

# HAMPTON ROADS

Industrial Q4 2020

	YoY Chg	12-Mo. Forecast
<b>2.7%</b> Vacancy Rate	▲	▼
<b>-474K</b> Net Absorption, SF	▼	▲
<b>\$5.80</b> Asking Rent, PSF	▲	▲

*Overall, Net Asking Rent*

## ECONOMIC INDICATORS Q4 2020

	YoY Chg	12-Mo. Forecast
<b>771K</b> Hampton Roads Employment	▼	▲
<b>5.7%</b> Hampton Roads Unemployment Rate	▲	▼
<b>6.7%</b> U.S. Unemployment Rate	▲	▼

Source: BLS

## SUPPLY: A Healthy Pipeline

Heading into 2021, the Hampton Roads industrial real estate development pipeline consists of 5,890,000 square feet (sf). Build-to-suit developments account for 94.1% of inventory under construction. Equus plans to deliver 348,500 sf at Virginia Port Logistics Park in Suffolk this summer. The vacancy rate, currently at 2.7%, is expected to dip back down slightly, but will stabilize as functionally obsolete product fails to be absorbed.

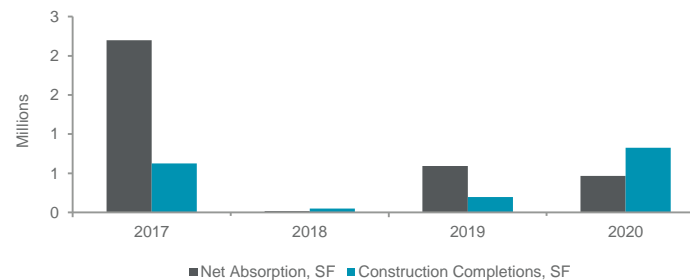
## DEMAND: Record Low Vacancy Continues

Leasing activity and net absorption in 2020 further deepened the enigma that is the Hampton Roads industrial leasing market. COVID-19 had a negative impact on activity in the early days of the pandemic. Within two months of the partial shutdown and following aggressive fiscal policy from the Fed, industrial activity was robust with many users seeking to take advantage of historically favorable lending terms. Much of the activity experienced in 2020 can be attributed to the local market transacting in the 5,000 to 40,000-sf size range. Despite sub-2% vacancy within the logistics and distribution subcategory, new deliveries and availabilities 50,000-sf and above were slow to absorb, defying expectations. The exception to this rule is Amazon, having completed four of the year's top five industrial leases and approximately ten transactions altogether. Most notably was the 3.8 million square foot (msf), 4-story robotics fulfillment center announced in Suffolk. Expect Amazon and other e-commerce users to continue driving demand for logistics and distribution space throughout 2021. General purpose industrial buildings designed for contractor supply companies, maintenance and repair establishments, users with vehicle fleets, etc. will continue to command high rents and landlord-friendly terms.

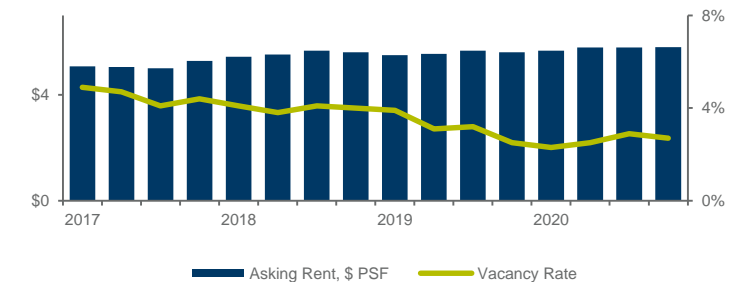
## PRICING: Steady Rent Growth

The Hampton Roads industrial market experienced 4.6% rent growth in 2020, a surprisingly normal year considering current supply constraint. Building value growth varied depending on asset type. Pricing for smaller buildings with excess yard exploded, with a handful of properties selling in the \$100s and \$200s per square foot (psf). No adjustments to supply are anticipated in the first half of 2021, indicating rental rates should increase. The Fed is expected to keep interest rates low for the foreseeable future, which will also encourage further property value growth.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



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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	11,244,029	265,924	41,435	2.4%	152,480	87,871	0	\$5.14	N/A	\$4.50
Gloucester	225,794	37,200	0	16.5%	0	0	0	N/A	N/A	N/A
Oakland	4,569,659	72,584	7,500	1.6%	21,000	-12,832	43,500	\$6.40	N/A	\$6.50
Oyster Point	4,512,192	184,530	10,637	4.1%	-78,525	-64,237	0	\$6.30	\$13.00	\$6.75
Williamsburg	8,517,953	181,343	16,100	2.3%	-42,710	204,155	20,000	N/A	N/A	\$7.38
Airport Industrial Park	3,614,530	115,077	274,043	5.1%	-113,812	234,568	0	\$7.50	N/A	\$5.34
Bainbridge	10,341,606	243,795	105,163	2.4%	115,703	196	0	N/A	\$12.15	\$7.58
Cavalier	6,071,058	228,394	284,047	4.1%	-45,777	-139,190	680,000	\$5.25	N/A	\$5.18
Central Norfolk	4,963,850	278,458	211,073	8.1%	-106,588	-309,819	0	N/A	N/A	\$4.55
Cleveland	3,034,368	127,794	15,374	4.2%	-98,661	-90,850	0	N/A	\$8.69	\$12.95
Greenbrier	2,556,780	153,236	67,186	6.4%	-7,416	7,813	0	N/A	N/A	\$7.25
Isle of Wight	4,122,879	0	0	0.0%	0	32,687	0	N/A	N/A	N/A
Lynnhaven	8,957,378	146,711	128,290	1.6%	60,231	666,617	62,000	N/A	\$11.75	\$6.27
Norfolk Industrial Park	7,741,573	235,758	261,073	5.6%	-178,026	-192,928	0	N/A	N/A	\$6.10
North Suffolk	2,276,942	50,000	73,856	2.2%	-50,000	39,137	0	N/A	N/A	N/A
Portsmouth	4,234,277	34,600	54,200	4.6%	-15,800	39,409	0	N/A	N/A	\$10.00
South Suffolk	11,977,633	340,327	126,461	4.6%	-74,276	-42,975	4,793,836	N/A	N/A	\$3.49
West Norfolk	2,571,552	42,707	12,090	1.7%	-11,707	5,702	0	\$7.37	N/A	\$6.24
<b>HAMPTON ROADS TOTALS</b>	<b>101,534,053</b>	<b>2,738,438</b>	<b>1,688,528</b>	<b>2.7%</b>	<b>-473,884</b>	<b>465,324</b>	<b>5,599,336</b>	<b>\$5.56</b>	<b>\$11.88</b>	<b>\$5.51</b>

\*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 Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1400 Sewells Point Rd.	Norfolk Industrial	Amazon	166,000	New
324 Moore Ave.	South Suffolk	Undisclosed	122,916	New
2555 Ellsmere Ave.	Central Norfolk	FedEx Ground Packing System, Inc.	110,854	New
5816 Ward Ct.	Airport Industrial Park	Eimskip	100,800	New

## KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
1537 Air Rail Ave.	Airport Industrial Park	LCP Air Rail Prop Owner LLC / Manchester Capital Management, LLC	320,000	\$21.7M / \$68
4554 Progress Rd.	Norfolk Industrial Park	Norfolk Atd. Owner, LLC / Norfolkco, LLC	110,027	\$6.45M / \$59
6700 College Dr.	North Suffolk	General Electric / Brookwood Capital Partners	45 acres	\$5.6M / \$125k per acre

## GEOFF POSTON, CCIM, SIOR

Vice President

+1 757 213 4161/[geoff.poston@thalhimer.com](mailto:geoff.poston@thalhimer.com)

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