

MARKETBEAT RETAIL SNAPSHOT

RICHMOND, VA

A Cushman & Wakefield Research Publication



ECONOMIC OVERVIEW

Americans boosted their spending at retail businesses modestly in August, yet holiday sales are expected to climb less than in previous years. The real estate market continues its sustained growth, with residential sales in the

Richmond area rising 9.0% in the third quarter compared with the same period in 2012. Residential sales tend to have a multiplier effect: When people buy a home, they typically buy furniture, appliances and garden supplies, which have a significant impact on total retail sales volume.

RETAIL MARKET OVERVIEW

It was another quarter highlighted by shopping center sales. Town Center at Twin Hickory in Glen Allen, anchored by a Food Lion, was acquired by New York-based Katz Properties for \$16.0 million. Katz bought the 8.6-acre center from South Carolina-based Edens & Avant, which is developing the Martin's-anchored Charter Colony retail center in Chesterfield County. The 42,000-square-foot (sf) Shops at Wellesley near Short Pump was purchased by California-based Capstone Advisors for \$7.4 million. A Baltimore-based firm, Pratt Street Capital, paid \$7.8 million for the 78,495-sf Glen Lea Shopping Centre on Mechanicsville Turnpike. Holladay Properties sold another piece of its holdings, the 10,000-sf Shoppes at Winding Brook I building, to Maryland-based WBPPM LLC for \$2.85 million. The Bass Pro Shops-anchored development is off Exit 89 in Hanover County, across the road from a planned 392,000-sf outlet mall.

In other sales, Delaware-based Exocorp Management & Consulting Inc. bought properties at 8131 and 8137 Brook Road from Lion's Paw Development Co. for \$1.975 million. Starbucks leases a 1,850-sf building, and GameStop is part of a 3,750-sf two-tenant building.

Chadwick's Antiques and Heirlooms at 5806 Grove Ave. sold for \$3.2 million. The new owners plan to add a floor and offer luxury condos on the upper floors in this popular shopping district.

Australian investment firm QIC officially staked its claim to Short Pump Town Center. The firm acquired a 33 percent interest in the 1.3-million-square-foot (msf) center from Forest City Enterprises as part of a \$2.05 billion transaction that included seven other shopping centers. The 10-year-old center is undergoing renovations and adding new tenants, including Athleta and Gordon Biersch Brewery.

Golfsmith announced it would build a 24,000-sf store at West Broad Village, Tazza Kitchen opened in the former Café Caturra space at 3332 Pump Road, and Two Guys Pizza opened next to Short Pump Regal Theatre. Zoup! Fresh Soup Company expects to open its first Virginia location in Glen Allen in the fourth quarter.

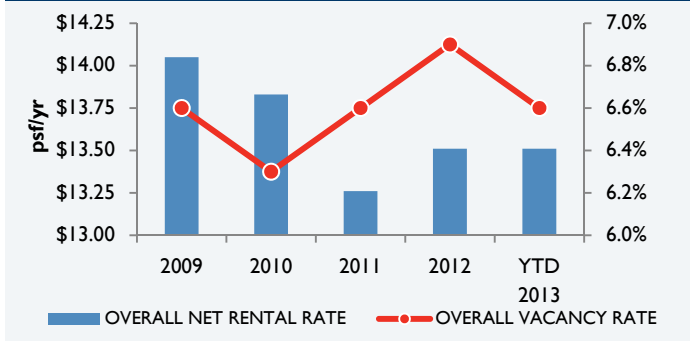
There were closings as well. Blue Ridge Mountain Sports closed its stores in Towne Center West and Chesterfield Towne Center, Louis Vuitton closed at Stony Point Fashion Park, and Skilligalee restaurant closed after 43 years. The Skilligalee property, 1.3 acres at 5416 Glenside Drive just north of Broad Street, was sold for \$890,000 to Nobility Investments, which owns the Hampton Inn and Suites just behind the restaurant. Martin's announced it will close the grocery store in Gayton Crossing by the end of October.

ECONOMIC INDICATORS

NATIONAL	2012	2013F	2014F
GDP Growth	2.8%	1.6%	3.1%
CPI Growth	2.1%	1.4%	1.8%
Consumer Spending Growth	2.2%	1.9%	3.3%
Retail Sales Growth	5.3%	4.5%	5.8%
REGIONAL	2012	2013F	2014F
Household Income	\$54,407	\$54,544	\$55,802
Population Growth	1.0%	0.9%	0.9%
Unemployment	6.4%	6.0%	5.7%

Source: Moody's Analytics

OVERALL RENTAL VS. VACANCY RATES



Coming soon to Willow Lawn are American Tap Room, Travinia Italian Kitchen & Wine Bar and Zoës Kitchen. Nearby, Gumenick has broken ground on Libbie Mill, which will be anchored by Southern Season gourmet emporium.

Both north and south are seeing new tenants and new construction. Rose's opened a store in the former Showplace on Mechanicsville Turnpike and has announced a second location at Chestertowne Square in south Richmond. While Bermuda Square in Chester is being renovated and the Martin's grocery expanded, Kroger plans to build a store in Colonial Heights and expand locations in Midlothian and the Village at Swift Creek.

Downtown is not to be left out. Southern Railway Taphouse moved into the former Southern Railway Express in Shockoe Slip, Sweet Teas Southern Cuisine opened at 1800 E. Main St., F.W. Sullivan's Canal Bar & Grille took over the former BlackFinn American Saloon in the Riverside on the James development, and Greenleaf's Pool Room took space on the ground floor of the Residences at the John Marshall.

En Su Boca opened in a former adult bookstore on the Boulevard, in time to offer tacos and burritos to visitors at the new Redskins Training Camp nearby. Discussions continue on whether a new ballpark for the Flying Squirrels will be built on North Boulevard or in Shockoe Bottom.

Leasing activity through the third quarter totaled 1,570,530 sf, up sharply from 2012's pace of 1,087,073 sf. Vacancy was 6.6%, down a bit from third-quarter 2012's 6.9%. Absorption was 331,106 sf year-to-date vs. 70,000 sf in the same period of 2012.

OUTLOOK

The key phrase is: "Steady as it goes." Brokers are enjoying a lot of activity and don't expect it to soften. They report talking to a number of large retailers about entering the market and several new development plans are on the horizon.

MARKET HIGHLIGHTS				
SIGNIFICANT Q3 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
West Broad Village	Short Pump	Golfsmith USA	Regional Mall	24,000
The John Marshall Building	Downtown	Greenleaf's Pool Room	Mixed-Use	5,900
SIGNIFICANT Q3 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Glen Lea Shopping Centre	Laburnum/Rte 360	Pratt Street Capital	\$7,878,000 / \$100	78,493
Town Center at Twin Hickory	Far West End North	Katz Properties	\$16,000,000 / \$242	66,000
The Shops at Wellesley	Far West End	Capstone Advisors	\$7,439,400 / \$177	42,000
The Shoppes I (Winding Brook)	I-95 Ashland/NW	WBPPM LLC	\$2,850,000 / \$285	10,000
8131 & 8137 Brook Road	Staples Mill/Parham	Exocorp Management & Consulting, Inc.	\$1,975,000 / \$353	5,600
SIGNIFICANT Q3 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Staples Mill Marketplace	Staples Mill / Parham	Kroger	Q1 2014	175,000
Libbie Mill	Willow Lawn	Southern Season	Q2 2014	150,000
Charter Colony	Midlothian Village	Martin's	Q2 2014	110,000

RICHMOND, VA SUBMARKET STATISTICS

SUBMARKET	INVENTORY	QUARTERLY CHANGE IN INVENTORY	VACANCY RATE	DEMAND (OCCUPIED SQUARE FEET)	ASKING RENT	RENT GROWTH	YTD ABSORPTION
Amelia County	204,838	2,448	9.1%	186,104	\$16.00	0.0%	12,007
Broad St Corridor	2,035,424	50,341	5.2%	1,929,350	\$16.43	1.6%	3,927
Colonial Heights	3,511,221	(18,630)	4.8%	3,341,379	\$13.78	(2.9%)	(2,138)
Cumberland County	38,860	0	6.4%	36,360	N/A	N/A	1,100
Dinwiddie County	204,473	13,184	0.7%	202,973	N/A	N/A	21,818
Downtown	4,074,820	(68,748)	7.2%	3,780,692	\$13.96	1.9%	1,562
East End	4,314,373	12,350	7.3%	3,997,520	\$13.04	5.5 %	44,700
Far West End North	257,437	(7,200)	0.6%	255,962	N/A	N/A	(1,475)
Far West End South	1,185,206	(7,384)	12.7%	1,034,191	\$17.35	9.9%	(41,698)
Goochland	339,915	320	8.8%	310,101	\$12.17	5.3%	(9,828)
Hopewell	1,243,849	17,723	12.9%	1,083,205	\$9.76	0.0%	11,971
I-95 Ashland/NW	1,790,722	1,439	6.0%	1,682,664	\$12.02	0.5%	(6,800)
I-95 Chamberlayne/NE	893,760	29,394	6.8%	832,568	\$17.53	7.2%	(1,467)
Jeff Davis Corridor	3,219,231	87,627	10.9%	2,869,322	\$9.94	9.4%	57,280
King & Queen County	3,600	0	0.0%	3,600	N/A	N/A	0
King William County	381,939	2,746	9.6%	345,459	\$8.96	(3.1%)	26,080
Laburnum/Rte 360	2,858,243	98,997	4.9%	2,719,552	\$9.31	(3.7%)	(12,093)
Louisa County	663,586	77,969	3.5%	640,233	\$11.83	0.0%	1,767
Mechanicsville	2,729,772	6,115	5.7%	2,574,728	\$13.92	6.0%	(36,263)
Midlothian E/Hull St	6,988,620	(31,260)	11.0%	6,221,382	\$11.36	0.9%	102,934
Midlothian Village	1,613,465	41,963	11.5%	1,428,098	\$19.76	(7.6%)	29,401
Midlothian West	7,018,866	6,282	5.4%	6,640,570	\$14.88	(3.9%)	41,419
Near West End	3,847,998	39,609	3.2%	3,725,386	\$15.31	(0.4%)	51,659
New Kent County	393,772	3,314	7.0%	366,092	\$11.02	(8.5%)	16,056
Petersburg	2,556,885	(4,503)	10.1%	2,299,005	\$9.06	2.9%	(13,497)
Powhatan	711,546	0	6.0%	668,555	\$12.60	0.0%	10,122
Prince George	853,679	412	1.9%	837,202	\$9.52	6.3%	9,544
Regency	2,527,712	(44)	7.1%	2,348,596	\$10.76	(6.5%)	(1,186)
Short Pump	4,450,750	37,305	3.7%	4,285,013	\$23.25	3.4%	3,073
South Chesterfield	3,435,477	(7,790)	3.9%	3,302,506	\$12.77	(0.5%)	(9,019)
Staples Mill/Parham	7,589,087	(1,417)	5.3%	7,187,551	\$15.93	1.1%	13,652
Sussex County	172,328	769	17.7%	141,740	\$5.00	0.0%	12,500
Swift Creek	3,420,593	(144,080)	4.9%	3,253,545	\$17.76	(0.1%)	2,050
Willow Lawn	2,919,334	(7,035)	5.3%	2,763,589	\$10.11	8.3%	(8,052)
TOTAL MARKET	78,451,381	232,216	6.6%	73,294,793	\$13.51	1.5%	331,106

* RENTAL RATES REFLECT ASKING \$PSF/YEAR