

HAMPTON ROADS

Industrial Q2 2020

	YoY Chg	12-Mo. Forecast
2.5% Vacancy Rate	▼	▲
-152K Net Absorption, SF	▼	▲
\$5.79 Asking Rent, PSF	▲	▬

Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2020

	YoY Chg	12-Mo. Forecast
716.8K Hampton Roads Employment	▼	▲
11.6% Hampton Roads Unemployment Rate	▲	▼
13.0% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMY: COVID-19

The end of Q2 2020 welcomes in Phase III of the reopening of the economy in Virginia. The three pillars of the Hampton Roads economy: defense, the Port of Virginia, and tourism have been tested by the pandemic. The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

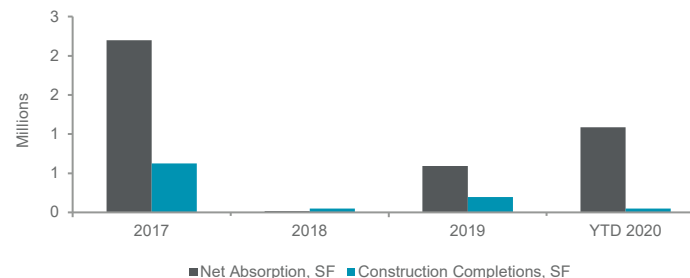
SUPPLY: Record Low Vacancy Continues

The industrial real estate market in Hampton Roads began Q2 2020 with a 2.5% vacancy rate. Of the top 80 markets Cushman & Wakefield tracks nationally, Hampton Roads comes in as the fourth tightest industrial market behind Central New Jersey, Orange County, and Raleigh/Durham. Users have a limited supply of industrial space to consider that generally presents some form of obsolescence. Asking rents have steadily climbed and landlord concessions have been tightening. Equus Capital Partners will be the first in several years to dip their toe in the speculative development waters with a 348,500 square foot (sf) facility at Virginia Port Logistics Park in Suffolk, set to deliver in summer 2021. Equus also announced in Q2 2020 they will be constructing a 350,000 sf build-to-suit (BTS) for Massimo Zanetti, which will be adjacent to the firm's speculative development. Construction is also underway on Amazon's 3.8 million square foot (msf), multi-story fulfillment center in Suffolk and 650,000 sf import center in Chesapeake.

DEMAND: Lackluster Velocity, No Where To Go

Demand slowed through the initial lockdown phases of the COVID pandemic. 2019 saw low to moderate positive net absorption and the first half of 2020 has carried over with mixed results, which can primarily be attributed to lack of available product. Industrial real estate has been absorbed quickly when made available. Expect user demand to increase through the second half of 2020 as eCommerce and 3PL users' desire for infill locations shows no signs of slowing down. Big box demand is expected to increase from large-scale distribution and supply chain users as high costs for construction, labor and real estate drives prospects out of the Northeast to consider the Mid-Atlantic. The US military spending budget is increasing in 2020 and 2021, which will continue to have a significant impact on Hampton Roads as the Navy continues its push for a 355-ship fleet.

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	11,172,555	231,469	11,139	2.1%	-3,347	47,775	75,742	\$5.55	N/A	N/A
Gloucester	225,794	37,200	0	16.5%	0	0	0	N/A	N/A	N/A
Oakland	4,569,791	62,359	7,500	1.4%	0	65,229	0	\$7.00	N/A	\$6.50
Oyster Point	4,458,712	102,618	7,970	2.3%	-20,081	13,165	0	N/A	N/A	\$7.00
Williamsburg	8,497,953	38,963	4,000	0.5%	2,100	337,135	20,000	N/A	N/A	\$5.95
Airport Industrial Park	3,616,243	64,827	24,150	2.4%	-45,032	337,064	0	\$7.50	N/A	\$5.34
Bainbridge	10,623,038	405,387	27,705	4.0%	-63,865	88,706	0	N/A	\$12.12	\$7.35
Cavalier	6,028,999	174,667	56,025	3.4%	-24,650	33,396	30,000	\$5.25	N/A	\$6.84
Central Norfolk	4,959,650	264,412	5,203	5.3%	-184,480	-165,282	0	N/A	N/A	\$4.67
Cleveland	3,262,516	29,133	0	0.9%	0	11,682	0	N/A	\$10.60	\$12.95
Greenbrier	2,385,637	147,867	51,286	6.2%	27,537	30,839	0	N/A	N/A	\$7.25
Isle of Wight	4,120,272	32,687	0	0.8%	0	0	0	N/A	N/A	N/A
Lynnhaven	8,395,820	145,497	54,825	2.6%	-75,654	63,416	622,000	N/A	\$11.60	\$6.76
Norfolk Industrial Park	7,716,707	211,528	18,700	3.1%	-1,500	12,278	0	N/A	N/A	\$6.20
North Suffolk	2,276,942	0	73,856	0.0%	73,586	89,137	0	N/A	N/A	\$5.78
Portsmouth	4,205,151	85,600	40,000	2.0%	11,000	73,184	0	N/A	N/A	\$4.72
South Suffolk	11,916,738	436,923	3,545	3.7%	163,300	60,700	3,830,000	N/A	N/A	\$3.75
West Norfolk	2,546,708	59,209	0	2.3%	-10,800	-10,800	0	\$7.37	N/A	\$7.27
HAMPTON ROADS TOTALS	100,979,226	2,530,346	385,904	2.5%	-151,886	1,087,624	4,577,742	\$6.21	\$11.67	\$5.46

*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 Q2 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5201 City Line Road	Copeland	Huntington Ingalls	80,344	Renewal
401 Woodlake Drive	Bainbridge	Bae Systems Norfolk Ship Repair	66,304	Renewal
149 Warwick Court	Williamsburg	Wyatt Industries, LLC	51,300	Renewal
1431 Baker Road	Airport Industrial	Centurion Group, Inc.	38,580	Renewal

KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
102 S. Witchduck Road	Cleveland	ESL Investments / Michael D. Sifen	22,180	\$3.0M /\$135
8020 Hankins Industrial Park	Williamsburg	Wayjo Inc. / DCJ Enterprises, LLC	14,530	\$950K /\$65
742 Blue Crab Road	Oyster Point	Carr Associates / Kelvin Holdings, LLC	11,000	\$1.0M / \$93

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