

THE PORTER REPORT

Q1 2019 | RICHMOND, VA INDUSTRIAL MARKET REVIEW

BROTHER COMES TO RVA + NEW SPEC CONSTRUCTION ANNOUNCED.

⇒ At the close of the first quarter, the **overall industrial market occupancy** has decreased to **89%** from 90% at year's end, with the addition of the approximately 800,000 square foot former Ace Hardware complex in Prince George County and a 220,000 square foot Class B complex in eastern Henrico County to the vacancy. The **Class A occupancy** rate has decreased from 94% to **91%** while the **Class B occupancy rate** has increased from 87% to **89%**. Sales and leasing activity in the first quarter was a mix of owner/user and investment sales and several large industrial leases. Blackstone also completed the acquisition of a 14 million square foot portfolio owned by Atlanta-based MDH Partners, which included almost 1 million square feet of space proximate to the Richmond International Airport (RIC) in eastern Henrico County.

⇒ New Jersey-based **Brother International Corp** will relocate its East Coast distribution center to the 461,700-square-foot warehouse newly constructed by Panattoni Development in the Virginia I-95 Logistics complex south of downtown Richmond. Phase I of the development was delivered in Q3 2018, and Panattoni will begin construction of Phase II, which includes another building of the same size, with delivery scheduled for Q3 2019. Brother is one of the world's leading producers of printers, industrial sewing machines, large machine tools, label printers, typewriters, fax machines, and other computer-related electronics. The company will keep its US headquarters in Bridgewater, New Jersey, and will continue to operate distribution centers in California, Illinois, and Tennessee.

⇒ European manufacturer of electrical connectors, **ERNI Electronics Inc.** is planning to build a new office and plant in Chesterfield County, with plans to add more than 100 jobs in the next five years. The company will relocate its existing Richmond manufacturing facility to an 11-acre site in the Waterford Business Center and will invest \$25 million to build the new plant that will eventually total 80,000 square feet. ERNI plans to occupy the facility by the end of 2019 and to receive machinery from Europe in the first quarter of 2020. ERNI decided to expand as a result of growing demand in the North American market, and the company also considered South Carolina and Alabama as locations for the new plant.

⇒ Hanover County's Northlake Business Park is home to another speculative warehouse project as plans have been announced for a 238,000-square-foot warehouse to begin construction in Q3 2019. The developer is an unnamed group based out of Atlanta that will also build a second phase of the project, including a 100,000-square-foot warehouse and a 21,800-square-foot building. Hanover rezoned 31.4 acres in Northlake for the project in February, a portion of the 450 acres that comprise the business park that is located between Route 1 and Interstate 95, just north of the Winding Brook development, which is home to Bass Pro Shops.

⇒ The Port of Virginia has completed the first stage of its \$375 million expansion with the completion of new container stacks and rail-mounted cranes at the Norfolk International Terminal (NIT). The overall expansion will cost \$700 million with an expected completion date of June, 2020, and will feature 30 semi-automated container stacks at the South NIT. The expansion will increase NIT's annual capacity by 46%.

FEATURED PROPERTY

5851 Quality Way (Prince George, VA)
Southpoint Business Park

50,880 SF Industrial Facility Built 2001

11.277 Acres Total Site • Zoned M-1 • Expansion Potential

Includes 2,110 SF Office, 2,340 SF Conditioned Tech

2 Docks (8' x 10' + 23'w x 14'h) • 1 Drive-In Door (12' x 14' - Ramp)

Space + Shipping Office • 24' to 26' Clear Ceilings

Wet Sprinkler System • 1,200 Amp 277/480 Volt Electrical +

Major Power Distribution Line on Site

Proximate to Rolls Royce Jet Engine Manufacturing & Fort Lee

Available for Sale • Lease Possible

Contact Exclusive Agent: **Richard W. Porter, CCIM, SIOR**

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INDUSTRIAL CONSTRUCTION PIPELINE

- ⇒ 1.5MM SF Deepwater Industrial Park - BTS Planned (Richmond City)
- ⇒ 461,700 SF Virginia I-95 Logistics - Phase I Leased (Richmond City)
- ⇒ 461,700 SF Virginia I-95 Logistics - Phase II Delivery Q3 2019
- ⇒ 324,629 SF James River Logistics Center - Start 2019 (Chesterfield Co)
- ⇒ 246,760 SF Airport Logistics Center - Start Q1 2019 (Henrico Co)
- ⇒ 238,000 SF Northlake Business Park - Planned Start Q3 2019 (Hanover Co)
- ⇒ 152,000 SF Northlake Commerce Ctr - Under Construction (Hanover Co)

SELECTED INDUSTRIAL TRANSACTIONS

- ⇒ 461,700 SF LEASED | 4701 Commerce Road (Richmond City)
- ⇒ 348,232 SF LEASED | 1301 W Hundred Road (Chesterfield Co)
- ⇒ 173,400 SF INV SOLD | 2903 Walmsley Blvd (Chesterfield Co)
- ⇒ 130,000 SF SOLD | 700 Gordon Avenue (Richmond City)
- ⇒ 123,575 SF LEASED | 11322 Enterprise Pkwy (Caroline Co)
- ⇒ 102,000 SF LEASED | 1801 Willis Road (Chesterfield Co)
- ⇒ 90,100 SF SOLD | 1821 Battery Dantzler Rd (Chesterfield Co)



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FEATURED PROPERTIES Q1 2019

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Modern High Bay Facility



Airport Logistics Center
Four Pad-Ready Sites Available
Building 1: 246,760 SF (Q3 2019)
Building 2: 241,180 SF (Q4 2019)
Building 3: 129,750 SF
Building 4: 187,500 SF
For Lease: Available Q3 2019
(Building 1)

Glenfield Business Center



2501 Mechanicsville TnPk
Suite 2501: 21,175 SF Available
Includes 7,645 SF Office,
5 Docks & 1 Ramp
Suite 2511: 8,350 SF Available
Includes 2,600 SF Office, 2 Docks
Zoned M-1, Enterprise Zone
For Lease: \$7.50/SF NNN

RIC Airport Area



5212 Lewis Road
12,075 SF Total Facility
Includes 5,040 SF Office &
Showroom, 1.98 Acres, 2 Docks
18' Ceilings, 400 Amp 3 Phase
Wet Sprinklers, Ample Parking
East End Henrico County
For Lease: \$6.00/SF NNN

Investment/Redevelopment



3017 Vernon Road
34,150 SF Office/Warehouse
Zoned M-1, 14' to 20' Ceilings
4 Docks, 1 Ramp, Sprinklered
1200 Amp 3 Phase Electrical
Near West End Henrico County
Off Staples Mill Road
Available: Call for Information



Byron Holmes
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RIC Airport Area Location



4200 Oakleys Court
80,000 SF Industrial Facility
24' Clear Ceilings, Masonry
Exterior, 8.48 Acres Zoned M-1
5 Docks & 1 Drive-In Door
East End Henrico County
Oakleys Center Industrial Park
Sale/Lease: Call for Information

Owner/User or Investor



480 Hylton Road
10,000 SF Multi-Tenant
Warehouse on 3 Acres Total
Built 1995, 18' Ceilings
4 Drive-In Loading Doors
Zoned B-1/A-2
Proximate to Patterson & Rt. 288
For Sale: \$750,000

Enterprise Zone Location



501 Commerce Road
7,505 SF Office/Warehouse
0.36-Acre Site, Zoned B-3
Ground-Level Loading (8' x 8')
South Richmond Location
I-95 Access @ Maury Street
For Sale: \$699,000
For Lease: \$9.95/SF Net

Midlothian Location



2240 Oak Lake Boulevard
21,159 SF Total, 100% HVAC
Includes 4,900 SF Finished Space
Additional 8,183 SF 2nd Floor
Office & Mezzanine, Elevator
Fully Sprinklered, Drive-In Loading
4.81 Acres + Additional Land Avail
Sale/Lease: Call for Information



Kevin Cox
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Motivated Owner!



4844 Shannon Hill Road
6,838 SF Warehouse/Shop
4.07 Acres Total Zoned M-2
Additional 1,000 SF Office
Fenced/Secured - Electric Gate
Goochland County Location
~2.3 Miles to I-64
For Sale: \$465,000

Hunter's Ridge Ind Park



11476 Fox Cross Road
4,200 SF Office/Warehouse
Zoned M-2, Outside Storage
Open Showroom + Private Offices
Fully Conditioned Warehouse
3 Phase Electric
For Sale: \$765,000
For Lease: \$5,000/Month NNN

Owner/User or Investor



10102 Whitesel Road
7,600 SF 2-Story Flex Building
Hanover Industrial Air Park
Adjacent 8.94 Acres Available
Potential 9% Cap, 6.8% Cap
Currently, Zoned M-3
For Lease: \$8.50/SF
For Sale: \$950,000

Hanover Co Investment



10991 Richardson Road
40,000 SF Office/Warehouse
3 Acres Total Site Zoned M-3
26,727 SF Leased +
12,025 SF Office Available
Potential 7.5 to 8% Cap
Hanover Air Park Location
For Sale: \$2,950,000



1806 Chantilly Street
Central Location Near Willow Lawn
Second Floor Offices, Zoned R-2
On Site Parking, One Block from
GRTC Pulse Station
Suite 4: 1,476 SF, Suite 5: 173 SF
For Lease: \$14.00 to \$16.00/SF
CONTACT: WILSON FLOHR
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Anderson Highway (Powhatan Co)
Join Virginia Physicians Family
Practice! 36.84 Acres Total
Mixed Use Development Potential
Retail Pad Sites from 1.59 Acres
For Sale: ~\$29,900/Ac (Unsubdivided)
Co-Listed with: Byron Holmes
CONTACT: DICK PORTER
804.521.1443



14717 Hull Street Road
10 Acres Zoned C-3
Preliminary Site Plan Complete
Utilities Available
Desirable Southside Location
42,000 Vehicles Per Day
For Sale: \$2,140,000
CONTACT: BYRON HOLMES
804.521.1448



5213 Hickory Park Drive
2,250 SF Office Condo Unit
Zoned O-3C, Off Nuckols
Road/I-295 Corridor
1 Mile from Short Pump (I-64)
For Sale: \$460,000
For Lease: \$21.50/SF FSG
CONTACT: KEVIN COX
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FEATURED PROPERTIES Q1 2019

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Rail Potential



8424 Meadowbridge Road

21-Tank Storage Complex
1.83 Million Gallon Capacity
4.11 Acres Total Zoned M-2
Immediate I-295 Access
Ellerson Industrial Park Location
Hanover County
For Sale: \$995,000

Low Tax Locality



5851 Quality Way

50,880 SF Facility Built 2001
Expandable, Dock & Drive-In
24' to 26' Ceilings, Wet Sprinkler
Foreign Trade Zone, Proximate
to Rolls Royce & Fort Lee
Expandable • Owner Relocating
For Sale • Lease Possible

Intro Rate Available



2035 Factory Lane

Up to 43,000 SF Warehouse
Includes ~3,000 SF Office
8 Docks & 1 Drive-In Door,
~20' Ceilings, Dry Pipe Sprinkler
Petersburg Area Location
For Sale: \$1,290,000
Intro Rate: \$2.50/SF Gross

Roxbury Industrial Park



133 Roxbury Industrial Center

Interim Tenant in Place
32,000 SF Office/Warehouse
Manufacturing/Distribution
4 Docks & 1 Drive-In Door
Partial AC, 3 Phase Electrical Svc
For Sale: Call for Information
Co-Listed with: Wilson Flohr



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Available Spring, 2020



3905-3907 Carolina Avenue

Up to 41,000 SF Available
Suite 3905: 18,000 SF
Includes 2,500 SF Office,
2 Docks & 1 Drive-In Door
Suite 3907: 23,000 SF (2 Docks)
For Lease: \$4.50/SF NNN
Owner/Agent

Retail Facility Built 2016



1312 S Main St (Blackstone, VA)

15,079 SF Retail Facility
Zoned B-G (Business General)
4 Loading Docks & 1 Drive-In
100% HVAC, Open Floor Plan
2.4 Acres + Adjacent Land Avail
For Sale: \$2,200,000
Co-Listed with: Byron Holmes

Enterprise Zone Location



120 Giant Drive

28,325 SF Office/Warehouse
2.56 Acres Zoned M-1
ESFR Sprinkler, ~32 Ceilings
Fenced Yard, Dock Platform
For Lease: \$5.25/SF NNN
Sale Possible: Call for Info
Co-Listed with: Dick Porter

Fredericksburg Complex



46 Commerce Road

20,450 SF Building on 5.7 Acres
12,650 SF Shop + 10 Bay Doors

48 Commerce Road

12,785 SF Building on 2.35 Acres
Includes 6k SF Shop + 4 Bay Doors
For Sublease: Call for Information
Co-Listed with: Kevin Cox



Bob Porter
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Downtown RVA Location



424 East Grace Street

7,320 SF 2-Story Office/Retail
Heated Basement (3,660 SF)
Across from Greater Richmond
Convention Center, Hotels,
Restaurants & Office
Sale/Lease: Call for Information
Co-Listed with: Cliff Porter

Hanover Industrial Air Park



11173 Leadbetter Road

1,816 SF Office Available
8,787 SF Total Building
High Exposure Corner Location
Zoned M-3
Recently Renovated
For Lease: \$8.75/SF NNN
Co-Listed with: Cliff Porter

Historic Brookland Park



115 W. Brookland Park Blvd

Historic Brookland Park
Boulevard Theater
6,373 SF Building
Zoned B-3, Built 1925
Richmond/Henrico Enterprise
Zone Location
For Sale: Call for Information

Historic Downtown RVA



304 East Grace Street

Historic Art Deco Building
2,180 SF Ground Floor
Retail/Creative Office/Restaurant
Opportunity, Zoned B-4
Build-to-Suit Opportunity
For Lease: Call for Information
Co-Listed with: Cliff Porter



Wilson Flohr
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2401 Bellwood Road

23,713 SF Office/Warehouse Facility
4 Acres Total, Zoned I-2
Up to 22' Ceilings
10 Loading Docks + 1 Drive-In Door
I-95 Access @ Willis Road (Exit 64)
For Sale: \$1,499,500
CONTACT: BYRON HOLMES
804.521.1448



10985 Leadbetter Road

6.494 Acres Total Zoned M-3
Site Plans Approved for 7,200 SF +
Two Each 36,000 SF Buildings
Hanover Industrial Air Park
Rare Land Purchase Opportunity
For Sale: \$1,050,000
CONTACT: KEVIN COX
804.521.1468



5491 International Trade Drive

RIC Airport Area Location
Parcel A: ~5 Acres Usable
For Sale: \$450,000
Parcel B: ~4 Acres Usable
For Sale: \$450,000
Utilities Proximate, Upscale Park
CONTACT: DICK PORTER
804.521.1443



1700 Venable Street

58,500 SF Total Facility
2.06 Acres Zoned M-1
Wet Sprinklers, Freight Elevator
6 Dock Doors, Up to 15'8" Ceilings
Downtown Richmond Location
For Sale: \$3,500,000
CONTACT: CLIFF PORTER
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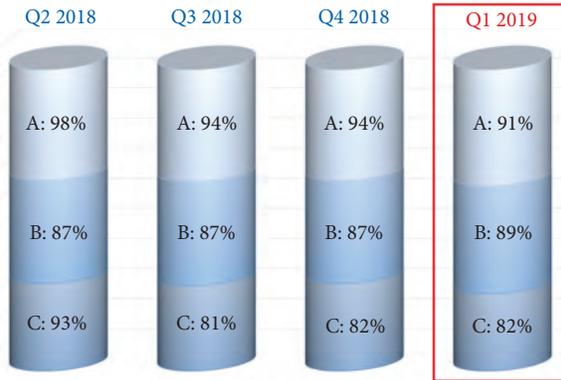
INDUSTRIAL MARKET VACANCY

Q1 2019

VACANT & INVESTOR-OWNED INDUSTRIAL PRODUCT

40K SF MIN RBA* EXCLUDING FLEX & OWNER-OCCUPIED PROPERTIES | *RBA Total: 28.35MM SF in 181 Existing Buildings

Q1 2019: COMBINED OCCUPANCY RATES & NET ABSORPTION (CLASS A & B PRODUCT)



The combined industrial occupancy rate of Class A & B product has decreased to 91% from 92% at the end of Q4 2018.

Net Absorption from Q4 2018: -258,554 SF (Class A/B)

Net Absorption from Q4 2018: -22,967 SF (Class C)

NOTE: CoStar reports an industrial occupancy rate of 95.5%, decreased slightly from 95.6% at the end of the 4th quarter of 2018, based on a total 116.3 million square feet RBA in 2,786 existing warehouse properties, and a negative net absorption of 613,904 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 Rate & Trends

40k < 75k SF RBA

RBA: 2.56MM SF (48 Buildings)

RBA: 8.8% of Total Market

	Class A	Class B	Class C
Total Bldgs	4	27	17
Total RBA	226,043	1,451,975	907,093
Vacant SF	0	198,379	120,595
Vacancy Rate	18%	14%	13%

CLASS A	NWQ	NEQ	SWQ	SEQ
Total Bldgs	0	2	1	1
Total RBA	0	132,000	54,000	40,043
Vacant SF	0	0	0	40,043
Vacancy Rate	0%	0%	0%	100%

CLASS B	NWQ	NEQ	SWQ	SEQ
Total Bldgs	9	9	6	3
Total RBA	459,518	475,257	356,820	160,380
Vacant SF	60,000	65,579	54,800	18,000
Vacancy Rate	13%	14%	15%	11%

CLASS C	NWQ	NEQ	SWQ	SEQ
Total Bldgs	8	3	5	1
Total RBA	450,782	142,170	247,141	67,000
Vacant SF	64,400	12,025	0	44,170
Vacancy Rate	14%	8%	0%	66%

Vacancy Rate & Trends

75k < 150k SF RBA

RBA: 7.60MM SF (71 Bldgs)

RBA: 25.9% of Total Market

	Class A	Class B	Class C
Total Bldgs	23	31	17
Total RBA	2,697,110	3,280,629	1,621,703
Vacant SF	201,703	249,128	250,897
Vacancy Rate	7%	8%	15%

CLASS A	NWQ	NEQ	SWQ	SEQ
Total Bldgs	4	11	3	5
Total RBA	431,144	1.31MM	331,460	627,319
Vacant SF	0	58,065	0	143,638
Vacancy Rate	0%	4%	0%	23%

CLASS B	NWQ	NEQ	SWQ	SEQ
Total Bldgs	2	12	10	7
Total RBA	209,546	1.23MM	1.15MM	691,777
Vacant SF	0	229,128	20,000	0
Vacancy Rate	0%	19%	2%	0%

CLASS C	NWQ	NEQ	SWQ	SEQ
Total Bldgs	4	3	9	2
Total RBA	389,305	227,405	904,993	213,000
Vacant SF	42,897	0	168,000	40,000
Vacancy Rate	11%	0%	19%	19%

Vacancy Rate & Trends

150k SF Min RBA

RBA: 19.17MM SF (62 Bldgs)

RBA: 65.3% of Total Market

	Class A*	Class B	Class C
Total Bldgs	34	18	10
Total RBA	12,873,487	3,994,570	2,299,805
Vacant SF	1,123,643	502,992	493,768
Vacancy Rate	9%	13%	21%

CLASS A	NWQ	NEQ	SWQ	SEQ*
Total Bldgs	4	13	2	15
Total RBA	1.15MM	3.80MM	1.56MM	6.36MM
Vacant SF	0	40,000	0	1.08MM
Vacancy Rate	0%	1%	0%	17%

CLASS B	NWQ	NEQ	SWQ	SEQ
Total Bldgs	2	9	6	1
Total RBA	601,695	1.78MM	1.16MM	450,000
Vacant SF	142,800	333,192	27,000	0
Vacancy Rate	24%	19%	2%	0%

CLASS C	NWQ	NEQ	SWQ	SEQ
Total Bldgs	2	1	5	2
Total RBA	336,138	200,000	958,167	805,500
Vacant SF	0	0	203,224	290,544
Vacancy Rate	0%	0%	21%	36%

*Increase on Overall Class A Vacancy as well as SEQ Class A Vacancy attributed to the now vacant former Ace Hardware complex in Prince George County (798,786 SF Total)



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REPORT: US INDUSTRIAL MARKET REVIEW

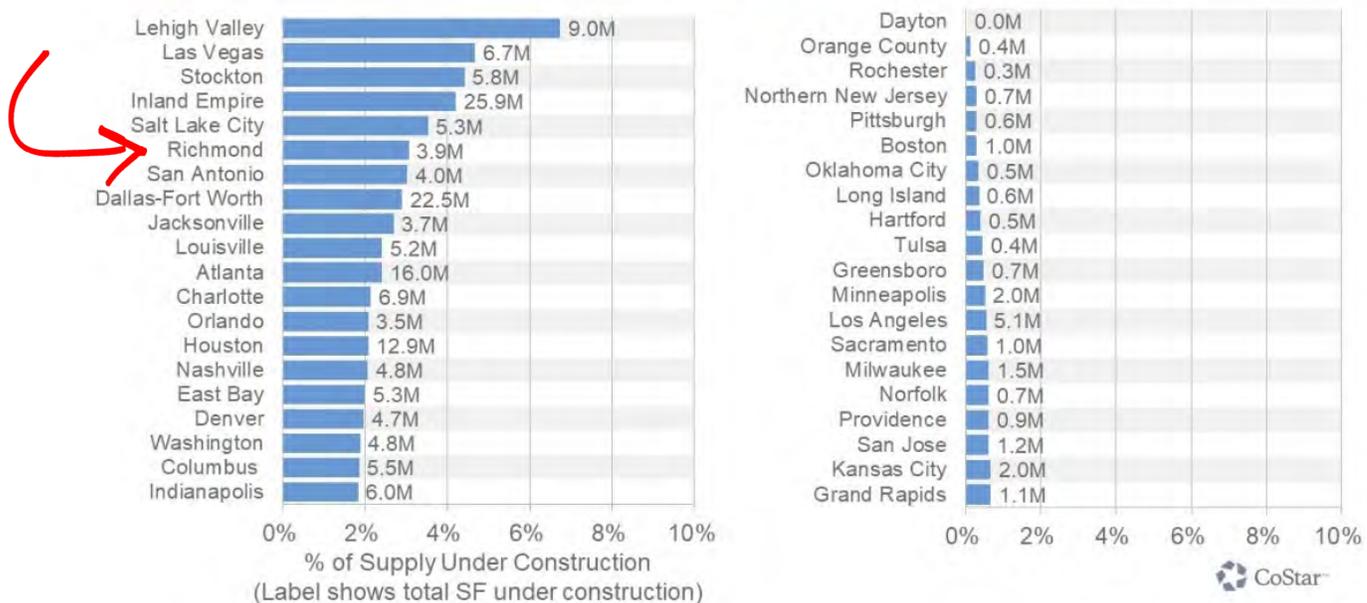
COSTAR ANALYSTS REPORT

CoStar Analysts See Strong Warehouse Demand Despite Global Trade, Growth Concerns.

Leasing and sales of distribution centers and other industrial properties reached records across the country last year, signaling strengthening demand as shoppers accelerate their shift to buying online.

Industrial activity was robust for a ninth-straight year in the U.S. commercial real estate market... as overall economic growth and goods consumption drove unprecedented warehouse sales and leasing across the United States in 2018. That's according to CoStar Vice President of Market Analytics John Affleck and Managing Director and Senior Economist of Market Analytics Christine Cooper.

Space Under Construction, Most and Least



“Quarterly deal volume for industrial assets [nationwide] topped \$30 billion in the fourth quarter, pushing 2018 total deal volume over the \$100 billion mark - easily the highest annual volume ever.”

Investors, meanwhile, continue to pile into industrial space given its strong and consistent occupancy, rent growth and return on investment. Total sales volume tipped the \$100 billion mark in 2018, the highest on record, and industrial sale prices rose about 10 percent over the prior year, an impressive feat this late in the economic cycle and easily the largest increase of all the major property types, Cooper said.

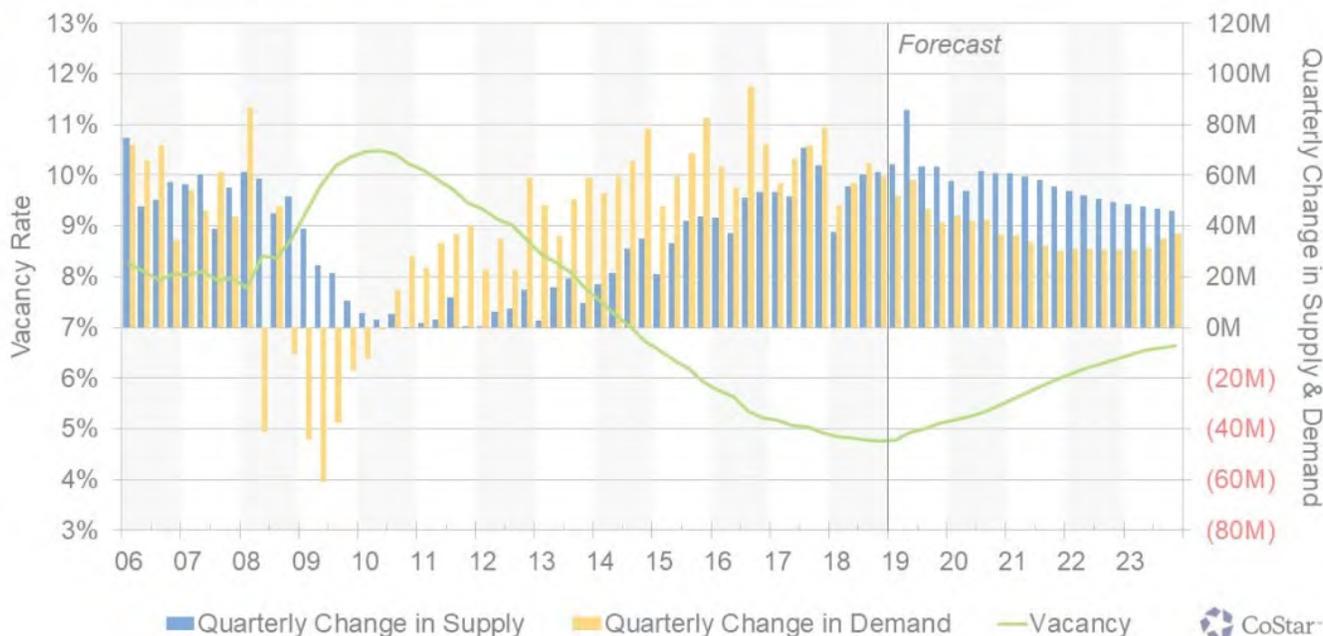
CoStar's forecast expects new logistics buildings will be completed at a record pace this year as developers try to capture the demand. CoStar is tracking about 275 million square feet of industrial space under construction, equal to about 1.7 percent of the nation's total supply. **That amount of development translates into what's likely to be a high-water mark for new warehouse and distribution building this year to support the delivery of goods to households shopping online.**

REPORT: US INDUSTRIAL MARKET REVIEW

COSTAR ANALYSTS REPORT

That's a change from last year when the amount of new industrial space dipped 11 percent in 2018 from the prior year. Construction finished the year on the upswing, but even that still may be insufficient to meet demand as more retailers move onto online platforms that require more warehouse space.

Industrial Fundamentals



“With vacancies below 5% at the national level, and lower in several key metros, the industrial market is essentially full.”

Fortunately... more supply is coming, and the record leasing volume will translate into net absorption going forward. The forecast does call for rising vacancies, driven by some reversion to long-term trends, as well as a pretty downbeat economic outlook. The Moody's Base Case calls for economic growth to stall in 2020 as the effects of the 2017 tax reform and the 2018 fiscal stimulus wind down.

Given that economic outlook, it's striking how well the industrial sector holds up in [CoStar's] forecast, said Cooper.

Nationally, industrial rents grew at more than 5 percent year-over-year in 2018, thanks to growth leaders including California distribution hubs like Stockton, Sacramento, San Jose and the Inland Empire, along with southern U.S. markets such as Charlotte, North Carolina; Memphis and Nashville, Tennessee; and Orlando, Florida.

To construct this series, CoStar estimates a full asking rent time-series for every property, using all the rent information available, along with market trends to fill in any missing rents. So this is a true same-store look at rents, fully controlling for changes in the spaces that are on the market quarter to quarter.

REPORT: US INDUSTRIAL MARKET REVIEW

COSTAR ANALYSTS REPORT

Top and Bottom Rent Growth Markets



“That’s part of the sector’s appeal - unlike office, where institutional capital tends to shop only in a handful of markets, investors can find quality industrial assets not only in the key national distribution hubs like Chicago and the Inland Empire, but in smaller markets as well.”

The industrial sector offers great economic drivers, record low vacancy rates, steady rent growth, deep demand for product from investors and tenants alike, and even some good deals out there. It sounds like a Goldilocks time for industrial, one that might seem too good to be true. Rising interest rates appear poised to slow value gains across all property types - and even industrial may not be immune.

CoStar’s cap rate forecast depends on the corporate bond yield, which follows the risk-free rate higher in the Base Case forecast. Overall, CoStar’s models call for a 60 basis point increase in cap rates for industrial product through 2022, in line with other property types. All else equal, that cap rate expansion would imply value losses of about 9%.

The built-in NOI gains from strong rent growth and ongoing low vacancies will offset the cap rate effect, such that our forecast calls for continued value gains slowing but still averaging about 2% per year.

Based on CoStar’s price estimates, indications are that prices across all industrial properties rose about 10% year-over-year, still an impressive increase this late in the cycle, and easily the largest increase across the major property types. Despite the rich pricing, part of the industrial sector’s ongoing appeal is its relatively attractive yields.

Source:

CoStar Analysts See Strong Warehouse Demand Despite Global Trade, Growth Concerns (By Randy Drummer | February 14, 2019)