

MARKETBEAT

RICHMOND RETAIL REPORT

1Q11

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Overview

The vacancy rate is dropping as more local and national retailers look for and occupy new retail space. The vacancy rate was 6.4% in the first quarter of 2011, down from 6.9% for the same quarter of 2010. That's mostly because retailers are no longer giving up space. Absorption was 221,851 square feet (sf) in the first quarter, up marginally from 3,281 sf in the first quarter of 2010.

To be sure, some weak concepts are still struggling and closing locations. For example, AJWright, Blockbuster and Borders announced they would close Richmond locations. However, there has been a lot of interest in the Blockbuster locations from existing retailers in the market including the Carytown grocer Ellwood Thompson's; which has the first right of refusal to expand into the adjacent Blockbuster space with which it shares a wall.

Short Pump continues to add new retailers. This quarter, West Broad Village landed three newcomers to Short Pump with the addition of Keagan's Pub, Richmond-based furniture store La Difference opening a 7,000-sf showroom to complement their downtown location, and Bone Fish Grill signing a lease to open a new restaurant. Towne Center West closed on its sale to Virginia Eye Institute and The Corner at Short Pump signed its leases with Toys R Us and Olive Garden.

Short Pump isn't the only area to see activity. The Virginia Center Commons area has landed Ross Dress for Less, and Burlington Coat opened for business in the former Dillard's. Carytown Place received its Special Use Permit (SUP) approvals and is well under way with leasing its nearly 41,000 sf of retail space in the former Verizon building.

Investment deals are occurring with more frequency. For example, in the first quarter, Dallas-based Westdale Recap Partners paid \$23.3 million for the Westpark Shopping Center in Glen Allen; and downtown, with redevelopment plans in mind, restaurateur Jerry Cable paid \$4 million for several buildings in Shockoe Slip that are next to his Tobacco Company restaurant.

Economy

Local consumers are no longer pinching pennies as in the darker days of 2008 and 2009; and they're spending more than in previous years in segments like restaurants and apparel stores, according to figures from the Virginia Department of Taxation. Also encouraging, the unemployment rate in Richmond fell to 7.7% from 8.6% in the first quarter of 2010. That's still above the state average of 6.9%, but it's a welcomed improvement and comes on the heels of major hiring announcements at local employers such as SunTrust, Wachovia, Capital One and SnagAJob.

However, there are some worrisome trends for shoppers and for the economy – in particular, rapidly escalating prices for gas and food. Inflation caused by political instability in the Middle East and the tsunami in Japan could lead to a retrenchment in consumer spending.

Outlook

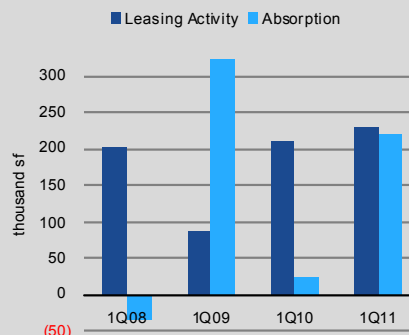
Brokers are reporting that tenants are increasingly asking to scout for new locations, which means leasing activity should pick up in future quarters. With more demand from tenants, landlords are going to offer fewer and fewer incentives and rent reductions.

With most of the weaker concepts already out of business and few new projects coming online, absorption should be significantly higher for the rest of 2011 as compared to 2010. Several chains are looking to go on an expansion tear, including burger shop Cookout, Steak and Shake and Panda Express. Restaurants aren't the only ones looking to expand. Activity is being seen throughout different concepts including apparel (Carter's, Rainbow, Jos A Banks) and specialty retailers (cellular, Michael's, Hobby Lobby, Petco, Dick's and PetSmart).

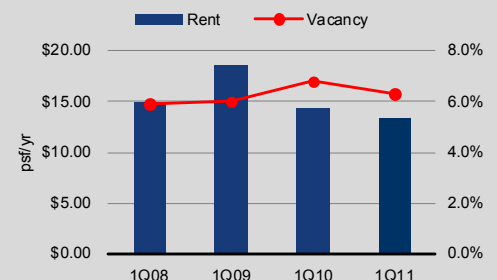
Stats on the Go

	1Q10	1Q11	Y-o-Y Change	12 month Forecast
Overall Vacancy	6.9%	6.4%	-0.5 pp	▼
Direct Asking Rents	\$14.31	\$13.38	-6.5%	▲
YTD Leasing Activity (sf)	213,306	229,506	7.6%	▲

Overall Leasing Activity vs. Absorption



Direct Rental vs. Vacancy Rates



Market/Submarket Statistics

Market/Submarket	Inventory	Overall Vacancy Rate	Direct Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Direct Absorption	YTD Overall Absorption	Overall Wtd. Avg. Gross Rental Rate*	Direct Wtd. Avg. Gross Rental Rate*
Amelia County	104,828	4.1%	4.1%	0	0	0	250	250	\$12.00	\$12.00
Broad St. Corridor	2,115,386	6.8%	6.8%	2,262	0	0	37,415	37,415	\$14.35	\$14.35
Colonial Heights	3,168,261	4.3%	4.0%	3,000	0	0	2,954	2,954	\$14.33	\$14.61
Cumberland County	14,845	0.0%	0.0%	0	0	0	0	0	NA	NA
Dinwiddie County	155,309	1.9%	1.9%	0	0	0	0	0	\$21.60	\$21.60
Downtown	6,397,901	3.6%	3.6%	1,440	58,000	0	(5,270)	(5,270)	\$13.53	\$13.53
East End	4,288,020	9.2%	9.2%	12,791	0	9,302	9,147	9,147	\$10.32	\$10.32
Far West End North	430,666	7.7%	7.7%	0	0	0	1,600	1,600	\$18.00	\$18.00
Far West End South	1,266,746	6.8%	6.8%	25,380	0	0	840	840	\$16.08	\$16.68
Goochland	313,525	3.8%	3.8%	2,000	0	0	5,200	5,200	\$11.74	\$11.74
Hopewell	1,277,489	9.0%	9.0%	288	0	0	(2,597)	(2,597)	\$10.36	\$10.36
I-95 / Chamberlayne NE	857,602	6.3%	6.3%	2,994	0	0	2,574	2,574	\$17.35	\$17.35
I-95 Ashland / NW	2,074,332	3.5%	3.5%	55,997	0	0	22,877	22,877	\$11.76	\$11.76
Jeff Davis Corridor	3,018,656	12.7%	12.7%	0	0	0	17,159	17,159	\$8.94	\$8.94
King & Queen County	37,040	0.0%	0.0%	0	0	0	0	0	NA	NA
King William County	362,743	23.6%	23.6%	0	0	0	0	0	\$10.32	\$10.32
Laburnum / Route 360	2,707,537	5.6%	5.6%	3,150	0	0	4,240	4,240	\$8.30	\$8.29
Louisa County	507,968	4.9%	4.9%	0	0	53,260	52,396	52,396	\$9.18	\$9.18
Mechanicsville	2,632,060	5.2%	4.5%	17,843	0	0	11,692	11,692	\$16.12	\$15.95
Midlothian E./ Hull St.	7,528,740	9.7%	9.7%	14,617	0	0	(75,903)	(75,903)	\$10.81	\$10.81
Midlothian Village	1,734,535	9.9%	9.9%	9,793	0	0	7,720	7,720	\$22.37	\$22.37
Midlothian West	6,892,094	7.1%	7.0%	1,200	110,150	0	(15,453)	(15,453)	\$15.78	\$15.74
Near West End	3,774,183	3.9%	3.8%	0	0	0	(178)	(178)	\$15.49	\$15.43
New Kent County	263,052	8.2%	8.2%	0	0	0	0	0	\$6.00	\$6.00
Petersburg	2,511,566	7.3%	7.3%	5,160	0	0	17,694	17,694	\$10.23	\$10.23
Powhatan	552,411	8.1%	8.1%	0	0	0	3,000	3,000	\$12.28	\$12.28
Prince George	833,349	4.4%	4.4%	4,900	0	18,000	5,814	5,814	\$9.30	\$9.30
Regency	2,546,200	3.9%	3.8%	8,272	0	0	1,050	(2,790)	\$18.63	\$18.88
Short Pump	4,295,887	4.6%	4.6%	0	0	0	50,201	50,201	\$21.85	\$21.85
South Chesterfield	3,409,816	3.3%	3.1%	1,150	0	0	14,624	14,624	\$13.10	\$13.10
Staples Mill / Parham	7,557,939	6.1%	5.8%	9,076	6,678	0	(5,316)	(5,316)	\$15.87	\$16.93
Sussex County	113,697	28.0%	28.0%	0	0	0	0	0	\$5.22	\$5.22
Swift Creek	2,897,309	6.1%	6.1%	43,023	0	0	75,522	75,522	\$15.77	\$15.77
Willow Lawn	2,867,558	6.9%	6.9%	5,127	0	0	(13,561)	(13,561)	\$13.14	\$13.00
RICHMOND TOTAL	79,509,250	6.4%	6.3%	229,463	174,828	80,562	225,691	221,851	\$13.36	\$13.38

* Rental rates reflect asking Spsf/year.

Market Highlights

SIGNIFICANT 1Q11 LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET
Hancock Village	Swift Creek	Dick's Sporting Goods	50,029
Creeks at Virginia Center	I-95 North/Ashland	Ross Dress for Less	32,302
Brandy Hill Plaza	Mechanicsville	Yong Li	9,100

SIGNIFICANT 1Q11 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
Westpark Shopping Center	Broad St. Corridor	Westdale Recap Partners	176,973	\$23,300,000
former Emrick Chevrolet	Laburnum/Rte 360	Jong Lim	43,000	\$1,100,000

SIGNIFICANT PROJECTS UNDER CONSTRUCTION/RENOVATION

BUILDING	MARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Costco	Midlothian West	Costco	108,720	2Q11