

Industrial Q1 2024

	YoY Chg	12-Mo. Forecast
3.2% Vacancy Rate	▲	▼
795K Net Absorption, SF	▲	▲
\$9.40 Asking Rent, PSF	▲	▲
Overall, Net Asking Rent		

ECONOMIC INDICATORS
Q1 2024

	YoY Chg	12-Mo. Forecast
817K Hampton Roads Employment	▲	▼
3.1% Hampton Roads Unemployment Rate	▼	▲
3.8% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY: Port of Virginia Hits Another Milestone

The widening of the Port of Virginia shipping channel was completed in the first quarter, allowing two-way traffic for ultra-large container vessels to pass, yet another milestone that is part of a \$450 million dredging project that will make the port the widest and deepest along the East Coast. The port is also anticipating overflow traffic from the Baltimore region following the partial collapse of the Key Bridge, and while inquiries are up for temporary yard laydown space from roll-on, roll-off users, the increase in TEUs is likely to have minimal impact on the industrial real estate market. Virginia processes 34% of container volume by rail – the largest rail traffic port on the East Coast, and product traveling from the midwestern portion of the country to Baltimore by rail will have to be rerouted as a result. While construction on the \$3.9 billion Hampton Roads Bridge Tunnel project is more than 50% complete, the final completion date has been pushed to the third quarter of 2027, a delay of 18 months that will impact traffic patterns between the southside of Hampton Roads and the Peninsula.

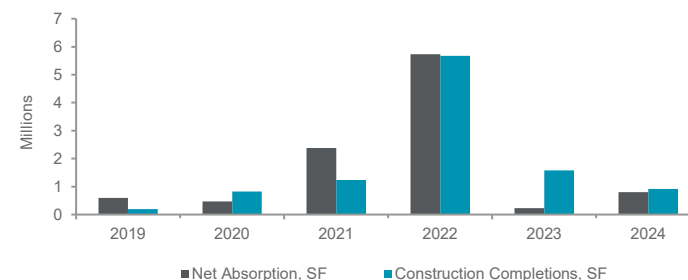
SUPPLY & DEMAND: Shortages Beginning to Ease

Still boasting the tightest industrial vacancy among central East Coast markets, the first quarter closed with vacancy up 30 basis points (bps) quarter-over-quarter (QOQ) and up 120 bps year-over-year (YOY) as extreme supply side shortages have begun to ease. Large blocks of first-generation space at Coastal Logistics Center and Green Mount Logistics Center have come online – 610,525 square feet (sf) and 373,536 sf respectively – along with more than 330,000 sf on Curtis Saunders Court coming back to the market after the initial tenant did not take occupancy. Additional space is scheduled to deliver later in the year at Virginia Commerce Center (342,640 sf) and Phenix Commerce Center (299,783 sf), building on the new supply available to big box users. Given the unknowns with the Baltimore market logistics patterns, the expectation is that Hampton Roads will rank higher on regional and multi-state site selection projects. Larger requirements became more active midway through the first quarter, and while the market is waiting on the first big transaction of the year, there has been a flurry of activity in the 20,000 to 40,000 sf range, with healthy demand for quality product in the sub-50,000-sf range.

PRICING: Active Investment Market

Hampton Roads industrial remains of keen interest to investors, and several large portfolio transfers closed in the first quarter to buyers expanding their market presence. Lovett Industrial purchased the 720,000-sf Diamond Hill Distribution Center portfolio for \$73.5 million as part of a joint venture, adding to the 2.2 million square feet (msf) in development at the Lovett 64 Commerce Center in Toano. As a complement to its existing holdings centered in Chesapeake, B&D Holdings closed on the shallow bay portion of the Diamond Hill portfolio, an existing infill center that has historically performed well and just secured a 168,000-sf lease with Huntington Ingalls at a historically high lease rate.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT HAMPTON ROADS

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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	11,828,401	219,234	0	1.9%	-107,957	-107,957	840,253	\$6.27	\$14.44	\$7.78
Gloucester	250,528	0	0	0.0%	0	0	0	-	-	-
Oakland	4,835,832	81,639	0	1.7%	-80,389	-80,389	73,500	-	-	\$6.50
Oyster Point	4,585,839	87,603	31,694	1.9%	-52,673	-52,673	0	\$10.00	\$11.37	\$9.20
Williamsburg	8,921,767	625,971	0	7.0%	-24,263	-24,263	0	-	-	\$7.91
Airport Industrial Park	3,696,748	191,347	54,348	5.2%	-13,744	-13,744	123,713	-	-	\$12.07
Bainbridge	10,655,373	131,845	42,068	1.3%	3,771	3,771	200,000	\$10.50	\$12.00	\$12.49
Cavalier	7,416,767	117,975	24,000	1.6%	13,100	13,100	0	-	-	\$10.77
Central Norfolk	5,388,030	253,265	9,523	4.7%	-25,212	-25,212	0	-	\$12.62	\$8.22
Cleveland	2,739,822	68,951	21,795	2.5%	4,799	4,799	0	\$12.00	\$12.57	\$11.75
Greenbrier	2,660,086	150,138	37,110	5.6%	9,241	9,241	0	-	\$11.86	\$9.00
Isle of Wight	4,122,879	0	0	0.0%	0	0	120,000	-	-	-
Lynnhaven	9,391,017	80,277	27,856	0.9%	97,859	97,859	91,000	\$9.91	-	\$12.19
Norfolk Industrial Park	7,633,702	346,844	57,753	4.5%	93,296	93,296	0	-	\$10.75	\$8.67
North Suffolk	2,595,087	0	0	0.0%	0	0	0	-	-	\$10.75
Portsmouth	4,732,216	212,317	1,700	4.5%	-1,153	-1,153	0	-	\$9.25	\$10.26
South Suffolk	20,994,548	1,021,698	0	3.8%	900,333	900,333	1,834,667	-	-	\$7.52
West Norfolk	2,739,738	105,125	0	3.8%	-22,297	-22,297	0	\$8.45	-	\$10.39
HAMPTON ROADS TOTALS	115,188,380	3,694,229	307,847	3.2%	794,711	794,711	3,283,133	\$8.40	\$10.86	\$9.25

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

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

KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
130 Maya Way	South Suffolk	FreezPak Logistics	239,765	New
301 W. Park Lane	Copeland	Huntington Ingalls Industries	168,000	New
1125 Azalea Garden Road	Norfolk Industrial	WTS Services USA, Inc.	54,637	New

KEY SALES TRANSACTIONS Q1 2024

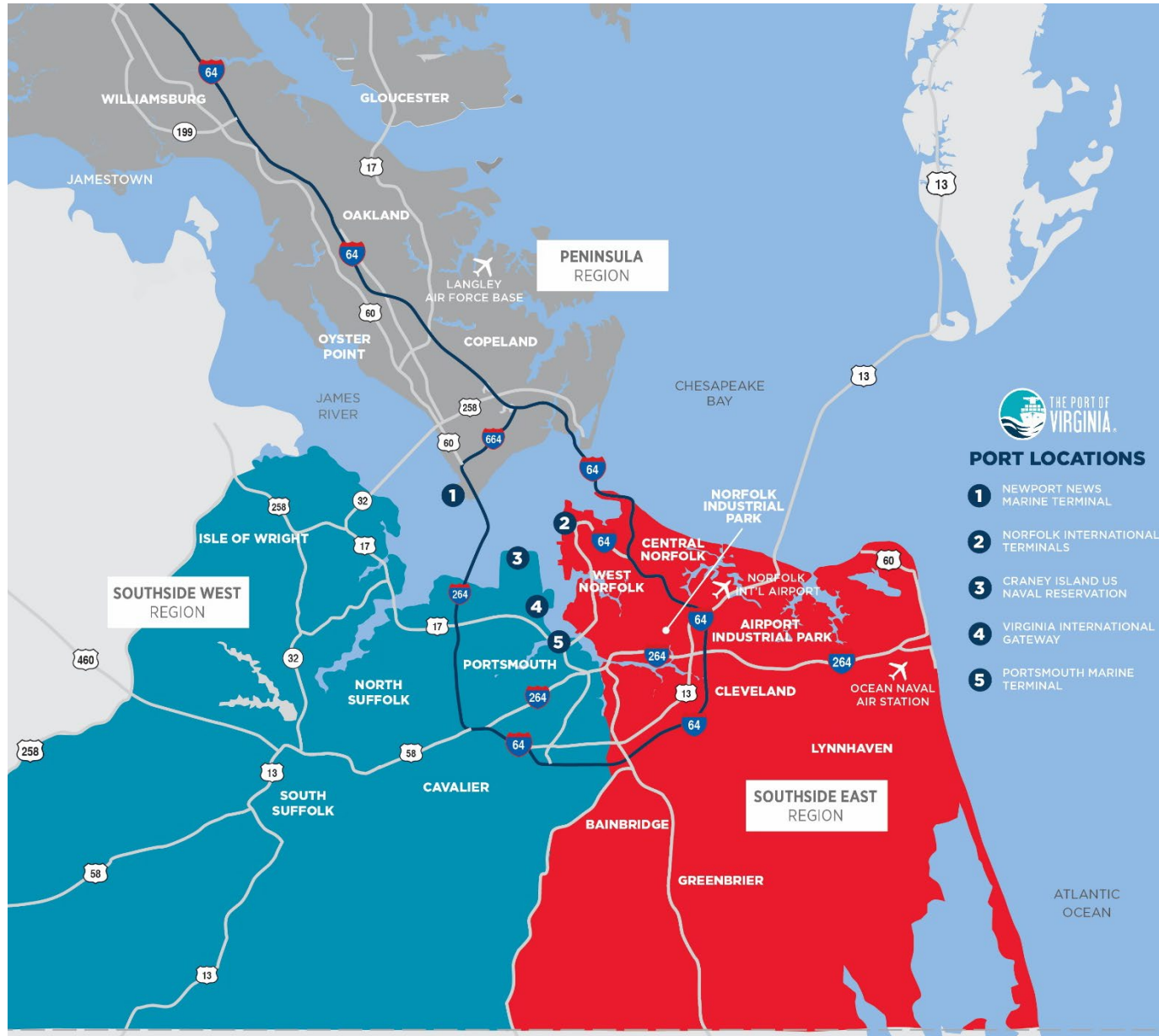
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
Diamond Hill Distribution Portfolio	Various	Icon Mars Property Owner Pool 4, DV/VA, LLC / DH VA Owner, LLC	712,339	\$73.5M / \$103
2155 Steppingstone Square	Greenbrier	LCN OCN Chesapeake (VA), LLC / NHNR Hold CO 1 LLC	154,647	\$27.75M / \$179
1357 Taylor Farm Road	Lynnhaven	JB Kelly & Associates, LLC / VA Bk Taylor Farm Rd LLC	65,000	\$5.9M / \$91

MARKETBEAT HAMPTON ROADS

Industrial Q1 2024

CUSHMAN &
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INDUSTRIAL SUBMARKETS



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