

MARKETBEAT

Richmond, VA

Retail Q2 2017



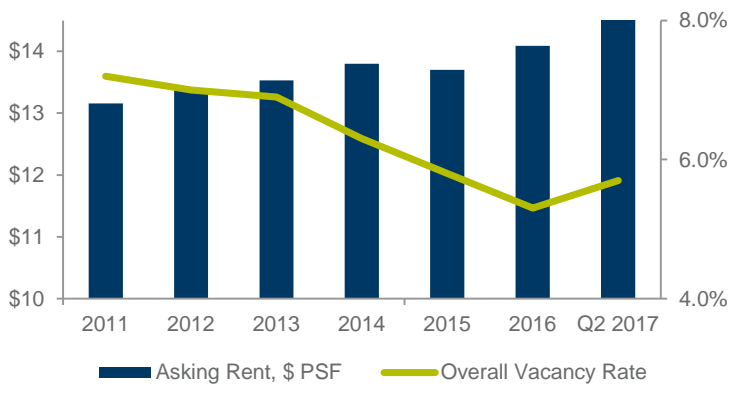
ECONOMIC INDICATORS

National			
	Q2 16	Q2 17	12-Month Forecast
GDP Growth	1.3%	2.3%	▲
CPI Growth	1.1%	1.9%	▲
Consumer Spending Growth	2.7%	2.7%	■
Retail Sales Growth	2.2%	4.0%	■

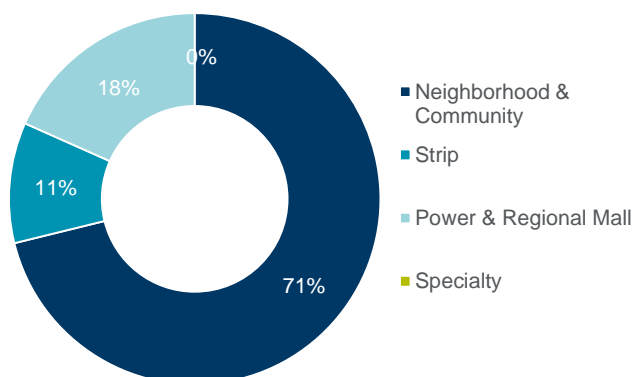
Regional			
	Q2 16	Q2 17	12-Month Forecast
Household Income	\$62,537	\$64,359	▲
Population Growth	1.01%	1.01%	▲
Unemployment	4.1%	4.0%	■

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

Rental Rate vs. Overall Vacancy



Availability by Type



Economy

The U.S. economy added 2.2 million jobs and average hourly earnings increased by 2.5% from June 2016 to June 2017. Gross domestic product advanced at an annual rate of 2.6% in Q2 2017, and the unemployment rate stood at 4.4% as of June 2017. Retail sales in the U.S. increased by 2.8% year-over-year in June 2017. The increase in sales was led by e-commerce (9.2%), auto dealers (5.3%), and building materials (5.1%). Laggards on growth included sporting and book stores (-8.9%) and department stores (-3.9%). The goods Richmond economy added 14,600 jobs from June 2016 to June 2017. Construction and education/health services were the fastest growing sectors. The Richmond area unemployment rate as of May (latest available) was 3.9%.

Market Overview

The retail sector continues to adjust to changing shopping patterns, increased competitions, and price sensitive consumers. Amazon committed to buying Whole Foods in June 2017 disrupting the narrative that grocery stores are resilient to e-commerce. The announcement comes with increasing competition in the grocery sector. Lidl, a discount German grocer, opened their first store in the U.S. and will open 90 stores within the coming year. Aldi, meanwhile, announced their intent to open 900 new stores by 2022. The grocery wars are playing out in Richmond. Publix and Lidl opened their first area stores in July. International grocer, New Grand Mart, signed a 39,386-square-foot (sf) lease taking over the Food Lion space at West Broad Commons.

Other active tenants include auto supply stores with over 77,000 sf across three leases commencing in Q2 2017. Drive Shack cleared a hurdle with Goochland planning commission.

Overall retail vacancy in Richmond was 5.9% in Q2 2017 an increase from 5.1% in Q2 2016. Year-to-date absorption remains negative primarily due to Martin's exiting the market. Asking rents increased 7.9% year-over-year despite the negative absorption. Nearly 560,000 sf of retail space is under construction of which 41% is in Short Pump.

Outlook

Amazon's purchase of Whole Foods affirms the necessity of brick and mortar stores particularly with the challenges of last mile delivery in e-grocery. Amazon essentially purchased 460 distribution centers to expand their e-grocery platform. Expect other grocers to move into e-grocery space. The fate of ten former Martin grocery stores remains uncertain. Absorption will increase in the second half of the year but annual 2017 absorption will be below that of recent years. Vacancy will remain tight and rents will increase particularly along the region's most active retail corridors.

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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	124	2,096,932	4.0%	5,307	11,068	0	\$16.33
Colonial Heights	206	3,593,149	6.7%	-27,005	-21,513	9,320	\$19.09
Downtown	455	3,279,938	7.0%	1,078	4,016	8,000	\$14.33
East End	499	4,041,317	4.0%	72,757	44,510	39,620	\$12.88
Far West End North	30	305,579	9.8%	55,389	55,389	11,000	\$36.74
Far West End South	79	1,258,794	11.6%	18,856	17,120	2,000	\$20.15
Goochland	63	404,677	2.0%	3,600	6,100	0	\$9.34
Hopewell	161	1,271,891	8.4%	18,570	19,265	5,277	\$9.37
I-95 Ashland / NW	212	2,080,910	2.0%	3,350	-2,660	0	\$13.76
I-95 Chamberlayne / NE	109	1,017,048	2.6%	9,326	7,985	0	\$14.98
Jeff Davis Corridor	528	3,079,195	7.3%	23,346	51,832	0	\$14.20
Laburnum / Rte 360	462	2,933,659	5.5%	41,322	-26,924	0	\$8.91
Louisa County	73	829,308	3.3%	4,420	3,750	0	\$13.50
Mechanicsville	214	2,801,592	5.9%	-5,442	-15,100	10,000	\$13.16
Midlothian E / Hull St	572	7,120,897	11.3%	-60,715	-245,580	100,000	\$11.92
Midlothian Village	123	1,693,895	10.1%	3,494	3,616	26,000	\$13.65
Midlothian West	296	7,302,823	5.6%	-85,499	-152,717	41,500	\$15.25
Near West End	662	3,846,021	2.9%	-5,721	-19,941	0	\$16.92
New Kent County	55	555,138	1.0%	2,200	2,090	4,850	\$6.00
Petersburg	382	2,793,916	7.5%	33,629	50,538	0	\$9.93
Powhatan	76	743,976	2.3%	1,048	-419	0	\$13.93
Prince George	66	1,018,001	6.3%	8,500	1,800	0	\$5.39
Regency	115	2,443,804	4.9%	2,400	4,610	0	\$14.54
Short Pump	129	4,981,293	2.6%	11	-795	230,931	\$29.67
South Chesterfield	318	3,799,120	5.3%	18,669	-32,905	0	\$14.82
Staples Mill / Parham	499	7,813,926	6.1%	39,016	-51,500	15,750	\$14.46
Swift Creek	168	3,642,539	6.8%	2,969	-121,313	5,500	\$21.30
Willow Lawn	302	3,257,838	4.2%	-67,171	-69,401	49,800	\$20.74
Richmond, VA Totals	7,190	81,494,144	5.9%	104,340	-479,630	559,548	\$14.79

*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	416	4,339,673	8.9%	67,186	19,842	127,020	\$15.44
Mall	50	6,831,062	2.9%	5,424	12,945	0	\$15.62
Power Center	124	4,951,341	4.5%	321	-64,230	300,000	\$17.49
Shopping Center	833	26,717,885	9.9%	77,509	-209,233	32,178	\$14.19

Key Lease Transactions Q2 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Regency Square	50,000	Lidl - Training	Short Term Lease	Regency
West Broad Commons	39,386	New Grand Mart	Lease	Willow Lawn
Dumbarton Square Shopping Center	31,496	Advance Auto	Lease	Staples Mill / Parham
Shops at Stratford Hills	27,642	AutoZone	Lease	Midlothian / E Hull St

Key Sales Transactions Q2 2017

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
West Broad Marketplace	400,000	Excel Trust / MetLife RE Investors	\$74,000,000 / \$185	Short Pump
Merchants Walk	220,506	Solomon Organization JV Kodiak Properties / Hackney RE Partners	Undisclosed	Staples Mill / Parham
Shops at Arboretum	102,391	DNA Partners / Mishorim	\$8,800,000 / \$86	Midlothian West
West Broad Square	18,906	Estabroad / Individual	\$3,225,000 / \$171	Broad St Corridor

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