

# MARKETBEAT

## RICHMOND, VIRGINIA RETAIL REPORT

**Thalhimer**  
commercial real estate

4Q07

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

### ECONOMIC OVERVIEW

The Richmond economy continues to grow faster than the national economy and continues to attract new retailers. The population of Virginia has been growing at a rate of 5.4%, outpacing the national average of 4.3%, according to the U.S. Census Bureau. Richmond residents also have more money to spend, further encouraging retail-related construction. According to the U.S. Bureau of Labor Statistics, residents in Henrico County (pop. 285,000) earned almost 8% more in 2007 than 2006.

In 2007, some of Richmond's major financial services employers announced layoffs. But economists say the area can absorb the cutbacks and remain healthy. The Richmond unemployment rate was 3.2% in November while the national average was 4.5%.

### BEAT ON THE STREET



"Short Pump has been the talk of the town for so long – and there's still a lot there – but significantly more space is coming online in the southwest part of town."

—Connie Jordan Nielsen, Senior VP

### RETAIL MARKET OVERVIEW

Retailers continue to be bullish on Richmond. Merchants with existing locations in the area expanded, while retailers without operations made plans to enter the market, including Whole Foods, Trader Joe's and REI. Leasing activity was notably higher in 2007 than 2006. Through the fourth quarter of 2007, retailers leased 1,241,115 sf, topping the 801,017 sf leased in 2006 by 55%. New construction continues to fetch a premium. In the Short Pump submarket, asking rates increased from \$29.96 psf in 2006 to \$32.42/psf one year later, an increase of 8.2%.

While furniture and home improvement stores struggled, as did casual restaurants, the so-called fast casual are expanding rapidly (the likes of Chipotle and Panera). Restaurant and entertainment center Dave & Buster's leased 16,000 sf at West Broad Village and plans to open in 2009.

Expansion continues in the suburbs, with particular growth along Route 1 North, Staples Mill Road, Hull Street, W. Broad Street, Mechanicsville Turnpike and Midlothian Turnpike. Of particular note, Four Square South purchased Hanover Square South Shopping Center in Mechanicsville from COF South for \$17.2 million. Sam's Club bought 16 acres at White Oak Village for \$3,000,000, bringing new shopping opportunities to the historically underserved East End.

### ECONOMIC INDICATORS

NATIONAL	2008F	2007	2006
Real GDP Growth	2.2%	2.2%	2.9%
CPI Growth	2.5%	2.8%	3.2%
Consumer Spending Growth	1.5%	2.9%	3.1%
Retail Sales	3.1%	4.1%	6.1%
REGIONAL			
Household Income	\$58,722	\$57,571	\$56,277
Population	1,225,000	1,210,000	1,194,008
Unemployment	3.2%	3.2%	3.2%

Source: US Census, Bureau of Labor Statistics, National Retail Federation

### SIGNIFICANT 4Q07 NEW OPENINGS

PROPERTY	ANCHOR TENANT	SQUARE FEET
Staples Mill Square	Target	185,027
Bell Creek Commons	Best Buy	46,338
Shoppes at Breckenridge	FedEx/Kinko's	12,900
Short Pump Station	Petco	87,773

### SIGNIFICANT 4Q07 SALE TRANSACTIONS

PROPERTY	SQUARE FEET	PURCHASE PRICE
Parham One Shopping Center	90,000	\$6,225,000
Hanover Square South	61,169	\$17,200,000
13001 Jeff Davis Hwy	19,907	\$1,400,000

### SIGNIFICANT 2007 CONSTRUCTION ACTIVITY

BUILDING	MAJOR TENANTS	SQUARE FEET	COMPLETION DATE
Westchester Commons	Target, Regal Cinemas	975,000	Spring 2009
Shops at White Oak Village	Sam's, Target, Lowe's	900,000	Fall 2008
West Broad Village	Whole Foods	495,000	Fall 2008
Hancock Village	Wal-Mart	428,000	Spring 2009
The Shoppes at Westchester	CVS	300,000	Spring 2009
Stonehenge Village	N/A	170,000	Spring 2009
Rutland Commons	Kroger	110,000	Winter 2008
Boulevard Square	Bow Tie Cinemas	73,000	Spring 2009

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### OUTLOOK

For 2008, retail growth will continue on all fronts – infill, adaptive reuse and green-field development on the fringes of the metro area. Meanwhile, developers are adapting to the region's changing tastes. In 2008, Rocketts Landing will add retail space along the James River just east of downtown while Cloverleaf Mall and Beaufont Center could see new ownerships and full scale redevelopments.

Across town, stores at West Broad Village will open on the first floor below second-story condos. But Short Pump, the longtime retail darling, will face competition as activity picks up in Goochland and Southside. The southwest quadrant will likely see the most activity. Westchester Commons will break ground in 2008 on the corner of Route 288 and Midlothian Turnpike, adding 975,000 sf and a Target, Regal Cinemas, Jo-Ann Store, OfficeMax and Bertucci's.

Another project to watch in 2008 includes Boulevard Square, the only first-run movie theater in the City of Richmond in decades. Bow Tie Partners is underway with their renovations to the former locomotive assembly plant converting it into an upscale 17 screen all-stadium theater with a combination of new construction and renovations to the former brass foundry to provide an additional 18,000 sf of first class restaurant/retail space.

All the new projects –3.7 million sf under construction at the end of 2007, up 180% from the end of 2006 – might send vacancy rates higher in 2008. New shopping centers will likely open 80% leased. In the past, that figure was closer to 90%. Rental rates will likely stabilize or increase at a slower rate than in years past.

### MARKET/SUBMARKET STATISTICS

Market/Submarket	Inventory	No. of Bldgs.	Overall Vacancy Rate	Direct Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Direct Absorption	Direct Wtd. Avg. Class A Gross Rental Rate*
Downtown	3,814,118	436	3.4%	3.4%	44,033	73,000	27,000	29,517	\$12.78
<b>Downtown Total</b>	<b>3,814,118</b>	<b>436</b>	<b>3.4%</b>	<b>3.4%</b>	<b>44,033</b>	<b>73,000</b>	<b>27,000</b>	<b>29,517</b>	<b>\$12.78</b>
I-95 / Chamberlayne NE	610,413	68	6.1%	6.1%	5,678	0	0	(17,851)	\$19.67
Laburnum / Route 360	2,898,285	428	11.8%	11.6%	56,145	0	0	(165,918)	\$8.52
Mechanicsville	2,292,438	189	4.7%	4.5%	86,901	0	117,638	87,254	\$15.70
<b>Northeast Total</b>	<b>5,801,136</b>	<b>685</b>	<b>8.4%</b>	<b>8.2%</b>	<b>148,724</b>	<b>0</b>	<b>117,638</b>	<b>(96,515)</b>	<b>\$12.37</b>
Broad St Corridor	2,168,220	124	9.9%	9.9%	75,548	30,000	3,400	(135,681)	\$16.77
Far West End North	477,131	29	3.5%	3.5%	0	0	0	0	N/A
Far West End South	472,318	44	1.7%	1.7%	48,151	0	0	(56,429)	\$15.01
I-95 Ashland / NW	1,676,662	158	3.2%	2.7%	33,242	0	81,230	58,464	\$20.62
Near West End	3,462,340	614	3.1%	3.1%	41,016	0	29,974	6,952	\$18.01
Regency	2,143,084	88	3.6%	3.6%	67,629	0	0	(10,459)	\$18.56
Short Pump	3,319,417	68	2.6%	2.1%	98,722	719,986	19,494	54,636	\$32.42
Staples Mill / Parham	7,391,818	458	3.7%	3.6%	67,369	32,993	185,027	1,451	\$20.03
Willow Lawn	3,090,863	252	8.3%	8.3%	62,409	10,559	0	(40,123)	\$11.58
<b>Northwest Total</b>	<b>25,034,509</b>	<b>1,851</b>	<b>4.9%</b>	<b>4.8%</b>	<b>494,086</b>	<b>793,538</b>	<b>319,125</b>	<b>(121,189)</b>	<b>\$18.11</b>
East End	3,445,101	442	3.7%	3.7%	106,010	900,000	9,600	26,009	\$9.98
<b>Southeast Total</b>	<b>3,445,101</b>	<b>442</b>	<b>3.7%</b>	<b>3.7%</b>	<b>106,010</b>	<b>900,000</b>	<b>9,600</b>	<b>26,009</b>	<b>\$9.98</b>
Jeff Davis Corridor	3,237,132	501	11.5%	11.5%	90,593	0	0	75,988	\$6.27
Midlothian E / Hull St	7,683,875	538	8.9%	8.8%	133,602	34,400	46,370	(36,010)	\$11.22
Midlothian Village	678,342	79	2.5%	2.5%	21,047	1,282,000	0	20,204	\$15.34
Midlothian West	6,039,496	254	5.3%	4.9%	118,257	196,113	0	(18,692)	\$18.71
South Chesterfield	3,016,842	253	6.4%	6.2%	56,948	107,121	85,501	(1,020)	\$16.51
Swift Creek	3,104,266	131	4.8%	5.8%	27,815	452,046	0	69,802	\$17.89
<b>Southwest Total</b>	<b>23,759,953</b>	<b>1,756</b>	<b>7.5%</b>	<b>7.2%</b>	<b>448,262</b>	<b>2,071,680</b>	<b>131,871</b>	<b>110,272</b>	<b>\$13.48</b>
<b>RICHMOND TOTAL</b>	<b>61,854,817</b>	<b>5,170</b>	<b>6.1%</b>	<b>5.9%</b>	<b>1,241,115</b>	<b>3,838,218</b>	<b>605,234</b>	<b>(51,906)</b>	<b>\$14.56</b>

\* Rental rates reflect \$psf/year



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