

# MARKETBEAT HAMPTON ROADS

Office Q4 2021

YoY Chg 12-Mo. Forecast

**8.6%**  
Vacancy Rate



**206K**  
YTD Net Absorption, SF



**\$20.48**  
Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q4 2021

YoY Chg 12-Mo. Forecast

**767K**  
Hampton Roads  
Employment



**4.1%**  
Hampton Roads  
Unemployment Rate



**4.2%**  
United States  
Unemployment Rate



Source: BLS

## ECONOMY: Ebb and Flow with COVID

Virginia's economy continues to recover from the pandemic but each variant slows momentum. Job growth is the fundamental equation in recovery. Retail, restaurant, and hospitality jobs are directly impacted by each new slow down. Higher paying jobs and diversification away from the federal government continue to be critical talking points for the region. Wind energy, drones, cybersecurity, and biomedical sectors need continued focus to bring more talent to the overall market.

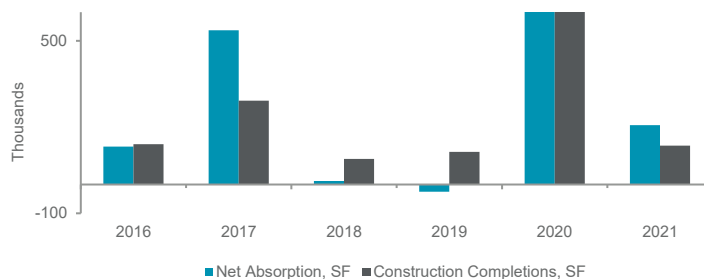
## FUNDAMENTALS: Record Sales Volume Despite Static Leasing Velocity

Q4 2021 saw record-breaking office sale transactions. From multi-building CBD transactions to iconic Downtown Norfolk towers to smaller owner-occupant deals, the year ended with transactions across the board. Fear of interest rate rise, capital gains question marks, and a tumultuous stock market were all significant contributors to this robust activity. The market continued to maintain a healthy vacancy rate and fairly healthy absorption in Q4. Rental rates increased because of the coupled effect of rising tenant improvement costs and a focus on flexibility and term over pricing. With the \$74 million sale of Newport News' City Center at Oyster Point, there will be new energy driving the Peninsula's only CBD Class A office product. The \$188 per square foot sale of the iconic World Trade Center in Downtown Norfolk hopefully builds momentum for new leasing velocity and activity Downtown, a submarket that has been slower to recover than other Hampton Roads submarkets.

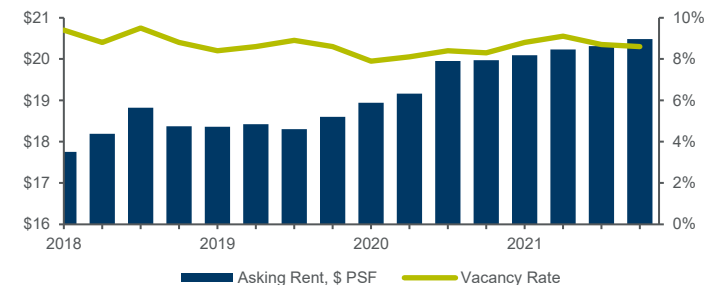
## FORECAST: 2022 a Repeat of 2021?

The major question for 2022 is what big names will replace larger occupiers like Anthem, Norfolk Southern, Dominion Enterprises and others that announced permanent retreats in the market. Even with those key departures, there are only a handful of big-block office opportunities in the overall Hampton Roads MSA. Several of those will be filled by the end of 2022. Sublease activity spiked in 2021, but 2022 will mark a return to more normal levels of sublease activity in the market. As inventory continues to be flat if not decrease because of the insatiable appetite of multifamily developers converting functionally obsolete office product to residential, vacancy will continue to stay low. All in all, 2022 most likely will not look drastically different than 2021 in Hampton Roads.

## 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	5,231,888	25,623	563,290	11.5%	-38,442	-33,619	157,193	0	\$20.38	\$21.00
Gloucester	121,725	0	647	0.5%	-195	-195	0	0	N/A	N/A
Hampton	3,811,171	11,781	704,381	19.6%	51,044	11,113	177,894	0	\$15.76	\$16.60
Harborview / Western Branch	1,815,574	0	107,810	5.9%	-2,667	-9,583	108,238	0	\$15.50	N/A
Newport News	7,495,226	0	438,870	5.9%	37,442	186,846	141,529	0	\$20.05	\$20.06
Norfolk	9,861,893	56,975	904,529	9.7%	-59,610	-15,991	236,468	46,154	\$22.16	\$25.72
Portsmouth	1,229,596	3,155	67,625	5.8%	7,168	3,289	46,474	0	\$18.26	\$18.94
Suffolk	1,140,726	0	23,220	2.0%	11,556	11,556	8,966	0	\$26.87	N/A
Virginia Beach	12,170,023	61,764	772,684	6.9%	56,430	72,700	367,238	141,094	\$20.98	\$22.79
Williamsburg	1,466,234	0	67,365	4.6%	-8,203	-16,298	27,081	0	\$18.99	\$23.00
York	607,431	0	48,527	8.0%	-2,401	-3,496	17,069	0	N/A	N/A
<b>HAMPTON ROADS TOTALS</b>	<b>44,951,487</b>	<b>159,298</b>	<b>3,698,948</b>	<b>8.6%</b>	<b>52,122</b>	<b>206,322</b>	<b>1,288,150</b>	<b>187,248</b>	<b>\$20.48</b>	<b>\$22.26</b>

\*Rental rates reflect full service asking. Leasing statistics do not include renewals.

## KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1151 Azalea Garden Road	Norfolk	Sentara Therapy Center	27,447	New Lease
1305 Executive Boulevard	Chesapeake	Schenker, Inc.	18,825	Renewal
514 Butler Farm Road	Hampton	Ibex Global Solutions, Inc.	22,039	New Lease
222 Central Park Avenue	Virginia Beach	AECOM.	9,842	New Lease

## KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
City Center at Oyster Point Portfolio	Newport News	Various / Murphy Property Group	574,466	\$74M / \$129
101 W. Main Street	Norfolk	Harbor Group International, LLC / WTC Holdings, LLC	366,106	\$68.9M / \$188
1421 Kristina Way	Chesapeake	Capital One / School Board of the City of Chesapeake	119,946	\$13.3M / \$111

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