

# Industrial Snapshot Q4 2015

Richmond, VA



## Richmond, VA Industrial

### Economic Indicators

	2014	2015	12-Month Forecast
Richmond Employment	633k	638k	▲
Richmond Unemployment	5.2%	4.9%	▲
U.S. Unemployment	5.7%	5.0%	■

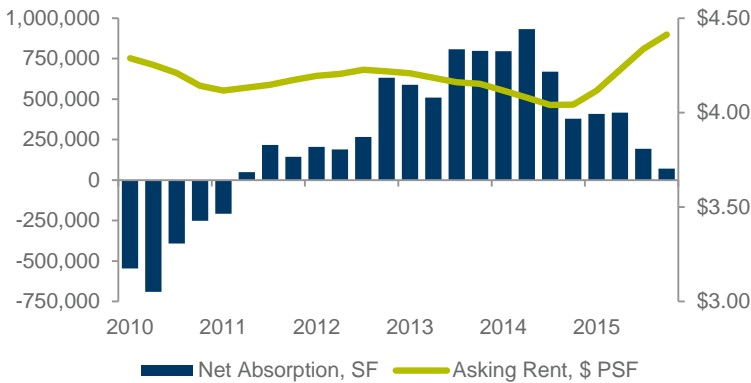
### Market Indicators (Overall, All Product Types)

	2014	2015	12-Month Forecast
Vacancy	7.6%	7.9%	▼
Net Absorption	1.5M	286k	▲
Under Construction	1.4M	283k	▲
Average Asking Rent	\$4.13	\$4.43	■

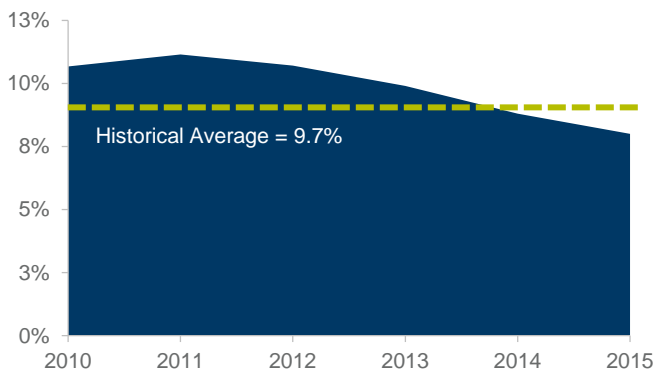
\*Rental rates reflect net asking \$psf/year

### Net Absorption/Asking Rent

4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

The Institute for Supply Management's (ISM) PMI registered a contraction in the manufacturing sector for the second consecutive month in December. Plastics and rubber products and the transportation equipment sectors are benefiting from fuel and commodity price deflation. Other industries cite softening demand and a draw down of inventories as impacting sales. Richmond's manufacturing employment contracted compared to a year ago in November while mining, logging and construction and trade, transportation, and utilities gained 900 and 200 jobs over the same time period, respectively.

## Market Overview

Richmond industrial market vacancy increased slightly to 7.9% in Q4 2015 over a year ago. Vacancy increased in every submarket cluster but the Northwest which declined by 110 basis points. Market activity slowed significantly with only 285,616 square feet (sf) of absorption occurring in 2015. Negative absorption in the third and fourth quarters negated strong first and second quarter absorption figures. Weyerhaeuser Timber REIT vacated a 160,000-sf packaging facility at 2300 Jefferson Davis causing much of the negative 4Q absorption. Overall average asking rents increased by 7.3% from 4Q 2014 to 4Q 2015 to \$4.43 per square foot.

Vacancy in manufacturing properties remained the lowest at 4.4%, a 50 basis point increase from Q3 2015. Warehouse vacancy reported 8.1% and flex vacancy posted 11.5%. Vacancy in the high tech sector measured the highest at 37.3% due to the 795,115 sf available at the former Qimonda building which was recently converted into a data center.

According to Real Capital Analytics, industrial sales totaled \$90.1 million in 2015 down from \$128.3 million in 2014. Notable transactions include Baker Properties entry into the Richmond market with the purchase of the First Potomac portfolio.

## Outlook

Solid U.S. consumer demand will drive growth domestically while a strong dollar and weak international demand will crimp business for export driven tenants. Asking rents will likely decline in the short term as landlords try to entice tenants to relocate. Considered a bellwether for the local economy, tenants tied to residential home building are actively looking for space. Liberty announced a 198,000-sf build-to-suit warehouse for Associated Distributors while speculative development remains sidelined.

MARKETBEAT

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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%	8,995	0	N/A	N/A	N/A	\$6.00
Northeast	166	10,829,144	646,737	3.8%	(188,114)	0	N/A	\$5.48	\$9.57	\$4.18
Northwest	311	19,256,555	733,204	5.9%	430,389	0	N/A	\$2.40	\$8.91	\$4.81
Southeast	139	17,775,156	734,377	7.2%	301,067	200,000	\$3.95	\$4.25	\$6.70	\$4.61
Southwest	399	42,149,755	865,518	10.1%	(266,721)	83,000	N/A	\$3.97	\$6.31	\$3.19
<b>RICHMOND, VA TOTALS</b>	<b>1021</b>	<b>90,287,876</b>	<b>2,979,836</b>	<b>7.9%</b>	<b>285,616</b>	<b>283,000</b>	<b>\$3.95</b>	<b>\$3.90</b>	<b>\$8.52</b>	<b>\$3.83</b>

\*Real rates reflect asking \$psf/year

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

## Key Lease Transactions 2015

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
4915 Norman Road	139,800	Direct Mail Solutions	Warehouse/Distribution	Northeast
3031 Transport Street	132,000	Sunrise Construction*	Warehouse/Distribution	Southwest
Interport Business Center	93,500	Advance Trailer System	Warehouse/Distribution	Southeast
Enterchange at Northlake	64,657	Xpedx*	Warehouse/Distribution	Northwest
Enterchange at Walthall	60,202	Xxmid	Warehouse/Distribution	Northwest
301 Business Lane	55,740	Porvair Filtration Group	Warehouse/Distribution	Northwest
3930 Technology Court	48,802	Anord Critical Power	Warehouse/Distribution	Northeast

\*Renewal/expansion

## Key Sales Transactions 2015

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE/\$ PSF	SUBMARKET
First Potomac Realty Trust Portfolio	827,925	First Potomac / Baker Properties	Office/Flex/Industrial	\$60,300,000/\$73	Northwest/Southwest
Villa Park III	88,960	Sliver Capital / Commonwealth of VA	Flex	\$8,500,000/\$96	Northwest

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### Brad McGetrick

Director, Brokerage Services  
 11100 W. Broad St.  
 Glen Allen, VA 23060  
 Tel: +1 804 697 3558  
 Fax: +1 804 697 3479  
[brad.mcgetrick@thalhimer.com](mailto:brad.mcgetrick@thalhimer.com)