

# MARKETBEAT OFFICE SNAPSHOT



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

Q1 2014



### ECONOMIC OVERVIEW

The Hampton Roads market is showing slow recovery. The unemployment rate dropped to 4.9% in February, the lowest reported since November 2008. Across Virginia, the private education and health services industries experienced the largest job growth, up 3.9% since last year.

Two Virginia Beach firms are off to a strong start: Liberty Tax Service and JES. Liberty Tax Service plans to expand its Virginia Beach headquarters by 35%, adding 47 jobs. JES engineering firm is also experiencing growth. After recently purchasing a 45,000-square foot (sf) building, the firm is completing a 13,000-sf build-out and adding 33 new positions in its software development division.

### VACANCY

Overall vacancy in the Hampton Roads office market has dropped slightly from 12.5% one year ago to 11.4% currently. The first quarter of 2014 saw 343,013 sf of leasing activity and 145,678 sf of overall net absorption.

### TRENDS

The Hampton Roads office market is facing a slow but steady recovery. Medical office users continue to lead the leasing activity. Brokers are also seeing a larger number of parties interested in purchasing medical office property. The general office market leasing activity trends are driven by downsizing of businesses and the desire to consolidate space rather than relocate. As tenants remain conservative, landlords are still leveraging concessions in rent abatement, lower rental rates, and higher tenant improvements to compete with other properties.

### OUTLOOK

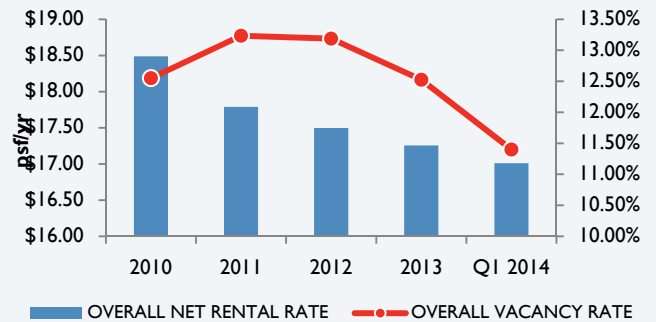
Residential sales & construction are picking up and prices are rising. As budget issues settle, businesses are becoming more confident.

Jobs recovered in Hampton Roads increased 2%, and are projected to grow 4% growth over the next three years.

Brokers expect to see steady activity within the Hampton Roads market. Tenant downsizing and lower rental rates continue to drive

landlords to accept conservative deals. New construction will help to meet the medical user demands.

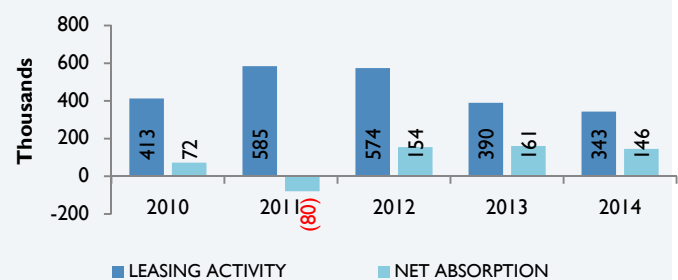
### OVERALL RENTAL VS. VACANCY RATES



### STATS ON THE GO

	Q1 2013	Q1 2014	Y-O-Y CHANGE	12 MONTH FORECAST
Overall Vacancy	12.5%	11.4%	-1.1pp	▼
Direct Asking Rents (psf/yr)	\$18.46	\$17.36	-0.06%	◀▶
YTD Leasing Activity (sf)	976,975	343,013	-0.65%	◀▶

### 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	257,016	8.8%	8.8%	0	0	0	0	0	\$13.43	0
Harborview/Churchland/Western Branch	959,078	12.4%	12.4%	13,491	0	0	(2,400)	(2,400)	\$17.16	\$18.75
Portsmouth	992,174	11.7%	11.7%	0	0	0	12,179	12,179	\$14.34	\$16.72
Chesapeake	15,536,660	7.6%	7.6%	4,581	0	0	2,157	2,157	\$16.79	\$16.76
Norfolk	1,062,968	14.1%	14.0%	0	0	0	(4,743)	(4,743)	\$18.17	\$23.77
Virginia Beach	6,885,788	8.7%	8.7%	330	221,600	0	1,906	1,906	\$18.75	\$22.54
<b>SOUTHSIDE</b>	<b>25,693,684</b>	<b>10.53%</b>	<b>10.53%</b>	<b>4,924</b>	<b>221,600</b>	<b>0</b>	<b>(3,067)</b>	<b>(3,067)</b>	<b>\$16.44</b>	<b>\$16.42</b>
Williamsburg	5,592,118	10.4%	10.2%	0	21,000	0	10,869	10,869	\$16.75	\$21.14
York/Poquoson	2,410,598	16.9%	16.9%	0	0	0	0	0	\$13.11	\$19.00
Newport News	3,487,122	8.7%	8.1%	0	30,545	0	10,378	10,378	\$15.99	\$19.49
Hampton	1,230,667	27.5%	25.8%	0	0	0	8,982	(1,018)	\$14.63	\$17.12
Gloucester	337,271	6%	3.9%	0	0	0	0	0	\$15.50	\$0
<b>PENINSULA</b>	<b>13,057,776</b>	<b>13.9%</b>	<b>12.9%</b>	<b>0</b>	<b>51,545</b>	<b>0</b>	<b>30,229</b>	<b>30,229</b>	<b>\$15.20</b>	<b>\$19.19</b>
<b>TOTALS</b>	<b>38,751,460</b>	<b>12.2%</b>	<b>11.7%</b>	<b>4,924</b>	<b>273,145</b>	<b>0</b>	<b>27,162</b>	<b>27,162</b>	<b>\$15.82</b>	<b>\$17.80</b>

\* RENTAL RATES REFLECT ASKING \$PSF/YEAR

Research methodology was updated as of 1Q 2014

## MARKET HIGHLIGHTS

SIGNIFICANT Q1 2014 LEASE TRANSACTIONS	SUBMARKET	TENANT	BUILDING CLASS	SQUARE FEET
Interstate Corporate Center – Bldg. 5*	Newtown	Senior Services of S.E. VA	B	18,011
Convergence Center III	Pembroke	FinFit	A	11,887
Reflections I	Lynnhaven	AGVIV	A	10,625
400 Butler Farm Rd	Hampton	Sprint	B	100,632
Hampton Tech Center*	Hampton	Policy Studies	B	12,524
SIGNIFICANT Q1 2014 SALE TRANSACTIONS	SUBMARKET	BUYER	PURCHASE PRICE / \$PSF	SQUARE FEET
11818 Rock Landing Drive	Newport News	Municipal Partners II, LLC	\$2,961,707/\$59.23	50,000
317 30th St	Virginia Beach	Home Associates of Virginia, Inc.	\$2,050,000/\$203.27	10,085
1741 Corporate Landing Pkwy	Virginia Beach	JES	\$2,500,000/\$55.56	45,000
4530 Professional Circle	Virginia Beach	Cameron Chemicals Inc.	\$675,000/\$103.56	6,518
909 First Colonial Rd	Virginia Beach	Rosalind L Foer Revocable Trust	\$520,000/\$147.52	3,525
SIGNIFICANT PROJECTS UNDER CONSTRUCTION	SUBMARKET	MAJOR TENANT	COMPLETION DATE	BUILDING SQUARE FEET (% LEASED)
4525 Main St – Block II	Pembroke	Clark Nexsen	Q4 2014	221,600 (45%)
Marketplace at Tech Center	Newport News	Whole Foods	Q2 2015	30,545 (5.3%)

\* RENEWAL - NOT INCLUDED IN LEASING ACTIVITY STATISTICS

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