

# MARKETBEAT RETAIL 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%.

Specific to employment, the following thoughts are from Dr. James V. Koch, "State of the Region, Hampton Roads 2013":

"There are encouraging signs that the terms of international trade are moving in the favor of the United States. American workers continue to become more productive; U.S. firms are benefiting from the lower costs of important inputs such as natural gas; the cost advantages of competitors such as China are being eroded by rapidly rising wages there and increasing transportation costs; and the value of the dollar has declined over time, making U.S. goods less expensive in the eyes of foreign consumers. These developments, however, are gradual in nature and competition in tradable goods continues to make some U.S. firms reluctant to hire new workers, especially when uncertainties exist about the cost of these employees because of health care and other factors."

### RETAIL MARKET OVERVIEW

The Hampton Roads Retail market is exhibiting steady growth as new development and improved leasing activity is observed. Currently, the market is experiencing strong restaurant activity with new players such as Zoës Kitchen, Hurricane Grill & Wings, and World of Beer.

### GROCERY MARKET

Several grocery chains are actively seeking to expand into the Hampton Roads market and are primarily responsible for a majority of the new development currently underway.

Wal-Mart is actively growing its 41,000 square-foot (sf) Neighborhood Market grocery store concept after opening its first store in Norfolk in 2008. In January, they opened a second store in Newport News, another in Virginia Beach in June, and one in Williamsburg in September. Additional stores are planned to open in 2014.

Kroger is also growing its Marketplace concept which features a larger 125,000 sf store with furniture and jewelry being sold in addition to groceries. Further expansion is underway as Kroger anchors new retail development at Hampton Roads Crossing in Suffolk and Midtown Marketplace in Portsmouth. Earlier this quarter, Kroger made an official announcement to acquire Harris Teeter in a

potential \$2.5 billion deal. Harris Teeter continues to expand in Norfolk, Virginia Beach and Williamsburg while the acquisition is being approved.

### OUTLOOK

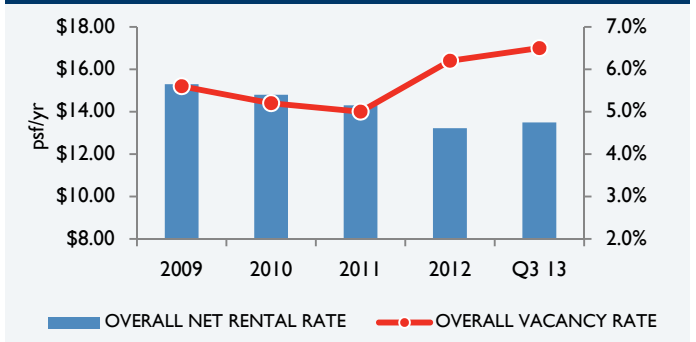
As the holiday season approaches, retailers are expecting significant sales growth but consumer confidence may not be at its finest given the recent government shutdown. Despite the shutdown, the overall outlook on the retail sector remains positive as the market continues to see retailers expand in the market. Over the past couple of years, this is one of the first times where the market has multiple development projects underway; this is a good sign of optimism and forward-moving progress.

### ECONOMIC INDICATORS

NATIONAL	2012	2013F	2014F
GDP Growth	2.8%	1.6%	3.1%
CPI Growth	2.1%	1.4%	1.8%
Consumer Spending Growth	2.2%	1.9%	3.3%
Retail Sales Growth	5.3%	4.5%	5.8%
REGIONAL	2012	2013F	2014F
Household Income	\$53,846	\$54,150	\$56,023
Population Growth	0.8%	0.8%	0.7%
Unemployment	6.6%	6.0%	5.6%

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	6,068,096	(73,124)	7.1%	5,633,489	\$14.69	(2.7%)	(6,361)
Military	5,046,378	13,130	6.8%	4,696,611	\$11.86	0.3%	(30,170)
Downtown Norfolk	4,535,870	(8,051)	6.6%	4,228,842	\$13.55	3.6%	7,307
Patrick Henry	4,494,569	709	3.6%	4,327,290	\$13.55	0.1%	(13,156)
Williamsburg	4,599,781	77,281	9.7%	4,146,302	\$18.08	2.5%	127,071
<b>TOTAL MARKET</b>	<b>99,270,833</b>	<b>129,646</b>	<b>6.7%</b>	<b>92,484,823</b>	<b>\$13.49</b>	<b>1.1%</b>	<b>201,481</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

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

**MARKET HIGHLIGHTS**

SIGNIFICANT Q3 2013 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
1928 North Armistead Avenue	Oyster Point	Beamon & Johnson	Strip	11,000
1913 South Church Street	Smithfield	Aaron's	Neighborhood Center	7,000
664 Phoenix Drive	Little Neck	Sketchers U.S.A., Inc.	Freestanding	6,132
SIGNIFICANT Q3 2013 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
1200 Greenbrier Way	Chesapeake	Prudential Insurance	\$67,200,000/ \$179	376,000
233 16th Street	Virginia Beach	Wov Properties LLC	\$2,700,000/ \$788	3,425
SIGNIFICANT Q3 2013 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
2950 Hampton Highway	Hampton North	Speculative	Q3 2013	15,400
687 Lynnhaven Parkway	Lynnhaven	Speculative	Q3 2013	11,000
4640 Casey Boulevard	Williamsburg	Retail Shops	Q3 2013	9,000
4645 Casey Boulevard	Williamsburg	Retail Shops	Q3 2013	7,500
2201 Todds Lane	Mercury Central	Zaxby's	Q3 2013	3,704
1660 Richmond Road	Williamsburg	Cook Out	Q3 2013	2,200
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET
7550 Granby Street	Wards Corner	Harris Teeter	Q4 2013	73,577
3318 Princess Ann Road	Virginia Beach Courthouse	Speculative	Q4 2013	18,300
6216 College Drive	Churchland	Chipotle	Q4 2013	9,930
5541 Richmond Road	Lightfoot	Retail Shops	Q4 2013	6,400

\* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS