
1Q24

Hampton Roads Industrial Market Overview

NEWMARK

Market Observations

Economy

- The region’s labor market remained historically strong amid shifting macroeconomic conditions. The unemployment rate ended Q1 2024 at 2.9%, significantly lower than the national average of 3.8%.
- The industrial market is a primary economic driver in the region, with the Trade/Transportation/Utilities and Manufacturing industries encompassing 23% of the regional workforce.
- Industrial employment ended Q1 2024 with 189,600 employees within the region, which is 1.7% higher than the decade average. The industry has shown steady employment growth since experiencing historical lows at the beginning of 2020.

Major Transactions

- Industrial sales volume totaled \$215 million during Q1 2024, with the market on pace to far surpass sales volume from 2023. This sales volume is also much higher than the first-quarter historical average of \$65 million, highlighting the impressive sales activity to begin 2024.
- The largest deals of the quarter were two portfolios sold by Link Logistics Real Estate. B&D Holdings purchased a portfolio of four warehouses totaling 664,000 SF for \$81.5 million, or \$122.66 PSF, and a JV between Lovett Industrial and Heitman purchased a portfolio of four distribution facilities totaling 720,000 SF for \$73.5 million, or \$102.09 PSF.

Leasing Market Fundamentals

- The market continues to experience positive absorption, seeing 0.8 MSF of positive net absorption during Q1 2024. All of this positive absorption has created a tight market, with a vacancy rate of only 4.0% to end the quarter.
- Average asking rents ended Q1 2024 at \$9.86 PSF, an increase of 5.8% year-over-year. Overall, the market has seen an impressive 36.2% increase in rents from the beginning of 2020 through Q1 2024.
- The market’s development remains impressive, experiencing over 6.4 MSF of deliveries in 2022, almost 3.7 MSF of deliveries in 2023, and over 0.9 MSF of deliveries during Q1 2024. Furthermore, the market ended Q1 2024 with over 3.3 MSF under construction, higher than the decade average of 2.4 MSF under construction.

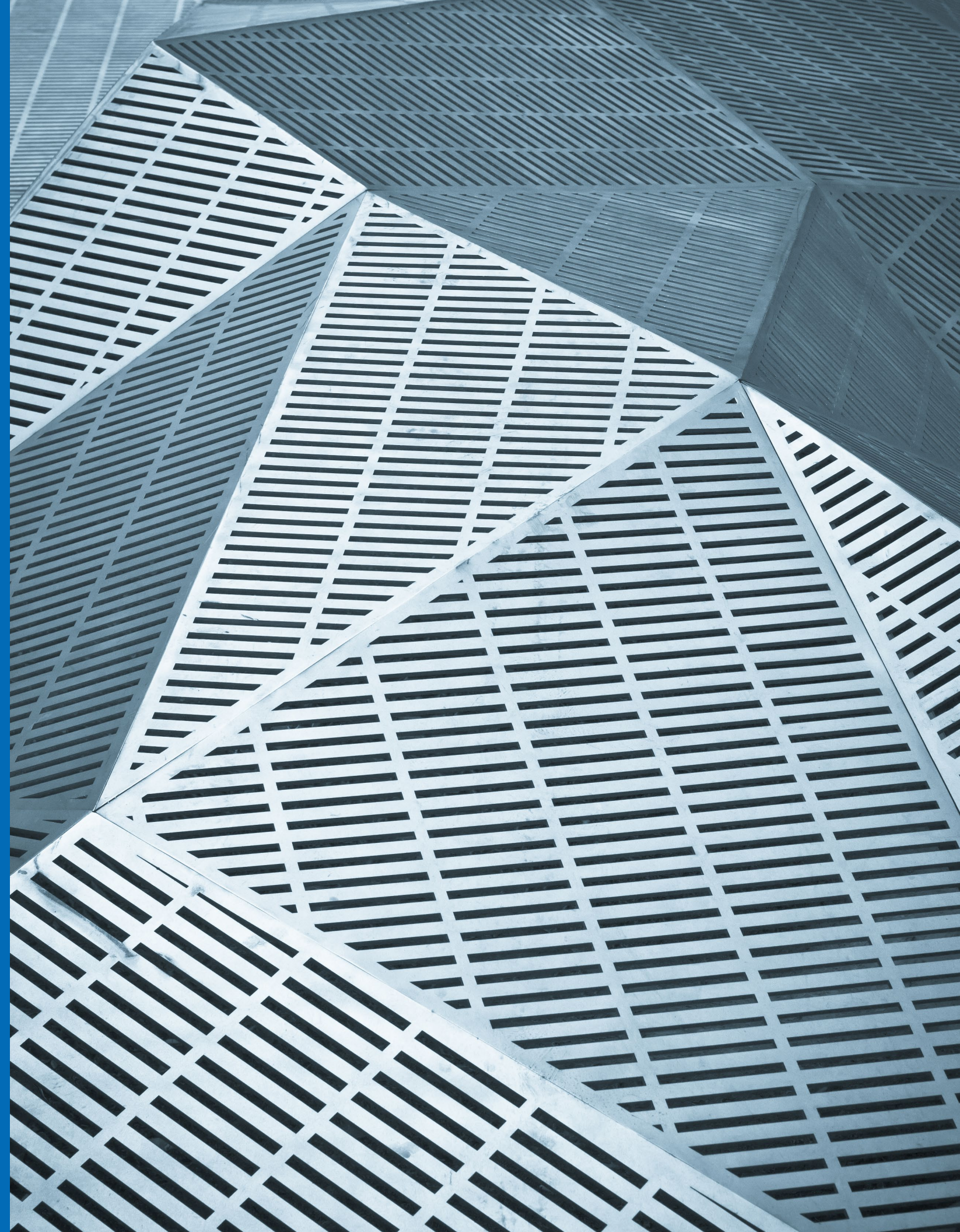
Outlook

- The Hampton Roads Industrial market will continue to perform well in the short term, as evidenced by a strong development pipeline. With over 3.3 MSF under construction, including much of the space pre-leased or owner-occupied, the market will see consistent occupied space delivered, leading to large amounts of positive net absorption.
- While supply remains limited, rent growth will continue increasing at elevated levels, although at a more modest rate than the last 3 years. This will vary on a submarket, size range, and asset-type basis.
- Leasing activity may see a slowdown due to a lack of leasable space, with continued development crucial to satiate user demand. As has been the case historically, Class A space will continue to see the most interest from landlords, tenants, and investors alike.

1. Economy
2. Leasing Market Fundamentals
3. Sales Activity
4. Market Statistics

1Q24

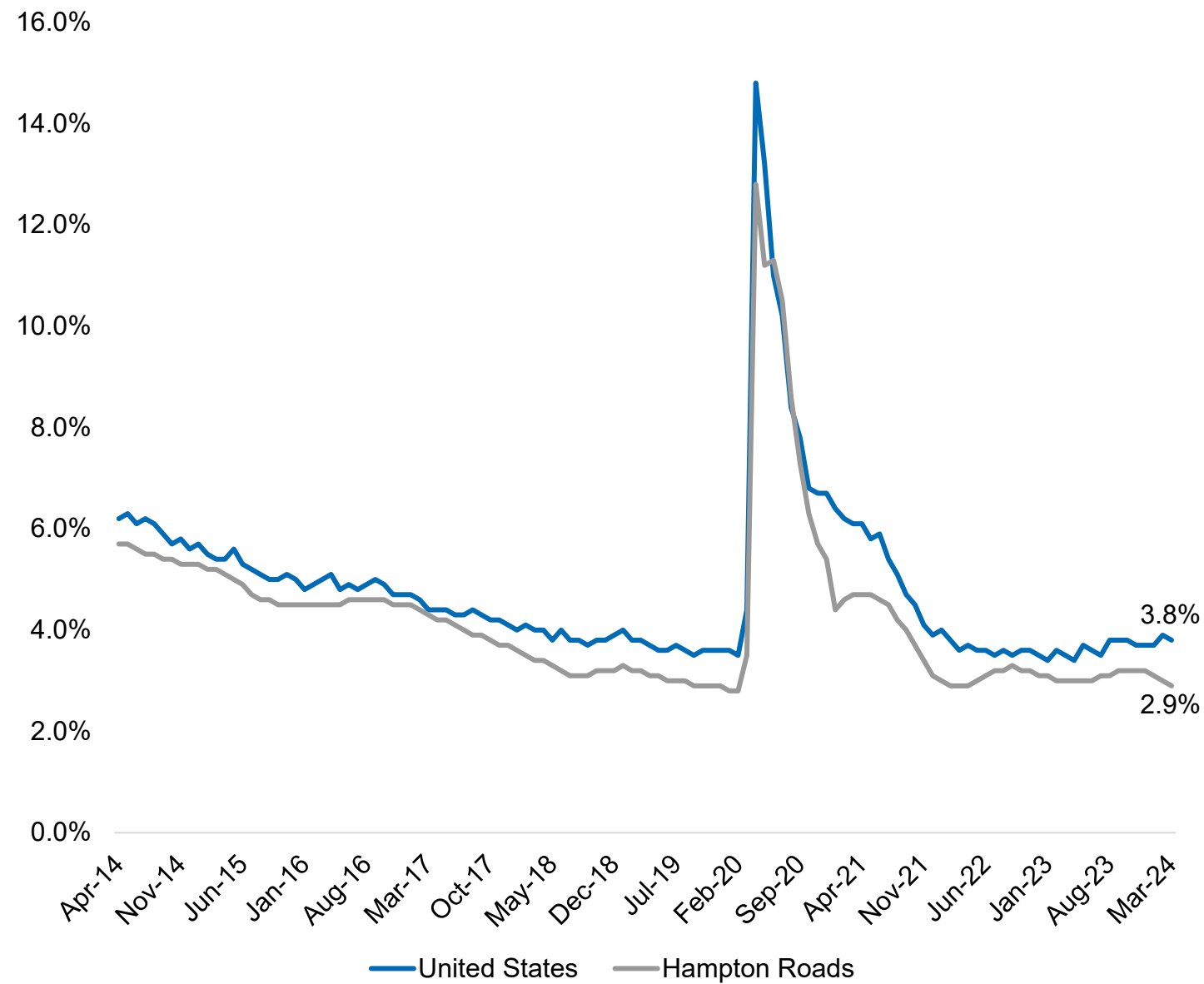
Economy



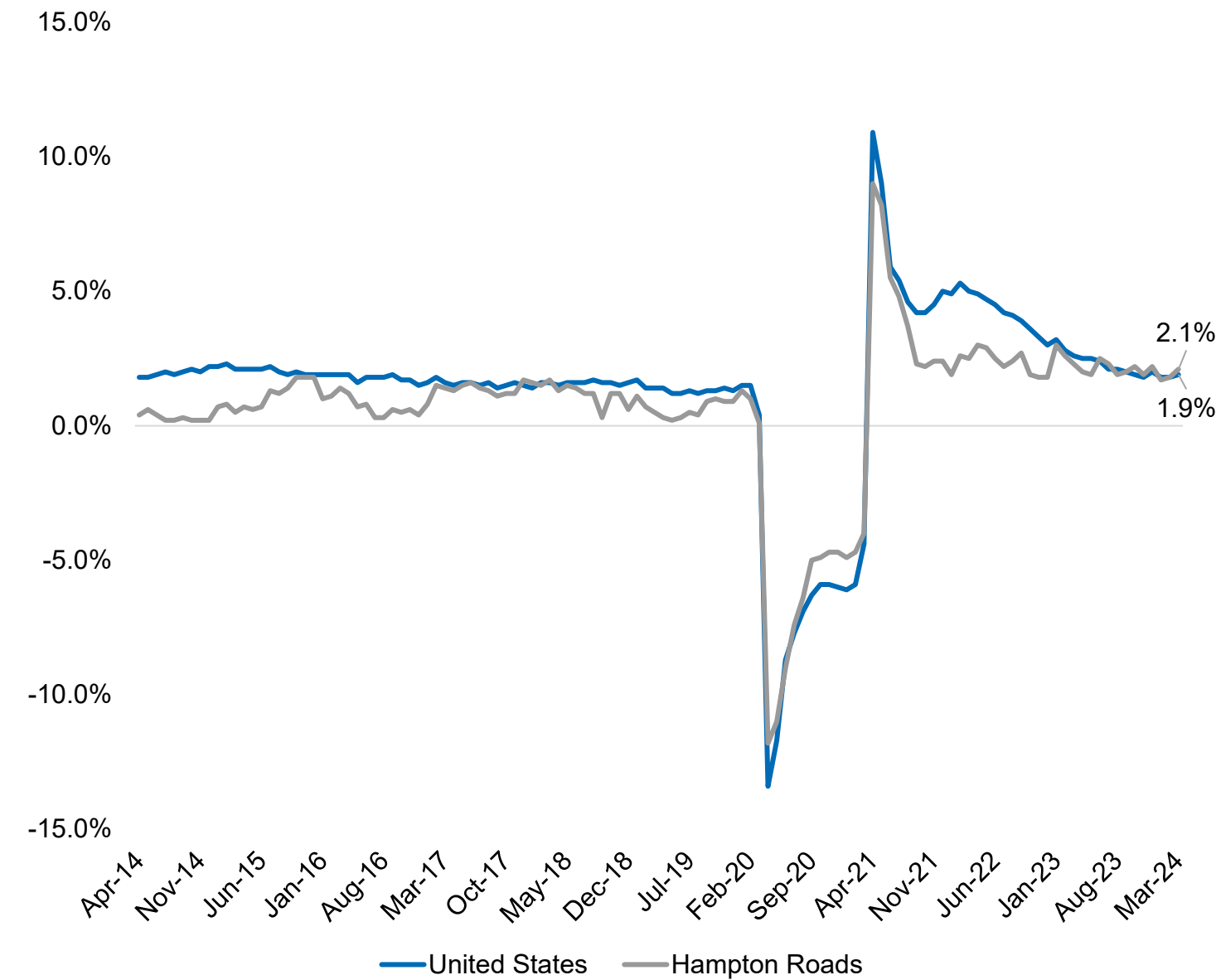
Hampton Roads' Unemployment Rate Outperforms National Average

Hampton Roads' unemployment rate continues to outperform the national average, measuring 2.9% to end Q1 2024. This is 10 basis points lower year-over-year and 90 basis points below the national average.

Unemployment Rate, Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

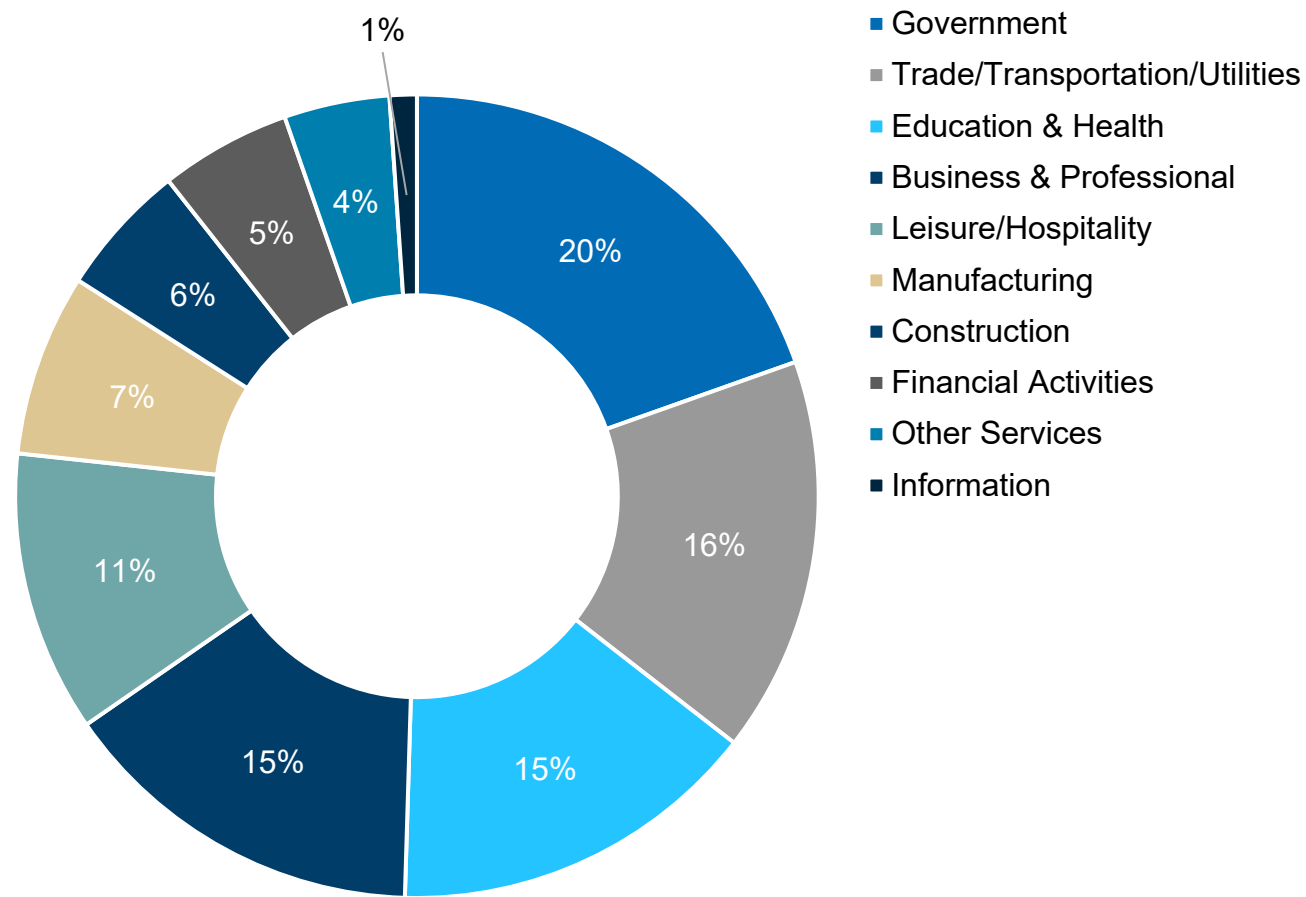


Source: U.S. Bureau of Labor Statistics, Hampton Roads

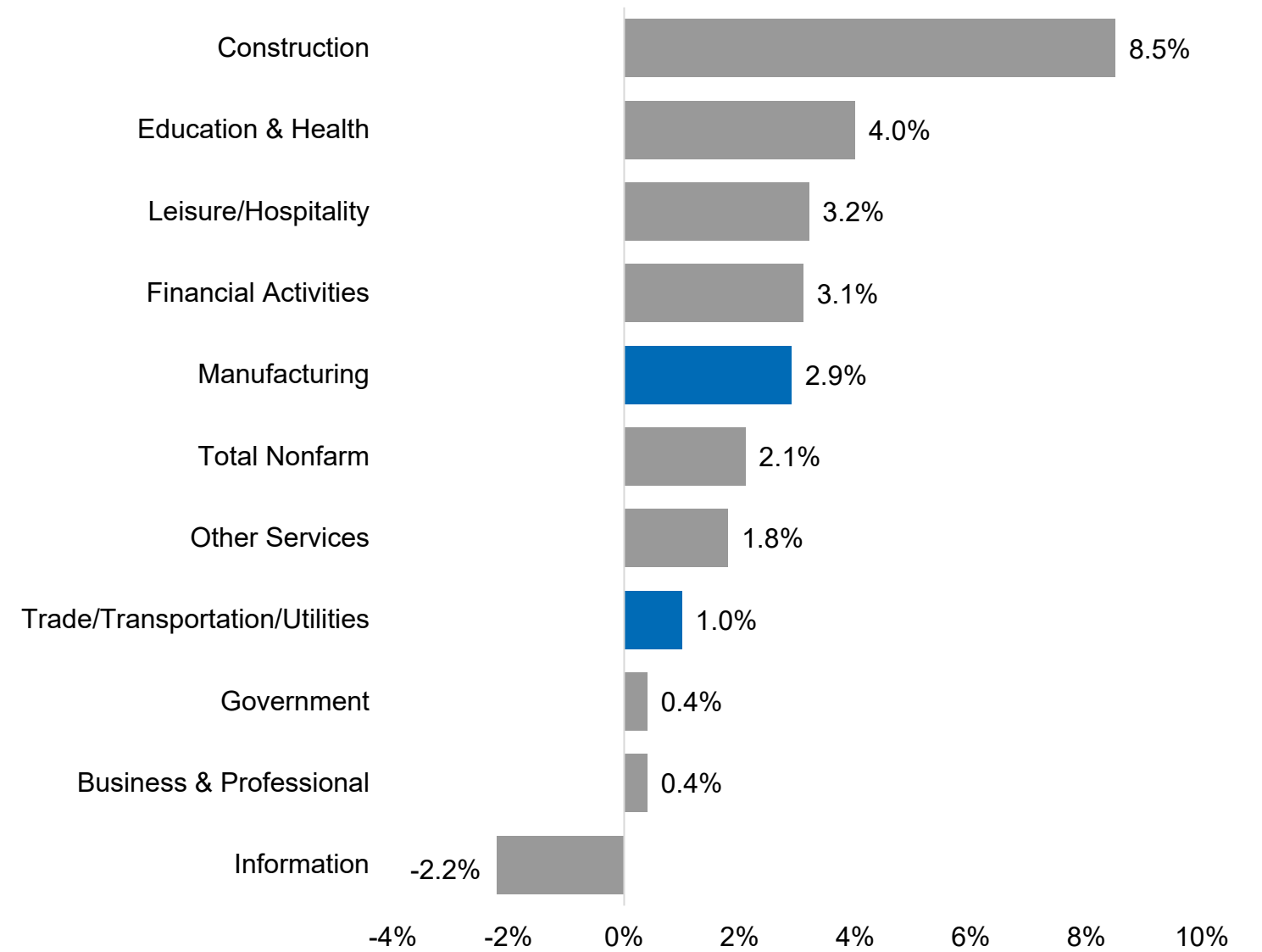
Trade/Transportation/Utilities Continues Growth as a Leading Regional Industry

Trade/Transportation/Utilities remains the second largest industry in the region, constituting 16% of the regional workforce. Furthermore, both Trade/Transportation/Utilities and Manufacturing saw positive 12-month growth, seeing growth of 1.0% and 2.9%, respectively.

Employment by Industry, March 2024



Employment Growth by Industry, 12-Month % Change, March 2024

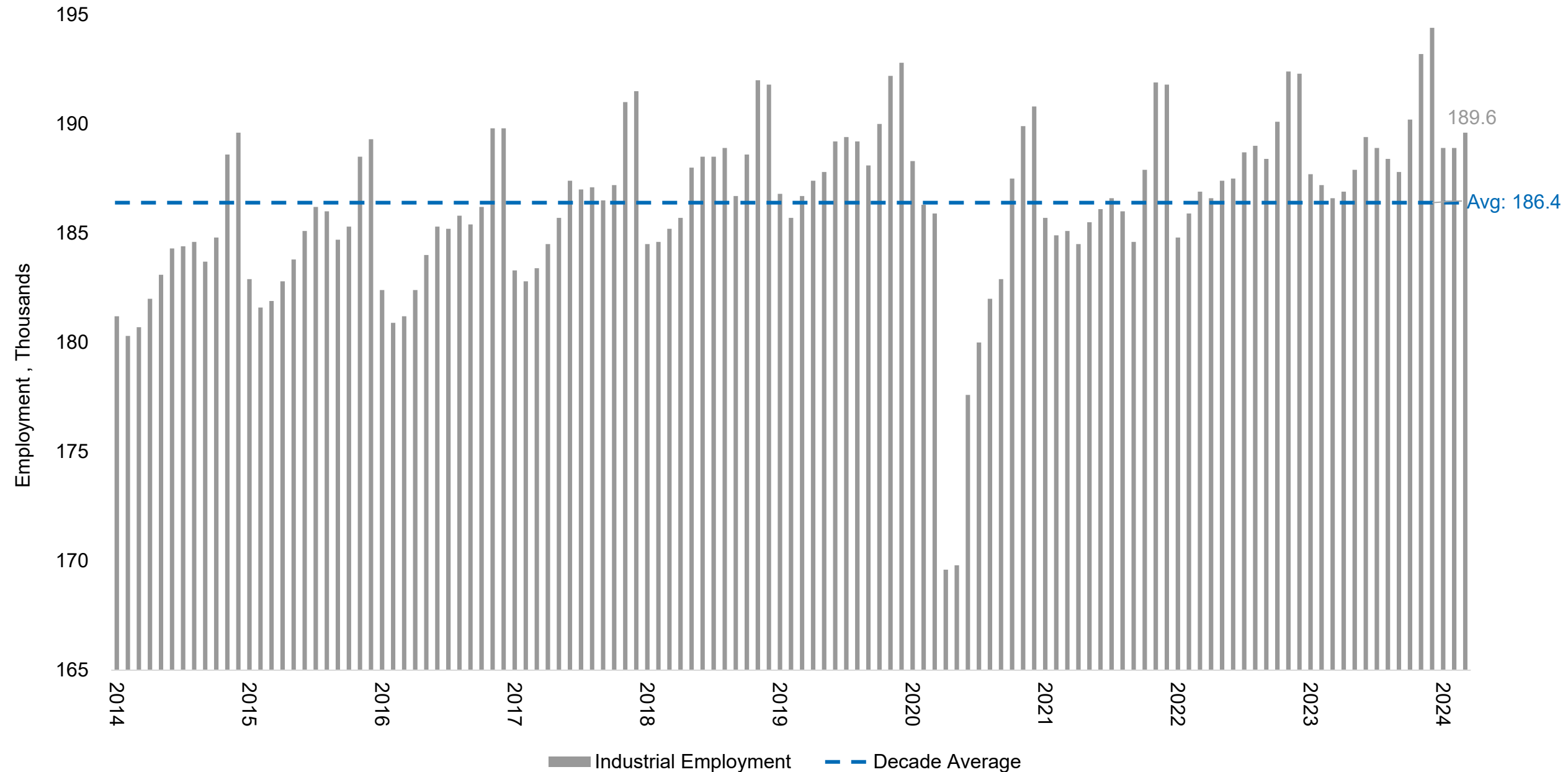


Source: U.S. Bureau of Labor Statistics, Hampton Roads

Industrial Employment Remains at Elevated Levels

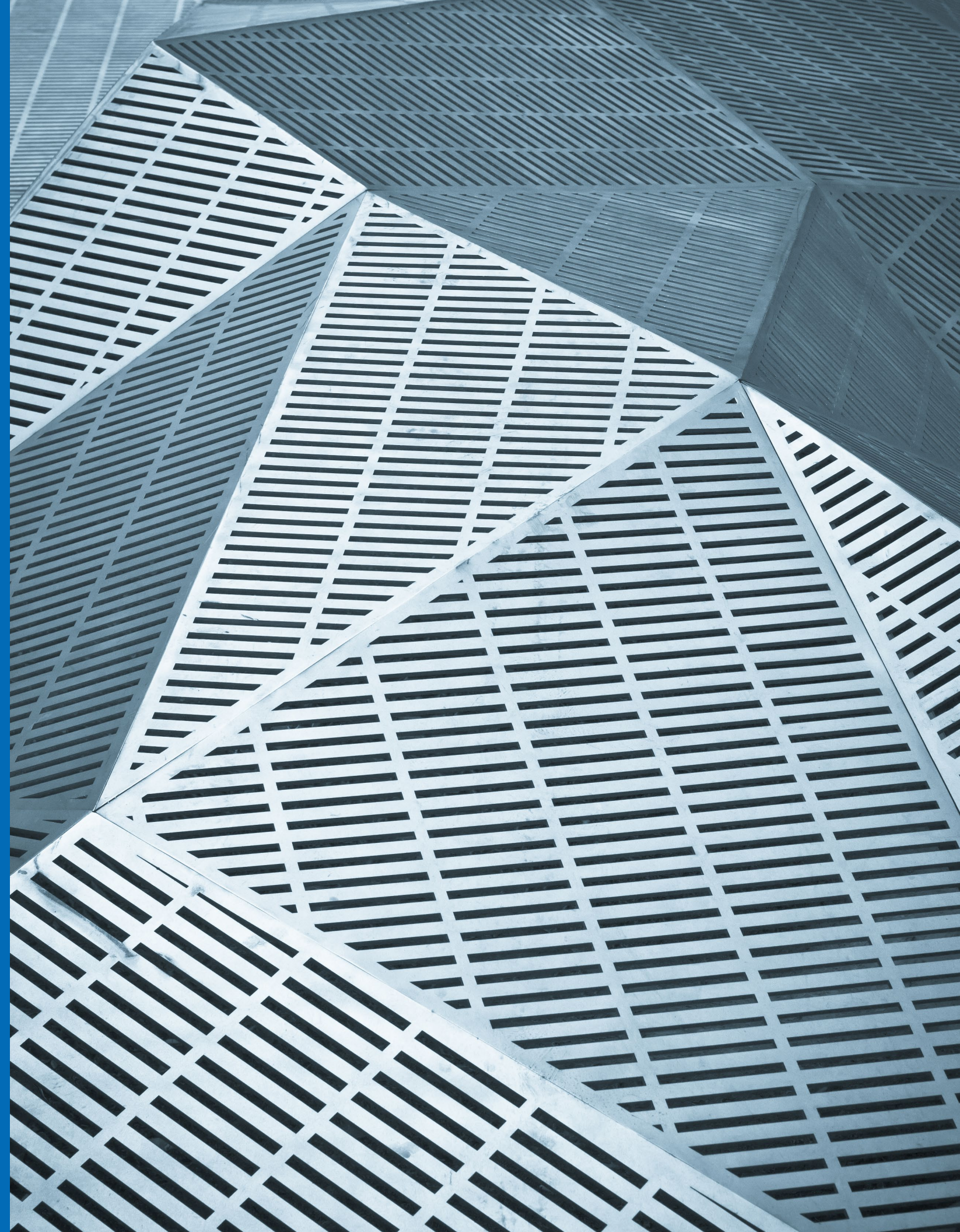
The number of industrial jobs has rebounded and now sits above pre-pandemic levels. Employment ended Q1 2024 at 189,600 employees, 1.7% higher than the decade average and an increase of 11.8% since the market reached a historical low in April of 2020.

Industrial Employment



1Q24

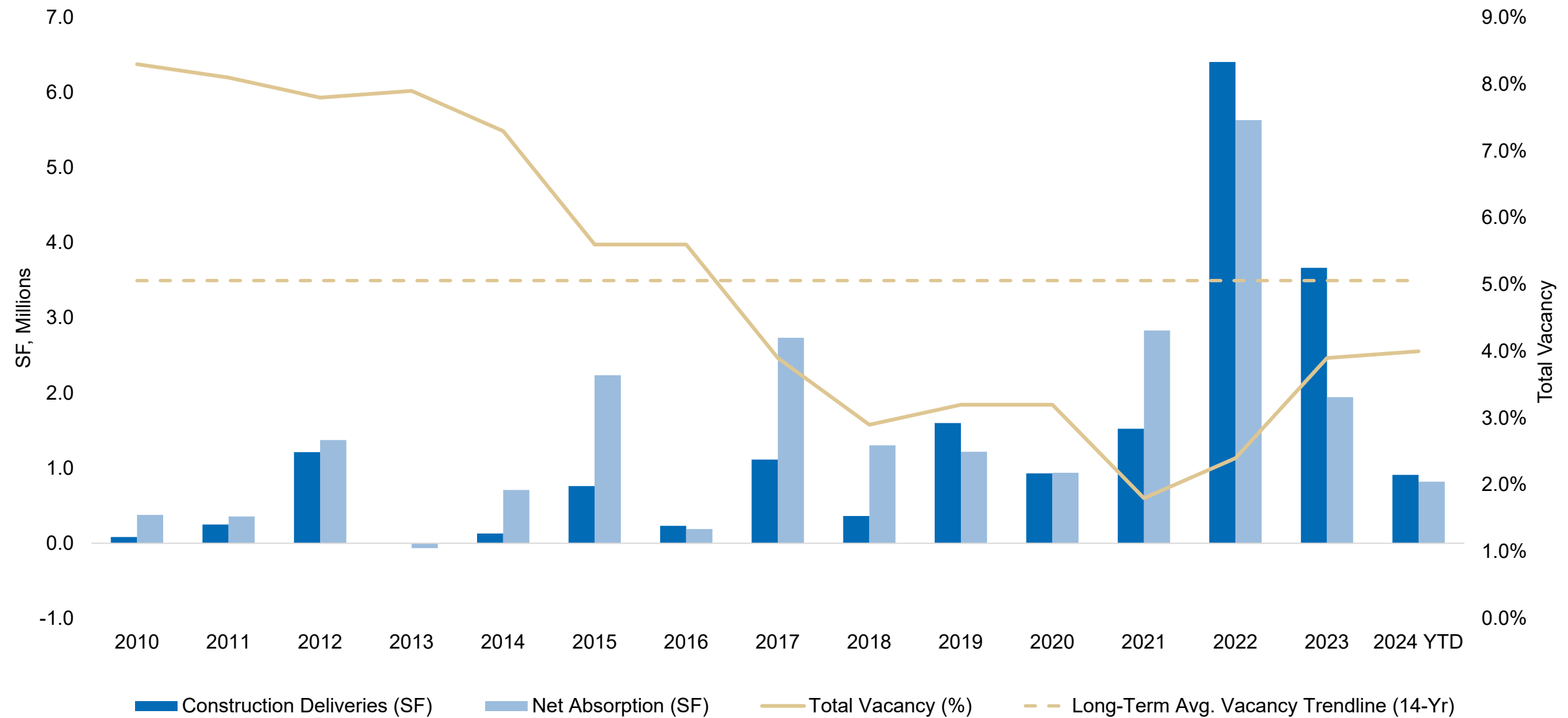
Leasing Market Fundamentals



Fundamentals Remain Healthy to Begin 2024

The Hampton Roads Industrial market continues to perform exceptionally well, as evidenced by its fundamentals. During Q1 2024, Hampton Roads experienced almost 0.9 MSF of deliveries while seeing over 0.8 MSF of positive net absorption. This continues the trend of occupied deliveries leading to large amounts of positive net absorption and tight vacancies, as the market ended Q1 2024 with a vacancy rate of 4.0%, tighter than the 14-year average of 5.1% albeit up from its historic sub-2% vacancy in 2021.

Historical Construction Deliveries, Net Absorption, and Vacancy

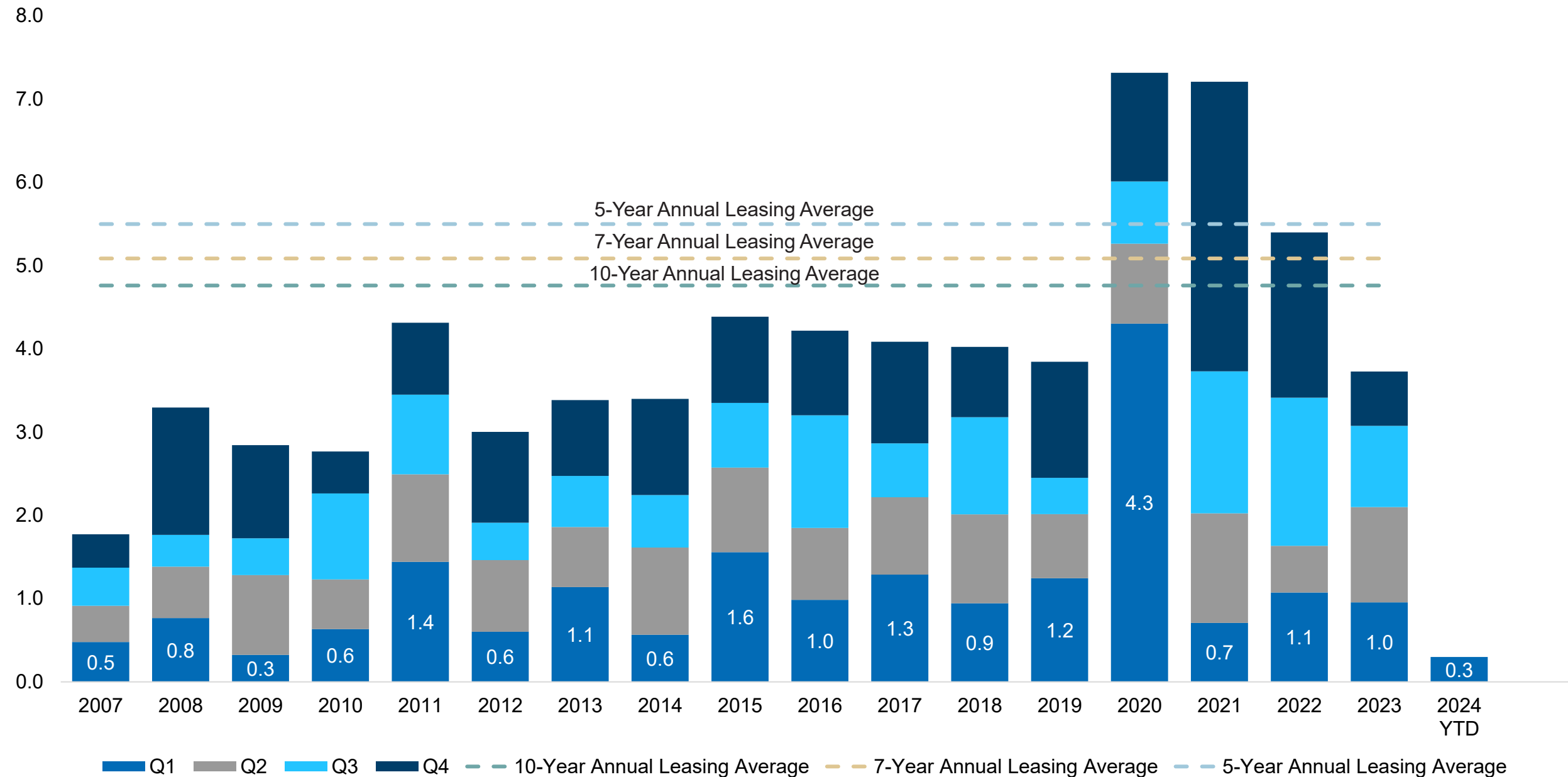


Source: Newmark Research, CoStar

Industrial Leasing Activity Slow to Begin 2024

Leasing activity was slow during Q1 2024, ending the quarter with 0.3 MSF of activity. This is lower than the first quarter historical high, when the market experienced 4.3 MSF of activity during Q1 2020, and lower than the first quarter historical average of 1.1 MSF. The market must continue delivering new product in order to meet tenant demand and accelerate leasing activity.

Total Leasing Activity (tsf)

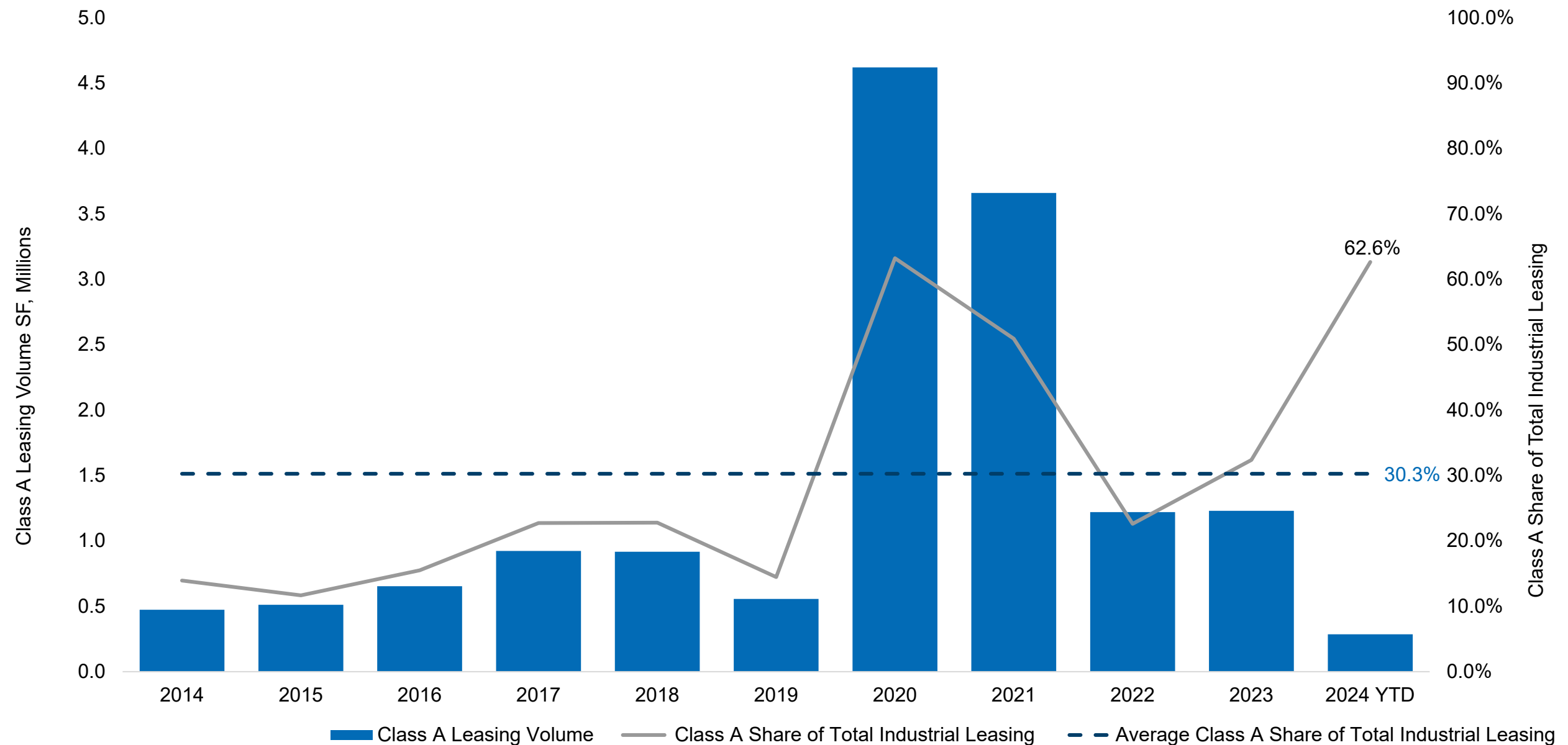


Source: Newmark Research, CoStar

Class A Industrial Leasing Above Long-Term Average

Although Class A industrial leasing activity remains below the levels of activity from 2020-2021, Class A product saw a 62.6% share of total industrial leasing in the market during Q1 2024, which is higher than the decade average of 30.3% and highlights the elevated interest in quality Class A space by occupiers. The Hampton Roads market had trailed its peers in new construction for years, which resulted in low historical Class A leasing volume prior to 2020. The market started seeing an increase in Class A deliveries during 2020, which is when Class A leasing volume accelerated. Class A leasing activity is directly correlated to new deliveries, therefore continued development is required to keep leasing activity elevated.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

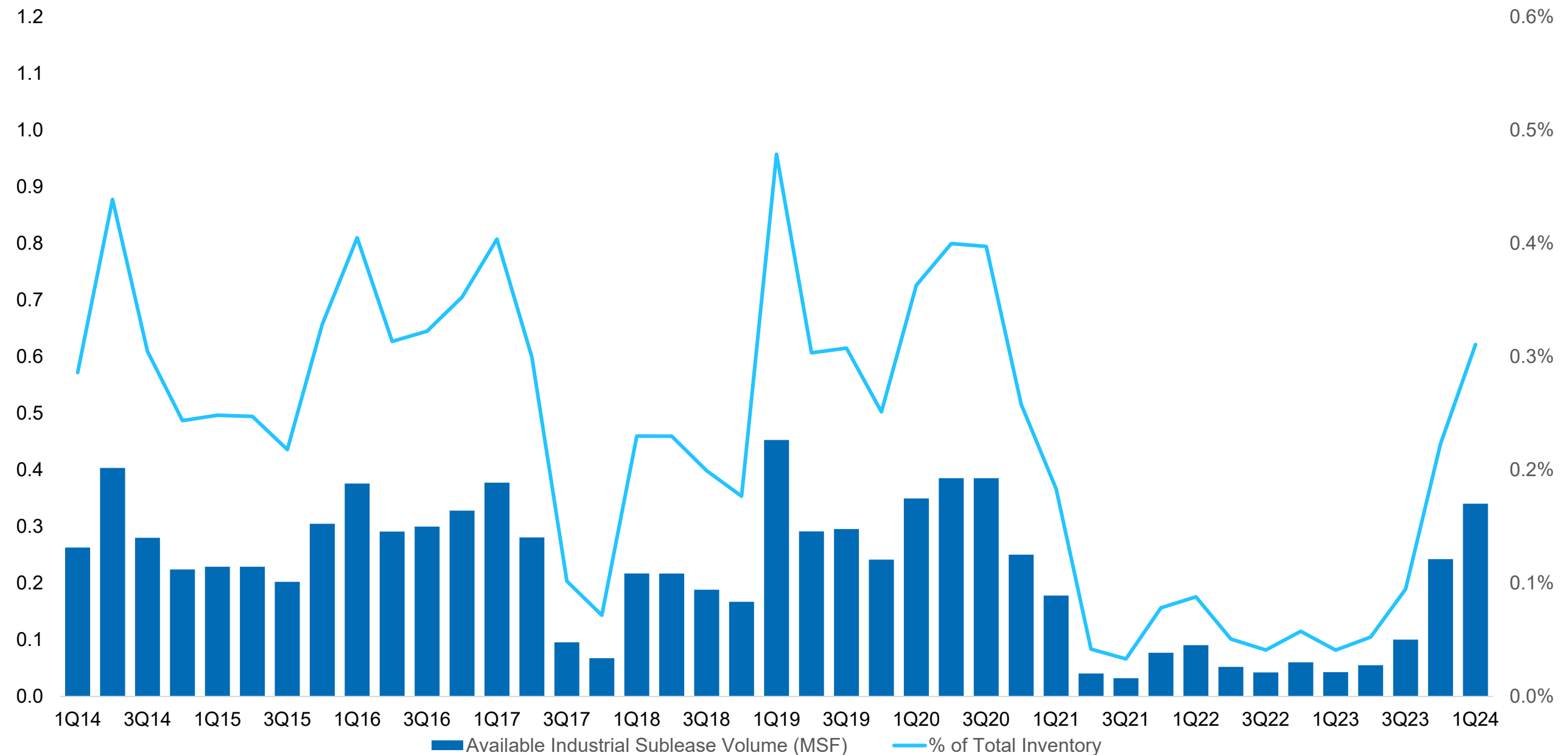


Source: Newmark Research, CoStar

Industrial Sublease Availability Remains Low, Highlighting a Tight Market

Although the market has seen a slight increase in available sublease space over the past few quarters, the market remains extremely tight, with only 340,000 SF of available sublease space to end Q1 2024. This accounts for only 0.3% of the market's total inventory, highlighting the current tightness of the market.

Available Industrial Sublease Volume (MSF) and % of Total Inventory

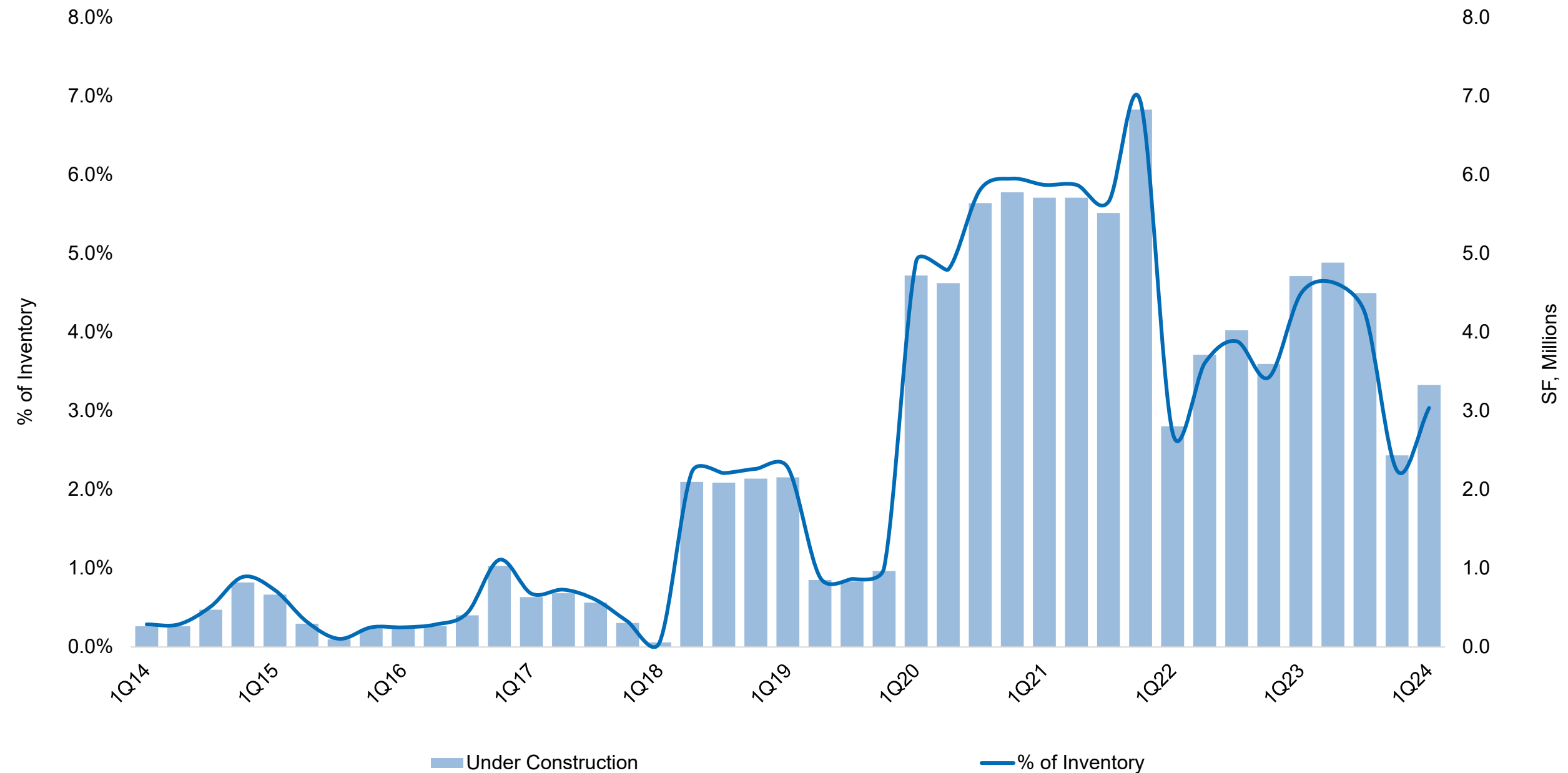


Source: Newmark Research, CoStar

Construction Supply Remains Elevated

Industrial development has exploded in the Hampton Roads region during recent years, ending Q1 2024 with 16 properties under construction totaling over 3.3 MSF. After the market averaged only 768,000 SF under construction from 2014 to 2019, development began accelerating in 2020 and reached a peak of 6.8 MSF under construction in Q4 2021. Since then, the market has maintained an elevated level of construction much higher than historical averages, although future development is expected to slow considerably in the coming years with a pipeline much more limited in scale due to macro market headwinds.

Industrial Under Construction and % of Inventory

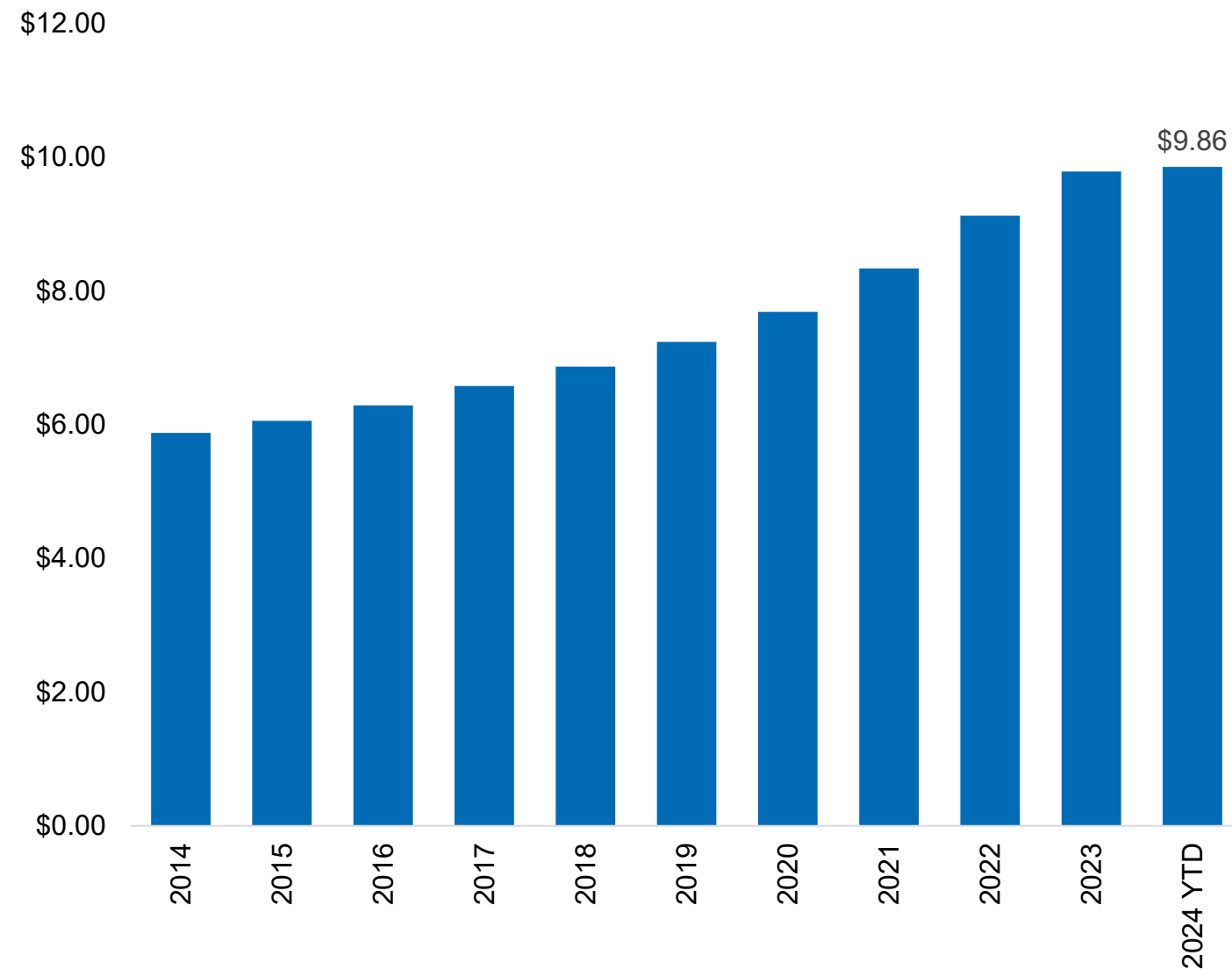


Source: Newmark Research, CoStar

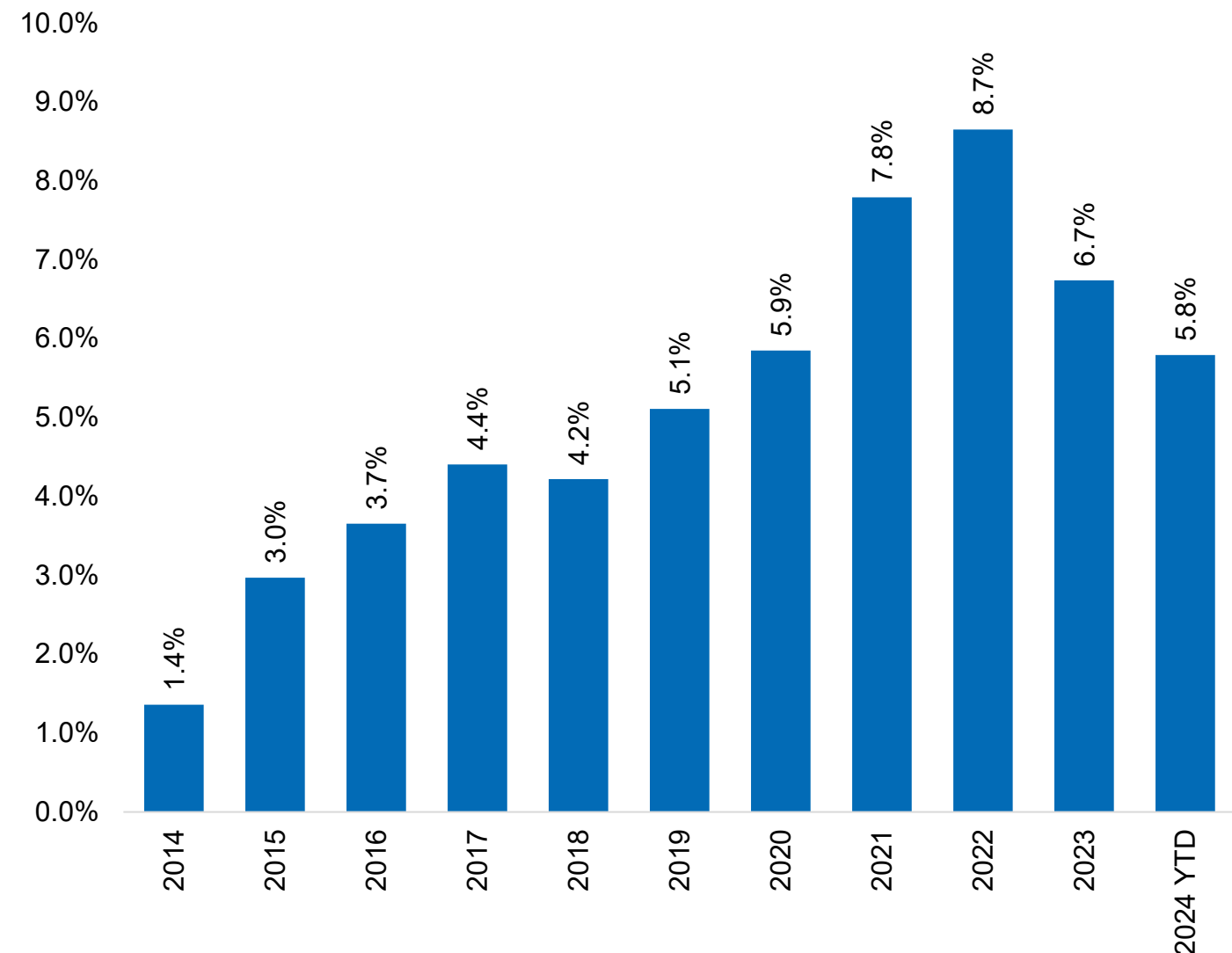
Asking Rents Continue Rapid Growth

Average asking rents ended Q1 2024 at \$9.86 PSF, an increase of 5.8% year-over-year. Although rent growth has decelerated since 2022, the market is still seeing elevated rent growth. Overall, the market has seen an impressive 36.2% increase in rents from the beginning of 2020 through Q1 2024.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable Lease Transactions

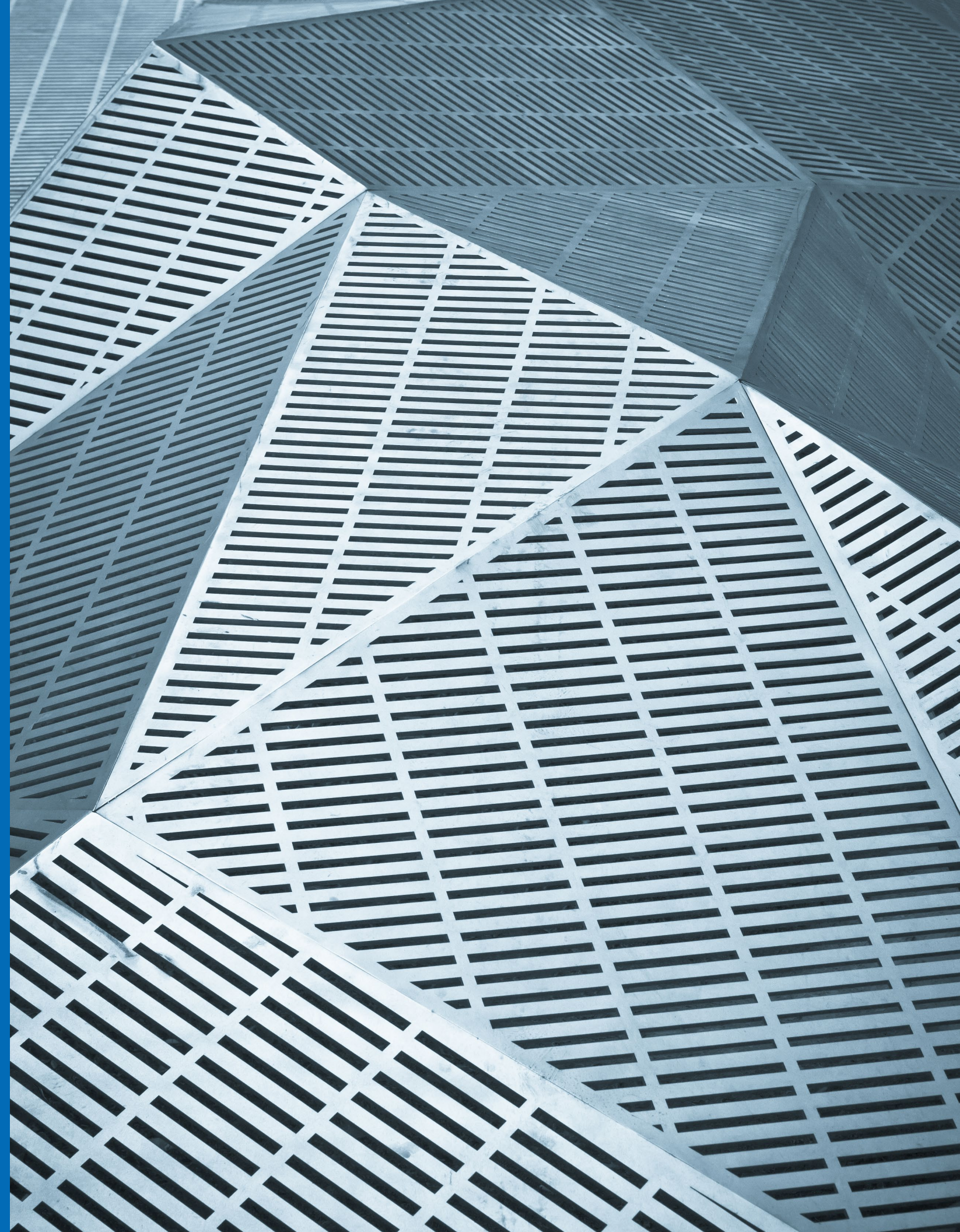
New leases were a theme of leasing activity during Q1 2024, as four of the five largest leases signed were new deals. The Southside consisted of four of those leases, highlighting the recent activity in that area of the region. FreezPak Logistics, which specializes in cold storage, signed the largest deal of the quarter, a 240,000-square-foot deal to occupy the entire building at 130 Maya Way, which is currently under construction with an estimated delivery of Q1 2025.

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
FreezPak Logistics	130 Maya Way	South Suffolk	Direct Lease	239,765
WTS Services USA	1125 Azalea Garden Rd	Norfolk Industrial Park	Direct Lease	54,637
Foundation Building Materials	1424 Baker Rd	Airport Industrial Park	Direct Lease	38,048
Daltile	5770 Thurston Ave	Airport Industrial Park	Lease Renewal	26,400
Leidos	700 Thimble Shoals Blvd	Oyster Point	Direct Lease	25,700

Source: Newmark Research, CoStar

1Q24

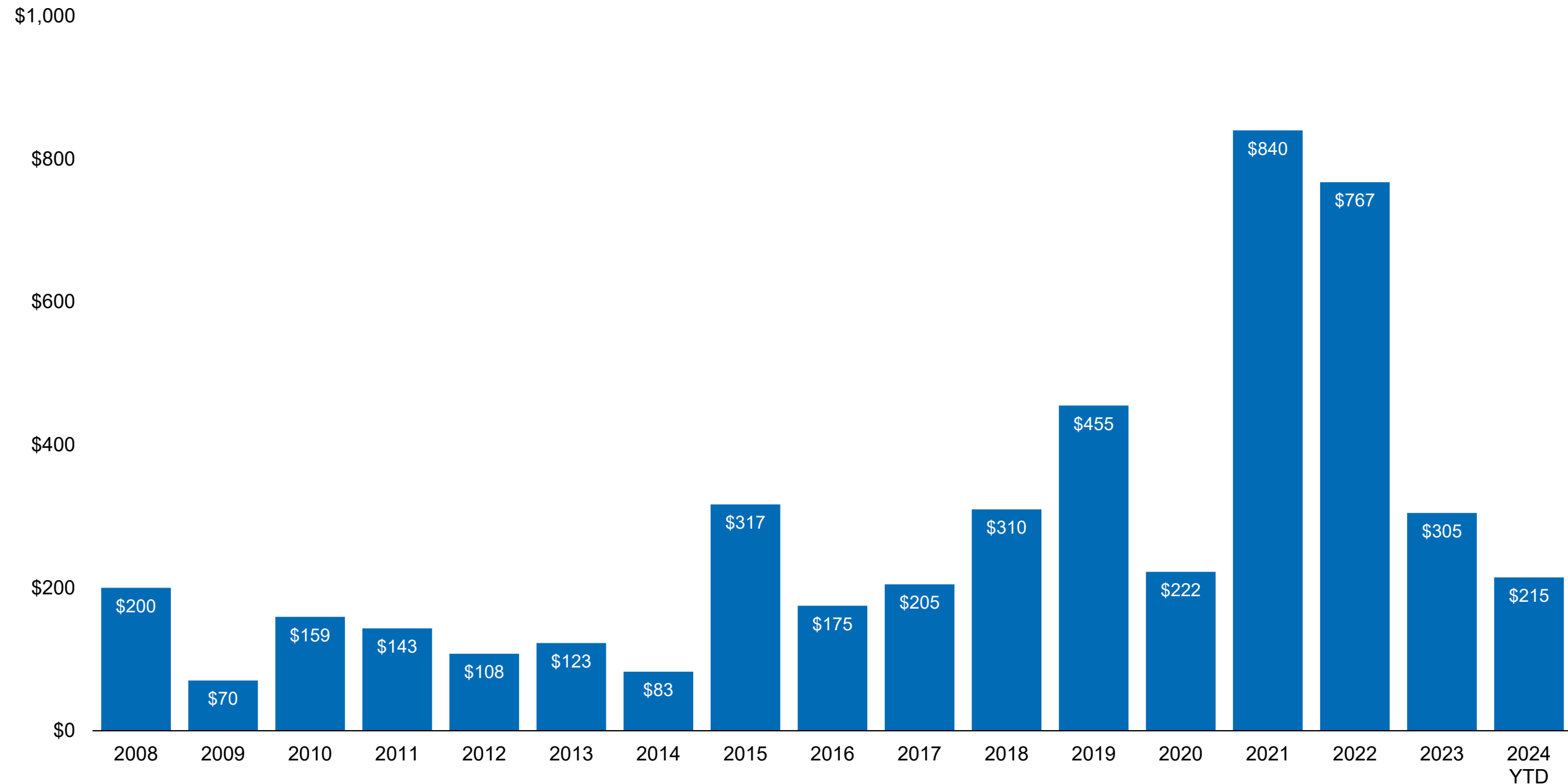
Sales Activity



Industrial Sales Volume: Up Close

Industrial sales volume totaled \$215 million during Q1 2024, with the market on pace to far surpass sales volume from 2023. Much of this sales volume was due to two portfolios sold by Link Logistics Real Estate. B&D Holdings purchased a portfolio of four warehouses totaling 664,000 SF for \$81.5 million, or \$122.66 PSF, and a JV between Lovett Industrial and Heitman purchased a portfolio of four distribution facilities totaling 720,000 SF for \$73.5 million, or \$102.09 PSF.

Hampton Roads: Industrial Sales Volume (\$ in Millions)

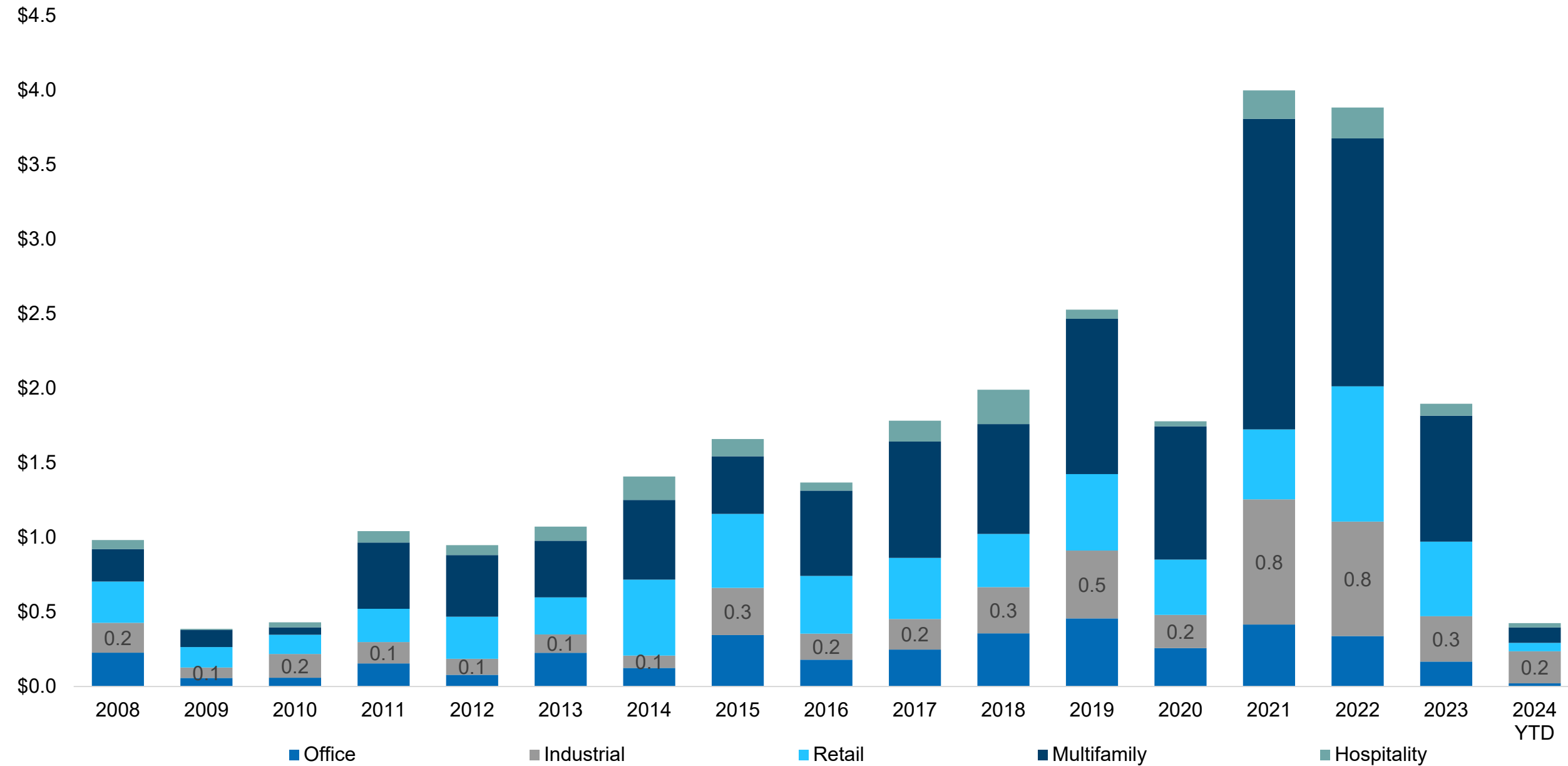


Source: Newmark Research, CoStar

Industrial Comprised 50.5% of Total Sales Volume in Q1 2024

Industrial product experienced an uptick in sales activity during Q1 2024, with the Hampton Roads market seeing \$215 million of industrial sales volume during the quarter, which comprised 50.5% of total sales volume. Industrial sales volume could reach a record annual high if this pace continues throughout the rest of 2024.

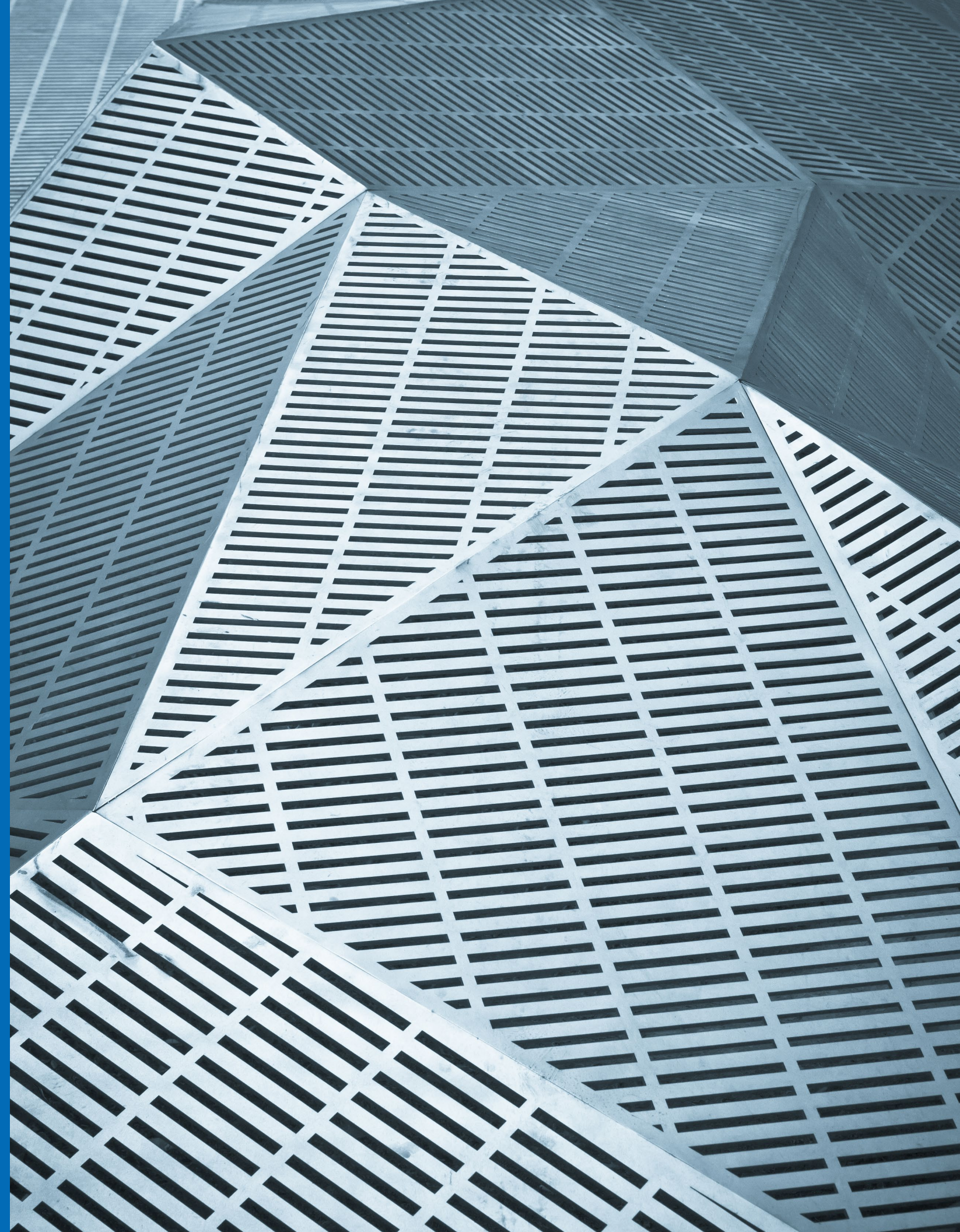
Hampton Roads: Sales Volume Across Commercial Property Segments (\$ in Billions)



Source: Newmark Research, CoStar

1Q24

Market Statistics



Please reach out to your
Newmark business contact for this information

For more information:

Carolyn Bates

Director

Mid-Atlantic Research

carolyn.bates@nmrk.com

Chad Braden

Senior Research Analyst

Mid-Atlantic Research

chad.braden@nmrk.com

New York Headquarters

125 Park Ave.

New York, NY 10017

t 212-372-2000

nmrk.com

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at

All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.

NEWMARK