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**EXPOSITIONAL THINKING**
Data for Old Dominion University Center for Real Estate and Economic Development Market Survey was collected in the fourth quarter - 2003.
Welcome to the 2004 issue of the Old Dominion University Center for Real Estate and Economic Development Real Estate Market Review and Forecast.

Since 1995, the Old Dominion University Center for Real Estate and Economic Development has published annual statistical summaries of prevailing conditions and trends in the retail, office, industrial, single family and multi-family segments of the Hampton Roads real estate industry. Essentially, the Hampton Roads real estate market encompasses the cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg plus the counties of Gloucester, Isle of Wight, James City, and York.

Hampton Roads, or the Norfolk — Virginia Beach — Newport News VA-NC MSA as officially designated by the Office of Management and Budget, encompasses 2,349 square miles with a population of more than 1.6 million. It is the fourth largest MSA in the southeast US, has a workforce of nearly 800,000, and is the largest consumer market between Washington DC and Atlanta. The region is comprised of 15 cities and counties in Southeastern Virginia and Northeastern North Carolina.

Our regional economy is poised to continue its expansion. The consensus forecast for the nation to grow as a whole is 4.6% and the same factors that are driving the US economy to a great extent drive our regional economy. While results from the Old Dominion University Economic Forecast team were not available at the time of publication, our region's economy is healthy and should continue to add more jobs.

The College of Business and Public Administration has its new Dean, Dr. Nancy Bagranoff. She is a staunch supporter of our Center and has been instrumental in securing funding for the Center. We welcome Billy King as the new Chair of the Advisory Board. He is replacing Jonathon Guion, who has served as Chair for the last two years. New members to the Advisory Board this year include Sandi Prestridge, Maureen Rooks and April Kolezar.

Please visit our website at www.odu.edu/creed for the latest information on our region as well as to keep abreast of Center activities and research.

Lastly, many thanks to key Executive Committee members including Joyce Hartman and Brian Dundon for their tireless efforts in orchestrating this event and coordinating the massive data collection efforts. Also sincere thanks go to the many volunteers who provide data for our reports. As always, special thanks are due to all the members of the real estate and economic development community. Your continued support is appreciated. If you have suggestions on how to improve upon these reports, or would like to comment in general, please email me at jlombard@odu.edu.

John R. Lombard, Ph.D.
Assistant Professor, Department of Urban Studies and Public Administration
Director, Center for Real Estate and Economic Development
Old Dominion University
College of Business and Public Administration
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  - Chesapeake, VA
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  - Virginia Beach, VA

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  - Richmond, VA
- Amerigroup Headquarters Building
  - Chesapeake, VA
- Fountain Plaza II
  - Newport News, VA
- Marsh Landing
  - Virginia Beach, VA

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- JFCOM/GSA
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  - Williamsburg, VA
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Acknowledgements

Author: Charles Dalton

Data Analysis/Layout: Real Data

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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; pre-leases that are not physically occupied are considered vacant.
The Norfolk-Virginia Beach-Newport News Apartment Report, researched and published by Real Data, is a detailed analysis of the rental market within conventional apartment communities in the Peninsula and Southside portions of the Hampton Roads region. The area has been divided into eight submarkets: Chesapeake/Suffolk, Hampton, Newport News, Norfolk, Portsmouth, Virginia Beach, Williamsburg and York. Combined, these areas contain a survey base of nearly 80,000 apartment units.

The James River divides the Norfolk-Virginia Beach-Newport News market into two portions. The Peninsula area is north of the James River and contains Hampton, Newport News, Williamsburg and York. The Southside 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 nearly one-third of the region's apartment units.

The Hampton Roads region continues to have one of the highest occupancy rates in the Southeast. Occupancy rates improved slightly in 2003. As of October 2003, the average occupancy rate was 97.2%. There were 1,168 units absorbed in 2003. Development activity has increased in recent years with over 1,700 units completed in the last 24 months. As of October 2003, there were 1,443 units under-construction.

The average quoted rental rate is $693, with one-bedroom rents averaging $613 per month, two-bedroom units having an average rental rate of $701, and three-bedroom units reporting an average quoted rental rate of $828. Rental rates from existing inventory increased by $25.19, or 3.8%, during the last twelve months.

As of October 2003, development activity remained high with 1,443 units currently under construction, and an additional 1,852 units proposed for construction.

**METHODOLOGY**

Information contained in the Real Data Norfolk-Virginia Beach-Newport News Apartment Report is obtained from reliable sources, but Real Data makes no guarantee of accuracy or completeness. Readers should understand that the data contained within this report has been gathered from conventional apartment communities, generally with at least 50 units, within Chesapeake, Hampton, Newport News, Norfolk, Portsmouth, Virginia Beach, York and Williamsburg. Conditions might have changed since the survey date of October 15, 2003.

**APARTMENT OVERVIEW**

The Norfolk-Virginia Beach-Newport News Apartment Report, researched and published by Real Data, is a detailed analysis of the rental market within conventional apartment communities in the Peninsula and Southside portions of the Hampton Roads region. The area has been divided into eight submarkets: Chesapeake/Suffolk, Hampton, Newport News, Norfolk, Portsmouth, Virginia Beach, Williamsburg and York. Combined, these areas contain a survey base of nearly 80,000 apartment units.

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As of October 2003, development activity remained high with 1,443 units currently under construction, and an additional 1,852 units proposed for construction.
A total of 79,088 units were surveyed for this report. Development of apartment units in this market peaked during two time periods, the early 1970s and the late 1980s. Development during the 1990s and so far in the 2000s is minor compared to past development. Approximately 10% of the apartments units in this region were built after 1990.

**Historical Apartment Development**

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-'64</td>
<td>10,812</td>
</tr>
<tr>
<td>'65-'69</td>
<td>9,420</td>
</tr>
<tr>
<td>'70-'74</td>
<td>22,352</td>
</tr>
<tr>
<td>'75-'79</td>
<td>8,474</td>
</tr>
<tr>
<td>'80-'84</td>
<td>5,542</td>
</tr>
<tr>
<td>'85-'89</td>
<td>16,918</td>
</tr>
<tr>
<td>'90-'94</td>
<td>3,227</td>
</tr>
<tr>
<td>'95-'99</td>
<td>2,296</td>
</tr>
<tr>
<td>'00-'04</td>
<td>2,702</td>
</tr>
</tbody>
</table>

TABLE I

- A total of 79,088 units were surveyed for this report.
- Development of apartment units in this market peaked during two time periods, the early 1970s and the late 1980s.
- Development during the 1990s and so far in the 2000s is minor compared to past development.
- Approximately 10% of the apartments units in this region were built after 1990.
Historical Multi-Family Building Permits
Norfolk-Virginia Beach-Newport News

**TABLE II**

Multi-family permit activity was strongest in 2002, although much of the permit activity has not been rental apartments, but instead for-sale condominiums, townhouses, and senior facilities.

**Annual Multi-Family Permit Activity**

<table>
<thead>
<tr>
<th>Year</th>
<th>Permits Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>1,712</td>
</tr>
<tr>
<td>1991</td>
<td>1,320</td>
</tr>
<tr>
<td>1992</td>
<td>923</td>
</tr>
<tr>
<td>1993</td>
<td>1,377</td>
</tr>
<tr>
<td>1994</td>
<td>1,818</td>
</tr>
<tr>
<td>1995</td>
<td>1,421</td>
</tr>
<tr>
<td>1996</td>
<td>1,102</td>
</tr>
<tr>
<td>1997</td>
<td>1,216</td>
</tr>
<tr>
<td>1998</td>
<td>1,384</td>
</tr>
<tr>
<td>1999</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>1,519</td>
</tr>
</tbody>
</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. 2002</td>
<td>34</td>
</tr>
<tr>
<td>Dec. 2002</td>
<td>168</td>
</tr>
<tr>
<td>Jan. 2003</td>
<td>292</td>
</tr>
<tr>
<td>Feb. 2003</td>
<td>32</td>
</tr>
<tr>
<td>Mar. 2003</td>
<td>304</td>
</tr>
<tr>
<td>Apr. 2003</td>
<td>75</td>
</tr>
<tr>
<td>May 2003</td>
<td>62</td>
</tr>
<tr>
<td>Jun. 2003</td>
<td>215</td>
</tr>
<tr>
<td>Jul. 2003</td>
<td>46</td>
</tr>
<tr>
<td>Aug. 2003</td>
<td>536</td>
</tr>
<tr>
<td>Sept. 2003</td>
<td></td>
</tr>
<tr>
<td>Oct. 2003</td>
<td></td>
</tr>
</tbody>
</table>
There are currently over 1,400 apartment units under construction within eight communities in the Norfolk-Virginia Beach-Newport News market. As of October, over 1,800 additional apartment units were planned for the region.

### Apartment Development Activity (October 2003)

![Bar Chart showing Under Construction and Proposed apartment units by city.]

- **Chesapeake**: Under Construction - 400, Proposed - 100
- **Hampton**: Under Construction - 200, Proposed - 100
- **Newport News**: Under Construction - 300, Proposed - 200
- **Norfolk**: Under Construction - 500, Proposed - 300
- **Portsmouth**: Under Construction - 300, Proposed - 400
- **Virginia Beach**: Under Construction - 600, Proposed - 500
- **Williamsburg**: Under Construction - 200, Proposed - 300
- **York**: Under Construction - 100, Proposed - 100
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
Virginia Beach
Norfolk
64
264
64
464
264
y
North Carolina
Chesapeake
Chesapeake Bay Bridge Tunnel
Hampton
Newport News
Portsmouth
Norfolk
Newport News
Portsmouth
Virginai Beach
Chesapeake
MULTI-FAMILY
North Carolina
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 Norfolk-Virginia Beach-Newport News area is expected to absorb between 700 to 900 units annually. The 1,168 units absorbed over the past year is well beyond expectations. The area has maintained a relatively low unemployment rate and is one of the few areas to have a net gain in jobs in recent years.

The Virginia Beach submarket had the highest level of absorption between April and October 2003.
The overall vacancy rate for the Norfolk-Virginia Beach-Newport News market as of October 2003 was 2.8%. This figure represents a decrease from the 4.0% vacancy level six months prior. Vacancy rates are expected to rise moderately in 2004.

### TABLE VII  Overall Vacancy

<table>
<thead>
<tr>
<th></th>
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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy</td>
<td>5.0</td>
<td>4.5</td>
<td>4.0</td>
<td>3.5</td>
<td>3.0</td>
<td>2.5</td>
<td>2.0</td>
<td>1.5</td>
<td>1.0</td>
<td>.5</td>
<td>0</td>
</tr>
</tbody>
</table>

All areas in the Hampton Roads region showed an improvement in vacancy rates over the last six months.

### TABLE VIII  Submarket Vacancy Rates

- Chesapeake: 5.5, 4.5, 4.0, 3.5, 3.0, 2.5, 2.0, 1.5, 1.0, .5, 0
- Hampton: 5.0, 4.5, 4.0, 3.5, 3.0, 2.5, 2.0, 1.5, 1.0, .5, 0
- Newport News: 4.5, 4.0, 3.5, 3.0, 2.5, 2.0, 1.5, 1.0, .5, 0
- Norfolk: 4.0, 3.5, 3.0, 2.5, 2.0, 1.5, 1.0, .5, 0
- Portsmouth: 3.5, 3.0, 2.5, 2.0, 1.5, 1.0, .5, 0
- Virginia Beach: 3.0, 2.5, 2.0, 1.5, 1.0, .5, 0
- Williamsburg: 2.5, 2.0, 1.5, 1.0, .5, 0
- York: 2.0, 1.5, 1.0, .5, 0
- Overall: 5.5, 5.0, 4.5, 4.0, 3.5, 3.0, 2.5, 2.0, 1.5, 1.0, .5
As of October, the average quoted rental rate in Norfolk-Virginia Beach-Newport News was $693. This figure does not take into account any rent concessions or specials that individual communities may be offering. Hence, the actual rent being received for a unit may be lower than the quoted rent as a result of these specials or concessions. As expected with occupancy rates above 97%, only 7% of apartment communities were offering concessions. Concessions offered most often were reduced rent for military personnel, reduced deposits, or reduced rent for the first month of the lease term.

**TABLE IX**  
**Average Rental Rates**

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Rental Rate</td>
<td>$700</td>
<td>$600</td>
<td>$500</td>
<td>$400</td>
<td>$300</td>
<td>$200</td>
<td>$100</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

**TABLE X**  
**Average Rent by Submarket – October 2003**

<p>| | | | | | | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Rent</td>
<td>$900</td>
<td>$800</td>
<td>$700</td>
<td>$600</td>
<td>$500</td>
<td>$400</td>
<td>$300</td>
<td>$200</td>
<td>$100</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

**Average Rents**

Average overall rents ranged from a low of $604 in Portsmouth to a high of $789 in York County. Portsmouth, Newport News, Norfolk, and Hampton all reported rents lower than the average rent of $693, while Chesapeake, Williamsburg, York 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 Southside and Peninsula regions in October. Out of the 79,088 apartment units, the top fifteen management firms manage over half of the units in the Norfolk-Virginia Beach-Newport News apartment 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 38% of the market, or nearly 30,000 units.

### TABLE VII  Top 15 Management Companies

<table>
<thead>
<tr>
<th>Name</th>
<th>Units</th>
</tr>
</thead>
<tbody>
<tr>
<td>S.L. Nusbaum</td>
<td>8,205</td>
</tr>
<tr>
<td>Great Atlantic</td>
<td>8,101</td>
</tr>
<tr>
<td>Drucker &amp; Falk</td>
<td>5,155</td>
</tr>
<tr>
<td>Lawson Companies</td>
<td>4,398</td>
</tr>
<tr>
<td>AIMCO</td>
<td>3,865</td>
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### REGIONAL TRENDS

**Richmond**

Findings for the August 2003 Richmond Apartment Index were based on 46,151 units. The overall vacancy rate was 8.8% while the average rent reported was $683 per month. Development in this region remains steady with nearly 1,600 units under construction and over 1,800 units currently proposed.

**Roanoke**

Over 9,000 apartment units were surveyed for the April 2003 Roanoke Apartment Index Report. Findings indicated a vacancy rate of 10.3% an increase from 7.0% reported in the previous year. Overall rental rates were $577 per month. There was no development activity in Roanoke as of April 2003.
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