

MARKETBEAT INDUSTRIAL SNAPSHOT

RICHMOND, VA

A Cushman & Wakefield Alliance Research Publication



ECONOMIC OVERVIEW

Year-over-year job growth continued in May with an additional 2,800 jobs added over the same month in 2014 and extending Richmond's employment growth to 59 consecutive months.

The unemployment rate increased slightly since the end of Q1 2015 due to a growing labor force and is now 5.3%. Leisure and Hospitality and the Public Sector contributed the most to the year-over-year job growth with 1,200 and 1,300 jobs respectively. The Mining, Logging, and Construction industry added 300 jobs and the Trade, Transportation, and Utilities industry added 200 jobs from a year ago. The Manufacturing industry shed 200 jobs over the same time period. In addition to the job growth, a total of 1,550 new startup firms were created in the metro area in 2014.

VACANCY TRENDS

The overall vacancy rate for industrial properties in Richmond declined 20 basis points from last quarter to 7.8%, the lowest vacancy rate since Q3 2008. Direct asking rates increased by \$0.50 per square foot (psf) from one year ago.

The former Qimonda semi-conductor manufacturing facility was converted to a Data Center and re-classified under General Industrial causing Manufacturing vacancy to decrease from 6.5% to 3.7% and General Industrial vacancy to increase from 9.5% to 10.9%.

Flex vacancy increased to 12.1% from 11.5% a quarter ago but is 170 basis points below the rate a year ago. Direct asking rates for flex space increased 9.9% from a year ago to \$8.52 psf NNN.

DISTRIBUTION SPACE TIGHTENS

Well-located distribution space remains in demand in the Richmond Industrial market. Overall distribution vacancy declined 20 basis points from a quarter ago. Vacancy is up 50 basis points from a year ago but the market has added 1.35 million square feet (sf) over that same time period.

Demonstrating Richmond's appeal, Mavalério, a Brazilian manufacturer of candies, plans to invest \$5 million in a 38,000-sf facility at Enterchange at Northlake in Hanover bringing 55 new jobs. They chose the location because of the proximity to interstates, airports and seaports that can adequately serve the company's supply chain as well as having 55% of the U.S. population within 750 miles.

Richmond Bumper Service, an aftermarket parts company that supplies collision centers across the state, purchased a 200,000-sf industrial facility located at 8080 AMF Drive in Hanover County expanding from its existing 62,500-sf facility in Henrico County.

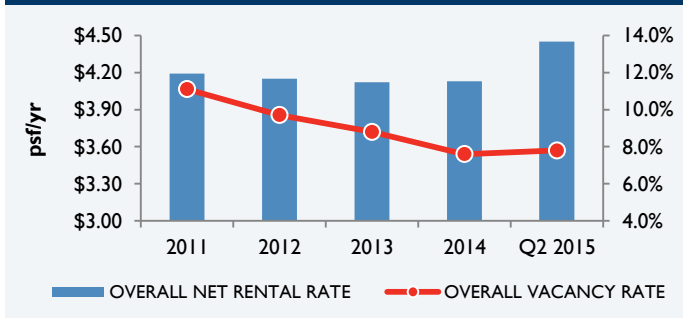
OUTLOOK

The Richmond industrial market continues to improve with vacancy in distribution and manufacturing space approaching historic lows. Speculative development remains on the sideline but interest in appropriately zoned raw land is picking up for build-to-suit projects. Limited supply and steady demand will continue to push rents. Distribution users continue to locate in Richmond due to a strong transportation infrastructure, proximity to the Port of Virginia, and large population centers. Richmond's geographic positioning enables distributors' access to the fast expanding southeast and the established northeast markets.

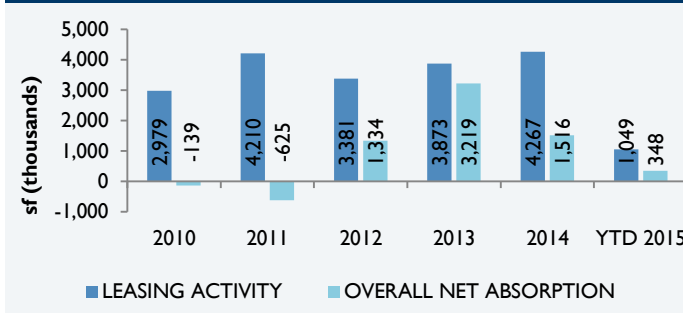
STATS ON THE GO

	Q2 2014	Q2 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.9%	7.8%	-0.1 pp	▼
Direct Asking Rents (psf/yr)	\$4.00	\$4.50	12.5%	▲
YTD Leasing Activity (sf)	2,190,037	1,049,355	52.1%	◄

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	277,266	30.3%	0	0	0	8,000	8,000	\$0.00	\$0.00	\$0.00	\$6.00
Northeast	10,828,744	3.8%	80,883	0	23,000	(119,182)	(137,182)	\$4.12	\$5.47	\$9.65	\$4.45
Northwest	19,353,366	6.9%	303,985	0	250,000	330,652	325,989	\$5.01	\$2.40	\$8.84	\$4.38
Southeast	17,744,748	7.5%	443,773	200,000	129,660	43,889	43,889	\$4.52	\$4.25	\$6.70	\$4.09
Southwest	42,361,182	7.8%	220,714	0	0	100,954	103,011	\$3.52	\$3.97	\$6.58	\$3.07
TOTALS	90,565,306	7.8%	1,049,355	200,000	379,660	364,313	343,707	\$4.01	\$3.90	\$8.48	\$3.86

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 2015	2014	2013	2012
Distribution	22,317,874	6.1%	292,290	0	379,660	127,879	109,879	\$4.01	\$3.73	\$3.44	\$3.54
Manufacturing	25,345,378	3.7%	164,080	200,000	0	(18,908)	(18,908)	\$3.90	\$3.49	\$3.41	\$3.60
Flex	7,645,870	12.1%	216,743	0	0	85,776	84,670	\$8.48	\$7.83	\$7.79	\$8.18
General Industrial	35,256,184	10.9%	376,242	0	0	169,566	168,066	\$3.86	\$3.27	\$3.13	\$3.24
TOTALS	90,565,306	7.8%	1,049,355	200,000	379,660	364,313	343,707	\$4.50	\$4.04	\$4.03	\$4.13

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

As of Q1 2014, only properties 20,000 sf and larger included;

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2015 LEASE TRANSACTIONS		SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
4915 Norman Road		Airport	Direct Mail Solutions	Warehouse/ Distribution	139,800
Enterchange at Northlake		I-95 North/Ashland	Mavalério	Manufacturing	38,000

SIGNIFICANT Q2 2015 SALE TRANSACTIONS		SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
8080 AMF Drive		I-95 North/Ashland	Richmond Bumper	\$4,400,000 / \$22	200,000
10990 Air Park		I-95 North/Ashland	Carter Machinery	\$3,000,000 / \$105	28,022

SIGNIFICANT Q2 2015 CONSTRUCTION COMPLETIONS		SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
9825 Atlee Commons Drive		I95 N/Mechanicsville	West Coast Tops	Q2 2015	23,000 (7.8%)

SIGNIFICANT PROJECTS UNDER CONSTRUCTION		SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
3409 Williamsburg Avenue		Airport	Stone Brewing	Q4 2015	200,000 (100%)