

HAMPTON ROADS OFFICE

Economic Indicators

	Q3 17	Q3 18	12-Month Forecast
Hampton Roads Employment	781k	786k	▲
Hampton Roads Unemployment	4.0%	3.3%	▼
U.S. Unemployment	4.4%	3.9%	▼

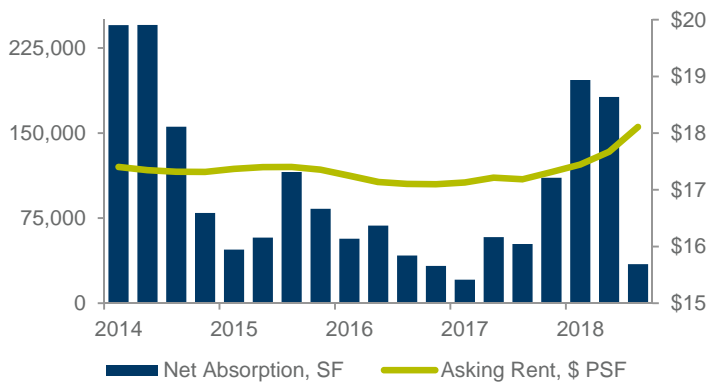
Numbers above are quarterly averages; August 2018 data used to represent Q3 2018

Market Indicators (Overall, All Classes)

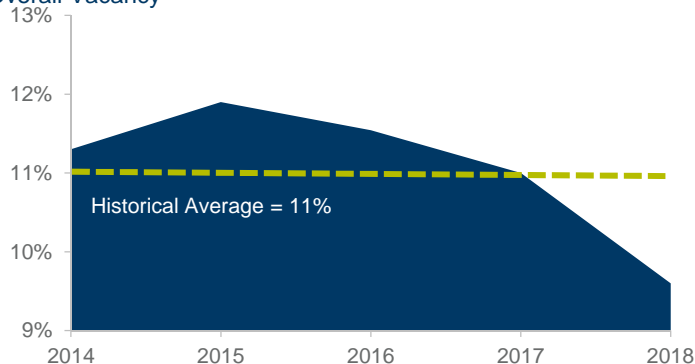
	Q3 17	Q3 18	12-Month Forecast
Vacancy	9.9%	9.6%	▼
YTD Net Absorption (sf)	357k	-45k	▼
Under Construction (sf)	214k	660k	▲
Average Asking Rent*	\$17.13	\$18.82	▲

*Rental rates reflect gross asking \$psf/year

Overall Net Absorption vs. Overall Asking Rent 4-QTR TRAILING AVERAGE



Overall Vacancy



Economy

As the Hampton Roads economy pushed into the second half of 2018, the overall economy mirrored the office market; slow and steady with several record positive economic indicators but very little organic growth and stagnant job creation. Industry leaders and political officials are pushing for a collaborative effort to make Hampton Roads and Richmond one megaregion to collectively leverage the strengths of both markets. Combined it would be one of the top 20 largest metro areas in the United States.

Market Overview

The Hampton Roads Office Market average asking rents have reached a historic peak and vacancy rates are at historical lows. However, net absorption was slightly negative in the third quarter. Landlords are looking past the absorption numbers and are raising rents, standing firm on concessions, and pushing for increased term. Construction activity has ramped up with medical buildings leading the charge, specifically Sentara wrapping up 92,000 square feet (sf) on the BelleHarbour campus, Sentara breaking ground on the \$93.5 million cancer center project on the Leigh campus, and a new independent 60,000-sf spec medical office building at First Colonial. The Norfolk Southern rumor of a headquarters relocation to Atlanta keeps getting louder and with Dominion Enterprises spinning off business units, there could be two large contiguous headquarters opportunities to offset the current lack of big block supply in the overall market.

Outlook

RMR is close to spinning off a 1.6-million-square-foot (msf) portfolio in Chesapeake / Norfolk Commerce Center and Cerberus / Lingerfelt have taken out to market their 1.3-msf, 22-building portfolio. As a result, there could be a significant shakeup in the office market share landscape. All eyes continue to look for signs of tangible impact by the baked in federal defense budget in Hampton Roads for the remainder of 2018.

MARKETBEAT

Hampton Roads

Office Q3 2018



CUSHMAN & WAKEFIELD

THALHIMER

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 AVERAGE ASKING RENT (ALL CLASSES)**	OVERALL AVERAGE ASKING RENT (CLASS A)**
Chesapeake	4,448,544	5,426	171,835	3.9%	3,457	28,735	140,720	554,880	\$17.21	\$19.97
Gloucester	105,068	2,647	0	2.5%	0	0	0	0	\$10.50	N/A
Hampton	3,300,108	0	672,110	20.3%	-16,355	149,759	117,422	0	\$14.95	\$16.49
Harbourview / Western Branch	1,748,890	0	142,477	8.1%	-10,051	111,569	38,478	24,807	\$18.80	\$21.60
Newport News	6,768,357	20,657	804,301	12.2%	-183,108	-235,998	59,338	80,000	\$17.31	\$20.07
Norfolk	9,776,757	6,868	1,090,744	12.6%	-244,786	-155,746	159,478	0	\$21.04	\$25.02
Portsmouth	1,098,486	0	120,056	10.9%	12,586	15,502	18,306	0	\$15.15	\$18.00
Suffolk	958,350	0	20,155	2.1%	2,000	6,810	3,750	0	\$10.91	N/A
Virginia Beach	11,440,218	1,932	807,612	8.0%	-18,235	41,504	262,359	0	\$18.96	\$21.83
Williamsburg	1,469,786	0	102,988	7.0%	4,735	-2,216	7,443	0	\$19.15	\$15.73
York	560,615	0	24,738	4.4%	-8,674	-5,729	5,523	0	\$13.70	N/A
HAMPTON ROADS TOTALS	41,675,179	37,530	3,957,016	9.6%	-458,431	-45,180	812,817	659,687	\$18.82	\$22.47

**Rental rates reflect gross asking \$psf/year

Key Lease Transactions Q3 2018

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
824 N. Military Highway	44,428	Optima Health	New	Norfolk
5200 W. Mercury Boulevard	42,547	Maximus	New	Hampton
2929 Sabre	25,601	Prosper Insurance	New	Lynnhaven

Key Sales Transactions Q3 2018

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
300 E. Main Street	186,260	Gemini Rosemont / Boyd Watterson	\$18,600,000 / \$100	Norfolk
400 Butler Farm Road	100,632	Lexington Realty / Rockford Capital Partners	\$10,400,000 / \$103	Hampton
720 Thimble Shoals Boulevard	82,397	720 Thimble Shoals LLC / Bayport Thimble Shoals	\$4,500,000 / \$55	Newport News
420 N. Center Drive	60,126	Goff Capital Partners / Boyd Watterson	\$10,300,000 / \$171	Norfolk

Cushman & Wakefield | Thalhimer
1 BayPort Way, Suite 100
Newport News, VA 23606
thalhimer.com

For more information, contact:
Rob Wright
Senior Vice President
Tel: +1 757 499 2896
rob.wright@thalhimer.com

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