

MARKETBEAT

Richmond, VA

Retail Q2 2018



ECONOMIC INDICATORS

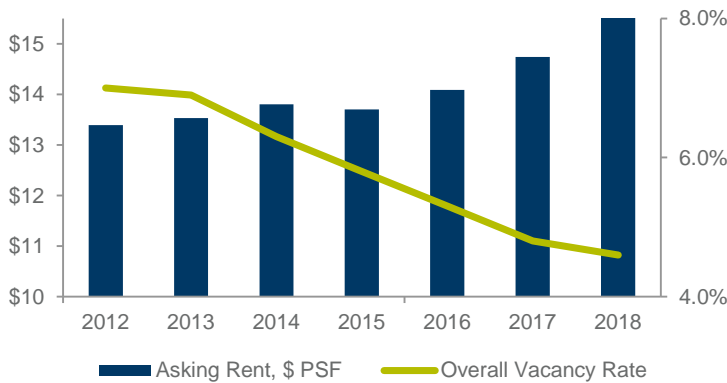
| National | Q2 17 | Q2 18* | 12-Month Forecast** |
|--------------------------|-------|--------|---------------------|
| GDP Growth | 2.2% | 3.0% | ▲ |
| CPI Growth | 1.9% | 2.8% | ▲ |
| Consumer Spending Growth | 2.7% | 2.5% | ▲ |
| Retail Sales Growth | 4.3% | 5.3% | ▲ |

*Q2 18 Estimates. Values represent year-over-year % change
 ** Forecasted by Cushman & Wakefield.

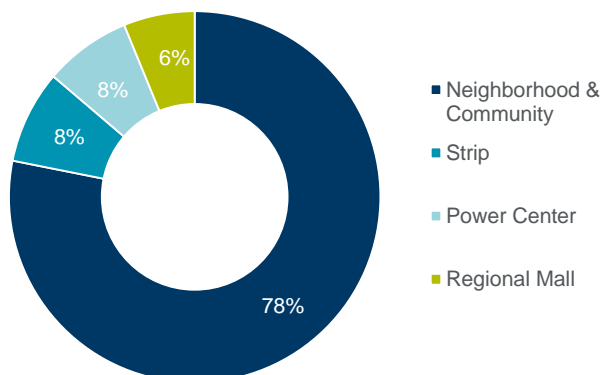
| Regional | Q2 17 | Q2 18 | 12-Month Forecast** |
|-------------------------|----------|----------|---------------------|
| Median Household Income | \$64,795 | \$66,597 | ▲ |
| Population Growth | 0.94% | 0.81% | ▬ |
| Unemployment | 3.9% | 3.4% | ▼ |

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

Rental Rate vs. Overall Vacancy



Availability by Type



Economy

U.S. economic growth exceeded expectations during the second quarter (Q2), with activity rising at a solid rate and unemployment reaching historically low levels. The Federal Reserve Bank raised interest rates by a quarter of a percentage point and suggested two additional increases will occur during the year, a rise from the previous quarter's projection. Retail sales growth increased 100 basis points (bps) from the prior year, fueling GDP gains in the quarter. Richmond's economy also maintained steady performance in the second quarter. The unemployment rate decreased 50 basis points (bps) to 3.4% from the previous year and remains below the U.S. rate of 3.8%. The metro area added 9,700 jobs during the time period, with the service and hospitality industries leading the way in job growth.

Market Overview

The "retail apocalypse" is a foreign concept in Richmond. Despite big box retailers such as Toys R Us, Sears, Macy's, and K Mart, closing, the current retail vacancy rate is near a record low at 4.6%, and demand for more space remains robust. New retail development projects are leasing quickly, and several properties are being redeveloped to accommodate national brands, contributing to the more than 575,000 sf of space currently under construction.

Publix continues to increase its presence in Richmond. On its way to 13 total stores, construction started on the former Martin's store in Westpark Shopping Center and at Brandy Creek Commons in Mechanicsville, in addition to demolition work starting at the former Martin's in The Village shopping center. With Publix signing on as the anchor tenant at Carytown Exchange, marketing has commenced for 40,000 sf of smaller retail space and is garnering attention from regional restaurants and high-end concepts. A.C. Moore opened in West Broad Marketplace, Gold's Gym opened at Gayton Crossing, while Planet Fitness is lined up to take over the Victory Lady space in Westpark. Whole Foods started construction on their second Richmond location at Sauer Center.

Outlook

Quality retail space continues to be difficult to find throughout the Richmond market. Demand for space, from tenants seeking to expand their presence or enter the market, coupled with limited space are providing upward pressure that is driving rents higher for the fourth consecutive year. Prime locations on the Broad St. Corridor near Short Pump and the West End command even higher rents with fewer availabilities. The retail outlook remains positive in Richmond with the region drawing a steady stream of millennials and families alike. Retailers will be keen to enter the market, but landlords may be selective of their occupants to ensure they have an adequate tenant mix that will attract shoppers in the digital age.

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| SUBMARKET | TOTAL BLDGS | INVENTORY (SF) | OVERALL VACANCY RATE | OVERALL CURRENT NET ABSORPTION (SF) | OVERALL YTD NET ABSORPTION (SF) | DELIVERIES YTD (SF) | UNDER CNSTR (SF) | OVERALL AVERAGE ASKING RENT |
|----------------------------|--------------|-------------------|----------------------|-------------------------------------|---------------------------------|---------------------|------------------|-----------------------------|
| Broad St. Corridor | 268 | 4,885,296 | 3.2% | 461 | 6,421 | 6,252 | 0 | \$15.88 |
| Colonial Heights | 209 | 3,578,844 | 5.4% | -4,534 | 42,786 | 5,435 | 0 | \$20.13 |
| Downtown | 456 | 3,224,155 | 5.8% | 7,515 | -13,741 | 0 | 0 | \$14.79 |
| East End | 506 | 4,448,477 | 2.5% | 8,610 | -21,036 | 3,500 | 5,000 | \$13.92 |
| Far West End North | 31 | 316,579 | 6.8% | 0 | 2,708 | 11,000 | 0 | \$36.13 |
| Far West End South | 82 | 1,288,365 | 7.3% | 13,153 | 1,458 | 0 | 0 | \$17.98 |
| Goochland | 63 | 405,777 | 4.9% | -5,240 | -17,412 | 0 | 0 | \$9.09 |
| Hopewell | 166 | 1,293,002 | 5.4% | 1,540 | -2,255 | 0 | 0 | \$8.91 |
| I-95 Ashland/NW | 212 | 2,120,311 | 3.0% | 3,000 | 10,429 | 0 | 4,300 | \$13.18 |
| I-95 Chamberlayne/NE | 110 | 1,021,938 | 2.0% | 2,798 | 2,898 | 0 | 28,300 | \$15.91 |
| Jeff Davis Corridor | 526 | 3,069,857 | 7.1% | 40,996 | 42,583 | 0 | 0 | \$20.20 |
| Laburnum/Rte 360 | 464 | 2,813,034 | 6.3% | 9,433 | -64,655 | 3,160 | 0 | \$14.81 |
| Louisa County | 79 | 876,823 | 1.7% | 0 | 9,200 | 0 | 6,000 | \$12.28 |
| Mechanicsville | 218 | 2,830,743 | 2.9% | 8,625 | 50 | 0 | 72,017 | \$12.28 |
| Midlothian E/Hull St | 580 | 7,406,237 | 7.0% | -1,775 | -17,819 | 8,400 | 0 | \$12.44 |
| Midlothian Village | 124 | 1,715,967 | 11.2% | -35,763 | -35,830 | 8,000 | 0 | \$19.62 |
| Midlothian West | 299 | 7,222,051 | 4.9% | 8,050 | 12,604 | 0 | 0 | \$16.34 |
| Near West End | 670 | 3,828,977 | 2.2% | 47,190 | 32,744 | 34,225 | 52,549 | \$17.06 |
| New Kent County | 57 | 560,693 | 1.5% | 0 | 7,010 | 2,500 | 9,336 | \$9.86 |
| Petersburg | 388 | 2,813,914 | 5.8% | -5,964 | 8,590 | 0 | 0 | \$9.57 |
| Powhatan | 75 | 745,519 | 2.8% | 0 | -7,200 | 0 | 0 | \$13.96 |
| Prince George | 65 | 1,015,531 | 2.0% | -1,442 | -1,442 | 0 | 0 | - |
| Regency | 113 | 2,436,588 | 5.4% | -14,666 | -16,381 | 0 | 58,131 | \$16.39 |
| Short Pump | 141 | 5,055,207 | 2.7% | 252 | -360 | 0 | 126,409 | \$29.48 |
| South Chesterfield | 326 | 3,760,405 | 3.7% | -1,919 | 7,605 | 0 | 96,600 | \$16.13 |
| Staples Mill / Parham | 355 | 5,449,171 | 5.3% | 57,401 | 74,952 | 0 | 0 | \$15.05 |
| Swift Creek | 172 | 3,610,932 | 2.8% | 62,825 | 65,080 | 0 | 53,736 | \$19.09 |
| Willow Lawn | 300 | 3,218,965 | 3.3% | -6,188 | 12,378 | 11,700 | 64,406 | \$20.41 |
| Richmond, VA Totals | 7,253 | 82,434,552 | 4.6% | 194,807 | 117,943 | 94,172 | 576,784 | \$15.76 |

*Rental rates reflect gross asking \$psf/year

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) | DELIVERIES YTD (SF) | UNDER CNSTR (SF) | OVERALL AVERAGE ASKING RENT |
|-----------------|-------------|----------------|----------------------|-------------------------------------|---------------------------------|---------------------|------------------|-----------------------------|
| General Retail | 416 | 4,255,647 | 5.4% | 36,103 | 16,889 | 5,435 | 222,596 | \$18.06 |
| Mall | 49 | 7,152,937 | 2.5% | -200 | -18,489 | 0 | 8,426 | \$18.00 |
| Power Center | 124 | 5,172,023 | 4.2% | 24,428 | 3,083 | 0 | 126,409 | \$22.92 |
| Shopping Center | 865 | 27,489,683 | 8.1% | 67,206 | 116,003 | 23,452 | 219,353 | \$14.89 |

Key Lease Transactions Q2 2018

| PROPERTY | SF | TENANT | TRANSACTION TYPE | SUBMARKET |
|--------------------------|--------|--------------------|------------------|---------------------|
| 9645 Broad St | 21,575 | Planet Fitness | New | Broad St Corridor |
| 7496 W Broad St | 10,682 | The Salvation Army | New | Broad St Corridor |
| Chesterfield Town Center | 8,060 | Skechers | New | Midlothian Corridor |

Key Sales Transactions Q2 2018

| PROPERTY | SF | SELLER / BUYER | PRICE / \$PSF | SUBMARKET |
|----------------------|--------|---|------------------|----------------|
| Hanover Square North | 73,440 | Commonwealth Commercial / Medalist Properties | \$11.9 M / \$162 | Mechanicsville |
| Spring Centre | 30,392 | Spring Centre LLC / Coldwell Banker Elite | \$3.4 M / \$112 | Mechanicsville |

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