

Richmond Industrial Market Overview

Market Observations

Economy

- The region’s labor market remained historically strong amid shifting macroeconomic conditions. The unemployment rate ended May 2025 at 3.4%, significantly lower than the national average of 4.2%. 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 Q2 2025, as four of the five largest leases signed during the quarter were new deals totaling approximately 400,000 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 a two-property portfolio comprising the Virginia I-95 Distribution Center, located at 4701 & 4949 Commerce Drive. This portfolio, totaling 922,508 SF, was sold by The Halle Companies to Stream Realty Partners for \$97.5 M, or \$105.69 PSF. At the time of sale, 4701 Commerce Drive, totaling 460,000 SF, was fully occupied by Brother International Corp, while 4949 Commerce Drive, totaling 462,508 SF, was fully occupied by Amazon.

Leasing Market Fundamentals

- During the first half of 2025, Richmond experienced over 1.3 MSF of positive net absorption. This positive net absorption was largely due to the Northeast quadrant, which saw over 900,000 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 Q2 2025 at a 5.1% vacancy rate, tighter than the historical average of 5.7% and the national average of 7.5%. Although vacancy expanded 10 bps during Q2 2025, this expansion was solely due to deliveries outpacing absorption.
- Average asking rents ended Q2 2025 at \$9.38 PSF, an increase of 1.2% year-over-year. Overall, the market has seen a 55.0% increase in rents since the beginning of 2020.
- The market’s development remains strong, ending 2024 with almost 3.1 MSF of deliveries, higher than the decade’s annual average of 2.6 MSF. Development continued strong to begin 2025, ending the first half of 2025 with 1.3 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 8.0 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
2. Leasing Market Fundamentals
3. Market Statistics

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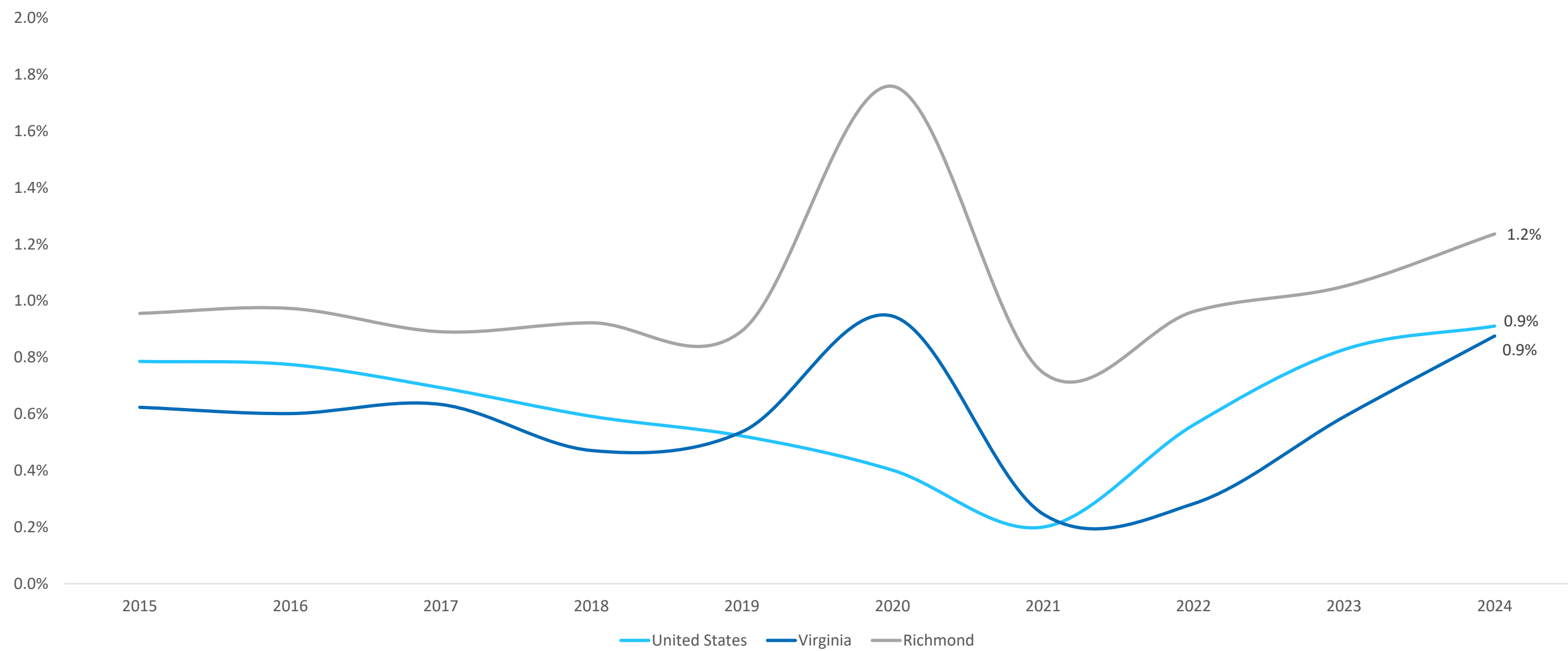
Economy



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

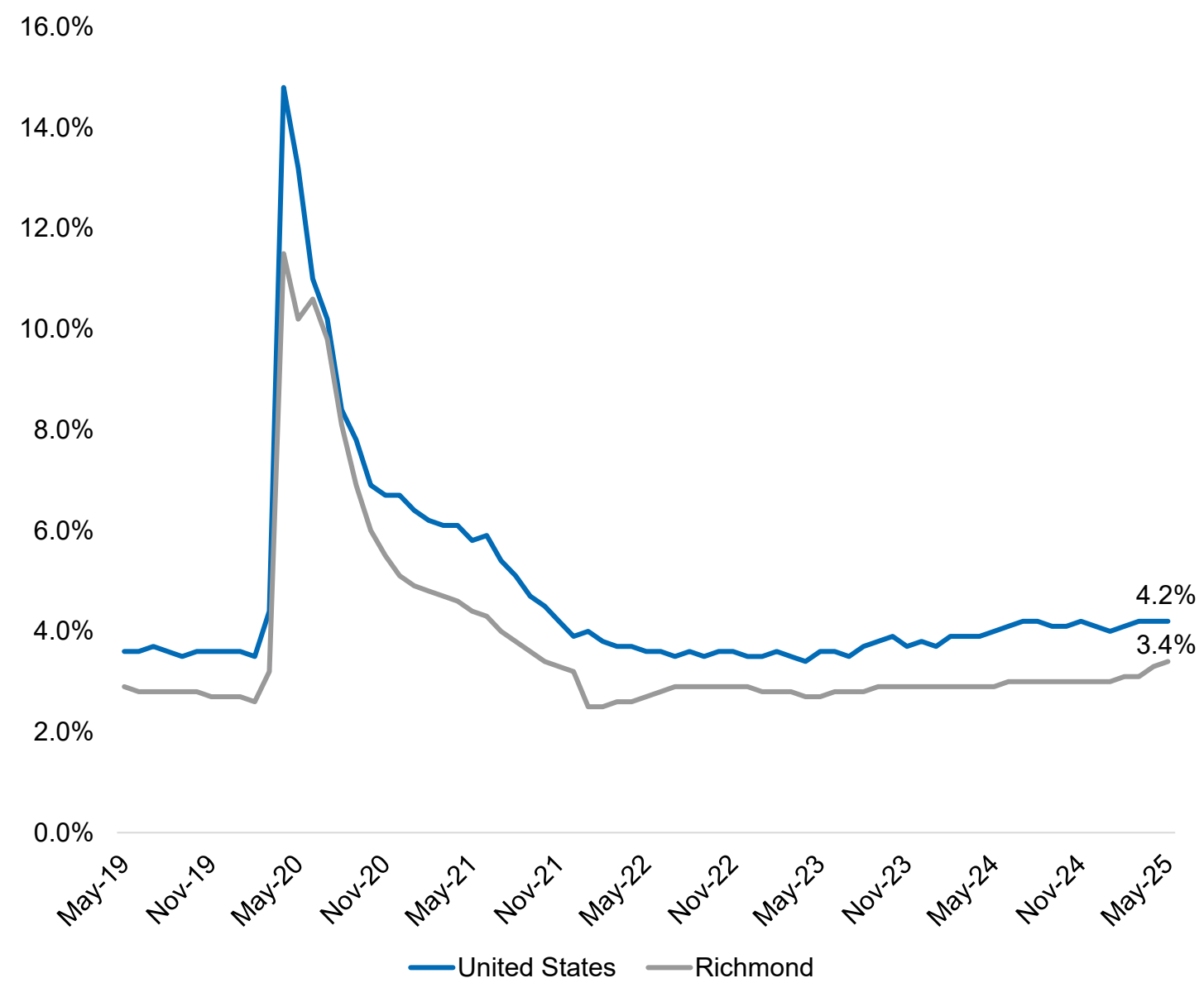


Source: U.S. Census Bureau

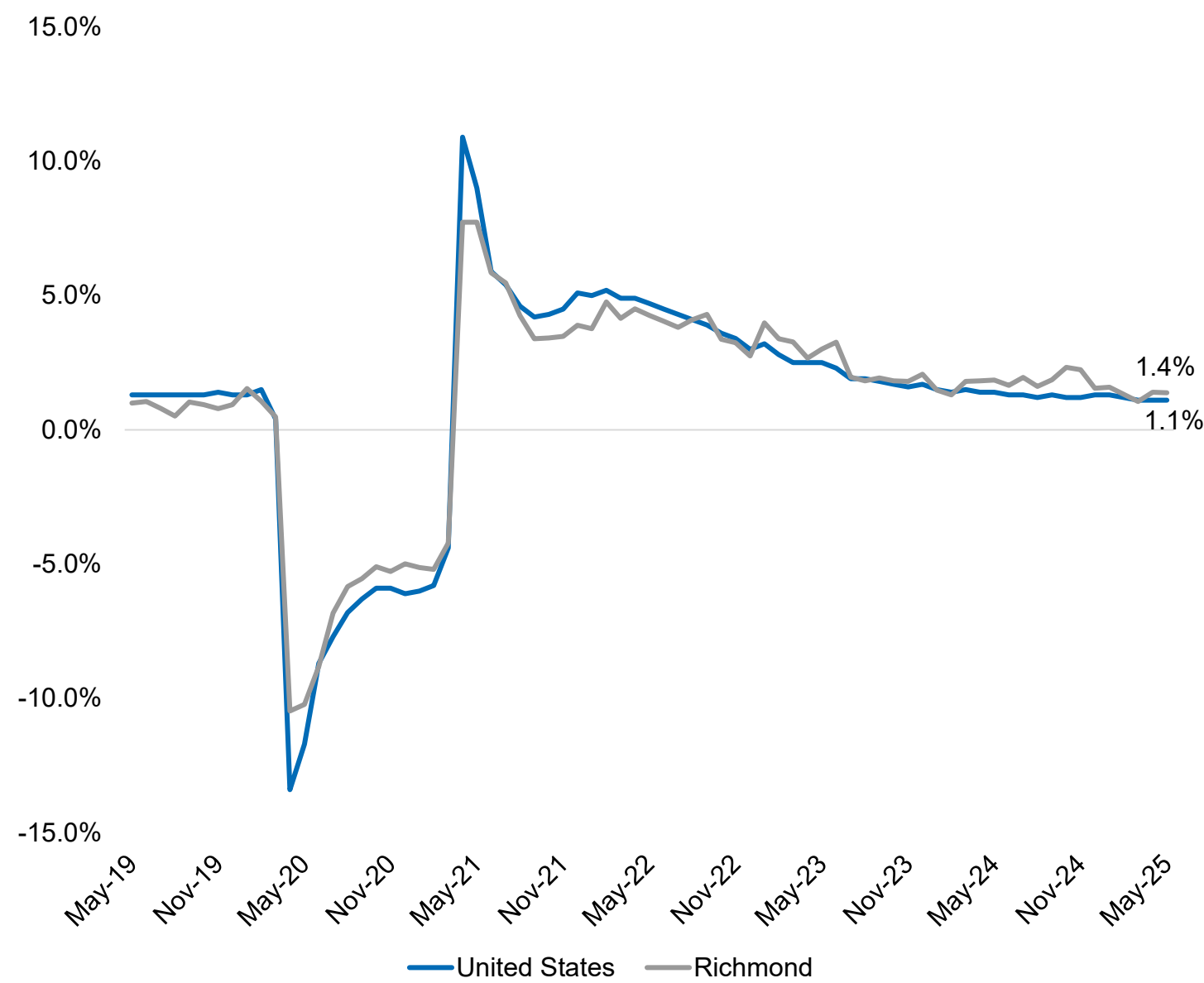
Richmond's Unemployment Rate Outperforms National Average

Richmond's unemployment rate continues to outperform the national average, measuring 3.4% in May 2025. This is 50 bps higher year-over-year but 80 bps lower than the national average.

Unemployment Rate, Seasonally Adjusted



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

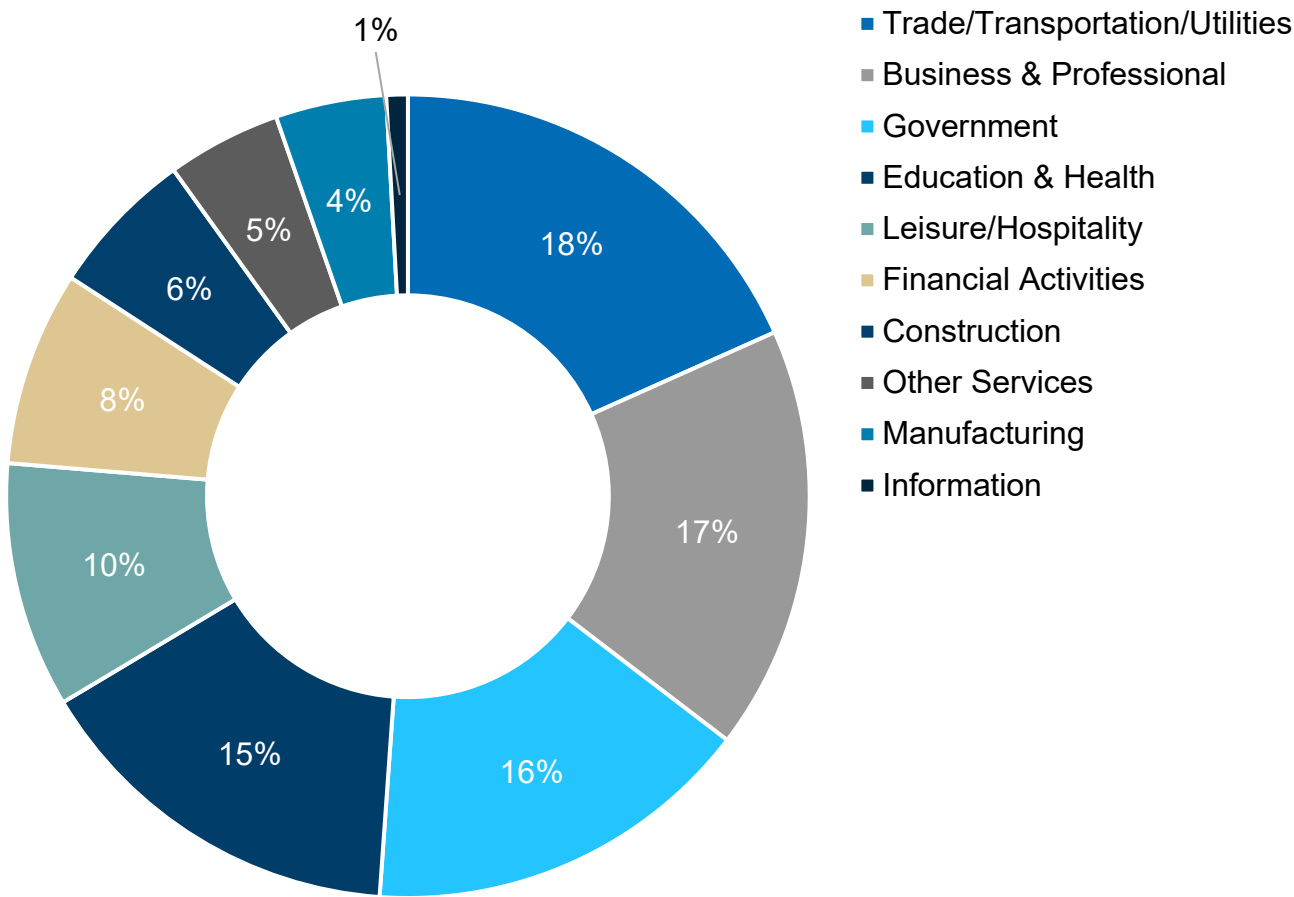


Source: U.S. Bureau of Labor Statistics, Richmond

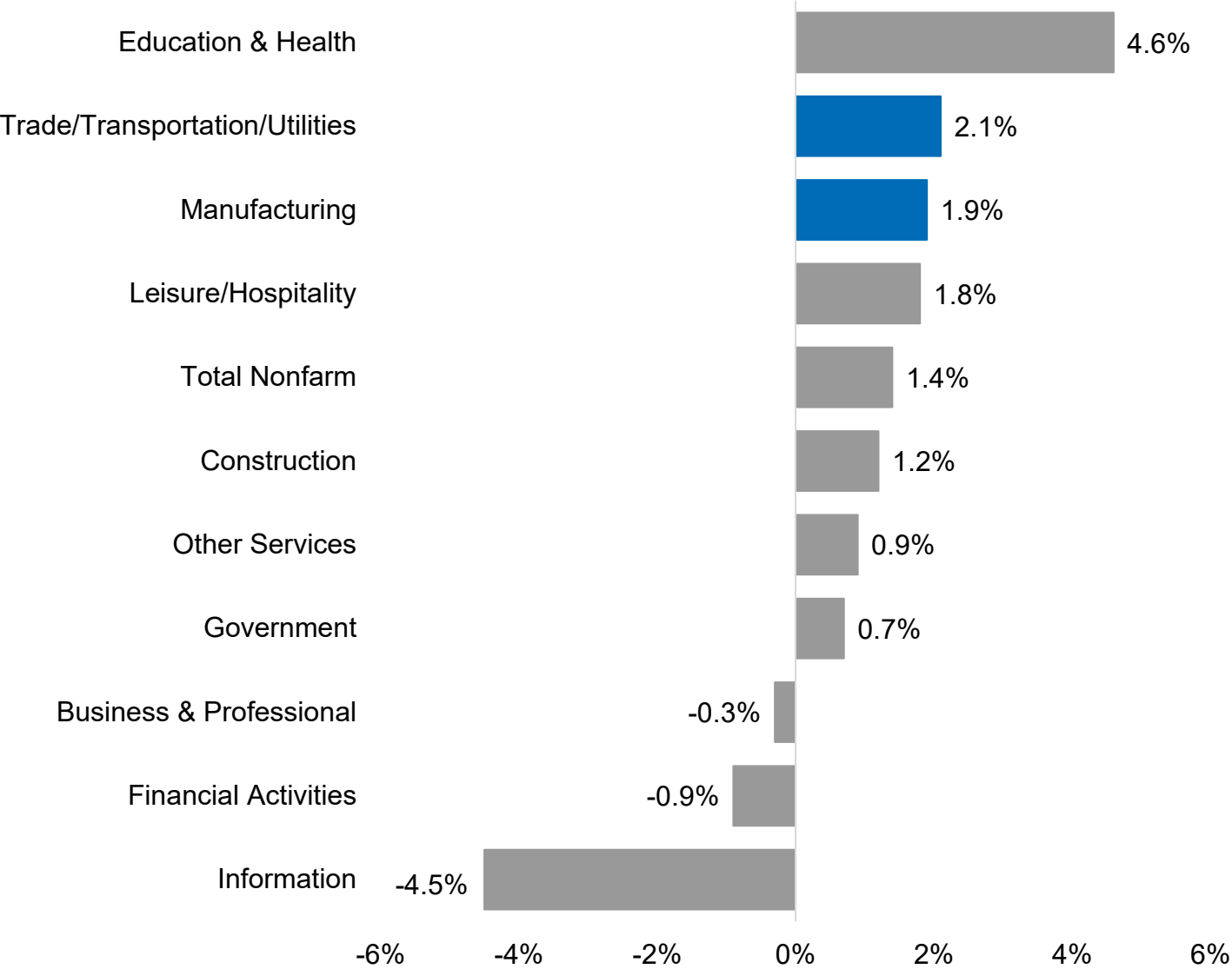
Trade/Transportation/Utilities and Manufacturing See 12-Month Growth

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 1.9%.

Employment by Industry, May 2025



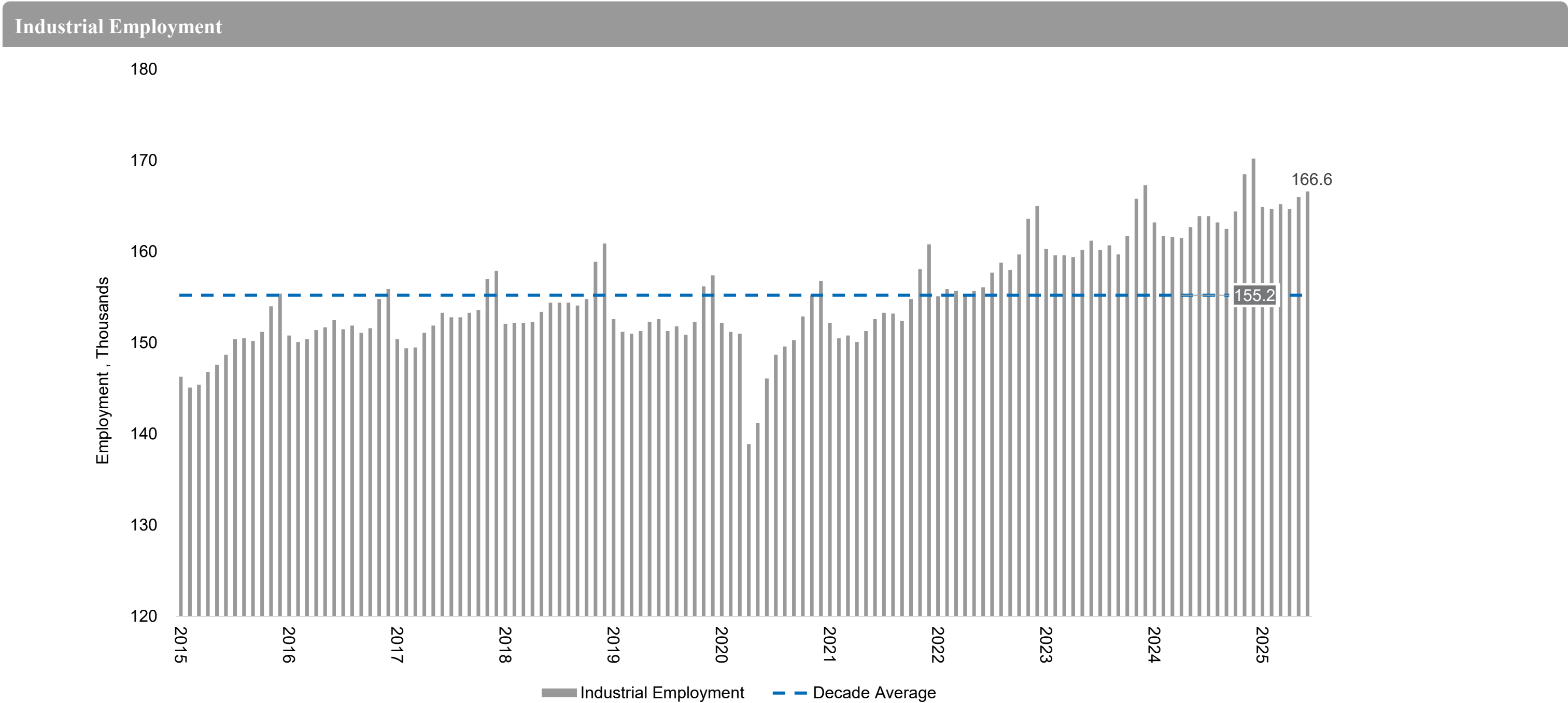
Employment Growth by Industry, 12-Month % Change, May 2025



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 June 2025 near a historic high with 166,600 employees, 7.3% higher than the decade average and an increase of 19.9% since the market reached a pandemic-related low in April of 2020.



Source: U.S. Bureau of Labor Statistics, Richmond
*Industrial employment includes employment in the following industry sectors: Trade/Transportation/Utilities and Manufacturing.

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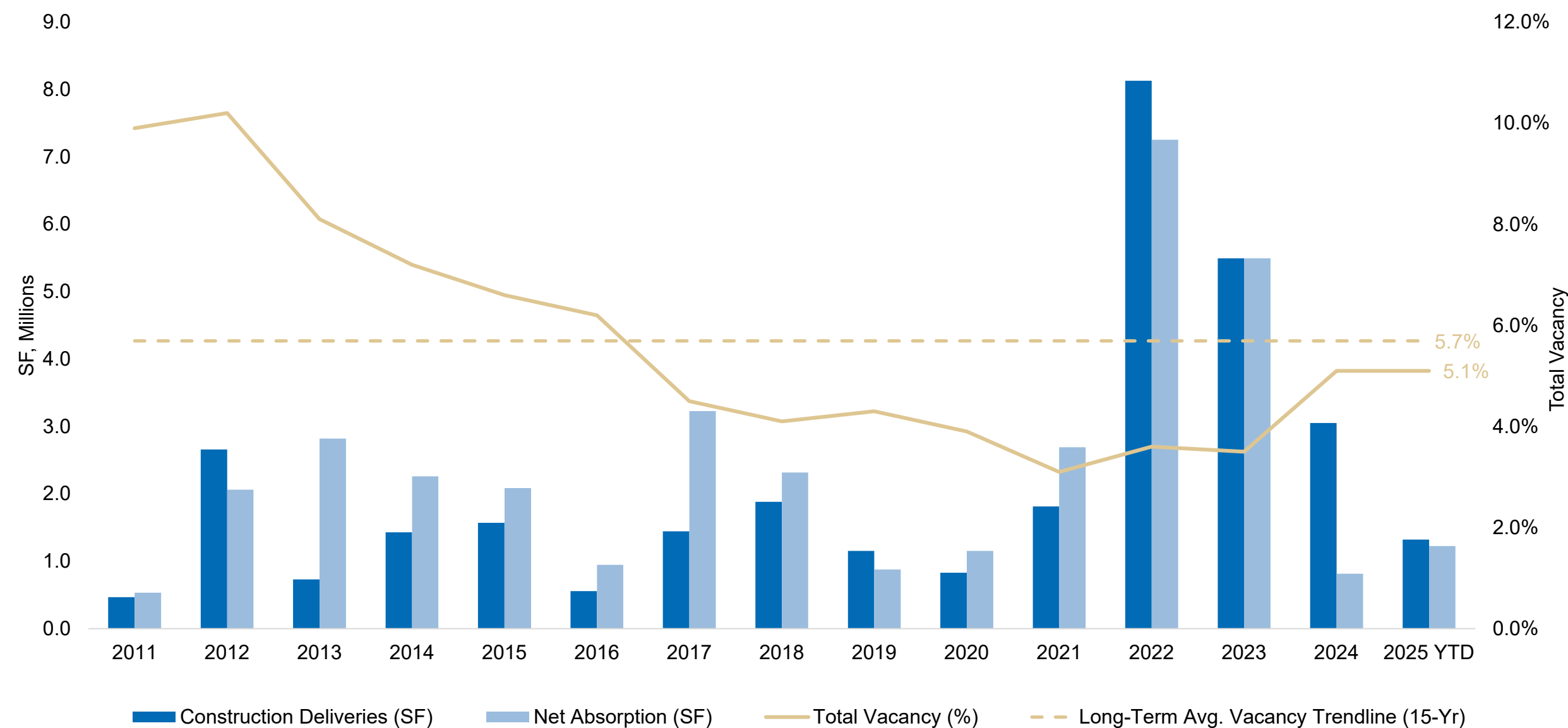
Leasing Market Fundamentals



Fundamentals Remain Healthy to Begin 2025

The Richmond Industrial market continues to perform exceptionally well, as evidenced by its fundamentals. During the first half of 2025, Richmond experienced over 1.3 MSF of deliveries while seeing over 1.2 MSF of positive net absorption. This positive net absorption was largely due to the Northeast quadrant, which saw over 900,000 of positive net absorption due to the delivery of an 800,000-square-foot AutoZone Distribution Center. The market remains historically tight, ending Q2 2025 at a 5.1% vacancy rate, tighter than the historical average of 5.7%. Despite seeing over 1.2 MSF of positive net absorption, the market's vacancy rate remained flat during the first half of 2025 solely due to deliveries outpacing absorption.

Historical Construction Deliveries, Net Absorption, and Vacancy



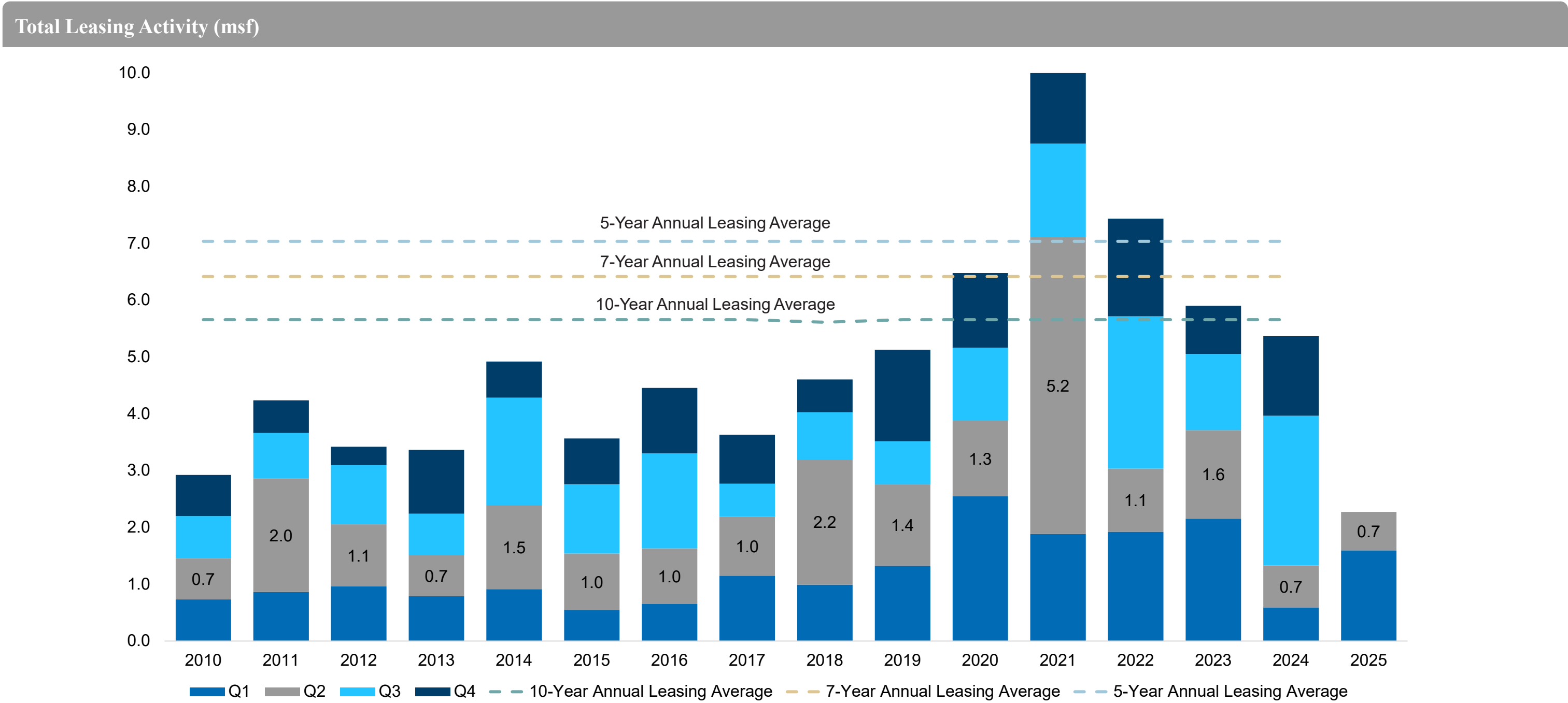
Source: Newmark Research



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Industrial Leasing Activity Has Slowed to Begin 2025

Leasing activity has decelerated during the first half of 2025, with the market seeing 2.3 MSF of activity, lower than the historical average of 2.7 MSF of leasing activity. Despite the market decelerating each year since seeing record-high leasing activity of 10.0 MSF during 2021, the market is still seeing leasing activity in line with the historical ten-year leasing average.

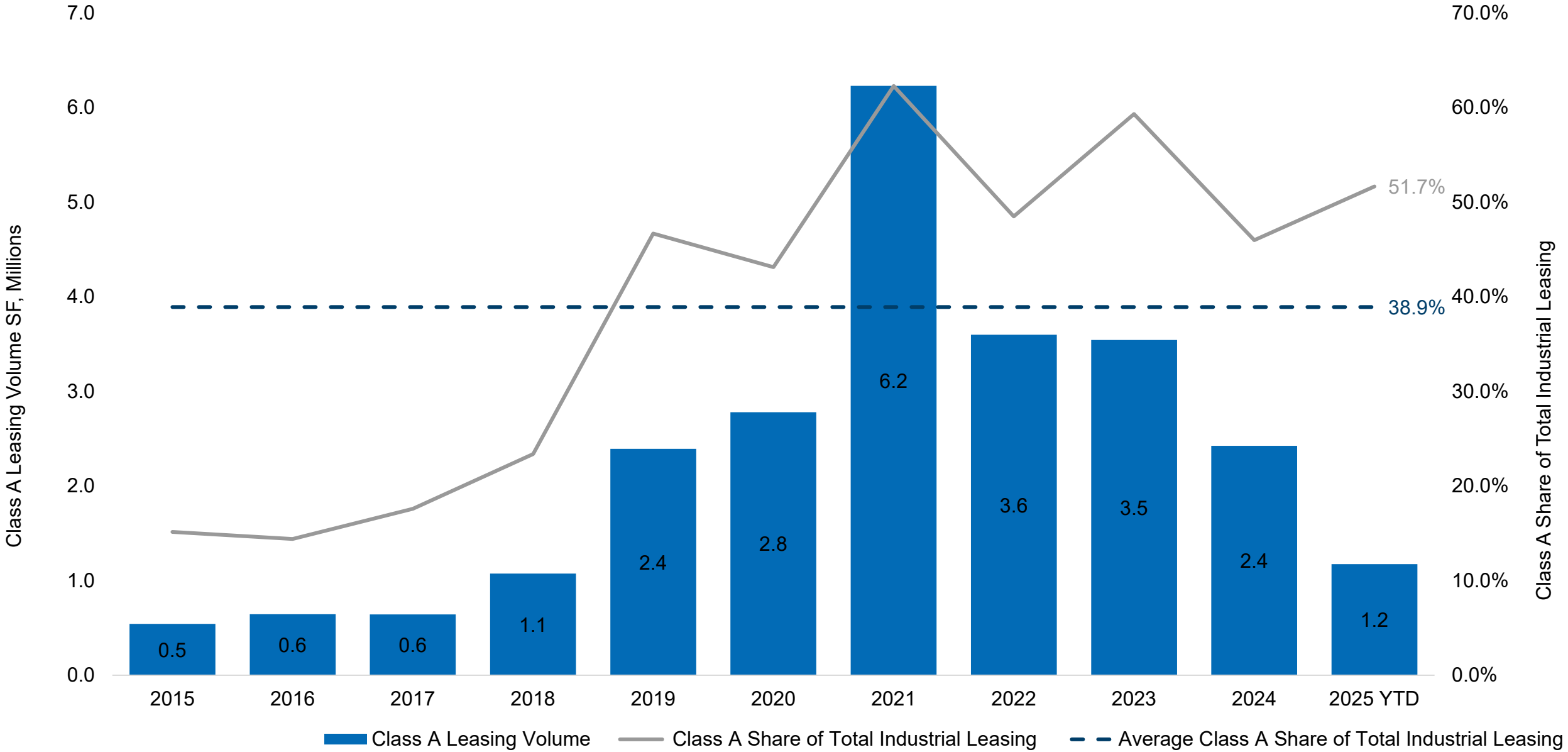


Source: Newmark Research

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 the first half of 2025, the Richmond market saw almost 1.2 MSF of Class A leasing volume. This was 51.7% of overall leasing activity during the period, much higher than the decade average of 38.9%, highlighting continued interest in quality Class A space by occupiers.

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

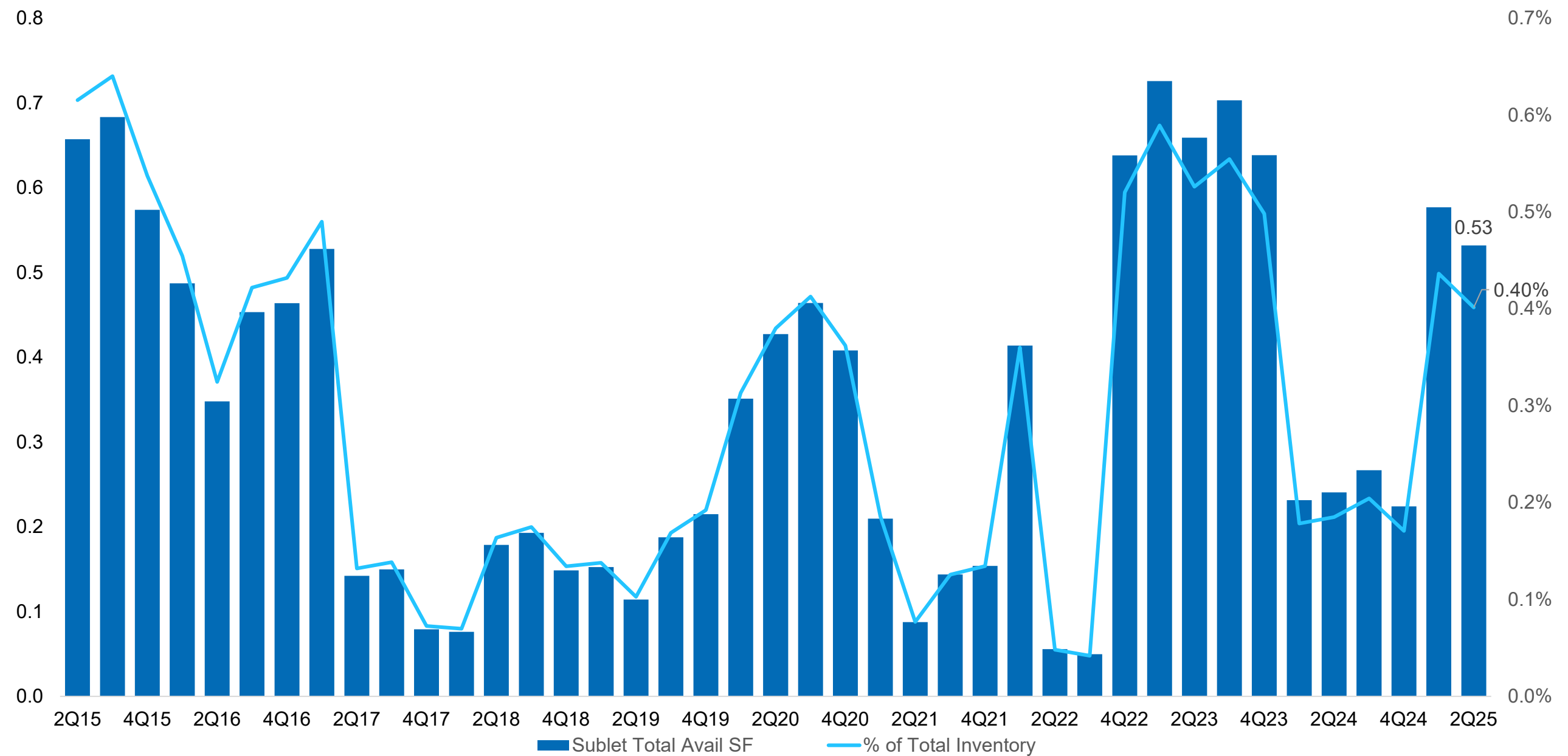


Source: Newmark Research

Market Sees An Uptick of Sublease Available Space to Begin 2025

The market ended Q2 2025 with 530,000 SF of sublease space available, which is higher than the historical average of 340,000 SF of available sublease space. The increase in sublease space during the first half of 2025 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

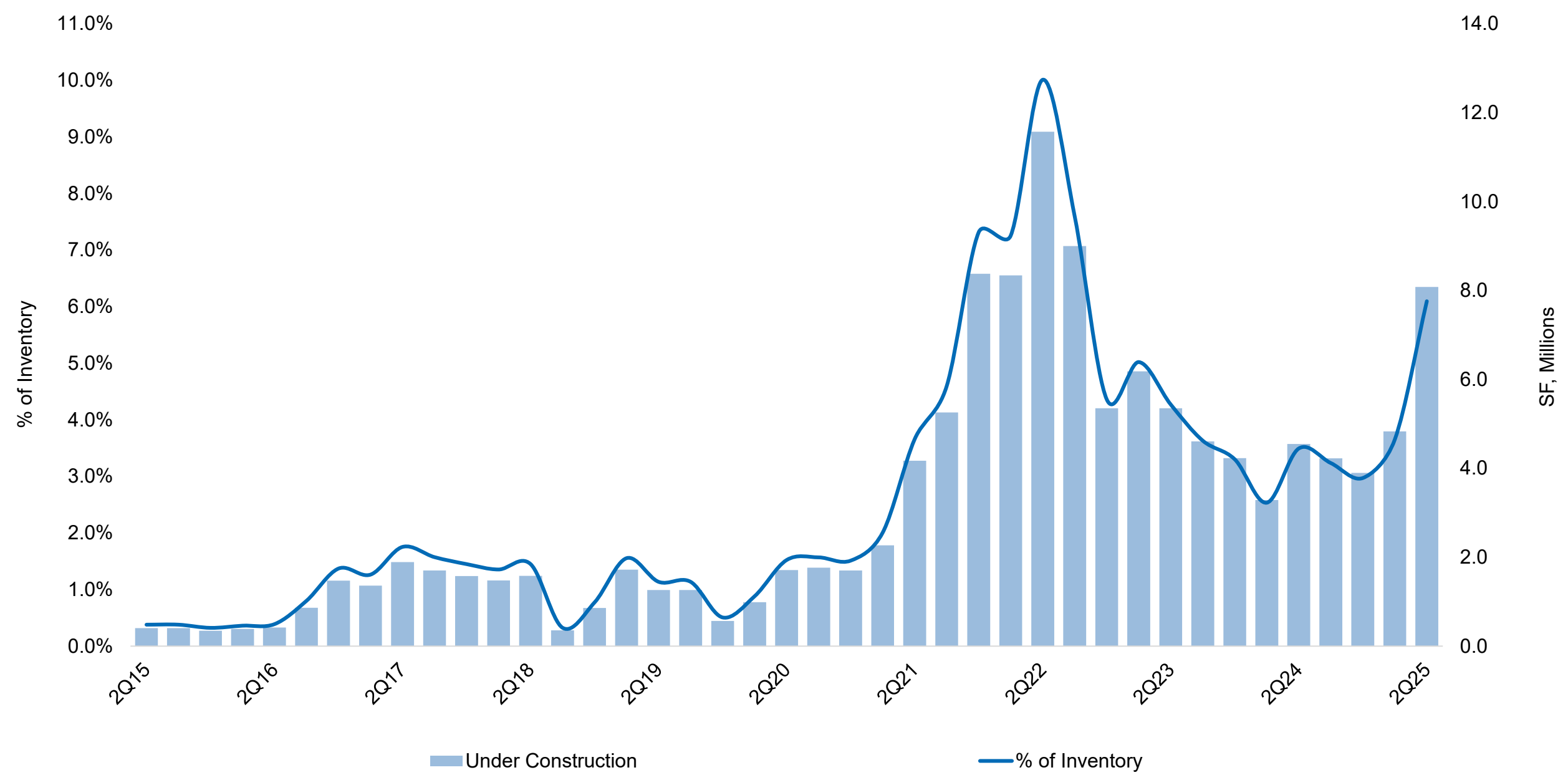


Source: Newmark Research

Construction Supply Remains Elevated

Industrial development has exploded in the Richmond region during recent years, ending Q2 2025 with 16 properties under construction totaling almost 8.1 MSF. The construction supply increased significantly in Q2 2025 with the groundbreaking of Amazon's 3.2 MSF fulfillment center in Goochland. After the market averaged 1.1 MSF under construction from 2015 to 2020, development began accelerating in 2021 and reached a peak of 11.6 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

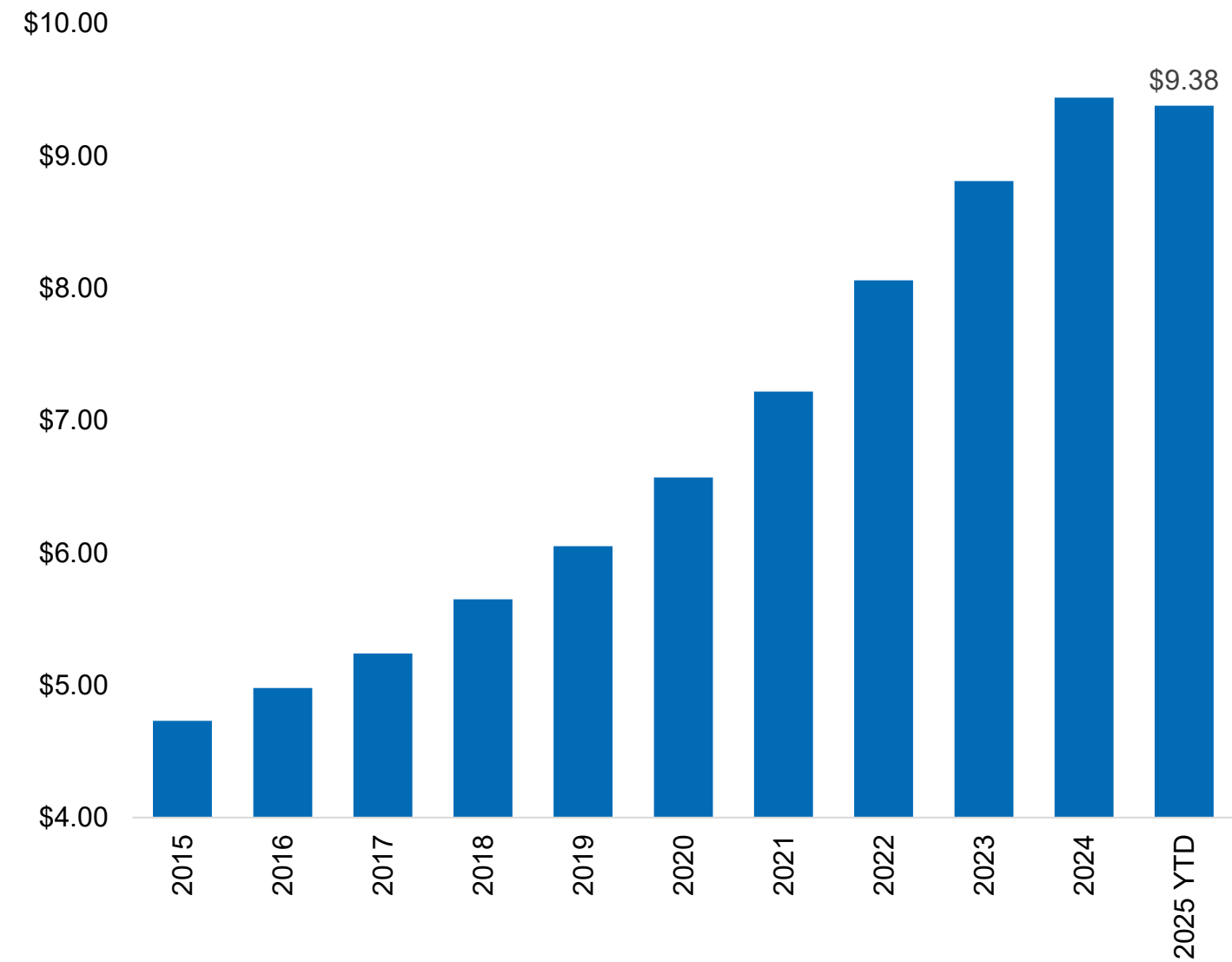


Source: Newmark Research

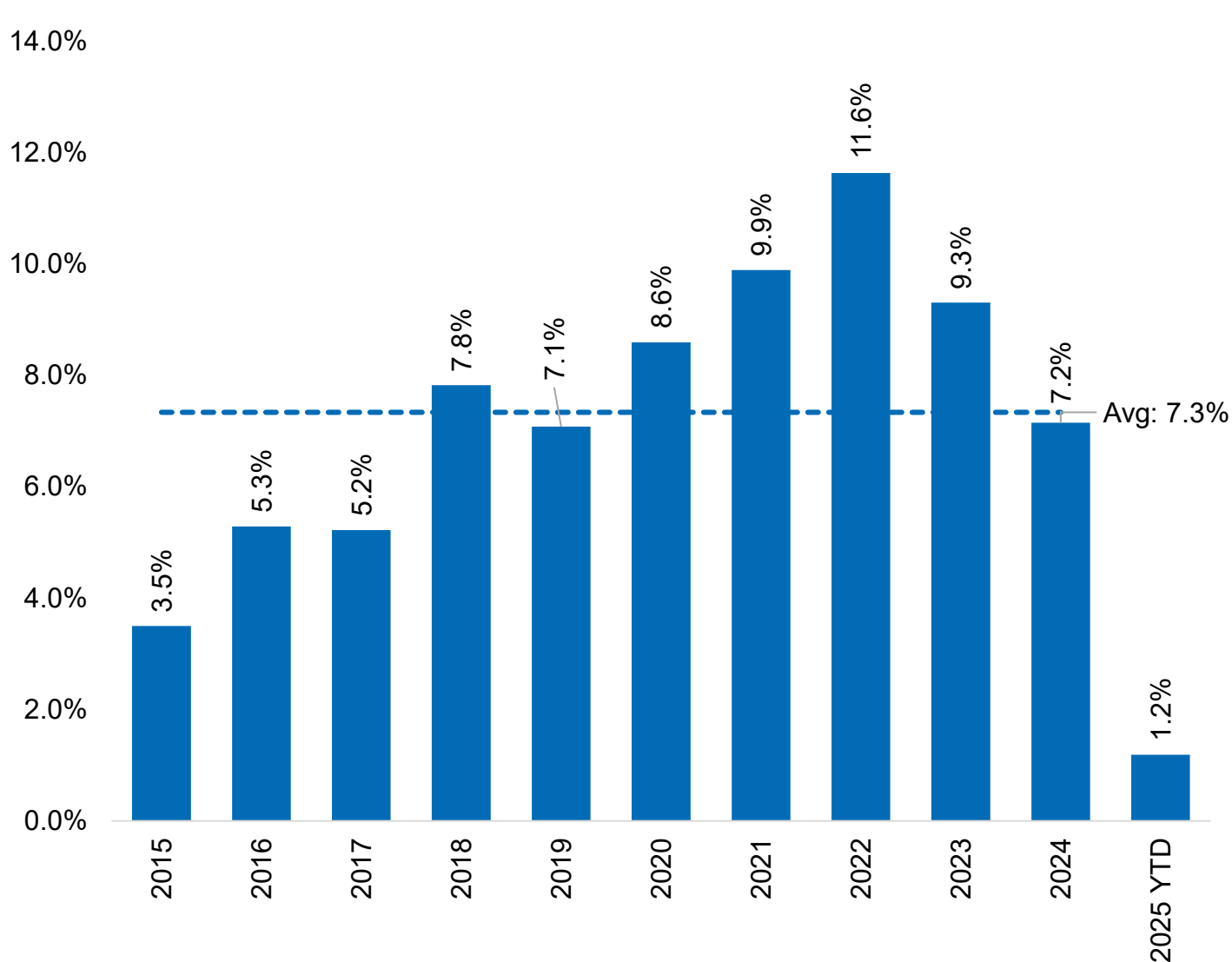
Asking Rents Remain at Healthy Levels

Average asking rents ended Q2 2025 at \$9.38 PSF, an increase of 1.2% year-over-year. Although rent growth has decelerated since 2022, when the market experienced 11.6% rent growth, the market is still seeing healthy rent growth. Overall, the market has seen an impressive 55.0% 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



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Notable Lease Transactions

New leases were the theme of leasing activity during Q2 2025, as four of the five largest leases signed during the quarter were new deals, including the largest deal. The largest deal of the quarter was PGT signing to fully occupy Crosspointe Logistics 1, a proposed warehouse that is expected to break ground at the beginning of 2026 and will total approximately 292,000 SF upon delivery. Crosspointe Logistics 1 is part of a new, state-of-the-art logistics and manufacturing campus that is expected to consist of 4.0 MSF of industrial product upon completion, including Lego’s new 2.0 MSF distribution center. These new deals and large development projects 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
PGT	Crosspointe Logistics 1	Prince George	New Lease	291,689
Bold Moving and Storage	3809-3811 Castlewood Road	Jeff Davis Corridor	Lease Renewal	77,250
RiverStone Logistics LLC	10387 Lakeridge Parkway	I-95 N / Ashland	New Lease	47,228
Enviri Corporation	4101-4127 Carolina Avenue	Laburnum / Rte 360	New Lease	36,000
Cee’s – Cee’s Transportation	1500 Commerce Road	Jeff Davis Corridor	Sublease	24,000

Source: Newmark Research

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Market Statistics





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