

MARKETBEAT RETAIL SNAPSHOT

HAMPTON ROADS, VA

A Cushman & Wakefield Research Publication



ECONOMIC OVERVIEW

The Hampton Roads economy is growing slowly but steadily compared to the national average. The second quarter of 2015 experienced a slight decrease, but is expected to perform strongly for the remainder of 2015.

TRENDS

The retail market continues to thrive in Hampton Roads with grocery remaining one of the top drivers. Several projects are under construction, including a new Chipotle at Hilltop in Virginia Beach and the Sam's Club on East Little Creek in Norfolk.

Two proposed projects at the oceanfront in Virginia Beach will revitalize the 1300-1500 block of Atlantic Avenue. Pier Shops at 15th Street proposes a mini-mall with kiosks, restaurants, and stores in an enclosed space. Additional project Gold Sands Shops at 1312 Atlantic Avenue plans for two floors of restaurant and retail space totaling 7,477 square feet (sf).

Developers of the former Dome site continue to revise plans to build the planned 125,000-sf entertainment site with 65,000 sf of restaurants and 40,000 sf of retail. The project will stretch 9.6 acres between 18th and 20th Streets.

Although big box vacancy in the market has been a concern, new retailer Gabes opened mid-July in Chesapeake Square at the former Kmart space. The Kmart at Hilltop in Virginia Beach will close by the end of July, but brokers expect the space to be filled quickly.

SIGNIFICANT DEALS

Armada Hoffer purchased Columbus Village Shopping Center in Virginia Beach, located at the corner of Virginia Beach Blvd and Constitution Dr. AEW Capital Management LP, subsidiary of AEW Global, closed on the purchase of Settlers Market Shopping Center in Williamsburg. The property was financially distressed in 2011 when it was purchased by Federal Capital Partners, but has since been restored to 97% occupancy. The site is directly east of Virginia Beach Town Center, allowing for future expansion along Virginia Beach Blvd.

OUTLOOK

With several planned projects in the pipeline, multiple projects under construction, and continued strength from area retailers, brokers are optimistic for a strong retail performance through 2015.

ECONOMIC INDICATORS

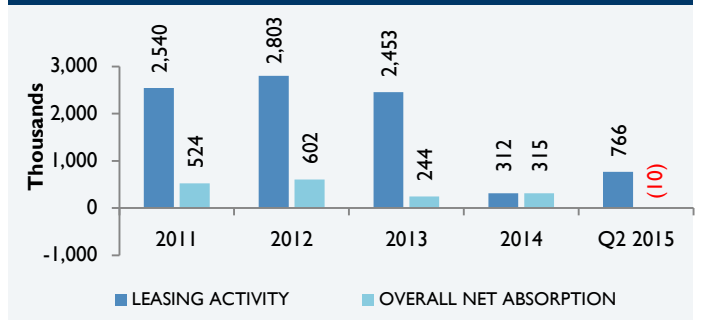
NATIONAL	2014	2015F	2016F
GDP Growth	2.4%	2.4%	3.0%
CPI Growth	1.6%	0.4%	2.7%
Consumer Spending Growth	2.5%	3.4%	3.8%
Retail Sales Growth	3.8%	2.8%	5.6%
REGIONAL	2014	2015F	2016F
Household Income	\$58,580	\$59,777	\$61,712
Population Growth	0.5%	0.6%	0.7%
Unemployment	5.7%	5.1%	4.9%

Source: Moody's Analytics

STATS ON THE GO

	Q2 2014	Q2 2015	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.6%	6.7%	-0.9 pp	◀▶
Direct Asking Rents (psf/yr)	\$12.30	\$12.58	2.3%	◀▶
YTD Leasing Activity (sf)	696,965	765,884	9.9%	◀▶

LEASING ACTIVITY VS. OVERALL NET ABSORPTION



MARKET HIGHLIGHTS

SIGNIFICANT Q2 2015 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Lightfoot Marketplace	Williamsburg	Harris Teeter	Neighborhood Center	53,000
Hampton Roads Crossing	Churchland	Ross	Community Center	25,000
SIGNIFICANT Q2 2015 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
Settlers Market	Williamsburg	AEW Capital Management	\$61,200,000 / \$255	239,464
12151 Jefferson Ave	Patrick Henry	Chimera Investment Corporation	\$17,743,144 / \$131	135,015
Cypress Point Shopping Center	Newtown	Farm Fresh	\$12,000,000 / \$102	117,907
2400 George Washington Memorial Hwy	Yorktown	Alexander Kaufman	\$8,350,000 / \$563	14,820
SIGNIFICANT Q2 2015 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
1241 Frederick Blvd	Portsmouth	TJ Maxx	Q2 2015	36,800 (100%)
Landstown Place – Bldg B	Princess Anne	Verizon Wireless	Q2 2015	18,300 (40%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
1011 University Blvd	Churchland	Kroger	Q1 2016	98,360 (100%)
Marketplace at Tech Center	Hampton	DSW	Q3 2015	75,576 (100%)
Lightfoot Marketplace	Williamsburg	Harris Teeter	Q2 2016	53,000 (100%)
The Promenade at Cedar Road	Chesapeake	Anytime Fitness	Q3 2015	43,000 (49%)

HAMPTON ROADS, VA SUBMARKET STATISTICS

SUBMARKET	INVENTORY	QUARTERLY CHANGE IN INVENTORY	VACANCY RATE	DEMAND (OCCUPIED SQUARE FEET)	ASKING RENT	RENT GROWTH	ABSORPTION
Gloucester	1,575,045	0	5.8%	1,462,972	\$11.92	\$0.59	(1,300)
Williamsburg	7,408,346	51,568	6.2%	6,909,767	\$15.92	(\$0.99)	1,291
York/Poquoson	1,809,285	0		1,705,068	\$13.37	(\$0.42)	6,675
Newport News	11,571,340	17,104	7.1%	10,415,109	\$12.41	(\$0.54)	(57,399)
Hampton	7,434,552	63,272	7.8%	6,830,263	\$10.90	(\$1.54)	(8,908)
PENINSULA	29,798,568	131,944	6.7%	20,492,916	\$12.90	(\$0.58)	-59,641
Smithfield/Isle of Wight/ Suffolk/Franklin	4,900,191	25,669	11.5%	4,435,386	\$8.07	(\$0.07)	27,504
Harborview/Churchland/We stern Branch	5,342,612	123,000	4.8%	5,084,321	\$12.49	(\$1.04)	2,250
Portsmouth	3,730,126	170,630	6.4%	3,490,831	\$9.71	(\$0.29)	30,397
Chesapeake	8,364,444	109,768	4.2%	8,003,835	\$16.39	(\$1.37)	591
Norfolk	12,261,471	72,479	8.7%	11,402,715	\$12.15	(\$0.76)	(22,756)
Virginia Beach	23,565,472	443,246	5.0%	22,356,064	\$14.77	(\$0.67)	131,784
SOUTHSIDE	58,164,316	944,792	6.8%	54,773,152	\$12.26	(\$0.70)	139,403
TOTAL MARKET	87,962,884	1,076,736	6.7%	75,266,068	\$12.58	(\$0.64)	79,762

* RENTAL RATES REFLECT ASKING \$PSF/YEAR