

MARKETBEAT RETAIL SNAPSHOT

RICHMOND, VA

A Cushman & Wakefield Research Publication



ECONOMIC OVERVIEW

The housing recovery is looking more sustainable and should continue to boost economic growth in 2013, offsetting some of the drag from higher taxes and federal spending cuts.

Steady hiring and low mortgage rates have encouraged people to buy homes. With supply low, demand high, and prices rising, builders have grown more optimistic about their prospects, leading to more construction and jobs. Auto sales remain constant at high levels.

RETAIL MARKET OVERVIEW

Changes are coming to Short Pump Town Center in western Henrico County. An Australian investment firm, QIC, is buying almost a quarter interest in the mall owned by Forest City Enterprises and Pruitt Associates. The mall is expected to undergo a significant renovation in 2014 and will announce about a dozen new tenants in the next few months.

Other centers also are changing hands. Cole has made its second acquisition in the market. The Phoenix-based REIT acquired a portion of the Hancock Village shopping center, at the intersection of Hull Street and Winterpock roads in Chesterfield County, for \$27.5 million. The 153,000-square-foot (sf) portion of the center that was purchased is anchored by Hobby Lobby and Dick's Sporting Goods. Additional small shop space, outparcels and Wal-Mart were not included in the purchase. Glen Lea Centre, at Mechanicsville Turnpike and Laburnum Avenue in Henrico County, is under contract. It is anchored by Save-A-Lot and Cititrends and includes a Dollar General.

The White Oak trade area continues to announce new players. Laburnum Park is getting a new Cook-Out Restaurant who bought the former Wells Fargo branch for \$1.05 million while the former Ukrops in the center is under contract and Ashley Furniture opened at the adjacent Laburnum Station.

Both north and south are seeing new tenants and construction. American Family Fitness opened at Virginia Center Commons and Stuart Crossing is moving forward with its pre-leasing. Chick-fil-A opened in Ashland with another planned near the Wal-mart in Colonial Heights, where Dick's Sporting Goods opened in a former Dillard's store at Southpark Mall.

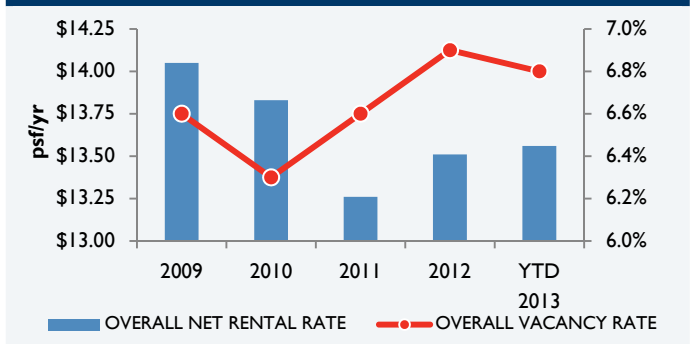
With the continued residential growth in the city, Richmond is active. In Carytown, Ruth & Ollie furniture almost tripled its size by moving into the former Leo Burke Furniture space and Mellow Mushroom, a pizza chain out of Atlanta, opened its first Richmond location. Broad and Boulevard is full of construction projects with the Redskin Training Camp well on its way to meet its July delivery and "The Boulevard" (formerly known as Interbake) working to deliver both residential and retail to the area. Construction continues at the former Julian's Restaurant building at 2617 W. Broad St., which will become Pane E Vino Winebar & Trattoria. The Canal District is not to be left out with F.W. Sullivan's Bar & Grille leasing 7,331 sf at Riverside on the James in the former Blackfinn Restaurant space.

ECONOMIC INDICATORS

NATIONAL	2012	2013F	2014F
GDP Growth	2.2%	2.0%	3.4%
CPI Growth	2.1%	1.7%	2.1%
Consumer Spending Growth	1.9%	2.2%	3.5%
Retail Sales Growth	5.3%	3.5%	4.6%
REGIONAL	2012	2013F	2014F
Household Income	\$54,358	\$54,979	\$56,161
Population Growth	0.9%	0.9%	0.9%
Unemployment	6.4%	5.9%	5.7%

Source: Moody's Analytics

OVERALL RENTAL VS. VACANCY RATES



Midlothian and Chippenham is a hub of activity, with Stonebridge poised to deliver about 27,000 sf to tenants including Krispy Kreme, Qdoba Mexican Grill, Sweet Frog Frozen Yogurt and Sleepy's. A 124,000-sf Kroger Marketplace anchors Stonebridge, with another 250,000 sf of retail on the books for phase II. Nearby the former Kmart was purchased and an Asian market is planned.

Absorption was 204,129 sf through the second quarter, a sharp improvement from a negative 244,573 sf through the second quarter of 2012 that was primarily caused by Kmart store closures. Leasing activity rose this year to just over 1 million square feet (msf),

compared with 699,407 sf at the same time last year. The vacancy rate dropped to 6.6% from 6.9% in the second quarter of 2013.

OUTLOOK

With new players entering the market and big-box availability virtually non-existent, we expect to see several planned projects getting off the ground and new projects announced. Rents show an upward trend, particularly in the most desirable areas, while stabilization of rates is becoming the norm, these trends are expected to continue.

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
7415-7474 Midlothian Turnpike	Midlothian E/Hull St	RVA Flea	Community Center	28,000
8278-8280 Midlothian Turnpike	Midlothian E/Hull St	CHKD Thrift	Freestanding	9,600
1001 Haxall Place	Downtown	Sullivan's Bar & Grille	Restaurant	7,331
SIGNIFICANT Q2 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Hancock Village (phase II)	Swift Creek	Cole Credit Property Trust IV	\$27,500,000 / \$180	153,000
SIGNIFICANT Q2 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
11229 W Broad Street	Short Pump	Chuy's	Q2 2013	7,000
8955 Staples Mill Road	Staples Mill / Parham	Chipotle	Q2 2013	2,300
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
Staples Mill Marketplace	Staples Mill / Parham	Kroger	Q1 2014	175,000

RICHMOND, VA SUBMARKET STATISTICS

SUBMARKET	INVENTORY	QUARTERLY CHANGE IN INVENTORY	VACANCY RATE	DEMAND (OCCUPIED SQUARE FEET)	ASKING RENT	RENT GROWTH	ABSORPTION
Amelia County	202,390	0	9.1%	184,004	\$16.00	7.8%	12,355
Broad St Corridor	1,985,083	(11,311)	4.9%	1,887,617	\$16.17	(0.6%)	3,396
Colonial Heights	3,529,851	133,342	4.1%	3,384,550	\$14.18	1.8%	6,490
Cumberland County	38,860	7,281	6.4%	36,360	N/A	N/A	0
Dinwiddie County	191,289	0	1.4%	188,589	N/A	N/A	17,518
Downtown	4,143,568	63,019	7.2%	3,845,189	\$13.69	0.2%	(20,672)
East End	4,302,023	(15,073)	7.9%	3,963,315	\$12.32	4.2%	79,226
Far West End North	264,637	0	0.0%	264,637	\$0.00	0.0%	(1,471)
Far West End South	1,192,590	4,267	9.6%	1,078,096	\$15.63	7.5%	(15,899)
Goochland	339,595	3,228	7.3%	314,881	\$11.53	(37.5%)	(15,764)
Hopewell	1,226,126	8,000	13.1%	1,064,923	\$9.76	0.0%	8,537
I-95 Ashland/NW	1,789,283	(150,000)	5.3%	1,693,730	\$11.96	3.7%	3,189
I-95 Chamberlayne/NE	864,366	(7,141)	5.5%	816,810	\$16.26	(3.9%)	6,892
Jeff Davis Corridor	3,131,604	(18,550)	11.4%	2,774,770	\$9.01	(2.6%)	(16,401)
King & Queen County	3,600	0	0.0%	3,600	\$0.00	0.0%	0
King William County	379,193	(2,568)	9.2%	344,213	\$9.24	(1.9%)	27,580
Laburnum/Rte 360	2,759,246	(3,988)	5.2%	2,616,866	\$8.97	(5.9%)	(78,744)
Louisa County	585,617	1,015	4.0%	561,997	N/A	N/A	1,000
Mechanicsville	2,723,657	(2,786)	5.1%	2,584,239	\$13.08	(14.1%)	(41,479)
Midlothian E/Hull St	7,019,880	22,034	11.6%	6,207,191	\$11.26	6.0%	60,097
Midlothian Village	1,571,502	400	12.4%	1,377,385	\$21.26	8.9%	15,813
Midlothian West	7,012,584	(33,109)	5.1%	6,652,633	\$15.46	4.1%	47,164
Near West End	3,808,389	(19,806)	3.2%	3,687,590	\$15.37	4.4%	46,992
New Kent County	390,458	14,755	8.9%	355,813	\$11.96	30.6%	11,091
Petersburg	2,561,388	(8,265)	9.9%	2,306,828	\$8.80	(3.1%)	4,085
Powhatan	711,546	200	6.3%	666,998	\$12.60	(1.3%)	8,565
Prince George	853,267	804	3.1%	826,661	\$8.92	(0.6%)	7,611
Regency	2,527,756	(100)	7.0%	2,351,444	\$11.46	7.5%	1,662
Short Pump	4,413,445	(1,359)	4.3%	4,225,497	\$22.45	0.0%	38,982
South Chesterfield	3,443,267	(5,714)	3.9%	3,310,103	\$12.83	(0.2%)	(36,594)
Staples Mill/Parham	7,590,504	(80,041)	5.1%	7,202,063	\$15.76	(16.7%)	(73,966)
Sussex County	171,559	10,576	17.8%	141,069	\$5.00	0.0%	15,000
Swift Creek	3,564,673	142,467	5.5%	3,368,373	\$17.78	2.5%	16,753
Willow Lawn	2,926,369	(3,016)	5.0%	2,780,333	\$10.95	(1.5%)	65,121
TOTAL MARKET	78,219,165	48,561	6.6%	73,068,367	\$13.31	(1.9%)	204,129

* RENTAL RATES REFLECT ASKING \$PSF/YEAR