

MARKETBEAT OFFICE SNAPSHOT



HAMPTON ROADS, VA A Cushman & Wakefield Research Publication

Q2 2015



ECONOMIC OVERVIEW

The Hampton Roads economy experienced small positive indicators in the second quarter of 2015 with medical tenants continuing to expand and the re-emergence of small defense contractors in the market. There has been also been a retreat by institutional owner Liberty Property Trust from the market. Richmond-based Lingerfelt Companies purchased the 1.3 million-square-foot portfolio for \$110.3 million.

VACANCY

The overall vacancy in the Hampton Roads office market increased gradually from 11.3% in Q2 2014 to 12.0% currently. The second quarter of 2015 reported 257,276 square feet (sf) of leasing activity and 88,338 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. Defense contractors are actively looking for spaces in the 2,000 to 6,000 sf range with shorter terms. The Q4 2014 delivery of 4525 Main Street that was 52.4% preleased upon completion continues to struggle to lease the remaining 78,000 sf. Bank of America's downsizing in downtown Norfolk has created the market's largest contiguous spaces at nearly 288,000 sf. Additionally, Zero Point, Inc. announced that it will be building a new 15,000-sf headquarters location in Virginia Beach.

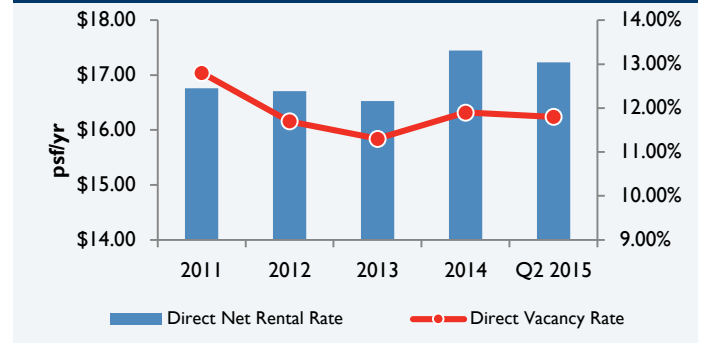
OUTLOOK

No major deliveries are set for this year, coupled with positive absorption of the last several years, should help stabilize the Hampton Roads office market.

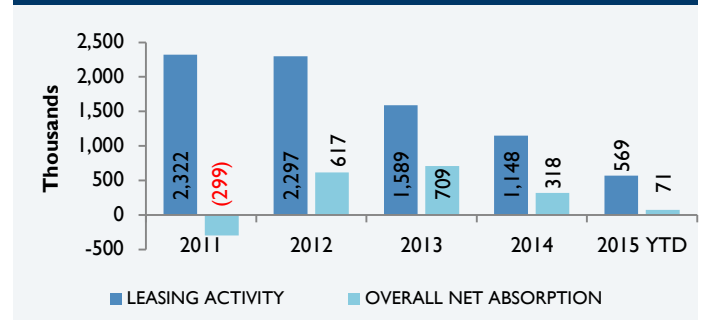
STATS ON THE GO

	Q2 2014	Q2 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	11.3%	12.0%	0.7 pp	▲
Direct Asking Rents (psf/yr)	\$17.32	\$17.23	-0.5%	◄
YTD Leasing Activity (sf)	675,761	568,625	-15.9%	▼

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	818,365	8.5%	8.5%	0	0	38,230	7,965	7,965	\$15.02	-
Harborview/Churchland/Western Branch	1,609,913	14.3%	14.3%	1,950	25,000	0	-35,917	-35,917	\$17.18	\$21.71
Portsmouth	1,092,174	15.5%	15.4%	10,261	0	0	3,322	3,322	\$14.14	\$18.98
Chesapeake	4,513,062	7.7%	7.7%	83,280	21,000	0	27,813	29,813	\$19.38	\$19.58
Norfolk	8,911,943	12.1%	12.0%	113,476	16,000	0	(11,420)	(12,470)	\$18.74	\$23.75
Virginia Beach	10,773,952	11.1%	11.9%	169,164	22,360	74,600	16,151	4,045	\$18.44	\$26.67
SOUTHSIDE	25,287,131	12.2%	12.0%	460,181	63,360	112,830	39,169	24,710	\$ 16.53	\$22.14
Williamsburg	1,455,240	11.7%	11.7%	30,385	0	0	22,305	24,719	\$18.72	\$19.81
York/Poquoson	431,900	13.3%	13.3%	1.9	0	0	278	278	\$16.93	-
Newport News	6,416,500	9.7%	9.7%	107,721	0	0	1,233	5,842	\$17.78	\$21.66
Hampton	3,279,470	25.5%	25%	52,386	0	0	27,317	43,065	\$15.90	\$18.66
Gloucester	94,587	2.1%	0%	0	0	0	0	0	\$16.44	-
PENINSULA	11,597,289	13.84%	13.04%	485,326	0	0	53,886	104,670	\$15.48	\$20.04
TOTALS	39,397,106	12.00%	11.80%	568,625	84,360	112,830	59,047	70,662	\$17.15	\$21.09

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

Research methodology was updated as of Q1 2014

MARKET HIGHLIGHTS

SIGNIFICANT Q2 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
World Trade Center*	Downtown Norfolk	Vandeventer Black LLP	A	39,000
Corporate Center I	Pembroke	Valkyrie Enterprises, LLC	B	35,000
150 W. Main	Downtown Norfolk	T. Parker Host	A	20,733
Hampton Technology Center I*	Hampton Roads Center	The MITRE Corporation	B	19,026
Gateway Executive Center	Lynnhaven	Northrop Grumman Systems	A	16,214
SIGNIFICANT Q2 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Liberty Property Trust Portfolio	Various	Lingerfelt Companies	\$110,300,000 / \$ 85	1,300,000
Fulton Bank	Pembroke	Olympia Development Corp.	\$15,000,000 / \$172	87,945
The Seaboard Building	Portsmouth	One High Street LLC	\$2,700,000 / \$36	75,522
1761 Church Street	Norfolk-ODU/Ghent	1761 Church Street LLC	\$725,000 / \$69	10,488
SIGNIFICANT Q2 2015 CONSTRUCTION COMPLETION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Convergence V	Pembroke	Wolcott Rivers Gate	Q2 2015	50,000 (33%)
1004 Corporate Lane	Suffolk	DaVita	Q2 2015	24,600 (32%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Harbor View Health Center	Central Norfolk	Harbour View Health Center	Q3 2015	25,000 (100%)

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