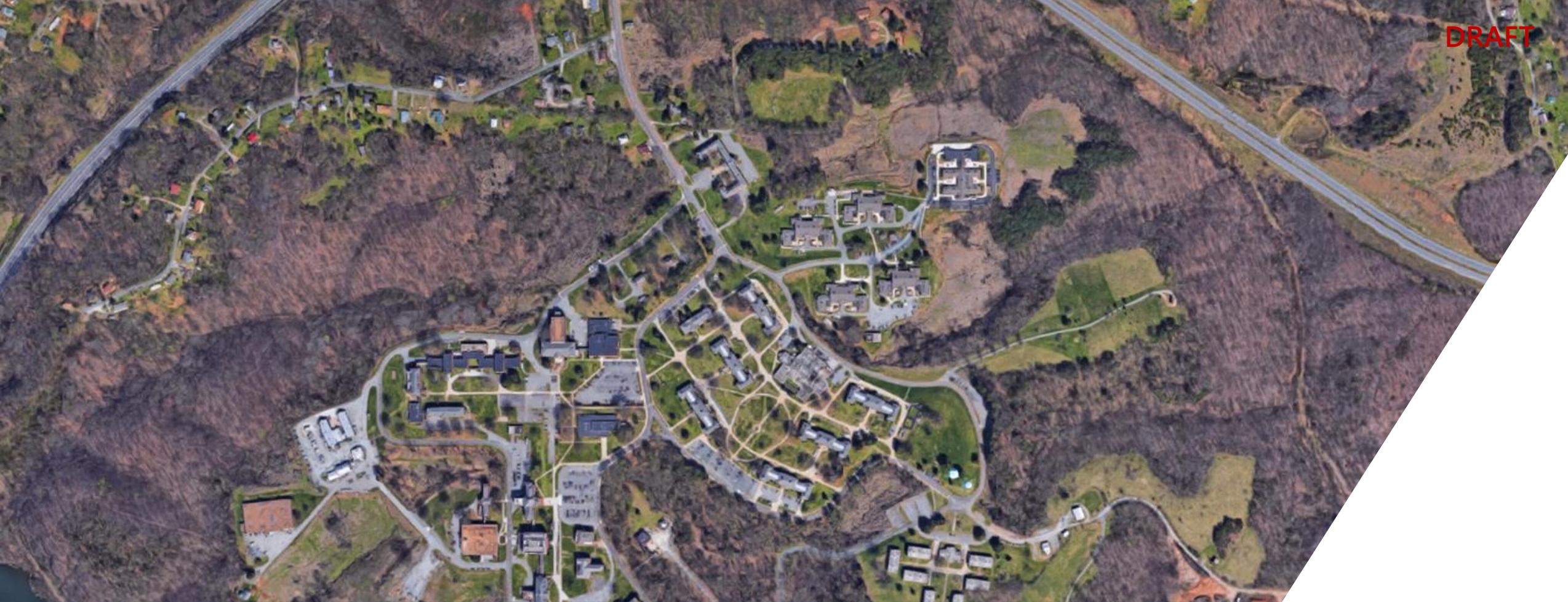


DRAFT



# TRAINING CENTER REDEVELOPMENT PLAN

Preliminary Market Assessment

Draft | November 2020



VISION  
ECONOMICS  
STRATEGY  
FINANCE  
IMPLEMENTATION

# OUTLINE

- Overview & Site Analysis
- Demographics
- Market Assessment
  - Residential
  - Retail
  - Office
  - Industrial
- Key Takeaways

# OVERVIEW

# OVERVIEW

The Central Virginia Training Center Redevelopment Plan presents a once-in-a-generation opportunity to envision and plan the redevelopment of the Central Virginia Training Center (the "Site"). To inform redevelopment planning, SB Friedman assessed the market potential for:



Residential



Office



Retail



Industrial

This preliminary assessment of the Site's market potential helps define a vision for the Site. This assessment is based on existing market conditions, ongoing development trends and local knowledge. The Redevelopment Plan is intended to be a guiding document to support the near and long-term redevelopment of the Site. Redevelopment recommendations and strategies will continue to be refined throughout the planning process to reflect stakeholder input and anticipated phasing over time.

## OUR METHODOLOGY



PRELIMINARY MARKET FINDINGS

# CENTRAL VIRGINIA TRAINING CENTER

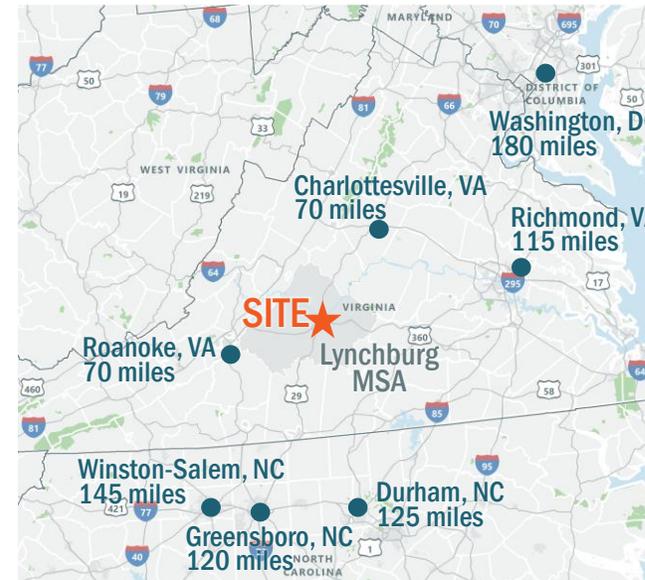
## Opportunity for redevelopment in the Lynchburg Metro Area

### LOCAL



- The Site is in Madison Heights in Amherst County on 247 gross acres of land overlooking the James River and adjacent to Downtown Lynchburg.
- The Site is approximately half a mile from the entrance/exit at Old Town Connector to US Route 29 Lynchburg Expressway.
- The Site is centrally located, approximately 70 miles from both Roanoke and Charlottesville, VA. It is about a two-hour drive to Richmond, VA, Durham, NC, and Greensboro, NC.

### REGIONAL



# SITE ASSESSMENT

## The former CVTC Site offers unique opportunities and challenges to redevelopment

- Site Conditions
  - 247 gross acres, including approximately **110 developable acres**.
  - Former State hospital: Originally developed in 1910, the Site was used as an asylum where eugenics was researched.
  - Before the facility closed it had 98 buildings with approximately six buildings still operational, supporting 47 residents with 215 jobs. The remaining buildings are in varying conditions.
  - The southern portion of the Site includes a mobile home community.
- Site Ownership
  - The State owns the land associated with the CVTC.
  - A private owner owns the land associated with the mobile home community.
- Adjacencies
  - The Site is surrounded by natural beauty while remaining conveniently located to Downtown Lynchburg. The James River, Heritage Trail and Civitan Park provide open space/recreational opportunities.

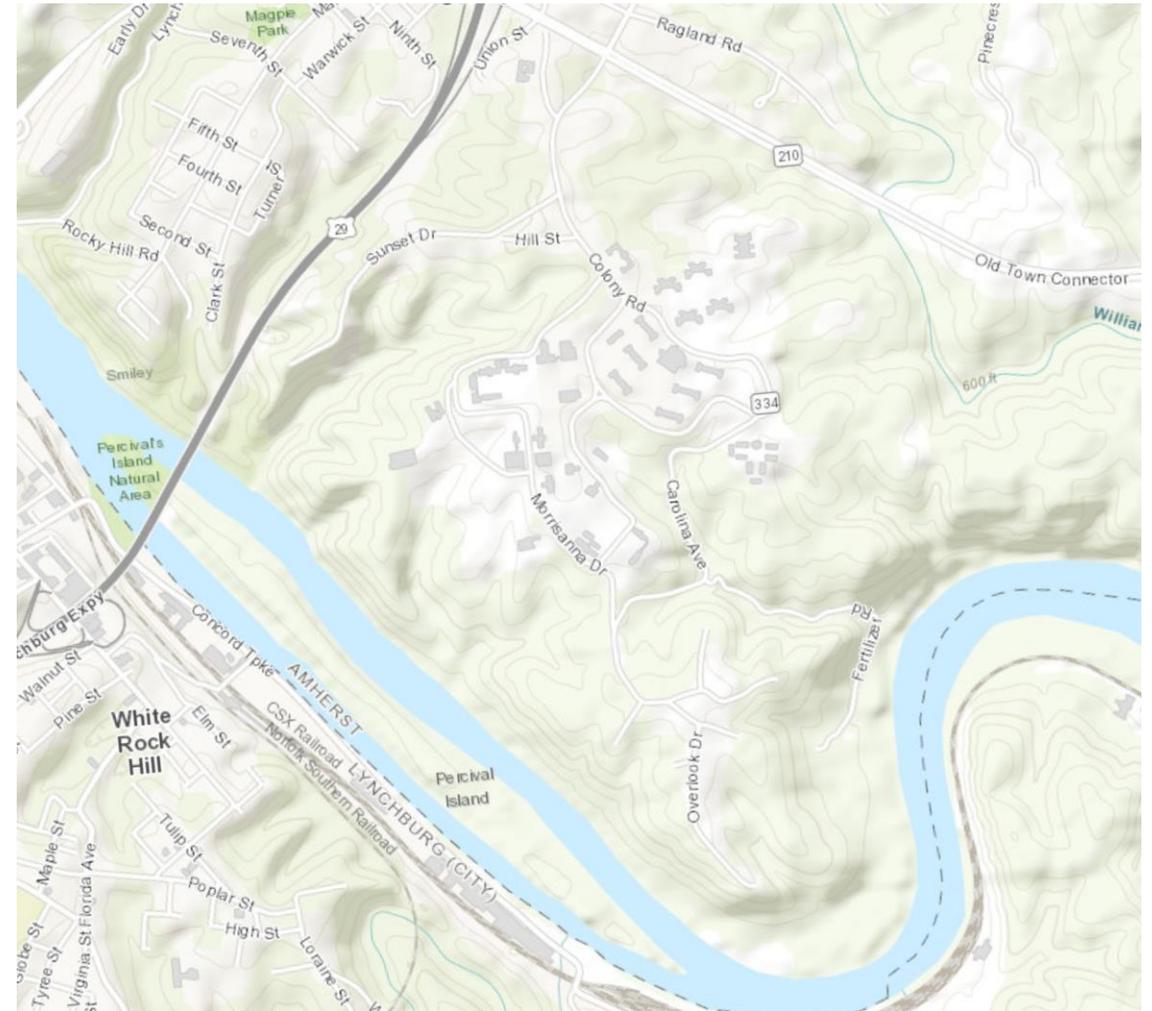


# SITE ASSESSMENT

## The former CVTC Site offers unique opportunities and challenges to redevelopment

- Visibility
  - The Site is set atop a hill adjacent to the James River. While the Site is surrounded by natural beauty which creates a sense of privacy, visibility from the local road network is limited.
- Access
  - The Site is currently accessible via Hwy 210. Colony Road is the only entrance into the Site. Additional access points may be required to support future redevelopment. However, the varying topography may create challenges.
- Site Encumbrances:
  - Typically, a developer prefers “shovel-ready” sites, clear of existing structures and utilities:
    - Building and site demolition
    - Removal of old utilities
    - Environmental remediation

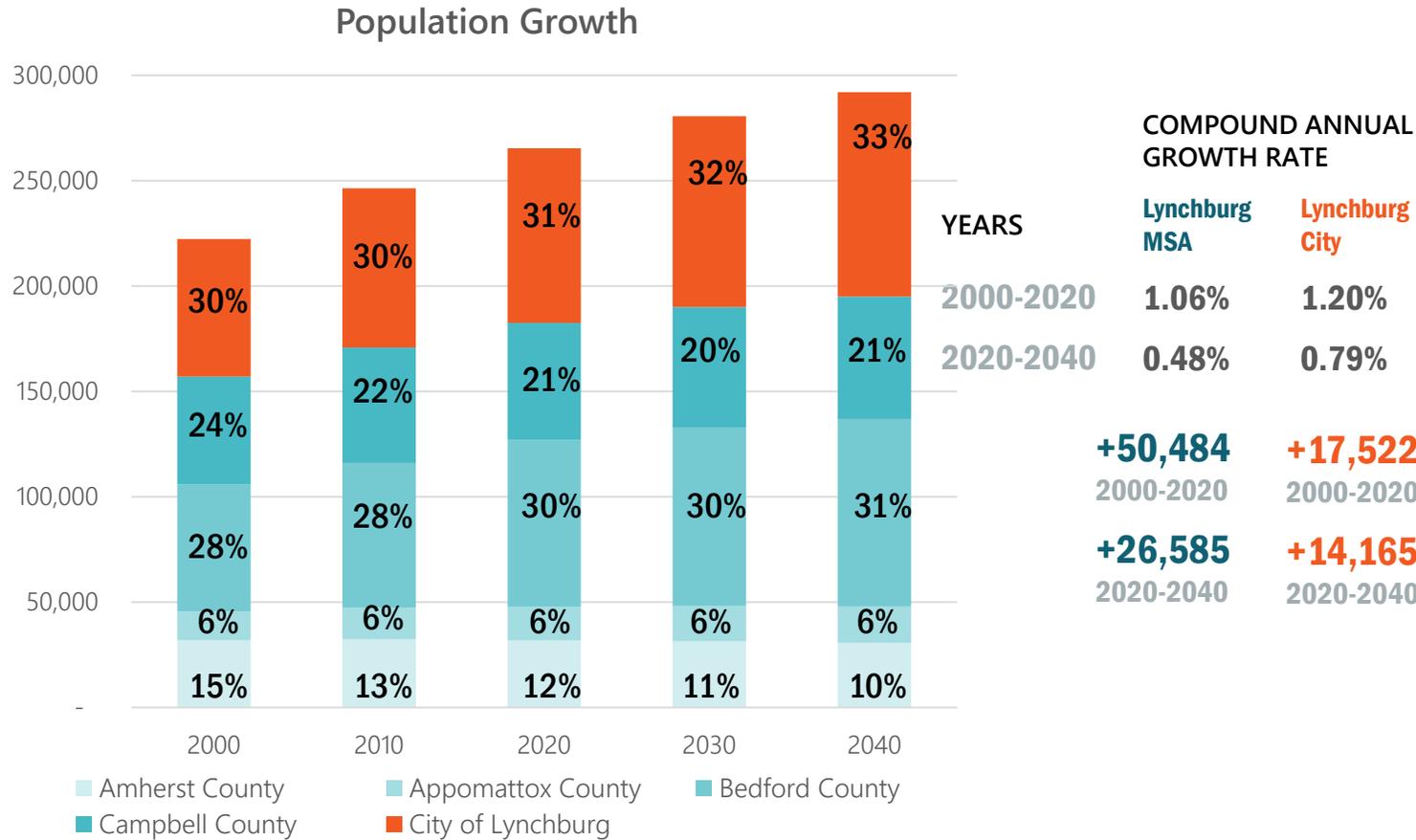
This market assessment assumes site encumbrances will be addressed and paid for in part by the public sector.



# DEMOGRAPHICS

# POPULATION GROWTH: HISTORIC & FORECAST

The population in the Lynchburg MSA is projected to grow at a slower rate than the last two decades



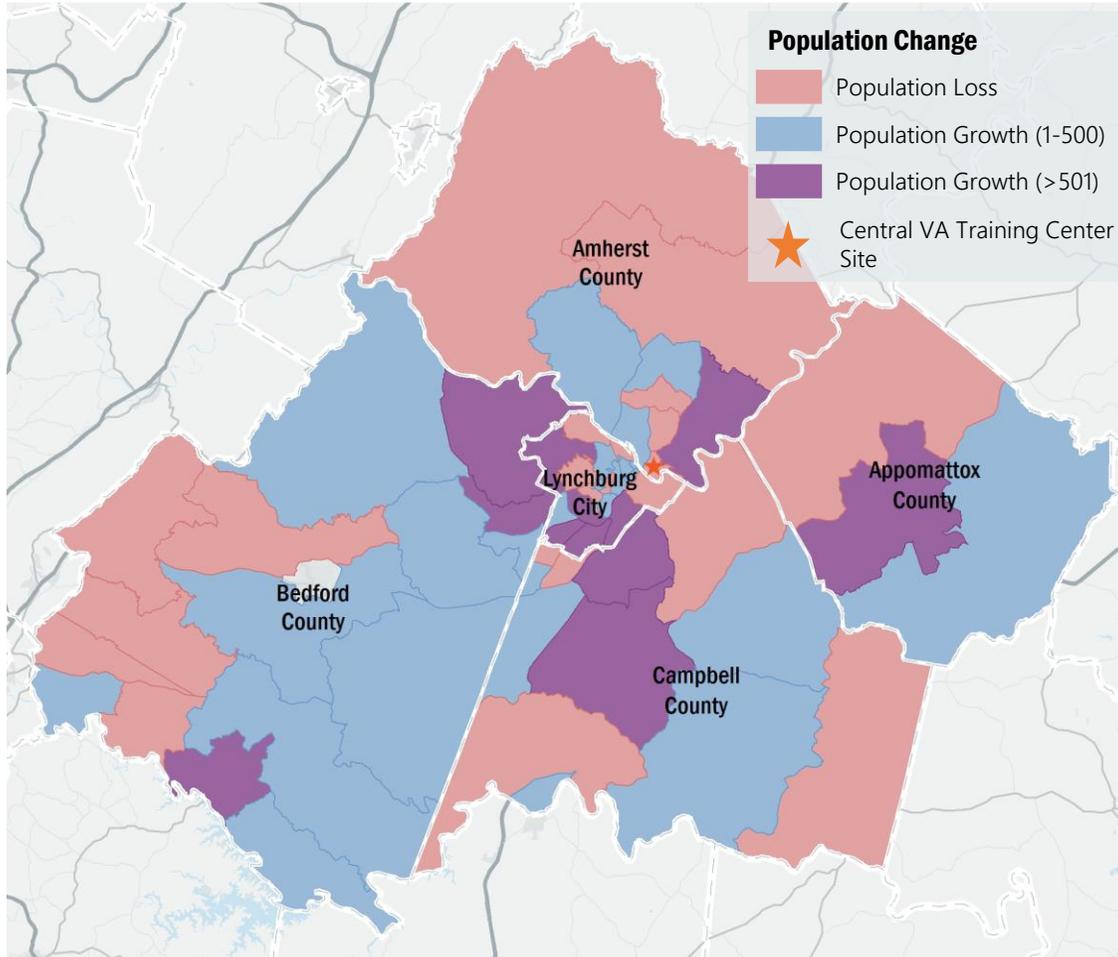
- The State of Virginia is expected to grow by approximately 14% in the next 20 years. The **Lynchburg MSA is projected to grow by approximately 10% over the same time period, slightly slower than the State.** Overall, the MSA is projected to remain approximately 3% of the State’s population.
- Historically, the City of Lynchburg has grown at a compound annual growth rate (CAGR) of approximately 1.2% over the past two decades while the MSA has grown a slower pace. In the coming two decades, **both the City and the MSA are projected to grow at a slower rate than the previous two decades.**
- Population growth is anticipated for the **City of Lynchburg and Bedford County** through 2040. Amherst County is projected to experience limited population growth.
- Given the proximity to where growth is occurring, the Site has the potential to attract the anticipated population growth nearby.

Source: American Community Survey, Demographics Research Group of the Weldon Cooper Center for Public Service, SB Friedman, US Census

# POPULATION CHANGE (2010-2018)

Generally tracts near the Site experienced population growth from 2010 to 2018

## Population Change (2010-2018) by Tract



- The Lynchburg MSA grew by approximately 11,700 people between 2010 and 2018. For the most part, **tracts near the Site experienced population growth between 2010 and 2018.**
- Overall, the City of Lynchburg grew by approximately 6,400 people, Bedford County by 3,800 people, Campbell County by 1,000 people, and Appomattox County by 900 people. Amherst County's population decreased by approximately 400 people from 2010 to 2018. However, the County saw population growth near the Site.
- Of the three census tracts that gained more than 1,500 people, two tracts were in Lynchburg near Liberty University in southeast Lynchburg. The other tract was in Bedford County bordering southwest Lynchburg. This appears to indicate a preference for City or City-adjacent living.

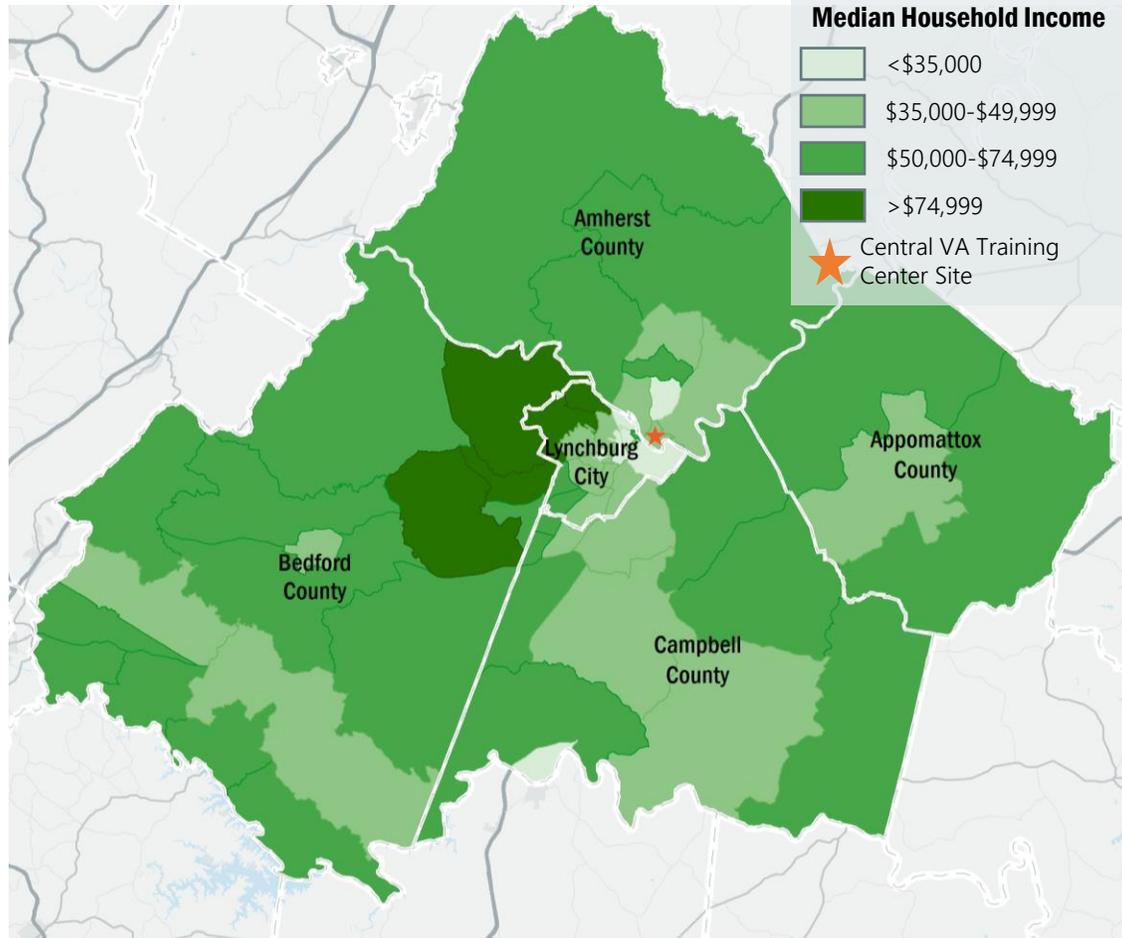
Source: American Community Survey 5-Year Estimates (2014-2018); SB Friedman

SB Friedman Development Advisors

# MEDIAN HOUSEHOLD INCOME

Median household income in the City of Lynchburg is lower than the Counties in the MSA

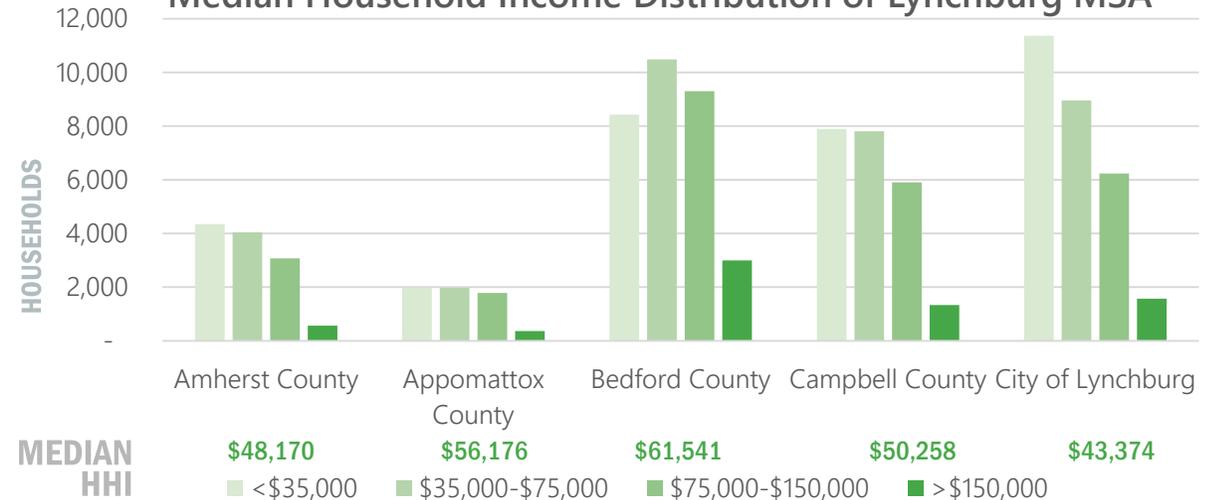
Median Household Income by Tract (2018)



Source: American Community Survey 5-Year Estimates (2014-2018); SB Friedman  
SB Friedman Development Advisors

- The median household income (MHI) of the MSA was \$52,076 in 2018.
- Amherst County and the City of Lynchburg had MHIs of approximately \$48,200 and \$43,400, respectively, although the MHI of census tracts near the Site is slightly lower, ranging from approximately \$30,000 to \$49,999.
- Census tracts with higher incomes are located in Bedford County near the City of Lynchburg, where new residential growth has occurred.
- More than one-third of households in the MSA have a MHI less than \$35,000.

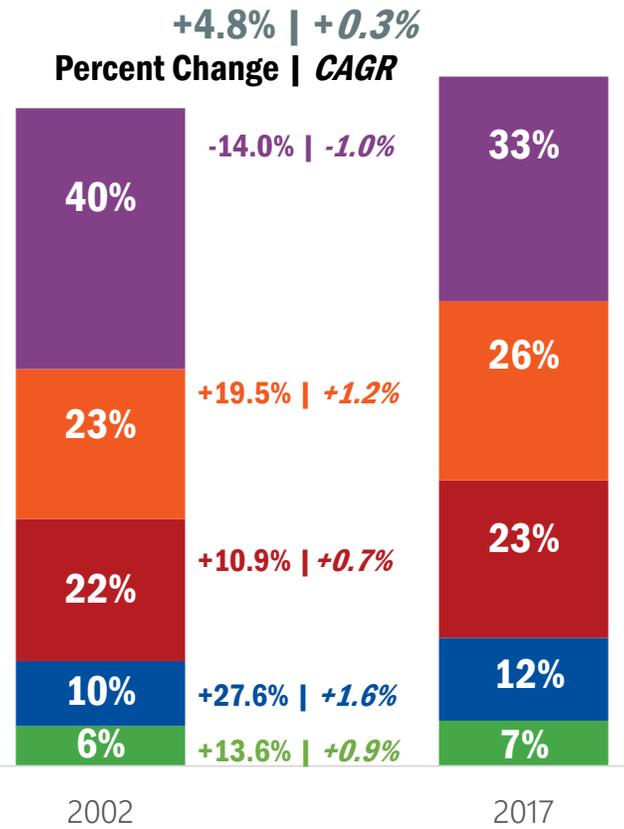
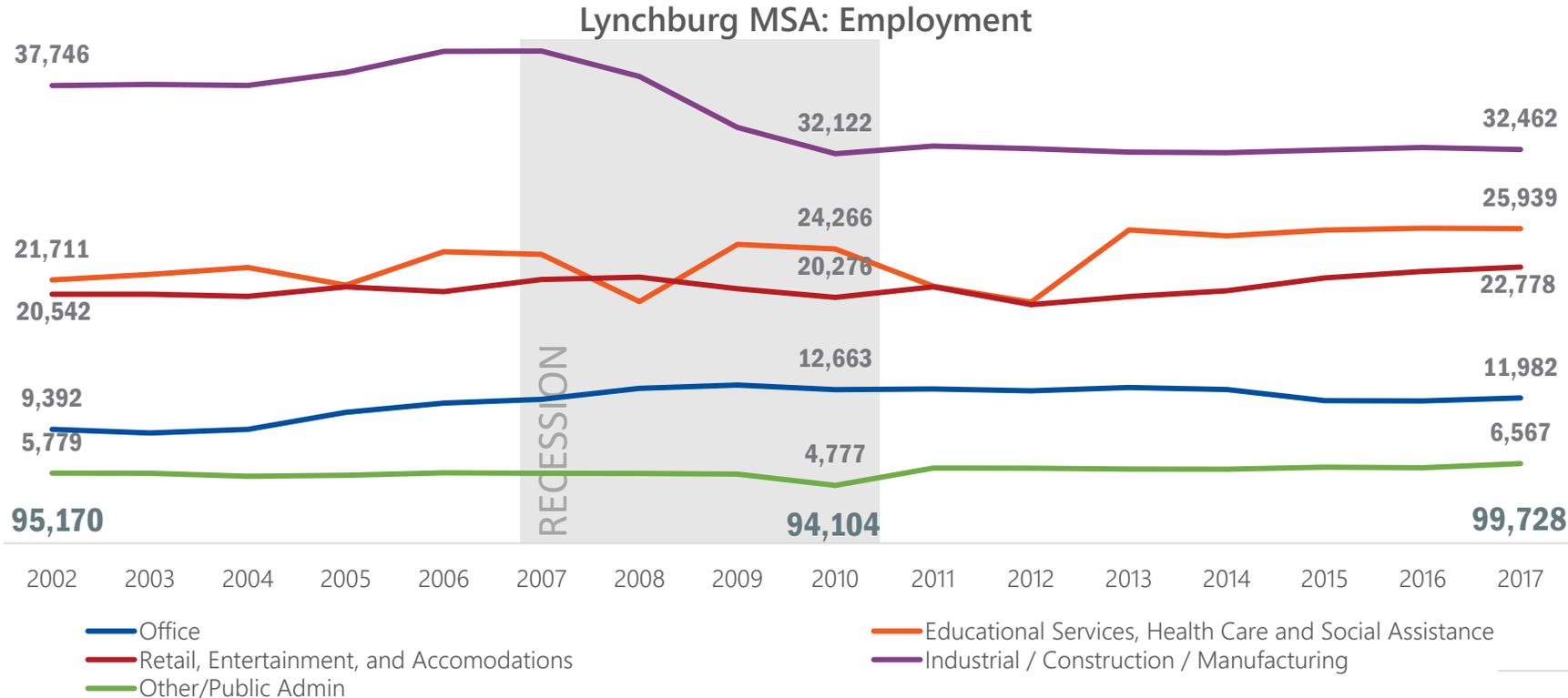
Median Household Income Distribution of Lynchburg MSA



# LYNCHBURG MSA HISTORIC EMPLOYMENT

The concentration of educational and medical jobs has increased while industrial jobs has decreased

- Despite fluctuating employment levels, **overall employment in the MSA has increased** by a CAGR of approximately 0.3% between 2002 to 2017 and now has nearly 100,000 jobs.
- The concentration of educational services, health care, and social assistance and office jobs have increased while industrial jobs have decreased from 2002 to 2017. This points to an economy shifting away from industrial towards professional and office.



Source: Longitudinal Employment Household Dynamics, US Census Bureau; SB Friedman  
SB Friedman Development Advisors

# DEMOGRAPHICS TAKEAWAYS

- The Lynchburg MSA is a small portion of the State population and is projected to grow at a marginally slower pace than the State over the next 20 years.
- Amherst County is projected to shrink slightly, while the City of Lynchburg and the larger MSA is projected to grow slightly over the next 20 years.
- Historically from 2010 to 2018, tracts surrounding the Site generally experienced population growth.
- The tracts surrounding the Site, including in Madison Heights and the City of Lynchburg, have relatively lower incomes compared to the more rural areas of the MSA. Wealthier areas of the MSA include parts of Bedford County and the City where new residential growth has occurred.
- Overall employment in the MSA has recovered since the Great Recession. The concentration of educational and medical jobs has increased in the MSA, while the number and concentration of industrial jobs has decreased. Therefore, it is likely that employment on the Site could cater to the growing educational and medical sectors.

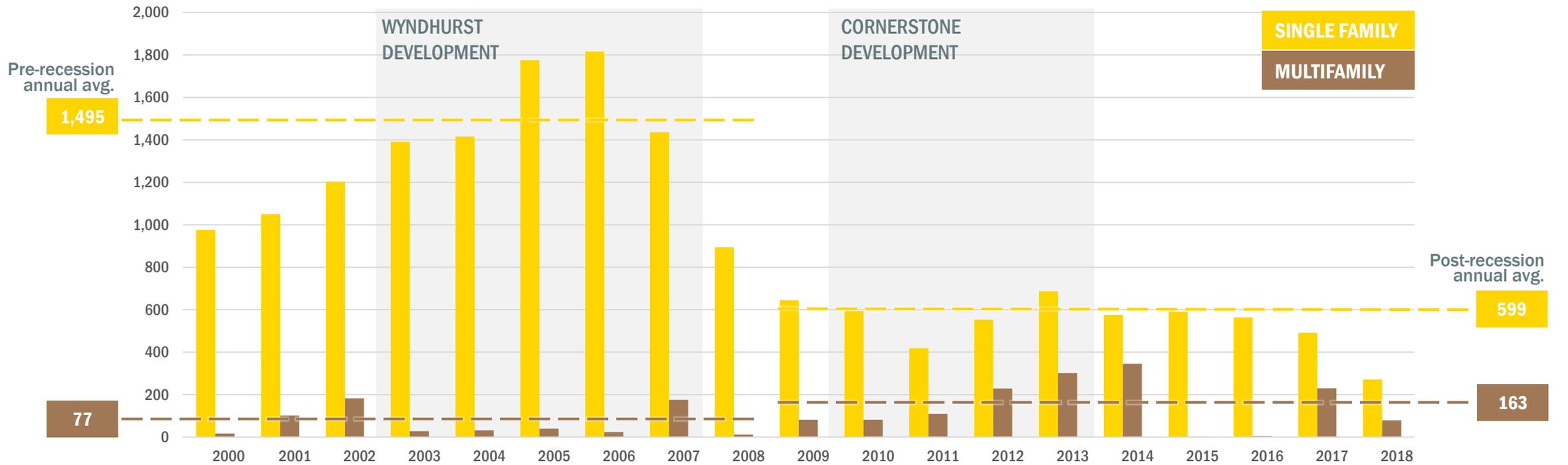
# RESIDENTIAL MARKET ASSESSMENT

# RESIDENTIAL PERMITS

## The Lynchburg MSA has seen an increase in multifamily permits and a decrease in single-family permits

- The multifamily market appears to have recovered post-recession. There has been an increase in multifamily permits from 2009 through 2014, coinciding with the building of the Cornerstone development.
- There has been a decrease in single-family residential permits in the Lynchburg MSA. It appears that residents may have a preference for new multifamily development.

Permits Pulled in the MSA, 2000-2018



Source: SB Friedman; US Census Bureau

# HOUSING PRICES

There appears to be a premium price for rental units in the City of Lynchburg



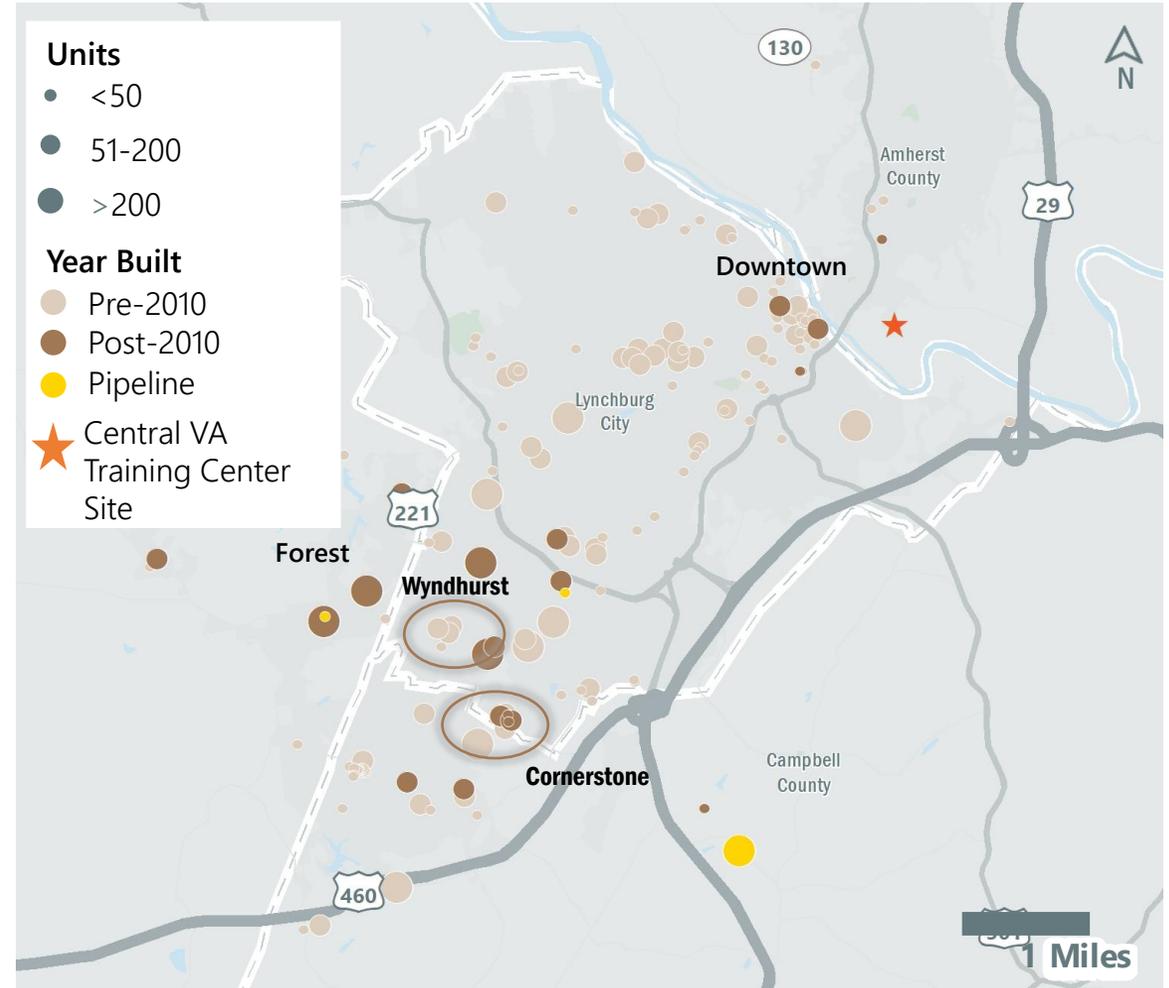
	Median Home Sale Price	Median Gross Rent Price
City of Lynchburg	\$158,800	\$843
Amherst County	\$153,300	\$741
Appomattox County	\$155,300	\$723
Bedford County	\$200,500	\$852
Campbell County	\$155,000	\$762

- Home sale price and rents are highest in City of Lynchburg and Bedford County, two areas with relatively higher median household incomes and population growth. Meanwhile, housing units in Amherst County are more affordable.
- The median home sale price in Amherst County is comparable to Appomattox and Campbell Counties.
- Bedford County has the highest median home sale price and median gross rent price.
- The median gross rent price in Amherst County is less than the City of Lynchburg. The median gross rent in the City of Lynchburg is close to that of Bedford County, while median home sale prices are significantly lower than Bedford County.

# MULTIFAMILY LOCAL MARKET

## New multifamily development is concentrated Downtown, southwest Lynchburg, and Forest

- There is approximately **11,800 existing** and **247 pipeline multifamily units** in the Lynchburg MSA. Nearly 20% of the existing multifamily units were built in the last 20 years
- New multifamily development built since 2010 is primarily located in southwest Lynchburg and in neighboring Forest, in Bedford County.
- Newer multifamily developments typically have more than 50 units. These developments also offer amenities for its residents.
- In the last few decades, the City of Lynchburg has seen the development of several mixed-use projects following **traditional neighborhood design principles**, such as Wyndhurst and Cornerstone.



Source: CoStar, Esri, SB Friedman

# TRADITIONAL NEIGHBORHOOD DESIGN DEVELOPMENTS

TNDs create a mixed-use environment



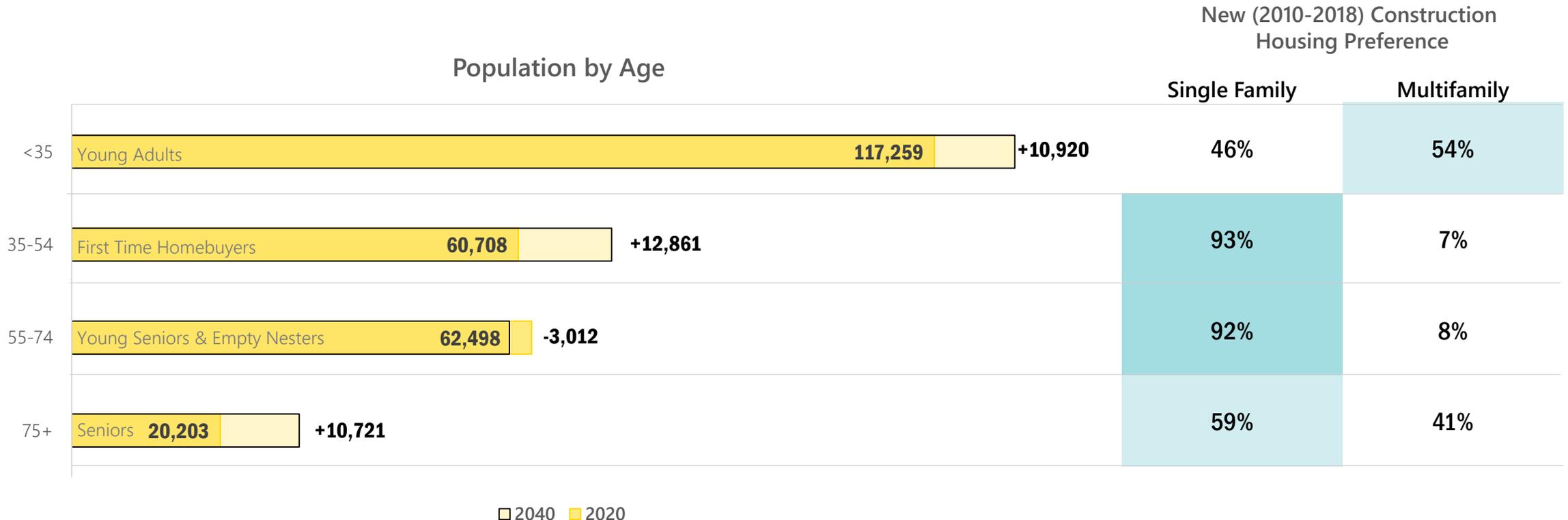
NAME	Wyndhurst Development	Cornerstone Development
ACRES	140 acres	113 acres
YEAR BUILT	2003 to 2007	2010 to 2013
UNITS	800 units, and 275 residents at Summit Retirement Community	150 single-family homes, 250 townhomes and attached patio homes, 600 condominiums and apartments (planned)
UNITS / ACRE	14 units/acre for townhomes, 9 units/acre for single-family	16 units/acre for townhomes, 6 units/acre for single-family
COMMERCIAL	Professional office, medical office, personal care services, restaurants	Professional office, personal care services, restaurants, churches
AMENITIES	Jamerson YMCA, The Summit Retirement Community	Swimming pool, 25-acre park

Source: Business Analyst, Cornerstone Development, Costar, Wyndhurst Development

# POPULATION BY AGE IN THE LYNCHBURG MSA - 2040

The Lynchburg MSA population is expected to increase in all cohorts except 55 to 74 year olds

- The Lynchburg MSA is expected to see large population increases in all cohorts except 55-to-74-year olds over the next 20 years.
- Preference for new construction varies by population age cohort. Family-aged households between 35 to 74 in the MSA have a very strong preference for single-family new construction as opposed to multifamily new construction. Younger households as well as downsizing seniors are more evenly split between living in new construction single-family and multifamily housing.

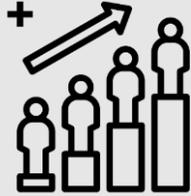


Source: American Community Survey 5-Year Estimates (2014-2018); Esri Business Analyst; SB Friedman

# RESIDENTIAL CONSIDERATIONS

The Site could leverage residential demand drivers that appear to be present in the MSA

## RESIDENTIAL DRIVERS



### POPULATION GROWTH



### HOUSEHOLDER AGE & PREFERENCE



### MIXED-USE ENVIRONMENT / TRADITIONAL NEIGHBORHOOD DEVELOPMENT

- Drivers for residential development in the Lynchburg MSA include population growth, householder age & preference, and a mixed-use environment/traditional neighborhood environment.
- The MSA is projected to grow, creating demand for new residential development. Additionally, it appears the multifamily market has been relatively strong post-recession and ongoing growth in young adult and senior population cohorts could support additional new construction multifamily development in the MSA.
- Growth in the first-time homebuyers population segment (aged 35 to 54) could potentially support single-family residential development with formats and price points desirable to these households.
- Development on the Site could incorporate traditional neighborhood development design elements and establish a mixed-use environment.

# RESIDENTIAL TAKEAWAYS

## A mixed-use residential neighborhood could potentially be developed on the Site

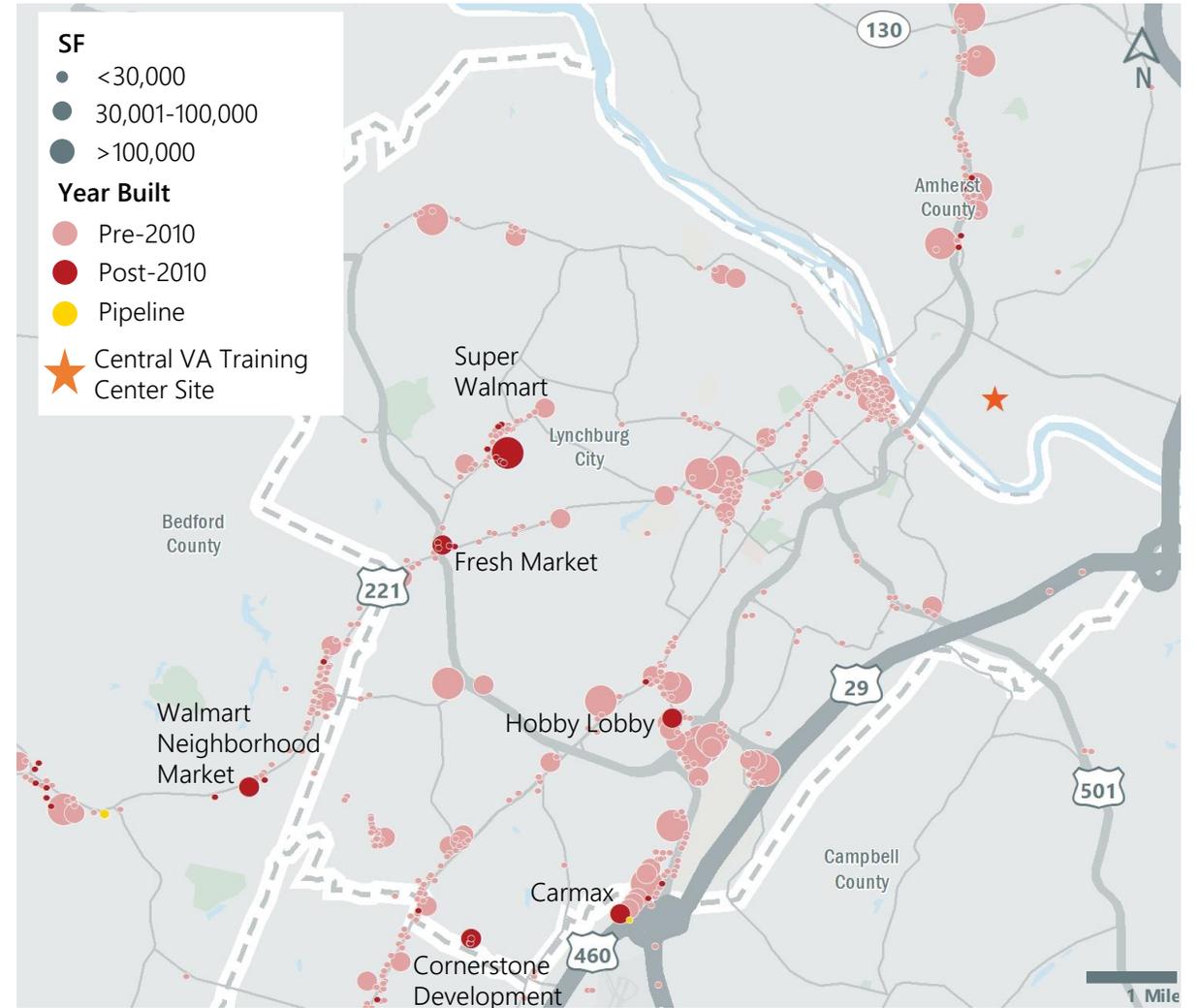
- The projected population increase could likely support **new residential development on the Site in a mixed-use setting with a variety of housing options** (single-family detached, townhomes, and multifamily). This would help accommodate varying preferences as residents desire to age in place. Development considerations include:
  - The total number of units could vary based on site yield and layout
  - First phase of residential development would likely include garden-style apartments
    - Approximately 200 units/project
  - Typical for-sale densities could range from:
    - 6 to 9 units/acre for single-family development
    - 14 to 16 units/acre for townhomes
  - Mixed-use environment could include supportive commercial space for neighborhood-serving retail and professional office uses (up to 100,000 sf), community center, access to walking trails and other amenities

# RETAIL MARKET ASSESSMENT

# LOCAL RETAIL MARKET

The City of Lynchburg is the retail hub of the MSA, with 62% of the existing retail space in the MSA

- There is approximately **14.2 million sf of existing retail space** in the Lynchburg MSA. Most of the existing retail space was built prior to 2010.
- Approximately 62% of the existing retail space is in the City of Lynchburg. The average storefront is about 15,000 sf.
- Since 2010, there have been 33 new retail developments in the City of Lynchburg and Madison Heights. Key retail developments were primarily grocery anchors in neighborhood centers, including a Super Walmart, Walmart Neighborhood Market, and Fresh Market. **New retail developments have typically followed new residential development.**
- There is no known proposed retail development in the City of Lynchburg or in Madison Heights.



Source: CoStar, Esri, SB Friedman

# RETAIL TYPOLOGIES

Retail can generally be classified into three categories:

## Downtown Retail

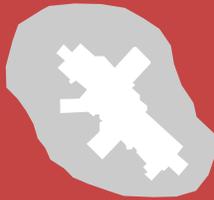


### DOWNTOWN / EXPERIENTIAL

- Mixed-Use
- Ground-floor retail
- Walkable pedestrian environment

SIZE VARIES

## Regional Retail Clusters



### REGIONAL OR SUPER-REGIONAL MALL

- Anchored by 2+ full-line department stores

~400,000-1,000,000+ SF



### POWER CENTER

- 2+ category-dominant freestanding anchors of ~100,000+ SF
- General merchandise, home improvement

~1M+ SF

## Local Retail Clusters



### COMMUNITY CENTER

- 1+ category-dominant freestanding anchors of ~100,000+ SF

OR

- 1+ grocer anchors of ~50,000+ SF and additional category dominant retailers

~100,000-250,000 SF



### NEIGHBORHOOD CENTER

- 1+ grocer anchors of ~50,000 SF +
- Additional supporting retail

~75,000-150,000 SF



### FREESTANDING/ STRIP RETAIL

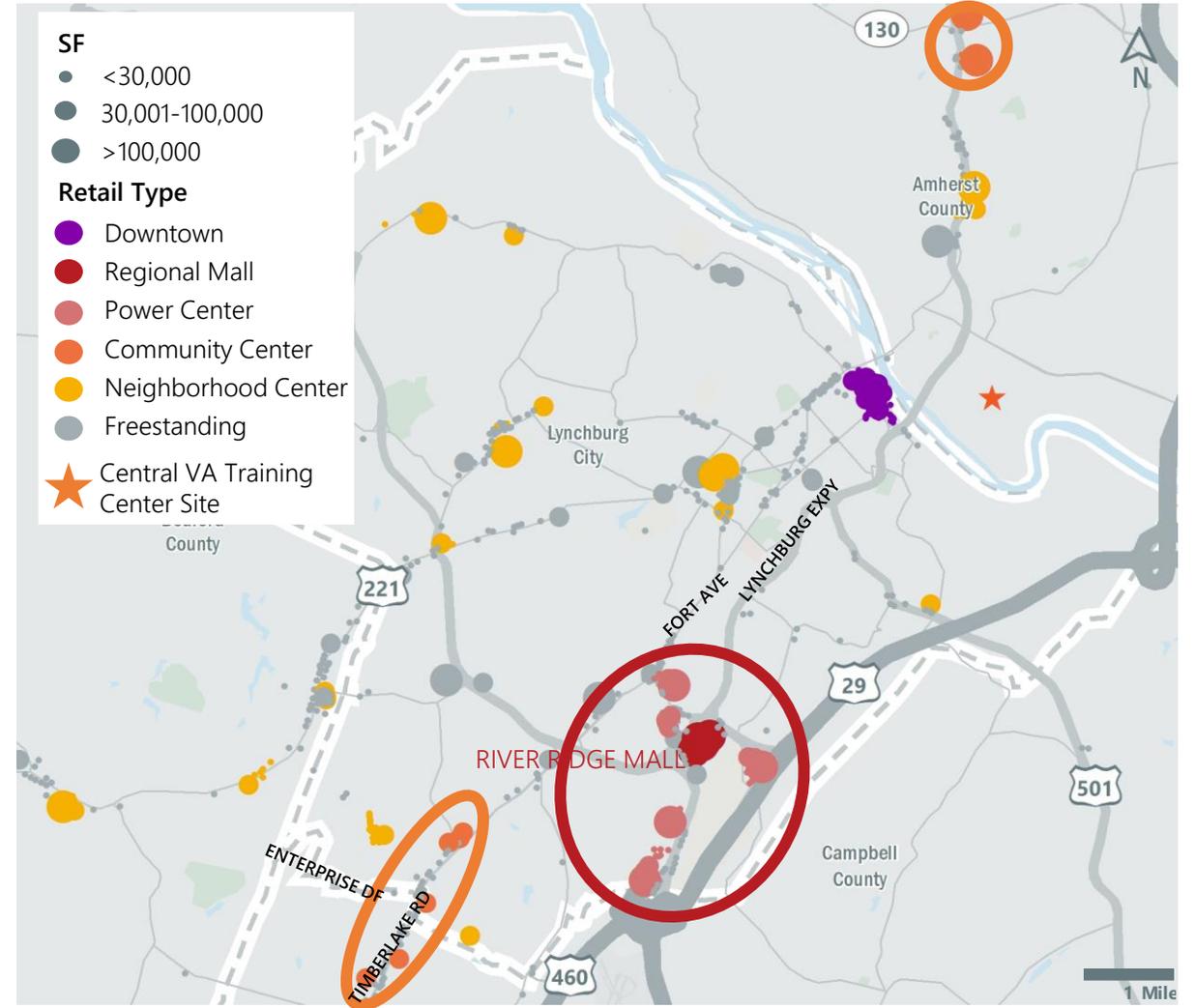
- Small convenience center with goods and services
- Limited trade area

~5,000-150,000 SF

# LOCAL RETAIL CLUSTERS

## Smaller community and neighborhood centers serve the local population

- Much of the retail in the Lynchburg MSA is located within the Downtown or community-serving retail clusters.
- The two regional retail clusters, including the River Ridge Mall, are located near Liberty University in southwest Lynchburg.
- Local retail clusters, often anchored by grocery stores such as Walmart, Fresh Market and Food Lion, are typically near residential areas and along major roads.



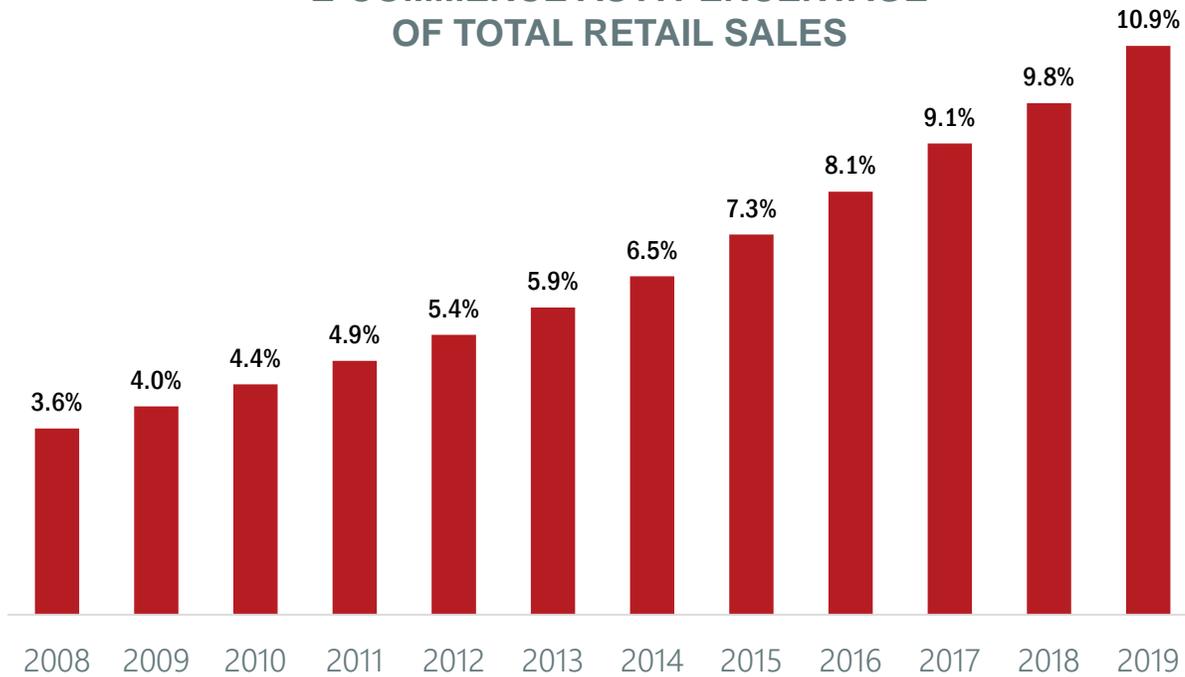
Source: CoStar, Esri, SB Friedman

# E-COMMERCE & OMNI-CHANNEL RETAIL

## COVID-19 is accelerating the growth in e-commerce and ongoing retail trends

- The global pandemic has accelerated the growth in e-commerce and is anticipated to structurally alter how consumers behave.
- The growth in e-commerce and omni-channel retail sales alters retail space requirements. Single-channel brick and mortar stores must find ways to stand out and provide unique experiences for consumers. Some retailers may reorganize stores to accommodate more product pickup and delivery and "click and collect" offerings. Back-of-house areas may expand to allow for greater storage of inventory.

E-COMMERCE AS A PERCENTAGE OF TOTAL RETAIL SALES



Source: CNBC; Estimated Quarterly U.S. Retail Sales (Not Adjusted): Total and E-commerce; US BLS

SB Friedman Development Advisors



**SINGLE-CHANNEL**  
 Traditional brick and mortar experience in which customer experiences one way of interacting with a brand or retailer. Traditionally this is through a storefront.



**MULTI-CHANNEL**  
 Multiple methods of interacting with a brand but each channel does not deliver the same brand experiences. Each channel functions separately.



**OMNI-CHANNEL**  
 Customer experiences a single brand through multiple channels and is served simultaneously through all channels.

# NATIONAL RETAIL SHIFTS

## Opportunity for value-oriented, convenience-focused and experiential retail

- Due to the increase in e-commerce and omni-channel shopping, the nation has experienced closings of many big box and traditional retailers. In the last few years, Toys R Us, Office Max, Macy's, Kmart, and more have announced closings in Lynchburg.
- Convenience-oriented retail provide convenient access to a range of goods and services, without as much concern for the ambience and experience. Typical tenants include grocery, "med-tail" (dental, urgent care, weight loss, physical therapy), and fast casual restaurants. These centers typically rely on greater visibility and accessibility, high traffic counts, ample parking, and merchandise in line with consumer behavior. Experiential retail involves creating an experience for consumers, such as a brewery, make your own salad bar, or fitness class.

### CLOSING / DOWNSIZING:



**BIG BOX "CATEGORY KILLER" RETAILERS**



**TRADITIONAL RETAILERS**



### EXPANDING:



**VALUE AND CONVENIENCE-FOCUSED RETAILERS**



**EXPERIENTIAL RETAIL**



# RETAIL CONSIDERATIONS

The Site could potentially attract retail development in a mixed-use environment

## RETAIL DRIVERS



**POPULATION  
GROWTH**



**CONSUMER  
SPENDING**



**ACCESS &  
VISIBILITY**



**MIXED-USE  
ENVIRONMENT**

- Drivers for retail development include population growth, consumer spending, access & visibility, and a mixed-use environment/traditional neighborhood environment.
- The population of the MSA is projected to grow, and additional residential development can potentially support neighborhood-serving retail development.
- If residential land uses were a key component of the Redevelopment Plan, supportive retail could also be included to create a mixed-use destination.
- Depending on the phasing of development, it may be feasible to include smaller strip retail development near a highly visible and accessible area of the Site as part of the Redevelopment Plan.

# RETAIL TAKEAWAYS

## There is likely potential for supportive retail development on the Site as part of a mixed-use setting

- Although COVID-19 will continue to accelerate ongoing retail trends, value-oriented, convenience-focused, and experiential retail sectors are expected to recover post-pandemic.
- If there were to be residential development on the Site, some supportive neighborhood-serving retail space may be feasible as part of mixed-use project.
  - Typical neighborhood center retail typically supports up to 100,000 sf of retail space.
  - Depending on surrounding population, a smaller grocery store use may be supportable (30,000 sf).
  - Other tenants that typically locate as part of mixed-use development often cater to convenience-oriented options including coffee shops, fast casual restaurants, personal care services, fitness centers and smaller-scale general merchandise.
  - A portion of the retail space may be occupied by other professional office users

# OFFICE MARKET ASSESSMENT

# REGIONAL CLASS A OFFICE DEVELOPMENT

## New and pipeline Class A office development is occurring near large metro areas

- New (built since 2010) and pipeline (proposed and under construction) Class A office development is primarily occurring near larger metro areas, such as Washington, DC, Richmond, VA, and Durham, NC. The DC Metro area has been attracting corporate headquarters. Richmond has been attracting technology and medical office. Durham continues to be aptly named as part of the “Research Triangle” with new research and technology office spaces.
- Nationally, employer location preferences drive evolving trends in office space location with trends shifting from car-oriented, single-use business parks to walkable, vibrant mixed-use places. Given this preference for larger metro areas, the Lynchburg MSA has attracted limited new or pipeline Class A office development.
- Corporate office drivers favor larger metro areas as compared to smaller or mid-size cities. Key factors include: location of executives, employment growth, access to talented workforce, and a mixed-use environment.

### CORPORATE OFFICE DRIVERS



LOCATION OF EXECUTIVES



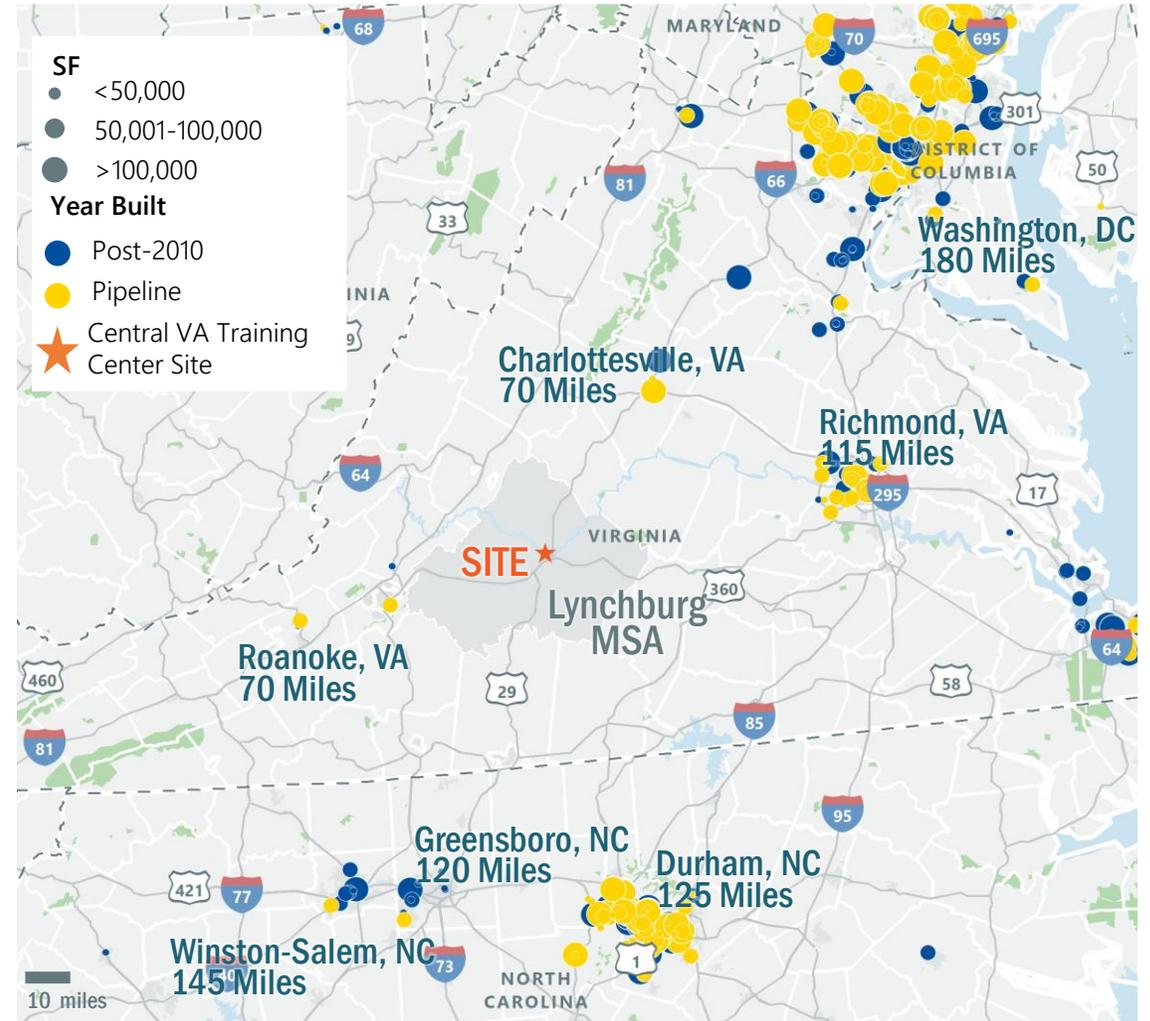
EMPLOYMENT GROWTH



ACCESS TO TALENTED WORKFORCE



MIXED-USE ENVIRONMENT

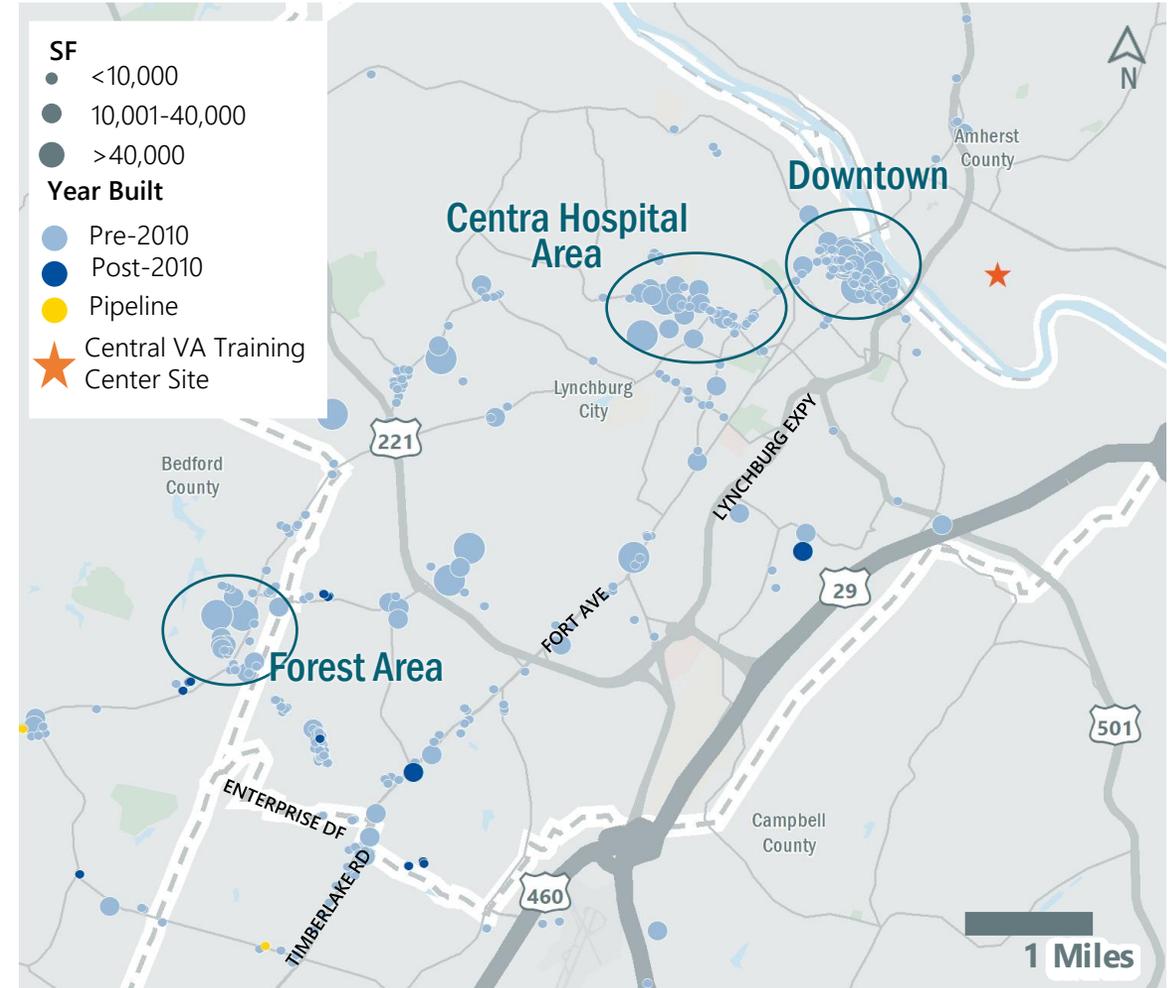


Source: Costar, Esri, SB Friedman

# LOCAL OFFICE MARKET

## Local office space in the MSA is primarily in the City of Lynchburg and built before 2010

- There is approximately **5.3 million square feet (sf)** of existing office space in the Lynchburg MSA. Approximately 78% of the existing office space, including the five Class A office properties in the MSA, is in the City of Lynchburg.
- The large majority (more than 98%) of office space in the MSA was built before 2010. **There is limited new modern product available in the MSA.**
- New office development in the MSA has been predominately **smaller spaces ranging from approximately 2,500 to 15,000 sf**. Many of the new office developments are medical offices that are located near existing residential or employment clusters.
- There are two smaller office buildings (less than 10,000 sf) in the pipeline southwest of the City in Bedford and Campbell Counties.
- There are three larger clusters of existing office space in the MSA.
  - Downtown: There is approximately 2 million sf of office space Downtown which is primarily professional and financial services tenants.
  - Centra Hospital Area: There is approximately 500,000 sf of office space near Centra Lynchburg General Hospital which has supporting medical offices as well as professional offices.
  - Forest Area: There is a cluster of professional and medical offices near Forest and Graves Mill Roads.



Source: CoStar, Esri, SB Friedman

# PROSPECTIVE OFFICE TENANTS

Prospective tenants are in search of modern office spaces ranging from 20,000 to 50,000 sf

## OFFICE PROSPECTS



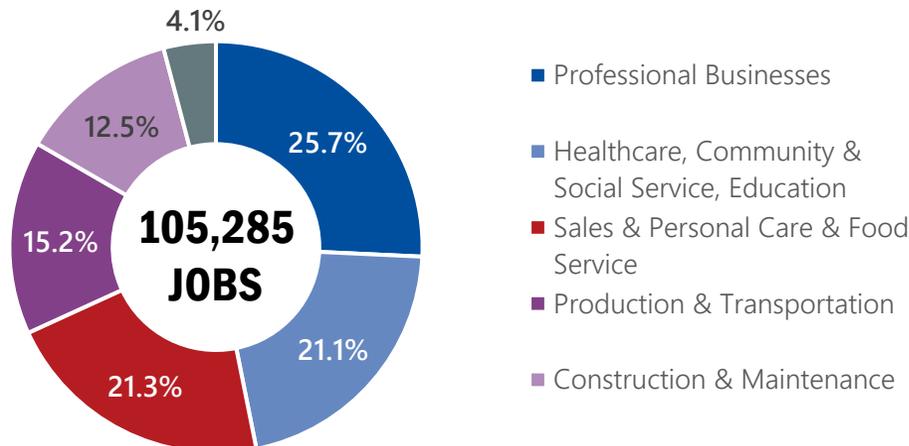
**PROFESSIONAL /  
FINANCIAL SERVICES**



**MEDICAL  
OFFICE**

- Recent office prospects include medical users as well as professional, financial services, and back-office/corporate support users.
- Prospective tenants have expressed interest in modern office space ranging from 20,000 to 50,000 sf. The current office building profile in the MSA is older and smaller, indicating a mismatch between the current supply and the desired office space.
- Employment in the MSA is projected to remain at approximately 105,300 employees through 2030. The distribution of jobs is also expected to be similar to today's composition. Approximately 26% of jobs are in professional office spaces, with another 21% in healthcare, community and social services, and education.

## EMPLOYMENT SECTORS – LYNCHBURG MSA 2030



# PROSPECTIVE OFFICE CONSIDERATIONS

The Site could potentially attract professional and medical office

## PROFESSIONAL OFFICE DRIVERS



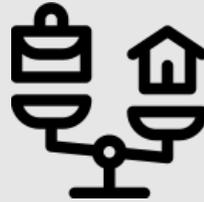
**EMPLOYMENT  
GROWTH**



**ACCESS TO TALENTED  
WORKFORCE**

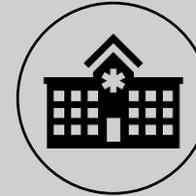


**MIXED-USE  
ENVIRONMENT**



**QUALITY OF  
LIFE**

## MEDICAL OFFICE DRIVERS



**PROXIMITY TO HOSPITALS &  
MEDICAL CLUSTERS**



**POPULATION  
GROWTH**



**ACCESS**

- Prospective tenants indicated a desire for 20,000 to 50,000 sf of modern office space to serve professional and medical tenants.
- In addition to finding a suitable building, professional/financial office tenants typically prefer areas with employment growth, access to a talented workforce, mixed-use environments, and a high quality of life. If professional office space was included as part of a mixed-use environment, the Site may be attractive to professional office users in the future.
- Many healthcare providers have begun to expand their networks from traditional hospital developments towards the addition of satellite facilities to offer more services in non-hospital settings to lower their costs (“hub and spoke model”). Medical offices typically locate on highly-trafficked roads within proximity to hospitals or other medical clusters to serve their growing service base. As the MSA grows, Centra Lynchburg General Hospital, the primary healthcare network in the region, may expand facilities to enable the hospital to better serve the growing population. Depending on expansion needs, site configuration, access and the level of population growth in the future, the Site may be attractive to medical office users in the future.

# ASPIRATIONAL PROFESSIONAL & MEDICAL OFFICE COMPS

## New office buildings offer modern space in a variety of contexts

- Outside of Washington, DC, Richmond, and Virginia Beach, there appears to be a very limited supply of new construction office buildings between 25,000 to 50,000 sf. Newer office buildings in smaller, secondary office markets are a mix of single- and multi-tenant buildings, with typically no more than three stories. Some of these professional and medical office buildings are located in larger commercial developments, while others are standalone. All of these modern professional and medical office buildings offer parking for their employees and clients. Additionally, some of the buildings offer amenities such as a cafeteria.



ADDRESS	8196 Meadowbridge Rd, Mechanicsville	1691 Innovation Drive, Blacksburg	4500 Pond Way, Prince William	3926 Seminole Trail, Charlottesville	1415 Rolkin Ct, Charlottesville	4710 Puddledock Rd, Prince George
OFFICE TYPE	Memorial Regional Medical Center OrthoVa	Multi tenants – professional and medical offices	Multi tenants – professional and medical offices	American National University	Multi tenants – medical offices	Neuro Care of Virginia
TOTAL SF	59,000	45,000	32,400	22,900	20,000	18,625
YEAR BUILT	2015	2014	2010	2012	2017	2013

Source: CoStar, SB Friedman

SB Friedman Development Advisors

# OFFICE TAKEAWAYS

## There appears to be some potential for smaller scale professional office development at the Site

- Professional and medical office tenants have expressed interest for 20,000 to 50,000 sf modern office space in the MSA. While there is a mismatch between the current building supply and the desired office space, the location of the site could attract tenants if there is modern office space that meets the desired requirements.
- The development program could include up to 120,000 sf of office space, or approximately 3 office buildings
  - Desired building requirements: low-rise building, 1 to 3 stories, 20,000 sf floorplate in mixed-use setting
  - For planning purposes, building sizes could be phased over time (e.g., first building could be 20,000 sf to help prove the market, followed by a 40,000 sf building and 60,000 sf building)
- Although Class A office development in the region is occurring near larger metro areas and there has been limited new Class A office development within the Lynchburg MSA in the last decade, there could be potential for a larger, corporate “wildcard” user on the Site.

# INDUSTRIAL MARKET ASSESSMENT

# REGIONAL INDUSTRIAL DEVELOPMENT

Recent development in the State primarily serves transportation, logistics and distribution users

- There is a growing industrial market in the region. There are approximately 160 industrial buildings in the pipeline in Virginia. Specifically, transportation, logistics, and distribution (“TDL”) centers, like Amazon, are driving the industrial market throughout the State.
- TDL industrial development is primarily driven by growth in **e-commerce**. The shift from distributing bulk products to retailers to distributing products **directly to consumers** has drastically altered warehouse operations and requirements.
- Movement of goods in shipping containers and trailers across multiple modes has **grown exponentially** and development requires **proximity to interstates and robust transportation networks**.
- Desired **building specifications** for TDL industrial tenants include larger floorplates, higher ceilings and automation capacity, which may not be present in older buildings. The average pipeline building size is approximately 184,000 sf, two times as large as industrial buildings built since 2010 in the state.

## TDL INDUSTRIAL DRIVERS



GROWTH IN  
E-COMMERCE



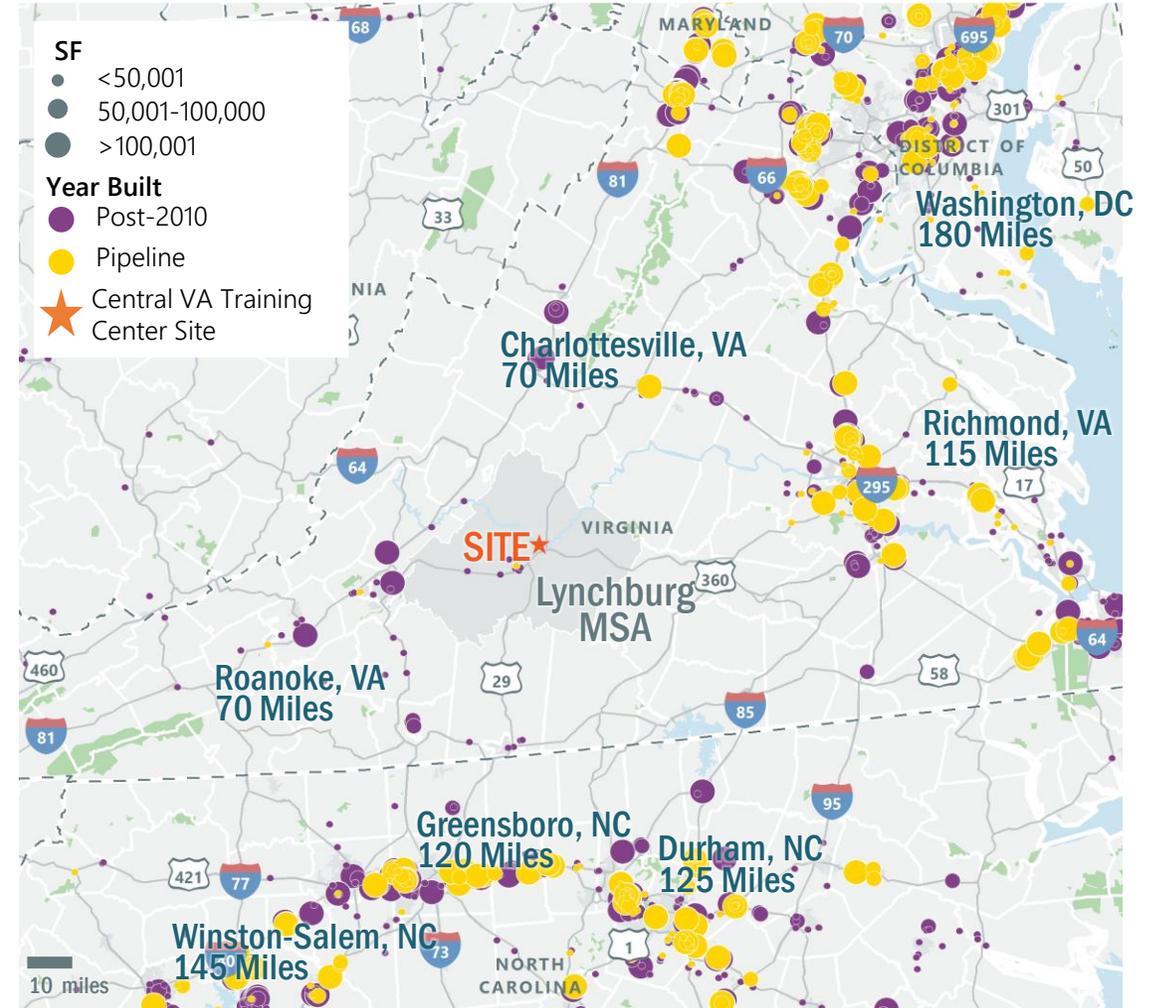
GLOBAL TRADE  
PATTERNS



TRANSPORTATION  
NETWORKS



BUILDING  
AVAILABILITY

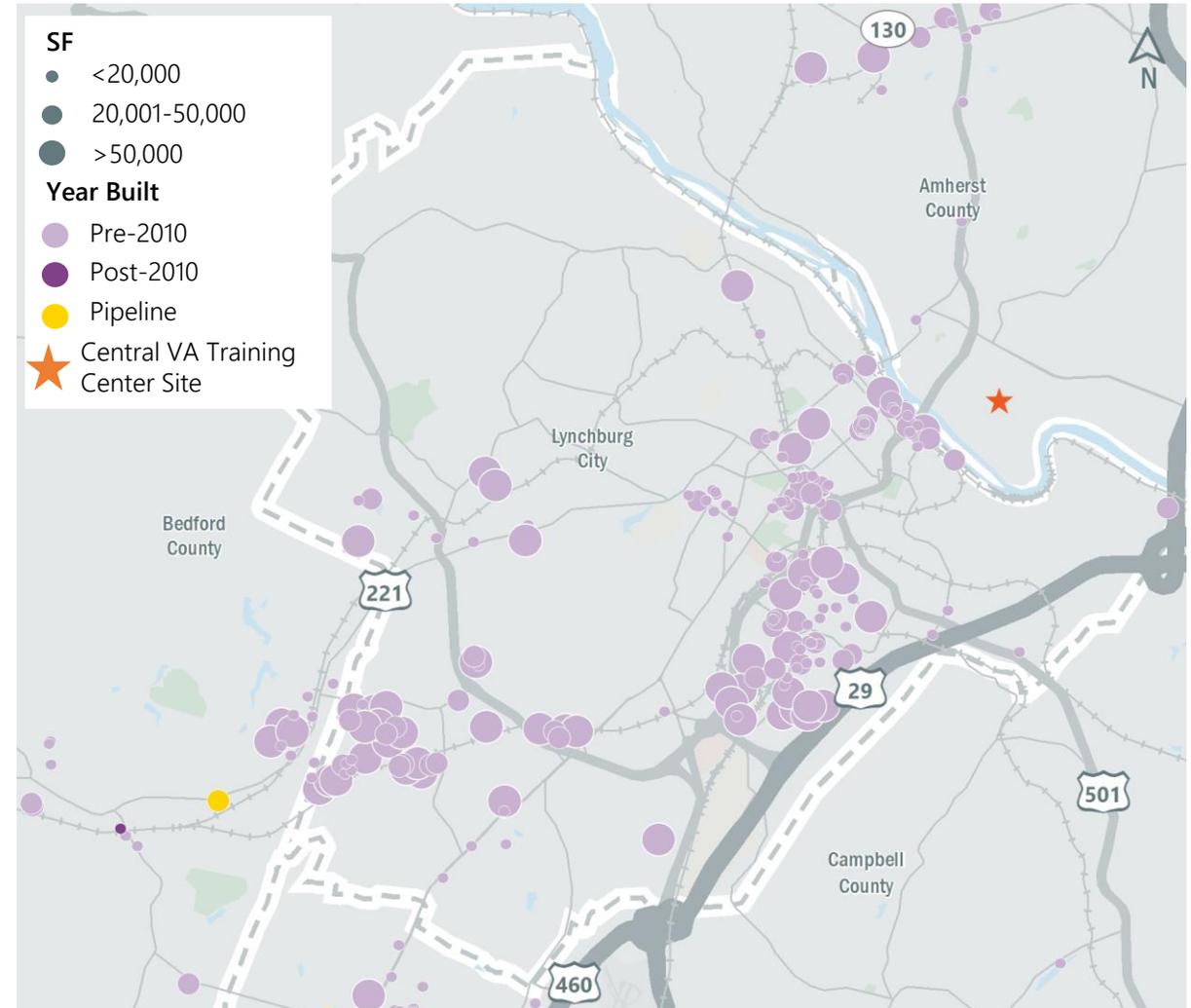


Source: Costar, Esri, SB Friedman

# LOCAL INDUSTRIAL MARKET

## Approximately 50% of the industrial space in the MSA is in City of Lynchburg

- There is approximately **16.1 million sf of existing industrial space** in the Lynchburg MSA. The Lynchburg Region has 13 publicly-owned industrial parks totaling approximately 2,650 acres. Most of the industrial space was built prior to 2010. There is very **limited new industrial space** in the MSA.
- The average industrial building in the City of Lynchburg is approximately 50,300 sf, significantly smaller than modern industrial space being developed throughout the state.
- There were only three new industrial developments built since 2010, including: a 30,000 sf R&D facility in Forest, 22,000 sf warehouse facility in Bedford City, and 30,000 manufacturing facility in Campbell County. These sites are located adjacent to railroads and near the highway.
- There are two warehouse/distribution facilities (50,000 and 109,000 sf) in the pipeline, both outside the City of Lynchburg.



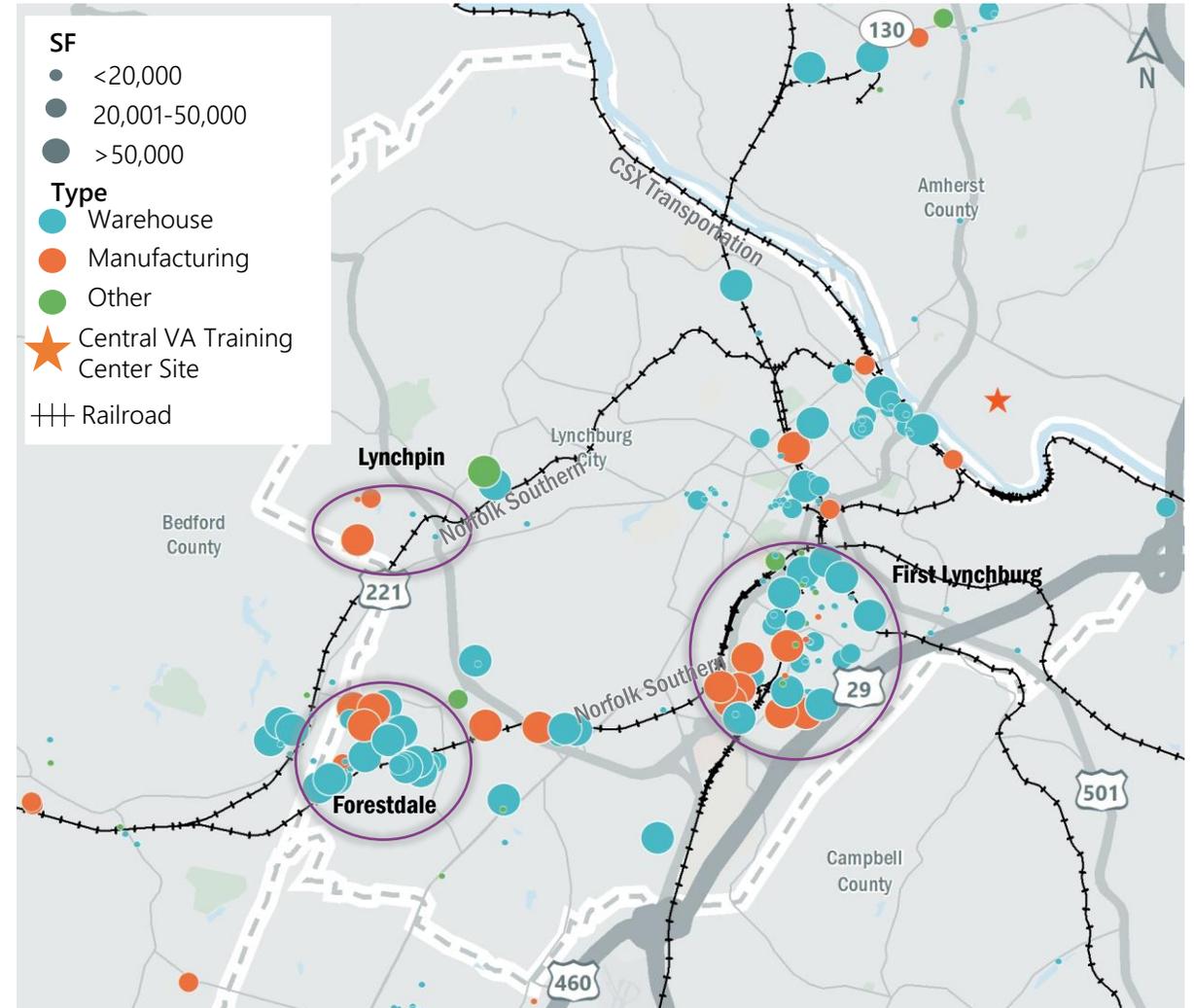
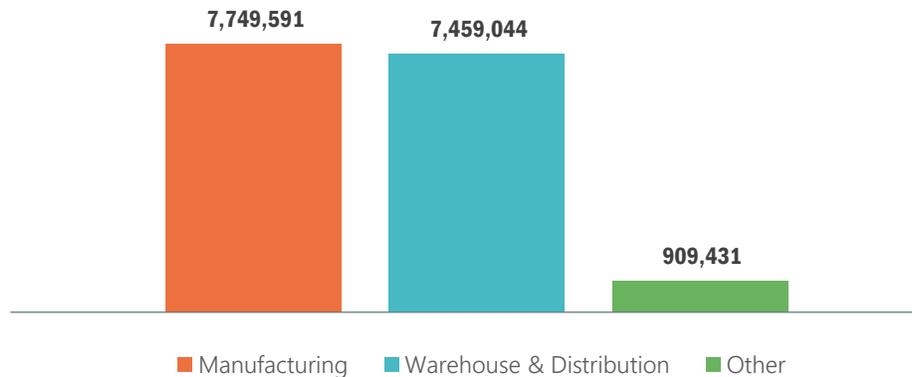
Source: CoStar, Esri, SB Friedman

# LOCAL INDUSTRIAL MARKET

## 96% of industrial space in the MSA is either manufacturing or warehouse & distribution

- There are three larger clusters of industrial space in the City of Lynchburg, all of which appear to have highway and rail access.
- The First Lynchburg Industrial Park has approximately 3.5 million sf of industrial space in the park. Most of the industrial buildings were built in the 1960s to 1970s.
- There is an industrial cluster in Forestdale that includes 1.8 million sf. These warehouse & distribution and manufacturing buildings were primarily built in the 1970s to 1980s.
- Lynchpin Industrial Park is the smallest cluster with approximately 0.5 million sf of industrial space. The park was built in the late 1990s and early 2000s. The park appears to have available land for future development.

Industrial Building Types in the MSA



Source: CoStar, Esri, SB Friedman

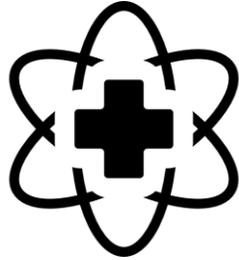
# RECENT INDUSTRIAL PROSPECTS & KEY CONSIDERATIONS

Industrial prospects are in search of 20,000 to 150,000 sf of modern industrial space

## INDUSTRIAL PROSPECTS

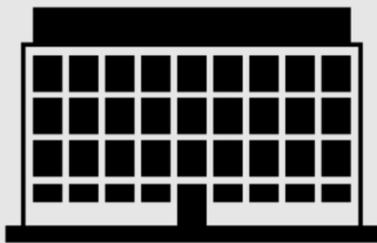


**MANUFACTURING/  
LIGHT INDUSTRIAL**



**MEDICAL TECHNOLOGY/  
MANUFACTURING**

## INDUSTRIAL DRIVERS



**MODERN  
INDUSTRIAL SPACE**



**SHOVEL-READY  
SMALLER PAD**

- Recent industrial prospects include manufacturing and light industrial users as well as medical technology and medical manufacturing companies.
- These prospective tenants are in search of modern industrial space ranging from 20,000 to 150,000 sf. The current industrial building profile in the MSA is older, indicating a mismatch between the current supply and the desired industrial space.
- Prospective industrial users also indicated willingness to build new spaces, but typically prefer shovel-ready sites, approximately 5 to 20-acres.
- The desire for affordable shovel-ready sites may challenge the industrial development potential on the Site. Significant investment may be required to demolish buildings and improve infrastructure to make the Site shovel-ready before attracting industrial users. Industrial users may also prefer locations within publicly-owned industrial parks due to the possibility of a write-down on the land value (with performance-based commitments).
- It may be possible to accommodate a smaller manufacturing or light industrial user in modern industrial or flex space if land use conflicts are managed.

# INDUSTRIAL TAKEAWAYS

## There appears to be limited potential for an industrial user for a portion of the Site

- While there does not appear to be demand to suggest clearing the entire Site for an industrial park, there may be limited potential for a manufacturing/light industrial user for a portion of the Site. However, land use conflicts would need to be managed when planning for the build-out of the entire Site.
- **The development program on the Site could include up to 150,000 sf of industrial space on up to 10 acres of land.** Prospective industrial users are in search of modern industrial buildings or relatively shovel-ready sites.
  - Desired building requirements: 1-story building with 20,000 to 150,000 sf and ceiling heights up to 40 feet
  - Desired land requirements: 1 to 10 acres of flat land, shovel-ready
- The Site is unlikely to attract larger TDL industrial users that typically prefer locations along interstates near intermodal locations or larger metro areas.

# KEY TAKEAWAYS

# MARKET POTENTIAL

	EXISTING CONDITIONS	POTENTIAL	SPECIFICATIONS
<b>RESIDENTIAL</b> 	<ul style="list-style-type: none"> <li>- Post-recession there has been a greater share of multifamily permits in the MSA.</li> <li>- New multifamily development is primarily located in southwest Lynchburg and in neighboring Forest, VA in mixed-use traditional neighborhoods.</li> </ul>	<ul style="list-style-type: none"> <li>- Residential development in a mixed-use setting</li> </ul>	<ul style="list-style-type: none"> <li>- Variety of residential product (single-family, townhomes, multifamily)</li> <li>- Community center, accessible walking trails</li> </ul>
<b>RETAIL</b> 	<ul style="list-style-type: none"> <li>- There is limited retail development in the pipeline in the MSA.</li> <li>- Retail typically follows residential development in smaller neighborhood centers to provide supportive uses (grocery, restaurants, etc.).</li> </ul>	<ul style="list-style-type: none"> <li>- Supportive retail in a mixed-use setting</li> <li>- Unlikely to be a freestanding retail center</li> </ul>	<ul style="list-style-type: none"> <li>- Up to 100,000 sf neighborhood center</li> <li>- Typical tenants: grocery, fast casual restaurants, restaurants, personal care services, fitness centers, and smaller-scale general merchandise.</li> <li>- Some retail space may be occupied by other professional office users</li> </ul>
<b>OFFICE</b> 	<ul style="list-style-type: none"> <li>- There are few large corporate office buildings in the MSA.</li> <li>- Recent office development in the MSA tends to be smaller and professional office uses.</li> <li>- Prospective office tenants are primarily professional/financial and medical office users seeking 20-50,000 sf spaces.</li> </ul>	<ul style="list-style-type: none"> <li>- Professional or medical office space in a mixed-use setting</li> </ul>	<ul style="list-style-type: none"> <li>- Up to 120,000 sf of office, or about 3 buildings</li> <li>- Low rise, 1 to 3 stories, 20,000 sf floorplate in mixed-use setting</li> </ul>
<b>INDUSTRIAL</b> 	<ul style="list-style-type: none"> <li>- Industrial development is primarily occurring at interstate locations adjacent to intermodal locations or large metropolitan areas.</li> <li>- There are clusters of industrial manufacturing and warehouse space in the MSA, but they older and appear to driven by rail access.</li> </ul>	<ul style="list-style-type: none"> <li>- Smaller-scale manufacturing/light industrial space</li> <li>- Would require buffering between land uses</li> </ul>	<ul style="list-style-type: none"> <li>- Up to 150,000 sf depending on available land (up to 10 acres)</li> <li>- 1-story building with ceiling heights up to 40 feet</li> </ul>