

FIGURES | RICHMOND OFFICE | Q1 2025

Occupancy Gain Continues into 2025



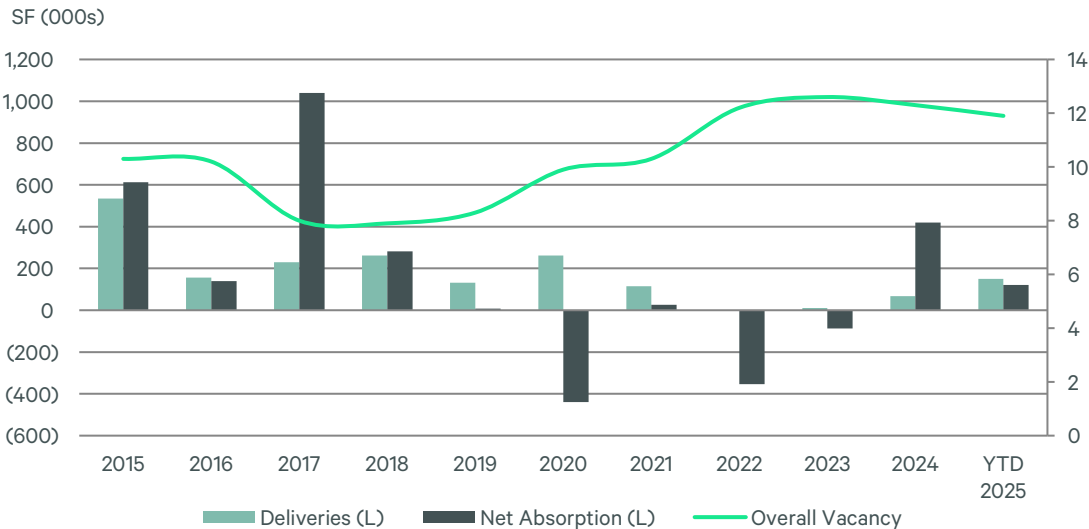
Note: Arrows indicate change from previous quarter.

The Richmond office market recorded 247,600 sq. ft. of occupancy gain during the first quarter of 2025, driving vacancy down 40 basis points (bps) to 11.9%.

The most notable move-in during the quarter was Bon Secours' occupancy of 26,500 sq. ft. of Class A space at 2230 W Broad Street. The building is part of the Sauer Center Phase II project and delivered in Q2 2024. Bon Secours now occupies half of the 53,000 sq. ft. property while the other half remains available for lease. Additionally, New York Life moved into 19,068 sq. ft. at Innsbrook Commons and Eastern Virginia Career College took occupancy of 11,379 sq. ft. at the 4900 Building also located in the Innsbrook submarket. As for move-outs, Carepoint Holdings permanently closed its location at Highwoods Two medical office, contributing 37,511 sq. ft of negative absorption.

The Timmons Group's new headquarters at 7053 Celebration Park Avenue delivered 150,000 sq. ft. during the first quarter. The Timmons Group, Chesterfield County Public Schools, and Chesterfield County Virginia Economic Development all moved into the property upon delivery. Thalhimer Realty Partners' 51,000 sq. ft. project at 5800 Patterson Avenue is the only remaining office property under construction. The project is 100% preleased to multiple tenants, including 26,000 sq. ft. to Bon Secours. Overall asking rates held steady at \$21.67 per sq. ft. per annum on a full-service gross basis.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

Leasing Snapshot

Leasing activity was quiet to start the year, with just 5 leases larger than 10,000 sq. ft. signed during the first quarter. Overall, 26 tenants signed transactions totaling 256,200 sq. ft. Relocations accounted for 84% of quarterly transactions, totaling 216,700 sq. ft.

Government

State government tenants leased more office space than any other sector during the first quarter, accounting for 46% of activity. Of note, Virginia Retirement System (VRS) signed a 59,940 sq. ft. lease at One James Center. VRS will relocate from within the CBD, as it currently occupies space at the Bank of America Center. The Commonwealth of Virginia also signed a 46,141 sq. ft. lease at 5620 Cox Road in the Innsbrook submarket.

Business & Financial Services

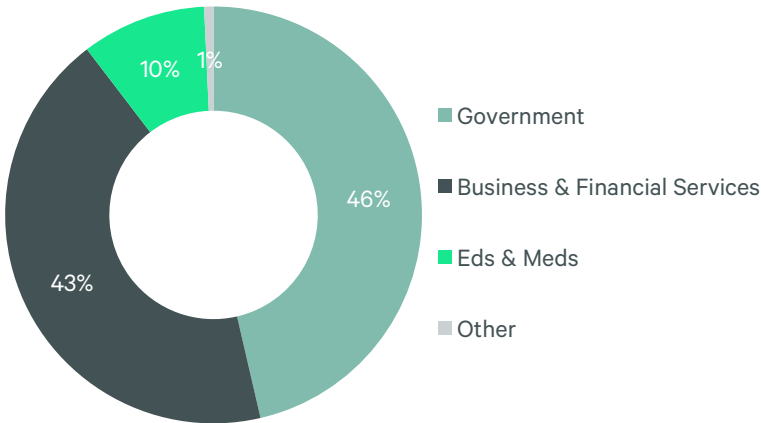
Business and financial services tenants were the second-most active tenant group during the first quarter, with eleven leases totaling 98,800 sq. ft. Leasing was concentrated in the Glenside/Broad Street submarket. The largest deal was Costar Group's expansion into an additional 28,504 sq. ft at 951 E Byrd Street. Costar will occupy this swing space until its new building delivers in 2026. Also of note, Kimley-Horn & Associates inked a new lease for 12,743 sq. ft of Class B space at Three Paragon Place and will relocate from 2035 Maywill Street.

FIGURE 2: Select Notable Q1 2025 Lease Transactions

Tenant	Industry	Address	Submarket	Quadrant	SF	Lease Type
Virginia Retirement System	Government	901 E Cary St	CBD	NW	59,940	New Lease
Commonwealth of Virginia	Government	5620 Cox Rd	Innsbrook	NW	46,141	New Lease
CoStar Group, Inc.	Business & Financial Services	951 E Byrd St	CBD	NW	28,504	New Lease
Kimley-Horn & Associates	Business & Financial Services	6806 Paragon Pl	Glenside/Broad St	NW	12,743	New Lease
DA Davidson	Business & Financial Services	4901 Libbie Mill East Blvd	West End	NW	10,857	New Lease

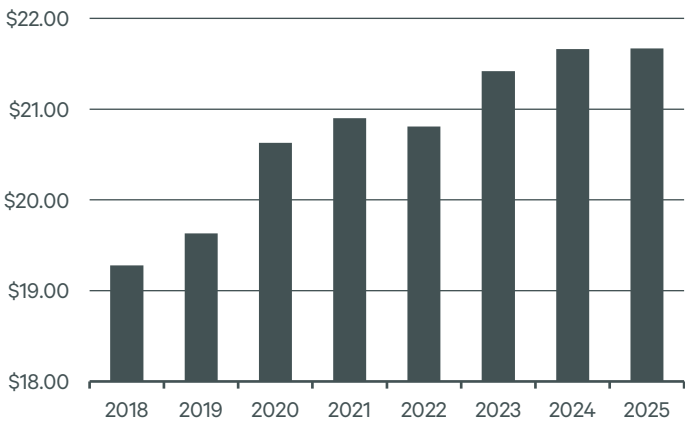
Source: CBRE

FIGURE 3: 2025 Gross Leasing by Sector (Share by SF)



Source: CBRE

FIGURE 4: Historical Rent Growth



Source: CBRE

Economic Outlook

Policy speculation and announcements are now the key drivers of macro expectations and financial markets. The reality of material trade conflicts this year is now paired with realized softer economic data. Some of this could be due to firms taking a ‘wait-and-see’ approach as they digest changing trade policy. Consumer sentiment has declined noticeably, albeit much more than actual spending. Consequently, CBRE has revised its GDP growth outlook for this year down to just below 2%.

Despite policy uncertainty, credit markets are more accommodative, with tighter spreads and more issuance compared to a few quarters ago. More fluid credit markets have yet to translate into stronger sales volume, as many institutional owners and reams of dry powder capital remain on the sidelines. The continuation of accretive credit trends and eventual deployment of dry powder will depend on the impact of new policies. Should they prove more inflationary, this would erode recent capital markets progress. If not, and macro impacts are limited, this could give the Fed a green light for further cuts and help unlock monies waiting on the sidelines.

FIGURE 5: Employment Growth by Industry, 12-Month Percent Change

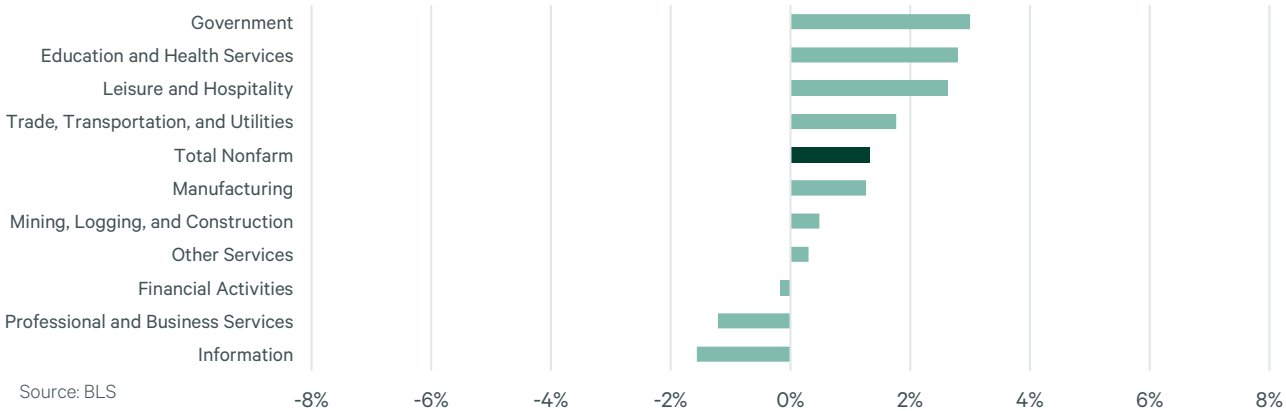


FIGURE 6: Unemployment Rate



FIGURE 7: Consumer Price Index, 12-Month Percent Change

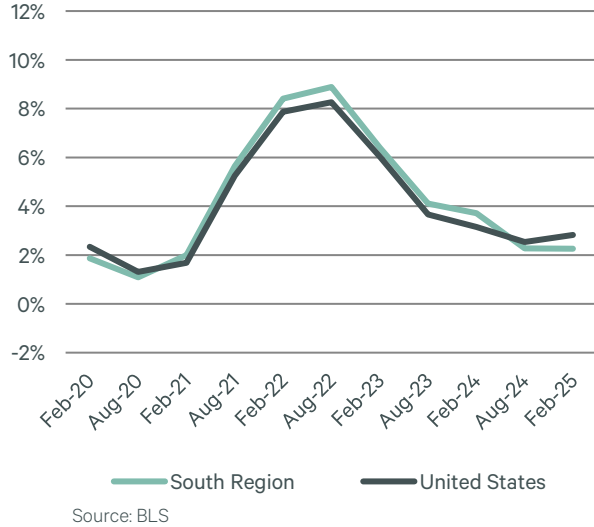


FIGURE 8: Key Market Statistics

	Number of Buildings	Inventory (SF)	Direct Vacancy Rate (%)	Overall Vacancy Rate (%)	Q1 2025 Net Absorption (SF)	2025 Net Absorption (SF)	Gross Asking Rent (\$/SF)	Under Construction (SF)
Northwest Quadrant	483	25,996,694	11.4	13.2	114,953	114,953	22.28	51,000
CBD	39	5,873,747	16.7	20.2	(10,223)	(10,223)	23.87	-
Glenside/Broad St	63	3,601,379	14.4	19.9	6,719	6,719	22.47	-
Innsbrook	99	5,960,151	9.2	9.7	76,063	76,063	22.57	-
Near West End	46	1,352,321	4.9	5.8	26,259	26,259	23.69	-
North Broad	13	1,387,508	6.8	7.5	0	0	23.82	-
Parham East	33	1,716,419	3.8	3.8	(3,985)	(3,985)	19.32	-
West End	81	2,743,459	6.1	6.1	12,165	12,165	18.32	51,000
Southwest Quadrant	214	7,509,712	8.7	9.1	134,008	134,008	20.57	-
Midlothian Corridor	72	3,481,972	15.2	15.8	136,499	136,499	20.51	-
Northeast Quadrant	62	1,411,992	4.7	4.7	(2,023)	(2,023)	20.47	-
Southeast Quadrant	33	1,157,261	10.6	10.6	688	688	18.57	-
Overall	792	36,075,659	10.6	11.9	247,626	247,626	21.67	51,000

Source: CBRE Chart includes select key submarkets in the Northwest and Southwest Quadrants.

CBRE Mid-Atlantic Research began using a proprietary database for office properties in mid-2024. Beginning Q3 2024, statistics and trends reported in previous reports likely changed due to our revised data methodologies. The information contained in this report references office properties 10,000 square feet or larger (excluding owner-occupied) located in submarkets shown on the above map.

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