

MARKETBEAT

Hampton Roads

Industrial Q4 2017



HAMPTON ROADS INDUSTRIAL

Economic Indicators

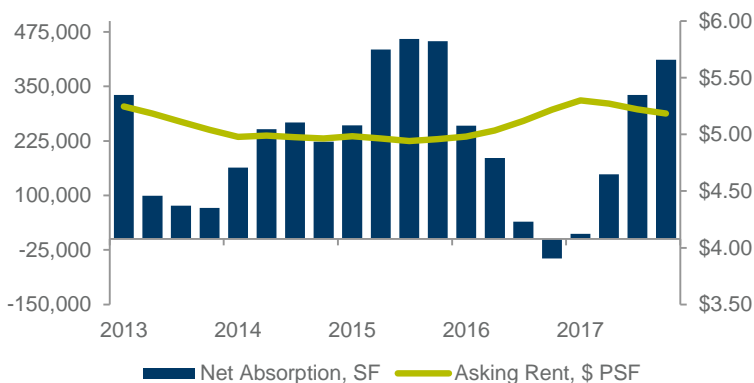
| | Q4 16 | Q4 17 | 12-Month Forecast |
|----------------------------|-------|-------|-------------------|
| Hampton Roads Employment | 773k | 765k | ▼ |
| Hampton Roads Unemployment | 4.7% | 4.2% | ▼ |
| U.S. Unemployment | 4.7% | 4.1% | ▼ |

Market Indicators (Overall, All Property Types)

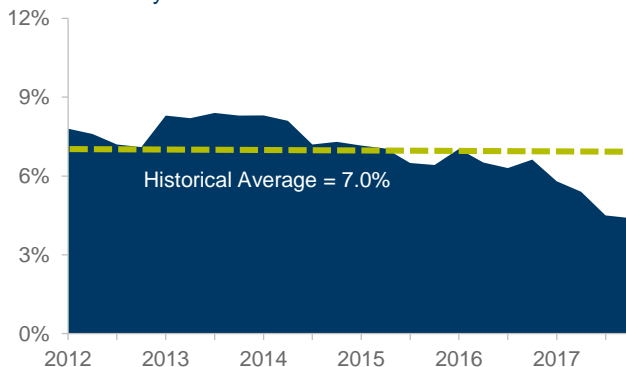
| | Q4 16 | Q4 17 | 12-Month Forecast |
|-------------------------|--------|--------|-------------------|
| Vacancy | 6.6% | 4.4% | ▼ |
| YTD Net Absorption (sf) | -177k | 2.2M | ▲ |
| Under Construction (sf) | 969k | 624k | ▼ |
| Average Asking Rent* | \$5.42 | \$5.28 | ▼ |

*Rental rates reflect net asking \$psf/year

Overall Net Absorption/Overall Asking Rent 4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

2017 finished on an optimistic note. Tax reform, regulatory repeal, and record-high stock market performance has fueled economic confidence with companies and consumers alike and GDP will likely finish the year at or just below 3%. Potential drags on the economy in 2018 could include rising interest rates, geopolitical uncertainty, and a pullback in single family home construction. Unfunded infrastructure improvements will continue to have a negative effect on the economy specific to commercial real estate, as port, rail, air, and roadway infrastructure is a major driver for industrial development. The current administration has stated specific support for funding such improvements and hopefully 2018 will see legislative commitment to these much-needed projects. Nationwide, industrial real estate continues its bull run with little indication that it will subside in 2018.

Market Overview

Reflecting the national trend, Hampton Roads saw 3.2 million square feet (msf) of leasing activity in 2018 along with 2.2 msf of net absorption, both of which are strong numbers for the market. The overall market vacancy rate of 4.4% reflects continued absorption with limited delivery of new industrial product. There are only a few construction projects in the pipeline, pointing to a very tight 2018 for tenants and buyer-users. With limited building availability, prices are expected to rise. While investment buyers typically look for larger buildings to purchase, value can be found in smaller properties located in submarkets such as Oakland Industrial Park, Cavalier Industrial Park, and the Cleveland Street Corridor.

Outlook

Hampton Roads should benefit from increased defense spending in 2018, which will continue to buoy demand for industrial space. The Port of Virginia continues its growth surge with record levels of container traffic, and the Port is the only facility on the East Coast that has received congressional approval to deepen its shipping channel to 55'. The manufacturing sector is expected to make gains in the region during 2018 as significant announcements are expected in the coming months on new construction in support of manufacturing and R & D in Hampton Roads. Overall, rental rates will increase, absorption will improve, and vacancy will continue to decline. 2018 should continue to build on the momentum created in the last few years.

MARKETBEAT

Hampton Roads

Industrial Q4 2017



| 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 (WD) |
|-----------------------------|--------------|-------------------|---------------------------|----------------------|---------------------------------|------------------|-------------------------------------|-------------------------------------|-------------------------------------|
| Copeland | 198 | 10,649,802 | 178,903 | 5.7% | -222,323 | 0 | \$5.03 | N/A | \$3.10 |
| Gloucester | 7 | 227,936 | 0 | 9.9% | 0 | 0 | N/A | N/A | N/A |
| Oakland | 47 | 4,335,878 | 114,767 | 1.0% | 1,712 | 0 | \$7.20 | N/A | \$7.71 |
| Oyster Point | 60 | 3,993,833 | 101,753 | 5.3% | -5,848 | 0 | N/A | \$8.25 | \$7.19 |
| Williamsburg | 53 | 8,295,132 | 60,803 | 2.6% | 148,585 | 150,000 | N/A | N/A | \$5.75 |
| Airport Industrial Park | 55 | 3,512,105 | 171,247 | 2.6% | 81,517 | 0 | N/A | N/A | \$5.76 |
| Bainbridge | 145 | 10,192,517 | 357,527 | 2.6% | 48,463 | 0 | N/A | \$8.07 | \$6.47 |
| Cavalier | 97 | 5,415,110 | 294,482 | 1.5% | 80,078 | 0 | \$5.25 | N/A | \$7.63 |
| Central Norfolk | 78 | 5,021,059 | 256,187 | 15.2% | 250,893 | 50,000 | N/A | \$10.83 | \$5.02 |
| Cleveland | 71 | 2,859,286 | 173,715 | 1.1% | 128,724 | 0 | N/A | \$12.16 | \$8.01 |
| Greenbrier | 34 | 2,278,344 | 183,649 | 6.9% | -46,986 | 0 | N/A | \$7.00 | \$4.79 |
| Isle of Wight | 15 | 3,870,270 | 0 | 4.7% | 0 | 0 | N/A | N/A | N/A |
| Lynnhaven | 168 | 7,928,583 | 451,049 | 2.6% | 1,037,591 | 30,000 | \$6.00 | \$8.78 | \$4.88 |
| Norfolk Industrial Park | 150 | 7,519,718 | 281,203 | 5.9% | 37,711 | 0 | \$5.86 | N/A | \$4.99 |
| North Suffolk | 12 | 2,356,942 | 199,500 | 0.8% | -20,000 | 0 | N/A | N/A | \$5.50 |
| Portsmouth | 95 | 4,523,685 | 106,436 | 11.2% | -20,770 | 15,000 | \$6.51 | N/A | \$5.00 |
| South Suffolk | 88 | 11,952,006 | 284,961 | 4.2% | 659,497 | 0 | \$3.50 | N/A | \$3.57 |
| West Norfolk | 68 | 2,426,099 | 12,829 | 2.9% | 40,283 | 0 | \$4.59 | N/A | \$6.37 |
| HAMPTON ROADS TOTALS | 1,441 | 97,358,305 | 3,229,011 | 4.4% | 2,199,127 | 245,000 | \$5.83 | \$9.68 | \$5.02 |

*Rental rates reflect asking \$psf/year

MF = Manufacturing OS = Office Service/Flex WD = Warehouse/Distribution

Key Lease Transactions Q4 2017

| PROPERTY | SF | TENANT | TRANSACTION TYPE | SUBMARKET |
|---------------------|--------|---------------------------------------|------------------|--------------|
| 3732 Cook Boulevard | 31,330 | Cryomax USA, Inc. | Renewal | Cavalier |
| 700 Boundary Street | 25,160 | Ram Tool & Supply Co., Inc. | New | Bainbridge |
| 1709 Endeavor Drive | 16,240 | Total Quality Assurance International | Renewal | Williamsburg |
| 550 Woodlake Circle | 15,848 | Amarr Garage Doors | Renewal | Bainbridge |

Key Sales Transactions Q4 2017

| PROPERTY | SF | SELLER/BUYER | PRICE / \$PSF | SUBMARKET |
|-----------------------------|---------|---|--------------------|---------------|
| 273 S. Saratoga Street | 214,000 | Golden Peanut Company, LLC / Charles Parr | \$225,000 / \$1.05 | South Suffolk |
| 300 Portcentre Parkway | 78,000 | Challenge Builders, LLC / Belfast Bay II, LLC | \$6,900,000 / \$89 | Portsmouth |
| 2401 Castleton Commerce Way | 27,000 | Beavers and Sons, LLC / ARR Property, LLC | \$370,000 / \$14 | Lynnhaven |

Cushman & Wakefield | Thalhimer
1 BayPort Way, Suite 100
Newport News, VA 23606
thalhimer.com

For more information, contact:
Bill Throne
First Vice President
Tel: +1 757 499 2692
bill.throne@thalhimer.com

About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm with 45,000 employees in more than 70 countries helping occupiers and investors optimize the value of their real estate. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$6 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

Copyright © 2018 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.