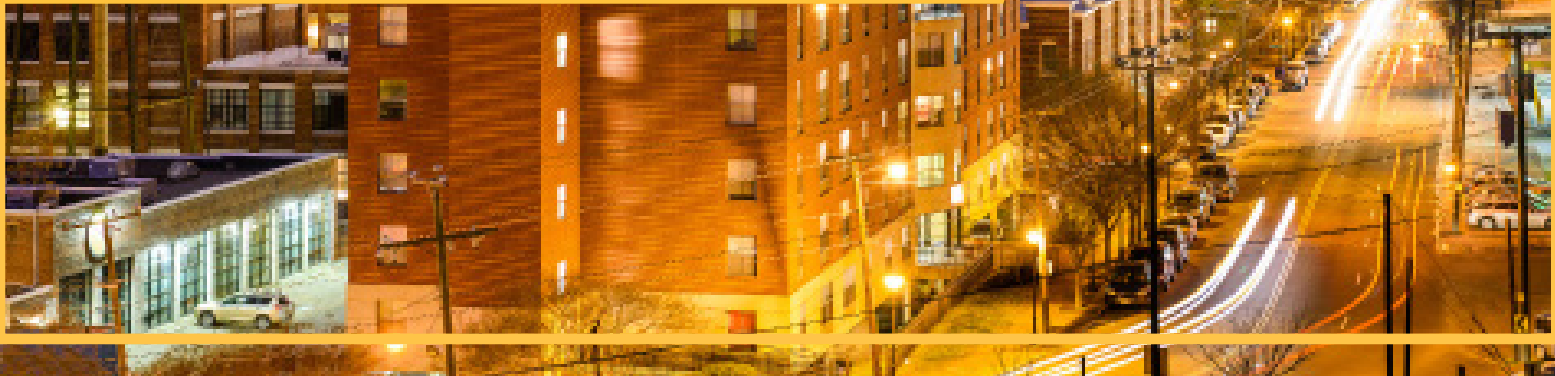




# SUMMER 2023 MARKET UPDATE



Greater Richmond  
Commercial Real Estate

## Virginia Industrial Markets Emerge From Pandemic Among Tightest in the US



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### Virginia Industrial Markets Emerge From Pandemic Among Tightest in the US

The port cities of Los Angeles; Newark, New Jersey; and Savannah, Georgia, have garnered the most headlines out of all the major U.S. distribution hubs during the pandemic due to their surging import traffic and industrial rents. Meanwhile, cities across Virginia have quietly emerged with some of the tightest industrial markets in the nation, a position they will likely maintain over the next several months even as the country approaches a potential recession.

#### Tailwinds From E-Commerce

As in most states, Virginia's industrial sector has benefited greatly from the surge in online spending that has driven renewed demand for warehousing and distribution space.

In Virginia, arguably no company has had a more significant effect on the state's industrial market in recent years than Amazon, the world's largest online retailer that in late 2018 selected Arlington in Northern Virginia to house its second headquarters. Since that announcement, Amazon has more than doubled its distribution center space in the state, with notable projects including a 3.8 million-square-foot, robot-powered fulfillment center that opened last year in Suffolk as the largest industrial building in Virginia.

Today, Amazon's total industrial footprint comes to at least 21 million square feet. This equates to 2.4 square feet of industrial space per capita statewide, more than double Amazon's per capita industrial space in the U.S. and Canada combined.

Amazon continues to grow its distribution presence along Virginia's Interstate 95 and Interstate 81 corridors to serve mid-Atlantic consumers. Notably, none of Amazon's Virginia locations have come back on the market for lease as the firm has been selectively winding down redundant or outdated facilities, closing more than 50 distribution centers across the U.S. since early 2022. Last year, Amazon even purchased a large distribution center in Hampton, Virginia, already occupied by two tenants, signaling the company's challenges in finding available space near the state's largest port.

Amazon Web Services, the IT service management company for Amazon, also announced plans earlier this year to invest \$35 billion to establish multiple data center campuses across Virginia by 2040.

#### Port of Virginia Gains Prominence

The Port of Virginia was the sixth busiest port in the U.S. by weight of containerized imports and exports processed during 2022 and has been a key driver of the state's industrial market boom. The expansive state-owned facility and one of the largest container ports on the East Coast moves cargo to and from more than 200 countries and has helped establish the area as a prime launch point for businesses to import, export and distribute products.

Cargo backups at Southern California's ports, followed by prolonged worries over a potential strike by the West Coast dockworkers union, have caused a significant reshuffle in supply chains since 2020. American retailers importing goods from Asia have increasingly chosen to bypass major West Coast ports via the Panama Canal and ship East Coast-bound goods directly to the country's largest Atlantic ports.

During the first quarter of 2023, the combined weight of containerized imports arriving from Asia at the Port of Virginia was up 16% compared to the first quarter of 2019. That is more than double the growth in overall U.S. imports from Asia during the same period, according to data from the U.S. Census Bureau.

Meanwhile, since the start of the pandemic, the Port of Virginia has maintained its position as a hub for businesses importing food and beverage goods from Europe and South America, with expansions by such companies as Italian olive oil maker Certified Origins and coffee industry giant Massimo Zanetti.

Even as imports have slowed across the country over the past few months, the combined weight of containerized imports and exports at the Port of Virginia was still up 14% during the first quarter of 2023 compared to the first quarter of 2019.

Additionally, the Virginia Port Authority is expected to wrap up work in 2024 on its \$450 million dredging project that upon completion would make the Port of Virginia the deepest port on the East Coast. That will allow it to handle the two-way flow of ultra-large container vessels unrestricted by tide or channel width, giving the state a significant competitive advantage, Stephen A. Edwards, CEO and executive director of the Virginia Port Authority, said in a statement.

### Supply Constraints Keep Vacancy Minimal

Elevated container traffic has increased demand for industrial space near the port, but land nearby that can support more distribution center development is limited, and the portion of industrial stock available for lease in Norfolk is now the lowest of any major U.S. market. The Norfolk market, where the Port of Virginia is located, is surrounded by the Chesapeake Bay to the north and the Atlantic Ocean to the east. Swamps and wildlife reserves also flank it to the west and south.

In response, many retailers with imports arriving at the Port of Virginia are setting up distribution centers in nearby Richmond. For businesses looking to deliver goods to East Coast consumers, Richmond is in a unique position along two of America's most populated corridors: I-95, which runs along the Eastern Seaboard, and I-85, which runs from the Richmond area to Atlanta.

In March, apparel wholesaler SanMar leased a more than 1.1 million-square-foot warehouse outside of Richmond that will serve as its largest distribution center and the flagship facility for its East Coast distributions. The location provides SanMar access to the Richmond Marine Terminal, which is leased by the Virginia Port Authority. Its deal came after a flurry of large leases signed by such companies as Dominion Packaging, Sapporo Group, Lowe's, UPS and Sam's Club over the past 12 months.

"Lack of supply is a much bigger risk here than a downturn in demand," Wood Thornton, senior vice president and principal at Colliers' Richmond office, told CoStar.

"We are currently tracking over 8.5 million square feet of industrial tenants seeking space in the Richmond market," Thornton said. "There is

virtually no vacancy in existing product, and the 12-month development pipeline only has about 3 million square feet that is not already spoken for."

### Rents on the Rise Across the State

Growing tenant demand, coupled with limited new construction, has been a recipe for rising rents. Virginia Port Logistics Park's 1010 CenterPoint Drive is proving a prime example. The 2015-built distribution center is less than 30 miles from the Port of Virginia and lists 50,000 square feet available at an advertised triple net rent of \$8.50 per square foot. This constitutes a 36% premium to the advertised rent of \$6.25 per square foot that was listed five years earlier for a 36,000-square-foot space at a similar property, 2175 Elmhurst Lane, which is closer to the port.

Rent gains have also been on the rise in the western half of the state. Virginia's I-81 corridor comprises a chain of smaller markets in western Virginia, including Staunton, Winchester and Harrisonburg.

These towns are home to giant distribution centers operated by retailers including Target, Home Depot and Walmart. Since the beginning of 2022, tenants including Amazon, FedEx, Dollar Tree and Geodis have leased additional logistics facilities along the corridor.

"I-81 might have some of the best investment opportunities in the Commonwealth," said David Cruz-Palmer, principal at Corridor Capital Partners.

After 14 years of working in commercial brokerage in San Francisco, Cruz-Palmer returned to his college town of Charlottesville to launch Corridor Capital Partners, a private equity firm syndicating investments in industrial properties throughout the eastern U.S.

"Virginia's I-81 corridor has a good supply of affordable labor, great connectivity to major cities, and properties can be purchased for below replacement cost," he said.

Among Virginia properties larger than 20,000 square feet and within 15 miles of I-81, the average advertised triple-net rent is currently \$5.91 per square foot, up 22% from the average of \$4.85 recorded five years ago. Here, the Blue Ridge Mountains limit how many large distribution centers can be built. As in Norfolk and Richmond, industrial space availability rates are far below the U.S. average.

With all unleased industrial space under construction across the state currently totaling 5.5 million square feet, or less than 1% of Virginia's existing stock, new construction is not on pace to alleviate the state's distribution space shortages by 2024. If higher interest rates persist and continue to reduce financing for new construction, these tight market conditions could last well into the second half of this decade.

Source: CoStar Analytics | May 2023

## SOLD/LEASED IN Q2 2023

See all our listings at:  
[JoynerCommercial.net/Property-Search](https://JoynerCommercial.net/Property-Search)

### Recently Sold:

- 14,250 SF located at 1510 Prince George in Petersburg for \$349,000. Bill Phillips represented the seller.
- 7,000 SF of mixed-use located at 11928,11930,11932 Centre Street in Chester for \$750,000. Susan Haas represented the seller.
- 10 Acres of land located at 2482 New Market Road in Henrico for \$480,000. Bill Phillips represented the seller.
- 862 SF located at 16 W Broad Street in Richmond for \$230,000. Bill Phillips represented the seller.

### Recently Leased:

- 11,304 SF of retail/office space located 2000 High Street in Portsmouth. Shawnta Soberanes represented the tenant.
- 7,342 SF of land and building space at 5424 Route 1 Hwy in North Chesterfield. Bill Phillips represented the landlord.
- 4,305 sf of restaurant space at 7103 Brook Road in Henrico. Todd Buttner represented the landlord.
- 4,280 sf of retail space at 1105 N. Arthur Ashe Blvd in Richmond. Bill Phillips represented the landlord.
- 2,709 sf of retail space at 15170 George Washington Memorial Hwy in Saluda. Sean Yoon represented the landlord.
- 2,625 sf of office space at 2821 Parham Road in Henrico. Todd Buttner represented the landlord.
- 2,083 sf of retail space at 5206 Chamberlayne Road in Richmond. John O'Connor represented the tenant.
- 1,650 SF of retail space at 1625 Hull Street in Richmond. Susan Haas represented the landlord.
- 1,072 sf of office space at 400C Southlake Blvd in Chesterfield. John O'Connor represented the landlord.
- 1,000 SF of office space at 7277 Hanover Green Drive in Mechanicsville. Todd Buttner represented the landlord.



# What's New in RVA



## Sauer plans to add apartments to Midlothian shopping

The Richmond-based landlord and developer is seeking zoning approval to add up to 350 apartments to the shopping center formerly called Stein Mart Festival, which is near the intersection of Midlothian Turnpike and Robious Road.

The project also would include new greenspace and improvements to retail storefronts at the roughly 183,000 SF center. Also proposed are new walkways for pedestrians.



## Redeveloping former Dairy Bar and Tang & Biscuit properties

Capital Square plans to redevelop two adjacent lots at 1600 Roseneath Road and 3406 Moore Street.

They filed zoning confirmation letters with the city last week proposing to redevelop the two sites together into a five-story multifamily residential project. The two parcels total about 2.25 acres and most recently were assessed by the city at a combined \$9.7 million.



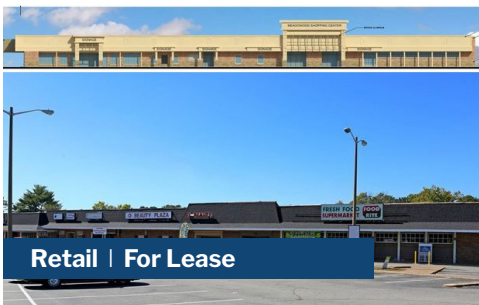
## New Virginia Credit Union branch in Berkeley Hotel

The region's largest credit union this week confirmed its plans for a new branch on the ground floor of the Berkeley Hotel at 1204 E. Cary Street in Shockoe Slip. It will occupy the hotel's old banquet hall space fronting Cary Street. The branch will be around 1,200 SF. VACU also applied for permission from the city to install a walk-up exterior ATM.

VACU has hired architecture firm Adrenaline to design the Shockoe branch. Team Henry Enterprises is the general contractor.

Source: Richmond BizSense | 2023

## FEATURED PROPERTIES



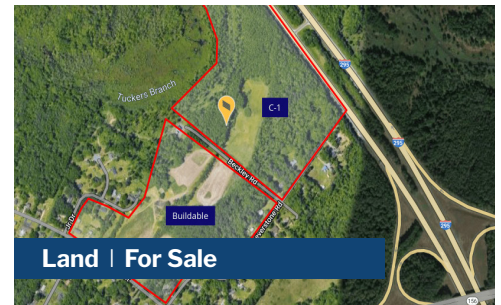
Retail | For Lease

**5100-5118 RICHMOND HENRICO TPKE**  
CONTACT BROKER | 952-15,493 SF  
Todd Buttner | (410) 382-7109  
Meadowood Square Shopping Center redevelopment property undergoing major upgrades. Proximity to Hanover County and City of Richmond



Mixed Use | For Sale

**801 W BROAD STREET**  
CONTACT BROKER | 6,400 SF  
Susan Haas | (804) 349-5788  
Three-story building sits half mile to I-95 and I-64 provides access to national anchors, such as Chipotle, Panera, and CAVA on Laurel Street



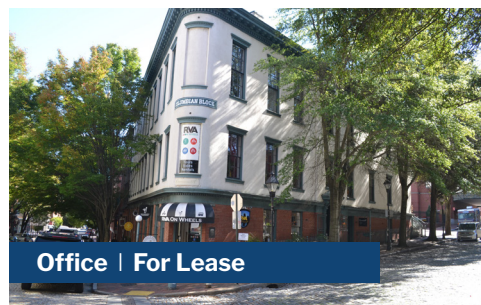
Land | For Sale

**1830 N WASHINGTON STREET**  
\$695,000 | 95.73 ACRES  
Newton Carroll | (804) 967-2624  
Located in eastern Henrico with convenient access to all major highways and area attractions. Flat and mostly cleared. 30 acres zoned conservation.



Office/Retail | For Lease

**8409 STAPLES MILL ROAD**  
\$11.00/SF (NNN) | 3,465 SF  
Regina Nguyen | (804) 967-2765  
Flex space available in this conveniently located commercial & industrial center at the corner of Staples Mill Rd and E Parham Rd.



Office | For Lease

**1301 E CARY STREET**  
\$15.00/SF | 2,914 SF  
Bill Phillips, CCIM | (804) 967-2739  
Creative office space located on the basement level of the Columbian Block in Historic Shockoe Slip adjacent to the Martin Agency.



Retail | For Sale

**1933 & 1935 VICTORY BLVD**  
\$3,900,000 | 84,437 SF  
Sean Yoon | (804) 355-4000  
The Triangle Shopping Center is in a well-located neighborhood shopping center amid several National Brand restaurants and retail shops.



6641 W BROAD STREET, SUITE 101  
RICHMOND, VA 23230

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JoynerCommercial.net

