

MARKETBEAT

Richmond, VA

Retail Q4 2017



ECONOMIC INDICATORS

National

| | Q4 16 | Q4 17 | 12-Month Forecast** |
|--------------------------|-------|-------|---------------------|
| GDP Growth | 1.8% | 2.3%* | ▲ |
| CPI Growth | 1.8% | 2.0%* | ▲ |
| Consumer Spending Growth | 2.8% | 2.6%* | ▼ |
| Retail Sales Growth | 3.7% | 4.3%* | ▲ |

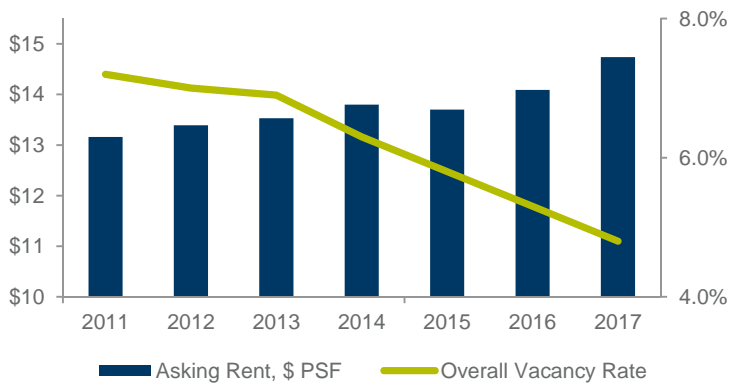
*Q3 Values ** Forecasted by Cushman & Wakefield . Values represent year-over-year % change

Regional

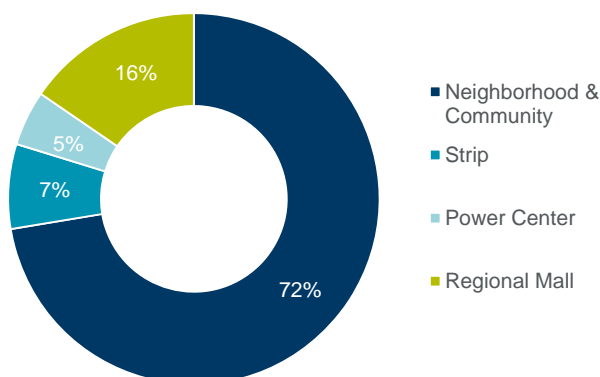
| | Q4 16 | Q4 17 | 12-Month Forecast** |
|-------------------|----------|----------|---------------------|
| Household Income | \$63,568 | \$65,170 | ▲ |
| Population Growth | 0.9% | 0.8% | ■ |
| Unemployment | 4.3% | 3.8% | ■ |

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

Rental Rate vs. Overall Vacancy



Availability by Type



Economy

The U.S. Congress passed major revisions to the tax code in late 2017 and commercial real estate economists expect the changes will spur corporations to place more money into real estate assets and development but caution an increase in the U.S. government's debt load may cause interest rates to rise. Real Estate Investment Trusts will also benefit from a lower tax on dividends. Retail sales increased 5.8% year-over-year for the 12 months ending November 2017, due in part to increases in building materials, gasoline, auto sales, and furniture. MasterCard reported that holiday sales increased 4.9% in 2017.

As of November, the U.S. economy had added 2.3 million jobs in 2017 and the unemployment rate of 4.1% was the lowest it had been since 2000. The Richmond economy added 9,700 jobs from November 2016 to November 2017, with Construction, Education and Health Services, and Government contributing the most to job growth. Richmond's unemployment rate remains low at 3.7%.

Market Overview

Richmond's retail fundamentals remained strong. Vacancy was virtually unchanged in 2017 at 4.8% despite the delivery of nearly 700,000 square feet (sf) of space. A positive 511,000 sf of absorption occurred in 2017, which is roughly half the absorption figure in 2016. The primary hindrance on absorption was the exit of Martin's and HH Gregg from the market, but overall asking rents still increased 5.5% from fourth quarter 2016 to fourth quarter 2017. Vacancy in Short Pump, one of Richmond's most active retail submarkets, is below 3.0% and asking rents increased by more than 20% year-over-year in fourth quarter 2017. Asking rents in Short Pump are now more than \$15.00 (psf) higher the overall average asking rent in the Richmond market.

The most active tenant categories in 2017 included grocery stores, gyms, restaurants, and auto supply stores. Publix, Lidl, and New Grand Mart opened new stores in the Richmond area during 2017, while Advanced Auto, AutoZone, and Big O Tires also added locations.

Outlook

Retail closings will continue to grab headlines as the industry consolidates and shopping behaviors shift. The closures will be concentrated in department stores located in secondary malls and power centers. The new tax regulations should provide additional disposable income, which will hopefully boost retail sales. Retailers will look to integrate the online and in-store experience in 2018 as the fusion of retail and entertainment continues to evolve. River City Roll, an upscale bowling alley, will join the Circuit Arcade Bar in Scott's Addition while Topgolf announced that it is aiming to open a location in the heart of Henrico County.

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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 | 125 | 2,107,985 | 4.5% | 1,078 | 6,437 | 0 | \$15.77 |
| Colonial Heights | 206 | 3,572,787 | 6.9% | -66,825 | -42,082 | 5,435 | \$15.26 |
| Downtown | 457 | 3,283,294 | 6.3% | 9,966 | 27,900 | 0 | \$14.59 |
| East End | 502 | 4,305,151 | 1.8% | 32,604 | 341,327 | 3,500 | \$12.16 |
| Far West End North | 30 | 305,579 | 3.3% | 12,507 | 70,097 | 11,000 | \$37.58 |
| Far West End South | 80 | 1,260,794 | 7.4% | 16,960 | 67,888 | 0 | \$19.70 |
| Goochland | 63 | 405,397 | 1.2% | 0 | 9,328 | 0 | \$9.34 |
| Hopewell | 164 | 1,282,808 | 5.6% | 4,138 | 57,747 | 0 | \$9.38 |
| I-95 Ashland/NW | 211 | 2,076,425 | 3.5% | -44,332 | -36,141 | 0 | \$14.02 |
| I-95 Chamberlayne/NE | 110 | 1,212,048 | 1.4% | 10,830 | 25,811 | 0 | \$11.69 |
| Jeff Davis Corridor | 528 | 3,079,932 | 6.5% | -13,352 | 72,245 | 0 | \$17.11 |
| Laburnum/Rte 360 | 461 | 2,885,476 | 4.0% | -5,226 | 12,268 | 0 | \$12.01 |
| Louisa County | 79 | 863,980 | 2.8% | 4,510 | 17,162 | 0 | \$13.69 |
| Mechanicsville | 217 | 2,826,994 | 3.1% | 7,493 | 77,165 | 0 | \$12.92 |
| Midlothian E/Hull St | 574 | 7,158,134 | 7.5% | 139,878 | 3,728 | 115,600 | \$11.85 |
| Midlothian Village | 123 | 1,694,367 | 8.6% | 6,462 | 25,639 | 8,000 | \$13.76 |
| Midlothian West | 299 | 7,373,239 | 5.0% | 19,548 | -85,880 | 0 | \$16.30 |
| Near West End | 663 | 3,780,151 | 2.4% | 4,867 | -16,758 | 0 | \$16.69 |
| New Kent County | 55 | 555,138 | 2.3% | -7,529 | -8,329 | 0 | \$9.64 |
| Petersburg | 385 | 2,803,703 | 7.6% | 8,373 | 45,914 | 0 | \$9.27 |
| Powhatan | 74 | 682,949 | 0.5% | 2,800 | 3,051 | 0 | \$16.75 |
| Prince George | 66 | 1,018,001 | 1.9% | -8,844 | 46,721 | 0 | \$12.00 |
| Regency | 114 | 2,439,188 | 4.6% | 5,162 | 11,347 | 0 | \$16.83 |
| Short Pump | 135 | 4,930,584 | 2.7% | 4,994 | 55,699 | 136,991 | \$30.17 |
| South Chesterfield | 319 | 3,842,370 | 3.9% | 15,731 | 65,153 | 0 | \$14.96 |
| Staples Mill / Parham | 500 | 7,900,077 | 6.2% | -5,119 | -168,315 | 2,200 | \$14.55 |
| Swift Creek | 170 | 3,662,470 | 4.7% | -3,595 | -90,398 | 0 | \$19.50 |
| Willow Lawn | 301 | 3,253,155 | 4.1% | 7,501 | -70,203 | 49,800 | \$23.59 |
| Richmond, VA Totals | 7,227 | 82,087,258 | 4.8% | 164,666 | 511,230 | 332,526 | \$14.74 |

*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 | 417 | 4,263,204 | 5.5% | 51,206 | 39,113 | 10,332 | \$15.08 |
| Mall | 48 | 6,743,183 | 2.5% | 3,102 | -77,132 | 0 | - |
| Power Center | 124 | 4,950,893 | 3.1% | -13,133 | -7,273 | 115,600 | \$23.15 |
| Shopping Center | 843 | 27,106,301 | 8.6% | 161,658 | 595,542 | 30,178 | \$14.18 |

Key Lease Transactions 2017

| PROPERTY | SF | TENANT | TRANSACTION TYPE | SUBMARKET |
|----------------------------------|--------|-----------------|------------------|-----------------------|
| Regency Square | 50,000 | Lidl – Training | Short Term Lease | Regency |
| West Broad Commons | 39,386 | New Grand Mart | Lease | Willow Lawn |
| Dumbarton Square Shopping Center | 31,496 | Advance Auto | Lease | Staples Mill / Parham |

Key Sales Transactions 2017

| PROPERTY | SF | SELLER / BUYER | PRICE / \$PSF | SUBMARKET |
|------------------------|---------|------------------------------------|----------------------|--------------------|
| West Broad Marketplace | 400,000 | Excel Trust / MetLife RE Investors | \$74,000,000 / \$185 | Short Pump |
| Bermuda Square | 115,982 | DDR / Ahold | \$13,700,000 / \$118 | South Chesterfield |
| Shops at Arboretum | 102,391 | DNA Partners / Mishorim | \$8,800,000 / \$86 | Midlothian West |

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