

Richmond Region's Economy in 2024–2025: Technology, Innovation, and Outlook

Overview of the Regional Economy (2024 Snapshot)

Greater Richmond's economy has been on a solid growth trajectory through 2024. The metropolitan area's GDP reached about **\$117 billion in 2023**, up from \$93 billion in 2019 ¹. The region has outpaced much of Virginia in recent growth – its population rose 3.1% from 2020 to 2023 (the fastest of any Virginia metro) ², and payroll employment is up nearly 5% since 2020 ³. Unemployment remains very low (around 3%), indicating a **full-employment labor market** ⁴. As a result, the workforce of ~728,000 is tight, though average wages have been rising faster than the national rate ⁵. Median household incomes in the broader Richmond area are in the mid-\$80,000s (substantially higher than in the city proper) ⁶, reflecting the region's mix of affluent suburbs and a revitalizing urban core.

Historically, the **economic base of Richmond** has been anchored by government, finance, and law. As the state capital, it hosts numerous federal, state, and local agencies and courts (including the Fourth Circuit U.S. Court of Appeals and a Federal Reserve Bank) ⁷. Major Fortune 500 companies have long called the region home – **eight Fortune 500 headquarters** are in greater Richmond ⁸, from Dominion Energy (utilities) to Altria (tobacco) and Capital One (financial services). "In the U.S., few regions our size have a higher concentration of Fortune headquarters than we do," notes the Greater Richmond Partnership's CEO ⁹. This corporate presence contributes to a sizable **professional and business services sector** (including finance, insurance, and legal services) which, along with real estate and government, accounts for a large share of regional GDP. Meanwhile, manufacturing and logistics play significant roles, boosted by the region's central Mid-Atlantic location and transportation infrastructure.

Recent data indicates **broad economic momentum** entering 2024. Consumer spending has held up, with retail sales and even housing prices still rising despite higher interest rates ¹⁰ ¹¹. The Richmond area's **population surpassed 1.3 million** (as of 2024) ¹², as net in-migration resumes – a sign that the region's affordability and job market are attracting newcomers. Indeed, Richmond was recently ranked 4th among mid-sized metros nationwide for **economic growth potential**, cited for its combination of GDP growth, moderate living costs, and a strong startup climate ¹³. Local officials herald this as validation of the region's progress in diversifying and modernizing its economy ¹⁴. In mid-2023, for example, Amazon announced a new robotics fulfillment center in Richmond (150 jobs) and CoStar Group committed to add 100 more tech jobs downtown ¹⁵ – tangible evidence of new investment. With the unemployment rate hovering near 3% (on par with Virginia and below the U.S. average) ¹⁶, the challenge ahead is less about job creation and more about **sustaining growth amid tight labor supply** and rising costs.

Technology, Innovation and Research Ecosystem



The innovation ecosystem in Richmond leverages strong university research and an influx of tech firms. VCU – a top 50 public research university – is expanding its research footprint in the region, fueling new startups and partnerships ¹⁷ ¹⁸ .

The Richmond metro’s technology and innovation sectors have become key drivers of growth, **bridging both public and private spheres**. A decade ago, “tech” in Richmond was modest, but today the landscape spans from Fortune 500 firms with large IT operations to scrappy startups in downtown incubators. **Information technology and digital services** are rising stars: employment in office-using industries (like tech consulting, finance/IT, and corporate services) has been expanding rapidly ¹⁹ ²⁰ . For instance, Capital One’s campus west of Richmond and CarMax’s digital innovation center are major tech employers. The region has also attracted new players: **CoStar Group**, a DC-based real estate analytics company, is investing \$460+ million in a shiny new research-and-tech center downtown, bringing nearly 2,000 jobs ²¹ ²² . Other recent arrivals include SimpliSafe and T-Mobile, which opened technology-driven customer support centers ²¹ . The Greater Richmond Partnership reports that between 2020 and early 2024, over **100 new or expanding companies** announced investments in the region totaling \$4.4 billion and ~15,800 jobs ²³ . Notably, many of these projects have a technology or innovation component – from advanced manufacturers and e-commerce distribution centers, to fintech and data analytics operations.

Research and academia are crucial anchors of the innovation ecosystem. Virginia Commonwealth University (VCU) in downtown Richmond has evolved into a major research hub, with externally sponsored R&D funding exceeding **\$500 million in 2024** – an 86% increase over six years ¹⁷ ¹⁸ . This record R&D investment (in fields ranging from health and life sciences to engineering and social innovation) has kept VCU among the nation’s top research universities and is spinning off new ideas and startups. University leaders emphasize a “*renewed focus on student engagement in research*” and faculty entrepreneurship to translate discoveries into economic activity ¹⁸ . Indeed, VCU launched a new Startup Accelerator program in 2024 to fast-track faculty- and student-founded companies, underscoring how academic research is feeding the region’s pipeline of tech ventures ²⁴ . The **Virginia Bio+Tech Park** adjacent to VCU’s medical

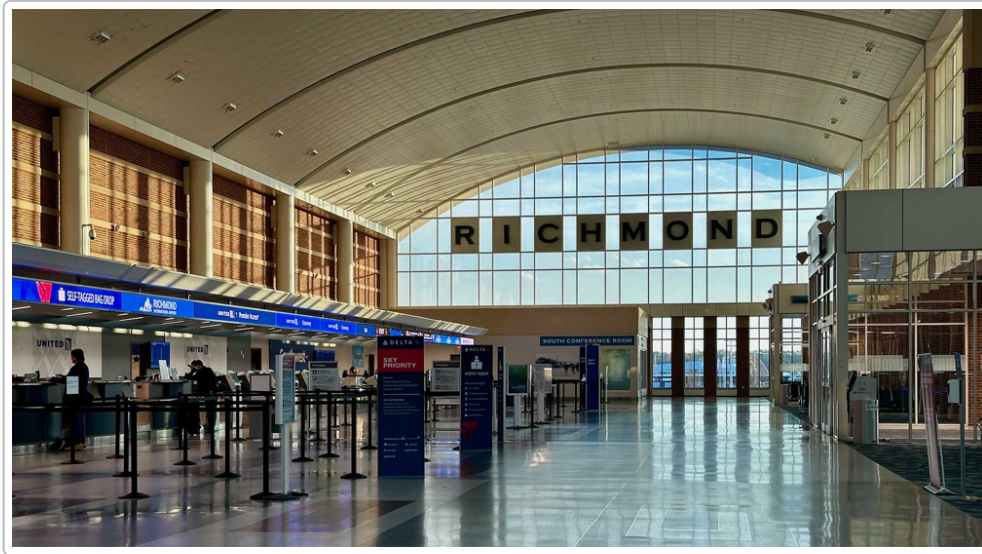
campus houses dozens of startups and growth-stage firms in biotech, pharmaceuticals, and health IT – leveraging university talent and hospital research. The University of Richmond, while smaller, contributes via its business school and entrepreneurship programs, and its economists (such as Dr. Dean Croushore) actively work with business leaders on annual economic forecasts ²⁵, helping integrate academic insight into the region's economic strategy.

Key tech subsectors have emerged as growth opportunities for Richmond. **Cybersecurity** is one focus – the region has a concentration of finance and federal facilities that demand cyber talent, and programs like the U.S. Army's cyber training at nearby Fort Gregg-Adams and the state-supported Cyber Range are supplying skilled workers. **Data centers** have also grown quietly: giants like Meta (Facebook) and QTS have built large data centers in eastern Henrico County's White Oak Technology Park ²⁶. Richmond's proximity to Northern Virginia's data center alley (but with cheaper land and power) gives it potential in this arena, though local officials are now weighing limits on random data center sprawl outside designated tech parks ²⁷ ²⁸. Another promising area is **financial technology (fintech)**, thanks to the region's banking legacy. Startups like **Faye** – a Richmond-based travel insurance tech firm – have gained traction, with Faye raising \$31 million in a Series B round in mid-2024 to expand its platform ²⁹. Likewise, insurtech and proptech ventures are finding customers among Richmond's many finance and real estate companies.

Perhaps Richmond's most distinctive tech opportunity lies at the intersection of **health, life sciences, and advanced manufacturing**. The metro has landed investments like **Phlow Corp.'s pharmaceutical manufacturing initiative** (part of a federal effort to onshore drug production) and the expansion of firms like PPD (a life sciences research organization) and Grenova (a biotech equipment maker) ²³. In total, 11 life science projects since 2020 have injected over \$300 million and 1,800 jobs ²³. Coupled with VCU's medical research capacity, these form the kernel of a regional health-tech cluster. Additionally, advanced manufacturing with a tech edge is booming – **LEGO Group is building a next-generation \$1 billion toy factory** in Chesterfield County (1,760 jobs) ²³ ³⁰, and **Plenty Unlimited's \$300 million indoor vertical farm** in Richmond will use cutting-edge agtech (300 jobs). Such projects not only diversify the economy but also attract engineers, technicians, and research activity in their wake.

Public-sector and nonprofit initiatives are actively supporting the innovation ecosystem. The **Virginia Innovation Partnership Corporation (VIPIC)**, the state's tech investment arm based in Richmond, has launched the "Virginia Invests" program alongside seven venture funds to deploy **\$100 million into 100 startups statewide** ³¹. This contributed to Virginia climbing to 8th in the nation for venture capital in 2023, with \$2.5 billion invested in state-based firms ³². (Venture funding did cool somewhat in 2024, dropping to about \$1.8 billion amid national trends ³³, but importantly **seed and early-stage funding in Virginia grew 14%** year-over-year to \$717 million ³⁴ – indicating healthy investor interest in new companies). Locally, **startup incubators and accelerators** are thriving: Startup Virginia and Lighthouse Labs have graduated numerous companies, and **Activation Capital** (an innovation incubator aligned with the biotech park) launched an inaugural health-tech accelerator in 2024 to nurture life science startups ³⁵. All of these efforts signal that Richmond's **entrepreneurial ecosystem** – while younger than those in larger tech hubs – is maturing fast, supported by a blend of academic R&D, state and regional economic development focus, and increasing pools of risk capital.

Infrastructure and Development Projects Supporting Growth



Richmond International Airport's expanded terminal. RIC handles over 4 million passengers annually and was rated North America's most efficient airport in its class, reflecting recent infrastructure upgrades that bolster the region's connectivity and economic impact.

Investments in infrastructure and real estate are keeping pace with Richmond's economic expansion. A prime example is **Richmond International Airport (RIC)**, which has modernized significantly in recent years to accommodate rising travel demand. RIC now contributes an estimated **\$2.1 billion in economic impact and roughly 16,000 jobs** to the region ³⁶. Airport CEO Perry Miller notes that **26,000+ people carry badges to work at RIC or its surrounding businesses** (airlines, logistics, TSA, vendors) ³⁶ – underscoring the airport's role as a major employment and innovation center in its own right. Ongoing upgrades at RIC (from terminal enhancements to added routes) improve Greater Richmond's connectivity to business hubs. Efficient transport links are critical for tech and research sectors: the ability to fly directly to New York or Atlanta for client meetings, or to easily ship high-value products, makes Richmond more attractive for corporate expansions. In fact, RIC was ranked the **#1 most efficient airport in North America** for its size category, a point of pride that helps the region market its accessibility ³⁷.

Beyond the airport, **surface transportation and site development** projects are laying groundwork for growth. The region benefits from its position at the junction of interstates (I-95 and I-64), and current plans aim to further streamline freight and commuter movement – for instance, widening I-64 east toward the port of Hampton Roads, and incremental progress toward higher-speed rail between Richmond and Washington, D.C. Improved passenger rail could be a game-changer in coming years, potentially cutting travel times to D.C. and expanding Richmond's talent catchment area (though the timeline remains uncertain). Meanwhile, local transit is expanding with **Bus Rapid Transit (BRT)**: the Pulse BRT line through the city has been successful enough that extensions deeper into Henrico and Chesterfield counties are under study. Better transit and road networks not only ease daily commutes but also open up new areas for development – an important factor as the region works to ensure affordable housing and office space for its growing workforce.

Richmond's city and counties have also embarked on transformative development projects. The **Diamond District redevelopment** is one of the most ambitious: the city-approved \$2.4 billion plan will replace the old baseball stadium and surrounding land with a new ballpark, mixed-income housing, office and innovation space, and parks. This project (breaking ground in 2024) is poised to create a vibrant live-work district between downtown and Scott's Addition, likely becoming a magnet for young professionals and startups. Nearby, **Scott's Addition** itself – a former industrial area – has turned into a trendy tech hub and brewery district, with historic warehouses converted into coworking spaces, apartments, and even a new VCU Innovation Hub. Such urban revitalization provides the **modern office space and lively neighborhoods** that tech companies and research firms seek to attract talent. It also helps with **quality of life**: an array of new apartments, restaurants, breweries, and arts venues have popped up, making the city more appealing to the millennial and Gen Z workforce that fuels innovation.

In the suburbs, significant projects include **GreenCity** in Henrico County – a planned “eco-district” on 200+ acres featuring a massive arena, office parks for sustainability-focused companies, and thousands of homes oriented around green space and smart-city infrastructure. Henrico is also carefully managing its successful **White Oak Technology Park**, home to those big data centers, by ensuring power and fiber infrastructure is robust there while preserving other areas from potential impacts of these facilities ²⁷ ³⁸ . Additionally, large logistics investments (e.g. new Amazon facilities, UPS/FedEx expansions) have prompted infrastructure upgrades around industrial zones, including road widenings and utility improvements. The **Richmond Marine Terminal** on the James River, which links to the Port of Virginia, got attention from several new firms starting to use barge container service to move goods ²⁰ . Though container volumes dipped about 9% in 2023 (in line with national port slowdowns) ³⁹ , continued improvements to this inland port option could bolster the region's attractiveness for manufacturers and e-commerce companies by lowering shipping costs. Overall, the region is actively aligning its infrastructure – transportation, utilities, and real estate – with the needs of a more innovation-driven economy.

Workforce and Talent Trends

Human capital is both Richmond's greatest asset and a critical challenge as growth continues. On one hand, the region boasts a **diverse, educated workforce** and a strong pipeline of new talent. Over **42,000 students are enrolled in higher education within the city** alone ⁴⁰ – anchored by VCU, the University of Richmond, Virginia Union University (an HBCU), and several nearby institutions (Virginia State University, community colleges, etc.). These schools not only supply graduates in fields like business, engineering, and computer science, but also increasingly partner with local employers through internships and research collaborations. Greater Richmond's population is more diverse than the U.S. average (41% non-white vs 34% nationally) ⁴¹ , and the region has earned a perfect score on the Human Rights Campaign's Inclusion Index for several years running ⁴¹ . This diversity and inclusivity are attractive to companies seeking a broad range of skills and perspectives. *“Richmond is a growing community with access to a deep pool of diverse, highly-skilled workers, a vibrant culture of innovation and a wonderful quality of life for our employees,”* says Andy Florance, CEO of CoStar Group, explaining why his tech company is expanding in Richmond ⁴² . Such endorsements highlight that the region's **quality of life – affordable housing (relative to DC or NYC), easy commutes, and cultural amenities – helps in recruiting and retaining talent.**

However, with unemployment under 3.5% throughout 2024, **talent shortages have become a pressing concern**. The Greater Richmond Partnership points out that the labor force is effectively at full employment, similar to peer metros, meaning firms that need to hire hundreds of workers may worry about finding available labor ⁴³ . In particular, fast-growing tech and logistics employers have to compete for a limited

pool of skilled workers. This competition is driving wages up, which is good for workers (average pay in the region has been rising and recently even outpaced national wage growth ⁵), but it can pinch smaller startups and public-sector research labs that have tighter salary budgets. It also contributes to increasing cost of living: for example, **housing costs have climbed** – through late 2024, median single-family home sale prices in the Richmond MSA were about \$405,000 (up ~3% from the previous year) ¹¹, and in the city of Richmond they jumped nearly 10% year-over-year ⁴⁴. While Richmond's housing is still more affordable than larger tech hubs, the rapid price gains and low inventory (just ~1.6 months' supply in the city) ⁴⁵ raise **concerns about affordability for mid-level workers**, as well as the ability to attract young talent if rents and home prices keep rising. Local officials are responding by incentivizing more residential development (especially around transit nodes and in revitalizing districts like Manchester and Henrico's Innsbrook) to increase supply.

Another workforce trend is the **shift in skills demand**. Employers in Richmond's innovation sectors are increasingly seeking workers with skills in software development, data analytics, biotech lab techniques, and advanced manufacturing processes. The region's educational institutions are adjusting accordingly. For instance, community colleges have expanded IT and biotech certification programs, and VCU's College of Engineering has grown enrollment and partnerships with employers for capstone projects. There's also a strong push for **workforce development in historically marginalized communities** – training programs in coding, cybersecurity, and construction trades are targeting underemployed segments of the population to both improve equity and enlarge the talent pool. The state-funded Capital Region Workforce Partnership and other nonprofits are active in re-skilling efforts, which will be crucial to sustain growth. A promising sign is that **Richmond is increasingly able to retain more of its graduates**: whereas in past decades many VCU or UR grads would leave for Washington, Charlotte, or Atlanta, now more are staying as local opportunities in startups and tech firms expand. The metro was even ranked among the top cities for **attracting millennial talent**, coming in 7th in one recent national assessment ⁴⁶. Keeping this momentum will require continuous attention to quality-of-life factors (vibrant neighborhoods, arts, transit) and career opportunities so that homegrown talent sees a future in Richmond.

Key Growth Opportunities (2025–2026)

Looking ahead, Richmond's economic leaders see **significant growth opportunities** in a number of technology and innovation sub-sectors over the next one to two years. These include:

- **Cybersecurity and Enterprise IT:** With its cluster of finance, insurance, and government entities, Richmond has a high concentration of sensitive data that needs protecting. Firms specializing in cybersecurity, cloud services, and enterprise software are poised for growth. The state's investment in a new **Cyber Fusion Center** and university cyber programs will likely bolster Richmond's role as a cybersecurity hub. The region's **information technology sector** already attracted major data center investments (e.g. Meta's and QTS's facilities) and could see more if it balances growth with community concerns ²⁶ ³⁸. Additionally, corporate IT operations – such as those at Capital One, CoStar, and Markel – continue to expand, creating demand for software developers, data scientists, and network engineers.
- **Life Sciences and Healthcare Innovation:** Richmond's status as a medical center (via VCU Health and several major hospitals) and the presence of the VA Bio+Tech Park position it well for growth in health-related industries. **Biotech and pharmaceutical manufacturing** are particularly promising. The region already landed a federal-backed pharmaceutical production initiative (to produce

essential medicines domestically) and saw **bio startups flourish** in lab spaces downtown. Over 26,000 jobs in the region are tied to life sciences and healthcare R&D ⁴⁷, and this number could climb as companies spin out of university research. **Health-tech IT** is another niche – startups developing healthcare software or telemedicine platforms can pilot solutions with local hospital systems. Moreover, the proximity to NIH and other East Coast pharma hubs makes Richmond attractive for clinical trials and biotech partnerships. The next two years may see expansions of firms like Phlow, AMPAC Fine Chemicals, and incoming companies seeking a mid-Atlantic manufacturing base with lower costs than the Northeast. The **talent pipeline in biosciences** is strengthening too: VCU's new College of Health Professions facility and its engineering school's focus on biomedical engineering are generating skilled graduates to fuel this sector.

- **Advanced Manufacturing and Clean Energy Technology:** A wave of advanced manufacturing investments is underway, and more could follow. The high-profile LEGO factory (scheduled to start operations by 2025) not only creates jobs but also puts Richmond on the map for **advanced materials and automation** – it will be a carbon-neutral, highly automated plant, showcasing technologies in robotics and sustainable manufacturing. This could attract suppliers and other manufacturers of high-tech components (e.g. electronics, aerospace parts) to the region. Another huge opportunity is in **clean energy**: Richmond-based Dominion Energy is a driver of renewable energy projects (like the Coastal Virginia offshore wind farm and large-scale solar farms) and much of the **offshore wind supply chain** for Virginia's coast will require manufacturing (cables, turbine components) and engineering services that could be located in the Richmond area. The state has identified the Richmond region as a prime location for **offshore wind support industries** and battery storage tech, given its logistics advantages and available industrial sites ⁴⁸ ⁴⁹. Additionally, the planned **GreenCity eco-development** may catalyze a cluster of sustainability-oriented businesses (green building technology, electric vehicle infrastructure, etc.). With global shifts toward decarbonization, companies in electric battery assembly, grid technology, and recycling could find the region appealing – especially with Virginia's business-friendly climate (ranked #1 state for business in 2023) and incentives for clean tech.
- **Finance, Fintech and Insurtech:** Finance is an anchor of Richmond's economy, and its evolution presents growth prospects. Traditional finance employers (banks, insurance firms, investment companies) are investing heavily in technology and thus beefing up local tech teams. At the same time, **fintech startups** are emerging to serve niche markets – Richmond has seen new ventures in online lending, payment processing, and insurance-tech. The success of companies like Faye (travel insurance app) demonstrates that fintech startups can raise significant capital here ²⁹. The region's cost advantages over finance hubs like New York, plus a depth of domain expertise (due to legacy firms like Genworth Financial, Allianz, and regional banks), can draw more fintech and back-office financial operations. Economic developers are actively pitching the region as a **fintech hub** that sits between the big financial centers of Charlotte and Washington. Over the next two years, expect more collaboration between incumbent financial institutions and tech startups (for example, credit unions partnering with cybersecurity firms, or insurers piloting AI-driven claims processing with local tech vendors). This cross-pollination could yield new business creation and keep the finance sector dynamic.
- **Logistics and E-Commerce Tech:** Richmond's strategic location has always made logistics a strength, but now it's intertwined with tech through advanced distribution centers and supply chain software firms. Amazon's continued investments (another fulfillment center in 2024 ¹⁵) and

companies like **AutoZone building automated warehouses** (352 new jobs, \$185M investment ²³) highlight opportunities in smart logistics. **Warehouse robotics, inventory optimization software, and last-mile delivery tech** are all areas where the region could see growth. Startups developing logistics tech might find ready partners among the many distribution centers around Richmond. Additionally, the Richmond Marine Terminal's barge service and freight rail links offer a platform for **intermodal transport innovation** – a few tech firms are already analyzing how to optimize freight movements through this inland port. As supply chains become more digital, Richmond can leverage its concentration of 3PL (third-party logistics) companies and its mid-Atlantic location to host pilots for new logistics technologies (drones, autonomous delivery vehicles, etc.). The next couple of years could bring both more big-box logistics facilities (as online sales remain robust) and growth in the **software companies that support e-commerce**.

Risks to Growth and Quality of Life Factors

While the outlook is largely positive, the Richmond region faces several **risk factors that could temper GDP growth and impact quality of life** if unaddressed:

- **Workforce Constraints:** The flip side of full employment is a labor shortage. A lack of available skilled workers could cause companies to scale back expansion plans or look elsewhere. Already, some economic development prospects have cited Richmond's relatively small labor pool (compared to larger metros) as a concern ⁴³. If the region cannot continue attracting in-migrants or boosting labor force participation (through strategies like skills training or better child care access), this could bottleneck growth. Talent retention is another challenge – despite improvements, some young professionals still depart for bigger cities or emerging remote work opportunities. **Brain drain** of top tech talent to hubs like DC or the Research Triangle remains a worry, especially if local wages don't keep up or if the cultural offerings lag expectations. To mitigate this, Richmond will need to maintain its recent gains in livability and create a virtuous cycle where more innovative companies beget more career options, anchoring talent in place.
- **Housing Affordability & Infrastructure Strain:** Rapid economic growth can pressure housing and infrastructure. As noted, home prices and rents in Richmond have been rising briskly ⁴⁴, which, if unchecked, could undermine one of Richmond's traditional advantages – affordable living. **Housing affordability** is crucial for quality of life: if middle-class families can no longer comfortably buy homes in safe neighborhoods, the region's appeal diminishes. Local governments are trying to get ahead of this by approving thousands of new housing units (including affordable housing) in both the city and suburbs, but NIMBYism and rising construction costs pose risks. Transportation infrastructure is another concern: though traffic congestion in Richmond is moderate now, certain corridors (like I-95 through downtown and I-64 to Short Pump) are getting busier. If road and transit improvements don't keep pace, congestion and longer commutes could erode quality of life and productivity. Additionally, **transit accessibility** remains limited; not all job hubs are reachable by public transit, which can exclude workers who can't afford cars. In the long term, failure to invest in robust transit could hinder inclusive growth.
- **Dependency on Key Sectors and External Shocks:** Richmond's economy, while diversified, still has **some sector concentrations** that pose risks. Finance and government are large employers – a downturn in banking or unexpected government budget cuts could hit local incomes. For example, if high interest rates significantly depress the finance sector or real estate market, Richmond would

feel the effects via its banking, mortgage, and brokerage firms. The region's manufacturing growth, while exciting, means increased exposure to global supply chain disruptions or trade policy changes. Geopolitical issues (tariffs, for instance) could impact local giants like DuPont (which runs a huge Richmond-area plant) ⁸ or even the flow of materials for LEGO's factory. **Federal policy and contracts** are another area of uncertainty: Richmond isn't as federal-dependent as Northern Virginia, but defense and logistics activities (e.g. at Fort Gregg-Adams and defense contractors) are significant; changes in military spending or base realignment could ripple through the economy. The Federal Reserve's presence is a stable factor, but broad **macroeconomic conditions** (like a national recession) would of course slow Richmond's growth as demand for goods/services eases. Local CFO surveys going into 2025 show cautious optimism but acknowledge the possibility of recession if inflation resurges or global events create a downturn ⁵⁰ ⁵¹.

- **Infrastructure and Environmental Challenges:** As mentioned, the data center boom brings both opportunity and risk. **Energy infrastructure** is a particular concern. Data centers consume enormous electricity and sometimes water for cooling; Henrico officials worry that the public may bear the cost of expanding power capacity for private facilities ⁵². If not managed, this could strain the grid or force higher utility rates, affecting residents and other businesses. There are also **environmental and noise concerns** with these centers (e.g. diesel backup generators running regularly) ³⁸. Community pushback could slow tech projects or create a less friendly climate for certain investments. More broadly, climate change poses a subtle risk: while Richmond is inland (no hurricane storm surge like coastal Virginia), it is vulnerable to flooding along the James River and heatwaves. The region will need to invest in resilient infrastructure (stormwater systems, grid hardening) to avoid climate-related disruptions that could hurt economic activity or livability.
- **Cost of Doing Business and Fiscal Pressures:** Richmond has enjoyed a reputation for reasonable business costs, but inflation and success itself can change that. Office and industrial rents have been on the rise ²⁰. While still cheaper than DC or New York, Richmond's Class A office lease rates and prime industrial land prices are climbing as demand grows. If costs escalate too quickly, the region might lose some of its competitive edge in attracting new firms. On the public side, local governments will face the pressure of **financing infrastructure and services** to match growth. Providing tax incentives to lure companies (common in economic development) must be balanced against funding needs for schools, transit, and public safety. A misstep in fiscal management could lead to budget shortfalls or cuts in services, which would impact quality of life. So far, Richmond's leaders have managed growth prudently, but maintaining that fiscal health is a continuous challenge.

Uncertainties and Wild Cards

The crystal ball for Richmond's next couple of years, while generally bright, does contain **areas of uncertainty** where outcomes are hard to predict:

- **National Economic Trajectory:** Perhaps the biggest uncertainty is the broader U.S. economy's direction. If the U.S. continues on a "soft landing" path – moderate growth with easing inflation – Richmond should ride that wave well. However, if inflation reaccelerates or the Fed tightens policy again, it could trigger a national recession. A recession in 2025 would likely be felt in Richmond through higher unemployment and reduced corporate spending. The flip side is also possible: an upside surprise of robust growth (some liken the post-COVID period to the "Roaring '20s") ⁵³ ⁵⁰,

which could supercharge Richmond's expansion but also exacerbate labor and housing shortages. Local forecasters incorporate these possibilities, often producing a baseline outlook of modest growth (~2% regional GDP growth) with wide error bars given the uncertain national backdrop.

- **Remote Work and Office Demand:** The lasting effects of the **remote/hybrid work revolution** are still playing out. Richmond has a significant inventory of office space, especially downtown, and while tech job growth is strong, many companies are embracing hybrid models. Demand for **Class A office space has been flat** over the past year ⁵⁴, and vacancy ticked up slightly to around 15% ³. An open question is whether office usage will rebound (perhaps as companies like CoStar bring more employees on-site) or whether downtown will need to pivot (converting offices to residential, for example). The outcome will affect commercial real estate values, transit ridership, and the vitality of certain business districts. Early signs in Richmond show some large employers recommitting to in-person work (Capital One, for instance, built a huge new campus), but many smaller firms are staying flexible. How this shakes out by 2025 will influence where the next investments go – e.g., if remote work persists, Richmond might see more **co-working hubs in suburbs** and continued strong housing demand in exurban areas; if in-person work regains favor, the city center could see a revival of retail and new office builds.
- **Success of Big Projects in Execution:** Richmond has several **transformational projects** in motion – the Diamond District, GreenCity, Lego's factory, etc. The uncertainty here is in execution and timing. Mega-projects sometimes face delays or cost overruns, or in worst cases, fail to materialize as envisioned. For instance, the Diamond District public-private partnership will unfold in phases; economic conditions or financing issues could slow its progress, which would delay the anticipated job creation and community benefits. The **LEGO plant** is on a fast track, but any hiccup in construction or supply of equipment could push its opening from 2025 into 2026, affecting short-term employment numbers and supplier contracts. Likewise, some announced corporate expansions (those included in that ~\$4.4B investment tally) ²³ may not ramp up as planned if the companies hit headwinds. The region's forecast assumes these projects deliver, so any divergence will introduce variance in outcomes. Local leaders remain optimistic – they point to the fact that **48% of the jobs and 54% of the capital investment from announced projects since 2020 come from new-to-market companies** (not just existing business growth) ²³, a sign of strong external confidence in Richmond. Nonetheless, the region will be watching closely to ensure these commitments turn into concrete results.
- **Policy and Political Developments:** Uncertainty also stems from the policy arena. At the state level, changes in leadership or priorities (for example, a new governor in the future with different economic focuses) could alter support for certain programs like VIPC's startup funding or workforce grants. Regionally, debates continue on things like **data center zoning** (as in Henrico's case) and housing policy – these local decisions will shape how much and where growth happens. Another policy area to watch is **education and training investment**: funding for K-12 and higher ed in Virginia directly impacts the talent pipeline. Any significant shifts (positive or negative) in education funding will have long-term effects on workforce quality. Finally, Richmond, like other cities, faces the task of ensuring public safety and social stability; while crime rates are not at the levels of larger metros, any deterioration in safety could become an economic risk by discouraging investment or prompting people to move away. Conversely, successful policy interventions (say, a major new state infrastructure bond or a city initiative that vastly improves transit) could yield upside surprises for the economy.

Outlook: Narrative Forecast for 2025–2026

Considering the current dynamics, the narrative outlook for Greater Richmond over the next 1–2 years is **cautiously optimistic with a few caveats**. Most local experts anticipate **continued growth but at a somewhat moderated pace**. After a booming post-pandemic recovery (regional GDP grew roughly 6–7% annually in 2021–2022 in nominal terms ¹), growth is expected to normalize to perhaps the 2–3% range in real terms. Job creation will likely slow from the frenetic 2021–2023 clip, simply because the pool of available workers has shrunk. However, **no recession is on Richmond's base-case horizon** absent a national downturn. Business sentiment heading into 2025 is upbeat – a recent survey of CFOs nationally found rising optimism and solid plans for hiring (median 2.7% employment growth at firms in 2024) ⁵⁵, and Richmond's own business community mirrors that cautious confidence. Federal Reserve Bank of Richmond President Tom Barkin described the 2025 forecast as “sunny, with a high chance of business optimism,” while noting the Fed is closely watching to keep inflation in check ⁵⁶ ⁵⁰. This captures the general mood: **guarded optimism**, with businesses ready to invest in growth opportunities (especially in tech, research, and advanced industries) as long as economic conditions remain stable.

In this forecast, the **technology, innovation, and research sectors are set to be prime movers** of the regional economy. We expect to see continued expansion in tech employment – perhaps on the order of a few thousand new tech jobs per year – driven by the ongoing projects (CoStar's campus, fintech and IT consulting growth, etc.) and new startup formation. Richmond's startup scene itself should benefit from the tailwinds of state support and increasing venture capital activity. VIPC's data suggests a startup surge already underway, and with early-stage funding on the rise ³⁴, 2025–2026 could yield some breakout companies from the region. The forecast also calls for **manufacturing output to surge** as the LEGO plant and other facilities come online, contributing to GDP and export growth. Life sciences may not boom overnight, but steady gains are expected as lab space expands and more biotech funding flows in via NIH grants and private equity.

Importantly, **quality of life indicators** are likely to remain positive if managed well. Richmond's cost of living, while rising, is still moderate; thus, the region might continue to attract remote workers and young families escaping pricier metros, providing a demographic boost and entrepreneurial energy. The **millennial influx** seen pre-pandemic could resume, drawn by Richmond's cultural renaissance (restaurants, arts, outdoor recreation on the James River) and its growing reputation as a welcoming, inclusive community. This population growth in turn supports sectors like housing, retail, and education. One forecast risk is housing affordability – we project home price growth to ease to low single digits as more supply enters the market and interest rates remain elevated, which would be a healthy normalization. If that doesn't happen and prices spike again, expect louder calls for policy action on housing in the forecast period.

In terms of **numbers**: Local economists at VCU and the Greater Richmond Partnership foresee regional unemployment likely staying in the 3–4% band through 2025, assuming no major recession. Job growth might slow to ~1–2% annually (from nearly 5% over the past three years ³) given labor constraints, but wage growth could stay above 4% annually due to the tight market and inflation adjustments ⁵⁷ ⁵⁸. On the output side, key sectors like professional/business services, information, and manufacturing are forecast to lead in growth, while more staid sectors (government, traditional retail) grow slower. The **public sector** outlook is stable – Virginia's state budget is in decent shape, and Richmond being the capital means government employment should hold steady, providing an economic floor even if private sectors wobble.

Overall, the Richmond metro enters 2025 with **solid economic fundamentals** and a clear strategic focus on innovation. There is broad consensus among academic, public, and private leaders that the region's future prosperity hinges on nurturing its tech and research ecosystem. As VCU President Michael Rao put it, *"We are purposefully connecting more undergraduate students with research to prepare them for future careers... As a truly public research institution and academic medical center, [our] growth benefits the entire community"* ¹⁸ . This alignment of higher education with economic development bodes well for Richmond's ability to capitalize on emerging industries.

Yet, our narrative forecast is not naïve to challenges: **Richmond's success will require vigilance**. The community must proactively address its growing pains – from housing to infrastructure to equity – to ensure that growth in GDP also translates to improved **quality of life for all residents**. The next two years will likely show Richmond testing and refining its growth model: attracting high-tech investments and talent, while striving to keep the region livable, inclusive, and resilient. If it strikes that balance, Richmond, VA is on track to solidify its status as a mid-sized powerhouse of technology and innovation – a region that not only shares in Virginia's recent accolades (like "Best State for Business" ⁵⁹) but carves out its own distinct path of sustainable prosperity.

Sources: Recent data and analyses have been drawn from the Greater Richmond Partnership ⁶⁰ ²² , Virginia Economic Development Partnership ⁸ ⁴² , local academic institutions (e.g. VCU's Wilder School and VCU News ³⁶ ¹⁷), the City of Richmond and Virginia state economic reports ⁷ ⁴⁴ , and insights from private sector leaders and publications (Richmond Times-Dispatch, Virginia Business, Axios) ⁶¹ ⁶² . These sources reflect the most recent available information (2024–2025) on the Richmond regional economy's status and outlook.

¹ Total Gross Domestic Product for Richmond, VA (MSA) (NGMP40060) | FRED | St. Louis Fed
<https://fred.stlouisfed.org/series/NGMP40060>

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⁷ City of Richmond 2023 Situation Analysis Report | VCE Publications | Virginia Tech
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⁸ ¹² ⁴¹ ⁴² ⁴⁸ ⁴⁹ Greater Richmond | Virginia Economic Development Partnership
<https://www.vedp.org/region/greater-richmond>

⁹ ¹³ ¹⁴ ¹⁵ ¹⁶ ⁴⁶ ⁵⁹ ⁶¹ Richmond region ranks among top mid-sized metro areas for economic growth potential
https://www.princegeorgecountyva.gov/news_detail_T6_R2237.php

¹⁷ ¹⁸ 2024 marks a landmark year for VCU's research and innovation enterprise - VCU News - Virginia Commonwealth University
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