

# HAMPTON ROADS

Retail Q4 2022



**\$76,700**

Median HH Income

YoY Chg



12-Mo. Forecast



**0.4%**

Population Growth



**3.2%**

Unemployment Rate



Source: BLS (Economic Indicators are representative of specific county or MSA.)

## U.S. ECONOMIC INDICATORS Q4 2022

**0.4%**

GDP Growth

YoY Chg



12-Mo. Forecast



**8.5%**

Consumer Spending Growth



**8.4%**

Retail Sales Growth



Source: BEA, Census Bureau

## ECONOMIC OVERVIEW: It's All About the Fed

The retail market in Hampton Roads ended 2022 in historic fashion despite record-setting inflation and lingering supply chain issues. The vacancy rate closed the year at an impressive 4.6% overall. Two key factors contributing to this were limited new construction and the ongoing repurposing of older centers as office, multifamily, and hotels, taking retail space off the market as a result. Most of the new construction that did take place was limited to build-to-suit deals for national retailers. With vacancy rates under 5%, landlords were able to achieve modest rent increases, easing some of the inflation burden. Another key contributor to the local economy is the strong military presence and the related defense industry. This past year it received an added bump with the US support of the war in Ukraine and the related defense spending.

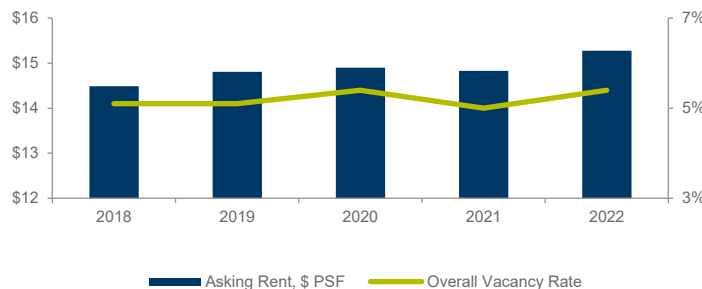
## MARKET ACTIVITY: Open for Business

New store openings continue to significantly outpace closings. The only notable closing in Q4 was Field & Stream, a Dicks Sporting Goods concept located in Chesapeake. While Bed Bath & Beyond has announced 62 more closings, Hampton Roads was spared on the most recent list. On the big and junior box front, Home Sense, Home Goods, and One Life Fitness recently opened. Latitude Fitness is under construction in Hampton, and Publix is expected to break ground this year in Suffolk, bringing its first store to the Southside. The restaurant scene remained strong with openings from Freddy's Burgers and Custard(2), Mezeh, Chipotle, and Charley's Cheesesteaks. Raising Cane's, a new entrant to the market, made a big splash opening two locations on the Peninsula this quarter. Legal Seafood, Nando's, and Psycho Bunny will be opening at Virginia Beach Town Center in early 2023.

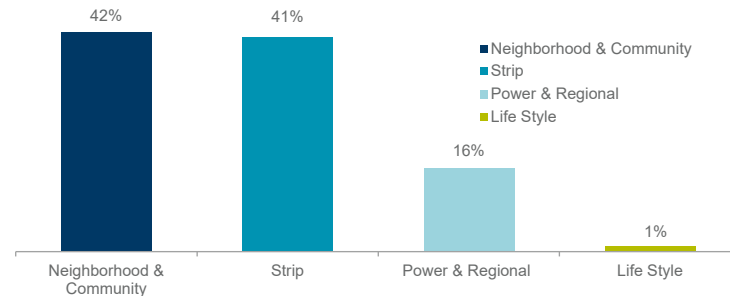
## TRENDS: Capital Markets in an Inflationary Market

The growing consensus is that the FED will take its foot off the gas by mid-year 2023. Atlantic Park, a mixed-use project in the resort section of Virginia Beach, is anticipated to break ground this year. The project will have surf park, multifamily, retail, and office space as well as a concert venue. Traditional shopping centers are poised for another solid year. Several categories are expected to carry their momentum into next year, including gyms, grocery stores, dollar stores, and fast-casual restaurants. The car wash wave appears to have crested as those transactions have slowed considerably. The retail investment sales market has taken the biggest hit from the rate increases. While investors are still targeting stronger, well-performing neighborhood centers, the transaction volume has decreased over the last year. Net lease properties have also slowed, as there is growing pressure from the gap between valuation and cap rates. It's anticipated this trend will continue until rates stabilize.

## RENT / VACANCY RATE



## AVAILABILITY BY PRODUCT TYPE



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## MARKET STATISTICS

|   | INVENTORY (SF)    | SUBLET VACANT (SF) | DIRECT VACANT (SF) | OVERALL VACANCY RATE | CURRENT QTR OVERALL NET ABSORPTION(SF) | YTD OVERALL NET ABSORPTION (SF) | UNDER CNSTR (SF) | OVERALL AVG ASKING RENT (NNN)* |
|---|-------------------|--------------------|--------------------|----------------------|--|---------------------------------|------------------|--------------------------------|
| Gloucester                                | 1,772,964         | 0                  | 168,981            | 9.5%                 | 2,784                                  | 28,816                          | 14,067           | \$14.91                        |
| Williamsburg                              | 7,460,818         | 8,450              | 398,171            | 5.5%                 | 20,229                                 | 29,795                          | 0                | \$19.27                        |
| York/Poquoson                             | 2,004,429         | 0                  | 24,086             | 1.2%                 | 13,175                                 | 36,154                          | 0                | \$15.96                        |
| Newport News                              | 8,431,644         | 12,608             | 324,767            | 4.0%                 | -25,527                                | -35,652                         | 0                | \$15.52                        |
| Hampton                                   | 12,055,296        | 0                  | 667,181            | 5.5%                 | 60,616                                 | 205,600                         | 5,000            | \$14.13                        |
| Smithfield/Isle of Wight/Suffolk/Franklin | 5,011,666         | 0                  | 160,476            | 3.2%                 | 14,170                                 | 365                             | 0                | \$11.14                        |
| Harbourview/Churchland                    | 3,246,750         | 0                  | 135,069            | 4.2%                 | -20                                    | -33,318                         | 11,850           | \$15.47                        |
| Portsmouth                                | 4,020,690         | 14,600             | 136,906            | 3.8%                 | -19,819                                | -35,907                         | 6,000            | \$11.52                        |
| Chesapeake                                | 10,614,990        | 4,683              | 308,184            | 2.9%                 | -87,134                                | 239,614                         | 20,050           | \$19.72                        |
| Norfolk                                   | 15,252,774        | 34,640             | 997,867            | 6.8%                 | 70,007                                 | 202,770                         | 119,852          | \$14.06                        |
| Virginia Beach                            | 25,582,936        | 90,517             | 864,302            | 3.7%                 | 88,871                                 | 304,763                         | 20,007           | \$16.65                        |
| <b>HAMPTON ROADS TOTALS</b>               | <b>95,454,957</b> | <b>165,498</b>     | <b>4,185,990</b>   | <b>4.6%</b>          | <b>137,352</b>                         | <b>943,000</b>                  | <b>292,043</b>   | <b>\$15.28</b>                 |

\*Rental rates reflect triple net asking \$PSF/year

## KEY LEASE TRANSACTIONS Q4 2022

| PROPERTY                              | SUBMARKET | TENANT                    | SF     | TYPE |
|---------------------------------------|-----------|---------------------------|--------|------|
| 101-123 Pine Chapel Road              | Hampton   | Hampton Virginia Aquaplex | 64,000 | New  |
| 2170 Coliseum Drive                   | Hampton   | OneLife Fitness           | 57,662 | New  |
| 5927-6013 E. Virginia Beach Boulevard | Norfolk   | Treasure Hunt             | 29,815 | New  |
| 7525 Tidewater Drive                  | Norfolk   | Planet Fitness            | 17,767 | New  |

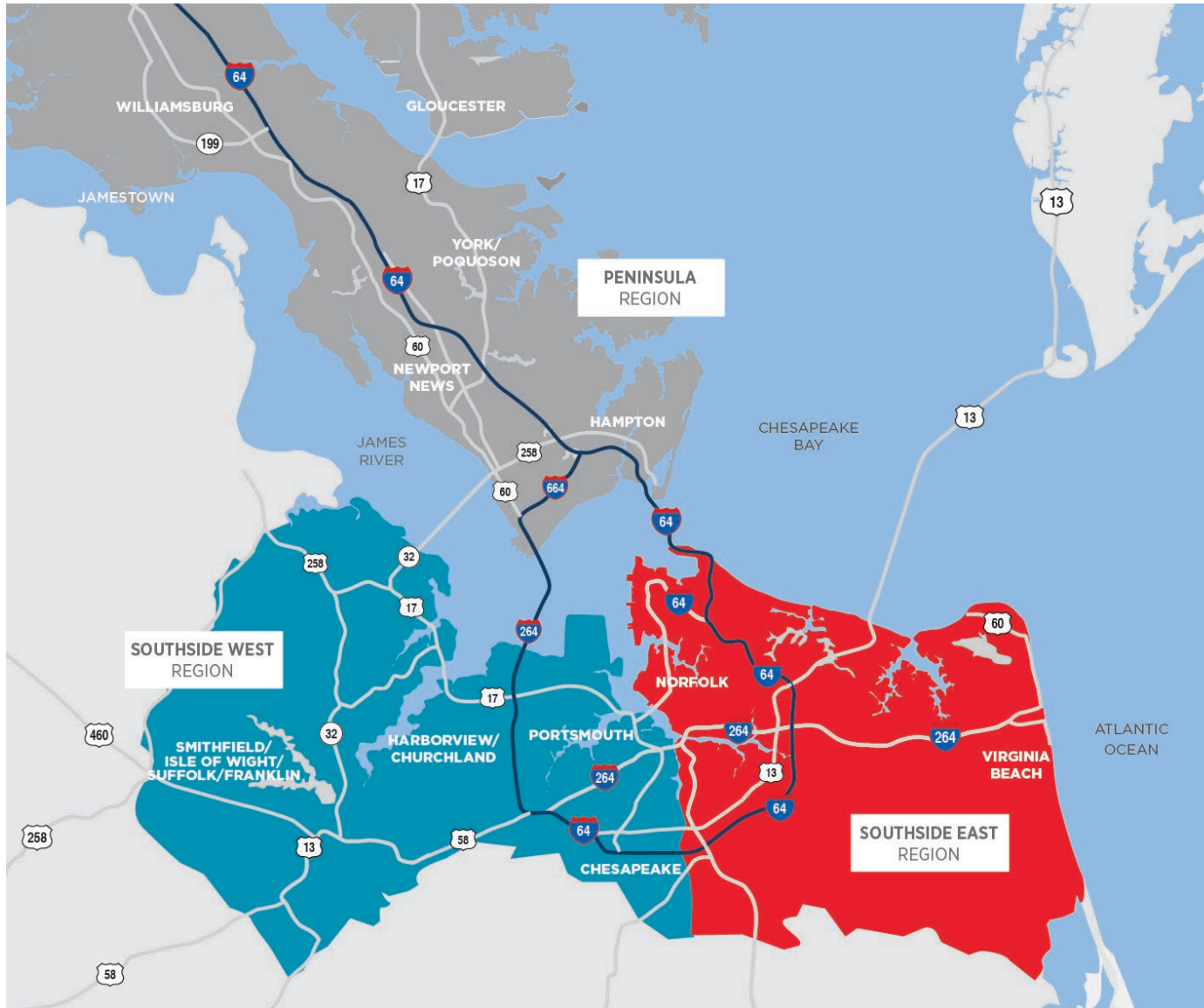
## KEY SALES TRANSACTIONS Q4 2022

| PROPERTY                                     | SUBMARKET      | SELLER / BUYER  | SF      | PRICE / \$ PSF  |
|--|----------------|---|---------|-----------------|
| 4588 Virginia Beach Boulevard                | Virginia Beach | Seritage SRC Finance, LLC / Town Center Pembroke, LLC | 124,200 | \$26.5M / \$213 |
| 928 Diamond Springs Road                     | Virginia Beach | Samuel White P.C. / BSV Cypress Point, LLC            | 118,200 | \$5.39M / \$46  |
| 4318-4334 George Washington Memorial Highway | Yorktown       | RCC Heritage Square, LLC / PGP Heritage 1, LLC        | 87,397  | \$7.82M / \$90  |

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## RETAIL SUBMARKETS



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