

**2.0%**

Vacancy Rate

YoY Chg



12-Mo. Forecast



**-37K**

Net Absorption, SF



**\$8.68**

Asking Rent, PSF



Overall, Net Asking Rent

## ECONOMIC INDICATORS Q1 2023

**795K**

Hampton Roads Employment

YoY Chg



12-Mo. Forecast



**3.5%**

Hampton Roads Unemployment Rate



**3.5%**

U.S. Unemployment Rate



Source: BLS

## ECONOMY: The East Coast Shift

The post-pandemic era has seen Hampton Roads grow from a locally-focused market to a region on the map for global logistics providers. Coming off a record-setting fiscal year in 2022, the Port of Virginia is expecting to see volume numbers continue to climb, and the region's industrial market is still catching up to the resulting influx of demand. The Port has positioned itself to accommodate the increase in traffic with on and off terminal investments in the billions in addition to regional roadway infrastructure improvements in excess of \$5.8 billion. Hampton Roads has also been ranked #16 among top metro areas for logistics facility investment since 2020 by Site Selection.

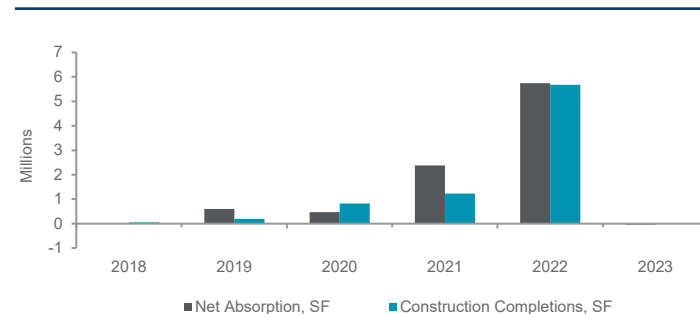
## SUPPLY & DEMAND: Speculative Market Lag

The region posted historic highs in 2022 in terms of both deliveries and absorption. Prior to 2020, there was no speculative (SPEC) construction underway, and while deliveries have topped 8.7 million square feet (msf) in the last three years, the pipeline has slowed at the start of 2023. The Coastal Logistics Center in Suffolk delivered in the first quarter, adding 814,105 square feet (sf) of SPEC space to the limited inventory with no preleasing in place. Ownership is entertaining interest from multiple partial-building tenants, and discussions are ongoing with full-building users, all signs that a deal is likely to be inked in the second quarter. InLight's Green Mount Logistics in Williamsburg will be the next SPEC project to come online with delivery of the 373,536 sf facility scheduled for the fourth quarter. Beyond those projects, the majority of additional product will not be completed until mid to late 2024 and into 2025. Overall vacancy edged up 40 basis points (bps) with the delivery of Coastal Logistics but has decreased by 80 bps since the start of 2020. Market fundamentals strongly support SPEC development though the greatest challenge beyond land constraints is supplying accurate data points to prospective equity partners. Rents have grown dramatically in such a short time period, but with limited inventory available, developers struggle to find the deal data to backup the rates, adding an additional layer of risk and further delaying construction starts.

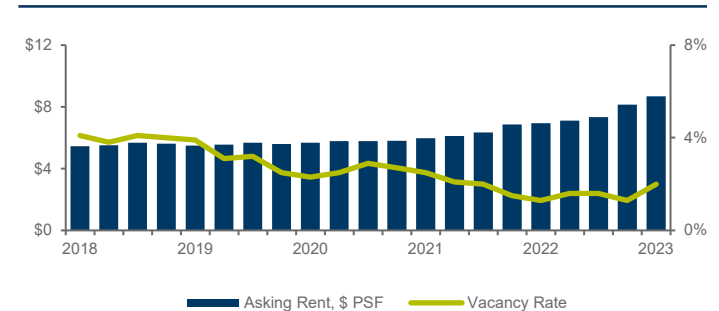
## PRICING: Upward Pressure Intensifies

Quoted rates continued to trend higher, following the trend line of the last three years. Overall asking rental rates increased 24.7% year-over-year (YOY) and jumped 6.5% since the end of 2022. Direct rents have climbed 52.0% since the start of 2020, and existing tenants faced with little to no relocation options are forced to absorb these surges at renewal. Direct deals are being signed before spaces can be brought to the market, and rates have grown to double digits for spaces under 50,000 sf. The limited pipeline and elevated demand are likely to continue pressing rates upward throughout the year.

## SPACE DEMAND / DELIVERIES



## OVERALL VACANCY & ASKING RENT



## Industrial Q1 2023

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	11,838,530	98,917	0	0.8%	-30,175	-30,175	0	\$6.99	\$12.00	\$7.76
Gloucester	250,528	0	0	0%	0	0	0	-	-	-
Oakland	4,586,852	10,984	18,710	0.2%	115,000	115,000	0	-	-	\$6.84
Oyster Point	4,450,191	55,456	6,517	1.2%	-25,782	-25,782	0	-	\$12.75	\$8.00
Williamsburg	8,552,122	263,344	0	3.1%	7,215	7,215	20,000	-	-	\$7.03
Airport Industrial Park	3,692,647	19,211	0	0.5%	-4,000	-4,000	0	-	-	\$9.68
Bainbridge	10,354,724	172,776	21,724	1.7%	-18,613	-18,613	0	\$12.00	\$12.00	\$8.39
Cavalier	6,773,550	0	73,748	0.0%	114,276	114,276	379,800	\$5.25	-	\$8.85
Central Norfolk	5,084,749	61,084	10,540	1.2%	3,024	3,024	89,200	-	-	\$6.00
Cleveland	2,886,580	62,247	6,340	2.2%	-13,200	-13,200	0	-	\$13.00	\$11.98
Greenbrier	2,598,865	154,340	32,458	5.9%	-17,041	-17,041	0	-	\$11.75	\$8.44
Isle of Wight	4,122,879	0	0	0.0%	0	0	0	-	-	-
Lynnhaven	9,155,115	72,739	25,554	0.8%	3,028	3,028	31,000	\$9.60	-	\$10.40
Norfolk Industrial Park	7,750,801	41,931	84,953	0.5%	-748	-748	0	-	-	\$8.83
North Suffolk	2,533,278	31,500	20,000	1.2%	-31,500	-31,500	0	-	-	\$10.75
Portsmouth	4,727,706	124,021	4,050	2.6%	-6,882	-6,882	0	-	-	\$7.43
South Suffolk	18,066,353	1,043,439	111,288	5.8%	-111,288	-111,288	4,467,000	-	-	\$5.72
West Norfolk	2,661,407	37,103	0	1.4%	-20,103	-20,103	0	-	-	-
<b>HAMPTON ROADS TOTALS</b>	<b>110,086,877</b>	<b>2,249,092</b>	<b>415,882</b>	<b>2.0%</b>	<b>-36,789</b>	<b>-36,789</b>	<b>4,987,000</b>	<b>\$8.05</b>	<b>\$12.13</b>	<b>\$8.15</b>

\*Rental rates reflect weighted net asking \$/psf/year

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

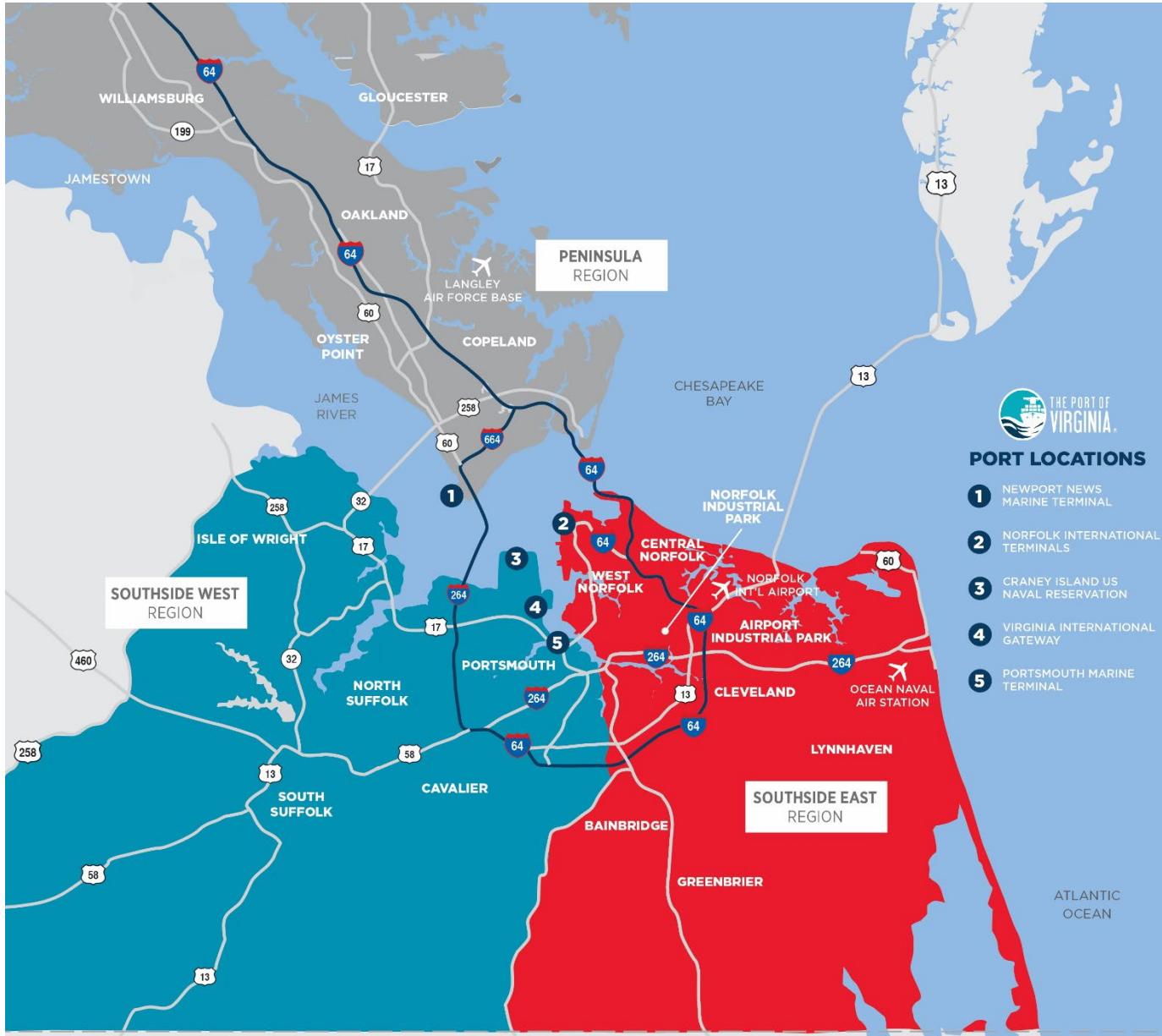
### KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1010 CenterPoint Drive	South Suffolk	Pacific Best	111,288	New
907 Live Oak Drive	Greenbrier	Operation Blessing International, LLC	65,000	Renewal
12661 McManus Boulevard	Oyster Point	Lansing Building Products	47,664	New

### KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
2210 Paramount Avenue	Greenbrier	Shutterfly Lifetouch, LLC / Cig Paramont, LLC	57,000	\$3.71M / \$65
3750 Progress Road	Norfolk Industrial Park	Norfolk Progress Road, LLC / Belmont WV Properties, LLC	36,741	\$5.09M / \$139
909-913 Professional Place	Greenbrier	Frito Lay / B&D Holdings	26,261	\$5.43M / \$207

INDUSTRIAL SUBMARKETS



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- 4 VIRGINIA INTERNATIONAL GATEWAY
- 5 PORTSMOUTH MARINE TERMINAL

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