

HAMPTON ROADS

Industrial Q1 2022

YoY Chg 12-Mo. Forecast

1.6%
Vacancy Rate



4.0M
Net Absorption, SF



\$6.92
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q1 2022

YoY Chg 12-Mo. Forecast

776K
Hampton Roads
Employment



3.7%
Hampton Roads
Unemployment Rate



3.6%
U.S.
Unemployment Rate



Source: BLS

SUPPLY: Big Box Development Pipeline Healthy; Very Limited For Users Under 100,000 SF

The pool of available industrial properties in Hampton Roads is almost completely depleted. The total market inventory of 100 million square feet (msf) currently sits at a 1.6% vacancy rate while the 30 msf of Class A inventory hovers at 0.7% vacancy. Several new speculative developments hit the market in the first quarter of 2022, including Northbridge Partners' 334,000 sf distribution facility at 600 Curtis Saunders Court in Chesapeake, a local developer's 24,000 sf multi-tenant industrial building at 2551 Almeda Avenue in Norfolk, and Karis Cold's 183,000 sf cold storage development in Northgate Commerce Park in Suffolk. The City of Chesapeake Economic Development Authority is now offering industrial land for sale in parcel sizes ranging from 5 acres to 90 acres along Yupo Court in Greenbrier Commerce Park, providing local users and manufacturers a valuable opportunity to purchase and develop their own facility. Availability of larger distribution space will remain scarce at least until 2023 when the development pipeline begins to catch up. Local and regional users seeking warehouse space in the 10,000 to 100,000 sf range will continue to be frustrated by a lack of availabilities as very limited new construction is planned to accommodate this user size.

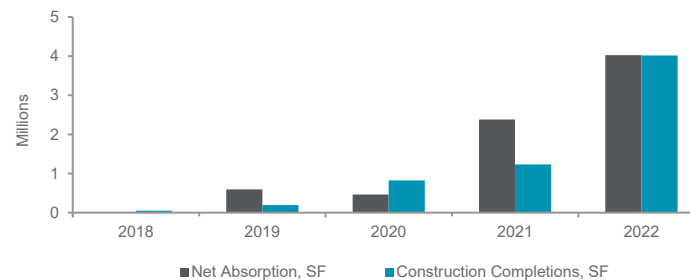
DEMAND: Expansion Space Needed

Net absorption for 1Q 2022 was 4 msf, which is more than 1 msf above absorption for the past two years, is a sign of the significant increase in demand. Manufacturers, wholesalers, contractor supply companies, and other similar users are actively expanding their warehouse footprints in order to secure space for inventory risk mitigation. Many users are purchasing business-critical materials in bulk to simply store in a 'dead warehouse.' Industrial investment buyers remain very active in the Hampton Roads region, aggressively pursuing anything that comes on market as well as off-market opportunities. Smaller local and regional users are equally active; however, due to lack of inventory, many tenants and buyers are unable to secure anything to meet their requirements. Overall available vacant space is around 1.8 msf, which is only an increase for 189k sf than 4Q 2021. The majority of properties that do come available rarely make it to the open market.

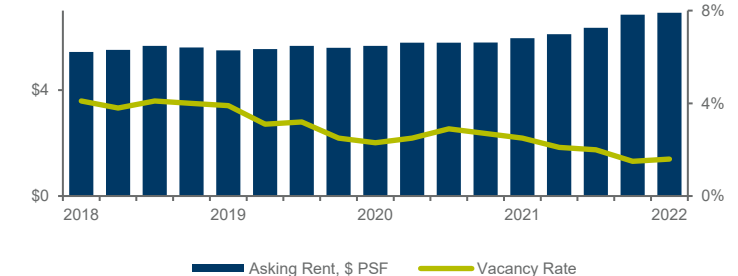
PRICING: No Let Up In Sight

Rental rates, building sales prices, and land values continue to rise dramatically while capitalization rates further compress. It is not uncommon for new availabilities in the 10,000 to 50,000 sf size range to be priced at double-digit lease rates or triple-digit sales prices, which is significantly higher than the overall asking rate of \$6.92. Land lease rates and sales values have more than doubled in less than 24 months with no signs of slowing down. Cap rates on marketable investment properties are comfortably sitting in the 5% range, with some outliers pushing sub-5%. Landlords and Sellers can practically name their price as attractive lease and sale offerings more often than not generate multiple at-ask or above-ask offers.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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	11,438,285	221,392	196,700	1.9%	186,586	186,586	231,000	\$6.06	N/A	\$6.79
Gloucester	225,794	37,200	0	16.5%	0	0	0	N/A	N/A	N/A
Oakland	4,586,852	182,584	0	4.0%	2,500	2,500	43,500	N/A	N/A	\$6.77
Oyster Point	4,505,210	56,618	750	1.3%	-10,586	-10,586	0	\$6.30	\$12.75	\$7.80
Williamsburg	8,587,507	141,211	12,460	1.6%	8,811	8,811	20,000	N/A	N/A	\$7.25
Airport Industrial Park	3,680,515	6,000	77,098	0.2%	-4,150	-4,150	0	N/A	N/A	\$8.68
Bainbridge	10,461,242	247,630	4,000	2.4%	30,799	30,799	20,000	\$6.50	\$12.00	N/A
Cavalier	6,790,604	34,425	65,346	0.5%	17,575	17,575	334,800	\$5.54	N/A	\$4.82
Central Norfolk	5,001,992	60,811	16,177	1.2%	-30,257	-30,257	0	N/A	N/A	\$4.69
Cleveland	2,961,699	84,199	22,385	2.8%	-59,518	-59,518	0	\$12.50	\$12.82	\$8.91
Greenbrier	2,662,001	236,507	0	8.9%	63,244	63,244	0	N/A	\$11.75	\$8.11
Isle of Wight	4,122,879	0	0	0.0%	0	0	0	N/A	N/A	N/A
Lynnhaven	8,955,194	73,945	44,608	0.8%	-30,663	-30,663	31,000	\$7.86	\$9.50	\$10.89
Norfolk Industrial Park	7,857,533	57,951	50,999	0.7%	36,767	36,767	0	N/A	N/A	\$7.30
North Suffolk	2,233,593	0	0	0.0%	0	0	580,000	N/A	N/A	N/A
Portsmouth	4,696,082	191,324	30,100	4.1%	-87,246	-87,246	0	N/A	N/A	\$9.00
South Suffolk	16,172,765	90,047	36,094	0.6%	3,917,596	3,917,596	4,938,805	N/A	N/A	\$3.32
West Norfolk	2,683,643	43,300	0	1.6%	-17,500	-17,500	0	\$5.65	N/A	\$6.56
HAMPTON ROADS TOTALS	107,623,390	1,765,144	556,717	1.6%	4,023,958	4,023,958	6,199,105	\$6.29	\$12.28	\$6.40

*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 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
271 Benton Road	South Suffolk	UNIS, LLC	910,000	New
Commander Shepard Boulevard	Copeland	Huntington Ingalls Industries	135,000	New
3100-3150 Elmhurst Lane	Portsmouth	International Paper Company	81,375	Renewal
1 Wild Duck lane	Portsmouth	UNIS, LLC	72,000	New

KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
9000 Westmont Drive	Williamsburg	Avid Realty, LLC / 9000 Westmont Owner, LLC	174,952	\$22M / \$126
5429 Greenwich Road	Cleveland	5429 Greenwich Road VA, LLC / Society Gateway, LLC	163,601	\$6.55M / \$40
120 Enterprise Drive	Oakland	City of Newport News / Mercana US Real Estate LP	124,676	\$7.98M / \$64

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