
1Q24

Richmond Industrial Market Overview

NEWMARK

Market Observations

Economy

- The region’s labor market remained historically strong amid shifting macroeconomic conditions. The unemployment rate ended Q1 2024 at 2.9%, significantly lower than the national average of 3.8%.
- 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 1.2%.

Major Transactions

- Industrial product comprised 18.1% of total sales volume in the Richmond market during Q1 2024, which is in line with the historical average of 19.4%
- The three largest leases signed during the quarter were renewals. Weyerhaeuser Company, a distributor of timber and wood products, signed the largest lease of the quarter, renewing over 72,000 SF of space at 4200-4222 Sarellen Road within the Richmond Industrial Interport Park.

Leasing Market Fundamentals

- The market continues to see large amounts of positive absorption, experiencing 2.5 MSF of positive net absorption during Q1 2024. All of this positive absorption has created a tight market, with a vacancy rate of only 3.6% to end the quarter.
- Average asking rents ended Q1 2024 at \$8.88 PSF, an increase of 8.6% year-over-year. Overall, the market has seen an impressive 48.5% 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 remained impressive during Q1 2024, ending the quarter with over 3.0 MSF of deliveries and 6.0 MSF under construction.

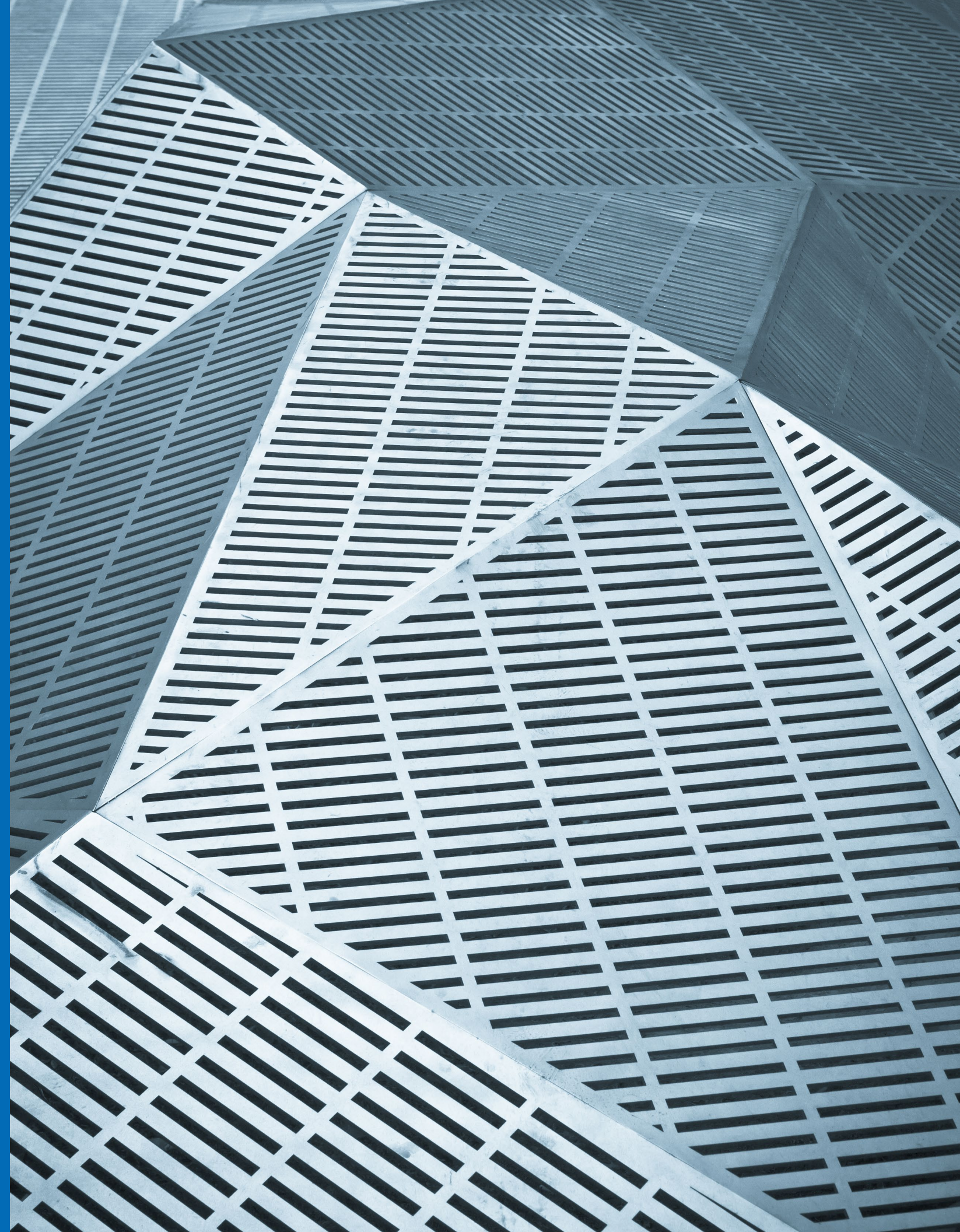
Outlook

- The Richmond Industrial market is expected to continue to perform well with user demand generally in line with new supply. With over 6.0 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
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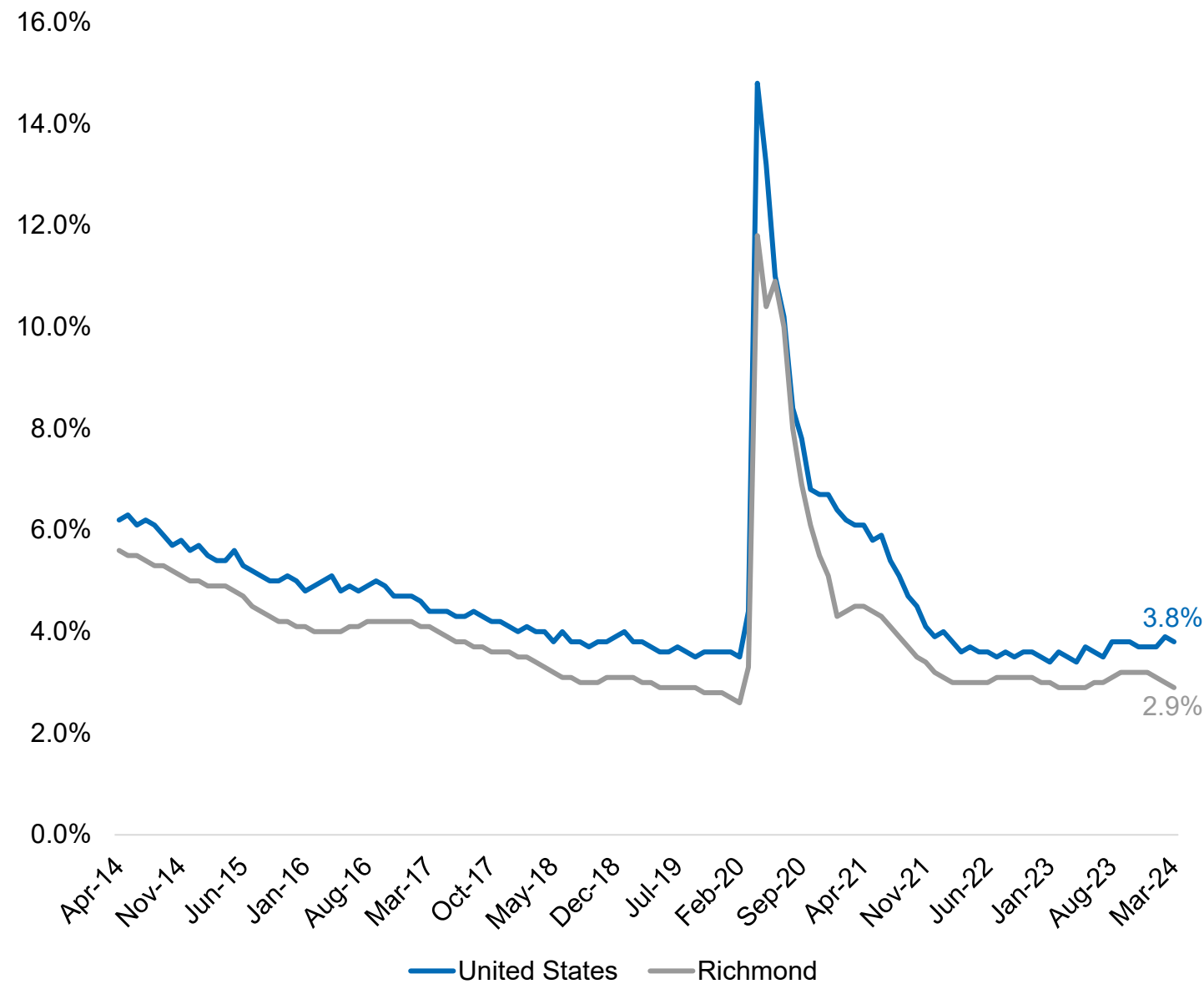
Economy



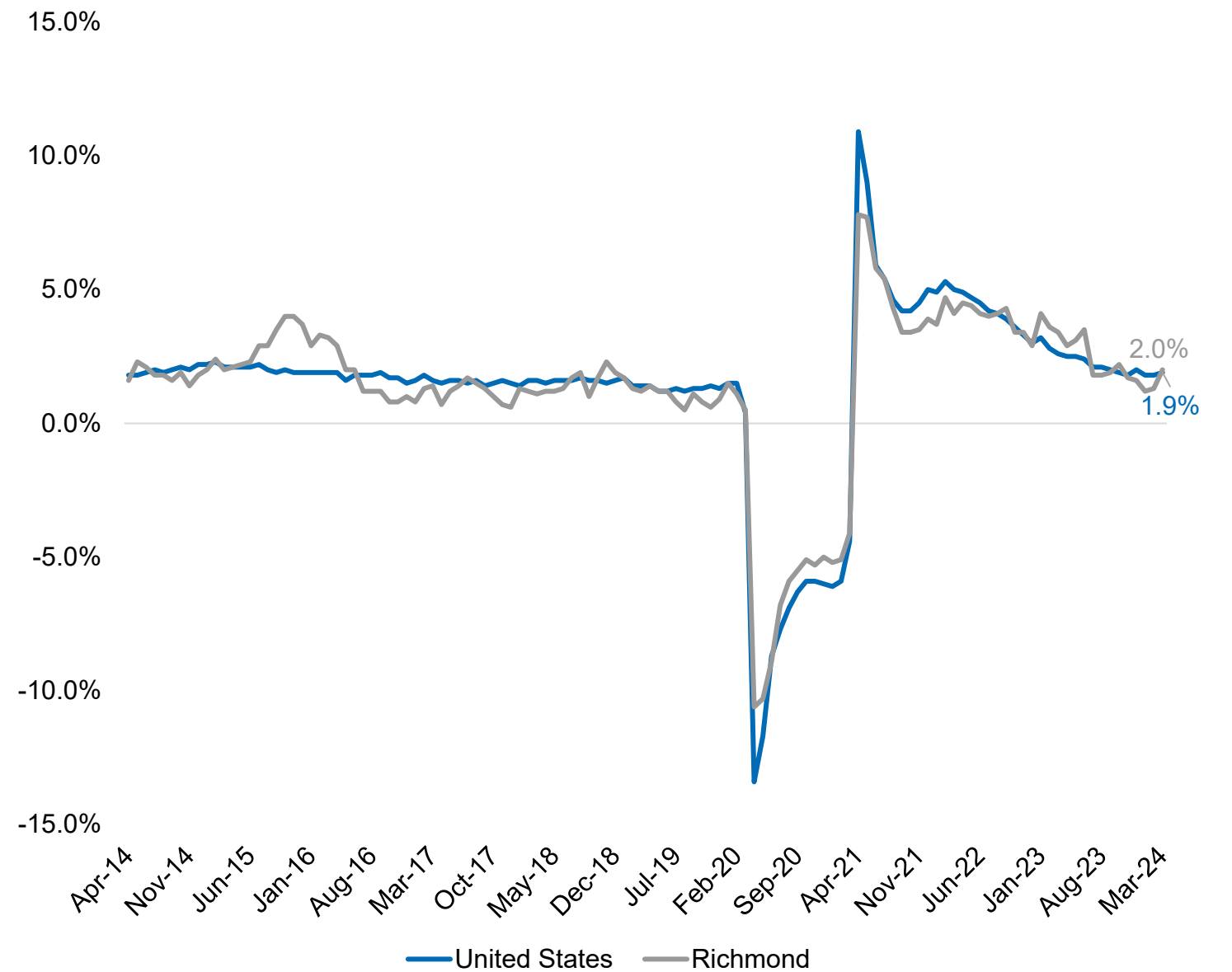
Richmond's Unemployment Rate Outperforms National Average

Richmond's unemployment rate continues to outperform the national average, measuring 2.9% to end Q1 2024. This is flat year-over-year but 90 basis points lower than the national average.

Unemployment Rate, Seasonally Adjusted



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

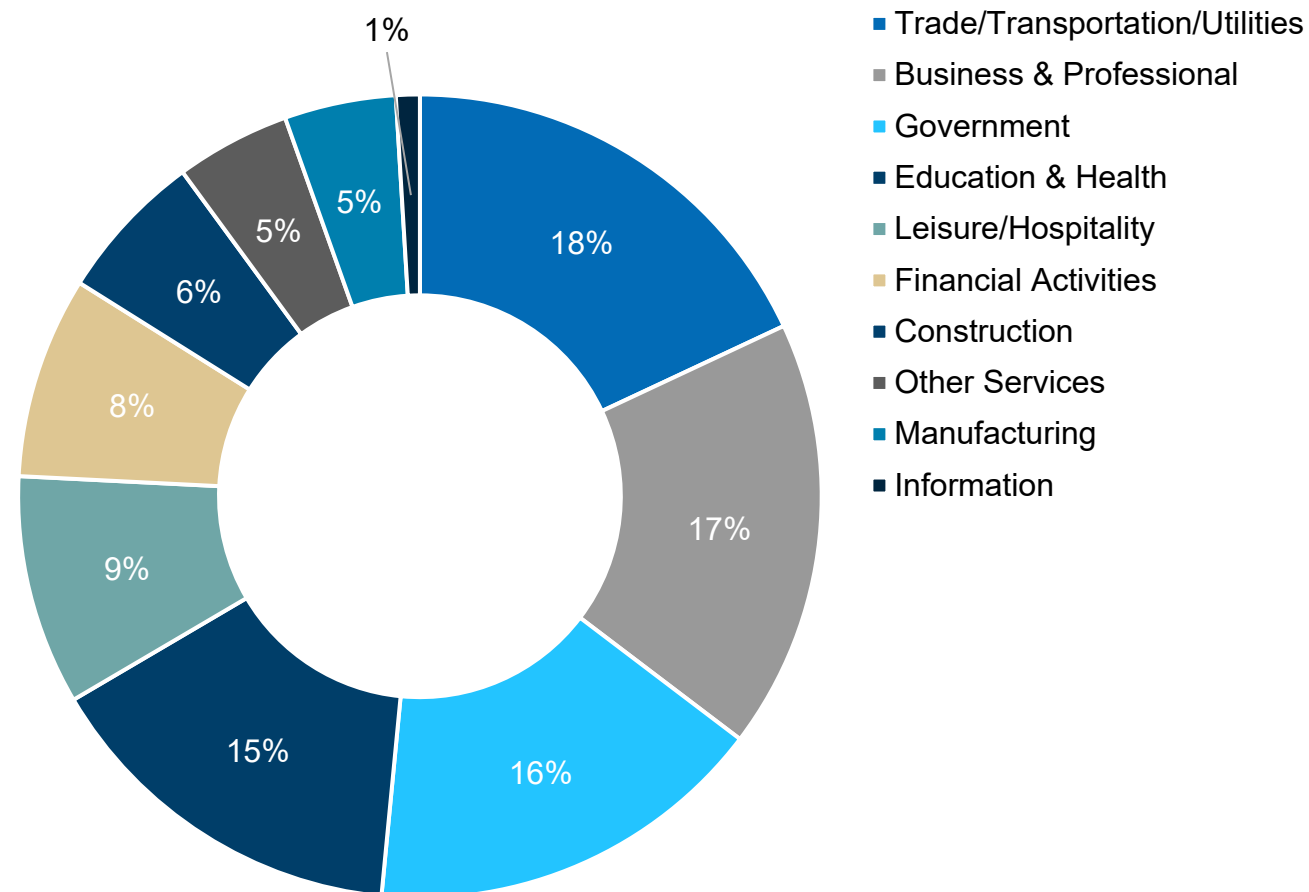


Source: U.S. Bureau of Labor Statistics, Richmond

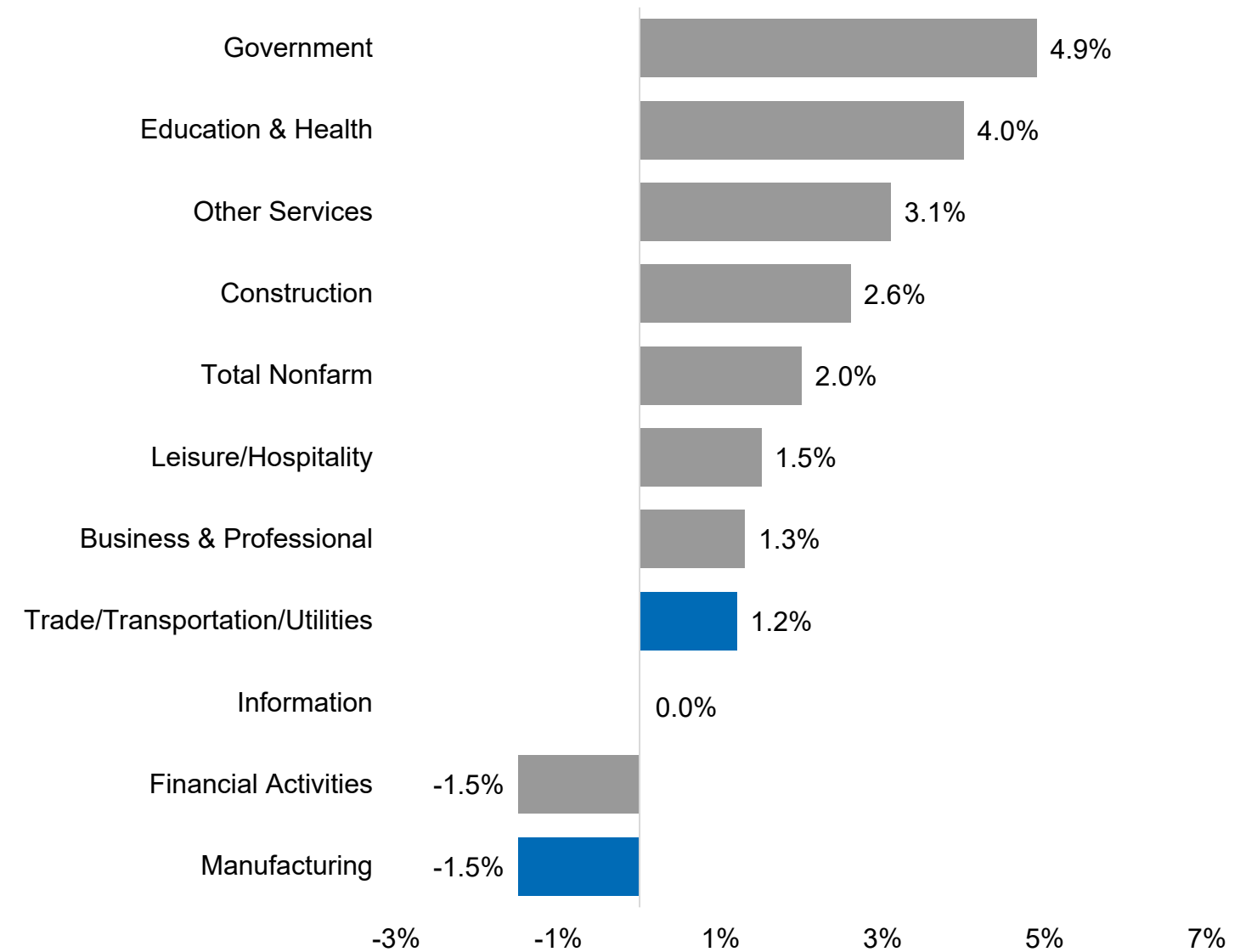
Trade/Transportation/Utilities Continues Growth as the Leading Regional Industry

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 1.2%.

Employment by Industry, March 2024



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

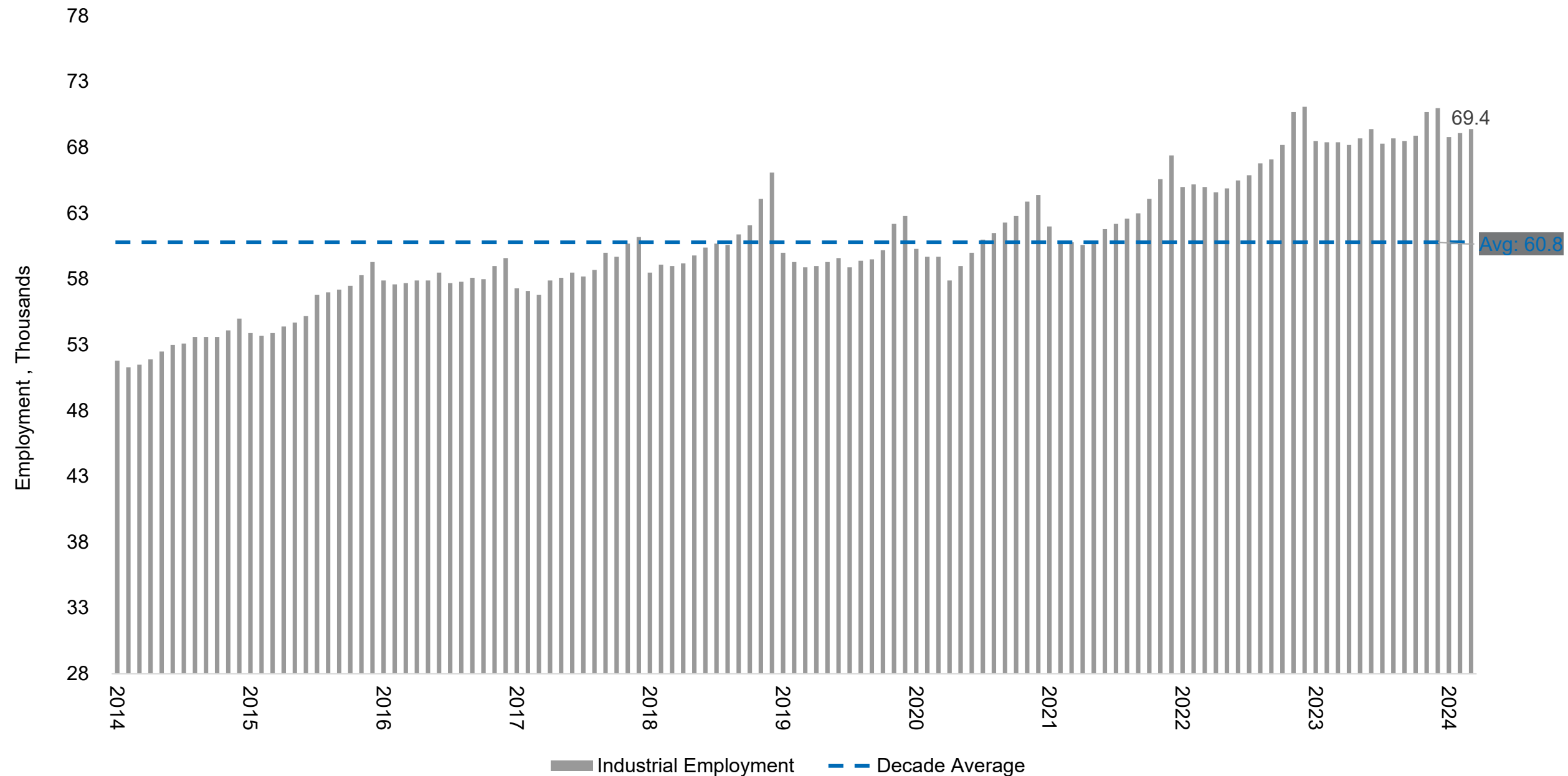


Source: U.S. Bureau of Labor Statistics, Richmond

Industrial Employment Remains at Elevated Levels

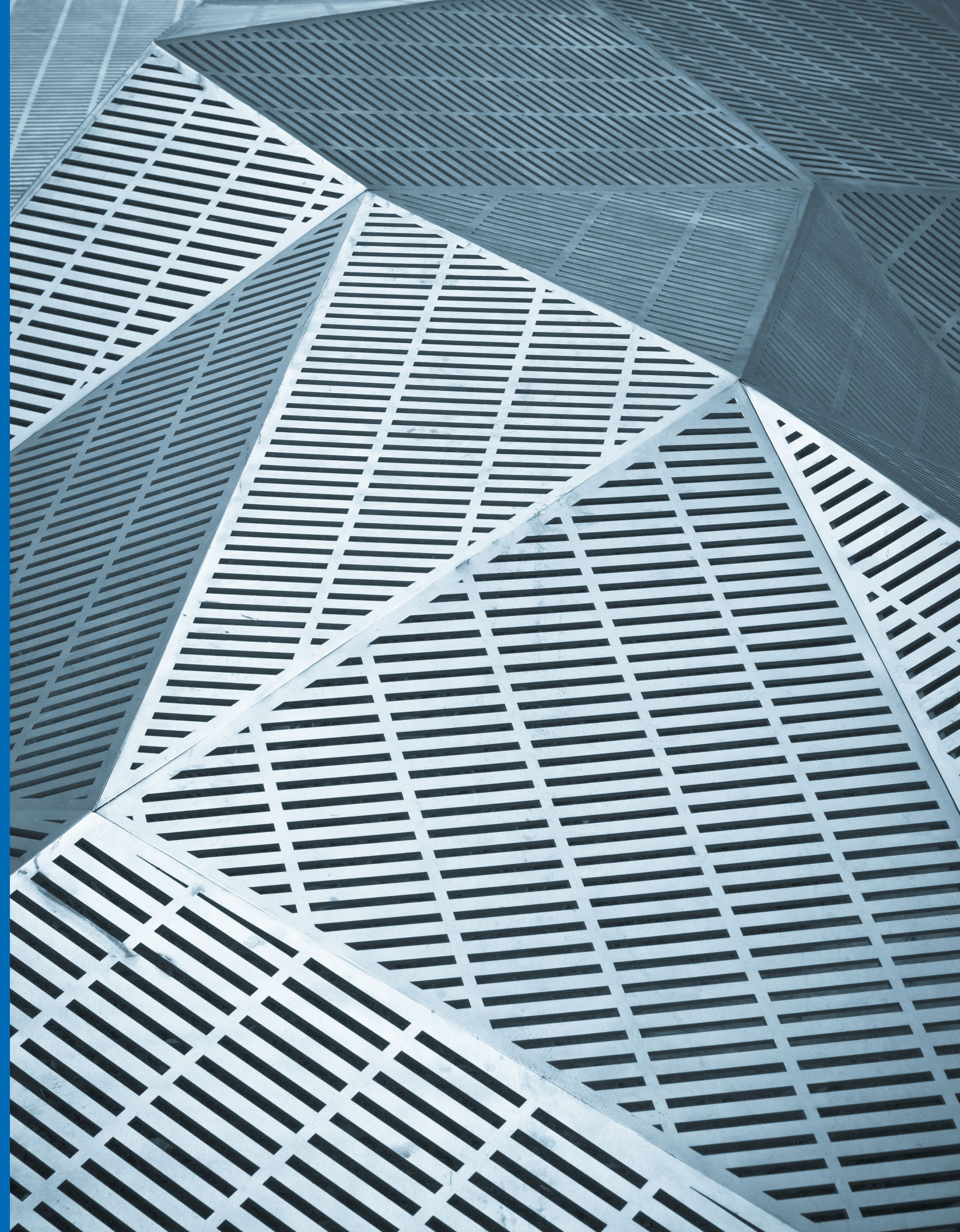
The number of industrial jobs has rebounded and now sits above pre-pandemic levels. Employment ended March 2024 at 69,400 employees, 14.1% higher than the decade average and an increase of 19.9% since the market reached a pandemic-related low in April of 2020.

Industrial Employment



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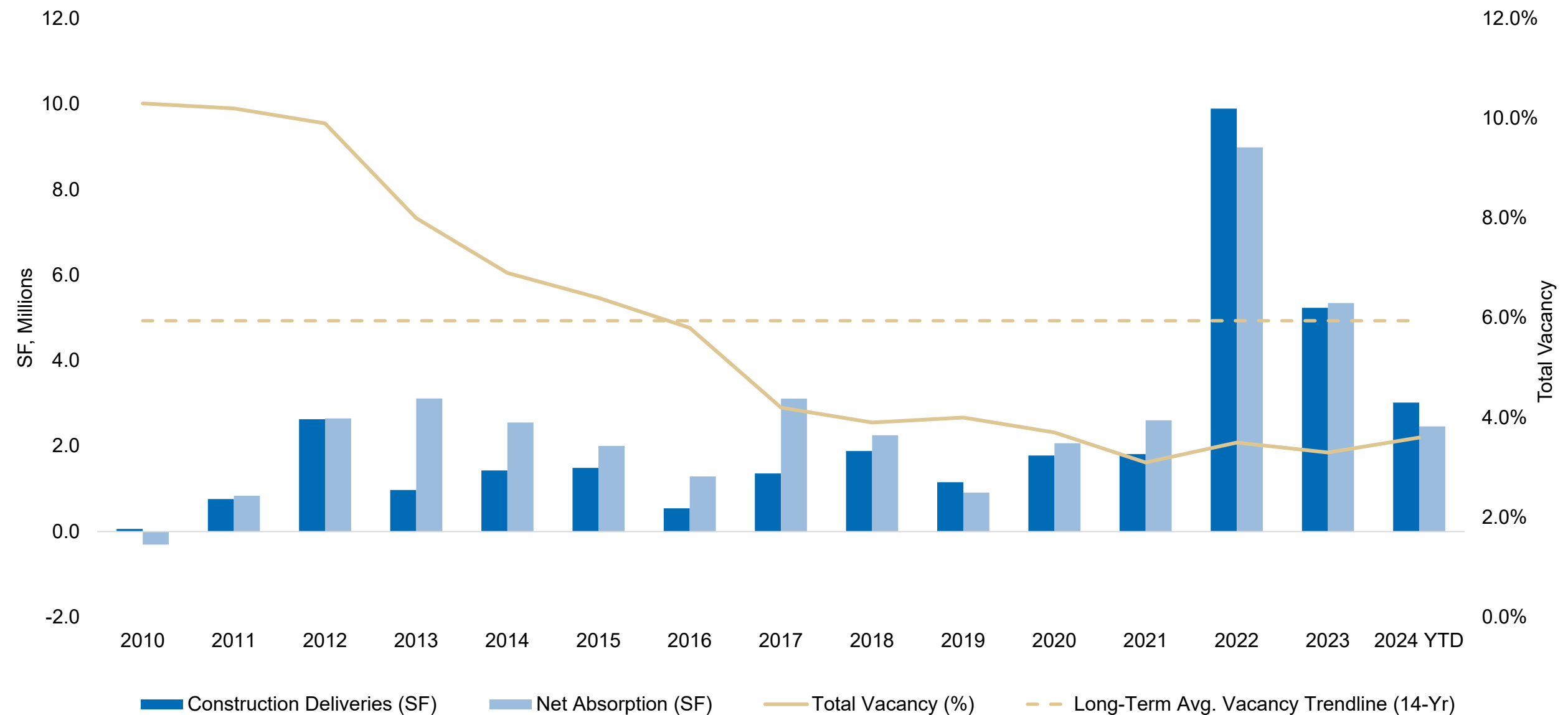
Leasing Market Fundamentals



Fundamentals Remain Healthy to Begin 2024

The Richmond Industrial market continues to perform exceptionally well, as evidenced by its fundamentals. During Q1 2024, Richmond experienced over 3.0 MSF of deliveries while seeing almost 2.5 MSF of positive net absorption. This continues the trend of occupied deliveries leading to large amounts of positive net absorption. Despite this, unoccupied delivered space has led to expanding vacancies, as the market ended Q1 2024 with a vacancy rate of 3.6%, expanding 30 bps quarter-over-quarter and 80 bps year-over-year.

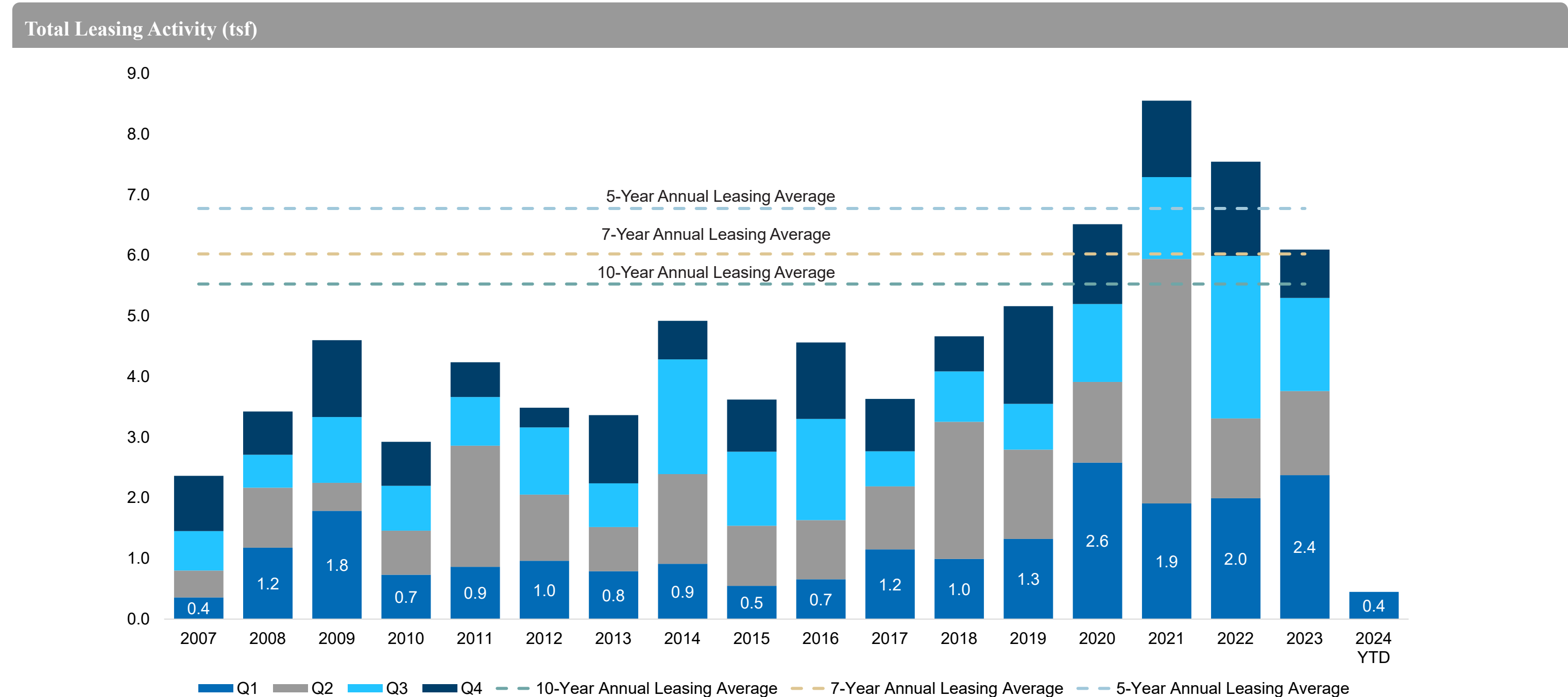
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Industrial Leasing Activity is Slow to Begin 2024

Leasing activity slowed to begin 2024, ending Q1 2024 with 0.4 MSF of activity. This is much lower than recent history, as the market saw at least 1.0 MSF of first-quarter leasing activity from 2017-2023.

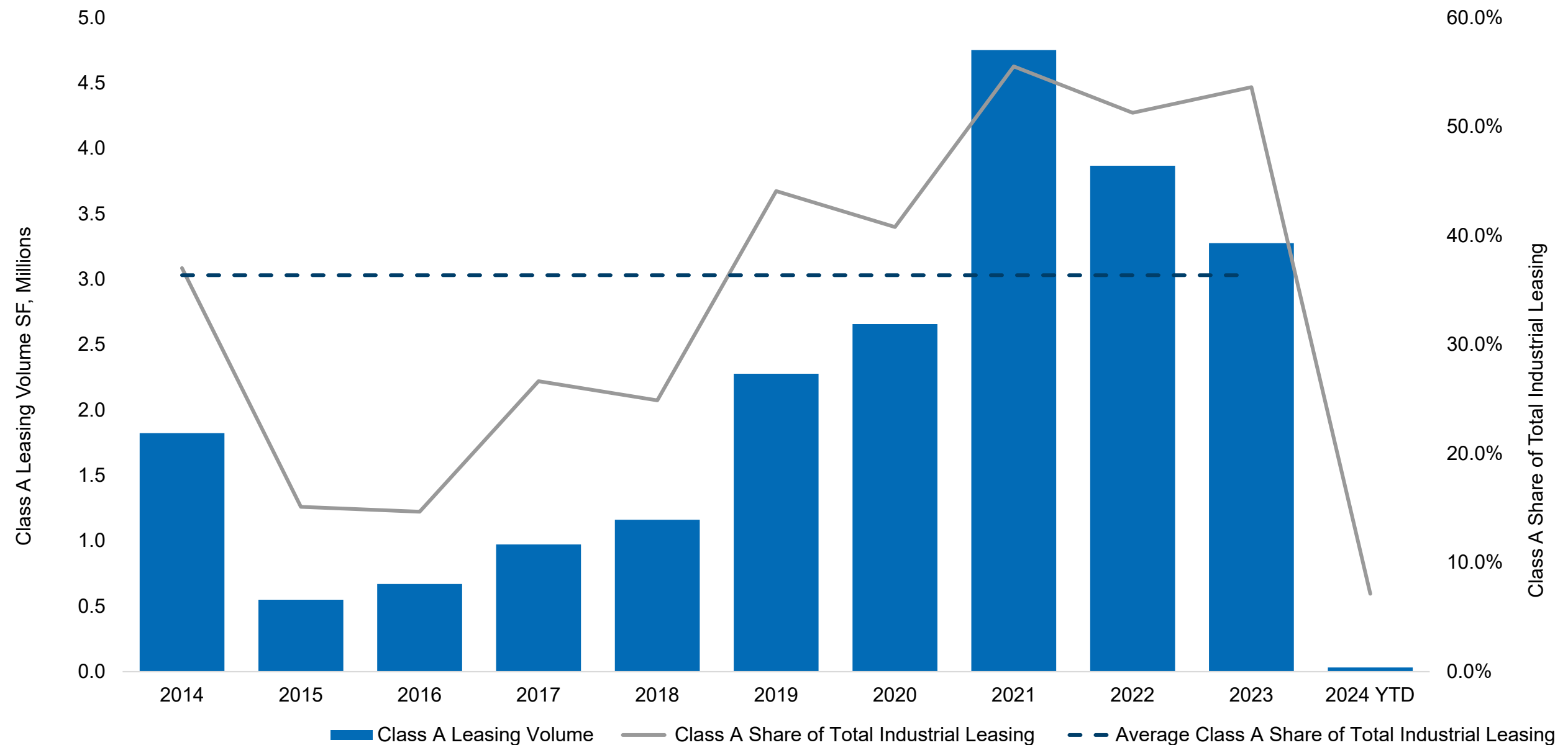


Source: Newmark Research, CoStar

Class A Industrial Leasing Will Look to Continue Impressive Performance During 2024

Although Class A industrial leasing activity remains below the levels of activity from 2021-2022, Class A product saw a 53.6% share of total industrial leasing in the market during 2023. This is much higher than the decade average of 36.4% and highlights the elevated interest in quality Class A space by occupiers. The market began 2024 with a slow start, however, ending Q1 2024 with 32,000 SF of Class A leasing activity, only 7.1% of leasing activity during the quarter.

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

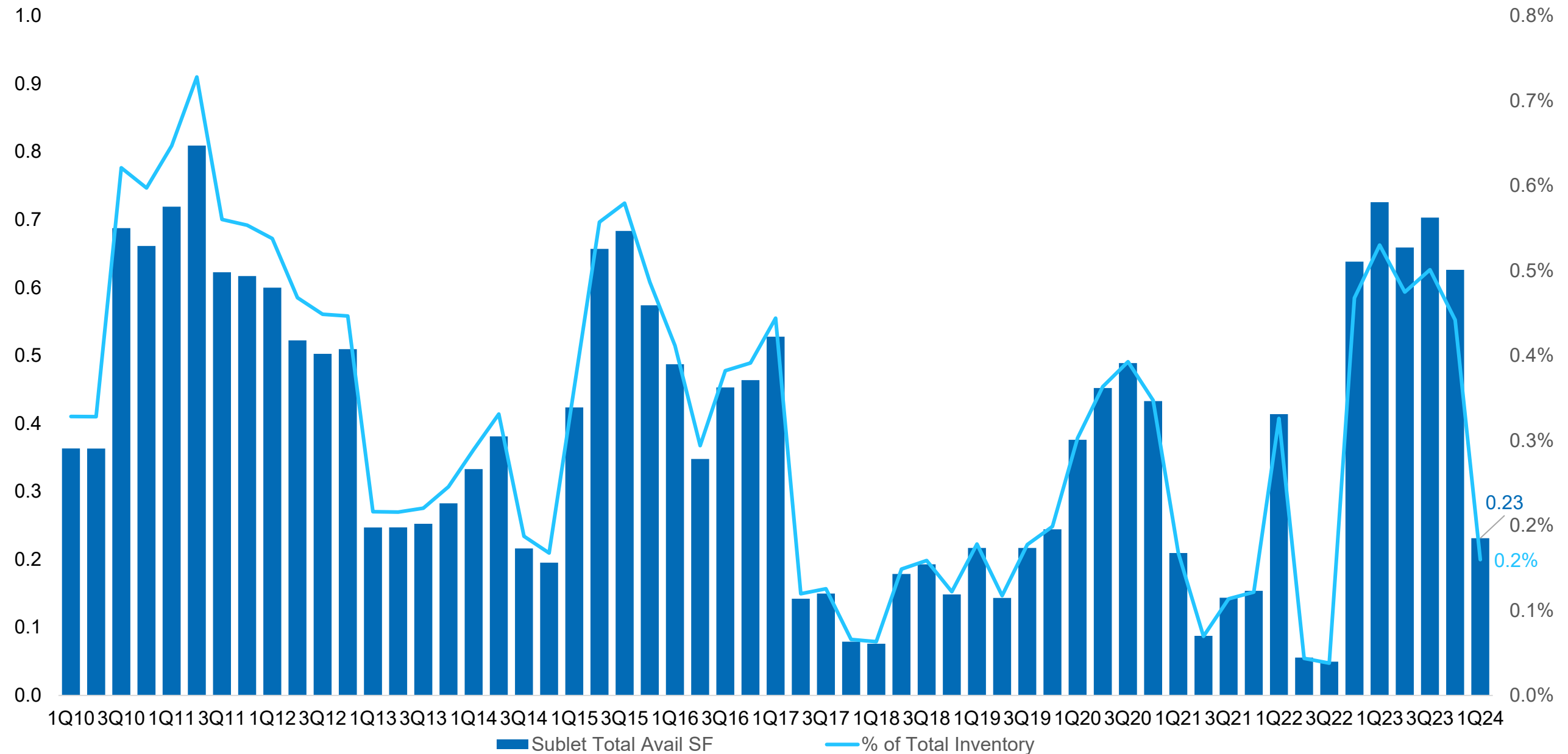


Source: Newmark Research, CoStar

Available Sublease Space Declines to Begin 2024

The market ended Q1 2024 with only 230,000 SF of sublease space available after almost 400,000 SF of available sublease space was withdrawn from the market during the quarter. This was due to Willis Commerce Center, which totals 405,000 SF, being withdrawn as sublease available space and listed as direct available space. Due to this, only 0.2% 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

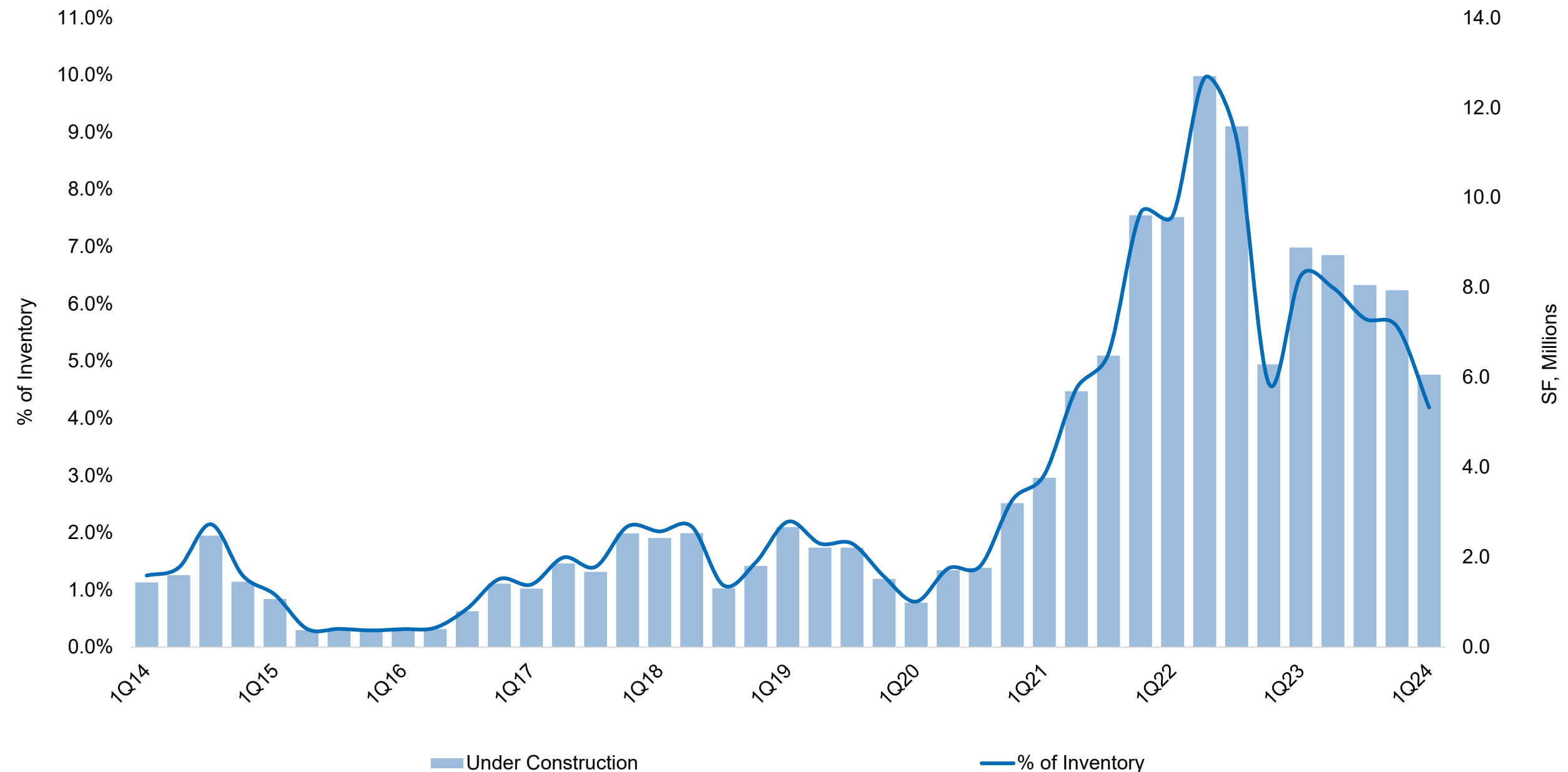


Source: Newmark Research, CoStar

Construction Supply Remains Elevated Despite Decelerating

Industrial development has exploded in the Richmond region during recent years, ending Q1 2024 with 28 properties under construction totaling over 6.0 MSF. After the market averaged less than 1.5 MSF under construction from 2013 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 despite decelerating over the past few quarters.

Industrial Under Construction and % of Inventory

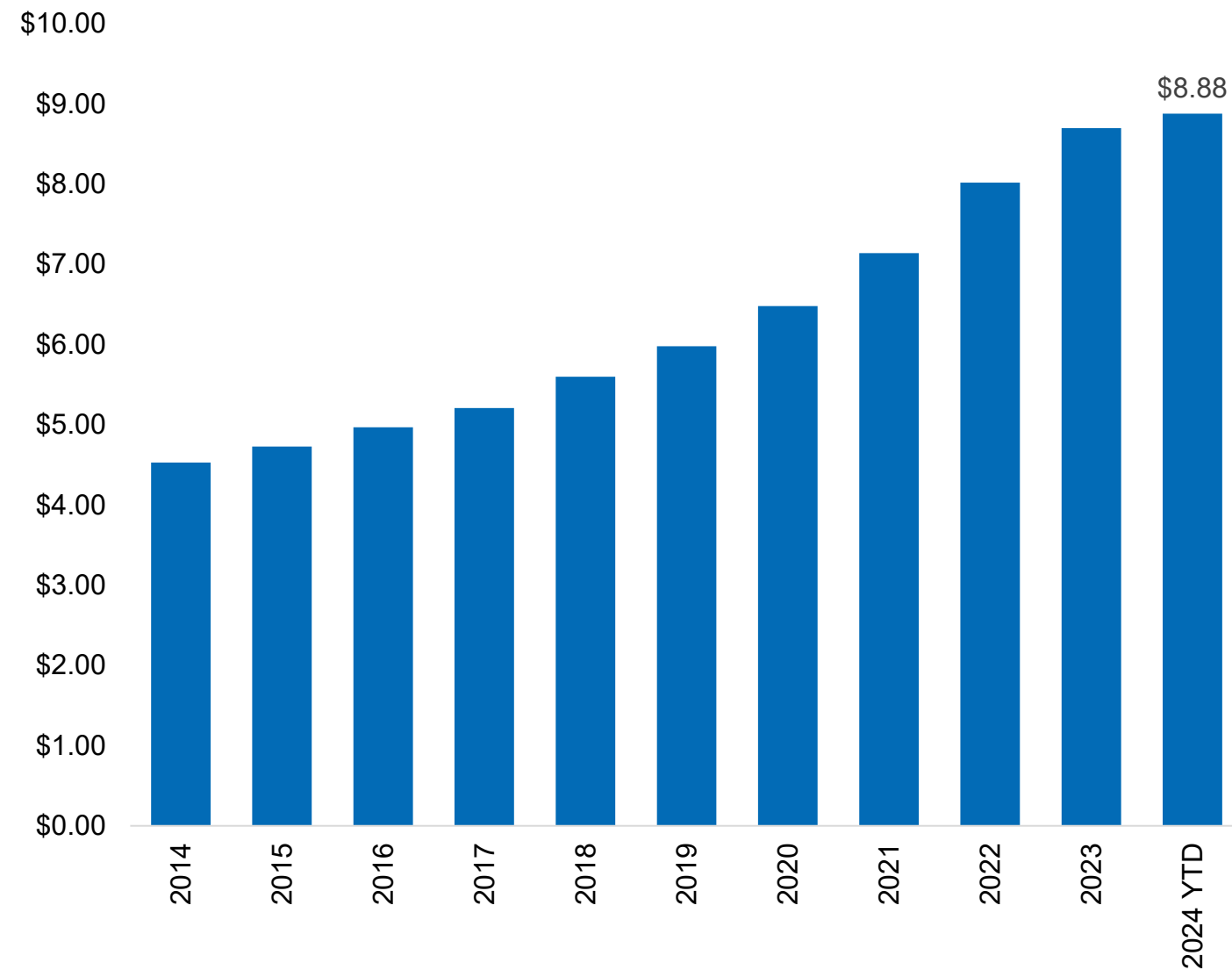


Source: Newmark Research, CoStar

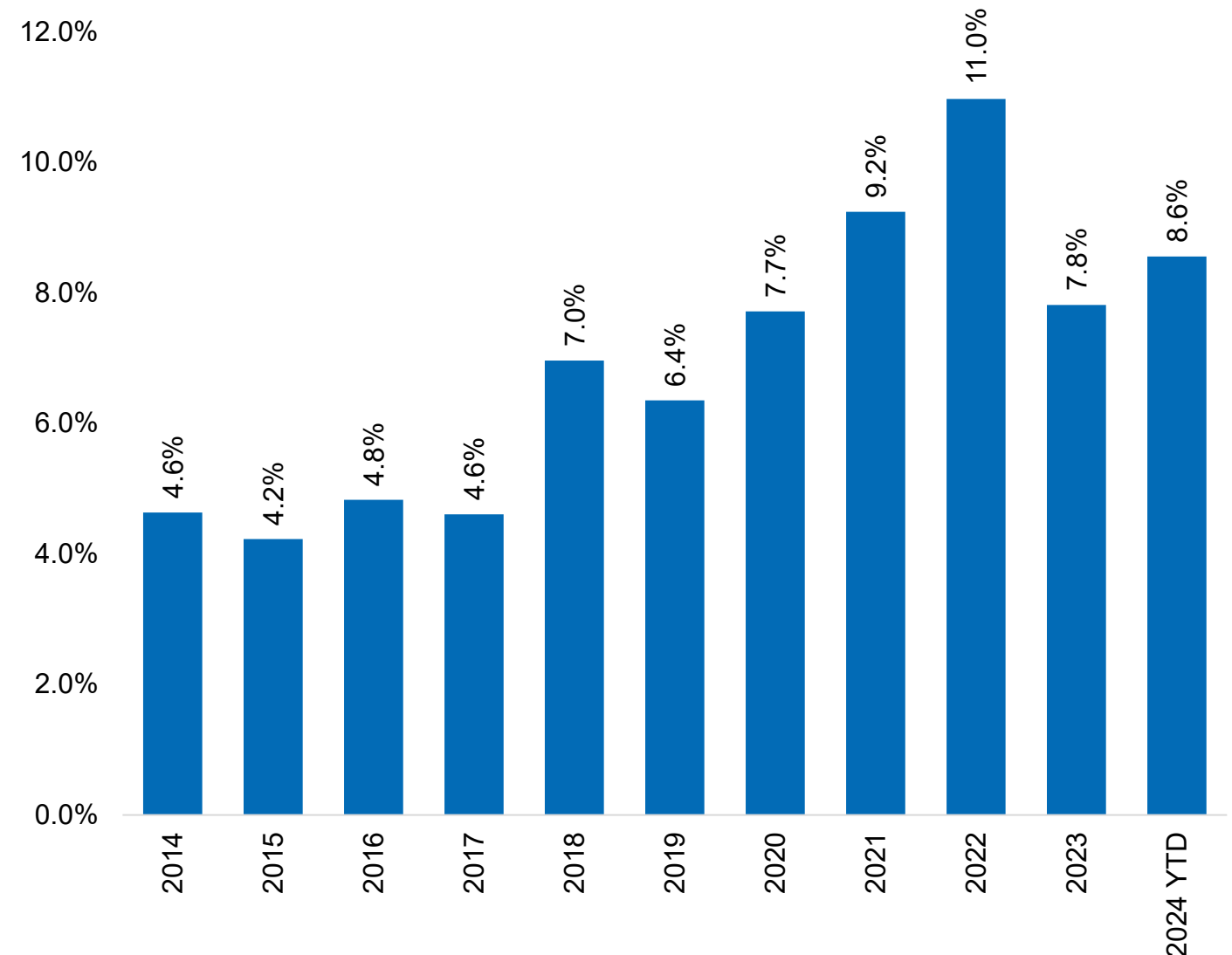
Asking Rents Continue Rapid Growth

Average asking rents ended Q1 2024 at \$8.88 PSF, an increase of 8.6% year-over-year. Although rent growth decelerated slightly in 2023 after the market experienced 11.0% rent growth in 2022, the market is still seeing elevated rent growth. Overall, the market has seen an impressive 48.5% increase in rents from the beginning of 2020 through Q1 2024.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable Lease Transactions

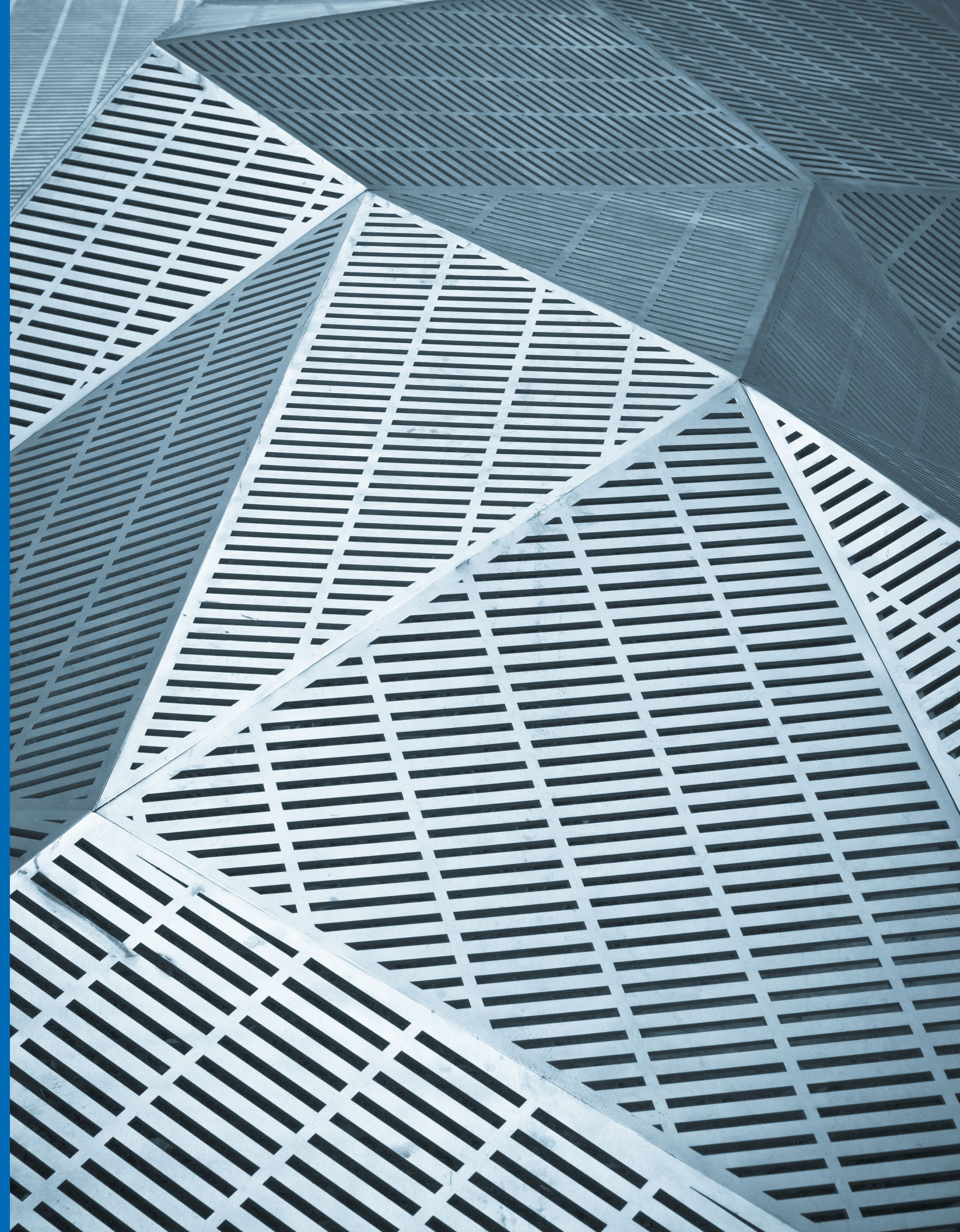
Renewals were the theme of leasing activity during Q1 2024, as the three largest leases signed were renewals. Weyerhaeuser, a distributor of timber and wood products, signed the largest deal of the quarter, a 72,000-square-foot renewal of their space at 4200-4222 Sarellen Road within the Airport submarket.

Select Lease Transactions					
Tenant	Building	Submarket	Type	Square Feet	
Weyerhaeuser	4200-4222 Sarellen Rd	Airport	Lease Renewal	72,399	
Jacob's Technology	4201-4261 Carolina Ave	Laburnum / Rte 360	Lease Renewal	36,000	
Pitney Bowes	11700-11760 N Lakeridge Pky	I-95 North / Ashland	Lease Renewal	32,160	
DEUTZ Corporation	11089 Leadbetter Rd	I-95 N / Mechanicsville	Direct Lease	29,200	
D-S Pipe & Steel	2901 Commerce Rd	Jeff Davis Corridor	Direct Lease	28,100	

Source: Newmark Research, CoStar

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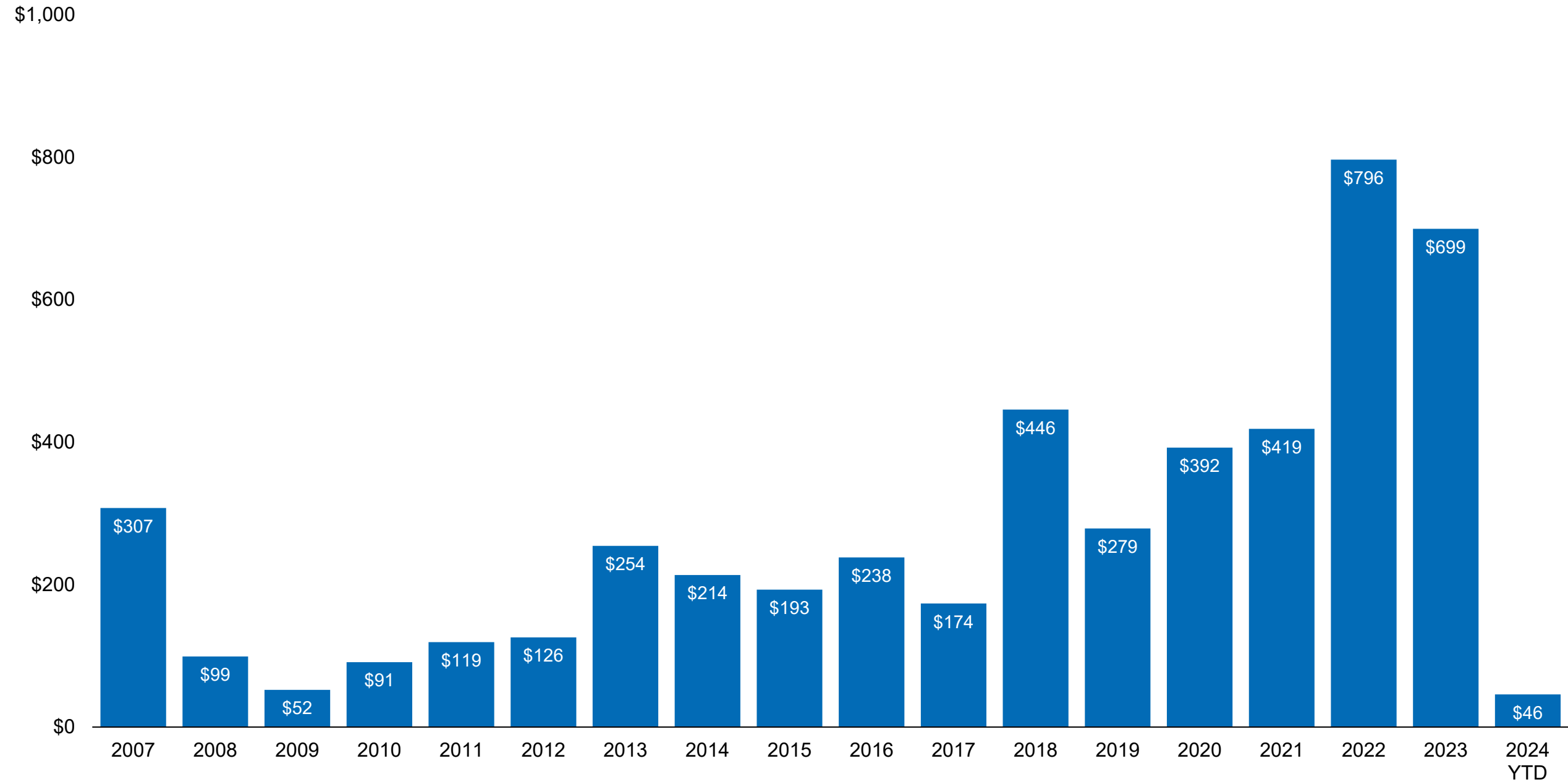
Sales Activity



Industrial Sales Volume: Up Close

Industrial sales volume totaled \$46 million during Q1 2024, slightly lower than the historical average of \$68 million in sales volume during Q1. Industrial sales volume increased dramatically during 2022 and 2023 but will likely see a recalibration to historical norms in 2024 due to macroeconomic headwinds.

Richmond: Industrial Sales Volume (\$ in Millions)

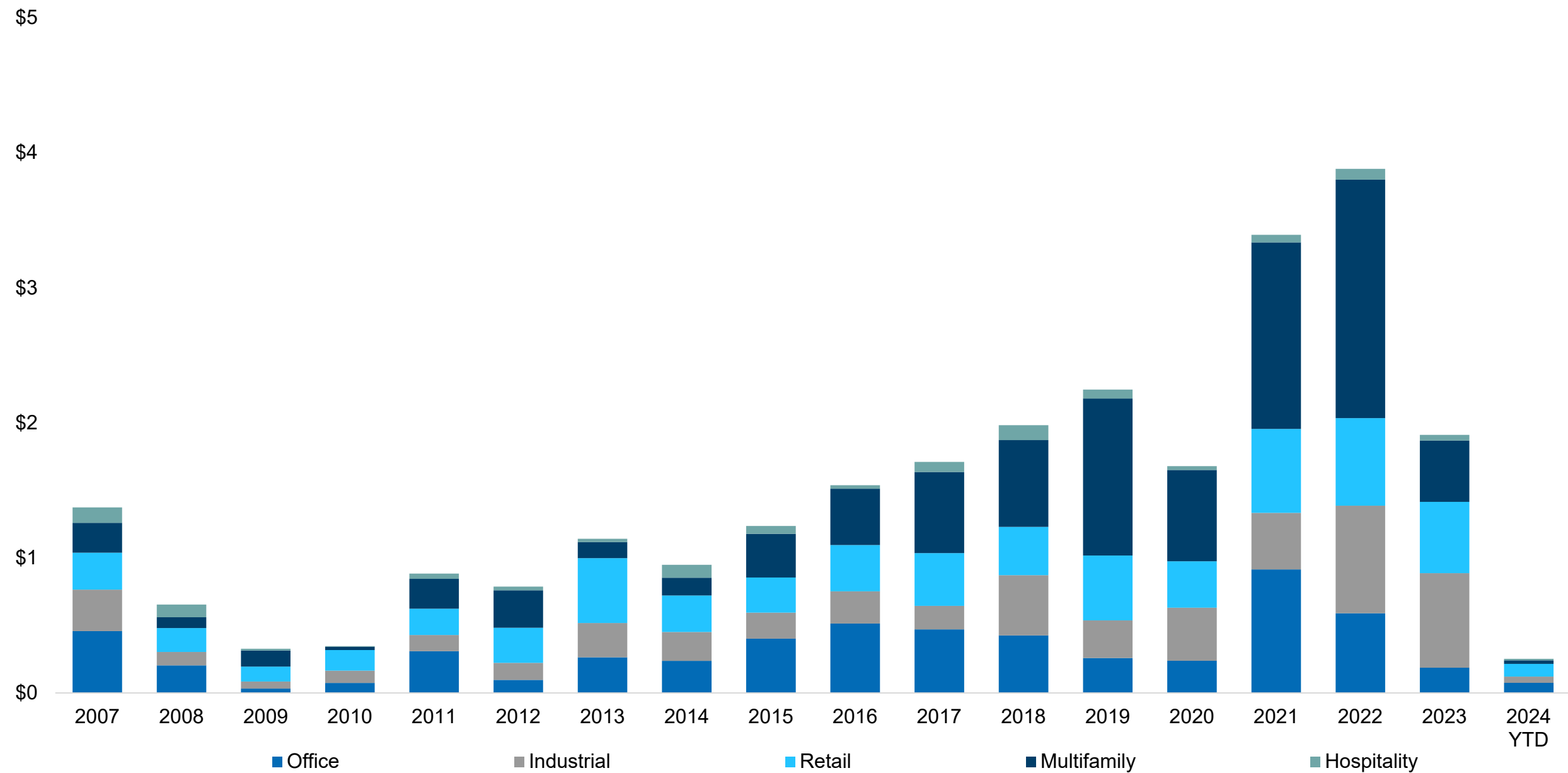


Source: Newmark Research, CoStar

Industrial Comprised 18.1% of Total Sales Volume During Q1 2024

Industrial product experienced \$46 million of sales activity during Q1 2024, comprising 18.1% of total sales volume. The overall market saw \$250 million of sales volume during the quarter, a slow start to the year relative to recent years.

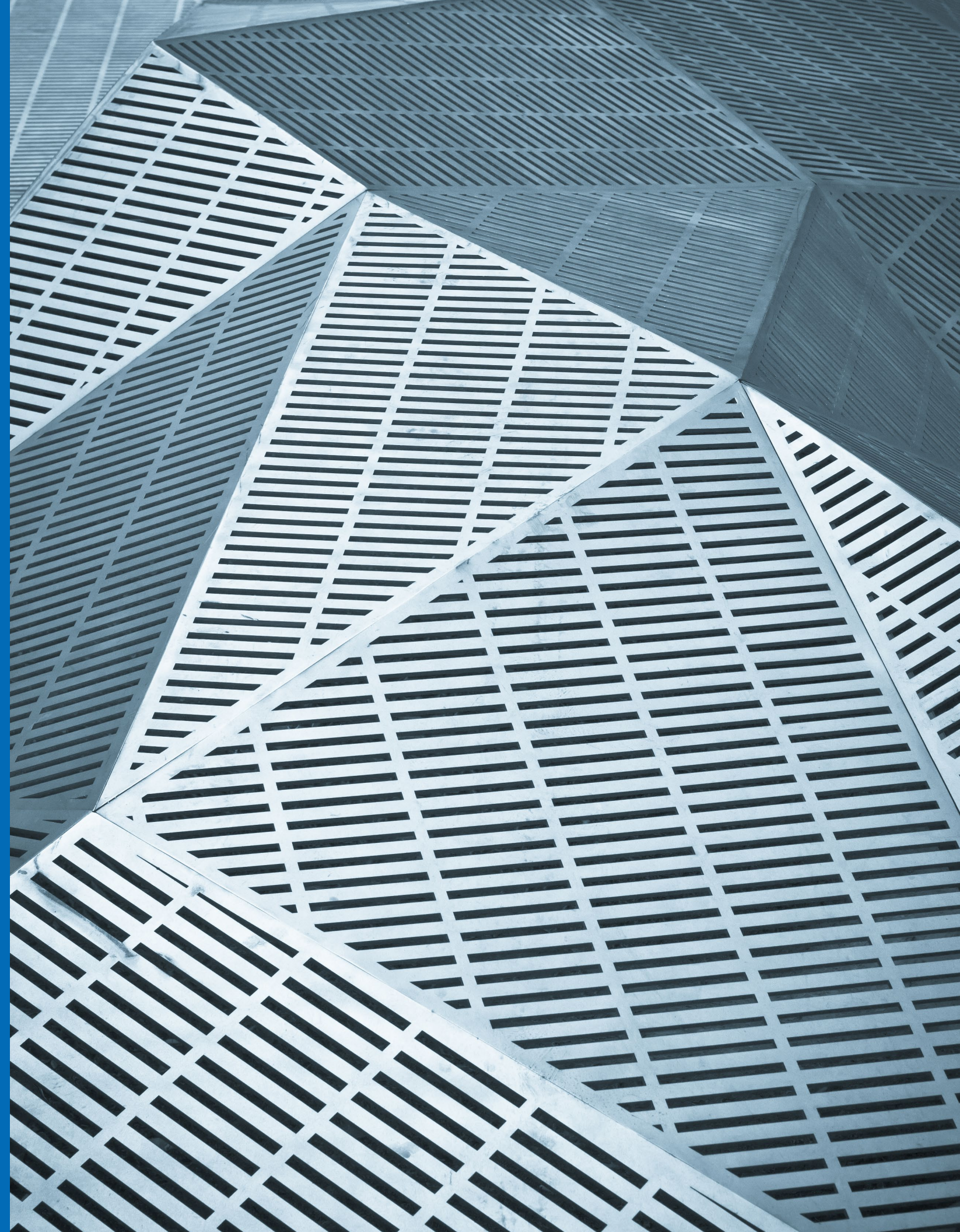
Richmond: Sales Volume Across Commercial Property Segments (\$ in Billions)



Source: Newmark Research, CoStar

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Market Statistics





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