

# MARKETBEAT

## Richmond, VA

Industrial Q3 2016



### Richmond, VA INDUSTRIAL

#### Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
Richmond Employment	654k	675k	▲
Richmond Unemployment	4.4%	3.8%	▼
U.S. Unemployment	5.2%	4.9%	▼

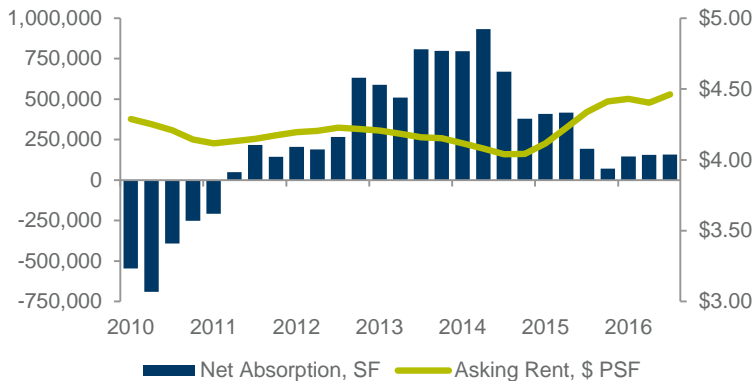
#### Market Indicators (Overall, All Property Types)

	Q3 15	Q3 16	12-Month Forecast
Vacancy	7.7%	7.2%	▼
Net Absorption	26K	(81K)	▲
Under Construction	223K	216K	▲
Average Asking Rent	\$4.43	\$4.60	▲

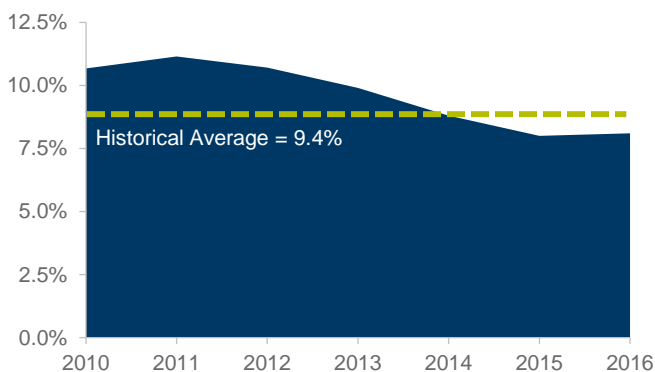
\*Rental rates reflect net asking \$psf/year

#### Net Absorption/Asking Rent

4Q TRAILING AVERAGE



#### Overall Vacancy



### Economy

The manufacturing sector expanded in September, following one month of contraction in August, as reported in the September 2016 Manufacturing ISM *Report on Business*. ISM further states that the overall economy grew for the 88<sup>th</sup> consecutive month. The industry is enjoying growth in new orders and production, while employment, inventories, and supplier deliveries have slowed. However, demand in the industrial sector continues to be strong. Cushman & Wakefield's National Forecast Report from August 2016 indicates that warehouse and distribution centers, which make up 60% of the industrial inventory, continue to benefit from the growth of eCommerce, while flex/R&D space will benefit from sustained improvement in the high-tech employment sector. Another year of record-setting demand is projected for 2016, with net absorption expected to surpass 250 million square feet (MSF), up from last year's record 246 MSF. Richmond added 21,400 jobs over a year ago, of which 8,400 were in trade, transportation, and utilities sectors. In the same time frame, the manufacturing and construction sectors lost 300 jobs each.

### Market Overview

Polykon Manufacturing, a maker of cosmetic and pharmaceutical ingredients, broke ground on its \$60 million manufacturing plant in the White Oak Industrial Park. A manufacturing joint venture of Seppic and Schülke, which are both subsidiaries of Air Liquide, Polykon plans to build an 80,000 SF plant that will add 50 jobs over the next two years. Construction continues on Becknell's 216,000 SF distribution warehouse by the Airport, which was just leased to Premier Fixtures, a manufacturing and design firm of retail store fixtures. Additional activity includes Maurice Electrical Supply, an electrical component distributor, leasing 46,397 SF at 923 N Meadow St.

Industrial overall vacancy continued its steady decline in 2016, down from 7.5% in Q2 2016 to 7.2% in Q3 2016. Flex vacancy dropped 50 basis points from 9.5% to 9.0% in the same time period and 11.6% from a year ago. Warehouse vacancy declined from 7.7% in Q2 2016 to 7.3% in Q3 2016, while manufacturing vacancy held steady at 4.4% for the year. Asking rents improved slightly from Q2 2016. Flex asking rent increased by \$0.04 per square foot (PSF) since last quarter but remained relatively consistent with the rent reported in Q3 2015. Warehouse rent decreased from \$3.92 PSF in Q2 2016 to \$3.89 PSF in Q3 2016 but consistent compared to a year ago.

### Outlook

Speculative and build-to-suit development will increase in response to strong industry demand. Asking rental rates will also grow as availabilities remain low. Devon USA's speculative development of a 320,853 SF distribution center within the Enterchange at Northlake Industrial Park should deliver by Summer 2017.

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CUSHMAN & WAKEFIELD

THALHIMER

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	DIRECT AVAILABLE VACANT SPACE (SF)	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	84000	N/A	N/A	\$6.00
Northeast	167	10,855,235	218,073	6.0%	56,579	0	423,486	\$4.95	\$9.72	\$3.93
Northwest	314	19,382,473	525,187	5.6%	151,738	0	1,079,045	\$3.86	\$8.83	\$5.48
Southeast	141	18,001,901	243,072	6.4%	292,904	216,000	1,157,939	N/A	\$6.83	\$5.05
Southwest	405	43,184,302	667,674	8.4%	304,311	0	3,625,184	\$3.60	\$6.29	\$3.20
<b>Richmond, VA Totals</b>	<b>1,033</b>	<b>91,701,177</b>	<b>1,654,006</b>	<b>7.20%</b>	<b>805,532</b>	<b>216,000</b>	<b>6,369,654</b>	<b>\$3.75</b>	<b>\$8.57</b>	<b>\$3.97</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 Q3 2016

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
2700 Distribution Dr	216,000	Premier Fixtures	Warehouse/Distribution	Southeast
4337-4339 Carolina Ave	72,000	WestRock	Warehouse/Distribution	Northeast
2913 Transport St*	52,500	Progressive Distribution Centers	Warehouse/Distribution	Southwest
923 N Meadow St	46,397	Maurice Electrical Supply	Warehouse/Distribution	Northwest

\*Renewal- not included in Leasing Activity Statistics

### Key Sales Transactions Q3 2016

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE/\$ PSF	SUBMARKET
16500 Walthall Industrial Pkwy	58 AC	John W Roberts / KW Richmond	Industrial Land	\$2,292,000/\$1	Southwest
1125 Commerce Rd	89,090 SF	Rt Virginia / Manchester Acquisitions	Warehouse	\$1,100,000/\$12	Southwest
1408 Roseneath Rd	50,562 SF	Belleville St Associates/ Roseleigh Partners	Manufacturing	\$2,210,000/\$44	Northwest
1508-1512 Belleville St	20,586 SF	Roseleigh Partners/ John Freeland Properties	Warehouse	\$1,250,00/\$61	Northwest
1404-1406 Belleville St	6,064 SF	PEB Holdings / John Freeland Properties	Warehouse	\$965,000/\$159	Northwest

Cushman & Wakefield | Thalhimier  
11100 W. Broad St.  
Glen Allen, VA 23060  
[thalhimer.com](http://thalhimer.com)

For more information, contact:  
Brad McGetrick, Director –  
Brokers Services  
Tel: +1 804 697 3558  
[brad.mcgetrick@thalhimer.com](mailto:brad.mcgetrick@thalhimer.com)

#### About Cushman & Wakefield

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