

Commercial Market Review Hampton Roads, VA

Harvey Lindsay Commercial Real Estate

First Quarter, 2010

HAMPTON ROADS, VIRGINIA

Hampton Roads is located in southeastern Virginia, comprised of 15 communities which blend together to create a metropolitan area bursting with economic, cultural, recreational, and educational opportunities and amenities.

North Hampton Roads (the "Peninsula")

The cities of Hampton, Newport News, Poquoson and Williamsburg; and the counties of Gloucester, James City and York.

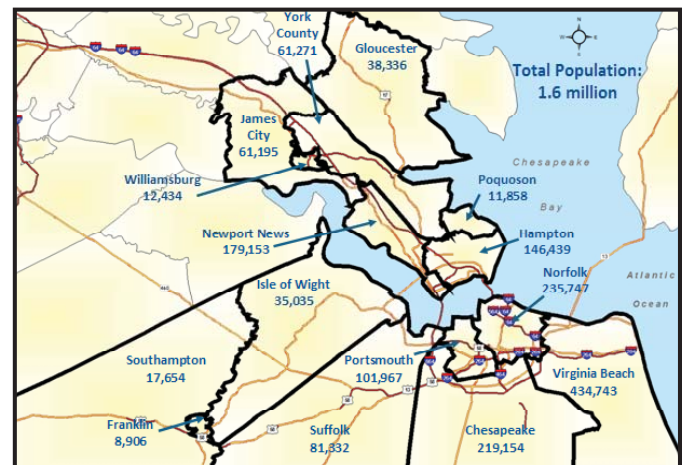
South Hampton Roads

The cities of Chesapeake, Franklin, Norfolk, Portsmouth, Suffolk and Virginia Beach; and the counties of Isle of Wight and Southampton.



HAMPTON ROADS IS:

- The largest Metropolitan Area between Atlanta and Washington, D.C. with 1.6 million people.
- An ice-free, deepwater, unobstructed natural harbor; home to the Port of Virginia and the U.S. Navy.
- Within 750 miles of 75% of the U.S. population.



HARVEY LINDSAY
COMMERCIAL REAL ESTATE

999 Waterside Drive, Suite 1400, Norfolk, Virginia 23510
701 Town Center Drive, Suite 100, Newport News, Virginia 23606
www.harveylindsay.com

Commercial Real Estate

Harvey Lindsay Commercial Real Estate

First Quarter, 2010

REGIONAL ECONOMY

The commercial real estate market in Hampton Roads, Virginia is reasonably stable at the start of 2010. Issues that dominate the headlines have impacted the regional economy. Limited financing options and availability, lower rents, fragile balance sheets and modest to neutral absorption create questions about the pace and time frame for growth. Notwithstanding the macro trends, Hampton Roads has weathered the great recession with agility, and cautious optimism is in the air for the year ahead.

The Old Dominion University Forecasting Team made the following predictions for 2010:

Real Gross Regional Product	+2.4%
Civilian Employment	-0.2%
Unemployment (civilian labor force)	6.8%
Taxable Retail Sales	+1.9%
Tourism (hotel room revenue)	+1.2%
Port-general cargo tonnage	+6.3%
Housing (value of single family housing permits)	+7.4%

The backbone of the regional economy is the U.S. Military. The 2009 State of the Region report from the ODU Regional Studies Institute, reported that 45% of the regional domestic product is directly and indirectly related to the military. The Port is the next largest economic driver. Hampton Roads is home to the Virginia Port Authority and three state owned terminals. APM Terminals opened the most technologically advanced container terminal in the world in Hampton Roads in 2007. The development of Craney Island Terminal, which will be the largest terminal in the harbor, began in 2009 and is projected to open between 2019 and 2021. Tourism is a significant component of the regional economy. From Historic Williamsburg to Downtown Norfolk, to the Atlantic Ocean and Virginia Beach, the region is rich in recreational and cultural venues. An exciting industry the region is growing is in the dynamic and important area of Modeling and Simulation. Post graduate and undergraduate degrees are available at higher education institutions and community colleges, developing a work force for the future.

Commercial Real Estate

Harvey Lindsay Commercial Real Estate

First Quarter, 2010

INDUSTRIAL MARKET

The commercial real estate market is analyzed by product sector. **This report will provide year end data for the Industrial, Office, and Retail sectors of Hampton Roads.**

The data in this report was derived from the Year End 2009 Hampton Roads market reports from CoStar Group, Inc.

2009 Year End Industrial Market Statistics

Market	Inventory	Vacancy	Absorption	Deliveries	U/C	Rates
North HR	29,567,000	7.7%	1,248,800	800,000	46,500	\$4.95
South HR	74,194,000	12.1%	(1,318,400)	246,000	69,000	\$5.69
Total HR	103,761,000	10.3%	(69,600)	1,046,000	115,500	\$5.48

The traditional industrial market of properties less than 25,000 sf, with ceiling heights at or below 24', is quite healthy. The vacancy rate in these properties will be less than the overall market. The high bay industrial market, comprised largely of new buildings of 300,000 sf and larger with ceiling heights 30' and higher are making slow progress in leasing. The most significant expansion in 2009 was the 700,000 sf manufacturing facility developed by Canon, bringing over 500 jobs to the region. Several large transactions were closed in the fourth quarter of 2009; the Ford Assembly Plant in Norfolk is under contract to Jacoby Development; and the Port is projecting growth of 6% in the year ahead. With minimal new construction activity, 2010 should be a year with positive absorption and stable and increasing rents.



HARVEY LINDSAY
COMMERCIAL REAL ESTATE

Commercial Real Estate

Harvey Lindsay Commercial Real Estate

First Quarter, 2010

OFFICE MARKET

2009 Year End Office Market Statistics

Market	Inventory	Vacancy	Absorption	Deliveries	U/C	Rates
North HR	13,482,000	11.4%	276,700	545,300	28,300	\$18.97
South HR	30,963,500	10.9%	(174,500)	301,500	543,600	\$17.71
Total HR	44,445,500	11.1%	102,200	846,800	571,900	\$18.22

The growing impact of the 'Town Center' development trend was evident in new office deliveries in 2009. Buildings opened in City Center at Oyster Point, Peninsula Town Center, and Virginia Beach Town Center. The lack of financing in the commercial market led to the postponement or cancellation of projects previously expected to add 500,000 sf to the office market in 2010. Opening of the 250,000+ sf Wells Fargo Center will have a significant impact on Downtown Norfolk. It represents the first 'transit oriented development' for the region, situated on the light rail line (service to start in May 2011). It will create several large blocks of space availability in new and existing properties. Vacancy will likely peak around 15% and many tenants will negotiate new terms in this competitive environment. Negative absorption in South Hampton Roads was largely felt in Downtown Norfolk as a result of business failures and consolidation and in Central Norfolk with the downsizing of USAA. Absorption was greatest in the Coliseum Central and Oyster Point submarkets. 2010 is expected to bring positive absorption, stable rents, and modest construction activity.



HARVEY LINDSAY
COMMERCIAL REAL ESTATE

Commercial Real Estate

Harvey Lindsay Commercial Real Estate

First Quarter, 2010

RETAIL MARKET

2009 Year End Retail Market Statistics

Market	Inventory	Vacancy	Absorption	U/C	Rates
North HR	33,585,500	7.0%	592,000	23,000	\$14.55
South HR	66,386,400	6.8%	(385,800)	79,800	\$14.11
Total HR	99,971,900	6.8%	206,200	102,800	\$14.26

The retail market is often amazing in its resilience. The relatively low unemployment rate in the region of 6.8% at year end and the stability of military spending have contributed to the surprisingly low vacancy rate. hhgregg entered the regional market in 2009 and Peninsula Town Center, a 500,000 sf+ mixed use project, featured the opening of Target and Barnes and Noble. The statistics noted above include shopping centers, power centers, general commercial properties, specialty centers and malls. The ODU forecast predicts growth in retail sales of approximately 2% in 2010. With minimal space under construction, the retail market will see continued pressure on rents as the consumer price point stays focused on value options.

The commercial real estate market in Hampton Roads, like any region, is a byproduct of the health of the overall regional economy and the economic drivers that create growth. Virginia was voted the Best State for Business by Forbes again in 2009; workers compensation rates are 47% below the national average; and, the corporate income tax rate of 6% has not been increased since 1972. The diversity of the Hampton Roads region is represented by 180 international firms representing 27 countries. The Brookings Institute ranked Hampton Roads in the top 20 regions for economic performance in December, 2009. And, the Boyd Company ranked Hampton Roads the third least expensive metro area for corporate headquarters. New transportation projects underway or projected to start in 2010 include a new Jordan Bridge, a new Gilmerton Bridge, expansion of the Midtown Tunnel, a starter light rail line and the I-564 connector in Norfolk.



HARVEY LINDSAY
COMMERCIAL REAL ESTATE

Commercial Real Estate

Harvey Lindsay Commercial Real Estate

First Quarter, 2010

COMPANY PROFILE

Harvey Lindsay Commercial Real Estate has been a leader in the marketing and development of commercial real estate in the Hampton Roads region for more than 70 years. Our firm provides a full range of leasing, sales, asset management and property management services to a diverse client list which includes major financial institutions, national property owners, and more regional and local owners and users of commercial property.

Our Philosophy

Our mission statement clearly defines who we are at Harvey Lindsay Commercial Real Estate and why we have been successful and enduring.

Mission Statement

Unqualified integrity and fairness coupled with bold and innovative approaches to real estate marketing that best serves the client's needs.

FEATURED LISTINGS:

FOR LEASE

World Trade Center, 101 W. Main Street, Norfolk, Class A office space, 56,692 Total Sq. Ft. Available
Contact: Deborah K. Stearns or Wes Edwards 640-8700

FOR SALE

Industrial Facility, Fully Modernized 31,500 Sq. Ft. 2 Buildings on 18+ Acres, Wakefield, VA
Contact: William E. King or Chamie Burroughs 640-8700

INVESTMENT OPPORTUNITY

University Suites at Port Warwick, Newport News, VA, Multifamily 100 Units with 314 BR's
Contact: Matt Leffler or Clark Baldwin 873-2020

For more information on the Market Review, please contact:

Deborah K. Stearns, CPM, SIOR
Senior Vice President
Harvey Lindsay Commercial Real Estate
999 Waterside Drive, Suite 1400
Norfolk, VA 23510
757 640-8700
deborahstearns@harveylindsay.com

HARVEY LINDSAY
COMMERCIAL REAL ESTATE
