

# MARKETBEAT

## RICHMOND, VIRGINIA RETAIL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

**Thalhimer**  
commercial real estate

1Q08

### ECONOMIC OVERVIEW

Virginia is currently ranked by Forbes magazine as the “Best State for Business”, and the national business magazine recently declared Richmond the 7<sup>th</sup> best city in the nation on their list of “Best Places for Business and Careers”. The local unemployment rate was 3.9% in February, up from 3.2% for the same month last year, but less than the 4.8% national unemployment rate in February. As this report went to press, the national unemployment rate for the nation rose to 5.1% for March. It is anticipated that the Richmond region will also see an increase in the unemployment rate for March when those numbers are released at the end of April.

Other area retailers continue to add new locations and relocate older stores for new ones. CVS closed its original Willow Lawn store and opened across the street at Willow Lawn Plaza. Barnes & Noble is under construction for a new space at Chesterfield Towne Center, relocating from across the street and accommodating their new prototypical footprint.

### BEAT ON THE STREET



“If new space isn’t pre-leased as quickly as in the past, asking rates may fall and landlords might start to grow more flexible.”

—Richard Thalhimer, VP

### RETAIL MARKET OVERVIEW

Leasing activity returned to regular levels after an unusually busy fourth quarter 2007. Companies with existing operations continue to upgrade and new retailers continue to enter the market. Longhorn Steakhouse opened at Short Pump Station near a recently-opened Mattress Warehouse. Whole Foods will enter the market at Short Pump later this year. Downtown, the 1,500-seat National Theater opened on Broad Street, bringing new life and nationally-touring music acts to an area of town undergoing a revival with the addition of restaurants and art galleries.

Across the region, overall vacancy rates rose slightly to 6.1% in the first quarter, up from 5.9% for the first quarter 2007. Rents are stabilizing at \$14.88 per square foot (psf) after rising 12% in 2007 to \$14.56 psf. Absorption in the region was negative 25,000 square feet (sf) compared to negative 466,000 sf for the same quarter last year. This negative absorption can be attributed to the closing of Garden Ridge in the Eastern Quadrant. Garden Ridge is currently out scouring the market for a replacement facility.

Several submarkets are particularly active. Vacancy in the Jefferson Davis submarket dropped from 19% during the first quarter 2007 to 11% during the first quarter 2008. Downtown vacancy fell from 5.0% to 3.4%, quarter over quarter, in part because of new restaurants and the continued rejuvenation of Broad Street. Also downtown, Apple REIT Seven Inc. purchased the 310,000-sf downtown Marriott for \$53 million.

### ECONOMIC INDICATORS

NATIONAL	2008F	2007	2006
Real GDP Growth	1.5%	2.2%	2.9%
CPI Growth	3.0%	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	3.4%	3.2%	3.2%

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

### SIGNIFICANT 1Q08 NEW OPENINGS

PROPERTY	ANCHOR TENANT	SQUARE FEET
National Theater	N/A	37,194
Ethan Allen	N/A	23,980

### SIGNIFICANT 1Q08 SALE TRANSACTIONS

PROPERTY	SQUARE FEET	PURCHASE PRICE
Beaufont Mall	315,000	N/A
Downtown Marriott	310,000	\$53,000,000
Linden Row Inn	52,034	\$4,650,000

### SIGNIFICANT 2008 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

More than 3.5 million square feet (msf) of new retail space is currently under construction, most of which is going up in large shopping centers. Projects will likely continue on schedule although lenders might require that future projects have a higher percentage of pre-leased tenants before breaking ground.

All of the new supply will likely satiate rising demand, and thus keep rental rates steady, a change from the double digit increases seen in some markets like Short Pump. If new properties don't pre-lease as fast as they have in the recent past, landlords might become more willing to lower rents or offer incentives to lock in tenants.

Savvy developers, meanwhile, continue to see upside in formerly overlooked pockets. The Cloverleaf Mall in Chesterfield, one of the area's first indoor malls, is slated for demolition and redevelopment. All tenants were moved out in February. Across the street, the 41-acre Beaufont Mall was sold to The Bond Companies, a Chicago-based developer with plans to re-brand and redevelop it as a mixed-use development called Spring Rock Green.

### 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	3,984,120	437	3.4%	3.4%	694	73,000	0	(4,547)	\$13.35
<b>Downtown Total</b>	<b>3,984,120</b>	<b>437</b>	<b>3.4%</b>	<b>3.4%</b>	<b>694</b>	<b>73,000</b>	<b>0</b>	<b>(4,547)</b>	<b>\$13.35</b>
I-95 / Chamberlayne NE	614,764	70	6.9%	6.9%	0	124,250	0	(5,000)	\$19.63
Laburnum / Route 360	2,898,284	428	11.7%	11.7%	14,354	0	0	(175,039)	\$8.68
Mechanicsville	2,399,365	192	4.3%	4.3%	24,622	0	0	(2,096)	\$15.52
<b>Northeast Total</b>	<b>5,912,413</b>	<b>690</b>	<b>8.2%</b>	<b>8.2%</b>	<b>38,976</b>	<b>124,250</b>	<b>0</b>	<b>(182,135)</b>	<b>\$11.74</b>
Broad St Corridor	2,174,180	120	8.0%	8.0%	9,692	0	0	13,443	\$17.35
Far West End North	538,417	29	N/A	N/A	0	0	0	0	N/A
Far West End South	1,306,174	60	10.7%	10.7%	10,205	0	0	4,163	\$14.69
I-95 Ashland / NW	1,625,239	157	2.1%	2.1%	16,558	0	0	(6,304)	\$12.32
Near West End	3,858,477	632	2.5%	2.5%	7,784	0	0	6,730	\$19.07
Regency	2,142,960	88	3.1%	3.1%	34,542	0	0	(18,477)	\$19.84
Short Pump	3,347,433	71	4.1%	3.5%	0	665,424	68,606	15,471	\$29.20
Staples Mill / Parham	7,424,771	460	4.2%	3.9%	21,983	0	64,230	38,722	\$19.78
Willow Lawn	3,088,427	252	8.2%	8.2%	13,335	0	10,559	11,945	\$11.44
<b>Northwest Total</b>	<b>25,506,078</b>	<b>1,869</b>	<b>4.8%</b>	<b>4.6%</b>	<b>114,099</b>	<b>665,424</b>	<b>143,395</b>	<b>65,693</b>	<b>\$18.18</b>
East End	3,325,937	441	4.5%	4.2%	2,430	909,000	0	(9,170)	\$12.75
<b>Southeast Total</b>	<b>3,325,937</b>	<b>441</b>	<b>4.5%</b>	<b>4.2%</b>	<b>2,430</b>	<b>909,000</b>	<b>0</b>	<b>(9,170)</b>	<b>\$12.75</b>
Jeff Davis Corridor	3,224,046	500	11.4%	11.4%	0	0	0	108,261	\$7.44
Midlothian E / Hull St	7,740,267	543	9.1%	8.1%	11,600	7,200	0	(13,920)	\$11.37
Midlothian Village	873,911	85	3.9%	3.9%	3,609	1,282,000	0	(3,382)	\$16.30
Midlothian West	6,098,364	256	5.4%	5.0%	14,391	191,660	0	20,199	\$18.44
South Chesterfield	3,080,697	258	7.1%	6.9%	9,342	30,273	23,000	(4,242)	\$16.31
Swift Creek	2,754,773	130	6.5%	5.5%	8,726	465,720	0	(1,926)	\$17.23
<b>Southwest Total</b>	<b>23,772,058</b>	<b>1,772</b>	<b>7.7%</b>	<b>7.4%</b>	<b>47,668</b>	<b>1,976,853</b>	<b>23,000</b>	<b>104,990</b>	<b>\$13.63</b>
<b>RICHMOND TOTAL</b>	<b>62,500,606</b>	<b>5,209</b>	<b>6.1%</b>	<b>5.9%</b>	<b>203,867</b>	<b>3,748,527</b>	<b>166,395</b>	<b>(25,169)</b>	<b>\$14.88</b>

\* Rental rates reflect \$psf/year



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