

MARKETBEAT INDUSTRIAL SNAPSHOT

HAMPTON ROADS, VA A Cushman & Wakefield Research Publication

Q2 2015



ECONOMIC OVERVIEW

The Hampton Roads economy is improving at a gradual but steady rate. Although military spending has decreased from 2014, there are a number of companies selecting Hampton Roads for their headquarter operations. The difficulties arising from the West Coast port slowdown have drawn more companies to the East Coast, including Hampton Roads.

LEASING ACTIVITY AND ABSORPTION

Second quarter 2015 reported over 1.7 million square feet of leasing activity. As a result, overall vacancy declined from 8.1% in Q2 2014 to 6.9% in Q2 2015. The Southside market experienced absorption in larger blocks of warehouse/distribution spaces, with many spaces occupied by port-related requirements.

Several companies are expanding operations within the market. Powertrain Industries, Inc. recently purchased the 20,000-square-foot (sf) building at 2503 Squadron Court in the Lynnhaven submarket. Powertrain Industries, Inc. previously occupied 8,712 sf in Oceana South. S&S Precision expanded from 9,000 sf into 14,850 sf at 2504 Squadron Court. Also of importance, Valkyrie Enterprises, LLC expects to expand operations by adding 100 jobs and 35,000 sf at its current location at 4460 Corporation Lane.

TRENDS

New companies are exploring the Hampton Roads market for its proximity to the Port of Virginia. These businesses desire high-cube warehouse space with higher clear height, increased sprinkler capacities, and superior loading/trailer storage. New fire/life safety demands are also moving tenants away from older buildings. Many submarkets are facing a shortage of buildings that satisfy these requirements. Prospective tenants are also concerned about port congestion issues. The gap between existing rents and those required to attract development is still too large, and the market will become increasingly tight throughout 2015. Land values are expected to increase due to decreasing vacancy.

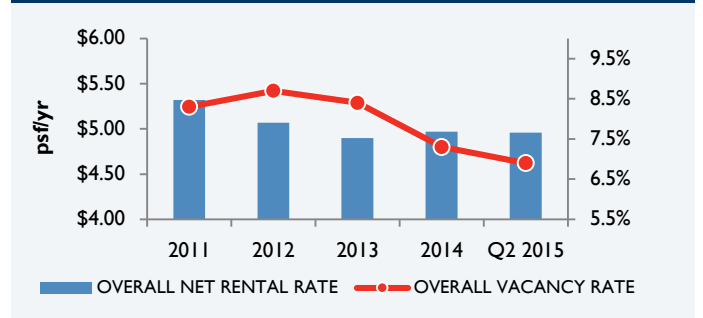
OUTLOOK

Brokers expect the industrial market vacancy to decline. Although an increasing number of companies are drawn to Hampton Roads, the existing inventory does not accommodate the needs of many of these firms. As a result there may be interest in the western parts of Hampton Roads where development is possible on vacant land.

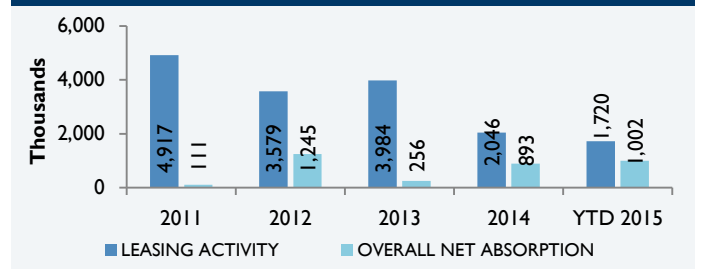
STATS ON THE GO

	Q2 2014	Q2 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.1%	6.9%	-1.2 pp	◀▶
Direct Asking Rents (psf/yr)	\$5.06	\$4.96	-2.0%	◀▶
YTD Leasing Activity (sf)	935,024	1,719,806	83.9%	

OVERALL NET 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		
								MF	OS	W/D
Copeland	10,698,422	6.8%	631,574	190,000	0	203,641	203,641	\$4.84	\$9.52	\$4.95
Gloucester	227,936	10.5%	-	0	0	-	-	-	-	-
Oakland	4,237,710	5.8%	-	0	0	67,427	67,427	-	-	-
Oyster Point	3,961,235	4.1%	37,440	0	0	23,926	23,926	-	-	-
Williamsburg	8,074,064	4.6%	17,468	0	0	(17,546)	(17,546)	-	-	-
PENINSULA	27,199,367	6.4%	686,482	190,000	0	277,448	277,448	\$4.84	\$9.52	\$4.95
Airport Industrial Park	3,197,908	6.8%	111,271	0	0	(64,744)	(64,744)	\$5.00	-	\$5.58
Bainbridge	9,652,164	3.7%	96,314	0	0	(44,650)	(44,650)	-	\$7.51	\$5.21
Cavalier	5,240,450	4.9%	200,131	37,000	0	123,344	123,344	\$4.15	-	\$4.49
Central Norfolk	4,943,027	14.6%	23,137	0	0	(11,554)	(11,554)	\$9.13	-	\$3.69
Cleveland	2,762,377	12.5%	16,480	0	0	(12,800)	(12,800)	\$4.05	\$10.61	\$5.77
Greenbrier	2,421,972	8.8%	62,486	0	152,000	125,147	125,147	-	\$7.00	\$4.35
Isle of Wight	3,504,978	5.1%	-	0	0	-	-	-	-	-
Lynnhaven	7,604,664	17.5%	128,831	58,000	0	(14,355)	(23,455)	\$5.30	\$8.48	\$4.18
Norfolk Industrial Park	7,512,134	4.3%	91,200	0	0	61,172	61,172	\$4.03	\$6.00	\$5.30
North Suffolk	2,304,280	0.0%	91,404	0	0	50,000	50,000	-	-	\$4.73
Portsmouth	4,387,051	11.5%	11,600	18,209	0	67,300	67,300	-	-	\$4.54
South Suffolk	10,892,324	1.7%	196,970	0	357,000	413,682	413,682	\$4.00	-	\$4.16
West Norfolk	2,360,676	6.3%	3,500	0	0	41,274	41,274	\$2.93	-	\$5.71
SOUTHSIDE	66,784,005	7.5%	1,033,324	113,209	509,000	733,816	724,716	\$4.29	\$7.92	\$4.80
TOTALS	93,983,372	6.9%	1,719,806	303,209	509,000	1,011,264	1,002,164	\$4.56	\$8.72	\$4.88

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Northgate Logistics Center	South Suffolk	N/A	Warehouse/Distribution	150,000
301 W. Park Lane	Copeland	E & J Acquisitions	Warehouse/Distribution	56,316
1140 Azalea Garden Rd*	Norfolk Industrial Park	The Roofing Supply Group	Warehouse/Distribution	45,000
1431 Baker Rd	Airport Industrial Park	Associated Materials	Warehouse/Distribution	36,920
SIGNIFICANT Q2 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
300 & 500 West Park Ln	Copeland	Griffin Capital Essential Asset REIT II, Inc.	\$34,300,000 / \$67	515,000
Norfolk Commerce Center	Central Norfolk	Real Estate Value Advisors	\$24,900,000 / \$75	331,751
149 Warwick Ct	Williamsburg	Wyatt Industries, LLC	\$3,200,000 / \$62	51,300
SIGNIFICANT Q2 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Centerpoint Intermodal Center	South Suffolk	Friant Furniture	Q2 2015	357,000 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
FedEx Distribution Center	Copeland	FedEx	Q3 2015	190,000 (100%)
Green Flash Brewery	Lynnhaven	Green Flash Brewery	Q1 2016	58,000 (100%)

*RENEWAL – Not included in C&W Statistics