

MARKETBEAT OFFICE SNAPSHOT

HAMPTON ROADS, VA

A Cushman & Wakefield Research Publication



ECONOMIC OVERVIEW

The unemployment rate in Hampton Roads continues to trend in a downward direction. As of July, the unemployment rate sat at 6.2%, 70 basis points lower than last year's rate of 6.9% and 1.5 percentage points lower than the

national rate of 7.7%.

In addition, approximately 16,000 more Americans have joined the labor force since last year, meaning the labor force is growing even while the unemployment rate is dropping. This is a good sign of individuals continuously entering the labor pool rather than dropping out of it altogether.

VACANCY

The third quarter's overall and direct vacancy rates remain virtually unchanged over the rates recorded in Q3 2012. Direct asking rents have dropped from \$16.78 to \$16.68 per square foot (psf), a 0.6% decrease from the same time last year. However, the Hampton Roads market has experienced a current year-to-date direct net absorption of more than 220,000 square feet, significantly higher than it was a year ago at 44,000 sf.

TRENDS

The office market continues to move steadily, as tenants carry on to conserve as much capital as possible. Small to mid-size tenants continue to lead the market in new leasing activity as they negotiate better deals to move up in class for similar rents. Minimal movement is observed within larger tenants, as they prefer to renew their existing space or even downsize to smaller space, to better fit their needs. This quarter indicates that the market is still a tenant's market where free rent and other concessions are still being observed to maintain positive leasing activity.

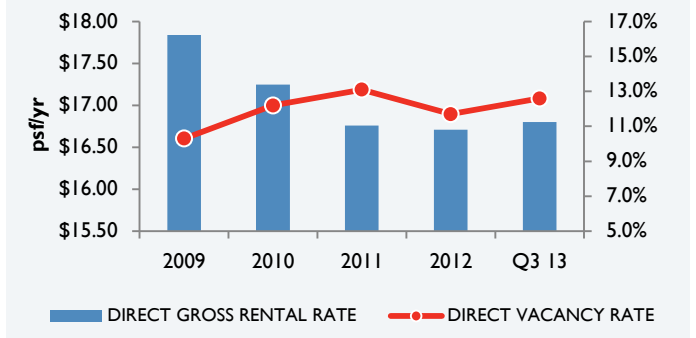
OUTLOOK

On a national level, cap rates are declining due to an increase in investors looking to buy office product. This is a likely indication of a positive outlook and expected improvement for the office sector by institutional and private investors. However, it will be interesting to see how the market responds to the recent government shutdown.

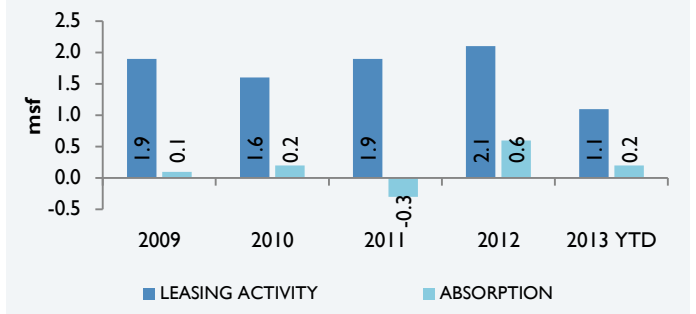
STATS ON THE GO

	Q3 2012	Q3 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	12.1%	12.1%	0.0pp	▼
Direct Asking Rents (psf/yr)	\$16.78	\$16.68	-0.6%	◄
YTD Leasing Activity (sf)	1,720,723	1,152,819	-33.0%	▲

DIRECT RENTAL VS. VACANCY RATES



LEASING ACTIVITY VS OVERALL NET ABSORPTION



HAMPTON ROADS, VA

SUBMARKET	INVENTORY	OVERALL VACANCY RATE	DIRECT VACANCY RATE	YTD LEASING ACTIVITY	UNDER CONSTRUCTION	YTD CONSTRUCTION COMPLETIONS	YTD DIRECT NET ABSORPTION	YTD OVERALL NET ABSORPTION	OVERALL WTD. AVG ALL CLASSES GROSS RENTAL RATE*	DIRECT WTD. AVG. CLASS A GROSS RENTAL RATE*
Downtown Norfolk	5,261,020	15.3%	15.3%	43,398	0	0	36,008	40,862	\$19.24	\$24.50
CBD	5,261,020	15.3%	15.3%	43,398	0	0	36,008	40,862	\$19.24	\$24.50
Coliseum Central	1,358,890	20.0%	20.0%	39,351	0	0	(11,579)	(11,579)	\$13.40	\$17.01
Downtown Hampton	632,004	16.1%	16.1%	1,230	42,777	0	(19,089)	(19,089)	\$14.49	\$16.00
Downtown Newport News	1,686,484	6.7%	6.7%	6,575	158,210	0	(7,565)	(7,565)	\$13.96	\$0.00
Fox Hill	695,058	68.1%	68.1%	13,246	0	0	1,380	1,380	\$15.21	\$0.00
Gloucester	259,655	16.2%	16.2%	3,944	0	0	5,962	5,962	\$14.13	\$0.00
Hampton Roads Center	1,019,925	7.8%	6.9%	26,259	0	0	23,477	23,477	\$17.02	\$20.04
Oyster Point	5,117,742	10.8%	10.5%	120,309	0	0	38,563	45,090	\$15.63	\$19.84
Poquoson	68,771	11.8%	11.8%	0	0	0	(750)	(750)	\$15.11	\$0.00
Suburban Newport News	1,019,018	6.6%	6.6%	14,629	0	0	(24,887)	(24,887)	\$13.78	\$22.00
Williamsburg/ James City County	2,177,647	11.5%	11.4%	65,122	23,000	15,000	45,712	47,498	\$15.15	\$21.14
York	864,158	16.5%	16.5%	15,090	0	0	(26,094)	(26,094)	\$13.58	\$19.00
PENINSULA SUBURBAN	14,899,352	14.1%	13.9%	305,755	223,987	15,000	25,130	33,443	\$14.93	\$18.70
Airport/Northampton	566,894	23.6%	23.3%	5,800	0	0	(8,291)	(8,291)	\$12.82	\$0.00
Battlefield	1,427,116	6.4%	6.4%	125,420	0	0	77,795	77,795	\$15.60	\$19.72
Central Norfolk	2,863,840	9.0%	8.9%	36,901	0	0	(35,531)	(35,531)	\$15.48	\$20.46
Churchland	341,168	6.4%	6.4%	3,297	0	0	(6,064)	(6,064)	\$13.82	\$0.00
Downtown Portsmouth	1,122,981	11.7%	11.7%	5,777	0	0	(15,485)	(15,485)	\$15.17	\$16.92
Franklin City	224,721	3.9%	3.9%	400	0	0	(6,196)	(6,196)	\$8.40	\$0.00
Greenbrier	2,610,220	11.0%	11.0%	77,570	0	134,271	23,691	29,256	\$15.66	\$17.32
Harbourview/ Northern Suffolk	1,453,464	15.1%	15.1%	58,817	32,850	0	(1,087)	1,291	\$20.02	\$22.97
Haygood/Bayside	605,542	7.9%	7.9%	8,361	0	0	7,988	7,988	\$14.62	\$0.00
Hilltop/Great Neck	1,114,004	13.8%	12.9%	26,353	0	0	20,656	20,656	\$20.23	\$0.00
Isle of Wight	343,151	22.7%	20.0%	381	0	0	(13,243)	(17,443)	\$14.66	\$0.00
Kempsville	451,739	7.5%	7.5%	18,029	0	0	9,803	9,803	\$18.08	\$23.00
Little Neck	1,120,165	4.1%	4.1%	25,239	0	0	41,413	41,413	\$14.49	\$0.00
Lynnhaven	1,889,878	16.1%	15.5%	92,557	0	0	(86,267)	(98,808)	\$15.74	\$18.28
Newtown/Witchduck	2,901,418	10.4%	10.3%	38,111	0	0	(8,711)	(7,938)	\$18.03	\$20.45
Norfolk -ODU/Ghent	1,137,172	16.2%	16.2%	9,228	0	0	9,136	9,136	\$19.57	\$26.51
Oceanfront	666,452	3.6%	3.6%	71,522	0	61,980	89,329	89,329	\$22.18	\$26.98
Portsmouth	497,776	12.1%	12.1%	0	0	0	(6,334)	(6,334)	\$9.81	\$0.00
Princess Anne	956,223	11.5%	11.5%	8,436	0	0	3,903	3,903	\$15.85	\$16.18
S. Independence/Holland Rd.	1,047,472	7.2%	7.2%	22,029	75,000	0	4,726	4,726	\$18.65	\$22.46
South Norfolk	453,591	10.1%	10.1%	10,273	0	0	6,249	6,249	\$11.12	\$0.00
South Suffolk	901,539	5.4%	5.4%	4,796	0	0	2,383	2,383	\$13.61	\$0.00
Southern Chesapeake	592,515	8.1%	8.1%	36,372	0	2,884	5,546	5,546	\$15.43	\$0.00
Virginia Beach CBD/Pembroke	1,965,342	6.1%	6.1%	106,130	221,600	0	36,598	36,598	\$23.59	\$27.65
Western Branch	266,917	6.5%	6.5%	11,867	0	0	6,969	6,969	\$14.46	\$0.00
SOUTHSIDE SUBURBAN	27,521,300	11.2%	11.0%	803,666	433,203	199,135	158,976	150,951	\$17.45	\$21.67
ALL SUBURBAN	42,420,652	11.7%	11.5%	1,109,421	553,437	214,135	184,106	184,394	\$16.34	\$20.56
TOTALS	47,681,672	12.1%	11.9%	1,152,819	553,437	214,135	220,114	225,256	\$16.68	\$21.45

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q3 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
1305 Executive Boulevard	Greenbrier	Burns & McDonnell	A	7,097
135 Hanbury Lane	Southern Chesapeake	HDM Associates, Inc.	A	5,010
5700 Cleveland Street	Newtown/Witchduck	Wendy's International	A	4,200
SIGNIFICANT Q3 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
211 Water Country Parkway	Williamsburg	Enterprise Holdings	\$1,000,000 / \$98	10,206
SIGNIFICANT Q3 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
701 Quince Place	Greenbrier	Speculative	Q3 2013	3,271
509 Resource Road	Greenbrier	FBI	Q3 2013	131,000
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
555 South Independence Boulevard	S. Independence/Holland Rd	Speculative	Q4 2013	75,000
215 Meadow View Boulevard	Harbourview/ N. Suffolk	Medical	Q4 2013	6,330
217 Meadow View Boulevard	Harbourview/ N. Suffolk	Medical	Q4 2013	13,260
219 Meadow View Boulevard	Harbourview/ N. Suffolk	Medical	Q4 2013	13,260
2304 West Mercury Boulevard	Downtown Newport News	Medical	Q4 2013	6,903
3101 Washington Avenue	Downtown Newport News	Speculative	Q4 2013	151,307
101 East Queen Street	Downtown Hampton	National Bank Headquarters	Q4 2013	42,777
3715 Strawberry Plains Road, Suite 100	Williamsburg/ J City Cnty	Speculative	Q4 2013	4,000
3715 Strawberry Plains Road, Suite 200	Williamsburg/ J City Cnty	Speculative	Q4 2013	4,000
434 McLaws Circle	Williamsburg/ J City Cnty	Speculative	Q4 2013	15,000
4525 Main Street	Virginia Beach CBD/Pembroke	Speculative	Q1 2015	221,600

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS