

MARKETBEAT

Richmond, VA

Retail Q3 2017



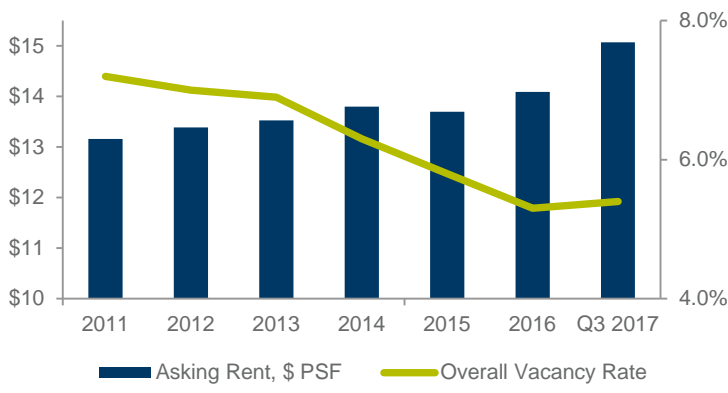
ECONOMIC INDICATORS

National		Q3 16	Q3 17	12-Month Forecast**
GDP Growth		1.2%	2.2%*	▲
CPI Growth		1.1%	2.0%	▲
Consumer Spending Growth		2.8%	2.7%*	▼
Retail Sales Growth		2.3%	3.9%	▲

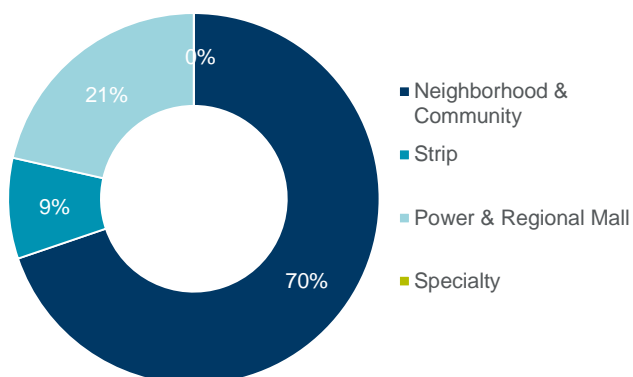
Regional		Q3 16	Q3 17	12-Month Forecast**
Household Income		\$63,180	\$65,148	▲
Population Growth		0.9%	0.8%	▲
Unemployment		4.1%	3.8%	■

Based on Moody's baseline estimates Source: Moody's Analytics *Q2 values. **Forecast by Cushman & Wakefield. Values represent year-over-year change

Rental Rate vs. Overall Vacancy



Availability by Type



Economy

Retail sales increased 4.4% year-over-year from September 2017 due in part to increases in building material and gasoline stations sales generated by hurricanes Irma and Harvey. Sporting goods and electronic sales declined by 5.5% and 4.4%, respectively. Retail sales increased by \$155.7 billion through September 2017 of which 25.7% is attributed to non-store retailers. Inflation remains below the Federal Reserve's 2% target despite a low unemployment rate. Economists expect one more hike to the federal funds rates in 2017. The 30-year fixed rate mortgage and 10-year treasury have remained stable throughout 2017 despite the rising rates.

Market Overview

Richmond's retail fundamentals remained strong despite the store closures and the retail apocalypse headlines in the national press. The retail market continued to report low vacancy with increasing rents. Richmond's retail asking rents increased by 12.1% from Q3 2016 to Q3 2017 and at \$18.07 per square foot (psf) NNN reached an historic high. Vacancy ticked up 20 basis points year-over-year but at 5.2% remained low particularly considering that over 700,000 square feet (sf) was delivered during the prior four quarters. A positive 606,830 sf was absorbed in Q3 2017 and brought the year-to-date figure to 443,392 sf. A negative 478,406 sf of absorption was recorded in Q1 2017 mostly due to Martin's exiting the market. Publix has opened five stores and three more are slated to open in the fourth quarter. Publix also purchased the Stratford Hills box from Ukrops. Ahold, Martin's parent company, purchased Bermuda Square from DDR for \$13,700,000 (\$118 psf). Martin's was leasing space at Bermuda Square but was no longer in operation.

Demolition began on the flyover entrance to Regency Square Mall. Chipotle, MOD Pizza, and Starbucks announced stores at Regency. Active retailers in the market include dollar stores, C-stores, auto parts and services, gyms and restaurants. Gold's Gym signed a lease to occupy the former Ukrop's box at Gayton Crossing. An auto parts supplier will locate along Staples Mill; and Dollar Tree will locate in Westchester Commons. A total of 627,774 sf delivered in 2017 of which 33% was in Short Pump. Of the 317,533 sf under construction, 36% will be delivered in the Midlothian E./Hull Street submarket.

Outlook

The IHL Group reported net store openings of over 4,000 stores in 2017 and projects 5,500 net openings in 2018. Of the total closures, 48% come from sixteen stores typically concentrated in malls. Richmond's vacancy will remain low and will continue to put pressure on rents in the most active retail corridors. Activity will spillover to secondary locations that provide slightly more affordable rents.

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CUSHMAN & WAKEFIELD

THALHIMER

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	2,098,304	4.3%	(5,709)	(402)	0	\$16.31
Colonial Heights	205	3,550,185	5.2%	50,673	25,168	3,520	\$20.07
Downtown	457	3,292,772	6.8%	13,918	14,996	0	\$14.55
East End	503	4,307,788	2.7%	82,213	336,970	0	\$12.51
Far West End North	30	305,579	8.4%	4,165	59,554	11,000	\$36.70
Far West End South	80	1,260,794	9.1%	33,808	52,664	0	\$19.70
Goochland	63	405,397	1.2%	3,228	6,828	41,000	\$9.34
Hopewell	164	1,282,808	6.0%	34,344	52,914	0	\$9.43
I-95 Ashland/NW	211	2,076,425	1.7%	6,700	10,050	0	\$13.64
I-95 Chamberlayne/NE	109	1,017,048	2.5%	-704	8,622	0	\$11.15
Jeff Davis Corridor	528	3,079,631	6.2%	5,625	28,971	0	\$14.31
Laburnum/Rte 360	463	2,895,747	4.2%	2,130	46,418	0	\$12.21
Louisa County	76	850,810	3.2%	9,902	14,522	0	\$13.50
Mechanicsville	217	2,826,994	3.6%	77,032	67,130	0	\$13.53
Midlothian E/Hull St	571	7,109,024	9.6%	82,241	21,526	115,600	\$11.91
Midlothian Village	123	1,694,737	9.7%	6,288	10,682	34,000	\$13.66
Midlothian West	298	7,362,907	5.5%	46,064	-40,035	10,332	\$15.82
Near West End	663	3,849,399	2.9%	-1,781	-7,405	0	\$17.05
New Kent County	55	555,138	1.5%	-2,890	-690	0	\$9.45
Petersburg	385	2,814,031	8.0%	-13,997	20,932	0	\$9.43
Powhatan	76	743,976	2.4%	-730	318	0	\$14.00
Prince George	66	1,018,001	1.0%	53,765	62,265	0	\$12.00
Regency	115	2,443,873	4.8%	1,575	3,975	0	\$14.04
Short Pump	129	5,068,627	2.8%	179,580	184,394	30,931	\$29.89
South Chesterfield	320	3,847,410	4.5%	82,327	100,996	0	\$14.91
Staples Mill / Parham	499	7,813,926	6.1%	39,016	-51,500	15,850	\$14.46
Swift Creek	169	3,656,970	6.3%	17,610	30,579	5,500	\$21.10
Willow Lawn	301	3,253,097	4.4%	-11,723	-75,474	49,800	\$23.18
Richmond, VA Totals	7,215	82,010,936	5.4%	606,830	921,798	317,533	\$15.07

*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)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT
General Retail	415	4,242,697	7.8%	33,815	41,232	10,332	\$15.65
Mall	48	6,743,183	4.2%	-90,474	-85,050	0	\$15.62
Power Center	124	4,951,341	3.0%	70,090	70,411	115,600	\$22.31
Shopping Center	836	27,001,526	8.6%	228,703	550,381	30,178	\$14.68

Key Lease Transactions Q3 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
9728 Gayton Road	28,000	Gold's Gym	New	Far West End South
7301 Staples Mill Road	16,280	Big O Tires	New	Staples Mill / Parham
Westchester Commons	9,325	Dollar Tree	New	Midlothian Village

Key Sales Transactions Q3 2017

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
Bermuda Square	115,982	DDR / Ahold	\$13,700,000 / \$118	South Chesterfield
Lexington Commons	21,869	LNR / Pacific West Land	\$3,900,000 / \$178	Broad Street
1201 Mall Drive	20,150	Private Individuals	\$2,087,500 / \$103	Midlothian West

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