

## Industrial Q2 2023

**2.3%**

Vacancy Rate

YoY Chg



12-Mo. Forecast



**65K**

Net Absorption, SF



**\$8.92**

Asking Rent, PSF



Overall, Net Asking Rent

### ECONOMIC INDICATORS Q2 2023

**800K**

Hampton Roads Employment

YoY Chg



12-Mo. Forecast



**3.2%**

Hampton Roads Unemployment Rate



**3.6%**

U.S. Unemployment Rate



Source: BLS

### ECONOMY: The Push to Renewables

With Hampton Roads on the global map for logistics providers and particularly in light of the shift from West Coast to East Coast ports, the Virginia Port Authority has prioritized the push to renewable energy sources for its operations. The Port of Virginia plans to be fully carbon-neutral by 2040 and has already begun the transition. Currently 69% of the port's electrical consumption coming from clean energy, and the port plans to raise that number to 100% by 2024. The Fairwinds Landing project broke ground in Norfolk during the second quarter, and among other facilities, the site will house the operations and monitoring center for Dominion Energy's \$9.8 billion Coastal Virginia offshore wind project in development off the coast of Virginia Beach.

### SUPPLY & DEMAND: A Competitive Market

Industrial product remains in extremely short supply, and occupiers with requirements in the range of 5,000 to 20,000 square feet (sf) find themselves in intense competition for the spaces that do become available, with deals inked at or above asking rates. While there has been a slowdown in prospect interest for bulk space following the national and regional trends, activity is projected to pick up into the start of 2024 when additional speculative (SPEC) space is scheduled to come online. Overall vacancy edged up 40 basis points (bps) since the start of the year and excluding Flint Development's newly built Coastal Logistics Center, vacancy is essentially flat year-over-year (YOY). The Coastal Logistics Center in Suffolk delivered in the late first quarter and remains vacant with a total of 814,105 sf of high bay distribution space. The Steppingstone Square development is scheduled for delivery in the third quarter and will add some much-needed smaller-sized space to the inventory. The project totals 78,400 sf and can be demised to 25,725 sf sections with 51,450 sf remaining for lease. InLight's Green Mount Logistics in Williamsburg will be the next SPEC project to deliver with a total of 373,536 sf facility scheduled for completion in the fourth quarter. While no deal has been signed at Green Mount, the developer is actively engaged in conversations with prospects.

### PRICING: Investor Appetite Strong

Lease rates ended the quarter up 25.3% YOY and up 9.0% since the start of the year. While rents are expected to continue to rise through the remainder of the year and activity remains strong, the growth rate has stabilized after the meteoric jumps of the past three years. The region remains a draw for investors and developers with multiple major sales completed during the second quarter. The two-building complex at 2620 and 2626 Indian River Road in Chesapeake traded for \$24 million and features immediate access to the Port of Virginia and a diverse tenant mix. Lovett Industrial also closed on the 328-acre Hazelwood Farms property in James City County for \$12 million with plans to develop class A industrial product on the site.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



## Industrial Q2 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	11,705,108	98,917	96,915	0.8%	115,500	165,833	0	\$6.85	\$14.44	\$7.54
Gloucester	250,528	0	0	0.0%	0	0	0	-	-	-
Oakland	4,603,651	10,984	6,000	0.2%	6,000	142,710	0	-	-	\$6.84
Oyster Point	4,474,717	15,755	112,304	0.4%	21,104	-2,661	0	\$10.00	\$12.75	\$8.72
Williamsburg	8,462,922	207,704	17,640	2.5%	10,465	11,480	20,000	-	-	\$6.95
Airport Industrial Park	3,692,647	16,911	51,376	0.5%	2,300	-1,700	0	-	-	\$9.68
Bainbridge	10,630,491	184,116	99,649	1.7%	-23,983	-39,055	0	\$12.25	\$12.00	\$9.30
Cavalier	7,145,269	0	161,430	0.0%	327,024	441,300	379,800	\$5.25	-	\$9.28
Central Norfolk	5,105,749	171,198	84,702	3.4%	-110,114	-96,550	89,200	-	-	\$6.00
Cleveland	2,888,447	65,094	42,355	2.3%	-15,086	-25,646	0	-	\$13.00	\$11.55
Greenbrier	2,583,114	135,429	286,213	5.2%	46,288	29,247	0	-	\$11.75	\$8.44
Isle of Wight	4,122,879	0	0	0.0%	0	0	0	-	-	-
Lynnhaven	9,152,425	49,324	78,020	0.5%	6,948	22,342	31,000	\$9.50	-	\$10.17
Norfolk Industrial Park	7,742,333	306,390	144,186	4.0%	-289,504	-296,637	0	-	-	\$8.62
North Suffolk	2,533,278	0	51,500	0.0%	31,500	0	0	-	-	\$10.75
Portsmouth	4,661,761	178,751	5,490	2.6%	-28,330	-61,612	0	-	-	\$7.43
South Suffolk	18,033,521	1,061,991	114,833	5.9%	-51,552	-162,840	4,467,000	-	-	\$8.50
West Norfolk	2,667,511	20,940	19,853	0.8%	16,163	-3,940	0	-	\$10.00	\$11.60
<b>HAMPTON ROADS TOTALS</b>	<b>110,456,351</b>	<b>2,523,504</b>	<b>1,372,466</b>	<b>2.3%</b>	<b>64,723</b>	<b>122,271</b>	<b>4,369,410</b>	<b>\$7.82</b>	<b>\$12.30</b>	<b>\$8.48</b>

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

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

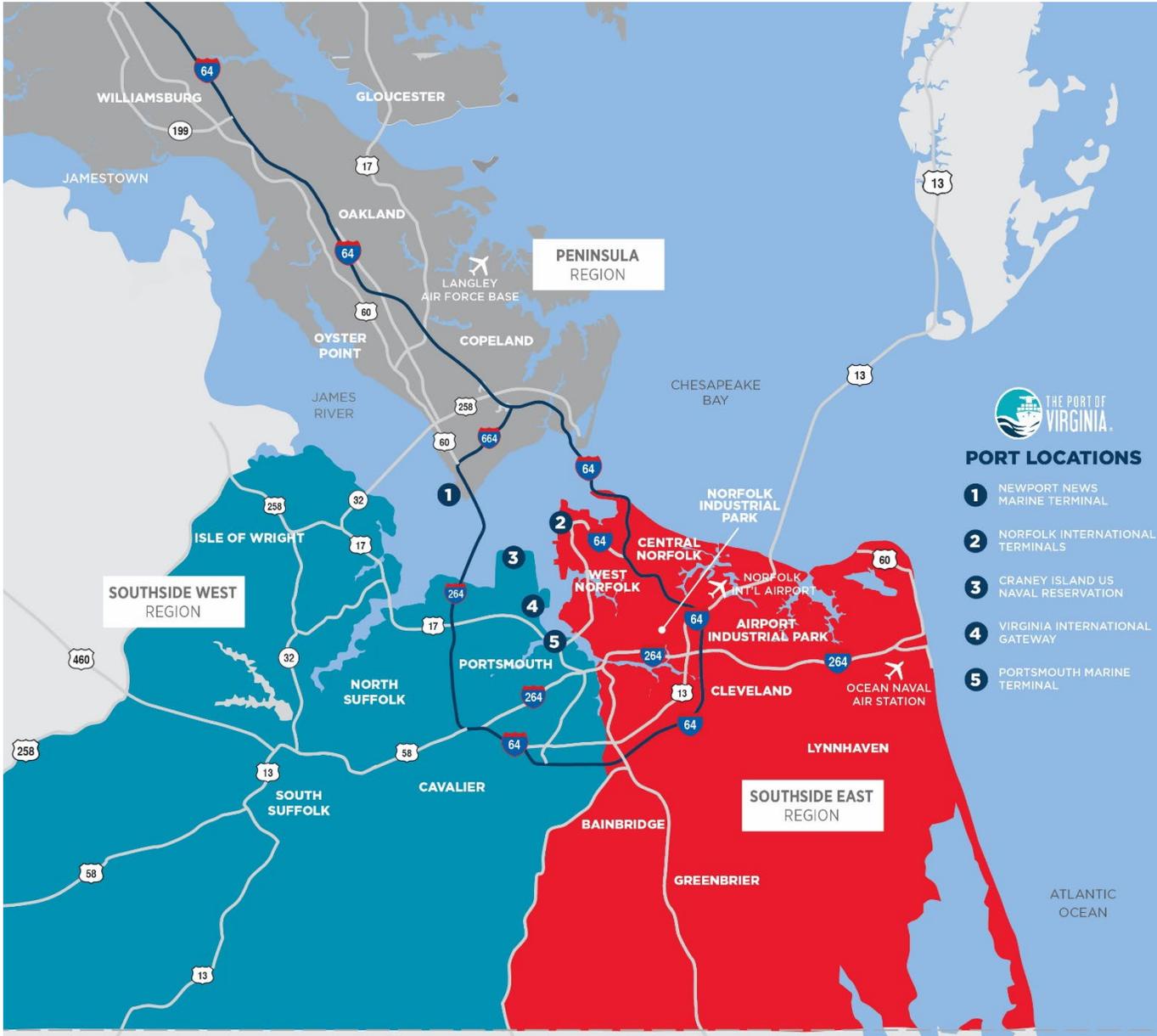
### KEY LEASE TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2601 Indian River Road	Greenbrier	The Perfect Fit Group	115,926	Renewal
5601 City Line Road	Copeland	Crossfire Logistics	64,000	Renewal
2500 Alameda Avenue	Central Norfolk	WR Systems	63,116	Renewal

### KEY SALES TRANSACTIONS Q2 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
2620 & 2626 Indian River Road	Greenbrier	Phoenix Chesapeake Industrial Investors, LLC / Chesapeake Industrial Park, LLC	334,881	\$24M / \$72
Parrott Properties VA Portfolio	Norfolk Industrial Park	Tidewater Fleet Supply / B&D Holdings, Inc.	111,497	\$8.4M / \$75
4590 Village Avenue	Norfolk Industrial Park	Cynthia Black / 4590 Village, LLC	38,735	\$3.15M / \$81

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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