

Office Q1 2021

YoY Chg 12-Mo. Forecast

8.5%

Vacancy Rate



-37K

YTD Net Absorption, SF



\$20.08

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q1 2021

YoY Chg 12-Mo. Forecast

767.8K

Hampton Roads Employment



6.1%

Hampton Roads Unemployment Rate



6.0%

United States Unemployment Rate



Source: BLS

ECONOMY: 2021 Bounce Back

Hampton Roads' Gross Domestic Product in 2021 is predicted to increase by 4.4 percent, civilian job growth should increase by 4.7 percent, and unemployment is slated to drop to 4.8 percent despite the ripple effects from COVID-19. Warm weather and the vaccine rollout are leading to the light at the end of the tunnel that the pandemic has created over the last 12 months. With local defense spending predicted to grow another 5% in 2021, the second half of the year could catapult 2021 as a banner year for the overall market. Port traffic, the hospitality industry, and the residential market are predicted to set record numbers.

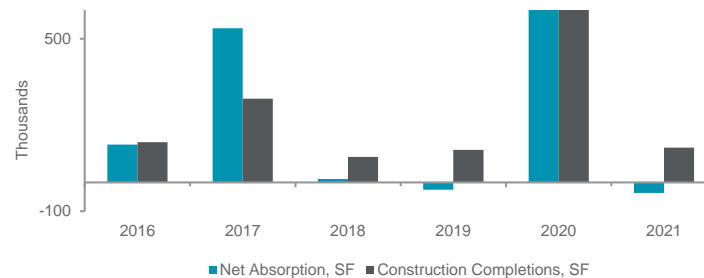
FUNDAMENTALS: Flat Vacancy and Rent Growth

The question across the country is when office usage returns to pre-pandemic levels, and despite the vaccine rollout, numbers at the end of the first quarter still are showing only about 25% of employees are back in the office. Office deals in Hampton Roads for 2020 were consistently short-term renewals to "kick the can down the road" until future workforce strategies can come into clearer focus. The first quarter of 2021 already appears to be pivoting away from that mindset with leasing velocity being particularly strong in Greenbrier and Downtown Norfolk. Vacancy has remained flat and rent continues to grow, so the recovery could be quicker than other competitive East Coast markets. Pembroke Park has taken three buildings out to market in the Town Center submarket; according to the brokers, interest has been high and the ultimate price per square foot should serve as a good barometer for how outside investors view the overall Hampton Roads market. Despite rent growth, tenant improvements costs continue to rise exponentially, making longer term deals critical in this changing environment.

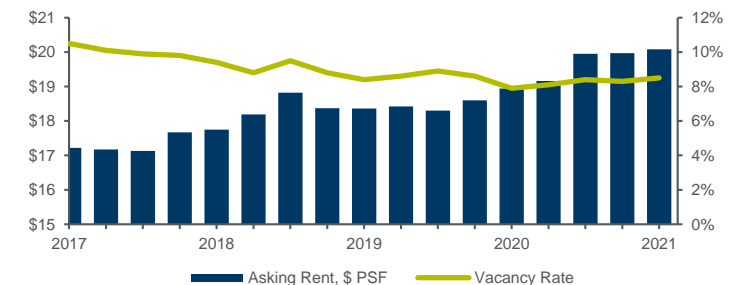
FORECAST: Big Block Users

Although the fundamentals are healthy and leasing velocity has improved, there are still a number of big block vacancies that have hit the market at the same time in Hampton Roads. As Hampton Roads' job growth has historically lagged behind national indicators, the number of occupiers entering the market to fill these big holes will be tested. As the Commonwealth pushes through over 50% of the population being vaccinated in Q2 2021, office usage should climb dramatically in the coming months with the third and fourth quarter giving us an even clearer picture of the future of Hampton Roads' office demand.

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	5,329,837	14,494	567,093	10.9%	-128,854	-128,854	10,902	0	\$20.80	\$21.25
Gloucester	121,725	0	452	0.4%	0	0	0	0	N/A	N/A
Hampton	3,566,186	11,781	681,426	19.4%	61,686	61,686	30,691	0	\$15.82	\$16.70
Harborview / Western Branch	1,813,535	0	86,999	4.8%	12,235	12,235	5,721	0	\$22.24	\$27.00
Newport News	7,370,557	21,983	472,573	6.7%	-16,203	-16,203	51,895	0	\$20.17	\$20.22
Norfolk	10,351,334	30,231	864,194	8.6%	72,259	72,259	14,226	46,154	\$21.90	\$25.53
Portsmouth	1,229,596	3,155	82,654	7.0%	-20,534	-20,534	18,032	0	\$17.81	\$18.13
Suffolk	1,083,743	0	37,724	3.5%	0	0	0	0	\$26.00	N/A
Virginia Beach	12,133,710	47,253	823,392	7.2%	-7,167	-7,167	66,068	90,000	\$20.44	\$22.46
Williamsburg	1,478,241	0	63,687	4.3%	-11,267	-11,267	1,946	0	\$18.91	\$23.00
York	594,631	0	43,724	7.4%	1,307	1,307	1,307	0	\$6.96	N/A
HAMPTON ROADS TOTALS	45,073,095	128,897	3,714,984	8.5%	-36,538	-36,538	200,788	136,154	\$20.08	\$22.17

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

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
12350 Jefferson Avenue	Newport News	Northrup Grumman	50,433	Renewal
5301 Robin Hood Road	Norfolk	Citigroup Technology	33,077	Renewal
1 Enterprise Parkway	Hampton	SSAI	30,755	Renewal
1151 Azalea Garden Road	Norfolk	US Government Fleet Human Resources	28,151	Renewal

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
100 & 300 Exploration Way	Hampton	Twenty Lake Management, LLC / Strategic Government Properties, LLC	157,421	\$22.8M / \$145
11844 & 11846 Rock Landing Drive	Newport News	Rock Landing Partners III & IV / SSBL, LLC	36,250	\$3.0M / \$83
1112 Main Street	Suffolk	Tower 112, LLC / 112 Tower, LLC	28,000	\$1.1M / \$39

ROB WRIGHT

Senior Vice President

+1 757 499 2896

rob.wright@thalhimer.com

thalhimer.com

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