

# MARKETBEAT

# Hampton Roads

Industrial Q1 2018



## HAMPTON ROADS INDUSTRIAL

### Economic Indicators

	Q1 17	Q1 18	12-Month Forecast
Hampton Roads Employment	779k	780k	▼
Hampton Roads Unemployment	4.4%	4.8%	▲
U.S. Unemployment	4.7%	4.1%	▼

Numbers above are quarterly averages; Feb 2018 data used to represent Q1 2018

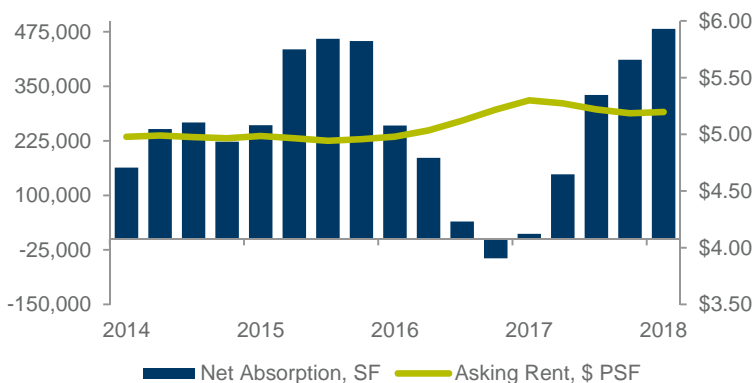
### Market Indicators (Overall, All Property Types)

	Q1 17	Q1 18	12-Month Forecast
Vacancy	5.8%	4.2%	▼
YTD Net Absorption (sf)	20k	303K	▲
Under Construction (sf)	606k	195k	▼
Average Asking Rent*	\$5.42	\$5.44	▲

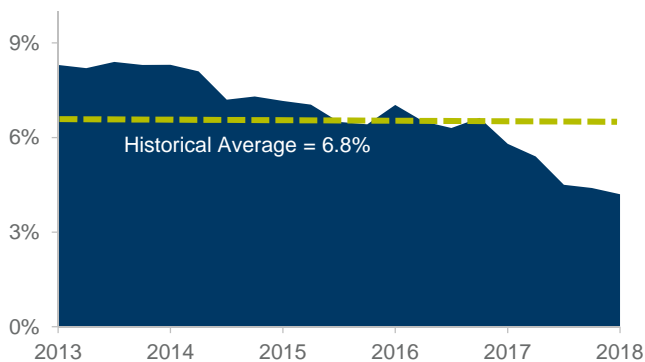
\*Rental rates reflect net asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### 4-QTR TRAILING AVERAGE



### Overall Vacancy



## Economy

2018 will be a bellwether year for the current administration. The long-term implications of the tax reform have been overshadowed by overt optimism in consumer and investment behaviors. Enacted reforms are expected to reinvigorate the industrial sector with new manufacturing facilities and jobs. Unemployment is projected to remain low through the balance of 2018, with employee shortages expected in tech and manufacturing. Mild interest rate hikes by the Federal Reserve have not dampened market enthusiasm. The global economy continues to show strength.

The U.S. industrial market is expected to grow further at a healthy pace in 2018. Demand for space will continue as consumer demand for goods will require more warehouse and distribution product. If the manufacturing sector responds as expected, newer state-of-the-art facilities will need to be built. Improved global economic health will provide a continued investment interest in U.S. industrial properties.

## Market Overview

The current industrial warehouse market in Hampton Roads is healthy, with low vacancy, but lackluster absorption. New construction is not expected given the combination of low existing rents, high construction costs, and limited (and expensive) land available for development. On a positive note, the modest industrial gains made by the Hampton Roads market are driving vacancies to historic lows with rents increasing. However, the delta between projected rates for existing warehouse product and new development is significant, making new development financially unfeasible for the foreseeable future.

As the Port of Virginia increases TEU volumes, demand for warehouse space will not abate. Current rents coupled with scarcity of industrial land sites will limit new construction. Warehouse product will continue to enjoy demand in a market defined by practical usability over corporate image.

## Outlook

With the first quarter behind us and only 350,000 square feet (sf) of year-to-date leasing activity, it has had a slow start. It is expected that the market will pick up momentum through the second and third quarters of 2018, as policy decisions made in 2017 will trickle down to the local level.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	OVERALL VACANCY RATE	YTD 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	198	10,650,079	15,395	5.0%	46,135	0	\$5.03	N/A	\$2.68
Gloucester	7	227,936	0	9.9%	0	0	N/A	N/A	N/A
Oakland	47	4,335,878	151,000	1.0%	0	0	\$7.20	N/A	\$8.24
Oyster Point	60	3,993,227	3,530	4.8%	38,905	0	N/A	\$8.25	\$7.22
Williamsburg	53	8,295,132	6,000	2.6%	-1,056	150,000	N/A	N/A	\$5.75
Airport Industrial Park	57	3,586,129	13,080	2.6%	-1,675	0	N/A	N/A	\$5.77
Bainbridge	144	10,172,748	12,478	3.0%	18,764	0	N/A	\$8.23	\$6.42
Cavalier	98	5,589,198	28,560	1.5%	-2,500	0	\$5.25	N/A	\$7.32
Central Norfolk	80	5,150,026	0	12.4%	143,427	0	N/A	\$10.83	\$6.54
Cleveland	71	2,859,082	5,225	0.9%	5,269	0	N/A	\$12.16	\$7.93
Greenbrier	34	2,277,768	14,329	6.7%	3,471	0	N/A	N/A	\$4.88
Isle of Wight	15	3,870,270	0	4.7%	0	0	N/A	N/A	N/A
Lynnhaven	170	8,305,668	14,936	3.0%	-50,096	30,000	\$6.00	\$8.63	\$4.80
Norfolk Industrial Park	151	7,597,459	8,627	4.3%	133,466	0	\$5.75	N/A	\$5.08
North Suffolk	12	2,356,942	0	0.8%	0	0	N/A	N/A	N/A
Portsmouth	96	4,556,301	40,000	12.0%	-44,901	15,000	\$6.51	N/A	\$4.82
South Suffolk	88	11,952,006	36,000	3.9%	33,000	0	N/A	N/A	\$3.56
West Norfolk	70	2,488,958	0	3.6%	-19,500	0	\$4.90	N/A	\$5.71
<b>HAMPTON ROADS TOTALS</b>	<b>1,451</b>	<b>98,264,807</b>	<b>349,160</b>	<b>4.2%</b>	<b>302,709</b>	<b>195,000</b>	<b>\$5.97</b>	<b>\$9.93</b>	<b>\$5.18</b>

\*Rental rates reflect asking \$psf/year

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

## Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
5601 City Line Road	64,000	S&V Warehousing, LLC	Renewal	Copeland
1401 Maltby Avenue	57,300	U.S. Port Services, Inc.	Expansion	Central Norfolk
3050 Elmhurst Lane	40,000	Walmart Stores East, LP	New	Portsmouth
115 Dill Road	36,000	Southeastern Products, Inc.	New	South Suffolk

## Key Sales Transactions Q1 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
310 E Street	73,000	Bay Disposal Inc. / Waste Connections	\$5,400,000 / \$74	Copeland
325 E Street	21,750	Darrell Grow / Atlantic Lift Systems	\$1,300,000 / \$60	Copeland

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