

Report to the Virginia Association of Assessing Officer Members



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Why Hampton Roads?

- Industrial Market Dynamics

A rock-solid local economic base secures enormous Investments in Industrial Real Estate in 2024!

The Hampton Roads Industrial Market will enjoy super charged growth throughout the region bringing with it meaningful increases in employment and capital investment in wind energy and the general industrial market as the Port, our transportation infrastructure and our logistics linkages all grow together!



So.... Why Virginia:

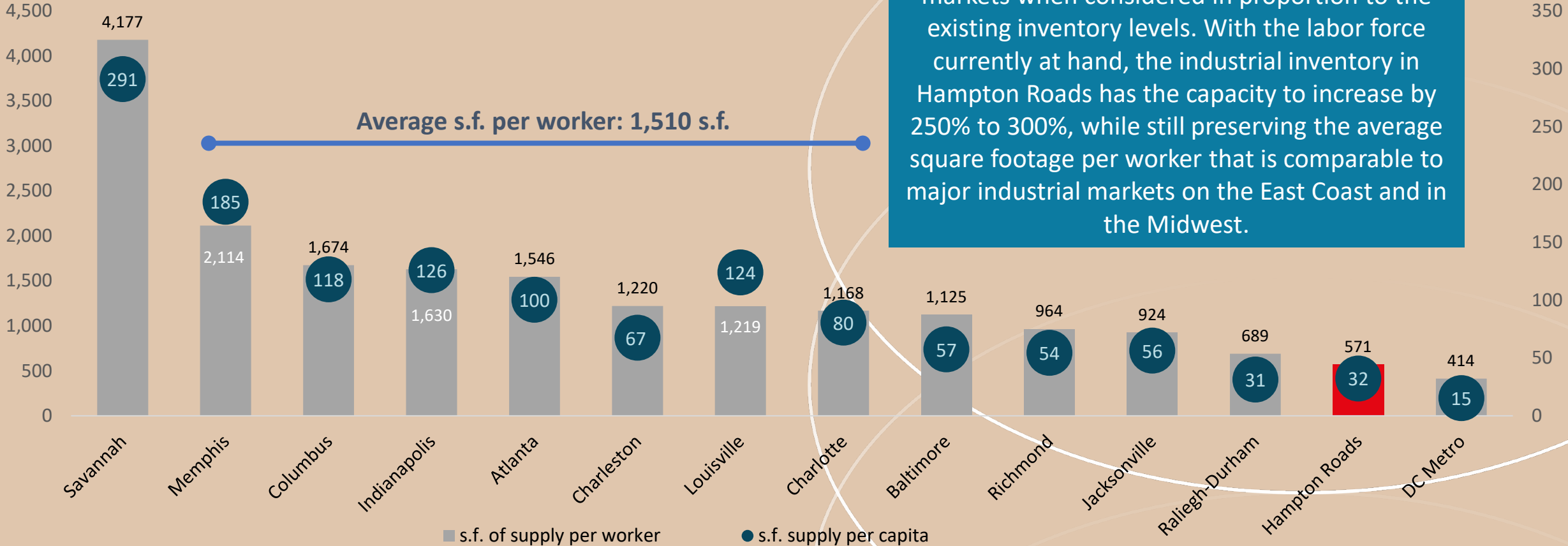
- CNBC #1 State for Business,
- Pro Business Governor with pro-active business agenda (Investment in Ready Sites Program – investment in infrastructure – fiscally well run and center of the Eastern Seaboard, right to work state),

So.... Why Hampton Roads:

- #1 Fastest Growing Port in the United States
- Nearly \$20 Billion in infrastructure investment in the Port and our Transportation Network (certainty is our middle name),
- \$22 Billion a Year in Public Sector spending in the region leads to stability – Department of Defense
- Investment in Green Technology - Wind Energy
- Labor!
- The Virginia Model – Mutual respect and working together to create wins – we are all on the same side when it comes to economic development that creates jobs, economic opportunity and capital investment

Hampton Roads offers a deeper labor pool, leaving the market well positioned for supply expansion

Warehouse/Distribution inventory vs worker and MSA population

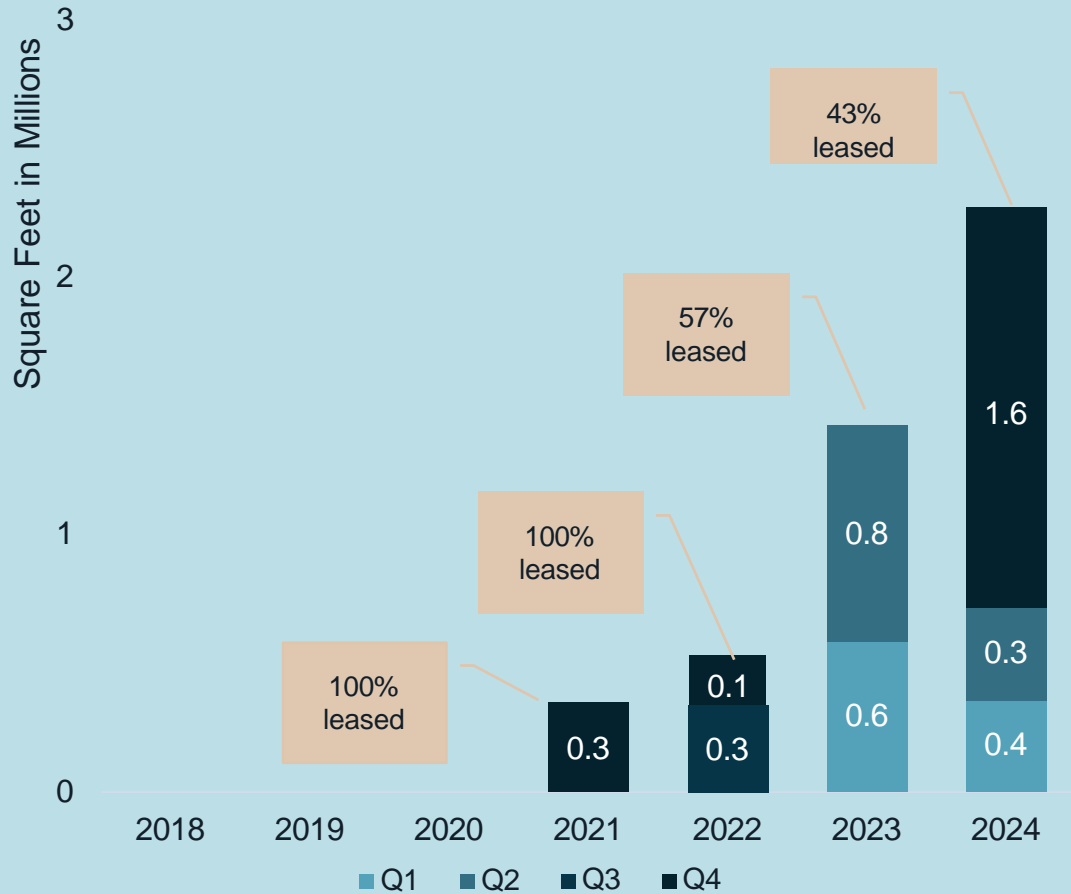


The workforce available in the metropolitan area greatly exceeds that of primary and secondary markets when considered in proportion to the existing inventory levels. With the labor force currently at hand, the industrial inventory in Hampton Roads has the capacity to increase by 250% to 300%, while still preserving the average square footage per worker that is comparable to major industrial markets on the East Coast and in the Midwest.

Source: JLL, ESRI

Availability in 2024 for speculative deliveries

Speculative deliveries: RBA (s.f.) delivered by quarter



Speculative developments (2021-2023)

Address	Submarket	Status	Build Date	Bldg RBA (s.f.)	Available area (s.f.)
700 Shell Rd	Copeland	UC	12/1/2024	299,783	299,783
750 Shell Rd	Copeland	UC	12/1/2024	540,700	540,470
Carolina Rd	South Suffolk	UC	12/1/2024	716,527	716,527
301 Kenyon Rd	South Suffolk	UC	5/31/2024	342,640	342,640
1637 Green Mount Pkwy	Williamsburg	UC	1/1/2024	373,536	373,536
150 Judkins Ct	South Suffolk	Existing	5/1/2023	814,105	610,525
600 Curtis Saunders Ct	Cavalier Ind	Existing	3/1/2023	334,800	0
3226 Industrial Dr	South Suffolk	Existing	1/1/2023	278,670	0
1614 W Pembroke Ave	Copeland	Existing	11/1/2022	115,500	0
6601 Park Dr	North Suffolk Ind	Existing	8/1/2022	338,000	0
1401 Enterprise Dr	South Suffolk	Existing	12/1/2021	348,500	0

Current Site Status of 1213 Victory Boulevard Chesapeake, Virginia



1213 Victory Boulevard – Chesapeake, VA LS Cable 750,000 SF Building Concept Render



Where are we now? We are just getting started!

- **INFRASTRUCTURE INVESTMENT!**

- The deepening and widening of the shipping channels is nearing completion in later 2024 which is increasing throughput and velocity capability at the Port of Virginia.
- With the completion of all of the significant transportation infrastructure investments coming online in 2024 through 2025, Hampton Roads is completing a transition to a world class transportation economy for all manner of commerce, distribution and logistics. The completion of the HRBT expansion will be the capstone to this narrative in late 2025 or early 2026.



- Within the Mid-Atlantic Region only Hampton Roads and Richmond are recording consistent positive absorption in our industrial markets – companies are moving here!
- We are the single tightest market with the lowest vacancy of any national market – Hampton Roads is now a top 5 nationally recognized industrial market by the global investment community
- How do you attract the next wave of major corporate occupiers? Labor and a ready-made supply of buildings that are move – in or close to move-in ready – remember this at your next rezoning meeting with City Council.
- A pro business environment (Virginia is eating Maryland's lunch from a development standpoint)



- Research
- United States
- Industrial | Q2 2024

Hampton Roads

Market Trends

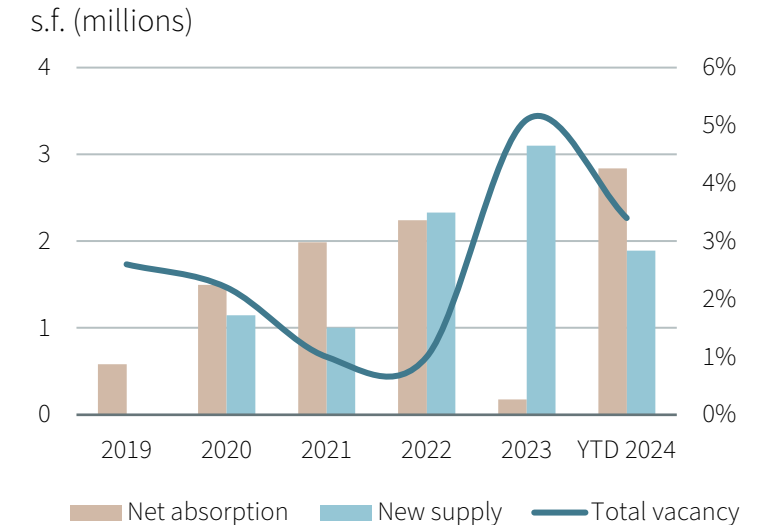
- Bulk requirements resurfacing, but focused on initial data gathering phases regarding labor conditions and market fundamentals
- Supply constraints maintaining landlord-favorable leverage and Class B asking rents are now inline with 1st-generation pricing
- Large corporate occupiers looking for purchase options for existing facilities and build to suit to purchase options

Outlook

- Near-term transit and port infrastructure improvements adding upside to market, attract additional port users
- The initial passage of the ILA labor contract will favorably impact operations at major East Coast ports. The biggest concern now is Houthi rebels in the Red Sea.

Fundamentals		Forecast
YTD net absorption	2,836,643 s.f.	↑
Under construction	4,439,821 s.f.	→
Released	43.6%	↑
YTD deliveries	1,608,536 s.f.	↑
Total vacancy	3.4%	↓
Total availability	7.2%	↑
Average asking rent	\$9.50 p.s.f.	↑
Concessions	Stable	→

Historical supply and demand trends



The 2024 Industrial Market – Who is here now?

- Demand and Absorption by local companies and for buildings of less than 100,000 was and is still exceptionally strong both for lease and for purchase. Demand and absorption for lease options in excess of 250,000 softened, but with limited supply this did not create a supply overhang for speculative construction.
- A number of the larger transactions previously reported in 2022 and 2023 are now under construction and being delivered for occupancy: **Amazon in Virginia Beach (from 0 to 10M SF in 7 years), Lowes, Unis, MS International, Road One and NFI in Suffolk – representing more than 6 M SF of new occupancy all under construction in 2023 for occupancy delivery in 2024.**
- Vacancy levels remained limited in the range of 3.5% based on current ready to move in inventory – there is virtually no sub-lease space available in the market.
- Rental Rate growth from 2020 to 2024 was 81%, approximately 20% of that was in 2023. Rent for almost all availability buildings between 10,000 and 100,000 SF continued to grow at double digits for the majority of the market and the market continued to be landlord leveraged.
- Trended rate growth for 2024 year over year has been 16% but Quarter over quarter has stalled at no growth. This is an inflection point but all major economic trends in Hampton Roads favors more growth.
- Current rental rates will establish a new base line on a going forward basis.

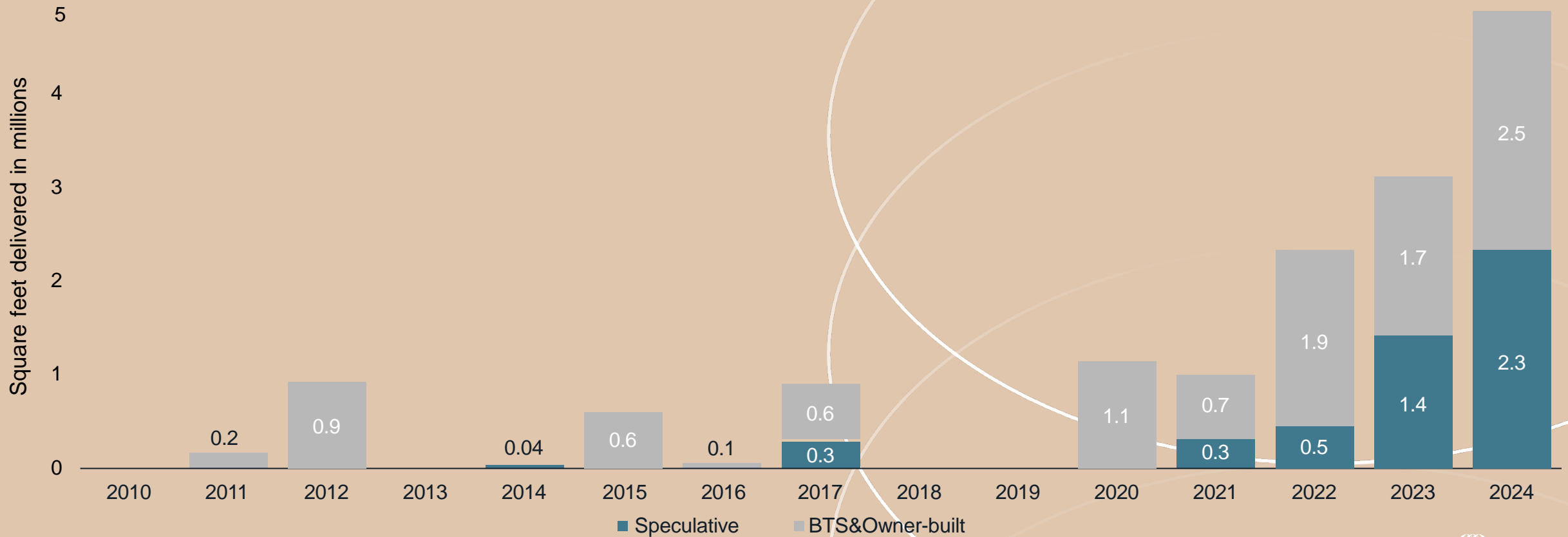
Looking forward into 2024 and 2025 – Construction!

- Functional industrial vacancy will remain restricted in new all size ranges with Class A and B vacancy at 3.5% for buildings in excess of 10,000 SF.
- All speculative developments that were constructed and delivered through Q1 2023 have all been leased – 100% lease up.
- Even with a robust pipeline of under construction and proposed speculative construction projects, we expect that going forward companies will come off of the sidelines in 2025. The Supply Chain is not broken it is ever evolving.
- With rock solid leasing and pricing fundamentals in our market, the Hampton Roads market will continue to be a lightning rod for the attraction of new investment and development capital.
- Over 7.9 million SF of new industrial product is planned to deliver in Hampton Roads over the next three years – equal to about 60% of the over 13 million square feet of requirements from tenants in the market.



2024 expected to produce a record year of speculative development following years of BTS and owner-occupier deliveries.

Historical development by construction type



YES!

- At Last... There are now a number of critical projects proceeding to construction in our market that will deliver – on average – 1.5 to 2.0 million square feet per year over the next 3 to 4 years. Dependent upon pre-leasing commitments we can expect this delivery pipeline to accelerate.
- A combination of projects including: the master planned parks at Port 460 Logistics Center, Lovett Commerce Center, Coastal Logistics Center, Westport, Phenix Commerce Center, Virginia Commerce Center and other single building projects will provide for a much-needed supply of more than 10 million square feet of industrial product for our region over the next several years.
- NOW – we finally have the supply pipeline of warehouse, distribution centers and logistics centers that we have need for so long to put our region in position to deliver on the promise and potential for this market. After all, we are a top 5 port market in the United States of America.
- Add to that the secret ingredient for our market: a deep and capable labor pool that few other markets can point to will allow us to continue to attract top tier corporate occupiers for a long time to come.

The Tide is Rolling In!

The 37th Largest SMSA in the United States

**A top 5 Port Market with a burgeoning
transportation-based economy**

**A proven winner on the national industrial
market stage and**

**An International World Champion in Global
Trade**

