

# MARKETBEAT

# Hampton Roads

Industrial Q2 2018



## HAMPTON ROADS INDUSTRIAL

### Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Hampton Roads Employment	783k	781k	▲
Hampton Roads Unemployment	4.2%	3.6%	▼
U.S. Unemployment	4.3%	3.8%	▼

Numbers above are quarterly averages; May 2018 data used to represent Q2 2018

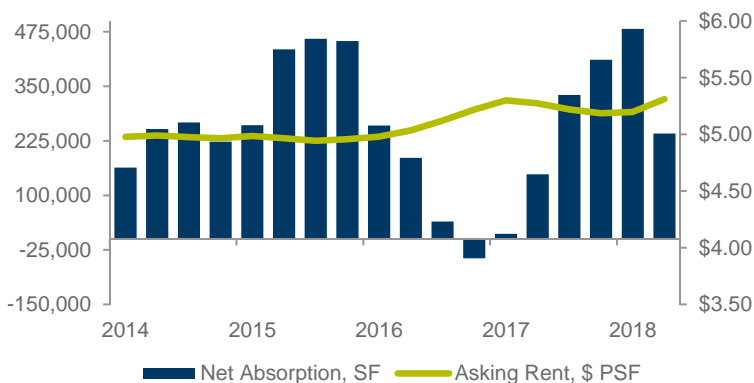
### Market Indicators (Overall, All Property Types)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	4.7%	3.9%	▼
YTD Net Absorption (sf)	1.4M	280K	▼
Under Construction (sf)	445k	195k	▼
Average Asking Rent*	\$5.07	\$5.52	▲

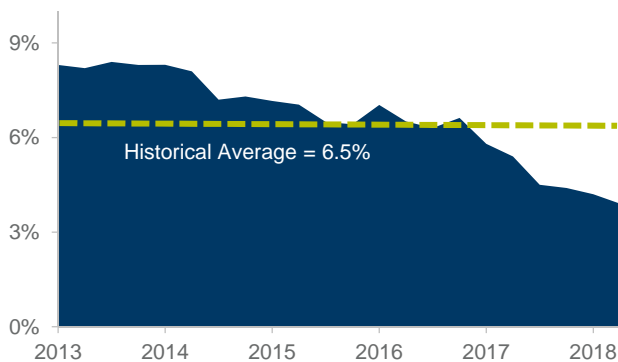
\*Rental rates reflect net asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### 4-QTR TRAILING AVERAGE



### Overall Vacancy



## Economy

At a national level, there is a continued bull run in the industrial sector. Industrial rents are increasing and considered a means of diversification in hedging against a recession. Wages are increasing overseas which is making it less cost-effective to manufacture goods outside of the United States. This is an advantage to the industrial market as there is a desired increase in shorter supply chains. This desire combined with the appeal of production facilities in the U.S. is helping manufacturers to realize that placing production facilities in the U.S. makes them more competitive and helps to lower their costs.

## Market Overview

The Port of Virginia reached the halfway point of the three-year, \$700-million capacity-building projects at Norfolk International Terminals (NIT) and Virginia International Gateway (VIG). The first of 13 new stacks will come online this quarter, increasing capacity by 20%. Very little of Hampton Roads' existing inventory is Class A, ESFR equipped with the bulk being Class B. Due to the shortage of Class A inventory, tenants are forced to make compromises in quality. As the Port of Virginia increases TEU volumes, demand for warehouse space will not abate. Current low rents coupled with scarcity of industrial land sites will limit new construction. Modern Class A and Class B warehouse product will continue to enjoy high demand. While the broad industrial market in Hampton Roads has reached record low vacancy rates, the market continues to suffer from lackluster absorption. 280,008 square feet "(sf)" of net absorption is clearly anemic for an industrial market with a total inventory of over 100 million square feet "(msf)".

## Outlook

Two quarters are behind us, and the market has registered less than 1.0 msf of year-to-date leasing activity. It is expected that the market will pick up momentum through the balance of 2018. Areas to monitor include: continued rent growth in the warehouse sector, increased leasing/purchase activity in the manufacturing sector and absorption of general industrial.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD 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	197	10,642,261	25,665	4.4%	74,021	0	\$5.48	N/A	\$6.31
Gloucester	7	227,936	0	9.9%	0	0	N/A	N/A	N/A
Oakland	47	4,342,178	151,000	1.1%	-1,174	0	\$7.20	N/A	\$8.24
Oyster Point	60	3,994,827	28,155	3.1%	80,585	0	N/A	\$8.25	\$6.39
Williamsburg	53	8,295,132	24,000	1.9%	9,268	150,000	N/A	N/A	\$5.77
Airport Industrial Park	57	3,599,989	84,555	3.0%	-20,174	0	N/A	N/A	\$5.83
Bainbridge	144	10,433,553	168,976	1.9%	89,689	0	N/A	\$8.14	\$7.16
Cavalier	98	5,589,198	32,835	2.9%	-78,102	0	\$5.25	N/A	\$6.74
Central Norfolk	81	5,192,966	3,432	10.6%	221,029	0	N/A	\$10.63	\$4.36
Cleveland	71	2,859,082	9,175	1.1%	-133	0	N/A	\$11.40	\$11.17
Greenbrier	35	2,296,944	31,927	8.6%	-45,350	0	N/A	N/A	\$4.88
Isle of Wight	15	3,870,270	0	4.7%	0	0	N/A	N/A	N/A
Lynnhaven	170	8,354,631	79,884	5.0%	-266,380	30,000	N/A	\$9.06	\$4.80
Norfolk Industrial Park	150	7,594,580	21,727	4.1%	122,303	0	\$5.53	N/A	\$5.08
North Suffolk	12	2,276,942	20,000	4.5%	-500	0	N/A	N/A	N/A
Portsmouth	96	4,282,273	216,862	10.4%	74,682	15,000	\$6.51	N/A	\$5.02
South Suffolk	88	11,947,226	36,000	3.9%	33,000	0	N/A	N/A	\$3.56
West Norfolk	69	2,415,379	6,744	2.7%	-12,756	0	\$6.03	N/A	\$4.89
<b>HAMPTON ROADS TOTALS</b>	<b>1,450</b>	<b>98,215,367</b>	<b>940,937</b>	<b>3.9%</b>	<b>280,008</b>	<b>195,000</b>	<b>\$5.75</b>	<b>\$9.71</b>	<b>\$5.28</b>

\*Rental rates reflect asking \$psf/year

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

## Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
3701 E. Virginia Beach Boulevard	26,268	MDV A Division of Nash Finch	Renewal	Norfolk Industrial Park
241 Enterprise Drive	21,100	Health Net Federal Services, LLC	Renewal	Oakland
814 Childs Avenue	19,200	Lockwood Brothers	Renewal	Copeland
3052 Yadkin Road	16,000	McElroy Metal Mill, Inc.	Renewal	Cavalier

## Key Sales Transactions Q2 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1187 Azalea Garden Road	202,104	FRP Development / Blackstone	\$9,400,000 / \$47	Norfolk Industrial Park
5676 Mooretown Road	57,000	Ewell Industrial Park, LLC / Two Tiger Investments, LLC	\$5,000,000 / \$88	Williamsburg
361 Beechmont Road	45,300	Calvary Chapel Newport News / New Beech Grove Baptist	\$3,000,000 / \$66	Oakland

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