

MARKETBEAT

RICHMOND RETAIL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



2Q11

ECONOMIC OVERVIEW

The local economy is heating up. Unemployment in Richmond fell to 6.7% in May, down from 7.5% in May 2010, and that might fall more as several large employers, including GE, SnagAJob and Mondial have announced major hiring initiatives for 2011.

Richmond is in far better shape than the nation as a whole, which has unemployment of 8.7%, but not everyone is dancing in the streets just yet. The national and global economies are showing signs of strain. Gas prices remain stubbornly high, which saps spending power from consumers.

RETAIL MARKET OVERVIEW

Brokers are reporting fuller pipelines than in 2010. The statistics suggest that deals — both leases and investment sales — are coming back.

Leasing activity was 700,000 square feet (sf) through the second quarter of 2011, up 34% from 522,000 sf for the same quarter in 2010. Local and regional restaurants have been on a tear, taking several locations at once. For example, a partner in the popular Mexican restaurant chain Plaza Azteca signed leases for three new restaurant concepts around Richmond. Meanwhile the Richmond Restaurant Group, which owns a handful of establishments, signed leases for two new spaces, and Q BBQ, Hometeam Grill and Cookout are all adding locations.

Retail chains are also getting in on the action. Toys“R”Us leased 58,075 sf at The Corner at Short Pump, and Hobby Lobby leased 55,000 sf at Hancock Village in Chesterfield.

Vacancy fell from 7.0% in the second quarter of 2010 to 6.3% in the second quarter of 2011. That's down a smidge from the first quarter.

Investment sales are also closing with increasing frequency. The Rebbee Company recently purchased The Corner at Short Pump from the Archon Group for \$8.3 million. The 41-acre site has both a residential and a retail component and is anchored by a new Kroger grocery store and has announced leases with Toys R Us/Babies R Us, Olive Garden and Bassett. WP Realty bought Chesterfield Marketplace for \$12.1 million, which is an existing shopping center of 176,764 sf with over 130,000 sf of vacancy. Also of note, Hackney Real Estate Services paid \$5.9 million for Genito Crossing, which has 79,400 sf of retail space.

ECONOMIC INDICATORS

NATIONAL	2010	2011	2012F
Real GDP Growth	2.9%	2.7%	4.2%
CPI Growth	1.6%	3.0%	1.9%
Consumer Spending Growth	1.7%	2.7%	3.6%
Retail Sales	6.4%	8.1%	5.9%
REGIONAL			
Household Income	\$51,963	\$53,051	\$54,480
Population	1,261,630	1,274,280	1,287,030
Unemployment	7.73%	6.94%	6.23%

Source: Moodv's | Economy.com . U.S. Census. Bureau of Labor Statistics. National Retail Federation

BEAT ON THE STREET



“Activity has increased dramatically from this time last year. Retailers are pushing to do deals as concessions from landlords seem to be diminishing.”

– Jim Ashby
Retail Sales/Leasing

2011 KEY LEASING TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
The Corner at Short Pump	Toys “R” Us	58,075
Hancock Village	Hobby Lobby	55,000
9750 W. Broad St.	Spirit Halloween	25,900

2011 KEY INVESTMENT TRANSACTIONS

PROPERTY	SIZE (SF)	PURCHASE PRICE
The Corner at Short Pump	200,000	\$8,300,000
Chesterfield Marketplace	176,764	\$12,100,000
Genito Crossing Shopping Center	79,400	\$5,900,000

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	MAJOR TENANTS	SQUARE FEET	COMPLETION DATE
Hancock Village Buildings B-H	Hobby Lobby	164,728	Fall 2011
Willow Lawn Redevelopment	Old Navy	15,000	Fall 2011

OUTLOOK

As leasing activity rises, rental rates seem to be holding steady at an average of about \$13.50 per square foot (psf). But big concessions, such as free rent and high allowances are likely on the way out, especially as restaurants go gangbusters and prove consumers are willing to spend. The newest projects in the most sought-after retail locations will continue to lease quickly, while the older spaces are going to continue to find it challenging to land tenants. Some older centers might continue to see weaker businesses pull out. And if gas prices continue falling, as they were when this report went to print, retailers in general will see a boost in sales.

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	106,830	4.0%	4.0%	0	0	0	750	750	\$12.00	\$12.00
Broad St. Corridor	2,127,464	8.8%	8.8%	9,812	0	0	(5,182)	(5,182)	\$14.19	\$14.19
Colonial Heights	3,171,865	4.3%	3.9%	48,472	0	0	5,697	5,697	\$12.83	\$13.15
Cumberland County	14,845	0.0%	0.0%	0	0	0	0	0	NA	NA
Dinwiddie County	158,826	1.1%	1.1%	0	0	0	(1,758)	(1,758)	\$16.01	\$16.01
Downtown	6,464,130	4.0%	4.0%	16,798	58,000	0	(33,739)	(33,739)	\$13.68	\$13.68
East End	4,269,004	9.2%	9.2%	21,098	0	9,302	9,605	9,605	\$10.32	\$10.32
Far West End North	425,161	7.2%	7.2%	0	0	0	1,600	1,600	\$18.00	\$18.00
Far West End South	1,266,746	6.6%	6.6%	33,348	0	0	19,231	19,231	\$15.65	\$16.30
Goochland	312,005	4.0%	4.0%	4,400	0	0	4,850	4,850	\$9.29	\$9.29
Hopewell	1,277,755	10.1%	10.1%	11,588	0	0	(16,162)	(16,162)	\$9.86	\$9.86
I-95 / Chamberlayne NE	860,834	6.4%	6.4%	2,994	13,000	0	8,835	8,835	\$17.06	\$17.06
I-95 Ashland / NW	2,078,684	3.3%	3.3%	8,768	0	0	14,375	14,375	\$12.17	\$12.17
Jeff Davis Corridor	3,014,900	13.4%	13.4%	10,355	9,100	0	(7,175)	(7,175)	\$8.96	\$8.96
King & Queen County	37,040	0.0%	0.0%	0	0	0	0	0	NA	NA
King William County	351,886	20.4%	20.4%	0	0	0	12,630	12,630	\$11.27	\$11.27
Laburnum / Route 360	2,714,098	3.5%	3.4%	17,494	0	0	49,189	49,189	\$8.24	\$8.23
Louisa County	507,968	3.4%	3.4%	7,530	0	53,260	59,928	59,928	\$9.18	\$9.18
Mechanicsville	2,714,674	4.2%	4.2%	38,955	14,219	0	16,666	19,866	\$15.94	\$15.73
Midlothian E./ Hull St.	7,519,813	9.6%	9.6%	61,472	0	0	(87,643)	(87,643)	\$10.79	\$10.79
Midlothian Village	1,729,975	10.1%	10.1%	12,935	0	0	4,340	4,340	\$19.53	\$19.53
Midlothian West	6,892,454	6.0%	5.9%	107,506	0	154,045	(9,260)	(8,060)	\$15.56	\$15.55
Near West End	3,779,081	3.9%	3.8%	22,684	0	0	4,760	4,760	\$15.15	\$15.09
New Kent County	276,675	8.5%	8.5%	1,800	0	0	(3,180)	(3,180)	\$6.00	\$6.00
Petersburg	2,548,944	6.9%	6.9%	28,760	0	0	25,545	25,545	\$10.25	\$10.25
Powhatan	558,934	10.2%	10.2%	2,800	0	0	(8,035)	(8,035)	\$12.75	\$12.75
Prince George	833,349	4.8%	3.6%	6,395	0	18,000	17,865	7,365	\$9.10	\$9.58
Regency	2,547,599	4.0%	3.9%	25,039	0	0	5,912	2,072	\$18.45	\$18.75
Short Pump	4,027,907	4.5%	4.5%	4,700	0	0	(12,401)	(12,401)	\$22.30	\$22.30
South Chesterfield	3,443,481	2.4%	2.2%	43,645	6,000	0	31,693	30,098	\$12.93	\$12.88
Staples Mill / Parham	7,566,761	6.2%	6.0%	73,743	0	6,678	9,854	(7,672)	\$15.92	\$16.77
Sussex County	113,697	28.0%	28.0%	0	0	0	0	0	\$5.22	\$5.22
Swift Creek	2,928,198	7.7%	7.7%	19,315	164,728	0	21,708	21,708	\$15.59	\$15.52
Willow Lawn	2,871,809	4.2%	4.2%	57,001	0	0	17,339	17,339	\$12.79	\$12.64
RICHMOND TOTAL	79,513,392	6.3%	6.2%	699,407	265,047	241,285	157,837	128,776	\$13.10	\$13.13

* Rental rates reflect asking \$psf/year.