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## INDUSTRIAL CONSTRUCTION ACTIVITY REMAINS ROBUST IN GREATER RICHMOND

At the mid-year mark, the greater Richmond area industrial market has continued to strengthen, closing with an overall occupancy rate of 91 percent in the categories being tracked (Class A, B, C vacant and investor-owned product with a minimum of 40,000 square feet total RBA). Class A occupancy increased slightly from 89 percent at the end of the first quarter to 91 percent at the end of the second quarter, and the majority of the Class A vacancy is attributed to a vacancy approaching 800,000 square feet in the former Ace Hardware facility in Prince George's County. Ashley Capital purchased the property in early July for \$21.7 million and will be offering the facility for lease.

Class B occupancy has also experienced an increase to 92 percent, up from 89 percent at the end of the first quarter. CoStar Group reports overall industrial occupancy at 96 percent for product 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 ranked as the top state for business by CNBC. Virginia's education program also ranked No. 1 in 2019 by the Cato Institute for having the best public school system in the country, with accreditation reaching 92 percent.

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 is the only East Coast port with congressional approval to dredge to 55 feet. The port recorded a 10 percent year-over-year increase in container imports.

Metro Richmond has a civilian labor force of more than 685,000 people (1.1 million total population) and historically has enjoyed strong employment levels, with unemployment rates currently estimated at 3.0 percent in the metro area, well below the current national average.

Construction activity remains robust with a strong pipeline of projects in the works. Becknell Industrial has begun work on the first phase of its new four-building complex in Henrico County's East End, proximate to Richmond International Airport. Known as



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the Airport Logistics Center, the first phase of development will include a 246,760-square-foot pre-cast concrete building with 32-foot clear 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. A total of 805,190 square feet is planned for the site and provides much-needed product in the Northeast quadrant and in the Airport area specifically, where Class A vacancy rates are less than 1 percent. Becknell's area holdings include four buildings in the nearby Airport Distribution Center, three of which were built by Becknell. Airport Distribution Center is home to Bunzl, Anord Critical Power, WestRock, Batesville Casket, Forward Air Solutions, Veritiv and Graybar, among others.

New Jersey-based Brother International Corp. will relocate its East Coast distribution center to Phase I of the Virginia I-95 Logistics complex south of downtown Richmond, newly constructed by Panattoni Development. Brother International is one of the world's leading producers of printers, industrial sewing machines, large machine tools, label printers, typewriters, fax machines, and other computer-related electronics. The company will keep its U.S. headquarters in Bridgewater, New Jersey, and will continue to operate distribution centers in California, Illinois and Tennessee. The 461,700-square-foot warehouse facility was delivered in 2018, and construction is underway for Phase II of the project, which includes another building of the same size. Amazon has fully leased the Phase II building and plans to move into the space in October. Amazon launched its Virginia fulfillment operations in 2013 and has a workforce of 10,000 full-time employees statewide. The new location was selected as a distribution site for its easy access to cargo via the Richmond Marine Terminal and to customers via I-95.

Hanover County is home to an-

other speculative warehouse project as plans have been announced for a 238,000-square-foot warehouse to begin construction in the third quarter on a site fronting Route 1/Washington Highway adjacent to the Northlake Business Park. The developer is an unnamed group based out of Atlanta with plans for a second phase of the project as well, which will include a 100,000-square-foot warehouse and a 21,800-square-foot building. Hanover rezoned 31.4 acres in Northlake for this project in February — a portion of the 450 acres that comprises the business park that is located between Route 1 and I-95, just north of the Winding Brook development, which is home to Bass Pro Shops.

South of town, Indiana-based Scannell Properties is evaluating a 58-acre land site owned by Armada Hoffer in Chesterfield County for a 405,000-square-foot distribution center. The land is part of the 177 acres Armada Hoffer purchased in January 2018 and is adjacent to the 220,000-square-foot warehouse built for PepsiCo, which was sold along with 55 acres to ElmTree Funds earlier this year for \$26 million. The proposed warehouse would occupy 35 acres of the 58-acre site with several bays at the rear and front for large trucks and parking on the eastern and western side of the complex.

Local expansion has remained strong, a trend historically consistent with the Richmond market, including expansions by national companies with an existing presence in the area. The metro area has also recently seen the introduction of new manufacturing companies with large industrial footprints — Niagara Bottling (557,000 square feet) and Bissell (437,000 square feet planned) are examples — further evidencing the benefits of the area's labor force, location and infrastructure.

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.

Pennsylvania-based Kinsley has purchased the former Williams Bridge Co. complex fronting on Interstate 95 for \$7.1 million and plans to establish a steel fabrication on the 27-acre site located at the eastern edge of Manchester in Richmond. Kinsley will initially invest \$12.5 million in the location

with an employee load of 70 people, including welders, machine operators, fitters, painters and project managers. The company will occupy approximately 200,000 square feet, including the 119,000-square-foot warehouse that was constructed in 1918. Kinsley owns and operates three similar fabrication facilities throughout Central Pennsylvania.

European manufacturer of electrical connectors, ERNI Electronics Inc., is planning to build a new office and plant in Chesterfield County, with plans to add more than 100 jobs over the next five years. The company will relocate its existing Richmond manufacturing facility to an 11-acre site in the Waterford Business Center and will invest \$25 million to build the new plant that will eventually total 80,000 square feet. ERNI plans to occupy the facility by the end of the year and to receive machinery from Europe in the first quarter of 2020. ERNI decided to expand as a result of growing demand in the North American market, and the company also considered South Carolina and Alabama as locations for the new plant.

Also in Chesterfield County, online auto retailer Carvana has filed plans to construct a vehicle inspection and processing center on 183 acres adjoining east of I-95 on Woods Edge Road. Referred to as "Project Utopia," the proposed \$40 million development would include multiple surface parking areas to hold 9,000 vehicles along with a two-story, 200,000-square-foot inventory processing center for inspecting, reconditioning and photographing vehicles for online sales. Founded in 2012, Arizona-based Carvana has 18 "vending machine" locations across the country and has described its business model as "Amazon for cars." The proposed center would employ a total of 500 workers on two shifts.

Richmond-based natural stone fabrication and installation Classic Granite & Marble has purchased a 25-acre site on Midlothian Turnpike in Powhatan County for \$2.1 million with plans to construct a 98,000-square-foot, three-story headquarters facility that will include corporate offices, showroom, fabrication and warehouse space. The company will relocate from its current facility and estimates an investment of more than \$10 million in the expansion, creating more than 100 additional jobs in the next five years.