Annual Hampton Roads Market Review & Forecast

Old Dominion University
Strome College of Business
E.V. Williams Center for Real Estate
At The Harvey Lindsay School for Real Estate

Celebrating
1995 - 2020

25 Years

©Dollar Photo Club
THANK YOU,
Harvey Lindsay Family

We sincerely appreciate your generous donation and support of the ODU Real Estate Program.

The Harvey Lindsay name is synonymous with family, integrity, dedication, service and innovation.

The naming of the Harvey Lindsay School of Real Estate honors the establishment of the family’s legacy by Harvey Lindsay, Sr. while also representing the forward-thinking ideals of Harvey Lindsay, Jr.
The Harvey Lindsay School of Real Estate reaches well beyond the Commonwealth of Virginia, drawing national distinction as a rigorous and enterprising center for real estate education.

Collaborations with key industries in Hampton Roads and beyond give students real-world business experiences through internships, project and case analysis, and national industry conferences and competitions.
Harvey Lindsay Jr. shared words of wisdom, with Monarch Student Society of Real Estate President, Kaleb Hinman.
E.V. Williams Center for Real Estate
Former Directors

John Crunkleton, Ph.D.
John Lombard, Ph.D.
Andrew Hansz, Ph.D.
Hampton Blvd - 25 years ago...
University Expansion and Growth
Ted Constant Convocation Center Today

By Cmett003, CC BY-SA 4.0, https://commons.wikimedia.org/w/index.php?curid=73999416
Annual Hampton Roads Market Review & Forecast

CELEBRATING
1995 - 2020
25 YEARS
ECONOMIC TRENDS

VINOD AGARWAL

Professor of Economics and Deputy Director, Dragas Center for Economic Analysis and Policy

Old Dominion University
Sources: Bureau of Economic Analysis and Dragas Center for Economic Analysis and Policy. Data on GDP incorporates latest BEA revisions in December 2019. *Data for 2018 are the advance estimates and for 2019 data represent our estimate. CAGR GDP growth in horizontal bars.
Estimated Direct Department of Defense Spending
Hampton Roads, 2000 to 2020*

Billions of Nominal Dollars

$5  $7  $9  $11  $13  $15  $17  $19  $21  $23  $25


$10.0  $11  $13  $15  $17  $19  $19.8  $19.9  $21.6  $22.9

Military and Federal Civilian Employment
Hampton Roads, 2001 - 2018

Employees in Thousands

<table>
<thead>
<tr>
<th>Year</th>
<th>Military</th>
<th>Federal Civilian</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>154</td>
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<td>2002</td>
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<td>2016</td>
<td>142</td>
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<tr>
<td>2017</td>
<td>139</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>140</td>
<td></td>
</tr>
</tbody>
</table>
Average Annual Unemployment Rate: Hampton Roads, 2007 to 2019

Unemployment Rate

2007: 3.2%
2008: 3%
2009: 3%
2010: 7.6%
2011:
2012:
2013:
2014:
2015:
2016:
2017:
2018:
2019: 3.1%

Sources: Bureau of Labor Statistics and the Old Dominion University Economic Forecasting Project. Annual averages based on non-seasonally adjusted data. Data will be revised in March/April 2020.
Number of Active Listings of Distressed Homes: Hampton Roads, January 2007 to February 2020

[VALUE] : Oct 2010

Number of Listings

Jan-07 Jul-07 Jan-08 Jul-08 Jan-09 Jul-09 Jan-10 Jul-10 Jan-11 Jul-11 Jan-12 Jul-12 Jan-13 Jul-13 Jan-14 Jul-14 Jan-15 Jul-15 Jan-16 Jul-16 Jan-17 Jul-17 Jan-18 Jul-18 Jan-19 Jul-19 Jan-20

423

401
30-Year Fixed Mortgage Rate (Weekly, ending Thursday), January 8, 2015 to March 5, 2020

Annual Mortgage Rates:
3.85 for 2015; 3.65 for 2016; 4.00 for 2017; 4.54 for 2018; and 3.93 for 2019

Source: Freddie Mac, and fred.stlouisfed.org
The Potential Impact of the Coronavirus

- Rapid declines in sentiment and expectations.
- $1^{st}$ and $2^{nd}$ quarter year-over-year GDP growth may be negative.
- Strong likelihood of continued cuts in the target Federal Funds Rate and quantitative easing.
- Calls for federal stimulus will rise if virus spreads in United States.
- Availability bias and recency bias may further harm markets.
Annual Hampton Roads
Market Review & Forecast

OFFICE
DEBORAH STEARNS
Senior Vice President
Jones Lang LaSalle

JLL
ABSORPTION AND VACANCY

- **2009:** 0 (200,000)
- **2010:** 0 (200,000)
- **2012:** 600,000
- **2013:** 500,000
- **2014:** 400,000
- **2015:** 300,000
- **2016:** 200,000
- **2017:** 500,000
- **2018:** 300,000
- **2019:** 200,000

**Vacancy Rate**
- **2009:** 14%
- **2010:** 12%
- **2012:** 10%
- **2013:** 8%
- **2014:** 6%
- **2015:** 4%
- **2016:** 2%
- **2017:** 0%

**12 Month Absorption**
- **2009:** 0 (400,000)
- **2010:** 0 (400,000)
- **2012:** 600,000
- **2013:** 500,000
- **2014:** 400,000
- **2015:** 300,000
- **2016:** 200,000
- **2017:** 500,000
- **2018:** 300,000
- **2019:** 200,000
2019 was a good year for office in the 757

- Net Absorption: +80K SF FROM 2018
- Vacancy Rate: -300 BPS FROM 2018
# Top Five New Office Leases of 2019

<table>
<thead>
<tr>
<th>Tenant</th>
<th>Property</th>
<th>Date</th>
<th>Square Footage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Huntington Ingalls Industries</td>
<td>Net Center 5200 W Mercury Blvd., Hampton</td>
<td>Q3-Q4</td>
<td>189,049 (22,006 + 167,043)</td>
</tr>
<tr>
<td>Life Protect 24/7</td>
<td>Commander Corporate Center 6160 Commander Pkwy., Norfolk</td>
<td>Q2</td>
<td>65,494</td>
</tr>
<tr>
<td>Peninsula Metropolitan YMCA</td>
<td>Care Plex West 4001 Coliseum Drive, Hampton</td>
<td>Q1</td>
<td>35,884</td>
</tr>
<tr>
<td>Gather Virginia Beach</td>
<td>Town Center of Virginia Beach 249 Central Park Avenue, Virginia Beach</td>
<td>Q4</td>
<td>28,541</td>
</tr>
<tr>
<td>Burns &amp; McDonnell</td>
<td>Liberty Three 1317 Executive Blvd., Chesapeake</td>
<td>Q3</td>
<td>25,625</td>
</tr>
</tbody>
</table>
Huntington Ingalls Industries at NetCenter
189,049 SF in two transactions – Q3 & Q4
Life Protect 24/7 at Commander Corporate Center

65,494 SF – Q2
Gather at 249 Central Park Avenue
28,541 SF – Q4

gather.
Burns & McDonnell
at Liberty Three
35,884 SF – Q1
### Top Five Office Sales Transactions of 2019

<table>
<thead>
<tr>
<th>Property</th>
<th>Square Footage</th>
<th>Sale Date</th>
<th>Sale Price</th>
<th>Price Per SF</th>
<th>Buyer Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acme Equities portfolio</td>
<td>1,322,000</td>
<td>Q1</td>
<td>$183,000,000</td>
<td>$137.89</td>
<td>Investor</td>
</tr>
<tr>
<td>Chesapeake, Hampton, Virginia Beach</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>116 Lake View Parkway Suffolk</td>
<td>406,737</td>
<td>Q2</td>
<td>$79,200,000</td>
<td>$194.72</td>
<td>Investor</td>
</tr>
<tr>
<td>Suffolk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interstate Corporate Center</td>
<td>342,508</td>
<td>Q4</td>
<td>$43,000,000</td>
<td>$126.00</td>
<td>Investor</td>
</tr>
<tr>
<td>14 office buildings, Norfolk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Twin Oaks I &amp; II</td>
<td>171,564</td>
<td>Q1</td>
<td>$24,900,000</td>
<td>$145.14</td>
<td>Investor</td>
</tr>
<tr>
<td>5700 &amp; 5800 Lake Wright Drive, Norfolk</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>240 Corporate Boulevard Norfolk</td>
<td>87,497</td>
<td>Q3</td>
<td>$12,970,000</td>
<td>$148.23</td>
<td>Owner-occupier</td>
</tr>
</tbody>
</table>
New Investors

- **THE FALLSTAFF GROUP**
  - $19.7 million investment in Town Point Center

- **ACME EQUITIES**
  - $183 million investment in former Lingerfelt portfolio

- **SF partners**
  - $24.9 million investment in Twin Oaks I and II

- **AXONIC**
  - $43 million investment in Interstate Corporate Center

- **Hampton Roads Connector Partners**
  - Owner-occupant $12.9 million investment

- **Novel Coworking**
  - Owner-occupant $4.0 million investment

- **Easterly Government Properties Inc.**
  - Investing in government-leased assets

- **inmotion® hosting**
  - Owner-occupant $8.5 million investment

- **EDGE HILL INVESTMENTS**
  - $12.9 million investment in Twin Oaks I and II
Acme Equities
22-building portfolio
Chesapeake
Hampton
Virginia Beach

1,322,000 SF
$183,000,000
$137.89 per SF
Investor – Q1
U.S. Joint Staff Command
116 Lake View Parkway, Suffolk

406,737 SF
$79,200,000
$194.72 per SF
Investor – Q2
Interstate Corporate Center
(14 buildings)
Norfolk
342,508 SF
$43,000,000
$126.00 per SF
Investor – Q4

AXONIC

EDGEHILL INVESTMENTS
Twin Oaks I & II
5700 & 5800 Lake Wright Drive,
Norfolk
171,564 SF
$24,900,000
$145.14 per SF
Investor – Q1

SFpartners
Additional Owner-Occupiers

- Novel Coworking
  223 E. City Hall Ave.

- InMotion Hosting
  555 S Independence Blvd

- BayPort FCU
  2 BayPort Way

- Hampton Roads Connector Partners
  240 Corporate Blvd.

- OVM Financial
  5040 Corporate Woods Dr.
Coworking

- 400,000+ SF of executive office and coworking space
- Occupancy is strong
- An important element of a healthy market
Walkable, amenity-rich environments

- Thriving from downtown to town centers
- Attracts everyone from Millennials to Boomers
- Live, work, shop and play in one high-style place
New construction

- Ferguson Enterprises, $83 million Newport News Headquarters with 260,000 SF
- 555 Belaire Ave, Summit Pointe 150,000 SF under construction
- Sabre Office Park, Virginia Beach 75,000 SF, under consideration
- Tech Center II, Newport News 80,000 SF, land is being cleared
- Town Center of Virginia Beach 200,000 SF, seeking anchor
- YNot Italian HQ, Virginia Beach 45,000 SF, construction announced; anchoring Virginia Beach biosciences park
Disaster Recovery
Most Transformational Project Of The Past 25 Years

THE TOWN CENTER OF VIRGINIA BEACH
THE TOWN CENTER OF VIRGINIA BEACH

- 800,000 SF of office space
- 256,000 SF of retail
- 935 residential units
- Over 400 hotel rooms
- Two performing arts venues
  - Sandler Center for the Performing Arts: 1,308 seats
  - Zeiders American Dream Theater: 300 seats
2021 Forecast

- Vacancy: Holding steady around 7.5% with opening of 555 Belaire Avenue
- Average Rents: Increasing 10% to $20.00/sf
- Concessions: Diminishing in all classes
- North Hampton Roads/Peninsula: Current tenant-favorable market moves to balanced market
2021 Forecast

Norfolk Southern Tower is no longer the elephant in the room
Annual Hampton Roads Market Review & Forecast

Celebrating 25 Years 1995-2020

Old Dominion University
Strome College of Business
E.V. Williams Center for Real Estate
At the Harvey Lindsay School for Real Estate
“2019 was one of the most exciting years in memory for the Industrial Market in Hampton Roads. Every major driver of industrial demand produced a positive influence on the market.”

1. Port of Virginia growth
2. Supply chain warehouse demand
3. Cold storage
4. Offshore wind
5. Increasing Military budgets
6. Record ship building and repair contracts
7. Funded and active road and infrastructure projects
8. Subsea cables
9. Development Sales
## Record-Setting Volumes

We are handling more than 400,000 TEUs more than we did in FY2015 – a 15% increase.

<table>
<thead>
<tr>
<th>Year</th>
<th>TEUs</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2015</td>
<td>2.54 million</td>
</tr>
<tr>
<td>FY 2016</td>
<td>2.65 million</td>
</tr>
<tr>
<td>FY 2017</td>
<td>2.76 million</td>
</tr>
<tr>
<td>FY 2018</td>
<td>2.82 million</td>
</tr>
<tr>
<td>FY 2019 (Projected)</td>
<td>2.97 million</td>
</tr>
<tr>
<td>FY 2020 (Budgeted)</td>
<td>3.25 million</td>
</tr>
</tbody>
</table>
The Port of Virginia

How did we get here?
The man on the left is Malcolm McLean, a North Carolina trucking company owner …inventor of the modern intermodal shipping container.

The modern intermodal shipping container began its first voyage on the converted WWII tanker the SS Ideal X in 1956. The ship was loaded with 58 containers and sailed from Newark to Houston.
Figure 1.5. Global containerized trade, 1996–2017
(Million 20-foot equivalent units and annual percentage change)

Source: UNCTAD secretariat calculations, based on data from MDS Transmodal, 2017.
Note: Data for 2017 are projected figures.
MAERSK GETS OK FOR PORTSMOUTH TERMINAL

MARCH 19, 2004 | PORTSMOUTH

The parent company of the Maersk Sealand steamship line has signed off on a deal worth up to $400 million to build a privately owned marine terminal in Portsmouth, a local official with knowledge of the deal said Thursday.

The move, expected to increase by nearly a third the capacity of the Port of Hampton Roads to handle container cargo, will be announced the week of April 19.

The Maersk terminal, which is set to have more than 3,500 feet of berthing area and nearly 300 acres of terminal space, will have the ability to handle more than 500,000 additional container units a year at the port. The three state-owned port terminals moved 1.65 million containers in 2003, with the port ranking as the third busiest on the East Coast in terms of container shipments.
CenterPoint details port proposal for HRACRE

By VINCENT SCHILLING
INSIDE BUSINESS | AUG 17, 2009 | 12:00 AM

Correspondent

As the first company to bid on Virginia Port Authority’s terminals, CenterPoint Properties Trust, based in Illinois, has used several opportunities to educate the business community about its plans, including a July 23 meeting with the Hampton Roads Association for Commercial Real Estate.

The company is one of three vying to operate the four main port facilities - Norfolk International Terminals, Portsmouth Marine Terminal, Newport News Marine Terminal and the Virginia Inland Port in Front Royal.

The proposed partnership, which would also help to pay for a new cargo terminal at Craney Island in Portsmouth, is a contract valued by CenterPoint at $8.9 billion over the 60-year life-expectancy of the deal, or $3.5 billion in today's dollars.
A steady hand at the helm
Reinhart guides turnaround at the Port of Virginia

PUBLISHED NOVEMBER 30, 2016  BY JESSICA SABBATH

In the summer of 2013, John Reinhart was vacationing in China Lake, Maine when he broached the idea of a career change with his wife, Mary, and their three adult children.

The Port of Virginia was looking for its next executive director, and a number of people had asked if Reinhart was interested in the job.

At first he wasn’t, even encouraging others to apply. But the more he thought about the opportunity, the more it intrigued him.

Reinhart had been CEO of Norfolk-based Maersk Line Ltd. (MLL) since 2006. Under his leadership, MLL, a subsidiary of the Danish shipping company Maersk Line, became the largest U.S.-flag commercial fleet in international trade. Annual revenues had grown fivefold under his watch.

Reinhart told his family: “I can work another few years at Maersk and retire and go away, or I can chuck it in now, retire early and go sign on for this opportunity to rebuild the Port of Virginia.”

Initially, his wife was shocked...
WE’RE STONE-COLD SERIOUS ABOUT REFRIGERATED CARGO.

Our recent completion of the USDA Cold-Treatment pilot program and the fact that we’re increasing our capacity for refrigerated cargo by 66% means we’re stone-cold serious about going after this growing market sector.
The Journey of Food. Reimagined.

We are transforming the supply chain by preserving, protecting, and optimizing the distribution of food around the world — in a way that hasn't been done before. We are Lineage, and we are reimagining the journey of food.
Offshore wind
Limitless supply. Limitless opportunity
Shipbuilding

How did we get here?
As the first ship drydocked in America, in the Gosport Navy Yard on June 17, 1833, the 74-gun ship-of-the-line Delaware was once one of the world's largest and mightiest warships.
## Hampton Roads Industrial Q4 2019

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Inventory (SF)</th>
<th>Overall Vacant (SF)</th>
<th>YTD Leasing Activity (SF)**</th>
<th>Overall Vacancy Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copeland</td>
<td>10,814,352</td>
<td>280,198</td>
<td>301,194</td>
<td>2.8%</td>
</tr>
<tr>
<td>Gloucester</td>
<td>225,794</td>
<td>37,200</td>
<td>0</td>
<td>16.5%</td>
</tr>
<tr>
<td>Oakland</td>
<td>4,569,791</td>
<td>60,807</td>
<td>14,830</td>
<td>1.3%</td>
</tr>
<tr>
<td>Oyster Point</td>
<td>4,423,482</td>
<td>52,392</td>
<td>121,494</td>
<td>2.6%</td>
</tr>
<tr>
<td>Williamsburg</td>
<td>8,449,653</td>
<td>89,414</td>
<td>8,139</td>
<td>1.1%</td>
</tr>
</tbody>
</table>
The Local Market

How did we get here?
HAMPTON ROADS INDUSTRIAL MARKET VACANCY RATE

(as of 1st month of the year)

<table>
<thead>
<tr>
<th>Year</th>
<th>Vacancy Rate</th>
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<tbody>
<tr>
<td>1991</td>
<td>10.2%</td>
</tr>
<tr>
<td>1992</td>
<td>10.9%</td>
</tr>
<tr>
<td>1993</td>
<td>13.5%</td>
</tr>
<tr>
<td>1994</td>
<td>12.3%</td>
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<td>1995</td>
<td>10.8%</td>
</tr>
<tr>
<td>1996</td>
<td>9.2%</td>
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<td>1997</td>
<td>8.7%</td>
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<td>5.99%</td>
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<td>6.13%</td>
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<tr>
<td>2006</td>
<td>5.2%</td>
</tr>
<tr>
<td>2007</td>
<td>5.87%</td>
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</table>

Source: Old Dominion University E.V. Williams Center for Real Estate and Economic Development.
Hampton Roads Market Asking Rents Per SF and Vacancy Rate

- **Asking Rent, $ PSF**
- **Vacancy Rate**

<table>
<thead>
<tr>
<th>Year</th>
<th>Rent Per SF</th>
<th>Vacancy Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$5.00</td>
<td>0%</td>
</tr>
<tr>
<td>2017</td>
<td>$4.50</td>
<td>1%</td>
</tr>
<tr>
<td>2018</td>
<td>$4.00</td>
<td>2%</td>
</tr>
<tr>
<td>2019</td>
<td>$3.50</td>
<td>3%</td>
</tr>
</tbody>
</table>

*Source: CoStar*
<table>
<thead>
<tr>
<th>Period</th>
<th>Asset Value</th>
<th>Vacancy Rate</th>
<th>Availability Rate</th>
<th>Market Rate/SF</th>
<th>Annual Rent Growth</th>
<th>Inventory SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020 Q1 GTD</td>
<td>$98.2 B</td>
<td>2.3%</td>
<td>4.7%</td>
<td>$7.52</td>
<td>3.5%</td>
<td>119 M</td>
</tr>
<tr>
<td>2019 Q4</td>
<td>$92.2 B</td>
<td>3.0%</td>
<td>4.5%</td>
<td>$7.53</td>
<td>4.2%</td>
<td>119 M</td>
</tr>
<tr>
<td>2019 Q3</td>
<td>$92.2 B</td>
<td>3.0%</td>
<td>4.3%</td>
<td>$7.47</td>
<td>4.3%</td>
<td>119 M</td>
</tr>
<tr>
<td>2019 Q2</td>
<td>$91.9 B</td>
<td>2.9%</td>
<td>5.0%</td>
<td>$7.36</td>
<td>3.7%</td>
<td>119 M</td>
</tr>
<tr>
<td>2019 Q1</td>
<td>$91.5 B</td>
<td>3.2%</td>
<td>5.1%</td>
<td>$7.29</td>
<td>3.5%</td>
<td>119 M</td>
</tr>
<tr>
<td>2018 Q4</td>
<td>$90.7 B</td>
<td>2.9%</td>
<td>5.3%</td>
<td>$7.22</td>
<td>3.6%</td>
<td>119 M</td>
</tr>
<tr>
<td>2018 Q3</td>
<td>$89.5 B</td>
<td>3.4%</td>
<td>6.0%</td>
<td>$7.17</td>
<td>4.3%</td>
<td>119 M</td>
</tr>
<tr>
<td>2018 Q2</td>
<td>$84.6 B</td>
<td>3.3%</td>
<td>5.8%</td>
<td>$7.10</td>
<td>4.3%</td>
<td>119 M</td>
</tr>
<tr>
<td>2018 Q1</td>
<td>$84.4 B</td>
<td>3.6%</td>
<td>6.2%</td>
<td>$7.04</td>
<td>4.3%</td>
<td>119 M</td>
</tr>
<tr>
<td>2017 Q4</td>
<td>$63.3 B</td>
<td>3.3%</td>
<td>5.9%</td>
<td>$6.97</td>
<td>4.6%</td>
<td>119 M</td>
</tr>
<tr>
<td>2017 Q3</td>
<td>$84.1 B</td>
<td>3.7%</td>
<td>6.0%</td>
<td>$6.87</td>
<td>4.1%</td>
<td>119 M</td>
</tr>
<tr>
<td>2017 Q2</td>
<td>$82.8 B</td>
<td>4.3%</td>
<td>6.7%</td>
<td>$6.81</td>
<td>4.0%</td>
<td>118 M</td>
</tr>
<tr>
<td>2017 Q1</td>
<td>$61.1 B</td>
<td>5.1%</td>
<td>7.4%</td>
<td>$6.76</td>
<td>4.1%</td>
<td>118 M</td>
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<tr>
<td>2016 Q4</td>
<td>$59.9 B</td>
<td>5.7%</td>
<td>7.2%</td>
<td>$6.67</td>
<td>3.6%</td>
<td>116 M</td>
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<tr>
<td>2016 Q3</td>
<td>$76.9 B</td>
<td>5.4%</td>
<td>7.4%</td>
<td>$6.60</td>
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<td>118 M</td>
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<tr>
<td>2016 Q2</td>
<td>$77.8 B</td>
<td>5.5%</td>
<td>6.1%</td>
<td>$6.54</td>
<td>3.1%</td>
<td>117 M</td>
</tr>
<tr>
<td>2016 Q1</td>
<td>$77.7 B</td>
<td>5.5%</td>
<td>6.4%</td>
<td>$6.49</td>
<td>3.0%</td>
<td>118 M</td>
</tr>
<tr>
<td>2015 Q4</td>
<td>$77.8 B</td>
<td>6.0%</td>
<td>6.1%</td>
<td>$6.43</td>
<td>2.5%</td>
<td>116 M</td>
</tr>
<tr>
<td>2015 Q3</td>
<td>$74.7 B</td>
<td>5.9%</td>
<td>6.7%</td>
<td>$6.39</td>
<td>2.3%</td>
<td>118 M</td>
</tr>
<tr>
<td>2015 Q2</td>
<td>$71.9 B</td>
<td>6.9%</td>
<td>6.8%</td>
<td>$6.35</td>
<td>1.8%</td>
<td>117 M</td>
</tr>
<tr>
<td>2015 Q1</td>
<td>$71.1 B</td>
<td>6.9%</td>
<td>9.1%</td>
<td>$6.30</td>
<td>1.5%</td>
<td>117 M</td>
</tr>
</tbody>
</table>

119 msf

117 msf

1.7% growth over five years
City | % Growth
--- | ---
Chesapeake | 11%
Hampton | -0.01%
Newport News | 0.0%
Norfolk | 0.9%
As you would expect, prices are rising...

**Sold: 8/10/2000** $630,000 $30.96 per square foot

**Sold: 2/16/2005** $735,000 $36.12 per square foot

**Sold: 04/16/2017** $1,042,500 $51.23 per square foot

2019 Median price per square foot: $52.66 psf

2019 Average price per square foot: $52.72 psf
Big Box

How did we get here?
The importance of port selection in today’s massive product-movement environment can’t be understated. The new mega-ships mentioned at the outset, for example, can cause mega congestion. Automation was supposed to mitigate this. While many automated container terminals do now routinely handle exchanges in excess of 10,000 TEUs at a single port of call, these efficiencies can easily be lost as inland-bound cargo moves from the quay to the intermodal connections.

The Port of Los Angeles-Long Beach, for example — the biggest port in the US — has already experienced a number of these issues. A “maxed out” rail system, the threat of labor disruptions, and traffic mitigation fee hikes have left many clients wondering if it’s such a good idea to “put all their eggs in one basket” and rely so heavily on a single port.
Automotive Manufacturer Increases Profits by 28% with Greenfield Analysis and Network Optimization

Challenge
A major automotive manufacturer wanted to improve the structure of its Australian service parts distribution network in order to align it with the brand’s global strategy and turn it into a competitive advantage. Apart from the lack of control over allocation to dealers, pricing and order fulfillment, many of the dealers also demanded an added benefit of the end-to-end distribution ‘last mile’ service in the Australian region.

Specifically, the company wanted to move from the current state:

- OEM
- Distributors/Wholesalers
- Dealers

As the native state of an end-to-end OEM-managed part distribution process.

With the elimination of the dealer involvement from the supply chain and improved visibility and distribution of service parts, the company was able to add $23 million to its bottom line.

Specifically, the company wanted to move to the future state of an end-to-end OEM-managed part distribution process:

- OEM
- Managed centralized storage
- Regional DCs
- Dealers

...to the future state of an end-to-end OEM-managed part distribution process.

This move would likely add significant value due to the elimination of new, more managed footprints and the cost savings in over 1.5 percent of product price to the OEM while maximizing the demand in the middle warehousing market. The company also had the added benefit of Llamasoft’s ability to analyze the optimal regional DC view and locations and how to best fulfill orders from these locations.
Dollar Tree

St. Onge Company has provided logistics consulting services to Dollar Tree’s distribution network. St. Onge was hired to perform a distribution network optimization study for Dollar Tree in order to ensure the network was running efficiently.

During the study, the number and location of distribution centers to accommodate the company’s planned future growth was identified. St. Onge personnel also evaluated multiple DC capacity alternatives such as expansion and automation. Alternate distribution strategies, such as slow mover consolidation and import consolidation DCs, were investigated. Finally, a detailed rollout plan based on yearly store growth was developed.
Supply chain analysis points to the Port of Virginia and Hampton Roads for a Regional Distribution Center.
2020

Where are we gong?
2020 Projections:

1. Trump wins a second term
2020 Projections:

1. Trump wins a second term
2. Virginia wins back-to-back National Titles
2020 Projections:

1. Trump wins a second term
2. Virginia wins back-to-back National Titles
3. Amazon crushes the market with new DC’s
2020 Projections:

1. Trump wins a second term
2. Virginia wins back-to-back National Titles
3. Amazon crushes the market with new DC’s
4. It will be a very good year for the industrial market
Thank you!
Annual Hampton Roads Market Review & Forecast

CELEBRATING

1995 2020

25 YEARS
RETAIL

MIKE ZARPAS

Vice President of Retail Brokerage and Development
S.L. Nusbaum Realty Co.
COVID-19
First Annual ODU Market Review & Forecast

- World Wide Web becomes fully privatized (U.S. Government ends subsidy)
- Amazon becomes online bookseller with motto “get big fast”
- Sony introduces PlayStation to consumer delight
- Dow Jones closes above 5,000 for the first time
- Federal Reserve Interest Rate: 8.5%
- Taubman announces MacArthur Center development in Downtown Norfolk
- Gerald Divaris continues land acquisitions to create a new “Downtown Virginia Beach”
TOWN CENTER
VIRGINIA BEACH, VIRGINIA

1995

2020
## KEY HAMPTON ROADS MARKET STATISTICS & ACTIVITY

### Deliveries
- **124,888 SF**

### Net Absorption
- **24,652 SF**

### Vacancy Rate
- **5.1%**

### Rent Growth
- **0.5%**

<table>
<thead>
<tr>
<th>TYPE</th>
<th>SQUARE FEET</th>
<th>RATE PER SF</th>
<th>VACANCY RATE</th>
<th>AVAILABILITY RATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Malls</td>
<td>8,896,530</td>
<td>$24.01</td>
<td>2.1%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Power Centers</td>
<td>7,737,232</td>
<td>$20.06</td>
<td>5.9%</td>
<td>7.4%</td>
</tr>
<tr>
<td>Neighborhood Centers</td>
<td>35,323,100</td>
<td>$16.80</td>
<td>8.9%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Strip Centers</td>
<td>6,821,222</td>
<td>$16.01</td>
<td>5.8%</td>
<td>7.5%</td>
</tr>
<tr>
<td>General Retail</td>
<td>44,707,768</td>
<td>$15.26</td>
<td>2.5%</td>
<td>5.1%</td>
</tr>
</tbody>
</table>
IKEA
Norfolk, Virginia

Wegmans
Virginia Beach, Virginia
TOP 5 RETAIL LEASES

84,000 SF  Apex Entertainment, Virginia Beach

41,262 SF  Surge Adventure Park, Virginia Beach

39,000 SF  Rosie’s Gaming Emporium, Hampton

30,098 SF  Gordmans, Norfolk

27,000 SF  SK8 House Family Entertainment Center, Virginia Beach
Red Mill Commons / Red Mill Walk
Virginia Beach, Virginia

Landstown Commons
Virginia Beach, Virginia
TOP 5 RETAIL SALES

$87,000,000  Landstown Commons, Virginia Beach

$79,815,000  Red Mill Commons and Red Mill Walk, Virginia Beach

$30,275,000  Lightfoot Marketplace, Williamsburg

$29,507,000  Hilltop Marketplace, Virginia Beach

$29,250,000  Fairfield Shopping Center, Virginia Beach
Summit Pointe
Chesapeake, Virginia

Rooms To Go
Virginia Beach, Virginia

Midtown Row
Williamsburg, Virginia
TOP 5 RETAIL DEVELOPMENTS

55,906 SF  Midtown Row, Williamsburg
44,685 SF  Rooms To Go, Virginia Beach
40,000 SF  Summit Pointe, Chesapeake
36,820 SF  Harbourview Shops, Suffolk
29,004 SF  Lidl, Virginia Beach
CORONAVIRUS
RETAIL CLOSURES

Walgreens  dressbarn  GameStop  Z GALLERIE
Payless SHOESOURCE  FAMILY DOLLAR  DESTINATION MATERNITY  LifeWay
A.C. MOORE ARTS & CRAFTS  THE CHILDREN'S PLACE  ZOOTS  PERFORMANCE BICYCLE
Party City  Raven Virginia Beach  chico's  JCPenney
DICK'S SPORTING GOODS  GYMBOREE  Pier  fye  charlotte russe
RITE AID  VICTORIA'S SECRET  THE GAP  STEAK 'N SHAKE  NORDSTROM
BAM! BOOKS A MILLION  FOREVER 21  Office DEPOT  OfficeMax  Eddie Bauer
RETAIL OPENINGS & COMING SOON
ZARP’S TOP TEN PREDICTIONS

#1  Ten of you in this room will sign a deal with me before year end
#2  Department stores will become partnership centers
#3  Second hand merchandise will spread well beyond thrift stores
#4  BOPIS will gain in popularity due to quick factor (at home delivery for added $)
#5  Strong brands will open “wow” pop-up centers to pique consumer interest
#6  New retailers will emerge to greatly disrupt current competition
#7  Online brands will continue search for brick and mortar locations
#8  5G technologies will enable retailers to drive sales volume
#9  Omnichannel retailers will be the clear winners moving forward
#10 Physical retail stores will continue to dominate overall retail sales
CoStar, Sandy Dwyer, Marie and Mary Zarpas
AND ALL OF YOU FOR COMING TODAY!
MULTI-FAMILY

RICHARD
COUNSELMAN

Vice President and Partner
S.L. Nusbaum Realty Co.
Breaking Records!
Multifamily Vacancy – Hampton Roads and Peer Cities

![Vacancy Rate Graph](Image)

Source: CoStar Group
Base Case Forecast: Supply, Demand and Vacancy
Southside - Rent Levels and Growth

Source: CoStar Group
Peninsula - Rent Levels and Growth

Source: CoStar Group
12-Month Search Data by Bedroom

Norfolk
- Three + Bed: 21.0%
- Studio: 4.7%
- One Bed: 30.1%
- Two Bed: 44.2%

Based on 7.3 Million Searches

National Benchmark
- Three + Bed: 15.2%
- Studio: 8.8%
- One Bed: 36.6%
- Two Bed: 39.3%

Based on 1.5 Billion Searches

Source: CoStar Group/Apartments.com
Apartment Inventory: Units Built by Decade

Norfolk

- Pre-1950: 21%
- 1950's: 17%
- 1960's: 10%
- 1970's: 5%
- 1980's: 5%
- 1990's: 26%
- 2000's: 15%
- 2010-Present: 1%

United States

- Pre-1950: 3%
- 1950's: 17%
- 1960's: 8%
- 1970's: 24%
- 1980's: 18%
- 1990's: 11%
- 2000's: 18%
- 2010-Present: 3%

Source: CoStar Group
Unemployment Rate: Norfolk vs. US
Hampton Roads: Job Growth By Sector

- Total Nonfarm: 1.9%
- Office-Using: 2.5%
- Financial Activities: 3.0%
- Prof/Biz Services: 2.7%
- Information: -2.3%
- Government: 0.7%
- Edu/Health Services: 2.0%
- Leisure and Hospitality: 3.6%
- Construction: 5.8%
- Manufacturing: 3.4%
- Trade: -0.5%

Source: CoStar Group
Transaction Volume:
EAST BEACH MARINA APARTMENTS
Norfolk, VA

Year Built: 2015
Units: 137
Sale Price: $35,000,000
CAP Rate: 4.80%
Recent Significant Sales - Southside

**AURA DOWNTOWN / EDGE 450**

Norfolk, VA

- **Year Built:** 2017
- **Units:** 156
- **Sale Price:** $29,000,000
- **CAP Rate:** 6.00%

Source: CoStar Group
SALTMEADOW BAY APARTMENTS
Virginia Beach, VA

Year Built: 2006
Units: 229
Sale Price: $49,000,000
CAP Rate: 5.00%
Recent Significant Sales - Peninsula

ALTA CITIZEN APARTMENTS
Newport News, VA

Year Built: 2018
Units: 209
Sale Price: $43,000,000
CAP Rate: 5.50%

Source: CoStar Group
LUMEN APARTMENTS
Hampton, VA

Units: 301
Scheduled Completion: Summer 2020
Developer: Craig Davis Properties
AURA AT ARBORDALE
Williamsburg, VA

Units: 289
Scheduled Completion: Spring 2020
Developer: Bonaventure Realty Group
New Construction

COASTAL 61
Virginia Beach, VA

Units: 244
Scheduled Completion: 2020
Developer: Franklin Johnston Group & Virginia Wesleyan
BRIDGEPORT APARTMENTS
Suffolk, VA

Units: 285
Scheduled Completion: Spring 2020
Developer: BECO
THE PEARL AT MARINA SHORES
Virginia Beach, VA

Units: 200
Scheduled Completion:
Summer 2020
Developer: Gail Higgs & Brad Waitzer

Source: CoStar Group
HELIX APARTMENTS
Chesapeake, VA

**Units:** 133
**Scheduled Completion:** Summer 2020
**Developer:** Summit Pointe Realty
New Construction

27 Atlantic
Virginia Beach, VA

Units: 285
Scheduled Completion:
April 2020
Developer: Armada Hoffler

Source: CoStar Group
New Construction

27 Atlantic
Virginia Beach, VA

Units: 285
Scheduled Completion: April 2020
Developer: Armada Hoffler

Source: Armada Hoffler
New Construction

27 Atlantic
Virginia Beach, VA

Units: 285
Scheduled Completion: April 2020
Developer: Armada Hoffler
Construction Interest Rates

4.51%
3.06%
3.48%
1.50%

Source: AGM Financial
Proposed Developments – Southside & Peninsula

3,426 TOTAL UNITS PROPOSED

- Suffolk: 504 units
- Chesapeake: 200 units
- Virginia Beach: 950 units
- Norfolk: 749 units
- Williamsburg: 223 units
- Newport News: 176 units
- York County: 204 units
- Poquoson: 176 units
- Hampton: 260 units

Source: Colliers International & HREDA
Before & After:
Records Are Made To Be Broken
THANKS!

to all those who made this report possible
RESIDENTIAL

VAN ROSE

Chief Operating Officer
Rose&Womble Realty Co.
2005
29,129 Closings
$230,475 Median Sales Price
$59,100 Median Family Income
5.91%

2010
16,500 Closings
$198,000 Median Sales Price
42% of all houses on market in foreclosure

2019
29,485 Closings
$245,000 Median Sales Price
$79,300 Median Family Income
3.56%
Median Home Values Hampton Roads

<table>
<thead>
<tr>
<th>Year</th>
<th>Median Home Value</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$221K</td>
<td>4.79%</td>
</tr>
<tr>
<td>2016</td>
<td>$234K</td>
<td>5.8%</td>
</tr>
<tr>
<td>2017</td>
<td>$235K</td>
<td>0.04%</td>
</tr>
<tr>
<td>2018</td>
<td>$249K</td>
<td>5.9%</td>
</tr>
<tr>
<td>2019</td>
<td>$258K</td>
<td>3.6%</td>
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</tbody>
</table>

20.04% total growth from 2015 to 2019.
The New Paradigm

2015
Income $59,000
Int. Rate 5.53%
Could Afford $236,000
Mo. Payment $1344
Average SP $231,000

2019
Income $79,000
Int. Rate 3.63%
Could Afford $316,000
Mo. Payment $1442
ONLY BOUGHT $258,000
Payment $1177.34
Change in Builder Landscape

- TOP 3
  - Ryan Homes
  - Dragas
  - Chesapeake Homes

- 35%
- 30%
- 35%

- 200+ Builders
- Infill Builders
Change in Product

Traditional Home
McMansion
3,000 sq. ft.

Craftsman
Smaller
2,400 sq.ft.
Transformational Project

East Beach, Norfolk, VA
East Beach Wiki

- Designed in 1994 by Duany Plater-Zyberk for the Norfolk Redevelopment and Housing Authority

- The project started in 2001. It was originally conceived with a clubhouse, pool, pocket parks and about 700 residences (Single-Family Detached, Towns, Multi-Story Flats and apartments)

- The first closing occurred in May, 2004. The home was built by Mid Atlantic Development and sold for $550,000. Many of the area’s most notable builders have been involved in East Beach

- New Home prices have ranged from $285,000 - $2,850,000

- The community has generated over $248,500,000 in just residential new construction sales

- As importantly, it led to the revitalization of the entire Ocean View area
Biggest Problem Ahead

February 2020 starts the month with 1,453 less homes on the market than February 2019 and represents 51.5% less inventory than the peak in February, 2011.
The Forecast

• Increase Defense Spending
• Continued Bio-Medical Increases
• Increase in Jobs
• Increase in Buyer Demographics
Annual Hampton Roads Market Review & Forecast