

## Industrial Q4 2019

YoY Chg 12-Mo. Forecast

**2.5%**

Vacancy Rate



**856K**

Net Absorption, SF



**\$5.60**

Asking Rent, PSF



Overall, Net Asking Rent

### ECONOMIC INDICATORS Q4 2019

YoY Chg 12-Mo. Forecast

**794K**

Hampton Roads Employment



**3.0%**

Hampton Roads Unemployment Rate



**3.6%**

U.S. Unemployment Rate



Source: BLS

### SUPPLY: Record Low Vacancy and No Speculative Construction

The industrial real estate market in Hampton Roads, Virginia began 2019 with 3.9% vacancy and is ending the year at 2.5% vacancy, yet speculative construction remains stagnant. Users have a limited supply of industrial space to consider that generally presents some form of obsolescence. Asking rent has steadily climbed and landlord concessions are tightening. While these fundamentals tell a good story, the challenge for investors and developers is in identifying well-located, unencumbered land or buildings that have good access and a strong labor supply pool. Two success stories for 2019 include Miller Group's 30,000 square foot (sf) speculative industrial building at 492 Central Drive, Virginia Beach, advertised at \$10.75 per square foot (psf), triple net and preleased to Amazon Fresh, and 550 Woodlake Dr – a 20,000 sf speculative office/warehouse building in Chesapeake leased out to AMSEC and AFS at above-market lease rates.

### DEMAND: Average Year for Positive Net Absorption, but not the Whole Story

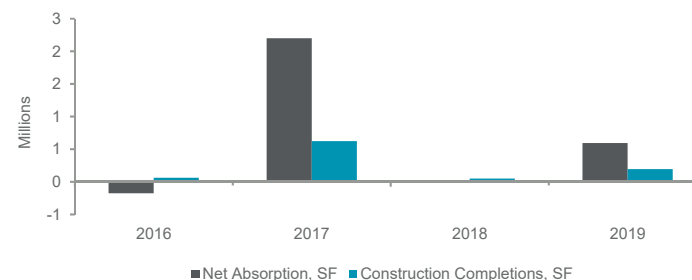
2019 saw low to moderate positive net absorption. This can be attributed to lack of available product. Desirable industrial real estate has been absorbed quickly when made available. Expect local and regional user demand to continue through 2020. Demand is expected from large-scale distribution and supply chain users as high costs of construction, labor and real estate drives prospects out of the Northeast to consider the Mid-Atlantic. The US military spending budget is set to increase in 2020 and 2021, which will continue to have a significant impact on Hampton Roads, particularly as the Navy continues its push for a 355-ship fleet.

Throughout the year, several large industrial developments transpired (both announced and yet to be announced): Preferred Freezer's new 200,000 sf cold storage development in Portsmouth; Amazon's 2.1 million square foot (msf) import center in Chesapeake and 3.2 msf fulfillment center in Suffolk; and Equus Partners' acquisition of CenterPoint Intermodal Park in Suffolk. 2019 was a significant year for the Port of Virginia, an important driver of industrial demand for the region. Work began in 4Q19 to deepen shipping channels to 55' and widen to allow for two-way vessel traffic. The Port significantly reduced truck turn times and completed a \$320m expansion to Virginia International Gateway. In 2020, the Port will finalize its expansion of Norfolk International Terminals, bringing a 40% increase in container capacity between VIG and NIT.

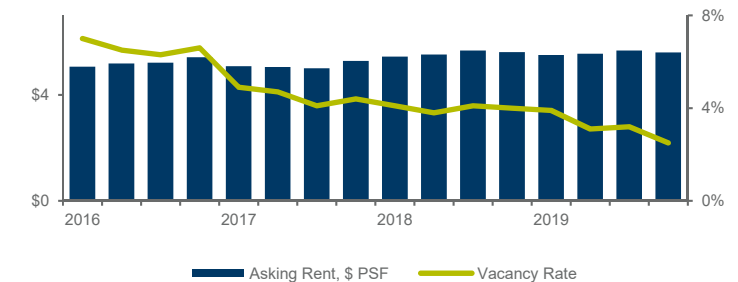
### PRICING: Quality Drives Rental Rates

Rents will continue to rise for functional industrial space as it comes available. Expect asking rents to languish for obsolescent product that has remained available through this cycle.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



# HAMPTON ROADS

Industrial Q4 2019

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	YTD LEASING ACTIVITY (SF)**	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Copeland	10,814,352	280,198	301,194	2.8%	-75,482	8,773	75,742	\$5.65	N/A	\$4.92
Gloucester	225,794	37,200	0	16.5%	0	-37,200	0	N/A	N/A	N/A
Oakland	4,569,791	60,807	14,830	1.3%	65,229	62,729	0	\$7.00	N/A	N/A
Oyster Point	4,423,482	52,392	121,494	2.6%	-12,324	19,726	0	N/A	\$7.59	\$6.72
Williamsburg	8,449,653	89,414	8,139	1.1%	-28,414	32,646	0	N/A	N/A	N/A
Airport Industrial Park	3,616,243	37,645	465,944	2.7%	321,339	374,772	0	\$4.82	N/A	\$5.48
Bainbridge	10,624,009	353,495	237,347	3.3%	152,571	-78,451	0	N/A	\$12.44	\$7.68
Cavalier	5,687,084	108,704	159,534	1.9%	58,046	54,341	0	\$5.25	N/A	\$6.03
Central Norfolk	5,138,787	298,148	136,559	6.1%	3,248	151,559	0	N/A	N/A	\$4.73
Cleveland	3,262,101	34,714	64,967	1.1%	11,682	-6,758	0	N/A	\$10.90	N/A
Greenbrier	2,258,318	148,918	88,085	9.3%	677	-64,537	0	N/A	N/A	N/A
Isle of Wight	4,087,585	0	0	0.0%	0	2,400	0	N/A	N/A	N/A
Lynnhaven	8,324,553	257,456	339,847	3.2%	277,283	-36,910	672,000	N/A	\$12.61	\$5.76
Norfolk Industrial Park	7,738,388	152,005	155,838	2.0%	13,778	72,128	0	\$5.50	N/A	\$6.06
North Suffolk	2,276,942	73,586	101,500	4.6%	0	-105,086	0	N/A	N/A	\$5.78
Portsmouth	4,293,456	16,600	124,048	0.8%	62,184	178,657	0	N/A	N/A	\$5.16
South Suffolk	11,870,614	410,268	269,780	4.0%	6,010	-37,504	30,000	N/A	N/A	\$3.75
West Norfolk	2,618,690	54,000	2,500	2.1%	0	2,300	0	\$4.00	N/A	\$6.67
<b>HAMPTON ROADS TOTALS</b>	<b>100,279,842</b>	<b>2,465,550</b>	<b>2,591,606</b>	<b>2.5%</b>	<b>855,827</b>	<b>593,585</b>	<b>777,742</b>	<b>\$5.31</b>	<b>\$12.19</b>	<b>\$5.38</b>

\*Rental rates reflect weighted net asking \$psf/year

\*\*Leasing statistics include renewals

FX = Flex MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

## KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5401 Virginia Regional Drive	South Suffolk	Undisclosed	127,500	New
6701 College Drive	North Suffolk	Coastal Logistics Group	122,008	Renewal
907 Live Oak Drive	Greenbrier	Operation Blessing International, LLC	65,000	Renewal
5601 City Line Road	Copeland	S&V Warehousing	64,000	Renewal

## KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
1345 Taylor Farm Road	Lynnhaven	Virginia Southern Properties II, LLC / RTA Taylor Farms, LLC	95,400	\$5.7M / \$60
3501 E. Princess Anne Road	Norfolk Industrial Park	East Coast Realty Investment Associates / Norfolk 3501 Owner, LLC	90,399	\$3.6M / \$40
1337 Taylor Farm Road	Lynnhaven	Virginia Southern Properties II, LLC / RTA Taylor Farms, LLC	90,000	\$8.0M / \$89

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