

# MARKETBEAT

# Hampton Roads

Industrial Q3 2019



CUSHMAN & WAKEFIELD

THALHIMER

## HAMPTON ROADS INDUSTRIAL

### Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Hampton Roads Employment	790k	794k	▲
Hampton Roads Unemployment	3.1%	3.1%	▲
U.S. Unemployment	3.8%	3.7%	▲

Numbers above are quarterly averages; September 2019 data used to represent Q3 2019

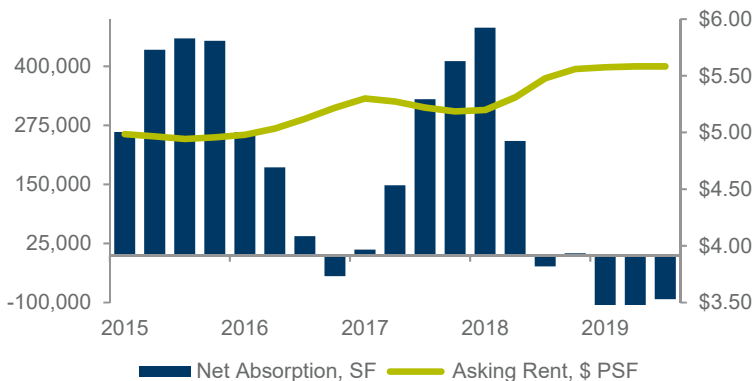
### Market Indicators (Overall, All Property Types)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	4.2%	3.2%	▼
YTD Net Absorption (sf)	-59k	-448k	▲
Under Construction (sf)	50k	931k	▲
Average Asking Rent*	\$5.67	\$5.67	▲

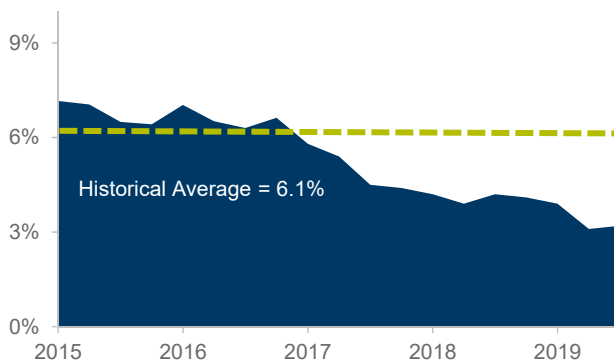
\*Rental rates reflect net asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### 4-QTR TRAILING AVERAGE



### Overall Vacancy



## Economy

The Hampton Roads economy continues to benefit from increased defense spending and a stronger than normal tourism season, driven in large part by Virginia Beach-native Pharell's 'Something in the Water' music festival. National defense spending is expected to increase in 2020 and 2021, positively impacting Hampton Roads. The region's unemployment rate is steady at 3.1% and payroll employment is on the rise. Most housing market indicators are positive. New home construction is up nearly 60% year over year, the median home sales price within the region is trending up, and foreclosures as a percentage of resales has dropped to 5.1% from a peak of 8.0% during the recession.

## Market Overview

While the market for all industrial property types (office service/flex included) shows -448k square feet (sf) of year-to-date net absorption, the downward trending vacancy rate over the past 12 months tells a more accurate story. Vacancy is now at 3.2%, up 10 basis points (bps) from the previous quarter, but 70 bps down from Q1 19 and nearly 100 bps down from Q4 18. The warehouse and distribution segment of the market 10,000-sf and greater has experienced 252,000 sf positive net absorption over the past 12 months, down 10% from the previous 12 months. Availability in the 15,000 to 50,000 sf range is practically none existent in submarkets east of the Elizabeth River. Steady demand and no speculative construction in the pipeline indicates continued rental rate growth and more renewals than new leases. The Port of Virginia, a major pillar of the regional economy, completed their \$320 million expansion to Virginia International Gateway in July – one step closer to the Port's master plan to improve container capacity by 40%.

## Outlook

The regional economy will show positive growth over the next several quarters, while federal dollars continue pumping into Hampton Roads. No change is expected to vacancy rates as functionally obsolete; Class C product will linger and no new construction is in the pipeline (save several build-to-suit projects). Investors should look for off market or sale lease-back opportunities.

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## Industrial Q3 2019



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	10,700,116	27,222	2.6%	31,412	75,742	\$5.65	N/A	\$8.25
Gloucester	9	260,154	0	14.3%	-37,200	0	N/A	N/A	N/A
Oakland	47	4,475,570	1,250	2.8%	-2,500	0	\$7.00	N/A	N/A
Oyster Point	63	4,058,013	26,652	2.5%	18,750	0	N/A	\$7.59	\$6.60
Williamsburg	55	8,448,201	7,139	0.7%	61,060	0	N/A	N/A	N/A
Airport Industrial Park	58	3,616,243	363,485	11.6%	53,433	0	\$4.82	N/A	\$5.75
Bainbridge	144	10,494,625	19,625	3.7%	-270,600	153,416	N/A	\$12.52	\$7.68
Cavalier	100	5,621,079	36,700	5.5%	-3,705	0	\$5.25	N/A	\$6.03
Central Norfolk	82	5,210,620	45,891	6.3%	128,984	0	N/A	N/A	\$5.10
Cleveland	70	2,958,726	27,550	3.1%	-60,023	0	N/A	\$11.13	\$11.95
Greenbrier	35	2,384,780	7,806	8.8%	-65,214	0	N/A	N/A	N/A
Isle of Wight	16	4,000,277	0	0.0%	1,400	0	N/A	N/A	N/A
Lynnhaven	172	8,318,895	255,889	5.9%	-274,391	672,000	\$6.50	\$9.50	\$5.86
Norfolk Industrial Park	151	7,858,060	50,588	2.1%	58,530	0	\$5.50	N/A	\$6.06
North Suffolk	12	2,276,942	40,000	8.2%	-109,531	0	N/A	N/A	\$5.75
Portsmouth	97	4,293,850	16,170	3.5%	63,048	0	N/A	N/A	\$5.22
South Suffolk	87	11,875,324	68,042	3.5%	-43,514	30,000	N/A	N/A	\$3.82
West Norfolk	71	2,605,378	0	1.4%	2,300	0	\$4.00	N/A	\$6.50
<b>HAMPTON ROADS TOTALS</b>	<b>1,467</b>	<b>99,456,853</b>	<b>994,009</b>	<b>3.2%</b>	<b>-447,761</b>	<b>931,158</b>	<b>\$5.33</b>	<b>\$11.17</b>	<b>\$5.65</b>

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

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

### Key Lease Transactions Q3 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
5909 Thurston Avenue	59,392	Epsilon Systems Inc.	Renewal	Airport Industrial
6950 Harbour View Boulevard	50,000	Windspeed Logistics	New	North Suffolk
6950 Harbour View Boulevard	30,000	S-L Distribution	Renewal	North Suffolk
12671 McManus Boulevard	27,390	VRC Companies, LLC	New	Oyster Point

### Key Sales Transactions Q3 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
2700 Trade Street	178,068	iStar Financial / Lineage Logistics	\$37,000,000 / \$208	Cavalier
4554 Progress Road	115,000	Gregory A. Turnage Trust / Norfolk ATD Owner, LLC	\$3,500,000 / \$30	Norfolk Industrial park
3612 La Grange Parkway	100,933	Manakin Holdings / Hendricks Commerical Properties	\$9,400,000 / \$93	Williamsburg
850 Greenbrier Parkway	81,318	CBL / Sharon Fleischman	\$10,500,000 / \$129	Greenbrier

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