

ECONOMIC INDICATORS

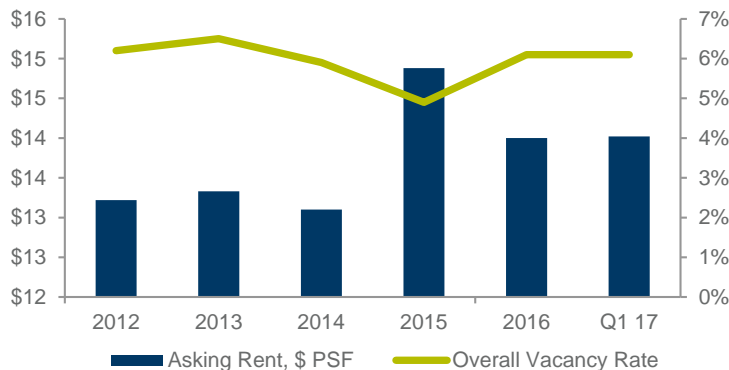
National	Q1 16	Q1 17	12-Month Forecast*
GDP Growth	1.6%	2.0%	▲
CPI Growth	1.1%	2.4%	▲
Consumer Spending Growth	2.4%	3.1%	▼
Retail Sales Growth	2.5%	5.2%	■

*Forecast by Cushman & Wakefield

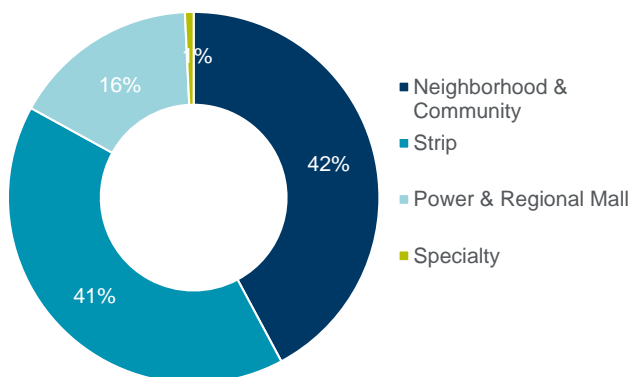
Regional	Q1 16	Q1 17	12-Month Forecast
Household Income	\$61,500	\$63,275	▲
Population Growth	1.0%	1.0%	■
Unemployment	4.7%	4.4%	▼

Source: Moody's Analytics

Rental Rate vs. Overall Vacancy



Availability by Type



Economy

Year-over-year, the U.S. is starting off strong with growth throughout the nation and a positive outlook for the future. Regionally, household income has increased and unemployment has decreased, and is expected to continue to decrease over the next 12 months. The only concern over the next 12 months is that consumer spending is likely to decline; however retail sales growth doubled this last year, so it might be hard to maintain that level of spending.

Market Overview

During first quarter of 2017, a number of stores announced that will be closing locations this year; over 3,000 storefronts have been reported thus far. JC Penny, HH Gregg, Macys, Kmart and Sears, The Limited, Family Christian Bookstores, Noodles & Co., Wet Seal, Radio Shack, BCBG & Bebe, American Apparel, Abercrombie and Fitch, and most recently Payless Shoes all announced they are closing doors on some if not all of their storefronts this year. The consumer is finding alternative places to shop, with the primary shopping shifting to online stores. Even though there are many closures within this market, there are also new retailers and businesses coming in and taking over the vacant spaces. The larger anchor spaces are retrofitted and divided into smaller spaces like at General Booth and Dam Neck Road. The former Kmart is being subdivided for new tenants One Life Fitness and Big Lots. The owner of PTC is also adding an additional 100,000-150,000 square feet (SF) of retail at the center to make up for the loss of retail space, and the new-to-market retailers should be announced in the second quarter.

Another theme in the market and around the country is consolidation. Last year Dollar Tree acquired Family Dollar and a number of local banks and credit unions consolidated. Will this be the year when Walgreens and Rite Aid consolidate?

Outlook

Throughout this year there will be fewer new grocery stores announcements and as leases expire, some low-performing grocers may close their doors. Wegmans will enter the Virginia Beach Town Center area, with an expected opening in 2018. Kroger Marketplace started construction on their store at the Riverpointe located in Hampton and on their new development off Cedar Road and Dominion Blvd. Aldi is developing their new stores, which will be opened this year. It seems Lidl will be ready to open some of their stores this summer. Apparel retailers that do not have a value proposition are at risk; however, off-price and quick fashion retailers have a bright future.

MARKETBEAT

Hampton Roads

Retail Q1 2017



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	OVERALL VACANCY RATE	OVERALL CURRENT NET ABSORPTION (SF)	OVERALL YTD NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (NNN)
Gloucester	163	1,878,099	7.0%	61,168	61,168	13,600	\$11.62
Williamsburg	492	7,607,311	7.1%	-20,866	-20,866	3,100	\$15.84
York/Poquoson	255	2,287,156	3.6%	5,218	5,218	6,000	\$15.00
Newport News	677	9,118,050	5.2%	-10,088	-10,088	3,600	\$14.00
Hampton	1,084	13,081,142	7.5%	-98,959	-98,959	0	\$12.59
Smithfield/Isle of Wight/Suffolk/Franklin	585	5,804,105	9.5%	63,150	63,150	22,100	\$9.20
Harbourview/Churchland/Western Branch	199	2,980,618	3.6%	-3,951	-3,951	0	\$13.68
Portsmouth	589	4,758,525	6.9%	-29,996	-29,996	0	\$11.43
Chesapeake	530	10,924,746	5.5%	-122,657	-122,657	2,640	\$17.11
Norfolk	1,326	15,814,284	6.0%	174,789	174,789	510,135	\$12.79
Virginia Beach	1,971	28,064,979	5.3%	30,696	30,696	103,524	\$16.08
HAMPTON ROADS TOTALS	7,871	102,319,015	6.1%	48,504	48,504	664,699	\$14.02

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q1 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Peninsula Town Center	23,102	Citadel Group, Inc. DBA Sky Zone Indoor Trampoline Park	Lease	Hampton
2093 General Booth Boulevard., Ste. 101	15,750	Goodwill	Lease	Virginia Beach
Patriot Plaza	8,502	Lazy Daisy Country Gift Store, LLC	Lease	Williamsburg
302 Battlefield Boulevard	8,100	Virginia Leisure, LLC	Renewal	Chesapeake

Key Sales Transactions Q1 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Williamsburg Shopping Center	249,184	LNR Partners OBO CITI 2004-C2 / Broad Street Ventures	\$13,300,000 / \$53	Williamsburg
6101 N. Military Highway	218,000	Kmart / Southeastern Dev Assoc	\$10,200,000 / \$47	Norfolk

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