



# Q1 2023 INDUSTRIAL MARKET REPORT

# Industrial Market - Key Trends Snapshot

## Industrial Market

The industrial market continues to lead all commercial real estate market segments in Virginia. Rents are rising rapidly, and vacancy rates are trending down. New buildings continue to be completed and more are under construction, but the pace of growth is likely not meeting the demand in the market. Industrial-supporting job sectors have slowed in recent months, which could soften demand in some local areas.

Virginia has fully recovered net jobs lost during the pandemic, and the job base has grown by nearly 42,000 jobs statewide since January of 2020. Transportation & Warehousing, which is a key industrial-supporting job sector, has been one of the fastest growing job sectors in Virginia over the last couple years. Much of this growth was driven by surging e-commerce activity. This job growth pivoted starting in 2023, and the Transportation & Warehousing sector has shed jobs two straight months, down 0.3% in Feb. 2023 compared to the prior month (-500 jobs).

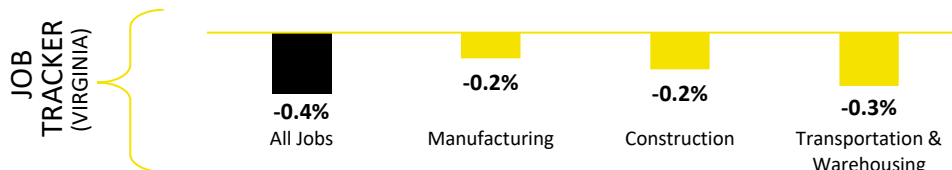
Industrial buildings continue to lead all commercial real estate in terms of absorption activity in Virginia. There was about 3.1 million square feet of industrial space absorbed statewide in Q1-2023, and most of this was warehouse & distribution space (2 million sq. ft). The Richmond market led all metro areas in net industrial absorption this quarter, nearly all of which was warehouse & distribution space.

Virginia's industrial market continues to tighten, as vacancy rates trend downward. The overall statewide industrial vacancy rate was 3.0% in Q1-2023, down from 3.5% a year ago. Just 2.7% of warehousing and distribution space was vacant statewide, while about 3.9% of manufacturing space was vacant in the first quarter. The lowest industrial vacancy rate in Virginia this quarter was in the Charlottesville market (0.5% vacancy).

Industrial rents continue to surge. The price per sq. ft. in a full service rent industrial building jumped up 20.8% from the first quarter last year. Industrial rents have increased for nine straight quarters, and the past three quarters have been at a double-digit rate.

2022 was the strongest year in more than a decade for completed industrial building deliveries. 2023 is off to a good start, but much lower than deliveries a year ago. New construction is also down from Q1-2022, but still much higher than average.

Industrial-Supporting Job Sectors (% Chg Jan-23 to Feb-23, seasonally adjusted)



## VIRGINIA (Statewide)



### Market Indicator Dashboard

	YoY Chg	Q1-2023	Indicator
% chg	3.1%	524,835,183	Total Inventory (sq. ft)
sq. ft	-3,254,723	3,095,772	Net Absorption (sq. ft)
pct point	-0.5%	3.0%	Vacancy Rate (%)
\$ per sq. ft	\$1.16	\$6.73	Full Service Rent (\$ per sq. ft)
sq. ft	-4,358,422	1,512,534	New Supply Delivered (sq. ft)
sq. ft	-719,232	16,712,457	Under Construction (sq. ft)



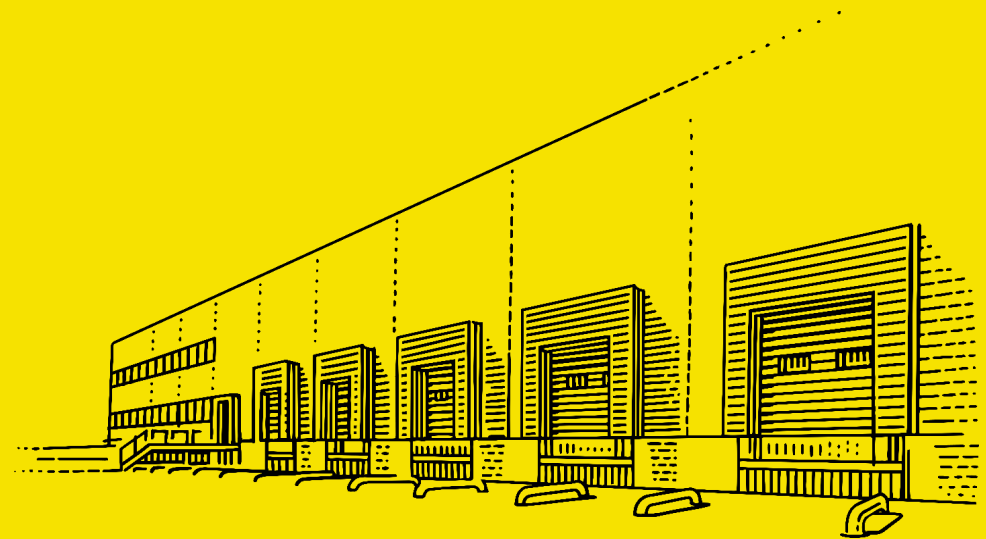
### Economic Indicator Dashboard

	MoM % Chg	Feb-23	Indicator
% chg	-0.4%	4.1	Total Jobs (in millions, seasonally adjusted)
% chg	-0.2%	607.7	Industrial-Supporting Jobs (in thousands, seasonally adjusted)
pct point	0	3.2%	Unemployment Rate (% seasonally adjusted)
pct point	QoQ Chg -0.6%	Q4-2022 2.6	Gross Domestic Product (% chg from prior year)

# Report Index

## Virginia Industrial Market

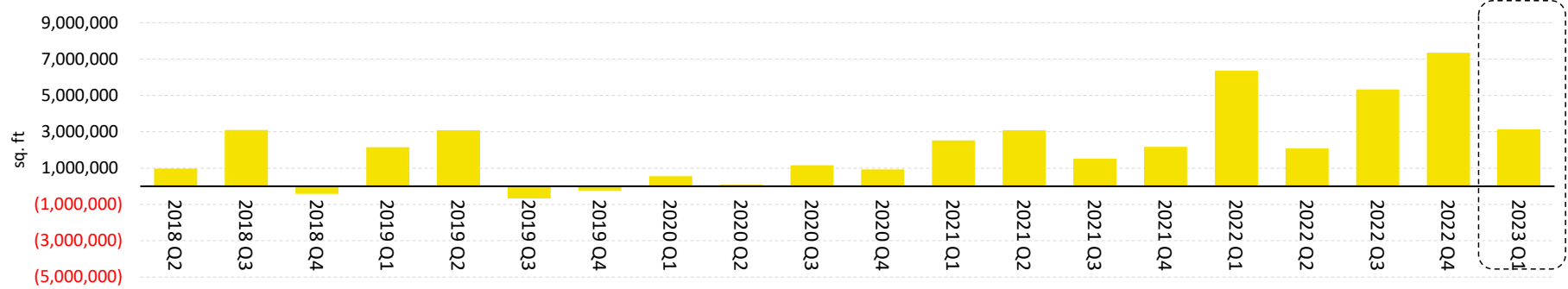
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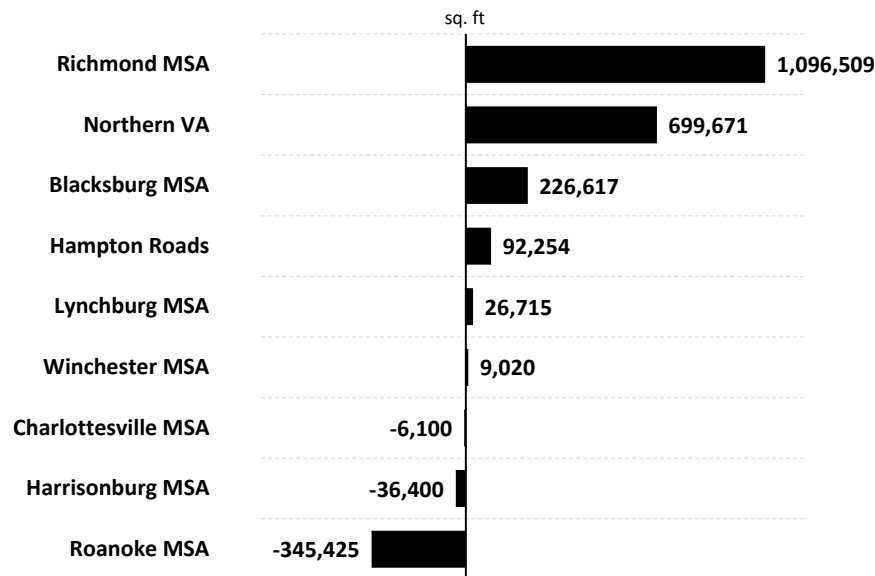
# Industrial Market - Absorption & Construction Trends

## VIRGINIA (Statewide)

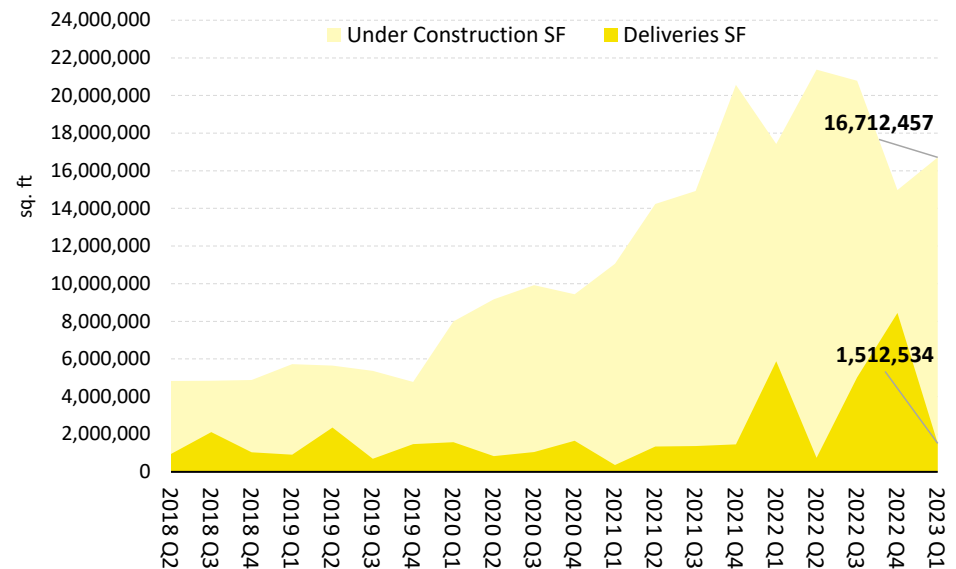
**Net Absorption (sq. ft)**



**Q1-2023 Net Absorption by Metro Area (sq ft)**

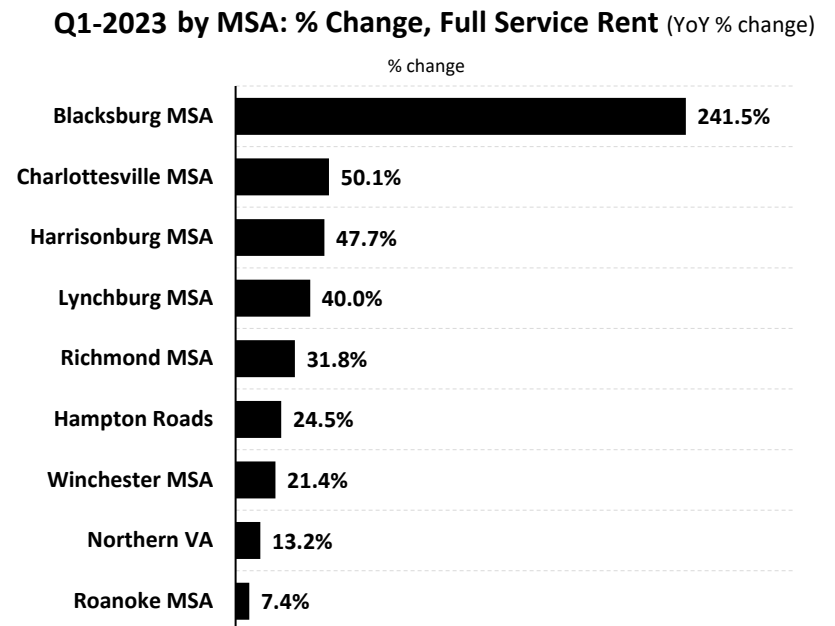
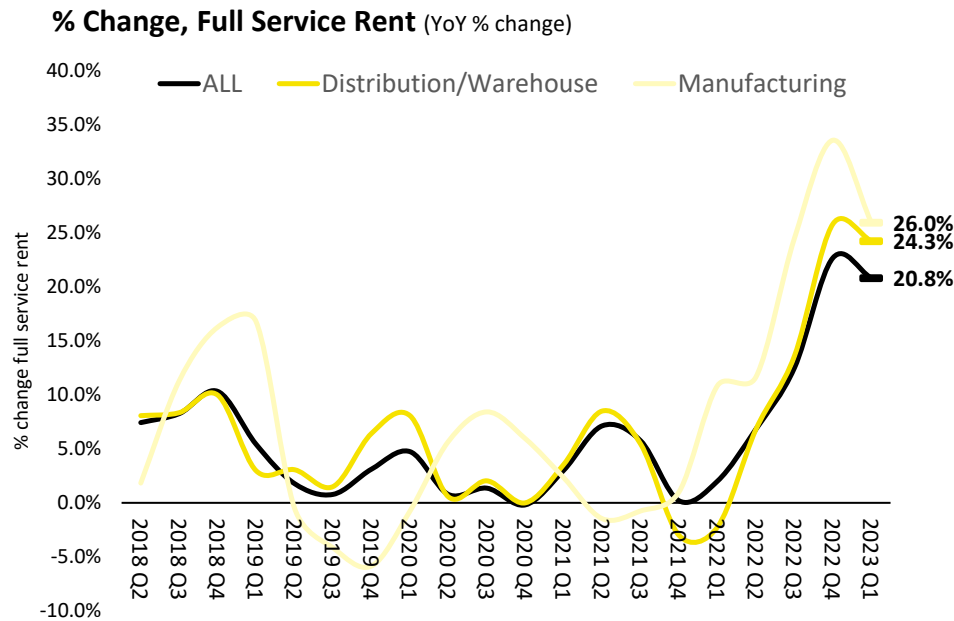
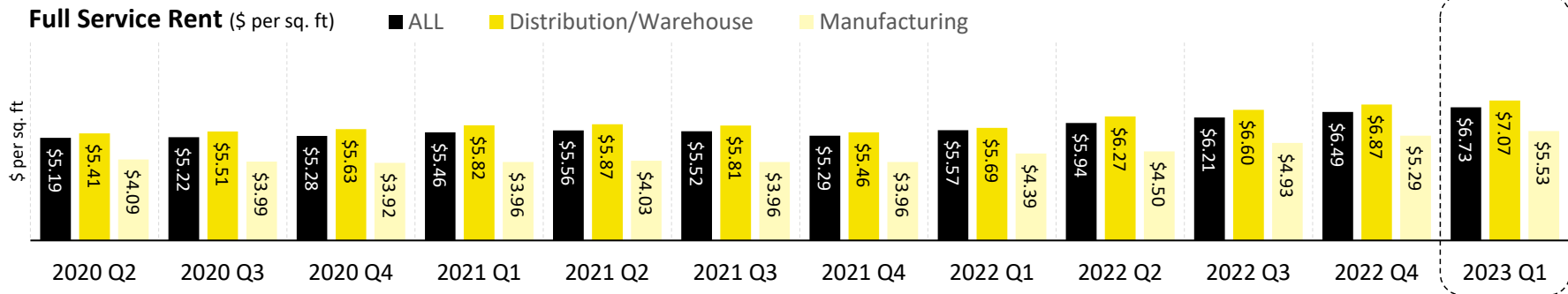


**Under Construction & Net Deliveries (sq. ft)**



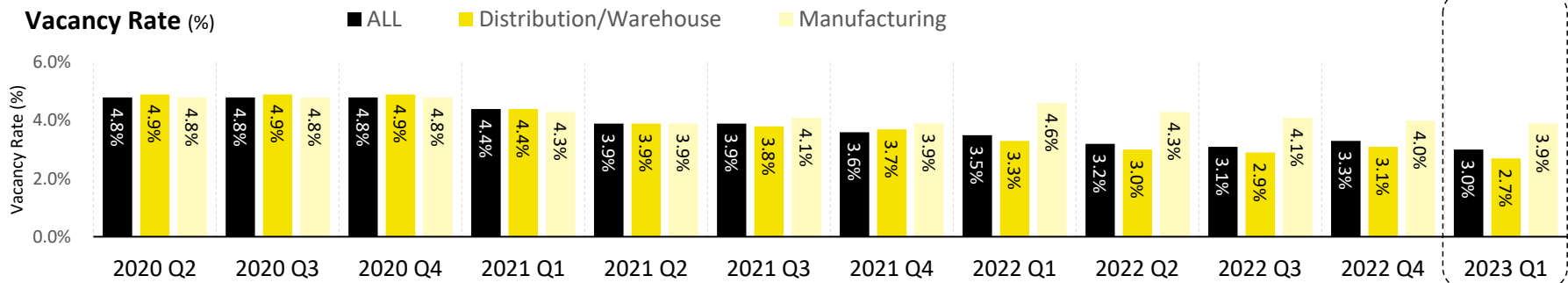
# Industrial Market - Rent Trends

## VIRGINIA (Statewide)

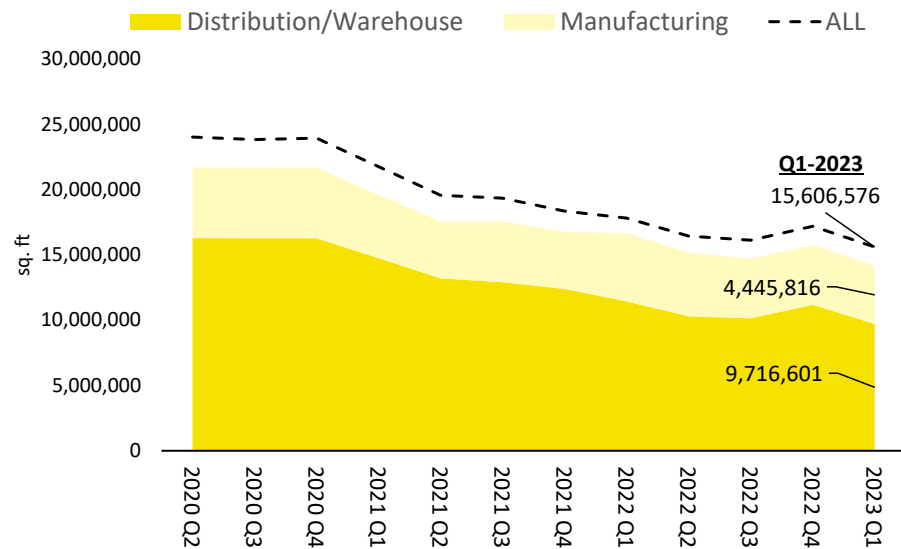


# Industrial Market - Vacancy Trends

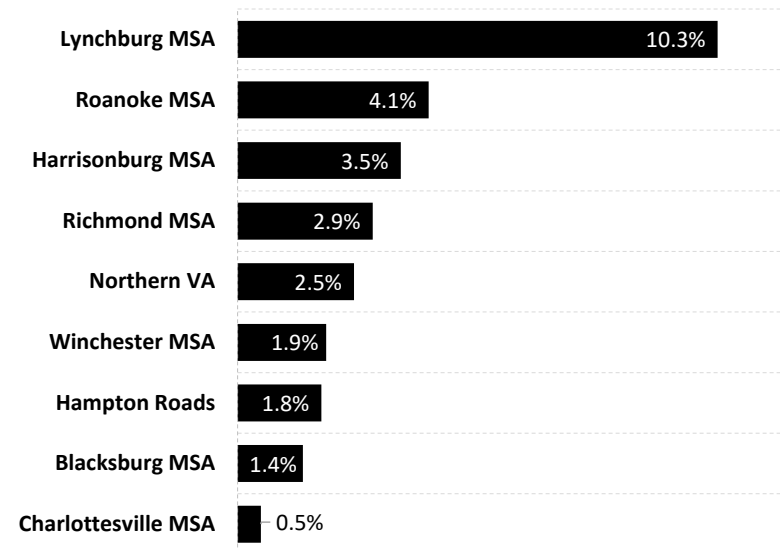
## VIRGINIA (Statewide)



## Vacant Inventory (sq. ft)

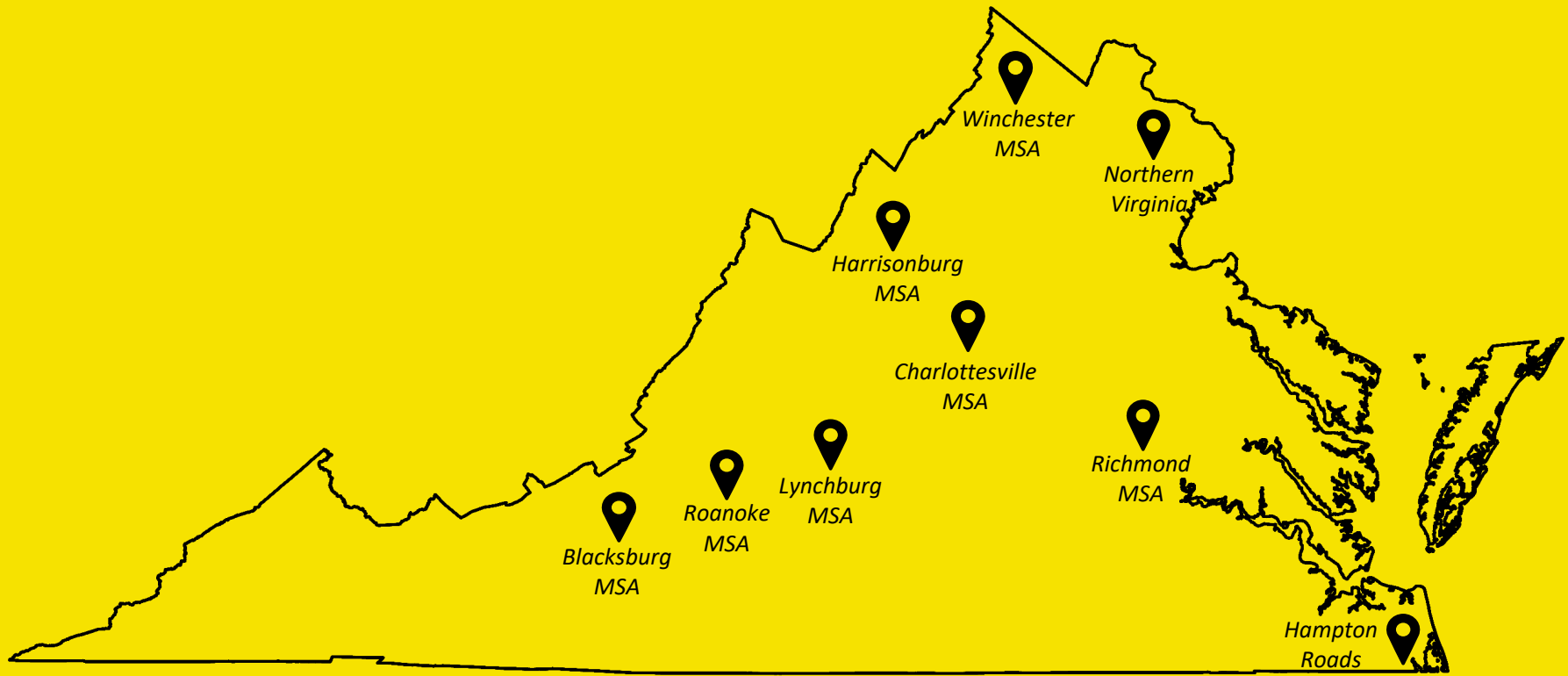


## Q1-2023 Industrial Vacancy Rate by MSA



# MSA TRENDS

METROPOLITAN STATISTICAL AREA



*Snapshot of Industrial Market Conditions Around Virginia*

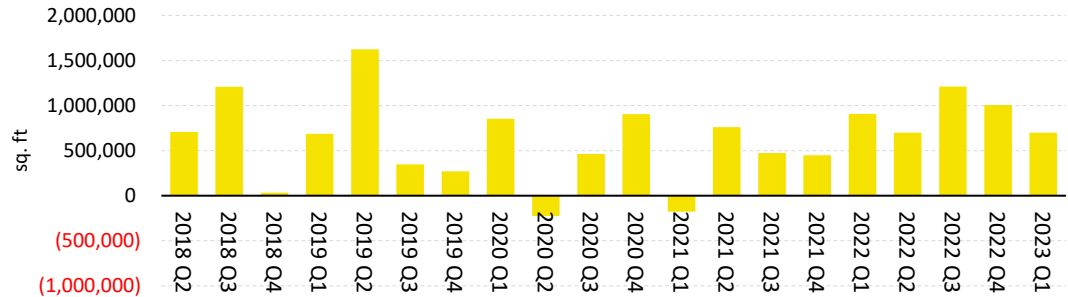
# Industrial Market - MSA Trends

## **NORTHERN VIRGINIA**

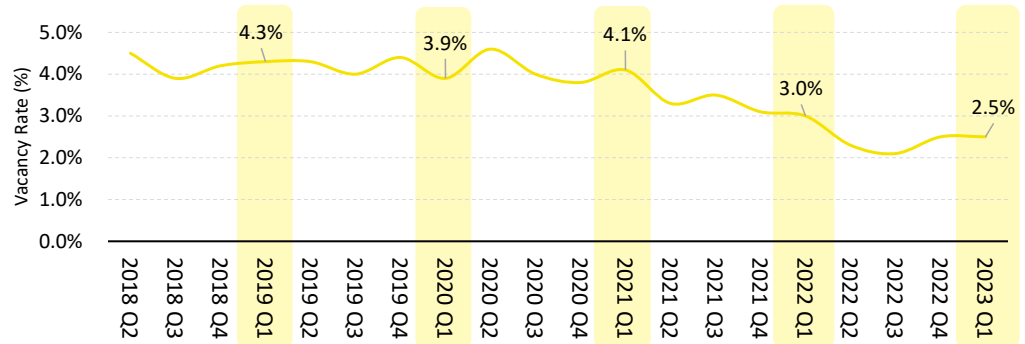
### Local Market Indicator Dashboard

	Q1-2023	YoY Chg	
Total Inventory (sq. ft, millions)	<b>94.2</b>	<b>3.5%</b>	% chg
Vacancy Rate (%)	<b>2.5%</b>	<b>-0.5%</b>	pct points
Net Absorption (sq. ft)	<b>699,671</b>	<b>-207,040</b>	sq. ft
Avg Full Service Rent (\$ / sq. ft)	<b>\$12.65</b>	<b>\$1.48</b>	\$ per sq. ft
Deliveries (sq. ft)	<b>716,031</b>	<b>-173,223</b>	sq. ft
Under Construction (sq. ft)	<b>2,863,370</b>	<b>-880,801</b>	sq. ft

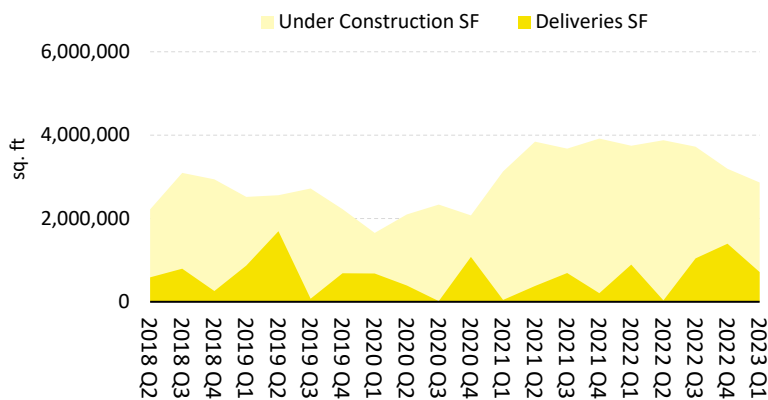
### Net Absorption (sq. ft)



### Vacancy Rate (%)



### Under Construction & Net Deliveries (sq. ft)



### Full Service Rent (\$ per sq. ft)





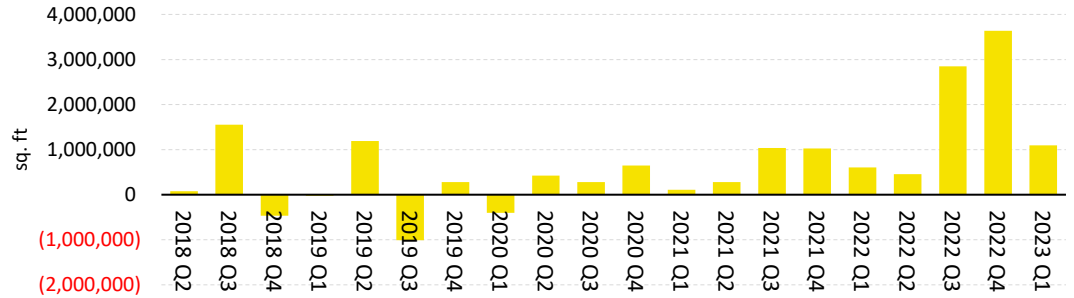
# Industrial Market - MSA Trends

## RICHMOND MSA

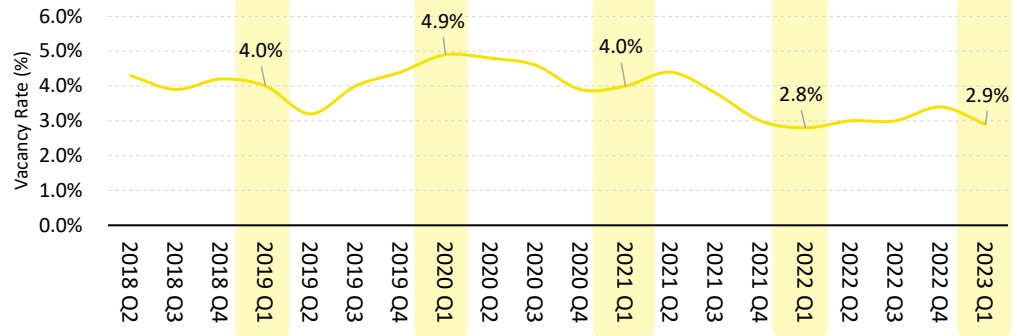
### Local Market Indicator Dashboard

	Q1-2023	YoY Chg	
Total Inventory (sq. ft, millions)	<b>128.3</b>	<b>6.9%</b> % chg	
Vacancy Rate (%)	<b>2.9%</b>	<b>0.1%</b> pct points	
Net Absorption (sq. ft)	<b>1,096,509</b>	<b>492,608</b> sq. ft	
Avg Full Service Rent (\$ / sq. ft)	<b>\$7.25</b>	<b>\$1.75</b> \$ per sq. ft	
Deliveries (sq. ft)	<b>476,236</b>	<b>56,036</b> sq. ft	
Under Construction (sq. ft)	<b>5,743,602</b>	<b>-2,277,178</b> sq. ft	

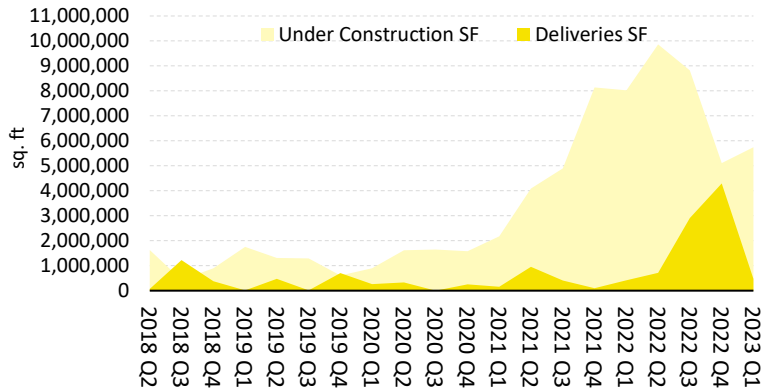
### Net Absorption (sq. ft)



### Vacancy Rate (%)



### Under Construction & Net Deliveries (sq. ft)



### Full Service Rent (\$ per sq. ft)



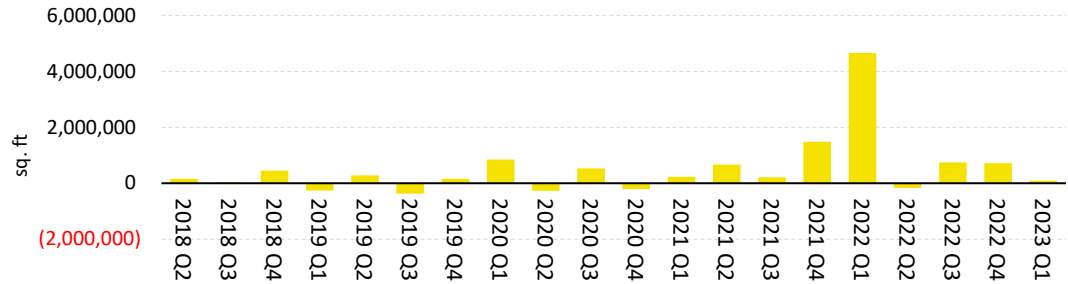
# Industrial Market - MSA Trends

## HAMPTON ROADS

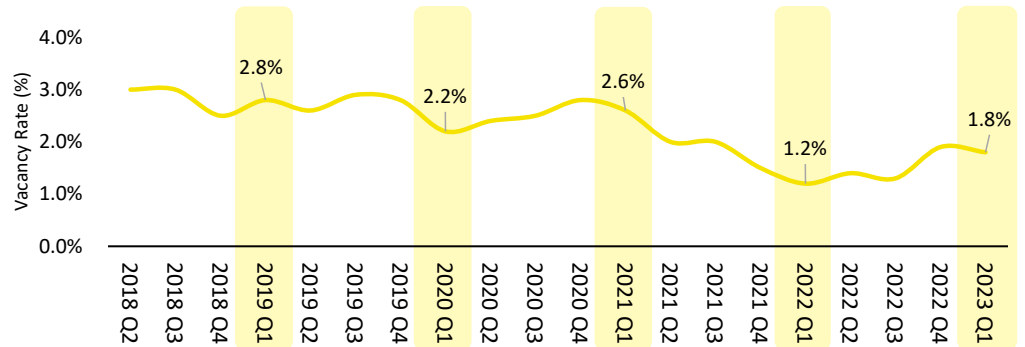
### Local Market Indicator Dashboard

	Q1-2023	YoY Chg
Total Inventory (sq. ft, millions)	<b>112.6</b>	<b>1.9%</b> % chg
Vacancy Rate (%)	<b>1.8%</b>	<b>0.6%</b> pct points
Net Absorption (sq. ft)	<b>92,254</b>	<b>-4,570,722</b> sq. ft
Avg Full Service Rent (\$ / sq. ft)	<b>\$8.48</b>	<b>\$1.67</b> \$ per sq. ft
Deliveries (sq. ft)	<b>0</b>	<b>-4,389,192</b> sq. ft
Under Construction (sq. ft)	<b>4,920,500</b>	<b>2,069,282</b> sq. ft

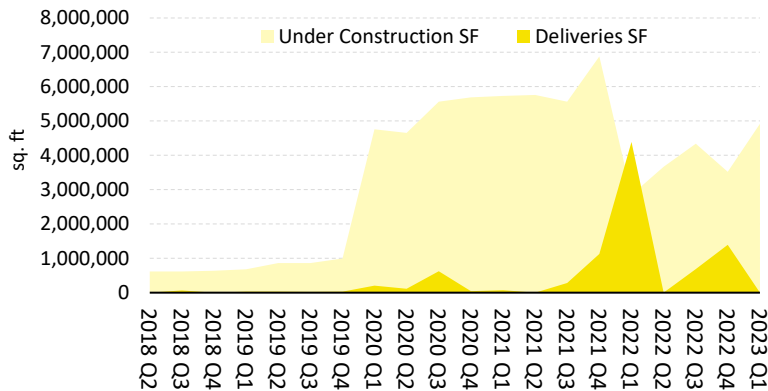
### Net Absorption (sq. ft)



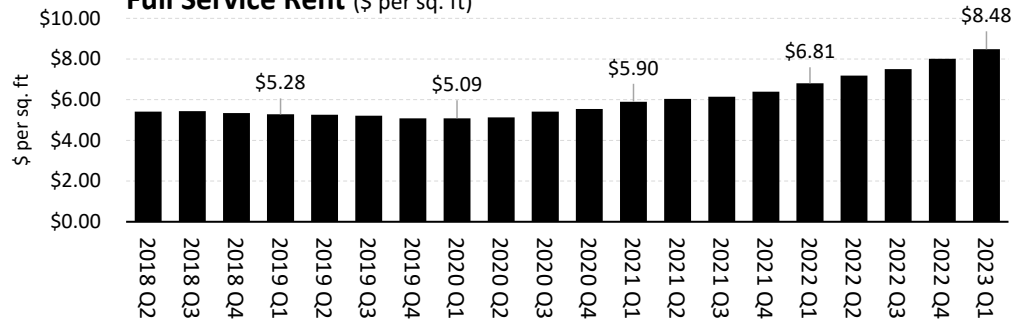
### Vacancy Rate (%)



### Under Construction & Net Deliveries (sq. ft)



### Full Service Rent (\$ per sq. ft)



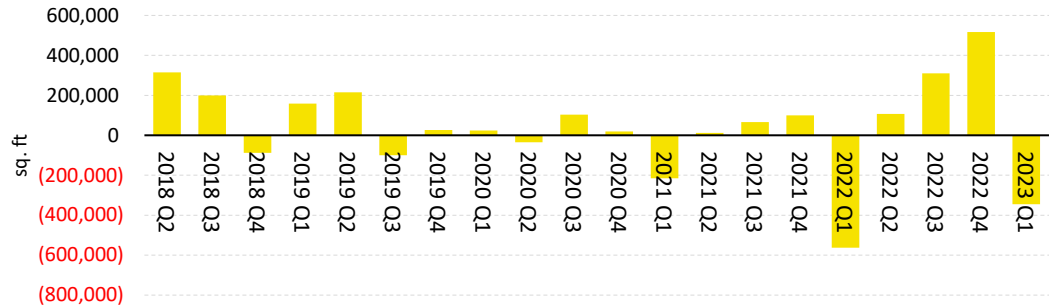
# Industrial Market - MSA Trends

## ROANOKE MSA

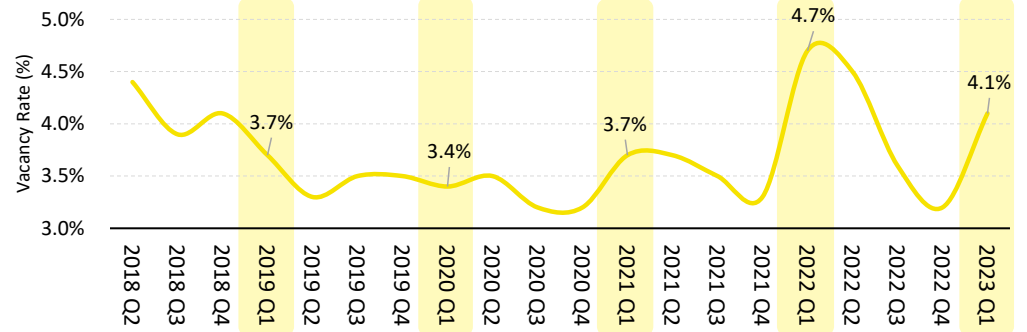
### Local Market Indicator Dashboard

	Q1-2023	YoY Chg	
Total Inventory (sq. ft, millions)	<b>38.1</b>	<b>1.0%</b> % chg	
Vacancy Rate (%)	<b>4.1%</b>	<b>-0.6%</b> pct points	
Net Absorption (sq. ft)	<b>(345,425)</b>	<b>217,640</b> sq. ft	
Avg Full Service Rent (\$ / sq. ft)	<b>\$4.95</b>	<b>\$0.34</b> \$ per sq. ft	
Deliveries (sq. ft)	<b>0</b>	<b>0</b> sq. ft	
Under Construction (sq. ft)	<b>0</b>	<b>-365,000</b> sq. ft	

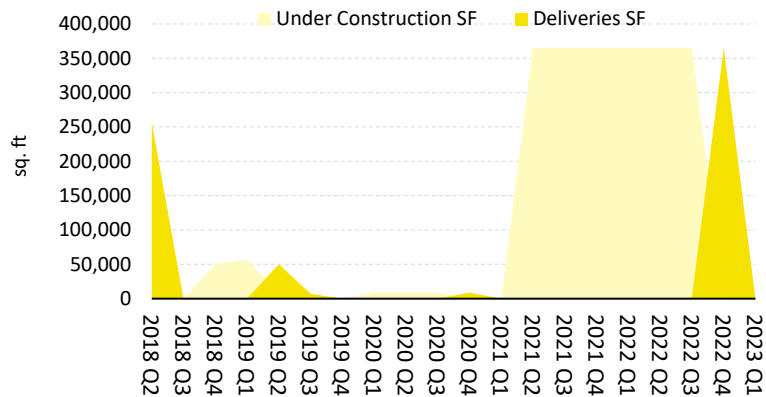
### Net Absorption (sq. ft)



### Vacancy Rate (%)



### Under Construction & Net Deliveries (sq. ft)



### Full Service Rent (\$ per sq. ft)



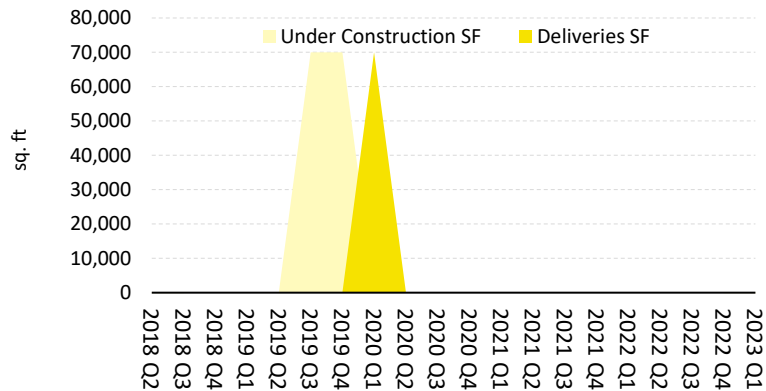
# Industrial Market - MSA Trends

## LYNCHBURG MSA

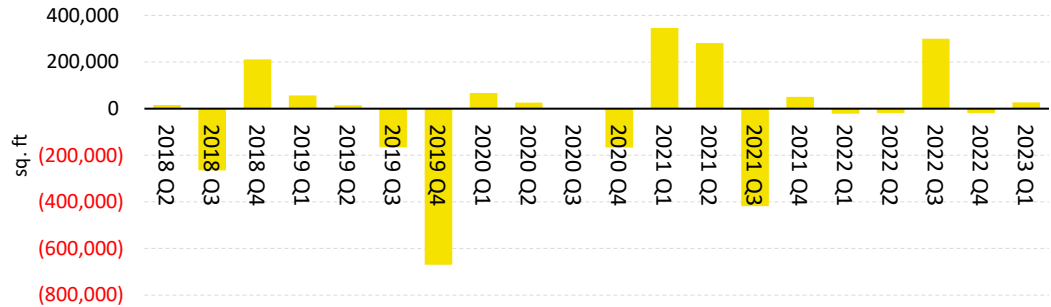
### Local Market Indicator Dashboard

	Q1-2023	YoY Chg	
Total Inventory (sq. ft, millions)	<b>17.6</b>	<b>0</b>	% chg
Vacancy Rate (%)	<b>10.3%</b>	<b>-1.6%</b>	pct points
Net Absorption (sq. ft)	<b>26,715</b>	<b>48,664</b>	sq. ft
Avg Full Service Rent (\$ / sq. ft)	<b>\$3.99</b>	<b>\$1.14</b>	\$ per sq. ft
Deliveries (sq. ft)	<b>0</b>	<b>0</b>	sq. ft
Under Construction (sq. ft)	<b>0</b>	<b>0</b>	sq. ft

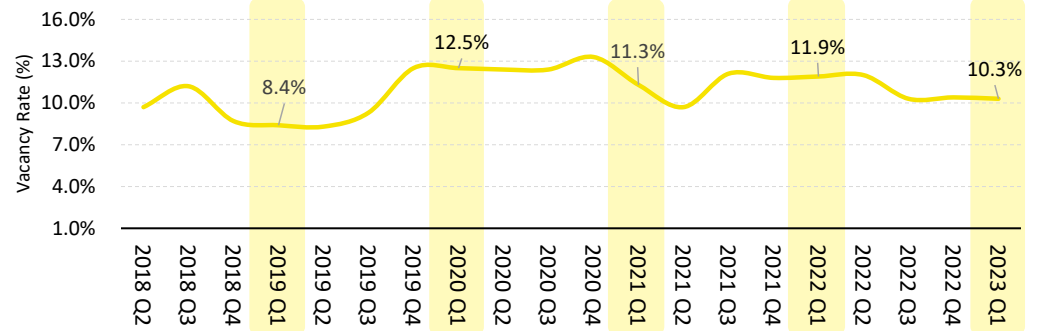
### Under Construction & Net Deliveries (sq. ft)



### Net Absorption (sq. ft)



### Vacancy Rate (%)



### Full Service Rent (\$ per sq. ft)



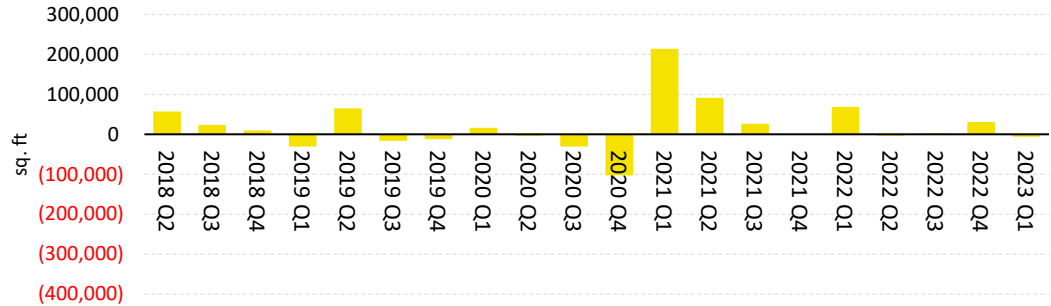
# Industrial Market - MSA Trends

## CHARLOTTESVILLE MSA

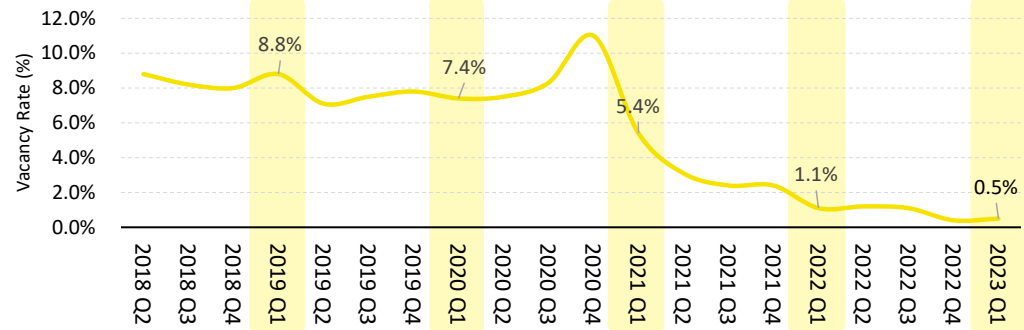
### Local Market Indicator Dashboard

	Q1-2023	YoY Chg	% chg
Total Inventory (sq. ft, millions)	3.9	0	
Vacancy Rate (%)	0.5%	-0.6%	pct points
Net Absorption (sq. ft)	(6,100)	-74,382	sq. ft
Avg Full Service Rent (\$ / sq. ft)	\$11.81	\$3.94	\$ per sq. ft
Deliveries (sq. ft)	0	-17,880	sq. ft
Under Construction (sq. ft)	52,500	52,500	sq. ft

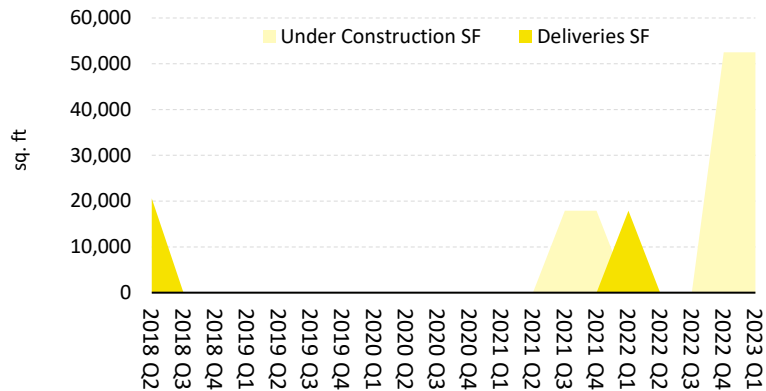
### Net Absorption (sq. ft)



### Vacancy Rate (%)



### Under Construction & Net Deliveries (sq. ft)



### Full Service Rent (\$ per sq. ft)



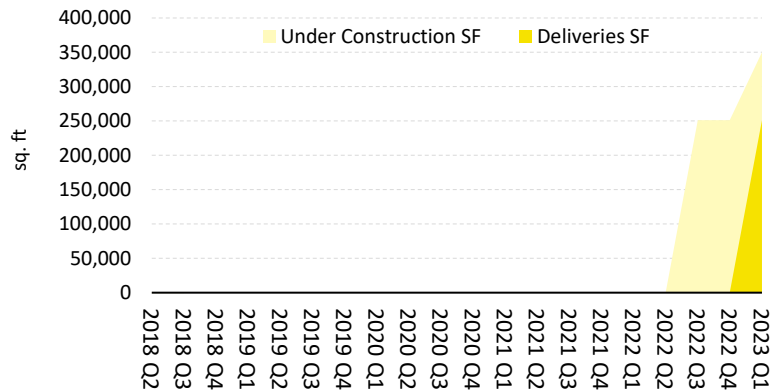
# Industrial Market - MSA Trends

## BLACKSBURG MSA

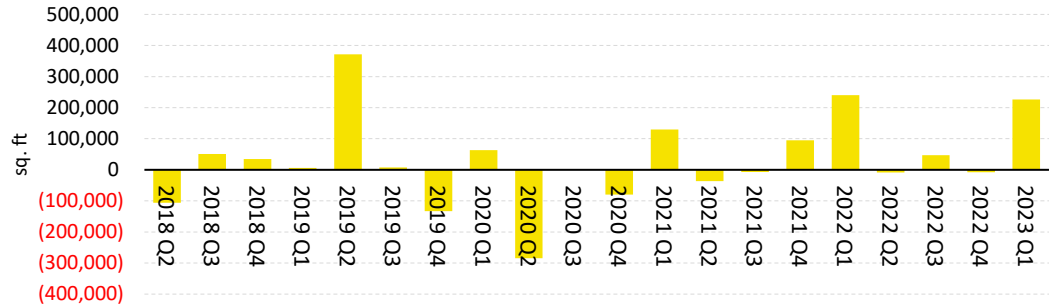
### Local Market Indicator Dashboard

	Q1-2023	YoY Chg	
Total Inventory (sq. ft, millions)	11.0	2.3%	% chg
Vacancy Rate (%)	1.4%	-0.1%	pct points
Net Absorption (sq. ft)	226,617	-13,383	sq. ft
Avg Full Service Rent (\$ / sq. ft)	\$9.05	\$6.40	\$ per sq. ft
Deliveries (sq. ft)	251,000	251,000	sq. ft
Under Construction (sq. ft)	350,000	350,000	sq. ft

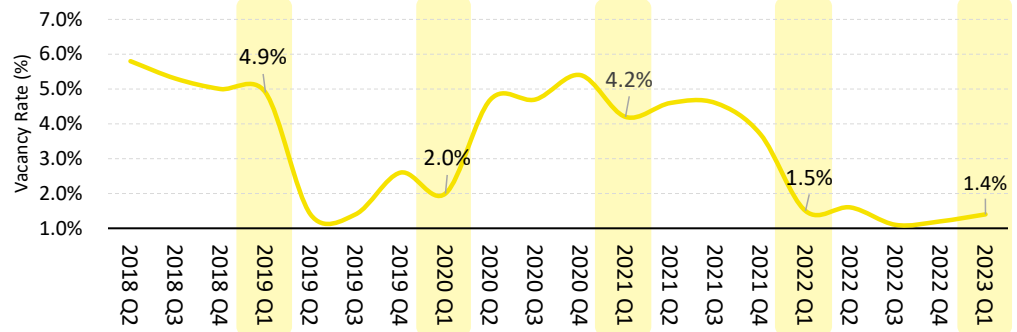
### Under Construction & Net Deliveries (sq. ft)



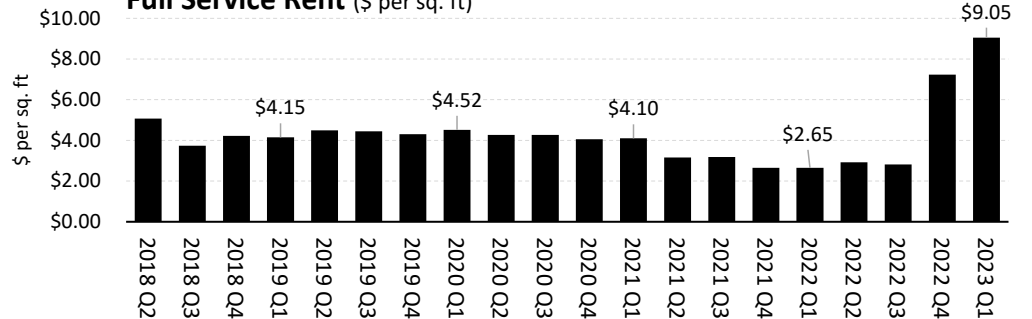
### Net Absorption (sq. ft)



### Vacancy Rate (%)



### Full Service Rent (\$ per sq. ft)



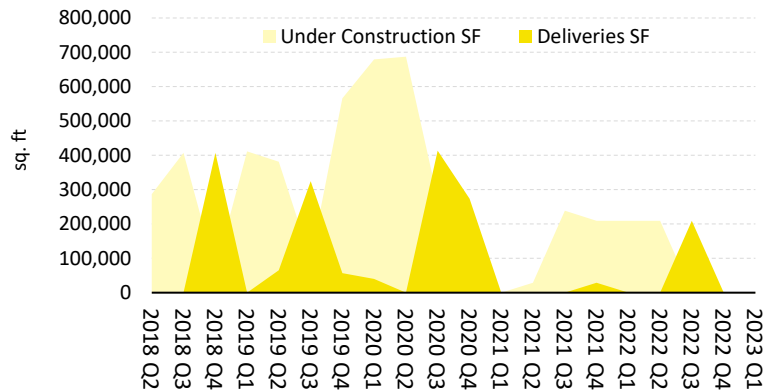
# Industrial Market - MSA Trends

## WINCHESTER MSA

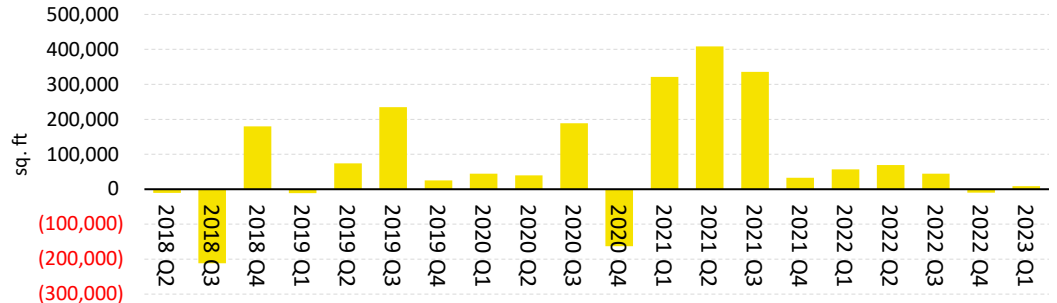
### Local Market Indicator Dashboard

	Q1-2023	YoY Chg	
Total Inventory (sq. ft, millions)	20.3	1.0%	% chg
Vacancy Rate (%)	1.9%	0.4%	pct points
Net Absorption (sq. ft)	9,020	-47,917	sq. ft
Avg Full Service Rent (\$ / sq. ft)	\$6.92	\$1.22	\$ per sq. ft
Deliveries (sq. ft)	0	0	sq. ft
Under Construction (sq. ft)	0	-209,560	sq. ft

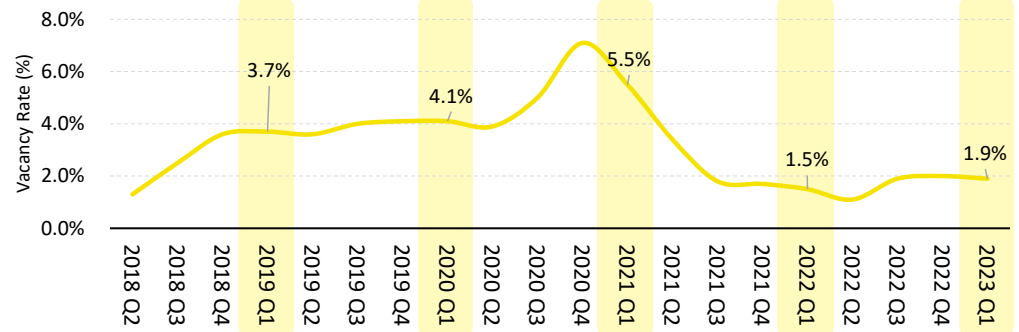
### Under Construction & Net Deliveries (sq. ft)



### Net Absorption (sq. ft)



### Vacancy Rate (%)



### Full Service Rent (\$ per sq. ft)



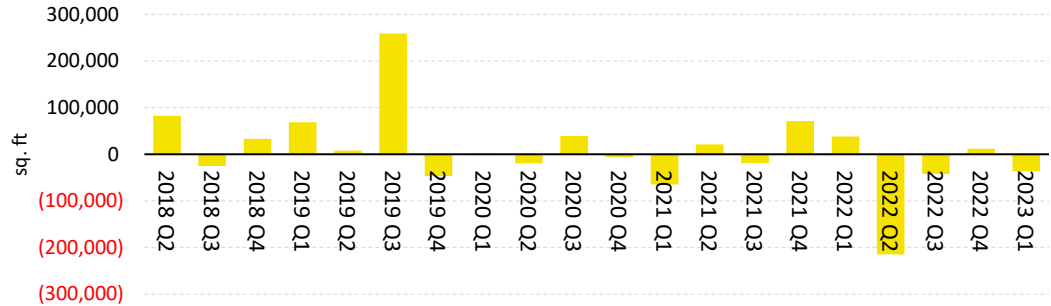
# Industrial Market - MSA Trends

## **HARRISONBURG MSA**

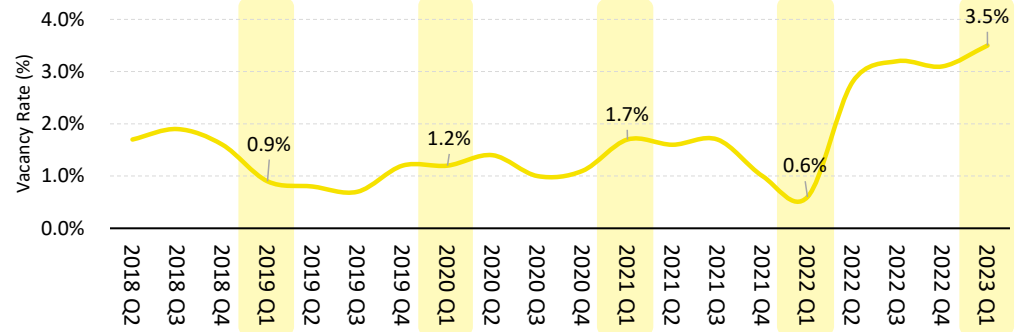
### Local Market Indicator Dashboard

	Q1-2023	YoY Chg	
Total Inventory (sq. ft, millions)	<b>9.9</b>	<b>0</b>	% chg
Vacancy Rate (%)	<b>3.5%</b>	<b>2.9%</b>	pct points
Net Absorption (sq. ft)	<b>(36,400)</b>	<b>-74,483</b>	sq. ft
Avg Full Service Rent (\$ / sq. ft)	<b>\$8.92</b>	<b>\$2.88</b>	\$ per sq. ft
Deliveries (sq. ft)	<b>0</b>	<b>0</b>	sq. ft
Under Construction (sq. ft)	<b>50,250</b>	<b>50,250</b>	sq. ft

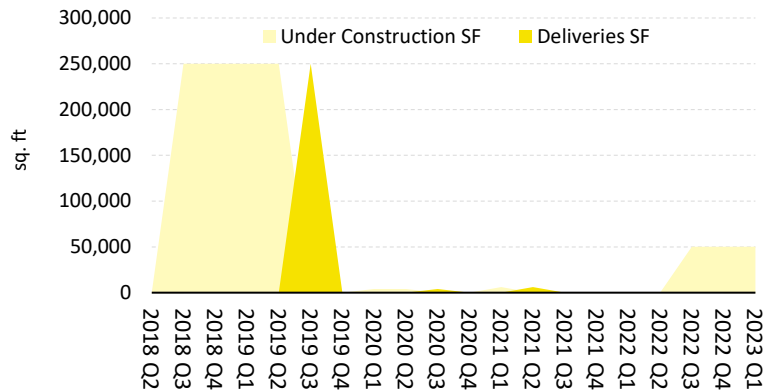
**Net Absorption (sq. ft)**



**Vacancy Rate (%)**



**Under Construction & Net Deliveries (sq. ft)**



**Full Service Rent (\$ per sq. ft)**





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Data and analysis provided by Virginia REALTORS® Chief Economist.

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