

# Office Snapshot Q1 2016

Hampton Roads, VA



## HAMPTON ROADS OFFICE

### Economic Indicators

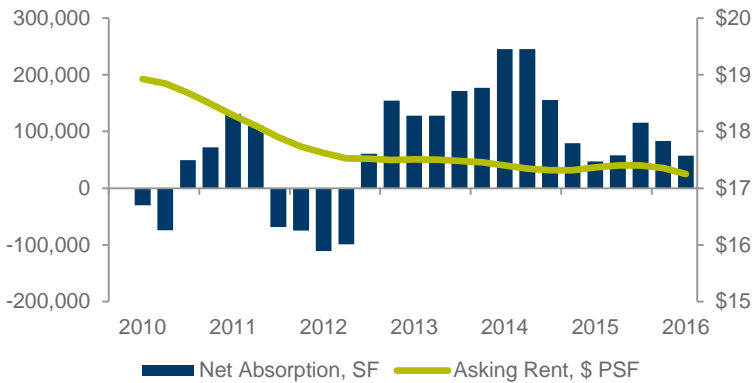
	Q1 15	Q1 16	12-Month Forecast
Hampton Roads Employment	762k	769k	▲
Hampton Roads Unemployment	5.3%	4.7%	▼
U.S. Unemployment	5.6%	4.9%	▼

### Market Indicators (Overall, All Classes)

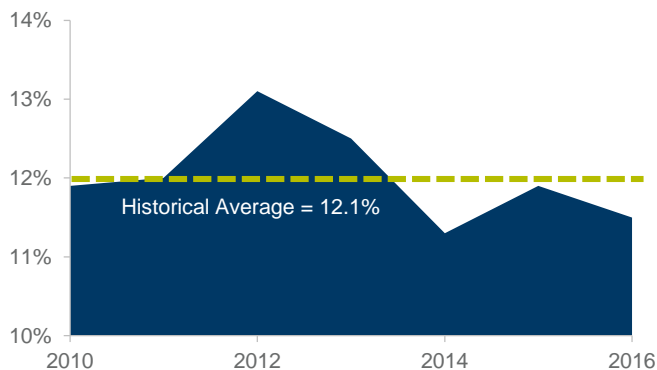
	Q1 15	Q1 16	12-Month Forecast
Vacancy	11.9%	11.5%	▼
Net Absorption	28k	-78k	▲
Under Construction	91k	164k	▲
Average Asking Rent	\$17.52	\$17.27	▲

### Net Absorption/Asking Rent

#### 1Q TRAILING AVERAGE



### Overall Vacancy



## Economy

Local economists anticipate relatively low gas prices and better employment will stimulate the Hampton Roads economy in early 2016. A recent ADP announcement of 1,800 jobs in the downtown area of Norfolk will reinforce the forecast that 2016 will ultimately bring more jobs to the market than last year. Hampton Roads is expected to add 7,142 jobs in 2016 with growth emerging from the Port, Tourism and Health-Care Sectors. Expanding employment opportunities remains vital in Hampton Roads because the region trails many Virginia and North Carolina Cities in job recovery.

## Market Overview

Hampton Roads is off to a promising start with significant new lease announcements and reductions in functionally obsolete inventory due to residential conversion demands. The ADP lease in Two Commercial Place represents 288,000 square feet (sf) of positive absorption in the market in one single transaction, and the One Commercial Place residential conversion reduces the supply of 75,000 sf of office space in Norfolk's CBD.

The Norfolk Redevelopment & Housing Authority is taking 100,000 SF of Class B space offline in their owner-occupied Royster Building and leasing 43,000 SF in 555 Main Street. In a single quarter, the Norfolk submarket has absorbed more space than the entire market has witnessed annually since pre-recession. The suburban markets, which have tightened over the last year, should continue to strengthen with a reemergence of defense contractors and continued absorption by engineering firms. Medical Office continues to lead the charge in the new construction pipeline; although most of the activity is owner-occupied projects developed by major hospital groups. The sale of the USAA owned Concourse at Northhampton leased by Amerigroup/Anthem also represents confidence in the market from outside investors.

## Outlook

With first quarter activity, the Hampton Roads office market will finally return to pre-recession vacancy rates and asking rents. The lack of big-block space options and continued compression in availability will lead to speculation of new construction; however, cautious developers will want to see more job growth and continued positive absorption before shovels hit the ground.

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SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT	DIRECT VACANT	OVERALL VACANCY RATE	CURRENT OVERALL NET ABSORPTION	YTD OVERALL NET ABSORPTION	UNDER CNSTR	OVERALL AVERAGE ASKING RENT (ALL CLASSES)*	DIRECT AVERAGE ASKING RENT (CLASS A)*
Chesapeake	122	4,514,841	1,973	325,863	7.3%	5,361	5,361	0	\$17.36	\$ 19.34
Gloucester	4	94,587	2,647	0	2.8%	0	0	0	\$18.68	N/A
Hampton	79	3,193,002	9,351	816,360	25.9%	(6,011)	(6,011)	0	\$15.13	\$17.55
Harbourview/Churchland/Western Branch	50	1,593,444	1,500	207,650	13.2%	12,685	12,685	0	\$18.45	\$21.72
Newport News	148	6,411,434	34,369	457,647	7.7%	6,484	6,484	26,900	\$17.11	\$21.02
Norfolk	163	8,765,974	9,602	1,110,804	12.7%	(13,332)	(13,332)	0	\$17.88	\$22.86
Portsmouth	37	1,084,938	2,550	107,608	9.85%	(4,368)	(4,368)	0	\$13.76	\$16.88
Suffolk	34	907,773	0	85,408	9.4%	0	0	0	\$11.72	N/A
Virginia Beach	318	10,807,498	13,407	1,180,854	12.1%	(69,350)	(69,350)	0	\$18.36	\$22.17
Williamsburg	72	1,433,890	0	119,171	8.5%	(9,070)	(9,070)	0	\$17.72	\$18.33
York	18	494,768	0	49,991	12.1%	54	54	55,200	\$15.70	\$19.00
<b>HAMPTON ROADS TOTALS</b>	<b>1,045</b>	<b>39,302,149</b>	<b>75,399</b>	<b>4,461,356</b>	<b>11.5%</b>	<b>(77,547)</b>	<b>(77,547)</b>	<b>164,100</b>	<b>\$17.09</b>	<b>\$20.46</b>

\*Rental rates reflect gross asking \$psf/year

## Key Lease Transactions Q1 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
2 Commercial Place	288,000	ADP	New Lease	Norfolk
555 East Main	42,464	Norfolk Redevelopment and Housing Authority	New Lease	Norfolk
301 Bendix Road	16,605	Brown and Caldwell	New Lease	Virginia Beach
227 Bendix Rd.	6,566	Konika Minolta Business Solutions, USA	New lease	Virginia Beach

## Key Sales Transactions Q1 2016

PROPERTY	SF	SELLER/BUYER	PRICE/\$ PSF	SUBMARKET
One & Two Commercial Place	603,306	AT One Commercial Norfolk, LLC & AT Two Commercial Norfolk, LLC/ Marathon Development Group Inc.	\$22,000,000/\$36.47	Norfolk
The Concourse	315,000	USAA Real Estate/ Oak Street Real Estate Capital	\$56,825,000/\$180.90	Norfolk

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