

MARKETBEAT HAMPTON ROADS

CUSHMAN &
WAKEFIELD
THALHIMER

Office Q1 2020

7.9%

Vacancy Rate

YoY
Chg



12-Mo.
Forecast



236K

Net Absorption, SF



\$18.94

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2020

799.3K

Hampton Roads
Employment

YoY
Chg



12-Mo.
Forecast



2.9%

Hampton Roads
Unemployment Rate



3.6 %

U.S.
Unemployment Rate



Source: BLS

ECONOMY: COVID-19

The Coronavirus (COVID-19) situation is extremely fluid and tremendous uncertainty remains regarding long term impact on economic growth and future financial and real estate markets in Hampton Roads. The Coronavirus Aid, Relief and Economic Security (CARES) Act signed into law last week is the largest rescue package in U.S. history and will have unpredictable impact at this moment in time. The conservative steady growth that Hampton Roads experienced at the end of this cycle was relatively flat compared to other parts of the national economy which optimistically will lead to down cycle insulation.

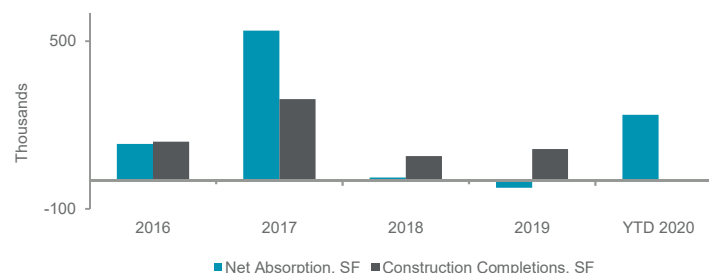
SUPPLY SIDE FLAT: Office Fundamentals at Record Positives Going into Recession

First quarter 2020 marks the end of an unprecedented run in the cycle. The positive for the Hampton Roads office market is very little new inventory was brought online which usually marks the run-up to a recession. Coupled with the fact that a significant number of Hampton Roads office occupiers are defense related and federally funded, there could be optimal signs that the downturn is shallower than surrounding higher growth markets with more retail and finance users. The downside for the market was rent growth had finally started to accelerate late in the cycle, so recent gains will most likely be short-lived. The lack of rent growth will render new construction unlikely for the foreseeable future, but at some point, parts of the existing local office inventory will become functionally obsolete for modern office demand. Coworking will be up against an early test as they have no current ability to operate and with the high rents that they are paying for new construction and TI, questions remain whether they will have the cash reserves to hang on in the short term, before demand for flexible space runs its course.

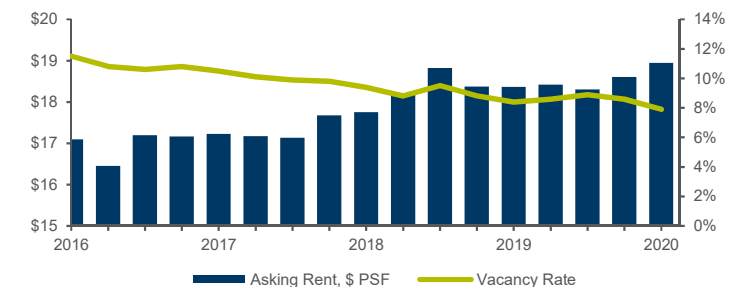
FORECAST: Wild Ride Ahead

The unprecedented COVID-19 event shows how quickly tailwinds can reverse to headwinds. The last Marketbeat discussed the momentum in the market in 2019, and keys for 2020 were avoiding pressures from factors outside the region. A pandemic that started in Wuhan, China will completely change the outlook and momentum gained over the last decade. The overall downturn and ultimate federal and global stimulus response will provide a potentially wild ride for the remaining three quarters of 2020 and into the new decade in the Hampton Roads office market.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Chesapeake	5,149,080	38,182	165,905	5.1%	-8,000	-8,000	44,466	158,000	\$18.60	\$20.07
Gloucester	106,173	0	452	0.4%	0	0	0	0	\$10.50	N/A
Hampton	3,539,518	13,855	746,763	21.9%	-41,823	-41,823	18,806	0	\$15.27	\$16.66
Harborview / Western Branch	1,871,280	0	156,070	9.5%	-40,427	-40,427	17,569	0	\$16.90	\$27.00
Newport News	6,955,009	1,796	532,202	8.5%	-4,707	-4,707	99,034	316,565	\$18.06	\$22.45
Norfolk	9,822,872	18,625	847,197	9.3%	233,521	233,521	76,304	20,000	\$21.26	\$24.46
Portsmouth	1,090,020	0	88,170	8.1%	-3,952	-3,952	4,327	0	\$16.69	\$17.99
Suffolk	1,080,443	0	32,892	3.0%	0	0	0	0	\$18.03	N/A
Virginia Beach	11,776,815	24,884	687,736	6.5%	114,721	114,721	143,787	70,000	\$19.69	\$20.99
Williamsburg	1,436,144	0	65,910	4.6%	-7,238	-7,238	0	0	\$19.09	\$23.00
York	594,631	0	27,650	5.1%	-6,047	-6,047	2,500	0	\$18.26	\$19.75
HAMPTON ROADS TOTALS	43,421,985	97,432	3,350,947	7.9%	236,048	236,048	406,793	564,565	\$18.94	\$21.51

*Rental rates reflect full service asking. Leasing statistics include renewals.

KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1151 Azalea Garden Rd.	Norfolk	US Government Fleet Human Resources	44,066	New Lease
1317 Executive Blvd.	Chesapeake	Burns & McDonnell	37,850	New Lease
2 BayPort Way, Ste. 200/300	Newport News	BayPort Credit Union	34,264	New Lease
222 Central Park Ave.	Virginia Beach	Cherry, Bekaert & Holland, LLP	18,255	Renewal

KEY SALES TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
150 W. Brambleton Boulevard	Norfolk	Virginian-Pilot Media Companies, LLC / The Monument Companies, LLC	173,000	\$9.4M / \$54
400 Granby Street	Norfolk	The City of Norfolk / Beacon Norfolk, LLC	88,836	\$3.7M / \$42
733 Volvo Parkway	Chesapeake	Davenport Group / Volvo III, LLC	75,969	\$8.4M / \$111
2877 Guardian Lane	Virginia Beach	Greenspring Realty Partners, Inc. / Guardian Lane West, LLC	66,062	\$6.8M / \$102
555 S. Independence Boulevard	Virginia Beach	Thalhimer Realty Partners / Imotion Hosting Inc.	61,528	\$8.5M / \$138

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