

MARKETBEAT

Hampton Roads

Industrial Q1 2019



HAMPTON ROADS INDUSTRIAL

Economic Indicators

	Q1 18	Q1 19	12-Month Forecast
Hampton Roads Employment	792k	792k	▲
Hampton Roads Unemployment	3.8%	3.1%	▼
U.S. Unemployment	4.1%	3.8%	▼

Numbers above are quarterly averages; February 2019 data used to represent Q1 2019

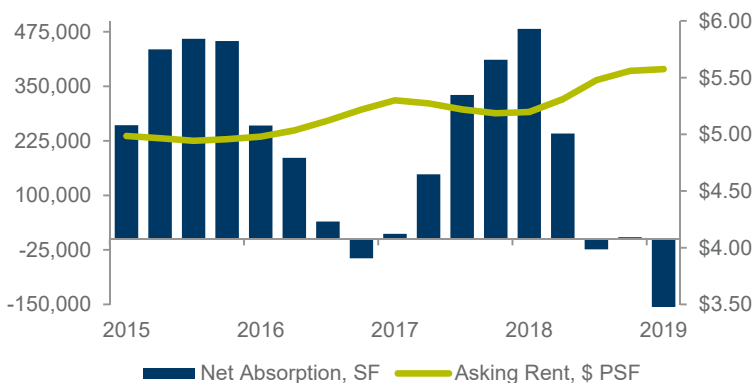
Market Indicators (Overall, All Property Types)

	Q1 18	Q1 19	12-Month Forecast
Vacancy	4.2%	3.9%	▼
YTD Net Absorption (sf)	303k	-388k	▲
Under Construction (sf)	195k	646k	▼
Average Asking Rent*	\$5.44	\$5.50	▲

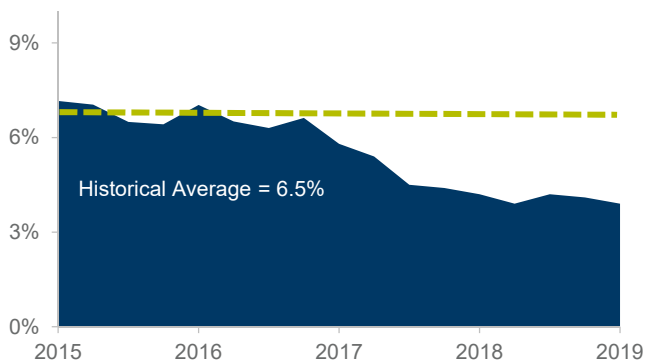
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Hampton Roads region finally eclipsed its pre-recession record for total jobs, and is expected to post a Q1 GDP growth rate of 2.4%. This would be an improvement over 2018 and would exceed Q1 projections for the national economy.

Additional jobs are projected in the manufacturing sector, as well as hospitality and health care industries. Department of Defense (DOD) spending in Hampton Roads is expected to increase in 2019 as national defense spending caps were raised \$1.65B for the next two years.

Market Overview

The Hampton Roads industrial market continues to experience record low vacancy rates with very little new construction in the pipeline. Of the 646,000 square feet (sf) currently under construction, 500,000 sf is attributable to Global Technical Systems – an advanced manufacturer providing products to the US Government. The majority of remaining projects under construction consist of small, 15-30,000 sf multi-tenant speculative buildings. Demand in the market is strongest in the local company owner/occupant sector. Leasing demand in Q1 was weak for the market in general, with a handful of submarkets (e.g. Airport Industrial Park, Lynnhaven, Greenbrier) seeing higher demand and rent growth. Highest leasing deal velocity for the market continues to be in the 15-50,000 sf range with a few larger tenants circling, most notably one million square foot (msf) fulfillment center requirements for Amazon and Wayfair.

Outlook

Industrial vacancy rates will continue to decline as the summer months approach. Demand is expected to pick up, due in large part to DOD-related requirements. Leasing rates for smaller spaces in specific submarkets (e.g. Lynnhaven and Greenbrier) will approach the \$10 per square foot (psf), triple net (NNN) mark for newer, single-tenant product in the 10,000 sf range. Due to several new 20,000 sf to 50,000 sf vacancies in the Class A/B distribution property subcategory, rent is expected to remain in the upper \$5's to mid \$6's psf, NNN until some of this space is absorbed. Amazon and Wayfair are exercising the hyper-local fulfillment strategy in the region by seeking 1 msf facilities (each), possibly the leading edge of a greater trend in eCommerce with more users to follow.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	OVERALL VACANCY RATE	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	198	10,706,168	17,653	2.3%	62,965	71,250	N/A	N/A	\$5.17
Gloucester	9	260,154	0	14.3%	-37,200	0	N/A	N/A	N/A
Oakland	47	4,475,570	0	5.6%	-126,750	0	N/A	N/A	N/A
Oyster Point	63	4,057,998	21,352	3.9%	-39,772	4,750	N/A	N/A	\$6.74
Williamsburg	55	8,448,201	1,000	0.8%	54,890	0	N/A	N/A	\$6.00
Airport Industrial Park	58	3,616,576	360,789	14.1%	7,478	0	N/A	N/A	\$6.28
Bainbridge	143	10,470,724	1,375	1.8%	-83,400	20,800	\$12.00	\$12.00	\$8.54
Cavalier	99	5,601,619	16,400	6.4%	22,701	0	N/A	N/A	\$6.48
Central Norfolk	81	5,194,409	12,876	10.0%	108,337	0	\$13.00	\$13.00	\$5.07
Cleveland	71	2,974,207	3,400	2.1%	-16,236	0	\$11.31	\$11.31	\$11.17
Greenbrier	35	2,384,780	2,200	7.1%	-22,901	0	N/A	N/A	\$4.31
Isle of Wight	16	4,000,277	0	0.0%	1,400	0	N/A	N/A	N/A
Lynnhaven	171	8,312,983	8,763	4.7%	23,515	550,000	\$9.50	\$9.50	\$5.26
Norfolk Industrial Park	152	7,764,653	6,940	6.0%	-241,174	0	N/A	N/A	\$5.79
North Suffolk	12	2,276,942	0	9.0%	-123,586	0	N/A	N/A	\$5.75
Portsmouth	97	4,317,811	10,900	5.9%	20,121	0	N/A	N/A	\$5.17
South Suffolk	87	11,870,574	18,020	3.5%	0	0	N/A	N/A	\$3.75
West Norfolk	69	2,392,332	0	1.5%	1,500	0	N/A	N/A	\$5.26
HAMPTON ROADS TOTALS	1,463	99,125,978	481,668	3.9%	-388,112	646,800	\$5.48	\$11.15	\$5.37

*Rental rates reflect asking \$psf/year

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

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
5795 Thurston Avenue	39,589	Edwards-Councilor Company Inc.	New	Airport Industrial Park
2693 Reliance Dr	23,455	ManTech	Renewal	Lynnhaven Industrial Park
2125 Smith Avenue	37,000	CBN	Renewal	Greenbrier Industrial Park
2305 56 th Street	25,038	Ruhrpumpen	Renewal	Copeland Industrial Park

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1401 Kelland Drive	91,191	Otis Warren / Fainbarg Capital	\$8,000,000 / \$86	Bainbridge
1301 Production Rd	40,795	1301 Production Rd LLC / Down The Line Property LLC	\$2,182,500 / \$54	Norfolk Industrial Park
1716 Lambert Ct	17,280	J & M LLC / R Building LLC	\$1,500,000 / \$87	Greenbrier Industrial Park

Cushman & Wakefield | Thalhimers
222 Central Park Ave, Suite 1820
Virginia Beach, VA 23462
thalhimers.com

For more information, contact:
Geoff Poston, CCIM, SIOR
Vice President
Tel: +1 757 213 4161
geoff.poston@thalhimers.com

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