

Office Q4 2019

YoY Chg 12-Mo. Forecast

8.6%
Vacancy Rate



82K
Net Absorption, SF



\$18.60
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2019

YoY Chg 12-Mo. Forecast

794K
Hampton Roads Employment



3.0%
Hampton Roads Unemployment Rate



3.6%
U.S. Unemployment Rate



Source: BLS

ECONOMY: Regional Rebrand

The Hampton Roads Chamber and the Virginia Peninsula Chamber of Commerce recently presented a study recommending 757 as the regional moniker for the overall market. The report concluded that the name is a way residents connect emotionally to the region and does not exclude an individual city or create a division, but connects all 1.75 million residents across the MSA. The latest State of the Region forecast, as in years past, urged the market to work together to create a more regional economy and, in light of global trade factors and world economies, continue to support dredging the channel and improving efficiency. Two Amazon fulfillment centers / distribution facilities in Suffolk and Chesapeake speak to that trend. Economists estimate that the 2019 regional gross domestic product broke the \$100 billion mark, with growth around 2.4%. Real per capita income continues to grow and unemployment is at record lows, but the area needs to create more private sector jobs to keep pace with neighboring markets.

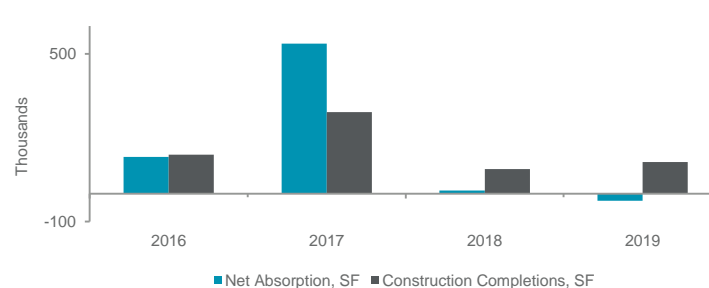
SUPPLY SIDE STILL FLAT: Single Digit Vacancy Across the Region

Fourth quarter 2019 bookended the year similar to 2019 Q1 with marginal but positive absorption contrasted with no new supply so market fundamentals continue to improve. Rent growth continues to inch forward, although rent levels peak at levels shy of what is required for new speculative office construction. Chesapeake, the tightest submarket in the region, will be the first to weather new supply, with the Summit Pointe project coming online in the second quarter of 2020. With a 4.4% vacancy rate, however, the market needs some runway for occupiers to have some maneuverability. Three Commercial Place, the 310,000 square foot (sf) Norfolk Southern corporate headquarter building in Downtown Norfolk, is the biggest contributor to the Norfolk submarket's 11% vacancy rate. If a deal can materialize early in 2020, the submarket will also dip into single digits leaving only the Hampton submarket as the soft spot across the 757.

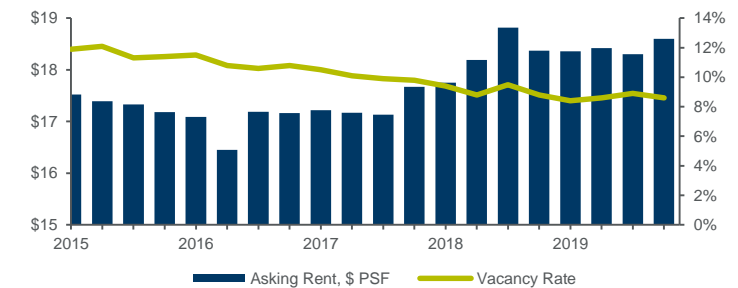
PRICING: Sustain Tailwinds

With the momentum in the market in 2019, the key for 2020 will be avoiding pressures and factors from influences outside of the region. Landlords need to look past relatively flat historical absorption and be bullish on maximizing rental rates. Market fundamentals have never been tighter and now is the time to strike with rental rate growth. Increasing tenant upfit costs will continue in 2020, which will put even greater pressure on rental rate growth and extended term.

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	4,829,080	8,354	203,237	4.4%	22,664	-32,962	252,179	682,803	\$18.37	\$20.20
Gloucester	106,173	0	452	0.4%	0	2,647	0	0	\$10.50	N/A
Hampton	3,539,518	8,138	681,059	20.3%	-29,381	-33,951	61,493	0	\$15.27	\$16.45
Harborview / Western Branch	1,746,505	0	103,382	7.7%	262	8,311	53,944	24,883	\$17.01	\$22.50
Newport News	6,947,668	1,796	595,393	8.6%	-49,491	285,398	108,516	316,565	\$17.64	\$20.11
Norfolk	9,748,061	11,773	978,001	11.1%	63,826	-247,839	236,909	20,000	\$20.64	\$23.99
Portsmouth	1,092,276	0	94,018	8.6%	4,432	8,462	5,776	0	\$16.34	\$17.97
Suffolk	1,031,887	0	34,655	4.3%	-9,487	11,213	2,295	0	\$9.24	N/A
Virginia Beach	11,748,824	38,600	849,801	7.6%	53,723	-88,628	429,121	0	\$19.43	\$20.97
Williamsburg	1,463,644	0	57,579	3.9%	22,383	48,097	15,572	0	\$18.21	\$17.47
York	594,631	0	9,603	3.3%	3,379	14,218	1,996	0	\$18.26	\$19.75
HAMPTON ROADS TOTALS	42,848,267	68,661	3,607,180	8.6%	82,310	-25,034	1,167,801	1,044,251	\$18.60	\$21.30

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

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
161 Enterprise Dr.	Newport News	Swisslog, Inc.	44,066	Renewal
1434 Crossways Blvd.	Chesapeake	ValueOptions Federal Services	37,850	Renewal
808 Live Oak Dr.	Chesapeake	Commonwealth of Virginia	25,777	New Lease
6340 Center Dr.	Virginia Beach	Commonwealth of Virginia	18,255	New Lease
530 Independence Pkwy.	Chesapeake	Stratas Corporation	16,462	New Lease

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
555 S. Independence Blvd	Virginia Beach	Campus Realty Virginia Beach / InMotion Hosting, Inc.	61,528	\$8.5M / \$138
300 Medical Parkway	Chesapeake	Chesapeake Medical Properties, LLC / Pmak Chesapeake, LLC	56,947	\$9M / \$158
1151 Azalea Garden Road	Norfolk	Azalea Garden, LLC / N/A	54,894	\$4M / \$73
332 N. Henry Street	Williamsburg	Henry Street Land Co., LLC / William & Mary Real Estate Foundation	23,332	\$4.5M / \$193
2117 McComas Way	Virginia Beach	Frank J. Beale / Nimmo Properties, LLC	15,054	\$2.8M / \$183

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