

MARKETBEAT RETAIL SNAPSHOT

RICHMOND, VA

A Cushman & Wakefield Research Publication

Q1 2014



ECONOMIC OVERVIEW

The Bureau of Labor Statistics reports that the U.S. economy added roughly 192,000 nonfarm jobs in March, an approximate 10% increase over February. Although overall employment increased, the jobless rate remained flat at 6.7%, indicating that more people have joined the labor force.

Richmond seems to be following positive trends as the jobless rate was 5.5% in February, a decline of 60 basis points from 12 months prior. Additionally, the labor force increased 3.3% over the same time period, indicating that not only are more people joining the labor force but employers are also responding by providing more opportunities.

RICHMOND RETAIL

Overall vacancy for the first quarter remains unchanged from 12 months prior, at 6.9%. On the other hand, absorption this quarter finished strong with 54,744 square feet (sf) of positive net absorption. This is the first time in the last two years where the first quarter of the year has observed positive absorption.

On a submarket level, the South Chesterfield and Short Pump submarkets lead in absorption with positive 27,570 sf and 40,288 sf, respectively. The vacancy rate in Short Pump is currently at 2.8% and it continues to lead in highest asking rents averaging \$23.89 as of the first quarter, an approximate 6.4% increase over Q1 2013.

RETAIL SALES & LEASING

According to Real Capital Analytics, a total of seven retail properties sold in the first quarter totaling approximately \$29.9 million and 165,751 sf of retail space. The average price per square foot came within reach of \$180 and an average cap rate of 7.5%. Significant transactions include the sale of the Southern States facility on Alverser Drive in Midlothian, a 22,800-sf building for Goodwill Industries on Brookriver Drive in Short Pump and the 13,905-sf Walgreens investment property at 7900 West Broad Street in the Staples Mill/Parham submarket.

The largest and most significant lease transaction this quarter involved the 97,500-sf lease at West Broad Market Place where hunting & fishing retail giant, Cabela's, will anchor the planned 440,000-sf mixed-use West Broad Marketplace in Short Pump. This will be their only location in the Richmond MSA.

OUTLOOK

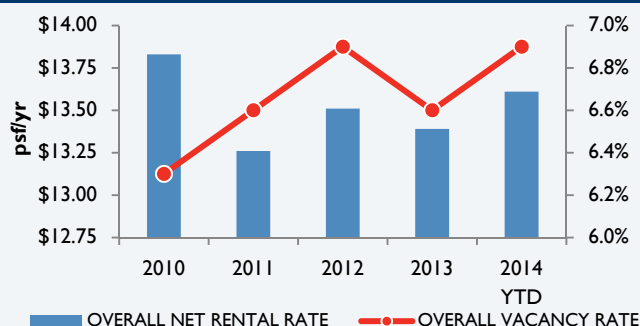
In addition to a multitude of new developments under construction or announced, others are being planned to accommodate those users that are interested in expanding or entering the market. Additionally, asking rates in the hottest properties and markets are on the upswing, returning to and in some cases exceeding pre-recession levels. We see this trend continuing for the foreseeable future.

ECONOMIC INDICATORS

NATIONAL	2013	2014F	2015F
GDP Growth	1.9%	3.0%	4.1%
CPI Growth	1.5%	1.8%	2.0%
Consumer Spending Growth	2.0%	3.1%	4.4%
Retail Sales Growth	4.3%	4.1%	6.1%
REGIONAL	2013	2014F	2015F
Household Income	\$53,830	\$54,856	\$56,885
Population Growth	0.9%	0.8%	0.8%
Unemployment	5.9%	5.2%	5.0%

Source: Moody's Analytics

OVERALL RENTAL VS. VACANCY RATES



MARKET HIGHLIGHTS

SIGNIFICANT Q1 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
West Broad Marketplace	Short Pump	Cabela's	Super Regional	97,500
Staples Mill Square	Staples Mill / Parham	Sleepy's	Community Center	7,467
Westpark Shopping Center	Broad St Corridor	Greenlife Adventure Sports	Community Center	5,000
Corner at Short Pump	Short Pump	Carter's	Community Center	3,825
SIGNIFICANT Q1 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
1200 Alverser Drive	Midlothian West	Advanced Properties	\$2,550,000 / \$102	25,000
4200 Brookriver Drive	Short Pump	Goodwill Industries of Central VA	\$3,000,000 / \$132	22,800
7900 W. Broad Street	Staples Mill / Parham	Realty Income Corporation	\$3,847,865 / \$277	13,905
5706 Grove Avenue	Willow Lawn	Westhampton, LLC	\$1,750,000 / \$140	12,521
SIGNIFICANT Q1 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Staples Mill Marketplace	Staples Mill / Parham	Kroger Marketplace	Q1 2014	175,000 (100.0%)
Weir Plaza - 2660 Weir Road	South Chesterfield	Big Lots	Q1 2014	37,376 (100.0%)
West Broad Village - 11237 W. Broad Street	Short Pump	Carrabba's Italian Grill	Q1 2014	7,000 (100.0%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Libbie Mill	Willow Lawn	Southern Season	Q2 2014	160,000 (100%)
Charter Colony	Midlothian Village	Martin's	Q2 2014	110,000 (100%)
Reynold's Crossing - 7000 Forest Avenue	Willow Lawn	Walmart	Q2 2014	90,000 (100%)
West Broad Village	Short Pump	Golfsmith	Q2 2014	24,000 (100%)
Bermuda Square	Chester	Martin's	Q4 2015	Redevelopment

RICHMOND, VA SUBMARKET STATISTICS

SUBMARKET	INVENTORY	QUARTERLY CHANGE IN INVENTORY	VACANCY RATE	DEMAND (OCCUPIED SQUARE FEET)	ASKING RENT	QUARTERLY RENT GROWTH	ABSORPTION
Amelia County	163,026	0	6.2%	152,926	\$15.50	(3.1%)	(2,100)
Broad St Corridor	1,891,831	0	5.4%	1,789,885	\$16.34	(3.8%)	(1,572)
Colonial Heights	3,260,967	0	3.5%	3,147,222	\$18.24	24.1%	(10,159)
Cumberland County	48,113	0	5.2%	45,613	N/A	N/A	0
Dinwiddie County	220,201	0	0.0%	220,201	N/A	N/A	0
Downtown	3,760,215	76,608	7.8%	3,467,499	\$14.98	3.6%	(21,757)
East End	3,295,547	0	9.3%	2,989,859	\$12.60	(2.3%)	(14,152)
Far West End North	175,574	0	1.6%	172,841	N/A	N/A	(58)
Far West End South	1,119,570	0	16.4%	935,923	\$13.99	(1.8%)	(3,871)
Goochland	297,806	0	8.2%	273,520	\$11.85	(4.4%)	(1,200)
Hopewell	971,300	0	15.9%	817,298	\$9.49	(2.5%)	(4,970)
I-95 Ashland/NW	1,539,872	0	6.5%	1,440,424	\$13.33	11.4%	(2,525)
I-95 Chamberlayne/NE	732,273	5,000	6.9%	681,719	\$18.96	8.2%	4,960
Jeff Davis Corridor	2,365,632	0	14.1%	2,032,250	\$10.56	6.5%	(20,129)
King William County	356,459	0	17.2%	295,179	\$10.59	0.0%	0
Laburnum/Rte 360	1,899,367	0	5.6%	1,793,037	\$11.09	19.9%	9,675
Louisa County	609,035	0	1.9%	597,321	\$11.83	0.0%	0
Mechanicsville	2,428,215	0	5.4%	2,296,041	\$13.28	(1.8%)	13,005
Midlothian E/Hull St	6,161,311	0	11.8%	5,431,820	\$11.03	(3.0%)	7,021
Midlothian Village	1,458,118	0	13.0%	1,268,003	\$19.00	(1.3%)	905
Midlothian West	6,673,365	0	4.8%	6,351,657	\$14.42	2.5%	9,711
Near West End	2,525,345	0	2.7%	2,457,364	\$15.80	3.2%	(15,189)
New Kent County	392,273	0	7.4%	363,373	\$11.59	5.2%	(1,500)
Petersburg	2,105,733	0	11.6%	1,861,129	\$8.58	0.1%	2,735
Powhatan	578,378	0	6.0%	543,945	\$13.94	(1.4%)	5,595
Prince George	800,702	0	5.7%	755,287	\$8.83	(2.8%)	(2,556)
Regency	2,373,842	0	6.5%	2,220,020	\$9.96	(5.2%)	7,799
Short Pump	4,390,286	12,673	2.8%	4,269,272	\$23.89	3.2%	27,570
South Chesterfield	3,072,840	46,613	5.5%	2,904,228	\$13.11	(0.2%)	40,288
Staples Mill/Parham	6,978,365	0	5.3%	6,610,353	\$16.40	0.6%	6,167
Sussex County	135,763	0	14.7%	115,763	\$5.00	0.0%	0
Swift Creek	3,128,532	0	4.6%	2,983,072	\$18.08	(3.1%)	(2,099)
Willow Lawn	2,474,582	0	4.0%	2,374,575	\$10.18	7.0%	23,150
TOTAL MARKET	68,384,438	(140,894)	6.9%	63,658,619	\$13.61	1.6%	54,744

* RENTAL RATES REFLECT ASKING \$PSF/YEAR