

# MARKETBEAT

# Hampton Roads

Retail Q3 2018



## ECONOMIC INDICATORS

### National

	Q3 17	Q3 18*	12-Month Forecast**
GDP Growth	2.3%	3.1%	▲
CPI Growth	2.0%	2.8%	▲
Consumer Spending Growth	2.4%	2.7%	▲
Retail Sales Growth	4.5%	6.1%	▲

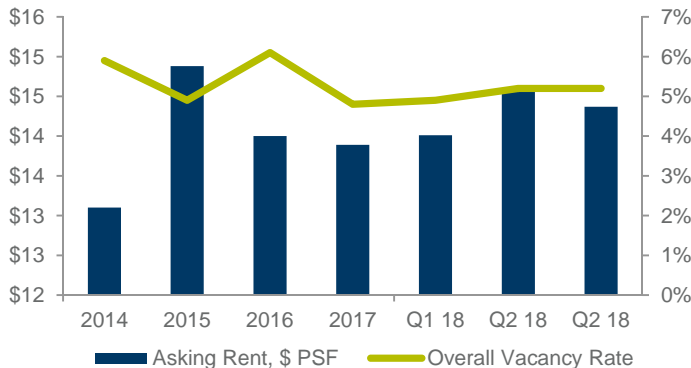
\*Q3 18 Estimates. Values represent year-over-year % change  
 \*\*Forecast by Cushman & Wakefield

### Regional

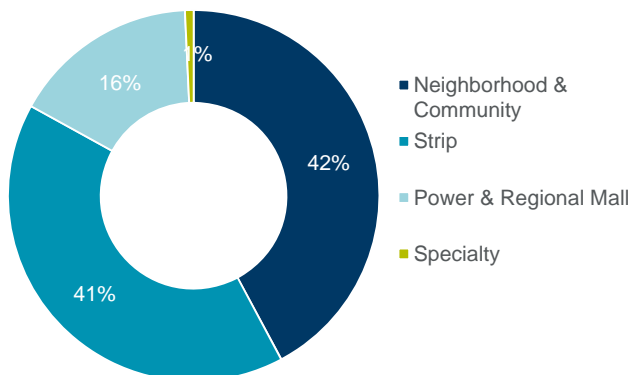
	Q3 17	Q3 18	12-Month Forecast
Household Income	\$64,347	\$65,747	▲
Population Growth	1.0%	1.0%	▬
Unemployment	4.0%	3.3%	▼

Source: Moody's Analytics

## Rental Rate vs. Overall Vacancy



## Availability by Type



## Economy

Consistent growth in the retail sector has led to a steady growth. Consumer confidence seems to be growing, and will continue to grow through the holiday season. Retail Sales are expected to grow over the next 12 months, along with the national GDP and the Consumer Price Index. Regionally the household income continues to increase, and the trend is expected to continue over the next 12 months. The unemployment rate is decreasing, and will continue to decline over the next 12 months.

## Market Overview

Farm Fresh has left the market, except for four stores, which will be operated by a local operator, who has agreed to keep the name of the store. Food Lion has converted the 3 stores that they acquired, while Kroger and Harris Teeter are taking their time to make the transition. Lidl has ceased all new construction on sites that they have acquired, reassessing their model and operations.

Sears has filed for Chapter 11 bankruptcy, and is closing 142 stores by the end of 2018. The Sears in Hampton and the K-Mart in Williamsburg have been included in this round of closures. Another major retailer filing for bankruptcy was Mattress Firm. They have announced that they will be closing a number of underperforming stores and working with landlords to renegotiate their deal terms. If landlords and their tenant cannot come to terms, these stores will close as well.

On a positive note, Floor and Décor opened their doors in Hampton, and Conn's HomePlus opened in Virginia Beach and Portsmouth. First Watch opened their third location off Virginia Beach Blvd. and Glowgolf will be opening in the Norfolk Premium Outlets. PetSuites opened a 14,000 SF boarding and daycare facility in Chesapeake. Shake Shack has announced they'll be making an entrance into the market at the Virginia Beach Town Center.

## Outlook

The retail landscape is shifting as consumers want a different experience when they go out shopping and dining. If retailers cannot update their model, they will lose business, and will eventually need to downsize or close. Retailers who are updating their stores and offerings, are keeping their customer base and attracting new customers. As the holiday season comes and go, we'll start to see at the turn of the new year what companies will be on the chopping block, and what companies have been successful to maintain and grow their customer base.

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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	172	1,951,047	5.3%	-6,338	18,290	3,471	\$13.58
Williamsburg	501	7,565,484	6.0%	14,864	36,390	40,918	\$15.23
York/Poquoson	259	2,320,980	6.3%	-28,511	-53,409	0	\$17.42
Newport News	684	9,086,789	4.3%	20,445	18,713	1,634	\$14.24
Hampton	1,098	13,473,568	6.3%	-105,009	-121,284	0	\$12.53
Smithfield/Isle of Wight/Suffolk/Franklin	596	5,947,744	5.6%	5,150	-1,105	24,000	\$13.30
Harbourview/Churchland/Western Branch	205	3,215,657	3.8%	-11,555	30,688	6,816	\$15.09
Portsmouth	603	4,858,288	5.1%	-6,728	16,235	10,500	\$9.53
Chesapeake	541	10,944,419	5.5%	-33,035	-190,761	51,000	\$16.73
Norfolk	1,362	16,678,695	4.1%	-30,469	-83,215	354,500	\$13.81
Virginia Beach	1,998	28,980,770	5.3%	72,430	-72,395	297,497	\$16.11
<b>HAMPTON ROADS TOTALS</b>	<b>8,019</b>	<b>105,023,441</b>	<b>5.2%</b>	<b>-108,756</b>	<b>-401,853</b>	<b>790,336</b>	<b>\$14.56</b>

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

## Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
345 Duke of Gloucester Street	28,950	W&M Bookstore	Renewal	Williamsburg
229 S. Rosemont Road	22,203	Goodwill	Renewal	Virginia Beach
7519 Tidewater Drive	10,923	Rainbow Northeast Leasing Inc.	Renewal	Norfolk
110 S. Henry Street	9,706	Precarious Beer, LLC	New	Williamsburg

## Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
3040 Richmond Road	76,520	Medalist Properties / Patriot Plaza Development, LLC	\$5,500,000 / \$72	Williamsburg
3636 Virginia Beach Boulevard	58,721	Regatta General / JFS Real Estate LLC	\$2,190,000 / \$ 37	Virginia Beach
6150 College Drive	11,085	Southmark LLC / D&A Investment Group, LLC	\$5,500,000 / \$496	Churchland

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