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RICHMOND MARKET ENTERING NEW ERA OF INDUSTRIAL DEVELOPMENT

At the mid-year mark, the Richmond industrial market has continued to strengthen, closing with an overall occupancy rate of 91 percent in the categories being tracked — Class A, B and C vacant and investor-owned product with a minimum of 40,000 square feet of total rentable building area (RBA). Class A occupancy decreased slightly from 96 percent at the end of the first quarter to 95 percent at the end of the second quarter, and Class B occupancy has remained steady at 92 percent.

The year-to-date net absorption is in excess of 1.5 million square feet, in part due to lower reported vacancies in the Class C former tobacco storage complex located south of downtown Richmond. The inventory of quality, freestanding facilities available for owner/users to purchase remains in short supply, with central locations in even greater demand and experiencing a shorter shelf life. CoStar reports overall industrial occupancy at 95 percent for products of all sizes, including investor-owned facilities, but excluding flex space (minimum 50 percent office).

Richmond's strategic Mid-Atlantic location along Interstate 95 provides access to 55 percent of the nation's consumers within two days delivery by truck. In addition to being the northernmost right-to-work state on the Eastern seaboard, Virginia has been named among the top states for business by multiple media outlets. Richmond is located approximately 90 miles from the Port of Virginia in Norfolk, which features six terminals with berths up to 50 feet deep, 30 miles of on-dock rail and a 10 percent year-over-year increase in container imports. Metro Richmond has a civilian labor force of more than 650,000 and historically has enjoyed low unemployment levels, with rates currently estimated at 3.9 percent in the metro area — well below the current national average.

Quoted lease pricing has continued to climb, as fewer large blocks of Class A and B space remain available. In the last year, large blocks of Class A space have been leased in business parks proximate to the Richmond International Airport in Henrico County — north of Richmond, at the Interchange at Northlake in Hanover County and in the River's Bend com-



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plex in Chesterfield County south of town. Quoted base rates are trending upward with the increased velocity of prospects, and have increased in the last year from \$4.50 per square foot to \$5.25 per square foot, depending on the size of the space. While there has been a strong demand for investment properties, there remains a limited availability of options for both free-standing facilities and portfolio sales.

In recent activity, Richmond-based Spy Rock Real Estate closed on the purchase of an 86,607-square-foot facility in the Scott's Addition area, fully leased to Dori Foods. The three-building complex in the East End, totaling 620,296 square feet and known as the Interport Business Center, has also been offered to investors in recent months. The RIC Airport area in Richmond's East End and the Northlake area in Hanover County along Interstate 95 remain strong areas of interest for spec development due to their desirable locations.

Richmond has witnessed significant expansion from multiple area companies in recent years, and has also seen the introduction of new companies to the market with large industrial footprints that include manufacturing — further evidence of the benefits of the area's location and infrastructure.

Construction, Development

Becknell Industrial is scheduled to deliver its second completed building, Building B, at the Airport Distribution Center this fall. The building is situated at the entrance to the park with frontage on Laburnum Avenue and includes a total of 153,480 square feet with 30 docks, abundant car and trailer parking, ESFR sprinkler systems and 32-foot ceilings. Building B has 39,405 square feet available for lease.

Becknell completed Building E in the park at the end of 2016 with similar specs, and the 216,000-square-foot building is fully leased to Premier

Store Fixtures. Becknell has also announced plans to begin construction on Building D in the park, which will feature 202,469 square feet of high-bay distribution space with offices to suit. The Airport Distribution Center is home to WestRock, Batesville Casket, Forward Air Solutions and Graybar, among others.

Devon USA is expected to deliver its new facility in the third quarter. Building D in Hanover County's Interchange at Northlake will include 320,853 square feet of high-bay distribution space located at the northwest quadrant of Lewistown Road and Interstate 95, just north of the Interstate 295 beltway. The new building will occupy the last remaining pad site in the Interchange at Northlake complex, and is rumored to be fully leased to an e-commerce user. In addition, a 90,000-square-foot space in Henrico's Richmond Distribution Center has been leased, also reportedly to an e-commerce user. Amazon has opened two facilities in the Richmond area in the past five years with over 1 million square feet in each.

Niagara Bottling, the largest private-label, bottled water supplier in the country, selected Chesterfield's Meadowville Technology Park as the site for a 450,000-square-foot manufacturing facility with an initial investment of \$95 million. The park is also home to Medline, Capital One and one of Amazon's two area facilities.

Service Center Metals completed a \$25 million upgrade and expansion to its facility in the Southpoint Business Park in Prince George County in the first quarter, adding 190,000 square feet to its complex for a total of 426,000 square feet. The company is locally owned and operated, and produces aluminum rods and bars, tube and pipe used in construction, transportation and machinery.

The Southpoint Business Park is home to the Rolls Royce jet engine manufacturing facility as well as Goya, Metl Span, Noland and U.S. Merchant Systems, among others. The park is proximate to I-295 with immediate access to the Route 460 corridor that provides access to the Norfolk port. Two large, modern facilities are available for lease and sale in the park — 130,560 and 143,638 (with refrigeration space) square feet, respectively

— and additional spec development by the Hollingsworth Cos. is expected once these facilities are absorbed with recent activity on both.

German grocery retailer Aldi purchased 80 acres with plans to build a 500,000-square-foot distribution center and divisional headquarters in Dinwiddie County along I-95, south of Interstate 85 and proximate to one of Amazon's two area fulfillment centers. The \$57 million project will create 145 new jobs. Rival German grocer Lidl has also leased 150,000 square feet of Class A space in the River's Bend complex in Chesterfield County.

Fareva Group has begun work on a \$40 million expansion of its aerosol plant in eastern Henrico, proximate to RIC Airport, which is expected to create 100 jobs. The Luxembourg-based firm makes over-the-counter drug and beauty products in its Richmond facility. Polykon Manufacturing announced plans to invest more than \$60 million to establish a U.S. operation on a 22-acre site in Henrico's White Oak Technology Park. In a joint venture with entities of Air Liquide Healthcare, the company plans to construct an 80,000-square-foot facility that will primarily produce ingredients used in consumer cosmetics.

Richmond-based Dominion Packaging has announced plans to invest \$25 million to expand its 317,400-square-foot manufacturing facility that will support a new contract with Anheuser-Busch. The company specializes in packaging solutions for a variety of consumer businesses, including the tobacco and quick-service restaurant industries.

The centrally located, state-owned Virginia ABC (Department of Alcoholic Beverage Control) published a request for proposals to secure new facilities for its Richmond-area operations. The agency is seeking 375,000 square feet for its distribution center and 80,000 to 95,000 square feet of office space to replace its existing 292,000-square-foot facility, which is centrally located near The Diamond, the baseball stadium for the Richmond Flying Squirrels — the Double-A affiliate of the San Francisco Giants. The site of the existing ABC facility was reported a likely contender as a redevelopment location for the team's new stadium.