

# Industrial Snapshot Q1 2016

Hampton Roads, VA

## Hampton Roads Industrial

### Economic Indicators

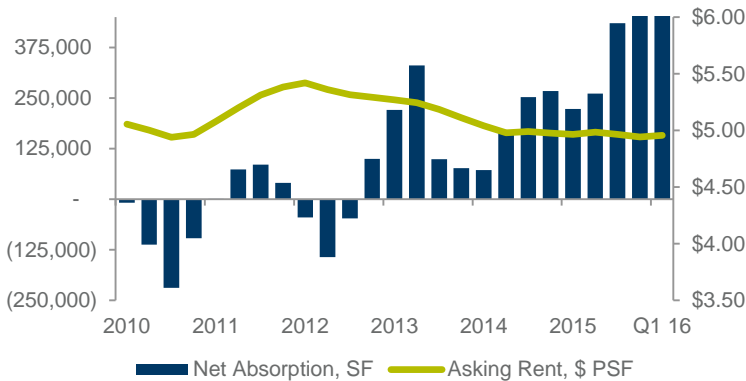
	Q1 15	Q1 16	12-Month Forecast
Hampton Roads Employment	762k	769k	▲
Hampton Roads Unemployment	5.3%	4.7%	▼
U.S. Unemployment	5.6%	4.9%	▼

### Market Indicators (All Product Types, Overall)

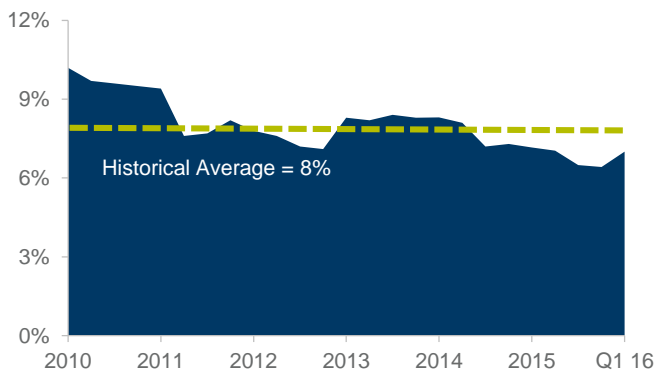
	Q1 15	Q1 16	12-Month Forecast
Overall Vacancy	7.2%	7.0%	▼
Net Absorption	572k	-204k	▲
Under Construction	248k	43k	■
Overall Avg Asking Rent	\$4.97	\$5.06	▲

### Net Absorption/Asking Rent

1Q TRAILING AVERAGE



### Overall Vacancy



## Economy

The Hampton Roads economy is moving forward in recovery. However, in 2016 it is expected to trail most national growth metrics. The unemployment rate regionally has stabilized at about 5%. With recent employment announcements in Suffolk by Target (600 jobs) and Emser Tile (98 jobs), the job market may start to feel strain.

For industrial real estate practitioners, the picture is a little rosier. While defense spending has been in decline in the Region, its effect on industrial product seems to have stabilized, with a number of large transactions occurring in 2015 and first quarter of 2016. As a result of continued port growth, occupancy is at 100% for Class A warehouse and distribution space. Class B and C product is filling up fast. Investment sales are expected to increase as vacancy rates decline and rent growth appears more certain.

## Market Overview

The year is off to a sluggish start. Year-to-date leasing activity closed first quarter at 429,471 square feet (sf). Negative absorption in seven of the eighteen submarkets contributed to a slight rise in overall vacancy. At 7.0%, Hampton Roads industrial overall vacancy remains healthy by historical standards. The Peninsula continues to perform well, with three out of the five submarkets recording vacancy rates below 5%. On the Southside, Greenbrier leads all submarkets with 160,764 sf absorbed. Market rates continue to hamper new development. Sporadic building is occurring, primarily to accommodate expansion of existing business.

## Outlook

Look for a solid recovery in the second quarter of the year. Another 500,000 sf of leases are poised for execution as of this writing, and it is anticipated that additional transactions will be consummated prior to mid-year. Lease rates are holding steady, but are expected to rise slightly in the coming months.

## MARKETBEAT

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SUBMARKET	TOTAL BLDGS	INVENTORY	YTD LEASING ACTIVITY	OVERALL VACANCY RATE	YTD NET OVERALL ABSORPTION	UNDER CNSTR	DIRECT WEIGHTED AVG. NET RENT (MF)	DIRECT WEIGHTED AVG. NET RENT (OS)	DIRECT WEIGHTED AVG. NET RENT (W/D)
Copeland	197	10,890,699	65,507	8.1%	-256,525	-	\$5.06	\$9.92	\$4.89
Gloucester	7	227,936	0	13.8%	0	-	N/A	N/A	N/A
Oakland	46	4,280,929	0	3.6%	198,109	-	N/A	N/A	7.29
Oyster Point	59	3,998,943	0	3.7%	16,284	-	N/A	N/A	\$6.60
Williamsburg	51	8,113,884	1,250	4.5%	0	-	N/A	N/A	N/A
Airport Industrial Park	54	3,193,412	21,900	6.9%	80,685	-	\$5.00	N/A	\$6.28
Bainbridge	130	9,694,954	39,770	2.7%	-186	-	N/A	\$8.05	\$5.56
Cavalier	93	5,275,427	19,283	6.6%	47,892	37,500	\$4.25	N/A	\$4.70
Central Norfolk	75	4,973,562	27,186	22.8%	-219,821	-	N/A	\$11.74	\$3.84
Cleveland	72	2,782,586	13,243	6.6%	-75,659	-	\$4.00	\$12.58	\$6.47
Greenbrier	34	2,269,789	160,764	11.1%	-29,873	-	N/A	\$7.00	\$4.24
Isle of Wight	14	3,545,978	0	5.1%	-5,800	-	N/A	N/A	N/A
Lynnhaven	161	7,623,446	7,118	17.1%	22,411	5,500	\$5.14	\$8.11	\$4.72
Norfolk Industrial Park	150	7,517,567	6,312	5.3%	0	-	\$4.03	\$6.00	\$5.56
North Suffolk	12	2,304,280	0	0%	0	-	N/A	N/A	\$3.96
Portsmouth	93	4,283,550	5,250	7.4%	27,960	-	N/A	N/A	\$4.97
South Suffolk	81	10,970,232	40,400	1.0%	-9,610	-	\$4.00	N/A	\$3.96
West Norfolk	67	2,359,626	21,488	7.7%	0	-	\$5.04	N/A	\$6.05
<b>HAMPTON ROADS TOTALS</b>	<b>1,396</b>	<b>94,306,800</b>	<b>429,471</b>	<b>7.0%</b>	<b>-204,133</b>	<b>43,000</b>	<b>\$4.63</b>	<b>\$9.57</b>	<b>\$4.86</b>

\*Rental rates reflect asking \$

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

## Key Lease Transactions Q1 2016

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
5601 City Line Rd.*	64,000	S&V Warehousing	Warehouse/Distribution	Copeland
905 G St.*	24,000	Crossroads Moving & Storage	Warehouse/Distribution	Copeland
1320 Ingleside*	15,000	IEH Autoparts	Warehouse/Distribution	Norfolk Industrial Park

\*Denotes renewal and is not included in C&amp;W statistics.

## Key Sales Transactions Q1 2016

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE/\$ PSF	SUBMARKET
375 Kenyon Road	358,320	McDonald Development / CenterPoint Properties	Warehouse/Distribution	\$28,400,000/\$79	North Suffolk
1300 Ingleside Road	24,000	Jones & Frank / John Lee	Manufacturing	\$1,150,000/\$48	Norfolk Industrial Park

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