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► RICHMOND INDUSTRIAL

RICHMOND INDUSTRIAL FUNDAMENTALS IMPROVE; MARKET STILL FAVORS BUYERS, TENANTS



Richard Porter
CCIM, SIOR,
Executive Vice President,
Porter Realty Company/
CORFAC International

In the Richmond metro area, Class A product has maintained the highest occupancy, hovering at 90 percent, while the Class C market experienced a 6 percent occupancy drop.

At the mid-year mark, CoStar reported industrial occupancy in Richmond was approaching 90 percent for industrial product of all sizes, excluding flex space.

Buyers looking to purchase single-user Class A facilities of 40,000 square foot or greater are experiencing an acute shortage of said product. These larger free-standing, single-occupant facilities are now in shorter supply in the suburban areas of all four quadrants, though multiple opportunities remain in the city of Richmond, both north and south of the river, generally class B/C type product, but functional and reasonably priced. There are also several free-standing purchase opportunities under 40,000 square feet available in the suburban sector of the northwest quadrant.

The second quarter ended with four large facilities (two in the city of Richmond and two in Henrico County) going under contract to users, which further impacted the availability of freestanding facilities for owner/users looking to relocate into facilities with a minimum of 40,000 square feet.

Local expansion has comprised ap-

proximately 78 percent of large industrial sales since the third quarter of 2012, with 14 of the last 18 major transfers (totaling approximately 1 million square feet). The majority of these acquisitions involved end users purchasing Class B facilities for manufacturing/warehousing uses.

Most recently Integrated Global Services purchased a 70,000-square-foot facility in the Chesterfield Air Park, Reads Moving Systems purchased a 51,000-square-foot modern facility in Southpoint Business Park, Kosmo Machine purchased a 61,000-square-foot manufacturing facility, and Stewart Moving & Storage purchased a 30,000-square-foot modern distribution facility in Midlothian's Somerville Business Park.

In the Richmond metro area, Class A product has maintained the highest occupancy among the categories being tracked (Class A, B and C), hovering in the range of 90 percent since the first quarter of 2012, while the Class C market experienced a 6 percent occupancy drop with the addition of a 600,000-square-foot block of tobacco storage warehouse space.

The suburban sections of the southeast and southwest quadrants hold the strongest occupancy rates in the metro Richmond area.

The suburban area of the northeast quadrant, near the Richmond International Airport, continues to offer ample multi-tenant lease opportunities and also hosts the highest rentable building area in the industrial market.

Lease and purchase pricing has stabilized, but the market still generally continues to favor buyers and tenants. There also continues to be a strong demand for stabilized investment properties.

New York-based Blackstone Real Estate Partners, considered one of the largest private equity owners of real estate in the country, closed on the purchase of a 4 million-square-foot industrial investment portfolio from First Potomac Realty Trust, which has shifted its focus from industrial product toward high quality office holdings in the greater Washington, D.C., area. The complete portfolio traded for a total of \$241.5 million, and of the 23 properties included in the sale, 16 of the facilities were located in Virginia, including

multiple industrial sites in Richmond.

Republic National Distributing, a national wine distributor, has announced expansion of its local operation with a planned 200,000-square-foot distribution center to be built in Hanover County, just north of Richmond, near the Vitamin Shoppe's new 311,730-square-foot warehouse.

Sabra Dipping Company, a manufacturer of hummus and other refrigerated dips, has announced plans to fur-

ther expand manufacturing capacity at its Chesterfield County facility with an additional \$86 million investment, resulting in 140 new jobs over the next few years. The company has continued to grow, following a prior \$28 million expansion announced in the second quarter of 2012, and employs more than 300 locally.

Rolls-Royce is in the process of pregrading several pad sites adjacent to its Crosspointe complex in the Southpoint

Business Park in Prince George County to cater to its potential vendors. The company's new 90,000-square-foot turbine blade manufacturing facility — the second building at its complex — is expected to be complete by the end of 2013 at an estimated investment of \$136 million, with the first components to be produced late next year. The Crosspointe facility is Rolls-Royce's largest advanced manufacturing and research campus in North America.



Richard W. Porter, CCIM, SIOR

Porter Realty Company Inc./CORFAC International

(804) 521-1443 Direct

dick@porterinc.com • www.porterinc.com