

THE INDUSTRIAL NETWORK

Virginia's Access to the Nation & the Globe

September 2022



● THALHIMER OFFICE LOCATIONS



TRUCK



RAIL



SHIP

 CUSHMAN &
WAKEFIELD
THALHIMER



Industrial vacancy rates have hit all-time lows nationwide, a trend forecast to continue over the next few years. Pent-up demand and continued supply chain disruptions are driving rapid absorption of both existing facilities and new construction as space is delivered from the booming development pipeline. Outside the Washington, D.C.-Alexandria metro area, Virginia's regional markets are seeing the same appetite for industrial product. While the trend lines are the same, the state's transportation and logistics infrastructure, in combination with its mid-Atlantic location, position Virginia to compete with larger ports and regional distribution hubs. Virginia's logistics network provides a unique combination of rail, truck, and barge access that connects the state on national and international levels.

Coastal Access Via Norfolk & Hampton Roads: Port of Virginia Performs

Despite the supply chain issues on a global scale and the backlog faced by other U.S. Ports, the Port of Virginia continues to post record-breaking numbers. Hampton Roads area terminals moved 3.7 million containers during the 2022 fiscal year, an all-time high for the port and a jump of almost 15% year-over-year. The Port also moved more than 1.3 million containers combined from April to July 2022, the busiest four-month stretch in its history. Infrastructure improvements and terminal upgrades made in prior years positioned the Port of Virginia to absorb cargo traffic diverted from West Coast terminals and allowed Virginia to avoid the congestion that hit major hubs like Los Angeles and Long Beach, California. The Port's leadership credits the owner/operator model used in Virginia for the success of the terminals. "It's so different from a landlord port operation when there are multiple economic interests at play," CEO and executive director, Stephen Edwards said in an interview with The Journal of Commerce. "We use the term 'Virginia model' to describe how we own, develop, and operate our assets. Our Chief Operations Officer, day to day, and week to week, can be very agile in how he adjusts the use of the terminals, and the use of the chassis fleet to provide good service to shipping lines and beneficial cargo owners."



3RD
LARGEST EAST COAST PORT IN THE UNITED STATES



3.52 MILLION TEUS
IN 2021 - 26% INCREASE YOY



#1 RANKED
EAST COAST PORT IN RAIL VOLUME



\$1.5 BILLION
INVESTED IN PORT INFRASTRUCTURE
FROM 2015-2025



55' CHANNEL
TO BE COMPLETED BY 2024 RESULTING IN
THE DEEPEST PORT ON EAST COAST



75%
OF U.S. POPULATION WITHIN TWO DAYS DRIVE

The 2021 Container Port Performance Index (CPPI) ranked Virginia as the highest performing port in North America and as 23rd among the world's top 370 ports, but Virginia has no intention of stopping there. Dredging is underway and ahead of schedule to deepen the shipping channels from the Atlantic Ocean into the harbor to a minimum of 55 feet, a \$350 million investment that will make Virginia the deepest port on the East Coast when the work is completed in 2024. In addition, access will be wide enough to accommodate two-way traffic of ultra-large container ships. The Norfolk International Terminals' (NIT) central rail yard is scheduled for expansion that will double the rail cargo capacity, and the Virginia Inland Port (VIP) has plans to increase its capacity at a comparable scale. The port is also working with Dominion Energy on a lease of more than 70 acres at the Portsmouth Marine Terminal for staging and preassembly of the turbines for the 2.6-gigawatt Coastal Virginia Offshore Wind project.

"Hampton Roads and the Commonwealth are benefitting greatly from forward-thinking investments in infrastructure - a critical consideration for users and investors," said Geoff Poston, senior vice president with Thalhimers' industrial group in Hampton Roads. "In addition to capital improvements at the Port, the region has come together through the Hampton Roads Transportation and Accountability Commission to deliver \$5.5 billion in regional roadway infrastructure projects including the Hampton Roads Bridge-Tunnel expansion and multiple phases of I-64 lane widening between the Port and Richmond. As a result, the Commonwealth and the Port of Virginia are well-positioned to capture more demand as users continue diversifying from west to east coast ports." With a total cost of \$3.9 billion, the Hampton Roads Bridge-Tunnel expansion is the largest highway construction project in Virginia's history and one of the largest infrastructure projects in the nation.

The Port of Virginia has also committed to power operations by 100% clean energy by 2032 and will operate with net zero carbon emissions by 2040. In total, the gateway improvements exceed \$1.3 billion and promise to position the fastest growing U.S. port to take on additional market share.



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**- Geoff Poston, SVP
Thalhimers Hampton Roads
Industrial Group**

Central Virginia: Roads & Rail Converge in Richmond

Traveling west from the Port of Virginia, Richmond connects Hampton Roads to the Interstate 95 corridor that runs the length of the East Coast. New York and Boston to the north and Atlanta to the south are all within 500 miles of Richmond, with key logistics markets in Pennsylvania and South Carolina accessed along the way. Rail lines fan out from Richmond parallel to the major truck corridors, both north-south and east-west. CSX has a major terminal in Richmond and has recently completed a series of capacity-related projects to improve the flow of train traffic. Statewide, Virginia's network includes more than 3,000 miles of rail and ten independent freight railroad operators. "Richmond has attracted the national spotlight as a strategic location for occupiers to fill in their supply chain networks," said Graham Stoneburner, senior vice president with Thalheimer's industrial group. "We have seen a tremendous number of new users enter the market, creating demand that is helping drive and absorb our robust pipeline."

The Port of Virginia also leases a facility in Richmond, known as the Richmond Marine Terminal, with weekly container-

on-barge services provided from Hampton Roads as an alternative to truck transport. The facility includes 121 total acres along the James River with 80 acres in the secure terminal and is a U.S. Customs-designated point of entry, a unique feature that further links central Virginia to the coast. The barge service also helps ease interstate congestion and reduce

emissions with an estimated 500,000 truck trips saved in the last decade.

The Richmond International Airport (RIC) is located in this region as well, which handles an average of 140 million pounds of cargo annually in addition to its passenger traffic and is located within a Foreign Trade Zone. FedEx, DHL, and UPS all have

freight operations at RIC, whose facilities include 750,000 SF of cargo apron/tarmac area and 142,000 SF of air cargo warehouse. From metro Richmond, 50% of the U.S. population can be reached within 24 hours.



Railroad Network in Virginia



Norfolk Southern

CSX Transportation

Major Interstates



PORT LOCATIONS

- 1  VIRGINIA INLAND PORT
- 2  RICHMOND MARINE TERMINAL
- 3  THE PORT OF VIRGINIA

DRIVE TIME
50% of the U.S. population can be reached within 24 hours.

ECONOMIC IMPACT SINCE 2018



100.1 BILLION
In spending

18% Increase



23.5 MILLION
Tons of cargo moved

6% Increase



436,667
Jobs in Virginia

10% Increase



27.2 BILLION
In labor income

18% Increase

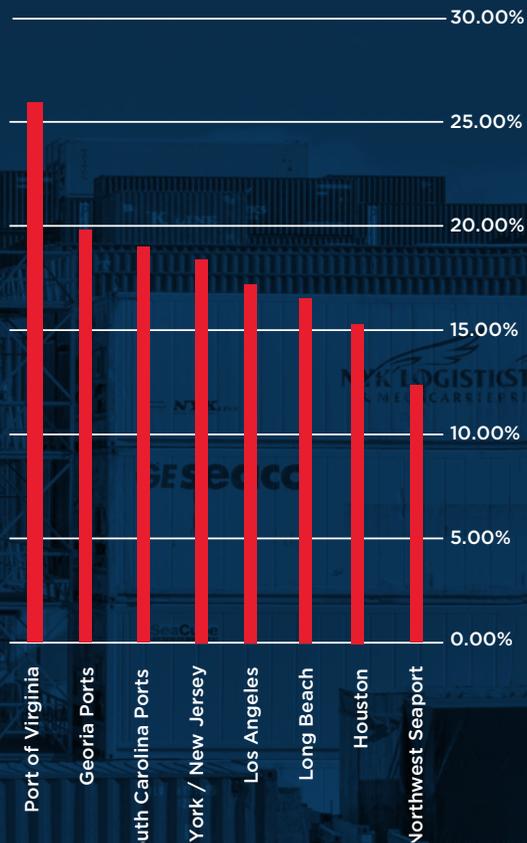


2.7 BILLION
In State & Local Taxes and Fees

29% Increase

Container Terminal Comparison

Growth 2021 vs 2020 (%)



“In terms of cargo volume, The Port of Virginia is heading in the direction of a record-setting calendar year 2022.”

**- Stephen A. Edwards, CEO & Executive Director
Virginia Port Authority**

Southwest Virginia: The Backbone of East Coast Logistics

West of Richmond by way of the Charlottesville area, the Roanoke region provides access to the Interstate 81 corridor. Serving as the north-south backbone of the East Coast freight network, this corridor parallels the Blue Ridge Parkway and connects 21 cities and towns and 13 counties in Virginia. With the highest per capita truck volume in the state, approximately 50% of Virginia’s goods are transported along I-81, and with two-thirds of the nation’s population within a day’s drive from the Roanoke region, an estimated 70 trucking lines service the area with local, state, and interstate service. I-81 connects Roanoke to logistics markets in Pennsylvania and New York and to the northeast and mid-Atlantic regions, which exceeds 56 million residents and accounts for more than 17% of the total U.S. population.

The Virginia Department of Transportation (VDOT) announced plans to widen Interstate 81 and to improve the merge with Interstate 66 in the northern part of the state that is home to the Virginia Inland Port (VIP), an intermodal transfer facility owned by the Virginia Port Authority. The project is slated to begin in 2024 with an estimated cost of \$126 million, further evidence of Virginia’s investment in its transportation infrastructure. The Roanoke region is located along the Heartland route of Norfolk Southern’s freight rail line, a high-capacity track that provides a direct

connection from the Port of Virginia into Roanoke as well as to Midwest distribution markets beyond it, another link between the western part of the state and the port.

Fredericksburg Region: Entrance to Northern Virginia, D.C. & the Northeast

To the north of Richmond along the I-95 corridor, the Fredericksburg market provides direct access to northern Virginia and the sprawling Washington, D.C. metro area, with more than 150,000 vehicles traveling through the region each day. Quantico Marine Corps Base provides a solid foundation for the area’s employment with continued demand for Defense Department contractors. Accordingly, the transportation infrastructure is geared toward high-capacity passenger travel. In addition to the robust interstate access, Amtrak provides passenger rail service for the thousands of commuters who travel to Washington daily. Washington Dulles and Baltimore-Washington International airports are each located 50 miles from Fredericksburg, two national hubs with international accessibility.

Fredericksburg’s regional appeal is not limited to its passenger and commuter base. With the same record low vacancy rates existing throughout the state, almost 3.3 million square feet (MSF) of industrial space is currently under construction, which when delivered will increase the inventory by more than 22%. “The current industrial market is the strongest I have seen in my thirty-five years in the industry,”

said Virgil Nelson, senior vice president in Thalheimer’s Fredericksburg office. “We expect the market to continue to expand at a rapid pace, with the majority of the growth in the distribution industry.” Quoted rates have increased almost 70% since 2017 for facilities with a minimum of 50,000 SF total to the highest level among the regional Virginia markets.

Almost 20 MSF is currently under construction among the regional markets in Richmond, Hampton Roads, and Fredericksburg, more than double the pipeline size just three years ago, a clear indicator that Virginia is on the map for developers and users alike. Virginia’s industrial network is poised to tackle the issues facing the global logistics market with its unique combination of multi-modal logistics services and the ease of access between its regional markets.

“In terms of cargo volume, The Port of Virginia is heading in the direction of a record-setting calendar year 2022,” said Stephen A. Edwards, CEO and executive director of the Virginia Port Authority. “We are [as of August] more than 10 percent ahead of where we were this time last year. We anticipate continued growth in 2023, but we think it be more in the normal range versus the double-digit increases we have been seeing. Still, we are forecasting growth and to get ready for next year and the decades to come.” With a business-friendly climate and aggressive economic incentives, the state is well-positioned to satisfy the requirements of local, regional, and global industry.



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ABOUT CUSHMAN & WAKEFIELD | THALHIMER

Cushman & Wakefield | Thalhimer is a full-service commercial real estate firm headquartered in Richmond, Virginia with seven offices located throughout Virginia. Our clients benefit from the combined talents of more than 425 associates company-wide with expertise in all property types. At Cushman & Wakefield | Thalhimer, we strive to deliver the right real estate solution by constantly acquiring and sharing knowledge and resources to develop results that comprehensively address our clients' needs.