

MARKETBEAT INDUSTRIAL SNAPSHOT

RICHMOND, VA

A Cushman & Wakefield Alliance Research Publication

Q4 2014



ECONOMIC OVERVIEW

The Richmond area experienced 54 consecutive months of year-over-year job gains in November 2014 and added 15,100 jobs from January to November (latest available) of this year. The Richmond unemployment rate declined from 5.6% in January to 4.8% in November. The unemployment rate was last this low in November of 2008.

VACANCY TRENDS

The overall vacancy rate for industrial properties in Richmond declined to 7.6% in Q4 2014 down from 8.9% a year ago. The vacancy rate is now 4.7 percentage points (pp) below its recessionary peak and the lowest it has been since Q2 2008.

Distribution space has particularly tightened with the vacancy rate declining to 5.3% in Q4 from 8.7% at the start of the year. Vacancy for flex space while high continues to dramatically improve. Flex vacancy dropped to 12.2% a 1.8 pp decline from a quarter ago and a 5.5 pp reduction from two years ago.

Overall asking rental rates increased to \$4.13 per square foot (psf) from \$4.00 psf a year ago but remains 9.8% below the prerecession peak set in the Q4 2008.

ECONOMIC DEVELOPMENT ANNOUNCEMENTS

Several large economic development projects were announced in 2014 reinforcing the desirability of the Richmond area as a hub for logistics, distribution, and manufacturing.

Tranlin Inc., the U.S. subsidiary of Shandog Tranlin Paper Co., announced a \$2-billion investment in Chesterfield County. The paper and pulp manufacturing facility will employ 2,000 people.

Philip Morris announced plans and brook ground on four 250,000-square foot (sf) leaf storage buildings on 120 acres creating approximately 30 jobs.

Stone Brewing announced that they will locate their east coast operations in Richmond with a 200,000-sf production brewery and 250 barrel brewhouse.

Sabra Dipping Co., which makes hummus, is expanding operations in Chesterfield County adding 70 jobs.

Several large build-to-suit construction projects started in 2014 including the 995,792-sf Lumber Liquidators east coast distribution facility as well as the 250,000-sf Republic National Distributing Company facility.

OUTLOOK

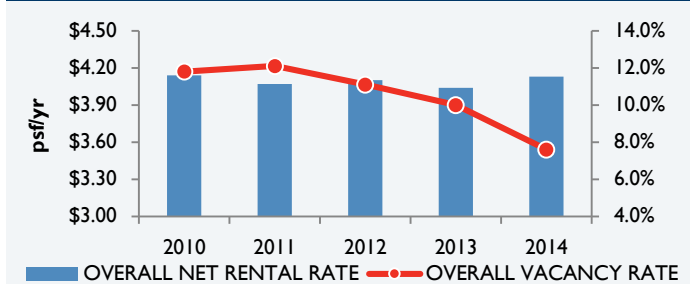
New industrial investors entered the market in 2014 including Exeter Property Group and Cole Capital. With several pending sales, 2015 should welcome additional new investors to Richmond.

Expect vacancy to continue to decrease as only 9% of the 1.4 million sf of space under construction is available. Asking rents will continue to rise as options for tenants remain limited. The restraint on space will hinder expansion and thus absorption as tenants find it difficult to meet requirements. More build-to-suit construction will occur as meeting requirements becomes a challenge.

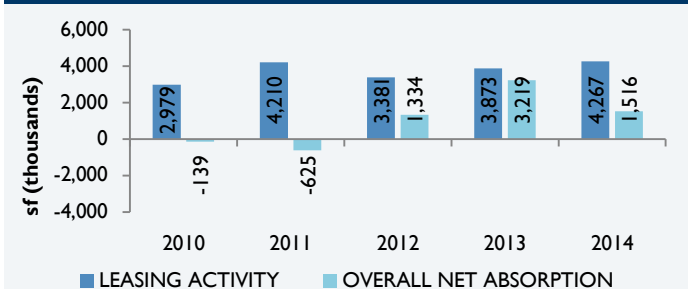
STATS ON THE GO

	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.9%	7.6%	-1.3pp	▼
Direct Asking Rents (psf/yr)	\$3.99	\$4.12	3.3%	▲
YTD Leasing Activity (sf)	3,875,656	4,266,674	10.1%	◄►

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	F	GI
Downtown	301,015	3.6%	0	0	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00
Northeast	10,783,544	2.4%	863,167	0	0	386,911	388,711	\$4.01	\$2.71	\$9.28	\$4.52
Northwest	19,078,029	7.0%	875,458	250,000	0	401,746	413,082	\$3.51	\$2.33	\$8.38	\$4.61
Southeast	16,749,079	7.6%	1,765,900	1,125,452	0	155,342	161,183	\$4.39	\$4.00	\$6.59	\$4.19
Southwest	42,312,923	9.2%	762,149	0	404,200	555,412	553,355	\$3.54	\$4.04	\$6.67	\$2.11
TOTALS	89,094,930	7.6%	4,266,674	1,375,452	404,200	1,499,411	1,516,331	\$3.87	\$3.56	\$7.97	\$3.24

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*			
								Q4 2014	2013	2012	2011
Distribution	21,063,573	5.3%	2,221,490	1,375,452	0	593,162	593,162	\$3.87	\$3.44	\$3.54	\$3.70
Manufacturing	26,352,266	6.1%	332,836	0	0	144,705	144,705	\$3.56	\$3.41	\$3.60	\$3.49
Flex	7,593,795	12.2%	865,065	0	0	98,123	115,043	\$7.97	\$7.79	\$8.18	\$8.08
General Industrial	34,214,956	9.5%	847,283	0	0	663,421	663,421	\$3.37	\$3.13	\$3.24	\$3.21
TOTALS	89,094,930	7.6%	4,266,674	1,375,452	0	1,499,411	1,516,331	\$4.12	\$4.03	\$4.13	\$4.11

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

As of 1Q2014, only properties 20,000 sf and larger included.

MARKET HIGHLIGHTS

SIGNIFICANT 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
5400 International Trade Drive	Airport	Alfa Laval	Distribution	180,252
3021 Commerce	Jeff Davis Corridor	Advance Trailer Systems	Distribution	129,000
7001 Technology Place	Airport	Syncreon	Distribution	125,000
Interport A	Airport	Horizon Forest Products	Distribution	65,000
11800 N. Lakeridge	I-95 North/Ashland	Packing Systems and Supplies	Distribution	50,909

SIGNIFICANT 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Amazon Distribution Center	Dinwiddie County Ind	Cole Capital	\$58,922,065/ \$58	1,016,065
Enterchange at Northlake A & Walthall D	I-95 North/Ashland	Exeter Property Group	\$31,200,000/\$62	502,395
9574 Sliding Hill	I-95 North/Chamberlayne	Westmoreland Co of Al	\$17,300,000/ \$40	500,000
10105 Whitesel	I-95 North/Mechanicsville	Jos. L. Muscarelle, Inc.	\$16,326,858/ \$33	500,000
Amcor Tobacco Packaging	I-95 S/I-295 S/Rt 10	Realty Income Corp	\$16,692,913/ \$82	203,544
1820 W Hundred	I-95 S/I-295 S/Rt 10	Lineage Logistics	\$13,300,000/ \$84	158,573
2500 Distribution Dr	Airport Ind.	MeadWestvaco	\$8,400,000/ \$72	116,000

SIGNIFICANT 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Medline Industries	I-95 S/ I-295S/ Rt 10	Medline	Q3 2014	404,200 (0%)

SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
5900 Elko Rd	Airport	Lumber Liquidators	Q1 2016	995,792 (100%)
14060 Washington Hwy	I-95 North/Ashland	Republic National Distributing	Q1 2015	250,000 (100%)
Eastport VIII	Airport	NA	Q1 2015	129,660 (0%)