

Office Q4 2020

	YoY Chg	12-Mo. Forecast
<b>8.3%</b> Vacancy Rate	▲	▼
<b>631K</b> YTD Net Absorption, SF	▲	▼
<b>\$19.97</b> Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

## ECONOMIC INDICATORS Q4 2020

	YoY Chg	12-Mo. Forecast
<b>771K</b> Hampton Roads Employment	▼	▲
<b>5.7%</b> Hampton Roads Unemployment Rate	▲	▼
<b>6.7%</b> U.S. Unemployment Rate	▲	▼

Source: BLS

## ECONOMY: Defense Continues to Keep Market Afloat

At year end, the Navy Region Mid-Atlantic released a report stating overall U.S. Navy spending in Hampton Roads totaled \$15.4 billion in the previous fiscal year. "This report shows the Navy continues to be a major economic driver in Hampton Roads that provides meaningful employment for uniformed personnel and civilians while also supporting private businesses throughout the region," said Rear Admiral Charles W. Rock, commander of Navy Region Mid-Atlantic. Coupled with the continued residential real estate market boom, market fundamentals appear to be very steady compared to the national landscape. Although the market is not showing new job growth, residential real estate transactions are confirming non-local households are contributing to the rise in median home pricing and the positive demand. Political unrest and the lingering COVID-19 impact will continue to dominate any economic forecast for early 2021.

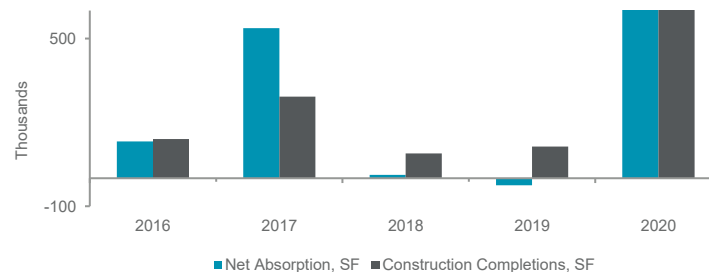
## FUNDAMENTALS: Mixed Signals

The 170,000-square foot (sf) Summit Pointe speculative office development delivered in Q4, will serve as the market's best barometer on the true absorption potential in these unprecedented times. To date, the micro analysis of that delivery and project is symbolic of the overall market challenges. The Greenbrier/Battlefield submarket has jumped from 3% vacancy to 5% vacancy post delivery, but deals have continued to happen throughout the submarket for buildings other than Summit Pointe. The knee-jerk reaction would be to point to the asking rent delta, but the more pressing issue seems to be overcoming the longer lease terms required by first generation space. Although office sales volume was expected to slow in late 2020, volume increased to \$21 million in Q4, with 372,000 sf of office space sold. Owner-occupants made up the majority of the buyer-pool and pushed local per-pound prices higher, despite cap rates ascending in the investment market.

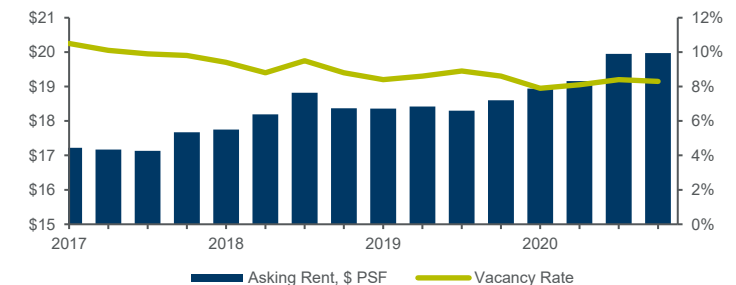
## FORECAST: Wait and See Approach

The effectiveness of vaccine clinical trials will be the true measure of where office fundamentals will trend in 2021. Nationally, the workplace has forever changed, but historically, the defense occupiers and federal government entities lag the trends of the private economy. Sluggish historical inventory additions over the last cycle will optimistically keep the Hampton Roads office market healthy enough to survive these current pandemic struggles.

## 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	5,360,920	14,849	470,302	9.3%	91,647	-91,715	181,164	0	\$20.54	\$21.24
Gloucester	106,173	0	452	0.4%	0	0	0	0	N/A	N/A
Hampton	3,566,186	17,498	745,140	21.4%	-52,640	-52,640	163,707	0	\$15.80	\$16.62
Harborview / Western Branch	1,846,446	0	99,639	5.5%	-8,807	28,360	44,460	0	\$22.24	\$27.00
Newport News	7,346,557	8,284	480,909	8.2%	33,845	328,967	166,501	0	\$20.15	\$20.01
Norfolk	9,793,661	23,652	764,12	8.9%	-18,110	272,303	130,444	0	\$22.14	\$25.68
Portsmouth	1,229,596	0	83,911	7.1%	-10,969	13,039	13,829	0	\$13.93	\$18.10
Suffolk	1,083,743	0	37,724	3.5%	-2,842	-4,832	5,240	0	\$26.00	\$24.53
Virginia Beach	12,181,949	45,494	821,504	7.8%	-23,594	150,784	379,109	0	\$20.41	\$22.06
Williamsburg	1,466,099	0	55,515	3.8%	10,539	-2,843	23,783	0	\$19.36	\$23.00
York	594,631	0	46,831	7.9%	1,503	-10,287	5,577	0	\$6.96	N/A
<b>HAMPTON ROADS TOTALS</b>	<b>44,575,961</b>	<b>109,777</b>	<b>3,606,132</b>	<b>8.3%</b>	<b>20,572</b>	<b>631,136</b>	<b>1,113,814</b>	<b>0</b>	<b>\$19.97</b>	<b>\$22.17</b>

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

## KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5425 Robin Hood Rd.	Norfolk	PRA Group	68,053	Renewal
4421 Virginia Beach Blvd.	Virginia Beach	TPMG	23,260	New Lease
484 Viking Dr.	Virginia Beach	City of Virginia Beach Public Works	20,437	New Lease
4500 Main Street	Virginia Beach	Brown & Brown Insurance	8,351	New Lease

## KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
661 Independence Parkway	Chesapeake	PNA / Battlefield Corp. Center 661, LLC	50,000	\$4.25M / \$85
5716 Cleveland Street	Virginia Beach	Olympia / Montecito Medical Real Estate	30,000	\$6.5M / \$217
1157 First Colonial	Virginia Beach	Lefcoe / Behl Orthodontics	21,621	\$3.5 / \$162

## ROB WRIGHT

Senior Vice President

+1 757 499 2896

[rob.wright@thalhimer.com](mailto:rob.wright@thalhimer.com)

[thalhimer.com](http://thalhimer.com)

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