

Industrial Q1 2021

2.8%
Vacancy Rate



79K
Net Absorption, SF



\$5.92
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q1 2021

767.8K
Hampton Roads
Employment



6.1%
Hampton Roads
Unemployment Rate



6.0%
U.S.
Unemployment Rate



Source: BLS

SUPPLY: Pipeline Grows as Existing Inventory Remains Tight

Several new industrial development projects in the Hampton Roads market were announced in the first quarter of 2021, including Brookwood Development's Portside Logistics and Commerce Park in the Harbour View area of Suffolk and Flint Development's Coastal Logistics Center along Carolina Road near the Route 13 Bypass. These two projects add a combined 1.4 million square feet (msf) to the development pipeline with projected asking rents in the \$6.00 to \$7.00 range per square foot, triple net. Supply constraints remain on nearly all asset classes and size ranges. Class A inventory has ticked up slightly from the 1.8% vacancy rate posted in Q4 2020; however, quick absorption is expected as multiple tenants with similar requirements are currently in the market.

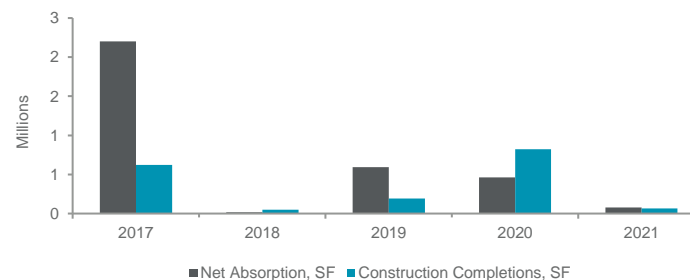
DEMAND: Picking Up Where 2020 Left Off

Following the 2020 holiday season, demand has picked up as companies continue to sort out supply chain issues, leading to 79,000 square feet (sf) of positive net absorption. Due to the region's 2.8% vacancy rate, users are competing aggressively over the same availabilities and driving rents higher. Several users in the Hampton Roads market are seeking short term leases due to rapidly changing commodity prices and overall market volatility. Medical equipment suppliers and other healthcare industry companies continue to experience growth, driving further warehousing demand. E-commerce has picked up where it left off in 2020. Amazon has numerous requirements in the market in various deal stages, including a handful of properties under contract or in lease negotiations. Users across various industries are suffering from commodities shortages, whether it be steel, aluminum, lumber, vinyl, semiconductors, plastics, etc. Expect 'safety inventory' to be a hot topic in 2021, which will see users grow their footprints by roughly 10% to 15% in order to hold more supplies or inventory to protect from future shortages.

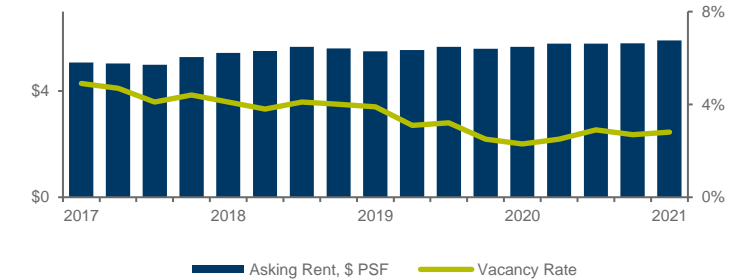
PRICING: Rapidly Rising

Rent values continue to rise rapidly, most recently on display in Cal Cartage's 12-acre land lease at 1 Wild Duck Lane, Portsmouth. Cal Cartage will be paying over \$4,000 per acre per month for the stabilized site – a near 70% increase over 2020's land lease highwater mark. Several recent warehouse distribution transactions occurred at asking price with little to no landlord concessions and on an as-is basis, indicating room to further increase rental asking rates. Smaller scale, local landlords are catching on to the supply constraint as evidenced by asking rents for new availabilities coming on the market in the first quarter of 2021. With no end in sight to the region's industrial market supply challenges, expect rental rates to continue rising throughout the year.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q1 2021

| 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 | 11,270,305 | 390,800 | 0 | 3.5% | -102,876 | -102,876 | 135,000 | \$5.34 | N/A | \$5.52 |
| Gloucester | 225,794 | 37,200 | 0 | 16.5% | 0 | 0 | 0 | N/A | N/A | N/A |
| Oakland | 4,569,659 | 76,150 | 0 | 1.7% | -10,800 | -10,800 | 43,500 | \$6.40 | N/A | \$5.88 |
| Oyster Point | 4,512,192 | 132,960 | 41,161 | 2.9% | 17,176 | 17,176 | 0 | \$6.30 | \$13.00 | \$6.64 |
| Williamsburg | 8,564,453 | 179,343 | 6,000 | 2.1% | 26,600 | 26,600 | 0 | N/A | N/A | \$7.15 |
| Airport Industrial Park | 3,614,530 | 91,979 | 9,350 | 2.8% | 75,660 | 75,660 | 0 | \$7.50 | N/A | \$5.34 |
| Bainbridge | 10,373,261 | 216,579 | 8,300 | 3.4% | -74,553 | -74,553 | 96,000 | N/A | \$12.00 | \$7.52 |
| Cavalier | 6,109,881 | 208,726 | 35,900 | 3.4% | 4,018 | 4,018 | 0 | \$5.25 | N/A | \$4.93 |
| Central Norfolk | 4,963,850 | 283,176 | 27,049 | 5.7% | 96,733 | 96,733 | 0 | N/A | N/A | \$4.47 |
| Cleveland | 3,103,127 | 165,263 | 20,335 | 5.3% | -50,969 | -50,969 | 0 | N/A | \$8.69 | \$7.98 |
| Greenbrier | 2,580,780 | 179,559 | 3,100 | 7.0% | 19,436 | 19,436 | 66,294 | N/A | N/A | \$8.70 |
| Isle of Wight | 4,122,879 | 0 | 0 | 0.0% | 0 | 0 | 0 | N/A | N/A | N/A |
| Lynnhaven | 8,957,378 | 128,124 | 36,040 | 1.4% | -4,113 | -4,113 | 62,000 | N/A | \$11.38 | \$9.54 |
| Norfolk Industrial Park | 7,747,933 | 187,015 | 2,376 | 2.4% | 78,652 | 78,652 | 0 | \$6.50 | N/A | \$6.31 |
| North Suffolk | 2,276,942 | 50,000 | 0 | 2.2% | 0 | 0 | 0 | N/A | N/A | N/A |
| Portsmouth | 4,236,677 | 31,750 | 6,000 | 0.7% | 26,850 | 26,850 | 0 | N/A | N/A | \$10.25 |
| South Suffolk | 11,970,433 | 445,310 | 2,000 | 3.7% | -23,283 | -23,283 | 4,486,636 | N/A | N/A | \$3.34 |
| West Norfolk | 2,590,232 | 42,707 | 5,500 | 1.6% | 0 | 0 | 0 | \$7.37 | N/A | \$6.24 |
| HAMPTON ROADS TOTALS | 101,790,306 | 2,846,641 | 203,111 | 2.8% | 78,531 | 78,531 | 4,889,430 | \$5.74 | \$11.73 | \$5.62 |

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

**Does not include lease renewals

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

KEY LEASE TRANSACTIONS Q1 2021

| PROPERTY | SUBMARKET | TENANT | SF | TYPE |
|--------------------------------|-----------|-----------------|--------|----------|
| 2513 58 th Street | Copeland | Fun Stuff, Inc. | 57,742 | Renewal |
| 2000 Enterprise Parkway | Copeland | Eimskip | 50,400 | Sublease |
| 713 Fenway Avenue | Cavalier | VSE Corporation | 43,200 | New |
| 1100 International Plaza South | Cavalier | Raytheon | 40,000 | Renewal |

KEY SALES TRANSACTIONS Q1 2021

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE / \$ PSF |
|----------------------------|-------------------------|---|---------|----------------|
| 800-840 Florida Avenue | Portsmouth | Cardon Associates / Blue Ridge Product Solutions, LLC | 122,400 | \$1.1M / \$9 |
| 3501 E. Princess Anne Road | Norfolk Industrial Park | Norfolk 3501 Owner, LLC / Cporf, LLC | 86,732 | \$5.0M / \$58 |
| 835 Wilson Road | Bainbridge | Burton Lumber Corporation / N/A | 73,608 | \$2.4M / \$33 |

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