

MARKETBEAT INDUSTRIAL SNAPSHOT

RICHMOND, VA

A Cushman & Wakefield Alliance Research Publication

Q1 2015



ECONOMIC OVERVIEW

The Richmond metro continued to add jobs compared to a year ago and marked the 56 consecutive month of year-over-year job growth in February. There were 11,400 more jobs in February 2015 than in 2014. The unemployment rate for the metro increased to

5.3% in February from 4.7% at the end of the year. The increase is due in part to a growing labor force and seasonal fluctuations in the job market. The unemployment rate remains 60 basis points lower than a year ago.

VACANCY TRENDS

The overall vacancy rate for industrial properties in Richmond was slightly above last quarter at 8.0% in Q1 2015 but 80 basis points below a year ago. Vacancy amongst all industrial property types except Flex is now in single digits.

Vacancy in Distribution space increased 110 basis points since last quarter but remains low at 6.3%. Vacancy increased in part due to the delivery of Eastport VIII, a vacant 129,660-square foot (sf) facility.

A positive 299,243 sf of industrial space was absorbed in Q1 2015. Direct asking rental rates increased 9.0% from a year ago to \$4.38 per square foot (psf), a \$0.36 psf increase. The overall asking rate is now just \$0.19 psf off the prerecession peak set in the Q4 2008.

INDUSTRIAL DELIVERIES

Several large build-to-suit construction projects were recently completed adding large amounts of inventory to the market. The 995,792-sf Lumber Liquidators east coast distribution facility was completed at the end of 2014 while the 250,000-sf Republic National Distributing Company facility was delivered this quarter. Both are 100% leased to single tenants. Eastport VIII, a 129,660-sf distribution facility, came on the market in Q1 2015 and while built speculatively has already signed a 40,000-sf lease. Only a 23,000-sf flex property in the I-95 N submarket is currently under construction. Limited inventory is constraining activity particularly for large users. Expect speculative construction to start if developers are able to attract some preleasing.

OUTLOOK

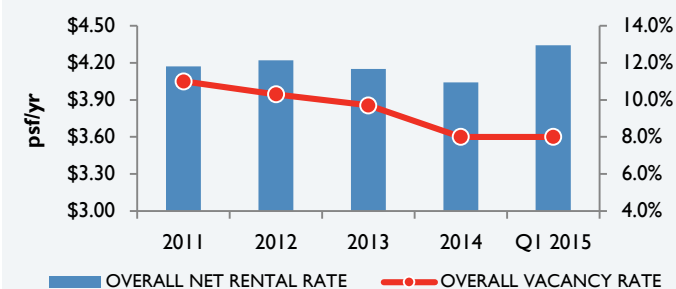
The Richmond industrial market will continue to steadily improve. Vacancy will decline further and with a limited pipeline of under construction projects, tenants will compete for the little availability. Vacancy in all industrial property types will fall into single digits in 2015 and rents will continue to increase. Interest in appropriately zoned raw land will increase as developers look to satiate demand.

Richmond's strong transportation infrastructure, proximity to the Port of Virginia, and large population centers will continue to attract distribution users. The expansion of the Panama Canal will draw more activity and freight as East Coast ports traffic expands. Richmond's geographic positioning enables distributors' access to the fast expanding southeast and the established northeast markets within a days drive.

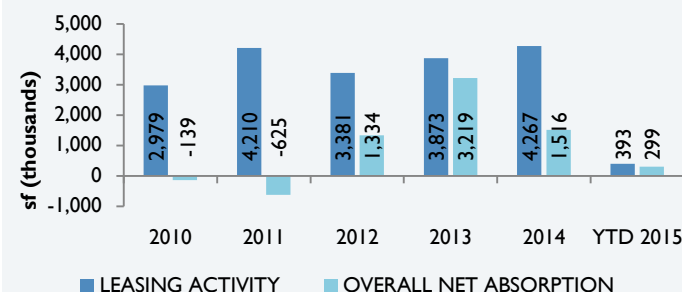
STATS ON THE GO

	Q1 2014	Q1 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.8%	8.0%	-0.8 pp	▼
Direct Asking Rents (psf/yr)	\$4.02	\$4.38	9.0%	▲
YTD Leasing Activity (sf)	875,399	393,091	-55.1%	◄►

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*			
								WD	MF	FLEX	GI
Downtown	308,015	30.1%	0	0	0	(82,000)	(82,000)	\$6.00	\$0.00	\$0.00	\$6.00
Northeast	10,805,744	3.2%	34,898	23,000	0	(102,744)	(102,744)	\$4.17	\$5.47	\$3.45	\$4.48
Northwest	19,425,366	6.7%	125,071	0	250,000	339,501	339,501	\$3.99	\$2.33	\$10.72	\$4.51
Southeast	17,744,748	8.7%	128,526	0	129,660	70,898	70,898	\$4.42	\$4.00	\$0.00	\$4.50
Southwest	42,342,923	9.4%	104,596	0	0	73,588	73,588	\$2.89	\$4.04	\$6.67	\$2.71
TOTALS	90,626,796	8.0%	399,091	23,000	379,660	299,243	299,243	\$3.80	\$3.91	\$8.38	\$3.71
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 2015	2014	2013	2012
Distribution	22,309,365	6.3%	117,355	0	379,660	193,482	193,482	\$3.80	\$3.73	\$3.44	\$3.54
Manufacturing	26,355,184	6.5%	24,280	0	0	25,124	25,124	\$3.91	\$3.49	\$3.41	\$3.60
Flex	7,622,834	11.5%	102,984	23,000	0	79,034	79,034	\$8.38	\$7.83	\$7.79	\$8.18
General Industrial	34,339,413	9.5%	154,472	0	0	25,883	25,883	\$3.71	\$3.27	\$3.13	\$3.24
TOTALS	90,626,796	8.0%	399,091	23,000	379,660	299,243	299,243	\$4.38	\$4.04	\$4.03	\$4.13

* RENTAL RATES REFLECT ASKING \$PSF/YEAR WD= WAREHOUSE/DISTRIBUTION MF = MANUFACTURING GI = GENERAL INDUSTRIAL

As of Q1 2014, only properties 20,000 sf and larger included; Flex redefined to include secondary property types industrial and flex showroom and office service space.

MARKET HIGHLIGHTS

SIGNIFICANT Q1 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
3930 Technology Court	Airport	Anord Critical Power	Warehouse/ Distribution	48,802
Eastport VIII	Airport	Crown Equipment	Warehouse/ Distribution	40,000
SIGNIFICANT Q1 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Baker Portfolio	I-95 N/Ashland & Rt. 288 Corridor	Baker Properties	\$60,300,000 / \$73	827,925
2900 Terminal Ave	Jeff Davis	United Scrap Metal	\$3,300,000 / \$55	60,000
SIGNIFICANT Q1 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Republic National Distribution Company	I-95 North/Ashland	Republic National Distribution	Q1 2015	250,000 (100%)
EastPort VIII	Airport Ind.	NA	Q1 2015	129,660 (0%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N/A				