

MARKETBEAT

RICHMOND, VIRGINIA RETAIL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

Thalhimer
commercial real estate

MID-YEAR 2008

ECONOMIC OVERVIEW

Like the rest of the nation, some Richmond consumers are cutting back on discretionary purchases to pay for gas and other necessities. Casual dining restaurants and car-dealers, in particular, have experienced a slow down in sales while fast casual concepts are picking up the slack.

Richmond remains in better shape than most of the nation with employment figures showing a slight improvement from last quarter. The unemployment rate in Richmond was 3.5% in April. That's down from 3.9% in February and tops the 3.9% unemployment rate statewide, as well as the national unemployment rate of 5.5%. It is higher than the unemployment rate of 2.9% in the second quarter in 2007.

BEAT ON THE STREET



"Retailers were very successful in the last few years in filling their new store pipelines. They are now being much more selective in their decision making while waiting for macro economic conditions to unfold."

—Pete Waldbauer

RETAIL MARKET OVERVIEW

To fill existing or less-desirable space landlords are getting more aggressive about finding tenants, while tenants are negotiating these deals more aggressively.

Deal volume was robust in the second quarter. About twice the square footage was leased in the second quarter versus the first quarter, roughly 400,000 square feet (sf) versus 200,000 sf respectively. Vacancy dropped from 5.9% in the second quarter of 2007 to 5.5% this quarter. Conversely, average class A rents are up over 10 percent to \$14.67 from \$13.19 in the second quarter of 2007.

New geographic trends are emerging with activity in the Southwest quadrant finally outpacing the West End. Due to new projects coming online, vacancy at Short Pump, long the fastest-growing part of the region, rose from 1.3% in the second quarter of 2007 to 3.5% in the second quarter of 2008. Also of note, vacancy along the Broad Street Corridor dropped from 6.1% in the second quarter of last year to 4.0% with RoomStore World securing the former Bloom Brothers location. Aaron Rents acquired the former 11,000-sf La-Z-Boy store in Henrico County for \$1.5 million in that submarket.

Several new stores opened in the second quarter. Barnes & Noble opened a new bookstore at the Chesterfield Towne Center while Red Robin will be joining them later this year. Fresh Market is back-filling the space vacated by Barnes & Noble and should open prior to Thanksgiving. American Family Fitness opened a 95,000-sf gym at Short Pump and Lowe's finally opened their Mechanicsville location.

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	3.7%	3.2%	3.2%

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

KEY LEASING TRANSACTIONS

PROPERTY	SQUARE FEET
Lowe's – Mechanicsville	117,000
American Family Fitness – Short Pump Town Center	95,000
RoomStore World – Broad Street Corridor	80,000
Willow Lawn Plaza	37,400
Barnes & Noble – Chesterfield Towne Center	33,000

KEY INVESTMENT TRANSACTIONS

PROPERTY	SQUARE FEET	PURCHASE PRICE
Glen Lea Shopping Center	78,493	\$10,400,000
Laburnum Park Shopping Center	64,993	\$8,600,000
7221 Hull Street Rd.	60,000	\$2,400,000

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, Ukrop's	900,000	Fall 2008
West Broad Village	Whole Foods, REI	495,000	Fall 2008
Hancock Village	Wal-Mart, JC Penney	428,000	Spring 2009
Rutland Commons	Kroger	110,000	Winter 2008
Boulevard Square	Bow Tie Cinemas	73,000	Spring 2009

An independently owned and operated member of the



MARKETBEAT RICHMOND, VIRGINIA RETAIL REPORT MID-YEAR 2008

OUTLOOK

As some retailers give back space, look for the sublease and second generation market to heat up. Discount stores, such as Dollar Tree, will continue growing rapidly, but in general retailers will become more selective. Some national chains will look to close certain non-performing locations. Development for new projects will also slow, as financing continues to tighten and the area approaches a temporary saturation point.

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	5,837,915	444	3.4%	3.4%	15,226	76,116	0	(47,010)	\$13.46
Downtown Total	5,837,915	444	3.4%	3.4%	15,226	76,116	0	(47,010)	\$13.46
I-95 / Chamberlayne NE	629,964	71	6.2%	6.2%	0	124,250	0	(1,400)	\$18.38
Laburnum / Route 360	2,901,287	429	2.2%	2.2%	62,054	0	0	41,323	\$8.65
Mechanicsville	2,370,365	191	5.0%	4.4%	33,769	0	0	10,299	\$15.15
Northeast Total	5,901,616	691	3.8%	3.5%	95,823	124,250	0	50,222	\$11.28
Broad St Corridor	2,100,423	119	4.0%	4.0%	105,709	0	0	103,200	\$16.24
Far West End North	538,417	29	N/A	N/A	0	0	0	0	N/A
Far West End South	1,325,802	61	6.8%	6.8%	13,265	0	0	52,155	\$14.76
I-95 Ashland / NW	1,625,239	157	2.1%	2.1%	16,558	12,000	0	(2,822)	\$13.12
Near West End	3,767,607	599	2.9%	2.9%	29,008	0	0	1,850	\$19.85
Regency	2,159,045	91	3.0%	3.0%	38,592	0	0	(17,927)	\$20.21
Short Pump	3,419,051	76	3.5%	3.1%	2,800	672,250	109,103	33,180	\$29.54
Staples Mill / Parham	7,409,020	458	4.5%	4.1%	52,641	0	64,230	24,574	\$19.71
Willow Lawn	3,140,693	254	9.4%	9.4%	16,932	0	47,959	3,880	\$14.08
Northwest Total	25,485,297	1,844	4.4%	4.3%	275,505	684,250	221,292	198,090	\$18.41
East End	3,478,724	445	7.0%	6.6%	4,630	909,000	0	(101,176)	\$9.49
Southeast Total	3,478,724	445	7.0%	6.6%	4,630	909,000	0	(101,176)	\$9.49
Jeff Davis Corridor	3,214,307	498	11.2%	11.2%	94,163	7,200	0	60,992	\$7.29
Midlothian E / Hull St	7,678,880	542	8.5%	8.3%	49,211	7,200	0	21,286	\$11.31
Midlothian Village	877,236	85	4.7%	4.7%	3,609	1,282,000	0	(8,955)	\$17.23
Midlothian West	6,148,022	260	5.6%	5.4%	42,936	191,660	0	(6,767)	\$18.24
South Chesterfield	3,561,089	260	5.5%	5.3%	29,977	30,273	23,000	23,507	\$16.26
Swift Creek	2,559,167	133	7.6%	7.6%	23,511	465,720	0	(40,921)	\$16.52
Southwest Total	24,038,701	1,778	7.5%	7.3%	243,407	1,984,053	23,000	49,142	\$13.64
RICHMOND TOTAL	64,472,253	5,202	5.5%	5.3%	634,591	3,777,669	244,292	149,268	\$14.67

* Rental rates reflect \$psf/year



For further information, please contact one of our Brokerage Services Professionals:

Thalhimers
1313 East Main Street, Suite 400
Richmond, VA 23219
(804) 648-5881
www.thalhimers.com

This report contains information available to the public and has been relied upon by Thalhimers on the basis that it is accurate and complete. Thalhimers accepts no responsibility if this should prove not to be the case. No warranty or representation, express or implied, is made to the accuracy or completeness of the information contained herein, and same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions imposed by our principals.

©2008 Thalhimers, Inc. All rights reserved.