

MARKETBEAT INDUSTRIAL SNAPSHOT

RICHMOND, VA

A Cushman & Wakefield Alliance Research Publication

Q3 2013



ECONOMIC OVERVIEW

National industrial production rose 0.4% in August – the biggest increase in six months – propelled by gains in factory production of cars, appliances and home furnishings. Virginia's manufacturing activity also strengthened,

according to the Federal Reserve Bank of Richmond, with more manufacturers expecting greater strength in the six months ahead.

But another measure could be cause for uncertainty: The state's jobless rate ticked up to 5.8% from 5.7% in August, the fourth consecutive monthly increase. It stood at 5.9% in August 2012. The commonwealth could be threatened by an overreliance on federal government spending and might grow more slowly than the rest of nation in the next two years, a research report at George Mason University indicates.

DEALS AND EXPANSIONS

It was a very active third quarter for sales and leasing. Dominion Packaging bought the 317,400-square-foot (sf) former Mazda Distribution Center at 5700 Audubon Drive for \$9 million, or \$28.39 per square foot (psf).

Government Properties Income Trust bought the 228,108-sf Enterchange at Meadowville for \$12.5 million, or \$54.81 psf. In the same I-95/SI-295S corridor, a Cole Real Estate Investments affiliate paid \$81.3 million for the Amazon fulfillment center at Meadowville Technology Park, adding about 1 million sf to its portfolio.

A flex property at 601 Moorefield Park Drive with 2.4 acres and 23,184 sf sold to L&N LLC for \$825,000, or \$35.59 psf.

Land sales also saw increased activity. Lumber Liquidators plans to build and operate a 1 million-square-foot (msf) distribution center in the White Oak Technology Park in eastern Henrico County on about 110 acres of land it purchased for about \$5 million. Republic National Distributing Company bought 22.7 acres in Hanover County from Virginia Truck Center of Richmond for \$1.9 million.

Notable leases included an expansion of Central Shared Services, which leased an additional 87,425 sf at the Enterchanges at Walthall on Ruffin Mill Road to bring its total to 184,000 sf. CEVA Freight took 36,651 sf in Highwoods Distribution I at 6601 S. Laburnum Ave., while Insulation Distributors leased 18,000 sf at 4325 Carolina Ave. Baptist Theological Seminary of Richmond leased 16,868 sf in Villa Park I at 8040 Villa Park Drive, adding to the flex deal activity around Parham Road and I-95.

Vacancy dipped to 9.9% in the quarter, down from 10.2% in the third quarter of 2012 and from 10.5% in the second quarter of 2013. Agents

say total leasing and absorption in the third quarter don't really reflect the market's vigor.

OUTLOOK

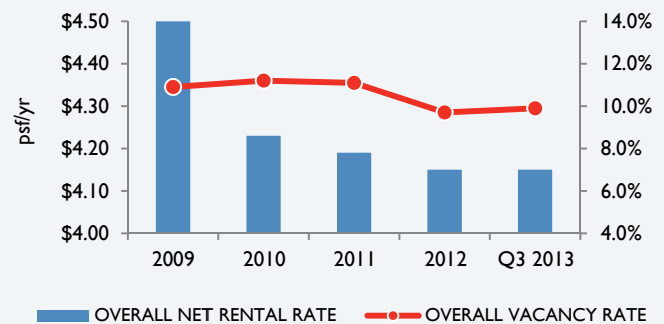
Supply has tightened, especially for class A space. Distribution buildings with 32-foot-high ceilings are limited to just a few spaces. Still, demand is limited and agents say it will be difficult to maintain the momentum into the fourth quarter.

User-driven deals (such as the Lumber Liquidators move) abound, with more expected to be announced.

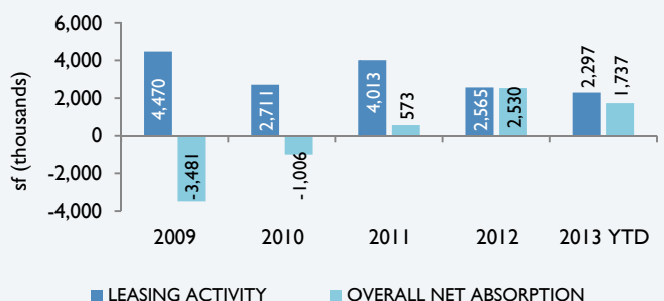
STATS ON THE GO

	Q3 2012	Q3 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	10.2%	9.9%	-0.3pp	▼
Direct Asking Rents (psf/yr)	\$4.28	\$4.13	-3.5%	◄
YTD Leasing Activity (sf)	1,723,244	2,297,468	33.3%	▲

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	D	MF	F	GI	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*
Downtown	620,780	1.8%	6,457	0	0	500	500	\$0.00	\$0.00	\$4.95	\$0.00	
Northeast	13,628,692	9.4%	289,436	0	500,000	(197,283)	(164,755)	\$3.67	\$2.39	\$9.08	\$4.91	
Northwest	24,634,197	9.0%	539,423	0	311,730	674,563	678,163	\$2.93	\$2.77	\$7.50	\$5.04	
Southeast	17,544,586	11.4%	314,014	0	0	(43,870)	(43,870)	\$3.87	\$3.95	\$6.80	\$3.76	
Southwest	48,391,629	10.1%	1,148,138	0	0	1,270,727	1,266,907	\$2.95	\$4.02	\$6.58	\$3.82	
TOTALS	104,819,884	9.9%	2,297,468	0	811,730	1,704,637	1,736,945	\$3.36	\$3.51	\$7.13	\$4.38	

PROPERTY TYPE	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	Q3 2013	2012	2011	2010	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*
Distribution	21,356,900	11.3%	598,864	0	811,730	1,265,129	1,265,129	\$3.36	\$3.55	\$3.82	\$3.81	
Manufacturing	28,714,195	10.6%	83,618	0	0	(253,012)	(253,012)	\$3.51	\$3.64	\$3.51	\$3.51	
Flex	11,661,491	12.8%	235,727	0	0	51,487	51,487	\$7.13	\$7.81	\$7.89	\$7.77	
General Industrial	43,087,298	7.8%	1,379,259	0	0	641,033	673,341	\$4.38	\$4.18	\$4.21	\$5.80	
TOTALS	104,819,884	9.9%	2,297,468	0	811,730	1,704,637	1,736,945	\$4.13	\$4.16	\$4.15	\$4.26	

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

MARKET HIGHLIGHTS

SIGNIFICANT Q3 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
1821 Battery Dantzler Road	I-95 S/I-295 S/Rt 10	Hillphoenix	B	90,000
Enterchange at Walthall	I-95 S/I-295 S/Rt 10	Central Shared Services	A	87,425
Airport Distribution Center A	Airport	CEVA Freight, LLC	A	36,651
10471 Washington Highway	I-95 North/Ashland	Triton Stone Group of New Orleans	B	24,000
Villa Park I	Staples Mill/Parham	The Baptist Theological Seminary of Richmond	B	16,868

SIGNIFICANT Q3 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
1801 N. Meadowville Technology Pky.	I-95 S/I-295 S/Rt 10	Cole Corporate Income Trust, Inc.	\$81,300,000 / \$80.00	1,016,281
5700 Audubon Drive	Airport	Dominion Packaging	\$9,000,000 / \$28.39	317,400
2101 Bermuda Hundred Road	I-95 S/I-29 5S/Rt 10	Government Properties Income Trust	\$12,503,000 / \$54.81	228,108
2819 Bells Road	Jeff Davis Corridor	HMU, LLC dba Open Plan Systems	\$2,095,000 / \$16.49	127,000
3000 Transport Street	Jeff Davis Corridor	Keaney Produce	\$2,000,000 / \$26.27	76,124

SIGNIFICANT Q3 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
NA				

SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
NA				