

HAMPTON ROADS OFFICE

Economic Indicators

	Q2 18	Q2 19	12-Month Forecast
Hampton Roads Employment	793k	796k	▲
Hampton Roads Unemployment	3.3%	3.3%	▲
U.S. Unemployment	3.9%	3.6%	▼

Numbers above are quarterly averages; June 2019 data used to represent Q2 2019

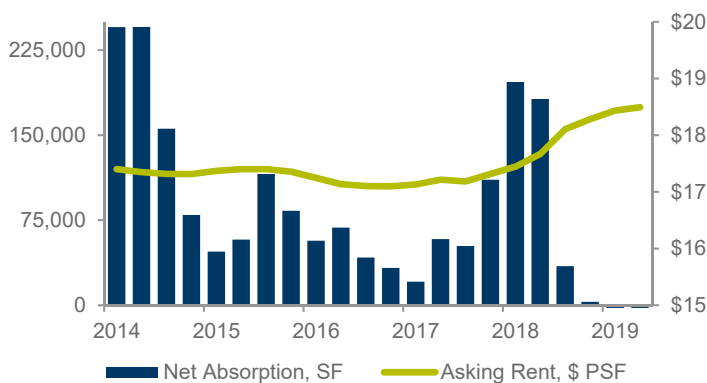
Market Indicators (Overall, All Classes)

	Q2 18	Q2 19	12-Month Forecast
Vacancy	8.9%	8.1%	▼
YTD Net Absorption (sf)	413k	157k	▼
Under Construction (sf)	590k	1.1M	▲
Average Asking Rent*	\$18.19	\$18.42	▲

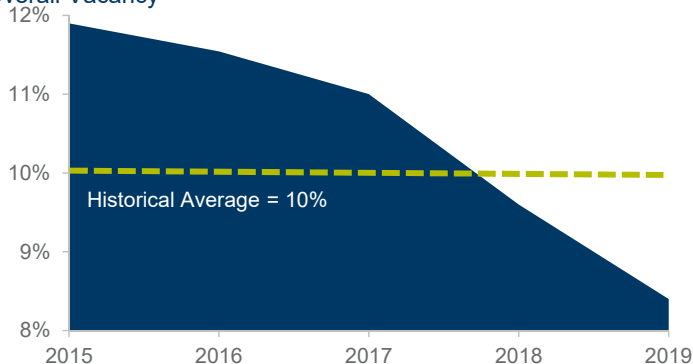
*Rental rates reflect gross asking \$psf/year

Overall Net Absorption vs. Overall Asking Rent

4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

The addition of 6,000 jobs in Hampton Roads in 2018 caused civilian jobs to exceed the peak level in 2007. The 2019 forecast is on track for regional real GDP growth of 2.4%, civilian job growth of 0.8% and unemployment falling to 3.1% this year. Regional real GDP growth continues to be fueled by the port, health care, tourism, and the anchor, the defense sector. The region's largest employer, Huntington Ingalls Industries, parent company of Newport News Shipbuilding, has a reported record \$41 billion backlog of work. Defense spending is accelerating in the short term, but the deficit in Washington will continue to be the focus.

Market Overview

The buzz of coworking and shared office space that has been trending across the country has finally arrived in Hampton Roads. Gather is open in Downtown Norfolk in 30,000 SF on the top two floors of 500 E. Main. Novel Coworking closed on the 55,000 SF City Center building and is under construction with a planned Fall 2019 opening. Percolator has three locations open in Norfolk, and Regus and OSS, traditional shared space options have had steady occupancy for years. Assembly, an ambitious office campus project by Grow is under construction at 400 Granby Street and its first phase will be nearly 50,000 SF. The absorption of this new coworking product in Downtown Norfolk will be top of mind for operators, building owners, tenants, and municipalities across the region. Roughly 10% of the region's office inventory is in Downtown Norfolk, but nearly 95% of the coworking options are in the same submarket. 230,000 SF of coworking space will be online by the end of 2019.

The saturation in the Downtown Norfolk market is spurring on companies like Gather, Venture X, Industrious, and rumors of WeWork to explore other submarkets across the region.

Outlook

Asking rent growth has quickly accelerated over the first two quarters of 2019. Downtown Norfolk has been the quickest off the line with rent jumps of \$2.00-\$2.50 SF across the board. Vacancy will continue to drop because of the lack of new supply in the market, although new deliveries currently under construction will add a fresh new dynamic to the market for the rest of 2019 and into 2020.

MARKETBEAT

Hampton Roads

Office Q2 2019



CUSHMAN & WAKEFIELD

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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 AVERAGE ASKING RENT (ALL CLASSES)**	OVERALL AVERAGE ASKING RENT (CLASS A)**
Chesapeake	4,806,844	9,373	208,895	4.5%	23,484	-49,403	61,364	682,803	\$17.51	\$19.71
Gloucester	106,173	0	452	0.4%	0	2,647	0	0	\$10.50	N/A
Hampton	3,538,832	8,138	734,970	20.9%	378	1,051	51,826	0	\$14.35	\$16.78
Harbourview / Western Branch	1,746,252	0	104,879	6.0%	1,339	10,162	16,882	0	\$17.00	\$22.50
Newport News	6,946,674	1,796	572,324	8.3%	34,500	292,795	89,642	329,397	\$17.38	\$20.64
Norfolk	9,652,806	99,270	843,642	9.8%	-42,254	-92,640	139,863	20,000	\$19.85	\$23.87
Portsmouth	1,332,907	0	85,949	6.4%	13,290	12,534	3,369	0	\$16.45	\$18.06
Suffolk	990,600	0	24,905	2.5%	-300	27,500	0	24,807	\$9.62	N/A
Virginia Beach	11,693,024	63,789	843,697	7.8%	15,120	-88,301	199,512	0	\$18.95	\$21.03
Williamsburg	1,478,710	1,270	78,582	5.4%	-7,492	27,434	2,086	0	\$19.32	\$17.47
York	580,615	0	9,603	1.7%	-505	13,713	300	0	\$9.88	N/A
HAMPTON ROADS TOTALS	42,873,437	183,636	3,507,898	8.6%	37,560	157,492	564,844	1,057,007	\$18.42	\$21.66

**Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
6160 Commander Parkway	65,524	International Marketing Association	New	Norfolk
4500 Main Street	30,663	Art Institute of Virginia Beach	Renewal	Virginia Beach
355 Fenwick Road	25,698	Liberty Source PBC	Renewal	Hampton
1317 Executive Boulevard	25,625	Burns & McDonnell Engineering Company	Renewal	Chesapeake
11815 Fountain Way	17,425	Huntington Ingalls Nuclear	New	Newport News

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Lingerfelt Portfolio – 22 buildings	1,322,003	Lingerfelt Commonwealth Partners / Acme Equities, LLC	\$110,000,000 / \$83	Various
116 Lakeview Parkway	351,075	Easterly Gov. Properties / CW Capital	\$79,200,000 / \$226	Suffolk
223 E. City Hall Avenue	68,198	Novel Coworking / LNR Partners	\$4,000,000 / \$59	Norfolk
680 Oyster Point Road	24,184	Summit CRE Group / SJ Collins	\$10,200,000 / \$420	Newport News

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