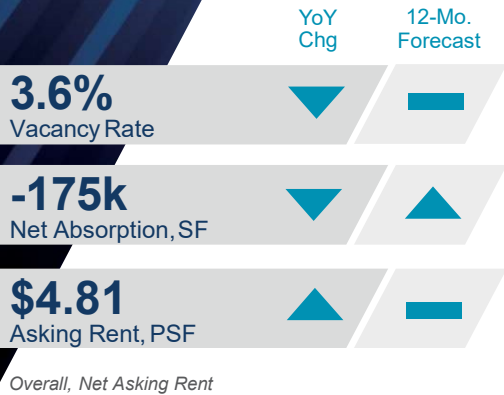
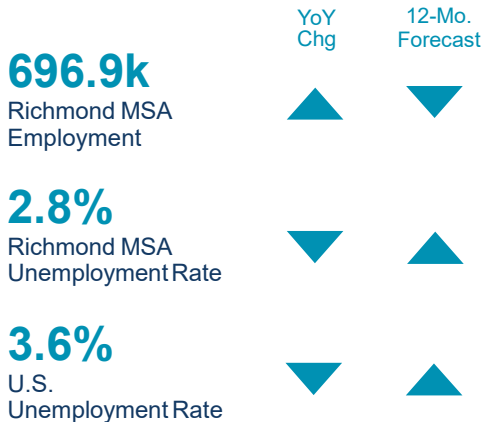


Industrial Q1 2020



ECONOMIC INDICATORS Q1 2020



Source: BLS

ECONOMY: Global Pandemic Starts to Impact Economy

After the longest expansion in U.S. history, the global pandemic caused by COVID-19 is causing many businesses to close and furlough or reduce payrolls. Retail, travel, and hospitality sectors are being hit the hardest after the government halted any non-essential businesses. Richmond may be well positioned to manage the 90% increase in unemployment claims that the Virginia Employment Commission reported for the last full week of the quarter when compared to last year. According to Oxford economics, the retail trade and leisure and hospitality sectors account for roughly 19% of all jobs in Richmond, below the U.S. average of 21% and nearby MSA's such as Norfolk, Baltimore, Philadelphia, Raleigh, and Charlotte when compared in a recent CoStar study.

SUPPLY and DEMAND: Warehouse Developments Stay Active

Industrial real estate may be the most prime asset class to rebound from the global pandemic. Global supply chains have been disrupted, but the need for necessary goods has kept distribution facilities busy. Amazon leased over 1.1 million square feet (msf) across two deals, taking over the Virginia Gateway Logistics Center in Prince George as well as Building C in the James River Logistics development. Packaging Corporation of America also leased 174,000 square feet (sf) in the Walmsley Industrial Park. Premier Fixtures vacancy near the airport was backfilled by two tenants, Tri-Dim and Worldwide Retail Solutions. Construction activity continues on active sites such as Devon USA's 320,853 sf warehouse, which is scheduled to deliver in Q2. Economic uncertainty may delay several proposed developed, but developers remain keen on the Richmond market with several projects slated for early 2021 deliveries.

PRICING: Uncertainty Limits Rent Growth

The long term outlook for Richmond remains positive, but near term uncertainty couple with limited quality availabilities slowed rent growth in the first quarter. Companies that are handling excess inventory due to the economic slowdown or store closures are seeking short-term requirements to store inventory that would typically move quickly. Short-term requirements are also necessary for the immediate need to distribute medical supplies as the nation mitigates the ongoing pandemic. While new construction may be delayed and short-term requirements have come into focus, industrial real estate is expected to return to normalcy by the end of the year. Rent growth is likely to be limited during these uncertain times but is expected to return when business resumes and new development projects get underway towards the end of the year.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD LEASING ACTIVITY	OVERALL AVAILABLE VACANT SPACE (SF)	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION**	UNDER CONSTR (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	167	10,925,040	81,466	221,850	2.0%	(47,346)	120,000	N/A	\$9.00	\$5.97
Northwest	312	19,825,465	151,215	502,052	2.5%	112,860	0	\$5.25	\$10.56	\$7.04
Southeast	152	20,249,257	223,848	1,540,308	7.6%	173,595	2,284,188	\$4.63	N/A	\$5.04
Southwest	434	42,305,533	374,272	1,146,642	2.7%	(63,669)	320,853	\$2.81	\$7.50	\$4.39
RICHMOND, VA TOTALS	1,070	93,490,561	830,801	3,410,852	3.6%	(175,440)	2,725,041	\$4.08	\$10.41	\$5.02

*Rental rates reflect weighted net asking \$psf/year. Leasing statistics include renewals. **Absorption does not match U.S. Marketbeat tables

PROPERTY TYPE	TOTAL BLDGS	INVENTORY (SF)	YTD LEASING ACTIVITY	OVERALL AVAILABLE VACANT SPACE (SF)	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION	UNDER CONSTR (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Warehouse/Distribution	764	61,669,974	744,094	2,531,237	4.1%	(235,502)	592,033	N/A	N/A	\$5.02
Manufacturing	236	24,700,078	73,837	709,384	2.9%	2,361	0	\$4.08	N/A	N/A
Office Service/Flex	63	5,082,127	12,870	77,287	1.5%	25,615	90,000	N/A	\$10.41	N/A

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

KEY CONSTRUCTION COMPLETIONS YTD 2020

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
6101 S Laburnam Ave, Phase 1	Airport	Anord Mardix	246,760	Becknell Industrial

KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SF	Type
Virginia Gateway Logistics Center	Prince George	Amazon	798,786	New
James River Logistics – Building C	I-95 S / I-295 S / Rt 10	Undisclosed	320,960	New
Walmsley Industrial Park	Jeff Davis Corridor	Packaging Corporation of America, Inc.	174,000	New
Airport Distribution Center	Airport	Worldwide Retail Solutions	119,833	New

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KEY SALES TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
I-95 Logistics Park Portfolio	Jeff Davis Corridor	Panatoni Development / The Halle Companies	462,508	\$78.5M / \$85
8000-8010 Villa Park Dr	Staples Mill/Parham	Apple Retail Properties / Moore Holdings	142,993	\$12.0M / \$84
2709 Hermitage Rd	Scott's Add/West End	Greyhound Lines / Virginia Commonwealth University	476,612	\$11.75M / \$25
2804 Decatur St	Jeff Davis Corridor	Green Leaf Medical / Innovative Industrial Properties	82,000	\$11.8M / \$144