

# MARKETBEAT HAMPTON ROADS

Office Q2 2020

**8.1%**

Vacancy Rate

YoY  
Chg



12-Mo.  
Forecast



**240K**

Net Absorption, SF



**\$19.16**

Asking Rent, PSF



(Overall, All Property Classes)

## ECONOMIC INDICATORS Q2 2020

**716.8K**

Hampton Roads  
Employment

YoY  
Chg



12-Mo.  
Forecast



**11.6%**

Hampton Roads  
Unemployment Rate



**13.0 %**

U.S.  
Unemployment Rate



Source: BLS

## ECONOMY: COVID-19

The end of Q2 2020 welcomes in Phase III of the reopening of the economy in Virginia. The three pillars of the Hampton Roads economy: defense, the Port of Virginia, and tourism have been tested by the pandemic. Tourism is the obvious challenging spot as COVID-19 has kept people home and out of hotels and beaches for at least the past three months as attractions and businesses remained closed per state orders. The optimistic view is defense, the heavyweight pillar in the local economy, seems relatively flat while the Port of Virginia continues to make some big wins. The COVID-19 pandemic struck the U.S. in March 2020, late in the quarter but with enough time to have a significant impact on first quarter market fundamentals. In the second quarter of 2020, the U.S. economy felt its effects more fully, as government-mandated shutdowns along with shelter-in-place ordinances pushed the country deeper into recession. The situation remains very fluid. Access the most recent information specific to COVID [here](#).

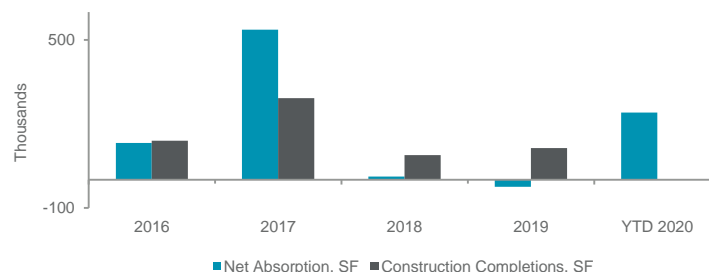
## SUPPLY and DEMAND: Large Transactions and Cranes in the Sky

Despite the national news that office demand will be tepid moving forward it is surprising to drive down Brambleton Avenue in Norfolk and see the amount of construction cranes in the air. Although the new construction is mainly medical and education focused, there are five projects underway in one half mile radius: the 138,000 square foot (sf) EVMS Waitzer Hall academic center; the 14 story CHKD pediatric mental health hospital; the Sentara Norfolk General Hospital Vertical Expansion, the 24 story Harbor's Edge retirement community, and Breeden's \$70M Ft. Norfolk project. Around the corner, the Norfolk CBD fundamentals are in significantly better shape after the Cushman & Wakefield's sale of 3 Commercial Place to owner occupants, Towne Bank and CHKD. The 310,745 sf inventory coming offline is a huge positive for the overall market as the building represented almost 10% of the total downtown inventory. Despite a market not known for constant big block user demand, there has been relatively short term absorption when product comes online evidenced by this CHKD/Towne transaction, the ADP deal, the 240 Corporate sale, and even the Military Circle mall redevelopment with Movement Mortgage and Optima Health.

## FORECAST: COVID-19 Will Redefine the Office, But Demand Will Still Exist

Post COVID-19, office space will be redefined, refurbished and reconsidered but ultimately reentered. Physical layouts will evolve with social distancing demands and technology implementations, but in reality those changes in space-making and layout were already occurring. The pandemic has just fast-forwarded the need for change. In Hampton Roads, defense contractor, engineering, and federal demand will most likely buffer Work-From-Home options that will be more pervasive in other markets around the country.

## 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	5,154,787	12,984	176,243	4.7%	5,087	-2,913	97,837	158,000	\$19.54	\$20.11
Gloucester	106,173	0	452	0.4%	0	0	0	0	\$10.50	N/A
Hampton	3,550,340	13,855	703,210	20.4%	1,654	-40,169	35,459	0	\$15.78	\$16.52
Harborview / Western Branch	1,887,576	0	106,274	6.0%	64,551	24,124	23,780	0	\$20.64	\$27.00
Newport News	7,049,434	1,796	538,393	7.7%	48,199	43,492	100,171	316,565	\$17.88	\$20.18
Norfolk	9,873,170	23,652	897,788	9.7%	-38,498	195,023	83,149	369,287	\$21.39	\$25.33
Portsmouth	1,229,596	0	89,670	7.3%	28,375	24,423	7,460	0	\$14.24	\$18.01
Suffolk	1,080,443	0	32,892	3.0%	0	0	500	0	\$24.67	N/A
Virginia Beach	11,801,425	20,471	812,012	7.4%	-100,754	13,967	156,256	70,000	\$20.02	\$21.58
Williamsburg	1,436,144	2,000	79,001	5.6%	-2,709	-9,947	500	0	\$19.44	\$23.00
York	594,631	0	28,850	4.9%	-1,200	-7,247	3,800	0	\$18.35	\$19.75
<b>HAMPTON ROADS TOTALS</b>	<b>43,763,719</b>	<b>74,758</b>	<b>3,464,785</b>	<b>8.1%</b>	<b>4,705</b>	<b>240,753</b>	<b>508,912</b>	<b>913,852</b>	<b>\$19.16</b>	<b>\$21.73</b>

\*Rental rates reflect full service asking. Leasing statistics include renewals.

## KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1422 Ballentine Blvd.	Norfolk	Truck Fleet Repair	33,250	Renewal
1434 Crossways Blvd.	Chesapeake	Sera Brynn	33,016	New Lease
7025 Harbourview Blvd.	Harborview	United States Army	20,000	Renewal
440 Monticello Ave.	Norfolk	KPMG, LLC	14,973	Renewal

## KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
3 Commercial Place	Norfolk	Norfolk Southern Corporation / McKinnon Tower, LLC	310,745	\$30M / \$97
7025 Harbour View Boulevard	Harborview	Starwood Capital Group / W.M. Jordan Company	123,407	\$8.5M / \$69
144 Research Drive	Hampton	Registrar Corp. / The Lester Group	29,525	\$2.7M / \$90
107-111 Research Drive	Hampton	Wilshire Enterprises, Inc. / Century 21 Nachman Realty	12,600	\$875K / \$69

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