Office Market Review

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2014 Year in Review

- Total inventory: 39.5 million r.s.f.
- Absorption: 205,000 r.s.f
- Vacancy: 11.6%
- Average rental rate:
  - Class A: $21.08 / r.s.f.
  - Class B: $15.62 / r.s.f.

Source: CoStar data for all Hampton Roads office buildings of all classes.
## Market comparison

<table>
<thead>
<tr>
<th></th>
<th>Hampton Roads</th>
<th>Metro Richmond</th>
<th>Raleigh / Durham</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory</td>
<td>23,375,569</td>
<td>21,955,035</td>
<td>50,270,956</td>
</tr>
<tr>
<td>Vacancy</td>
<td>16.0%</td>
<td>13.9%</td>
<td>12.7%</td>
</tr>
<tr>
<td>Average rent</td>
<td>$17.47</td>
<td>$18.65</td>
<td>$20.60</td>
</tr>
</tbody>
</table>

Sources: Hampton Roads – CoStar data applied to the CREED multi-tenant inventory set; Richmond – CoStar data for a similarly selected set of Class A and Class B multi-tenant buildings with 20,000 or more square feet; Raleigh-Durham – CoStar data for all Class A and Class B office buildings, with medical and owner-occupied buildings excluded.
2014 #1 Office Lease
Parkway Center – 44,650 s.f.
521 Butler Farm Road, Hampton

Tenant: Ferguson Enterprises
Clark Baldwin – HLCRE

Landlord: Liberty Property Trust
Jay Joseph – HLCRE
2014 #2 Office Lease

The Claiborne Building – 19,800 s.f.
Peninsula Town Center, Hampton

Tenant:  Faneuil, Inc.
Self represented

Landlord:  Tabani
Karen Beale – Divaris
2014 #3 Office Lease

4601 Columbus Street – 19,000 s.f.
Town Center of Virginia Beach

Tenant: USI
John Duffy, C&W / Thalhimer

Landlord: Armada Hoffler REIT
Krista Costa, Michael Divaris
and Vivian Turok – Divaris
New supply, absorption and vacancy – Class A and Class B

<table>
<thead>
<tr>
<th>Year</th>
<th>New Supply</th>
<th>Absorption</th>
<th>Vacancy</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>675,000</td>
<td>337,500</td>
<td>112,500</td>
</tr>
<tr>
<td>2011</td>
<td>562,500</td>
<td>225,000</td>
<td>112,500</td>
</tr>
<tr>
<td>2012</td>
<td>450,000</td>
<td>337,500</td>
<td>112,500</td>
</tr>
<tr>
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Legend: \(\text{New supply} \quad \text{Absorption} \quad \text{Vacancy}\)
Class A large blocks – 25,000 + s.f.

- Peninsula
- Southside

- 25K-49.9K
- 50K-99.9K
- 100K-199.9K
- 200K+
Trends

Welcome to the home-office world

Virginian-Pilot, January 18, 2015
Trends

• Home offices
• Conversion to residential
• Open, collaborative design
• Walkable, urban environments
2015 Forecast

• Improved occupancy and rent growth

• New construction
  • Convergence V, 50,000 s.f.
  • Harbour View Health Center, 25,000 s.f.
  • Tech Center at Oyster Point

• External capital investment
Thank you