

# MARKETBEAT

# Hampton Roads

Retail Q1 2018



## ECONOMIC INDICATORS

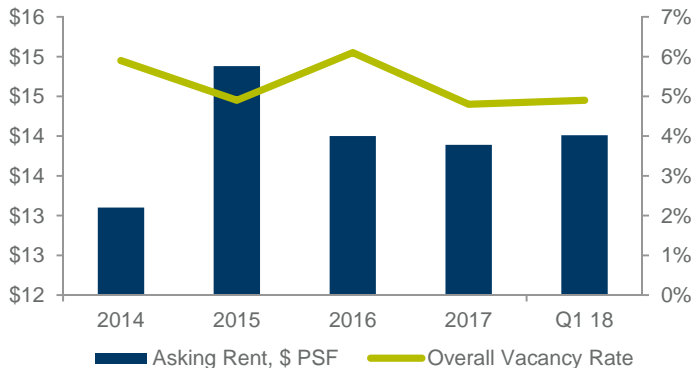
National	Q1 17	Q1 18	12-Month Forecast**
GDP Growth	2.0%	2.9%*	▲
CPI Growth	2.6%	2.3%	▲
Consumer Spending Growth	2.9%	2.8%*	▲
Retail Sales Growth	5.2%	4.8%*	▲

\*Q2 Values \*\* Forecasted by Cushman & Wakefield . Values represent year-over-year % change

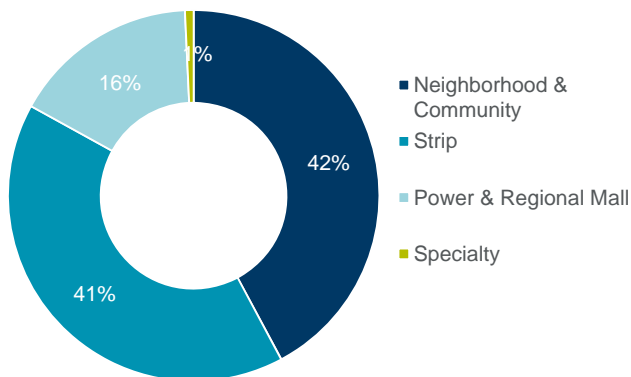
Regional	Q1 17	Q1 18	12-Month Forecast
Household Income	\$63,034	\$65,436	▲
Population Growth	1.0%	1.0%	■
Unemployment	4.7%	4.1%	▼

Source: Moody's Analytics

## Rental Rate vs. Overall Vacancy



## Availability by Type



## Economy

Strong national and regional economic indicators show positive growth in almost every area and is projected to show positive growth over the next 12 months. Within the Hampton Roads region, income is projected to increase, and population growth will continue to increase, however holding steady around the 1% growth mark. The area will continue to see the unemployment rate decrease.

## Market Overview

The Hampton Roads grocery wars continue. Farm Fresh is a casualty of the war but Kroger, Harris Teeter and Food Lion are benefiting by subleasing the best Farm Fresh locations. Earth Fare announced plans to open its first store in Williamsburg with plans for a few more sites in Hampton Roads. Toys-R-Us/Babies-R-Us bankruptcy announcement added ½ dozen retail locations to the market. Last year, Pet Valu signed and number of new leases; however, their plans changed and they are unwilling to open the stores. Another tenant to keep a close eye on over the next few months is Mattress Firm whose parent company is experiencing financial difficulties. Fortunately, we are still seeing retailers expand and open new stores.

Other companies that seem to be struggling financially are Mattress Firm and Pet Valu. Pet Valu was set to come into the market and occupy about 3,600 SF in various centers. With leases signed and landlords preparing their spaces for Pet Valu to take possession, Pet Valu provided landlords with a lease buyout option, essentially wanting to terminate their lease. In most places the Landlord was able to recoup a portion of the lease value, however in other places, the landlord is holding Pet Valu's feet to the fire to open up their store. Mattress Firm's parent company, based out of S. Africa, has been having some financial struggles, so it will be interesting to see if just a handful of stores close, or if their entire operation close down. Again, the shifting market is making beds cheaper and more readily available online.

## Outlook

With a number of stores closing, we're still seeing the vacancies back filled, or repurposed fairly quickly. New tenants are looking to break into the market, including the local "mom & pop" stores, who seem to be willing to expand and enter into multiple location sites. We will continue to see retailers close which will create opportunities for new retailers and restaurants that can compete. Over the next 12-18 months we'll start to see how the grocery wars play out and which stores will actually remain open.

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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	168	1,912,581	5.1%	19,443	19,443	3,000	\$13.33
Williamsburg	504	7,634,352	5.2%	34,901	34,901	0	\$14.60
York/Poquoson	256	2,316,984	4.2%	-4,213	-4,213	0	\$17.06
Newport News	681	9,073,525	4.7%	-31,967	-31,967	11,634	\$14.17
Hampton	1,096	13,177,870	6.7%	-54,824	-54,824	0	\$11.97
Smithfield/Isle of Wight/Suffolk/Franklin	592	5,870,186	4.8%	26,186	26,186	0	\$8.55
Harbourview/Churchland/Western Branch	204	3,218,183	3.9%	21,402	21,402	27,600	\$17.22
Portsmouth	597	4,817,276	4.9%	1,321	1,321	10,500	\$12.25
Chesapeake	536	10,842,961	5.3%	494	494	70,700	\$16.67
Norfolk	1,361	16,829,686	3.6%	118,804	118,804	352,000	\$13.01
Virginia Beach	1,986	28,716,884	5.0%	-157,873	-157,873	395,647	\$15.96
<b>HAMPTON ROADS TOTALS</b>	<b>7,981</b>	<b>104,410,488</b>	<b>4.9%</b>	<b>26,426</b>	<b>26,426</b>	<b>871,081</b>	<b>\$14.01</b>

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

## Key Lease Transactions Q1 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
4239 Holland Road	17,728	Westbrooke VB, LLC t/a Blink Fitness	New	Virginia Beach
11969-A Jefferson Avenue	17,000	American Freight of Virginia, Inc.	Renewal	Newport News
1150 E. Little Creek Road	13,228	Esther Meebong Yu	New	Norfolk
3233 W. Mercury Boulevard	10,000	Viola Leasing dba Rimtyme	Renewal	Hampton

## Key Sales Transactions Q1 2018

PROPERTY	SF	SELLER/BUYER	PRICE / PSF	SUBMARKET
Chesapeake Square	613,809	CW Capital Management OBO JPMCC 2004-LN2 / Kotarides Developers	\$12,900,000 / \$21	Chesapeake
Crossways Shopping Center	152,686	Harbor Group International / Grand Discount Furniture	\$19,900,000 / \$130	Chesapeake
Indian Lakes Crossing	71,020	Blackstone JV DDR / Armada Hoffler	\$14,700,000 / \$207	Williamsburg
Victory Center	69,000	ACL Realty Corp. / B D Ashe, Inc.	\$2,800,000 / \$41	Newport News

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