

# MARKETBEAT

## HAMPTON ROADS, VA RETAIL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

**Thalhimer**  
commercial real estate

**YEAR-END 2009**

### ECONOMIC OVERVIEW

The fourth quarter revealed a Hampton Roads economy that, while by no means immune to the recession's effects, had withstood them better than the nation overall and was among the first outside Texas and the Midwestern farm states to commence recovery. November's not seasonally adjusted unemployment rate was 6.6%, changing little since seasonal workers returned to school, and nonfarm civilian employment was down 0.4% over 12 months – both indicators comparing favorably to the nation's 10.0% unemployment rate and 4.0% employment decline. Local option sales tax receipts for the year through November were down 5.1% from 2008, remaining in line with declines of 5.0% statewide and 5.3% in Richmond. When ranking the Hampton Roads economy among the 20 healthiest of the nation's 100 largest metropolitan areas for the third quarter in a row, the Brookings Institute's MetroMonitor project reported that the gross metropolitan product rose 1.4% during the third quarter to exceed the pre-recession peak set in the fourth quarter of 2008.

### RETAIL MARKET OVERVIEW

The fourth quarter saw a small drop in the vacant available rate for all retail space in all areas of Hampton Roads to 6.4% direct and 6.5% overall, levels that many markets would envy during a more vibrant economy. Leasing activity in 2009 was just 35,000 square feet (sf) above the previous year's, and while absorption at several Peninsula projects kept area totals positive, the year's net absorption was down 49.0% from 2008. A \$1.18 per square foot (psf) rise in Peninsula asking rents over 12 months kept rents for the entire area at \$14.24 psf, but this is driven by a change in the amount of newer, more expensive space available rather than any constrictions in supply.

Indeed, as in previous quarters and as in other sectors of the commercial real estate market, there remains a sizeable gap between published asking rents and the effective rental rates landlords actually receive. Strong tenants are sought after, and those who wish to expand or improve their location or the quality of their premises will find property owners eagerly offering attractive space at even more attractive terms.

Deals of note announced in the normally quiet fourth quarter included hhgregg's lease of stores in Newport News and Virginia Beach and Restaurant Depot's purchase of the 89,000-sf former Value City store in Virginia Beach for occupancy. Investment sales remain scarce, with Virginia Beach's 118,000-sf London Bridge Center ranking as the quarter's largest trade.

### ECONOMIC INDICATORS

NATIONAL	2008	2009F	2010F
Real GDP Growth	0.4%	-2.5%	2.3%
CPI Growth	3.8%	-0.4%	1.7%
Consumer Spending Growth	-0.2%	-0.6%	1.0%
Retail Sales	-0.8%	-6.4%	2.6%
REGIONAL			
Household Income	\$55,929	\$57,086	\$58,020
Population	1,676,637	1,688,549	1,698,770
Unemployment	4.2%	6.8%*	6.7%

\*Average not seasonally adjusted monthly rate for January-November 2009  
Sources: Moody's | Economy.com, U.S. Census, U.S. Bureau of Labor Statistics, National Retail Federation, Old Dominion University Economic Forecasting Project

### BEAT ON THE STREET

"Good tenants are looking to upgrade and relocate and getting significant incentives to do it."

—Chris Good, Retail Sales and Leasing

### 2009 KEY LEASING TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
Peninsula Town Center	Target	137,432
Quarterpath Crossing Shopping Center	Harris Teeter	54,000
Peninsula Town Center	Barnes & Noble	29,600

### 2009 KEY INVESTMENT TRANSACTIONS

PROPERTY	SQUARE FEET	PURCHASE PRICE
London Bridge Center	118,000	\$7,250,000
5112 Virginia Beach Boulevard	89,000	\$5,000,000
233 Independence Boulevard	6,500	\$4,000,000

### SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	MAJOR TENANTS	SQUARE FEET	COMPLETION DATE
Carrlton Cove Shoppes	N/A	28,524	Spring 2010
Red Mill Landing	N/A	24,685	Spring 2010

## OUTLOOK

A holiday tradition in good times as well as bad, the time to find out which teetering retailers were pushed over by fourth-quarter sales or first-quarter credit availability is upon us. None of the mass closures or bankruptcies announced so far is expected to affect Hampton Roads to any great degree, as immediate liquidation has been reserved for regional chains without an area presence. The season is young, but any damage caused by a collapsing retailer will be localized at a few centers and is unlikely to disrupt the market as a whole.

Of more concern is the credit environment as building loans come due in the upcoming year. While the balance sheets of most local properties remain stronger than those in areas with too many centers or too few jobs, the declining appraisal values and stringent credit requirements driven by lenders reacting to the excessively easy credit of the mid-2000s are universal. This is a general concern for all commercial real estate across the country, but the retail sector is frequently perceived as more unstable and risky in the current business cycle. Even a solid retail market such as Hampton Roads will suffer if media pronouncements of a long-term decline in consumer spending raise lender anxiety levels further.

Conditions more specific to the local market are generally positive, and more certainly so relative to conditions nationwide. Retailers with either cash or strong credit are taking advantage of those opportunities that the market now offers, and the stable economy makes the area an attractive market for entry or expansion.

### MARKET/SUBMARKET STATISTICS

Market/Submarket	Inventory	No. of Bldgs.	Overall Vacancy Rate	Direct Vacancy Rate	YTD Leasing Activity	Under Construction	YTD Construction Completions	YTD Direct Absorption	Direct Wtd. Avg. Class A Rental Rate*
Denbigh	2,061,494	171	9.8%	9.6%	21,653	0	94,890	8,309	\$10.48
Downtown Hampton	833,784	99	5.9%	5.9%	6,310	0	0	(10,190)	\$12.31
Downtown Newport News	618,849	77	4.0%	4.0%	3,220	0	0	3,376	\$7.35
Fox Hill	1,574,145	209	8.5%	8.1%	41,421	0	21,411	10,009	\$13.59
Gloucester	2,125,364	125	9.6%	9.1%	41,940	0	83,472	119,092	\$11.46
Hampton North	4,224,644	283	6.2%	6.2%	31,575	9,600	12,900	(35,681)	\$20.56
James River	2,034,997	213	4.2%	3.9%	29,169	0	0	9,537	\$13.67
Lightfoot	2,712,001	103	4.5%	4.5%	21,790	0	0	53,538	\$14.23
Mathews County	108,789	11	4.8%	4.8%	3,801	0	0	(5,200)	\$0.00
Mercury Central	6,461,719	425	7.1%	6.6%	66,551	18,304	461,683	309,936	\$12.32
Patrick Henry	4,492,394	150	4.3%	4.3%	105,741	5,328	0	54,067	\$14.60
Poquoson	1,753,793	188	6.8%	6.8%	27,755	0	0	9,864	\$15.21
Williamsburg	4,629,407	311	10.5%	10.5%	41,843	8,000	232,643	67,473	\$22.48
Yorktown	418,203	48	7.3%	7.3%	6,450	0	16,600	3,800	\$13.17
<b>Peninsula Total:</b>	<b>34,049,583</b>	<b>2,413</b>	<b>7.0%</b>	<b>6.8%</b>	<b>449,219</b>	<b>41,232</b>	<b>923,599</b>	<b>597,930</b>	<b>\$14.65</b>
Campostella/S. Norfolk	1,442,484	150	6.7%	6.1%	33,525	12,000	0	(2,682)	\$12.81
Chesapeake Square	2,901,831	91	2.2%	2.2%	33,228	0	60,000	20,837	\$15.93
Churchland	1,641,437	130	4.7%	4.0%	28,177	0	8,000	(26,573)	\$14.38
College Park	2,019,790	191	6.2%	6.1%	33,735	0	0	3,125	\$12.79
Deep Creek	1,198,489	94	5.7%	5.7%	3,300	0	0	(13,934)	\$18.75
Downtown Norfolk	4,821,191	389	4.4%	4.4%	36,676	0	24,116	(14,707)	\$15.33
Downtown Suffolk	1,121,730	149	3.6%	3.6%	18,892	24,000	0	13,155	\$9.46
Franklin City	1,487,847	83	8.2%	8.2%	19,269	0	0	39,229	\$9.83
General Booth Corridor	2,036,130	125	5.4%	4.7%	1,600	24,685	0	(6,548)	\$22.60
Great Bridge	1,667,622	132	4.8%	4.7%	31,331	0	19,700	15,458	\$19.14
Greenbrier/Battlefield	4,210,798	165	3.0%	3.0%	111,740	0	0	(14,019)	\$17.50
Hilltop/Great Neck	3,013,426	209	2.4%	2.3%	73,712	0	0	27,046	\$20.10
Holland Road	1,664,561	104	17.5%	17.3%	46,402	0	0	(215,397)	\$10.99
Isle of Wight	771,453	59	9.5%	9.5%	11,472	28,524	6,000	14,972	\$6.33
Kempsville	1,786,602	134	7.6%	7.6%	67,462	0	0	(50,734)	\$15.87
Little Creek	3,488,602	292	7.0%	7.0%	74,665	0	2,871	(12,688)	\$10.19
Little Neck	3,323,049	139	5.6%	5.6%	82,171	0	0	(32,004)	\$17.22
Lynnhaven	2,319,938	82	9.2%	9.2%	52,643	0	0	18,179	\$15.16
Mid-City	2,611,715	299	3.5%	3.5%	41,308	63,684	38,331	(13,723)	\$10.61
Military	5,017,576	328	6.9%	6.2%	37,542	0	13,000	(39,224)	\$12.24
Newtown	2,694,565	201	3.7%	3.3%	49,735	0	0	(27,841)	\$12.40
Northern Suffolk	823,717	41	43.3%	43.1%	12,356	0	335,955	58,935	\$18.64
Oceanfront	2,017,754	271	2.0%	1.9%	16,661	14,591	3,223	(2,129)	\$13.55
Pembroke	3,777,773	197	6.0%	6.0%	82,308	0	123,577	(67,000)	\$17.95
Princess Anne	1,632,783	72	5.1%	4.4%	53,262	0	90,356	41,734	\$16.63
Shore Drive	1,053,702	120	5.1%	5.1%	69,175	0	24,500	9,546	\$14.19
Smithfield	694,964	83	5.4%	5.4%	16,738	0	0	3,588	\$13.93
Suffolk	1,690,245	124	7.8%	7.8%	41,044	0	33,400	15,025	\$12.19
Surry County	123,140	10	0.0%	0.0%	0	0	0	0	\$0.00
Va. Beach Courthouse	608,971	22	14.5%	13.4%	14,790	0	0	(25,723)	\$22.11
Victory	2,244,520	207	7.7%	7.7%	26,130	0	3,000	(4,665)	\$10.41
Wards Corner	780,380	51	16.5%	16.5%	14,823	0	3,200	(60,975)	\$10.87
<b>Southside Total:</b>	<b>66,688,785</b>	<b>4,744</b>	<b>6.3%</b>	<b>6.1%</b>	<b>1,235,872</b>	<b>167,484</b>	<b>789,229</b>	<b>(349,737)</b>	<b>\$14.02</b>
<b>HAMPTON ROADS TOTAL:</b>	<b>100,738,368</b>	<b>7,157</b>	<b>6.5%</b>	<b>6.4%</b>	<b>1,685,091</b>	<b>208,716</b>	<b>1,712,828</b>	<b>248,193</b>	<b>\$14.24</b>

\* Rental rates reflect NNN \$psf/year



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