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)

NATIONAL CLIMATE
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

5 YEAR NATIONAL VACANCY & ABSORPTION TRENDS
**HAMPTON ROADS CLIMATE**

**POSITIVE INFLUENCES FOR 2004**

- 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**

- 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**

- 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

**HAMPTON ROADS HISTORICAL**

**ABSORPTION TRENDS**

**HAMPTON ROADS HISTORICAL VACANCY RATE TRENDS**

- 2000: 7.80%
- 2001: 9.70%
- 2002: 11.80%
- 2003: 14.30%
- 2004: 13.10%

*Vacancy Rate*
NEW DEVELOPMENTS
2004

LOCKHEED MARTIN GLOBAL VISION INTEGRATION CENTER

BRIDGEWAY TECHNOLOGY CENTER II

AMERIGROUP CORPORATION

LARGE LEASE TRANSACTIONS

SUNTRUST AT 150 WEST MAIN
53,120 SF

AMSEC LLC AT BATTLEFIELD TECH CENTER I
57,429 SF

SENTARA HEALTHCARE AT CROSSWAYS I
40,211 SF

AOR/US ONCOLOGY
SIGNIFICANT INVESTMENT SALES

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

Old Dominion University
Hampton Roads Real Estate
Market Review and Forecast

Presented by:
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