

MARKETBEAT

Richmond, VA

Industrial Q4 2016



RICHMOND, VA INDUSTRIAL

Economic Indicators

	Q4 15	Q4 16	12-Month Forecast
Richmond Employment	666k	674k	▲
Richmond Unemployment	4.2%	4.2%	▲
U.S. Unemployment	5.0%	4.8%	▼

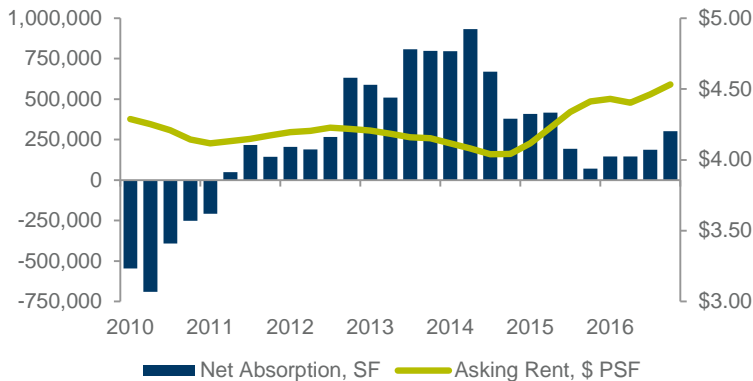
Market Indicators (Overall, All Property Types)

	Q4 15	Q4 16	12-Month Forecast
Vacancy	7.9%	6.6%	▼
Net Absorption	-198k	264k	▲
Under Construction	283k	579k	▲
Average Asking Rent	\$4.43	\$4.72	▲

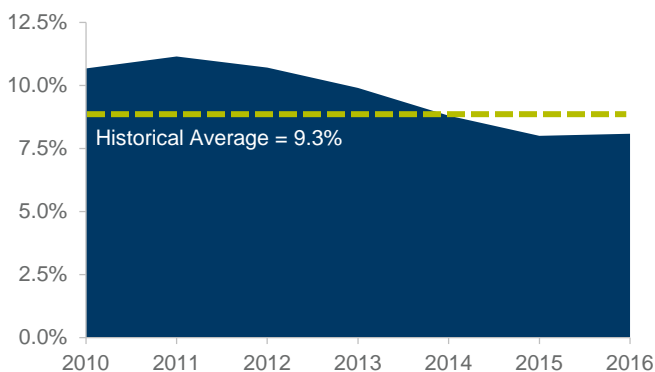
*Rental rates reflect net asking \$psf/year

Net Absorption/Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The U.S. economy finished 2016 on a strong note, with over 2.2 million jobs created throughout the year and an unemployment rate of 4.8% in December, the lowest since 2007. The manufacturing sector expanded in December, while the overall economy experienced its 91st consecutive month of growth, as reported in the December 2016 Manufacturing ISM *Report on Business*. ISM further reports continued growth in new orders, production, and employment, while inventories and supplier deliveries contract. The overall U.S. industrial market experienced a record-setting year of 282.9 million square feet (MSF) of annual overall net absorption in 2016.

The industrial market is well positioned for continued growth in 2017. Consumer confidence is high, according to the Conference Board's Consumer Confidence Index, with expectations for improved business conditions, jobs and income over the next six months driving consumer spending. eCommerce continues to drive industrial demand, with sales per quarter expected to increase by 25% over the next two years.

Market Overview

The Richmond industrial market absorbed a positive 1.2 million square feet (MSF) of space in 2016, drawing the vacancy rate down in Q4 2016 a full 130 basis points from a year ago. Richmond added 4,500 jobs over a year ago, of which 900 were in trade, transportation, and utilities sectors. In the same time frame, the manufacturing and construction sectors lost a combined 1,300 jobs. The uptick in speculative development continues as Devon USA broke ground on a 320,853-square-foot (SF) distribution building within the Enterchange at Northlake Industrial Park. Expected to deliver by summer 2017, the new building will complete the industrial warehouse park, totaling over one MSF. Notable transactions include the sale of Windsor Business Park to Fernau Leblanc Investment Partners. The six-building, 341,960-SF office/flex portfolio sold for just under \$33.3 million.

Industrial overall vacancy continued its steady decline in 2016, down from 6.9% in Q3 2016 to 6.6% in Q4 2016. Flex vacancy dropped 20 basis points from 9.4% to 9.2% in the same time period and from 11.5% a year ago. Warehouse vacancy also declined from 7.1% in Q3 2016 to 6.8% in Q4 2016. Overall asking rents increased \$0.05 per square foot (PSF) from Q3 2016 and \$0.29 PSF from a year ago.

Outlook

Industrial development in the Richmond market has picked up, with just under 600,000 SF of space currently under construction. Consumer confidence drives consumption and demand for industrial space will continue to grow, particularly for warehouse product. Net absorption will remain strong in 2017, holding vacancy rates low.

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CUSHMAN & WAKEFIELD

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SUBMARKET	TOTAL BLDGS	INVENTORY	YTD LEASING ACTIVITY	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION	UNDER CNSTR	OVERALL 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	84,000	N/A	N/A	\$6.00
Northeast	168	10,907,898	943,086	3.3%	353,699	0	172,866	\$4.95	\$8.88	\$3.92
Northwest	316	19,432,736	697,000	5.9%	143,205	320,853	1,033,708	\$3.86	\$8.83	\$6.39
Southeast	141	18,001,901	654,605	4.4%	527,908	216,000	787,512	N/A	\$6.87	\$5.03
Southwest	408	44,386,252	1,267,737	8.2%	95,932	60,000	3,631,053	\$3.60	\$4.96	\$3.30
Richmond, VA Totals	1,039	92,574,799	3,048,798	6.6%	1,208,735	596,853	6,093,630	\$3.83	\$8.21	\$4.03

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

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

Key Lease Transactions 2016

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
2700 Distribution Dr	216,000	Premier Fixtures	Warehouse/Distribution	Southeast
1806 Jefferson Davis Hwy	99,700	Full Service Warehouse	Warehouse/Distribution	Southwest
4401 Carolina Ave	96,000	XPO Logistics	Warehouse/Distribution	Northeast
5623 - 5363 Eastport	76,545	Premier Fixtures	Warehouse/Distribution	Southeast
4337-4339 Carolina Ave	72,000	WestRock	Warehouse/Distribution	Northeast

Key Sales Transactions 2016

PROPERTY	SF	SELLER / BUYER	PROPERTY TYPE	PRICE / \$ PSF	SUBMARKET
Windsor Business Park	341,960	GID / Fernau LeBlanc	Office/Flex	\$33,290,000 / \$97	Northeast
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
8040 Villa Park	74,862	Diversified Realty Ventures / Kappa Construction	Office/Flex	\$8,144,000 / \$109	Northwest

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About Cushman & Wakefield

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