

Industrial Snapshot Q1 2016

Richmond, VA



Richmond, VA Industrial

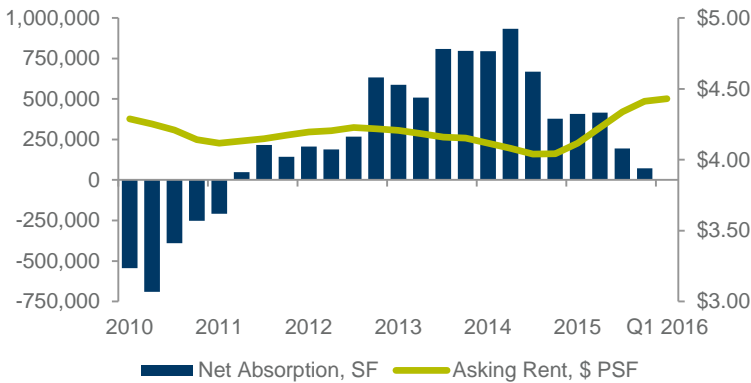
Economic Indicators	Q1 15	Q1 16	12-Month Forecast
Richmond Employment	644k	667k	▲
Richmond Unemployment	5.1%	4.4%	▲
U.S. Unemployment	5.6%	4.9%	■

Market Indicators (Overall, All Product Types)	Q1 15	Q1 16	12-Month Forecast
Vacancy	8.0%	8.1%	▼
Net Absorption	247K	(33k)	▲
Under Construction	23K	221k	▲
Average Asking Rent	\$4.34	\$4.41	▲

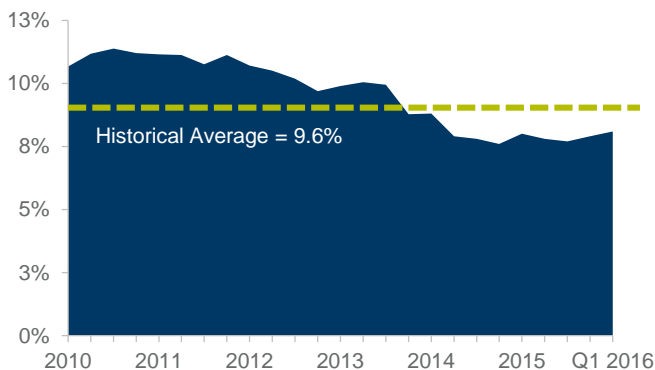
*Rental rates reflect net asking \$psf/year

Net Absorption/Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Economic expansion continues despite volatility in equity, oil, and international markets. Real GDP increased 2.5% in 2015, and the national economy added 644,000 jobs in March 2016 compared to a year ago. Of the jobs added, 532,000 were in the private sector. Richmond extended its streak of year-over-year job growth to 69 consecutive months and, as of March, added 28,400 more jobs compared to a year ago. The Mining, Logging, and Construction as well as the Trade, Transportation, and Utilities sectors gained 2,600 and 9,400 jobs, respectively, from March 2015 to 2016. Manufacturing lost 200 jobs over the same period. Employment in Trade is now 6,700 jobs above its prerecession peak while the Construction sector remains 9,300 below the peak set in August 2007. Manufacturing employment started declining in the 1990s and continues but at a slower pace than in 2008 and 2009. Richmond has 30,000 fewer manufacturing jobs compared to February of 1990.

Market Overview

The Richmond industrial market overall vacancy rate increased slightly to 8.1% in Q1 2016 but remains below the long term average of 9.6%. Vacancy decreased in the Northwest and Southeast quadrants from a year ago but increased in the Northeast and Southwest. A negative 33,000 square feet (sf) of absorption occurred in Q1 2016. Activity has picked up since the absorption figure was gaged as it is now in positive territory helped in part by Stone Brewing taking occupancy of their new 200,000-sf facility. Average asking rents increased 1.6% from a year ago and 6.3% from three years ago. Scott's Addition, once a low-cost industrial location, is transitioning to multifamily, office, and a cluster of breweries. Limited construction activity is coming on-line to replace the lost product.

CHEP USA, a logistics and supply chain company, leased 54,000 sf in the Southeast quadrant. Metagenics, a vitamin and nutrition company, leased a 48,705-sf distribution facility also in the Southeast quadrant. Temperpak Technologies, a cold chain packaging biopharmaceutical company doing business as LifePack, leased 34,000 sf in the Southwest quadrant.

Outlook

Brokers report an increase of prospects in the market but a lack of quality new space to show them. Tenants are attracted to new spaces to meet modern requirements, but asking rents have not kept pace with construction costs sidelining speculative developments that are not significantly pre-leased. Based on early activity, absorption will increase in the second quarter. Asking rents will rise as vacancy tightens and eventually justify speculative construction.

MARKETBEAT

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Richmond, VA



CUSHMAN & WAKEFIELD

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SUBMARKET CLUSTER	TOTAL BLDGS	INVENTORY	YTD LEASING ACTIVITY	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION	UNDER CNSTR	OVERALL WEIGHTED AVG. NET RENT (HT)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Downtown	6	277,266	0	30.3%	0	0	N/A	N/A	N/A	\$6.00
Northeast	166	10,829,144	66,672	5.7%	(190,011)	21,000	N/A	\$4.95	\$9.90	\$3.85
Northwest	311	19,455,656	103,946	6.2%	(6,547)	0	N/A	\$3.83	\$9.22	\$4.99
Southeast	139	17,775,771	6,600	7.0%	664	200,000	\$3.95	\$4.25	\$6.68	\$4.69
Southwest	399	42,245,957	164,316	9.7%	162,541	0	N/A	\$3.97	\$6.15	\$3.21
RICHMOND, VA TOTALS	1,021	90,583,794	341,534	8.1%	(33,353)	221,000	\$3.95	\$4.01	\$8.79	\$3.83

*Real rates reflect asking \$psf/year
Only includes buildings 20,000 SF and larger

HT = High Tech MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

Key Lease Transactions Q1 2016

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
12600 Bermuda Triangle	54,000	CHEP USA	Warehouse/Distribution	Southeast
1900-1934 Ruffin Mill Rd	48,705	Metagenics, Inc.	Warehouse/Distribution	Southeast
3805-3807 Castlewood Rd	44,000	Temperpak Technologies	Warehouse/Distribution	Southwest
1505 Cummings Dr*	32,996	Architectural Outfitters	Warehouse/Distribution	Northwest

*Renewal/expansion

Key Sales Transactions 2015

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE/\$ PSF	SUBMARKET
500 Eastpark Court	300,000	Coca-Cola / Coca-Cola Bottling Co Consolidated	Warehouse	\$14,300,000/\$48	Northeast
8000 Villa Park	142,993	Fernau LeBlanc / Stewart Companies	Manufacturing	\$11,000,000/\$77	Northwest
1500 Roseneath	109,460	Xenith Bank / TRP	Warehouse	\$4,100,000/\$38	Northwest

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