

# MARKETBEAT RETAIL SNAPSHOT

## RICHMOND, VA

A Cushman & Wakefield Research Publication

Q2 2014



### ECONOMIC OVERVIEW

The Richmond metropolitan area's unemployment rate as of May was 5.6%. This is unchanged since the beginning of the year, but up from the recent record low of 5.0% in April. Henrico County, Chesterfield County, and the City of Richmond posted unemployment rates of 4.8%, 4.7%, and 5.7% respectively. The largest year-over-year job gains are being seen in the following industries: Information (8.9%), Education and Health Services (3.7%), and Financial Activities (3.6%).

### RICHMOND GROCERY

The retail market remains tight, with vacancy rates hovering in the 6.5% - 7.0% range over the past few years. Grocery continues to be the talk of the town, as existing grocers expand and new competitors enter the market. In April, Wegman's announced plans to build two stores – one at Stonehenge Village Shopping Center on Midlothian Turnpike and another at West Broad Marketplace in Short Pump.

Walmart Neighborhood Market, Kroger, and Martins all have expansion plans of their own. Walmart has announced three locations of their 41,000-square foot (sf) Neighborhood Market grocery concept, with more expected soon. Martin's is relocating a store from Sycamore Square to Charter Colony, and Kroger announced a new store in Chester.

Walmart is also active with their Supercenter concept. Richmond's east end is getting their first Supercenter at the site of the former Fairfield Commons Mall. The new center will be called Eastgate Town Center. Closer in town, there is also a new Supercenter at Reynolds Crossing near Glenside and Broad that opened this quarter.

### RETAIL INVESTMENT SALES

According to Real Capital Analytics, sales activity has slowed through the first half of the year. However, there are a number of pending sales that bode well for a strong finish to the year. The average price per square foot (psf) continues to trend up, currently up 26% year-over-year at \$153 psf. A significant transaction was the sale of the former Toys R Us near Regency Square Mall to Trivett's Furniture.

The largest pending sale is the transfer of Stony Point Fashion Park from Taubman Centers to Starwood Capital Group as part of a seven-property portfolio sale.

### OUTLOOK

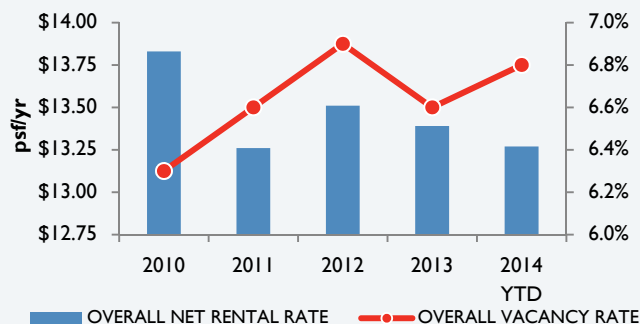
New construction continues to flourish, as developers take advantage of strong pre-leasing to get projects out of the ground. Expect the vacancy rate to stay in its current healthy range. Although overall asking rates across all retail property types are level, asking rates in newer product continue to push upward and will continue to do so.

### ECONOMIC INDICATORS

NATIONAL	2013	2014F	2015F
GDP Growth	1.9%	1.7%	3.7%
CPI Growth	1.5%	1.9%	2.2%
Consumer Spending Growth	2.0%	2.4%	3.8%
Retail Sales Growth	4.2%	4.1%	5.8%
RICHMOND MSA	2013	2014F	2015F
Household Income	\$53,580	\$54,404	\$56,246
Population	1,297,000	1,308,000	1,319,000
Population Growth	1.0%	0.9%	0.8%
Unemployment	5.9%	5.2%	5.0%

Source: Moody's Analytics

### OVERALL RENTAL VS. VACANCY RATES



## MARKET HIGHLIGHTS

SIGNIFICANT Q2 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Cold Harbor Shopping Center	Mechanicsville	Performance Dynamics	Neighborhood Center	9,162
Gold's Gym at West Tower	Staples Mill/Parham	Nora's Mediterranean Restaurant	Neighborhood Center	7,705
Westpark Shopping Center	Broad St Corridor	GreenLife Adventure Sports	Community Center	5,000
SIGNIFICANT Q2 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
8700 Quiocasin Road	Regency	Trivett's Furniture	\$1,900,000 / \$44	43,100
5501 Patterson Avenue	West End	Chesapeake Bank	\$1,760,000 / \$154	11,420
7800 W Broad Street	Staples Mill/Parham	Schewels Furniture Co.	\$1,000,000 / \$21	47,200
12010 W Broad Street	Far West End	BJ's Restaurants	\$2,000,000 / \$816,327/acre	2.45 acres
SIGNIFICANT Q2 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Reynold's Crossing - 7000 Forest Avenue	Willow Lawn	Walmart Supercenter	Q2 2014	90,000 (100%)
West Broad Village	Short Pump	Golfsmith	Q2 2014	24,000 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Libbie Mill	Willow Lawn	Southern Season	Q3 2014	160,000 (100%)
Charter Colony	Midlothian Village	Martin's	Q3 2014	110,000 (100%)
Rutland Commons	I-95 Chamberlayne/NE	Kroger	Q4 2014	Expansion
Ivymont Square	Midlothian Village	Kroger	Q4 2014	Expansion
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	\$16.25	4.8%	(2,100)
Broad St Corridor	1,891,831	0	5.2%	1,793,287	\$15.68	(4.0%)	730
Colonial Heights	3,268,077	7,110	3.2%	3,164,883	\$18.78	3.0%	13,733
Cumberland County	53,113	0	4.7%	50,613	N/A	N/A	0
Dinwiddie County	220,201	0	0.0%	220,201	N/A	N/A	0
Downtown	2,654,528	(1,105,687)	10.7%	2,369,382	\$14.90	(0.5%)	(6,327)
East End	3,293,072	(2,475)	9.6%	2,977,430	\$12.27	(2.6%)	(15,981)
Far West End North	175,574	0	0.9%	174,041	N/A	N/A	1,142
Far West End South	1,119,024	(546)	15.8%	942,687	\$13.88	(0.8%)	7,960
Goochland	297,806	0	7.3%	276,020	\$11.56	(2.4%)	1,300
Hopewell	977,236	5,936	15.0%	830,384	\$9.43	(0.6%)	2,180
I-95 Ashland/NW	1,551,771	11,899	6.5%	1,451,623	\$13.18	(1.1%)	(3,225)
I-95 Chamberlayne/NE	732,273	0	7.4%	678,027	\$16.25	(14.3%)	1,268
Jeff Davis Corridor	2,293,764	(71,868)	14.1%	1,971,428	\$10.08	(4.5%)	(5,068)
King William County	422,811	66,352	11.2%	375,531	\$10.59	0.0%	10,600
Laburnum/Rte 360	1,887,470	(11,897)	4.9%	1,795,490	\$11.09	0.0%	9,675
Louisa County	619,271	10,236	1.9%	607,557	\$11.83	0.0%	0
Mechanicsville	2,428,215	0	4.6%	2,315,362	\$13.14	(1.1%)	34,261
Midlothian E/Hull St	6,161,211	(100)	11.6%	5,446,655	\$11.08	0.5%	4,836
Midlothian Village	1,456,735	(1,383)	11.7%	1,286,218	\$19.43	2.3%	(1,887)
Midlothian West	6,810,440	137,075	4.7%	6,489,602	\$14.06	(2.5%)	20,338
Near West End	2,551,174	25,829	2.5%	2,486,378	\$16.99	7.5%	(9,604)
New Kent County	398,691	6,418	7.2%	369,791	\$11.59	0.0%	(1,000)
Petersburg	2,111,759	6,026	11.9%	1,861,310	\$9.00	4.9%	(4,235)
Powhatan	578,378	0	4.9%	550,274	\$13.86	(0.6%)	11,924
Prince George	800,702	0	6.0%	752,927	\$9.62	8.9%	(4,916)
Regency	2,373,842	0	6.4%	2,220,951	\$9.22	(7.4%)	10,530
Short Pump	4,417,062	26,776	2.6%	4,304,035	\$24.71	3.4%	56,699
South Chesterfield	3,099,194	26,354	5.9%	2,917,040	\$13.29	1.4%	55,100
Staples Mill/Parham	7,088,530	110,165	5.2%	6,719,406	\$14.71	(10.3%)	148,430
Sussex County	142,465	6,702	14.0%	122,465	\$5.00	0.0%	0
Swift Creek	3,138,241	9,709	4.2%	3,007,966	\$17.59	(2.7%)	16,094
Willow Lawn	2,562,013	87,431	3.8%	2,463,811	\$10.11	(0.7%)	70,448
<b>TOTAL MARKET</b>	<b>67,739,500</b>	<b>(649,938)</b>	<b>6.8%</b>	<b>63,145,701</b>	<b>\$13.27</b>	<b>(2.5%)</b>	<b>422,905</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

Research methodology was updated as of 1Q2014