

SIX PROPERTY TYPES

STRONG ENOUGH TO THRIVE IN A RECESSION



As the industry mulls “what inning we’re in” one thing is sure: eventually every commercial real estate cycle winds down. Speakers at recent panels and seminars have warned that a recession is nigh, saying this cycle’s lengthened recovery is historically unique. By the end of 2018, the economic model created by research firm CoStar Portfolio Strategy predicts an 80 percent chance of a recession, says Rene Circ, director of research at CoStar Portfolio Strategy. But while no property type can be 100 percent recession-proof, certain assets are better positioned. In this article, we look at which property types might be good hedges against an economic downturn.

High Street Retail

While retail as a property type certainly isn’t recession-proof, storefronts on urban high streets tend to suffer less during downturns than suburban retail centers, due to their reliance on higher-end consumers. The high rents commanded by highly coveted street locations in Manhattan or San Francisco, coupled with demand from luxury retailers, make these properties a unicorn for investors.

Grocery-Anchored Shopping Centers

Neighborhood shopping centers typically cater to the day-to-day needs of the populations in their immediate neighborhoods and are therefore more protected from economic headwinds as people still need food, medications and other daily necessities, even during recessions. This year, cap rates on neighborhood shopping centers have averaged 7.1 percent, according to Justin Tochtermann, a research consultant with the Costar Group.

Medical Office Buildings

Due to the unabated development of off-campus ambulatory facilities required to meet healthcare demands, medical office buildings are one of the better-positioned properties in a recession. Medical-related real estate assets are one of the most recession-proof. Medical office buildings (MOBs) are showing vacancies that are 100 to 200 basis points lower than those at general office buildings.

Big-Box Warehouses

Industrial sector assets are usually more resilient during a downturn. Big-box warehouses should continue to benefit from the growth of e-commerce. In fact, purchases during a recession would more likely be made online, where consumers can shop different stores for better prices and avoid paying for gas. Millennials are naturally inclined to shop online, and they are becoming a larger purchasing group as they are now all in their 20s and 30s. CoStar data shows that average asking rents at big-box warehouses have climbed 20 percent since 2011, from \$4.78 per sq. ft. in 2011 to \$5.73 today.

Infill Fulfillment Centers

Retailers across the board will continue to create new and additional fulfillment nodes in the next few years. They are doing so to streamline their e-commerce strategies and catch up to major e-tailers such as Amazon. Now Amazon and other retailers are focusing on “infill fulfillment centers,” sized about 100,000 to 200,000 sq. ft. and located one to two miles away from main cities. These smaller warehouse spaces help retailers bridge the last mile to the consumer.

Self-storage Facilities

It makes sense that self-storage facilities will continue to see demand as consumers and businesses might downsize during a downturn. Self-storage assets that cater to both groups of users are forecast to maintain strong fundamentals.



RICHMOND

Real Estate by the Numbers

1.75 McKinnon and Harris, a Scott's Addition company that makes aluminum outdoor furniture, is the new owner of the 65,000 square-foot warehouse at 1722 Arlington Road. The 25 year-old company bought the property from the city for \$1.75 million. The deal closed Nov. 4, according to city records.

10.9 S.L. Nusbaum Realty Co. is the new owner of the Shoppes at Bellgrade, a 57,000 square-foot strip at 11400 W. Huguenot Road., which closed for \$10.9 million. The purchase does not include the Kroger or four out parcels near the property.

50 The number of units in the apartment complex Oliver Properties is currently building called Carytown Crossing. The four three-story buildings, along with a leasing office, will fill the city block bordered by those streets and North Nansemond Street, just east of Interstate I-95.

732 In one of the biggest office deals in downtown Richmond this year, CoStar Group Inc., a major provider of real estate information and analysis, plans to establish a research operations headquarters that is expected to create 732 jobs. State and local officials said the \$8.17 million project will have an economic impact of \$250 million on the Richmond area.

166 Berkadia has arranged \$22 million in financing for the development and construction of Colony Village II Apartments, a 166-unit project in Chester.

9 Columbia Gas of Virginia is building a \$9 million, 22,000 square-foot training center next to its Chesterfield County headquarters.

10.6 The median list price for homes is up in the city of Richmond by 10.6 %, September 2016 compared to September 2015.

Amping It Up

Commercial spaces are benefiting from homey staging touches that draw client interest and close deals.

When it comes to creating favorable first impressions during showings, commercial practitioners are starting to take a page out of the residential sales playbook. Professional stagers are reporting an uptick in interest from commercial brokers who recognize that an office suite, a retail space, or even a vacant warehouse can benefit from an appearance boost. While it is estimated only about 5 percent of commercial property owners currently use professional stagers to help get a building or retail space leased or sold, staging can help with company branding while offering value for a transaction.

If there is a key distinction between the goals of residential and commercial staging, it's that the commercial stager is often helping project a company's brand rather than preparing a property for sale. With return on investment for commercial property staging proving to be extremely lucrative, it won't take long for commercial property staging to become more and more common.



Read the full article at: <http://realtormag.realtor.org/commercial/feature/article/2016/11/amping-up-suite-street-appeal>

METRO RICHMOND



MARKET STATS

MULTI-FAMILY	Q2	Q3
Vacancy	↑	↓
Rents	↑	↑
Concessions	↑	↑
Transactions	↑	↓
INDUSTRIAL	Q2	Q3
Vacancy	↔	↓
Net Absorption	↑	↔
Under Construction	↓	↑
Rent	↔	↑
OFFICE	Q2	Q3
Vacancy	↓	↓
Net Absorption	↑	↑
Under Construction	↔	↔
Rent	↓	↓
RETAIL	Q2	Q3
Vacancy	↑	↓
Net Absorption	↑	↑
Under Construction	↑	↓
Rent	↓	↑

Mixed-Use For Sale



314 N 2ND STREET | RICHMOND
\$395,000 | 5,673 SF
SUSAN HAAS | (804) 349-5788

Historic tax credit redevelopment opportunity and qualifies for tax abatement program on a block off Broad St. 3-story zoned B-4 community business, allowing for retail/restaurant, residential, service and/or office.

Mixed-Use For Sale



2053 W BROAD STREET | RICHMOND
\$1,399,900 | 10,608 SF
KERRY RILEY | (804) 432-2688

Successful, upscale bar/restaurant in first level, two large, upscale apartments to rear of building which are 711 N Allison ST units A & B. One 3 bed/1 bath unit. One 4 bed/1 bath unit.

Multifamily For Sale



3806 CHAMBERLAYNE AVE | RICHMOND
\$430,000 | 4,880 SF
BLAKE POORE / CURT REISCHETTER
(804) 612-0126

This is an eight unit apartment. Seven units are one bedroom and one bathroom. One unit is a two bedroom and one bathroom. Storage garage on the rear of the property that rents for \$125 per month.

Office For Sale



5711 CHAMBERLAYNE AVE | RICHMOND
\$899,000 | 15,209 SF
CHERYL HAMM, CCIM | (804) 967-2765
BILL PHILLIPS | (804) 967-2739

Two-story office building on 3.4 acres with great visibility from I-95N. There is also a walk-out basement currently used for office and storage space. Directly off I-95 ramp.

Real Estate Review

Being in control of one's financial future entails not only knowing when and where to buy investment properties, but also when to sell or flip those assets. It's a very individual decision that should be based on your circumstances at the time, interest rates, return on investment, market trends, location and more.

If you are considering buying or selling, or just want to take an in-depth look at market trends and forecasts, give me a call for a free Real Estate Review. I'd be happy to help!

Retail For Lease



3202 W CARY STREET | RICHMOND
NEGOTIABLE | 806 SF
LAIKYN SEVERSON/THOMAS DENZLER
(804) 221-2715

Upper level of two-story brick building. Located in the heart of Cary Town with many nearby amenities. UB Zoning, promoting a wide range of potential uses for the property. Space formerly used as a salon.

Land For Sale



11801 JEFFERSON DAVIS HWY | CHESTER
\$350,000 | 11.63 AC
BILL PHILLIPS | (804) 967-2739

Wooded acreage ripe for development very close to major regional and national retailers. Property is zoned C-3 Community Business for a wide variety of potential uses. Strong vehicle count and public water.

Land For Sale



13400 HAPPY HILL ROAD | CHESTER
\$650,000 | 5.02 AC
JAY ASHCRAFT | (804) 967-2770
DALE SMTIH | (804) 350-8683

5 acres for sale at the signalized intersection of Happy Hill Road and Harrowgate Road in Chester. Zoned A-1, possible commercial.

Office For Lease



HENRICO DOCTORS | RICHMOND
\$13 SF/YR | 2,321 SF
BILL PHILLIPS | (804) 967-2739

This medical office space is well-positioned in the heart of the popular Henrico Doctors Hospital Forest Ave campus. Layout includes 4 exam rooms, waiting and reception area, office space, lab and more.

RECENTLY SOLD

Joyner Commercial reports the following deals in October 2016.

Sixth and Franklin, LLC purchased a 7,695 sf Building at 22 E. Broad Street in the City of Richmond for \$375,000. Kerry Riley represented the Seller in the transaction.

Rod Renfrow purchased 1560 Standing Ridge Drive in Powhatan for \$935,000. Bill Phillips represented the Seller.

Prevent Child Abuse Virginia leased 4,535 sf of office space at 8100 Three Chopt Road in Henrico. Bill Phillips and Cheryl Hamm represented the Tenant.

Virginia Realty Ventures, LLC purchased a 3,024 sf building at 3151 Moody Avenue in the City of Richmond for \$137,500. Kerry Riley represented the Purchaser in the transaction.

Virginia Realty Ventures, LLC purchased a 2,303 sf building at 3018 Porter Street in the City of Richmond for \$165,000. Kerry Riley represented the Purchaser in the transaction.



8100 Three Chopt Road, Henrico



1560 Standing Ridge Dr, Powhatan



US Postage
PAID
Richmond,
VA
Permit No.

2727 ENTERPRISE PARKWAY
RICHMOND, VA 23294
PHONE: 804-270-9440
WWW.JOYNERCOMMERCIAL.NET



Photo: Jeffrey Greenbury, Virginia Tourism Corporation

MARKET UPDATE

GREATER RICHMOND COMMERCIAL REAL ESTATE
by Joyner Commercial

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