

MARKETBEAT INDUSTRIAL SNAPSHOT

HAMPTON ROADS, VA A Cushman & Wakefield Research Publication

Q1 2015



ECONOMIC OVERVIEW

The Hampton Roads economy is expected to grow at a slower rate in 2015 than in 2014, largely due to an overall decrease in military spending by \$100 million in 2015. However, the 2015 budget allocates \$190 million for construction projects and allows for a 1% pay raise for most military personnel. Additionally, strong port activity and health care growth will likely increase regional income.

LEASING ACTIVITY AND ABSORPTION

The first quarter of 2015 took off quickly with 1,010,622 square feet (sf) of leasing activity. As a result, overall vacancy declined from 8.3% in Q1 2014 to 7.0% in Q1 2015. The Southside market experienced absorption in larger blocks of warehouse/distribution spaces, with many spaces taken by port-related requirements. On the Peninsula, Huntington Ingalls was the main driver of absorption, leasing 515,486 sf in the first quarter of 2015.

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. The gap between existing rents and those required to attract development is still too large, and the market will become increasingly tight throughout 2015.

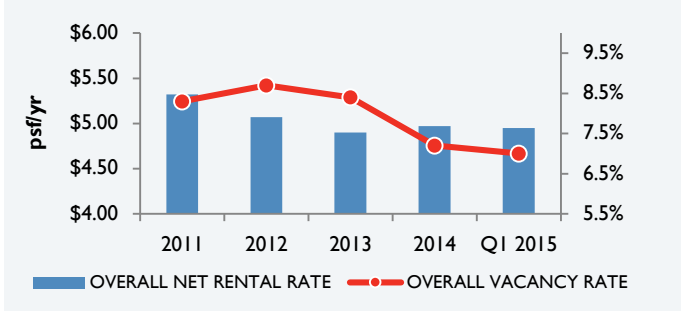
OUTLOOK

A significant amount of deliveries will take place in 2015, including Friant Furniture totaling 357,000 sf in Suffolk, and Federal Express will take delivery of a new 190,000-sf facility on the Peninsula. Oceaneering International will move into its new 154,000-sf location in Greenbrier, Chesapeake in early 2015. This marks the sixth new development since 2010, totaling almost 1.7 million square feet. The largest volume of lease transactions will continue to be in warehouse/distribution space. Manufacturing may be the unexpected winner this year with energy costs and availability very attractive to high-energy process users.

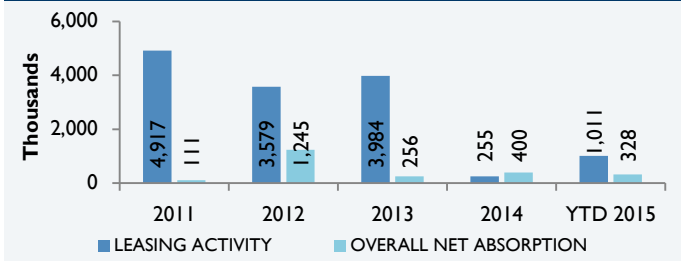
STATS ON THE GO

	Q1 2014	Q1 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.3%	7.0%	-1.3pp	↕
Direct Asking Rents (psf/yr)	\$4.89	\$4.95	1.2%	↕
YTD Leasing Activity (sf)	395,822	1,010,622	155.3%	

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	10,700,022	6.3%	583,343	190,000	0	(11,663)	(11,663)	\$4.40	\$9.66	\$4.22
Gloucester	227,936	8.2%	0	0	0	0	0	N/A	N/A	N/A
Oakland	4,226,710	6.4%	0	0	0	0	0	\$4.03	N/A	\$4.15
Oyster Point	3,971,387	4.3%	24,852	0	0	(3,259)	(3,259)	N/A	\$0.00	\$5.45
Williamsburg	8,076,064	5.4%	0	0	0	0	0	\$4.40	\$0.00	\$5.05
PENINSULA	27,202,119	6.1%	608,195	190,000	0	(14,922)	(14,922)	\$4.28	\$9.66	\$4.72
Airport Industrial Park	3,199,602	5.3%	32,650	0	0	(43,724)	(43,724)	\$4.55	N/A	\$6.04
Bainbridge	9,648,378	3.1%	30,466	0	0	22,021	22,021	N/A	\$7.15	\$6.23
Cavalier	5,248,985	9.2%	166,385	0	0	28,250	28,250	\$4.15	N/A	\$4.58
Central Norfolk	4,924,996	15.3%	19,441	0	0	9,999	9,999	\$10.35	N/A	\$4.37
Cleveland	2,693,389	16.2%	8,215	0	0	(4,112)	(4,112)	\$3.00	\$7.00	\$9.13
Greenbrier	2,269,972	5.4%	0	0	0	58,664	58,664	N/A	\$7.00	\$4.22
Isle of Wight	3,544,978	5.1%	0	0	0	0	0	N/A	N/A	N/A
Lynnhaven	7,563,664	15.5%	33,720	0	0	7,444	(1,656)	\$5.07	\$7.46	\$4.20
Norfolk Industrial Park	7,528,673	4.1%	30,300	0	0	74,423	74,423	\$4.03	\$6.00	\$5.02
North Suffolk	2,314,280	1.8%	73,500	0	0	50,000	50,000	N/A	N/A	\$4.24
Portsmouth	4,046,718	6.1%	5,000	0	0	(3,000)	(3,000)	N/A	N/A	\$4.48
South Suffolk	10,307,773	5.5%	2,750	357,000	0	152,300	152,300	\$3.17	N/A	\$4.31
West Norfolk	2,170,419	10.8%	0	0	0	0	0	\$2.93	N/A	\$5.24
SOUTHSIDE	65,461,827	7.9%	402,427	357,000	0	352,265	343,165	\$4.66	\$6.92	\$5.17
TOTALS	92,663,946	7.0%	1,010,622	547,000	0	337,343	328,243	\$4.47	\$8.29	\$4.94

MARKET HIGHLIGHTS

SIGNIFICANT Q1 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
300 & 500 West Park Ln	Copeland	Huntington Ingalls	Warehouse/Distribution	515,486
1400 Cavalier Blvd	Cavalier	Continental Terminals	Warehouse/Distribution	96,842
1010 Obici Industrial Blvd	South Suffolk	General Services Company, Inc.	Manufacturing	79,190
6900 Harbour View	Suffolk	Technico Corp.	Manufacturing	73,586
SIGNIFICANT Q1 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
1101 Executive Blvd	Greenbrier	Sky Surgical	\$1,275,000	13,668
606 Chautauqua Ave	Portsmouth	A&A Rentals, LLC	\$475,000	11,160
SIGNIFICANT Q1 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
N/A				
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Friant Furniture	Suffolk	Friant Furniture	Q2 2015	357,000 (100%)
FedEx Distribution Center	Copeland	FedEx	Q3 2015	190,000 (100%)