

MARKETBEAT INDUSTRIAL SNAPSHOT

RICHMOND, VA

A Cushman & Wakefield Alliance Research Publication

Q2 2013



ECONOMIC OVERVIEW

Virginia is expected to see employment growth in 2013 and beyond, albeit at a slower pace than the nation as a whole because of federal budget cuts. Virginia's unemployment rate fell slightly in April to 5.2%, the lowest it has been in 4½ years. The jobless rate dropped from 5.3% in March and from 5.9% in April 2012. In April, the Richmond region's unemployment rate was 5.4%, down from 6.0% in April 2012.

According to the Richmond Fed's latest survey, manufacturers in May were more optimistic about their future business prospects. An increasing number of contacts anticipated that new orders, backlogs, capacity utilization and capital expenditures would grow at a solid pace in coming months.

LEASING AND SALES ACTIVITY

WDS Co., a national warehousing and distribution company serving the food processing industry, leased 75,235 square feet (sf) at 2819 Bells Road in Richmond. American Pallet, a manufacturer and supplier of new, used, recycled and refurbished wood pallets, leased 25,000 sf on Deepwater Terminal Road in Richmond. It had been operating in Chester. In other activity in Richmond's southwest sector, Stafford-based federal contractor Patricio Enterprises at the end of the first quarter took 427,115 sf on Commerce Road in the biggest lease in several quarters.

Hilldrup Moving & Storage leased 27,000 sf at 4263-4299 Carolina Avenue in Richmond. And Hanover County saw activity on Lakeridge Parkway: Redi Carpet leased 16,000 sf in Crescent Business Center II at 10404 Lakeridge Parkway, and Mygrant Glass leased 41,540 sf in Enterchange at Northlake-Building B at 11700-11768 N. Lakeridge Parkway.

Notable sales included Villa Park Investors' purchase of the 106,000-sf Hogan Building at 8000 Villa Park Dr. in Richmond for about \$5.3 million, or about \$50 per square foot (psf), and Villa Park III at 7870 Villa Park Dr. The 88,860-sf building sold for \$3 million, or \$33.76 per square foot (psf). Stewart Moving & Storage, a full-service professional moving company relocating from Ashland, closed on a 30,000-sf facility at 14200 Justice Road in Chesterfield County for \$2.55 million, or \$85 psf. The property was owned by CFB Properties.

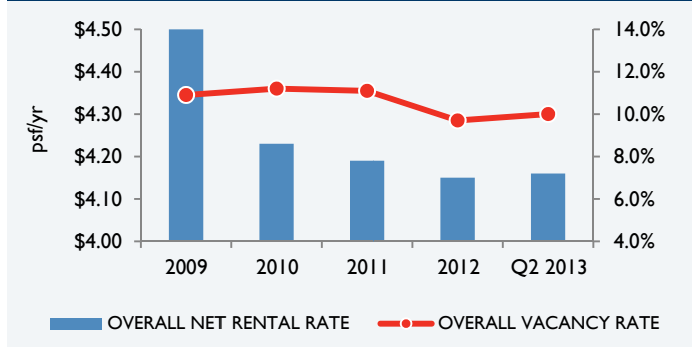
OUTLOOK

Brokers say things are slowing down from what has been an active market in leasing and capital market sales and note that companies already in the market are taking smaller spaces. Owners are making aggressive deals and dropping expectations. Large users, however, are shopping for big space. Lumber Liquidators, for example, is said to be eyeing a move to the Richmond area.

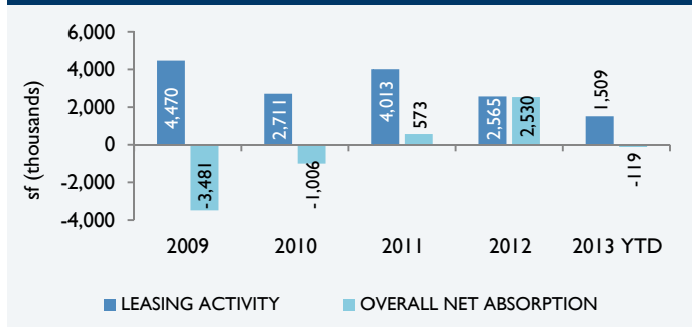
STATS ON THE GO

	Q2 2012	Q2 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	10.5%	10.0%	-0.5pp	▼
Direct Asking Rents (psf/yr)	\$4.28	\$4.15	-3.1%	◄
YTD Leasing Activity (sf)	894,698	1,509,302	68.7%	▲

OVERALL RENTAL VS. VACANCY RATES



LEASING ACTIVITY VS. OVERALL NET ABSORPTION



RICHMOND, VA

SUBMARKET CLUSTER	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*			
								D	MF	F	GI
Downtown	1,013,765	1.1%	6,490	0	0	1,000	1,000	\$0.00	\$0.00	\$4.95	\$0.00
Northeast	13,619,836	9.6%	132,519	0	500,000	(142,902)	(110,374)	\$3.72	\$2.57	\$8.91	\$4.91
Northwest	24,426,478	9.7%	356,235	0	311,730	509,484	513,084	\$3.22	\$2.77	\$8.27	\$4.64
Southeast	17,547,306	10.9%	202,140	0	0	62,361	62,361	\$3.93	\$3.95	\$6.74	\$3.79
Southwest	48,323,189	10.3%	811,918	0	0	(585,020)	(584,840)	\$3.17	\$4.02	\$6.68	\$3.80
TOTALS	104,930,574	10.0%	1,509,302	0	811,730	(155,077)	(118,769)	\$3.51	\$3.51	\$7.88	\$4.28

PROPERTY TYPE	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*			
								Q2 2013	2012	2011	2010
Distribution	21,148,914	10.9%	282,315	0	811,730	180,879	180,879	\$3.51	\$3.55	\$3.82	\$3.81
Manufacturing	29,327,521	6.6%	60,790	0	0	389,610	389,610	\$3.51	\$3.64	\$3.51	\$3.51
Flex	10,517,438	16.0%	324,932	0	0	(19,903)	(16,303)	\$7.88	\$7.81	\$7.89	\$7.77
General Industrial	43,936,701	11.0%	841,265	0	0	(705,663)	(672,955)	\$4.28	\$4.18	\$4.21	\$5.80
TOTALS	104,930,574	10.0%	1,509,302	0	811,730	(155,077)	(118,769)	\$4.15	\$4.16	\$4.15	\$4.26

* RENTAL RATES REFLECT ASKING \$PSF/YEAR D= DISTRIBUTION MF = MANUFACTURING F = FLEX GI = GENERAL INDUSTRIAL

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
2819 Bells Road	Jeff Davis Corridor	WDS Company	C	75,235
4263-4299 Carolina Avenue	Laburnum/Rte 360	Hilldrup Moving & Storage	B	27,000
2500 Deepwater Terminal Road	Jeff Davis Corridor	American Pallet	C	25,000

SIGNIFICANT Q2 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
8000 Villa Park Drive	Staples Mill/Parham	Villa Park Investors LLC	\$5,297,000 / \$49.97	106,000
7870 Villa Park Drive	Staples Mill/Parham	SilverCap Partners	\$3,000,000 / \$33.76	88,860
14200 Justice Road	Midlothian Corridor	Stewart Moving & Storage	\$2,500,000 / \$85.00	30,000

SIGNIFICANT Q2 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Vitamin Shoppe Distribution Center	I-95 North/Ashland	Vitamin Shoppe	Q2 2013	311,730

SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
NA				