

MARKETBEAT

RICHMOND RETAIL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

Thalhimer
commercial real estate

MID-YEAR 2010

ECONOMIC OVERVIEW

The U.S. economy is sending mixed messages. The unemployment rate for Richmond rose slightly to 7.6% in April from the previous month, but is down from 8.6% in the first quarter and lower than the national unemployment rate of 9.3%. Some of that improvement might have come from the hiring of temporary census workers, according to the U.S. Department of Labor Statistics.

However, there are some dark clouds on the horizon. Businesses continue to report difficulty in borrowing money to expand or to hire workers. Personal bankruptcies reach new highs each month in Richmond. And on a national scale, the Consumer Confidence Index, which had been on the rise for three consecutive months, fell sharply as shoppers digested debt problems in Europe and here in the United States.

RETAIL MARKET OVERVIEW

Chain restaurants and mom-and-pops are getting more active in taking new space. For example, a Virginia Beach-based Mexican chain, Plaza Azteca, has two locations under construction. One is located at Westchester Commons in Chesterfield, another at Towne Center West, and also one taking over a former Max & Erma's location on West Broad Street. Outer Banks Seafood has opened in the former Bottega Bistro in Midlothian. Buzz & Neds is expanding its footprint by taking over the former Fuddrucker's on West Broad Street for a second location.

Several sales closed in the second quarter. A developer in Mechanicsville paid \$4 million for 5.6 acres on Atlee Road in Hanover County. The buyer, Atlee Road Realty LLC, intends to put in a shopping center called Patriots Center with plans for a Walgreens, AutoZone and Connects Federal Credit Union. Also of note, Kroger sold a 55,552-square foot (sf) store on Chalkley Road in Chesterfield to the C.F. Sauer Co. for \$2.39 million. American Family Fitness is constructing a new store in a portion of the building. Kroger had previously relocated a store from that location to Breckenridge Shopping Center.

The key statistics haven't changed much since last quarter, suggesting the market is leveling out. Vacancy rose slightly from last quarter to 7.0%. Absorption was essentially flat at 16,557 sf. That figure was 373,000 sf in the second quarter of 2009.

ECONOMIC INDICATORS

NATIONAL	2009	2010F	2011F
Real GDP Growth	-2.4%	3.1%	3.9%
CPI Growth	-0.3%	1.8%	2.1%
Consumer Spending Growth	-0.6%	2.3%	3.1%
Retail Sales	-6.3%	6.0%	5.7%
REGIONAL			
Household Income	\$59,587	\$60,182	\$60,250
Population	1,224,125	1,250,000	1,265,000
Unemployment	7.5%	8.2%	7.6%

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

BEAT ON THE STREET



"Activity on investment deals is perking up with two significant projects having come to market this past quarter."

– Eric Robison, Vice President

2Q10 KEY LEASING TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
Hanover Square South	Gold's Gym	15,008
Westchester Commons	Sleepy's, LLC	8,300
3321 W. Broad St.	Advance Auto Parts	6,727

2Q10 KEY INVESTMENT TRANSACTIONS

PROPERTY	SIZE (SF)	PURCHASE PRICE
Kroger Plaza	55,552	\$2,390,000

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	MAJOR TENANTS	SQUARE FEET	COMPLETION DATE
Towne Center West	Blue Ridge Mountain Sports	14,581	Fall 2010

OUTLOOK

Although greenfield development on the outer edges of the suburbs has slowed temporarily, there are two redevelopment projects to watch. The Shops at Willow Lawn will tear down the interior mall and return to its roots as a strip center. The Gold's Gym in that center will also be adding a pool. And in Carytown, a Maryland developer is looking to buy the 46,000-sf Verizon building and redevelop it for retail use.

Landlords and tenants are signing shorter leases these days, a trend likely to continue through the rest of the year. Asking rents are holding steady, but tenants will continue to receive free rent tacked on to the lease terms as well as some discounted or free tenant improvement. Landlords are also motivated to retain current tenants given the cost and risk associated with backfilling vacant space. Several foreclosures have taken place and the lenders are retaining possession of the properties to reposition the assets before placing them on the open market for sale.

Activity throughout the market has risen sharply during the quarter which will most likely be reflected in upcoming openings and announcements.

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 Rental Rate*
Downtown	6,336,756	493	3.9%	3.9%	6,300	0	0	(10,046)	\$13.63
Downtown Total	6,336,756	493	3.9%	3.9%	6,300	0	0	(10,046)	\$13.63
I-95 / Chamberlayne NE	807,464	91	6.9%	6.9%	3,675	0	11,434	19,627	\$19.23
Laburnum / Route 360	2,867,577	451	6.9%	6.8%	29,472	0	0	(70,937)	\$7.97
Mechanicsville	2,585,610	197	5.8%	5.5%	32,608	0	0	(6,326)	\$16.21
Northeast Total	6,260,651	739	6.5%	6.3%	65,755	0	11,434	(57,636)	\$11.86
Broad St. Corridor	2,083,999	129	8.0%	8.0%	11,560	0	0	32,708	\$14.07
Far West End North	427,120	33	2.3%	2.3%	2,500	0	0	(14,456)	N/A
Far West End South	1,373,902	75	7.7%	7.7%	2,900	0	0	(10,559)	\$15.83
I-95 Ashland / NW	2,069,778	184	3.6%	3.6%	3,950	0	0	(11,870)	\$10.04
Near West End	4,125,395	658	5.3%	5.3%	46,354	0	0	(27,358)	\$16.18
Regency	2,363,145	114	4.3%	4.3%	20,498	0	0	(4,914)	\$19.35
Short Pump	4,249,642	96	5.6%	5.6%	25,573	14,581	86,750	69,353	\$24.32
Staples Mill / Parham	7,410,055	477	6.7%	6.3%	50,667	6,678	0	(18,045)	\$17.45
Willow Lawn	2,866,723	294	6.7%	6.7%	37,474	0	0	47,846	\$11.29
Northwest Total	26,969,759	2,060	6.0%	5.9%	201,476	21,259	86,750	62,705	\$16.83
East End	4,403,318	488	10.0%	9.9%	14,413	25,340	0	(58,308)	\$10.71
Southeast Total	4,403,318	488	10.0%	9.9%	14,413	25,340	0	(58,308)	\$10.71
Jeff Davis Corridor	3,107,409	505	12.5%	12.5%	3,163	0	0	(16,571)	\$9.65
Midlothian E./ Hull St.	7,578,400	566	8.1%	8.1%	140,147	0	0	70,992	\$11.01
Midlothian Village	1,689,513	117	10.5%	10.5%	22,527	78,000	0	(392)	\$24.30
Midlothian West	6,458,072	280	9.3%	9.2%	45,291	0	0	(12,470)	\$13.01
South Chesterfield	3,892,267	298	3.3%	2.9%	15,003	0	0	53,173	\$14.19
Swift Creek	2,843,471	150	9.3%	9.3%	7,835	263,009	0	(14,890)	\$16.59
Southwest Total	25,569,132	1,916	10.3%	10.0%	233,966	341,009	0	79,842	\$13.53
RICHMOND TOTAL	69,539,616	5,696	7.0%	6.9%	521,910	387,608	98,184	16,557	\$14.03

* Rental rates reflect NNN \$psf/year



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

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

This report contains information available to the public and has been relied upon by Thalhimer on the basis that it is accurate and complete. Thalhimer 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.

©2010 Thalhimer, Inc. All rights reserved.