

Industrial Q4 2022

1.3%
Vacancy Rate



611K
Net Absorption, SF



\$8.14
Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2022

793K
Hampton Roads
Employment



3.2%
Hampton Roads
Unemployment Rate



3.7%
U.S.
Unemployment Rate



Source: BLS

ECONOMY: Port of Virginia Sets New Record

The Port of Virginia continues to set volume records resulting in strong industrial interest in the Hampton Roads area. The Port's 2022 fiscal year finished with a 14.7% year-over-year increases in TEU (twenty-foot equivalent unit) container volume. Increased activity is due in part to the Port's significant on and off terminal investments over the past decade, creating little to no back ups and resulting in the Port of Virginia's ranking as the most efficient port in North America. Heavy demand for space in the region will continue as users focus more on east coast points of entry and several new regional projects finalize. These projects include the dredging of the Hampton Roads Harbor to 55' deep and more importantly widening to allow two ULCVs (ultra large container vessels) to pass each other simultaneously. In addition to investment in the Port, Virginia's governor has proposed a total of \$350 million be allocated from the state budget for industrial site development. The aim is to expand the state's inventory of project-ready sites in order to attract large-scale manufacturers and high-growth distribution companies.

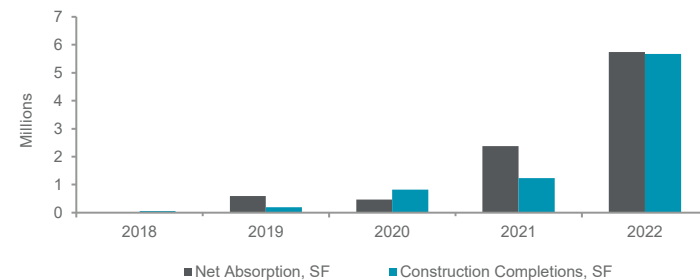
SUPPLY & DEMAND: Fundamentals Remain Strong

Vacancy rates remained near the historic low hit in the third quarter of the year, rising only 10 basis point (bps) in the fourth quarter. The overall vacancy has dipped 150 bps since the start of 2020 with effectively no vacancy in the class A inventory, and while leasing activity slowed toward the end of the year during the holiday season, prospect interest is expected to rebound at the start of 2023. The year closed with more than 5.6 million square feet (msf) of new product delivered, a historic annual high greater than the new construction totals of the prior nine years combined. Year-end net absorption kept pace with total deliveries eclipsing 5.7 msf, a further indication of the sustained interest in the market. Requirements in the range of 10,000 to 50,000 sf, primarily for users servicing local and regional customers, are extremely active. Supply remains scarce in the smaller size range with no relief in sight as developers continue to focus on big box distribution facilities. The greatest challenges to growing the region's industrial supply are land constraints and community pushback against industrial development.

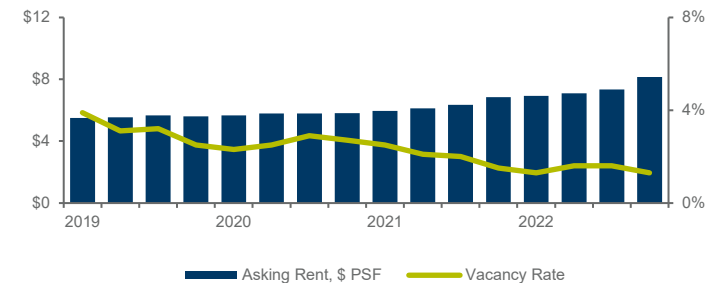
PRICING: Another Historic High

Year-end rent growth has hit another historic high after three years of consistent increases. Rents have risen 18.5% year-over-year and are up 43.8% since the start of 2020. As a result of the overall supply shortage, existing second-generation space is commanding rates on par with class A facilities in spite of older, less functional layouts. Rates in the coming year are expected to continue to rise more moderately as the market hits more normal levels of growth.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q4 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	11,835,536	68,742	583,917	0.6%	155,061	393,704	0	\$6.99	N/A	\$7.55
Gloucester	250,528	0	0	0%	37,200	37,200	0	N/A	N/A	N/A
Oakland	4,586,852	38,694	192,626	0.8%	-6,000	31,390	73,500	N/A	N/A	\$6.86
Oyster Point	4,508,039	31,691	47,913	0.7%	-983	14,341	0	N/A	\$12.75	\$8.12
Williamsburg	8,552,122	263,038	353,667	3.1%	2,970	-112,077	20,000	\$6.95	N/A	\$7.19
Airport Industrial Park	3,692,647	27,211	194,840	0.7%	-9,111	-16,711	0	N/A	N/A	\$11.14
Bainbridge	10,336,115	149,984	167,543	1.5%	42,590	233,535	0	\$12.00	\$12.00	\$8.39
Cavalier	6,769,512	33,000	364,810	0.5%	20,355	-78,874	379,800	\$5.25	N/A	\$8.81
Central Norfolk	5,092,978	46,196	68,367	0.9%	41,967	-632	89,200	N/A	N/A	\$6.17
Cleveland	2,886,580	51,179	38,333	1.8%	7,699	28,987	0	\$12.50	\$13.00	\$12.37
Greenbrier	2,594,005	164,676	219,409	6.3%	5,297	53,757	0	N/A	\$11.75	\$8.28
Isle of Wight	4,122,879	0	0	0.0%	0	0	0	N/A	N/A	N/A
Lynnhaven	9,155,115	88,877	286,309	1.0%	-10,318	-14,350	131,000	\$9.60	N/A	\$10.67
Norfolk Industrial Park	7,762,747	43,123	272,336	0.6%	8,535	55,945	0	N/A	N/A	\$7.60
North Suffolk	2,533,278	0	0	0.0%	0	338,000	0	N/A	N/A	\$9.75
Portsmouth	4,700,689	145,021	240,111	3.1%	35,917	19,439	0	N/A	N/A	\$7.51
South Suffolk	17,252,248	229,334	120,125	1.3%	278,670	4,757,679	3,903,545	N/A	N/A	\$6.01
West Norfolk	2,689,283	17,000	52,113	0.6%	810	-3,300	0	\$5.65	N/A	N/A
HAMPTON ROADS TOTALS	109,321,153	1,397,766	3,232,419	1.3%	610,659	5,738,033	4,597,045	\$7.37	\$12.26	\$8.03

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

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

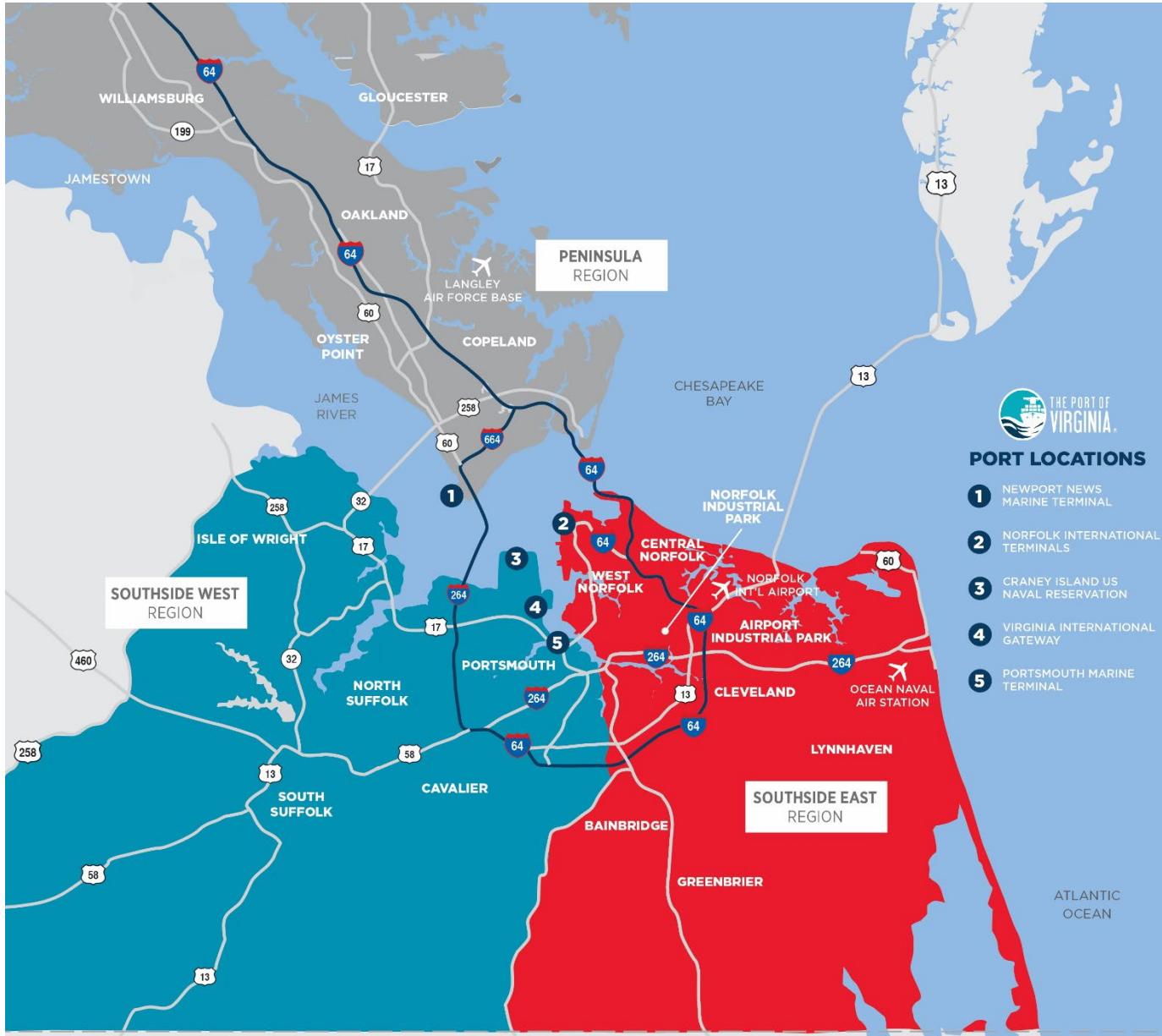
KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2821 Holland Road	South Suffolk	MSI	548,000	New
201 W. Dexter Street	Bainbridge	RPM Warehousing & Transportation	278,562	New
1554 W. Pembroke Avenue	Copeland	Not Disclosed	115,500	New

KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
324 Moore Avenue	South Suffolk	On Trading Corporation / Chesapeake Dexter St West, LLC	696,484	\$33.5M / \$48
201 Dexter Street W	Bainbridge	Diamond Hill Properties, LLC / Reich Brothers	445,000	\$26.5M / \$60
3804 Cook Drive	Cavalier	Lenora Williams / MDH Partners	188,496	\$13.8M / \$73

INDUSTRIAL SUBMARKETS



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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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