

MARKETBEAT

HAMPTON ROADS, VA INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

Thalhimer
commercial real estate

2Q10

ECONOMY

Indicators paint a muddled picture of the local and national economy. The unemployment rate for Hampton Roads fell sharply over the past quarter to 7.3% from 7.9% in January. Although that is up from 6.3% in the second quarter of 2009, it is down significantly from the national average of 9.3%. However, the U.S. Bureau of Labor statistics said that the national dip in unemployment was the result of 400,000 temporary census workers. Also encouraging, container shipments at the Port of Hampton Roads rose to 161,500 twenty-foot equivalent units (TEU's) in May, up 14% from the same month in 2009, according to the Virginia Port Authority. Port traffic was up 12% in the first quarter of 2010, which suggests an improvement in the industrial economy.

But surveys of businesses conclude that they are still worrying about growth prospects and delaying expansions or hiring. Access to credit for industrial users remains tight. Financial and political instability has also increased over the past quarter, exemplified by a narrowly averted debt crisis in Greece and ramped-up political rhetoric about cutting federal spending here in the United States.

OVERVIEW

The overall market has stabilized over the past several quarters. Vacancy for the overall industrial market fell from 10.2% in the first quarter of 2010 to 9.7% in the second quarter. Leasing activity through the second quarter was even up 15% to 1.3 million square feet (msf) from the same period in 2009. Compared to last year at this time, general industrial and manufacturing leasing showed an increase while flex and distribution activity was down. Average asking rents have climbed slightly to \$5.94 per square foot (psf), up from \$5.61 psf in the second quarter of 2009. However, tenants are usually getting that increase back in the form of free rent or other concessions.

FORECAST

Rents and leasing activity will likely remain flat for much of 2010. The current pipeline of prospects actively in the market indicates a demand for approximately 480,000 sf of absorption. This is hardly enough to predict the beginnings of an economic expansion. When it will rebound to pre-recession levels is anybody's guess, but that will only happen when businesses have more access to capital and when the unemployment rate starts to fall, which will give consumers more money to spend and thus lead to higher demand for manufacturing and shipping.

Two industrial-specific trends to watch: Potential users are meeting with brokers about both the closed Ford Plant in Norfolk and the International Paper plant in Franklin.

Also worth watching is how the federal government plans on paring back the defense budget. That could have direct effects on the Hampton Roads market for manufacturers, suppliers and other defense contractors.

BEAT ON THE STREET



"Tenants with positive business indicators are prone to renew if their space still fits their needs and if the landlords are willing to offer some relief in the renewal terms."


—Abe Ellis, Vice President


ECONOMIC INDICATORS


National	2009	2010F	2011F
GDP Growth	-2.4%	3.1%	3.9%
CPI Growth	-0.3%	1.8%	2.1%
Regional			
Unemployment	6.8%	7.7%	7.1%
Employment Growth	-0.9%	-0.8%	1.2%

Source: Moody's | Economy.com

MARKET FORECAST

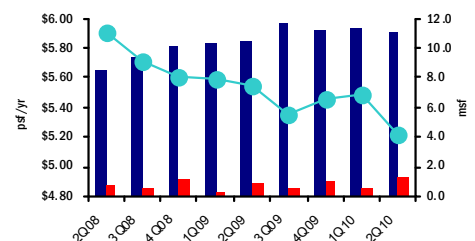
LEASING ACTIVITY will remain at a lower level than pre-recession, but it will be constant. 

DIRECT ABSORPTION will remain flat for the near term. New tenants and expansions will begin to turn absorption positive as the economy recovers. 

CONSTRUCTION will be limited to smaller projects where a demand is apparent. Large scale speculative construction is not forecast. 

OVERALL MARKET TRENDS

■ Vacant Available Space ■ Leasing Activity ● Rental Rate



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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*	Flex	MF	GI
Copeland	15,186,610	453	9.4%	183,341	17,523	0	(63,869)	\$3.50	\$4.50	\$9.20	\$4.97
Gloucester	251,741	13	8.9%	0	0	0	0	\$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	4,871,067	144	3.9%	4,500	46,500	0	(2,857)	\$6.70	\$5.69	\$0.00	\$6.75
Oyster Point	5,483,094	206	3.9%	95,974	0	0	(5,312)	\$6.87	\$8.79	\$8.24	\$6.18
Williamsburg Extended	7,813,084	105	5.2%	52,980	0	0	(1,380)	\$8.00	\$5.68	\$0.00	\$4.37
Peninsula	33,657,066	923	7.0%	336,795	64,023	0	(73,418)	\$5.68	\$5.06	\$7.02	\$4.80
Airport Industrial Park	4,095,558	90	12.0%	122,780	0	0	(69,992)	\$9.22	\$4.80	\$8.05	\$5.43
Bainbridge	10,564,140	378	9.8%	277,136	54,000	0	120,179	\$6.07	\$0.00	\$9.93	\$3.42
Cavalier	6,456,106	206	8.7%	191,280	0	0	(86,100)	\$12.95	\$4.25	\$0.00	\$5.10
Central Norfolk	7,254,876	150	25.7%	28,484	0	0	(11,725)	\$5.50	\$0.00	\$8.20	\$4.71
Cleveland	4,342,102	208	10.2%	37,695	0	0	1,118	\$4.00	\$9.25	\$8.85	\$5.67
Franklin City	288,636	10	1.0%	0	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00
Greenbrier	2,718,050	77	10.0%	85,024	0	0	(53,495)	\$4.75	\$0.00	\$8.44	\$6.08
Isle of Wight	3,747,902	27	9.5%	3,686	0	0	2,494	\$3.95	\$0.00	\$0.00	\$8.00
Lynnhaven	10,589,230	445	9.7%	111,708	32,500	0	2,950	\$5.32	\$7.44	\$8.18	\$6.53
Norfolk Industrial Park	9,026,458	270	9.0%	45,662	0	0	(46,492)	\$4.63	\$7.25	\$6.14	\$4.43
North Suffolk	1,442,815	12	9.0%	20,450	0	0	71,000	\$3.95	\$0.00	\$0.00	\$5.50
Portsmouth	5,190,736	247	3.4%	30,360	0	0	(10,227)	\$0.00	\$8.60	\$6.00	\$4.62
South Suffolk	10,303,128	124	13.3%	3,600	0	51,435	14,385	\$4.20	\$5.00	\$5.44	\$4.70
West Norfolk	3,396,313	158	7.2%	45,448	39,400	0	(15,019)	\$6.00	\$3.73	\$6.64	\$5.20
Southside	79,416,050	2,402	10.9%	1,003,313	125,900	51,435	(80,924)	\$4.44	\$4.68	\$8.62	\$4.67
HAMPTON ROADS	113,073,116	3,325	9.7%	1,340,108	189,923	51,435	(154,342)	\$4.53	\$4.89	\$8.30	\$4.70
								2010	2009	2008	2007
Distribution	6,703,976	79	4.0%	61,236	0	0	58,502	\$5.68	\$4.14	\$4.44	\$4.81
Manufacturing	11,229,205	252	5.0%	56,555	0	0	(63,812)	\$5.06	\$5.36	\$5.03	\$5.03
Flex	2,382,994	168	11.9%	46,170	10,500	0	1,312	\$7.02	\$7.98	\$8.67	\$8.47
General Industrial	13,340,891	424	9.2%	172,834	53,523	0	(69,420)	\$4.80	\$4.76	\$6.80	\$5.31
Peninsula	33,657,066	923	7.0%	336,795	64,023	0	(73,418)	\$5.22	\$5.19	\$6.10	\$5.37
Distribution	14,343,877	125	14.5%	41,054	0	0	9,747	\$4.44	\$4.62	\$4.64	\$4.33
Manufacturing	16,013,853	360	11.9%	50,625	0	0	(114,761)	\$4.68	\$5.71	\$5.78	\$5.68
Flex	13,600,584	653	8.4%	175,869	54,000	0	5,315	\$8.62	\$9.41	\$9.82	\$9.92
General Industrial	35,457,736	1,264	10.0%	735,765	71,900	51,435	18,775	\$4.67	\$5.45	\$5.49	\$5.94
Southside	79,416,050	2,402	10.9%	1,003,313	125,900	51,435	(80,924)	\$5.22	\$5.69	\$5.99	\$6.19
Distribution	21,047,853	204	12.6%	102,290	0	0	68,249	\$4.53	\$4.59	\$4.61	\$4.45
Manufacturing	27,243,058	612	8.9%	107,180	0	0	(178,573)	\$4.89	\$5.52	\$5.39	\$5.35
Flex	15,983,578	821	12.4%	222,039	64,500	0	6,627	\$8.30	\$9.16	\$9.69	\$9.72
General Industrial	48,798,627	1,688	9.2%	908,599	125,423	51,435	(50,645)	\$4.70	\$5.31	\$5.74	\$5.71
HAMPTON ROADS	113,073,116	3,325	9.7%	1,340,108	189,923	51,435	(154,342)	\$5.22	\$5.59	\$6.01	\$5.94

*Rental rates reflect \$psf/year

D = Distribution MF = Manufacturing GI = General Industrial

MARKET HIGHLIGHTS

SIGNIFICANT 2Q 10 NEW LEASE TRANSACTIONS

BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
201 West Dexter Street	Bainbridge	N/A	112,281	Warehouse/Distribution
2301 Aluminum Avenue	Copeland	Virginia International Terminals (sublease)	64,923	Warehouse/Distribution
713 Fenway Avenue	Bainbridge	MDA Virginia	38,400	Warehouse/Distribution
3745 Progress Road	Norfolk Industrial Park	Long Flooring, L.P.	32,000	Warehouse/Distribution

SIGNIFICANT 2Q 10 SALE TRANSACTIONS

BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
1000 West 25th Street	Downtown Norfolk	Charles Bashara	7,000	\$320,000

SIGNIFICANT 2Q 10 CONSTRUCTION COMPLETIONS

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Northgate 10 Phase I	South Suffolk	N/A	51,435	5/10

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	SUBMARKET	MAJOR TENANT	SQUARE FEET	COMPLETION DATE
Atlantic Corporate Park	Bainbridge	N/A	54,000	7/10
Central Business Park	West Norfolk	N/A	39,400	12/10
120 Newsome Drive	Oakland	Spain Commercial	36,000	9/10



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

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