



# INDUSTRIAL

2007  
HAMPTON ROADS  
MARKET SURVEY

## *Acknowledgements*

---

### **Author**

Billy King, SIOR

### **Data Preparation**

Stephanie Sanker

### **Survey Coordination**

Clay Culbreth, CCIM, SIOR

### **Financial Support**

The E. V. Williams Center for Real Estate and Economic Development (CREED) functions and reports are funded by donations from individuals, organizations and the CREED Advisory Board.

Statistical data provided by Society of Office and Industrial Realtors (SIOR) Comparative Statistics Market Survey. Research data provided by Real Capital Analytics through Sperry Van Ness.

# 2007 INDUSTRIAL

## *General Overview*

This report analyzes the 2006 industrial real estate conditions within the Virginia Beach-Norfolk-Newport News, VA-NC Metropolitan Statistical Area (the "MSA") that is also known as Hampton Roads. It provides inventory, vacancy, rent, sale and other data for the MSA. The survey includes properties in the cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg, plus the counties of Gloucester, James City, York and Isle of Wight.

## METHODOLOGY

### **This survey includes the following types of properties:**

- Office-warehouse, industrial and shop facilities of 5,000 square feet or greater, although some facilities of less than 5,000 square feet may be included.
- Properties must have less than 80% office space to be included in the SIOR/ODU survey.
- Both owner-occupied and leased properties are included. Owner-occupied is defined as a property that is 100% occupied by a business that is the same as or is related to the owner of the building.
- All properties that are available and are listed for sale or lease regardless of whether they are occupied, unless they are strictly available for sale as an investment property. For example, a property that is available for sale and is currently occupied on a short-term lease is included.
- All properties that have commenced construction (foundations installed minimum).

### **The survey excludes the following types of properties:**

- Land
- Warehouse or shop facilities on shipyard properties
- Warehouse or other industrial facilities on federal government property (e.g., military installations)
- Industrial facilities on government property (e.g., Norfolk International Terminal, Newport News Marine Terminal)

Functional submarket delineations are determined with minimal regard to city boundaries. The entire market is divided into 16 submarkets defined by industrial building concentrations, the transportation network, and pertinent physical features. The area map included in this report provides a location key for reference.

The E. V. Williams Center for Real Estate and Economic Development (CREED) has been tracking the inventory of the Hampton Roads industrial market since 1995. The results of the 2007 survey collected during the 4th quarter of 2006 indicate that the Hampton Roads industrial market currently encompasses 100,237,510 total square feet of space located in 2,699 buildings throughout the Region. This is an increase of 3,410,235 square feet, or 3.51% from the last year's survey. The increase is primarily due to expansions of existing buildings and new construction started in the marketplace. As a counter to these increases, there was an elimination of buildings that were demolished or converted to alternative uses (multi-family and retail).

## HAMPTON ROADS OVERVIEW

---

As part of the SIOR National Industrial Survey, the Hampton Roads industrial market is within the South-Atlantic region of the United States, which includes twenty-seven major submarkets spanning from Maryland through Florida. This year, Hampton Roads' vacancy rate increased to 5.87% from 5.21% in last year's survey. Last year (2005) was the lowest vacancy rate that has been recorded for the area since the survey started in 1995. This year's 2006 vacancy rate of 5.87% is still a historically low rate. The vacancy rate was up in 11 out of 16 area submarkets covered, with 5 submarkets down as compared to 2005. Total Hampton Roads market absorption this year was 2.80% or 2,566,823 square feet, as compared with 2.03% (1,826,089 square feet) in 2005. This represents a 38% increase in absorption.

If 2005 could be termed a "break-through year" for our Hampton Roads Market, this year was "commitment year" for Hampton Roads. This is signified by 1) the start-up and substantial completion of 7 major speculative industrial/distribution projects, including high-bay and "bread and butter" office-warehouse projects and 2) the continuing escalation of lease rates in existing buildings for the vast majority of the market that is served adequately by their existing space. Sale prices of user (owner-occupied) properties continued to escalate beyond even the prices experienced in a remarkable 2005. The speculative projects started and substantially completed and referred to above are summarized as follows:

1. Indian River Distribution Center by Ashley Capital	230,741 square feet
2. Enterchange No. 1 - Hampton by Schneider National and Devon Group	243,219 square feet
3. Northgate Logistics Center by George Powers	300,000 square feet
4. Waverton Industrial Village by Waverton Properties	58,800 square feet
5. Shirley T. Holland Commerce Center by Johnson Development	329,766 square feet
6. Chesapeake Industrial Center by West Essex Management	186,000 square feet
7. Bridgeway Commerce Center III by Liberty Property Trust	168,000 square feet
<b>Total New Projects Completed and Under Construction</b>	<b>1,515,726 square feet</b>

Two projects that had been announced in last year's survey that were not built are the South Suffolk Distribution project by Triumph and the 14 acre Trade Street distribution project in Chesapeake.

Overall, 2006 was a quieter year for industrial investment sales, as compared with the watershed year of 2005. Among the investment projects trading hands were the First Data Corp property, a 54,000 square foot former user property in Greenbrier which sold as a high-end flex building to First Potomac Realty Trust, and the 90,000 square foot Woodlake Distribution Center, also in Greenbrier, which was sold to a local investor. On the Peninsula in Hampton, the West Park Project of 515,485 square feet (2 buildings) was sold to High Street Equity Advisors for \$32,300,000 (\$62.47/square foot)

Industrial leasing highlights included the following:

- Lease of the former Dan River Inc. warehouse in PortCentre Commerce Park, Portsmouth to Massimo Zannetti Beverage USA (228,000 square feet)
- Expansion of Laufen Tiles at Commonwealth Storage (120,000 square feet)
- Lease by Barton Mines in Chesapeake on Diamond Hill Road (D.D. Jones/First Potomac Realty Trust) (100,000 square feet)
- Lease of Givens, Inc. at 400 Woodlake Circle, Chesapeake (80,500 square feet)
- Lease of NYK Logistics to kick-off major Norfolk Logistics Center project in Chesapeake (130,000 square feet)
- Lease of former Dana Corp. space at Bridgeway Commerce I, Suffolk by Walker International (3PL) (80,000 square feet)

## 2007 INDUSTRIAL

The breakdown of available space by unit size continues to change from year to year. The most recognizable change in the past year has been a decrease in the smaller spaces available (5,000 – 20,000 sf), as well as an increase in the largest units (greater than 60,000 sf). The percentages of buildings that are available in each size range are as follows:

### PERCENTAGE OF AVAILABLE BUILDING BY SIZE RANGE

Begin Size (SF)	2001	2002	2003	2004	2005	2006
< 5,000	30%	15%	32%	25%	30%	25%
5,000 - 20,000	40%	52%	44%	40%	42%	30%
20,000 - 40,000	15%	18%	12%	15%	13%	15%
40,000 - 60,000	9%	8%	7%	8%	6%	10%
> 60,000	6%	7%	5%	12%	9%	20%

Industrial land sale highlights included:

- 10.38 usable acres purchased in Northgate Commerce Park by a local development partnership at \$932,215 or \$89,808 per acre.
- 34 acres purchased on Yadkin Road, east of Cavalier Park in Chesapeake, by ProLogis at \$5,780,000+ or \$170,000 per acre for The Norfolk Logistics Center.
- 114.6 acre Glenn site on Kenyon Road, Suffolk bought by McDonald Windward Partners for \$2,350,000 (\$20,506/Acre)
- 55.206 acres purchased by the City of Suffolk at 803 Carolina Road for \$1,188,714 (\$21,532/Acre).

Availability of lease space in the larger size ranges (above 40,000 square feet) was pushed up considerably this year because of the delivery of several new large, high-bay buildings noted above. “For Sale” opportunities continued to be scarce in all size ranges. As mentioned above, land availability is extremely limited in close-in, central core portions of the Hampton Roads market. This continues to push developers and users to consider and to execute purchases in such outlying sub-markets as Suffolk and Isle of Wight.

Average market asking rents for small spaces (less than 20,000 square feet) rose substantially during 2006. Rates for larger spaces were strong and not yet negatively impacted by the availability of the new projects noted above. This should change in 2007 and 2008. Also, an increase in asking rents for all size units is reflective of the decrease in the overall availability. The variance between asking lease rates and final negotiated rates, highly dependent on the age and location of a particular building, has been between 0% and 10% in 2006.

### RENTS FOR AVAILABLE BUILDING BY SIZE RANGE

Begin Size (SF)	2001	2002	2003	2004	2005	2006
< 5,000	\$6.34	\$7.16	\$6.95	\$7.30	\$7.75	\$7.85
5,000 - 20,000	\$4.46	\$5.80	\$5.89	\$6.20	\$6.50	\$6.75
20,000 - 40,000	\$4.35	\$4.99	\$5.21	\$5.45	\$5.75	\$5.85
40,000 - 60,000	\$4.15	\$4.13	\$4.44	\$4.75	\$4.95	\$5.00
> 60,000	\$3.24	\$3.43	\$3.15	\$4.00	\$4.30	\$4.35

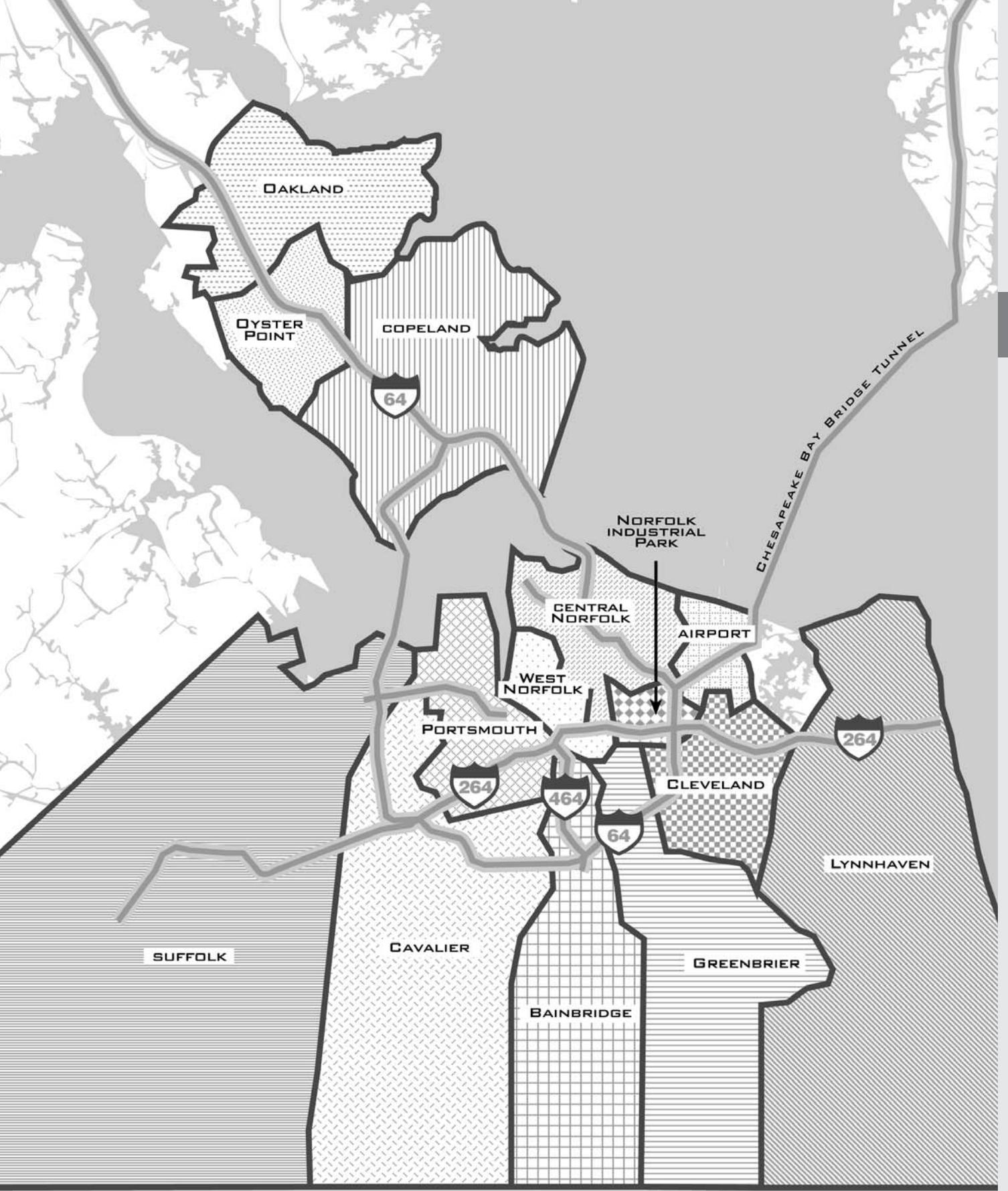
## SALES OVERVIEW

The 2006 sales activity for industrial buildings continued to show price escalations even as compared with 2005. Industrial building sales prices predominated in the \$35 p.s.f. to \$65 p.s.f. range. There were sales that were finalized higher in the \$95 p.s.f. to \$135 p.s.f. range, as a result of either high-end location, developed yard or surplus land area. Available modern industrial buildings for purchase remained very hard to find in 2006 in all size ranges.

### PERCENTAGE OF AVAILABLE BUILDING BY SIZE RANGE

DATE	LOCATION	SQ. FT.	PRICE	\$/SF	ACRES
2/06	Verizon	31,000	\$880,000	\$28.39	2.00
4/06	Viasys	10,293	\$1,400,000	\$136.55	2.55
5/06	Sherwin-Williams	16,000	\$800,000	\$50.00	1.50
5/06	First Data	54,000	\$5,100,000	\$94.44	3.90
6/06	L.A. Services	48,800	\$2,200,000	\$45.08	9.20
11/06	IBS America	14,400	\$915,000	\$63.54	1.60
12/06	American Road Markings	21,334	\$550,000	\$25.78	0.65

Rent Basis: NNN



## INDUSTRIAL SUBMARKETS

### **Southside**

Suffolk  
Portsmouth  
West Norfolk  
Central Norfolk  
Cavalier  
Bainbridge  
Norfolk Industrial Park  
Airport Industrial Park  
Greenbrier  
Cleveland  
Lynnhaven

### **Peninsula**

Copeland  
Oakland  
Oyster Point  
Williamsburg Extended