

MARKETBEAT RETAIL SNAPSHOT

RICHMOND, VA

A Cushman & Wakefield Research Publication

Q1 2015



ECONOMIC OVERVIEW

National gross domestic product expanded by 2.4% in 2014 with both household consumption and business investment contributing to growth. Public sector expenditures and investments contracted for the third straight year causing a negative drag on economic growth. Retail sales increased 4.0% in 2014 and 2.1% in Q1 2015 from the same period a year ago. Consumer confidence stood at 101.3 in March 2015 up from 86.9 at the end of 2014.

The U.S. economy added 3.16 million jobs in 2014 of which nearly all, 3.07 million, were in the private sector. Employment was up 2.3% in March from a year ago which marked the 55th consecutive month of positive job growth and extended the best stretch of growth since 1939.

The sale of new single-family homes increased 19.4% in March compared to a year ago while inventory stood at 5.3 months. The median price of new single-family homes was \$282,800 up 5.2% from a year ago. According to the Federal Housing Finance Authority, housing prices increased in 4.9% in 2014 and is now only 6% below the pre-recession peak set in Q2 2007.

Richmond added 12,000 jobs in 2014 and continued its streak of year-over-year job growth to 56 months in February. The unemployment rate for the Richmond area has increased slightly in 2015 due to a growing labor force. It remains low at 5.3%. Housing prices in the Richmond area increased by 5.5% in 2014 and is now 10.5% off the pre-recession peak.

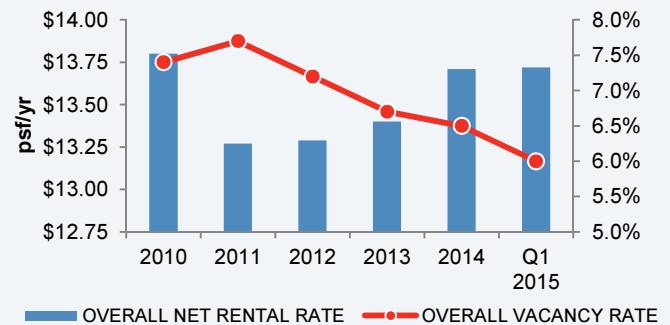
Residential building permits in Richmond increased 22% in Q1 2015 compared to a year ago. A total of 960 permits were authorized in the first quarter of which 816 were single family units and 127 were multi-family, defined as 5 units or more. For comparison, 1,877 units were authorized in Richmond over the same time period in 2007. The homeownership rate in the Richmond area, at 75.5%, continues to trend well above the national average of 64.0% as of Q4 2014. The rental vacancy according to the Census Bureau was a low 5.5% in Q4 2014 compared to 7.0% across the U.S. According to the National Association of Realtors, the median sale price of existing single family homes increased 6.1% in 2014 to \$220,200 in the Richmond metro area.

ECONOMIC INDICATORS

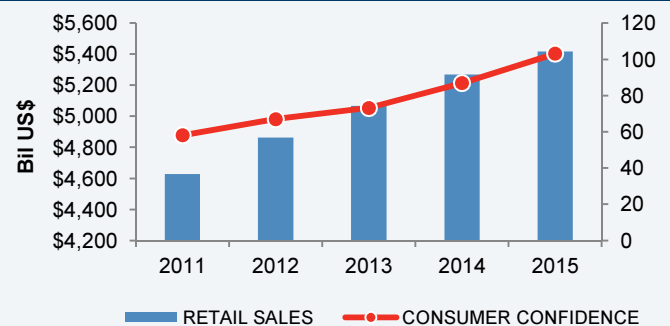
NATIONAL	2014	2015F	2016F
GDP Growth	2.4%	3.1%	3.5%
CPI Growth	1.6%	0.6%	2.6%
Consumer Spending Growth	2.5%	3.6%	4.2%
Retail Sales Growth	4.0%	2.8%	6.0%
RICHMOND MSA	2014	2015F	2016F
Household Income	\$62,727	\$64,076	\$66,296
Population	1,309,632	1,320,590	1,331,502
Population Growth	0.9%	0.8%	0.8%
Unemployment	5.4%	5.13	4.84%

Source: Moody's Analytics

OVERALL RENTAL VS. VACANCY RATES



RETAIL SALES AND CONSUMER CONFIDENCE TRENDS



RICHMOND RETAIL OVERVIEW

The overall retail vacancy rate in the Richmond region decreased 80 basis points to 6.0% in Q1 15 from a year ago. The overall vacancy was last this low in Q2 2007 when there was 6.9 million square feet (msf) less of inventory. The direct vacancy rate declined 90 basis points from a year ago and is now 5.7%; it was last lower in 2006.

A positive 367,724 square feet (sf) of absorption occurred in Q1 2015 in the Richmond metro. The strong quarter follows a year of robust absorption in 2014 in which a positive 839,479 sf was absorbed. The dynamism of the Richmond retail sector is demonstrated by the fact that it has yet to experience a year of negative absorption since Costar began tracking the data in 2005. Strong demand is further exhibited by the 1.2 million sf of positive absorption in the four quarters ending in Q1 2015.

Direct average asking rent remained steady at \$14.05 per square foot (psf) in Q1 15 compared to a year ago. Asking rents in primary submarkets such as Short Pump command much higher rates. The direct average asking rent in Short Pump is now \$24.67 psf more than \$10.00 above the overall market.

A few new grocery stores opened their doors in the first quarter. Wal-Mart opened two Neighborhood Markets in Q1 2015 at Meadowbrook Plaza and Sliding Hill and has two more under construction at 5221 Brook Road and Watermark Town Center. Aldi delivered a store on N Parham Rd and Colonial Heights as well as signed two leases for a store on the Boulevard and on Broad Street. German grocer Lidl continues to appear on site plans but have been tight-lipped about their overall strategy. Wegmans

started construction at Stonehenge Village and established grocers, Kroger, Martin's, and Whole Foods, are all in various stages of opening new stores.

CONSTRUCTION PIPELINE

Short Pump remains the most active submarket for retail development. Westbroad Marketplace, an approximately 400,000 sf mixed-use retail and office development anchored by Cabela's and Wegmans, broke ground in Q1 2015. Adjacent to Westbroad Marketplace is Broad Hill Centre, a 70 acre mixed use project anchored by a proposed 170,000 sf Bon Secours Medical Park and includes 320 apartment units, 13 condominium buildings, and 76 townhomes. The retail pad sites will follow the residential, currently under construction, and the office component.

OUTLOOK

The rising consumer confidence as well as the growth of home sales are positive leading indicators for retailers. Absorption started the year off strong and continued job growth will sustain retail demand. Investor demand continues to outpace supply particularly for grocery anchored centers. The majority of the development under construction has strong pre-leasing limiting the number of availabilities coming on the market. Retail vacancy should continue to decline placing pressure on rents particularly along the most active retail corridors. Tenants will receive fewer concessions from landlords and activity will spill into secondary submarkets.

MARKET HIGHLIGHTS

SIGNIFICANT Q1 2015 LEASE TRANSACTIONS

	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
4400 W Broad	Near West End	Pleasants Hardware	Neighborhood Center	52,000
6303 W Broad	Willow Lawn	Aldi	Neighborhood Center	20,744
927 Myers St	Near West End	Aldi	Neighborhood Center	16,000
1911 W. Main St.	Near West End	District 5	Restaurant	13,626

SIGNIFICANT Q1 2015 SALE TRANSACTIONS

	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Regency Square	Regency	Rebkee & TRP	\$13,100,000/\$28	464,800
Stony Point Shopping Center	Stony Point	Next Realty	\$9,300,000/\$128	72,869
Powhatan Plaza	Powhatan	Alan Nash	\$5,900,000/\$127	46,600
3000 Stony Point	Stony Point	Next Realty	\$5,700,000/\$149	38,382

SIGNIFICANT 2015 CONSTRUCTION COMPLETIONS

	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
5700 Hopkins	Jeff Davis	Walmart Neighborhood Market	Q1 2015	41,179 (100%)
9714 Sliding Hill	I-95 Chamberlayne/NE	Walmart Neighborhood Market	Q1 2015	41,117 (100%)
Corner at Short Pump	Short Pump	OshKosh, Carter, Zoes Kitchen	Q1 2015	20,144 (100%)
465 Charles H. Dimmock Pkwy.	Colonial Heights	Aldi	Q1 2015	16,000 (100%)
1776 N Parham	Regency	Aldi	Q1 2015	16,000 (100%)

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
West Broad Marketplace	Short Pump	Wegmans, Cabela's	Q1 2016	440,000 (86%)
12400 Tennessee Plz	Swift Creek	Chevrolet	Q3 2015	60,000 (100%)
7000 Iron Bridge	South Chesterfield	Walmart Neighborhood Market	Q3 2015	42,000 (100%)
5221 Brook Road	I-95 Chamberlayne/NE	Walmart Neighborhood Market	Q2 2015	42,000 (100%)

RICHMOND, VA SUBMARKET STATISTICS

SUBMARKET	INVENTORY	QUARTERLY CHANGE IN INVENTORY	VACANCY RATE	DEMAND (OCCUPIED SQUARE FEET)	OVERALL ASKING RENT	QUARTERLY RENT GROWTH	ABSORPTION
Amelia County	163,026	0	6.20%	152,926	\$16.25	0.0%	0
Broad St Corridor	1,909,532	0	4.80%	1,812,747	\$14.41	-1.71%	13,167
Colonial Heights	3,215,103	0	2.30%	3,140,447	\$21.55	2.77%	-7,901
Cumberland County	53,113	0	4.70%	50,613	N/A	N/A	0
Dinwiddie County	244,605	0	0.00%	244,605	N/A	N/A	0
Downtown	2,626,630	0	8.70%	2,397,430	\$14.80	0.0%	71,934
East End	3,338,994	18,102	8.30%	3,062,763	\$11.89	-1.74%	31,356
Far West End North	175,574	0	0.70%	175,574	\$23.35	0.0%	2,985
Far West End South	1,130,504	0	15.40%	953,635	\$13.91	-0.78%	-6,497
Goochland	297,806	0	6.40%	278,720	\$13.04	19.09%	0
Hopewell	977,236	0	14.40%	836,955	\$9.41	0.0%	0
I-95 Ashland/NW	1,607,771	0	2.50%	1,564,803	\$13.64	-0.66%	3,800
I-95 Chamberlayne/NE	793,004	41,117	5.00%	753,094	\$17.53	12.37%	62,277
Jeff Davis Corridor	2,264,341	41,179	11.10%	2,012,630	\$8.47	1.19%	101,733
King William County	439,889	0	12.00%	387,189	\$10.18	-0.68%	1,500
Laburnum/Rte 360	1,892,697	0	4.60%	1,804,967	\$10.95	-3.61%	1,000
Louisa County	640,955	0	1.70%	630,041	\$12.00	0.0%	0
Mechanicsville	2,428,546	0	3.90%	2,317,033	\$12.22	-8.12%	-11,315
Midlothian E/Hull St	6,033,725	0	10.10%	5,394,111	\$10.80	-1.64%	44,947
Midlothian Village	1,482,646	0	13.30%	1,285,118	\$19.45	0.67%	2,168
Midlothian West	6,677,008	0	4.60%	6,367,966	\$14.03	2.33%	28,247
Near West End	2,583,554	0	2.20%	2,512,984	\$16.35	0.31%	15,455
New Kent County	450,154	0	6.30%	421,654	\$11.59	0.0%	2,500
Petersburg	2,160,939	0	10.50%	1,925,795	\$9.07	3.89%	14,400
Powhatan	598,931	0	3.70%	577,052	\$13.62	0.0%	-1,823
Prince George	800,702	0	12.30%	702,207	\$7.37	4.84%	-1,495
Regency	2,206,367	0	6.40%	2,052,009	\$9.50	1.71%	2,690
Short Pump	4,480,006	20,144	2.70%	4,358,515	\$24.67	0.45%	27,550
South Chesterfield	3,124,923	0	4.70%	2,974,593	\$14.83	7.70%	1,304
Staples Mill/Parham	7,101,983	0	4.40%	6,790,467	\$14.49	1.83%	-19,374
Sussex County	142,465	0	28.10%	102,465	\$5.00	0.0%	0
Swift Creek	3,153,616	0	4.10%	3,025,323	\$17.70	-3.65%	-12,108
Willow Lawn	2,664,788	0	2.20%	2,598,109	\$14.62	-7.99%	-776
TOTAL MARKET	67,861,133	120,542	6.0%	63,663,340	\$13.72	0.22%	367,724

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

As of 1Q2014, only properties 5,000 sf and larger included