

MARKETBEAT

RETAIL SNAPSHOT

HAMPTON ROADS, VA

A Cushman & Wakefield Alliance Research Publication

Q4 2011



ECONOMIC OVERVIEW

The U.S. economy ends 2011 similar to how it began with mixed signals and uncertainty, but it continues to grow albeit at a tepid pace. Payrolls climbed by 120,000 workers in November and 100,000 in October.

The Hampton Roads unemployment stood at a 7.3% seasonally adjusted rate in October, the same point as a year ago. The regional unemployment rate continues to trend below the November national rate of 8.6% but above the Virginia November rate at 6.2%. The Hampton Roads economy increased by 5,412 jobs year-over-year but failed to keep pace with the expanding labor force during the same time period. Meanwhile, year-over-year container traffic at the Port of Virginia increased 1.2%.

LEASING ACTIVITY AND ABSORPTION

It should also be noted that this quarter calculation of statistics has changed from those in prior quarters. The change reflects the exclusion of parking lots and garages and as a result comparisons to previously published reports will not be direct.

Year-to-date leasing activity barely breached 1 million square feet (msf) in the fourth quarter of 2011 as compared to a revised 1.1 msf year-to-date 2010 figure. Leasing activity occurred fairly evenly across submarkets with Williamsburg and Mercury Central receiving most activity on the Peninsula and Little Creek and the Greenbrier/Battlefield submarkets leading in the Southside of the market.

Net absorption was negative 3,900 sf in the fourth quarter of 2011. The year-to-date figure reached 382,000 sf in 2011 compared to 529,000 sf in 2010. Vacancy rates remained little changed year-over-year in the fourth quarter of 2011, decreasing from 5.2% in 2010 to 5.0%. The vacancy rate peaked at 6.0% in the third quarter of 2009 and has consistently decreased since.

SIGNIFICANT LEASES AND ANNOUNCEMENTS

Significant lease transactions include a 39,000-sf lease by Advance Stores in Williamsburg. Four tenants signed leases in the Settlers Market area of Williamsburg, including SteinMart which signed for 30,000 sf, Ulta for 10,000 sf, HomeGoods for 25,000 sf and Sleepy's for 7,300 sf. Construction is expected to start in the beginning of 2012. Additional announcements include Target, who bought 9.5 acres in Pembroke Mall for \$4.75 million, as well as the sale of the former Fuddrucker's at 4625 Virginia Beach for \$4.25 million.

OUTLOOK

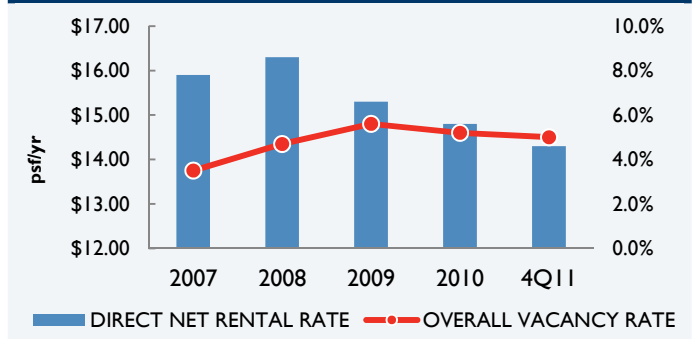
U.S. retail sales grew 6.7% from a year ago while the fledgling housing industry saw positive signs in November. Building permits stood at a seasonally adjusted annual rate of 681,000 in November, 20.7% above a year ago while housing starts were at a seasonally adjusted annual rate of 685,000, an increase of 24.3% above November 2010. These positive signs have given consumers and businesses cause for optimism and confidence. Retail sales should continue to climb as employment slowly increases and the housing market returns from historic lows to more normal levels.

ECONOMIC INDICATORS

NATIONAL	2010	2011F	2012F
GDP Growth	3.0%	1.8%	2.6%
CPI Growth	1.6%	3.2%	2.1%
Consumer Spending Growth	2.0%	2.2%	2.3%
Retail Sales Growth	6.4%	8.3%	6.1%
REGIONAL	2010	2011F	2012F
Household Income	\$49,972	\$50,781	\$52,412
Population Growth	0.6%	0.7%	0.7%
Unemployment	7.3%	7.0%	7.2%

Source: Moody's Analytics

OVERALL RENTAL VS. VACANCY RATES



HAMPTON ROADS, VA

SUBMARKET	INVENTORY	QUARTERLY CHANGE IN INVENTORY	VACANCY RATE	DEMAND (OCCUPIED SQUARE FEET)	ASKING RENT	RENT GROWTH	ABSORPTION
Denbigh	934,130	0	5.2%	885,555	\$12.01	4.1%	(11,220)
Downtown Hampton	728,766	0	6.6%	680,667	\$11.77	0.8%	(12,625)
Downtown Newport News	481,461	0	6.6%	449,685	\$6.60	32.3%	(23,265)
Fox Hill	1,225,474	0	6.9%	1,140,916	\$14.22	5.0%	(12,017)
Gloucester	759,455	0	10.4%	680,472	\$10.76	0.0%	(5,799)
Hampton North	2,595,351	0	7.4%	2,403,295	\$14.46	0.3%	(1,283)
James River	1,438,032	0	1.4%	1,417,900	\$10.10	0.1%	9,460
Lightfoot	1,451,977	0	2.9%	1,409,870	\$13.90	3.7%	58,378
Mathews County	108,944	0	5.5%	102,952	\$0.00	0.0%	1,360
Mercury Central	3,337,644	0	5.4%	3,157,411	\$11.29	(8.4%)	(50,730)
Patrick Henry	2,434,759	0	3.4%	2,351,977	\$13.59	(6.5%)	19,845
Poquoson	1,119,459	0	4.4%	1,070,203	\$16.25	(1.0%)	5,604
Williamsburg	2,141,059	0	8.3%	1,963,351	\$21.86	27.2%	64,182
Yorktown	283,927	0	22.7%	219,476	\$12.83	1.2%	(10,690)
Peninsula	19,040,438	0	14.2%	16,340,504	\$14.41	0.3%	31,200
Campostella/S. Norfolk	440,983	0	2.8%	428,635	\$12.34	0.0%	8,950
Chesapeake Square	952,084	0	5.3%	901,624	\$17.27	(10.4%)	(25,917)
Churchland	711,990	0	4.2%	682,086	\$14.04	(4.5%)	11,574
College Park	1,187,798	0	3.1%	1,150,976	\$15.82	(1.1%)	5,613
Deep Creek	430,163	0	2.0%	421,560	\$16.00	0.0%	(4,394)
Downtown Norfolk	2,719,962	0	8.2%	2,496,925	\$14.25	0.4%	(36,478)
Downtown Suffolk	932,202	0	2.6%	907,965	\$5.96	11.0%	19,825
Franklin City	909,402	0	6.5%	850,291	\$7.50	(26.6%)	(1,938)
General Booth Corridor	1,042,212	0	3.7%	1,003,650	\$20.97	0.0%	2,345
Great Bridge	996,072	0	10.0%	896,465	\$11.93	0.8%	129,686
Greenbrier/Battlefield	2,949,975	17,013	2.8%	2,867,376	\$18.46	(0.7%)	8,510
Hilltop/Great Neck	1,339,409	0	2.1%	1,311,281	\$16.54	1.2%	8,787
Holland Road	939,356	0	0.4%	935,599	\$14.10	33.4%	206,267
Isle of Wight	151,235	0	5.4%	143,068	\$0.00	0.0%	2,384
Kempsville	893,376	0	9.0%	812,972	\$14.39	(6.5%)	379
Little Creek	2,270,889	0	4.7%	2,164,157	\$9.38	12.9%	13,845
Little Neck	1,535,462	0	1.7%	1,509,359	\$16.81	(17.6%)	(6,625)
Lynnhaven	879,508	0	3.6%	847,846	\$18.01	(2.8%)	(2,215)
Mid-City	2,139,409	0	6.1%	2,008,905	\$10.46	(1.0%)	(6,883)
Military	2,355,984	0	2.1%	2,306,508	\$12.31	(3.3%)	28,166
Newtown	1,836,481	0	5.4%	1,737,311	\$11.99	(0.7%)	(58,704)
Nothorn Suffolk	661,673	0	0.5%	658,365	\$23.76	2.0%	26,438
Oceanfront	977,885	0	3.2%	946,593	\$24.21	0.8%	29,481
Pembroke	2,114,159	0	5.5%	1,997,880	\$8.03	(41.5%)	15,176
Princess Anne	882,069	0	1.8%	866,192	\$19.00	2.9%	7,885
Shore Drive	671,512	0	5.2%	636,593	\$14.02	4.2%	(15,816)
Smithfield	534,087	0	1.4%	526,610	\$5.99	7.7%	1,100
Suffolk	892,941	0	9.3%	809,897	\$12.90	(5.4%)	(6,458)
Surry County	32,134	0	5.8%	30,270	\$0.00	0.0%	(1,850)
VA Beach Courthouse	512,621	0	14.6%	437,778	\$20.22	(1.1%)	6,473
Victory	1,358,784	9,132	4.7%	1,294,921	\$16.56	1.6%	(17,352)
Wards Corner	267,703	0	11.6%	236,649	\$9.51	0.0%	2,950
Southside	36,519,520	26,145	4.6%	34,839,622	\$14.19	0.5%	351,204
Hampton Roads	55,559,958	55,559,958	5.0%	52,781,960	\$14.27	0.4%	382,404

*RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT 2011 LEASE TRANSACTIONS				
	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
1140 S Military	Military	O'Reilly Auto	Retail	40,000
471 Merrimac	Williamsburg	Advanced Stores	Retail	39,000
6533 Market	Gloucester	Big Lots	Retail	38,000
SIGNIFICANT 2011 SALE TRANSACTIONS				
	SUBMARKET	BUYER	PURCHASE PRICE	SQUARE FEET
Landstown Commons	VA Beach Courthouse	Goodman Co.	\$91,200,000	409,749
500 Settlers Market	Williamsburg	Federal Capital	\$13,300,000	350,000
1725 Laskin	Hilltop	Hilltop Plaza	\$14,800,000	151,184
SIGNIFICANT 2011 CONSTRUCTION COMPLETIONS				
	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
201 Hillcrest	Edinburgh	Walmart	2Q11	149,000
SIGNIFICANT PROJECTS UNDER CONSTRUCTION				
	SUBMARKET	MAJOR TENANT	COMPLETION DATE	SQUARE FEET
3249 Tyre Neck	Churchland	Harris Teeter	1Q12	49,000
2728 Atlantic	Oceanfront	N/A	1Q12	38,046