

# MARKETBEAT

# Richmond, VA

## Industrial Q1 2017



### RICHMOND, VA INDUSTRIAL

#### Economic Indicators

	Q1 16	Q1 17	12-Month Forecast
Richmond Employment	663k	667k	▲
Richmond Unemployment	4.2%	4.2%	▲
U.S. Unemployment	4.9%	4.8%	■

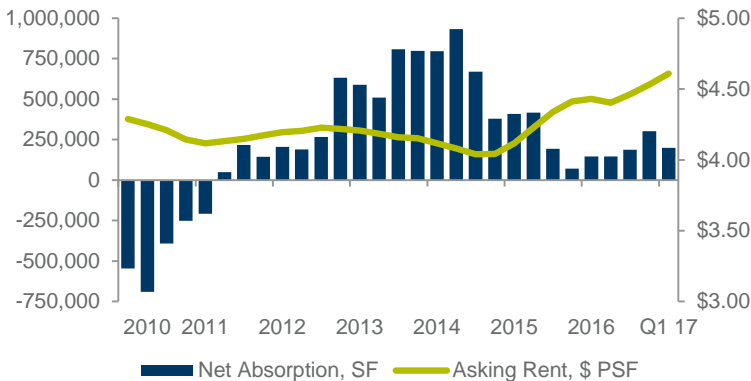
#### Market Indicators (Overall, All Property Types)

	Q1 16	Q1 17	12-Month Forecast
Vacancy	8.1%	5.6%	▼
Net Absorption	-548k	139k	▲
Under Construction	221k	712k	▲
Average Asking Rent	\$4.41	\$4.71	▲

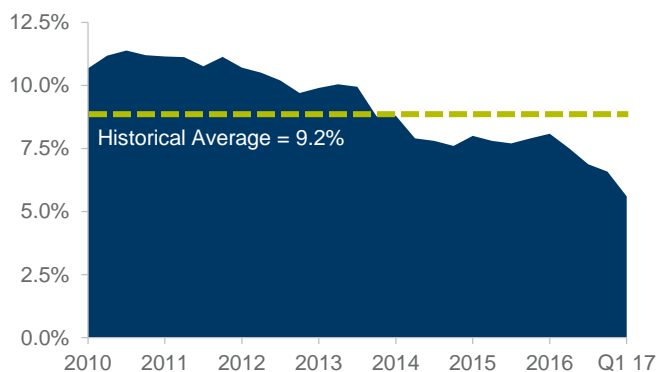
\*Rental rates reflect net asking \$psf/year

#### Net Absorption/Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



### Economy

The U.S. economy had 2.3 million more jobs in February 2017 than it had in February 2016. And as of February 2017, the unemployment rate was a low 4.8%. The Institute For Supply Management (ISM) reported the 94th consecutive month for overall economic expansion and the seventh consecutive month of manufacturing expansion. Seventeen of the 18 industries surveyed reported economic growth in March 2017 with Petroleum and Coal Products the lone industry in contraction. The Federal Reserve increased the Federal Funds Rate in March for the third time since December 2015. Further rate hikes are expected in 2017 as the Federal Reserve continues down a policy normalization process.

Richmond added 6,800 jobs from February 2016 to February 2017 marking the 80th consecutive month of year-over-year job gains. The biggest contributors to employment growth in February were the construction and the education and health services sectors.

### Market Overview

The Richmond industrial market absorbed positive 138,883 square feet (SF) in Q1 2017 which is 183,262 SF shy of the quarterly pace set in 2016. In addition to absorption, leasing activity was nearly 50% of the quarterly average in 2016. Despite the decline in activity in Q1 2017, the overall industrial vacancy rate was 80 basis points below a year ago at 5.6%. This rate is the lowest vacancy figure on record. Industrial brokers report that the lack of quality available space is constraining activity. Developers are responding to the tightness by building more product. Becknell recently completed a 216,000-SF distribution building that is 100% leased to Premier Fixtures and is underway on a speculative 153,480-SF distribution center. Both buildings are near the Richmond International Airport. In addition, Devon USA is constructing a 320,853-SF distribution building at the Enterchange at Northlake. The 73,558-SF BWI lease at Interport Business Center was the only lease above 50,000 SF for the quarter.

### Outlook

Vacancy will increase from the historic low as the buildings under construction deliver. Active tenants in the market include third party logistics firms in energy and cabling infrastructure, a local brick and mortar retailer with an expanding e-commerce store, distribution firms looking to capitalize on the Panama Canal expansion and the I-95 Corridor, and a couple of manufacturers looking to expand. Real Capital Analytics reports that investment sale transactions have declined an average of 35% per month over the last five months. They also report that deal volume may be falling because pricing has not adjusted to the rising interest rate environment and buyers' concern over cap rate movement.

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SUBMARKET	TOTAL BLDGS	INVENTORY	YTD LEASING ACTIVITY	OVERALL AVAILABLE VACANT SPACE (SF)	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION	UNDER CNSTR	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Downtown	6	277,266	0	0	0.0%	0	0	N/A	N/A	\$6.00
Northeast	167	10,888,177	44,325	359,128	3.3%	73,900	21,600	\$4.95	\$9.41	\$3.98
Northwest	315	19,377,000	252,967	1,088,891	5.6%	(34,053)	320,853	\$3.87	\$8.97	\$5.91
Southeast	142	18,214,901	110,600	354,248	1.9%	21,390	369,480	N/A	\$7.27	\$4.90
Southwest	409	44,746,089	105,028	3,428,961	7.7%	77,646	0	\$3.79	\$6.17	\$3.49
<b>Richmond, VA Totals</b>	<b>1,039</b>	<b>93,503,433</b>	<b>512,920</b>	<b>5,231,228</b>	<b>5.6%</b>	<b>138,883</b>	<b>711,933</b>	<b>\$3.84</b>	<b>\$8.44</b>	<b>\$4.10</b>

Real rates reflect asking \$ psf/year  
Only includes buildings 20,000 SF and larger

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

### Key Lease Transactions Q1 2017

PROPERTY	SF	Tenant	PROPERTY TYPE	SUBMARKET
Interport Business Center - A	73,558	BWI	Warehouse	Northeast
Dominion Pottery Building - B	39,800	Interstate Specialty Coating	Warehouse	Northeast
3300 Lanvale	27,302	Kody Holdings II	Warehouse	Northwest
7616 Whitepine	22,300	IMMCO	Flex	Southwest

### Key Sales Transactions Q1 2017

PROPERTY	SF	SELLER / BUYER	PROPERTY TYPE	PRICE / \$ PSF	SUBMARKET
1855 Blvd W	65,450	JGK Family / Doswell Holdings	Warehouse	\$3,200,000 / \$48	Northwest
Oaklake Business Park	65,000	Milmar Holdings / Individual Owner	Office Service / Flex	\$3,500,000 / \$54	Southwest
12732 Oak Lake Ct	63,710	Wilton Warehouses of VA / GMWTG Chesterfield	Warehouse	\$4,500,000 / \$70	Southwest
3707 Nine Mile Rd	44,170	CIRE Partners / Nine Mile Richmond	Warehouse	\$2,900,000 / \$66	Northeast

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