

MARKETBEAT

Hampton Roads

Retail Q1 2019



ECONOMIC INDICATORS

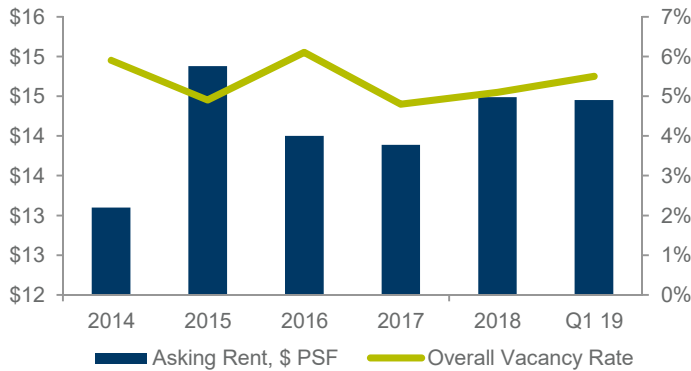
National	Q1 18	Q1 19*	12-Month Forecast**
GDP Growth	2.6%	2.9%	▲
CPI Growth	2.2%	1.6%	▲
Consumer Spending Growth	2.4%	3.2%	▲
Retail Sales Growth	4.9%	4.2%	▲

*Q1 19 Estimates. Values represent year-over-year % change
 **Forecast by Cushman & Wakefield

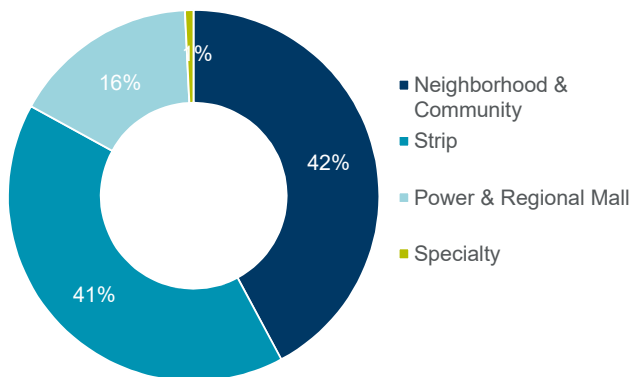
Regional	Q1 18	Q1 19*	12-Month Forecast
Household Income	\$65,026	\$66,748	▲
Population Growth	1.0%	1.0%	▬
Unemployment	3.8%	3.1%	▼

Source: Moody's Analytics

Rental Rate vs. Overall Vacancy



Availability by Type



Economy

The economy is still in growth – slow growth – mode. GDP and consumer spending have increased from this time last year, however the Consumer Price Index (CPI) and retail sales haven't grown quite as much year over year. Several analysts predict that the economic growth will slow down, but remain positive for the next twelve months. Within the Hampton Roads region, household income continues to grow, and the unemployment rate continues to decrease.

Market Overview

As the retail industry continues to face structural challenges, many retailers within Hampton Roads are underperforming or are heavily burdened with debt, which makes their future uncertain. Several national retailers have announced they will be filing for bankruptcy. Not all stores that file for bankruptcy will be closing their doors, some are looking to restructure some debt, however it's not a promising sign for landlords and developers with a number of these top national brands on the brink of being dissolved. Fresh Market is definitely one of the grocery stores to be watching for this year, and not in a good way. They are not expected to be adding any more stores, but possibly closing them down, due to the sharp increase of competition on organic, "healthy" grocery options within the market. Especially with Wegman's opening in Virginia Beach, and Whole Foods and Kroger expanding their offerings around the market, this is increased pressure on attracting the grocery dollars.

Even though there are many stores announcing closings, there are more and more stores that are opening and expanding. Some are local, some are focused on entertainment, some are national eateries and others are fitness chains. There is a new food hall coming into downtown Norfolk called the Granby Station. The operator plans to open additional concepts throughout the market. The big news this year for the market is IKEA opening on April 10 and Wegman's opening on April 28.

Outlook

Looking ahead to the second quarter, most brokers are optimistic about new opportunities and active tenants throughout the market. There are deals to be made, however the economics of the deal structure are becoming tighter with increased competition in "new, retail" space, and increasing construction costs. In the local neighborhood centers, service providers seem to be doing well and restaurants seem to be happy; however, the sales of physical goods is harder to sustain with increased competition around town and online. Retail sales may have slowed down but we continue to see an increase year over year.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	OVERALL VACANCY RATE	OVERALL CURRENT NET ABSORPTION (SF)	OVERALL YTD NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (NNN)
Gloucester	175	1,974,926	6.5%	-1,018	-1,018	0	\$14.54
Williamsburg	511	7,622,921	7.5%	-16,166	-16,166	7,380	\$16.24
York/Poquoson	259	2,316,480	6.8%	-930	-930	0	\$16.18
Newport News	689	9,131,426	4.4%	26,998	26,998	0	\$15.40
Hampton	1,099	13,425,190	6.0%	-65,402	-65,402	18,980	\$12.04
Smithfield/Isle of Wight/Suffolk/Franklin	599	5,829,255	5.2%	-2,094	-2,094	0	\$13.16
Harbourview/Churchland/Western Branch	206	3,153,508	5.6%	-42,811	-42,811	77,850	\$14.26
Portsmouth	604	4,881,686	3.8%	48,773	48,773	0	\$8.07
Chesapeake	546	11,026,968	5.4%	-34,355	-34,355	41,340	\$16.91
Norfolk	1,365	16,109,679	5.7%	-25,745	-24,745	65,350	\$14.78
Virginia Beach	2,007	28,361,223	5.2%	-167,667	-167,667	12,356	\$15.98
HAMPTON ROADS TOTALS	8,060	103,833,062	5.5%	-280,417	-280,417	223,256	\$14.45

*Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
928 Diamond Springs Road	53,231	Farm Fresh, Inc.	New	Virginia Beach
1800 W. Mercury Boulevard	48,551	Floor & Décor	New	Hampton
1800 W. Mercury Boulevard	48,551	SkyZone	New	Hampton
4876 Princess Anne Rd.	43,342	NAK Paradise Inc. E-Mark	Sublease	Virginia Beach

Key Sales Transactions Q1 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
100 Newmarket Fair Mall	247,190	Seritage SRC Finance, LLC / Eastpoint Retail	\$8,800,000 / \$36	Hampton
4019 W. Mercury Boulevard	173,199	Earle W. Kazis Associates / Harvey Lindsay Commercial Real Estate	\$8,700,000 / \$ 50	Hampton
2720-2728 N. Mail Drive	173,191	CW Capital Asset Management, LLC / Mishorim Gold Richmond, LP	\$10,000,000 / \$57	Virginia Beach

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