

MARKETBEAT INDUSTRIAL SNAPSHOT

HAMPTON ROADS, VA

A Cushman & Wakefield Research Publication



ECONOMIC OVERVIEW

As of February 2014, the Virginia unemployment rate decreased to 4.9%, the lowest rate since November 2008. The Hampton Roads economy will benefit from a recent contract awarded to a partnership including Norfolk Southern which will export over 700 vehicles from Portsmouth Marine Terminal to China. Hopefully this will lead to a long-term deal. The port of Virginia has also enjoyed success so far this year, with March bringing the first month of operating profit (\$150,000) in seven months.

These success stories may contribute to a stronger market in the coming months, although they are relatively small gains overall.

LEASING ACTIVITY AND ABSORPTION

The first quarter of 2014 shows a few stubborn trends continuing from last years' modest market performance. Leasing activity and net absorption are weak, with asking rents and vacancy rates remaining unchanged. It appears a few leases were signed in the first quarter, with no real standout sub-markets yet for 2014.

Current tenants in the marketplace seeking space total over 2 million square feet, with commodities warehouse space needing the bulk of that space. Small industrial users indicate a modest comeback, with over twenty deals less than 25,000 square feet currently looking for space.

Performing submarkets continue to be 'core', located around population centers in Virginia Beach, Chesapeake, and the Peninsula.

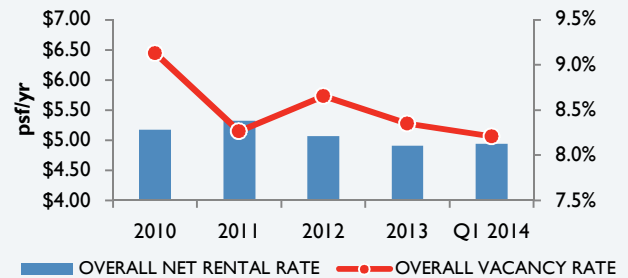
TRENDS

There are no discernable trends present in the market that would point to increased interest and absorption in Hampton Roads. A healthy employment picture may provide additional pressure for industrial space. Port twenty foot equivalent unit (TEU) volume continues to reach record numbers, which may provide users for warehouse and distribution space. Lack of real net absorption will discourage new development. It is expected that pressures will continue to mount as vacancies erode.

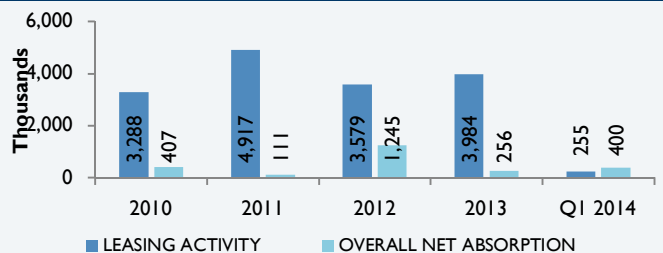
STATS ON THE GO

	Q1 2013	Q1 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	8.3%	8.2%	0.1 pp	↕
Direct Asking Rents (psf/yr)	\$5.00	\$4.94	-0.01%	↕
YTD Leasing Activity (sf)	1,255,416	254,769	-0.79%	

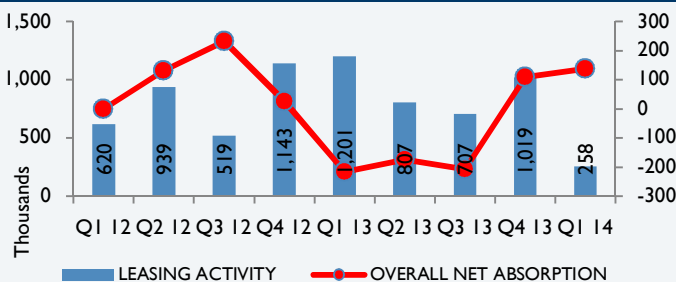
OVERALL NET RENTAL VS. VACANCY RATES



LEASING ACTIVITY VS. OVERALL NET ABSORPTION



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	6,847,141	6.6%	1,191	0	0	40,320	40,320	0	\$5.83	\$2.86	\$3.07
Gloucester	448,738	9.8%	0	0	0	0	0	0	0	0	\$3.85
Oakland	3,679,200	7.7%	20,623	0	0	119,244	119,244	0	\$5.24	0	\$5.21
Oyster Point	516,442	4.3%	28,992	0	0	0	0	0	\$6.50	\$10.05	\$7.78
Williamsburg	5,093,007	4.8%	0	0	0	9,000	9,000	0	\$3.85	\$7.99	\$6.04
PENINSULA	16,584,528	6.64%	50,806	0	0	168,564	168,564	0	\$5.35	\$6.96	\$5.27
Airport Industrial Park	2,199,046	6.8%	17,010	0	0	(1,295)	(1,295)	0	\$4.40	\$7.25	\$6.25
Bainbridge	6,533,064	3.3%	13,478	0	0	(2,100)	(2,100)	0	\$6.00	\$8.31	\$7.40
Cavalier	4,875,480	11.8%	0	65,121	11,429	9,071	9,071	0	\$5.12	\$8.32	\$4.95
Central Norfolk	8,929,770	16.5%	19,000	0	0	2,800	2,800	0	\$6.24	0	\$5.55
Cleveland	1,718,729	18.8%	4,200	0	0	14,335	14,335	0	\$3.12	\$11.42	\$6.26
Greenbrier	1,441,907	6.3%	18,505	0	0	67,829	70,126		\$4.15	\$7.00	\$6.24
Isle of Wight	2,506,008	0%	0	0	0	0	0	0	0	0	0
Lynnhaven	6,536,857	19.6%	33,911	0	40,750	35,086	35,086	0	\$4.08	\$8.57	\$5.07
Norfolk Industrial Park	6,593,137	4.3%	10,000	0	0	33,345	33,345	0	\$3.20	0	\$5.86
North Suffolk	2,404,280	10.8%	0	0	0	23,300	23,300	0	0	0	\$4.05
Portsmouth	3,391,709	6.6%	3,015	0	0	30,075	30,075		\$6.15	\$5.32	\$5.21
South Suffolk	7,342,083	6.5%	0	0	0	(14,732)	(14,732)	0	\$3.07	0	\$3.88
West Norfolk	2,288,767	10.8%	20,156	0	0	3,900	3,900	0	\$3.08	0	\$6.39
SOUTHSIDE	55,213,937	9.39%	139,275	65,121	52,179	33,050	35,347		\$3.74	\$8.03	\$5.16
TOTALS	71,898,465	8.4%	190,081	65,121	52,179	201,614	203,911	N/A	\$4.54	\$7.91	\$5.22

MARKET HIGHLIGHTS

SIGNIFICANT Q1 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
550 Woodlake Dr	Bainbridge	HD/Whitecamp Construction Supply	Industrial	32,000
SIGNIFICANT Q1 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
2424 Springfield Ave	Central Norfolk	Schaubach Companies	\$4,137,277	17.85 AC
228 Pennsylvania	Cleveland	Lois Wernick	\$800,000	20,544
SIGNIFICANT Q1 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
1028 Bells Rd II	Lynnhaven		Mar 2014	18,750 (83.3%)
1505 Taylor Farm Rd	Lynnhaven		Jan 2014	22,000 (72.5%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
808 Curtis Saunders Ct	Cavalier		June 2014	17,568
5302 W. Military Hwy	Cavalier		May 2014	37,553