

# MARKETBEAT

# Hampton Roads

Industrial Q1 2017



## HAMPTON ROADS INDUSTRIAL

### Economic Indicators

	Q1 16	Q1 17	12-Month Forecast
Hampton Roads Employment	771k	776k	▲
Hampton Roads Unemployment	4.7%	4.4%	▼
U.S. Unemployment	4.9%	4.8%	■

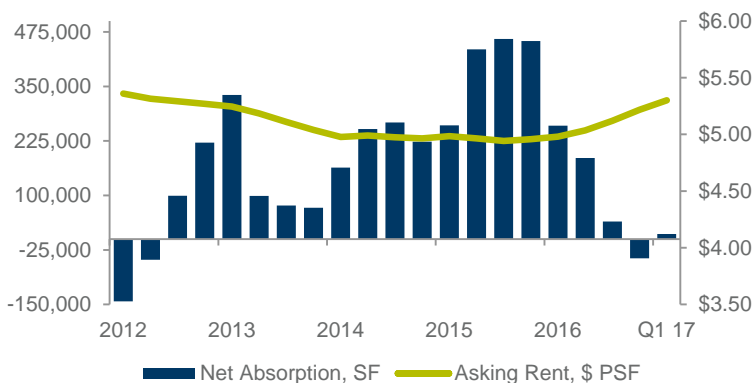
### Market Indicators (Overall, All Property Types)

	Q1 16	Q1 17	12-Month Forecast
Vacancy	7.0%	5.8%	▼
YTD Net Absorption (sf)	-204k	20k	▲
Under Construction (sf)	43k	606k	▲
Average Asking Rent*	\$5.06	\$5.39	▲

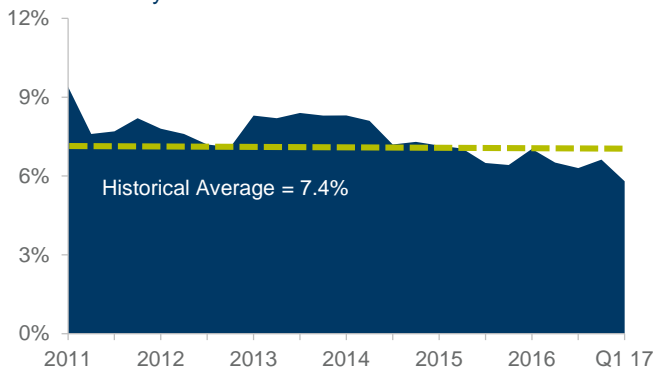
\*Rental rates reflect net asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### 1-QTR TRAILING AVERAGE



### Overall Vacancy



## Economy

This year is underway with one quarter in the books. Nationwide confidence is high with both the consumer and Wall Street, but the jury is still out on the practical Trump impact on the economy. If GDP growth meets the President's goals of 4%, it will certainly be a good year for the U.S., with positive impact on Virginia and Hampton Roads. For Virginia, unemployment continues to improve with a statewide rate of 3.9% at the end of February compared to 4.1% in December of 2016 (Bureau of Labor and Statistics). Hampton Roads seems to have stabilized at 4.4% which is consistent with the trailing average of the last four months. The Hampton Roads economy continues a gradual recovery. Defense contractors and Port related industries are expected to expand. New industries for the Region such as telecom and biosciences may stimulate additional economic growth. In summary, 2017 should be a good year for the Region, with the possibility of a very strong year.

## Market Overview

The industrial vacancy rate was very healthy at 5.8%. New construction in the market will provide much needed Class A distribution space, with delivery of over 600,000 square feet (SF) in 2017. This development represents the first significant new construction in over a decade, with half of that total being built on a speculative basis. Port container volumes continue their historic rise, and planned improvements to terminals on both sides of the Hampton Roads will increase imports and exports through the Port of Virginia. On the other hand, the statistical numbers are weak, with projected annualized leasing activity topping just 700,000 SF. Similarly, year-to-date absorption stands at an anemic 20,276 SF.

## Outlook

Port fundamentals are extremely strong, with the largest ship to ever call on the U.S. East Coast scheduled to arrive May 8th at the Virginia International Gateway. Military spending continues to be a stated priority of the new federal administration, and much of that spending will be with defense contractors located in the Region. Virginia Beach is the first city in the mid-Atlantic with a station for a transoceanic fiber cable. Telefonica International Wholesale Services USA out of Madrid landed the cable on a 3.5-acre parcel in the City for distribution to yet-to-be cited data centers. Heavy industrial manufacturers are looking to benefit from the anticipated Atlantic Coast Pipeline, which will bring much needed additional volumes of natural gas to the Region. Multiple waterfront heavy industrial properties have sold recently reflecting additional demand by industry.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Copeland	197	10,745,395	10,316	4.1%	42,899	0	\$5.03	\$7.44	\$5.01
Gloucester	7	227,936	0	13.8%	0	0	N/A	N/A	N/A
Oakland	47	4,326,378	4,915	0.8%	6,010	0	N/A	N/A	\$8.45
Oyster Point	60	3,993,833	0	5.8%	-17,942	0	N/A	\$5.50	\$6.53
Williamsburg	52	8,160,047	0	5.9%	-114,083	0	N/A	N/A	\$5.75
Airport Industrial Park	54	3,332,951	12,000	4.7%	5,966	0	N/A	N/A	\$5.87
Bainbridge	142	9,923,055	48,713	2.4%	72,366	70,000	N/A	\$7.89	\$6.17
Cavalier	96	5,399,360	5,050	2.1%	18,190	0	\$4.25	N/A	\$5.36
Central Norfolk	76	4,978,308	656	19.6%	79,552	0	N/A	\$10.55	\$4.03
Cleveland	72	2,783,405	3,400	10.4%	-2,955	0	N/A	\$12.18	\$6.42
Greenbrier	34	2,260,271	700	7.9%	-69,264	0	N/A	\$7.00	\$4.19
Isle of Wight	15	3,870,270	0	4.7%	0	0	N/A	N/A	N/A
Lynnhaven	163	7,838,491	65,980	8.4%	44,110	50,979	\$6.90	\$9.83	\$5.48
Norfolk Industrial Park	150	7,536,145	20,973	5.2%	168,509	0	\$5.86	N/A	\$5.13
North Suffolk	12	2,304,280	0	0.0%	0	0	N/A	N/A	\$5.50
Portsmouth	93	4,334,753	0	12.0%	-194,364	200,000	\$6.57	N/A	\$4.58
South Suffolk	82	10,910,602	7,477	3.7%	-100	284,580	\$4.00	N/A	\$3.46
West Norfolk	66	2,332,713	0	7.3%	-18,618	0	\$4.59	N/A	\$6.41
<b>HAMPTON ROADS TOTALS</b>	<b>1,418</b>	<b>95,258,193</b>	<b>180,180</b>	<b>5.8%</b>	<b>20,276</b>	<b>605,559</b>	<b>\$5.14</b>	<b>\$9.42</b>	<b>\$5.22</b>

\*Rental rates reflect asking \$psf/year

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

## Key Lease Transactions Q1 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
11850 Jefferson Avenue	153,890	Newport News Industrial Corp.	Renewal	Newport News
6900 Harbour View	73,856	Tecnico Corporation	Renewal	North Suffolk
149 Warwick Court	51,300	Eaton Corporation	Renewal	Newport News
5501 City Line Road	41,052	The Treated Lumber Outlet of Virginia, LLC	New	Newport News

## Key Sales Transactions Q1 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
700 Rosemont Avenue	56,400	HG Receiver, LLC / OEP Rosemont, LLC	\$7,050,000 / \$125	Lynnhaven
3321 Business Center Drive	5,000	A-Statewide, Inc. / Buena Vista Sun, LLC	\$1,300,000 / \$260	Cavalier
801 Butler Street Units 12&13	4,000	Land Holding, LLC / CDE, Inc.	\$77,500 / \$19	Cavalier

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