

# MARKETBEAT INDUSTRIAL SNAPSHOT

## HAMPTON ROADS, VA

A Cushman & Wakefield Alliance Research Publication

Q1 2013



### ECONOMIC OVERVIEW

The local unemployment rate is 6.2%, down from 7.1% one year ago. In February, employment gains were seen in health care, construction, and professional and business services. Although better than the national average of 8.1%, many have given up seeking full-time employment, artificially lowering the rate.

Nationally, only 88,000 jobs were added in March, down significantly from 148,000 jobs added in January and 268,000 added in February. Real economic recovery is not expected to gain strength until job creation picks up significantly.

### ABSORPTION

While absorption is off to a slow start, there is upward rate pressure for industrial leases on a number of levels. The fact remains that the confidence in the market is still hesitant, certainly not high enough to spur speculative development. Developers are not inclined to construct any new spec product, most probably because it would be hard to compete regarding sales or leasing in this economy. There is still quite a bit of existing product sitting in the marketplace waiting for the right user to come along. Several larger leases and subleases have absorbed a good amount of direct and sublease vacancy on the Peninsula, leaving only spotty warehousing opportunities up to 30,000 square feet (sf) which puts additional upward pressures on potential lease rates.

### TRENDS

The Port of Virginia remains a primary influencer of both economic and industrial real estate activity in Hampton Roads. Unilever, one of the world's largest consumer goods companies, announced a \$96.2 million expansion and upgrade of its Lipton Tea manufacturing plant in Suffolk, with the plant's proximity to the marine terminal influencing the location decision for the investment. Firms with European ties remain bashful although Liebherr Mining Equipment announced last quarter that they will expand their Newport News plant, adding 174 jobs over the next four years. For Newport News and the overall industrial market, this news was greeted with much excitement, as was the lack of any sequestration effect on ongoing Newport News Shipbuilding aircraft carrier work.

### OUTLOOK

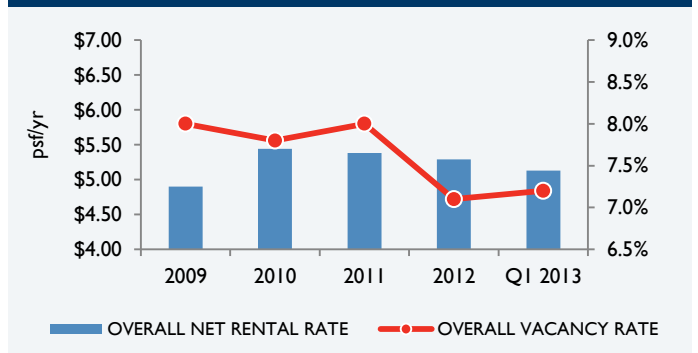
The strong finish in the 4th quarter of 2012 led many in the industrial sector to be optimistic about 2013. One early unknown (sequestration) clouded that optimism, but Congress appears to be

aware of the importance of the ship-building industry for maintenance of national and international defense, and this early appropriation of funds has softened some initial fears of sequestration, although its effect on future industrial space demand from the defense industry is yet to be determined. The increasing volumes of the Port Of Virginia will provide very positive effects on Hampton Roads, with current TEU numbers just now returning to levels of 2007, their strongest period. The expansion of the Panama Canal in 2015 will hopefully continue the effect of generating new industry in Hampton Roads to reduce our dependence on defense spending.

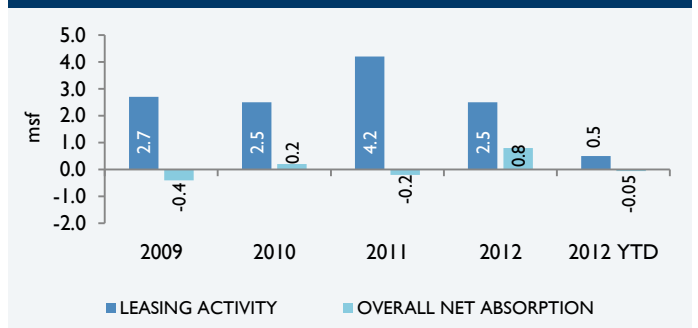
### STATS ON THE GO

	Q1 2012	Q1 2013	Y-0-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.8%	7.2%	-0.6pp	▼
Direct Asking Rents (psf/yr)	\$5.26	\$5.13	-2.5%	◄►
YTD Leasing Activity (sf)	524,261	505,118	-3.6%	▲

### OVERALL RENTAL VS. VACANCY RATES



### LEASING ACTIVITY VS. OVERALL NET ABSORPTION



# HAMPTON ROADS, VA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	YTD USER SALES 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	15,815,643	8.9%	170,765	0	0	0	10,017	10,017	\$6.50	\$4.65	\$3.27	\$4.73
Gloucester	308,179	12.8%	0	0	0	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00
Mathews County	83,514	2.6%	0	0	0	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00
Oakland	5,096,735	5.5%	10,550	0	0	13,500	(9,853)	14,147	\$0.00	\$5.07	\$10.39	\$6.63
Oyster Point	5,655,271	3.6%	31,400	0	0	0	(840)	1,052	\$0.00	\$0.00	\$10.43	\$6.66
Williamsburg Extended	8,969,219	5.9%	12,523	0	0	0	44,136	44,136	\$0.00	\$4.00	\$6.00	\$4.60
<b>Peninsula</b>	<b>35,927,253</b>	<b>6.8%</b>	<b>225,238</b>	<b>0</b>	<b>0</b>	<b>13,500</b>	<b>43,460</b>	<b>69,352</b>	<b>\$6.50</b>	<b>\$4.66</b>	<b>\$638</b>	<b>\$4.97</b>
Airport Industrial Park	3,817,952	8.4%	0	0	0	0	(35,807)	(35,807)	\$0.00	\$3.50	\$6.90	\$4.92
Bainbridge	10,852,976	5.0%	45,595	0	0	0	53,248	53,248	\$0.00	\$0.00	\$7.42	\$5.19
Cavalier	6,943,432	12.4%	57,297	0	0	0	(100,245)	(100,245)	\$0.00	\$4.25	\$10.48	\$5.18
Central Norfolk	6,619,925	6.6%	35,880	0	0	0	(80,211)	(70,211)	\$11.50	\$0.00	\$6.86	\$3.95
Cleveland	5,147,060	10.8%	20,008	0	0	0	24,972	24,972	\$0.00	\$3.00	\$9.25	\$5.35
Franklin City	385,804	39.5%	0	0	0	0	0	(138,800)	\$0.00	\$0.00	\$0.00	\$2.00
Greenbrier	2,853,893	9.6%	22,287	0	0	0	14,928	14,928	\$0.00	\$0.00	\$10.02	\$6.54
Isle of Wight	3,684,213	0.6%	0	0	0	0	0	0	\$0.00	\$0.00	\$0.00	\$8.00
Lynnhaven	12,160,757	10.9%	65,275	0	80,000	0	148,737	148,737	\$0.00	\$6.23	\$9.74	\$6.41
Norfolk Industrial Park	9,300,149	3.6%	22,638	0	0	0	(66,899)	(66,899)	\$0.00	\$4.34	\$6.12	\$5.07
North Suffolk	2,645,739	4.0%	0	0	0	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00
Portsmouth	6,074,510	6.2%	0	0	15,000	0	(19,825)	(19,825)	\$0.00	\$4.03	\$5.84	\$6.35
South Suffolk	10,644,195	6.0%	3,000	0	0	0	43,820	43,820	\$0.00	\$4.00	\$7.03	\$3.80
West Norfolk	3,512,405	6.6%	7,900	0	0	0	14,187	23,161	\$0.00	\$0.00	\$6.28	\$5.14
<b>Southside</b>	<b>84,643,010</b>	<b>7.3%</b>	<b>279,880</b>	<b>0</b>	<b>95,000</b>	<b>0</b>	<b>(3,095)</b>	<b>(122,921)</b>	<b>\$11.50</b>	<b>\$4.24</b>	<b>\$7.08</b>	<b>\$4.68</b>
<b>TOTALS</b>	<b>120,571,571</b>	<b>7.2%</b>	<b>505,118</b>	<b>0</b>	<b>95,000</b>	<b>13,500</b>	<b>40,365</b>	<b>(53,569)</b>	<b>\$7.40</b>	<b>\$4.43</b>	<b>\$6.87</b>	<b>\$4.72</b>

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

## MARKET HIGHLIGHTS

Significant Q1 2013 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
5201 City Line Road	Copeland	Huntington Ingalls, Inc.	Distribution	202,004
5201 City Line Road, Building 4	Copeland	S & V Warehouseing	Distribution	41,052
3524 Business Center Drive, Suite B	Cavalier	I-800-Pack-Rat	Distribution	27,722

Significant Q1 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
3666 Progress Road	Norfolk Industrial Park	Parrott Properties, LLC	\$2,750,000/ \$33	83,000
1013 Obici Industrial Boulevard	Suffolk	Superwatt Power International Co., Ltd	\$1,575,000/ \$52	30,525
2012 Campostella Road	Bainbridge	Diamond Hill Properties, LLC	\$1,570,000/ \$52	29,937
929 Professional Place	Bainbridge	Turf & Garden	\$1,410,600/ \$97	14,160

Significant Q1 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
326 Old York Hampton Hwy	Oakland	Speculative	Q1 2013	13,500

Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
1501 Taylor Farms Road	Lynnhaven	Speculative	Q3 2013	22,000
4018 Seaboard Court	Portsmouth	Speculative	Q3 2013	15,000
General Booth Blvd. & Corporate Landing Pkwy	Lynnhaven	Green Flash Brewery	Q1 2015	58,000

\* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS