

# MARKETBEAT

## Richmond, VA

Industrial Q2 2019



### RICHMOND, VA INDUSTRIAL

#### Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Richmond Employment	676.5k	682.8k	▲
Richmond Unemployment	3.2%	3.1%	▲
U.S. Unemployment	3.9%	3.6%	▼

Source: BLS, Moody's Analytics. 2019 Q2 Data are based on latest available data.

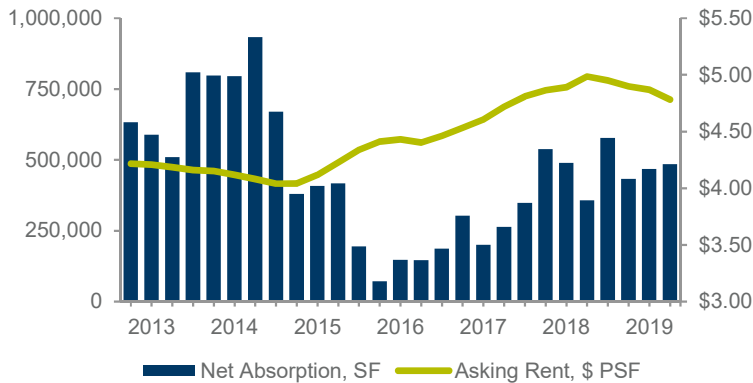
#### Market Indicators (Overall, All Property Types)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	3.5%	2.7%	▼
Net Absorption	6k	110k	▲
Under Construction	1.8M	4.4M	■
Net Average Asking Rent	\$5.16	\$4.81	▲

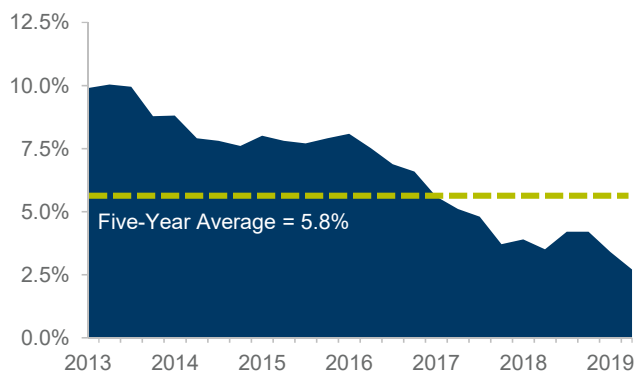
\*Rental rates reflect net asking \$psf/year

#### Net Absorption/Asking Rent

##### 4-QTR TRAILING AVERAGE



#### Overall Vacancy



### Economy

The U.S. economic expansion continued and is expected to become the longest in history. GDP growth improved from the end of 2018 with an annual growth rate of 3.1% reported for the first quarter of 2019. Federal Reserve Bank held interest rates steady and signaled the potential for rate cuts if growth hinders in the near term.

The Richmond area unemployment rate continues to sit near cycle lows, declining to 3.1% from the prior year. The regional economy continues to experience positive job growth, adding 6,300 jobs over the past twelve months, and benefits from its strategic location in CNBC's top-rated state for business.

### Market Overview

Richmond's industrial vacancy rate decreased 80 basis points (bps) to 2.7% year-over-year. Development activity continues to be robust throughout Richmond. Carvana announced plans for a distribution facility near Chester. The project is applying for a conditional use permit to include a 200,000 square foot (sf) building and enough surface area parking for 9,000 vehicles. Meanwhile, Panattoni Development is scheduled to deliver 461,700 sf in October in the Virginia I-95 Distribution project. Devon USA has 320,853 sf under construction at James River Logistics Center. The pad site is complete and the building will go vertical in August. Becknell Industrial is under construction on the 246,760-sf second phase of the Airport Logistics Center. Facebook also broke ground on the second phase of its data center. The facility will total 2.5 million square feet (msf) and accounts for more than half of all industrial construction activity.

Shipment volumes through the Port of Virginia have increased approximately 15 percent since fiscal year 2015 and are projected to grow through 2020, including the Richmond Marine Terminal. Container shipments by barge at the Richmond Marine Terminal are projected to exceed 34,200 this fiscal year and 41,200 the following year. Efficiencies provided by the inland port continue to drive tenant and investor interest for industrial space in the surrounding area.

### Outlook

The success of the Richmond Marine Terminal and access to east coast markets, Richmond will continue to be attractive to tenants and investors. New developments will offer best-in-class space for large distribution facilities. Even with construction activity reaching new peaks, an estimated 70% of the space under construction is pre-leased. Deliveries are expected to be quickly absorbed and should encourage further development activity in the near term.

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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	10,851,780	567,662	219,670	2.0%	(124,034)	0	N/A	\$9.00	\$5.90
Northwest	310	19,426,864	334,298	605,380	3.1%	(31,772)	410,000	\$8.24	\$10.24	\$5.24
Southeast	150	20,275,369	133,149	731,577	3.6%	(61,118)	2,716,760	\$5.32	N/A	\$5.18
Southwest	407	41,263,211	849,399	912,480	2.2%	414,425	1,276,390	\$3.24	\$7.50	\$4.53
<b>Richmond, VA Totals</b>	<b>1,038</b>	<b>92,002,490</b>	<b>1,884,508</b>	<b>2,469,107</b>	<b>2.7%</b>	<b>197,501</b>	<b>4,403,150</b>	<b>\$4.34</b>	<b>\$9.96</b>	<b>\$4.85</b>

\*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%	-181,188	1,903,150	N/A	N/A	\$4.85
Manufacturing	235	25,039,714	25,720	836,992	3.3%	-198,962	30,000	\$4.34	N/A	N/A
Office Service/Flex	61	2,981,685	41,439	84,685	2.8%	20,077	0	N/A	\$9.96	N/A

### Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
VA I-95 Logistics	461,700	Amazon	Warehouse	Jeff Davis Corridor
1101-1305 W Hundred Rd	330,000	Purina Foods	Warehouse	I-95 S/I295/Rt 10
Enterchange at Walthall	58,048	S-L Distribution	Warehouse	I-95 S/I295/Rt 10
Enterchange at Northlake	34,792	Lutron Electronics	Warehouse	I-95 N/Ashland

### Key Sale Transactions Q2 2019

PROPERTY	SF	SELLER / BUYER	PRICE / \$ PSF	SUBMARKET
8001 Greenpine Rd	110,000	Pohlig Brothers Packaging / STAG Industrial	\$9.4M / \$85	Rt 288 Corridor
1901 Dabney Rd	20,400	Bharat Shah / Gusti's Restaurant Equipment	\$2.5M / \$123	Scott's Add/West End
413 Branchway Rd	23,700	Branchway LLC / Cebelle Holdings	\$2.35M / \$99	Midlothian Corridor

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