

MARKETBEAT RETAIL SNAPSHOT

RICHMOND, VA

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Q1 2013



ECONOMIC OVERVIEW

Gains in housing and an improving employment picture helped lift the economy this quarter despite high gasoline prices and payroll tax increases. Sales at U.S. retailers climbed twice as much as forecast in February, and major auto dealers reported that the surge in home construction fueled demand by builders to replace aging pickup trucks with newer models.

Low interest rates continue to motivate homebuyers, which should boost sales at home improvement stores. In the Richmond area in January, home prices rose in all localities from a year ago, and inventory levels dropped by double digits. The Richmond region's unemployment rate was 6.6% in January, down from 7.0% in January 2012 and 7.7% in January 2011.

RETAIL MARKET OVERVIEW

Richmond is seeing a lot of activity in big box spaces, so much so that along the W. Broad corridor only the former Bassett Furniture and Babies "R" Us stores remain available (both were relocations to new prototypes) and minimal box availability is seen throughout the market.

As evidence of vanishing anchor boxes, within a few months of closing, the former Kmart boxes are being absorbed with Floor & Décor leasing the majority of the old Kmart at West Broad and Glenside, making this the specialty retailer's first Virginia location, and the Kmart on Midlothian Turnpike was sold for \$4.35 million and will become an international food market, similar to the Grand Mart International Food store in Virginia Beach. Rose's Discount Store will take over the Showplace in eastern Henrico County and will anchor a shopping center on Beulah Road in Chesterfield County. Big Lots closed at Chesterfield Commons, but will build a new store next to Lowe's in Chester. Restaurant Depot, a wholesaler for independent restaurants and food service businesses, opened in the former Kroger store at Parham and Brook Roads in northwest Henrico, buying the building within a few weeks of it hitting the market.

We continue to see activity in all markets. The Richmond Outlet Mall off Interstate 95 in Hanover County looks to be on more solid ground as Craig Realty closed on its purchase of the property in January. The plan is for a 392,000-sf retail center and restaurants on 43 acres. Marchetti Properties won approval for their rezoning of Stonehenge Village, a 230,000-sf center at Walmart Way and Midlothian Turnpike in Chesterfield. Walmart announced a store at the Reynold's Crossing development at Glenside and Forest in Henrico County, while the Rebkee Company is moving forward with

its mixed-use development at North Boulevard and Cordish finally put their HydroPlant site on the market in the city.

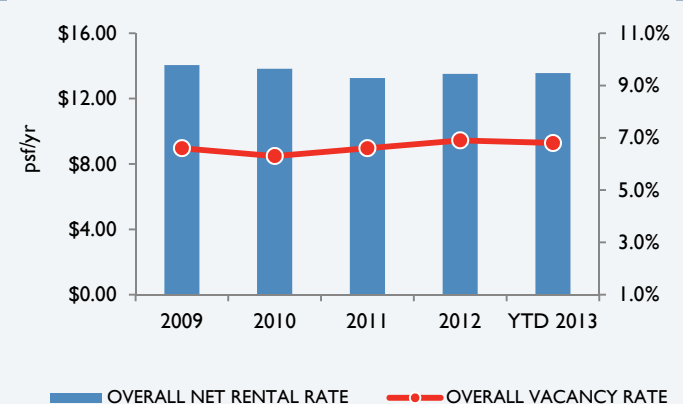
Grocery expansion continues all over town. Southern Season, a gourmet market based in North Carolina, has signed a lease to open a 49,000-sf store at Staples Mill Centre, a planned mixed-use development near Interstate 64 in Henrico County. A \$10-million expansion will convert the Kroger at Rutland Commons in Hanover County into a Kroger Marketplace store, joining the marketplace concept store at Stonebridge (Midlothian and Chippenham) and one under construction at Staples Mill Marketplace at Staples Mill and Hungary Springs Roads in Henrico County.

ECONOMIC INDICATORS

NATIONAL	2012	2013F	2014F
GDP Growth	2.2%	2.2%	3.4%
CPI Growth	2.1%	2.0%	2.1%
Consumer Spending Growth	1.9%	2.2%	3.6%
Retail Sales Growth	5.0%	4.2%	4.4%
REGIONAL	2012	2013F	2014F
Household Income	\$54,461	\$55,334	\$56,621
Population Growth	0.9%	0.9%	0.9%
Unemployment	6.3%	6.0%	5.7%

Source: Moody's Analytics

OVERALL RENTAL VS. VACANCY RATES



New restaurants entering the market include Taziki's at Innsbrook and Chuy's at West Broad Village – the chains' first locations in Virginia. American Tap Room is coming to Willow Lawn, while West Broad Village will also gain a Carrabba's Italian Grill. Bojangles' Famous Chicken will open locations at Bermuda Crossroads in Chester, Patriots Landing in New Kent and the Winding Brook development in Hanover. Logan's Roadhouse opened its first Richmond area location in Chester.

Leasing activity for the first quarter, at 435,458 sf, was up sharply from 220,000 sf in the first quarter of 2012. Retail remains a strong

sector here, with the strongest submarket again in the Short Pump area of western Henrico. The Hull Street corridor is another bright spot.

OUTLOOK

Rents have stabilized and in some areas are inching up. Brokers see continued growth, and with a direct vacancy rate of 6.7% and an overall vacancy rate of 6.8%, it's a tight market. All sectors of retailers seem to be active. With the tightening of the market, we expect that rents will continue to inch upwards and a landlord's market is around the corner, and has already arrived in highly desirable areas.

MARKET HIGHLIGHTS				
Significant Q1 2013 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
5432 Glenside Drive	Staples Mill / Parham	Floor & Décor	Freestanding	85,000
10101 Brook Road	Staples Mill / Parham	American Family Fitness	Regional Mall	85,000
3000 Mechanicsville Turnpike	Laburnum / Rte 360	Rose's Department Store	Freestanding	75,000
Staples Mill Centre	Willow Lawn	Southern Season	Mixed Use	49,000
4201-4223 Beulah Road	Jeff Davis Corridor	Rose's Department Store	Neighborhood Center	40,000
Significant Q1 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Reynolds Crossing	Willow Lawn	Walmart Real Estate Business Trust	\$6,264,000 / \$14	10.44 acres
6807 Midlothian Turnpike	Midlothian E / Hull St	J&J Midlothian LLC	\$4,350,000 / \$37	117,000
814 W. Broad Street	Near West End	VCU	\$2,100,000 / \$116	17,978
445 Charles H. Dimmock Parkway	Colonial Heights	SP 445 LLC	\$1,842,500 / \$113	16,341
Food Lion Shopping Center	Colonial Heights	Hoda Investments LLC	\$1,200,000 / \$27	44,799
Significant Q1 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Stonebridge, Bldgs. J, K, M, & P	Midlothian West	Kroger	Q1 2013	27,600
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Staples Mill Marketplace Kroger	Staples Mill / Parham	Kroger	Q1 2014	124,000

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SUBMARKET	INVENTORY	QUARTERLY CHANGE IN INVENTORY	VACANCY RATE	DEMAND (OCCUPIED SQUARE FEET)	ASKING RENT	RENT GROWTH	ABSORPTION
Amelia County	202,390	2,640	12.1%	175,239	\$14.75	(2.0%)	6,230
Broad St Corridor	1,996,394	14,807	6.7%	1,848,294	\$16.26	5.1%	14,533
Colonial Heights	3,396,509	5,517	4.2%	3,249,470	\$13.92	(0.2%)	10,269
Cumberland County	31,579	0	7.9%	29,079	N/A	N/A	0
Dinwiddie County	191,289	2,880	9.0%	171,149	N/A	N/A	2,958
Downtown	6,505,668	9,702	4.0%	6,233,723	\$13.66	1.0%	(12,318)
East End	4,317,096	12,182	9.7%	3,888,055	\$11.80	(0.4%)	2,120
Far West End North	264,637	0	0.0%	264,637	\$0.00	0.0%	0
Far West End South	1,188,323	2,412	9.4%	1,074,374	\$14.46	(1.9%)	(5,140)
Goochland	336,367	0	2.2%	329,097	\$15.85	0.0%	1,180
Hopewell	1,218,126	2,708	13.6%	1,050,030	\$9.76	0.0%	(773)
I-95 Ashland/NW	1,939,283	(987)	5.2%	1,839,383	\$11.52	(1.6%)	(2,829)
I-95 Chamberlayne/NE	871,507	0	6.1%	818,751	\$16.90	(5.1%)	1,692
Jeff Davis Corridor	3,150,154	(7,588)	12.2%	2,774,699	\$9.24	0.2%	(8,568)
King & Queen County	3,600	0	0.0%	3,600	\$0.00	0.0%	0
King William County	381,761	5,500	10.7%	335,381	\$9.42	(2.7%)	21,680
Laburnum/Rte 360	2,763,234	787	6.1%	2,593,991	\$9.50	2.9%	(47,766)
Louisa County	584,602	8,936	4.0%	552,046	N/A	N/A	1,000
Mechanicsville	2,726,443	717	4.2%	2,612,023	\$14.93	(0.1%)	(18,650)
Midlothian E/Hull St	6,997,846	27,716	11.6%	6,158,480	\$10.58	0.1%	47,338
Midlothian Village	1,571,102	986	12.2%	1,378,728	\$19.37	(0.9%)	17,342
Midlothian West	7,045,693	4,361	5.3%	6,671,290	\$14.83	(0.1%)	39,423
Near West End	3,828,195	2,242	3.9%	3,677,272	\$14.69	(4.6%)	24,045
New Kent County	375,703	8,000	9.9%	330,322	\$8.30	27.7%	60
Petersburg	2,569,653	3,854	10.3%	2,300,292	\$9.07	(7.1%)	(6,862)
Powhatan	711,346	2,000	8.5%	648,583	\$12.76	3.1%	(12,650)
Prince George	852,463	1,229	3.2%	823,861	\$8.97	(1.7%)	571
Regency	2,527,856	2,268	6.9%	2,350,504	\$10.60	(0.4%)	1,650
Short Pump	4,414,804	0	4.5%	4,217,049	\$22.45	(3.6%)	33,828
South Chesterfield	3,448,981	(3,550)	3.0%	3,350,599	\$12.85	(1.2%)	(6,662)
Staples Mill/Parham	7,670,545	5,766	6.9%	7,136,082	\$18.39	2.3%	(93,214)
Sussex County	160,983	21,500	19.9%	107,493	\$5.00	0.0%	12,400
Swift Creek	3,422,206	0	7.2%	3,176,874	\$17.34	(5.5%)	(38,261)
Willow Lawn	2,929,385	324	4.7%	2,791,414	\$11.11	(3.4%)	(202)
TOTAL MARKET	80,595,723	136,909	6.8%	74,961,864	\$13.56	0.4%	(15,576)

* RENTAL RATES REFLECT ASKING \$PSF/YEAR