

MARKETBEAT

Hampton Roads

Retail Q2 2017



ECONOMIC INDICATORS

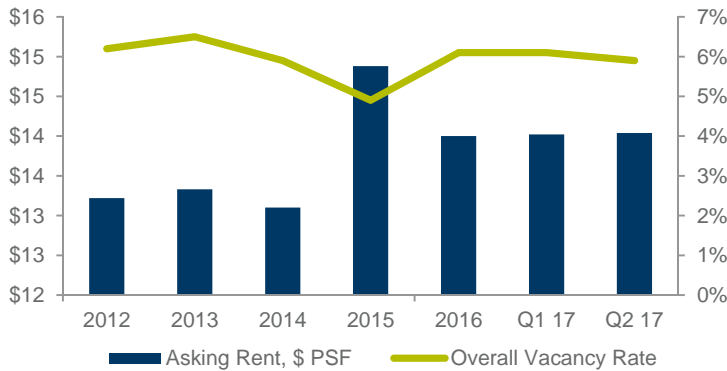
National	Q2 16	Q2 17	12-Month Forecast*
GDP Growth	1.3%	2.3%	▲
CPI Growth	1.1%	1.9%	▲
Consumer Spending Growth	2.7%	2.7%	▼
Retail Sales Growth	2.2%	4.0%	■

*Forecast by Cushman & Wakefield

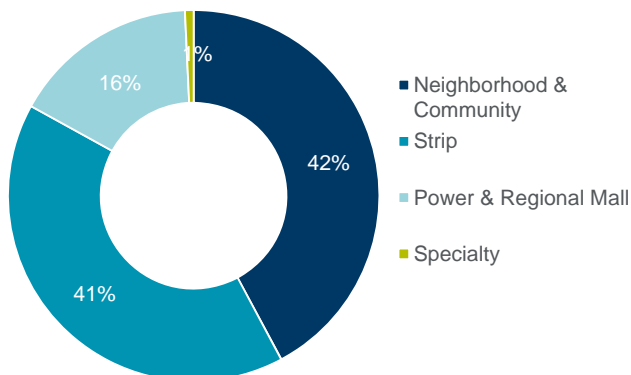
Regional	Q2 16	Q2 17	12-Month Forecast
Household Income	\$62,030	\$63,683	▲
Population Growth	1.0%	1.0%	■
Unemployment	4.7%	4.3%	▼

Source: Moody's Analytics

Rental Rate vs. Overall Vacancy



Availability by Type



Economy

There is encouraging news from the second quarter of 2017. After reviewing the reports, year-over-year growth was recorded in all categories except regional population growth, which has leveled out at a 1% growth, and is expected to stay level over the next 12 months. Consumer spending has been consistent but is expected to decrease over the next 12 months. GDP, CPI, retail sales, and household income are all expected to increase while unemployment will continue to decline.

Market Overview

Expansions, openings, acquisitions and bankruptcy seem to be the common themes in 2017. Retailers, mostly in the apparel world, are filing for bankruptcy as they continue to struggle to keep up with the evolving retail landscape. Grocery stores have filed for bankruptcy across the mid-west as the larger grocers aggressively expand. Making major headlines was the offer from Amazon to buy Whole Foods, Fred's Pharmacy backing out of the Walgreens/Rite Aid merger, and Publix putting Hampton Roads on hold for the next one to two years due to Aldi/Lidl expansion plans. Walgreens confirmed they will purchase approximately half the existing Rite Aid stores. Specifically in Virginia, reports show Rite Aid's store count will decrease from 224 stores to 80 stores

The Newport Marketplace (Farm Fresh and Michael's anchored center off Jefferson Ave. in Newport News) sold at auction in June. Hilltop Square Shopping Center (small shop retail and outparcels in the new Walmart Supercenter off First Colonial in Virginia Beach) also sold in June. Floor and Décor, Sky Zone and Element Hotel (Marriott Brand) are coming to the Peninsula Town Center and will open in the second quarter of 2018. Waterside Live in Downtown Norfolk opened, along with Fruitive in Ghent, Mission BBQ in Chesapeake, and Old Navy relocated from Patrick Henry Mall to Jefferson Commons in Newport News.

Outlook

As older brands are closing down or consolidating, owners are finding new ways to lease the larger, vacant spaces. Grocery store expansions have settled down; however the remaining Aldi/Lidl stores will open over the next few months. With grocery stores slowing down their expansion plans, there may not be many new major developments, until a new player enters the market. The media is calling this a "retail Armageddon". The customer's needs are changing, so a re-structuring of what the future of retail will look like is necessary.

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THALHIMER

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	167	1,903,032	7.2%	10,267	55,560	13,600	\$11.48
Williamsburg	494	7,621,654	6.2%	77,496	49,306	0	\$15.78
York/Poquoson	256	2,311,107	4.9%	-12,056	-15,783	0	\$17.64
Newport News	677	9,115,337	5.4%	-10,998	-25,286	3,600	\$14.22
Hampton	1,086	13,090,869	7.3%	-49,175	-141,974	0	\$12.71
Smithfield/Isle of Wight/Suffolk/Franklin	585	5,858,201	8.6%	8,923	46,216	22,100	\$9.53
Harbourview/Churchland/Western Branch	199	3,001,156	3.4%	8,330	2,684	27,600	\$12.94
Portsmouth	590	4,758,406	7.9%	-38,120	-76,269	0	\$11.14
Chesapeake	531	10,947,665	5.3%	18,238	-90,943	0	\$16.75
Norfolk	1,336	15,980,865	5.3%	209,595	166,319	462,126	\$13.43
Virginia Beach	1,977	28,128,206	5.2%	-10,610	-108,401	104,800	\$15.96
HAMPTON ROADS TOTALS	7,898	102,716,498	5.9%	211,890	-138,571	633,826	\$14.04

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q2 2017

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Peninsula Town Center	74,000	Floor & Décor Outlets of American, Inc.	Lease	Hampton
2409 Taylor Road	44,481	Delhaize America	Renewal	Chesapeake
1745 Parkview Drive	30,280	East Atlantic	Lease	Chesapeake
6501 College Park Square	15,000	Goodwill of Central Virginia	Renewal	Virginia Beach

Key Sales Transactions Q2 2017

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
1501 Sentinel Drive	260,602	Southeastern Dev Assoc / Principal Financial	\$38,700,000 / \$149	Chesapeake
315-353 Chatham Drive	125,441	CW Capital Asset Management, LLC / NW Marketplace	\$5,620,000 / \$45	Newport News
528-550 First Colonial Road	91,563	Hilltop-Copeland Associates, LP / Pratt Street Capital	\$17,500,000 / \$191	Virginia Beach

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