

## Office Q1 2023

YoY Chg 12-Mo. Forecast

**8.1%**

Vacancy Rate



**129K**

YTD Net Absorption, SF



**\$21.55**

Asking Rent, PSF



(Overall, All Property Classes)

### ECONOMIC INDICATORS Q1 2023

YoY Chg 12-Mo. Forecast

**795K**

Hampton Roads Employment



**3.5%**

Hampton Roads Unemployment Rate



**3.5%**

United States Unemployment Rate



Source: BLS

### ECONOMY: ALTERNATIVE FUEL

The Hampton Roads Alliance, in conjunction with a number of local municipalities, are working on a \$6.5 million green hydrogen fuel program in the Tech Center Research Park in Newport News. This program in partnership with Virginia Tech Corporate Research Center is projected to create 230 local jobs. Hampton Roads is already fully invested in the clean-energy sector with Dominion Energy's wind turbine development off the coast of Virginia Beach. These projects are just the beginning as the Commonwealth, along with Maryland and Washington, are chasing shares of \$8 billion in regional hydrogen hub funding from the Department of Energy called the Mid-Atlantic Hydrogen Hub. Adding a potential fourth leg of the stool for the regional economy would be a great bonus for steadying the market in the coming years as defense, shipping, and tourism are thriving.

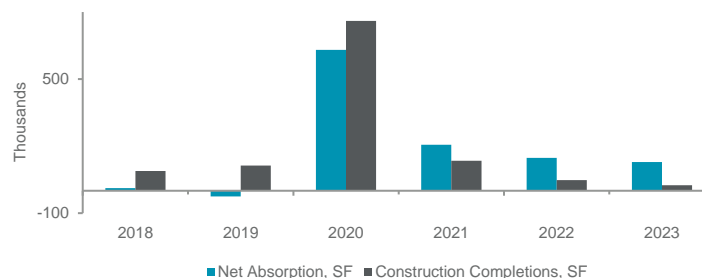
### FUNDAMENTALS: LEASING VELOCITY TEPID BUT ONLY PART OF THE PICTURE

Although leasing velocity has been sluggish over the last several quarters, there have been several large owner occupant deals that have removed significant square footage out of available inventory including the Sentara purchase of the Amerigroup buildings at Regent and ZIM purchase of the Amerigroup building at Town Center. The two softest submarkets continue to be Downtown Norfolk and Hampton; the biggest challenges in those submarkets are large blocks of functionally obsolete build-outs. Matching the flexible short-term desires of occupiers with the long-term commitment required by capital intensive buildouts remains the local office market's greatest hurdle. When plug and play options come on the market, the lease-up timeframe is minimal. When second generation spaces that require major renovation and alteration come online, the time spent on market drags out to an uncomfortable pace for owners. Landlords that have been creative in splitting up bigger spaces to smaller turnkey spec spaces have had surprising success in quickly filling holes.

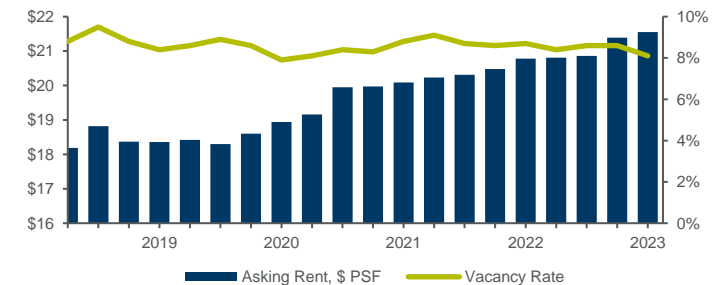
### FORECAST: HEALTHY FUNDAMENTALS IN 2023

The market will continue to tighten up in 2023 with a negative supply-side curve as functionally obsolete office is converted to other higher and better land uses. Submarkets with walkable amenities will continue to be the highest in demand; Downtown Norfolk will be a key barometer for the overall market as there are quality options and buildings, and the market has always shown higher and quicker demand in Class A product. How will landlords and the City of Norfolk get creative to mitigate paid parking costs on overall occupancy costs? Will any new to market occupiers land in 2023? How high will asking rents rise? This year should be a continued climb toward stabilization, even at a steady methodical pace.

### 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	5,474,180	58,923	592,113	11.9%	7,362	7,362	31,480	0	\$20.90	\$22.09
Gloucester	121,725	0	773	0.6%	0	0	0	0	N/A	N/A
Hampton	3,716,309	0	375,144	10.1%	-12,502	-12,502	12,472	0	\$16.73	\$16.50
Harborview / Western Branch	1,820,702	3,644	83,968	4.8%	-2,266	-2,266	10,912	0	\$15.35	N/A
Newport News	7,933,637	2,297	732,370	9.3%	92,608	92,608	16,322	80,000	\$19.66	\$20.22
Norfolk	10,012,054	33,845	888,424	9.2%	-22,478	-22,478	94,942	0	\$23.87	\$27.53
Portsmouth	1,256,294	3,155	53,733	4.5%	30,239	30,239	12,993	0	\$18.41	\$19.03
Suffolk	1,150,726	0	30,993	2.7%	0	0	0	0	\$26.98	N/A
Virginia Beach	12,094,413	46,344	699,278	6.2%	11,273	11,273	83,643	0	\$21.86	\$23.15
Williamsburg	1,491,042	0	66,694	4.5%	6,512	6,512	11,256	40,000	\$18.46	N/A
York	608,758	0	44,483	7.3%	19,081	19,081	5,574	0	\$20.28	N/A
<b>HAMPTON ROADS TOTALS</b>	<b>45,679,840</b>	<b>148,208</b>	<b>3,571,973</b>	<b>8.1%</b>	<b>129,229</b>	<b>129,229</b>	<b>279,594</b>	<b>120,000</b>	<b>\$21.55</b>	<b>\$23.14</b>

\*Rental rates reflect full service asking.

## KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
676 Independence Parkway	Chesapeake	Team Fishel Engineering, LLC	17,867	New Lease
2 Eaton Street	Hampton	Faneull, Inc.	10,007	Renewal
113 Gainsborough Square	Chesapeake	Chesapeake Internists, LTD	9,083	Renewal

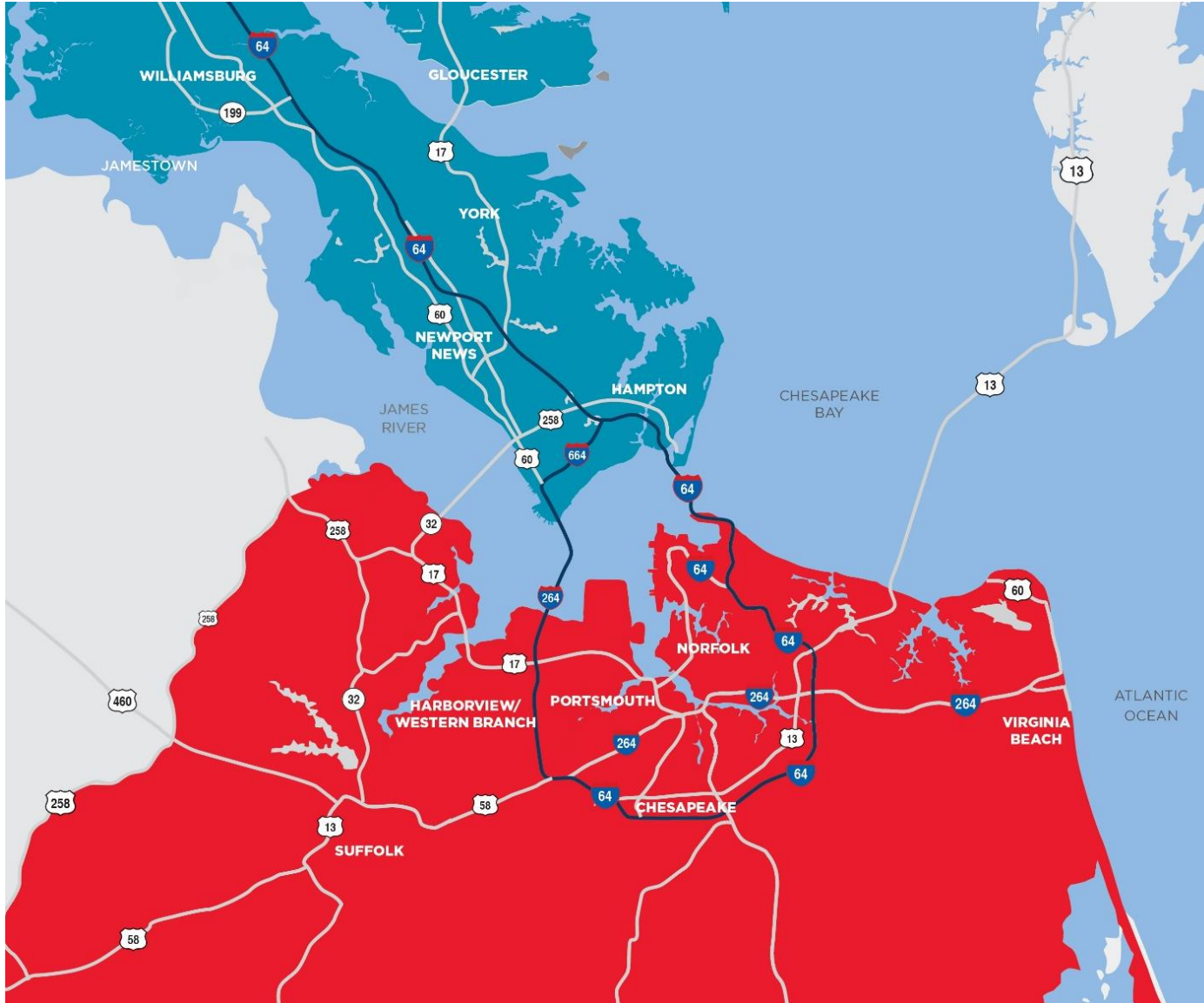
## KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
1300 Amerigroup Way	Virginia Beach	VTC One, LLC / MPB, Inc.	202,197	\$39M / \$194
4417 Corporation Way	Virginia Beach	SCVB, LLC / OSS Village Avenue, LLC	76,012	\$7.1M / \$93
4425 Corporation Lane	Virginia Beach	4425 Corporate Center Fee, LLC / ZIM Integrated Shipping Services	70,760	\$12M / \$170

# HAMPTON ROADS

Office Q1 2023

## OFFICE SUBMARKETS



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