

MARKETBEAT

Hampton Roads

Retail Q4 2018



ECONOMIC INDICATORS

National

	Q4 17	Q4 18*	12-Month Forecast**
GDP Growth	2.5%	3.3%	▲
CPI Growth	2.1%	2.3%	▲
Consumer Spending Growth	2.7%	2.7%	▲
Retail Sales Growth	5.9%	4.6%	▲

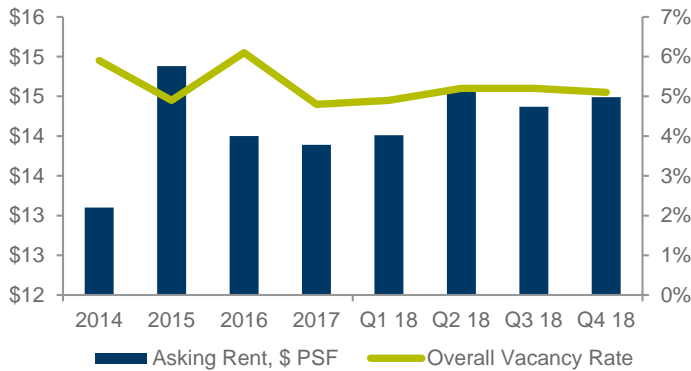
*Q4 18 Estimates. Values represent year-over-year % change
 **Forecast by Cushman & Wakefield

Regional

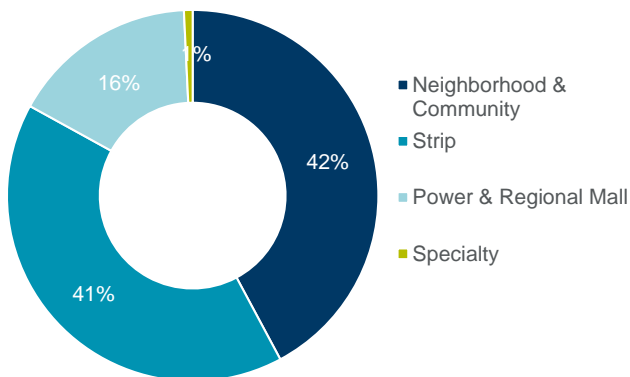
	Q4 17	Q4 18*	12-Month Forecast
Household Income	\$65,102	\$66,100	▲
Population Growth	1.0%	1.0%	■
Unemployment	4.0%	3.2%	▼

Source: Moody's Analytics

Rental Rate vs. Overall Vacancy



Availability by Type



Economy

Slower growth is still growth, correct? The retail sales in the fourth quarter did slow down from 2017, which some economists say there will be continued growth, just not as quickly as they would like to see. Consumer spending was consistent with 2017, while the GDP growth and CPI growth both increased over last year. The Hampton Roads region is continuing to grow as household income is increasing and unemployment is decreasing.

Market Overview

If you watch the news you would expect 2018 was the year that retail died, however looking at what actually happened, the retail market seems quite healthy. Regionally, there were a number of "national" stores closing, such as, Sears, K-Mart, Farm Fresh, Toys-R-U's, Babies-R-U's, and Mattress Firm (most, not all stores) that closed within the Hampton Roads market, however there were also many more stores that opened; Earth Fare, Pet Valu, Conn's Home Plus, Pet Suites, First Watch, GlowGolf, and Floor and Décor, to name a few .

The grocery wars have quieted down to let the dust settle after the Farm Fresh closures. Kroger and Harris Teeter are strategically opening up their new stores, or in some places, not opening a new store to drive shoppers to their existing locations in the market. Food Lion has made the transition into their three new stores, which were relocations. Most shopping center anchors and junior anchors have reduced their footprints over the last five years. It is possible to relocate the tenant into a smaller building however some landlords have to divide the existing box to accommodate their major tenants, leaving more vacant space. Some retailers to watch in 2019 that we will probably see downsizing are Barnes & Noble, Burlington Coat Factory and possibly even Kohl's.

Outlook

There were many major closings in 2018, there was a slowdown in the retail spending in the fourth quarter, however economists are still expecting positive growth over the next 12 months. Retailers who have not adapted the changing retail environment are suffering and even closing, but those who are looking to grow and continue to keep the customers engaged with innovative ideas, will see success. In 2019 expect some additional larger retailers to downsize or close some stores; however keep a look out for new restaurants and entertainment users coming into the Hampton Roads market

MARKETBEAT

Hampton Roads

Retail Q4 2018



CUSHMAN & WAKEFIELD

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	173	1,958,727	6.2%	-19,146	-856	6,000	\$14.46
Williamsburg	508	7,734,015	6.6%	-51,744	-36,880	40,918	\$14.83
York/Poquoson	259	2,316,480	6.8%	-10,200	-63,609	0	\$17.83
Newport News	685	9,098,192	4.5%	-26,674	14,118	10,640	\$14.33
Hampton	1,096	13,302,593	5.6%	104,114	-17,170	0	\$12.09
Smithfield/Isle of Wight/Suffolk/Franklin	596	5,932,025	5.0%	29,996	28,891	7,600	\$12.91
Harbourview/Churchland/Western Branch	206	3,210,782	3.9%	1,066	31,754	76,816	\$14.62
Portsmouth	603	4,856,966	4.7%	20,167	36,402	0	\$9.12
Chesapeake	543	10,968,672	5.2%	42,378	-148,383	6,500	\$17.09
Norfolk	1,369	16,125,555	5.5%	-185,261	-268,479	352,000	\$14.13
Virginia Beach	2,001	28,802,172	4.5%	93,849	21,454	301,047	\$16.32
HAMPTON ROADS TOTALS	8,039	104,376,179	4.5%	-1,455	-402,758	801,521	\$14.49

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q4 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
928 Diamond Springs Road	53,231	Farm Fresh, Inc.	New	Virginia Beach
1800 W. Mercury Boulevard	48,551	Floor & Décor	New	Hampton
1800 W. Mercury Boulevard	48,551	SkyZone	New	Hampton
4876 Princess Anne Rd.	43,342	NAK Paradise Inc. E-Mark	Sublease	Virginia Beach

Key Sales Transactions Q4 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
100 Newmarket Fair Mall	247,190	Seritage SRC Finance, LLC / Eastpoint Retail	\$8,800,000 / \$36	Hampton
4019 W. Mercury Boulevard	173,199	Earle W. Kazis Associates / Harvey Lindsay Commercial Real Estate	\$8,700,000 / \$ 50	Hampton
2720-2728 N. Mail Drive	173,191	CW Capital Asset Management, LLC / Mishorim Gold Richmond, LP	\$10,000,000 / \$57	Virginia Beach

Cushman & Wakefield | Thalhimer
1 BayPort Way, Suite 100
Newport News, VA 23606
thalhimer.com

For more information, contact:
David Tunnicliffe
Vice President
Tel: +1 757 873 9368
david.tunnicliffe@thalhimer.com

About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value by putting ideas into action for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with 48,000 employees in approximately 400 offices and 70 countries. In 2017, the firm had revenue of \$6.9 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.