

MARKETBEAT

Hampton Roads

Industrial Q4 2017



CUSHMAN & WAKEFIELD

THALHIMER

HAMPTON ROADS INDUSTRIAL

Economic Indicators

	Q4 16	Q4 17	12-Month Forecast
Hampton Roads Employment	773k	765k	▼
Hampton Roads Unemployment	4.7%	4.2%	▼
U.S. Unemployment	4.7%	4.1%	▼

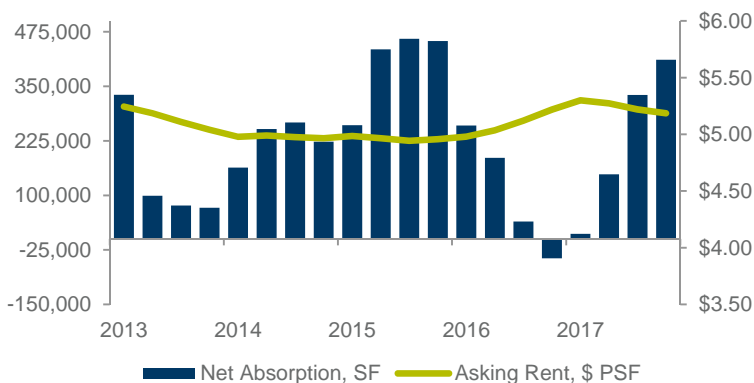
Market Indicators (Overall, All Property Types)

	Q4 16	Q4 17	12-Month Forecast
Vacancy	6.6%	4.4%	▼
YTD Net Absorption (sf)	-177k	2.2M	▲
Under Construction (sf)	969k	254k	▼
Average Asking Rent*	\$5.42	\$5.28	▼

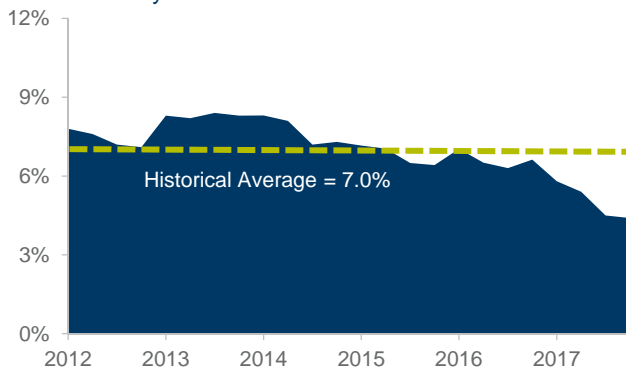
*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

2017 finished on an optimistic note. Tax reform, regulatory repeal, and record-high stock market performance has fueled economic confidence with companies and consumers alike and GDP will likely finish the year at or just below 3%. Potential drags on the economy in 2018 could include rising interest rates, geopolitical uncertainty, and a pullback in single family home construction. Unfunded infrastructure improvements will continue to have a negative effect on the economy specific to commercial real estate, as port, rail, air, and roadway infrastructure is a major driver for industrial development. The current administration has stated specific support for funding such improvements and hopefully 2018 will see legislative commitment to these much-needed projects. Nationwide, industrial real estate continues its bull run with little indication that it will subside in 2018.

Market Overview

Reflecting the national trend, Hampton Roads saw 3.2 million square feet (msf) of leasing activity in 2017 along with 2.2 msf of net absorption, both of which are strong numbers for the market. The overall market vacancy rate of 4.4% reflects continued absorption with limited delivery of new industrial product. There are only a few construction projects in the pipeline, pointing to a very tight 2018 for tenants and buyer-users. With limited building availability, prices are expected to rise. While investment buyers typically look for larger buildings to purchase, value can be found in smaller properties located in submarkets such as Oakland Industrial Park, Cavalier Industrial Park, and the Cleveland Street Corridor.

Outlook

Hampton Roads should benefit from increased defense spending in 2018, which will continue to buoy demand for industrial space. The Port of Virginia continues its growth surge with record levels of container traffic, and the Port is the only facility on the East Coast that has received congressional approval to deepen its shipping channel to 55 feet. The manufacturing sector is expected to make gains in the region during 2018 as significant announcements are expected in the coming months on new construction in support of manufacturing and R & D in Hampton Roads. Overall, rental rates will increase, absorption will improve, and vacancy will continue to decline. 2018 will most likely continue to build on the momentum created in the last few years.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	OVERALL VACANCY RATE	OVERALL NET ABSORPTION (SF)	YTD UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)	OVERALL WEIGHTED AVG. NET RENT (OS)	OVERALL WEIGHTED AVG. NET RENT (W/D)
Copeland	198	10,649,802	178,903	5.7%	-222,323	0	\$5.03	N/A	\$3.10
Gloucester	7	227,936	0	9.9%	0	0	N/A	N/A	N/A
Oakland	47	4,335,878	114,767	1.0%	1,712	0	\$7.20	N/A	\$7.71
Oyster Point	60	3,993,833	101,753	5.3%	-5,848	0	N/A	\$8.25	\$7.19
Williamsburg	53	8,295,132	60,803	2.6%	148,585	150,000	N/A	N/A	\$5.75
Airport Industrial Park	55	3,512,105	171,247	2.6%	81,517	0	N/A	N/A	\$5.76
Bainbridge	145	10,192,517	357,527	2.6%	48,463	0	N/A	\$8.07	\$6.47
Cavalier	97	5,415,110	294,482	1.5%	80,078	0	\$5.25	N/A	\$7.63
Central Norfolk	78	5,021,059	256,187	15.2%	250,893	50,000	N/A	\$10.83	\$5.02
Cleveland	71	2,859,286	173,715	1.1%	128,724	0	N/A	\$12.16	\$8.01
Greenbrier	34	2,278,344	183,649	6.9%	-46,986	0	N/A	\$7.00	\$4.79
Isle of Wight	15	3,870,270	0	4.7%	0	0	N/A	N/A	N/A
Lynnhaven	168	7,928,583	451,049	2.6%	1,037,591	30,000	\$6.00	\$8.78	\$4.88
Norfolk Industrial Park	150	7,519,718	281,203	5.9%	37,711	0	\$5.86	N/A	\$4.99
North Suffolk	12	2,356,942	199,500	0.8%	-20,000	0	N/A	N/A	\$5.50
Portsmouth	95	4,523,685	106,436	11.2%	-20,770	15,000	\$6.51	N/A	\$5.00
South Suffolk	88	11,952,006	284,961	4.2%	659,497	0	\$3.50	N/A	\$3.57
West Norfolk	68	2,426,099	12,829	2.9%	40,283	0	\$4.59	N/A	\$6.37
HAMPTON ROADS TOTALS	1,441	97,358,305	3,229,011	4.4%	2,199,127	245,000	\$5.83	\$9.68	\$5.02

*Rental rates reflect asking \$psf/year

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

Key Lease Transactions Q4 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3732 Cook Boulevard	31,330	Cryomax USA, Inc.	Renewal	Cavalier
700 Boundary Street	25,160	Ram Tool & Supply Co., Inc.	New	Bainbridge
1709 Endeavor Drive	16,240	Total Quality Assurance International	Renewal	Williamsburg
550 Woodlake Circle	15,848	Amarr Garage Doors	Renewal	Bainbridge

Key Sales Transactions Q4 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1545 Crossways Boulevard	375,607	First Potomac Realty Trust / Government Properties Income Trust	\$80,600,000 / \$215	Bainbridge
300 Portcentre Parkway	78,000	Challenge Builders, LLC / Belfast Bay II, LLC	\$6,900,000 / \$89	Portsmouth
2401 Castleton Commerce Way	27,000	Beavers and Sons, LLC / ARR Property, LLC	\$370,000 / \$14	Lynnhaven

Cushman & Wakefield | Thalhimer
1 BayPort Way, Suite 100
Newport News, VA 23606
thalhimer.com

For more information, contact:
Bill Throne
First Vice President
Tel: +1 757 499 2692
bill.throne@thalhimer.com

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