

# Retail Snapshot Q3 2015

RICHMOND, VA

## Economic Indicators

### National

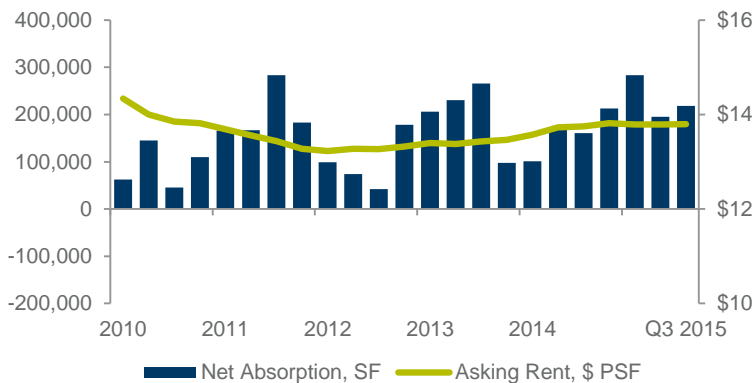
	2014	2015F	2016F
GDP Growth	2.8%	2.05%	3.47%
Household Income	\$53,695	\$55,269	\$57,260
Retail Sales Growth	3.8%	2.4%	5.6%
Unemployment	6.1%	5.1%	4.9%

### Richmond

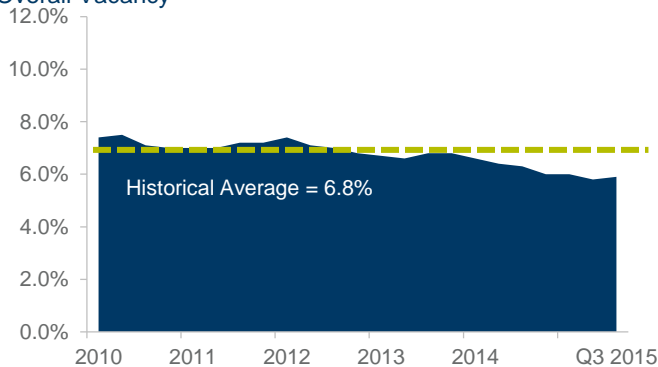
	2014	2015F	2016F
Household Income	\$60,037	\$61,094	\$63,513
Population	1,261,673	1,274,452	1,285,914
Population Growth	1.1%	1.0%	0.9%
Unemployment	5.4%	4.9%	4.6%

## Net Absorption/Asking Rent

### 4Q TRAILING AVERAGE



## Overall Vacancy



## Economy

Consumer confidence numbers continue to rate conditions favorably, but consumers are less optimistic about the short-term outlook. Retail sales increased 2.3% in Q3 2015 from a year ago. Growth in motor vehicle, furniture, sporting goods as well as pharmacies & drug store sales increased between 7.8% and 4.4% while sales at gasoline stores declined 19.7% in the first nine months of 2015 over the same time period in 2014.

## Market Overview

The Richmond retail vacancy rate declined by 20 basis points from Q2 2015. The vacancy rate was last this low in 2006. Net absorption for the quarter was 347,832 sf bringing the year-to-date total to 743,826 sf. Asking rents declined slightly despite the decrease in vacancy and significant positive absorption. Multiple gyms were active this quarter with Crunch Fitness, YouFit, and Planet Fitness all signing new leases. Gabes is opening their first store in the area in Midlothian. Burlington Coat Factory signed a 50,705 sf lease at Southgate Square in Colonial Heights. Additional active tenants include L.L. Bean opening at Short Pump, Fresh Market at Commonwealth Centre, as well as two Mellow Mushroom leases. Construction activity is concentrated in the Short Pump and Midlothian West submarkets with two Wegmans anchored centers, the West Broad Marketplace and Stonehenge Village, under construction. In addition, DSW is building a store at Willow Lawn. Walgreens and Rite Aid are merging to keep pace with market leader CVS. The combined entity would contain 12,800 stores (before closures) throughout the U.S. Walgreens' store format is typically around 16,000 square feet (sf) while Rite Aid is closer to 40,000 sf. Best case scenario is landlords with Rite Aid leases will enjoy Walgreens credit and the enhanced value that stems from it. The average Walgreens traded at a 5.5% cap rate while the average Rite Aid transacted at a 6.6% cap rate. Rite Aid and Walgreens have 23 and 27 stand alone stores respectively in the Richmond MSA with a handful in close proximity to each other.

## Outlook

Richmond's retail vacancy continues to remain low and with limited speculative development will stay below the historic average in the near term. The dip in asking rents is temporary and rents will resume growth as steady demand draws down availabilities. Site prices are increasing and obsolete buildings are being recycled and getting prime prices compared to four years ago. Investors are attracted to value add opportunities in expectation that interest rates may rise.

## MARKETBEAT

## Retail Snapshot Q3 2015

RICHMOND, VA

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SUBMARKET	INVENTORY	QUARTERLY CHANGE IN INVENTORY	VACANCY RATE	DEMAND (OCCUPIED SQUARE FEET)	OVERALL ASKING RENT	QUARTERLY RENT GROWTH	YTD OVERALL NET ABSORPTION
Amelia County	163,026	0	5.6%	153,976	\$16.25	0.0%	1,050
Broad St Corridor	1,909,532	0	4.4%	1,819,782	\$14.95	3.9%	25,402
Colonial Heights	3,239,129	0	2.3%	3,159,128	\$19.75	(9.0%)	3,754
Cumberland County	54,852	0	4.6%	52,352	\$0.00	0.0%	500
Dinwiddie County	244,605	0	0.0%	244,605	\$0.00	0.0%	0
Downtown	2,629,501	0	7.9%	2,419,089	\$15.04	0.3%	67,332
East End	3,086,330	0	8.0%	2,830,878	\$12.87	(4.4%)	21,790
Far West End North	175,574	0	0.7%	174,374	\$20.00	0.0%	2,985
Far West End South	1,139,172	0	12.5%	973,419	\$13.64	0.2%	4,619
Goochland	308,080	0	6.6%	287,894	\$13.04	0.0%	(1,100)
Hopewell	1,009,845	0	14.0%	868,014	\$9.67	2.9%	(750)
I-95 Ashland/NW	1,631,298	0	2.2%	1,591,080	\$14.70	14.1%	7,050
I-95 Chamberlayne/NE	816,173	0	5.1%	774,836	\$18.75	8.3%	60,850
Jeff Davis Corridor	2,263,477	0	11.6%	2,001,786	\$9.55	0.0%	91,753
King William County	439,889	0	12.6%	384,390	\$10.17	0.7%	(1,299)
Laburnum/Rte 360	1,933,596	41,117	5.3%	1,807,488	\$10.49	(7.1%)	3,739
Louisa County	649,685	0	1.9%	637,371	\$12.00	0.0%	(1,400)
Mechanicsville	2,444,222	0	4.2%	2,342,064	\$12.12	(3.7%)	(5,160)
Midlothian E/Hull St	6,015,286	0	8.8%	5,449,411	\$10.53	(0.9%)	135,536
Midlothian Village	1,508,849	0	12.3%	1,316,711	\$19.47	(1.0%)	7,558
Midlothian West	6,707,210	0	4.6%	6,393,362	\$13.77	0.22%	29,341
Near West End	2,517,434	0	2.7%	2,443,978	\$16.40	0.1%	26,969
New Kent County	510,142	0	5.2%	483,507	\$11.59	0.0%	5,765
Petersburg	2,159,131	0	10.5%	1,933,128	\$8.99	(0.2%)	23,541
Powhatan	610,431	20,000	4.9%	578,552	\$13.22	(2.9%)	(6,323)
Prince George	805,702	0	11.5%	713,053	\$7.14	(3.1%)	4,351
Regency	2,232,341	0	5.4%	2,100,341	\$10.65	(1.8%)	51,048
Short Pump	4,586,213	0	2.7%	4,459,608	\$24.63	(0.5%)	10,031
South Chesterfield	3,298,368	154,117	4.2%	3,157,972	\$14.51	(2.0%)	165,355
Staples Mill/Parham	7,203,323	16,653	5.2%	6,828,867	\$14.59	1.7%	(64,061)
Sussex County	172,873	0	23.1%	132,873	\$5.00	0.0%	0
Swift Creek	3,213,616	60,000	3.8%	3,089,018	\$16.99	(0.9%)	51,587
Willow Lawn	2,632,569	0	2.4%	2,569,679	\$11.98	(29.3%)	22,013
<b>Richmond, VA Totals</b>	<b>68,311,474</b>	<b>291,887</b>	<b>5.8%</b>	<b>64,178,586</b>	<b>\$13.71</b>	<b>(0.9%)</b>	<b>743,826</b>

\*Rental rates reflect asking \$psf/year NNN

Only includes properties 5,000 sf and larger.

## Key Lease Transactions Q3 2015

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Southgate Square	50,705	Burlington Coat Factory	Lease	Colonial Heights
Victorian Square	26,715	Planet Fitness	Lease	Midlothian E/Hull St
3600 Centre	26,185	Crunch Fitness	Lease	Near West End
Oak Hill Plaza	23,000	You Fit	Lease	Mechanicsville

## Key Sales Transactions Q3 2015

PROPERTY	SF	SELLER/BUYER	PRICE	SUBMARKET
9901 W Broad St	84,683	Rooms To Go	\$5,300,000	Broad Street

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