

FIGURES | RICHMOND INDUSTRIAL | Q4 2024

Amazon Restarts Project Rocky; EQT Exeter buys 5 Richmond Buildings in Multi-State Deal

▲ 3.7%

Overall Vacancy Rate

▲ 1.4M

SF Net Absorption

▼ 2.9M

SF Under Construction

▲ \$7.93

Average NNN Warehouse Asking Rate

Note: Arrows indicate change from previous quarter.

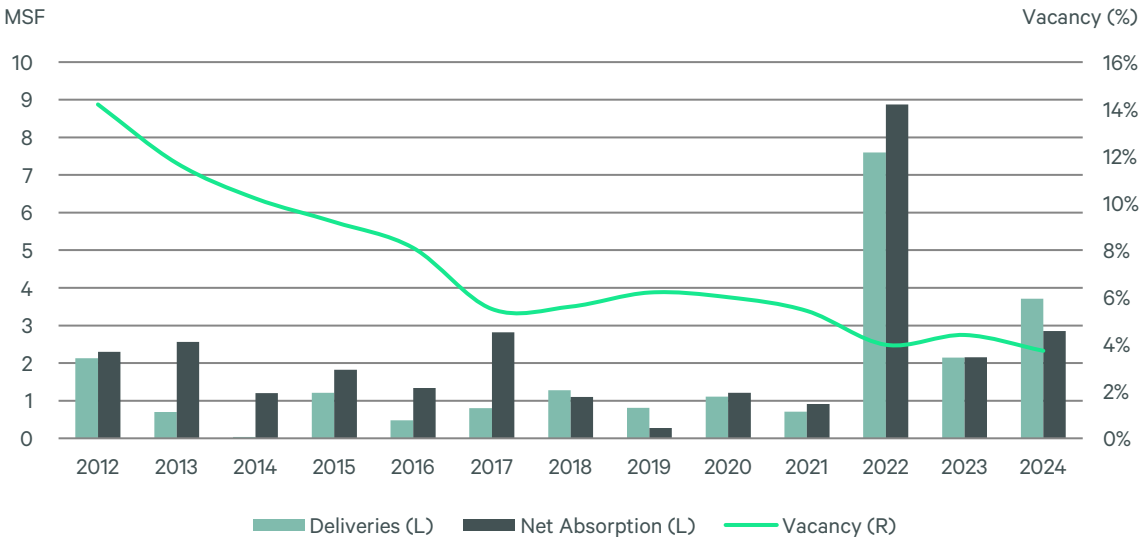
Amazon has salvaged plans for a 3.2 million sq. ft. multi-story warehouse project in Goochland County by purchasing the 105-acre site for \$16.5 million. Project Rocky constitutes roughly 50% of Amazon’s current footprint in the market and would employ 1,000 workers upon completion.

Along with national users and developers, global investors are betting on the Richmond market. EQT Exeter purchased a 33 property, multi-state portfolio, which included five properties in Richmond. The deal highlights Richmond's growing appeal to institutional investors, buoyed by sustained market growth and strong fundamentals.

Richmond recorded 1.4 million sq. ft. of positive net absorption during the quarter from the delivery of two owner-built projects. In total, the market recorded 2.9 million sq. ft. of positive absorption in 2024, sustaining a more than decade-long streak of annual occupancy gain. However, two speculative builds yet to be leased pushed the overall vacancy rate up 10 basis points to 3.7%, which still marked a 60-basis point decline year-over-year.

Tenants signed 29 leases during the quarter for a total 2.5 million sq. ft., the strongest quarter for leasing activity since Q2 2021. Overall, tenants signed 85 leases totaling 5.4 million sq. ft. in 2024. As the Richmond market maintained its positive trajectory, landlords pushed rents to \$7.93 per sq. ft. per annum on a triple net basis.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

Sector Snapshot

General Retail & Wholesale

LL Flooring signed the largest lease of the quarter in a sale/leaseback of its distribution center at 6121 White Oak Creek Drive. The retailer was recently acquired by F9 Investments only weeks after filing Chapter 11 bankruptcy. F9 Investments will retain 219 stores and the Richmond distribution center under a two-year lease. Overall, retail/wholesale tenants signed 21 leases totaling 1.4 million sq. ft. in 2024, a 38% decline year-over-year. Still, the sector accounted for 26% of leasing throughout the year.

Manufacturing

Manufacturing tenants signed five leases summing to 711,000 sq. ft. during the fourth quarter. Packaging Corporation of America and Temperpack Technologies—both manufacturers of paper packaging products—signed large renewals in the Southeast and Northeast respectively. Temperpack also inked a new deal for 90,000 sq. ft. at 4101-4127 Carolina Avenue. In addition, ABB leased 130,000 sq. ft. of new Class A space at 943 South Airport Drive, which is now fully leased. Overall, the manufacturing industry accounted for 27% of gross leasing in 2024, with tenants signing 15 leases for 1.4 million sq. ft.

Building Materials & Construction

Building materials and construction tenants captured 16% of leasing in 2024. During the fourth quarter, six tenants signed deals totaling 253,000 sq. ft, the largest of which was Colonial Webb Contractor’s new lease for 127,000 sq. ft. at 4300 Carolina Avenue. This is an expansion from their owned space at 2820 Ackley Avenue.

Third Party Logistics (3PLs)

Omega Morgan signed the largest new deal of the quarter, leasing the balance of space in LL Flooring’s building at 6121 White Oak Drive. The heavy equipment and industrial rigging 3PL will support clients in the burgeoning data center market in Richmond.

FIGURE 2: Q4 2024 Select Notable Lease Transactions

Tenant	Industry	Address	Quadrant	Lease Type	SF
LL Flooring	General Retail & Wholesale	6121 White Oak Creek Dr	SE	Sale/Leaseback	616,590
Omega Morgan	Third Party Logistics	6121 White Oak Creek Dr	SE	New Lease	379,202
Temperpack Technologies	Manufacturing	4401 -4491 Carolina Ave	NE	Renewal	316,501
Packaging Corp of America	Manufacturing	2903 – 2941 Walmsley Ave	SE	Renewal	174,000
ABB Group	Manufacturing	943 S Airport Dr	SE	New Lease	130,289
Colonial Webb Contractors Co.	Building Materials & Construction	4300 Carolina Ave	NE	New Lease	127,047
Riverside Logistics Services	Third Party Logistics	4800 Eubank Rd	SE	New Lease	93,500
Temperpack Technologies	Manufacturing	4101-4127 Carolina Ave	NE	New Lease	90,000
SGS International	Business Services	5301 Lewis Rd	SE	Renewal	88,384
Riverside Logistics Services	Third Party Logistics	4337 4379 Carolina Ave	NE	Renewal	72,000

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

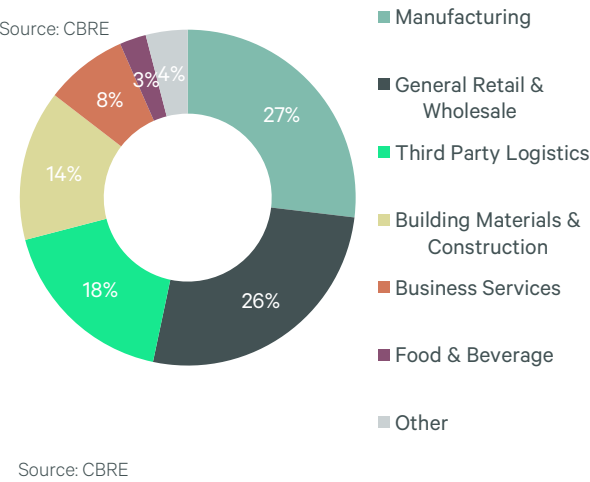


FIGURE 4: Historical Rent Growth (\$/SF)



Development Activity

Four properties totaling 1.6 million sq. ft. completed work in Q4, two of which were owner-built and two of which were speculative projects, not yet leased. A total 2.9 million sq. ft. remains under construction.

Notably, AutoZone completed work on its 800,000 sq. ft. distribution center in New Kent County. Located along I-64 just 70 miles from the Port of Virginia and 20 miles from the I-295 interchange, New Kent County is an emerging location for industrial projects. Favorable attributes include available land and a growing population. From 2010-2022, New Kent County’s population grew 35%. In 2023 the population grew by 4.5%, making it the tenth fastest-growing county in the nation for counties with a population of greater than 20,000 people. Infrastructure improvements, including the I-64 widening project and the Hampton Roads Bridge Tunnel Expansion project, will also enhance the submarket’s attractiveness upon completion.

Another notable build-to-suit delivery was non-profit Feed More’s new food bank facility at 8020 Villa Park Drive. The 124,000 sq. ft. facility marks a 40% expansion from their previous facility at 1405-1415 Rhoadmiller Street, which is under contract to an undisclosed buyer.

Axial Industrial completed work on Axial Gateway 95, a 505,000 sq. ft speculative project. Along with Lewistown 95 Logistics Center, just two existing 500,000 sq. ft. buildings are fully available. However, Ashley Capital broke ground on a third at 7001 South Laburnum Avenue that will deliver by Q4 2025. Lingerfelt also broke ground on its latest speculative project in Prince George. The 348,000 sq. ft. TriPoint Distribution Center is scheduled for completion in by end of next year.

FIGURE 5: Q4 2024 Notable Deliveries

Address	Property Name	Quadrant	SF	Preleased (%)	Tenant(s)	Developer(s)
7360 City Center Ct	AutoZone Distribution Center	NE	800,000	Owned	AutoZone	AutoZone
16401 Walthall Industrial Pkwy	Axial Gateway 95	SW	505,068	0%	-	Axial Industrial
10384 Lakeridge Pkwy	Lakeridge Logistics Center	NW	124,750	26%	Trane	Wigeon Capital
8020 Villa Park Dr	Feed More Building	NW	124,000	Owned	Feed More	Feed More

FIGURE 6: Notable Warehouse Projects Under Construction

Address	Project Name	Quadrant	SF	Preleased	Tenant(s)	Estimated Delivery	Developer(s)
7000 Meadowville Technology Pkwy	LEGO Plant	NE	1,700,000	Owned	LEGO	Q1 2027	Gray Hourigan
7001 S Laburnum Ave	I-895 Logistics Center	SE	583,100	0%	-	Q4 2025	Ashley Capital
5160 Chudoba Pkwy	TriPoint Distribution Center	SE	347,760	0%	-	Q4 2025	Lingerfelt
10383 Lakeridge Pkwy	Lakeridge Logistics Center	NW	124,750	0%	-	Q1 2025	Wigeon Capital
10384 Cedar Ln	Northeastern Supply	NW	71,749	68%	Northeastern Supply	Q2 2025	Northeastern Supply

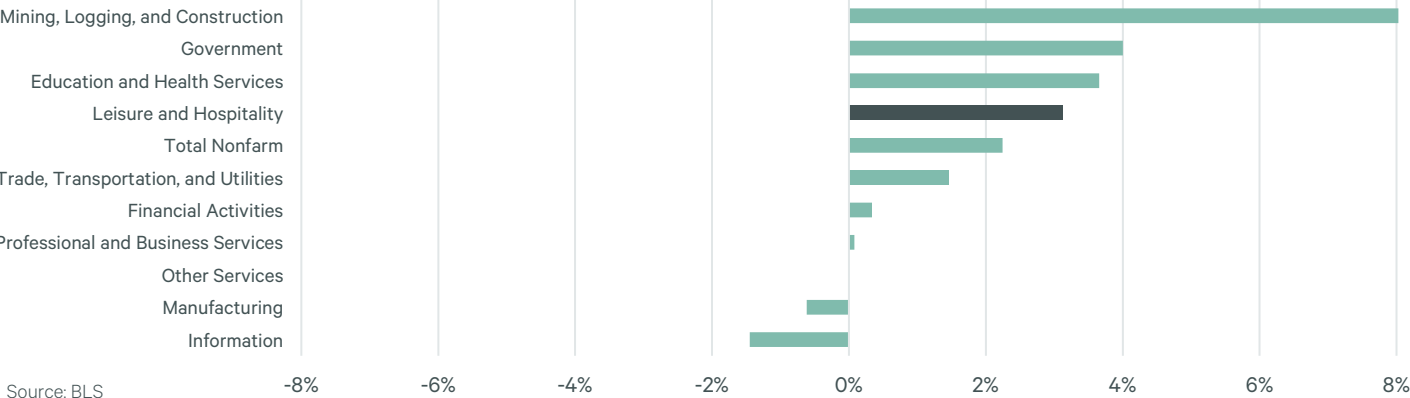
Source: CBRE

Economic Outlook

The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%.

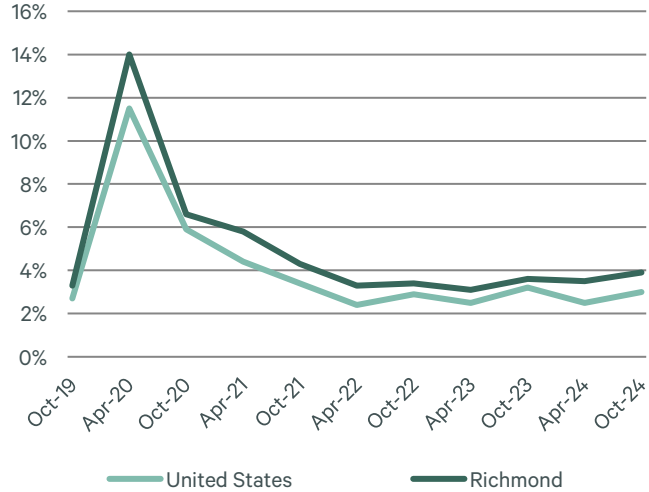
Typically, sturdy economic growth alongside Fed rate cuts would be rocket fuel for commercial real estate (CRE) performance. The catch is capital markets have grown skeptical of just how low rates will go in 2025. The mix of sticky core inflation and future policy concerns are putting upward pressure on long-term rates. Nevertheless, real estate capital markets have made good progress in recent quarters. Lending spreads are tightening, and credit issuance is up. Lending conditions are easing a bit as multifamily LTVs are trending slightly upward. Stronger debt markets and balanced and/or recovering space market fundamentals should translate into a noticeable uptick in investment during the next several quarters.

FIGURE 5: Employment Growth by Industry, 12-Month Percent Change



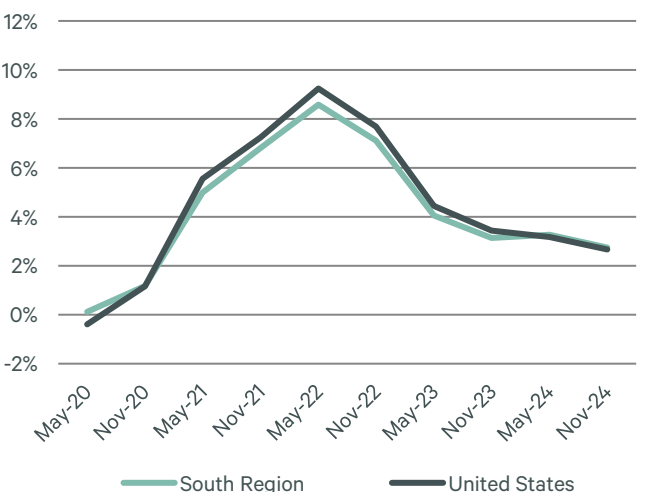
Source: BLS

FIGURE 6: Unemployment Rate



Source: BLS

FIGURE 7: Consumer Price Index, 12-Month Percent Change



Source: BLS

FIGURE 10: Key Market Statistics

Warehouse	Inventory	Overall Vacancy	Q4 2024 Net Absorption (SF)	2024 Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Northeast	22,419,788	4.0	922,447	720,755	8.79	96,749
Northwest	22,107,217	7.9	179,463	163,152	7.81	124,750
Southeast	48,863,427	1.8	128,159	1,611,241	8.05	2,630,860
Southwest	36,114,914	3.0	138,868	313,602	7.58	-
Total	129,505,346	3.5	1,357,509	2,797,322	7.93	2,852,359

Flex	Inventory (SF)	Overall Vacancy Rate (%)	Q4 2024 Net Absorption (SF)	2024 Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Northeast	1,938,534	11.0	21,280	(64,768)	12.77	-
Northwest	5,263,655	4.8	4,164	49,271	12.34	22,000
Southeast	1,166,395	11.9	-14,890	(84,978)	11.57	-
Southwest	3,055,521	1.8	19,729	145,846	9.77	-
Total	11,424,105	5.8	30,283	45,371	12.19	22,000

Overall	Inventory	Overall Vacancy	Q4 2024 Net Absorption (SF)	2024 Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Northeast	24,358,322	4.6	943,727	655,987	9.68	96,749
Northwest	27,370,872	7.3	183,627	212,423	8.35	146,750
Southeast	50,029,822	2.0	113,269	1,526,263	8.47	2,630,860
Southwest	39,170,435	2.9	158,597	459,448	7.62	-
Total	140,929,451	3.7	1,387,792	2,854,121	8.39	2,874,359

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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