

Office Q3 2022

YoY Chg 12-Mo. Forecast

8.8%
Vacancy Rate



-73K
YTD Net Absorption, SF



\$20.83
Asking Rent, PSF



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2022

YoY Chg 12-Mo. Forecast

784K
Hampton Roads
Employment



3.1%
Hampton Roads
Unemployment Rate



3.7%
United States
Unemployment Rate



Source: BLS

ECONOMY: LOCAL MARKET FUNDAMENTALS VS MACRO ECONOMY

As continued inflation, rising interest rates, and consumer sentiment hamper the 2022 economic growth across the United States, the three pillars of the local market - defense spending, the Port, and tourism - continue to keep pushing the Hampton Roads economy forward, and the midyear economic forecast predicts 2022 will surpass 2021. Nominal hotel revenues have risen by 9% in the last four quarters because of the market's reliance on leisure as opposed to business travel across the country. The efficiency of the Port of Virginia continues to lead to record numbers compared to other East Coast ports that have battled congestion issues as American consumer demand for imports has no slow down in sight. The most important pillar - defense spending - is the critical element in mitigating the macro trends of the overall economy. The November elections will be important in seeing how Washington will allocate future Federal dollars back to the local Hampton Roads market.

FUNDAMENTALS: MIXED SIGNALS

The market continues to show conflicting trends in several market fundamentals. The second quarter of 2022 saw positive net absorption while Q3 showed negative absorption. Asking rents continue to creep up as vacancy trickles down. The challenging element for tenant rep brokers in the market is limited quality small and medium-sized spaces in ideal submarkets. There are several big-block sublease and direct lease spaces available in the overall market that are skewing the numbers of availability for the most in-demand square footage requirements. Downtown Norfolk had positive absorption in 500 Main Street due to the new City of Norfolk deal. Wells Fargo, World Trade Center, and Dominion Enterprises still have large blocks of contiguous square footage available, hurting the Downtown vacancy rate. Virginia Beach Town Center remains a super tight submarket despite big blocks of available space at Corporate I, Corporate IV, Corporate V, and TechnoCenter. However, Convergence and Town Center proper are nearly full. The Greenbrier market is recovering as well with Summit Pointe stabilizing, and a couple of other big block vacancies have either been filled or are currently working through deals. Overall, in each market the size and quality of space available matters. Spaces that are bigger than typical market demand, and spaces that require significant buildout or modification continue to be the same spaces that are sitting stale on the market.

FORECAST: MARKET HEALTH CONTINUES TO RECOVER

Occupiers are at a point where they've either subleased their space or have come up against an expiration, so the market will continue to stave off supply-side pressure with no construction pipeline and no subleases coming online. This will lead to continued overall health in the market despite tepid leasing velocity. Continuing increases in construction costs will lead to tenants having to participate in buildout costs either by writing a check, committing to longer lease terms, amortizing a portion of the costs over the base rent, or a combination thereof.

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	5,387,071	66,313	548,229	11.8%	-66,164	-23,474	102,564	0	\$19.92	\$20.67
Gloucester	121,725	0	773	0.6%	0	-126	0	0	N/A	N/A
Hampton	3,771,908	21,069	383,419	11.8%	-32,458	267,134	67,298	0	\$15.87	\$16.60
Harborview / Western Branch	1,835,416	3,644	97,660	5.8%	-27,396	-1,288	38,339	112,000	\$15.35	N/A
Newport News	7,685,690	0	790,408	10.6%	-126,092	-212,450	122,841	0	\$19.97	\$20.10
Norfolk	10,030,381	31,750	937,003	9.7%	-56,431	-37,117	181,507	20,000	\$23.27	\$27.16
Portsmouth	1,203,801	3,155	52,825	4.7%	8,717	14,800	1,158	0	\$18.22	\$19.09
Suffolk	1,140,726	0	33,893	3.0%	-16,820	-10,673	1,375	0	\$26.98	N/A
Virginia Beach	12,135,805	47,495	855,850	7.8%	141,584	-64,900	370,204	0	\$21.46	\$23.20
Williamsburg	1,479,680	0	70,423	5.0%	-7,819	2,751	53,795	0	\$18.32	N/A
York	608,758	0	55,998	9.2%	-1,575	-7,471	1,704	0	\$19.95	N/A
HAMPTON ROADS TOTALS	45,400,961	173,426	3,826,481	8.8%	-184,454	-72,814	940,785	132,000	\$20.83	\$22.68

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

KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5465 Greenwich Rd.	Virginia Beach	Hoffland Properties, LLC	21,000	New Lease
11832 Rock Landing Dr.	Newport News	Rock Landing Partners I, LLC	16,528	Renewal
208 Golden Oak Ct.	Virginia Beach	Acme Equities, LLC	15,199	New Lease

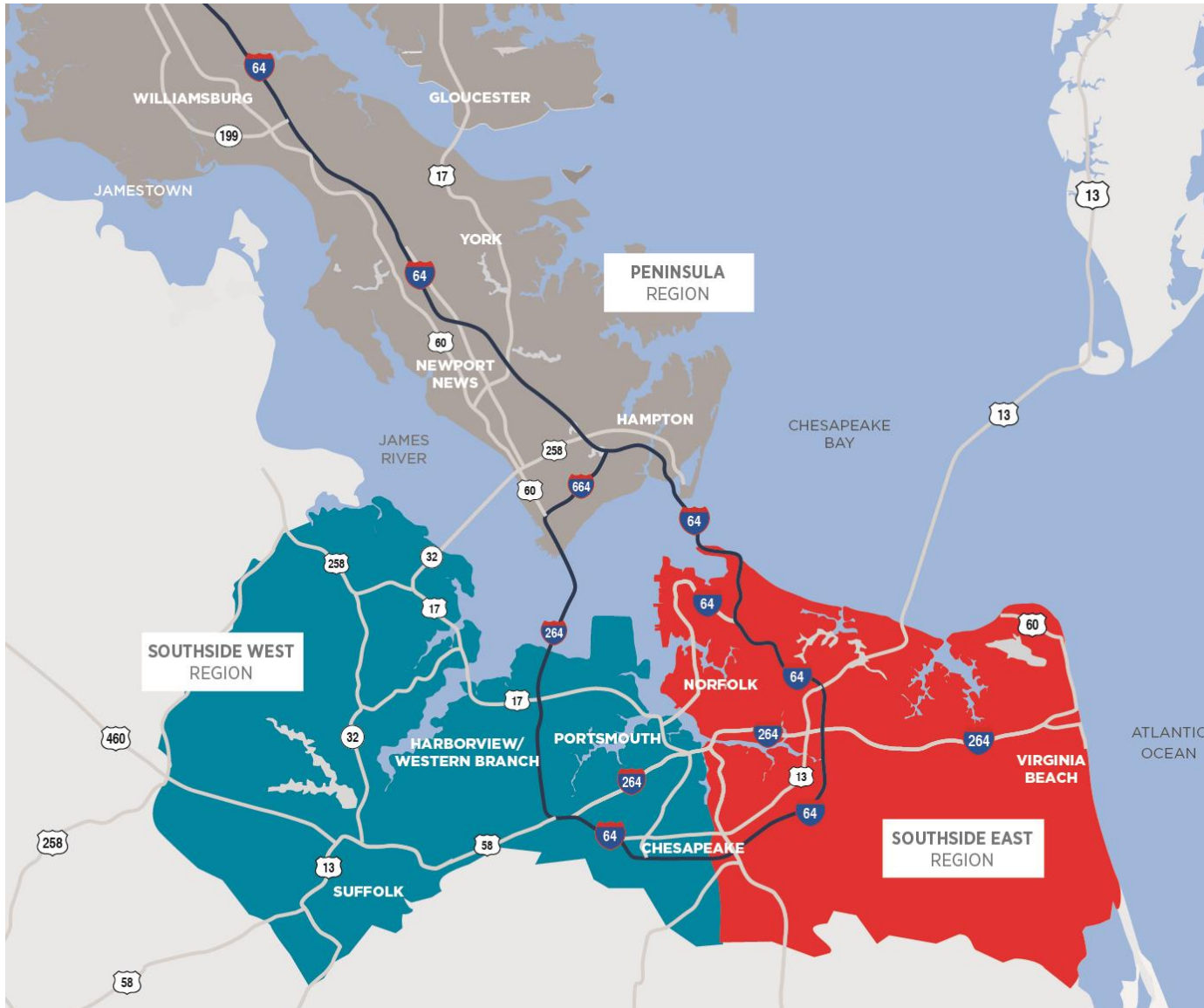
KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
1434 Crossways Boulevard	Chesapeake	1434 Crossways Boulevard I, LLC / Crossways 1 and 2, LLC	213,995	\$24M / \$112
7511 Burbage Drive	Harborview	LVTC Two, LLC / Boyd Watterson Asset Management	97,318	\$5M / \$51
192 Ballard Court	Virginia Beach	Greenwich Centre Investors, LLC / Ballard Summit, LLC	57,346	\$7.95M / \$139

HAMPTON ROADS

Office Q3 2022

OFFICE SUBMARKETS



ROB WRIGHT

Senior Vice President
+1 757 499 2896
rob.wright@thalhimer.com

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