

Industrial Q4 2021

	YoY Chg	12-Mo. Forecast
2.5% Vacancy Rate	▲	▬
849K Net Absorption, SF	▼	▲
\$5.02 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2021

	YoY Chg	12-Mo. Forecast
648.8K Richmond MSA Employment	▼	▲
3.9% Richmond MSA Unemployment Rate	▼	▼
4.2% U.S. Unemployment Rate	▼	▼

Source: BLS

ECONOMY: Signs of Recovery

Despite the largest spike in inflation since 1982 and the emergence of the COVID-19 variant Omicron, the Richmond Metro Area's economy continued the positive trends experienced throughout 2021. The unemployment rate of 3.9% in the fourth quarter was down 40 basis points (bps) from the previous quarter and 2.4% less than Q4 2020. This past year Richmond led the entire country in wage growth at 13% and the median income increased over \$3,000 year-over-year. Virginia was ranked by CNBC as the best state for business the second year in a row, and several major companies and institutions are bullish on the state capital's growth for good reason. Richmond added two more locally head quartered companies to the Fortune 1,000 in 2021 and major area employers including Carvana, Amazon, CoStar, and VCU made announcements to add more than 5,000 new jobs in addition to planning more than \$1B in new real estate development.

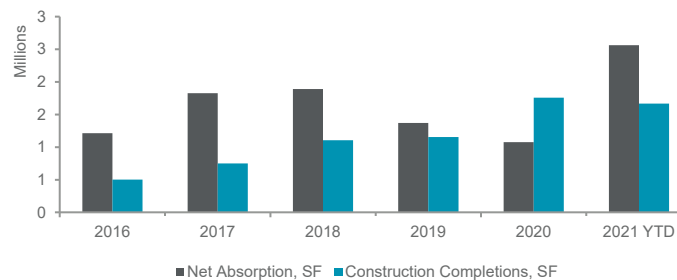
SUPPLY and DEMAND: Surging Demand

Richmond's industrial market closed the fourth quarter with near record numbers for nearly every key performance indicator. There nearly 1.6 million square feet (msf) of new inventory delivered, an amount second only to the 1.8M sf delivered in 2020. Vacant available space dropped to 2.5% and rents exceeded \$5.00 per square foot (psf) growing at an annual rate of 10.4%, all record setting figures. The more than 2.5 msf of positive absorption in 2021 was the second largest amount ever recorded. With well over 9 msf of space under construction, the largest pipeline ever, the meteoric growth of this sector is not showing indicators of slowing.

PRICING: Investing in Richmond

Investors have been keen to jump on the bandwagon of a ripping hot industrial market in Richmond. Never having exceeded \$300M in annual sales prior to 2018, the market has now surpassed that figure in three of the last four years. Record setting sales prices psf of \$74.00 are nearly double what space was trading for a decade ago. Deals of note in the Q4 included Diamond Acquisitions \$17.7M purchase of 11300 Old Stage Rd and Richmond Steel's sale of 2031 Westwood Ave to Spy Rock Real Estate Group for \$7.5M.

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	4	134,617	0	0	N/A	0	0	N/A	N/A	N/A
Northeast	172	12,218,748	3,108,259	304,831	2.5%	586,798	2,809,000	\$6.41	\$16.00	\$6.06
Northwest	311	19,853,156	1,243,253	478,923	2.5%	286,500	1,758,943	\$6.16	\$13.00	\$6.58
Southeast	152	21,245,890	1,442,579	614,323	2.9%	631,800	2,475,761	\$8.00	N/A	\$4.95
Southwest	438	43,613,125	3,318,157	751,789	1.7%	1,058,516	2,340,514	\$3.81	\$9.16	\$4.74
RICHMOND, VA TOTALS	1,077	97,065,536	9,112,248	2,149,866	2.5%	2,563,614	9,384,218	\$6.10	\$12.72	\$5.58

Rental rates reflect weighted net asking \$psf/year. Leasing statistics include renewals.

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	776	63,931,948	8,095,027	1,552,698	2.4%	2,183,039	7,609,218	N/A	N/A	\$5.58
Manufacturing	237	25,162,243	913,287	413,453	1.6%	356,435	275,000	\$6.10	N/A	N/A
Office Service/Flex	65	5,174,633	103,928	122,515	2.4%	24,140	0	N/A	\$12.72	N/A

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

KEY CONSTRUCTION PIPELINE YTD 2021

PROPERTY	SUBMARKET	STATUS	MAJOR TENANT	SF	OWNER / DEVELOPER
5901 Richmond Henrico Tpke	Laburnum/Rte 360	Under Construction	Amazon	2,600,000	Hillwood Development
Deep Water Industrial Park	Jefferson Davis Corridor	Under Construction	Lowe's	1,200,000	Hourigan Development
Sauer Industrial Center	Airport	Under Construction	Mondelez	446,692	Becknell Industrial
The Distribution Center at Meadowville	I-95 South/Rt 10	Under Construction	Spec	353,044	Red Rock Developments

KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SF	Type
15000 Cedar Lane	I-95 North / Ashland	Performance Food Group	325,000	New
White Oak Technology Park	Airport	Pratt Industries	250,000	New
2101 Bermuda Rd	I-95 S/I-295 S/Rt 10	Starplast USA	250,000	New

KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$SF
11300 Old Stage Rd	I-95 S/I-295 S/Rt 10	LNR Partners / Diamond Acquisitions	375,000	\$17.7M / \$47
4641 International Trade Ct	Airport	Kenmore Envelope Co. Inc. / Redhead Bros. Properties LLC	59,513	\$6.5M / \$62
3941 Deep Rock	Staples Mill/Parham	3941 Deep Rock Rd LLC / GK1 Florist LLC	22,000	\$4.0M / \$180

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