Old Dominion University
Hampton Roads Real Estate
Market Review and Forecast

Presented by:
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and Economic Development

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Jonathan Guion

For leadership of the CREED Advisory Board throughout the past two years

ODU’s College of Business and Public Administration

The Robert M. Stanton Chair of Real Estate and Economic Development

• $1.5 million lead gift is largest planned gift by an ODU alumnus
• $4.5 million total endowment
• Endowment will allow:
  – Chaired professorship
  – Expanded curriculum in real estate and economic development
  – Enhanced CREED activities

2003 OFFICE MARKET REVIEW

Presented by

Donald R. Crigger, CCIM
Senior Director
Advantis/GVA

NATIONAL CLIMATE

POSITIVE INFLUENCES

• IMPROVING ECONOMY
• CORPORATE PROFITS FUELED BY PRODUCTIVITY GAINS
• JOB GROWTH SHOULD FOLLOW GRADUALLY (LATE 2004 & 2005)

NEGATIVE INFLUENCES

• HIGH VACANCY DUE TO LIMITED DEMAND
• SIGNIFICANT SUBLEASE INVENTORY
• INCREASING OCCUPANCY DENSITY (INCREASED NEARLY 10% IN LAST 10 YEARS)
• TECHNOLOGY CONTINUES TO REPLACE WORKERS
• OFFSHORING OF OFFICE JOBS (INDIA & CHINA)
**NATIONAL CLIMATE FORECAST**

- Very gradual improvement
- Sublease and phantom space will dampen statistical recovery (both in terms of rental rates and vacancy)
- Flight to quality (increasing density at same price) requiring employees to live in less space, must increase quality & amenities

**HAMPTON ROADS CLIMATE POSITIVE INFLUENCES**

- Limited development since 2000 (supply controlled)
- “Town Center” projects buoyed absorption (met pent up demand)
- Vacancy decreasing with limited sublease inventory (low teens)
- Defense & port remain in growth mode

**HAMPTON ROADS CLIMATE NEGATIVE INFLUENCES**

- Limited class “A” suburban inventory
- Continued lack of new prospect activity from outside region
- Northeast no longer as fertile for prospecting
- Shrinking rental rate differential with competing markets

**HAMPTON ROADS CLIMATE FORECAST**

- Moderate absorption in 2004 - improving in 2005
- Continued build-to-suit activity with speculative development returning by 2005
- Suburban re-development as demand warrants
- Retention strategies will be as important as recruitment initiatives
LARGE LEASE TRANSACTIONS

- SUNTRUST AT 150 WEST MAIN — 53,120 SF
- SENTARA HEALTHCARE AT CROSSWAYS I — 40,211 SF
- AMSEC LLC AT BATTLEFIELD TECH CENTER I — 57,429 SF

SIGNIFICANT INVESTMENT SALES

SELLER: THE HAYMAN COMPANY
BUYER: BERMAN KAPPLER
SALES PRICE: $11,500,000
TOTAL SF: 155,500
PRICE PSF: $73.95

Multi-Family Market Overview

Wendy Drucker
Drucker & Falk, LLC
Newport News, VA

- The Established Market
- New Development
- Curve Balls

The Established Market

Vacancy 2.8%
- Projected Revenue Growth 3.7%+
  - 1258 units absorbed
  - Cap rates 7.27-8.31
1400 Apartments Under Construction
1800 In Pipeline
1 Bedroom Rental Rates $1000+

New Development

Land Prices
• Increased 10%-15% per year
• $11,000-$12,000 per unit

New Development
More Bells and Whistles!

Clubhouses

Swimming Pool Waterscapes
Coffee Bars

Café, Billiards

Child Friendly Facilities

Movie Theatre

Walking Trails

Mixed use “village” communities, mid-rise, high-rise
Elegant Building Lobbies
Curve Balls

Military Deployment

Rain!
Hurricane Isabel

Insurance Costs

Asbestos

MOLD!

Lead
What's in store for 2004?

Residential Market Review

Presented by

J.V. Rose, Jr.
President
Rose & Womble Realty

Hampton Roads Housing Stats - 2003

- 7,049 Building Permits
- 4,759 Closed New Home Sales
- New Home Closings Total Volume = $1,158,560,096 up 7.0%
- 20,612 Closed Existing Home Sales
- Existing Home Closings Total Volume = $3,293,498,753 up 19.9%

Hampton Roads Housing Stats - 2003

- Average Price of SF New Home $254,895
- An Increase of $25,779 or 11.2% in one year
- Average Price of SF Existing Home $172,873
- An Increase of $20,359 or 13.3% in one year

Market Share 1993 vs. 2003

- 1993: 40% Resale, 56% New
- 2003: 19% Resale, 81% New
Average Consumer Lot Costs
Chesapeake

• Greystone - $109,000
• Ravanna - $120,000
• Edinburgh - $180,626
• Cahoon Plantation - $118,888

Average Consumer Lot Costs
Suffolk

• Governors Pointe - $139,352
• Nansemond Pointe - $80,375
• Nansemond River Estates - $90,360
• The Riverfront - $139,900

Average Consumer Lot Costs
Virginia Beach

• Morgans Walk - $127,800
• Lago Mar - $154,658
• Indian River Plantation - $189,968
• Victoria Park - $140,000 - $175,000

Average Consumer Lot Costs
Peninsula

• J Landfall - $160,000
• J Stonehouse - $113,000
• J Fords Colony - $118,502
• Y Port Myers - $82,910

RESIDENTIAL HOUSING FORECAST

1. Extremely Positive!!!

RESIDENTIAL HOUSING FORECAST

REASONS:
1. Hampton Roads Economics
Hampton Roads Economic Stats - 2003

- Employment has Grown Faster in Hampton Roads Than In The U.S. and Virginia Since Late in 2000
- Hampton Roads Has Been Buffered from Recession by Increases in Military Pay and Housing Allowances
- Median Family Income
  - National Average: $42,900
  - Chesapeake: $53,800
  - Virginia Beach: $53,242
- Average MSA Military Pay: $50,613
- Estimated 53,000 Retired Military in HR

RESIDENTIAL HOUSING FORECAST

REASONS:

2. Hampton Roads Housing Demand

RESIDENTIAL HOUSING FORECAST

REASONS:

3. Hampton Roads Housing Supply

RESIDENTIAL HOUSING FORECAST

REASONS:

4. Effects of Interest Rates
   (Mortgage Instruments)
Interest Rate Affect On Housing Affordability

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RESIDENTIAL HOUSING FORECAST

REASONS:
5. Military Influence

Defense Spending In Billions 1990 - 2004


2004 ODU Real Estate Review
Industrial Market Forecast

Presented By:
Clay Culbreth, SIOR, CCIM
Sr. Director Industrial Properties
Advantis/GVA
Stihl
350,000 S.F.

2820 Crusader Circle
155,000 S.F.

140 Industrial Blvd.
210,672 S.F.

2615 Elmhurst Lane
77,612 S.F.

804 Greenbrier Circle
75,000 S.F.

220 E Street
48,000 S.F.
Gateway
422,000 S.F.

ABB Building
100,000 S.F.

Excell Cedar Building
76,772 S.F. on 12.5 acres

Givens

Liberty Warehousing, Inc.

Valeo
69,000 S.F.
RETAIL MARKET OVERVIEW

- 46.4 million SF GLA (shopping centers)
- 30.3 million SF Southside (65 percent)
- 16.1 million SF Peninsula (35 percent)

✓ Retail SF and population are generally “balanced”
**2003 AVERAGE RENT**

- $13.46 (Southside)
- $13.18 (Peninsula)

**LEASING DYNAMICS**

- 749,000 SF new construction
- 831,000 SF estimated absorption
- Overall vacancy rate: 11.9 percent
  - DOWN 0.5 percent from 2002
  - DOWN 1.6 percent from 2001
- Average small shop asking rent: $13.32
  - UP $0.49 PSF from 2002
  - UP $1.05 PSF from 2001

**RETAIL SUBMARKETS**

- 24 retail submarkets Southside
  - 6 regional malls 14.9 million SF
  - 419,500 SF new construction
- 10 retail submarkets Peninsula
  - 2 regional malls 7.3 million SF
  - 330,000 SF new construction

**RETAIL PRODUCT TYPE**

- Neighborhood
- Community
- Regional
- Power
- Freestanding
- Specialty
- Festival
- Outlet

**VACANCY BY PRODUCT TYPE**

**“BIG BOX” VACANCY**

- 3.5 million SF “Big Box” vacancy
  - 67 percent of total retail vacancy
  - Disproportionate problem on Peninsula
    - 45 percent of “big box” vacancy is on Peninsula
    - 77 percent of Peninsula’s vacancy is in “big boxes”
  - Reflects modest decline compared to 2002 but still suffering from sharp increases in 2000 and 2001
**“SWEET SPOTS”**

✓ “Sweet Spots” exist throughout the region:
  - Williamsburg and Route 17 corridor
  - Northern Newport News
  - Coliseum Central
  - Northern Suffolk
  - Hilltop and Pembroke areas in Va. Beach
  - Victory Crossing in Portsmouth
  - Downtown Norfolk
  - Greenbrier and 664 corridor

**NEW PLAYERS**

✓ Kohl’s
✓ A.C. Moore
✓ Bass Pro Shops
✓ Shoe Carnival
✓ Moe’s Southwest Grill
✓ P. F. Chang’s
✓ The Sharper Image
✓ K & G Superstore

✓ Dick’s Sporting Goods
✓ Jared’s Jewelers
✓ California Pizza Kitchen
✓ Cold Stone Creamery

**EXPANDING RETAILERS**

• Wal*Mart
• Farm Fresh
• Burlington Coat Factory
• Home Depot
• Lowe’s Home Improvement
• Pier 1
• Ross Dress for Less

**NOTABLE SALES IN 2003**

✓ Lynnhaven Mall sold for $256 million
  ($197 PSF)

  – TWICE the combined sales price of $112 million for Greenbrier Mall and Military Circle in 2002

✓ Smaller centers sold for $9 - $100 PSF

**“WORD ON THE STREET”**

→ There’s more interest in this market than ever before, and by a broader range of retailers and restaurants

→ Many “big box” vacancies reflect “wait and see” attitudes by landlords who are not investing capital to re-demise large spaces for smaller tenants

**“WORD ON THE STREET”**

→ The grocery store war isn’t over…it’s entering a new phase with Wal*Mart just beginning to flex its muscles

→ Out parcel sites are scarce but eagerly sought by many types of users

→ Retailers aren’t bashful in making demands for tenant allowance or in putting pressure on rents
“WORD ON THE STREET”

→ It remains difficult to convey local market nuances to out-of-town site selectors

→ This market’s orientation to “small investor property owners” continues to surprise and beguile regional and national retailers

→ Finding new sites for retail development is tough, especially in Chesapeake

“WORD ON THE STREET”

→ All eyes are on Williamsburg for its population growth and quality of consumer base

→ Infill opportunities for existing retailers are not being promoted by retail tenant representatives

→ “Workhorse” retail areas such as Janaf and Coliseum are being overlooked despite strong sales and new investment

Thank you for your support of The Center for Real Estate and Economic Development.

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