

Industrial Q4 2023

YoY Chg 12-Mo. Forecast

3.0%
Vacancy Rate

-241K
Net Absorption, SF

\$9.51
Asking Rent, PSF

Overall, Net Asking Rent

ECONOMIC INDICATORS
Q4 2023

YoY Chg 12-Mo. Forecast

798K
Hampton Roads
Employment

3.1%
Hampton Roads
Unemployment Rate

3.7%
U.S.
Unemployment Rate

Source: BLS

ECONOMY: All Roads Lead to the Port

The Port of Virginia closed 2023 as another year of milestones, as regional infrastructure and terminal improvements have contributed to the sustained increases in container volume despite a nationwide stabilization after the frenzied pandemic years. Construction on the \$3.9 billion Hampton Roads Bridge Tunnel project is more than 50% complete with completion likely in early 2026. The Port of Virginia reached its goal of powering its terminals entirely from clean energy eight years ahead of schedule – making it the first US East Coast port to do so - and accelerating its aim to be carbon-neutral by 2040. The use of clean electricity will reduce carbon emissions 45% per container. The port also received the shipment of the first monopile foundations for Dominion Energy's \$9.8 billion coastal offshore wind project with construction slated to begin in 2024. A recent study from William & Mary found that Virginia's non-military maritime industry was responsible for one in five jobs statewide and contributed more than \$8 billion in state and local taxes during 2022, further underscoring the port's pivotal role in the region.

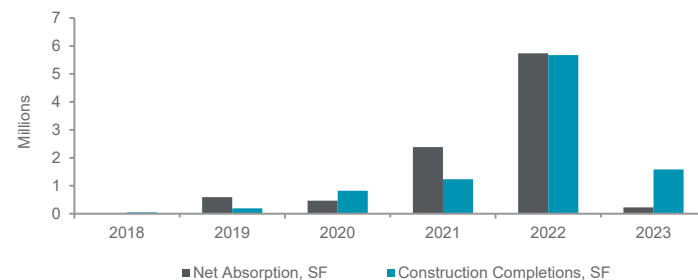
SUPPLY & DEMAND: Construction Underway

The year ended with overall vacancy up 100 basis points (bps) from the start of the year as big box leasing activity slowed, due in part to interest rate uncertainty and the drop in container volume experienced by ports nationwide. While 2022 set records both for deliveries and absorption, and 2023 yielded a rebalancing of the market inventory, the construction pipeline remained active. Deliveries topped 1.5 million square feet (msf), and speculative projects currently in development total nearly 2.0 msf with 44% of product preleased, and 1.3 msf scheduled for delivery in the first quarter of 2024. With rate cuts anticipated in 2024, big box requirements are expected to increase along with port volume. Pent-up demand still exists for requirements in the range of 20,000 to 60,000 square feet (sf), and supply-side pressures for those smaller bay sizes have resulted in significant rent growth, with the most recent 30,000-sf lease inked in the low to mid \$12 per square foot (psf) range.

PRICING: Developer & Investor Demand Sustained

Overall lease rates closed the year at a historic high mark, up 16.5% year-over-year (YOY) and up more than 68% since the start of 2020. Land sales have slowed, not due to lack of demand but because of a dire lack of quality land sites available that are entitled, or have a path to entitlement, and that are not unsuitable for development because of wetlands or other hindrances. Developer and investor interest in the market remains high with multiple groups actively looking for opportunities. That demand is forecast to persist, but opportunities will remain scarce, pushing development to the outer edges of the market. Overall industrial sales volume topped \$290 million in 2023 despite the financing and supply-side constraints, further indication of the region's appeal.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT HAMPTON ROADS

Industrial Q4 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 | 11,805,574 | 111,277 | 119,159 | 0.9% | 10,876 | 153,473 | 0 | \$6.27 | \$14.44 | \$7.89 |
| Gloucester | 250,528 | 0 | 0 | 0.0% | 0 | 0 | 0 | - | - | - |
| Oakland | 4,815,338 | 1,250 | 28,429 | 0.0% | -1,250 | 151,194 | 73,500 | - | - | \$6.50 |
| Oyster Point | 4,582,712 | 37,001 | 157,917 | 0.8% | -7,588 | -5,310 | 0 | \$10.00 | \$12.75 | \$8.82 |
| Williamsburg | 8,932,915 | 631,708 | 39,909 | 7.1% | 48,032 | 42,387 | 0 | - | - | \$7.63 |
| Airport Industrial Park | 3,696,160 | 216,151 | 77,976 | 5.8% | -165,350 | -200,940 | 0 | - | - | \$12.21 |
| Bainbridge | 10,768,572 | 103,042 | 487,264 | 1.0% | 95,387 | 73,121 | 0 | \$10.50 | \$12.00 | \$12.29 |
| Cavalier | 7,291,965 | 131,075 | 297,782 | 1.8% | -44,100 | 429,601 | 0 | \$5.25 | - | \$10.50 |
| Central Norfolk | 5,372,544 | 209,636 | 109,902 | 3.9% | -12,300 | -45,788 | 0 | - | - | \$6.95 |
| Cleveland | 2,857,488 | 79,812 | 80,026 | 2.9% | -11,492 | -27,306 | 0 | \$12.00 | \$13.00 | \$12.06 |
| Greenbrier | 2,659,333 | 181,430 | 318,120 | 6.8% | -42,651 | 61,646 | 0 | - | \$11.86 | \$8.50 |
| Isle of Wight | 4,122,879 | 0 | 0 | 0.0% | 0 | 0 | 120,000 | - | - | - |
| Lynnhaven | 9,337,736 | 88,858 | 163,554 | 1.0% | -39,814 | -21,297 | 191,000 | \$9.83 | - | \$12.44 |
| Norfolk Industrial Park | 7,634,361 | 487,967 | 238,981 | 6.4% | -45,140 | -505,722 | 0 | - | \$10.75 | \$8.48 |
| North Suffolk | 2,563,087 | 0 | 173,508 | 0.0% | 0 | 0 | 0 | - | - | \$10.75 |
| Portsmouth | 4,682,049 | 193,668 | 30,286 | 4.1% | 21,130 | -105,313 | 0 | - | - | \$9.77 |
| South Suffolk | 18,513,505 | 796,879 | 946,467 | 4.3% | 0 | 275,828 | 3,319,640 | - | - | \$8.23 |
| West Norfolk | 2,729,778 | 67,402 | 144,653 | 2.5% | -46,462 | -50,402 | 0 | \$9.29 | \$10.00 | \$10.39 |
| HAMPTON ROADS TOTALS | 112,616,524 | 3,337,156 | 3,413,933 | 3.0% | -240,722 | 225,172 | 3,704,140 | \$8.00 | \$11.96 | \$9.36 |

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

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

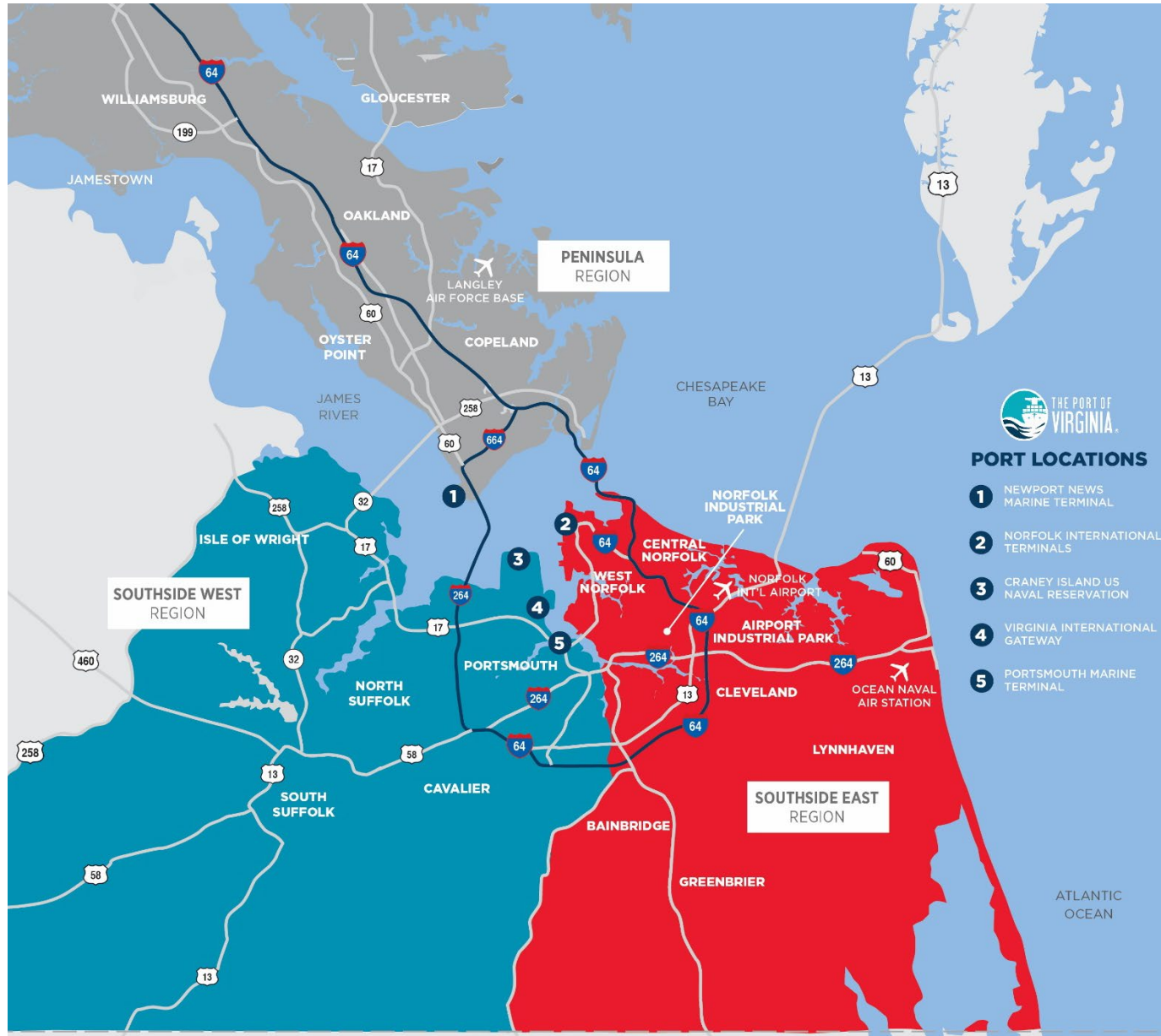
KEY LEASE TRANSACTIONS Q4 2023

| PROPERTY | SUBMARKET | TENANT | SF | TYPE |
|-------------------|---------------|---------------------------|---------|---------|
| 150 Judkins Court | South Suffolk | Eska | 204,000 | New |
| 1449 Kristina Way | Bainbridge | First Data Resources, LLC | 117,336 | Renewal |
| 731 Rugby Street | West Norfolk | American Road Markings | 35,064 | New |

KEY SALES TRANSACTIONS Q4 2023

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE / \$PSF |
|---------------------------------|---------------|--|---------|----------------|
| 115 Dill Road | South Suffolk | Nansemond Cold Storage Co Inc. / American Industrial LLC | 256,800 | \$7.5M / \$29 |
| 1005 Obici Industrial Boulevard | South Suffolk | Suffolk Warehouse No. 1, LLC / Suffolk Obici Industrial Blvd., LLC | 110,000 | \$6.75M / \$61 |
| 2503 Squadron Court | Lynnhaven | Ronald & Jo Ella 2004 Trust / Jackson & Johnson Enterprises, LLC | 21,000 | \$2.2 / \$105 |

INDUSTRIAL SUBMARKETS

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- 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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