

# Office Snapshot 2Q 2016

Hampton Roads, VA



## HAMPTON ROADS OFFICE

### Economic Indicators

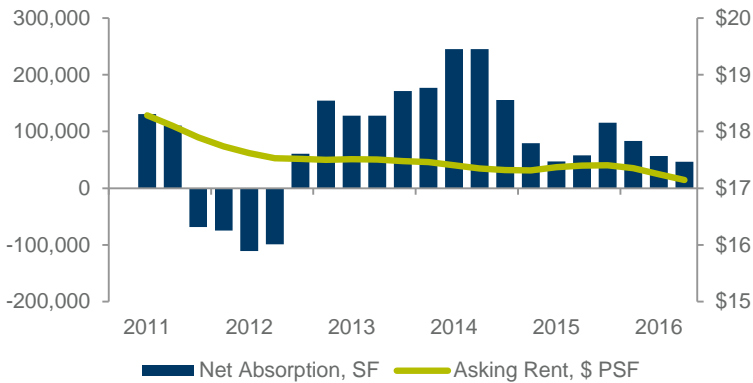
	2Q 15	2Q 16	12-Month Forecast
Hampton Roads Employment	763k	769k	▲
Hampton Roads Unemployment	5.0%	4.6%	▼
U.S. Unemployment	5.4%	4.9%	▼

### Market Indicators (Overall, All Classes)

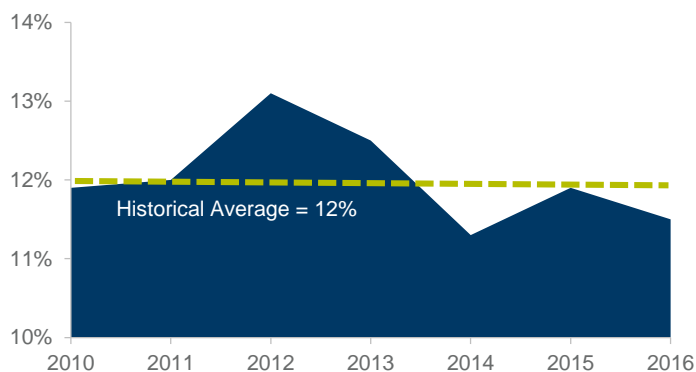
	2Q 15	2Q 16	12-Month Forecast
Vacancy	12.1%	11.4%	▼
Net Absorption	71k	17K	▲
Under Construction	58k	282k	▲
Average Asking Rent	\$17.39	\$16.98	▲

### Net Absorption/Asking Rent

#### 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

Sequester relief this year has increased military and civilian compensation as well as procurement contracts across the Hampton Roads region. Additionally, port activity growth, a continuing development of the Health Care industry and the regional focus on Bio-Tech expansion will help maintain lower vacancy rates in the area. All of which will maintain positive absorption and steady gains in Class A and B asking rates.

## Market Overview

First Quarter 2016 marked the reemergence and recovery of the Downtown Norfolk CBD; lingering effects continued into the second quarter. The Class A market has moved to landlord favorable conditions, yet several troubled Class B assets wait for the trickle-down effects of the historical Q1 absorption. There is steady recovery in suburban markets with Greenbrier, Central Norfolk, and Harbour View reporting vacancy rates below 8%. With the exception of several outliers in the Lynnhaven and Pembroke submarkets, they too experience healthy fundamentals. The Peninsula, however, has not experienced the same deal velocity as the Southside.

Sprint's announcement to close their call center at 400 Butler Farm Road provides two opposing characteristics of the market. The loss of 368 jobs on the Peninsula will not help an already soft office market; however it showcases a turnkey call center option, one in demand on both the Peninsula and Southside. With vacancy rates at such compressed levels in most suburban Hampton Roads submarkets, higher parking rates and contiguous square footage in such strong demand, the tipping point for new speculative development seems eminent.

## Outlook

The ripple effect of Brexit and the uncertainty of the 2016 U.S. Presidential Election could lead to a slowdown of leasing velocity for Hampton Roads in 3Q 2016. Prices for office assets in the capital markets should continue to rise with so few viable options and product in the market. The potential slowdown in 3Q 2016 should not impact the momentous gains of the first and second quarters.

MARKETBEAT

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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	121	4,501,805	32,516	271,509	6.2%	11,232	16,593	0	\$17.06	\$18.71
Gloucester	4	90,068	0	0	2.9%	900	900	0	\$18.50	N/A
Hampton	78	3,179,654	0	828,545	26.3%	(9,101)	(15,112)	0	\$15.20	\$16.94
Harbourview/Churchland/Western Branch	50	1,593,444	0	191,744	12.0%	18,737	31,422	82,000	\$18.85	\$18.80
Newport News	150	6,465,044	16,523	491,266	8.1%	5,108	11,592	104,900	\$17.37	\$20.56
Norfolk	165	8,818,035	5,115	1,018,774	12.8%	(31,593)	(44,925)	0	\$17.58	\$20.72
Portsmouth	36	1,071,863	2,550	96,745	9.3%	10,863	6,495	0	\$13.61	\$16.89
Suffolk	34	910,616	0	54,973	6.0%	9,200	9,200	0	\$11.91	N/A
Virginia Beach	318	10,810,903	15,653	1,266,870	11.9%	25,147	(44,203)	0	\$18.33	\$21.95
Williamsburg	72	1,412,591	0	138,936	9.8%	(21,232)	(30,302)	40,000	\$18.17	\$22.12
York	19	511,726	0	61,891	12.1%	(2,200)	(2,146)	55,200	\$13.35	\$19.00
<b>HAMPTON ROADS TOTALS</b>	<b>1,047</b>	<b>39,365,749</b>	<b>72,357</b>	<b>4,421,253</b>	<b>11.4%</b>	<b>17,061</b>	<b>(60,486)</b>	<b>282,100</b>	<b>\$16.98</b>	<b>\$20.74</b>

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

## Key Lease Transactions 2Q 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
4525 Main Street	15,000	Divaris Real Estate	New Lease	Virginia Beach
440 Monticello Avenue	12,896	UBS Financial Services	New Lease	Norfolk
101 W. Main Street	12,154	Paul Finch & Associates	New Lease	Norfolk
870 Greenbrier Circle	11,649	Engineering Services Network	Renewal	Chesapeake

## Key Sales Transactions 2Q 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$ PSF	SUBMARKET
Southport Trade Center	30,248	Southport Elizabeth Investors, Inc. / Touzos Development	\$3,350,000 / \$111	Virginia Beach
364 S. Independence Boulevard	12,602	BluePearl Veterinary Partners; Mars Inc. / Broadstone Net Lease, Inc.	\$4,500,000 / \$357	Virginia Beach

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