

MARKETBEAT

Hampton Roads

Industrial Q2 2017



HAMPTON ROADS INDUSTRIAL

Economic Indicators

	Q2 16	Q2 17	12-Month Forecast
Hampton Roads Employment	772k	770k	▲
Hampton Roads Unemployment	4.7%	4.3%	▼
U.S. Unemployment	4.9%	4.4%	▲

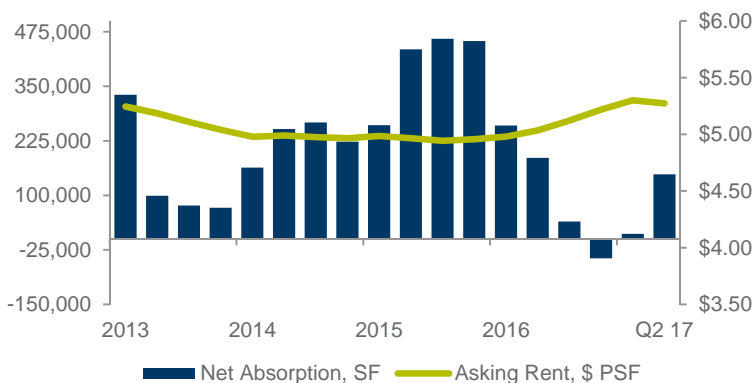
Market Indicators (Overall, All Property Types)

	Q2 16	Q2 17	12-Month Forecast
Vacancy	6.5%	5.4%	▼
YTD Net Absorption (sf)	186k	1.4M	▲
Under Construction (sf)	419k	445k	▲
Average Asking Rent*	\$5.18	\$5.07	▼

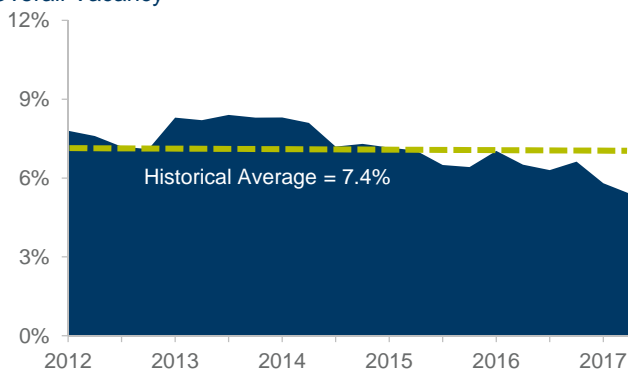
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

A Republican President and a Republican controlled house have seemed to provide some measure of confidence in the economy. Proposed policies on taxes, healthcare and energy have been interpreted as pro-business. Job creation is doing well and hiring is expected to show an increase in third quarter statistics. GDP growth is expected to outpace 2016, but fall short of the 4% annual goal of the White House. The 'made in America' emphasis should help domestic manufacturing, while the strength of the dollar should increase imports. Both trends will trickle down to the Hampton Roads industrial market resulting in added market demand, positive absorption, and increased rents

Market Overview

Hampton Roads is moving toward a firm recovery. Overall net absorption for the year reached almost 1.4 million square feet, and deal volume increased as well. Market overall vacancy improved in the second quarter, and at 5.4%, can be described as healthy by any standard. Seven of the eighteen submarkets reported vacancies below 5%. With vacancies declining, rents are expected to begin to climb. The statistics report a minor decrease in average asking rents for the second quarter, but are forecasted to finish 2017 on average 10% higher than 2016 rates. Leading this increase will be quality light manufacturing rents, which already are exceeding \$6.00 NNN per square foot (psf) per year. A few 'in demand' markets will report rents over \$7.00 NNN psf for spaces between 10,000 to 20,000 square feet (sf). Buildings with yard space are in demand again, with users looking for one to three acres for outside storage and staging of product.

Outlook

Investment sales are picking up, with older product purchased for refurbishment and reintroduction to the general market. The Port of Virginia continues its growth in container volume. This expansion will lead to increased activity on the build-to-suit front for larger, big box users. Over 400,000 sf of warehouse space is under construction to meet anticipated demand. There will be an increase in market activity in all industrial sectors in the third and fourth quarter of 2017. This year is anticipated to be much improved over 2016.

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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	196	10,548,651	89,666	5.2%	-149,080	0	\$5.03	\$7.44	\$2.97
Gloucester	7	227,936	0	9.9%	9,060	0	N/A	N/A	N/A
Oakland	47	4,362,378	52,805	0.7%	14,675	0	\$7.20	N/A	\$7.69
Oyster Point	60	3,993,833	24,136	5.5%	-12,572	0	N/A	\$8.25	\$7.13
Williamsburg	52	8,297,488	1,000	4.4%	-3,578	0	N/A	N/A	\$5.75
Airport Industrial Park	54	3,331,700	84,541	4.8%	32,368	0	N/A	N/A	\$5.46
Bainbridge	144	10,046,456	109,033	3.1%	70,621	70,000	N/A	\$8.15	\$6.13
Cavalier	97	5,415,110	69,462	1.9%	61,476	0	\$5.25	N/A	\$5.44
Central Norfolk	79	5,066,407	33,365	18.7%	88,381	0	N/A	\$10.88	\$3.73
Cleveland	71	2,659,286	28,253	18.7%	93,603	0	N/A	\$12.07	\$6.60
Greenbrier	34	2,278,344	74,520	7.5%	-60,722	0	N/A	\$7.00	\$4.72
Isle of Wight	15	3,870,270	0	4.7%	0	0	N/A	N/A	N/A
Lynnhaven	165	7,871,514	109,682	7.2%	671,317	0	\$6.90	\$9.83	\$4.90
Norfolk Industrial Park	151	7,552,792	79,470	5.2%	91,478	0	\$5.86	N/A	\$5.23
North Suffolk	12	2,304,280	199,500	0.0%	0	0	N/A	N/A	\$5.50
Portsmouth	94	4,351,516	5,400	8.3%	-64,474	200,000	\$6.36	N/A	\$4.67
South Suffolk	86	11,858,404	55,122	5.9%	467,142	175,000	\$4.00	N/A	\$2.82
West Norfolk	68	2,434,297	6,829	3.6%	68,924	0	\$4.59	N/A	\$6.39
HAMPTON ROADS TOTALS	1,432	96,470,662	1,022,784	5.4%	1,378,619	445,000	\$5.64	\$9.65	\$4.86

*Rental rates reflect asking \$psf/year

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

Key Lease Transactions Q2 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3745 Progress Road	34,960	Delphinus Engineering, Inc.	New	Norfolk Industrial Park
3440-B Trant Avenue	30,000	JB Hunt	Renewal	Norfolk Industrial Park
12671 McManus Boulevard	27,390	The Extra Mile, Inc.	New	Oyster Point
5770 Thurston Avenue	26,400	Dal-Tile Distribution, Inc.	New	Airport Industrial Park

Key Sales Transactions Q2 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1400 London Bridge Road	400,000	General Foam Plastics / Care-A-Lot Pet Supply	\$8,500,000 / \$21	Lynnhaven
2800 Crusader Circle	96,000	Harmony Investments / LMJ Properties, LLC	\$5,400,000 / \$56	Lynnhaven
4937 Cleveland Street	26,084	R&J Properties of Tidewater, LLC / Kg1 Cleveland, LLC	\$4,000,000 / \$153	Cleveland

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