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2Q24

# 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 Q2 2024 at 2.8%, significantly lower than the national average of 4.0%.
- 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. Furthermore, Trade/Transportation/Utilities and Manufacturing both saw positive 12-month growth of 1.2% and 2.9%, respectively.
- Industrial employment ended May 2024 with 191,100 employees within the region, which is 2.5% higher than the decade average. The industry has shown steady employment growth since experiencing historical lows at the beginning of 2020.

## Major Transactions

- The largest sale of the quarter was Bridgeway Business Center, which was sold by Ashley Capital to InLight Real Estate Partners. The 707,000-square-foot distribution facility was sold for \$50.5 million, or approximately \$71.43 PSF. The property, located at 6701 College Drive within Suffolk, was 100% occupied by five tenants at the time of sale. The buyer purchased the property as a value-add opportunity with a secure cash flow and value creation potential through property improvements.
- The largest lease signed during the quarter was Emser Tile renewing over 400,000 square feet of space at 1061 Centerpoint Drive within the Virginia Port Logistics Park in Suffolk. Suffolk remains a premier submarket with two of the top three leases signed during the quarter.

## Leasing Market Fundamentals

- The market continues to experience positive absorption, seeing 136,000 SF of positive net absorption during Q2 2024. All of this positive absorption has created a tight market, with a vacancy rate of only 4.1% to end the quarter.
- Average asking rents ended Q2 2024 at \$9.87 PSF, an increase of 4.2% year-over-year. Overall, the market has seen an impressive 36.5% increase in rents from the beginning of 2020 through Q2 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 almost 1.3 MSF of deliveries during the first half of 2024. Furthermore, the market ended Q2 2024 with 15 properties under construction totaling over 4.0 MSF, higher than the decade average of 2.5 MSF under construction.

## Outlook

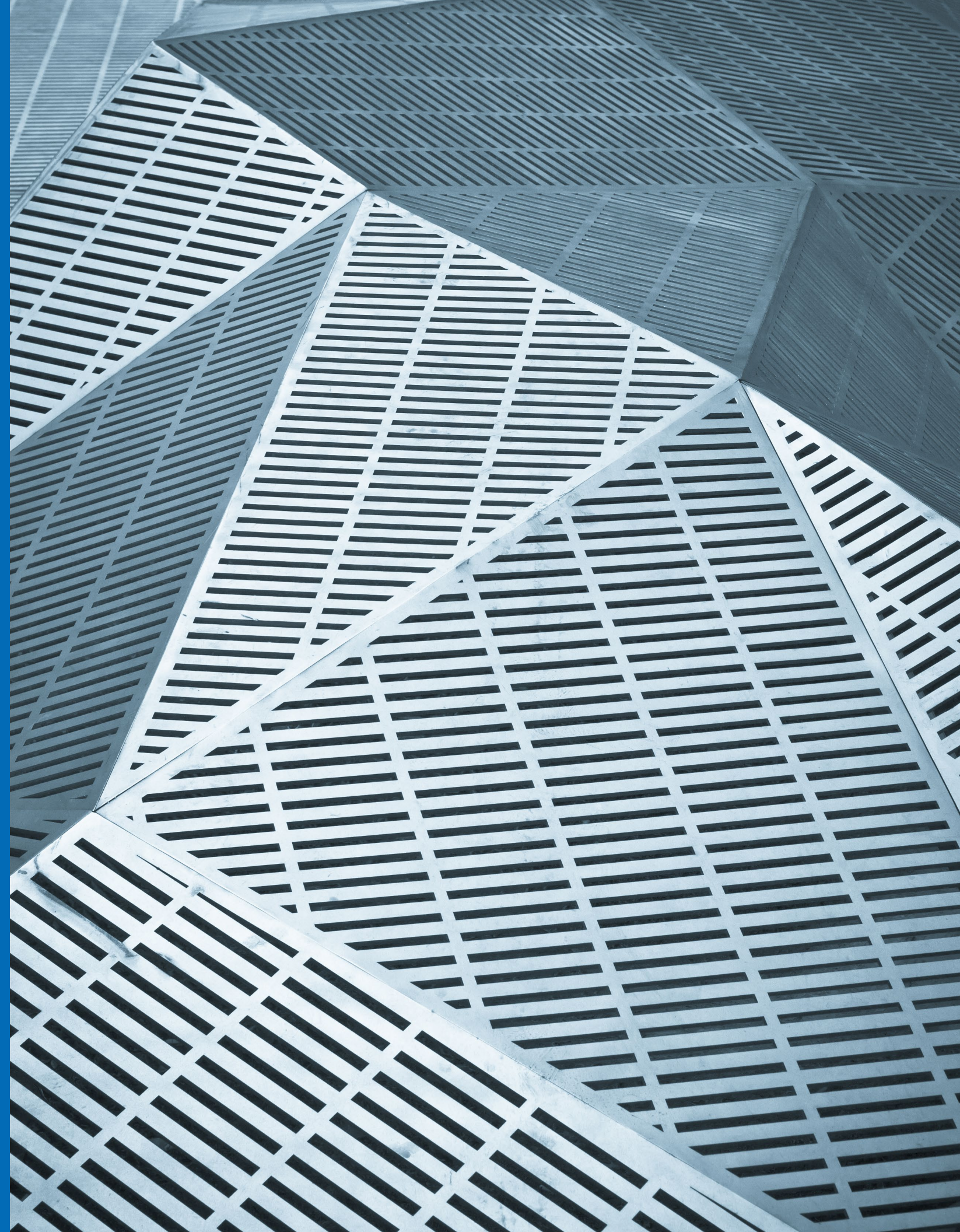
- The Hampton Roads Industrial market will continue to perform well in the short term, as evidenced by a strong development pipeline. With over 4.0 MSF under construction, including much of the space pre-leased or owner-occupied, the market will see consistent occupied space delivered, leading to large 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. Market Statistics

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2Q24

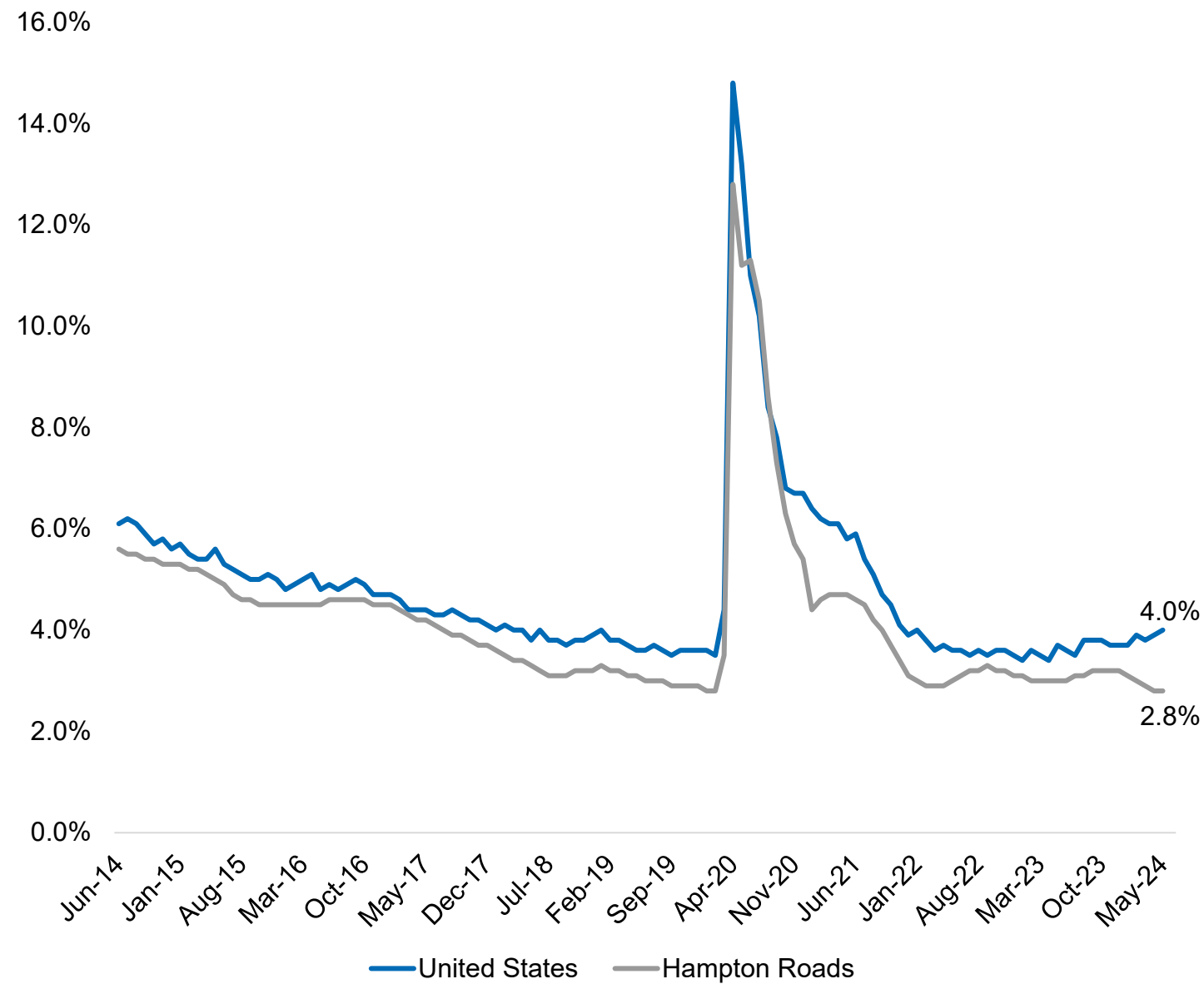
# Economy



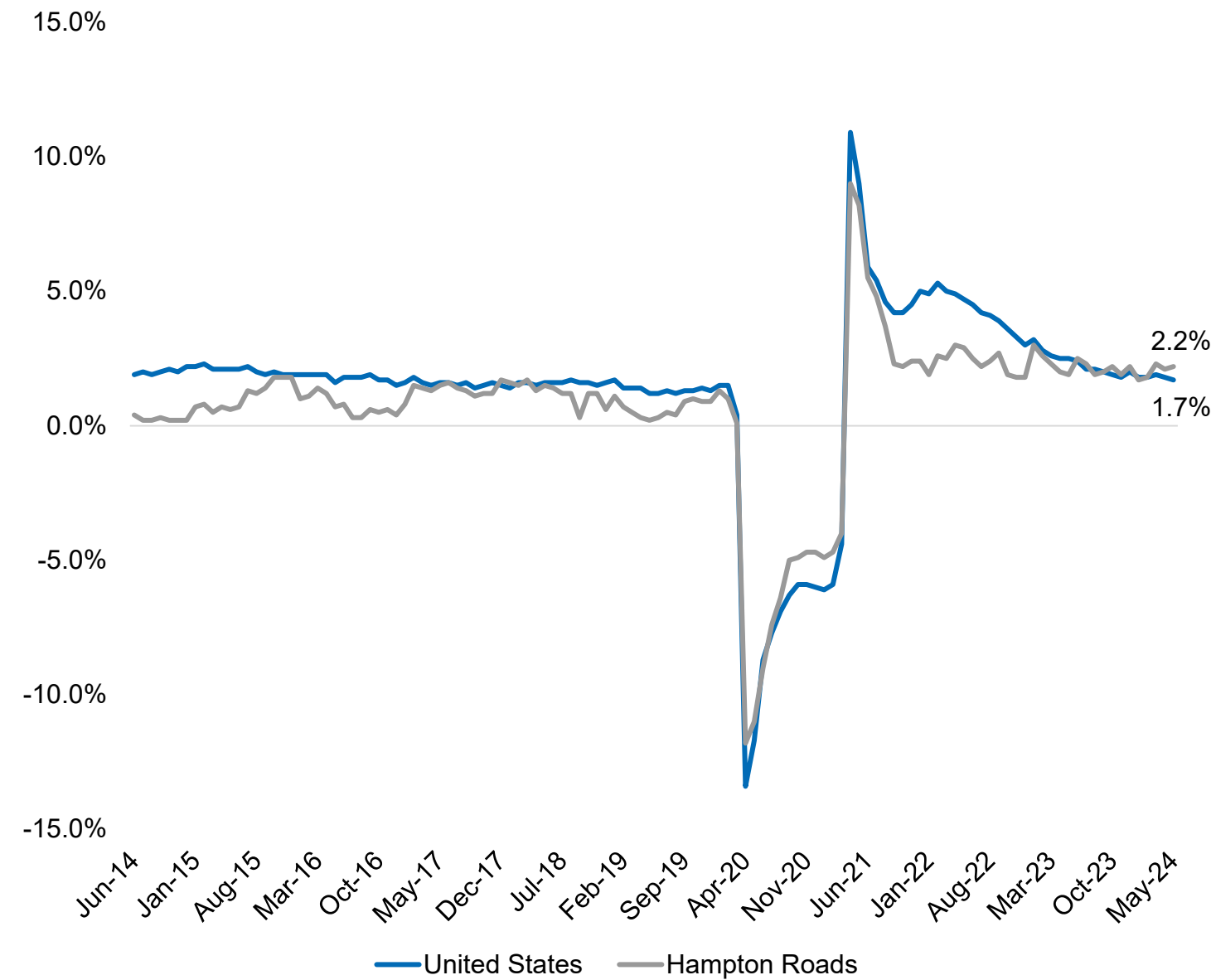
# Hampton Roads' Unemployment Rate Outperforms National Average

Hampton Roads' unemployment rate continues to outperform the national average, measuring 2.8% in May 2024. This is 20 basis points lower year-over-year and 120 basis points below the national average.

Unemployment Rate, Seasonally Adjusted



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

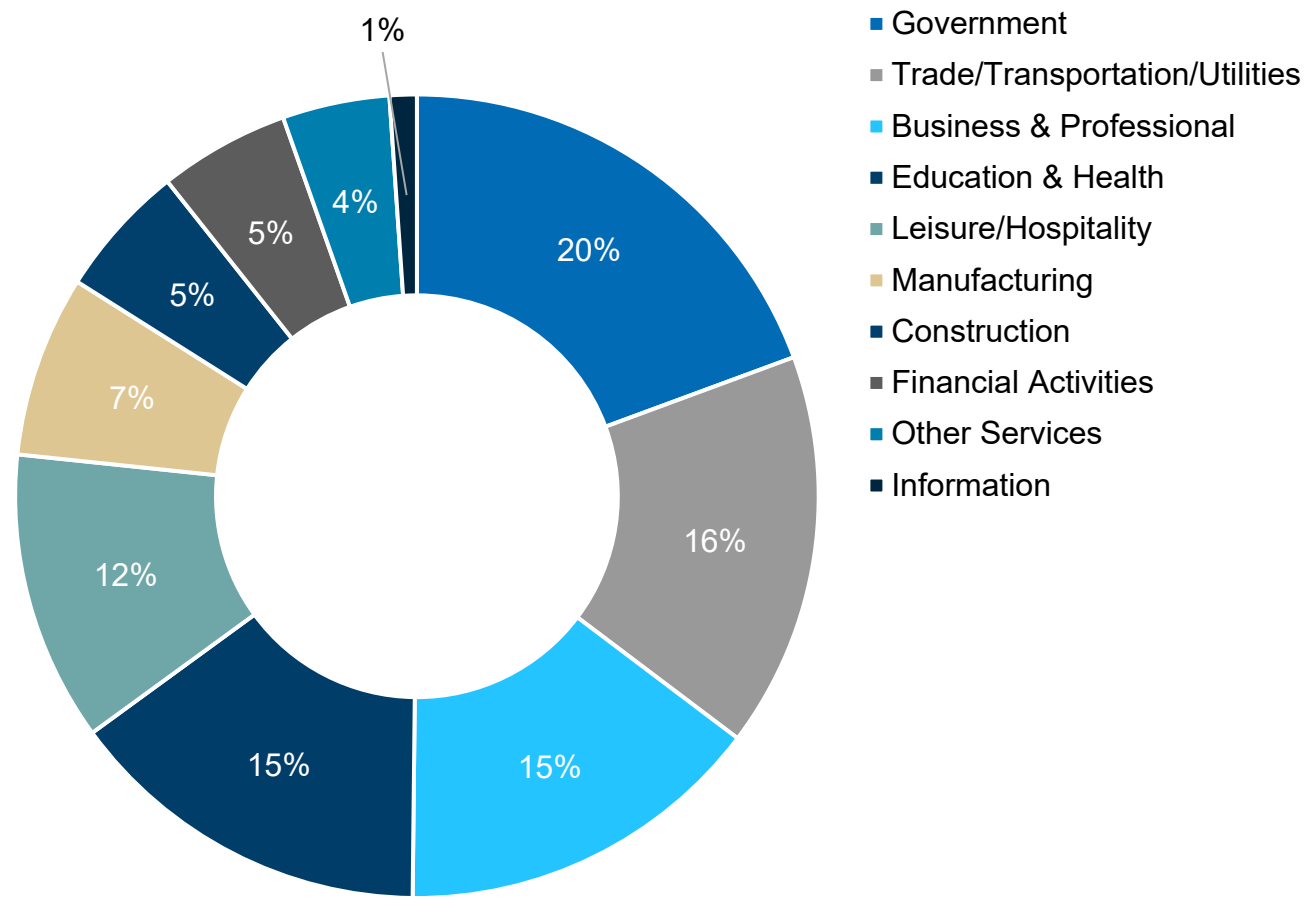


Source: U.S. Bureau of Labor Statistics, Hampton Roads

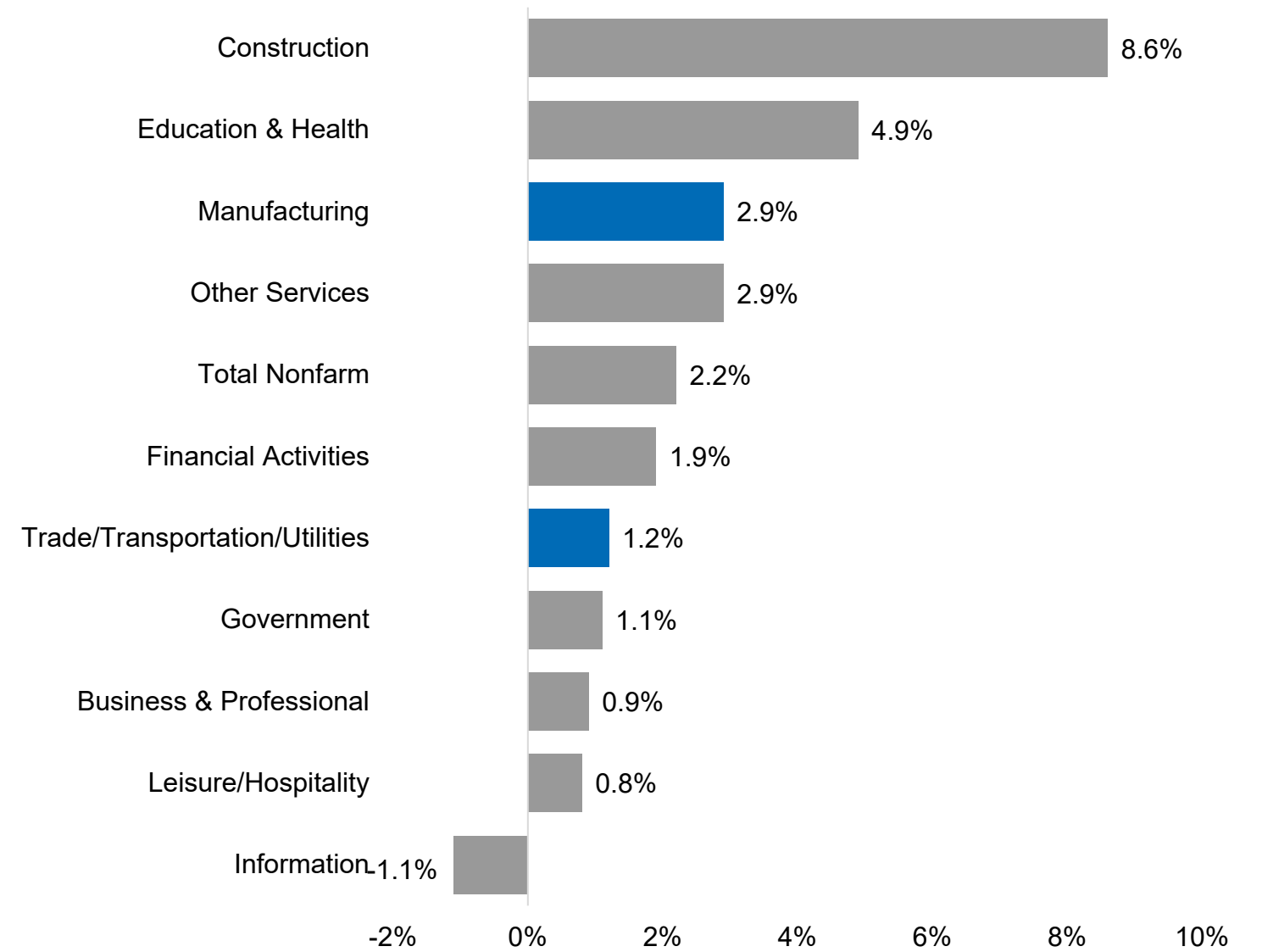
# Trade/Transportation/Utilities Continues Growth as a Leading Regional Industry

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 1.2% and 2.9%, respectively.

Employment by Industry, May 2024



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

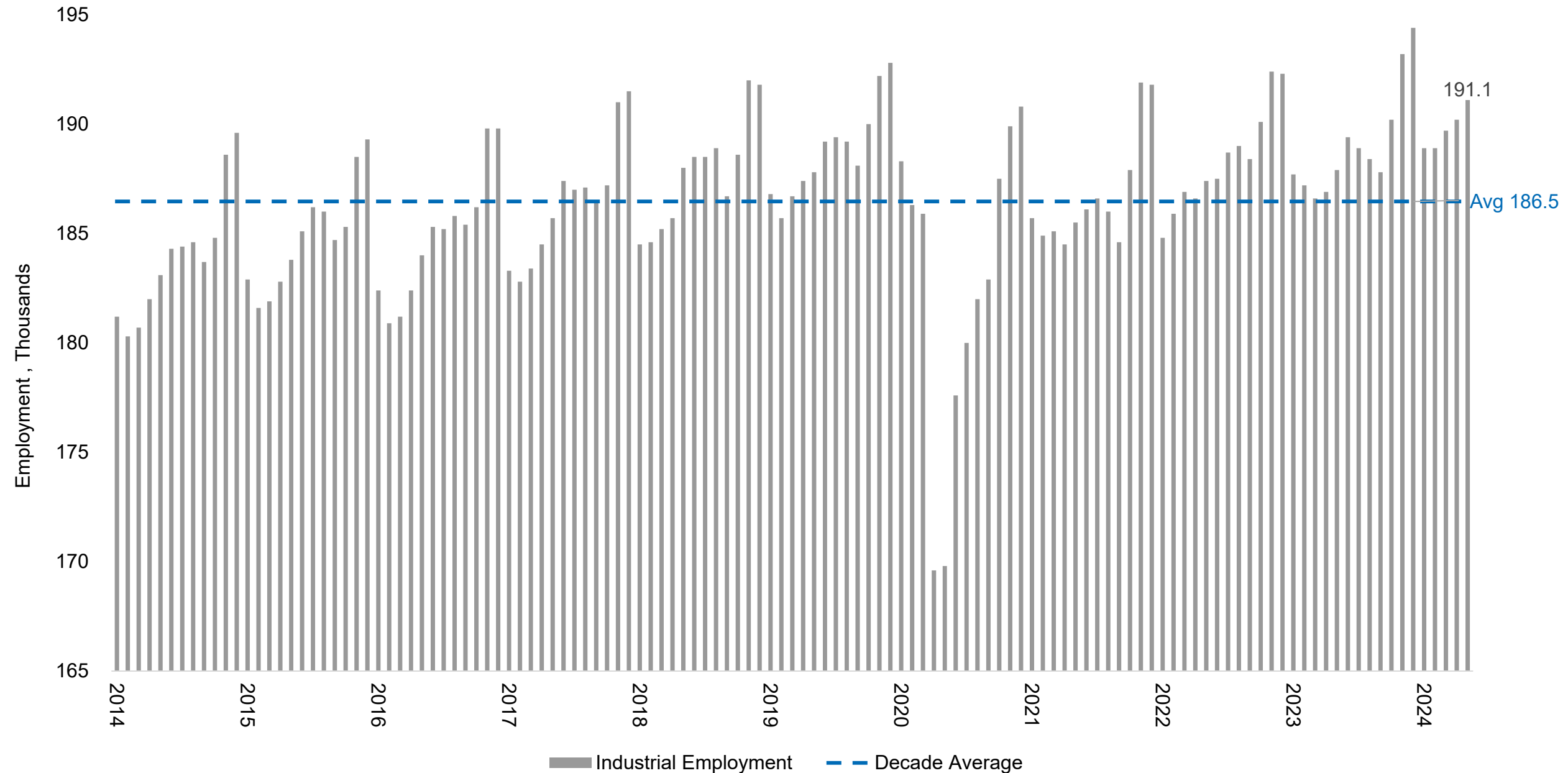


Source: U.S. Bureau of Labor Statistics, Hampton Roads

# Industrial Employment Remains at Elevated Levels

The number of industrial jobs has rebounded and now sits above pre-pandemic levels. Employment ended May 2024 at 191,100 employees, 2.5% higher than the decade average and an increase of 12.7% since the market reached a historical low in April of 2020.

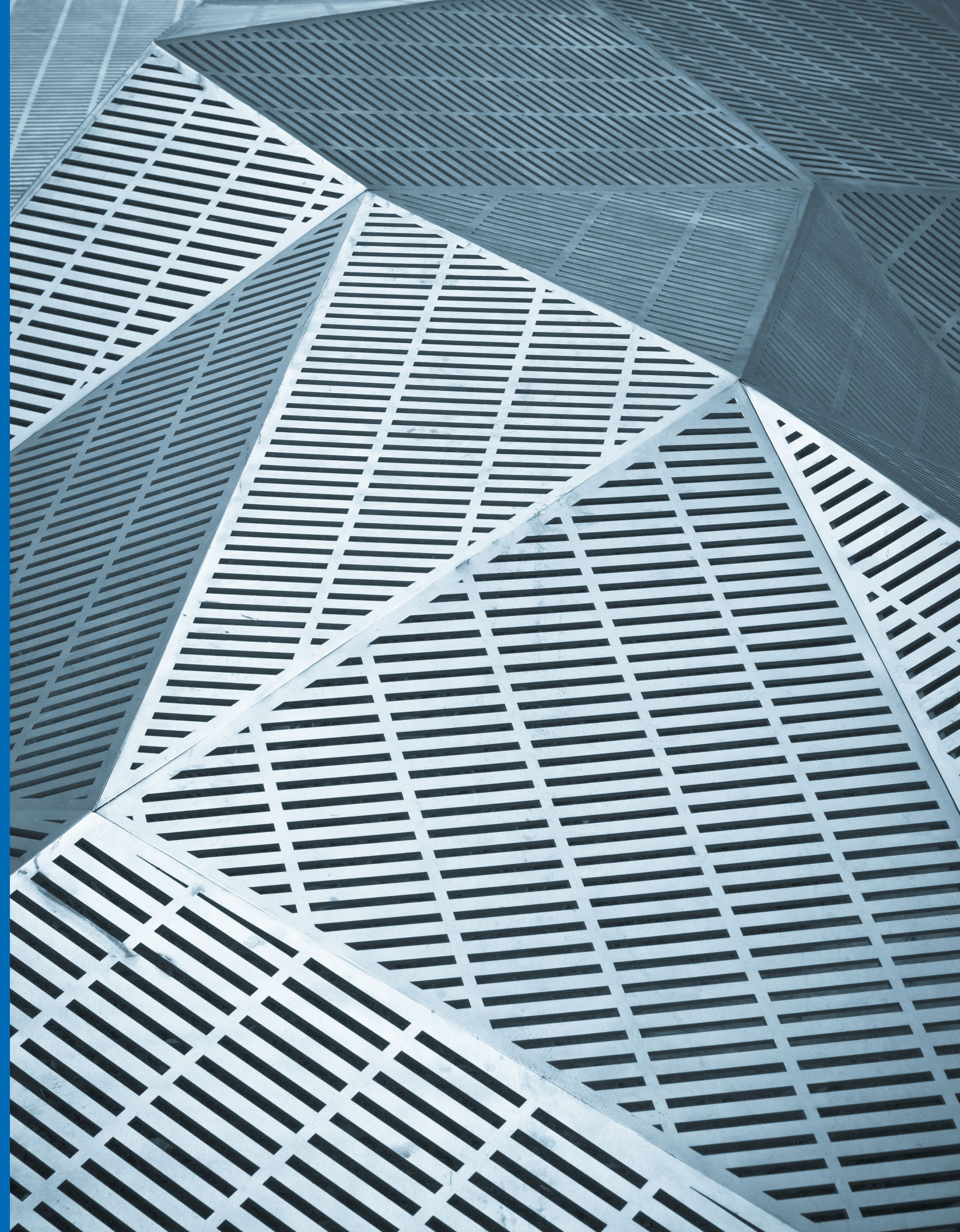
## Industrial Employment



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2Q24

# Leasing Market Fundamentals

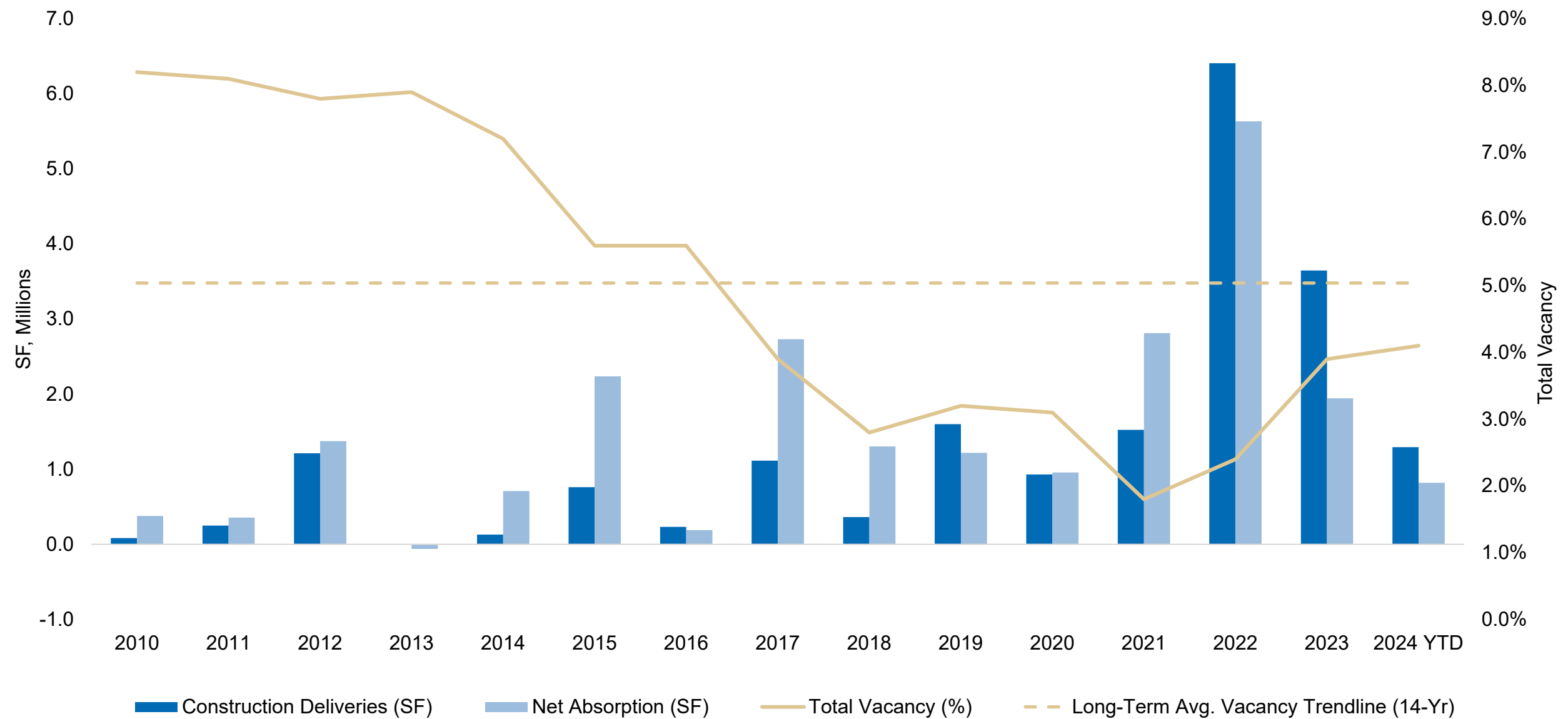




# Fundamentals Remain Healthy to Begin 2024

The Hampton Roads Industrial market continues to perform exceptionally well, as evidenced by its fundamentals. During Q2 2024, Hampton Roads experienced over 300,000 SF of deliveries while seeing 136,000 SF 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 Q2 2024 with a vacancy rate of 4.1%, tighter than the 14-year average of 5.0% albeit up from its historic sub-2% vacancy in 2021.

## Historical Construction Deliveries, Net Absorption, and Vacancy

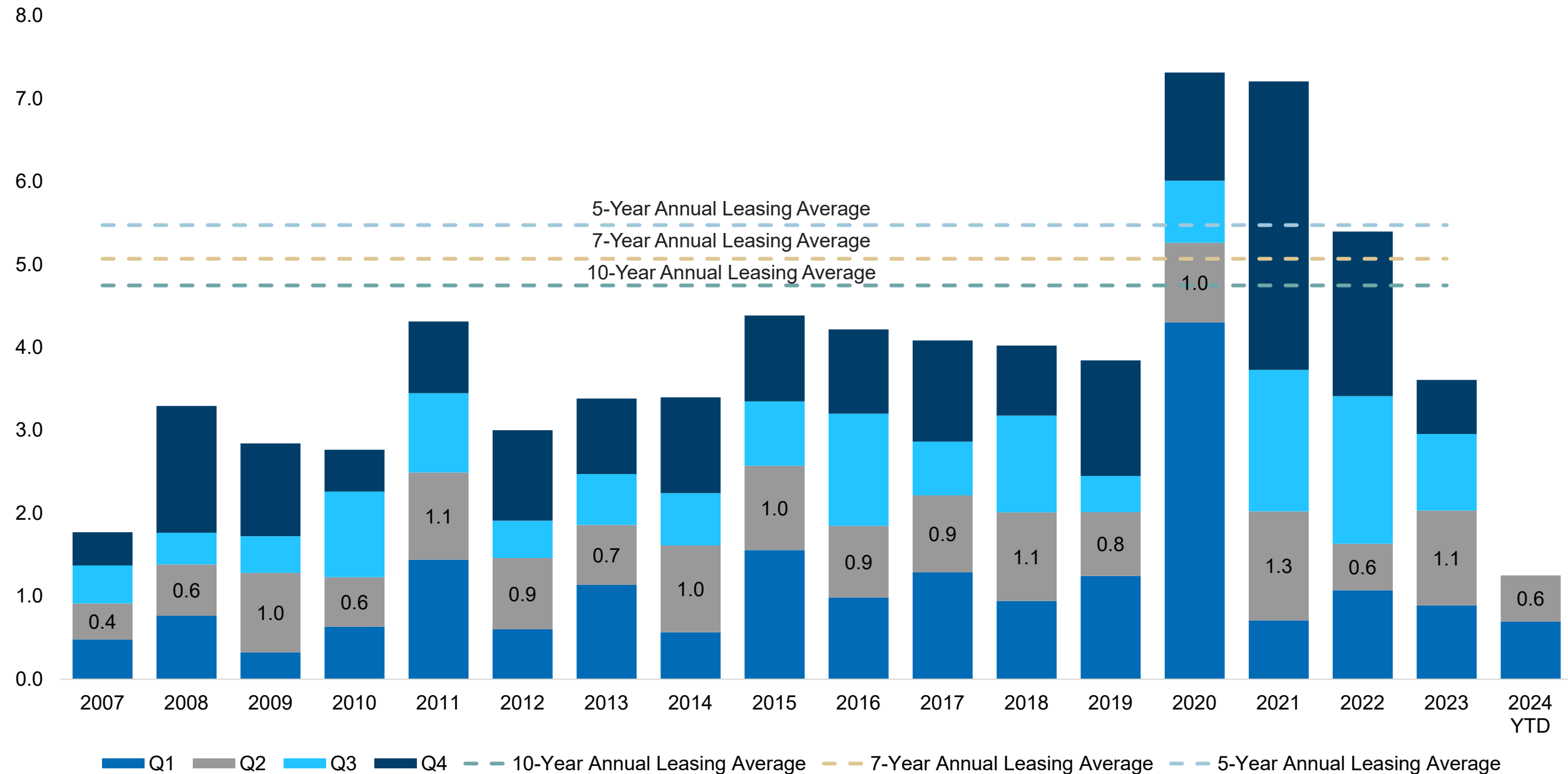


Source: Newmark Research, CoStar

# Industrial Leasing Activity Slow to Begin 2024

Leasing activity was relatively slow during Q2 2024, ending the quarter with 0.6 MSF of activity. This is lower than the second quarter historical high, when the market experienced 1.3 MSF of activity during Q2 2021, and lower than the first quarter historical average of 0.9 MSF. The market must continue delivering new product in order to meet tenant demand and accelerate leasing activity.

Total Leasing Activity (tsf)

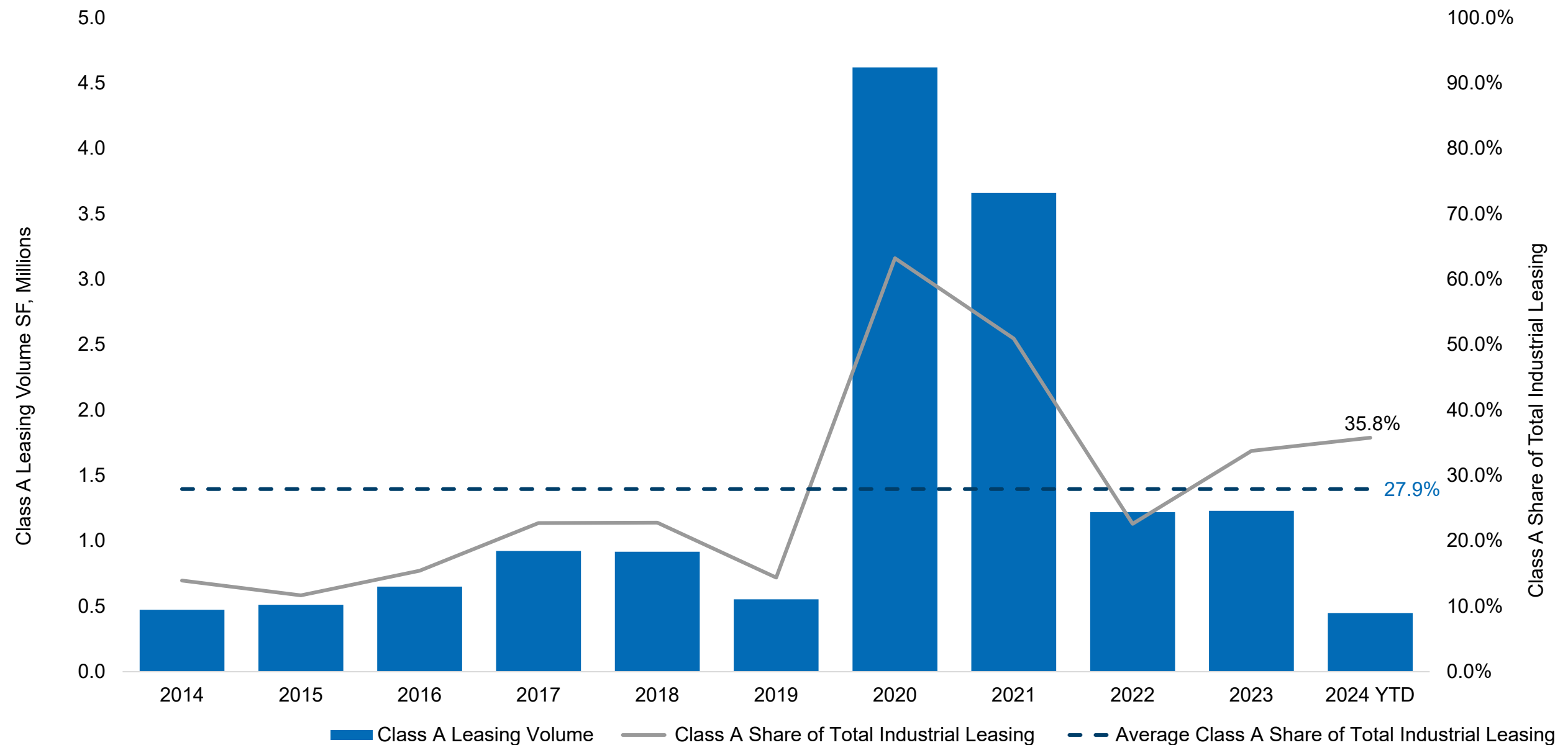


Source: Newmark Research, CoStar

# 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 35.8% share of total industrial leasing in the market during the first half of 2024, which is higher than the decade average of 27.9% 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

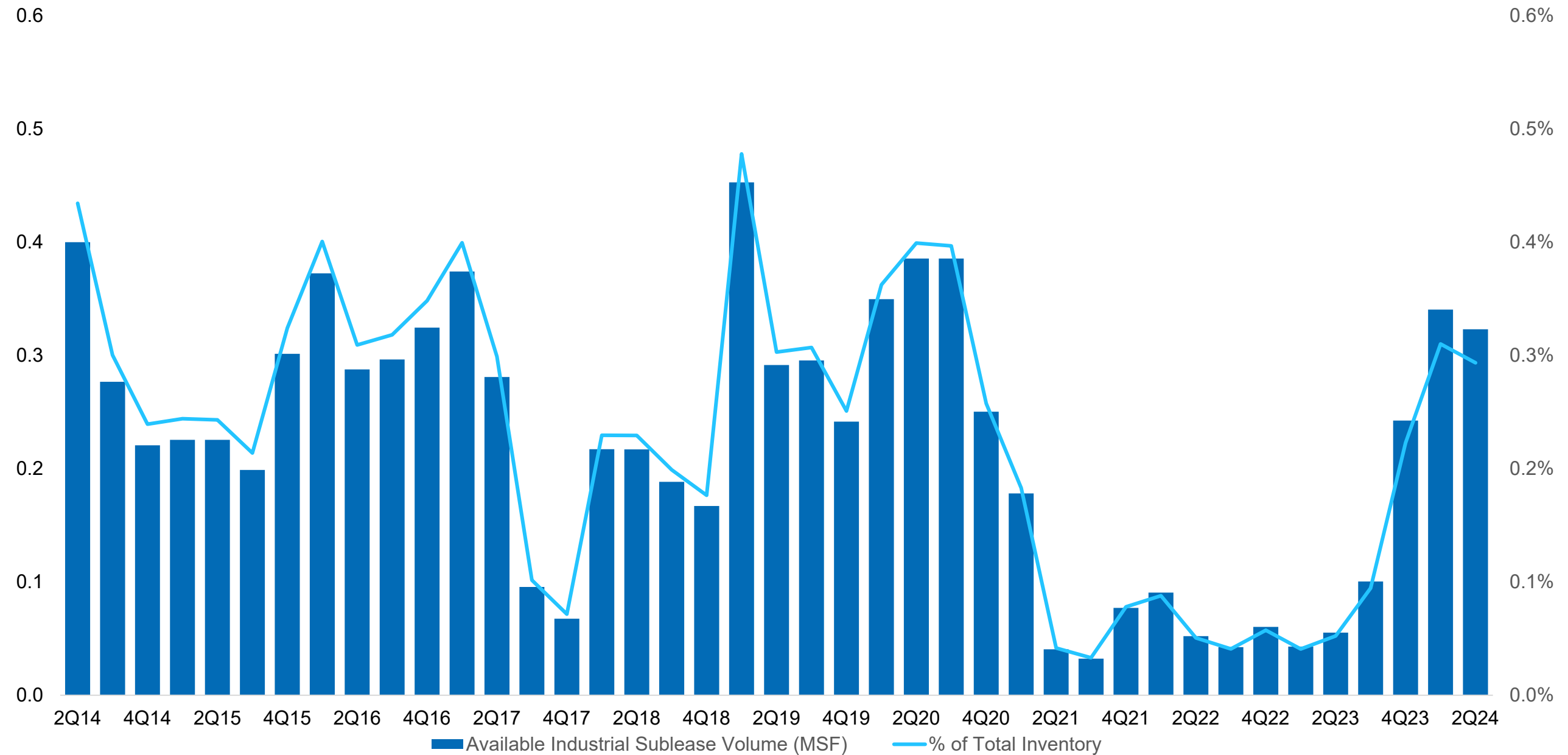


Source: Newmark Research, CoStar

# 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 320,000 SF of available sublease space to end Q2 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

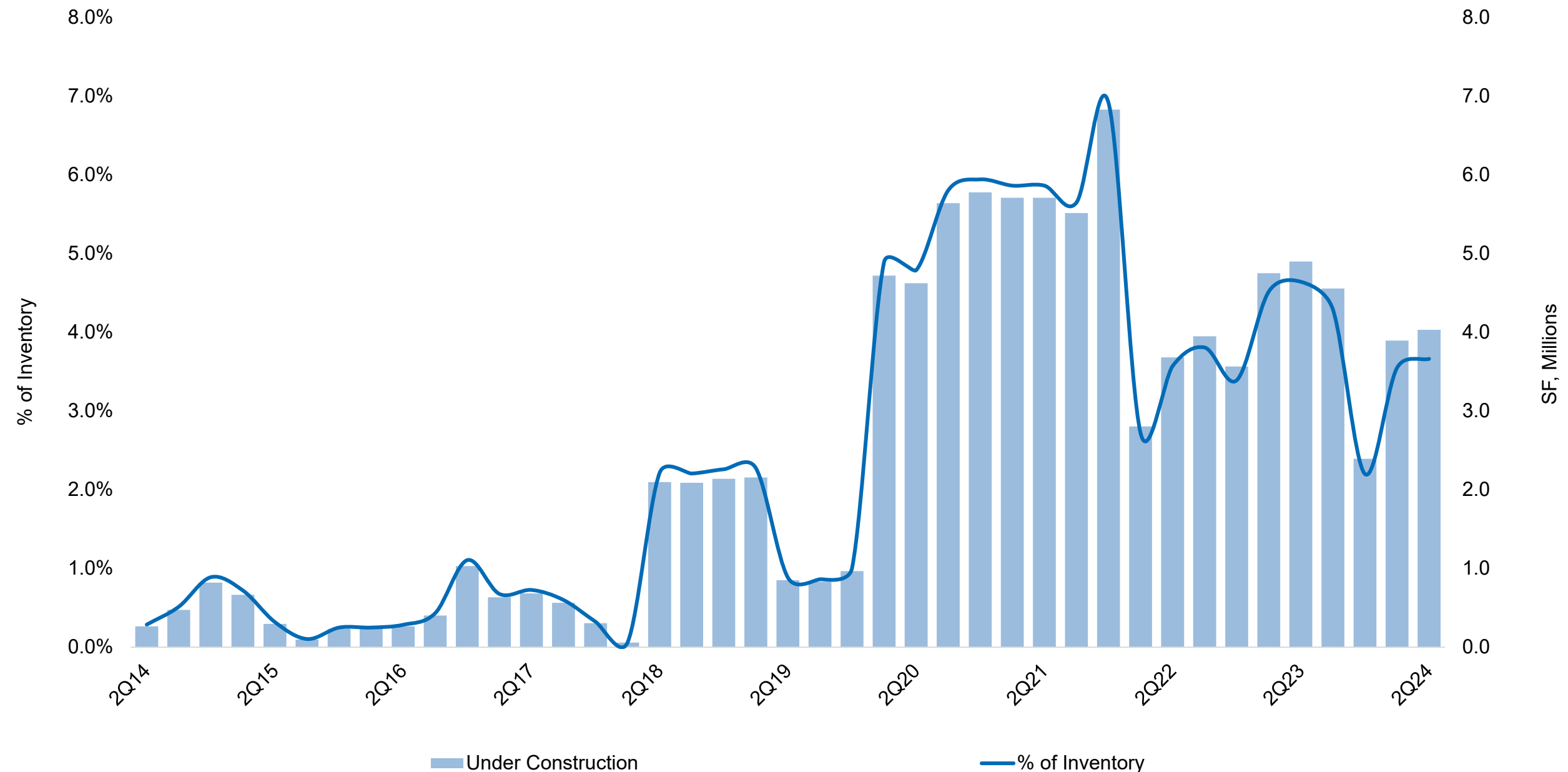


Source: Newmark Research, CoStar

# Construction Supply Remains Elevated

Industrial development has exploded in the Hampton Roads region during recent years, ending Q2 2024 with 15 properties under construction totaling over 4.0 MSF. After the market averaged only 0.9 MSF 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 in the coming years with a pipeline much more limited in scale due to macro market headwinds.

## Industrial Under Construction and % of Inventory

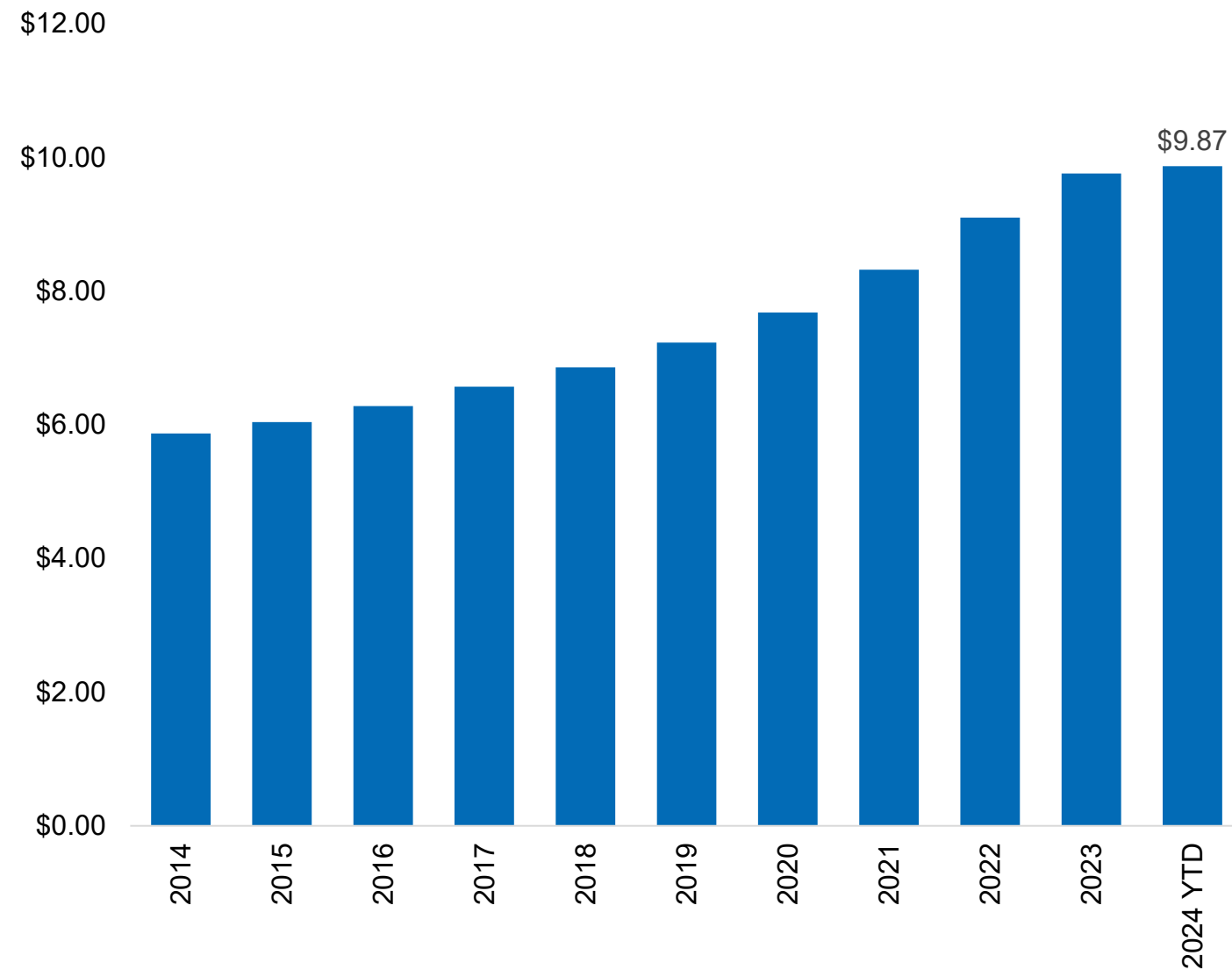


Source: Newmark Research, CoStar

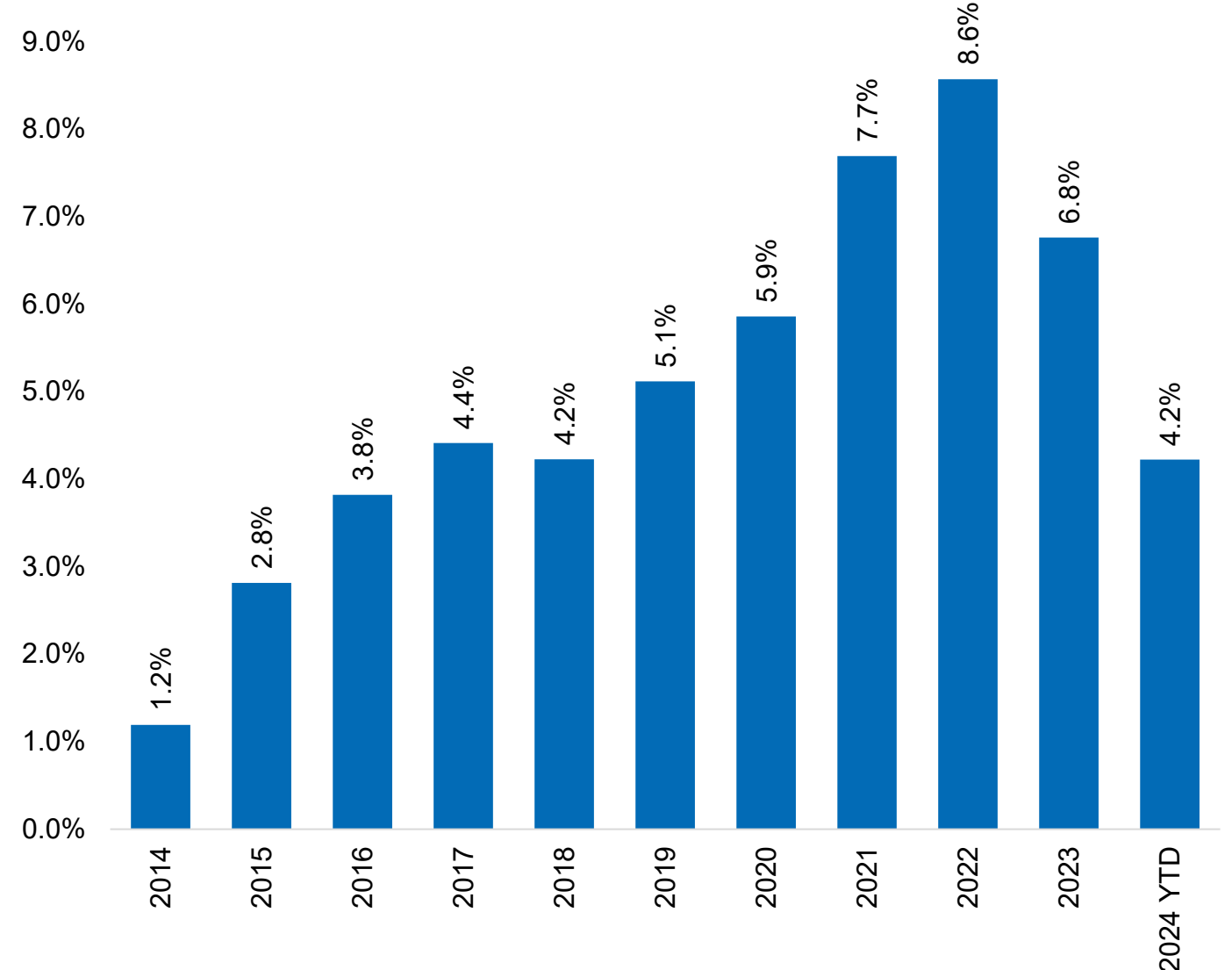
# Asking Rents Continue Rapid Growth

Average asking rents ended Q2 2024 at \$9.87 PSF, an increase of 4.2% 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 36.5% increase in rents from the beginning of 2020 through Q2 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 Q2 2024, as four of the five largest leases signed were new deals. The top five deals were located on the Southside, highlighting the recent activity in that area of the region. Emser Tile, a producer of tile and natural stone, signed the largest deal of the quarter, renewing over 400,000 SF of space at their distribution center within the Virginia Port Logistics Park in Suffolk.

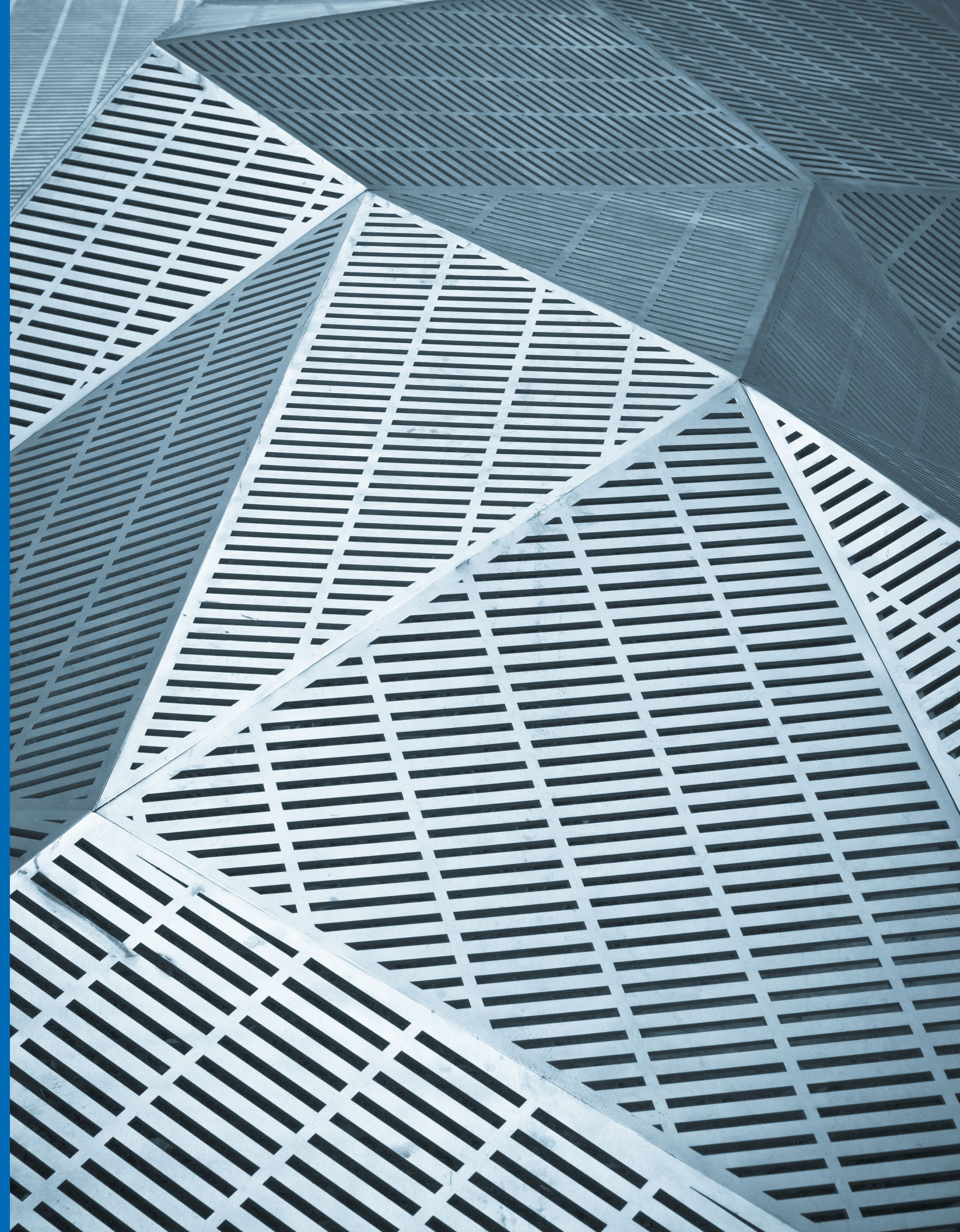
Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
Emser Tile	1061 Centerpoint Drive	South Suffolk	Lease Renewal	401,221
Electronic Systems, Inc.	5816 Ward Court	Airport Industrial Park	Direct Lease	41,239
Ocean Container Solutions	115 Dill Road	South Suffolk	Direct Lease	36,000
FGO Delivers, LLC	909 Professional Place	Bainbridge	Direct Lease	28,700
1-800-Pack-Rat	2200 Steppingstone Square	Greenbrier	Direct Lease	26,950

Source: Newmark Research, CoStar

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# Market Statistics







Please reach out to your  
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