

# Industrial Snapshot 2Q 2016

Hampton Roads, VA

## Hampton Roads Industrial

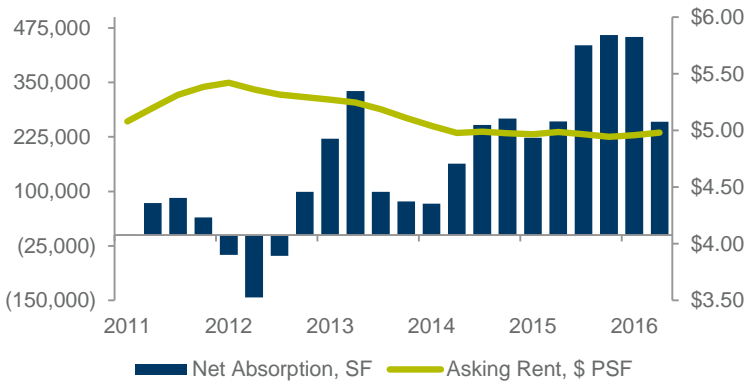
### Economic Indicators

	2Q 15	2Q 16	12-Month Forecast
Hampton Roads Employment	763k	769k	▲
Hampton Roads Unemployment	5.0%	4.6%	▼
U.S. Unemployment	5.4%	4.9%	▼

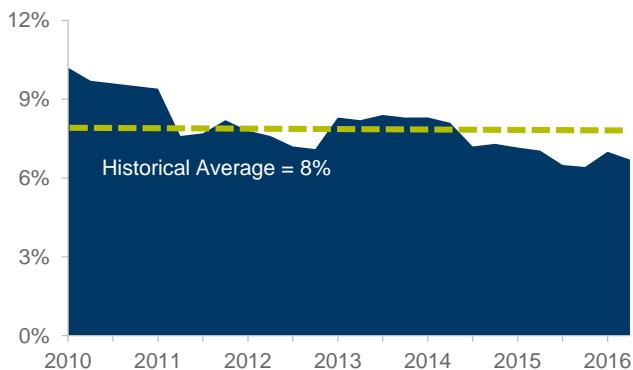
### Market Indicators (All Product Types, Overall)

	2Q 15	2Q 16	12-Month Forecast
Overall Vacancy	7.0%	6.7%	▼
Net Absorption	686k	341k	▼
Under Construction	361k	419k	■
Overall Avg Asking Rent	\$4.96	\$5.17	▲

### Net Absorption/Asking Rent 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

The local economy is showing signs of recovery. Economic development efforts are paying off for the Cities of the Region. Business relocations to the area and announcements of job creation have become a regular event. ADP Payroll selected Norfolk for a major call center, creating up to 1,800 jobs. Another 850 jobs will be created by a mortgage company relocating to Hampton Roads. An improved employment picture will 'float all boats', including demand for industrial space.

## Market Overview

A typical Hampton Roads industrial pattern of weak activity was reported during the first half of the year, with most of the annual absorption forecasted for the later part of the year. While concerning to see less than 800,000 square feet (SF) of leasing activity for the first two quarters, 136,934 SF of overall net absorption year-to-date is an attention getter. Third quarter activity is expected to be stronger, showing significant improvement over the first two quarters of 2016.

Vacancy rate is healthy at less than 7%. There are some strong submarket performers. Bainbridge, Cavalier, South Suffolk and Norfolk Industrial Park all reported vacancies of less than 6%. Much of the remaining inventory is obsolete product that will most likely be reconfigured for adaptive reuse.

Investment activity continues to increase in the area with buyers looking to take advantage of strong fundamentals and anticipated rent growth. CenterPoint Properties plans to purchase assets in markets where they are active in development. They have dominated the local development scene with 900 acres in Suffolk and over 1.3 million square feet (MSF) developed and another 700,000 SF in the pipeline.

## Outlook

The Panama canal is now open. Expect this improvement in supply chain to be felt in Hampton Roads immediately. TEU volumes will increase over the balance of the year, with incremental improvement anticipated in the industrial market over the next twelve months.

General industrial activity appears to be hitting stride. Out of approximately 5 MSF of deals in the marketplace, almost 2.5 MSF are general industrial requirements. This year is expected finish strong.

## MARKETBEAT

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SUBMARKET	TOTAL BLDGS	INVENTORY	YTD LEASING ACTIVITY	OVERALL VACANCY RATE	YTD OVERALL NET ABSORPTION	UNDER CNSTR	DIRECT WEIGHTED AVG. NET RENT (MF)	DIRECT WEIGHTED AVG. NET RENT (OS)	DIRECT WEIGHTED AVG. NET RENT (W/D)
Copeland	197	10,890,736	81,032	7.7%	-245,158	-	\$4.84	\$9.92	\$4.70
Gloucester	7	227,936	0	13.8%	0	-	N/A	N/A	N/A
Oakland	46	4,280,929	0	3.6%	392,791	18,000	N/A	N/A	\$7.43
Oyster Point	59	3,998,943	23,664	4.3%	-25,208	-	N/A	7.55	\$6.30
Williamsburg	52	8,138,520	22,250	3.9%	27,181	-	N/A	N/A	N/A
Airport Industrial Park	54	3,193,451	48,500	6.8%	60,219	-	\$5.00	N/A	\$5.88
Bainbridge	141	9,887,704	41,570	2.5%	26,361	-	N/A	\$8.12	\$5.61
Cavalier	95	5,329,360	19,283	3.7%	234,715	-	\$4.25	N/A	\$4.66
Central Norfolk	75	4,973,562	27,186	21.1%	-235,385	-	N/A	\$11.35	\$4.09
Cleveland	72	2,780,306	17,153	17.1%	-60,344	-	\$4.00	\$12.61	\$6.25
Greenbrier	34	2,257,514	167,764	9.1%	16,527	-	N/A	\$7.00	\$4.22
Isle of Wight	14	3,610,862	0	5.0%	-3,300	-	N/A	N/A	N/A
Lynnhaven	160	7,594,498	20,129	17.0%	33,407	-	\$4.65	\$8.88	\$4.79
Norfolk Industrial Park	151	7,550,580	230,510	5.6%	-87,507	-	\$5.75	\$6.00	\$6.26
North Suffolk	12	2,304,280	0	0%	0	-	N/A	N/A	\$3.95
Portsmouth	93	4,265,790	5,250	6.4%	-5,665	-	N/A	N/A	\$4.76
South Suffolk	81	10,970,232	40,400	0.6%	-9,610	401,066	\$4.00	N/A	\$3.63
West Norfolk	67	2,359,626	25,914	6.8%	17,910	-	\$4.71	N/A	\$6.34
<b>HAMPTON ROADS TOTALS</b>	<b>1,410</b>	<b>94,614,829</b>	<b>770,605</b>	<b>6.7%</b>	<b>136,934</b>	<b>419,066</b>	<b>\$4.67</b>	<b>\$9.73</b>	<b>\$4.95</b>

\*Rental rates reflect asking \$

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

## Key Lease Transactions 2Q 2016

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
6920 Harbour View Blvd.*	126,000	Dana Limited	Warehouse/Distribution	North Suffolk
3050 - 3100 Elmhurst	120,000	U.S. Port Services, Inc.	Warehouse/Distribution	Portsmouth
3100 Elmhurst	81,375	International Paper Company	Warehouse/Distribution	Portsmouth

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

## Key Sales Transactions 2Q 2016

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE/\$ PSF	SUBMARKET
3516 S. Military Highway	130,510	Prologis A 5 VA I LLC / Centerpoint Properties Trust A Maryland	Warehouse/Distribution	\$13,025,000/\$100	Cavalier
275 Picketts Line Road	90,000	Continental Properties Corporation / MDH Partners, LLC	Warehouse/Distribution	\$3,900,000/\$43	Oakland

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