

MARKETBEAT OFFICE SNAPSHOT

HAMPTON ROADS, VA
A Cushman & Wakefield Research Publication

Q2 2013



ECONOMIC OVERVIEW

More Americans joined the labor force in May, adding 175,000 jobs. April added 149,000 jobs. It sounds like a good increase in employment, but unfortunately the unemployment rate has been essentially unchanged between April (7.5%) and May (7.6%). In May, employment gains were seen in food services, retail trade, and professional and business services. Employment growth averaged 172,000 per month, over the past 12 months.

VACANCY

The second quarter's direct vacancy rate, 12.5% is up over the 12.1% rate recorded in Q2 2012. The overall vacancy rate increased as well, up slightly to 12.6% from 12.4%. The gross asking rents remain basically unchanged at \$16.76 per square foot. Class A rental rates increased to \$21.77 per sq. ft up from last year's rent of \$21.08. Sequestration remains a cloud over the office market where defense contractors are reluctant to hire or expand.

TRENDS

Small to mid-size tenants seem to be extremely active in the office market. Office tenants seem to be over the fear of longer term lease commitments however, the defense/government related industries are still handcuffed due to sequestration. Downsizing and renewing is still the popular route for most companies due to the costs involved in relocating. Development is slow due to the amount of existing inventory and higher vacancy rates.

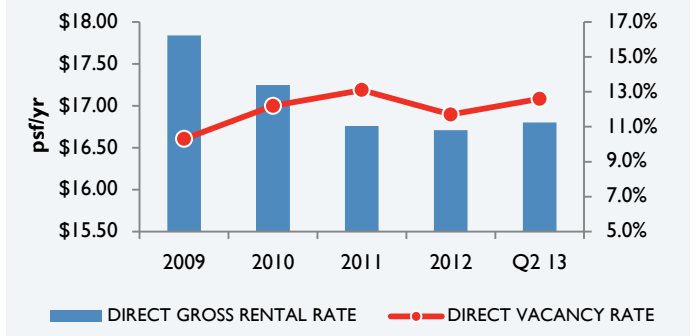
OUTLOOK

The remaining two quarters of the year should continue to see modest improvements in leasing activity. The momentum is shifting some in that landlords in certain submarkets are not having to provide as many concessions to keep or attract tenants. We will continue to see landlords offer tenant improvement allowances and rent abatements but expect asking rates to remain stable.

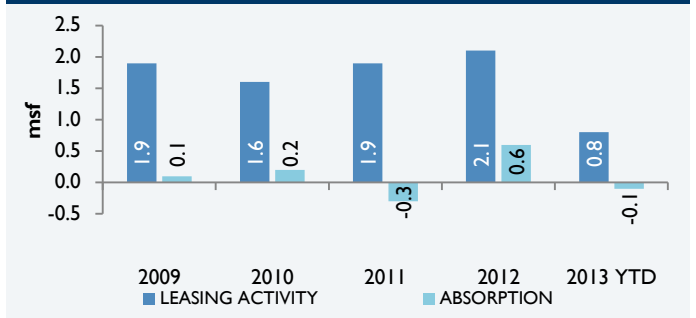
STATS ON THE GO

	Q2 2012	Q2 2013	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	12.4%	12.6%	0.2pp	▼
Direct Asking Rents (psf/yr)	\$16.70	\$16.80	0.6%	◀▶
YTD Leasing Activity (sf)	1,279,313	809,311	-36.7%	▲

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	5,319,777	16.5%	16.5%	26,812	0	0	(9,473)	7,729	\$19.57	\$24.62
CBD	5,319,777	16.5%	16.5%	26,812	0	0	(9,473)	7,729	\$19.57	\$24.62
Coliseum Central	1,358,890	19.9%	19.9%	15,041	0	0	(6,770)	(6,770)	\$13.60	\$17.72
Downtown Hampton	632,004	16.2%	16.2%	615	42,777	0	(19,663)	(19,663)	\$14.50	\$16.00
Downtown Newport News	1,686,271	6.6%	6.6%	5,713	151,307	0	(30,455)	(30,455)	\$13.85	\$0.00
Fox Hill	694,233	68.6%	68.6%	7,380	0	0	6,109	6,109	\$15.22	\$0.00
Gloucester	259,675	17.5%	17.5%	1,944	0	0	2,514	2,514	\$14.27	\$0.00
Hampton Roads Center	1,011,037	9.9%	9.0%	18,397	0	0	10,106	10,106	\$17.02	\$20.01
Oyster Point	5,125,475	11.7%	11.2%	81,287	0	0	(7,932)	(12,835)	\$15.85	\$20.84
Poquoson	68,771	11.8%	11.8%	0	0	0	(750)	(750)	\$15.11	\$0.00
Suburban Newport News	1,021,405	6.3%	6.3%	11,349	0	0	(20,427)	(20,427)	\$13.62	\$22.00
Williamsburg/James City County	2,178,491	12.9%	12.8%	30,317	21,000	15,000	16,549	18,335	\$15.28	\$21.14
York	853,952	16.3%	16.3%	8,337	0	0	(22,514)	(22,514)	\$13.88	\$19.00
PENINSULA SUBURBAN	14,890,204	14.8%	14.5%	180,380	215,084	15,000	(73,233)	(76,350)	\$15.07	\$19.24
Airport/Norhampton	574,653	21.8%	21.5%	3,200	0	0	(1,291)	(1,291)	\$12.86	\$0.00
Battlefield	1,427,252	5.8%	5.8%	118,266	0	0	(9,063)	(9,063)	\$16.00	\$19.85
Central Norfolk	3,022,384	10.5%	10.4%	23,016	0	0	(65,745)	(65,745)	\$15.42	\$20.90
Churchland	341,168	7.9%	7.9%	3,297	0	0	(11,129)	(11,129)	\$13.83	\$0.00
Downtown Portsmouth	1,122,981	11.7%	11.7%	5,777	0	0	(15,660)	(15,660)	\$15.56	\$16.90
Franklin City	248,755	1.1%	1.1%	400	0	0	(230)	(230)	\$8.40	\$0.00
Greenbrier	2,598,183	11.6%	11.6%	47,272	131,000	3,124	25,503	31,068	\$15.47	\$19.98
Harbourview/Northern Suffolk	1,453,464	13.1%	13.1%	35,362	32,850	0	4,903	7,281	\$19.81	\$22.56
Haygood/Bayside	607,180	8.4%	8.4%	5,245	0	0	5,283	5,283	\$14.65	\$0.00
Hilltop/Great Neck	1,113,244	15.7%	14.8%	19,828	0	0	(9,392)	(9,392)	\$20.12	\$22.00
Isle of Wight	334,311	22.6%	19.9%	0	0	0	(10,953)	(15,153)	\$14.66	\$0.00
Kempsville	451,739	9.9%	9.9%	5,559	0	0	(795)	(795)	\$18.45	\$23.00
Little Neck	1,119,468	4.4%	4.4%	16,563	0	0	37,788	37,788	\$14.76	\$0.00
Lynnhaven	1,887,602	15.9%	15.2%	74,389	0	0	(78,125)	(90,666)	\$16.16	\$18.48
Newtown/Witchduck	2,936,448	12.1%	12.0%	34,040	0	0	(75,804)	(75,804)	\$17.73	\$20.19
Norfolk OD/Ghent	1,144,726	16.0%	16.0%	8,047	103,753	0	9,728	9,728	\$19.51	\$26.51
Oceanfront	670,952	4.8%	4.8%	65,870	0	61,890	85,445	85,445	\$21.86	\$26.92
Portsmouth	495,837	11.4%	11.4%	0	0	0	(2,704)	(2,704)	\$12.77	\$0.00
Princess Anne	923,080	12.4%	12.4%	5,373	0	0	(1,267)	(1,267)	\$15.83	\$16.02
S. Independence/Holland Rd.	1,042,962	5.6%	5.6%	21,291	75,000	72,300	20,797	20,797	\$18.42	\$23.00
South Norfolk	442,411	12.2%	12.1%	900	0	0	(1,400)	(2,142)	\$11.00	\$0.00
South Suffolk	898,303	4.9%	4.9%	3,796	0	0	5,471	5,471	\$13.46	\$0.00
Southern Chesapeake	589,106	7.4%	7.4%	26,575	0	3,271	11,590	11,590	\$15.29	\$0.00
Virginia Beach CBD/Pembroke	1,966,984	7.1%	7.1%	62,158	221,600	0	18,372	18,372	\$22.72	\$27.24
Western Branch	266,917	6.8%	6.8%	15,895	0	0	4,373	4,373	\$14.57	\$0.00
SOUTHSIDE SUBURBAN	27,680,110	11.7%	11.5%	602,119	564,203	83,375	(54,305)	(63,845)	\$17.49	\$22.43
ALL SUBURBAN	42,570,314	12.2%	12.0%	782,499	779,287	83,375	(127,538)	(140,195)	\$16.41	\$21.28
TOTALS	47,890,091	12.6%	12.5%	809,311	779,287	149,280	(137,011)	(132,466)	\$16.76	\$21.34

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

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MARKET HIGHLIGHTS

SIGNIFICANT Q2 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
700 Thimble Shoals Boulevard	Oyster Point	Gibbs & Cox Inc.	C	20,000
448 Viking Drive	Lynhaven	Center for Reproductive Medicine P.C.	A	18,479
7025 Harbourview Boulevard	Harbourview/ N. Suffolk	US 460 Mobility Partners LLC	A	17,947
SIGNIFICANT Q2 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
298 Nat Turner Boulevard	Oyster Point	Orthopaedic & Spine Center	\$1,750,000/\$170	10,300
SIGNIFICANT Q2 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
3641 Faculty Boulevard	S. Independence/ Holland Rd	Operation Smile	Q2 2013	72,300
821 South Battlefield Boulevard	Southern Chesapeake	Speculative	Q2 2013	3,271
701 Quince Place	Greenbrier	Speculative	Q2 2013	3,124
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
4525 Main Street	Virginia Beach CBD/Pembroke	Speculative	Q1 2015	221,600
3101 Washington Avenue	Downtown Newport News	Speculative	Q4 2013	151,307
509 Resource Road	Greenbrier	FBI	Q3 2013	131,000
150 Kingsley Lane, Bon Secours DePaul Medical Center	Norfolk-ODU/Ghent	Medical	Q2 2014	103,753
Technology Center II	S. Independence/Holland Rd	Speculative	Q4 2013	75,000
555 South Independence Boulevard				
101 East Queen Street	Downtown Hampton	National Bank Headquarters	Q4 2013	42,777
5416 Discovery Park Boulevard	Williamsburg/James City	Speculative	Q3 2014	21,000
217 Meadow View Boulevard	Harbourview/ N. Suffolk	Medical	Q4 2013	13,260
219 Meadow View Boulevard	Harbourview/ N. Suffolk	Medical	Q4 2013	13,260
215 Meadow View Boulevard	Harbourview/ N. Suffolk	Medical	Q4 2013	6,330