

# MARKETBEAT INDUSTRIAL SNAPSHOT

## RICHMOND, VA

A Cushman & Wakefield Alliance Research Publication

Q1 2014



### ECONOMIC OVERVIEW

The Bureau of Labor Statistics reports that the U.S. economy added roughly 192,000 nonfarm jobs in March, an approximate 10% increase over February. However, although overall employment increased, the jobless rate remained flat at 6.7% indicating that more people have joined the labor force. The industries that had the largest gains include: Professional and Business Services (57,000 jobs), Healthcare (19,000), and Mining & Logging (7,000).

Compared to the national economy, Richmond seems to be following positive trends as the jobless rate sat at 5.5% in February (most recent statistic available), a decline of 60 basis points from 12 months prior. Additionally, the labor force increased 3.3% over the same time period, indicating that not only are more people joining the labor force but employers are also responding by providing more jobs.

### RICHMOND INDUSTRIAL MARKET

The Richmond industrial market is coming off a strong 2013, with high absorption and good leasing activity. The overall vacancy rate as of the end of first quarter 2014 stood at 8.8%, or 0.9 percentage points lower than Q1 2013. Industrial activity for the first quarter remains equivalent to Q1 2013, with 405,697 square feet (sf) of leasing activity. Tenants were active this quarter touring available properties and planning to move or expand operations in Richmond.

Distribution product leads leasing activity this quarter with 188,478 sf, resulting in an overall distribution vacancy rate of 8.3%. Despite the increase in activity, there were no large leases during the quarter. Direct weighted average rents for distribution have increased by \$0.11 since Q1 2013 to \$3.63 at quarter's end.

### INDUSTRIAL SALES & CONSTRUCTION

The first quarter of 2014 witnessed two significant sale transactions. The largest industrial sale involved the FedEx-leased 500,000-sf warehouse property on 9574 Sliding Hill Road; Jos. L. Muscarelle bought the property for approximately \$17.3 million. Evonik purchased the 93,250-sf data center property on 7801 Whitepine road from Philip Morris for \$3.8 million, or \$40 per square foot. Dominion Virginia Power bought 75.67 acres of industrial zoned land that borders I-295 near the I-95 North intersection at 400 Scott Road in Henrico County for \$5.6 million; a new electrical grid control center is expected to be developed on the land.

With the increased activity in the market this quarter, Liberty Property Trust announced they would construct a new 130,000-sf distribution building at their Eastport Industrial Park. This will be the first new speculative construction since 2007. The building will have 28' clear ceilings, an ESFR

sprinkler system and T-5 lighting. The triple net asking rent is \$5.20 per square foot (psf). As a comparison, Enterchange at Waltham buildings have a triple net asking rent of \$4.50 psf, indicating the new building will require a premium to match today's construction cost.

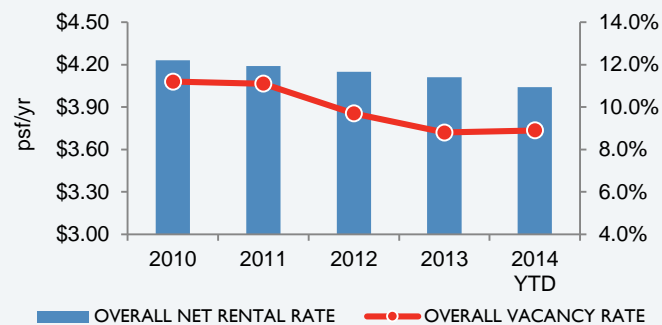
### OUTLOOK

With the abundant activity in the market, we expect to see increased leasing activity in the coming quarters along with lower vacancy rates. We will also see mild upward pressure on rental rates going forward.

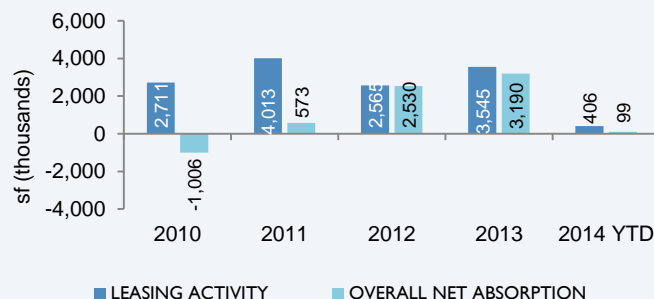
### STATS ON THE GO

	Q1 2013	Q1 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	9.7%	8.8%	-0.9pp	▼
Direct Asking Rents (psf/yr)	\$4.15	\$4.02	-3.1%	◄
YTD Leasing Activity (sf)	450,320	405,697	-9.9%	▲

### 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	357,206	3.0%	0	0	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00
Northeast	10,798,850	4.9%	69,953	0	0	113,070	113,070	\$3.95	\$2.25	\$10.22	\$6.00
Northwest	19,468,661	8.8%	50,543	0	0	83,102	92,898	\$2.99	\$2.33	\$7.69	\$4.78
Southeast	16,429,880	9.4%	213,004	0	0	(138,987)	(133,146)	\$3.96	\$3.95	\$6.95	\$3.71
Southwest	41,529,295	9.6%	72,197	0	0	26,440	26,440	\$3.01	\$4.04	\$6.42	\$3.32
<b>TOTALS</b>	<b>88,583,892</b>	<b>8.9%</b>	<b>405,697</b>	<b>0</b>	<b>0</b>	<b>83,625</b>	<b>99,262</b>	<b>\$3.63</b>	<b>\$3.42</b>	<b>\$7.64</b>	<b>\$4.45</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 2014	2013	2012	2011
Distribution	20,965,229	8.3%	188,478	0	0	(26,702)	(26,702)	\$3.63	\$3.39	\$3.55	\$3.82
Manufacturing	26,316,861	6.4%	0	0	0	83,600	83,600	\$3.42	\$3.48	\$3.64	\$3.51
Flex	7,679,369	12.9%	159,213	0	0	60,474	76,111	\$7.64	\$7.38	\$7.81	\$7.89
General Industrial	33,622,433	6.7%	58,006	0	0	(33,747)	(33,747)	\$4.45	\$4.50	\$4.18	\$4.21
<b>TOTALS</b>	<b>88,583,892</b>	<b>8.9%</b>	<b>405,697</b>	<b>0</b>	<b>0</b>	<b>83,625</b>	<b>99,262</b>	<b>\$4.02</b>	<b>\$4.11</b>	<b>\$4.16</b>	<b>\$4.15</b>

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

Research methodology was updated as of 1Q 2014

## MARKET HIGHLIGHTS

SIGNIFICANT Q1 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
3010 Impala Place	Staples Mill/Parham	A&M Supply Corporation	Manufacturing	45,750
1407 Cummings Drive	Northwest Ind	Ewaste Tech Systems, LLC	R&D	18,500
4271 Carolina Avenue	Rte 360	Mason Manufacturing	Warehouse	18,000

SIGNIFICANT Q1 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
9574 Sliding Hill Road	I-95 North/Chamberlayne	Westmoreland Co of AL	\$17,300,000 / \$35	500,000
7801 Whitepine Road	Rt 288 Corridor	Evonik	\$3,800,000 / \$40	93,250
151 W Commerce Road	Jeff Davis Corridor	Hatcher Tobacco Genesis, LLC	\$2,175,000 / \$35.41	1.41 Acres

SIGNIFICANT Q1 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
NA				

SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
NA				