

# Industrial Snapshot 2Q 2016

Richmond, VA



## Richmond, VA Industrial

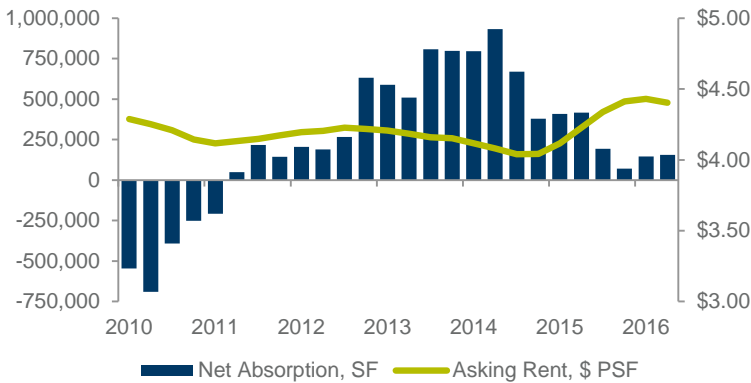
Economic Indicators	2Q 15	2Q 16	12-Month Forecast
Richmond Employment	646k	668k	▲
Richmond Unemployment	4.7%	3.9%	▲
U.S. Unemployment	5.4%	4.9%	■

Market Indicators (Overall, All Product Types)	2Q 15	2Q 16	12-Month Forecast
Vacancy	7.8%	7.5%	■
Net Absorption	326K	363K	▲
Under Construction	200K	216k	▲
Average Asking Rent	\$4.45	\$4.34	▲

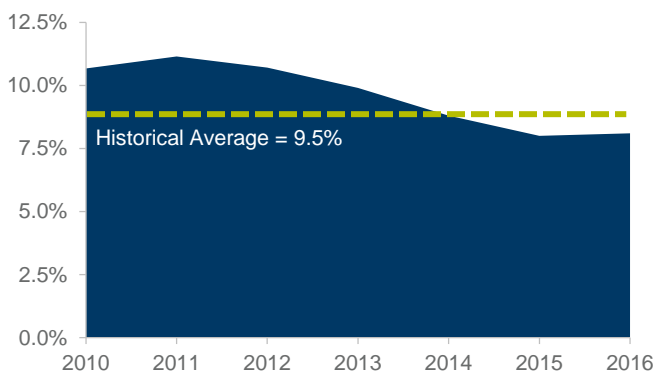
\*Rental rates reflect net asking \$psf/year

### Net Absorption/Asking Rent

4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

Manufacturers report steady domestic demand in the June 2016 ISM *Report on Business* despite a slowdown in orders from China. ISM further states that the manufacturing industry expanded for the 85<sup>th</sup> consecutive month. East Coast ports, including the Port of Virginia, started accepting ships traveling through the expanded Panama Canal. Additional port traffic will increase warehouse/distribution demand in Hampton Roads as well as in Richmond. Employment in Richmond expanded for the 71st consecutive month year-over-year in May 2016. Jobs in construction and trade, transportation, and utilities increased by 9,600 jobs over last year; manufacturing lost 300 jobs in the same time frame.

## Market Overview

Fajon Turbine Parts & Repairs will build an advanced manufacturing center off I-95 in Chesterfield providing entry to East Coast markets with the commencement of operations at a 43,210-square foot (SF) building. Fajon's President stated the "new location is perfect logistically and we look forward to utilizing the Richmond Marine Terminal." Polykon Manufacturing, a joint venture of Seppic and Schülke, purchased a 20 acre site in the White Oak Industrial Park with plans to invest more than \$60 million, create 50 jobs, and build 50,000 SF of space. Additional activity includes Full Service Warehouse, a distribution and logistics firm leased 99,700 SF on Jefferson Davis; Arrow Electronics leased 83,217 SF of distribution space at Enterchange @ Northlake; and Premier Fixtures leased 76,545 SF at Eastport IV. Associated Distributors will move to a new 198,000 SF distribution center in 3Q 2016.

Industrial vacancy declined from 8.1% in 1Q 2016 to 7.5% in 2Q 2016. Flex vacancy dropped 90 basis points from 10.4% to 9.5% in the same time period and 12.1% a year ago. Warehouse vacancy declined from 8.5% in 1Q 2016 to 7.7% in 2Q 2016. Asking rents declined along with vacancy. The flex asking rent decreased by \$0.24 per square foot (PSF) since last quarter but relatively consistent with the rent reported in 2Q 2015. The warehouse rent remained steady compared to last quarter and a year ago at \$3.81 PSF. Manufacturing rents declined \$0.10 PSF since 1Q 2016 but held steady compared to a year ago.

## Outlook

Brokers report an increase in activity for flex space among small users. Startup firms, of which Richmond had 2,152 in 2015, are attracted by the relative affordability of flex space. Asking rents will increase as availabilities tighten. Geographic and infrastructure advantages continue to attract advanced manufacturing as well as distribution and logistics companies. Becknell's speculative development by the Airport should deliver in July 2016 increasing vacancy in the short term.

MARKETBEAT

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CUSHMAN & WAKEFIELD

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SUBMARKET CLUSTER	TOTAL BLDGS	INVENTORY	YTD LEASING ACTIVITY	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION	UNDER CNSTR	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	30.3%	0	0	N/A	N/A	N/A	\$6.00
Northeast	167	10,877,144	220,400	5.4%	83,243	0	N/A	\$4.95	\$9.90	\$3.85
Northwest	315	19,432,068	366,830	5.5%	212,673	0	N/A	\$3.83	\$9.22	\$5.57
Southeast	140	17,975,501	187,104	6.5%	233,810	216,000	\$3.95	\$4.25	\$6.68	\$4.64
Southwest	402	42,242,251	514,898	9.2%	381,093	0	N/A	\$3.97	\$6.15	\$3.21
<b>RICHMOND, VA TOTALS</b>	<b>1,030</b>	<b>90,804,230</b>	<b>1,289,232</b>	<b>7.5%</b>	<b>910,819</b>	<b>216,000</b>	<b>\$3.95</b>	<b>\$3.91</b>	<b>\$8.55</b>	<b>\$3.81</b>

\*Real rates reflect asking \$psf/year  
Only includes buildings 20,000 SF and larger

HT = High Tech MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

## Key Lease Transactions 2Q 2016

1806 Jefferson Davis	99,700	Full Service Warehouse	Warehouse/Distribution	Southwest
5623 - 5363 Eastport	76,545	Premier Fixtures	Warehouse/Distribution	Southeast
10040 Whitesel	22,786	Touch of Color Flooring	Manufacturing	Northeast

## Key Sales Transactions 2Q 2016

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE/\$ PSF	SUBMARKET
500 Eastpark Court	300,000	Coca-Cola / Coca-Cola Bottling Co Consolidated	Warehouse	\$14,300,000/\$48	Northeast
8000 Villa Park	142,993	Fernau LeBlanc / Stewart Companies	Manufacturing	\$11,000,000/\$77	Northwest
1500 Roseneath	109,460	Xenith Bank / TRP	Warehouse	\$4,100,000/\$38	Northwest

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