

MARKETBEAT INDUSTRIAL SNAPSHOT

HAMPTON ROADS, VA A Cushman & Wakefield Research Publication

Q2 2013



ECONOMIC OVERVIEW

More Americans joined the ranks of the employed in May, adding 175,000 jobs. April added 149,000 jobs. It sounds like a good increase in employment, but unfortunately the unemployment rate has been essentially unchanged between April (7.5%) and May (7.6%). In May, employment gains were seen in food services, retail trade, and professional and business services. Employment growth averaged 172,000 jobs per month, over the past 12 months.

ABSORPTION

Year-to-date leasing activity is essentially unchanged compared to last year, approximately 1.6 million square feet (msf) leased this year, compared to 1.5 msf in the same period last year. The overall vacancy rate has decreased through the second quarter of 2013 from 7.9% to 7.5%. While year-to-date direct net absorption of 463,225 square feet (sf) shows improvement over last years' mid-year total of 186,083 sf, two sizeable transactions totaling over 363,000 sf made up the bulk of that number, with both deals being struck on the Peninsula. All things considered, the market should continue to show modest improvement in overall net absorption for the balance of 2013.

TRENDS

While there is a lot of political uncertainty with numerous government policies, consumer confidence has increased in the second quarter. Port activity is improving with Norfolk experiencing an 11.4% annual growth rate, some of the best container volume growth year to date for North America ports. The trend of industrial leasing activity is improving and heading in the right direction for the upcoming third quarter.

OUTLOOK

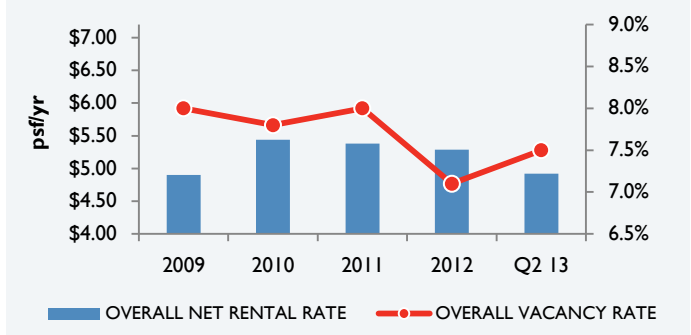
Port volumes are an important indicator of industrial market potential. The 11.4% increase in container volume for the Port of Virginia should translate into increased demand for warehouse space. Absorption of large block industrial space has reduced high cube vacancies to less than 5.0%, and is expected to produce rent growth in this sector. Housing construction starts are up nationally and

locally. This is another precursor of demand and rent growth. On the other hand, the regions over-reliance on government contracting combined with a sluggish economy may have a negative effect on demand and absorption. Overall industrial vacancy rates are not expected to change in the short term, but look for rental rates to stabilize for the balance of 2013.

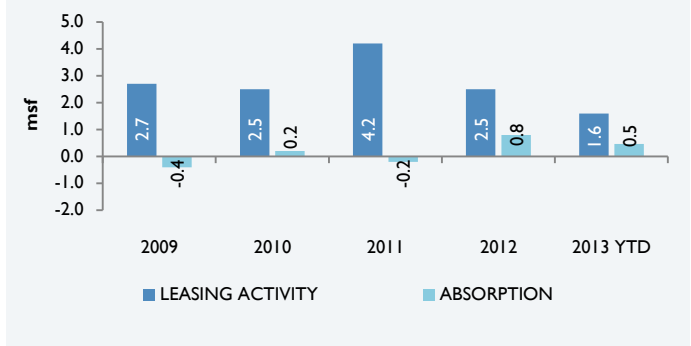
STATS ON THE GO

	Q2 2012	Q2 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.6%	7.5%	-0.1pp	▼
Direct Asking Rents (psf/yr)	\$5.23	\$4.95	-5.3%	◄►
YTD Leasing Activity (sf)	1,514,811	1,593,153	5.2%	▲

OVERALL RENTAL VS. VACANCY RATES



LEASING ACTIVITY VS. ABSORPTION



HAMPTON ROADS, VA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	YTD USER SALES 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	12,790,494	8.0%	564,490	0	0	0	368,618	372,985	\$6.50	\$4.68	\$3.27	\$5.06
Gloucester	293,128	12.7%	2,000	0	0	0	2,100	2,100	\$0.00	\$0.00	\$0.00	\$0.00
Mathews County	48,194	4.5%	0	0	0	0	0	0	\$0.00	\$0.00	\$0.00	\$0.00
Oakland	4,936,906	5.0%	75,223	0	0	13,500	47,504	71,504	\$0.00	\$5.07	\$10.39	\$6.73
Oyster Point	4,927,730	3.9%	59,348	0	0	0	20,481	21,171	\$0.00	\$0.00	\$9.85	\$6.38
Williamsburg Extended	8,468,617	5.8%	25,898	0	0	0	60,807	60,807	\$0.00	\$4.00	\$6.00	\$4.39
PENINSULA	31,465,069	6.3%	726,959	0	0	13,500	499,510	528,567	\$6.50	\$4.74	\$6.65	\$5.19
Airport Industrial Park	3,452,073	7.3%	94,876	0	0	0	30,426	30,426	\$0.00	\$3.50	\$6.90	\$4.83
Bainbridge	10,225,391	3.9%	167,536	0	0	0	175,140	175,140	\$0.00	\$0.00	\$7.64	\$4.94
Cavalier	6,176,181	10.0%	84,577	0	0	0	(16,870)	(16,870)	\$0.00	\$4.25	\$10.48	\$5.14
Central Norfolk	5,942,348	7.5%	69,218	0	0	0	(127,765)	(117,765)	\$9.95	\$0.00	\$6.81	\$4.31
Cleveland	3,815,804	14.2%	41,334	0	0	0	50,007	50,007	\$0.00	\$3.00	\$8.56	\$5.49
Franklin City	378,054	81.6%	0	0	0	0	(156,046)	(294,846)	\$0.00	\$0.00	\$0.00	\$2.00
Greenbrier	2,670,637	10.2%	66,125	0	0	0	31,852	13,336	\$0.00	\$0.00	\$7.35	\$6.31
Isle of Wight	3,660,213	0.6%	0	0	0	0	0	0	\$0.00	\$0.00	\$0.00	\$8.00
Lynnhaven	9,835,433	17.6%	101,418	0	80,000	0	(216,528)	(216,528)	\$0.00	\$4.51	\$9.33	\$4.59
Norfolk Industrial Park	8,900,169	3.5%	77,734	0	0	0	58,613	58,613	\$0.00	\$3.50	\$5.93	\$5.15
North Suffolk	2,202,255	3.9%	0	0	0	0	20,500	20,500	\$0.00	\$0.00	\$0.00	\$0.00
Portsmouth	5,601,055	6.4%	62,672	0	30,479	0	(37,193)	(37,193)	\$0.00	\$4.03	\$5.84	\$5.83
South Suffolk	10,502,166	4.6%	68,261	0	0	0	208,786	208,786	\$0.00	\$4.07	\$7.04	\$3.69
West Norfolk	3,031,462	10.6%	32,443	0	0	0	(57,207)	(48,233)	\$0.00	\$0.00	\$6.26	\$6.01
SOUTHSIDE	76,393,241	8.1%	866,194	0	110,479	0	(36,285)	(174,627)	\$9.95	\$4.14	\$6.90	\$4.85
TOTALS	107,858,310	7.5%	1,593,153	0	110,479	13,500	463,225	353,940	\$6.96	\$4.32	\$7.24	\$4.73

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

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
150 Industrial Park Drive	South Suffolk	Lumber Liquidators	Warehouse	150,000
5820 Ward Court	Airport Industrial	ACOSTA	Warehouse	62,500
2620 Indian River Road	Greenbrier	Givens	Distribution	49,801
SIGNIFICANT Q2 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
1960 Diamond Hill Road	Bainbridge	Blackstone	\$24,200,000/\$34	712,339
2000 Gateway Boulevard	Copeland	Blackstone	\$44,100,000/\$105	421,100
1400 Cavalier Boulevard	Cavalier	Blackstone	\$10,200,000/\$34	299,983
SIGNIFICANT Q2 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
1501 Taylor Farms Road	Lynnhaven	Speculative	Q3 2013	22,000
4018 Seaboard Court	Portsmouth	Speculative	Q3 2013	15,000
3432 Airline Boulevard	Portsmouth	R.E. Michel	Q4 2013	15,479
General Booth Blvd. & Corporate Landing Pkwy.	Lynnhaven	Green Flash Brewery	Q1 2015	58,000

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS