

## Office Q2 2021

YoY Chg      12-Mo. Forecast

**9.2%**

Vacancy Rate



**-93K**

YTD Net Absorption, SF



**\$20.19**

Asking Rent, PSF



(Overall, All Property Classes)

### ECONOMIC INDICATORS Q2 2021

YoY Chg      12-Mo. Forecast

**760K**

Hampton Roads  
Employment



**5.2%**

Hampton Roads  
Unemployment Rate



**5.9%**

United States  
Unemployment Rate



Source: BLS

### ECONOMY: Three Pillars and a Future Wind Hub

Hampton Roads' economy continues to rest on three pillars that fuel the economic growth in the region which have shown strong performance following the pandemic. Real GDP for Hampton Roads is projected to grow at its fastest pace since 2004 with forecasted growth of 4.8%, making up for the region's slight GDP reduction in 2020. The rise in GDP can be attributed to a large commitment by the DoD to increase spending in the region from \$23.5 billion to \$24.8 billion in 2021. Revenue and Revenue Per Available Room (RevPAR) continues to outpace Virginia and national hospitality numbers. The Dragas Center for Economic Analysis and Policy predicts a 12.9% increase in total cargo tonnage and a 16.8% increase in TEUs in 2021 for the Port of Virginia. A future pillar of the local economy could be wind energy. "Hampton Roads" unmatched port infrastructure and high-quality maritime workforce make the region an ideal location for offshore wind energy development," says Virginia Governor Northam. "Virginia should be the prime location for the offshore wind industry from the supply chain to the full buildout of our offshore wind assets off the coast." Dominion Energy's \$7.8 billion project off the coast of Virginia Beach is an excellent starting point for the region.

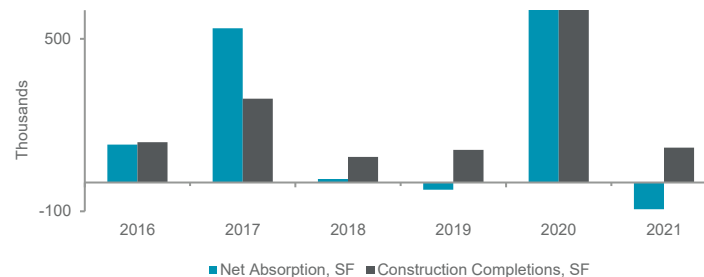
### FUNDAMENTALS: Leasing Velocity Follows Employees Return to the Office

Some of the region's largest employers have made announcements that employees are coming back to the office and leasing velocity has followed suit. The Summit Pointe speculative office building has been an important barometer for the overall market and despite negative absorption in the overall market, significant leasing activity occurred in Q2 in the newest delivery in the market. World Trade Center is under contract which could signal demand drivers in secondary markets like Hampton Roads in business-friendly Virginia.

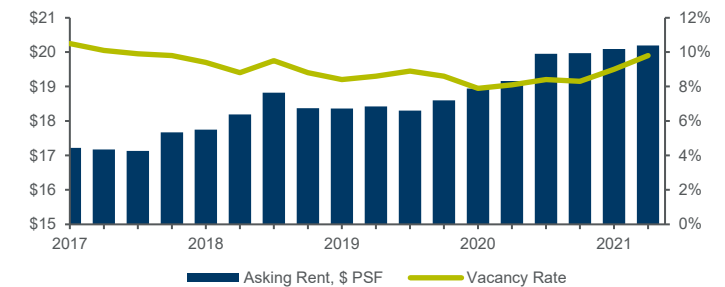
### FORECAST: Positive Absorption for 2H-2021

Positive absorption should follow the healthy tailwinds of the overall economy for the rest of 2021 in Hampton Roads. Although rental rates continue to increase, Landlords continue to offer larger incentive packages to occupiers in the market. The increases in sublease opportunities seem to have leveled off, but direct market fundamentals have not been impacted to date. Tenants are increasingly demanding flexible space options, indoor air quality, outdoor spaces, connected building apps and touchless technology so newer vintage buildings will revert to receiving the most tenant demand moving forward.

### 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	5,322,652	21,469	581,910	11.4%	-17,328	-42,024	40,475	0	\$20.54	\$21.31
Gloucester	121,725	0	452	0.4%	0	0	0	0	N/A	N/A
Hampton	3,572,024	11,781	729,378	21.4%	-68,782	-4,782	79,852	0	\$16.04	\$16.98
Harborview / Western Branch	1,816,131	0	116,388	6.5%	-30,836	-18,601	24,639	0	\$22.61	\$27.00
Newport News	7,462,873	17,897	455,678	6.4%	168,905	150,170	58,698	0	\$19.96	\$19.81
Norfolk	10,346,951	84,250	883,348	9.6%	-85,376	-24,298	77,511	46,154	\$21.99	\$25.52
Portsmouth	1,229,596	3,155	99,939	8.4%	-4,253	-19,607	18,032	0	\$17.66	\$18.04
Suffolk	1,098,049	0	40,474	3.7%	-2,750	-2,750	0	0	\$26.87	N/A
Virginia Beach	12,157,297	133,082	838,969	8.4%	-108,106	-102,330	195,583	117,570	\$20.39	\$22.39
Williamsburg	1,479,322	0	70,913	5.1%	-11,550	-22,817	11,587	0	\$19.26	\$23.00
York	607,431	0	51,394	8.5%	-7,670	-6,363	11,307	0	N/A	N/A
<b>HAMPTON ROADS TOTALS</b>	<b>45,214,051</b>	<b>271,634</b>	<b>3,868,843</b>	<b>9.2%</b>	<b>-167,746</b>	<b>-93,402</b>	<b>517,684</b>	<b>163,724</b>	<b>\$20.19</b>	<b>\$22.12</b>

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

## KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
555 Belaire Avenue	Chesapeake	MAP Communications	28,813	New Lease
2551 Eltham Avenue	Norfolk	Mr. Fix-It	27,240	New Lease
421 Butler Farm Road	Hampton	Rivermont Schools	19,685	New Lease
11832 Rock Landing Drive	Newport News	Riverside Healthcare	16,528	Renewal

## KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
1545 Crossways Blvd	Chesapeake	DSC Partners / Heritage Capital Group	524,776	\$61.05M / \$116
100 Landmark Square	Virginia Beach	The Planit Group / Peak Performance for Men	23,565	\$3.6M / \$152
905 N Battlefield Blvd	Chesapeake	Michael Sifen / Robert Goodman	12,253	\$3.05M / \$249

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