



SUMMER 2021 MARKET UPDATE



Greater Richmond
Commercial Real Estate

The State of Commercial Real Estate- Industrial, Retail, & Office



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Companies Leased More Than 300 Million SF of Warehouses in Second Quarter of 2021

National demand for warehouses and other industrial buildings shattered sales, leasing and construction records at mid-year as people flock to buy goods online and, increasingly, at physical stores as the pandemic wanes.

Tenant deals, sales and construction recorded all-time highs in the second quarter, with total leasing almost certain to exceed 300 million square feet nationally for the first time, according to CoStar.

Leasing by total square footage was up at least 30% to 40% in the quarter from pre-pandemic levels in the nation's logistics and manufacturing hubs, "stronger than what many of the largest U.S. markets can even handle," Adrian Ponsen, CoStar's director of market analytics, said in a video presentation of second-quarter 2021 data.

Shoppers are buying furniture, sporting goods, clothing and other items at record levels with cash from government stimulus checks and savings at both online and at brick-and-mortar stores, Ponsen said. The need to ship and store goods has caused a mad scramble by landlords and developers to buy, lease and build logistics space as economies across the United States reopen more than 16 months into the pandemic.

Signings have more than doubled in such smaller cities as Las Vegas, Huntsville, Alabama, and Scranton, Pennsylvania as they skim demand from more established distribution hubs such as Southern California and central Pennsylvania, where developers can't build warehouses fast enough, he added.

U.S. builders set quarterly records for the amount of space under construction, surpassing 400 million square feet in a second quarter for the first time in history, Ponsen said.

Leasing increases paired with industrial rent growth exceeding 5% in most large cities caused investors to shell out at least \$29 billion to buy property, also the highest total ever recorded at the end of a second quarter, he added.

Some store types have reported sales up by 20% or more, and in some cases much more. These include many that were among the worst hurt by the early months of the pandemic. The most drastic example is the hobby store category, encompassing sporting goods, book, toy and game stores.

Retail Property Market Bounces Back Nationwide

The retail sector has shown resounding strength through the first half of the year as U.S. government fiscal support put trillions of extra dollars in the wallets of consumers. That supported strong sales growth, slowing the pace of store closing announcements as leasing and demand rose to multiyear highs in the second quarter. While the focus has been on store closings over the past year, many retailers are now expanding, with the discount, grocery, home decor and beauty sectors leading the way.

However, portions of the store sector remain poised for further disruption. The reorientation of retailer locations and footprints is driving significant splits in overall retail performance based on geography, store size and shopping center type. From a geographic perspective, retailers have continued to focus their expansion plans on metropolitan areas in the South and West with stronger buying power growth, as the age-old adage of retail following rooftops continues to hold true.

Meanwhile, diverging performance is rising within metropolitan areas as well, as retailers become more selective over store locations. That's weighing on the performance of secondary and tertiary corridors with lower growth prospects.

It is not just store counts that are emerging leaner from the pandemic but also the typical retail footprint. The average footprint of retail leases has continued to drift lower as numerous retailers, including Target, Macy's and Burlington, have announced plans to focus on smaller stores. That leaves larger, vacant boxes in secondary and tertiary corridors at particular risk as demand for those spaces simultaneously grows smaller and more selective.

Second-quarter retail investment activity hit its highest recorded level since the third quarter of 2018, eclipsing \$25 billion. Investors have primarily targeted assets that have minimal near-term leasing risk, as evidenced by the nearly 96% average occupancy of retail properties sold during the second quarter.

Single-tenant, net-leased properties continue to see the most attention from investors, thanks to healthy income spreads and the lower-risk, bond-in-a-box qualities of these

deals. Investors also continue to target grocery-anchored centers for their overall lower sensitivity to e-commerce disruption and primary focus on essential retail tenants.

US Office Market Sees Leasing Rebound

The U.S. office market saw a recovery from its pandemic-related slowdown by some measures, with overall leasing rebounding strongly in the second quarter, according to a CoStar analysis.

While vacancies rose and sales remained subdued, some companies seemed to "make up for lost time" in terms of leasing, Jesse Gundersheim, senior director of Northern California market analytics for CoStar Group, said in a video review of the sector.

"New leasing volume is back up as the nation emerges from pandemic restrictions. ... Over 80 million square feet was leased in the second quarter, exceeding the [first-quarter 2020] pre-pandemic level for the first time," he said.

What Gundersheim described as "mega tech firms" — Facebook, Apple, Amazon and Google — continued to expand their real estate footprints amid the waning COVID-19 outbreak.

As one example, Gundersheim cited Apple signing one of the quarter's largest leases at a new development, built on speculation, in Sunnyvale, California, near the company's Cupertino headquarters. "The tech giant secured roughly 700,000 square feet across six buildings at the recently completed Pathline Park campus, joining cybersecurity firm Proofpoint and electronics software maker Synopsys in the now fully leased development," he said.

Gundersheim also highlighted several other major second-quarter deals. Streaming platform Hulu expanded its presence in Santa Monica, California, with a seven-year, 351,000-square-foot lease at Boston Properties' Colorado Center. Roku, a provider of streaming media players, signed a deal at the same complex earlier this year.

Sources: Retail Property Market Bounces Back Nationwide | Industrial Demand Sets Records as Economies, Shopping Centers Reopen | US Office Market Sees Leasing Rebound | CoStar | July 2021

SOLD/LEASED IN Q2 2021

See all our listings at:
JoynerCommercial.net/Property-Search

Recently Sold:

- Virginia Kachin Baptist Church purchased a 3,872 sf special purpose building on 1.3 acres at 131 Walton Park Ln in Midlothian for \$550,000 from Walton Park Congregation of Jehovah's Witnesses. Susan Haas represented the Seller.
- St George & St Philopater Coptic Church, LLC purchased a 4,416 sf special purpose building on 3.47 acres at 4305 8th St in Richmond for \$585,000 from Rockwood Park Congregation of Jehovah's Witnesses. Susan Haas represented the Seller.

Recently Leased:

- Collective RVA, LLC leased 3,408 sf of office space at 318 W Broad St in Richmond. Bill Phillips represented the Landlord.
- West Broad Investments leased 661 sf of office space at 2727 Enterprise Pkwy in Henrico. Bill Phillips represented the Landlord.
- Pinnacle Cabinetry & Design, LLC 1,250 sf of retail space at 2083 Dabney Rd in Richmond. Bill Phillips represented the Tenant.
- The Dessert Diva RVA LLC leased 3,618 sf of retail space at 6 N 19th St in Richmond. Rob Brown & Bernard Heyward represented the Tenant in this transaction.

What's New in RVA



Brick-and-Mortar Home for Pizza Joint

With a focus on pizza and wine, Pizza Bones opened in June at 2314 Jefferson Ave. in Union Hill. It is currently operating from 4-9 p.m. Thursdays to Sundays, doing only carry-out and outdoor dining for now.

Pizza Bones started as a pop-up out of the owner's house and later was able to run weekend pop-ups at several locations around town.



Neighborhood Market Pivots To Fine Dining

Brothers Sean and Pat Lynch opened Brookland Park Market at 305 W. Brookland Park Blvd. last year, offering groceries, beer and wine along with sandwiches, prepared meals and other hot food.

Now the Lynch brothers are preparing to convert the market into a full-time, sit-down restaurant.



Bainbridge Street Projects

Local developer Daniil Kleiman is moving forward with new construction projects that will add 20 apartments and a corner commercial space.

The bigger of the two is 1421 Bainbridge, where he's planning a mixed-use building totaling 14,600 square feet with 15 apartments and a 1,000-square-foot commercial storefront.

Source: Richmond BizSense | 2021

FEATURED PROPERTIES



Warehouse | For Sublease

10990 AIR PARK RD
\$9.50 PSF NNN | 22,839 SF
BILL PHILLIPS, CCIM | (804) 967-2739
 Highly visible warehouse auto/truck repair facility for sublease up to 22,839 sf of warehouse (with mezzanine), shop, service bays, office space and gravelled & fenced yard, Hanover's Industrial Air Park.



Land | For Sale

10330 MEMORY LN
\$225,000 | 0.98 ACRES
TODD BUTTNER | (410) 382-7109
 This last undeveloped corner lot, zoned O-2, is looking for an office/medical user to join the neighborhood in the Iron Bridge Corridor! Located just behind the Chesterfield Meadows Shopping Center.



Land | For Sale

4790, 4794, 4796 & 4810 PONUCEY TRACT RD
\$2,000,000 | 7.324 ACRES
BILL PHILLIPS, CCIM | (804) 967-2739
 Four parcels for a total of 7.324 acres in Henrico County's West End. Located in Henrico's Suburban Mixed Use comp plan.



Mixed-Use & Land | For Sale

512 N 3RD ST & 520-524 N 3RD ST
\$1,250,000 | 2,154 SF, 3 LOTS (5,735 SF)
SUSAN HAAS | (804) 349-5788
 512 N 3rd St 2154sf Duplex and 3 vacant lots (5,735sf) in Richmond's Urban Core Area designated a Priority Growth Node just off I-95 exit.



Retail/Office | For Sale

802 E NINE MILE RD
\$180,000 | 1,462 SF ON 0.273 ACRE
ROB BROWN | (804) 651-5685
BERNARD HEYWARD | (804) 317-7777
 Freestanding building on corner of E Nine Mile Rd and N Pine Ave ideal for retail/office user/investor in the Highland Springs Historic District. Henrico, VA.



Land | For Sale/Lease

1010 N 7TH ST
\$750,000 | 0.068 ACRES
\$3,000 PER MONTH
TODD BUTTNER | (410) 382-7109
 Land parcel with no wetlands and 199.75 feet of lot frontage. Option to buy or lease. Highly visible from major highways.