

MARKETBEAT INDUSTRIAL SNAPSHOT

HAMPTON ROADS, VA A Cushman & Wakefield Research Publication

Q3 2013



ECONOMIC OVERVIEW

The unemployment rate in Hampton Roads continues to trend in a downward direction. As of July, the unemployment rate sat at 6.2%, 70 basis points lower than last year's rate of 6.9% and 1.5 percentage points lower than the national rate of 7.7%.

Specific to employment, the following thoughts are from Dr. James V. Koch, "State of the Region, Hampton Roads 2013":

"There are encouraging signs that the terms of international trade are moving in the favor of the United States. American workers continue to become more productive; U.S. firms are benefiting from the lower costs of important inputs such as natural gas; the cost advantages of competitors such as China are being eroded by rapidly rising wages there and increasing transportation costs; and the value of the dollar has declined over time, making U.S. goods less expensive in the eyes of foreign consumers. These developments, however, are gradual in nature and competition in tradable goods continues to make some U.S. firms reluctant to hire new workers, especially when uncertainties exist about the cost of these employees because of health care and other factors."

ABSORPTION

Current year-to-date leasing activity continues to have a slight lead of 5.4% over last year's numbers with approximately 2.1 million square feet (msf) leased. While leasing activity is up, direct net absorption is negative, at 38,793 square feet (sf). Seven of the twenty submarkets have lost ground this year, with Oakland Industrial Park (Peninsula) and West Norfolk (Southside) accounting for a combined negative 345,739 sf of absorption, offsetting gains in thirteen submarkets.

Leasing activity year-to-date is consistent with 2012 numbers and it is expected that Hampton Roads will close out the year close to 2.5 msf leased. Overall absorption looks to trail 2012, more in keeping with the historical average.

OUTLOOK

While the economy continues to show a tepid and fragile recovery, industrial activity will be hampered locally by both sequestration and the current government shutdown. Uncertainty with the Affordable Care Act will also produce caution among industrial occupiers, particularly among manufacturers involved with government contracts

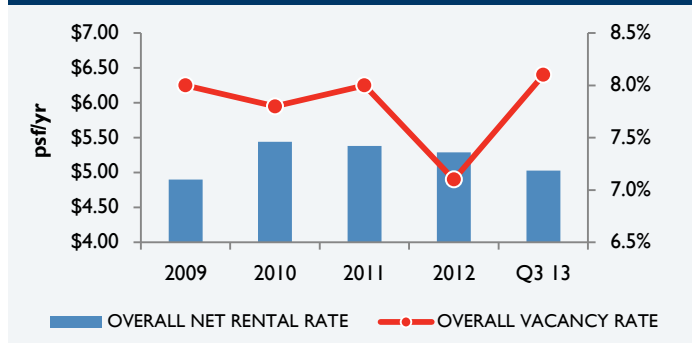
at any level. Market rates may erode further given the lack of net absorption and deal velocity.

These events may prove positive for tenants looking in the market to improve current facility deficiencies and for 'value add' or opportunistic buyers as buildings come to the market at significantly less than replacement cost.

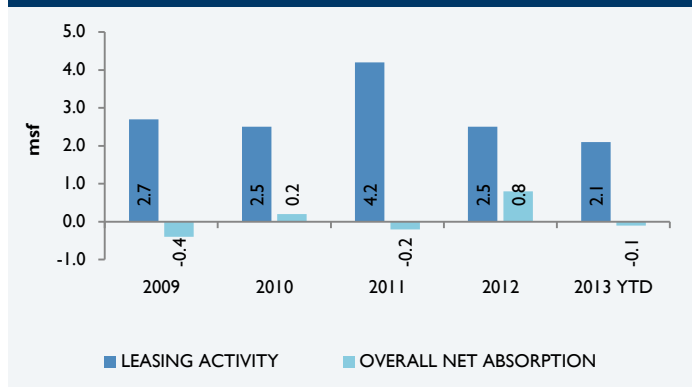
STATS ON THE GO

	Q3 2012	Q3 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.2%	8.1%	0.9pp	▼
Direct Asking Rents (psf/yr)	\$5.35	\$5.03	-6.0%	◄
YTD Leasing Activity (sf)	2,025,075	2,134,279	5.4%	▲

OVERALL RENTAL VS. VACANCY RATES



LEASING ACTIVITY VS. OVERALL NET ABSORPTION



HAMPTON ROADS, VA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE			
								HT	MF	OS	W/D
Copeland	12,777,358	8.1%	637,773	0	0	335,033	499,300	\$6.50	\$4.69	\$3.27	\$4.93
Gloucester	289,628	12.9%	0	0	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00
Mathews County	48,194	4.5%	0	0	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00
Oakland	4,942,754	10.2%	76,409	0	13,500	(232,218)	(208,218)	\$0.00	\$5.07	\$10.39	\$6.73
Oyster Point	4,926,966	6.3%	80,129	0	0	26,674	21,438	\$0.00	\$8.00	\$9.10	\$6.38
Williamsburg Extended	8,470,272	5.4%	55,802	0	0	81,855	81,855	\$0.00	\$4.00	\$6.00	\$4.61
PENISULA	31,455,172	7.1%	850,113	0	13,500	211,344	394,375	\$6.50	\$4.78	\$6.96	\$5.17
Airport Industrial Park	3,452,073	7.2%	99,070	0	0	34,472	34,472	\$0.00	\$3.50	\$6.90	\$4.85
Bainbridge	10,230,494	4.1%	176,838	0	0	86,454	86,454	\$0.00	\$0.00	\$7.74	\$6.45
Cavalier	6,241,825	11.7%	137,439	0	0	(98,513)	(132,113)	\$0.00	\$4.25	\$10.48	\$5.14
Central Norfolk	6,093,435	7.6%	130,590	0	0	(83,320)	(80,186)	\$9.95	\$0.00	\$6.72	\$4.39
Cleveland	3,766,094	15.2%	84,129	0	0	26,461	26,461	\$0.00	\$3.00	\$11.86	\$5.06
Franklin City	378,840	81.4%	0	0	0	0	(138,800)	\$0.00	\$0.00	\$0.00	\$2.00
Greenbrier	2,693,366	10.8%	80,306	0	0	22,714	4,198	\$0.00	\$0.00	\$6.90	\$6.39
Isle of Wight	3,663,213	0.4%	26,222	0	0	8,250	8,250	\$0.00	\$0.00	\$0.00	\$8.00
Lynnhaven	9,818,780	16.4%	184,908	80,000	0	(99,498)	(99,498)	\$0.00	\$4.47	\$9.44	\$4.73
Norfolk Industrial Park	8,917,988	3.5%	160,245	0	0	(25,193)	(25,193)	\$0.00	\$3.50	\$5.80	\$5.20
North Suffolk	2,202,255	7.2%	0	0	0	0	(73,500)	\$0.00	\$0.00	\$0.00	\$0.00
Portsmouth	5,638,711	6.3%	100,156	15,479	0	(16,880)	(10,380)	\$0.00	\$4.03	\$5.82	\$5.85
South Suffolk	10,515,066	6.2%	71,683	0	0	8,437	8,437	\$0.00	\$4.07	\$6.79	\$3.64
West Norfolk	3,027,359	12.2%	32,580	0	0	(113,521)	(104,547)	\$0.00	\$2.93	\$6.89	\$6.08
SOUTHSIDE	76,639,499	8.5%	1,284,166	95,479	13,500	(250,137)	(495,945)	\$9.95	\$4.08	\$7.32	\$4.72
TOTALS	108,094,671	8.1%	2,134,279	95,479	13,500	(38,793)	(101,570)	\$6.96	\$4.29	\$7.27	\$4.80

* RENTAL RATES REFLECT ASKING \$PSF/YEAR HT= HIGH TECH MF = MANUFACTURING OS = OFFICE SERVICE W/D = WAREHOUSE/DISTRIBUTION

MARKET HIGHLIGHTS

SIGNIFICANT Q3 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
1112 Cavalier Boulevard	Chesapeake	Kempsville Building Materials	Warehouse	40,000
1119 Cavalier Boulevard	Chesapeake	DESMI Inc.	Warehouse	37,000
1709 Endeavor Drive	Williamsburg	FDCP, Inc.	Distribution	18,760
5200 City Line Road	Hampton	Schmidt Baking Company	Warehouse	17,000
SIGNIFICANT Q3 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
131 Hanbury Road	Chesapeake	Hanbury Road Partners LLC	\$2,300,000/ \$104	22,098
323 Alexander Parkway	Williamsburg	Enterprise Holdings	\$1,100,000/ \$86	12,800
SIGNIFICANT Q3 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
3432 Airline Boulevard	Portsmouth	R.E. Michel	Q3 2013	15,479
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
1505 Taylor Farm Road	Lynnhaven	Speculative	Q4 2013	22,000

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS