

2Q25

Richmond Office Market Overview

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Market Observations

Economy

- The region's labor market remained historically strong amid shifting macroeconomic conditions. The unemployment rate ended May at 3.4%, significantly lower than the national average of 4.2%.
- 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.
- The Richmond market saw notable 12-month job growth in the Education & Health and Government sectors of 4.6% and 0.7%, respectively. The Richmond market was #3 in job growth nationally from 2023-2024, highlighting the desirability of the market.

Sales Activity

- The largest transaction of the quarter was the sale of 8006 Discovery Drive, a 54,379-square-foot medical office building in the Glenside / Broad Street submarket. Stanley Shield Inc sold the four-story, Class B building to a joint venture between Elliott Bay Capital Trust LLC and Pantheon for \$20.25 M, or \$372.39 PSF. The building was initially an office building that was fully renovated in 2023 to add high-end medical-grade finishes. The buyers purchased the building due to its location adjacent to the Henrico HCA Hospital campus within a dynamic, growing market.

Leasing Market Fundamentals

- The Richmond office market experienced 112,000 square feet of negative net absorption during Q2 2025 and ended the quarter at a 15.3% vacancy rate, an increase of 30 bps quarter-over-quarter. The Northwest region was the main driver of the market's negative net absorption, experiencing 180,000 SF of negative net absorption during the quarter. Overall, however, the Richmond market continues to perform impressively relative to other major markets.
- Rents remained stable to begin 2025, ending the second quarter at \$22.71 PSF, relatively flat quarter-over-quarter but an increase of 1.7% year-over-year.
- There are two properties totaling 101,000 SF under construction in the market. One property, totaling 51,000 SF, is under construction in the Northwest region, while the second property, totaling 50,000 SF, is under construction in the Southwest region.

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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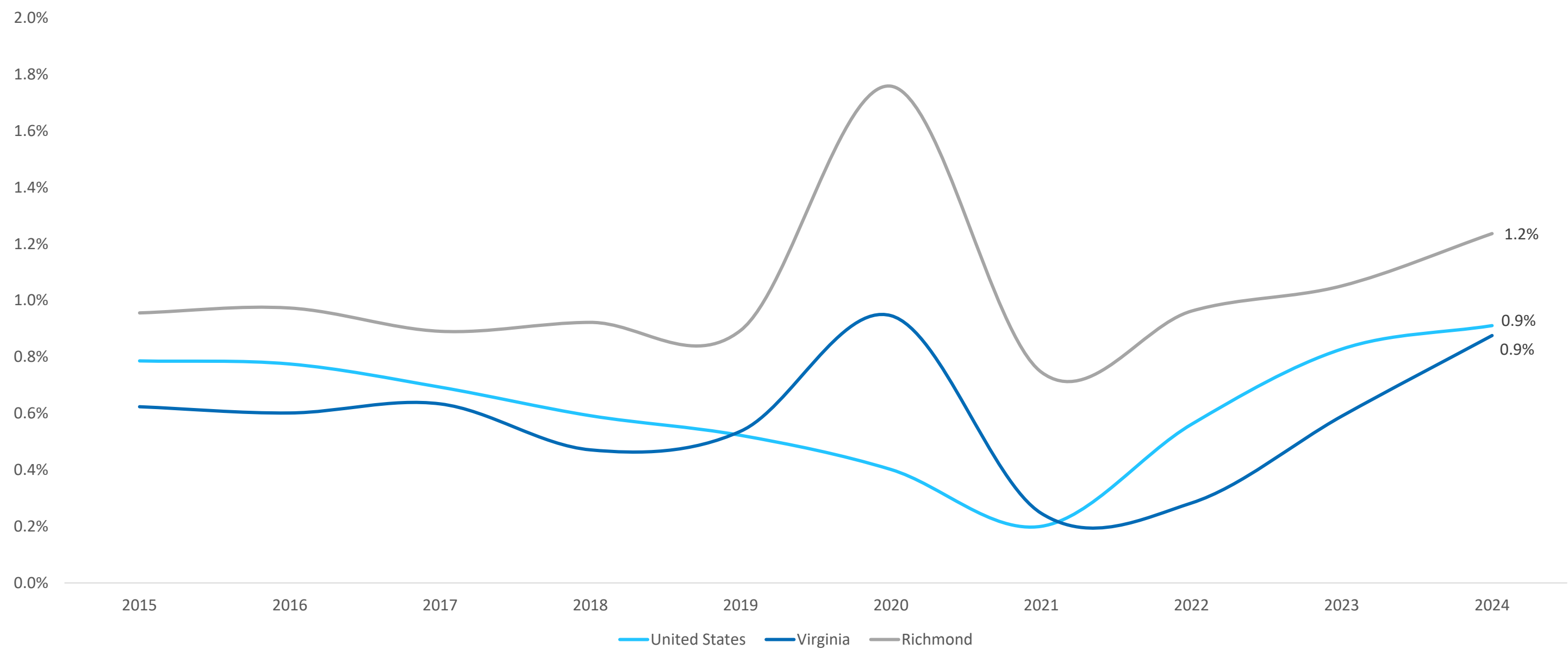
Economy



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

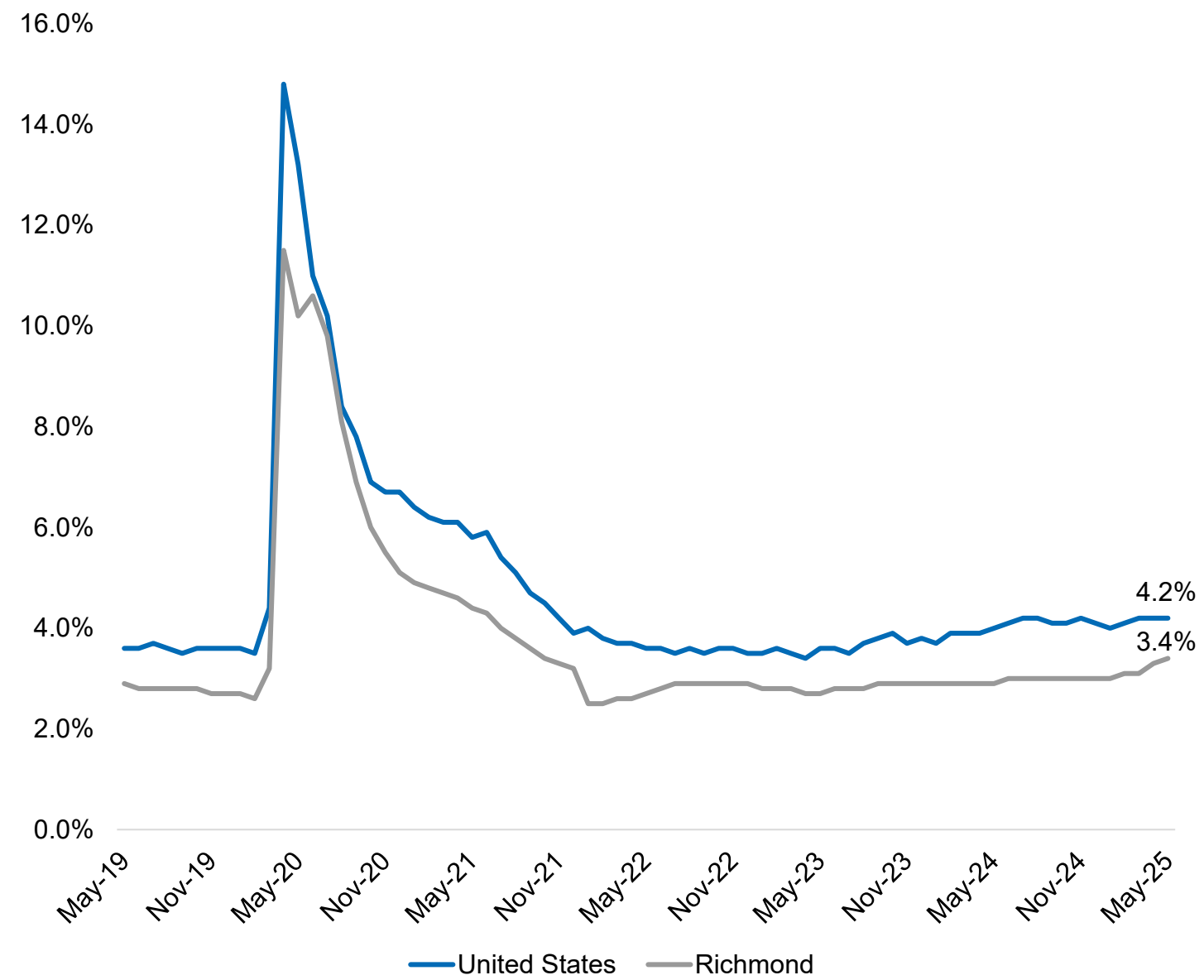


Source: U.S. Census Bureau

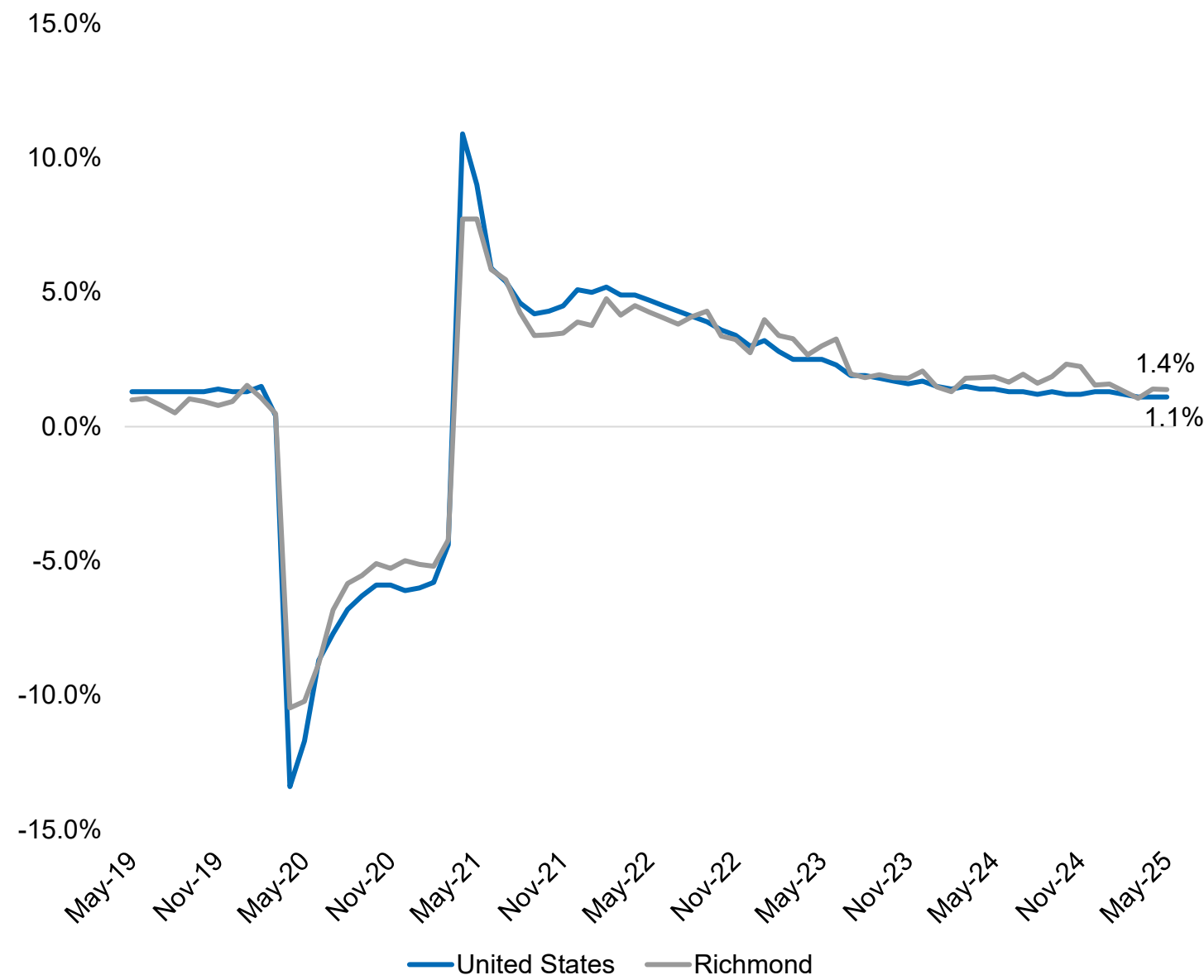
Richmond's Unemployment Rate Outperforms National Average

Richmond's unemployment rate continues to outperform the national average, measuring 3.4% 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

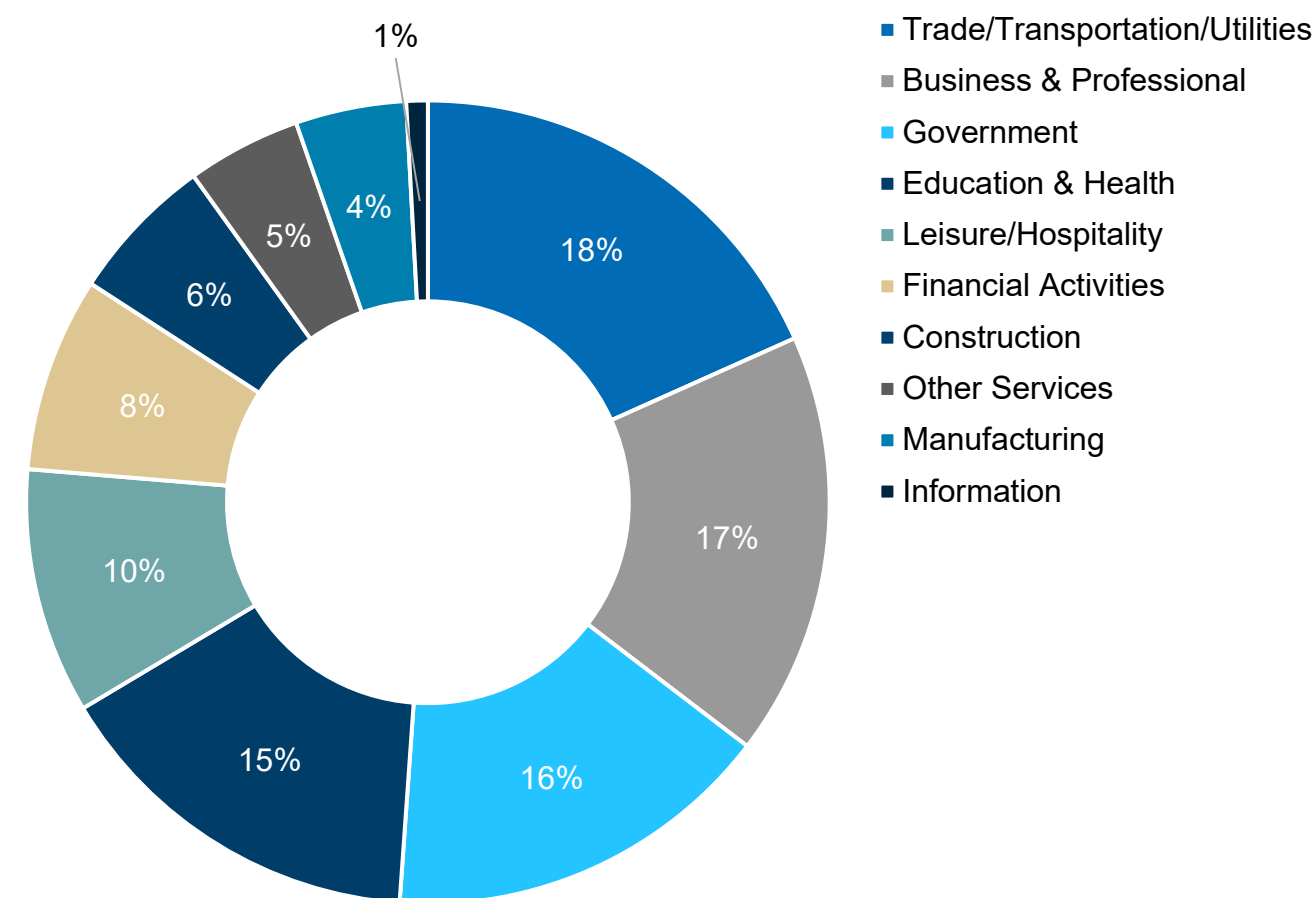


Source: U.S. Bureau of Labor Statistics, Richmond

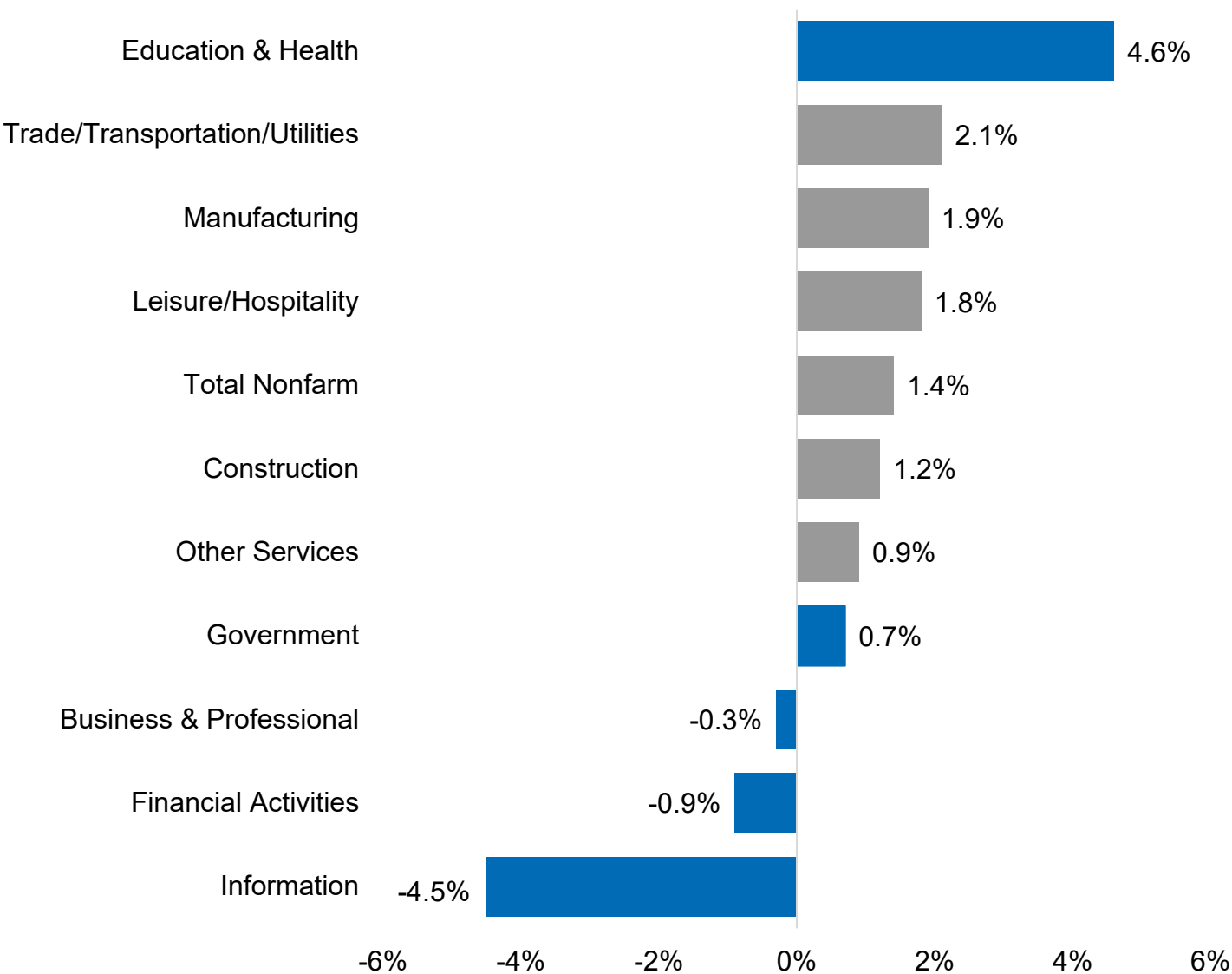
Education & Health and Government See Growth as Leading Regional Industries

Education & Health and Government saw 12-month growth of 4.6% and 0.7%, respectively. Conversely, the Business & Professional, Financial Activities, and Information sectors saw employment decline, with a 12-month decline of 0.3%, 0.9%, and 4.5%, respectively.

Employment by Industry, May 2025



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

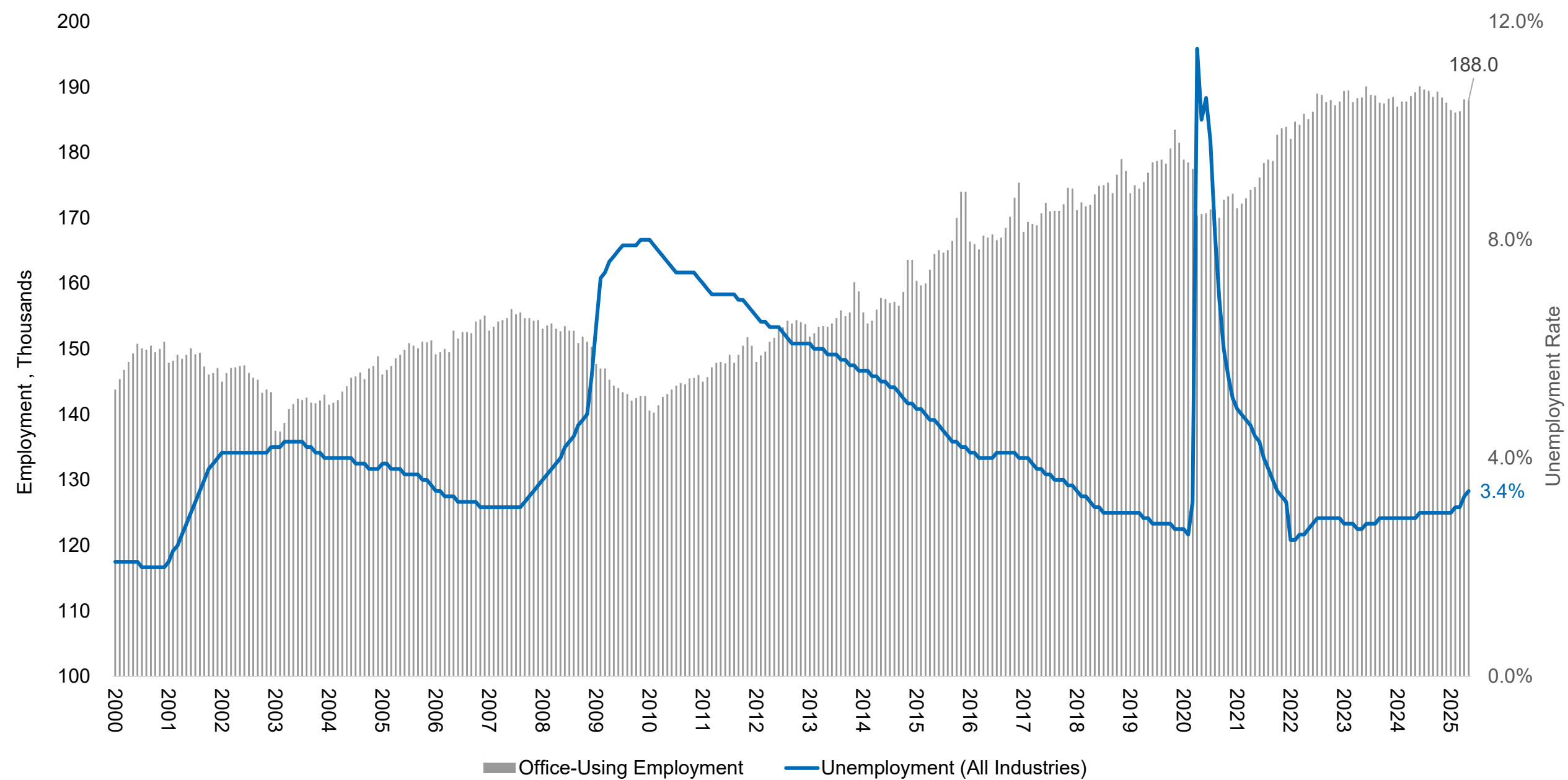


Source: U.S. Bureau of Labor Statistics, Richmond

Overall Office-Using Employment Has Rebounded

The number of office jobs has rebounded and now sits above pre-pandemic levels. Employment ended May 2025 at 188,000 employees, 2.5% higher than the pre-pandemic high in November 2019 and an increase of 10.6% since the market reached a pandemic-related low in September of 2020.

Office-Using Employment* and Unemployment Across All Industries



Source: U.S. Bureau of Labor Statistics, Richmond
*Office-using employment includes employment in the following industry sectors: Professional & Business Services, Financial Activities and Information.

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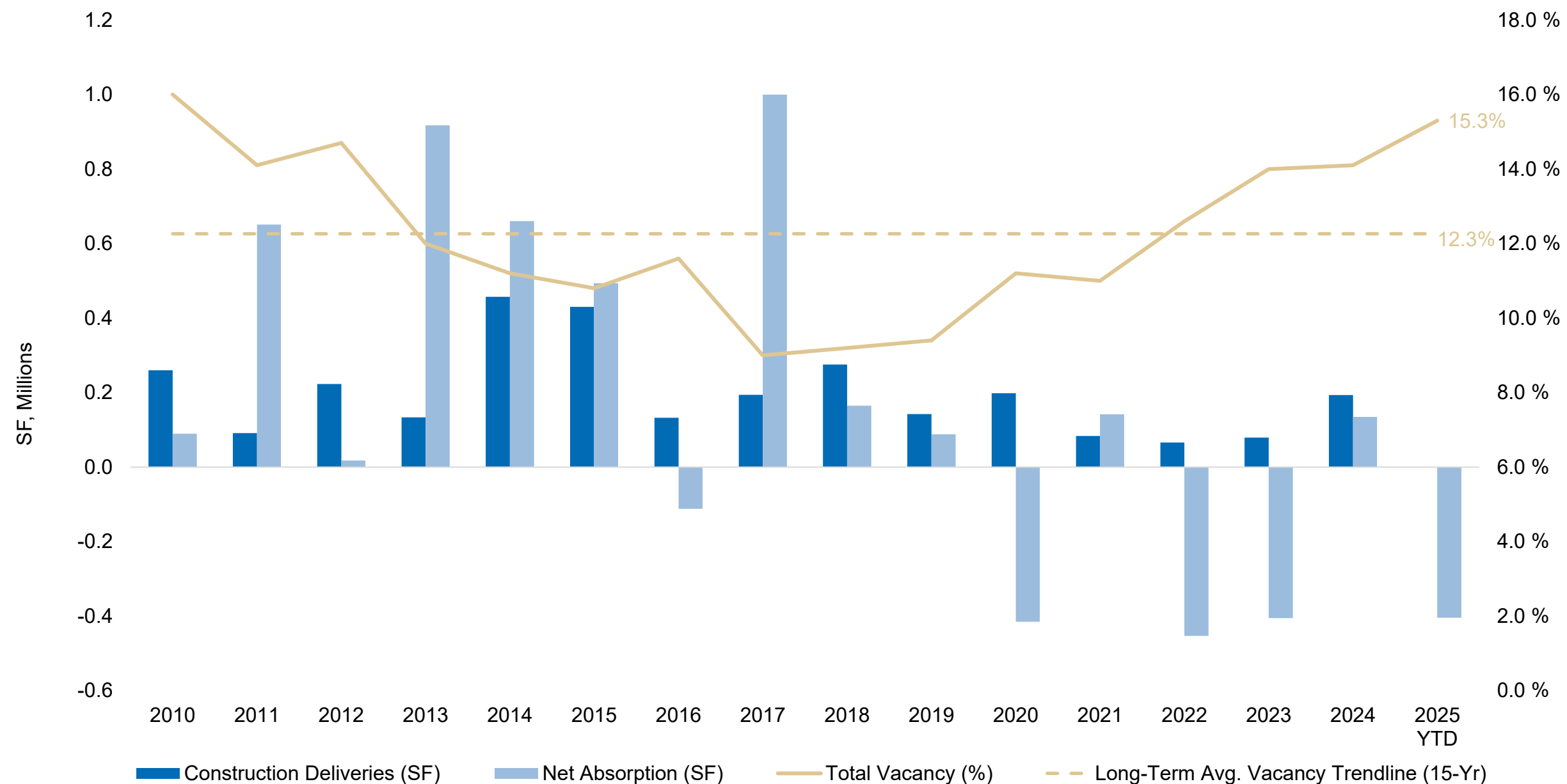
Leasing Market Fundamentals



Richmond Begins 2025 With Loosening Fundamentals

The Richmond office market experienced 112,000 SF of negative net absorption during Q2 2025, ending the quarter at a 15.3% vacancy rate, an expansion of 30 bps quarter-over-quarter. This negative net absorption was largely concentrated in the Northwest region, which experienced 180,000 SF of negative net absorption 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.

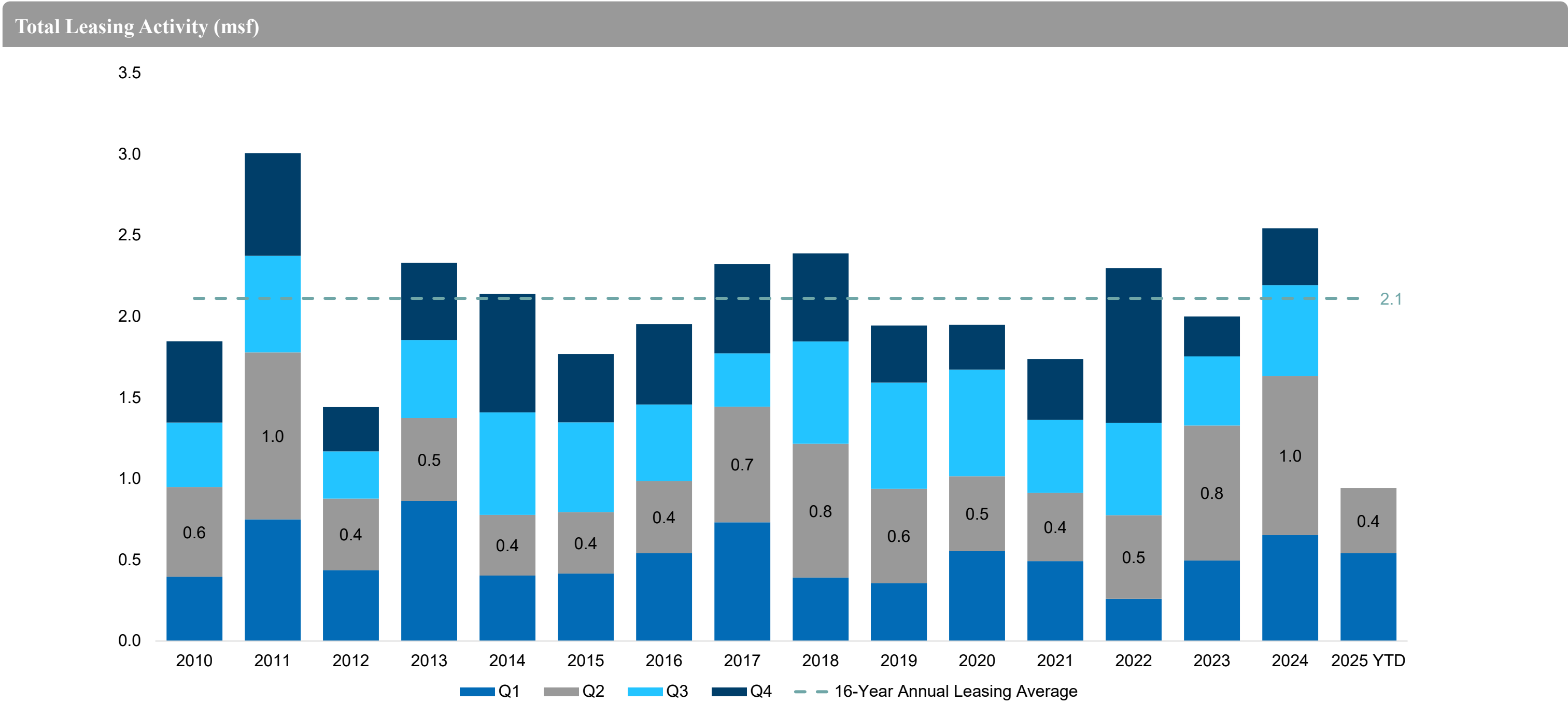
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

Leasing Activity Stable to Begin 2025

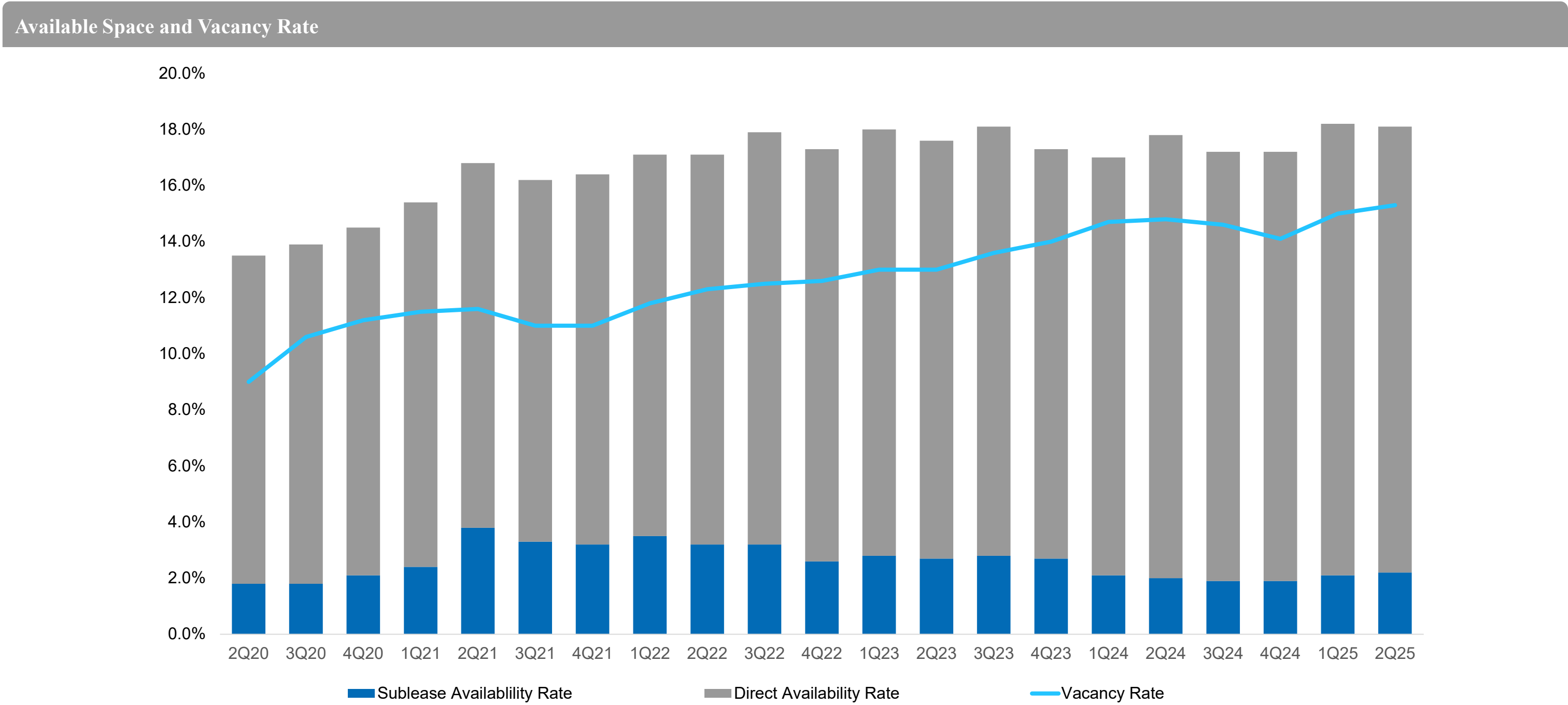
The Richmond market experienced 0.9 MSF of leasing activity during the first half of 2025, including 0.4 MSF of leasing activity during Q2 2025. The market’s leasing activity has been impressively stable during recent years, seeing between 1.7 MSF and 2.2 MSF of leasing activity each year from 2019-2023 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

Vacancy Expands Slightly While Availability Contracts During Q2 2025

Availability ended Q2 2025 at 18.1%, tightening 10 bps quarter-over-quarter, however expanding 30 bps year-over-year. Direct available space ended Q2 2025 at 15.9%, tightening 20 bps quarter-over-quarter, while sublease available space expanded 10 bps quarter-over-quarter, ending Q2 2025 at 2.2%. After sublease available space saw a peak of 3.8% in Q2 2021, the sublease available market has been consistently tightening. Vacancy ended Q2 2025 at 15.3%, expanding 30 bps quarter-over-quarter and 50 bps year-over-year.

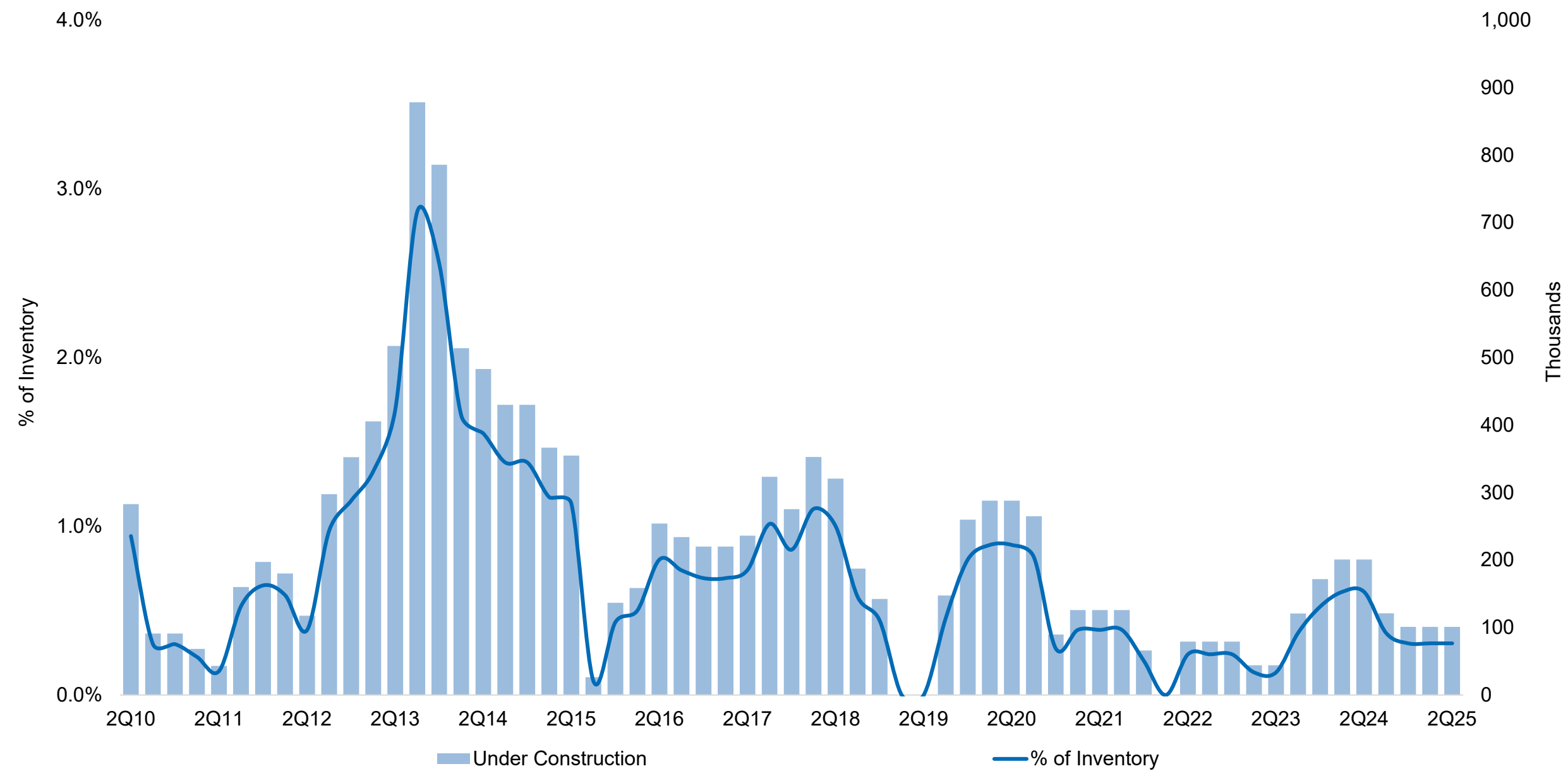


Source: Newmark Research

Construction Remains Below Historic Average

There are two properties totaling 101,000 SF currently under construction, lower than the market’s decade average of 163,000 square feet under construction. The first development will be a medical office building located at 5800 Patterson Avenue. It will bring 51,000 square feet of multi-tenant space to the West End submarket with an expected delivery of August. The second development will be a medical office building located at 15350 E West Road. It will bring 50,000 square feet of space to the Route 288 Corridor submarket with an expected delivery of October.

Office Under Construction and % of Inventory



Source: Newmark Research



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Leasing Activity Driven by New Deals and the Midlothian Corridor

New deals drove the leasing market in Q2 2025, evidenced by the top five transactions all being new deals. Furthermore, the Midlothian Corridor submarket, located in the Southwest region of Richmond, continued as one of the most active submarkets, containing the largest lease transaction of the quarter, with Bryant & Stratton College signing for 56,000 SF at 101 Gateway Centre Parkway.

Notable Lease Transactions				
Tenant	Building(s)	Submarket	Type	Square Feet
Bryant & Stratton College	101 Gateway Centre Parkway	Midlothian Corridor	New Lease	56,489
Confidential	7300 Beaufont Spring Drive	Midlothian Corridor	New Lease	23,254
CoStar Group	901 E Byrd Street	CBD	New Lease	22,970
Virginia Physicians for Women	7611 Forest Avenue	Glenside / Broad St	New Lease	12,239
Mosaic Group	6605 W Broad Street	Glenside / Broad St	New Lease	10,198

Source: Newmark Research

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Market Statistics





Please reach out to your
Newmark business contact for this information

For more information:

Carolyn Bates

*Director
Mid-Atlantic Research*

carolyn.bates@nmrk.com

Kevin Sweeney

*Associate Director
Mid-Atlantic Research*

kevin.sweeney@nmrk.com

Chad Braden

*Senior Research Analyst
Mid-Atlantic Research*

chad.braden@nmrk.com

New York Headquarters

125 Park Ave.
New York, NY 10017
t 212-372-2000

Will Bradley

*Executive Managing Director
Capital Markets*

will.bradley@nmrk.com

Mark Williford

*Executive Managing Director
Capital Markets*

mark.williford@nmrk.com

nmrk.com

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