

MARKETBEAT OFFICE SNAPSHOT



HAMPTON ROADS, VA A Cushman & Wakefield Research Publication

Q1 2015



ECONOMIC OVERVIEW

Hampton Roads began 2015 on a positive note. The residential real estate market made strong gains, with increased number of homes sold and median price growing year-over-year in January.

Although the U.S. economy is expected to grow near its historical norm in 2015, it is unlikely that Hampton Roads will follow suit if Federal spending is kept to a minimum. Hampton Road's next-best economic drivers will fall on the Port of Virginia and the healthcare industry.

VACANCY

The overall vacancy in the Hampton Roads office market increased gradually from 11.4% in Q1 2014 to 12.0% currently. The first quarter of 2015 reported 311,349 square feet (sf) of leasing activity and -17,676 sf of overall net absorption. The activity reported in the market reflects the continuing trend of tenant downsizing.

TRENDS

Tenants are exploring the Hampton Roads market as a reasonably-priced alternative to more competitive markets with higher rents. However, the lack of suitable class A inventory continues to hinder leasing activity. Several suburban class A projects in the pipeline will attract tenants seeking downtown class A space as an alternative.

Open floor plans, creative spaces, and amenities are key drivers in space and site selection. Additionally, tenants seek spaces in urban or suburban areas with easy access to nearby shopping, dining, and housing communities.

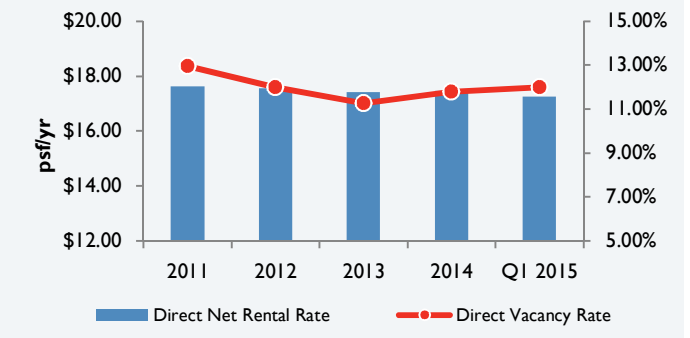
OUTLOOK

The Hampton Roads office market could still benefit from new inventory. Landlords will hold steady on asking rates, but will likely continue offering generous concessions. This will help to encourage tenants to actually relocate rather than shop the market.

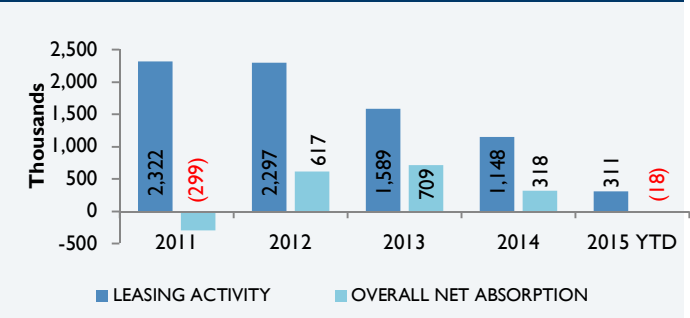
STATS ON THE GO

	Q1 2014	Q1 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	11.4%	12.0%	0.6 pp	▲
Direct Asking Rents (psf/yr)	\$17.33	\$17.25	-0.5%	◄►
YTD Leasing Activity (sf)	413,478	311,349	-24.7%	▼

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*
Suffolk/Smithfield	877,208	9.4%	9.3%	0	0	0	0	0	\$14.42	N/A
Harbourview/Churchland/Western Branch	1,590,019	13.8%	13.5%	1,950	25,000	19,115	-11,597	-11,597	\$18.30	\$22.66
Portsmouth	1,092,174	14.2%	13.9%	564	0	0	705	705	14.85	\$18.91
Chesapeake	4,517,138	8.6%	8.6%	73,567	0	0	4,290	4,290	\$20.63	\$20.53
Norfolk	8,763,847	13.6%	13.5%	69,675	16,000	0	-35,178	-38,368	\$18.95	\$23.66
Virginia Beach	10,683,200	12.1%	12.0%	91,109	73,360	0	17,832	15,287	\$18.67	\$25.84
SOUTHSIDE	27,523,586	11.9%	11.8%	236,865	114,360	19,115	-23,948	-29,683	\$17.64	\$22.32
Williamsburg	1,437,894	10.4%	10.4%	8,377	0	0	3,077	5,403	\$18.50	\$20.00
York/Poquoson	431,940	13.9%	13.9%	1,900	0	0	-278	-278	\$13.45	\$19.00
Newport News	6,414,790	8.9%	8.9%	52,757	0	0	-21,113	-16,504	\$17.62	\$20.09
Hampton	3,238,283	24.9%	24.8%	11,450	0	0	14,247	23,386	\$16.61	\$18.58
Gloucester	94,587	2.1%	0.0%	0	0	0	0	0	\$16.50	N/A
PENINSULA	11,617,494	12.0%	11.6%	74,484	0	0	-4,067	12,007	\$16.54	\$19.42
TOTALS	39,141,080	12.0%	11.7%	311,349	114,360	19,115	-28,015	-17,676	\$17.14	\$21.03

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

Research methodology was updated as of Q1 2014

MARKET HIGHLIGHTS

SIGNIFICANT Q1 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
150 Corporate Blvd	Norfolk	Portfolio Recovery Associates	B	22,000
4299 Bonney Rd	Pembroke	GFPC	A	17,693
101 W. Main St	Norfolk	USI Insurance	A	12,949
530 Independence Pkwy	Greenbrier	Medical Services of America, Inc.	A	7,228
SIGNIFICANT Q1 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
100 Constitution Dr	Pembroke	Runnymede	\$3,300,000 / \$135	24,424
1181 First Colonial Rd	Oceana	Andrianos Touzos	\$4,000,000 / \$232	17,210
2180 McComas Way	Princess Anne	Amodio Family LLC	\$232,000 / \$116	2,000
430 McLaws Circle	Williamsburg	Liptabia, LLC	\$152,000 / \$101	1,500
2106 Thoroughgood Rd	Airport/Northampton	Military Integrative Therapies	\$210,000 / \$179	1,176
SIGNIFICANT Q1 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
5911 Harbour View Blvd	Harbourview	Taste Unlimited	Q1 2015	19,115 (0%)
5630 Lowery Rd	Central Norfolk	Virginia Eye Consultants	Q1 2015	16,000 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Convergence Center V	Pembroke	Wolcott Rivers Gate	Q3 2015	50,000 (52%)
Marketplace at Tech Center	Newport News	Whole Foods	Q2 2015	30,545 (5.3%)
Harbour View Health Center	Harbourview	Speculative	Q2 2015	25,000 (0%)
5360 Lowery Rd	Norfolk	Virginia Eye Consultants	Q3 2015	16,000 (100%)

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