

MARKETBEAT

Richmond, VA

Retail Q4 2016



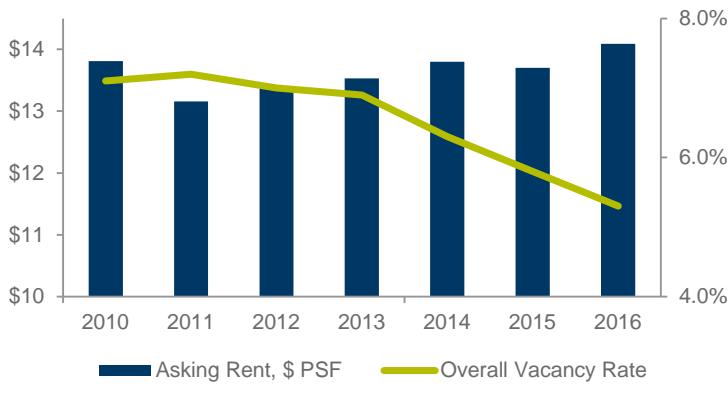
ECONOMIC INDICATORS

National			
	Q4 15	Q4 16*	12-Month Forecast
GDP Growth	1.9%	1.8%	▲
CPI Growth	0.4%	1.6%	▲
Consumer Spending Growth	2.6%	2.8%	▼
Retail Sales Growth	2.0%	4.0%	▲

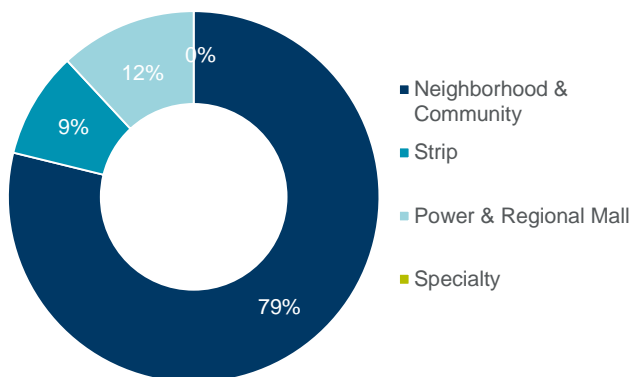
Regional			
	Q4 15	Q4 16	12-Month Forecast
Household Income	\$61,216	\$63,583	▲
Population Growth	0.83%	0.78%	▲
Unemployment	4.2%	4.2%	▼

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

Rental Rate vs. Overall Vacancy



Availability by Type



Economy

The United States retail market finished 2016 with significantly more retail store closures and bankruptcies than prior years. Cushman & Wakefield recorded a record number of major chain storefronts shuttered, with over 4,000 in 2016, compared to the previous record of 3,600 in 2010. Additionally, U.S. retailer bankruptcies also rose from 22 in both of the previous years to 26 last year. The apparel and department store categories were hit hardest by this trend, predominantly impacting malls and urban retail destinations. Macy's announced 68 upcoming store closures for 2017, with approximately 30 more to follow in the next few years. Sears and Kmart will be closing a combined 150 stores in 2017, while The Limited is shuttering every one of its 250 stores nationwide.

Conversely, food-related retail ended 2016 on a hot streak. According to Cushman & Wakefield research, between 60% -70% of all local deal activity in 2016 was driven by restaurant and grocery concepts. Most of the growth is in the fast casual dining model, while weaker, franchise-driven fast-food is seeing increased closures.

Market Overview

The retail market in Richmond remains healthy, with a consistent low vacancy rate in 2016, finishing the year at 5.3%. The overall asking rent rose to \$14.09 per square foot (PSF) in Q4 2016 from \$13.70 PSF a year ago. The market also absorbed 136,046 square feet (SF) in Q4 2016, totaling 669,560 SF of positive absorption for the year. The complexion of the grocery store market in Richmond continues to change, as national and international grocers compete for prominence. German-based Lidl began work on three of its proposed seven stores in the area, while Florida-based Publix has begun construction on a ground-up location and the conversion of three of its ten stores purchased from Ahold USA last year, with plans to begin renovations on the next four in February. Ahold USA continues to shop the remaining nine Martin's store locations. Notable 2016 retail center sale transactions include Southgate Square, a 220,000-SF community center in Colonial Heights, which sold for \$38.6 million, and Stonebridge Shopping Center, a 28,370-SF shadow grocery-anchored strip center in Midlothian, which sold for \$12 million.

Outlook

With a robust supply pipeline, Class B and C locations will see greater turnover as tenants become more selective. Neighborhood and community centers will be far less effected by closures while malls will take the brunt of the impact. The overall retail market is expected to remain strong, with low vacancy and rising rents.

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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	2,090,309	4.1%	6,449	14,126	8,500	\$14.65
Colonial Heights	202	3,561,844	7.3%	-77,896	-128,428	0	\$20.03
Downtown	456	3,286,422	7.5%	13,466	-14,984	8,000	\$14.45
East End	496	3,925,442	2.7%	2,587	30,970	36,120	\$13.31
Far West End North	26	223,271	1.4%	0	-1,840	95,500	\$20.00
Far West End South	79	1,258,522	13.0%	-3,020	-12,445	0	\$20.11
Goochland	61	405,479	6.2%	-5,680	762	0	\$10.48
Hopewell	160	1,269,595	10.9%	32,890	29,584	5,277	\$9.42
I-95 Ashland/NW	207	2,053,708	1.9%	-643	15,327	0	\$14.04
I-95 Chamberlayne/NE	108	1,012,602	3.0%	1,664	4,850	0	\$14.74
Jeff Davis Corridor	528	3,086,463	8.7%	-23,725	6,479	0	\$13.52
Laburnum/Rte 360	459	2,927,662	4.6%	17,398	25,791	0	\$11.00
Louisa County	68	799,688	2.6%	-2,500	-5,536	10,000	\$14.33
Mechanicsville	212	2,754,242	5.4%	-3,350	-31,911	0	\$12.89
Midlothian E/Hull St	570	6,998,628	8.0%	17,117	70,381	7,489	\$11.27
Midlothian Village	123	1,693,995	8.1%	-6,092	7,974	0	\$17.86
Midlothian West	296	7,294,987	4.2%	11,235	214,479	6,500	\$15.11
Near West End	657	3,753,276	2.6%	-6,845	36,394	0	\$17.60
New Kent County	55	550,152	3.1%	-780	10,275	4,850	\$10.21
Petersburg	372	2,763,448	9.7%	1,908	-7,327	0	\$8.90
Powhatan	76	743,976	2.2%	4,400	5,230	0	\$13.14
Prince George	63	1,006,641	11.3%	16,675	-14,605	0	\$5.28
Regency	114	2,434,736	5.1%	54,094	9,476	0	\$12.12
Short Pump	127	4,896,564	2.5%	26,374	291,460	204,267	\$24.26
South Chesterfield	316	3,816,184	3.9%	-10,405	3,402	13,801	\$14.35
Staples Mill / Parham	494	7,866,979	5.8%	19,244	-23,430	13,550	\$14.73
Swift Creek	168	3,561,524	3.4%	28,111	27,318	0	\$19.10
Willow Lawn	301	3,182,860	2.0%	16,320	54,492	0	\$16.44
Richmond, VA Totals	7,128	80,728,147	5.3%	136,046	669,560	413,854	\$14.09

*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	413	4,229,395	7.3%	-14,744	55,592	6,500	\$15.32
Mall	50	6,902,112	3.5%	2,648	-94,899	0	\$21.21
Power Center	125	5,379,950	2.9%	1,480	178,828	4,267	\$17.51
Shopping Center	836	26,601,174	9.9%	34,804	5,913	95,500	\$13.56

Key Lease Transactions 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
14101 Midlothian Tpk	109,118	Kroger	Lease	Midlothian Village
5400 Wyndham Forest Dr.	49,000	Publix	Lease	Far West End North
Nine Mile & Laburnum	44,000	Conn Appliances	Lease	Laburnum/Rte 360

Key Sales Transactions 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
SouthGate Square	220,000	Blackwood Development/Armada Hoffer	\$38,600,000 / \$175	Colonial Heights
Walmart Neighborhood Market	41,117	Azalea Investments / Inland	\$11,709,257 / \$285	I-95 Chamberlayne/NE
Stonebridge Shopping Center	28,370	Crosland JV Hutensky/S2 Capital	\$12,000,000 / \$423	Midlothian E/Hull St

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