

## HAMPTON ROADS OFFICE

### Economic Indicators

	Q2 17	Q2 18	12-Month Forecast
Hampton Roads Employment	783k	781k	▲
Hampton Roads Unemployment	4.2%	3.6%	▼
U.S. Unemployment	4.3%	3.8%	▼

Numbers above are quarterly averages; May 2018 data used to represent Q2 2018

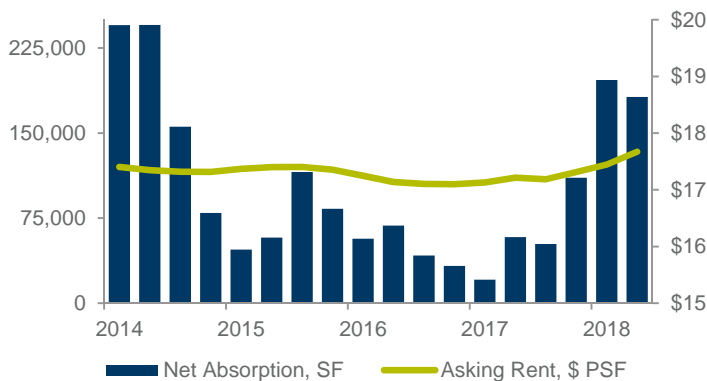
### Market Indicators (Overall, All Classes)

	Q2 17	Q2 18	12-Month Forecast
Vacancy	10.6%	8.9%	▼
YTD Net Absorption (sf)	255k	413k	▲
Under Construction (sf)	104k	590k	▲
Average Asking Rent*	\$17.29	\$18.19	▲

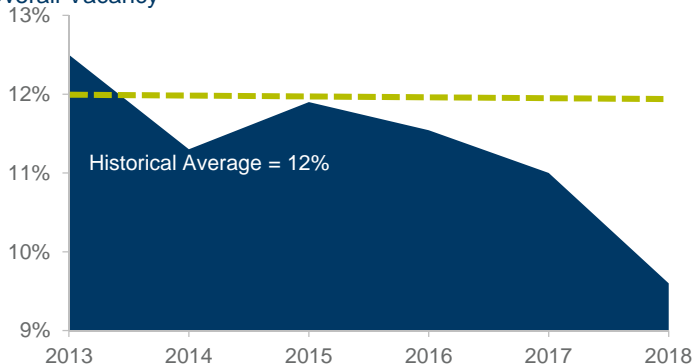
\*Rental rates reflect gross asking \$psf/year

### Overall Net Absorption vs. Overall Asking Rent

#### 4-QTR TRAILING AVERAGE



### Overall Vacancy



## Economy

The Hampton Roads economy continues to show improvement across all sectors. The passage of the Bipartisan Budget Agreement of 2018 reduces the uncertainty of defense appropriations through the end of next year and the two-carrier buy will have a near-term quantitative impact. The residential market continues to climb back to pre-recession numbers with gains across the board including total sales, median sale price, new construction starts and REO/short sale percentages. Even the hospitality market remains on its growth path outpacing national numbers.

## Market Overview

Q2 2018 absorption showed moderate gains but the asking rent curve seems to finally follow on a real upward trend. Brokers reported more defense related activity in the form of increased showings and longer term proposals and are hopeful for real meaningful absorptions gains for the last two quarters of 2018. The available inventory in specific submarkets such as Greenbrier, Town Center, and Oyster Point has forced brokers to be creative in opening up prospects to alternative submarkets. Downtown Norfolk has the largest contiguous blocks of square footage available, with nearly 15 full floors available across the submarket. Speculative medical and technology buildings lead the new construction charge with new development announcements in Norfolk near Sentara Leigh, in Virginia Beach near Virginia Beach General, and Harbour View in Suffolk.

## Outlook

Although rent growth is slowly trending in the right direction, Hampton Roads has a significant way to go in catching up with other Mid-Atlantic and Southeast markets. The rent ceiling in this market will continue to make non-medical speculative development a challenge even as vacancy rates continue to drop quarter over quarter. Investors will drive up sales prices in future quarters in Hampton Roads because of the complete lack of new inventory and supply, even though demand and absorption remain slow and steady.

# MARKETBEAT

# Hampton Roads

Office Q2 2018



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SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (ALL CLASSES)**	OVERALL AVERAGE ASKING RENT (CLASS A)**
Chesapeake	4,655,298	6,936	198,911	4.5%	14,765	25,278	52,858	505,000	\$17.35	\$20.49
Gloucester	105,068	2,647	0	2.5%	0	0	0	0	\$10.50	N/A
Hampton	3,296,829	0	626,253	19.3%	30,464	166,114	100,942	0	\$14.86	\$16.60
Harbourview/ Western Branch	1,748,890	1,498	131,125	7.6%	116,170	102,830	31,241	5,000	\$18.77	\$21.60
Newport News	6,753,969	26,012	603,795	9.5%	-15,804	-52,890	19,666	79,600	\$17.32	\$20.18
Norfolk	9,462,921	6,868	919,505	9.9%	53,456	61,451	34,328	0	\$19.29	\$24.32
Portsmouth	1,098,486	26,064	98,908	11.7%	-5,914	20,941	10,458	0	\$15.54	\$18.18
Suffolk	958,350	2,500	19,815	2.3%	6,945	4,650	1,000	0	\$12.48	N/A
Virginia Beach	11,129,100	1,932	898,147	8.2%	4,441	59,739	186,335	0	\$18.81	\$21.70
Williamsburg	1,469,786	0	97,643	7.4%	-10,865	22,193	2,730	0	\$19.34	\$15.73
York	560,615	0	16,064	2.9%	1,110	2,945	2,432	0	\$14.91	N/A
<b>HAMPTON ROADS TOTALS</b>	<b>41,239,312</b>	<b>74,457</b>	<b>3,610,166</b>	<b>8.9%</b>	<b>194,768</b>	<b>413,251</b>	<b>441,990</b>	<b>589,600</b>	<b>\$18.19</b>	<b>\$21.53</b>

\* Renewals are not included in YTD Leasing Activity

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

## Key Lease Transactions Q2 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1434 Crossways Boulevard	37,850	Value Options	Renewal	Chesapeake
1400 Crossways Boulevard	26,740	Value Options	Renewal	Chesapeake
11832 Rock Landing Drive	16,528	Riverside Healthcare	Renewal	Newport News
3131 E. Princess Anne Road	15,000	Chesapeake Bay Rubber and Gasket Company, Inc.	Renewal	Norfolk
1420 Kristina Way	14,720	Q Free Open Roads	New	Chesapeake

## Key Sales Transactions Q2 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
100 & 300 Exploration Way	157,175	CW Capital Asset Mgmt OBO Cobalt 2007-C2 / Twenty Lake Holdings	\$9,000,000 / \$57	Hampton
4425 Corporation Lane	70,760	Rester Management / Mercer Street Partners	\$9,900,000 / \$140	Virginia Beach
1024 Independence Boulevard	69,951	Haygood Medical Associates LLP / Lidl	\$5,900,000 / \$84	Virginia Beach

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