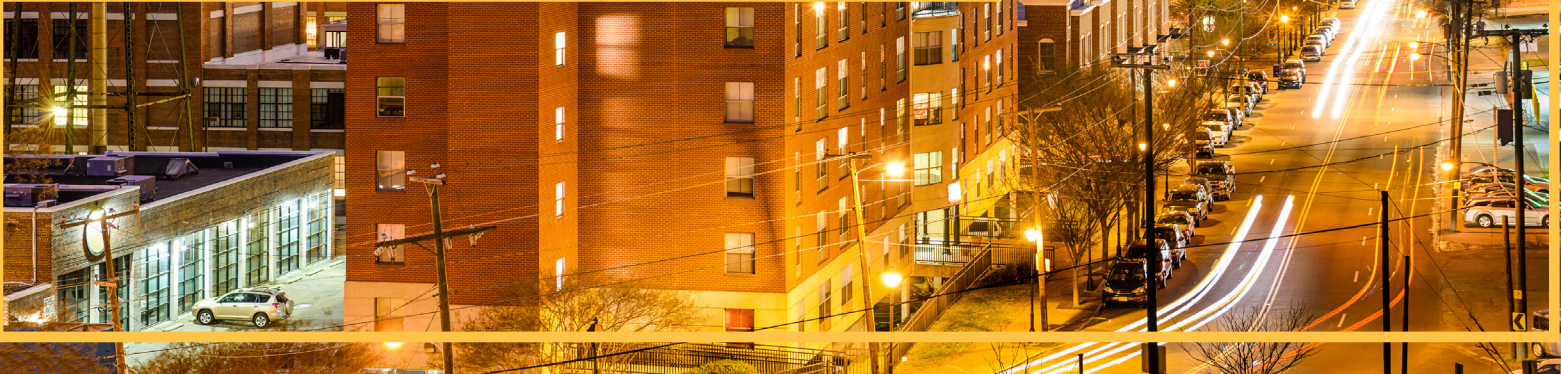




FALL 2023 MARKET UPDATE



Greater Richmond
Commercial Real Estate

A Bright Spot in Commercial Real Estate: Retail Shops



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A Bright Spot in Commercial Real Estate: Retail Shops

Retailers are on track to open 1,000 net new stores in the U.S. this year as retail availability hits record lows, in fresh signs of the sector's resilience despite turmoil in commercial real estate.

Landlords say demand for retail space has remained robust this year, defying inflation pressures, high interest rates and liquidations including Bed Bath & Beyond and Christmas Tree Shops.

Retail's strength is largely the result of a sharp drop in retail construction since the 2008-09 financial crisis, which allowed the oversupplied sector to digest its existing real estate. Retailers, meanwhile, started using online sales data and analytics technology to pinpoint locations for successful stores.

Also, prediction that internet sales would wipe out physical retail failed to materialize. Digitally native companies are opening bricks-and-mortar locations after reaching the limits of online customer acquisition. Shoppers flocked back to stores and restaurants as pandemic restrictions eased.

As of mid-August, retailers had announced plans to open nearly 4,500 new locations while shutting about 3,500, according to advisory and research firm Coresight Research. Nationwide, the rate of available retail space fell to 4.8% in the second quarter, the lowest level in the 18 years the data has been tracked by real-estate-services firm CBRE.

The retail real-estate recovery stands in contrast to the office market, where popularity of hybrid work schedules has helped push up the office-vacancy rate to a 30-year high of 18.2%, according to CBRE.

"Office is in the crosshairs," said Conor Flynn, chief executive of shopping-center owner and operator Kimco Realty. "But retail is outperforming."

Shopping-center owners, particularly in the suburbs, have benefited from the rise of remote work since the onset of Covid-19 in 2020, as consumers visit local grocery stores and other shops more often during the workweek. In response, some fast-casual restaurants and other retailers have shifted from urban business districts to the suburbs.

"Suburbanization, work from home, all these things happened at the same time that there was no new supply," said John Kite, CEO of shopping-center

real-estate investment trust Kite Realty Group Trust. "That gives us better pricing power."

While retail landlords in some areas, including large cities, have been forced to lower rents since the start of the pandemic, the overall average asking rent for retail space in the U.S. has increased 6.3% since the second quarter of 2020. Asking rents now average more than \$23 a square foot, according to CBRE, the highest level in at least a decade.

Kimco increased rents more than 30% last quarter from backfilling spaces vacated by Bed Bath & Beyond, Flynn said. The landlord has been fielding calls from discount retailers, grocers, home-goods stores, bookstores and apparel companies interested in the bankrupt retailer's former real estate.

Retail sales rose a seasonally adjusted 0.7% in July compared with the prior month, according to Commerce Department data released last week. Americans' spending has now increased for four consecutive months and appears to be outpacing inflation.

"I think the consumer is actually healthier than people anticipate," Flynn said.

Not all retail is thriving. Low-end, enclosed malls are in crisis as department stores contract and other tenants move to open-air locations. Of the \$942 million in sales of distressed retail properties so far this year, two-thirds involved mall properties, according to data provider MSCI Real Assets. Older malls have fallen out of favor in areas that have lost population, said Jim Costello, chief economist for MSCI Real Assets.

"The mall built in the '60s and '70s to sell polyester plants to manufacturing workers-when those manufacturing jobs go away, there's no sales to support the malls," Costello said.

But some high-end malls are reporting strong recoveries in leasing and foot traffic. Real-estate investment trust Macerich, which owns malls including Scottsdale Fashion Square in Arizona and Tysons Corner Center in Virginia,

notched its strongest leasing volume since the 2008-09 financial crisis last year. Leasing so far this year is exceeding last year's pace.

"On the A-mall operator side, rumors of our demise have been greatly exaggerated," Macerich CEO Tom O'Hern said. "We're actually doing quite well."

In some respects, the resurgence in retail real estate is moderating after 2022's boom in retailer expansion and investor activity. Announced retail closings have accelerated a bit from this time last year, according to Coresight.

Retail investment has cooled, MSCI data shows, with total deal volume down 48% in the first half of the year compared with the same period in 2022. Costello said the slowdown reflects rising interest rates and a natural adjustment from last year's surge in sales.

Nationwide, dollar stores are signing the most leases again this year, according to Coresight. Dollar General alone plans to open about 1,000 stores this year. Other retailers are also adding locations, ranging from 12 new stores at pool-supplies company Leslie's to plans for more than 200 openings this year at discount chain Five Below.

Crunch Fitness expects to add more than five dozen gyms this year, up from 40 openings in 2022, according to Ben Midgley, CEO of Crunch Franchising. The company's real-estate team has been surprised by the stiff competition for available space coming out of the pandemic.

"We thought it was going to be a massive opportunity to sign leases," Midgley said. "The landlords were surprisingly resilient in maintaining the rents they wanted or even pushing them up a bit."

Source: Wall Street Journal | August 2023

SOLD/LEASED IN Q3 2023

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

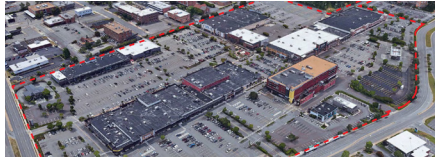
Recently Sold:

- 7,952 SF of office space located at 7023 Lee Park Road for \$1,065,000.00. Bernard Heyward represented the buyer.
- 3,623 SF of retail space located at 2923 North Avenue and 2,976 SF of retail space located at 2925 North Avenue for \$999,000. Todd Buttner represented the seller. Bill Phillips represented the buyer.
- 4,594 SF of office space located at 6130 Mechanicsville Turnpike for \$630,000. Bill Phillips represented the buyer.
- 1.40 Acres of land located at 0 Egypt Road in Hanover for \$75,000. Todd Buttner represented the buyer.
- 0.50 Acres of land Located 7109 W. Broad Street for \$540,000. Kenecko Robinson represented the seller.

Recently Leased:

- 10,000 SF of industrial space at 1804 Currie Street in Richmond. David Feibish represented the tenant.
- 8,450 SF of retail space located at 10030 Robious Road in Chesterfield. Bill Phillips represented the tenant.
- 7,144 SF of retail space located at 5116 Richmond-Henrico Turnpike in Henrico. Todd Buttner represented the landlord.
- 2,205 SF of retail space located at 435-A N. Ridge Road in Henrico. Bill Phillips represented the tenant.
- 2,066 SF of office space located at 4510 Cox Road in Henrico. Bill Phillips represented the tenant.
- 1,229 SF of office space located at 4510 Cox Road in Henrico. Bill Phillips represented the tenant.
- 1,266 SF of office space at 2821 Parham Road in Henrico. Todd Buttner represented the landlord.
- 0.068 Acres of land located at 1010 N. 7th Street in Richmond. Todd Buttner represented the landlord.
- 532 SF of retail space located at 10 B Robinson Street in Richmond. Newton Carroll represented the tenant.

What's New in RVA



Willow Lawn landlord plots mixed-use urbanization

Owner Federal Realty Investment Trust recently unveiled a long-term plan to redevelop the shopping center and its 37 acres into a new mixed-use district, that over time could include over 2,200 residential units and 500,000 square feet of commercial space.

The redevelopment would break the property down into 11 mixed-use areas to be built in phases over a stretch of 20 to 30 years.



84-acre industrial park would cross Goochland-Hanover

A pair of sizable industrial projects are up for deciding votes in Goochland, including a potentially 84-acre business park that would straddle the Hanover County line.

The Pony Farm park is proposed by an LLC led by Todd Walton and Patrick Dolan, who are also pursuing a similar rezoning in Hanover. The 84-acre site is split between the counties, with about 40 acres in Goochland and 44 in Hanover.



Downtown tattoo shop moves to Brookland Park Blvd.

A downtown tattoo shop is heading to the Brookland Park Boulevard corridor after closing one of the highest priced deals in the Northside neighborhood in recent years.

Unkindness Art is preparing to relocate from the Arts District. As part of its move, the tattoo parlor also is planning to open an art gallery and shop dubbed Nevermore next door at 2925 North Ave. Unkindness owner Teresa Sharpe purchased both 2923 and 2925 North Ave. in late August for \$999,000.

Source: Richmond BizSense | 2023

FEATURED PROPERTIES



Retail/Office | For Lease

2704 ENTERPRISE PARKWAY
\$12.00 - \$16.00/SF | 2,400 - 4,800 SF
Todd Buttner | (410) 382-7109
Stand-alone Retail/Office space conveniently located off W. Broad Street with proximity to I-64/Glenside Drive Interchange.



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

6546 CREIGHTON ROAD
\$895,000 | 15.8 ACRES
Newton Carroll | (804) 967-2624
Remarkable opportunity for a mixed-use development in a densely populated and conveniently accessible area of Eastern Hanover.



Office/Retail | For Lease

909 MAIN STREET, WEST POINT
NEGOTIABLE | 2,000 SF
Zachary Robbins | (804) 854-0508
Todd Buttner | (410) 382-7109
Office/Retail shell for lease located along Main Street in Downtown West Point, VA.



Office | For Lease

7419 LEE DAVIS HWY
\$19.00/SF NNN | 2,134 SF
Bill Phillips, CCIM | (804) 967-2739
2,134 SF office/retail space located in the heart of the densest Mechanicsville office and retail area.



Redevelopment Opportunity | For Sale

1109 & 1111 W. FRANKLIN STREET
\$1,795,000 | 8,008 SF
David Feibish | (804) 399-4514
A generational re-purpose development opportunity within the Fan. This location is a part of the western portal to the original RPI, subsequently VCU campus.



6641 W BROAD STREET, SUITE 101
RICHMOND, VA 23230

Phone: 804-270-9440
JoynerCommercial.net

