

YoY Chg 12-Mo. Forecast

1.6%

Vacancy Rate



-57K

Net Absorption, SF



\$7.34 Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2022

YoY Chg 12-Mo. Forecast

779K

Hampton Roads Employment



3.4%

Hampton Roads Unemployment Rate



3.5%

U.S. Unemployment Rate



Source: BLS

SUPPLY: Tight, Tight, Tight

Vacancy has remained flat over the past several quarters. The market is maintaining a 1.6% vacancy rate for all industrial inventory including warehouse/distribution and flex product, while the vacancy rate for just warehouse/distribution product is sub-1%. Class A warehouse/distribution inventory currently sits at a 0.3% vacancy rate. This metric is expected to fall to a 0.0% direct vacancy rate as the last remaining 85,000 square feet (sf) of Class A warehouse/distribution space has a lease in the negotiation stage. With no new development in the past twelve months and very little in the future pipeline for users seeking under 100,000 sf of warehouse space, prospects for let up in vacancy look slim for this user type.

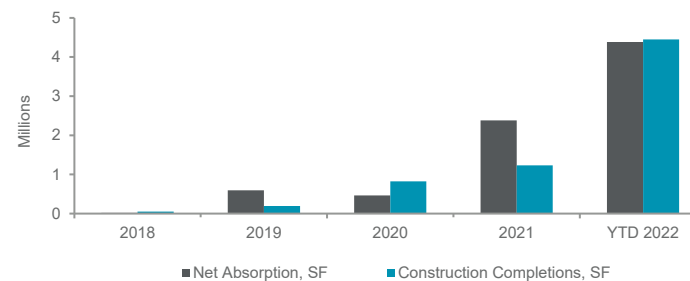
DEMAND: Strong

Demand has shown no signs of slowing, and competition among all industrial user types remains high. No new deliveries are anticipated until December when Flint Development completes the 814,000-sf cross-load facility at Coastal Logistics Park in Suffolk. Interest in this project is high with several users circling. Demand is strong from local and regional-centric users in the 10,000 to 50,000 sf range. Landlords are receiving multiple offers before or shortly after space hits the market, often over ask price. Much of the larger space demand is based on growth at the Port of Virginia, which shows no signs of slowing as companies continue to realign their supply chains post-COVID. The region is experiencing high demand volumes for smaller space from commercial and residential construction supply or equipment companies; however, this trend should slow in the coming months as high interest rates slow the residential development pipeline.

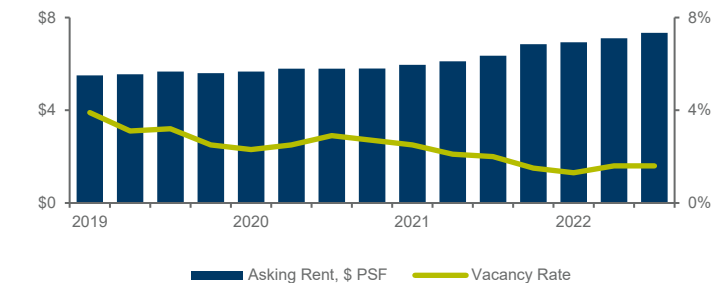
PRICING: Going up

Year-over-year rent growth in the Hampton Roads region is astronomical. Warehouse/distribution space in the 20,000 to 50,000 sf range that may have leased in the \$4.50 to \$5.50 psf NNN range pre-Covid is now generating lease rates in the \$8.50 to \$10 psf NNN range. The disparity is similar for building and land sales values. While this is great for landlords and sellers in this smaller size range, users are struggling to justify significantly increased occupancy costs on their balance sheets. Larger users which a presence in other markets do not experience as much sticker shock as they are accustomed to higher rates.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q3 2022

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	11,536,787	117,018	290,203	1.0%	0	237,735	231,000	\$5.57	N/A	\$6.86
Gloucester	250,528	37,200	0	14.8%	0	0	0	N/A	N/A	N/A
Oakland	4,586,852	32,694	155,102	0.7%	0	37,390	43,500	N/A	N/A	\$6.84
Oyster Point	4,509,916	18,708	28,080	0.4%	-7,259	27,324	0	\$6.30	\$12.75	\$7.85
Williamsburg	8,552,122	288,118	218,872	3.4%	11,311	-133,136	20,000	\$6.95	N/A	\$7.22
Airport Industrial Park	3,692,647	18,100	175,780	1.5%	-1,312	-45,862	0	N/A	N/A	\$9.54
Bainbridge	10,276,882	227,025	95,521	2.2%	6,708	146,404	56,868	\$12.00	\$12.00	\$8.39
Cavalier	6,744,977	176,579	187,886	2.6%	-143,579	-99,229	334,800	\$5.25	N/A	\$7.19
Central Norfolk	5,087,451	81,543	21,633	1.6%	-5,672	-41,062	94,000	N/A	N/A	\$5.22
Cleveland	2,882,580	50,116	64,012	1.7%	2,230	21,288	0	\$12.50	\$13.00	\$9.19
Greenbrier	2,594,005	169,973	192,264	6.6%	-30,784	46,460	0	N/A	\$11.75	\$8.28
Isle of Wight	4,320,869	0	29,200	0.0%	0	0	0	N/A	N/A	N/A
Lynnhaven	9,143,852	83,314	248,737	0.9%	49,367	1,648	131,000	\$8.05	N/A	\$10.82
Norfolk Industrial Park	7,767,305	28,891	252,736	0.4%	14,604	45,910	0	N/A	N/A	\$7.06
North Suffolk	2,195,278	0	0	0.0%	0	0	338,000	N/A	N/A	N/A
Portsmouth	4,688,209	166,406	134,225	3.5%	0	-6,478	0	N/A	N/A	\$6.58
South Suffolk	16,636,965	253,000	114,048	1.5%	48,641	4,148,143	3,918,975	N/A	N/A	\$3.87
West Norfolk	2,689,283	26,610	15,660	1.0%	-810	-810	0	\$5.65	N/A	\$6.56
HAMPTON ROADS TOTALS	108,156,508	1,775,295	2,223,959	1.6%	-56,555	4,385,725	5,168,143	\$6.51	\$12.37	\$7.14

*Rental rates reflect weighted net asking \$/psf/year
**Does not include lease renewals

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

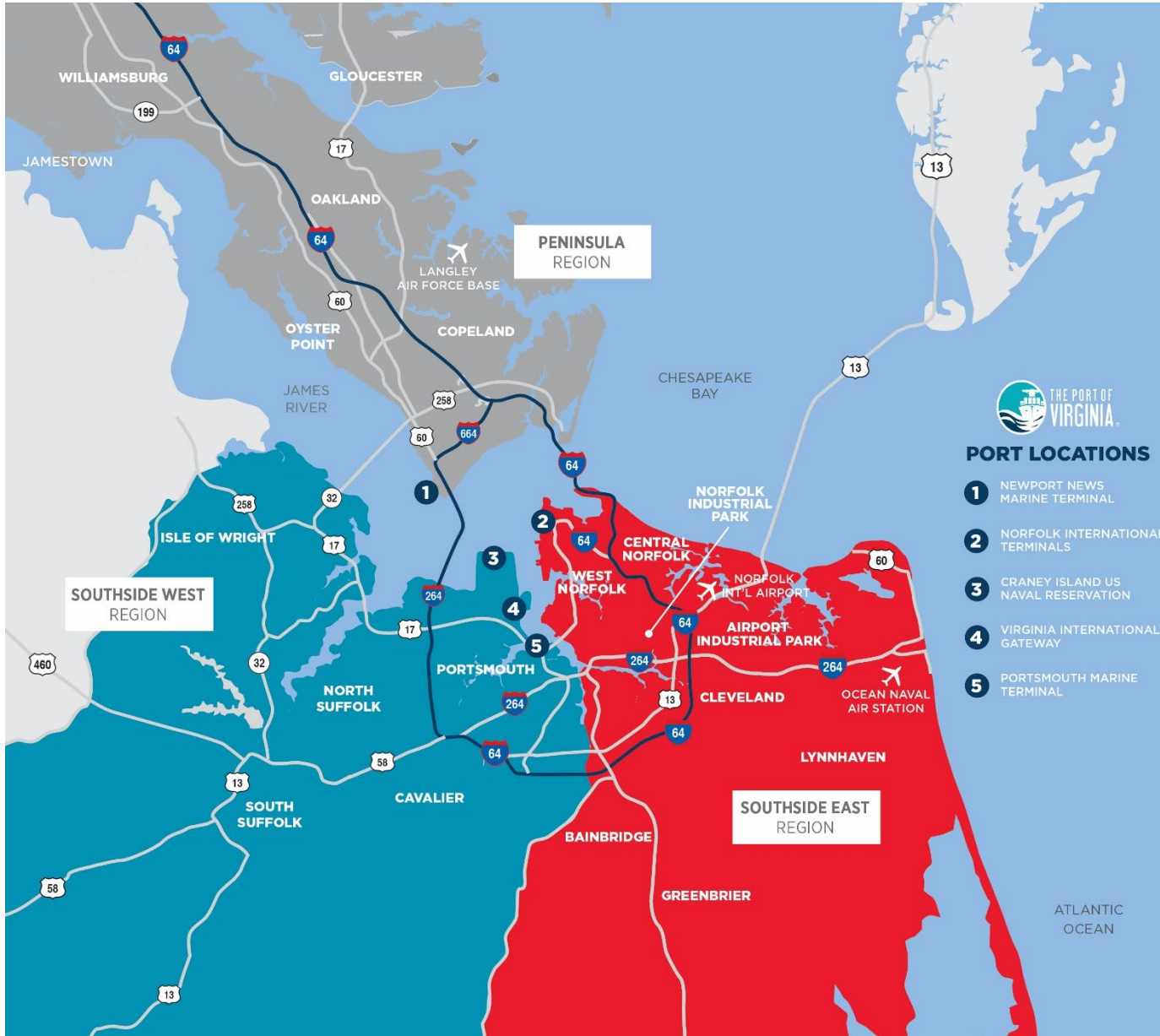
KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5100 Chestnut Avenue	Copeland	Maola	53,225	New
476 Viking Drive	Lynnhaven	FR8 Solutions	46,014	New
2626 E. Indian River Road	Greenbrier	Not Disclosed	35,344	New

KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
101 W. Dexter Street	Bainbridge	On Trading Corporation / Chesapeake Dexter St West, LLC	151,669	\$10.3M / \$68
2615 Elmhurst Lane	Portsmouth	Great Bridge Holdings, LLC / BKT Enterprises, LP	77,612	\$3.6M / \$46
3512 Business Center Drive	Cavalier	3512 Business Center Owner, LLC / Natmi LPF Norfolk, LLC	70,000	\$13.6M / \$194

INDUSTRIAL SUBMARKETS



PORT LOCATIONS

- 1 NEWPORT NEWS MARINE TERMINAL
- 2 NORFOLK INTERNATIONAL TERMINALS
- 3 CRANEY ISLAND US NAVAL RESERVATION
- 4 VIRGINIA INTERNATIONAL GATEWAY
- 5 PORTSMOUTH MARINE TERMINAL

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