

MARKETBEAT INDUSTRIAL SNAPSHOT

HAMPTON ROADS, VA A Cushman & Wakefield Research Publication

Q3 2014



ECONOMIC OVERVIEW

The Hampton Roads economy continues to make gradual, steady improvements. Future improvements will be aided by the recent selection of a distribution facility in Virginia Beach by Artemis Global Logistics & Solutions.

The location off London Bridge Road will be the second U.S. location for Herndon, VA-based Artemis and the ninth international facility.

The 190,000-square-foot FedEx distribution currently under construction will create hundreds of new jobs upon its completion in September 2015.

LEASING ACTIVITY AND ABSORPTION

Relatively low leasing activity and net absorption continue to hinder the market. In the deals that have occurred, brokers are noticing a combination of two strategies: landlords locking in low rates and renewal terms in exchange for long-term deals, and tenants seeking short-term leases without fear of spiking rental rates in the near future. Without a rise in rental rates, new development will not be encouraged to meet the demand.

Performing submarkets continue to be 'core', located around western population centers in Chesapeake, Portsmouth, and Peninsula. Distribution has seen a slight increase in activity, but this does not apply to other industrial-product types.

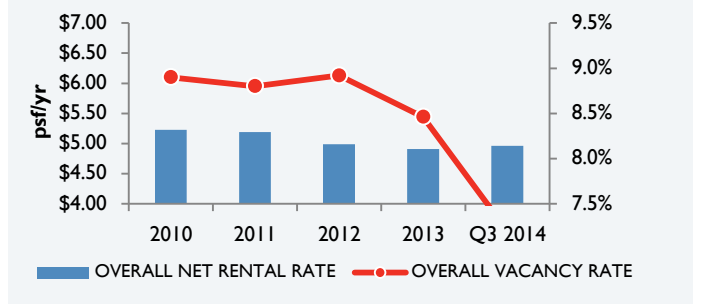
TRENDS

Brokers have reported an increase in interest by prospective users, but are not expecting to capture deals until next year. A healthy employment picture may provide additional pressure for industrial space. The Port achieved record container traffic in June, although a yearly operating loss of nearly \$12.4 million is still projected. The Port's gradual improvements may provide users for warehouse and distribution space in addition to Artemis Global. It is expected that pressures will continue to mount as vacancies erode.

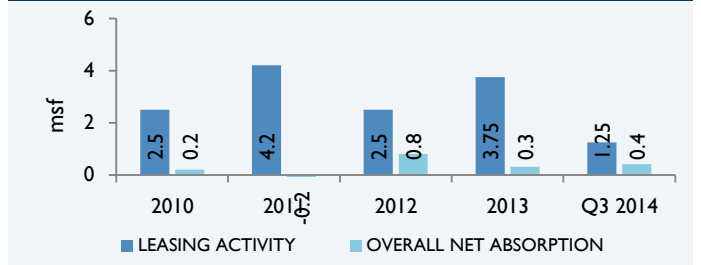
STATS ON THE GO

	Q3 2013	Q3 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.4%	7.2%	1.2	◀▶
Direct Asking Rents (psf/yr)	\$5.04	\$4.96	1.6%	▶▶
YTD Leasing Activity (sf)	2,745,656	1,248,329	-54.5%	◀▶

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
								HT	MF	OS	W/D	
Copeland	10,798,973	7.4%	163,666	0		(26,242)	(26,242)		\$4.63	\$8.92	\$4.98	\$4.58
Gloucester	227,936	13.8%	0	0	0	0	0	0	0	0	0	0
Oakland	4,199,200	7.7%	20,623	0	0	20	141,326		\$5.07	0	\$4.75	\$4.65
Oyster Point	3,961,235	4.6%	55,380	0	0	(43,378)	(42,176)	0	0	0	\$6.09	\$5.49
Williamsburg	8,100,464	6.5%	0	0	0	(1,600)	(1,600)	0	\$4.50	\$8.32	\$5.95	\$5.75
PENINSULA	27,287,808	9.4%	238,669	0	0	92,578	102,650	0	\$4.73	\$8.62	\$5.63	\$5.12
Airport Industrial Park	3,199,602	8.7%	98,359	0	0	-16,117	-32,369	0	\$4.55	0	\$5.56	\$4.81
Bainbridge	8,523,357	13.4%	98,428	0	0	22,405	22,405	0	0	\$8.60	\$6.11	\$6.13
Cavalier	5,410,626	10.2%	135,906	0	53,121	45,454	65,206	0	\$4.25	0	\$5.03	\$4.39
Central Norfolk	4,913,954	17.9%	105,360	0	0	-33,146	-36,280	0	\$10.14	0	\$4.23	\$5.09
Cleveland	2,703,032	19%	68,665	0	0	18,833	18,833	0	\$3.00	\$11.70	\$5.51	\$6.29
Greenbrier	2,253,907	5.5%	99,587	0	0	134,552	154,150	0	0	\$7.30	\$4.11	\$4.25
Isle of Wight	3,504,978	5.1%	0	0	0	0	0	0	0	0	0	0
Lynnhaven	7,555,044	17.8%	136,742	0	16,626	116,362	116,362	0	\$4.97	\$7.04	\$4.41	\$4.12
Norfolk Industrial Park	7,497,954	9.4%	138,088	0	0	-59,005	-69,005	0	\$4.03	0	\$4.29	\$4.14
North Suffolk	2,304,280	8.8%	0	0	0	-4,774	-4,774	0	0	0	\$4.34	\$4.34
Portsmouth	4,420,5571	6.7%	23,725	0	0	40,998	40,998	0	0	0	\$4.31	\$4.33
South Suffolk	10,470,942	5.4%	135,753	0	0	52,961	52,961	0	\$3.67	0	\$4.01	\$4.05
West Norfolk	2,373,169	9.4%	56,047	0	0	9,801	9,801	0	\$2.93	0	\$5.63	\$6.14
SOUTHSIDE	65,131,416	8.9%	1,009,660	0	69,747	328,324	338,288	0	\$4.07	\$8.66	\$4.80	\$4.84
TOTALS	92,419,224	7.2%	1,248,329	0	69,747	399,524	409,596	0	\$4.49	\$8.63	\$4.96	\$4.96

MARKET HIGHLIGHTS

SIGNIFICANT Q3 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
3800 Cook Blvd	Cavalier	ESI	Warehouse	28,000
SIGNIFICANT Q3 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
808 Principal Court	Greenbrier	Total Life Christian Center	\$1,775,000 / \$108.06 PSF	16,425
SIGNIFICANT Q3 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
5302 W. Military Hwy	Cavalier	N/A	Q3 2014	37,553
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
FedEx Distribution Center	Copeland	Fed-Ex	Q3 2015	190,000 (100%)

*Indicates Renewal and is not included in statistics