

MARKETBEAT

Richmond, VA

Industrial Q1 2019



RICHMOND, VA INDUSTRIAL

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Richmond Employment	675.6k	681.9k	▲
Richmond Unemployment	3.6%	2.9%	■
U.S. Unemployment	4.1%	3.8%	▼

Numbers above are quarterly averages; Jan. 2019 data used to represent Q1 2019

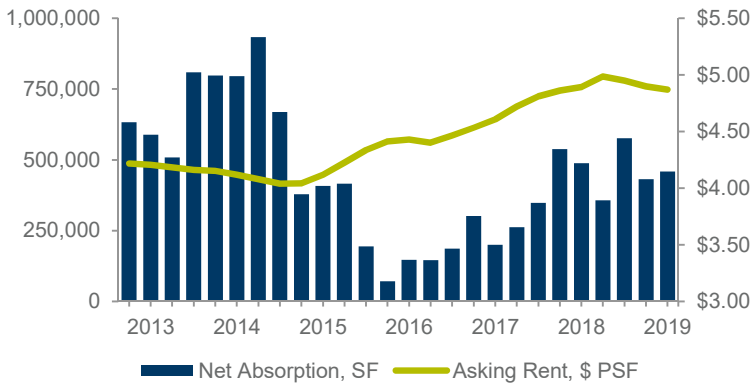
Market Indicators (Overall, All Property Types)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	3.9%	3.4%	▼
Net Absorption	-135k	51k	▲
Under Construction	820k	2.2M	■
Net Average Asking Rent	\$4.83	\$4.72	▲

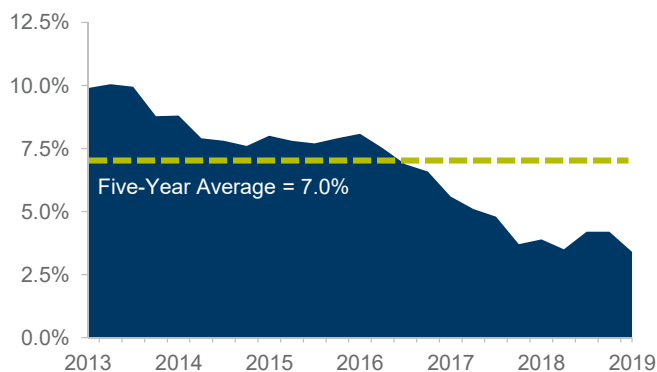
*Rental rates reflect net asking \$psf/year

Net Absorption/Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Federal Reserve Bank announced plans to hold interest rates steady in 2019 over risk concerns tied to slowing economic momentum. Still, growth in manufacturing activity and construction spending provide optimism for continued expansion. The recent shift in fiscal policy may open the doors for additional investment activity in the coming months.

In Richmond, the metropolitan area unemployment rate declined to 2.9% during the first quarter of 2019 as employers continued to hire workers. The regional economy added 6,300 jobs over the past twelve months with the largest gains in the construction, finance, and manufacturing sectors.

Market Overview

Richmond's industrial vacancy rate decreased 50 basis points (bps) to 3.4% and more than 1.8 million square feet (msf) of industrial space has been absorbed over the past twelve months. Demand for space in the Southwest Quadrant had the largest contribution to absorption during the first quarter, especially in the Jefferson Davis Corridor submarket.

Brother International signed a lease at Panattoni Development's Virginia I-95 Distribution project. The company will relocate its east coast distribution center from New Jersey and occupy the entire 461,700-square-foot (sf) warehouse, the largest speculative warehouse ever developed in Richmond. An additional speculative development in Northlake was announced during the quarter and investors remain bullish following continued momentum in the region. Other notable leases during the quarter include Sunrise Construction's 173,400-sf lease in the Walmsley Industrial Park as well as Virginia Alcoholic Beverage Control Authority's 108,897-sf lease in the Former PET Dairy Facility near Scott's Addition.

Outlook

Robust leasing activity is expected to continue with new deliveries added to the market and other proposed projects breaking ground. Limited available supply will provide upward pressure on rents as developers and companies continue to search for strategic locations in Richmond. The recent success of speculative developments and strong demand for quality space will further attract investor interest to the Richmond market.

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CUSHMAN & WAKEFIELD

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)*	YTD LEASING ACTIVITY (SF)**	OVERALL AVAILABLE VACANT SPACE (SF)	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)***	OVERALL WEIGHTED AVG. NET RENT (OS)***	OVERALL WEIGHTED AVG. NET RENT (W/D)***
Downtown	5	185,266	0	0	0.0%	0	0	N/A	N/A	N/A
Northeast	166	10,878,875	278,681	193,844	1.8%	(35,208)	0	N/A	\$9.00	\$4.59
Northwest	311	19,481,576	92,632	625,001	3.2%	(29,659)	152,000	\$6.35	\$10.24	\$6.07
Southeast	151	20,401,914	111,100	739,012	3.6%	(149,813)	970,000	\$5.13	\$7.55	\$4.89
Southwest	413	41,738,978	2,096,791	1,550,560	3.8%	265,518	861,409	\$6.13	\$6.86	\$3.76
Richmond, VA Totals	1,046	92,686,609	2,579,204	3,108,417	3.4%	50,838	1,983,409	\$4.33	\$8.87	\$4.72

*Only includes buildings 20,000 SF and larger

**Includes renewals

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

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

PROPERTY TYPE	TOTAL BLDGS	INVENTORY (SF)*	YTD LEASING ACTIVITY (SF)**	OVERALL AVAILABLE VACANT SPACE (SF)	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)***	OVERALL WEIGHTED AVG. NET RENT (OS)***	OVERALL WEIGHTED AVG. NET RENT (W/D)***
Warehouse/Distribution	742	62,626,828	1,027,680	2,093,796	3.3%	117,602	943,409	N/A	N/A	\$4.33
Manufacturing	235	25,039,714	25,720	836,992	3.3%	-86,841	70,000	\$5.74	N/A	N/A
Office Service/Flex	61	2,981,685	41,439	84,685	2.8%	20,077	0	N/A	\$8.87	N/A

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
4701 Commerce Dr	461,700	Brother International	Warehouse	Jeff Davis Corridor
2903 Walmsley Blvd	173,400	Sunrise Construction	Warehouse	Jeff Davis Corridor
1501-1507 Robin hood Rd	108,897	Virginia ABC	Warehouse	Scott's Add/West End
1700 Jefferson Davis Highway	71,250	Wal-Mart	Warehouse	Jeff Davis Corridor

Key Sale Transactions Q1 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$ PSF	SUBMARKET
Windsor I	55,242	Femau LeBlanc / JBW Windsor Investments Co.	\$7.5M / \$136	I-95 N/Mechanicsville
2903 Walmsley Blvd	169,108	Capital Warehouse / Thalhimer Realty Partners	\$7.2M / \$42	Jeff Davis Corridor
700 Gordon Ave	127,643	Cockrell Logistics Services / Jewett R&E	\$3.1M / \$24	Jeff Davis Corridor

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