

# MARKETBEAT OFFICE SNAPSHOT



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

Q4 2014



### ECONOMIC OVERVIEW

Hampton Roads experienced positive job growth in 2014, mainly from the private sector. Although Hampton Roads is not growing as fast as the national average due to sequestration and a heavy dependence on federal defense spending, economists are optimistic that full-time employment will finally be restored to the conditions prior to 2007.

### VACANCY

Overall vacancy in the Hampton Roads office market increased slightly from 11.6% in Q4 2013 to 12.2% currently. The fourth quarter of 2014 reported 259,762 sf of leasing activity and 254,002 sf of net overall absorption. The majority of leasing activity from Q4 2014 stemmed from renewals. (C&W does not include renewals in leasing activity.)

### TRENDS

Tenants are continuing to seek smaller spaces, including the consolidation of space upon renewal. Federal defense cuts result in a reduced need for space in the market.

As there is a limited inventory of Class A space downtown, tenants shopping the market will likely be drawn to new developments in suburban markets. Additionally, there are an increasing number of office buildings in the market that are being converted to multi-family use. Several projects are currently under construction in Norfolk.

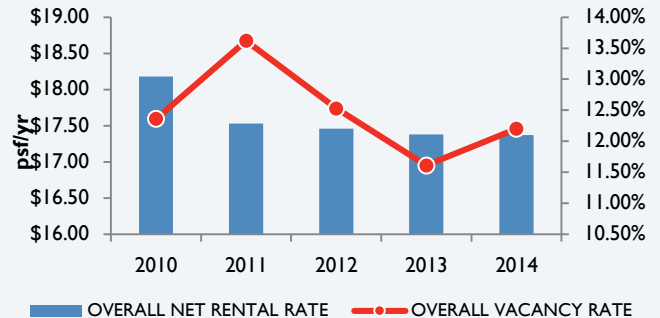
### OUTLOOK

The Hampton Roads office market could still benefit from new inventory. Landlords will continue to 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.

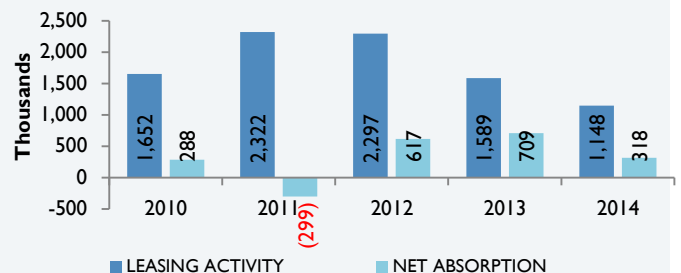
### STATS ON THE GO

	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	11.6%	12.2%	-0.6pp	▼
Direct Asking Rents (psf/yr)	\$17.38	\$17.45	-0.4%	◄►
YTD Leasing Activity (sf)	1,589,049	1,148,118	-27.7%	▼

### OVERALL 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	8.56%	8.56%	23,364	44,115		8,155	8,155	\$13.56	\$0.00
Harborview/Churchland/Western Branch	1,570,904	9.73%	9.73%	70,385	0	0	27,067	25,767	\$16.39	\$19.33
Portsmouth	1,092,174	11.70%	11.5%	5,000	0	0	793	5,557	\$15.70	\$19.92
Chesapeake	4,531,431	8.35%	8.35%	108,939	0	0	33,161	16,161	\$19.31	\$22.68
Norfolk	8,713,029	16.15%	16%	141,903	16,000	0	-30,251	-30,251	\$18.37	\$23.52
Virginia Beach	10,640,860	9.97%	9.96%	413,299	50,000	278,562	123,008	118,008	\$19.33	\$22.28
<b>SOUTHSIDE</b>	<b>27,423,345</b>	<b>10.75%</b>	<b>10.69%</b>	<b>762,890</b>	<b>110,115</b>	<b>278,562</b>	<b>194,953</b>	<b>143,394</b>	<b>\$17.82</b>	<b>\$21.54</b>
Williamsburg	1,369,602	11.2%	10.8%	34,291	0	42,400	48,385	41,061	\$17.60	\$21.64
York/Poquoson	431,940	13.8%	13.8%	20,263	0	0	26,624	26,624	\$14.57	\$20.00
Newport News	6,463,054	6.27%	6.07%	118,092	0	0	70,913	46,603	\$18.24	\$21.31
Hampton	3,236,283	31.1%	30.9%	212,582	0	0	38,891	64,675	\$17.29	\$20.25
Gloucester	94,587	6.0%	3.9%	0	0	0	0	-2,000	\$15.70	\$0.00
<b>PENINSULA</b>	<b>11,595,466</b>	<b>13.69%</b>	<b>13.11%</b>	<b>385,228</b>	<b>0</b>	<b>42,400</b>	<b>184,813</b>	<b>176,963</b>	<b>\$16.92</b>	<b>\$20.80</b>
<b>TOTALS</b>	<b>39,018,811</b>	<b>12.2%</b>	<b>11.9%</b>	<b>1,148,118</b>	<b>110,115</b>	<b>320,962</b>	<b>379,766</b>	<b>320,360</b>	<b>\$17.37</b>	<b>\$21.17</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

Research methodology was updated as of Q1 2014

## MARKET HIGHLIGHTS

SIGNIFICANT Q4 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Map Communications Building*	Greenbrier	Map Communications	B	26,136
4605 Columbus St	Pembroke	USI Insurance Services	A	19,660
Bridgeway Technology Center	Harbourview	US 460 Mobility Partners	A	17,947
SunTrust Building*	Oyster Point	SunTrust Bank	A	13,694
SIGNIFICANT Q4 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
1033-1039 Champions Way	Harbourview	Harbour View Associates LLC	\$8,800,000 / \$178	49,559
544 S. Independence Blvd	Independence/S. Holland	Virginia Natural Gas	\$8,900,000 / \$273	32,656
996 First Colonial	Hilltop	Beach Ortho LLC	\$1,375,000 / \$246	5,572
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%)
Harbour View Health Center	Harbourview	TBD	Q2 2015	25,000 (0%)
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 Q4 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
4525 Main St	Virginia Beach	Clark Nexsen	Q3 2014	221,600 (55%)
5435 Discovery Park Dr	Williamsburg	N/A	Q4 2014	21,200 (29%)

\* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS

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