

RICHMOND, VA

Retail Q3 2023



| | YoY Chg | 12-Mo. Forecast |
|-------------------------------------|---------|-----------------|
| \$79,000 Median HH Income | ▲ | ▲ |
| 0.5% Population Growth | ▲ | ▲ |
| 2.6% Unemployment Rate | ▼ | ▲ |

Source: BLS (Economic Indicators are representative of specific county or MSA.)

U.S. ECONOMIC INDICATORS Q3 2023

| | YoY Chg | 12-Mo. Forecast |
|---|---------|-----------------|
| 2.4% GDP Growth | ▲ | ▲ |
| 7.4% Consumer Spending Growth | ▼ | ▲ |
| 2.7% Retail Sales Growth | ▼ | ▲ |

Source: BEA, Census Bureau

ECONOMIC OVERVIEW: Maintaining Growth Mode

The third quarter closed with employment numbers continuing to climb, increasing 4.2% over the last four quarters, as the region maintains its growth mindset. Richmond was ranked in the top 50 on the 2023 list of America's Best Cities according to Resonance, a leading economic development advisor for communities nationwide. Richmond's affordability continues to improve with the regional cost of living more than three points below the national average and down 0.5 points from 2022 numbers. After considering sites in Arizona and Ohio, Berkley Insurance Company announced its plan to invest \$6.1 million to expand its Henrico County operation, creating 72 new jobs. Virginia Commonwealth University (VCU) set a fiscal year record by reaching over \$464 million in sponsored research funding. Regional hotel tax revenue hit an historic high in the last year at \$35 million, an increase of 16.4% over the previous year.

SUPPLY AND DEMAND: Vacancy Remains Compressed

Richmond retail inventory remains limited with vacancy closing the third quarter at 3.3% overall, up 10 basis points (bps) quarter-over-quarter (QOQ) and unchanged year-over-year (YOY) despite more than 2.1 million square feet (msf) of leasing activity in the last twelve months. Net absorption numbers are down from the same period last year as leasing activity has been offset by the addition of spaces across property types. The construction pipeline remains limited with a total of 403,838 square feet (sf) in active projects that will add less than 1% to the total inventory. The majority of active construction is in the southwest quadrant in Chesterfield County, where the Midlothian and Hull Street corridors continue to expand west to Midlothian Village and Swift Creek respectively. More than 75,000 sf of new southwest quad space is scheduled to deliver before the end of the year with the largest segments in Cosby Village Square and Duckridge Landing. Plans have also been announced for a new center at Rutland Grove in Hanover County, scheduled for delivery in the third quarter of 2024.

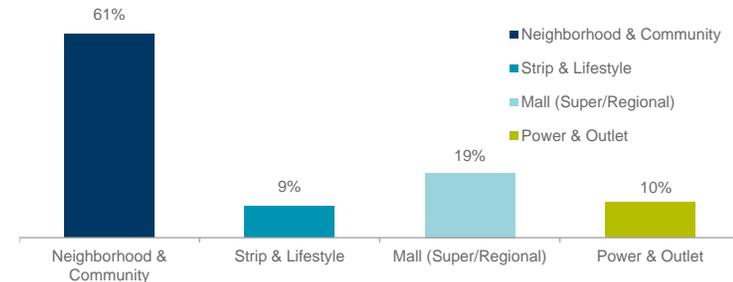
PRICING: Rate Rise Continues

Lease rates continue their steady rise, closing the third quarter with overall rents up 1.4% QOQ and up 6.4% YOY. Mall rents have jumped almost 12% since the start of the year, while rates in power and outlet centers are up more than 13% year-to-date (YTD). Investment sales volume topped \$154 million in the third quarter, with year-to-date volume approaching \$400 million. Second-generation neighborhood and community centers topped the list of third quarter transfers, a segment that accounts for 31.6% of the market inventory in terms of total square footage.

RENT / VACANCY RATE



AVAILABILITY BY PRODUCT TYPE



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| | TOTAL BUILDINGS | INVENTORY (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION (SF) | YTD OVERALL NET ABSORPTION (SF) | YTD LEASING ACTIVITY (SF) | UNDER CONSTR (SF) | OVERALL AVG ASKING RENT |
|----------------------------|-----------------|-------------------|----------------------|---|---------------------------------|---------------------------|-------------------|-------------------------|
| Broad St Corridor | 270 | 4,805,239 | 2.8% | 11,363 | -20,996 | 150,584 | 0 | \$20.45 |
| Colonial Heights | 232 | 3,360,359 | 1.7% | 7,669 | -9,636 | 105,770 | 0 | \$20.89 |
| Dinwiddie | 71 | 465,245 | 4.1% | 13,904 | 13,904 | 0 | 0 | - |
| Downtown | 452 | 3,061,550 | 2.0% | 4,716 | 14,992 | 22,543 | 0 | \$16.83 |
| East End | 516 | 4,462,270 | 2.0% | -11,434 | -9,381 | 40,588 | 2,400 | \$21.01 |
| Far West End North | 33 | 321,765 | 2.3% | -7,550 | -2,890 | 8,324 | 0 | \$31.05 |
| Far West End South | 88 | 1,256,835 | 2.6% | -12,876 | -497 | 55,036 | 0 | \$14.23 |
| Goochland | 76 | 501,040 | 4.4% | -11,000 | -8,750 | 416 | 0 | \$13.00 |
| Hopewell | 173 | 1,338,310 | 9.7% | 1,400 | -29,496 | 12,551 | 0 | \$11.87 |
| I-95 Ashland/NW | 226 | 2,213,521 | 2.1% | 33,281 | 27,345 | 18,043 | 0 | \$16.14 |
| I-95 Chamberlayne/NE | 117 | 1,157,507 | 1.7% | 18,494 | 10,982 | 16,792 | 0 | \$18.86 |
| Jeff Davis Corridor | 524 | 3,119,261 | 0.6% | 5,196 | 12,013 | 60,547 | 0 | \$20.26 |
| Laburnum/Route 360 | 463 | 2,866,573 | 5.7% | -4,003 | -3,648 | 41,498 | 0 | \$16.33 |
| Louisa County | 91 | 948,352 | 5.3% | 30,000 | -42,480 | 0 | 0 | \$17.21 |
| Mechanicsville | 225 | 2,898,024 | 2.1% | 3,200 | -35,091 | 17,071 | 6,500 | \$9.45 |
| Midlothian E/Hull St | 585 | 6,758,832 | 4.0% | -33,528 | 57,925 | 180,358 | 4,730 | \$14.06 |
| Midlothian Village | 142 | 1,914,985 | 5.8% | -3,373 | -1,723 | 69,422 | 30,600 | \$29.03 |
| Midlothian West | 309 | 6,938,281 | 7.6% | -19,227 | 16,579 | 153,386 | 17,923 | \$19.42 |
| Near West End | 661 | 3,799,276 | 3.3% | -15,849 | 1,594 | 94,749 | 75,923 | \$23.87 |
| New Kent County | 64 | 572,854 | 0.2% | 0 | 8,450 | 8,450 | 0 | - |
| Petersburg | 403 | 3,047,711 | 3.9% | -34,474 | -23,776 | 28,782 | 0 | \$13.91 |
| Powhatan | 90 | 855,023 | 0.5% | 4,225 | 16,178 | 0 | 23,519 | \$22.71 |
| Prince George | 74 | 1,065,517 | 1.5% | -401 | 5,819 | 9,609 | 0 | \$14.04 |
| Regency | 122 | 2,614,352 | 3.7% | 9,671 | 22,985 | 75,586 | 0 | \$22.47 |
| Short Pump | 144 | 4,720,360 | 1.5% | -28,279 | -37,625 | 60,875 | 18,500 | \$28.83 |
| South Chesterfield | 358 | 4,100,857 | 3.2% | 6,869 | 6,064 | 58,537 | 0 | \$16.24 |
| Staples Mill/Parham | 362 | 4,290,551 | 2.6% | -4,174 | 22,776 | 113,013 | 15,500 | \$9.22 |
| Swift Creek | 193 | 3,949,055 | 2.7% | 42,693 | 15,964 | 86,141 | 208,243 | \$21.13 |
| Willow Lawn | 302 | 3,067,607 | 2.2% | 4,934 | 6,078 | 103,483 | 0 | \$39.63 |
| RICHMOND, VA TOTALS | 7,366 | 80,471,112 | 3.3% | 11,447 | 33,659 | 1,592,154 | 403,838 | \$17.05 |

*Rental rates reflect NNN asking \$PSF/year.

KEY LEASE TRANSACTIONS Q3 2023

| PROPERTY | SUBMARKET | TENANT | SF | TYPE |
|--|-------------------|------------------------|--------|------|
| Westpark Shopping Center (9645 W Broad St) | Broad St Corridor | Painted Tree Boutiques | 30,000 | New |
| Tuckernuck Commons | Broad St Corridor | Dollar Tree | 10,568 | New |
| Dimmock Square (727-729 Southpark Blvd) | Colonial Heights | Five Below | 10,060 | New |
| Commonwealth Center (4572 Commonwealth Center Pky) | Swift Creek | pOps shelf | 9,460 | New |

KEY SALES TRANSACTIONS Q3 2023

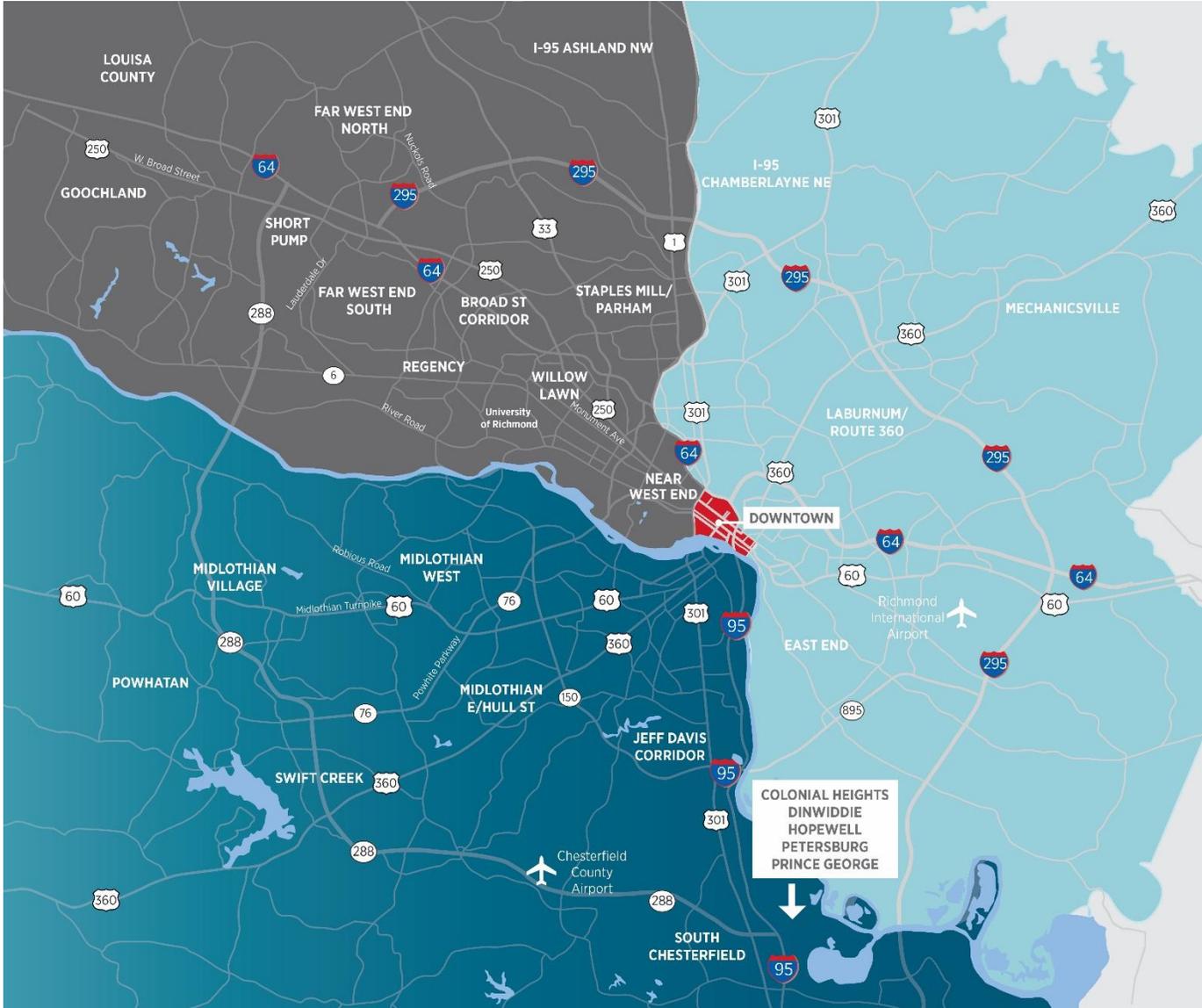
| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE / \$PSF |
|--|--------------------|---|---------|------------------|
| Merchant's Walk Shopping Center (7504-7580 W Broad St) | Broad St Corridor | Hackney Real Estate Partners / RVA West Broad LLC | 219,972 | \$18.40M / \$84 |
| Tuckernuck Square Shopping Center (9004-9068 W Broad St) | Broad St Corridor | Brixmor / Asher Group | 86,275 | \$14.53M / \$168 |
| Town Center at Twin Hickory (11351-11371 Nuckols Rd) | Far West End North | KPR Centers / MORE Management | 65,940 | \$16.2M / \$245 |

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RETAIL SUBMARKETS



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