

# MARKETBEAT

# Hampton Roads

Industrial Q4 2018



CUSHMAN & WAKEFIELD

THALHIMER

## HAMPTON ROADS INDUSTRIAL

### Economic Indicators

	Q4 17	Q4 18	12-Month Forecast
Hampton Roads Employment	779k	790k	▲
Hampton Roads Unemployment	4.0%	3.2%	▼
U.S. Unemployment	4.1%	3.7%	▼

Numbers above are quarterly averages; November 2018 data used to represent Q4 2018

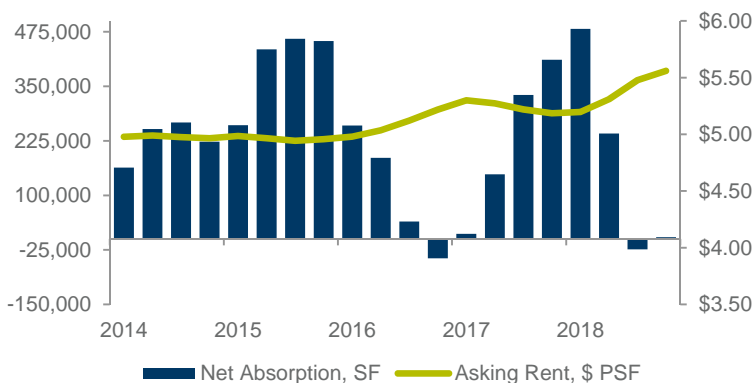
### Market Indicators (Overall, All Property Types)

	Q4 17	Q4 18	12-Month Forecast
Vacancy	4.4%	4.1%	▼
YTD Net Absorption (sf)	2.2M	76k	▼
Under Construction (sf)	245k	701k	▲
Average Asking Rent*	\$5.28	\$5.61	▲

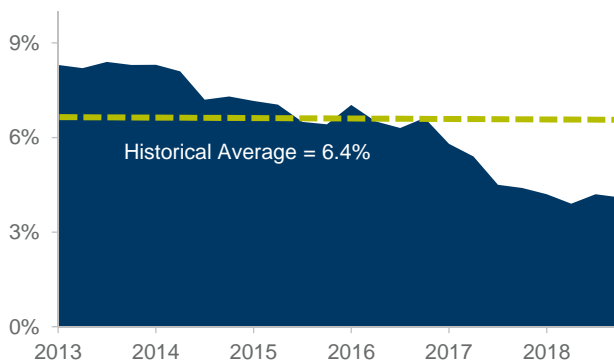
\*Rental rates reflect net asking \$psf/year

### Overall Net Absorption/Overall Asking Rent

#### 4-QTR TRAILING AVERAGE



### Overall Vacancy



## Economy

U.S. economic growth accelerated in 2018 due in part to tax cuts and increased government spending. Real gross domestic product (GDP) increased by 3.5% in third quarter 2018 – a slight dip from second quarter GDP growth of 4.2% – marking 36 consecutive quarters of positive GDP growth. Heading into 2019, GDP growth is expected to slow as effects of last year's tax cuts and federal spending fade. Hampton Roads continues to lag behind the country with a growth rate of 2.2%, still below the region's historical average of 2.6%; however, the region's economic outlook for 2019 is positive as defense spending is projected to increase, the Port of Virginia continues to break annual TEU traffic records, and tourism and the hospitality sector remain strong.

## Market Overview

The Hampton Roads industrial market ended 2018 with a bang. Several large transactions occurred, most notably the sale of the former Aetna Wire building in the Airport Industrial Park. A regional investment group purchased the 320,000-square foot (sf) manufacturing facility while simultaneously inking a more than 10-year lease with a third-party logistics firm. The new owner will convert the facility into a distribution warehouse. With soaring construction costs and a lack of available product, expect the infill industrial redevelopment trend to continue in 2019. Vacancy remained stable, posting a 4.1% rate for fourth quarter 2018. Average industrial asking rent for the region increased 6.3% over the past 12 months.

## Outlook

The national industrial sector is expected to continue its bullish run into 2019. The eCommerce evolution shows no signs of slowing and there will be more tenants with last-mile distribution requirements seeking space in the areas core markets. Vacancy rates will remain below historic averages and asking rent will continue to rise as there is very little new construction in the pipeline. Increased defense spending and growth at the Port of Virginia will drive greater demand than in 2018.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	YTD LEASING ACTIVITY (SF)	OVERALL VACANCY RATE	OVERALL NET ABSORPTION (SF)	YTD UNDER CNSTR (SF)	OVERALL WEIGHTED AVG. NET RENT (MF)*	OVERALL WEIGHTED AVG. NET RENT (OS)*	OVERALL WEIGHTED AVG. NET RENT (W/D)*
Copeland	198	10,680,608	134,110	2.9%	288,139	0	\$5.59	N/A	\$5.59
Gloucester	7	222,954	0	0.0%	22,500	0	N/A	N/A	N/A
Oakland	47	4,475,570	151,000	2.8%	-78,938	0	\$7.00	N/A	\$7.00
Oyster Point	63	4,043,336	86,673	2.9%	112,571	0	N/A	\$8.25	N/A
Williamsburg	54	8,426,201	38,700	1.5%	38,656	0	N/A	N/A	\$5.77
Airport Industrial Park	58	3,616,576	161,425	15.0%	-465,934	0	\$4.82	N/A	\$4.82
Bainbridge	144	10,402,233	377,615	1.9%	86,577	20,800	\$10.49	\$9.86	\$10.15
Cavalier	99	5,614,579	73,090	6.8%	-341,712	0	\$5.25	N/A	\$5.25
Central Norfolk	81	5,192,366	193,434	12.6%	-5,423	0	N/A	\$10.63	\$10.63
Cleveland	71	2,858,302	48,911	1.6%	-14,197	0	N/A	\$11.31	\$11.31
Greenbrier	35	2,278,949	290,648	8.2%	-28,158	0	N/A	N/A	N/A
Isle of Wight	15	3,870,270	0	0.0%	180,000	0	N/A	N/A	N/A
Lynnhaven	170	8,272,983	227,301	5.0%	-232,721	680,000	\$6.50	\$8.56	\$8.10
Norfolk Industrial Park	152	7,741,909	158,793	2.9%	195,789	0	\$5.51	N/A	\$5.51
North Suffolk	12	2,276,942	20,000	3.6%	-61,704	0	N/A	N/A	N/A
Portsmouth	96	4,281,511	228,487	6.4%	240,312	0	\$7.50	N/A	\$7.50
South Suffolk	88	11,947,226	109,134	3.5%	48,434	0	N/A	N/A	N/A
West Norfolk	68	2,360,194	6,744	1.6%	32,744	0	\$6.03	N/A	\$6.03
<b>HAMPTON ROADS TOTALS</b>	<b>1,458</b>	<b>98,562,709</b>	<b>2,306,065</b>	<b>4.1%</b>	<b>16,935</b>	<b>700,800</b>	<b>\$5.49</b>	<b>\$10.03</b>	<b>\$5.51</b>

\*Rental rates reflect asking \$psf/year

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

## Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1537 Air Rail Avenue	320,000	World Distribution Services	New	Airport Industrial
1187 Azalea Garden Road	188,000	SpartanNash	Renewal	Norfolk Industrial
2000 Enterprise Parkway	155,107	Tecnico Corporation	New	Copeland
2555 Ellsmere Avenue	103,687	United States Postal Service	Renewal	Central Norfolk

## Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
3321 Princess Anne Road	415,419	Thirtythree-Twentyone Realty Corp. / 3321 Princess, LLC	\$2,500,000 / \$6	Norfolk Industrial
1537 Air Rail Avenue	320,000	Eastern Electric Sales Co. / Lingerfelt Commonwealth	\$8,000,000 / \$25	Airport Industrial
1441 Crossways Boulevard	143,398	Gov Props Inc. Trust / IP DSC Crossways-1545, LLC	\$8,800,000 / \$61	Bainbridge
275 Pickett's Line Road	90,000	MDH Partners JV Harvard Mgmt.Co. / Blackstone	\$7,600,000 / \$84	Oakland

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