

MARKETBEAT

HAMPTON ROADS, VA INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

Thalhimer
commercial real estate

3Q10

ECONOMY

It's official: The recession ended in June 2009 according to the National Bureau of Economic Research. Indicators are stabilizing, but at a lower economic output than in the boom days of the early 2000's. The unemployment rate for Hampton Roads decreased slightly to 7.4% in August, a 0.2% decrease from last quarter's figure of 7.6% and above the 7.0% unemployment rate for Virginia. The military presence within Hampton Roads has helped to stabilize the region, but the dependence does not come without risk as the Department of Defense recently announced plans to close the United States Joint Forces of Command (JFCOM). JFCOM employs approximately 5,600 highly skilled and paid workers within its Norfolk and Suffolk operations. Virginia's congressional delegation is attempting to retain all or at least salvage some of JFCOM's operations. Absent the retention of JFCOM, the unemployment rate will likely grow within the region.

OVERVIEW

Deals have been going through despite uncertainty from potential tenants. In particular, government contractors, a major economic force in the region, seem to be healthy and benefiting from the Fort Lee expansion in Petersburg. Buyers continue to actively look for properties at or under the \$1 million threshold. Some tenants are taking advantage of Small Business Administration loans to gain access to credit and acquire property. For example, the Red Cross paid \$950,000 for a 16,900-square foot (sf) building in the Hampton Commerce Center.

Also of note, Total Transportation Services Inc. (TTSI) leased 141,000 sf of warehouse on Campostella Road in Chesapeake. Despite the JFCOM announcement, federal contractors are still plowing ahead with growth plans. ISHPI, an information technology business that contracts with the military, leased 31,500 sf in Bridgeway Commerce Park in Suffolk.

Vacancy rates are stable for now, at 9.6%, about the same as last quarter and down from 10.4% for the third quarter of 2009.

FORECAST

An exciting long-term construction project that was recently completed is likely to lead to more cargo traveling through the Port of Virginia. Norfolk Southern, a Norfolk based railroad company, expanded its rail capacity to ship freight to the Midwest by broadening century-old train tunnels in West Virginia and Kentucky. The rail line, named "Heartland Corridor," allows trains to stack two cargo containers on top of each other. As a result, the Port of Virginia (which has improved its deep channels and infrastructure) expects to see an increase in traffic and cargo growth to satisfy the consumer markets of Chicago and the Midwest. The new route will cut 230 miles and two days off the trip from Hampton Roads to Chicago, helping the Port compete with New York and L.A. for Midwest cargo traffic.

BEAT ON THE STREET



"Market activity has increased significantly for properties priced under \$1 million."


—Bobby Phillips, First Vice President


ECONOMIC INDICATORS


National	2009	2010F	2011F
GDP Growth	-2.6%	2.7%	3.1%
CPI Growth	-0.3%	1.6%	1.6%
Regional			
Unemployment	6.8%	7.5%	7.6%
Employment Growth	-3.5%	-0.5%	0.7%

Source: Moody's | Economy.com

MARKET FORECAST

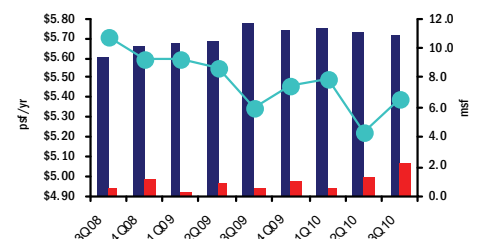
LEASING ACTIVITY will continue to increase, but will not return to pre-recession levels anytime soon. 

DIRECT ABSORPTION will remain flat for the near term. Mixed signals, including health of the Port and the JFCOM closure, has many tenants hesitant to expand. 

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

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*			
								D	MF	Flex	GI
Copeland	15,263,600	457	9.2%	331,510	17,523	0	(56,744)	\$3.50	\$4.54	\$8.00	\$4.95
Gloucester	286,101	14	19.9%	0	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	4,876,868	144	3.7%	4,500	46,500	0	(6,257)	\$6.75	\$5.69	\$12.00	\$6.75
Oyster Point	5,505,954	206	3.7%	96,684	0	0	192	\$6.87	\$8.79	\$8.21	\$6.42
Williamsburg Extended	7,757,603	103	5.7%	45,550	0	0	11,443	\$5.06	\$5.68	\$0.00	\$4.84
Peninsula	33,741,596	926	7.0%	478,244	64,023	0	(85,726)	\$5.52	\$5.01	\$8.30	\$5.26
Airport Industrial Park	4,096,547	90	10.2%	241,306	0	0	(35,777)	\$9.22	\$4.80	\$7.93	\$5.21
Bainbridge	10,597,430	381	9.2%	308,525	54,000	0	40,868	\$6.07	\$0.00	\$9.72	\$4.06
Cavalier	6,490,981	206	9.5%	146,775	0	0	(59,655)	\$12.95	\$4.25	\$0.00	\$5.20
Central Norfolk	7,274,421	153	25.7%	54,108	0	0	2,575	\$5.25	\$0.00	\$8.20	\$4.76
Cleveland	4,332,022	206	10.2%	72,202	0	0	14,635	\$4.00	\$9.22	\$8.99	\$5.60
Franklin City	307,136	12	4.2%	0	0	0	(9,500)	\$0.00	\$0.00	\$0.00	\$0.00
Greenbrier	2,715,465	78	11.3%	152,310	0	0	(12,352)	\$5.15	\$0.00	\$7.96	\$6.08
Isle of Wight	3,769,462	28	9.4%	3,986	0	0	6,794	\$3.95	\$0.00	\$0.00	\$8.00
Lynnhaven	10,941,453	456	9.6%	170,410	4,200	0	(4,611)	\$5.32	\$7.18	\$9.23	\$6.46
Norfolk Industrial Park	9,038,585	275	7.2%	139,403	0	0	(12,054)	\$4.63	\$7.25	\$6.20	\$4.44
North Suffolk	1,436,815	12	3.4%	92,839	0	0	62,875	\$3.95	\$0.00	\$0.00	\$5.50
Portsmouth	5,570,899	251	3.5%	42,685	0	0	41,847	\$5.26	\$8.36	\$8.84	\$3.75
South Suffolk	10,303,128	125	13.1%	23,200	0	51,435	29,019	\$4.16	\$5.00	\$5.40	\$4.71
West Norfolk	3,400,328	159	7.9%	75,513	33,000	0	(29,255)	\$8.00	\$3.73	\$6.30	\$5.28
Southside	80,274,672	2,432	10.7%	1,523,262	91,200	51,435	35,409	\$4.69	\$4.64	\$8.16	\$5.01
HAMPTON ROADS	114,016,268	3,358	9.6%	2,001,506	155,223	51,435	(50,317)	\$5.39	\$4.88	\$8.12	\$4.96
								3Q10	2009	2008	2007
Distribution	6,833,607	79	4.0%	70,236	0	0	64,660	\$5.52	\$4.14	\$4.44	\$4.81
Manufacturing	11,266,838	252	5.1%	71,660	0	0	(53,873)	\$5.01	\$5.36	\$5.03	\$5.03
Flex	2,216,627	168	12.7%	79,600	10,500	0	(30,249)	\$8.30	\$7.98	\$8.67	\$8.47
General Industrial	13,424,524	427	13.2%	256,748	53,523	0	(66,264)	\$5.26	\$4.76	\$6.80	\$5.31
Peninsula	33,741,596	926	7.0%	478,244	64,023	0	(85,726)	\$5.47	\$5.19	\$6.10	\$5.37
Distribution	18,314,335	172	18.7%	134,661	0	0	32,031	\$4.69	\$4.62	\$4.64	\$4.33
Manufacturing	15,105,960	363	2.1%	48,992	0	0	(130,468)	\$4.64	\$5.71	\$5.78	\$5.68
Flex	16,023,481	751	8.6%	570,291	54,000	0	30,366	\$8.16	\$9.41	\$9.82	\$9.92
General Industrial	30,830,896	1,146	10.0%	769,318	37,200	51,435	103,480	\$5.01	\$5.45	\$5.49	\$5.94
Southside	80,274,672	2,432	10.7%	1,523,262	91,200	51,435	35,409	\$5.28	\$5.69	\$5.99	\$6.19
Distribution	25,147,942	251	12.6%	204,897	0	0	96,691	\$4.53	\$4.59	\$4.61	\$4.45
Manufacturing	26,372,798	615	8.9%	120,652	0	0	(184,341)	\$4.89	\$5.52	\$5.39	\$5.35
Flex	18,240,108	919	12.4%	649,891	64,500	0	117	\$8.30	\$9.16	\$9.69	\$9.72
General Industrial	44,255,420	1,573	9.2%	1,026,066	90,723	51,435	37,216	\$4.70	\$5.31	\$5.74	\$5.71
HAMPTON ROADS	114,016,268	3,358	9.6%	2,001,506	155,223	51,435	(50,317)	\$5.39	\$5.59	\$6.01	\$5.94

*Rental rates reflect \$psf/year

D = Distribution MF = Manufacturing GI = General Industrial

MARKET HIGHLIGHTS

SIGNIFICANT 3Q 10 NEW LEASE TRANSACTIONS				
BUILDING	SUBMARKET	TENANT	SQUARE FEET	PROPERTY TYPE
1920 Campostella	Bainbridge	Total Transportation Services	141,050	Warehouse/Distribution
1400 Crossways	Bainbridge	Safelite Fullfilment	34,188	Warehouse/Distribution
6899 Harbour View	North Suffolk	Land 'N' Sea	31,500	Warehouse/Distribution
2601 Indian River Rd.	Greenbrier	N/A	29,000	Warehouse/Distribution
SIGNIFICANT 3Q 10 SALE TRANSACTIONS				
BUILDING	SUBMARKET	BUYER	SQUARE FEET	PURCHASE PRICE
1321 W Pembroke	Copeland	American National Red Cross	16,898	\$949,998
215 Harpersvill	Oyster Point	Harpersville Storage LLC	13,000	\$845,000
1030 Centerville Tpk. Bld. 1	Bainbridge	Walter Douglas Grant and Debra K. Grant	7,500	\$549,975
SIGNIFICANT 3Q 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
506 Industry	Copeland	N/A	17,523	10/10
Central Business Park	West Norfolk	N/A	39,400	12/10
120 Newsome Drive	Oakland	Spain Commercial	36,000	11/10

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