

# MARKETBEAT RETAIL SNAPSHOT

## HAMPTON ROADS, VA

A Cushman & Wakefield Alliance Research Publication

Q1 2013



### ECONOMIC OVERVIEW

The local unemployment rate is 6.2%, down from 7.1% one year ago. In February, employment gains were seen in health care, construction, and professional and business services. Although better than the national average of 8.1%, many have given up seeking full-time employment, artificially lowering the rate.

Nationally, only 88,000 jobs were added in March, down significantly from 148,000 jobs added in January and 268,000 added in February. Real economic recovery is not expected to gain strength until job creation picks up significantly.

### RETAIL MARKET OVERVIEW

When driving through the retail submarkets of Hampton Roads you may notice an unfamiliar site, construction! It isn't happening on every corner but activity has picked up in the past few quarters.

As we had hoped, the interest we saw last quarter from local, regional, and national retailers has in fact translated into deals. The same activity has carried over into this quarter from retailers such as Starbucks, Kroger, 7-Eleven, Wal-Mart Neighborhood Market and CVS to name a few. With Hampton Roads small shop vacancy rates down to 7.9%, the unemployment rate at 6.2%, and gas prices holding steady at around \$3.50 a gallon, expect to see continued improvement for the retail sector.

**Closure Alert:** Blockbuster has closed 13 of their 15 stores throughout Hampton Roads and leaving 2 remaining in the market.

### GROCERY STORE MARKET

The grocery store sector of the retail market, although part of the general retail market, takes on a life of its own and can be the main driving force behind retail growth in an economic region. Here in Hampton Roads we are seeing that occur. With the up-tick continuing in the economy, needs that were somewhat lacking, in this case, grocery stores, are able to be met again. Hampton Roads has seen a surge in grocery store development in the last quarter, and should continue to see the same over the next few years. Whole Foods opened its first location last fall and has approved their second location in Newport News. Wal-Mart has opened two more locations in Hampton Roads and has two under construction in Williamsburg and on Holland Road. Kroger is active with 124,000 square feet under construction on Holland Road. Harris Teeter recently redeveloped its Ghent store and is building on at Wards Corner store (2014 opening). Grocery store development leads to

more general development around it and attached to it which is excellent news for the market in general.

### OUTLOOK

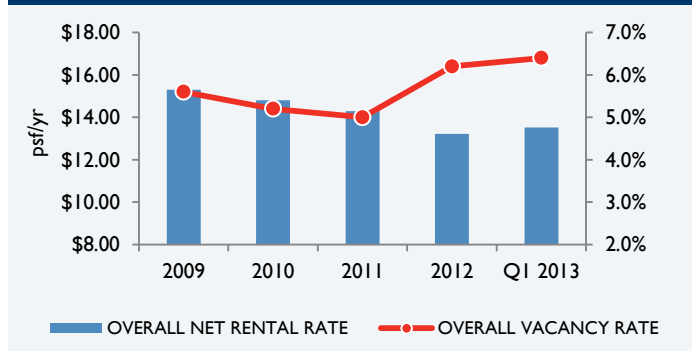
The outlook for the remaining three quarters of 2013 and beyond in the Hampton Roads market is much better than it has been. Large closings have slowed and rents as well as vacancy rates have stabilized. Tenants and landlords are closing the gap on rents and it is no longer a purely tenant's market with good locations and new developments demanding higher rents because absorption has been good and vacancy rates are steady. The outlook is generally good as long as the economy stays on track with recovery and growth both in GDP and jobs.

### ECONOMIC INDICATORS

NATIONAL	2012	2013F	2014F
GDP Growth	2.2%	2.2%	3.4%
CPI Growth	2.1%	2.0%	2.1%
Consumer Spending Growth	1.9%	2.2%	3.6%
Retail Sales Growth	5.0%	4.2%	4.4%
REGIONAL	2012	2013F	2014F
Household Income	\$53,857	\$55,553	\$57,311
Population Growth	0.2%	0.5%	0.7%
Unemployment	6.4%	6.2%	5.9%

Source: Moody's Analytics

### OVERALL RENTAL VS. VACANCY RATES



Source: CoStar

## \*\* HAMPTON ROADS (TOP FIVE)

SUBMARKET	INVENTORY	QUARTERLY CHANGE IN INVENTORY	VACANCY RATE	DEMAND (OCCUPIED SQUARE FEET)	ASKING RENT	RENT GROWTH	ABSORPTION
Coliseum Central	6,278,832	144,949	7.4%	5,814,827	\$14.89	1.8%	(36,228)
Military	5,041,898	45,167	5.6%	4,760,614	\$11.93	9.7%	(8,695)
Downtown Norfolk	4,866,134	(4,625)	7.0%	4,526,092	\$13.12	(0.7%)	(24,497)
Patrick Henry	4,552,932	73	3.5%	4,392,011	\$14.39	3.1%	(10,755)
Williamsburg	4,564,645	153,460	8.5%	4,176,256	\$17.92	(3.0%)	90,394
<b>Peninsula</b>	<b>33,877,949</b>	<b>289,794</b>	<b>7.0%</b>	<b>31,523,061</b>	<b>\$13.88</b>	<b>2.8%</b>	<b>75,360</b>
<b>Southside</b>	<b>67,290,550</b>	<b>61,036</b>	<b>6.2%</b>	<b>63,128,767</b>	<b>\$13.30</b>	<b>2.2%</b>	<b>161,923</b>
<b>TOTAL MARKET</b>	<b>101,168,499</b>	<b>350,830</b>	<b>6.4%</b>	<b>94,651,828</b>	<b>\$13.53</b>	<b>2.3%</b>	<b>237,283</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

\*\*THIS TABLE INCLUDES HAMPTON ROADS TOP FIVE SUBMARKETS BY INVENTORY SIZE. THE HAMPTON ROADS TOTAL INCLUDES THE OVERALL HAMPTON ROADS MARKET.

## MARKET HIGHLIGHTS

Significant Q1 2013 Lease Transactions	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
3032-3044 Richmond Road	Williamsburg	Up Top, Inc.	Neighborhood Center	7,054
7500 Granby Street	Wards Corner	Sleepy's	Community Center	3,620
2900 Hampton Highway	Hampton North	Head Rush Fitness	Neighborhood Center	2,900
Significant Q1 2013 Sale Transactions	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
4410 E. Claiborne Square, Town Center Retail	Coliseum Central	HSBC	\$44,000,000/ \$71	619,000
315 Chatham Drive, Newport Marketplace	Patrick Henry	CWCapital Asset Mgmt	\$10,100,000/ \$80	125,480
13500 Benns Church Boulevard	Isle of Wight	Tractor Supply	\$3,400,000/ \$72	47,498
Significant Q1 2013 Construction Completions	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
433 S. Centerville Turnpike	Southern Chesapeake	Tractor Supply	Q1 2013	20,000
5225 Settlers Market Boulevard	Williamsburg	Speculative	Q1 2013	88,102
11214 Jefferson Avenue	Hampton North	Walmart Neighborhood Market	Q1 2013	57,812
6099 Indian River Road	College Park	CVS	Q1 2013	10,682
2328 W. Mercury Boulevard	Mercury Central	Speculative	Q1 2013	3,750
Significant Projects Under Construction	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
3201 Holland Road	S. Independence/Holland Rd	Walmart Neighborhood Market	Q2 2013	41,785
1900-1946 Monticello Blvd	Downtown Norfolk	Cook Out	Q2 2013	3,000
4015 Victory Blvd	Victory	Cook Out	Q2 2013	3,000
901 Frederick Boulevard	Victory	Chic-fil-A	Q2 2013	3,500
12581 Jefferson Ave	Patrick Henry	LongHorn Steakhouse	Q2 2013	5,695
108 Marketplace Drive	Coliseum Central	LongHorn Steakhouse	Q2 2013	5,695
3901 Holland Road	S. Independence/Holland Rd	Kroger Marketplace	Q3 2013	124,000
330 Independence Boulevard	Pembroke	Bahama Breeze	Q3 2013	7,000
New Town Road	Williamsburg	Walmart Neighborhood Market	Q4 2013	41,785
1700 Parkview Drive	Greenbrier/Battlefield	Chinese Buffet	Q4 2013	20,000

\* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTIC