

Q1 2017

CUSHMAN & WAKEFIELD | THALHIMER

RESEARCH SPOTLIGHT

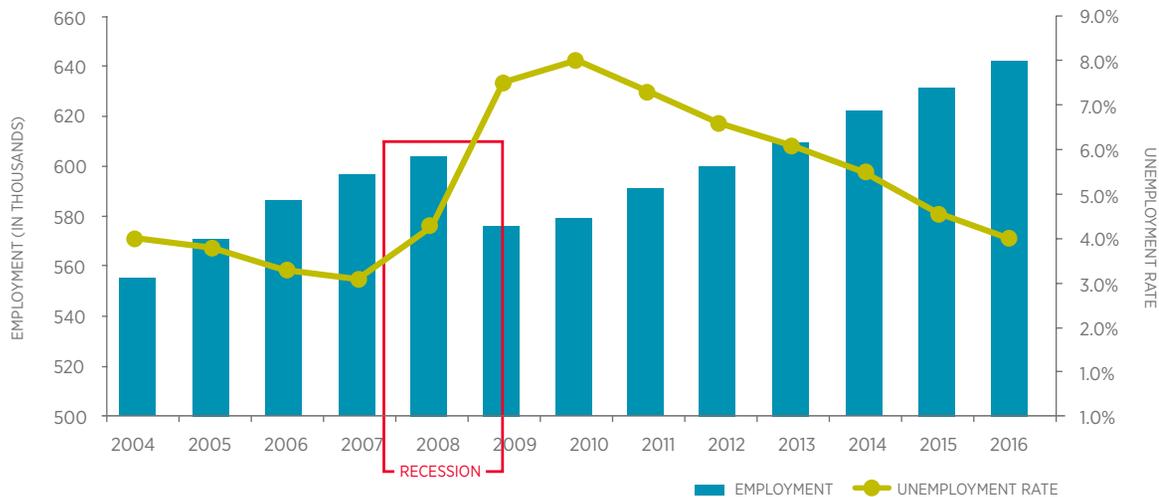
 CUSHMAN & WAKEFIELD |  THALHIMER

Richmond At-A-Glance: Focus on Manchester

Job Growth Trending Up

- Richmond's recent growth in financial and professional jobs ranks it as one of the 20 fastest growing metros for office sector job growth in the country.
- Richmond added 21,400 new jobs year-over-year as of September 2016, a 3.3% increase.
- The professional and business services sector saw the largest increase at 7.3% followed by the trade, transportation, and utilities sector with a 6.9% increase.
- Unemployment in Richmond was down to 4.1% at the end of Q3 from 4.4% a year ago.

TOTAL EMPLOYMENT VS. UNEMPLOYMENT RATE



Source: Bureau of Labor Statistics

RICHMOND ACCOLADES

TOP 10

CITIES FOR FINDING EMPLOYMENT

- FORBES, APRIL 2015

TOP 10

ONE OF THE SOUTH'S TOP 10 OUTSTANDING CITIES TO RELOCATE YOUR HQ

- SOUTHERN BUSINESS & DEVELOPMENT, SEPTEMBER 2014

NO. 1

BEST CITIES FOR JOBS

- GLASSDOOR, MARCH 2015

NO. 1

MOST POPULAR U.S. CITIES TO VISIT THIS SUMMER

- AMERICAN EXPRESS TRAVEL, MARCH 2015

NEW & EXPANDING COMPANIES TO THE AREA (AUG-2014 - OCT-2016)

NAME	NO. OF JOBS	INVESTMENT
Shandong Tranlin Paper Co., Ltd	2,000	\$2,000,000,000
Amazon.com, Inc.*	1,788	\$0
Elephant Insurance*	1,173	\$2,000,000
CoStar	700	\$74,300,000
Minacs*	600	\$0
Teleperformance USA*	500	\$3,500,000
Harris Teeter	400	\$115,000,000
Stone Brewing Co.	288	\$74,300,000
Direct Mail Solutions*	243	\$1,000,000
McKesson Medical-Surgical Inc*	225	\$10,000,000
Live Well Financial Inc.*	220	\$0
Cuore*	200	\$0
Enclos Corp*	200	\$3,000,000
ICMA-RC	200	\$10,000,000
L Knife & Son, Inc.	110	\$0
AvePoint	100	\$2,000,000
Kels USA	100	\$7,000,000
Michael & Son Services Inc	100	\$250,000
Thought Logic	100	\$0

*Expanding

Source: Greater Richmond Partnership

Open for Business

COMPANIES BOTH LARGE AND SMALL

Eight Fortune 500 companies are headquartered in the Richmond area, up from six a year ago, and Richmond welcomed 2,152 startups in 2015 as well. The Shandong Tranlin Paper Company recently selected Chesterfield for a \$2 billion manufacturing plant which will supply over 2,000 jobs and represents the largest greenfield project ever by a Chinese company in the United States.

FORTUNE 500 COMPANIES WITH RICHMOND AREA HEADQUARTERS



BREWERIES AND DISTILLERIES

There was a time in 2010 where Legend Brewing in Manchester was the only brewery in the Richmond area. Now, just six years later, there are over 20 breweries and distilleries in the area with more on the way. While many of these are startup breweries local to Richmond, 2016 also saw the completion of San Diego-based Stone Brewing Co.'s 220,000-square-foot facility in the east end.

ADAPTIVE RE-USE

Renovated industrial buildings have proven to be attractive targets for startups, tech and digital marketing firms, and for several of the aforementioned breweries, and multifamily users as well. Large open spaces, exposed brick and beams overhead, and original flooring are incorporated with a contemporary flair to give older buildings a historic and yet modern feel, and are especially prevalent in Richmond's Scott's Addition and Manchester areas.

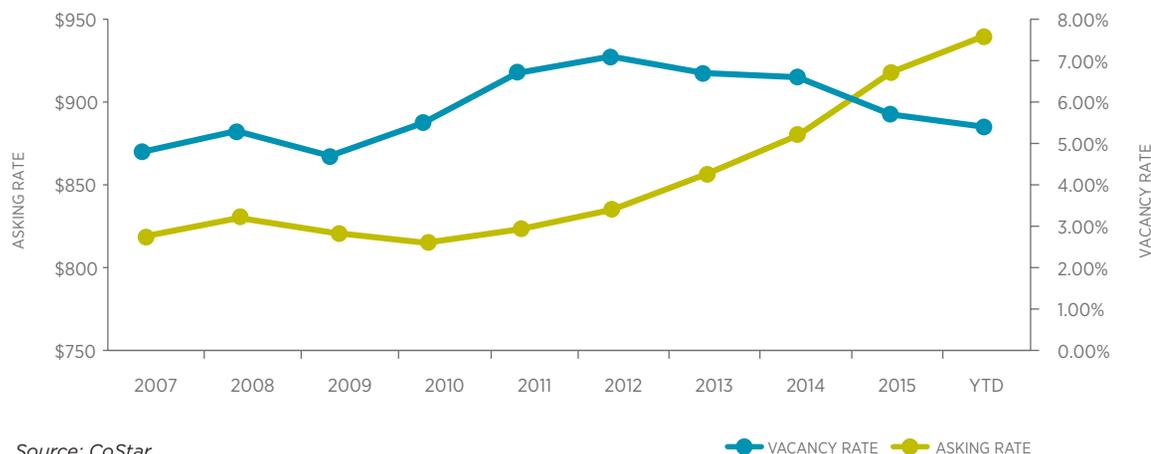


JAMES RIVER LOOKING TOWARDS
DOWNTOWN RICHMOND

Apartment Outlook Positive in Richmond

- Average asking rents per unit in the Richmond Metro area rose to \$944 by the end of Q3 2016, an increase of 3.1% from this time last year.
- Occupancy has increased slightly to 94.5% from 94.3% at the end of 2015. This bodes well for leasing up the nearly 2,000 units under construction in the metro area, considering over 1,000 units have already been added YTD.
- The trend represented in the chart below suggests that as vacancy rates continue to drop, asking rates will increase. However, it will be interesting to see how well absorption keeps up as the units under construction are completed throughout the metro area. If it does not, vacancy rates may rise which could lead to a corresponding dip or leveling off in asking rates.
- It is unlikely that asking rates will be able to continue to rise at this pace even after the continuous flood of new multifamily units have been absorbed. High-end apartment units are at the greatest risk. These tenants rent by choice, and could be drawn into home ownership if rental rates rise too far or too fast.
- The Central Richmond submarket has added the most apartment units YTD at 632, with 494 on the way. Chesterfield is the second fastest growing with 203 delivered and 649 under construction and South Richmond, largely driven by the rampant development in Manchester, is the third largest in terms of growth with 125 added YTD and 384 more on the way. The percentage of units delivered YTD for each submarket are as follows: Central (57.88%), Chesterfield (18.59%, and South (11.45%).

ASKING RATE VS. VACANCY RATE



Source: CoStar

RICHMOND ACCOLADES

TOP 5

BEST PLACES TO LIVE

- MEN'S JOURNAL MARCH 2015

TOP 10

TRENDIEST U.S. CITIES THAT YOU CAN STILL AFFORD TO BUY IN

- REALTOR.COM, MARCH 2016

TOP 10

BEST CITIES FOR FOOD, ACCORDING TO REAL CHEFS

- CONDE NAST TRAVELER, JULY 2015

NO. 10

READERS' CHOICE BEST AMERICAN RIVERFRONT

- USA TODAY, OCTOBER 2015

NO. 1

THE MOST ARTISTIC MID-SIZED CITY IN AMERICA

- GOGOBOT, NOVEMBER 2015



Legend Brewing Co.

Come Celebrate
October

LEGEND BREWING COMPANY
MANCHESTER

Spotlight: Manchester

RIGHT ACROSS THE JAMES RIVER FROM RICHMOND'S CENTRAL BUSINESS DISTRICT AND DOWNTOWN AREA SITS MANCHESTER, AN AREA ONCE DOMINATED BY WAREHOUSES AND INDUSTRY HAS TRANSFORMED INTO AN AREA OF RAPID GROWTH IN RETAIL, OFFICE, AND RESIDENTIAL DEVELOPMENT.



The proximity to the James provides easy access to the water for kayaking and water-sports as well as sweeping views of the rapids and Richmond skyline.



Richmond's central business district and historic Shockoe Bottom are a short drive away for commuting or enjoying the plethora of dining and nightlife. The completion of the T. Tyler Potterfield Memorial Bridge will connect even further with the city, providing non-motorized access from Manchester to Brown's Island in downtown Richmond.



While early development in the area seemed to focus more on multifamily and office, that focus has begun to diffuse into the retail arena as well. Legends Brewing, Richmond's oldest active brewery (and already located in the area) has announced expansion plans at their current location which would include increased seating and brewing capacity. It is also widely anticipated that a grocer will land in Manchester soon given the population increase and current lack of grocery options.



Developers have gobbled up entire blocks of the area with the goal of a walkable live/work/play environment, emulating the success of Richmond's Carytown.

Richmond's eclectic Carytown recently named "Top 15 Trendiest Retail Markets in the Country."

CUSHMAN & WAKEFIELD, 2016



- | | | | | |
|-------------------------------------|---------------------------------------|--------------------------------|----------------------------------|---------------------------------|
| 1 Link Apartments Manchester | 6 The Lofts at Trolley Station | 11 Port RVA | A Legend Brewing Co. | F Manchester Market |
| 2 Terraces @ Manchester | 7 Hatcher Tobacco Flats | 12 Paper Company | B Camden's Dogtown Market | G Brewer's Cafe (.3 mi) |
| 3 Perry Place | 8 City View Lofts | 13 Warehouse 201 | C Papa's Pizza | H Croaker's Spot (.3 mi) |
| 4 908-909 Perry Street | 9 Manchester Motorworks | 14 Commons @ Plant Zero | D Plant Zero Cafe | I Sweet Fix (.2 mi) |
| 5 Old Manchester Lofts | 10 Manchester Pie Factory | 15 Parachute Factory | E Ironclad Pizza Grill | |



Adaptive Re-Use

WHILE SOME OF THE DEVELOPMENT HAS STEMMED FROM EMPTY LOTS AND DEMOLITION PROJECTS, MUCH OF IT HAS BEEN THROUGH ADAPTIVE RE-USE. THE RECENT DEVELOPMENT DUBBED “CITY VIEW LANDING” ON BAINBRIDGE STREET IS THE PERFECT EXAMPLE OF BLENDING DEVELOPMENT TYPES IN MANCHESTER.

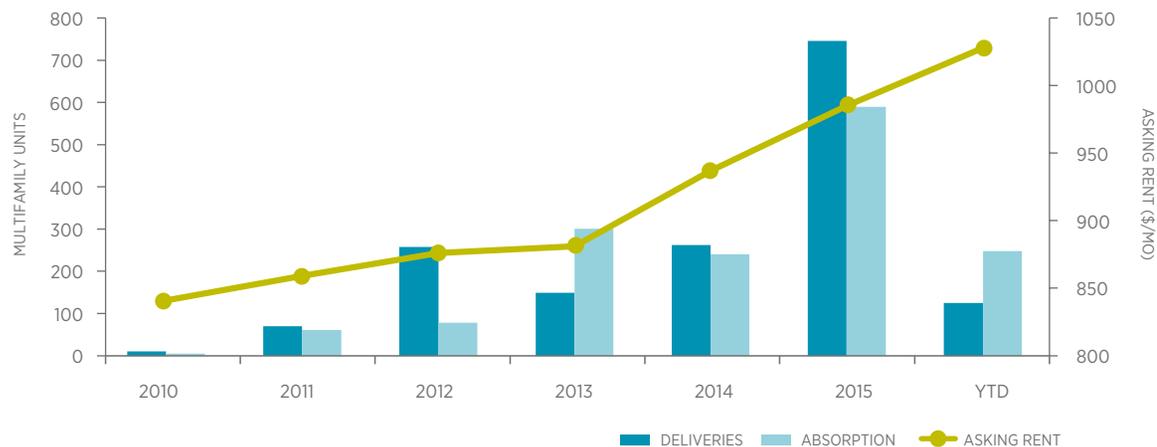
CITY VIEW LANDING

- Phase one of the project exemplified adaptive re-use as the Former Reynolds South Plant was transformed into 219 apartment units with an additional 20,000 SF of commercial space.
- Several firms have already moved into portions of the commercial space and embraced the re-stained original cement floors, weathered wooden beams, high ceilings, and open floor plan to create truly unique office spaces.
- Additional phases involve turning a previously undeveloped lot into a 210-unit high-rise apartment building, a 350,000 SF office tower, and 70,000 SF of ground floor retail, including a major grocer, with 135 apartments on floors 2-5.

Manchester's Robust Apartment Market

- There is perhaps no better indicator of Manchester's explosive growth than the influx of apartment units in the area and no better indicator as to its desirability than the rise of apartment asking rates. Since 2010, when the inventory of 740 units rented for an average asking rate of \$841, 1,620 units have been delivered and average rent has risen 28.3%, an average of 3.6% per year.
- Despite this growth in multifamily in the area, absorption has kept up, as evidenced in the chart below. Current occupancy YTD lies at 91.8%.
- Such an environment of high demand, fast absorption, and correspondingly rising rental rates makes Manchester an ideal target for multifamily investors and developers. We assume it will continue to draw them to the area and that multifamily inventory will continue to grow as a result for the next several years. Rent growth will continue as well, at least until inventory exceeds demand, but there are no signs of that coming anytime soon.

DELIVERIES AND ABSORPTION VS. ASKING RENT



Source: CoStar

MANCHESTER APARTMENT MARKET STATS *At-A-Glance*

INVENTORY

2,523 Units

AVG. ASKING RATE (2BR UNITS)

\$1,135

PERCENT INCREASE IN ASKING RATE (2010-2016)

+28.3%

OCCUPANCY

91.8%

Calling all Grocers

As could be expected, an influx of new multifamily units has dramatically increased the demand for a grocery anchor tenant to make the move to Manchester. Grocers have been known to wait for a development to mature a bit and then follow the new rooftops into a community. The City View Landing development, which is underway at 7th and Hull Streets, has a prime grocery anchor space available but as yet there has not been a firm commitment by a tenant to take the space. Manchester, despite all of the new multifamily product coming online, is still something of a “food desert” as defined by the USDA with the closest grocer being across the James River and nearly two miles away.

RICHMOND ACCOLADES

HARDYWOOD PARK CRAFT BREWERY NAMED “THE BEST CRAFT BREWERY IN VIRGINIA”

- THRILLIST, SEPTEMBER 2015

TOP 10: STRANGWAYS BREWERY: ONE OF THE “10 NEW U.S. BREWERIES TO WATCH”

- BON APPETIT, 2014

LEGEND BREWING CO. NAMED ONE OF “THE BEST URBAN BREWERIES AND BREWPUBS”

-TRAVEL + LEISURE, SEPTEMBER 2015

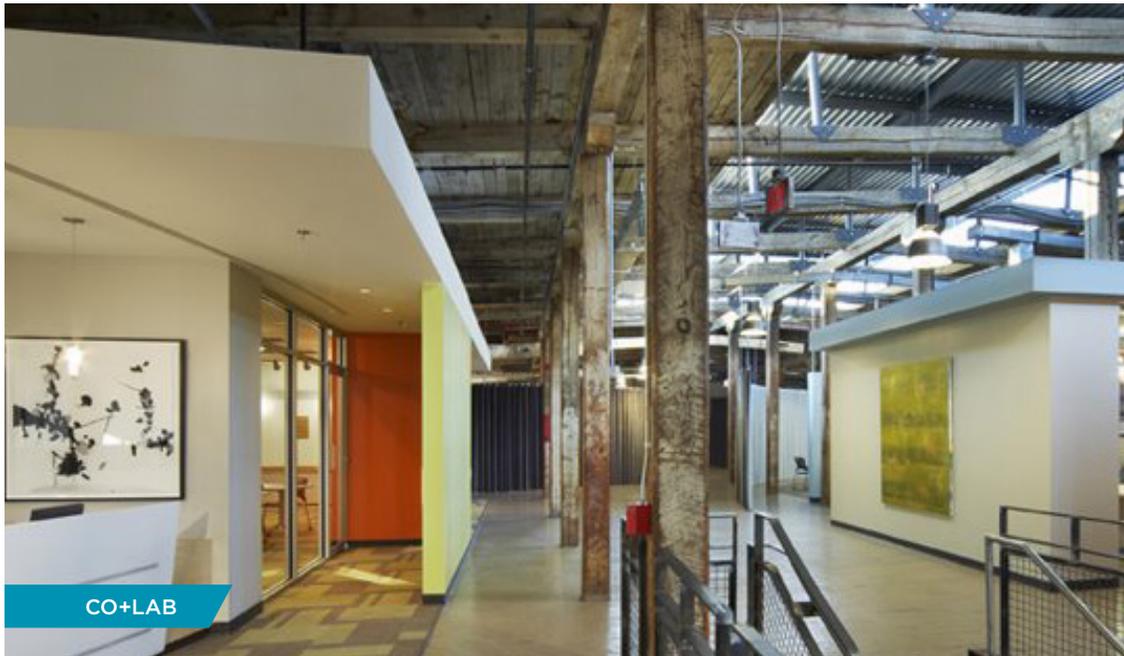
VIRGINIA CAPITAL TRAIL: AMERICA’S BEST URBAN BIKE PATH

- FODOR’S TRAVEL, MAY 2015

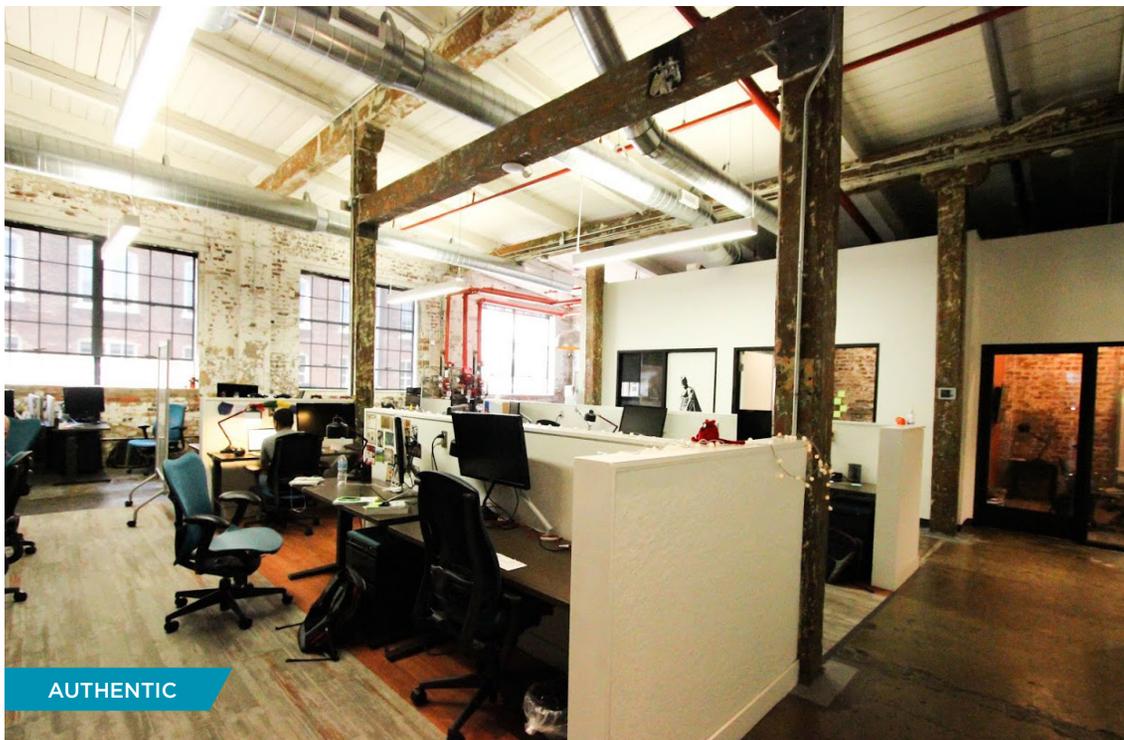
AMERICA’S HEALTHIEST CITY FOR FAMILIES

- PARENTING.COM, 2010





CO+LAB



AUTHENTIC

More than Just Multifamily

THE AFOREMENTIONED ADAPTIVE REUSE PROJECTS ARE ATTRACTIVE TO OFFICE TENANTS AS WELL, ESPECIALLY CREATIVE FIRMS. MANY PROJECTS, SUCH AS THE RECENTLY PURCHASED 300 DECATUR STRET, ARE BLANK SLATES OF UNFINISHED SPACE THAT ARE IDEAL FOR CREATIVE INTERPRETATION AS WELL AS FIRMS LOOKING TO EXPAND.

- Local web designer Co+Lab, which has been in Manchester since 2009, has expanded to more than double its current square footage.
- Authentic, formerly AuthX, a more recent addition to the area is already expanding after a merger with formerly Glen Allen-based Create Digital.
- Big River Advertising recently moved across the river from their home of nearly 15 years in Richmond's Tobacco Row, as did video Producers Parkwood Creative from their former home in Carytown.
- While adaptive reuse projects appeal to others outside the creative sphere, this could be a sign of things to come. With so many similar firms arriving and expanding in the area over such a short period of time, Manchester may quickly turn into a destination for creative firms, especially in the near future while so much unfinished space abounds.

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