

# MARKETBEAT

## RICHMOND RETAIL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



3Q11

### ECONOMIC OVERVIEW

Little by little, the Richmond economy is gaining steam. Unemployment for Richmond was 7.0% in the third quarter, down from 7.9% in 2010, and local consumers are loosening their purse strings. Taxable sales for Richmond, Henrico and Chesterfield combined reached \$2.64 billion in the second quarter, an increase of 1.9% over the same period last year. During the darker days of late 2008 and 2009, that figure was falling each quarter. However, no one is celebrating just yet, especially with inflation in food and fuel costs eating into discretionary spending, debt troubles in Europe reverberating stateside and banks – a major local employer – threatening to cut thousands of jobs.

### RETAIL MARKET OVERVIEW

The retail market is starting to purr again. Absorption through the third quarter was 504,636 square feet (sf), up dramatically from 33,612 sf through the third quarter of 2010. That's a good sign that fewer retailers are going out of business and handing over the keys while more retailers are expanding in the market. Indeed, leasing activity for 2011 is almost identical to the 1 million square feet leased through the third quarter of 2010, but the vacancy rate fell to 6.3% from 6.8% last year.

One trend to watch: A multitude of national retail chains, such as Best Buy, Office Depot, Whole Foods, Walmart and Staples are "right-sizing" their stores. This comes from both development of new locations and, in some cases, attempting to downsize their existing store footprint by offering up space for sublease. This is a reversal of the bigger-is-better attitude from the past. This is also the quarter of closing bookstores, a long anticipated situation, with both Books-A-Million and Borders closing on West Broad Street. Stony Point Fashion Park continues to regenerate itself, adding a Tiffany's and Vineyard Vines while losing United Colors of Benetton. Dillard's continues to vacate the locations it originally acquired in its market entry with the closing at Virginia Center Commons, leaving only one acquisition at Southpark Mall and the new stores it built at Stony Point and Short Pump.

As reported over the past two years, fast-casual restaurants – where patrons order at a counter and typically don't tip a server – are signing more leases and looking for more space. This includes both franchise and national concepts alike. The hottest trend currently seems to be frozen yogurt shops with more than five new concepts looking to make deals in the market. Barbecue restaurants are also adding locations with hometown favorites Buz and Ned's under construction in Henrico County and Q Barbeque leasing a second store at Virginia Center.

### ECONOMIC INDICATORS

NATIONAL	2010	2011	2012F
GDP Growth	3.0%	1.6%	2.7%
CPI Growth	1.6%	3.0%	2.1%
Consumer Spending Growth	2.0%	2.1%	2.4%
Retail Sales	6.4%	7.3%	5.4%
REGIONAL			
Household Income	\$51,963	\$53,051	\$54,480
Population	1,261,630	1,274,280	1,287,030
Unemployment	7.7%	6.9%	6.7%

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

### BEAT ON THE STREET



"Retail activity is up. Retailers are touring and submitting offers, but it's too early to tell if the trend will continue."

– Connie Jordan Nielsen  
Senior Vice President

### 2011 KEY LEASING TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
Stein Mart Festival	Spirit Halloween	28,842
The Corner at Short Pump	Bassett Furniture	14,422
Merchants Walk	City Trends	12,032

### 2011 KEY INVESTMENT TRANSACTIONS

PROPERTY	SIZE (SF)	PURCHASE PRICE
Oxbridge Square	127,801	\$12,500,000
Midlothian Village Square	4,935	\$1,080,000

### SIGNIFICANT BUILDINGS UNDER CONSTRUCTION

TENANT	PROJECT	SQUARE FEET	COMPLETION DATE
Hobby Lobby, Dick's Sporting Goods, Walmart	Hancock Village Buildings B-H	164,728	4Q11
Bassett Furniture, Toys R Us, Olive Garden	The Corner at Short Pump	128,242	1Q12



### OUTLOOK

Brokers expect to see continued expansion from local restaurateurs who can secure financing for proven models. That trend will help fill in the most desirable locations, such as Short Pump, Carytown and Rocketts Landing, which this quarter added another new restaurant, M Bistro. Alternative retail uses are still active, such as health clubs and medical uses.

Rents will continue to hover around \$13.50 per square foot (psf), although they may inch up slightly, and concessions will be prevalent for newly vacant space in older or less desirable locations.

### MARKET/SUBMARKET STATISTICS

Market/Submarket	Inventory	Overall		YTD Leasing Activity	Under Construction	YTD			Overall Wtd. Avg. Gross Rental Rate*	Direct Wtd. Avg. Gross Rental Rate*
		Vacancy Rate	Vacancy Rate			Construction Completions	YTD Direct Absorption	YTD Overall Absorption		
Amelia County	106,830	4.0%	4.0%	0	0	0	750	750	\$12.00	\$12.00
Broad St. Corridor	2,229,001	8.0%	7.9%	25,954	0	0	1,519	(1,577)	\$14.69	\$14.54
Colonial Heights	3,175,635	4.1%	4.1%	66,910	0	0	(5,017)	6,833	\$13.08	\$13.08
Cumberland County	14,845	0.0%	0.0%	0	0	0	0	0	NA	NA
Dinwiddie County	161,826	1.1%	1.1%	0	0	0	(1,758)	(1,758)	\$16.01	\$16.01
Downtown	6,523,398	4.4%	4.4%	40,588	0	58,000	(30,192)	(30,192)	\$13.69	\$13.69
East End	4,232,048	9.1%	9.1%	34,836	0	9,302	38,776	35,697	\$10.34	\$10.34
Far West End North	279,637	3.0%	3.0%	1,500	0	0	3,100	3,100	NA	NA
Far West End South	1,266,746	6.9%	6.9%	63,224	0	0	13,150	13,150	\$15.35	\$15.99
Goochland	315,555	3.3%	3.3%	4,400	0	0	6,850	6,850	\$9.29	\$9.29
Hopewell	1,262,051	11.0%	11.0%	11,588	0	0	(2,568)	(2,568)	\$9.70	\$9.70
I-95 Ashland / NW	2,101,243	2.7%	2.7%	16,133	0	0	19,120	19,120	\$12.52	\$12.52
I-95 / Chamberlayne NE	884,108	6.6%	6.6%	19,544	0	13,000	23,135	22,485	\$16.18	\$16.25
Jeff Davis Corridor	3,015,566	13.0%	13.0%	18,970	9,100	0	11,531	11,531	\$8.98	\$8.98
King & Queen County	37,040	0.0%	0.0%	0	0	0	0	0	NA	NA
King William County	351,886	17.2%	17.2%	20,500	0	0	20,995	20,995	\$9.34	\$9.34
Laburnum / Route 360	2,706,701	4.0%	3.8%	43,780	0	0	46,550	46,550	\$8.41	\$8.40
Louisa County	512,860	3.9%	3.9%	7,530	0	53,260	57,428	57,428	NA	NA
Mechanicsville	2,730,074	4.1%	3.9%	44,548	0	14,219	31,878	37,478	\$15.64	\$15.40
Midlothian E./ Hull St.	7,667,098	9.5%	9.5%	128,722	0	0	(84,973)	(84,973)	\$10.62	\$10.62
Midlothian Village	1,569,980	10.2%	10.2%	23,032	0	0	(2,938)	(2,938)	\$19.33	\$19.33
Midlothian West	7,118,371	5.7%	5.5%	179,019	0	154,045	222,265	217,409	\$15.89	\$15.89
Near West End	3,825,944	3.6%	3.6%	41,280	39,000	0	33,458	36,010	\$14.66	\$14.66
New Kent County	272,020	8.8%	8.8%	4,353	0	0	(810)	(810)	\$6.00	\$6.00
Petersburg	2,545,217	7.6%	7.6%	37,470	0	0	3,968	3,968	\$10.73	\$10.73
Powhatan	558,934	9.2%	9.2%	4,575	0	0	(3,260)	(3,260)	\$12.53	\$12.53
Prince George	833,349	11.4%	11.4%	9,323	0	18,000	(39,731)	(50,231)	\$9.10	\$9.58
Regency	2,529,602	3.5%	3.5%	62,958	0	0	14,544	14,544	\$18.61	\$18.61
Short Pump	4,194,076	4.5%	4.3%	44,958	128,242	0	10,473	473	\$21.95	\$21.95
South Chesterfield	3,357,330	2.7%	2.5%	59,247	6,000	0	39,394	37,799	\$13.28	\$13.63
Staples Mill / Parham	7,561,634	5.5%	5.3%	122,979	0	6,678	80,905	87,747	\$16.00	\$16.53
Sussex County	113,697	28.0%	28.0%	0	0	0	0	0	\$5.22	\$5.22
Swift Creek	3,067,972	7.6%	7.6%	33,271	164,728	0	17,700	17,700	\$15.20	\$15.12
Willow Lawn	2,869,465	5.4%	5.3%	93,317	0	0	(14,674)	(14,674)	\$13.05	\$12.91
<b>RICHMOND TOTAL</b>	<b>79,991,739</b>	<b>6.3%</b>	<b>6.2%</b>	<b>1,264,509</b>	<b>347,070</b>	<b>326,504</b>	<b>511,568</b>	<b>504,636</b>	<b>\$13.12</b>	<b>\$13.15</b>

\* Rental rates reflect asking \$psf/year.