

# MARKETBEAT

## Retail Snapshot Q4 2015

Richmond



### ECONOMIC INDICATORS

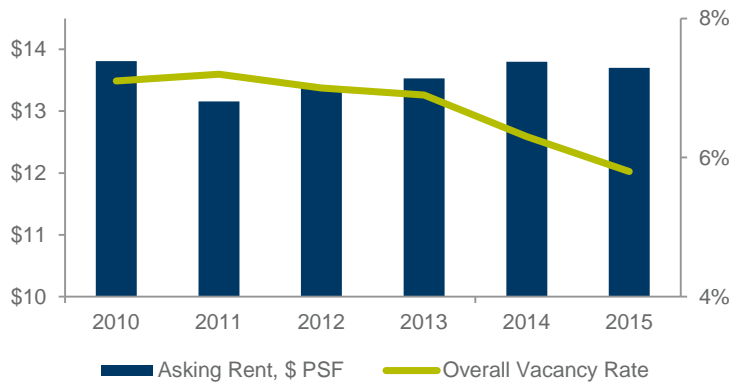
National			
	2014	2015	12-Month Forecast
GDP Growth	2.4%	2.4%	▼
CPI Growth	1.6%	0.1%	▲
Consumer Spending Growth	2.7%	3.1%	▲
Retail Sales Growth	3.9%	2.2%	▲

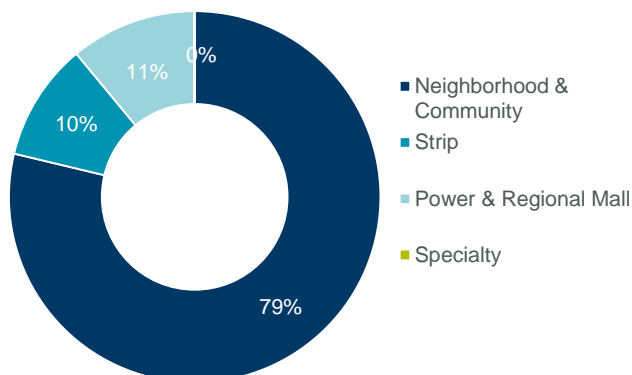
Regional			
	2014	2015	12-Month Forecast
Household Income	\$60,936	\$65,182	▼
Population Growth	1.1%	1.0%	▲
Unemployment	5.5%	4.7%	■

Source: Moody's Analytics

### Rental Rate vs. Overall Vacancy



### Availability by Type



### Economy

The U.S. economy added 2.9 million non-farm payroll jobs in 2015 and economic growth remained stable domestically despite volatile and decelerating growth abroad. Although the U.S. continued to add jobs, the unemployment rate stood at 5.0% through Q4 2015 suggesting that folks considered outside the labor force are coming back into the economic fold. The Richmond economy added 3,200 jobs in 2015 which resulted in a low unemployment rate of 4.2%. Sectors that led job growth in the region included Education and Health Services, Financial Activities, Trade, Transportation and Utilities, as well as Mining, Logging and Construction.

### Market Overview

Richmond's retail market remains healthy with a low vacancy rate of 5.8% overall. Malls and power centers are the strongest property types with a vacancy of 2.3% and 3.5%, respectively. Much of the regional retail news in 2015 centered on grocery store competition as well as fitness club expansions. Wal-Mart, Aldi, Lidl, Wegmans, Kroger and Whole Foods either opened grocery stores or continued down the path to do so. Crunch Fitness, Planet Fitness, Orange Theory, YouFit and a host of boutique gyms opened in 2015. Two malls, Regency and Stony Point, are set for redevelopment and Willow Lawn continues to transform. Significant store closures announced in 2015 included three Macy's and three Martin's. And for the first time in 100 years, Pleasants Hardware will no longer operate a flagship store on W. Broad Street. Mergers and acquisitions activity spiked in 2015. Ahold, who owns Martin's, and Delhaize, who owns Food Lion, are set to merge. Food Lion and Martin's operate 49 and 21 (not including the above closures) grocery stores, respectively, in the Richmond region. Walgreens and Rite Aid are set to merge with each operating 27 and 23 stand-alone stores in the region, respectively. The impact of mergers on the retail space in the Richmond region are still unknown.

### Outlook

Stronger wage growth is expected to be an important driver of the U.S. economy in 2016 as rising wages and employment boost income and stimulate stronger consumer spending growth. Retail cap rates declined 20 basis points from a year ago in Q4 2015 to hit 6.4% nationally. Investors are seeking grocery-anchored shopping centers and value-add retail in prime locations. Retail REIT's report NOI growth exceeding 3% and increasing occupancies. Tenant bankruptcies are returning to normal as people launch new concepts for the first time since the recession.

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### Richmond



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 (NNN)
Broad St. Corridor	76	1,909,532	4.3%	8,456	54,856	0	\$14.95
Colonial Heights	73	3,250,270	2.4%	6,883	10,637	0	\$20.63
Downtown	219	2,636,101	7.5%	7,583	74,915	0	\$15.30
East End	145	3,086,330	7.8%	12,737	34,527	0	\$13.20
Far West End North	13	175,574	0.7%	0	2,985	0	\$20.00
Far West End South	46	1,139,172	12.6%	22,018	26,637	0	\$13.80
Goochland	21	308,080	6.2%	1,000	(100)	0	\$13.37
Hopewell	62	1,009,445	14.1%	(600)	(1,350)	0	\$9.94
I-95 Ashland/NW	80	1,588,645	2.6%	(2,435)	4,615	0	\$14.44
I-95 Chamberlayne/NE	44	823,173	3.7%	10,525	71,375	0	\$19.21
Jeff Davis Corridor	149	2,282,738	10.7%	21,419	117,672	0	\$9.93
Laburnum/Rte 360	112	1,953,906	5.5%	(2,950)	789	0	\$10.35
Louisa County	26	661,387	1.9%	0	(1,400)	10,000	\$12.00
Mechanicsville	91	2,444,222	4.5%	(6,929)	(12,089)	0	\$11.87
Midlothian E/Hull St	226	6,010,861	8.8%	26,835	162,371	17,018	\$10.50
Midlothian Village	60	1,508,849	12.2%	7,130	14,688	0	\$18.99
Midlothian West	177	6,740,810	4.4%	43,510	72,851	215,800	\$13.72
Near West End	181	2,489,516	2.6%	(4,042)	23,626	16,000	\$16.34
New Kent County	30	473,058	5.6%	0	5,065	0	\$11.59
Petersburg	165	2,159,131	11.2%	(5,342)	8,199	0	\$7.78
Powhatan	35	625,431	4.9%	1,538	10,215	0	\$13.38
Prince George	27	805,702	11.3%	2,000	6,351	9,100	\$7.14
Regency	56	2,232,341	5.7%	(5,828)	45,220	0	\$11.08
Short Pump	101	4,598,013	2.9%	(6,813)	3,218	253,623	\$25.10
South Chesterfield	137	3,311,568	4.3%	(4,160)	73,195	0	\$14.32
Staples Mill / Parham	257	7,204,830	5.6%	4,160	(59,901)	15,847	\$14.30
Swift Creek	99	3,264,304	3.9%	(2,368)	49,519	0	\$17.27
Willow Lawn	123	2,638,464	2.1%	7,411	29,424	15,000	\$11.70
<b>"MARKET NAME" TOTALS</b>	<b>2,902</b>	<b>68,484,653</b>	<b>5.8%</b>	<b>147,838</b>	<b>813,463</b>	<b>552,388</b>	<b>\$13.70</b>

\*Rental rates reflect gross asking \$psf/year

Only includes properties 5,000 sf and larger. Submarkets Amelia, Dinwiddie, and Sussex included in totals.

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General Retail	313	3,937,039	7.9%	30,068	79,479	78,918	\$15.04
Mall	43	6,853,522	2.3%	1,173	(13,071)	15,000	\$21.30
Power Center	94	5,041,112	3.5%	7,573	15,919	253,623	\$17.19
Shopping Center	554	25,474,105	9.4%	31,937	218,570	204,847	\$13.35

### Key Lease Transactions Q4 2015

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
4869 Nine Mile Road	44,000	Conn Appliances	Lease	East End
3600 Centre	26,186	Crunch Fitness	Lease	Near West End
8018 W. Broad	14,842	Goodwill	Lease	Staples Mill/Parham
12741 Stone Village Way	13,096	Party City	Lease	Midlothian West
1301 Roseneath Road	11,171	The Veil Brewing Co.	Lease	Near West End

### Key Sales Transactions Q4 2015

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
East Towne Plaza	64,774	Peck Company/Brookline Developemnt	\$11,900,000 / \$114	East End
5701 Grove	13,000	Muhleman Properties	\$3,600,000 / \$277	Near West End
Creighton Road & Cold Harbor	5,220	WaWa	\$4,300,000 / \$824	Mechanicsville

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