

THE PORTER REPORT

2Q 2016 | RICHMOND, VA INDUSTRIAL MARKET REVIEW

BULK INDUSTRIAL MARKET TIGHTENS AS OVERALL VACANCY DECLINES.

⇒ At mid-year, industrial occupancy rates reflect an increase from 84.1% to 86.6%, due in part to the sale of the 150,000-square-foot former Republic National Distributing building in Henrico County's East End, and a sublease of 193,200 square feet in the Richmond Distribution Center to a separate user, plus other absorption in several multi-tenant facilities. The inventory of free-standing buildings available for owner/occupants remains tight, and occupancy rates for all product types have increased since the 1st quarter of 2016, as follows: Class A occupancy increased from 92% to 94%, Class B increased from 85% to 87%, and Class C increased from 70% to 74%. Note: Industrial occupancy rates are based on the inventory of vacant and investor-owned product with a minimum gross building size of 40,000 square feet.

⇒ Arizona-based manufacturer, **Fajon Turbine Parts & Repairs** began operation at its leased 43,210-square-foot facility in Chesterfield County with plans to hire between 25 and 30 employees. Fajon selected the Richmond area in part because of the existing cluster of advanced manufacturing operations in the region and in part because of its central location and port access. The company repairs and manufactures replacement parts for pumps, compressors and turbines, and works with energy companies, Dow Chemical and PPG Industries among other clients.

⇒ Chesterfield County's Economic Development Authority has confirmed that another massive industrial facility is in the planning stages for Meadowville Technology Park. Identified as "**Project Buzzard**," the development proposes a 600,000-square-foot warehouse and office facility on 62 acres immediately adjacent to Amazon.com's 1 million-square-foot distribution center, built in the park in 2012. The project application to the Virginia Department of Environmental Quality also shows plans for two added construction phases that include four additional buildings.

⇒ In addition to the construction underway to widen I-64 in the Hampton Roads area, \$60 million in savings from other road projects have been allocated to expand I-64 toward the Peninsula from the I-295 interchange just east of Richmond International Airport. Much like the project underway in Hampton Roads, the Richmond area expansion will widen the interstate from four to six lanes. The expansion project has been developed in response the volume of vehicular traffic as well as the increased port traffic between the metro Richmond and the Newport News/Norfolk areas.

SELECTED INDUSTRIAL SALE TRANSACTIONS.

⇒ 182,659 SF	SOLD at 5501 Corrugated Road (<i>Henrico Co</i>)
⇒ 150,000 SF	SOLD at 5401 Eubank Road (<i>Henrico Co</i>)
⇒ 130,000 SF	SOLD at 723 Fenway Avenue (<i>Chesapeake City</i>)
⇒ 45,600 SF	SOLD at 312 Roxbury Industrial Court (<i>Charles City Co</i>)
⇒ 29,000 SF	SOLD at 1206 Dinwiddie Avenue (<i>Richmond City</i>)
⇒ 27,350 SF	SOLD at 1727 Rhoadmiller Street (<i>Richmond City</i>)

SELECTED INDUSTRIAL LEASE TRANSACTIONS.

⇒ 193,200 SF	LEASED at Richmond Distribution Center (<i>Henrico Co</i>)
⇒ 83,217 SF	LEASED at Enterchange at Northlake (<i>Hanover Co</i>)
⇒ 43,210 SF	LEASED at 8310 Shell Road (<i>Chesterfield Co</i>)
⇒ 28,957 SF	LEASED at 11505 Lakeridge Parkway (<i>Hanover Co</i>)
⇒ 20,000 SF	LEASED at 2601 Maury Street (<i>Richmond City</i>)
⇒ 18,850 SF	LEASED at 5511 Biggs Road (<i>Richmond City</i>)
⇒ 17,115 SF	LEASED at 11067 Washington Highway (<i>Hanover Co</i>)

NOTE: Porter Realty Company transactions shown above in RED.



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MARKET SNAPSHOT

COMPARISON TO LAST QUARTER

	Q2 2016	FORECAST
VACANCY RATE	↙	↙
NET ABSORPTION	+	+
CONSTRUCTION	↔	↔
LEASE RATES	↔	↗
SALE INVENTORY	↙	↙

UNDER CONSTRUCTION

Airport Distribution Center
2700 Distribution Drive • Henrico, VA



Building E: Available August, 2016

216,000 Facility • Build-to-Suit Office
Pre-cast Concrete Construction • Zoned M-1C
20 Docks (Expandable to 44) • 2 Drive-In Doors
25 Trailer Parking Stalls • 135' Truck Court Depth
45' x 50' Column Spacing • 60' Loading Bay
ESFR Sprinkler • LED Lighting • Clerestory Glass
2000 Amp 3 Phase Electrical
3 Miles to RIC Airport • Immediate I-64/I-95 Access
Additional Pad Sites Available

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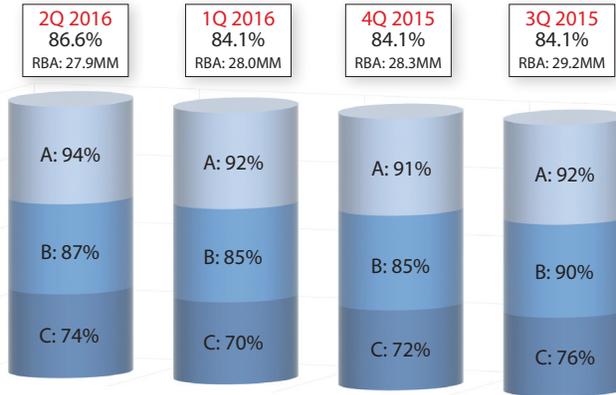
INDUSTRIAL MARKET VACANCY

2nd Quarter 2016

VACANT & INVESTOR-OWNED INDUSTRIAL PRODUCT

40K SF MIN RBA* EXCLUDING FLEX & OWNER-OCCUPIED PROPERTIES | *RBA Total: 27.89MM SF in 166 Existing Buildings (Class A, B, C)

2ND QUARTER 2016: OCCUPANCY RATES & OCCUPANCY BY BUILDING CLASS



2Q 2016: The combined industrial **occupancy rate** has remained increased from 84.1% in 1Q 2016 to 86.6%.

Net Absorption from 1Q 2016: **+77,744 SF**

NOTE: CoStar (for on ALL industrial properties) reports an occupancy rate of **92.5%**, showing a slight decrease from 92.2% in the 1st quarter of 2016, based on a total 110.1 million square feet RBA in 2,705 existing warehouse properties, with a positive net absorption of 59,802 square feet for the quarter.

CoStar's industrial RBA includes both owner-occupied and investor-owned properties, but excludes flex space, defined as 50% minimum office.

Vacancy in Buildings 40k < 75k SF RBA RBA: 2.32MM SF (43 Buildings)

	Class A	Class B	Class C
Total Bldgs	2	22	19
Total RBA	126,000	1,173,215	1,021,027
Vacant SF	28,800	323,765	327,972
Vacancy Rate	23%	28%	32%

CLASS A	NWQ	NEQ	SWQ	SEQ
Total Bldgs	0	1	1	0
Total RBA	0	72,000	54,000	0
Vacant SF	0	28,800	0	0
Vacancy Rate	0%	40%	0%	0%

CLASS B	NWQ	NEQ	SWQ	SEQ
Total Bldgs	10	6	5	1
Total RBA	504,656	306,464	312,595	49,500
Vacant SF	33,230	173,960	67,075	49,500
Vacancy Rate	7%	57%	21%	100%

CLASS C	NWQ	NEQ	SWQ	SEQ
Total Bldgs	8	5	5	1
Total RBA	450,111	265,025	245,891	60,000
Vacant SF	117,257	63,195	87,520	60,000
Vacancy Rate	26%	24%	36%	100%

Vacancy in Buildings 75k < 150k SF RBA RBA: 7.44MM SF (68 Bldgs)

	Class A	Class B	Class C
Total Bldgs	22	28	18
Total RBA	2,601,465	2,981,577	1,857,731
Vacant SF	348,773	226,448	380,677
Vacancy Rate	13%	8%	20%

CLASS A	NWQ	NEQ	SWQ	SEQ
Total Bldgs	4	11	3	4
Total RBA	431,144	1.31MM	342,936	533,198
Vacant SF	0	45,181	73,754	229,838
Vacancy Rate	0%	3%	22%	43%

CLASS B	NWQ	NEQ	SWQ	SEQ
Total Bldgs	1	10	9	8
Total RBA	100,000	1.06MM	1.02MM	800,737
Vacant SF	0	146,948	40,000	39,500
Vacancy Rate	0%	14%	4%	5%

CLASS C	NWQ	NEQ	SWQ	SEQ
Total Bldgs	5	2	9	2
Total RBA	514,088	232,330	898,313	213,000
Vacant SF	0	0	344,955	35,722
Vacancy Rate	0%	0%	38%	17%

Vacancy in Buildings 150k SF Min RBA RBA: 18.1MM SF (55 Bldgs)

	Class A	Class B	Class C
Total Bldgs	25	19	11
Total RBA	9,335,167	4,144,917	4,649,083
Vacant SF	305,065	539,800	1,243,313
Vacancy Rate	3%	13%	27%

CLASS A	NWQ	NEQ	SWQ	SEQ
Total Bldgs	3	9	1	12
Total RBA	819,951	3.12MM	1.10MM	4.31MM
Vacant SF	0	34,500	0	270,565
Vacancy Rate	0%	1%	0%	6%

CLASS B	NWQ	NEQ	SWQ	SEQ
Total Bldgs	2	10	5	2
Total RBA	601,695	1.93MM	982,002	629,339
Vacant SF	226,695	90,000	206,105	17,000
Vacancy Rate	38%	5%	21%	3%

CLASS C	NWQ	NEQ	SWQ*	SEQ
Total Bldgs	2	1	7	1
Total RBA	336,138	200,000	3.74MM	375,000
Vacant SF	26,096	39,800	1.18MM	0
Vacancy Rate	8%	20%	32%	0%

*71% of Class C vacancy in SWQ City attributed to vacancy in tobacco storage warehouses on Commerce Road (Alleghany Warehouse)



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