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3Q24

# Richmond Industrial Market Overview

**NEWMARK**

# Market Observations

## Economy

- The region’s labor market remained historically strong amid shifting macroeconomic conditions. The unemployment rate ended Q3 2024 at 3.6%, significantly lower than the national average of 4.2%.
- 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 1.1%.

## Major Transactions

- The largest sale of the quarter was LL Flooring’s bankruptcy sale of 6121 White Oak Creek Drive to QTS Realty Trust. The 996,000-square-foot distribution center was sold for \$104.75 M, or \$105.19 PSF. LL Flooring will lease back 616,000 SF with a two-year term.
- New leases were the theme of leasing activity during Q3 2024, as five of the six largest leases signed during the quarter were new deals. Furthermore, the I-95 S / I-295 S / Rt 10 submarket within the Southeast quadrant was extremely active during the quarter, containing four of the six largest deals totaling over 650,000 SF.

## Leasing Market Fundamentals

- During Q3 2024, Richmond experienced 500,000 SF of positive net absorption. This positive net absorption was due to the Southeast quadrant, which saw over 600,000 SF of positive net absorption due to multiple large occupations during the quarter. The market remains historically tight with this positive net absorption, ending Q3 2024 at a 4.4% vacancy rate, much tighter than the historical average of 5.8%. For further context, the expansion in vacancy during 2024 is solely due to deliveries outpacing absorption.
- Average asking rents ended Q3 2024 at \$9.18 PSF, an increase of 7.0% year-over-year. Overall, the market has seen an impressive 52.2% increase in rents since the beginning of 2020.
- The market’s development remains strong, experiencing almost 10.0 MSF of deliveries in 2022 and over 5.0 MSF of deliveries in 2023, much higher than the decade’s annual average of 2.7 MSF. Development has slowed in 2024 but continued strong, as user demand is keeping the pipeline steady looking forward into 2025 and 2026.

## Outlook

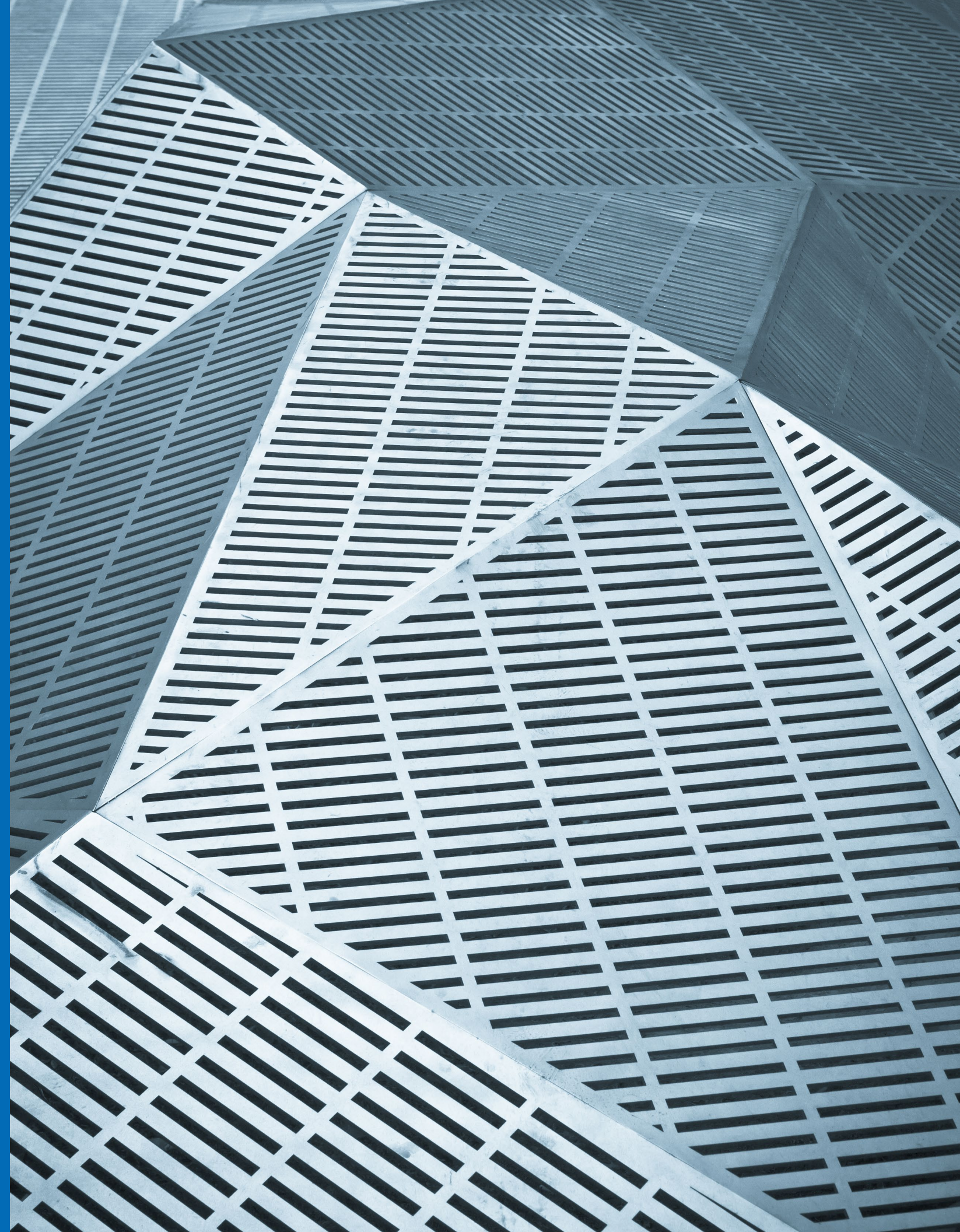
- The Richmond Industrial market is expected to continue to perform well with user demand generally in line with new supply. With over 5.2 MSF under construction, including much of the space pre-leased or owner-occupied, the market will see consistent occupied space delivered, helping to maintain a healthy 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.

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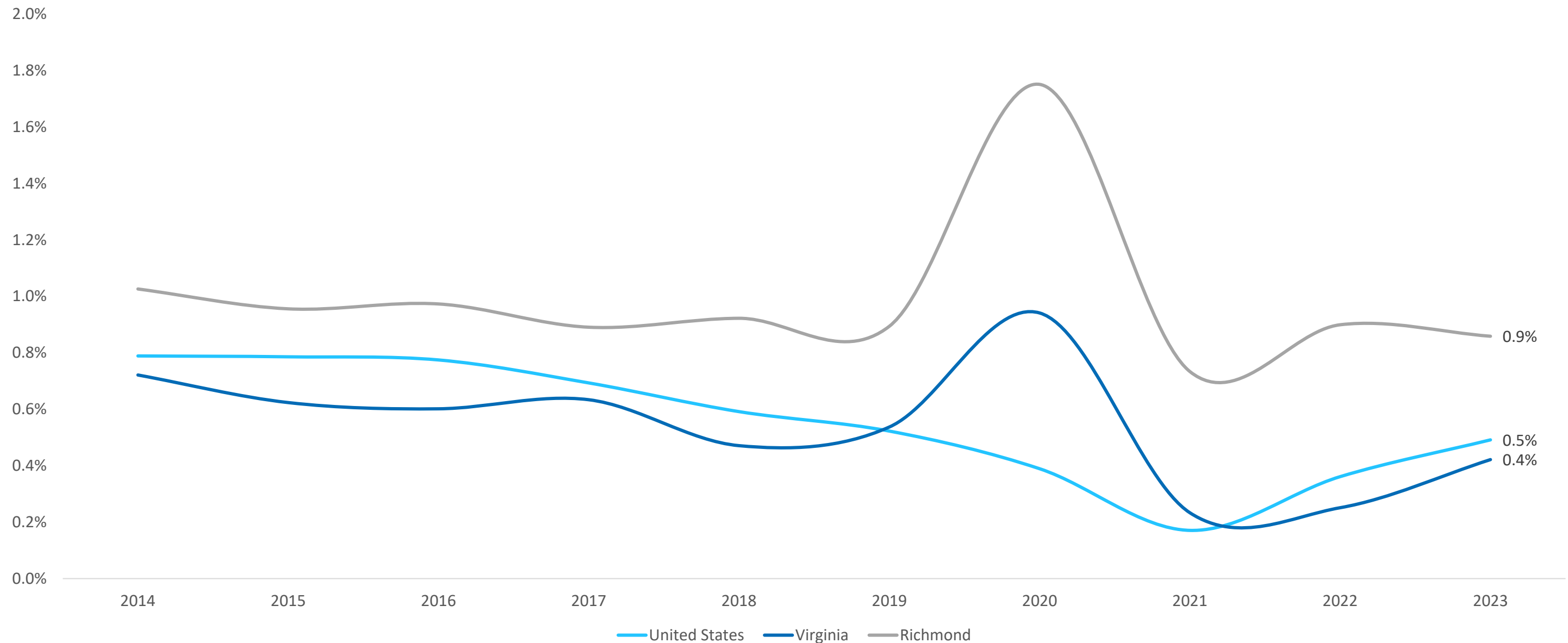
# Economy



# Richmond Continues Experiencing Elevated Population Growth

The Richmond Metro continues to experience elevated population growth, with the resident population growing 0.9% in 2023. Richmond's population has grown at double the rate of the United States and Virginia, which saw 0.5% and 0.4% of population growth in 2023, respectively. Furthermore, Richmond has been the fastest-growing large metro in Virginia over recent years.

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

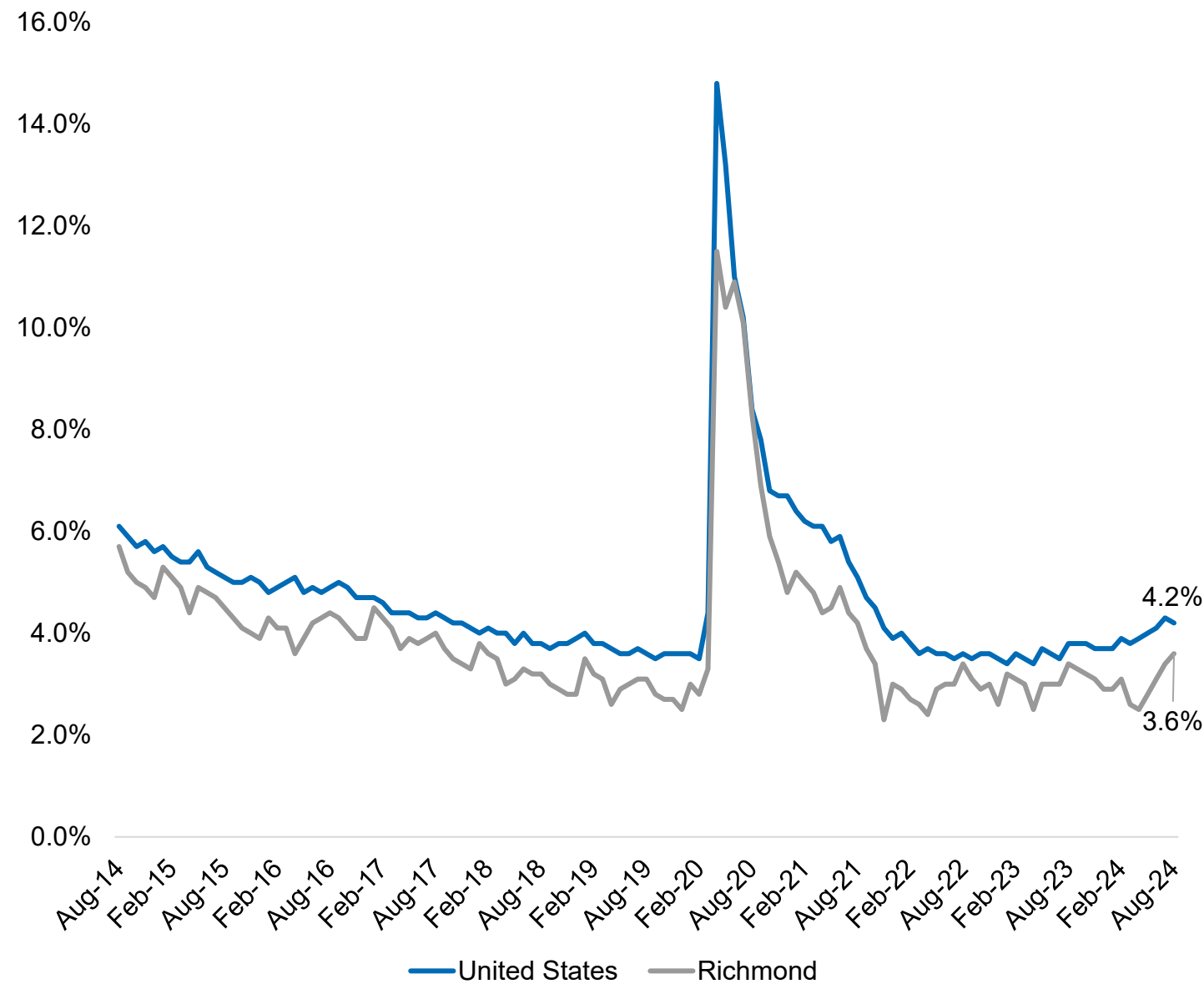


Source: Newmark Research

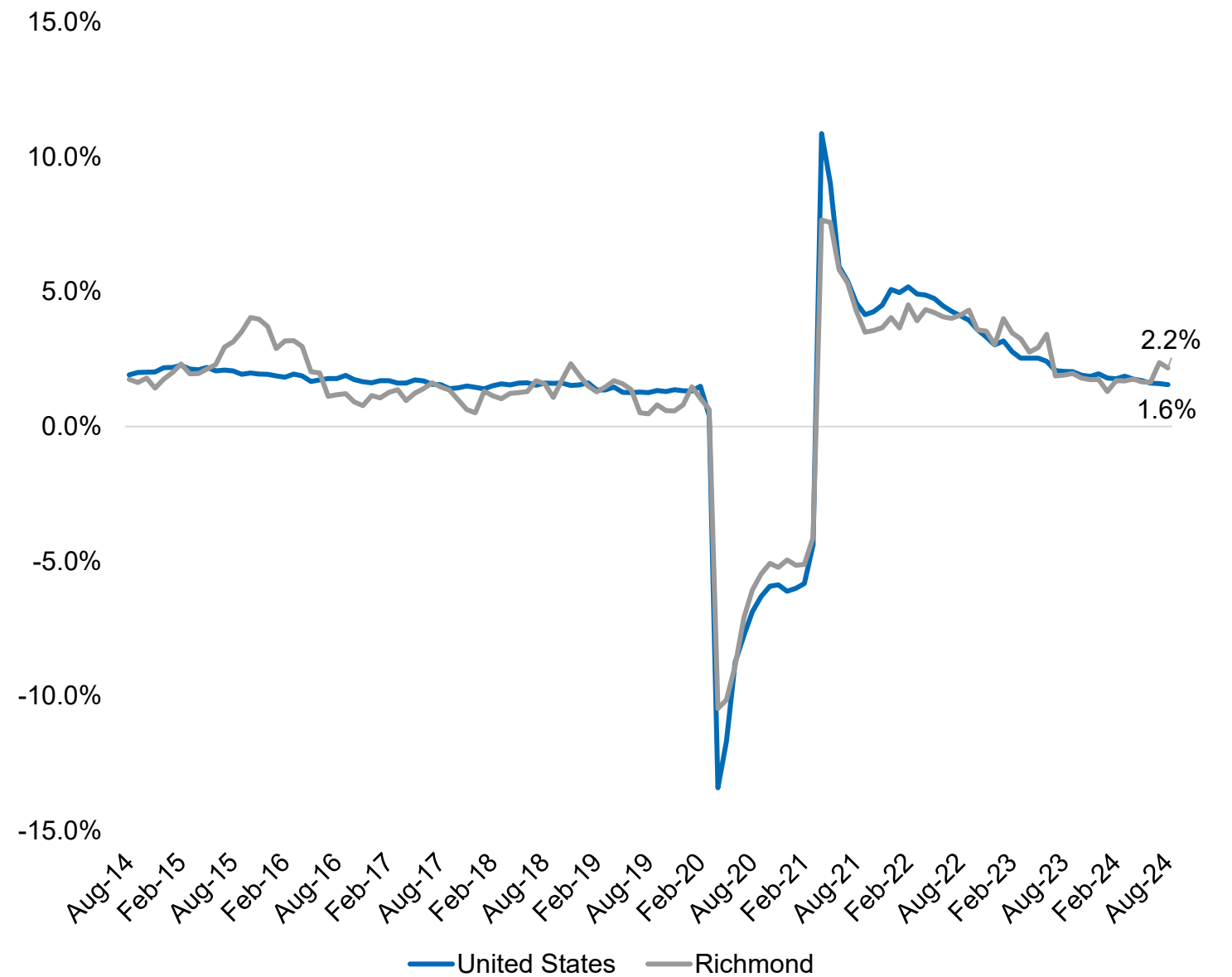
# Richmond's Unemployment Rate Outperforms National Average

Richmond's unemployment rate continues to outperform the national average, measuring 3.6% in August 2024. This is 20 bps higher year-over-year, however, it is 60 bps lower than the national average.

Unemployment Rate, Seasonally Adjusted



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

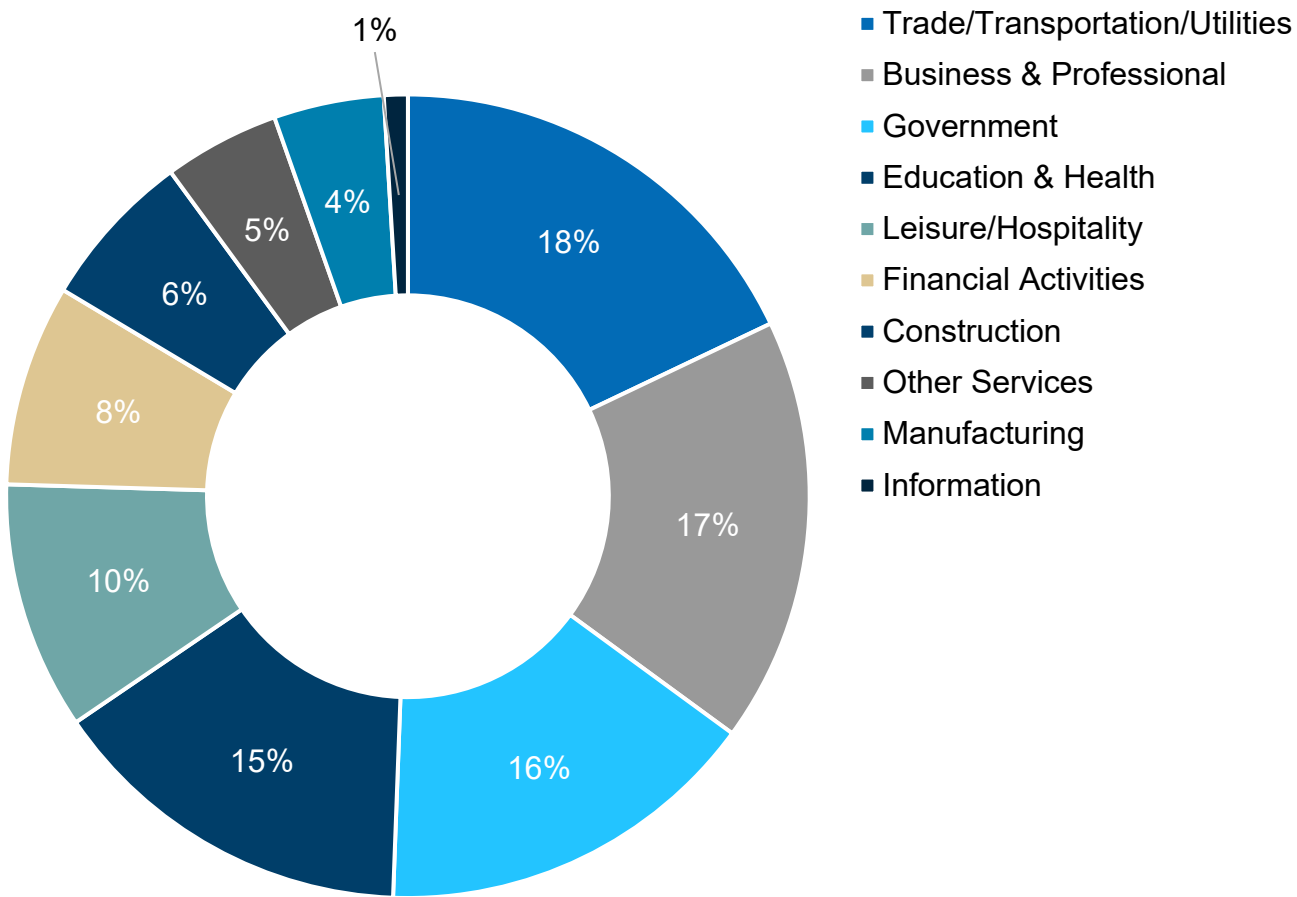


Source: U.S. Bureau of Labor Statistics, Richmond

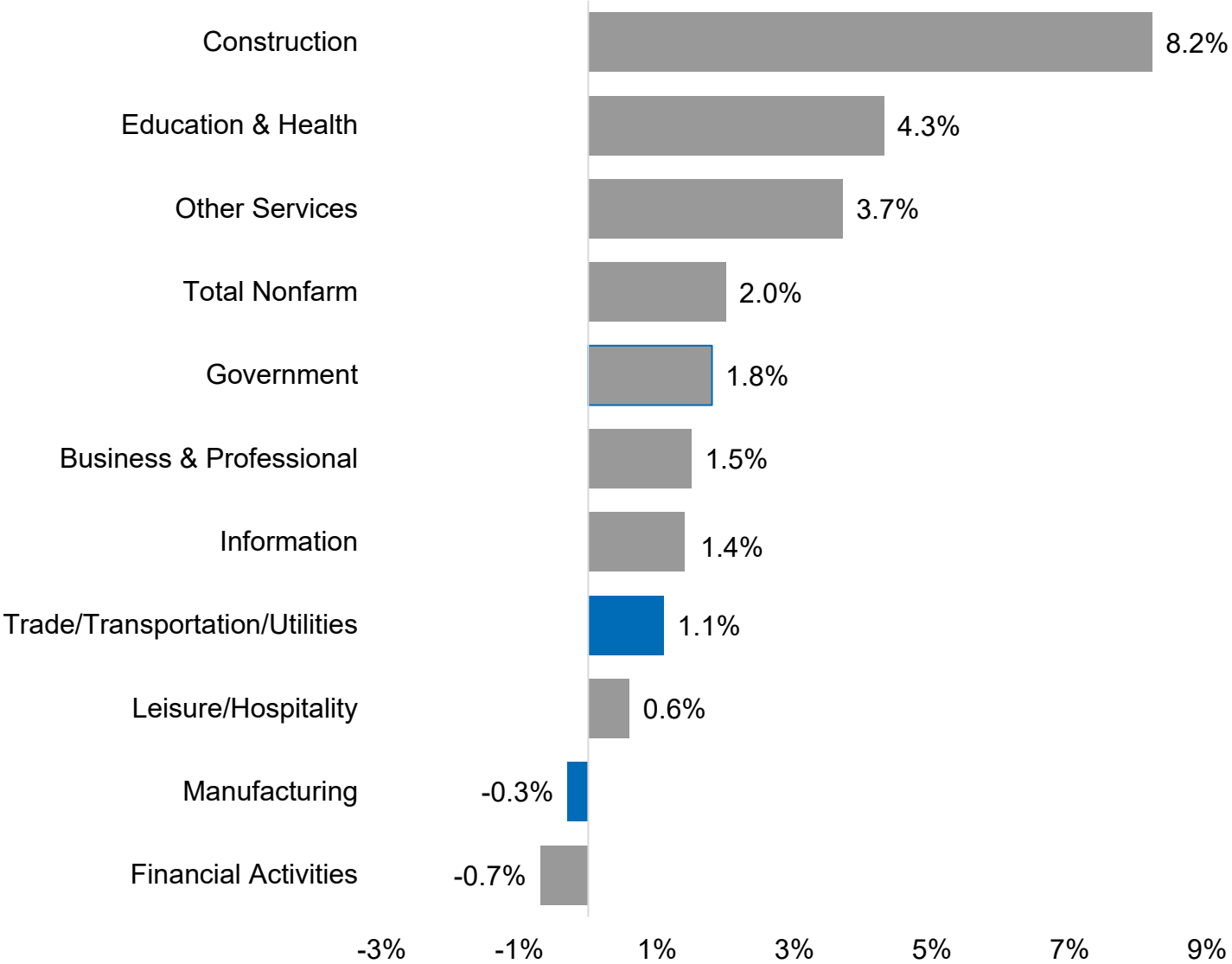
# Trade/Transportation/Utilities Continues Growth as the Leading Regional Industry

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 1.1%.

Employment by Industry, August 2024



Employment Growth by Industry, 12-Month % Change, August 2024

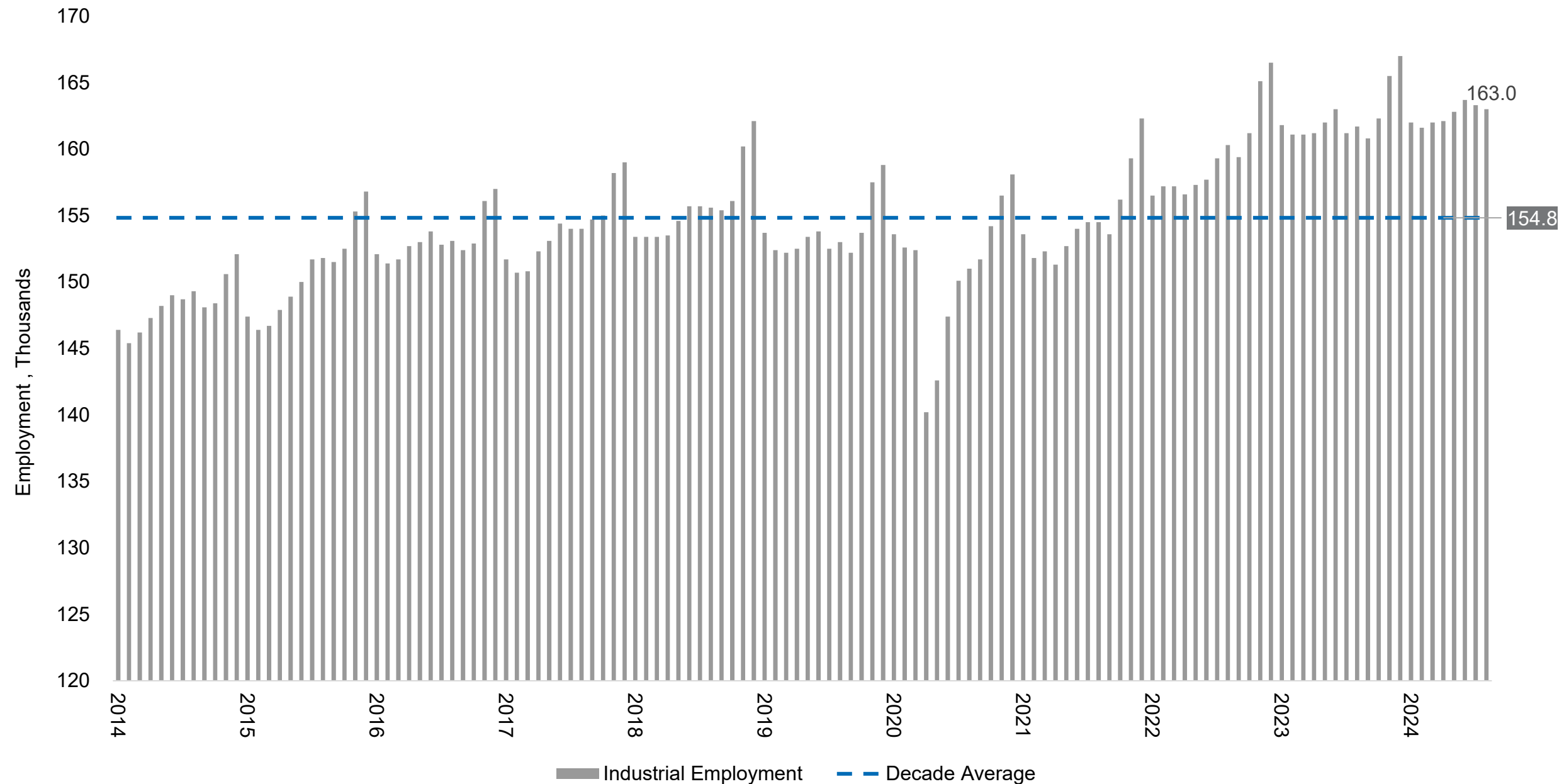


Source: U.S. Bureau of Labor Statistics, Richmond

# Industrial Employment Remains at Elevated Levels

The number of industrial jobs has rebounded and now sits above pre-pandemic levels. Employment ended August 2024 at 163,000 employees, 5.3% higher than the decade average and an increase of 16.3% since the market reached a pandemic-related low in April of 2020.

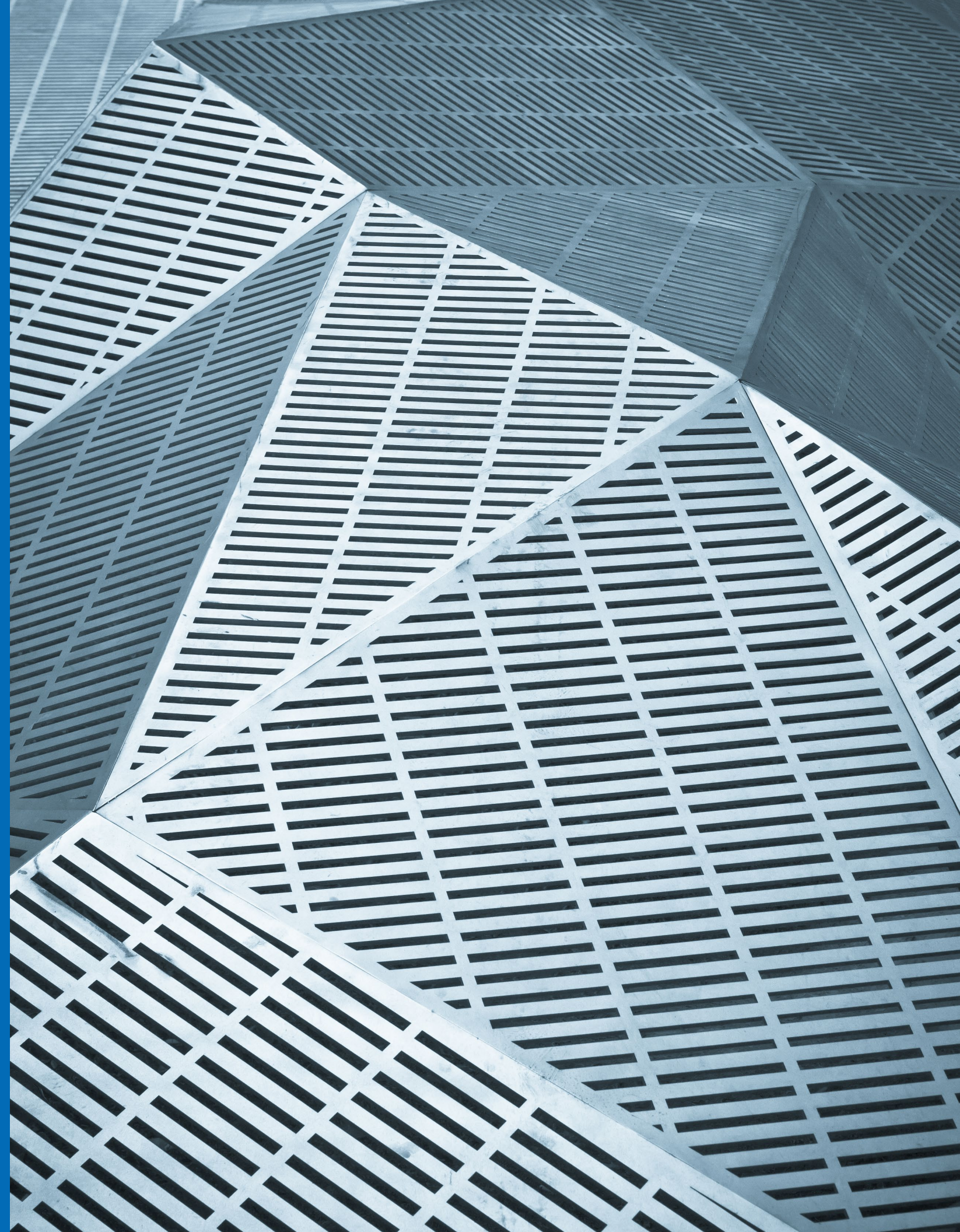
## Industrial Employment





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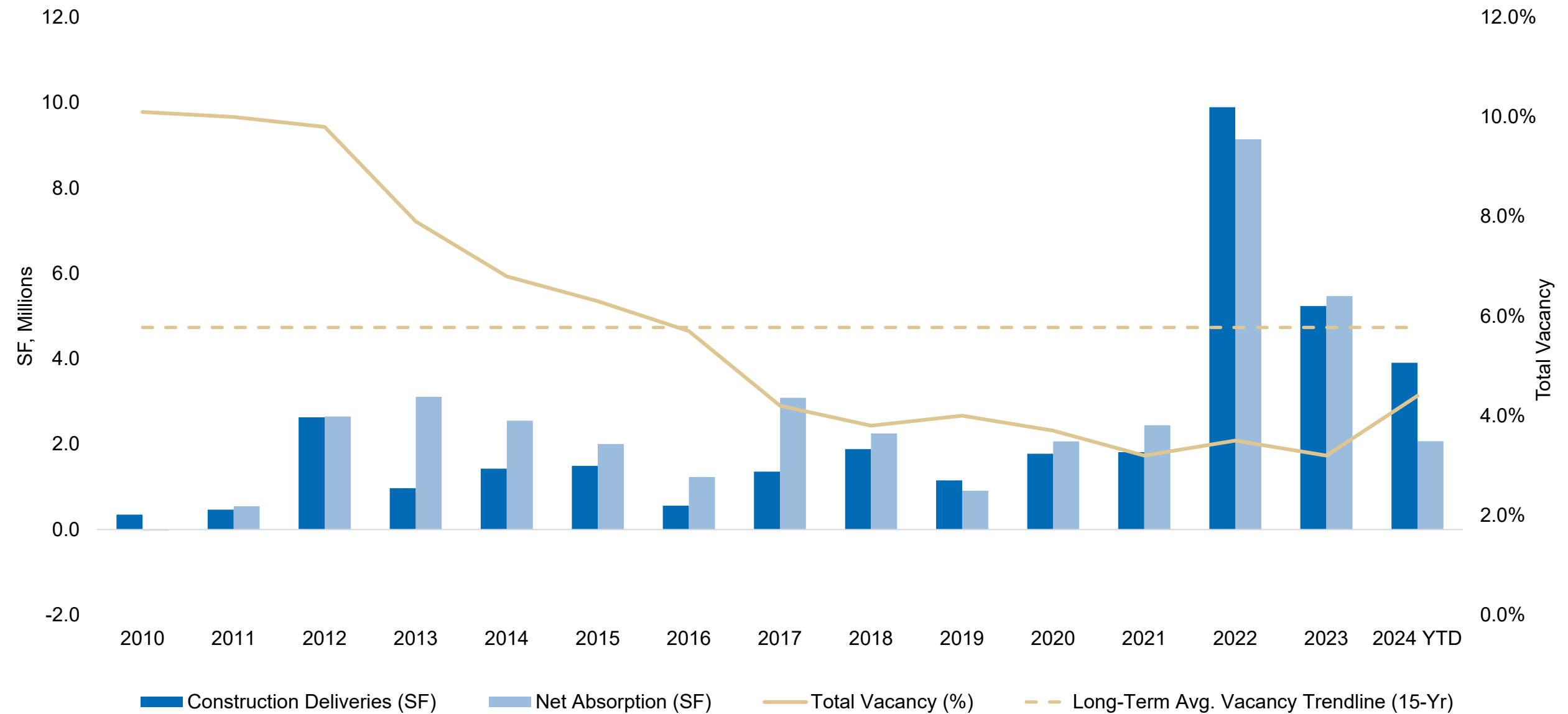
# Leasing Market Fundamentals



# Fundamentals Remain Healthy in 2024

The Richmond Industrial market continues to perform exceptionally well, as evidenced by its fundamentals. During Q3 2024, Richmond experienced 270,000 SF of deliveries while seeing over 500,000 SF of positive net absorption. This positive net absorption was due to the Southeast quadrant, which saw over 600,000 SF of positive net absorption due to multiple large occupations during the quarter. The market remains historically tight with this positive net absorption, ending Q3 2024 at a 4.4% vacancy rate, much tighter than the historical average of 5.8%. For further context, the expansion in vacancy during 2024 is solely due to deliveries outpacing absorption.

Historical Construction Deliveries, Net Absorption, and Vacancy



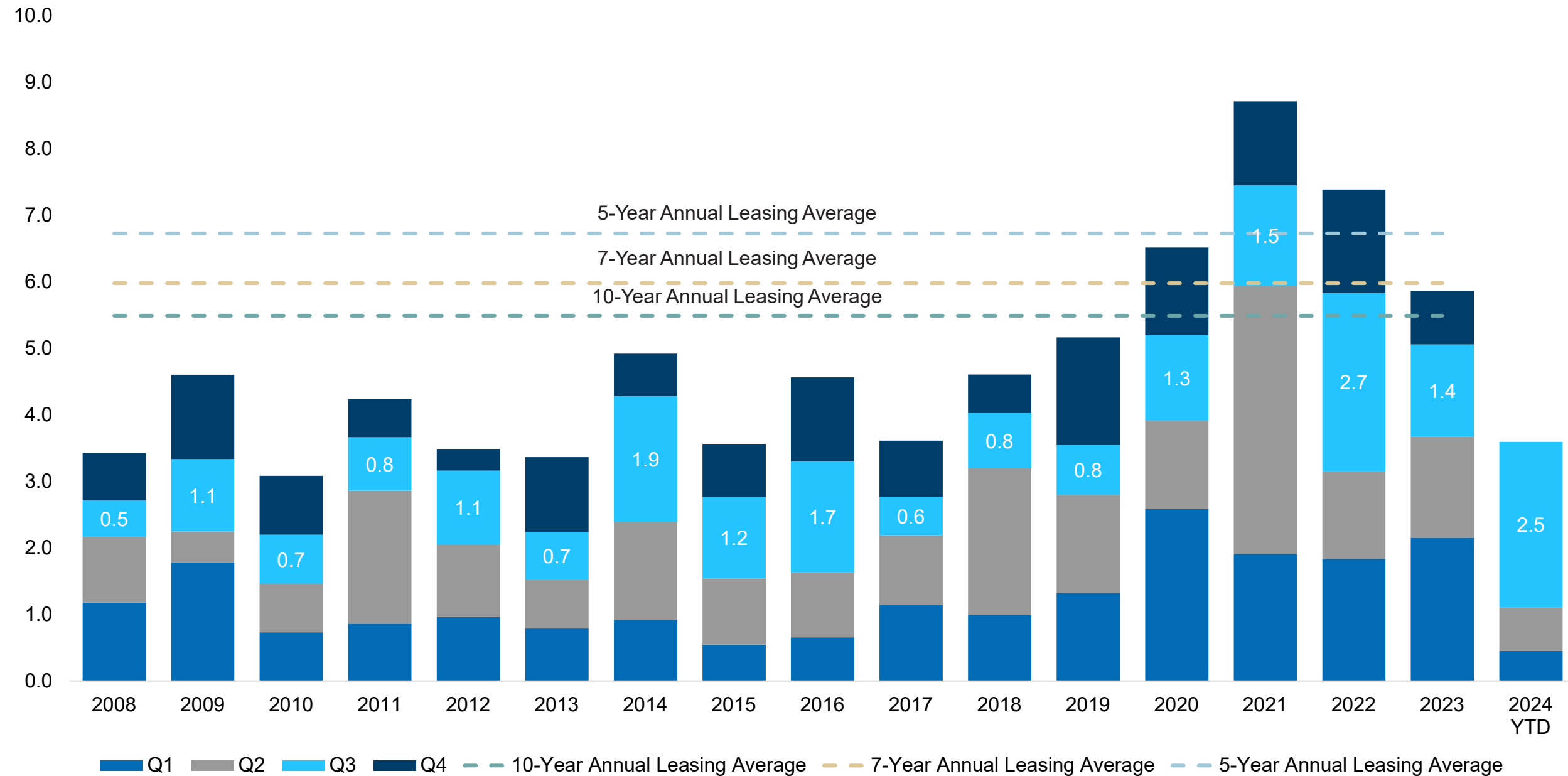
Source: Newmark Research, CoStar



# Industrial Leasing Activity Accelerates in Third Quarter

Leasing activity accelerated during Q3 2024, with the market seeing 2.5 MSF of activity. It was a historically active third quarter, with almost twice the amount of leasing activity as the historical average of 1.3 MSF. Current user demand and pending leases will continue this leasing velocity into coming quarters.

Total Leasing Activity (tsf)

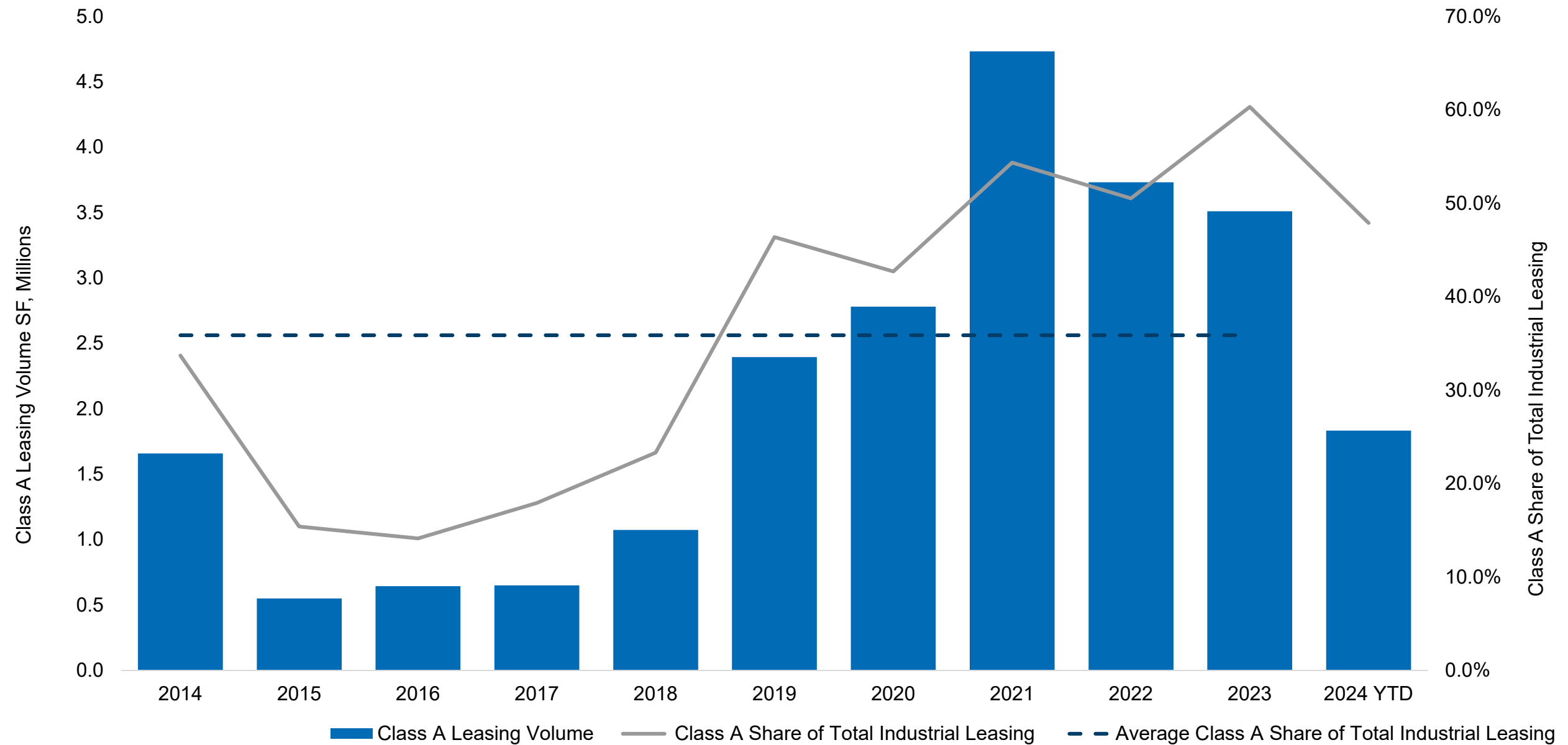


Source: Newmark Research, CoStar

# Class A Industrial Leasing Picks Up the Pace

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. So far in 2024, the Richmond market has seen over 1.8 MSF of Class A leasing volume. This was 47.9% of overall leasing activity during the period, higher than the decade average of 35.9%, highlighting continued interest in quality Class A space by occupiers.

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

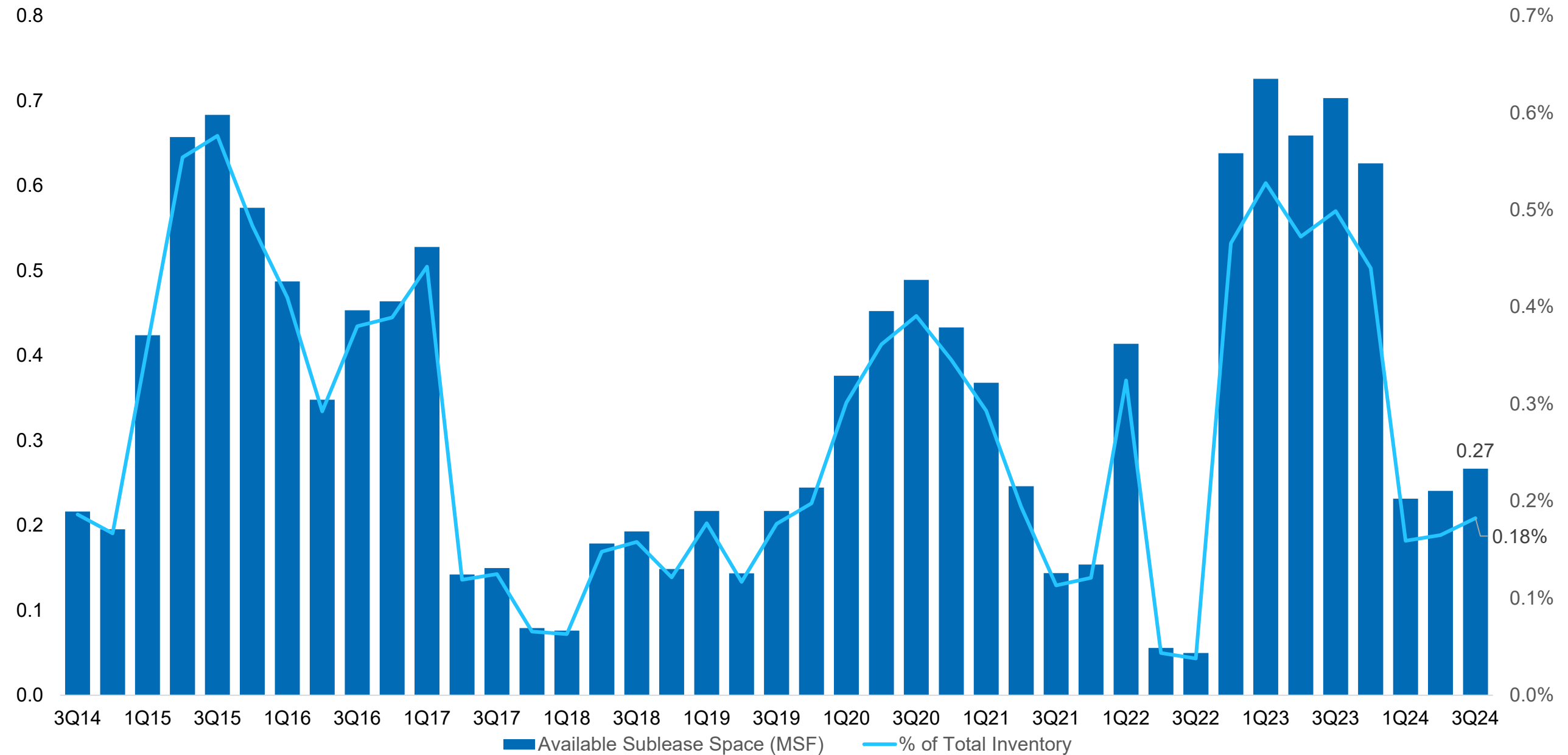


Source: Newmark Research, CoStar

# Available Sublease Space Remains Below Historical Average

The market ended Q3 2024 with only 267,000 SF of sublease space available, which is lower than the historical average of 344,000 SF of available sublease space. Basis this, only 0.18% 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

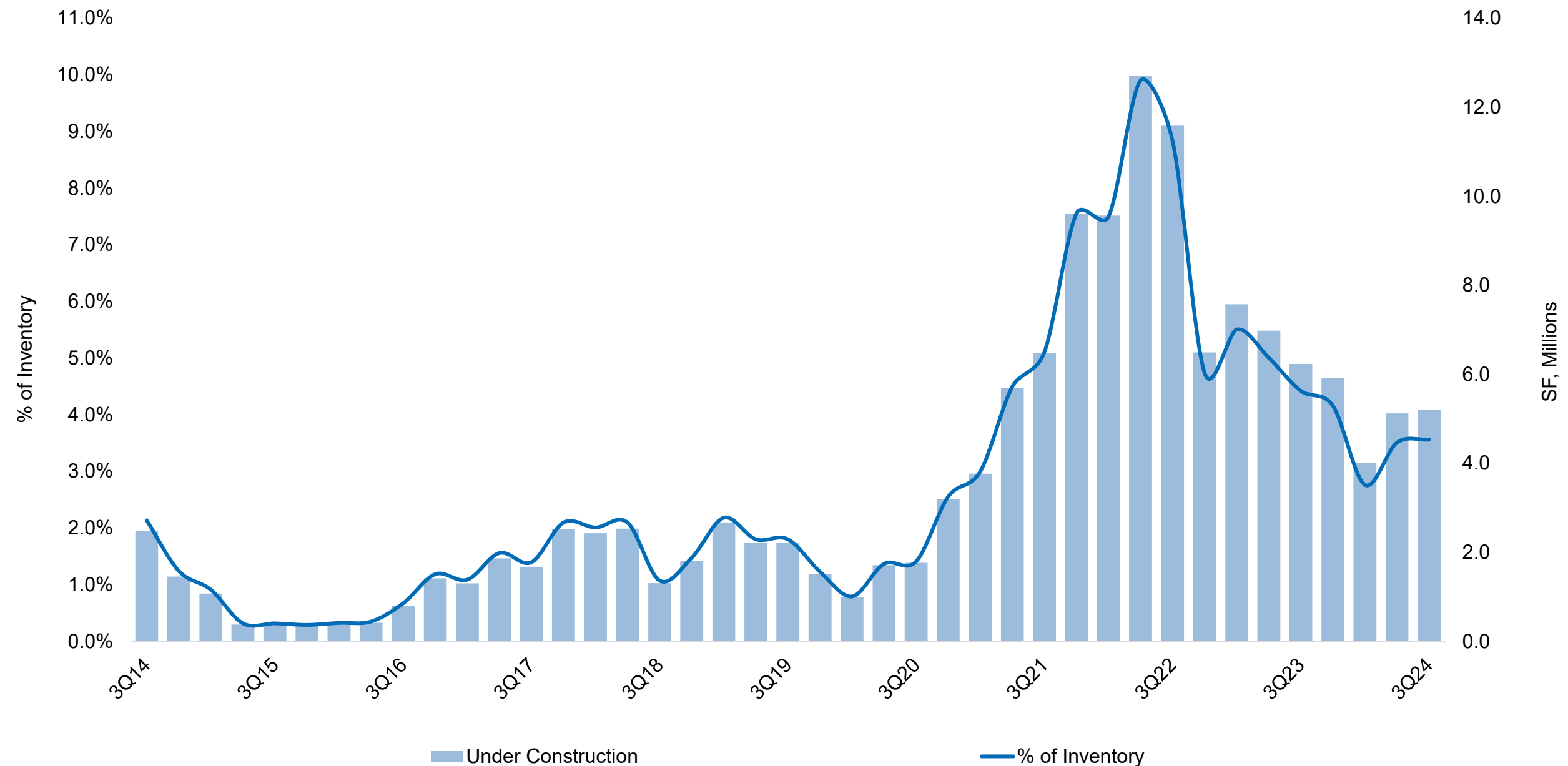


Source: Newmark Research, CoStar

# Construction Supply Remains Elevated Despite Decelerating

Industrial development has exploded in the Richmond region during recent years, ending Q3 2024 with 18 properties under construction totaling over 5.2 MSF. After the market averaged 1.6 MSF under construction from 2014 to 2020, development began accelerating in 2021 and reached a peak of 12.7 MSF under construction in Q2 2022. Since then, the market has maintained an elevated level of construction much higher than historical averages. Furthermore, the high demand within the market is evident in its development, with only 25% of the space currently under construction available for lease, highlighting that the majority of development is build-to-suit or pre-leased spec.

## Industrial Under Construction and % of Inventory

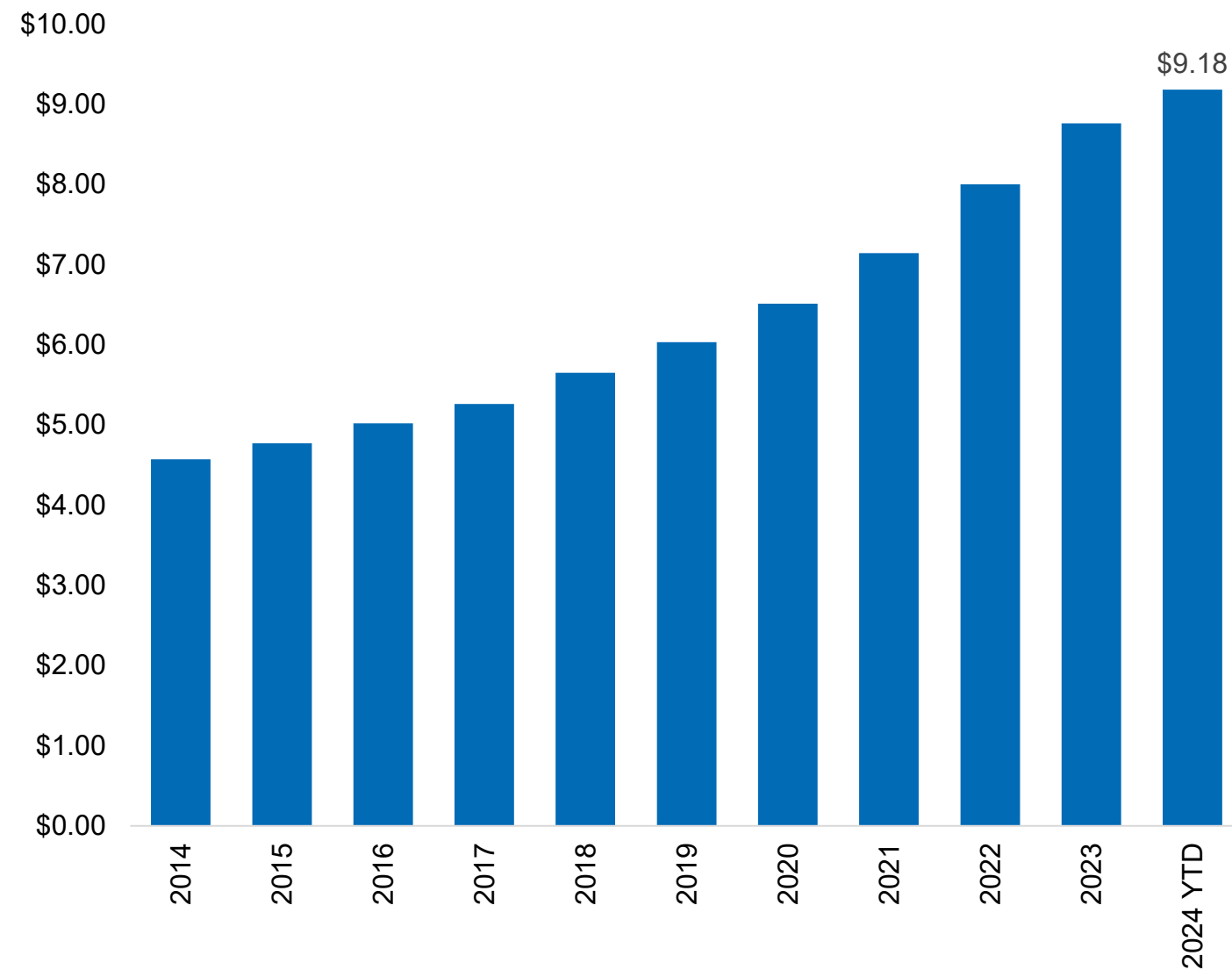


Source: Newmark Research, CoStar

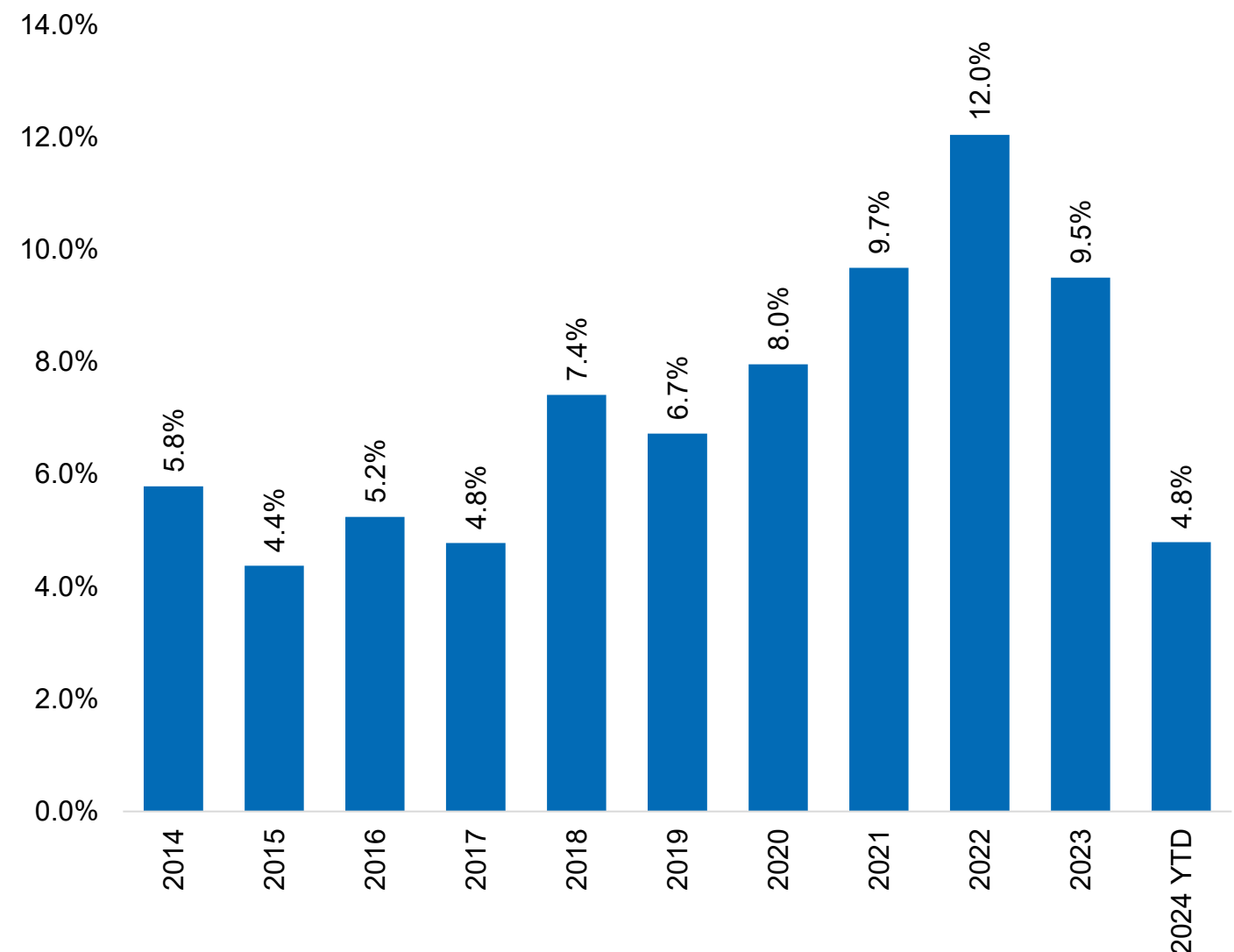
# Asking Rents Continue Rapid Growth

Average asking rents ended Q3 2024 at \$9.18 PSF, an increase of 7.0% year-over-year. Although rent growth decelerated slightly in 2023 after the market experienced 12.0% rent growth in 2022, the market is still seeing elevated rent growth. Overall, the market has seen an impressive 52.2% increase in rents from the beginning of 2020 through Q3 2024.

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 Q3 2024, as five of the six largest leases signed during the quarter were new deals. Furthermore, the I-95 S / I-295 S / Rt 10 submarket within the Southeast quadrant was extremely active during the quarter, containing four of the six largest deals.

## Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Vital Records Control	1964-1998 Ruffin Mill Road	I-95 S / I-295 S / Rt 10	Lease Renewal	233,359
Sabert	2913 Transport Street	Jeff Davis Corridor	New Lease	188,162
A&A Transfer	1611 Ashton Park Drive	I-95 S / I-295 S / Rt 10	New Lease	173,800
M.C. Dean	11129 Washington Highway	I-95 North / Ashland	New Lease	142,845
Shotgun Distribution / Maruchan	1700 Ruffin Mill Road	I-95 S / I-295 S / Rt 10	New Lease	141,845
PECO	801 Port Walthall Drive	I-95 S / I-295 S / Rt 10	New Lease	106,376

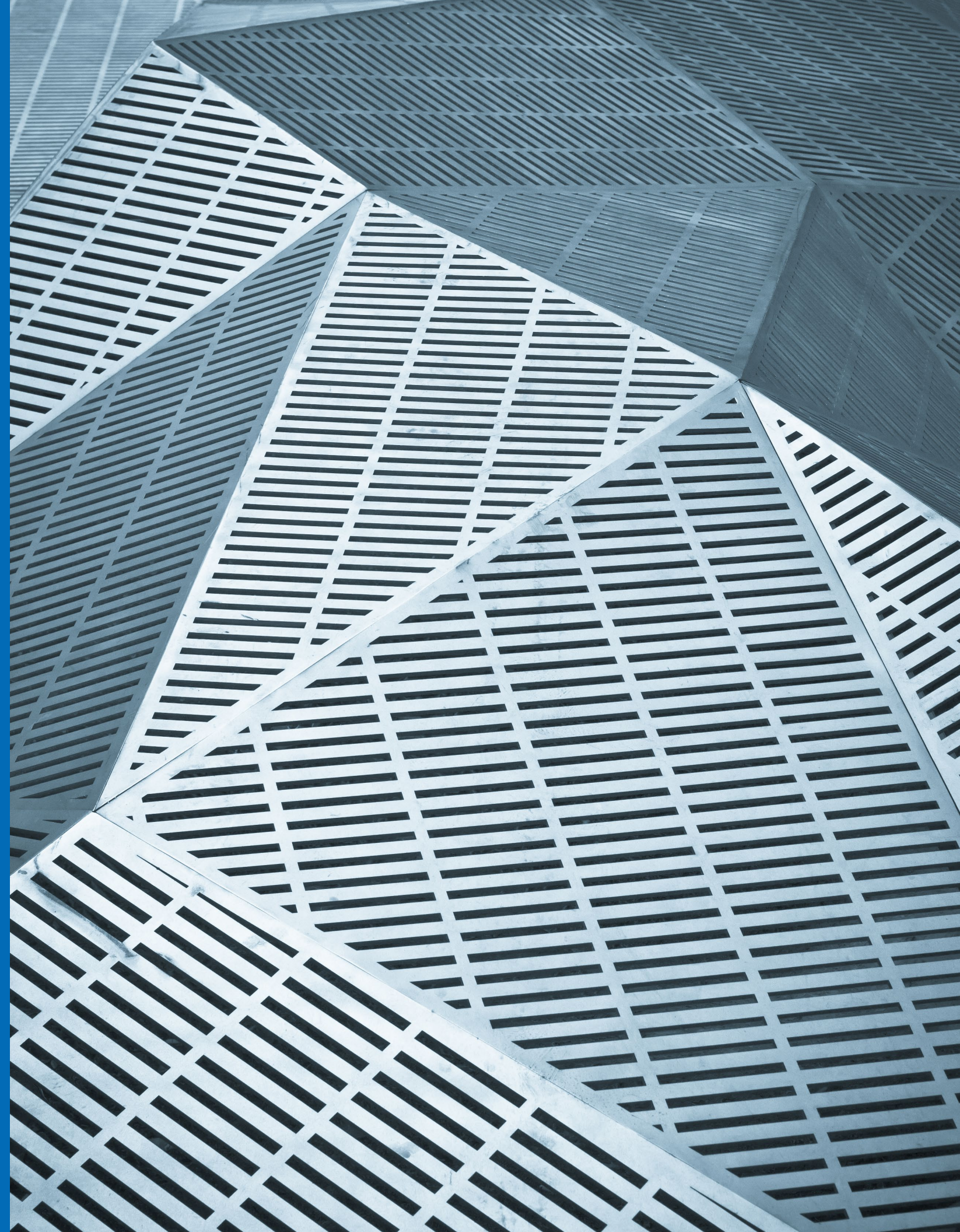
Source: Newmark Research, CoStar



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# Market Statistics



Please reach out to your  
Newmark business contact for this information

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*For more information:*

**Carolyn Bates**

*Director  
Mid-Atlantic Research*

carolyn.bates@nmrk.com

**Chad Braden**

*Senior Research Analyst  
Mid-Atlantic Research*

chad.braden@nmrk.com

**Danny Calo**

*Senior Research Analyst  
Mid-Atlantic Research*

danny.calo@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

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