Q3 2023 INDUSTRIAL MARKET REPORT

Virginia REALTORS®

Industrial Market - Key Trends Snapshot

Industrial Market

Overview: Virginia's industrial real estate market continues to be a bright spot compared to other sectors, but the pace of growth has cooled. Net absorption was positive but was the lowest it has been in three years. Rent growth was robust this quarter but has softened for several quarters in a row compared to the prior year. Industrial-supporting jobs remain one of the fastest growing sectors in the state, which will continue to keep vacancy levels tight.

Absorption: Industrial absorption remained positive but slowed down this quarter after experiencing a high level of activity for much of the past year. There was about 708,000 sq ft of net absorbed industrial space in Virginia during Q3 2023, dropping significantly from the 5.63 million sq ft absorbed in Q3 2022. Manufacturing space accounted for most of the state's absorption activity at about 343,000 sq ft. Richmond led the way in positive net absorption this quarter with nearly 374,000 sq ft of industrial space absorbed.

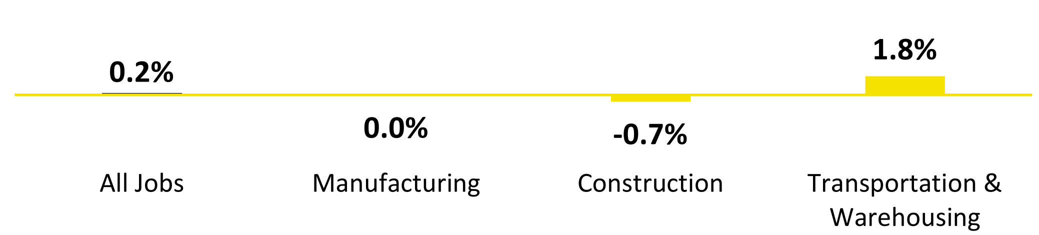
Vacancy Rate: Vacancy rates for Virginia's industrial market reached 3.3% in the third quarter, a slight increase from 3.1% last year. Despite the small gain, vacancy rates remain well below pre-pandemic levels in the state. Distribution/warehouse vacancy rates climbed to 3.4% while manufacturing dropped to 3.6% this quarter. The Blacksburg MSA market had an industrial vacancy rate of just 1.1%, the lowest in the state. The highest vacancy rate continues to be in the Lynchburg MSA (6.8%).

Rent: Full-service rent continues to escalate for industrial spaces throughout the state, but the pace continues to soften. For industrial buildings in Virginia the overall rent per square foot grew to $7.03 this quarter, 13.6% higher than the previous year. Rent for distribution/warehouse spaces jumped 16.4% in Q3 2023. Industrial rents in Hampton Roads jumped 23.5% from the third quarter last year, while rents dipped 3.9% in the Winchester market.

Supply + Deliveries: The construction pipeline for industrial buildings reached 14.6 million sq ft in Q3 2023, most of which was distribution/warehouse space at 7.86 million sq ft. There was 2.82 million sq ft of new industrial space delivered in the state, down 47.3% from the year prior.

Industrial-Supporting Job Sectors
(% Chg Jul-23 to Aug-23 , seasonally adjusted)

JOB TRACKER (VIRGINIA)



VIRGINIA *(Statewide)*

Market Indicator Dashboard

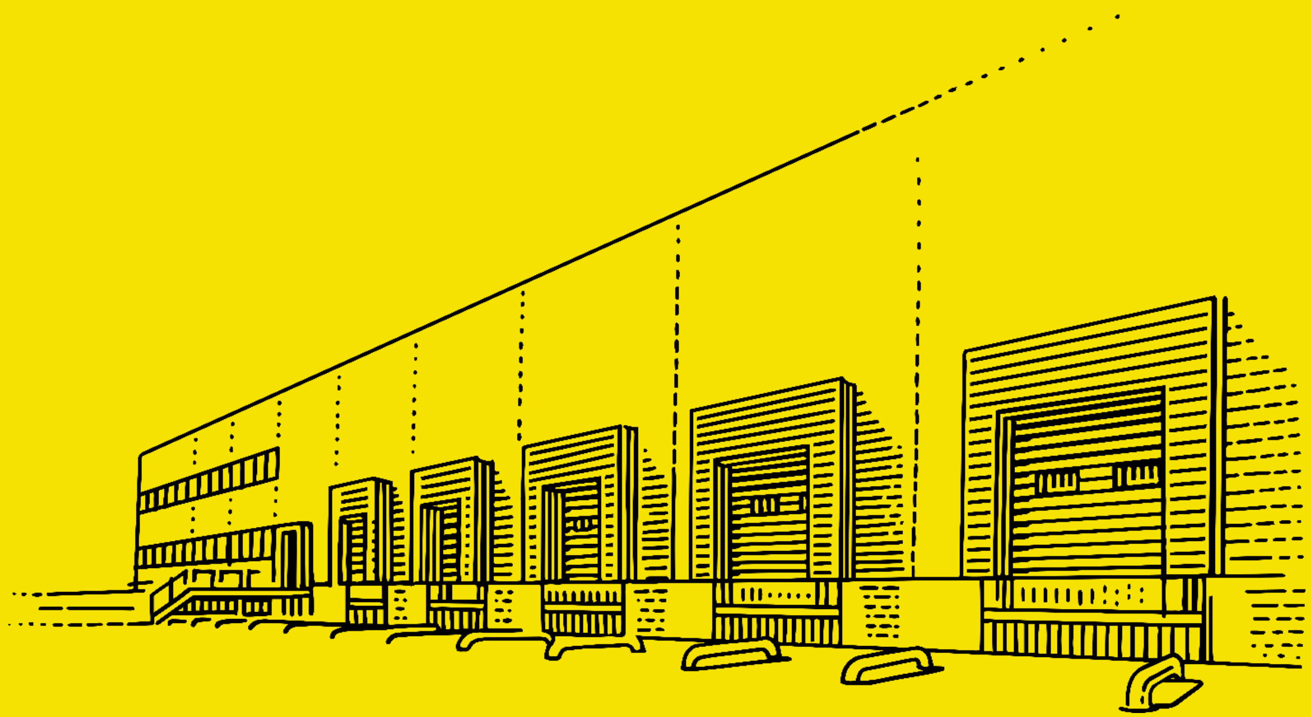
	YoY Chg	Q3-2023	Indicator
% chg	3.1%	530.7	**Total Inventory** (sq. ft, in millions)
sq. ft millions	-4.9	0.7	**Net Absorption** (sq. ft, in millions)
pct point	0.2%	3.3%	**Vacancy Rate** (%)
$ per sq. ft	$0.84	$7.03	**Full Service Rent** ($ per sq. ft)
sq. ft millions	-2.5	2.8	**New Supply Delivered** (sq. ft, in millions)
sq. ft millions	-6.1	14.6	**Under Construction** (sq. ft, in millions)

Economic Indicator Dashboard

	MoM % Chg	Aug-23	Indicator
% chg	0.2%	4.2	**Total Jobs** (in millions, seasonally adjusted)
% chg	0.2%	607.3	**Industrial-Supporting Jobs** (in thousands, seasonally adjusted)
pct point	0	2.5%	**Unemployment Rate** (% seasonally adjusted)
	QoQ Chg	**Q2-2023**	
pct point	-0.1%	2.1	**Gross Domestic Product** (% chg from prior year)

Report Index

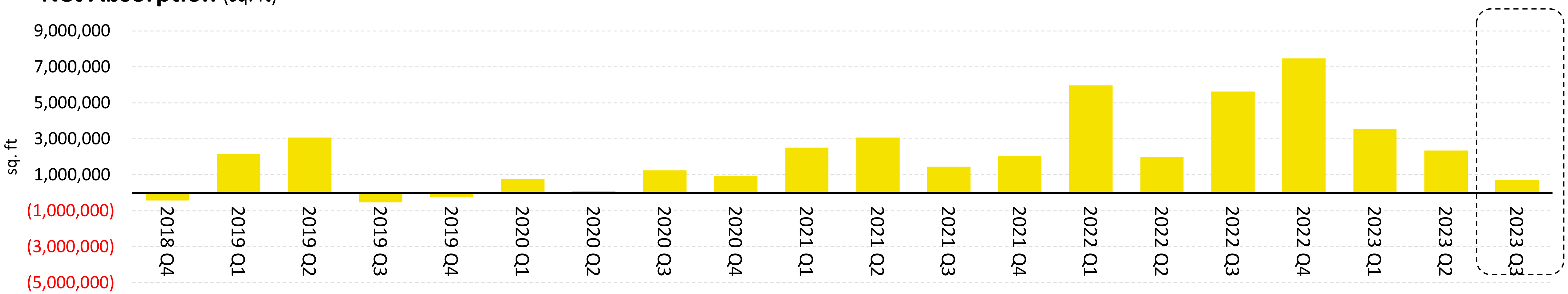
Virginia Industrial Market



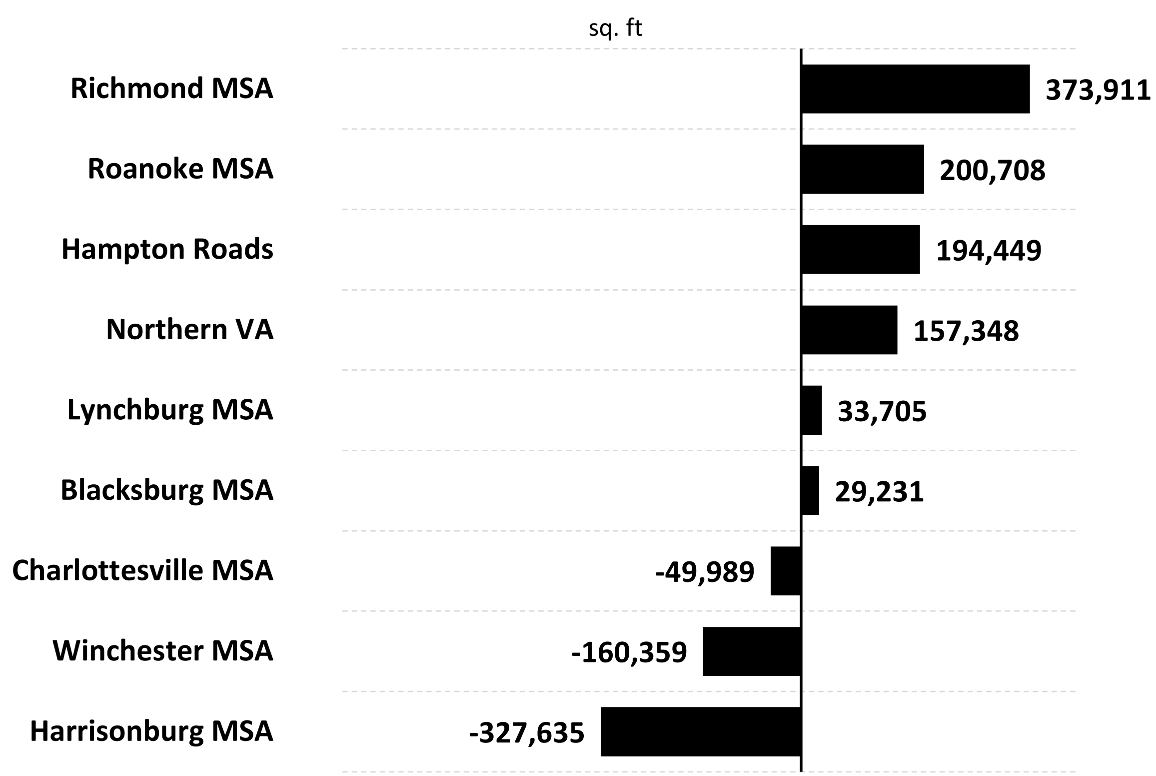
Industrial Market - Absorption & Construction Trends

VIRGINIA *(Statewide)*

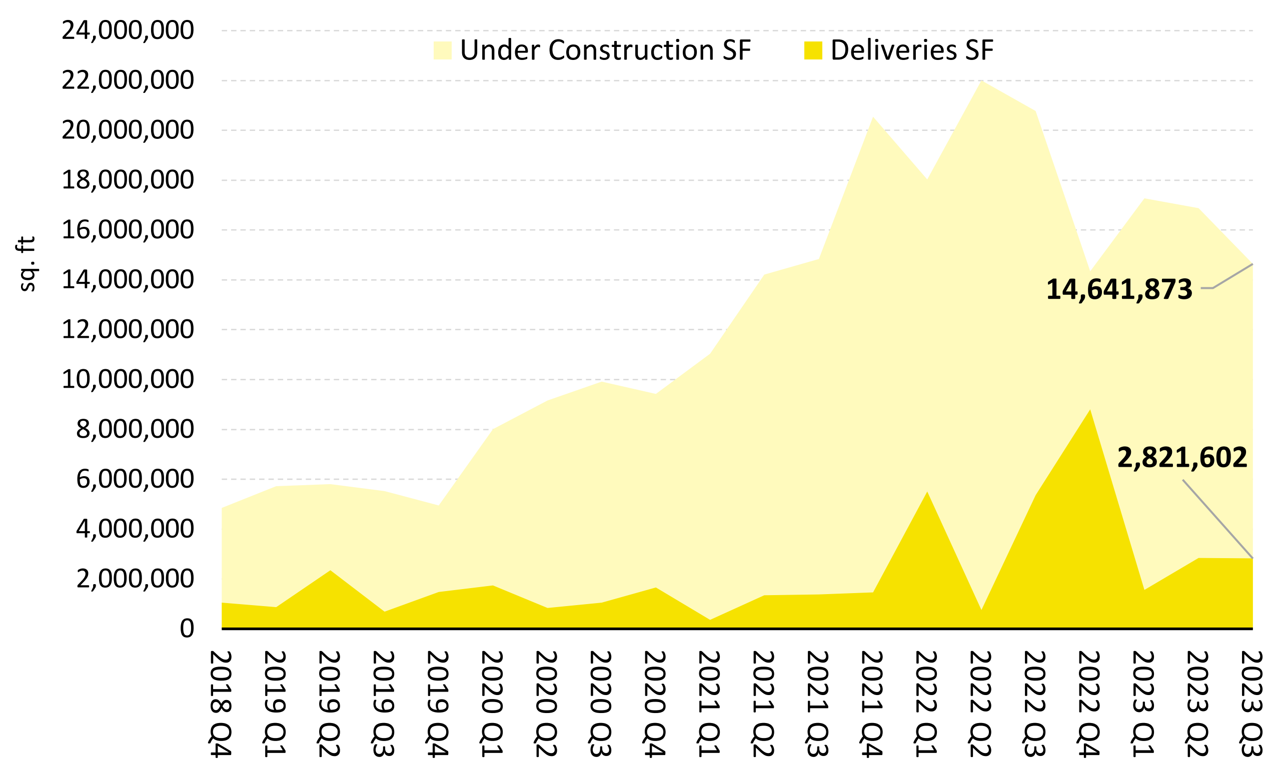
Net Absorption (sq. ft)



Q3-2023 Net Absorption by Metro Area (sq ft)



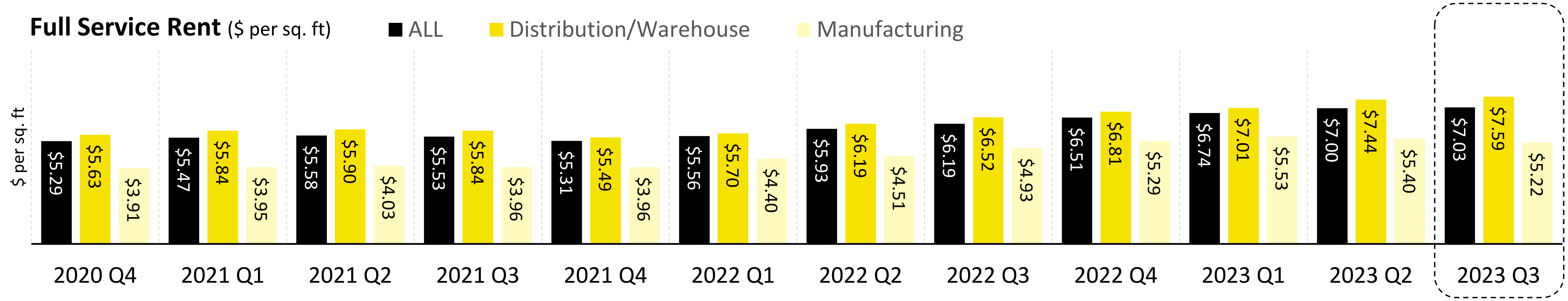
Under Construction & Net Deliveries (sq. ft)



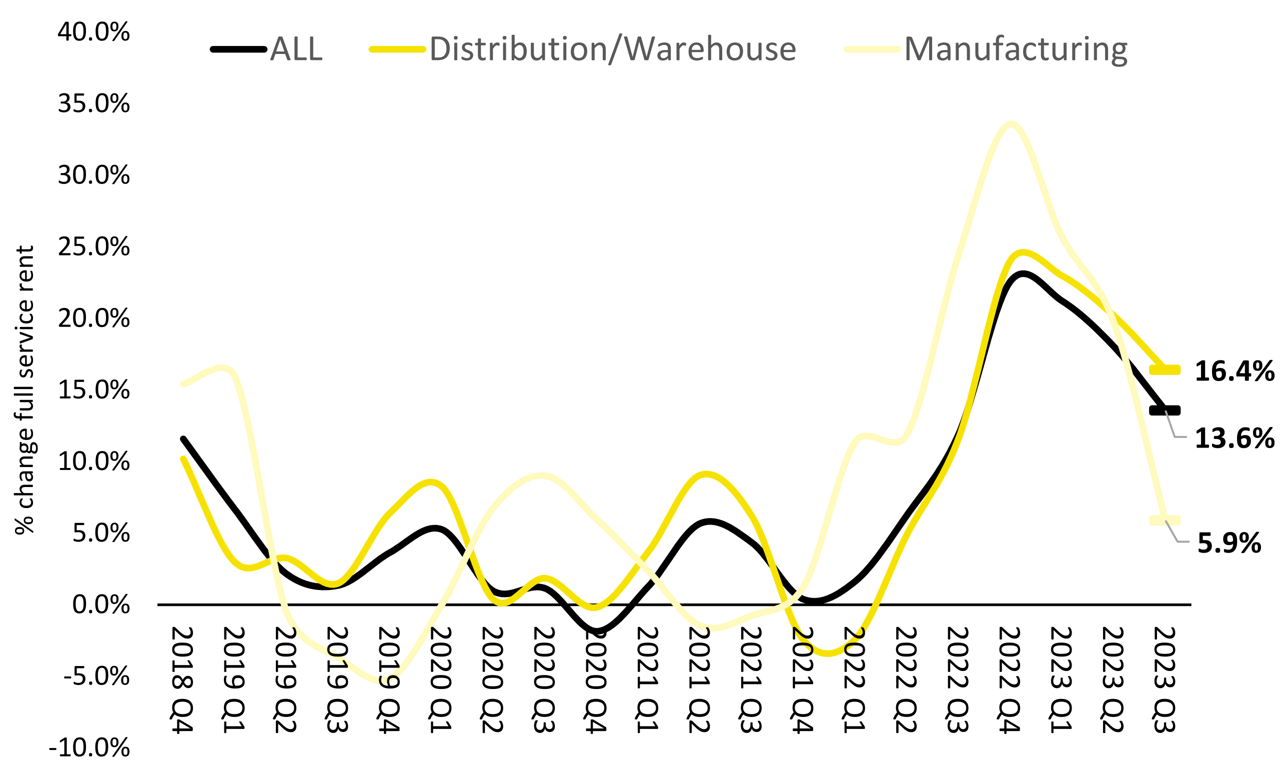
Industrial Market - Rent Trends

VIRGINIA *(Statewide)*

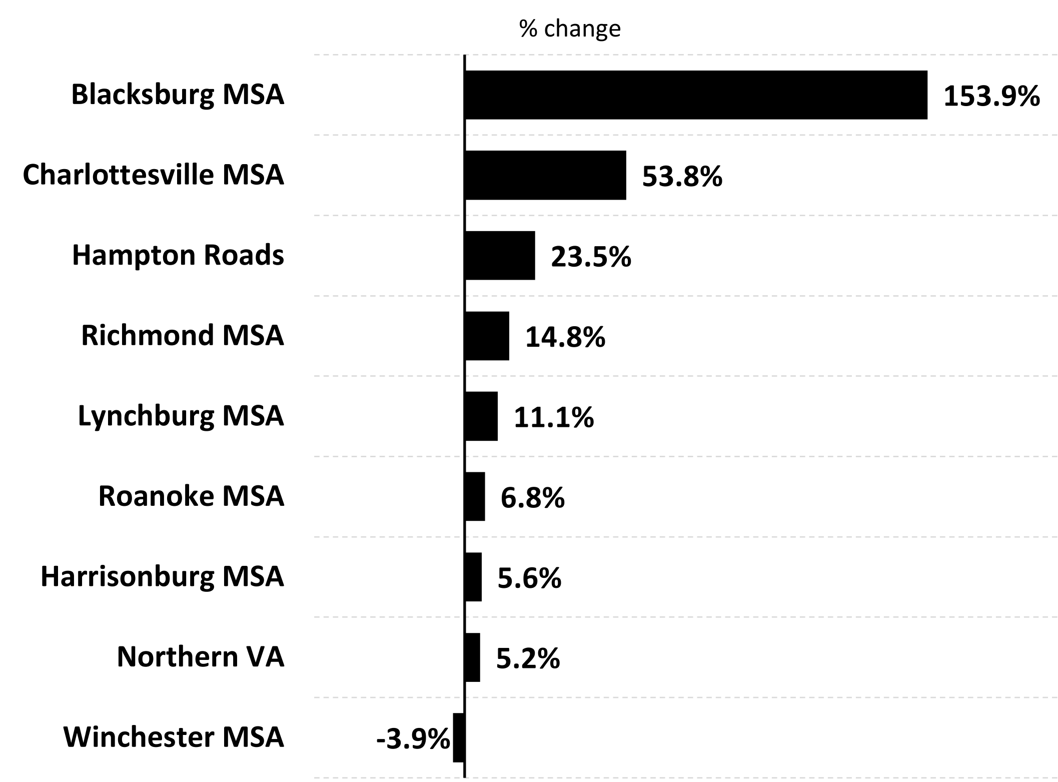
Full Service Rent ($ per sq. ft)



% Change, Full Service Rent (YoY % change)



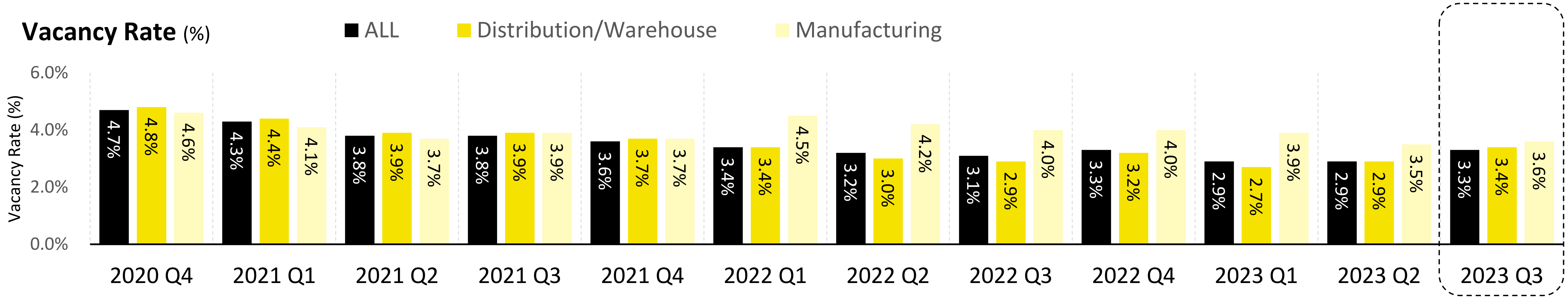
Q3-2023 by MSA: % Change, Full Service Rent (YoY % change)



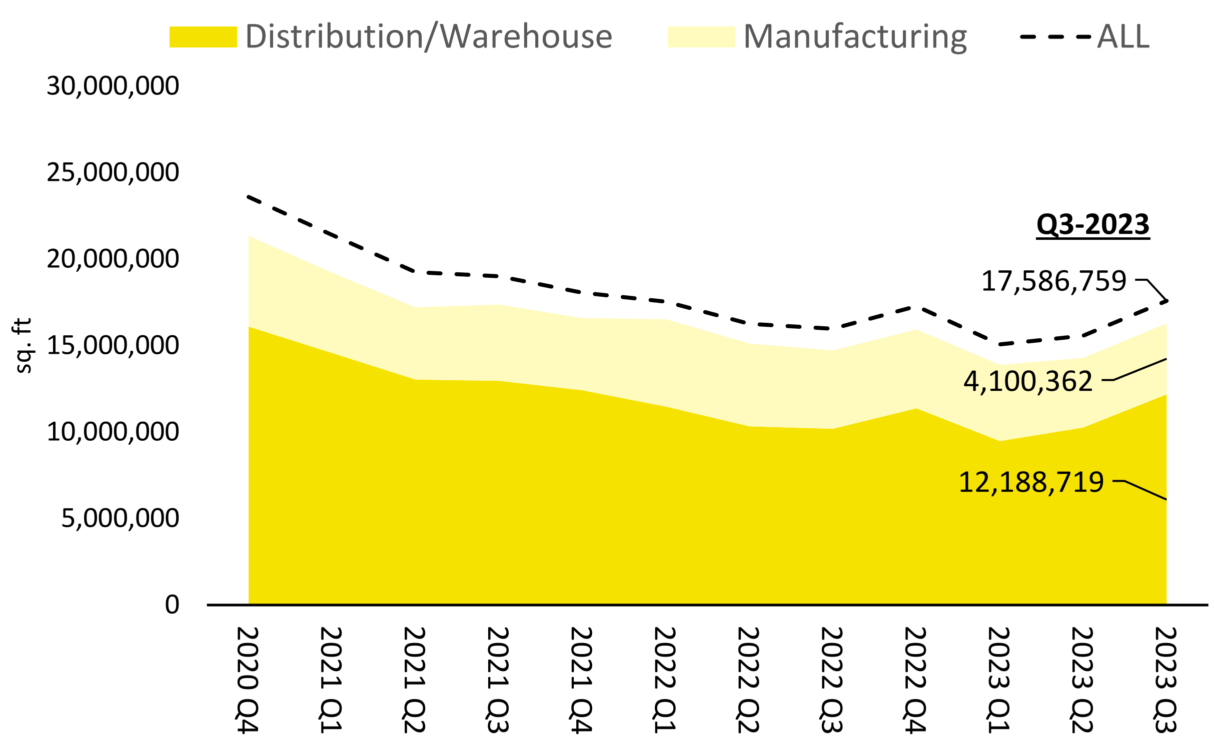
Industrial Market - Vacancy Trends

VIRGINIA *(Statewide)*

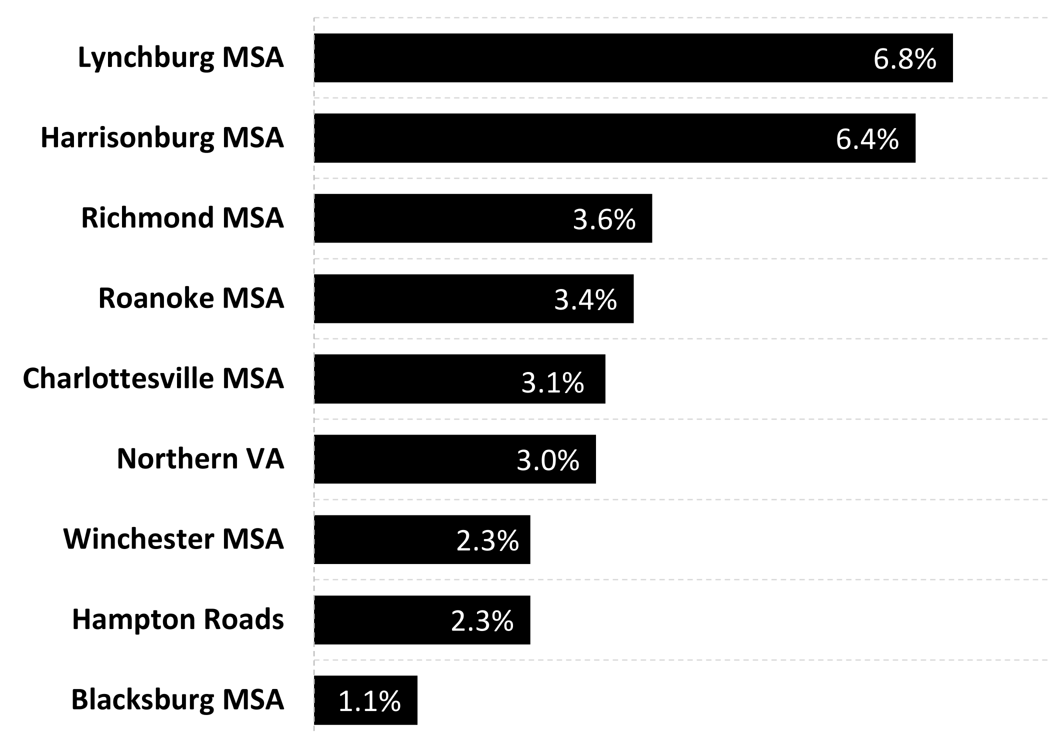
Vacancy Rate (%)



Vacant Inventory (sq. ft)



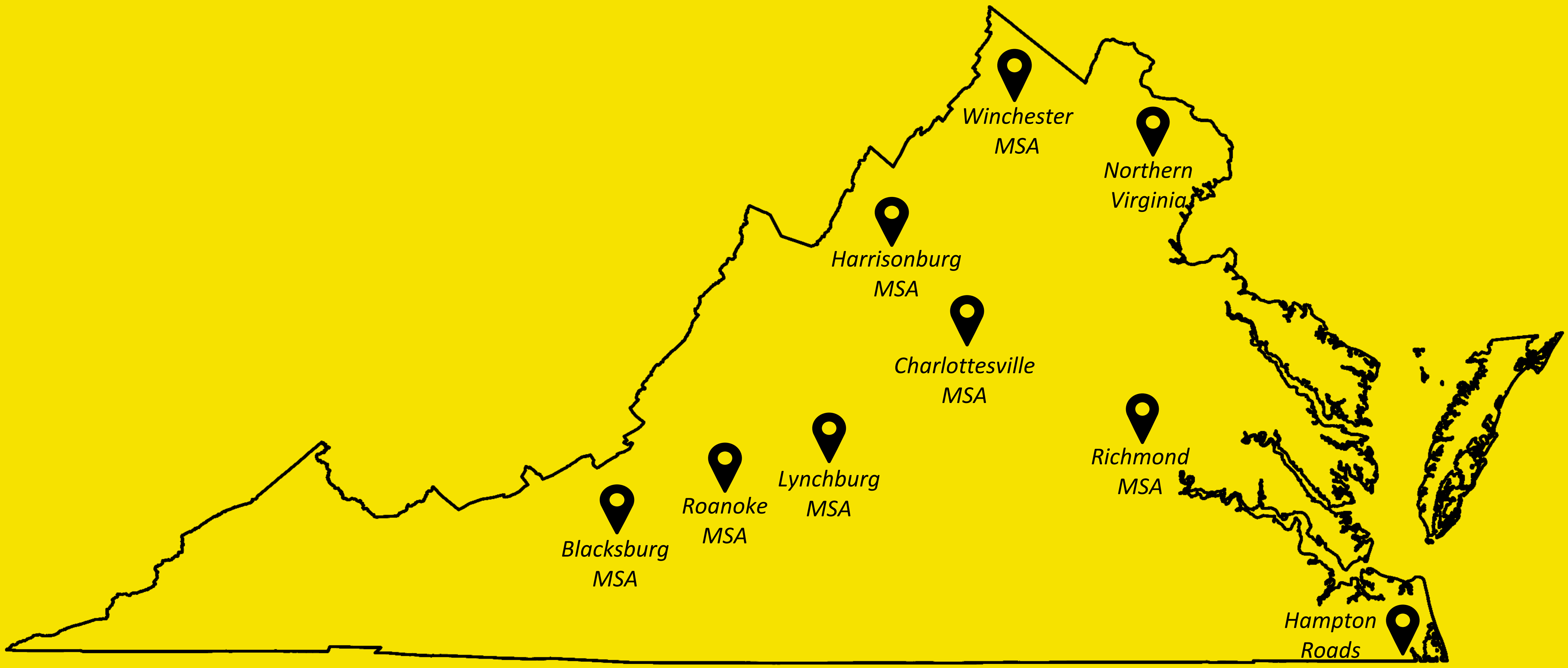
Q3-2023 Industrial Vacancy Rate by MSA



Q3 2023 Virginia REALTORS® INDUSTRIAL Market Report

MSA TRENDS

METROPOLITAN STATISTICAL AREA



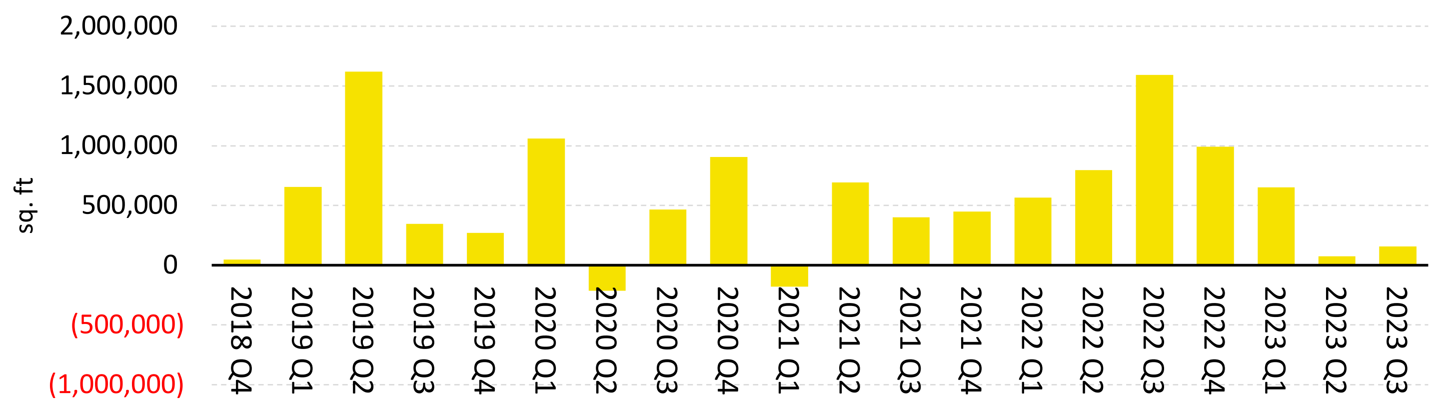
Snapshot of Industrial Market Conditions Around Virginia

NORTHERN VIRGINIA

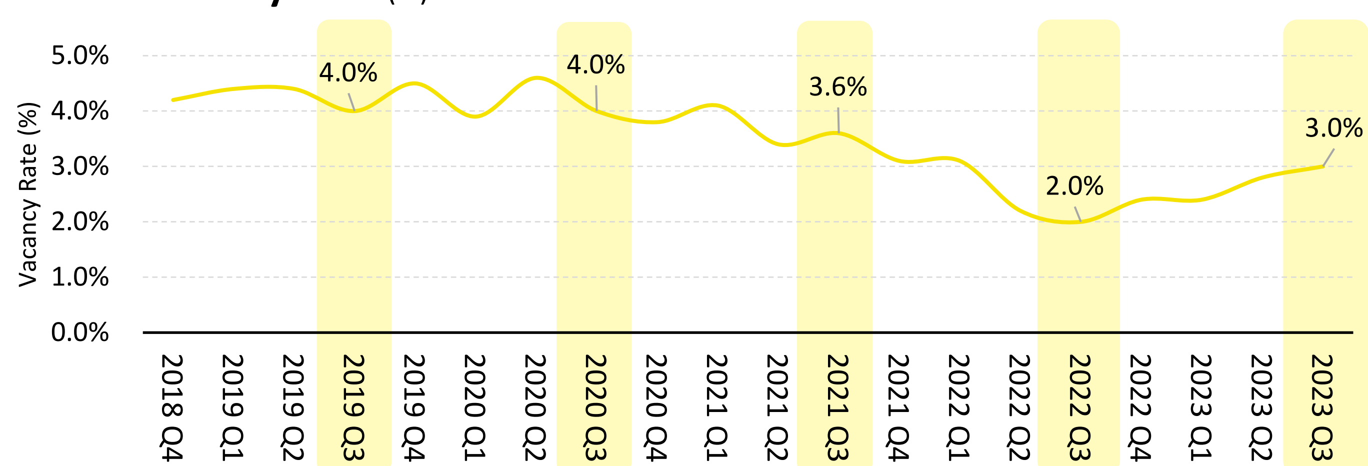
Local Market Indicator Dashboard

	Q3-2023	*YoY Chg*	
Total Inventory (sq. ft, millions)	**95.2**	3.1%	*% chg*
Vacancy Rate (%)	**3.0%**	*1.0%*	*pct points*
Net Absorption (sq. ft)	**157,348**	-1,435,312	*sq. ft*
Avg Full Service Rent ($ / sq. ft)	**$12.80**	$0.63	*$ per sq. ft*
Deliveries (sq. ft)	**312,722**	-1,066,205	*sq. ft*
Under Construction (sq. ft)	**2,415,324**	-1,518,163	*sq. ft*

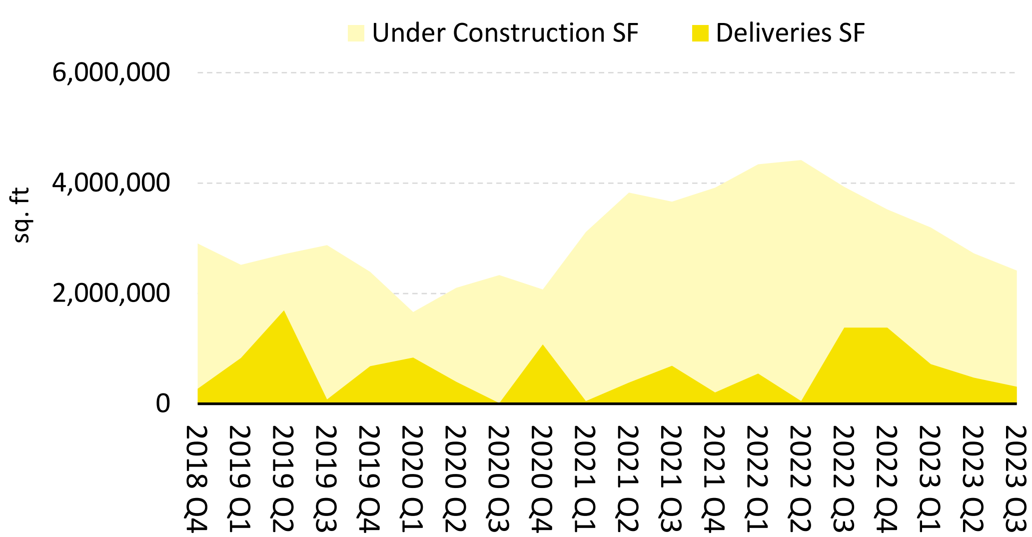
Net Absorption (sq. ft)



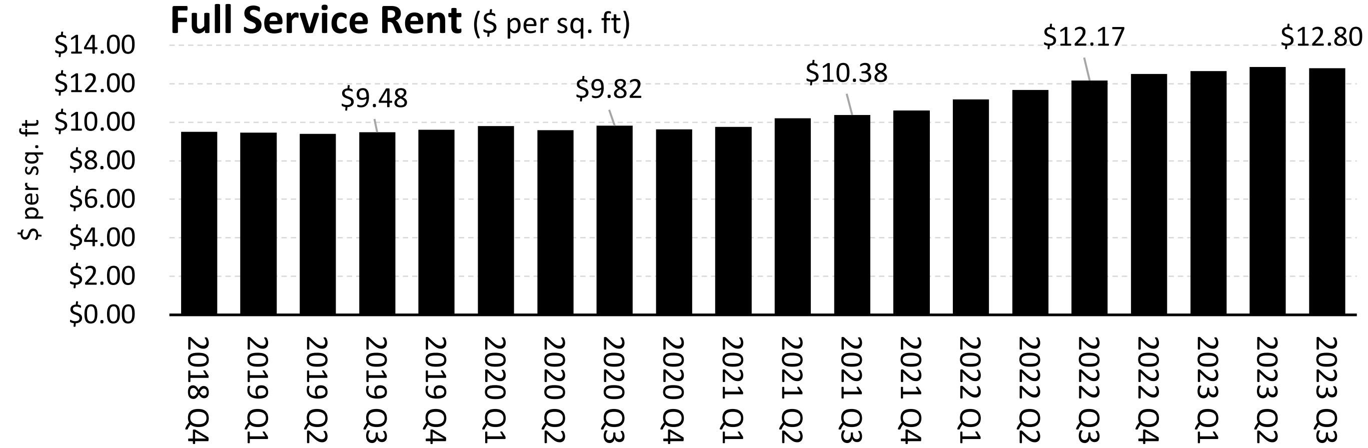
Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



Full Service Rent ($ per sq. ft)



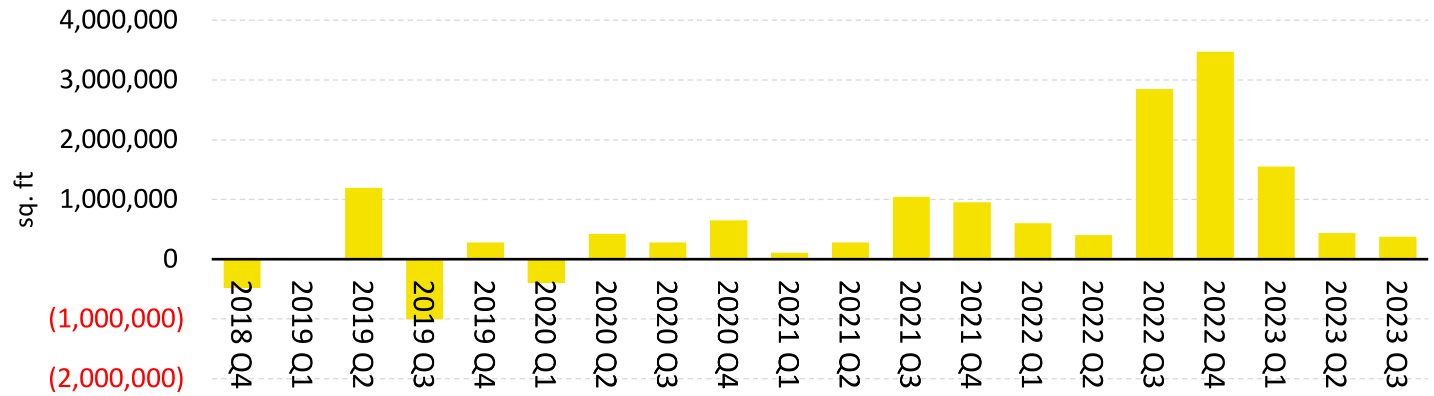
Industrial Market - MSA Trends

RICHMOND MSA

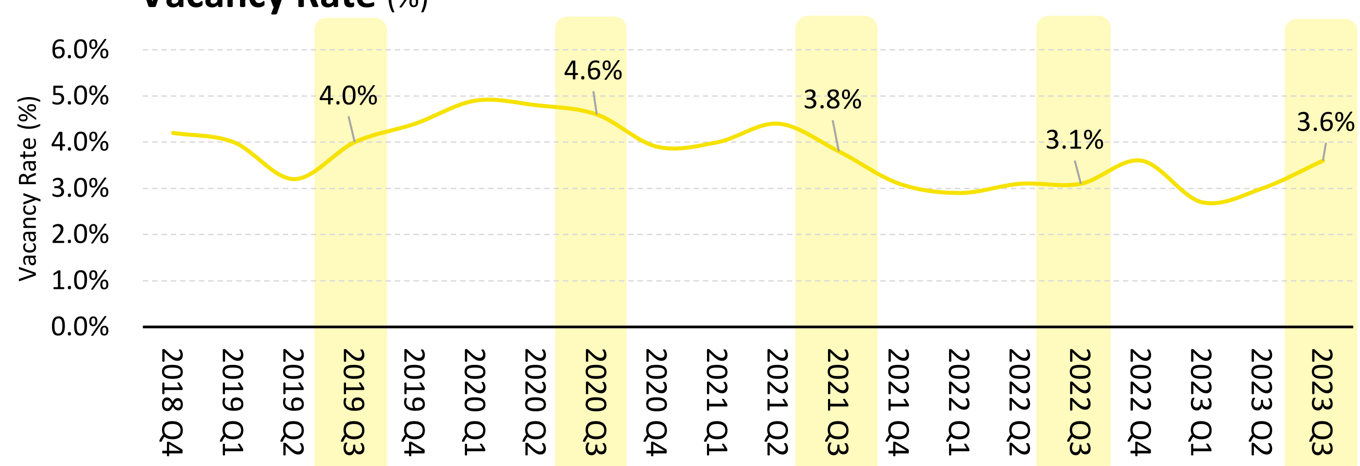
Local Market Indicator Dashboard

	Q3-2023	YoY Chg	
Total Inventory (sq. ft, millions)	**130.3**	5.5%	% chg
Vacancy Rate (%)	**3.6%**	0.5%	pct points
Net Absorption (sq. ft)	**373,911**	-2,474,923	sq. ft
Avg Full Service Rent ($ / sq. ft)	**$7.43**	$0.96	$ per sq. ft
Deliveries (sq. ft)	**1,342,480**	-1,563,426	sq. ft
Under Construction (sq. ft)	**7,291,813**	-1,698,022	sq. ft

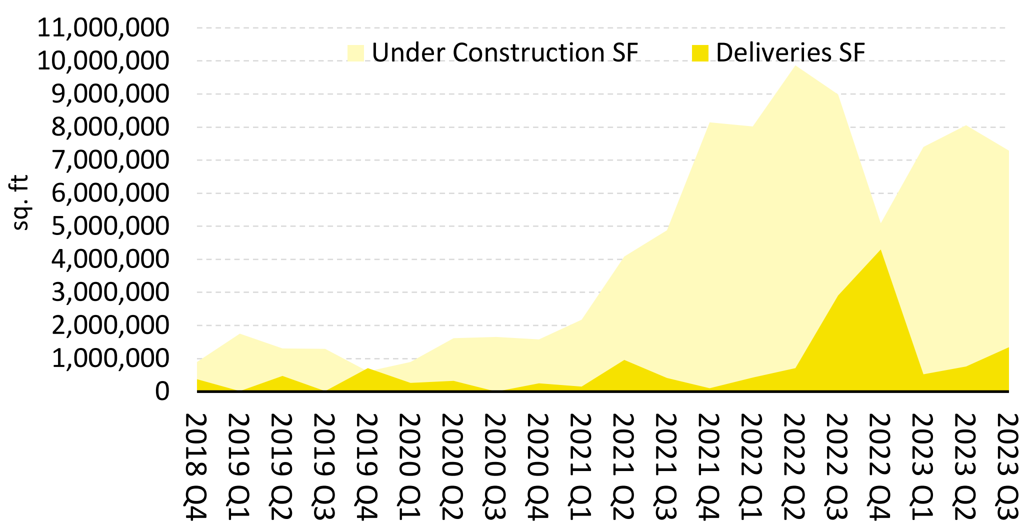
Net Absorption (sq. ft)



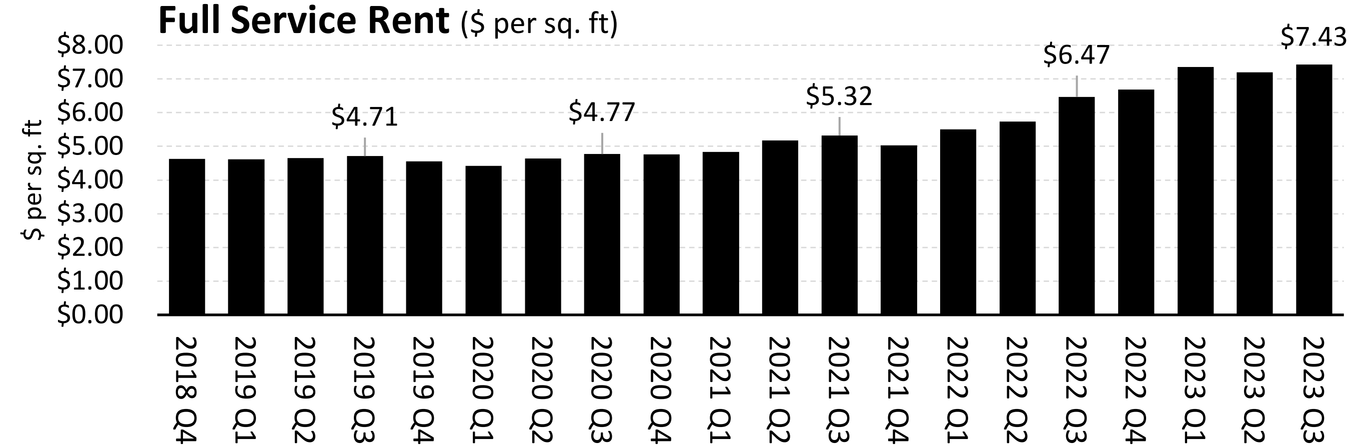
Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



Full Service Rent ($ per sq. ft)



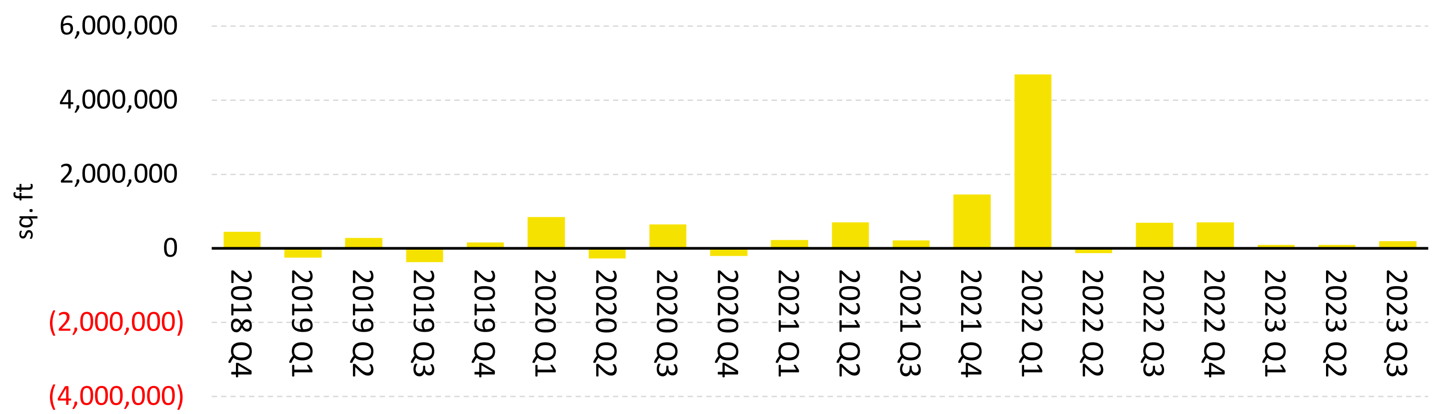
Source: CoStar (data accessed October 5, 2023), Virginia REALTORS®

HAMPTON ROADS

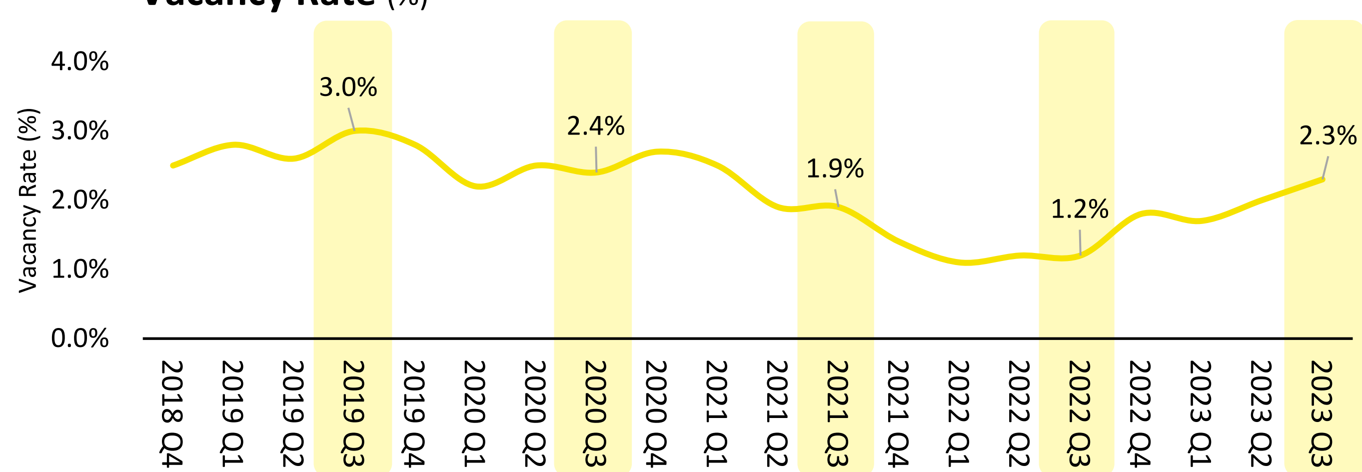
Local Market Indicator Dashboard

	Q3-2023	*YoY Chg*	
Total Inventory (sq. ft, millions)	**113.8**	**2.1%**	*% chg*
Vacancy Rate (%)	**2.3%**	**1.1%**	*pct points*
Net Absorption (sq. ft)	**194,449**	**-492,421**	*sq. ft*
Avg Full Service Rent ($ / sq. ft)	**$9.21**	**$1.75**	*$ per sq. ft*
Deliveries (sq. ft)	**598,400**	**-91,800**	*sq. ft*
Under Construction (sq. ft)	**3,609,236**	**-371,107**	*sq. ft*

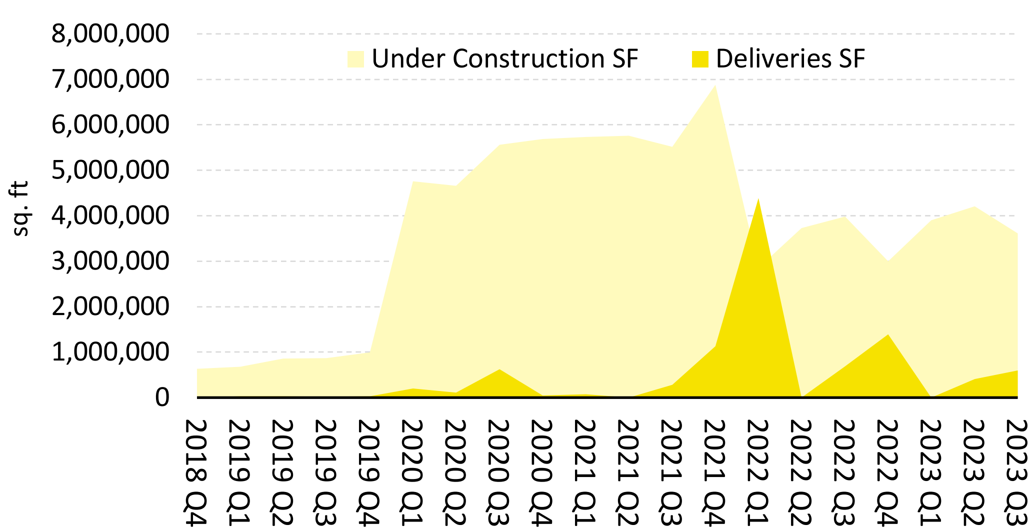
Net Absorption (sq. ft)



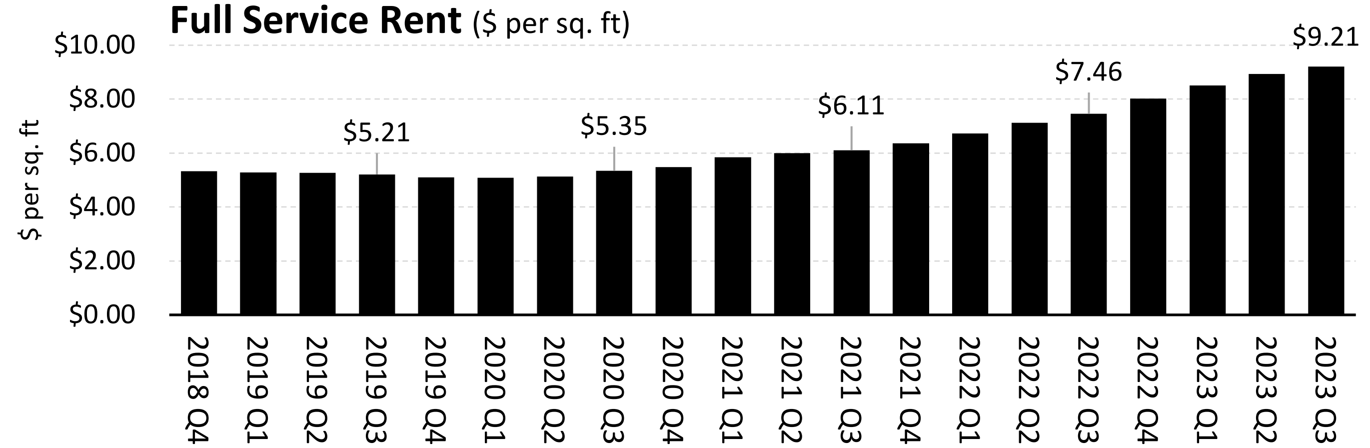
Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



Full Service Rent ($ per sq. ft)



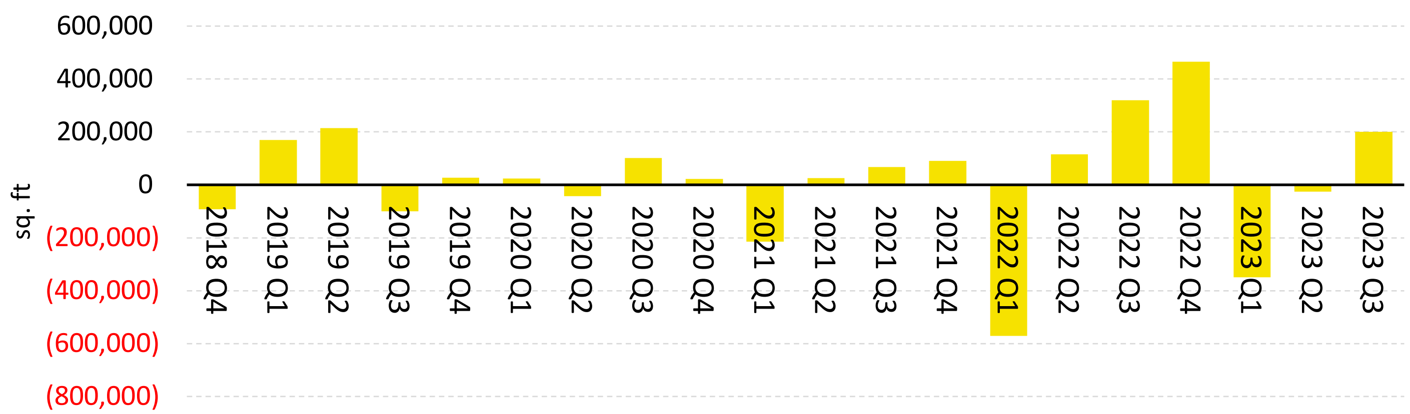
Industrial Market - MSA Trends

ROANOKE MSA

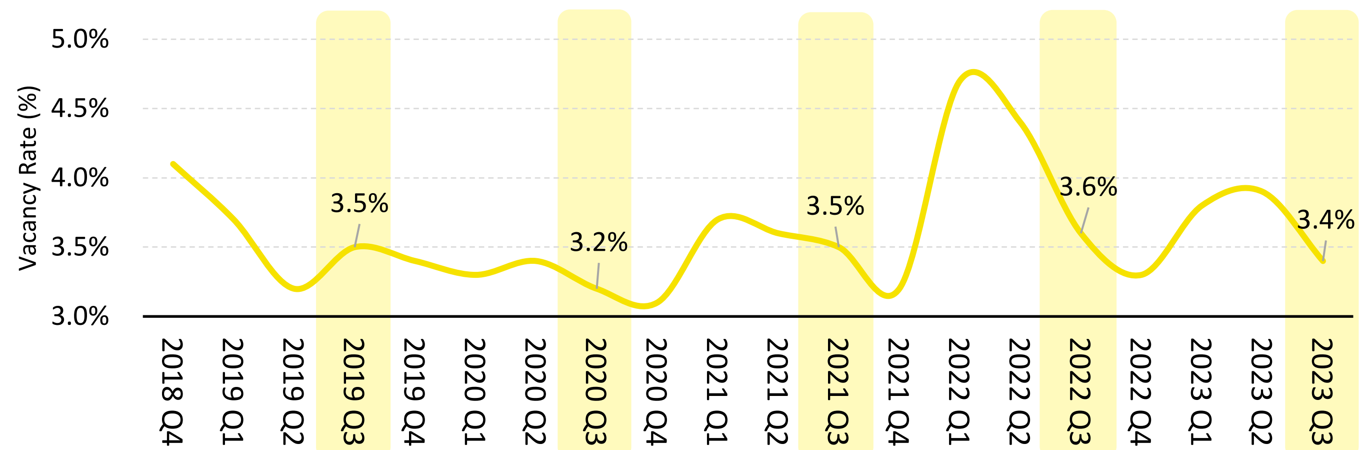
Local Market Indicator Dashboard

	Q3-2023	*YoY Chg*	
Total Inventory (sq. ft, millions)	**38.2**	**0.6%**	*% chg*
Vacancy Rate (%)	**3.4%**	**-0.2%**	*pct points*
Net Absorption (sq. ft)	**200,708**	**-119,107**	*sq. ft*
Avg Full Service Rent ($ / sq. ft)	**$5.05**	**$0.32**	*$ per sq. ft*
Deliveries (sq. ft)	**0**	**0**	*sq. ft*
Under Construction (sq. ft)	**0**	**-365,000**	*sq. ft*

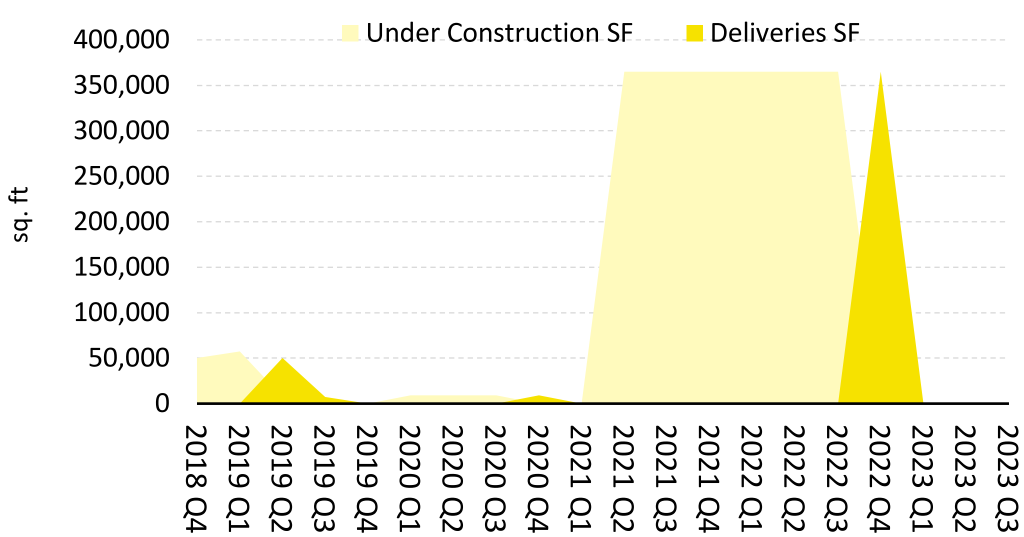
Net Absorption (sq. ft)



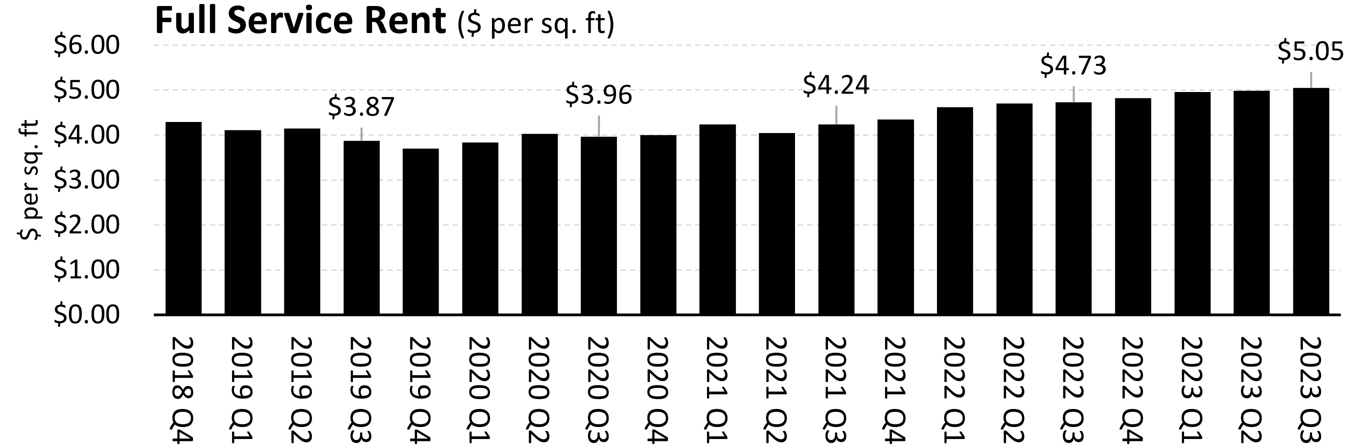
Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



Full Service Rent ($ per sq. ft)

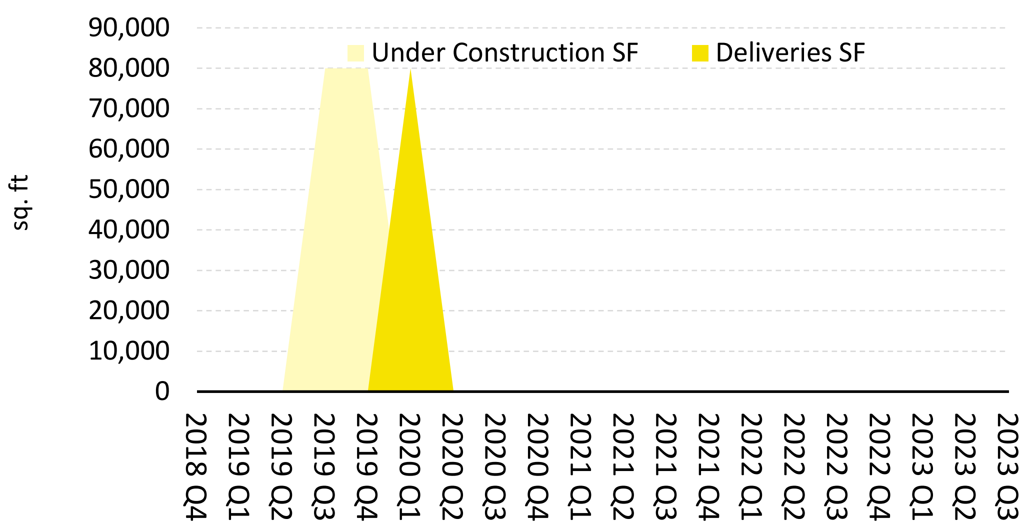


LYNCHBURG MSA

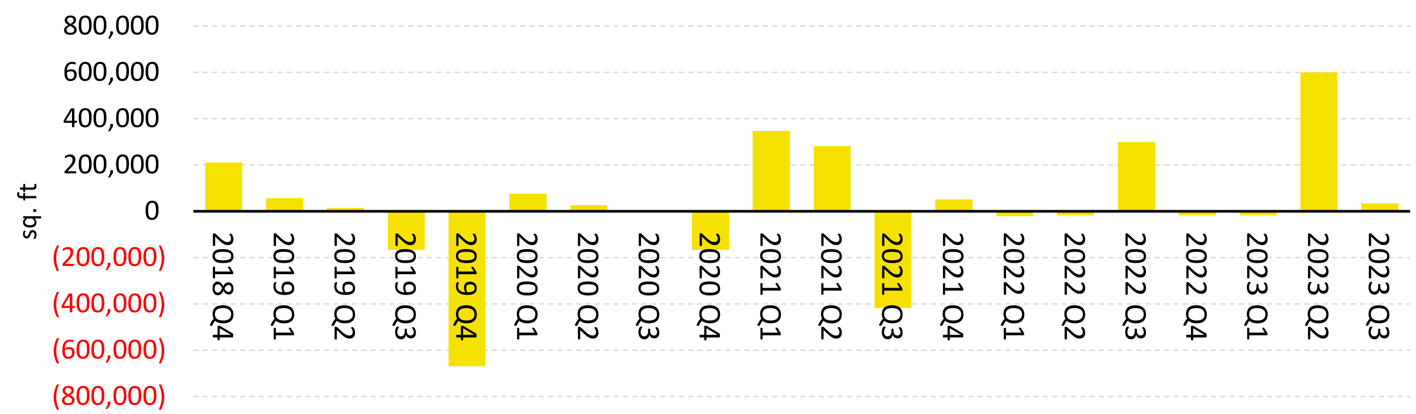
Local Market Indicator Dashboard

	Q3-2023	YoY Chg	
Total Inventory (sq. ft, millions)	**17.3**	0	*% chg*
Vacancy Rate (%)	**6.8%**	-3.4%	*pct points*
Net Absorption (sq. ft)	**33,705**	-265,980	*sq. ft*
Avg Full Service Rent ($ / sq. ft)	**$4.22**	$0.42	*$ per sq. ft*
Deliveries (sq. ft)	**0**	0	*sq. ft*
Under Construction (sq. ft)	**0**	0	*sq. ft*

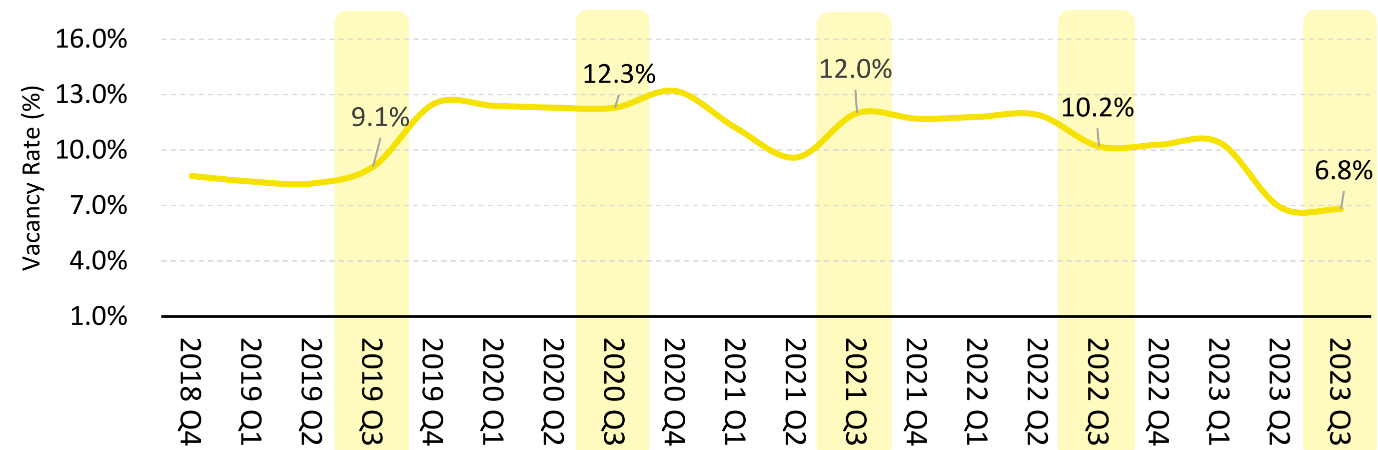
Under Construction & Net Deliveries (sq. ft)



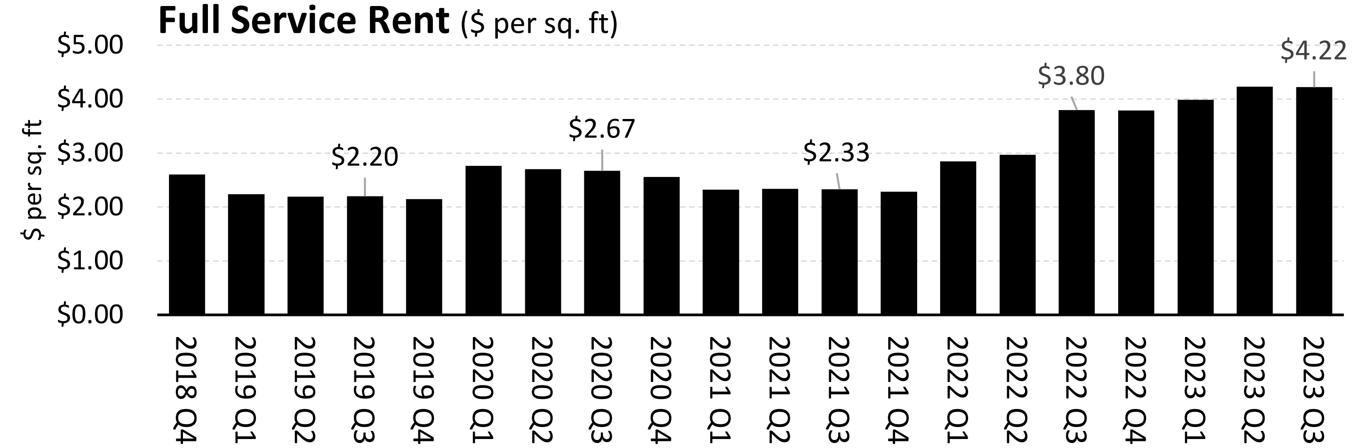
Net Absorption (sq. ft)



Vacancy Rate (%)



Full Service Rent ($ per sq. ft)



Source: CoStar (data accessed October 5, 2023), Virginia REALTORS®

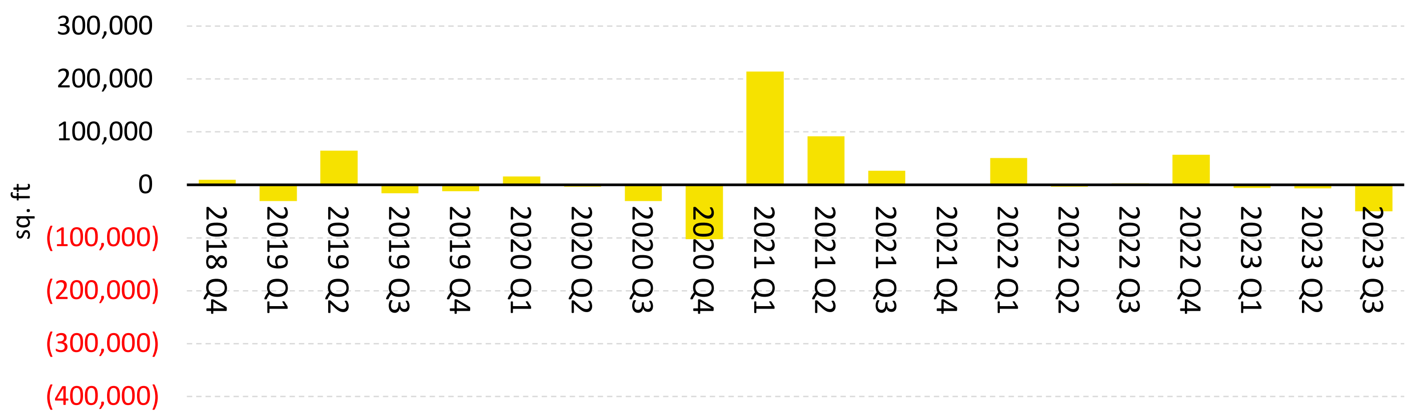
Industrial Market - MSA Trends

CHARLOTTESVILLE MSA

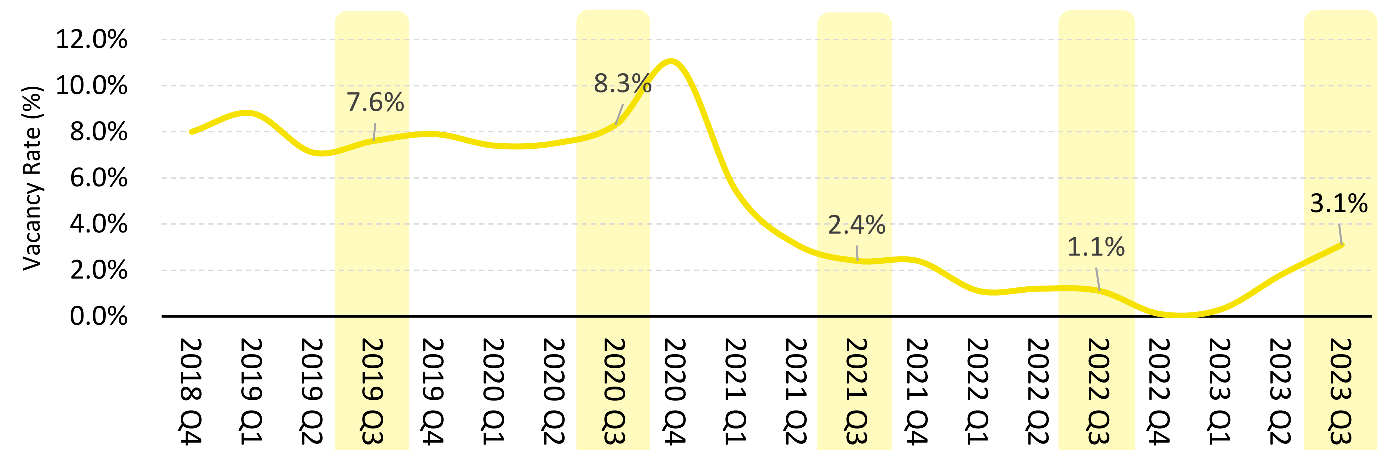
Local Market Indicator Dashboard

	Q3-2023	YoY Chg	
Total Inventory (sq. ft, millions)	3.9	1.8%	% chg
Vacancy Rate (%)	3.1%	2.0%	pct points
Net Absorption (sq. ft)	(49,989)	-52,262	sq. ft
Avg Full Service Rent ($ / sq. ft)	$13.53	$4.73	$ per sq. ft
Deliveries (sq. ft)	0	0	sq. ft
Under Construction (sq. ft)	0	-17,880	sq. ft

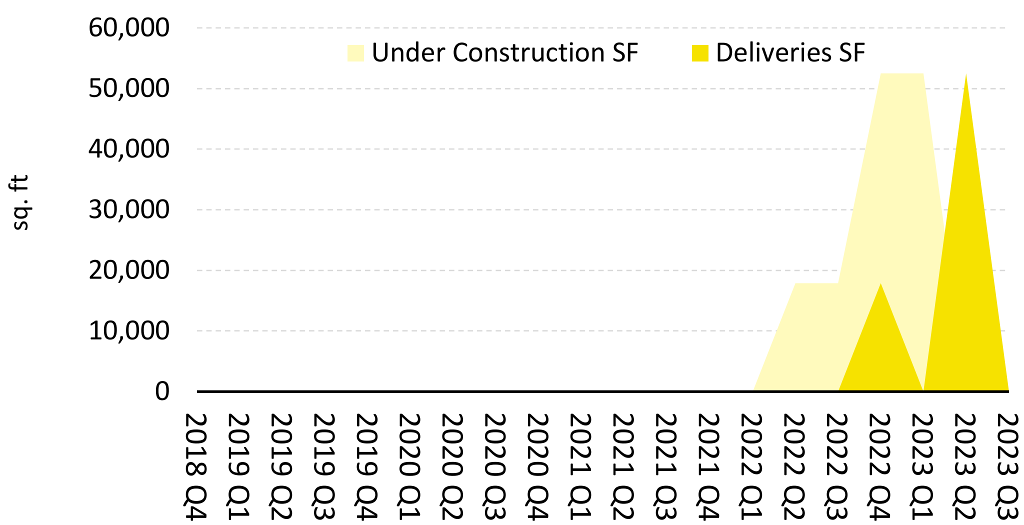
Net Absorption (sq. ft)



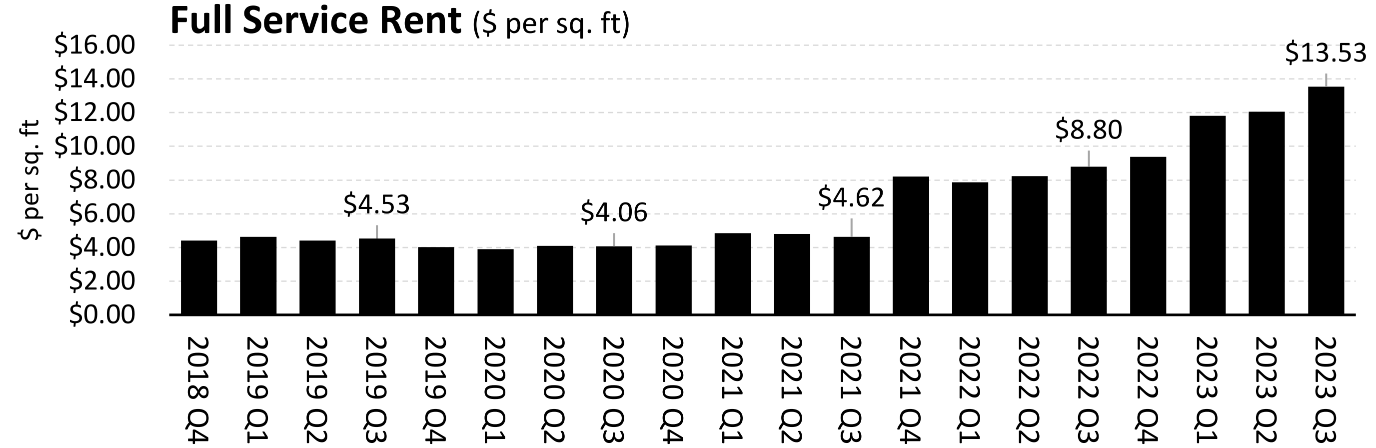
Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



Full Service Rent ($ per sq. ft)



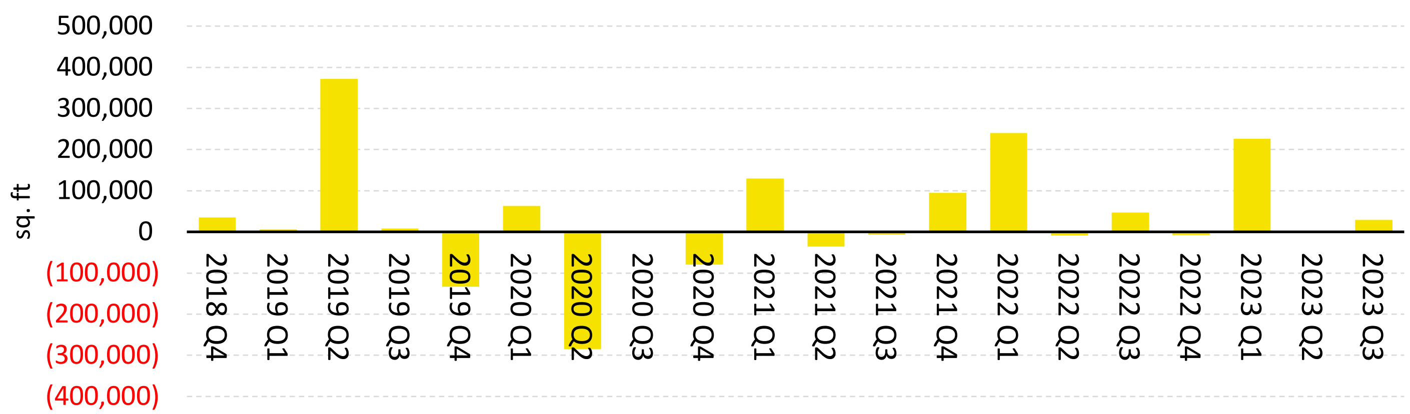
Industrial Market - MSA Trends

BLACKSBURG MSA

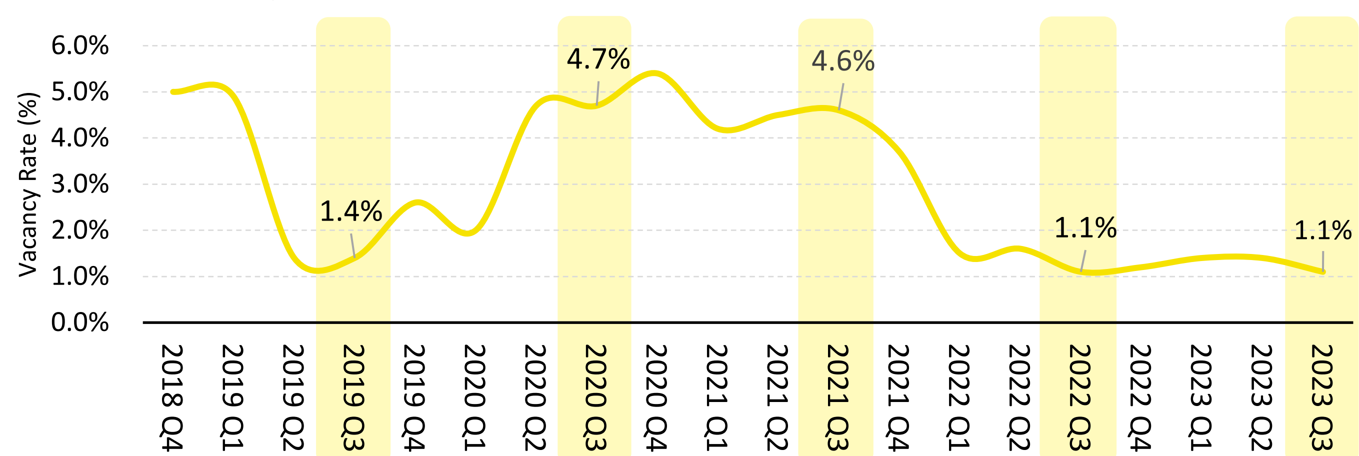
Local Market Indicator Dashboard

	Q3-2023	YoY Chg	
Total Inventory (sq. ft, millions)	11.0	2.3%	% chg
Vacancy Rate (%)	1.1%	0	pct points
Net Absorption (sq. ft)	29,231	-18,109	sq. ft
Avg Full Service Rent ($ / sq. ft)	$7.16	$4.34	$ per sq. ft
Deliveries (sq. ft)	0	0	sq. ft
Under Construction (sq. ft)	350,000	99,045	sq. ft

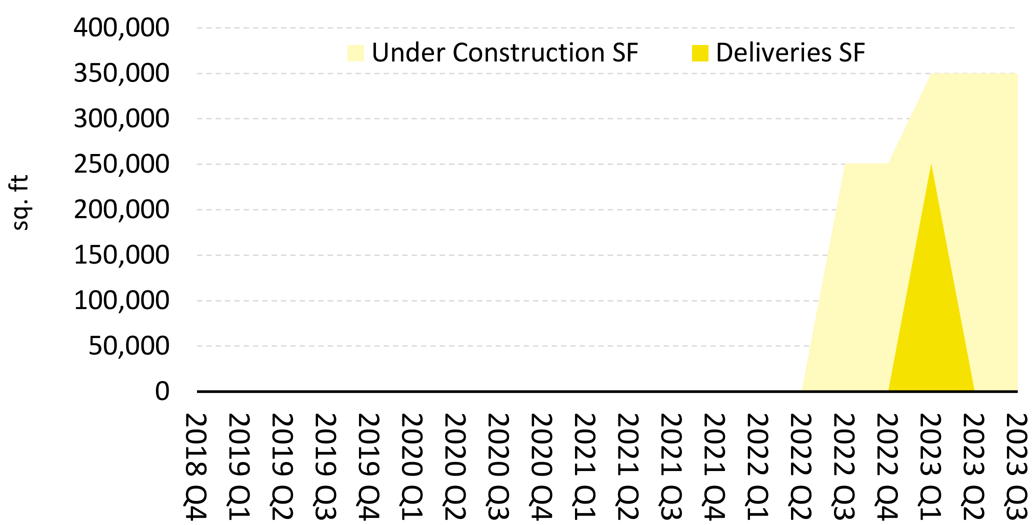
Net Absorption (sq. ft)



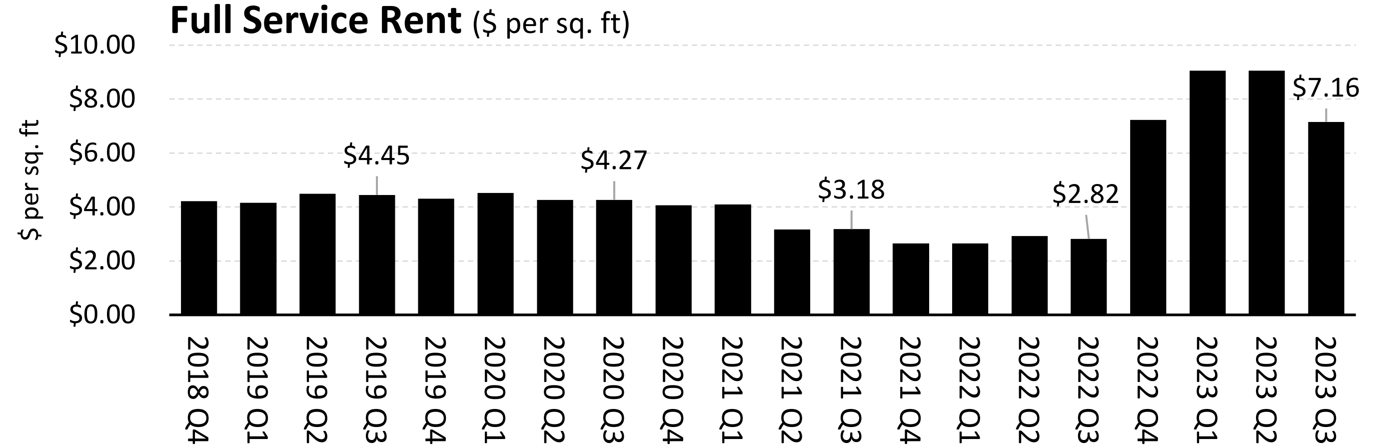
Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



Full Service Rent ($ per sq. ft)



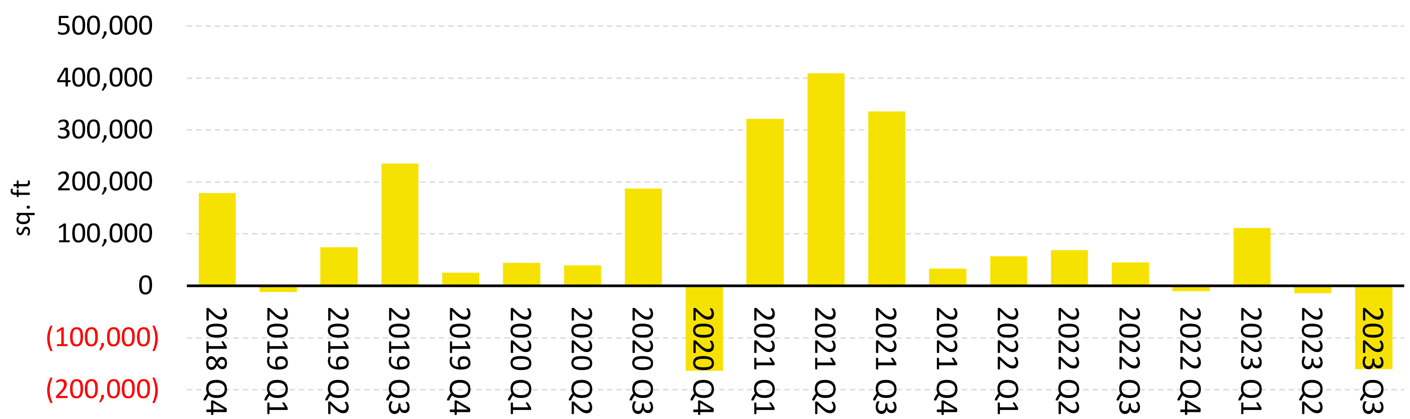
Industrial Market - MSA Trends

WINCHESTER MSA

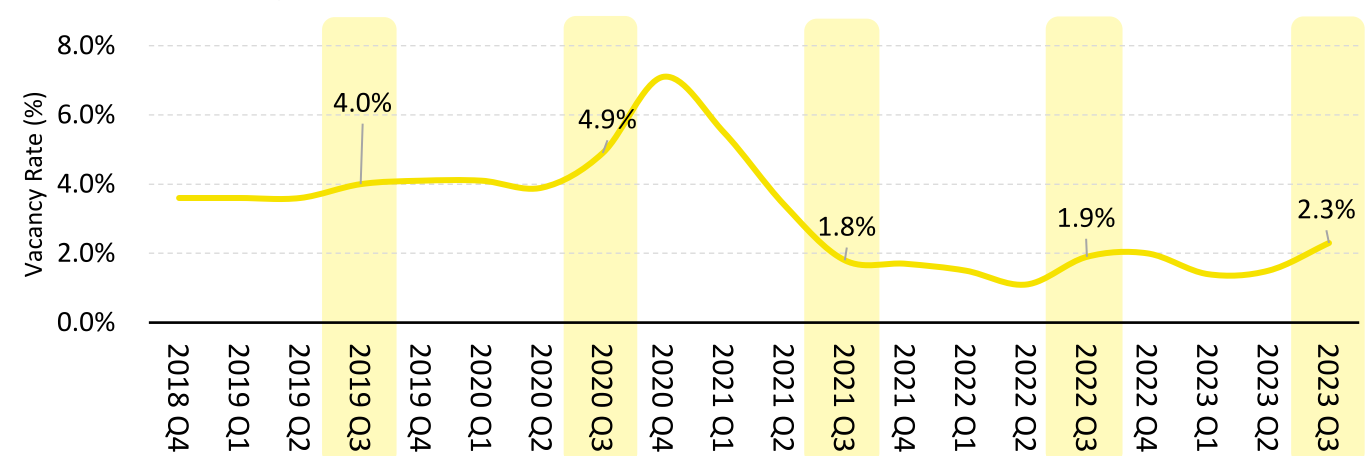
Local Market Indicator Dashboard

	Q3-2023	YoY Chg	
Total Inventory (sq. ft, millions)	**20.4**	0	*% chg*
Vacancy Rate (%)	**2.3%**	0.4%	*pct points*
Net Absorption (sq. ft)	**(160,359)**	-205,124	*sq. ft*
Avg Full Service Rent ($ / sq. ft)	**$6.43**	-$0.26	*$ per sq. ft*
Deliveries (sq. ft)	**0**	-209,560	*sq. ft*
Under Construction (sq. ft)	**0**	0	*sq. ft*

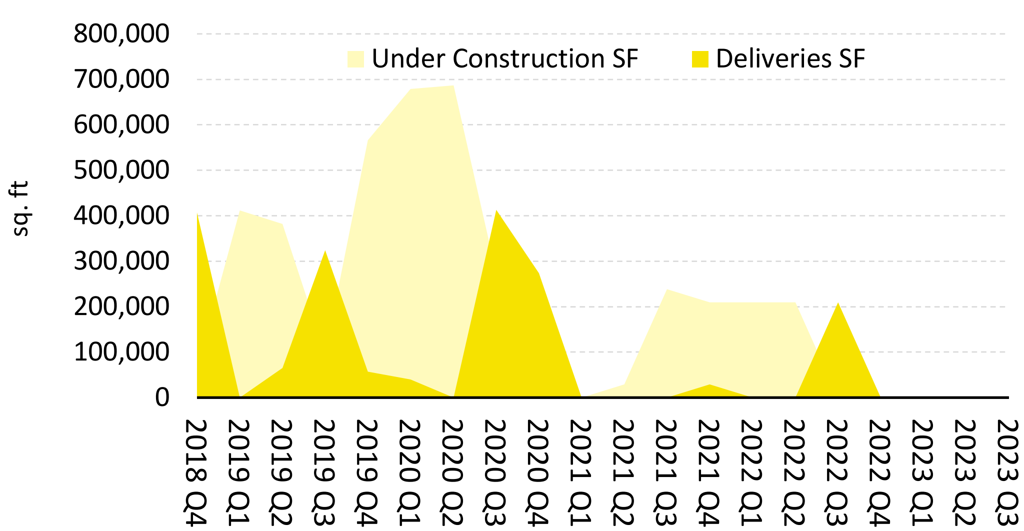
Net Absorption (sq. ft)



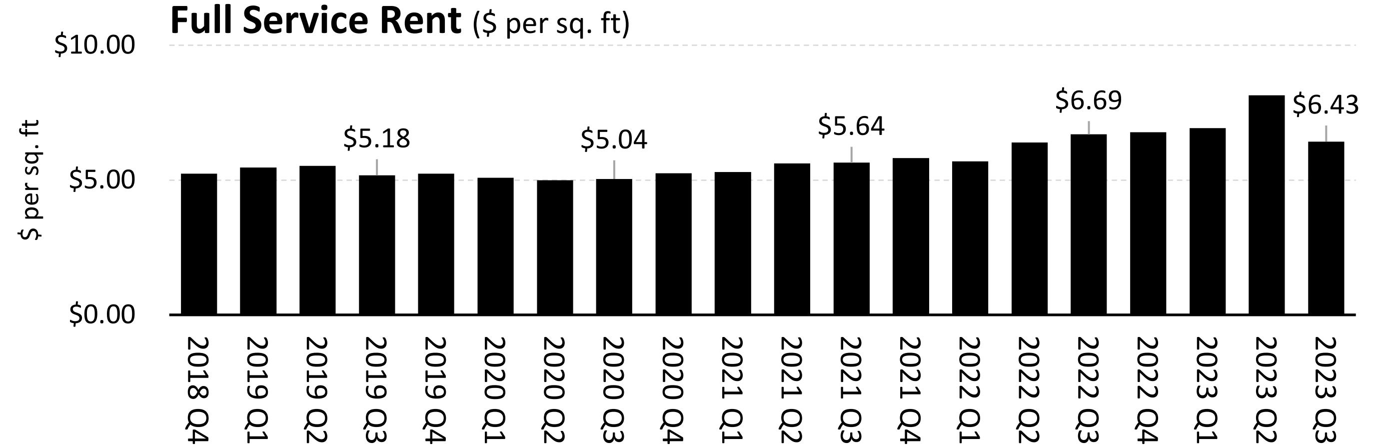
Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



Full Service Rent ($ per sq. ft)

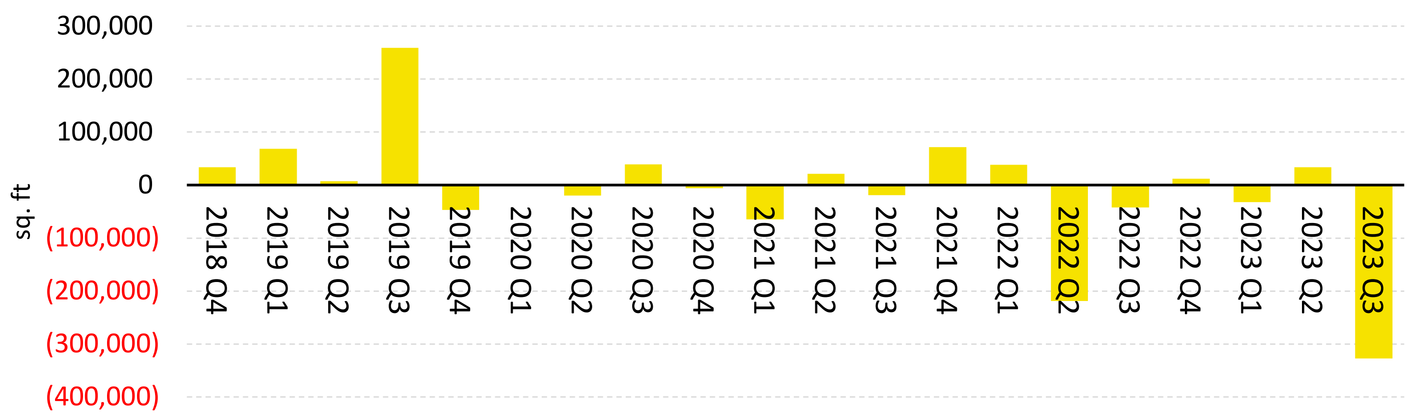


HARRISONBURG MSA

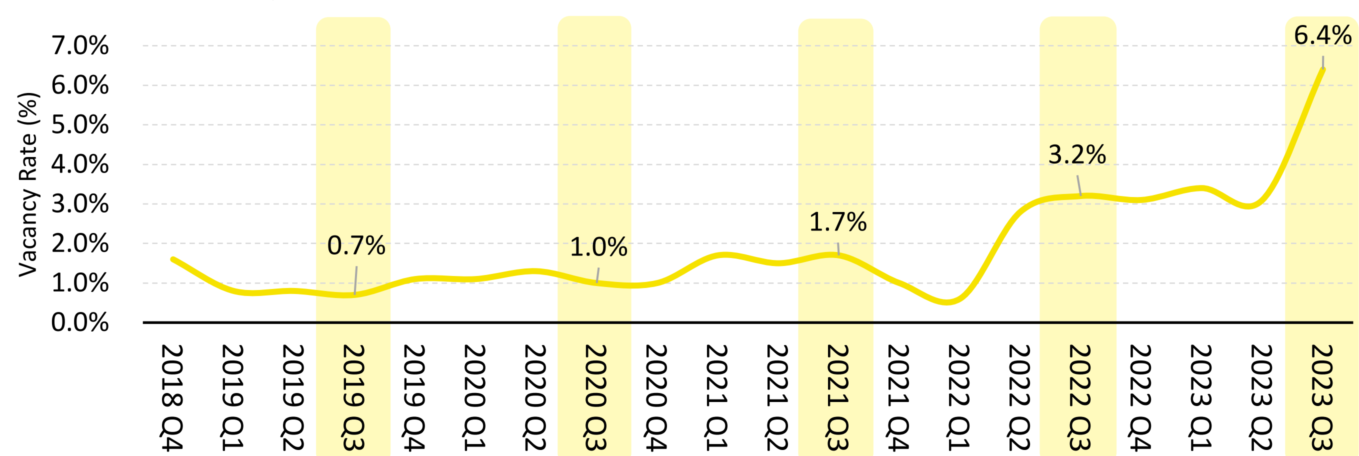
Local Market Indicator Dashboard

	Q3-2023	YoY Chg	
Total Inventory (sq. ft, millions)	9.9	0	% chg
Vacancy Rate (%)	6.4%	3.2%	pct points
Net Absorption (sq. ft)	(327,635)	-285,255	sq. ft
Avg Full Service Rent ($ / sq. ft)	$8.05	$0.43	$ per sq. ft
Deliveries (sq. ft)	0	0	sq. ft
Under Construction (sq. ft)	0	0	sq. ft

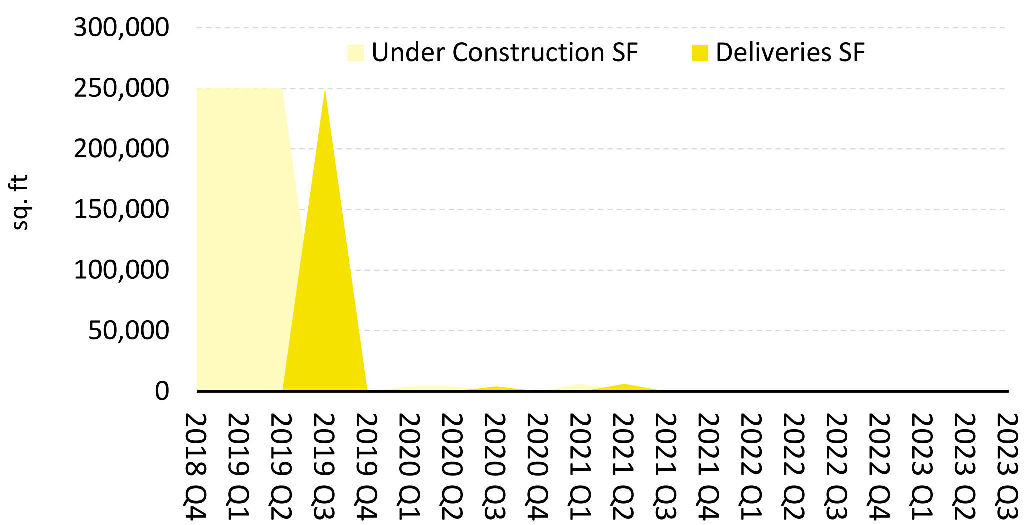
Net Absorption (sq. ft)



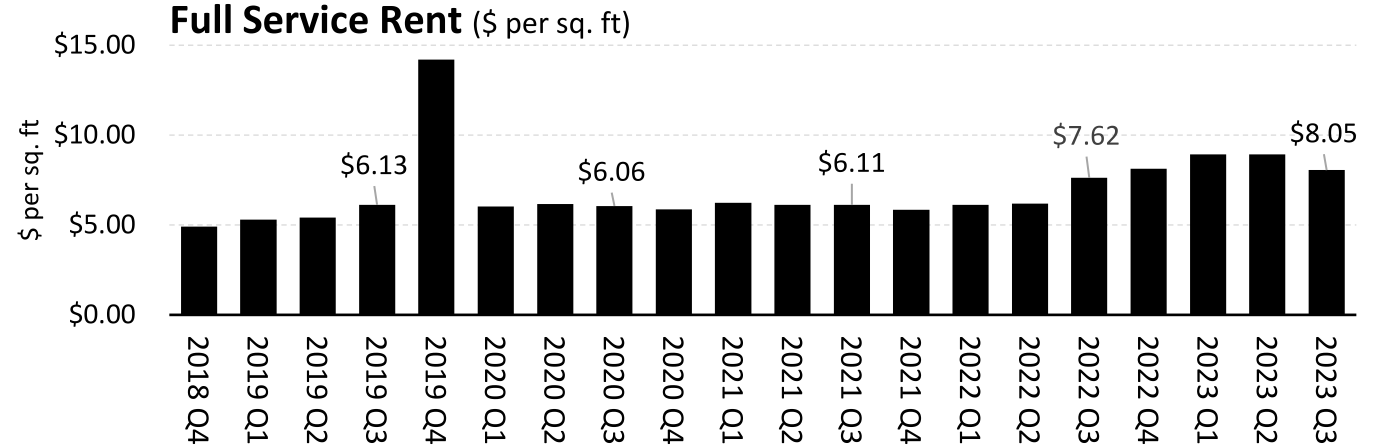
Vacancy Rate (%)



Under Construction & Net Deliveries (sq. ft)



Full Service Rent ($ per sq. ft)



The Virginia REALTORS® association is the largest professional trade association in Virginia, representing 38,000 REALTORS® engaged in the residential and commercial real estate business. The Virginia REALTORS® association serves as the advocate for homeownership and private property rights and represents the interests of real estate professionals and property owners in the Commonwealth of Virginia.

NOTE: The term REALTOR® is a registered collective membership mark that identifies a real estate professional who is a member of the National Association of REALTORS® and subscribes to its strict code of ethics.

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Data and analysis provided by Virginia REALTORS® Chief Economist.
The numbers reported here are based on data from CoStar.

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