

MARKETBEAT OFFICE SNAPSHOT

HAMPTON ROADS, VA A Cushman & Wakefield Research Publication



ECONOMIC OVERVIEW

The U.S. economy continues to show moderate recovery as the unemployment rate dropped to 7.0% in November, 30 basis points lower than the rate in October. November also marked the second consecutive month where job growth surpassed 200,000 new jobs. Overall, the economy has recovered approximately 85% of the jobs lost during the recession.

As of November 2013, the unemployment rate for the Hampton Roads MSA fell to roughly 5.5%, half of a percentage point lower than it was 12 months ago at 6.0%. Over the past year, the labor force has remained practically unchanged; however the number of people currently employed has grown, suggesting there has been a modest improvement in job placement.

VACANCY

The Hampton Roads office market in 2013 experienced an overall year-over-year decline of approximately 380,000 square feet of leasing activity. However, the year ended with more than 750,000 square feet of positive net absorption, the highest it has been since 2009. Overall vacancy in the market has also fallen 40 basis points since last year, to end the year with an 11.5% overall vacancy rate. Although there was a slight decrease in leasing activity this year, a higher net absorption and lower vacancy rate suggests there were less tenants moving out and more moving in, indicating slight market improvement.

TRENDS

Downsizing, lower rental rates, higher concessions, and short term leases continue to be the popular trends in Hampton Roads. With only a short list of prospects in the market, landlords continue to provide lower rents and higher concessions in order to attract new tenants and retain their current tenants. We continue to observe a tenant's market where landlords are competing with each other and are being forced to accept conservative deals; otherwise the tenant will simply move on to another space.

New construction seems to be a new trend this year as the market absorbed 423,216 square feet of new inventory, approximately a 400% increase since last year. The Greenbrier and the Downtown Newport News submarkets make up two-thirds of this year's new construction.

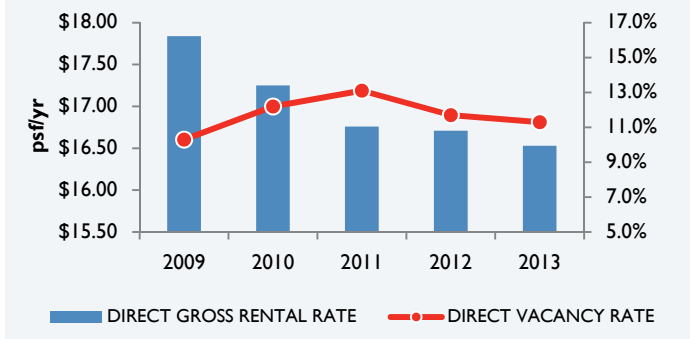
OUTLOOK

Brokers believe the Hampton Roads MSA office market will remain mostly unchanged for the upcoming year, with only minor improvements expected. Overall, Hampton Roads continues to be a tough market and with only a minor list of prospects, retention is vital. However, new construction has picked up over the last year and even more is underway for 2014.

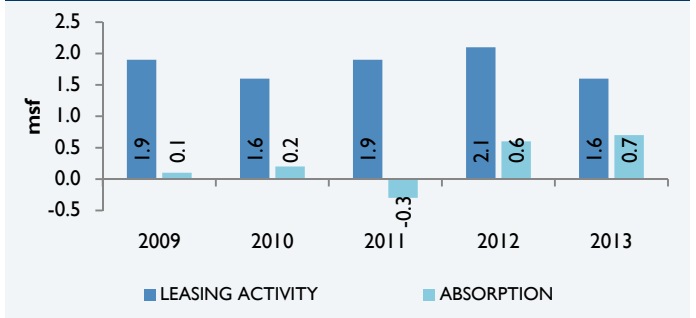
STATS ON THE GO

	Q4 2012	Q4 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	11.9%	11.5%	-0.4pp	▼
Direct Asking Rents (psf/yr)	\$16.71	\$16.53	-1.1%	◄►
YTD Leasing Activity (sf)	2,072,173	1,689,418	-18.5%	▲

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	5,271,450	15.0%	15.0%	145,582	0	0	30,176	45,378	\$19.37	\$25.38
CBD	5,271,450	15.0%	15.0%	145,582	0	0	30,176	45,378	\$19.37	\$25.38
Coliseum Central	1,421,323	20.4%	19.3%	40,480	0	0	(18,750)	(18,750)	\$13.77	\$17.14
Downtown Hampton	677,128	20.8%	20.8%	1,230	0	42,774	(21,939)	(21,939)	\$14.44	\$16.00
Downtown Newport News	1,940,988	6.2%	6.2%	6,575	6,903	151,307	141,042	141,042	\$13.25	\$0.00
Fox Hill	710,549	66.0%	66.0%	14,446	0	0	11,998	11,998	\$14.95	\$0.00
Gloucester	257,287	14.2%	14.2%	4,244	0	0	11,010	11,010	\$14.13	\$0.00
Hampton Roads Center	1,019,925	7.3%	6.3%	46,671	0	0	34,597	32,667	\$16.15	\$23.33
Oyster Point	5,227,647	10.0%	9.0%	161,895	0	0	94,814	101,341	\$15.44	\$19.35
Poquoson	68,771	11.8%	11.8%	0	0	0	(750)	(750)	\$14.62	\$0.00
Suburban Newport News	1,034,496	6.5%	6.5%	21,275	0	0	(23,441)	(23,441)	\$14.23	\$22.00
Williamsburg/ James City County	2,209,771	11.6%	11.5%	79,872	29,000	30,000	58,672	58,985	\$15.50	\$21.14
York	859,841	14.8%	14.8%	27,987	0	0	(12,326)	(12,326)	\$13.04	\$19.00
PENINSULA SUBURBAN	15,427,726	13.7%	13.4	404,675	35,903	224,081	274,927	279,810	\$14.77	\$18.25
Airport/Northampton	568,476	21.0%	20.7%	4,612	0	0	(13,691)	(13,691)	\$12.77	\$0.00
Battlefield	1,330,396	6.7%	6.7%	146,443	0	0	79,177	79,177	\$15.53	\$19.78
Central Norfolk	2,888,599	8.7%	8.6%	45,956	0	0	(20,271)	(20,271)	\$14.76	\$18.30
Churchland	337,959	4.6%	4.6%	11,561	0	0	(7,719)	(7,719)	\$14.55	\$0.00
Downtown Portsmouth	1,129,672	10.2%	10.2%	17,274	0	0	(8,336)	(8,336)	\$14.98	\$16.92
Franklin City	218,755	1.2%	1.2%	400	0	0	(230)	(230)	\$8.40	\$0.00
Greenbrier	2,963,206	8.3%	8.2%	136,253	0	134,271	210,553	223,179	\$16.25	\$16.91
Harbourview/ Northern Suffolk	1,317,986	14.7%	14.7%	59,603	0	0	330	2,708	\$16.76	\$19.08
Haygood/Bayside	606,898	6.7%	6.7%	20,525	0	0	12,888	12,888	\$14.48	\$0.00
Hilltop/Great Neck	1,115,618	13.1%	13.1%	35,026	0	0	20,611	30,611	\$20.70	\$22.00
Isle of Wight	343,151	20.2%	18.8%	381	0	0	(8,886)	(8,886)	\$13.62	\$0.00
Kempsville	447,142	7.0%	7.0%	19,555	0	0	9,430	9,430	\$18.00	\$23.00
Little Neck	1,120,165	2.9%	2.9%	32,014	0	0	54,423	54,423	\$13.47	\$0.00
Lynnhaven	1,891,608	14.8%	14.8%	138,152	0	0	(97,609)	(97,609)	\$16.01	\$18.29
Newtown/Witchduck	2,906,261	9.6%	9.6%	74,023	0	0	(3,852)	975	\$17.56	\$20.47
Norfolk -ODU/Ghent	1,134,092	14.1%	14.1%	40,214	0	0	17,574	17,574	\$18.93	\$25.00
Oceanfront	666,452	4.0%	3.4%	77,190	0	61,980	84,497	80,497	\$22.64	\$26.98
Portsmouth	498,384	13.5%	13.5%	1,400	0	0	(12,960)	(12,960)	\$10.21	\$0.00
Princess Anne	957,603	11.8%	11.8%	13,069	0	0	87	87	\$16.27	\$16.18
S. Independence/Holland Rd.	1,049,690	8.1%	8.1%	22,581	75,000	0	(17,926)	(17,926)	\$18.24	\$23.37
South Norfolk	453,591	9.0%	9.0%	17,314	0	0	9,599	9,599	\$11.55	\$0.00
South Suffolk	899,950	5.4%	5.4%	7,196	0	0	717	717	\$13.62	\$0.00
Southern Chesapeake	592,515	8.2%	8.2%	41,219	0	2,884	8,066	8,066	\$15.31	\$0.00
Virginia Beach CBD/Pembroke	1,965,342	6.1%	6.1%	127,922	221,600	0	54,558	54,558	\$25.80	\$27.96
Western Branch	266,917	6.6%	6.6%	14,603	0	0	6,697	6,697	\$15.12	\$0.00
SOUTHSIDE SUBURBAN	27,670,428	10.4%	10.4%	1,139,161	296,600	199,135	416,718	425,576	\$16.86	\$21.19
ALL SUBURBAN	43,098,154	11.0%	10.9%	1,543,836	332,503	423,216	691,645	712,386	\$16.14	\$20.25
TOTALS	48,369,604	11.5%	11.3%	1,689,418	332,503	423,216	721,821	757,764	\$16.53	\$21.16

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
520 Independence Parkway, Battlefield Tech Center II	Battlefield	USAA	B	81,478
161 Enterprise Drive	Downtown Newport News	Swisslog Logistics, Inc	B	20,500
150 West Boush Street	Downtown Norfolk	Goodman, Allen, & Filetti PLLC	A	9,686
SIGNIFICANT 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
5700 Cleveland Street	Newtown/Witchduck	Chartway Federal Credit Union	\$11,000,000/\$124	88,839
600 Lynnhaven Parkway	Lynnhaven	Gee's Group	\$4,200,000/\$83	50,749
6669 Short Lane	Gloucester	Realty Income Corp	\$1,900,000/\$159	11,951
125 Independence Boulevard, Wells Fargo Building	VA Beach CBD/Pembroke	Oaktree JV National Financial Realty	\$1,800,000/\$121	15,127
SIGNIFICANT 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
3101 Washington Avenue	Downtown Newport News	Speculative	Q4 2013	151,307
509 Resource Row	Greenbrier	FBI	Q3 2013	131,000
101 East Queen Street	Downtown Hampton	National Bank Headquarters	Q4 2013	42,774
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
2304 West Mercury Boulevard	Downtown Newport News	Patient First	Q1 2014	6,903
555 South Independence Boulevard	S Independence/Holland Rd	Speculative	Q1 2014	75,000
3715 Strawberry Plains Road (100)	Williamsburg/J City Cnty	Speculative	Q1 2014	4,000
3715 Strawberry Plains Road (200)	Williamsburg/J City Cnty	Speculative	Q1 2014	4,000
4525 Main Street	VA Beach CBD/Pembroke	Speculative	Q4 2014	221,600
5416 Discovery Park Boulevard	Williamsburg/J City Cnty	Speculative	Q1 2015	21,000