

# MARKETBEAT

## HAMPTON ROADS, VA RETAIL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

Thalhimer  
commercial real estate

3Q10

### ECONOMIC OVERVIEW

The Department of Defense recently announced a plan to close the U.S. Joint Forces Command (JFCOM), which employs more than 5,600 workers at incomes higher than the regional average in Norfolk and Suffolk. The loss of JFCOM would not only mean a rise in the unemployment rate for the region but also a reduction in consumer expenditure. Virginia's congressional delegation is trying to reverse or delay the decision, but uncertainty remains as to the fallout. Despite the news about JFCOM, the local economy seems to be stabilizing alongside the national economy. The unemployment rate for Hampton Roads decreased slightly to 7.4% in August, a 0.2 percentage point decrease from last quarter's 7.6%. The August rate, however, is above the 7.0% unemployment rate for Virginia but lower than the 7.9% rate at the beginning of the year. Credit remains exceedingly tight even for credit-worthy borrowers, and uncertainty from Washington looms, causing business leaders to be more cautious.

### RETAIL MARKET OVERVIEW

Some retailers are getting bolder by the quarter. Brokers first reported seeing an uptick in showings with determined restaurateurs, many of whom saw an opportunity to open restaurants in the area. The regional and national chains are also getting more confident about adding locations in Hampton Roads or finding better locations to upgrade their existing stores. The national companies include Quaker Steak and Lube and Chick-fil-a. Many have recognized opportunity to capitalize on effective rental rates that have fallen up to 25% from peak rental rates.

Important retail news of note involves movie rental chain Blockbuster, which filed for Chapter 11 bankruptcy protection in September. The ailing company has closed hundreds of stores across the country and will continue to close stores that are losing money. In Hampton Roads many of the Blockbuster locations are highly sought after, and tenants have lined up to backfill the vacancies.

Vacancy rates appear to have stabilized for the Hampton Roads region, which had 6.6% of vacant space in the third quarter, roughly the same amount as last year. Year to date leasing activity increased to 1,773,406 square feet (sf). This is a 622,322 sf increase for the quarter. Year to date direct absorption is at 207,993 sf down from last quarter's figure of 244,115 sf. The difference is primarily due to negative absorption on the Peninsula this past quarter.

Two notable deals closed in the third quarter: Archway Properties and New Light Associates paid \$2.45 million for a 13,500-sf shopping center in North Lynnhaven. Eggleston Services, a nonprofit that trains disabled workers, paid \$2.68 million for two buildings on Military Highway in Norfolk.

### ECONOMIC INDICATORS

NATIONAL	2009	2010F	2011F
Real GDP Growth	-2.6%	2.7%	3.1%
CPI Growth	-0.3%	1.6%	1.6%
Consumer Spending Growth	-0.6%	2.5%	3.1%
Retail Sales	-6.3%	6.3%	5.8%

### REGIONAL

Household Income	\$53,746	\$53,476	\$54,222
Population	1,674,498	1,683,375	1,693,647
Unemployment	6.8%	7.5%	7.6%

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

"Last year, national tenants cut their travel budgets for looking at new locations. This year, they are traveling again to see what opportunities there are for relocating."

— Chris Good Commercial Sales-Leasing

### 3Q10 KEY LEASING TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
Victory West Shopping Center	N/A	13,170
2011 Cunningham Dr.	Water's Edge	18,747
Harbour View	PetSmart	12,192

### 3Q10 KEY INVESTMENT TRANSACTIONS

PROPERTY	SQUARE FEET	PURCHASE PRICE
3525 N Military Hwy.	32,051	\$2,675,000
277 Lynnhaven S	13,500	\$2,450,000
197 W Queens	17,500	\$975,000

### SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	MAJOR TENANTS	SQUARE FEET	COMPLETION DATE
Great Bridge Market Place	N/A	36,169	Winter 2011
Jefferson Marketplace	Walgreens	37,915	April 2011
Walmart- Edinborough	Walmart	185,000	Fall 2010

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### OUTLOOK

Leasing activity should remain consistent with the past few quarters. The economy will have to make a more pronounced recovery before retailers rush into growth and expansion mode. Of course, retailers will be watching holiday sales in the fourth quarter, hoping to see consumer spending rise in a big way.

One unusual trend to watch is the rise and recent trouble of Internet gaming parlors, which allow gamblers to wager digitally. The stores have popped up in retail centers across the area, only to have some localities shut down the operations. The courts will have to weigh in on the legality of the issue.

### 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. Rental Rate*
Denbigh	2,061,141	171	10.4%	10.6%	17,207	0	0	(3,094)	\$10.50
Downtown Hampton	840,392	101	5.8%	5.8%	2,761	0	0	(4,483)	\$12.12
Downtown Newport News	606,653	82	1.9%	1.9%	4,155	0	0	20,412	\$7.35
Fox Hill	1,509,286	208	10.6%	6.6%	12,595	0	0	15,382	\$11.84
Gloucester	2,205,988	136	9.1%	8.5%	8,347	0	0	7,823	\$12.78
Hampton North	4,237,464	284	6.2%	6.2%	25,231	24,808	21,600	2,902	\$20.27
James River	2,090,924	215	3.3%	3.0%	24,364	2,810	11,000	28,776	\$15.34
Lightfoot	2,782,587	110	6.7%	6.7%	40,577	0	0	(83,288)	\$17.38
Mathews County	111,242	12	4.7%	4.7%	0	0	0	0	\$0.00
Mercury Central	6,418,697	425	8.1%	7.5%	83,880	8,400	0	(72,308)	\$10.96
Patrick Henry	4,427,425	145	3.4%	3.4%	45,908	0	100,750	50,737	\$14.93
Poquoson	1,816,306	188	7.3%	7.3%	30,951	0	0	(20,079)	\$13.97
Williamsburg	4,186,978	316	9.8%	9.8%	86,078	0	7,226	35,340	\$21.74
Yorktown	421,091	49	8.0%	8.0%	9,350	0	0	(3,240)	\$12.64
<b>Peninsula Total:</b>	<b>33,716,174</b>	<b>2,433</b>	<b>6.8%</b>	<b>7.1%</b>	<b>391,404</b>	<b>36,018</b>	<b>140,576</b>	<b>(71,901)</b>	<b>\$14.07</b>
Campostella/S. Norfolk	1,749,033	153	4.7%	4.3%	43,700	0	8,500	(23,761)	\$11.54
Chesapeake Square	2,907,777	93	1.8%	1.8%	99,953	0	0	26,346	\$17.37
Churchland	1,741,532	137	6.1%	5.4%	50,343	0	0	2,872	\$12.29
College Park	1,984,555	191	7.2%	7.2%	57,201	0	0	(19,714)	\$11.77
Deep Creek	1,211,354	98	5.9%	5.9%	3,350	0	0	(2,780)	\$18.51
Downtown Norfolk	4,747,326	405	4.3%	4.3%	17,522	0	6,339	14,161	\$19.69
Downtown Suffolk	1,139,741	149	4.8%	4.8%	6,389	0	0	(2,211)	\$9.49
Franklin City	1,483,657	83	8.3%	8.3%	0	0	0	(160)	\$9.78
General Booth Corridor	2,014,221	126	5.4%	5.3%	51,357	0	24,685	8,341	\$19.20
Great Bridge	1,645,845	133	5.6%	5.6%	28,452	36,169	0	(15,553)	\$18.58
Greenbrier/Battlefield	4,236,152	165	2.3%	2.3%	134,804	0	0	24,865	\$19.62
Hilltop/Great Neck	2,937,408	210	3.5%	3.5%	49,107	0	0	(36,588)	\$15.54
Holland Road	1,675,548	108	17.1%	16.9%	35,580	0	0	(10,246)	\$10.56
Isle of Wight	807,327	59	15.8%	15.8%	0	1,375	49,700	(44,500)	\$10.59
Kempsville	1,876,073	138	9.0%	8.9%	47,728	0	66,950	24,837	\$17.62
Little Creek	3,519,088	304	8.2%	8.1%	41,258	0	0	16,989	\$11.78
Little Neck	3,065,320	144	5.9%	5.9%	43,656	0	0	34,363	\$17.13
Lynnhaven	2,338,839	84	11.8%	11.8%	41,543	0	0	(25,413)	\$16.26
Mid-City	2,699,970	304	4.8%	4.8%	2,915	0	0	4,725	\$10.99
Military	4,966,722	331	5.9%	5.2%	144,159	0	0	10,477	\$11.33
Newtown	2,688,083	201	3.9%	3.4%	15,745	0	0	85,310	\$12.14
Northern Suffolk	878,321	43	29.3%	29.1%	73,364	12,192	9,800	90,291	\$19.83
Oceanfront	1,937,489	274	3.2%	3.2%	51,870	0	18,591	9,774	\$16.63
Pembroke	3,790,803	198	5.0%	5.0%	74,747	0	3,100	(9,002)	\$17.12
Princess Anne	1,614,912	74	6.1%	5.4%	22,957	13,225	0	(16,915)	\$17.14
Shore Drive	1,055,090	119	5.7%	5.7%	35,470	0	0	499	\$15.02
Smithfield	705,902	87	5.1%	5.1%	4,137	0	0	2,725	\$13.33
Suffolk	1,678,430	126	7.7%	7.7%	25,530	0	0	2,023	\$10.87
Surry County	123,140	10	0.0%	0.0%	0	0	0	0	\$0.00
Va. Beach Courthouse	612,269	23	12.0%	12.0%	14,139	0	0	(526)	\$20.72
Victory	2,298,061	220	6.5%	6.5%	142,889	0	0	98,265	\$16.83
Wards Corner	778,771	51	15.8%	15.8%	22,137	0	0	(11,110)	\$10.77
<b>Southside Total:</b>	<b>66,908,759</b>	<b>4,838</b>	<b>6.4%</b>	<b>6.2%</b>	<b>1,382,002</b>	<b>62,961</b>	<b>187,665</b>	<b>279,894</b>	<b>\$14.41</b>
<b>HAMPTON ROADS TOTAL:</b>	<b>100,689,904</b>	<b>7,293</b>	<b>6.6%</b>	<b>6.4%</b>	<b>1,773,406</b>	<b>147,500</b>	<b>328,241</b>	<b>207,993</b>	<b>\$14.28</b>

\* Rental rates reflect NNN \$psf/year

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