

Industrial Q3 2023

	YoY Chg	12-Mo. Forecast
2.6% Vacancy Rate	▲	▼
253K Net Absorption, SF	▲	▲
\$9.30 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q3 2023

	YoY Chg	12-Mo. Forecast
793K Hampton Roads Employment	▲	▲
2.7% Hampton Roads Unemployment Rate	▼	▲
3.7% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY: The Port of Virginia Effect

The Port of Virginia continues to make headlines, being named as one of the most advanced ports in the U.S. by Global Trade Magazine and a top North American port by the World Bank Report and S&P Global. The port's impact has driven industrial demand in Hampton Roads and become a major economic driver statewide. A recent study conducted by William & Mary found that more than 75 companies have announced plans to establish manufacturing and distribution operations in Virginia since 2020, investing almost \$4 billion. Lowe's is expected to open its 1.5-million-square-foot (msf) regional distribution center in the Virginia Port Logistics Park in Suffolk, and Amazon announced plans to build two new facilities in Virginia Beach - a multi-story robotics fulfillment center and a last mile delivery station - that will collectively create more than 1,000 new jobs.

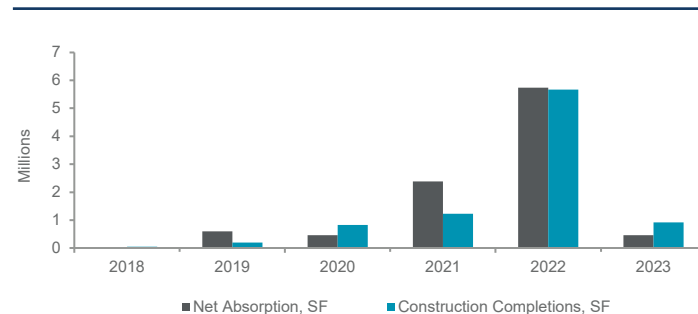
SUPPLY & DEMAND: Healthy Development Pipeline

At the close of the third quarter, supply of industrial product remains limited, with few options available for active prospects in the 30,000 to 50,000-square-foot (sf) range, and with no active infill development projects online to cater to these types of users, no relief is in sight. Overall vacancy edged up 60 basis points (bps) since the start of the year and includes the 814,105-sf vacancy in Invesco's cross-load Coastal Logistics Center in Suffolk, which delivered late in the first quarter. Tenant activity slowed for requirements at and above 200,000 sf over the summer and has reemerged at the end of the third quarter, with several prospects in this range focused on Coastal Logistics. The region has a healthy construction pipeline of bulk speculative (SPEC) product scheduled for delivery in late 2023 and into 2024 totaling more than 1.9 msf, which should help ease some of the supply-side constraints for larger scale users. Looking forward, TMG's Tidewater Logistics Center in Isle of Wight will add 1.2 msf of SPEC product to the inventory, and Lovett's 64 Commerce Center will bring more than 2.2 msf of SPEC product to Williamsburg, with the first phase set to deliver in early 2025.

PRICING: Upward Rent Pressure

Supply-side pressures continue to drive lease rates higher in the 30,00 to 50,000 sf sector with rents in some cases nearing \$12 per square foot (psf). Overall lease rates ended the quarter climbing by 23.3% year-over-year (YOY) and up 7.4% since the start of the year. Rent growth is expected to level out for the foreseeable future for bulk space as the ample supply of new product is delivered. Most landlords continue to benefit from the tight market conditions and can still dictate deal terms with limited concessions. Sales activity has slowed as interest rate increases have stymied the buying power of both investors and users with third quarter industrial sales volume topping \$48.5 million.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Industrial Q3 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	11,759,453	122,153	105,615	1.0%	-23,236	142,957	0	\$6.27	\$14.44	\$7.68
Gloucester	250,528	0	0	0.0%	0	0	0	-	-	-
Oakland	4,603,651	1,250	25,929	0.0%	7,234	149,944	73,500	-	-	\$6.60
Oyster Point	4,550,352	29,413	137,716	0.6%	-3,204	2,278	0	\$10.00	\$12.75	\$8.82
Williamsburg	8,480,717	245,904	20,640	2.9%	-18,200	-5,345	433,536	-	-	\$6.95
Airport Industrial Park	3,694,017	51,459	59,376	1.4%	-34,548	-36,248	0	-	-	\$12.21
Bainbridge	10,640,290	186,087	172,131	1.7%	24,079	-29,556	0	\$12.25	\$12.00	\$12.27
Cavalier	7,247,160	85,015	250,708	1.2%	-38,639	430,661	45,000	\$5.25	-	\$8.85
Central Norfolk	5,239,803	185,491	84,702	3.5%	-14,293	-46,843	25,200	-	-	\$6.00
Cleveland	2,888,447	68,405	62,857	2.4%	7,939	-14,553	0	\$12.00	\$13.00	\$12.92
Greenbrier	2,582,647	132,579	315,095	5.1%	-3,350	25,897	78,400	-	\$11.86	\$8.50
Isle of Wight	4,122,879	0	0	0.0%	0	0	0	-	-	-
Lynnhaven	9,154,896	53,844	101,798	0.6%	3,453	28,595	191,000	\$9.50	-	\$11.88
Norfolk Industrial Park	7,614,489	466,377	210,108	4.0%	-163,745	-460,382	0	-	-	\$8.66
North Suffolk	2,533,278	0	173,508	0.0%	0	0	0	-	-	\$10.75
Portsmouth	4,661,761	232,294	7,790	5.0%	-53,543	-126,443	0	-	-	\$7.46
South Suffolk	18,543,505	1,000,459	397,559	5.4%	562,268	399,068	2,977,000	-	-	\$8.50
West Norfolk	2,703,994	20,940	25,573	0.8%	500	-3,940	0	\$9.29	\$10.00	\$11.57
HAMPTON ROADS TOTALS	111,271,867	2,881,670	2,151,145	2.6%	252,715	456,090	3,823,636	\$8.12	\$12.24	\$9.08

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

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

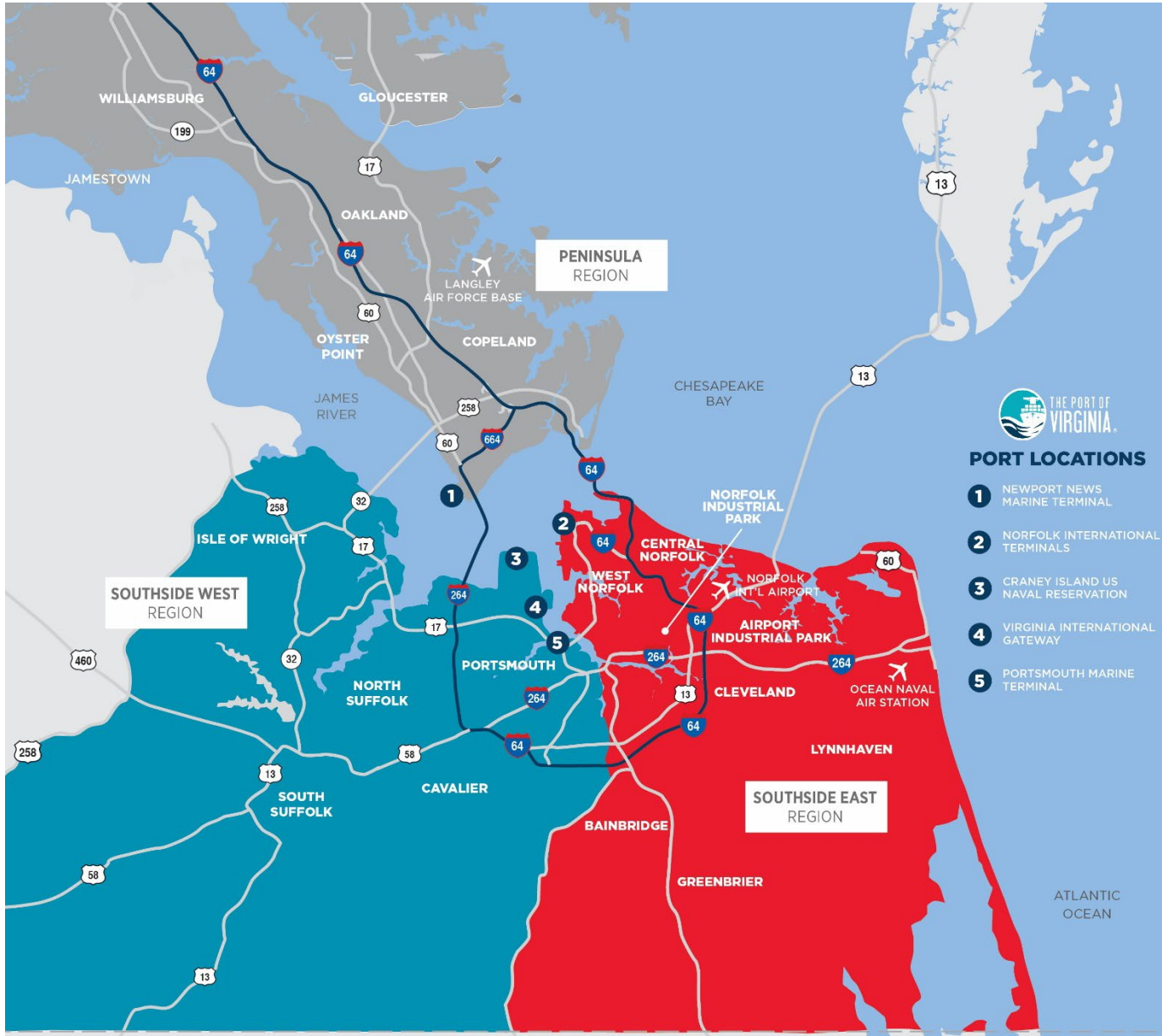
KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
324 Moore Avenue	South Suffolk	Innovative Alliance, LLC	126,600	New
6701 College Drive	North Suffolk	Coastal Logistics Group, Inc.	122,008	Renewal
646 Progress Lane	Lynnhaven	Power Train Industries, Inc.	101,000	New

KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
3800 Cook Boulevard	Cavalier	Reva Kay Seacoast, LLC / Chesapeake 3800 Cook Blvd., LLC	125,906	\$10M / \$79
3612 LaGrange Parkway	Williamsburg	Hendricks Commercial Properties, LLC / 3612 LaGrange WD, LLC	103,795	\$11M / \$106
121 Sampson Creek	Bainbridge	Skanska Civil USA / Criterion Group, LLC	28,650	\$10.5M / \$366

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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