MARKET SURVEY

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With more than $1 billion in sales and leasing transactions, we painted the town CBRE green in 2005.

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More deals equal more market knowledge—and a competitive edge for every CBRE client, large and small.
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THANKS A MILLION
(MAKE THAT 1/2 BILLION!)

Thalhimer/Cushman & Wakefield arranged over $675 million in sales & leases in 2005. Many thanks to our clients and associates.
Welcome and thanks for joining us for the 2006 Old Dominion University E. V. Williams Center for Real Estate and Economic Development (CREED) Real Estate Market Review and Forecast. This is our 11th 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 2005 and our regional gross product is expected to exceed $60 billion in 2006. For comparative purposes, that ranks our regional economy as the 54th largest economy in the world. It is forecasted that 7,600 new jobs will be added to our region, mostly in professional businesses, ports, and tourism sectors. However as impressive as this expansion may be, the growth of our regional economy is expected to slow this year and drop below the nation’s growth for the first time since 2000. Nevertheless, 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 our 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 those members of the Executive committee. The Center would not be able to function without their service. If, while reading this letter, 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.

As a reminder, please visit our Center’s website at www.odu.edu/creed for the latest information on our region and CREED’s activities, members and research. We have a new student services section where you can find students who are interested in internships and job opportunities.

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. If you find an error or have a suggestion on how to improve upon these reports, please contact me with comments.

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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The purpose of the Advisory Board is to provide professional expertise in various aspects of real estate and economic development to make recommendations to the University concerning policy and operations of the CREED as well as the University’s real estate curriculum.

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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 and Economic Development, nor CB Richard Ellis of Virginia, Inc. make any representation or warranty as to its accuracy.

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This report analyzes the 2005 retail real estate conditions within the Virginia portion of the Virginia Beach–Norfolk–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 the cities of Gloucester, Hampton, Newport News, Poquoson, Williamsburg and in 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 2005 and December 2005. 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. The return rate for mailed questionnaires was approximately 95%. The data for the remaining 5% of identified retail properties was estimated. 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:** Big boxes were defined as 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.

- **Neighborhood Center** 30,000 to 150,000 square feet; supermarket anchored
- **Community Center** 100,000 to 350,000 square feet; discount department store, supermarket or drug store anchored
- **Fashion/Specialty Center** 80,000 to 250,000 square feet; fashion anchored
- **Power Center** 250,000 to 600,000 square feet; category killer, home improvement and discount department store anchored
- **Theme Festival Center** 80,000 to 250,000 square feet; restaurants, entertainment anchored
- **Outlet Center** 50,000 to 400,000 square feet; manufacturer’s outlet store anchored
- **Freestanding** Individual building not considered a shopping center
- **Mall** Shopping center with area designed for pedestrian use only
- **Other** Any center that does not fit into a typical category

**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-five retail submarkets (twenty-five 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 E. V. Williams Center for Real Estate & Economic Development Advisory 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.
The Hampton Roads market experienced 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 2005. Jefferson Commons in the Patrick Henry submarket of Newport News was developed by The Goodman Company and is anchored by Kohl’s, Ross Dress for Less, TJ Maxx, Petco, Trader Joe’s and MovieStop; restaurant tenants include Silver Diner, Smokey Bones, Chili’s and Panera. WindsorMeade Marketplace in Williamsburg also opened at Monticello Avenue and Route 199; its anchors include Belk, PetsMart, Office Depot, Bed Bath and Beyond, and Pier 1 Imports.

The Virginia Beach Town Center, a mixed-use project which is being developed by Armada Hoffler, continues to progress with the opening of the new 341-unit apartment building, The Cosmopolitan. Ruth’s Chris Steak House also opened in the project in 2005. The City of Virginia Beach has committed $47 million to a 1,200 seat performing arts auditorium that is under construction and Armada Hoffler is also building a 30-story tower in the project to house a Westin Hotel and over 100 upscale condominiums. Another mixed use development, The City Center at Oyster Point, is under construction 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 largest retail real estate transaction reported during 2005 was the acquisition by Cedar Shopping Centers, Inc. of RVG’s Farm Fresh portfolio for over $96 million. The transaction follows last year’s sale of Greenbrier Mall to CBL and Associates for over $100 million.

Grocery store expansion in Hampton Roads increased over what has been seen in the market during the last several years. Farm Fresh is under construction in Downtown Norfolk, Great Bridge at Mount Pleasant Road, and Suffolk at Shoulder’s Hill Road. Farm Fresh signed a lease in the Haygood Shopping Center in Virginia Beach and also opened stores in Yorktown and in the Berkley section of Norfolk. Harris Teeter opened a location in Virginia Beach at Nimmo Parkway at Princess Anne and has another under construction in Chesapeake at the Hanbury Road interchange of the Great Bridge Bypass. Ukrop’s is under construction at Mooretown Road in Williamsburg. A Wal-Mart Supercenter is under construction in Norfolk at the Tidewater Drive and Little Creek Road intersection and at Dominion Boulevard in Southern Chesapeake. Wal-Mart also announced a new supercenter at the former site of Mid City Shopping Center in Portsmouth.

Big box retailers remain active in the region, including Target, Wal-Mart, Best Buy, Dick’s, Ross, and TJX. Consolidated Theaters opened a 40,000 square foot multiplex in Williamsburg’s New Town development. Barnes and Noble announced a new location in New Town. Dick’s is under construction at Patrick Henry Mall. Yankee Candle has a 40,000 square foot store in Williamsburg, Trader Joe’s opened in Newport News, and Home Depot opened in the Edinburgh section of Chesapeake.
Infill of second generation and third generation boxes continued throughout the MSA. Cinema Café signed a lease at Riverdale Shopping Center in Hampton. Old Navy and Ross opened in a former Wal-Mart store in Chesapeake Square. Grand Furniture opened in a former Farm Fresh store in Greenbrier. BJ’s signed a lease at Janaf Shopping Center in Norfolk and in a former Super K-Mart box in the Power Plant in Hampton. A portion of a former Winn Dixie store was leased to Care-a-Lot Pet Supplies in Newport News, and half of a Winn Dixie that was vacated last year in Hampton was re-leased to Ace Hardware.

Other new retailers that entered the market included: J. Jill, Baja Fresh, Smokey Bones, Carrabba’s, Red Robin, McFadden’s, H & M, Ulta Salon, Coldwater Creek, and Salsarita’s.

HAMPTON ROADS MARKET SURVEY

The Hampton Roads Retail Market was stellar in 2005. In fact, 2005 outperformed all previous years driving rental rates up and vacancy rates down. New tenants continue to enter Hampton Roads while existing tenants flourish and seek to increase market presence. In areas such as Portsmouth and Norfolk where land is scarce, older projects are being redeveloped. Investors are seeing and paying aggressive prices for both single tenant projects as well as shopping centers. The Hampton Roads market, comprising approximately 47,189,668 square feet of gross leasable area (“GLA”), added seven properties to the retail survey bringing the total number of properties to 375 with 246 on the Southside and 129 on the Peninsula.

Survey information was obtained on 30,852,210 square feet of retail property located in Southside Hampton Roads, accounting for approximately 65% of the total square footage in the market. The average asking rent for small shop space on the Southside was $14.84 per square foot, triple net, and was $0.96 higher than the calendar year 2004 average. The reported size of the Peninsula was 16,337,458 square feet with an average small shop rent of $14.02 per square foot, triple net. This, too, was an increase over calendar year 2004’s average rate of $13.18.

The Hampton Roads vacancy rate, which is down 1.86% from last year, is the lowest observed in the history of the ODU Market Survey. Overall vacancy is in the single digits on both sides of the water with a market total of 7.55%. The Southside vacancy rate dropped 2.18% to 6.69% while the Peninsula rate fell from 10.44% to 9.18%.

In order for new retail construction to be included in this year’s report, it must be substantially completed by year-end 2005. Having stated that, Hampton Roads welcomed 1,211,699 square feet of retail space to the market. More impressive is the fact that a total of 2,394,022 square feet of property was absorbed during 2005, further indicating the strength of the market.

The coming year looks exciting. While multiple developments are in the works, the following are a sampling of those underway: Ukrop’s is expanding its presence in Williamsburg, Harris Teeter in Chesapeake, and Farm Fresh in Chesapeake, Suffolk and Norfolk. The Town Center concepts in Chesapeake, Newport News, Williamsburg and Virginia Beach will add to the overall size of the market in the coming year as will Wal-Mart’s opening of super centers in Portsmouth and Norfolk. Target is anchoring the next phase of the Edinburgh project in Chesapeake, while BJ’s will open in the former HQ in Janaf Shopping Center in Norfolk and is expected to announce that they are taking a large portion of the box at The Power Plant in Hampton. We will see several new developments and tenants in Hampton Roads next year.
## MARKET OVERVIEW

<table>
<thead>
<tr>
<th>Year</th>
<th>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>
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<tbody>
<tr>
<td>2006</td>
<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>
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<tr>
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<td>Peninsula</td>
<td>129</td>
<td>16,337,458</td>
<td>1,499,357</td>
<td>9.18%</td>
<td>618,179</td>
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<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>
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<td>2005</td>
<td>Southside</td>
<td>243</td>
<td>30,184,395</td>
<td>2,676,141</td>
<td>8.87%</td>
<td>419,458</td>
<td>27,166,518</td>
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<td>Peninsula</td>
<td>125</td>
<td>15,799,778</td>
<td>1,648,774</td>
<td>10.44%</td>
<td>330,000</td>
<td>14,066,684</td>
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<td>45,984,173</td>
<td>4,324,915</td>
<td>9.41%</td>
<td>749,458</td>
<td>41,659,258</td>
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<td>419,458</td>
<td>27,166,518</td>
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<td></td>
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<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>
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<td>370</td>
<td>46,430,427</td>
<td>5,197,225</td>
<td>11.19%</td>
<td>1,250,400</td>
<td>40,402,046</td>
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<td>2003</td>
<td>Southside</td>
<td>245</td>
<td>30,180,691</td>
<td>3,433,311</td>
<td>11.38%</td>
<td>574,400</td>
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<td>15,546,085</td>
<td>1,891,419</td>
<td>12.17%</td>
<td>676,000</td>
<td>13,654,666</td>
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<td>TOTAL</td>
<td>371</td>
<td>45,726,776</td>
<td>5,324,730</td>
<td>11.64%</td>
<td>1,203,400</td>
<td>38,934,871</td>
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<tr>
<td>2002</td>
<td>Southside</td>
<td>239</td>
<td>29,760,443</td>
<td>2,548,230</td>
<td>10.82%</td>
<td>918,100</td>
<td>25,676,428</td>
</tr>
<tr>
<td></td>
<td>Peninsula</td>
<td>123</td>
<td>14,906,530</td>
<td>2,183,972</td>
<td>14.65%</td>
<td>202,750</td>
<td>12,722,658</td>
</tr>
<tr>
<td></td>
<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>38,934,871</td>
</tr>
<tr>
<td>2001</td>
<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>
</tr>
<tr>
<td></td>
<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>
</tr>
<tr>
<td></td>
<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>
</tr>
<tr>
<td></td>
<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>
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<tr>
<td></td>
<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>
</tr>
<tr>
<td>1999</td>
<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>
</tr>
<tr>
<td></td>
<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>
</tr>
<tr>
<td></td>
<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>
</tr>
<tr>
<td>1998</td>
<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>
</tr>
<tr>
<td></td>
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<td>102</td>
<td>12,952,845</td>
<td>1,601,455</td>
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<td></td>
<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>
</tr>
</tbody>
</table>

* 302,000 SF of unoccupied space was removed from the inventory during 2002 as a result of demolition or reletting to alternative use.
RETAIL SUBMARKETS

SOUTHSIDE SUBMARKETS

There were 25 retail submarkets on the Southside this year, up from 24 last year with the addition of the ODU submarket. The average size of the submarkets was 1,207,375 square feet. The largest Southside submarkets were Greenbrier and Military Highway each with over 3 million square feet of retail space and each anchored by a regional mall. The Southside has six regional mall nodes totaling 14,964,115 square feet.

Vacancy rates in the Southside submarkets range from 0.40% in Dam Neck to 29.04% in the ODU submarket. A trend seen in most Southside submarkets was a decrease in vacancy accompanied by an increase in asking small shop rates. New construction in Southside submarkets totaled 593,520 square feet this year.

SOUTHSIDE BY SUBMARKET

<table>
<thead>
<tr>
<th>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>$15.33</td>
</tr>
<tr>
<td>Birdneck/Oceanfront</td>
<td>4</td>
<td>191,655</td>
<td>886</td>
<td>0.46%</td>
<td>$11.00</td>
</tr>
<tr>
<td>Campostella</td>
<td>5</td>
<td>269,511</td>
<td>41,480</td>
<td>15.39%</td>
<td>$11.50</td>
</tr>
<tr>
<td>Chesapeake Square*</td>
<td>9</td>
<td>2,132,552</td>
<td>98,900</td>
<td>4.64%</td>
<td>$14.00</td>
</tr>
<tr>
<td>Churchland-Portsmouth/Harbourview</td>
<td>14</td>
<td>1,034,680</td>
<td>69,651</td>
<td>6.73%</td>
<td>$13.77</td>
</tr>
<tr>
<td>Dam Neck</td>
<td>6</td>
<td>1,056,122</td>
<td>4,200</td>
<td>0.40%</td>
<td>$19.08</td>
</tr>
<tr>
<td>Downtown Norfolk*</td>
<td>3</td>
<td>1,281,338</td>
<td>54,132</td>
<td>4.22%</td>
<td>$12.50</td>
</tr>
<tr>
<td>Ghent</td>
<td>9</td>
<td>406,812</td>
<td>65,702</td>
<td>16.15%</td>
<td>$14.17</td>
</tr>
<tr>
<td>Great Bridge</td>
<td>14</td>
<td>1,117,024</td>
<td>18,934</td>
<td>1.70%</td>
<td>$15.83</td>
</tr>
<tr>
<td>Greenbrier/Battlefield Boulevard*</td>
<td>21</td>
<td>3,818,324</td>
<td>107,654</td>
<td>2.82%</td>
<td>$17.62</td>
</tr>
<tr>
<td>Hilltop/Great Neck</td>
<td>13</td>
<td>1,594,209</td>
<td>51,401</td>
<td>3.22%</td>
<td>$19.38</td>
</tr>
<tr>
<td>Holland/Green Run I</td>
<td>9</td>
<td>1,014,004</td>
<td>12,754</td>
<td>1.26%</td>
<td>$12.88</td>
</tr>
<tr>
<td>Indian River/College Park</td>
<td>4</td>
<td>482,309</td>
<td>35,440</td>
<td>7.35%</td>
<td>$12.75</td>
</tr>
<tr>
<td>Kempsville</td>
<td>11</td>
<td>1,223,002</td>
<td>51,462</td>
<td>4.21%</td>
<td>$14.75</td>
</tr>
<tr>
<td>Little Creek Road/Wards Corner</td>
<td>17</td>
<td>1,672,263</td>
<td>238,771</td>
<td>14.28%</td>
<td>$12.54</td>
</tr>
<tr>
<td>Little Neck</td>
<td>9</td>
<td>1,254,306</td>
<td>142,137</td>
<td>11.33%</td>
<td>$14.36</td>
</tr>
<tr>
<td>Lynnhaven*</td>
<td>8</td>
<td>1,820,224</td>
<td>191,475</td>
<td>10.52%</td>
<td>$16.50</td>
</tr>
<tr>
<td>Middle Portsmouth</td>
<td>12</td>
<td>1,241,872</td>
<td>124,340</td>
<td>10.01%</td>
<td>$12.50</td>
</tr>
<tr>
<td>Military Highway/Janaf*</td>
<td>15</td>
<td>3,450,602</td>
<td>159,245</td>
<td>4.61%</td>
<td>$12.99</td>
</tr>
<tr>
<td>Newtown</td>
<td>10</td>
<td>529,854</td>
<td>135,913</td>
<td>25.65%</td>
<td>$12.05</td>
</tr>
<tr>
<td>ODU</td>
<td>1</td>
<td>36,500</td>
<td>10,600</td>
<td>29.04%</td>
<td>$23.00</td>
</tr>
<tr>
<td>Pembroke*</td>
<td>22</td>
<td>2,479,075</td>
<td>322,200</td>
<td>13.00%</td>
<td>$14.70</td>
</tr>
<tr>
<td>Princess Anne</td>
<td>12</td>
<td>1,376,539</td>
<td>31,033</td>
<td>2.25%</td>
<td>$16.80</td>
</tr>
<tr>
<td>Smithfield</td>
<td>3</td>
<td>231,764</td>
<td>15,030</td>
<td>6.49%</td>
<td>$14.67</td>
</tr>
<tr>
<td>Suffolk</td>
<td>11</td>
<td>923,848</td>
<td>76,027</td>
<td>8.23%</td>
<td>$16.22</td>
</tr>
<tr>
<td>TOTAL</td>
<td>246</td>
<td>30,852,210</td>
<td>2,063,087</td>
<td>6.69%</td>
<td>$14.84</td>
</tr>
</tbody>
</table>

* Indicates regional mall node
There were 10 retail submarkets on the Peninsula with an average size of 1,633,745 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 7,410,509 square feet.

Vacancy rates range from 1.17% at Patrick Henry to 23.56% in the Newmarket/Main submarket. The Peninsula had 618,179 square feet of new construction in 2005. Vacancy was down in several Peninsula submarkets and average asking rents were up in most submarkets.

### PENINSULA SUBMARKETS

<table>
<thead>
<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>
</tr>
</thead>
<tbody>
<tr>
<td>Bay Front</td>
<td>4</td>
<td>213,821</td>
<td>3,720</td>
<td>1.74%</td>
<td>$15.33</td>
</tr>
<tr>
<td>Coliseum Central*</td>
<td>15</td>
<td>3,307,633</td>
<td>323,287</td>
<td>9.77%</td>
<td>$16.70</td>
</tr>
<tr>
<td>Denbigh</td>
<td>14</td>
<td>1,458,959</td>
<td>227,179</td>
<td>15.57%</td>
<td>$12.00</td>
</tr>
<tr>
<td>Fox Hill / Buckroe</td>
<td>7</td>
<td>703,961</td>
<td>63,631</td>
<td>9.04%</td>
<td>$13.20</td>
</tr>
<tr>
<td>Gloucester</td>
<td>9</td>
<td>1,085,504</td>
<td>230,473</td>
<td>21.27%</td>
<td>$10.80</td>
</tr>
<tr>
<td>Hampton Miscellaneous</td>
<td>2</td>
<td>118,882</td>
<td>20,435</td>
<td>17.19%</td>
<td>$11.00</td>
</tr>
<tr>
<td>Newmarket/Main</td>
<td>13</td>
<td>1,514,147</td>
<td>356,779</td>
<td>23.56%</td>
<td>$10.69</td>
</tr>
<tr>
<td>Patrick Henry*</td>
<td>29</td>
<td>4,102,876</td>
<td>47,950</td>
<td>1.17%</td>
<td>$17.53</td>
</tr>
<tr>
<td>Poquoson</td>
<td>3</td>
<td>168,192</td>
<td>17,200</td>
<td>10.23%</td>
<td>$14.00</td>
</tr>
<tr>
<td>Williamsburg</td>
<td>28</td>
<td>3,018,802</td>
<td>124,668</td>
<td>4.13%</td>
<td>$21.36</td>
</tr>
<tr>
<td>York County</td>
<td>9</td>
<td>860,502</td>
<td>87,755</td>
<td>10.20%</td>
<td>$12.88</td>
</tr>
<tr>
<td>TOTAL</td>
<td>129</td>
<td>16,337,458</td>
<td>1,499,357</td>
<td>9.18%</td>
<td>$14.02</td>
</tr>
</tbody>
</table>

* Indicates regional mall node

### RETAIL PRODUCT TYPE

The Neighborhood Center was the predominant product type with 147 properties totaling over 11 million square feet of leasable area or 23% of the total retail market. Community centers comprised 21% 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 graph. Vacancy rates range from 0% in Theme-Festival and Outlet Centers to 11.59% in Community Centers.

Neighborhood Center vacancy decreased to 8.74% (down from 9.84% in the 2005 Report). This decrease can mainly be attributed to a very strong small shop leasing market. The largest decrease in vacancy was in Power Centers, which dropped to 4.7% this year down from 13.46% last year. Power Center leasing continues to be a strong market.
### TOTAL RETAIL PRODUCT BY TYPE

<table>
<thead>
<tr>
<th>Type</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>Community Centers</td>
<td>54</td>
<td>9,787,944</td>
<td>41,000</td>
<td>1,134,780</td>
<td>11.59%</td>
<td>$16.11</td>
<td>$2.11</td>
</tr>
<tr>
<td>Fashion / Specialty</td>
<td>6</td>
<td>573,012</td>
<td>720</td>
<td>2,775</td>
<td>0.48%</td>
<td>$19.00</td>
<td>$3.00</td>
</tr>
<tr>
<td>Freestanding</td>
<td>74</td>
<td>7,267,472</td>
<td>87,000</td>
<td>354,689</td>
<td>4.88%</td>
<td>No Data</td>
<td>No Data</td>
</tr>
<tr>
<td>Mall</td>
<td>10</td>
<td>7,344,393</td>
<td>0</td>
<td>549,881</td>
<td>7.49%</td>
<td>No Data</td>
<td>No Data</td>
</tr>
<tr>
<td>Neighborhood Centers</td>
<td>147</td>
<td>11,074,076</td>
<td>138,600</td>
<td>968,176</td>
<td>8.74%</td>
<td>$13.42</td>
<td>$1.98</td>
</tr>
<tr>
<td>Outlet Center</td>
<td>1</td>
<td>280,491</td>
<td>0</td>
<td>–</td>
<td>0.00%</td>
<td>No Data</td>
<td>No Data</td>
</tr>
<tr>
<td>Power Centers</td>
<td>26</td>
<td>8,569,821</td>
<td>919,179</td>
<td>405,560</td>
<td>4.73%</td>
<td>$18.15</td>
<td>$2.72</td>
</tr>
<tr>
<td>Theme Festival</td>
<td>1</td>
<td>120,000</td>
<td>0</td>
<td>–</td>
<td>0.00%</td>
<td>No Data</td>
<td>No Data</td>
</tr>
<tr>
<td>Other</td>
<td>56</td>
<td>2,172,459</td>
<td>25,200</td>
<td>146,583</td>
<td>6.75%</td>
<td>$14.84</td>
<td>$2.19</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>375</strong></td>
<td><strong>47,189,668</strong></td>
<td><strong>1,211,699</strong></td>
<td><strong>3,562,444</strong></td>
<td><strong>7.55%</strong></td>
<td><strong>$16.30</strong></td>
<td><strong>$2.40</strong></td>
</tr>
</tbody>
</table>

### SOUTHSIDE BY TYPE

<table>
<thead>
<tr>
<th>Type</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>
</tr>
</thead>
<tbody>
<tr>
<td>Community Center</td>
<td>37</td>
<td>6,152,601</td>
<td>650,520</td>
<td>10.57%</td>
<td>$15.34</td>
<td>$2.29</td>
</tr>
<tr>
<td>Fashion / Specialty</td>
<td>6</td>
<td>573,012</td>
<td>2,775</td>
<td>0.48%</td>
<td>$19.00</td>
<td>$3.00</td>
</tr>
<tr>
<td>Freestanding</td>
<td>42</td>
<td>3,991,421</td>
<td>140,000</td>
<td>3.51%</td>
<td>No Data</td>
<td>No Data</td>
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<tr>
<td>Mall</td>
<td>7</td>
<td>5,558,997</td>
<td>372,232</td>
<td>6.70%</td>
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<td>No Data</td>
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<tr>
<td>Neighborhood Center</td>
<td>101</td>
<td>7,697,443</td>
<td>621,448</td>
<td>8.07%</td>
<td>$13.83</td>
<td>$2.12</td>
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<tr>
<td>Power Center</td>
<td>17</td>
<td>5,475,471</td>
<td>190,617</td>
<td>3.48%</td>
<td>$17.86</td>
<td>$3.00</td>
</tr>
<tr>
<td>Theme Festival</td>
<td>1</td>
<td>120,000</td>
<td>–</td>
<td>0.00%</td>
<td>No Data</td>
<td>No Data</td>
</tr>
<tr>
<td>Other</td>
<td>35</td>
<td>1,283,265</td>
<td>85,495</td>
<td>6.66%</td>
<td>$14.68</td>
<td>$2.39</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>246</strong></td>
<td><strong>30,852,210</strong></td>
<td><strong>2,063,087</strong></td>
<td><strong>6.69%</strong></td>
<td><strong>$14.26</strong></td>
<td><strong>$2.17</strong></td>
</tr>
</tbody>
</table>

### PENINSULA BY TYPE

<table>
<thead>
<tr>
<th>Type</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>
</tr>
</thead>
<tbody>
<tr>
<td>Community Center</td>
<td>17</td>
<td>3,635,343</td>
<td>484,260</td>
<td>13.32%</td>
<td>$16.88</td>
<td>$1.94</td>
</tr>
<tr>
<td>Freestanding</td>
<td>32</td>
<td>3,276,051</td>
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<td>No Data</td>
</tr>
<tr>
<td>Mall</td>
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<td>1,785,396</td>
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<td>9.95%</td>
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<td>No Data</td>
</tr>
<tr>
<td>Neighborhood Center</td>
<td>46</td>
<td>3,376,633</td>
<td>346,728</td>
<td>10.27%</td>
<td>$13.02</td>
<td>$1.84</td>
</tr>
<tr>
<td>Outlet Center</td>
<td>1</td>
<td>280,491</td>
<td>–</td>
<td>0.00%</td>
<td>No Data</td>
<td>No Data</td>
</tr>
<tr>
<td>Power Center</td>
<td>9</td>
<td>3,094,350</td>
<td>214,943</td>
<td>6.95%</td>
<td>$18.44</td>
<td>$2.44</td>
</tr>
<tr>
<td>Other</td>
<td>21</td>
<td>889,194</td>
<td>61,088</td>
<td>6.87%</td>
<td>$15.00</td>
<td>$2.00</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>129</strong></td>
<td><strong>16,337,458</strong></td>
<td><strong>1,499,357</strong></td>
<td><strong>9.18%</strong></td>
<td><strong>$13.93</strong></td>
<td><strong>$1.89</strong></td>
</tr>
</tbody>
</table>
## RETAIL SUBMARKETS

### Southside
- Bayfront
- Birdneck/Oceanfront
- Campostella
- Chesapeake Square
- Churchland/Harbourview
- 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 2,124,582 square feet for 2005. This number represents 59% 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 1,142,319 square feet accounted for 55% of all Southside retail vacancy. However, on the Peninsula, the 982,270 square feet of big box vacancy accounted for 65% of all Peninsula retail vacancy.

Big box retailers aggressively expanded in 2005 resulting in the highest rate of absorption in six years. Best Buy, Ross Dress for Less, and Old Navy opened at Crossroads Shopping Center in the Chesapeake Square area filling the vacancy left by Wal-Mart’s relocation.

In 2006, big box absorption will continue with several area redevelopments. Plans for the former HQ Warehouse on Virginia Beach Boulevard are being drawn to turn 100,000 square feet of big box vacancy into a mixed use development with several smaller boxes, restaurants, grocery and multi-family. As demand continues to grow from big box retailers eager for Hampton Roads locations and developers looking for redevelopment opportunities, we should expect a continual decrease in vacancy and a demand for further development.

<table>
<thead>
<tr>
<th>PENINSULA BY SUBMARKET</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Southside</td>
<td>1,316,595</td>
<td>1,607,323</td>
<td>2,073,115</td>
<td>2,207,416</td>
<td>2,220,935</td>
<td>1,906,391</td>
<td>1,513,523</td>
<td>1,142,319</td>
</tr>
<tr>
<td>Peninsula</td>
<td>864,474</td>
<td>1,232,255</td>
<td>1,328,841</td>
<td>1,435,489</td>
<td>1,407,021</td>
<td>1,556,029</td>
<td>1,141,207</td>
<td>982,263</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,181,069</td>
<td>2,839,578</td>
<td>3,401,956</td>
<td>3,642,905</td>
<td>3,627,956</td>
<td>3,462,420</td>
<td>2,654,730</td>
<td>2,124,582</td>
</tr>
</tbody>
</table>

Big Box Vacancy per Square Foot

- Southside
- Peninsula
- TOTAL
In 2005, retail investment sales of $172.7 million were slightly higher than the $166.5 million in 2004. The dominant shopping center categories in sales per square foot were grocery anchored shopping centers and shadow anchored retail centers adjacent to Wal-Mart Supercenters.

A portfolio of eight properties, six from Hampton Roads, consisting of three Farm Fresh anchored shopping centers, three freestanding Farm Fresh Grocery Stores, and two Giant Grocery Stores in Pennsylvania represented the largest transaction in 2005 which totaled $96,500,000 for 574,818 square feet or $168 per square foot.

Also, the Kroger Plaza anchored by Kroger, off Laskin Road, in Virginia Beach was part of a rare hybrid of a sale – lease back of nine Kroger anchored shopping centers worth $79.9 million for 810,000 square feet. Kroger signed a new 15-year lease in each of the nine locations. The Kroger Plaza in Virginia Beach sold for $6,246,912 for 63,324 square feet or $98.65 per square foot.

Two Wal-Mart Supercenter shadow anchored retail centers generated the highest sales per square foot at $287 per square foot for Lynnhaven Square in Virginia Beach and $242 per square foot for Walmart Way Crossing in Chesapeake.

It is interesting to note that Lynnhaven Square and Walmart Way Crossing were a result of a 1031 Tenants In Common Exchange. An IRS ruling in 2002 greatly expanded the pool of available properties, particularly for individual investors. This ruling pertains to joint tenant in common legal structures, which quite simply allows individuals to own a fractional interest in a property, such as an office building, apartment complex, or shopping center. Basically, this ruling has permitted investors to pool their resources and purchase larger, higher valued and better positional properties than they might otherwise have access.

Other major retail investment sales that occurred in 2005 include the purchase of vacant or dark grocery anchored centers, unanchored retail strip centers, and older centers purchased for the land only.

Two former Winn-Dixie grocery anchored centers sold in 2005 to investors who had a tenant to back fill a portion of the vacant grocery store space. These sales averaged about $79 per square foot.

Two former shopping centers were purchased for redevelopment purposes. Wal-Mart purchased the former Tidewater Shopping Center for a new Wal-Mart Supercenter; Wal-Mart also purchased land from the City of Norfolk to have enough land to accommodate this 220,000 square foot Wal-Mart Supercenter. The Hampton Marketplace on Mercury Boulevard was purchased for a car dealership.
### REPRESENTATIVE 2005 - SALES TRANSACTIONS

<table>
<thead>
<tr>
<th>Shopping Centers</th>
<th>City</th>
<th>GLA in SF</th>
<th>Purchase Price</th>
<th>Price Per SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm Fresh Portfolio in Hampton Roads included</td>
<td>Various</td>
<td>574,818</td>
<td>$96,500,000</td>
<td>$167.88</td>
</tr>
<tr>
<td>the following shopping centers:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Coliseum Marketplace</td>
<td>Hampton</td>
<td>104,941</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• General Booth Plaza</td>
<td>Hampton</td>
<td>73,320</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Kempsville Crossing</td>
<td>Hampton</td>
<td>94,477</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• East Little Creek-Farm Fresh</td>
<td>Norfolk</td>
<td>69,620</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Smithfield Plaza-Farm Fresh</td>
<td>Smithfield</td>
<td>45,544</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Suffolk Farm Fresh</td>
<td>Suffolk</td>
<td>67,216</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-total: 455,118</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Two Giant Grocery Stores in Pennsylvania totaling</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>119,700</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total: 574,700</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Walmart Way Crossing</td>
<td>Chesapeake</td>
<td>80,160</td>
<td>$19,399,669</td>
<td>$242.01</td>
</tr>
<tr>
<td>Tidewater Shopping Center</td>
<td>Norfolk</td>
<td>128,412</td>
<td>$8,628,670</td>
<td>$67.20</td>
</tr>
<tr>
<td>Lynnhaven Square</td>
<td>Virginia Beach</td>
<td>22,933</td>
<td>$6,592,738</td>
<td>$287.48</td>
</tr>
<tr>
<td>Kroger Plaza</td>
<td>Virginia Beach</td>
<td>63,324</td>
<td>$6,246,912</td>
<td>$98.65</td>
</tr>
<tr>
<td>Oyster Point Market Center</td>
<td>Newport News</td>
<td>65,700</td>
<td>$5,400,000</td>
<td>$82.19</td>
</tr>
<tr>
<td>Nickerson Plaza</td>
<td>Hampton</td>
<td>65,900</td>
<td>$5,200,000</td>
<td>$78.91</td>
</tr>
<tr>
<td>Newtown Baker Crossing</td>
<td>Norfolk</td>
<td>92,000</td>
<td>$5,050,000</td>
<td>$54.89</td>
</tr>
<tr>
<td>Richneck Shopping Center</td>
<td>Newport News</td>
<td>63,925</td>
<td>$4,650,000</td>
<td>$72.74</td>
</tr>
<tr>
<td>Oak Ridge Shopping Center</td>
<td>Suffolk</td>
<td>38,700</td>
<td>$4,137,000</td>
<td>$106.90</td>
</tr>
<tr>
<td>Hampton Marketplace</td>
<td>Hampton</td>
<td>147,000</td>
<td>$3,500,000</td>
<td>$23.81</td>
</tr>
<tr>
<td>Lightfoot Crossing</td>
<td>York County</td>
<td>20,900</td>
<td>$3,200,000</td>
<td>$153.11</td>
</tr>
<tr>
<td>Meadow Brook Shopping Center</td>
<td>Norfolk</td>
<td>27,620</td>
<td>$2,378,000</td>
<td>$86.10</td>
</tr>
<tr>
<td>Pavilion Shopping Center</td>
<td>Hampton</td>
<td>16,000</td>
<td>$1,900,000</td>
<td>$118.75</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>1,407,392</td>
<td><strong>$172,782,989</strong></td>
<td></td>
</tr>
</tbody>
</table>
New Development

A tremendous amount of retail development continued in 2005 in Hampton Roads. Leading the way are the cities of Chesapeake and Virginia Beach. They are as follows:

**Chesapeake**
1. Edinburgh Commons - Ellis Gibson Development (Planned) (Home Depot Open)
2. Dominion Commons - Crescent Development (Under Construction)
3. Hanbury Commons - Armada Hoffler (Under Construction)
4. Mount Pleasant Marketplace - Stanton Partners (Under Construction)

**Virginia Beach**
1. Courthouse Marketplace - Armada Hoffler (Complete)
2. Redmill Walk - Ellis Gibson Development (Planned)
3. Shops at Town Center - Sifen & Co. (Planned)

Newport News has two new centers planned.

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

Isle of Wight, Suffolk, York County and Williamsburg each have one center planned.

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

**Suffolk**
Bennett’s Creek Shopping Center - Stanton Partners (Planned)

**York County**

**Williamsburg**
High Street - (Planned)
Settlers Market - AIG (Planned)
Windsor Meade - S.L. Nusbaum Realty Co. (Complete)
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.

<table>
<thead>
<tr>
<th>Code</th>
<th>Property Name</th>
<th>Submarket</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Neighborhood Center</td>
<td>South Side</td>
</tr>
<tr>
<td>B</td>
<td>Community Center</td>
<td>Bayfront</td>
</tr>
<tr>
<td>C</td>
<td>Fashion/Specialty Center</td>
<td>Birdneck/Oceanfront</td>
</tr>
<tr>
<td>D</td>
<td>Power Center</td>
<td>Campostella</td>
</tr>
<tr>
<td>E</td>
<td>Theme Festival</td>
<td>Chesapeake Square</td>
</tr>
<tr>
<td>F</td>
<td>Outlet Center</td>
<td>Churchland-Portsmouth</td>
</tr>
<tr>
<td>G</td>
<td>Other</td>
<td>Dam Neck</td>
</tr>
<tr>
<td>H</td>
<td>Freestanding</td>
<td>Downtown</td>
</tr>
<tr>
<td>I</td>
<td>Mall</td>
<td>Ghent</td>
</tr>
<tr>
<td>J</td>
<td></td>
<td>Great Bridge</td>
</tr>
<tr>
<td>K</td>
<td></td>
<td>Hollist/Great Neck</td>
</tr>
<tr>
<td>L</td>
<td></td>
<td>Hiltop/Green Run</td>
</tr>
<tr>
<td>M</td>
<td></td>
<td>Churchland-Portsmouth Harbourview</td>
</tr>
<tr>
<td>N</td>
<td></td>
<td>2006 Retail</td>
</tr>
</tbody>
</table>

2006 • RETAIL 26
### INDIAN RIVER/COLLEGE PARK
- College Park I & II: B 181,902
- Indian River Plaza: B 126,017
- Indian River SC: A 123,752
- Tidewater Plaza: A 50,638

### KEMPSVILLE
- Arrowhead Plaza: A 97,006
- Fairfield SC: B 239,763
- Kemps Corner Shoppes: A 54,415
- Kemps River Crossing: A 111,394
- Kempsville Crossing: A 60,778
- Parkway Marketplace: A 72,863
- Providence Square SC: A 135,915
- University Shoppes: A 26,100
- Woods Corner: A 150,079

### LITTLE CREEK
- Ames/Kroger: B 140,568
- Dollar Tree Shopping Center: A 54,415
- East Beach Shoppes: A 63,000
- Farm Fresh - Little Creek: H 66,000
- Glenwood Shoppes: A 53,255
- Little Creek East SC: B 189,815
- Little Creek Square: A 82,300
- Meadowbrook S C: G 27,260
- Mid-Town SC: A 75,768
- Mid-Way SC: G 31,000
- Ocean View SC: A 73,658
- Roosevelt Gardens SC: A 109,175
- Southern SC: B 260,847
- Suburban Park: B 127,450
- Tidewater I & II SC: B 126,212
- Wards Corner Strip: A 61,540
- Wedgewood SC: A 130,000

### LITTLE NECK
- Home Depot: H 130,060
- Ames Plaza: B 177,549
- Birchwood SC: A 358,635
- Kroger: H 45,000
- London Bridge Plaza: B 120,000
- Lynnhaven Convenience: G 36,900
- Princess Anne Plaza West: C 77,558
- Regatta Bay Shops: G 60,000
- Sam’s Club Plaza: D 248,604

### LYNNHAVEN
- Farm Fresh Center - Parkway Plaza: B 42,000
- Lynnhaven Crossing: G 55,550
- Lynnhaven East: B 97,303
- Lynnhaven Mall: I 1,293,100
- Lynnhaven N./N. Mall: B 176,254
- Lynnhaven Shopping Center: B 19,902
- Lynnhaven Place: G 30,213
- Walmart: H 113,112

### MIDDLE PORTSMOUTH
- Alfon SC: A 106,500
- Airlift Plaza: A 99,549
- Elmhurst Square: G 45,842
- Gilmerton Square: G 43,236
- Manor Commerce Center: G 67,060
- Manor Shops: A 14,573
- Olde Towne Market Place: A 38,200
- Rodman SC: A 45,000
- Triangle SC: A 82,382
- Victory Crossing: D 356,000
- Victory West Shopping Center: A 128,791
- Williams Court: B 214,739

### MILITARY HIGHWAY/JANAF
- Best Square: B 140,030
- Broad Creek SC: D 364,000
- Bromley SC: A 55,330
- CostCo: H 110,000
- Dump/Mega Office: G 115,854
- Farm Fresh: H 60,000
- Food Lion #170: H 41,000
- Grand Outlet: H 35,000
- Janaf: D 836,809
- Lowes: H 115,000
- Military Crossing: D 216,524
- Northampton Business Center: [former 5760 North Hampton Blvd.]: G 80,000
- Super K-Mart & Shoppes: B 200,000
- The Gallery at Military Circle: I 856,542
- Walmart: H 224,513

### NEWTOWN
- Cypress Plaza SC: A 59,912
- Cypress Point: A 117,958
- Diamond Springs Shoppes: G 18,840
- Newpointe SC: A 92,978
- Newtown Baker Crossing: A 91,687
- Newtown Center: G 19,876
- Newtown Convenience Center: A 19,800
- Thomas Corner SC: G 23,557
- Weblin Square: G 31,552
- Wesleyan Commons: A 54,594

### ODU
- University Village: G 36,500

### PEMBROKE
- Aragona SC: A 69,700
- Best Buy: H 45,000
- Bloom Brothers Furniture: H 58,000
- Circuit City: H 38,414
- Collins Square: A 111,370
- Columbus Village East: A 63,000
- Columbus Village Entertainment Center: E 100,000
- Dean Plaza (Former HQ): D 140,000
- Former Kroger: H 45,000
- Giant Square: B 150,000
- Goodwill: H 34,000
- Haverty’s: H 55,000
- Haygood SC: B 160,129
- Haynes: H 228,000
- Hunter’s Mill Shoppes: G 22,827
- Loehmann’s Plaza: C 139,380
- Northern Super Center: G 36,588
- Pembroke Mall: I 570,000
- Pembroke Meadows SC: A 81,592
- Pembroke Pl. & East Shps: B 186,075
- Roomstore: H 50,000
- Value City: H 95,000

### PRINCESS ANNE
- Courthouse Marketplace: A 122,000
- Home Depot: H 130,000
- Kempsville Marketplace: A 71,460
- Lynnhaven Square S C: G 22,933
- Parkway SC: A 64,820
- Pleasant Valley Marketplace: A 86,107
- Princess Anne Marketplace: B 209,500
- Princess One SC: A 84,725
- Salem Crossing: D 392,407
- Salem Lakes SC: A 37,087
- Woodside SC: A 25,500

### SMITHFIELD
- Eagle Harbor: A 77,400
- Smithfield Plaza: B 89,120
- Smithfield Square: A 65,244

### SUFFOLK
- Bennett’s Creek Food Lion: A 64,544
- Holland Plaza: A 69,345
- Kensington Square: A 60,000
- Lowes: H 150,000
- Oak Ridge SC: A 38,700
- Suffolk Plaza: B 174,221
- Suffolk Plaza West: A 60,000
- Suffolk SC: B 85,803
- Suffolk Specialty Shops: G 15,200
- Suffolk Village SC: B 11,875
- Walmart Supercenter: H 194,160
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GENERAL OVERVIEW

This report analyzes the 2005 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.
- 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.
- This survey includes 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.

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 (i.e., U.S. Naval Bases)
- Industrial facilities on government property (i.e., Norfolk International Terminal or Newport News Marine Terminal)

Functional market areas determined submarket delineations 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. There were certain minor boundary adjustments made to the area map this year in order to make it more complete and consistent with the mapping methodology of CoStar, a market subscription service now covering Hampton Roads.
The Old Dominion University’s 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 2005 survey indicate that the Hampton Roads industrial market currently encompasses 96,836,275 total square feet of space located in 2,699 buildings throughout the Region. This is an increase of 836,404 square feet, or .87% from the 2004 survey. This increase is due primarily to the enhancement of the survey in the Isle of Wight Submarket (started 2003), the Suffolk Submarket (started 1995) and the Williamsburg Submarket (1995), as well as building expansions and new construction. As a counter to these increases, there was an elimination of many previously included buildings that were noted to be under the survey’s minimum criteria of 5,000 square feet.

The Hampton Roads industrial market is within the South-Atlantic region of the United States, which includes twenty-seven major markets spanning from Maryland into Florida. This year, Hampton Roads posted its lowest vacancy rates since this survey started (1995) with an overall vacancy rate in 2005 of 5.1%. Two of our submarkets saw vacancies at year-end at 0% and all four Peninsula submarkets had their vacancies drop significantly (1.05% - 8.63%). Total absorption this year was 2.03% or 1,826,089 square feet, compared with 1.7% in 2004.

In many ways, 2005 was a “breakthrough” year for the Market. Watershed events included: 1) the purchase or optioning of 8 major land parcels targeted for major, high-bay projects; 2) the sale of four major industrial investment properties; 3) completion and substantial lease-up of the 100% speculative Bridgeway Commerce Center by Liberty Property Trust and 4) the escalation of sale values to levels outstripping even the most bullish projections.

Specific highlights included four major industrial buildings investment sales, some of which are included on the attached Comparables list: 1) DD Jones Campostella portfolio, totaling 712,000 square feet, 2) the 400,000 square foot Gateway facility in Hampton 3) and the 300,000 square foot Bay Warehouse complex in Chesapeake. Each of these properties were bought by Potomac Realty Trust. Also, the newly completed 17-North project by the Ireland Partnership of 168,000 square feet was sold this year to another local investor. As mentioned above, several major completed land sales or land options were solidified, allowing the purchasing developers to position these sites for major, high-bay distribution warehouse projects.
1. Benton Trust site, on Benton Road in Suffolk – 72 acres.
2. Trade Street, Chesapeake – 14,772 acres.
5. Ashley Capital’s 13 acre purchase at East Indian River Road site adjacent to the Ford Plant.
7. Ashley Capital purchase of 755,000 square foot GE facility and core 50 acres on College Drive, Suffolk.

If each of these developments is actually built as announced, this would supply an additional 2,782,534 square feet of modern, high-bay space for the market. 2,408,617 sq. ft. would be vacant of this new construction. These developments are in both in-close locations and outer suburban submarkets.

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 shift back to a more abundant supply of smaller units (under 5,000 sq. ft.). The percentages of buildings that are available in each size range are as follows:

![Hampton Roads Industrial Market Vacancy Rate Chart]
Available lease space continues to be the most lacking in the larger size ranges (above 40,000 square feet). Also, lacking are “for sale” opportunities, in all size ranges. This trend is likely to continue into 2006 and 2007. As mentioned above, land availability is extremely limited in close-in, central core portions of the Hampton Roads market. This is clearly pushing developers and users to consider and to execute on purchases in such outlying submarkets as Suffolk and Isle of Wight County, as noted above.

<table>
<thead>
<tr>
<th>PERCENTAGE OF AVAILABLE BUILDING BY SIZE RANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Begin Size (SF)</td>
</tr>
<tr>
<td>------------------</td>
</tr>
<tr>
<td>&gt; 5,000</td>
</tr>
<tr>
<td>5,000 - 20,000</td>
</tr>
<tr>
<td>20,000 - 40,000</td>
</tr>
<tr>
<td>40,000 - 60,000</td>
</tr>
<tr>
<td>&gt; 60,000</td>
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</table>

<table>
<thead>
<tr>
<th>PERCENTAGE OF AVAILABLE SPACE BY SIZE RANGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Begin Size (SF)</td>
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<tr>
<td>&gt; 5,000</td>
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<tr>
<td>5,000 - 20,000</td>
</tr>
<tr>
<td>20,000 - 40,000</td>
</tr>
<tr>
<td>40,000 - 60,000</td>
</tr>
<tr>
<td>&gt; 60,000</td>
</tr>
</tbody>
</table>
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
Average market asking rents for small spaces (less than 20,000 square feet) have risen substantially during the past year. The increase in the number of smaller units available has not yet led to a decrease as of yet in asking rents, however. 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 5% and 10% in 2005.

### Average Market Asking Rents ($/SF)

<table>
<thead>
<tr>
<th>Begin Size (SF)</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; 5,000</td>
<td>$6.34</td>
<td>$7.16</td>
<td>$6.95</td>
<td>$7.30</td>
<td>$7.75</td>
</tr>
<tr>
<td>5,000 - 20,000</td>
<td>$4.46</td>
<td>$5.80</td>
<td>$5.89</td>
<td>$6.20</td>
<td>$6.50</td>
</tr>
<tr>
<td>20,000 - 40,000</td>
<td>$4.35</td>
<td>$4.99</td>
<td>$5.21</td>
<td>$5.45</td>
<td>$5.75</td>
</tr>
<tr>
<td>40,000 - 60,000</td>
<td>$4.15</td>
<td>$4.13</td>
<td>$4.44</td>
<td>$4.75</td>
<td>$4.95</td>
</tr>
<tr>
<td>&gt; 60,000</td>
<td>$3.24</td>
<td>$3.43</td>
<td>$3.15</td>
<td>$4.00</td>
<td>$4.30</td>
</tr>
</tbody>
</table>

### Sales Overview

The 2005 sales activity for industrial buildings saw significant price escalation which continued into early 2006. Industrial building sales price predominated in the $35 - $75 per square foot (p.s.f.) range. Surprisingly, there were sales finalizing higher in the $100 - $120 p.s.f. range, factoring in developed yard or surplus land area into the p.s.f. price. Available modern industrial buildings for purchase have remained very hard to find in all size ranges.

### Representative Building Sales Transactions

<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>Dec</td>
<td>GE Facility</td>
<td>755,000</td>
<td>NA</td>
<td>NA</td>
<td>50</td>
</tr>
<tr>
<td>Dec</td>
<td>Tesoro Corp</td>
<td>15,980</td>
<td>$750,000</td>
<td>$46.93</td>
<td>0.59</td>
</tr>
<tr>
<td>Dec</td>
<td>Int'l Plaza, Chesapeake</td>
<td>15,500</td>
<td>$1,550,000</td>
<td>$100.00</td>
<td>4</td>
</tr>
<tr>
<td>Oct</td>
<td>DD Jones, Campostella Road, Chesapeake</td>
<td>712,000</td>
<td>$29,000,000</td>
<td>$40.73</td>
<td>55</td>
</tr>
<tr>
<td>Oct</td>
<td>Professional Place, Chesapeake</td>
<td>14,250</td>
<td>$1,300,000</td>
<td>$91.23</td>
<td>1.5</td>
</tr>
<tr>
<td>Oct</td>
<td>Norfolk Industrial Area</td>
<td>9,852</td>
<td>$600,000</td>
<td>$61.00</td>
<td>0.92</td>
</tr>
<tr>
<td>May</td>
<td>Seventeen N. Fenway Avenue</td>
<td>168,000</td>
<td>$7,200,000</td>
<td>$42.86</td>
<td>15</td>
</tr>
<tr>
<td>Mar</td>
<td>Bay Whises. Cook &amp; Cavalier</td>
<td>300,000</td>
<td>$13,200,000</td>
<td>$44.00</td>
<td>21</td>
</tr>
</tbody>
</table>
## 2005 SIOR/ODU HAMPTON ROADS INDUSTRIAL SURVEY

### Submarket Totals

<table>
<thead>
<tr>
<th>Submarket</th>
<th>City</th>
<th>Bldgs Surveyed</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>8,091,101</td>
<td>91,417</td>
<td>1.13%</td>
</tr>
<tr>
<td>Bainbridge/S. Elizabeth River Area</td>
<td>Chesapeake</td>
<td>133</td>
<td>5,383,212</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>Cavalier Industrial Park Area</td>
<td>Chesapeake</td>
<td>177</td>
<td>5,335,030</td>
<td>493,461</td>
<td>9.25%</td>
</tr>
<tr>
<td>Norfolk Commerce Park/ Central Norfolk Area</td>
<td>Norfolk</td>
<td>140</td>
<td>7,052,625</td>
<td>199,109</td>
<td>2.82%</td>
</tr>
<tr>
<td>Norfolk Industrial Park Area</td>
<td>Norfolk</td>
<td>347</td>
<td>10,068,064</td>
<td>288,600</td>
<td>2.87%</td>
</tr>
<tr>
<td>West Side/Midtown Norfolk Area</td>
<td>Norfolk</td>
<td>260</td>
<td>5,910,668</td>
<td>374,070</td>
<td>6.33%</td>
</tr>
<tr>
<td>Lynnhaven Area</td>
<td>Virginia Beach</td>
<td>173</td>
<td>5,549,055</td>
<td>213,705</td>
<td>3.85%</td>
</tr>
<tr>
<td>Greenwich/Cleveland Streets Area</td>
<td>Virginia Beach</td>
<td>130</td>
<td>3,147,891</td>
<td>58,271</td>
<td>1.85%</td>
</tr>
<tr>
<td>Airport Industrial Park Area</td>
<td>Virginia Beach</td>
<td>70</td>
<td>3,702,219</td>
<td>267,690</td>
<td>7.23%</td>
</tr>
<tr>
<td>City of Portsmouth</td>
<td>Portsmouth</td>
<td>157</td>
<td>4,368,804</td>
<td>1,006,761</td>
<td>23.04%</td>
</tr>
<tr>
<td>City of Suffolk</td>
<td>Suffolk</td>
<td>143</td>
<td>9,762,395</td>
<td>460,311</td>
<td>4.72%</td>
</tr>
<tr>
<td>Isle of Wight</td>
<td>Isle of Wight</td>
<td>14</td>
<td>2,424,950</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td><strong>Southside Totals</strong></td>
<td></td>
<td></td>
<td><strong>2,009</strong></td>
<td><strong>3,453,395</strong></td>
<td><strong>4.88%</strong></td>
</tr>
<tr>
<td>Copeland/Lower Peninsula Area</td>
<td>Peninsula</td>
<td>363</td>
<td>9,599,451</td>
<td>844,505</td>
<td>8.80%</td>
</tr>
<tr>
<td>Oyster Point/Middle Peninsula Area</td>
<td>Peninsula</td>
<td>158</td>
<td>3,877,481</td>
<td>158,058</td>
<td>4.08%</td>
</tr>
<tr>
<td>Oakland/Upper Peninsula Area</td>
<td>Peninsula</td>
<td>117</td>
<td>4,668,366</td>
<td>220,300</td>
<td>4.72%</td>
</tr>
<tr>
<td>Williamsburg Extended Area</td>
<td>Peninsula</td>
<td>52</td>
<td>7,885,963</td>
<td>398,185</td>
<td>5.05%</td>
</tr>
<tr>
<td>Peninsula Totals</td>
<td></td>
<td>690</td>
<td>26,031,261</td>
<td>1,621,048</td>
<td>6.23%</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td>2,699</td>
<td><strong>96,827,275</strong></td>
<td><strong>5,074,443</strong></td>
<td><strong>5.24%</strong></td>
</tr>
</tbody>
</table>
COMMERCIAL, RETAIL AND RESIDENTIAL LAND DEVELOPMENT

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For Information Contact: Rick Giannascoli
e-mail: rscoli@geesgroup.com  Tel (757) 340-7355

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Mike Howlett, Partner  mhowlett@cbh.com

757.456.2400
www.cbh.com
Acknowledgements

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Senior Director, Office Brokerage
Advantis/GVA
The regional multi-tenant office market encompasses approximately 22.3 million square feet of net leasable space plus approximately 3.1 million square feet of owner-occupied space.

- The average asking rents for the overall market increased from $15.64 per square foot to $15.84 per square foot, as a blended average for Class A and B space.
- Average asking rents increased in both the Southside and the Peninsula submarkets, as well as Downtown Norfolk.
- The total market vacancy rate has decreased this year to 8.0%. In Downtown Norfolk, the vacancy rate decreased significantly, going from 15.8% to 10.9%. The Southside Suburban vacancy rate decreased two percentage points, going from 8.7% to 6.6%. The Peninsula market also decreased slightly, going from 9.8% to 9.2%.

The Hampton Roads office market continued its gradual improvement during 2005 as the vacancy rate dropped from 10.1% to 8.0%. The Southside led the region with nearly 80% of the absorption highlighted by strong performances in the region’s urban areas, Downtown Norfolk and the Pembroke/Central Business District area of Virginia Beach. These two submarkets absorbed nearly 300,000 square feet between them, which accounted for almost half of the 600,000 square feet absorbed in Hampton Roads.

As vacancies fall further into single digits, strong rental rate growth throughout the region is anticipated. Land scarcity and corresponding land price increases coupled with a 20% to 25% increase in construction costs have driven pricing for new development to unprecedented levels. For this reason along with only modest demand for new space, the development community has shown restraint in adding new supply. In fact, less than 250,000 square feet was delivered in 2005, which is a remarkably small amount in the face of such a low vacancy factor. However, the cost equation will continue to dictate a cautious approach as suburban multi-story rents will be required to reach into the $22 to $23 per square foot range to justify the cost of new construction. Even so, 2006 promises to be a much more active year for new construction, with more than 600,000 square feet currently in progress.
## JANUARY 2006 AVERAGE RENTS & VACANCIES

### TABLE I  
MULTI-TENANT CLASS A, B AND C

<table>
<thead>
<tr>
<th></th>
<th>Downtown Norfolk</th>
<th>Southside</th>
<th>Peninsula</th>
<th>Total Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVG. RENT</td>
<td>$18.15</td>
<td>$15.51</td>
<td>$14.61</td>
<td>$15.66</td>
</tr>
<tr>
<td>% VAC.</td>
<td>10.9%</td>
<td>6.6%</td>
<td>9.2%</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

### TABLE II  
CLASS A & B ONLY

<table>
<thead>
<tr>
<th></th>
<th>Downtown Norfolk</th>
<th>Southside</th>
<th>Peninsula</th>
<th>Total Market</th>
</tr>
</thead>
<tbody>
<tr>
<td>AVG. RENT</td>
<td>$18.35</td>
<td>$15.64</td>
<td>$13.86</td>
<td>$15.85</td>
</tr>
<tr>
<td>% VAC.</td>
<td>11.1%</td>
<td>6.4%</td>
<td>9.2%</td>
<td>7.8%</td>
</tr>
</tbody>
</table>

### DOWNTOWN NORFOLK MARKET

Although most of the office skyline was developed in the 1970’s and 1980’s, the market spoke loudly when the new 150 West Main building leased quickly at rates 15 to 20 percent above the highest Class A rates previously achieved. The message was that a sector of the tenant base in the city is willing to pay rental rates in the low to mid $20’s per square foot for the highest class of space available. Although this base is not deep, it does represent a growing percentage of the annual absorption.

After an otherwise lackluster performance in 2004, Downtown Norfolk reasserted itself as a market leader in 2005, absorbing nearly 150,000 square feet. Most of this growth took place in the Class B sector, highlighted by a 45,000 square foot lease in the Bank of America Tower to Maersk Line Limited.

During the past decade, Downtown Norfolk has reinvented itself in every way possible. Every property type has seen a renaissance with high-end retail, upscale restaurants and numerous new residential projects added to the landscape. For the first time in decades, high-rise residential is now being planned. The response to urban living has been tremendous, as baby boomers are choosing the urban lifestyle with the amenities of a maturing downtown.
The most significant activity on the Downtown Skyline is the continued construction of Trader Publishing’s 220,000 square foot, 20-story Electronic Media Group Headquarters Building. This building will be owned and occupied entirely by the Norfolk-based company with a projected completion date in early 2007.

The distribution of properties in the Downtown Norfolk submarket is as follows:

<table>
<thead>
<tr>
<th>Class Type</th>
<th>Net Leasable Area (sq. ft.)</th>
<th>% of Downtown Norfolk Inventory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A Multi-Tenant</td>
<td>1,690,129</td>
<td>42.7%</td>
</tr>
<tr>
<td>Class B Multi-Tenant</td>
<td>1,522,535</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>3,309,216</td>
<td>83.6%</td>
</tr>
<tr>
<td>Owner Occupied</td>
<td>649,950</td>
<td>16.4%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,959,166</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>

Average Downtown Norfolk rents and vacancies by building class for January 2004, 2005, 2006 are as follows:

<table>
<thead>
<tr>
<th>Class Type</th>
<th>2004 AVG. RENT</th>
<th>% VACANT</th>
<th>2005 AVG. RENT</th>
<th>% VACANT</th>
<th>2006 AVG. RENT</th>
<th>% VACANT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A</td>
<td>$20.31</td>
<td>13.2%</td>
<td>$20.33</td>
<td>12.7%</td>
<td>$21.09</td>
<td>10.60%</td>
</tr>
<tr>
<td>Class B</td>
<td>$15.95</td>
<td>15.4%</td>
<td>$14.72</td>
<td>19.9%</td>
<td>$15.28</td>
<td>11.60%</td>
</tr>
<tr>
<td>Class C</td>
<td>$12.40</td>
<td>41.5%</td>
<td>$11.40</td>
<td>0.0%</td>
<td>$11.40</td>
<td>5.20%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$17.90</strong></td>
<td><strong>15.5%</strong></td>
<td><strong>$17.38</strong></td>
<td><strong>15.8%</strong></td>
<td><strong>$18.15</strong></td>
<td><strong>10.90%</strong></td>
</tr>
<tr>
<td>A &amp; B Only</td>
<td>$18.16</td>
<td>14.3%</td>
<td>$17.56</td>
<td>16.2%</td>
<td>$18.35</td>
<td>11.10%</td>
</tr>
</tbody>
</table>
SOUTHSIDE SUBURBAN MARKET

With limited new construction delivering in 2005, the vacancy rate in the Southside Suburban market continued to decrease. In fact, at less than 7%, vacancy is at an all time low. While new construction activity will increase in 2006, expect to see vacancy remain in single digits during the coming years as demand remains in a measured approach to the new supply.

Rental rates increased dramatically in 2005 in response to these tightening conditions. This trend will continue as large blocks of contiguous space become increasingly scarce.

Among the notable new projects under construction are the Liberty Two Building (50,000 sq. ft.) in Greenbrier, the second AMERIGROUP Building (106,000 sq. ft.) at CBN, The Gallery (30,000 sq. ft.) at Newtown, the Bridgeway Technology Center III (72,000 sq. ft.) in Suffolk and the Innovation Research Park (100,000 sq. ft.) at ODU. These new buildings are spread throughout the region and reflect a very diverse range of property types from single-story to multi-story and build-to-suits to 100% speculative projects.

The greatest challenge facing suburban developers today is land scarcity and the corresponding higher land prices. The combination of higher land cost and dramatically higher construction costs is resulting in proposed rental rates 15% to 20% higher than previously achieved.

The distribution of properties in the Southside Suburban submarket is as follows:

<table>
<thead>
<tr>
<th>Class Type</th>
<th>Net Leasable Area (sq. ft.)</th>
<th>% of Southside Inventory</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class A Multi-Tenant</td>
<td>6,240,644</td>
<td>32.6%</td>
</tr>
<tr>
<td>Class B Multi-Tenant</td>
<td>9,725,193</td>
<td>50.8%</td>
</tr>
<tr>
<td>Class C Multi-Tenant</td>
<td>448,847</td>
<td>2.3%</td>
</tr>
<tr>
<td>Subtotal Multi-Tenant</td>
<td>16,414,684</td>
<td>85.7%</td>
</tr>
<tr>
<td>Owner Occupied</td>
<td>2,731,342</td>
<td>14.3%</td>
</tr>
<tr>
<td>Total</td>
<td>19,146,026</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Average Southside Suburban rents and vacancies by building class for January 2004, 2005, 2006 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th></th>
<th>2005</th>
<th></th>
<th>2006</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AVG. RENT</td>
<td>% VACANT</td>
<td>AVG. RENT</td>
<td>% VACANT</td>
<td>AVG. RENT</td>
<td>% VACANT</td>
</tr>
<tr>
<td>Class A</td>
<td>$17.46</td>
<td>7.9%</td>
<td>$17.79</td>
<td>6.1%</td>
<td>$18.16</td>
<td>4.2%</td>
</tr>
<tr>
<td>Class B</td>
<td>$13.92</td>
<td>12.3%</td>
<td>$14.22</td>
<td>10.2%</td>
<td>$14.24</td>
<td>7.6%</td>
</tr>
<tr>
<td>Class C</td>
<td>$10.72</td>
<td>14.7%</td>
<td>$11.31</td>
<td>7.6%</td>
<td>$10.72</td>
<td>14.7%</td>
</tr>
<tr>
<td>Total</td>
<td>$15.03</td>
<td>10.9%</td>
<td>$15.38</td>
<td>8.7%</td>
<td>$15.51</td>
<td>6.6%</td>
</tr>
<tr>
<td>A &amp; B Only</td>
<td>$15.14</td>
<td>10.8%</td>
<td>$15.49</td>
<td>8.7%</td>
<td>$15.64</td>
<td>6.4%</td>
</tr>
</tbody>
</table>
The total office inventory on the Virginia Peninsula for Class A & B multi-tenant space is approximately 5.6 million square feet with a 2005 overall vacancy rate of 9.2% compared to 9.8% at the end of 2004. Oyster Point and Hampton Roads Center continue to be the primary submarkets on the Peninsula accounting for 76% of all Class A space and 45% of all Class B space. Oyster Point remains the largest submarket on the Peninsula containing 2,454,584 square feet of Class A & B office space. The second largest submarket is Hampton Roads Center, which contains 790,829 square feet of Class A & B office space. Combined, these two submarkets possess 3,245,413 square feet or 59% of the total office inventory for Classes A and B. The balance of 2,320,642 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 decrease from 4.7% to 2.9% during 2005 on a base of 1,271,602 square feet. Oyster Point absorbed 14,222 square feet of Class A space and a notable 44,855 square feet of Class B space. The absorption figure represents typical leasing of available space but more importantly only 37,586 square feet of Class A space is currently available. The most notable office activity in Oyster Point in 2005 was the development of One City Center, a 100,000 square foot office/retail facility set for delivery in the first quarter of 2006. The facility contains 20,000 square feet of retail space on the first floor and 80,000 square feet of office on floors two through five. The office component is 50% pre-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.

Class A space in Hampton Roads Center led the Peninsula submarkets in absorption with 75,827 square feet on a base of 438,722 square feet. The majority of this absorption is attributable to the 100% lease-up of the Hampton Roads Research Quad Building of 60,000 square feet. However, vacancy rates for Class A space increased from 2.4% in 2004 to 5.6% in 2005. This increase in vacancy was due to a privately owned building putting 30,000 square feet back on the market. Class B has maintained a vacancy of 22% - 24% over the past four years but dropped to below 15% in 2004. Unfortunately, 2005 has seen the vacancy rate for Class B space rebound to 23%. The notable vacancies in the Hampton Roads Center submarket are 30,000 square feet located in the Research Building (NAIA relocated to the Research Quad Building) and the NDS shell building that contains 35,000 square feet.

The major new construction projects in the pipeline for 2006 are One City Centre in Oyster Point and the construction of the Marriott Hotel and Conference Center, also in Oyster Point. Lastly, Craig Davis Properties is constructing and will deliver a 100,000 square foot Class A building in Hampton Roads Center North in 2006. The Building is 72% pre-leased to the United States Air Force.

In 2006, rental rates will 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 more competitive rates and increased tenant improvement packages as existing buildings vie for prospective tenants.

The distribution of properties in the Peninsula submarket is as follows:
Average Peninsula rents and vacancies by building class for January 2004, 2005, 2006 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2004</th>
<th></th>
<th>2005</th>
<th></th>
<th>2006</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>AVG. RENT</td>
<td>% VACANT</td>
<td>AVG. RENT</td>
<td>% VACANT</td>
<td>AVG. RENT</td>
<td>% VACANT</td>
</tr>
<tr>
<td>Class A</td>
<td>$17.09</td>
<td>13.6%</td>
<td>$17.73</td>
<td>5.1%</td>
<td>$17.10</td>
<td>4.6%</td>
</tr>
<tr>
<td>Class B</td>
<td>$13.23</td>
<td>18.2%</td>
<td>$12.69</td>
<td>12.9%</td>
<td>$12.46</td>
<td>11.5%</td>
</tr>
<tr>
<td>Class C</td>
<td>$11.77</td>
<td>16.9%</td>
<td>$11.22</td>
<td>12.1%</td>
<td>$10.51</td>
<td>11.0%</td>
</tr>
<tr>
<td>Total</td>
<td>$14.68</td>
<td>16.7%</td>
<td>$14.52</td>
<td>9.9%</td>
<td>$14.61</td>
<td>9.3%</td>
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<tr>
<td>A &amp; B Only</td>
<td>$14.83</td>
<td>16.7%</td>
<td>$14.72</td>
<td>9.8%</td>
<td>$13.96</td>
<td>9.2%</td>
</tr>
</tbody>
</table>

**REPRESENTATIVE 2005 SALES TRANSACTIONS**

For the second consecutive year, investment sales activity was brisk with prices continuing to increase as cap rate compression found its way into Hampton Roads’ office market. In fact, the Patrick Henry Corporate Center sold for 35% more than it did only 18 months earlier.

**TABLE III**  
**CLASS A TRANSFERS**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>109 East Main Street (Norfolk)</td>
<td>52,698</td>
<td>47%</td>
<td>$5,800,000</td>
<td>$110.06</td>
</tr>
<tr>
<td>150 West Main Street (Norfolk)</td>
<td>226,183</td>
<td>93%</td>
<td>$50,500,000</td>
<td>$223.27</td>
</tr>
<tr>
<td>City Centre (Norfolk)</td>
<td>52,964</td>
<td>93%</td>
<td>$4,770,000</td>
<td>$90.06</td>
</tr>
<tr>
<td>Corporate Woods (Virginia Beach)</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Lake Center I (Chesapeake)</td>
<td>60,941</td>
<td>93%</td>
<td>$7,500,000</td>
<td>$123.07</td>
</tr>
<tr>
<td>Patrick Henry Corporate Center (Newport News)</td>
<td>92,883</td>
<td>92%</td>
<td>$14,500,000</td>
<td>$156.11</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
## Summary of Class A & B Only

<table>
<thead>
<tr>
<th>Submarket</th>
<th>January 2004</th>
<th>January 2005</th>
<th>January 2006</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NLA</td>
<td>% VAC</td>
<td>AVG. RENT</td>
</tr>
<tr>
<td>Downtown Norfolk - Class A &amp; B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Downtown Norfolk - Class A &amp; B</td>
<td>3,336,490</td>
<td>14.3%</td>
<td>$18.16</td>
</tr>
<tr>
<td>Southside - Class A &amp; B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Airport/Northampton</td>
<td>298,287</td>
<td>3.4%</td>
<td>$15.96</td>
</tr>
<tr>
<td>Central Norfolk</td>
<td>875,352</td>
<td>14.2%</td>
<td>$12.96</td>
</tr>
<tr>
<td>Chesapeake/Greenbrier</td>
<td>2,806,412</td>
<td>9.8%</td>
<td>$15.83</td>
</tr>
<tr>
<td>Corporate Landing</td>
<td>69,756</td>
<td>11.2%</td>
<td>$15.13</td>
</tr>
<tr>
<td>Hilltop/Oceanfront</td>
<td>436,636</td>
<td>7.6%</td>
<td>$17.12</td>
</tr>
<tr>
<td>Kempsville</td>
<td>442,000</td>
<td>12.0%</td>
<td>$15.05</td>
</tr>
<tr>
<td>Little Neck</td>
<td>473,986</td>
<td>7.7%</td>
<td>$14.19</td>
</tr>
<tr>
<td>Lynnhaven</td>
<td>1,761,571</td>
<td>15.7%</td>
<td>$15.31</td>
</tr>
<tr>
<td>Military Circle</td>
<td>270,868</td>
<td>4.9%</td>
<td>$15.93</td>
</tr>
<tr>
<td>Newport/Witchduck</td>
<td>1,863,747</td>
<td>8.8%</td>
<td>$15.35</td>
</tr>
<tr>
<td>Pembroke/Central Business</td>
<td>1,996,825</td>
<td>11.8%</td>
<td>$17.44</td>
</tr>
<tr>
<td>District</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Portsmouth</td>
<td>457,244</td>
<td>13.5%</td>
<td>$13.20</td>
</tr>
<tr>
<td>Suffolk</td>
<td>612,405</td>
<td>4.6%</td>
<td>$13.33</td>
</tr>
<tr>
<td>Peninsula - Class A &amp; B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coliseum Central</td>
<td>515,676</td>
<td>7.3%</td>
<td>$13.79</td>
</tr>
<tr>
<td>Downtown Hampton</td>
<td>206,593</td>
<td>19.0%</td>
<td>$14.07</td>
</tr>
<tr>
<td>Downtown Newport News</td>
<td>153,442</td>
<td>9.8%</td>
<td>$13.25</td>
</tr>
<tr>
<td>Hampton Roads Center</td>
<td>730,829</td>
<td>16.1%</td>
<td>$15.70</td>
</tr>
<tr>
<td>Newmarket</td>
<td>670,433</td>
<td>36.7%</td>
<td>$13.00</td>
</tr>
<tr>
<td>Oyster Point</td>
<td>2,294,584</td>
<td>15.6%</td>
<td>$15.02</td>
</tr>
<tr>
<td>Suburban Newport News</td>
<td>236,276</td>
<td>5.5%</td>
<td>$12.25</td>
</tr>
<tr>
<td>Williamsburg/James City/York County</td>
<td>562,721</td>
<td>10.0%</td>
<td>$15.14</td>
</tr>
</tbody>
</table>
### TABLE V  SUMMARY BY CLASS

<table>
<thead>
<tr>
<th>Downtown Norfolk - By Class</th>
<th>CLASS A</th>
<th></th>
<th>CLASS B</th>
<th></th>
<th>CLASS C</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NLA</td>
<td>% VAC</td>
<td>AVG. RENT</td>
<td>NLA</td>
<td>% VAC</td>
<td>AVG. RENT</td>
<td>NLA</td>
</tr>
<tr>
<td>Downtown Norfolk</td>
<td>1,690,129</td>
<td>10.6%</td>
<td>$21.09</td>
<td>1,522,535</td>
<td>11.6%</td>
<td>$15.28</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Southside - By Class</th>
<th>CLASS A</th>
<th></th>
<th>CLASS B</th>
<th></th>
<th>CLASS C</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NLA</td>
<td>% VAC</td>
<td>AVG. RENT</td>
<td>NLA</td>
<td>% VAC</td>
<td>AVG. RENT</td>
<td>NLA</td>
</tr>
<tr>
<td>Airport/Northampton</td>
<td>176,000</td>
<td>0.0%</td>
<td>$18.00</td>
<td>122,287</td>
<td>14.2%</td>
<td>$13.94</td>
</tr>
<tr>
<td>Central Norfolk</td>
<td>–</td>
<td>0.0%</td>
<td>–</td>
<td>875,352</td>
<td>7.9%</td>
<td>$13.09</td>
</tr>
<tr>
<td>Chesapeake/Greenbrier</td>
<td>820,878</td>
<td>5.4%</td>
<td>$17.43</td>
<td>1,985,534</td>
<td>7.4%</td>
<td>$14.26</td>
</tr>
<tr>
<td>Corporate Landing</td>
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<td>–</td>
<td>69,756</td>
<td>0.0%</td>
<td>$14.85</td>
</tr>
<tr>
<td>Hilltop/Oceanfront</td>
<td>132,677</td>
<td>0.0%</td>
<td>$21.37</td>
<td>303,959</td>
<td>0.0%</td>
<td>$13.56</td>
</tr>
<tr>
<td>Kempsville</td>
<td>122,000</td>
<td>10.4%</td>
<td>$18.00</td>
<td>320,000</td>
<td>6.8%</td>
<td>$12.92</td>
</tr>
<tr>
<td>Little Neck</td>
<td>–</td>
<td>0.0%</td>
<td>–</td>
<td>501,986</td>
<td>8.4%</td>
<td>$13.75</td>
</tr>
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<td>Lynnhaven</td>
<td>866,230</td>
<td>7.5%</td>
<td>$17.55</td>
<td>895,341</td>
<td>8.7%</td>
<td>$13.87</td>
</tr>
<tr>
<td>Military Circle</td>
<td>70,000</td>
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<td>$17.00</td>
<td>200,868</td>
<td>0.0%</td>
<td>$15.96</td>
</tr>
<tr>
<td>Newtown/Witchduck</td>
<td>966,694</td>
<td>2.3%</td>
<td>$18.11</td>
<td>1,003,053</td>
<td>7.5%</td>
<td>$14.69</td>
</tr>
<tr>
<td>Pembroke/Central Business District</td>
<td>979,975</td>
<td>4.6%</td>
<td>$21.62</td>
<td>1,204,065</td>
<td>7.6%</td>
<td>$14.65</td>
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<tr>
<td>Portsmouth</td>
<td>88,327</td>
<td>0.0%</td>
<td>$16.10</td>
<td>368,917</td>
<td>12.9%</td>
<td>$14.24</td>
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<tr>
<td>Suffolk</td>
<td>328,365</td>
<td>0.0%</td>
<td>$11.00</td>
<td>351,540</td>
<td>6.5%</td>
<td>$16.70</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Peninsula - By Class</th>
<th>CLASS A</th>
<th></th>
<th>CLASS B</th>
<th></th>
<th>CLASS C</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NLA</td>
<td>% VAC</td>
<td>AVG. RENT</td>
<td>NLA</td>
<td>% VAC</td>
<td>AVG. RENT</td>
<td>NLA</td>
</tr>
<tr>
<td>Coliseum Central</td>
<td>211,664</td>
<td>8.5%</td>
<td>$16.25</td>
<td>304,012</td>
<td>4.1%</td>
<td>$9.47</td>
</tr>
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<td>Downtown Hampton</td>
<td>158,855</td>
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<td>$17.00</td>
<td>47,738</td>
<td>6.3%</td>
<td>$11.05</td>
</tr>
<tr>
<td>Downtown Newport News</td>
<td>–</td>
<td>0.0%</td>
<td>–</td>
<td>153,442</td>
<td>2.9%</td>
<td>$14.00</td>
</tr>
<tr>
<td>Hampton Roads Center</td>
<td>438,722</td>
<td>5.6%</td>
<td>$17.27</td>
<td>352,107</td>
<td>23.8%</td>
<td>$14.83</td>
</tr>
<tr>
<td>Newmarket</td>
<td>–</td>
<td>0.0%</td>
<td>–</td>
<td>670,433</td>
<td>22.6%</td>
<td>$13.35</td>
</tr>
<tr>
<td>Oyster Point</td>
<td>1,271,602</td>
<td>3.0%</td>
<td>$18.59</td>
<td>1,182,982</td>
<td>7.9%</td>
<td>$12.35</td>
</tr>
<tr>
<td>Suburban Newport News</td>
<td>–</td>
<td>0.0%</td>
<td>–</td>
<td>236,276</td>
<td>13.1%</td>
<td>$11.28</td>
</tr>
<tr>
<td>Williamsburg/Jamestown/York County</td>
<td>178,000</td>
<td>3.4%</td>
<td>$17.32</td>
<td>355,221</td>
<td>6.5%</td>
<td>$13.81</td>
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## TABLE VI
### ABSORPTION

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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Airport/Northampton</td>
<td>320,307</td>
<td>320,307</td>
<td>0</td>
<td>24,189</td>
<td>52,621</td>
<td>(28,432)</td>
<td>(28,432)</td>
<td>35,221</td>
</tr>
<tr>
<td>Central Norfolk</td>
<td>984,503</td>
<td>984,503</td>
<td>0</td>
<td>138,848</td>
<td>96,109</td>
<td>(42,739)</td>
<td>42,739</td>
<td>22,779</td>
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<td>Chesapeake/Greenbrier</td>
<td>2,848,835</td>
<td>2,848,835</td>
<td>0</td>
<td>275,626</td>
<td>216,175</td>
<td>(59,451)</td>
<td>59,451</td>
<td>24,112</td>
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<td>515,676</td>
<td>515,676</td>
<td>0</td>
<td>37,627</td>
<td>29,123</td>
<td>(8,504)</td>
<td>8,504</td>
<td>(1,346)</td>
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<td>69,756</td>
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<td>7,800</td>
<td>0</td>
<td>(7,800)</td>
<td>7,800</td>
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<td>218,725</td>
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<td>27,647</td>
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<td>15,000</td>
<td>4,144</td>
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<td>10,856</td>
<td>(299)</td>
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<tr>
<td>Downtown Norfolk</td>
<td>3,433,042</td>
<td>3,309,216</td>
<td>(123,826)</td>
<td>482,080</td>
<td>546,351</td>
<td>64,271</td>
<td>(188,097)</td>
<td>141,760</td>
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<td>Hampton Roads Center</td>
<td>766,662</td>
<td>766,662</td>
<td>0</td>
<td>151,490</td>
<td>89,344</td>
<td>(62,146)</td>
<td>62,146</td>
<td>11,730</td>
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<tr>
<td>Hilltop/Oceanfront</td>
<td>446,996</td>
<td>446,996</td>
<td>0</td>
<td>33,083</td>
<td>6,420</td>
<td>(26,663)</td>
<td>26,663</td>
<td>7,220</td>
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<tr>
<td>Kempsville</td>
<td>442,000</td>
<td>442,000</td>
<td>0</td>
<td>53,030</td>
<td>52,297</td>
<td>(733)</td>
<td>733</td>
<td>22,990</td>
</tr>
<tr>
<td>Little Neck</td>
<td>502,266</td>
<td>502,266</td>
<td>0</td>
<td>37,038</td>
<td>73,284</td>
<td>36,246</td>
<td>36,246</td>
<td>30,940</td>
</tr>
<tr>
<td>Lynnhaven</td>
<td>1,760,940</td>
<td>1,760,940</td>
<td>0</td>
<td>276,354</td>
<td>132,318</td>
<td>(144,036)</td>
<td>144,036</td>
<td>(20,973)</td>
</tr>
<tr>
<td>Military Circle</td>
<td>336,997</td>
<td>336,997</td>
<td>0</td>
<td>13,200</td>
<td>21,611</td>
<td>8,411</td>
<td>(8,411)</td>
<td>7,012</td>
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<tr>
<td>Newmarket</td>
<td>820,433</td>
<td>820,433</td>
<td>0</td>
<td>251,708</td>
<td>184,189</td>
<td>(67,519)</td>
<td>67,519</td>
<td>22,789</td>
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<tr>
<td>Newtown/Witchduck</td>
<td>1,881,747</td>
<td>1,987,747</td>
<td>106,000</td>
<td>164,586</td>
<td>140,607</td>
<td>(23,979)</td>
<td>129,979</td>
<td>43,900</td>
</tr>
<tr>
<td>Oyster Point</td>
<td>2,455,234</td>
<td>2,535,234</td>
<td>80,000</td>
<td>359,067</td>
<td>190,665</td>
<td>(168,402)</td>
<td>248,402</td>
<td>77,825</td>
</tr>
<tr>
<td>Pembroke/Central Business District</td>
<td>2,040,317</td>
<td>2,160,632</td>
<td>120,315</td>
<td>310,603</td>
<td>228,495</td>
<td>(82,108)</td>
<td>202,423</td>
<td>122,348</td>
</tr>
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<td>Portsmouth</td>
<td>477,584</td>
<td>477,584</td>
<td>0</td>
<td>61,894</td>
<td>53,518</td>
<td>(8,376)</td>
<td>8,376</td>
<td>5,868</td>
</tr>
<tr>
<td>Suburban Newport News</td>
<td>284,276</td>
<td>284,276</td>
<td>0</td>
<td>27,873</td>
<td>27,873</td>
<td>0</td>
<td>(27,873)</td>
<td>(30,850)</td>
</tr>
<tr>
<td>Suffolk</td>
<td>612,405</td>
<td>679,905</td>
<td>67,500</td>
<td>28,000</td>
<td>60,750</td>
<td>32,750</td>
<td>34,750</td>
<td>37,750</td>
</tr>
<tr>
<td>Williamsburg/James City/York County</td>
<td>562,721</td>
<td>563,221</td>
<td>500</td>
<td>56,505</td>
<td>54,716</td>
<td>(1,789)</td>
<td>2,289</td>
<td>31,883</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>21,934,864</strong></td>
<td><strong>22,185,353</strong></td>
<td><strong>250,489</strong></td>
<td><strong>2,844,798</strong></td>
<td><strong>2,260,384</strong></td>
<td><strong>(584,414)</strong></td>
<td><strong>834,903</strong></td>
<td><strong>607,208</strong></td>
</tr>
</tbody>
</table>
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
- Former BB&T Building (109 E. Main St.) .............. 52,698
- City Grace Building ........................................... 54,138
- First Virginia Tower ......................................... 111,600
- Ghent-Olney Building ........................................ 24,000
- Historic Freemason Building ............................ 11,000
- Lorisdale Building ............................................ 18,000
- Monticello Arcade ............................................. 44,500
- Monticello Office Building ................................. 70,000
- Plume Center West ........................................... 82,375
- Seaboard Center ................................................ 30,000
- St. Paul Building .............................................. 42,300
- 500 E. Main St. (Former SunTrust) ..................... 230,000
- Tazewell Building .............................................. 38,000
- The Virginia 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 Telecom Center .................................... 60,000
- PETA .................................................................. 25,000
- Standard Forms .................................................. 30,000
- Two Commercial Place ..................................... 234,450

### CENTRAL NORFOLK

#### CLASS B
- Almedia Business Center (flex) ......................... 84,000
- Gateway II (flex) ............................................... 58,783
- 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 (flex) ...................... 168,000
- Norfolk Commerce Center (flex) ...................... 79,980
- Norfolk Commerce Center (flex) ...................... 72,000
- Norfolk 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
- 1580 Crossways Blvd ........................................... 10,800
- Armada Hoffler Corporate Headquarters ........... 52,702
- CHK/DC Health Center (Volkswagen) .............. 23,000
- Chubb Building ................................................. 97,500
- Dendrite One ...................................................... 50,000
- Dendrite Two ...................................................... 50,000
- Greenbrier Tower I .......................................... 87,900
- Greenbrier Tower II ......................................... 86,976
- Lake Center I ..................................................... 60,000
- Lake Center II ..................................................... 64,000
- Liberty One ....................................................... 50,000
- One Greenbrier Point (Oracle) ....................... 75,000
- Towers Perrin ................................................... 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 ....................... 51,578
- 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 WCMC .................................. 12,400
- Crossways Commerce Center II .................... 145,300
- Crossways I ....................................................... 137,000
- Crossways II (flex) ........................................... 61,992
- Eden North Center ............................................ 18,700
- Greenbrier Business Center ......................... 50,000
- Greenbrier Business Centre (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 .................. 98,000
- Knells Ridge Plaza .......................................... 15,500
- Knells Ridge Square .......................................... 30,000
- Old Greenbrier Village .................................... 34,015
- Riverwalk Professional Bldg ......................... 10,000
- Rose and Wimbble Business Center ............... 13,432
- SunTrust Bank Building .................................... 33,500
- Volvo Expressway .............................................. 36,000
- Volvo Park ......................................................... 52,000
- Volvo Vill ........................................................ 13,000
- Woodbury Terrace ............................................ 10,000

#### CLASS C
- 2125 Smith Avenue ............................................ 42,423

### HILLTOP/OCEANFRONT

#### CLASS A
- Cox Communications ........................................ 150,000
- First Data ......................................................... 42,557
- Household Finance ............................................ 84,751
- Panasonic Call Center ..................................... 55,000
- Towers Perrin .................................................... 104,000
- Volvo Penta ..................................................... 25,000

#### OWNER OCCUPIED
- Pavilion Center ................................................. 85,177
- Potter Professional Center ............................... 27,500
- William E. Wood Building .............................. 20,000
### 2006 Office

#### Class B
- **1206 Laskin Road**
  - Executive Center .................................. 33,000
- **Beach Tower** ........................................ 23,000
- **Birdneck Office Park** ................................ 10,182
- **Birdneck Square** ...................................... 17,285
- **Colonial Mill Professional Center** .................. 23,555
- **Damasus Centre** ....................................... 16,900
- **First Colonial Office Park** ............................ 18,000
- **General Booth Professional Center** ................... 11,000
- **Gibson Pavilion** ....................................... 30,000
- **Great Neck Professional Bldg** ........................ 20,000
- **Heritage Commons** ................................... 11,000
- **Hilltop West Executive Center** ....................... 23,000
- **Mill Dam Crossing** ................................... 22,037
- **Rudd Building** ......................................... 13,000
- **Sandpiper Key Associates Bldg** ....................... 32,000

#### Class C
- **Oceana East** ........................................... 10,360

#### Corporate Landing
- **Class B**
  - **Princess Anne Executive Park** ...................... 59,756
  - **Verizon Building** ................................... 10,000

#### Owner Occupied
- **Atrium of College Park Square** ....................... 36,379
- **3386 Holland Road** ................................... 20,000
- **Heritage Commons** ................................... 11,000
- **Approved Financial** .................................. 30,000
- **GEICO** .................................................. 250,000

#### Kempsville
- **Class A**
  - **Chadwick Building** .................................. 80,000
  - **Grayson Building** .................................... 42,000

#### Class B
- **1201 Lake James Office** ................................ 12,000
- **3386 Holland Road** ................................... 20,000
- **Anrowhead Office Court** ................................ 10,000
- **Arrium of College Park Square** ....................... 36,379
- **Central Park I** ........................................ 18,000
- **Central Park II** ........................................ 43,000
- **College Park Square III** ................................ 30,150
- **Courtyard at Providence** ................................ 17,879
- **Fairfield Square** ....................................... 12,933
- **Holland South** .......................................... 14,843
- **Holland/Taft Professional Center** ..................... 11,850
- **Kempsville Office Park** ................................ 30,722
- **Oxford Square** ......................................... 13,544
- **Providence South Office Park** ......................... 12,000
- **Woolpert Building** ..................................... 36,700

#### Lynnhaven
- **Class A**
  - **Lynnhaven Commons Complex** ....................... 25,000
  - **Lynnhaven Commons (office bldg)** .................. 26,000

#### Little Neck
- **Class B**
  - **101 N. Lynnhaven (Lynnhaven Station)** ........... 28,000
  - **3300 Building** ........................................ 11,000
  - **(Virginia Beach Blvd.)** ............................. 13,000

#### Class C
- **Lynnhaven Commons (office bldg)** .................. 26,000
- **Marsh Landing** ........................................ 62,117
- **Oceana Center One** .................................... 39,928
- **Oceana Place** .......................................... 76,000
- **Park West** ............................................. 66,180
- **Pinehurst Centre** ...................................... 103,000
- **Reflections I** .......................................... 62,924
- **Reflections II** .......................................... 73,676
- **Reflections III** ........................................ 67,000
- **Reflections IV** ......................................... 80,000
- **Viking Building** ....................................... 18,900
- **Windwood Center** ..................................... 78,348

#### Class B
- **5955 Lynnhaven Pkwy** ................................ 31,910
- **Advanced Technology Building** ...................... 32,000
- **Basgier Bldg. I** ....................................... 18,200
- **Basgier Bldg. II** ....................................... 20,000
- **Bennet Office Building** ................................ 10,522
- **Commercial Place** .................................... 36,400
- **Lynnhaven Corporate Center I** ........................ 36,046
- **Lynnhaven Corporate Center II** ....................... 40,300
- **Lynnhaven Corporate Center III** ...................... 53,000
- **Lynnhaven Executive Center** ......................... 18,000
- **Lynnhaven Five** ........................................ 24,549
- **Lynnhaven North** ...................................... 10,000
- **Lynnhaven Professional Center** ...................... 12,000
- **Lynnhaven Station** .................................... 26,226
- **Parkway Center 3 and 4** ................................ 64,567
- **Parkway Center I & II** ................................ 32,112
- **Parkway III (Unisys)** .................................. 50,428
- **Parkway West (flex)** ................................... 41,563
- **Princess Anne Bank Building** ......................... 18,000
- **RBM Building** ......................................... 14,170
- **Sabre Street I** .......................................... 68,000
- **Sabre Street II** ......................................... 60,000
- **Sabre Street III** ........................................ 40,000
- **Sabre Street IV** ......................................... 40,000
- **South Lynnhaven Business Park** ...................... 40,000
- **U.S. Commerce Center (Tidewater Tech)** ........... 26,819
- **Yorktown Commerce Center** ............................ 30,529

#### Owner Occupied
- **Sentara** ............................................ 45,000
- **Riverside Corporate Center** ............................ 86,682
- **Virginia Natural Gas Campus** ......................... 75,403

#### Newtown/Witchduck
- **Class A**
  - **AAA Headquarters** .................................... 54,000
  - **Amelia Building** ...................................... 71,000
  - **Amegroup Building** ................................... 106,000
  - **BB&T Building** ........................................ 30,000
  - **Expressway Corporate Center** ....................... 85,658
  - **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
<table>
<thead>
<tr>
<th>Building Name</th>
<th>Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Independent Plaza</td>
<td>36,655</td>
</tr>
<tr>
<td>Holland Plaza Office Building</td>
<td>14,513</td>
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<tr>
<td>Holland Office Park</td>
<td>32,000</td>
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<tr>
<td>Holland Commerce Center</td>
<td>10,000</td>
</tr>
<tr>
<td>Executive Cove</td>
<td>61,000</td>
</tr>
<tr>
<td>Hampton Roads Realty Association</td>
<td>27,784</td>
</tr>
<tr>
<td>Interstate Corporate Center</td>
<td>430,000</td>
</tr>
<tr>
<td>Parliament Drive Professional Bldg</td>
<td>10,000</td>
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<tr>
<td>TRC Center I</td>
<td>62,000</td>
</tr>
<tr>
<td>TRC Center II</td>
<td>36,884</td>
</tr>
<tr>
<td>TRC Center III</td>
<td>52,000</td>
</tr>
<tr>
<td>Witchduck Office Court</td>
<td>18,000</td>
</tr>
<tr>
<td>Resource Bank Plaza **</td>
<td>90,315</td>
</tr>
<tr>
<td>Town Center</td>
<td>256,900</td>
</tr>
<tr>
<td>Southport Center</td>
<td>65,000</td>
</tr>
<tr>
<td>Six Columbus Center</td>
<td>36,000</td>
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<tr>
<td>Southport Center</td>
<td>65,000</td>
</tr>
<tr>
<td>Town Center</td>
<td>256,900</td>
</tr>
<tr>
<td>Resource Bank Plaza **</td>
<td>90,315</td>
</tr>
<tr>
<td>Ticketmaster **</td>
<td>30,000</td>
</tr>
<tr>
<td>Town Center North Tower</td>
<td>53,000</td>
</tr>
<tr>
<td>Crawford Executive Center</td>
<td>20,340</td>
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<tr>
<td>BB&amp;T Building</td>
<td>35,327</td>
</tr>
<tr>
<td>Harbourfront Corporate Center</td>
<td>53,000</td>
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<tr>
<td>307 County Street</td>
<td>13,475</td>
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<tr>
<td>355 Crawford Street</td>
<td>79,367</td>
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<tr>
<td>600 Crawford Street</td>
<td>16,171</td>
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<tr>
<td>Boyette Professional Center</td>
<td>13,000</td>
</tr>
<tr>
<td>Bristol Square</td>
<td>10,800</td>
</tr>
<tr>
<td>First Union Bank Building</td>
<td>34,000</td>
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<tr>
<td>JFH Building</td>
<td>17,563</td>
</tr>
<tr>
<td>New Kim Building</td>
<td>22,318</td>
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<tr>
<td>Port Trade Center</td>
<td>14,223</td>
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<tr>
<td>ParkCentre I (flex)</td>
<td>100,000</td>
</tr>
<tr>
<td>Wachovia Bank</td>
<td>48,000</td>
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<tr>
<td>JASC Building</td>
<td>328,365</td>
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<tr>
<td>Lake View Technology</td>
<td>112,740</td>
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<tr>
<td>Center One</td>
<td>112,740</td>
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<tr>
<td>Main Street Center</td>
<td>13,800</td>
</tr>
<tr>
<td>Washington Street Center</td>
<td>12,000</td>
</tr>
<tr>
<td>Towne Bank Center</td>
<td>50,000</td>
</tr>
</tbody>
</table>

**Owner Occupied**

Portsmouth

<table>
<thead>
<tr>
<th>Building Name</th>
<th>Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crawford Executive Center</td>
<td>20,340</td>
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</table>

**Suffolk**

<table>
<thead>
<tr>
<th>Building Name</th>
<th>Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>JTASC Building</td>
<td>328,365</td>
</tr>
<tr>
<td>Bridgeway Technology, Center I</td>
<td>125,000</td>
</tr>
<tr>
<td>Bridgeway Technology</td>
<td>70,000</td>
</tr>
<tr>
<td>Center II **</td>
<td>67,500</td>
</tr>
<tr>
<td>Brinkley Building</td>
<td>20,500</td>
</tr>
</tbody>
</table>

**Downtown Hampton**

<table>
<thead>
<tr>
<th>Building Name</th>
<th>Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harbour Centre</td>
<td>158,855</td>
</tr>
</tbody>
</table>

**Newport News**

<table>
<thead>
<tr>
<th>Building Name</th>
<th>Square Feet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newport News Shipbuilding, Bldg. 520-521</td>
<td>50,000</td>
</tr>
</tbody>
</table>

**Hampton Roads Center**

<table>
<thead>
<tr>
<th>Building Name</th>
<th>Square Feet</th>
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</thead>
<tbody>
<tr>
<td>Hampton I</td>
<td>68,532</td>
</tr>
<tr>
<td>Hampton II</td>
<td>67,000</td>
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<tr>
<td>Hampton III</td>
<td>45,000</td>
</tr>
<tr>
<td>Hampton Technology Center I</td>
<td>56,575</td>
</tr>
<tr>
<td>NDS Building</td>
<td>35,000</td>
</tr>
<tr>
<td>Raytheon</td>
<td>50,000</td>
</tr>
<tr>
<td>Research Office Building</td>
<td>30,000</td>
</tr>
</tbody>
</table>
2006 OFFICE

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

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

OWNER OCCUPIED
Langley Federal Credit Union .......... 72,800

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
Cedar One ................................ 15,467
Contemporary Cybermetrics ...... 60,000
Ferguson Corporate Center II .... 100,000
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

CLASS B
11790 Jefferson Avenue .......... 20,662
745 Blue crab (flex) ................. 16,000
BB&T Plaza ............................ 37,348
Cale Colony 17 ....................... 17,871
Canon Place .......................... 26,000
Comb-Bay Park ....................... 32,000
Dunwoody Place ..................... 19,798
Executive Center .................... 95,399
Fishing Point Complex (flex) ...... 50,000
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
Penninsula Business Center II [flex] .. 40,475
Penninsula Business Centre II [flex] .. 60,000
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 Shoals Lakefront .......... 25,000

CLASS C
7145716718 J.Clyde .. 15,000
McCord Building ..................... 30,000
Pilgrim landing ...................... 10,650
Regent Park .......................... 25,000

OWNER OCCUPIED
Applied Research Center .......... 121,000
Fountain Plaza Two ................. 80,000
null 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
Warner Building .................... 26,000
Teagle Building .................... 22,000

OWNER OCCUPIED
CNU Building ...................... 40,000

WILLIAMSBURG/JAMES CITY/YORK COUNTY
CLASS A
Atrium Building .................... 24,000
Casey New Town - SunTrust ....... 60,000
Courthouse Green Office Park .... 30,000
Courthouse Green Office Park II ... 10,000
First Union Center ................. 32,000
Langley Federal Credit Union ...... 20,000
Williamsburg Commerce Center .... 32,000

CLASS B
104 Bypass Road .................... 11,100
7601 George Washington Memorial Highway .......... 10,000
Charlottesville Professional Center ... 12,800
Greens Springs Office Park ...... 37,000
Kristina Park .......................... 15,221
Packets Executive Center ....... 23,000
Quarterland Commons Office Condos 120,000
Rivergate Center ................... 36,000
Wachovia Bank ..................... 19,500
Williamsburg Office Park .......... 79,600

Disclaimer: The information in this report is deemed reliable. The Old Dominion University E.V. Williams Center for Real Estate and Economic Development makes no representation or warranty as to its accuracy.
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- First floor building amenities: Bank of Hampton Roads, Dr. Richard Bass, DDS, The Box Office, Café Crème, Newsstand, Norfolk Florist, Vintage Kitchen restaurant
- Fourth floor teleconferencing facility and YMCA
- Adjoined and secured parking garage

For information: Hugh Cohen – Leasing Manager

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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 2004 - November 2005
GENERAL OVERVIEW

This report analyzes the 2005 residential real estate market conditions. In order to see a full twelve months of housing activity, the data reflects activity beginning with December 2004 through November 2005. For comparison, data was used from December 2003 through November 2004. The areas covered include Virginia Beach, Chesapeake, Norfolk, Portsmouth, Suffolk, Isle of Wight County, Southampton County, Hampton, Newport News, York County, Poquoson, James City County, and the city of Williamsburg. The 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 YEAR IN REVIEW

The Hampton Roads area housing market experienced another positive year during 2005 with an increased number of building permits. Growth occurred on the Southside with all areas registering improved building permit numbers except Virginia Beach, while the Peninsula area cities and counties fell short of last year in all areas. Collectively, a total of 7,715 permits were issued for new housing units, up 1.7% from year ago numbers. The combined total for both new construction and existing home sales increased by 2.2% on a year-over-year basis with a total of 29,273 closings recorded. However, existing home sales outpaced new construction sales almost 5 to 1 during the year with 24,212 closings compared to the 5,061 new construction closings.

Table I details the new construction activity by jurisdiction for the Hampton Roads area and Table II lists the top 10 most active subdivisions for permits. The majority of the top sites are located in the cities and counties on the Southside. The top 10 subdivisions represent 15% of all permit activity for the year.
In Hampton Roads, the combined average price for all types of new construction housing is $356,349, up 22.0% from year ago numbers. New single-family detached homes now average $397,783, representing an increase of 27.8% above the average last year. A new condominium now carries an average price of $281,278, up 18.2%, and the average price for a townhome is now $266,389, an increase of 1.6%.

Virginia Beach is still the highest priced area for single-family detached homes. The average price of $464,344, represents an increase of 31.5% over last year. James City County holds the highest average price for a new condominium at $499,003, up 36.5%, and the highest average price for townhomes is found in Norfolk at Freemason Place where the average closing price during the year was $602,270.
Single-family detached homes still dominate the new construction market in this area as well as nationwide. However, with rising prices and a gradual upward creep of mortgage interest rates, the affordability of single-family detached housing has eroded and the Hampton Roads market now has standing inventory on many new home sites. This is something that has not been experienced in our market for many months.

Only three out of twelve areas in Hampton Roads carry an average single-family price of less than $300,000, while three areas have an average price per unit of over $400,000. Of the twelve areas, 50% saw price increases of 30% or more over last year. Chart I depicts the individual area prices for single-family detached homes.

The median new construction price in the entire area for a single-family detached unit is now $375,000, 66.5% higher than the national median price of $225,200.

A drop of 16.9% in closings is one indication the single-family detached market is showing signs of weakening, with just 3,299 closings recorded. This number represents 65% of all new construction closings, but a 10% loss of market share in the last two years.

Building permits gained 0.9% over one year ago with a total of 5,280 issued. It is notable that all of the Southside cities and counties recorded gains while the Peninsula areas all issued fewer building permits. The highest number of single-family permits was found in Chesapeake with 1,120. The largest percent increase was seen in Isle of Wight County with 410 permits issued for a gain of 48%.

<table>
<thead>
<tr>
<th>TABLE II</th>
<th>TOP 10 SUBDIVISIONS BY PERMITS THROUGH NOVEMBER</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suffolk - Belmont Park</td>
<td>171</td>
</tr>
<tr>
<td>Isle of Wight County - Eagle Harbor</td>
<td>162</td>
</tr>
<tr>
<td>James City County - Fords Colony</td>
<td>150</td>
</tr>
<tr>
<td>James City County - Colonial Heritage</td>
<td>148</td>
</tr>
<tr>
<td>Norfolk - Broad Creek</td>
<td>136</td>
</tr>
<tr>
<td>Chesapeake - Cahoon Plantation</td>
<td>132</td>
</tr>
<tr>
<td>Virginia Beach - Lexington</td>
<td>125</td>
</tr>
<tr>
<td>Suffolk - Harbour View</td>
<td>119</td>
</tr>
<tr>
<td>Virginia Beach - West Neck Village</td>
<td>103</td>
</tr>
<tr>
<td>Virginia Beach - Sanctuary at False Cape</td>
<td>98</td>
</tr>
</tbody>
</table>
The Condominium market remains extremely active with 1,474 closings for a growth rate of 9.9%. In previous years, with detached housing units soaring to record high prices, condominium homes offered an affordable alternative. Inevitably, prices for condominiums also increased and during the past year the average price per square foot has gone as high as $200 to $300 in areas like downtown Norfolk and Port Warwick in Newport News. Virginia Beach had the highest volume of condominium closings with 532, followed by Chesapeake with 361, and Suffolk with 170.

The number of permits decreased sharply with 1,634 issued for a loss of 3.9%. The proposed high densities and the potential expansion of school populations have had a direct impact on the approval of new condominium sites by the various municipalities. Sites designed to attract the active senior populations, or specifically designated as “active adult” for age 55 and above, gain approval much faster from the varied commissions and boards. The exception has been Norfolk, where hundreds of condominium units have been approved and are under development in the fast paced downtown area.

Townhome unit building permit numbers increased by 22.5% for a total of 801. Growth in the townhome market is a direct indication that builders understand the need for more affordable housing. The average price for a townhome unit during the past year was $266,389 for the 273 closings that were recorded, up in price only 1.6% from last year. Two massive townhome projects, one in Virginia Beach and one in Suffolk are under development and will add over 600 townhomes to the market.

Additionally, the plans for New Port in Portsmouth include 800 townhome units.

Chart 1

2005 NEW CONSTRUCTION SINGLE FAMILY HOME AVERAGE CLOSING VALUES VERSUS 2005 EXISTING SINGLE FAMILY HOME CLOSING VALUES

<table>
<thead>
<tr>
<th>Location</th>
<th>New Construction</th>
<th>Resale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virginia Beach</td>
<td>$464,344</td>
<td>$450,232</td>
</tr>
<tr>
<td>Chesapeake</td>
<td>$380,670</td>
<td>$349,037</td>
</tr>
<tr>
<td>Suffolk</td>
<td>$303,896</td>
<td>$267,481</td>
</tr>
<tr>
<td>Portsmouth</td>
<td>$255,633</td>
<td>$235,367</td>
</tr>
<tr>
<td>Norfolk</td>
<td>$277,644</td>
<td>$209,879</td>
</tr>
<tr>
<td>Isle of Wight</td>
<td>$292,901</td>
<td>$275,119</td>
</tr>
<tr>
<td>SHC</td>
<td>$219,904</td>
<td>$192,678</td>
</tr>
<tr>
<td>Hampton</td>
<td>$283,677</td>
<td>$256,678</td>
</tr>
<tr>
<td>Newport News</td>
<td>$314,206</td>
<td>$347,796</td>
</tr>
<tr>
<td>James City</td>
<td>$305,705</td>
<td>$312,955</td>
</tr>
<tr>
<td>York County</td>
<td>$378,865</td>
<td>$326,787</td>
</tr>
<tr>
<td>Williams</td>
<td>$334,477</td>
<td>$331,098</td>
</tr>
</tbody>
</table>
THE RESALE MARKET

For the third year in a row, not only has housing led the National economic expansion, but increasing home values have generated huge amounts of wealth for home owners in the form of home equity. In Hampton Roads, the existing home market continued to experience strong growth during the year. The number of closings through the latest twelve month period ending in November reached 24,212. This expansion represents a 4.6% increase in year-over-year activity as reported by REIN (the Real Estate Information Network). The average price for all existing homes sold during the year reached $229,996, an increase of 23.5%. The median price of all existing homes sold in Hampton Roads last year was $165,900, while the current median price nationwide is $215,000.

Single-family detached homes were the primary category of units sold in the resale market with 17,772 closings. The current, for-sale inventory for this type of housing is 3,332 homes, representing a 2.3-month supply at the present sales pace. Nationally, the supply is 5.0 months, as reported by the National Association of Realtors. This suggests the housing market of Hampton Roads is performing stronger than the national market. The average price for a single-family detached home in Hampton Roads has increased to $248,925, up 21.3% in the last twelve months.

Condominium unit closings increased significantly during the year and ended with a total of 2,928 for a strong gain of 14.7%. The highest amount of activity was seen in Virginia Beach where 1,410 closings were recorded with an average price of $239,106.

Chart II

2005 NEW CONSTRUCTION CONDOMINIUM HOME AVERAGE CLOSING VALUES VERSUS 2005 EXISTING CONDOMINIUM HOME AVERAGE CLOSING VALUES

<table>
<thead>
<tr>
<th></th>
<th>New Construction</th>
<th>Resale</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virginia Beach</td>
<td>$325,258</td>
<td>$239,103</td>
</tr>
<tr>
<td>Chesapeake</td>
<td>$313,666</td>
<td>$247,981</td>
</tr>
<tr>
<td>Suffolk</td>
<td>$247,321</td>
<td>$178,436</td>
</tr>
<tr>
<td>Portsmouth</td>
<td>$245,888</td>
<td>$244,263</td>
</tr>
<tr>
<td>Norfolk</td>
<td>$244,263</td>
<td>$247,981</td>
</tr>
<tr>
<td>Isle of Wight</td>
<td>$242,623</td>
<td>$165,900</td>
</tr>
<tr>
<td>Hampton</td>
<td>$308,021</td>
<td>$247,981</td>
</tr>
<tr>
<td>Newport News</td>
<td>$499,003</td>
<td>$247,981</td>
</tr>
<tr>
<td>James City County</td>
<td>$212,138</td>
<td>$227,840</td>
</tr>
<tr>
<td>York County</td>
<td>$187,645</td>
<td>$227,840</td>
</tr>
<tr>
<td>Williamsburg</td>
<td>$203,278</td>
<td>$198,976</td>
</tr>
</tbody>
</table>

No Closings
THE TOTAL MARKET NUMBERS

The grand total for the 12-month period ending in November for new construction and existing home closings reached 29,273, representing an increase of 2.2%, or 632 closings, over the same time one year ago. The Peninsula areas show a gain of 5.3% with a total of 7,430 closings. The Southside areas are up 1.2% with 21,843 closing. New construction holds a 17% share of the total market, down two percentage points from one year ago.

2006

Expect the 2006 Housing Market to be impacted by rising interest rates, slow growth policies by the various municipalities, and a build-up of inventory in both new homes and the existing homes sector. Increases in inventory will provide buyers with a stronger negotiating position but that may be off-set by higher interest rates. Modestly increasing prices should continue in the Hampton Roads area through the year but sales are expected to see a gradual slowing. In this case, Hampton Roads is mirroring the national market with fewer sales recorded in November for both new construction and existing homes and it is expected that this trend will carry into the new year.

Table III VIRGINIA BEACH TOP 6 SUBDIVISIONS RANKED BY CLOSINGS

<table>
<thead>
<tr>
<th>Community</th>
<th># Closed</th>
<th>Average Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>West Neck Village</td>
<td>165</td>
<td>$261,691</td>
</tr>
<tr>
<td>Towne Square</td>
<td>154</td>
<td>$323,124</td>
</tr>
<tr>
<td>Cromwell Park</td>
<td>73</td>
<td>$316,142</td>
</tr>
<tr>
<td>Witchduck Woods</td>
<td>49</td>
<td>$257,935</td>
</tr>
<tr>
<td>Princess Anne Quarter</td>
<td>46</td>
<td>$527,035</td>
</tr>
<tr>
<td>Egret Landing</td>
<td>40</td>
<td>$173,278</td>
</tr>
<tr>
<td>Woodbridge Pointe</td>
<td>40</td>
<td>$353,178</td>
</tr>
</tbody>
</table>

Table IV CHESAPEAKE TOP 6 SUBDIVISIONS RANKED BY CLOSINGS

<table>
<thead>
<tr>
<th>Community</th>
<th># Closed</th>
<th>Average Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providence Pointe</td>
<td>103</td>
<td>$179,652</td>
</tr>
<tr>
<td>River Breeze</td>
<td>102</td>
<td>$222,162</td>
</tr>
<tr>
<td>Greystone</td>
<td>81</td>
<td>$566,321</td>
</tr>
<tr>
<td>Ravenna</td>
<td>71</td>
<td>$538,675</td>
</tr>
<tr>
<td>No. Trail at Arboretum</td>
<td>66</td>
<td>$332,507</td>
</tr>
<tr>
<td>Stratford Terrace</td>
<td>58</td>
<td>$406,387</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># Closed</th>
<th>Average Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. James City County - Colonial Heritage</td>
<td>112</td>
<td>$397,056</td>
</tr>
<tr>
<td>2. Newport News - Part Warwick</td>
<td>107</td>
<td>$352,346</td>
</tr>
<tr>
<td>3. York County - Creekside</td>
<td>89</td>
<td>$330,549</td>
</tr>
<tr>
<td>4. James City County - Villages at Powhatan</td>
<td>67</td>
<td>$256,127</td>
</tr>
<tr>
<td>5. James City County - Stonehouse</td>
<td>56</td>
<td>$344,990</td>
</tr>
<tr>
<td>6. James City County - Wellington</td>
<td>55</td>
<td>$347,544</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Community</th>
<th># Closed</th>
<th>Average Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Suffolk - Harbour View West</td>
<td>211</td>
<td>$346,684</td>
</tr>
<tr>
<td>2. Isle of Wight - Eagle Harbor</td>
<td>203</td>
<td>$306,114</td>
</tr>
<tr>
<td>3. Suffolk - Woodlands of Nansemond</td>
<td>74</td>
<td>$346,497</td>
</tr>
<tr>
<td>4. Suffolk - Mansfield Farms</td>
<td>58</td>
<td>$253,409</td>
</tr>
<tr>
<td>5. Suffolk - Belmont Park</td>
<td>50</td>
<td>$244,341</td>
</tr>
<tr>
<td>6. Isle of Wight - Wellington Estates</td>
<td>41</td>
<td>$382,378</td>
</tr>
</tbody>
</table>
**Chart III**

2005 NEW CONSTRUCTION TOWNHOME AVERAGE CLOSING VALUES VERSUS 2005 EXISTING TOWNHOME AVERAGE CLOSING VALUES

<table>
<thead>
<tr>
<th>Location</th>
<th>New Construction</th>
<th>Resale</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virginia Beach</td>
<td>$231,463</td>
<td>$156,483</td>
<td>6.35%</td>
</tr>
<tr>
<td>Chesapeake</td>
<td>$231,463</td>
<td>$156,483</td>
<td>6.35%</td>
</tr>
<tr>
<td>Suffolk</td>
<td>$231,463</td>
<td>$156,483</td>
<td>6.35%</td>
</tr>
<tr>
<td>Portsmouth</td>
<td>$231,463</td>
<td>$156,483</td>
<td>6.35%</td>
</tr>
<tr>
<td>Norfolk</td>
<td>$231,463</td>
<td>$156,483</td>
<td>6.35%</td>
</tr>
<tr>
<td>Isle of Wight</td>
<td>$231,463</td>
<td>$156,483</td>
<td>6.35%</td>
</tr>
<tr>
<td>Hampton</td>
<td>$231,463</td>
<td>$156,483</td>
<td>6.35%</td>
</tr>
<tr>
<td>Newport News</td>
<td>$231,463</td>
<td>$156,483</td>
<td>6.35%</td>
</tr>
<tr>
<td>James City</td>
<td>$231,463</td>
<td>$156,483</td>
<td>6.35%</td>
</tr>
<tr>
<td>York County</td>
<td>$231,463</td>
<td>$156,483</td>
<td>6.35%</td>
</tr>
<tr>
<td>Williamsburg</td>
<td>$231,463</td>
<td>$156,483</td>
<td>6.35%</td>
</tr>
</tbody>
</table>

**Chart IV**

HAMPTON ROADS BUILDING PERMIT HISTORY WITH PERCENT DIFFERENCE YEAR OVER YEAR (JANUARY THROUGH DECEMBER)

<table>
<thead>
<tr>
<th>Year</th>
<th>New Construction</th>
<th>Resale</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>7000</td>
<td>7000</td>
<td>0.00%</td>
</tr>
<tr>
<td>1993</td>
<td>6000</td>
<td>6000</td>
<td>0.00%</td>
</tr>
<tr>
<td>1994</td>
<td>5000</td>
<td>5000</td>
<td>0.00%</td>
</tr>
<tr>
<td>1995</td>
<td>4000</td>
<td>4000</td>
<td>0.00%</td>
</tr>
<tr>
<td>1996</td>
<td>3000</td>
<td>3000</td>
<td>0.00%</td>
</tr>
<tr>
<td>1997</td>
<td>2000</td>
<td>2000</td>
<td>0.00%</td>
</tr>
<tr>
<td>1998</td>
<td>1000</td>
<td>1000</td>
<td>0.00%</td>
</tr>
<tr>
<td>1999</td>
<td>0</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>2000</td>
<td>0</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>2001</td>
<td>0</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>2002</td>
<td>0</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>2003</td>
<td>0</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>2004</td>
<td>0</td>
<td>0</td>
<td>0.00%</td>
</tr>
<tr>
<td>2005</td>
<td>0</td>
<td>0</td>
<td>0.00%</td>
</tr>
</tbody>
</table>
## Table VII

**TOP TWENTY BUILDERS**

**RANKED BY CLOSINGS AND PERMITS**

**TIME FRAME OF DECEMBER 2004 THROUGH NOVEMBER 2005**

<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. Terry/Peterson Residential</td>
<td>230</td>
<td>1. Chesapeake Homes</td>
<td>351</td>
</tr>
<tr>
<td>2. Centex Homes</td>
<td>220</td>
<td>2. Dragas Associates</td>
<td>299</td>
</tr>
<tr>
<td>3. Chesapeake Homes</td>
<td>202</td>
<td>3. Centex Homes</td>
<td>269</td>
</tr>
<tr>
<td>4. Dragas Associates</td>
<td>178</td>
<td>4. Terry/Peterson Residential</td>
<td>196</td>
</tr>
<tr>
<td>5. Franciscus Company</td>
<td>177</td>
<td>5. Franciscus Company</td>
<td>191</td>
</tr>
<tr>
<td>10. McQ Builders</td>
<td>105</td>
<td>11. Hearndon Construction</td>
<td>105</td>
</tr>
<tr>
<td>J T M Development</td>
<td>105</td>
<td>12. Villa Construction</td>
<td>100</td>
</tr>
<tr>
<td>13. W M Jordan Company</td>
<td>74</td>
<td>15. Atlantic Homes</td>
<td>92</td>
</tr>
<tr>
<td>15. Virginia Enterprises</td>
<td>62</td>
<td>Associated Construction Service</td>
<td>85</td>
</tr>
<tr>
<td>16. Pace Construction</td>
<td>60</td>
<td>17. Construction Enterprises</td>
<td>84</td>
</tr>
<tr>
<td>C R McLellon Contractor</td>
<td>57</td>
<td>Eagle Construction of H. R.</td>
<td>84</td>
</tr>
<tr>
<td>19. Atlantic Homes Corp</td>
<td>47</td>
<td>19. Sadler Building Corporation</td>
<td>70</td>
</tr>
<tr>
<td>Home Associates of VA</td>
<td>47</td>
<td>20. W M Jordan Company</td>
<td>68</td>
</tr>
<tr>
<td>20. Lifestyle Homes</td>
<td>44</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Note: Resale information is made available by the Real Estate Information Network.*
840 Greenbrier Circle

- Development
- Acquisitions
- Property Management
- Build to Suit
- Out Parcels Available
- Retail Development
- Office/Retail Space
- Corporate Setting

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paulhansen@starmount.com
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Senior Director
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drew.white@cushwake.com

Michael Marshall
Director
202.739.0376
michael.marshall@cushwake.com

Cortney Johnson
Senior Financial Analyst
Amelia Grana
Marketing Coordinator
Travis Vedder
Research Analyst

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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; preleases that are not physically occupied are considered vacant.
GENERAL OVERVIEW

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 County. 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 County. 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 one of the highest in the southeastern United States. As of October 2005, the average occupancy rate for the region was 96.2%. 1,262 units were absorbed in 2005. Development activity has increased in recent years, with almost 1,500 units started in the past twelve months. As of October 2005, there were 2,595 units under construction and an additional 1,764 units proposed.

The average quoted rental rate is $785 per month, with one-bedroom units having an average rental rate of $696 per month, two-bedroom units having an average rental rate of $794, and three-bedroom units reporting an average rental rate of $928. Rental rates from existing inventory increased by more than $37 in the last twelve months.
Virginia Beach-Norfolk-Newport News

A total of 82,294 units were surveyed for this report. Development of apartment units in this market peaked during two time periods, the early 1970’s and the late 1980’s. Development during the 1990’s and so far in the 2000’s is minor compared to past development. Approximately 13% of the apartment units in this region were built after 1990.

Table I

HISTORICAL APARTMENT DEVELOPMENT

<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>
</tr>
<tr>
<td>'70-'74</td>
<td>22,669</td>
</tr>
<tr>
<td>'75-'79</td>
<td>8,351</td>
</tr>
<tr>
<td>'80-'84</td>
<td>5,699</td>
</tr>
<tr>
<td>'85-'89</td>
<td>17,091</td>
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<tr>
<td>'90-'94</td>
<td>3,805</td>
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<tr>
<td>'95-'99</td>
<td>2,457</td>
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<tr>
<td>'00-'04</td>
<td>4,701</td>
</tr>
<tr>
<td>'05-</td>
<td>306</td>
</tr>
</tbody>
</table>

NUMERICAL VALUES FOR EACH YEAR:

- Pre-'64: 11,776 units
- '65-'69: 9,451 units
- '70-'74: 22,669 units
- '75-'79: 8,351 units
- '80-'84: 5,699 units
- '85-'89: 17,091 units
- '90-'94: 3,805 units
- '95-'99: 2,457 units
- '00-'04: 4,701 units
- '05-: 306 units
Multi-Family Permit Activity

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

Multi-family permits, which include rental and for-sale units, were strongest in 2002. Much of the permit activity has not been rental apartments, but instead for-sale condominiums and townhouses.

Table II  ANNUAL MULTI-FAMILY PERMIT ACTIVITY

<table>
<thead>
<tr>
<th>YEAR</th>
<th>PERMITS ISSUED</th>
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<tbody>
<tr>
<td>1990</td>
<td>1,712</td>
</tr>
<tr>
<td>1991</td>
<td>1,320</td>
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<tr>
<td>1992</td>
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<td>1,536</td>
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<td>1,377</td>
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<td>1995</td>
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<td>1996</td>
<td>1,421</td>
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<td>1997</td>
<td>1,102</td>
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<td>1,216</td>
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<td>1999</td>
<td>1,384</td>
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<td>2000</td>
<td>820</td>
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<td>2001</td>
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<td>2002</td>
<td>2,355</td>
</tr>
<tr>
<td>2003</td>
<td>2,292</td>
</tr>
<tr>
<td>2004</td>
<td>2,339</td>
</tr>
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</table>

Table III  MULTI-FAMILY PERMITS PAST 12 MONTHS

<table>
<thead>
<tr>
<th>MONTH</th>
<th>NUMBER OF PERMITS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nov. 2004</td>
<td>379</td>
</tr>
<tr>
<td>Dec. 2004</td>
<td>85</td>
</tr>
<tr>
<td>Jan. 2005</td>
<td>58</td>
</tr>
<tr>
<td>Feb. 2005</td>
<td>169</td>
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<tr>
<td>Mar. 2005</td>
<td>393</td>
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<tr>
<td>Apr. 2005</td>
<td>144</td>
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<tr>
<td>May 2005</td>
<td>84</td>
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<td>Jun. 2005</td>
<td>34</td>
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<td>Jul. 2005</td>
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<tr>
<td>Aug. 2005</td>
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<tr>
<td>Sep. 2005</td>
<td>125</td>
</tr>
<tr>
<td>Oct. 2005</td>
<td>450</td>
</tr>
<tr>
<td>Nov. 2005</td>
<td>N/A</td>
</tr>
</tbody>
</table>
There are currently over 2,500 apartment units under construction within twelve communities in the Virginia Beach-Norfolk-Newport News market. As of October, over 1,700 additional apartment units were planned for the region.

**Table IV**  
**APARTMENT DEVELOPMENT ACTIVITY (OCTOBER 2005)**
MULTI-FAMILY SUBMARKETS

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

Peninsula
Newport News
Hampton
James City County
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 1,262 units absorbed over the past year are well above expectations.

The Portsmouth submarket had the highest level of absorption between April and October, and Norfolk reported the least absorption. Norfolk and Virginia Beach had negative absorptions.
The overall vacancy rate for the Virginia Beach-Norfolk-Newport News market as of October 2005 was 3.8%. This figure represents an improvement from the 4.1% vacancy level twelve months prior. Based on the current development pipeline, vacancy rates are expected to rise, reaching five percent in 2006.
Almost all areas had an improvement in vacancy rates over the past six months. The York County submarket had the most significant improvement from 5.1% in April to 2.4% vacant in October 2005.
As of October, the average rental rate in Virginia Beach-Norfolk-Newport News was $785, an increase of 5.4% from last year. Beginning in 2003, rental rates are reported with rental concessions. As expected with occupancy rates over 96%, only 5% of apartment communities are offering concessions. Concessions offered most often were one month free rent.
Average overall rents ranged from a low of $699 in Newport News to a high of $882 in Virginia Beach. Newport News, Portsmouth, Norfolk, Hampton, and Williamsburg all reported rents lower than the average rent of $785, while Chesapeake, York County, and Virginia Beach all reported rents higher than the average overall quoted rent.
There were over 400 conventional apartment communities with more than 50 units surveyed in the Tidewater and Peninsula regions in October. Out of the 82,294 apartment units surveyed, the top fifteen management firms manage over half of these units in the market. In addition to these fifteen firms, there are more than 100 additional management firms and private individuals that manage the remaining 45% of the market. The top five management firms manage 36% of the surveyed market, or nearly 30,000 units.

<table>
<thead>
<tr>
<th>Table XI</th>
<th>MARKET SHARE BY MANAGEMENT COMPANY (TOP 15)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Units</td>
</tr>
<tr>
<td>S.L. Nusbaum</td>
<td>8,122</td>
</tr>
<tr>
<td>Great Atlantic</td>
<td>7,819</td>
</tr>
<tr>
<td>Drucker &amp; Falk</td>
<td>6,450</td>
</tr>
<tr>
<td>Lawson Companies</td>
<td>4,502</td>
</tr>
<tr>
<td>AIMCO</td>
<td>2,729</td>
</tr>
<tr>
<td>Breeden Management</td>
<td>2,466</td>
</tr>
<tr>
<td>WMCI</td>
<td>2,464</td>
</tr>
<tr>
<td>Perrel Management</td>
<td>2,015</td>
</tr>
<tr>
<td>Clark-Whitehill Ent.</td>
<td>1,476</td>
</tr>
<tr>
<td>Ripley-Heatwole</td>
<td>1,470</td>
</tr>
<tr>
<td>Abbitt Management</td>
<td>1,453</td>
</tr>
<tr>
<td>United Dominion Rly</td>
<td>1,438</td>
</tr>
<tr>
<td>PRG Real Estate</td>
<td>1,430</td>
</tr>
<tr>
<td>Kotarides Companies</td>
<td>1,149</td>
</tr>
<tr>
<td>Frye Properties</td>
<td>1,097</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Table XII</th>
<th>MARKET SHARE BY OWNERSHIP (TOP 15)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name</td>
<td>Units</td>
</tr>
<tr>
<td>Great Atlantic</td>
<td>7,573</td>
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<tr>
<td>S.L. Nusbaum</td>
<td>6,281</td>
</tr>
<tr>
<td>Lawson Companies</td>
<td>3,849</td>
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<tr>
<td>AIMCO</td>
<td>2,729</td>
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<tr>
<td>Breeden Management</td>
<td>2,466</td>
</tr>
<tr>
<td>WMCI</td>
<td>2,464</td>
</tr>
<tr>
<td>Drucker &amp; Falk</td>
<td>2,119</td>
</tr>
<tr>
<td>Perrel Management</td>
<td>1,735</td>
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<tr>
<td>Clark-Whitehill Ent.</td>
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<tr>
<td>Abbitt Management</td>
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</tr>
<tr>
<td>United Dominion Rly</td>
<td>1,438</td>
</tr>
<tr>
<td>PRG Real Estate</td>
<td>1,430</td>
</tr>
<tr>
<td>Ripley-Heatwole</td>
<td>1,316</td>
</tr>
<tr>
<td>Kotarides Companies</td>
<td>1,149</td>
</tr>
<tr>
<td>Frye Properties</td>
<td>1,097</td>
</tr>
</tbody>
</table>
REGIONAL TRENDS

Richmond
Findings for the August 2005 Richmond Apartment Index were based on 52,456 units. The overall vacancy rate was 6.3% while the average rent reported was $726 per month. Starts are at their lowest level in five years, although there are still over 1,300 units currently under construction, and there are more than 1,000 units proposed.

Roanoke
Over 9,500 apartment units were surveyed for the April 2005 Roanoke Apartment Index Report. Findings indicated a vacancy rate of 7.8% an improvement from 8.6% reported in the previous year. Overall rental rates were $578 per month. There was no development activity in Roanoke as of April 2005.
CREW Hampton Roads is proud to support the Old Dominion University 2006 Real Estate Market Survey. Join more than 100 women representing Hampton Roads’ Commercial Real Estate Leaders. For information on CREW Hampton Roads, please visit our website at www.crewhamptonroads.org or contact Robin Gasser or Sherrie Stone at crewhr@divaris.com.

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Senior Advisor
Sperry Van Ness
Commercial Real Estate Advisors
GENERAL OVERVIEW

This report analyzes commercial real estate investments, during the year 2005, 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 buildings 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 2005 survey is the second in the series. Data has been collected for the period January 1, 2005 through December 31, 2005. As this report was required for publication at the end of December 2005, 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 individual transactions.

The focus of this survey is on the four primary types of commercial investment real estate including 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.
The commercial investment property real estate market remained at a record breaking pace throughout the entire year. Interestingly, 2005 was a duplicate of 2004, with more capital looking for opportunities, higher prices, more portfolio transactions, and more tightening of capitalization rates. Some of the factors that influenced this year’s market included a change in the flow of foreign capital, condominiums, low interest rates and interest-only mortgages, mobility of capital and the economic recovery.

The change in the flow of foreign capital was brought up from Down Under. Australia more than doubled their acquisitions of commercial real estate in the United States during 2005. Their acquisitions reached over eight billion dollars as they became the largest buyers of strip centers and major owners of office and industrial properties. The Australians accounted for almost 40% of all foreign acquisitions for the year. Germany represented the second largest single group of investors as they acquired over $4 billion worth of real estate. They were followed by the Middle East with over $2 billion in acquisitions and then all others rounded out the field with over $7 billion in acquisitions. All told, foreign investors will have spent over $21 billion on U.S. real estate in 2005.

Developers buying commercial properties for conversion to condominiums were the largest single group of buyers during 2005. Condo converters spent over $30 billion to acquire commercial properties, 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. We will have to wait and see how this frenzy of conversion activity holds up with the slow down in the residential market. Regardless of how their efforts turn out, condominium converters were a major influencing factor for 2005’s commercial investment market.

Interest rates rose slightly but remained historically low throughout the year. The availability of inexpensive capital kept investors looking for acquisitions while willing to pay higher prices for these deals. As a result, capitalization rates crept down again this year and prices continued at their record high levels. In addition to inexpensive capital, lenders were more aggressive and there was an abundance of interest-only mortgages made available. Almost 70% of recent conduit loans were interest-only or partial interest-only. This allows leveraged investors to maintain acceptable cash flows on aggressively priced deals. This could prove risky down the road for some buyers.
The mobility of capital has exploded 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 west. Major market buyers are flocking to secondary sites; all are looking for means to increase their yields. Secondary and tertiary markets became popular as prized properties in these markets were snapped 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.

It appears the long lost recovery 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 justification of higher prices and lower capitalization rates for most deals. The economy continues to tread along and it appears most investors are very optimistic about the coming years. The past year was a challenge for many commercial investors but the market remained aggressive and flexible, continuing to adjust to global influences. 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 as investors continue to prefer hard assets.

HAMPTON ROADS OVERVIEW

The Hampton Roads commercial investment market has been setting a blistering pace as it benefited from the mobility of capital and a stable economic base. In spite of the concerns and efforts 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 an increase in average nonagricultural employment. The gains are not large, but they are positive, reinforcing the stability of the market. One of the largest factors influencing the local investment real estate market for 2005 was the increase in portfolio sales. There were a significant number of transactions recorded locally that were part of larger national portfolio sales. In addition, a significant number of properties have been purchased by entities now focusing on the Hampton Roads region. The best example of this is First Potomac Realty Trust which has made a substantial investment in the local industrial and office market with acquisitions totaling over $100 million. Commercial real estate investment sales in the Hampton Roads region totaled over $770 million for 2005.
The national apartment market is still showing robust activity with an increase in acquisitions over last year and declining capitalization rates for the year. Although West Coast capitalization rates are frequently below 6% for quality properties, the national average for transactions valued over $5 million has ended the year right at 6%. That reflects a drop of 70 basis points during the year. The national average price per unit for garden style apartments has continued to climb to a high of $96,000 per unit. That reflects a 20% increase over the course of the year. Institutional buyers are still actively adding to their portfolios but condo converters have been the driving force in the current market. Condo converters acquired over 175,000 apartment units, effectively taking them off the rental market during the year.

The Hampton Roads apartment market is also showing continued robust activity. With vacancy rates among the nation’s lowest, hovering around 3.5% and positive employment numbers for the year, this market is continuing to attract a lot of attention from buyers and builders. Builders have been very aggressive and the projected 1,753 units scheduled for delivery during the year made this the strongest year since 1988. Represented as a percentage of buyers, condo converters are not as active locally as they have been on the national scene. In addition, the number of properties that were part of portfolio sales dropped significantly.

The number of properties acquired during the year was close to the record levels of 2004, but the number of actual units sold dropped significantly. We recorded 2,837 units sold during the year compared to 3,810 for 2004. In addition the average price per unit has dropped approximately 13% down to slightly above $66,500 per unit. The range of per unit values is not as disperse as we saw in prior years with a low for this year of $30,000 and a high of $121,787 per unit. Estimated capitalization rates ranged from 5.3% up to 9% with the majority in the mid 7% to mid 8% range. The drop in total and price per unit numbers is reflective of smaller properties being sold during the year.

Major transactions for the year included Lake Ridge Apartments in Hampton that sold for $34,344,000. Lake Ridge has 282 units that sold for $121,787 per unit with an estimated going in capitalization rate of 5.3%.

Significant transactions over $5 million for 2005 included:
Nationally, office properties remained high on the shopping list with a reported total acquisition volume estimated at $100 billion. The fundamentals that direct the office building market have continued to improve over the year and thus investment activity has remained strong. With capitalization rates low and construction costs still rising there is continued pressure on prices. Average prices for suburban office buildings rose to $174 per square foot, reflecting a gain of 22% during the year. Capitalization rates continued their downward trend, dropping 70 basis points for the year and closing the year at 7.3% for suburban office buildings. Central business district office buildings ended the year with average prices at $245 per square foot and capitalization rates hovering around 6.6%.

While the rental market for Hampton Roads office buildings has remained unimpressive, the sales market had another robust year. Just under two million square feet of office product changed hands during the year which reflects a turnover of approximately nine percent of the total market. The average price per square foot continued its upward trend from $109 per square foot in 2004 to $127 per square foot in 2005. This percentage increase is slightly below the national average. In a market where the needs for office space tend to be limited, the rise in the per square foot values is attributed to a variety of factors that include: lower local vacancy rates, scarce new construction, significant increases in the cost of new construction and steadily improving basic market fundamentals.
Major transactions for the year included the sale of the 400,000 square foot Joint Forces Simulation facility on Lake View Parkway in Suffolk for $68,500,000. This office building was sold as part of a portfolio sale of 14 buildings from Fortress Investment Group out of New York to a joint venture between Rubican America Trust and NGP Capital. The allocated per square foot building value for the sale was $171. Also in Suffolk, the office building across the street at 115 Lake View Parkway sold for $24,537,558. In addition, 150 West Main Street in Norfolk is under contract to an undisclosed buyer for approximately $50,500,000.

Significant transactions, over $5 million, for 2005 included:

<table>
<thead>
<tr>
<th>Address</th>
<th>City</th>
<th>GBA</th>
<th>Amount</th>
<th>Price/SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake View Parkway</td>
<td>Suffolk</td>
<td>114,045</td>
<td>$24,537,558</td>
<td>$215</td>
</tr>
<tr>
<td>Corporate Boulevard</td>
<td>Norfolk</td>
<td>53,830</td>
<td>$9,507,487</td>
<td>$177</td>
</tr>
<tr>
<td>Lake View Parkway</td>
<td>Suffolk</td>
<td>400,000</td>
<td>$68,500,000</td>
<td>$171</td>
</tr>
<tr>
<td>Jefferson Avenue</td>
<td>Newport News</td>
<td>98,083</td>
<td>$14,500,000</td>
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</tr>
<tr>
<td>Crossways Boulevard</td>
<td>Chesapeake</td>
<td>220,501</td>
<td>$28,000,000</td>
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</tr>
<tr>
<td>Commerce Drive</td>
<td>Hampton</td>
<td>71,066</td>
<td>$8,527,920</td>
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<tr>
<td>Executive Drive</td>
<td>Hampton</td>
<td>134,179</td>
<td>$15,400,000</td>
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<tr>
<td>Viking Drive</td>
<td>Virginia Beach</td>
<td>74,395</td>
<td>$6,750,000</td>
<td>$91</td>
</tr>
<tr>
<td>Bute Street</td>
<td>Norfolk</td>
<td>92,000</td>
<td>$5,750,000</td>
<td>$63</td>
</tr>
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</table>
The national retail investment market led all other property types to start the year and has held the glamour spot of property types for most of the year. During the summer, average prices per square foot for strip centers reached an all-time high. The national average capitalization rate was at an all-time low of 7%. During the second half of 2005 the retail market appeared to have lost some of its momentum. Fall 2005 showed a shift in the strip center market with average per square foot prices dropping as much as $24 and average capitalization rates actually rising one half a point. Strip centers managed to finish off the year almost back at the peak per square foot prices of $161 but with average capitalization rates still up slightly to 7.4%. Malls and other retail investments showed the same end-of-summer slump as seen with the strip centers. The average price per square foot actually finished the year almost $22 off the early summer high of $180 per square foot and average capitalization rates ended the year very close to where it started, at 7.2%. The slip in the retail sector may be due to Real Estate Investment Trusts not raising as much capital from Wall Street in 2005, more money flowing into development than acquisitions, and an anticipated weakening of consumer retail spending in the coming year.

In 2005, the Hampton Roads retail market had one of the most active years for development since 1990. Vacancy rates continued their downward trend and finished off the year at 7.7%. Retail investment sales were brisk with close to 1.6 million square feet changing hands. A significant number of transactions were actually part of several national portfolio transactions involving as many as 69 properties in a single portfolio. Cedar Shopping Centers purchased six centers in the region as part of an eleven-property portfolio. These portfolio sales highlight the mobility of investment capital around the country. In the Hampton Roads market, the average price per square foot rose close to 17% during the year to close at an average of $103 per square foot. Estimated capitalization rates ranged from 6.7% up to 11.4%. Freestanding retail and drug stores showed going in capitalization rates of 6.7% to 7% while strip centers averaged going in rates closer to 8%.

Major retail transactions for the year included Suffolk Plaza Shopping Center, Smithfield Shopping Center and General Booth Shopping Center, all of which were purchased by Cedar Shopping Centers as part of an eleven property, $93.8 million, portfolio. These properties sold for $16 million, $12.4 million and $12 million, respectively, with an allocated per square foot value of $101. Separately, Wal-Mart Way Crossing Shopping Center in Chesapeake sold for $19,399,669.

Significant transactions, over $5 million, for 2005 included:
The national industrial 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 continues to struggle with high vacancies. Both property types saw average prices per square foot fluctuate up and down during the year by as much as 20%, but closed lower than their peak for the year. The national average price per square foot for both warehouse space and flex space did rise during the year, at about 10%. Nationally, flex properties ended the year at an average price per square foot of $99 while warehouses ended the year with an average price per square foot of $55. Because warehouse properties are considered by investors to be more stable than flex properties, the national average capitalization rates are reflective of the slight spread. Both property types saw their capitalization rates fluctuate but eventually go down for the year. The national average capitalization rate for warehouse properties was 7.6% while the national average capitalization rate for flex space was at 7.7%.

<table>
<thead>
<tr>
<th>Property</th>
<th>City</th>
<th>GBA</th>
<th>Price</th>
<th>Price/SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eckerd Drug Lynnhaven</td>
<td>Virginia Beach</td>
<td>13,813</td>
<td>$5,760,800</td>
<td>$417</td>
</tr>
<tr>
<td>Wal-Mart Way Crossing</td>
<td>Chesapeake</td>
<td>80,160</td>
<td>$19,399,669</td>
<td>$242</td>
</tr>
<tr>
<td>General Booth SC</td>
<td>Virginia Beach</td>
<td>73,320</td>
<td>$12,048,353</td>
<td>$164</td>
</tr>
<tr>
<td>Smithfield SC</td>
<td>Smithfield</td>
<td>123,620</td>
<td>$12,491,831</td>
<td>$101</td>
</tr>
<tr>
<td>Little Creek SC</td>
<td>Norfolk</td>
<td>66,120</td>
<td>$6,681,442</td>
<td>$101</td>
</tr>
<tr>
<td>Suffolk Plaza SC</td>
<td>Suffolk</td>
<td>160,803</td>
<td>$16,249,182</td>
<td>$101</td>
</tr>
<tr>
<td>Coliseum Marketplace</td>
<td>Hampton</td>
<td>117,000</td>
<td>$11,822,878</td>
<td>$101</td>
</tr>
<tr>
<td>Kempsville SC</td>
<td>Virginia Beach</td>
<td>71,420</td>
<td>$7,217,008</td>
<td>$101</td>
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<tr>
<td>Kroger Plaza</td>
<td>Virginia Beach</td>
<td>63,324</td>
<td>$6,246,759</td>
<td>$99</td>
</tr>
<tr>
<td>Hilltop Plaza SC</td>
<td>Virginia Beach</td>
<td>152,025</td>
<td>$13,200,000</td>
<td>$87</td>
</tr>
</tbody>
</table>

* Price allocated
The Hampton Roads industrial investment market set a blistering pace during 2005. The volume of industrial investment property sales more than tripled over the prior year. Portfolio sellers and buyers targeting Hampton Roads set the pace, accounting for 80% of the investment transactions during 2005. Hampton Roads saw over 2.8 million square feet of investment property valued over $122 million change hands. The average price per square foot climbed only slightly to $43. These buyers saw substantial value opportunities in the local market.

Major industrial investment transactions included the purchase of four warehouses owned by D.D. Jones in Chesapeake by First Potomac Realty Trust. These warehouses totaling 712,500 square feet sold for $29,000,000. First Potomac Realty Trust also purchased the former Gateway Computers building in Hampton, the former Lucas property in Hampton and Bay Warehouses in Chesapeake. First Potomac Realty Trust’s investment in Hampton Roads industrial properties totaled over $68 million during 2005, which represents more than half of all the industrial investment acquisitions in Hampton Roads for the year. Branscan Real Estate Opportunity Fund purchased four buildings in the Norfolk Commerce Park as part of a national 25 building portfolio acquisition. The local investment by Branscan totaled over $25.5 million, which represented over 20% of all the industrial investment acquisitions in Hampton Roads for the year.

Significant transactions for 2005 included:

<table>
<thead>
<tr>
<th>Address</th>
<th>City</th>
<th>GBA</th>
<th>Price</th>
<th>Price/SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lucas Way</td>
<td>Hampton</td>
<td>182,175</td>
<td>$12,100,000 *</td>
<td>$66.42</td>
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<tr>
<td>Robin Hood Road</td>
<td>Norfolk</td>
<td>165,000</td>
<td>$9,177,300**</td>
<td>$55.62</td>
</tr>
<tr>
<td>Cavalier Boulevard</td>
<td>Chesapeake</td>
<td>300,000</td>
<td>$13,200,000</td>
<td>$44.00</td>
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<tr>
<td>Fenway Avenue</td>
<td>Chesapeake</td>
<td>168,000</td>
<td>$7,200,000</td>
<td>$42.86</td>
</tr>
<tr>
<td>Diamond Hill Road</td>
<td>Chesapeake</td>
<td>267,000</td>
<td>$10,867,434**</td>
<td>$40.70</td>
</tr>
<tr>
<td>Campostella Road</td>
<td>Chesapeake</td>
<td>216,000</td>
<td>$8,791,632**</td>
<td>$40.70</td>
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<tr>
<td>Campostella Road</td>
<td>Chesapeake</td>
<td>154,000</td>
<td>$6,268,108**</td>
<td>$40.70</td>
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<tr>
<td>Gateway Boulevard</td>
<td>Hampton</td>
<td>421,000</td>
<td>$14,010,000</td>
<td>$33.28</td>
</tr>
</tbody>
</table>

* $60,000 was for office component
** Allocated - indicates the property was part of a multi-building portfolio transaction
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