

# Industrial Snapshot Q3 2015

Hampton Roads

## Hampton Roads Industrial

### Economic Indicators

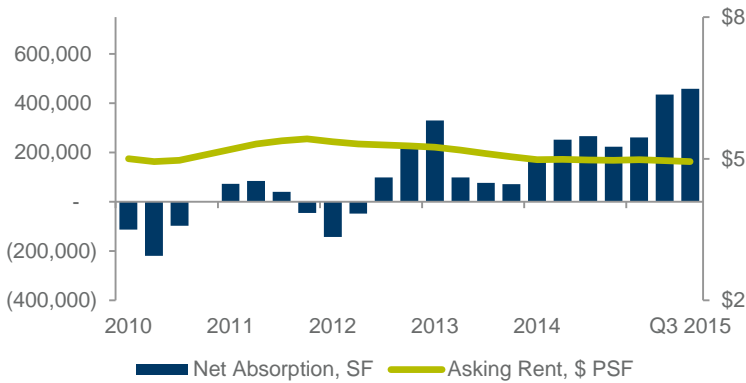
	Q3 14	Q3 15	12-Month Forecast
Hampton Roads Employment	754k	764k	▼
Hampton Roads Unemployment	5.6%	5.2%	▼
U.S. Unemployment	6.1%	5.1%	▼

### Market Indicators

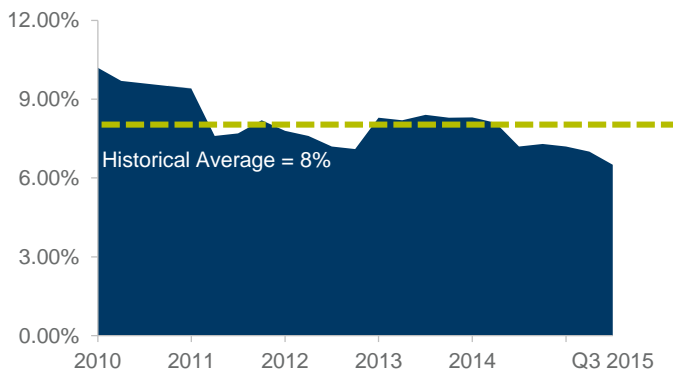
	Q3 14	Q3 15	12-Month Forecast
Overall Vacancy	7.2%	6.5%	▼
Net Absorption	484K	579k	▲
Under Construction	190K	128K	■
Overall Average Asking Rent	\$4.96	\$4.87	▲

### Net Absorption/Asking Rent

4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

The Hampton Roads economy continues to improve, albeit at a gradual rate. The Port of Virginia reports a 2015 year-to-date annual increase of 8.8% and TEU volumes consistently total over 200,000 since May 2015. The strong performance secures the Port of Virginia as third among the East Coast ports with a 13% market share. The local economy is still hindered by reduced military spending and infrastructure congestion. On a bright note, Governor Terry McAuliffe approved a new Enterprise Zone in Hampton. The Hampton Roads Center Enterprise Zone will help existing companies grow, and aim to attract new companies and jobs to Hampton by providing state grants to eligible companies. Also of note are recently approved tourism grants to three local attractions. Boo Williams Sportsplex, Virginia Air and Space Center, and Langley Speedway received funds for the current fiscal year.

## Market Overview

Brokers report that 2015 has been a strong year overall, despite a sluggish third quarter. Hampton Roads presently has an overall vacancy rate of 6.5%. Net overall absorption increased 579,468 square feet (sf) in Q3, bringing the year-to-date net absorption to over 1.8 million sf. Leasing activity in the market totaled 541,175 sf for the quarter. Vacancies are eroding in core submarkets such as Norfolk Industrial Park, Oyster Point, and Bainbridge. Lynnhaven remains very active as well. The Hampton Roads investment market is heating up as out-of-town investors search for desirable inventory in second tier markets. Reasonable cap rates are appealing, but the lack of appropriate product is discouraging.

## Outlook

Approaching the close of 2015, brokers expect activity to remain steady. The absorption of product will lead to rent growth in the coming months. There have been several large deals in the market and mid-size users remain active. The handful of new construction projects are generally owner-user, but may provide opportunities to carve out space for additional tenants.

## 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	198	10,904,712	801,509	5.9%	532,469	0	\$4.58	\$9.92	\$4.58
Gloucester	7	227,936	0	10.0%	0	0	N/A	N/A	N/A
Oakland	46	4,237,710	0	5.8%	97,427	0	N/A	N/A	\$5.50
Oyster Point	58	3,986,217	64,440	3.8%	32,628	15,000	N/A	N/A	\$3.04
Williamsburg	50	8,074,064	25,568	3.8%	57,154	0	N/A	N/A	\$5.65
Airport Industrial Park	54	3,191,412	144,376	5.9%	(57,519)	0	\$4.85	N/A	\$5.55
Bainbridge	140	9,732,975	146,672	2.7%	43,930	0	N/A	\$8.55	\$5.52
Cavalier	92	5,240,015	223,531	5.2%	(108,019)	37,000	\$4.23	N/A	\$4.34
Central Norfolk	73	4,929,027	319,038	11.2%	20,247	0	\$8.40	N/A	\$3.53
Cleveland	71	2,762,377	97,883	11.9%	19,147	0	\$3.90	\$12.15	\$6.17
Greenbrier	35	2,421,972	89,892	8.1%	202,377	0	N/A	\$7.00	\$4.18
Isle of Wight	13	3,504,978	0	4.5%	0	0	N/A	N/A	N/A
Lynnhaven	161	7,620,000	310,808	16.0%	149,181	58,000	\$5.12	\$8.35	\$3.98
Norfolk Industrial Park	149	7,489,909	172,150	3.2%	(12,992)	0	\$3.98	\$6.28	\$5.05
North Suffolk	12	2,304,280	173,108	0	75,000	0	N/A	N/A	\$4.60
Portsmouth	92	4,387,141	105,600	6.6%	(36,986)	18,209	N/A	N/A	\$4.42
South Suffolk	80	10,892,324	235,020	1.0%	812,365	0	\$3.99	N/A	\$3.90
West Norfolk	66	2,336,710	3,700	5.5%	11,134	0	\$2.87	N/A	\$6.04
<b>HAMPTON ROADS TOTALS</b>	<b>1,397</b>	<b>94,243,759</b>	<b>2,913,295</b>	<b>6.5%</b>	<b>1,837,543</b>	<b>128,209</b>	<b>\$4.66</b>	<b>\$8.71</b>	<b>\$4.75</b>

\*Rental rates reflect asking \$

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

## Key Lease Transactions Q3 2015

PROPERTY	SF	TENANT	PROPERTY TYPE	SUBMARKET
5201 City Line Rd	80,344	Huntington Ingalls	Warehouse/Distribution	Copeland
6701 College Dr	40,804	Coastal Logistics, Inc.	Warehouse/Distribution	North Suffolk
713 Fenway Ave	43,200	Mattress Firm	Warehouse/Distribution	Cavalier

## Key Sales Transactions Q3 2015

PROPERTY	SF	SELLER/BUYER	PROPERTY TYPE	PRICE	SUBMARKET
3745 Progress Rd	67,721	Meritage-Progress Road LLC/ Carjo Enterprise, LLC	Warehouse/Distribution	\$2,550,000	Norfolk Industrial Park
2006 Northgate Commerce Pkwy	64,192	Ferguson Enterprises Inc/Hodgdon Holdings LLC	Warehouse/Distribution	\$5,150,000	South Suffolk

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