

MARKETBEAT

HAMPTON ROADS, VA INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



4Q10

ECONOMY

The national economy has stabilized since 2008, and economic indicators such as holiday spending have improved markedly. Hampton Roads has outperformed the nation during the recession due to heavy reliance on defense contractors and military employees. The protracted economic slowdown and talks of a decrease in the military budget, however, decrease the stability of the Hampton Roads market. Recent reports state that the U.S. Joint Forces Command based in Norfolk and Suffolk is expecting to cut about 50% of its 6,000 staffers. This uncertainty has the area's large concentration of military and federal contractors planning cautiously.

The area's unemployment rate is slightly higher than 2009, 7.4% vs. 6.8%, respectively. The figure doesn't take into account the workers who are "under employed," working less than they would like, or discouraged workers who have given up looking.

OVERVIEW

For the first time since 2006, year end absorption was positive. The industrial market absorbed 200,000 square feet (sf) in 2010 compared to negative 385,000 sf in 2009 and negative 1.5 million square feet (msf) in 2008. The return to positive absorption came in large part to less new space hitting the market. This is evident in the fact that leasing activity decreased in 2010 to 2.5 msf from 2.7 msf in 2009. Only 200,000 sf of new construction was completed in 2010 compared to 1.0 msf in 2009 and 1.4 msf in 2008.

Leasing activity combined with low construction completions ultimately led to a decrease in the vacancy rates. Vacancy fell to 9.5% in the fourth quarter of 2010 from 10.1% in the fourth quarter of 2009.

Rental rates were up and down throughout 2010 ending the year at \$5.48 up from \$5.46 at year end 2009. Landlords were decreasing rents in order to lock in solid tenants in the hope to weather the storm for the next 24 months. Sale activity is brisk for buildings priced at less than \$1 million especially to owner occupants. Some owner investors remain in the market looking for deals.

A significant sale occurred this quarter at 201 West Dexter, a 475,500-sf building, which sold for \$6 million. Another exciting announcement came from Virginia Beach grain exporter PER Properties. They announced the building of a grain exporting facility on 17 acres in Portsmouth.

FORECAST

Hampton Roads continues to see mixed signals from healthy port activity to reports of cuts to the Department of Defense and military contractors, leading to economic uncertainty and delays in decisions especially amongst larger contractors.

Trends that began in 2010 will continue in 2011. Absorption should remain positive as only 100,000 sf of new space was under construction in 2010 which also means the vacancy rate should continue to decrease. Leasing activity remains tenuous cooling from a relatively upbeat 816,000 sf third quarter to 311,000 sf in the fourth quarter. Leasing activity should increase in 2011 due to the growth in volume of small deals. Expect more singles and doubles than home-runs in 2011.

BEAT ON THE STREET

"Although there are more tenants in the marketplace, leasing activity remains slow."


-Pat Mumey- SIOR, First Vice President


ECONOMIC INDICATORS


National	2009	2010	2011F
GDP Growth	-2.6%	2.8%	2.8%
CPI Growth	-0.3%	1.6%	1.5%
Regional			
Unemployment	6.8%	7.4%	7.4%
Employment Growth	-3.5%	-0.1%	1.1%

Source: Moody's | Economy.com

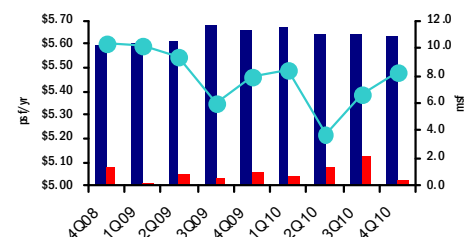
MARKET FORECAST

LEASING ACTIVITY will continue to increase with the volume of small deals rising. 

DIRECT ABSORPTION increased in 2010 over 2009 and returns to a positive year end number for the first time since 2006. Absorption is expected to continue to make gains in 2011. 

CONSTRUCTION will be limited to smaller projects where a demand is apparent. Most construction projects will be build-to-suits. 

OVERALL MARKET TRENDS



MARKET/SUBMARKET STATISTICS

MARKET/SUBMARKET	INVENTORY	NO. OF BLDGS.	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD OVERALL ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*	MF	Flex	GI
Copeland	15,309,307	459	9.2%	365,949	52,000	17,523	(58,867)	\$3.50	\$4.28	\$8.00	\$4.72
Gloucester	299,993	15	19.0%	2,000	0	0	(34,360)	\$0.00	\$0.00	\$0.00	\$0.00
Mathews County	51,470	2	0.0%	0	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00
Oakland	4,939,618	146	5.1%	17,380	0	36,000	44,443	\$6.70	\$5.69	\$12.00	\$6.90
Oyster Point	5,514,612	206	4.2%	127,134	0	0	(24,264)	\$6.89	\$8.73	\$8.15	\$6.02
Williamsburg Extended	7,757,603	103	5.6%	50,950	0	0	16,850	\$8.00	\$5.59	\$0.00	\$4.84
Peninsula	33,872,603	931	7.0%	563,413	52,000	53,523	(56,198)	\$5.07	\$4.73	\$8.23	\$5.13
Airport Industrial Park	4,149,111	91	10.0%	248,050	0	0	(7,433)	\$9.22	\$4.80	\$7.64	\$5.21
Bainbridge	10,553,211	387	9.6%	489,361	0	54,000	201,196	\$6.07	\$0.00	\$10.54	\$4.07
Cavalier	6,500,431	206	9.3%	170,175	0	0	(6,996)	\$12.95	\$4.25	\$0.00	\$5.12
Central Norfolk	7,293,809	156	24.9%	76,808	33,000	0	11,012	\$4.50	\$0.00	\$8.21	\$4.76
Cleveland	4,463,164	217	10.2%	85,246	0	0	(2,401)	\$4.00	\$9.25	\$8.99	\$5.87
Franklin City	307,136	12	4.2%	0	0	0	(9,500)	\$0.00	\$0.00	\$0.00	\$0.00
Greenbrier	2,751,665	78	11.1%	159,190	0	0	(7,073)	\$5.75	\$0.00	\$8.26	\$6.21
Isle of Wight	3,469,696	27	9.4%	3,686	0	0	(222,206)	\$0.00	\$0.00	\$0.00	\$8.00
Lynnhaven	11,142,929	466	8.9%	256,785	12,600	30,869	73,711	\$5.32	\$8.02	\$9.60	\$6.46
Norfolk Industrial Park	8,719,937	275	7.4%	196,852	0	0	(9,512)	\$4.46	\$7.25	\$6.26	\$4.52
North Suffolk	1,436,815	12	3.3%	92,975	0	0	143,900	\$3.95	\$0.00	\$0.00	\$5.50
Portsmouth	5,622,607	252	3.4%	56,085	4,000	0	80,743	\$0.00	\$7.75	\$4.84	\$3.26
South Suffolk	10,303,128	125	13.1%	26,950	0	51,435	38,769	\$4.16	\$5.00	\$5.40	\$4.70
West Norfolk	3,397,448	159	7.7%	85,905	0	0	(27,790)	\$6.00	\$3.73	\$6.30	\$5.22
Southside	80,111,087	2,463	10.7%	1,948,068	49,600	136,304	256,420	\$4.62	\$4.70	\$7.98	\$4.91
HAMPTON ROADS	113,983,690	3,394	9.5%	2,511,481	101,600	189,827	200,222	\$4.65	\$4.72	\$8.01	\$4.96
								4Q10	2009	2008	2007
Distribution	6,677,443	80	3.3%	76,236	0	0	129,482	\$5.07	\$4.14	\$4.44	\$4.81
Manufacturing	11,622,019	252	5.6%	96,100	0	0	(161,623)	\$4.73	\$5.36	\$5.03	\$5.03
Flex	2,617,653	168	12.2%	85,450	0	0	(11,830)	\$8.23	\$7.98	\$8.67	\$8.47
General Industrial	12,955,488	431	13.0%	305,627	52,000	53,523	(12,227)	\$5.13	\$4.76	\$6.80	\$5.31
Peninsula	33,872,603	931	7.0%	563,413	52,000	53,523	(56,198)	\$5.31	\$5.19	\$6.10	\$5.37
Distribution	18,312,413	172	12.8%	245,675	0	0	(79,261)	\$4.62	\$4.62	\$4.64	\$4.33
Manufacturing	15,103,196	363	12.9%	97,133	0	0	(165,368)	\$4.70	\$5.71	\$5.78	\$5.68
Flex	16,278,225	781	8.9%	617,685	16,600	56,393	100,330	\$7.98	\$9.41	\$9.82	\$9.92
General Industrial	30,417,253	1,147	12.0%	987,575	33,000	79,911	400,719	\$4.91	\$5.45	\$5.49	\$5.94
Southside	80,111,087	2,463	10.5%	1,948,068	49,600	136,304	256,420	\$5.53	\$5.69	\$5.99	\$6.19
Distribution	24,989,856	252	9.9%	321,911	0	0	71,711	\$4.65	\$4.59	\$4.61	\$4.45
Manufacturing	26,725,215	615	9.7%	193,233	0	0	(326,991)	\$4.72	\$5.52	\$5.39	\$5.35
Flex	18,895,878	949	9.3%	578,065	16,600	56,393	88,500	\$8.01	\$9.16	\$9.69	\$9.72
General Industrial	43,372,741	1,578	12.3%	1,418,272	85,000	133,434	367,002	\$4.96	\$5.31	\$5.74	\$5.71
HAMPTON ROADS	113,983,690	3,394	9.5%	2,511,481	101,600	189,827	200,222	\$5.48	\$5.59	\$6.01	\$5.94

*Rental rates reflect \$psf/year

D = Distribution MF = Manufacturing GI = General Industrial

MARKET HIGHLIGHTS

SIGNIFICANT 2010 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
300 and 500 West Park Lane	Copeland	Crate Services, Inc.	149,795	Warehouse/Distribution
1920 Campostella	Bainbridge	Total Transportation Services	141,050	Warehouse/Distribution
201 West Dexter Street	Bainbridge	N/A	112,281	Warehouse/Distribution
2301 Aluminum Avenue	Copeland	Virginia International Terminals (sublease)	64,923	Warehouse/Distribution

SIGNIFICANT 2010 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
3800 Village Avenue	Norfolk Industrial Park	Warehouse 888, LLC	101,150	\$2,000,000
800 Seaboard Avenue	Bainbridge	800 LLC	59,042	\$2,100,123
201 West Dexter Street	Bainbridge	201 Dexter LLC	475,500	\$6,000,000

SIGNIFICANT 2010 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
2507-2517 S Military Hwy	Bainbridge	N/A	54,000	12/10
Northgate 10 Phase I	South Suffolk	N/A	51,435	5/10

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
2401 Aluminum Ave	Copeland	Food Bank of Virginia	52,000	7/10
Central Business Park	Central Norfolk	N/A	33,000	3/10

For further information, please contact one of our Brokerage Services Professionals:

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