

Richmond Industrial Market Overview

Market Observations

Economy

- The region’s labor market remained historically strong amid shifting macroeconomic conditions. The unemployment rate ended November 2024 at 3.2%, 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 2.3%.

Major Transactions

- New leases were the theme of leasing activity during Q4 2024, as four of the six largest leases signed during the quarter were new deals totaling over 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 previous tenants expand in the market.
- The largest sale of the quarter was the portfolio sale of three industrial properties located at 2704-2712 Seven Hills Boulevard within the Airport Logistics Center. The three properties, totaling 617,690 SF, were sold by Becknell Industrial to Ares Management Corp for \$66.4 M, or \$107.50 PSF.

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Leasing Market Fundamentals

- During 2024, Richmond experienced 2.4 MSF of positive net absorption. This positive net absorption was due to the Southeast quadrant, which saw almost 2.6 MSF of positive net absorption due to multiple large occupancies during the year. The market remained historically tight, ending 2024 at a 4.6% vacancy rate, much tighter than the historical average of 5.8% and tighter than the national average of 6.6%. For further context, the expansion in vacancy during 2024 was solely due to deliveries outpacing absorption.
- Average asking rents ended 2024 at \$9.39 PSF, an increase of 6.2% year-over-year. Overall, the market has seen an impressive 55.2% 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 5.2 MSF of deliveries in 2023, much higher than the decade’s annual average of 3.0 MSF. Development continued strong in 2024, ending the year with almost 4.7 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 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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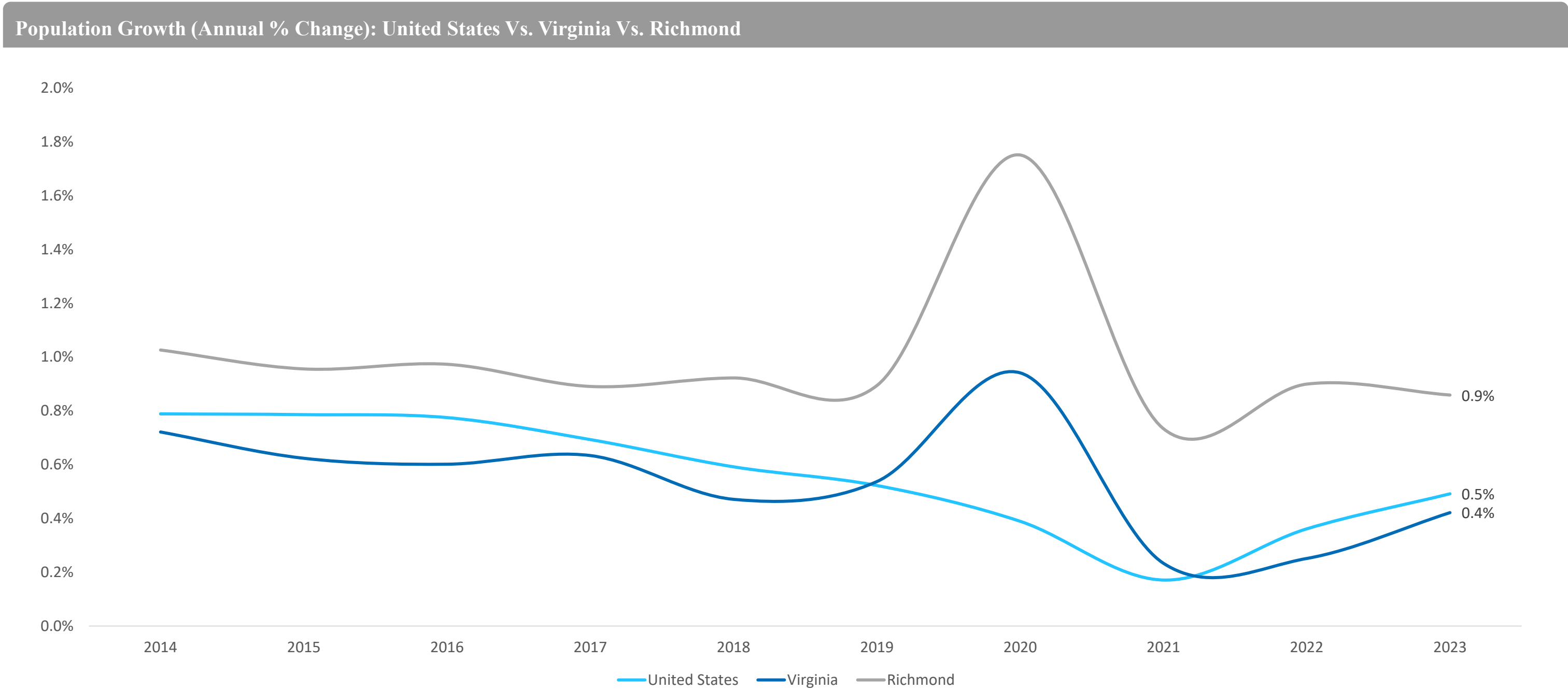
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Economy



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.

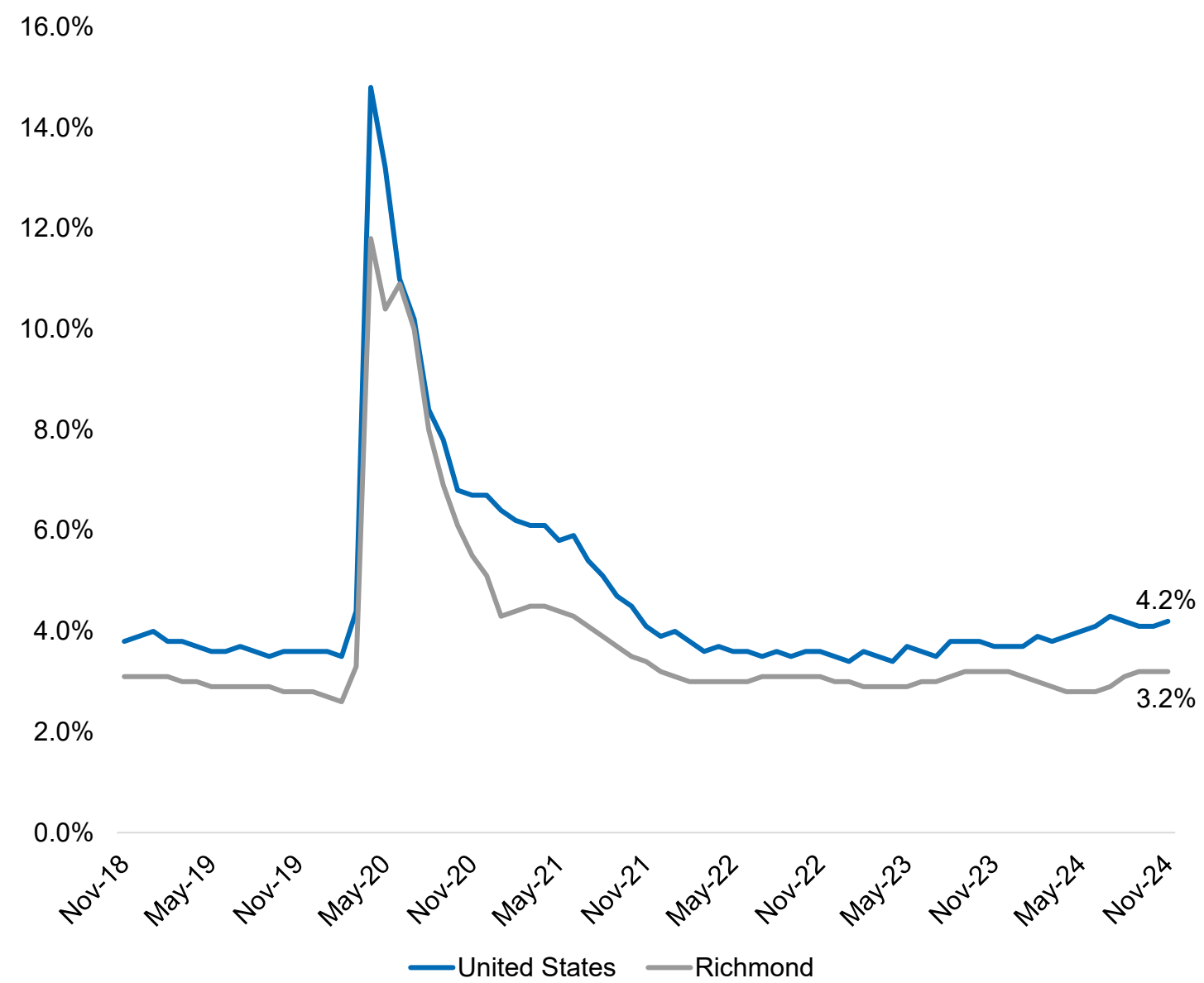


Source: U.S. Census Bureau

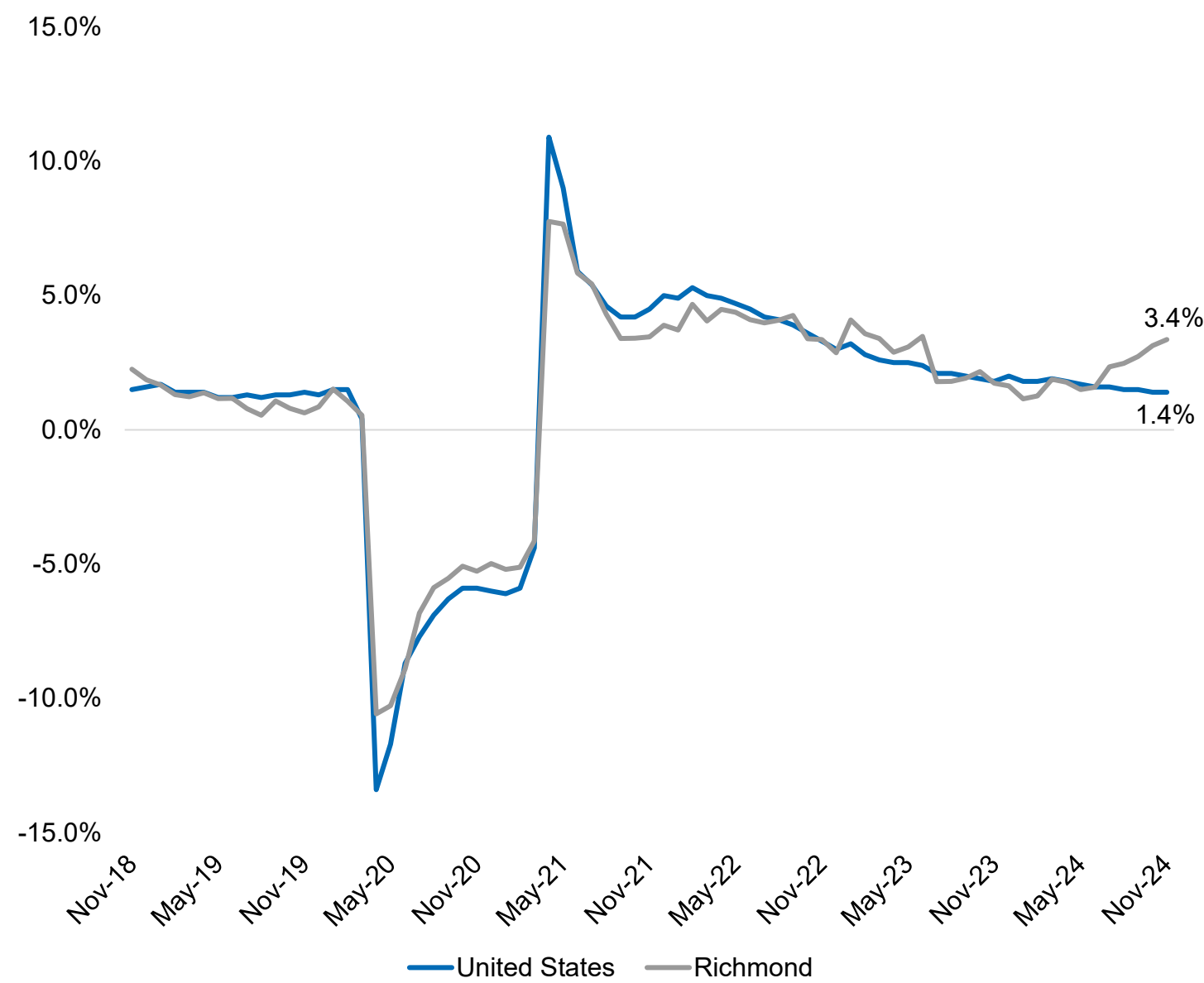
Richmond's Unemployment Rate Outperforms National Average

Richmond's unemployment rate continues to outperform the national average, measuring 3.2% in November 2024. This is flat year-over-year and 100 bps lower than the national average.

Unemployment Rate, Seasonally Adjusted



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



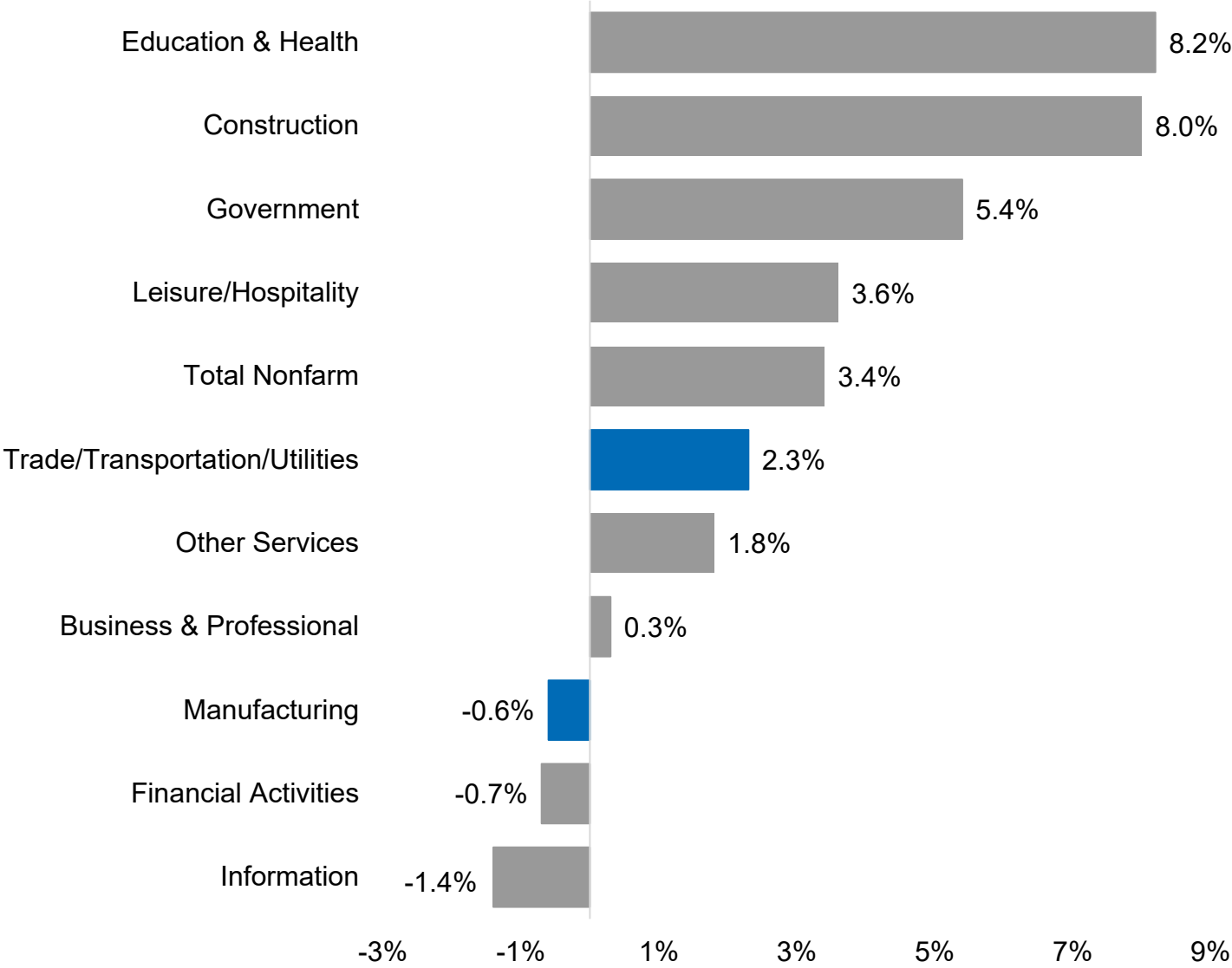
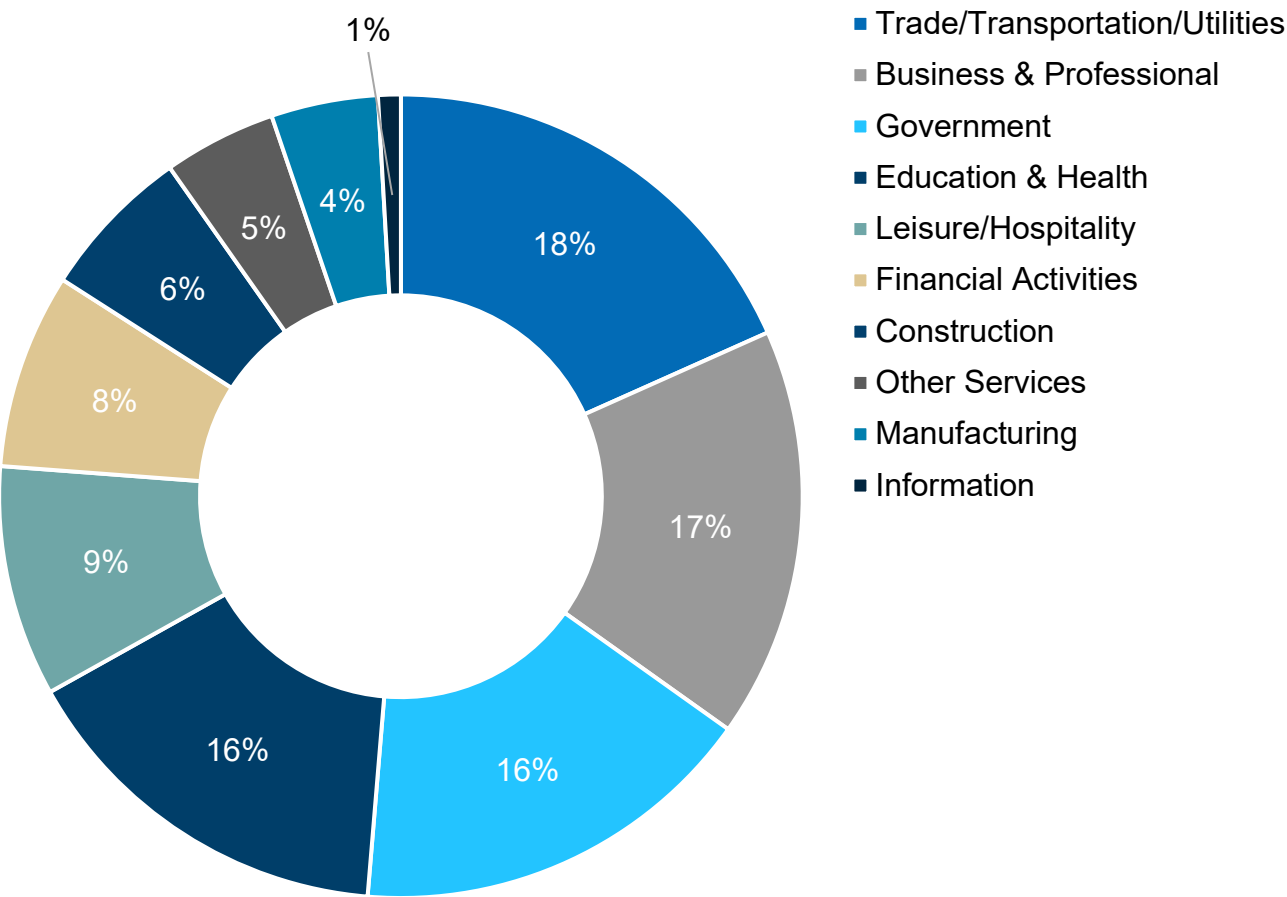
Source: U.S. Bureau of Labor Statistics, Richmond

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 2.3%.

Employment by Industry, November 2024

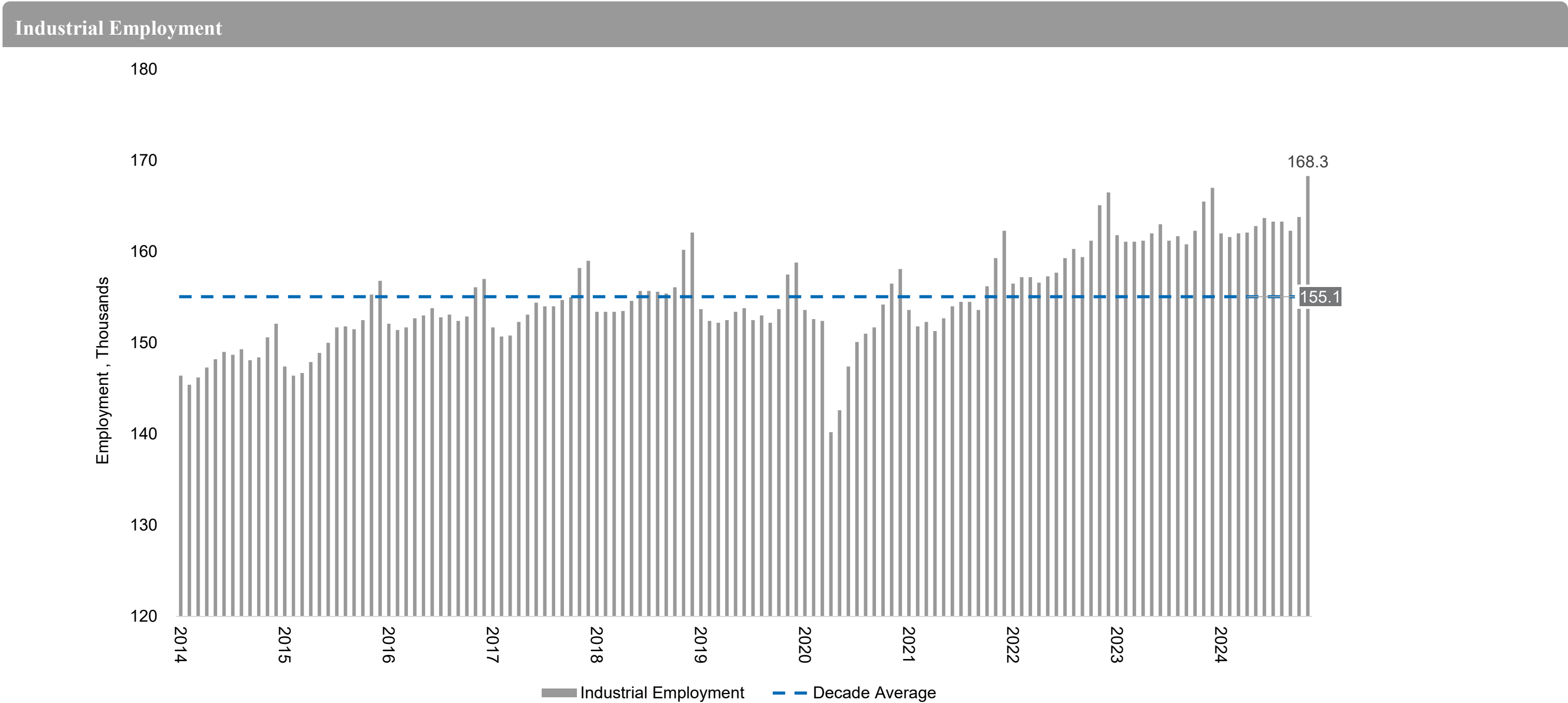
Employment Growth by Industry, 12-Month % Change, November 2024



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 November 2024 at a historic high of 168,300 employees, 8.5% higher than the decade average and an increase of 20.0% since the market reached a pandemic-related low in April of 2020.



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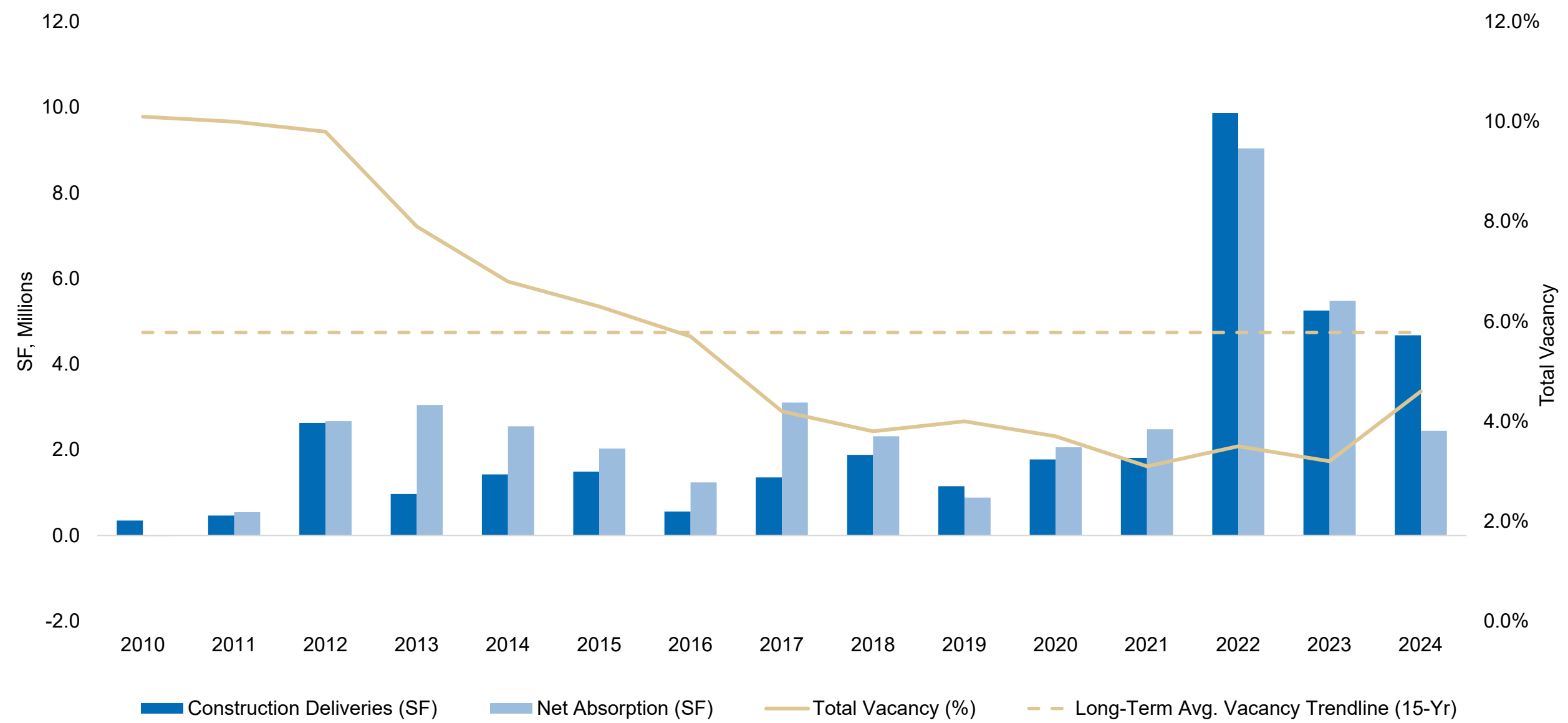
Leasing Market Fundamentals



Fundamentals Remain Healthy to End 2024

The Richmond Industrial market continues to perform exceptionally well, as evidenced by its fundamentals. During 2024, Richmond experienced 4.7 MSF of deliveries while seeing over 2.4 MSF of positive net absorption. This positive net absorption was due to the Southeast quadrant, which saw almost 2.6 MSF of positive net absorption due to multiple large occupations during the year. The market remains historically tight, ending 2024 at a 4.6% vacancy rate, much tighter than the historical average of 5.8%.

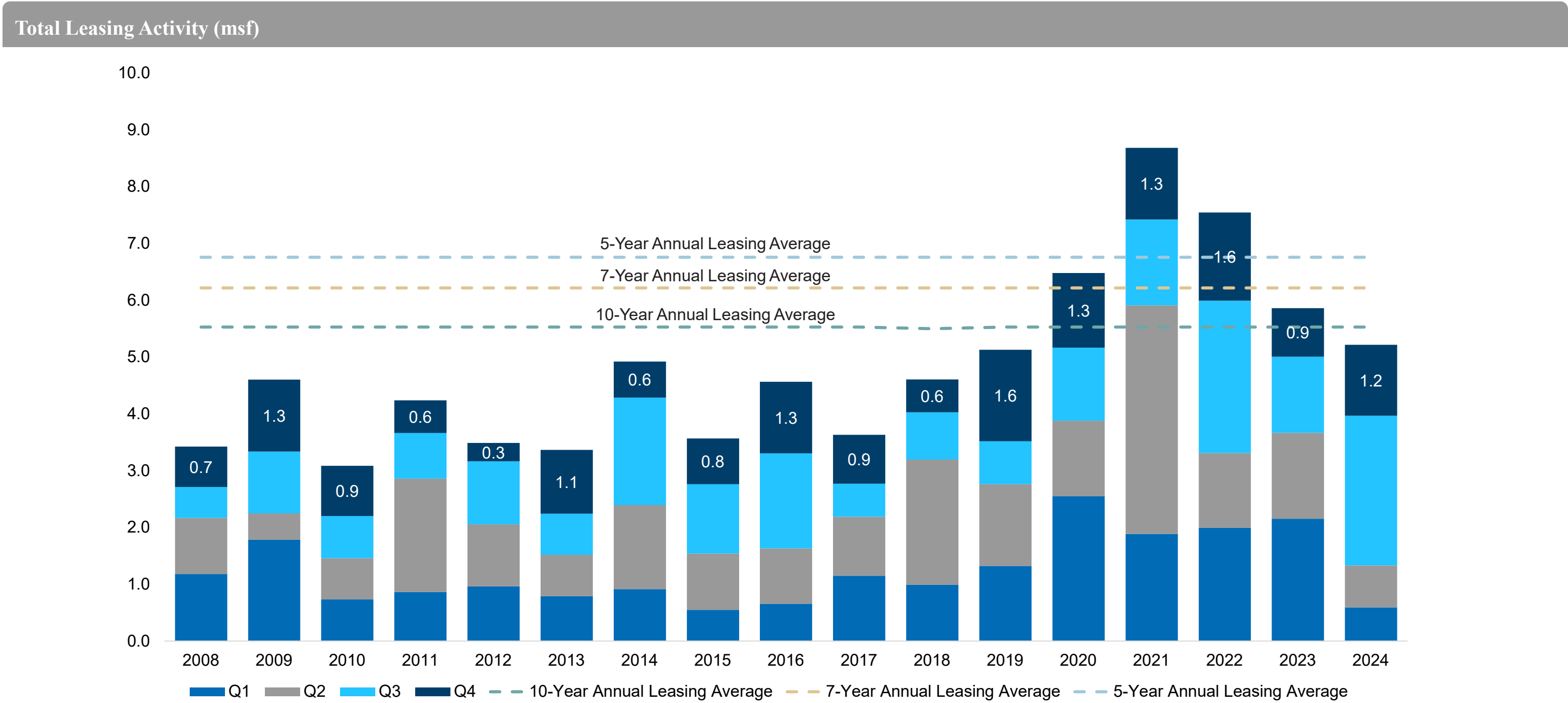
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Industrial Leasing Activity Continues Normalization During 2024

Leasing activity decelerated during 2024, with the market seeing 5.2 MSF of activity. Despite the market decelerating each year since seeing record-high leasing activity of 8.7 MSF during 2021, the market is still seeing leasing activity in line with the historical ten-year leasing average. When removing the outlier years of 2021-2022, the market averaged 4.3 MSF of annual leasing activity, further highlighting the currently elevated levels of leasing activity.

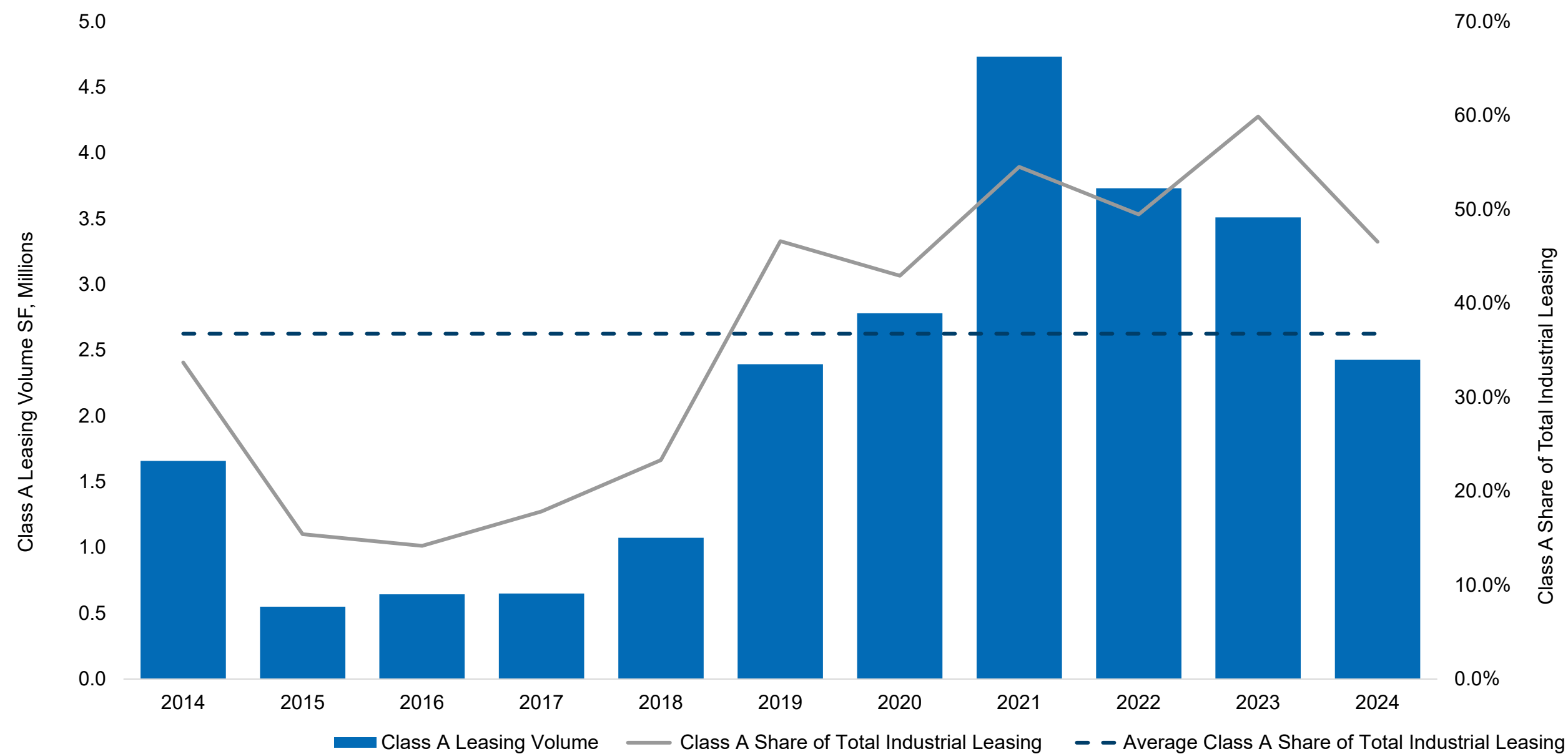


Source: Newmark Research, CoStar

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 2024, the Richmond market saw over 5.2 MSF of Class A leasing volume. This was 46.5% of overall leasing activity during the period, higher than the decade average of 36.8%, highlighting continued interest in quality Class A space by occupiers.

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

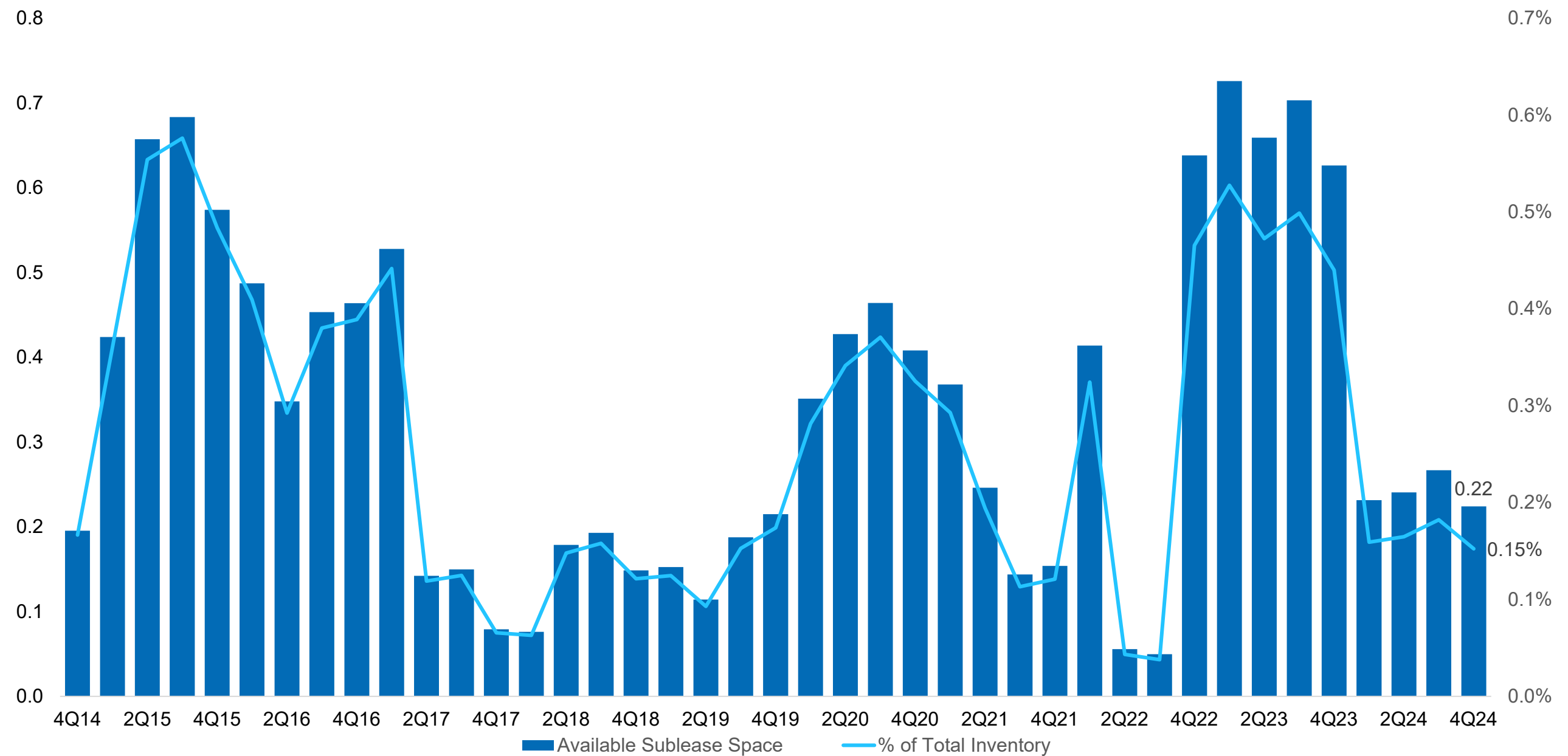


Source: Newmark Research, CoStar

Available Sublease Space Remains Below Historical Average

The market ended 2024 with only 224,000 SF of sublease space available, which is lower than the historical average of 338,000 SF of available sublease space. Basis this, only 0.15% 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

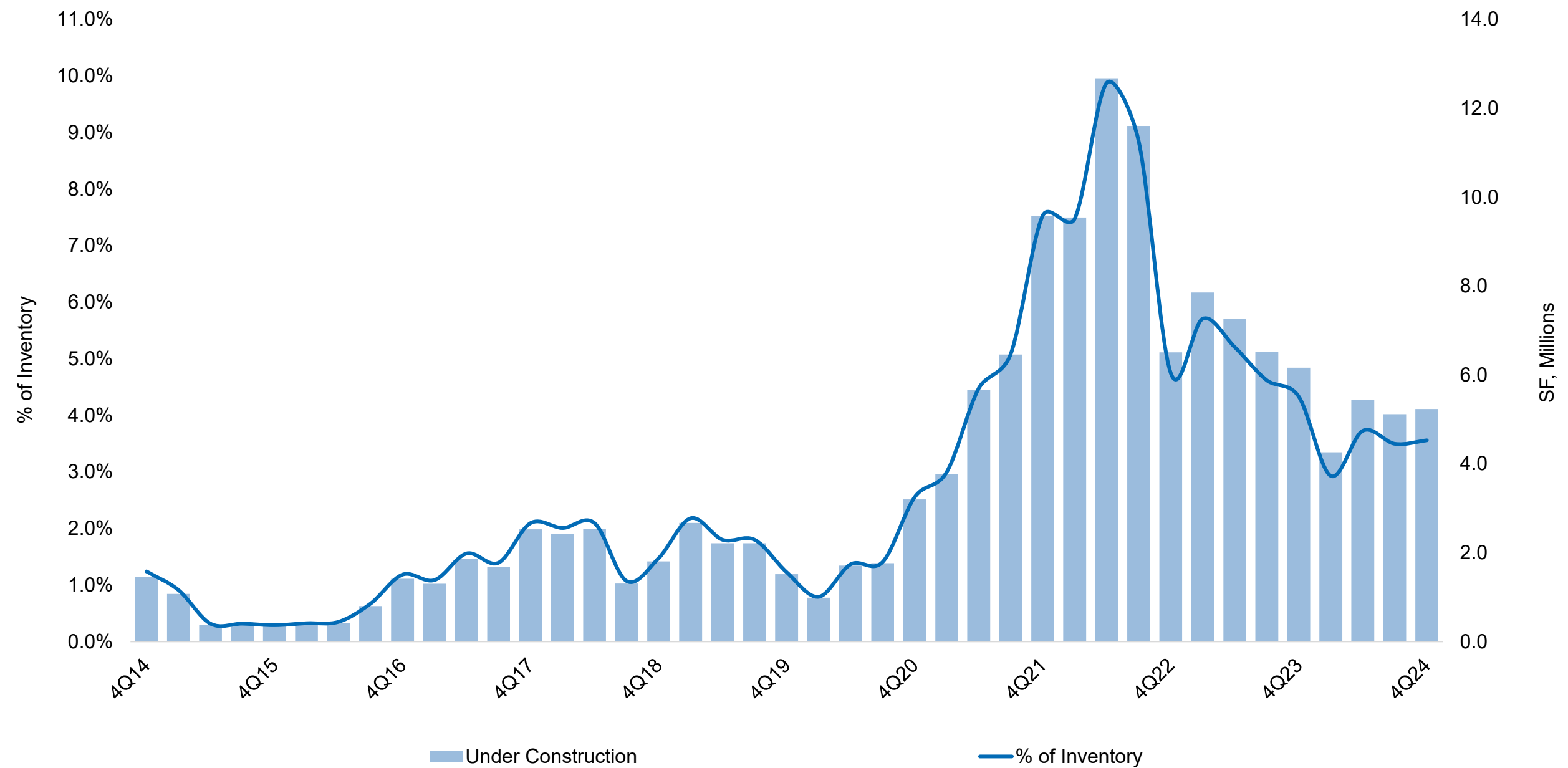


Source: Newmark Research, CoStar

Construction Supply Remains Elevated

Industrial development has exploded in the Richmond region during recent years, ending 2024 with 19 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.

Industrial Under Construction and % of Inventory

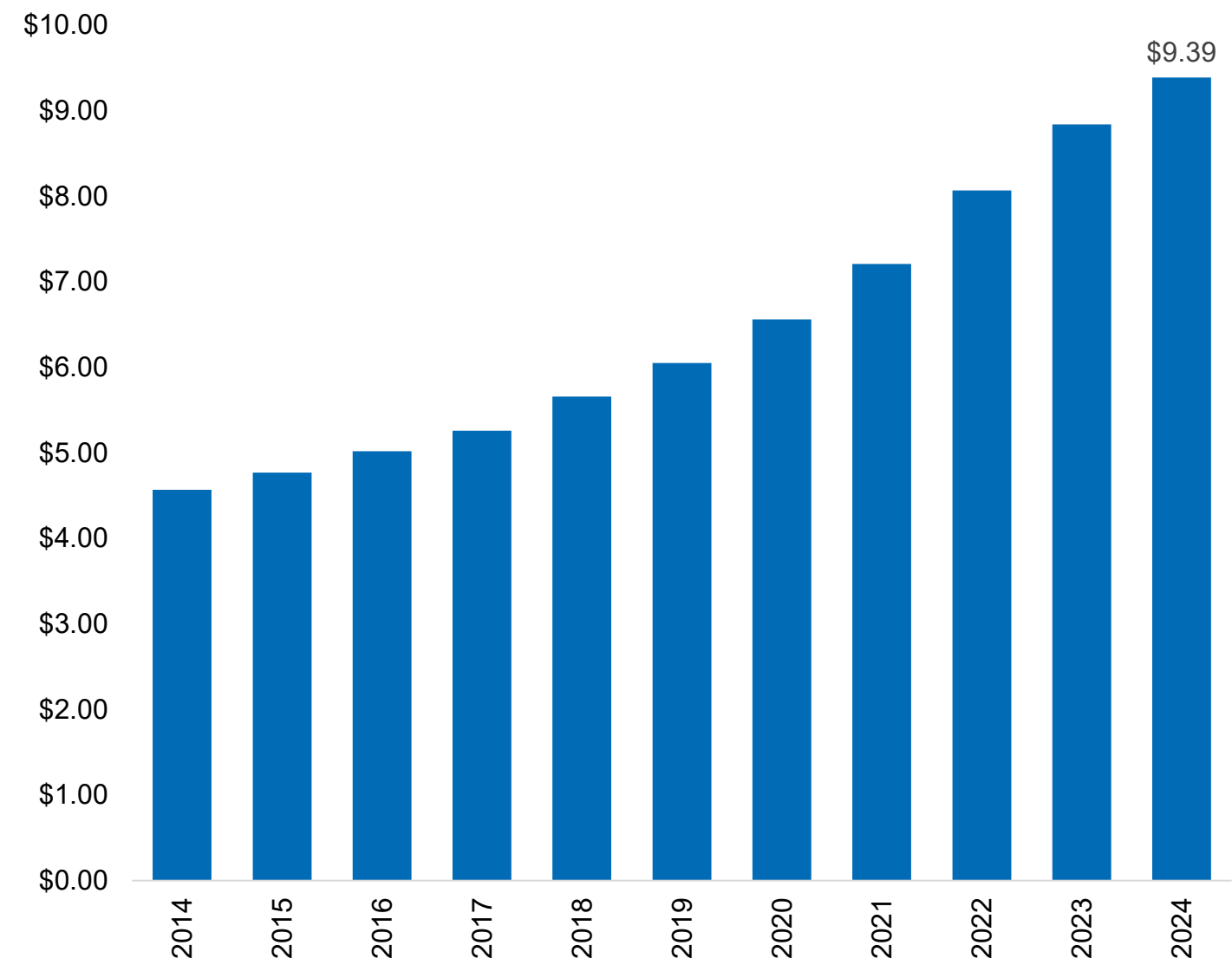


Source: Newmark Research, CoStar

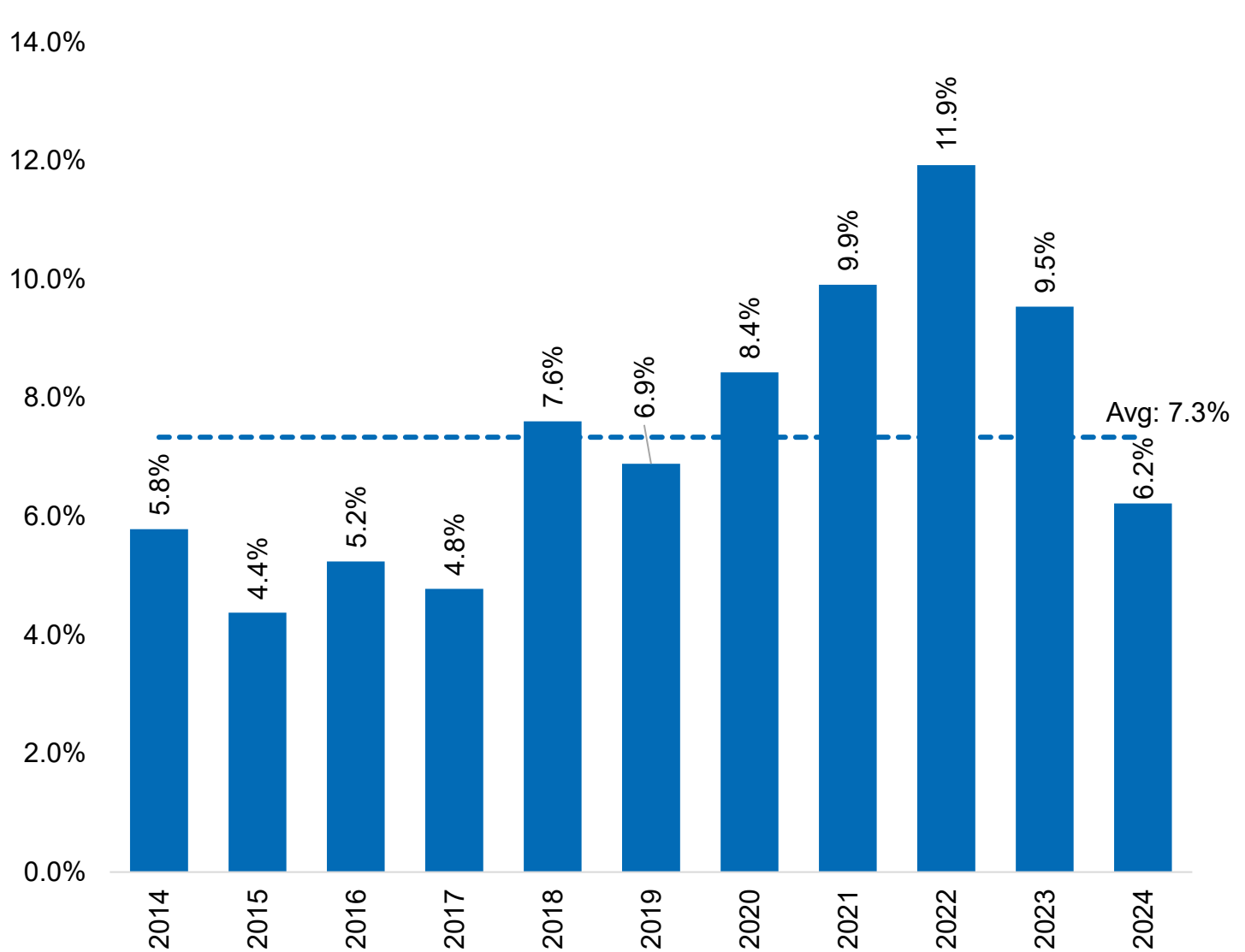
Asking Rents Continue Rapid Growth

Average asking rents ended 2024 at \$9.39 PSF, an increase of 6.2% year-over-year. Although rent growth has decelerated slightly since 2022, when the market experienced 11.9% rent growth, the market is still seeing elevated rent growth. Overall, the market has seen an impressive 55.2% increase in rents from the beginning of 2020 through 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 Q4 2024, as four of the six largest leases signed during the quarter were new deals. These new deals provide optimism that the market will continue seeing positive absorption in the short term as new tenants enter the market and previous tenants expand in the market.

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
Packaging Corporation of America	2903-2941 Walmsley Boulevard	Jeff Davis Corridor	Lease Renewal	174,000
ABB Inc.	943 S Airport Drive	Airport	New Lease	130,289
Colonial Webb Contractors	4300 Carolina Avenue	Laburnum / Rte 360	New Lease	127,047
Chewning & Wilmer	13721 Jefferson Davis Highway	I-95 S / I-295 S / Rt 10	New Lease	100,000
SGS International	5301 Lewis Road	Airport	Lease Renewal	88,384
PECO	11129 Washington Highway	I-95 N / Ashland	New Lease	57,405

Source: Newmark Research, CoStar

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Market Statistics





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