

# MARKETBEAT

# Richmond, VA

## Industrial Q1 2018



### RICHMOND, VA INDUSTRIAL

#### Economic Indicators

	Q1 17	Q1 18	12-Month Forecast
Local Employment	670.7K	675.2K	▲
Local Unemployment	4.1%	3.7%	▲
U.S. Unemployment	4.7%	4.1%	▼

Numbers above are quarterly averages; Feb. 2018 data used to represent Q1 2018

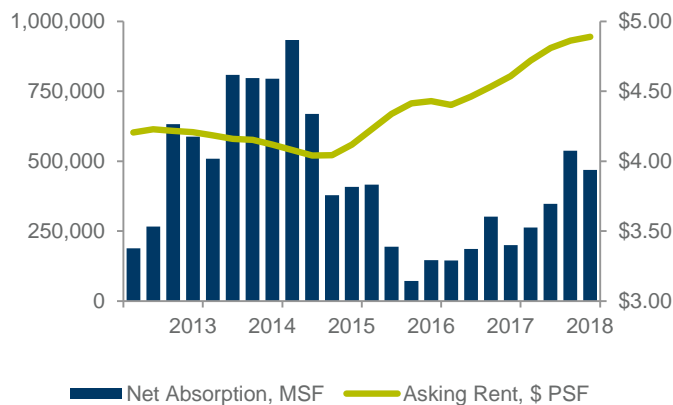
#### Market Indicators (Overall, All Property Types)

	Q1 17	Q1 18	12-Month Forecast
Vacancy	5.6%	3.9%	▼
Net Absorption (sf)	139k	-135K	▼
Under Construction (sf)	712k	820k	▲
Average Asking Rent*	\$4.71	\$4.83	▲

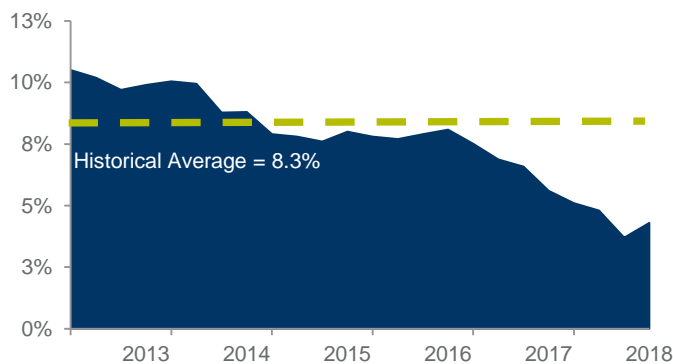
\*Rental rates reflect net asking \$psf/year

#### Overall Net Absorption/Overall Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



### Economy

The Federal Reserve bank approved the sixth rate hike since the financial crisis and remains on track for two additional rate increases in 2018. The move signaled cautious optimism for the U.S. economy. Inflation remained below the Federal Reserve's two percent target, decreasing the expected number of rate hikes for the year. Rising interest rates coupled with the new tax policy going into effect should enhance investor appetite and increase market activity in early 2018.

The Richmond economy continued to hold steady and outperform the national average to begin 2018. From February 2017 to February 2018, Richmond added 4,500 jobs and decreased the unemployment rate by 40 basis points (bps) to 3.7%. The Construction and Information sectors recorded the largest year-over-year growth.

### Market Overview

Richmond's industrial market maintained its strong performance to begin 2018. The metro area continues to witness historically low vacancies. Overall vacancy declined from 5.6% to 3.9%, while rents increased 2.3% from Q1 2017 to Q1 2018. Limited supply, especially for smaller industrial space, has fueled rising rents. This trend is expected to continue as more tenants compete for space throughout the Richmond area.

Several large developments are underway in Richmond. Panattoni Development and Becknell Industrial each broke ground on projects. Panattoni's first phase at the one million square foot (sf) Virginia I-95 Logistics Center will include 461,700 sf of warehouse space. Becknell Industrial is building 202,560 sf that is preleased to Veritiv Corporation. Pepsi Co. is set to fill a 220,000 sf facility in Chesterfield County and The Virginia Alcoholic Beverage Control Authority announced its preferred location for a new distribution center in Hanover County.

### Outlook

The U.S. industrial market is expected to be a top performing asset class in 2018. Research conducted by NAIOP suggests that the market is facing an undersupply of space as e-commerce and data centers continue to thrive. Industrial landlords should expect rental rates to continue rising and vacancies to remain low. Increased interest from national companies and organic growth locally will drive leasing demand, while speculative development will provide needed space in an attractive market.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (HT)	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	N/A	N/A	N/A	N/A	N/A
Northeast	167	10,938,457	134,900	1.6%	(40,192)	23,000	N/A	N/A	\$9.00	\$4.24
Northwest	313	19,721,036	218,508	4.0%	(80,810)	51,800	N/A	\$5.56	\$10.09	\$5.96
Southeast	144	19,047,515	103,339	2.9%	7,403	45,647	N/A	\$4.79	\$7.55	\$5.09
Southwest	413	45,151,859	332,375	4.7%	(21,490)	700,000	N/A	\$3.55	\$6.44	\$3.85
<b>RICHMOND, VA TOTALS</b>	<b>1,043</b>	<b>95,136,133</b>	<b>789,122</b>	<b>3.9%</b>	<b>(135,089)</b>	<b>820,447</b>	<b>N/A</b>	<b>\$4.81</b>	<b>\$9.32</b>	<b>\$4.22</b>

\*Rental rates reflect asking \$psf/year  
Data was recorded after national numbers were reported  
FLEX = Flex Space HT = High Tech/Flex MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

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Warehouse/Distribution	735	62,860,909	411,580	4.2%	(177,274)	797,447	N/A	N/A	N/A	N/A
Manufacturing	238	27,091,009	227,264	2.8%	87,923	23,000	N/A	N/A	N/A	N/A
Office Service/Flex	10	8,242,122	0	19.0%	618	0	N/A	N/A	N/A	N/A

### Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Enterchange at Northlake, Building C	64,657	Service Partners	Lease	Northwest
Southpark Industrial Park	105,000	Riverside Logistics	Lease	Southwest

### Key Sales Transactions Q1 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Byrd Corporate Park	475,738	Adler Real Estate Partners & Trigate Capital/WestDulles Station	\$31,250,000 / \$66	Southeast
Hanover Foils	80,000	Liberty Property Trust/Howard Hager	\$7,000,000 / \$88	Northwest
2300 Jefferson Davis Highway	168,000	FTY Group	\$2,500,000 / \$15	Southwest

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