

# MARKETBEAT

## Richmond, VA

Industrial Q2 2017



### RICHMOND, VA INDUSTRIAL

#### Economic Indicators

	Q2 16	Q2 17	12-Month Forecast
Richmond Employment	664k	672k	▲
Richmond Unemployment	4.1%	4.0%	▲
U.S. Unemployment	4.9%	4.4%	■

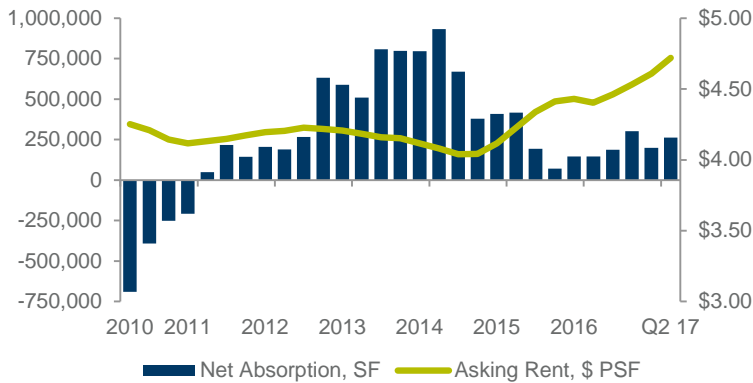
#### Market Indicators (Overall, All Property Types)

	Q2 16	Q2 17	12-Month Forecast
Vacancy	7.5%	5.1%	▼
Net Absorption	321k	573k	▲
Under Construction	216k	474k	▲
Average Asking Rent	\$4.34	\$4.79	▲

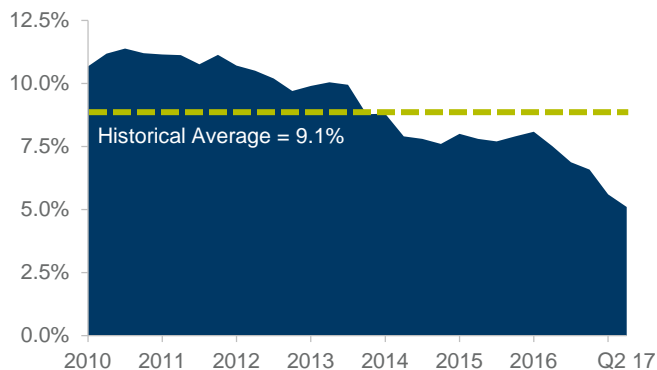
\*Rental rates reflect net asking \$psf/year

#### Net Absorption/Asking Rent

4-QTR TRAILING AVERAGE



#### Overall Vacancy



### Economy

U.S. job growth has remained steady, with 2.3 million jobs added from May 2016 through May 2017 and an unemployment rate of 4.4%, 50 basis points lower than a year ago. The Institute For Supply Management (ISM) reported the 97th consecutive month of overall economic expansion and the tenth consecutive month of growth in the manufacturing sector. The report indicates 15 of the 18 industries surveyed reported economic growth in June 2017 with the apparel, leather, textile mills, and primary metals sectors in contraction. June marked the Federal Reserve's second Federal Funds Rate hike this year and fourth since December. Further rate hikes are expected in 2017 as the 10-Year Treasury is down about 10 basis points from the beginning of the year.

The Richmond economy added 11,000 jobs from May 2016 to May 2017, marking the 83<sup>rd</sup> consecutive month of year-over-year job gains. The mining, logging, construction, education and health services sectors continue to lead the way in terms of job creation in the Richmond MSA.

### Market Overview

Activity picked up in the Richmond industrial market in Q2 2017, with net absorption reaching 572,959 square feet (sf), outpacing Q2 2016 by over 250,000 sf, and leasing activity totaled 364,856 sf for the quarter. As a result, the overall vacancy rate in Richmond reached an all-time low of 5.1%, a full 240 basis points below a year ago. The tightness in the market and the absence of available quality product has bolstered development, with multiple large, speculative development projects started in 2016 and leasing prior to completion. Becknell built a spec 216,000-sf distribution building at 2700 Distribution Drive, which leased to Premier Fixtures prior to completion. Premier Fixtures also signed a lease at the Enterchange at Walthall for 116,449 sf in Q2 2017. Devon USA is nearing completion of a 320,853-sf spec distribution center at the Enterchange at Northlake and Becknell is underway on another 153,480-sf spec distribution building at 2400 Distribution Drive.

The largest investment sale transactions in Richmond for the quarter were the 180,252-sf Alfa Laval building, which sold to China Life as part of an \$850-million portfolio sale for \$18 million (allocated), and the Dori Foods facility, an 86,607-sf warehouse and cold storage facility, which sold to Spy Rock Real Estate Group for \$7.7 million.

### Outlook

Demand has kept pace with new supply through the first half of 2017, driving absorption and leasing levels higher and sustaining rent growth. Expect development to increase as the need for logistics and distribution space remains steady and the demand for ever-faster delivery places greater emphasis on "last-mile delivery" for e-commerce fulfillment centers. Real Capital Analytics reports that industrial investment sales show an 8.9% year-over-year growth in deal volume through April 2017.

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CUSHMAN & WAKEFIELD

THALHIMER

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	166	10,863,477	90,266	321,412	3.0%	73,516	0	\$4.95	\$10.94	\$4.10
Northwest	314	19,402,136	337,300	860,808	4.4%	278,217	320,853	\$3.88	\$9.00	\$6.20
Southeast	145	18,844,405	276,141	323,004	1.7%	423,517	153,480	N/A	\$7.52	\$4.64
Southwest	411	44,838,930	464,328	3,349,289	7.5%	229,109	0	\$3.78	\$6.19	\$3.68
<b>Richmond, VA Totals</b>	<b>1,042</b>	<b>95,679,695</b>	<b>877,776</b>	<b>4,861,079</b>	<b>5.1%</b>	<b>711,842</b>	<b>474,333</b>	<b>\$3.84</b>	<b>\$8.85</b>	<b>\$4.17</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 Q2 2017

PROPERTY	SF	Tenant	PROPERTY TYPE	SUBMARKET
Enterchange at Walthall	116,449	Premier Store Fixtures	Warehouse	Southwest
Enterchange at Northlake	83,218	Communications Test Design	Warehouse	Northwest
Richmond Distribution Center	62,100	William M Bird & Co	Warehouse	Northeast
Eastport Industrial Park	50,545	Kloke Enterprises	Warehouse	Southeast
Broad Rock Industrial Park	50,000	Old Dominion Warehouse & Distribution	Warehouse	Southwest
Enterchange at Northlake	48,500	Lansing Building Products	Warehouse	Northwest
11141 Progress Rd	32,670	Environmental Quality Resources	Manufacturing	Northeast

### Key Sales Transactions Q2 2017

PROPERTY	SF	SELLER / BUYER	PROPERTY TYPE	PRICE / \$ PSF	SUBMARKET
Alfa Laval Building (Portfolio Sale)	180,252	Elm Tree Funds / China Life	Warehouse	\$18,000,000 / \$100	Southeast
Dori Foods Facility	86,607	Baum Development / Spy Rock Real Estate Group	Warehouse / Cold Storage	\$7,700,000 / \$89	Northwest
Roper Building	45,000	Lanier Lane Realty / Rocstone Warehouse	Warehouse	\$3,100,000 / \$68	Northwest
Smarter Tools Building	34,312	Tobys Alexandria / General RV Center	Office Service / Flex	\$3,550,000 / \$103	Northwest

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