

# MARKETBEAT OFFICE SNAPSHOT

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



**THALHIMER**  
INDEPENDENTLY OWNED AND OPERATED

Q3 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 dropped slightly from 11.8% in Q3 2013 to 11.4% currently. The third quarter of 2014 reported 338,995 sf of leasing activity and 32,104 sf of net overall absorption. The majority of leasing activity from Q3 2014 stemmed from renewals. (C&W does not include renewals in leasing activity.)

## TRENDS

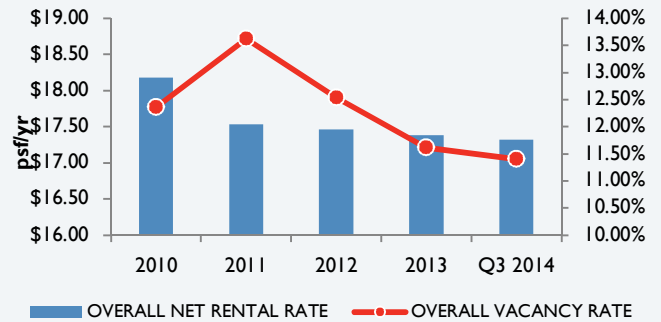
Tenants are continuing to seek smaller spaces, resulting in the slight decrease in overall absorption. This trend is not strictly due to the downsizing of staff. More and more companies are embracing the non-traditional workplaces with open floor plans and few private offices. Although this trend likely 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 Hampton Roads office market could still benefit from new inventory. The onset of new construction projects scheduled to begin in the remainder of 2014 will provide some new inventory, including a 50,000-sf class A project by Olympia Development near Virginia Beach Town Center. The 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.

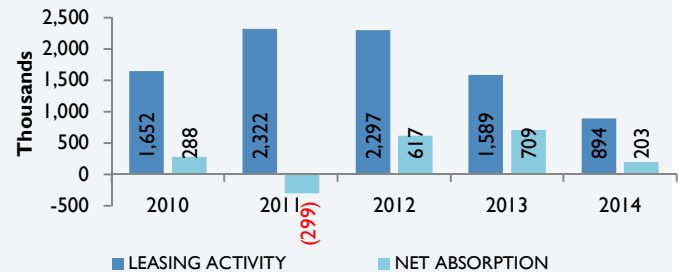
## OVERALL RENTAL VS. VACANCY RATES



## STATS ON THE GO

	Q3 2013	Q3 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	11.8%	11.49%	-0.1pp	▼
Direct Asking Rents (psf/yr)	\$17.45	\$17.32	-0.04%	◄
YTD Leasing Activity (sf)	541,883	894,116	-65.0%	◄

## 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	11.95	11.95	23,364	44,115	0	6,155	6,155	\$15.69	\$0.00
Harborview/Churchland/Western Branch	1,566,804	8.4	9.1	65,253	0	0	13,355	13,155	\$16.02	418.32
Portsmouth	1,092,174	12.34	12.84	39,372	0	0	3,907	6,457	\$15.80	\$19.00
Chesapeake	4,526,371	8.3	8.73	34,372	0	0	13,243	4,243	\$16.60	\$18.00
Norfolk	8,710,421	15.67	12.23	65,313	16,000	0	(28,509)	(32,738)	\$18.80	\$25.50
Virginia Beach	10,633,508	10.37	10.48	22,323	40,000	195,788	98,549	106,849	\$19.63	\$22.13
<b>SOUTHSIDE</b>	<b>27,406,486</b>	<b>11.17</b>	<b>10.89</b>	<b>249,997</b>	<b>100,115</b>	<b>195,788</b>	<b>106,700</b>	<b>104,121</b>	<b>\$17.09</b>	<b>\$20.59</b>
Williamsburg	1,348,402	11	12.6	30,141	21,200	21,200	33,663	35,087	\$18.70	\$25.00
York/Poquoson	410,556	14.8	14.8	18,824	0	0	19,600	19,600	\$16.75	\$20.00
Newport News	6,562,470	5.86	6.36	119,604	0	0	61,410	61,801	\$17.68	\$22.60
Hampton	3,157,559	25.62	24.9	225,553	0	42,774	33,033	(13,358)	\$17.46	\$19.90
Gloucester	94,587	6	3.9	0	0	0	(2,000)	(2,000)	\$17.20	\$0.00
<b>PENINSULA</b>	<b>11,573,574</b>	<b>12.65</b>	<b>12.51</b>	<b>644,119</b>	<b>21,200</b>	<b>63,974</b>	<b>(79,706)</b>	<b>101,130</b>	<b>\$17.55</b>	<b>\$21.87</b>
<b>TOTALS</b>	<b>38,980,060</b>	<b>11.9%</b>	<b>11.7%</b>	<b>894,116</b>	<b>121,315</b>	<b>259,762</b>	<b>256,496</b>	<b>205,251</b>	<b>\$17.32</b>	<b>\$21.23</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

Research methodology was updated as of Q1 2014

## MARKET HIGHLIGHTS

SIGNIFICANT Q3 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
12080 Jefferson Ave	Newport News	Monarch Bank	A	8,000
SIGNIFICANT Q3 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
5424 Discovery Park	Williamsburg	Tidewater Physicans Multi-Specialty Group	\$3,650,000/172.16psf	21,200
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