Old Dominion University
Hampton Roads Real Estate
Market Review and Forecast
2005

Presented by:
The Center for Real Estate
and Economic Development

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Hampton Roads Real Estate Market Review and Forecast 2005

Presented by:
The Center for Real Estate and Economic Development

Multi-Family Market
Presented by
Wendy Drucker

Multifamily Market Overview

Wendy C. Drucker - Drucker & Falk, LLC - Newport News, VA

2,178 apartments under construction in Hampton Roads with an additional 1,256 proposed

Special thank you to
Inside Business
for their sponsorship
over the past three years.
## Apartment Distribution by City

<table>
<thead>
<tr>
<th>City</th>
<th>2000</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virginia Beach</td>
<td>31%</td>
<td>28%</td>
</tr>
<tr>
<td>Portsmouth</td>
<td>6%</td>
<td>8%</td>
</tr>
<tr>
<td>Norfolk</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>Newport News</td>
<td>23%</td>
<td>21%</td>
</tr>
<tr>
<td>Hampton</td>
<td>10%</td>
<td>11%</td>
</tr>
<tr>
<td>Chesapeake/Suffolk</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Yorktown/Wmbg/JCC</td>
<td>5%</td>
<td>6%</td>
</tr>
</tbody>
</table>
Rents in Hampton Roads have increased 43% since 1997

Vacancies still below 5%

### Income/Expense Comparison - Per Unit Basis

<table>
<thead>
<tr>
<th>Units</th>
<th>2000</th>
<th>Variance</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Income</strong></td>
<td>$6,253</td>
<td>$685 (11.0%)</td>
<td>$6,938</td>
</tr>
<tr>
<td>Insurance</td>
<td>$63</td>
<td>$127 (202.0%)</td>
<td>$190</td>
</tr>
<tr>
<td>RE Taxes</td>
<td>$292</td>
<td>$19 (6.5%)</td>
<td>$311</td>
</tr>
<tr>
<td>Payroll</td>
<td>$939</td>
<td>$107 (11.4%)</td>
<td>$1,046</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$1,294</td>
<td>$253 (19.5%)</td>
<td>$1,547</td>
</tr>
</tbody>
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<th>2000</th>
<th>Variance</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Income</strong></td>
<td>$6,476</td>
<td>$1,636 (25.0%)</td>
<td>$8,112</td>
</tr>
<tr>
<td>Insurance</td>
<td>$114</td>
<td>$52 (45.0%)</td>
<td>$166</td>
</tr>
<tr>
<td>RE Taxes</td>
<td>$349</td>
<td>$128 (36.0%)</td>
<td>$477</td>
</tr>
<tr>
<td>Payroll</td>
<td>$866</td>
<td>$116 (13.4%)</td>
<td>$982</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td>$1,329</td>
<td>$296 (22.3%)</td>
<td>$1,625</td>
</tr>
</tbody>
</table>

### Insurance Rates

### Payroll

- Management personnel has shifted from caretaker to that of Asset Manager
- State and Federal Certifications
- Growing building industry competing for these same maintenance people
2004 Sales Activity

Low Cap Rates
6.86% - 9.04%
Low Interest Rates

Sales Prices
$21,393 – $135,938 per Unit

What’s Driving our Market
• Military Growth
• Government Contractors
• Modeling and Simulation
• Bio Technology
• New Industry
• Growth at the Port
• Dollars available for Real Estate Investment & Development
• Retirees
• Lack of Available Land

Where are the Opportunities?

What are the Challenges?

What’s in the Future?

Old Dominion University
Hampton Roads Real Estate
Market Review and Forecast

Office Market
Presented by
John Profilet
Old Dominion University
Hampton Roads Real Estate Market Review and Forecast

Residential Market
Presented by
Van Rose
Hampton Roads Housing Stats - 2004

- Average Price of SF New Home
  $313,972
- An Increase of $56,624 or 22% in one year
- Average Price of SF Existing Home
  $207,527
- An Increase of $34,654 or 20% in one year

Growth of Home Sizes & Price Per Square Foot

<table>
<thead>
<tr>
<th>Year</th>
<th>Size</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>$170K/$79 SF</td>
<td>$258K/$104 SF</td>
<td>$313K/$118 SF</td>
<td>$398K/$142 SF</td>
</tr>
</tbody>
</table>

Market Share 1994 vs. 2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Resale</th>
<th>NC</th>
<th>Diff</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>36%</td>
<td>64%</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>14%</td>
<td>86%</td>
<td></td>
</tr>
</tbody>
</table>
**Southside**
Resale VS. New Construction Average Closing Prices for 2003
Single-Family Detached Homes

<table>
<thead>
<tr>
<th>Port</th>
<th>Norf</th>
<th>NW</th>
<th>Diff</th>
</tr>
</thead>
<tbody>
<tr>
<td>$118,791</td>
<td>$121,057</td>
<td>$117,747</td>
<td>$124,143</td>
</tr>
<tr>
<td>$240,363</td>
<td>$256,795</td>
<td>$250,000</td>
<td>$248,363</td>
</tr>
<tr>
<td>$121,572</td>
<td>$121,901</td>
<td>$117,435</td>
<td>$124,984</td>
</tr>
<tr>
<td>$156,825</td>
<td>$181,500</td>
<td>$171,146</td>
<td>$164,984</td>
</tr>
<tr>
<td>$258,726</td>
<td>$320,599</td>
<td>$300,018</td>
<td>$248,363</td>
</tr>
<tr>
<td>$101,901</td>
<td>$101,901</td>
<td>$98,000</td>
<td>$83,379</td>
</tr>
<tr>
<td>$320,599</td>
<td>$300,018</td>
<td>$299,073</td>
<td>$310,230</td>
</tr>
</tbody>
</table>

**Peninsula**
Resale VS. New Construction Average Closing Prices for 2003
Single-Family Detached Homes

<table>
<thead>
<tr>
<th>H</th>
<th>NN</th>
<th>JCC</th>
<th>YC</th>
</tr>
</thead>
<tbody>
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<td>$300,018</td>
<td>$299,073</td>
<td>$310,230</td>
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</table>

**Average Consumer Lot Costs**

**Chesapeake**

- Greystone - $117,146
- Ravenna - $127,509
- Cahoon Plantation - $151,300
- Edinburgh - $181,805

**Suffolk**

- Governors Pointe - $199,492
- Nansemond River Estates - $87,996
- Hillpoint Greens - $125,916
- The Riverfront - $179,591
  * Projected Average Price

**Virginia Beach**

- Lago Mar - $169,698
- Mansfield Farms - $272,766
- Bay Hill - $279,000
- Indian River Plantation - $194,529

**Peninsula**

- H Howe Farm - $85,825
- N Port Warwick - $91,661
- J Fords Colony - $129,028
- Y Running Man - $89,717

*Project values and dates are approximate. *
RESIDENTIAL HOUSING FORECAST

1. Extremely Positive!!!

RESIDENTIAL HOUSING FORECAST

REASONS:

1. Hampton Roads Economics

Hampton Roads Economic Stats - 2004

- 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: $43,300
  - Chesapeake: $55,900
  - Virginia Beach: $60,611
- Average MSA Military Pay: $52,600
- 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
Number of Homes Listed in December 1998-2004 and January 2005

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>
<th>With Down Payment</th>
<th>Interest Only</th>
<th>Interest Only W/ Down Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>$39,704</td>
<td>8.2%</td>
<td>$154,000</td>
<td>$375,000</td>
<td>$400,000</td>
<td>$500,000</td>
</tr>
<tr>
<td>2000</td>
<td>$42,448</td>
<td>7.3%</td>
<td>$173,000</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2001</td>
<td>$51,000</td>
<td>7.3%</td>
<td>$210,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>$53,900</td>
<td>5.5%</td>
<td>$260,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>$56,302</td>
<td>5.25%</td>
<td>$300,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>$56,624</td>
<td>6.0%</td>
<td>$275,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Defense Spending In Billions 1990 - 2005


RESIDENTIAL HOUSING FORECAST

REASONS:
5. Military Influence
Old Dominion University
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Market Review and Forecast

Industrial Market
Presented by
Abe Ellis

2005 ODU Real Estate Review
Industrial Market Forecast

Presented By:
R.L. “Abe” Ellis, SIOR
Vice President / Industrial Specialist
Thalhimer / Cushman & Wakefield

SPECIAL THANKS TO ALL OF OUR REPORTERS:
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Trip Ferguson
Michael Shapiro

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R. Worth Remick

NAI Harvey Lindsay
Bobby Beasley
Charles Dickinson
Billy King, SIOR
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Betsi Bartee
Ron Biesecker
Christine Kaempfe
Patrick Mumey, SIOR
Bobby Phillips

2004 Summary of Data

2004 Key Industrial Sales

Dexter Street, Portsmouth, Virginia
What Was New In 2004?

- Suffolk Shell Building
- Continental Pickett’s Line Road
- Lakeview Parkway, Suffolk
- What Was New In 2004?
- Stihl, International Parkway, Virginia Beach
- Pro-Pak, Taylor Farm Road, Virginia Beach
Taylor Farm Industrial Development

SARA LEE EXPANSION

What’s New for 2005?

Triumph Industrial Center, Suffolk

BRIDGEWAY COMMERCE PARK

Maersk Grows in Portsmouth
Hampton Roads from a Regional and a National Comparison

Old Dominion University
Hampton Roads Real Estate Market Review and Forecast
Retail Market
Presented by
Blount Hunter
H. Blount Hunter
Retail & Real Estate Research Co.

RETAIL SALES GROWTH

- Southside: Expect to surpass $10.0 Billion
- Peninsula: Approaching $4.5 Billion
- Steady increases during military deployment—very different from Gulf War experience in early 1990s
- 2004: “Market caught its breath”
- 2005-2006: significant new development
RETAIL OVERVIEW

• 46 million SF GLA (shopping centers)
• 30 million SF Southside (65 percent)
• 16 million SF Peninsula (35 percent)
✓ Square footage and population are “balanced” within region
✓ Region has 29 SF per capita compared to national average of 22 SF

MARKET DYNAMICS

✓ CONSTRUCTION: DOWN
✓ NEW TENANTS: DOWN
✓ ABSORPTION: DOWN
✓ BIG BOX VACANCY: DOWN
✓ OCCUPANCY: UP
✓ RENT: UP

AVERAGE RENT

NEW CONSTRUCTION

SPACE ABSORPTION

VACANCY RATE
**VACANCY BY PRODUCT TYPE**

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>0.06</td>
<td>0.07</td>
<td>0.10</td>
<td>0.13</td>
<td>0.14</td>
<td>0.15</td>
<td>0.13</td>
<td>0.10</td>
</tr>
</tbody>
</table>

**“BIG BOX” VACANCY**

- 2.6 million SF “Big Box” vacancy
- 61 percent of total retail vacancy
- *Disproportionate problem on Peninsula*
  - 43 percent of “big box” vacancy is on Peninsula
  - 69 percent of Peninsula’s vacancy is in “big boxes”
- *Reflects 30 percent drop in vacancy from 2003*
- Absorption: re-leasing and re-use

**“BIG BOX” VACANCY**

**NOTABLE SALES IN 2004**

- Greenbrier Mall sold (again) for $102 million or the equivalent of $115 PSF
- Smaller centers throughout the market generally sold for $70 - $95 PSF

**“SWEET SPOTS”**

“Sweet Spots” exist throughout the region:
- Williamsburg
- Northern Newport News
- Coliseum Central
- Northern Suffolk/Isle of Wight/Route 17
- Pembroke/Town Center
- Victory Crossing/Midtown in Portsmouth
- Downtown Norfolk/Ghent
- Greenbrier

**“EYE ON THE MARKET”**

- Nationally and locally, department stores will be under pressure to perform
- More regional shopping centers will add non-traditional uses and anchors to increase their appeal
- “Lifestyle centers” continue to be the *project du jour*; strong co-tenancy of retailers, restaurants, and entertainment is critical for success
“EYE ON THE MARKET”

→ Suffolk doesn’t have an emerging “central place” for shopping center development
→ Williamsburg is getting broader retail offering—just not in mall format
→ “Workhorse” retail areas such as Janaf and Coliseum are being overlooked despite strong sales and new investments
→ Town Center’s challenge is to become more than a restaurant park

“EYE ON THE MARKET”

• Lord & Taylor’s departure provides good merchandising opportunity for Lynnhaven
• MacArthur Center’s sales continue to rise—opportunities exist for enhanced tenant quality and “third anchor”
• Northern Newport News will soon surpass Greenbrier as region’s highest density retail node

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