

# Office Snapshot Q4 2015

Hampton Roads, VA



## HAMPTON ROADS OFFICE

### Economic Indicators

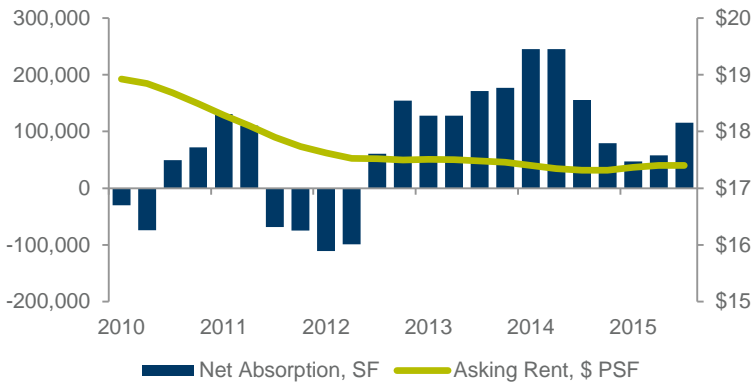
	Q4 14	Q4 15	12-Month Forecast
Hampton Roads Employment	755k	763k	▼
Hampton Roads Unemployment	5.4%	5.1%	▼
U.S. Unemployment	5.7%	5.0%	▼

### Market Indicators (Overall, All Classes)

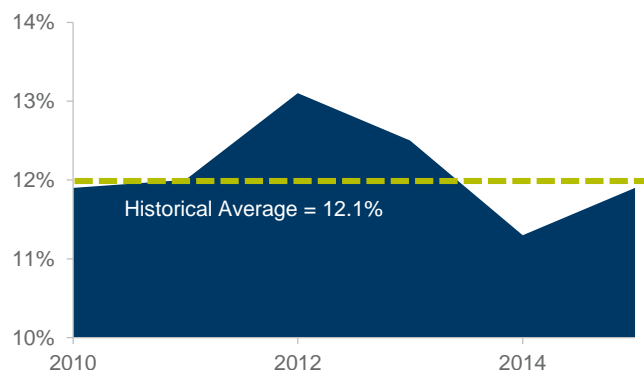
	2014	2015	12-Month Forecast
Vacancy	12.2%	11.4%	▼
Net Absorption	320k	333k	■
Under Construction	110k	127k	▲
Average Asking Rent	\$17.37	\$17.18	▲

### Net Absorption/Asking Rent

#### 4Q TRAILING AVERAGE



### Overall Vacancy



## Economy

Stronger wage growth is expected to be an important driver of the U.S. economy in 2016 as rising wages and employment boost income and stimulate stronger consumer spending. Gas prices will continue to decline in 2016. The U.S. economy added 2.9 million non-farm payroll jobs in 2015. At the close of 2015, the U.S. unemployment rate stood at just 5.0%, its lowest level since April 2008. Hampton Roads unemployment dropped to 5.1%, in line with the national average.

## Market Overview

Hampton Roads reported continued activity from government contactors that are committing to longer lease terms and expanding footprints. Brokers are pleased to see downtown Norfolk driving the suburban market again. Several recent renovation and conversion projects indicate renewed activity downtown. The Bank of America building located at 1 Commercial Place announced its conversion to 300 luxury apartments. Development plans by Marathon Development also include high-end office space at 2 Commercial Place. Marathon delivered over 720 apartments in 2015 and has further growth plans in 2016 and beyond. This development will begin to turn Norfolk into a 24-hour market.

Currently there are five projects under construction totaling 127,460 square feet (sf). Nelson's Grant is a mixed-use development in Yorktown with 14,000 sf of commercial space. Harbour View Medical Plaza will deliver over 85,000 sf of class A medical space to Suffolk upon completion in early 2016. The 26,900-sf office building at Marketplace at Tech Center in Newport News is 74.5% pre-leased and expected to be completed in May 2016.

## Outlook

While there is still a lack of new tenants in the market, brokers are optimistic that the redevelopment projects in downtown Norfolk will drive growth in the market. Unemployment is expected to remain low and a more vibrant downtown scene will attract more growth to the market.

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	122	4,516,357	5,000	329,197	7.5%	20,694	50,152	-	\$8.151	\$ 23.05
Gloucester	4	94,587	2,647	0	2.8%	-647	-647	-	\$18.68	-
Hampton	79	3,193,002	8,251	811,449	25.7%	-12,827	-38,444	-	\$17.20	\$19.70
Harbourview/Churchland/Western Branch	50	1,636,318	0	226,530	14.8%	10,405	153	-	\$18.43	\$21.94
Newport News	148	6,411,434	38,130	461,370	8.1%	-7,633	9,502	26,900	\$18.43	\$21.48
Norfolk	167	8,838,283	11,653	1,127,369	12.9%	-18,452	146,346	-	\$18.64	\$22.64
Portsmouth	37	1,085,957	2,550	148,308	10.2%	872	4,964	-	\$13.50	\$17.86
Suffolk	34	903,773	0	85,408	9.8%	-	7,965	22,000	\$13.76	-
Virginia Beach	316	10,768,618	5,907	1,243,748	11.8%	-13,968	107,367	23,360	\$18.76	\$23.25
Williamsburg	73	1,454,740	0	112,101	7.9%	6,711	45,817	-	\$17.75	\$20.90
York	17	463,627	0	60,045	13.4%	-	-278	55,200	\$15.70	\$19.10
<b>HAMPTON ROADS TOTALS</b>	<b>1,047</b>	<b>39,366,696</b>	<b>74,138</b>	<b>4,605,525</b>	<b>11.4%</b>	<b>-14,845</b>	<b>332,897</b>	<b>127,460</b>	<b>\$17.13</b>	<b>\$21.05</b>

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

## Key Lease Transactions Q4 2015

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
249 Central Park Ave	18,486	HDR Engineering	New lease	Virginia Beach
351 McLaws Circle	10,500	Vanasse Hangen Brustlin, Inc.	Renewal	Williamsburg
915 High St.	5,300	Jumpstart Child Creative Care	New lease	Portsmouth

## Key Sales Transactions Q4 2015

PROPERTY	SF	SELLER/BUYER	PRICE/\$ PSF	SUBMARKET
Oceaneering Building	153,894	Armada Hoffer Properties/ LCN Capital Partners	\$30,000,000/\$195	Chesapeake
One Compass Way	98,506	Municipal Partners/Bayport Credit	\$18,000,000/\$182	Newport News
101 Eaton St	10,009	Schiller Properties II, LLC/ Mapa Holdings, LLC	\$625,000/\$62	Hampton

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