

Downtown Richmond Permanent Transfer Hub

Market Scan

December 2023

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KEY TAKEAWAYS

Downtown Richmond has benefited from regional growth, experiencing a resurgence over the past decade that coincides with the expansion of finance, real estate, and professional services.

DOWTOWN RESURGENCE

Downtown Richmond has experienced strong population growth over the past decade. **The Downtown population has increased by 42% since 2012**, compared to 4% population growth in the overall MSA.

DOWTOWN DOMINATED BY OFFICE SPACE

Most of Richmond's office space is located Downtown, including the Biotech District, which is almost exclusively office space, with some hotels proximate to the Coliseum.

MIXED-USE DOWTOWN

In general, Downtown Richmond has the highest mix of uses in the region, with a balance of office, hotel, multifamily, and retail.

POCKETS OF SINGLE-USE NEIGHBORHOODS

Several Downtown neighborhoods are dominated by single uses. The Jackson and Monroe Ward neighborhoods provide a significant portion of Downtown's multifamily space. The Biotech District is dominated by office space.

KEY TAKEAWAYS

Downtown Richmond demonstrates strong potential for additional high density mixed-use development that is anchored by residential and activated retail space.

RESIDENTIAL

Downtown Richmond has witnessed **consistent multifamily growth over the past decade** and continues to demonstrate high levels of demand. Despite a 7% premium on Downtown Class A space relative to Citywide space, **Downtown vacancy has outperformed or kept track with citywide vacancy.**

OFFICE

Office activity overall has yet to advance since the beginning of the pandemic. Outside of “built-to-suit” space for company expansions (e.g. CoStar and Activation Capital), there has been minimal planned speculative office space. Additionally, leasing activity remains low compared to pre-pandemic trends.

HOTEL

Richmond is a **center for tourism and events**, and hotels are performing well in terms of average daily rates (ADR) and RevPAR. However, **hotel space has yet to return to pre-pandemic levels of occupancy.**

RETAIL

Richmond retail is primarily restaurants and cafes, with **limited amenities** like pharmacies and general retail. Additionally, **portions of Downtown have a notable lack of retail space**, such as the Biotech District.

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

HR&A conducted a market study to assess the market potential for realizing a successful mixed-use development above Richmond's proposed Downtown Transfer Station

The goal of this analysis is to **identify market opportunities** for a joint development overbuild of a Permanent Transfer Hub and to **assess key differentiators** among the potential Permanent Transfer Hub sites with respect to transit-oriented development (TOD) potential.

Following this market analysis, HR&A, VHB, and Design Collective will **identify priority sites** to investigate further for joint development efforts. Then, the team will **develop preliminary concept plans** and **craft a strategy to implement feasible joint development**.



EXECUTIVE SUMMARY

HR&A reviewed relevant planning documents in which the City of Richmond details its vision regarding city-wide and neighborhood-specific growth.

The City of Richmond's most recent comprehensive plan, *Richmond 300*, points to TOD as an essential component to future growth. **There is a desire to transform Downtown into an 18-hour district, driven by a mix of uses that prioritizes residential, entertainment, and retail uses.**

Future growth in **Downtown Center**, **Biotech District** and the **Riverfront** reflect that of a diverse, mixed-use destination. **Monroe Ward** shares the mixed-use vision while incorporating more residential. Whereas planning initiatives in **Jackson Ward** and **Shockoe Bottom** reflect neighborhood preservation and enhancement.

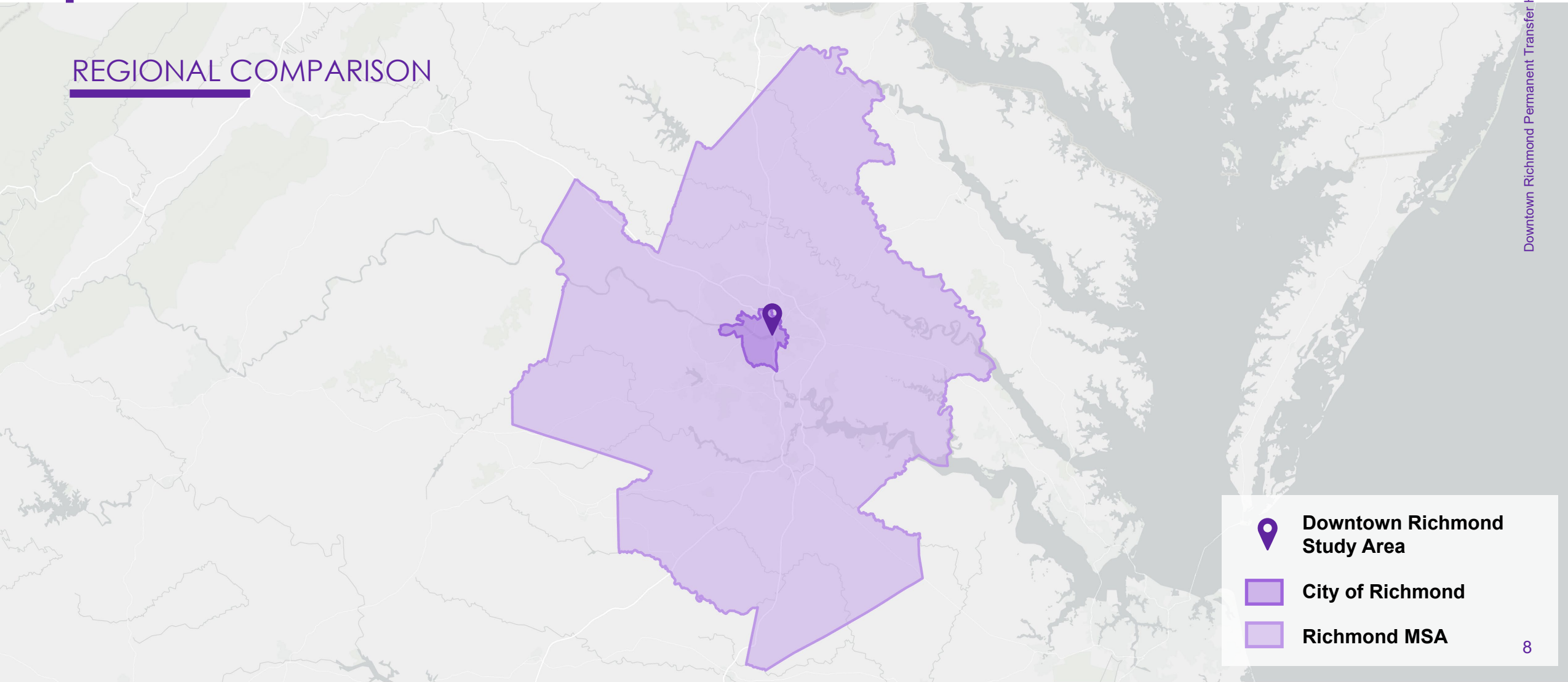
The City of Richmond has created the *City Center Innovation District Small Area Plan* to expand on TOD goals for **Downtown Center**, **Biotech District**, and **Riverfront**. The creation of a small area plan for **Shockoe Bottom** is also under way. Additionally, the *Path to Equity* was created by Richmond Connects to support the equitable implementation of transportation-related objectives established in *Richmond 300*.



EXECUTIVE SUMMARY

The City of Richmond and Richmond MSA are used as comparisons to identify how regional trends apply to Downtown Richmond.

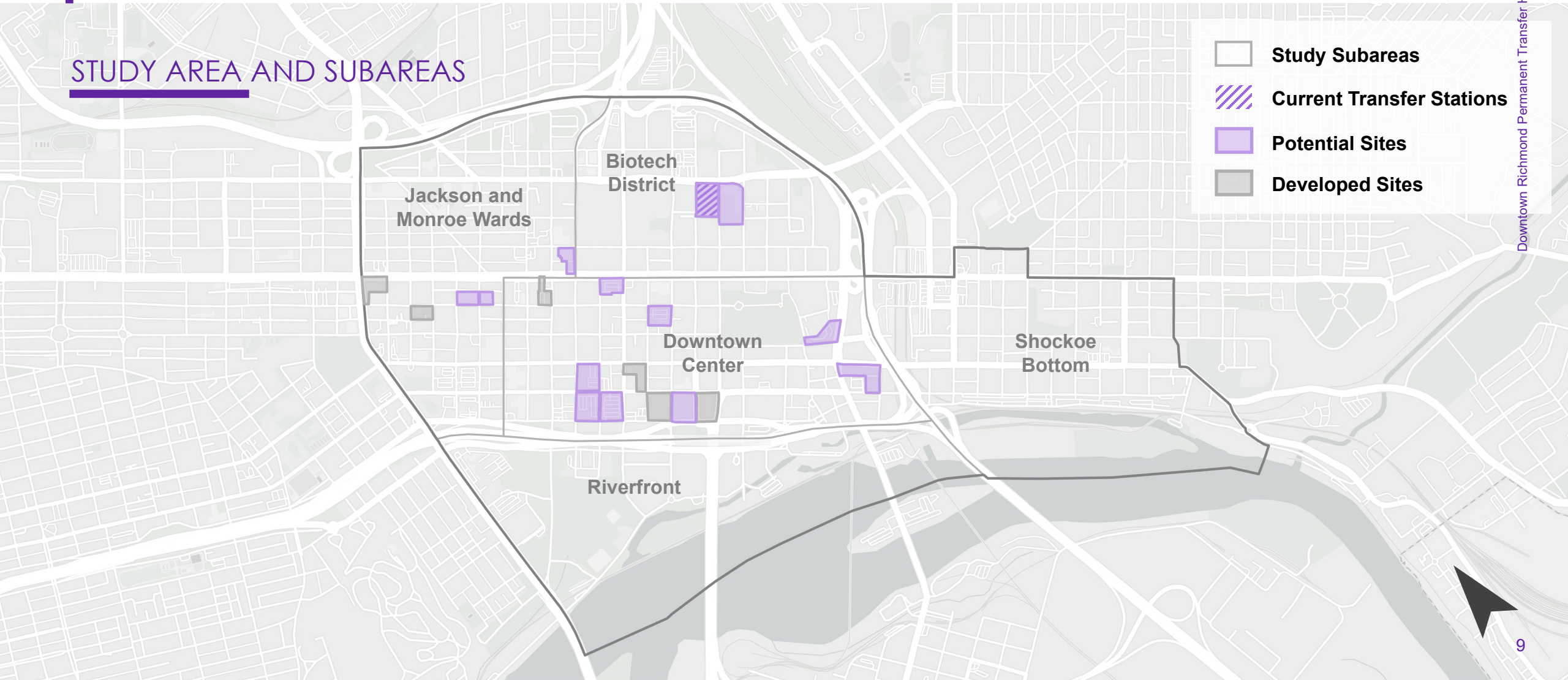
REGIONAL COMPARISON



EXECUTIVE SUMMARY

The primary study area for this real estate market scan is based off CoStar's Downtown Richmond market, which includes blocks East of I-95 in Shockoe Bottom

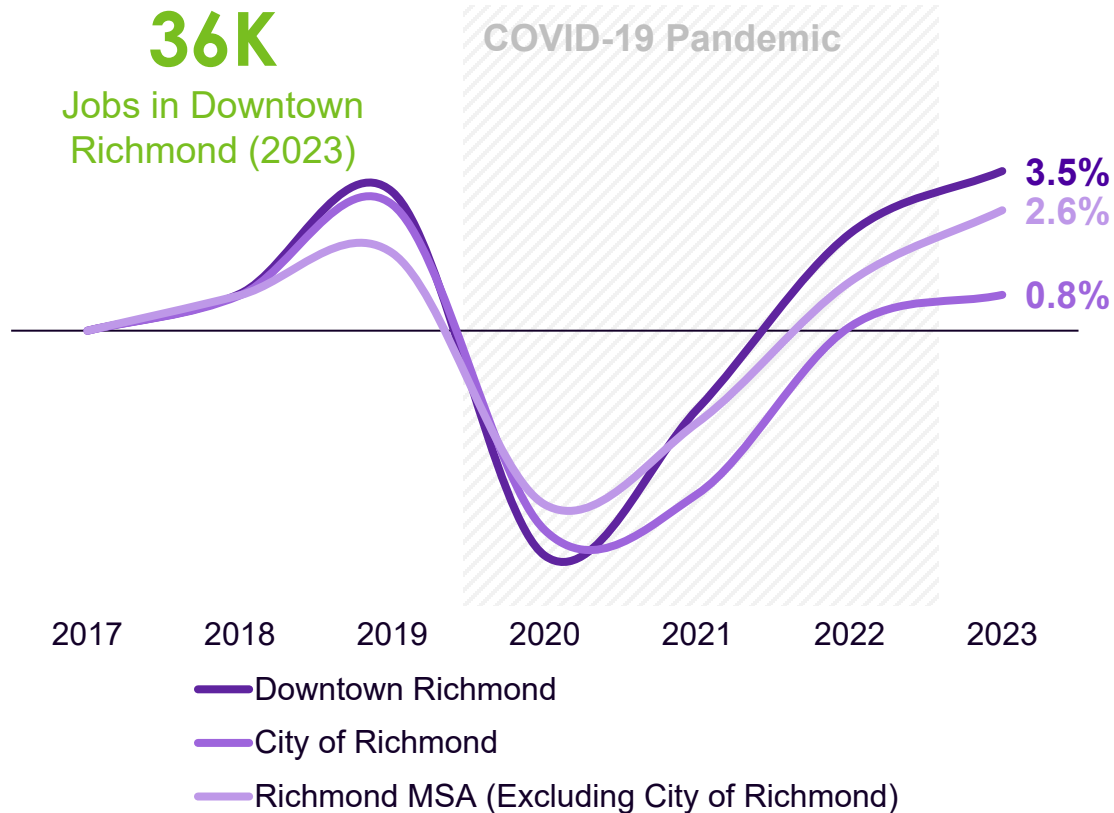
STUDY AREA AND SUBAREAS



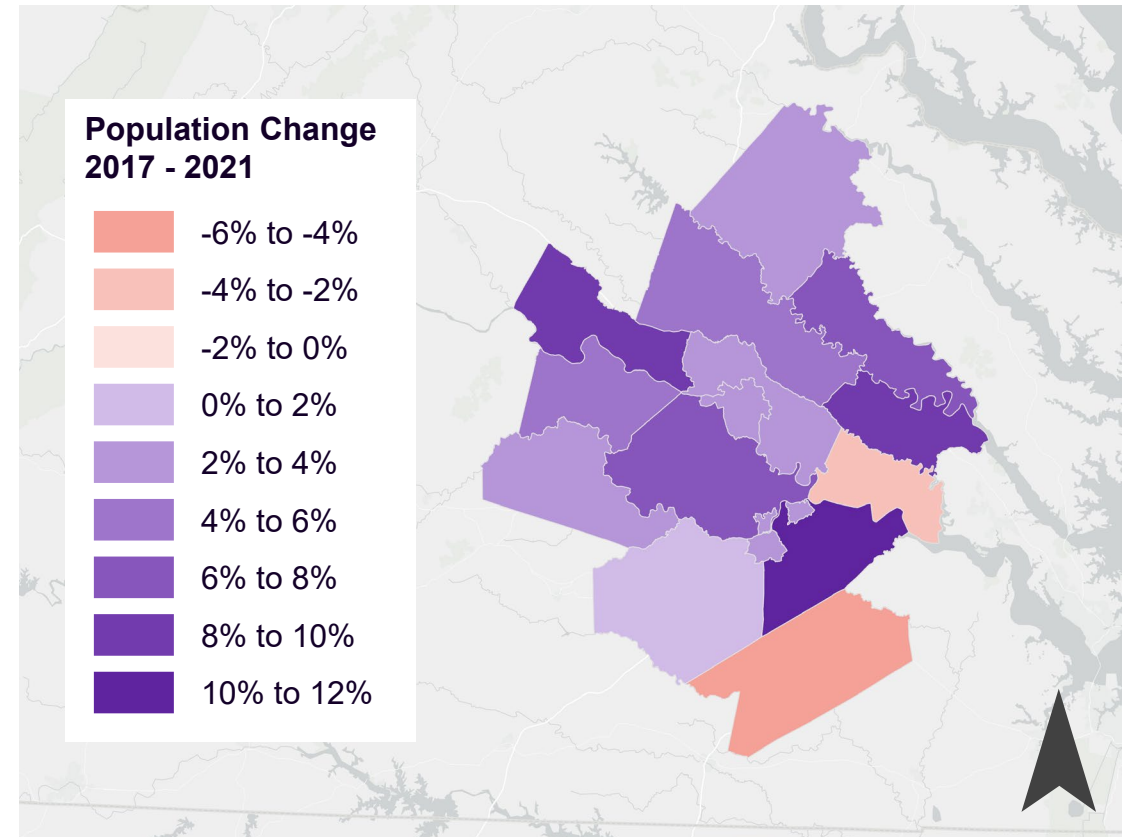
EXECUTIVE SUMMARY

The Richmond region has experienced sizeable growth since 2017, adding 33,000 residents and 17,000 jobs and positioning Downtown Richmond for continued investment.

EMPLOYMENT GROWTH SINCE 2017



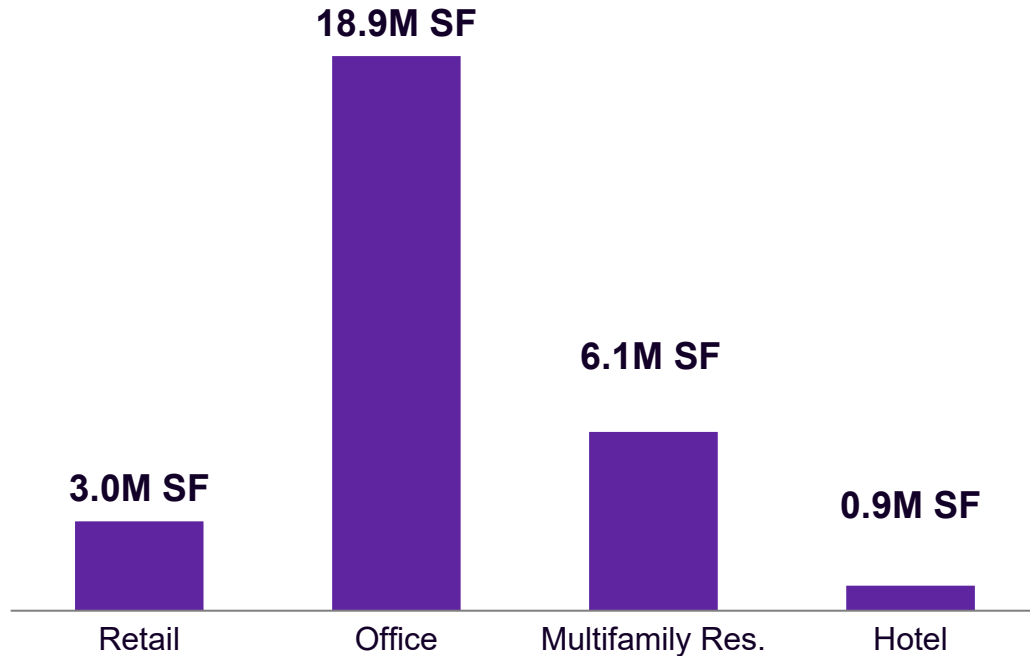
POPULATION CHANGE (2017-2021)



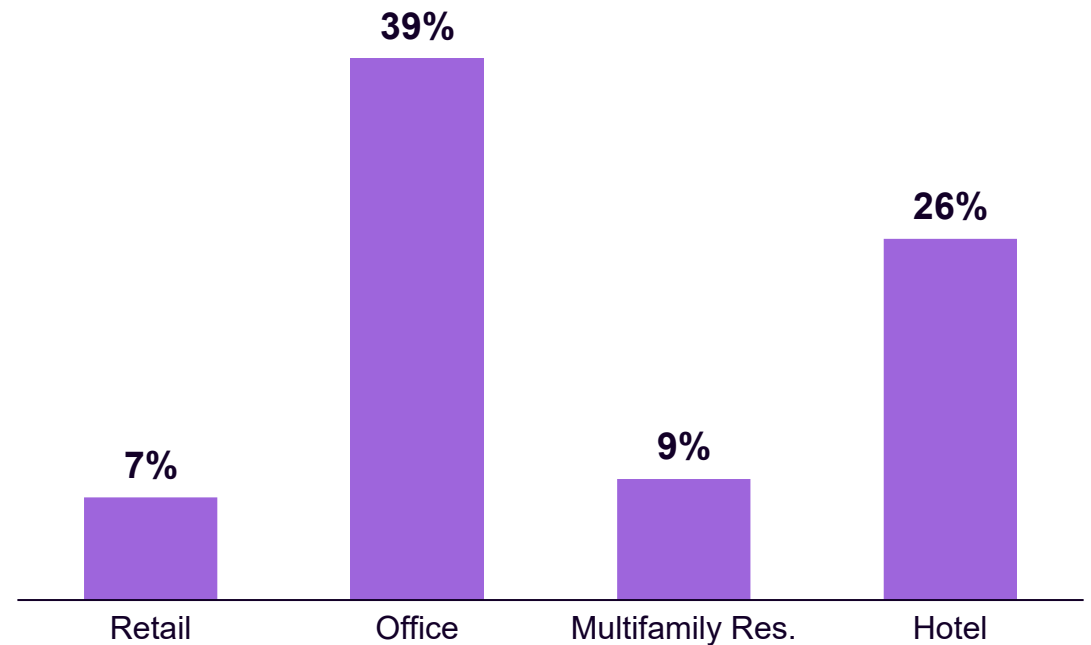
EXECUTIVE SUMMARY

Downtown Richmond is already home to a large portion of the region's office space, but there is an opportunity to expand its residential neighborhoods to accommodate a growing population.

DOWNTOWN RICHMOND INVENTORY (2023)



DOWNTOWN SHARE OF CITY OF RICHMOND INVENTORY (2023)



EXECUTIVE SUMMARY

Signature projects like City Center are capitalizing on this strong population and employment growth to drive economic development momentum and vibrancy in the Downtown area.



Image Credit: Adobe Stock

Downtown Growth

Downtown’s population has been growing at almost 6 times the pace of the MSA. Coupled with a market favoring multifamily residential construction over other typologies, multifamily is positioned strongly for TOD overbuild at the Permanent Transfer Hub.



Image Credit: City of Richmond

Signature Investments

Projects like the City Center Innovation District seek to attract residents, amenities, and investment activity to parcels adjacent to potential transfer station sites which could create momentum for office or retail space.



Image Credit: Adobe Stock

Downtown Institutions

Government and academic institutions and the biotech cluster offers unique opportunities for increased Downtown housing opportunities, particularly in the Biotech District which currently has minimal multifamily inventory.

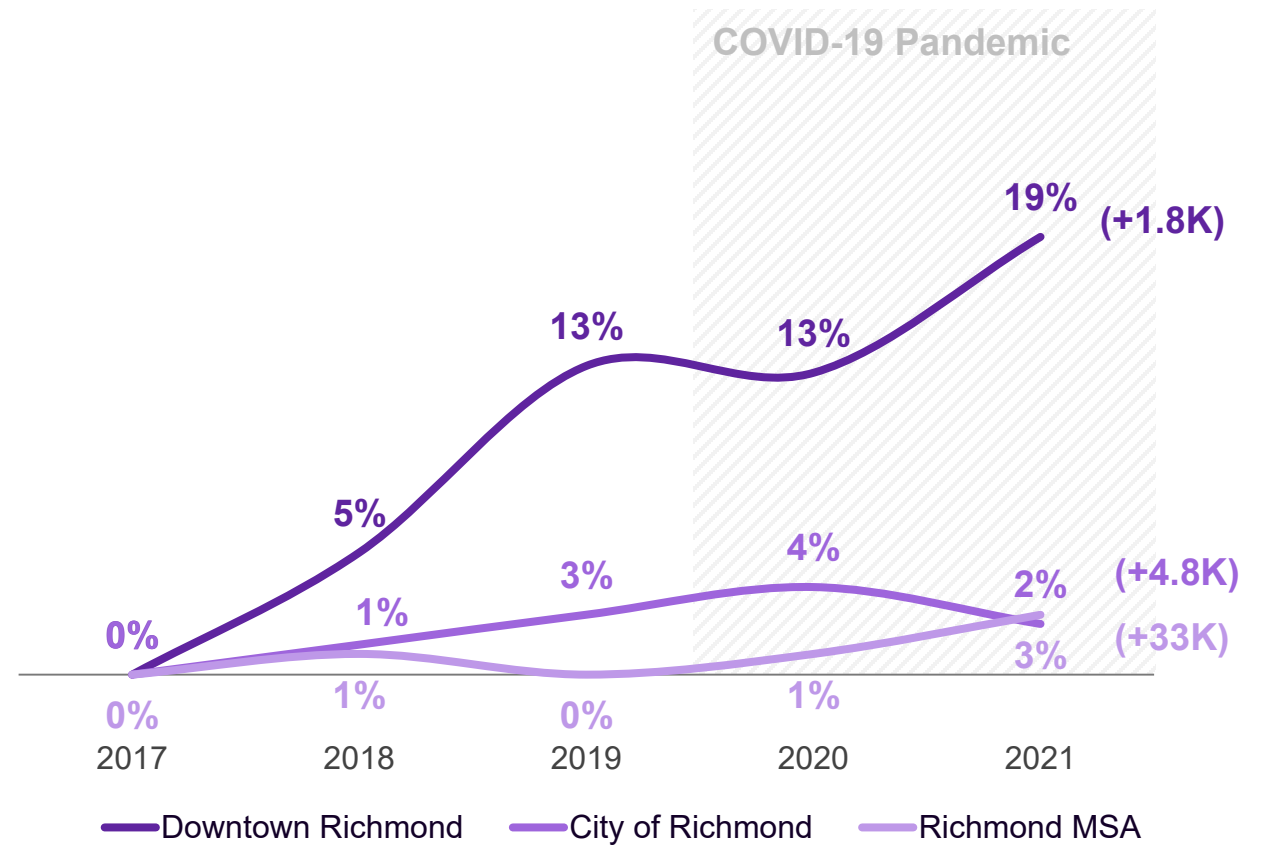
EXECUTIVE SUMMARY

Downtown has shown a strong attractive power over the region, adding residents at a faster rate than the City and the MSA.

Downtown Richmond has benefited strongly from the region's growth since 2017, sustaining an average annual growth rate more than seven times the MSA average through the pandemic, only experiencing a slight decrease in population at the start of the pandemic between 2019 and 2020.

Downtown's success also separates it from the rest of the city, whose growth is closer to the pace of growth of the overall MSA.

POPULATION PERCENT GROWTH (2017-2021)



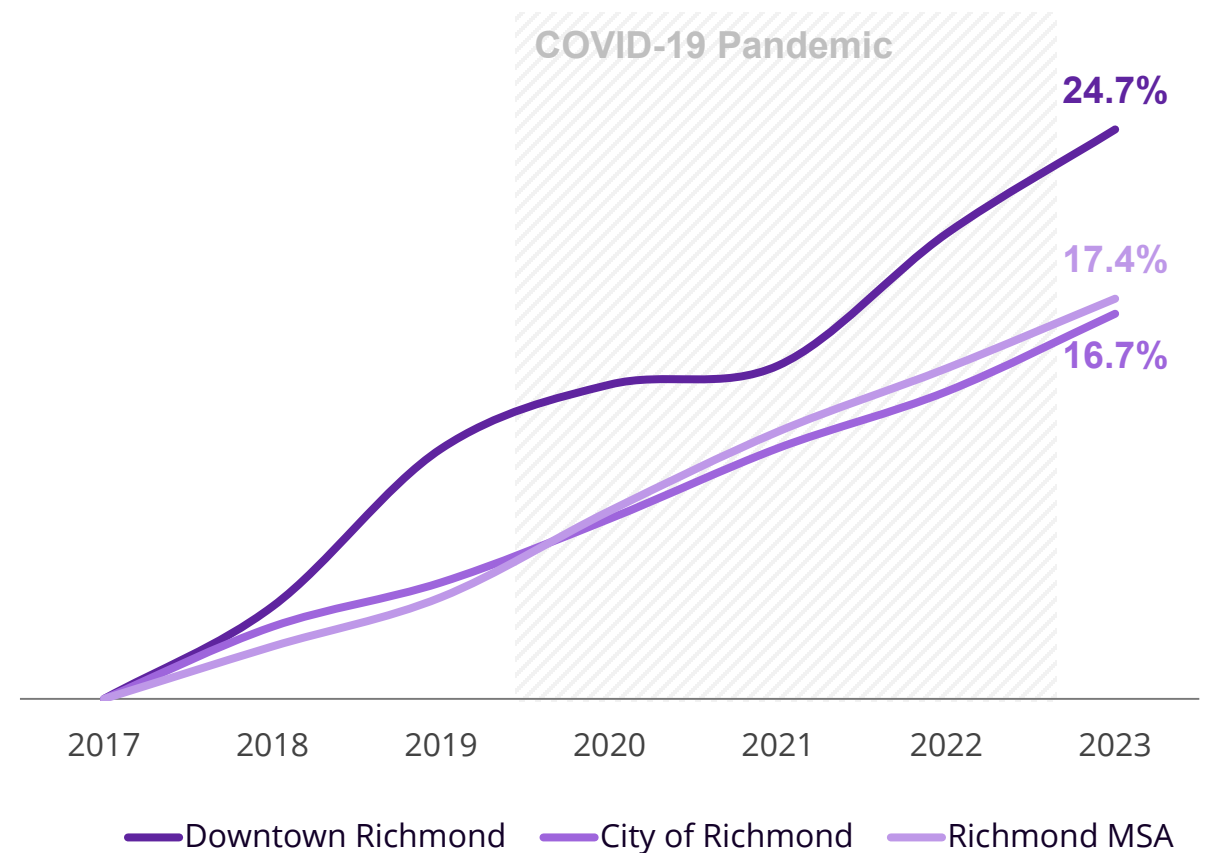
Source: ACS 2017-2021 (5-year estimates)

EXECUTIVE SUMMARY

While the Richmond Region has continued growing, Downtown has experienced an outsized boom in multifamily production.

Since 2017, the Richmond MSA has added nearly 20,000 multifamily homes, 1,600 of which are located Downtown. Multifamily housing is increasingly located Downtown – Downtown multifamily housing units comprise 6% of the overall inventory but have accounted for 8% of all new homes since 2017.

MULTIFAMILY INVENTORY GROWTH
(2017-2023)



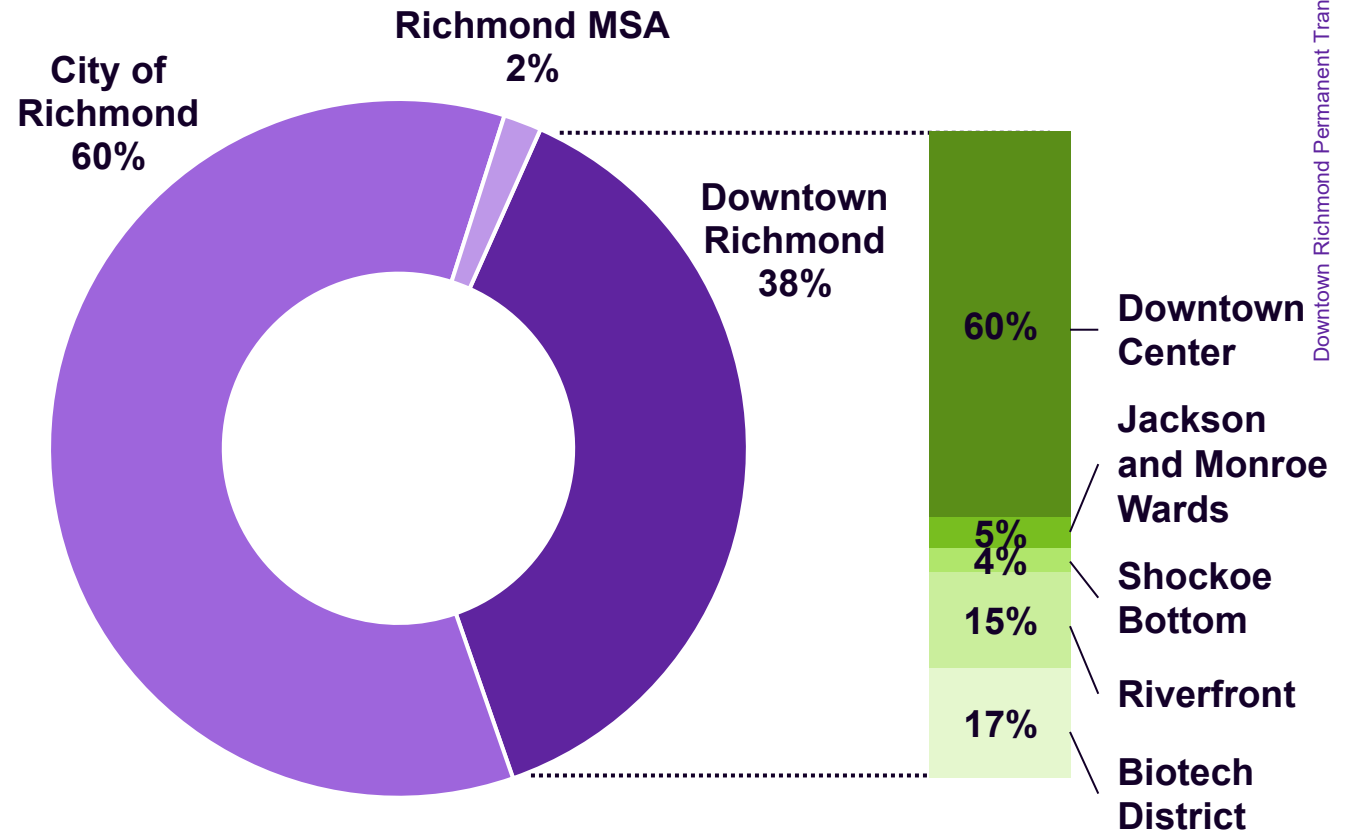
EXECUTIVE SUMMARY

Office space is currently the largest use in Downtown Richmond and represents a significant proportion of the regional inventory.

The Downtown office market accounts for over a third of the Richmond MSA's office space, over 16% of which is located in the Downtown Center subarea alone.

While the City is outperforming many of its peers, there has been no speculative office construction Downtown aside from the 2015 Gateway Plaza building in the Downtown Center subarea. Rather, Downtown has benefited from anchor industries and existing companies pursuing build-to-suit space.

SHARE OF OFFICE SPACE
(PERCENTAGE RELATIVE TO OVERALL MSA)



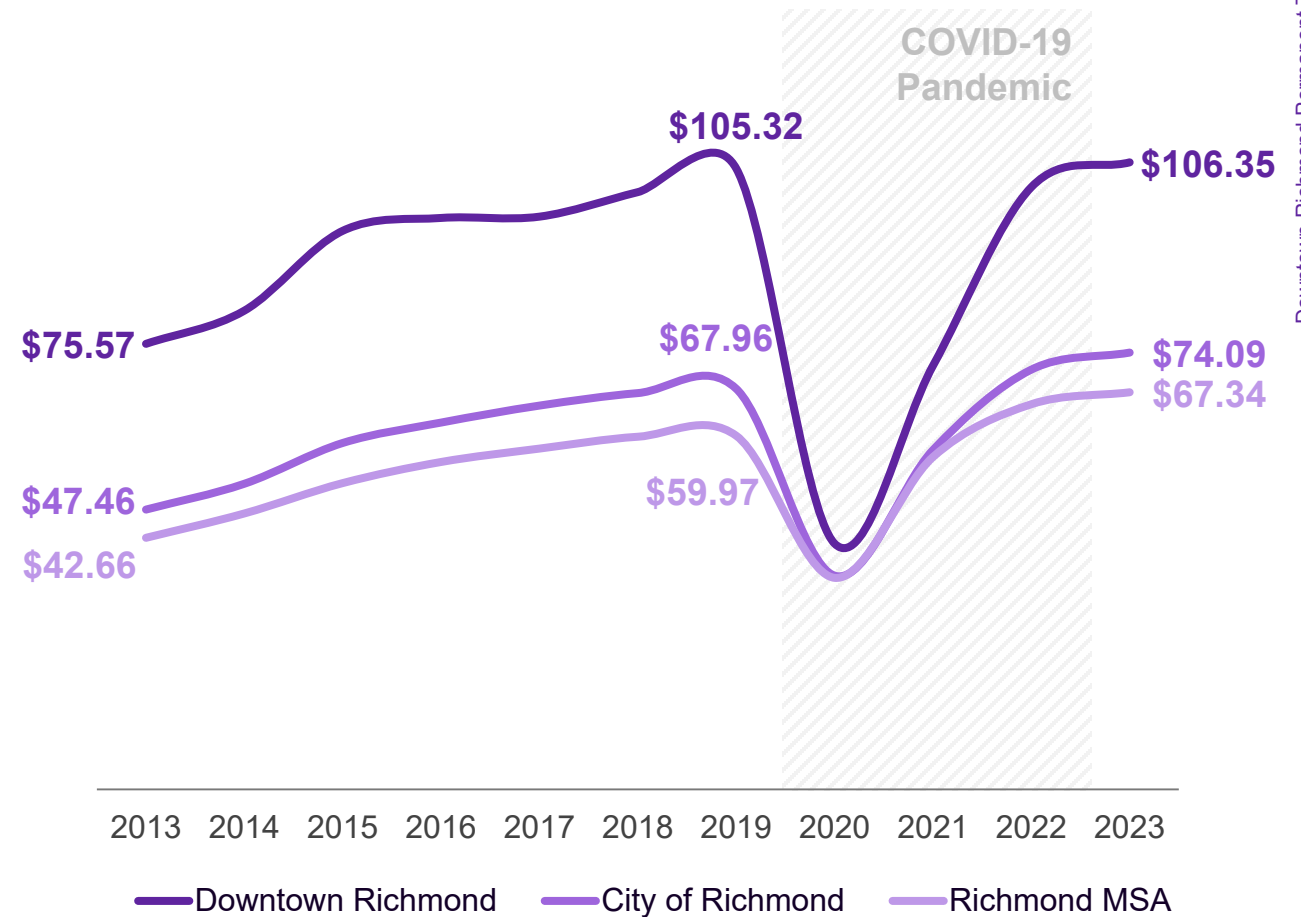
EXECUTIVE SUMMARY

While occupancy remains lower than before the pandemic, hotel revenues have rapidly recovered.

Richmond Hotels have experienced a strong economic rebound from the pandemic, recovering to 2018 RevPAR by 2022 even though average occupancy rates have been 7% lower than the pre-pandemic average.

The 500-room hotel planned for the Greater Richmond Convention Center will significantly affect the Downtown hotel market, as it will increase the inventory of Downtown rooms by almost 20%.

REVENUE PER AVAILABLE ROOM (RevPAR)
(2013-2023)



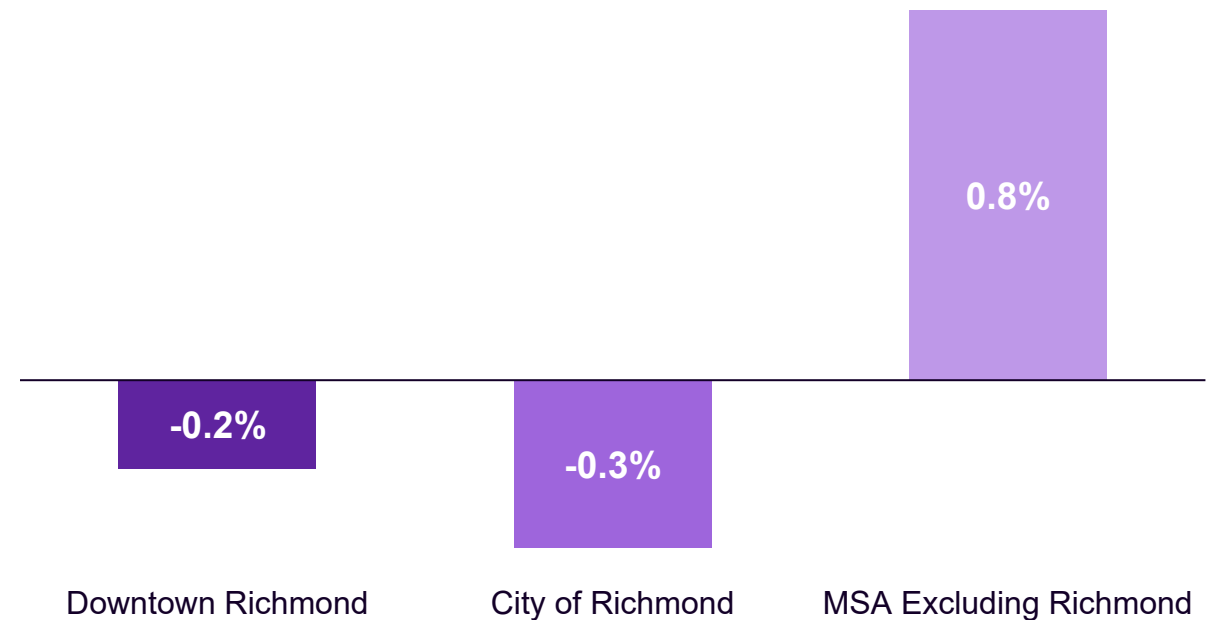
EXECUTIVE SUMMARY

Downtown retail has been resilient throughout the pandemic, with low vacancy despite a small decrease in inventory.

The Richmond region entered the pandemic with a strong retail market and economic growth, which provided a buffer throughout much of the pandemic.

Most Downtown retail spaces are in small independent shops. Locally-serving retail amenities like general stores and pharmacies are notably absent missing from Downtown. Reflecting this, retail makes up a smaller component of Downtown employment compared to the MSA.

RETAIL INVENTORY CHANGE (2017-2023)



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DEMOGRAPHICS

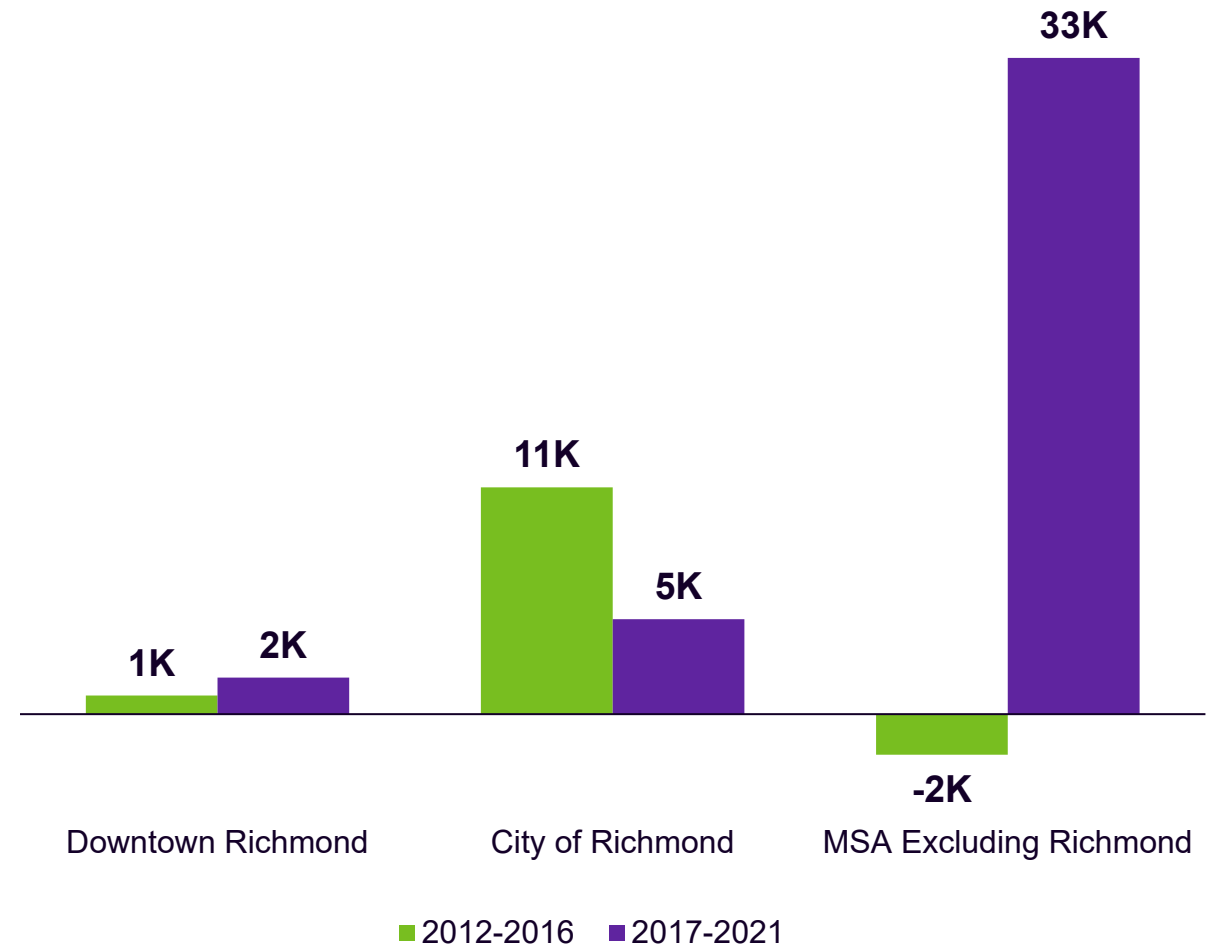
DEMOGRAPHICS

From 2017 to 2021, population growth was concentrated in Downtown and the counties surrounding Richmond.

While Downtown Richmond has experienced a nearly 42% increase in population since 2012, the City of Richmond has fared differently overall, experiencing slow growth since 2017.

The Downtown population is a combination of working aged, childless adults and university students. The vast majority of Downtown residents work outside of Downtown.

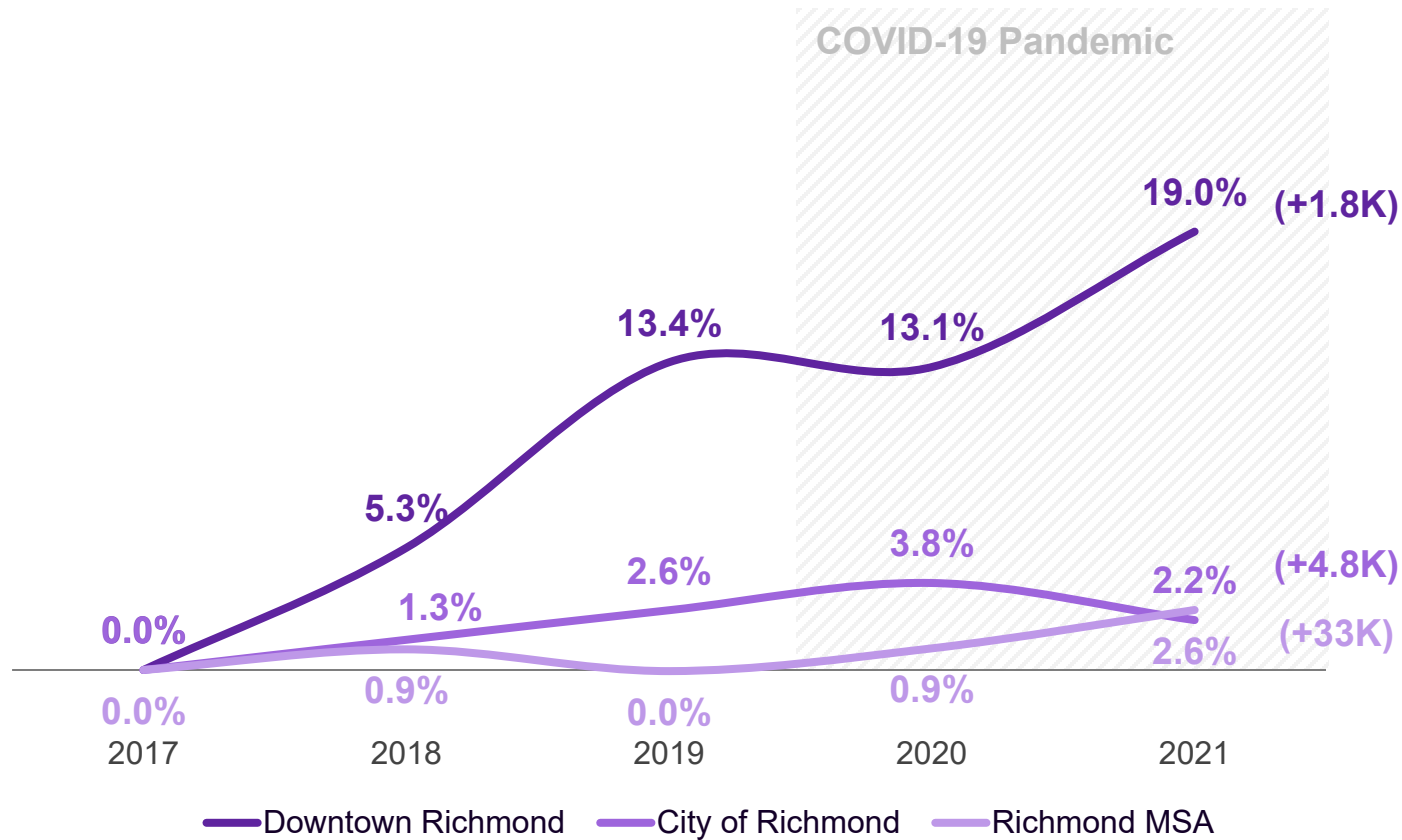
POPULATION GROWTH



DEMOGRAPHICS | POPULATION GROWTH

Downtown Richmond has benefited strongly from regional growth since 2017, experiencing an average annual growth rate more than seven times the MSA average.

POPULATION PERCENT GROWTH 2017-2021



11.5K
Population of Downtown
Richmond (2021)

226.6K
Population of City of
Richmond (2021)

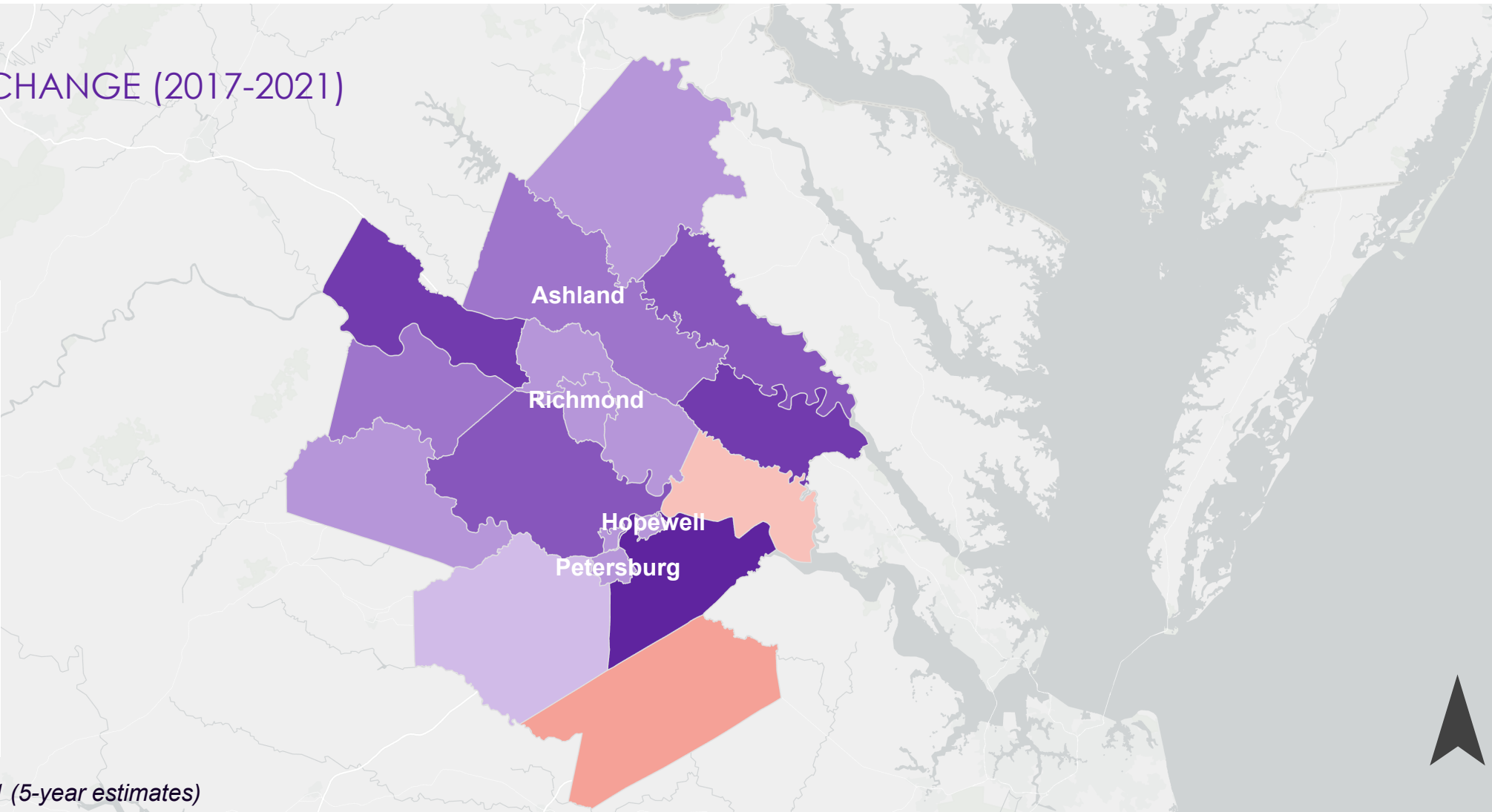
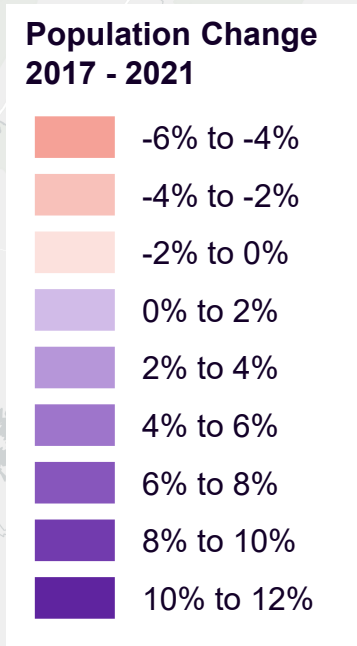
1.3M
Population of Richmond
MSA (2021)

Source: ACS 2017-2021 (5-year estimates)

DEMOGRAPHICS | POPULATION GROWTH

The largest population growth rates between 2017 and 2021 occurred in suburban counties around Richmond, though Downtown Richmond has grown faster than all these areas.

POPULATION CHANGE (2017-2021)



Source: ACS 2017-2021 (5-year estimates)



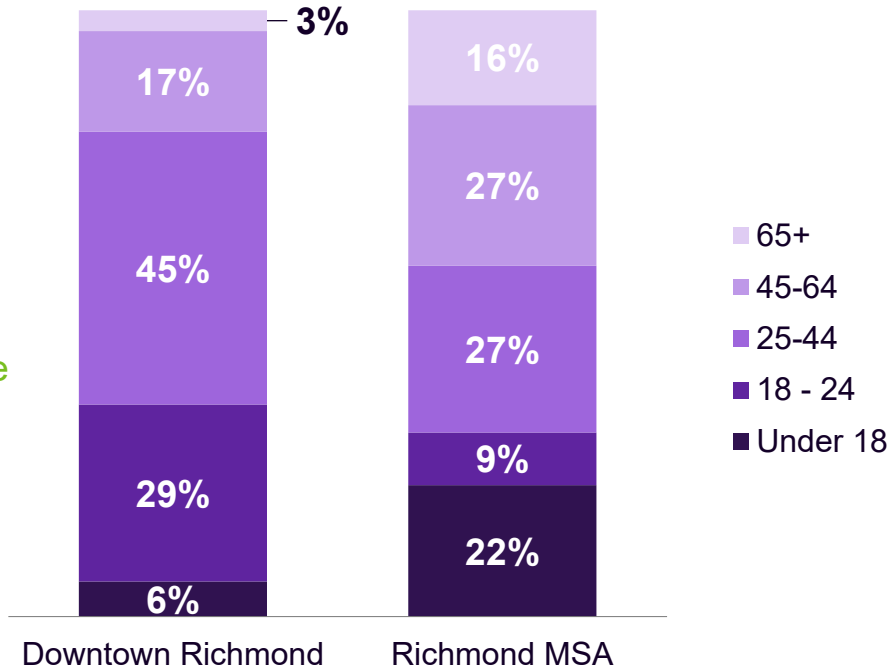
DEMOGRAPHICS | AGE AND EDUCATION

About 90% of Downtown residents are childless working age adults possessing or pursuing higher education degrees.

POPULATION AGE (2021)

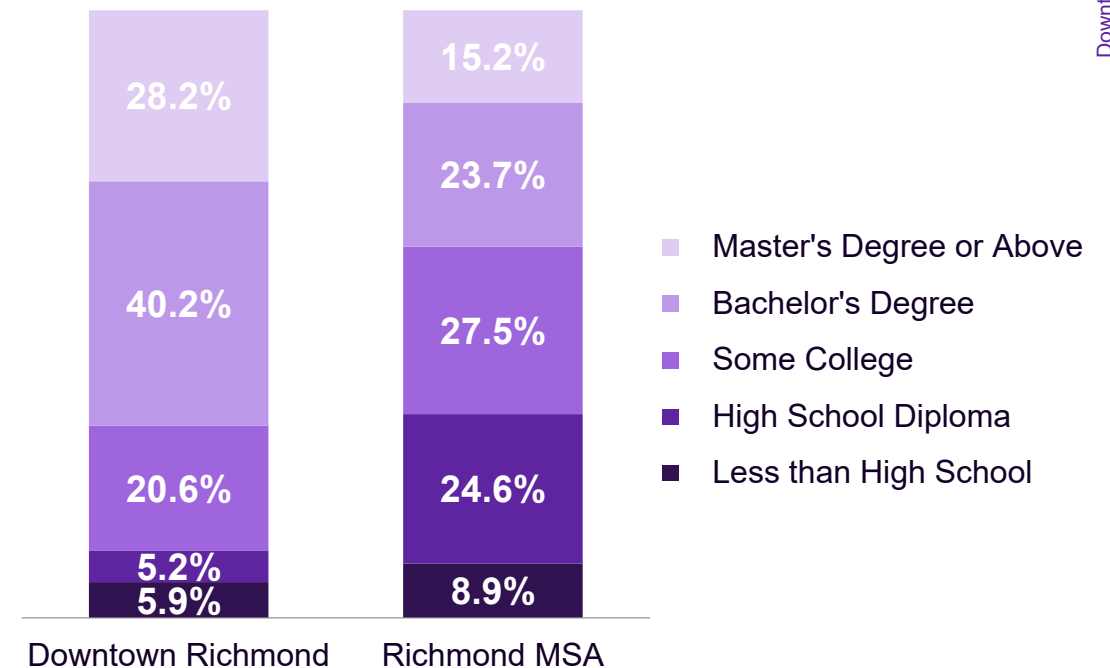
Downtown Richmond residents are working age single-person households or couples, with an average Downtown household size of 1.6 (compared to 2.5 citywide)

80%
Of Downtown Richmond households are non-family households



EDUCATIONAL ATTAINMENT (2021)

Almost 90% of Downtown adults have some form of higher education, and nearly 30% have a Master's degree or higher

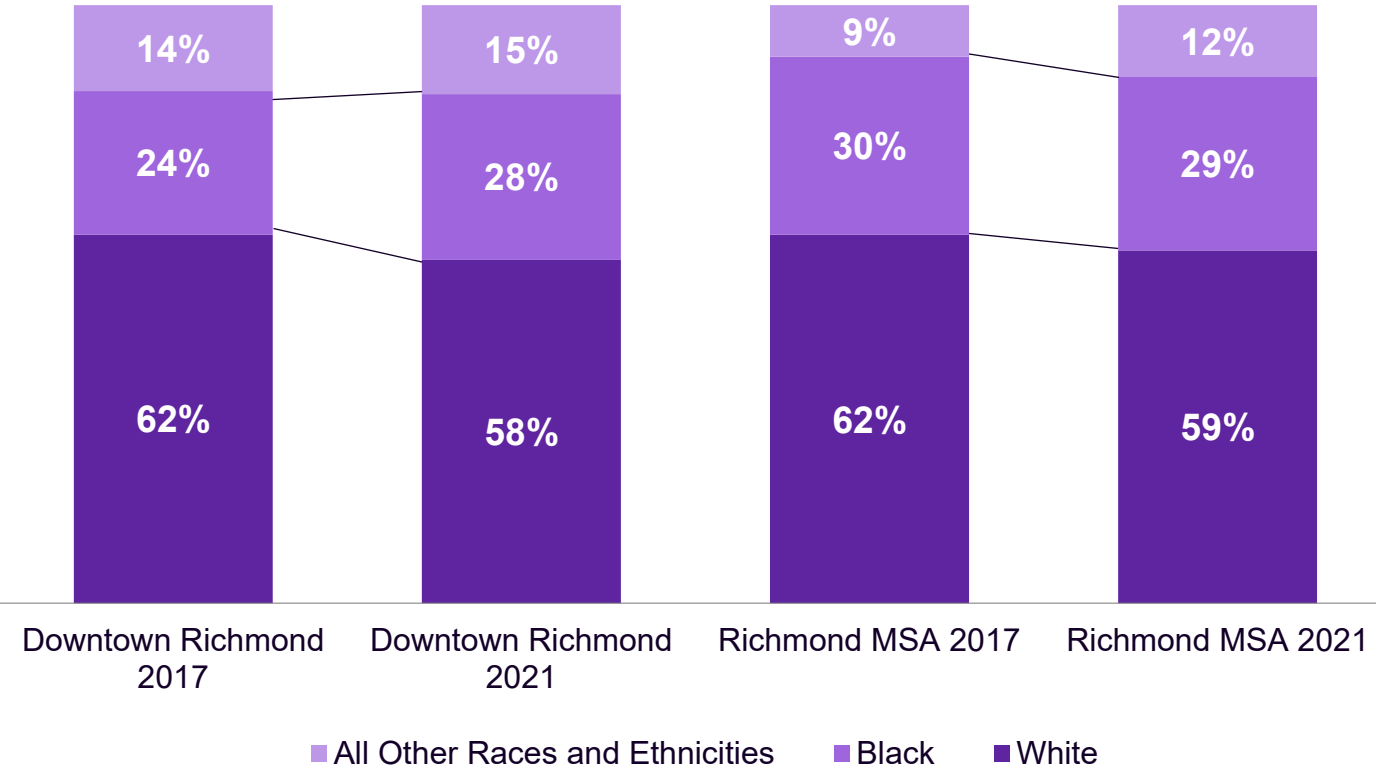


Source: ACS 2021 (5-year estimates)

DEMOGRAPHICS | RACIAL COMPOSITION

Downtown has become increasingly diverse over the past 5 years, becoming more reflective of the racial composition of the broader MSA.

RACIAL COMPOSITION (2017-2021)

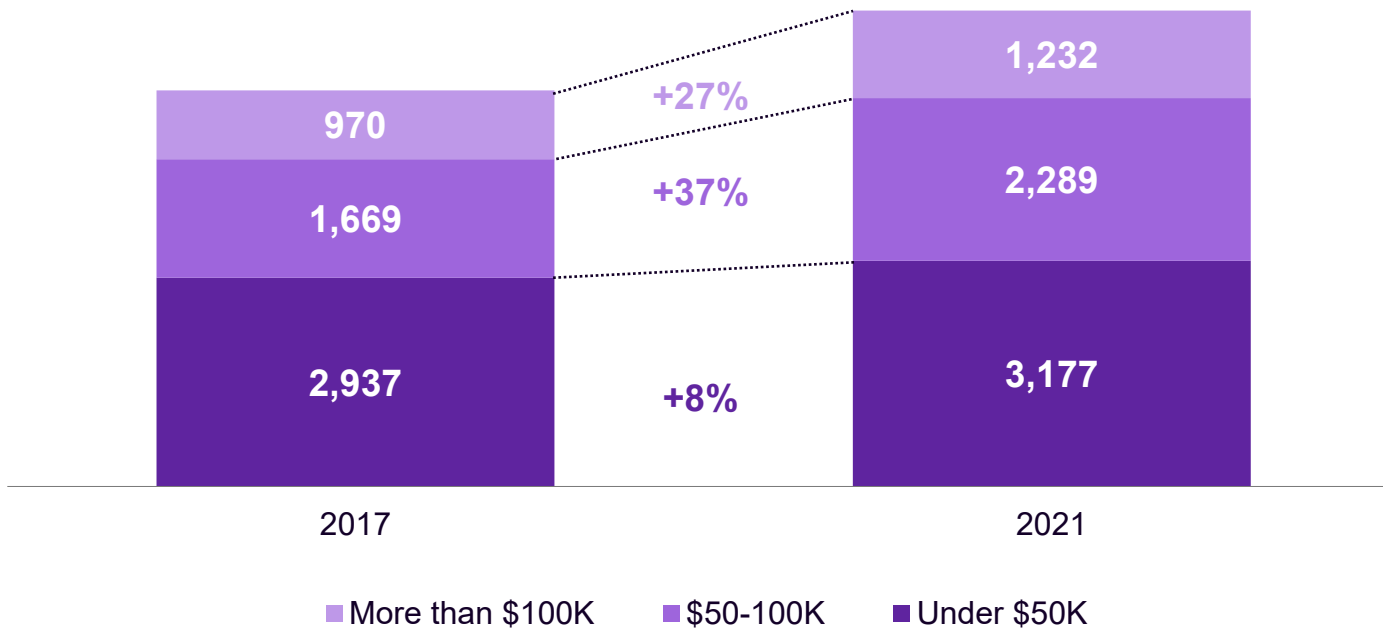


The Black population of Downtown Richmond increased by 37% between 2017 and 2021, accounting for nearly half of the population growth in that time.

DEMOGRAPHICS | HOUSEHOLD INCOME

Downtown Richmond has experienced a notable increase in middle- and high-income households since 2017.

DOWNTOWN RICHMOND HOUSEHOLD INCOME CHANGE (2017-2021)*



There has been a significant growth in higher income residents in Downtown Richmond since 2017, while the number of households earning less than \$50K annually has shown more modest growth

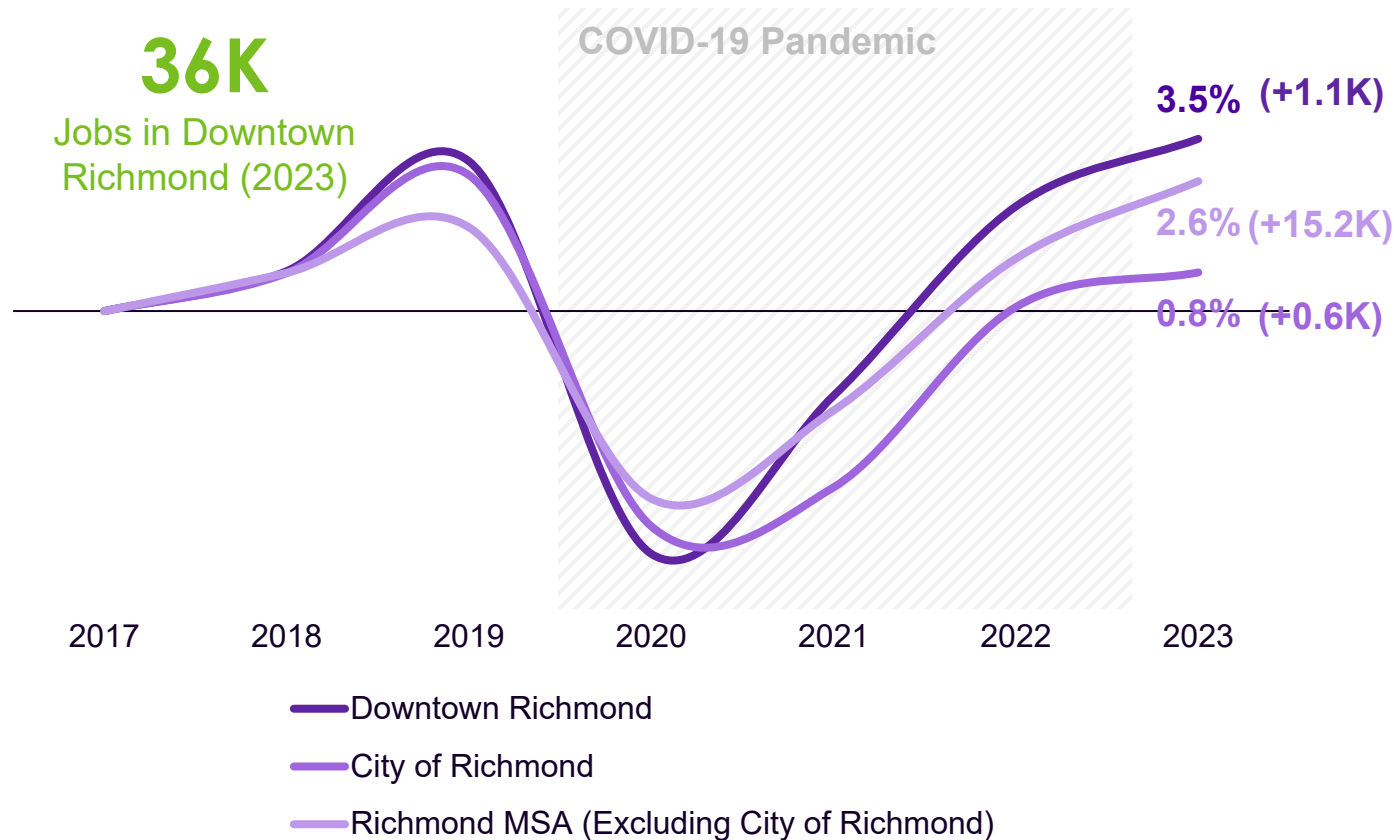
* In 2021 inflation adjusted dollars

Source: ACS 2017 and 2021 (5-year estimates)

DEMOGRAPHICS | EMPLOYMENT GROWTH

Downtown Richmond has recovered its employment to pre-pandemic levels, outpacing the overall city and MSA's recovery and job growth.

EMPLOYMENT GROWTH SINCE 2017

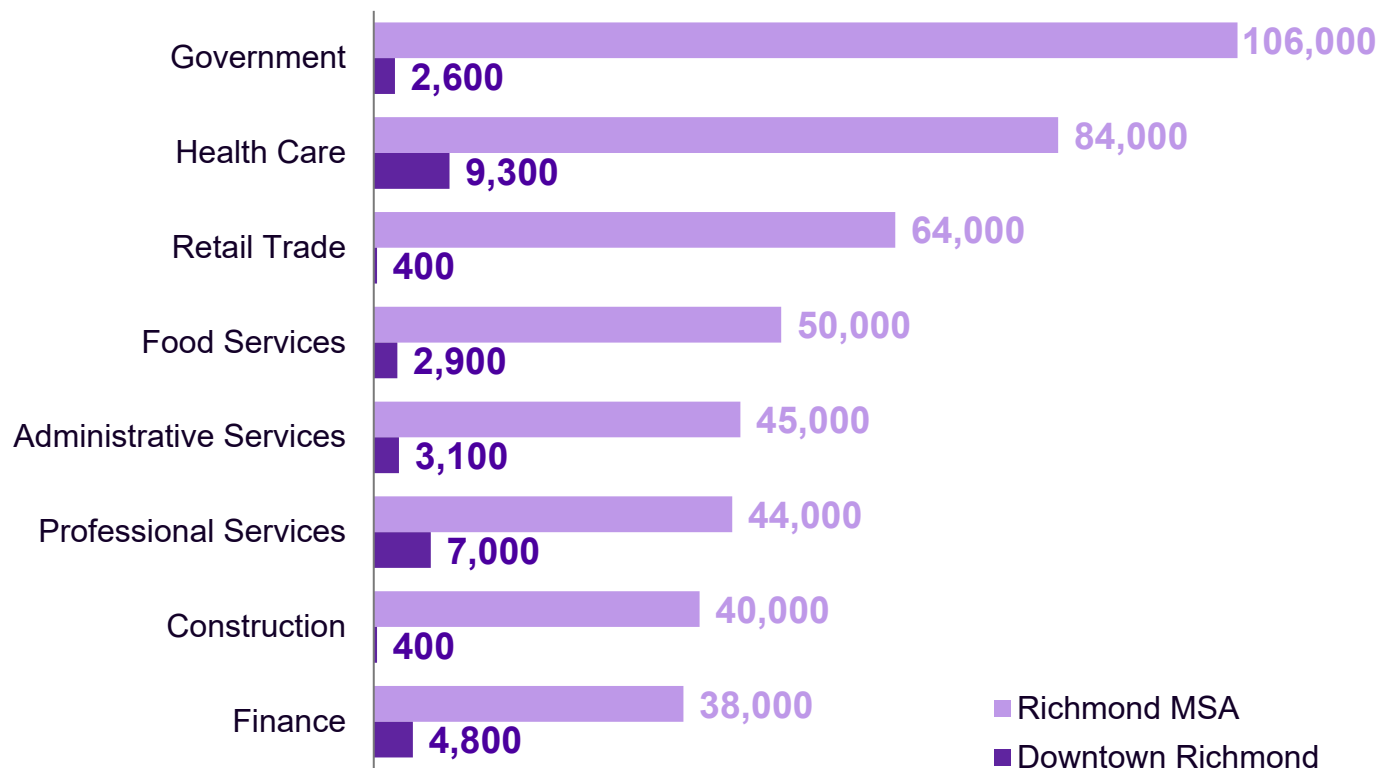


The City of Richmond was impacted more severely than the overall MSA and employment levels and has not recovered its employment levels to the pre-pandemic peak. The Downtown core experienced the most severe job losses during the pandemic, but its recovery has been much closer to the overall MSA.

DEMOGRAPHICS | EMPLOYMENT

Downtown Richmond is home to a significant portion of the region's health care and professional services jobs, driven by VCU, the Biotech District, and corporate HQs.

LARGEST EMPLOYMENT SECTORS IN THE RICHMOND MSA (2023)



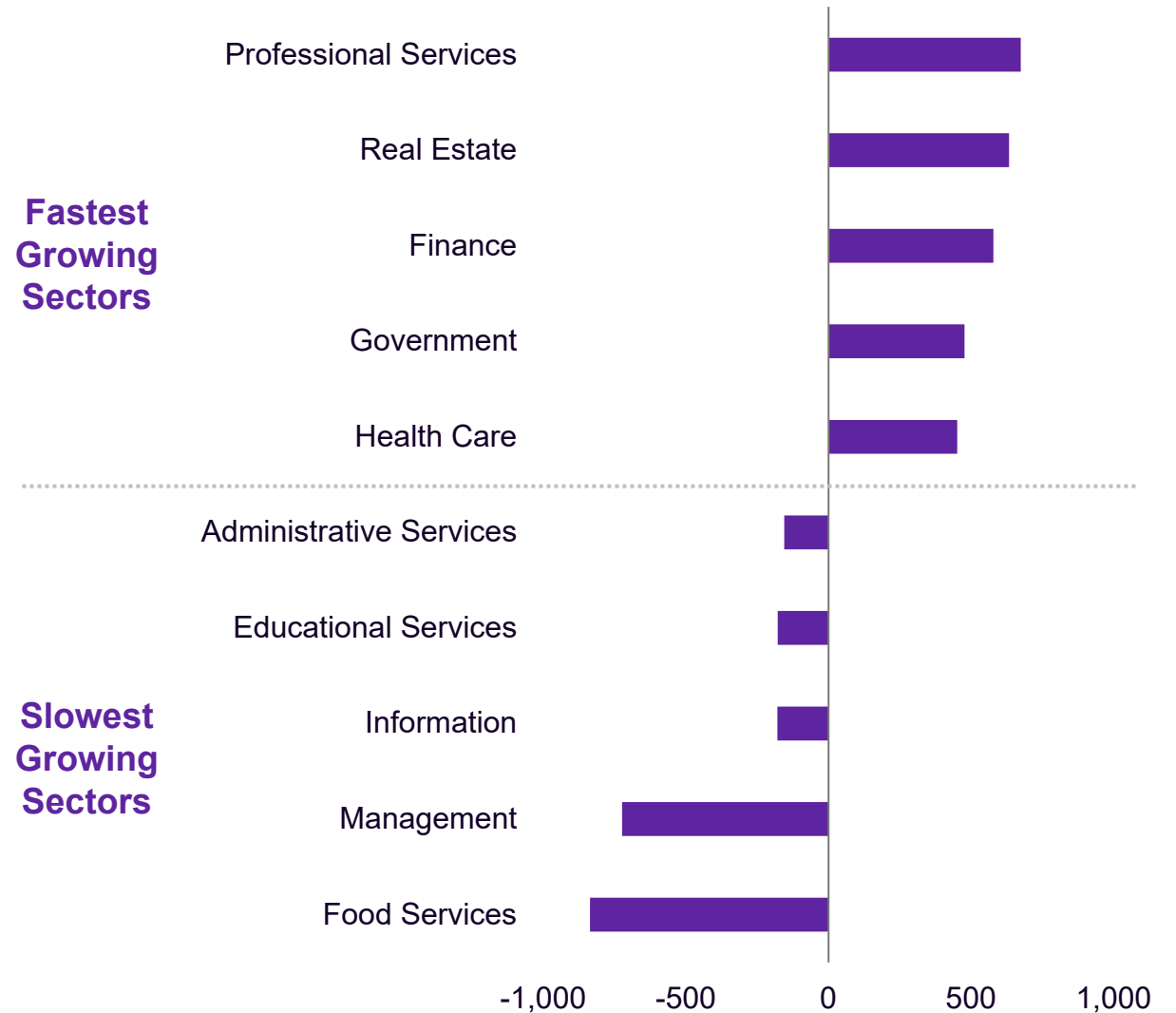
While government, health care, and retail trade are the largest industry sectors in the Richmond MSA, Downtown Richmond hosts 11% of all healthcare jobs and 16% of all professional services jobs in the region. Similarly, Downtown Richmond contains approximately 13% of the region's finance jobs, suggesting Downtown supports the region's largest sectors, and vice versa.

DEMOGRAPHICS | EMPLOYMENT

Professional service jobs have continued to concentrate Downtown, whereas food services employment has experienced a significant decline.

Professional services, real estate, and finance have been consistent drivers of Downtown job growth, but major employers like food services, management, and administrative services experienced significant contractions since the pandemic.

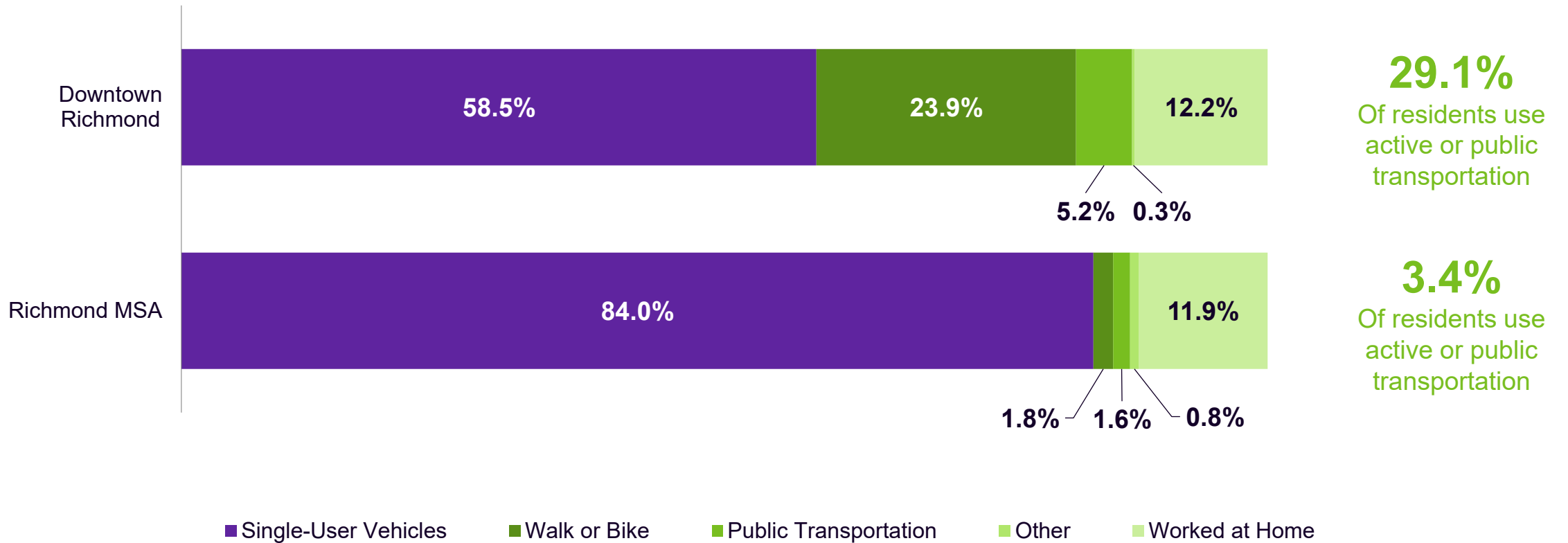
EMPLOYMENT CHANGE IN DOWNTOWN RICHMOND (2017 TO 2023)



DEMOGRAPHICS | MOBILITY

Downtown Richmond residents use active transportation to commute at almost 9 times the regional rate, driven primarily by walkers and public transit users.

COMMUTING PATTERNS (2021)



Source: ACS 2021 (5-year estimates)

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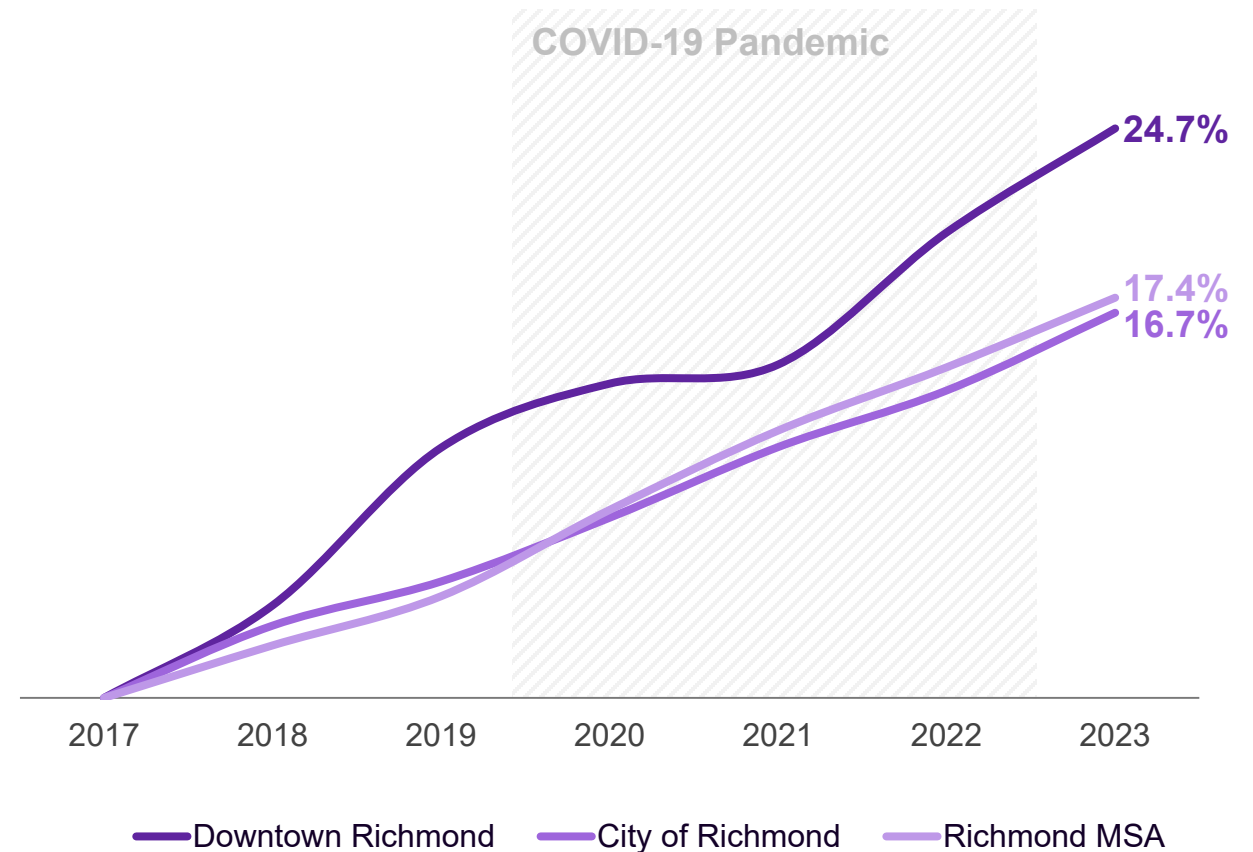
MULTIFAMILY

MULTIFAMILY

While the Richmond Region has continued growing, Downtown has experienced an outsized boom in multifamily production.

Since 2017, the Richmond MSA has added nearly 20,000 multifamily homes, 1,600 of which are located Downtown. Multifamily housing is increasingly located Downtown – Downtown multifamily housing units comprise 6% of the MSA inventory but have accounted for 8% of all new homes since 2017.

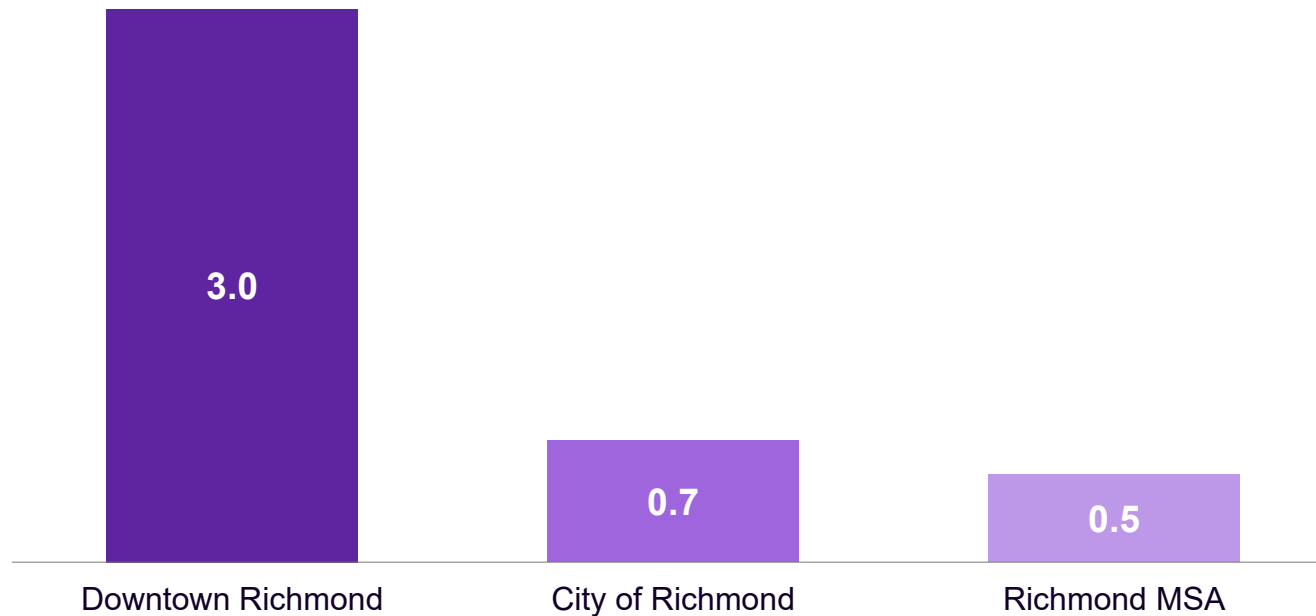
MULTIFAMILY INVENTORY GROWTH
(2017-2023)



MULTIFAMILY | EMPLOYMENT CONCENTRATION

Downtown Richmond has a high concentration of employment opportunities relative to its population, fueling multifamily demand from residents who want to live near their workplace.

JOBS PER RESIDENT RATIO (2021)

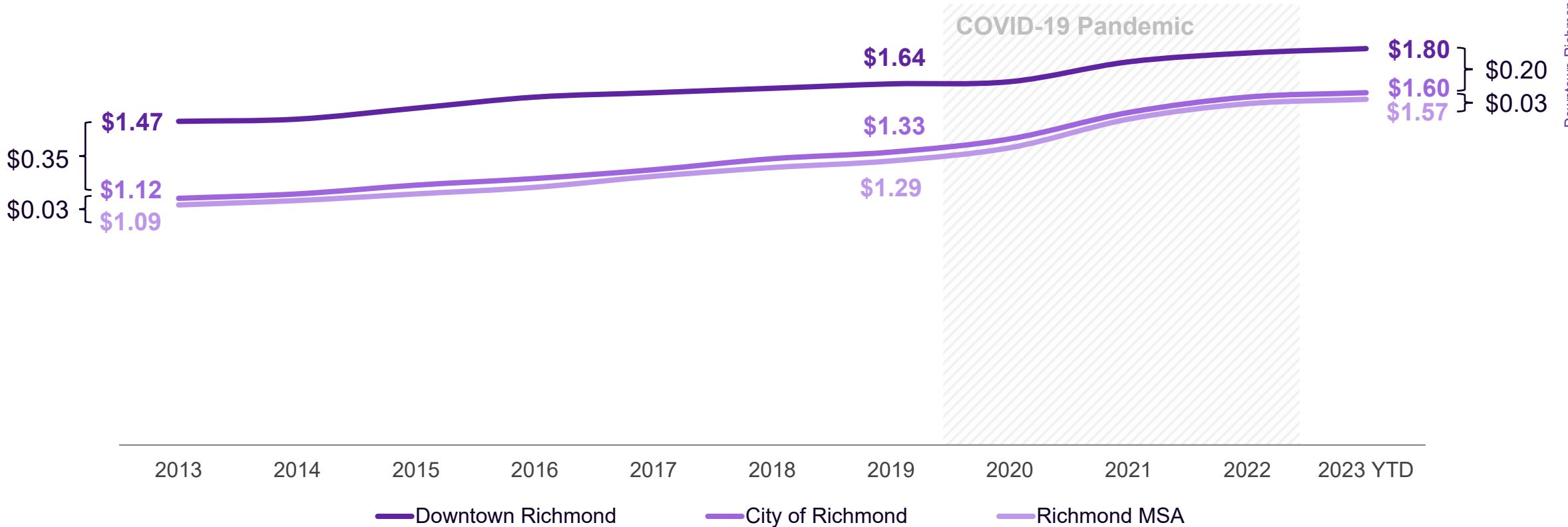


Downtown Richmond has almost three times the number of jobs as residents, reflecting its identity as a magnet for regional employment opportunities.

MULTIFAMILY | DOWNTOWN RENT PREMIUM

While it has historically been more expensive to live Downtown, the price premium has decreased over time, making the downtown, walkable experience more accessible.

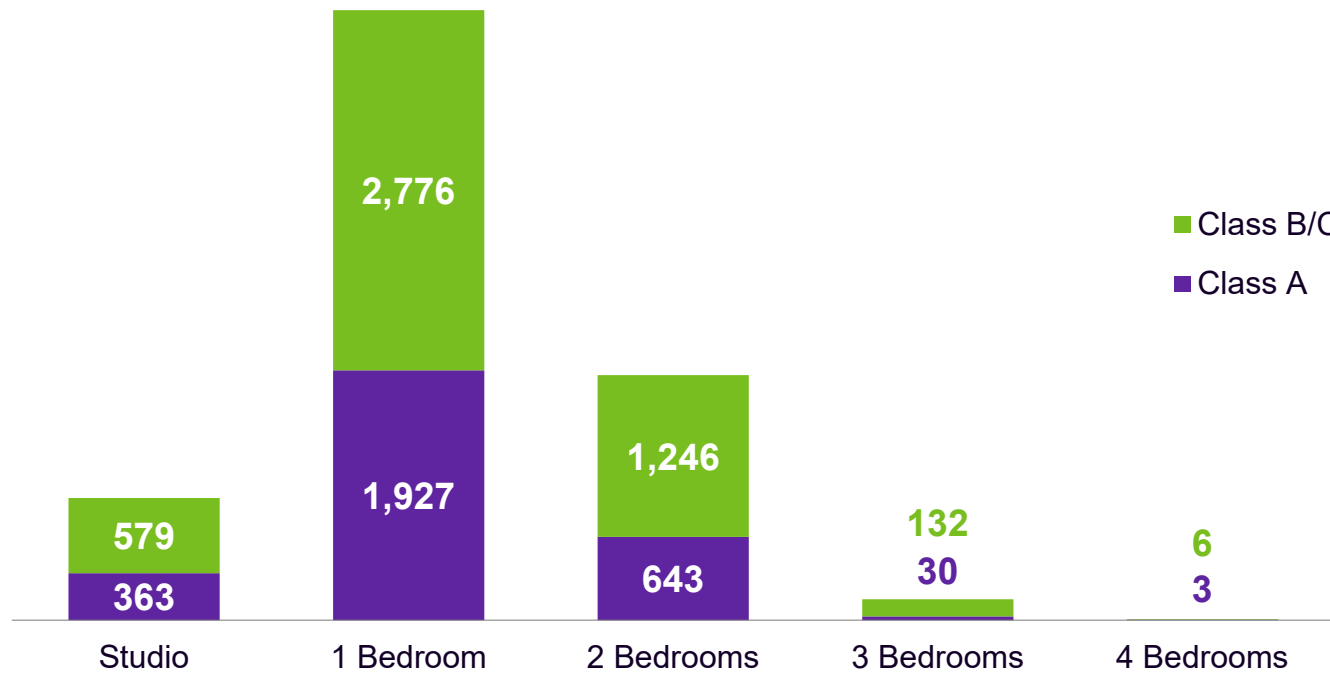
MULTIFAMILY RENT GROWTH



MULTIFAMILY | UNIT INVENTORY

Nearly three out of four (73%) Downtown multifamily units are studio or 1-bedroom, limiting options for families seeking to rent Downtown.

DOWNTOWN RICHMOND MULTIFAMILY UNIT INVENTORY (2023)

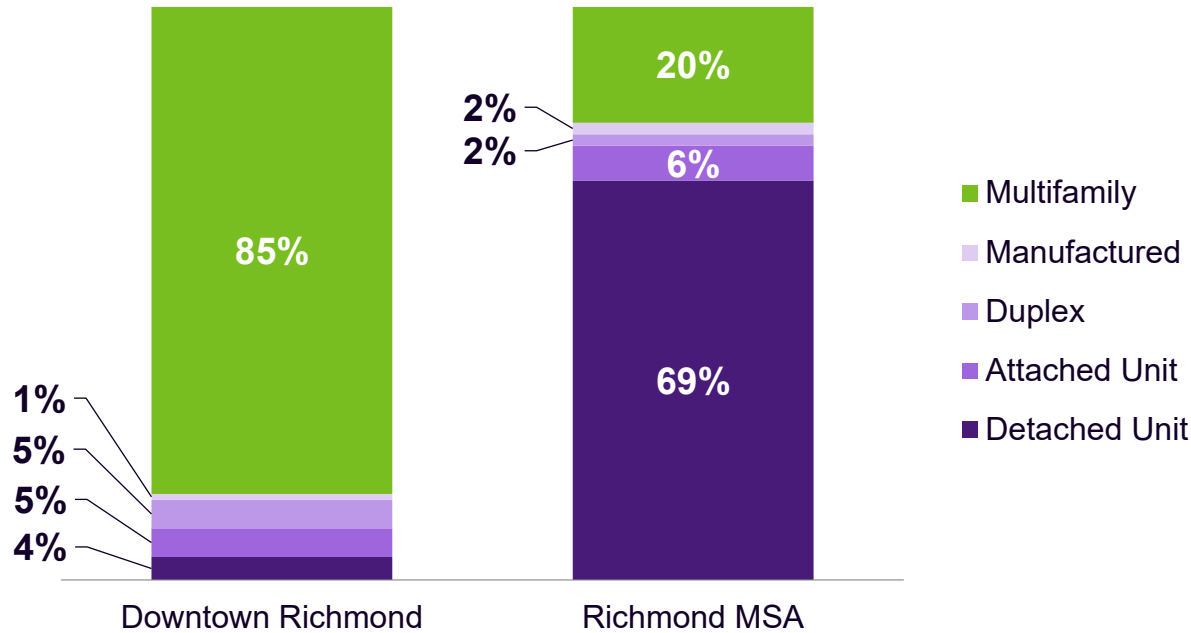


Only 4% of the multifamily inventory has more than two bedrooms to accommodate larger households.

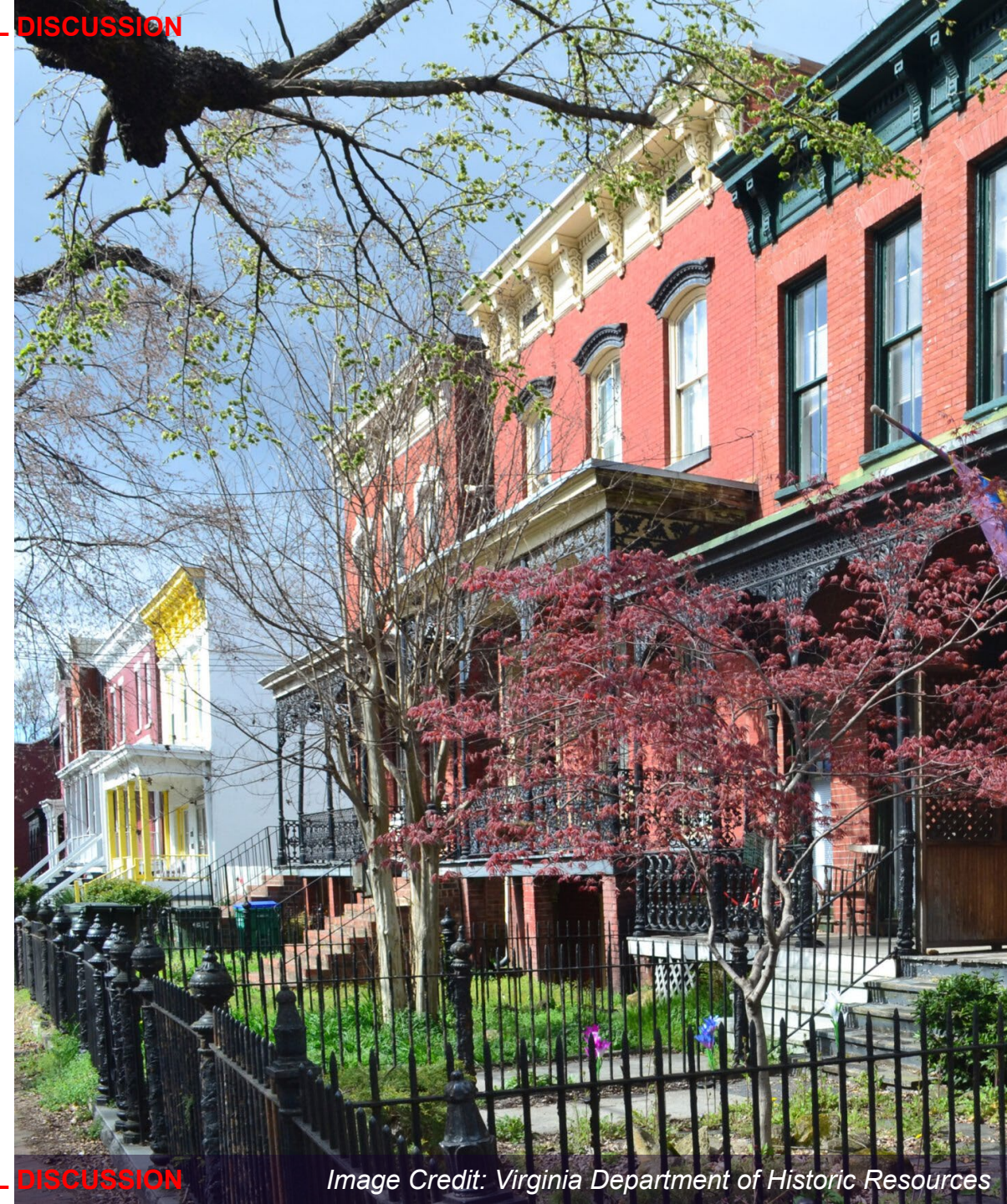
MULTIFAMILY | UNIT TYPOLOGY

85% of Downtown housing is in multifamily buildings, accounting for 6% of the MSA’s rental inventory. Downtown single-family units are concentrated in Monroe and Jackson Wards.

HOUSING TYPOLOGY (2021)



Source: ACS 2021 (5-year estimates), CoStar



MULTIFAMILY | CONDO TYPOLOGY

The study area contains about 350 condo units. No new units have been built in almost 20 years, suggesting there has been little demand for Downtown condos.



Image Credit: Zillow

Vistas on the James (built 2003)

Richmond's two condo towers are located on the riverfront and were built in the early 2000s



Image Credit: Zillow

1205 E Main St (built 1870)

The historic streets around Shockoe Slip are built 3 stories over ground floor retail



Image Credit: Zillow

110 W Marshall St (built 1915)

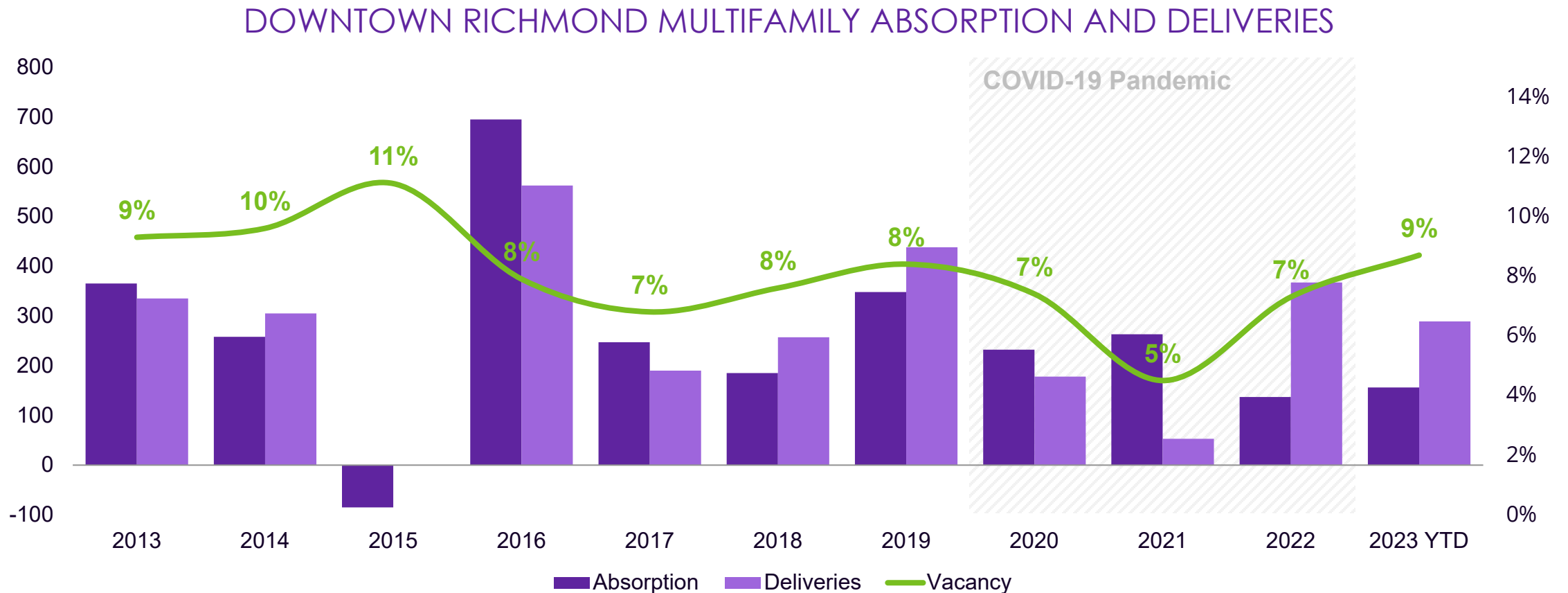
More affordably priced for-sale units in the Jackson Ward neighborhood are built two stories over ground floor retail

**Units are typically \$250K - 500K, comparable to the MSA's median home value of \$263K*

Source: CoStar

MULTIFAMILY | ABSORPTION AND DELIVERIES

The current multifamily supply has kept pace with demand. In the past five years, over 1,300 multifamily units have been delivered and 1,150 have been absorbed Downtown



MULTIFAMILY | PROJECTED DEMAND

A demand analysis for the study area indicates support for 520 multifamily rental units annually and up to 2,200 units through 2030.

2,200

New Multifamily Supportable Units
Through 2030*

1.9%

Capture of Richmond MSA Multifamily
Renter Pool (2025-2030)**

Multifamily demand projections are based on the current conditions and expected population growth in Richmond. As new residential development occurs and establishes a more mixed-use and vibrant environment Downtown, it could catalyze further interest and demand for residential development.

* Includes adjustment for current pipeline and leasing of current vacant property to an assumed 5% vacancy rate

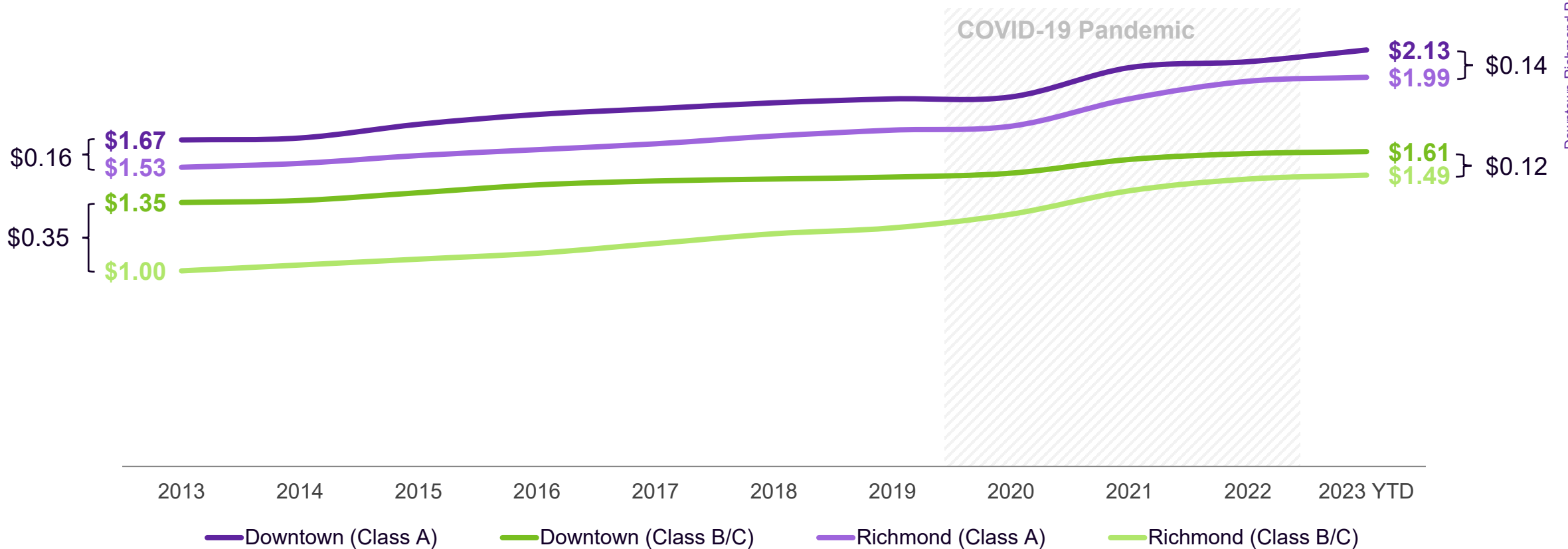
** Renter pool represents demand from new residential population as well as renter turnover

Source: CoStar, ACS 2021 (5-Year), HR&A analysis

MULTIFAMILY | RENT GROWTH

Downtown Richmond has maintained a 7% rent premium for class A units over the citywide average while experiencing a 9% rent growth over the pandemic.

MULTIFAMILY RENT GROWTH BY BUILDING CLASS



MULTIFAMILY | VACANCY BY CLASS

Despite the rent premium, the Downtown vacancy rate is typically close to the citywide average and is lower for class A units, implying a strong demand to live Downtown

MULTIFAMILY VACANCY BY BUILDING CLASS
(2019-2023 5-Year Average)



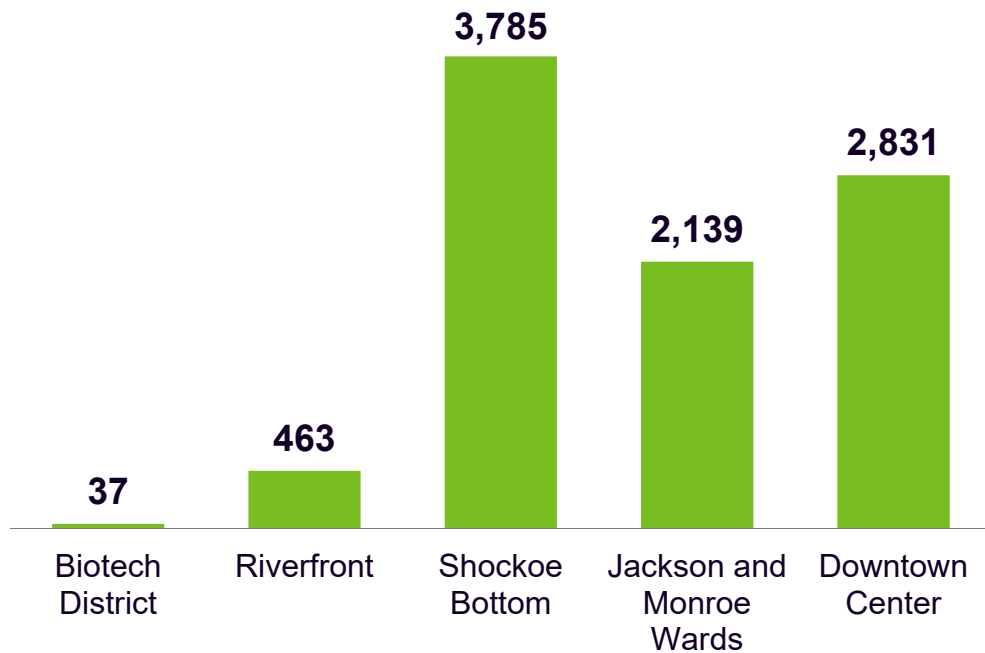
Compared to the city, class A buildings tend to have a lower vacancy rate, while class B and C units have a slightly higher vacancy rate, suggesting a preference for higher-end space downtown.

MULTIFAMILY | SUBAREA INVENTORY

Multifamily buildings are common throughout Downtown, except for the institution-centered Biotech District.

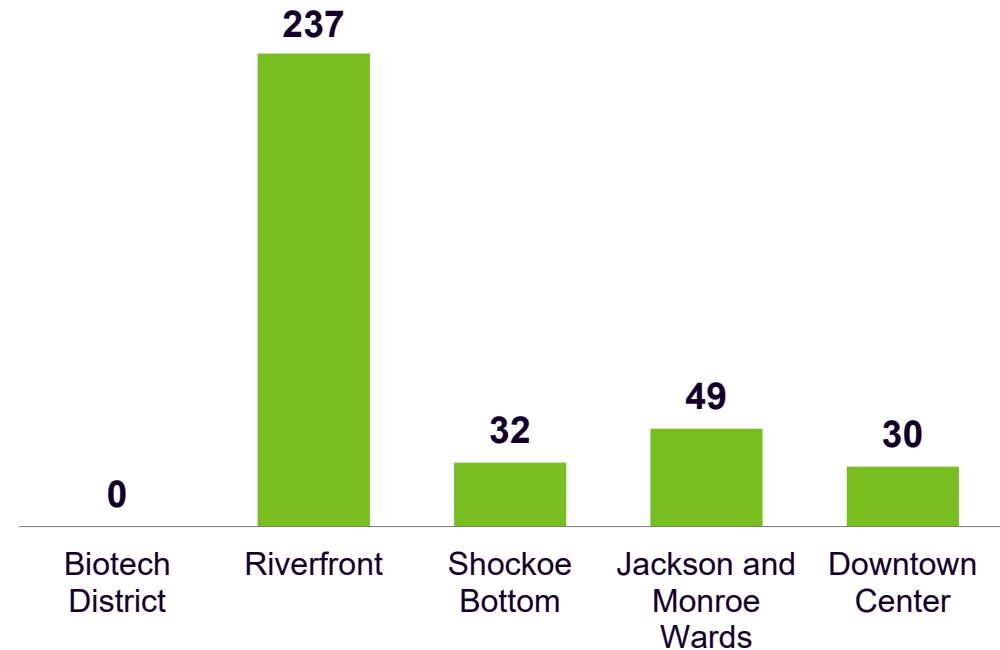
MULTIFAMILY UNIT INVENTORY (2023)

Shockoe Bottom and Downtown Center tend to have larger multifamily buildings, contributing to a greater number of units in those subareas



CONDO UNIT INVENTORY (2023)

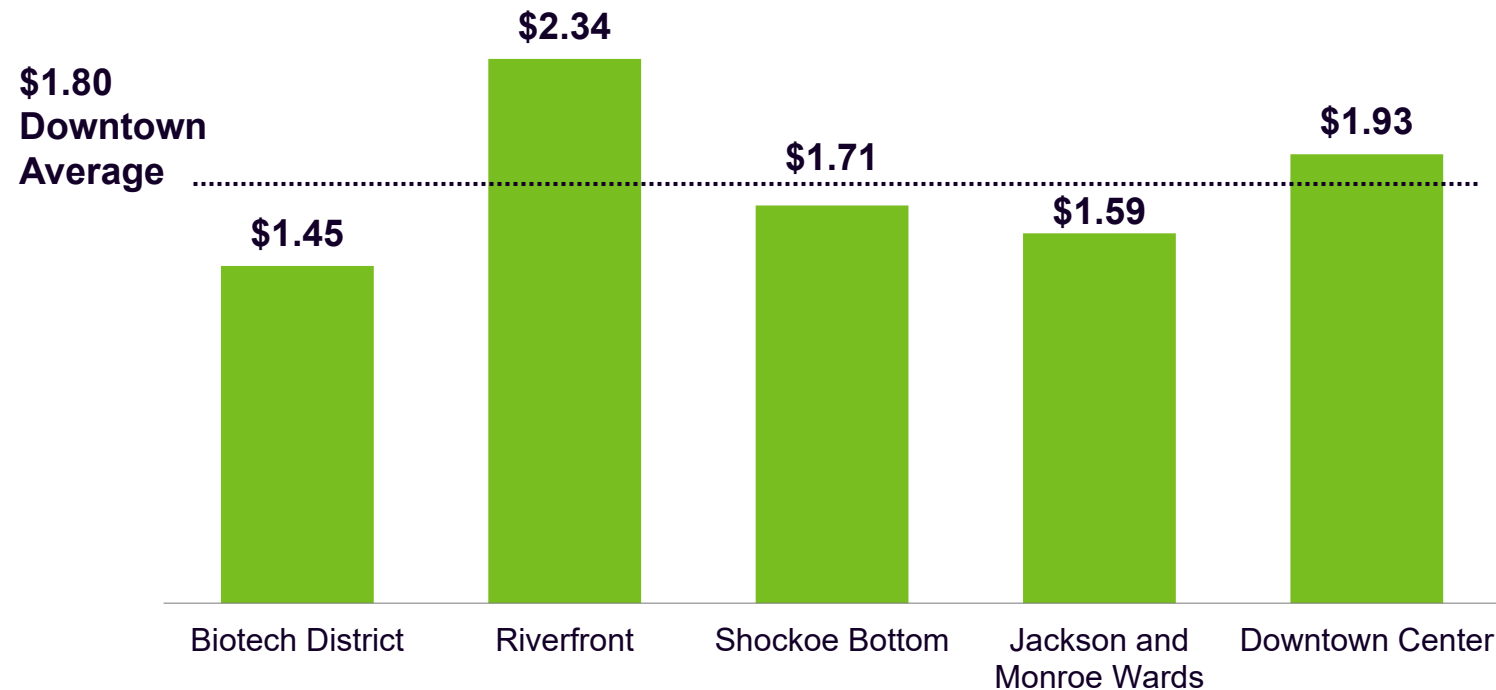
Almost 70% of condo units are in two riverfront residential towers, while the remaining units are in smaller buildings in residential neighborhoods



MULTIFAMILY | SUBAREA AVERAGE RENT

The location of the transfer station could have a high impact on achievable rents due to proximity to amenities or workplaces.

DOWNTOWN RICHMOND MULTIFAMILY RENT BY SUBAREA



Downtown Center currently has the strongest rents, and sites along its southern edge may benefit from momentum in the Riverfront subarea.

The Biotech district has weaker rents and lower inventory, but a significant investment in amenities through a project like City Center could improve multifamily viability for transfer station overbuild.

MULTIFAMILY | MARKET OUTLOOK

Multifamily construction has the greatest market demand nationwide and in Downtown Richmond, driven by increased preferences for walkable, urban communities.

- With an estimated cost of living 3% below the national average, the Richmond region's affordability relative to other major metros bolsters a higher residential demand
- Factoring in current vacancies, population growth, and renter turnover rates, Downtown Richmond can support 2,200 multifamily units through 2030. A portion of this can be met through new construction, making multifamily a strong use to meet near-term demand.
- The current high costs of construction and labor alongside high interest rates affect the near-term feasibility of development, but long-term demand for multifamily inventory is strong. According to the Urban Land Institute (ULI), multifamily housing is the second-best typology for investment and development, behind only single-family housing.



04

OFFICE

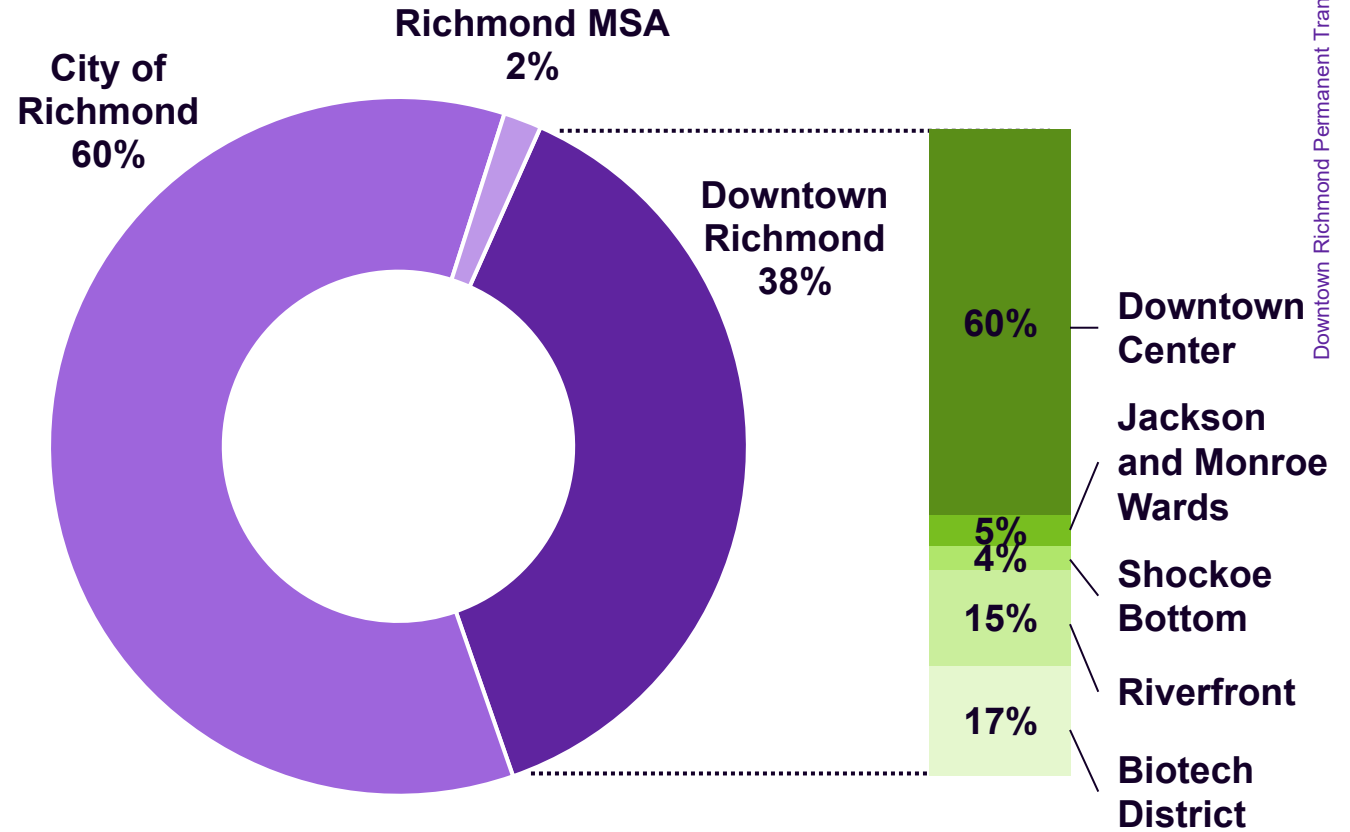
EXECUTIVE SUMMARY

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While the City is outperforming many of its peers, there has been no speculative office construction Downtown aside from the 2015 Gateway Plaza building in the Downtown Center subarea.

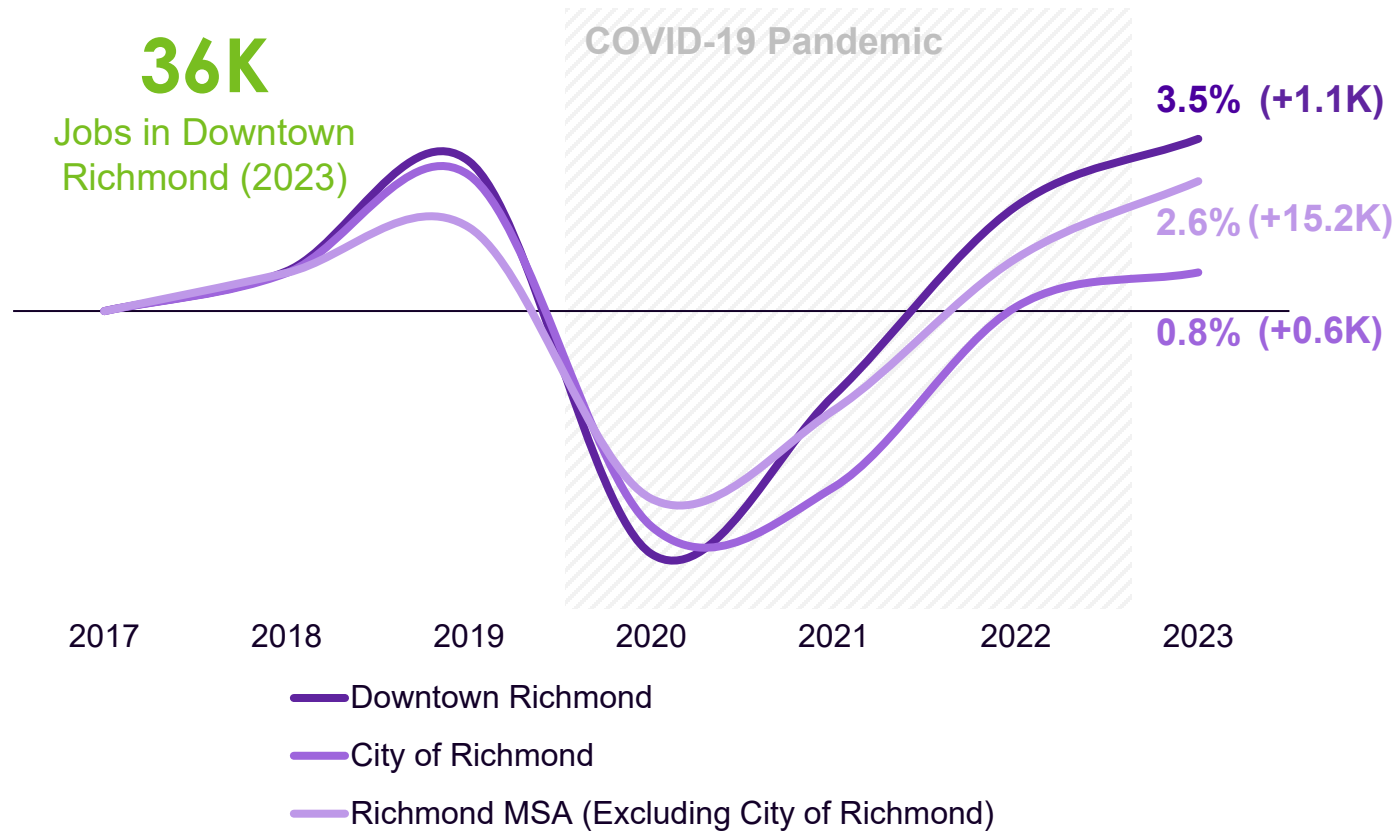
SHARE OF OFFICE SPACE
(PERCENTAGE RELATIVE TO OVERALL MSA)



OFFICE | EMPLOYMENT GROWTH

Downtown Richmond has recovered its employment to pre-pandemic levels, outpacing the overall city's recovery and job growth but lagging slightly behind the MSA

EMPLOYMENT GROWTH SINCE 2017

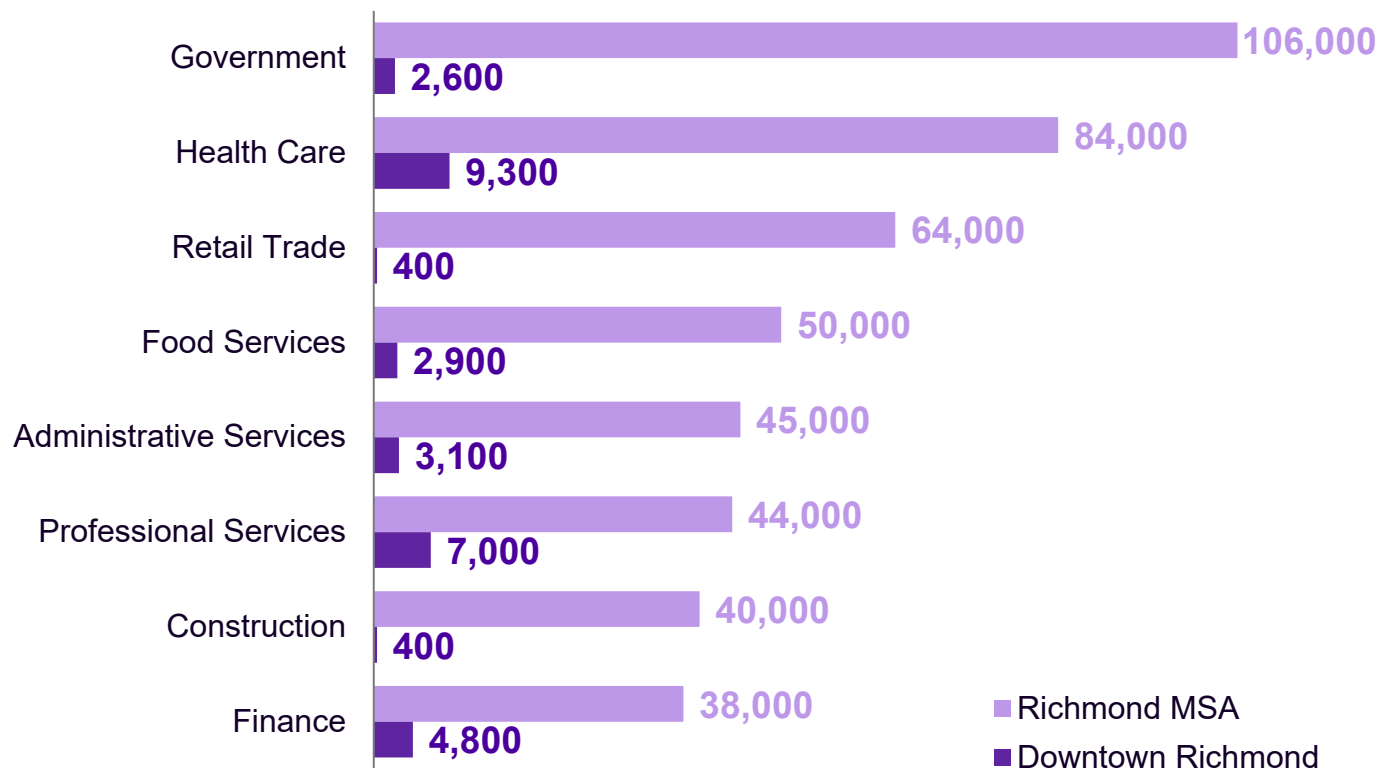


Growth in Downtown Richmond since 2017 has been driven by professional services (+670 jobs), real estate (+630 jobs) and finance (+580 jobs), sectors which are growing at the same rate or faster Downtown than in the rest of the Richmond MSA.

OFFICE | MAJOR INDUSTRIES

Downtown Richmond is home to a significant portion of the region's health care and professional services jobs, driven by VCU, the Biotech District, and core corporate HQs.

LARGEST EMPLOYMENT SECTORS IN THE RICHMOND MSA (2023)



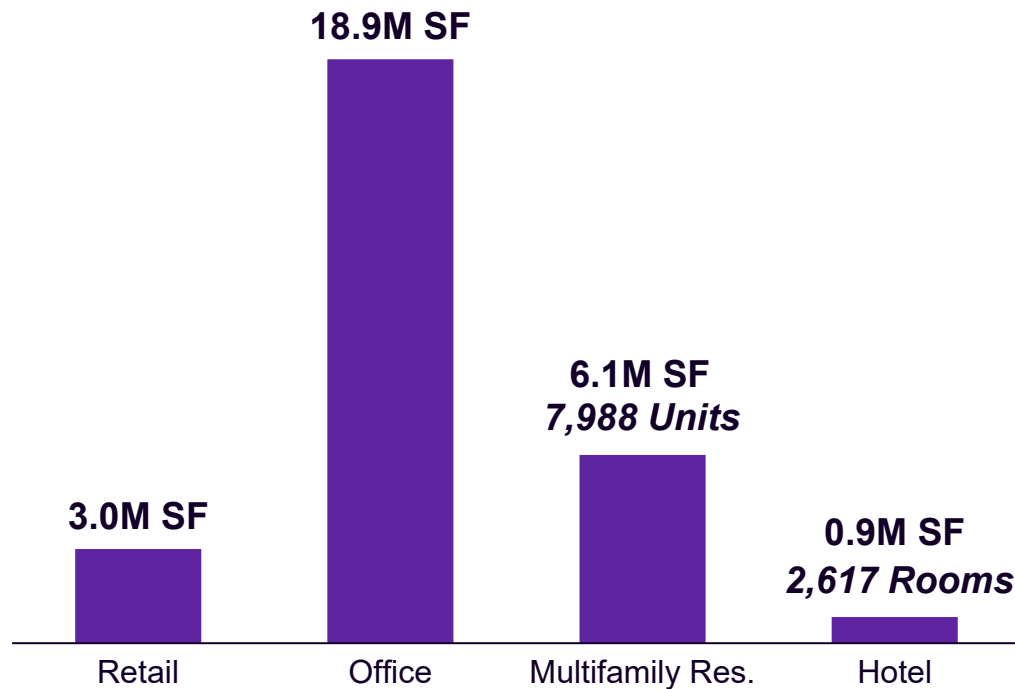
While government, health care, and retail trade are the largest industry sectors in the Richmond MSA, Downtown Richmond hosts 11% of all healthcare jobs and 16% of all professional services jobs in the region.

Similarly, Downtown Richmond contains approximately 13% of the region's finance jobs, suggesting Downtown supports the region's largest sectors, and vice versa.

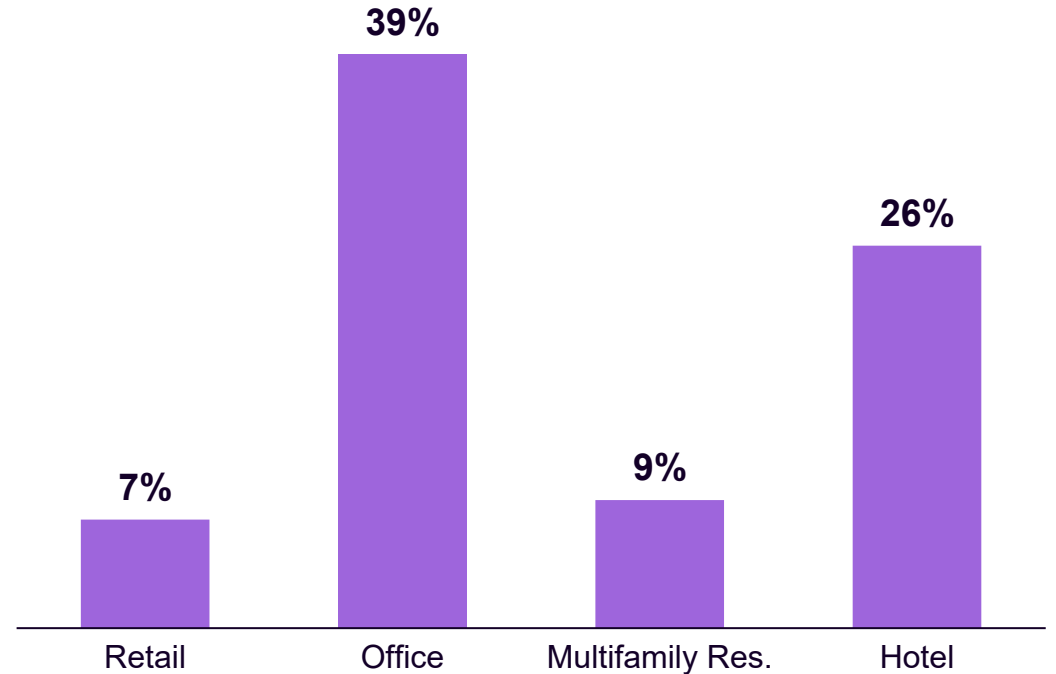
OFFICE | SHARE OF OVERALL INVENTORY

Downtown Richmond is dominated by office space, accounting for nearly two-third of all Downtown building space.

DOWNTOWN RICHMOND INVENTORY (2023)



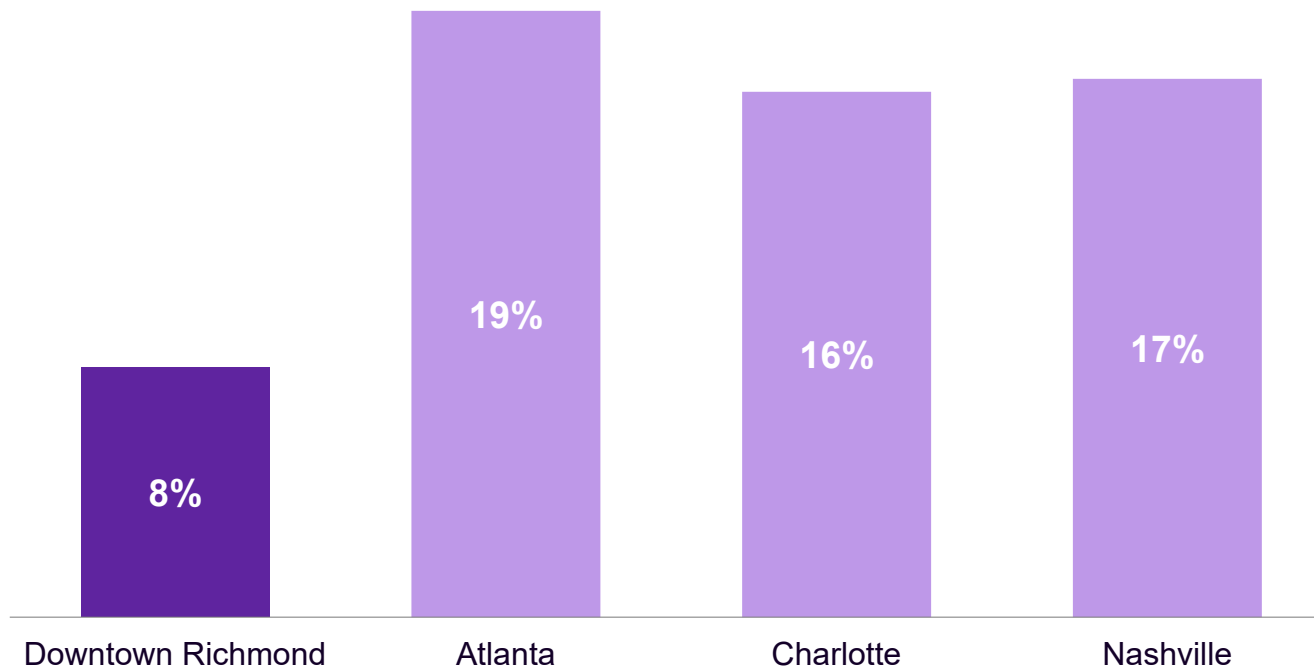
DOWNTOWN SHARE OF CITY OF RICHMOND INVENTORY (2023)



OFFICE | PERFORMANCE RELATIVE TO PEER CITIES

While the office market is struggling nation-wide, Downtown Richmond office space is performing stronger than many of its peer cities in the post-pandemic market.

OFFICE VACANCY RATES (2023)



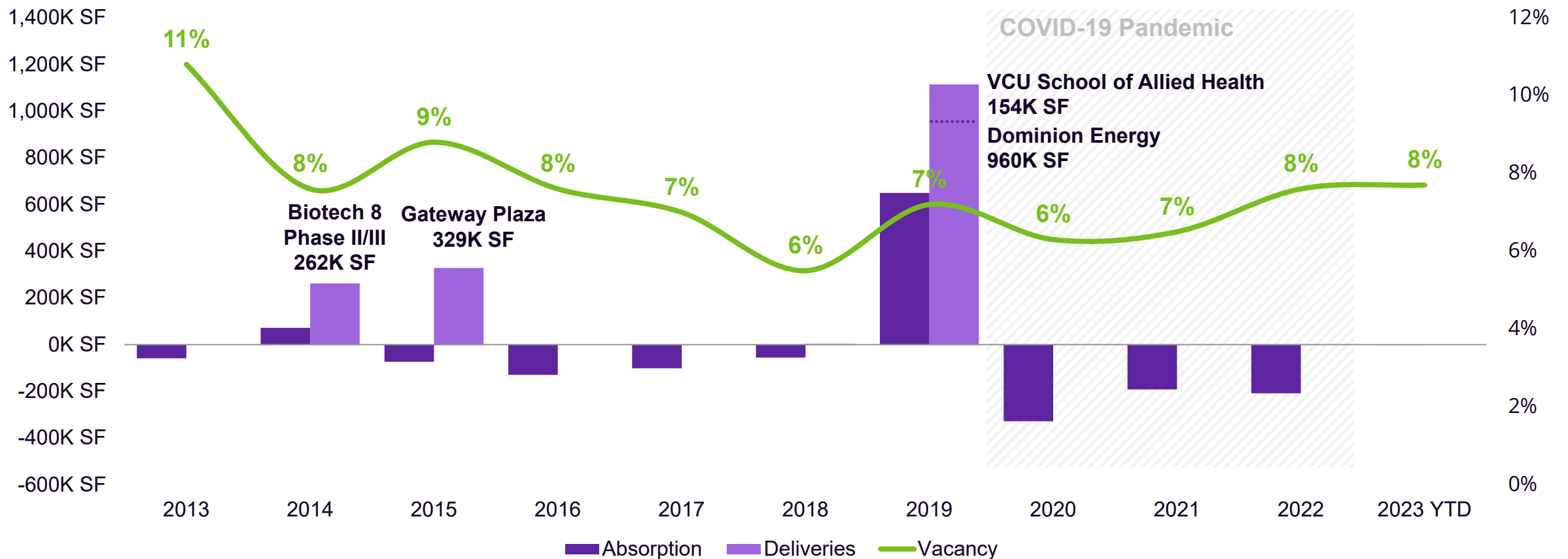
The Richmond office market relies heavily on the growth and relocation of established Richmond businesses to provide consistent demand, which has protected it from national office downturns.

According to ULI, Richmond is the top boutique urban market in the US due to its downtown vibrancy, leisure, and amenities, attracting further demand.

OFFICE | OFFICE ABSORPTION AND DELIVERIES

While outperforming its peers, Downtown Richmond has witnessed negative office absorption since 2020.

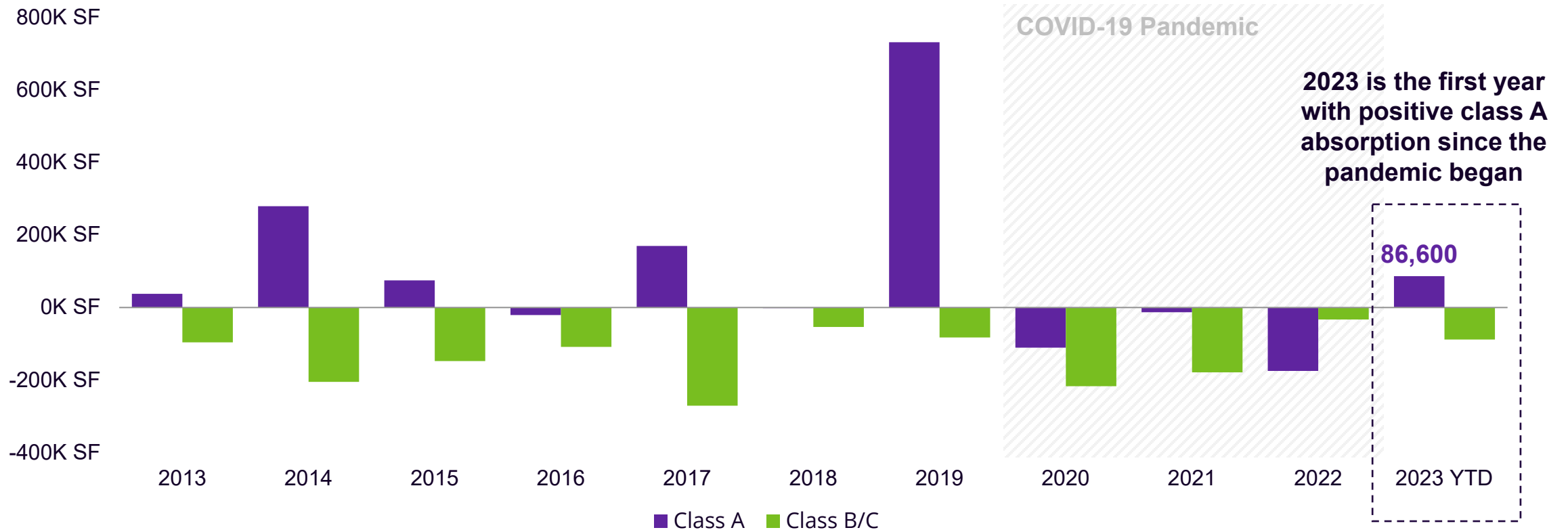
DOWNTOWN RICHMOND OFFICE DELIVERIES AND ABSORPTION



OFFICE | NET ABSORPTION BY CLASS

While class B and C spaces continue to outperform class A space in terms of vacancy, there has been no positive class B/C absorption in over a decade.

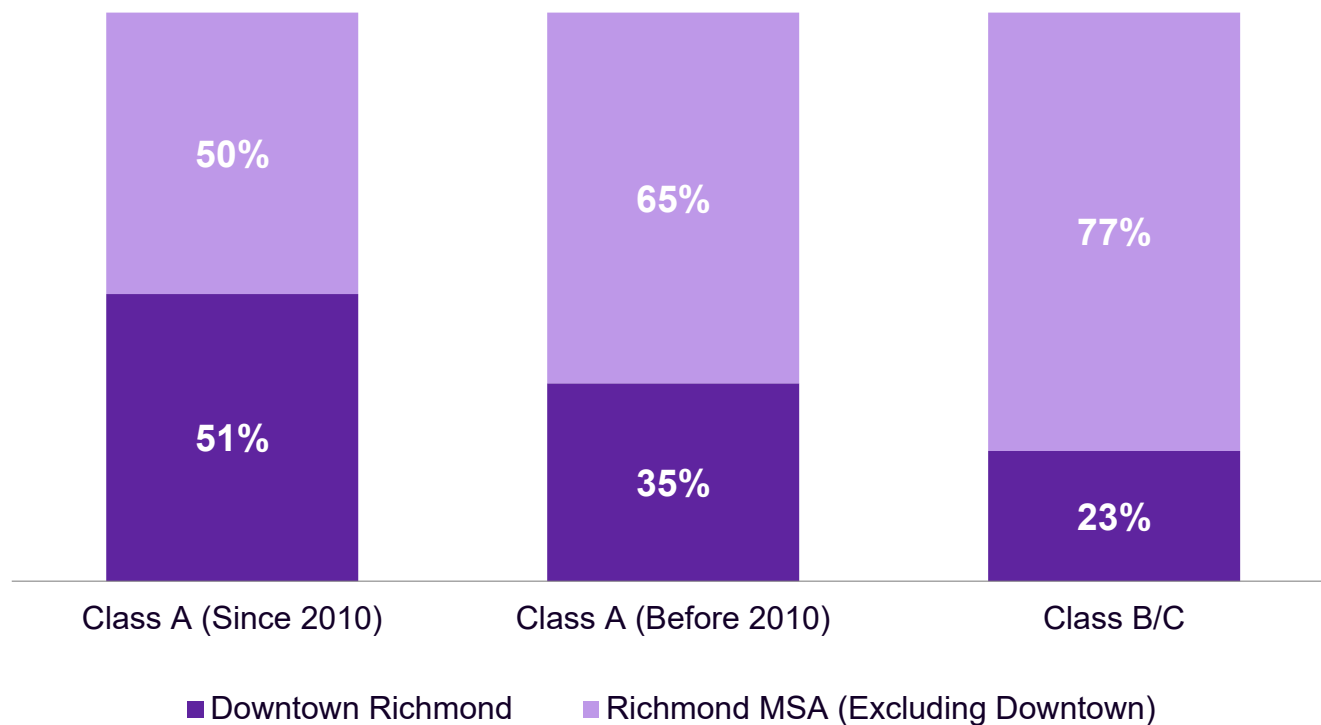
DOWNTOWN RICHMOND OFFICE NET ABSORPTION BY BUILDING CLASS



OFFICE | INVENTORY BY CLASS

Despite reduced absorption overall, Downtown Richmond remains a major driver for new, high-quality office space in the region.

OFFICE SPACE INVENTORY SHARES (2023)

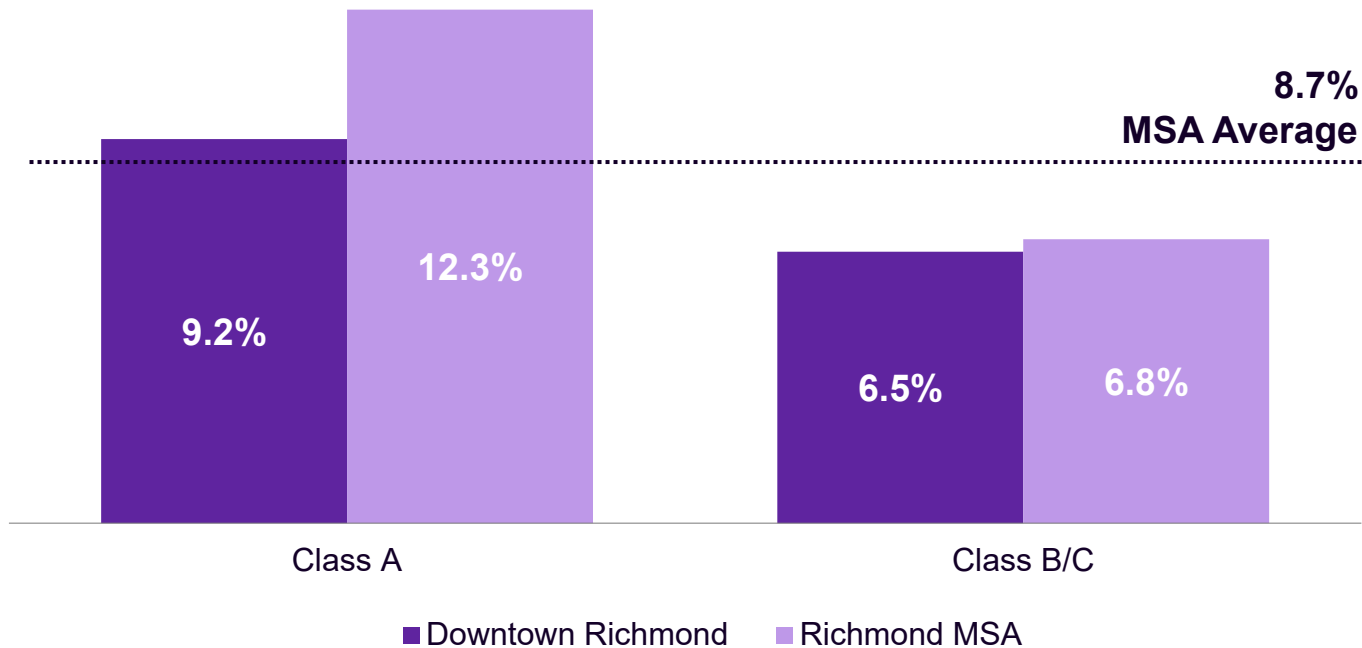


Downtown has accounted for 50% of the new class A space built since 2010, a larger share compared to class A space built prior to 2010. This trend indicates that commercial real estate investors are reacting to the “flight to quality” by aiming to meet the demand for high-quality office space.

OFFICE | VACANCY BY CLASS

Downtown and regional trends indicate a persisting preference for cheaper office space, although downtown has demonstrated a greater appeal to class A tenants.

OFFICE VACANCY RATE COMPARISON (2023)

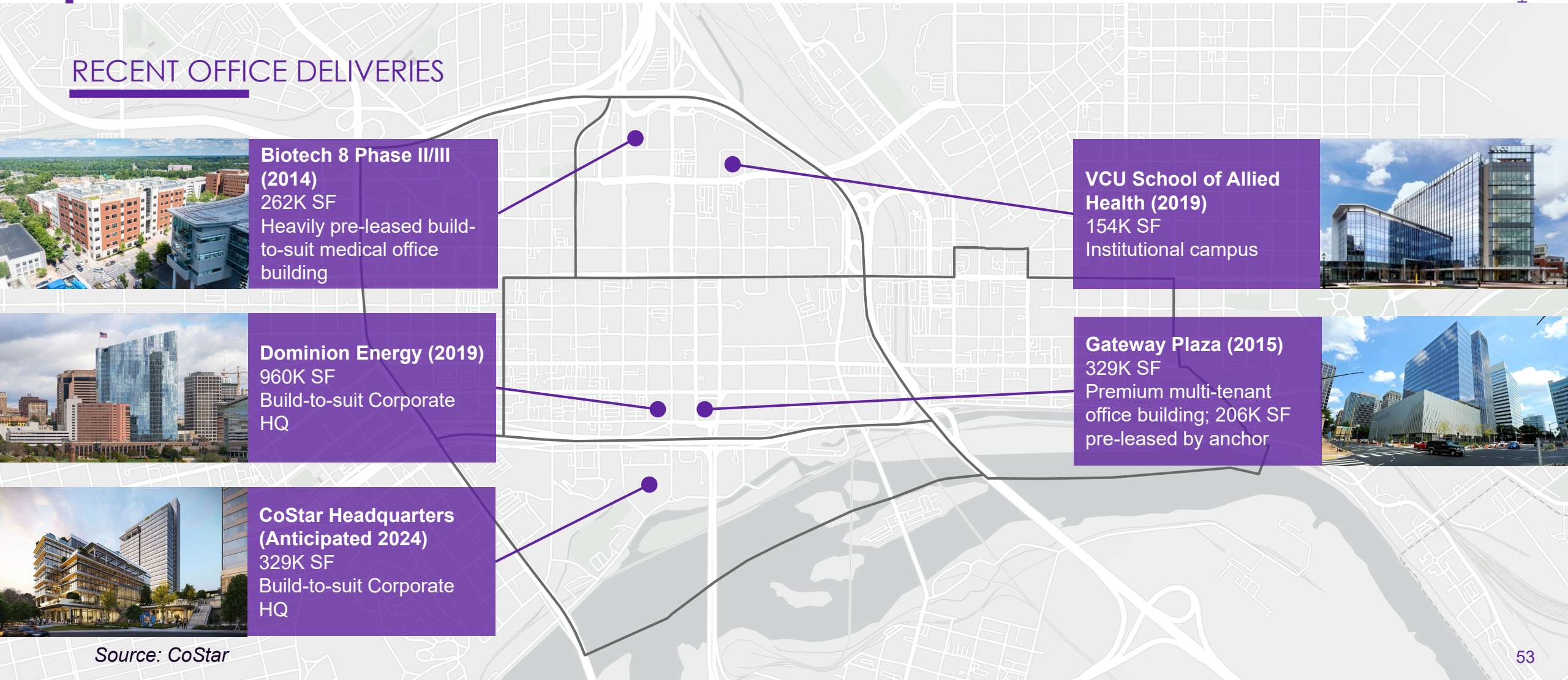


Office-users seeking high-quality space are indicating a desire to locate Downtown compared to elsewhere in the region. Anecdotally, some of this is driven by the presence of anchor institutions and companies who continue to expand their Richmond footprint.

OFFICE | RECENT DELIVERIES

New Downtown office space has been driven by “build to suit” space while experiencing limited speculative office construction.

RECENT OFFICE DELIVERIES



Biotech 8 Phase II/III (2014)
262K SF
Heavily pre-leased build-to-suit medical office building

VCU School of Allied Health (2019)
154K SF
Institutional campus

Dominion Energy (2019)
960K SF
Build-to-suit Corporate HQ

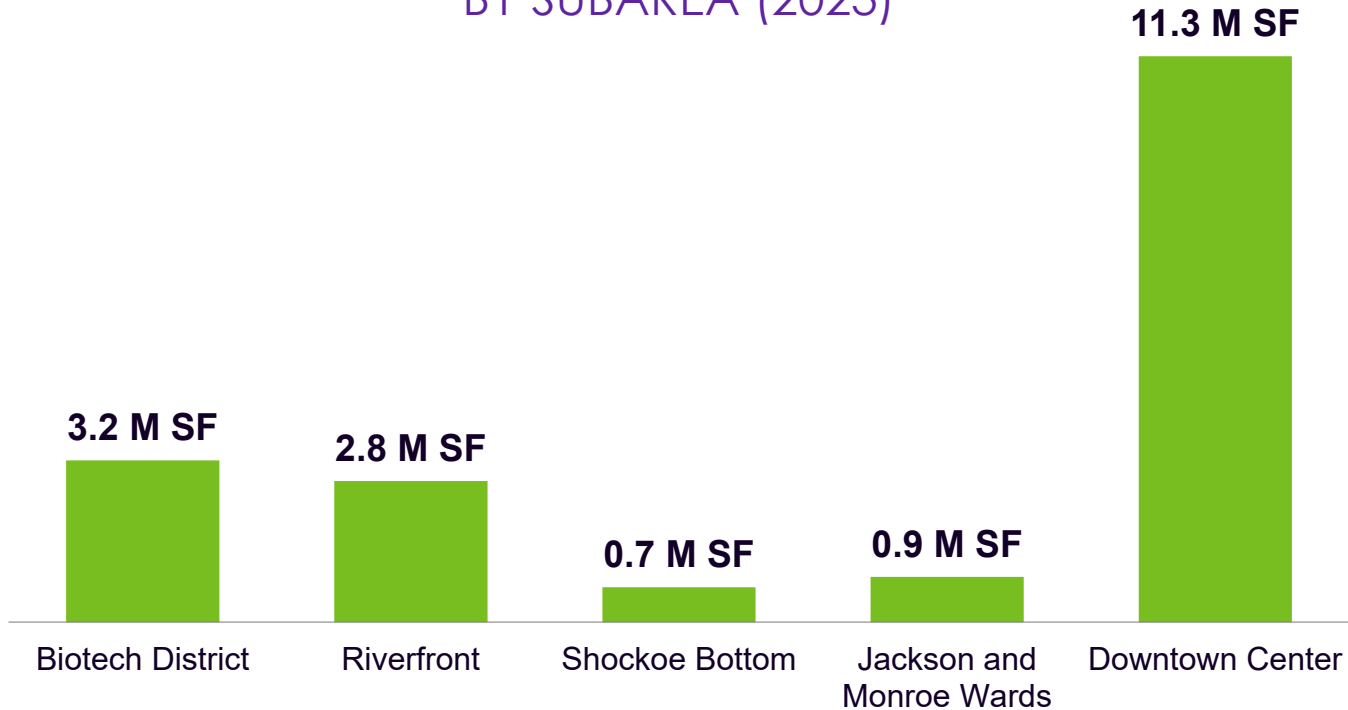
Gateway Plaza (2015)
329K SF
Premium multi-tenant office building; 206K SF pre-leased by anchor

CoStar Headquarters (Anticipated 2024)
329K SF
Build-to-suit Corporate HQ

OFFICE | SUBAREA INVENTORY

Downtown office space is concentrated in the Downtown Center subarea, representing 16% of the Richmond MSA's inventory.

DOWNTOWN RICHMOND OFFICE INVENTORY BY SUBAREA (2023)

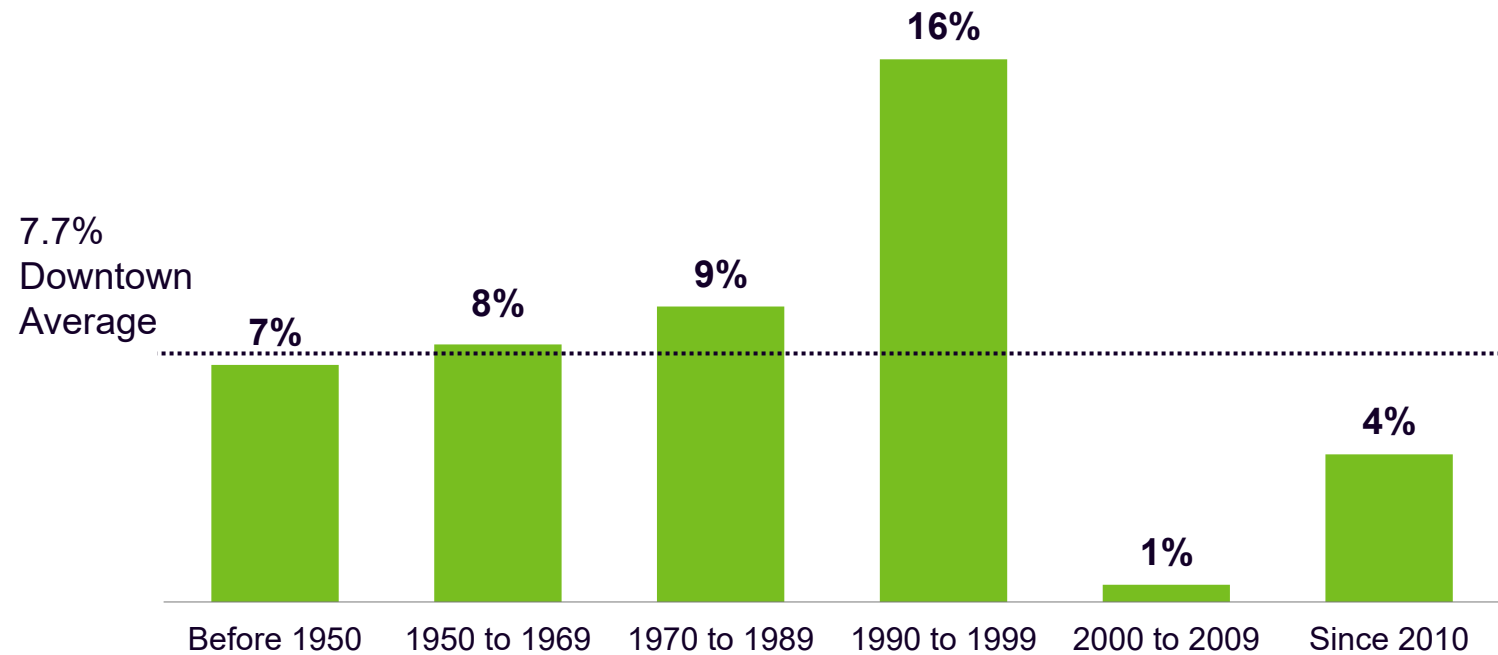


Almost a quarter of all office inventory is in the Downtown Center subarea. Other major Downtown presences are in the Biotech District and new campuses in the Riverfront subarea.

OFFICE | FLIGHT TO QUALITY

Office spaces built since 2000 experience substantially lower vacancy rates than older properties.

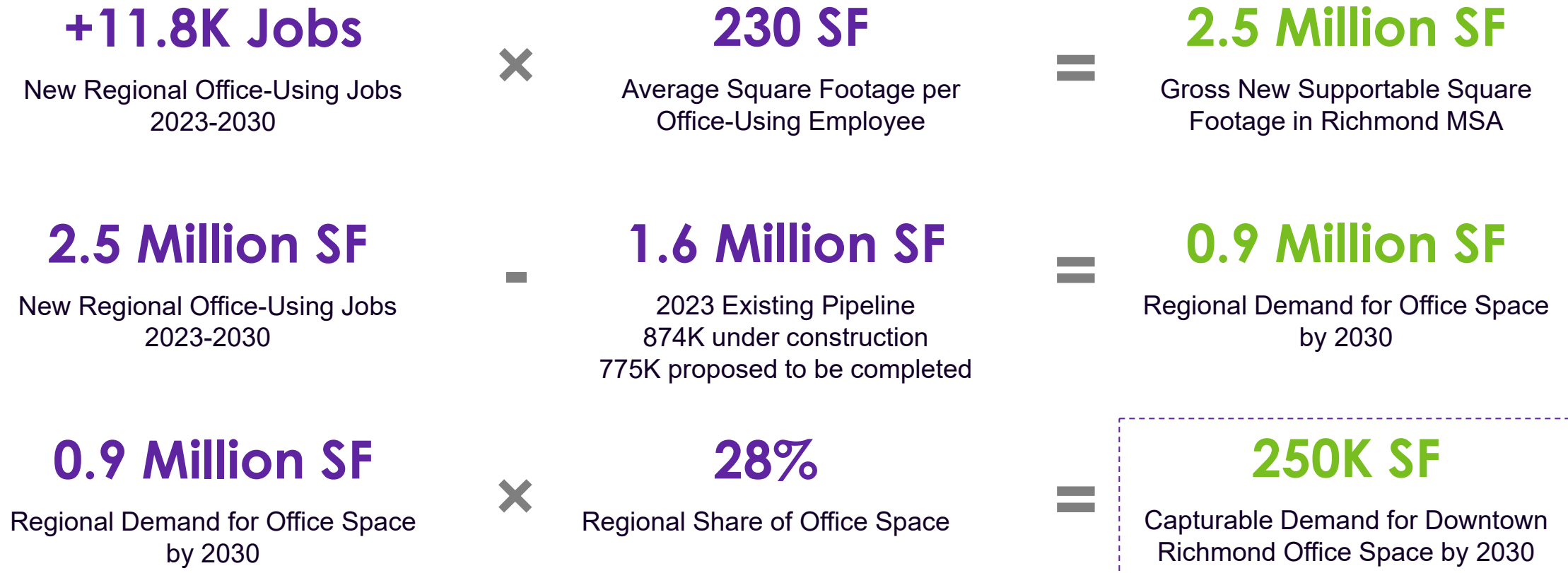
DOWNTOWN RICHMOND OFFICE VACANCY BY BUILDING AGE (2023)



With the exception of the specialized lab office space in the 2014 Biotech 8 Phases II and III (28% vacancy), Downtown office properties built since 2000 are performing very well – only 0.6% of all other space built since 2000 is vacant. In contrast, spaces built in the 1990s have much higher vacancy, and spaces built over 30 years ago are closer to the Downtown average.

OFFICE | DEMAND ANALYSIS

While speculative office demand is projected to recover through 2030, new office inventory should be driven by highly amenitized build-to-suit space.



OFFICE | MARKET OUTLOOK

Near-term office development should prioritize strategies to reposition existing buildings and increase amenities to attract workers Downtown.

- The speculative office market will not have excess demand until 2030, with the current market defined by high demand for the newest and highest amenity office space. While existing properties are performing well, downtowns such as Richmond are facing pressure to renovate or reuse less desirable office buildings.
- The unique amenities provided by the Permanent Transfer Hub offer an opportunity to attract an anchor or build-to-suit tenant seeking to relocate downtown. Additional ground floor uses like restaurants, cafes, and retailers will add to this appeal.
- In other cities, office property managers have begun providing reduced rent to their ground floor retail, considering restaurants and shops as amenities for their workers.

Source: ULI, ULI ETRE 2024, CBRE

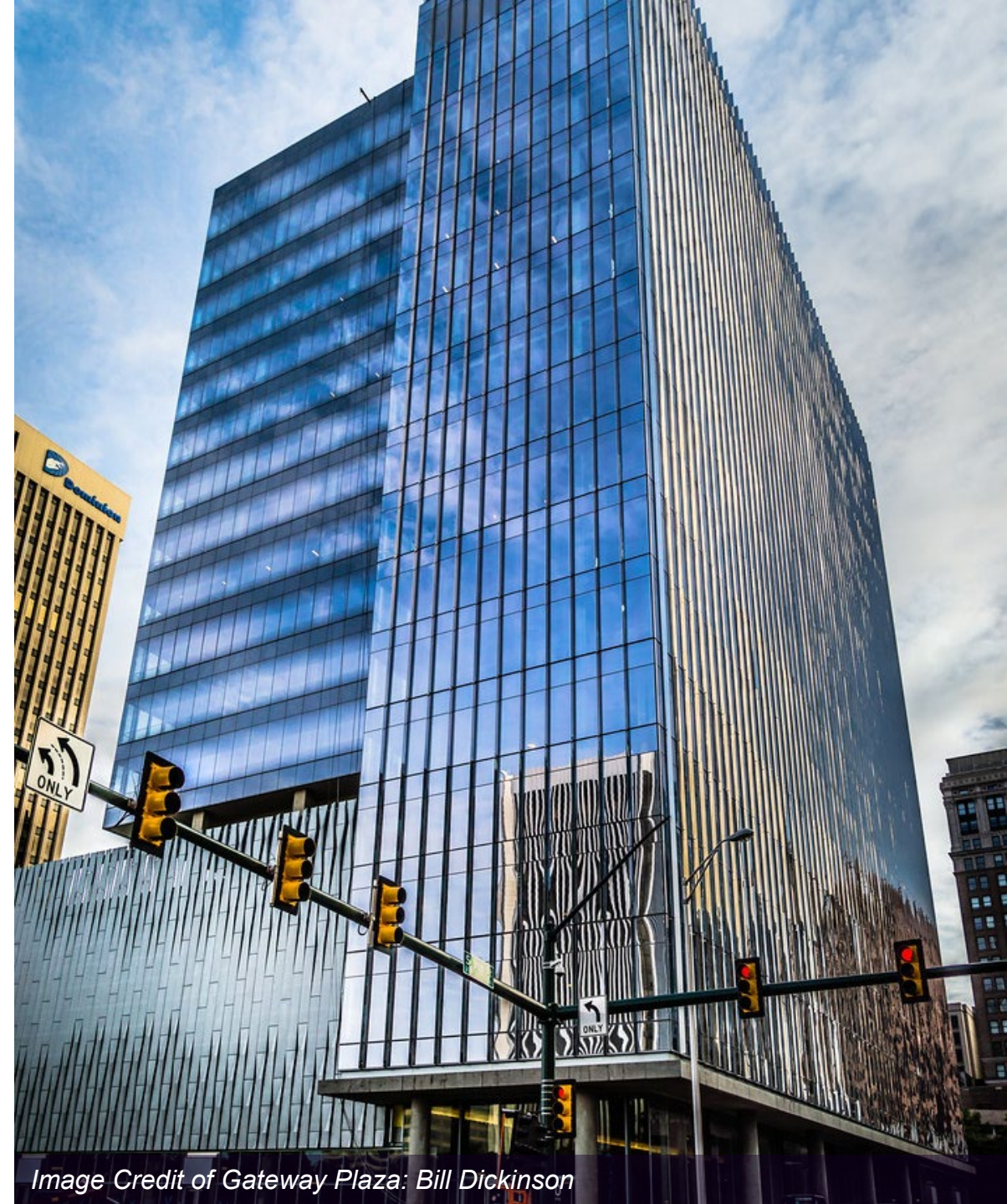


Image Credit of Gateway Plaza: Bill Dickinson

05

HOTEL

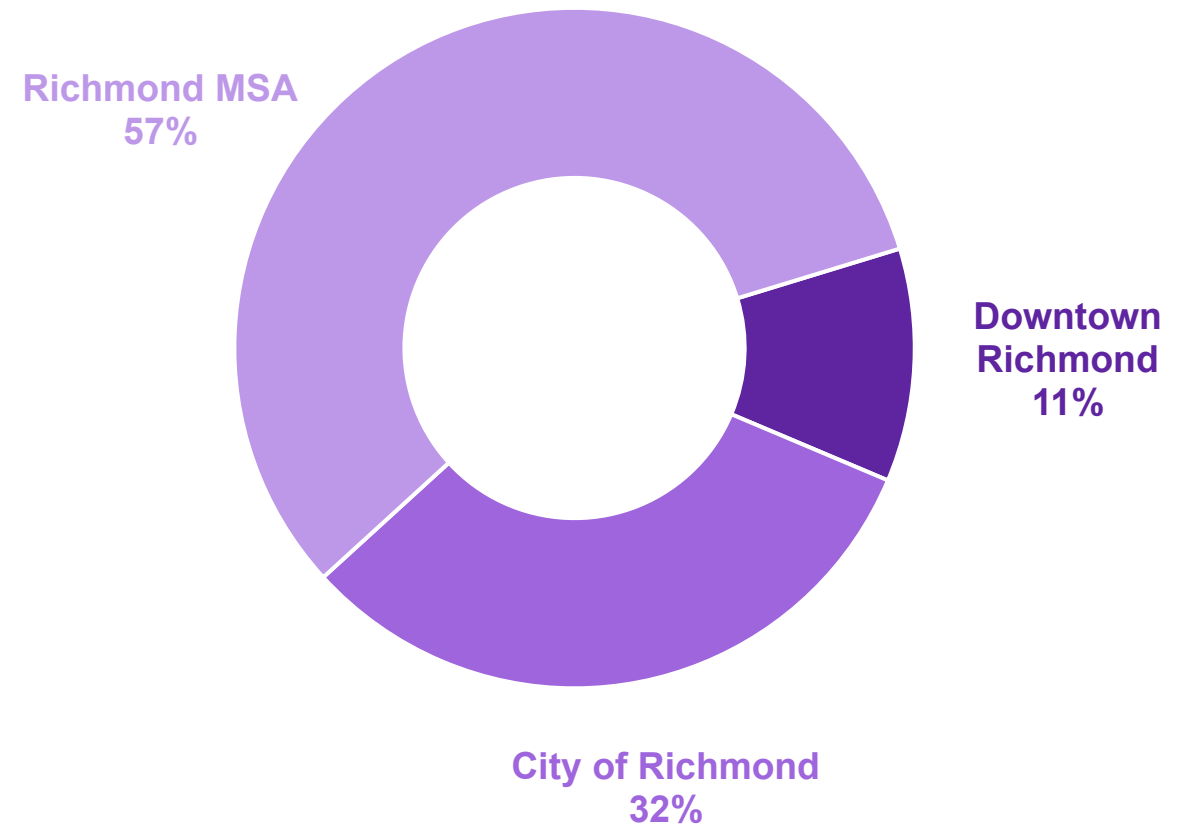
HOTEL

While occupancy remains lower than before the pandemic, hotel revenues have rapidly recovered.

Richmond hotels have experienced a strong economic rebound from the pandemic, recovering to 2018 RevPAR by 2022 even though average occupancy rates have been 7% lower than the pre-pandemic average.

The City Center plan includes a 500-room hotel that will increase the inventory of Downtown rooms by almost 20%.

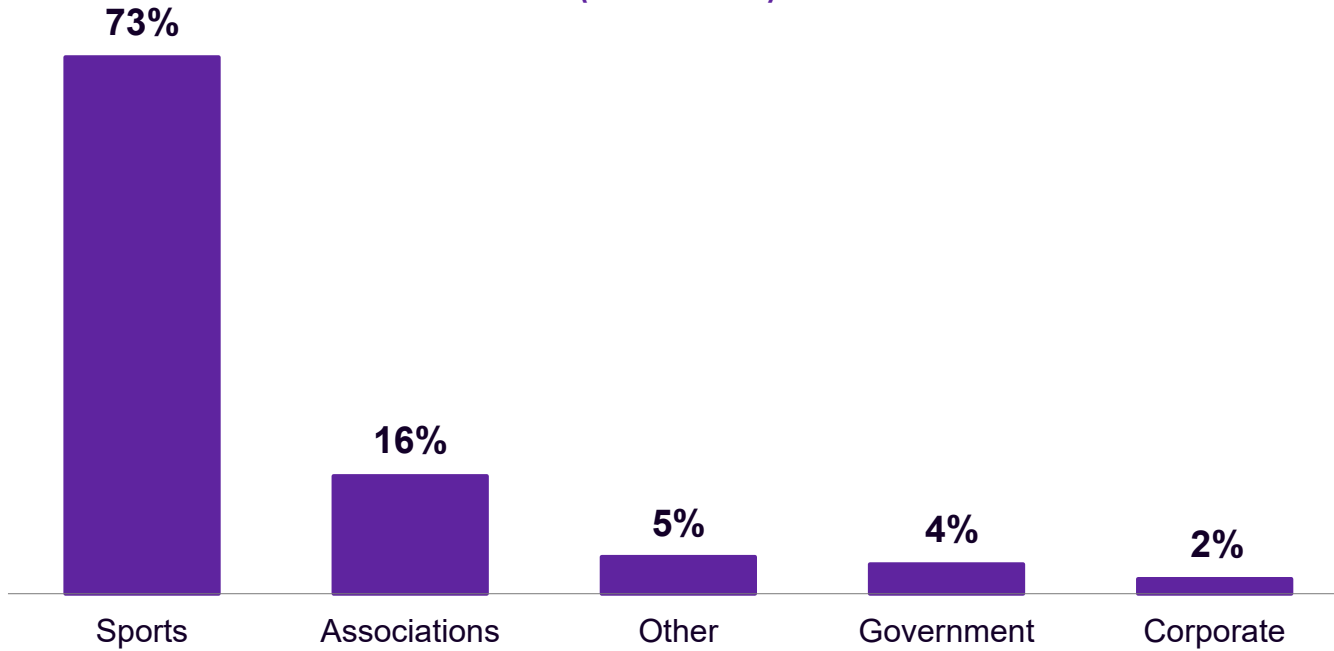
DOWNTOWN SHARE OF HOTEL SPACE
(PERCENTAGE COMPARED TO THE OVERALL MSA)



HOTEL | DEMAND DRIVERS

Sports tourism and convention events are the primary drivers of overnight stays in the Richmond region.

HOTEL ROOM NIGHTS BY MARKET SEGMENT (FY22-23)

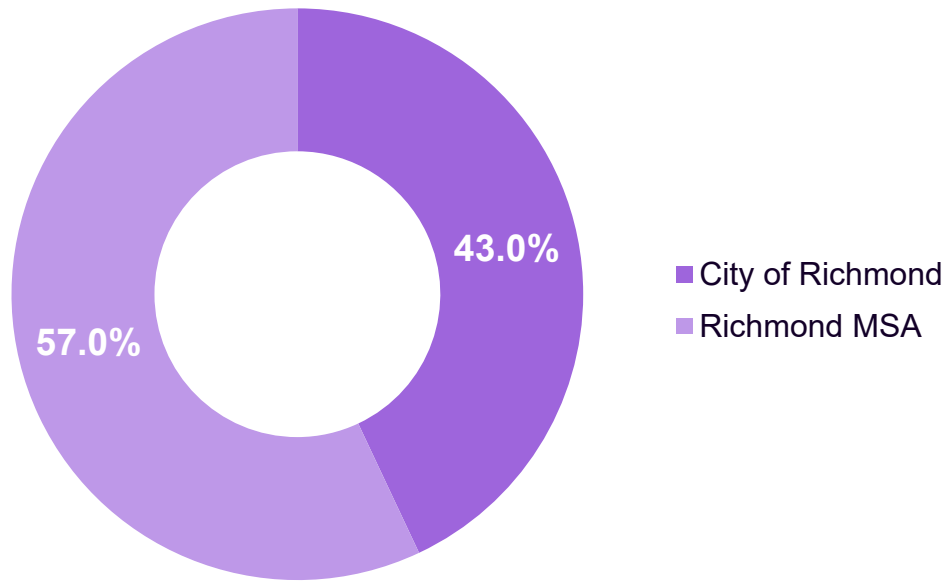


According to Richmond Region Tourism, sports tourism and conventions are the leading drivers of hotel bookings in the Richmond region, with smaller shares from work or leisure travel.

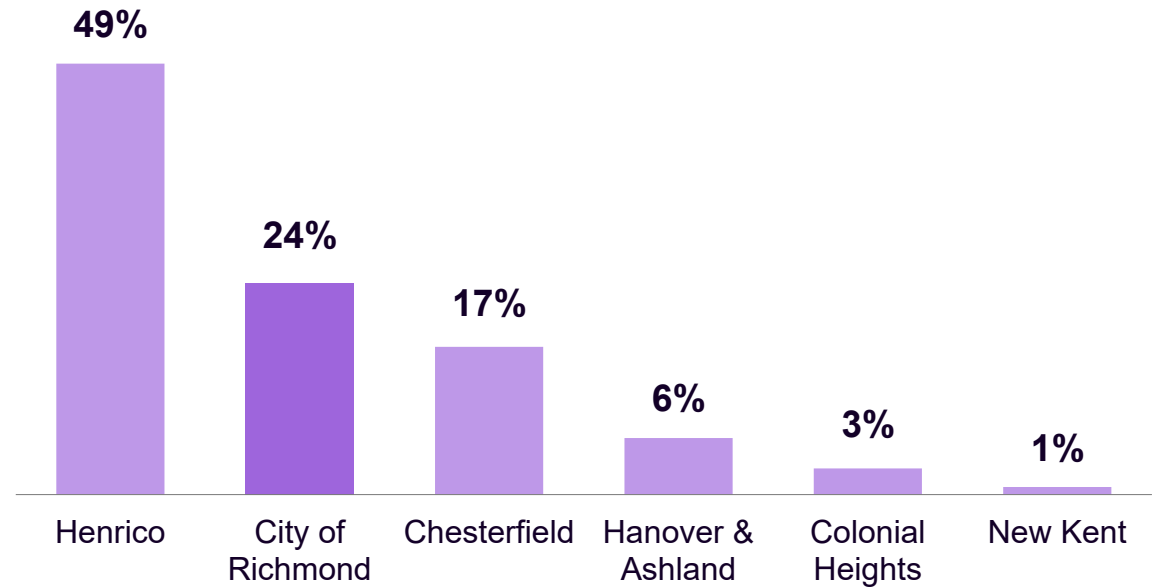
HOTEL | VISITATION IMPACTS

While the City of Richmond includes the majority of the region’s hotel inventory, Henrico County accounts for a disproportional amount of regional tourism spending.

DISTRIBUTION OF HOTEL ROOM INVENTORY (2023)



REGIONAL TOURISM SPENDING (FY 22-23)



Source: CoStar, Richmond Region Tourism

HOTEL | REGIONAL TOURISM DRIVERS

Henrico County attracts the largest share of sports tourism and revenue, making work and leisure travel or events stronger target markets for Downtown hotels



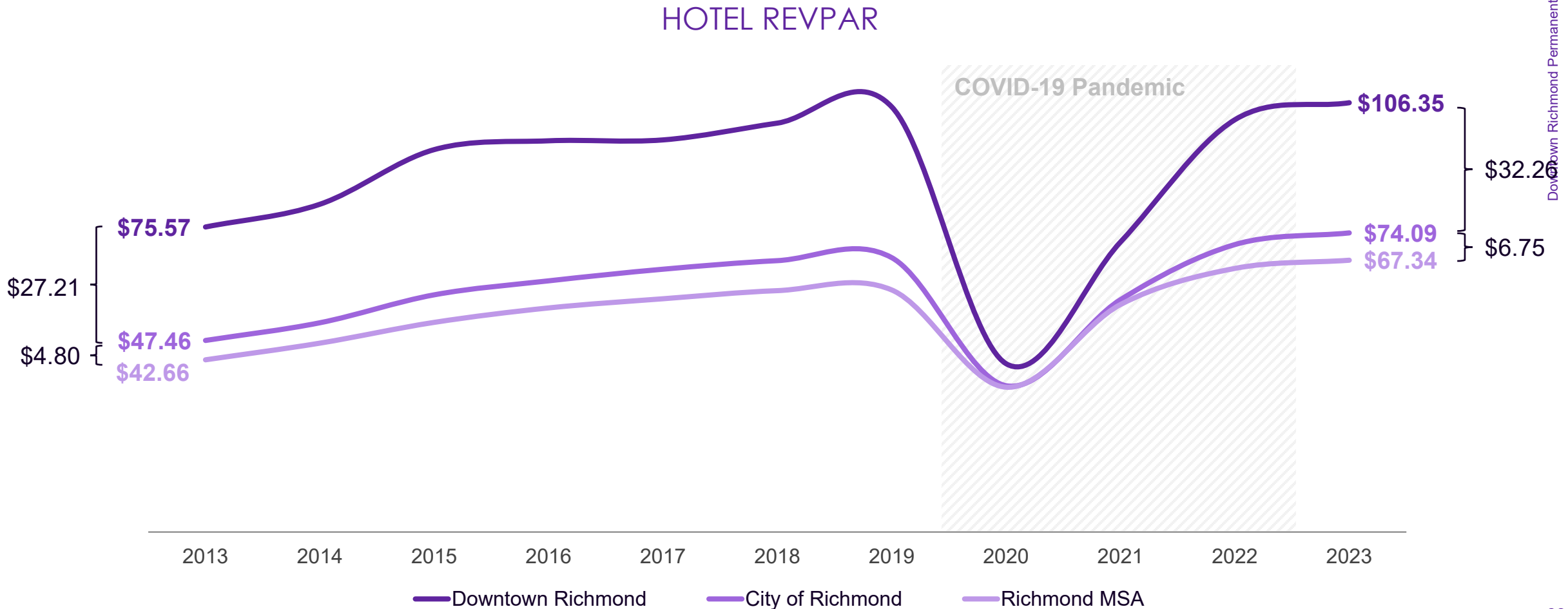
Henrico County contains a large share of the region's major athletic facilities, such as the Richmond Raceway, Henrico Sports & Events Center, and the upcoming GreenCity Arena development, making it a major destination for sports and recreation events.



In contrast, the Greater Richmond Convention Center, workplaces, and government institutions in Downtown Richmond offer more proximate markets for downtown tourism.

HOTEL | REVPAR

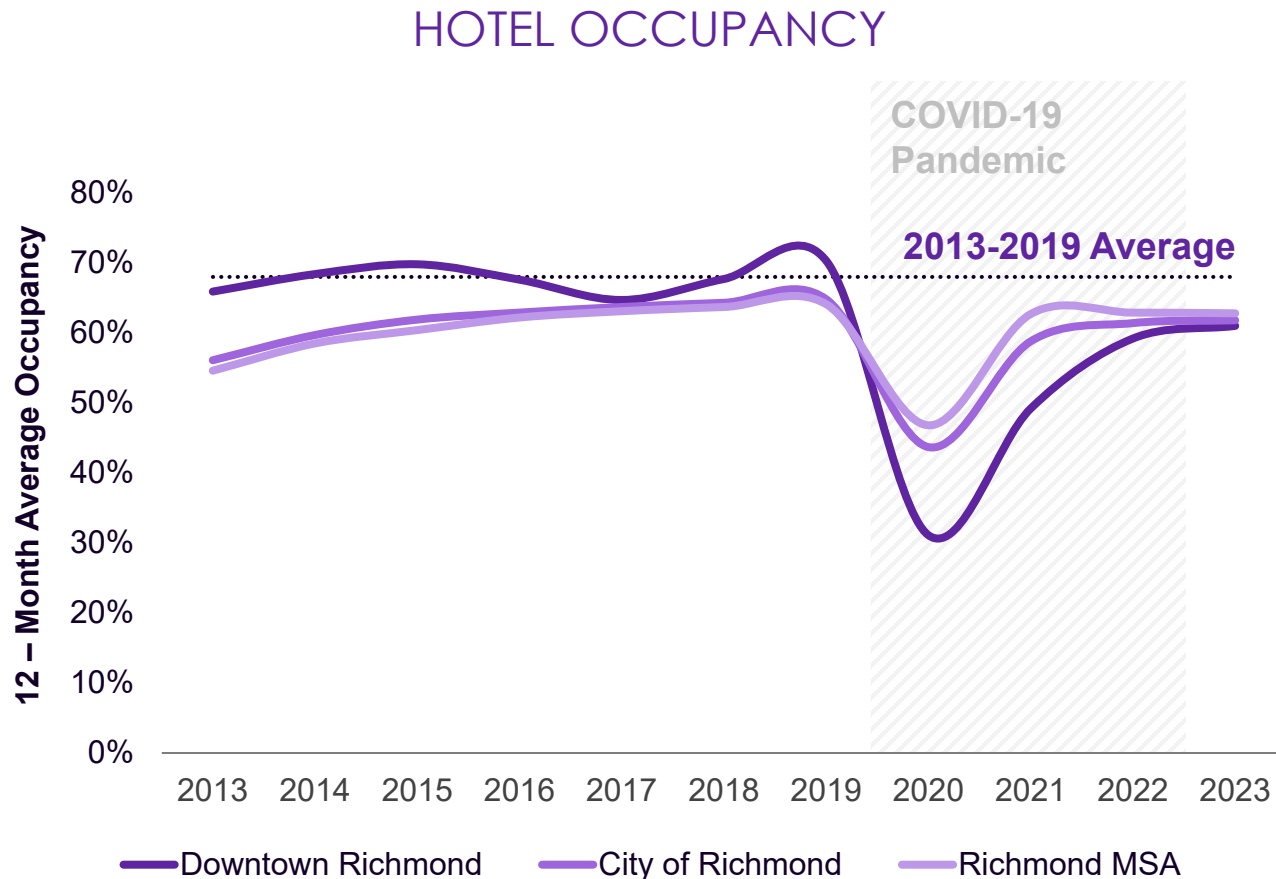
Downtown RevPAR has fully recovered above the pre-pandemic average, demonstrating strong economic performance compared to the region.



Source: CoStar

HOTEL | OCCUPANCY

Historically, Downtown hotel occupancy has outperformed the region. However, in the wake of the pandemic, hotels are occupied at similar rates throughout the region.



The hotel occupancy in the Richmond MSA recovered to pre-pandemic levels by 2021, but Downtown is taking longer to recover. Where Downtown occupancy before COVID was typically 7% higher than the MSA, it has been plateaued slightly below the MSA's average occupancy

HOTEL | DELIVERIES & PIPELINE

While there has only been one delivery since 2017, approximately 500 rooms are in the pipeline for the convention center.



Image Credit: Foss & Company

Moxy Richmond Downtown (2022)



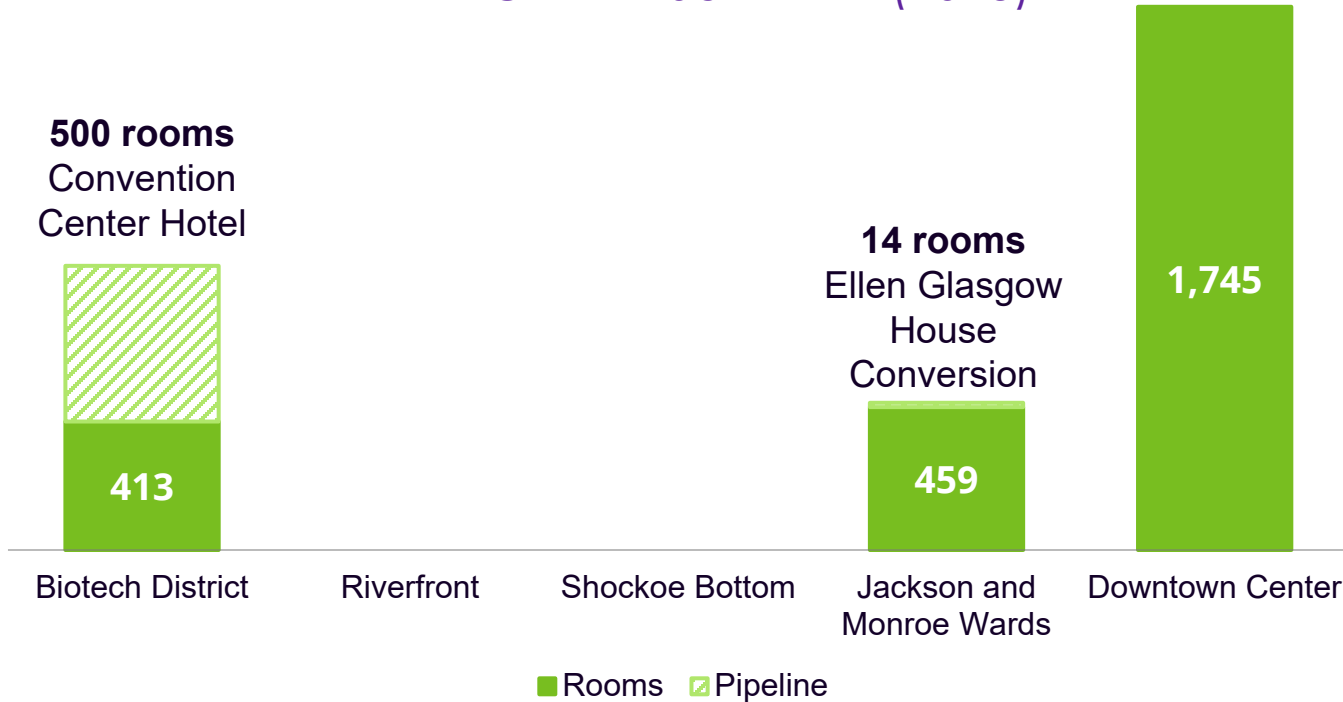
Image Credit: City Center Gateway Partners

**City Center Gateway Partners
Hotel Proposal for GRCC (TBD)**

HOTEL | PIPELINE IMPACTS

The addition of a new convention center hotel would increase the number of available rooms by 20%, significantly shifting the spatial concentration of Downtown hotel space.

DOWNTOWN RICHMOND HOTEL ROOM INVENTORY BY SUBAREA (2023)



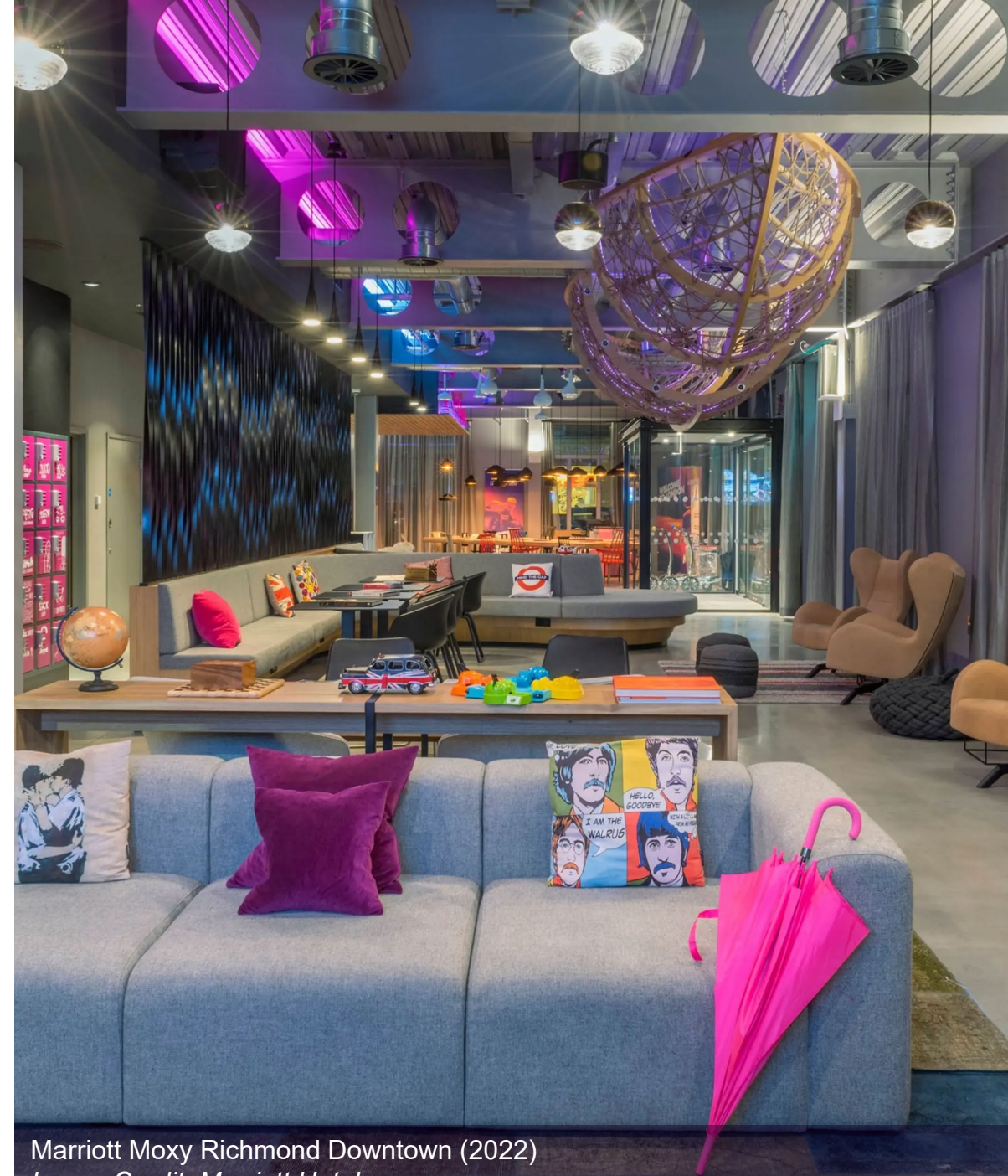
75% of all hotel buildings are in the Downtown Center, accounting for more than two thirds of the available rooms before the addition of the planned Convention Center hotel in the Biotech District.

HOTEL | MARKET OUTLOOK

While the Downtown hotel market is performing strongly, low average hotel occupancy and the planned City Center project make hotel a less likely overbuild use for the transfer station.

- Downtown RevPAR remains strong compared to the region due to the prevalence of higher-end hotels and their proximity to visitor destinations.
- Both nationally and locally, in-person events have been a major contributor to the COVID-19 hotel recovery.
- However, as post-pandemic occupancy growth has slowed, Downtown occupancy remains below pre-pandemic levels, suggesting the existing supply can absorb a portion of new demand.
- More than 500 rooms are planned as part of the City Center redevelopment to directly provide capacity for GRCC events. A 2019 report by Virginia Business noted these are seen as an asset by other hotel owners to help the city attract larger events.

Source: CoStar, ULI ETRE 2024, Virginia Business



Marriott Moxy Richmond Downtown (2022)

Image Credit: Marriott Hotels

06

RETAIL

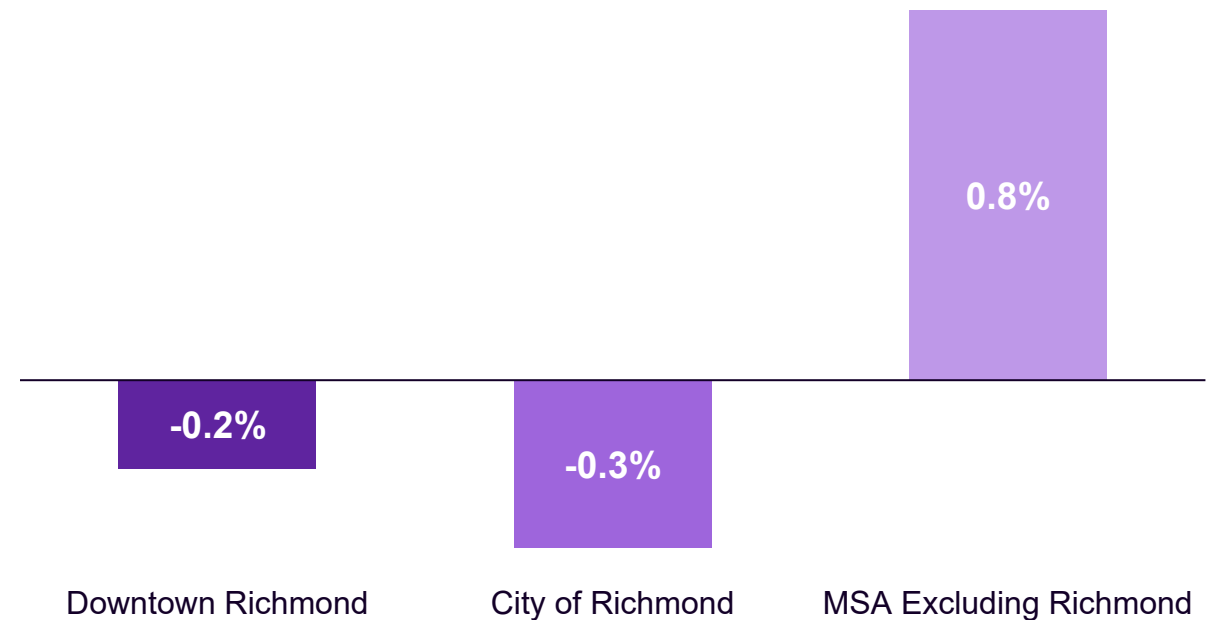
RETAIL

Downtown retail has been resilient through the pandemic, with low vacancy despite a small decrease in inventory.

The Richmond region entered the pandemic with a strong retail market and economic growth, which provided a buffer throughout much of the pandemic.

Most Downtown retail spaces are in small independent shops. Locally-serving retail amenities like general stores and pharmacies are notably absent missing from Downtown. Reflecting this, retail makes up a smaller component of Downtown employment compared to the MSA.

RETAIL INVENTORY CHANGE (2017-2023)

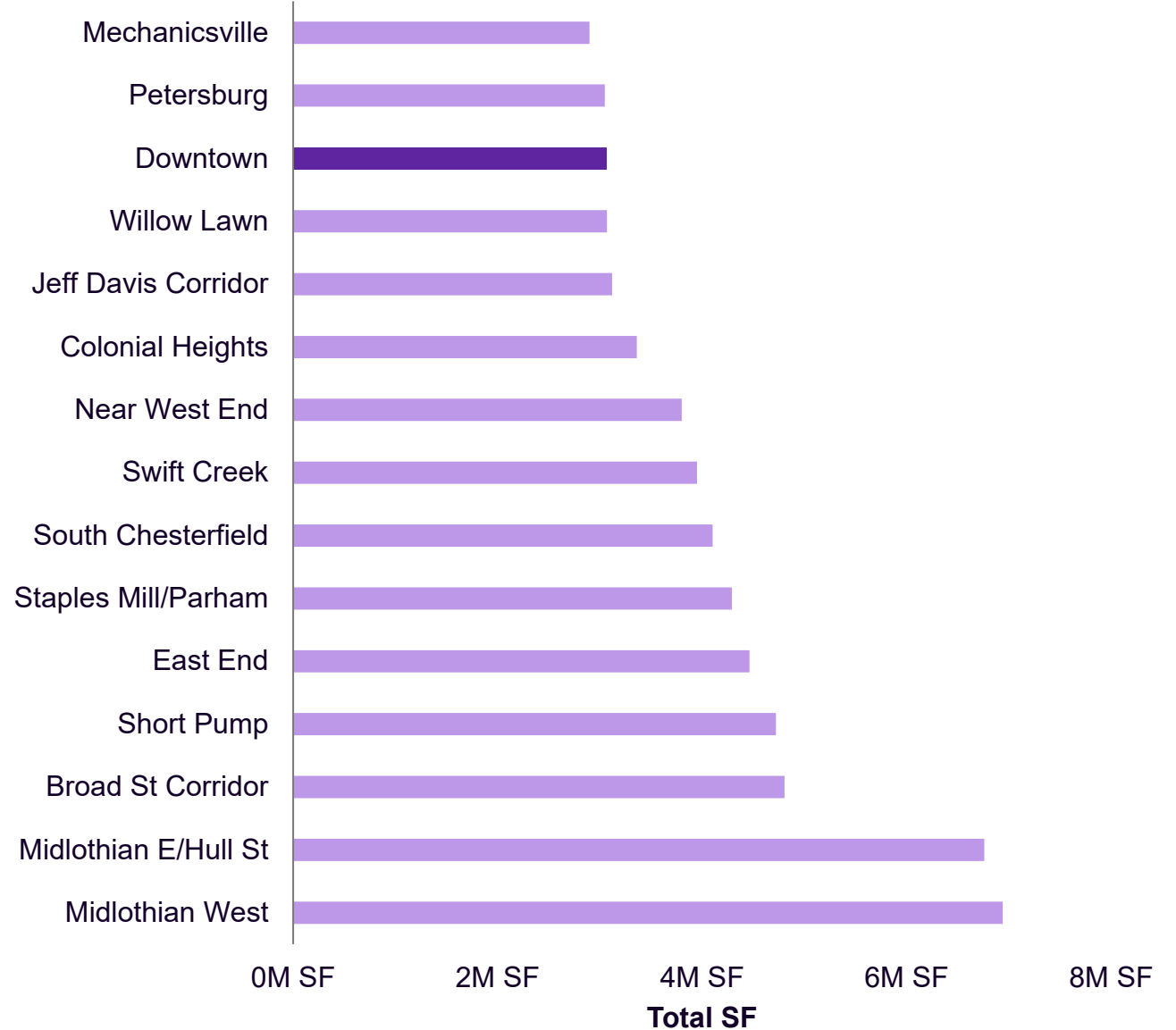


RETAIL | INVENTORY

Downtown Richmond accounts for a small portion of the region's retail market, hosting approximately 4% of the region's total retail inventory.

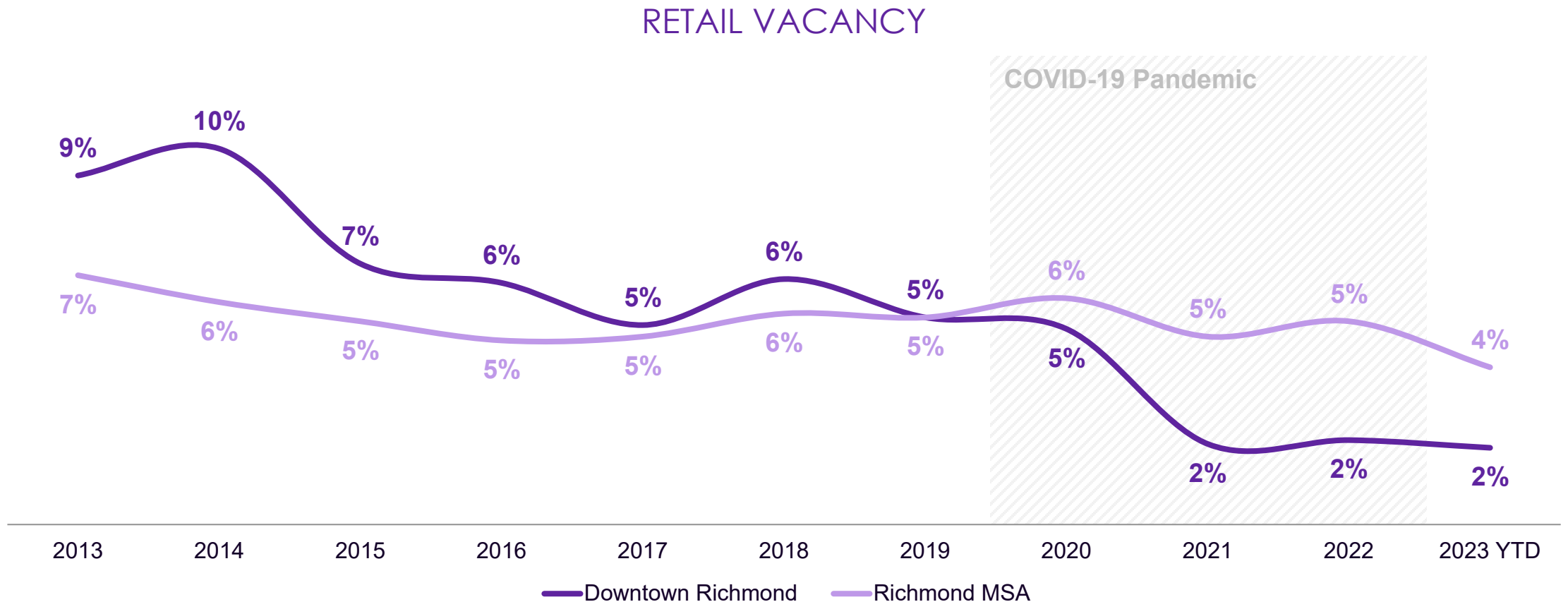
However, Downtown Richmond has historically maintained a below-average retail vacancy rate, suggesting its available spaces have been sufficient to meet current demands.

RETAIL SPACE IN THE RICHMOND MSA (2023)



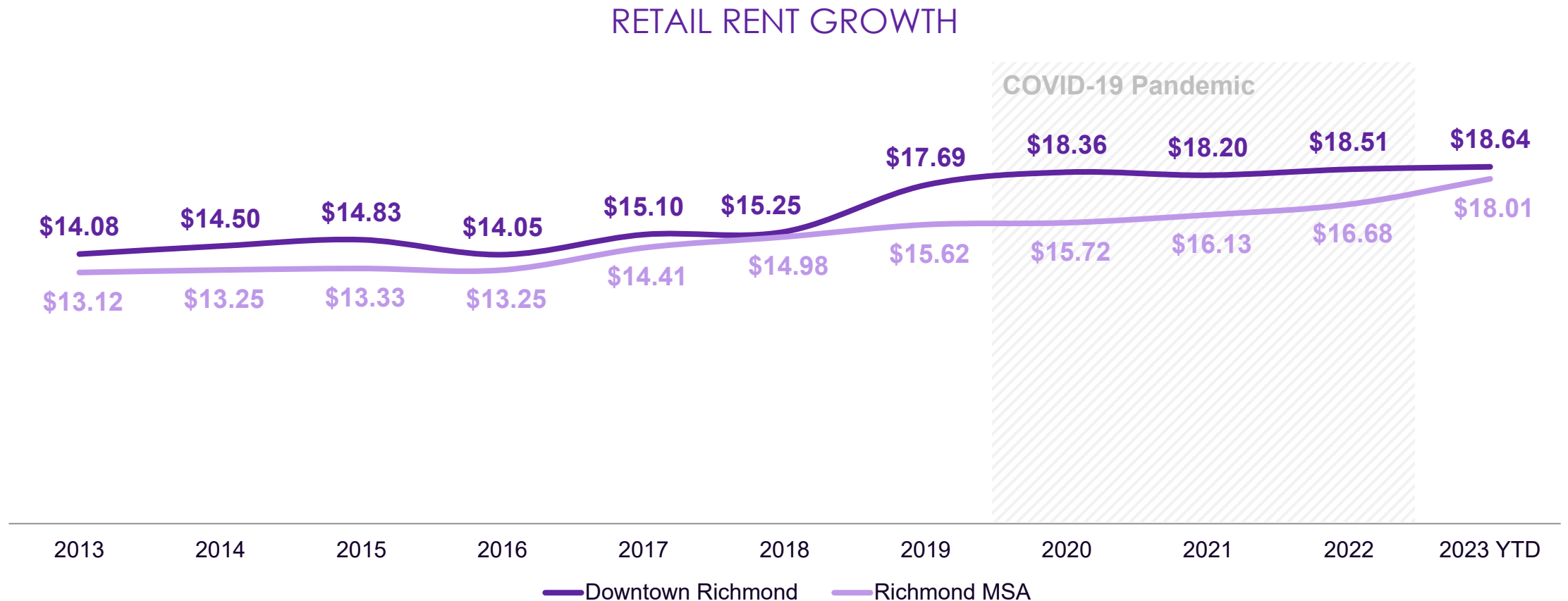
RETAIL | VACANCY RATES

Parallel to strong demand for retail space nationwide, Downtown Richmond's retail market had a resurgence over the pandemic, with vacancy rates falling to 2%.



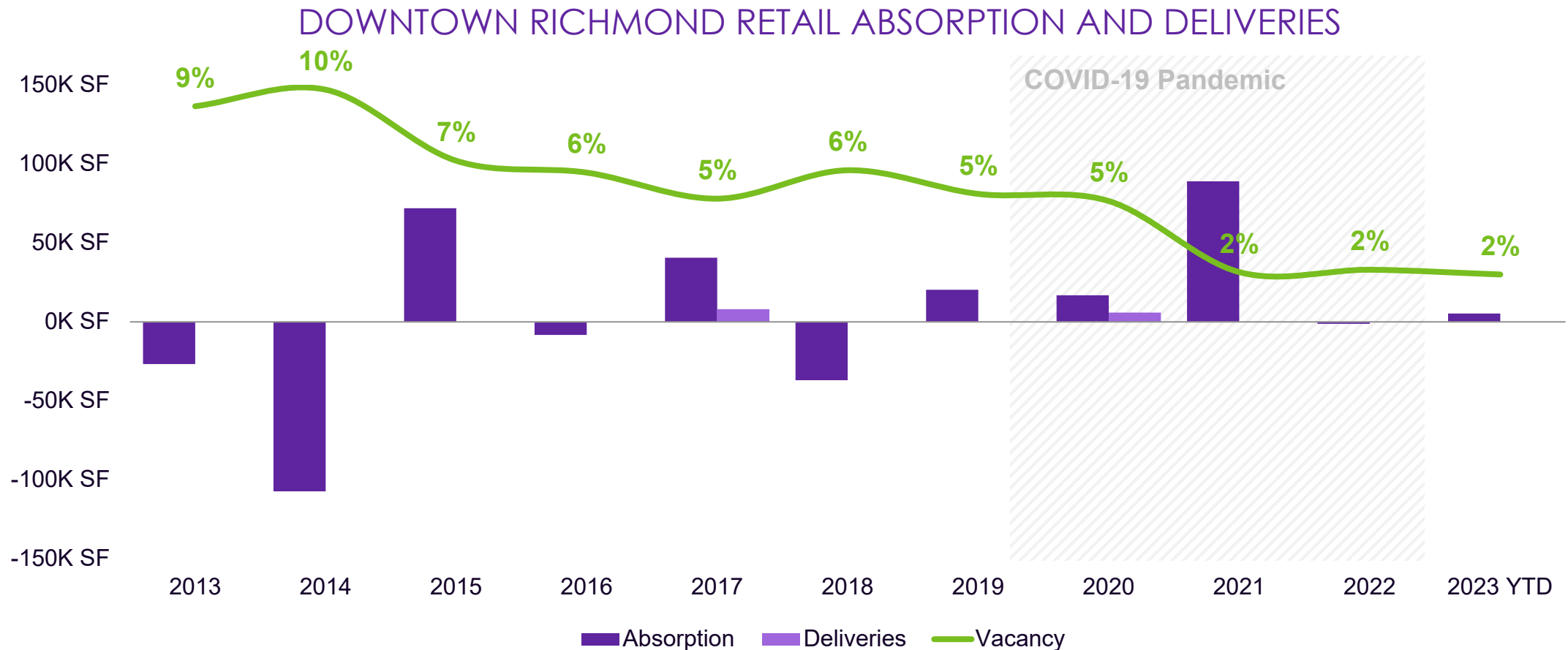
RETAIL | RENT GROWTH

Downtown retail gained a roughly \$2 premium over the MSA during the pandemic but has since lost it as Downtown retail rent growth has stagnated.



RETAIL | ABSORPTION AND DELIVERIES

There have been almost no new retail spaces built in Downtown Richmond in the last decade, and the pipeline for new space remains minimal.



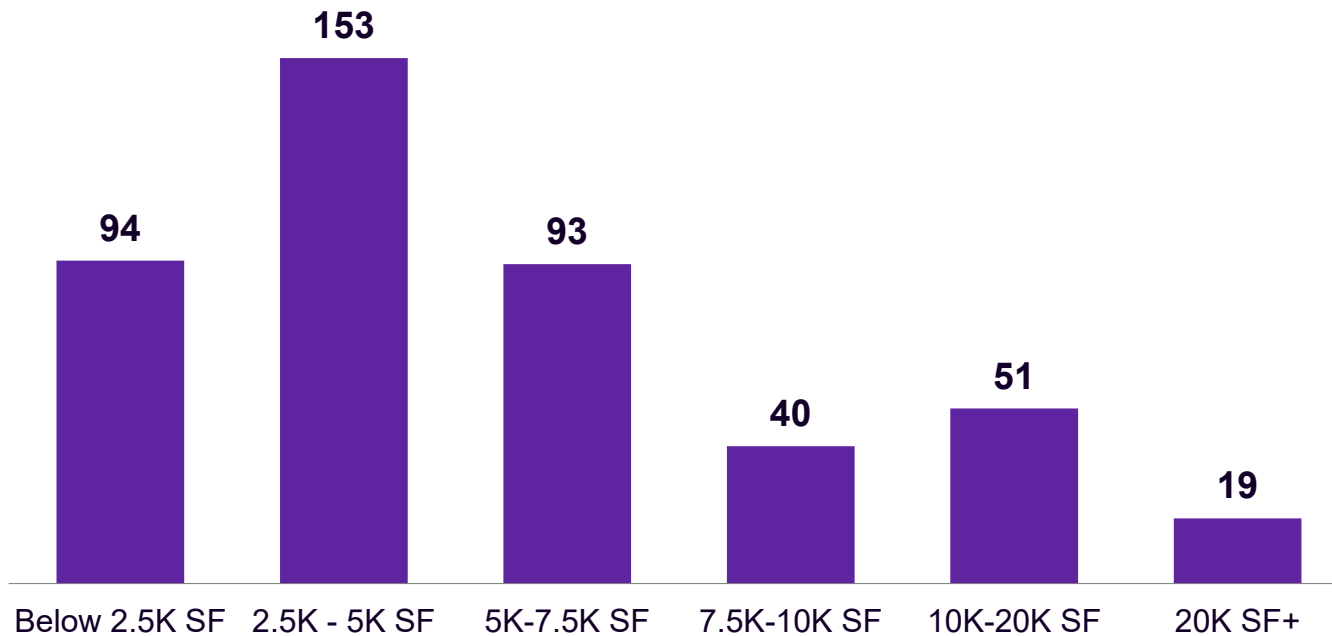
* CoStar definitions for retail space include mixed use and ground floor spaces

Source: CoStar

RETAIL | SIZE

More than half of retail spaces Downtown are less than 5,000 SF, supporting small businesses but providing limited opportunities for large-footprint retail.

DOWNTOWN RICHMOND RETAIL PROPERTIES BY SIZE (2023)

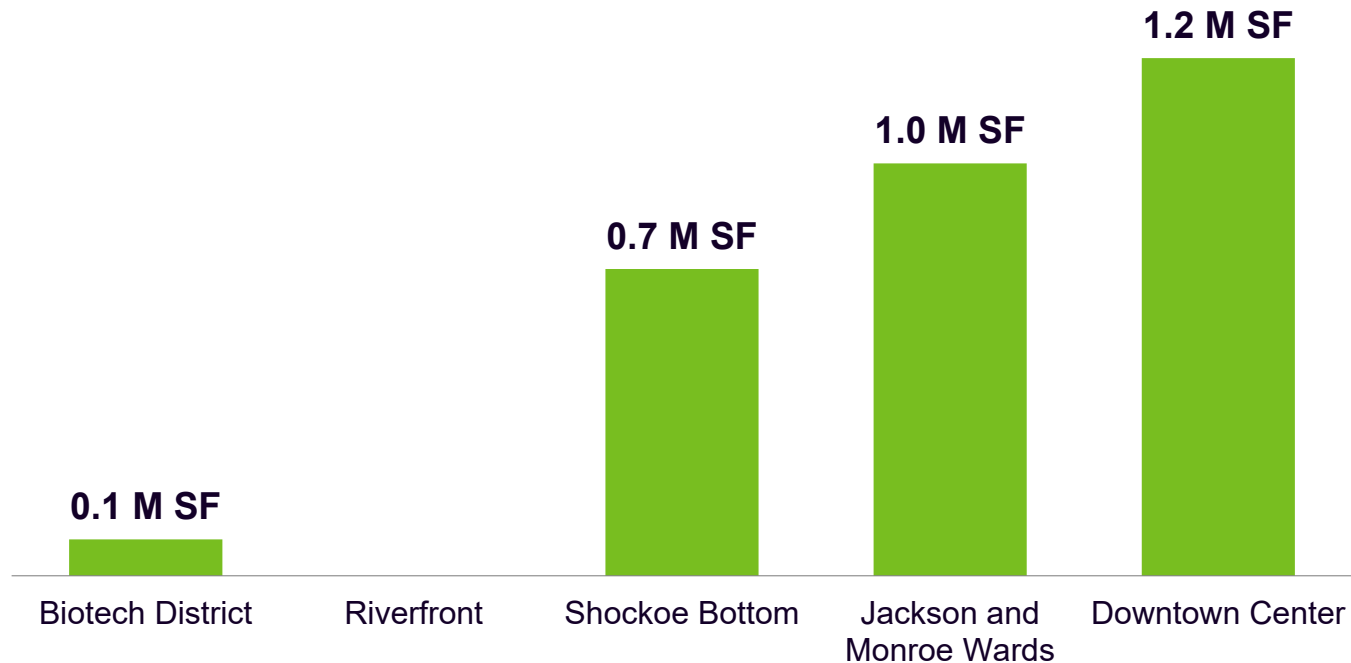


The median retail space in Downtown Richmond is 4,500 SF, supporting the current culture of small businesses, restaurants, and cafes. Meanwhile, grocery stores and shopping services are absent from Downtown.

RETAIL | SUBAREA INVENTORY

The Biotech District and Riverfront have a notable lack of retail space compared to the rest of Downtown, in large part due to high concentrations of institutional uses.

DOWNTOWN RICHMOND RETAIL INVENTORY BY SUBAREA (2023)



Due to the retail clusters along the Broad St corridor and in Shockoe Bottom, almost all available retail space is concentrated within three subareas. Anecdotally, the Biotech District is often served by food trucks, suggesting an established non-storefront retail presence.

RETAIL | MARKET OUTLOOK

Low Downtown vacancy and existing corridors suggest retail can be viable when focused on complimenting its surrounding uses and attracting foot traffic.

- Downtown lacks “public-serving” retail like a grocery, pharmacy, or generalist retailer. The current retail composition leans heavily towards cafes and restaurants with limited success for soft goods.
- A national trend towards mobile payment and quick-service retail supports foot traffic and enables more efficient space usage. Grocers have been particularly effective adapting to this trend with curbside pickup.
- Tenant size and success Downtown is driven heavily by the surrounding neighborhood. Mixed use development should be planned so that retail can add value to the surrounding area rather than driving change.
- While the performance of downtown retail makes it unlikely for retail to drive overbuild, uses like restaurants or a grocery can be important contributors to urban vitality and demand for other overbuild typologies.



Downtown Richmond Permanent Transfer Hub

Market Scan

December 2023

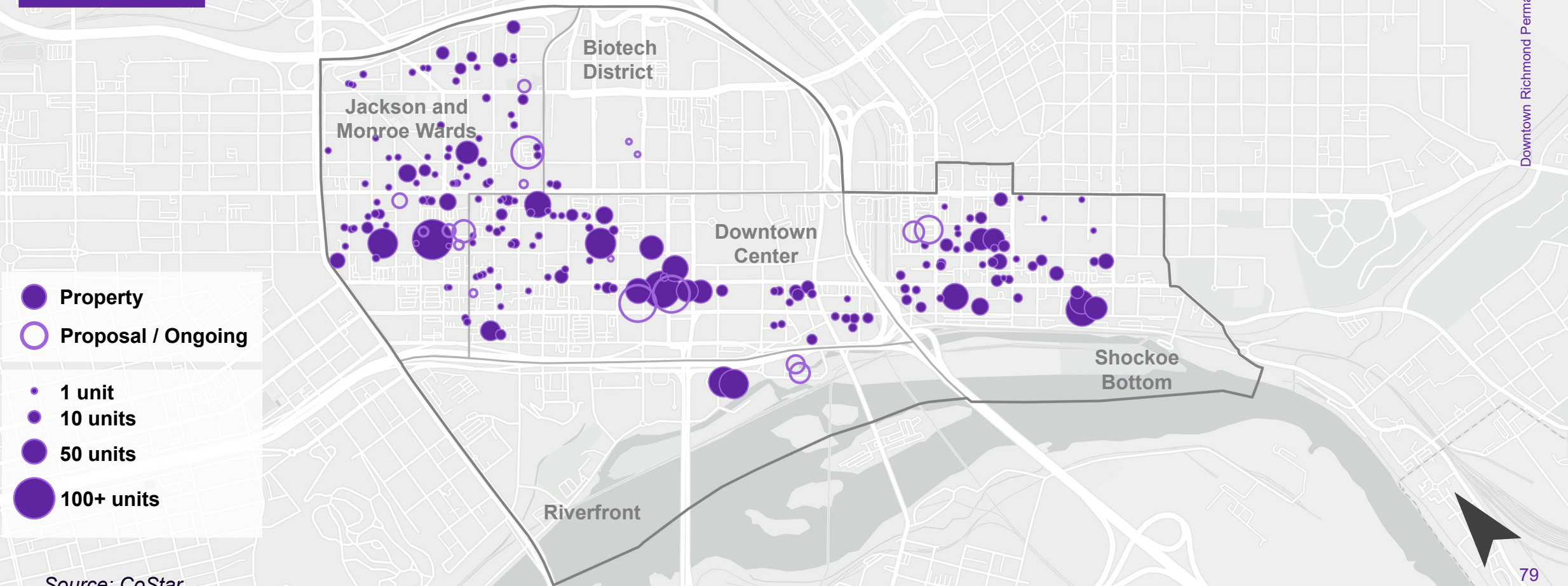
07

Appendix

MULTIFAMILY PROPERTIES

Multifamily buildings are concentrated in Jackson and Monroe Ward and are notably absent from heavily institutional areas in the Biotech District and Downtown Center.

MULTIFAMILY PROPERTIES

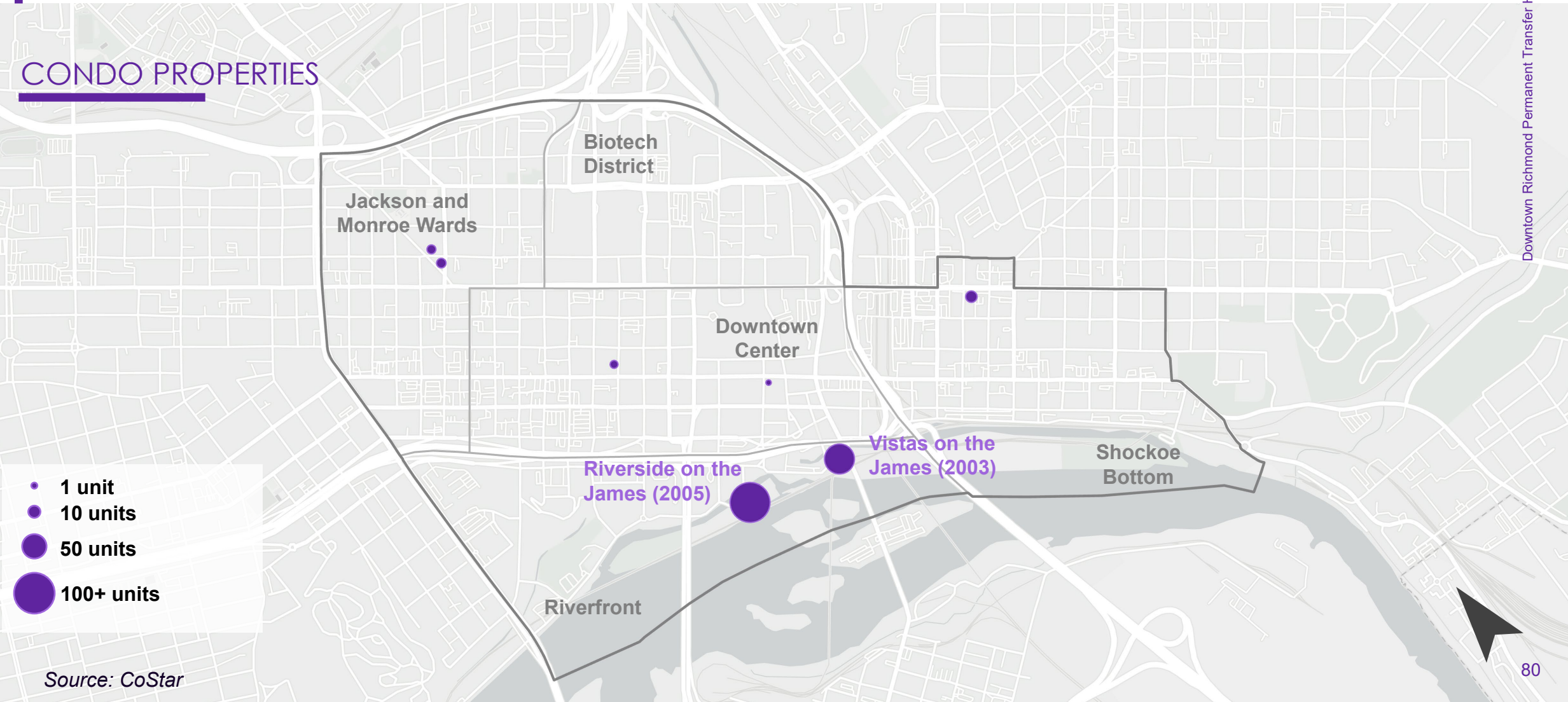


Source: CoStar

MULTIFAMILY – CONDO PROPERTIES

About 70% of Richmond’s approximately 350 condo units are in two riverfront condo towers, while the remainder are dispersed in smaller 10-30 unit buildings.

CONDO PROPERTIES

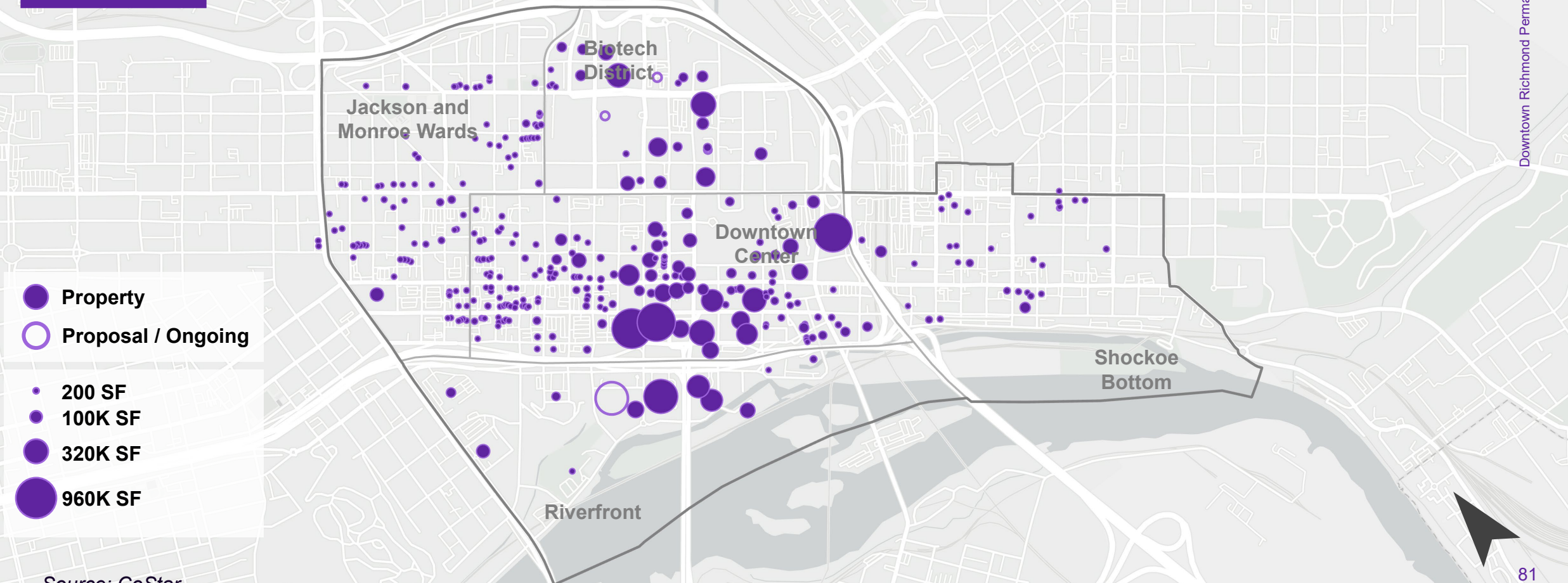


Source: CoStar

OFFICE PROPERTIES

Small pockets of office space are located throughout the city, but the largest spaces are clustered between 6th and 9th St near I-195

OFFICE PROPERTIES

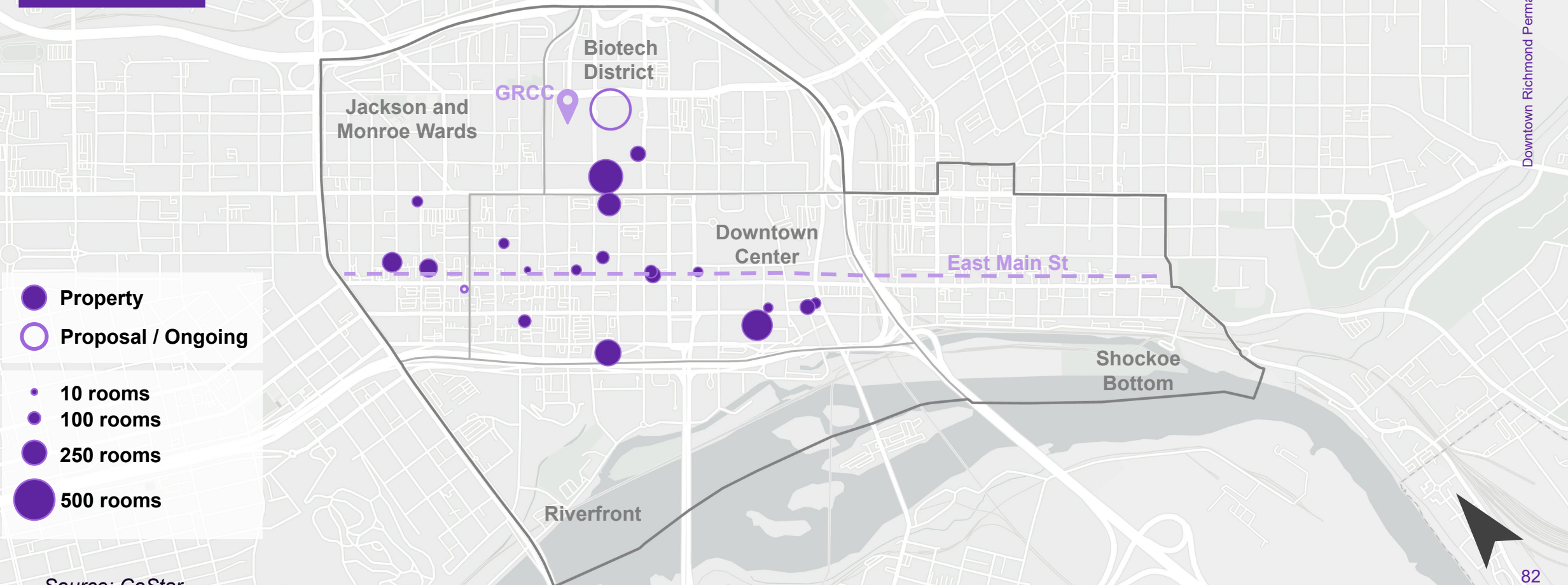


Source: CoStar

HOTEL PROPERTIES

Downtown hotels are primarily located near East Main St and near GRCC, providing proximity to offices, government buildings, and museums.

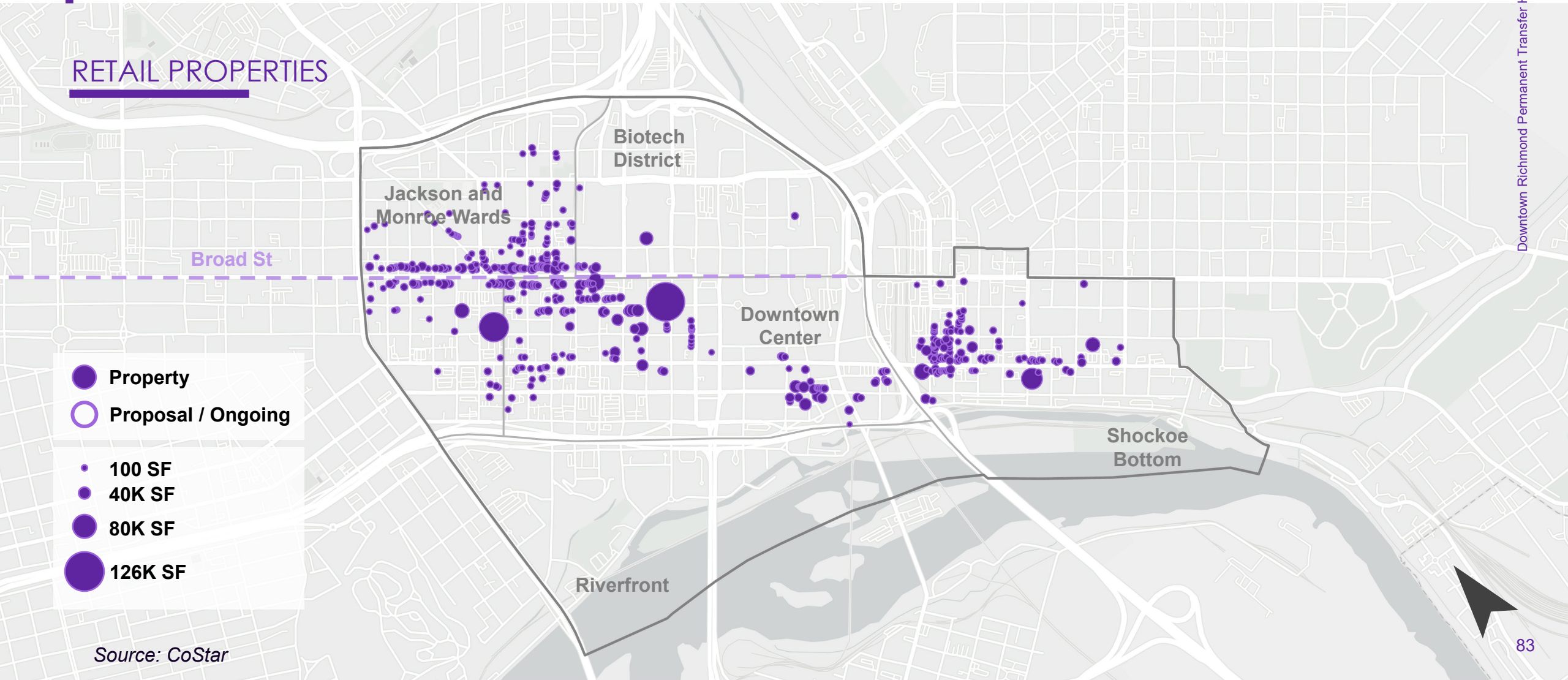
HOTEL PROPERTIES



Source: CoStar

RETAIL PROPERTIES

Downtown and the Broad St Corridor have high inventory and low vacancy compared to the region overall, with restaurants and cafes being most successful.



RETAIL PROPERTIES

- Property
- Proposal / Ongoing
- 100 SF
- 40K SF
- 80K SF
- 126K SF

Source: CoStar

Downtown Richmond Permanent Transfer Hub

Market Scan

December 2023