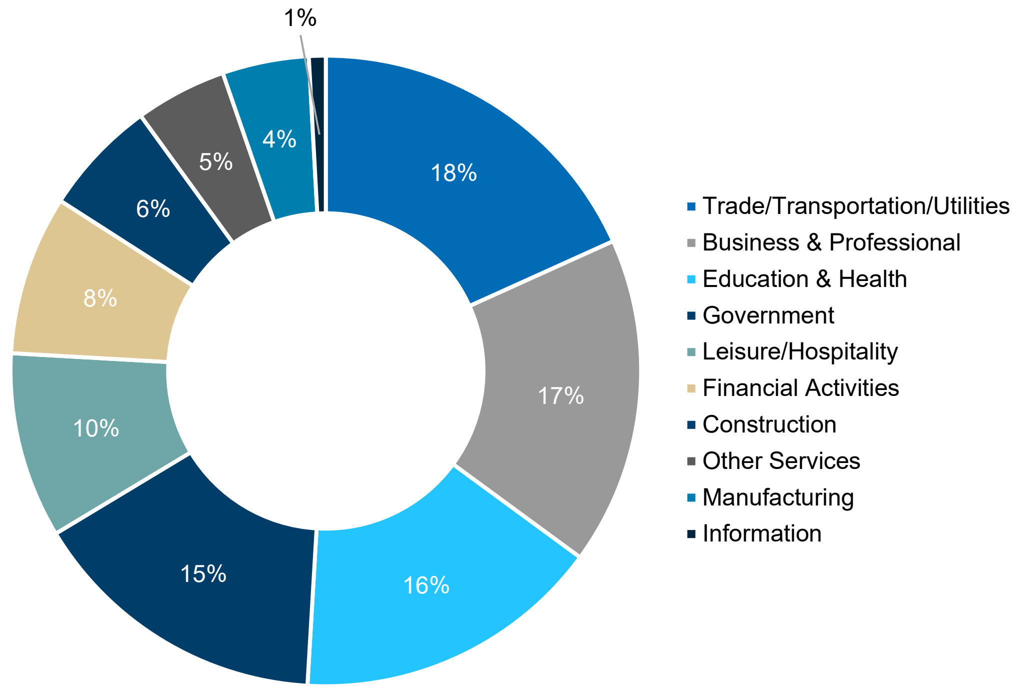


Source: Newmark Research, Moody's Analytics
*October 2025 government shutdown missing unemployment data addressed by duplicating September 2025's data

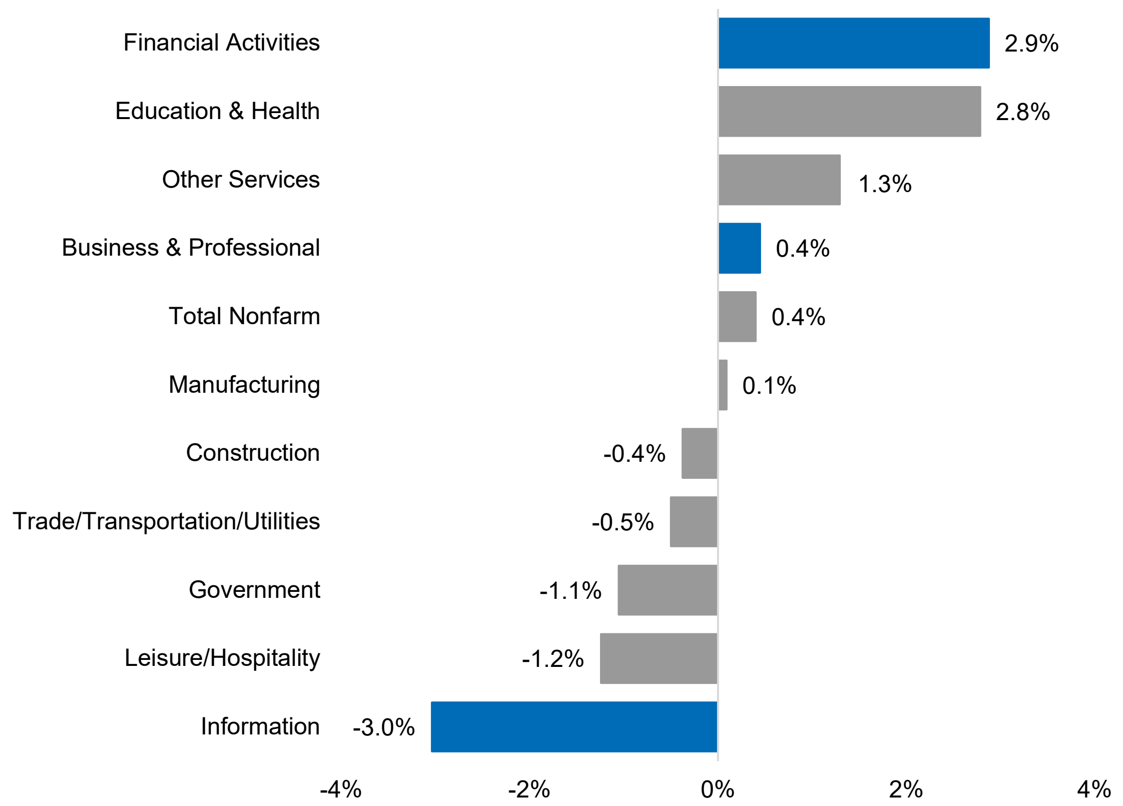
Financial Activities Sector Leads Region in Growth

The Financial Activities sector saw 12-month growth of 2.9%, leading all industries. Among office-using sectors, Business & Professional Services also performed positively during 2025, seeing a 12-month growth of 0.4%, while the Information sector performed poorly during 2025, seeing a 12-month decline of 3.0%.

Employment by Industry, December 2025



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

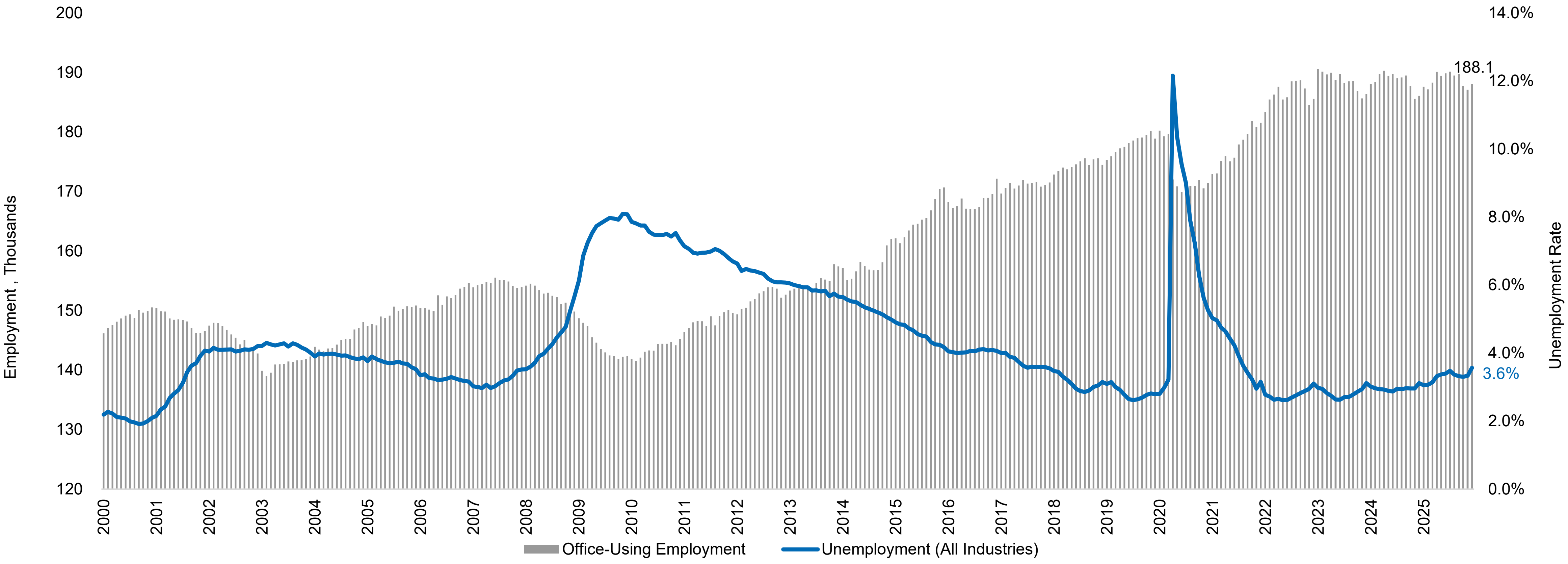


Source: Newmark Research, Moody's Analytics
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

Overall Office-Using Employment Has Rebounded

The number of office jobs in Richmond has rebounded and now sits above pre-pandemic levels. Employment ended December 2025 at 188,100 employees, 4.4% higher than the pre-pandemic high in January 2020 and an increase of 10.7% since the market reached a pandemic-related low in June of 2020. The recent stabilization in office-related sectors bodes well for future demand.

Office-Using Employment* and Unemployment Across All Industries



Source: Newmark Research, Moody's Analytics

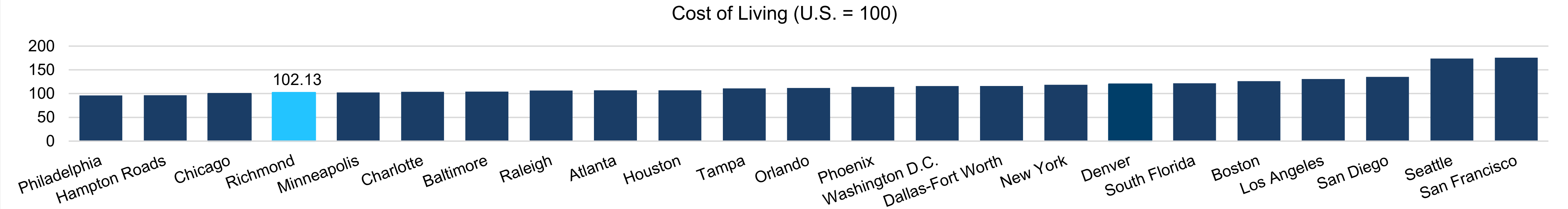
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information

*October 2025 government shutdown missing unemployment data addressed by duplicating September 2025's data

Richmond Has a Top Business Climate

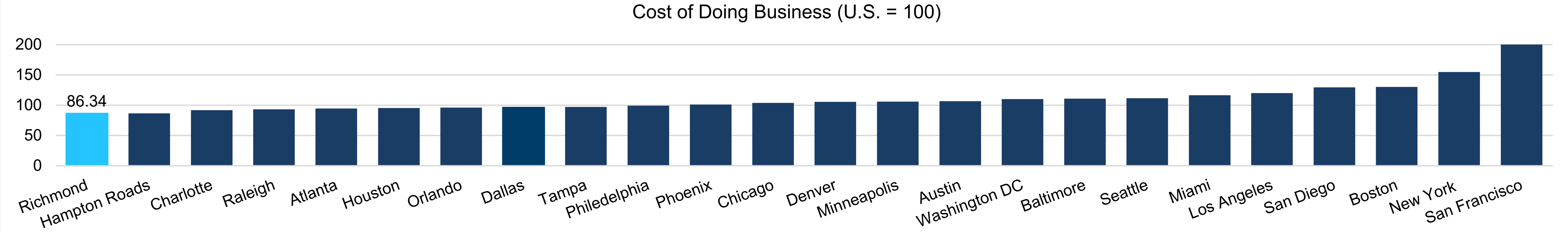
The Richmond metro has the lowest cost of business among the largest and most comparable metros in the U.S. This lower cost of doing business contributes to Richmond's attractiveness as a place to call home. Furthermore, Richmond has the fourth-lowest cost of living and is considered very affordable relative to large and comparable metros nationally. This allows Richmond to be extremely competitive in providing people and employees a better quality of life.

Business Climate (2024)



#4 Lowest Cost of Living Among the Largest and Most Comparable Metros

#1 Lowest Cost of Doing Business Among the Largest and Most Comparable Metros



Source: Newmark Research, Moody's Analytics

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Leasing Market Fundamentals

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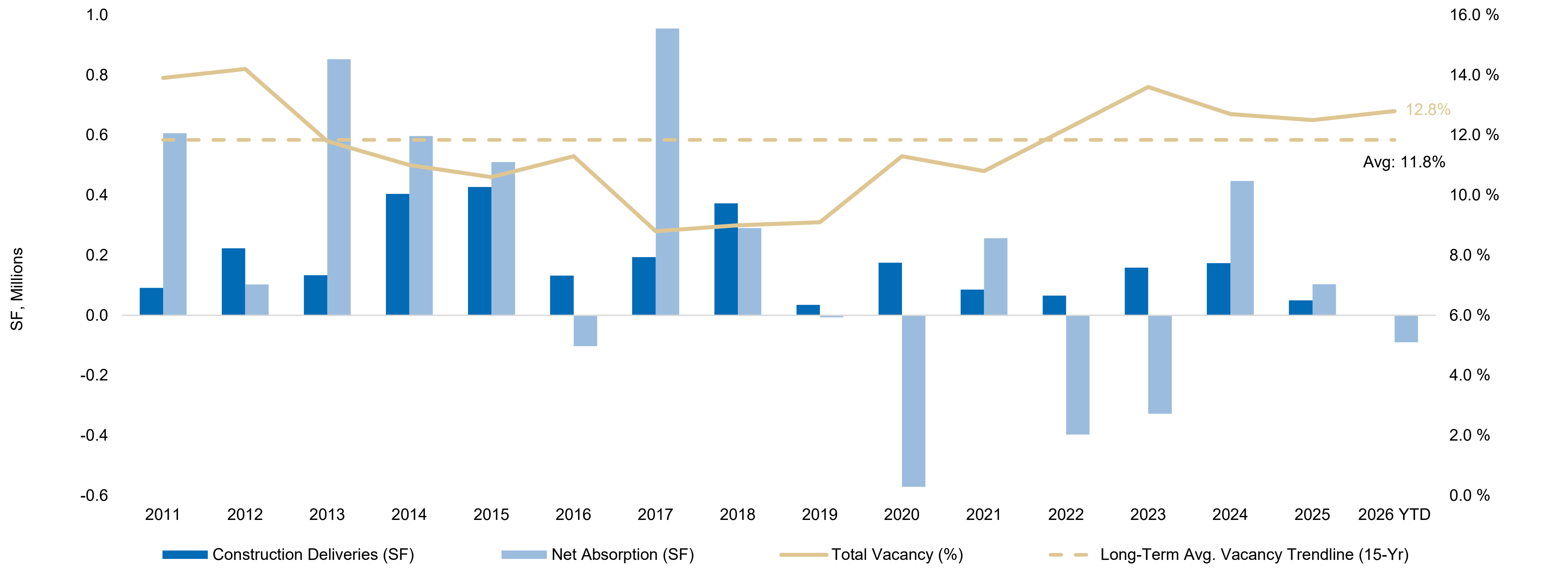
Richmond Fundamentals Remain Stable to Begin 2026

The Richmond office market experienced 89,426 SF of negative net absorption during the first quarter of 2026, ending the quarter with a 12.8% vacancy rate, an expansion of 30 basis points quarter-over-quarter, however a tightening of 40 basis points year-over-year. This negative net absorption was concentrated in low-quality product, as Class C product saw 108,427 SF of negative net absorption. Much of this negative net absorption was due to 10329 Stony Run Lane being listed as fully vacant and for sale, resulting in 37,000 SF of negative absorption. Class B product counteracted this with 26,762 SF of positive net absorption, while Class A product remained relatively flat during the first quarter with 7,761 SF of negative net absorption. Overall, the Richmond office market remains impressively stable relative to comparable markets nationally.

Historical Construction Deliveries, Net Absorption, and Vacancy

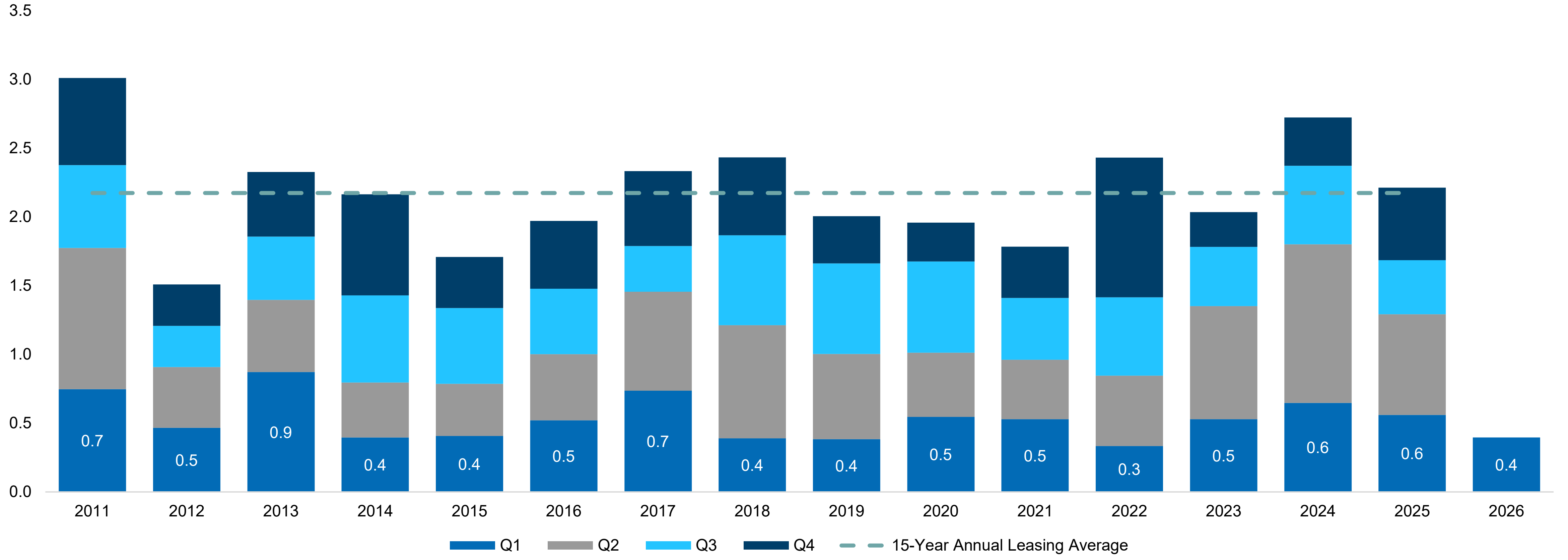


Source: Newmark Research

Leasing Activity Continues to Show Resilience

The Richmond market experienced 400,000 SF of leasing activity during the first quarter of 2026. The vast majority of this activity was new leases, which contained approximately 360,000 SF of the leasing activity, while renewals saw only 40,000 SF of the activity. The overall quarterly leasing activity is slightly below historical averages, with the market averaging 500,000 SF of first-quarter leasing activity over the past 15 years. The market's leasing activity has been impressively stable during recent years, seeing between 1.7 million SF and 2.4 million SF of transaction volume each year from 2013-2023 before seeing a historical-high of 2.7 million SF of leasing activity in 2024. During 2025, the market saw 2.2 million SF of leasing activity, which is in line with the market's historical average, highlighting the market's resilience during economic downturns.

Total Leasing Activity (million SF)

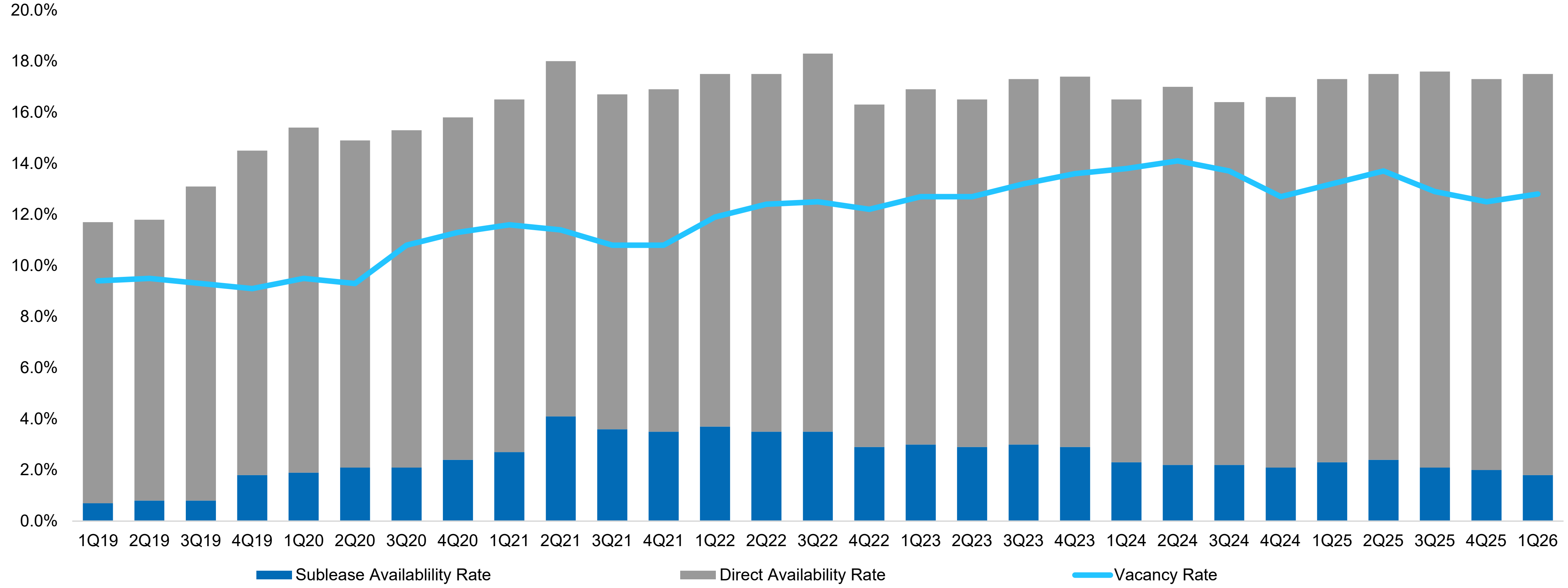


Source: Newmark Research

Vacancy and Availability Expand Slightly to Begin 2026

Vacancy ended the first quarter of 2026 at 12.8%, expanding 30 basis points quarter-over-quarter, however tightening 40 basis points year-over-year. Office vacancies have stabilized around 13.0% since peaking at 14.1% in mid-2024. Availability ended the first quarter of 2026 at 17.5%, expanding 20 basis points quarter-over-quarter and year-over-year. Direct available space ended the quarter at 15.7%, expanding 40 basis points quarter-over-quarter, while sublease available space counteracted this by tightening 20 basis points quarter-over-quarter, ending the quarter at 1.8%. After sublease available space saw a peak of 4.1% in 2021, the sublease available market has tightened and hovered around 2.0%.

Available Space and Vacancy Rate



Source: Newmark Research

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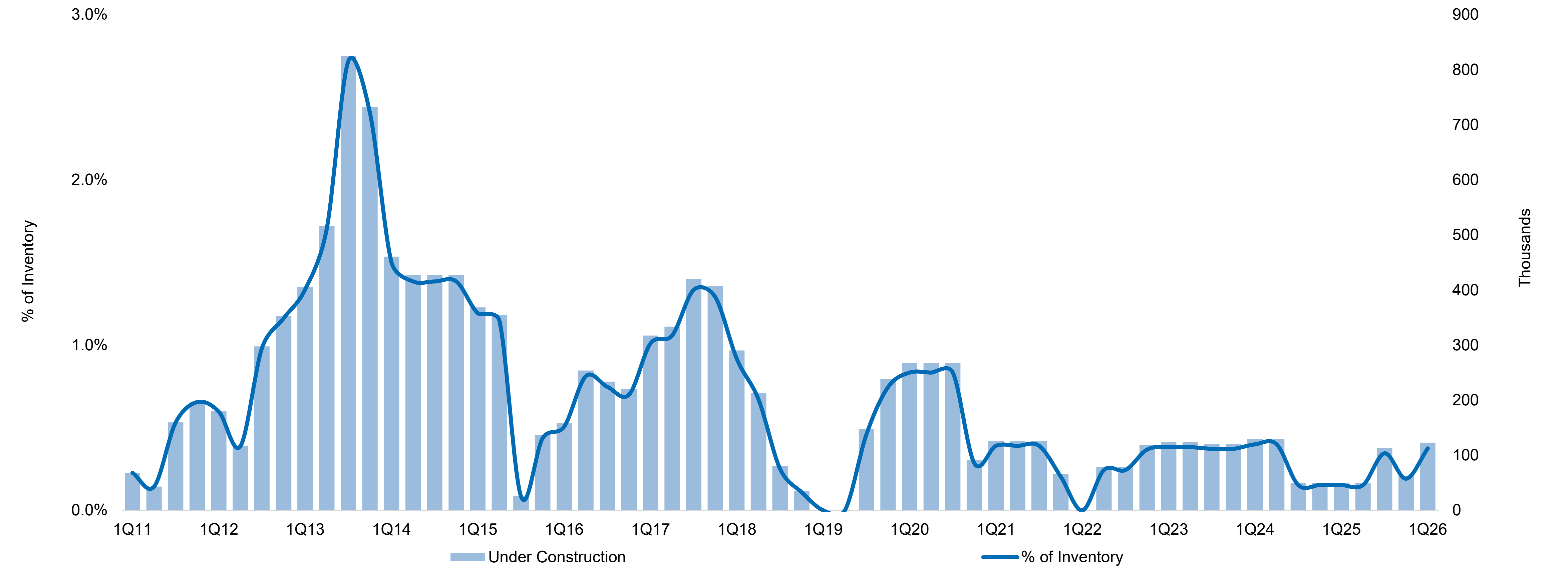
Construction Remains Below Historic Average

There are three properties totaling 122,750 SF currently under construction, lower than the market's decade average of three properties totaling 209,000 SF under construction. A three-story, Class A multi-tenant office building broke ground at 15545 Cosby Road in August of 2025. The building will bring 33,000 SF of office product to the Route 288 Corridor submarket with an expected delivery in June of 2026. A three-story office building broke ground at 6801 Boydton Plank Road in September of 2025. The building will bring 29,750 SF of office product to Petersburg with an expected delivery in September of 2026. Lastly, a two-story, Class A multi-tenant office building broke ground at 15203 East West Road in January of 2026. The building will bring 60,000 SF of office product to the Route 288 Corridor submarket with an expected delivery in January of 2027.

Office Under Construction and % of Inventory



Source: Newmark Research

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Market Statistics

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Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights