

MARKETBEAT

Hampton Roads

Industrial Q3 2016



HAMPTON ROADS INDUSTRIAL

Economic Indicators

	Q3 15	Q3 16	12-Month Forecast
Hampton Roads Employment	767k	769k	▲
Hampton Roads Unemployment	4.7%	4.4%	▼
U.S. Unemployment	5.2%	4.9%	▼

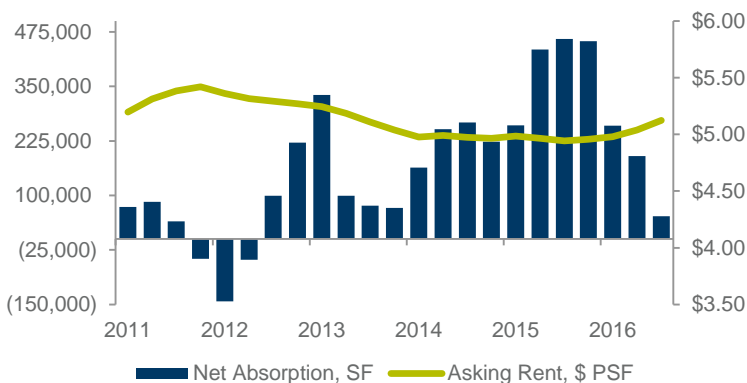
Market Indicators (Overall, All Property Types)

	Q3 15	Q3 16	12-Month Forecast
Vacancy	6.5%	6.5%	■
Net Absorption (sf)	579k	29k	▼
Under Construction (sf)	150k	534k	▲
Average Asking Rent*	\$4.87	\$5.21	▲

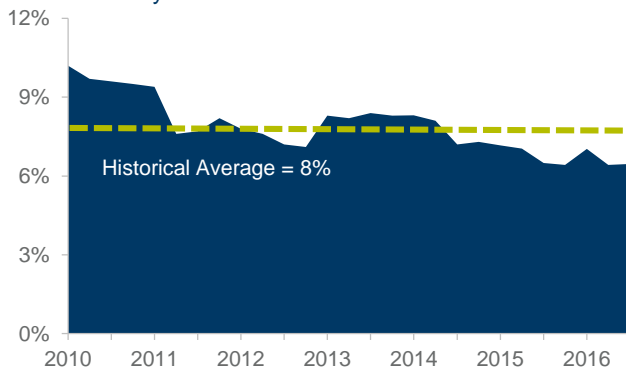
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The Hampton Roads economy appears to be on firm footing, but has not recovered fully from the recession. Positive indicators include regional unemployment at a healthy 4.4%, up from a low of 4.1% in April of 2016. Hampton Roads lost almost 30,000 jobs from December of 2007 to June of 2009. As of mid-year 2016, the Region is still 9,800 jobs shy of pre-recession levels. The region has reported negative net migration since 2013. The Hampton Roads Economic Development Association (HREDA) conducted a Regional benchmark study comparing the Region to ten similar cities/regions across the country and Hampton Roads finished last for Labor Force Growth; Employment Growth and Metro GDP Growth.

Market Overview

Third quarter 2016 did not produce the predicted bump in leasing activity or year-to-date (YTD) net absorption. YTD totals are lagging 2015 totals significantly. From a positive perspective, overall market vacancy declined to 6.5%. Three significant speculative construction projects are underway in the following industrial parks: CenterPoint Intermodal Center (306,000 SF), Virginia Regional Commerce Center (284,580 SF) and Interchange Distribution Center (200,000 SF). All three projects are multi-tenant distribution facilities, adding needed Class A inventory. Current Class A direct vacancy in the market is 3.4%.

Outlook

It is expected that Hampton Roads will finish strong in the fourth quarter. A number of significant transactions rolled out of third quarter and are expected to be consummated during fourth quarter. Deal velocity is expected to increase with delivery of new Class A product in 2017.

Lastly, port twenty foot equivalent unit (TEU) volumes continue to increase to record levels: the first seven months of 2016 totaled nearly 1.5 million TEUs. In September, the Governor announced the signing of a newly restricted 50-year lease with the private owner of the Virginia International Gateway terminal in Portsmouth. This lease will allow the Port to begin a \$320-million expansion of the existing state-of-the-art terminal, effectively doubling TEU capacity and improving both road and rail access. State funds totaling \$350 million were approved for the improvement of Norfolk International Terminal, expanding capacity by 400,000 container lifts.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD USER 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	10,873,736	132,298	7.5%	-94,924	0	\$4.74	\$7.44	\$5.40
Gloucester	7	227,936	0	13.8%	0	0	N/A	N/A	N/A
Oakland	47	4,319,979	0	4.3%	116,064	0	N/A	N/A	\$7.37
Oyster Point	59	3,998,943	33,121	5.2%	-42,320	0	N/A	\$7.55	\$6.15
Williamsburg	52	8,139,132	19,763	6.5%	15,801	0	N/A	N/A	N/A
Airport Industrial Park	54	3,193,451	202,491	6.0%	105,535	0	N/A	N/A	\$5.83
Bainbridge	140	9,862,996	197,977	2.5%	21,988	70,000	N/A	N/A	\$6.18
Cavalier	96	5,399,360	172,284	3.1%	251,237	0	\$4.25	\$8.41	\$4.76
Central Norfolk	76	4,978,073	172,502	21.3%	-164,418	0	N/A	\$11.35	\$4.30
Cleveland	72	2,811,485	44,219	10.3%	-65,585	0	\$4.00	\$12.21	\$7.02
Greenbrier	34	2,254,140	208,470	6.8%	41,255	0	N/A	\$7.00	\$4.15
Isle of Wight	15	3,870,270	2,500	4.7%	63,350	0	N/A	N/A	N/A
Lynnhaven	160	7,588,052	59,222	16.8%	37,247	62,979	\$4.65	\$8.96	\$4.85
Norfolk Industrial Park	151	7,550,580	253,058	6.6%	-148,588	0	\$5.75	N/A	\$5.99
North Suffolk	12	2,304,280	0	0.0%	0	0	N/A	N/A	N/A
Portsmouth	93	4,269,113	132,000	5.9%	71,962	0	N/A	N/A	\$4.56
South Suffolk	81	10,970,232	52,315	0.6%	19,961	401,066	\$4.00	N/A	\$3.63
West Norfolk	66	2,332,255	43,414	7.7%	3,271	0	\$4.53	N/A	\$6.21
HAMPTON ROADS TOTALS	1,411	94,944,013	1,725,634	6.5%	231,836	534,045	\$4.52	\$10.09	\$5.02

*Rental rates reflect asking \$psf/year

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

Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Bridgeway Business Center II	273,556	UPS	Renewal	North Suffolk
Bridgeway Business Center II	122,008	Coastal Logistics Group, Inc.	Renewal	North Suffolk
Bridgeway III	70,000	Technico Corp.	Renewal	North Suffolk
713 Fenway Avenue	33,600	Pacific Best	Renewal	Bainbridge

Key Sales Transactions Q3 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
4111 Monarch Way	191,200	Blackstone / Ventas	\$39,200,000 / \$205	Central Norfolk
270 Pickett's Line	108,887	Industrial Development Authority of City of Newport News / Printpack Inc.	\$4,000,000 / \$37	Oyster Point
6280 Northampton Boulevard	20,451	Lake Wright II, LLC / Stewart Companies	\$6,000,000 / \$291	Airport Industrial Park

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