

# MARKETBEAT OFFICE SNAPSHOT



## HAMPTON ROADS, VA A Cushman & Wakefield Research Publication

Q2 2014



### ECONOMIC OVERVIEW

While the Hampton Roads market continues to show steady and gradual improvement, restricted defense spending remains a concern.

The unemployment rate has held steady at 4.9%, and small businesses are gaining momentum. Additional future improvement projects are moving forward, including the recently approved widening of I-64 on the Peninsula and the extension of the light rail from Norfolk to Town Center in Virginia Beach.

### VACANCY

Overall vacancy in the Hampton Roads office market has dropped slightly from 12.5% in Q2 2013 to 11.43% currently. The second quarter of 2014 saw 262,283 square feet of leasing activity and 15,451 square feet of net overall absorption. The small decrease is consistent in all building classes and in the CBD's, although suburban markets saw a minor increase overall.

### TRENDS

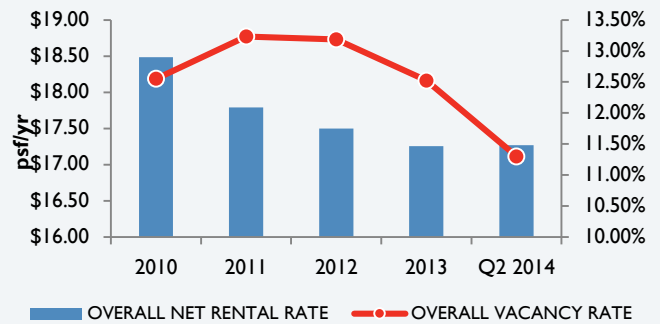
Tenants are continuing to seek smaller spaces, resulting in the slight decrease in overall absorption. This trend is not strictly due to the downsizing of staff. More and more companies are embracing the non-traditional workplaces with open floor plans and few private offices. Although this trend likely began as a result of the budget cuts early in the recession, companies are finding non-traditional spaces yield higher productivity and workplace satisfaction.

### OUTLOOK

The onset of new construction projects scheduled to begin in the remainder of 2014 will provide new inventory, including a 50,000 square-foot Class A project by Olympia Development near Virginia Beach Town Center. The construction of new office space at Marketplace at Tech Center in Newport News is motivating neighboring businesses to complete renovations in order to maximize traffic from the new center.

Brokers expect continued modest growth with conditions gradually shifting to a more landlord-favorable market within the next year.

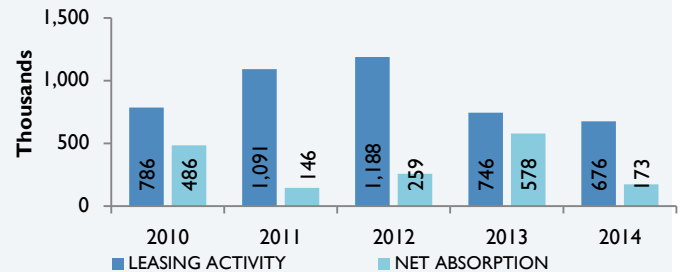
### OVERALL RENTAL VS. VACANCY RATES



### STATS ON THE GO

	Q2 2013	Q2 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	12.5%	11.3%	1.2pp	▼
Direct Asking Rents (psf/yr)	\$17.60	\$17.32	-1.6%	◄
YTD Leasing Activity (sf)	412,405	675,761	63.9%	◄

### 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	697,392	8.65%	8.35%	33,364	0	0	0	0	\$13.32	0
Harborview/Churchland/Western Branch	1,566,394	9.1%	9.1%	42,911	0	0	2,311	2,311	\$16.76	\$19.10
Portsmouth	1,135,941	8.35%	8.35%	6,400	0	0	491	491	\$14.85	\$18.80
Chesapeake	4,459,427	8.2%	8.2%	74,900	0	0	20,989	18,746	\$17.74	\$20.80
Norfolk	8,822,675	15.6%	15.5%	61,075	0	0	26,849	24,949	\$18.63	\$24
Virginia Beach	10,404,345	9.0%	9.0%	156,781	238,562	0	47,601	33,498	\$19.61	\$22.00
<b>SOUTHSIDE</b>	<b>27,086,174</b>	<b>9.77%</b>	<b>9.75%</b>	<b>375,431</b>	<b>238,562</b>	<b>0</b>	<b>98,241</b>	<b>79,995</b>	<b>\$16.82</b>	<b>\$20.94</b>
Williamsburg	1,370,969	9.3%	9.1%	10,660	21,000	0	10,769	10,869	\$16.85	\$21.61
York/Poquoson	410,556	17%	17%	8,520	0	0	9,016	9,016	\$16.41	\$19.60
Newport News	6,581,458	5.6%	5.4%	94,672	0	0	31,779	19,734	\$19.49	\$22.76
Hampton	3,115,434	29.31%	27.29%	183,478	0	0	71,848	55,533	\$18.72	\$19.70
Gloucester	94,588	6%	3.5%	0	0	0	0	(2,000)	\$17.10	\$0
<b>PENINSULA</b>	<b>11,573,005</b>	<b>13.04%</b>	<b>12.46%</b>	<b>300,330</b>	<b>21,000</b>	<b>0</b>	<b>30,229</b>	<b>93,152</b>	<b>\$17.71</b>	<b>\$20.92</b>
<b>TOTALS</b>	<b>38,659,179</b>	<b>11.4%</b>	<b>11.1%</b>	<b>675,761</b>	<b>259,562</b>	<b>0</b>	<b>221,653</b>	<b>173,147</b>	<b>\$17.27</b>	<b>\$20.93</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

Research methodology was updated as of Q1 2014

## MARKET HIGHLIGHTS

SIGNIFICANT Q2 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Armada Hoffer Tower*	Pembroke	Troutman Sanders	A	26,966
Claiborne Building	Coliseum Central	Faneuil Inc.	A	22,250
Compass Pointe Building*	Oyster Point	BOSH Global Services, Inc.	A	19,416
SIGNIFICANT Q2 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
100 W. Plume St.	Norfolk	GTG Financial LLC.	\$5.9 Million/\$50.58psf	116,628
Maritime Square	Newport News	The Simpson Organization	\$8.6 Million/\$63.55psf	135,103
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
4525 Main St – Block 11	Pembroke	Clark Nexsen	Q4 2014	221,600 (45%)
Marketplace at Tech Center	Newport News	Whole Foods	Q2 2015	30,545 (5.3%)

\* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS

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