

MARKETBEAT RETAIL SNAPSHOT

RICHMOND, VA

A Cushman & Wakefield Research Publication

Q3 2014



ECONOMIC OVERVIEW

The Richmond metro area added 8,300 jobs in the 12 months ending in September 2014. This is the 52nd consecutive month of year-over-year employment gains. Richmond also hit a milestone in June surpassing its pre-recession employment peak set in June 2007 by 7,500 jobs. Supplementing employment gains, single family home prices increased by 5.2% from the second quarter of 2013 to the second quarter of 2014 (latest available). Gains in employment and increasing housing values will help to boost consumer confidence and retail sales before the critical holiday season.

RICHMOND RETAIL

The overall retail vacancy rate declined to 6.3% from 6.5% a quarter ago. The vacancy rate was last this low in the fall of 2008. Supply of development sites and existing availabilities is particularly tight on prime retail corridors which will eventually push rents and force some tenants to C and D sites.

Direct retail asking rates increased from a recessionary low of \$13.13 per square foot (psf) in Q4 2010 to \$13.73 psf in Q3 2014. A positive 677,584 square foot (sf) of retail space was absorbed in the first three quarters of 2014. This is the highest level of absorption for a similar time period since 2009.

The retail market delivered 544,278 sf of retail space thus far in 2014. An additional 158,344 sf of space is under construction. Vacancy rates will remain tight and continue to drop as absorption continues to outpace the delivery of new space.

RETAIL INVESTMENT SALES

According to Real Capital Analytics, retail sales volume reached \$49.8 million in Q3 2014. The largest transaction to occur was Armada Hoffer Properties acquisition of Dimmock Square shopping center, a 106,166-sf property in Colonial Heights. Dimmock Square was 100% occupied and traded for \$19.65 million or \$185 psf.

Three retail properties with single pharmaceutical tenants, two Walgreens and a CVS, also traded. The largest of the three was a 14,470-sf Walgreens in Hanover County that traded for \$10.5 million or nearly \$721.6 psf. The other Walgreens in Glen Allen traded for \$422.3 psf while the CVS in Chesterfield traded at \$426.2 psf.

OUTLOOK

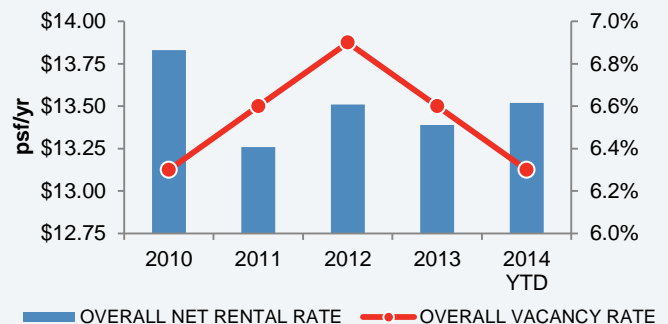
Grocery stores continue to jockey and position themselves in the market with Wal-Mart, Kroger, Martin's, Whole Foods, Wegmans, and Aldi developing new stores while Germany grocer Lidl continues to appear on site plans. Vacancy rates will decline further as net absorption outpaces new construction. Rental rates will increase particularly in prime retail corridors as tenants compete for limited available space. Infill development and renovations will transform outdated centers in good locations such as Willow Lawn while new development will continue to follow the rooftops into Henrico and Chesterfield counties.

ECONOMIC INDICATORS

NATIONAL	2013	2014F	2015F
GDP Growth	2.2%	2.2%	3.5%
CPI Growth	1.5%	1.8%	2.1%
Consumer Spending Growth	2.4%	2.4%	3.6%
Retail Sales Growth	4.2%	4.1%	6.1%
RICHMOND MSA	2013	2014F	2015F
Household Income	\$53,665	\$54,051	\$55,581
Population	1,297,000	1,308,000	1,319,000
Population Growth	1.0%	0.9%	0.8%
Unemployment	5.9%	5.5%	5.2%

Source: Moody's Analytics

OVERALL RENTAL VS. VACANCY RATES



MARKET HIGHLIGHTS

SIGNIFICANT Q3 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Spring Rock Green	Midlothian Corridor	You Fit	Neighborhood Center	20,000
Hanover Village	Mechanicsville	Aldi	Community Center	15,750
Ashland Hanover Shopping Center	I-95 North/Ashland	Petco	Community Center	5,000

SIGNIFICANT Q3 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Dimmock Square	Colonial Heights	Armada Hoffer	\$19,650,000/\$185	106,166
5610 Hull Street	Midlothian E/Hull St	Bresler Family Investors	\$2,100,000 /\$47	44,680
7039 Mechanicsville	Mechanicsville	Pinak Mehta LLC/Nikki Mehta LLC	\$10,500,000/\$722	14,550
11300 Nuckols	Far West End North	Flair Diversified Properties	\$5,822,000/\$422	13,788

SIGNIFICANT Q2 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Libbie Mill	Willow Lawn	Southern Season	Q3 2014	160,000 (100%)
12200 Harley Club	I-95 North/Ashland	Harley Davidson	Q3 2014	56,00 (100%)

SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
5221 Brook Road	I-95 Chamberlayne/NE	Walmart Neighborhood Market	Q1 2015	42,000 (100%)
11801 W Broad Street	Short Pump	Café Rio	Q4 2014	24,800 (76.4%)
Charter Colony	Midlothian Village	Martin's	Q4 2014	110,000 (93%)
12018 W Broad Street	Short Pump	B'Js Restaurant and Brewhouse	Q4 2014	8,000 (100%)

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	6.20%	152,926	\$16.25	0.0% [	-2,100
Broad St Corridor	1,909,278	17,447	5.90%	1,797,148	\$14.44	-9.4% [	-15,456
Colonial Heights	3,198,762	(69,315)	2.00%	3,133,882	\$20.97	13.2% [	-12,445
Cumberland County	53,113	0	4.70%	50,613	N/A	N/A [	0
Dinwiddie County	238,951	18,750	0.00%	238,951	N/A	N/A [	0
Downtown	2,659,548	5,020	9.80%	2,399,534	\$14.84	-1.0% [	12,305
East End	3,320,892	27,820	9.20%	3,016,503	\$12.26	-0.1% [	15,491
Far West End North	175,574	0	2.40%	171,389	35	N/A [	-1,510
Far West End South	1,130,504	11,480	15.60%	955,567	\$14.02	-1.1% [	15,131
Goochland	297,806	0	7.30%	276,020	\$11.56	-2.4% [	1,300
Hopewell	977,236	0	14.50%	835,634	\$9.43	0.0% [	2,180
I-95 Ashland/NW	1,607,771	56,000	4.30%	1,541,163	\$12.92	-2.0% [	71,275
I-95 Chamberlayne/NE	743,773	11,500	9.20%	676,657	\$16.25	-10.1% [	-1,504
Jeff Davis Corridor	2,320,039	26,275	14.40%	1,989,373	\$9.10	-9.7% [	4,702
King William County	431,433	8,622	13.20%	375,833	\$10.40	-1.8% [	3,980
Laburnum/Rte 360	1,892,470	5,000	4.70%	1,802,852	\$11.09	0.0% [	26,387
Louisa County	626,571	7,300	1.80%	615,657	\$11.83	0.0% [	8,100
Mechanicsville	2,428,546	331	3.90%	2,333,393	\$12.89	-1.3% [	34,611
Midlothian E/Hull St	6,007,554	(153,657)	9.30%	5,436,341	\$10.96	-2.1% [	5,784
Midlothian Village	1,456,735	0	10.70%	1,300,860	\$19.49	4.7% [	34,445
Midlothian West	6,756,909	(53,531)	4.70%	6,438,399	\$13.72	-3.0% [	18,993
Near West End	2,557,785	6,611	2.80%	2,485,580	\$14.49	-12.7% [	-10,909
New Kent County	399,940	1,249	7.10%	371,440	\$11.59	0.0% [	-1,000
Petersburg	2,111,759	0	11.90%	1,859,547	\$8.76	4.9% [	-9,563
Powhatan	578,221	(157)	4.20%	553,841	\$13.87	-0.9% [	14,448
Prince George	800,702	0	5.70%	755,027	\$9.62	0.0% [	-2,816
Regency	2,365,362	(8,480)	6.50%	2,210,814	\$9.34	0.2% [	6,473
Short Pump	4,417,062	0	2.70%	4,295,884	\$24.26	0.4% [	51,548
South Chesterfield	3,099,194	0	5.40%	2,932,687	\$13.81	3.6% [	61,719
Staples Mill/Parham	7,101,182	12,652	4.90%	6,755,619	\$14.57	-9.4% [	159,924
Sussex County	142,465	0	28.10%	102,465	\$5.00	0.0% [	-20,000
Swift Creek	3,148,543	10,302	3.80%	3,028,770	\$18.01	-1.9% [	44,747
Willow Lawn	2,613,010	50,997	2.10%	2,558,764	\$15.95	0.6% [	161,344
TOTAL MARKET	67,731,716	(7,784)	6.3%	63,449,133	\$13.52	(1.5%)	677,584

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

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

