

# MARKETBEAT INDUSTRIAL SNAPSHOT

## RICHMOND, VA

A Cushman & Wakefield Alliance Research Publication

Q1 2013



### ECONOMIC OVERVIEW

The economic picture in Virginia is improving slowly, with unemployment holding steady and housing starts rebounding to the highest level in four years. The Virginia unemployment rate was 5.6% in January, unchanged from December and down from 6% in January 2012; the Richmond region's rate was 6.6%, down from 7.0% in January 2012 and 7.7% in January 2011. Housing starts in Virginia increased 8.9% in January from December 2012 and 44.7% over the year. Although new homes represent only a fraction of the housing market, each home built creates an average of three jobs for a year — half of those in the construction industry — and generates about \$90,000 in tax revenue.

Also of note, First Potomac Realty Trust is marketing its 4.2 million-square-foot (msf) portfolio of industrial properties in southern Virginia, including more than 700,000 square feet (sf) at River's Bend, at Route 10 and Interstate 295 in Chester. The six warehouses and flex industrial space sit on 150 acres and are 100% leased.

### LEASING AND SALES ACTIVITY

Bermuda Distribution, a transportation company, leased 92,857 sf at 4810 Eubank Road in Richmond. Best Bully Sticks, which manufactures dog treats and distributes other pet products, leased 90,000 sf at Eastport near Richmond International Airport, moving from its much smaller warehouse near Virginia Union University. And ITAC, which provides engineering and construction services, expanded into 45,000 sf on Enon Church Road in Chester. Construction on the Vitamin Shoppe's 311,000-sf warehouse in Ashland, which will be used as the company's East Coast flagship center, is well under way, with hiring expected to start this spring.

Notable sales included the former Binswanger Glass Company — 50,528 sf on Jacque Street in Richmond — to K2 Trophies & Awards for \$1.2 million, or \$24 per square foot (psf), and a former U.S. Postal Service building in Sandston to Swift Air Logistics. The Virginia-based trucking company paid \$1.45 million, or \$24 psf, for the 61,500-sf building.

Absorption was 140,150 sf in the first quarter, down from 317,846 sf for the first quarter of 2012. Leasing activity was 450,320 sf, on par with first quarter 2012. Vacancy was 9.9%, compared with 10.7% in the same quarter of 2012 and 11.1% in 2011. Prices remain very competitive for tenants and prospective buyers.

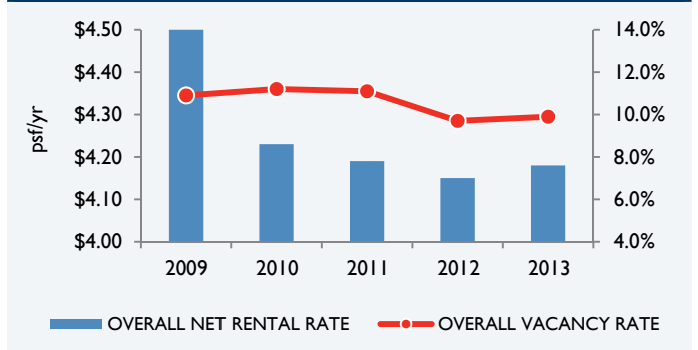
### OUTLOOK

Activity is trending up, brokers say. The number of prospects in the market for 5,000 to 25,000 sf is significant, and brokers anticipate that pickup will translate into activity in the second and third quarters. Absorption is still positive but not significant, with a dip in vacancy rates anticipated in the second and third quarters. A former hydroelectric power plant, built in 1899 in downtown Richmond, is on the market for \$3.5 million. It could join several major industrial properties along both sides of the James River that are being converted into residential/office/retail development, which would take a vacant space off the market.

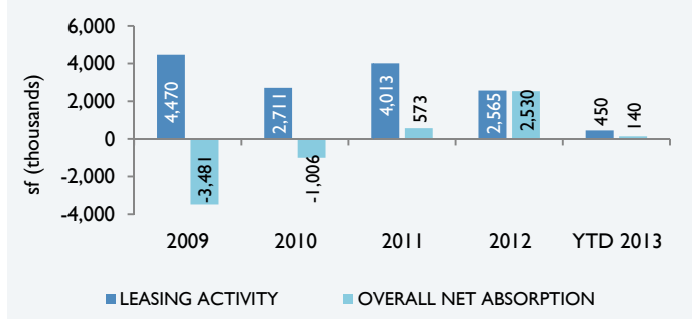
### STATS ON THE GO

	Q1 2012	Q1 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	10.7%	9.9%	-0.8pp	▼
Direct Asking Rents (psf/yr)	\$4.24	\$4.15	-2.1%	◄
YTD Leasing Activity (sf)	462,556	450,320	-2.6%	▲

### OVERALL RENTAL VS. VACANCY RATES



### LEASING ACTIVITY VS. OVERALL NET ABSORPTION



## RICHMOND, VA

SUBMARKET CLUSTER	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*			
								D	MF	F	GI
Downtown	1,086,304	1.3%	0	0	0	500	500	\$0.00	\$0.00	\$4.95	\$0.00
Northeast	14,885,639	10.6%	22,002	0	500,000	14,338	14,338	\$3.69	\$2.57	\$9.11	\$4.81
Northwest	25,408,446	10.4%	86,393	311,370	0	445,671	445,671	\$3.25	\$4.19	\$8.16	\$5.22
Southeast	17,331,427	11.3%	155,313	0	0	61,290	61,290	\$3.89	\$3.95	\$6.73	\$3.66
Southwest	49,756,932	9.6%	186,612	0	0	(379,204)	(381,649)	\$3.14	\$3.98	\$6.70	\$3.56
<b>TOTALS</b>	<b>108,468,748</b>	<b>9.9%</b>	<b>450,320</b>	<b>311,370</b>	<b>500,000</b>	<b>140,150</b>	<b>142,595</b>	<b>\$3.52</b>	<b>\$3.72</b>	<b>\$7.84</b>	<b>\$4.31</b>

PROPERTY TYPE	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*			
								Q1 2013	2012	2011	2010
Distribution	21,605,785	12.8%	138,898	311,370	500,000	379,498	379,498	\$3.52	\$3.55	\$3.82	\$3.81
Manufacturing	29,102,964	7.2%	51,790	0	0	34,325	34,325	\$3.72	\$3.64	\$3.51	\$3.51
Flex	10,684,118	16.7%	96,276	0	0	(23,942)	(23,942)	\$7.84	\$7.81	\$7.89	\$7.77
General Industrial	47,075,881	11.0%	163,356	0	0	(249,731)	(247,286)	\$4.13	\$4.18	\$4.21	\$5.80
<b>TOTALS</b>	<b>108,468,748</b>	<b>9.9%</b>	<b>450,320</b>	<b>311,370</b>	<b>500,000</b>	<b>140,150</b>	<b>142,595</b>	<b>\$4.15</b>	<b>\$4.16</b>	<b>\$4.15</b>	<b>\$4.26</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR D = DISTRIBUTION MF = MANUFACTURING F = FLEX GI = GENERAL INDUSTRIAL

## MARKET HIGHLIGHTS

Significant Q1 2013 Lease Transactions	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
2801 Cofer Road	Jeff Davis Corridor	Full Service Warehouse & Logistics, Inc.	B	230,000
4810 Eubank Road	Airport	Bermuda Distribution	A	92,857
5701 Eastport Boulevard	Airport	Best Bully Sticks	A	90,000

Significant Q1 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
500 Trampton Road	Airport	Swift Air Logistics	\$1,454,250 / \$23.63	61,552
4128 Jacque Street	Scott's Add/West End	Jacque Street LLC	\$1,200,000 / \$23.75	50,528
3701 Price Club Boulevard	Rt 288 Corridor	SLW, LLC	\$1,375,000 / \$53.92	25,500

Significant Q1 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
10999 Air Park Road	I-95 N/Mechanicsville	NA	Q1 2013	500,000

Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Vitamin Shoppe Distribution Center	I-95 North/Ashland	Vitamin Shoppe	Q2 2013	311,370