

MARKETBEAT

Richmond, VA

Retail Q1 2017



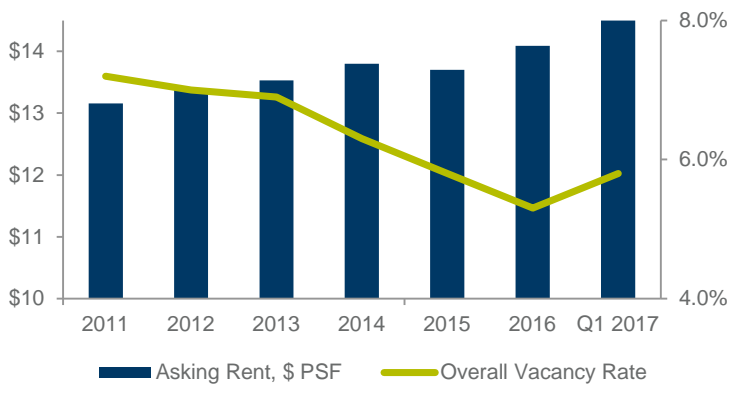
ECONOMIC INDICATORS

National			
	Q1 16	Q1 17	12-Month Forecast
GDP Growth	1.6%	2.0%	▲
CPI Growth	1.1%	2.4%	▲
Consumer Spending Growth	2.4%	3.1%	▼
Retail Sales Growth	2.5%	5.2%	■

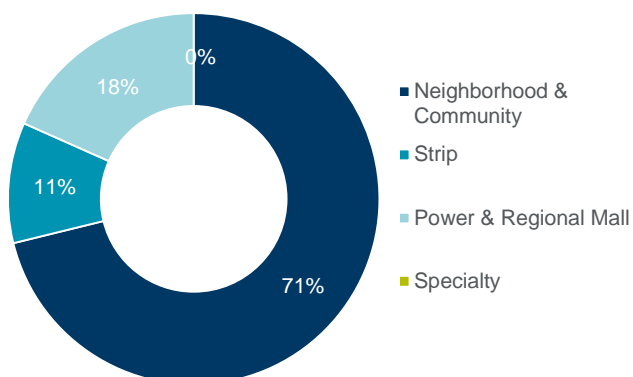
Regional			
	Q1 16	Q1 17	12-Month Forecast
Household Income	\$62,186	\$63,915	▲
Population Growth	0.66%	0.57%	▲
Unemployment	4.2%	4.2%	■

Based on Moody's baseline estimates Source: Moody's Analytics

Rental Rate vs. Overall Vacancy



Availability by Type



Economy

The retail market began 2017 with another wave of store closures and bankruptcies as American consumers continued to focus on eCommerce and value-oriented retail options. The mall sector has taken the greatest hit, with department stores, electronics and apparel retailers leading the charge in defaults through Q1 2017. Notable bankruptcies include Wet Seal, The Limited, HH Gregg, RadioShack, Gander Mountain, Payless ShoeSource and Bebe. However, the majority of closures and bankruptcies are impacting predominantly Class B and C mall space and power centers. Class A neighborhood, community, and power centers are projected to report continued demand from off-price apparel retailers, niche grocery stores, and dollar store chains. Retail development throughout the United States remains muted when compared to the previous market peak, with approximately 81 million square feet (MSF) of retail space projected to deliver in 2017 compared to 175 MSF and 168 MSF in 2007 and 2008, respectively, just before the Great Recession. Development forecasts are restrained through 2021, as overall demand is expected to be low and absorption limited.

Market Overview

As retail asking rents in Richmond continued to rise, the vacancy rate has begun to creep up. The overall asking rent measured \$14.59 per square foot (PSF) compared to \$13.72 PSF in Q1 2016 and Q1 2015. Vacancy was up 50 basis points from Q4 2016 and 20 basis points from a year ago, at 5.8%. The market is undergoing a period of consolidation, as evidenced by significant negative absorption of 319,583 square feet (SF) in Q1 2017, compared to 247,064 SF of positive absorption a year ago and a total positive absorption of 669,560 SF for the entirety of 2016. HH Gregg announced it will be exiting the Richmond market, closing all three area locations, while Macy's will be closing three of its five stores locally. Four more Martin's stores were shuttered in February, as their conversion to Publix stores begins. Significant retail sale transactions in Q1 2017 include: Virginia Center Commons, a 433,551-SF regional mall purchased by the Kohan Retail Investment Group for \$9 million; Chesterfield Crossing, a 79,802-SF power center acquired by the Washington, D.C.-based Peterson Companies for \$14.4 million; and Laburnum Park Shopping Center, a 61,996-SF neighborhood center, which sold for \$7.3 million.

Outlook

While vacancy remains relatively low, it is on the rise accompanied by climbing rental rates. With 441,818 SF of retail space currently under construction, absorption is projected to remain low. Tenant demand for new product and Class A shopping centers will persist, while Class B and C landlords are projected to see higher vacancy rates.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	OVERALL VACANCY RATE	OVERALL CURRENT NET ABSORPTION (SF)	OVERALL YTD NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT
Broad St. Corridor	125	2,099,116	4.2%	5,761	5,761	0	\$16.45
Colonial Heights	205	3,515,558	5.7%	5,492	5,492	5,800	\$19.04
Downtown	456	3,289,361	7.4%	2,938	2,938	8,000	\$13.91
East End	497	3,941,460	4.0%	-53,547	-53,547	37,520	\$13.32
Far West End North	26	223,271	1.4%	0	0	95,500	\$20.00
Far West End South	79	1,258,794	13.1%	-1,736	-1,736	0	\$20.15
Goochland	62	404,169	5.6%	2,500	2,500	0	\$10.68
Hopewell	161	1,271,481	10.6%	695	695	5,277	\$9.49
I-95 Ashland / NW	211	2,079,410	2.2%	-6,010	-6,010	0	\$13.12
I-95 Chamberlayne / NE	109	1,017,048	3.5%	-1,341	-1,341	0	\$14.86
Jeff Davis Corridor	527	3,210,289	7.4%	28,486	28,486	0	\$14.38
Laburnum / Rte 360	461	2,949,941	6.8%	-68,246	-68,246	0	\$9.09
Louisa County	72	819,308	3.7%	130	130	0	\$13.60
Mechanicsville	213	2,756,347	5.7%	-7,558	-7,558	0	\$13.04
Midlothian E / Hull St	571	7,025,539	9.9%	-41,208	-41,208	0	\$11.33
Midlothian Village	123	1,693,995	8.1%	122	122	0	\$14.54
Midlothian West	296	7,294,787	3.9%	-18,519	-18,519	41,500	\$15.02
Near West End	658	3,766,534	2.8%	-19,220	-19,220	0	\$17.49
New Kent County	55	550,152	3.1%	-110	-110	4,850	\$10.21
Petersburg	379	2,782,941	8.7%	16,909	16,909	0	\$10.01
Powhatan	76	743,976	2.4%	-1,467	-1,467	0	\$13.26
Prince George	65	1,014,241	6.1%	-6,700	-6,700	0	\$5.19
Regency	115	2,443,804	5.0%	710	710	0	\$12.70
Short Pump	127	4,896,564	2.6%	-806	-806	216,020	\$24.11
South Chesterfield	316	3,816,450	4.1%	-51,574	-51,574	13,801	\$14.23
Staples Mill / Parham	498	7,950,205	6.5%	-94,616	-94,616	13,550	\$13.64
Swift Creek	167	3,742,134	10.0%	-4,307	-4,307	0	\$21.91
Willow Lawn	301	3,181,073	2.1%	-4,774	-4,774	0	\$20.98
Richmond, VA Totals	7,164	81,243,862	5.8%	-319,583	-319,583	441,818	\$14.59

*Rental rates reflect gross asking \$psf/year

This report does not include a minimum SF requirement. Submarkets Amelia, Dinwiddie, and Sussex included in totals.

PROPERTY TYPE	TOTAL BLDGS	INVENTORY (SF)	OVERALL VACANCY RATE	OVERALL CURRENT NET ABSORPTION (SF)	OVERALL YTD NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT
General Retail	413	4,230,176	9.2%	-79,644	-79,644	47,300	\$15.49
Mall	50	6,902,112	3.0%	7,521	7,521	0	\$21.21
Power Center	125	5,331,269	8.8%	-64,551	-64,551	200,000	\$22.14
Shopping Center	834	26,706,351	9.9%	-92,986	-92,986	95,500	\$13.21

Key Lease Transactions Q1 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Merchants Walk Shopping Center	15,968	Oddballs Antiques & More	Lease	Staples Mill / Parham
West Broad Village	15,517	J Crew	Lease	Short Pump
1375 Overbrook Rd	15,000	Peak Experiences	Lease	Near West End

Key Sales Transactions Q1 2017

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
Virginia Center Commons	433,551	Washington Prime Group / Kohan Retail	\$9,000,000 / \$21	Staples Mill / Parham
Chesterfield Crossing	79,802	DDR / Peterson Companies	\$14,400,000 / \$180	Swift Creek
Laburnum Park Center	61,996	Kodiak Properties / Westover Apartments	\$7,300,000 / \$118	East End
4700 W Broad St	13,018	Colonial Downs / Lidl	\$3,400,000 / \$264	Willow Lawn

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