

MARKETBEAT

HAMPTON ROADS, VA RETAIL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



2Q11

ECONOMIC OVERVIEW

The economic recovery remains disappointingly slow through the first part of 2011. U.S. GDP expanded at a 1.9% annual rate in the first quarter of 2011 after a 3.1% gain in the last quarter of 2010. Employment growth moderated in May, adding 54,000 jobs after expanding 244,000 jobs in April. Supply disruption out of Japan caused manufacturing, which has been at the forefront of the recovery, to slow as factories await supplies. A spring season of erratic weather, Arab uprisings, and the Japanese tsunami all led to the moderation of growth.

The seasonally adjusted unemployment rate crept up to 9.1% in the U.S. in May. The seasonally adjusted rate for Virginia dropped 0.1 percentage points (pp) from March to April to 6.1%. The non-seasonal rate in Hampton Roads decreased 0.4 pp from March to April to a preliminary estimate of 6.6%. Additional positive news comes from personal income, which grew 1.9% in Virginia during the first quarter of 2011. The region can also feel confident with recent news out of the Newport News shipyard which expects to hire 10,000 skilled new workers over the next five years.

RETAIL MARKET OVERVIEW

A positive mood was exhibited at the International Council of Shopping Centers Las Vegas conference for the first time in two years. Brokers expect the positive momentum to transfer into leases this fall as national firms set up touring dates for the summer. After 125,005 square feet (sf) leased in the first quarter of 2011, activity picked up during the second quarter with a year-to-date 680,648 sf leased. Absorption also picked up in the second quarter after negative overall absorption in the first quarter of negative 95,006 sf. Year-to-date second quarter absorption returned to positive numbers at 10,008 sf.

Among the national chains touring and vocal about opening stores this summer is Sleepys, a mattress firm which plans to open a high single to low double-digit number of stores. Kroger also plans to explore the market with possibilities of developing their own concepts.

Priority Auto Group leased an old Circuit City building on Independence Boulevard in Virginia Beach from the Economic Development Authority.

Yard House, a California restaurant chain, announced an opening of their first store in the state in the Virginia Beach Town Center. Yard House will hire 150 workers by opening day in November.

ECONOMIC INDICATORS

NATIONAL	2010	2011F	2012F
Real GDP Growth	2.9%	2.7%	4.2%
CPI Growth	1.6%	3.0%	1.9%
Consumer Spending Growth	1.7%	2.7%	3.6%
Retail Sales	6.4%	8.1%	5.9%
REGIONAL			
Household Income	\$51,423	\$50,566	\$51,568
Population	1,665,820	1,675,950	1,687,720
Unemployment	6.97%	7.38%	7.1%

Sources: Moody's | Economy.com, U.S. Census Bureau, U.S. Bureau of Labor Statistics, National Retail Federation, Old Dominion University Economic Forecasting Project

BEAT ON THE STREET

"A positive mood at the Las Vegas ICSC show along with national firms touring this summer should transfer into deals this fall."

– David Machupa Commercial Sales-Leasing

2011 KEY LEASING TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
1140 S Military	O'Reilly Auto Parts	40,000
110 S Independence	Priority Auto	37,150
550 First Colonial	Wendy's Int.	34,680

2011 KEY INVESTMENT TRANSACTIONS

PROPERTY	SQUARE FEET	PURCHASE PRICE
500 Settlers Market	350,000	\$13,300,000
1725 Laskin	151,184	\$14,800,000
Landstown Commons	409,749	\$91,200,000

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	MAJOR TENANTS	SQUARE FEET	COMPLETION DATE
The Shops at 31Ocean	N/A	39,000	2Q12
1276 Baker	DHL Sports	240,000	3Q11
Walmart- Edinbough	Walmart	147,806	4Q11

OUTLOOK

After contracting 0.2% in 2010, economists expect employment in Virginia to expand by about 1.4% in 2011 and 1.6% in 2012. Virginian's wages and salaries will also grow expanding 4.7% in 2011 and 5.1% in 2012, after contracting 1.2% in 2009 and growing only 1.8% in 2010. With the increase in employment and wages, retail sales will likely grow 4.2% in 2011 and rise slightly to 4.3% growth in 2012. Global headwinds including high oil, food, and commodity prices restrained consumer spending in April and May. Households should feel relief as the price of commodities and oil retreat and supply chains are reestablished.

Construction activity should increase in Hampton Roads for build-to-suit projects, as a dearth of space for big boxes and anchored retailers currently exists within the market. Leasing activity and absorption will also increase through 2011 and 2012 as tours begin to turn into deals.

MARKET/SUBMARKET STATISTICS

Market / Submarket	Inventory	Overall Vacancy Rate	Direct Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Direct Absorption	YTD Overall Absorption	Overall Wtd. Avg. All Classes Gross Rental Rate*	Direct Wtd. Avg. Rental Rate*
Denbigh	2,063,686	11.0%	10.8%	7,533	-	0	35,562	35,562	\$9.28	\$10.55
Downtown Hampton	848,336	7.8%	7.8%	5,957	-	0	(15,742)	(15,742)	\$12.11	\$12.11
Downtown Newport News	639,873	2.0%	2.0%	576	-	0	(1,674)	(1,674)	\$5.30	\$5.30
Fox Hill	1,542,375	10.2%	6.2%	10,022	-	0	(8,708)	(8,708)	\$15.03	\$15.57
Gloucester	2,064,350	9.5%	9.0%	4,810	40,000	0	(28,496)	(28,496)	\$11.47	\$11.47
Hampton North	4,278,506	6.5%	6.5%	19,908	-	0	(7,711)	(7,711)	\$14.86	\$14.86
James River	2,092,840	4.2%	4.2%	12,165	-	4800	(33,076)	(28,076)	\$11.89	\$11.89
Lightfoot	2,734,524	6.7%	6.7%	8,001	-	0	(1,113)	(1,113)	\$16.36	\$16.36
Mathews County	111,242	0.0%	0.0%	1,200	-	0	5,200	5,200	\$0.00	\$0.00
Mercury Central	6,155,251	6.8%	6.6%	11,150	-	8400	(24,453)	(21,697)	\$10.97	\$10.97
Patrick Henry	4,510,020	3.0%	3.0%	16,215	15,000	28200	12,262	12,262	\$16.06	\$16.18
Poquoson	1,820,792	6.6%	6.6%	6,770	-	0	6,086	6,086	\$13.50	\$13.50
Williamsburg	4,205,565	9.2%	9.2%	33,377	38,570	22869	37,142	37,142	\$18.69	\$19.01
Yorktown	429,817	13.9%	13.9%	4,000	-	0	0	0	\$12.68	\$12.68
Peninsula Total:	33,497,177	6.9%	6.7%	141,684	93,570	64269	(24,721)	(16,965)	\$13.34	\$13.58
Campostella/S. Norfolk	1,790,824	5.5%	5.2%	16,300	-	0	(19,265)	(19,265)	\$12.31	\$12.59
Chesapeake Square	2,916,615	2.3%	2.3%	20,317	-	0	(13,825)	(13,825)	\$15.50	\$15.37
Churchland	1,717,274	4.9%	4.2%	43,644	-	0	4,454	4,454	\$12.74	\$12.61
College Park	1,991,715	6.3%	6.3%	32,710	-	5400	(3,406)	(3,406)	\$11.82	\$11.82
Deep Creek	1,213,230	5.6%	5.6%	7,480	-	0	6,110	6,110	\$14.88	\$14.88
Downtown Norfolk	4,791,313	5.6%	5.6%	31,276	-	2,000	3,096	3,096	\$14.28	\$14.38
Downtown Suffolk	1,118,886	4.5%	4.5%	6,722	-	0	700	700	\$6.85	\$6.85
Franklin City	1,502,754	7.7%	7.7%	2800	-	0	(1,648)	(1,648)	\$11.57	\$11.57
General Booth Corridor	2,102,938	6.6%	6.6%	21060	11,500	0	(30,246)	(30,246)	\$20.76	\$20.71
Great Bridge	1,696,324	8.1%	8.1%	26,266	-	183975	(4,177)	(4,177)	\$16.52	\$16.52
Greenbrier/Battlefield	4,212,398	2.2%	2.2%	45,416	18,580	0	465	465	\$18.66	\$18.65
Hilltop/Great Neck	2,948,682	2.4%	2.4%	31,215	-	0	15,867	15,867	\$14.18	\$14.18
Holland Road	1,903,918	7.2%	7.0%	3,000	-	0	161,021	161,021	\$10.80	\$10.80
Isle of Wight	668,601	16.2%	16.2%	6,664	1,375	0	4,650	4,650	\$6.08	\$6.08
Kempsville	1,811,077	11.2%	11.2%	9,857	-	0	(38,171)	(36,251)	\$15.20	\$15.20
Little Creek	3,502,480	7.7%	7.7%	28,518	-	0	(23,599)	(23,599)	\$12.53	\$12.53
Little Neck	2,798,831	6.3%	6.3%	16,602	-	0	4,424	4,424	\$16.66	\$16.66
Lynnhaven	2,378,540	11.2%	11.2%	24,860	-	0	1,110	1,110	\$16.99	\$16.99
Mid-City	2,748,688	5.7%	5.7%	7,630	-	0	(19,918)	(19,918)	\$10.78	\$10.78
Military	4,846,790	3.9%	3.8%	6,289	-	0	20,653	20,653	\$11.75	\$11.75
Newtown	2,701,946	3.7%	3.3%	7,879	-	0	1,895	1,895	\$12.29	\$12.35
Northern Suffolk	904,209	28.3%	28.1%	9,045	8,116	12192	15,956	15,956	\$18.13	\$18.13
Oceanfront	1,916,348	3.3%	3.3%	6,818	-	7619	61	61	\$20.41	\$20.41
Pembroke	3,882,952	5.8%	5.7%	20,268	-	0	(41,448)	(43,427)	\$18.58	\$18.58
Princess Anne	1,524,498	5.6%	4.8%	11,793	-	0	5,797	5,797	\$16.63	\$16.63
Shore Drive	1,046,499	7.3%	7.3%	24,105	240,000	0	(23,074)	(23,074)	\$13.06	\$13.06
Smithfield	726,356	4.9%	4.9%	2,650	-	0	3,850	3,850	\$10.23	\$10.23
Suffolk	1,699,805	7.1%	7.1%	21,760	-	0	11,561	11,561	\$15.80	\$15.80
Surry County	123,140	0.0%	0.0%	0	-	0	0	0	\$0.00	\$0.00
VA. Beach Courthouse	621,411	11.2%	11.2%	2,043	-	0	13,498	13,498	\$20.20	\$20.20
Victory	2,328,112	7.6%	7.6%	14,797	-	0	(33,255)	(33,255)	\$14.11	\$14.11
Wards Corner	785,481	16.0%	16.0%	29,180	-	0	3,716	3,716	\$10.94	\$10.94
Southside Total:	66,922,635	6.4%	6.3%	538,964	279,571	211,186	26,852	26,973	\$13.90	\$13.90
Hampton Roads Total:	100,419,812	6.5%	6.4%	680,648	373,141	275,455	2,131	10,008	\$13.69	\$13.78

* Rental rates reflect NNN \$psf/year



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