

MARKETBEAT

RETAIL SNAPSHOT

HAMPTON ROADS, VA

A Cushman & Wakefield Research Publication

Q4 2014



ECONOMIC OVERVIEW

Hampton Roads showed indicators of strong improvement throughout 2014. The area continues to draw attention from large corporations such as Canon, who pledged \$100 million to its Newport News site.

Norfolk Southern aided local business expansion in 94 industries in 2014 alone. Unemployment rates remained at 5.5% throughout Q4 2014. Retail businesses hired over 96,000 employees this year, more than any other industry. Hampton Roads employs over 110,000 daily in-commuters compared to roughly 96,000 people who commute outside Hampton Roads for work.

TRENDS

Small-format stores like Walmart Neighborhood Market continue to experience success. Wireless retailer NTELOS has exited the market in favor of developing its markets in Vest Virginia and western Virginia.

The newest apartment development at Town Center, Encore 4505 opened for leasing in Q4 2014 and solidifies Town Center as the premier destination to live, work, and play in Virginia Beach. Millennials and baby boomers fuel the desire for public settings that cater to their desire to socialize and find entertainment close to home rather than visit a traditional shopping center.

SIGNIFICANT DEALS

Pembroke Mall may acquire several new tenants in the new future, including REI, Nordstrom Rack, Fresh Market, and DSW. Additionally, the high-tech bowling alley Uptown Alley is interested in opening within the mall. These strong tenants would draw a significant amount of shoppers to the center.

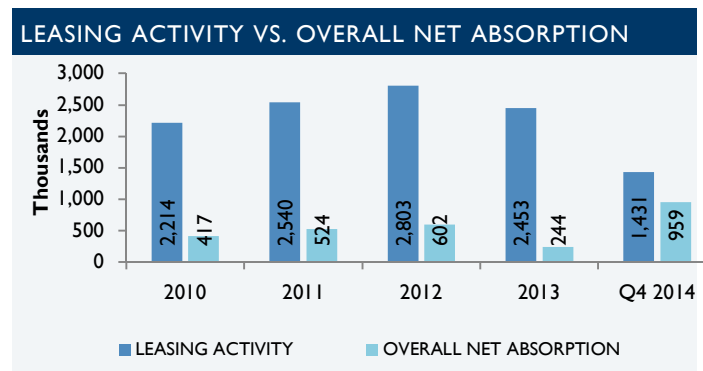
Dollar Tree acquired Family Dollar Stores earlier this year, allowing the discount chain to further expand within the market.

OUTLOOK

Retail continues to experience interest from several national chains. New construction allows for diverse site selection. Zoey's Kitchen opened its first location in Hampton Roads, with additional locations proposed in coming years.

If gas prices remain low, tourism should experience a boost in the coming months. With the national economy performing well, Hampton Roads can expect a 2.6% increase in retail sales in 2015. Although tourism will boost growth in retail, hospitality, and construction, salaries from these jobs alone cannot sustain Hampton Roads. The loss of military and civilian defense personnel will slow the region's growth. The unemployment rate is expected to decline from 5.5% to 5.2% in 2015.

STATS ON THE GO				
	Q4 2013	Q4 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	6.5%	6.4%	0.1 pp	↕
Direct Asking Rents (psf/yr)	\$12.75	\$12.79	3.1%	↕
YTD Leasing Activity (sf)	2,392,508	1,430,658	-59.8%	↕



HAMPTON ROADS, VA SUBMARKET STATISTICS

SUBMARKET	INVENTORY	QUARTERLY CHANGE IN INVENTORY	VACANCY RATE	DEMAND (OCCUPIED SQUARE FEET)	ASKING RENT	RENT GROWTH	ABSORPTION
Gloucester	1,551,696	0.00%	7.1%	1,441,523	\$11.94	7.12%	(8,959)
Williamsburg	7,370,808	-0.84%	6.1%	6,918,880	\$16.14	-3.04%	125,363
York/Poquoson	1,789,374	0.00%	5.7%	1,687,764	\$14.00	3.50%	26,133
Newport News	1,180,145	-0.39%	6.5%	1,103,678	\$12.74	-2.04%	94,186
Hampton	7,412,778	-0.67%	8.3%	6,787,253	\$10.88	-22.70%	66,337
PENINSULA	29,926,110	-0.53%	6.7%	27,872,206	\$13.14	-2.86%	303,060
Smithfield/Isle of Wight/ Suffolk/Franklin	4,834,553	0.00%	7.7%	4,461,257	\$7.84	-13.27%	36,930
Harborview/Churchland/Western Branch	5,337,612	-2.53%	3.2%	5,164,241	\$13.92	1.29%	151,372
Portsmouth	3,663,232	-3.65%	6.0%	3,443,881	\$9.66	15.94%	250,527
Chesapeake	8,183,256	-1.42%	4.4%	7,824,084	15.31	5.16%	207,532
Norfolk	12,295,465	-1.19%	6.4%	11,452,578	12.69	7.96%	230,624
Virginia Beach	23,647,961	-1.66%	5.2%	22,399,500	\$15.17	1.19%	583,465
SOUTHSIDE	57,962,079	-1.59%	5.5%	54,745,541	\$12.43	3.57%	1,460,450
TOTAL MARKET	87,888,189	-1.06%	6.1%	82,617,747	\$12.79	0.4%	1,763,510

* RENTAL RATES REFLECT ASKING \$PSF/YEAR

MARKET HIGHLIGHTS

SIGNIFICANT Q4 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	PROPERTY TYPE	SQUARE FEET
4505 Main St	Pembroke	West Elm	Mixed Use	9,431
Marketplace at Tech Center	Oyster Point	Mellow Mushroom	Lifestyle Center	6,500
SIGNIFICANT Q4 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
2007 S. Military Hwy	Greenbrier	Village Square Investors LLC	\$1,450,000 / \$209	6,932
SIGNIFICANT Q4 2014 CONSTRUCTION COMPLETIONS	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Market Square (Lynnhaven Shopping Center)	Little Neck	Hobby Lobby	Nov 2014	115,000 (100%)
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
Marketplace at Tech Center	Hampton	Whole Foods	Q3 2015	230,000 (70%)
Sandbridge Commons	General Booth	Harris Teeter	Q1 2015	75,565 (96%)
Hickman Place	General Booth	Verizon Wireless	Q3 2015	90,580 (6%)