

MARKETBEAT RETAIL 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.

RETAIL MARKET OVERVIEW

The Hampton Roads Retail market is continuing to see steady growth with the “bottom” starting to disappear in the rearview mirror. Grocery stores continue to lead the charge on new development throughout the region. Landlords are enjoying the improving market conditions as they are not forced to give away the store to make their deals. The fast casual category remains healthy and is continuing its expansion in the market. First time entrant, Noodles and Company, has completed two deals and is showing up on a number of site plans

GROCERY MARKET

“Rolling back prices”, Walmart’s familiar slogan is doing a different type of rolling; they are rolling into new locations in Hampton Roads with their Walmart Neighborhood Market concept. The City of Norfolk announced Blackwood Development’s plan to redevelop the northwest corner of Princess Anne and Ingleside for Neighborhood Market and Wawa. Virginia Beach opened their first Neighborhood Market store on the corner of Holland Road and Buckner Boulevard on June 12th. Another one is scheduled to open at the intersection of Rt. 199 and Monticello Avenue in Williamsburg this September.

Kroger is opening its first Marketplace store in Hampton Roads on July 30th on Holland Road in Virginia Beach. Kroger is also scheduled to start construction this year with the Marketplace stores at the Mid-City Shops in Portsmouth and Hampton Roads Crossing in Suffolk. Armada Hoffer won City council approval to build a Harris Teeter on Sandbridge Marketplace in 2014.

OUTLOOK

The Second quarter finished on an upbeat note with a positive vibe from the May ICSC that had both tenants and landlords in the deal making mode. At long last, with strong grocery activity and new and existing tenants expanding within the market, the Hampton Roads retail market is moving forward once again. It has been a tenant

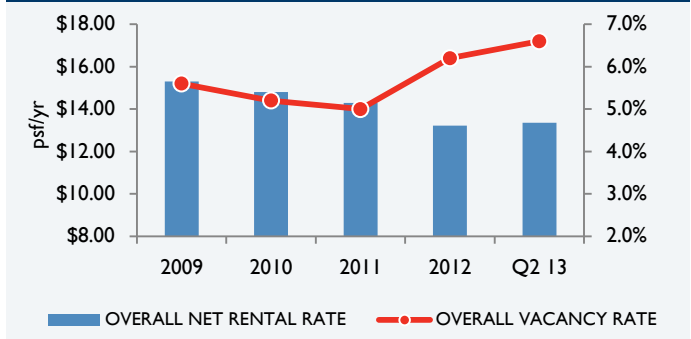
market for the past few years but at this time we are moving closer and closer to landlord and tenant equilibrium. The trend for mid-size boxes to down-size is to be watched carefully as strong credit worthy retailers to back fill those spaces have limited ability to do so. Concerns over the job market and questions about the overall health of the economy continue to cause consumers pause however retailers and developers are aggressively pursuing sites within the Hampton Roads Market.

ECONOMIC INDICATORS

NATIONAL	2012	2013F	2014F
GDP Growth	2.2%	2.0%	3.4%
CPI Growth	2.1%	1.7%	2.1%
Consumer Spending Growth	1.9%	2.2%	3.5%
Retail Sales Growth	5.3%	3.5%	4.6%
REGIONAL	2012	2013F	2014F
Household Income	\$53,757	\$54,263	\$55,833
Population Growth	0.8%	0.9%	0.8%
Unemployment	6.6%	5.9%	5.7%

Source: Moody’s Analytics

OVERALL RENTAL VS. VACANCY RATES



Source: CoStar.

**** HAMPTON ROADS SUBMARKET STATISTICS (TOP FIVE)**

SUBMARKET	INVENTORY	QUARTERLY CHANGE IN INVENTORY	VACANCY RATE	DEMAND (OCCUPIED SQUARE FEET)	ASKING RENT	RENT GROWTH	ABSORPTION
Coliseum Central	6,141,220	(137,612)	7.1%	5,705,605	\$15.10	1.4%	(12,041)
Military	5,033,248	(8,650)	6.2%	4,720,594	\$11.82	(0.9%)	2,532
Downtown Norfolk	4,543,921	(322,213)	7.4%	4,206,936	\$13.07	(0.4%)	(26,650)
Patrick Henry	4,493,860	59,072	3.6%	4,332,718	\$13.53	(6.0%)	(12,041)
Williamsburg	4,522,500	(42,145)	8.8%	4,125,857	\$17.64	(1.6%)	92,259
TOTAL MARKET	99,141,187	(2,027,312)	6.6%	92,613,510	\$13.35	(1.3%)	116,134

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

**THIS TABLE INCLUDES TOP FIVE SUBMARKETS BY INVENTORY SIZE. THE TOTAL INCLUDES THE OVERALL MARKET.

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
4655 Monticello Avenue	Williamsburg	TJ Maxx	Neighborhood Center	29,750
Riverdale Plaza Shopping Center	Mercury Central	Planet Fitness	Community Center	15,000
3212 Tidewater Drive	Military	O'Reilly Auto Parts	Freestanding	12,608
SIGNIFICANT Q2 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
20 Harvard Road, Littleton	495 North Angelo	Gordon & Co.	\$12,000,000 / \$120	100,000
55 Lyman Street - Building E, Northborough	495 West	TA Associates	\$22,000,000 / \$220	100,000
180 Guest Street, Brighton	Boston West	NB Guest Street Associates LLC	\$8,000,000 / \$160	50,000
SIGNIFICANT Q2 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
3201 Holland Road	S. Independence/Holland Rd	Walmart Neighborhood Market	Q2 2013	41,785
1900-1946 Monticello Blvd	Downtown Norfolk	Cook Out	Q2 2013	3,000
4015 Victory Blvd	Victory	Cook Out	Q2 2013	3,000
901 Frederick Boulevard	Victory	Chick-fil-A	Q2 2013	3,500
12581 Jefferson Ave	Patrick Henry	LongHorn Steakhouse	Q2 2013	5,695
108 Marketplace Drive	Coliseum Central	LongHorn Steakhouse	Q2 2013	5,695
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
3901 Holland Road	S. Independence/Holland Rd	Kroger Marketplace	Q3 2013	124,000
701 Lynnhaven Parkway – Lynnhaven Mall	Lynnhaven	Dave & Busters	Q3 2013	41,000
330 Independence Boulevard	Pembroke	Bahama Breeze	Q3 2013	7,000
New Town Road	Williamsburg	Walmart Neighborhood Market	Q4 2013	41,785
1700 Parkview Drive	Greenbrier/Battlefield	Chinese Buffet	Q4 2013	20,000

* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS