2004 Retail Market Overview

Presented By
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RETAIL SALES TREND

- 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

- 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

LEASING DYNAMICS
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

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
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