

FIGURES | RICHMOND INDUSTRIAL | Q3 2024

Strong Leasing Activity in Recent Deliveries to Bring Occupancy Gain in Subsequent Quarters

▼ 3.6%

Overall Vacancy Rate

▲ 436,765

SF Net Absorption

▼ 3.3M

SF Under Construction

▲ \$7.71

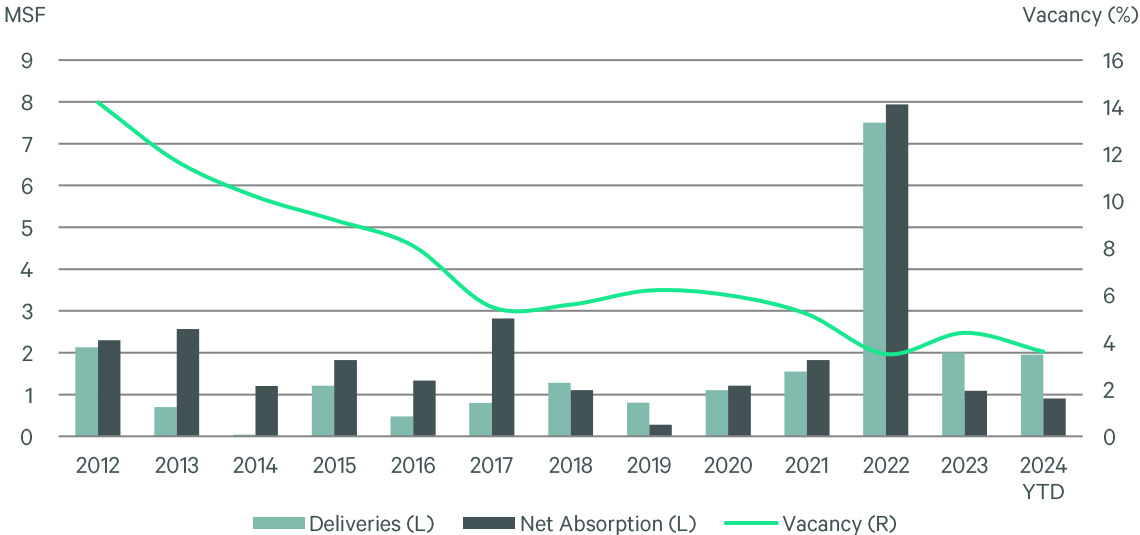
Average NNN Warehouse Asking Rate

Note: Arrows indicate change from previous quarter.

Tenants in the Richmond industrial and logistics market signed 28 leases totaling 1.9 million sq. ft., marking the strongest quarter of leasing activity since Q1 2023. Eight tenants executed large transactions for more than 100,000 sq. ft. equaling the most signed in a single quarter in more than five years. New, Class A product captured relocation leases from four tenants totaling 365,000 sq. ft. Since 2022, 8.7 million sq. ft. of speculative distribution product has delivered across the Richmond market at a prelease rate of 54%. Leasing activity throughout 2024 has increased the overall leased rate of those properties to 79%. Strong gross leasing activity contributed to in 437,000 sq. ft. of positive net absorption during the third quarter, with more to come as tenants move into their spaces in subsequent quarters. Warehouse vacancy declined 10 basis points to 3.4%, while warehouse asking rates remained elevated at \$7.71 per sq. ft. per annum on a triple net basis.

Notable third quarter move ins include U.S. Cabinet Depot occupying 194,000 sq. ft. at North Richmond Industrial Park which delivered during Q1, and A&A Transfer leasing and occupying 174,000 sq. ft. of Lingerfelt’s new Class A product at 1611 Ashton Park Drive. A&A Transfer is a new-to-market 3PL that provides specialized industrial hauling and rigging services, and industrial equipment including supplies for data centers. Multiple developers have purchased land and sought rezoning approval in recent months, as data centers are poised to grow exponentially.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

Sector Snapshot

Manufacturing

Manufacturing tenants signed seven leases totaling 542,000 sq. ft. and were the most active industry during the quarter. Sabert signed for the entire building at 2913 Transport Street and will take over space previously occupied by Star Pipe Products and Peco Pallets. Star Pipe Products renewed this space on a short-term lease last year while it relocated and expanded to 2301 Commerce Road. Peco Pallets, a pallet manufacturer, leased 106,000 sq. ft. of new Class A product at 801 Port Walthall Drive, which is now 100% leased. Meanwhile, MC Dean, a manufacturer of mission-critical products that support the U.S. military, took 143,000 sq. ft. at 11129 Washington Highway, another speculative property built in 2023. This new space represents an expansion from its owned properties in the market.

Building Materials & Construction

Five tenants in the building materials and construction sector signed leases for 468,000 sq. ft. during the quarter. NEFCO renewed in place for 164,000 sq. ft. at 11800-11890 North Lakeridge Parkway, while Shepherd Electric Supply signed a second lease at 1630 Ashton Park Drive for the remaining balance. Shepherd Electric now leases the entirety of the 85,000 sq. ft. Q1-delivered warehouse building. New to the market, Shepherd Electric Supply’s building supplies include data and telecommunications equipment.

Business Services

Vital Records Control signed the largest deal of the quarter, renewing and expanding in place for 233,000 sq. ft. at 1944-1998 Ruffin Mill Road. The company, which provides third-party secure storage services for sensitive medical documents, added 48,000 sq. ft. of new space.

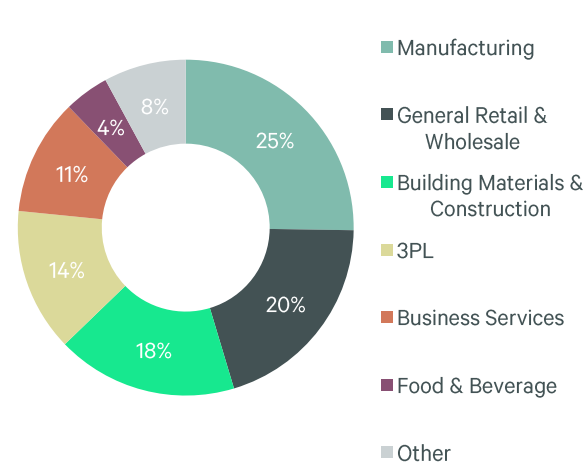
In total, business services tenants have signed five leases in 2024 for 321,000 sq. ft., accounting for 11% of gross leasing.

FIGURE 2: Q3 2024 Select Notable Lease Transactions

Tenant	Industry	Address	Submarket	Quadrant	Lease Type	SF
Vital Records Control	Business Services	1944-1998 Ruffin Mill Rd	I-95 S/I-295 S/Rt 10	SE	Renewal/Expansion	233,359
Sabert	Manufacturing	2913 Transport St	Jeff Davis Corridor	SW	New Lease	188,162
A&A Transfer	3PL	1611 Ashton Park Rd	I-95 S/I-295 S/Rt 10	SE	New Lease	173,800
NEFCO	Building Materials & Construction	11800-11890 N Lakeridge Pkwy	I-95 North/Ashland	NW	Renewal	163,853
MC Dean	Manufacturing	11129 Washington Hwy	I-95 North/Ashland	NW	New Lease	142,845
Bermuda Distribution	3PL	1700-1790 Ruffin Mill Rd	I-95 S/I-295 S/Rt 10	SE	New Lease	141,845
Peco Pallets	Manufacturing	801 Port Walthall Dr	I-95 S/I-295 S/Rt 10	SE	New Lease	106,376
Rexel USA	General Retail & Wholesale	1801 Willis Rd	Jeff Davis Corridor	SW	Renewal	102,000
NAPA	3PL	1700 Richmond Hwy	Jeff Davis Corridor	SW	Sale Leaseback	71,250
Shepherd Electric Supply	Building Materials & Construction	1630 Ashton Park Dr	I-95 S/I-295 S/Rt 10	SE	New Lease/Expansion	47,950

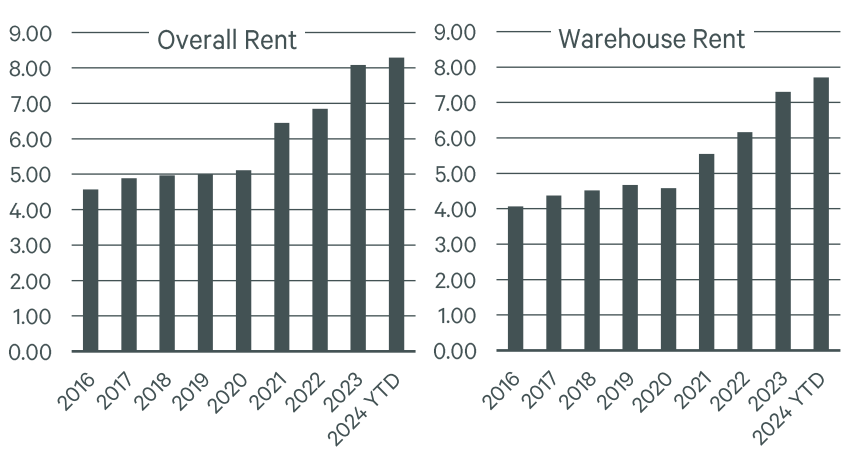
Source: CBRE

FIGURE 3: YTD Gross Leasing by Sector (Share by SF)



Source: CBRE

FIGURE 4: Historical Rent Growth (\$/SF)



Source: CBRE

Development Activity

The development pipeline declined to 3.6 million sq. ft. with the delivery of Plenty’s 200,000 sq. ft. vertical farming facility at 15300 North Enon Road in Chesterfield County. The facility will be able to grow 4 million pounds of strawberries in less than 40,000 sq. ft. of its warehouse using its vertical farming techniques and artificial intelligence.

No new groundbreakings occurred this quarter. However, Lingerfelt’s Tripoint Distribution Center, a 348,000 sq. ft. speculative project in Prince George, is scheduled to break ground next quarter.

Lingerfelt has been the only active developer in the market recently, with high interest rates and normalized leasing activity keeping some developers on the sidelines waiting for the right moment to break ground.

That time may be approaching as renewed leasing activity has reduced the vacancy of recently delivered speculative properties and generated new momentum in the market.

Additionally, the Fed’s recent announcement of a 50-basis points reduction in the Treasury will help to reduce construction loan costs making it less costly to break ground.

FIGURE 5: YTD Notable Sales Transactions

Sale Date	Property Name	Submarket	Sale Price (millions)	SF	Buyer	Seller
Q3 2024	1700 Richmond Hwy	Jeff Davis Corridor	11.0	233,950	North River Capital / Feldman Bergin Properties / Queenswood Partners	Drew Rosen Li LLC
Q2 2024	1410 Willis Rd	Jeff Davis Corridor	54.5	405,000	Condair Group	BentallGreenOak
Q2 2024	10399 Washington Hwy	I-95 N/Ashland	85.4	328335	Eaton Vance	Scannell Properties

FIGURE 6: Notable Warehouse Projects Under Construction

Address	Project Name	Submarket	Quadrant	SF	Preleased	Tenant(s)	Estimated Delivery	Developer(s)
7000 Meadowville Technology Pkwy	LEGO Plant	I-95 N/Mechanicsville	NE	1,700,000	Owned	LEGO	Q1 2027	Gray Hourigan
7050 Emmaus Church Rd	AutoZone Distribution Center	New Kent County	SE	800,000	Owned	AutoZone	Q4 2024	AutoZone
16401 Walthall Industrial Pkwy	Axial Gateway 95	Jeff Davis Corridor	SW	505,068	0%	-	Q4 2024	Axial Industrial
10383-10384 Lakeridge Pkwy	Lakeridge Logistics Center	I-95 North/Ashland	NW	249,500	0%	-	Q4 2024	Wigeon Capital
Ridgefield Rd	Harris Teeter Distribution Center	Caroline	NE	25,000	Owned	Harris Teeter	Q4 2025	

Source: CBRE

Economic Outlook

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is holding its own and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a rollover in the labor market although the recent bump in unemployment appears benign, mainly driven by an increase in participation. A reason for concern is the decline in the share of private industries that are creating jobs. On the other hand companies are not shedding workers at a particularly high rate. The labor market has slowed, but it is not slumping.

While many are focused on November’s election the most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

FIGURE 7: Employment Growth by Industry, 12-Month Percent Change

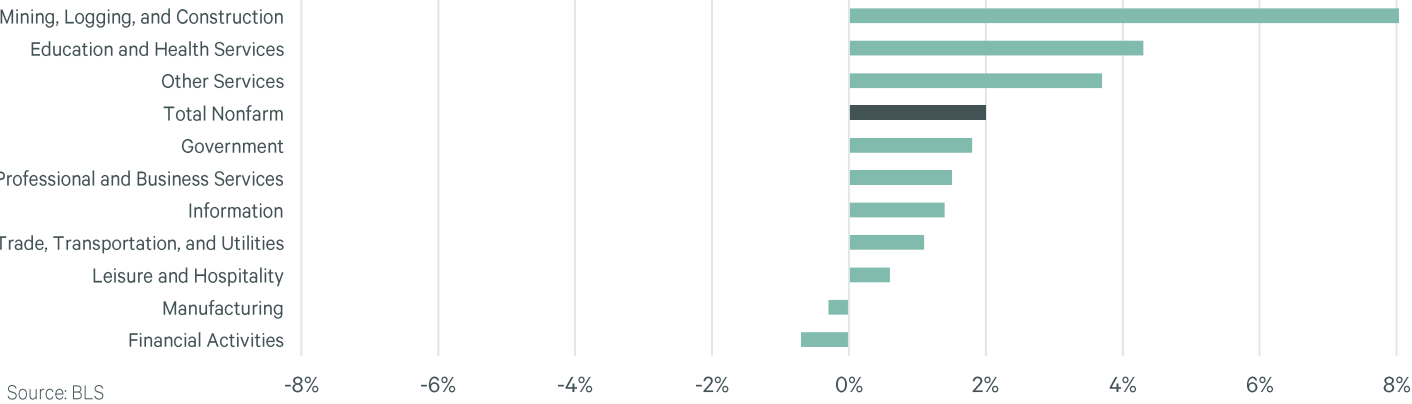


FIGURE 8: Unemployment Rate

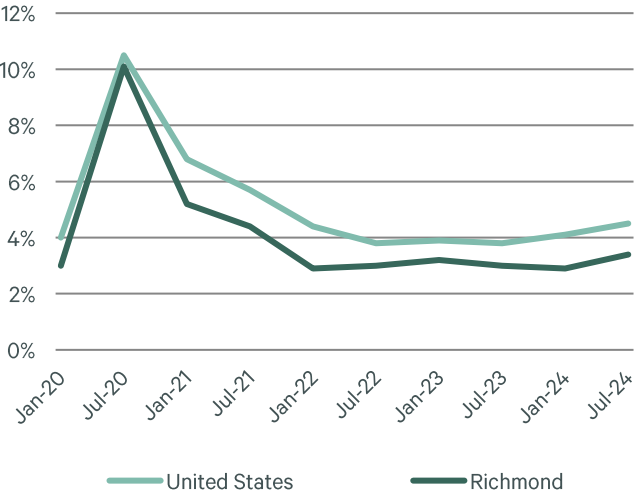


FIGURE 9: Consumer Price Index, 12-Month Percent Change

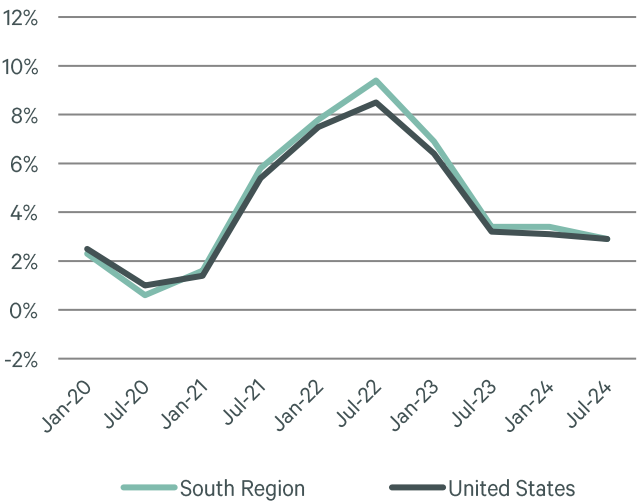


FIGURE 10: Key Market Statistics

Warehouse	Inventory	Overall Vacancy	Q3 2024 Net Absorption (SF)	2024 YTD Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Northeast	24,438,030	3.9	(248,737)	(271,882)	8.72	25,000
Northwest	21,589,684	7.9	107,732	(60,336)	7.80	249,500
Southeast	50,811,255	2.0	577,658	796,487	7.84	2,500,000
Southwest	37,239,296	2.3	(76,603)	439,048	7.00	505,068
Total	134,078,265	3.4	360,050	903,317	7.71	3,279,568

Flex	Inventory (SF)	Overall Vacancy Rate (%)	Q3 2024 Net Absorption (SF)	2024 YTD Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Northeast	1,784,040	12.0	(37,104)	(72,588)	12.66	
Northwest	5,240,305	4.9	60,901	45,107	12.04	22,000
Southeast	1,496,369	9.7	(26,134)	(83,548)	11.65	
Southwest	2,938,495	2.5	79,052	112,817	10.00	
Total	11,459,209	6.0	76,715	1,788	11.93	22,000

Overall	Inventory	Overall Vacancy	Q3 2024 Net Absorption (SF)	2024 YTD Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Northeast	26,222,070	4.5	(285,841)	(344,470)	9.88	25,000
Northwest	26,829,989	7.3	168,633	(15,229)	8.36	271,500
Southeast	52,307,624	2.2	551,524	712,939	8.37	2,500,000
Southwest	40,177,791	2.3	2,449	551,865	7.16	505,068
Total	145,537,474	3.6	436,765	905,105	8.29	3,301,568

Source: CBRE

Survey Criteria:

Includes all classes of competitive single and multi-tenant industrial buildings 10,000 sq. ft. and greater in Richmond

As of Q1 2024, now includes owner-occupied buildings that meet the aforementioned criteria

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