

Industrial Snapshot Q3 2015

Richmond, VA

Richmond, VA Industrial

Economic Indicators

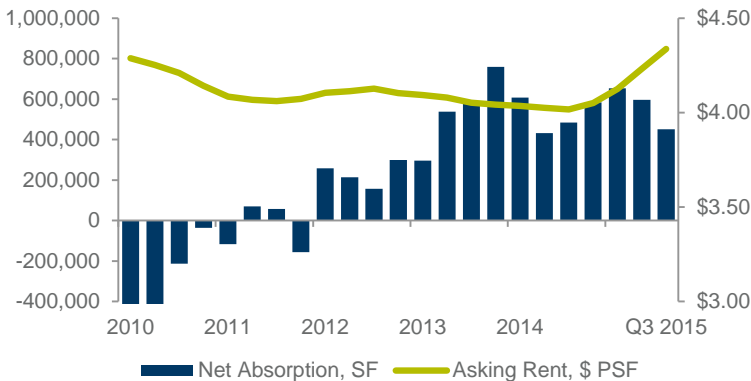
	Q3 14	Q3 15	12-Month Forecast
Richmond Employment	632.7k	636.7k	▲
Richmond Unemployment	5.4%	4.9%	▲
U.S. Unemployment	6.1%	5.1%	■

Market Indicators

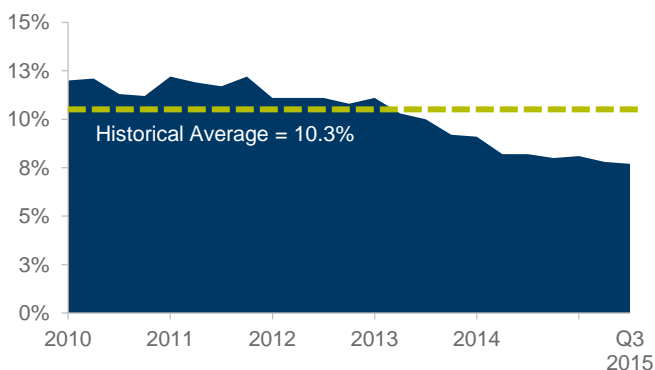
	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	7.8%	7.8%	▼
Net Absorption	535k	464k	▲
Under Construction	1.8m	200k	▲
Overall Average Asking Rent	\$3.99	\$4.47	▲

Net Absorption/Asking Rent

4Q TRAILING AVERAGE



Overall Vacancy



Economy

Industrial property values are 0.6% above the pre-recession high according to the Moody's/RCA CPPI index but have increased 49.7% higher since the recessions low in January 2010. Slowing global growth is impacting the U.S. economy, but domestic demand continues to fuel an expansion. The Institute for Supply Management's (ISM) PMI reported continued manufacturing expansion but at a slower pace of growth each month in Q3 2015. Richmond's unemployment rate declined to 4.9% in August 2015 mostly due to the seasonal fluctuations in the labor force. Richmond's streak of year-over-year employment growth ended in August at 61 consecutive months. Employment figures in August 2015 were 0.2% lower than a year ago.

Market Overview

The overall vacancy in the industrial market held steady at 7.8%, the same as last quarter and Q3 2014. Only 25,781 sf of positive absorption occurred last quarter, but nearly 1.1 million sf of leasing activity took place. The year-to-date leasing and absorptions figures at the end of Q3 2015 were 2.4 million and 507,533 sf respectively. The increase in leasing activity in Q3 portends an increase in absorption in the coming quarters. Vacancy in flex space declined by 50 basis points since last quarter and is now 11.6%. Warehouse vacancy decreased 20 basis points to 7.9%. Manufacturing vacancy increased by 20 basis points but at 3.9% remains low. Direct asking rents for flex and warehouse space have increased 2%. Direct asking rents for the total market have increased 1.8%. Significant leases for the quarter include Advance Trailer Systems, who leased 93,500 sf at the Interport Business Center, and Povair Filtration Group, who leased 55,740 sf in Hanover. The only significant sale transaction of note was the purchase of Villa Park III by the Virginia Department of Game and Inland Fisheries for \$8.5 million. The multi-tenant office service/flex location hosts the VA DGIF headquarters.

Outlook

Limited availabilities is increasing the likelihood that tenants will renew and providing landlords with the leverage to renew tenants at longer terms and higher rates. Asking rents increased by 11% from Q3 2014 to Q3 2015. Absorption will continue to out pace new supply as speculative development plans remain on the shelf. The only industrial building under construction is the 200,000 SF Stone Brewing facility. Additional out of state breweries and food processes are actively looking for space.

MARKETBEAT

Industrial Snapshot Q3 2015

Market Name



SUBMARKET CLUSTER	TOTAL BLDGS	INVENTORY	YTD LEASING ACTIVITY	YTD USER SALES ACTIVITY	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION	UNDER CNSTR	DIRECT WEIGHTED AVG. NET RENT (HT)	DIRECT WEIGHTED AVG. NET RENT (MF)	DIRECT WEIGHTED AVG. NET RENT (OS)	DIRECT WEIGHTED AVG. NET RENT (W/D)
Downtown	6	277,266	0	0	30.3%	8,000	0	N/A	N/A	N/A	\$6.00
Northeast	166	10,829,144	438,384	0	4.1%	-182,732	0	N/A	\$5.48	\$9.68	\$4.20
Northwest	312	19,296,652	613,121	88,960	5.9%	420,346	0	N/A	\$2.40	\$8.95	\$4.89
Southeast	139	17,775,318	650,147	0	7.5%	142,812	200,000	\$3.95	\$4.25	\$6.70	\$4.55
Southwest	396	42,339,041	652,077	0	9.5%	119,107	0	N/A	\$3.97	\$6.57	\$3.27
RICHMOND, VA TOTALS	1019	90,517,421	2,353,729	88,960	7.7%	507,533	200,000	\$3.95	\$3.90	\$8.54	\$3.79

*Rental rates reflect asking \$psf/year

HT = High Tech MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

Key Lease Transactions Q3 2015

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
Interport Business Center	93,500	Advance Trailer System	Warehouse/Distribution	Southeast
Enterchange at Northlake	64,657	Xpedx*	Warehouse/Distribution	Northwest
301 Business Lane	55,740	Porvair Filtration Group	Warehouse/Distribution	Northwest
Windsor Business Park V	38,350	Bon Secours Health Systems*	Office Service/Flex	Northwest
8407 Erle Road	37,690	Lambert's Cable Splicing	Office Service/Flex	Northwest
2601 Maury	25,000	J&E Imports	Warehouse/Distribution	Downtown

*Renewal

Key Sales Transactions Q3 2015

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE	SUBMARKET
Villa Park III	88,960	Sliver Capital/Commonwealth of VA	Flex	\$8,500,000	Northwest

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