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

Presented by:
The Center for Real Estate and Economic Development

Retail Market
Presented by
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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

<table>
<thead>
<tr>
<th>Southside</th>
<th>Peninsula</th>
</tr>
</thead>
<tbody>
<tr>
<td>$13.46</td>
<td>$13.88</td>
</tr>
<tr>
<td>$13.18</td>
<td>$13.36</td>
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</tbody>
</table>

### New Construction

<table>
<thead>
<tr>
<th>Southside</th>
<th>Peninsula</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>419,500</td>
<td>271,600</td>
<td>749,000</td>
</tr>
<tr>
<td>330,000</td>
<td>185,000</td>
<td>515,000</td>
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</tbody>
</table>

### Space Absorption

<table>
<thead>
<tr>
<th>Southside</th>
<th>Peninsula</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>419,100</td>
<td>341,700</td>
<td>840,800</td>
</tr>
<tr>
<td>412,000</td>
<td>84,000</td>
<td>496,000</td>
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</table>

### Vacancy Rate

<table>
<thead>
<tr>
<th>Southside</th>
<th>Peninsula</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.105</td>
<td>0.089</td>
<td>0.119</td>
</tr>
<tr>
<td>0.126</td>
<td>0.104</td>
<td>0.119</td>
</tr>
<tr>
<td>0.094</td>
<td>0.094</td>
<td>0.094</td>
</tr>
</tbody>
</table>

### Vacancy by Product Type

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

### "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