

MARKETBEAT

Richmond, VA

Retail Q3 2018



ECONOMIC INDICATORS

National

	Q3 17	Q3 18*	12-Month Forecast**
GDP Growth	2.3%	3.1%	▲
CPI Growth	2.0%	2.8%	▲
Consumer Spending Growth	2.4%	2.7%	▲
Retail Sales Growth	4.5%	6.1%	▲

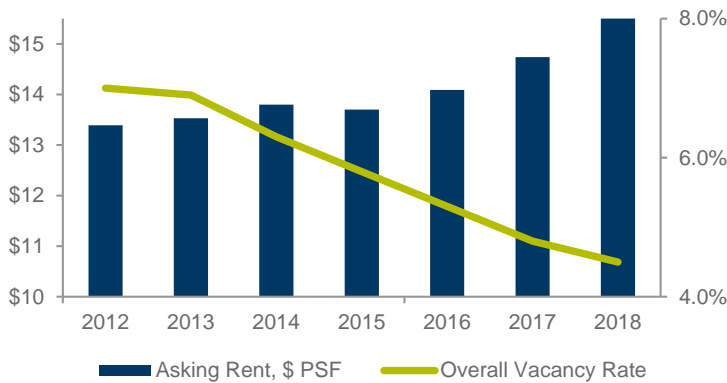
*Q3 18 Estimates. Values represent year-over-year % change
 ** Forecasted by Cushman & Wakefield .

Regional

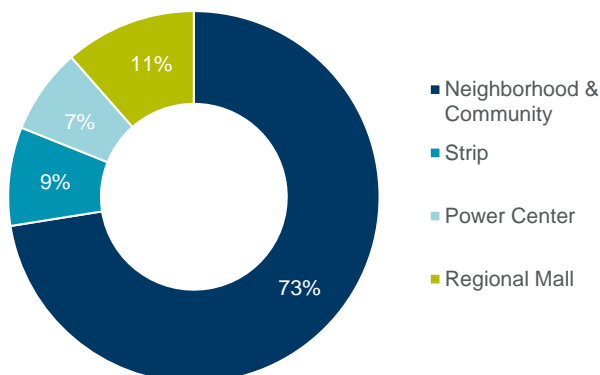
	Q3 17	Q3 18	12-Month Forecast**
Median Household Income	\$64,901	\$66,870	▲
Population Growth	0.90%	0.76%	▬
Unemployment	3.8%	3.2%	▼

Source: Moody's Analytics

Rental Rate vs. Overall Vacancy



Availability by Type



Economy

Powered by gains in consumer spending, net exports, and business investment, the U.S. economy posted its strongest growth since 2014 with revised GDP growth of 4.2% in the second quarter. Economists expect GDP growth to continue, but at a more modest pace in third quarter. The Federal Reserve Bank raised interest rates for the third time in 2018 and signaled its accommodative era is over. In Richmond, employment gains continued. Richmond's unemployment rate decreased 60 basis points (bps) to 3.2% with the economy adding 6,900 jobs from the previous year.

Market Overview

Available retail space remains difficult to find in Richmond. The overall retail vacancy fell to 4.5% in the third quarter of 2018, while key submarkets are experiencing vacancy rates below 3.0%. Limited availabilities are driving rents to all-time highs. Overall rental rates increased 7.5% from the previous year to \$16.41 per square foot (psf) in the third quarter of 2018.

Richmond experienced an active quarter with over 450,000 square feet (sf) of leasing activity. Publix opened at the Shops at Stratford Hills and plans to open locations in Mechanicsville and the Hull Street Corridor by the end of 2018. Two driving range concepts are coming to Richmond: Topgolf closed on land in Willow Lawn and plans to open its first Richmond location in Fall 2019, while Drive Shack started construction on a 13-acre site in Goochland with plans to open in Spring 2019. Starbucks opened in Regency and broke ground on a new location at Willow Lawn. Dick's Sporting Goods also opened at Willow Lawn, before closing in Stony Point. Wawa is scheduled to open a location on Boulevard in October 2018, with two additional locations in development. Crunch Fitness inked a lease at Chesterfield Town Center and Cinema Café closed on land in the Bermuda Crossroads Shopping Center.

Several national brands closed locations or are contracting in Richmond. Applebee's shut down restaurants in Virginia Center Commons and Willow Lawn, while Johnny Rockets shut the doors to their Short Pump location. For retailers with bankruptcy announcements, Sears has no plans to close their Richmond locations, Babies R Us closed their Boulevard store, and Mattress Firm is seeking to renegotiate and reduce their existing footprint.

Outlook

Landlords are finding opportunities to increase rental rates in a tight market, despite national retailers shuttering. Richmond is attracting national and local concepts, and retail activity is expected to be busy through year-end. Mall redevelopments and available big box space are providing inventory for new tenants and relocations in the market. Fitness concepts, quick serve restaurants, and innovative retailers will be stalwarts for landlords, as others close their doors.

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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	271	4,891,955	3.2%	14,390	20,811	6,252	0	\$15.82
Colonial Heights	211	3,473,154	5.8%	-6,102	37,184	5,435	0	\$19.05
Downtown	457	3,252,656	4.5%	31,353	19,730	0	0	\$14.70
East End	505	4,447,979	2.8%	-10,645	-31,681	8,500	0	\$15.99
Far West End North	32	318,579	4.1%	0	4,708	13,000	0	\$36.13
Far West End South	82	1,284,701	8.5%	-15,400	-13,942	0	0	\$14.55
Goochland	64	447,335	3.3%	7,424	31,012	41,000	15,000	\$8.89
Hopewell	166	1,293,462	5.6%	-2,691	-4,946	0	0	\$9.13
I-95 Ashland/NW	212	2,119,570	3.0%	1,764	12,193	0	4,300	\$13.17
I-95 Chamberlayne/NE	110	1,000,725	2.8%	-10,671	-7,773	0	16,300	\$15.93
Jeff Davis Corridor	525	3,077,529	8.1%	-27,857	12,826	0	0	\$47.62
Laburnum/Rte 360	462	2,812,915	6.7%	-14,249	-76,744	3,160	0	\$13.83
Louisa County	78	874,183	1.7%	0	9,200	0	6,000	\$12.28
Mechanicsville	217	2,819,807	2.0%	12,254	12,304	0	72,017	\$12.39
Midlothian E/Hull St	578	7,320,196	5.1%	153,282	135,463	15,600	8,000	\$12.75
Midlothian Village	123	1,706,037	10.9%	-163	-35,993	8,000	17,500	\$20.12
Midlothian West	301	7,230,984	5.0%	5,583	21,187	3,000	15,500	\$16.80
Near West End	675	3,860,750	2.2%	-799	34,312	36,592	45,000	\$17.11
New Kent County	57	560,693	1.5%	0	7,010	2,500	9,336	\$9.86
Petersburg	388	2,831,217	5.9%	-4,490	4,600	0	0	\$9.78
Powhatan	78	815,429	2.7%	-1,500	-5,000	3,700	0	\$15.78
Prince George	66	1,017,305	2.2%	-1,774	-3,216	0	0	\$15.00
Regency	114	2,440,138	3.8%	40,076	23,695	3,000	58,131	\$16.56
Short Pump	140	5,051,133	2.8%	-29,339	26,721	56,420	69,989	\$29.27
South Chesterfield	331	3,824,414	4.2%	1,131	8,736	0	2,584	\$16.45
Staples Mill / Parham	355	5,384,607	7.6%	-47,172	27,780	0	0	\$16.53
Swift Creek	174	3,608,027	2.8%	-14,532	51,477	0	62,512	\$21.24
Willow Lawn	301	3,180,583	2.1%	13,751	27,272	26,306	49,800	\$21.20
Richmond, VA Totals	7,268	82,401,401	4.5%	94,362	326,742	232,465	451,969	\$16.41

*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	4,281,679	5.7%	-16,340	1,478	5,435	286,037	\$21.11
Mall	49	6,846,380	4.7%	-31,486	-49,975	0	8,426	\$18.00
Power Center	125	5,216,704	4.1%	-4,657	54,846	56,420	69,989	\$22.75
Shopping Center	865	27,430,537	7.5%	160,664	279,667	33,652	87,517	\$15.24

Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Regency	40,000	Surge Richmond	New	Near West End
The Shoppes at Westgate	6,307	First Watch	New	Short Pump
West Broad Marketplace	5,427	BetterMed Urgent Care	New	Far West End

Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER / BUYER	PRICE / \$PSF	SUBMARKET
Former Macy's	97,020	Macy's / Impact Investments Group	\$1.3M / \$13	Staples Mill / Parham
Rockwood Plaza	39,000	Kodiak Properties / SugarOak Investments	\$2.1M / \$54	Hull St Corridor
Tower Plaza	26,244	Kodiak Properties / SugarOak Investments	\$4.1M / \$181	Far West End
Topgolf	13.5 Acres	Lynx Ventures and Rebkee Co. / Topgolf	\$5.7M / N/A	Willow Lawn

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