CREATING COMMUNITY VIBES

Placemaking focuses on people and design

by Robyn Sidersky

In Virginia Beach, most tourists flock to the Oceanfront. But just a couple blocks west, you'll find an area that feels a little more artsy and a lot more local.

In the 15-block ViBe Creative District, situated between the Virginia Beach Convention Center and the Oceanfront, coffee shops and restaurants operate out of former industrial spaces, alongside fences and crosswalks decorated with colorful murals.

Local business owners started discussing the need for creating a unified district around 2011. Over the next few years, the effort grew. By 2015, Virginia Beach City Council passed an ordinance establishing the ViBe as the city's official creative district. What was once an underdeveloped and rundown industrial area — a place that was "not for people," as one longtime resident puts it — has blossomed into a cultural mecca with trendy shops and weekend farmers markets.

Kate Pittman, executive director of the nonprofit ViBe Creative District organization, which supports and promotes the district, says the district's founders deliberately planned for it to become the "No. 3 destination" in Virginia Beach, behind the Oceanfront and the upscale Town Center, a mixed-use district with a blend of retail, restaurants, hotels and office towers.

"The ViBe district is something that has very much that local flavor and really is the kind of locals' opportunity to win and live the life of their dreams in their own hometown," she says. "So, for us, we think it's a beautiful asset [for] tourism because while [tourists are] here in Virginia Beach exploring the Oceanfront, they can come inland just a few blocks and get to meet and see local business leaders and local artists engaging in beautifying Virginia Beach and making it just something new and different and really enriching."

The ViBe district's creation was no coincidence. It's a primary example of placemaking — a term developers use to describe the purposeful development of people-centric public spaces and districts. Placemaking is defined by vibrant, transit-oriented walkable neighborhoods and a mix of retail, offices, residential and even hotels.

From farm to metropolis

Placemaking is more than just physical buildings or a design philosophy, says Juanita Hardy, managing principal of Silver Spring, Maryland-based Tiger Management Consulting Group LLC and a former senior visiting fellow for creative placemaking at the Urban Land Institute. It's about what goes on around a development, including parks, public art and events programming — everything that attracts people to spend time in an area.

While there are multiple ways of interpreting it, placemaking in Virginia dates back at least 60 years, when developers had a vision for the transformation of Tysons Corner. What had once been a

Photo by Mark Rhodes

Kate Pittman (L) is executive director of the nonprofit that promotes and supports Virginia Beach's ViBe Creative District, the trendy area co-founded by Andrew Fine and Laura Wood. Marked by colorful murals and artwork, the district features a mix of art galleries, retailers, coworking space, restaurants, breweries and coffee shops.

rural crossroads marked by farms and a mom-and-pop gas station has grown into a thriving edge city lauded by planners and developers as one of the nation's premier examples of placemaking.

Now known as simply Tysons, it evolved from office parks and a sprawling shopping mall into a budding metropolis that is now home to corporate headquarters for Fortune 500 companies such as Freddie Mac, Capital One Financial Corp., Hilton Worldwide Holdings Inc. and Booz Allen Hamilton Inc.

Tysons "represented something new and profoundly different for Fairfax and all of the suburbs," says Terry Clower, a professor of public policy at George Mason University and director of Mason's Center for Regional Analysis.

Featured in the 1991 book "Edge City: Life on the New Frontier," by Joel Garreau, Tysons forged the way for the success of other planned communities and developments.

"I don't think Reston could have happened without the success of Tysons," Clower says, referring to the similarly successful Fairfax County community that also began as a planned development in the 1960s and has now grown into a nearly 16-square-mile district featuring suburban neighborhoods, corporate office towers and the mixed-use Reston Town Center.

While placemaking is hardly a new trend, the idea of placemaking as an economic development panacea and redevelopment tool has gained popularity, with local governments even creating positions to support it.

"In conversation after conversation with business executives, we hear that a sense of place is paramount," says Anthony Romanello, executive director of the Henrico County Economic Development Authority, which appointed a dedicated placemaking manager this year. "Creating workplaces that are attractive, fun, walkable and engaging is as essential to economic development as low taxes, good roads, quality schools and a pro-business climate."

Virginia offers a variety of examples of placemaking in different stages of development, ranging from billion-dollar projects in the planning stages to mature communities like Tysons.

JBG Smith Properties is developing National Landing as a "vibrant, transit-oriented, walkable" mixed-use neighborhood around Amazon.com's HQ2 East Coast headquarters in Arlington, says company Vice President Jack Kelly.

Changing identities

In Arlington County, a new neighborhood, National Landing, is rising around Amazon.com Inc.'s $2.5 billion-plus HQ2 East Coast headquarters.

Bethesda, Maryland-based JBG Smith Properties, the real estate company developing HQ2 and the surrounding area, is aiming to create a "vibrant, transit-oriented, walkable" neighborhood there, "with ground-floor retail and a mix of uses," says company Vice President Jack Kelly.

National Landing encompasses three older neighborhoods: Potomac Yard (straddling the Alexandria-Arlington line), Crystal City and Pentagon City (both in Arlington). In decades past, these were largely business districts that emptied out at the end of the day, encouraging car-centric commuting back and forth from the suburbs. But local economic developers and JBG Smith are hoping to unite them under the National Landing moniker as one downtown district — a place where people can live, work and play.

The late 2018 announcement that HQ2 was coming to Arlington presented the opportunity for a "big shift in our planning and development ... to move toward good urbanism," says Tracy Gabriel, president and executive director of the National Landing Business Improvement District (formerly known as the Crystal City Business Improvement District).

Amazon HQ2 will have about 4.9 million square feet of office space, divided across two phases: Metropolitan Park, the first phase, is set to open in 2023, with two 22-floor office towers, a 2-acre public park and 65,000 square feet of ground floor retail. The second phase, PenPlace, slated to open in 2025, includes plans for three additional 22-story towers. It's also expected to feature HQ2's centerpiece, the distinctive, 354-foot-high spiral-shaped Helix building.

But more than that is planned for National Landing.

"Everything we do is rooted in that idea that we've got a big opportunity to really change the identity of a place that's been around a long time," Kelly says.

That means creating public spaces where people can gather, as well as adding design elements to create a sense of continuity in the neighborhood. "It's really all about that civic space," he says, "identifying those areas that are meaningful to the community ... and then creating a landscape and streetscape that is attractive and unifying ... across large areas."

While National Landing is already well underway to fulfilling its vision of becoming a new community, other placemaking projects in Virginia are in earlier stages.

In Henrico County, developers are preparing to redevelop the former Best Products Co. corporate headquarters campus, which closed in 1997, into GreenCity, a $2.3 billion, 200-acre mixed-use "ecodistrict" that will include an up-to-17,000-seat multipurpose arena; two or three hotels; about 2,200 housing units; and 2.2 million square feet of office space.

Photo by Will Schermerhorn

Developers Susan Eastridge and Michael Hallmark brought the privately funded GreenCity project to Henrico after a similar, publicly funded project they pitched to Richmond, the $1.5 billion Navy Hill development, failed to receive support from Richmond City Council.

Henrico's government has embraced GreenCity, which was announced in December 2020 and approved for rezoning by the Henrico County Board of Supervisors less than 10 months later. GreenCity's full buildout will take 10 to 12 years, says Eastridge, CEO of Fairfax-based Concord Eastridge Inc. Construction is expected to begin by late 2023 or early 2024.

One of the core components of the project is the arena, which developers hope will attract major sporting and entertainment events. Hallmark, founder of Los Angeles-based Future Cities LLC, has a background in designing arenas. The co-founder of a handful of sports arena architecture firms, he helped lead the design of projects such as Los Angeles' Crypto.com Arena. He hopes that GreenCity's status as an ecodistrict — a development focused on environmental sustainability — will draw interest from large music acts that have pledged to make their tours ecologically friendly.

He and Eastridge also anticipate that GreenCity will be a magnet for businesses and residents who care about saving the planet. GreenCity's sustainability features include devoting more than 20 acres of rooftops for a solar energy farm and harvesting and reusing rainwater.

Michael Hallmark, founder of Future Cities LLC, is co-developing GreenCity, a $2.3 billion redevelopment of the former Best Products corporate headquarters in Henrico County into a mixed-use ecodistrict with hotels, housing, offices and a multipurpose arena.

Places in the pipeline

Around the commonwealth, placemaking can also be seen in the planning and creation of new buzzworthy downtown districts. Examples range from Norfolk's Military Circle Mall redevelopment and Richmond's Diamond District to Chesapeake's Summit Pointe.

Norfolk is in early negotiations with developers, including music icon and Virginia Beach native Pharrell Williams, to redevelop the old Military Circle Mall property into Wellness Circle, a proposed $1.1 billion mixed-use community with 1 million square feet of office space, a 200-room hotel, 1,100 new housing units and a 15,000-seat arena. The project's other developers include Virginia Beach-based Venture Realty Group and California arena management company Oak View Group. (Two other development teams, including groups connected with Virginia Beach hotelier Bruce Thompson and Pro Football Hall of Famer Emmitt Smith, submitted competing proposals for the project.)

In nearby Chesapeake, Fortune 500 discount retailer Dollar Tree Inc. is developing a downtown district around its 12-story corporate headquarters built in 2018. The $300 million Summit Pointe development is expected to have 1 million square feet of office space, 500,000 square feet of retail and 1,400 residences when all 70 acres are fully built out.

In 2018, Chesapeake Mayor Rick West described Summit Pointe as "the beginning of a new downtown Chesapeake."

That's how Chris Williams, a senior vice president with Dollar Tree and its Summit Pointe Realty subsidiary, sees it, too.

"There really isn't a place [like this] in Chesapeake, so I think between the restaurant and the residential spaces we are building, it gives the community a place to come and enjoy," says Williams, who now sees people in Summit Pointe gathering at Wasserhund Brewing Co. in the evenings or jogging around the streets. "It really becomes a community."

Another district primed for placemaking is the area around the Diamond, the

Photo by Matthew R.O. Brown

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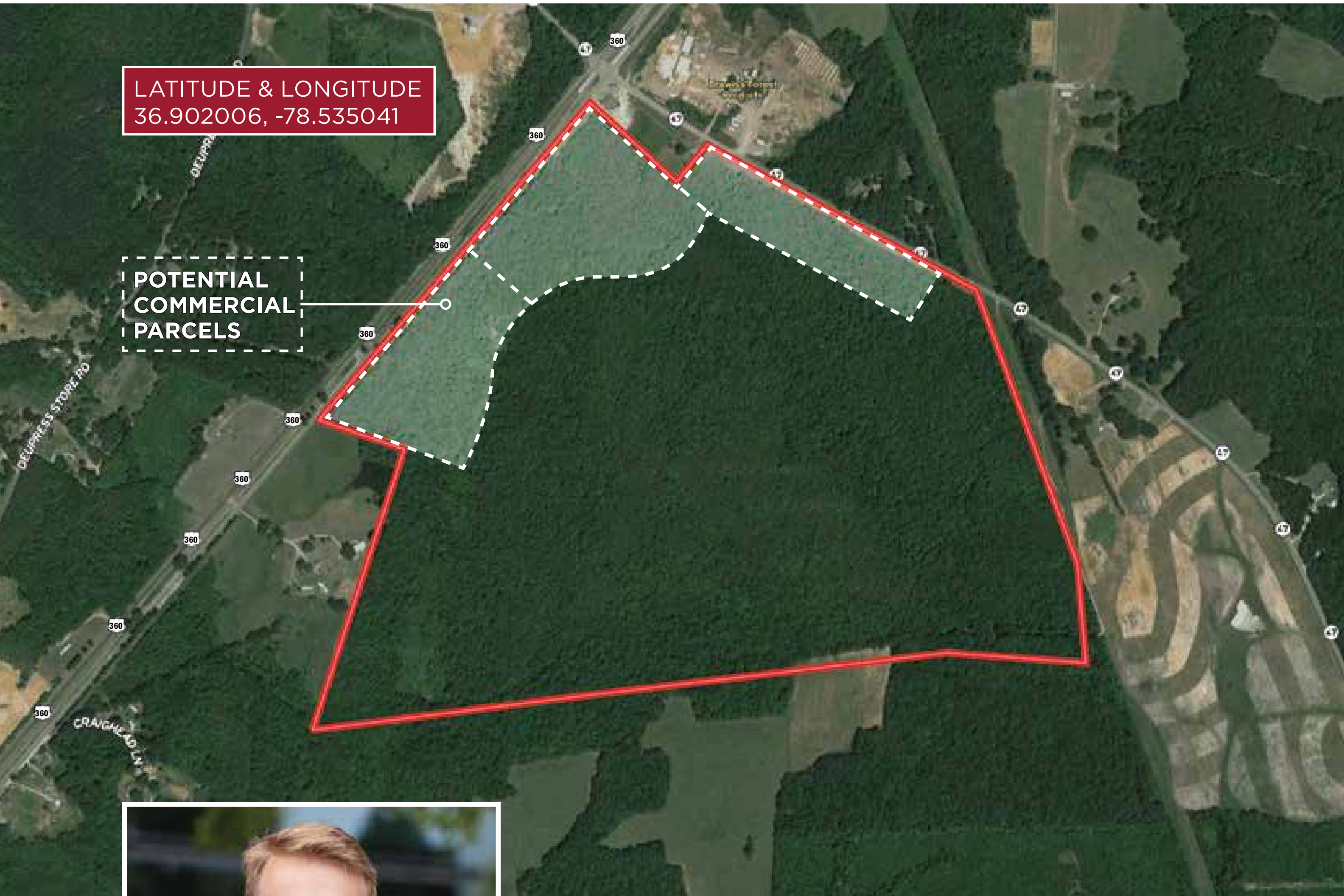

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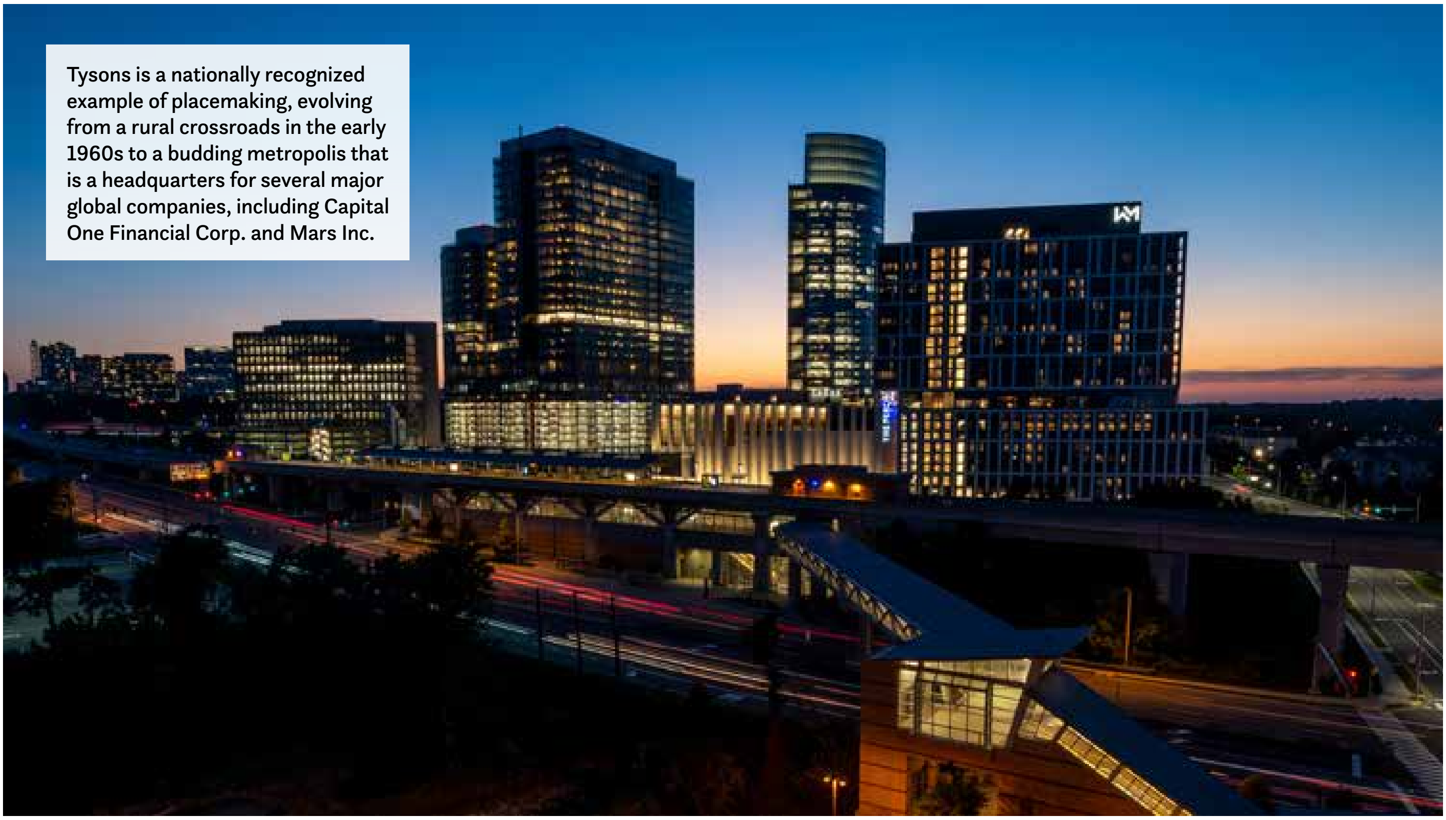


Tysons is a nationally recognized example of placemaking, evolving from a rural crossroads in the early 1960s to a budding metropolis that is a headquarters for several major global companies, including Capital One Financial Corp. and Mars Inc.

aging stadium that's home to Richmond's Minor League Baseball team, the Flying Squirrels. The city wants to build a new baseball stadium as the centerpiece of a new, pedestrian-friendly residential, business and entertainment district. It's planned for a 67-acre site that currently includes the stadium and underdeveloped properties alongside Interstates 64 and 95, not far from the popular Scott's Addition neighborhood. Three teams have submitted competing redevelopment proposals. The city's evaluation panel was expected to recommend a developer in late July to Richmond City Council, which would have to approve the development agreement.

Good ViBes

While National Landing, GreenCity and other places are in earlier stages of development, Virginia Beach's ViBe Creative District, which has been around for about seven years, is blossoming.

After the city redeveloped the convention center in 2005, there wasn't anything nearby to attract convention-goers — just lots of vacant storefronts and industrial properties. "There was a real need to ... breathe new life into this area," says Pittman with the ViBe's nonprofit booster organization.

In response to that problem, local business owners Laura Wood, whose family owns Croc's 19th Street Bistro, and Andrew Fine, co-chairman of The Runnymede Corp., came up with the idea for the ViBe, rallying businesses and property owners to develop the community.

Together, Wood and Fine co-founded the ViBe. Working with the city and the Hampton Roads Community Foundation, they were able to launch the nonprofit group and hire Pittman in 2016. The nonprofit, which has raised more than $1 million since its founding, has evolved into an entity that is able to collaborate with the city's economic development office to create a matching grant program for the district's small businesses.

Today, the ViBe has a coworking space, restaurants and artsy shops, and hosts bustling flea markets and farmers markets during weekends.

The ViBe's nonprofit developed a cohesive identity for the ViBe by engaging local artists to produce an array of colorful neighborhood identifiers such as fence murals and brightly painted street meters, signaling the district's emphasis on creativity.

"Creative placemaking through art supports a triple bottom line for sustainable communities and creative energy enhanced by creative arts," says Wood, and that translates into economic benefits, health and environmental benefits, and social cohesion.

"We believed these creative and public art spaces must be discovered, seen, felt, heard, tasted, smelled and touched," Wood says. "It could be explored on fence walls, streets, sidewalks, parking lots, open spaces and gardens, alleyways and buildings. I saw a blank canvas for ViBe and the 19th Street corridor via the Old Beach Farmers Market to create a heartbeat in our neglected neighborhood that could be filled with authentic local food, farmers, spaces with paint, native gardens and an environmentally friendly, artful soul and emotion to entice, with creative opportunities to be discovered."

Another integral figure in the ViBe's development is L.G. Shaw, president of Wave Riding Vehicles, a Virginia Beach-based

Photo by Will Schermerhorn

retailer and manufacturer of surfboards and sporting apparel and goods.

Growing a community is not a new concept to Shaw. “Being surfers first, we’ve always had to build our own sort of clubhouse and community here in Virginia Beach,” he says. “Surf shops have always been a placemaking headquarters on accident — that’s where [surfers] went back in the day.”

WRV had unused warehouse spaces around the district, so Shaw decided to lease the spaces to “cool little artistic” businesses like North End Bag Co., where shoppers can buy handbags made by hand right on premises. Nearby, Igor’s Custom Signs & Stripes makes hand-painted signs, banners and murals, and Jars of Dust makes and sells handcrafted ceramics carried by national retailer Anthropologie.

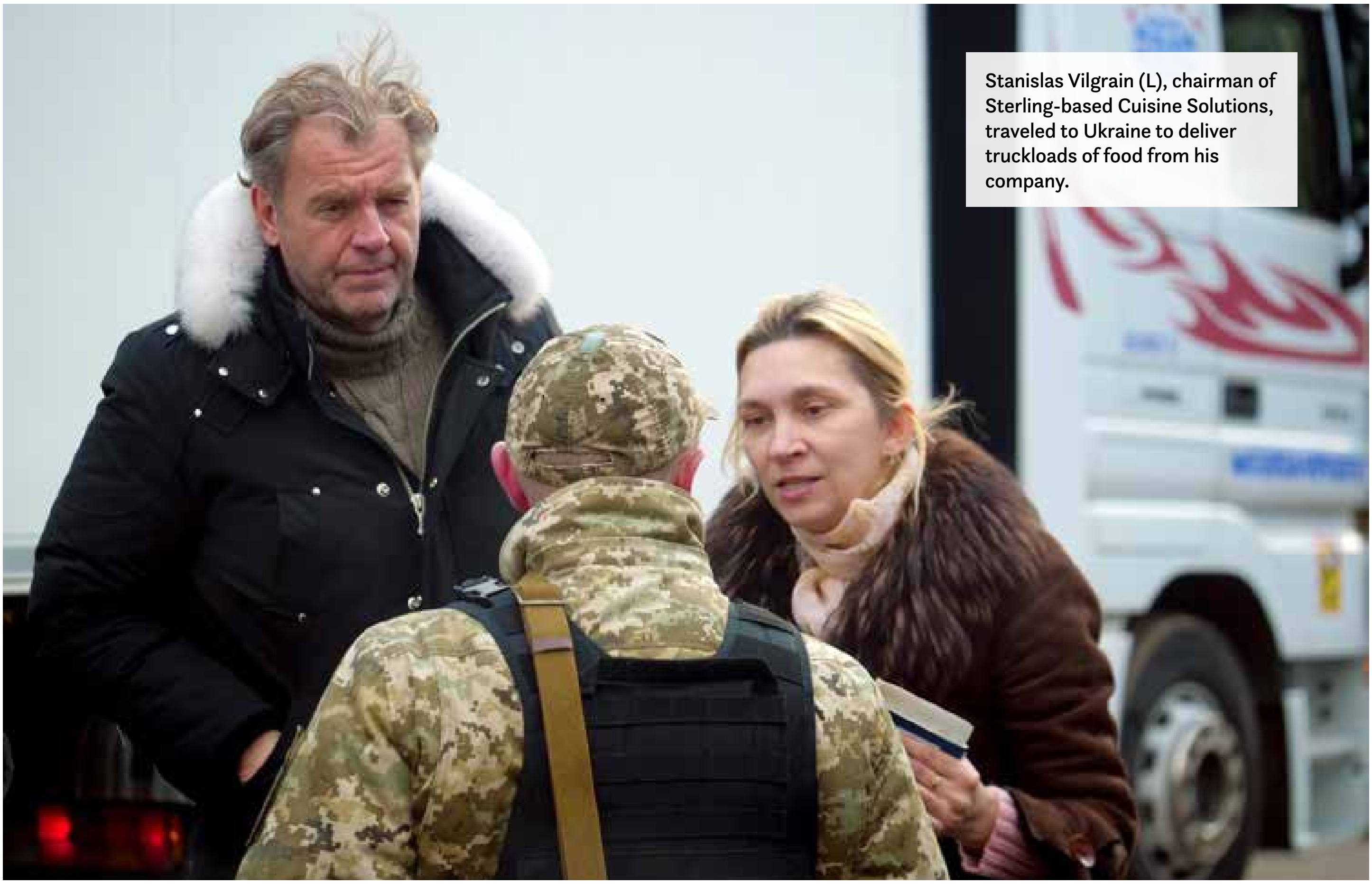
More than 50 businesses have opened or expanded operations in the ViBe since 2015, and real estate values within the district rose by more than $45 million collectively between 2015 and 2021.

It shouldn’t come as a surprise, then, that other developers are hoping to capture some of the ViBe’s vibe.

“I think the ViBe district has organically and authentically evolved into a vision of what Virginia Beach could be,” says Donna MacMillan-Whitaker, managing partner of Venture Realty Group, which is co-developing the nearby $350 million Atlantic Park with Pharrell Williams. “We want to expand on and help anchor that.”

In its first phase, set to break ground in October, the Atlantic Park project, which will be about three blocks from the ViBe, calls for a 2-acre, manmade wave lagoon, 120,000 square feet of retail, 310,000 square feet of residential living space, 15,000 square feet of office space and a 3,500-seat entertainment venue.

The ViBe was “a true grassroots effort by a passionate and dedicated community group,” MacMillan-Whitaker says. “Look around the country at other successful cities — which cities are expanding, retaining their talented youth, growing their population, their tourism, and even their wages? Art and culture and placemaking are what people want to be a part of.” ■



Stanislas Vilgrain (L), chairman of Sterling-based Cuisine Solutions, traveled to Ukraine to deliver truckloads of food from his company.

‘The world is behind them’

Virginia companies aid Ukraine relief efforts

by Robyn Sidersky

In late March, Stanislas Vilgrain drove in a convoy of eight trucks from France to Ukraine for 26 hours through a snowstorm, keeping an ear to the radio for news of Russian attacks, The convoy’s mission: to deliver 400,000 meals to Ukrainians from Vilgrain’s Sterling-based business, Cuisine Solutions.

The French-born chairman of a company that manufactures sous-vide (vacuum-packed) foods, Vilgrain had heard that the Russian invasion had severely impacted Ukraine’s food supply, and he was determined to do what he could to help.

“This is … good against evil,” he says.

That is what has compelled Vilgrain and other Virginia-based business executives to help the people of Ukraine, either by traveling there in person to assist or by sending financial donations and goods. Over the past few months, corporate aid from businesses in the commonwealth to Ukraine has come in the form of everything from money and food to medical supplies and drones.

A louder voice

Vilgrain’s company typically supplies food for airlines, prisons and the military, so when he saw that the Russians were targeting Ukraine’s food supply, he wanted to make sure people there were not going hungry. He started figuring out how to get food from France, where Cuisine Solutions has a plant. He made contact with high-level Ukrainians through YPO, a worldwide association for chief executives.

Poland’s government has told food companies that it believes Ukraine needs almost 10,000 tons of food daily from abroad, The Wall Street Journal reported in mid-April.

Vilgrain traveled to Ukraine with 15 of his employees, including his chief marketing officer, Thomas Donohoe.

“I felt that … [with] me personally going as a C-level executive, it would mean a bit more” and could encourage executives from other companies to do the same, Donohoe says.

Photo courtesy Cuisine Solutions

Cuisine Solutions brought 300 tons of food to help the Ukrainians: 400,000 meals of beef, pork, vegetables, chicken, French pastries and bread.

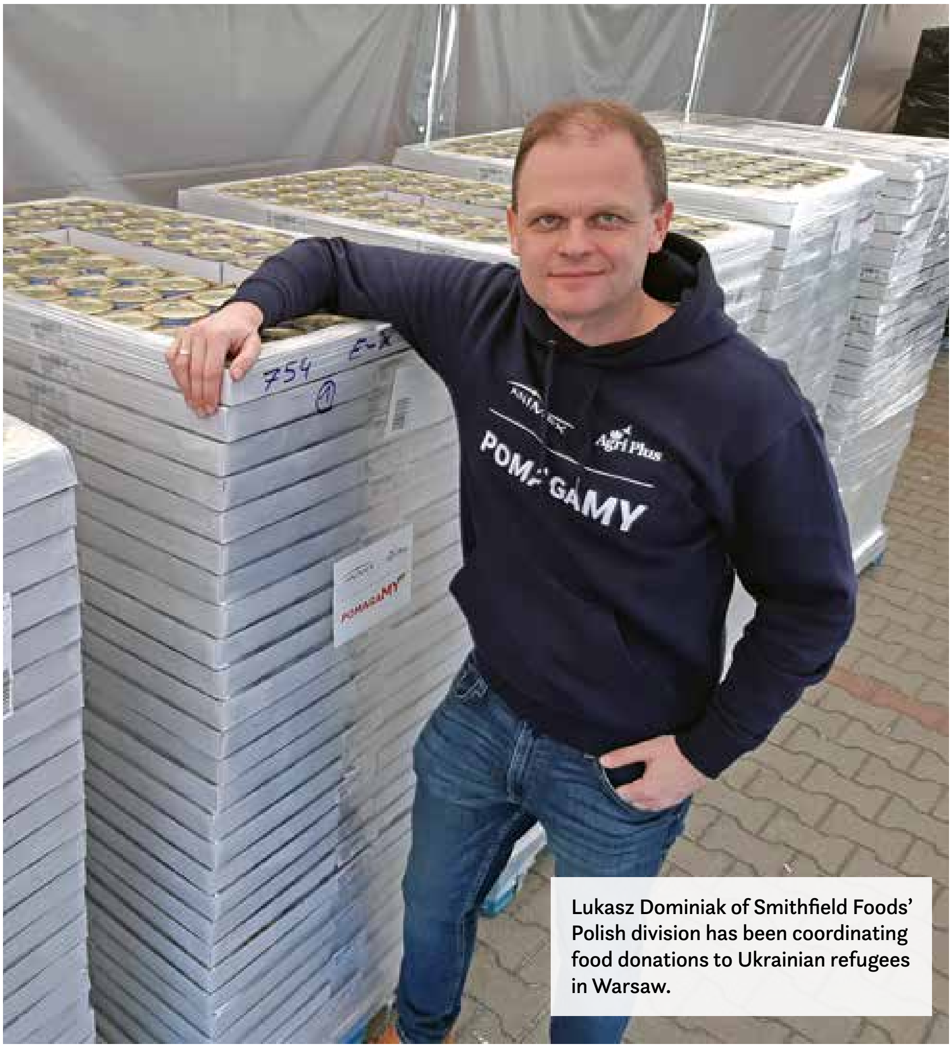
Virginia business leaders like Vilgrain say they have chosen to involve their companies in the philanthropic efforts to aid Ukraine because a corporation can have a bigger impact and a louder voice than any executive acting individually.

Mike Lowder, operations manager for Petersburg-based MST & Associates Inc., says, "Whether it's logistical relationships or nonprofit relationships or company relationships, we have the ability to work with our customers to further the [aid] pipeline that I don't think the average person has." A wholesaler of surplus medical and surgical equipment, MST sent 24 pallets of medical supplies, worth about $230,000, to Ukraine at the end of April.

MST has contracts with about 50 medical facilities around Virginia. The pandemic-generated increase in production of personal protective equipment (PPE) such as gloves, gowns, surgical masks, shoe covers, hair covers and hand sanitizer has ultimately resulted in surpluses. With a lot of extra PPE stored in their warehouses, Lowder made plans to send it to Ukraine, where it was in high demand.

"[Russia's invasion of] Ukraine is coming at a terrible, terrible time and cost to the people there, but it's coming at an advantageous time for us," Lowder says. "Anything we can do to assist over there is what we are trying to do. They have an acute need and we are trying to fill it."

Also assisting Ukraine with medical supplies has been Mechanicsville-based Fortune 500 health care logistics company Owens & Minor, which donated $500,000 in medical-grade personal protective equipment to support humanitarian relief in Ukraine and other impacted countries in March.



Lukasz Dominiak of Smithfield Foods' Polish division has been coordinating food donations to Ukrainian refugees in Warsaw.

Finding ways to help

Other Virginia-based businesses with a presence in Europe, such as Smithfield Foods Inc., also are stepping up to help the embattled republic.

Lukasz Dominiak, Warsaw-based public relations director for the pork products manufacturer's Smithfield Polska division in Poland, has been coordinating donations of food to Ukrainian refugees in Warsaw. Smithfield has 1,600 Ukrainian employees who work near the Ukrainian border in Hungary, Poland, Romania and Slovakia, according to the company, which is helping with relocation and employment.

For example, Dominiak says, his friends have been driving to the border and offering rides for refugees who just crossed.

"There is a special, unique relationship between the two countries on the government level and the people," Dominiak says of Poland and Ukraine.

Smithfield has provided $2 million in cash and in-kind donations to crisis relief efforts in Ukraine.

As the attack on Ukraine continued, many Smithfield workers and executives wanted to help right away, says Jonathan Toms, Smithfield Foods' community development manager.

"It wasn't just these actions we took as a company; it was individual actions our employees took — those are the things I'm so proud of," he says.

Arlington-based Nestlé USA's parent company in Switzerland employs 5,800 people in Ukraine and has been helping them by giving advance payment of salaries, enabling employee transfers and supporting hubs in neighboring countries for employees and their families who have fled Ukraine.

Another Virginia-based business is aiding Ukraine by donating drones.

Arlington defense contractor AeroVironment Inc. donated 110 unmanned aircraft systems and training services to defense officials in Ukraine. Originally designed for agricultural use by farmers, the drones are easy to use and can provide aerial intelligence.

Photo courtesy Smithfield Foods inc.

"We feel very connected to their fight and we feel very connected to the mission of helping them and we had these Quantix Recon aircraft, and so we asked ourselves [if] could we buy those ... at no charge, just to bolster their defense," recalls Charlie Dean, AeroVironment's vice president for global business development and sales of unmanned aircraft systems. "It was something that we felt in our hearts we could do. [There was] far too much suffering going on and perhaps our donation could help."

For some companies, assisting with Ukrainian relief efforts has been even more personal.

Norfolk-based PRA Group Inc., a global debt-buyer with 201 employees in Poland, provided $50,000 to support those employees' efforts to aid Ukrainian refugees and send supplies to the war-torn nation. When a Canadian employee heard that PRA was helping Ukrainians, she sought the company's assistance to help a cousin who was trying to flee Ukraine. The operations director of PRA Group Poland picked up the cousin and her 7-year-old child from the border. The two got out in the nick of time — the next day, the cousin's hometown was bombed.

Operation Blessing, the Virginia Beach-based nonprofit arm of The Christian Broadcasting Network Inc., has been providing food and other supplies to Ukrainian refugees who have been pouring into Poland. Though the nonprofit has helped people in Ukraine and other European countries for years, the war in Ukraine has ramped up their efforts.

"There is so much need and suffering that is taking place among those people. For us, as Operation Blessing, what drives us to be involved is our faith in Jesus Christ," says Jeff Westling, Operation Blessing's chief of staff. "We want to serve as his hands and feet."

Mason Pigue, Operation Blessing's director of humanitarian relief, is in touch daily with the nonprofit's relief teams on the ground in Ukraine. During the first 10 to 15 days after the invasion, the relief workers sheltered from the attacks, but they have remained to stay and assist those in need.

"It's a calling," he says. "They feel like it's something God has led them to do."

Pigue and Westling both have military experience and can relate to the people on the ground.

Operation Blessing staff member Tony Batchler Jr. entertains young Ukrainian refugees at a church in Poland.

Westling has a military logistics and engineering background, so his task is to make sure that Operation Blessing is equipping, enabling and empowering their team members around the globe — in this case, in Ukraine and Europe — to make sure they have what they need. Their teams are providing food and water and shelter and even counseling services to the embattled Ukrainians.

'Keep yourself in the fight'

Businesses large and small across the commonwealth have found ways to help Ukraine.

Herndon data analytics firm HawkEye 360 Inc. and the Arlington-based National Security Space Association have convened a group of space industry companies to assist with fundraising. Space Industry for Ukraine (SIFU), which includes Virginia companies such as Leidos and BlackSky Technology Inc., raised nearly $1 million as of the end of April, with each company donating at least $50,000. SIFU's funds will finance a number of projects in Ukraine, such as medical treatment, delivery of food supplies and supporting transportation for evacuating civilians.

McLean-based Mars Inc., one of the world's largest candy and pet food manufacturers, donated $12 million in cash and in-kind donations to provide basic needs for children and families still in Ukraine as well as those who have sought refuge in border countries.

Ashburn-based DXC Technology Co. is making a 200% match for employee donations to Red Cross humanitarian efforts.

McLean-based Hilton Worldwide Holdings Inc. is donating up to 1 million room nights to support Ukrainian refugees and humanitarian efforts in partnership with American Express Co.

Many companies, such as Herndon-based government contractor Peraton Inc., Richmond-based Performance Food Group Co. and others are donating thousands of

Photo courtesy Operation Blessing

dollars to Washington, D.C.-based nonprofit World Central Kitchen, which provides meals at a pedestrian border crossing in southern Poland.

Reston-based Fortune 500 government contractor Science Applications International Corp. (SAIC) is matching employee donations up to $50,000 to support the American Red Cross' humanitarian efforts in Ukraine, which include providing water, medical supplies, housing support and other aid.

Smaller businesses across the commonwealth are helping as well. Several Virginia breweries have joined the "Brew for Ukraine" initiative, which aims to raise money for humanitarian relief and call attention to Ukraine's plight through beer sales. It's raised several thousand dollars per day, organizers say.

In late April, the 88-member Rotary Club of Richmond raised $75,000 to support the citizens of Ukraine and global disaster relief organization ShelterBox USA. It is seeking additional individual and corporate donations, with the goal of matching the $75,000.

The push to raise money for Ukraine and send resources and donations has spread far and wide since Vilgrain went overseas to help.

He was encouraged by his trip and is already planning to go back. He's been talking to anyone who will listen about his trip and Ukrainians' need for aid. "Everybody here is concerned and it's extraordinary to see – it's far away, it's in Europe," he says.

He thinks the need to help Ukraine is resonating here because the country is a democratically elected republic that is defending itself after being invaded by a much larger autocratic government.

"It created a big movement in the U.S., in Americans, in Europeans ... protecting our values, protecting what we believe in, with a country that actually defends itself. If they were not defending themselves, it would have been over in a day or two, but they defend themselves," he says.

"I keep sending messages to friends in Ukraine and tell them, 'Keep yourself in the fight.' ... It's very good for the morale of the Ukrainians to see that the world is behind them." ■

Savan Group LLC President and CEO Veeral Majmudar was able to get a steep discount on a significantly larger office in Tysons via sublease.

Kicking the can

Va. companies delay decisions about office space

by Robyn Sidersky

In April 2020, Savan Group LLC, a federal contractor specializing in digital transformation, information technology and management consulting, gave up its 10,500-square-foot office space in Tysons.

Like many other companies, Savan Group shifted to remote work due to the COVID-19 pandemic, but by summer 2021, company President and CEO Veeral Majmudar was ready to look at returning workers to the office.

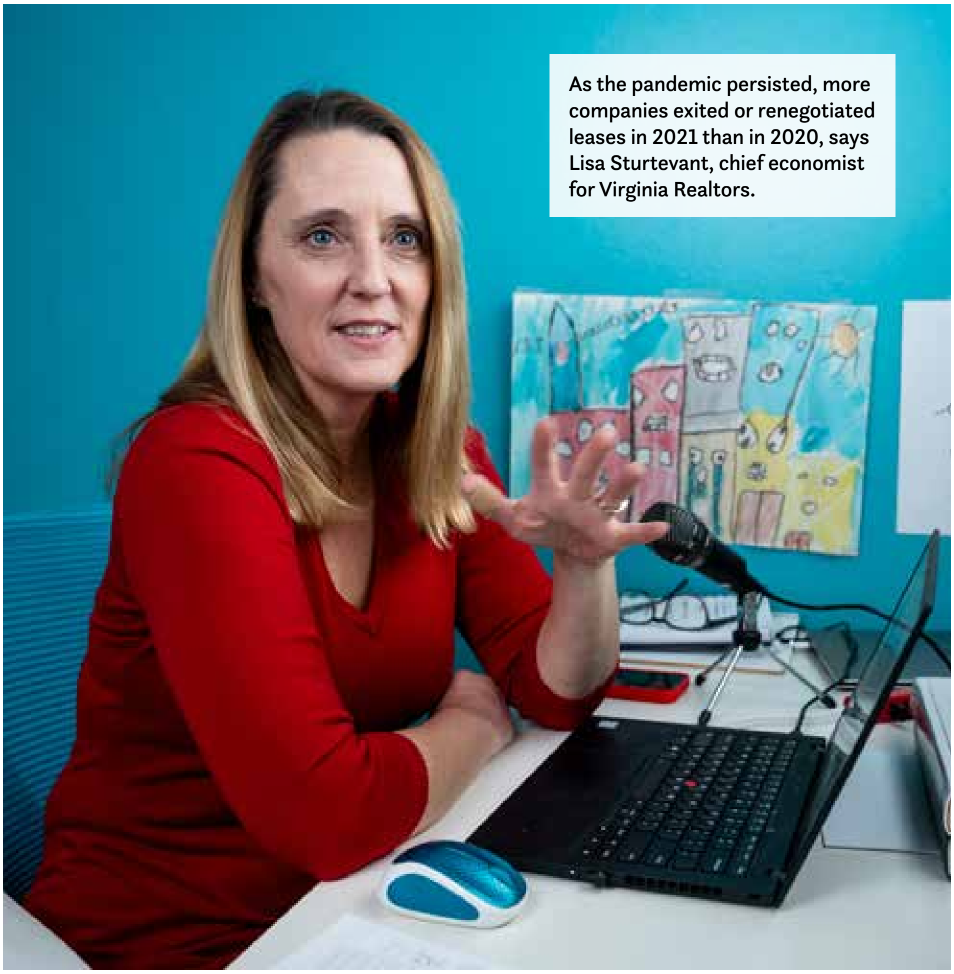
"Being in the consulting business ... some level of engagement amongst our colleagues was important," Majmudar says. "That's how our business thrives — the sharing of ideas and communication. And while we can do a lot of that virtually, you do lose a little bit when you're not able to meet in person."

Working with leasing agency Ethos Tenant Co., Majmudar found a "plug-and-play," fully furnished 17,500-square-foot office in Tysons that Savan Group secured via sublease at a steeply discounted rate.

It was an "opportunistic" move made possible by shifting dynamics of the commercial real estate market as many companies are "shifting and downsizing," he says.

More than two years after the pandemic upended working norms, Virginia companies continue to reevaluate their commercial real estate needs. It's been a slow and sometimes frustrating process. Just when some companies have been ready to return workers to the office, even on a hybrid basis, COVID-19 has surged, throwing a wrench into long-term plans. The pivot to hybrid and remote work, now a permanent fixture for many companies, has had landlords and tenants scrambling to figure out how it will impact the office market.

Photo by Will Schermerhorn



As the pandemic persisted, more companies exited or renegotiated leases in 2021 than in 2020, says Lisa Sturtevant, chief economist for Virginia Realtors.

More empty space in 2021

Real estate experts say Virginia had higher vacancy rates in 2021, compared with the previous year. Available office space averaged 12.4% for 2021, up from 11.3% in 2020 and around 11% prior to the pandemic in 2019, according to Lisa Sturtevant, chief economist for Virginia Realtors, citing data from Washington, D.C.-based commercial real estate analytics company CoStar Group Inc.

It's not an unexpected situation, she says.

"Businesses didn't have the opportunity to vacate their office space until their leases were over, so they were locked in [during] 2020," Sturtevant says. And as the pandemic persisted, she explains, companies were able to exit or renegotiate leases.

Statewide, office net absorption (total square feet leased per year minus square feet vacated) was negative for six consecutive quarters, starting in the third quarter of 2020 and lasting through 2021, according to a Virginia Realtors report.

The leasing picture also varies by region.

Northern Virginia, the state's largest market, had about 36 million square feet of vacant office space at the end of 2021. That's about 15.7% of the region's total 229 million square feet of office space — around a percentage point higher than 2020. Prestigious Class A office space accounts for half of NoVa's office space and had a vacancy rate of 19% last year, compared with about 17.5% in 2020. Aside from the pandemic, Sturtevant says, another factor continuing to impact Northern Virginia's elevated vacancy rate is the military's 2005 Base Realignment Closure (BRAC) plan, which resulted in some military agencies and associated contractors vacating leased office space in the region.

Richmond's office market, on the other hand, bounced back faster than Northern Virginia's during 2021, Sturtevant says.

Many downtown Richmond businesses have ties to state government, where working in person was more important, she says. As a result, vacant office space has increased less than a percent year-over-year to 6.7% but remained higher than the 2019 vacancy rate of 5.6%, according to Amy Broderick, Richmond-based senior vice president with Cushman & Wakefield | Thalhimer.

Leasing activity is rebounding in Richmond, says Komail Khaja, Colliers' director of research for Central and Southeast Virginia. In 2020, about half the leases in Richmond were new and a third were renewals, but 2021 saw the inverse. A lot of space that has come on the market, including subleased space, has been backfilled, he notes.

Broderick says that significantly more companies vacated office space in Richmond during 2020 and 2021 compared with 2019, likely due to pandemic-related downsizing and remote work.

David Wilkins, Richmond-based executive vice president and principal with Colliers Mid-Atlantic, is optimistic that the Richmond market will begin to accelerate in the next 12 to 24 months. Most markets in Virginia are "quite healthy," with smaller markets facing supply constraints with less than 5% vacancy, he says. "Consistent across the commonwealth," he notes, "smaller local and regional firms are back in the office."

Hampton Roads ended 2021 with an office space vacancy rate of about 8%, higher than its pre-pandemic rate in 2019 of 7.5%, but still below the 2021 national average of about 12%, according to Rob Sult, Harvey Lindsay Commercial Real Estate brokerage associate, citing CoStar Group data.

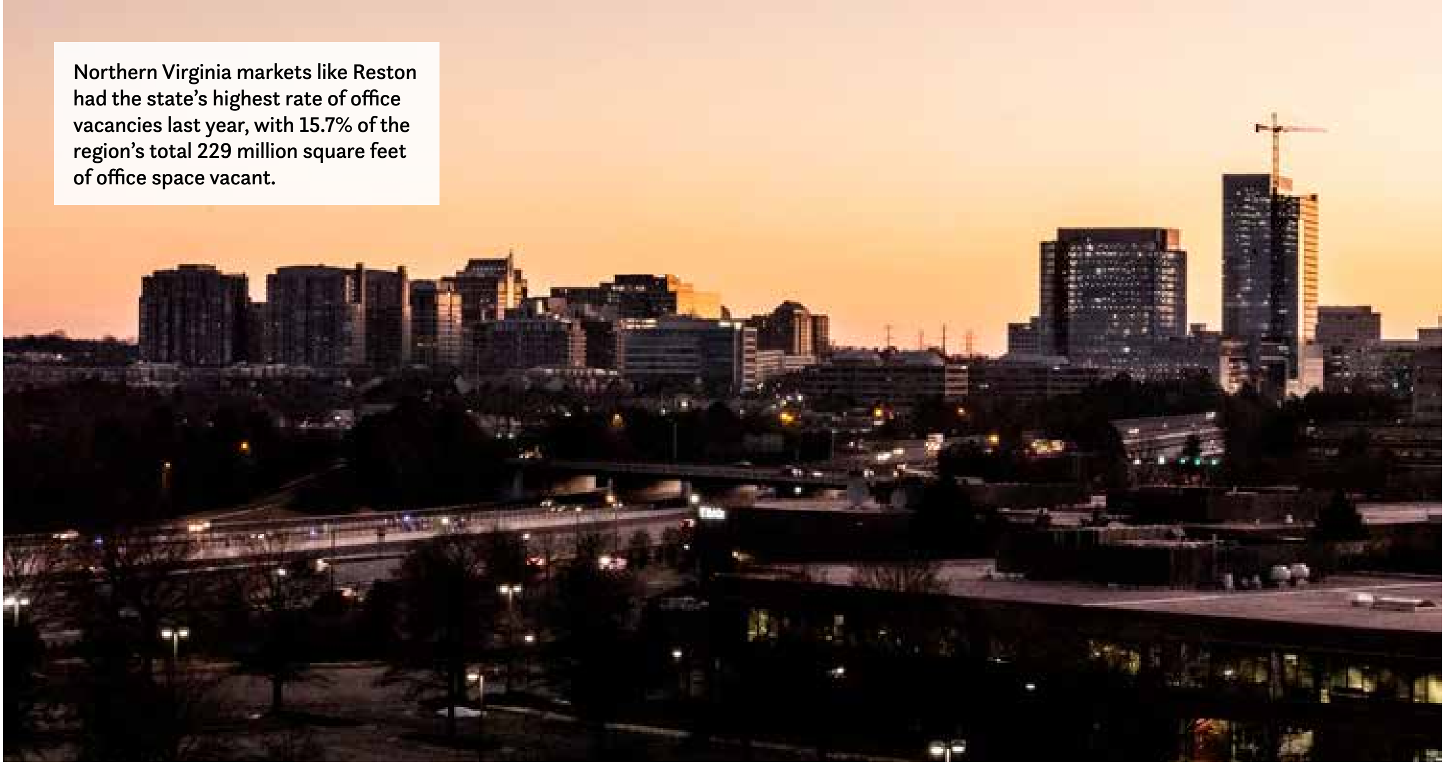
Sult's optimistic that office space performance will improve across the Hampton Roads market, but cautions, "If we have another outbreak ... [and] if we go backwards again, then all bets are off."

Murky future

Landlords are bending over backward to lure tenants, offering everything from flat rental rates to several months of free rent to shorter leases and above-market tenant improvement allowances. "There's a pretty big share of businesses that are looking for ways to change up their office space to make it more attractive," Sturtevant says.

While some industries may move to completely remote work or downsize with hybrid

Photo by Will Schermerhorn



Northern Virginia markets like Reston had the state's highest rate of office vacancies last year, with 15.7% of the region's total 229 million square feet of office space vacant.

work, companies requiring office space are seeking locations with significant amenities to draw employees back to the office.

"Who wants to leave their house if they have their kitchen and their gym and their bed and their couch and a TV?" asks Rachel Salasky, a Virginia Beach-based associate with Divaris Real Estate Inc. "Landlords are needing to find a way to make their office buildings something exciting to come to."

For the commercial real estate industry, predicting when or if workers will return to offices in larger numbers can feel like a guessing game.

Two major Virginia employers have already made the shift to hybrid work. McLean-based Capital One Financial Corp. delayed its return to in-office work at least two times before giving up on a specific date at the end of 2021. Similarly, Richmond-based Dominion Energy Inc. adopted a hybrid and remote working policy for roughly one-third of its employees. Federal contractor Peraton Inc., which is building a new headquarters in Reston, with plans to open this summer, also is viewing its future as a hybrid work model, says Matt McQueen, senior vice president and chief communications and engagement officer.

"I think a lot of employers were planning to call employees back to the office in 2022, and then, of course, omicron [happened]," Sturtevant says. She notes that federal agencies were set to bring their workers back into the office, but many put those decisions on the back burner. She anticipates more movement back to the office in the second half of this year.

Given the Great Resignation and tighter labor market, "I think more and more, we're realizing that it won't be back in the office five days a week for most people," she adds. "Increasingly businesses are looking for ways to offer more flexible hybrid [work] options."

Falls Church-based Kastle Systems, a tech company providing monitored security systems and managed access control for office buildings, tracks data for 2,600 buildings and more than 41,000 businesses across 47 states. Each week, it releases occupancy data for 10 markets nationwide.

In mid-November 2021, weeks before the emergence of the omicron variant of COVID-19, the average occupancy rate across those 10 markets was 39%, peaking at 40.6% in December 2021, says Kastle Chairman Mark Ein. But by the end of January, it was about 30% nationally and about 26% for the Washington, D.C., metro region.

At this point, Ein says, health and safety are less of a concern than a fundamental shift in the way people want to work. "They're asserting their power to not return to the office," he says.

As case counts drop, Ein anticipates more workers returning to the office but says hybrid work models will likely be permanent.

"We have expected to see another meaningful increase in people going back to the office, and so I do think at some point you will see people coming back to the office in meaningfully higher levels than they are today," he says. "But we don't think it's ever — or for a very long time — going to be at that pre-COVID level. We just don't think that's going to be the case."

With so much up in the air, it can be a challenging time for companies that are deciding whether to make significant investments in office space. Many are holding off on signing long-term leases.

"My sense," Sult says, "is that right now, to a large degree, the decision matrix is one of kicking the can down the road for short periods of time until that hybrid demand is more clear." ■

Photo by Will Schermerhorn