

# MARKETBEAT RETAIL SNAPSHOT

## RICHMOND, VA

A Cushman & Wakefield Research Publication



### ECONOMIC OVERVIEW

The quoted national unemployment rate dropped to 7.0% in November, although many observers continue to comment on dropping labor market participation rates as a driver for the lower unemployment rate, as opposed to

new job creation. Nevertheless, we have seen plenty of growth trends this year, indicating that households and businesses are in a better position to increase their spending for the upcoming year.

A recent Cushman & Wakefield Research publication reported that automotive sales topped 15 million units in 2013, possibly the strongest year for auto sales since 2007. Significant growth and headway has also been seen within the technology and energy sectors. Demand for technology services and devices continues to increase as the development of technology continues to spread, leaving technology companies with more than enough room for growth. Additionally, the energy sector seems to be having plenty of success with recent reports indicating that hydraulic fracturing and horizontal drilling have started the biggest boom in the industry since the early decades of the 20<sup>th</sup> century. Therefore, it is anticipated that cities with a large technology or energy presence, will likely experience a great deal of growth.

Although much progress has been observed over the past year, consumer confidence is still quite low as a result of the uncertainty over the political battle on the US budget. However, it is expected that as soon as the budget issue is resolved, we will begin to see stronger job growth and wage increases – and there exists a positive correlation between income and demand, so as income rises, demand for goods will also improve.

### RICHMOND RETAIL

The Richmond Retail market finished the year with over 422,000 square feet (sf) of positive net absorption, an approximate 43% increase over 2012. Over the last 12 months, overall vacancy has fallen 30 basis points from 6.9% to 6.6%.

The Midlothian E/Hull St. submarket led the retail market in 2013 with 107,025 sf of positive year-to-date absorption, a 40% improvement over 2012. Two significant transactions within the submarket include: the lease signed by Evolution Fitness for 33,435 sf of space at Spring Rock Green, and the RVA Flea lease for 28,058 sf

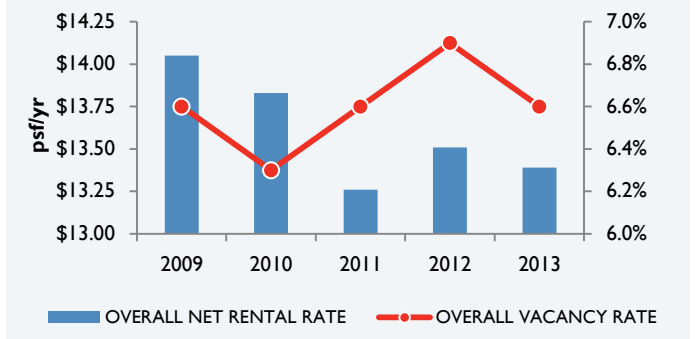
at Chippenham Square. Following the Midlothian E/Hull St. submarket, the Near West End and Staples Mill/Parham submarkets followed with 64,835 sf and 64,376 sf of positive net absorption, respectively. Two of the most significant lease transactions for the year occurred within the Staples Mill/Parham submarket. Floor & Décor leased approximately 85,000 sf of retail space at 5432 Glenside Drive. Additionally, American Family Fitness opened in 85,627sf of space at Virginia Center Commons on Brook Road. Another significant lease transaction not in the aforementioned submarkets, was the 75,000 sf deal that Roses Department Store signed at 3000 Mechanicsville Turnpike within the Laburnum/Rte 360 submarket.

### ECONOMIC INDICATORS

NATIONAL	2012	2013F	2014F
GDP Growth	2.8%	1.9%	3.2%
CPI Growth	2.1%	1.5%	2.0%
Consumer Spending Growth	2.2%	2.1%	3.4%
Retail Sales Growth	5.3%	4.4%	5.8%
REGIONAL	2012	2013F	2014F
Household Income	\$53,154	\$53,749	\$54,966
Population Growth	1.0%	0.9%	0.9%
Unemployment	6.4%	5.9%	5.5%

Source: Moody's Analytics

### OVERALL RENTAL VS. VACANCY RATES



## INVESTMENT SALES

According to Real Capital Analytics, a total of 28 properties were sold in 2013 at an average price of \$143 per square foot (psf). More than 3.3 million square feet (msf) of retail space was traded for a total sales volume exceeding \$400 million. The fourth quarter made up for 43% of the entire 2013 sales volume through the sale of five properties making up over 1.1 msf and a total of \$176 million. The most significant sale transaction in the fourth quarter included the sale of Chesterfield Towne Center on Midlothian Turnpike, which was acquired by publicly-traded Rouse Properties (NYSE: RSE) for \$162.5 million or \$157 psf.

## OUTLOOK

Brokers are optimistic about the retail market in 2014, as there has been an increase in restaurant and grocery expansion over the past 12 months and it is expected to continue in 2014. There are over 400,000 sf of retail development projects already underway for 2014, which include the 175,000 sf Staples Mill Marketplace, anchored by Kroger. Southern Season will anchor a 160,000 sf mixed-use center in Willow Lawn and Martin's will lead the 110,000 sf Charter Colony project in Midlothian Village. Additionally, the current debate over the proposed baseball stadium in Shockoe Bottom vs The Boulevard has stirred up speculation and investors are circling both areas to get in front of the curve. Overall, the upcoming year is expected to bring even more activity to the market as retailers and restaurants alike plan aggressive strategies to grow and expand.

MARKET HIGHLIGHTS				
<b>SIGNIFICANT 2013 LEASE TRANSACTIONS</b>	<b>SUBMARKET</b>	<b>TENANT</b>	<b>PROPERTY TYPE</b>	<b>SQUARE FEET</b>
5432 Glenside Drive	Staples Mill / Parham	Floor & Décor	Freestanding	85,000
10101 Brook Road	Staples Mill / Parham	American Family Fitness	Regional Mall	85,627
3000 Mechanicsville Turnpike	Laburnum / Rte 360	Roses Department Store	Freestanding	75,000
Libbie Mill	Willow Lawn	Southern Season	Mixed Use	49,000
West Broad Village	Short Pump	Golfsmith USA	Regional Mall	24,000
<b>SIGNIFICANT 2013 SALE TRANSACTIONS</b>	<b>SUBMARKET</b>	<b>BUYER</b>	<b>PURCHASE PRICE / \$PSF</b>	<b>SQUARE FEET</b>
Chesterfield Towne Center	Midlothian West	Rouse Properties	\$162,500,000 / \$157	1,035,371
Hancock Village (phase II)	Swift Creek	Cole Credit Property Trust IV	\$27,500,000 / \$180	153,000
Glen Lea Shopping Center	Laburnum / Rte 360	Pratt Street Capital	\$7,800,000 / \$99	78,495
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
Reynolds Crossing	Willow Lawn	Walmart Real Estate Business Trust	\$6,264,000 / \$14	10.44 acres
<b>SIGNIFICANT 2013 CONSTRUCTION COMPLETIONS</b>	<b>SUBMARKET</b>	<b>MAJOR TENANT</b>	<b>COMPLETION DATE</b>	<b>BUILDING SQUARE FEET</b>
2207 Pocahontas Trail	New Kent County	Rite Aid	Q2 2013	14,796
Winding Brook Shoppes II	I-95 Ashland	NA	Q4 2013	11,300
11500 W Broad Street	Short Pump	Walgreen's	Q3 2013	11,299
11229 W Broad Street	Short Pump	Chuy's	Q2 2013	7,000
<b>SIGNIFICANT PROJECTS UNDER CONSTRUCTION</b>	<b>SUBMARKET</b>	<b>MAJOR TENANT</b>	<b>COMPLETION DATE</b>	<b>BUILDING SQUARE FEET</b>
Staples Mill Marketplace	Staples Mill / Parham	Kroger	Q1 2014	175,000
Libbie Mill	Willow Lawn	Southern Season	Q2 2014	160,000
Charter Colony	Midlothian Village	Martin's	Q2 2014	110,000
West Broad Village	Short Pump	Golfsmith	Q2 2014	24,000

## RICHMOND, VA SUBMARKET STATISTICS

SUBMARKET	INVENTORY	QUARTERLY CHANGE IN INVENTORY	VACANCY RATE	DEMAND (OCCUPIED SQUARE FEET)	ASKING RENT	QUARTERLY RENT GROWTH	YTD ABSORPTION
Amelia County	209,879	5,041	8.9%	191,145	\$16.00	0.0%	12,007
Broad St Corridor	2,037,432	2,008	4.9%	1,937,686	\$16.98	3.3%	13,069
Charles City	2,800	2,800	0.0%	2,800	N/A	N/A	0
Colonial Heights	3,570,161	58,940	3.3%	3,451,584	\$14.70	6.7%	41,952
Cumberland County	38,860	0	6.4%	36,360	N/A	N/A	1,100
Dinwiddie County	269,761	65,288	0.2%	269,161	N/A	N/A	33,018
Downtown	4,059,014	(15,806)	7.5%	3,752,661	\$14.46	3.6%	(8,261)
East End	4,125,578	(188,795)	7.6%	3,811,266	\$12.90	(1.1%)	54,989
Far West End North	233,271	(24,166)	0.6%	231,796	N/A	N/A	(1,475)
Far West End South	1,212,384	27,178	15.8%	1,020,462	\$14.25	(17.9%)	(81,526)
Goochland	371,725	31,810	7.8%	342,911	\$12.40	1.9%	(8,828)
Hopewell	1,249,126	5,277	13.1%	1,084,955	\$9.73	(0.3%)	8,944
I-95 Ashland/NW	1,819,495	28,773	5.9%	1,712,287	\$11.97	(0.4%)	5,350
I-95 Chamberlayne/NE	892,465	(1,295)	6.1%	837,851	\$17.53	0.0%	3,911
Jeff Davis Corridor	3,211,689	(7,542)	10.7%	2,866,766	\$9.92	(0.2%)	58,454
King & Queen County	3,600	0	0.0%	3,600	N/A	N/A	0
King William County	383,487	1,548	16.0%	322,207	\$10.59	18.2%	1,280
Laburnum/Rte 360	2,735,357	(122,886)	4.8%	2,604,153	\$9.25	(0.6%)	(13,606)
Louisa County	678,419	14,833	2.4%	662,266	\$11.83	0.0%	8,967
Mechanicsville	2,736,768	6,996	5.4%	2,588,686	\$13.52	(2.9%)	(24,113)
Midlothian E/Hull St	6,938,608	(50,012)	10.9%	6,180,805	\$11.37	0.1%	107,025
Midlothian Village	1,617,919	4,454	12.3%	1,419,526	\$19.25	(2.6%)	17,775
Midlothian West	7,005,683	(13,183)	5.3%	6,635,335	\$14.07	(5.4%)	53,773
Near West End	3,779,943	(68,055)	2.5%	3,686,061	\$15.31	0.0%	64,835
New Kent County	397,272	3,500	6.6%	370,872	\$11.02	0.0%	20,536
Petersburg	2,567,695	10,810	10.7%	2,291,948	\$8.57	(5.4%)	(15,402)
Powhatan	711,546	0	6.5%	665,155	\$14.14	12.2%	6,722
Prince George	864,309	10,630	5.1%	819,850	\$9.08	(4.6%)	(7,875)
Regency	2,528,178	466	7.1%	2,348,363	\$10.51	(2.3%)	(1,885)
Short Pump	4,446,249	(4,501)	3.1%	4,308,529	\$23.15	(0.4%)	51,874
South Chesterfield	3,490,276	54,799	5.0%	3,314,889	\$13.13	2.8%	(50,935)
Staples Mill/Parham	7,621,786	32,699	5.1%	7,230,540	\$16.30	2.3%	64,376
Sussex County	182,624	10,296	15.4%	154,536	\$5.00	0.0%	15,000
Swift Creek	3,329,911	(90,682)	4.9%	3,166,736	\$18.66	5.1%	6,323
Willow Lawn	2,921,544	2,210	5.0%	2,776,244	\$9.51	(5.9%)	(15,207)
<b>TOTAL MARKET</b>	<b>78,244,814</b>	<b>(206,567)</b>	<b>6.6%</b>	<b>73,099,992</b>	<b>\$13.39</b>	<b>(0.9%)</b>	<b>422,167</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR