

MARKETBEAT INDUSTRIAL SNAPSHOT

HAMPTON ROADS, VA A Cushman & Wakefield Research Publication

Q4 2014



ECONOMIC OVERVIEW

The Port of Virginia continues to be the brightest economic driver for the region and the industrial market. The largest volume of lease transactions will continue to be in warehousing/distribution space. Employment and gross regional product growth is expected to be modest. Military spending and sequestration impact will most likely be negative. Manufacturing may be the unexpected winner this year with energy costs and availability very attractive to high-energy process users. Overall, 2014 points toward another year of stability and measured growth in the industrial sector through 2015.

LEASING ACTIVITY AND ABSORPTION

2014 closed with strong activity in Suffolk and Airport Industrial Park. Suffolk experienced increased demand from growing Port volumes, resulting in a significant drop in vacancy to less than 6%. Airport Industrial Park offers a central Hampton Roads location prime for distribution. Norfolk Commerce Park vacancy increased with USA discounters moving out of 115,000 sf, but the market remains healthy. Greenbrier and Oyster Point continue to fill vacancies quickly due to a vibrant business environment and limited industrial availabilities.

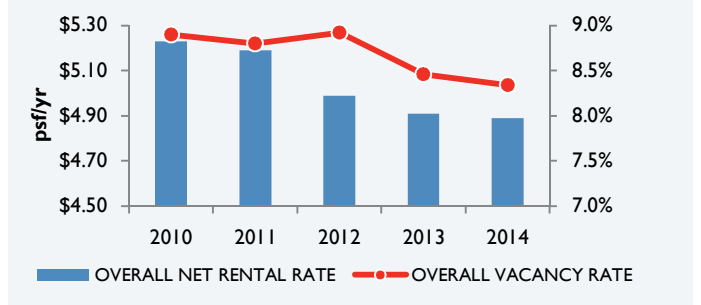
TRENDS

The industrial market continued to modestly improve throughout 2014. Port-related activity will drive demand for distribution and warehouse users, but may need to look outside central Hampton Roads for useable space. Although rates are still too low for developers to build new inventory, several users have utilized existing space. California Cartage took over a 130,860-sf cross dock facility in Chesapeake that had been vacant since 2011. Additionally, VT Milcom overcame restrictions associated with NAS Oceana to secure 90,000 sf for use in 2015.

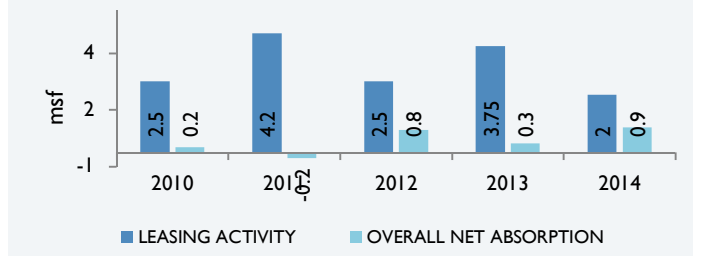
STATS ON THE GO

	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.2%	7.3%	-0.9pp	◀▶
Direct Asking Rents (psf/yr)	\$4.91	\$4.97	1.2%	◀▶
YTD Leasing Activity (sf)	1,044,768	2,046,275	95.9%	◀▶

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	10,723,523	6.4%	123,266	357,000	0	-1,412	-1,412	\$4.46	\$9.42	\$4.39
Gloucester	227,936	13.7%	0	0	0	0	0	-	-	-
Oakland	4,199,200	6.5%	20,623	0	0	141,326	141,326	\$5.60	-	\$4.75
Oyster Point	3,961,235	4.7%	49,022	0	0	-48,486	-48,486	-	-	\$4.40
Williamsburg	8,074,064	4.4%	10,653	0	0	20,312	20,312	\$4.40	-	\$5.65
PENINSULA	27,185,958	7.1%	203,564	357,000	0	113,152	113,152	\$4.82	\$9.42	\$4.80
Airport Industrial Park	3,199,602	4.2%	120,699	0	0	5,768	5,768	\$3.55	-	\$5.78
Bainbridge	261,991	3.1%	145,260	0	0	11,746	11,746	-	\$7.20	\$6.74
Cavalier	5,238,985	7.2%	305,366	0	131,747	161,112	161,112	\$4.25	-	\$4.34
Central Norfolk	4,914,154	14.5%	140,695	0	0	19,034	19,034	\$8.09	-	\$4.33
Cleveland	2,693,389	15.5%	105,285	0	0	-1412	-1412	\$3.00	\$11.02	\$9.31
Greenbrier	2,253,907	4.1%	129,061	0	0	155,454	182,038	-	\$6.88	\$4.11
Isle of Wight	3,504,978	5.1%	0	0	0	0	0	-	-	-
Lynnhaven	7,604,214	15.3%	215,071	58,000	0	142,070	142,070	\$4.13	\$8.11	\$4.18
Norfolk Industrial Park	7,518,398	4.9%	173,324	0	0	34,236	34,236	\$4.23	\$5.96	\$4.08
North Suffolk	2,304,280	7.1%	40,000	0	0	33,300	33,300	-	-	\$4.44
Portsmouth	4,423,571	5.6%	110,356	0	0	-51,032	-51,032	-	\$5.10	\$4.41
South Suffolk	10,470,942	3.4%	302,694	0	0	233,858	233,858	\$3.37	-	\$4.31
West Norfolk	2,373,169	7.1%	54,900	0	0	66,654	66,654	\$2.73	-	\$5.13
SOUTHSIDE	65,022,946	7.47%	1,842,711	58,000	131,747	810,788	837,788	\$4.17	\$7.38	\$5.10
TOTALS	92,208,904	7.3%	2,046,275	415,000	131,747	923,940	950,524	\$4.49	\$8.40	\$4.95

MARKET HIGHLIGHTS

SIGNIFICANT Q4 2014 LEASE TRANSACTIONS

	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
ProLogis Crossdock	Cavalier	California Cartage Co. LLC	Distribution	130,860
1400 Cavalier Blvd	Cavalier	Continental Terminals	Warehouse	96,842
3100 Elmhurst Lane	Portsmouth	United States Postal Service	Distribution	80,000

SIGNIFICANT Q4 2014 SALE TRANSACTIONS

	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
5722-5740 Curlew Dr	Norfolk Industrial Park	PCS Curlew Propco, LLC	\$3,200,000 / \$40	80,170
800 Seaboard Ave	Bainbridge	Tecnico Corp	\$3,050,000 / \$53	58,000
1360 Ingleside Rd	Airport Industrial Park	Bettye Kight Living Trust	\$900,000 / \$67	13,500
2509 Encounter Court	Lynnhaven	Encounter Properties	\$678,000 / \$53	12,750

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%)
Green Flash Brewery	Lynnhaven	Green Flash Brewery	Q1 2015	58,000 (100%)