

MARKETBEAT INDUSTRIAL SNAPSHOT

HAMPTON ROADS, VA

A Cushman & Wakefield Alliance Research Publication

Q4 2011



ECONOMIC OVERVIEW

The U.S. economy ends 2011 similar to how it began with mixed signals and uncertainty, but it continues to grow albeit at a tepid pace. Payrolls climbed by 120,000 workers in November and 100,000 in October.

The Hampton Roads unemployment stood at 7.3% seasonally adjusted rate in October the same point as a year ago. The regional unemployment rate continues to trend below the November national rate of 8.6% but above the Virginia November rate at 6.2%. The Hampton Roads economy increased by 5,412 jobs year-over-year but failed to keep pace with the expanding labor force during the same time period. Meanwhile, year-over-year container traffic at the Port of Virginia increased 1.2%.

LEASING ACTIVITY AND ABSORPTION

Year-to-Date leasing activity reached just above 4.1 million square feet (sf) in the 4th quarter of 2011. 3.2 million sf of the leasing activity occurred in the Southside with the South Suffolk submarket receiving the most at 744 thousand sf. By contrast, year-to-date leasing activity reached 2.5 million the 4th quarter of 2010 with 1.9 million occurring in the Southside and 26 thousand in South Suffolk. Year-to-date absorption did not breach positive territory in Hampton Roads primarily due to negative absorption on the Peninsula. The Southside fared marginally better with 91 thousand sf of absorption.

SIGNIFICANT ANNOUNCEMENTS AND LEASES

A few significant announcements and deals occurred in the 4th quarter. Green Mountain Coffee Roasters announced the opening of a manufacturing facility in Isle of Wight County with the purchase of 330,000 sf distribution facility on 64 acres for \$15 million. The operation expects to hire 800 employees in the area.

Another significant deal that occurred includes the lease of 393 thousand sf by Carrier Enterprise at the Crossways Commerce Center in the Bainbridge submarket. Additionally, the Navy Exchange Service Command signed a lease for 350 thousand sf of distribution space at the CenterPoint Intermodal Center in Suffolk. No new net jobs will be created in the area as the operation will be relocated from Norfolk.

More somber news for the area includes the decision by Smithfield Foods to close its Portsmouth plant. The closing will affect 425 employees in the area.

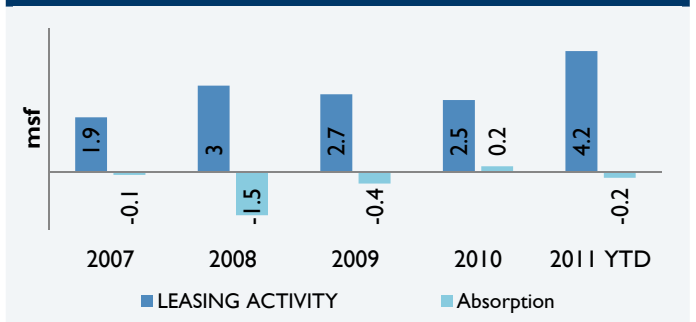
OUTLOOK

U.S. retail sales grew 6.7% from a year ago while the fledgling housing industry saw positive signs in November. Building permits stood at a seasonally adjusted annual rate of 681 thousand in November 20.7% above a year ago while housing starts were at a seasonally adjusted annual rate of 685 thousand 24.3% above November 2010. These positive signs have given consumers and businesses cause for optimism and confidence. Demand for distribution and warehouse space should increase as consumers continue to spend and the housing market creeps back to normal.

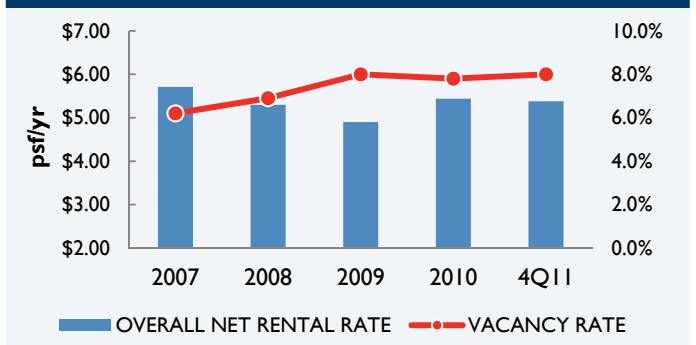
STATS ON THE GO

	4Q10	4Q11	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	9.5%	8.2%	1.3pp	▼
Direct Asking Rents (psf/yr)	\$6.60	\$6.35	-3.8%	▲
YTD Leasing Activity (sf)	2,511,481	4,164,160	65.8%	▲

OVERALL OCCUPIER ACTIVITY



DIRECT RENTAL VS. VACANCY RATES



HAMPTON ROADS, VA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE			
								HT	MF	OS	W/D
Copeland	15,947,478	9.8%	650,888	0	63,226	(172,388)	(101,239)	\$6.50	\$4.52	\$4.95	\$3.62
Gloucester	295,071	20.5%	0	0	0	(3,100)	(3,100)	\$0.00	\$0.00	\$0.00	\$0.00
Mathews County	102,674	0.0%	0	0	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00
Oakland	5,033,511	7.3%	41,955	0	10,344	(105,182)	(105,182)	\$11.30	\$5.29	\$12.00	\$6.91
Oyster Point	5,621,860	4.3%	189,503	0	9,848	(53,605)	(57,497)	\$0.00	\$9.35	\$8.15	\$5.56
Williamsburg Extended	7,887,422	6.0%	35,440	0	5,605	(5,732)	(5,732)	\$0.00	\$5.59	\$7.05	\$4.16
Peninsula	34,888,016	9.4%	917,786	0	89,023	(340,007)	(272,750)	\$6.83	\$4.90	\$6.79	\$4.50
Airport Industrial Park	4,016,229	15.0%	121,222	0	0	(192,923)	(192,923)	\$0.00	\$4.80	\$6.50	\$4.92
Bainbridge	10,898,400	7.1%	494,830	0	0	216,784	210,444	\$0.00	\$0.00	\$10.30	\$5.10
Cavalier	6,832,137	10.5%	302,017	0	0	(155,826)	(155,826)	\$0.00	\$4.25	\$11.92	\$5.23
Central Norfolk	6,027,828	7.3%	72,715	0	33,000	(10,600)	22,988	\$8.36	\$0.00	\$8.16	\$4.27
Cleveland	5,048,709	12.1%	80,860	0	0	(127,461)	(127,461)	\$0.00	\$4.00	\$10.18	\$6.44
Franklin City	303,212	4.5%	4,250	0	0	(576)	(576)	\$0.00	\$0.00	\$0.00	\$0.00
Greenbrier	2,710,586	7.1%	370,931	0	0	60,127	64,125	\$11.75	\$0.00	\$6.65	\$6.24
Isle of Wight	3,634,049	10.0%	7,000	0	0	(30,662)	(30,662)	\$0.00	\$0.00	\$0.00	\$6.73
Lynnhaven	11,289,217	12.6%	399,898	15,908	105,100	(427,847)	(427,847)	\$0.00	\$5.16	\$9.32	\$5.40
Norfolk Industrial Park	8,972,726	9.9%	184,998	0	0	87,649	112,303	\$0.00	\$5.98	\$6.13	\$4.27
North Suffolk	2,486,335	1.7%	116,052	0	0	49,983	49,983	\$0.00	\$0.00	\$0.00	\$3.95
Portsmouth	5,608,354	4.2%	310,966	0	0	(100,003)	(100,003)	\$0.00	\$6.95	\$6.38	\$4.06
South Suffolk	10,363,947	6.1%	744,217	0	0	650,528	658,918	\$0.00	\$5.00	\$8.42	\$4.49
West Norfolk	3,438,743	8.5%	36,418	0	0	8,044	8,044	\$0.00	\$3.73	\$6.30	\$4.93
Southside	81,630,472	8.3%	3,246,374	15,908	138,100	27,217	91,507	\$10.03	\$4.78	\$8.54	\$4.85
Hampton Roads	116,518,488	8.2%	4,164,160	15,908	227,123	(312,790)	(181,243)	\$9.33	\$4.85	\$8.24	\$4.79

* RENTAL RATES REFLECT ASKING \$PSF/YEAR HT= HIGH TECH MF = MANUFACTURING OS = OFFICE SERVICE W/D = WAREHOUSE/DISTRIBUTION

MARKET HIGHLIGHTS

SIGNIFICANT 2011 LEASE TRANSACTIONS	SUBMARKET	TENANT/BUYER	PROPERTY TYPE	SQUARE FEET
Crossways Commerce Center	Bainbridge	Carrier Enterprise	Warehouse	393,000
CenterPoint Intermodal Center	Suffolk	Navy Exchange	Warehouse	350,000
2601 Indian River	Greenbrier	US Auto Parts	Warehouse	159,294
SIGNIFICANT 2011 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
S.T. Holland Intermodal	Isle of Wight	Green Mountain Coffee	\$15,000,000	330,000
Norfolk Assembly (Ford) Plant	Norfolk	Katoen Natie	10,500,000	662,000
310 E St	Copeland	Schaubach Rentals	\$2,750,000	72,000
SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
2512 Aviator	Lynnhaven	Ads Tactical	3Q11	81,900
2401 Aluminum	Copeland	Foodbank of Virginia	2Q11	52,000

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS