

NORFOLK | INDUSTRIAL

Q3 2018



Accelerating success.

		CHESAPEAKE+ VA BEACH	PENINSULA + MATHEWS	PORTSMOUTH+ NORFOLK+ AIRPORT PARK	SURRY + ISLE OF WIGHT + SUFFOLK
Inventory (SF)	Warehouse/Distribution	17,434,878	15,371,847	16,241,804	12,697,621
	Manufacturing	5,240,919	2,098,774	3,990,980	4,148,097
	Flex/R&D	6,533,349	10,336,044	3,387,808	816,645
Average Asking Rent (NNN)	Warehouse/Distribution	\$5.37	\$5.98	\$4.79	\$3.90
	Manufacturing	\$6.28	\$10.89	\$5.29	\$3.50
	Flex/R&D	\$9.65	\$6.11	\$9.16	\$10.00
Vacancy Rate	Warehouse/Distribution	4.19%	1.99%	7.48%	5.57%
	Manufacturing	0.68%	11.88%	9.45%	0.00%
	Flex/R&D	4.26%	1.38%	6.40%	-
Net Absorption (SF)	Warehouse/Distribution	13,291	158,817	12,487	19,300
	Manufacturing	630,000	4,130	(318,700)	0
	Flex/R&D	(27,482)	64,264	18,662	-

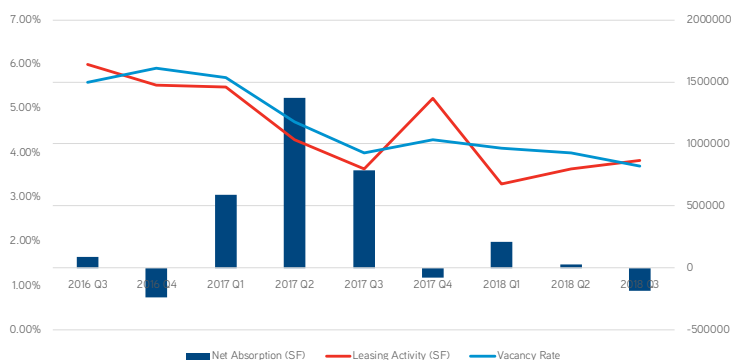
MARKET TOTALS

Net Absorption **-182,599**

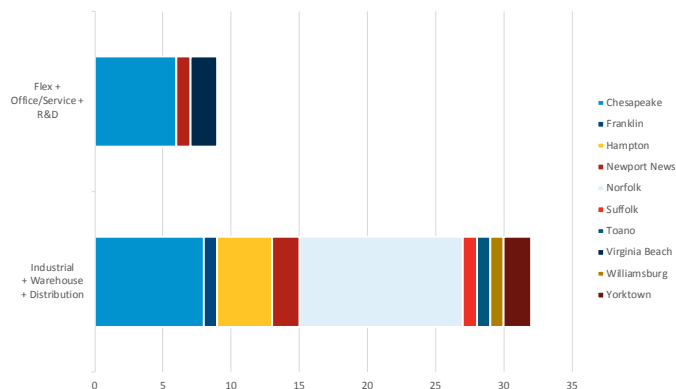
 Vacancy **3.7%**

 Asking Rents **\$5.75**

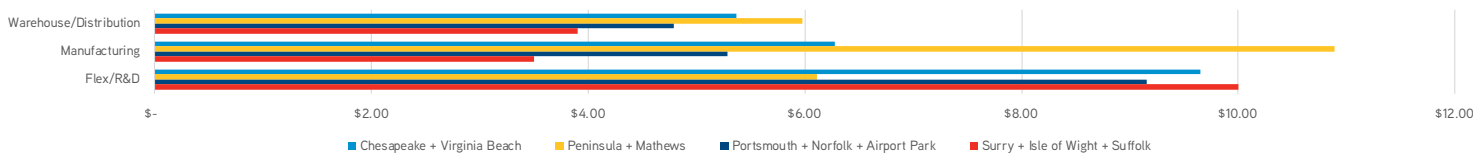
LEASING ACTIVITY, VACANCY RATES & NET ABSORPTION
(Norfolk MSA)



INDUSTRIAL & FLEX PROPERTY SALES
By Submarket



ASKING RENTS BY SUBMARKET
(NNN)





The Hampton Roads industrial market was a late bloomer, but with the local economy completing its recovery from the recession in 2017 and a rebound in port traffic, fundamentals are on solid footing. Like many slow-growth, regionally oriented distribution hubs in the country, Hampton Roads is comprised of newer distribution properties that are performing well. Logistics oriented assets constructed after 2000 continue to capture outsized demand from increasing port activity, and annual net absorption as of July topped 950,000 SF. Improvements in local consumption, along with trade at the port, have translated into an upside for demand and have certainly benefited rent growth in the metro over the past 12 months.

Robust demand growth has pulled vacancies down, which stood at 4% in June, particularly in the big box segment of the market. The local job market is still improving, container traffic at the Port of Hampton Roads continues to climb, and some third-party logistics firms and industrial suppliers are beginning to expand in the metro. The Port of Virginia is the sixth-largest container port in the U.S., linked to more than 250 ports in overseas locations. While the New York/New Jersey conglomerate of ports is considerably larger (handling over five million TEUs annually versus Virginia's slightly more than two million), minimal land in the New York region, coupled with expanding projects here, could bring more distribution centers to the area. The Panama Canal's expansion should also benefit Norfolk, because East Coast ports will be able to capture more Asian trade. In terms of rail infrastructure, Norfolk Southern and CSX both serve the metro, and according to the Port of Virginia around a third of its cargo is transloaded onto rail cars for distribution outside the metro. Norfolk Southern's Heartland Corridor project now allows double-stacked railcars to travel between the ports and Chicago, and the first phase (between Norfolk and Columbus, OH) has completed.

Norfolk has a history of supply outpacing demand, but developers have begun to respond, with demand and rent growth beginning to show signs of outperforming. As the economic recovery solidifies and vacancies fall, other large-scale speculative projects, such as the final phase of the 1.4-million-SF CenterPoint Intermodal Center, could get off the ground.

SIGNIFICANT MARKET ACTIVITY

SALES	SUBMARKET	SALE DATE	SIZE	PRICE	PRICE / SF	BUYER	NOTES
FedEx Distribution Center	Hampton	Aug 2018	198,839	\$25,750,000	\$129.50	Exan Capital LLC	Investment
2620-2626 Indian River Road (2 properties)	Chesapeake	Aug 2018	334,424	\$8,825,000	\$23.69	Phoenix Investors LLC	Investment
1005 Enterprise Circle	Chesapeake	Jul 2018	39,268	\$5,500,000	\$140.06	Averitt Express Inc	Owner/User
720 Thimble Shoals Blvd	Newport News	Jul 2018	82,397	\$4,500,000	\$54.61	BayPort Credit Union	Owner/User
1140 Azalea Garden Rd	Norfolk	Aug 2018	65,700	\$3,600,000	\$54.79	ALCO Inc	Owner/User
7400 Central Business Park Dr	Norfolk	Aug 2018	32,400	\$2,200,000	\$67.90	Dominion Contract Carpet	Owner/User
LEASES	SUBMARKET	SIGN DATE	SIZE	TENANT	NOTES		
3760 E Virginia Beach Blvd	Norfolk	Jul 2018	64,000	Tidewater Power Equipment Co	Distribution		
2555 Ellsmere Ave	Norfolk	Sep 2018	423,821	Ferguson Enterprises Inc	Warehouse		
332 Moore Avenue	Suffolk	Sep 2018	33,030	Not Disclosed	Warehouse		
476 Viking Drive	Virginia Beach	Aug 2018	22,500	Paramount Commercial Renovations	Warehouse		
814 Maxwell Drive	Hampton	Jul 2018	19,200	Not Disclosed	Manufacturing		
700 Tidewater Drive	Norfolk	Aug 2018	16,696	Not Disclosed	Warehouse		
2133 Smith Avenue	Chesapeake	Sep 2018	41,200	Carrier Enterprise LLC	Warehouse		

* indicates transaction represented by Colliers International | Richmond



The former D.D. Jones Warehouses in Chesapeake, VA were sold for \$8,825,000. The buyer was attracted to these properties because of their proximity to Portsmouth Marine Terminal, Virginia International Gateway, Norfolk International Terminal and Newport News Marine Terminal.



In July, the former RC Bottling Co warehouse at 701 W. 24th Street in Norfolk sold in an off-market sale to Mini Price Storage



Global Technical Systems (GTS), a Virginia Beach-based provider of advanced engineering solutions for the defense and homeland security industries, is currently constructing a \$54.7 million, 500,000-square-foot manufacturing center that would create 1,100 jobs on the former Owl Creek Golf Course in Virginia Beach. Expected delivery is 12/2019.

FOR MORE INFORMATION:

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