

MARKETBEAT RETAIL SNAPSHOT

HAMPTON ROADS, VA A Cushman & Wakefield Research Publication

Q1 2014



ECONOMIC OVERVIEW

Now that the US budget issue is resolved, businesses are becoming more confident about the economy. For the first time in 2 years, one in five small businesses plans to add new full-time employees and one in three expect to increase salaries of workers.

According to Kiplinger's economic outlook, disposable income adjusted for inflation grew 3.8% in the first quarter. New home sales are growing steadily at 10%, indicating that consumers are becoming more confident about the economy. Interest rates remain low, and inflation had a minimal increase from 2013.

The Hampton Roads unemployment rate has dropped to 6.0%, the lowest since 2008. Compared to the national trends, Hampton Roads is still catching up from the federal spending cuts in 2013. In 2014, increased port activity, health care growth, defense spending, and tourism will build a 2.2% rise in gross regional product.

TRENDS

The first quarter has seen the positive momentum continue from last year. There is significant retailer activity in nearly every sector. Most notably the grocery and fast casual groups continue to remain active. The much anticipated Harris Teeter opened on February 19th in the Wards Corner section of Norfolk. Wal-Mart Neighborhood Market broke ground on their site on Virginia Beach Boulevard, and new entrants to the market Aldi and German grocer Lidl are starting to show up on site plans. However, recent press has indicated Lidl may delay US expansion until 2018.

On the fast casual front Zoe's, Noodles, Chipotle and Teriyaki Madness are actively expanding in the market. Much anticipated, Anthropologie announced they will be anchoring the new retail phase in Towne Center in Virginia Beach, additional co-tenant retailer announcement forthcoming.

OUTLOOK

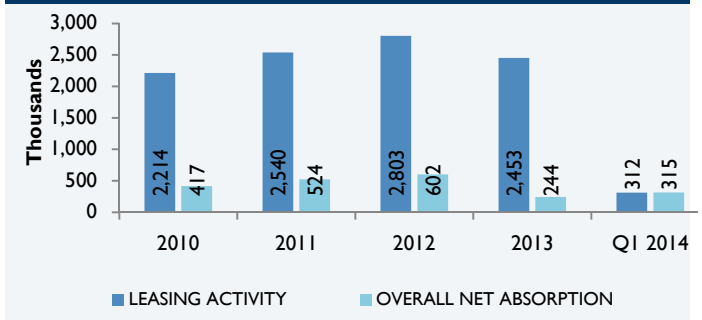
With several projects under construction and delivering this year, Hampton Roads will see the overall market increase due to grocery store expansion. The vacancy statistics will not improve until the larger empty big box spaces are redeveloped.

On the national scale, retail sales are expected to increase 5% this year. Automobile sales continue to thrive, with projected increase of 4% in 2014. With consumers becoming used to the 2013 payroll tax increase and a 4% boost in personal income, spending is likely to see a significant boost this year.

STATS ON THE GO

	Q1 2013	Q1 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	7.0%	6.9%	-0.01pp	↔
Direct Asking Rents (psf/yr)	\$13.52	\$13.08	-3.3%	↔
YTD Leasing Activity (sf)	667,178	267,982	-60.0%	↔

LEASING ACTIVITY VS. OVERALL NET ABSORPTION



MARKET HIGHLIGHTS

SIGNIFICANT Q1 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
1903 S. Military Hwy	Greenbrier	Shoppers World	Shopping Center	25,365
SIGNIFICANT Q1 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
3801 Pacific Ave	Oceanfront	The Red House LLC	\$800,000/(\$666.67psf)	1,200
SIGNIFICANT Q1 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
7550 Granby St	Norfolk	Harris Teeter	Feb 2014	73,577 (97.2%)
1908-1912 Landstown Centre Way	VA Beach Courthouse	Mattress Firm	Mar 2014	20,000 (64.3%)
4600 Casey Blvd	Williamsburg	Petco	Mar 2014	12,000 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
4815 Virginia Beach Blvd	Pembroke	Walmart	Aug 2014	123,575 (100%)
2900 Turnpike Rd	Portsmouth	Kroger	Oct 2014	174,822 (99.1%)
673 Cedar Ln	Great Bridge	Walmart Neighborhood Market	June 2014	50,605 (100%)
1909 Landstown Centre Way	VA Beach Courthouse	Sleepy's	May 2014	26,000 (11.2%)

HAMPTON ROADS, VA SUBMARKET STATISTICS

SUBMARKET	INVENTORY	QUARTERLY CHANGE IN INVENTORY	VACANCY RATE	DEMAND (OCCUPIED SQUARE FEET)	ASKING RENT	RENT GROWTH	ABSORPTION
Gloucester	1,553,969	0	7.2%	1,442,030	\$11.33	-6.9%	(10,725)
Williamsburg	6,712,625	18,400	8.8%	6,124,442	\$16.78	1.4	(16,385)
York/Poquoson	1,802,114	0	7.5%	1,666,502	\$13.55	-0.4%	5,261
Newport News	11,781,139	0	6.6%	11,001,088	\$12.86	1.9%	(2,073)
Hampton	7,413,411	0	8.6%	6,773,803	\$9.36	-44%	2,923
PENINSULA	29,263,258	18,400	7.7%	27,007,865	\$12.78	-9.6%	(20,999)
Smithfield/Isle of Wight/ Suffolk/Franklin	4,921,313	0	8.3%	4,511,634	\$8.16	-9.6%	547
Harborview/Churchland/We stern Branch	5,185,931	9,930	4.0%	4,977,646	\$13.94	-2.3%	9,206
Portsmouth	3,706,900	0	5.9%	3,487,308	\$8.33	-48.7%	105,626
Chesapeake	8,023,524	0	5.3%	7,587,047	\$14.19	-9.9%	20,103
Norfolk	12,204,612	73,577	7.0%	11,341,807	\$12.81	12.6%	149,476
Virginia Beach	24,951,096	25,565	6.2%	23,271,231	\$15.25	6.0%	49,708
SOUTHSIDE	58,993,376	109,072	6.2%	55,176,673	\$12.73	-5.6%	334,666
TOTAL MARKET	88,256,634	127,472	7.0%	82,184,538	\$12.42	(7.3%)	313,667

* RENTAL RATES REFLECT ASKING \$PSF/YEAR