

MARKETBEAT

Hampton Roads

Industrial Q2 2019



CUSHMAN & WAKEFIELD

THALHIMER

HAMPTON ROADS INDUSTRIAL

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Hampton Roads Employment	793k	796k	▲
Hampton Roads Unemployment	3.3%	3.3%	▲
U.S. Unemployment	3.9%	3.6%	▼

Numbers above are quarterly averages; June 2019 data used to represent Q2 2019

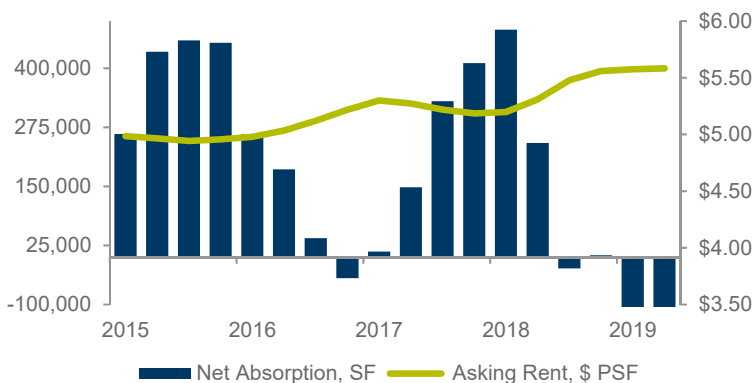
Market Indicators (Overall, All Property Types)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	3.9%	3.1%	▼
YTD Net Absorption (sf)	280k	-169k	▲
Under Construction (sf)	195k	870k	▲
Average Asking Rent*	\$5.52	\$5.55	▲

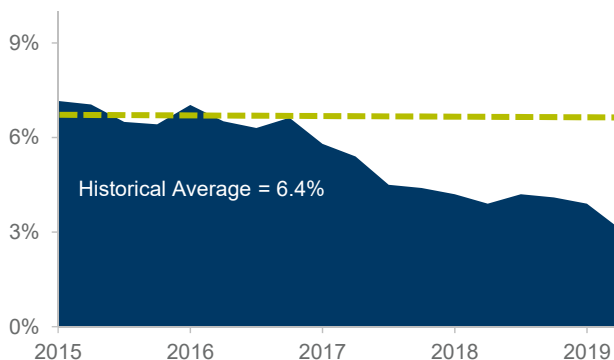
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

US – China trade tensions escalated during the second quarter of 2019, negatively affecting financial markets in May before rebounding in June with the S&P 500 hitting a new record high. US GDP growth through Q1 was slightly lower than expectations, posting a 3.1% growth rate. In May, the unemployment rate dropped to 3.6% - the lowest since 1969 – while wage growth has stagnated. The US economy is in the late stage of this cycle and further cooling off is expected over the next quarter.

Market Overview

CenterPoint Properties exited the market in 2Q19, selling their five-building portfolio that totaled nearly 1.8 million square feet (msf) along with 500 acres of undeveloped industrial land in CenterPoint Intermodal Center. Philadelphia-based Equus Capital Partners acquired the portfolio and will look to pick up where CenterPoint left off. Amazon's 2.1-msf multi-story fulfillment center requirement continues to be the talk of the region. Wayfair's 1.0-msf fulfillment center requirement is a close second. While these two behemoths are exciting to talk about and are impressive developments for the region, occupiers in the 15,000 to 50,000 square foot (sf) range continue to experience issues with tight vacancy. The absence of modern multi-tenant warehouse product continues to be an issue, particularly in core 'last mile' markets east of the Elizabeth River. Poor soil conditions, wetlands constraints, and lack of contiguous available land are stumbling blocks to ground-up construction. Smaller scale speculative construction is possible and several projects nearing completion are seeing respectable activity: 550 Woodlake Drive, Chesapeake; 577 Central Drive, Virginia Beach; and 492 Central Drive, Virginia Beach have all secured or are actively negotiating with tenants at lease rates in the upper \$9.00s to lower \$10.00s per square foot, NNN.

Outlook

There is no end in sight to the vacancy issues the region faces. Several institutional developers are eager to enter the market and develop speculative product, but after several years of searching still have nothing to show for it. Expect more developers to take a run at older buildings that are well-located and priced appropriately. Look for investors to also approach owner-occupants with sale leaseback proposals, allowing owners to capitalize on the state of the market while providing investors an opportunity to place cash. Landlords will continue to push rents higher and building values will 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 (WD)*
Copeland	199	10,722,968	16,444	2.0%	91,718	75,742	\$5.65	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	2.8%	-127,110	0	\$7.00	N/A	N/A
Oyster Point	63	4,057,998	23,352	2.5%	18,570	0	N/A	N/A	\$6.60
Williamsburg	55	8,448,201	2,000	0.8%	54,890	0	N/A	N/A	N/A
Airport Industrial Park	58	3,623,060	354,285	12.6%	59,673	0	\$4.82	N/A	\$6.28
Bainbridge	143	10,473,889	19,625	2.0%	-101,775	174,216	\$9.00	\$12.52	\$8.02
Cavalier	99	5,601,079	29,800	6.0%	34,267	0	\$5.25	N/A	\$6.26
Central Norfolk	81	5,194,409	45,891	6.5%	123,696	0	N/A	N/A	\$5.10
Cleveland	70	2,958,726	10,874	1.7%	-8,340	0	N/A	\$11.31	\$11.95
Greenbrier	35	2,384,780	7,251	7.4%	-30,264	0	N/A	N/A	\$6.75
Isle of Wight	16	4,000,277	0	0.0%	1,400	0	N/A	N/A	N/A
Lynnhaven	171	8,295,169	230,643	2.1%	25,802	590,000	\$6.50	\$10.91	\$5.84
Norfolk Industrial Park	152	7,764,653	48,588	3.9%	-75,274	0	\$5.51	N/A	\$5.75
North Suffolk	12	2,276,942	0	11.7%	-185,086	0	N/A	N/A	\$5.75
Portsmouth	97	4,293,850	10,900	4.6%	75,761	0	N/A	N/A	\$5.47
South Suffolk	87	11,870,574	68,042	4.3%	-91,036	30,000	N/A	N/A	\$3.81
West Norfolk	69	2,394,927	0	0.8%	1,500	0	\$6.03	N/A	\$6.50
HAMPTON ROADS TOTALS	1,463	99,097,226	867,965	3.1%	-168,808	869,958	\$5.45	\$11.32	\$5.44

*Rental rates reflect asking \$psf/year
 ** Does not include lease renewals

MF = Manufacturing OS = Office Service/Flex WD = Warehouse/Distribution

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
2600 International Parkway	218,680	SRP Companies	New	Lynnhaven Industrial Park
2513 58 th Street	54,622	Fun Stuff, Inc.	Renewal	Copeland Industrial Park
3050 & 3100 Elmhurst Lane	40,000	CMP Global	New	Portsmouth
713 Fenway Avenue	33,600	Pacific Best Inc.	Renewal	Cavalier Industrial Park

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
917 Ventures Way	12,050	BP&C Investments, LLC / P&M Pet Services, LLC	\$1,160,000 / \$96	Greenbrier
4710 Roanoke Avenue	42,000	B-A Hat Company Inc. / 4710 Roanoke Ave Newport News, LLC	\$1,800,000 / \$43	Copeland Industrial Park
12665-12671 McManus Boulevard	27,390	Luna Enterprises, LLC / CPNN, LLC	\$1,400,000 / \$51	Oyster Point

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