

## Office Q1 2022

YoY Chg      12-Mo. Forecast

**8.8%**

Vacancy Rate



**-111K**

YTD Net Absorption, SF



**\$20.73**

Asking Rent, PSF



(Overall, All Property Classes)

### ECONOMIC INDICATORS Q1 2021

YoY Chg      12-Mo. Forecast

**773K**

Hampton Roads  
Employment



**3.7%**

Hampton Roads  
Unemployment Rate



**3.6%**

United States  
Unemployment Rate



Source: BLS

### ECONOMY: POST COVID HURDLES

The Hampton Roads economy faces two major obstacles at the start of 2022; inflation and labor force shortages. As we push past COVID-19, the most powerful lingering impact is global supply chain shortages and workforce mobility. Employers are facing increasing costs for labor and materials and are pushing these increases forward to consumers. The Fed has signaled that it will adjust monetary policy in 2022 to combat inflation. The positive for Hampton Roads is defense, the port, and tourism - the three pillars of the local economy are poised for record setting numbers in 2022. In 2022, the Department of Defense (DoD) will spend about \$25 billion in the region which will, in turn, lift overall economic activity by over \$40 billion. Also, the National Defense Authorization Act (NDAA) outlines increases in housing allowances, compensation, and benefits which will impact a significant portion of employees across the region. The Port of Virginia set record numbers in 2021 and as long as it continues to leverage its natural resources against competing East Coast ports, it should continue to ride the wave of global economic expansion. As consumer demand has been resilient throughout the pandemic, momentum should continue to push tourism with hotel revenue continuing to climb in 2022 and beyond.

### FUNDAMENTALS: Q1 BACK TO OFFICE

As local office occupiers have been back in the office since summer of 2020; Q1 2022 marked the return of national companies bringing employees back to local Hampton Roads offices. Long-term real estate decision making is still on hold as employers are trying to figure out hybrid work-from-home models and are just starting to attain solid data to evaluate longer term decisions. Long-term decisions are what is needed right now, however, as inflation and construction labor shortages are pushing tenant improvement allowances to levels that our market rent cannot support. The result is spaces that are turnkey and efficient are leasing quickly and at above market rents. Spaces that need significant re-work and TIA are a challenge and are pushing both tenants and landlords to make uncomfortable decisions. That same concept has led to stratification in the market as Class A product has decreased in availability and lower quality product has opened up. The positive for the Hampton Roads office market as always is a lack of supply side pressure and that trend will be further reinforced in 2022 as there is virtually no new office construction in the pipeline.

### FORECAST: RATE FEAR

Even as the Fed is forced to make tough monetary policy decisions in 2022, office sales will set per square foot records across the region because of a number of different forces. Investors will try to take advantage of rates while they can; industrial and multifamily investors will grow weary of sub four cap deals; and occupiers that are faced with build-out costs that do not pencil, will want to at least control their real estate because of the overall investment required.

### 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	5,304,523	62,906	408,440	9.2%	25,387	25,387	33,480	0	\$19.88	\$20.66
Gloucester	121,725	0	968	0.8%	-321	-321	0	0	N/A	N/A
Hampton	3,775,100	11,781	561,671	15.3%	137,451	137,451	16,508	0	\$15.76	\$16.66
Harborview / Western Branch	1,776,721	3,644	78,887	4.6%	21,752	21,752	6,768	0	\$15.71	N/A
Newport News	7,697,584	0	653,994	8.5%	-49,111	-49,111	13,830	0	\$20.03	\$20.23
Norfolk	9,876,978	40,750	946,468	10.1%	-61,347	-61,347	44,445	0	\$22.89	\$26.33
Portsmouth	1,203,801	3,155	69,138	6.0%	-1,513	-1,513	0	0	\$18.33	\$19.10
Suffolk	1,140,726	0	17,073	1.5%	6,147	6,147	0	0	\$26.98	N/A
Virginia Beach	12,178,035	46,995	924,887	8.5%	-187,764	-187,764	124,578	113,524	\$21.18	\$22.69
Williamsburg	1,462,239	0	69,393	4.8%	5,707	5,707	8,579	0	\$18.79	\$23.00
York	610,342	0	55,730	9.1%	-7,203	-7,203	0	0	\$21.00	N/A
<b>HAMPTON ROADS TOTALS</b>	<b>45,147,774</b>	<b>169,231</b>	<b>3,786,649</b>	<b>8.8%</b>	<b>-110,815</b>	<b>-110,815</b>	<b>248,188</b>	<b>113,524</b>	<b>\$20.73</b>	<b>\$21.94</b>

\*Rental rates reflect full service asking. Leasing statistics do not include renewals.

## KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
4433 Corporation Lane	Virginia Beach	Movement Mortgage	18,206	New Lease
5366 Virginia Beach Boulevard	Virginia Beach	CACI	15,630	Renewal
150 W Main Street	Norfolk	CoStar	12,557	Renewal
831 Seahawk Circle	Virginia Beach	StarChase	12,000	New Lease

## KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
860 & 870 Greenbrier Circle	Chesapeake	Office Properties Income Trust / SF Partners	171,761	\$18.9M / \$110
1717 Will O Wisp Drive	Virginia Beach	RDG / Montecito	51,077	\$20.79M / \$407
500 W 21 <sup>st</sup> Street	Norfolk	Monarch Bank / OMD Enterprise, LLC	17,306	\$3.46M / \$200

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