

RICHMOND | INDUSTRIAL

Q4 2020



Accelerating success.

Richmond industrial market completed 2020 with over 4.6 million square feet of leasing activity

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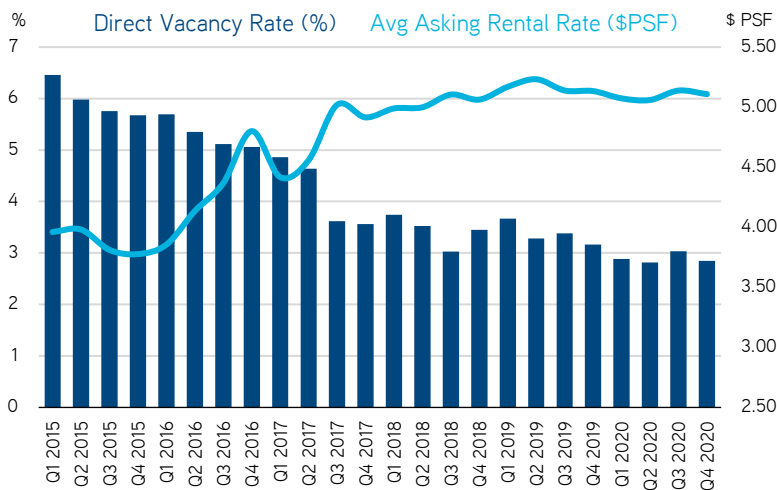


Key Takeaways

Richmond's industrial market experienced a 58% increase in leasing activity over the 4th quarter accumulating nearly 1.3 million square feet of total leasing volume. Despite supply chain difficulties during the COVID-19 pandemic, total annual leasing activity still outpaced 2019's figure by 11.2% equating to 4.66 million square feet of leasing.

User requirement volume in the market increased to nearly 6.6 million square feet in Q4, a 2.2% increase over Q3 and a 25.2% increase over Q4 2019. Also of note, the median requirement size of tenants in the market has jumped 25% year-over-year to 125,000 square feet.

Industrial Supply and Demand



Source: Colliers Research, Q4 2020

Market Overview

The industrial market in Q4 2020 saw its seventh consecutive quarter of positive net absorption at 216,287 square feet. General warehouse demand dipped in 2020, while manufacturing and flex properties closed the year with modest positive net absorption. Highbay product (24'+) saw the bulk of activity throughout 2020 with a 12-month net absorption of over 1.45 million square feet.

Q4 2020 Stats

	Vacancy Rate	Average Asking Rent	Net Absorption (SF)	Under Construction (SF)
HIGHBAY (24'+)	2.3%	\$4.95	300,880	1,471,039
TOTAL WAREHOUSE	2.6%	\$4.66	175,387	1,626,039
FLEX	4.6%	\$8.56	40,900	120,000

12 Month Trends

	Vacancy Rate	Average Asking Rent	Annual Absorption Y-O-Y	Construction Starts Y-O-Y
HIGHBAY (24'+)	▼	▲	▲	▼
FLEX	▼	▲	▼	▼

2021 Forecast

	Vacancy Rate	Average Asking Rent	Annual Absorption Y-O-Y	Construction Starts Y-O-Y
HIGHBAY (24'+)	▼	▲	▲	▼
FLEX	▼	▲	▲	▼

Market Overview Cont.

➤ In Q4, vacancy compressed to a near-record low of 2.85% with an average quarterly vacancy rate in 2020 of 2.89%, the lowest recorded year tracked. Following an uncharacteristically high vacancy rate in 2019, 2020 average vacancy for Highbay product (24'+) resulted in 2.74% vacancy, with Q4 closing at 2.3%.

Capital Markets

➤ Richmond's industrial capital markets remain robust with continued investor demand for well-located, last mile delivery and distribution product throughout Central Virginia resulting in continued cap rate compression for long term, credit leased facilities. Investors continue to identify Richmond as a top investment market due to our access to multiple N/S arterials and the growth in the Port of Richmond, which we expect to continue into 2021 as Richmond's centrality has proven to be extremely efficient in the current COVID environment. In early Q1, Colliers Capital Markets will be launching the VCU Health (Aa2 credit) Distribution Facility, an 89,931 square foot, mission critical, medical supply distribution facility located at 3008 Mechanicsville Turnpike.

Port of Virginia/Richmond Marine Terminal

➤ The Port of Virginia (POVA) acts as the global supply chain gateway for the region. Following ten straight years of record volume, 2020 volume saw a 4.2% decrease from the year prior with a total volume of 2.81 million twenty-foot equivalent units (TEUs). This change is largely due to the challenging environment brought about by the pandemic as well as trade tariffs.

➤ However, despite the reduction in cargo volume, POVA concluded the year with record-setting monthly volumes for October – December equating to a cumulative total of over 814,000 TEUs for the quarter. This was a growth rate of 13.3% when compared to the same quarter from 2019.

➤ The Port's Richmond Marine Terminal (RMT) volumes surged from the prior year by 12.1% at the end of December reaching over 42,000 containers for the calendar year.

Q4 2020 Top Leases

City	Size (SF)	Submarket	Lease Type
Richmond	250,000	Airport	New
Richmond	157,000	Airport	Renewal
Richmond	139,800	Airport	New
Richmond	133,039	Jefferson Davis Corridor	New
Richmond	125,000	Airport	Renewal

Source: Colliers Research, Q4 2020

2020 Top Lease Transactions

City	Size (SF)	Submarket	Lease Type
Disputanta	798,000	Prince George	New
Richmond	320,853	Jefferson Davis Corridor	New
Richmond	250,000	Airport	New
Richmond	229,829	Airport	New
Richmond	174,000	Jefferson Davis Corridor	New

Source: Colliers Research, Q4 2020

Q4 2020 Top Sales

Property / Portfolio	Size (SF)	Price (\$)	Sale Type
Southeast Infill Industrial Portfolio	237,861	\$25,854,683	Portfolio
1500 West Moore Street	98,881	\$4,000,000	Single
Adbel Business Village	28,600	\$2,772,500	Single

Source: Colliers Research, Q4 2020

Port of Virginia/Richmond Marine Terminal (cont.)

➤ During 2020, the POVA completed a two-and-a-half year, \$450 million expansion at Norfolk International Terminal (NIT) which increased capacity to handle an additional 400,000 containers. Dredging operations have begun to become the deepest port on the East Coast and POVA and RMT are continually expanding their barge operations to Richmond. These initiatives among others have poised the POVA for long-term growth which in turn can help further catalyze industrial real estate demand.

Economy

➤ The trade, transportation, and utilities sector has fully recovered from the COVID-induced employment reductions in March. The industry recorded 120,200 employees in March, with a sharp contraction to 110,000 jobs in April and has since rebounded with preliminary data showing Richmond closing the year with 123,900 jobs, representing a 3.8% increase quarter-over-quarter and 0.6% increase year-over-year. Despite this growth, wholesale trade, a subsector of the trade, transportation, and utilities industry, is continuing to experience job reductions with 24,600 jobs posted for Q4, a 10.6% decrease year-over-year. The manufacturing sector has remained relatively stable with the quarter closing with 30,200 jobs, a 0.3% increase of 100 jobs quarter-over-quarter.

➤ At the start of 2020, Richmond recorded an unemployment rate of 3.1%. Since the peak of the COVID-19 impact, where unemployment was a stark 11.2%, Richmond has since recovered with the most recent unemployment rate reported at 5.0%. This is slightly higher than Virginia's unemployment rate of 4.6%.

Q1 2021 Forecast

➤ Although deals are tracking more slowly, activity has increased tremendously throughout 2020, and the momentum is expected to carry into the new year. With Richmond's tight supply, activity has not been as robust as in comparable markets, but fundamentals have remained strong. Moving into 2021, activity is expected to remain the same, with potential for increase as new product is delivered in all areas of the MSA. With over 1.6 million square feet of product delivered to the market in 2020, and fewer projects in the pipeline, 2021 is expected to see less supply delivered than 2020.

Q4 2020 Richmond Industrial Market

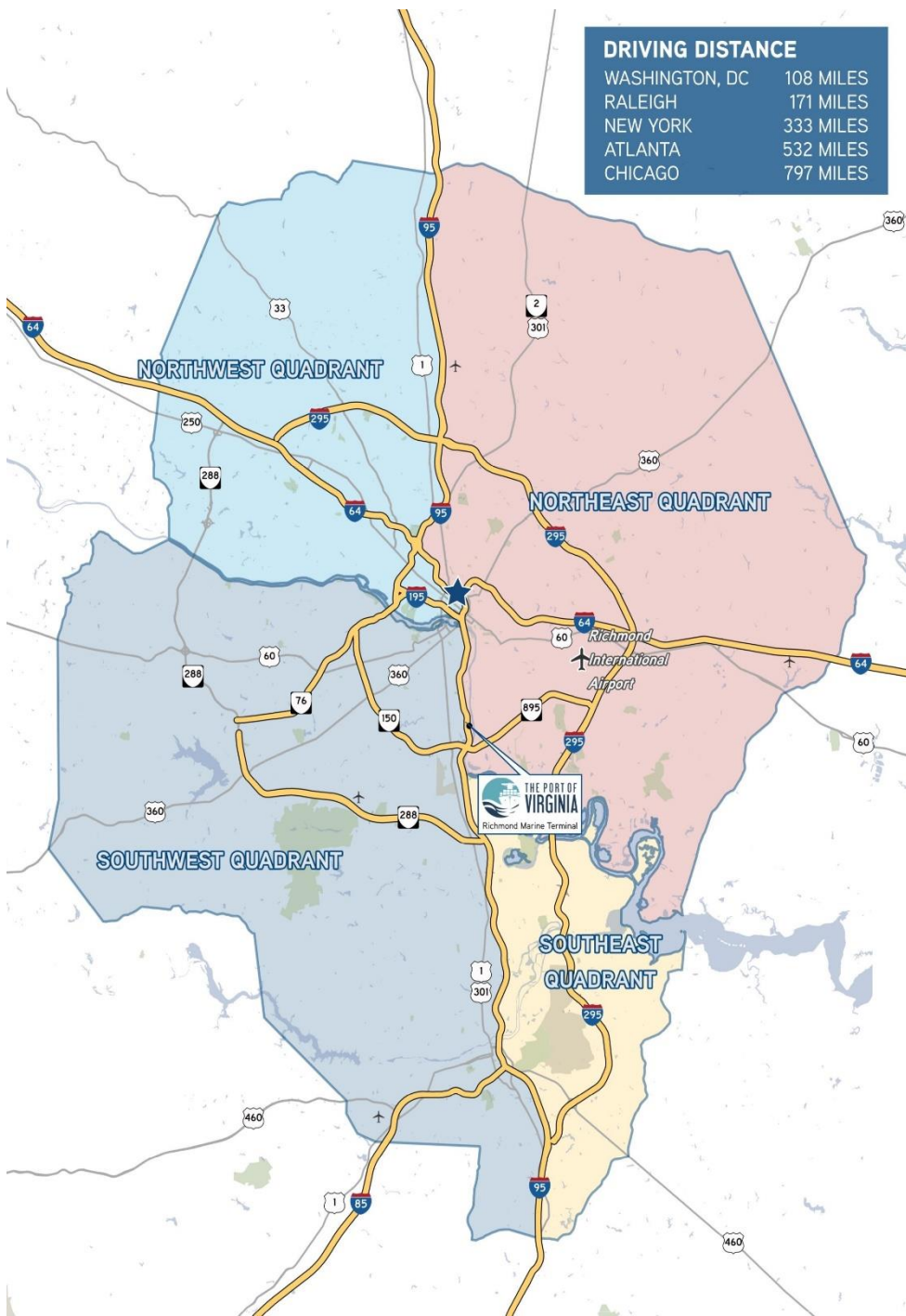
	Inventory (SF)	Vacant SF	Vacancy (%)	Availability (%)	Avg Asking Rent (\$/SF)	Quarterly Net Absorption	12-Month Net Absorption	New Construction
WAREHOUSE MARKET								
Northeast Richmond	27,175,081	992,963	3.7	8.7	\$4.97	174,797	234,837	315,000
Northwest Richmond	15,440,641	418,279	2.7	5.5	\$5.79	(15,947)	(90,200)	498,000
Southeast Richmond	19,866,975	547,741	2.8	6.6	\$3.98	55,030	734,838	275,000
Southwest Richmond	32,259,929	544,956	1.7	4.1	\$4.49	(38,493)	533,128	538,039
WAREHOUSE TOTAL	94,742,626	2,503,939	2.6	6.2	\$4.66	175,387	1,412,603	1,626,039
Highbay Distribution	32,734,474	1,045,961	3.2	8.1	\$4.43	1,181	1,214,804	1,351,039
General Warehouse	34,273,584	903,589	2.6	5.3	\$4.75	(16,113)	36,922	0
Manufacturing	27,734,568	554,389	2.0	5.0	\$5.20	190,319	160,877	275,000
FLEX MARKET								
Northeast Richmond	2,327,078	120,186	5.2	9.3	\$7.23	8,044	56,115	120,000
Northwest Richmond	6,251,103	243,464	3.9	8.4	\$9.69	48,872	(814)	0
Southeast Richmond	453,139	22,517	5.0	23.4	\$8.54	2,233	(8,817)	0
Southwest Richmond	2,373,330	135,005	5.7	7.4	\$7.69	(18,249)	1,547	0
FLEX TOTAL	11,404,650	521,172	4.6	9.0	\$8.56	40,900	48,031	120,000
INDUSTRIAL TOTAL	106,147,276	3,025,111	2.8	6.5	\$5.11	216,287	1,460,634	1,746,039
HIGHBAY DISTRIBUTION								
32'0"+	14,275,332	261,420	1.8	2.7	\$5.11	0	745,339	1,351,039
24'1"-31'11"	9,298,893	323,791	3.5	9.4	\$4.86	300,880	785,772	0
24'0"	5,353,347	78,707	1.5	4.6	\$4.95	0	(78,707)	120,000
HIGHBAY 24+ TOTAL	28,927,572	663,918	2.3	5.2	\$4.95	300,880	1,452,404	1,471,039
HIGHBAY TOTAL	32,734,474	1,045,961	3.2	8.1	\$4.43	1,181	1,214,804	1,351,039
INDUSTRIAL BY CLASS								
Class A	25,563,247	362,561	1.4	5.7	\$5.10	250,000	1,509,838	1,471,039
Class B	54,815,038	1,947,034	3.6	7.0	\$5.03	(339,963)	(324,413)	275,000

Source: Colliers Research, Q4 2020

Q4 2020 Richmond Industrial Development Pipeline

Property Name	County	Address	RBA	Type	Status	Year Complete	Owner / Developer
Cardinal Commerce Center- South	Hanover	Cedar Ln & Route 1	260,000	Spec	Delivered	2020	Scannell
Northlake 95 (Northlake Business Park)	Hanover	N. Lakeridge Pkwy & Rt 1	238,000	Spec	Delivered	2020	MDH
ABC Distribution Center	Hanover	7419 Pole Green Rd	315,000	BTS	Under Construction	2021	H&M
Cartograf Group	Chesterfield	Meadowville Technology Park	275,000	BTS	Under Construction	TBD	Cartograf Group
Southpoint Business Park, VP-145	Prince George	6064 Quality Way	194,880	Spec	Under Construction	2021	Hollingsworth
James River Logistics - 1551 Bellwood Rd	Chesterfield	1551 Bellwood Rd	133,039	BTS	Under Construction	2021	Devon USA
Deepwater Industrial Park	Chesterfield	3021-3205 Commerce Rd	1,200,000	BTS	Proposed / Marketing	TBD	Hourigan
Wegmans Distribution Center	Hanover	Sliding Hill Rd & Ashcake Rd	1,100,000	BTS	Proposed / Marketing	2022	Wegmans
Cardinal Commerce Center- North	Hanover	Cedar Ln & Route 1	420,000	Spec	Proposed / Marketing	TBD	Scannell
Airport Logistics Center, Bldg 3	Henrico	6101 S Laburnum Ave	129,750	Spec	Proposed / Marketing	TBD	Becknell
Airport Logistics Center, Bldg 4	Henrico	6101 S Laburnum Ave	187,500	Spec	Proposed / Marketing	TBD	Becknell

Source: Colliers Research, Q4 2020



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