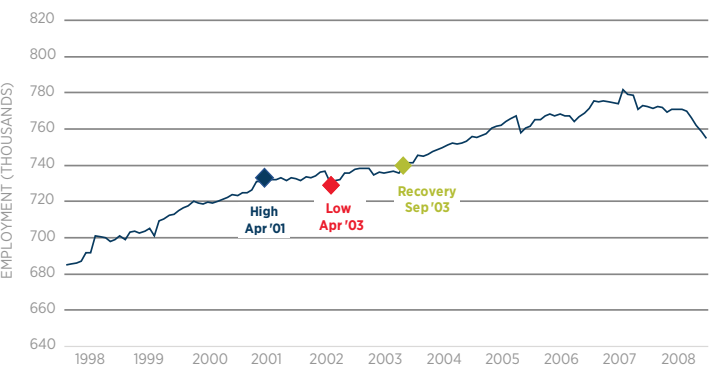


HAMPTON ROADS OFFICE PERFORMANCE IN DOWNTURNS

Past performance is not necessarily an indicator of future performance, but are there patterns present in the most recent economic downturns that can help inform Hampton Roads' commercial real estate today?



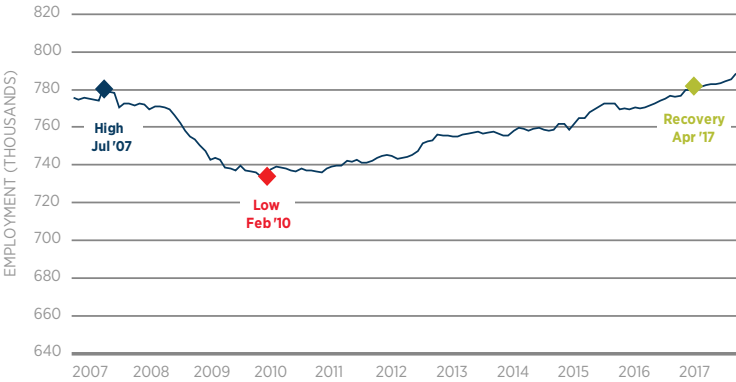
DOT-COM COLLAPSE | EMPLOYMENT



DOT-COM COLLAPSE

The Dot Com collapse led to over two years of stagnated employment growth. Non-farm employment took 15 months to reach its low-point, as total employment stayed relatively flat during this period. It took 14 months for steady employment growth to return after reaching its low-point.

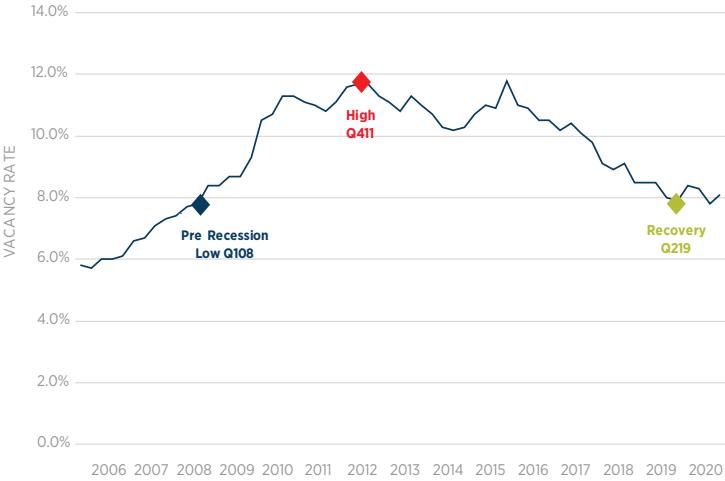
GLOBAL FINANCIAL CRISIS | EMPLOYMENT



GLOBAL FINANCIAL CRISIS (GFC)

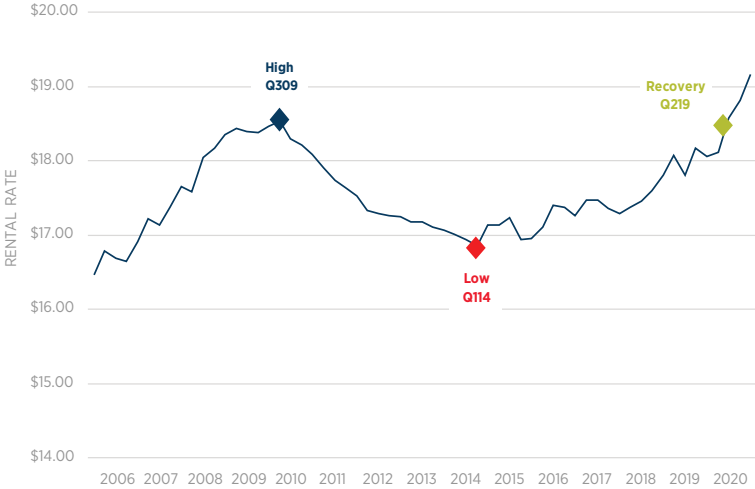
The impact of the GFC was more severe than the Dot Com collapse. Total employment fell for 31 months before reaching a trough, falling 6.5% during that time. Employment growth had stalled in the months before the GFC and led to a slower recovery that did not reach peak pre-recession levels until 2017.

GLOBAL FINANCIAL CRISIS | OFFICE MARKET

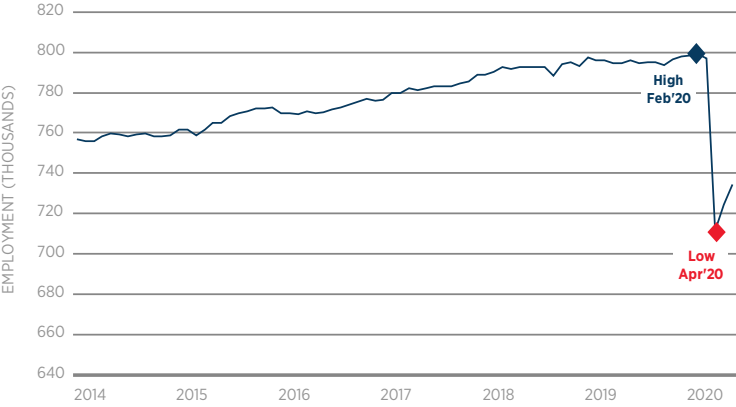


OFFICE MARKET

The office market took almost 7 years to recover from the GFC. Vacancy was increasing prior to the recession and exacerbated its effects. Vacancy increased from the previous low of 5.7% in 2005 to a high of 11.7% in 2011. The impact on rental rates lagged vacancy rate increases. Significant rent decline started nearly two years after vacancy rates began their spike. Rents fell 8.8% over a four-and-a-half-year period, taking a similar amount of time to reach their pre-recession peak.



COVID-19 PANDEMIC | EMPLOYMENT

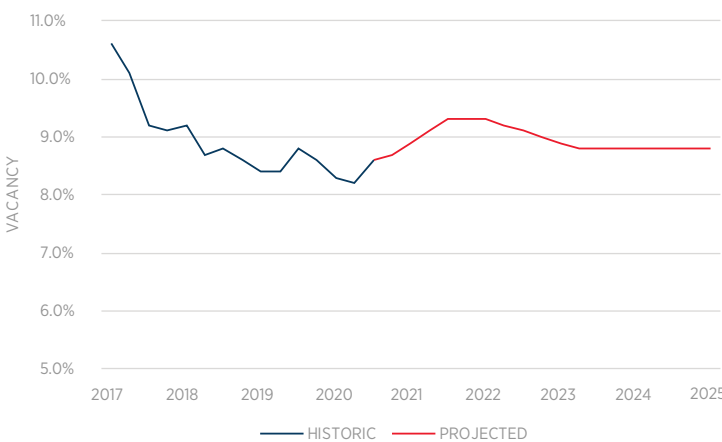


COVID-19 PANDEMIC

The current environment is unlike either of the previous recessions. Economic disruption from the pandemic has caused a much more immediate, deep impact to employment primarily in the retail, restaurant, and hospitality sectors. Overall employment in Hampton Roads has recovered 26% of the 87.4k jobs that were lost from February to April. The recovery period remains uncertain but could be quicker if businesses are able to return to normal soon. Local guidelines will have a major impact on recovery time, but the situation remains fluid as businesses adjust their operations in a post-pandemic world.

Source: Cushman & Wakefield | Thalhimer Research, CoStar

COVID-19 PANDEMIC | OFFICE MARKET



2020 TAILWINDS: ADVANTAGES OF THE HAMPTON ROADS OFFICE MARKET

BETTER POSITION TODAY THAN HEADING INTO THE GFC BECAUSE OF:



More diverse economy



Favorable population trends



Stronger office fundamentals before the crisis

BETTER POSITION THAN OTHER MARKETS ON THE EAST COAST BECAUSE OF:



Lower cost of living and desirable lifestyle



High concentration of well-educated millennials



Favorable housing market



Beneficiary of federal government jobs

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