


**HAMPTON ROADS
REAL ESTATE MARKET
REVIEW & FORECAST
2012**



E.V. Williams Center for Real Estate and Economic Development
(CREED)
Old Dominion University

Presents the
**17TH ANNUAL HAMPTON ROADS
REAL ESTATE MARKET REVIEW AND FORECAST**

Wednesday, March 14, 2012



**HAMPTON ROADS
REAL ESTATE MARKET
REVIEW & FORECAST
2012**





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Director
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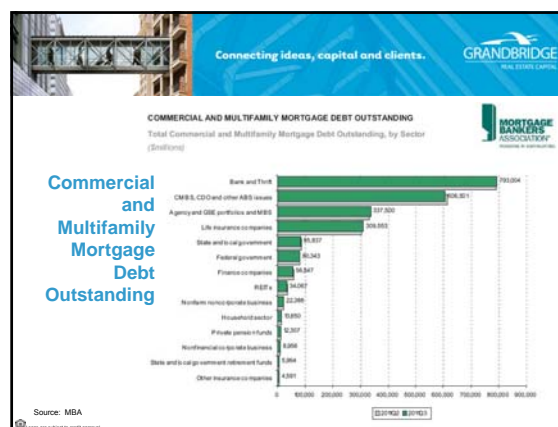
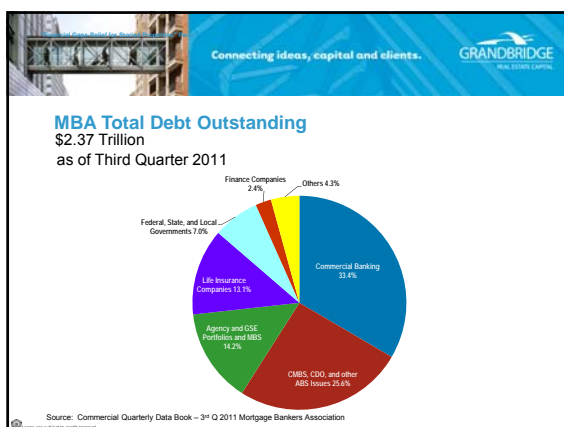
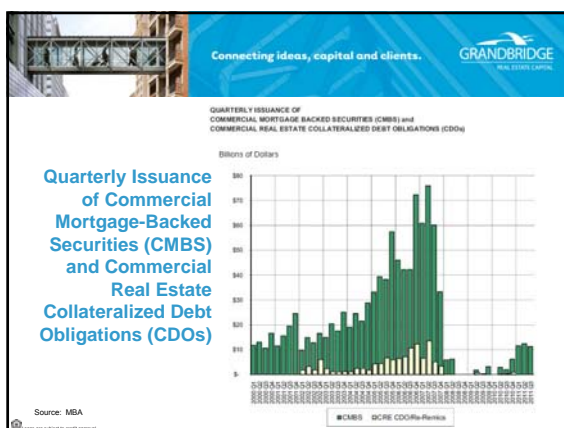
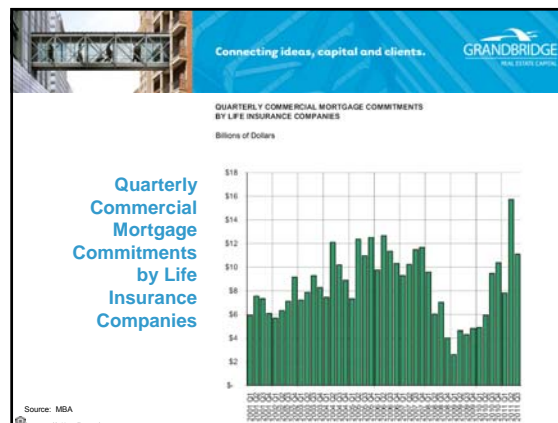
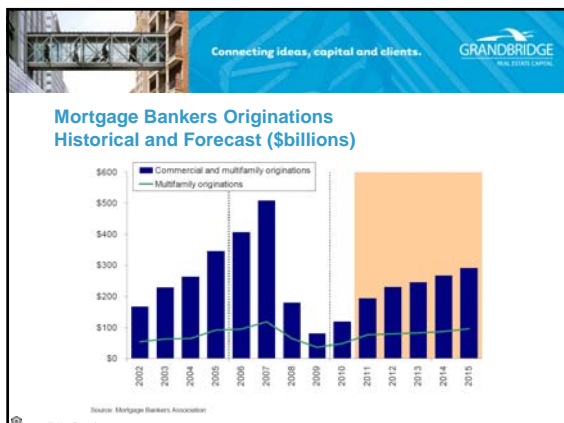


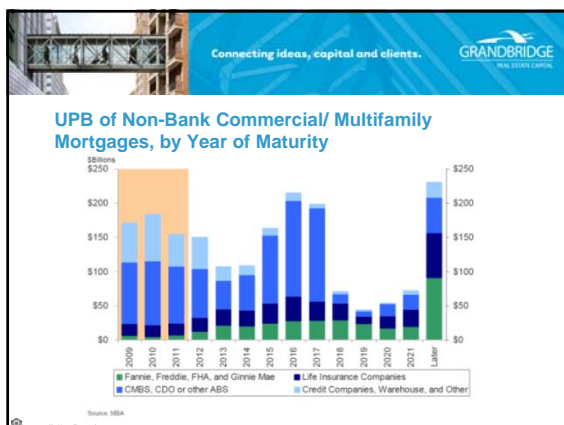
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Contrary to Popular Belief

Victor L. Pickett
Senior Vice President/Regional Manager





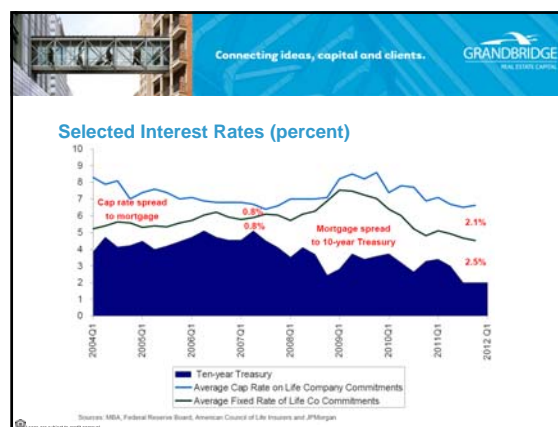
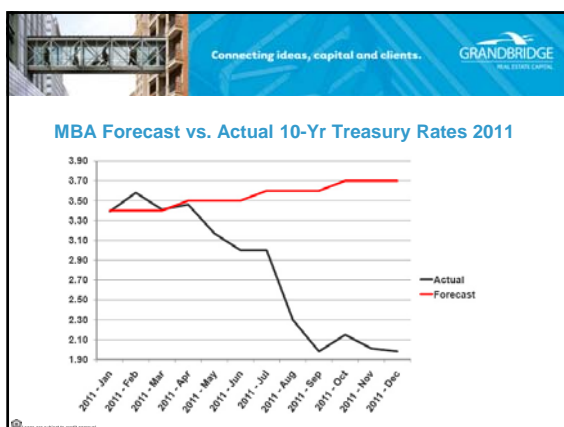
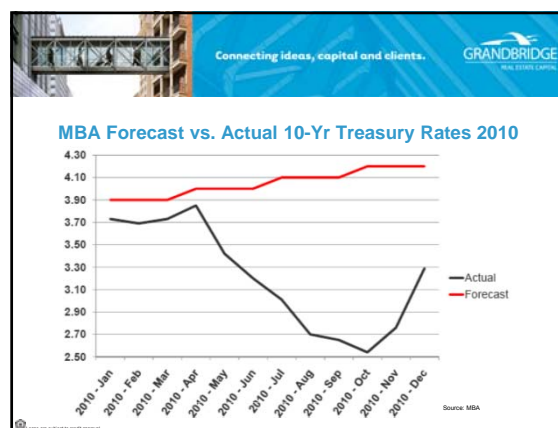
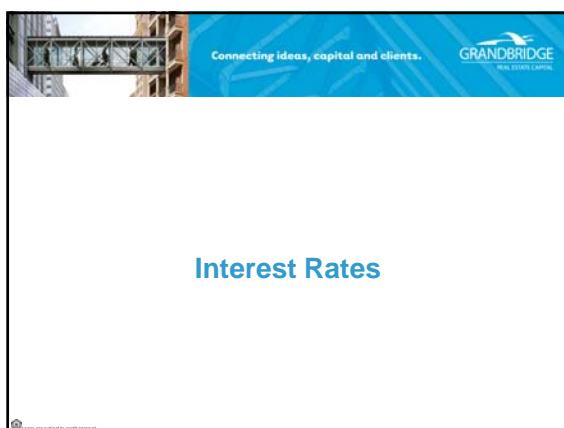


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CMBS Maturities


Year	Total	DSC < 1.0	DSC ≥ 1.2	LTV > 100%	LTV < 80%
2012	\$71.8B	12%	75%	21.3%	71.2%
2013	40.6B	6.6	85	4.1	93.1
2014	46.8B	7.9	81	7.7	85.1
2015	89.9B	8.1	81	8.0	85.3
2016	120.5B	10.0	74.6	9.8	84.9
2017	139.1B	13.4	67	11.8	76.9
2018	16.4B	5.7	90	4.0	86.4

Source: TREPP



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Belmont at Providence
Virginia Beach, VA
Multifamily
Permanent Financing
Insurance Company



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Stonebridge Apartments
Norfolk, VA
Multifamily
Refinance
Fannie Mae



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River House Apartments
Norfolk, VA
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New Permanent
Financing
HUD



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Taylor Pointe Apartments
Chesapeake, VA
Multifamily
Acquisition Financing
Freddie Mac



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Chesapeake, VA
Retail
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Food Lion
Greenwood, SC
Retail
Acquisition Financing
Insurance Company



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Battlefield Corporate Center
Chesapeake, VA
Office
Acquisition Financing
Insurance Company



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Towne Bank Center
Newport News, VA
Office
Refinance
Insurance Company



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ECPI
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Jack Rabbit
Virginia Beach, VA
Self-Storage
Refinance
Insurance Company



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AAAA
Norfolk, VA
Self-Storage
Refinance
Insurance Company



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25th Street Courtyard Marriott
Virginia Beach, VA
Limited Service Hotel
Refinance
CMBS



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Holiday Inn Express
Virginia Beach, VA
Limited Service Hotel
Refinance
Insurance Company



2011 ODU / CREED
INDUSTRIAL REVIEW



Presented by:
William C. Throne, CCIM, SIOR, ALC

CREED **CUSHMAN & WAKEFIELD** **THALHIMER**

2011 ODU / CREED
INDUSTRIAL REVIEW

LEANING INTO 2012

1. LEANING: Moving Forward



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INDUSTRIAL REVIEW

LEANING INTO 2012



1. LEANING: Moving Forward

- Vacancy incrementally better...

2009	12.94%
2010	12.48%
2011	12.12%
- Large deals leading the way...

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INDUSTRIAL REVIEW

LEANING INTO 2012



1. LEANING: Moving Forward

- Large deals leading the way...

Cal Cartage	385,320	New lease
Ace Hardware	340,000	BTS
Green Mountain	330,000	Purchase
Navy Exchange	325,000	BTS
Lumber Liquidators	257,218	New lease
Lumber Liquidators	250,000	Renewal
US Auto Parts	159,294	Expansion
Dana Unlimited	126,000	Expansion
Total Distribution	110,000	New lease

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2011 ODU / CREED
INDUSTRIAL REVIEW

LEANING INTO 2012



1. LEANING: Moving Forward

- Vacancy incrementally better...

2009	12.94%
2010	12.48%
2011	12.12%
- Large deals leading the way...
- Some sub-sectors are really tightening up

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INDUSTRIAL REVIEW

LEANING INTO 2012



2. LEANING: Still resistance



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INDUSTRIAL REVIEW

LEANING INTO 2012



2. LEANING: Still resistance



- Lending
- Foreclosures
- No Speculative building
- Development: EPA, VDEQ, Army Corps
- Roads and infrastructure
- Energy costs
- Tolls?

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LEANING INTO 2012



2. LEANING: Still resistance

- Tolls?



Source: Virginian Pilot

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LEANING INTO 2012



3. LEANING: Better than we think?



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INDUSTRIAL REVIEW

LEANING INTO 2012



3. LEANING: Better than we think?

- We are in better shape than before
- Class A warehouse absorption
- Port of Virginia
- Intermodal
- Right to Work State
- Unemployment rate
- Land available
- Development ready sites



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LEANING INTO 2012

4. LEANING: Close to the finish line?



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LEANING INTO 2012

4. LEANING: Close to the finish line?

- IN 2012, the Hampton Roads industrial market:
 - Vacancy rate will continue to decline
 - Broker frustration with limited availability
 - More large transactions
 - New buildings planned, construction started



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LEANING INTO 2012

THANK YOU



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Hampton Roads Real Estate
Office Market Review and Forecast

Maureen G. Rooks
Vice President
Jones Lang LaSalle



2011 Economic Recap and 2012 Economic Forecast
Hampton Roads Office Market


- Defense Budget Cuts and the Effects on Hampton Roads
- Jobs and Unemployment
- Office Absorption
 - Leasing
 - Sales
 - 2011 Construction deliveries
 - New deliveries for 2012
- Trends and Opportunities in the Office Market

JONES LANG LASALLE

Government spending
Hampton Roads is dependent on government spending

- VA Defense spending: \$56.9 billion
- Gov't contract budget: \$39 billion
- 11% of the GRP
- 16% of the GSP
- 1,000,000 employed by Government Contract services in VA
- U.S. defense budget cuts:
 - \$487 billion over 10 years
 - \$259 billion over 5 years

*2009 numbers are most recent



JONES LANG LASALLE

The Upside ▲

Hampton Roads Office Market

Information Technology / Cyber Technology

- United States Joint Forces Command's 120,000 square-foot vacated office will be back filled by the Navy Cyber Command in 2012
- 13,000 jobs intact



Military Strategy

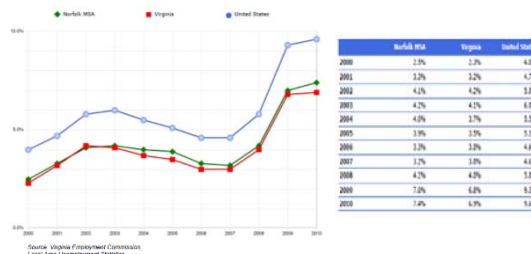
- Less manpower in war
- More information and cyber technology
- Modest continuation of modeling and simulation



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Unemployment

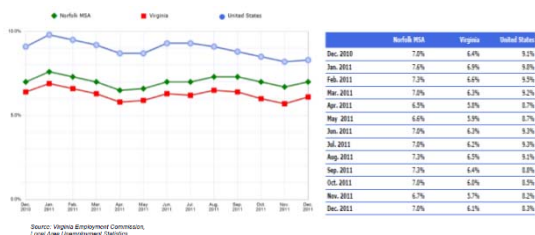
Trends



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Unemployment

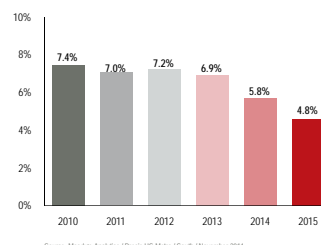
Past 12 months



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Unemployment in Hampton Roads

Where we've been...where we're **headed**

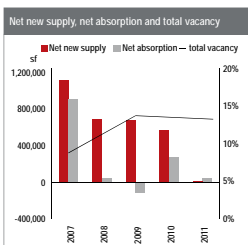


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Key Market Indicators

Hampton Roads Office Market

Key Market Indicators		12-month forecast
Supply	Supply	30,834,900 sf ▲
	Direct vacancy rate	13.5 % ▼
	Total vacancy rate	13.9% ▼
Demand	Under construction (% preleased)	262,289sf ▼
	Leasing activity 12 mo. % change	10.2% ▼
	YTD net absorption	44,306 sf ▲
Pricing	12-month overall rent % change	-4.1% ▼
	Class A overall asking rent	\$21.27 p/sf ▲
	Class B overall asking rent	\$16.48 p/sf ▲



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Outlook:

What to **expect**...Much of the **same**...






- Landlord expectations
 - Hold onto warm bodies – extend leases: early renewals
 - Expect signs of recovery in 2013
- Tenant expectations
 - Continued control due to double digit vacancy rate
 - Secure longer term leases to lock in below market rates
- Why??
 - More time required for stabilization of the market
 - Adoption of a strong "Wait-and-See" approach by business
 - Presidential Election November 2012



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2011 Lease Transactions

Hampton Roads Office Market






Top completed lease transactions			
Building / Address	Submarket	Tenant	sf
 Main Street Tower	Downtown Norfolk	United States Coast Guard	187,000
 Lake View Technology Center I	Harbour View Suffolk	General Services Administration (GSA)	115,783
 1434 Crossways Boulevard	Greenbrier	Hewlett Packard Development Co	112,297
 741 Monticello Avenue	Downtown Norfolk	Norfolk Department of Human Services	60,000
 Downtown Tower	Downtown Norfolk	CACI Enterprise Solutions, Inc.	47,408



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2011 Office Sales

Hampton Roads Office Market

Top completed sale transactions				
Address	Submarket	Buyer / Seller	sf	Price
 115 Lake View Parkway	Harbour View Suffolk	Salus Government Properties / Inland America Office Mgmt	115,783	\$22.5 million
 860 / 870 Greenbrier Circle	Greenbrier Chesapeake	First Potomac Realty Trust / Parkway Properties, Inc.	172,064	\$16.7 million
 5301 Cleveland Street	Newtown / Wickhuck Virginia Beach	Olympia Development Corp / Lovitt Properties	136,000	\$12.8 million
 530 Independence Parkway	Battlefield Chesapeake	First Potomac Realty Trust / VAM, LLC	96,720	\$8.7 million
 780 Lumburg Parkway	Lynnhaven Virginia Beach	Continental Capital Mgmt / Berman Kappeler Properties	79,182	\$8.45 million



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2011 Construction Deliveries

Hampton Roads Office Market

Top 2011 construction deliveries					
Building / Address	Submarket	Leasing/Occupied	Delivery	RBA	Occupied
 3424 Discovery Park Blvd	New Town Williamsburg	Tidewater Physicians Multi-Specialty Group (TPMG)	Q2 2011	40,000	100%
 Harbour View Blvd	Harbour View Suffolk	Towne Bank	Q4 2011	39,399	100%
 Interstate Professional Center - Phase I	Oyster Point Newport News	Divaris Real Estate, Inc.	Q2 2011	33,000	35%
 Interstate Professional Center - Phase II	Oyster Point Newport News	Divaris Real Estate, Inc.	Q4 2011	33,000	100%
 Greenbrier Medical Office II	Greenbrier Chesapeake	S.L. Neubaum Realty Co.	Q1 2011	27,476	100%



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2012 Construction – To Be Delivered

Hampton Roads Office Market

2012 Top under construction properties					
Building / Address	Submarket	Leasing/Occupied	Expected Delivery	RBA	Pre-leased
 Operation Smile Global Headquarters	Princess Anne Virginia Beach	Operation Smile Telethon	Q1 2012	72,300	100%
 Sidney Kellam Office Building at 31 Ocean	Oceanfront Virginia Beach	GoldKey / PHR	Q2 2012	61,980	30%
 NIA Laboratory Building	Hampton Roads Center Hampton	Harvey Lindsay Commercial Real Estate	Q1 2012	60,000	100%
 Chesapeake Eye Center	Greenbrier Chesapeake	Jones Lang LaSalle	Q2 2012	20,000	50%



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Trends and Opportunities

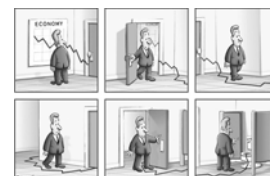
Hampton Roads Office Market

- Government contracting
- Information / Cyber technology / Cyber security
- Healthcare (Baby Boomers)
- Education (Generation Y)
- Legal and Financial

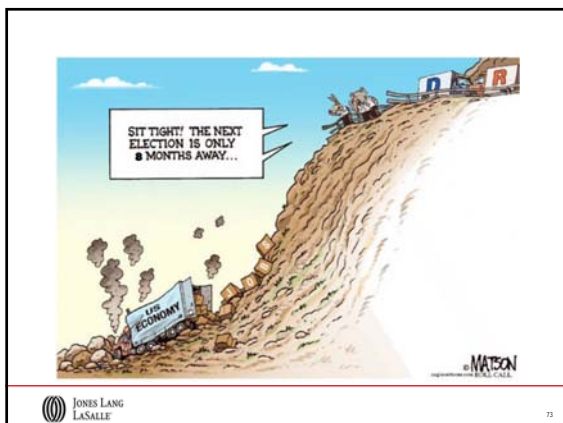


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Summary



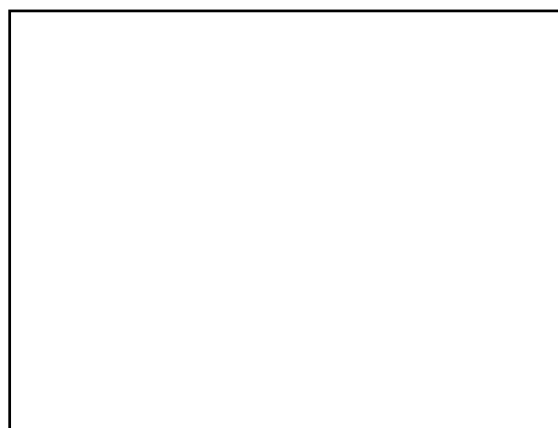
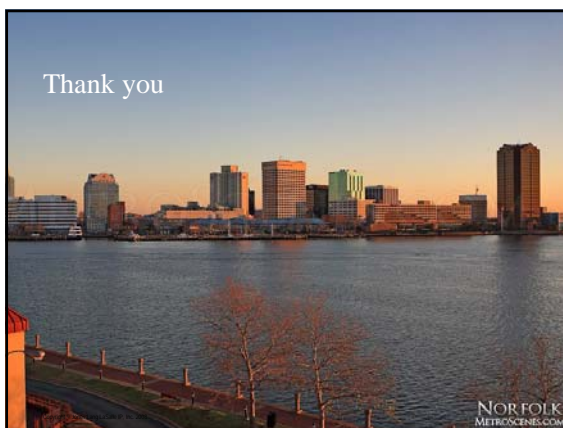
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Acknowledgments

Hampton Roads Office Market

- CoStar Realty Information, Inc.
- Moody's Analytics
- Virginia Unemployment Commission
- Geoff Thomas, *Research Analyst – Jones Lang LaSalle*
- Casey J. O'Hearn, *Author of 2012 Hampton Roads Office Market Review*



2012 ODU / CREED
RETAIL REVIEW

Closed for business

Under construction

Open for business

Presented by:
David Machupa

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2009 THEME
WEATHERING THE STORM

2012 ODU / CREED
RETAIL REVIEW

2010 THEME
THE CALM AFTER THE STORM



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2011 THEME
SLOW AND STEADY WINS THE RACE



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OVERVIEW

	Southside	Peninsula	Total
NUMBER OF PROPERTIES	279	138	417
GLA IN SF	34,150,108	18,494,461	52,644,569
VACANT SF	2,534,765	1,944,109	4,478,874
% VACANT	7.42%	10.51%	8.51%
AVERAGE RENTAL RATE	\$16.03 PSF	\$15.28 PSF	\$15.79 PSF
OCCUPIED IN SF	31,615,343	16,550,352	48,165,695

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COMING TO MARKET



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WATCH LIST



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NEW DEVELOPMENTS



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INVESTMENT SALE



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NEW TREND ???



CREED CUSHMAN & WAKEFIELD THALHIMER

2012 ODU / CREED
RETAIL REVIEW

2012 OUTLOOK & FORECAST



CREED CUSHMAN & WAKEFIELD THALHIMER

2012 HAMPTON ROADS
REAL ESTATE MARKET REVIEW

MULTI-FAMILY

PRESENTED BY:
DWIGHT D. DUNTON III
PRESIDENT

BONAVENTURE
REALTY GROUP, LLC

CREED
Center for Real Estate and
Economic Development

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Hampton Roads Overview

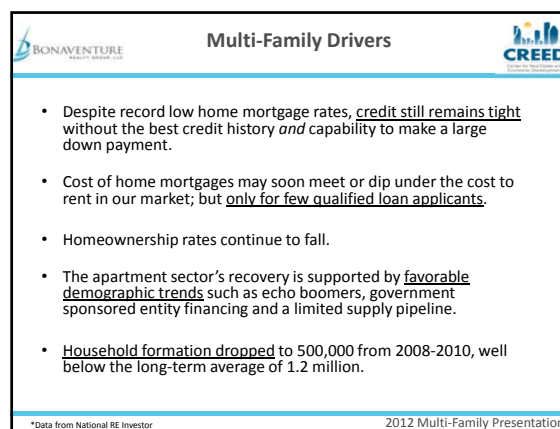
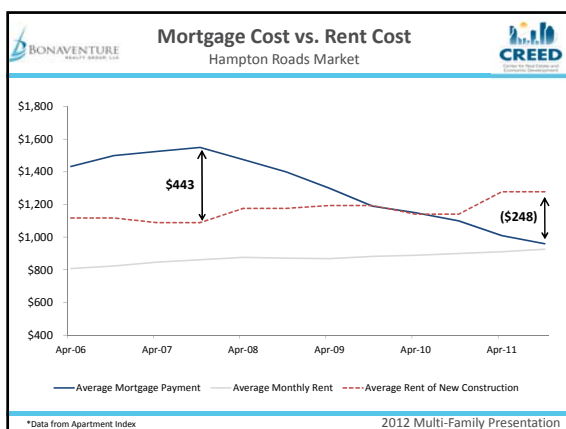
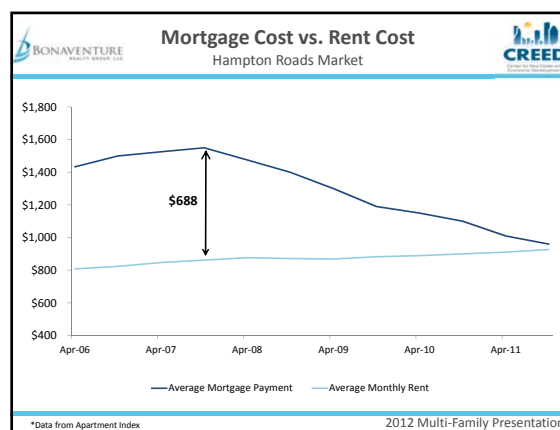
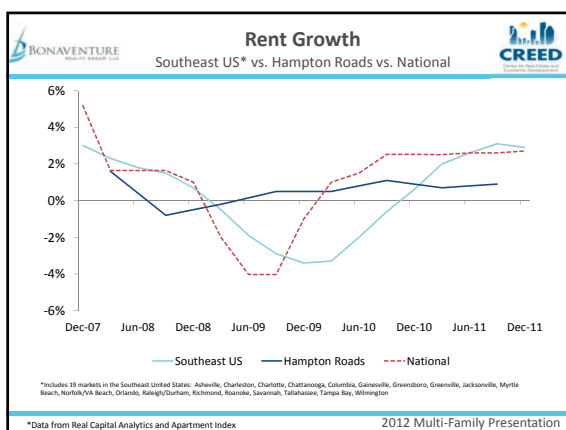
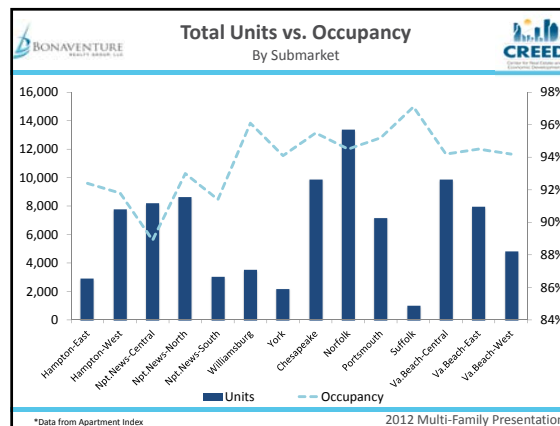
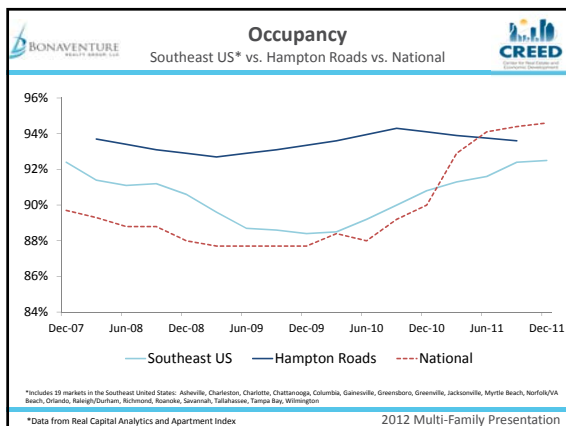
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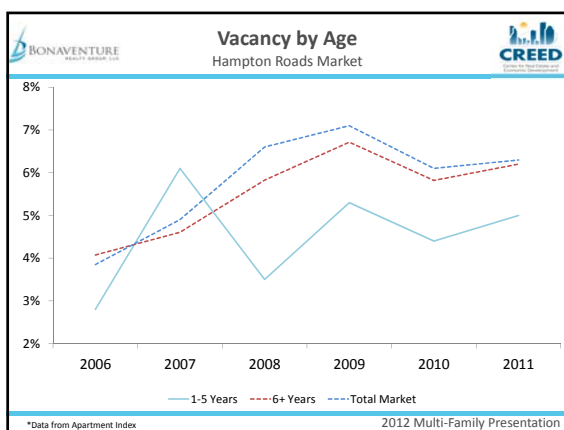
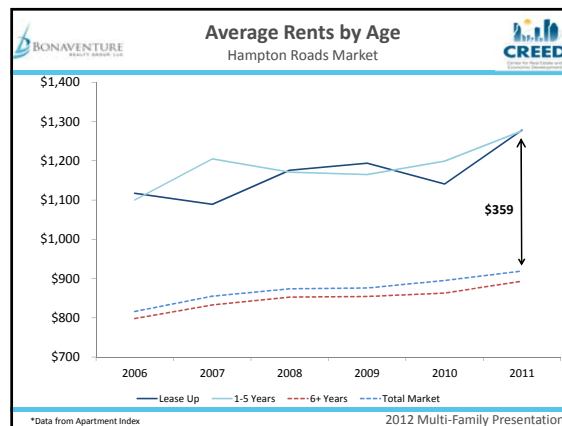
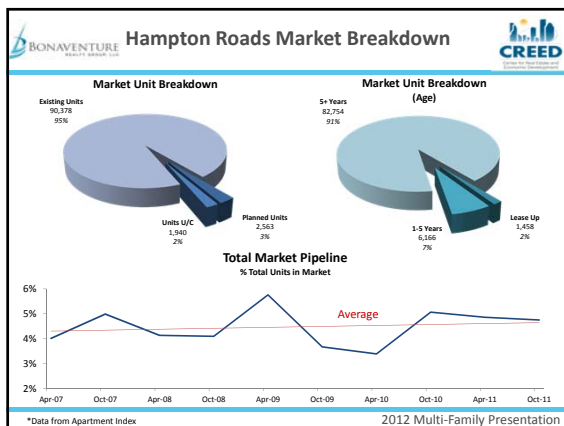
- The average rent is currently \$926/month (\$.98/SF)
 - +\$26 over 2010 and +\$64 since 2007
- Vacancy is 6.4%
 - +0.7% over 2010 and +1.3% since 2007
- Rent growth is currently at 2.81%**
- There are currently 90,378 completed units in this market.
 - +853 over 2010 and +6,502 over 2007.
- There are currently 1,940 units under construction
 - +833 increase over units U/C in 2010


**Rent growth versus previous calendar year

*Data from Apartment Index


2012 Multi-Family Presentation






BONAVENTURE
 REALTY SERVICES

Submarket Scorecard



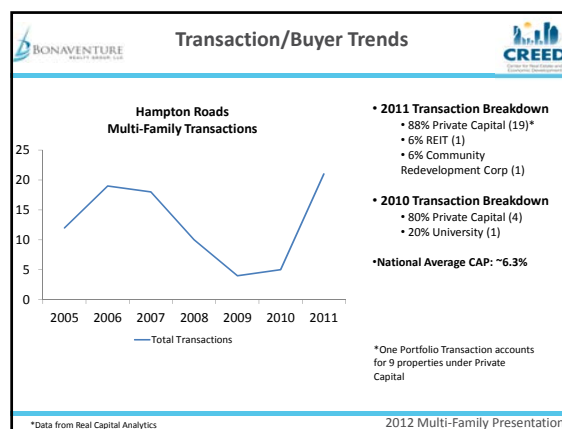
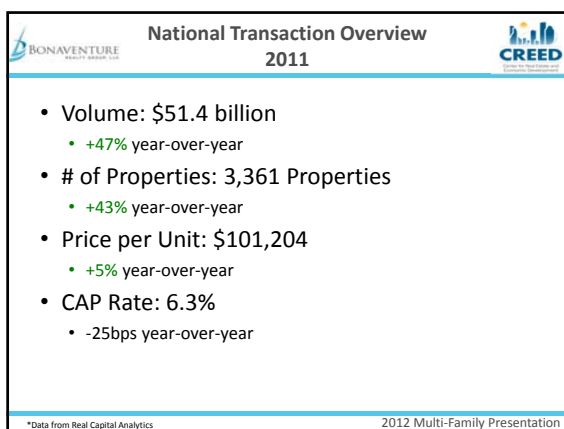
 BUILDING
 NATIONAL AFFORDABLE HOUSING

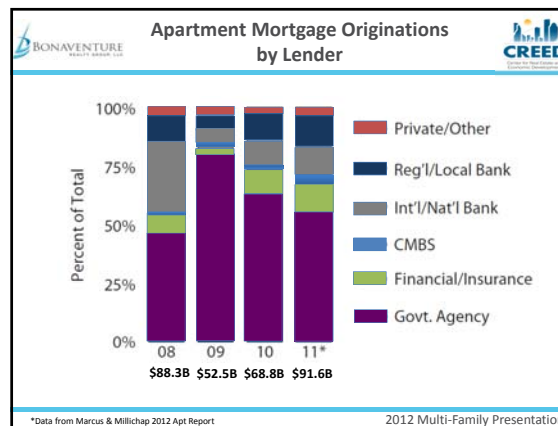
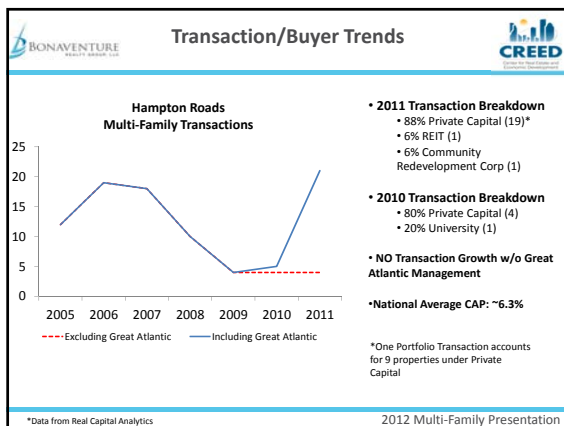
2011 vs 2010 Market Health						
Submarket	Total Units	Pipeline Units	6-Month Absorption*	Change in Occupancy	Change in Rent/Month	Market Grade**
NN South	3,040	248	60	1.90%	\$3.00	😊😊😊😊
Williamsburg	3,554	0	57	0.50%	\$26.00	😊😊😊😊
Chesapeake	9,886	1,078	174	-0.80%	\$23.00	😊😊😊😊
Norfolk	13,341	1,289	29	-1.10%	\$67.00	😊😊😊😊
Hampton East	2,933	0	97	0.60%	\$5.00	😊😊😊😊
NN North	8,612	336	89	0.10%	\$5.00	😊😊😊😊
York	2,216	0	17	0.90%	\$14.00	😊😊😊😊
VA Beach West	4,830	224	-7	1.00%	\$41.00	😊😊😊😊
Hampton West	7,768	120	90	-1.70%	\$14.00	😊😊😊😊
NN Central	8,216	234	-211	-2.20%	\$30.00	😊😊😊😊
Portsmouth	7,192	216	-68	-0.60%	\$25.00	😊😊😊😊
Suffolk	1,010	304	-9	-0.90%	-\$14.00	😊😊😊😊
VA Beach Central	9,837	276	-134	-1.40%	\$9.00	😊😊😊😊
VA Beach East	7,943	178	-58	-0.50%	\$20.00	😊😊😊😊
Total	90,378	4,503	126	-0.30%	\$19.14	

😊 = Total of 4 Achievable for 4 Categories

*Data from Apartment Index

2012 Multi-Family Presentation





What Does it All Mean?

- Lenders want to lend to multi-family projects.
- SFH Mortgages may be affordable, but not necessarily accessible
- Tenants are moving from Class B/C properties, to class A.
- Class A rents are increasing much faster than B/C—can it continue?
- Construction pipeline remains in check- Can developers be trusted to overdue a good thing

2012 Multi-Family Presentation

MULTI-FAMILY IS STILL THE PRETTIEST GIRL AT THE DANCE

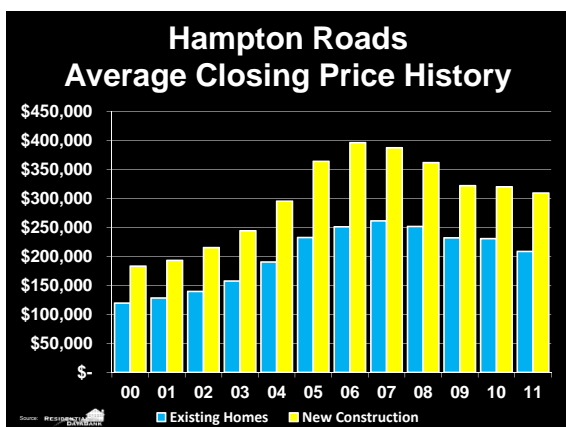
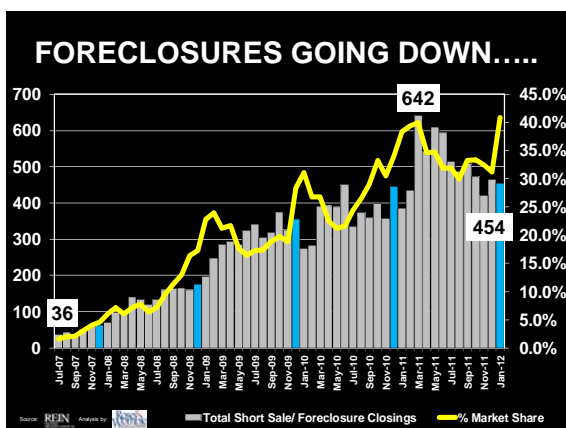
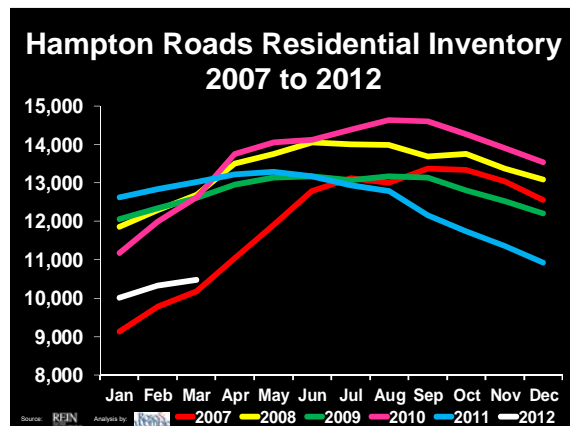
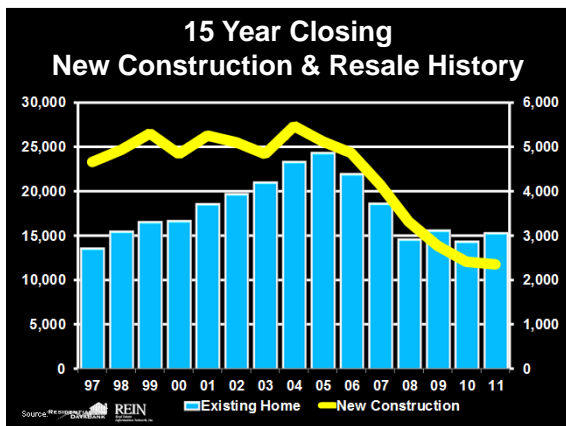
2012 Multi-Family Presentation

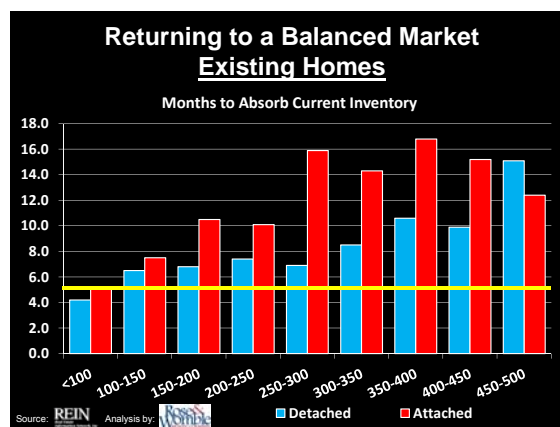
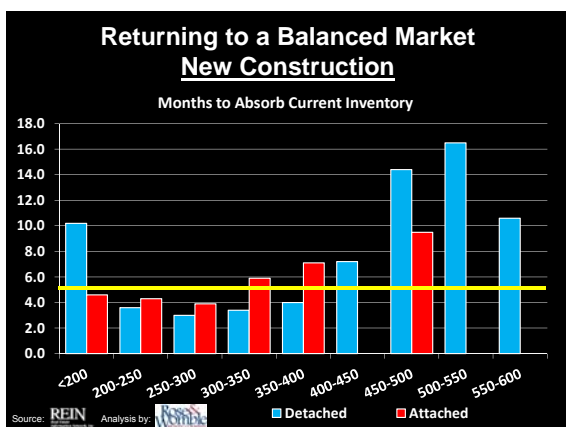
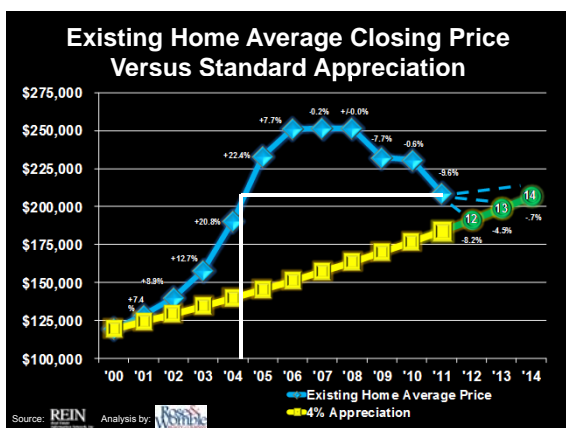
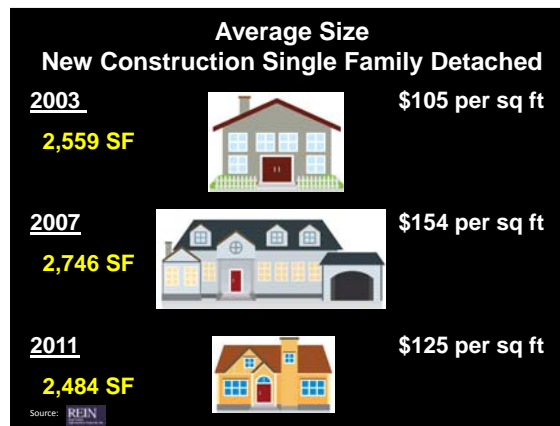
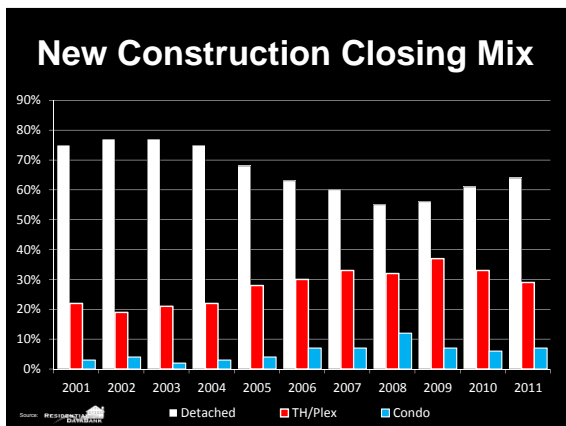
Rose & Womble REALTY COMPANY
A Family of Companies

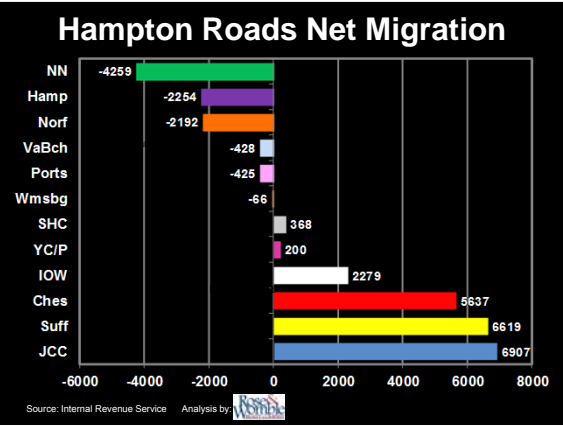
RESIDENTIAL MARKET UPDATE 2012

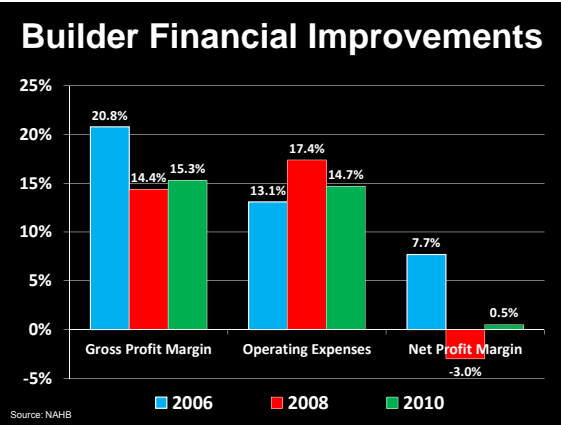
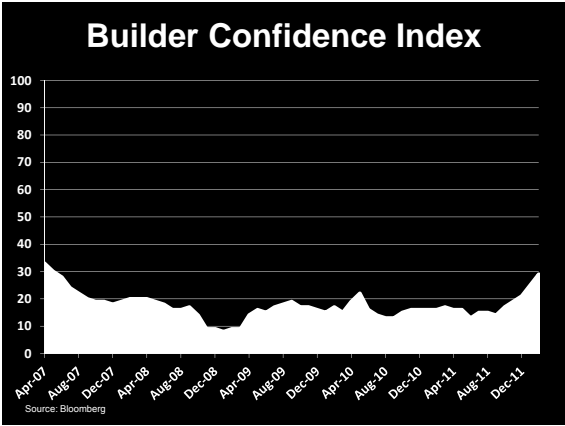
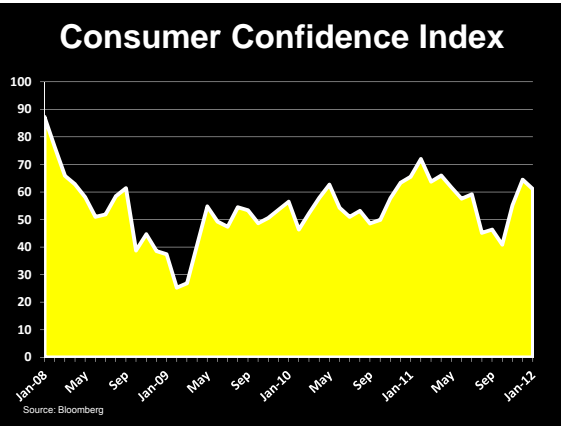
Van Rose, MIRM
President, Rose and Womble New Homes



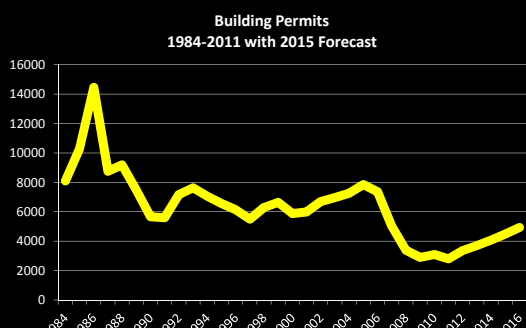




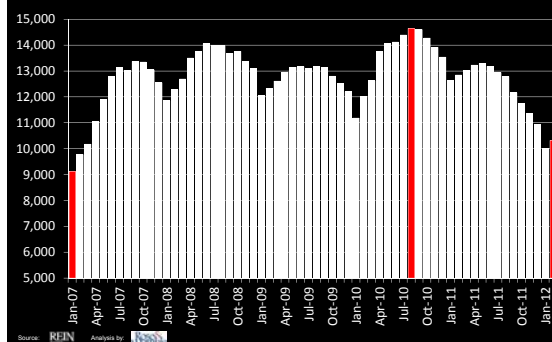




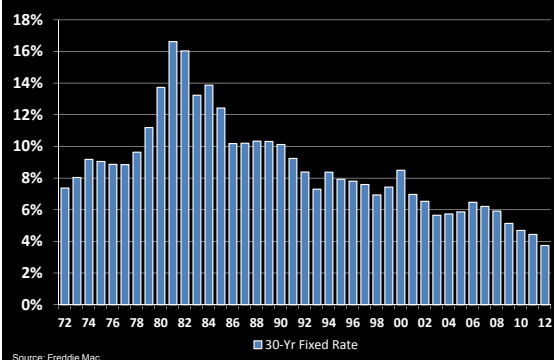
The Housing Cycle has Bottomed



Inventory is Going Down



Interest Rates are LOW!

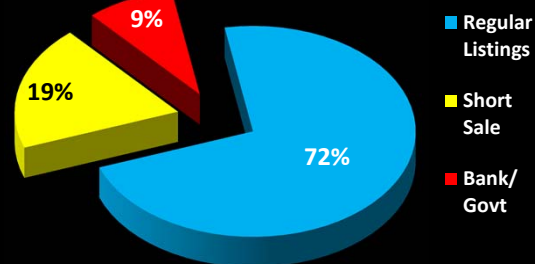


Construction Lending



Short Sales

Existing Homes Current Inventory



Source: REIN Analysis by:

Ever Changing Buyer Profile



LOCAL MARKET IMPROVEMENT INDICATORS

Resale Inventory	↓	21%
New Homes Inventory	↓	14%
Price Changes	↓	26%
Foreclosure Sales	↓	26%
Building Permits	↑	37%
Interest Rate	↓	0.25%
Home Affordability Index	↑	70% approx
Capture Ratio	↓	1:11 (was 1:25)

2012?

Cautiously
Optimistic



**HAMPTON ROADS
REAL ESTATE MARKET
REVIEW & FORECAST
2012**

CREED UPCOMING EVENTS

Ted C. Constant Convocation Center
Old Dominion University

CREED Annual Meeting
June 2012

Hampton Roads Residential Market Review
November 2012

Commercial Real Estate Institute

Advancing Standards in Commercial Real Estate Education

Monday, May 7th – Tuesday, May 8th
"Introduction to Commercial Investment Real Estate"
 William C. Overman, CCIM
 S.L. Nusbbaum Realty Co.

Wednesday, May 9th – Thursday, May 10th
"Real Estate Financial Analysis Using Excel"
 Jeffrey L. Engelstad, Ph.D., CCIM
 Daniels College of Business, University of Denver

Friday, May 11th
"Ethics and Leadership Management"
 Connie Merriman, Ph.D. Doug Ziegenfuss, Ph.D.
 Assistant Dean, CBPA Chair, Accounting Dept., CBPA
 Old Dominion University Old Dominion University

It's coming...don't miss out

SAVE THE DATE:
May 17, 2012
 Ted Constant Convocation Center
 Old Dominion University
www.realitycheckhr.org

Reality Check Hampton Roads
One Region One Future One Day

*Presented by the Hampton Roads Chapter of the Urban Land Institute,
 In partnership with Old Dominion University and the
 E.V. Williams Center for Real Estate and Economic Development (CREED),
 Hampton Roads Planning District Commission, and the Hampton Roads
 Partnership*

RAISE A RAQUET at the
1st Annual CREED 2012
Tennis Pro-Am
Coming September 2012!
Folkes/Stevens Indoor Tennis Center

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- **Industry Professional Advisors to the Center**
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Craig Cope, Membership Chair, ccope@libertyproperty.com
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 Cocktail Reception...