

MARKETBEAT

Richmond, VA

Industrial Q2 2018



RICHMOND, VA INDUSTRIAL

Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Richmond Employment	672.4k	682.1k	▲
Richmond Unemployment	3.9%	3.4%	■
U.S. Unemployment	4.3%	3.8%	▼

Numbers above are quarterly averages; May 2018 data used to represent Q2 2018

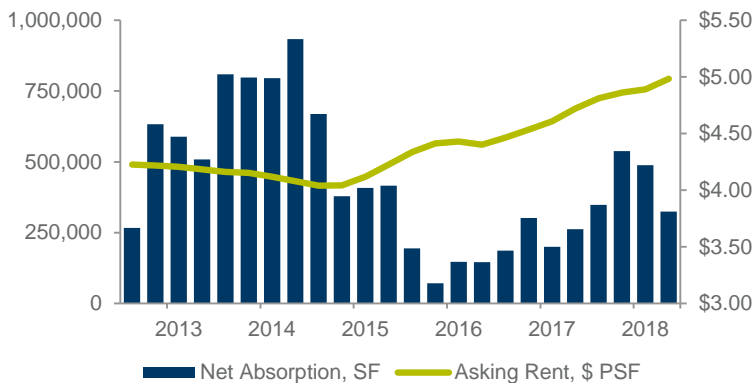
Market Indicators (Overall, All Property Types)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	5.1%	3.5%	▼
Net Absorption	573k	-79k	▲
Under Construction	474k	1.7M	▲
Net Average Asking Rent	\$4.79	\$5.16	▲

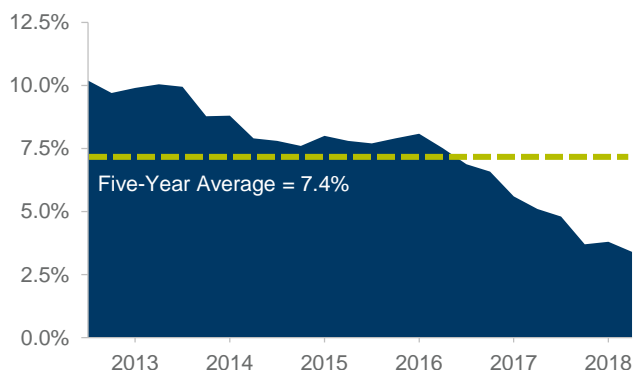
*Rental rates reflect net asking \$psf/year

Net Absorption/Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

U.S. economic growth exceeded expectations during the second quarter, with activity rising at a solid rate and unemployment reaching historically low levels. The Federal Reserve Bank raised interest rates by a quarter of a percentage point and suggested two additional increases will occur during the year, a rise from the previous quarter's projection. The rosy economic outlook also highlights an extremely tight labor market with many industries experiencing a shortage of workers. The U.S. followed through with trade tariffs on select Chinese goods and China quickly responded with tariffs of their own. Further escalations could threaten demand for industrial space, but it will take considerable time to impact real estate. Economic expansion is anticipated to continue in the second half of the year. Richmond's economy maintained steady performance in the second quarter. The unemployment rate decreased 50 basis points (bps) to 3.4% from the previous year and remains below the U.S. rate of 3.8%. The metro area added 9,700 jobs during the time period, with the service and hospitality industries leading the way in job growth.

Market Overview

Richmond's industrial market continues to exhibit strong fundamentals. Vacancy rates in the metro area decreased 160 bps from the prior year to 3.5%. The average asking rent for industrial space also increased a sizable 7.7% when compared to the previous year. Annual rent growth for the quarter was the third highest recorded since the economic downturn. Limited supply, especially for smaller industrial space under 100,000 square feet (sf), has fueled rising rents.

Developers are responding with more than 1.7 million square feet (msf) of industrial space under construction. Several developments will drastically change Richmond's industrial landscape. Construction on Facebook's 970,000 sf data center in White Oak Technology Park is underway. Panattoni Development continues work on nearly 500,000 sf of its I-95 Logistics Center, while Bissel Inc. announced plans for a 40-acre development site in the James River Industrial Center and Hourigan Development revealed plans for the Deepwater Industrial Park. With 800,000 sf of Class A space coming available in October, 7000 Hardware Drive will be the largest available Class A distribution center in the Mid-Atlantic.

Outlook

The U.S. industrial market continues to benefit from the digital era. Data centers provide an alternative use for space and retailers are expanding their logistics network to support the demands of modern shoppers. New inventory will provide much needed, quality supply in Richmond. Industrial landlords should expect rental rates to continue to rise and vacancies to remain low in the second half of the year.

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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	N/A
Northeast	166	10,858,454	346,496	180,289	1.7%	(79,885)	0	N/A	\$9.00	\$4.25
Northwest	313	19,717,453	466,442	671,534	3.4%	(52,266)	51,800	\$5.39	\$10.24	\$5.60
Southeast	145	19,133,135	200,016	571,419	3.0%	26,473	1,015,647	\$4.79	\$7.55	\$4.93
Southwest	413	42,775,805	848,609	1,779,757	4.2%	(32,903)	681,700	\$6.45	\$7.20	\$4.19
Richmond, VA Totals	1,043	92,762,113	1,861,563	3,202,999	3.5%	(138,581)	1,749,147	\$4.89	\$9.49	\$4.65

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

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

Key Lease Transactions Q2 2018

PROPERTY	SF	Tenant	PROPERTY TYPE	SUBMARKET
2600 Distribution Drive	202,560	Veritiv	Warehouse	Airport
1936-1962 Ruffin Mill Road	116,449	Max Finklestein	Warehouse	I-95 S/I295/Rt 10
1980-1998 Ruffin Mill Road	60,560	Keystone Automotive Industries	Warehouse	I-95 S/I295/Rt 10

Key Sales Transactions Q2 2018

PROPERTY	SF	SELLER / BUYER	PROPERTY TYPE	PRICE / \$ PSF	SUBMARKET
Enterchange at Walthall D	287,318	Exeter / Mapletree Investments	Warehouse	\$26.1M / \$91	I-95/I295/Rt 10
1501-1507 Robin Hood Road	108,897	Dean Foods / Robin Hood Rd, LLC	Warehouse / Redevelopment	\$5.5M / \$51	Scott's Addition
949 Myers St	51,508	Rebkee Partners / 947 Myers LLC	Warehouse / Redevelopment	\$5.2M / \$100	Scott's Addition
3210 W. Marshall St	49,786	Jeff Johnstone / Dalian Development	Warehouse / Redevelopment	\$3.8M / \$77	Scott's Addition

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About Cushman & Wakefield

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