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RICHMOND INDUSTRIAL MARKET MAINTAINS STRONG MOMENTUM THROUGH MID-YEAR

At the mid-year mark, industrial occupancy in the greater Richmond area remains strong, closing with an overall occupancy rate of 92 percent in the categories being tracked (Classes A and B, as well as select Class C vacant and investor-owned product with a minimum of 40,000 square feet).

Class A occupancy decreased slightly to 95 percent at the end of the second quarter, down 100 basis points from 96 percent at the end of the first quarter. The largest addition to the vacant Class A inventory is a 226,000-square-foot former GSA facility in Chesterfield County.

Class B occupancy experienced an increase to 92 percent, up from 90 percent at the end of the first quarter. Co-Star Group reports overall industrial occupancy at 95 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.

Richmond is located approximately 90 miles from the 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.

Like ports around the world, volume in Virginia has been impacted by the pandemic, though cargo volume did increase by more than 10,000 units in July 2020 compared to May. July volume was 44,500 TEUs less when compared with July 2019, which was a record month in 2019. With over \$760 million in recent investments in the port, Virginia is well-positioned to continue serving the Mid-Atlantic region.

Metro Richmond has a civilian labor force of almost 700,000 (1.1 million population), and while the unemployment rate hit 9.2 percent in June 2020 (down from 11.2 percent in April 2020), the area historically has enjoyed



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strong employment levels.

Amazon and Wegmans

Amazon continues to expand its metro area footprint with the announcement that the e-commerce giant has leased a new facility in Chesterfield County at 1601 Bellwood Road. With a total of 321,000 square feet, the facility is nearly identical to Amazon's location in Hanover County's Enterchange at Northlake, and both facilities were built and owned by local developer Devon USA. Amazon is operating out of the new building and will use the facility for sorting and delivery of packages, adding 100 jobs to its existing workforce of more than 10,000 full-time employees statewide.

Devon has filed preliminary plans for the last phase of the Bellwood Road park, which will include a 133,000-square-foot building, and the developer indicated it is in negotiations with an interested tenant for that building. Amazon also leased the 798,000-square-foot former Ace Hardware distribution facility on Hardware Drive in Prince George County in the first quarter of the year as its newest area fulfillment center. Including the new Chesterfield County facility, Amazon's metro area footprint exceeds 4.1 million square feet in six major distribution/sorting facilities located in five separate counties.

Wegmans Food Markets is set to build a 1.1 million-square-foot, \$175 million distribution center and regional headquarters in Hanover County. The facility will be situated on a 220-acre site proximate to Hanover County's municipal airport and will initially serve approximately 44 stores, many of which have not yet been built.

The New York-based grocer received \$2.4 million in state incentives from the Commonwealth's Opportunity Fund,

and the county is allocating \$1.5 million for infrastructure improvements. The project will create 700 full-time jobs, including 140 executive-level positions.

New projects

Chesterfield County Economic Development Authority (EDA) acquired 353 acres proximate to the county's Meadowville Technology Park at a price of \$21.1 million, which is approximately \$59,500 per acre. The industrial property is the site of the former American Tobacco plant and fronts on Bermuda Hundred Road, which connects to Meadowville Technology Park, home to Amazon, Niagara Bottling and Medline.

Mexican industrial packaging firm Cartograf recently selected Meadowville as the location for its first U.S. manufacturing plant in an announcement made last fall. The 353-acre property has road and utility infrastructure in place and is zoned I-3, a heavier industrial designation. This will allow the Chesterfield EDA to target major manufacturing type uses.

The industrial pipeline remains robust with multiple facilities scheduled for delivery in the third quarter of 2020. With a major presence in the Richmond International Airport (RIC) area, Becknell Industrial is scheduled to complete the second phase of its new four-building complex in Henrico County's East End.

Known as Airport Logistics Center, the second building includes a 241,180-square-foot pre-cast concrete facility with 32-foot ceilings, 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. The first phase of the complex delivered earlier in the year and has been fully leased to a single tenant. Including the first building, a total of 805,190 square feet is planned in four buildings on the site.

Becknell's area holdings also 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, Forward Air

Solutions and Veritiv, among others.

South of downtown, Indiana-based Scannell Properties is nearing completion of the Willis Road Commerce Center, a 405,000-square-foot distribution center scheduled for delivery in the fourth quarter.

Scannell has also begun site work on a project north of Richmond in Hanover County. The first phase of the Cardinal Commerce Center will include 260,000 square feet with delivery likely in early 2021. The site can accommodate two additional buildings of 600,000 square feet and 267,000 square feet, respectively.

Farther south in the metro area, The Hollingsworth Cos. is nearing completion of its new facility in Prince George County's Southpoint Industrial Park located along the Interstate 95/295 corridor. The 194,880-square-foot building is designed for a single occupant and scheduled for delivery in the fourth quarter.

Hollingsworth also has plans to construct a 638,000-square-foot facility in the park for delivery in late 2021, featuring tilt-up concrete construction with 40-foot interior clear heights, 60-by-60-foot column spacing, and the potential to expand up to a total of 940,000 square feet.

Southpoint is home to Service Center Metals, Goya Foods, NVR, Campofrio, US Merchants, Metl Span, CaroCon and Rolls Royce (jet engine manufacturing), along with Amazon's new distribution center.

Local expansion has remained strong, a trend historically consistent with the Richmond market. Richmond-based mailing and shipping company, Direct Mail Solutions, recently closed on the purchase of a 229,829-square-foot facility in eastern Henrico County, proximate to RIC.

The company purchased the new location for \$9.4 million with plans to consolidate operations from its two existing facilities, one of which is owned and already under contract to a user.

The fourth quarter is slated for delivery of the most new product the market has seen in recent years, with new construction nearing completion in three of the market's four quadrants.