

# MARKETBEAT

## Richmond, VA

Industrial Q4 2018



### RICHMOND, VA INDUSTRIAL

#### Economic Indicators

|                       | Q4 17  | Q4 18  | 12-Month Forecast |
|-----------------------|--------|--------|-------------------|
| Richmond Employment   | 672.0k | 682.4k | ▲                 |
| Richmond Unemployment | 3.9%   | 3.1%   | ■                 |
| U.S. Unemployment     | 4.1%   | 3.7%   | ▼                 |

Numbers above are quarterly averages; Nov. 2018 data used to represent Q4 2018

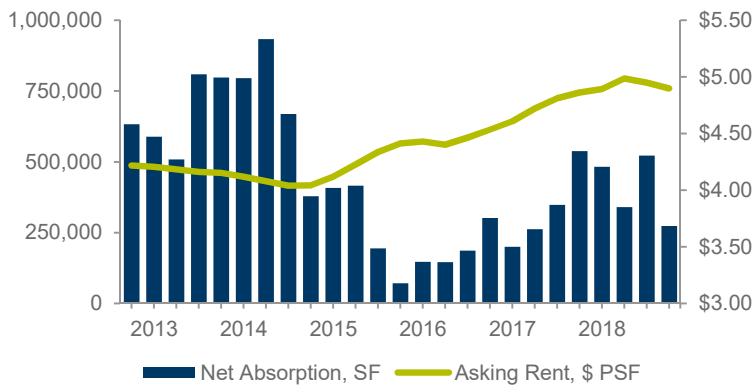
#### Market Indicators (Overall, All Property Types)

|                         | Q4 17  | Q4 18  | 12-Month Forecast |
|-------------------------|--------|--------|-------------------|
| Vacancy                 | 3.7%   | 4.2%   | ▼                 |
| Net Absorption          | 169k   | 27k    | ▲                 |
| Under Construction      | 215k   | 1.8M** | ■                 |
| Net Average Asking Rent | \$4.92 | \$4.71 | ▲                 |

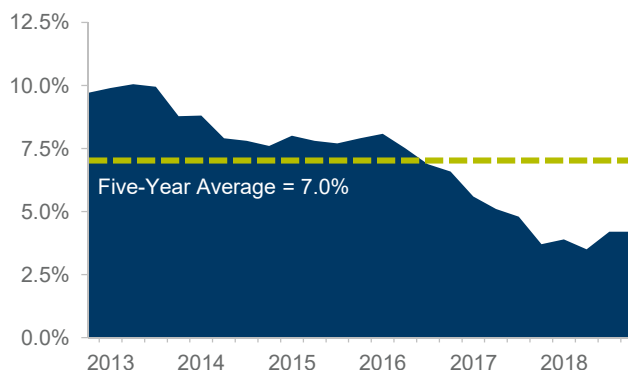
\*Rental rates reflect net asking \$psf/year  
\*\*Not reflective of US MarketBeat Tables

#### Net Absorption/Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



### Economy

The U.S. economy posted 3.4% GDP growth in the third quarter and growth for the year is expected to remain over 3.0% after fourth quarter results. With consistent growth over the past few quarters, the Federal Reserve Bank raised interest rates for the fourth time in the calendar year. Rate hikes are expected to decelerate and continue at a more modest pace in 2019. Richmond maintained its momentum to close out the year. The economy added 10,400 jobs from the prior year and unemployment remains near the lowest rate since 2001 at 3.1%. Henrico County announced more than 1,022 new jobs and \$763.7 million in investments in new and existing businesses throughout 2018. The Richmond Marine Terminal experienced greater traffic in response to potential trade tariffs with China. The Port of Virginia set an all-time record for volume in October, as container volume increased 31.5% from the previous year during 2018. Shipping volumes are expected to increase with further infrastructure investments and service improvements at the Richmond Marine Terminal.

### Market Overview

Healthy industrial development activity continues in Richmond and several large projects are progressing. Panattoni Development delivered the first 461,700-square-foot (sf) shell warehouse building at the Virginia I-95 Distribution project. Build-to-suit sites are available at Hourigan's Deepwater Industrial Park. Becknell Industrial continues work on the first 246,760-sf warehouse building in the Airport Logistics Center. Facebook also announced further investment in Henrico County with plans for a 1.5-million-square-foot (msf) addition to its data center. Nearly 2.0 msf of industrial space is currently under construction and is expected to deliver in 2019.

The industrial vacancy rate held steady at 4.2% in the fourth quarter and nearly 1.1 msf of industrial space was absorbed during 2018. Consistent demand has contributed to the steady rise in Class B rental rates. Overall asking rates for Class B space have increased 13.8% over the past 24 months with net asking rents increasing as much as \$1.00 per square foot (psf) in some instances.

### Outlook

New deliveries should lead to robust leasing activity in the first half of 2019. The new supply will provide needed Class A space for large distributors and provide upward pressure on the overall vacancy rate until it is absorbed. Smaller space availabilities and locations near population centers will remain difficult to find throughout Richmond. Users searching for last-mile distribution sites will need to find creative solutions in order to locate closer to consumers.

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CUSHMAN & WAKEFIELD

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| SUBMARKET                  | TOTAL BLDGS  | INVENTORY (SF)*   | YTD LEASING ACTIVITY (SF)** | OVERALL AVAILABLE VACANT SPACE (SF) | OVERALL VACANCY RATE | YTD NET OVERALL ABSORPTION (SF) | UNDER CNSTR (SF)**** | OVERALL WEIGHTED AVG. NET RENT (MF)*** | OVERALL WEIGHTED AVG. NET RENT (OS)*** | OVERALL WEIGHTED AVG. NET RENT (W/D)*** |
|----------------------------|--------------|-------------------|-----------------------------|-------------------------------------|----------------------|---------------------------------|----------------------|--|--|---|
| Downtown                   | 6            | 295,363           | 0                           | 0                                   | 0.0%                 | 0                               | 0                    | N/A                                    | N/A                                    | N/A                                     |
| Northeast                  | 165          | 10,856,210        | 557,821                     | 104,636                             | 1.0%                 | 362,035                         | 0                    | N/A                                    | \$9.00                                 | \$4.72                                  |
| Northwest                  | 313          | 19,609,369        | 749,582                     | 671,168                             | 3.4%                 | 83,143                          | 152,000              | \$5.74                                 | \$10.24                                | \$6.02                                  |
| Southeast                  | 150          | 20,374,445        | 814,080                     | 663,159                             | 3.3%                 | 280,517                         | 970,000              | \$5.17                                 | \$7.55                                 | \$4.99                                  |
| Southwest                  | 410          | 41,465,465        | 1,920,401                   | 2,448,589                           | 5.5%                 | 368,481                         | 641,409              | \$5.53                                 | \$6.86                                 | \$4.15                                  |
| <b>Richmond, VA Totals</b> | <b>1,044</b> | <b>92,600,852</b> | <b>4,041,884</b>            | <b>3,887,552</b>                    | <b>4.2%</b>          | <b>1,094,176</b>                | <b>1,763,409</b>     | <b>\$5.56</b>                          | <b>\$9.01</b>                          | <b>\$4.48</b>                           |

\*Only includes buildings 20,000 SF and larger

\*\*Includes renewals

\*\*\*Real rates reflect asking \$ psf/year

\*\*\*\*Not reflective of US MarketBeat Tables

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

| PROPERTY TYPE          | TOTAL BLDGS | INVENTORY (SF)* | YTD LEASING ACTIVITY (SF)** | OVERALL AVAILABLE VACANT SPACE (SF) | OVERALL VACANCY RATE | YTD NET OVERALL ABSORPTION (SF) | UNDER CNSTR (SF) | OVERALL WEIGHTED AVG. NET RENT (MF)*** | OVERALL WEIGHTED AVG. NET RENT (OS)*** | OVERALL WEIGHTED AVG. NET RENT (W/D)*** |
|------------------------|-------------|-----------------|-----------------------------|-------------------------------------|----------------------|---------------------------------|------------------|--|--|---|
| Warehouse/Distribution | 741         | 62,577,755      | 3,041,781                   | 3,041,781                           | 4.9%                 | 313,967                         | 723,409          | N/A                                    | N/A                                    | \$4.48                                  |
| Manufacturing          | 234         | 24,951,433      | 773,052                     | 663,750                             | 2.7%                 | 778,149                         | 70,000           | \$5.56                                 | N/A                                    | N/A                                     |
| Office Service/Flex    | 62          | 3,033,282       | 74,677                      | 89,077                              | 2.9%                 | 2,060                           | 0                | N/A                                    | \$9.01                                 | N/A                                     |

### Key Lease Transactions Q4 2018

| PROPERTY                     | SF     | TENANT                           | PROPERTY TYPE          | SUBMARKET          |
|------------------------------|--------|----------------------------------|------------------------|--------------------|
| 13101 N. Enon Church Rd      | 67,500 | Commonwealth Industrial Services | Warehouse/Distribution | I-95 S/I-295/Rt 10 |
| Richmond Distribution Center | 45,000 | Design Ready Controls            | Warehouse/Distribution | Laburnum/Rte 360   |
| 2200 Lanier Ln               | 45,000 | Tri-Dim Filter Corp              | Warehouse/Distribution | Goochland          |
| 1821 Battery Dantzler Rd     | 45,000 | US Merchants Financial Group     | Warehouse/Distribution | I-95 S/I-295/Rt 10 |

### Key Sale Transactions Q4 2018

| PROPERTY                          | SF        | SELLER / BUYER                               | PRICE / \$ PSF  | SUBMARKET           |
|-----------------------------------|-----------|--|-----------------|---------------------|
| Philip Morris Distribution Center | 1,034,470 | USAA Real Estate Company / Undisclosed       | \$66M / \$64    | I-95 S/I-295/Rt 10  |
| MDH Portfolio Sale – 6 Properties | 938,815   | MDH Partners / Blackstone                    | \$67.2M / \$72  | Airport             |
| Pepsi Co. Distribution Center     | 220,000   | Armada Hoffer / Undisclosed                  | \$25.9M / \$118 | Jeff Davis Corridor |
| Ruffin Mill Center                | 66,114    | Ruffin Mill Center LLC / Dreyfuss Management | \$10.1M / \$152 | I-95 S/I-295/Rt 10  |

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