

HAMPTON ROADS

Retail Q1 2023



\$76,800

Median HH Income

YoY Chg



12-Mo. Forecast



0.5%

Population Growth



3.5%

Unemployment Rate



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

U.S. ECONOMIC INDICATORS Q1 2023

1.9%

GDP Growth

YoY Chg



12-Mo. Forecast



9.4%

Consumer Spending Growth



5.3%

Retail Sales Growth



Source: BEA, Census Bureau

ECONOMIC OVERVIEW: Banking Concerns & Forecasting the Fed

The main driver of the economy, consumer spending started off strongly but faded in February and March as interest rates continued to climb. Rapidly rising borrowing costs have impacted the economy in a variety of ways. From consumers delaying big ticket purchases and layoffs in the mortgage banking/financial sector to a slowdown in manufacturing, interest rates are having an effect on the market. There was brief turmoil in the banking industry with the failure of Silicon Valley Bank leading to concerns about the overall strength of the banking sector. While this concern was mostly unfounded it has led to a tightening of lending standards that may delay recovery of the economy.

MARKET ACTIVITY: Surf's Up

In a quarter that witnessed strong retail activity, the most notable event was the groundbreaking of the \$335 million Atlantic Park surf park and entertainment venue at the Virginia Beach oceanfront. This project will bring retail, residential, office, and small concert venues to the area. New store openings continue to significantly outpace closings with the most notable closing in Q1 being Bed Bath & Beyond in Chesapeake and Urban Outfitters in downtown Norfolk. Overall vacancy has remained unchanged at 4.5% quarter-over-quarter and has dropped 60 basis points year-over-year. Openings consisted of Freddy's Custard and Steakhouses, Chipotle, Chase Bank, Crumbl Cookies, Banfield Pet Hospital, Black Rifle Coffee, Nando's PERi-PERi, and Psycho Bunny. Fitness continues to expand in the market with Crunch Fitness opening in Virginia Beach and One Life in Hampton with additional fitness operators at lease on additional locations. Despite rising interest rates and concerns of a recession, the Hampton Roads retail market continues to excel with new and existing users signing leases and opening locations within the market. Even the former Bed Bath & Beyond that recently closed has multiple suiters for that location.

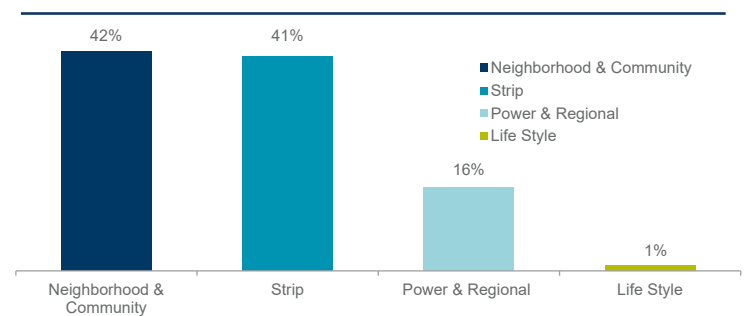
TRENDS: Interest Rates & the Retail Market

While the retail market remains strong and active in Hampton Roads, rising interest rates could cause a slowing in the coming quarters. Merchant developers have been impacted in multiple ways. Tightening lending standards when combined with the rising cost of capital directly causes increases in rental rates which will eventually get to a point that tenants are forced to press pause. On the exit, cap rates have risen due to interest rates which negatively impact the profitability of each project as well as reduced the pool of investors that require financing to purchase. On a national level, single tenant triple net sales are down from the previous quarter and will continue to slow with rising interest rates. It may take a couple of quarters for investors to see a reduction in rates to reengage.

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	2,046,379	0	162,587	7.9%	4,994	4,994	5,867	\$13.49
Williamsburg	7,501,481	8,450	346,905	4.7%	42,963	42,963	0	\$19.57
York/Poquoson	2,001,897	0	22,386	1.1%	1,700	1,700	0	\$15.78
Newport News	9,144,102	12,608	383,379	4.0%	-97,336	-97,336	0	\$15.52
Hampton	12,068,776	0	669,621	5.5%	-16,133	-16,133	0	\$13.44
Smithfield/Isle of Wight/Suffolk/Franklin	4,998,009	0	167,326	3.3%	-6,850	-6,850	54,791	\$11.24
Harbourview/Churchland	3,107,335	0	119,054	3.8%	11,756	11,756	0	\$16.59
Portsmouth	4,065,374	18,232	179,724	4.9%	-33,418	-33,418	0	\$11.81
Chesapeake	10,734,373	1,850	335,060	3.1%	-22,561	-22,561	26,098	\$19.29
Norfolk	15,274,909	34,640	1,012,179	6.9%	57,056	57,056	63,200	\$14.31
Virginia Beach	26,289,488	97,263	836,140	3.6%	11,349	11,349	57,170	\$17.37
HAMPTON ROADS TOTALS	97,232,123	173,043	4,234,361	4.5%	-46,480	-46,480	207,126	\$15.28

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

KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	SF	TYPE
439-467 Oriana Road	Newport News	American Freight	33,472	New
2858-2884 Airline Boulevard	Portsmouth	Black Sheep Airsoft	26,000	New
227-229 S. Rosemont Road	Virginia Beach	Goodwill	22,203	Renewal
3312-3352 Princess Anne Road	Virginia Beach	HomeSense	21,860	New

KEY SALES TRANSACTIONS Q1 2023

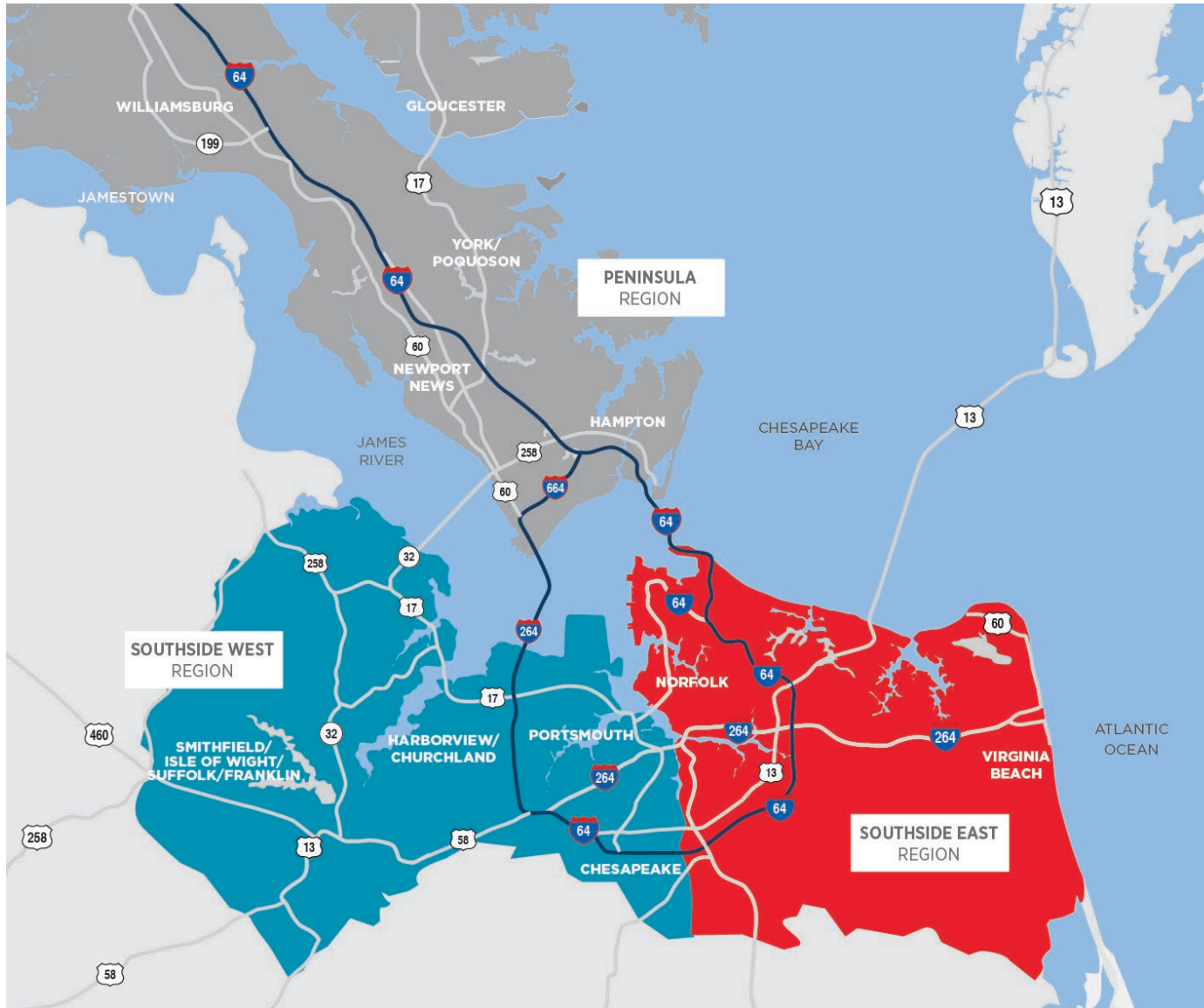
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
4800-4824 George Washington Memorial Highway	Yorktown	Washington/Victory, LLC /	130,943	\$4.1M / \$31
2536 Virginia Beach Boulevard	Virginia Beach	London Bridge Center, LLC / Powell Lineage Jeffries Cove, LLC	98,328	\$14.5M / \$147
4644 George Washington Highway	Portsmouth	Williams Court II Associates / David Hakimian	90,025	\$4.1M / \$46

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RETAIL SUBMARKETS



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