Hampton Roads Real Estate
Office Market Review and Forecast
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Vice President
Jones Lang LaSalle

2011 Economic Recap and 2012 Economic Forecast
Hampton Roads Office Market

• Defense Budget Cuts and the Effects on Hampton Roads

• Jobs and Unemployment

• Office Absorption
  - Leasing
  - Sales
  - 2011 Construction deliveries
  - New deliveries for 2012

• Trends and Opportunities in the Office Market

Government spending
Hampton Roads is dependent on government spending

- VA Defense spending: $58.9 billion
- Gov't contract budget: $39 billion
- 11% of the GRP
- 16% of the GSP
- 1,000,000 employed by Government Contract services in VA
- U.S. defense budget cuts:
  - $487 billion over 10 years
  - $259 billion over 5 years

The Upside

Hampton Roads Office Market

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

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

Unemployment

Trends

Unemployment
Past 12 months
Unemployment in Hampton Roads
Where we've been...where we're headed

Source: Moody's Analytics / Precis US Metro / South / November 2011

7.4% 7.6% 7.2% 6.8% 6.4%

Key Market Indicators
Hampton Roads Office Market

Outlook:
What to expect...Much of the same

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

2011 Lease Transactions
Hampton Roads Office Market

2011 Office Sales
Hampton Roads Office Market

2011 Construction Deliveries
Hampton Roads Office Market
2012 Construction – To Be Delivered
Hampton Roads Office Market

<table>
<thead>
<tr>
<th>Building/ Company Name</th>
<th>Leasing/ Ownership</th>
<th>Expected Delivery</th>
<th>DBA</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hampton Roads Center</td>
<td>Leasing/Occupied</td>
<td>5/2012</td>
<td>GoldKey / PHR</td>
<td>100%</td>
</tr>
<tr>
<td>NIA Laboratory Building</td>
<td>Leasing/Occupied</td>
<td>6/2012</td>
<td>GoldKey / PHR</td>
<td>50%</td>
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<tr>
<td>Chesapeake Eye Center</td>
<td>Leasing/Occupied</td>
<td>6/2012</td>
<td>GoldKey / PHR</td>
<td>100%</td>
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<tr>
<td>Operation Smile Telethon</td>
<td>Leasing/Occupied</td>
<td>6/2012</td>
<td>GoldKey / PHR</td>
<td>100%</td>
</tr>
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</tr>
</tbody>
</table>

Trends and Opportunities
Hampton Roads Office Market

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

Summary

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Hampton Roads Office Market

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Thank you