

MARKETBEAT HAMPTON ROADS

Office Q3 2020

YoY Chg 12-Mo. Forecast

8.4%

Vacancy Rate



544K

YTD Net Absorption, SF



\$19.95

Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2020

YoY Chg 12-Mo. Forecast

750K

Hampton Roads
Employment



8.2%

Hampton Roads
Unemployment Rate



8.8 %

U.S.
Unemployment Rate



Source: BLS

ECONOMY: Impact of COVID-19 Continues

Although Hampton Roads and Virginia have fared well compared to metros and states across the country, the impact of COVID-19 continues to be felt across all sectors of the local economy. Multifamily fundamentals that were strong going into the coronavirus pandemic have remained positive with Hampton Roads being one of the few markets in the country with positive rent growth through the pandemic. Median home prices continue to rise, and inventory is at record lows. The hospitality industry which is a key pillar of the local economy, has been severely impacted but REVPAR metrics have led the country. The Port of Virginia TEU counts fell almost 20% at the start of pandemic but have recovered in September to equivalent 2019 numbers. Defense spending has continued to insulate the regional economy with Huntington Ingalls contract wins having cascading effects across multiple sectors, but all eyes are on the November election.

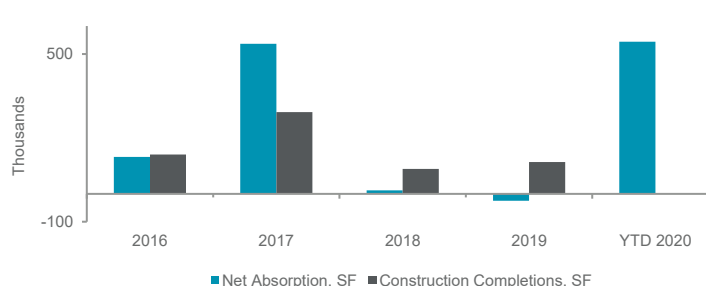
FUNDAMENTALS STRONG: Deeper Dive into the Numbers

The office sector continues to be one of the softest asset classes across commercial real estate for both lenders and investors and leasing velocity locally mimics that sentiment. The positive is flat supply over the last economic cycle has created an environment where vacancy is still in the single digits and there is an uptick in average asking rental rates. Some of the rent growth can be attributed to new speculative medical office buildings out in the market which historically have higher rental rates because of the heavy tenant improvement allowances. Although vacancy rates are low, availability rates are rising as multiple subleases have hit the market over the last two quarters. The positive net absorption numbers are somewhat skewed by two outlier transactions, the Norfolk Southern – TowneBank/CHKD transaction and the Ferguson occupancy of their new corporate headquarters on the Peninsula.

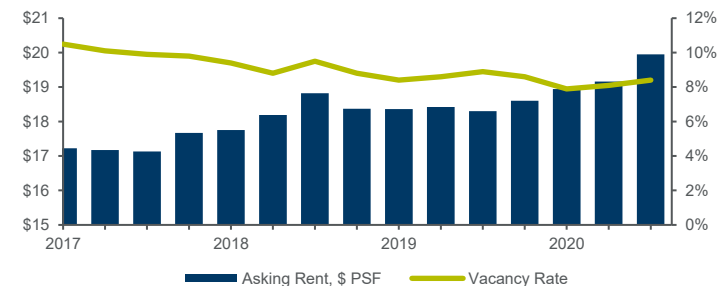
FORECAST: Wait and See Approach

Like every part of the economy, but more heavily skewed in the office sector, investors, occupiers, and lenders are waiting for results of the pending November election and vaccine clinical trials. There is still a significant delta between buyer and seller expectations, so investment deals will be slow through the 4th quarter and leasing velocity and absorption will most likely dip in the 4th quarter of what is already an unprecedented year. The optimistic hope is that 2021 provides clear relief on the extreme stress that Hampton Roads has experienced, both economically and socially, and we rebound quicker than previous recessions.

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	5,362,117	14,912	454,073	9.7%	-97,588	-128,279	151,561	0	\$20.17	\$21.07
Gloucester	106,173	0	452	0.4%	0	0	0	0	N/A	N/A
Hampton	3,566,186	17,498	720,928	20.9%	17,863	-67,941	149,449	0	\$15.77	\$16.52
Harborview / Western Branch	1,886,702	0	92,124	5.2%	-2,685	31,987	41,850	0	\$22.24	\$27.00
Newport News	7,348,227	4,734	589,680	8.2%	254,651	295,122	66,888	0	\$20.13	\$20.08
Norfolk	9,799,594	27,248	804,328	8.9%	-21,728	269,215	119,801	121,000	\$21.76	\$25.63
Portsmouth	1,229,596	0	83,610	7.0%	-22,004	14,183	9,460	0	\$13.84	\$18.01
Suffolk	1,083,743	0	32,892	3.0%	0	0	5,240	0	\$26.06	\$24.53
Virginia Beach	12,136,969	33,773	768,564	7.4%	146,282	162,777	287,431	0	\$20.78	\$21.84
Williamsburg	1,436,144	2,000	69,572	5.2%	6,965	-21,364	14,359	0	\$19.92	\$23.00
York	594,631	0	31,393	5.3%	-2,543	-11,790	4,067	0	\$18.35	\$19.75
HAMPTON ROADS TOTALS	44,550,082	100,165	3,647,616	8.4%	279,213	543,910	850,106	121,000	\$19.95	\$23.07

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

KEY LEASE TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1305 Executive Drive	Chesapeake	DB Schenker	26,283	Renewal
11832 Rock Landing Dr.	Newport News	Riverside Health Systems	16,528	Renewal
4525 South Blvd.	Virginia Beach	NVR Inc.	15,968	New Lease
1011 Eden Way	Chesapeake	Synergy Health Systems	9,469	New Lease

KEY SALES TRANSACTIONS Q3 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
824 N. Military Highway	Norfolk	City of Norfolk / Sentara Healthcare	184,801	\$20M / \$109
1441 Crossways Boulevard	Chesapeake	DSC Partners, LLC / Boyd Waterson	144,512	\$26M / \$181
1430 Kristina Way	Chesapeake	DSC Partners, LLC / Boyd Waterson	61,992	\$15M / \$242
11818 Rock Landing Drive	Newport News	Franklin Management Co. / Peninsula Partners, LLC	29,885	\$3.4M / \$114

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