Old Dominion University
Hampton Roads Real Estate
Market Review and Forecast
2006

Residential Review – J.V. Rose, Jr.

Presented by:
E.V. Williams Center
for Real Estate
and Economic Development

Residential Market Review

J. Van Rose, Jr. MIRM
President
Rose & Womble Enterprises

Principal Owner of Rose & Womble Realty
2004 Rose & Womble Sold 7,000 Homes
Equaling $1 Billion in Volume

Lifetime Teacher & Motivator
Travels the country sharing his knowledge
and unique perspective.

14 Year History of Resale and
New Construction Closings

Hampton Roads Housing Stats - 2005

• 7,778 Building Permits
• 5,092 Closed New Home Sales
Hampton Roads Housing Stats - 2005

- Average Price of SF New Home
  - $405,943
  - An Increase of $91,138 and 28.9% in one year
- Average Price of SF Existing Home
  - $252,844
  - An Increase of $45,317 and 21.8% in one year

Growth of Home Sizes and Price Per Square Foot

<table>
<thead>
<tr>
<th>Year</th>
<th>Size (SF)</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>2150</td>
<td>$170K</td>
<td>$258K</td>
<td>$313K</td>
<td>$406K</td>
</tr>
<tr>
<td>2003</td>
<td>2480</td>
<td>$104 SF</td>
<td>$104 SF</td>
<td>$118 SF</td>
<td>$145 SF</td>
</tr>
<tr>
<td>2004</td>
<td>2647</td>
<td>$118 SF</td>
<td>$118 SF</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>2800</td>
<td>$145 SF</td>
<td>$145 SF</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Market Share 1994 vs. 2005

- Resale vs. New Construction Average Closing Prices for 2005

Southside Single-Family Detached Homes

- Resale vs. New Construction Average Closing Prices for 2005

Peninsula Single-Family Detached Homes

- Resale vs. New Construction Average Closing Prices for 2005
Resale vs. New Construction Average Closing Prices for 2005

Peninsula Single – Family Detached Homes

Average Consumer Lot Costs

Chesapeake

- Edinburgh - $275,000
- Ruth’s Glen - $250,000
- Emerald Forest - $285,347
- English Oaks - $178,778

Suffolk

- Governors Pointe - $182,000
- Nansemond River Estates - $141,825
- The Riverfront - $368,505

Virginia Beach

- Lago Mar - $211,690
- Thoroughgood - $345,000
- Victoria Park - $345,000
- Indian River Plantation - $281,618

James City County

- Lake Powell Pointe - $166,201
- Governors Land - $152,812
- Fords Colony - $170,073
- Landfall - $153,500

Hampton, Newport News, York County, Williamsburg

- H Howe Farms - $94,667
- N Port Warwick - $159,724
- Y Quartermarsh Est - $110,000
- W Holly Hills - $385,106
1. Cautiously Optimistic

Hampton Roads Economic Stats 2005

- The area’s economy has outperformed the country’s for the past 5 years
- The port’s growth and tourism provide a buffer to military cutbacks
- Median Family Income
  - National Average: $57,511
  - Virginia Beach: $61,230
  - Chesapeake: $58,701
  - Hampton: $46,110
  - James City County: $66,171
- Average MSA Military Pay: $52,600
- More than 53,000 Retired Military in HR

Percent of Households That Purchased A Home in 2005 Compared To The Total Number of Households In The MSA

RESIDENTIAL HOUSING FORECAST

REASONS:

2. Hampton Roads Housing Demand

3. Hampton Roads Housing Supply
Number of Homes Listed in December 1998-2005 and January 2006

RESIDENTIAL HOUSING FORECAST

REASONS:
4. Effects of Interest Rates
   (Mortgage Instruments)

Interest Rate Affect On Housing Affordability

<table>
<thead>
<tr>
<th>Year</th>
<th>MI</th>
<th>IR</th>
<th>TM</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>$39,704</td>
<td>8.2%</td>
<td>$154,000</td>
</tr>
<tr>
<td>2000</td>
<td>$42,448</td>
<td>7.3%</td>
<td>$173,000</td>
</tr>
<tr>
<td>2001</td>
<td>$51,000</td>
<td>7.3%</td>
<td>$210,000</td>
</tr>
<tr>
<td>2002</td>
<td>$53,900</td>
<td>5.5%</td>
<td>$260,000</td>
</tr>
<tr>
<td>2003</td>
<td>$56,302</td>
<td>5.25%</td>
<td>$300,000</td>
</tr>
<tr>
<td>2004</td>
<td>$56,624</td>
<td>6.0%</td>
<td>$275,000</td>
</tr>
<tr>
<td>2005</td>
<td>$59,100</td>
<td>6.125%</td>
<td>$300,000</td>
</tr>
</tbody>
</table>

With Down Payment $400,000
Interest Only $425,000
Interest Only With Down Payment $525,000

RESIDENTIAL HOUSING FORECAST

REASONS:
5. Military Influence

Defense Spending In Billions 1990 - 2006

New Construction Closings By Price Points 2003, 2004, 2005
2005 Year in Review

- Economic Background
  - HR (Hampton Roads) favorable unemployment rate of 3.6% (vs. 4.7% for US)
  - Demand exceeds supply
  - 2,595 units under construction and 1,764 proposed
  - Long term interest rates historically low and steady
  - Home prices have increased significantly

2005 Year in Review (Continued)

- Fundamentals
  - Vacancy 3.8%
  - Average rent $785
    - Rent growth in excess of inflation
  - Strong fundamentals compared to nearby regions

Source: Real Data
**Avg. Rents by City - 2005**

<table>
<thead>
<tr>
<th>City</th>
<th>Rent per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Newport</td>
<td>$700</td>
</tr>
<tr>
<td>Norfolk</td>
<td>$881</td>
</tr>
<tr>
<td>Hampton</td>
<td>$785</td>
</tr>
<tr>
<td>Williamsburg</td>
<td>$785</td>
</tr>
<tr>
<td>Newport</td>
<td>$700</td>
</tr>
<tr>
<td>York</td>
<td>$700</td>
</tr>
<tr>
<td>Virginia</td>
<td>$785</td>
</tr>
</tbody>
</table>

**Net Monthly Cost of Owning vs. Renting**

Hampton Roads Avg. Rent and Median P&I for a Newly Purchased Home

<table>
<thead>
<tr>
<th>Year</th>
<th>Rent</th>
<th>P&amp;I</th>
<th>Owner % Premium</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$700</td>
<td>$73%</td>
<td>$1,341</td>
</tr>
<tr>
<td>2001</td>
<td>$785</td>
<td>$73%</td>
<td>$1,341</td>
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<td>$785</td>
<td>$73%</td>
<td>$1,341</td>
</tr>
</tbody>
</table>

Sources: ODU Economic Forecasting Project and Real Data

**Comparison to Nearby Regions**

<table>
<thead>
<tr>
<th>Region</th>
<th>HR</th>
<th>Richmond</th>
<th>Raleigh-Durham</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy %</td>
<td>3.8%</td>
<td>6.3%</td>
<td>9.8%</td>
</tr>
<tr>
<td>Avg. Rent</td>
<td>$785</td>
<td>$726</td>
<td>$700</td>
</tr>
<tr>
<td>2 yr. % Change in Rent</td>
<td>13.8%</td>
<td>6.5%</td>
<td>-7.8%</td>
</tr>
</tbody>
</table>

Source: Real Data

**Operational Trends**

- Condo conversions
- "Renters by choice"
- Urbanism
- Life style amenities
  - Concierge Service
  - Automated rent payments and web based maintenance requests
  - Business center
  - Cyber-café
  - Hot tubs / tanning booths

**Multifamily Transactions**

- Unit prices for multifamily properties have increased significantly since 2001:
  - 2001, $36,700
  - 2004, $72,700
  - 2005, $68,600

- Number of units traded increased:
  - 2001, 2,200 units
  - 2004, 4,000 units
  - 2005, 2,700 units

Data: CBRE, reported broker transactions

**Hampton Roads Apartment Units Sold and Average Price per Unit**

<table>
<thead>
<tr>
<th>Year</th>
<th>Units Sold</th>
<th>Avg. Price per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>1,000</td>
<td>$36,700</td>
</tr>
<tr>
<td>2000</td>
<td>2,200</td>
<td>$36,700</td>
</tr>
<tr>
<td>2001</td>
<td>3,000</td>
<td>$72,700</td>
</tr>
<tr>
<td>2002</td>
<td>4,000</td>
<td>$72,700</td>
</tr>
<tr>
<td>2003</td>
<td>5,000</td>
<td>$72,700</td>
</tr>
<tr>
<td>2004</td>
<td>6,000</td>
<td>$72,700</td>
</tr>
<tr>
<td>2005</td>
<td>7,000</td>
<td>$72,700</td>
</tr>
</tbody>
</table>

# of units sold
Avg. price per unit
Multifamily Transactions (Continued)

- Tenants in common (TIC)
- Cap Rate Compression
  - Interest rates are low
  - Limited financial return alternatives for investments
- Financial returns significantly based on property appreciation

Opportunities / Cautions

- National perspective
- BRAC
- Interest rates
- Vacancy

Conclusion

- Multifamily economics remain strong
- Valuations questionable
- Watch fundamentals

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Office Review – Don Crigger

Presented by:
E.V. Williams Center
for Real Estate
and Economic Development
Office Market Review

Donald Crigger, CCIM
Senior Director, Office Properties
Advantis Real Estate Services Company

Directs the leasing operations for nearly 2.5 million square foot portfolio
Specializes in landlord and tenant representation, leasing and sales
Since 1987, transaction volume exceeds $225 Million
B.A. College of William and Mary

2006 Office Market Review

Presented by:
Donald R. Crigger, CCIM
Senior Director, Office Properties
GVA Advantis

HAMPTON ROADS HISTORICAL VACANCY RATE TRENDS

HAMPTON ROADS HISTORICAL ABSORPTION TRENDS

The Real Estate Cycle

Landlord or Tenant Market?

- Scarcity of Choice Sites
- Rapidly Increasing Land Prices
- Construction Costs Up 25% to 30%
  (Since 2003)
- New Construction Rental Rates Up 15% to 20%
- Modest to Moderate Office Demand
Development Response to “Tight” Market

- Continued Measured Approach to Adding New Supply
- Limited Speculative Development Will Be Rewarded
- Larger Tenants Must Plan Further Ahead (18 to 24 months)
- Visuals - Architectural Plans and Renderings

AMERI GROUP Building

- Fall 2006 Completion

The Gallery

- April 2006 Delivery

Liberty Three

- December 2006 Delivery

Innovation Research Park

- Delivery Spring 2007

Trader Center

- January 2007 Completion
Office Market Forecast

- Vacancy Continues Gradual Decline
- Rental Rates Will Surge Upward
- Relatively Strong Net Absorption
- LARGER Volume of New Construction Later in 2006

Presented by:
E.V. Williams Center
for Real Estate
and Economic Development
Retail Market Review

Christopher E. Rouzie
Senior Vice President
Thalhimer
Managing Broker for Thalhimer
Newport News
Specializes in Retail Site Selection for National Retailers

Hampton Roads – Retail Vacancy

New Projects
Redevelopment
Governor’s Green - Williamsburg

Town Centers

New Town - Williamsburg

City Center – Newport News

Coliseum Mall - Hampton

Coliseum Mall - Hampton
Industrial Market Review

Richard C. Culbreth, Jr., CCIM, SIOR
Senior Director, Industrial Properties
Advantis Real Estate Services Company

Since 1989 has concentrated exclusively on marketing, selling and leasing industrial properties.
1991 Co-founded Virginia Commercial Real Estate Services in Virginia Beach.
1995 formed Old Dominion Commercial Real Estate Services.
Since 1992 to present has been a Tidewater Associates of Realtors Million Dollar Producer.

Ron Biesecker
Bill Throne
Chip Worley
Trip Ferguson
Pat Mumey
Billy King
Worth Remick
Stephanie Sanker
Charles Dickinson
Ken Benassi
Bobby Beasley
Abe Ellis

Gross Square Feet 1997 - 2005

Hampton Roads Industrial Market
Vacancy Rate

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2006

Industrial Review – Clay Culbreth

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and Economic Development

Gross Square Feet 1997 - 2005

Hampton Roads Industrial Market
Vacancy Rate
### Table 1: 2004 and 2005 Vacancy Rates

<table>
<thead>
<tr>
<th>Submarket</th>
<th>2004 Vacancy Rate</th>
<th>2005 Vacancy Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>6.25%</td>
<td>5.24%</td>
</tr>
<tr>
<td>Williamsburg Extended Area</td>
<td>4.72%</td>
<td>7.39%</td>
</tr>
<tr>
<td>Oakland/Upper Peninsula</td>
<td>4.08%</td>
<td>5.13%</td>
</tr>
<tr>
<td>Oyster Point/Middle Point</td>
<td>8.80%</td>
<td>17.43%</td>
</tr>
<tr>
<td>Copeland/Lower Peninsula</td>
<td>0.00%</td>
<td>0.68%</td>
</tr>
<tr>
<td>Suffolk</td>
<td>4.72%</td>
<td>6.13%</td>
</tr>
<tr>
<td>Portsmouth</td>
<td>9.13%</td>
<td>23.06%</td>
</tr>
<tr>
<td>Norfolk Industrial Park</td>
<td>2.87%</td>
<td>4.07%</td>
</tr>
<tr>
<td>Norwich Area</td>
<td>1.85%</td>
<td>2.45%</td>
</tr>
<tr>
<td>Lynnhaven Area</td>
<td>6.33%</td>
<td>6.43%</td>
</tr>
<tr>
<td>Port Royal</td>
<td>0.00%</td>
<td>0.68%</td>
</tr>
<tr>
<td>Copeland Lower Peninsula</td>
<td>17.43%</td>
<td>8.80%</td>
</tr>
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</tr>
<tr>
<td>Total</td>
<td>6.25%</td>
<td>5.24%</td>
</tr>
</tbody>
</table>

### Total Absorption from 2000-2005

- **Bay Warehouse**: ($13.2 million, $44.00 per square foot)
- **Gateway Building**: ($14.1 Million, $33.44 per square foot)

### Ashley Capital Acquisition - 2005 GE Facility
- **Gateway Building**
- **Bay Warehouse**

### Some Leases Worth Noting
- **Bridgewater Commerce Center**
- **Ward Court**
- **Gateway Distribution Facility**

### If You Build It, They Will Come!
The increase in port activity will generate a need for “... between 20 and 60 million square feet of additional distribution center space in the region...”

Moffatt & Nichol Report dated June 2005
Regional Companies’ Virginia Regional Commerce Park

Ashley Capital’s 2601 Indian River Road

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Investment Review – Jonathan Guion

Investment Market Review

Jonathan S. Guion, SIOR Senior Advisor Sperry Van Ness

18 Experience in Commercial Real Estate specializing in Industrial Properties and Commercial Investment Sales

Sperry Van Ness is the third largest commercial real estate investment brokerage company in the nation

2005 Commercial Sales exceeded $6 Billion Dollars

National Market Influences

- Inflow of Foreign Capital
- Interstate Flow of Capital
- Condo Conversion Rush

Investment Market

Jonathan Guion, SIOR Sperry Van Ness
Inflow of Foreign Capital

- Australia: 40%
- Germany: 20%
- Mid East: 10%
- Others: 30%

Interstate Flow of Capital

Hampton Roads Market

- Increase in portfolio sales
- Increase in out-of-state buyers

Condo Conversion Rush

- For Sale
  - 150 West Main St
  - Norfolk
  - $50,500,000
  - SOLD

Hampton Roads Transactions

- Cedar Shopping Centers
  - $93.8 million
- First Potomac Realty Trust
  - $68 million
- Branscan Real Estate Opportunity Fund
  - $25.5 million
Investment Market
Jonathan Guion, SIOR

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