

Hampton Roads Industrial Market Overview

Market Observations

Economy

- The region's labor market remained historically strong amid shifting macroeconomic conditions. The unemployment rate ended Q4 2024 at 3.1%, 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 31% of the regional workforce. Furthermore, Trade/Transportation/Utilities and Manufacturing both saw positive 12-month growth of 0.1% and 1.9%, respectively.
- Industrial employment ended August 2024 with 191,200 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 3030 Enterprise Drive, which was sold by Equus Capital Partner to LBA Realty. The 150,000 SF distribution facility was sold for \$70.0 million, or approximately \$467 PSF.
- The next largest sale of the quarter was 2821 Holland Road, which was sold by McDonald Development to MS International. The roughly 550,000 SF Warehouse distribution center was sold for approximately \$58.8 million, or \$107 PSF.
- The largest lease signed during the quarter was Acesur North America signing a 123,600 SF lease at 324 Moore Avenue in the South Suffolk submarket.
- Dupre Logistics had the next largest lease of the quarter for 108,900 SF located at 4860 Station House Road in the Western Branch submarket.



Leasing Market Fundamentals

- The market continues to experience positive absorption, seeing 253,000 SF of positive net absorption during Q4 2024. The continued positive absorption has created a tight market, with a vacancy rate of only 4.7% to end the quarter.
- Average asking rents ended Q4 2024 at \$10.03 PSF, an increase of 4.2% year-over-year. Overall, the market has seen an impressive 32.0% increase in rents from the beginning of 2020 through Q4 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 2.2 MSF of deliveries throughout 2024. Furthermore, the market ended Q4 2024 with 17 properties under construction totaling over 5.2 MSF, higher than the decade average of 2.4 MSF under construction.

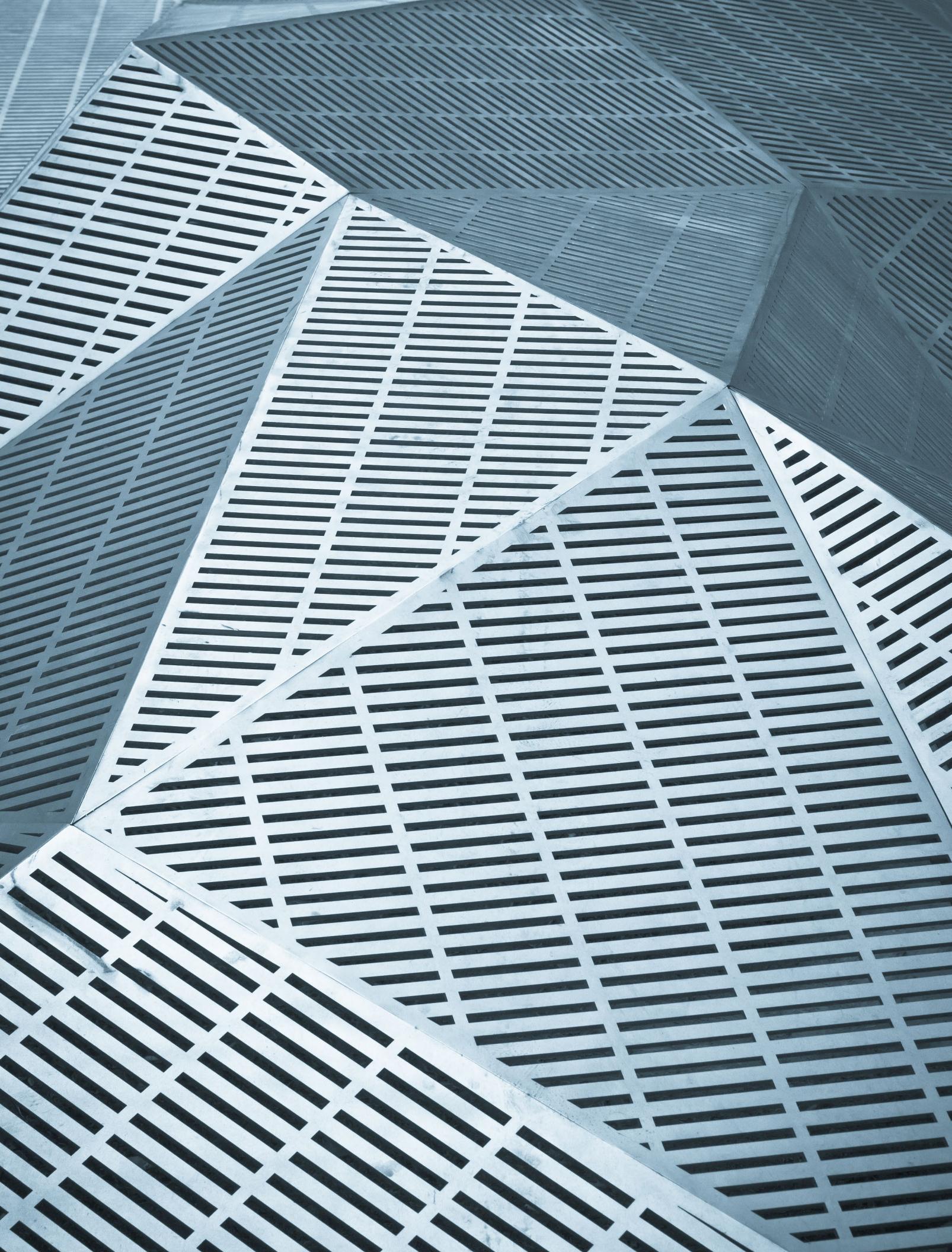
Outlook

- The Hampton Roads Industrial market will continue to perform well in the short term, as evidenced by a strong development pipeline. With over 5.2 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.

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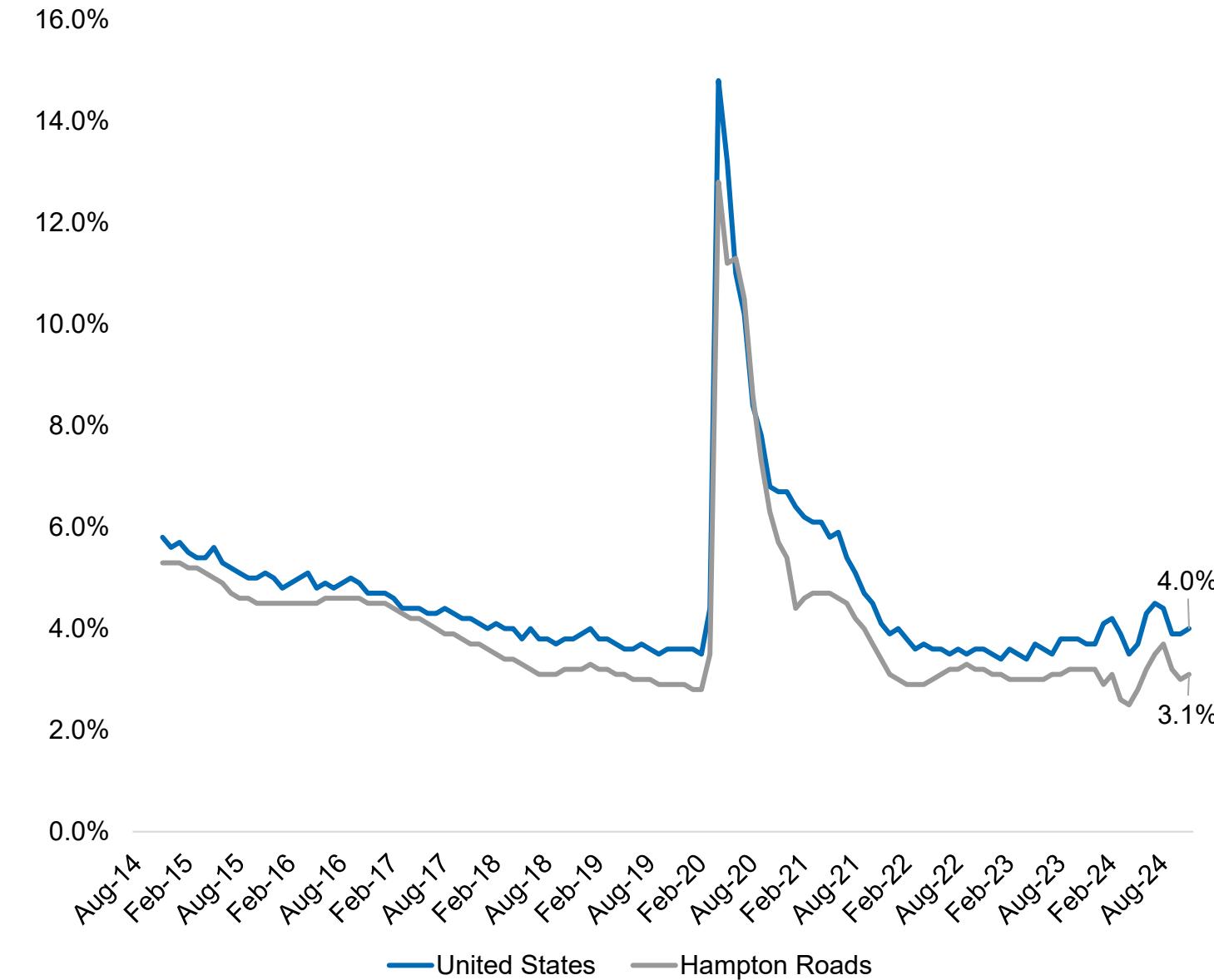
Economy



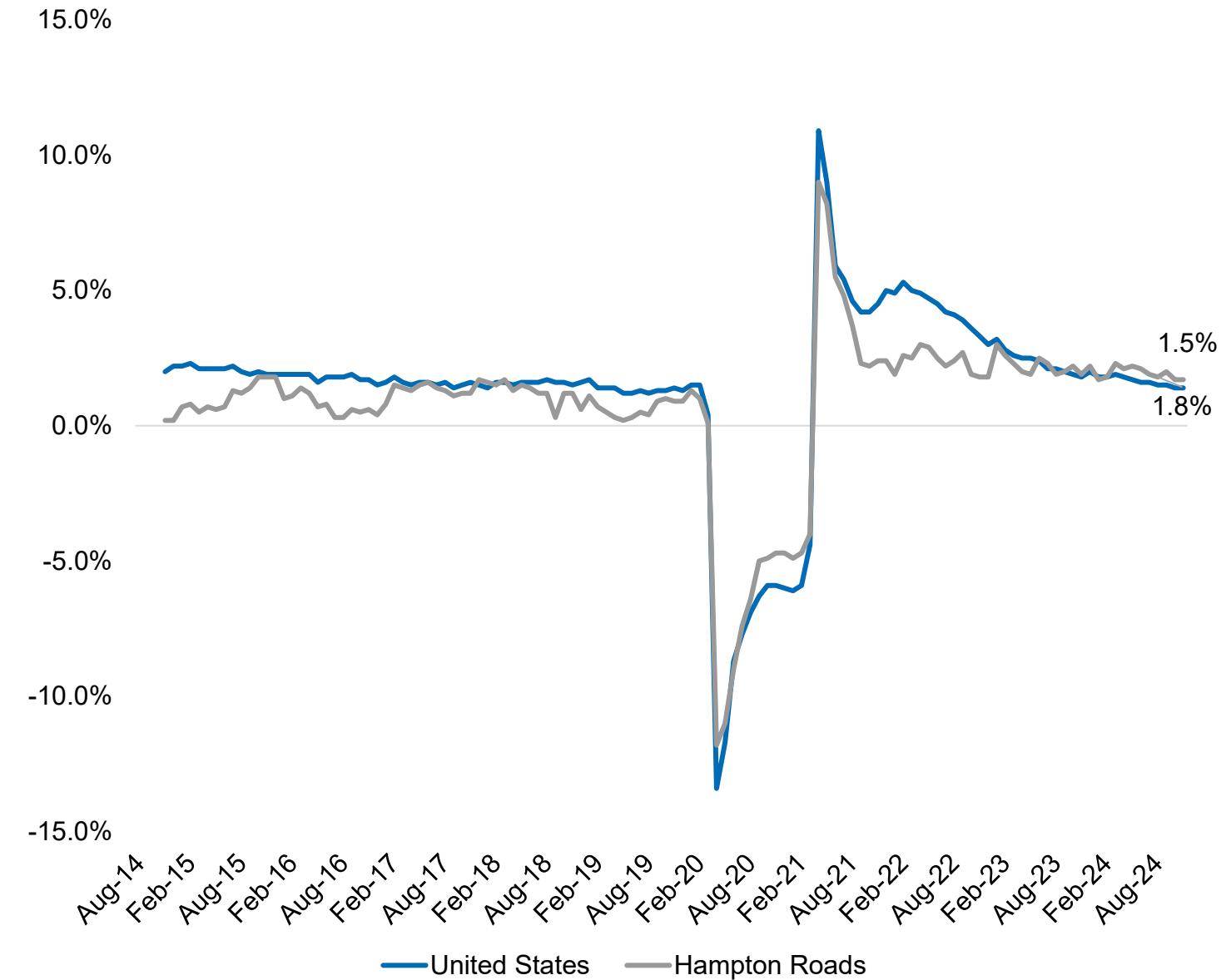
Hampton Roads' Unemployment Rate Outperforms National Average

Hampton Roads' unemployment rate continues to outperform the national average, measuring 3.1% in November 2024. This remained the same year-over-year and is 90 basis points below the national average.

Unemployment Rate, Non-Seasonally Adjusted



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



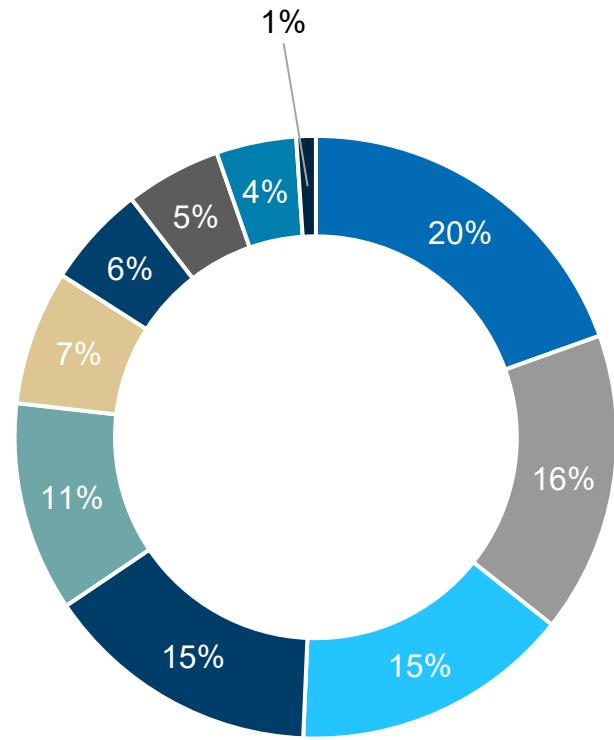
Source: U.S. Bureau of Labor Statistics, Hampton Roads

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Trade/Transportation/Utilities is the Highest Private Employment Sector

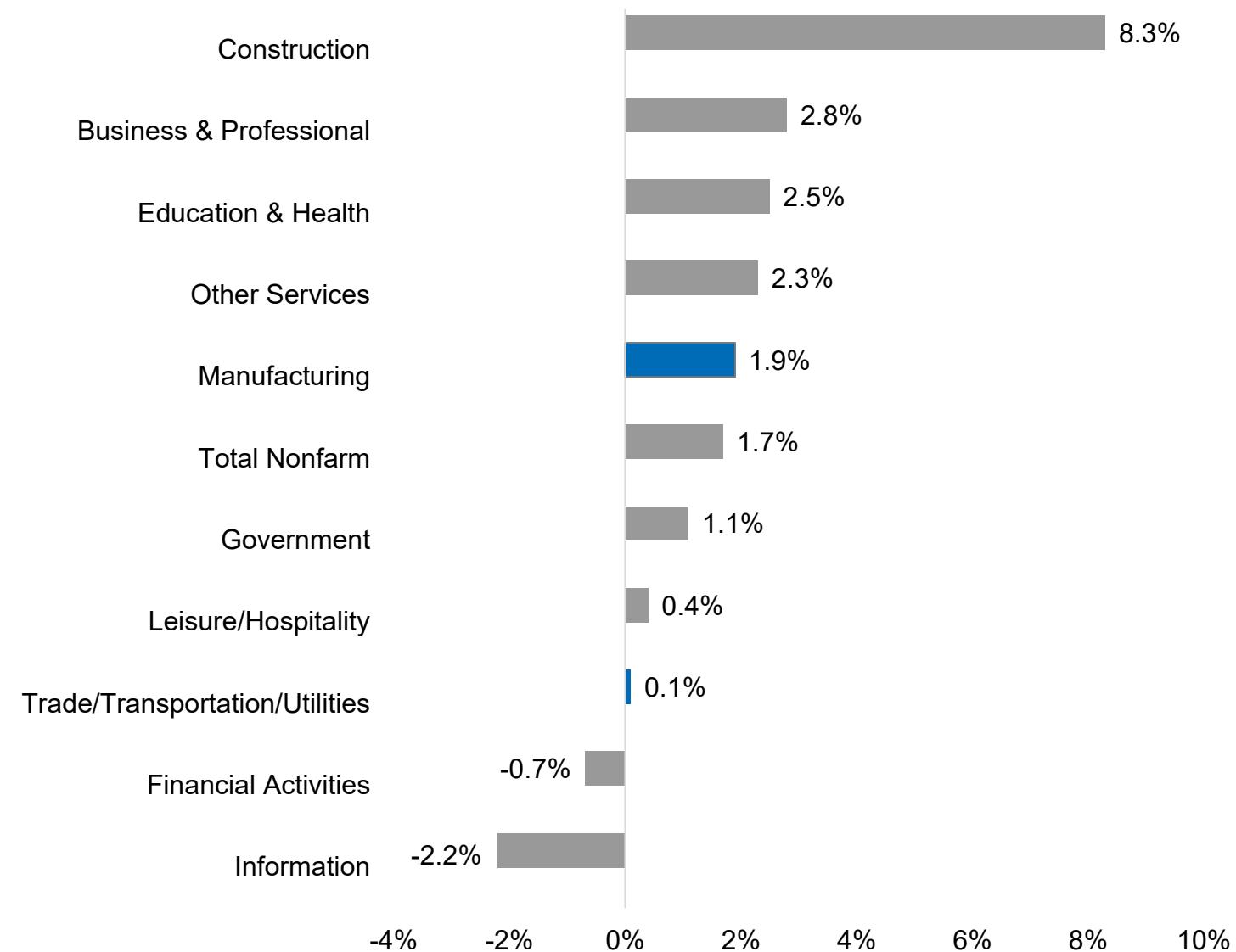
Trade/Transportation/Utilities remains the second-largest industry in the region only behind the Government sector, constituting 16% of the regional workforce. Furthermore, both Trade/Transportation/Utilities and Manufacturing saw positive 12-month growth, seeing growth of 0.1% and 1.9%, respectively.

Employment by Industry, November 2024



- Government
- Trade/Transportation/Utilities
- Business & Professional
- Education & Health
- Leisure/Hospitality
- Manufacturing
- Construction
- Financial Activities
- Other Services
- Information

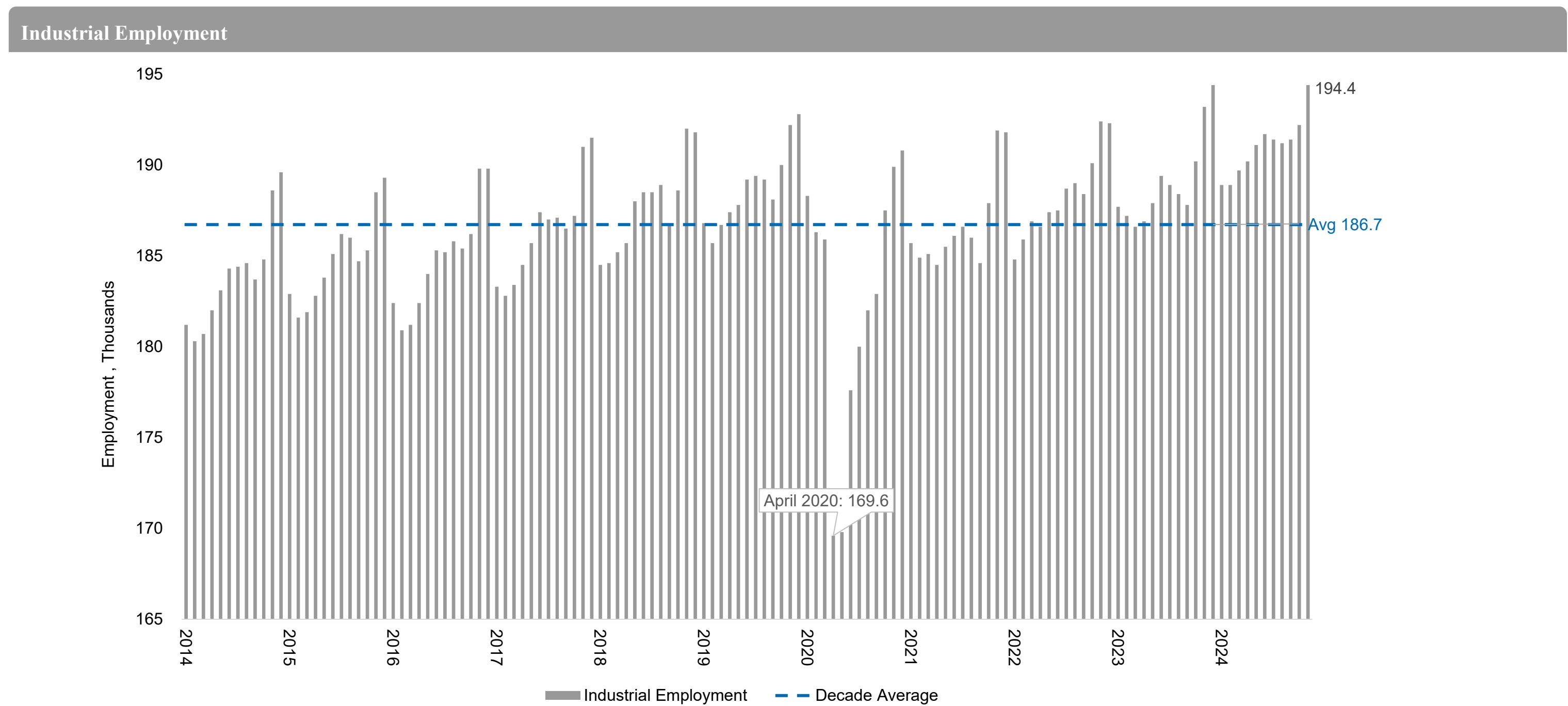
Employment Growth by Industry, 12-Month % Change, November 2024



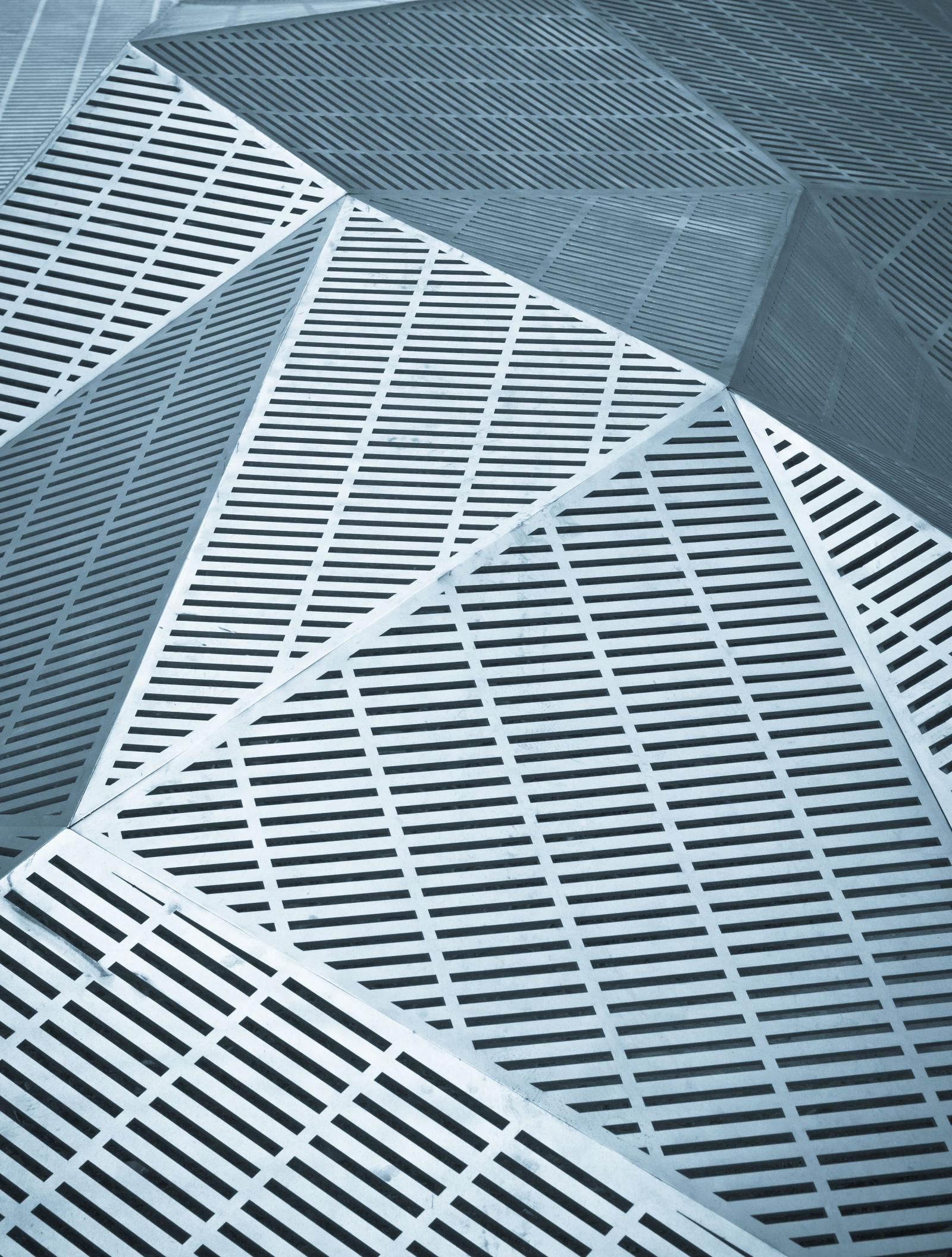
Source: U.S. Bureau of Labor Statistics, Hampton Roads

Industrial Employment Continues to Grow to Historical Highs

The number of industrial jobs has rebounded and now sits above pre-pandemic levels. Employment ended November 2024 at 194,400 employees, 4.1% higher than the decade average and an increase of 14.6% since the market reached a historical low in April of 2020.



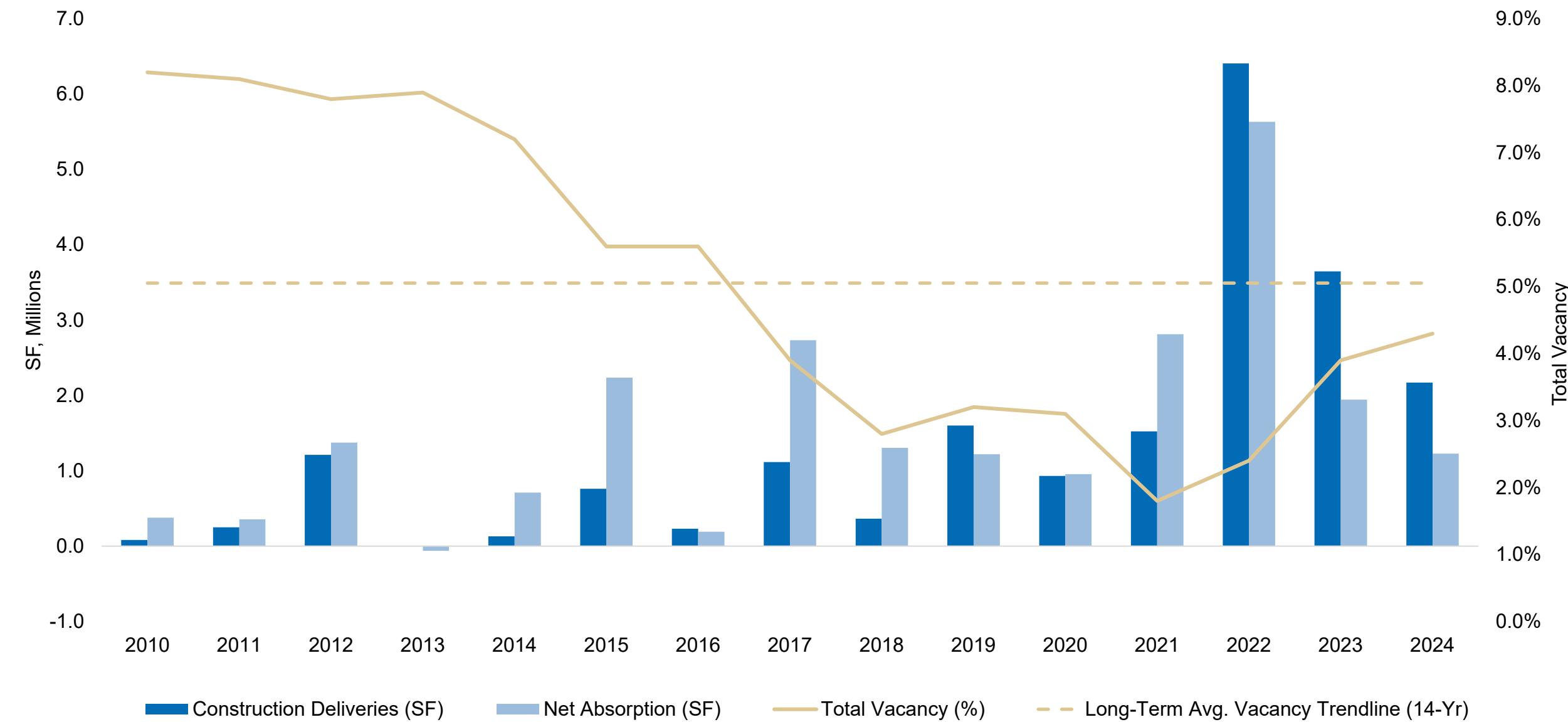
Leasing Market Fundamentals



Fundamentals Remain Healthy to End 2024

The Hampton Roads industrial market continues to perform exceptionally well, as evidenced by its fundamentals. During Q4 2024, Hampton Roads had 1.1 MSF of deliveries while seeing 1.2 MSF of positive net absorption. The market ended Q4 2024 with a vacancy rate of 4.3%, tighter than the 14-year average of 5.1%, albeit up from its historic sub-2% vacancy in 2021. As more projects begin to break ground strong leasing fundamentals will support new supply as tenant demand keeps the vacancy rate below the long-term average.

Historical Construction Deliveries, Net Absorption, and Vacancy

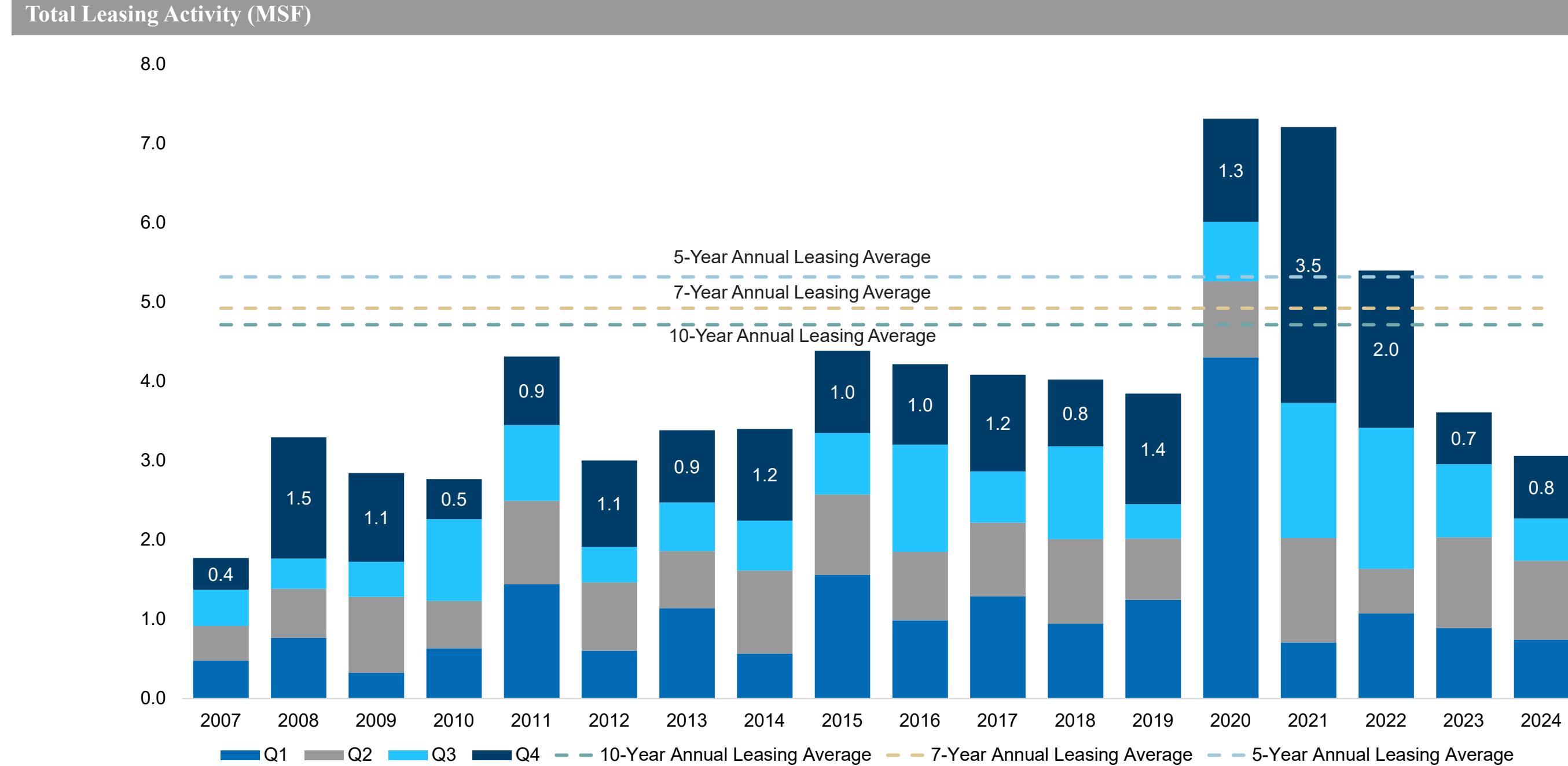


Source: Newmark Research, CoStar

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Industrial Leasing Activity Slows throughout 2024

Leasing activity was relatively slow during Q4 2024, ending the quarter with 0.8 MSF of activity. This is lower than the fourth quarter historical high, when the market experienced 3.5 MSF of activity during Q4 2021, and lower than the fourth quarter historical average of 1.2 MSF.



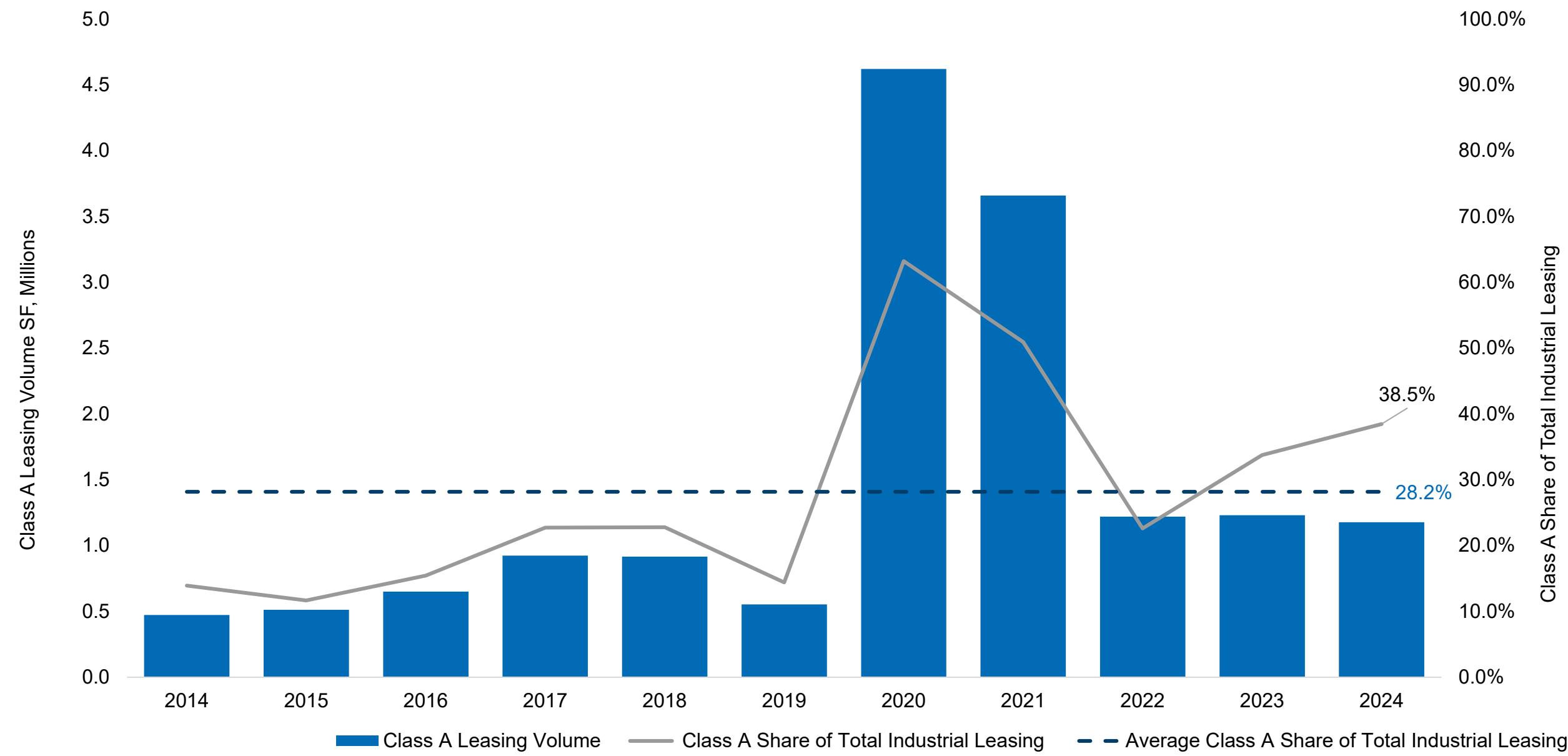
Source: Newmark Research, CoStar

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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 38.5% share of total industrial leasing in the market in 2024, which is higher than the decade average of 28.2% 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

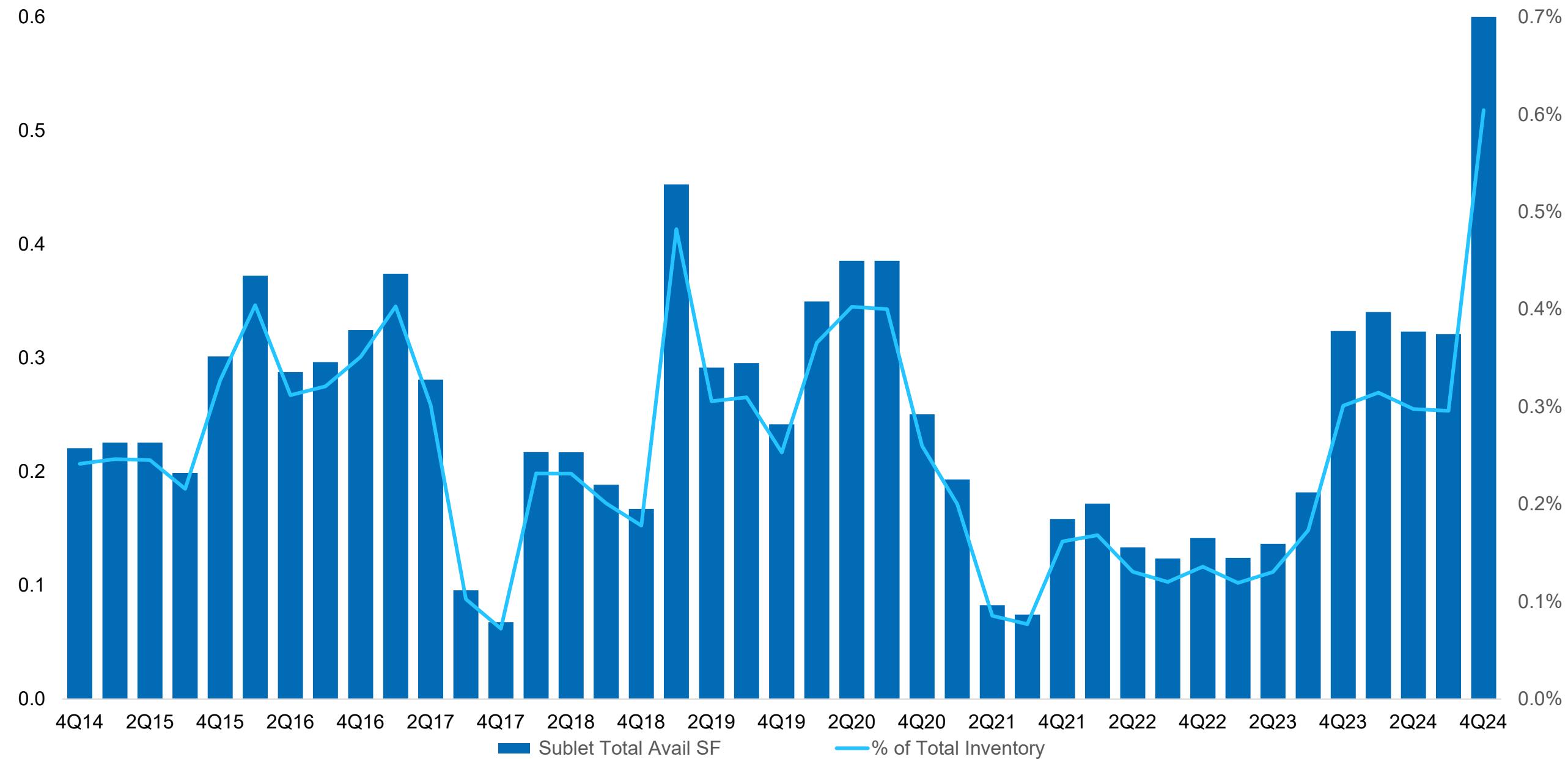


Source: Newmark Research, CoStar

Industrial Sublease Availability Increases, Although the Market Remains Tight

Although the market has seen an increase in available sublease space over the past few quarters, the market remains extremely tight, with roughly 667,000 SF of available sublease space to end Q4 2024. This accounts for only 0.6% of the market's total inventory.

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



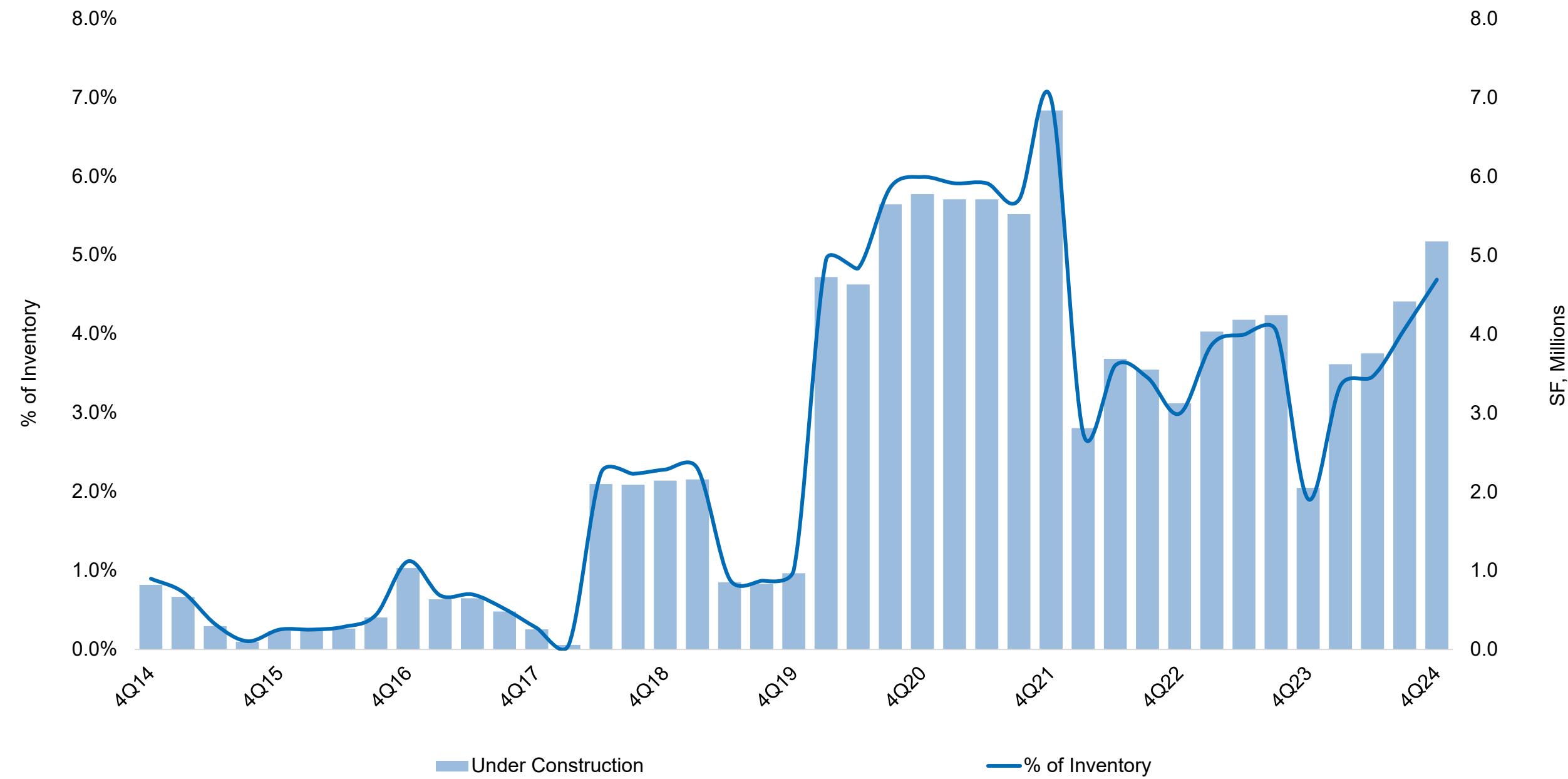
Source: Newmark Research, CoStar

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New Construction Supply Remains Elevated

Industrial development has exploded in the Hampton Roads region during recent years, ending Q4 2024 with 17 properties under construction totaling over 5.2 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 multiple reasons.

Industrial Under Construction and % of Inventory



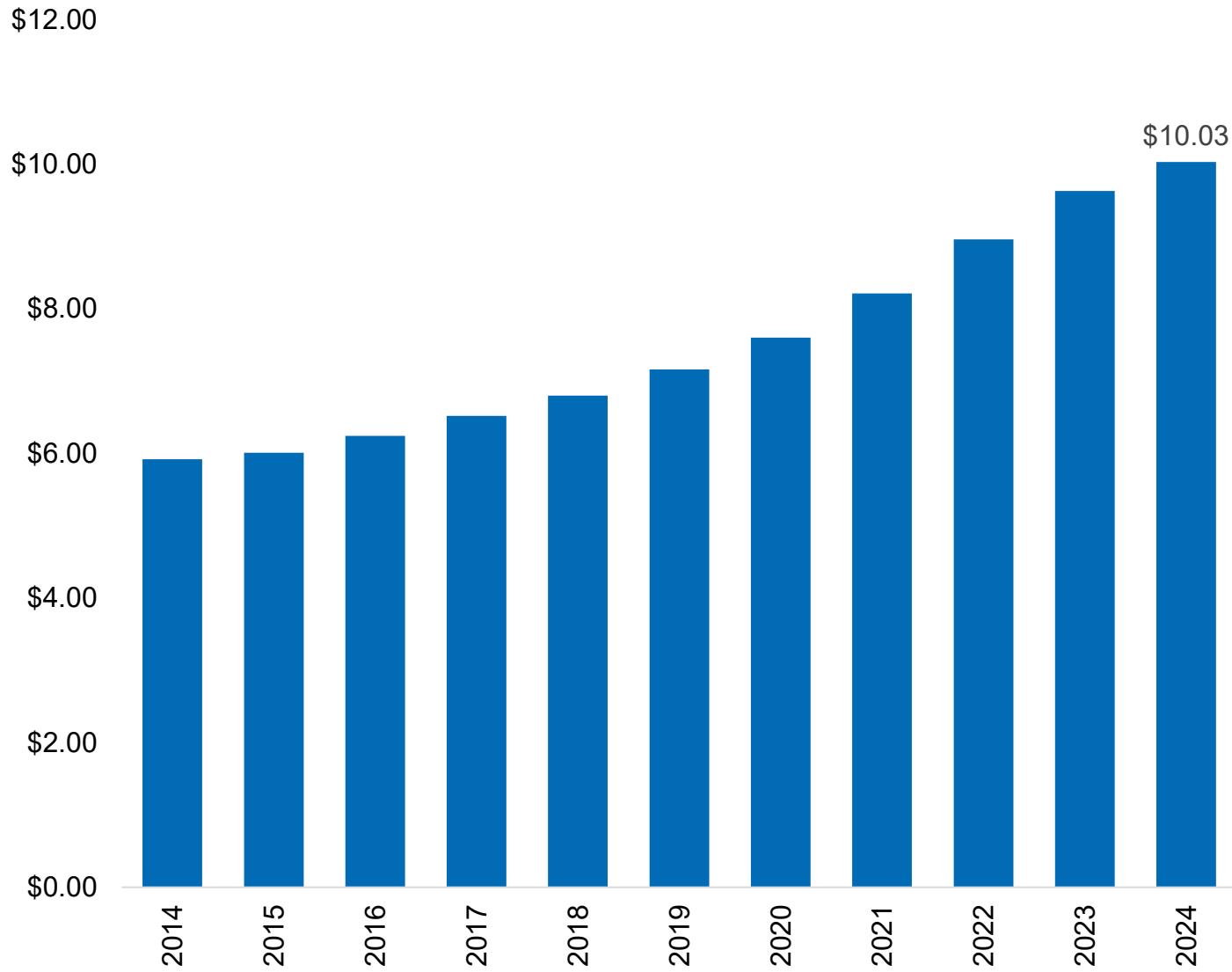
Source: Newmark Research, CoStar

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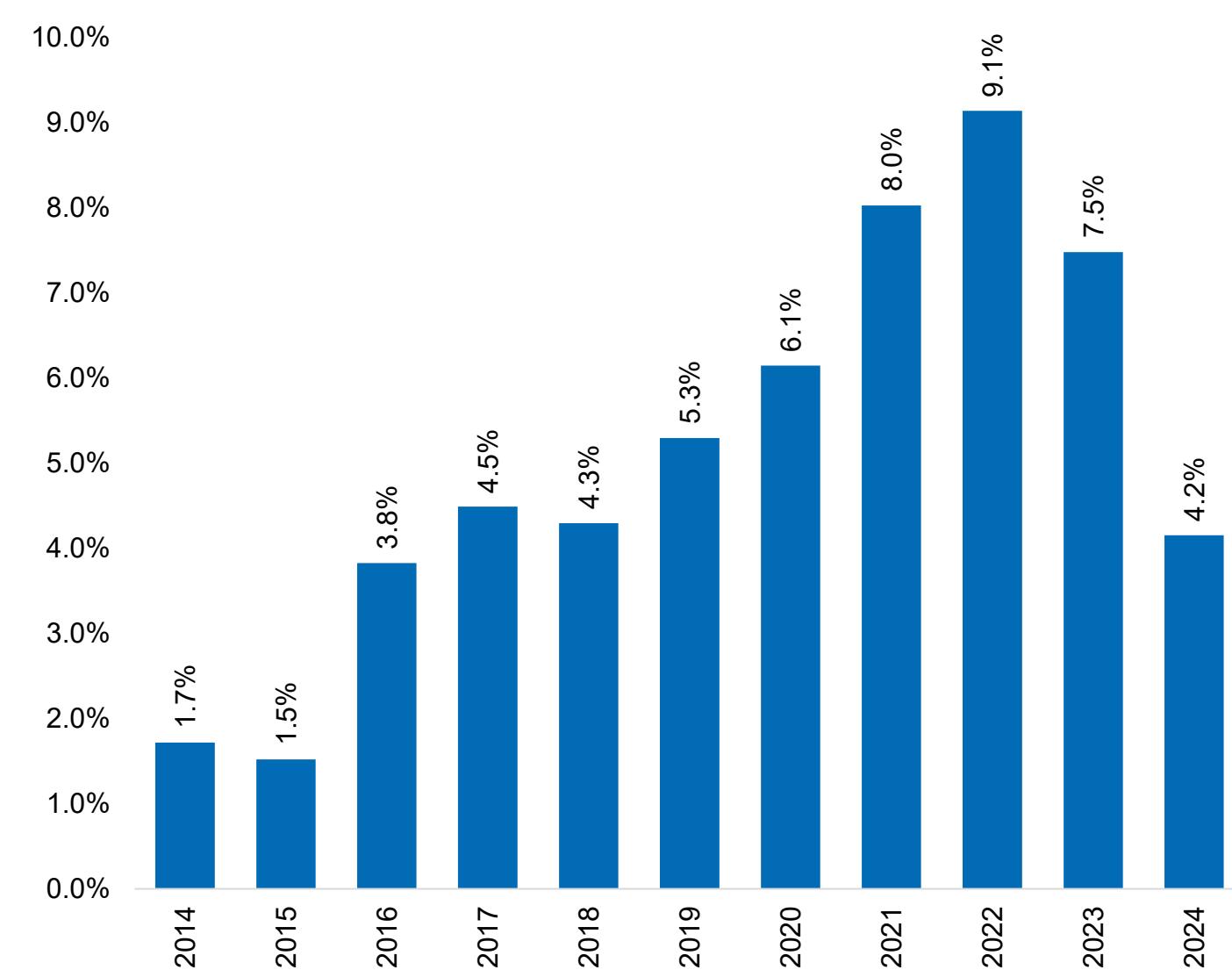
Asking Rents Continue Rapid Growth

Average asking rents ended Q4 2024 at \$10.03 PSF, an increase of 4.2% year-over-year. This is a stark deceleration in rent growth as the three years prior averaged 8.2% annual rent growth. Overall, the market has seen an impressive 32.0% increase in rents from the beginning of 2020 through Q4 2024.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

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Notable Lease Transactions

The top five deals were located on the Southside, highlighting the recent activity in that area of the region. Acesur North America, a producer of olive oils and sauces from Spain, signed the largest deal of the quarter, signing for over 123,000 SF of space at 324 Moore Avenue in South Suffolk.

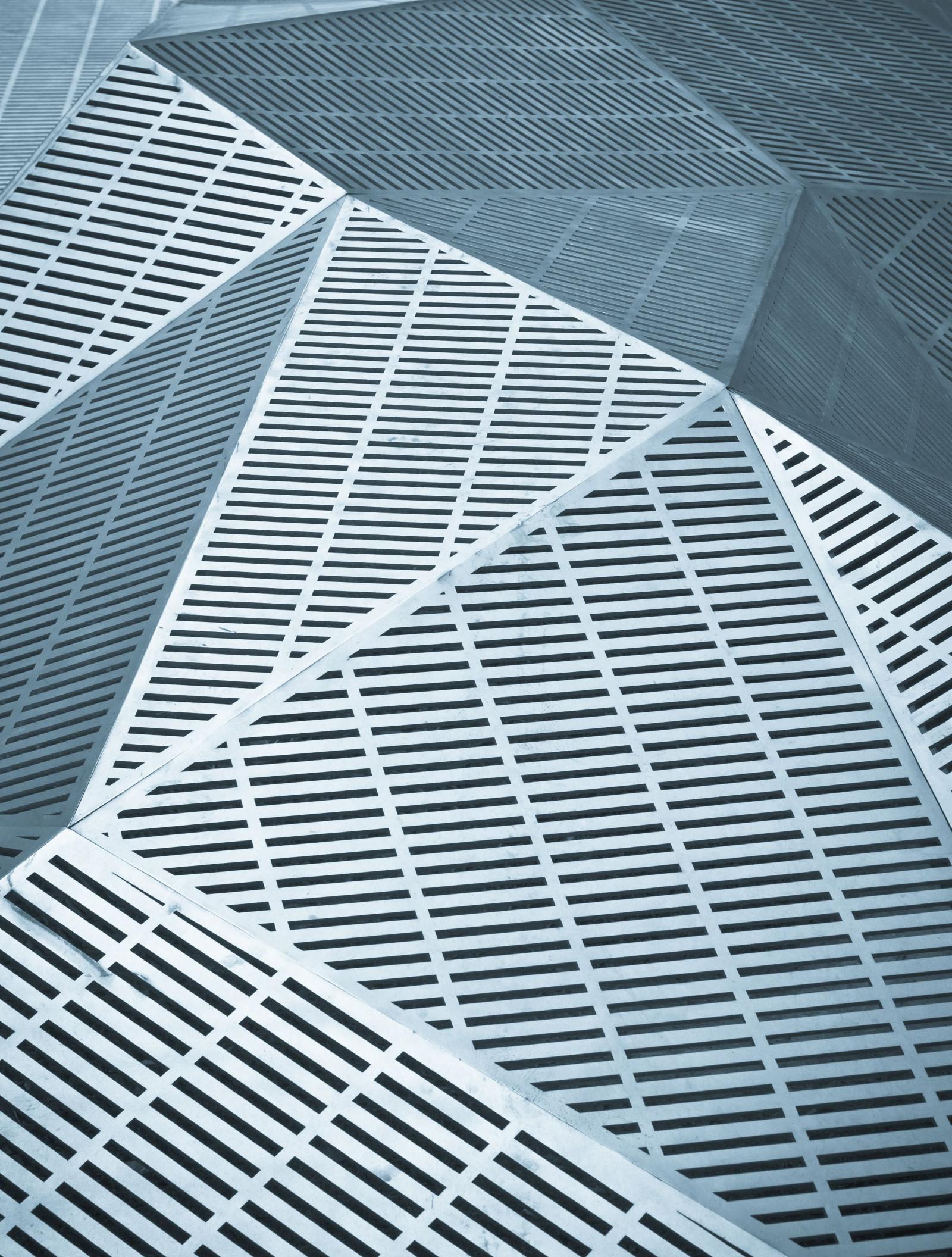
Select Lease Transactions

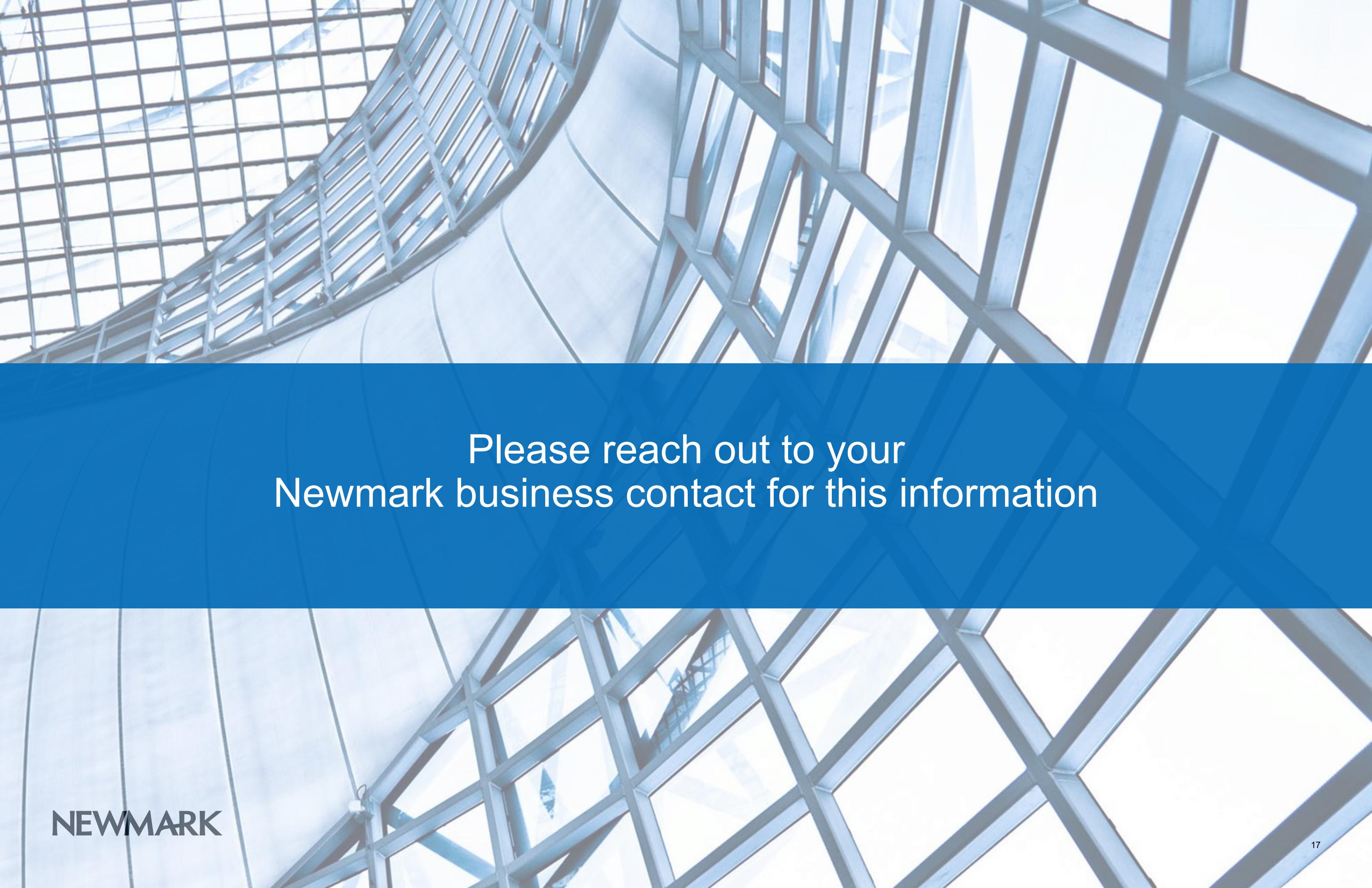
Tenant	Building	Submarket	Type	Square Feet
Acesur North America	324 Moore Avenue	South Suffolk	Direct Lease	123,600
Dupre Logistics	4860 Station House Road	Western Branch	Direct Lease	108,900
Goknur	5816 Ward Court	Airport Industrial Park	Direct Lease	107,953
CarParts Wholesale	2601 Indian River Road	Greenbrier	Direct Lease	38,512
SIG Logistics	516 Woodlake Circle	Bainbridge	Lease Renewal	30,000

Source: Newmark Research, CoStar

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Market Statistics





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