

Industrial Q3 2021

	YoY Chg	12-Mo. Forecast
1.8% Vacancy Rate	▼	▼
381K Net Absorption, SF	▲	▼
\$6.29 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
760K Hampton Roads Employment	▲	▲
4.6% Hampton Roads Unemployment Rate	▼	▼
5.2% U.S. Unemployment Rate	▼	▼

Source: BLS

SUPPLY: Speculative Development Quickly Absorbed

The Hampton Roads industrial market has continued its healthy run through the third quarter of 2021, posting an incredible 1.8% vacancy rate. Several of the industrial development land sites acquired in 2020 with plans for speculative development have been quickly absorbed in 2021. One prominent example is Brookwood Capital Partners' acquisition of 6601 Park Drive - a 46-acre site along Harbor View Boulevard in Suffolk. Before raising a shovel, a leading transportation company has been secured to lease 338,000 square foot (sf) and the balance of the site for truck and trailer parking. Equus Capital Partners has been successful in leasing two spec projects at Virginia Port Logistics Park this year, most recently a 307,000 sf building in Q3. Unfortunately, there is no speculative development underway for smaller scale tenants that fall below the 'bulk distribution' benchmark of 100,000 sf. The 20,000 to 50,000 sf size range has historically been the Hampton Roads market's most active user group. Deals are few and far between in this size range due to lack of available product and no opportunities upcoming.

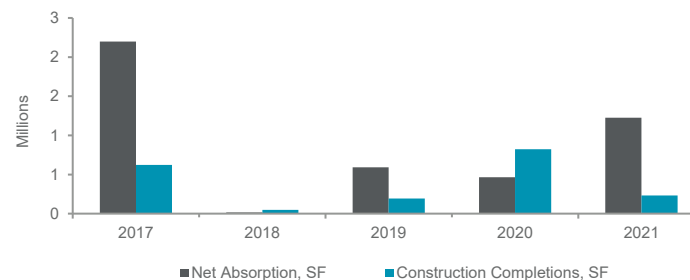
DEMAND: No Slowing Down

Competition among buyers and tenants is fierce with a vacancy rate below 2%. The market is seeing a significant portion of listings, whether for lease or for sale, trade above the asking price. Many lease transactions are void of Landlord concessions (e.g., free rent period, tenant improvement allowance, etc.) and sales terms are incredibly aggressive with short study periods and large deposits. Users that are nimble in their decision-making process and response times hold a competitive advantage in the market right now.

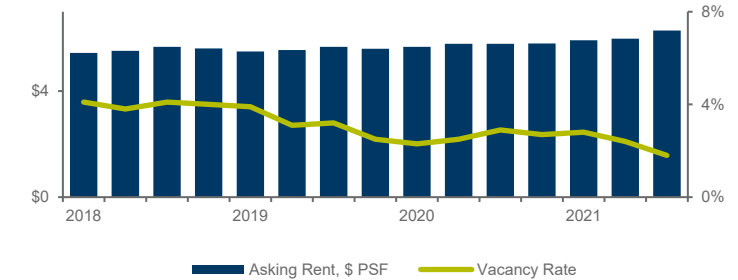
PRICING: Upwards Pressure on PSF Values

Pricing has grown tremendously in 2021 due to little to no supply and intense demand in the Hampton Roads industrial market. Several Q3 transactions serve as a testament. In Chesapeake the 70,000 sf distribution facility at 3512 Business Center Drive with 4 acres of adjacent yard space – was brought to market at \$8.50 per square foot (psf) triple net (NNN). The US Postal Service secured the space over the asking price in the mid to upper \$10 psf, NNN range. This is an incredible jump in price over the current tenant's deal completed only three years ago at \$6.38 psf, NNN. Land values have shot up as well, with the few remaining available tracts that are located in and around the Interstate 64 beltway asking in the range of \$250,000 per acre. This pricing is hard for buyers to justify when comparable sales from one or two years ago show values in the \$175,000 per acre range.

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	10,792,257	257,836	369,859	2.9%	23,724	-48,041	246,917	\$5.50	N/A	\$5.52
Gloucester	225,794	37,200	0	16.5%	0	0	0	N/A	N/A	N/A
Oakland	4,577,867	187,584	11,987	4.1%	0	-115,000	43,500	N/A	N/A	\$6.50
Oyster Point	4,505,210	69,099	104,866	1.5%	14,622	106,233	0	\$6.30	\$12.75	\$6.95
Williamsburg	8,579,462	133,459	72,749	1.6%	6,000	19,484	16,520	N/A	N/A	\$7.15
Airport Industrial Park	3,677,080	44,227	195,958	1.2%	9,156	131,112	0	\$7.50	N/A	\$5.58
Bainbridge	10,428,350	228,206	191,282	2.2%	-61,456	43,958	0	\$6.50	\$12.00	\$7.50
Cavalier	6,089,622	58,350	398,329	1.0%	0	22,168	0	\$6.44	N/A	\$4.81
Central Norfolk	4,951,992	104,067	127,198	2.4%	28,623	286,482	0	N/A	N/A	\$4.81
Cleveland	3,108,656	63,201	163,452	2.8%	92,106	48,893	0	\$11.55	\$9.11	\$9.19
Greenbrier	2,588,449	118,551	55,040	4.8%	29,198	73,702	66,294	N/A	N/A	\$7.55
Isle of Wight	4,122,879	0	0	0.0%	0	0	0	N/A	N/A	N/A
Lynnhaven	8,957,271	95,739	114,267	1.5%	-6,393	8,389	31,000	\$6.50	\$11.38	\$10.40
Norfolk Industrial Park	7,771,116	127,070	236,067	1.8%	-70,393	288,071	0	\$6.50	N/A	\$6.54
North Suffolk	2,233,332	0	20,000	0.9%	30,000	30,000	0	N/A	N/A	N/A
Portsmouth	4,622,446	80,150	297,116	1.7%	136,684	140,414	0	N/A	N/A	\$9.00
South Suffolk	11,990,418	217,458	312,352	1.7%	159,052	208,685	4,486,636	N/A	N/A	\$3.48
West Norfolk	2,590,232	60,975	10,500	2.4%	-9,468	-18,268	0	\$4.00	N/A	\$6.38
HAMPTON ROADS TOTALS	101,812,433	1,883,172	2,681,022	1.8%	381,455	1,226,282	4,890,867	\$6.29	\$11.60	\$5.66

*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 Q3 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1401 Enterprise Drive	South Suffolk	XPO Logistics Supply Chain	348,500	New
324 Moore Avenue	South Suffolk	Celladon	120,800	New
5457 Greenwich Road	Cleveland	Goodwill of Central & Coastal Virginia	68,331	New
3512 Business Center Dr	Cavalier	USPS	70,000	New

KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
5465 Greenwich Road	Cleveland	Hoffman Beverage Company / Greenwich 888, LLC	252,485	\$4.34M / \$42
2513 58 th Street	Copeland	DFI Systems, Inc. / Fun Stuff, Inc.	138,369	\$6.85M / \$50
5721 Bayside Road	Airport Industrial	Equity Industries Corp. / Eisner Family Limited Partnership	80,512	\$6.15M / \$76

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