

MARKETBEAT

INDUSTRIAL SNAPSHOT

RICHMOND, VA

A Cushman & Wakefield Alliance Research Publication

Q2 2014



ECONOMIC OVERVIEW

The Richmond metropolitan area's unemployment rate as of April was 5.0%. This is the lowest rate since before the recession. Henrico County, Chesterfield County, and the City of Richmond posted unemployment rates of 4.8%, 4.7%, and 5.7% respectively. The largest year-over-year job gains are being seen in the following industries: Information (8.9%), Financial Activities (3.6%), and Education and Health Services (3.6%).

VACANCY TRENDS

Trends in flex properties can be good leading indicators for the industrial market. New businesses often begin in these type properties, and as they grow and expand, they begin taking larger distribution and manufacturing spaces. Since 2010, flex has gone from 79.6% occupied to 86.2%. Although flex still has the highest vacancy of all industrial property types, the quick increase in occupancy in recent years is a positive sign.

Class A distribution space is very tight. Approximately half of the distribution inventory tracked is considered class A. The overall vacancy rate in class A is 4.5% and includes 49 properties. Of those, only 7 have any vacant space, with blocks ranging from 21,000 sf to 230,000 sf. With very few spaces available, rental rates have stabilized and many of the incentives offered in recent years are no longer available. We expect rental rates to increase over the coming year as the vacancy rate continues to fall.

ECONOMIC DEVELOPMENT ANNOUNCEMENTS

There were two significant industrial economic development announcements this quarter. Tranlin Inc., the U.S. subsidiary of Shandog Tranlin Paper Company, announced a \$2 billion investment over the next five years on 850 acres at the James River Industrial Center in Chesterfield County. The campus will be a modern, tree-free paper and pulp manufacturing facility, and will employ 2,000 people. The project is expected to break ground in 2016, and represents the largest Chinese investment in Virginia's history.

Philip Morris will be adding 1.0 million square feet to the same submarket in the next year. It announced plans to break ground on four 250,000-square foot buildings in July of this year on 120 acres. Approximately 30 jobs will be created.

OUTLOOK

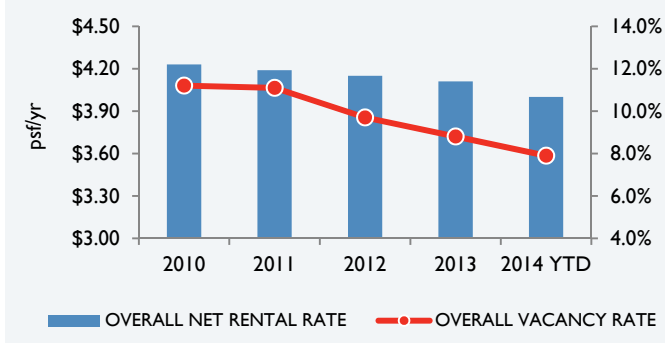
Year-to-date absorption is lagging previous years, but historically the latter half of the year is where the majority of absorption occurs. Leasing activity

through the first half of the year is strong, and is expected to continue along the same path the remainder of the year. As reported last quarter, speculative construction is beginning to come out of the ground, which is always a positive indicator for the future health of the market. Post-recession, developers and bankers are much more cautious before launching these projects.

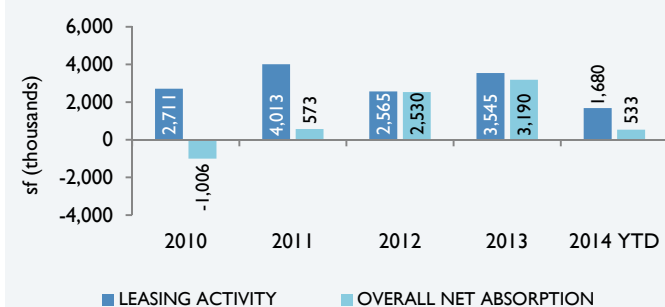
STATS ON THE GO

	Q2 2013	Q2 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	10.0%	7.9%	-2.1pp	▼
Direct Asking Rents (psf/yr)	\$4.15	\$4.00	-3.6%	◄►
YTD Leasing Activity (sf)	1,509,302	1,680,875	10.2%	▲

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	301,015	3.6%	0	0	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00
Northeast	10,819,536	2.8%	233,557	0	0	335,275	335,275	\$4.00	\$2.67	\$9.85	\$3.54
Northwest	19,198,543	7.3%	421,549	0	0	150,014	151,801	\$3.01	\$2.33	\$7.83	\$4.83
Southeast	16,425,446	8.7%	588,274	1,125,452	0	(33,109)	(27,268)	\$4.04	\$3.95	\$6.68	\$3.79
Southwest	41,843,789	9.3%	437,495	0	0	75,442	73,385	\$3.28	\$4.04	\$6.66	\$3.71
TOTALS	88,588,329	7.9%	1,680,875	1,125,452	0	527,622	533,193	\$3.66	\$3.48	\$7.68	\$4.11

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*			
								Q2 2014	2013	2012	2011
Distribution	20,970,591	5.6%	853,188	1,125,452	0	283,856	283,856	\$3.66	\$3.39	\$3.55	\$3.82
Manufacturing	26,170,815	6.3%	130,500	0	0	108,916	108,916	\$3.48	\$3.48	\$3.64	\$3.51
Flex	7,652,167	13.8%	367,019	0	0	80,340	85,911	\$7.68	\$7.38	\$7.81	\$7.89
General Industrial	33,794,756	6.7%	330,168	0	0	54,510	54,510	\$4.11	\$4.50	\$4.18	\$4.21
TOTALS	88,588,329	7.9%	1,680,875	1,125,452	0	527,622	533,193	\$4.00	\$4.11	\$4.16	\$4.15

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

Research methodology was updated as of 1Q2014

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
4401 Carolina Avenue	Laburnum/Rte 360	American Signature, Inc.	Distribution	227,700
14174 N Washington Highway	I-95 North/Ashland	American Signature, Inc.	Distribution	218,144
17320 N Washington Highway	I-95 North/Ashland	Mosaic Tile Co.	Distribution	215,000
White Oak Distribution Center	Airport	Premier Store Fixtures	Distribution	167,000
7001 Technology Place	Airport	Syncreon	Distribution	125,000
SIGNIFICANT Q2 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
3001 E Parham Road	Staples Mill/Parham	Rockit Sports LLC	\$1,200,000 / \$25	47,655
SIGNIFICANT Q2 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)
5900 Elko Rd	Airport	Lumber Liquidators	Q1 2016	995,792 (100.0%)
Eastport VIII – 5800 Eastport Blvd	Airport	NA	Q4 2014	129,660 (0.0%)