

# MARKETBEAT

# Hampton Roads

Retail Q4 2016



## ECONOMIC INDICATORS

### National

	Q4 15	Q4 16	12-Month Forecast*
GDP Growth	1.9%	1.8%	▲
CPI Growth	0.4%	1.6%	▲
Consumer Spending Growth	2.6%	2.8%	▼
Retail Sales Growth	2.0%	4.0%	▲

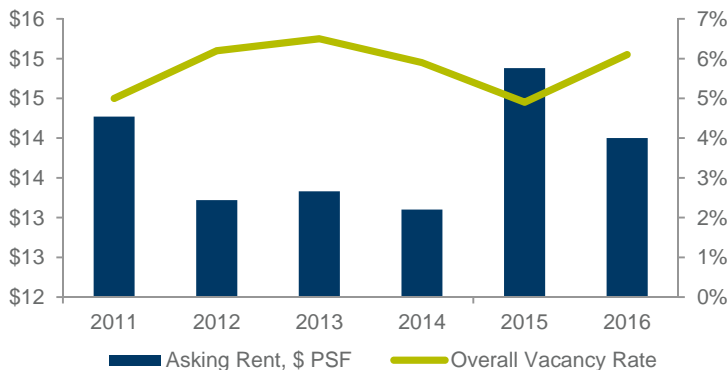
\*Forecast by Cushman & Wakefield

### Regional

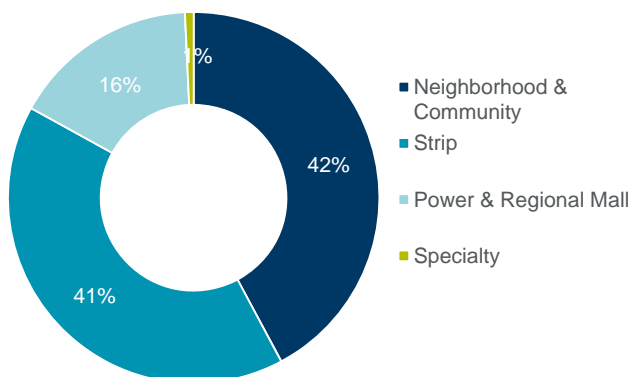
	Q4 15	Q4 16	12-Month Forecast
Household Income	\$60,623	\$63,002	▲
Population Growth	1.0%	1.0%	■
Unemployment	4.7%	4.3%	■

Source: Moody's Analytics

## Rental Rate vs. Overall Vacancy



## Availability by Type



## Economy

With vacancy rates declining, rental rates increasing, and sales doubling from 12 months ago, it seems regionally, that things are heading in the right direction. Over the next twelve months the market may report some fluctuation in unemployment in the region, but we'll see it averaging out around 4.3%. Nationally GDP, CPI and retail sales will grow over the next 12 months.

## Market Overview

For the second half of 2016, grocery store development captured the attention of the retail section in Hampton Roads. German competitors, Aldi and Lidl lead the way with a flurry of activity. Lidl has several stores under construction in Newport News, Hampton, Chesapeake and Virginia Beach with plans to open their first batch of stores in early 2017. Aldi had a head start with operating stores in Newport News, Portsmouth and Williamsburg and several stores under construction in Gloucester, Hampton, Suffolk and Virginia Beach. Kroger continued its expansion of the Marketplace concept with its fifth acquisition at the intersection of Cedar Rd. and Dominion Blvd. in Chesapeake. There is speculation that Publix will soon announce plans to build a store in Virginia Beach. Wegmans' interest in the Hampton Roads market remains high, with their primary focus on Virginia Beach.

It was reported in late December that Fred's Pharmacy will acquire 865 Rite Aid locations nationwide as part of Walgreens's acquisition of Rite-Aid. The list of locations has not yet been released so it remains to be seen if any of the Hampton Roads Rite Aid stores will be converted.

Store closures were another common trend in 2016; however, Hampton Roads is less impacted than other areas of the country. Sear's recently announced plans to close 108 Kmart stores and 42 Sears locations throughout the U.S. For Hampton Roads, the Super K-Mart located on Military Hwy. and Norview Ave. will join the list of six stores that have closed in recent years.

## Outlook

The health of the Hampton Roads economy is good and expanding with new retailers and restaurants opening throughout the market. More developments and new businesses are forecasted to open throughout 2017. With the continued expansion of the grocery offerings, some of the older, "less popular" concepts may become less common. With addition of so many new grocery stores, we may see some of the older stores close.

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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	161	1,823,917	7.1%	-5,845	-11,748	13,600	\$12.35
Williamsburg	489	7,606,132	7.0%	13,315	178,227	14,410	\$15.10
York/Poquoson	256	2,292,371	3.8%	23,520	67,323	6,000	\$14.74
Newport News	674	9,062,291	5.1%	73,842	154,542	3,600	\$13.70
Hampton	1,082	13,217,451	7.3%	-81,320	-98,752	0	\$13.14
Smithfield/Isle of Wight/Suffolk/Franklin	581	5,831,563	10.3%	10,904	-30,193	33,440	\$9.40
Harbourview/Churchland/Western Branch	199	2,950,896	3.4%	-14,801	126,048	0	\$13.99
Portsmouth	587	4,737,041	6.1%	-4,984	-23,477	0	\$11.50
Chesapeake	529	10,788,712	4.4%	-4,160	179,857	0	\$17.22
Norfolk	1,323	15,573,496	6.6%	-14,037	-74,126	506,935	\$13.00
Virginia Beach	1,969	28,040,754	5.4%	30,961	-49,448	122,000	\$15.83
<b>HAMPTON ROADS TOTALS</b>	<b>7,850</b>	<b>101,924,624</b>	<b>6.1%</b>	<b>27,395</b>	<b>418,253</b>	<b>699,985</b>	<b>\$14.00</b>

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

### Key Lease Transactions Q4 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
Fox Mill Centre	22,000	The TJX Companies, Inc.	Lease	Gloucester
1150 E. Little Creek Road	13,228	Manhattan Beauty Supply	Lease	Norfolk
Fox Mill Centre	12,500	Petco Animal Supplies Stores, Inc.	Lease	Gloucester
Greenbrier Square	12,000	Tuesday Morning, Inc.	Lease	Chesapeake

### Key Sales Transactions Q4 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Newmarket Shopping Center	348,707	HD New Market / America's Realty, LLC	\$11,000,000 / \$32	Newport News
3700 Village Avenue	149,000	Virginia Holding Corporation / Office Space & Solutions	\$5,400,000 / \$36	Norfolk
6059 E. Virginia Beach Boulevard	7,833	KLS Development Group, LLC / CCO Properties, LLC	\$1,700,000 / \$217	Virginia Beach

Cushman & Wakefield | Thalhimer  
11100 West Broad St.  
Glen Allen, VA 23060  
[thalhimer.com](http://thalhimer.com)

For more information, contact:  
Tim Morris, Brokerage Services  
Tel: +1 804 344 7161  
[tim.morris@thalhimer.com](mailto:tim.morris@thalhimer.com)

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