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Welcome and thank you for joining us for the 2007 Old Dominion University E. V. Williams Center for Real Estate and Economic Development (CREED) Real Estate Market Review and Forecast. This is our 12th annual market report and review and we sincerely appreciate your continued support. If you have ideas for improving upon the market review report, please let us know.

Hampton Roads is officially designated the Virginia Beach – Norfolk – Newport News VA-NC MSA by the Office of Management and Budget. It encompasses 2,628 square miles, has a population of more than 1.6 million and a workforce of nearly 800,000. Hampton Roads is the fourth largest MSA in the southeast US, comprised of 16 cities and counties in Southeastern Virginia and Northeastern North Carolina, and is the largest consumer market between Washington DC and Atlanta.

According to the Old Dominion University Economic Forecasting Project, our region’s economy continued to grow in 2007 and our regional gross product will soon surpass $70 billion. For comparative purposes, that puts our region’s economy ahead of West Virginia and New Hampshire. The bottom line is that our economy continues to expand, which is good news for jobs and good news for the real estate industry.

As Chair of the Executive Advisory Board Committee, Joyce Hartman has done a wonderful job galvanizing the many committees of the board. I appreciate her service and all of members of the Executive committee. The Center would not be able to function without their service. If you are interested in becoming a member please contact our Membership Chair, Craig Cope of Liberty Property Trust. CREED membership is one of the most cost effective networking organizations you can ever support.

CREED’s web site has received over 26,000 page views. As a reminder, please visit by clicking on www.odu.edu/creed for the latest information on our region, as well as CREED’s activities, members and research. We have a student services section where you can find students who are interested in internships and job opportunities as well as links to other informative web sites.

There are many people to thank for their contributions to this report and the annual market review. Our research chair, Brian Dundon and his capable committee deserve many thanks for providing all quality control of our publication. Stephanie Sanker and her committee orchestrate the presentation and reception. Of course, a special thank you to all the volunteers within the real estate and economic development community for providing their expertise and sharing their data. None of this is possible without your commitment.

In closing, please note that every effort is made to provide the most accurate information in these reports. Unfortunately, in our registration brochure we incorrectly listed Vivian Turok, our speaker for the office report, as being affiliated with GVA Advantis. Her correct title and affiliation is Senior Vice President Office Leasing with Divaris Real Estate. Our apologies to Vivian and all the employees and principals of Divaris Real Estate for this error.

Your continued support is truly appreciated.

John R. Lombard, Ph.D.
Assistant Professor, Department of Urban Studies and Public Administration
Director, E. V. Williams Center for Real Estate and Economic Development
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and Economic Development
Old Dominion University
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Norfolk, VA 23529

Telephone: (757) 683-4809

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<table>
<thead>
<tr>
<th>Name</th>
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<td>CB Richard Ellis</td>
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<td>Wall, Einhorn, &amp; Chernitzer</td>
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<td>City of Suffolk</td>
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<td>Meredith Construction Co., Inc.</td>
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# Thank You!

We would like to thank our clients and associates for helping to make 2006 an outstanding year for CBRE in Hampton Roads.

## Top Transactions in Hampton Roads During 2006

### Sales

- **West Park Campus**
  - 515,487 SF | Industrial
  - $32,218,000
  - Hampton

- **Crossways I**
  - 143,398 SF | Office/Flex
  - $15,700,000
  - Chesapeake

- **Gates of West Bay**
  - 202 apartment units
  - $15,500,000
  - Norfolk

- **River Park Tower**
  - 184 apartment units
  - $14,650,000
  - Newport News

- **Landmark Apartments**
  - 112 apartment units
  - $7,800,000
  - Newport News

### Leases

- **NYK Logistics Inc.**
  - 515,487 SF | Industrial
  - West Park Campus
  - Hampton

- **Harris Publishing Co.**
  - 64,486 SF | Office
  - Crossways II
  - Chesapeake

- **General Dynamics**
  - 59,509 SF | Office
  - Independence Tech I
  - Chesapeake

- **Federal Express Corp.**
  - 42,000 SF | Office/Flex
  - Norfolk Comm. Ctr. III
  - Norfolk

- **Lockheed Martin Corp.**
  - 40,000 SF | Office
  - 2000 Gateway Blvd.
  - Hampton

### New Asset Services Accounts

- **West Park Campus**
  - 515,487 SF | Industrial
  - Hampton

- **Halifax, Smithfield & Amelia Buildings**
  - 287,000 SF | Office
  - Norfolk

- **Jefferson Plaza**
  - 150,000 SF | Retail
  - Newport News

- **Harbourview Station W.**
  - 82,916 SF | Retail
  - Suffolk

- **Pinewood Plaza**
  - 71,000 SF | Office
  - Hampton

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Disclosure
The data used for this report was provided by agents and owners of the surveyed properties. Approximately five percent of the rent and/or vacancy information was estimated. The data is deemed reliable; however, neither Old Dominion University, the E. V. Williams Center for Real Estate for Real Estate and Economic Development, nor CB Richard Ellis of Virginia, Inc. makes any representation or warranty as to its accuracy.
2007 RETAIL

General Overview

This report analyzes the 2006 retail real estate conditions within the Norfolk–Virginia Beach–Newport News, Virginia Metropolitan Statistical Area (the “MSA”), which is commonly known as Hampton Roads. It provides supply, vacancy, construction, absorption and rent data for the MSA to include a comparison of the Southside and Peninsula areas of Hampton Roads with statistical data for specific submarkets and product types. The survey includes properties from the Southside of Hampton Roads located in the cities of Chesapeake, Norfolk, Portsmouth, Smithfield, Suffolk and Virginia Beach. Properties are also included from the Peninsula of Hampton Roads in Gloucester, Hampton, Newport News, Poquoson, Williamsburg and York County.

This survey is believed to be the most comprehensive analysis of retail real estate trends in the MSA. The report includes information on all retail product types including regional malls, freestanding buildings and strip centers of various classifications. The scope of the report also includes a summary of new retail construction, an analysis of absorption, and a review of retail investment sales that have occurred in the region.

METHODOLOGY

This survey gathered information about strip shopping centers and regional malls located in the MSA that were at least 30,000 square feet in size. Information on retail-oriented freestanding buildings that were at least 23,000 square feet was also collected. Freestanding buildings that contained furniture stores, discounters, grocery stores or category killer retailers that met the established size criteria were included in the survey. Automotive uses and buildings containing “downtown storefronts” were not included. Although available retail space in many submarkets (e.g., Ghent) is best described as collections of small specialty shops, storefronts or freestanding buildings, practical limitations dictated that the focus of the survey be on larger product types.

The survey data was collected between October 2006 and December 2006. A questionnaire was mailed to owners, leasing agents and property managers responsible for retail properties meeting the selection criteria. Direct phone contact was utilized as a follow-up to the mailing to encourage participation. Information on square footage for freestanding buildings was obtained from building owners, tax records, store managers and retail real estate representatives. Sales information was obtained from property owners, real estate agents, appraisers, and real estate assessors.
**DEFINITIONS OF TERMS**

**Asking Rates:** The marketing rate per square foot of a retail property (excluding freestanding buildings and malls), exclusive of additional rents that may be paid under a triple net lease. Interpretation of average retail rates in different product types and submarkets should be viewed cautiously given the tremendous variability in rates for like product types and for properties located within the same submarket. Factors such as visibility, co-tenancy and accessibility are some of the many sources of variation in market rates which should also be considered.

**Big boxes:** Contiguous retail space that is at least 23,000 square feet and located in any one of the identified product types. Retailers occupying big boxes include, but are not limited to, the following: category killers, specialty stores, discounters, furniture stores, grocery stores and theaters. Bowling alleys, automotive uses, roller rinks and ice-skating rinks were not included.

**C.A.M.:** Common Area Maintenance

**Product Types:** Properties were classified according to one of the following nine retail product types. The International Council of Shopping Centers defined the first six categories. Three additional categories were included to accurately categorize the remaining properties.

<table>
<thead>
<tr>
<th>Product Type</th>
<th>Size Range</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neighborhood Center</td>
<td>30,000 to 150,000 square feet; supermarket anchored</td>
<td></td>
</tr>
<tr>
<td>Community Center</td>
<td>100,000 to 350,000 square feet; discount department store, supermarket or drug store anchored</td>
<td></td>
</tr>
<tr>
<td>Fashion/Specialty Center</td>
<td>80,000 to 250,000 square feet; fashion anchored</td>
<td></td>
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<tr>
<td>Power Center</td>
<td>250,000 to 600,000 square feet; category killer, home improvement and discount department store anchored</td>
<td></td>
</tr>
<tr>
<td>Theme Festival Center</td>
<td>80,000 to 250,000 square feet; restaurants, entertainment anchored</td>
<td></td>
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<tr>
<td>Outlet Center</td>
<td>50,000 to 400,000 square feet; manufacturer’s outlet store anchored</td>
<td></td>
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<tr>
<td>Freestanding</td>
<td>Individual building not considered a shopping center</td>
<td></td>
</tr>
<tr>
<td>Mall</td>
<td>Shopping center with area designed for pedestrian use only</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>Any center that does not fit into a typical category</td>
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**Regional Mall Node:** Submarket anchored by regional mall.

**Small Shop:** In-line retail space usually less than 10,000 square feet located in a multi-tenanted shopping center.

**Submarkets:** Hampton Roads was divided into thirty-four retail submarkets (twenty-four Southside submarkets and ten Peninsula submarkets) which reflected general concentrations, pockets or corridors of retail product type. Geographical boundaries of the retail submarkets were influenced by density of existing retail product, physical or geographical obstacles, existing transportation networks, municipality boundaries, population concentrations and retailers’ perceptions of the MSA. Final determination of specific boundaries of each submarket was made by a subcommittee of the Real Estate Board comprised of retail real estate professionals who are actively involved in the MSA. Also highlighted were specific submarkets that are anchored by regional malls. A map which identifies the general location of each submarket is included in the centerfold of this report.

**Triple Net Lease:** Type of lease under which a tenant pays its pro-rata share of real estate taxes, insurance and common area maintenance.
2007 RETAIL

YEAR IN REVIEW

The Hampton Roads market continued to experience strong retail real estate activity throughout the year. Overall vacancy continued to decline and large desirable blocks of retail space were virtually non-existent. National and local retailers were extremely active in the market. Although transaction activity was very brisk, many retailers had a difficult time finding desirable locations.

Several large retail development projects that were under construction last year opened during 2006 including Hanbury Commons and Mount Pleasant Marketplace in Southern Chesapeake, Edinburgh North, New Town, City Center, and the redevelopment of Haygood Shopping Center.

The Virginia Beach Town Center, a mixed use project which is being developed by Armada Hoffler, continues to progress with construction underway of the Westin Hotel as well as the performing arts center. New retail tenants added to the development include: Gordon Birsch, Relax the Back, Daily Grind, Johnny Rockets, and Brooks 346. Another mixed use development, The City Center at Oyster Point opened in Newport News. Retail tenants signed to the project include: Ann Taylor Loft, J. Jill, Jos. A. Bank, Talbot’s, Coldwater Creek, Chico’s, Red Star Tavern, and Firkin Pubs. The retail portion of the New Town development in Williamsburg opened and is anchored by Consolidated Theaters, Old Navy and Barnes and Noble.

Grocery store expansion in Hampton Roads continues to remain very active. Farm Fresh is under construction in Downtown Norfolk and Suffolk and recently opened at Mount Pleasant Marketplace in Chesapeake and in Haygood Shopping Center in Virginia Beach. Last year, Harris Teeter opened a location in Virginia Beach at Nimmo Parkway and Princess Anne Road and recently opened a second location at the Hanbury Road interchange of the Great Bridge Bypass. Ukrop’s opened at Williamsburg Marketcenter and is reported to be looking at another Williamsburg location. Food Lion signed new leases at Williams Court in Portsmouth and at a redeveloped center at the corner of Airline Blvd. and Greenwood Drive to be called Airline Center (the former Robert Hall Village). Both transactions involve relocations. Food Lion also consolidated two stores by opening a new unit at Atlantic Commons in Campostella. Stores were closed at Campostella Corner and Parkview Shopping Center. Food Lion also has plans to convert some of its existing Food Lion units to its Bottom Dollar concept. It is also rumored that Food Lion will be looking for sites for its Bloom concept.

A Wal-Mart Supercenter is under construction in Norfolk at the Tidewater Drive and Little Creek Road intersection. Other Wal-Mart Supercenters opened at Dominion Boulevard in Southern Chesapeake and in Portsmouth at the Mid City Shopping Center site. A Super Wal-Mart also just opened in Elizabeth City at the intersection of the Route 17 Bypass and Halstead Extended.

Big box retailers remain active in the region, including Wal-Mart, Best Buy, Dick’s, Ross, Target and Kohl’s. Barnes and Noble and Old Navy opened new locations in Williamsburg’s New Town development. Dick’s opened in Patrick Henry Mall. Trader Joe’s opened in Newport News, and Target joined Home Depot in opening in the Edinburgh section of Chesapeake. Petsmart relocated from Janaf Shopping Center and opened in the third phase of Broad Creek Shopping Center on Military Highway. H&M and Barnes and Noble College Bookstore recently signed leases in MacArthur Center. Other new deals in MacArthur Center include: Zales, The Apple Store and New York Co. Kohl’s and Bed Bath and Beyond are reported to have signed leases in the Harbourview section of Northern Suffolk. Deals have also been announced with Best Buy and Dick’s in The Marquis development in Williamsburg at the Route 199 interchange. After years of legal issues, Lowe’s was finally able to open its store on Virginia Beach Boulevard at Great Neck Road. The Goodman Company has reported deals with Kohl’s, Best Buy and Bed Bath and Beyond at its new Landstown Commons development in Virginia Beach. Golds Gym is supposed to open in Norfolk in 2007 and also purchased land to build a new club adjacent to Lowe’s at Chesapeake Square.
The Hampton Roads retail market contained approximately 49,302,916 square feet of gross leasable area (“GLA”) in 390 properties. This year the former Kroger at Pembroke and the former Haynes in Hampton were removed from the retail inventory as a result of both properties being demolished. The U.S. Census Bureau indicates that the population of the MSA is approximately 1,700,000, resulting in 29 square feet of retail supply per person. Certain methodological differences (e.g., the inclusion of freestanding buildings and malls in this survey) make it difficult to compare per capita supply in the MSA to the any national average statistic.

Survey information was obtained on 32,407,761 square feet of retail property located in Southside Hampton Roads, accounting for approximately 66% of the total square footage in the market. The average asking rent for small shop space on the Southside was $16.10 per square foot, triple net, which is $1.26 higher than the calendar year 2005 average. The reported size of the Peninsula was 16,895,155 with an average small shop rent of $15.17 per square foot, triple net. This too was an increase over calendar year 2005’s average rate of $14.02.

The Hampton Roads Vacancy Rate, which is down .74% from last year, is the lowest observed in the history of the ODU CREED Market Survey. Overall vacancy is in the single digits on both sides of the water, with a market total of 6.81%. The Southside vacancy rate dropped .90% to 5.79%, while the Peninsula rate fell from 9.18% to 8.76%.

In order for new retail construction to be included in this year’s report, it must be substantially completed by year-end 2006. Having stated that, Hampton Roads welcomed 2,594,843 square feet of retail to the market. More impressive is the fact that a total of 2,318,750 square feet of property was absorbed during 2006.
## 2007 RETAIL

### MARKET OVERVIEW

<table>
<thead>
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<th></th>
<th>NUMBER OF PROPERTIES</th>
<th>GLA IN SF</th>
<th>VACANT SF</th>
<th>% VACANT</th>
<th>NEW CONSTRUCTION IN SF</th>
<th>OCCUPIED IN SF</th>
<th>ABSORPTION IN SF</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2007</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southside</td>
<td>259</td>
<td>32,407,761</td>
<td>1,876,676</td>
<td>5.79%</td>
<td>1,552,392</td>
<td>30,531,085</td>
<td>1,741,962</td>
</tr>
<tr>
<td>Peninsula</td>
<td>131</td>
<td>16,895,155</td>
<td>1,480,266</td>
<td>8.76%</td>
<td>1,042,451</td>
<td>15,414,889</td>
<td>576,788</td>
</tr>
<tr>
<td>Total</td>
<td>390</td>
<td>49,302,916</td>
<td>3,356,942</td>
<td>6.81%</td>
<td>2,594,843</td>
<td>45,945,974</td>
<td>2,318,750</td>
</tr>
<tr>
<td><strong>2006</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southside</td>
<td>246</td>
<td>30,852,210</td>
<td>2,063,087</td>
<td>6.69%</td>
<td>593,520</td>
<td>28,789,123</td>
<td>1,280,869</td>
</tr>
<tr>
<td>Peninsula</td>
<td>129</td>
<td>16,337,458</td>
<td>1,499,357</td>
<td>9.18%</td>
<td>618,179</td>
<td>14,838,101</td>
<td>687,097</td>
</tr>
<tr>
<td>Total</td>
<td>375</td>
<td>47,189,668</td>
<td>3,562,444</td>
<td>7.55%</td>
<td>1,211,699</td>
<td>43,627,224</td>
<td>1,967,966</td>
</tr>
<tr>
<td><strong>2005</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southside</td>
<td>243</td>
<td>30,184,395</td>
<td>2,676,141</td>
<td>8.87%</td>
<td>271,610</td>
<td>27,508,254</td>
<td>341,736</td>
</tr>
<tr>
<td>Peninsula</td>
<td>125</td>
<td>15,799,778</td>
<td>1,648,774</td>
<td>10.44%</td>
<td>185,000</td>
<td>14,151,004</td>
<td>496,338</td>
</tr>
<tr>
<td>Total</td>
<td>368</td>
<td>45,984,173</td>
<td>4,324,915</td>
<td>9.41%</td>
<td>456,610</td>
<td>41,659,258</td>
<td>838,074</td>
</tr>
<tr>
<td><strong>2004</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southside</td>
<td>243</td>
<td>30,336,266</td>
<td>3,169,748</td>
<td>10.45%</td>
<td>419,458</td>
<td>27,166,158</td>
<td>419,138</td>
</tr>
<tr>
<td>Peninsula</td>
<td>127</td>
<td>16,094,161</td>
<td>2,027,477</td>
<td>12.60%</td>
<td>330,000</td>
<td>14,066,684</td>
<td>412,018</td>
</tr>
<tr>
<td>Total</td>
<td>370</td>
<td>46,430,427</td>
<td>5,197,225</td>
<td>11.19%</td>
<td>749,458</td>
<td>41,233,202</td>
<td>831,156</td>
</tr>
<tr>
<td><strong>2003</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southside</td>
<td>245</td>
<td>30,180,691</td>
<td>3,433,311</td>
<td>11.38%</td>
<td>574,400</td>
<td>26,747,380</td>
<td>535,167</td>
</tr>
<tr>
<td>Peninsula</td>
<td>126</td>
<td>15,546,085</td>
<td>1,891,419</td>
<td>12.17%</td>
<td>676,000</td>
<td>13,654,666</td>
<td>932,008</td>
</tr>
<tr>
<td>Total</td>
<td>371</td>
<td>45,726,776</td>
<td>5,324,730</td>
<td>11.64%</td>
<td>1,250,400</td>
<td>38,934,871</td>
<td>1,467,175</td>
</tr>
<tr>
<td><strong>2002</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southside</td>
<td>239</td>
<td>29,760,443</td>
<td>3,548,230</td>
<td>11.92%</td>
<td>828,800</td>
<td>26,212,213</td>
<td>1,185,818</td>
</tr>
<tr>
<td>Peninsula</td>
<td>123</td>
<td>14,906,530</td>
<td>2,183,872</td>
<td>14.65%</td>
<td>202,750</td>
<td>12,722,658</td>
<td>242,563</td>
</tr>
<tr>
<td>Total</td>
<td>362</td>
<td>44,666,973</td>
<td>5,732,102</td>
<td>12.83%</td>
<td>1,031,550</td>
<td>38,156,523</td>
<td>1,428,381</td>
</tr>
<tr>
<td><strong>2001</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southside</td>
<td>230</td>
<td>29,436,515</td>
<td>3,760,087</td>
<td>12.77%</td>
<td>918,100</td>
<td>25,676,428</td>
<td>(158,181)</td>
</tr>
<tr>
<td>Peninsula</td>
<td>121</td>
<td>14,477,970</td>
<td>1,997,875</td>
<td>13.80%</td>
<td>212,229</td>
<td>12,480,095</td>
<td>147,115</td>
</tr>
<tr>
<td>Total</td>
<td>351</td>
<td>43,914,485</td>
<td>5,757,962</td>
<td>13.11%</td>
<td>1,130,329</td>
<td>38,156,523</td>
<td>(11,066)</td>
</tr>
<tr>
<td><strong>2000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southside</td>
<td>220</td>
<td>28,816,383</td>
<td>2,933,294</td>
<td>10.18%</td>
<td>2,064,727</td>
<td>25,883,089</td>
<td>1,344,209</td>
</tr>
<tr>
<td>Peninsula</td>
<td>118</td>
<td>15,249,617</td>
<td>2,012,637</td>
<td>13.20%</td>
<td>758,370</td>
<td>13,236,980</td>
<td>292,785</td>
</tr>
<tr>
<td>Total</td>
<td>338</td>
<td>44,066,000</td>
<td>4,945,931</td>
<td>11.22%</td>
<td>2,823,097</td>
<td>39,120,069</td>
<td>1,636,994</td>
</tr>
<tr>
<td><strong>1999</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southside</td>
<td>208</td>
<td>27,089,939</td>
<td>2,551,059</td>
<td>9.42%</td>
<td>1,414,805</td>
<td>24,538,880</td>
<td>1,961,927</td>
</tr>
<tr>
<td>Peninsula</td>
<td>112</td>
<td>14,548,482</td>
<td>1,604,287</td>
<td>11.03%</td>
<td>1,253,342</td>
<td>12,944,195</td>
<td>1,592,805</td>
</tr>
<tr>
<td>Total</td>
<td>320</td>
<td>41,638,421</td>
<td>4,155,346</td>
<td>9.98%</td>
<td>2,668,147</td>
<td>37,483,075</td>
<td>3,554,732</td>
</tr>
<tr>
<td><strong>1998</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Southside</td>
<td>195</td>
<td>25,463,588</td>
<td>2,886,635</td>
<td>11.34%</td>
<td>No Data</td>
<td>22,576,953</td>
<td>No Data</td>
</tr>
<tr>
<td>Peninsula</td>
<td>102</td>
<td>12,952,845</td>
<td>1,601,455</td>
<td>12.36%</td>
<td>No Data</td>
<td>11,351,390</td>
<td>No Data</td>
</tr>
<tr>
<td>Total</td>
<td>297</td>
<td>38,416,433</td>
<td>4,488,090</td>
<td>11.68%</td>
<td>No Data</td>
<td>33,928,343</td>
<td>No Data</td>
</tr>
</tbody>
</table>
SOUTHSIDE SUBMARKETS

There were 26 retail submarkets on the Southside this year. The average size of the submarkets was 1,246,452 square feet. The largest Southside submarkets were Greenbrier and Military Highway with a combined square footage of 7,583,259 square feet. The Southside has six regional mall nodes totaling 15,525,756 square feet.

The range of vacancy rates in Southside submarkets can be seen in the table below. A trend seen in most Southside submarkets was a decrease in vacancy accompanied by an increase in asking small shops rates. New construction in Southside submarkets totaled 1,552,392 square feet this year.

<table>
<thead>
<tr>
<th>SOUTHSIDE BY SUBMARKET</th>
<th>NUMBER OF PROPERTIES</th>
<th>GLA IN SF</th>
<th>VACANT SF</th>
<th>% VACANT</th>
<th>AVERAGE SMALL SHOP RATE PSF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bay Front</td>
<td>4</td>
<td>213,821</td>
<td>3,720</td>
<td>1.74%</td>
<td>$16.33</td>
</tr>
<tr>
<td>Birdneck/Oceanfront</td>
<td>4</td>
<td>191,655</td>
<td>886</td>
<td>0.46%</td>
<td>$11.50</td>
</tr>
<tr>
<td>Campostella</td>
<td>6</td>
<td>322,904</td>
<td>78,400</td>
<td>23.55%</td>
<td>$13.56</td>
</tr>
<tr>
<td>Chesapeake Square</td>
<td>9</td>
<td>2,132,552</td>
<td>110,900</td>
<td>5.20%</td>
<td>$14.33</td>
</tr>
<tr>
<td>Churchland-Portsmouth/Harborview</td>
<td>14</td>
<td>1,034,680</td>
<td>80,239</td>
<td>7.75%</td>
<td>$13.54</td>
</tr>
<tr>
<td>Dam Neck</td>
<td>6</td>
<td>1,102,697</td>
<td>10,400</td>
<td>0.94%</td>
<td>$19.08</td>
</tr>
<tr>
<td>Downtown</td>
<td>3</td>
<td>1,281,338</td>
<td>35,375</td>
<td>2.76%</td>
<td>$13.75</td>
</tr>
<tr>
<td>Ghent</td>
<td>9</td>
<td>406,857</td>
<td>79,828</td>
<td>19.62%</td>
<td>$15.50</td>
</tr>
<tr>
<td>Great Bridge</td>
<td>18</td>
<td>1,363,850</td>
<td>104,385</td>
<td>7.65%</td>
<td>$16.88</td>
</tr>
<tr>
<td>Greenbrier/Battlefield Boulevard</td>
<td>23</td>
<td>4,091,435</td>
<td>152,197</td>
<td>3.72%</td>
<td>$20.14</td>
</tr>
<tr>
<td>Hilltop/Great Neck</td>
<td>12</td>
<td>1,534,848</td>
<td>5,584</td>
<td>3.22%</td>
<td>$21.05</td>
</tr>
<tr>
<td>Holland/Green Run</td>
<td>9</td>
<td>1,014,004</td>
<td>32,308</td>
<td>3.19%</td>
<td>$14.13</td>
</tr>
<tr>
<td>Indian River/College Park (Including Chesapeake)</td>
<td>4</td>
<td>482,309</td>
<td>24,457</td>
<td>5.07%</td>
<td>$12.75</td>
</tr>
<tr>
<td>Kempsville</td>
<td>11</td>
<td>1,222,988</td>
<td>39,351</td>
<td>3.22%</td>
<td>$16.34</td>
</tr>
<tr>
<td>Little Creek Road /Wards Corner/ Ocean View</td>
<td>18</td>
<td>1,897,263</td>
<td>230,551</td>
<td>12.15%</td>
<td>$12.96</td>
</tr>
<tr>
<td>Little Neck</td>
<td>10</td>
<td>1,414,306</td>
<td>124,487</td>
<td>8.80%</td>
<td>$15.57</td>
</tr>
<tr>
<td>Lynnhaven Road</td>
<td>1</td>
<td>12,692</td>
<td>0</td>
<td>0.00%</td>
<td>$12.00</td>
</tr>
<tr>
<td>Lynnhaven Road (Virginia Beach Boulevard To Holland Road)</td>
<td>7</td>
<td>1,807,532</td>
<td>152,560</td>
<td>8.44%</td>
<td>$20.67</td>
</tr>
<tr>
<td>Middle Portsmouth</td>
<td>13</td>
<td>1,473,920</td>
<td>72,203</td>
<td>4.90%</td>
<td>$13.15</td>
</tr>
<tr>
<td>Military Highway/Janaf</td>
<td>17</td>
<td>3,491,824</td>
<td>106,940</td>
<td>3.06%</td>
<td>$15.11</td>
</tr>
<tr>
<td>Newtown</td>
<td>9</td>
<td>475,260</td>
<td>87,178</td>
<td>18.34%</td>
<td>$12.39</td>
</tr>
<tr>
<td>ODU</td>
<td>1</td>
<td>36,500</td>
<td>850</td>
<td>2.32%</td>
<td>$22.00</td>
</tr>
<tr>
<td>Pembroke</td>
<td>23</td>
<td>2,721,075</td>
<td>262,161</td>
<td>9.63%</td>
<td>$19.25</td>
</tr>
<tr>
<td>Princess Anne Road (From Kempsville Road To Holland Road)</td>
<td>12</td>
<td>1,376,539</td>
<td>9,481</td>
<td>0.69%</td>
<td>$17.30</td>
</tr>
<tr>
<td>Smithfield</td>
<td>4</td>
<td>256,764</td>
<td>2,870</td>
<td>1.12%</td>
<td>$15.00</td>
</tr>
<tr>
<td>Suffolk</td>
<td>12</td>
<td>1,038,148</td>
<td>65,365</td>
<td>6.30%</td>
<td>$17.22</td>
</tr>
<tr>
<td>Grand Total</td>
<td>259</td>
<td>32,407,761</td>
<td>1,876,676</td>
<td>5.79%</td>
<td>$16.10</td>
</tr>
</tbody>
</table>


PENINSULA SUBMARKETS

There were 10 retail submarkets on the Peninsula with an average size of 1,689,515 square feet. The two largest Peninsula submarkets are still Patrick Henry and Coliseum Central, each anchored by a regional mall and with a combined square footage of 7,839,977 square feet.

Vacancy rates range from 3.02% at Patrick Henry to 19.79% in the Gloucester submarket. The Peninsula had 1,042,451 square feet of new construction in 2006. Vacancy was down in several Peninsula submarkets and average asking rents were up in most submarkets.

<table>
<thead>
<tr>
<th>PENINSULA BY SUBMARKET</th>
<th>NUMBER OF PROPERTIES</th>
<th>GLA IN SF</th>
<th>VACANT SF</th>
<th>% VACANT</th>
<th>AVERAGE SMALL SHOP RATE PSF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coliseum Central</td>
<td>15</td>
<td>3,472,266</td>
<td>407,780</td>
<td>11.74%</td>
<td>$16.75</td>
</tr>
<tr>
<td>Denbigh</td>
<td>14</td>
<td>1,458,959</td>
<td>250,809</td>
<td>17.19%</td>
<td>$13.25</td>
</tr>
<tr>
<td>Foxhill/Buckroe/East Mercury</td>
<td>7</td>
<td>703,961</td>
<td>59,226</td>
<td>8.41%</td>
<td>$13.40</td>
</tr>
<tr>
<td>Gloucester</td>
<td>8</td>
<td>980,504</td>
<td>194,073</td>
<td>19.79%</td>
<td>$14.63</td>
</tr>
<tr>
<td>Hampton Miscellaneous</td>
<td>2</td>
<td>118,882</td>
<td>22,505</td>
<td>18.93%</td>
<td>$10.75</td>
</tr>
<tr>
<td>Newmarket/Main</td>
<td>13</td>
<td>1,413,292</td>
<td>187,628</td>
<td>13.28%</td>
<td>$11.02</td>
</tr>
<tr>
<td>Patrick Henry/Oyster Point/Kiln Creek</td>
<td>31</td>
<td>4,367,711</td>
<td>131,805</td>
<td>3.02%</td>
<td>$17.50</td>
</tr>
<tr>
<td>Poquoson</td>
<td>2</td>
<td>108,521</td>
<td>9,400</td>
<td>8.66%</td>
<td>$15.00</td>
</tr>
<tr>
<td>Williamsburg</td>
<td>29</td>
<td>3,386,657</td>
<td>150,423</td>
<td>4.44%</td>
<td>$18.13</td>
</tr>
<tr>
<td>York County</td>
<td>10</td>
<td>884,402</td>
<td>66,617</td>
<td>7.53%</td>
<td>$13.28</td>
</tr>
<tr>
<td>Total</td>
<td>131</td>
<td>16,895,155</td>
<td>1,480,266</td>
<td>8.76%</td>
<td>$15.17</td>
</tr>
</tbody>
</table>

RETAIL PRODUCT TYPE

The Neighborhood Center was the predominant product type, with 144 properties totaling over 11 million square feet of leasable area or 23% of the total retail market. Community centers comprised 20% of the available retail supply, which equated to just under 10 million square feet. Market composition for the predominant product types is depicted in the adjacent chart. Vacancy rates range from 0% in Theme-Festival and Outlet Centers to 10.23% in Community Centers.

Neighborhood Center vacancy decreased to 8.61%. This decrease can mainly be attributed to a very strong small shop leasing market. Almost every product type continued the downward trend in general vacancy.
## TOTAL RETAIL PRODUCT BY TYPE

<table>
<thead>
<tr>
<th></th>
<th>NUMBER OF PROPERTIES</th>
<th>GLA IN SF</th>
<th>NEW CONSTRUCTION IN SF</th>
<th>VACANT SF</th>
<th>% VACANT</th>
<th>AVERAGE SMALL SHOP RATE PSF</th>
<th>AVERAGE CAM PSF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neighborhood Centers</td>
<td>144</td>
<td>11,141,173</td>
<td>393,254</td>
<td>959,085</td>
<td>8.61%</td>
<td>$14.66</td>
<td>$2.19</td>
</tr>
<tr>
<td>Community Centers</td>
<td>54</td>
<td>9,861,457</td>
<td>136,611</td>
<td>1,008,582</td>
<td>10.23%</td>
<td>$16.43</td>
<td>$2.28</td>
</tr>
<tr>
<td>Fashion / Specialty</td>
<td>11</td>
<td>1,326,124</td>
<td>409,012</td>
<td>93,284</td>
<td>7.03%</td>
<td>$22.56</td>
<td>$4.08</td>
</tr>
<tr>
<td>Power Centers</td>
<td>27</td>
<td>9,019,340</td>
<td>1,050,966</td>
<td>432,961</td>
<td>4.80%</td>
<td>$20.17</td>
<td>$2.81</td>
</tr>
<tr>
<td>Theme Festival</td>
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<td>No data</td>
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<tr>
<td>Other</td>
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<td>6.14%</td>
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<td>76</td>
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<td>2.99%</td>
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<tr>
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<td>7,344,393</td>
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<td>483,237</td>
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<td>2,594,843</td>
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## SOUTHSIDE BY TYPE

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<tr>
<th></th>
<th>NUMBER OF PROPERTIES</th>
<th>GLA IN SF</th>
<th>VACANT SF</th>
<th>% VACANT</th>
<th>AVERAGE SMALL SHOP RATE PSF</th>
<th>AVERAGE CAM PSF</th>
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<tr>
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<tr>
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<td>1,876,676</td>
<td>5.79%</td>
<td>$16.10</td>
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## PENINSULA BY TYPE

<table>
<thead>
<tr>
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<th>GLA IN SF</th>
<th>VACANT SF</th>
<th>% VACANT</th>
<th>AVERAGE SMALL SHOP RATE PSF</th>
<th>AVERAGE CAM PSF</th>
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<td>341,280</td>
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<td>$13.97</td>
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<td>Community Centers</td>
<td>19</td>
<td>3,765,663</td>
<td>493,490</td>
<td>13.10%</td>
<td>$16.66</td>
<td>$1.97</td>
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<td>Fashion / Specialty</td>
<td>2</td>
<td>399,851</td>
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<td>3,302,183</td>
<td>220,163</td>
<td>6.67%</td>
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<td>349,927</td>
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<td>No data</td>
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<tr>
<td>Other</td>
<td>21</td>
<td>859,084</td>
<td>66,042</td>
<td>7.69%</td>
<td>$15.05</td>
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<tr>
<td>Mall</td>
<td>3</td>
<td>1,785,396</td>
<td>231,462</td>
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<td>TOTAL</td>
<td>131</td>
<td>16,895,155</td>
<td>1,480,266</td>
<td>8.76%</td>
<td>$15.17</td>
<td>$2.06</td>
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</table>
RETAIL SUBMARKETS

**Southside**
- Bayfront
- Birdneck/Oceanfront
- Campostella
- Chesapeake Square
- Churchland/Harboursview
- Dam Neck
- Downtown Norfolk
- Ghent
- Great Bridge
- Greenbrier/Battlefield Boulevard
- Hilltop/Great Neck
- Holland/Green Run
- Indian River/College Park
- Kempsville
- Little Creek Road/Wards Corner
- Little Neck
- Lynnhaven
- Middle Portsmouth
- Military Highway/Janaf
- Newtown
- Pembroke
- Princess Anne
- Smithfield
- Suffolk

**Peninsula**
- Coliseum Central
- Denbigh
- Foxhill/Buckroe
- Gloucester
- Hampton Miscellaneous
- Patrick Henry
- Poquoson
- Newmarket/Main
- Williamsburg
- York County
Big box vacancy in Hampton Roads totaled 1,777,050 square feet for 2006. This number represents 53% of total retail vacancy in the market. Square footage of big box vacancy continued to decrease with redevelopment of boxes and retailers expanding into second generation space. On the Southside, big box vacancies of 957,887 square feet accounted for 51% of all Southside retail vacancy; on the Peninsula, the 819,163 square feet of big box vacancy accounted for 55% of all Peninsula retail vacancy.

Big box retailers aggressively expanded in 2006, resulting in the highest rate of absorption in seven years. In 2007, big box absorption will continue to fuel new development in the market. There are currently very few opportunities in the market for second generation big box users.
A tremendous amount of retail development continued in 2006 in Hampton Roads. Leading the way are the cities of Chesapeake and Virginia Beach. They are as follows:

**Chesapeake**
1. Cahoon Commons          Crescent Development / Sun Life (Under Construction)
2. Hanbury Commons           Armada Hoffler (Complete)
3. Mount Pleasant Marketplace  Stanton Partners/ RDG (Complete)
4. Edinburgh Commons        Ellis Gibson Development (East & North Phase Complete)

**Virginia Beach**
1. Courthouse Marketplace    Armada Hoffler (Complete)
2. Redmill Walk               Ellis Gibson Development (Planned)
3. Shops at Town Center       Sifen & Co. (Planned)
4. City Walk                  Sandler (Planned)
5. Landstown Commons         The Goodman Company (Under Construction)

**Newport News**
1. Jefferson Commons         Goodman Company (Complete)
2. The Village of Stoney Run  The Breeden Company (Under Construction)

**Isle of Wight**
1. The Shoppes at Eagle Harbor The Breeden Company
2. Benn’s Church              Armada Hoffler (Planned)

**Suffolk**
1. Bennett’s Creek Shopping Center Stanton Partners/RDG (Under Construction)
2. Obici Place                RDG (Planned)

**York County**
1. Williamsburg Market Center Robert Brown & Associates (Complete)

**Williamsburg**
1. Windsor Meade              S.L. Nusbaum Realty Co. (Complete)
2. Settlers Market            AIG (Planned)
3. High Street                (Planned)
4. New Town                   Developers Realty (Complete)
5. Quarterpath Crossing       S.L. Nusbaum Realty Co. (Planned)
The following is a list of the properties included in this year’s survey listed by submarket with a code representing the type of property. The GLA of the property is also listed.

**SOUTHSIDE**

**BAY FRONT**
- Bayside I & II A 79,397
- Cape Henry Plaza A 58,424
- Kroger H 47,000
- Marina Shores G 29,000

**BIRDNECK / OCEANFRONT**
- Birdneck SC A 65,460
- Farm Fresh H 29,296
- Harris Teeter H 48,000
- Linkhom Shops A 48,899

**CAMPOSTELLA**
- Atlantic Commons A 63,393
- Bainbridge Marketplace A 46,444
- Campostella Corner A 43,375
- George Washington Commons A 44,942
- Holly Point SC A 65,321
- Southgate Plaza A 69,429

**CHESAPEAKE SQUARE**
- BJ’s H 115,660
- Chesapeake Center B 296,832
- Chesapeake Square Mall I 800,000
- Crossroads @ Chesp. Sq. D 220,000
- Food Lion @ Chesp. Sq. H 45,000
- Home Depot H 130,060
- Lowes H 115,000
- Taylor Road Plaza A 60,000
- Wal-Mart Supercenter / Sam’s Club H 350,000

**CHURCHLAND / PORTSMOUTH / HARBORVIEW**
- Academy Crossing G 45,483
- Churchland Blvd SC (Formerly Farmco Plaza) A 52,966
- Churchland Place G 21,000
- Churchland SC A 149,741
- Churchland Square A 64,989
- Grand H 30,000
- Harbourview Station East D 217,308
- Harbourview Station West D 83,007
- Marketcenter at Harbourview A 65,750
- Marketplace Square A 12,461
- Poplar Hill Plaza B 102,326
- Sterling Creek A 75,660

**DAM NECK**
- Dam Neck Square A 67,917
- General Booth Plaza A 73,320
- K-Mart Plaza / Dam Neck Crossing B 135,656
- Red Mill Commons D 586,575
- Sandbridge SC A 66,800
- Strawbridge Marketplace H 172,429

**DOWNTOWN**
- Church Street Crossing A 51,000
- MacArthur Center Mall I 1,100,000
- Waterside Festival Marketplace I 130,338

**GHENT**
- 21st Street Pavilion G 21,000
- Center Shops A 129,966
- Colley Village A 44,585
- Farm Fresh H 40,000
- Ghent Place G 13,000
- Harris Teeter H 27,000
- Palace Shops I, II C 71,794
- Palace Station G 38,000
- The Corner Shops G 21,512

**GREAT BRIDGE**
- Cahoon Commons D 215,000
- Cedar Lake A 28,297
- Centerville Crossing A 55,000
- Crossings at Deep Creek A 68,970
- Dominion Marketplace A 73,103
- Dominion Plaza SC A 63,733
- Former Winn Dixie H 50,000
- Glenwood Square A 73,859
- Great Bridge SC A 158,000
- Hanbury Village A 100,561
- Harbor Watch Shoppes G 21,505
- Las Gaviotas A 82,000
- Millwood Plaza G 16,969
- Mt. Pleasant Marketplace A 115,000
- Mt. Pleasant Village A 39,970
- Wilson Village A 52,500
- Woodford Shoppes B 9,760
- Woodford Square B 139,623

**GREENBRIER / BATTLEFIELD BOULEVARD**
- Battlefield Marketplace G 30,000
- Chesapeake Crossing B 287,679

**HILLTOP / GREAT NECK**
- Great Neck Square A 93,887
- Great Neck Village A 73,836
- Hilltop East C 100,000
- Hilltop North B 202,511
- Hilltop Plaza B 152,025
- Hilltop Square B 270,093
- Hilltop West G 60,000
- La Promenade C 63,280
- Marketplace at Hilltop C 113,000
- Regency Hilltop B 236,549
- Renaissance Place G 47,667
- Target H 122,000

**HOLLAND / GREEN RUN**
- Auburn Place A 44,846
- Chimney Hill B 207,175
- Green Run Square A 60,000
- Holland Plaza SC A 151,967
- Holland Windsong Crossing (Super K-Mart) B 237,000
- Lowes H 125,323
- Lynnhaven Green A 50,838
- Shippes Corner A 63,355
- Timberlake SC A 73,500
2007 RETAIL

Suffolk Village SC  G  11,875
Wal-Mart Super Center  H  194,160

**PENINSULA**

**COLISEUM CENTRAL**
Coliseum Corner  A  49,267
Coliseum Crossing  B  221,004
Coliseum Mall  I  961,396
Coliseum Marketplace  A  15,026
Coliseum Square  G  45,041
Hampton Towne Centre  D  376,100
Hampton Woods  A  89,092
Home Depot  H  130,000
Riverview Plaza  D  280,133
Sports Authority  H  40,000
Target  H  122,000
The Power Plant  D  621,150
Todd Center & Todd Lane Shops  B  242,000
Wal-Mart Super Center  H  193,316

**HAMPTON MISCELLANEOUS**
Kequoghant SC  A  64,237
The Shops at Hampton Harbor

**NEWMARKET / MAIN**
4113 W Mercury Blvd.  H  49,770
4205 W. Mercury Blvd.  H  28,080
Brentwood SC  A  53,600
Dresden SC  G  35,000
Forest Park Square  B  155,000
Francisco Village  A  55,865
Hampton Plaza  B  173,199
Hilton SC  A  74,000
Midway Shopping Center  G  58,780
Newmarket South  D  387,221
Plaza @ Newmarket  B  117,377
Warwick Center  A  150,000
Warwick Village  A  75,400

**PATRICK HENRY / OYSTER POINT / KILN CREEK**
Bayberry Village  A  60,147
Best Buy Building  H  135,000
City Center  C  149,851
Commonwealth Center  G  30,279
Fairway Plaza  G  37,950
Glendale SC  G  30,000
Grand Furniture  H  35,000
Harris Teeter  H  52,334
Haverty’s  H  45,000
Haynes  H  85,000
Hidenwood SC  A  108,000
Jefferson Commons  D  400,000
Jefferson Greene  G  57,430
Jefferson Plaza  D  178,200
Kroger  H  55,000
Loaves  H  120,000
Market Place @ Oyster Point  A  69,660
Newport Marketplace  D  450,000
Newport Square  B  184,126
Office Depot  H  30,122
Oyster Point Plaza  A  73,197
Oyster Point Square  A  83,089
Patrick Henry Mall  I  644,000
Sam’s Club  H  133,880
The Shoppes at Oyster Point  G  30,000
Victory Center @ Kiln Creek  A  61,000
Village Square @ Kiln Creek  B  263,000
Villages of Kiln Creek  G  45,300
Wal-Mart Super Center  H  201,146
Yoder Plaza SC  D  435,000

**POQUOSON**
Poquoson SC  A  57,458
Wythe Creek SC  A  51,063

**WILLIAMSBURG**
Colony Square  A  66,806
Ewell Station  A  68,048
Festival Marketplace  G  16,216
Gallery Shops  G  18,187
Governor’s Green SC  A  100,000
Home Depot  H  130,000
James York Plaza  B  138,677
Kingsgate Green  B  138,348
Lowe’s  H  163,000
Marketplace Shoppes  G  26,626
Marketplace Shopping Center  G  30,000
Monticello Marketplace  B  300,000
Monticello SC  A  82,000
New Town  C  250,000
Norge Crossing  H  52,000
Olde Towne SC  G  30,000
Prime Outlets  F  349,927
Staples  H  37,400
Village Shops at Kingsmill  G  82,200
Wal-Mart SuperCenter  H  210,000
Williamsburg Crossing  A  149,933
Williamsburg Farm Fresh  A  79,188
Williamsburg Marketcenter  B  120,920
Williamsburg Outlet Mall  I  180,000
Williamsburg Pavilion Shops  G  50,000
Williamsburg SC I & II  B  251,000
Williamsburg Towne and Cnty  A  49,802
WindsorMeade Marketplace  D  174,379
Yankee Candle  H  42,000

**FOXHILL / BUCKROE / EAST MERCURY**
Buckroe SC  A  76,000
Farm Fresh Phoebus  H  39,000
Kmart  H  94,500
Langley Square  A  146,434
Marketplace @ Nickerson  A  70,450
Nickerson Plaza  A  83,849
Willow Oaks Village Square S.C.  B  193,728

**YORK COUNTY**
Grafton SC  A  32,000
Heritage Square  A  81,175
Kiln Creek Center  A  45,700
Marketplace @ Yorktown  A  73,050
Patriots Square  A  47,231
Shady Banks SC  A  57,654
Wal-Mart SuperCenter  H  220,000
Washington Square & Shops  B  254,972
York Square  A  48,720
Yorkshire Downs  G  23,900

**GLOUCESTER**
Food Lion  H  40,000
Hayes Plaza SC  A  55,504
Hayes SC  A  100,000
Home Depot  H  100,000
Lowes  H  125,000

2007 RETAIL 26
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Best Feature - Silver

**2005 AWARDS**
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Best Personality Profile - Silver

**2004 AWARDS**
Best Overall Design - Bronze
Best Scoop - Gold

**2003 AWARDS**
Best Newspaper Small Tabloids - Gold
Best Overall Design Small Tabloids - Silver
Best Scoop Small Tabloids - Gold
Best Feature Layout - Bronze

**2002 AWARDS**
Best Scoop Small Tabloids - Gold
Best Use of Photography/Illustration - Silver
Best Overall Design - Bronze
Best Feature Layout - Bronze
Best Coverage of Local Breaking News - Bronze

**2001 AWARDS**
Best Personality Profile - Gold
Best Scoop Small Tabloids - Silver
Best Feature Layout - Bronze

**2000 AWARDS**
Best Use of Photography/Illustration - Gold
Best Personality Profile - Silver
Best Feature Story - Bronze

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Stephanie Sanker

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2007 INDUSTRIAL

General Overview

This report analyzes the 2006 industrial real estate conditions within the Virginia Beach-Norfolk-Newport News, VA-NC Metropolitan Statistical Area (the “MSA”) that is also known as Hampton Roads. It provides inventory, vacancy, rent, sale and other data for the MSA. The survey includes properties in the cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg, plus the counties of Gloucester, James City, York and Isle of Wight.

METHODOLOGY

This survey includes the following types of properties:

- Office-warehouse, industrial and shop facilities of 5,000 square feet or greater, although some facilities of less than 5,000 square feet may be included.
- Properties must have less than 80% office space to be included in the SIOR/ODU survey.
- Both owner-occupied and leased properties are included. Owner-occupied is defined as a property that is 100% occupied by a business that is the same as or is related to the owner of the building.
- All properties that are available and are listed for sale or lease regardless of whether they are occupied, unless they are strictly available for sale as an investment property. For example, a property that is available for sale and is currently occupied on a short-term lease is included.
- All properties that have commenced construction (foundations installed minimum).

The survey excludes the following types of properties:

- Land
- Warehouse or shop facilities on shipyard properties
- Warehouse or other industrial facilities on federal government property (e.g., military installations)
- Industrial facilities on government property (e.g., Norfolk International Terminal, Newport News Marine Terminal)

Functional submarket delineations are determined with minimal regard to city boundaries. The entire market is divided into 16 submarkets defined by industrial building concentrations, the transportation network, and pertinent physical features. The area map included in this report provides a location key for reference.

The E. V. Williams Center for Real Estate and Economic Development (CREED) has been tracking the inventory of the Hampton Roads industrial market since 1995. The results of the 2007 survey collected during the 4th quarter of 2006 indicate that the Hampton Roads industrial market currently encompasses 100,237,510 total square feet of space located in 2,699 buildings throughout the Region. This is an increase of 3,410,235 square feet, or 3.51% from the last year’s survey. The increase is primarily due to expansions of existing buildings and new construction started in the marketplace. As a counter to these increases, there was an elimination of buildings that were demolished or converted to alternative uses (multi-family and retail).
HAMPTON ROADS OVERVIEW

As part of the SIOR National Industrial Survey, the Hampton Roads industrial market is within the South-Atlantic region of the United States, which includes twenty-seven major submarkets spanning from Maryland through Florida. This year, Hampton Roads’ vacancy rate increased to 5.87% from 5.21% in last year’s survey. Last year (2005) was the lowest vacancy rate that has been recorded for the area since the survey started in 1995. This year’s 2006 vacancy rate of 5.87% is still a historically low rate. The vacancy rate was up in 11 out of 16 area submarkets covered, with 5 submarkets down as compared to 2005. Total Hampton Roads market absorption this year was 2.80% or 2,566,823 square feet, as compared with 2.03% (1,826,089 square feet) in 2005. This represents a 38% increase in absorption.

If 2005 could be termed a “break-through year” for our Hampton Roads Market, this year was “commitment year” for Hampton Roads. This is signified by 1) the start-up and substantial completion of 7 major speculative industrial/distribution projects, including high-bay and “bread and butter” office-warehouse projects and 2) the continuing escalation of lease rates in existing buildings for the vast majority of the market that is served adequately by their existing space. Sale prices of user (owner-occupied) properties continued to escalate beyond even the prices experienced in a remarkable 2005. The speculative projects started and substantially completed and referred to above are summarized as follows:

<table>
<thead>
<tr>
<th>Project Description</th>
<th>Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Indian River Distribution Center by Ashley Capital</td>
<td>230,741</td>
</tr>
<tr>
<td>2. Ent胸怀 No. 1 - Hampton by Schneider National and Devon Group</td>
<td>243,219</td>
</tr>
<tr>
<td>3. Northgate Logistics Center by George Powers</td>
<td>300,000</td>
</tr>
<tr>
<td>4. Waverton Industrial Village by Waverton Properties</td>
<td>58,800</td>
</tr>
<tr>
<td>5. Shirley T. Holland Commerce Center by Johnson Development</td>
<td>329,766</td>
</tr>
<tr>
<td>6. Chesapeake Industrial Center by West Essex Management</td>
<td>186,000</td>
</tr>
<tr>
<td>7. Bridgeway Commerce Center III by Liberty Property Trust</td>
<td>168,000</td>
</tr>
</tbody>
</table>

Total New Projects Completed and Under Construction: 1,515,726 square feet

Two projects that had been announced in last year’s survey that were not built are the South Suffolk Distribution project by Triumph and the 14 acre Trade Street distribution project in Chesapeake.

Overall, 2006 was a quieter year for industrial investment sales, as compared with the watershed year of 2005. Among the investment projects trading hands were the First Data Corp property, a 54,000 square feet former user property in Greenbrier which sold as a high-end flex building to First Potomac Realty Trust, and the 90,000 square foot Woodlake Distribution Center, also in Greenbrier, which was sold to a local investor. On the Peninsula in Hampton, the West Park Project of 515,485 square feet (2 buildings) was sold to High Street Equity Advisors for $32,300,000 ($62.47/square feet).

Industrial leasing highlights included the following:

- Lease of the former Dan River Inc. warehouse in PortCentre Commerce Park, Portsmouth to Massimo Zannetti Beverage USA (228,000 square feet)
- Expansion of Laufen Tiles at Commonwealth Storage (120,000 square feet)
- Lease by Barton Mines in Chesapeake on Diamond Hill Road (D.D. Jones/First Potomac Realty Trust) (100,000 square feet)
- Lease of Givens, Inc. at 400 Woodlake Circle, Chesapeake (80,500 square feet)
- Lease of NYK Logistics to kick-off major Norfolk Logistics Center project in Chesapeake (130,000 square feet)
- Lease of former Dana Corp. space at Bridgeway Commerce I, Suffolk by Walker International (3PL) (80,000 square feet)
The breakdown of available space by unit size continues to change from year to year. The most recognizable change in the past year has been a decrease in the smaller spaces available (5,000 – 20,000 sf), as well as an increase in the largest units (greater than 60,000 sf). The percentages of buildings that are available in each size range are as follows:

<table>
<thead>
<tr>
<th>Begin Size (SF)</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 5,000</td>
<td>30%</td>
<td>15%</td>
<td>32%</td>
<td>25%</td>
<td>30%</td>
<td>25%</td>
</tr>
<tr>
<td>5,000 - 20,000</td>
<td>40%</td>
<td>52%</td>
<td>44%</td>
<td>40%</td>
<td>42%</td>
<td>30%</td>
</tr>
<tr>
<td>20,000 - 40,000</td>
<td>15%</td>
<td>18%</td>
<td>12%</td>
<td>15%</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>40,000 - 60,000</td>
<td>9%</td>
<td>8%</td>
<td>7%</td>
<td>8%</td>
<td>6%</td>
<td>10%</td>
</tr>
<tr>
<td>&gt; 60,000</td>
<td>6%</td>
<td>7%</td>
<td>5%</td>
<td>12%</td>
<td>9%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Industrial land sale highlights included:

• 10.38 usable acres purchased in Northgate Commerce Park by a local development partnership at $932,215 or $89,808 per acre.
• 34 acres purchased on Yadkin Road, east of Cavalier Park in Chesapeake, by ProLogis at $5,780,000+ or $170,000 per acre for The Norfolk Logistics Center.
• 114.6 acre Glenn site on Kenyon Road, Suffolk bought by McDonald Windward Partners for $2,350,000 ($20,506/Acre)
• 55.206 acres purchased by the City of Suffolk at 803 Carolina Road for $1,188,714 ($21,532/Acre).

Availability of lease space in the larger size ranges (above 40,000 square feet) was pushed up considerably this year because of the delivery of several new large, high-bay buildings noted above. “For Sale” opportunities continued to be scarce in all size ranges. As mentioned above, land availability is extremely limited in close-in, central core portions of the Hampton Roads market. This continues to push developers and users to consider and to execute purchases in such outlying sub-markets as Suffolk and Isle of Wight.

Average market asking rents for small spaces (less than 20,000 square feet) rose substantially during 2006. Rates for larger spaces were strong and not yet negatively impacted by the availability of the new projects noted above. This should change in 2007 and 2008. Also, an increase in asking rents for all size units is reflective of the decrease in the overall availability. The variance between asking lease rates and final negotiated rates, highly dependent on the age and location of a particular building, has been between 0% and 10% in 2006.
The 2006 sales activity for industrial buildings continued to show price escalations even as compared with 2005. Industrial building sales prices predominated in the $35 p.s.f. to $65 p.s.f. range. There were sales that were finalized higher in the $95 p.s.f. to $135 p.s.f. range, as a result of either high-end location, developed yard or surplus land area. Available modern industrial buildings for purchase remained very hard to find in 2006 in all size ranges.

### SALES OVERVIEW

#### PERCENTAGE OF AVAILABLE BUILDING BY SIZE RANGE

<table>
<thead>
<tr>
<th>DATE</th>
<th>LOCATION</th>
<th>SQ. FT.</th>
<th>PRICE</th>
<th>$/SF</th>
<th>ACRES</th>
</tr>
</thead>
<tbody>
<tr>
<td>2/06</td>
<td>Verizon</td>
<td>31,000</td>
<td>$880,000</td>
<td>$28.39</td>
<td>2.00</td>
</tr>
<tr>
<td>4/06</td>
<td>Viasys</td>
<td>10,293</td>
<td>$1,400,000</td>
<td>$136.55</td>
<td>2.55</td>
</tr>
<tr>
<td>5/06</td>
<td>Sherwin-Williams</td>
<td>16,000</td>
<td>$800,000</td>
<td>$50.00</td>
<td>1.50</td>
</tr>
<tr>
<td>5/06</td>
<td>First Data</td>
<td>54,000</td>
<td>$5,100,000</td>
<td>$94.44</td>
<td>3.90</td>
</tr>
<tr>
<td>6/06</td>
<td>L.A. Services</td>
<td>48,800</td>
<td>$2,200,000</td>
<td>$45.08</td>
<td>9.20</td>
</tr>
<tr>
<td>11/06</td>
<td>IBS America</td>
<td>14,400</td>
<td>$915,000</td>
<td>$63.54</td>
<td>1.60</td>
</tr>
<tr>
<td>12/06</td>
<td>American Road Markings</td>
<td>21,334</td>
<td>$550,000</td>
<td>$25.78</td>
<td>0.65</td>
</tr>
</tbody>
</table>

_Budget Basis: NNN_
INDUSTRIAL SUBMARKETS

Southside
- Suffolk
- Portsmouth
- West Norfolk
- Central Norfolk
- Cavalier
- Bainbridge
- Norfolk Industrial Park
- Airport Industrial Park
- Greenbrier
- Cleveland
- Lynnhaven

Peninsula
- Copeland
- Oakland
- Oyster Point
- Williamsburg Extended
<table>
<thead>
<tr>
<th>Submarket</th>
<th>City</th>
<th>Bldgs Surveyed</th>
<th>Reporter</th>
<th>Total Sq Ft</th>
<th>Vacancy Sq Ft</th>
<th>Vacancy %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greenbrier Area</td>
<td>Chesapeake</td>
<td>265</td>
<td>Biesecker/Kaempfe</td>
<td>8,211,923</td>
<td>245,196</td>
<td>2.99%</td>
</tr>
<tr>
<td>Bainbridge/S. Elizabeth River Area</td>
<td>Chesapeake</td>
<td>133</td>
<td>Worley</td>
<td>5,374,112</td>
<td>312,900</td>
<td>5.82%</td>
</tr>
<tr>
<td>Cavalier Industrial Park Area</td>
<td>Chesapeake</td>
<td>177</td>
<td>Murrey</td>
<td>5,580,149</td>
<td>462,885</td>
<td>8.30%</td>
</tr>
<tr>
<td>Norfolk Commerce Park/</td>
<td>Norfolk</td>
<td>140</td>
<td>Remick</td>
<td>7,010,468</td>
<td>238,699</td>
<td>3.40%</td>
</tr>
<tr>
<td>Central Norfolk Area</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Norfolk Industrial Park Area</td>
<td>Norfolk</td>
<td>347</td>
<td>King</td>
<td>10,101,435</td>
<td>481,776</td>
<td>4.77%</td>
</tr>
<tr>
<td>West Side/Midtown Norfolk Area</td>
<td>Norfolk</td>
<td>260</td>
<td>Dickinson</td>
<td>6,658,583</td>
<td>359,229</td>
<td>5.39%</td>
</tr>
<tr>
<td>Lynnhaven Area</td>
<td>Virginia Beach</td>
<td>173</td>
<td>Benassi</td>
<td>6,716,844</td>
<td>382,362</td>
<td>5.69%</td>
</tr>
<tr>
<td>Greenwich/Cleveland Streets Area</td>
<td>Virginia Beach</td>
<td>130</td>
<td>Beasley</td>
<td>3,134,377</td>
<td>59,507</td>
<td>1.90%</td>
</tr>
<tr>
<td>Airport Industrial Park Area</td>
<td>Virginia Beach</td>
<td>70</td>
<td>Beasley</td>
<td>3,692,456</td>
<td>267,690</td>
<td>7.25%</td>
</tr>
<tr>
<td>City of Portsmouth</td>
<td>Portsmouth</td>
<td>157</td>
<td>Ellis</td>
<td>3,882,755</td>
<td>136,615</td>
<td>3.52%</td>
</tr>
<tr>
<td>City of Suffolk</td>
<td>Suffolk</td>
<td>143</td>
<td>Throne</td>
<td>10,196,876</td>
<td>916,350</td>
<td>8.99%</td>
</tr>
<tr>
<td>Isle of Wight</td>
<td>Isle of Wight</td>
<td>14</td>
<td>King</td>
<td>2,753,716</td>
<td>329,766</td>
<td>11.98%</td>
</tr>
<tr>
<td><strong>Southside Totals</strong></td>
<td></td>
<td>2,009</td>
<td></td>
<td><strong>73,313,694</strong></td>
<td><strong>4,192,975</strong></td>
<td><strong>5.72%</strong></td>
</tr>
<tr>
<td>Copeland/Lower Peninsula Area</td>
<td>Peninsula</td>
<td>363</td>
<td>Culbreth/Sanker</td>
<td>9,648,112</td>
<td>1,076,486</td>
<td>11.16%</td>
</tr>
<tr>
<td>Oyster Point/Middle Peninsula Area</td>
<td>Peninsula</td>
<td>158</td>
<td>Phillips</td>
<td>3,835,884</td>
<td>64,423</td>
<td>1.68%</td>
</tr>
<tr>
<td>Oakland/Upper Peninsula Area</td>
<td>Peninsula</td>
<td>117</td>
<td>Ferguson</td>
<td>4,578,983</td>
<td>220,300</td>
<td>4.81%</td>
</tr>
<tr>
<td>Williamsburg Extended Area</td>
<td>Peninsula</td>
<td>52</td>
<td>Phillips</td>
<td>8,860,837</td>
<td>327,671</td>
<td>3.70%</td>
</tr>
<tr>
<td><strong>Peninsula Totals</strong></td>
<td></td>
<td>690</td>
<td></td>
<td><strong>26,923,816</strong></td>
<td><strong>1,688,880</strong></td>
<td><strong>6.27%</strong></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td>2,699</td>
<td>Sanker</td>
<td><strong>100,237,510</strong></td>
<td><strong>5,881,855</strong></td>
<td><strong>5.87%</strong></td>
</tr>
</tbody>
</table>
HAMPTON ROADS INDUSTRIAL MARKET VACANCY RATE

Source: Old Dominion University E.V. Williams Center for Real Estate and Economic Development.
GVA Advantis congratulates its Hampton Roads Top Producers for their outstanding work and contributions to the company in 2006. Call today and put our team of experts to work for you.
Acknowledgements

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Senior Director, Office Brokerage - Norfolk, VA

Christopher Bendit
Director, Office Brokerage – Newport News, VA

GVA Advantis

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The E. V. Williams Center for Real Estate for Real Estate and Economic Development (CREED) functions and reports are funded by donations from individuals, organizations and the CREED Advisory Board. The Hampton Roads Association of Commercial Real Estate provided funding for the publishing of this report.
The Hampton Roads multi-tenant office market is comprised of approximately 23 million square feet of net leasable space, plus approximately 3.2 million square feet of owner-occupied space.

- Average asking rents for the overall market increased from $15.60 per square foot to $16.35 per square foot, as a blended average for Class A and B space.
- Both the Southside and Peninsula submarkets, as well as in Downtown Norfolk, experienced increases in average asking rents.
- On the whole, the market vacancy rate for all classes has decreased slightly this year to 7.98%, down from 8.0%.
- Downtown Norfolk’s vacancy rate dropped considerably from 10.9% at the end of 2005 to 7.63%. While the Southside Suburban market saw an increase from 6.6% in 2005 to 8.07%. The Peninsula market experienced a decrease in rate from 9.3% to 6.64%.

The overall Hampton Roads Office Market grew very little in 2006 in comparison with previous years, but it remained stable throughout. The approximately 300,000 square feet absorbed was distributed evenly within the region, led by Downtown Norfolk and the Pembroke/CBD submarkets on the Southside and by the Hampton Roads Center and Oyster Point areas on the Peninsula. This is not surprising as these are among the largest concentrations of space with the greatest leasing activity levels in the past decade.

What differs from past years is that several submarkets had negative absorption. Noteworthy is that many of these are smaller submarkets characterized by older properties without much land available for expansion. With single digit vacancies prevalent throughout the market, expanding companies unable to grow in these locations have relocated to newer developments in the larger submarkets.

The net effect is a bit of a consolidation of space throughout the region as higher density developments continue to attract the market sector willing and able to pay the highest rental rates for the highest quality of space. Thus, we see a corresponding significant average asking rental rate increase.
# TABLE I  MULTI-TENANT CLASS A, B AND C

## DOWNTOWN NORFOLK – By Class

<table>
<thead>
<tr>
<th>Class</th>
<th>NLA</th>
<th>% Vac.</th>
<th>Avg Rent</th>
<th>NLA</th>
<th>% Vac.</th>
<th>Avg Rent</th>
<th>NLA</th>
<th>% Vac.</th>
<th>Avg Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downtown Norfolk</td>
<td>1,690,129</td>
<td>7.12%</td>
<td>$21.42</td>
<td>1,527,543</td>
<td>8.36%</td>
<td>$15.42</td>
<td>96,552</td>
<td>5.18%</td>
<td>$10.29</td>
</tr>
</tbody>
</table>

## SOUTHSIDE – By Class

<table>
<thead>
<tr>
<th>Class</th>
<th>NLA</th>
<th>% Vac.</th>
<th>Avg Rent</th>
<th>NLA</th>
<th>% Vac.</th>
<th>Avg Rent</th>
<th>NLA</th>
<th>% Vac.</th>
<th>Avg Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downtown Norfolk</td>
<td>1,690,129</td>
<td>7.12%</td>
<td>$21.42</td>
<td>1,527,543</td>
<td>8.36%</td>
<td>$16.55</td>
<td>96,552</td>
<td>5.18%</td>
<td>$11.78</td>
</tr>
<tr>
<td>Airport/Northampton</td>
<td>176,000</td>
<td>3.20%</td>
<td>$18.00</td>
<td>122,287</td>
<td>20.99%</td>
<td>$15.14</td>
<td>22,020</td>
<td>0.00%</td>
<td>$11.00</td>
</tr>
<tr>
<td>Central Norfolk</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>875,352</td>
<td>15.86%</td>
<td>$13.23</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Chesapeake/Greenbrier</td>
<td>945,878</td>
<td>12.18%</td>
<td>$18.52</td>
<td>1,985,534</td>
<td>9.76%</td>
<td>$14.32</td>
<td>42,423</td>
<td>0.00%</td>
<td>$11.50</td>
</tr>
<tr>
<td>Corporate Landing</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>69,756</td>
<td>0.00%</td>
<td>$12.93</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Hilltop/Oceanfront</td>
<td>132,677</td>
<td>1.76%</td>
<td>$23.26</td>
<td>303,959</td>
<td>5.82%</td>
<td>$13.33</td>
<td>10,360</td>
<td>0.00%</td>
<td>$9.00</td>
</tr>
<tr>
<td>Kempsville</td>
<td>122,000</td>
<td>5.33%</td>
<td>$18.50</td>
<td>320,000</td>
<td>7.10%</td>
<td>$13.15</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Little Neck</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>502,436</td>
<td>3.17%</td>
<td>$13.96</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Lynnhaven</td>
<td>865,599</td>
<td>5.07%</td>
<td>$18.84</td>
<td>895,341</td>
<td>12.54%</td>
<td>$13.47</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Military Circle</td>
<td>70,000</td>
<td>0.00%</td>
<td>$17.00</td>
<td>200,868</td>
<td>4.27%</td>
<td>$15.96</td>
<td>66,129</td>
<td>15.49%</td>
<td>$10.76</td>
</tr>
<tr>
<td>Newport/Witchduck</td>
<td>1,089,399</td>
<td>2.33%</td>
<td>$18.56</td>
<td>1,003,058</td>
<td>12.08%</td>
<td>$15.19</td>
<td>18,000</td>
<td>0.00%</td>
<td>$10.00</td>
</tr>
<tr>
<td>Pembroke/Central Business District</td>
<td>984,975</td>
<td>3.15%</td>
<td>$24.25</td>
<td>1,204,065</td>
<td>4.59%</td>
<td>$15.42</td>
<td>35,992</td>
<td>0.00%</td>
<td>$10.33</td>
</tr>
<tr>
<td>Portsmouth</td>
<td>88,327</td>
<td>10.53%</td>
<td>$16.10</td>
<td>379,599</td>
<td>20.98%</td>
<td>$14.61</td>
<td>20,340</td>
<td>0.00%</td>
<td>$11.00</td>
</tr>
<tr>
<td>Suffolk</td>
<td>498,365</td>
<td>0.00%</td>
<td>$11.00</td>
<td>423,924</td>
<td>11.09%</td>
<td>$16.74</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

## PENINSULA – By Class

<table>
<thead>
<tr>
<th>Class</th>
<th>NLA</th>
<th>% Vac.</th>
<th>Avg Rent</th>
<th>NLA</th>
<th>% Vac.</th>
<th>Avg Rent</th>
<th>NLA</th>
<th>% Vac.</th>
<th>Avg Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coliseum Central</td>
<td>211,664</td>
<td>8.32%</td>
<td>$16.87</td>
<td>304,012</td>
<td>11.61%</td>
<td>$10.01</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Downtown Hampton</td>
<td>158,855</td>
<td>10.43%</td>
<td>$17.00</td>
<td>47,738</td>
<td>9.43%</td>
<td>$11.05</td>
<td>12,132</td>
<td>0.00%</td>
<td>$10.00</td>
</tr>
<tr>
<td>Downtown Newport News</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>153,442</td>
<td>29.56%</td>
<td>$14.00</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Hampton Roads Center</td>
<td>538,722</td>
<td>9.66%</td>
<td>$17.76</td>
<td>503,268</td>
<td>5.07%</td>
<td>$15.48</td>
<td>35,833</td>
<td>100.00%</td>
<td>$10.82</td>
</tr>
<tr>
<td>Newmarket</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>670,433</td>
<td>22.58%</td>
<td>$15.78</td>
<td>150,000</td>
<td>0.00%</td>
<td>$13.50</td>
</tr>
<tr>
<td>Oyster Point</td>
<td>1,395,602</td>
<td>3.08%</td>
<td>$18.82</td>
<td>1,182,982</td>
<td>6.89%</td>
<td>$12.35</td>
<td>80,650</td>
<td>0.00%</td>
<td>$9.59</td>
</tr>
<tr>
<td>Suburban Newport News</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>236,276</td>
<td>13.06%</td>
<td>$11.70</td>
<td>48,000</td>
<td>0.00%</td>
<td>$7.43</td>
</tr>
<tr>
<td>Williamsburg/James City/York County</td>
<td>178,000</td>
<td>2.67%</td>
<td>$18.15</td>
<td>355,221</td>
<td>6.51%</td>
<td>$13.87</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>
## TABLE II  CLASS A & B ONLY

<table>
<thead>
<tr>
<th>SUBMARKET</th>
<th>JANUARY 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NLA</td>
</tr>
<tr>
<td>Downtown Norfolk</td>
<td>3,217,672</td>
</tr>
</tbody>
</table>

### SOUTHSIDE - CLASS A & B

<table>
<thead>
<tr>
<th>SUBMARKET</th>
<th>JANUARY 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport/Northampton</td>
<td>298,287</td>
</tr>
<tr>
<td>Central Norfolk</td>
<td>875,352</td>
</tr>
<tr>
<td>Chesapeake/Greenbrier</td>
<td>2,931,412</td>
</tr>
<tr>
<td>Corporate Landing</td>
<td>69,756</td>
</tr>
<tr>
<td>Hilltop/Oceanfront</td>
<td>436,636</td>
</tr>
<tr>
<td>Kempsville</td>
<td>442,000</td>
</tr>
<tr>
<td>Little Neck</td>
<td>502,436</td>
</tr>
<tr>
<td>Lynnhaven</td>
<td>1,760,940</td>
</tr>
<tr>
<td>Military Circle</td>
<td>270,868</td>
</tr>
<tr>
<td>Newtown/Witchduck</td>
<td>2,092,452</td>
</tr>
<tr>
<td>Pembroke/Central Business District</td>
<td>2,288,040</td>
</tr>
<tr>
<td>Portsmouth</td>
<td>467,926</td>
</tr>
<tr>
<td>Suffolk</td>
<td>817,054</td>
</tr>
</tbody>
</table>

### PENINSULA – CLASS A & B

<table>
<thead>
<tr>
<th>SUBMARKET</th>
<th>JANUARY 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coliseum Central</td>
<td>515,676</td>
</tr>
<tr>
<td>Downtown Hampton</td>
<td>206,593</td>
</tr>
<tr>
<td>Downtown Newport News</td>
<td>153,442</td>
</tr>
<tr>
<td>Hampton Roads Center</td>
<td>1,041,990</td>
</tr>
<tr>
<td>Newmarket</td>
<td>670,433</td>
</tr>
<tr>
<td>Oyster Point</td>
<td>2,578,584</td>
</tr>
<tr>
<td>Suburban Newport News</td>
<td>236,276</td>
</tr>
<tr>
<td>Williamsburg/Jamestown/York County</td>
<td>533,221</td>
</tr>
</tbody>
</table>
With no new inventory delivered during 2006, Downtown Norfolk vacancy continued its steady decline in all classes of space. We expect this trend to continue in 2007 as the only new addition to the skyline will be the owner-occupied, Dominion Enterprises (formerly known as Trader) mixed-use 500,000 GSF building with 300,000 square foot of office space located on the ever evolving Granby Street.

Rental rates continue an upward trend with the highest class of space moving firmly into the mid $20s and all other classes increasing as well.

In terms of net absorption, Downtown had a typical year with total occupied space increasing by approximately 100,000 square feet. While most of the growth was attributable to existing Downtown companies expanding, the key to the financial district’s stability has been its extremely strong retention rate throughout the past decade.

The announcement of a new, city-block sized mixed-use development that includes a 22-story office tower, to be known as The Wachovia Center, will certainly have an impact on rates and activity in the Downtown Market, although not immediately. The development will include 250,000 square feet of Class A office space, and is already 53% pre-leased. Construction will commence in Spring of 2008 with delivery set for Summer 2010.

The distribution of the Downtown Norfolk Submarket is as follows:

<table>
<thead>
<tr>
<th>Class A Multi-Tenant</th>
<th>1,690,129</th>
<th>42.6%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class B Multi-Tenant</td>
<td>1,527,543</td>
<td>38.5%</td>
</tr>
<tr>
<td>Class C Multi-Tenant</td>
<td>96,552</td>
<td>2.4%</td>
</tr>
<tr>
<td>Subtotal Multi-Tenant</td>
<td>3,314,224</td>
<td>83.6%</td>
</tr>
<tr>
<td>Owner Occupied</td>
<td>649,950</td>
<td>16.4%</td>
</tr>
<tr>
<td>Total</td>
<td>3,964,174</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The reported overall vacancy rate and average rents for the Downtown Norfolk by building class are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Class A</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avg. Rent</td>
<td>$20.33</td>
<td>$21.09</td>
<td>$21.42</td>
</tr>
<tr>
<td>% Vacant</td>
<td>12.7%</td>
<td>10.60%</td>
<td>7.12%</td>
</tr>
<tr>
<td><strong>Class B</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avg. Rent</td>
<td>$14.72</td>
<td>$15.28</td>
<td>$16.55</td>
</tr>
<tr>
<td>% Vacant</td>
<td>19.9%</td>
<td>11.60%</td>
<td>8.36%</td>
</tr>
<tr>
<td><strong>Class C</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avg. Rent</td>
<td>$11.40</td>
<td>$11.40</td>
<td>$11.78</td>
</tr>
<tr>
<td>% Vacant</td>
<td>0.0%</td>
<td>5.20%</td>
<td>5.18%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avg. Rent</td>
<td>$17.38</td>
<td>$18.15</td>
<td>$18.33</td>
</tr>
<tr>
<td>% Vacant</td>
<td>15.8%</td>
<td>10.90%</td>
<td>7.63%</td>
</tr>
<tr>
<td><strong>A &amp; B Only</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Avg. Rent</td>
<td>$18.22</td>
<td>$18.35</td>
<td>$18.57</td>
</tr>
<tr>
<td>% Vacant</td>
<td>16.2%</td>
<td>11.10%</td>
<td>7.70%</td>
</tr>
</tbody>
</table>

* weighted averages
2007 Office

Southside Suburban Market

The Southside Suburban market led the region in new construction deliveries in 2006 with the completion of the 50,000 square foot Liberty II building, followed by the 75,000 square foot Liberty III, both in Chesapeake; the second AmeriGroup building totaling 106,000 square feet on the campus of Regent University in Virginia Beach; Gallery I, a 30,000 square foot building in the Newtown Road area of Virginia Beach; Bridgeway Technology Center III consisting of 72,000 square feet in Suffolk; and Town Center North, a 52,000 square foot building in the heart of the Virginia Beach Town Center.

The largest block of available space remains in the Liberty III building in Chesapeake at 75,000 square feet. The other buildings are substantially leased to existing regional companies expanding (e.g. AmeriGroup, American Funds, etc.).

While several submarkets experienced occupancy gains (most notably the Pembroke/CBD area), these gains were substantially offset by losses in other locations. In fact, a few submarkets experienced negative absorption during 2006. The net effect was a period of flat demand in comparison with previous years.

The distribution of Southside Suburban Submarket is as follows:

<table>
<thead>
<tr>
<th>NET LEASABLE AREA (SQ. FT)</th>
<th>% OF SOUTHSIDE INVENTORY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A Multi-Tenant</td>
<td>4,883,220</td>
</tr>
<tr>
<td>Class B Multi-Tenant</td>
<td>8,286,179</td>
</tr>
<tr>
<td>Class C Multi-Tenant</td>
<td>352,295</td>
</tr>
<tr>
<td>Subtotal Multi-Tenant</td>
<td>13,521,694</td>
</tr>
<tr>
<td>Owner Occupied</td>
<td>2,201,257</td>
</tr>
<tr>
<td>Total</td>
<td>15,722,951</td>
</tr>
</tbody>
</table>

The reported overall vacancy rate and average rents for the Southside by building class are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AVG. RENT</td>
<td>% VACANT</td>
<td>AVG. RENT</td>
</tr>
<tr>
<td>Class A</td>
<td>$17.79</td>
<td>6.1%</td>
<td>$18.16</td>
</tr>
<tr>
<td>Class B</td>
<td>$14.22</td>
<td>10.2%</td>
<td>$14.24</td>
</tr>
<tr>
<td>Class C</td>
<td>$11.31</td>
<td>7.6%</td>
<td>$10.72</td>
</tr>
<tr>
<td>Total</td>
<td>$15.38</td>
<td>8.7%</td>
<td>$15.51</td>
</tr>
<tr>
<td>A &amp; B Only</td>
<td>$15.49</td>
<td>8.7%</td>
<td>$15.64</td>
</tr>
</tbody>
</table>

* weighted averages
The total office inventory on the Virginia Peninsula for Class A & B multi-tenant space is approximately 6 million square feet, with a 2006 overall vacancy rate of 6.64% compared to 9.2% at the end of 2005. Oyster Point and Hampton Roads Center continue to be the primary submarkets on the Peninsula accounting for 78% of all Class A space and 49% of all Class B space. Oyster Point remains the largest submarket on the Peninsula containing 2,578,584 square feet of Class A & B office space. The second largest submarket is Hampton Roads Center, which contains 1,041,990 square feet of Class A & B office space. Combined, these two submarkets possess 3,620,574 square feet or 60% of the total office inventory for Classes A and B. The balance of 2,439,642 square feet is divided among seven other submarkets stretching from Downtown Hampton to Williamsburg/James City County.

Oyster Point saw the Class A vacancy rate remain stable at 3.08% during 2006 on a base of 1,395,602 square feet. Oyster Point led the Peninsula in absorption with 118,647 square feet of Class A space on a base of 1,395,602 rsf. Class B space saw an absorption of 11,990 rsf. The absorption figure represents typical leasing of available space but more importantly only 42,048 square feet of Class A space is currently available. The most notable office activity in Oyster Point in 2006 was the delivery of One City Center, a 100,000 square foot office/retail facility. The facility contains 30,000 square feet of retail space on the first floor and 70,000 square feet of office on floors two through five. The office component is 75% leased at rents in the $20.50 per square foot range with a tenant improvement allowance of $18.00 per square foot below a finished ceiling. Merchants Walk was delivered in 2006 and contains 28,000 rsf of office space which is 100% leased at rental rates in the $18.50 per rsf range. Lastly, the William E. Wood building, containing 26,000 square feet, was delivered and is 72% leased at rates in the $18.00 per rsf range.

Class A space in Hampton Roads Center saw absorption of 103,561 square feet on a base of 538,722 square feet. The majority of this absorption is attributable to the 100% lease-up of the Hampton Roads Research Quad Building III containing 100,000 square feet. However, vacancy rates for Class A space increased from 5.6% in 2005 to 8.7% in 2006. This increase in vacancy was due to the Research Quad Building I putting 20,000 square feet back on the market. Vacancy rates for Class B space plummeted in 2006 from a 2005 vacancy rate of 23% down to 5%. The majority of the decrease in vacancy can be attributed to the NDS building only having 11,000 sf available, down from 35,331 sf in 2005, and the Research Office Building leasing 19,000 sf in 2006. Buildings delivered in 2006 to Hampton Roads Center submarket were the Research Quad Building III containing 100,000 sf and the VA Peninsula Realtors Building containing 19,000 sf.

The major new construction project in the pipeline for 2007 is Two City Centre in Oyster Point containing 70,000 sf of office space which is 75% pre-leased at rates in the $22.50 per rsf range.

In 2007, rental rates are forecasted to rise in Oyster Point due to the lack of available space. Tenant improvement packages will edge down as market conditions tighten. Hampton Roads Center will see rental rates tighten and tenant improvement packages will remain stable due to the limited amount of available space.
The distribution of Peninsula Submarket is as follows:

<table>
<thead>
<tr>
<th>Class</th>
<th>Net Leasable Area (sq. ft.)</th>
<th>% of Peninsula Inventory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A Multi-Tenant</td>
<td>2,543,843</td>
<td>37.6%</td>
</tr>
<tr>
<td>Class B Multi-Tenant</td>
<td>3,453,372</td>
<td>51.1%</td>
</tr>
<tr>
<td>Class C Multi-Tenant</td>
<td>326,615</td>
<td>4.8%</td>
</tr>
<tr>
<td>Subtotal Multi-Tenant</td>
<td>6,323,830</td>
<td>93.6%</td>
</tr>
<tr>
<td>Owner Occupied</td>
<td>432,800</td>
<td>6.4%</td>
</tr>
<tr>
<td>Total</td>
<td>6,756,630</td>
<td>100%</td>
</tr>
</tbody>
</table>

The reported overall vacancy rate and average rents for the Peninsula by building class are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>% Vacant</th>
<th>2006</th>
<th>% Vacant</th>
<th>2007</th>
<th>% Vacant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>$17.73</td>
<td>5.1%</td>
<td>$17.10</td>
<td>4.6%</td>
<td>$18.26</td>
<td>5.40%</td>
</tr>
<tr>
<td>Class B</td>
<td>$12.69</td>
<td>12.9%</td>
<td>$12.46</td>
<td>11.5%</td>
<td>$13.43</td>
<td>7.17%</td>
</tr>
<tr>
<td>Class C</td>
<td>$11.22</td>
<td>12.1%</td>
<td>$10.51</td>
<td>10.99%</td>
<td>$11.22</td>
<td>10.97%</td>
</tr>
<tr>
<td>Total</td>
<td>$14.52</td>
<td>9.9%</td>
<td>$14.61</td>
<td>9.3%</td>
<td>$15.24</td>
<td>6.64%</td>
</tr>
<tr>
<td>A &amp; B Only</td>
<td>$14.72</td>
<td>9.8%</td>
<td>$13.96</td>
<td>9.2%</td>
<td>$15.46</td>
<td>6.40%</td>
</tr>
</tbody>
</table>

* weighted averages
<table>
<thead>
<tr>
<th>Submarket</th>
<th># SF Leasable Space 2005</th>
<th># SF Leasable Space 2006</th>
<th>SF Change</th>
<th># Vacant Space 2005</th>
<th># Vacant Space 2006</th>
<th>Vac Change</th>
<th>Absorption 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Downtown Norfolk</td>
<td>3,309,216</td>
<td>3,314,224</td>
<td>5,008</td>
<td>359,672</td>
<td>252,991</td>
<td>106,681</td>
<td>106,681</td>
</tr>
<tr>
<td>Airport/Northampton</td>
<td>320,307</td>
<td>320,307</td>
<td>0</td>
<td>17,400</td>
<td>3,311</td>
<td>15,911</td>
<td>15,911</td>
</tr>
<tr>
<td>Central Norfolk</td>
<td>984,503</td>
<td>984,503</td>
<td>0</td>
<td>81,505</td>
<td>143,033</td>
<td>61,528</td>
<td>61,528</td>
</tr>
<tr>
<td>Chesapeake/Greenbrier</td>
<td>2,848,835</td>
<td>2,973,835</td>
<td>125,000</td>
<td>192,063</td>
<td>308,978</td>
<td>116,915</td>
<td>8,085</td>
</tr>
<tr>
<td>Hilltop/Oceanfront</td>
<td>446,996</td>
<td>446,996</td>
<td>0</td>
<td>7,586</td>
<td>20,039</td>
<td>12,453</td>
<td>(12,453)</td>
</tr>
<tr>
<td>Corporate Landing</td>
<td>69,756</td>
<td>69,756</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Kempsville</td>
<td>442,000</td>
<td>442,000</td>
<td>0</td>
<td>34,307</td>
<td>29,220</td>
<td>5,087</td>
<td>5,087</td>
</tr>
<tr>
<td>Lynnhaven</td>
<td>1,760,940</td>
<td>1,760,940</td>
<td>0</td>
<td>153,221</td>
<td>156,229</td>
<td>3,008</td>
<td>(3,008)</td>
</tr>
<tr>
<td>Little Neck</td>
<td>530,716</td>
<td>530,716</td>
<td>0</td>
<td>42,334</td>
<td>15,939</td>
<td>26,495</td>
<td>26,495</td>
</tr>
<tr>
<td>Military Circle</td>
<td>336,997</td>
<td>336,997</td>
<td>0</td>
<td>14,599</td>
<td>29,065</td>
<td>14,466</td>
<td>(14,466)</td>
</tr>
<tr>
<td>Newtown/Witchduck</td>
<td>1,987,747</td>
<td>2,110,452</td>
<td>122,705</td>
<td>127,207</td>
<td>267,817</td>
<td>140,610</td>
<td>86,588</td>
</tr>
<tr>
<td>Pembroke/Central Business District</td>
<td>2,160,632</td>
<td>2,224,632</td>
<td>64,000</td>
<td>136,147</td>
<td>86,340</td>
<td>(49,807)</td>
<td>49,807</td>
</tr>
<tr>
<td>Portsmouth</td>
<td>477,584</td>
<td>488,266</td>
<td>10,682</td>
<td>47,650</td>
<td>88,924</td>
<td>41,274</td>
<td>(41,274)</td>
</tr>
<tr>
<td>Suffolk</td>
<td>679,905</td>
<td>817,054</td>
<td>137,149</td>
<td>23,000</td>
<td>52,800</td>
<td>29,800</td>
<td>(19,584)</td>
</tr>
<tr>
<td>Downtown Hampton</td>
<td>218,725</td>
<td>218,725</td>
<td>0</td>
<td>17,898</td>
<td>19,565</td>
<td>1,667</td>
<td>(1,667)</td>
</tr>
<tr>
<td>Downtown Newport News</td>
<td>153,442</td>
<td>153,442</td>
<td>0</td>
<td>4,443</td>
<td>45,353</td>
<td>40,910</td>
<td>(40,910)</td>
</tr>
<tr>
<td>Hampton Roads Center</td>
<td>766,662</td>
<td>1,077,823</td>
<td>311,161</td>
<td>155,891</td>
<td>35,833</td>
<td>(120,058)</td>
<td>159,493</td>
</tr>
<tr>
<td>Coliseum Central</td>
<td>515,676</td>
<td>515,676</td>
<td>0</td>
<td>30,469</td>
<td>52,921</td>
<td>22,452</td>
<td>(22,452)</td>
</tr>
<tr>
<td>Newmarket</td>
<td>820,433</td>
<td>820,433</td>
<td>0</td>
<td>151,400</td>
<td>151,400</td>
<td>0</td>
<td>-</td>
</tr>
<tr>
<td>Oyster Point</td>
<td>2,535,234</td>
<td>2,659,234</td>
<td>124,000</td>
<td>131,588</td>
<td>124,442</td>
<td>(7,146)</td>
<td>108,728</td>
</tr>
<tr>
<td>Suburban Newport News</td>
<td>284,276</td>
<td>284,276</td>
<td>0</td>
<td>0</td>
<td>30,850</td>
<td>30,850</td>
<td>(30,850)</td>
</tr>
<tr>
<td>Williamsburg/Jame City/York County</td>
<td>533,221</td>
<td>533,221</td>
<td>0</td>
<td>31,196</td>
<td>16,834</td>
<td>(14,362)</td>
<td>14,362</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22,183,803</strong></td>
<td><strong>23,083,508</strong></td>
<td><strong>1,759,576</strong></td>
<td><strong>1,961,884</strong></td>
<td><strong>202,308</strong></td>
<td><strong>301,123</strong></td>
<td></td>
</tr>
</tbody>
</table>
OFFICE SUBMARKETS

**Southside**
- Airport/Northampton
- Chesapeake/Greenbrier
- Downtown Norfolk
- Central Norfolk
- Hilltop/Oceanfront
- Corporate Landing
- Kempsville
- Little Neck
- Lynnhaven
- Military Circle
- Newtown/Witchduck
- N. Suffolk
- Pembroke
- Portsmouth

**Peninsula**
- Downtown Hampton
- Hampton Roads Center
- Coliseum Central
- Downtown Newport News
- Newmarket
- Oyster Point
- Suburban Newport News
- Williamsburg/James City Co./York County
The following is a list of the properties included in this year’s survey.

**DOWNTOWN NORFOLK**

**CLASS A**
- 150 West Main Street ............ 226,183
- Crown Center .................. 62,000
- Dominion Tower ................ 403,276
- Main Street Tower ............. 200,000
- Norfolk Southern Tower ...... 301,463
- Town Point Center ........... 130,266
- World Trade Center .......... 366,941

**CLASS B**
- 100 East Main Street .......... 20,000
- 101 Granby Street ............ 22,000
- 201 Granby Mall Building .... 76,071
- 500 Plume Street ............. 60,000
- Anders Williams Building .... 14,000
- Bank of America ............. 339,892
- Towne Bank Building ......... 52,698
- City Centre .................. 54,138
- Duke Grace Building .......... 26,417
- First Virginia Tower ......... 111,600
- Ghent-Driscoll Building ...... 24,000
- Historic Freemason Building . 11,000
- Lonsdale Building ............ 18,000
- Monticello Arcade ............ 44,500
- Monticello Office Building .. 70,000
- Plume Center West .......... 82,375
- Seaboard Center ............. 30,000
- St. Paul Building ............ 47,308
- 500 E. Main St. (former SunTrust) ..... 230,000
- Tazewell Building .......... 38,000
- The Helena Building .......... 20,100
- Wainwright Building .......... 83,151
- York Street Center .......... 52,293

**CLASS C**
- 220 West Freemason Street ... 10,775
- 255 Granby Street ............. 30,000
- 700 Monticello Avenue ...... 22,760
- Former Home Savings Bank Bldg. 16,825
- Norfolk Community Services .. 16,192

**OWNER OCCUPIED**
- AAA Headquarters .............. 10,000
- AT&T ................................ 200,000
- Atlantic Building .............. 14,000
- Decker Building ............... 10,000
- Landmark Communications .... 66,500
- Norfolk Telcom Center ....... 60,000
- Peta ................................ 25,000
- Standard Forms ............... 30,000
- Two Commercial Place .......... 234,450

**AIRPORT/ NORTHAMPTON**

**CLASS A**
- Twin Oaks I ..................... 88,000
- Twin Oaks II ................... 88,000

**CLASS B**
- Airport Executive Center ...... 70,609
- HRSA -ILA Bldg (Longshoremen's) .... 21,678
- Northampton Executive Center ... 30,000

**CLASS C**
- Electrical Workers Corporation Office .... 22,020

**OWNER OCCUPIED**
- US Building .................. 325,000
- Zim-American Israeli Shipping .... 30,000
- CMA/CGM (USA) ............... 90,000

**CENTRAL NORFOLK**

**CLASS B**
- Almeda Business Center (flex) .... 84,000
- Commerce Park Place (flex) ..... 58,783
- Gateway II (flex) ............... 45,000
- Lafayette Executive Center .... 18,641
- Lawson Building .............. 20,022
- Norfolk Business Center (flex) .... 89,000
- Norfolk Business Center II (flex) .... 126,926
- Norfolk Commerce Center I (flex) .... 73,000
- Norfolk Commerce Center III (flex) .... 168,000
- Norfolk Commerce Center IV (flex) .... 79,980
- Norfolk Commerce Center V (flex) .... 72,000
- Norfolk Commerce Park Office Building .......... 40,000

**CLASS C**
- 4100 Building ............... 20,614
- Atlas Building ............... 30,476
- Blair Building ............... 15,000
- Southern Office Building .... 11,061
- Time Building ............... 32,000

**OWNER OCCUPIED**
- American Funds Building .......... 107,000

**CHESAPEAKE/ GREENBRIER**

**CLASS A**
- 1590 Crossways Blvd. .... 10,800
- Armada Hoffler Corporate Headquarters .......... 52,702

- CHKD Health Center (Volvo Park VI) ..... 25,000
- Chubb Building ................ 97,500
- Dendrite One .................. 50,000
- Dendrite Two .................. 50,000
- Greenbrier One ................ 97,500
- Greenbrier Two ................ 87,900
- Lake Center I .................. 60,000
- Lake Center II ................. 64,000
- Liberty One .................... 50,000
- Liberty Two .................... 50,000
- Liberty Three .................. 75,000
- One Greenbrier Point (Oracle) ........ 75,000
- Towers Perrin II ............. 111,000

**CLASS B**
- Atlantic Business Center ... 60,000
- Battlefield Corporate Center ................ 98,000
- Battlefield Lakes Tech Center I ........ 38,500
- Battlefield Lakes Tech Center II .......... 29,000
- Battlefield Lakes Tech Center III .......... 18,000
- Battlefield Technology Center ........ 51,788
- Battlefield Technology Center I .......... 97,000
- Battlefield Technology Center II .......... 86,000
- Branch Executive Quarter- Hamilton ........ 11,600
- Branch Executive Quarter- Jefferson .... 23,838
- Branch Executive Quarter- Madison .......... 16,788
- Chelsea Commons WCMB ........ 12,400
- Crossways Commerce Center II .......... 145,300
- Crossways I ................... 137,007
- Crossways II (flex) ............. 84,751
- Crossways III .................. 61,992
- Eden North Center .............. 18,700
- Greenbrier Business Center .......... 50,000
- Greenbrier Business Center (flex) ........ 91,561
- Greenbrier Circle Corporate Center .......... 233,138
- Greenbrier I & II .............. 58,276
- Greenbrier Square ............. 26,250
- Greenbrier Tech Center One (flex) ........ 95,414
- Greenbrier Tech Center Two (flex) .......... 82,340
- Heritage Bank Building ........ 12,654
- Independence Technology Center I ........ 98,000
- Knells Ridge Plaza ............ 15,500
- Knells Ridge Square ........... 30,000
- Old Greenbrier Village ....... 34,015
- Riverwalk Professional Bldg. .... 10,000
- Rose and Womble Business Center .... 13,432
- SunTrust Bank Building ........ 33,500
- Volvo Expressway .............. 36,000
- Volvo Park .................... 52,000
- Volvo Vll ..................... 13,000
- Woodbrier Terrace ............ 10,000

**CLASS C**
- 2125 Smith Avenue ........ 42,423
### OWNER OCCUPIED

<table>
<thead>
<tr>
<th>Building</th>
<th>Square Feet</th>
</tr>
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<tbody>
<tr>
<td>Cox Communications</td>
<td>150,000</td>
</tr>
<tr>
<td>First Data</td>
<td>42,557</td>
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<tr>
<td>Household Finance</td>
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<tr>
<td>Panasonic Call Center</td>
<td>55,000</td>
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<tr>
<td>Towers Perrin</td>
<td>104,000</td>
</tr>
<tr>
<td>Volvo Penta</td>
<td>25,000</td>
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</table>

### HILLTOP/OCEANFRONT

#### CLASS A

<table>
<thead>
<tr>
<th>Building</th>
<th>Square Feet</th>
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<tbody>
<tr>
<td>Pavilion Center</td>
<td>85,177</td>
</tr>
<tr>
<td>Potner Professional Center</td>
<td>27,500</td>
</tr>
<tr>
<td>William E. Wood Building</td>
<td>20,000</td>
</tr>
</tbody>
</table>

#### CLASS B

<table>
<thead>
<tr>
<th>Building</th>
<th>Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>1206 Laskin Road Executive Center</td>
<td>33,000</td>
</tr>
<tr>
<td>Beach Tower</td>
<td>23,000</td>
</tr>
<tr>
<td>Birdneck Office Park</td>
<td>10,182</td>
</tr>
<tr>
<td>Birdneck Square</td>
<td>17,285</td>
</tr>
<tr>
<td>Colonial Mill Professional Center</td>
<td>23,555</td>
</tr>
<tr>
<td>Damals Centre</td>
<td>16,900</td>
</tr>
<tr>
<td>First Colonial Office Park</td>
<td>18,000</td>
</tr>
<tr>
<td>General Booth Professional Center</td>
<td>11,000</td>
</tr>
<tr>
<td>Gibson Pavilion</td>
<td>30,000</td>
</tr>
<tr>
<td>Great Neck Professional Bldg.</td>
<td>20,000</td>
</tr>
<tr>
<td>Heritage Commons</td>
<td>11,000</td>
</tr>
<tr>
<td>Hilltop West Executive Center</td>
<td>23,000</td>
</tr>
<tr>
<td>Mill Dam Crossing</td>
<td>22,037</td>
</tr>
<tr>
<td>Rudd Building</td>
<td>13,000</td>
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<tr>
<td>Sandpiper Key Associates Bldg.</td>
<td>32,000</td>
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#### CLASS C

<table>
<thead>
<tr>
<th>Building</th>
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<tbody>
<tr>
<td>Oceana East</td>
<td>10,360</td>
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### CORPORATE LANDING

#### CLASS B

<table>
<thead>
<tr>
<th>Building</th>
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<tbody>
<tr>
<td>Princess Anne Executive Park</td>
<td>59,756</td>
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<tr>
<td>Verizon Building</td>
<td>10,000</td>
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#### OWNER OCCUPIED

<table>
<thead>
<tr>
<th>Building</th>
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<tbody>
<tr>
<td>Al-Anon</td>
<td>30,000</td>
</tr>
<tr>
<td>Approved Financial</td>
<td>30,000</td>
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<tr>
<td>GEICO</td>
<td>250,000</td>
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### KEMPSVILLE

#### CLASS A

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<tr>
<th>Building</th>
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<tbody>
<tr>
<td>Chadwick Building</td>
<td>80,000</td>
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<tr>
<td>Grayson Building</td>
<td>42,000</td>
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#### CLASS B

<table>
<thead>
<tr>
<th>Building</th>
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</tr>
</thead>
<tbody>
<tr>
<td>1201 Lake James Office</td>
<td>12,000</td>
</tr>
<tr>
<td>3386 Holland Road</td>
<td>20,000</td>
</tr>
<tr>
<td>Arrowhead Office Court</td>
<td>10,000</td>
</tr>
<tr>
<td>Atrium of College Park Square</td>
<td>36,379</td>
</tr>
<tr>
<td>Central Park I</td>
<td>18,000</td>
</tr>
<tr>
<td>Central Park II</td>
<td>43,000</td>
</tr>
<tr>
<td>College Park Square II</td>
<td>30,150</td>
</tr>
<tr>
<td>Courtyard at Providence</td>
<td>17,879</td>
</tr>
<tr>
<td>Fairfield Square</td>
<td>12,933</td>
</tr>
<tr>
<td>Holland South</td>
<td>14,843</td>
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<tr>
<td>Hollans/Taff Professional Center</td>
<td>11,850</td>
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<tr>
<td>Kempsville Office Park</td>
<td>30,722</td>
</tr>
<tr>
<td>Oxford Square</td>
<td>13,544</td>
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<tr>
<td>Providence South Office Park</td>
<td>12,000</td>
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<tr>
<td>Woolpert Building</td>
<td>36,700</td>
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### LYNNHAVEN

#### CLASS A

<table>
<thead>
<tr>
<th>Building</th>
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<tbody>
<tr>
<td>Lynnhaven Commons Complex</td>
<td>25,000</td>
</tr>
<tr>
<td>Lynnhaven Commons (office bldg)</td>
<td>26,000</td>
</tr>
<tr>
<td>Lynnhaven Plaza</td>
<td>87,157</td>
</tr>
<tr>
<td>Marsh Landing</td>
<td>62,117</td>
</tr>
<tr>
<td>Oceana Center One</td>
<td>39,928</td>
</tr>
<tr>
<td>Oceana Place</td>
<td>75,369</td>
</tr>
<tr>
<td>Park West</td>
<td>66,180</td>
</tr>
<tr>
<td>Pinehurst Centre</td>
<td>103,000</td>
</tr>
<tr>
<td>Reflections I</td>
<td>62,924</td>
</tr>
<tr>
<td>Reflections II</td>
<td>73,676</td>
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<tr>
<td>Reflections III</td>
<td>67,000</td>
</tr>
<tr>
<td>Reflections IV</td>
<td>80,000</td>
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<tr>
<td>Viking Building</td>
<td>18,900</td>
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<tr>
<td>Windwood Center</td>
<td>78,348</td>
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#### CLASS B

<table>
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<th>Building</th>
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<tbody>
<tr>
<td>596 Lynnhaven Pkwy</td>
<td>31,910</td>
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<tr>
<td>Advanced Technology Building</td>
<td>32,000</td>
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<tr>
<td>Basgier Bldg.</td>
<td>18,200</td>
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<tr>
<td>Basgier Bldg. II</td>
<td>20,000</td>
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<tr>
<td>Bennet Office Building</td>
<td>10,522</td>
</tr>
<tr>
<td>Commercial Place</td>
<td>36,400</td>
</tr>
<tr>
<td>Lynnhaven Corporate Center I</td>
<td>36,046</td>
</tr>
<tr>
<td>Lynnhaven Corporate Center II</td>
<td>40,300</td>
</tr>
<tr>
<td>Lynnhaven Corporate Center III</td>
<td>53,000</td>
</tr>
<tr>
<td>Lynnhaven Executive Center</td>
<td>18,000</td>
</tr>
<tr>
<td>Lynnhaven Five</td>
<td>24,549</td>
</tr>
<tr>
<td>Lynnhaven North</td>
<td>10,000</td>
</tr>
<tr>
<td>Lynnhaven Professional Center</td>
<td>12,000</td>
</tr>
<tr>
<td>Lynnhaven Station</td>
<td>26,226</td>
</tr>
<tr>
<td>Parkway Center 3 and 4</td>
<td>64,567</td>
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<tr>
<td>Parkway Center I &amp; II</td>
<td>32,112</td>
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<tr>
<td>Parkway III (Unisys)</td>
<td>50,428</td>
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<tr>
<td>Parkway West (flex)</td>
<td>41,563</td>
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<tr>
<td>Princess Anne Bank Building</td>
<td>18,000</td>
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<tr>
<td>RBM Building</td>
<td>14,170</td>
</tr>
<tr>
<td>Sabre Street I</td>
<td>68,000</td>
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#### LITTLE NECK

#### CLASS B

<table>
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<th>Building</th>
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<tbody>
<tr>
<td>3300 Building (Virginia Beach Blvd.)</td>
<td>11,000</td>
</tr>
<tr>
<td>101 North Lynnhaven</td>
<td>28,000</td>
</tr>
<tr>
<td>(Lynnhaven Station)</td>
<td>15,975</td>
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<tr>
<td>King’s Grant Office Building</td>
<td>12,266</td>
</tr>
<tr>
<td>Little Neck Office Park 3 (3000 Bldg)</td>
<td>33,000</td>
</tr>
<tr>
<td>Little Neck Office Park 3 (3000 South)</td>
<td>32,000</td>
</tr>
<tr>
<td>Little Neck Office Park 3 (4000 Bldg)</td>
<td>22,000</td>
</tr>
<tr>
<td>Little Neck Towers</td>
<td>48,860</td>
</tr>
<tr>
<td>NEXCOM Building</td>
<td>50,000</td>
</tr>
<tr>
<td>NEXCOM Expansion</td>
<td>18,000</td>
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<tr>
<td>Plaza Trail Office Building</td>
<td>51,835</td>
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<tr>
<td>Rose Hall Commons</td>
<td>41,400</td>
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<tr>
<td>Rose Hall Executive Center</td>
<td>20,000</td>
</tr>
<tr>
<td>Rosemont Interstate Center I</td>
<td>38,000</td>
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<tr>
<td>Rosemont Interstate Center II</td>
<td>11,600</td>
</tr>
<tr>
<td>Sun Building</td>
<td>12,500</td>
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### MILITARY CIRCLE

#### CLASS A

<table>
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<th>Building</th>
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<tbody>
<tr>
<td>Riverside Commerce Center</td>
<td>70,000</td>
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#### CLASS B

<table>
<thead>
<tr>
<th>Building</th>
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</thead>
<tbody>
<tr>
<td>Centura Bank Building</td>
<td>40,442</td>
</tr>
<tr>
<td>Circle East</td>
<td>41,047</td>
</tr>
<tr>
<td>College Park Executive Center</td>
<td>20,000</td>
</tr>
<tr>
<td>FBI Building</td>
<td>50,000</td>
</tr>
</tbody>
</table>

#### OWNER OCCUPIED

<table>
<thead>
<tr>
<th>Building</th>
<th>Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Centura Bank Building</td>
<td>40,000</td>
</tr>
<tr>
<td>Eastern</td>
<td>32,000</td>
</tr>
<tr>
<td>Global Technical Systems</td>
<td>46,000</td>
</tr>
<tr>
<td>SAIC</td>
<td>60,000</td>
</tr>
<tr>
<td>Hall Automotive</td>
<td>29,865</td>
</tr>
</tbody>
</table>
### 2007 Office

**I.T.T. Building** ............................................. 49,379

**CLASS C**
- Executive Office - Janaf .................................. 28,800
- Janaf Office Building ....................................... 37,329

**OWNER OCCUPIED**
- Riverside Corporate Center .................................. 86,682
- Sentara .......................................................... 45,000
- Virginia Natural Gas Campus ............................... 75,403

**NEWTOWN/WITCHDUCK**

**CLASS A**
- AAA Headquarters ................................................ 47,045
- Amelia Building .................................................. 64,660
- Amerigroup Building I .......................................... 106,000
- **Amerigroup Building II** ........................................ 106,000
- BB&T Building .................................................... 30,000
- Expressway Corporate Center ................................ 85,658
- Gallery I .......................................................... 30,000
- Greenwich Center ............................................... 56,000
- Greenwich Commons ............................................ 55,000
- Greenwich Station .............................................. 29,000
- Halifax Building ................................................ 71,100
- Mass Mutual Building .......................................... 45,500
- Smithfield Building ............................................. 145,000
- Verizon Center .................................................. 135,000
- Westmoreland Building ........................................ 83,436

**CLASS B**
- 144 Business Park Drive ....................................... 17,000
- 168 Business Park Drive ....................................... 19,300
- 232 Business Park Drive ....................................... 14,000
- 396 Witchduck Road ............................................. 12,000
- 6330 Newtown Road ............................................. 55,181
- American Teleservices Building ............................ 12,232
- Amerigroup Corp. ................................................. 18,000
- Azalea Village .................................................... 20,000
- BCF Building ...................................................... 24,000
- BPC Building ...................................................... 29,074
- Colonial Corporate Center .................................... 41,772
- Commerce Centre ............................................... 35,500
- Commonwealth Building ...................................... 10,000
- Executive Cove ................................................... 61,000
- Hampton Roads Realtors Association ....................... 27,784
- Interstate Corporate Center .................................... 430,000
- Parliament Drive Professional Building .................... 10,000
- TRC Center I ...................................................... 62,000
- TRC Center II ..................................................... 36,884
- TRC Center III .................................................... 52,000
- Witchduck Crossing ............................................. 15,326

**CLASS C**
- Witchduck Office Court ........................................ 18,000

**OWNER OCCUPIED**
- 209 Business Park Drive ....................................... 11,250
- Cox Cable Building ............................................. 45,000
- Cox Expansion ..................................................... 25,000
- Copy Data (ikon) ............................................... 20,000
- Lendman ........................................................... 10,000
- Newtown Square ................................................. 78,000

**PEMBROKE/CENTRAL BUSINESS DISTRICT**

**CLASS A**
- Convergence Center .............................................. 85,000
- Convergence Center II .......................................... 85,000
- Five Columbus Center ......................................... 20,000
- One Columbus Center .......................................... 134,000
- Pembroke Commercial Bldg. ................................... 70,760
- Six Columbus Center ............................................ 36,000
- Southport Center ............................................... 65,000
- Town Center ...................................................... 256,900
- Resource Bank Plaza ........................................... 90,315
- Ticketmaster ..................................................... 30,000
- Town Center North Tower ..................................... 53,000
- 249 Central Park Avenue ...................................... 59,000

**CLASS B**
- 4224 Holland Road ............................................... 10,104
- 4701 Columbus .................................................... 32,000
- Corporate Center I .............................................. 51,000
- Corporate Center II ............................................. 52,475
- Corporate Center III ............................................ 51,000
- Corporate Center IV ............................................. 76,012
- Dragas Office Park .............................................. 30,896
- Haggood Executive Park ........................................ 36,472
- Holland Commerce Center ..................................... 30,000
- Holland Office Park ............................................. 32,000
- Holland Plaza Office Building ............................... 14,513
- Huff, Poole, Mahoney Building ................................ 33,000
- Independence Business Center ................................ 62,000
- Independent Technology Center ............................... 50,000
- Independent Plaza ............................................... 36,655
- Larksprur Village ................................................ 16,184
- Old Donation Executive Park ................................. 20,347
- Pembroke Office Park .......................................... 294,000
- Pocahontas Center ............................................... 17,800
- Prism Plaza ......................................................... 32,000
- South Trust Bank Building .................................... 40,000
- Southgate Centre ................................................. 43,200
- Southport Business Center (flex) ......................... 20,683
- Southport Trade Center (flex) ............................... 30,883
- Thalia One ........................................................ 18,408
- Thalia Professional Center .................................... 15,000

**CLASS C**
- Beacon Building (VA Pilot) ................................... 13,200
- Haygood Buildings .............................................. 22,392

**OWNER OCCUPIED**
- Alantecc Financial Fed Credit Union ........................... 12,000
- AVIS .............................................................. 168,000
- Coastal Training Technologies ................................ 60,000
- Commonwealth College ......................................... 30,000
- Electronic Systems Building .................................. 10,000
- ISC ................................................................. 40,000
- QED Building ..................................................... 30,000
- REIN Building .................................................... 24,500

**PORTSMOUTH**

**CLASS A**
- BB&T Building .................................................... 35,327
- Harbourfront Corporate Center ............................... (801 Water St) ........................................ 53,000

**CLASS B**
- 307 County Street ............................................... 13,475
- 355 Crawford Street Building .................................. 79,367
- 600 Crawford Street ............................................. 16,171
- Boyette Professional Center .................................... 13,000
- Bristol Square ...................................................... 10,800
- Towne Bank Building ............................................ 34,000
- JH Building ......................................................... 17,563
- New Kim Building ................................................ 33,000
- Port Trade Center ................................................ 14,223
- PortCentre I (flex) ................................................. 100,000
- Wachovia Bank .................................................... 48,000

**SUFFOLK**

**CLASS A**
- JTASC Building ................................................... 408,365

**CLASS B**
- Bridgewater Technology Center I ............................. 125,000
- Bridgewater Technology Center II ............................ 67,500
- Bridgewater Technology Center III .......................... 72,384
- Brinkley Building ................................................ 20,500
- Harbour Breeze Professional Center ......................... 52,265
- Lake View Technology Center One ............................ 112,740
- Main Street Center .............................................. 13,800
- Washington Street Center ..................................... 12,000
### DOWNTOWN HAMPTON

**CLASS A**
- Harbour Centre .......... 158,855

**CLASS B**
- 10-16 W. Queens Way .......... 11,238
- 47 W. Queens Way .......... 12,500
- Mill Point Center .......... 10,000
- One Mallory Street .......... 14,000

**CLASS C**
- 55 W. Queens Way .......... 12,132

### DOWNTOWN NEWPORT NEWS

**CLASS B**
- 2600 Building .......... 135,596
- Wachovia Bank Building .......... 17,846

**OWNER OCCUPIED**
- Newport News Shipbuilding, Bldg 520-521 .......... 50,000

### HAMPTON ROADS CENTER

**CLASS A**
- 6 Manhattan Square .......... 30,106
- Allstate Building .......... 17,000
- Anthem Alliance .......... 60,482
- Lakefront Plaza I .......... 77,442
- Morgan Marrow Building .......... 12,000
- Parkway Center .......... 45,000
- Olympia Place .......... 72,395
- Research Quad - Building One .......... 60,000

**CLASS C**
- Rouse Tower .......... 150,000

**OWNER OCCUPIED**
- NN Shipbuilding Employee Credit Union .......... 15,000

### COLISEUM CENTRAL

**CLASS A**
- Executive Tower .......... 134,164
- Pinewood Plaza .......... 77,500

**CLASS B**
- 2310 Tower Place .......... 10,500
- Colony Square of Hampton .......... 30,050
- NationsBank Building .......... 14,434
- Rivendale Complex .......... 168,000
- Sheraton Office Bldg .......... 12,673
- Todds Lane Professional Center .......... 12,500
- West Telemarketing .......... 55,855

**CLASS C**
- 3217 Armistead Avenue .......... 24,043
- NASA Langley Research Center .......... 11,790

### NEWMARKET

**CLASS B**
- NetCenter .......... 546,171
- Newmarket Building .......... 21,262
- UPS Call Center .......... 103,000

**CLASS C**
- Rouse Tower .......... 150,000

**OWNER OCCUPIED**
- NN Shipbuilding Employee Credit Union .......... 15,000

### OYSTER POINT

**CLASS A**
- 601 Thimble Shoals Boulevard .......... 30,000
- Atrium At Oyster Point .......... 62,971

**CLASS C**
- 714-716 J.Clyde Morris Blvd .......... 15,000
- McCord Building .......... 30,000
- Pilgrim Landing .......... 10,650
- Regent Park .......... 25,000

Cedar One .......... 15,467
Contemporary Cybernetics .......... 60,000
Ferguson Corporate Center II .......... 150,000
First Union Centre .......... 51,982
Fountain Plaza One .......... 100,000
Fountain Plaza Two .......... 80,000
Fountain Plaza Three .......... 80,000
TowneBank Center .......... 60,000
One Oyster Point .......... 36,226
Oyster Point Interstate Center .......... 64,000
Patrick Henry Corporate Center .......... 102,000
Peninsula Professional Building .......... 30,800
Rock Landing Corporate Center II .......... 33,476
SunTrust Building .......... 100,955
Symantec Corp. Building .......... 100,000
Tower Park .......... 31,667
Two Oyster Point .......... 39,137
Wachovia Building .......... 42,921
Merchants Walk .......... 20,000
One City Center .......... 70,000
William E Wood Building .......... 26,000

Langley Federal Credit Union .......... 72,800
International Distribution Center .......... 36,000
McCale Professional Park .......... 40,000
Middle Ground Business Center .......... 62,000
Oyster Point Business Center .......... 25,000
Oyster Point Center .......... 44,000
Oyster Point Place (flex) .......... 38,000
Oyster Point West .......... 176,560
Park Central Executive Center .......... 54,425
Park Place (751 & 753) .......... 25,000
Thimble Shoals .......... 21,817
Peninsula Business Center I (flex) .......... 40,475
Peninsula Business Centre II (flex) .......... 60,000
Peninsula Business Centre III (flex) .......... 70,000
Riverside Offices .......... 47,000
Rock Landing Corporate Center IV .......... 18,125
Rock Landing Corporate Center V .......... 18,125
Technology Center (flex) .......... 81,000
Thimble Shoals Business Center (flex) .......... 55,377
Thimble Shores Lakefront .......... 25,000

51
### 2007 Office

#### Owner Occupied
- Applied Research Center 121,000
- Fountain Plaza Two 80,000
- Muller Martini Building 24,000
- Peninsula Retail Credit 30,000

#### Suburban Newport News

**Class B**
- Bay Savings Bank Building 18,000
- Colony Square of Denbigh II 26,100
- Denbigh Professional Park 40,598
- Ferguson Enterprises 75,800
- MCI Building 60,000
- Tidewater Tech 15,778

**Class C**
- Mariner Building 26,000
- Teagle Building 22,000

#### Williamsburg/James City/York County

**Class A**
- Atrium Building 24,000
- Casey New Town - SunTrust 60,000
- Courthouse Green Office Park II 10,000
- First Union Center 32,000
- Langley Federal Credit Union 20,000

**Class B**
- Williamsburg Commerce Center 32,000
- 104 Bypass Road 11,100
- 7601 George Washington Memorial Highway 10,000
- Chariotowne Professional Center 12,800
- Greens Springs Office Park 37,000
- Kristinsand Office Park 15,221
- Packets Executive Center 23,000
- Quarterland Commons
  - Office Condos 120,000
  - Rivergate Center 36,000
  - Wachovia Bank 10,500
  - Williamsburg Office Park 79,600

Disclaimer: The information in this report is deemed reliable. Old Dominion University Real Estate Center makes no representation or warranty as to its accuracy.

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$675 Million ~ 2005
$535 Million ~ 2004

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Acknowledgements

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Residential DataBank

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Residential DataBank

Blair Hardesty
Residential DataBank

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Disclosure
Data collection from December 2005 - November 2006
The Hampton Roads Residential Market statistics covered in this report analyzes the new home building industry and the existing home sales activity for a twelve month period beginning with December 2005 through November 2006. Additionally, data from the prior twelve months is used for comparison. Included are the cities of Chesapeake, Hampton, Poquoson, Portsmouth, Newport News, Norfolk, Suffolk, Virginia Beach, and Williamsburg, and the counties of Isle of Wight, James City, Southampton, and York. The new construction data contained in this report was gathered from the actual deeds recorded in the various jurisdictions and from the building permit departments within each city or county. The existing home closings data was gathered from the Real Estate Information Network.

Table I details the new construction activity by jurisdiction for the Hampton Roads area while Table II lists the top 10 most active subdivisions for permits. The locations in Table II are split equally between the Southside and the Peninsula and they represent 18% of all new construction activity.

Closings for existing homes show a stronger decline during the year than new construction units with a loss of nearly 2,000 from year ago numbers. A total of 22,224 were recorded in the Hampton Roads area for a drop of 8.2%. The low point for sales was December 2005. By mid-year 2006, monthly sales figures were close to the numbers posted the prior year. However, in September, sales dropped considerably and remained slow for the rest of the year.

A combination of factors all contributed to the housing market slow down. Consumer confidence started to weaken as interest rates increased slightly and at the same time, home prices continued to rise. News of the Norfolk Ford Plant closing and the potential loss of Oceana Naval Base in Virginia Beach increased apprehension in the home buying public and investors alike. On a national level, news stories of a possible housing bubble and articles featuring significant declines in the major markets, increased concern in local buyers. As sales slowed in Hampton Roads, the market shifted from a sellers market to a buyers market with a notable increase in inventory from which to choose. The total number of active listings...
of homes for sale, both new construction and existing homes, increased from around 3,000 in January 2006 to over 10,000 in November. The market time to sell a home rose from an average of less than 30 days in 2005 to over 80 days in November 2006. A combination of the large inventory and a slow sales pace contributed to fears of a housing bubble about to burst. Nearly 4,000 residential properties were listed for the first time during the month of May. Beginning in July, the number of new listings of homes going up for sale dropped sharply each month. By November, only 500 properties were newly listed for sale, indicating that sellers and investors were prepared to wait and see what the market would do. This phenomenon has contributed to firm housing prices despite a markedly slow sales pace.

The total housing market that includes both new construction and existing homes, declined 7.6% on a year over year basis, with 27,034 closed sales. Existing home sales still outpaced new construction sales almost 5 to 1.

<table>
<thead>
<tr>
<th>TABLE I</th>
<th>NEW CONSTRUCTION PERMIT AND CLOSING ACTIVITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>(December 2004 through November 2005 compared to December 2005 Through November 2006)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ALL PRODUCT TYPES</th>
<th>2005 PERMITS</th>
<th>2006 PERMITS</th>
<th>% DIFFERENCE</th>
<th>2005 CLOSINGS</th>
<th>2006 CLOSINGS</th>
<th>% DIFFERENCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chesapeake</td>
<td>1,474</td>
<td>959</td>
<td>-34.9%</td>
<td>1,258</td>
<td>926</td>
<td>-26.4%</td>
</tr>
<tr>
<td>Hampton</td>
<td>238</td>
<td>351</td>
<td>47.5%</td>
<td>129</td>
<td>156</td>
<td>20.9%</td>
</tr>
<tr>
<td>Isle of Wight County</td>
<td>522</td>
<td>443</td>
<td>-15.1%</td>
<td>320</td>
<td>342</td>
<td>6.9%</td>
</tr>
<tr>
<td>James City County</td>
<td>1,051</td>
<td>1,203</td>
<td>14.5%</td>
<td>663</td>
<td>720</td>
<td>8.6%</td>
</tr>
<tr>
<td>Newport News</td>
<td>227</td>
<td>323</td>
<td>42.3%</td>
<td>158</td>
<td>177</td>
<td>12.0%</td>
</tr>
<tr>
<td>Norfolk</td>
<td>853</td>
<td>608</td>
<td>-28.7%</td>
<td>216</td>
<td>405</td>
<td>87.5%</td>
</tr>
<tr>
<td>Portsmouth</td>
<td>184</td>
<td>208</td>
<td>13.0%</td>
<td>102</td>
<td>115</td>
<td>12.7%</td>
</tr>
<tr>
<td>Southampton County</td>
<td>153</td>
<td>132</td>
<td>-13.7%</td>
<td>41</td>
<td>37</td>
<td>-9.8%</td>
</tr>
<tr>
<td>Suffolk</td>
<td>1,039</td>
<td>742</td>
<td>-28.6%</td>
<td>684</td>
<td>610</td>
<td>-10.8%</td>
</tr>
<tr>
<td>Virginia Beach</td>
<td>1,513</td>
<td>1,815</td>
<td>20.0%</td>
<td>1,099</td>
<td>1,029</td>
<td>-6.4%</td>
</tr>
<tr>
<td>Williamsburg</td>
<td>17</td>
<td>17</td>
<td>0%</td>
<td>78</td>
<td>13</td>
<td>-83.3%</td>
</tr>
<tr>
<td>York County</td>
<td>444</td>
<td>387</td>
<td>-12.8%</td>
<td>313</td>
<td>280</td>
<td>-10.5%</td>
</tr>
<tr>
<td>TOTALS</td>
<td>7,715</td>
<td>7,188</td>
<td>-6.8%</td>
<td>5,061</td>
<td>4,810</td>
<td>-5.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>TABLE II</th>
<th>TOP 10 SUBDIVISIONS BY PERMITS THROUGH NOVEMBER</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Virginia Beach - Ridgely Manor</td>
<td>334</td>
<td></td>
</tr>
<tr>
<td>James City County - Fords Colony</td>
<td>221</td>
<td></td>
</tr>
<tr>
<td>James City County - Colonial Heritage</td>
<td>153</td>
<td></td>
</tr>
<tr>
<td>Virginia Beach - Sanctuary at False Cape</td>
<td>149</td>
<td></td>
</tr>
<tr>
<td>Isle of Wight County - Eagle Harbor</td>
<td>146</td>
<td></td>
</tr>
<tr>
<td>Hampton - Kings Landing</td>
<td>140</td>
<td></td>
</tr>
<tr>
<td>James City County - Braemar Creek</td>
<td>128</td>
<td></td>
</tr>
<tr>
<td>Virginia Beach - Villas at Bellamy</td>
<td>120</td>
<td></td>
</tr>
<tr>
<td>Virginia Beach - The Westin</td>
<td>119</td>
<td></td>
</tr>
<tr>
<td>Virginia Beach - Lexington</td>
<td>114</td>
<td></td>
</tr>
</tbody>
</table>
2007 RESIDENTIAL

AVERAGE PRICES

New construction average prices have increased again over the past year. The combined average for all types of new housing is now $398,605, up from $356,349 one year ago, for an increase of 11.9%. A new single-family detached home has a current average price of $445,086, also up 11.9%. A new condominium has an average closing price of $337,363, up 19.9%, and a townhome carries an average closing price of $295,733, an increase of 11.0%.

Eight out of twelve jurisdictions have an average closing value for a new single-family detached home of over $400,000, and Virginia Beach, with an increase of 18.1% and an average closing price of $548,181, still carries the highest average price in Hampton Roads.

INDIVIDUAL MARKET SEGMENTS

**Single-family** detached homes continue to be the most numerous type of housing to be built. Nevertheless, permit activity dropped 20.5% with 4,198 issued. Closings also declined by 12.8% with 2,876 recorded. Seventy percent of all closing activity occurred in the price points below $500,000. Future activity based on data gathered from the cities and counties of Hampton Roads, indicate that there are new subdivisions going through the approval process or recently approved, that could add over 27,000 single family homes to the area over time. An estimate of the current inventory of new single-family detached homes, established by using permit data and the present home closings pace, represents a 5.5 months supply.

**Condominium** units experienced growth in both permits and closings during the year. A total of 2,362 permits were issued for an increase of 46.7%, while closings increased for the year by 5.3% with 1,568 recorded. Seventy-eight percent of all condominium closings had a sales price that fell within the range of $200K to $399K. The number of condominium units that have been approved or are approaching final approval total 15,721. Based on permit data, Hampton Roads currently has an estimated 6 months supply of inventory.

**Townhome** building permit numbers fell by 23.9% after having a strong prior year. A total of 628 were issued. Closings increased 34.1% with a total of 366 recorded. Exactly mirroring the condominium market, the most active price range for townhome units fell within the $200K to $399K and that price range encompassed 78% of all closings. The number of townhome units approved for development has reached 3,850 while the current market has an estimated 8.5 month supply.
Existing home sales led the housing market with steady growth for the prior three years. During 2006 however, the resale market performed at a much slower sales pace and recorded a loss of 8.2% with a total of 22,224 closings. The median price in Hampton Roads during the month of November 2006 was $215,000, an increase of 9.1% from November 2005. On the national level the median price for November 2006 was $218,000, down 3.1% from the prior year. The average combined price for all types of existing homes rose to $248,831, up 8.2% compared to year over year numbers. The percent increase in the average price was down considerably from the gain of 23.5% recorded at this time last year. Home sellers, hoping to realize the same substantial gains as the prior years, have been surprised by the softening of the market. To avoid accepting a lower price than anticipated, many home owners who are not moving out of the area have pulled their listings, perhaps waiting for the demand of the Spring market.

The current number of existing homes listed for sale represents a 3.8 month supply based on the sales pace of 2006. The inventory is up from 2.3 months at this time last year. Nationally, there is a 7.3 month supply as reported by the National Association of Realtors.

The single-family detached segment of the resale market continues to be the most active with a total of 16,062 closings. That figure is down 9.6% from year ago numbers. The average price for an existing single-family home has risen to $269,761, up 7.9% from last year. The area with the highest average price is Williamsburg with $417,350.

The condominium market slowed during the year with 2,716 closings, down 200 units from last year for a loss of 7.2% The average price increased 9.8% with a new high of $219,528. The highest average price for condominium units is in Virginia Beach with $247,916.

The townhome resale market was off only 1.9% with 3,446 closings. The new average price is $177,983, up 15.5%.
The total for the 12-month period ending in November for new construction and existing home closings is 27,034 for a loss of 7.6% on a year over year basis. New construction holds an 18% share of the total market, up 1.0% from one year ago.

**2007**

As 2006 was a year of adjustment, expect 2007 to be a year of opportunity. Interest rates have moved down to a rate below mid-year 2006, inventory units are being sold and the sales pace is improving.

In previous years when the Housing Market suffered a contraction, the reasons were extremely high interest rates or a national economic recession that created an environment where buyers could not afford to purchase a home. During this past upswing, a frenzy of buying and selling occurred and prices escalated at such a rapid pace that many buyers were quickly priced out of the market. A swift market decline was the result. As David Lereah, the Chief Economist for the National Association of Realtors put it…”The real estate boom of 2002-2005 was unprecedented. The industry flew higher than it ever did. The plane needs to land and refuel in order to take off again”.

In 2007 home sellers should become more realistic in their pricing and builders will probably be quicker to offer incentives that translate into increased affordability, a key selling point. According to a survey conducted by the National Association of Home Builders, what matters most to a prospective home buyer is the price, mortgage interest rates, and their own housing needs. Realizing the shortage of affordable housing in this area, local builders will begin to focus on
housing designed to sell in the price range of $200K to $400K, a range that is within reach for the average household in Hampton Roads.

The new year will probably show a decline in the market for the first quarter of the year and very likely, a further decline in sales of homes in the higher price points. The active buying season of Spring and Fall should show an increase in sales but building activity for the year may fall below 2006. However, it should be an excellent year of opportunity for the buyers in the market.

**TABLE III** VIRGINIA BEACH TOP 6 SUBDIVISIONS RANKED BY CLOSINGS

<table>
<thead>
<tr>
<th>Community</th>
<th>No. Closed</th>
<th>Average Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Ridgely Manor</td>
<td>186</td>
<td>$304,442</td>
</tr>
<tr>
<td>2. Lexington</td>
<td>128</td>
<td>$301,697</td>
</tr>
<tr>
<td>3. Sanctuary at False Cape</td>
<td>97</td>
<td>$654,351</td>
</tr>
<tr>
<td>4. Woodbridge Point</td>
<td>70</td>
<td>$452,305</td>
</tr>
<tr>
<td>5. West Neck Village</td>
<td>53</td>
<td>$367,207</td>
</tr>
<tr>
<td>6. Highland Parish</td>
<td>34</td>
<td>$559,615</td>
</tr>
</tbody>
</table>

**TABLE IV** CHESAPEAKE TOP 6 SUBDIVISIONS RANKED BY CLOSINGS

<table>
<thead>
<tr>
<th>Community</th>
<th>No. Closed</th>
<th>Average Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cahoon Plantation</td>
<td>105</td>
<td>$433,477</td>
</tr>
<tr>
<td>2. The Hampshires</td>
<td>53</td>
<td>$305,571</td>
</tr>
<tr>
<td>3. North Trail at Arboretum</td>
<td>46</td>
<td>$330,716</td>
</tr>
<tr>
<td>4. Preserve on the Elizabeth</td>
<td>44</td>
<td>$540,147</td>
</tr>
<tr>
<td>5. Marsh Pointe Estates Ravenna</td>
<td>33</td>
<td>$452,575</td>
</tr>
<tr>
<td>6. Quailshire Estates</td>
<td>30</td>
<td>$399,929</td>
</tr>
</tbody>
</table>
RESIDENTIAL SUBMARKETS

Southside
- Suffolk
- Portsmouth
- Norfolk
- Chesapeake
- Isle of Wight Co.
- Franklin/So. Hampton
- Virginia Beach

Peninsula
- Newport News
- Hampton
- James City County
- York County
### TABLE V  PENINSULA TOP 6 SUBDIVISIONS RANKED BY CLOSINGS

<table>
<thead>
<tr>
<th>Community</th>
<th>No. Closed</th>
<th>Average Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. J Colonial Heritage</td>
<td>129</td>
<td>$432,918</td>
</tr>
<tr>
<td>2. J Braemar Creek</td>
<td>68</td>
<td>$214,893</td>
</tr>
<tr>
<td>3. N Port Warwick</td>
<td>58</td>
<td>$336,762</td>
</tr>
<tr>
<td>4. J New Town</td>
<td>57</td>
<td>$343,548</td>
</tr>
<tr>
<td>5. Y Creekside</td>
<td>50</td>
<td>$437,164</td>
</tr>
<tr>
<td>6. J Scotts Pond</td>
<td>44</td>
<td>$347,993</td>
</tr>
</tbody>
</table>

### TABLE VI  SUFFOLK, ISLE OF WIGHT, PORTSMOUTH, NORFOLK TOP 6 SUBDIVISIONS RANKED BY CLOSINGS

<table>
<thead>
<tr>
<th>Community</th>
<th>No. Closed</th>
<th>Average Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. I Eagle Harbor</td>
<td>130</td>
<td>$381,980</td>
</tr>
<tr>
<td>2. S Belmont Park</td>
<td>69</td>
<td>$261,986</td>
</tr>
<tr>
<td>3. S Harbour View West</td>
<td>66</td>
<td>$495,216</td>
</tr>
<tr>
<td>4. R 388 Boush Street</td>
<td>48</td>
<td>$234,329</td>
</tr>
<tr>
<td>5. I Windsor Woods</td>
<td>47</td>
<td>$318,837</td>
</tr>
<tr>
<td>6. I Founders Pointe</td>
<td>45</td>
<td>$572,983</td>
</tr>
</tbody>
</table>

S Mansfield Farms | 45 | $343,214 |
### TABLE VII

**TOP TWENTY BUILDERS RANKED BY CLOSINGS AND PERMITS**

**TIME FRAME OF DECEMBER 2005 THROUGH NOVEMBER 2006**

<table>
<thead>
<tr>
<th>Top 20 Builders</th>
<th># of Closings</th>
<th>Top 20 Builders</th>
<th># of Permits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Dragas Associates</td>
<td>328</td>
<td>1. Dragas Associates</td>
<td>542</td>
</tr>
<tr>
<td>2. Chesapeake Homes</td>
<td>295</td>
<td>2. Franciscus Company</td>
<td>289</td>
</tr>
<tr>
<td>3. Centex Homes</td>
<td>233</td>
<td>3. Futura Group</td>
<td>281</td>
</tr>
<tr>
<td>5. Terry/Peterson Residential</td>
<td>169</td>
<td>5. Centex Homes</td>
<td>245</td>
</tr>
<tr>
<td>7. Futura Group LLC</td>
<td>151</td>
<td>7. Collins Building Company</td>
<td>140</td>
</tr>
<tr>
<td>8. Genesis Group Inc</td>
<td>125</td>
<td>8. Terry/Peterson Residential</td>
<td>136</td>
</tr>
<tr>
<td>11. Ainslie Widener Inc</td>
<td>91</td>
<td>11. Atlantic Homes Corporation</td>
<td>92</td>
</tr>
<tr>
<td>15. Collins Enterprises</td>
<td>77</td>
<td>15. Bishard Development Corporation</td>
<td>68</td>
</tr>
<tr>
<td>16. McQ Builders</td>
<td>71</td>
<td>16. L L Building</td>
<td>67</td>
</tr>
<tr>
<td>19. GCR Inc</td>
<td>49</td>
<td>19. Eagle Construction of HR</td>
<td>61</td>
</tr>
<tr>
<td>20. Lifestyle Homes</td>
<td>48</td>
<td>GCR Inc</td>
<td>61</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Wayne Harbin Builder</td>
<td>50</td>
</tr>
</tbody>
</table>

**Note:** Resale information is made available by the Real Estate Information Network.
Bradley R. Sanford, MAI • David E. Richards, MAI • William E. Ward, Jr., MAI
Susan J. Fulcher • Peter M. McCrary • David L. Stankus

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The Milestone Group
Harbor Group International

Lubert Adler Companies
Affirmative Equities
Zephyr Management, Inc.
Bristol Development Group

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Brian Gill, Associate Director
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brian.gill@cushwake.com

apartments.cushwake.com
DEFINITIONS

The following terminology and sources are used in the CREED Apartment Report:

Absorption Net change in occupied units within comparable communities within a specific time frame. New units that have entered the market in the last six months (completions) and are currently reported as being occupied are considered positive absorption. Note: With regard to existing communities, absorption can only be calculated for communities that participated in the current and previous survey.

Averages All averages within this report are calculated using a weighted average based on the number of units.

Comparable Rent Change Net change in quoted rent of existing comparable units within a specific time frame.

Comparable Units are defined as communities that participated in the current and previous survey. New units that have entered the market since the previous reporting period are not included in the comparable rent change although they are included in the overall average rent calculation.

Concessions Any monetary discount or enticement being offered during the current reporting period.

Rental Rate The quoted monthly rental rate excluding any additional concessions or specials.

Total Units For the market as a whole, all rentable units that were surveyed in the current time period. For the individual communities, the total number of units that are complete.

Vacant Unit Physically unoccupied; pre-leases that are not physically occupied are considered vacant.

Acknowledgements

Author
Charles Dalton

Data Analysis/Layout
Real Data

Financial Support
Old Dominion University E.V. Williams Center for Real Estate and Economic Development (CREED) reports are funded by donations from individuals, organizations and the CREED Advisory Board.
The Virginia Beach-Norfolk-Newport News Apartment Report, published by Real Data, is a detailed analysis of the rental market within conventional apartment communities in the Peninsula and Tidewater portions of the Hampton Roads region. The area has been divided into eight submarkets: Chesapeake/Suffolk, Hampton, Newport News, Norfolk, Portsmouth, Virginia Beach, Williamsburg, and York. Combined, these areas contain a survey base of over 80,000 apartment units.

The Virginia Beach-Norfolk-Newport News market is divided into two portions by the James River. The Peninsula area is north of the James River and contains Hampton, Newport News, Williamsburg, and York. The Tidewater area is south of the James River and contains Chesapeake/Suffolk, Norfolk, Portsmouth, and Virginia Beach. The submarket with the highest concentration of units is Virginia Beach, which accounts for more than one-quarter of the region’s apartment units.

The occupancy rate in the Hampton Roads region is consistently one of the highest in the southeast. As of October 2006, the average occupancy rate was 95.6%. There were 768 units absorbed in 2006. Development activity slowed slightly in the past year, and just 640 units were started in the past twelve months. This is in comparison to nearly 1,700 units started in 2005, and over 2,000 units started in 2004. As of October 2006, there were over 1,700 units under construction, and an additional 1,800 units were proposed.

The average quoted rental rate is $823, with one-bedroom rents averaging $731 per month, two-bedroom units with an average rental rate of $829, and three-bedroom units reporting an average quoted rental rate of $980. Rental rates from existing inventory increased over $33 in the last twelve months.
HISTORICAL APARTMENT DEVELOPMENT

Virginia Beach-Norfolk-Newport News

A total of 83,753 units were surveyed for this report. Development of apartment units in this market peaked during two time periods, the early 1970s and the late 1980s. Development during the 1990s and so far in the 2000s is minor compared to past development. Approximately 14% of the apartment units in this region were built after 1990.

```
<table>
<thead>
<tr>
<th>YEAR BUILT</th>
<th>NUMBER OF UNITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-'64</td>
<td>11,776</td>
</tr>
<tr>
<td>'65-'69</td>
<td>9,451</td>
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<tr>
<td>'70-'74</td>
<td>8,841</td>
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<tr>
<td>'75-'79</td>
<td>5,827</td>
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<tr>
<td>'80-'84</td>
<td>17,302</td>
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<tr>
<td>'85-'89</td>
<td>3,805</td>
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<tr>
<td>'90-'94</td>
<td>2,457</td>
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<tr>
<td>'95-'99</td>
<td>5,068</td>
</tr>
<tr>
<td>'00-'04</td>
<td>1,494</td>
</tr>
<tr>
<td>'05-</td>
<td></td>
</tr>
</tbody>
</table>
```

TABLE I HISTORICAL APARTMENT DEVELOPMENT
Multi-family permit activity, which include rental and for-sale units, were strongest in 2005. Much of the permit activity has not been rental apartments, but instead for-sale condominiums and townhouses, especially in recent years when a decline in interest rates made it easier for many people to get into the for-sale arena. Also, many people, including empty-nesters and those entering the work force, were looking for a lower maintenance lifestyle that a condominium or townhome provides. Developers responded by building more condominiums and townhomes.

**Historical Multi-Family Building Permits**
Virginia Beach-Norfolk-Newport News

Multi-family permit activity, which include rental and for-sale units, were strongest in 2005. Much of the permit activity has not been rental apartments, but instead for-sale condominiums and townhouses, especially in recent years when a decline in interest rates made it easier for many people to get into the for-sale arena. Also, many people, including empty-nesters and those entering the work force, were looking for a lower maintenance lifestyle that a condominium or townhome provides. Developers responded by building more condominiums and townhomes.

### TABLE II
**ANNUAL MULTI-FAMILY PERMIT ACTIVITY**
There are currently over 1,700 apartment units under construction within nine communities in the Virginia Beach-Norfolk-Newport News market. As of October, over 1,800 additional apartment units were planned for the region.
MULTI-FAMILY SUBMARKETS

Southside
Chesapeake
Franklin/Southampton Co.
Isle of Wight Co.
Norfolk
Portsmouth
Suffolk
Virginia Beach

Peninsula
Hampton
James City County
Newport News
York County
Demand for housing can be measured by calculating the number of housing units absorbed within a given time frame. Absorption is defined as the net change in occupied units. Therefore, positive absorption occurs when previously vacant or newly built dwellings become occupied. Based on the current state of the economy and historical performance, the Virginia Beach-Norfolk-Newport News area is expected to absorb between 700 and 900 units annually. The 768 units absorbed over the past year falls within expected absorption levels.

The Hampton submarket had the highest level of absorption between April and October, and Virginia Beach reported the least absorption.
The overall vacancy rate for the Virginia Beach-Norfolk-Newport News market as of October 2006 was 4.4%. While this is the highest the vacancy rate has been in nearly 10 years, the market is still very healthy. Based on the current development pipeline, vacancy rates are expected to rise modestly, reaching five percent in 2007.
Every area saw an increase in vacancy rate over the past six months with the exception of Hampton, which remained the same at 3.7%, and Portsmouth, which actually saw an improvement in vacancy rate from 3.9% in April to 3.0% in October. The most significant increase in vacancy was in Newport News, whose vacancy went from 4.2% in April to 6.1% in October.

Table VIII  SUBMARKET VACANCY RATES

<table>
<thead>
<tr>
<th>Submarket</th>
<th>April 2006</th>
<th>October 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chesapeake</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Hampton</td>
<td>3%</td>
<td>2%</td>
</tr>
<tr>
<td>Newport News</td>
<td>6%</td>
<td>7%</td>
</tr>
<tr>
<td>Norfolk</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Portsmouth</td>
<td>4%</td>
<td>3%</td>
</tr>
<tr>
<td>Virginia Beach</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>Williamsburg</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>York County</td>
<td>2%</td>
<td>1%</td>
</tr>
<tr>
<td>Overall</td>
<td>2%</td>
<td>1%</td>
</tr>
</tbody>
</table>
As of October, the average rental rate in Virginia Beach-Norfolk-Newport News was $823. Concessions were slightly more common in October of 2006 with 8.7% of communities offering some type of concession. In October 2005, only 5% of communities were offering rental concessions. Concessions offered most often were monthly reductions in the rent, or one month free rent.
AVERAGE RENTS

Average overall rents ranged from a low of $732 in Newport News to a high of $990 in York County. Newport News, Portsmouth, Norfolk, Williamsburg, and Hampton all reported rents lower than the average rent of $823, while Chesapeake, York County, and Virginia Beach all reported rents higher than the average overall quoted rent.

Table IX  AVERAGE RENTAL RATES

<table>
<thead>
<tr>
<th></th>
<th>Newport News</th>
<th>Portsmouth</th>
<th>Norfolk</th>
<th>Hampton</th>
<th>Williamsburg</th>
<th>Overall</th>
<th>Chesapeake</th>
<th>Virginia Beach</th>
<th>York County</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>$823</td>
<td>$823</td>
<td>$823</td>
<td>$823</td>
<td>$823</td>
<td>$823</td>
<td>$823</td>
<td>$823</td>
<td>$823</td>
</tr>
</tbody>
</table>
MANAGEMENT

There were nearly 450 conventional apartment communities with more than 50 units surveyed in the Hampton Roads region in October. Out of more than 80,000 apartment units surveyed, the top fifteen management firms manage close to 70% of these units in the Virginia Beach-Norfolk-Newport News apartment market. The top five management firms manage 36% of the surveyed market, or nearly 30,000 units.

Table X  TOP 15 MANAGEMENT COMPANIES

- S.L. Nusbaum
- Great Atlantic
- Drucker & Falk
- Lawson Companies
- AIMCO
- Breeden Management
- WMCI
- Perrel Management
- Ripley-Heatwole
- Abbitt Management
- Clark-Whitehill Ent.
- United Dominion Realty
- PRG Real Estate
- Kotarides Companies
- Bonaventure Realty Group

REGIONAL TRENDS

Roanoke
Over 8,800 apartment units were surveyed for the April 2006 Roanoke Apartment Index Report. Findings indicated a vacancy rate of 9.1% an increase from 7.8% reported in the previous year. The decrease in occupancy is due in part to the conversion of one community to a tax credit community. In the renovation process, many residents have been displaced. Overall rental rates were $591 per month. There are 24 units under construction at a second phase of Peter’s Creek, located on Barrens Road. In addition, there are 60 units proposed at Blue Ridge Club, located off Peter’s Creek Road.

Richmond
Findings for the August 2006 Richmond Apartment Index were based on more than 50,000 units. The overall vacancy rate was 5.2% while the average rent reported was $761 per month. For the first time since the inception of this report, there were no starts in the Richmond area in the past six months, although there are still over 800 units currently under construction, and there are an additional 800 units proposed.
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Acknowledgements

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Managing Director
Sperry Van Ness
Commercial Real Estate Advisors
This report analyzes commercial real estate investments, during the year 2006, within the Virginia Beach-Norfolk-Newport News, VA-NC Metropolitan Statistical Area (the “MSA”) that is also known as Hampton Roads, Virginia. This report provides both summary and specific data on investment sales of commercial properties located throughout the MSA. Where available the report includes properties in the cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach and Williamsburg, as well as the counties of Gloucester, James City and York.

**METHODOLOGY**

The purpose of this Commercial Investment Review is to collect commercial real estate investment sales data and report on current national and local trends; and as future data is collected, establish longer-term trends within the Hampton Roads commercial real estate investment market.

This 2007 survey is the third in the series. Data has been collected for the period January 1, 2006 through December 31, 2006. As this report was required for publication at the end of December 2006, it may not include some transactions that took place at the very end of the year. This data should be used for trend analysis only, as the data collected is from multiple sources and the author was not always able to verify the specifics of all individual transactions.

The focus of this survey is on the four primary types of commercial investment real estate: apartments, office, retail and industrial. The objective of this report is to include as many building sales as possible. An effort has been made to limit the survey to buildings that are owned as investments. Single tenant buildings are included if the primary function of the ownership is as an investment. Owner occupied buildings are included if a significant part of the property is leased to third party tenants. Land is excluded from this report.

National and regional data, as well as analysis, have been provided by Real Capital Analytics and REIS, through Sperry Van Ness International. Local data has been gathered through Sperry Van Ness Commercial Real Estate Advisors in Virginia Beach with assistance from area brokers and real estate appraisers.
Although the national commercial property investment market managed to maintain the record levels set over the last few years, some dramatic changes in the landscape occurred during 2006. Changes included the impact of foreign capital, the condo conversion market, fluctuations in interest rates, mobility of capital, privatizations and mega deals. Foreign investors, REITs and syndicators all slowed their investments in 2006, while at the same time acquisitions by condo converters came to a screeching halt. Even with all these changes the total volume of sales in the commercial property investment market grew by over 10% during the year.

In 2005, foreign investors accounted for over $21 billion in acquisitions in U.S. commercial properties; in 2006 that number dropped by over 20% to below $16 billion. Across the U.S., foreign investors represented only 2% of the acquisitions of apartments, 4% of the acquisitions of industrial, 8% of the acquisitions of retail and 11% of the acquisitions of office properties. Across all four property types foreign investors showed a drop in the volume of acquisitions that they made in U.S. properties. The good news is that private investors, and for some part institutions, picked up the slack and then some.

The most dramatic shift in the market was the condo converters who went from spending over $30 billion in 2005 to well under $10 billion in 2006. Developers buying commercial properties for conversion to condominiums were the largest single group of buyers during 2005 and in the process took approximately 175,000 apartment units out of the apartment rental market. They also took over 12 million square feet of office and industrial space to be converted into residential condominiums and over 6 million square feet to be converted to commercial condominiums. At the beginning of the year we were skeptical on how this market would fare with the slow down in the residential markets. During the year, some of the conversion projects were never converted and managed to be resold as apartments, even at a profit. The condo market cooled during the year. Many conversion lenders tightened their criteria and we don’t expect to see a return to that kind of acquisition activity in the near future.

Interest rates took an upward bump in the middle of the year but still remained at historically low levels. The mid-year bump in the interest rate did push capitalization rates up accordingly, but the second half of the year showed a corresponding drop in both rates. The availability of inexpensive capital kept investors looking for acquisitions while still willing to pay aggressive prices for these deals. As a result, capitalization rates crept down again at the end of the year and prices for the most part continued at their high levels. Nationally, average capitalization rates for institutional quality properties are still strong, ranging from 5.6% for apartments to 7.1% for industrial.

The mobility of capital has continued to explode nationally as local investors expanded their acquisitions well beyond their local markets. In search of competitive deals, West Coast buyers are moving east, and East Coast buyers are moving to the mid-west. Major market buyers are flocking to secondary markets; all are looking for means to increase their yields. Secondary and tertiary markets became popular as prized properties in these markets were picked up. Midwestern and southeastern sellers have been the beneficiaries of this capital flow and the trend should continue. Larger national investors, in addition to scouring smaller markets, have also started to look overseas for opportunities. The flow of capital for real estate has truly gone global and will remain that way for the foreseeable future.

Privatization and mega deals have been a driving force for the investment market throughout 2006. REIT mergers and acquisitions by equity funds doubled in 2006 to approximately $100 billion. Approximately half of this activity was privatization backed by equity funds. Blackstone’s pending $36 billion purchase of EOP will be the largest real estate deal in history and is the precursor to mega deals to come. During 2006, transactions for 31 portfolios or properties valued over $1 billion each were announced. The largest REIT IPO in history was concluded during the third quarter of the year and the record for largest sale for an individual property was broken multiple times. These mega deals will continue to influence the national commercial property landscape during the coming year.
2007 INVESTMENT

As we concluded at the end of last year, it appears the economic recovery has started to show signs as most markets across the country posted positive absorption and many posted modest rent growth as well. The strengthening of the base fundamentals in many markets allowed the continued justification of higher values and lower capitalization rates for most deals. The economy continues to push along and it appears most investors are very optimistic about the coming years. The year ahead will hold very much the same as interest rates should remain relatively low, the economy should continue along on a positive pace and investors will continue to prefer hard assets.

HAMPTON ROADS OVERVIEW

The Hampton Roads commercial property investment market maintained a steady pace throughout 2006 as it benefited from the mobility of capital and a stable economic base. In spite of the scheduled closing of the Ford truck manufacturing plant in Norfolk and lingering concerns surrounding the Base Realignment and Closure Commission (BRAC) recommendations, the Hampton Roads MSA economy, according to the U.S. Department of Labor, was one of a limited number of MSAs nationwide to show a continued increase in average nonagricultural employment. The gains are not large, but they are positive, reinforcing the stability of the market. The strong presence of the wide variety of U.S. military branches and military support operations, along with the continued growth of the Ports of Hampton Roads, sustain the local economy.

One of the largest factors influencing the local commercial property investment market for 2005 were portfolio sales, which with a few exceptions all but disappeared during 2006. While several portfolio sales did take place in the office and apartment sectors, they paled in comparison to the $100 million invested by First Potomac Realty Trust in 2005. The largest transactions in Hampton Roads during 2006 included the Alta Cove apartments valued at $63 million, and the West Park Warehouses and the Dove Landing Apartment portfolio, both valued just over $32 million each. Most of the investment sales that took place in 2006 were smaller properties and the total volume of investment sales dropped by almost 30%. The total volume of commercial investment sales dropped from an adjusted $804 million in 2005 to $570 million for 2006.

APARTMENTS

The national apartment market is continuing to show robust activity highlighted by a record number of mega deals. Positive rent growth for apartments keeps a steady flow of capital pushing into this market segment and market dynamics has kept the national vacancy factor at a healthy low of 5.4%. In 2005, condo converters drove the apartment sales market pushing sales prices up and cap rates down. Although condo converters, who represented approximately 35% of the buyers in 2005, came to a screeching halt during 2006, institutions and REITs picked up the slack and then some. Mega deals drove the 2006 market with multiple portfolios valued over $1 billion each trading hands. The largest of the apartment mega deals was the Peter Cooper Village / Stuyvesant Town transaction in Manhattan valued over $5.4 billion. With condo converters basically out of the market and no longer driving up prices, the national average price per unit has come down slightly from last year to $94,500 per unit for 2006. Capitalization rates continue to be very aggressive with the national average continuing the downward trend to 5.28%.

The Hampton Roads apartment market continues to show robust activity. Vacancy rates that remain among the nations lowest, continued positive employment numbers and the slip in the housing market has Hampton Roads continuing to attract a lot of attention from both buyers and builders. Builders were very aggressive in 2005 delivering a record 1,770 units and even more aggressive in 2006 with 2,319 units scheduled for delivery. This represents over a 30% increase in the
Nationally, office properties remained a prime target for buyers with a reported total acquisition volume estimated at over $120 billion. This represents a significant increase in sales volume over the prior year of almost 15%, after removing REIT privatizations. Declining vacancy rates, increasing rental rates and softening of concessions have all contributed to the strong investment activity in the office market. With capitalization rates remaining low and construction costs still rising, there is continued pressure on prices. Since sales prices remain high in primary markets there has been a strong shift from buyers to secondary and tertiary markets where capitalization rates do not have the same pressures. Nationally, average prices for office buildings rose to $220 per square foot, reflecting a gain of over 20% during the year. Capitalization rates continued their downward trend, closing the year at approximately 6.2%.

Office investment sales volume in Hampton Roads was off significantly from the prior year showing a decline in the number of building sales of almost half. Although the number of sales was off, the average price per square foot continued its

<table>
<thead>
<tr>
<th>Development</th>
<th>City</th>
<th>Units</th>
<th>Price</th>
<th>Price/Unit</th>
</tr>
</thead>
<tbody>
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<td>Alta Cove</td>
<td>Chesapeake</td>
<td>374 units</td>
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<tr>
<td>Riverdale</td>
<td>Hampton</td>
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<td>Brookfield</td>
<td>Va. Beach</td>
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<td>Talbot Park</td>
<td>Norfolk</td>
<td>114 units</td>
<td>$17,200,000</td>
<td>$150,877</td>
</tr>
<tr>
<td>Gates of West Bay</td>
<td>Norfolk</td>
<td>202 units</td>
<td>$15,500,000</td>
<td>$ 76,732</td>
</tr>
<tr>
<td>Arbor Trace</td>
<td>Va. Beach</td>
<td>148 units</td>
<td>$14,750,000</td>
<td>$ 99,662</td>
</tr>
<tr>
<td>Dove Landing N</td>
<td>Va. Beach</td>
<td>150 units</td>
<td>$11,176,842</td>
<td>$ 74,512 *</td>
</tr>
</tbody>
</table>

*Price Allocated
2007 INVESTMENT

upward trend from $127 per square foot in 2005 to $135 per square foot in 2006. This increase is due in large part to the sale of several medical office buildings which have a higher cost to construct. The availability of office buildings for sale remains scarce as it appears a significant number of buildings were refinanced and repositioned over the last few years.

Major transactions for the year included the sale of the Patrick Henry Corporate Center in Newport News for $14,500,000 and the portfolio sale by Liberty Property Trust of their Rock Landing buildings in Newport News.

Significant transactions for 2006 included:

<table>
<thead>
<tr>
<th>Development</th>
<th>City</th>
<th>Units</th>
<th>Price</th>
<th>Per SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jefferson Ave.</td>
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<td>100,000 SF</td>
<td>$14,500,000</td>
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<td>Rock Landing Dr.</td>
<td>Newport News</td>
<td>62,971 SF</td>
<td>$7,203,070</td>
<td>$114*</td>
</tr>
<tr>
<td>Kingsley La</td>
<td>Norfolk</td>
<td>31,856 SF</td>
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<td>Center Point Dr.</td>
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<td>28,250 SF</td>
<td>$4,200,000</td>
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<tr>
<td>Laskin Rd</td>
<td>Va. Beach</td>
<td>9,500 SF</td>
<td>$3,950,000</td>
<td>$416</td>
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<tr>
<td>Rock Landing</td>
<td>Newport News</td>
<td>33,224 SF</td>
<td>$3,800,397</td>
<td>$114*</td>
</tr>
</tbody>
</table>

*allocated – indicates the property was part of a multi-building portfolio transaction

RETAIL

Retail, the investment poster child for 2005, lost a lot of its luster in 2006. The volume of retail investment sales dropped over 15% for the year. Although 2005 was a blistering year for all types of retail properties, 2006 showed dramatic declines in sales volumes for regional malls and portfolio sales of strip centers, the high dollar transactions. With the continued retail sales growth of big box users such as Target and Costco, power centers are still in the sights for investment buyers. Individual retail assets such as unanchored centers and free standing stores have been the only real bright spot with sales volume increases approaching 50% over 2005. The largest contributor to the slow down in overall sales volume has been continued aggressive pricing combined with the lack of quality of the properties for sale. The end of 2005 showed the beginning of a drop in the price per square foot that continued through 2006 at a slightly slower pace. By the end of the year the national average price per square foot had dropped to $157, from a high of $180 in mid 2005. The national average for capitalization rates did end the year lower, at 6.76%, after starting level and actually rising a bit mid year.

In spite of the slip in interest nationally, the Hampton Roads retail market maintained a brisk pace for 2006. Sales volume for retail properties almost matched 2005 both in square footage and dollar volume. In 2005, there were a significant number of transactions that were portfolio related, whereas in 2006 almost all the transactions were individual property sales. The average price per square foot slipped slightly from $104 in 2005 to an average of $97 per square foot in 2006. These smaller unanchored centers have lower quality credit ratings and thereby demand higher capitalization rates and lower per square foot prices. Quoted capitalization rates for the stronger properties ranged from 6.7% to 9%, while many smaller
centers, though only estimated, sold for capitalization rates ranging from 9% and up. Local free standing triple net drug store properties sold for $400 per square foot on capitalization rates of 7%.

Major retail transactions for the year included Chesapeake Crossing Shopping Center, Lynnhaven East and North and Patriot Plaza. Significant transactions for 2006 included:

<table>
<thead>
<tr>
<th>Development</th>
<th>City</th>
<th>Units</th>
<th>Price</th>
<th>Per SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Richmond Rd, Food Lion</td>
<td>Williamsburg</td>
<td>68,060 SF</td>
<td>$14,500,000</td>
<td>$213</td>
</tr>
<tr>
<td>Chesapeake Crossing</td>
<td>Chesapeake</td>
<td>287,679 SF</td>
<td>$12,010,000</td>
<td>$42</td>
</tr>
<tr>
<td>Lynnhaven East &amp; North</td>
<td>Va. Beach</td>
<td>106,657 SF</td>
<td>$11,800,000</td>
<td>$111</td>
</tr>
<tr>
<td>Victory Blvd, Al Wright</td>
<td>Portsmouth</td>
<td>72,800 SF</td>
<td>$10,650,000</td>
<td>$146</td>
</tr>
<tr>
<td>Holland Rd - Kmart</td>
<td>Va. Beach</td>
<td>190,547 SF</td>
<td>$10,000,000</td>
<td>$52</td>
</tr>
<tr>
<td>Linens &amp; Things Center</td>
<td>Newport News</td>
<td>34,103 SF</td>
<td>$6,300,000</td>
<td>$185</td>
</tr>
<tr>
<td>Patriot Plaza</td>
<td>Williamsburg</td>
<td>76,520 SF</td>
<td>$6,200,000</td>
<td>$81</td>
</tr>
</tbody>
</table>

**INDUSTRIAL**

The national industrial property investment market is separated into two distinct property types that include warehouses and flex buildings. Warehouses are typically 300,000 square feet and larger distribution buildings while the flex properties are smaller in size and have a greater percentage of office space. Flex properties are typically designed for high tech, research and back office operations. Increases in wholesale trade and logistics operations have bolstered the national warehouse market, while the flex market, though continuing to struggle with high vacancies, showed signs of renewed investor interest in 2006. Nationally, flex properties ended the year at an average price per square foot of $96, down slightly from the $99 per square foot posted at the end of 2005. Warehouses ended the year with an average price per square foot of $57, up slightly from the end of year 2005 figure of $55 per square foot. Capitalization rates for warehouse properties fluctuated slightly during the year, but ended the year down at just over 7%. Capitalization rates for flex properties fluctuated during the year but also ended the year down closer to 7.3%.

The Hampton Roads industrial investment market was off substantially from the blistering pace set during 2005. In 2005, the volume of industrial investment property sales more than tripled over the prior year and portfolio sellers and buyers targeting Hampton Roads set the pace, accounting for 80% of the investment transactions during that year. In 2006, the volume of industrial sales based on square footage dropped over 40%, down to just over 2 million square feet from an adjusted 3.5 million in 2005. The dollar volume of investment sales was almost identical to 2005, but the number of buildings sold more than doubled. This indicates that a wider variety of investment buyers were purchasing much smaller assets. The average price per square foot increased dramatically based on the smaller asset size, from $37 per square foot in 2005 up to $64 per square foot for 2006. Significant increases in construction costs also helped drive these values up. Flex properties lead the values, pushing $70 to $90 per square foot, while warehouse values remained in the $40 to $55 per square foot range.
Major industrial investment transactions included the purchase of the West Park warehouses in Hampton, Crossways I in Chesapeake and the mixed use property that was formerly the Williamsburg Candle Factory. Although the Williamsburg Candle Factory included retail and office property the majority of the square footage was manufacturing and warehouse.

Significant transactions for 2006 included:

<table>
<thead>
<tr>
<th>Development</th>
<th>City</th>
<th>Units</th>
<th>Price</th>
<th>Per SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Park warehouses</td>
<td>Hampton</td>
<td>515,486 SF</td>
<td>$32,219,450</td>
<td>$63</td>
</tr>
<tr>
<td>Crossways I</td>
<td>Chesapeake</td>
<td>143,122 SF</td>
<td>$15,700,000</td>
<td>$109</td>
</tr>
<tr>
<td>Williamsburg Candle</td>
<td>Williamsburg</td>
<td>261,000 SF</td>
<td>$10,916,500</td>
<td>$42</td>
</tr>
<tr>
<td>Middleground Blvd</td>
<td>Newport News</td>
<td>77,125 SF</td>
<td>$5,950,000</td>
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</tr>
<tr>
<td>Stephanie Way</td>
<td>Chesapeake</td>
<td>51,209 SF</td>
<td>$5,100,000</td>
<td>$100</td>
</tr>
<tr>
<td>Central Drive</td>
<td>Va. Beach</td>
<td>56,444 SF</td>
<td>$4,850,000</td>
<td>$86</td>
</tr>
<tr>
<td>Gateway II</td>
<td>Norfolk</td>
<td>42,429 SF</td>
<td>$3,600,000</td>
<td>$85</td>
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<tr>
<td>Steel Street</td>
<td>Chesapeake</td>
<td>143,000 SF</td>
<td>$2,600,000</td>
<td>$25</td>
</tr>
<tr>
<td>Miller Store Rd</td>
<td>Va. Beach</td>
<td>41,673 SF</td>
<td>$2,700,000</td>
<td>$65</td>
</tr>
</tbody>
</table>
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