

INDUSTRIAL BUYERS, DEVELOPERS ATTRACTED TO RICHMOND AS USERS EXPAND LOCALLY



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While there has been a strong demand for investment properties in Richmond, there remains a limited availability of both free-standing facilities and portfolio deals.

In recent investment activity, the Byrd Corporate Park in eastern Henrico County sold to a joint venture between Dreyfuss Investments and Wells Holding Group for \$31.3 million after previously transferring in 2011 for \$26.3 million. The 10-building flex complex spans 475,783 square feet and was 80 percent leased at the time for sale.

The three-building Interport Business Center, also located in eastern Henrico, sold at the end of 2017 to MDH Partners, adding to its Richmond International Airport area holdings. Containing 620,296 square feet total, the complex sold for \$29 million and is now fully leased.

Leasing Buoyancy

Local expansion has remained strong, a trend consistent with the Richmond market, and regional and national companies with an existing presence in the area have also announced expansions. The metro area has also seen the introduction of new manufacturers with large industrial footprints, further evidencing the benefits of the area's location and infrastructure.

At the mid-year mark, the Richmond area's industrial market has continued to strengthen, closing with an overall occupancy rate of 94 percent in the categories being tracked — Class A, B and C; vacant and investor-owned product; minimum of 40,000 square feet total rentable building area (RBA). Class A occupancy decreased slightly from 98 percent at the end of the first quarter to 97 percent at the end of the second quarter, and Class B occupancy has increased to 88 percent, up from 85 percent at the end of the first quarter. Additionally, the inventory of quality freestanding facilities available for owner/users to purchase remains in short supply, with more central locations in even greater demand and experiencing an even shorter shelf life.

CoStar Group reports overall industrial occupancy at 96 percent for product of all sizes in the market, 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 five best states for business by *Forbes*.

Richmond is located approximately 90 miles from the active Port of Virginia in Norfolk, which features six terminals with berths up to 50 feet deep — and the only East Coast port with congressional approval to dredge to 55 feet. The port also features 30 miles of on-dock rail and reports a 10 percent year-over-year increase in container imports.

Metro Richmond has a civilian labor force of more than 715,000 (1.2 million population) and historically has enjoyed strong employment levels, with unemployment rates currently estimated at 2.9 percent in the metro area, well below the current national average of 4.0 percent.

Quoted base rates continue to trend upward with the increased velocity of prospects and the decreased availability of large blocks of existing space, which has also led to multiple speculative warehouse projects on the horizon. Demand for larger industrial land sites is also gaining momentum with multiple inquiries for both manufacturing and distribution uses.

Logistics Taking Off

Becknell Industrial has closed on the purchase of a 60-acre parcel off Laburnum Avenue and Seven Hills Boulevard in Henrico County's East End, adding to its holdings near Richmond International Airport. Becknell plans to construct a four-building, high-bay industrial complex totaling 805,190 square feet on the site, and the park will be known as the Airport Logistics Center.

The first phase of development will include a 246,760-square-foot pre-cast concrete building with 32-foot ceiling heights, LED lighting, ESFR sprinklers, one dock per 10,000 square feet and multiple drive-in doors, as well as trailer parking with 135-foot truck court depths and a 60-foot loading bay. Building 1 is scheduled for delivery in spring 2019 and will provide much needed product in the northeast quadrant and in the Airport submarket specifically, where Class A vacancy rates are less than 1 percent.

Indianapolis-based Becknell also recently completed construction of Building D in the Airport Distribution Center, which includes 202,560 square feet of distribution space leased to a single tenant. Becknell's holdings in the park include three other existing facilities, two of which it built. Airport Distribution Center is home to Bunzl, Anord Critical Power, WestRock, Batesville



Casket, Forward Air Solutions, Veritiv and Graybar, among others.

Construction is underway at the Virginia I-95 Logistics Park located just south of downtown in the city of Richmond. Panatoni Development purchased the 62-acre site from Philip Morris and has nearly completed the first phase of speculative high-bay development. Phase I includes a 461,700-square-foot facility, 570 feet in depth, with 36-foot clear heights and is scheduled for delivery in the third quarter. The site can accommodate a total of more than 1 million square feet of space.

Richmond-based Hourigan Development purchased the former Alleghany Warehouse complex on Commerce Road in Richmond for \$8.5 million and has begun demolition of the existing 17 warehouse buildings with plans to build up to 1.5 million square feet of high-bay distribution space on a build-to-suit basis. Now known as the Deepwater Industrial Park, the I-95 frontage site includes more than 110 acres and was formerly used for tobacco storage for Philip Morris USA.

Devon USA has also announced plans to build a new 320,853-square-foot high-bay distribution facility in Chesterfield County's James River Logistics Center, just off I-95 at Bellwood Road. The new building could be expanded to 500,000 square feet and will be the third building in the complex. The two existing buildings are both fully leased to DuPont. The new building will be identical in size to the facility developed by Devon in Hanover's Enterchange at Northlake, located north of the Interstate 295 beltway. The building is now fully leased to Amazon.

Manufacturing Expands

Pepsi Beverages Co. will be opening a 220,000-square-foot distribution center in Chesterfield County as the tenant of a building under construction by Virginia Beach-based Armada Hoffer Properties Inc. Armada Hoffer closed on the purchase of the 177-acre land site on Willis Road, adjacent to GE's facility, at a purchase price of \$2.5 million. The property is located in one of Chesterfield's technology zones, and the capital investment and job numbers for the project are still in the process of being finalized. The proposed facility will occupy 27 acres of the site, which is located just east of I-95 at Willis Road (exit 64), with the po-

tential for an additional 36,500-square-foot expansion. There's also a CSX rail spur to the north.

Michigan-based vacuum cleaner manufacturer Bissell Inc. has acquired 40 acres in the James River Industrial Center in Chesterfield County at a price of \$1.9 million. Previously referred to as Project Goliath, the company has plans to construct at 611,500-square-foot industrial complex in two phases, the first of which will include a 437,000-square-foot building and will add 100 employees. The site will be located next to the future expansion of CSX's rail line, expected to cross Battery Brooke Parkway in the industrial center. The site is also located in one of Chesterfield County's five designated Technology Zones that encourage manufacturing and distribution operations through incentives and tax abatements. No announcement on the total investment has been made to date.

Richmond-based TemperPack has expanded its local operations and has announced plans to create an additional 141 jobs. The company manufactures sustainable packing technology for perishable goods and has relocated to a 130,000-square-foot plant at 4447 Carolina Ave. in the Richmond Distribution Center in eastern Henrico County. The company currently has 55 full-time employees and approximately 300 hourly personnel, and the new plant has the capacity for 450 to 500 hourly personnel. Products are used for shipping perishable materials like food and pharmaceuticals. A new proprietary insulation material will also be made at the Henrico County facility.

Sabra Dipping Co. has announced plans to construct a third addition to its Chesterfield County facility to expand distribution and manufacturing operations. The hummus maker plans to add 38,000 square feet to its 220,000-square-foot plant located on the 48-acre campus it owns in the Ruffin Mill Industrial Park. The company is jointly owned by PepsiCo and Israel-based Strauss Group and holds 26 percent of the market share for refrigerated flavored dips and spreads. No cost estimate for the expansion has been published.

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