

MARKETBEAT RETAIL SNAPSHOT

HAMPTON ROADS, VA A Cushman & Wakefield Research Publication

Q3 2014



ECONOMIC OVERVIEW

The third quarter of 2014 reported a strong performance in Hampton Roads. In particular, a study by Williams Mullen shows that 80% of the nation's economic growth is expected to reside within emerging gateway regions, including Hampton Roads. Williamsburg city planners are working to position the city as a desirable halfway point between Richmond and Virginia Beach.

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. Former large big boxes are being subdivided in order to accommodate smaller space requirements.

SIGNIFICANT DEALS

New tenants to Town Center in Virginia Beach including Anthropologie, Lululemon, West Elm, Free People, and Francesca's are now open. 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. Kroger and Walmart Neighborhood Market are seeking to expand. Also noteworthy is the planned second location of Anderson's Garden Center near Red Mill Commons in Virginia Beach.

OUTLOOK

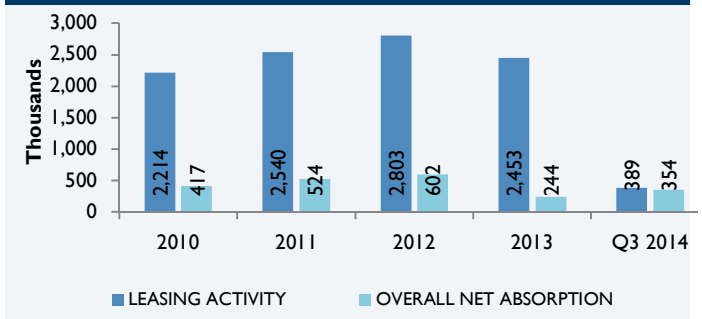
First-time entrants to the market such as Apple and Whole Foods display confidence in the Hampton Roads Market with second stores. This trend will continue with grocery store expansion and a broader array of first-time retailers to the market. The vacancy statistics will not improve until the larger 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 experience a significant boost this year.

STATS ON THE GO

	Q3 2013	Q3 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	6.7%	7.10%	0.05 pp	↕
Direct Asking Rents (psf/yr)	\$13.31	\$13.30	-0.1%	↕
YTD Leasing Activity (sf)	1,831,723	1,256,079	-31.42%	↕

LEASING ACTIVITY VS. OVERALL NET ABSORPTION



HAMPTON ROADS, VA SUBMARKET STATISTICS

SUBMARKET	INVENTORY	QUARTERLY CHANGE IN INVENTORY	VACANCY RATE	DEMAND (OCCUPIED SQUARE FEET)	ASKING RENT	RENT GROWTH	ABSORPTION
Gloucester	1,553,696	0	7.1%	1,441,532	\$11.18	1.54%	-8,950
Williamsburg	7,584,196	0.64%	6.6%	7,868,806	\$16.59	-1.72%	66,898
York/Poquoson	1,813,874	0	5.1%	1,696,960	\$14.27	-3.39%	17,660
Newport News	11,787,099	0.44%	5.7%	11,186,270	\$13.03	1.72%	83,639
Hampton	6,319,748	0.64%	8.4%	6,889,324	\$9.53	-28.56%	58,485
PENINSULA	28,789,546	0.49%	6.6%	29,082,892	\$12.92	-6.12%	217,732
Smithfield/Isle of Wight/ Suffolk/Franklin	4,897,673	0.18%	8.0%	4,459,651	\$8.02	-9.28%	19,619
Harborview/Churchland/Western Branch	5,199,070	-0.55	3.1%	5,136,520	\$13.87	-5.77%	33,857
Portsmouth	3,690,748	0%	3.1%	3,465,124	\$9.91	13.26%	243,699
Chesapeake	8,030,024	-0.22%	4.5%	7,728,884	\$14.59	-6.59%	120,550
Norfolk	12,119,182	2.82%	6.6%	11,583,700	\$12.62	1.86%	159,584
Virginia Beach	23,224,318	-0.02%	5.4%	21,935,900	\$15.50	-0.83%	223,846
SOUTHSIDE	57,161,015	154,296	7.11%	54,309,779	12.42	-1.90%	801,155
TOTAL MARKET	85,950,561	352,824	7.57%	83,392,671	12.67	-1.92%	1,018,887

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q3 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
Midtown Marketplace	Portsmouth	The TJX Companies, Inc.	Community Center	24,000
Turnberry Crossing	Newport News	Goodwill Industries, Inc.	Neighborhood Center	11,500
SIGNIFICANT Q3 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
MacArthur Center	Norfolk	Starwood Capital Group	\$165,772,496 / \$313 PSF	528,846
Landstown Commons	Princess Anne	Kite Realty Group	\$69,984,938 / \$171 PSF	409,749
Smithfield Plaza	Smithfield	Slate Retail REIT	\$13,950,000 / \$104 PSF	134,664
SIGNIFICANT Q3 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%)
Lynnhaven Shopping Center	Little Neck	Hobby Lobby	Nov 2014	115,000 (100%)