

MARKETBEAT RETAIL SNAPSHOT

HAMPTON ROADS, VA A Cushman & Wakefield Research Publication

Q2 2014



ECONOMIC OVERVIEW

Following a strong start to 2014 retail sales, shoppers seem to have cured their “spring fever” shopping as sales leveled off in the second quarter.

Hampton Roads tourism experienced a 1.3% decline, lagging behind the national average of 6.2% growth. Despite this and reduced defense spending, shoppers are still showing confidence in the market by increasing spending on discretionary items.

TRENDS

One common trend from the national level that Hampton Roads is also experiencing is the downsizing of major retailers to smaller-format stores. Both Target and Walmart are experimenting with stores in the 14,000-17,000 square foot range. Discount grocers Aldi and Lidl are seeking smaller footprints as well as some pet and office supply stores.

SIGNIFICANT DEALS

Town Center in Virginia Beach recently announced several new tenants including Anthropologie, Lululemon, West Elm, Free People, and Francesca’s. As the Encore 4505 apartments near completion, Town Center will continue to draw residents seeking an urban lifestyle community. Additional benchmarks were reached with Marketplace at Tech Center in Newport News now 75% leased.

Grocery stores remain active in the marketplace, with the Fresh Market construction in Norfolk underway. Kroger and Walmart Neighborhood Market are seeking to expand, while Fresh Pride closed its last Hampton Roads location in Newport News this quarter. Also noteworthy is the planned second location of Anderson’s Garden Center near Red Mill Commons in Virginia Beach.

OUTLOOK

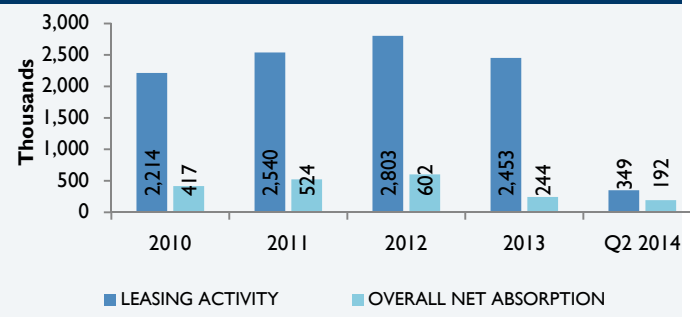
With several projects under construction and delivering this year, Hampton Roads will see the overall market increase due to grocery store expansion and entrance of several major retailers to the market. The vacancy statistics will not improve until the larger empty big box spaces are redeveloped.

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

| | Q2 2013 | Q2 2014 | Y-O-Y CHANGE | 12 MONTH FORECAST |
|------------------------------|-----------|---------|--------------|-------------------|
| Overall Vacancy | 7% | 7.57% | 0.08 pp | ↔ |
| Direct Asking Rents (psf/yr) | \$12.39 | \$12.30 | -1.0% | ↔ |
| YTD Leasing Activity (sf) | 1,242,602 | 696,965 | -43.8% | ↔ |

LEASING ACTIVITY VS. OVERALL NET ABSORPTION



MARKET HIGHLIGHTS

| SIGNIFICANT Q2 2014 LEASE TRANSACTIONS | SUBMARKET | TENANT | PROPERTY TYPE | SQUARE FEET |
|--|---------------------|-----------------------------|------------------------|---------------------------------|
| Victory West Shopping Center | Portsmouth | Tactical Adventure Games | Community Center | 26,000 |
| Landstown Commons | Dam Neck | Dollar Tree | Power Center | 9,989 |
| SIGNIFICANT Q2 2014 SALE TRANSACTIONS | SUBMARKET | BUYER | PURCHASE PRICE / \$PSF | SQUARE FEET |
| 2269 Upton Dr – Red Mill Commons | Dam Neck | N/A | \$850,000/\$6.27 | 135,471 (land) |
| SIGNIFICANT Q2 2014 CONSTRUCTION COMPLETIONS | SUBMARKET | MAJOR TENANT | COMPLETION DATE | BUILDING SQUARE FEET (% LEASED) |
| Paragon Theater @ City Center | Oyster Point | Paragon Theaters | May 2014 | 46,202 (100%) |
| 1909 Landstown Centre Way | VA Beach Courthouse | Sleepy's | May 2014 | 26,000 (11.2%) |
| SIGNIFICANT PROJECTS UNDER CONSTRUCTION | SUBMARKET | MAJOR TENANT | COMPLETION DATE | BUILDING SQUARE FEET (% LEASED) |
| Marketplace at Tech Center | Hampton | Whole Foods | July 2015 | 230,000 (70%) |
| 4815 Virginia Beach Blvd | Pembroke | Walmart | Aug 2014 | 123,575 (100%) |
| 2900 Turnpike Rd | Portsmouth | Kroger | Oct 2014 | 174,822 (99.1%) |
| GreenTree Marketplace | Greenbrier | Walmart Neighborhood Market | Sept 2014 | 64,064 (82.5%) |
| Lynnhaven Shopping Center | Little Neck | Hobby Lobby | Nov 2014 | 115,000 (100%) |

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 | \$7.20 | 4.3% | (10,725) |
| Williamsburg | 7,314,856 | 136,926 | 6.6% | 6,802,596 | \$15.31 | -2.2% | 28,876 |
| York/Poquoson | 1,813,874 | 0 | 10.2% | 1,684,961 | \$13.65 | -0.2% | 11,060 |
| Newport News | 11,787,099 | 61,602 | 6.6% | 11,018,498 | \$14.16 | 8.3% | 42,327 |
| Hampton | 6,319,748 | 0 | 9.6% | 5,679,470 | \$10.61 | -12% | 5,412 |
| PENINSULA | 28,789,546 | 198,528 | 8.04% | 26,627,555 | \$12.19 | -0.3% | 76,950 |
| Smithfield/Isle of Wight/ | | | | | | | |
| Suffolk/Franklin | 4,897,673 | 0 | 8.7% | 4,473,431 | \$8.00 | -11.9% | -14,016 |
| Harborview/Churchland/Western Branch | 5,199,070 | 28,504 | 3.5% | 5,015,494 | \$13.42 | -2.3% | 37,100 |
| Portsmouth | 3,690,748 | 0 | 5.8% | 3,477,350 | \$9.44 | -16.9% | 177,446 |
| Chesapeake | 8,030,024 | 19,248 | 5.1% | 7,581,960 | \$15.64 | 2.8% | 371 |
| Norfolk | 12,119,182 | 0 | 7.4% | 11,217,110 | \$12.63 | 13.0% | 108,454 |
| Virginia Beach | 23,224,318 | 106,544 | 7.14% | 18,858,122 | \$15.36 | 5.49% | 105,007 |
| SOUTHSIDE | 57,161,015 | 154,296 | 7.11% | 50,623,467 | 12.41 | -1.6 | 414,362 |
| TOTAL MARKET | 85,950,561 | 352,824 | 7.57% | 77,251,022 | \$12.30 | -1% | 491,312 |

* RENTAL RATES REFLECT ASKING \$PSF/YEAR